



Tēnā koe, greetings,

I am pleased to present this report card to you, our owners, for the six months to 31 December 2018. It's been a strong half year with robust financial performance, new products and services sending customer advocacy sharply higher, and our flexible generation portfolio performing well in a volatile market.

We completed the sale of the Ahuroa Gas Storage facility and the Rockgas LPG business, receiving net cash proceeds of \$438 million.

Our strong balance sheet, high-quality renewable generation assets and lean, low-cost operations enable increasing dividends to you.

Robust financial performance

We reported a statutory profit of \$276 million for the six months after realising gains of \$172 million on the sale of the Ahuroa Gas Storage facility and Rockgas LPG.

EBITDAF* from our continuing operations (i.e. excluding Rockgas LPG) increased by \$61 million, or 28%, to \$278 million led by strong performance in our wholesale business.

Operating free cash flow increased to \$203 million, up 44% on the prior corresponding period.

Our renewable generation portfolio and strong balance sheet give the Board confidence to target a pay-out ratio of 100% of operating free cash flow. This will see the FY19 full-year dividend target increase to 39 cents per share, with an interim dividend of 16 cents per share, imputed up to 10 cents for qualifying shareholders.

We have a best-in-class set of generation development options that, when market conditions are right, can be readily funded.

Connecting with our customers

Our transformation into a customer-centric, digital energy company is progressing well, with the half year seeing a refreshed brand and investment in digital channels, while also a reduction in the cost to serve our customers of 2%.

Customer EBITDAF was \$48 million for the six months to December, up \$3 million on the prior corresponding period.

We continue to compete vigorously in the retail market, which is characterised by heavy discounting and large sign-on credits. To maintain a competitive edge, we have introduced PrePay and weekly/fortnightly billing and launched new products such as 'free-bill', a broadband and energy bundle and our 'basic plan', a competitive no-frills, no-prompt-payment-discount proposition. These products and propositions mean all customers can reliably access our best deals.

Our efforts to provide innovative products, centred on providing our customers with choice, certainty and control and a superior customer experience, were rewarded with a net promoter score of +24 for the final quarter of 2018, up 20% on the prior corresponding period.

Generating for the future

Generation EBITDAF increased by \$58 million to \$243 million in the period, compared to the prior corresponding period.

Production from hydro generation increased 25% or 410GWh, in line with historical averages, after a dry previous period in our Clutha catchment.

As gas supply reduced, we accessed supply in the Ahuroa Gas Storage facility and offered thermal generation to meet demand as wholesale prices responded to fuel scarcity.

We remain committed to decarbonisation, helping our customers move from fossil fuels to low-carbon, renewable electricity. Our generation business continues to work with customers, partners and suppliers to lower New Zealand's carbon emissions.

Outlook

Contact has developed customer-centred processes, products and propositions that mean all customers can reliably access our best deals. With regards to the initial findings of the Electricity Price Review, specific customer-centred action is necessary. A 'one size fits all' approach will not work, as it is ultimately our customers who define the value of product features, discounts or rewards.

Recent gas production has not been as reliable as we would have expected and we continue to operate cautiously as we manage short-term supply constraints. Contact is engaging with suppliers to contract gas for calendar year 2019 and beyond. In addition to the gas we expect to contract, we have access to stored gas and other contractual options that will give us appropriate access to energy for our customers.

In addition to some of the nearer-term priorities outlined, we will focus on delivering on our transformation programme to reduce controllable costs, and seek opportunities to capture value from scale efficiencies through brownfield geothermal development and by leveraging our customer systems and lean operating model to improve returns.

If you are a Contact customer, thank you, and if you are not already a Contact customer, I encourage you to take a look at our new array of offers at contact.co.nz and consider becoming one.

Thank you for your continued support.

Dennis Barnes
Chief Executive Officer
Contact Energy Ltd

* EBITDAF: Earnings before Interest, Taxation, Depreciation and Amortisation and changes in fair value of financial instruments and other significant items.