13 August 2018

Contact Energy Limited – 2018 Full Year Results

Please find attached the following documents relating to Contact Energy Limited's (Contact) full year results for the year ended 30 June 2018.

(a) NZX Appendix 1
(b) Media Release
(c) NZX Appendix 7 Dividend declaration
(d) 2018 Full Year Results Presentation

The 2018 Annual Report is being loaded separately on ASX online and will be available on Contact's website https://contact.co.nz/AboutUs/Investor-Centre.

Dividend information filed on Appendix 3A.1 will follow.

ENDS

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Contact Energy Limited		
Results for announcement to the market		
Basis of Report	Audited	
Reporting Period	12 months to 30 June 2018	
Previous Reporting Period[1]	12 months to 30 June 2017	
	Amount ($m)	Percentage change
Operating Revenue and Other Income	2,283	9.8%
Earnings Before Net Interest Expense, Tax, Depreciation, Amortisation, Change in Fair Value of Financial Instruments and Other Significant Items (EBITDAF)	481	-4.0%
Profit/(loss) After Tax	132	-12.6%
Underlying Profit[2]	130	-8.5%
Basic Earnings Per Share (Cents)	18.4	-12.4%
Diluted Earnings Per Share (Cents)	18.4	-12.4%
Underlying Profit Per Share (Cents)[2] - Basic	18.1	-9.0%
Net Tangible Assets Per Share (Dollars)	4.48	-2.6%

Distribution	Equivalent amount per security	Imputed amount per security
Cash dividend	$0.19	$0.03

Record Date	30 August 2018
Dividend Payment Date	18 September 2018

Comments:	Figures above are the combined result and position for the continuing operations and discontinued operation. 1. The previous reporting period has been restated for the adoption of NZ IFRS 15 *Revenue from Contracts with Customers* and NZ IFRS 16 *Leases*. 2. Underlying Profit and Underlying Profit per Share exclude significant items that do not reflect the ongoing performance of the Group. This is a non-statutory measure.

Attachments:

- Audited Financial Statements for the year ended 30 June 2018
- KPMG Audit Report
- NZX Appendix 7
- Media Release
- Investor Presentation

MEDIA RELEASE

Monday, 13 August 2018

Relentless focus on cost efficiency offsets headwinds in wholesale markets to leave operating free cash flow stable; distributions to shareholders rise

Highlights

	Year ended 30 June 2018	Comparison against FY17[3]
EBITDAF[1]	$481m	down 4% from $501m
Profit	$132m	down 13% from $151m
Earnings per share (cents)	18.4 cps	down 12% from 21.0 cps
Underlying profit[1]	$130m	down 9% from $142m
Underlying profit per share (cents)	18.1 cps	down 9% from 19.9 cps
Declared dividend (cents)	32.0 cps	up 23% from 26.0 cps
Operating free cash flow[2]	$301m	down 1% from $305m
Operating free cash flow per share (cents)[2]	42.0 cps	down 1% from $42.6 cps
Capital expenditure (accounting)	$69m	down 32% from $102m

- Cost efficiency programme delivering, with cash spent on stay in business capital projects down by $38 million (33%) and a $20 million (8%) reduction in ongoing other operating costs
- Conditional agreements reached for the sale of the Ahuroa gas storage (AGS) facility for $200 million and the sale of the Rockgas LPG business for $260 million.
- Strong operating free cash flow saw Contact strengthen the balance sheet, with a cash reduction in borrowings of $99 million, while at the same time increasing returns to shareholders with the full year dividend up 23%, to 32 cents per share (FY17 26 cents per share) which will be fully imputed for New Zealand based shareholders.

Putting our energy where it matters

Contact's strategy remains to optimise the Customer and Generation businesses to deliver strong cash flows for distribution to shareholders. The strategy is underpinned by a disciplined and transparent approach to operating and capital expenditure.

"Despite a testing operating environment which included a second successive year of below average hydro inflows and a continuation of the intense retail competition with an ever growing number of start-ups and reinvigorated incumbents, Contact showed strong financial discipline to deliver operating free cash flow of $301 million despite lower operating earnings by reducing operating costs and stay in business capital expenditure by $58 million", said Dennis Barnes, Contact's Chief Executive.

[1] Refer to slides 50-53 of the 2018 Full year results presentation for a definition and reconciliation between statutory profit and the non-GAAP profit measures earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items (EBITDAF) and underlying profit (profit excluding significant items that do not reflect Contact's ongoing performance).
[2] Refer to slide 29 of the 2018 Full year results presentation for a definition and reconciliation between cash flow from operating activities and the non-GAAP measure operating free cash flow. Operating free cash flow represents cash available to repay debt, to fund distributions to shareholders and growth capital expenditure.
[3] Contact has elected to early adopt *NZ IFRS 15 Revenue from Contracts with Customers* ('revenue standard') and *NZ IFRS 16 Leases* ('leases standard') for the year ended 30 June 2018. Both standards have been applied retrospectively, which has resulted in the restatement and/or reclassification of comparatives to conform to the current period's classification. Refer to slide 54 of the 2018 Full year results presentation for a reconciliation of the changes to the prior period as a result of the adoption of the new accounting standards.

Contact reported a statutory profit for the year ended 30 June 2018 of $132 million, $19 million lower than the prior corresponding period as EBITDAF fell by $20 million, or 4%, to $481 million. Operational improvements resulted in a sustainable reduction in operating costs of $20 million, 8% down on the prior comparative period. Operating free cash flow remained strong at $301 million, down 1% on FY17.

“In the last year we also announced two significant transactions, they stand out as key enablers to accelerate the delivery of our strategy - the sale of the AGS facility, and the sale of the Rockgas LPG business. Although on face value they seem like simple disposals at a fair price, they build significant flexibility into our business. With AGS we retain access to long-term gas storage services to meet our flexible thermal generation requirements without the need to own and operate a gas storage asset. Similarly, the Rockgas sale frees Contact from the fulfilment aspects of the LPG business while still being able to sell the product to our mass market customers which we know is something they value. The sales proceeds will be applied to debt, strengthening our balance sheet”, said Mr Barnes.

Contact’s quality generation assets and lean, low cost operations provide the Board confidence in the sustainability of Contact’s cash flow generation which allowed for the FY18 full year dividend to be increased by 23% to 32 cents per share, compared to 26 cents per share for FY17. The final dividend of 19 cents per share will be fully imputed for New Zealand based shareholders.

Connecting with our customers

Contact’s Customer business continues to reduce the cost to serve while improving the customer experience.

“Our Customer business aspires to be a high-performing, efficient retailer with the lowest cost to serve and best customer experience of the tier 1 retailers in New Zealand, and we are beginning to see good evidence of progress with stronger customer advocacy and lower churn”, said Mr Barnes.

Customer experience improvements saw a final quarter Net Promoter Score of +20, up 25% on the prior comparative period while operational efficiencies led to an 11% reduction in the cost to serve customers. This has contributed to customer churn being 1.3 percentage points below the market average and marginally improved mass market electricity and gas earnings.

Despite the operational improvements in mass market retailing, the Customer business result was impacted by market headwinds. In particular, increased competition in the Commercial and Industrial electricity segment reduced retail margins, and rising oil prices increased the cost of LPG which was not fully passed through to customers. Customer EBITDAF fell by $9 million to $109 million in the year ended 30 June 2018 when compared to the same period a year ago.

“The New Zealand energy market remains highly competitive, and with more retailers competing for attention it is more important than ever that we can distinguish our products and services in the eyes of customers. This has been a key consideration in the launch of our new brand. This is an outward symbol of the effort to transform Contact into a truly customer-centric digital energy company” said Mr Barnes.

Generating for the future

“Our Generation business has the goal to be an innovative, safe and efficient generator working with business customers, partners and suppliers to decarbonise New Zealand’s energy sector. While this will be a multi-year journey, I am encouraged that our continuous improvement programme is starting to deliver sustainable reductions in ongoing operating costs and an improvement in the resource utilisation of our renewable assets. This has resulted in record production from our geothermal power stations in the year and the cash cost of generation which includes both generation operating costs and generation stay in business capital expenditure down by $20m", said Mr Barnes.

Generation EBITDAF fell by $13 million to $372 million in the twelve months to 30 June 2017 when compared to the same period a year ago, primarily as a result of ASX earnings volatility with the sudden hydrological swings. Contact also completed the claims settlement process in relation to construction contracts for the Te Mihi power station in FY18 which saw a reduction in year-on-year earnings.

"A key focus for the business is to support further decarbonisation of New Zealand's energy sector. To achieve this we will need to work with partners and suppliers to assist the conversion of business customers with a high carbon footprint to renewable energy. Contact has the largest Commercial and Industrial customer base and is best placed to lead this transition. To ensure we can execute on this opportunity we have moved the Commercial and Industrial team into a new look Generation business, to be named Wholesale. This will enable demand-backed development of our consented geothermal resources, in preparation we are working hard to reduce the cost of our consented renewable development options. While the market fundamentals don't currently support new renewable investment, it is something we will be ready for, especially as New Zealand looks to achieve its carbon reduction ambitions", said Mr Barnes.

Looking forward

"The year ahead will see accelerated digital transformation in our lean Customer business and clear progress in efforts to decarbonise New Zealand's energy sector.

Our new brand along with new customer inspired products and services and our low cost operations provide us with the platform to adapt to the evolving needs of our customers. Divesting Rockgas and transferring the Commercial and Industrial team to the new Wholesale business will also enable greater focus to accelerate the delivery of digitally led mass market customer experience improvements and continue to lower cost to serve and grow demand for renewable electricity.

Focusing on our core areas of advantage will be key to succeed in today's markets and allow us to participate in those that are only just starting to emerge. For now the focus remains on the reduction of controllable costs, simplification of the organisation and asset portfolio and seeking opportunities to deliver value from scale efficiencies. This allows for increasing distributions to shareholders with Contact to target a FY19 full year dividend of 35 cents per share (up 9% on FY18)", said Mr Barnes

ENDS

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Media enquiries: Jason Krupp +64 21 701 898

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Number of pages including this one (Please provide any other relevant details on additional pages)

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Full name of Issuer: Contact Energy Limited

Name of officer authorised to make this notice: Dennis Barnes - Chief Executive Officer

Authority for event, e.g. Directors' resolution: Directors' Resolution

Contact phone number: + 64 4 499 4001

Contact fax number: +64 4 499 4003

Date: 13 / 8 / 2018

Nature of event
Tick as appropriate

Bonus Issue ☐ *If ticked, state whether:* *Taxable* ☐ */ Non Taxable* ☐ *Conversion* ☐ *Interest* ☐ *Rights Issue Renouncable* ☐

Rights Issue non-renouncable ☐ Capital change ☐ Call ☐ Dividend ☒ If ticked, state whether: Interim ☐ Full Year ☒ Special ☐ DRP Applies ☐

EXISTING securities affected by this

If more than one security is affected by the event, use a separate form.

Description of the class of securities: Ordinary Shares (716,286,570)

ISIN: NZCENE0001S6
If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities:

ISIN:
If unknown, contact NZX

Number of Securities to be issued following event:

Minimum Entitlement:

Ratio, e.g 1 for 2: for

Conversion, Maturity, Call Payable or Exercise Date:
Enter N/A if not applicable

Treatment of Fractions:

Tick if pari passu ☐ *OR provide an explanation of the ranking*:

Strike price per security for any issue in lieu or date Strike Price available.

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income): $0.19

Source of Payment:

Excluded income per security (only applicable to listed PIEs): Not Applicable

Currency: NZD

Supplementary dividend details - NZSX Listing Rule 7.12.7
Amount per security in dollars and cents: $0.033529
Date Payable: 18 September, 2018

Total monies: $136,094,448

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price: $

Resident Withholding Tax: $0.013194

Imputation Credits (Give details): $0.073889

Foreign Withholding Tax: $0.000000

FDP Credits (Give details): $0.000000

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm
For calculation of entitlements -: 30 August, 2018

Application Date
Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date.: 18 September, 2018

Notice Date
Entitlement letters, call notices, conversion notices mailed: Not Applicable

Allotment Date
For the issue of new securities. Must be within 5 business days of application closing date.: Not Applicable

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:

contact

2018 Full Year Results Presentation

You’ll notice we look a little different…

We are adapting to new technologies, services and ways of doing things inspired by the changing needs of our customers

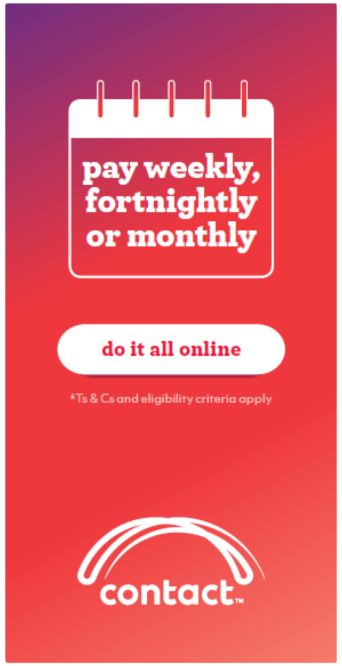
- The Contact brand needed to change to better reflect the type of energy and service company we’ve become
- The arc symbolises the energy that connects us and surrounds us and our commitment to looking after our customers and our communities

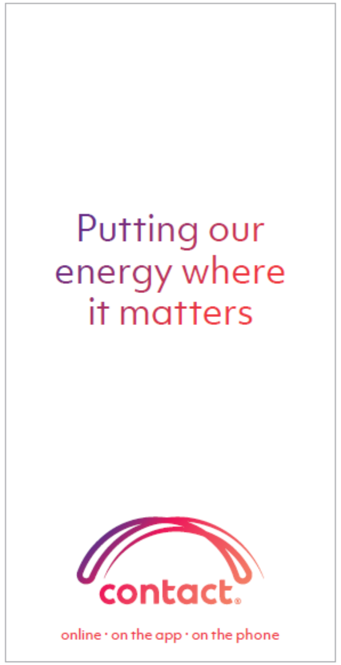
Putting our energy where it matters

New customer inspired products launched - Weekly and fortnightly payment

Customers have been asking us to make bills fit in with their lifestyle rather than the other way around

- 80% of Kiwis get paid weekly or fortnightly
- We're putting our energy where it matters and have found a way to make bills smaller and more regular
- Customers can now align their payments with their income - making power easier to budget for and manage
- It is only the first step in aligning our products with our new identity, watch for more in the coming weeks and months





Disclaimer

This presentation may contain projections or forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties.

Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks.

Although management may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realised.

EBITDAF, underlying profit, free cash flow and operating free cash flow are non-GAAP (generally accepted accounting practice) measures. Information regarding the usefulness, calculation and reconciliation of these measures is provided in the supporting material.

Furthermore, while all reasonable care has been taken in compiling this presentation, Contact accepts no responsibility for any errors or omissions.

This presentation does not constitute investment advice.

Agenda

Despite unfavourable wholesale markets a focus on cost efficiency allows increasing dividends

Summary of key financial performance measures

	Year ended 30 June 2018	Comparison against FY17
EBITDAF[1]	$481m	down 4% from $501m
Profit	$132m	down 13% from $151m
Earnings per share	18.4 cps	down 12% from 21.0 cps
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Capital expenditure (accounting)	$69m	down 32% from $102m

[1] Refer to slides 50-53 for a definition and reconciliation of EBITDAF and underlying profit

[2] Refer to slide 29 for a reconciliation of operating free cash flow

[3] Refer to slide 54 for a reconciliation of the changes to the prior period as a result of the adoption of the new accounting standards

- Contact has elected to early adopt NZ IFRS 15 Revenue from Contracts with Customers ('revenue standard') and NZ IFRS 16 Leases ('leases standard') for the year ended 30 June 2018. Both standards have been applied retrospectively, which has resulted in the restatement and/or reclassification of comparatives to conform with the current period's classification[3].
- Volatile hydrology, competition for large customers and increasing LPG costs negatively impact earnings
- Focus on cash flow by delivering on cost efficiency
  - Operating costs and stay-in business (SIB) cash capital spend down $58m (16%) on FY17. Operating costs and accounting capital spend down by $53m (15%).
  - Achieved in the context of an improving customer experience, increasing customer advocacy and record geothermal production
- Strong progress on the optimisation of the portfolio
  - Sale of Ahuroa gas storage for $200m and sale of Rockgas for $260m. Expected to complete in 1H19 and will see net debt to EBITDAF fall comfortably below 2.8x target

Highlights

Operational performance improves, cash discipline enables increasing dividends

Comparison against FY17

MAINTAINING FINANCIAL DISCIPLINE

Strong cost control with other operating costs down by $20m (8%). Cash spent on SIB capital expenditure down by $38m (33%). $99m cash reduction in borrowings.

+16% Reduction in total cash operating costs and capital spend

ENHANCED CUSTOMER EXPERIENCE

Net promoter score (NPS) for final quarter of FY18 of +20, up from the +15 recorded for the same period in FY17 on the implementation of operational improvements. Below market churn.

+5 Improvement in NPS

SAFE AND ENGAGED EMPLOYEES

Increasing employee engagement with 77% of employees engaged, 9% up on FY17 and 36% up on FY15. Maturing safety culture.

+9% Increase in employee engagement

REWARDING SHAREHOLDERS

FY18 dividend of 32 cents per share, up 6 cents per share on FY17. Target FY19 dividend of 35 cents per share, up 9% on FY18

+23% Increase to the FY18 full year dividend

Market dynamics

South Island hydro generation shortfall replaced by thermal, strong North Island hydro

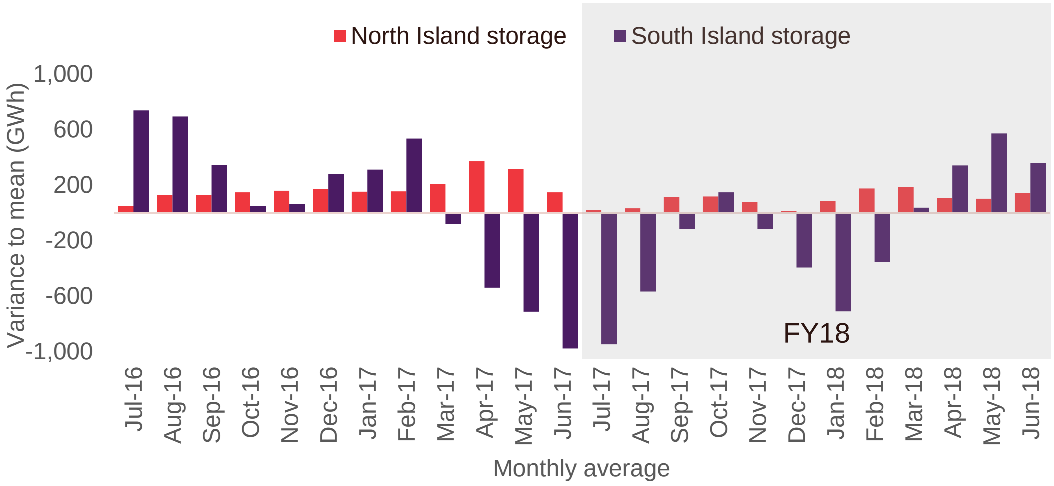
South Island hydro storage was significantly below mean in the first half of the year

» With South Island hydro storage averaging 65% of mean throughout July and August 2017, thermal generation was required to meet demand

» Record North Island inflows supported hydro generation well above long-run averages

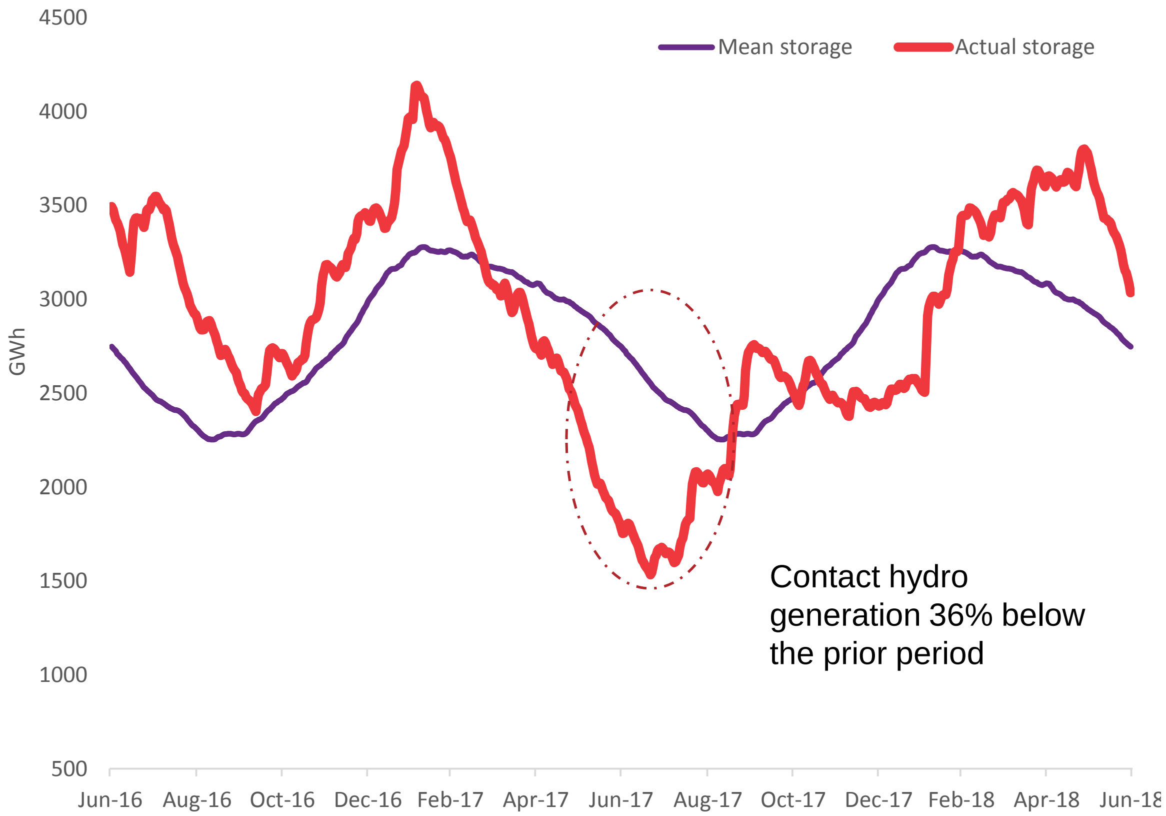
Average monthly storage vs mean by Island

Source: *NZX hydro*



National hydro storage against mean storage

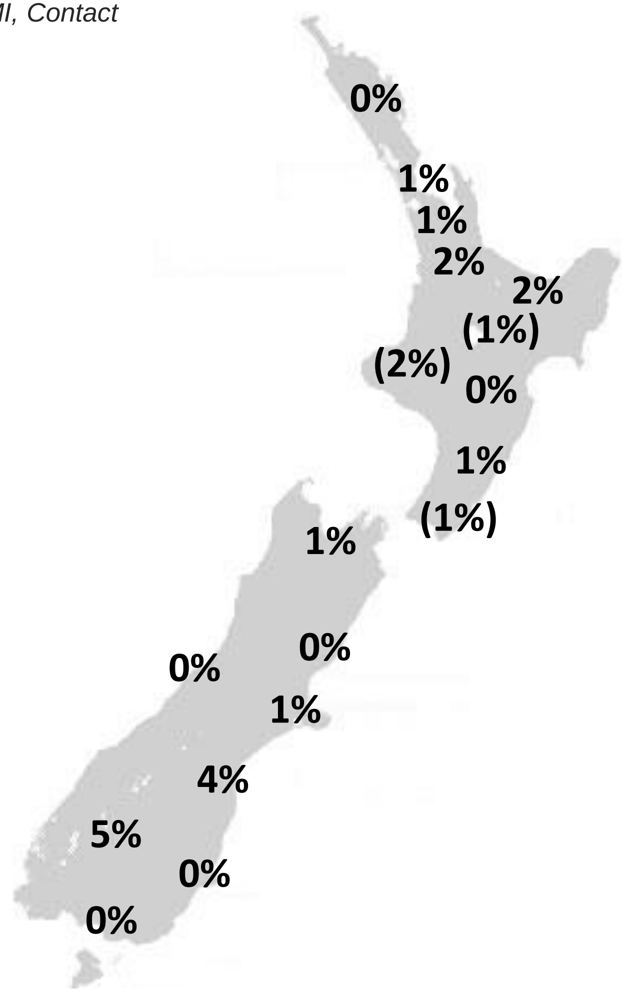
Source: *NZX hydro*



National electricity demand marginally up

Regional demand change (%) FY18 vs FY17

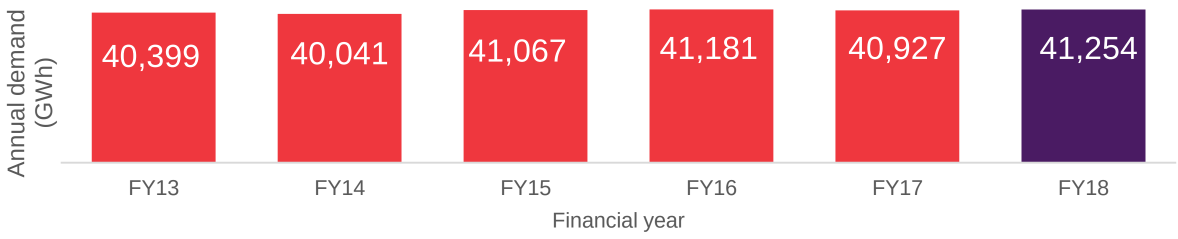
Source: *EMI, Contact*



National electricity demand was up 1% in FY18 compared to FY17

National electricity demand

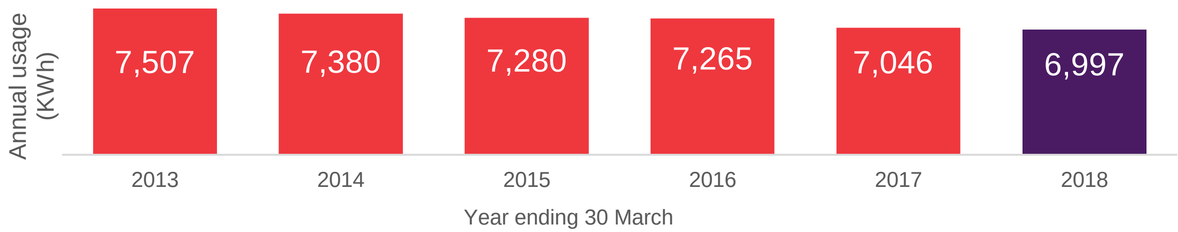
Source: *EMI*



» The announced NZAS recommissioning of the 4th potline will add 1% to national electricity demand once operational

Annual consumption per household (kWh)

Source: *MBIE Quarterly Survey of Domestic Electricity Prices*



» Despite the continued growth in new customer connections, lower residential demand per connection and industrial closures have contributed to flat demand since 2008

Spot electricity prices responded to hydrological volatility and thermal plant outages

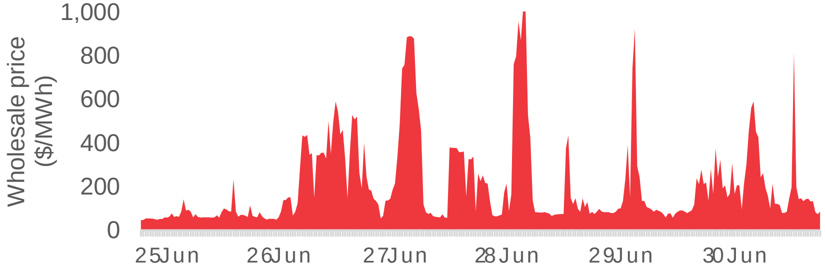
South Island dry periods during Winter 2017 and Summer 2018 impacted short term prices, long dated futures remained stable

» Wholesale electricity prices remained elevated during the dry winter on a combination of low national hydro storage and higher demand during July 2017 (highest since 2011)

» Limited snow pack and thermal plant outages led to elevated wholesale prices during summer

Spot electricity prices – 25 to 30 June 2018

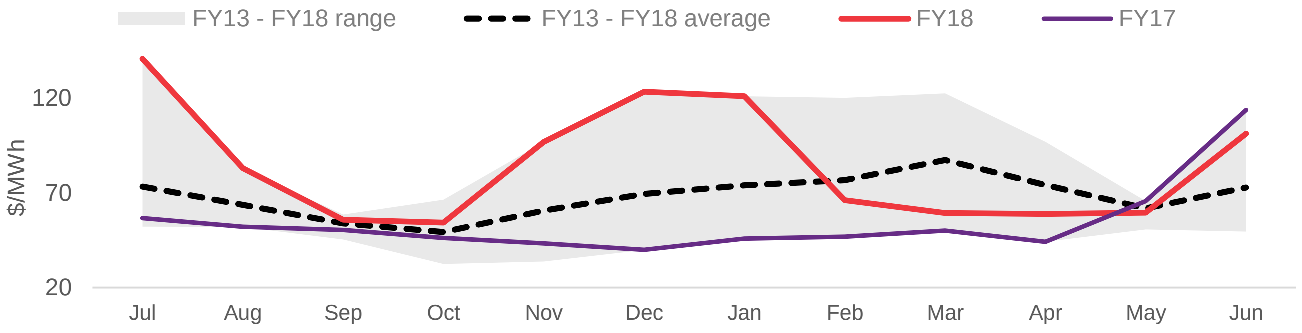
Source: EA – Wholesale energy prices



» Thermal outages and tighter supply demand balance saw increased volatility in peak trading periods at the end of the financial year

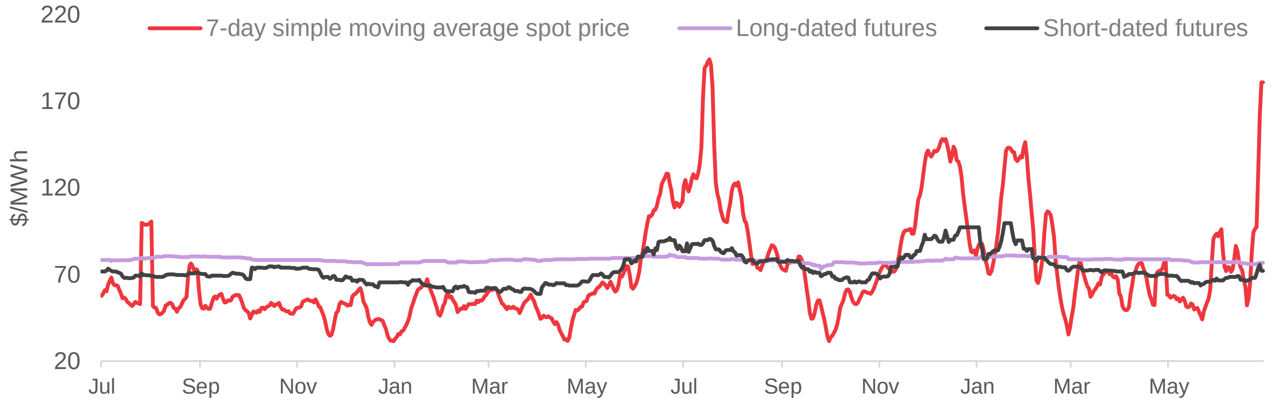
Generation weighted monthly wholesale electricity prices

Source: EA – Wholesale energy prices



Forward price curves

Source: EA – Forward price curves



Competition and energy efficiency continues to reduce the real cost of electricity to households

Network costs rising, energy component falling; real cost to households flat

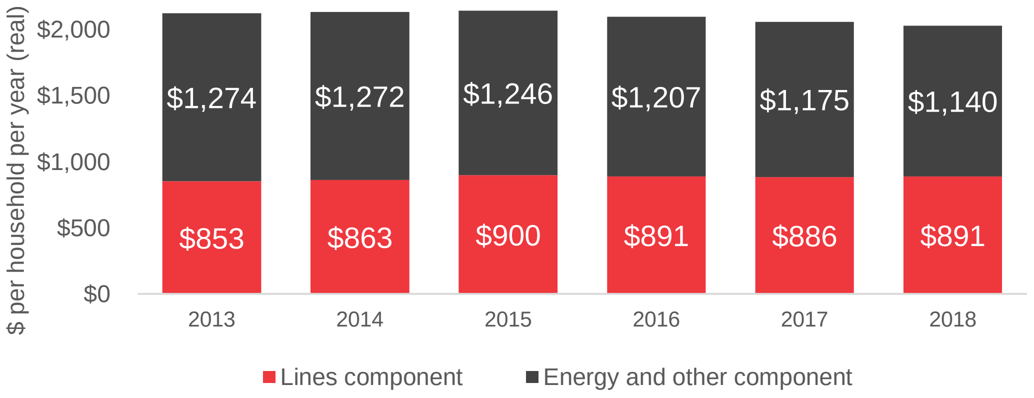
» Residential electricity price increases remain below inflation

  » Residential prices rose by 1.5% for the quarter ended March 2018 (line costs up 5.6% offset by a 1.5% reduction in energy related charges)

» Competition and energy efficiency have seen reducing real electricity expenditure for households

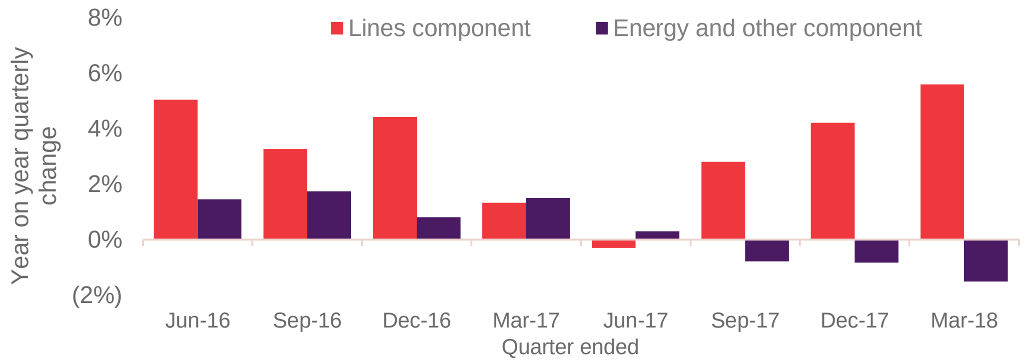
Average real residential expenditure (including GST)

Source: *MBIE quarterly Survey of Domestic Electricity Prices*



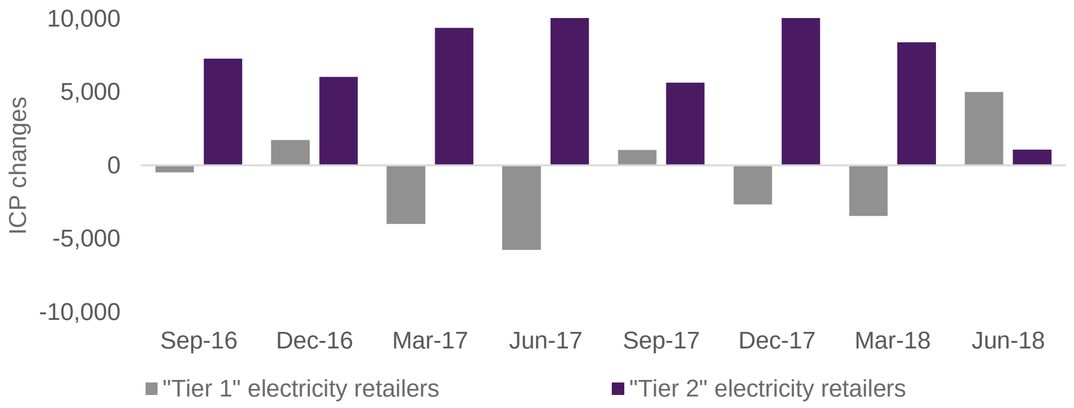
Year on year quarterly change in residential electricity prices

Source: *MBIE Quarterly Survey of Domestic Electricity Prices*



All retailers competing

Source: *EA, ICP market share*



Progress on strategy

Strategy to optimise the Customer and Generation businesses to deliver strong cash flows

Customer

A service and value focussed retailer, connecting customers and communities to smart solutions that make living easier for them now, and in the future

Generation

An innovative, safe and efficient generator working with business customers, partners and suppliers to decarbonise New Zealand's energy sector

Underpinned by a disciplined and transparent approach to operating and capital expenditure while continuing to investigate ways to optimise our portfolio of assets

The Customer business continues to reduce cost to serve while improving the customer experience

NEAR TERM DESCRIPTION OF SUCCESS

High-performing, efficient retailer with the lowest cost to serve and best customer experience of the tier 1 retailers in New Zealand, with an ability to execute consistently

	FY16	FY17	FY18
Employee engagement	36%	53%	79%
Net promoter score (final qtr.)	+3	+15	+20
Churn variance to market (12 mth avg)	at market	0.7% below	1.3% below
Electricity and gas cost to serve	$113m	$110m	$97m
Number of calls	1.1m	1.0m	0.9m
Debt write-offs	$9.3m	$6.6m	$5.5m
Mass market electricity netback	$99.2/MWh	$97.9/MWh	$99.5/MWh

Delivering on our strategy

- » Executing on continuous improvement initiatives
- » Digitising and streamlining highest-priority customer journeys
- » New products and services deliver smart customer solutions
- » Adapting the IT operating model to rapidly respond to customer needs

The Generation business is delivering continuous improvement while enabling decarbonisation

NEAR TERM DESCRIPTION OF SUCCESS

Focus on operational excellence and investment in digital approaches with clear payback to accelerate continuous improvement

	FY16	FY17	FY18
Employee engagement	60%	65%	68%
TRIFR	3.2	3.3	5.2
Cash costs[1]	$214m	$185m	$165m
3 year average forward price	$77.00 / MWh	$77.80 / MWh	$78.60 / MWh
Geothermal and hydro volumes	3,297 GWh 4,090 GWh	3,233 GWh 3,562 GWh	3,323 GWh 3,479 GWh
Plant availability	90%	92%	89%
Cost of energy	$26.71/MWh	$27.61/MWh	$28.00/MWh

[1] Cash cost includes generation operating costs and SIB Capex

Delivering on our strategy

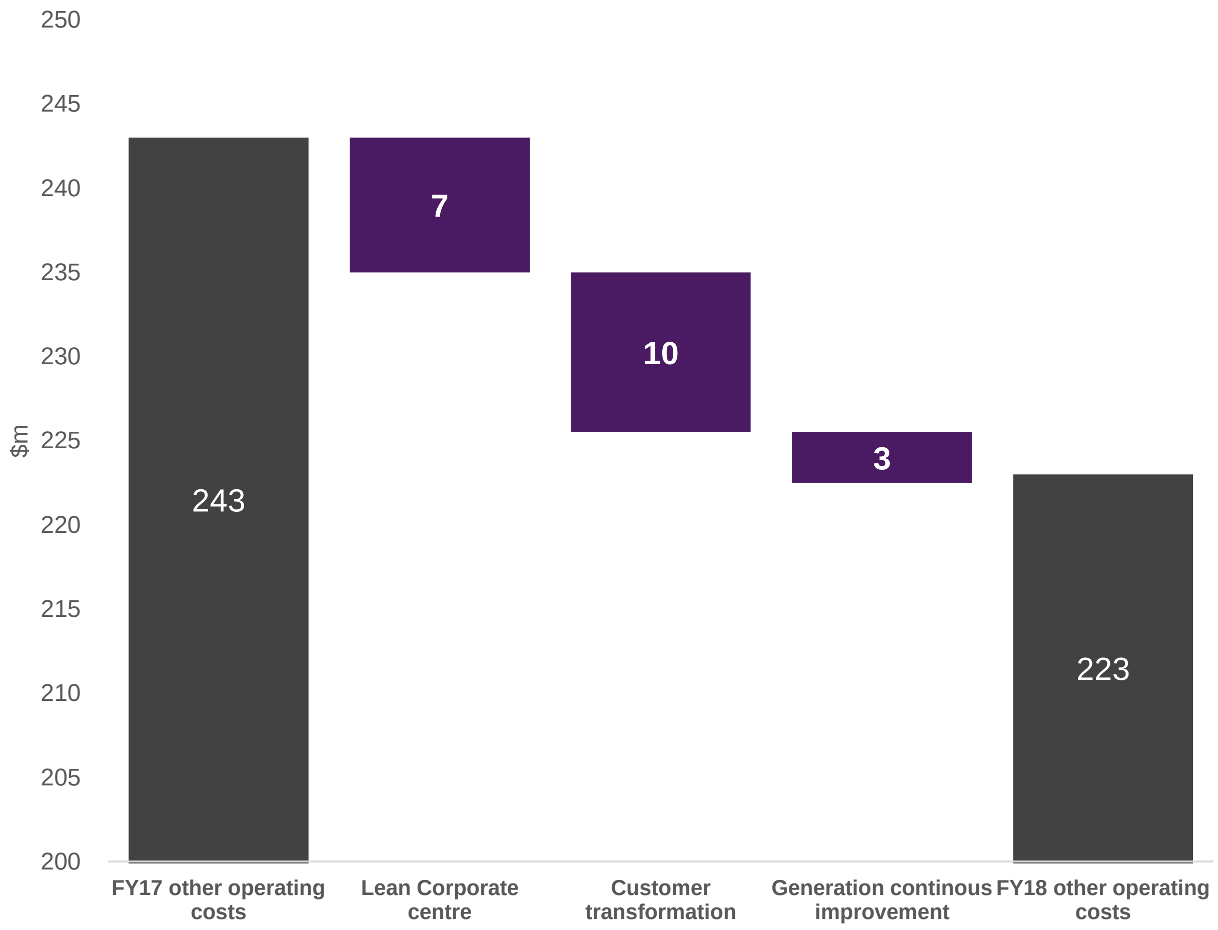
- » Executing on continuous improvement initiatives
- » Geothermal efficiency gains greater than all solar installed in New Zealand
- » Innovating to lead the world in lowering the cost of geothermal energy
- » Initiatives to support further decarbonisation of New Zealand's energy sector

Operational efficiency focus is leading to a sustainable reduction in ongoing operating costs

Continued focus on the controllable aspects of the business led to an 8% reduction in other operating costs

- Leaner corporate centre with aligned support functions and IT programme in line with business requirements. Corporate costs are $7m lower in FY18
    - Corporate labour costs down on reduced FTE ($4m)
    - ICT costs lower after the move to the cloud and efficiency initiatives ($3m)
- Operational gains from the transformation programme in Customer and the execution of continuous improvement initiatives in Generation. Business unit costs are $13m lower.
    - Generation direct costs down by $5m offset by higher labour costs on restructuring ($2m)
    - Customer direct costs down by $10m

FY18 controllable operating cost improvement against FY17



Creating value by optimising the portfolio of assets

Sale of Ahuroa gas storage for $200m

» Contact identified a higher value owner for this long life infrastructure asset. Contact has retained access to competitive long term gas storage services compatible with its requirements for flexible thermal generation. Contact benefits from the committed expansion.

Strategic rationale

1 Monetises unused capacity

» The AGS reservoir is larger than Contact's requirements and is capable of supporting storage services to other customers

2 Sold to a higher value owner (GSNZ)

» GSNZ has a lower cost of capital
» Existing Taranaki operations present operational synergies

3 Reduces gas storage costs

» Committed expansion reduces the cost per unit of storage
» Effective share of operating costs reduce with additional users

4 Independent owner of storage

» Without upstream or downstream interests, the new owner will likely be seen as a more independent counterparty facilitating new users

Sale of Rockgas LPG for $260m

» Divesting Rockgas will enable greater focus and allow for accelerated transformation in the Customer business, ultimately creating value for shareholders

Strategic rationale

1 Preserves dual fuel value

» The marketing alliance allows Contact to continue to offer LPG as part of its product suite. Lower churn benefits retained

2 Monetises scale advantages

» The services agreement will preserve our scale advantage to enhance returns from digital transformation

3 Eliminates commodity exposure

» The sale will eliminate Contact's exposure to the variability in international LPG prices, exchange rates and domestic LPG supply and demand dynamics

4 Strengthens balance sheet

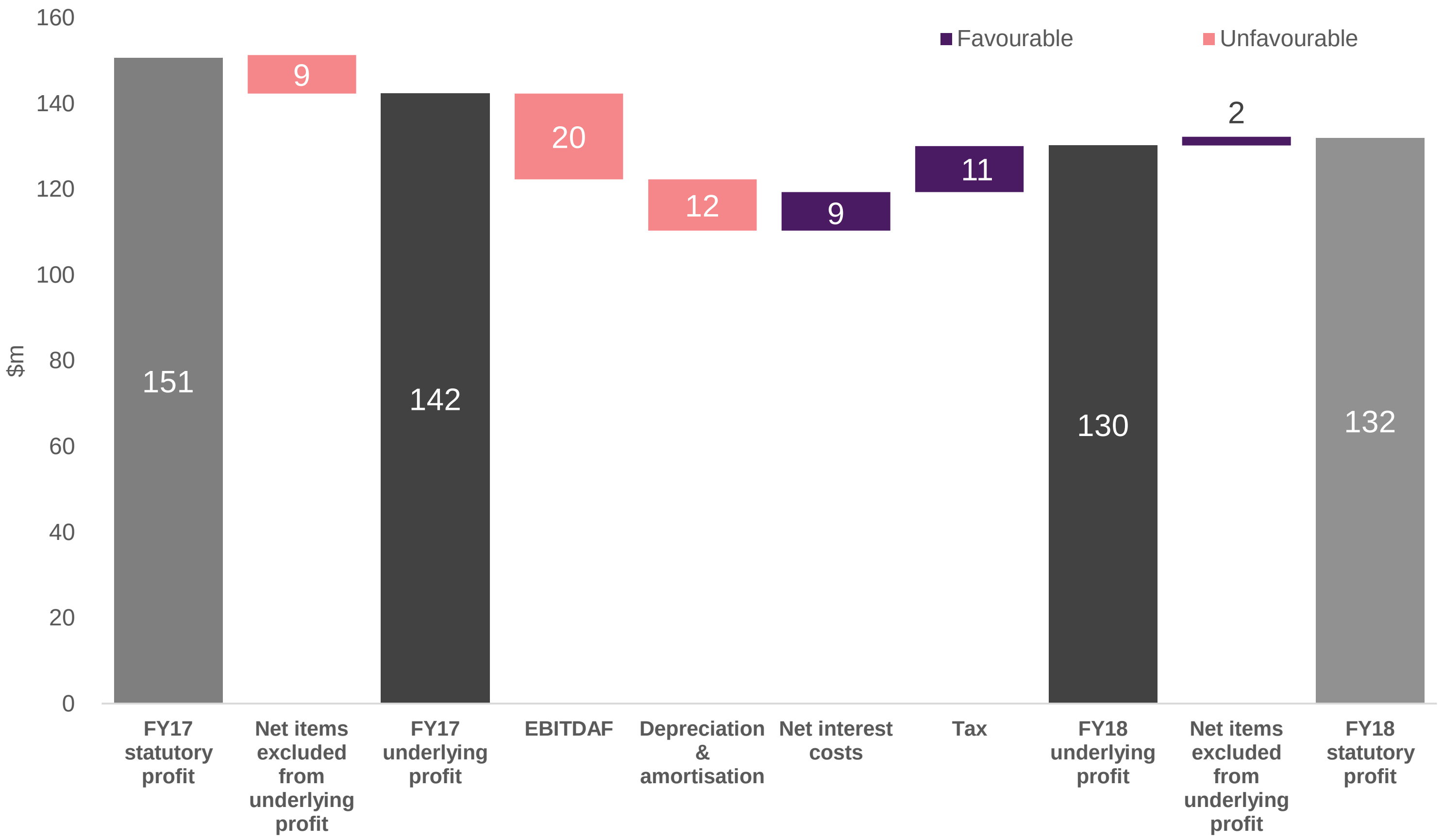
» The sale proceeds will improve our balance sheet strength and facilitate improved distributions to shareholders

Operational and financial performance

Statutory profit of $132m, down $19m on lower operating earnings

Underlying profit down 8% from $142m in FY17 to $130m

Contact's statutory profit



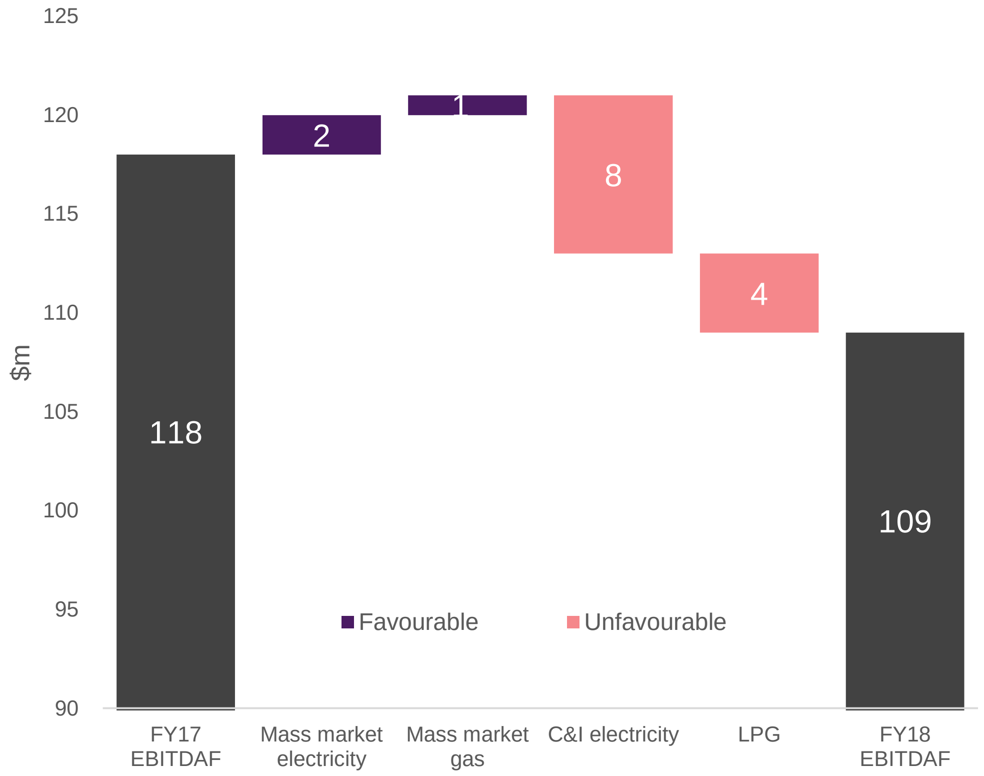
Financial performance compared to FY17

- Underlying profit of $130m, was down by $12m (8%) reflecting:
  - $20m reduction in EBITDAF
  - Depreciation and amortisation up by $12m with a full year of depreciation from the ICT change and transition programme and higher TCC depreciation post the major refurbishment
  - Net interest costs reduced by $9m on marginally lower interest rates and a reduction in average debt over the period
  - Lower tax expense
- The only item excluded from underlying profit in the current period was the increase in the fair value of financial instruments of $2m (net of tax).

EBITDAF down by $20m

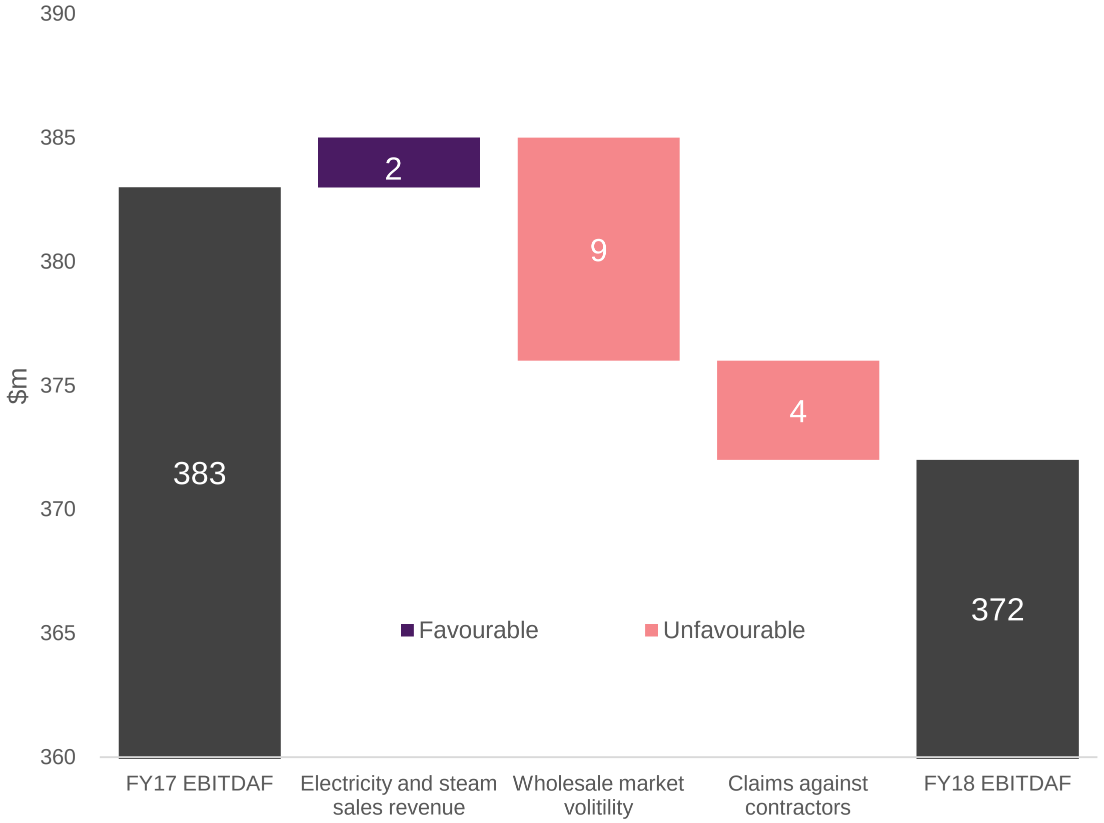
Customer EBITDAF of $109m, $9m lower than FY17

Customer EBITDAF movement on FY17



Generation EBITDAF of $372m, $11m lower than FY17

Generation EBITDAF movement on FY17



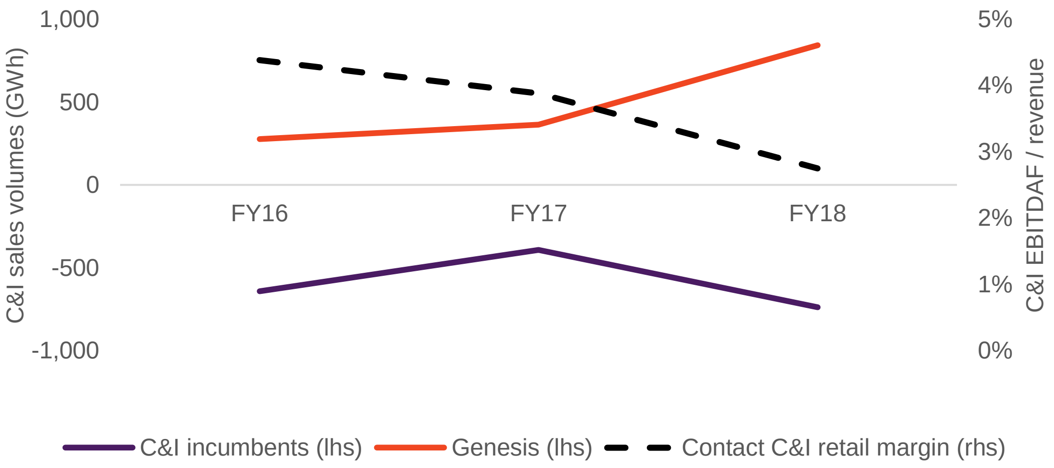
Customer EBITDAF down $9m on increased C&I competition and rising LPG product costs

C&I electricity EBITDAF of $12m, $8m lower than FY17

» Competition for C&I sales has increased, which has led to a reduction in the C&I retail margin above ASX reference from 4.6% in FY16 to 2.8% in FY18

» Contact C&I sales volumes down by 6% with lower re-signs as Contact was unwilling to match the lower prices from competitors

C&I sales volume changes on FY15



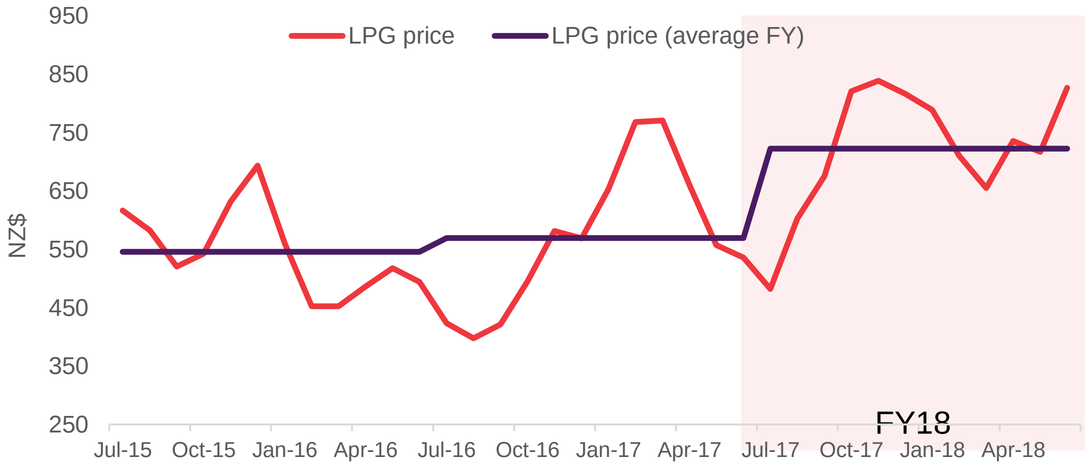
LPG EBITDAF of $32m, $4m lower than FY17

» Contact is not integrated into upstream LPG supply and is exposed to the fluctuations in oil linked commodity prices

» FY18 has seen a sustained and sharp increase to oil linked LPG product costs which are up by $4m (10%). Carbon costs were also $1m higher than FY17

  » LPG price changes were implemented in the year, tariff up 2%, volumes flat

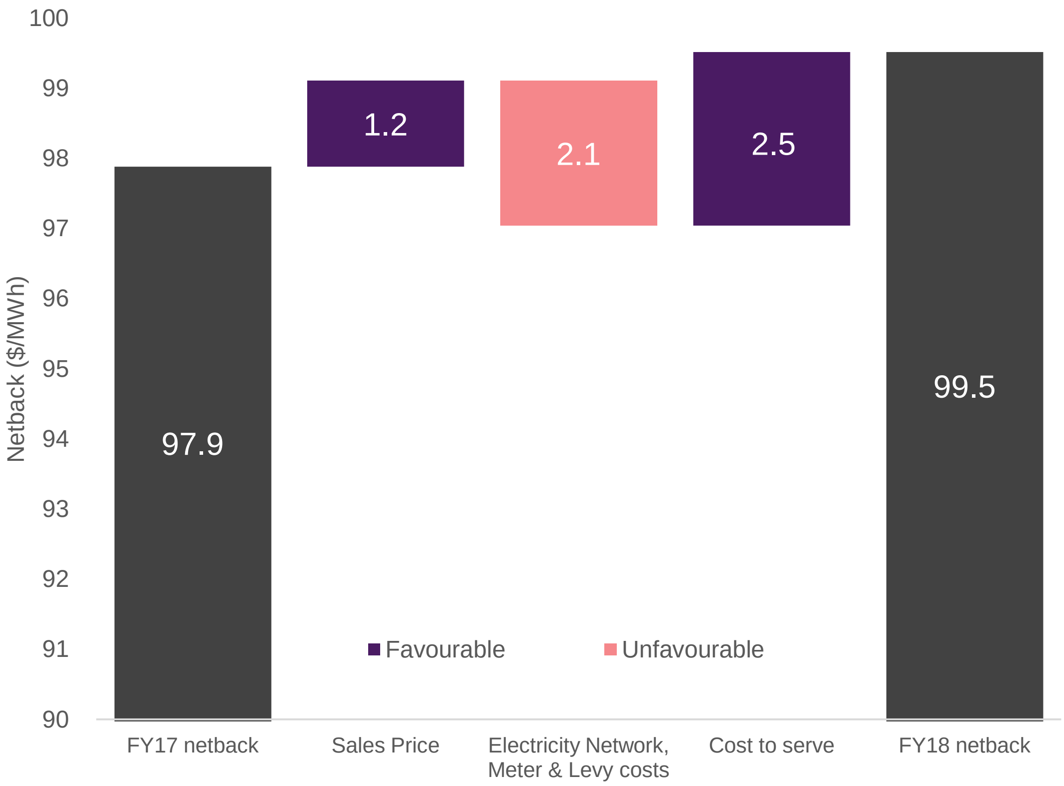
International LPG pricing (50% propane, 50% butane) in NZ$



Mass market electricity and gas EBITDAF up by $3m after cost to serve reduced by $11m

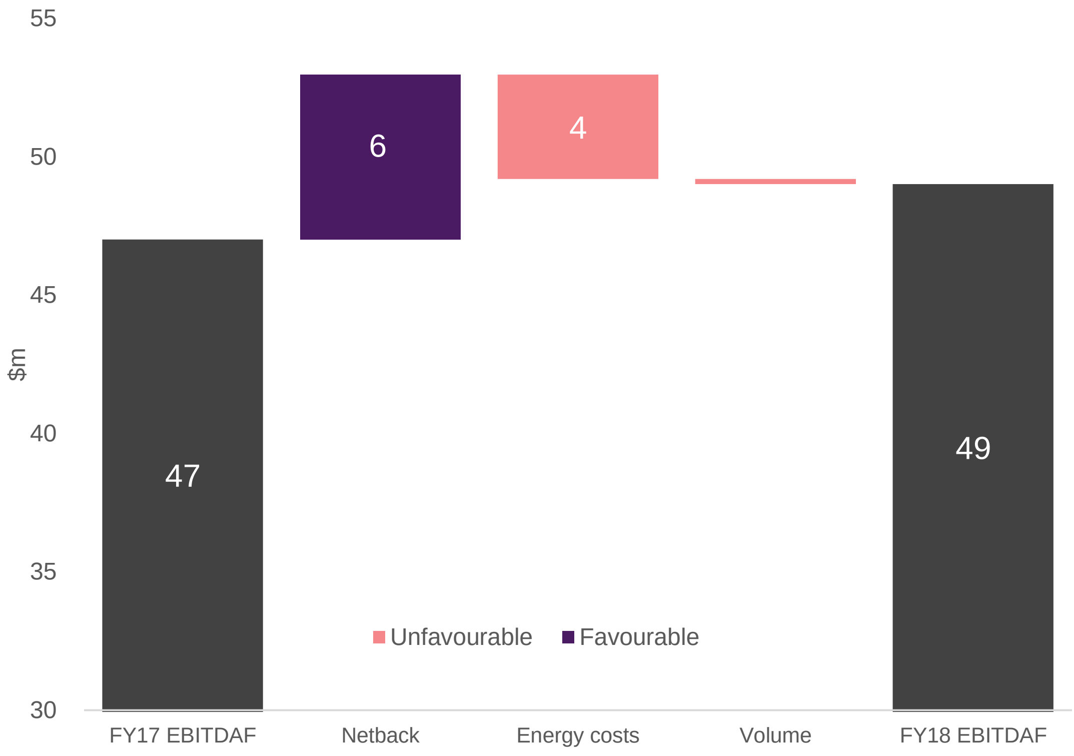
Mass market electricity tariffs up 0.5%, network costs up 2%, cost to serve down 10%

Mass market electricity netback ($/MWh) year on year movement



EBITDAF from mass market electricity sales was $49m in FY18, up $2m (4%) from the prior period despite lower sales volumes and rising energy prices

Mass market electricity EBITDAF year on year movement



Generation managed hydrological variability and low inflows

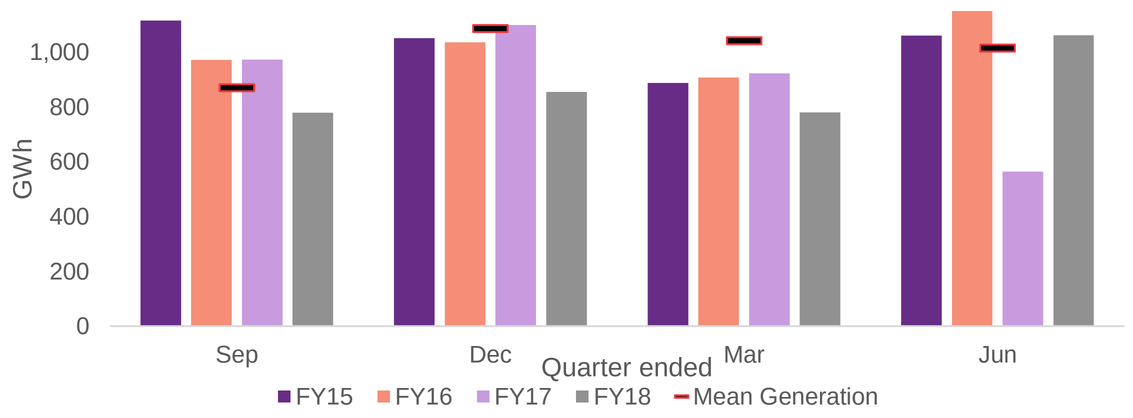
Hydro generation volumes 10% below mean for the second consecutive financial year

» Clutha hydro inflows during FY18 were 19% below mean for the first three quarters (5% above mean for the last quarter)

» The scheduled major refurbishment of the Taranaki Combined Cycle plant (TCC) during November and December meant Contact could not take full advantage of higher wholesale prices

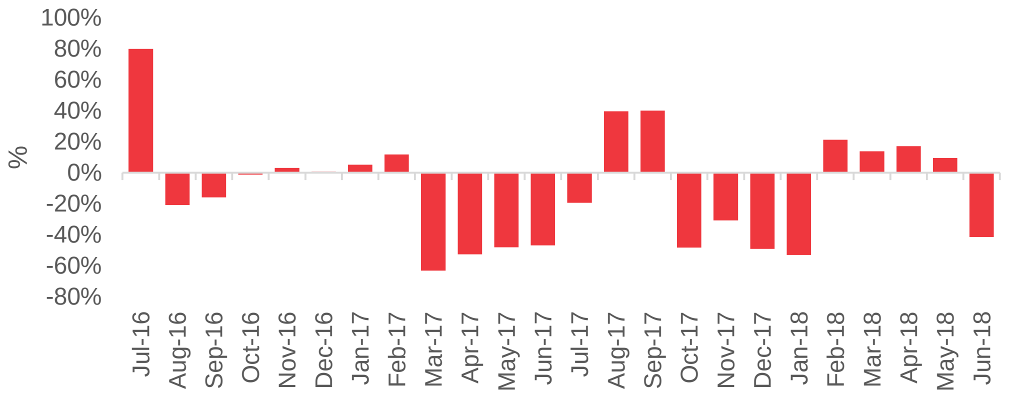
Contact hydro generation by quarter for FY15 – 18

Source: *Contact*



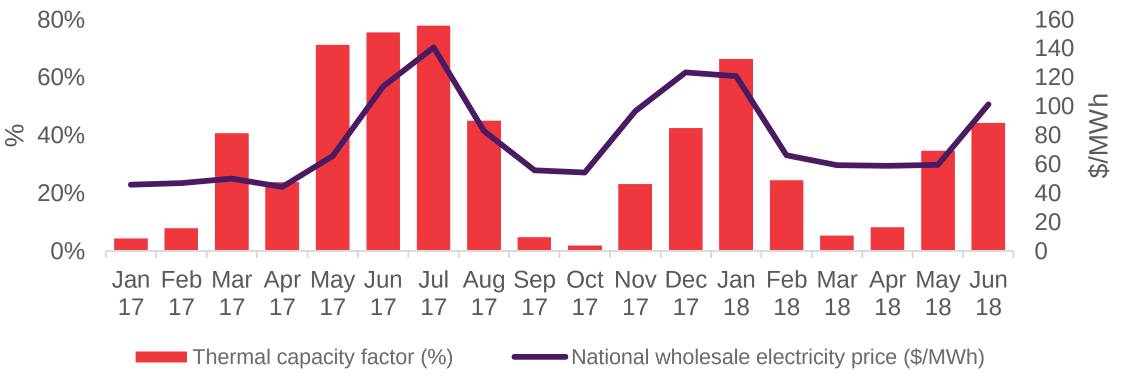
Clutha inflows vs mean inflows (variance)

Source: *NZX hydro*



Thermal utilisation by month and wholesale electricity price

Source: *Contact, EA – Wholesale energy prices*



Generation revenue up despite a full year of Tiwai support, risk management costs flat

	Period Ended 30 June 2018			Period Ended 30 June 2017		
	Volume (GWh)	VWAP ($/MWh)	Total ($m)	Volume (GWh)	VWAP ($/MWh)	Total ($m)
Sales to C&I	3,349	81.52	273	3,564	79.04	282
Sales to Mass market	3,648	86.13	314	3,702	85.12	315
FPVV electricity sales to Customer	6,997	83.93	587	7,266	82.13	597
NZAS support	701			348		
Direct C&I sales	90			88		
Sell side CFDs	565			682		
Contracted electricity sales	1,356	66.03	90	1,118	70.71	79
Total electricity sales	**8,353**	**81.02**	**677**	**8,384**	**80.61**	**676**
Steam revenue	584	42.78	25	602	40.33	24
Total electricity and steam sales	**8,937**	**78.52**	**702**	**8,986**	**77.91**	**700**
Acquired generation revenue	(519)	90.13	47	(276)	65.47	18
Acquired generation cost	519	(80.43)	(42)	276	(61.61)	(17)
Net gain on acquired generation			5			1
Generation costs	**8,704**	**(33.11)**	**(288)**	**8,629**	**(32.92)**	**(284)**
Cost of generation, including acquired generation			**(283)**			**(283)**
Wholesale revenue	8,614	86.39	744	8,537	55.16	471
Cost to supply electricity sales to Customer	(7,416)	(91.82)	(681)	(7,683)	(59.89)	(460)
Cost to supply contracted electricity sales	(1,356)	(79.92)	(108)	(1,118)	(50.69)	(57)
Costs to supply total electricity sales	(8,771)	(89.98)	(789)	(8,801)	(58.72)	(517)
Net spot exposed revenue			**(45)**			**(46)**
ASX market making			(2)			5
Futures contracts close outs			(2)			1
Claims against contractors			2			6
ASX market making, futures close outs and other income			(2)			12
EBITDAF			**372**			**383**

Prudent risk management and operational performance offset non recurring income

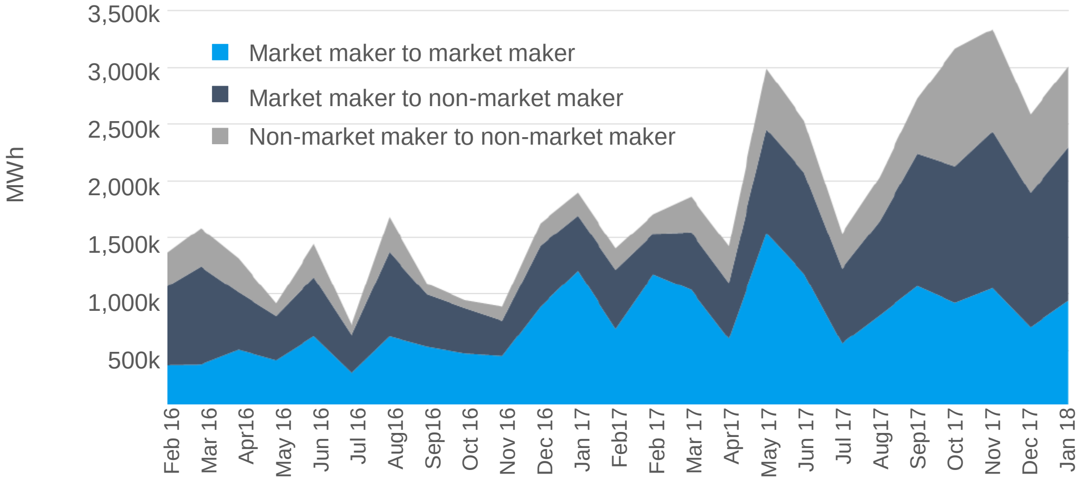
Generation EBITDAF down $11m on ASX earnings volatility and an end to Te Mihi claims

Losses from ASX market making of $2m in FY18 compared to a $5m gain in FY17 – a $7m year on year variance

- Contact is a voluntary market maker on the ASX
- Contact's cost of market making totalled $2m for FY18 as ASX traded volumes increased significantly through volatile hydrological conditions without adjustment to the market making rules which require tight buy / sell spreads
- Financial market participants are increasingly taking advantage of the liquidity provided by market makers
- Market makers wear the cost without being able to adjust the bid/ask spread to reflect the underlying volatility of the market
- The voluntary arrangements remain at risk. Contact continues to advocate for least cost providers of market making services to be contracted on commercially reasonable terms

ASX trading by counterparty

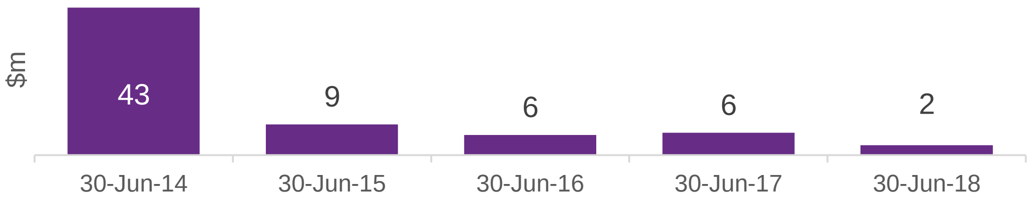
Source: *ASX market performance presentation*



Contractor claims down $4m on FY17

- Contact has completed the claims settlement processes in relation to the construction contracts and insurance for the Te Mihi geothermal power station

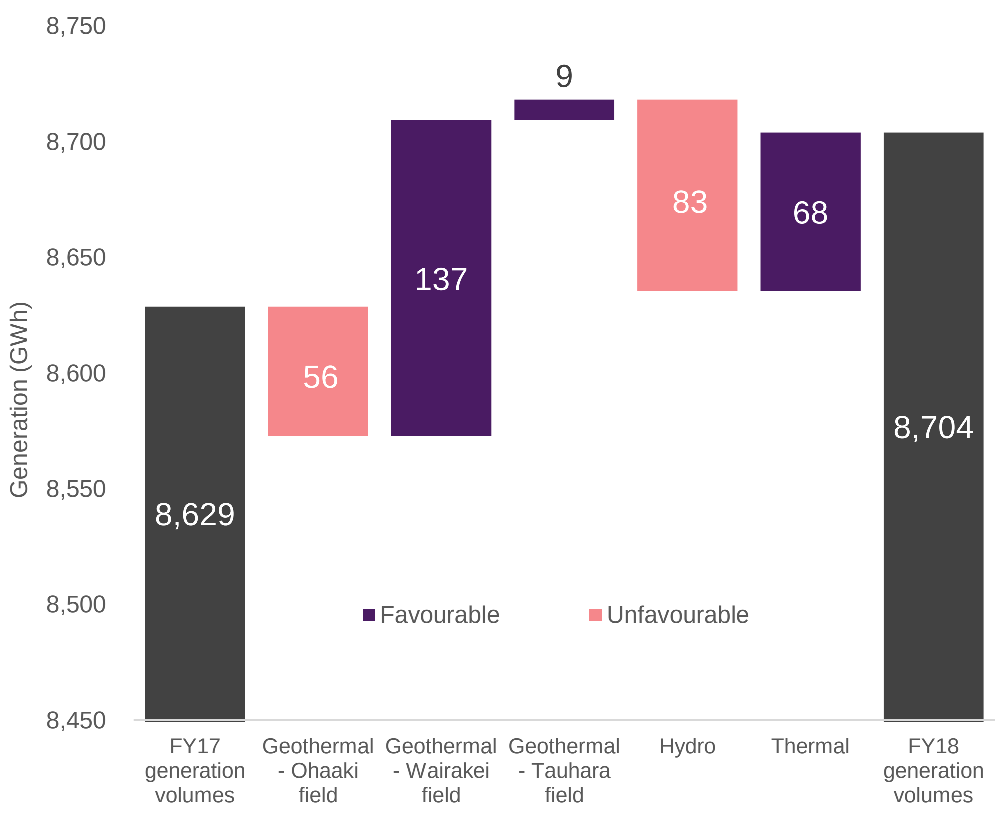
Te Mihi settlements



Record geothermal generation but thermal up, generation costs flat

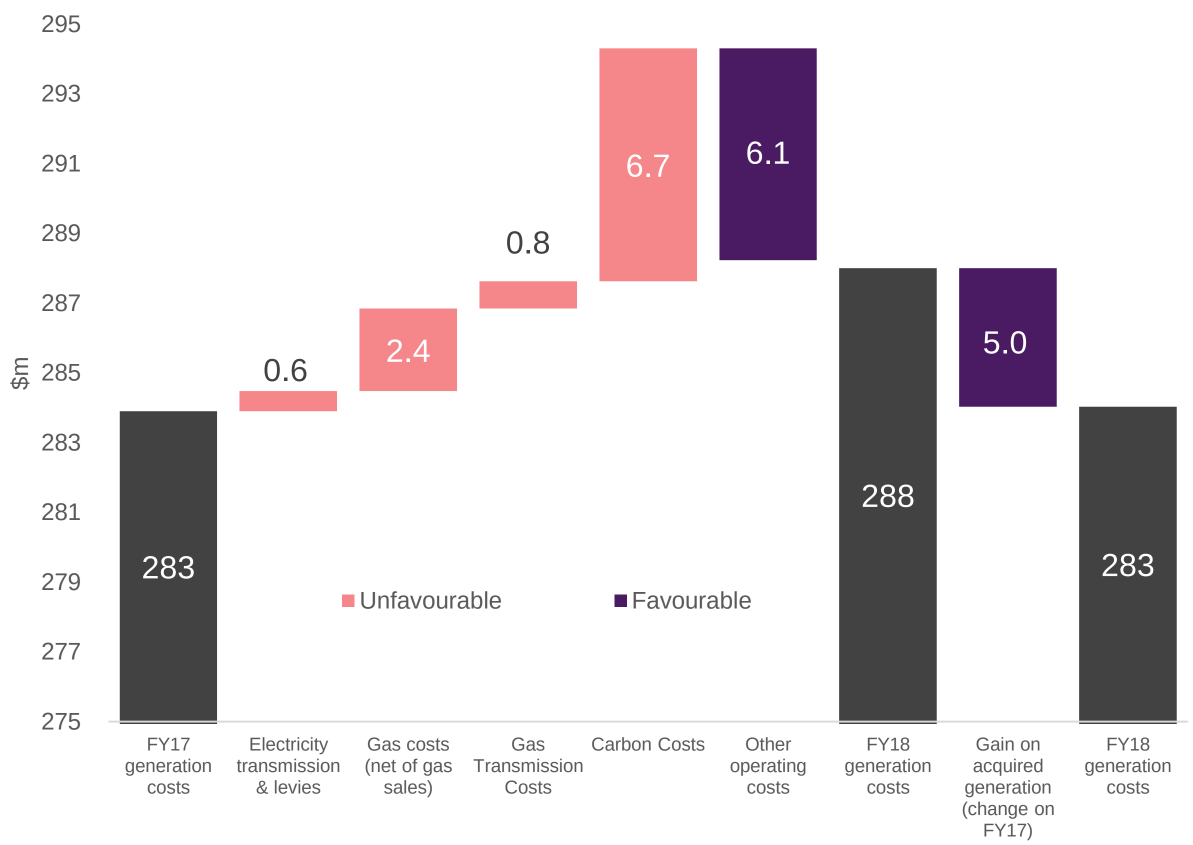
Efficiency gains and maximum fuel use at Wairakei. Ohaaki generation impacted by injection constraints

Generation volumes (GWh) year on year movement



Operating cost reduction offset by rising gas and carbon costs

Generation costs year on year movement

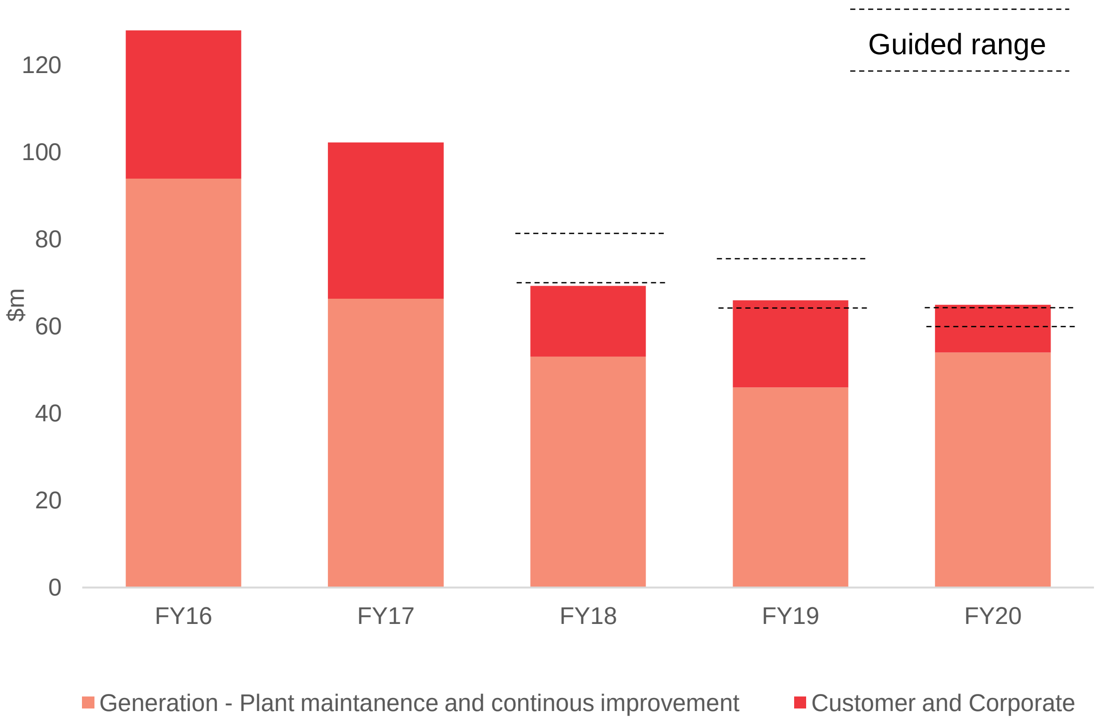


Disciplined capital expenditure continues

Capital expenditure and targets

» FY18 accounting capex of $69m, $32m lower than FY17 (32%). Cash spend on SIB capex of $78m, $38m down on FY17 (33%).

SIB capital expenditure



Sustainable capital expenditure, post financial close of AGS and Rockgas is between $60 - $65m per annum and includes:

» Thermal plant refurbishment

» Geothermal well drilling to maintain geothermal generation at 3,350 GWh per annum

» Transformation and continuous improvement initiatives

» Plant and systems maintenance

» Excludes capex associated with Wairakei extension post 2026

Operating free cash flow per share down by 1%

Delivering on our cost out targets resulted in strong cash flow despite lower operating earnings and unfavourable movements in working capital

$m	Period Ended 30 June 2018	Period Ended 30 June 2017	Variance $m	%
EBITDAF	**481**	**501**	**(20)**	**(4%)**
Tax paid	(33)	(37)	4	11%
Change in working capital net of non-cash, investing and financing activities	(7)	35	(42)	
Non-cash items included in EBITDAF	17	17	-	
Significant items, net of non-cash amounts	(1)	(8)	7	88%
Operating cash flows	**457**	**508**	**(51)**	(10%)
Net interest paid	(78)	(87)	9	10%
Stay in business capital expenditure	(78)	(116)	38	33%
Operating free cash flow	**301**	**305**	**(4)**	(1%)
Proceeds from sale of assets	6	9	(3)	(33%)
Free cash flow	**307**	**314**	**(7)**	(2%)
Operating free cash flow per share (cents)	**42.0**	**42.6**	**(0.6)**	**(1%)**

- » EBITDAF down $20m
- » Tax paid down by $4m on FY17 on lower profit before tax
- » Unfavourable working capital movements of $7m, $42m lower than FY17. With FY17 benefitting from higher gas extraction from AGS ($53m favourable in FY17) and favourable collections of receivables
- » Stay in business capital expenditure was down by $38m on the implementation of detailed asset management plans and capital projects in FY17 not repeating
- » Resilient cash flow despite second successive year with hydro inflows 10% below mean

Strong free cash flow allows for both debt repayment and higher shareholder distributions

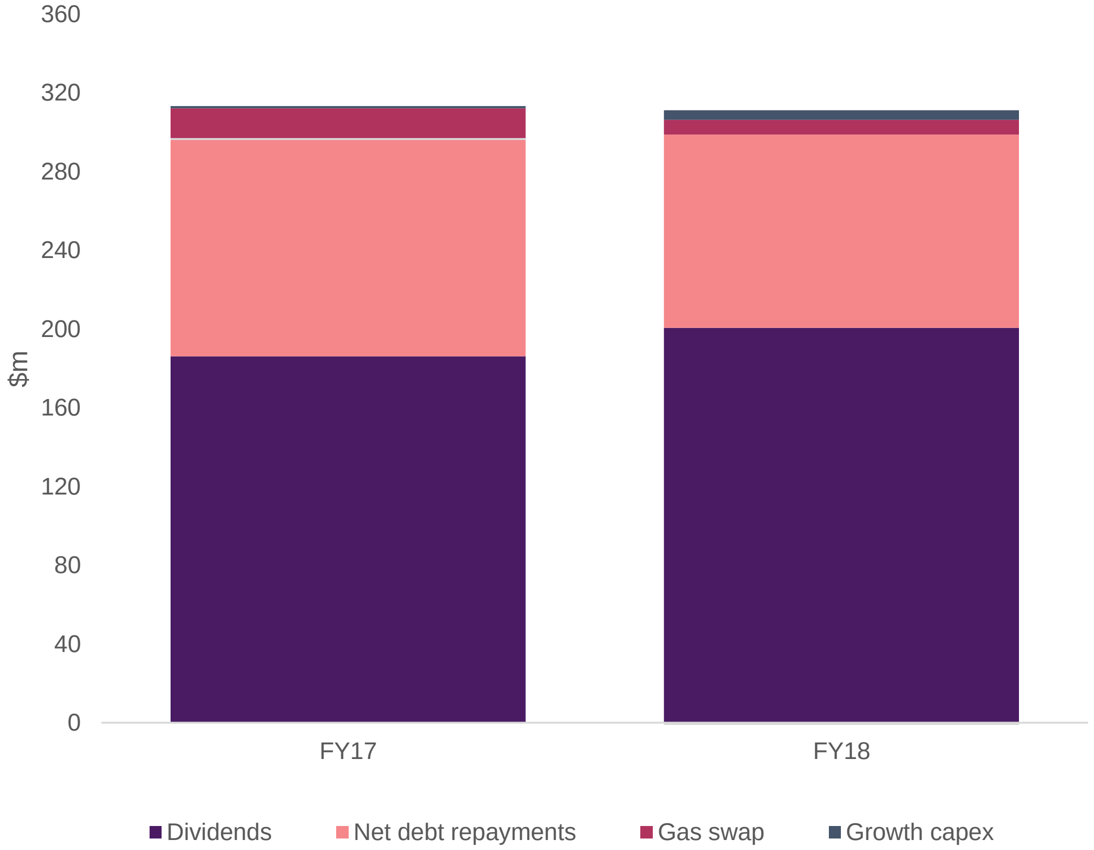
Cash reduction in borrowings of $99m

- Face value of net borrowings reduced by $97m to $1,448m as surplus cash was applied to debt repayment
- Gearing reduced to 35.4% at 30 June 2018, down from 35.8% at 30 June 2017
- $281m in debt repayment since 30 June 2015

Final dividend for FY18 of 19 cents per share up 27%

- Full year dividend of 32 cents per share is fully imputed (FY17 26 cents per share). This represents a pay-out of 76% of FY18 operating free cash flow per share.
- Target FY19 ordinary dividend of 35 cents per share
- Record date 30 August 2018; payment date 18 September 2018
- The NZD/AUD exchange rate used for the payment of Australian dollar dividends will be set in late August

Uses of free cash flow



Outlook

Strategy to optimise the Customer and Generation businesses to deliver strong cash flows

Customer

A service and value focussed retailer, connecting customers and communities to smart solutions that make living easier for them now, and in the future

Generation

An innovative, safe and efficient generator working with business customers, partners and suppliers to decarbonise New Zealand's energy sector

Underpinned by a disciplined and transparent approach to operating and capital expenditure while continuing to investigate ways to optimise our portfolio of assets

Strategy to optimise the business and to focus on cash remains appropriate

While directionally the environment remains broadly similar the momentum driving the market is increasing

Electricity demand and supply

- National demand for electricity is relatively flat with long term wholesale prices holding firm on no significant change to net supply
- The Tiwai fourth potline provides medium term demand strength
- Material demand growth from the conversion of carbon based energy to electricity

Decarbonisation

- The Government's decarbonisation agenda and the speed of movement to act on climate change has increased

Regulatory settings

- Regulatory settings have historically been focused on creating a progressive, efficient market structure

Retail competition

- Retail sector competition continues with 10 new entrants in the last 2 years - growing Tier 2 market share has seen pressure on retail gross margins
- Increased competition for C&I load from integrated generator / retailers looking to match load with their generation assets

Brand refresh and new customer propositions to mitigate these headwinds

Strong operational performance in the Customer business offset by the competitive market

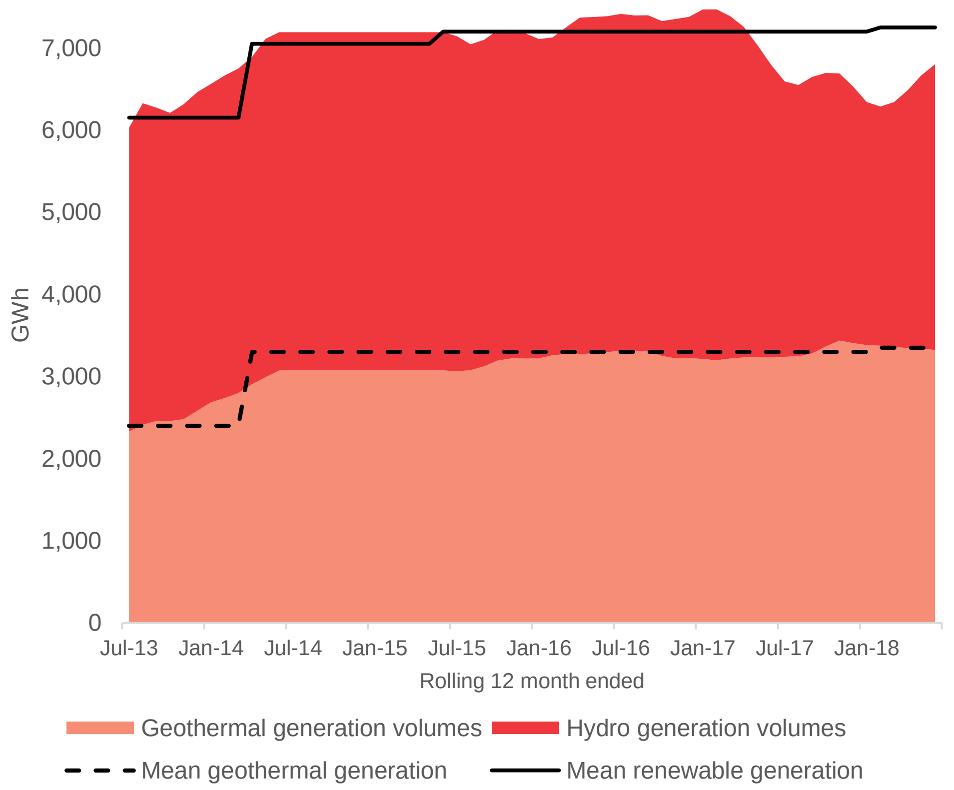
Operational performance metrics continue to improve

		FY18 EBITDAF	Keys to extracting value
1	Mass market earnings up marginally on cost improvements	$65m ($49m electricity, $12m gas, $4m meters and other income)	Best-in-class retailer, reducing CTS while growing customer advocacy – vital to expand margins in a competitive market with limited tariff growth
2	C&I prices trending to ASX	$12m	Assisting with the conversion of C&I customers with high carbon footprint to renewable energy
3	LPG product and carbon costs increasing faster than pass through to customers	$32m	Maintaining a multi-fuel offering to support our ability to compete in the electricity market

Generation business continues to improve operational performance

Strong operational performance delivering cost reduction and improving resource utilisation, short term earnings impacted by hydrology. Long term growth dependent on the disciplined development of renewable generation

12 month rolling renewable generation vs mean



Keys to extracting value

1 Delivering on the continuous improvement programme

2 Grow demand for renewables by partnering with customers on decarbonisation solutions and further thermal substitution

3 Lowering the cost of geothermal and refining deployable development options

To capture value for shareholders we will accelerate execution of the strategy

Customer

- Move to a simple, lean operating model centred on the customer experience reinventing key customer experiences and processes
- Capable employees, identifying and driving performance initiatives with ownership and accountability
- Transform technology to drive both efficiency and better automated customer experiences
- Reposition the brand and reputation from a strong operational retailer to a smart customer solutions provider

Generation

- Sustainable cost reduction balanced against risk
- Strengthen geothermal capability to remain as a recognised world leader
- Partner with customers on mutually beneficial decarbonisation opportunities
- Develop options to enable the economic substitution of thermal generation with renewables
- Lower the cost of geothermal to ensure Contact development options are cost competitive with firmed intermittent renewables

Framework for new investment

Customer:

- Value defined by customers
- Scalable
- Leverages existing capabilities and cost structures
- Short paybacks
- Complementary partnerships

Generation:

- Sustainable new demand
- New geothermal development cost competitive with new firmed renewables and thermal life extensions

New operating segments provide the transparency of performance to execute strategy

The new operating segments provide a clearer view of profitability in the operating businesses, as the segments exclude indirect Corporate costs

- ✓ Combining the C&I and Generation - C&I prices have trended to wholesale levels and large customers are important for progressing decarbonisation and a key enabler for renewable development
- ✓ Divesting the logistical aspects of the LPG business - separation and transition will be managed and governed separate from Customer (reported as a discontinued operation)

Customer

» Revenue from delivering electricity, natural gas and broadband and other products and services to mass market customers less the cost of purchasing those products and services, and the costs to serve customers

Wholesale

» Revenue from the sale of electricity to the wholesale market, to C&I customers and to the Customer segment, less the cost to generate and/or purchase electricity and costs to serve and distribute electricity to C&I customers

Unallocated

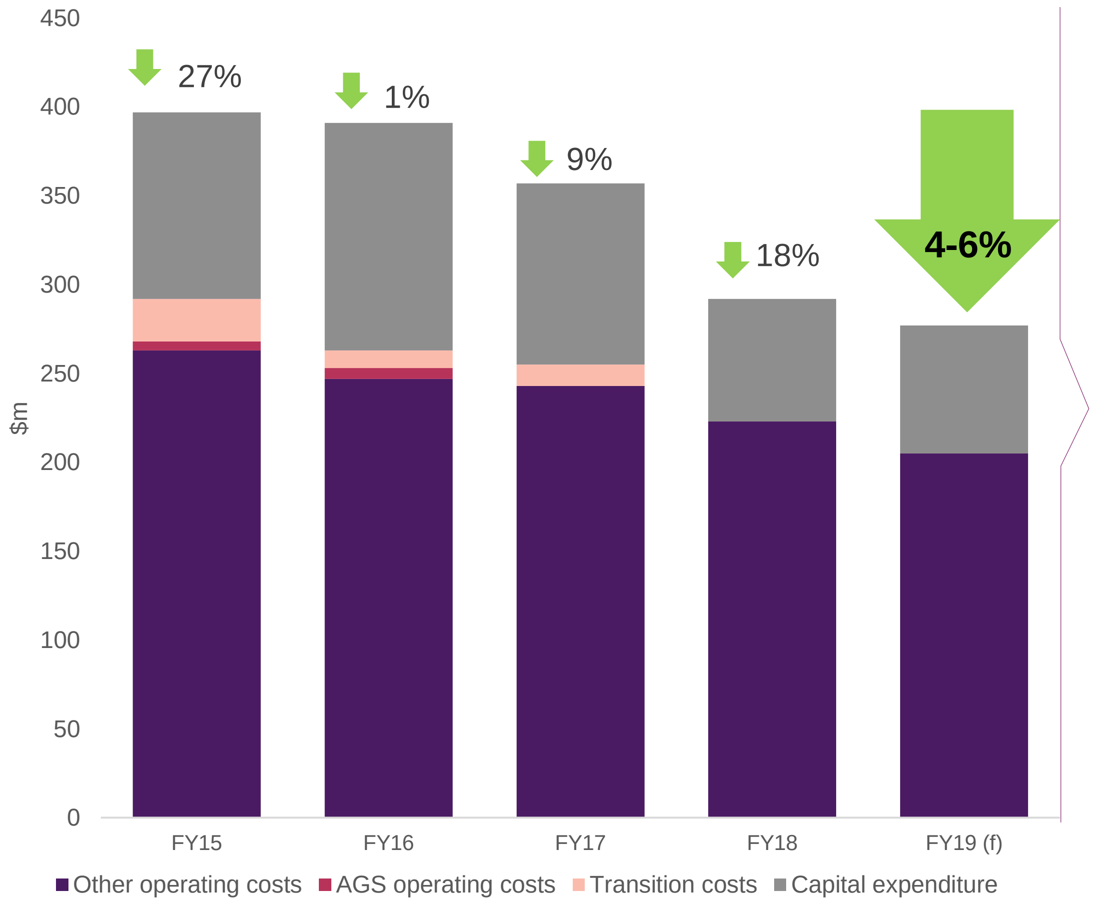
» Corporate functions (Finance and Risk, Governance, People & Safety, Board, Leadership team and an allocation of ICT costs)

Pro forma new segment presentation of FY18 results

$m	Wholesale	Customer	Unallocated	Eliminations	Continuing operations	LPG - Discontinued operation	Total
Mass market electricity	-	884	-	(1)	883	-	883
Commercial & Industrial (C&I) electricity	452	-	-	-	452	-	452
Wholesale electricity	718	-	-	-	718	-	718
Inter-segment electricity sales	314	-	-	(314)	-	-	-
Gas	4	71	-	-	75	-	75
LPG	-	-	-	-	-	121	121
Steam	25	-	-	-	25		25
Total revenue	**1,513**	**955**	**-**	**(315)**	**2,153**	**121**	**2,274**
Other income (including liquidated damages)	3	4	-	-	7	2	9
Total revenue and other income	**1,516**	**958**	**-**	**(315)**	**2,160**	**123**	**2,283**
Electricity purchases	(681)	-	-	-	(681)	-	(681)
Inter-segment electricity purchases	-	(314)	-	314	0	-	0
Gas	(108)	(16)	-	-	(124)	-	(124)
LPG purchases	-	-	-	-	-	(73)	(73)
Electricity networks, transmission, levies & meter costs	(204)	(431)	-	-	(635)	-	(635)
Gas networks, transmission & meter costs	(9)	(37)	-	-	(46)	-	(46)
Other operating expenses	(102)	(82)	(24)	1	(208)	(15)	(223)
Carbon emissions	(15)	(2)	-	-	(17)	(3)	(20)
Total operating expenses	**(1,118)**	**(883)**	**(24)**	**315**	**(1,711)**	**(91)**	**(1,802)**
EBITDAF	**397**	**76**	**(24)**	**-**	**449**	**32**	**481**
C&I change from the Customer to Generation segment	(12)	12	-	-	-	-	-
Other Operating expenses allocation change	(13)	(11)	24	-	-	-	-
EBITDAF per FY18 segments	**372**	**77**	**-**	**-**	**449**	**32**	**481**

Cost efficiency programme continues to deliver controllable cost reduction

Controllable costs down by over $100m since the delivery of the geothermal and SAP capex programmes



	FY15	FY16	FY17	FY18	SIB FY19 (f)[2]	SIB FY20 (f)
Other operating costs	$263m	$247m	$243m	$223m	$205m	$190m
Costs excluded from underlying	$24m	$10m	$12m	-	-	-
AGS operating costs	$5m	$6m	-[1]	-	-	-
Capital expenditure	$105m	$128m	$102m	$69m	$65-75m	$60-65m
Controllable costs	**$397m**	**$391m**	**$357m**	**$292m**	**$275 – 280m**	**$250 – 260m**
Improvement on prior year	$146m	$6m	$34m	$65m **(guided range $46m – 66m)**	$12 - 17m	$15 - 35m

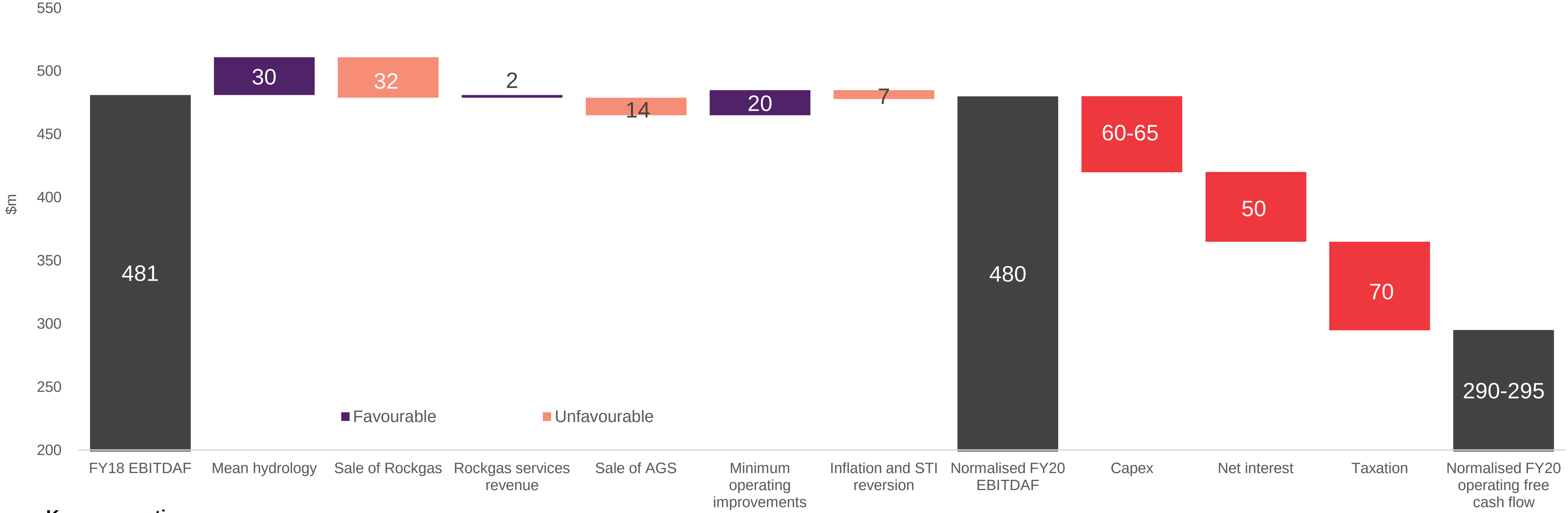
[1] From FY17, AGS operating costs have been included in other operating costs

[2] Includes an assumption of the completion of the sale of AGS and Rockgas

Illustrative FY20 EBITDAF normalised for the impact of the asset sales is estimated at $480m

With the sale of AGS and Rockgas due to complete in 1H19 a normalised FY20 EBITDAF is provided

Bridge illustrating FY18 EBITDAF to FY20 operating free cash flow (excludes movement in working capital)



Key assumptions:

- » Hydro generation at 3,900 GWh (mean), geothermal generation at 3,350 GWh (average)
- » ASX electricity futures and electricity retail margins stable
- » Delivery on Customer transformation

Sale of Rockgas improves our balance sheet and facilitates improved ordinary dividends

Distribution policy

Target ordinary dividend of between

80-90%

of Operating Free Cash Flow

once the S&P net debt / EBITDAF ratio is below 2.8x

Net debt

$1,448m

Borrowings at 30 June 2018

($410m)

Reduction in net debt from proceeds of asset sales (after tax)

S&P net debt

$1,480m

Estimated at 30 June 2018

($257m)

Reduction in S&P net debt from proceeds of asset sales

FY19 Target ordinary dividend

35cps

up +9% on FY18

Interim dividend	Final dividend
April	Sept
40%	60%

of expected total

Supporting materials

Confirmation of FY19 guidance

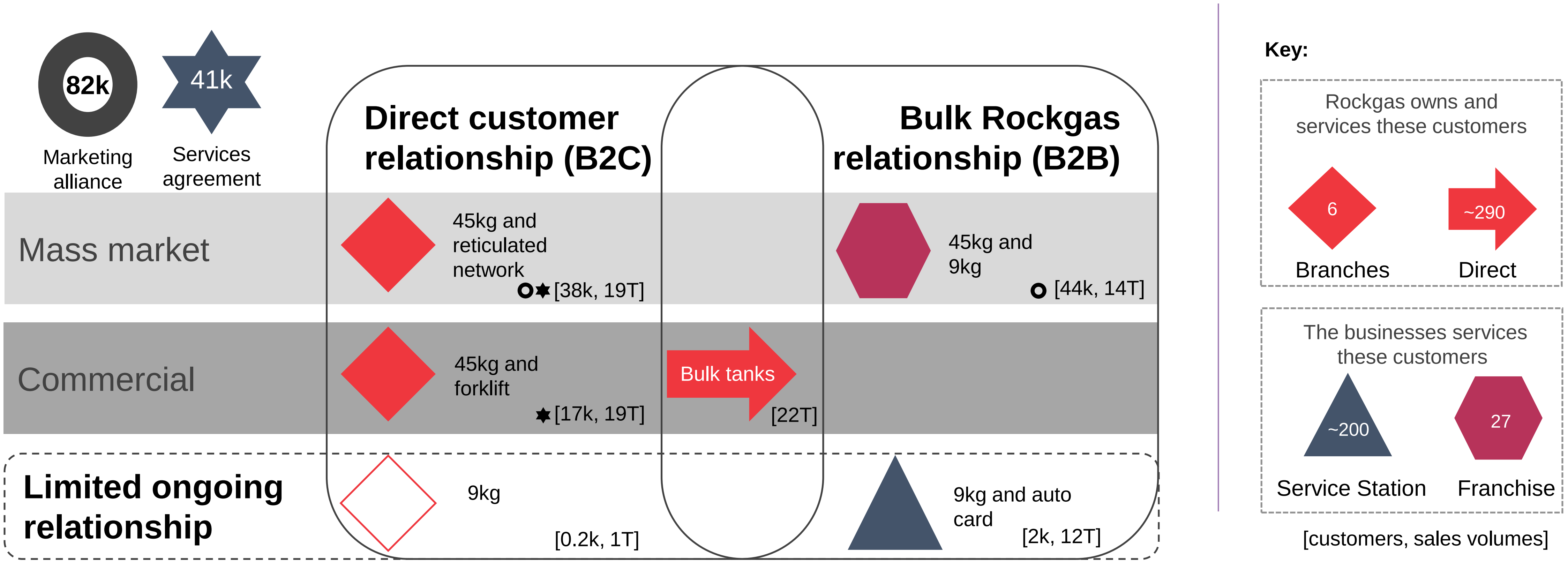
	FY19 (f)[1]	FY20 (f)
Other operating costs	$200 – 210m	$185 – 195m
Depreciation and amortisation	$200 – 210m	$195 – 205m
Net interest	$70 – 80m	$50 – 60m
Stay in business capital expenditure (accounting)	$65 – 75m	$60 – 65m
Target dividend per share	35 cents per share	

[1] Includes an assumption of the completion of the sale of AGS and Rockgas

Long term LPG value for Customer preserved through contractual arrangements

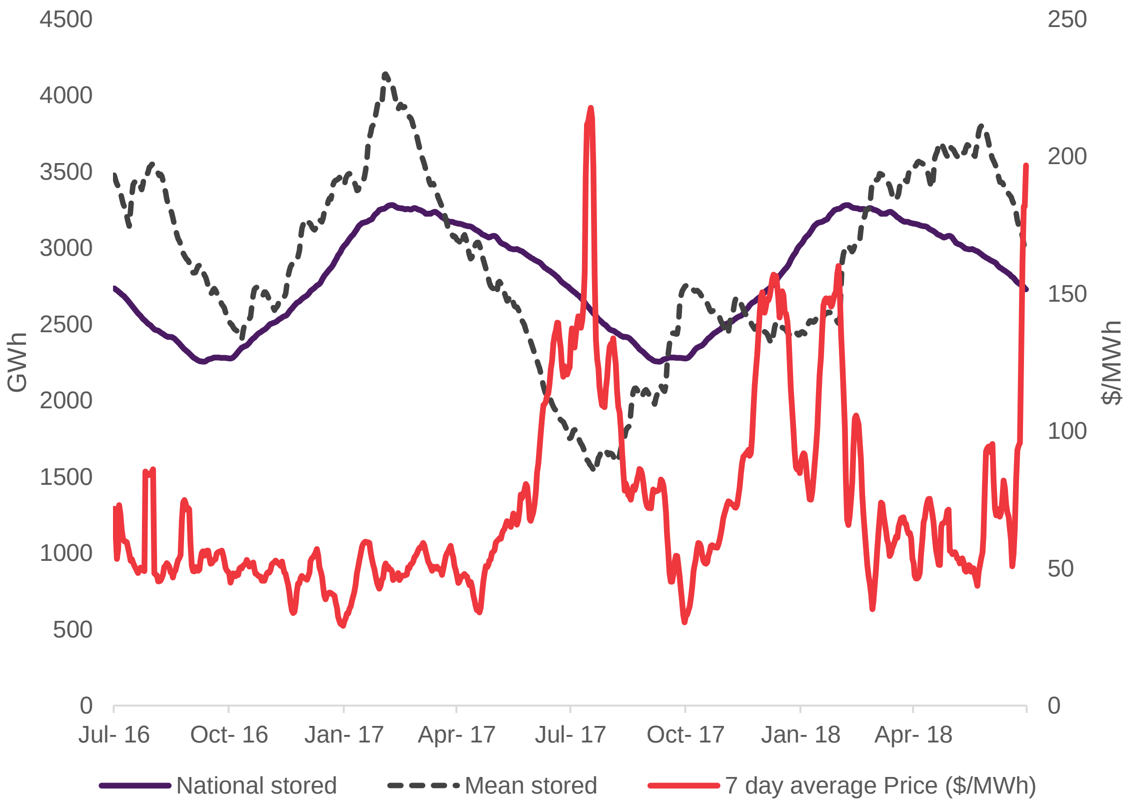
» Contact has entered into a marketing alliance that covers all mass market sales channels and a continuation of the customer service

» Customers will continue to experience the same great service aligned with a partner that wants to grow the business

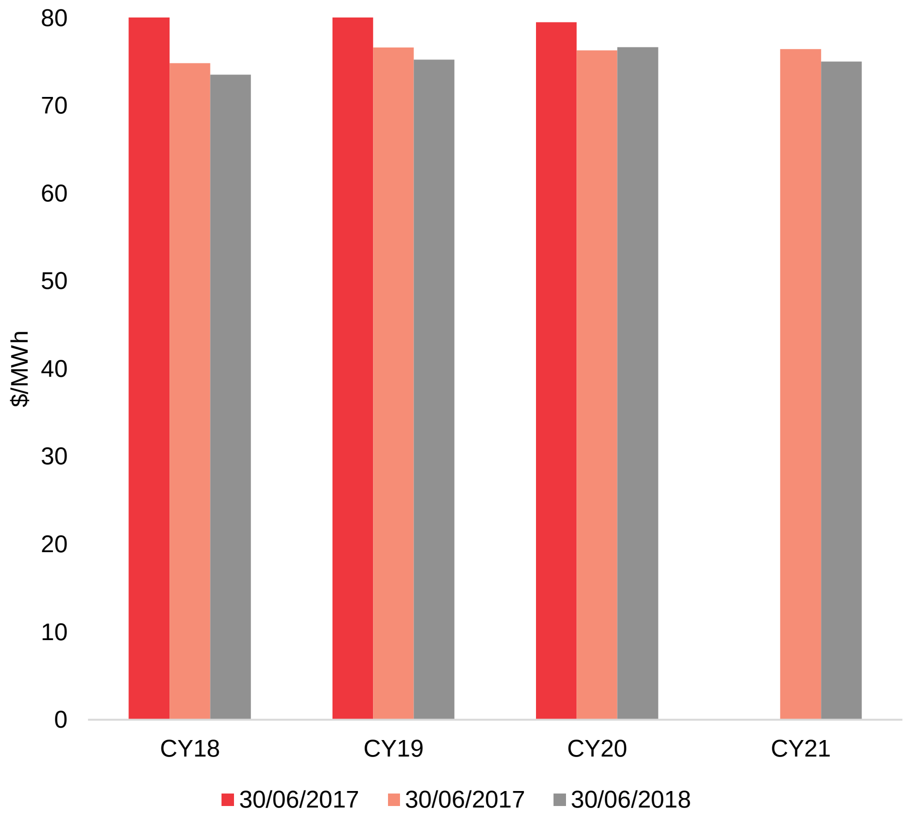


Electricity market conditions

Price and national storage levels

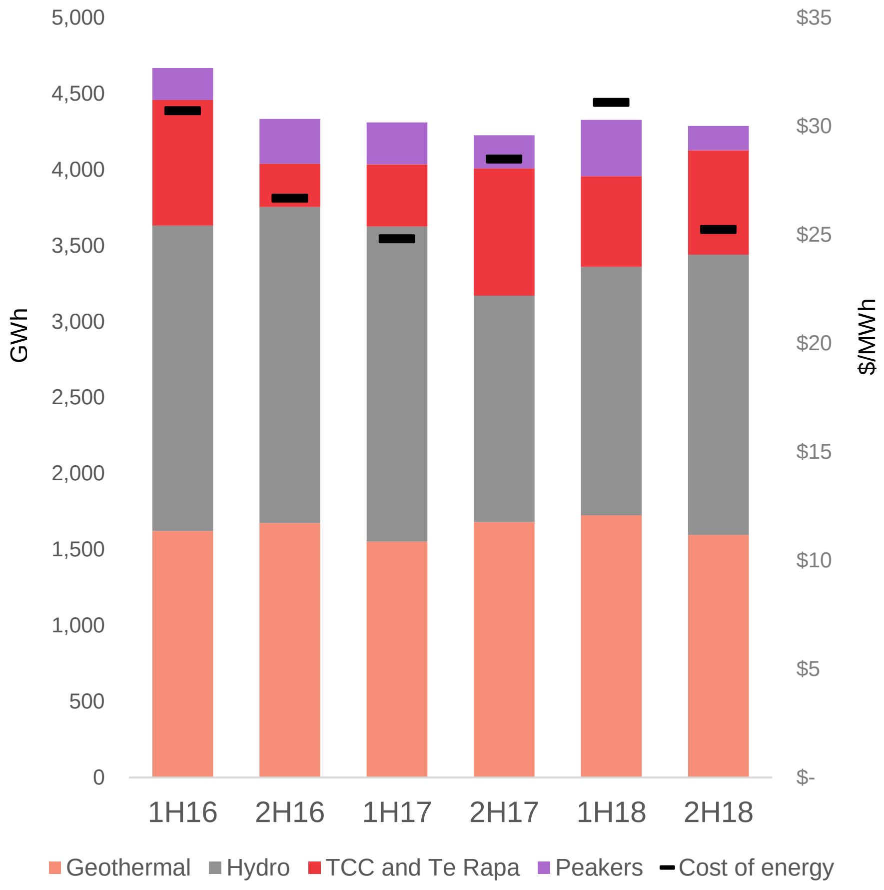


Otahuhu futures settlement price (ASX settlement)



Record geothermal production in FY18

Generation by sources



Plant reliability and generation revenue

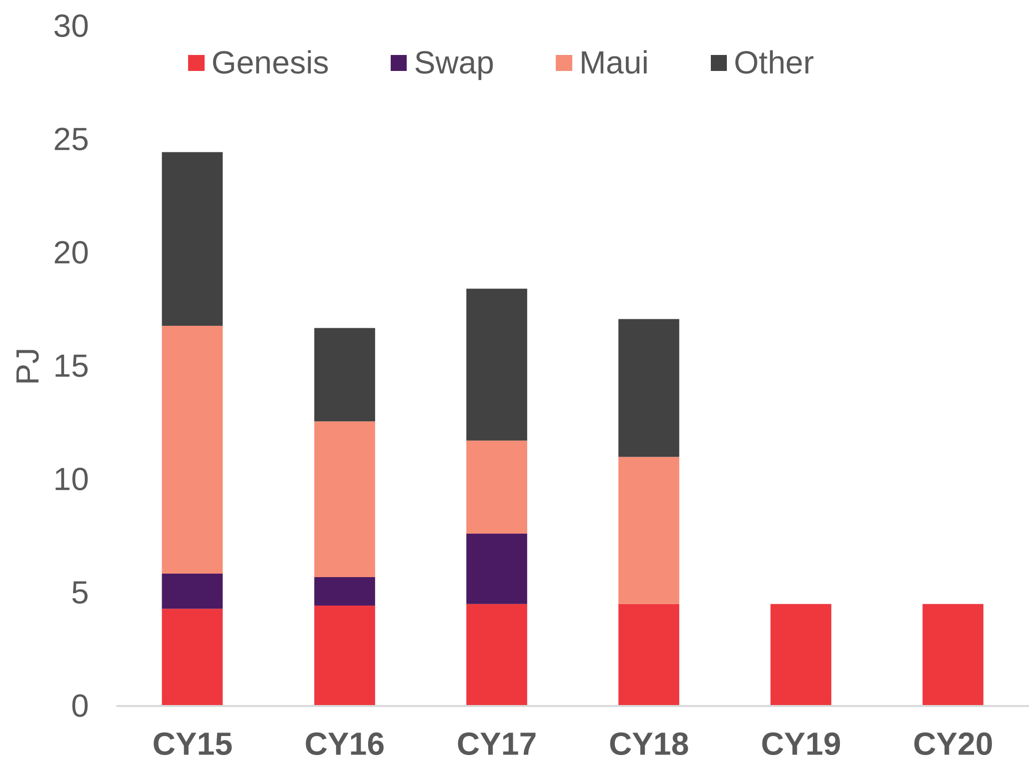
	Net capacity (MW)	Plant availability[1] FY18 (%)	Plant availability[1] FY17 (%)	Capacity factor (%)	Electricity output (GWh)	Pool revenue ($/MWh)	Pool revenue ($m)
Hydro	784	95%	92%	52%	3,479	78	271
Geothermal	425	96%	91%	88%	3,323	80	267
Taranaki Combined Cycle (TCC)	377	68%	90%	32%	1,071	102	110
Te Rapa (spot only)	41	87%	98%	82%	211	94	20
Peakers (including Whirinaki)	360	87%	95%	17%	530	117	62
Total	**1,987**	**89%**	**92%**	**50%**	**8,614**	**91**	**729**
Wairakei geothermal fluid extracted (kT)		89,954	86,793				
Wairakei geothermal fluid consented (kT) pro-rata[2]		89,670	89,425				
% of geothermal fluid extracted against pro rata consent		**100%**	**97%**				
Wairakei, Poihipi and Te Mihi generation (GWh)		2,826	2,710				
Efficiency (MWh/kT)		31.44	31.22	1%	improvement		

[1] Measures reliability of our generation plants. % of total hours the plant is available to run.

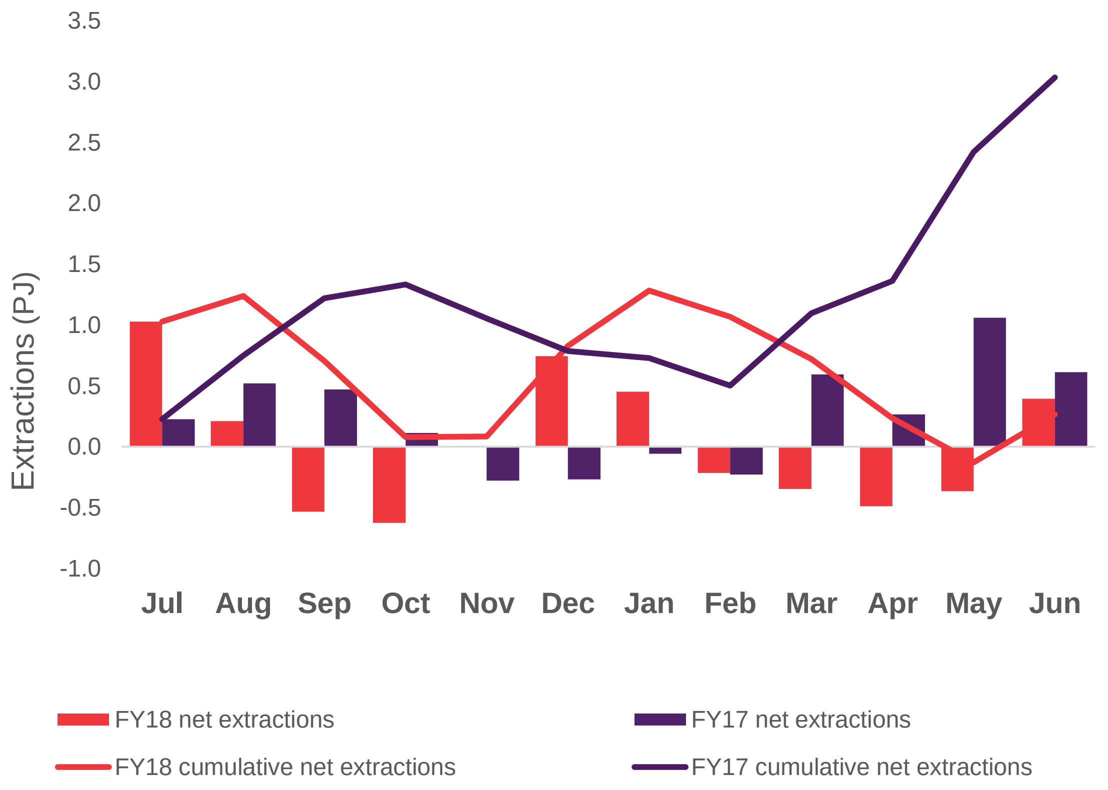
[2] Contact obtained a variation to the Wairakei mass take consent in September 2017. This allows for the extraction of 245k tonnes of geothermal fluid per day on average over a year (calculation period end in February every year). Previously the take was reset quarterly.

Gas purchased for CY18 requirements, to augment gas available in storage

Contracted gas volumes



Ahuroa gas storage monthly injections and extractions

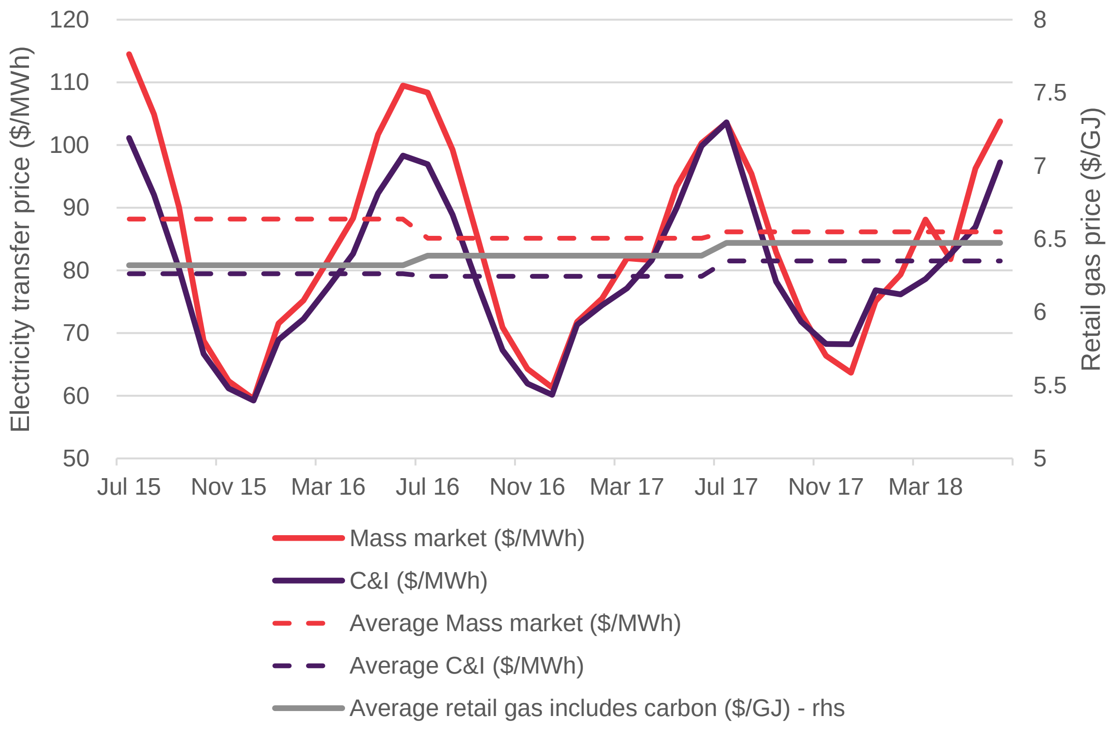


Working volume in Ahuroa gas storage at 30 June 2018 was 7.6 PJ

Transfers of value between the two segments appropriately reflect market conditions

Inter-segment electricity and gas transfer price

The fixed price, variable volume transfer price between the Customer and Generation segments is set in a manner similar to transactions with independent retailers to enable an accurate picture of the financial performance of each segment.



Mass market electricity

A prudent retailer, offering fixed price variable volume products would contract their forecast load incrementally. For Customer, 90 days before the start of a quarter the electricity transfer price is fixed and takes into account:

- The simple average of ASX settlement prices for the preceding 3 years for the quarter to be contracted
- Adjustments for location, seasonality and line loss based on the Customer business load profile for preceding 12 months

C&I electricity

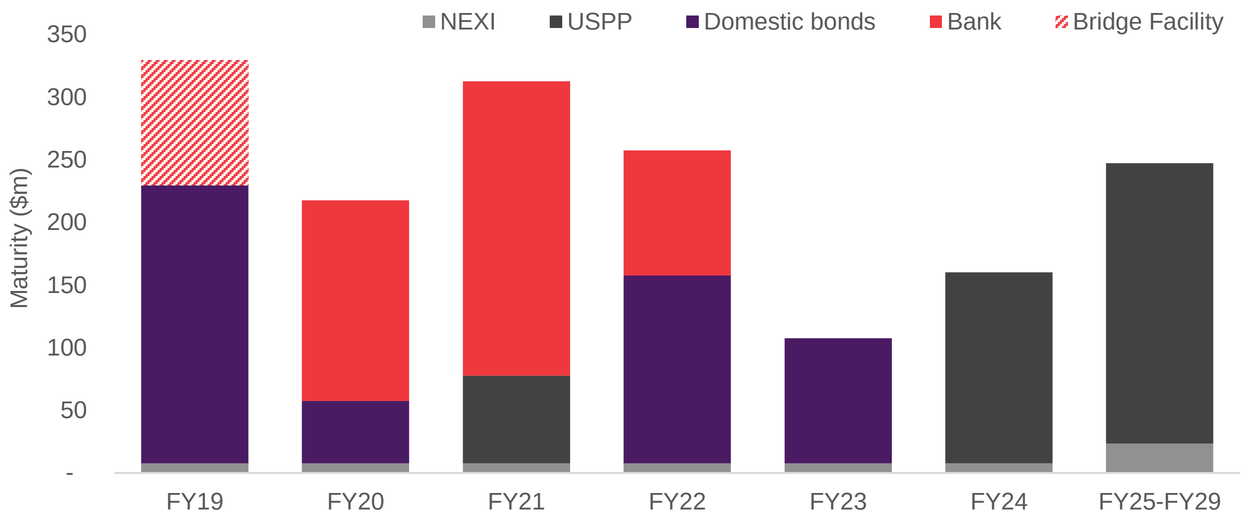
- The price path agreed between Generation and Customer at the time of contracting with reference to the ASX with the C&I customer.

Retail sales

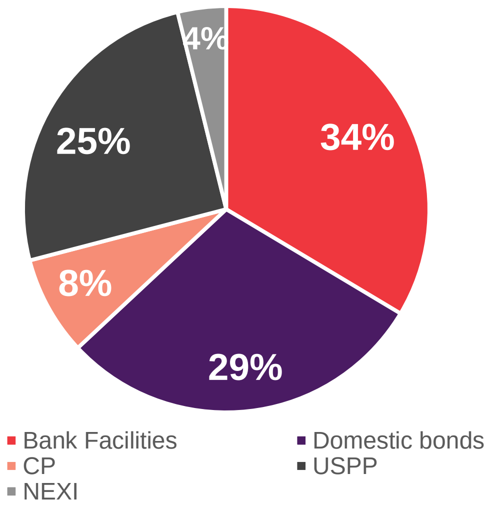
Allocated from Generation to Customer at the market price for flexible gas including a carbon cost component

Contact's balance sheet is supported by a robust funding portfolio

Funding maturity profile



Funding sources



» Contact benefits from a funding portfolio that is flexible, efficient, diverse and has a manageable maturity profile:

- $595m total committed bank facilities (including $100m short term bridge facility), against which $231m was drawn and $140m commercial paper was issued as at 30 June 2018.
- Weighted average tenor of funding facilities 3.7 years (excluding bridge facility)

» Average weighted cost of borrowings continues to improve - down 0.1% from FY17 to 4.9% in FY18

» Annual assurance for Green Borrowing Programme has been undertaken and no issues raised. All Contact's debt is certified as green, except the bridge facility.

Climate Bond Certified

Non-GAAP profit measure - EBITDAF

- EBITDAF is Contact's earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items
- EBITDAF is commonly used in the electricity industry so provides a comparable measure of Contact's performance at segment and group levels
- Reconciliation of EBITDAF to statutory profit:

$m	Year Ended 30 June 2018	Year Ended 30 June 2017	Variance $m	Variance %
EBITDAF	**481**	**501**	**(20)**	**4%**
Depreciation and amortisation	(220)	(208)	(12)	6%
Significant items	3	11	(8)	(73%)
Net interest expense	(84)	(93)	9	(10%)
Tax expense	(48)	(60)	12	20%
Profit	**132**	**151**	**(19)**	**13%**

- Depreciation and amortisation, change in fair value of financial instruments, net interest and tax expense are explained in the following slide

Explanation of reconciliation between EBITDAF and profit

» The adjustments from EBITDAF to reported profit are as follows:

- Depreciation and amortisation up by $12m (6%) with a full year depreciation from the ICT change and transition programme and higher TCC depreciation post the major refurbishment
- Change in fair value of financial instruments, which totalled ($2m) in FY18 reflecting mark to market of ASX hedges and CfDs
- Net interest expense decreased $9m (10%) to $84m in FY18 due to reduced average borrowings and lower average interest rates (0.1% on FY17). The impact on net interest as a result of the adoption of NZ IFRS 16 is estimated at $1m per annum.
- Tax expense for FY18 is $48m compared to $60m in FY17, with the key driver being lower operating earnings. Tax expense represents an effective tax rate of 27%.

Non-GAAP profit measure – underlying profit

- Underlying profit provides a consistent measure of Contact's ongoing performance
- Underlying profit excludes the effect of significant items from reported profit. Significant items are determined based on principles approved by the Board of Directors
- Other significant items are determined in accordance with the principles of consistency, relevance and clarity. Items considered for classification as other significant items include impairment or reversal of impairment of assets; business integration, restructure, acquisition and disposal costs; and transactions or events outside of Contact's ongoing operations that have a significant impact on reported profit
- Reconciliation of statutory profit for the year to underlying profit:

$m	Year Ended 30 June 2018	Year Ended 30 June 2017	Variance $m	Variance %
Profit	**132**	**151**	**(19)**	**13%**
Change in fair value of financial instruments	(3)	(23)	20	87%
Transition costs	-	7	(7)	
Remediation for Holidays Act non-compliance	-	5	(5)	
Tax on items excluded from underlying profit	1	2	(1)	
Underlying profit	**130**	**142**	**(12)**	**8%**

Explanation of reconciliation from reported profit to underlying profit

The only adjustment from reported profit to underlying profit for FY18 (also adjusted in FY17) was the:

- Change in the fair value of financial instruments: Movements in the valuation of interest rate and electricity price derivatives that are not accounted for as hedges, hedge accounting ineffectiveness and the effect of credit risk on the valuation of hedged debt and derivatives.

The adjustments from reported profit to underlying profit for FY17 are as follows:

- Change in the fair value of financial instruments (see above).
- Transition costs: incurred as a result of the ICT Change and Transition programme which has significantly changed Contact's ICT infrastructure and service delivery. Included in the cost is $1m of accelerated depreciation. This project completed in FY17.
- Remediation for Holidays Act non-compliance: At 30 June 2016, Contact disclosed a contingent liability for non-compliance with aspects of the Holidays Act 2003. At 31 December 2016, a provision representing the best estimate of the cost to resolve the issue, including payments to current and previous employees, was recognised. There has been no subsequent adjustment to this provision during FY18. Actual payments may differ to the estimate and the cost recognised will be adjusted accordingly.

Impact of adoption of accounting standards to previously reported periods

» Contact has elected to early adopt *NZ IFRS 15 Revenue from Contracts with Customers* (‘revenue standard’) and *NZ IFRS 16 Leases* (‘leases standard’) for the year ended 30 June 2018. Both standards have been adopted retrospectively. This has resulted in the restatement and/or reclassification of comparatives to conform with the current period’s classification.

» With the adoption of the revenue standard the incremental costs incurred to acquire new customers are capitalised as a contract asset instead of being expensed as incurred. The contract asset is amortised to operating expenses over the expected life of the customer relationship. Incentives given to customers are also capitalised as a contract asset and amortised to revenue, which is consistent with the previous accounting treatment. The amortisation period has been revised from the contract term to the expected life of the new customer relationship which is 3 years. At 30 June 2018 contract assets held within ‘Trade and other receivables’ totalled $13 million (30 June 2017: $12 million). The average customer relationship is currently 5 years.

	12 months ended 30 June 2017			
$m	**Audited**	**IFRS 15**	**IFRS 16**	**Restated**
Revenue and other income	2,080	(1)		2,079
Cost of sales	(1,338)	3		(1,335)
Other operating expenses	(248)		5	(243)
EBITDAF	**494**			**501**
Significant items	11			11
Depreciation and amortisation	(204)		(4)	(208)
Net interest expense	(92)		(1)	(93)
Tax expense	(59)	(1)		(60)
Profit	**150**			**151**

Customer segment

Customer segment $m	Period ended 30 June 2018	Period ended 30 June 2017	 $m	Variance %
Mass market electricity	884	892	(8)	(1%)
Commercial & industrial electricity	444	465	(21)	(5%)
Gas	71	66	5	8%
LPG	121	119	2	2%
Other income	6	7	(1)	(14%)
Total revenue and other income	**1,526**	**1,549**	**(23)**	**(1%)**
Inter-segment electricity purchases	(587)	(596)	9	2%
Gas purchases	(16)	(14)	(2)	(14%)
LPG purchases	(73)	(67)	(6)	(9%)
Electricity networks, levies & meter costs	(587)	(590)	3	1%
Gas networks, levies & meter costs	(37)	(36)	(1)	3%
Emission costs	(5)	(3)	(2)	(67%)
Total direct costs	**(1,305)**	**(1,306)**	**-**	**0%**
Other operating expenses	(112)	(125)	14	10%
EBITDAF	**109**	**118**	**(9)**	**(8%)**
Mass market electricity sales (GWh)	3,648	3,702	(54)	(1%)
Commercial & industrial electricity sales (GWh)	3,349	3,564	(215)	(6%)
Retail gas sales (GWh)	806	685	121	18%
Total retail sales (GWh)	**7,803**	**7,951**	**(148)**	**(2%)**
LPG sales (tonnes)	72,845	72,700	145	0%
Average electricity sales price ($/MWH)	189.78	186.85	2.93	2%
Electricity direct pass through costs ($/MWh)	(83.85)	(81.21)	(2.64)	(3%)
Electricity and gas cost to serve ($/MWh)	(12.40)	(13.74)	1.34	10%
Electricity and gas netback ($/MWh)	86.90	86.64	0.26	0%
Actual electricity line losses (%)	6%	5%	1%	20%
Retail gas sales (PJ)	2.8	2.4	0.4	17%
Electricity customer numbers (closing)	420,000	422,500	(2,500)	(1%)
Retail gas customer numbers (closing)	64,500	63,000	1,500	2%
LPG customer numbers (closing)	84,500	77,000	7,500	10%

Generation segment

Generation segment $m	Period ended 30 June 2018	Period ended 30 June 2017	Variance $m	 %
Wholesale electricity	718	492	226	46%
Commercial & Industrial electricity	8	8		0%
Inter-segment electricity sales	587	596	(9)	(2%)
Steam	4	-	4	-!
Gas	25	25	-	0%
Other income	3	6	(3)	(50%)
Total revenue and other income	**1,345**	**1,127**	**218**	**19%**
Electricity purchases	(681)	(460)	(221)	48%
Gas purchases	(108)	(101)	(7)	(7%)
Electricity networks & levies	(48)	(48)	-	0%
Gas networks & levies	(9)	(8)	(1)	(13%)
Carbon emissions	(15)	(8)	(7)	89%)
Total cost of goods sold	**(861)**	**(625)**	**(236)**	**(38%)**
Other operating expenses	(112)	(119)	7	6%
EBITDAF	**372**	**383**	**(11)**	**(3%)**
Thermal generation (GWh)	1,812	1,742	70	4%
Geothermal generation(GWh)	3,323	3,233	90	3%
Hydro generation (GWh)	3,479	3,562	(83)	(2%)
Spot market generation (GWh)	**8,614**	**8,537**	**77**	**1%**
Spot electricity purchases (GWh)	7,416	7,683	(267)	(3%)
CfD sales (GWh)	599	714	(115)	(16%)
Steam sales	584	602	(18)	(3%)
Commercial & industrial electricity sales	90	92	(2)	(2%)
GWAP ($/MWh)	84.65	53.93	30.72	57%
LWAP ($/MWh)	(91.69)	(60.01)	(31.68)	(53%)
LWAP/GWAP (%)	(108%)	(111%)	3%	3%
Gas used in internal generation (PJ)	17.5	17.1	0.4	2%
Gas storage net movement (PJ)	(0.3)	(3.0)	2.7	90%
Unit generation costs ($MWh)	(33.1)	(32.8)	(0.3)	(1%)
Cost of energy ($MWh)	(28.00)	(27.61)	(0.39)	(1%)