

1 October 2018

Contact completes the sale of the Ahuroa Gas Storage facility

Contact Energy (Contact) has completed the sale of the Ahuroa Gas Storage facility and associated assets to Gas Services New Zealand (GSNZ), an associate of First Gas Limited. The Ahuroa Gas Storage Facility will operate as Flex Gas (www.flexgas.co.nz).

One of the conditions precedent of the transaction was GSNZ obtaining an IRD binding ruling as to the tax treatment of the main assets it acquired. The parties have agreed to complete the transaction despite the condition remaining unsatisfied. While the terms of the agreements are substantially unchanged, \$10 million of the total consideration of \$200 million remains contingent on obtaining a future favourable binding ruling in line with the historic treatment.

The initial \$190 million cash proceeds received from the disposal will be subject to income tax payable of approximately \$45 million with net transaction proceeds of \$144 million (after transaction costs of \$1 million) applied to the reduction of debt.

Contact is expected to record an unaudited estimated gain on the disposal of assets of approximately \$5 million.

Until there are additional long term customers of the facility, S&P will capitalise the storage service payments leaving the S&P net debt to EBITDAF ratio substantially unchanged on completion. Contact and GSNZ remain confident in the further commercialisation of the facility.

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