contact

Putting our energy where it matters.

2019 Interim Results Presentation

Six months ended 31 December 2018

Disclaimer and important information

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.

Numbers in the presentation have not all been rounded and might not appear to add.

Agenda

1H19 Highlights and Progress on Strategy

Dennis Barnes
CEO

Strong financial performance and optimisation of the portfolio results in higher dividends

Summary of key financial performance measures

	Six months ended 31 December 2018			Continuing operations comparison against 1H18	
	Continuing operations	Discontinued operation	Total		
EBITDAF[1]	$278m	$13m	$291m	↑	28% from $217m
Profit	$99m	$177m	$276m	↑	111% from $47m
Profit per share	13.8 cps	24.8 cps	38.6 cps	↑	112% from 6.5 cps
Underlying profit[1]	$97m	$10m	$107m	↑	102% from $48m
Underlying profit per share	13.6 cps	1.4 cps	15.0 cps	↑	106% from 6.6 cps
Declared interim dividend per share			16.0 cps	↑	23% from 13.0 cps
Operating free cash flow[2]	$196m	$7m	$203m	↑	57% from $125m
Operating free cash flow per share[2]	27.3 cps	1.0 cps	28.3 cps	↑	57% from 17.4 cps
SIB capital expenditure (cash)	$27m	$2m	$29m	↓	16% from $32m

[1] Refer to slides 39-42 for a definition and reconciliation of EBITDAF and underlying profit
[2] Refer to slides 23 for a reconciliation of operating free cash flow

- Completed the sale of Ahuroa gas storage (AGS) and the sale of the Rockgas LPG business, receiving net cash proceeds of $438m in the period
- EBITDAF from continuing operations was up by $61m against the prior comparative period having benefited from comparatively stronger hydro generation following record low inflows during 1H18. In addition, our flexible generation portfolio and access to stored gas saw Contact increase wholesale spot market sales during the higher priced October period as the market responded to major gas field outages and lower national hydro storage levels
- Strong balance sheet, high quality renewable generation assets and lean, low cost operations enable increasing dividends to shareholders with the target FY19 ordinary dividend increasing to 39 cents per share, 7 cents per share higher than FY18

New distribution policy provides clarity to investors and will drive a strong capital discipline

Previous 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

New distribution policy

Ordinary dividend of

100%

of expected Operating Free Cash Flow*

Payment timing and split, target gearing and imputation policy have remained the same (see page 30)

Ordinary dividend

FY19 dividend of

39 cps

UP FROM 35 CENTS PER SHARE PREVIOUSLY TARGETED

* Operating Cash Flow less stay in business capex and net interest costs after adjusting for expected medium-term stay-in-business capital expenditure, mean hydrology and appropriate Board consideration of a sustainable financial structure

Highlights

CONTINUED PROGRESS IN DELIVERING VALUE FOR KEY STAKEHOLDERS

Comparison against 1H18

MAINTAINING FINANCIAL DISCIPLINE

Strong cost control, with continuing other operating costs down by $3m (3%). Cash spent on continuing SIB capital expenditure down by $5m (16%). $514m reduction in net debt.

6% Reduction in total ongoing cash operating costs and capital spend

ENHANCED CUSTOMER ADVOCACY

Net promoter score (NPS) for final quarter of 1H19 of +24, up from the +20 recorded for the same period in FY18 as the brand was refreshed and smart customer solutions were launched

20% Improvement in NPS

SAFE AND ENGAGED EMPLOYEES

Zero recordable injuries in 1H19 after two employees injured in 1H18. Targeting improvement on the FY18 engagement score of 77% as we strive to achieve "best-in-class" employer[1] target

2.9 Reduction in the total recordable injury frequency rate (TRIFR)

REWARDING SHAREHOLDERS

1H19 dividend of 16 cents per share, up 3 cents per share on 1H18. Target FY19 dividend of 39 cents per share, up 22% on FY18

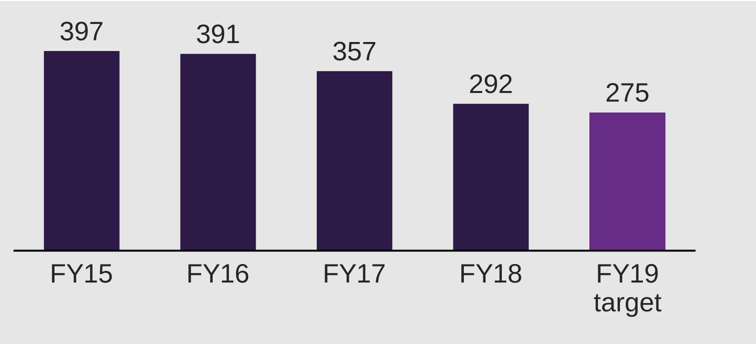
23% Increase to the interim dividend

[1] Benchmark for "best-in-class" >82% engagement

Further operational improvement expected

MAINTAINING FINANCIAL DISCIPLINE

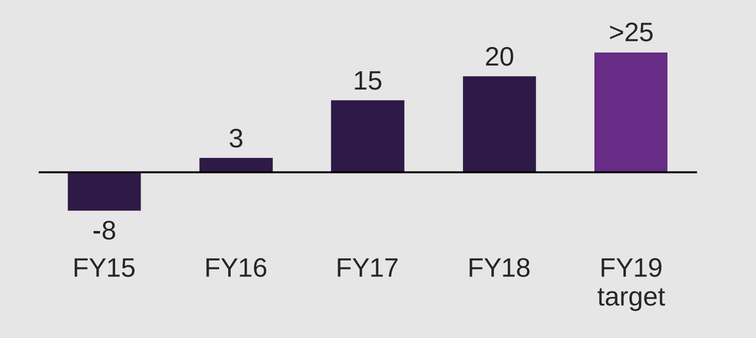
CONTROLLABLE OPEX AND CAPEX COSTS ($m)



BUILDING CUSTOMER ADVOCACY

NET PROMOTER SCORE

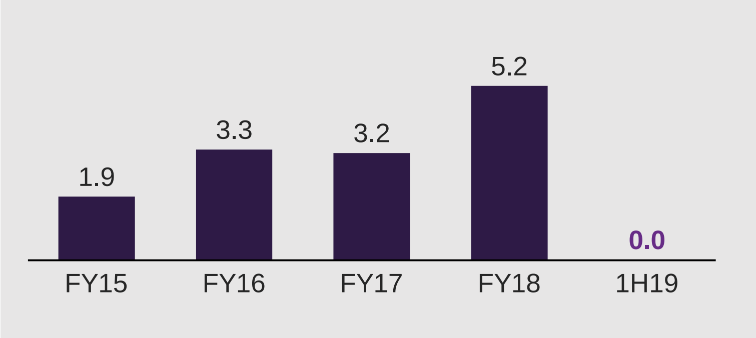
Promoters less detractors



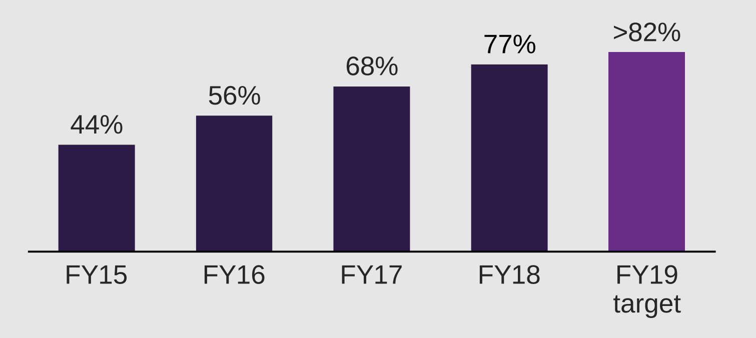
SAFE AND ENGAGED EMPLOYEES

TOTAL RECORDABLE INJURY FREQUENCY RATE

Recordable injuries per million hours worked



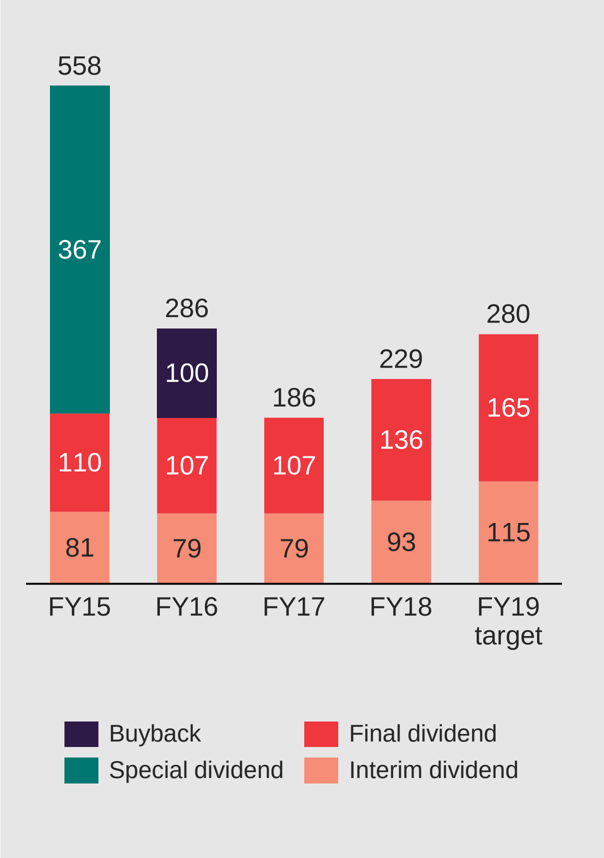
EMPLOYEE ENGAGEMENT (%)



REWARDING SHAREHOLDERS

DISTRIBUTIONS ($m)

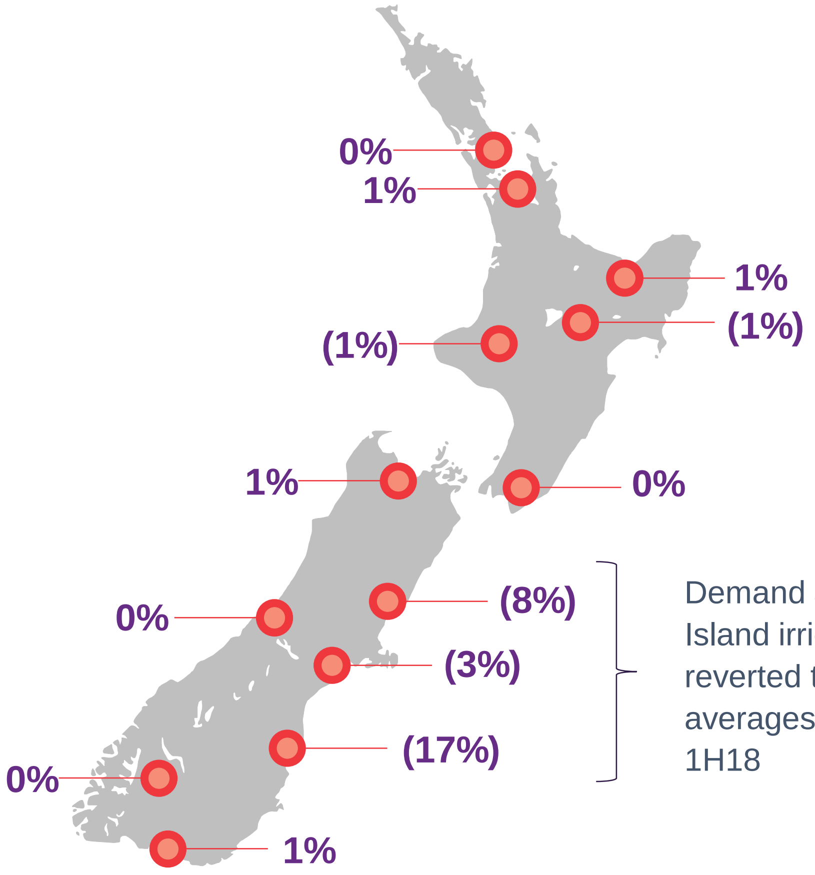
Declared or target



National electricity demand flat

REGIONAL CHANGE (%) 1H19 vs 1H18

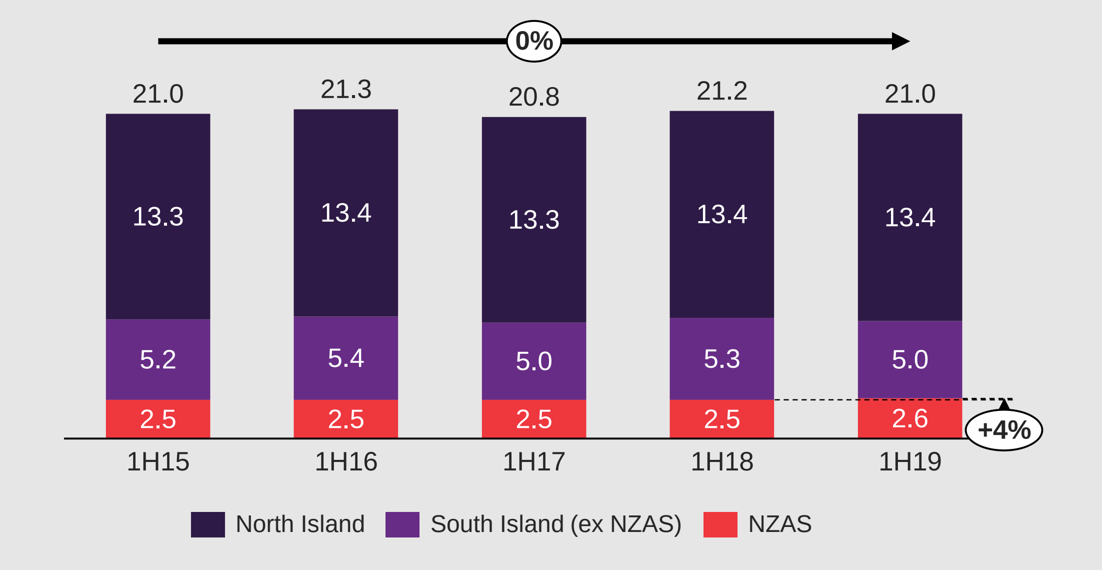
Source: EMI, Contact



Demand at key South Island irrigation nodes reverted to historical averages after a dry 1H18

NATIONAL ELECTRICITY DEMAND (TWh)

Source: EMI, Contact



» The NZAS gradual re-commissioning of the 4th potline (50MW) from October 2018, resulted in a 4% increase in electricity consumption. Once fully operational national demand will increase by ~1% (NZAS demand will be up ~17%)

» South Island irrigation related demand was significantly lower than 1H18

» Residential demand increased by 2% per customer on lower average temperatures

National storage rising in advance of Winter

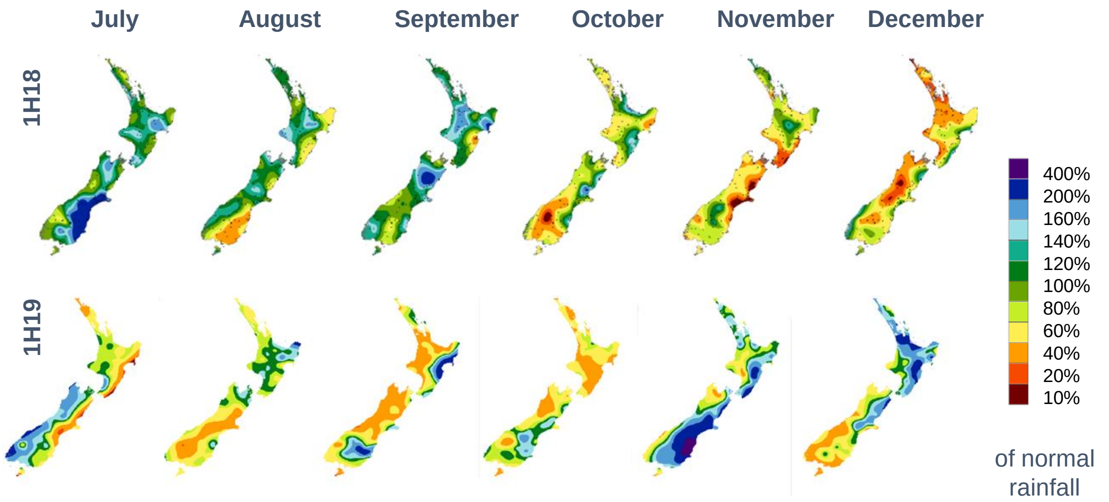
SOUTH ISLAND INFLOWS NORMALISED FROM A DRY 1H18

» An acute drought in key South Island catchments between October and December 2017 was broken in February 2018 when cyclones Fehi and Geta made landfall. This contributed to above mean national storage at the start of Winter 2018

» Extreme November 2018 rainfall added ~700GWh to national storage over a two week period after the traditional Spring inflows failed to materialise

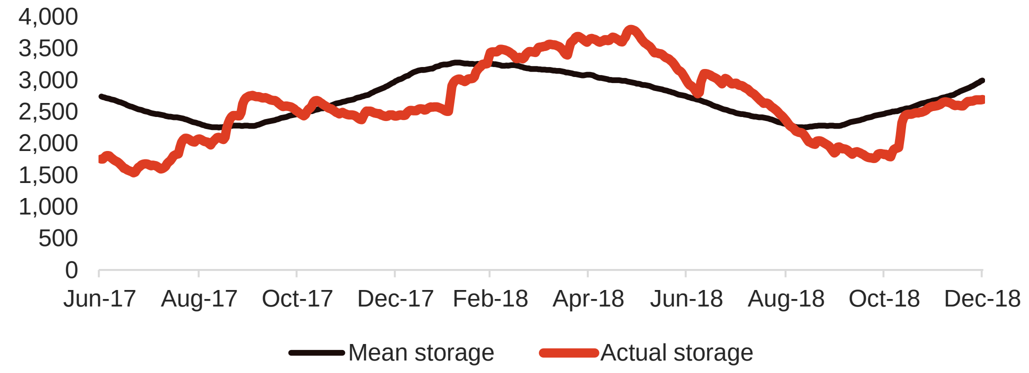
MONTHLY NATIONAL RAINFALL

As a percentage of 1981 – 2010 monthly normal (source: NIWA)



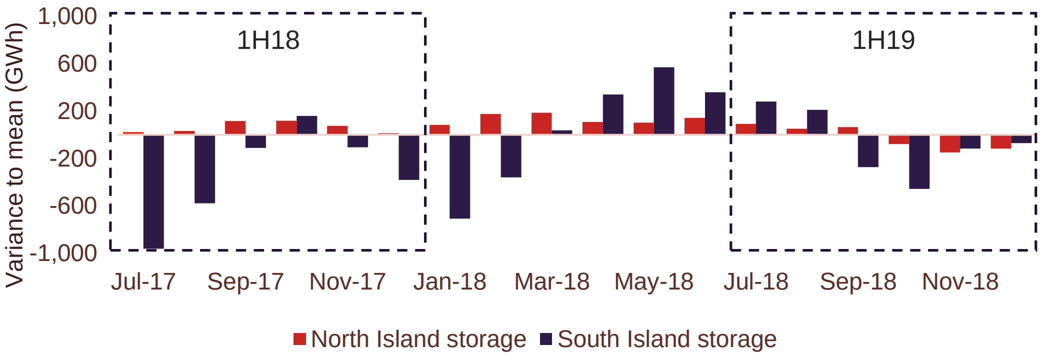
NATIONAL HYDRO STORAGE AGAINST MEAN STORAGE (GWh)

Mean storage 1926 – 2016 (source: NZX hydro)



AVERAGE MONTHLY STORAGE VS MEAN BY ISLAND (GWh)

Mean storage 1926 – 2016 (source: NZX hydro)



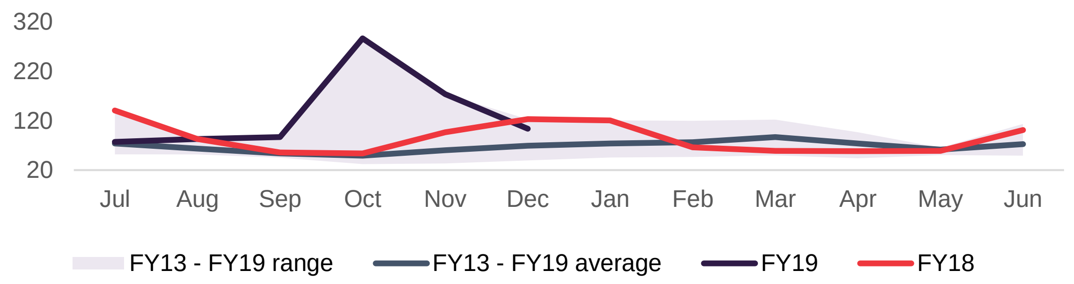
Wholesale spot prices responded to fuel scarcity

HYDRO STORAGE LEVELS AND THERMAL FUEL CONSTRAINTS INCREASED NEAR TERM PRICES

- While volatile hydrology is a well-known feature of electricity supply in New Zealand, normally reliable gas production was significantly constrained in 1H19 impacting generation from thermal assets
  - Remedial work to the Pohokura gas field's offshore pipeline and platform, which was completed in December 2018, ended more than 200 days of constrained gas supply across two separate outages. Restricted production from Pohokura is expected to continue over 2H19
  - Gas availability should improve as current constraints are unlocked
- The elevated spot price environment has led to increases in short-dated forwards (i.e. for contracts maturing less than six months ahead)
- Long-dated forward prices (1 February 19: $88.3/MWh) have increased by over $12.9/MWh (or over 17 per cent) in the last six months

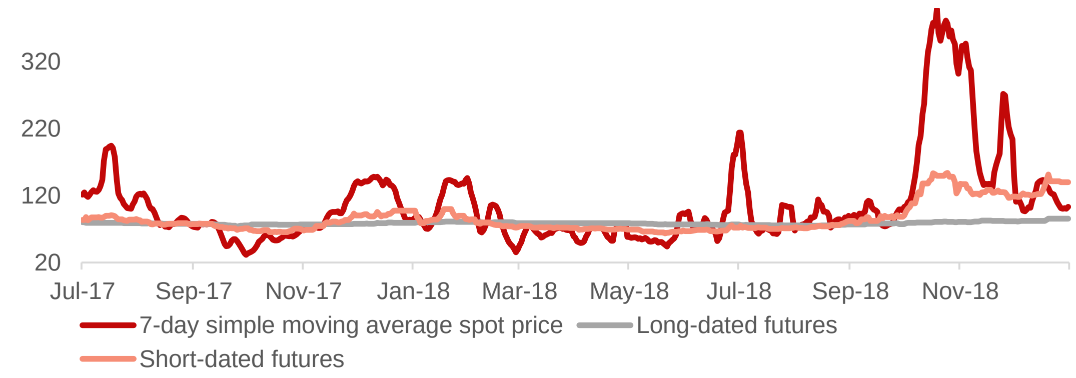
MONTHLY WHOLESALE SPOT ELECTRICITY PRICES ($/MWh)

Generation weighted (source: Electricity Authority – Wholesale electricity prices)



ELECTRICITY FORWARD PRICE CURVES ($/MWh)

Generation weighted (source: Electricity Authority – Wholesale electricity prices)



Our strategy

Optimise the Customer and Wholesale businesses to deliver strong cash flows

CUSTOMER

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

WHOLESALE

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

Customer business continues to reduce cost to serve while improving 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.

DELIVERING ON OUR STRATEGY

» Move to a simple, lean operating model centred on the customer experience reinventing key customer processes

» Capable employees, identifying and driving performance initiatives with ownership and accountability

» Transform technology to drive efficiency and increasingly automated customer experiences

» Reposition the brand and reputation from a strong operational retailer to a smart customer solutions provider

FRAMEWORK FOR NEW INVESMENT

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

PROGRESS

» New operating model and transition to a support model for LPG and C&I businesses in place
  » Agile teams reducing delivery times

» Increased digitisation improving NPS and lowering servicing and acquisition costs
  » 10% reduction in call centre volumes
  » 15% increase in web traffic and 7% increase in digital sales
  » Majority of applications migrated to Amazon web services
  » 33% increase in downloads of the new mobile app

» Delivering smart customer solutions supports brand positioning
  » Introduced new payment methods with PrePay and weekly/fortnightly billing to help customers manage their bills
  » New products launched to deliver customer's choice and innovative rewards including "free-bill", "promise plan" and "broadband bundle"

Wholesale 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.

DELIVERING ON OUR STRATEGY

- » Sustainable cost reduction
- » 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

PROGRESS

- » Operating costs 4% lower than 1H18
- » Strong safety performance with zero recordable injuries
- » Commercial and Industrial teams fully integrated into the Wholesale business
- » Strong trading performance and enhanced business performance reporting
- » Progressed options for renewable development at Tauhara

FRAMEWORK FOR NEW INVESMENT

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

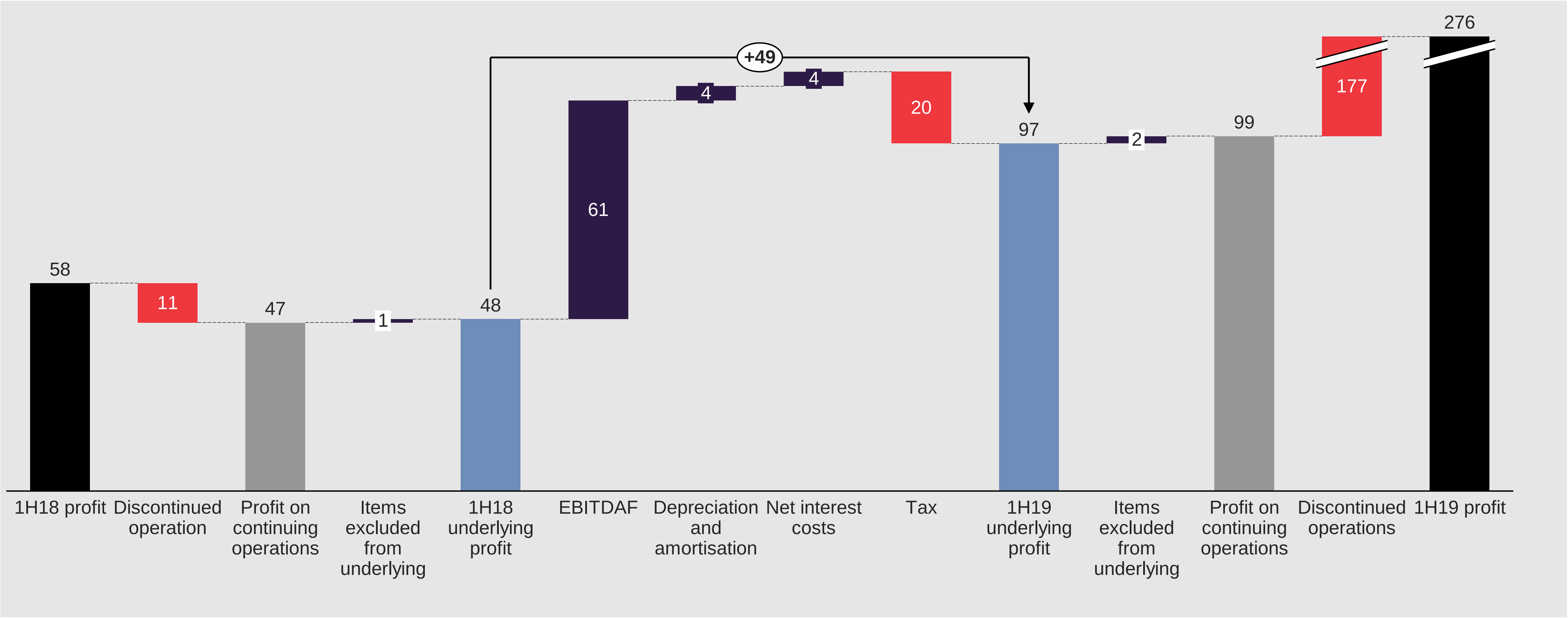
Operational Performance and Financial Results

Dorian Devers
CFO

Profit of $276m, supported by proceeds from portfolio changes

PROFIT ON CONTINUING OPERATIONS UP BY 111% AS EBITDAF FROM CONTINUING OPERATIONS INCREASED BY $61m

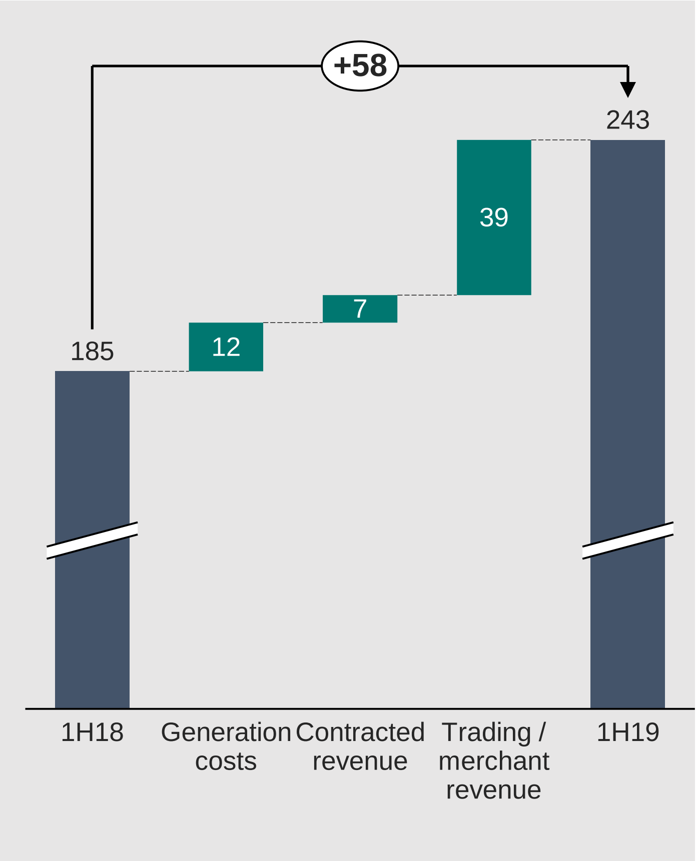
STATUTORY PROFIT ($m)



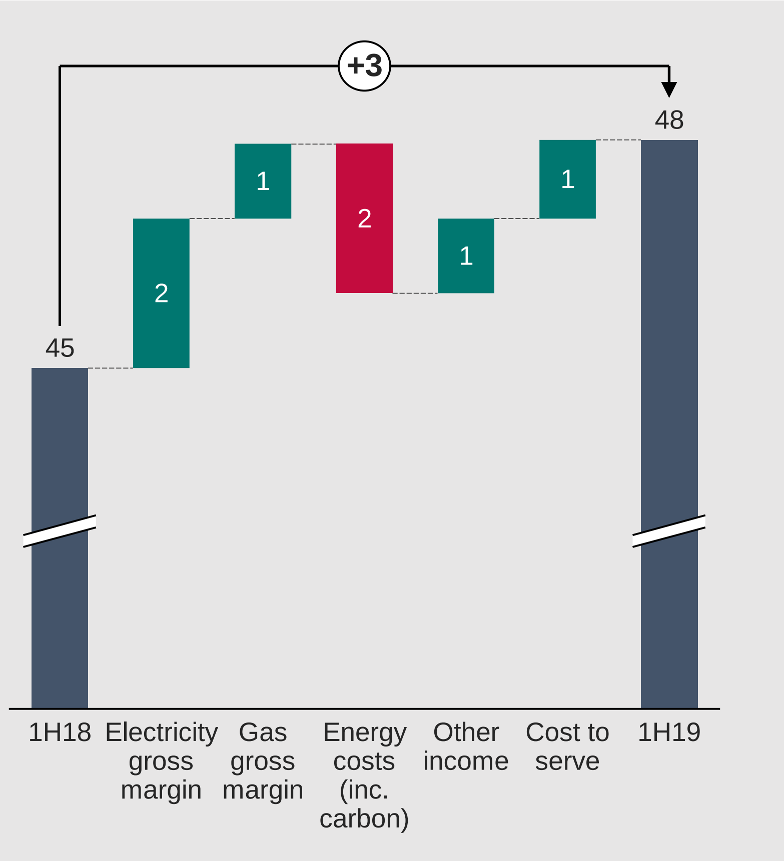
EBITDAF from continuing operations up by $61m

Continuing business performance

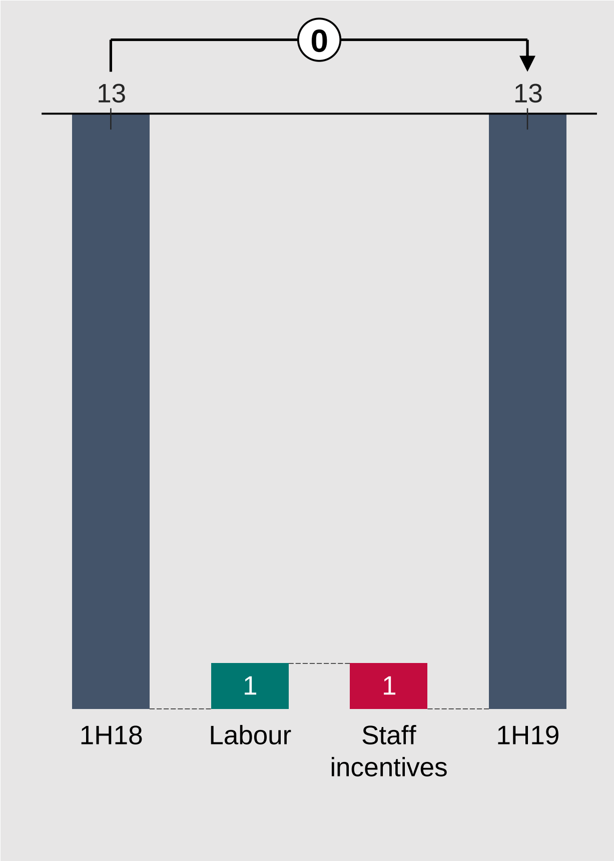
WHOLESALE EBITDAF ($m)



CUSTOMER EBITDAF ($m)



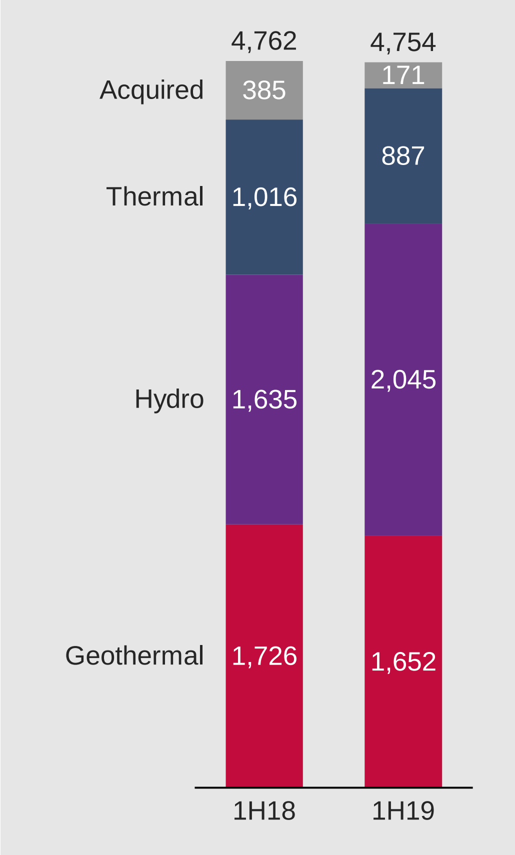
CORPORATE / UNALLOCATED ($m)



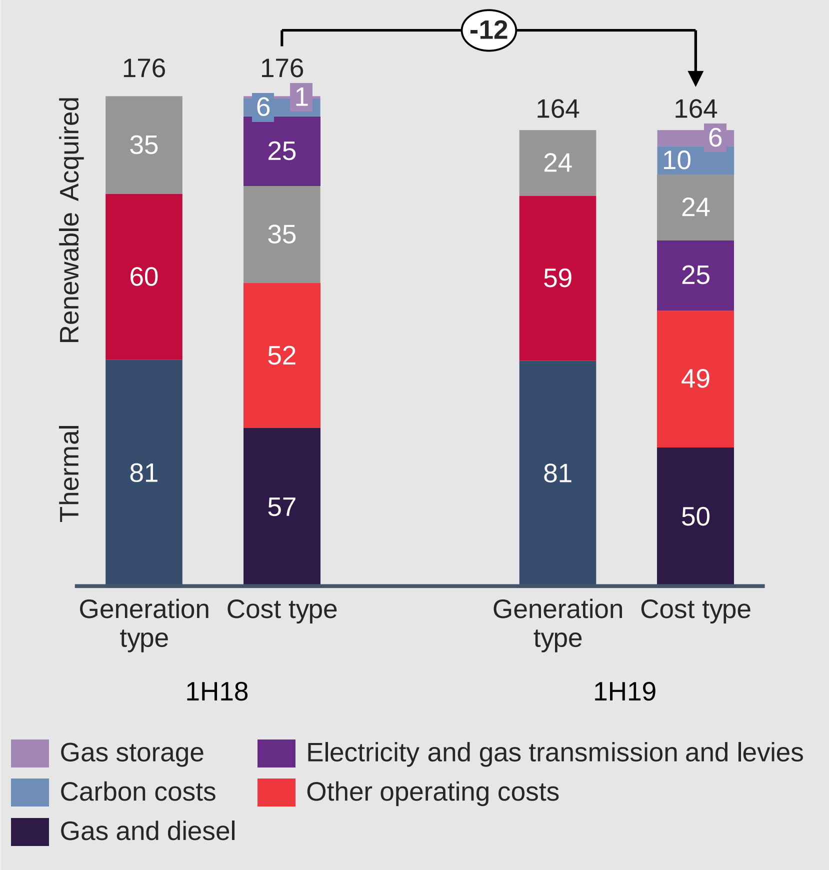
Generation costs

Renewable generation up 10% on 1H18, costs down by $12m

Electricity generated or acquired (GWh)



Electricity generated or acquired ($m)

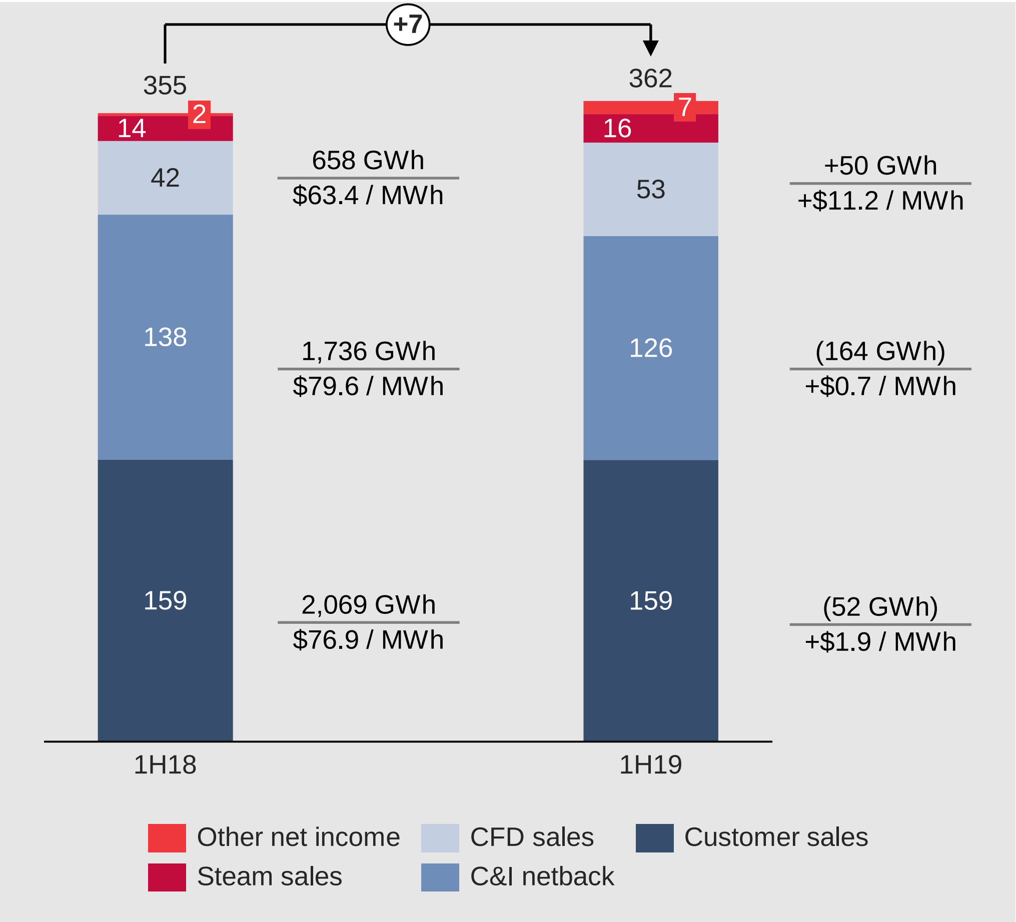


- Hydro generation was up 410 GWh (25%) as hydro generation returned to mean after a dry 1H18, geothermal lower on planned Wairakei outage
- Higher renewable production required less thermal generation (+$5m) and less acquired generation (+$21m)
- This was offset by higher unit input costs for gas, diesel and carbon (-$4m), higher electricity and gas transmission and gas storage costs (-$4m) and a higher price for the acquired generation (-$10m)
- Prioritisation of more efficient thermal plant and lower labour costs saw efficiency gains of $4m
- Renewable costs are essentially fixed providing leverage to increased hydro generation

Wholesale contracted revenue

Energy prices higher on the prior period, reduced exposure to fixed price sales and redirected load to higher priced channels

Contracted revenue ($m)

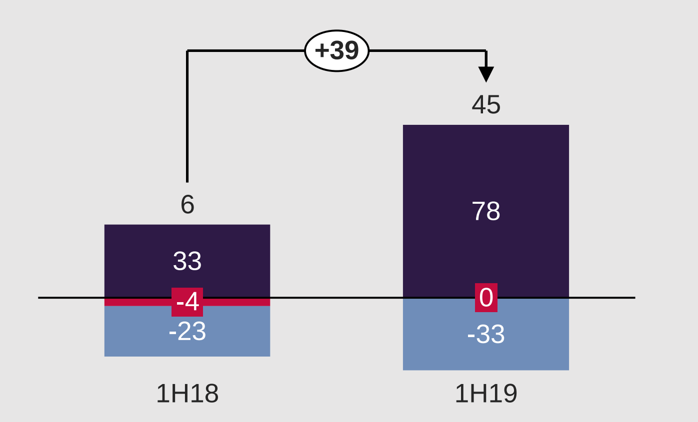


- Fixed price variable volume electricity sales to Customer and C&I customers were 216 GWh (4%) lower than 1H18 (-$16m) which was partially offset by higher prices (+$4m)
- Increased CFD sales to support NZAS, which was up by 22GWh contributed to higher CFD electricity sales in 1H19 (+$1m). Higher pricing was achieved on both end-user CFDs (+$2m) and short-term CFD sales to other generators (+$8m)
- Steam revenue was $2m higher on 1H18 on a 6% increase in volumes and a higher tariff which reflected rising carbon prices
- Other income was up by $5m on 1H18, predominantly due to improvements made to trading activity which limited exposure to volatile markets

Wholesale trading and merchant revenue

Contact was able to generate to support the market during higher priced periods in 1H19

TRADING EBITDAF ($m)



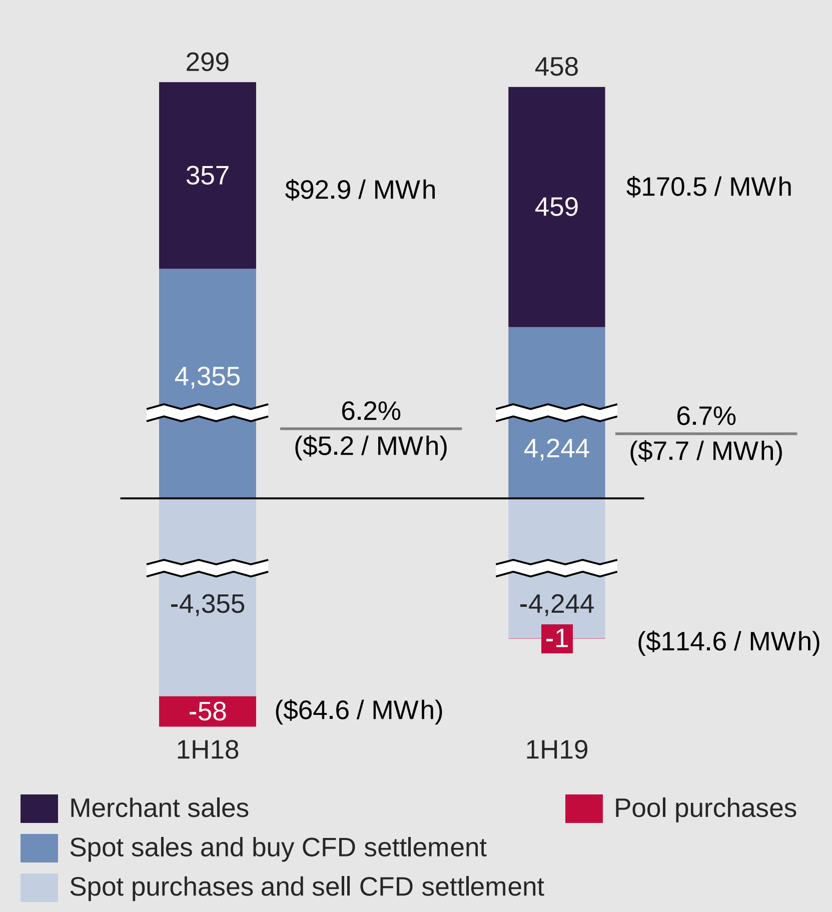
TRADING REVENUE

Merchant sales: short-term sales channel available when the spot prices exceed the opportunity cost on Contact generation

Pool purchase: short-term opportunistic purchases from the spot electricity market when better value than alternatives (adjusted for volatility and volume)

LWAP / GWAP losses: locational price differences between where electricity is generated and purchased

LONG / SHORT POSITION (GWh)



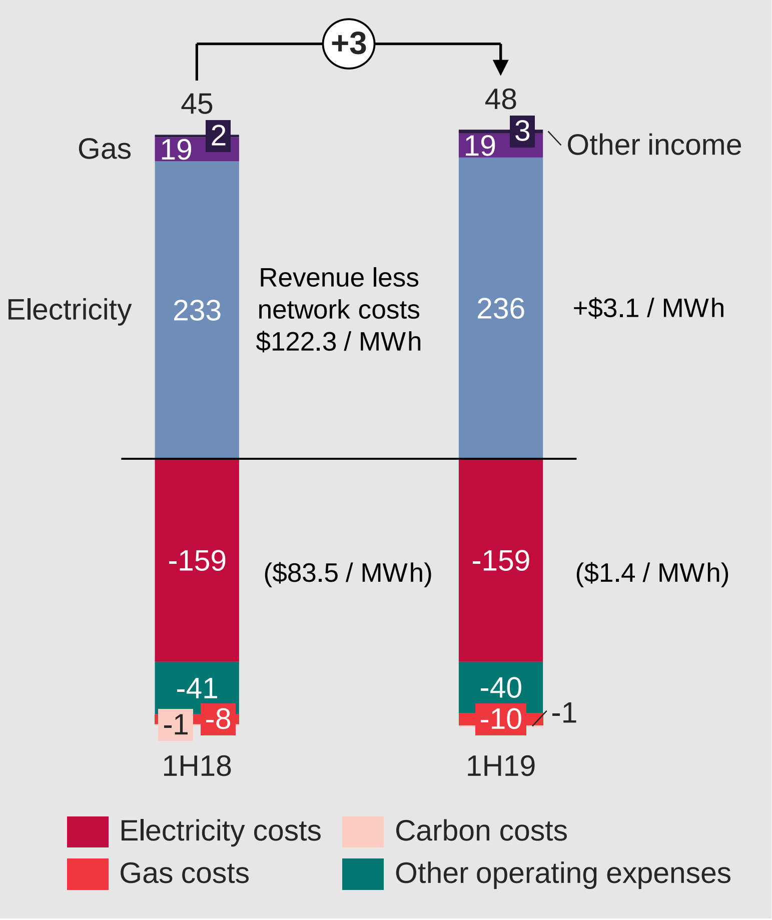
- Contact's flexible generation portfolio and access to stored gas saw a 102 GWh increase in merchant sales volumes (+$17m) to support the market during the recent higher priced periods as the spot price responded to gas field outages and lower national hydro storage levels. The price received for this "long" generation was up by $77/MWh (+$28m)
- Strong generation volumes and risk management saw limited price exposure to unhedged spot market purchases
- LWAP/GWAP losses only increased by 0.5% but higher spot prices saw the absolute cost increase by $10m to $33m

Customer business performance

EBITDAF up by $3m on higher tariff, lower network costs and a reduction in cost to serve

Revenue ($m)

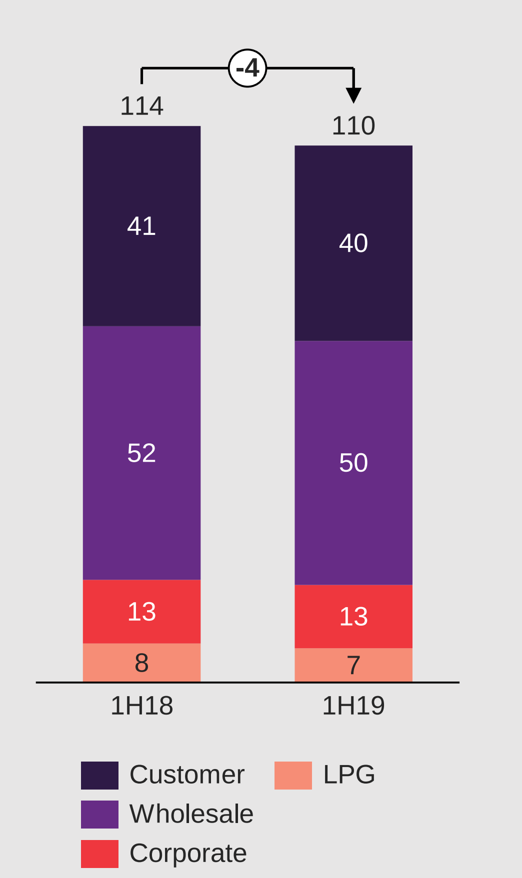
EBITDAF ($m)



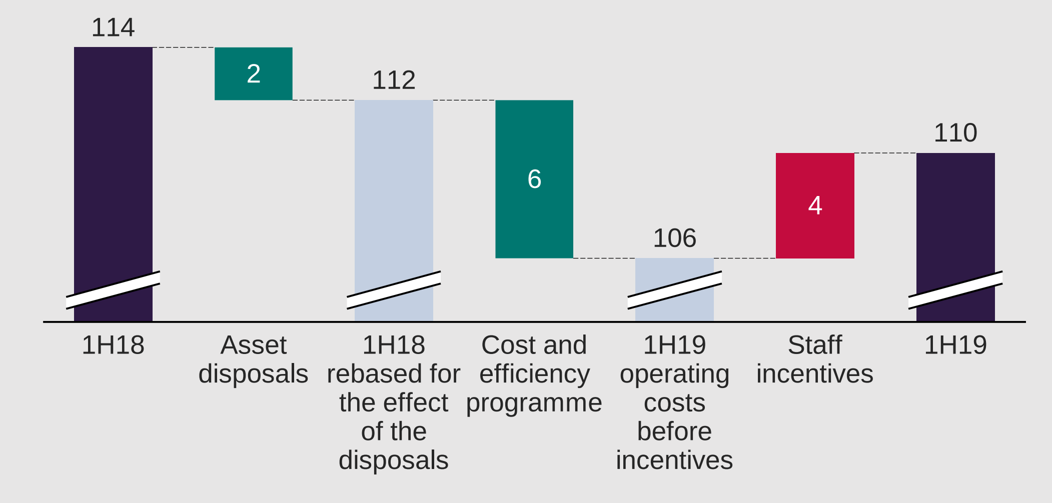
- Electricity sales volume down 33 GWh due to lower customers numbers, offset by higher gas sales to SME customers
  - Intense competition and the decision not to renew 2,700 SME ICPs reduced average customer connections
  - Customer numbers stable over the past three months with new propositions in market. Broadband offer attractive.
- Electricity gross margin up on successful customer retentions and corrections to historical pricing anomalies
  - Broadband and LPG services revenue leverages existing cost infrastructure
- Energy costs increased, following higher ASX prices and higher gas and carbon costs
- Other operating expenses favourable $1m despite investment in digital, brand and new products

Cost efficiency programme continues to deliver controllable cost reduction

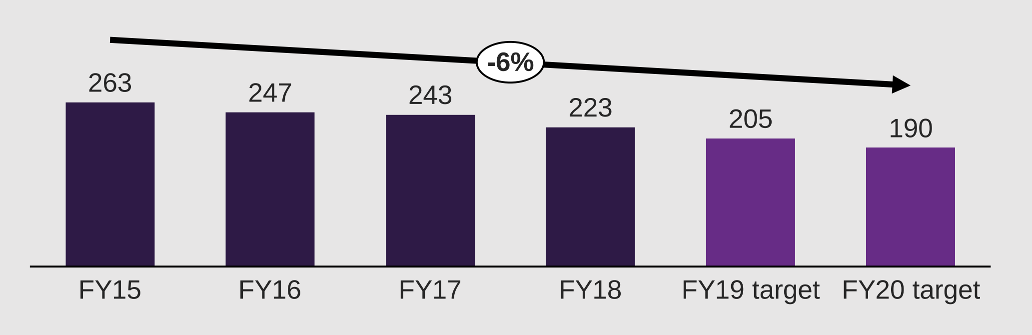
OTHER OPERATING COSTS ($m)



OTHER OPERATING COST MOVEMENT ($m)



CONTROLLABLE OPEX ($m)



5% reduction in like for like other operating costs

- Efficiency programme delivers $6m operating cost reduction in 1H19, against $8m target for FY19
- Wholesale and corporate labour costs down on reduced FTE
- ICT costs lower after the move to the cloud and efficiency initiatives
- Further reduction in bad debt
- Customer investment in brand and digital accommodated
- On target for guided FY20 reductions
- Staff incentives up on improvement to financial performance on 1H18

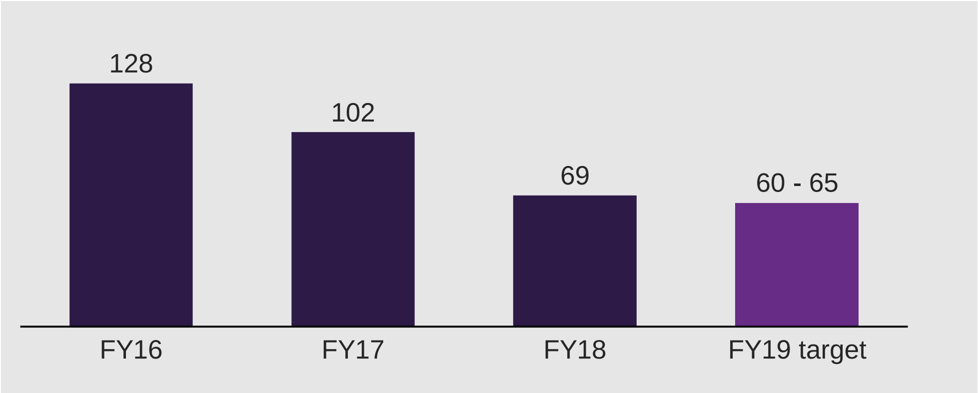
Cash flow and capital expenditure

OPERATING CASH FLOW UP BY $62m ON HIGHER EBITDAF, FAVOURABLE WORKING CAPITAL MOVEMENTS AND LOWER INTEREST AND CAPEX COSTS

	6 months ended 31 December 2018	6 months ended 31 December 2017	Comparison against 1H18	
EBITDAF	**$291m**	$236m	↑	$55m
Working capital changes	**$10m**	($8m)	↑	$18m
Tax and interest paid	**($77m)**	($60m)	↓	($17m)
SIB Capital	**($29m)**	($35m)	↑	($6m)
Other non cash movements	**$9m**	$8m	↑	$1m
Operating free cash flow[2]	**$203m**	$141m	↑	$62m
Operating free cash flow per share[2]	**28.3 cps**	19.7 cps	↑	8.6 cps
Proceeds from sale of assets/operations	**$438m**	-	↑	$438
Free cash flow	**$641m**	$141m	↑	$500m

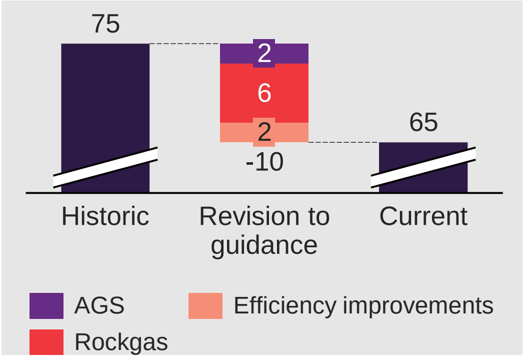
- EBITDAF up on strong Wholesale performance
- Working capital changes up by $18m on improved receivables collections
- Cash tax up in line with increasing earnings and balancing payments from prior periods
- Capital expenditure on continuing operations of $27m in 1H19

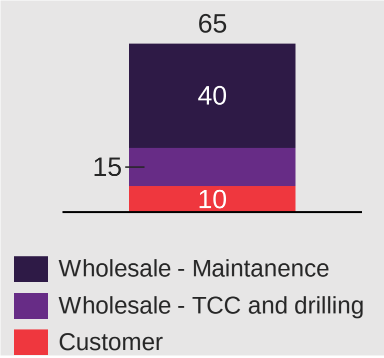
SIB CAPEX ($m)



LONG RUN AVERAGE CAPEX ($m)

Excludes capex associated with Wairakei extension post 2026

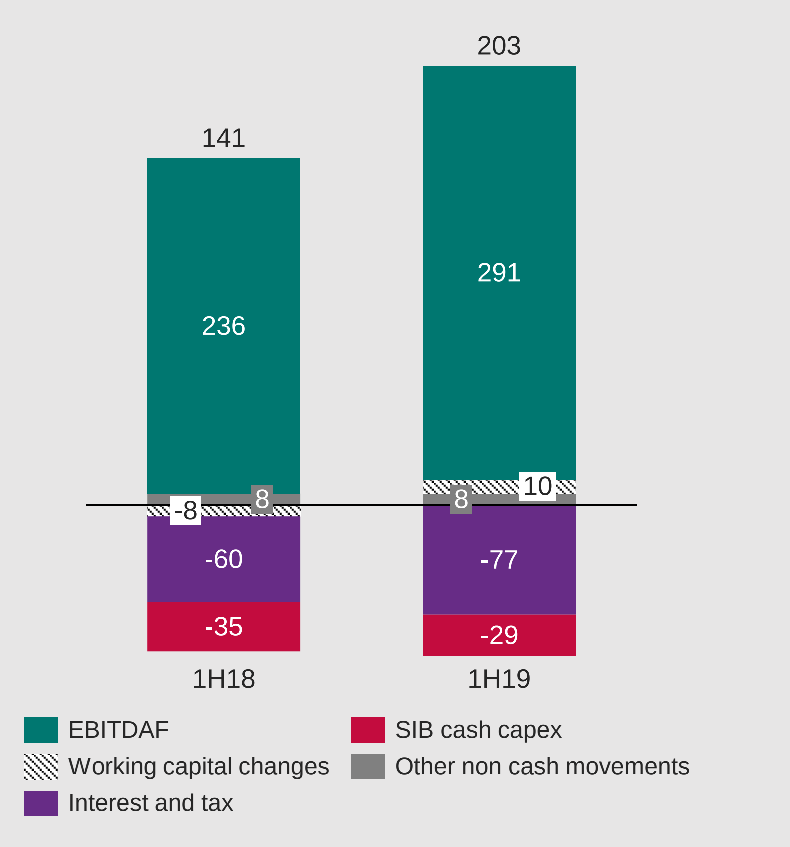




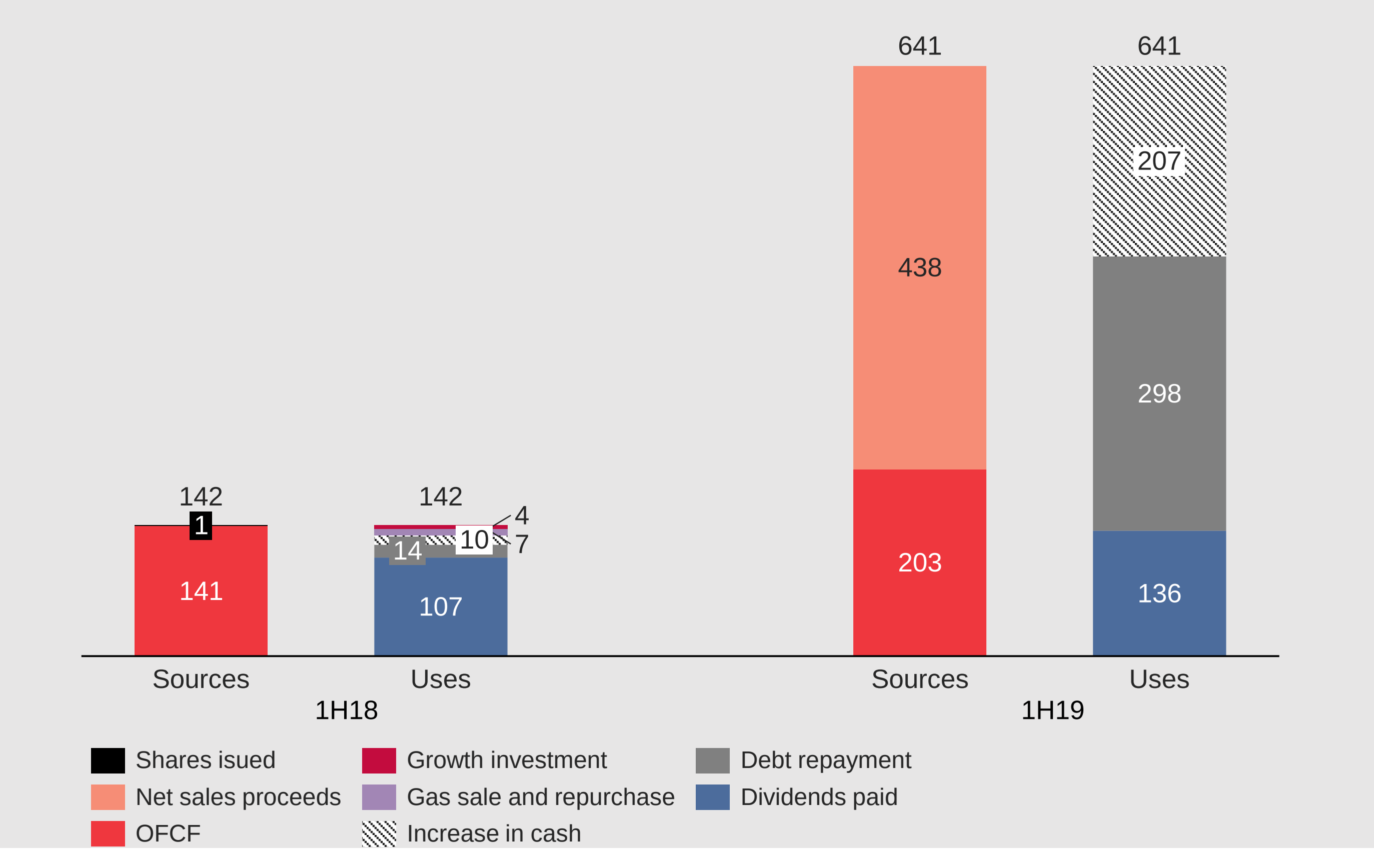
Strong free cash flow directed to strengthening the balance sheet

EBITDAF TO CASH CONVERSION INCREASED TO 70% IN 1H19 FROM 60% IN 1H18

OPERATING FREE CASH FLOW – OFCF ($m)



SOURCES AND USES OF CASH ($M)

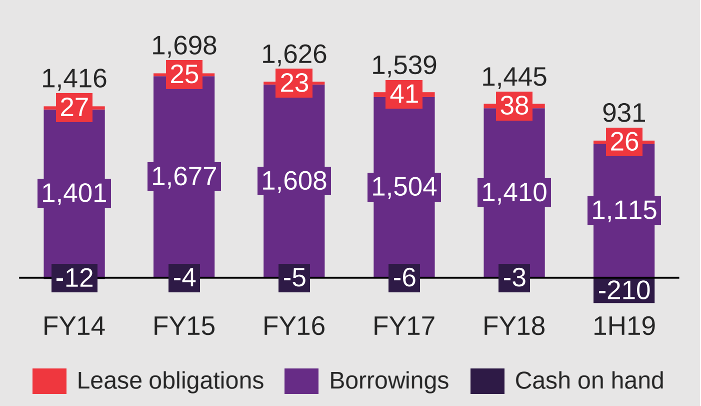


Strong balance sheet

ROBUST TREASURY MANAGEMENT ENSURES ACCESS TO DIVERSE FUNDING SOURCES

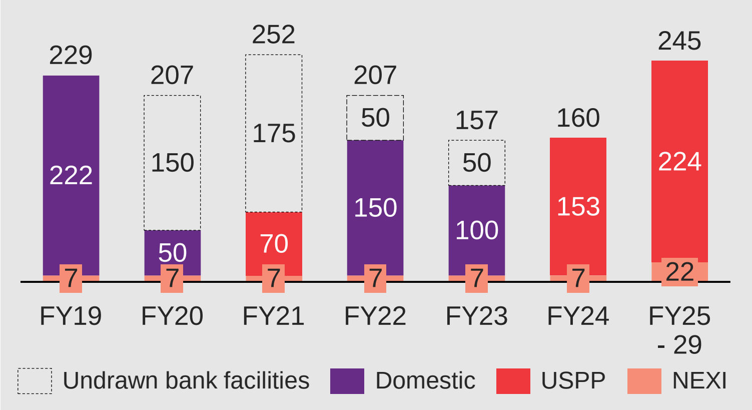
CLOSING NET DEBT ($m)

Face value of borrowings less cash



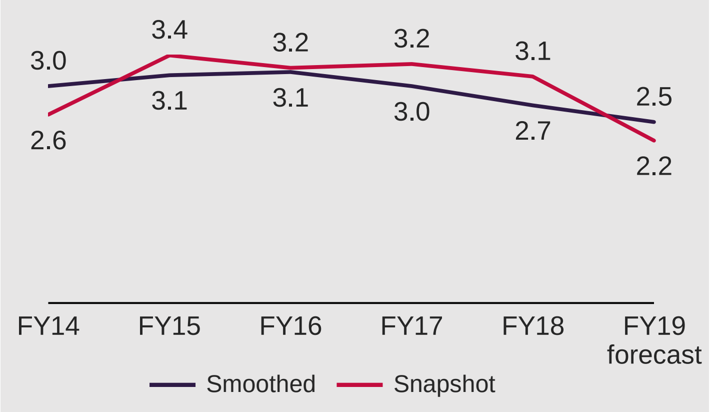
BORROWING MATURITIES ($m)

Average tenor of 3.6 years as at 31 December 2018



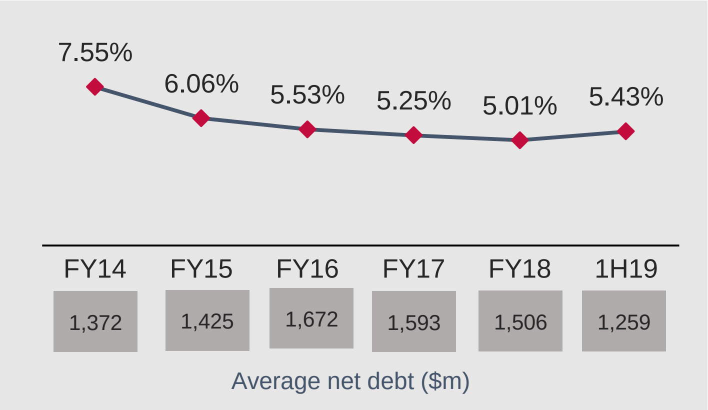
NET DEBT TO EBITDAF (x)

Includes S&P adjustments (AGS currently treated as a lease)



INTEREST RATE (%)

Weighed average interest rate on average net debt



- Face value of net borrowings reduced by $514m to $931m following the completion of the asset sales. Net debt has reduced by $767m since the end of FY15. Gearing reduced to 29.7% at 31 December 2018, down from 35.4% at 30 June 2018
- $222m retail bond maturing in May 2019 being partly refinanced
- Weighted average interest rate increased by 42bp on FY18
- Contact continues to target a credit rating of BBB (net debt / EBITDAF <2.8x)

Market update and Outlook

Dennis Barnes
CEO

Our strategy

Optimise the Customer and Wholesale businesses to deliver strong cash flows

CUSTOMER

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

WHOLESALE

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

Priorities

NEAR TERM

CONTRACT GAS

- ✓ Engaging with suppliers to contract for gas for 2019 and beyond. Increasingly confident that gas availability will improve as current gas supply constraints are unlocked

MANAGE WHOLESALE MARKET VOLATILITY

- ✓ Contact manages fuel variability through portfolio flexibility and a strong risk management framework
- ✓ In addition to the gas we expect to contract, access to stored gas in AGS and other contractual options which will give us appropriate access to energy

DELIVERING CUSTOMER VALUE

- ✓ Continue to develop customer centred processes, products and propositions that will appeal to all, including the most vulnerable. Next proposition to be released imminently is a “basic plan” i.e. no PPD offer. Ultimately customers will define the value of product features, discounts and rewards
- ✓ Participation in the Electricity Price Review consultation

EXECUTE ON THE COST AND EFFICIENCY PROGRAMME

- ✓ The focus remains on the reduction of controllable costs, simplification of the organisation and asset portfolio
- ✓ Investment in digital and data to build a platform from which we will further reduce costs and develop new, innovative propositions

FULLY COMMERCIALISE GAS STORAGE

- ✓ Work with FlexGas, the new AGS operating entity, to attract long term users into the facility before the expansion is completed (early 2020)

MEDIUM TERM

DECARBONISATION

- ✓ Develop options to enable the economic substitution of thermal generation with renewables
- ✓ Partner with customers on mutually beneficial decarbonisation opportunities

CAPTURE SCALE EFFICIENCIES

- ✓ Further develop the rich set of brownfield geothermal development opportunities available
- ✓ In time, our large customer base and world class systems will provide an attractive opportunity for partners

Contact held an investor day in November 2018 which outlined some of the key longer term strategic Wholesale options as New Zealand transitions to a lower carbon future.

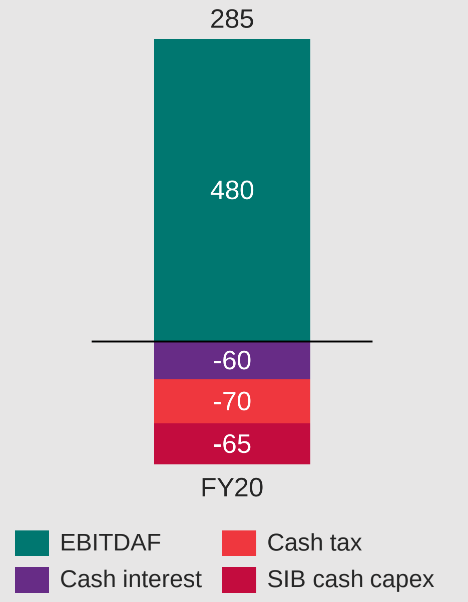
A link to a replay of the event and presentation materials has been made available at:
https://contact.co.nz/aboutus/investor-centre

Guidance affirmed

CONFIDENCE IN THE ABILITY TO DELIVER PERFORMANCE IMPROVEMENTS

	FY19 (f)	*Change to prior guidance*	FY20 (f)	*Change to prior guidance*
Other operating costs	$200 – 210m	-	$185 – 195m	-
Depreciation and amortisation	$200 – 205m	Range narrowed on completion of disposals	$195 – 205m	-
Net interest (accounting)	$75 – 80m	Range narrowed on completion of disposals	$60 – 65m	-
Cash interest	$70 – 75m	New guidance added	$55 – 60m	New guidance added
Stay in business capital expenditure (accounting)	$65 – 75m	-	$60 – 65m	-
Target ordinary dividend per share	39 cps	up 4 cps (+11%)	39 cps	New guidance added

FY20 OFCF ($m)



Key assumptions:

- Hydro generation at 3,900 GWh (mean), geothermal generation at 3,350 GWh (average)
- ASX electricity futures and electricity retail margins stable
- Excludes working capital movements

New distribution policy

NEW POLICY

- Contact's policy is to distribute ordinary dividends targeting a pay-out ratio of 100% of an Operating Free Cash Flow* which is adjusted for expected medium-term stay-in-business capital expenditure, mean hydrology and the consideration of a sustainable financial structure including the targeting of a long-term credit rating of BBB
- Dividend payments are expected to be split into an interim dividend paid in April, targeting around 40% of the total expected dividend for the financial year, and a final dividend to be paid in September
- It is the intention of the Board to attach imputation credits to dividends to the extent they are available

INTERIM DIVIDEND FOR FY19 OF 16 CENTS PER SHARE UP 23%

- Interim dividend of 16 cents per share (1H18 13 cents per share) is imputed to 65% or 10 cents per share for qualifying shareholders. This represents a pay-out of 57% of 1H19 operating free cash flow per share
- Target FY19 ordinary dividend of 39 cents per share (FY18 32 cents per share)
- Record date 21 March 2019; payment date 9 April 2019
- The NZD/AUD exchange rate used for the payment of Australian dollar dividends will be set on 29 March 2019

* Operating Free Cash Flow is Operating cash flow less stay-in-business capital expenditure and net cash interest costs

Supporting materials

Financial impact of the asset disposals

ASSET DISPOSALS COMPLETED IN THE PERIOD

SALE OF AHUROA GAS STORAGE FOR $200M

- On 1 October 2018, Contact completed the sale of AGS and received $190 million in cash, with a further $10 million contingent on the new owner obtaining a favourable binding ruling in line with our tax treatment
- Profit on disposal of $5m

SALE OF ROCKGAS LPG FOR $260M

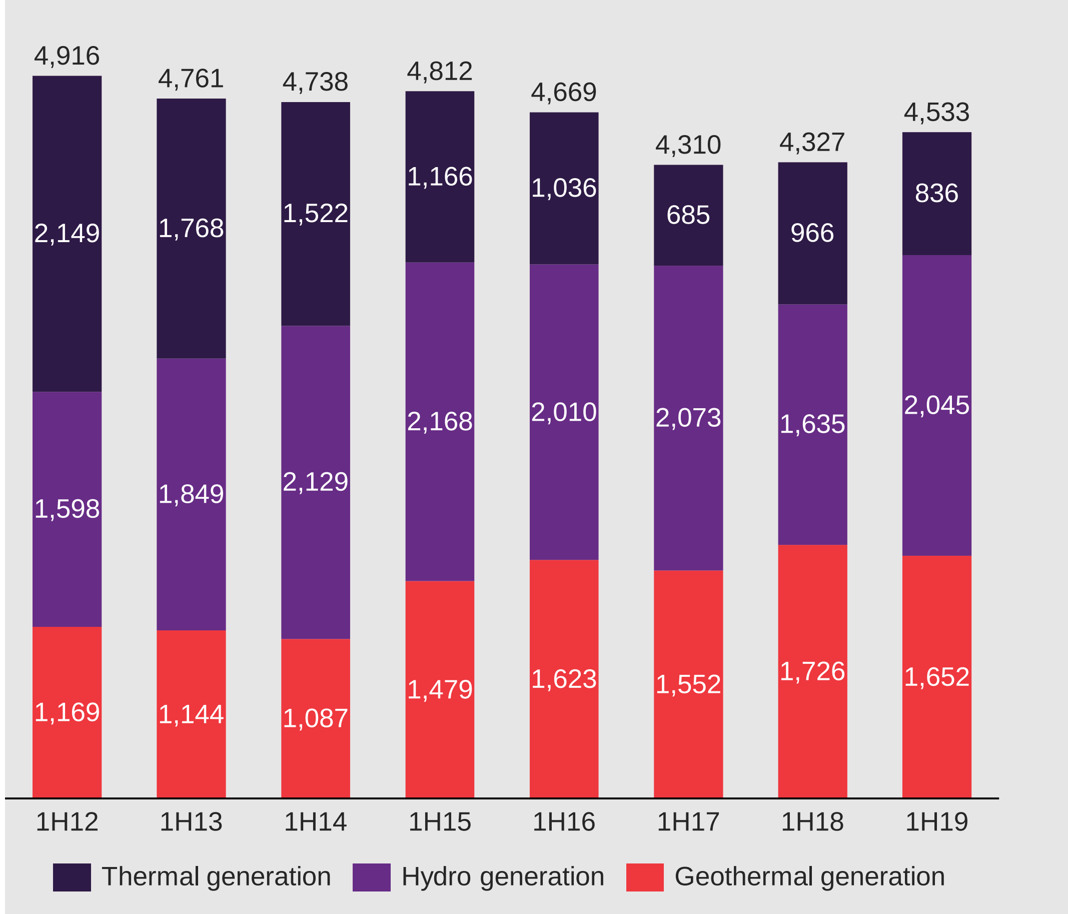
- On 1 December 2018, Contact completed the sale of Rockgas and received $250m of cash proceeds. The final adjustments for working capital and net debt are expected over the next few months
- Provisional gain on sale of $167m

	1H19							
	Total	AGS pro-forma (3 months included)	Rockgas (5 months included)	Proceeds	**1H18**	Comparison against 1H18	**5 year average**	Normalised FY20 vs average of FY13 - 18
EBITDAF	**$7m**	($6m)	$13m		**$16m**	($9m)	**$21m**	($41m)
EBIT[1]	**$7m**	($4m)	$13m		**$9m**	($2m)	**$8m**	($28m)
Proceeds from sale of assets/operations	**$438m**	$190m	$248m		**-**	$438		
Underlying profit per share	**1.2 cps**	(0.6 cps)	1.4 cps	0.4 cps	**1.3 cps**	(0.1 cps)	**0.8 cps**	(2.8 cps)
Capex	**($2m)**	-	($2m)		**($3m)**	$1m	**($10m)**	$10m
Operating free cash flow	**$7m**	($4m)	$7m	$4m	**$12m**	($5m)	**$7m**	($3m)

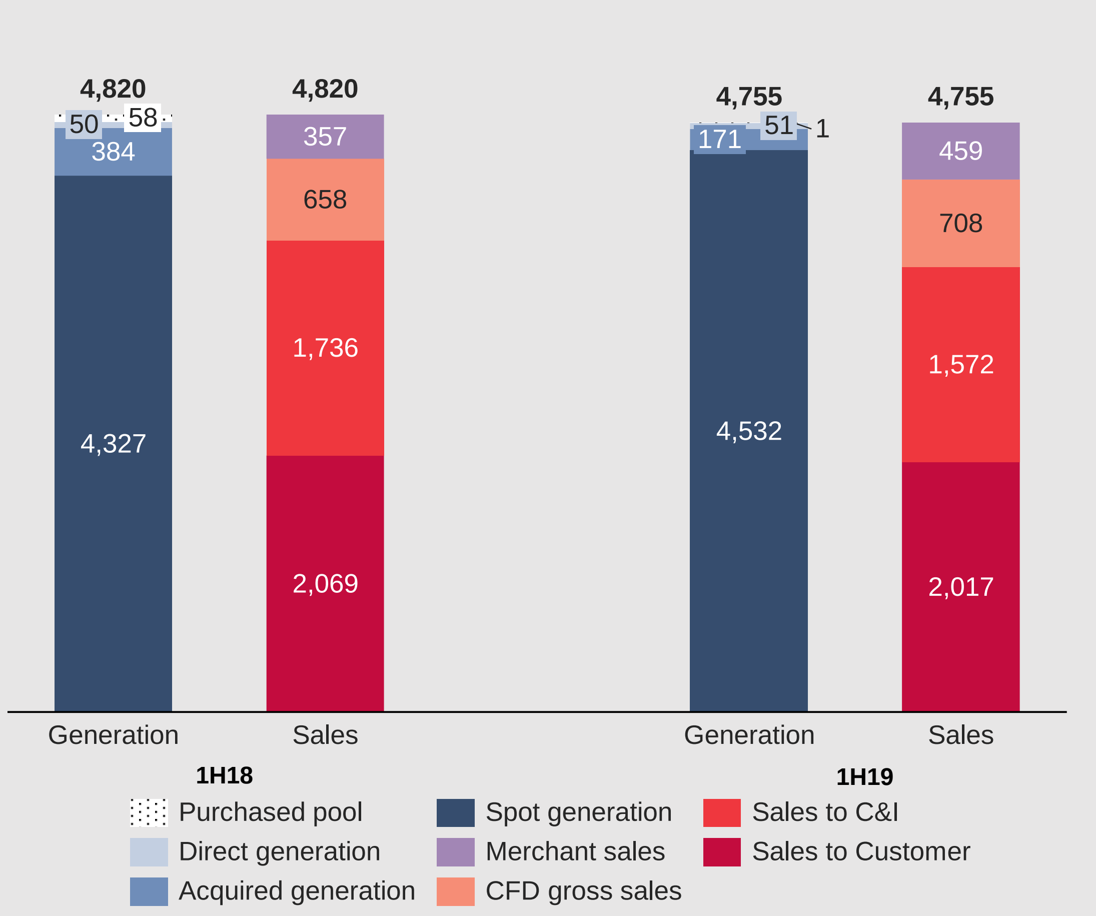
[1] Assets are no longer depreciated once held for sale

Generation and sales position

CONTACT GENERATION OUTPUT (GWh)

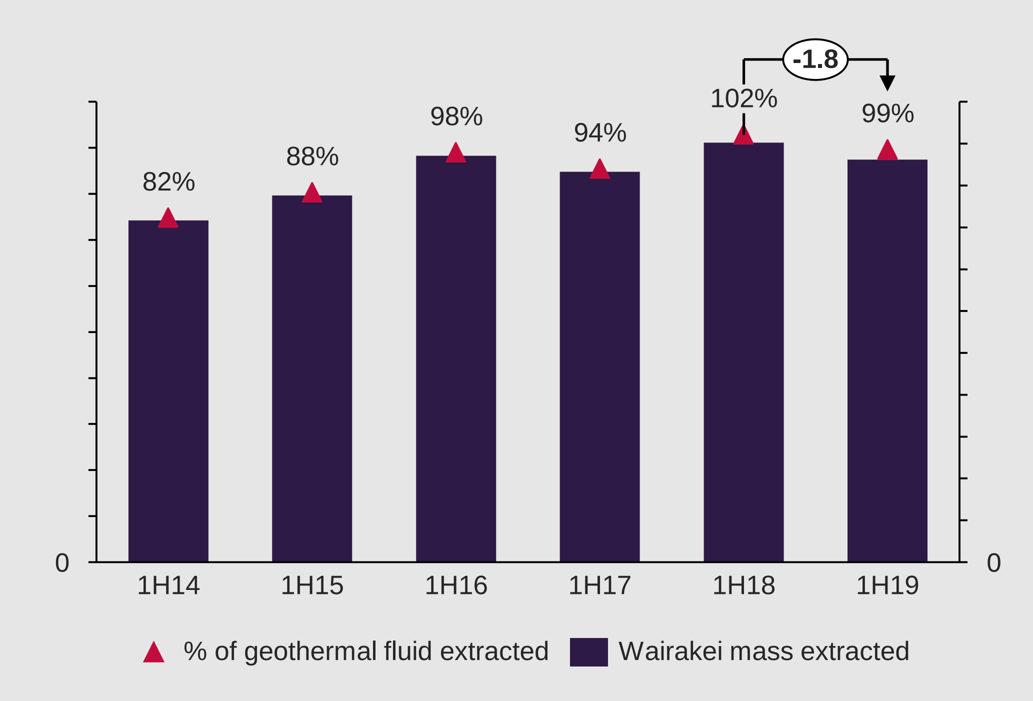


ELECTRICITY GENERATION AND SALES POSITION (GWh)



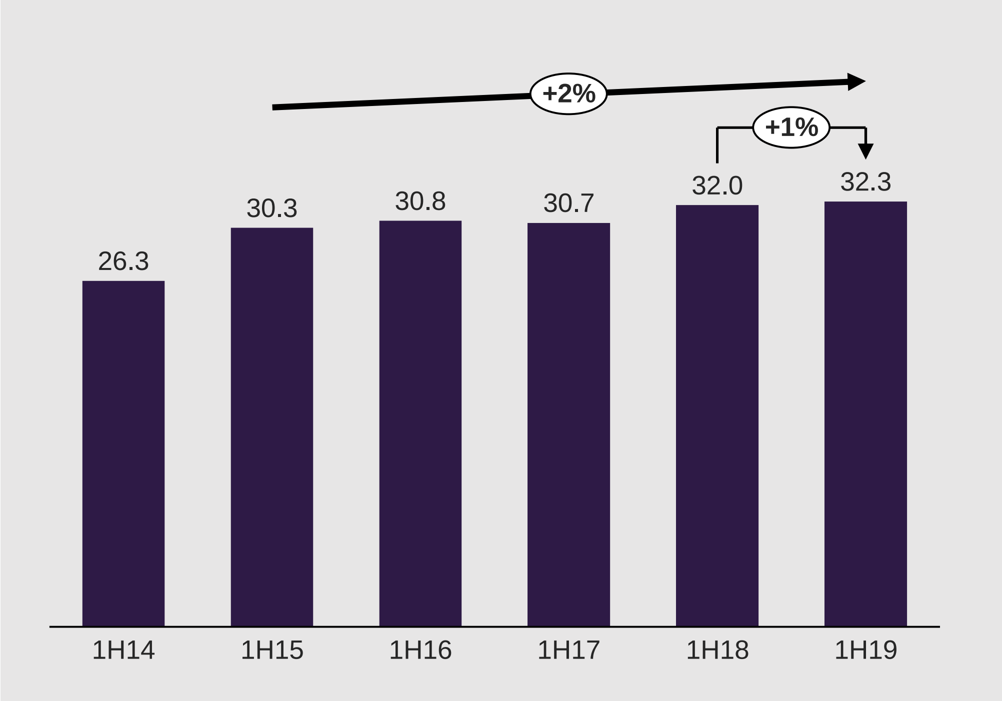
Wairakei geothermal field mass take and efficiency

GEOTHERMAL FUEL EXTRACTED AT WAIRAKEI VS CONSENTED (GWh)



» 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 ends in February every year). Previously the take was reset quarterly.

WAIRAKEI, POIHIPI AND TE MIHI CONVERSION EFFECTIVNESS (MWh per KT EXTRACTED)

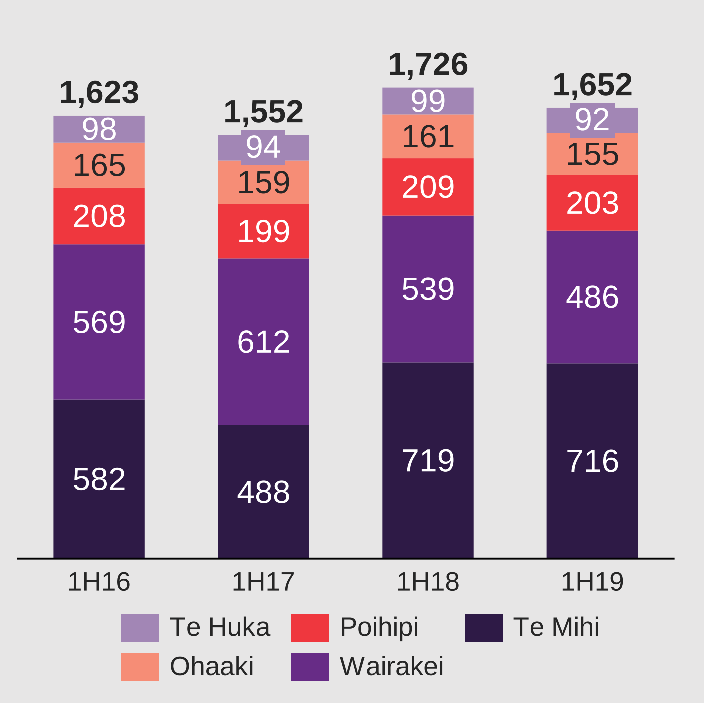


» Efficiency improvements have continued to deliver more generation per tonne extracted

Generation volumes

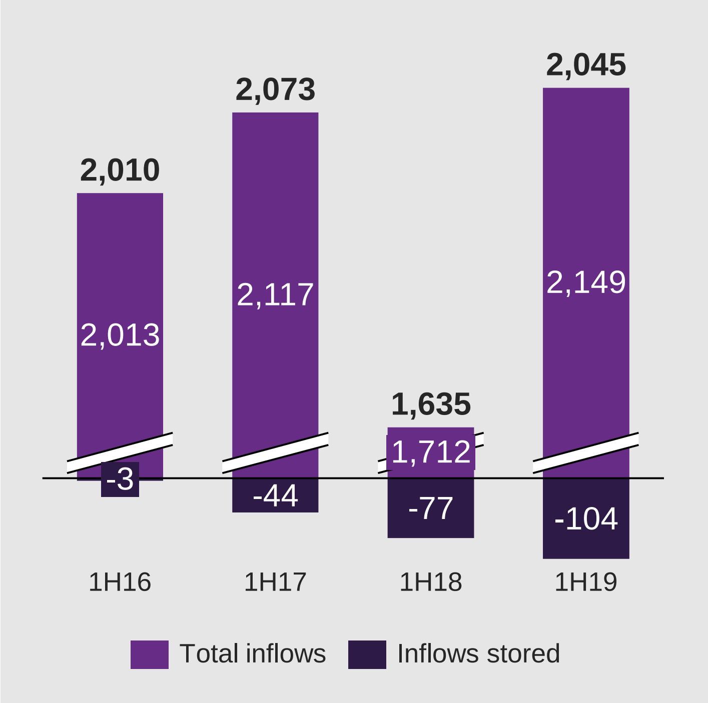
Renewable generation up 10% on 1H18

Geothermal generation (GWh)



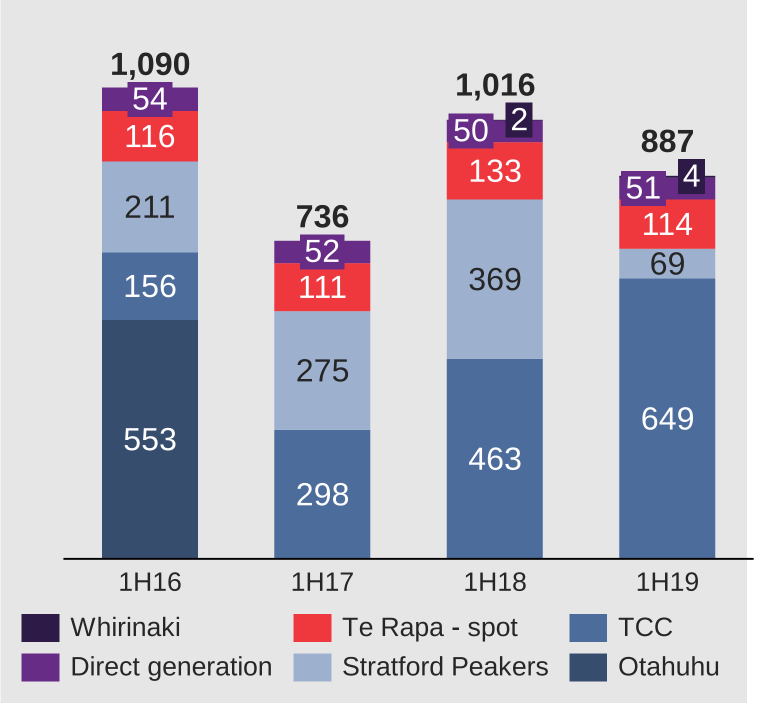
» Geothermal generation was 74GWh lower than 1H18 primarily due to the scheduled 4 yearly inspection at Wairakei (53GWh lower) and lower mass extracted in the period

Hydro generation (GWh)



» Hydro generation was 55GWh above mean in 1H19 and 410GWh higher than a dry 1H18

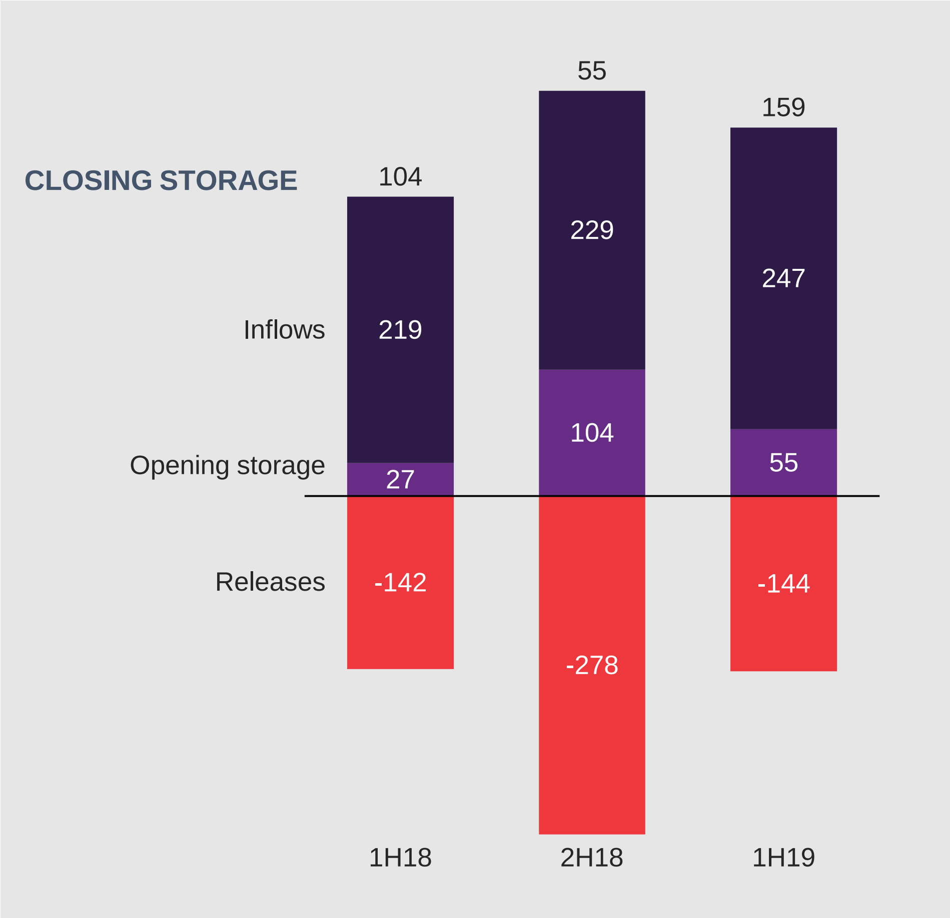
Thermal generation (GWh)



» Thermal generation volumes were 129GWh lower in 1H19 on higher renewable generation, lower sales and restricted gas. Base load generation at TCC was prioritised over the Stratford peakers

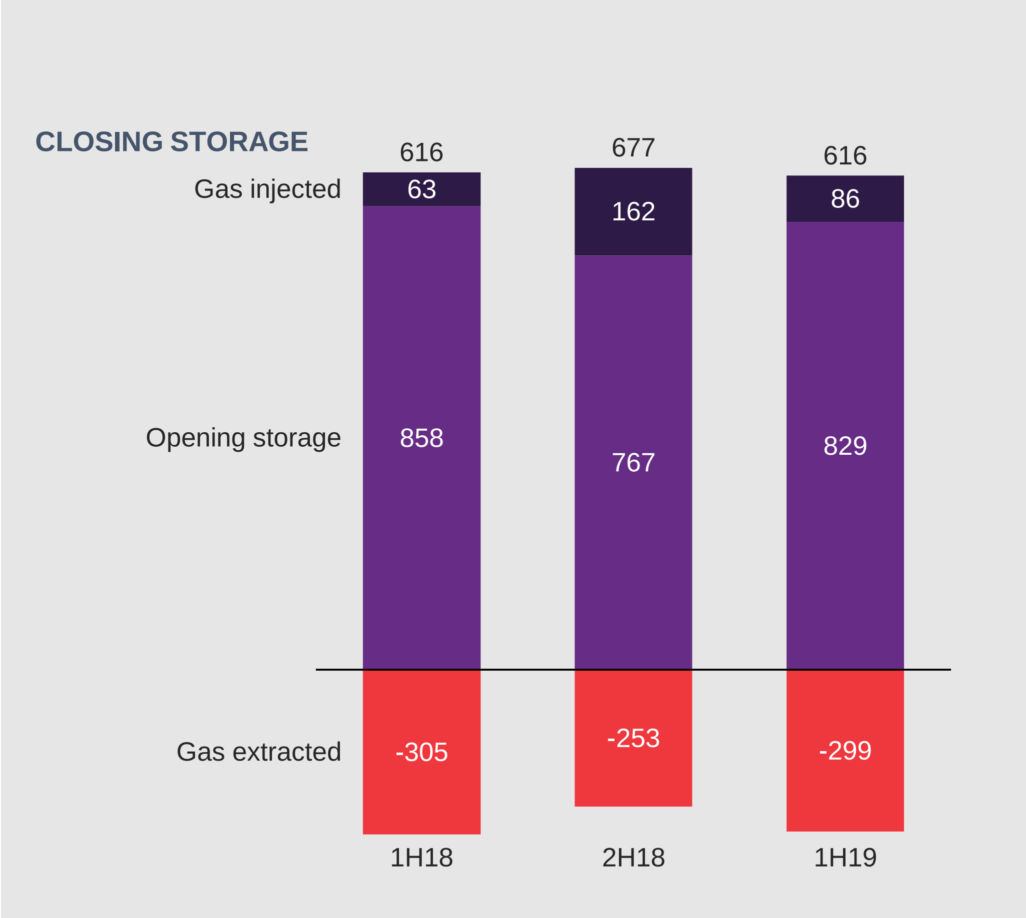
Fuel storage movements

HAWEA STORAGE (GWh)



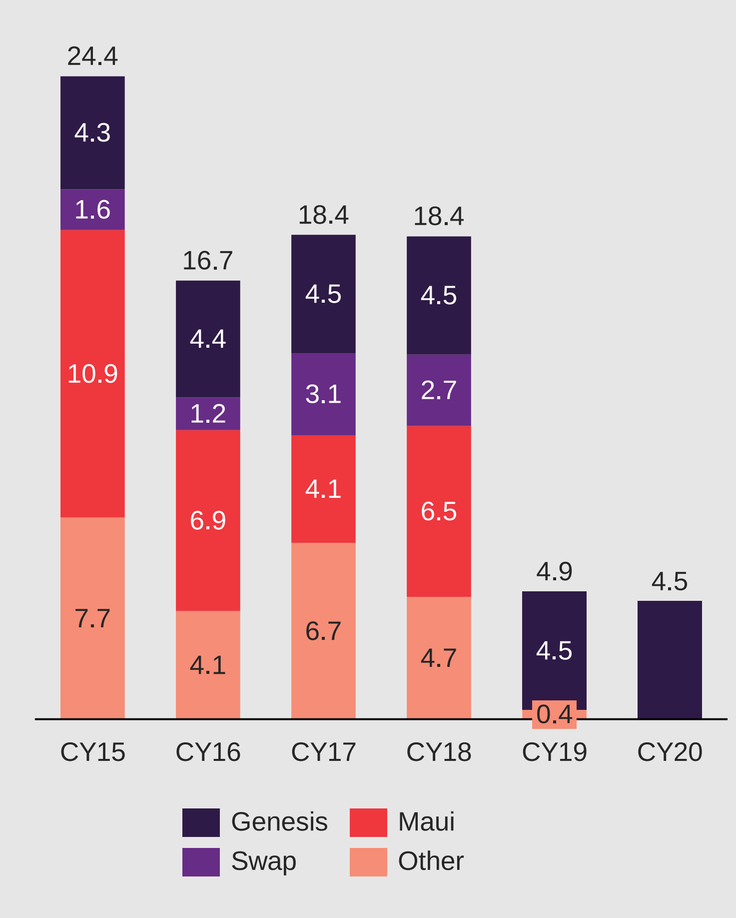
GAS STORAGE (GWh EQUIVALENT)

Using the 1H19 thermal efficiency (9.1 TJ/GWh)

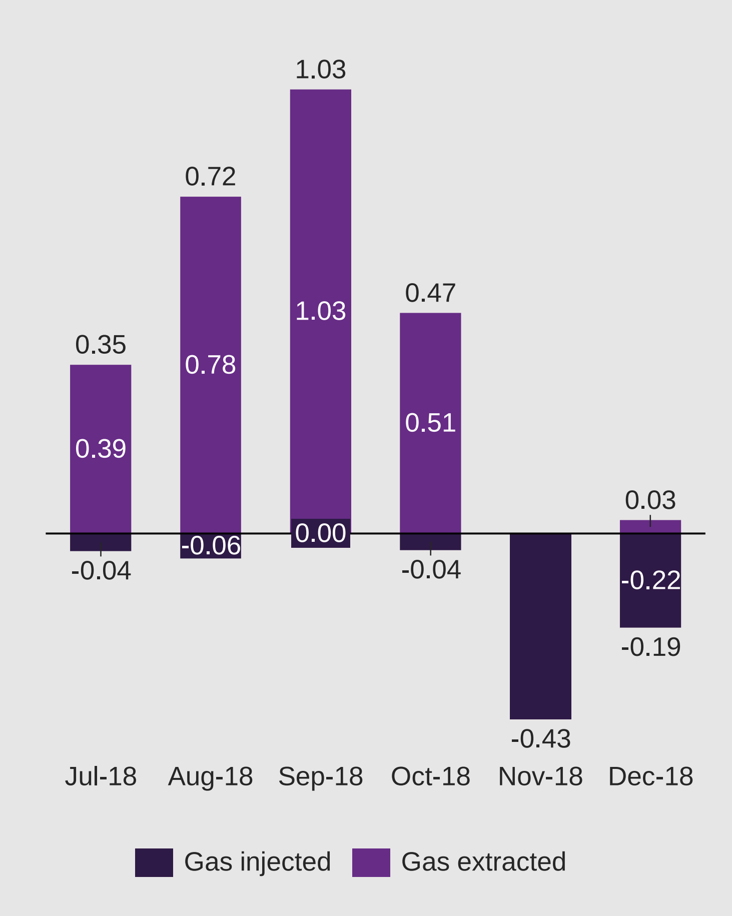


Contracted and stored gas

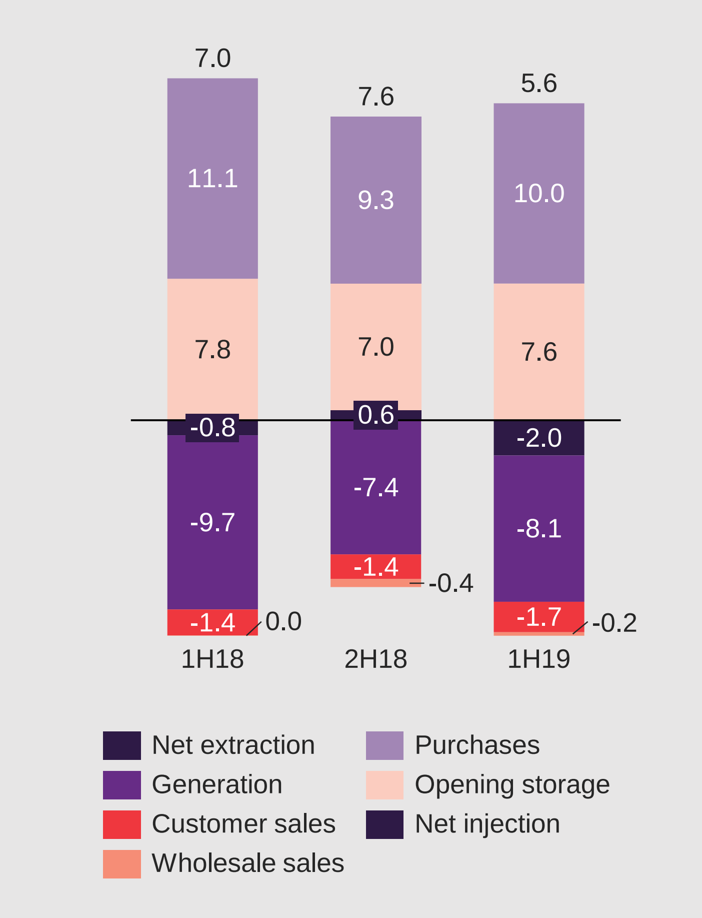
CONTRACTED GAS VOLUMES (PJ)



AHUROA GAS STORAGE MONTHLY INJECTIONS AND EXTRACTIONS (PJ)



SOURCES AND USES OF GAS (PJ)



Historical financial information

	Unit	1H15	1H16	1H17	1H18	1H19
Revenue	$m	1,240	1,120	1,037	1,190	1,363
EBITDAF	$m	257	254	264	236	291
Profit/(loss)	$m	51	(116)	96	58	276
Underlying profit	$m	76	73	82	59	107
Underlying profit per share	cps	10.4	10.0	11.5	8.2	15.0
Operating free cash flow	$m	163	200	134	141	203
Operating free cash flow per share	cps	22.2	27.3	18.7	19.7	28.3
Declared dividends	cps	11.0	11.0	11.0	13.0	16.0
Total assets	$m	6,139	5,726	5,587	5,390	5,140
Total liabilities	$m	2,617	2,848	2,766	2,663	2,297
Total equity	$m	3,522	2,878	2,821	2,727	2,843
Gearing ratio	%	28.0	37.0	36.4	35.4	29.7

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
- Reconciliation of EBITDAF to statutory profit:

	6 months ended 31 December 2018	6 months ended 31 December 2017	Variance on prior year	
			$m	%
EBITDAF	**291**	**236**	**55**	**23%**
Depreciation and amortisation	(102)	(109)	7	6%
Significant items (gross of tax)	172	(2)	174	-
Net interest expense	(39)	(43)	4	9%
Tax expense	(46)	(24)	(22)	(92%)
Profit	**276**	**58**	**218**	**376%**

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

Reconciliation between EBITDAF and Profit

- The adjustments from EBITDAF to reported profit are as follows:
  - **Depreciation and amortisation:** Reduced by $7m (6%) as depreciation on the held for sale asset (AGS) and the discontinued operation (Rockgas) stopped, offset by an increase of TCC as the plant was utilised more
  - **Change in fair value of financial instruments**: Totalled ($2m) in 1H19 reflecting a unfavourable movement in interest rate derivatives over the period
  - **Other significant items** are detailed on the next two slides
  - **Net interest expense** decreased $4m (9%) to $39m in 1H19 on reduced average borrowings after the proceeds from asset sales where applied to the reduction of debt.
  - **Tax expense** for the six months ended 31 December 2018 was $46m up $22m in 1H18 on increased operating earnings. Tax expense represents an effective tax rate of 29%

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:

	6 months ended 31 December 2018	6 months ended 31 December 2017	Variance on prior year	
			$m	%
Profit	**107**	**59**	**48**	**81%**
Change in fair value of financial instruments	(2)	(2)	-	-
Sale of Rockgas Limited (LPG)	167	-	167	-
Sale of Ahuroa gas storage	5	-	5	-
Remediation for Holidays Act non-compliance	2	-	2	-
Tax on items excluded from underlying profit	(3)	1	(4)	-
Underlying profit	**276**	**58**	**218**	**376%**

Reconciliation between Profit and Underlying profit

- The only adjustment from reported profit to underlying profit for 1H19 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 1H19 are as follows:
  - Change in the fair value of financial instruments
  - **Rockgas Limited Sale:** Rockgas was sold to Gas Services NZ Midco Limited on 30 November 2018, the provisional net gain on sale at 1H18 was $167m
  - **Ahuroa Gas Storage Facility Sale:** The sale of the AGS Facility to GSNZ SPV1 Limited (GSNZ) was completed on 1 October 2018. Cash proceeds from sale received to date are $190 million resulting in a gain on sale of $5 million before tax. Consideration of up to $10 million remains unrecognised as it is contingent on GSNZ obtaining a favourable binding ruling as to the tax treatment of the main assets it acquired.
  - **Remediation for Holidays Act non-compliance**: During 1H19, spend of $1 million has been incurred in order to resolve non-compliance with aspects of the Holidays Act 2003. The provision has also been reduced by $2 million as a result of ongoing reassessment of the expected liability
  - Tax on the items outlined above

Wholesale segment

Note: this table has not been rounded and might not add	1H19 Six months ended 31 December 2018 Volume GWh	GWAP $/MWh	$m	1H18 Six months ended 31 December 2017 Volume GWh	GWAP $/MWh	$m	Reference to segment note
Electricity sales to Customer	**2,017**	**78.9**	**159**	**2,069**	**76.9**	**159**	6
Electricity sales to Fixed C&I (netback)	1,521	79.8	121	1,686			Data in operating report
Electricity sales – Direct	51	97.7	5	50			
Electricity sales to C&I	**1,572**	**80.4**	**126**	**1,736**	**79.6**	**138**	2, 18, 21 [C&I opex only] + Spot margin 3,11,19
CfDs – Tiwai support	376			353			
CfDs - Long term sales	298			258			
CfDs - Short term sales	34			47			
Electricity sales - CFDs	**708**	**74.6**	**53**	**658**	**63.4**	**42**	4
Total contracted electricity sales	**4,296**	**78.7**	**338**	**4,463**	**76.0**	**339**	
Steam sales	**351**	**45.9**	**16**	**330**	**43.0**	**14**	7
Other income			6			**2**	9
Net income on gas sales			1			**-**	7, 14 (gas cost)
Net income on electricity related services			1			**-**	5, 12
Net other income			**7**			**2**	
Total contracted revenue (1)	**4,647**	**77.8**	**362**	**4,792**	**74.0**	**355**	
Generation costs	4,583	(30.6)	(140)	4,377	(32.2)	**(141)**	14, 15, 17, 20, 21, 22 [less gas sold and C&I opex]
Acquired generation cost	171	(138.1)	(24)	384	(91.2)	**(35)**	10
Generation costs (including acquired generation) (2)	**4,754**	**(34.5)**	**(164)**	**4,762**	**(37.0)**	**(176)**	
Spot electricity revenue	4,532	133.4	605	4,327	92.6	**401**	4
Settlement on acquired generation	171	166.1	28	384	90.3	**35**	10
Spot revenue and settlement on acquired generation (GWAP)	**4,703**	**134.6**	**633**	**4,712**	**92.4**	**435**	
Spot electricity cost	(3,538)	(138.5)	(490)	(3,755)	(97.6)	**(367)**	10
Settlement on CFDs sold	(708)	(137.8)	(98)	(658)	(94.3)	**(62)**	4
Spot purchases and settlement on CFDs sold (LWAP)	**(4,246)**	**(138.4)**	**(588)**	**(4,413)**	**(97.1)**	**(429)**	
Trading, merchant revenue and losses (3)			**45**			**7**	
Wholesale EBITDAF (1+2+3)			**243**			**185**	