2016 Full Year Results Presentation

Year ended 30 June 2016

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Graham Cockroft, Chief Financial Officer

Contact

15 August 2016

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 and 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

Strategy	» Leverage integrated customer and generation business to deliver strong cash flows • Deliver value to our customers by providing choice, certainty and control • A low cost, long life and flexible generation portfolio with focus on safety, reliability and resource utilisation • Disciplined approach to capital expenditure
Performance	» Performance in line with December 2015 guidance. Free cash flow (per share) improved 18% to $403m; impairments at Otahuhu and Taheke and a write-down of inventory gas resulted in loss for the period of $66m » Continued competition in retail business largely offset by lower cost of energy • Improving retail capability and performance reflected in 2H16 customer growth and operational metrics • Renewable generation at 82% with improved geothermal availability and strong hydro inflows • Lower electricity and gas purchases and lower gas price
Capital management	» FY16 declared dividends stable at 26 cents per share, 14 cents per share imputed » $100m share buyback completed and $71m reduction in debt
Focus on structural efficiency	» Thermal plant closures and Huntly units staying open has improved New Zealand's energy and capacity balance with some limited recent volatility experienced » Tiwai important for long-term fuel and generation contracts » Regulatory changes around transmission pricing, network charging and carbon critical to ensure the right incentives are in place for customers and industry participants
Outlook	» Improving operational performance will support ongoing strong cash flow » Cost savings continue. Carbon costs increase and Tiwai supply contract impacts margin from 1 January 2017 » Retail price and product changes implemented with resultant gains subject to competitive market

Statutory loss $66m

Underlying profit per share down 1%; Free cash flow per share up 18%

	Year ended 30 June 2016	
EBITDAF[1]	$523m	down 0.4% from $525m
Profit/(loss)	($66m)	down 150% from $133m
Earnings per share (cents)	(9.1) cps	down 150% from 18.2 cps
Underlying profit[1]	$157m	down 2% from $161m
Underlying profit per share (cents)	21.7 cps	down 1% from 21.9 cps
Declared dividends (cents)	26.0 cps	down 66% from 76.0 cps
Free cash flow[2]	$403m	up 17% from $345m
Free cash flow per share (cents)	55.5 cps	up 18% from 47.1 cps
Capital expenditure	$128m	up 22% from $105m

[1] Refer to slides 36-39 for a definition and reconciliation of EBITDAF and underlying profit
[2] Refer to slide 25 for a definition and reconciliation of free cash flow

» Impairments at Otahuhu and Taheke and a write-down of inventory gas resulted in a loss for the period of $66m

» Ordinary dividend stable at 26 cps

- FY15 included a special dividend of 50 cps
- $100m share buyback completed in FY16

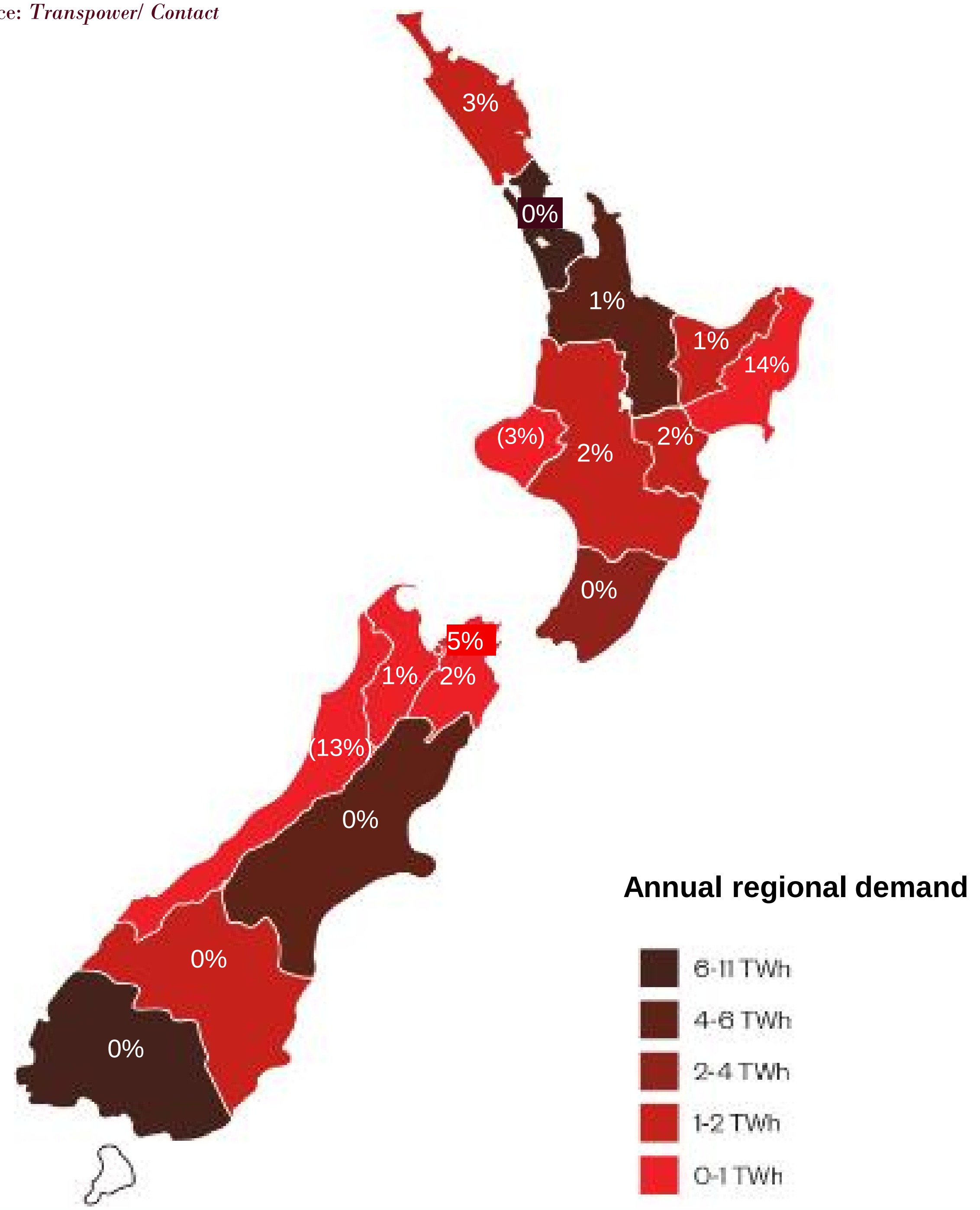
Market dynamics and strategy

Dennis Barnes

National demand stable despite warmer 2H16 temperatures

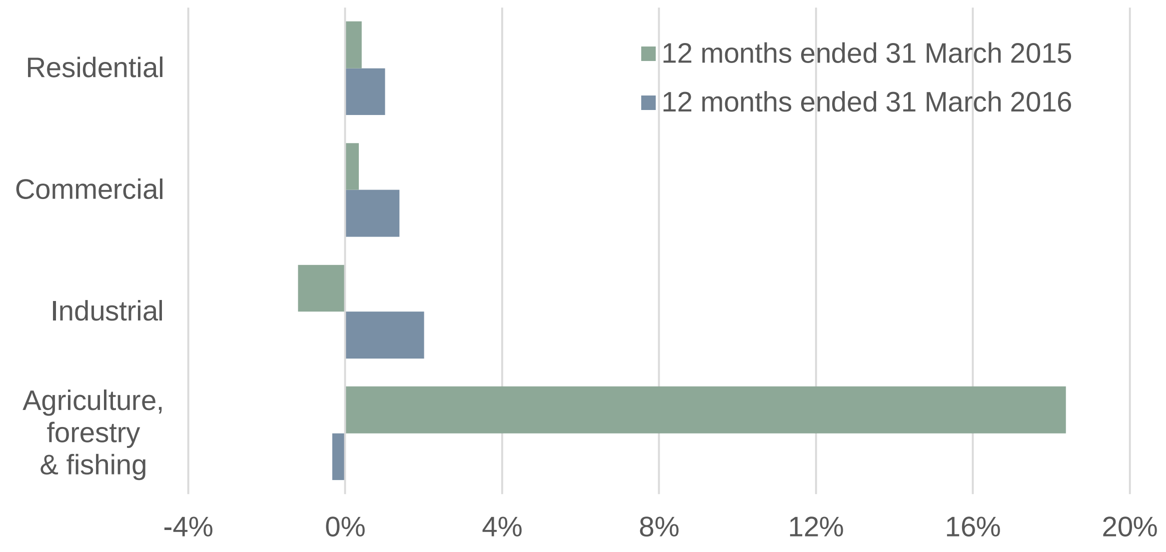
Year on year demand stable

Source: *Transpower/ Contact*



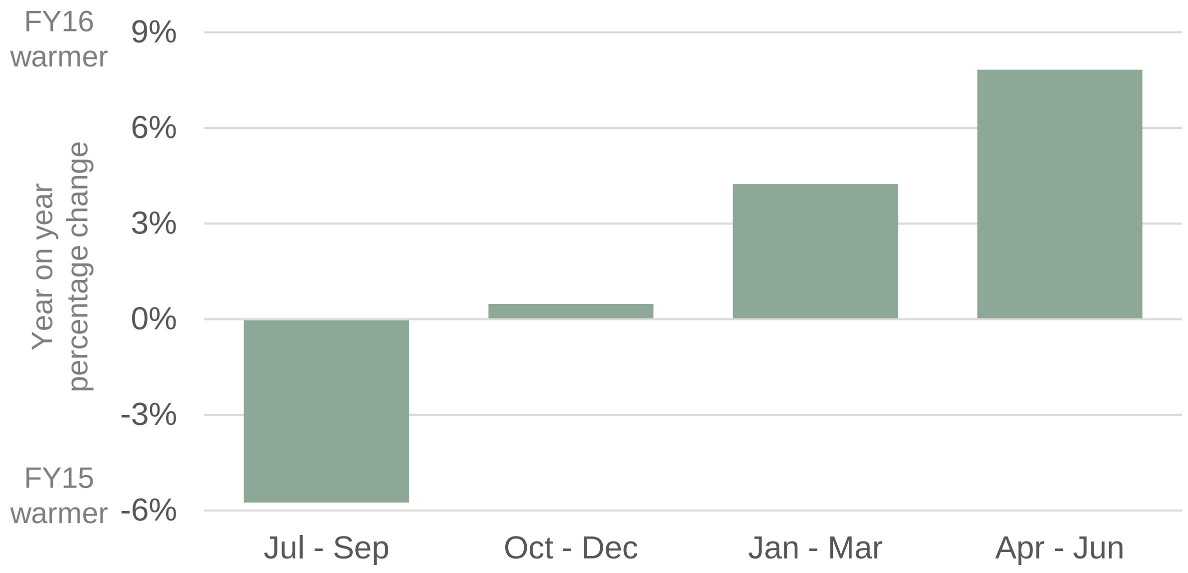
Sectoral demand

Source: *MBIE*



2H16 was considerably warmer than 2H15

Source: *Niwa*



Recent market trends

Mass market

» Retail competition remains intense with low barriers to entry

- FY16 market churn increased from 19% in FY15 to 20.6%
- New entrants main net gainers in 2H16. New retailers have not yet been tested by dry conditions in the new, tighter supply environment
- Price increases notified by main retailers in last 6 months. First market-wide lift in energy and other component since 2013
- Small and medium enterprise customers being competitively priced

» Solar and EVs growing but remain small. Batteries currently uneconomic for mass market customers

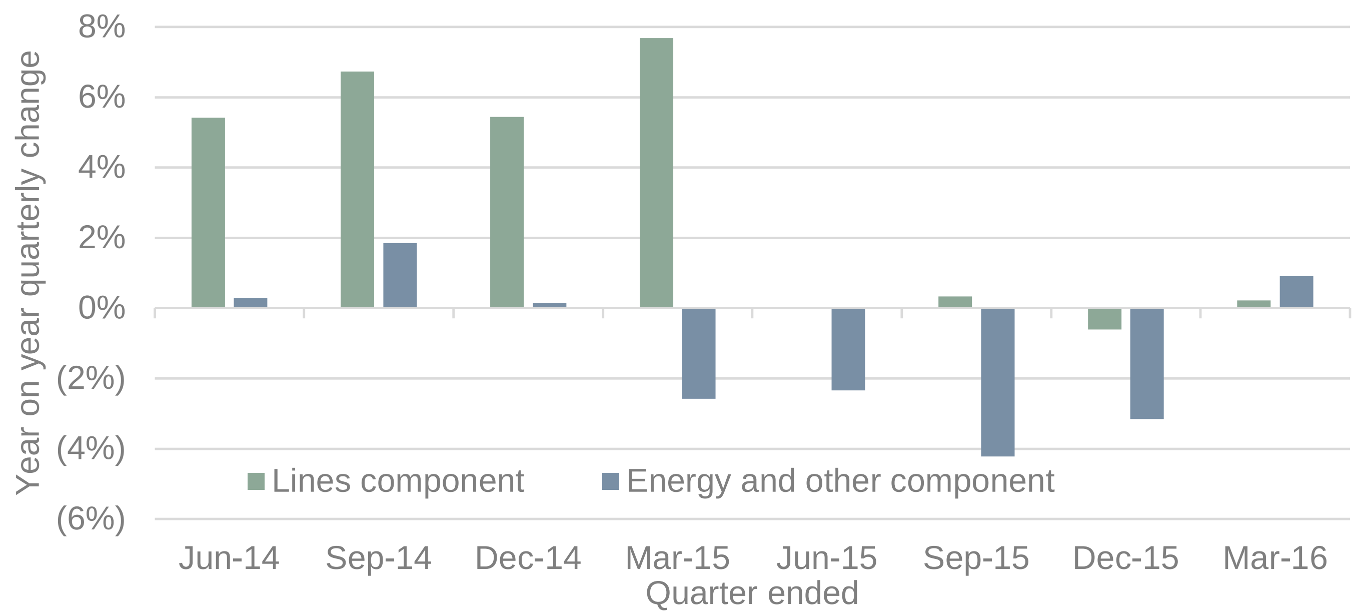
Commercial and industrial

» Pricing of new contracts tracking ASX

- ASX forward curve has remained reasonably stable but responded to recent volatility

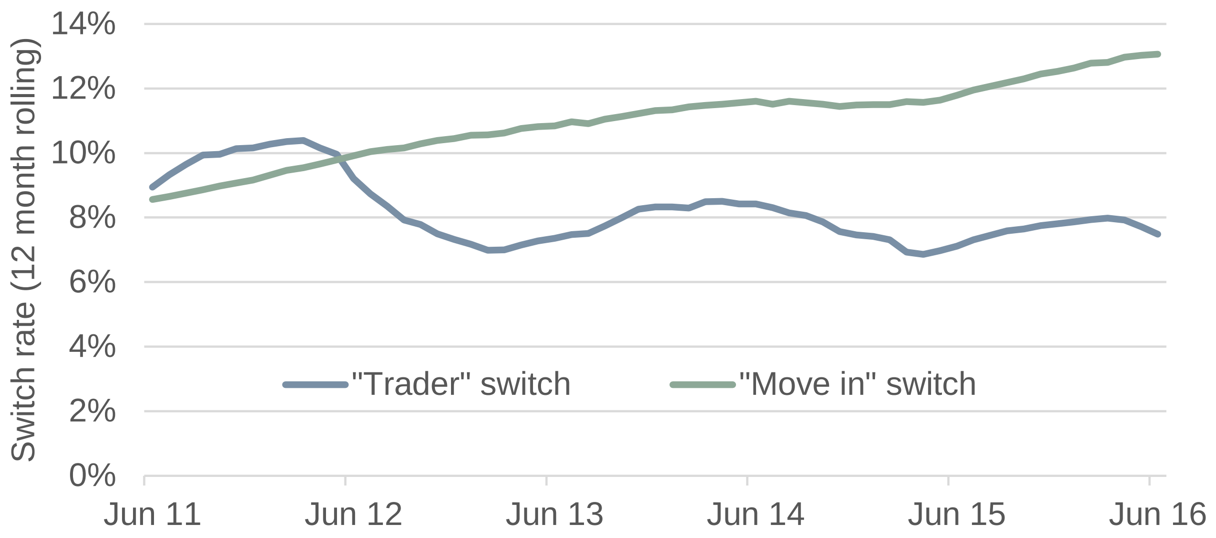
Year on year quarterly change in electricity prices

Source: MBIE Quarterly Survey of Domestic Electricity Prices



Customer switching activity continues to increase

Source: Electricity Authority



We are now positioned to compete

Improving acquisitions, service and churn

	1H15	2H15	1H16	2H16
Net promoter score	n/a	-2%	-4%	1%
Change in customer numbers[1]	-7,300	-1,600	-9,800	+5,380
Average time to answer (seconds)	220	268	222	141
Churn (variance to market)	+2.9%	-0.2%	+1.1%	-1.3%
% of residential customers on >10% discount	63%	70%	76%	82%
% on a fixed term product	9%	10%	11%	24%
% with MM dual fuels or products	18%	20%	20%	22%
Cost to serve per customer[2]	$113	$124	$122	$106
Number of vacant properties[3]	12,800	11,500	10,000	4,500
Average late bills >30 days	12,000	5,000	2,000	1,100
Bad debt expense (net) as a % of retail revenue	0.55%	0.70%	0.67%	0.52%

[1] Net change in electricity and gas customer numbers (excluding vacant properties) in the period
[2] Electricity, gas and LPG
[3] Electricity and gas

+5,380

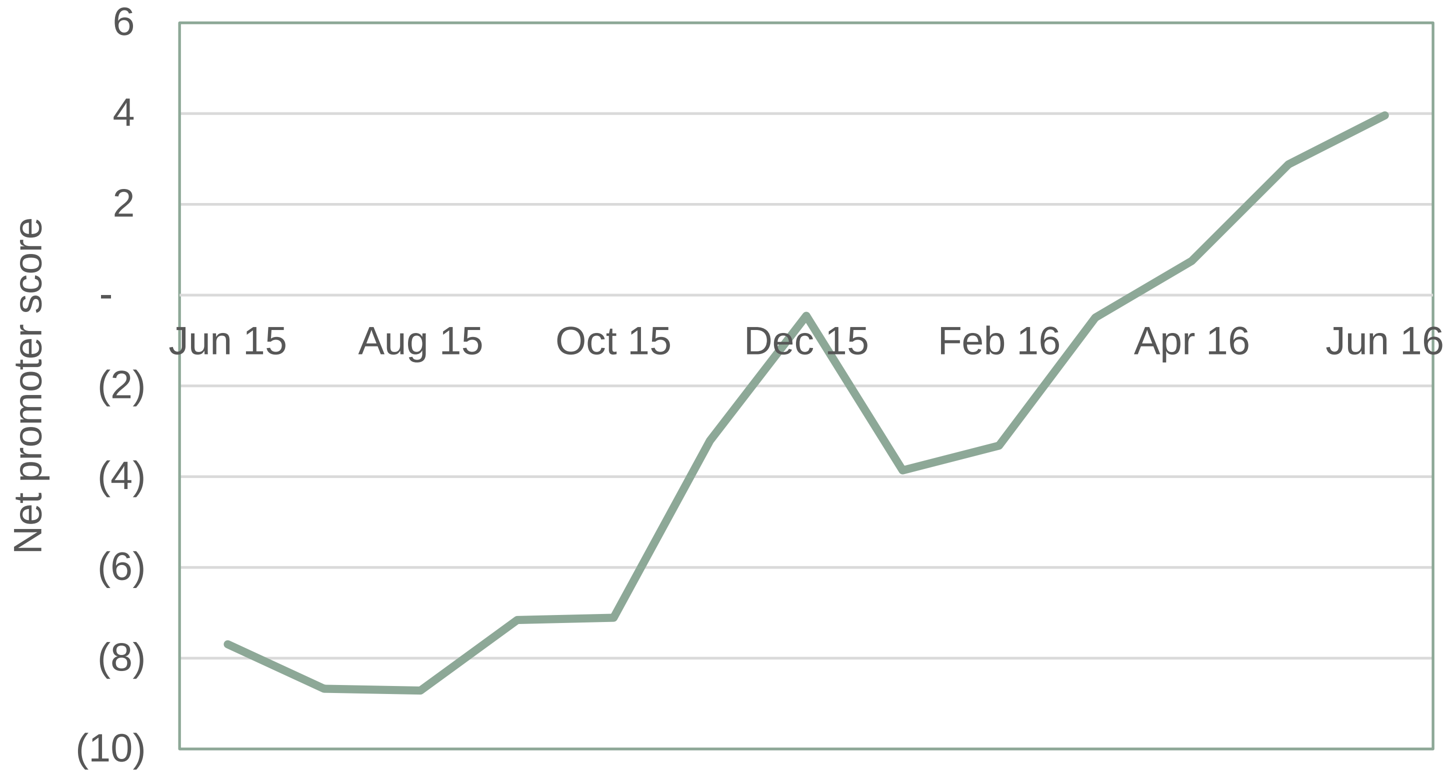
Net gain in customers in the last 6 months

24%

Of mass market customers on a fixed term product

Net promoter score continues to improve

Source: TNS Global, relational NPS



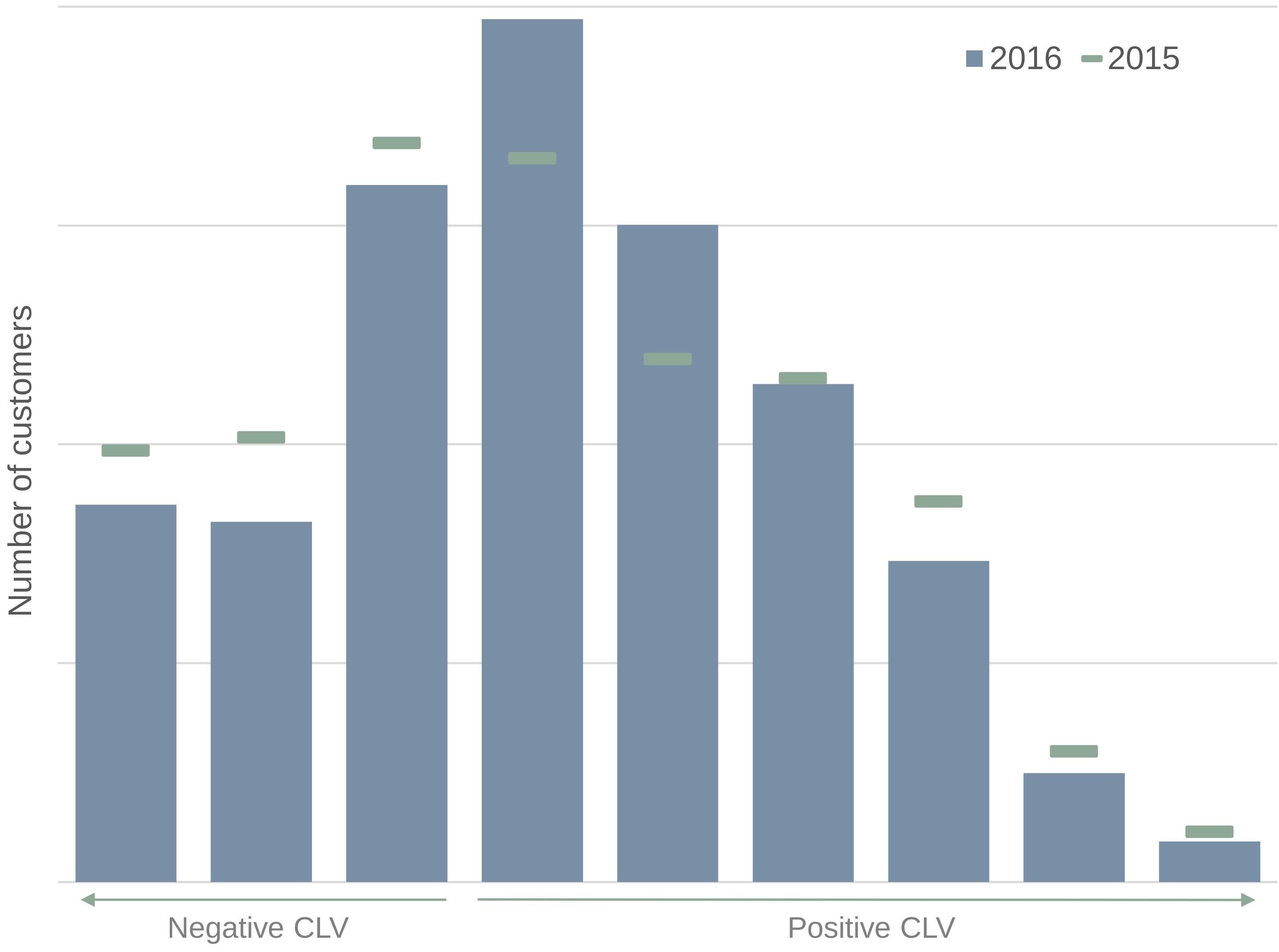
We are delivering our strategy to be truly customer inspired

Earlier		Last 6 months			Next steps	
Chief Customer Officer appointed	Customer strategic review completed	Shaping customer organisation for success	SAP driven cost reduction		Infrastructure moved to cloud services	Complete exit from Origin infrastructure
SAP go-live	SAP release 1 adds credit checking	SAP release 2 resolves billing issues	SAP release 3 adds billing capability	SAP release 4 adds new products	New technology trials	Smart, connected home technology
Released LPG ordering app	Dedicated SME service team	Electricity app released	SMS capability across the customer journey	Leverage SAP data and insight	New products rebase the way the market prices	C&I digitisation
New retail website launched	Contact returns to TV advertising	Simplified communications	Customer intimacy work programme	Increased digitisation of customer interaction points	On-line services refreshed	Full review of costs and reward structures
Fixed 16/17 product released	Door to door channel realigned to value	Electrification of Contact passenger fleet continues	EV and PV tariffs and growth models	Partnering to deliver value	App & self service adoption drive	Customer on-boarding & lifecycle mgmt
SAP stabilisation	Call centre metrics trending to pre go-live levels	Operationalisation of predictive churn modelling	On-shoring back office functions to improve customer interactions	Quarterly health check calls	Process mapping & re-engineering	Sales & service channel optimisation
Late bills backlog cleared	Upfront credit checking	Automated disconnection of vacant properties	Improved credit pathing		Meter reading re-contracting	Networks reconciliations improvements

Completed previously | Completed last 6 months | In progress

Customer lifetime value is improving

11% reduction in customers with negative CLV



» Negative CLV reflects a customers contribution to netback effectively being below wholesale prices

Our customer-inspired focus across the value chain is improving CLV

» CLV has improved

- Mass market netback stabilised in 2H16
- Network and energy price changes staged across May – July
- Customer switching for FY16 below market
- 24% of mass market customers now on fixed term contracts
- Cost to serve decreased by $6m (5%)
- Credit management process continues to improve

» More to come

- New products launched in August
- Continued trialling of new services
- Repricing fixed term contracts as they mature
- Increasingly digital customer interaction

Moving customer consideration from price to value

Home and Bach was an example of how we can change the conversation

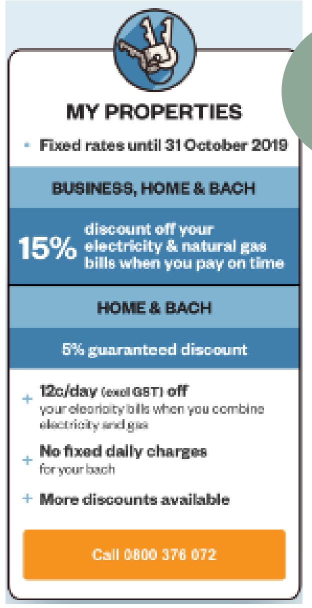
- » Designed to resolve common customer pain point - paying for fixed daily charges when the bach isn't in use
- » 3,000+ customers already signed on and growing
- » Higher CLV driven by above average consumption for primary residence, dual fuel and fixed term

New product plan launched by configuring different features within SAP

- » Retired current products and introduced a new customer centric suite of plans
- » New products that give customers and Contact greater flexibility

Contact's historical pricing construct has changed

1. » Choose from over 10 propositions with multiple reward options
2. » True price certainty with guaranteed discounts and fixed prices
3. » Control how you are rewarded - from bill discounts, to reward points and discounts based on how you interact with us
4. » Rewards all customers, not just new ones



Wholesale market conduct remains rational

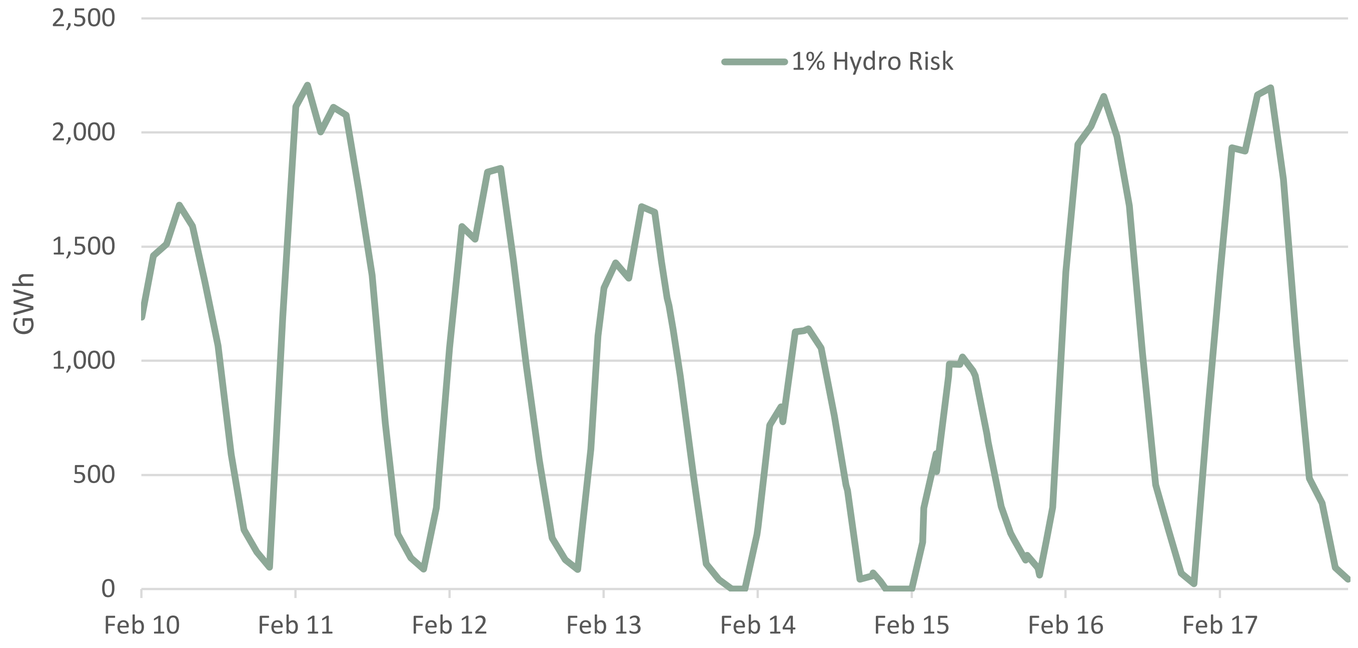
Wholesale market volatility

» 2H16 national hydro generation was 768 GWh (7%) above average for last 5 years

» 95th percentile for 2H16 peak demand was 308 MW (6%) below last 5 year average

» 19 trading periods with wholesale prices over $200/MWh in the past 2 months

Hydro risk curve 2010 - 2017[1]



[1] Source: Transpower. The chart shows the required level of hydro storage to avoid an energy shortage in a dry year. The 1% curve represents the level required for there to be a less than 1% chance of shortage

We continue to look at options to reduce Tiwai risk

» Latest contract variation date passed without change

» 80MW contract to support Tiwai based on thermal cost recovery

» Contact continues to manage Tiwai exit risk

- Can defer TCC refurbishment
- Limited gas commitments, gas prices reducing as evidenced by write down of very flexible stored gas
- Lower South Island upgrade pre-works advanced

» Industry response to balance supply would be swift

- Substantial reduction in the volume of thermal fuel purchased; future value of water increases supporting forward prices
- Increased South Island storage and some spill to manage HVDC flow
- Changes in reserve modelling could liberate 300 MW of HVDC flow
- An additional submarine cable for Pole 2 could increase the capacity to 1,400 MW and reduce the required reserves

We are improving the efficiency of our generation portfolio in particular with our world class geothermal capability

Geothermal

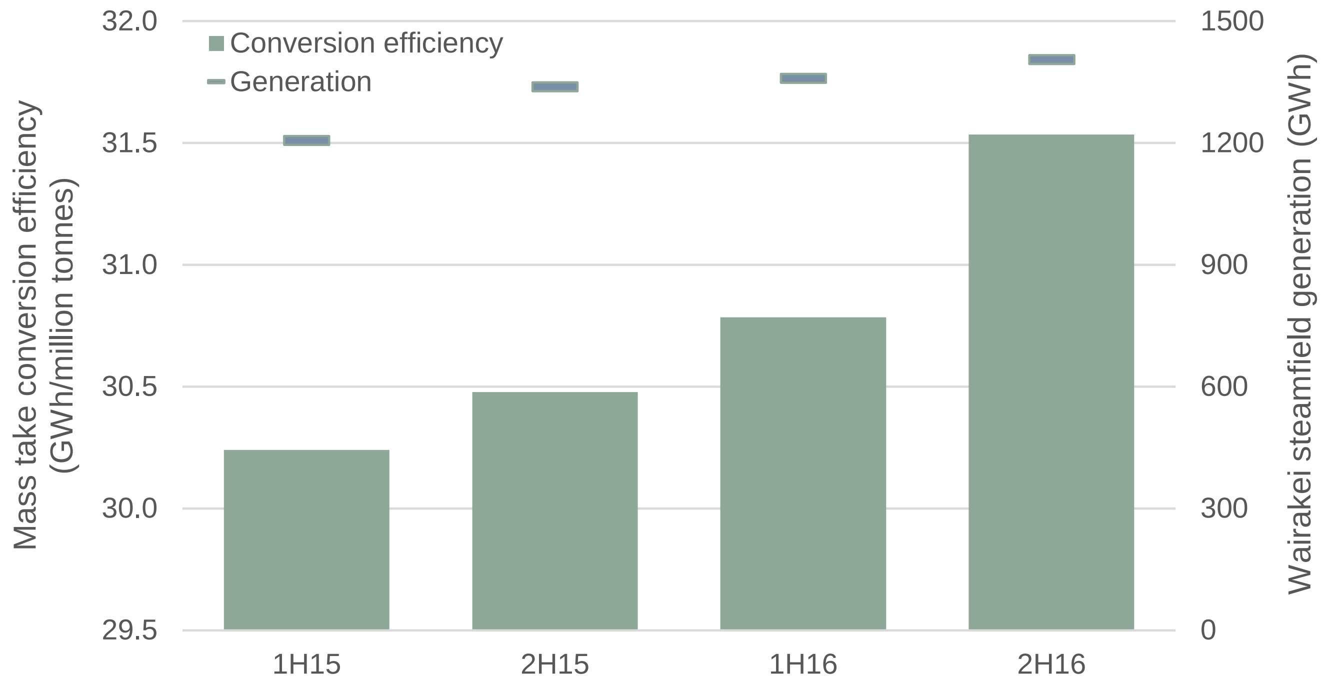
» Efficiency improvements added 70 GWh for minimal capital investment

» Generating capacity optimisation and greater resource consent flexibility increased mass take to 99% (FY15: 94%) adding 150 GWh

» Cash cost of generation trending down

» Planned decommissioning of 50 ageing wells increased FY16 depreciation by $6m with an expected cash saving of $10m NPV

Improving geothermal efficiency



Tauhara

» The Tauhara resource is available for additional generation, with numerous options for staging its development if market conditions allow

» There are further opportunities around direct heat applications

Hydro

» Transmission charging for South Island generators changed from peak MW allocation to MWh basis. Spilled water reduced in FY16 by 80 GWh

» Contact initiated increase in the north transfer capacity on the Lower South Island grid by 40-70 MW. Second stage to deliver a similar increase

Regulatory momentum continues but is uncoordinated

Emerging technologies

» Our focus is on providing customers with choice, certainty and control. Contact is promoting a level playing field for all sector participants where competitive markets, rather than regulation, drive value for consumers

» Regulators are uncoordinated on emerging technology to the potential detriment of customers

- A broader industry-wide review is warranted
- Regulatory settings designed in an era where emerging technology was not foreseen are no longer fit for purpose

Transmission pricing methodology

» Contact supports both the TPM review process and a beneficiary pays methodology

» The detail is important

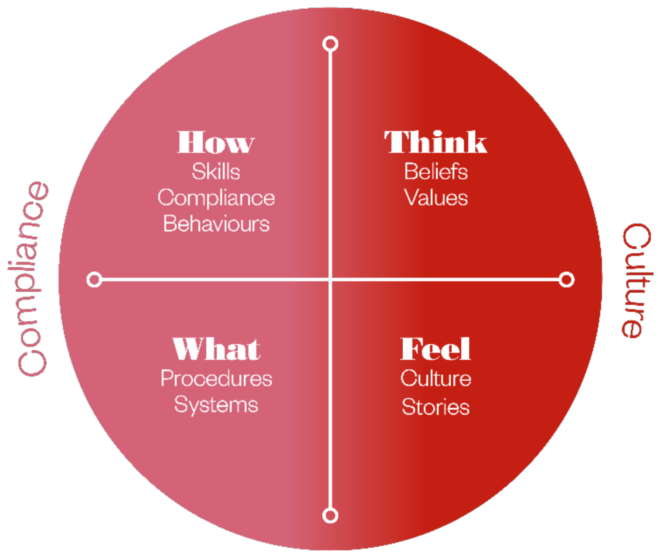
Emissions trading scheme

» Phasing out of transitionary arrangements will increase costs on the sector without changing behaviours

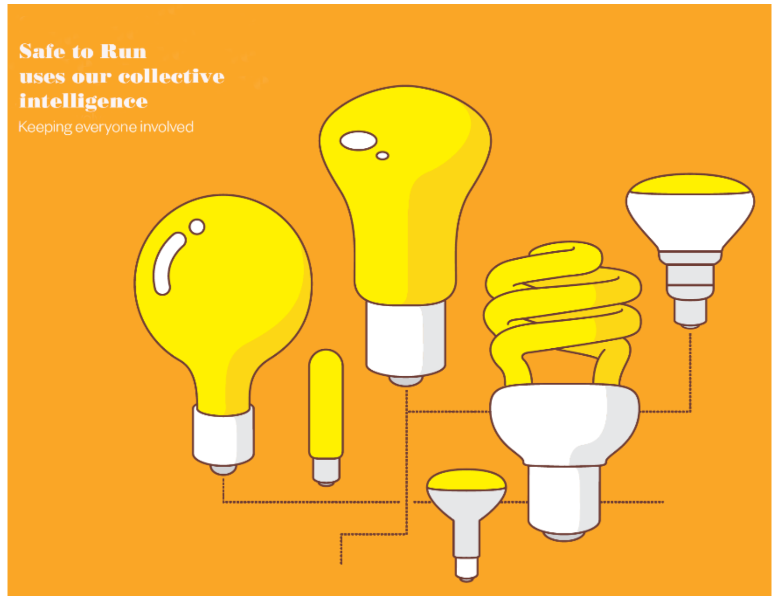
» Contact has reduced $C0_2$ emissions from its operations by 50% over the past 5 years

Being customer inspired, safe and agile will define Contact's culture and performance

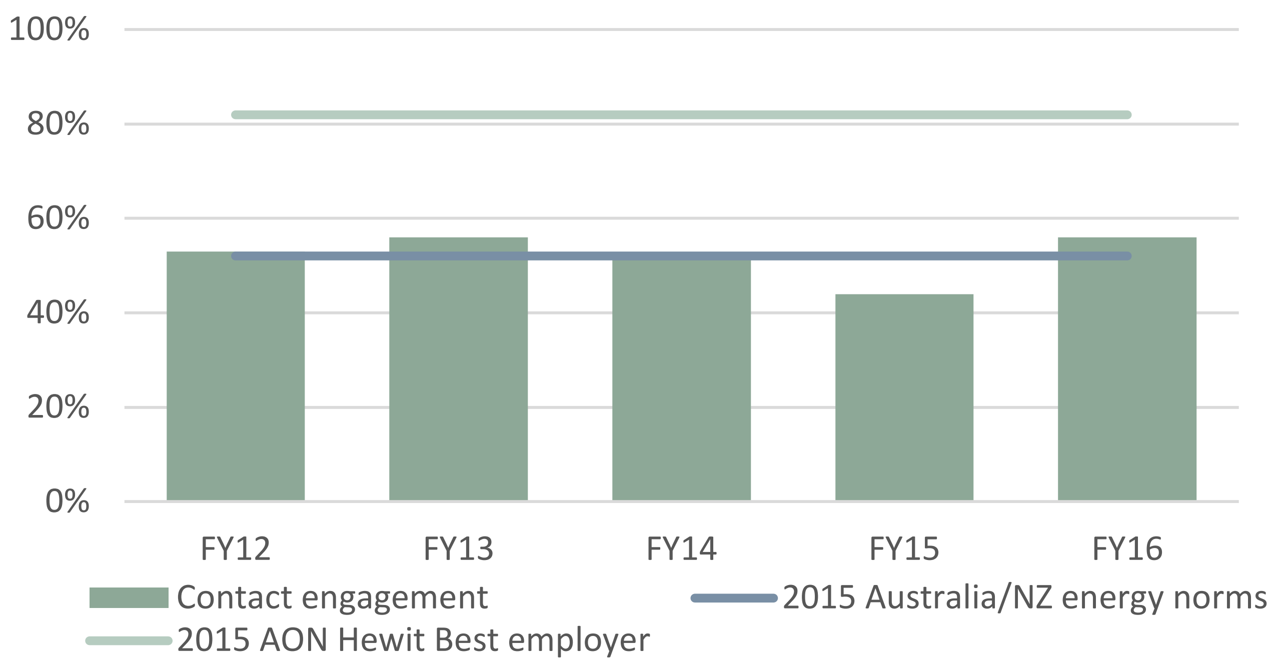
- We continue to aspire to a generative safety culture through learning and leadership
  - TRIFR for controlled sites increased to 3.3
  - 3.3 million hours worked with unfortunately11 people injured; severity continues to trend down
  - Leadership position on safety has been widely recognised
- Engagement improved to 56% in FY16
- Capability continues to be enhanced
  - 5 of 6 retail leadership roles filled with new appointments supported by new capability, particularly in data analytics and product development
  - Leadership development in generation ongoing
- Systems simplification programme remains on track
  - Foundation digital and data capability implemented
  - Separation from Origin on track for 1H17 completion
  - New operating model focused on reducing cycle times for development



Balancing compliance with culture



Employee engagement



FY16 performance

Graham Cockroft

FY16 performance highlights

($66m)

Loss for the period, down from $133m profit

18%

Improvement in free cash flow per share

$100m

Share buyback completed

$523m

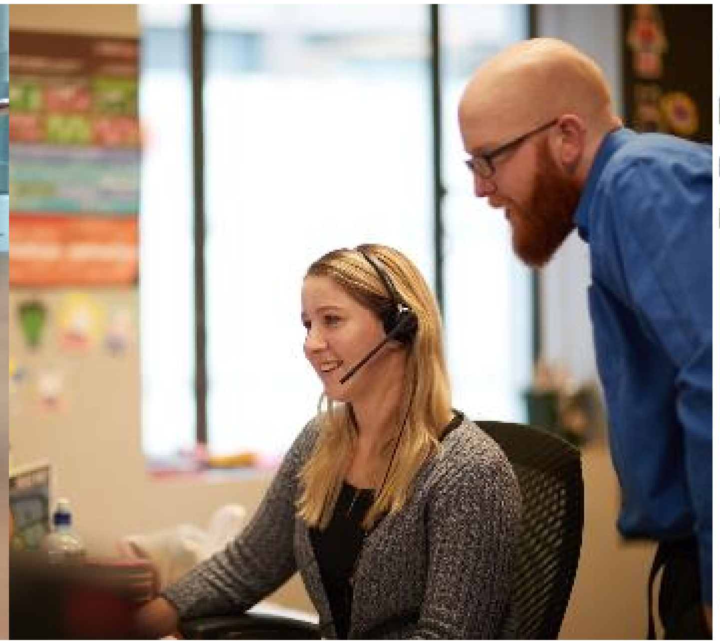
EBITDAF, down from $525m

$84/MWh

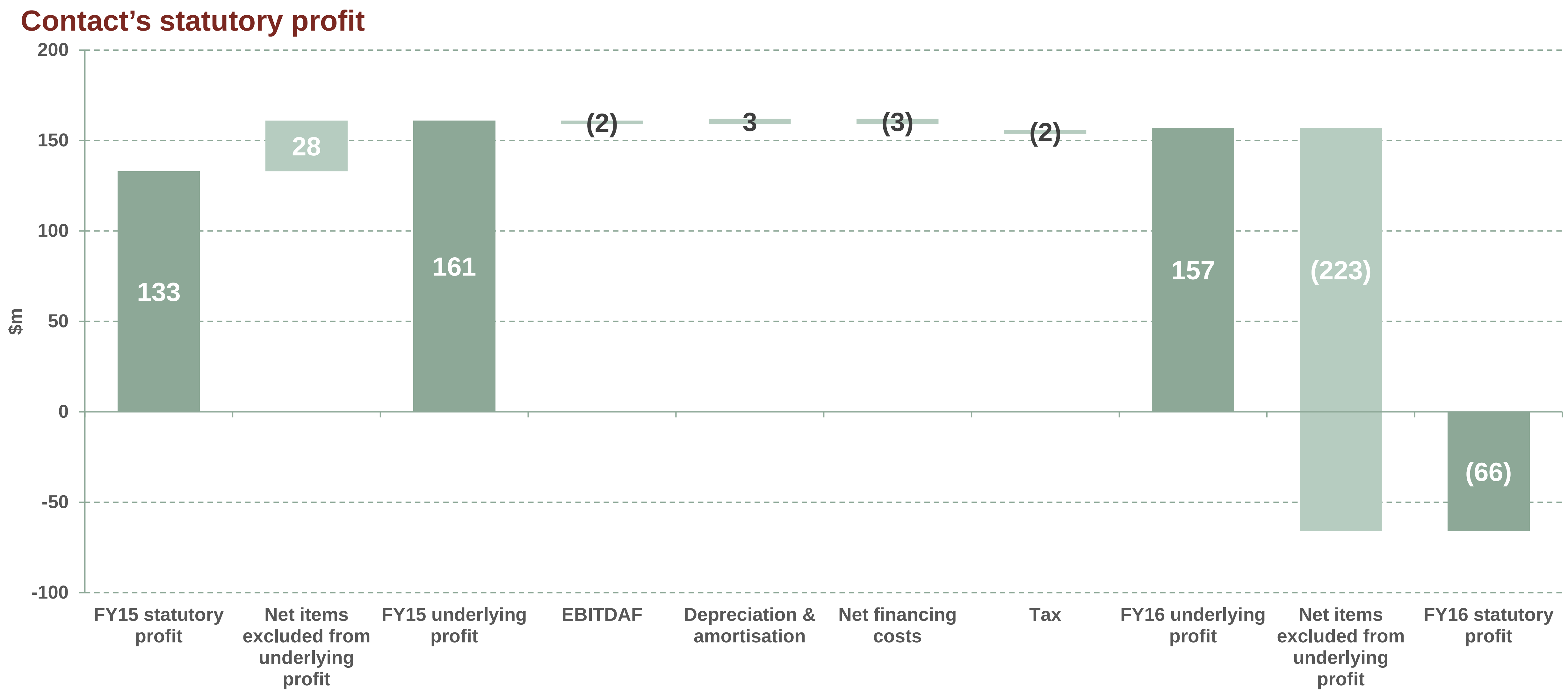
Netback down $2/MWh

$31/MWh

Cost of energy improved $4/MWh



Statutory loss $66m; Underlying profit down 2% to $157m



» Depreciation and amortisation down $3m driven by the Otahuhu closure; offset by a change in useful lives of geothermal wells.
  - Total depreciation and amortisation for FY17 is expected to be between $205m and $210m subject to geothermal well review

» Net financing costs up $3m due to increased average debt

» Net items excluded from underlying profit primarily relate to Otahuhu closure and sale ($217m), Taheke asset impairment ($36m), inventory gas write-down ($43m), change in fair value of financial instruments ($21m) and transition costs of $10m, with a tax expense credit of $104m

FY16 profit is negatively impacted by $329m (before tax) of impairments

Inventory gas

- Inventory includes gas in storage at the Ahuroa gas storage facility for use in thermal generation. At 30 June 2016, Contact wrote inventory gas down by $43 million to net realisable value (NRV)
- Inventory gas NRV is based on the value expected to be realised for the gas through electricity production
- The net impact on profit/(loss) for the period was ($31m). This write down is excluded from underlying profit
- Ahuroa gas storage remains a highly valuable asset
  - Flexible generation is required in all long-term market scenarios
  - Contract gas supply is becoming less flexible

Otahuhu power station closure and sale

- Impairment recognised was $250m offset by $33m net sale proceeds
- The net impact on profit/(loss) for the period was ($147m)
- Excluded from underlying profit
- Sale the right decision
  - TCC has run for 43 days since Otahuhu closed
  - Cost savings in FY16 were $12m (primarily gas transmission but some operational costs)
  - Plant sales progressing ahead of expectations with $5m to date

Taheke geothermal resource impaired

- Impairment recognised in 1H16 was $36m
- The net impact on profit/(loss) for the period was ($26m)
- Excluded from underlying profit

Margin pressure in mass market and lower C&I sales reduce EBITDAF

Integrated energy segment EBITDAF down $2m to $484m

» **Netback** unfavourable $59m (7%) to $769m
- Electricity sales down 501 GWh
- Electricity netback down $2/MWh
- Improved steam sales price

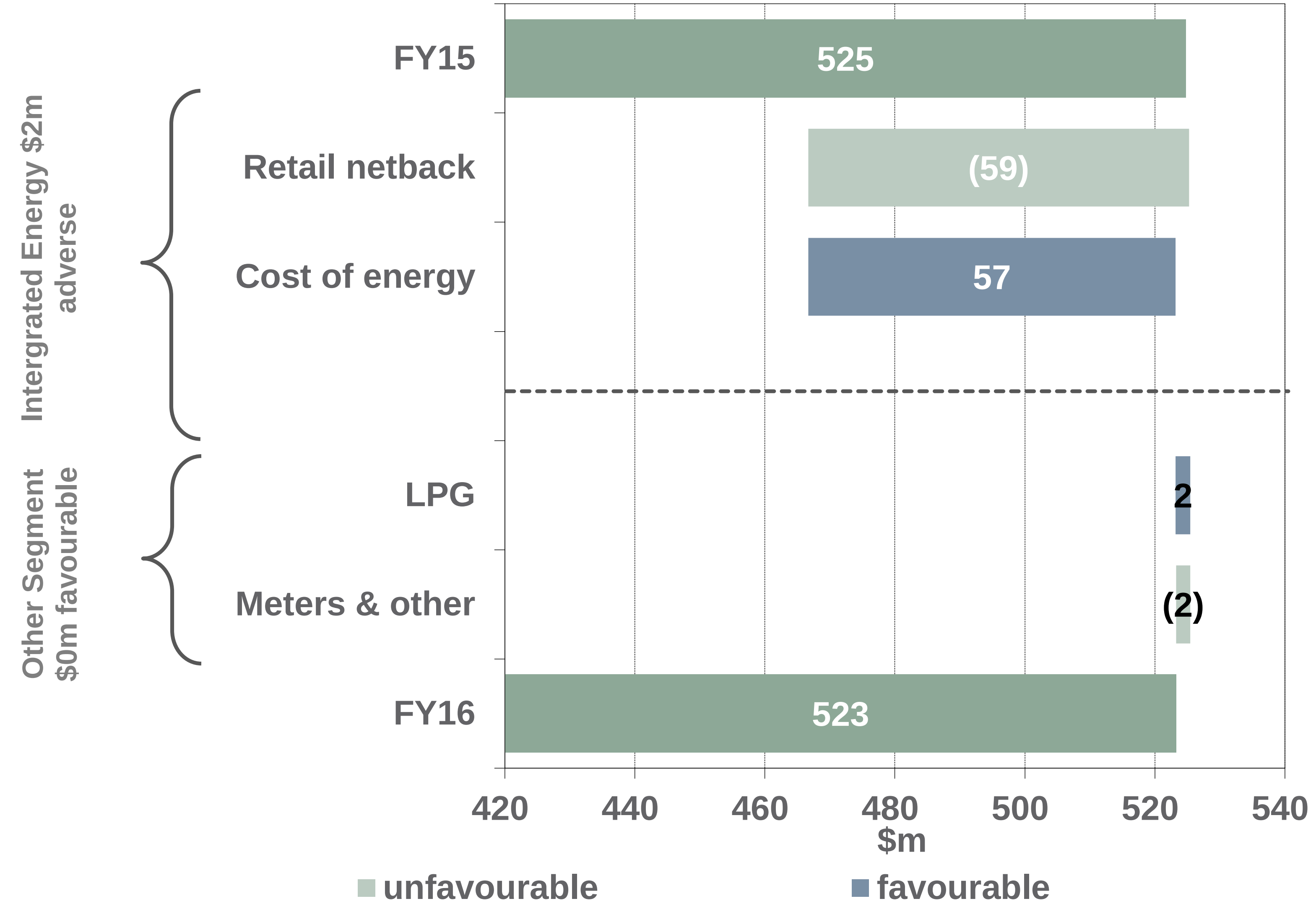
» **Cost of energy** favourable $57m (17%) to -$285m
- Geothermal generation up 223 GWh increasing renewable generation to 82%
- Lower hedge position reduced thermal generation and gas costs
- Otahuhu closure reduced gas transmission and operating costs

Other segment EBITDAF flat at $39m

» **LPG** favourable $2m
- LPG sales remain strong with good connection growth
- 2H16 negatively impacted by Kupe outage requiring LPG imports; expected to continue until September 2016

» **Meters & Other** unfavourable $2m reflecting the continued transition to smart meters

EBITDAF Movement



Netback down $59m (7%) to $769m

Lower electricity sales and continued discounting in mass market

» FY16 electricity sales volume down 501 GWh to 7,891 GWh
  - MM volumes down 104 GWh due to average customer numbers being 9,000 down on FY15. Average usage per customer in line with FY15, despite higher 2H16 temperatures
  - C&I sales down 397 GWh as lower priced customers rolled-off. 2H16 sales down 122 GWh

» Mass market electricity netback $5/MWh unfavourable
  - Tariff down $6/MWh due to continued discounting. 2H16 tariff down $2/MWh
  - Network costs per MWh in line with FY15 with, one-off costs in FY15 not recurring to offset notified increases in FY16
  - Operating costs improved $6m

» C&I electricity netback stable

» Retail gas volumes and netback largely stable

» Steam revenue up $4m due to commencement of Te Rapa supply agreement

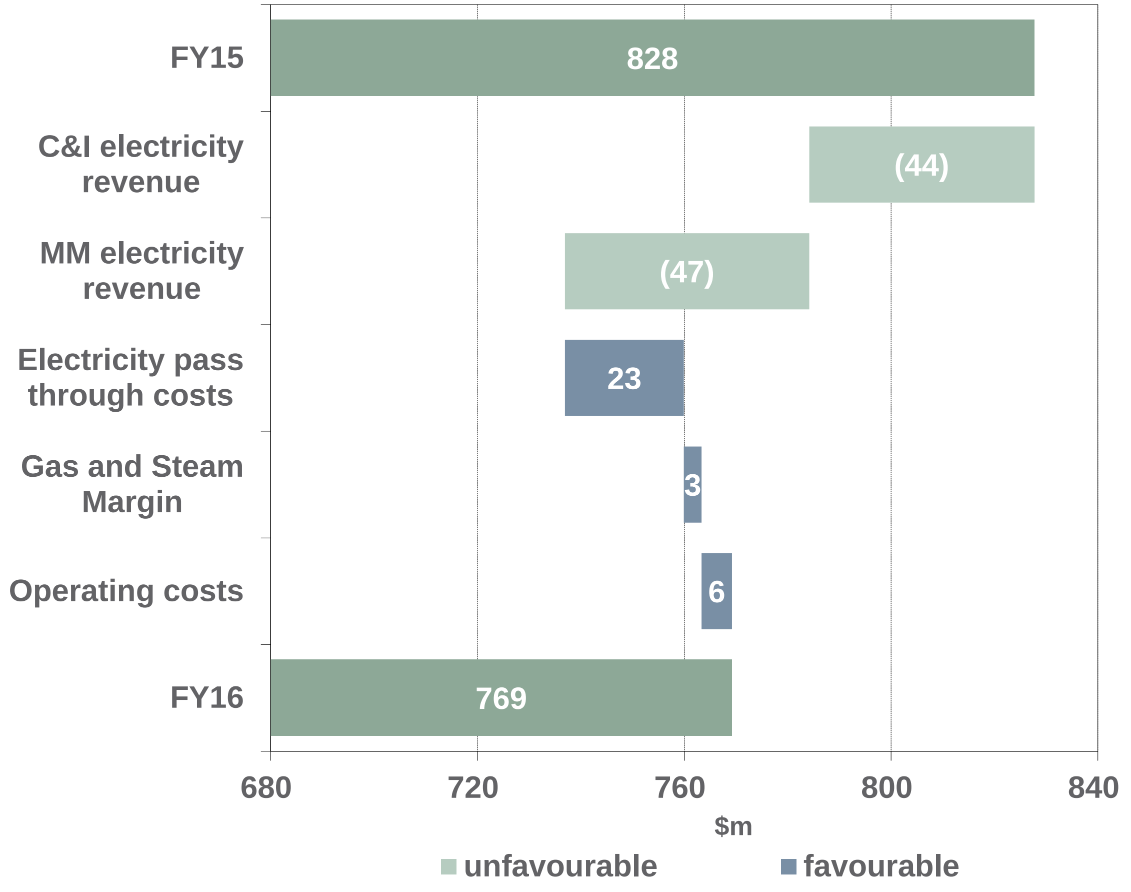
7,890 GWh

Electricity sales volume, down 6% due to lower C&I sales

$84/MWh

Netback down $2/MWh due to continued price pressure in mass market

Netback movement



Cost of energy improved $57m (17%) to -$285m

Lower electricity purchases and improved gas costs reduced cost of energy by $4/MWh

» Wholesale spot market up $21m
  - Retail purchases down 608 GWh reflecting lower retail volumes; 96 GWh increase in merchant sales

» Wholesale financial market unfavourable $12m due to lower frequency keeping revenue as a result of increased supply being offered and lower CfD returns

» Fuel mix favourable $18m with renewable generation increasing from 76% to 82%
  - Thermal generation down 707 GWh; gas purchases reduced 5.4 PJ
  - Geothermal generation increased 233 GWh despite extended Te Mihi outage in 1H16
  - Plant availability improved from 88% in FY15 to 89% in FY16

» Unit generation cost favourable $30m with lower unit gas costs and lower gas transmission and operating costs due to the closure of Otahuhu more than offsetting increased carbon costs and plant maintenance expenses

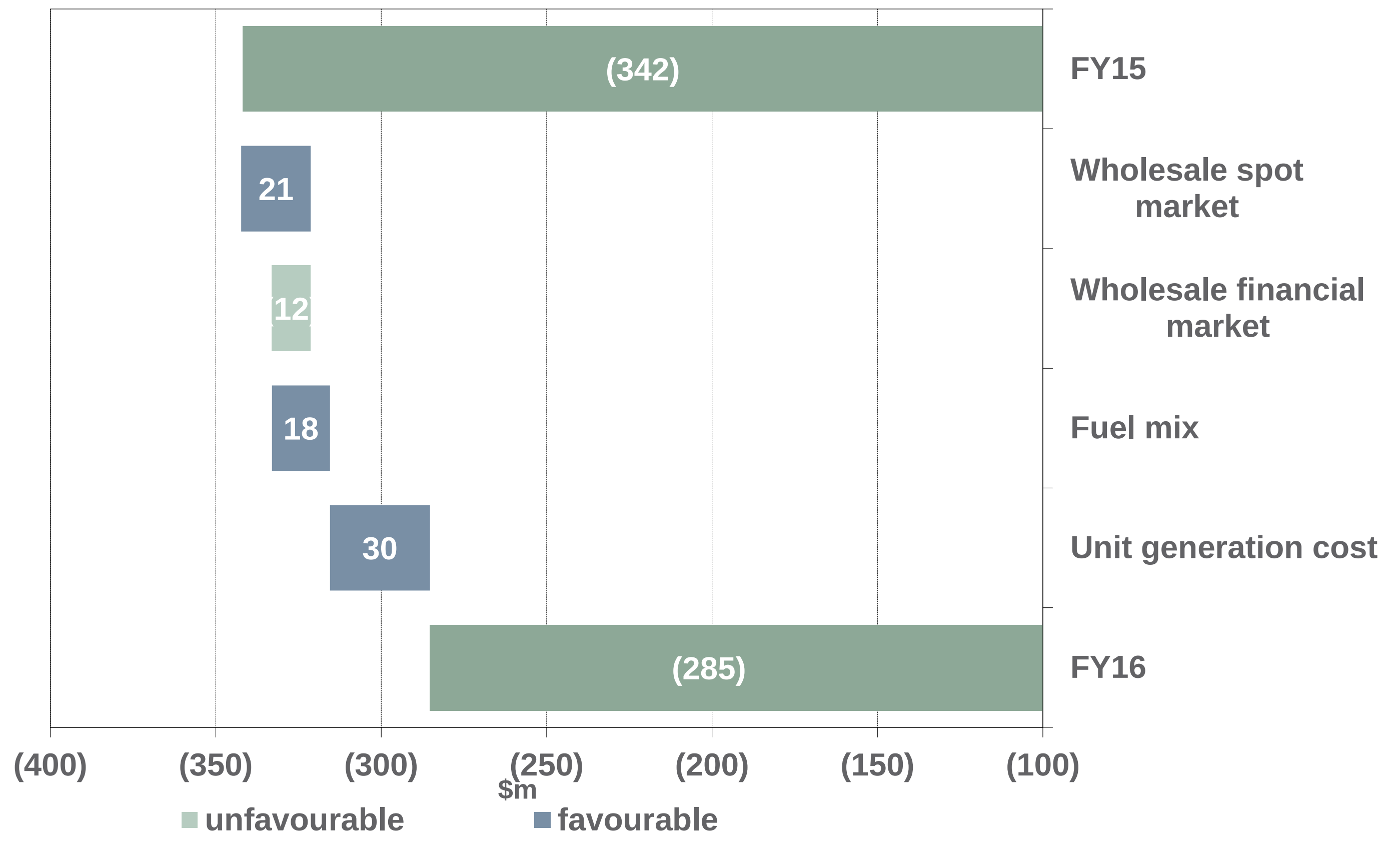
82%

Renewable generation up from 76% in FY15

8,231 GWh

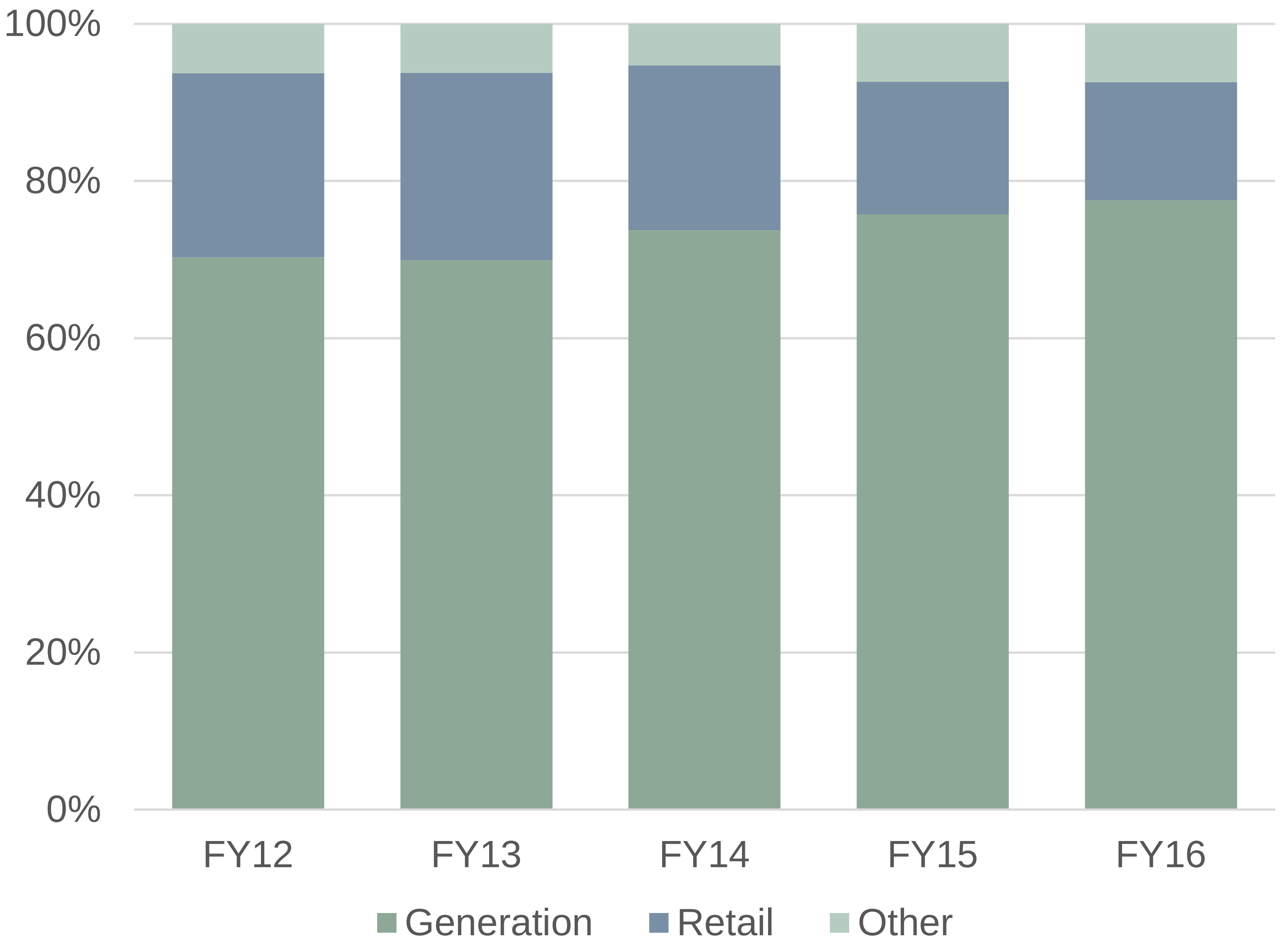
608 GWh decrease in electricity purchase volumes

Cost of energy movement



Adding a transfer price to segment reporting highlights the compression of retail margins

Indicative EBITDAF contribution



» Transfer price reflects cost for a standalone retailer to purchase electricity from a generator and is linked to the ASX futures price

» Contribution from retail has fallen
- Netback has declined $12/MWh (11%) over the past 4 years
- Retail EBITDAF margin to revenue 5% in FY16

» Contribution from generation has increased following $1.7b investment programme
- Te Mihi commissioned May 2014
- Otahuhu closed September 2015
- Purchased gas fell from 45 PJ in FY12 to 18 PJ in FY16
- Cost of energy reduced from $44/MWh in FY12 to $31/MWh in FY16

» Improved LPG margins more than offset lower meter revenue

Focus continues on reduction of both operating and capital expenditure

Other operating expenses

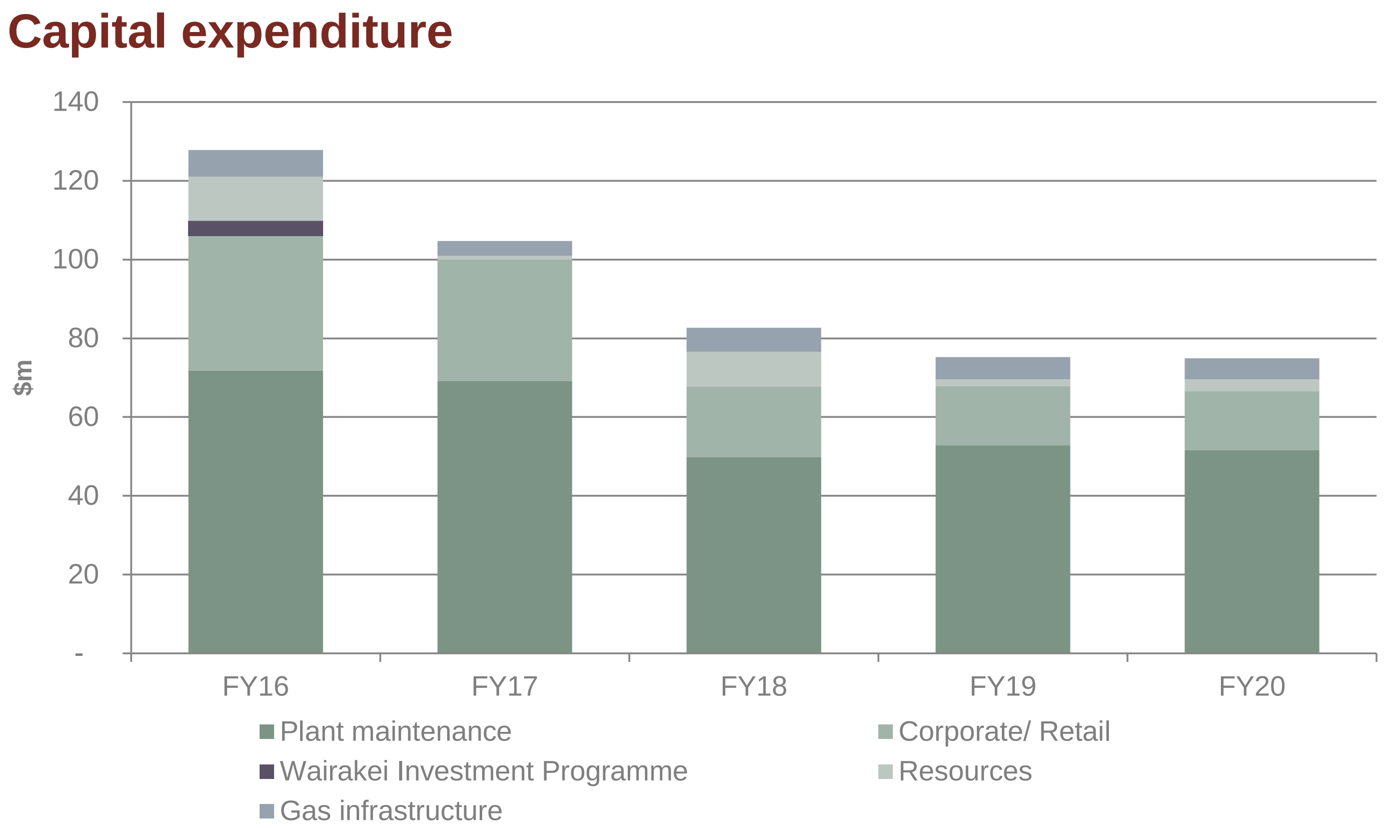
» FY16 other operating expenses $16m lower than FY15
- Reduced bad debt write-offs (net of recoveries)
- Otahuhu closure
- IT systems simplification
- Retail strategy and international growth review costs not repeated

» Savings to continue in FY17
- Further reductions in bad debts indicated by improved debt pipeline
- Full systems separation from Origin
- Reduced churn costs and an increase in digital self-service
- Timing of repairs and maintenance expenditure
- Insurance savings

Capital expenditure

» FY16 capex $128m, up $23m from FY15 due to the recognition of the Stratford super core as a capital expense and initial payments relating to the TCC refurbishment

» Capex expected to be $70 - $80m per annum from FY18



Free cash flow up 17%

Lower tax paid and proceeds from Otahuhu sale partially offset by higher stay in business capex

» Free cash flow measures the cash generating performance of the business and represents cash available to repay debt and to fund distributions to shareholders and growth capital expenditure

$m	Year ended 30 June 2016	Year ended 30 June 2015	Variance $m	Variance %
EBITDAF	**523**	**525**	**(2)**	**(0%)**
Tax paid	1	(45)	46	102%
Change in working capital	22	20	2	10%
Non-cash items in EBITDAF	20	13	7	54%
Significant items	(10)	(23)	13	57%
Operating cash flows	**556**	**490**	**66**	**13%**
Net interest paid	(93)	(89)	(4)	(4%)
Stay in business capital expenditure	(87)	(63)	(24)	(38%)
Proceeds from sale of assets	27	7	20	286%
Free cash flow	**403**	**345**	**58**	**17%**

» The positive cash flow from the increased use of stored gas rather than contract gas in FY16 was offset by unfavourable other working capital movements

» Tax paid reduced due to a tax refund relating to FY15 tax payments and tax benefits from Otahuhu closure

» Other significant items in FY15 included transition costs relating to the Retail Transformation project stabilisation costs

» Partially offset by higher stay in business capital expenditure driven by payments relating to the refurbishment of TCC

» Proceeds from asset sales primarily relates to the sale of Otahuhu

The efficient return of free cash flow to shareholders remains a priority

In FY16 $403m free cash flow was applied to debt reduction and distributions to shareholders

» $100m share buyback completed with 20.7m shares purchased at an average cost of $4.83

» 15 cps dividend paid in September 2015 and 11 cps in March 2016, a total of $189m cash dividends

» Face value of debt reduced by $71m during the course of the financial year

» Continued commitment to investment grade credit rating. Contact has been rated BBB since 2002

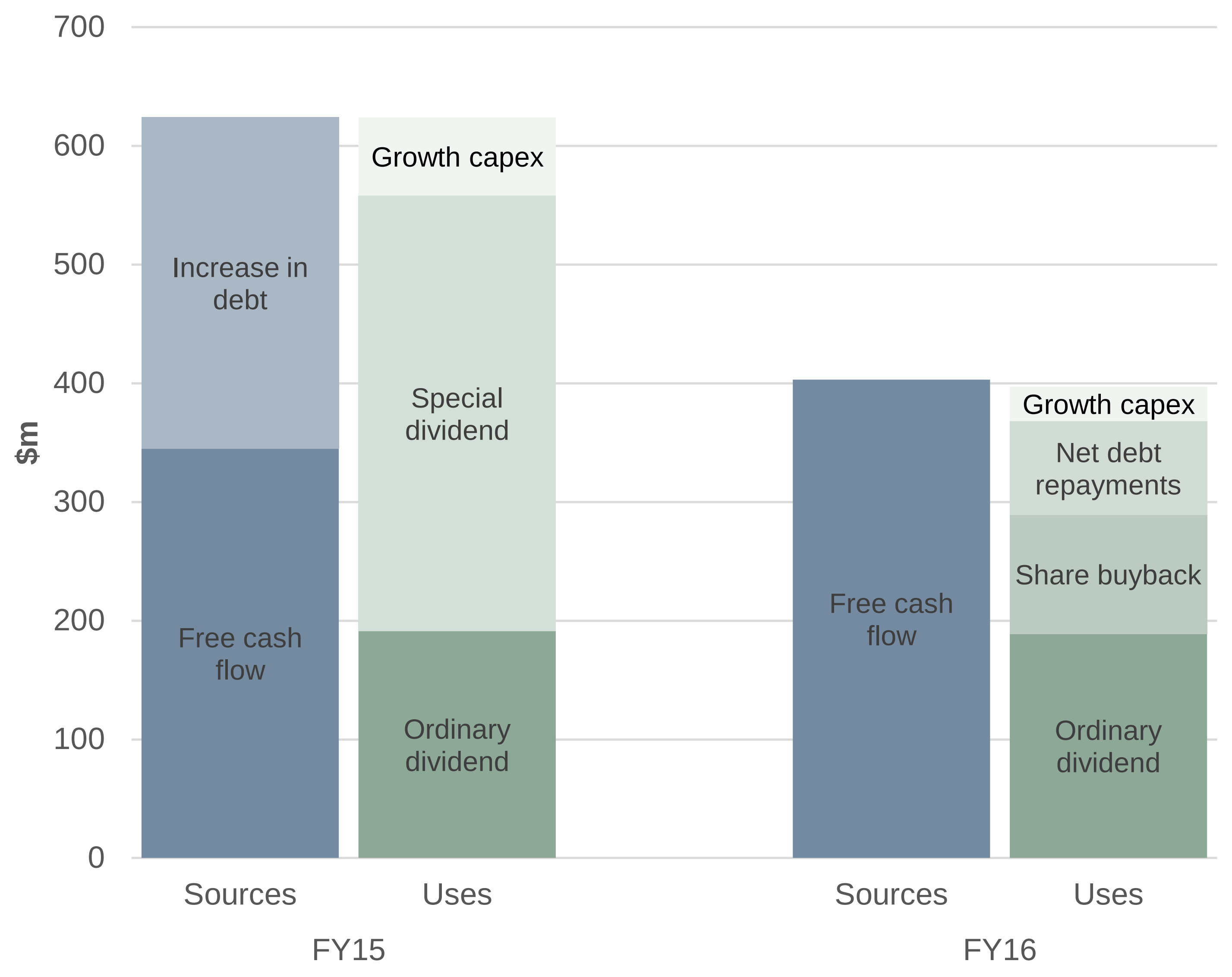
FY16 ordinary dividend stable at 26 cents per share

» Final cash dividend 15 cents per share with 7 cents per share imputed reflecting the low imputation credit balance following payment of fully imputed special dividend in June 2015

» Record date 6 September 2016; payment date 23 September 2016

- The NZD/AUD exchange rate used for the payment of Australian dollar dividends will be set in early September

Uses of free cash flow



Strong cash performance provides options to balance the distribution of cash to shareholders, reduce debt and invest in growth

Free cash flow

» Operating cash flow
- Less net interest paid
- Less stay in business capex
- Plus proceeds from asset sales

Balance Sheet

» Investment grade credit rating
- Target Standard and Poor's net debt/EBITDA[1] of 2.6 – 3.0

Distributions

» Ordinary dividend equal to 100% underlying profit

» Special dividend where imputation credits available

» Share buyback

Investment in growth

» Returns greater than risk adjusted cost of capital

» Focus on areas of strength

[1] Standard and Poor's use a smoothed average debt/EBITDA comprising the ratio from the last two years, current year and forecast two years

Summary

Dennis Barnes

Outlook

» In a competitive market, turning improving operational performance into value remains the focus

» Industry structure continues to support strong cash flow

- Slow demand growth unlikely to require additional generation to be built in the near term. Tiwai exit likely to remain a risk, although increasingly manageable
- Growing capability in retail supported by systems investment may provide opportunities to expand our offering and/or consolidate
- Transition to new technologies likely to be slow but will deliver opportunities for customer-led businesses

» Open share register provides increased liquidity and flexibility relative to peers

Summary

Strategy

» Leverage integrated customer and generation business to deliver strong cash flows

- Deliver value to our customers by providing choice, certainty and control
- A low cost, long life and flexible generation portfolio with focus on safety, reliability and resource utilisation
- Disciplined approach to capital expenditure

Performance

» Performance in line with December 2015 guidance. Free cash flow (per share) improved 18% to $403m; impairments at Otahuhu and Taheke and a write-down of inventory gas resulted in loss for the period of $66m

» Continued competition in retail business largely offset by lower cost of energy

- Improving retail capability and performance reflected in 2H16 customer growth and operational metrics
- Renewable generation at 82% with improved geothermal availability and strong hydro inflows
- Lower electricity and gas purchases and lower gas price

Capital management

» FY16 declared dividends stable at 26 cents per share, 14 cents per share imputed

» $100m share buyback completed and $71m reduction in debt

Focus on structural efficiency

» Thermal plant closures and Huntly units staying open has improved New Zealand's energy and capacity balance with some limited recent volatility experienced

» Tiwai important for long-term fuel and generation contracts

» Regulatory changes around transmission pricing, network charging and carbon critical to ensure the right incentives are in place for customers and industry participants

Outlook

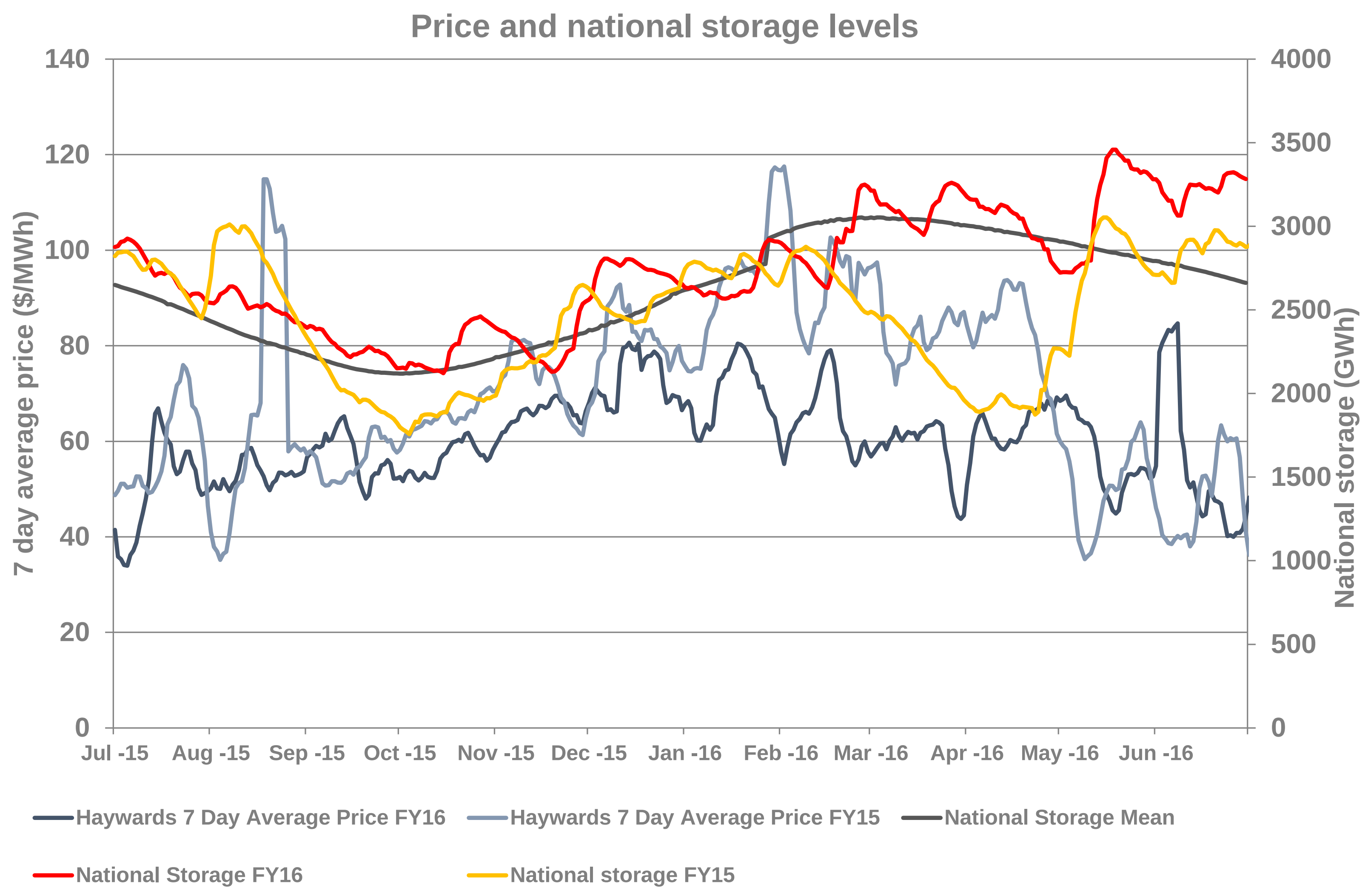
» Improving operational performance will support ongoing strong cash flow

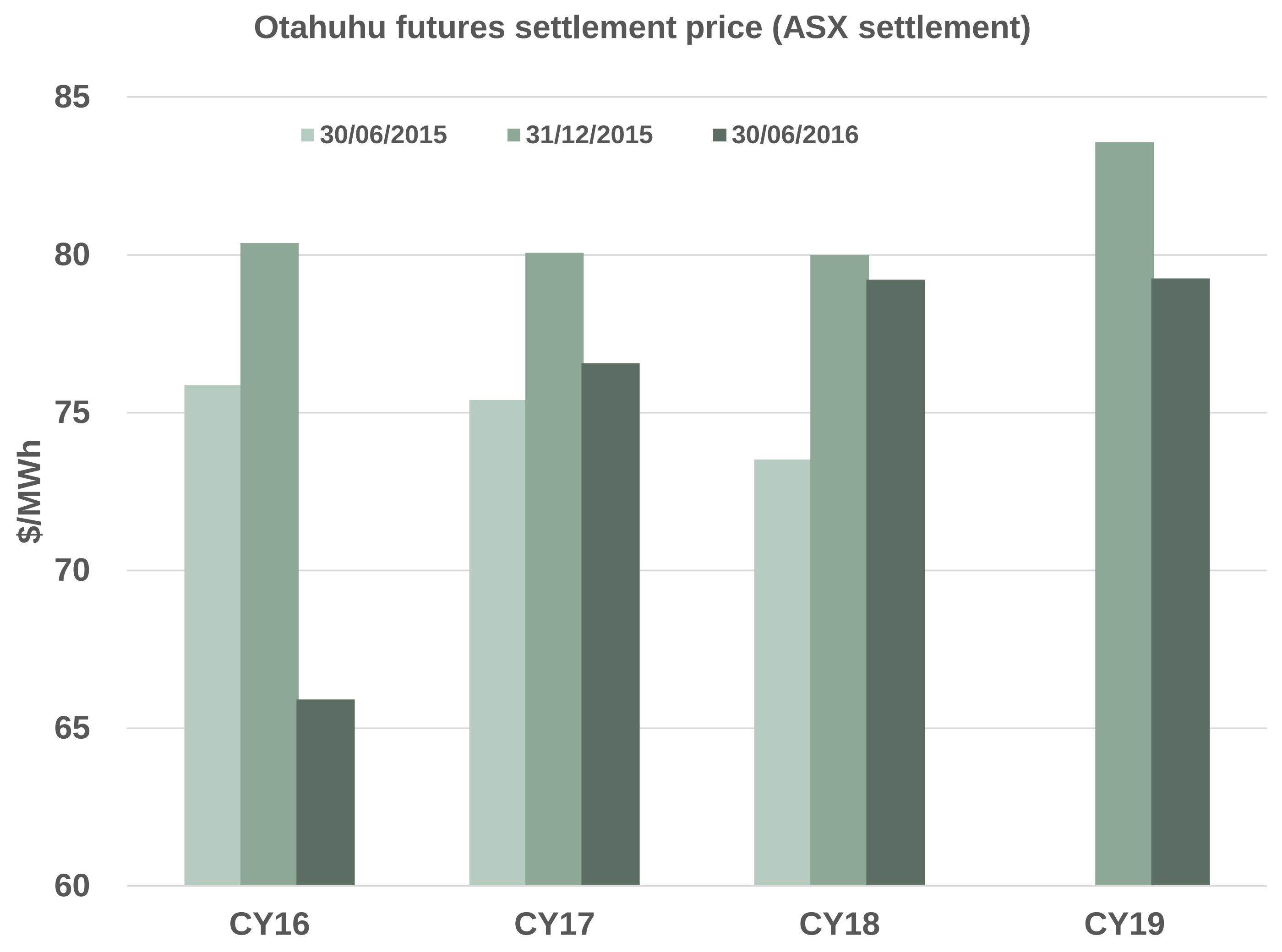
» Cost savings continue. Carbon costs increase and Tiwai supply contract impacts margin from 1 January 2017

» Retail price and product changes implemented with resultant gains subject to competitive market

Supporting material

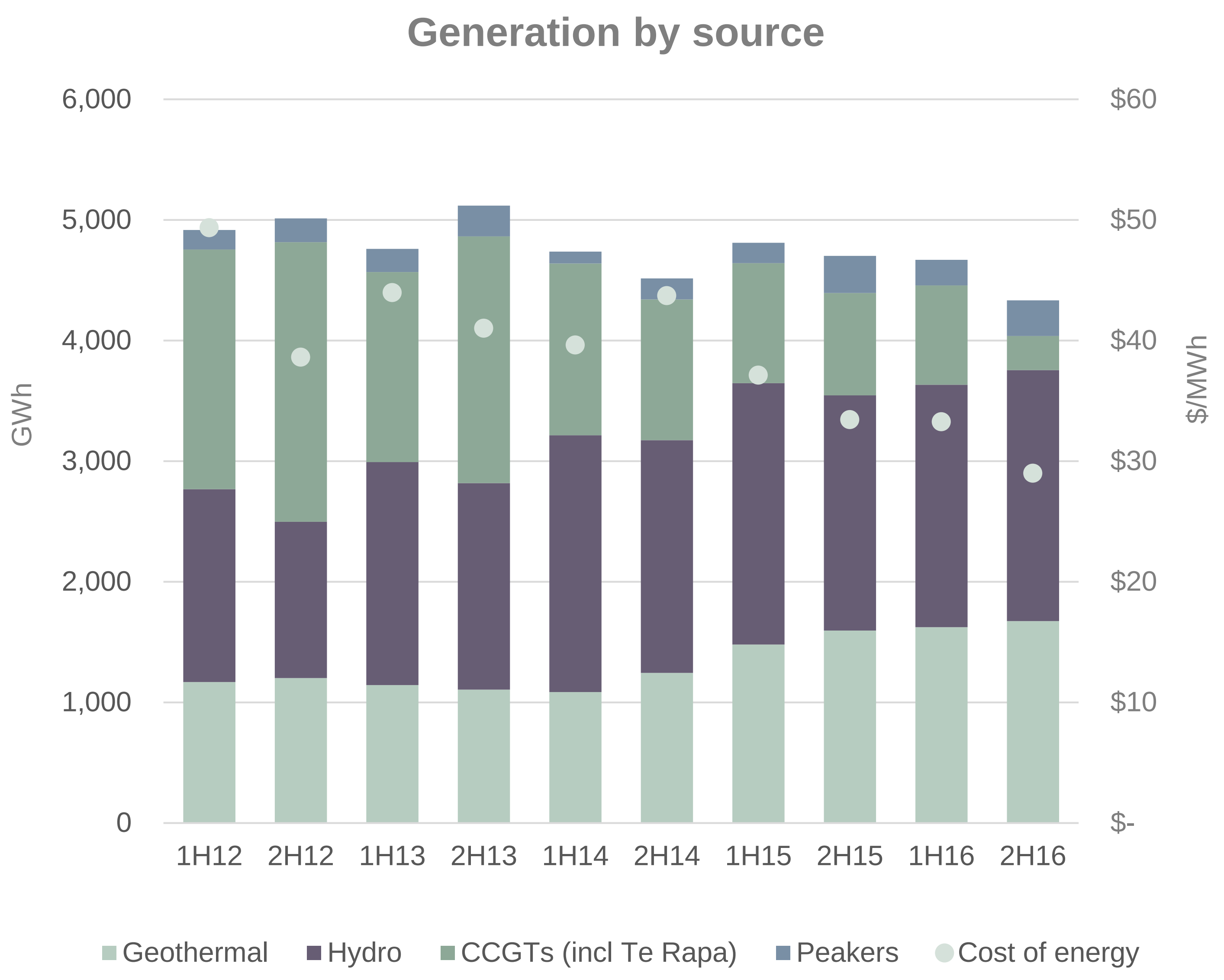
Electricity market conditions





- Huntly staying open has reduced FY19 premium
- No recognition of increasing carbon costs evident in forward curve

Thermal generation continues to decline supported by improved geothermal availability in FY16



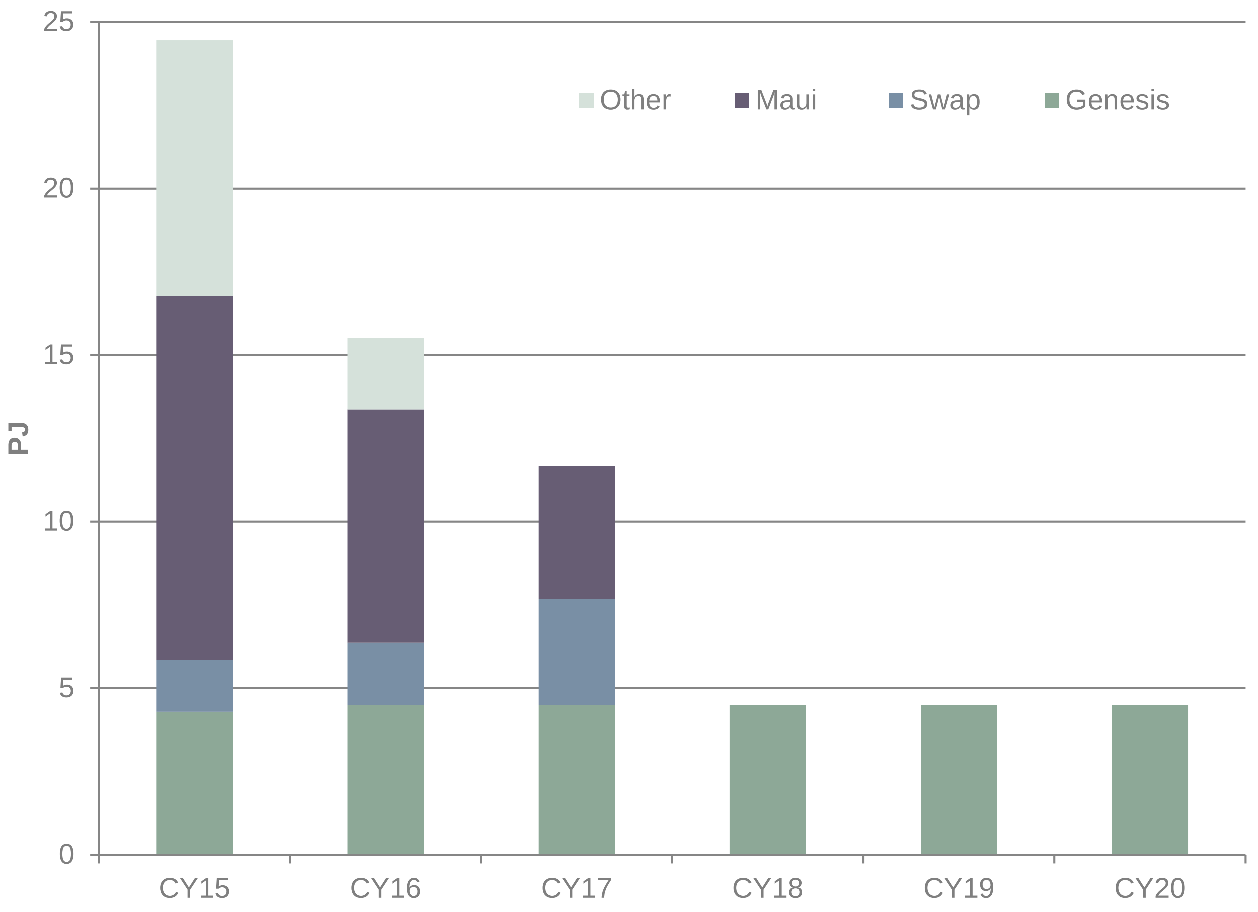
	Gross output	Plant availability[1]		Capacity factor	Electricity output	Pool revenue	
		FY16	FY15				
	(MW)	(%)	(%)	(%)	(GWh)	($/MWh)	($m)
Hydro	752	89%	85%	62%	4,091	55	225
Geothermal	431	93%	83%	87%	3,297	61	200
CCGTs (incl Te Rapa)*	601	89%	79%	21%	1,109	59	66
Peakers (incl Whirinaki)	355	89%	89%	16%	505	69	35
Total	**2,139**	**90%**	**84%**	**48%**	**9,002**	**58**	**526**

[1] Measures reliability of our generation plants

* Otahuhu last day of operation 21 September

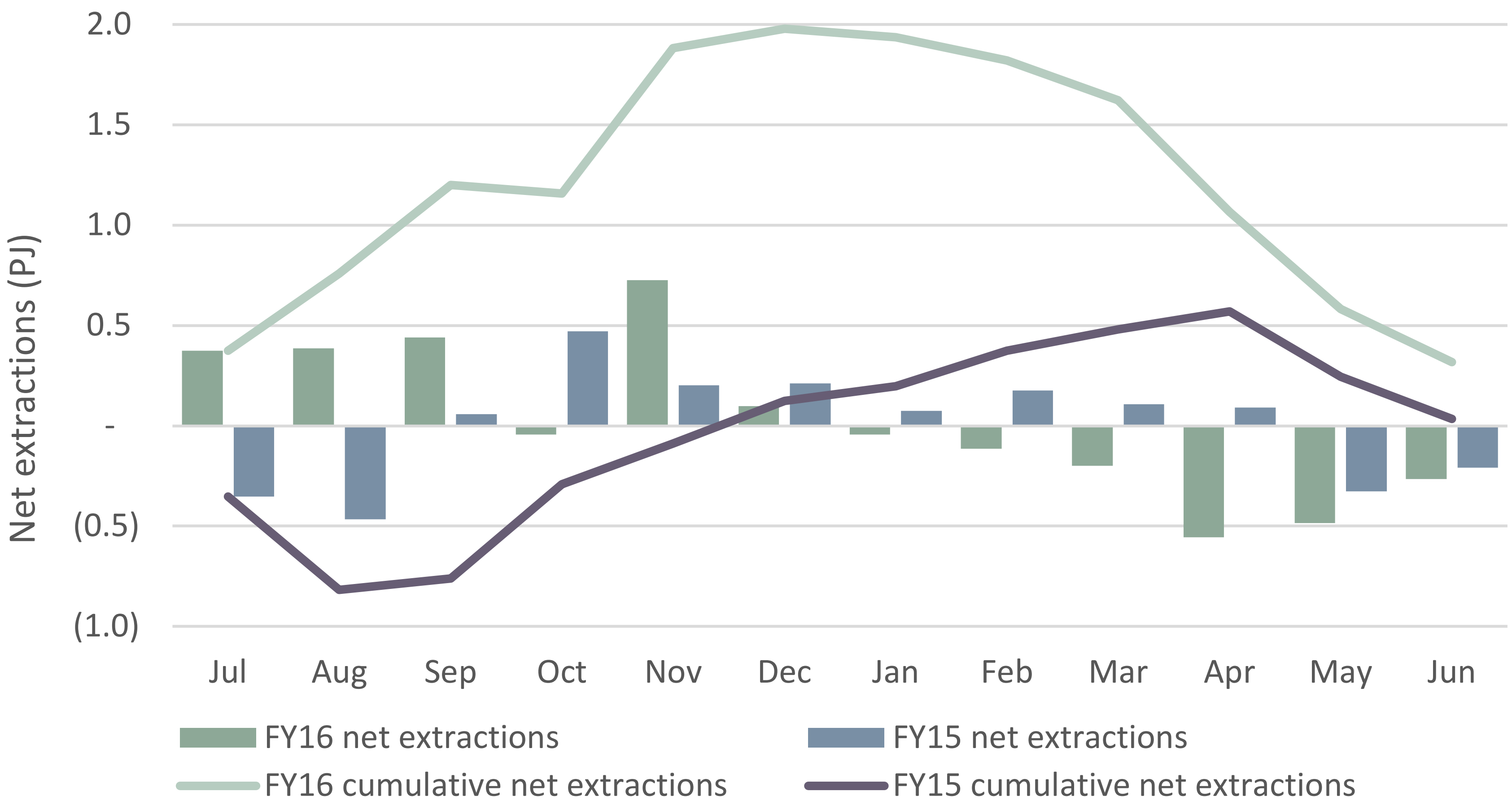
No change in contracted gas volumes with support provided by gas storage

Contracted gas volumes



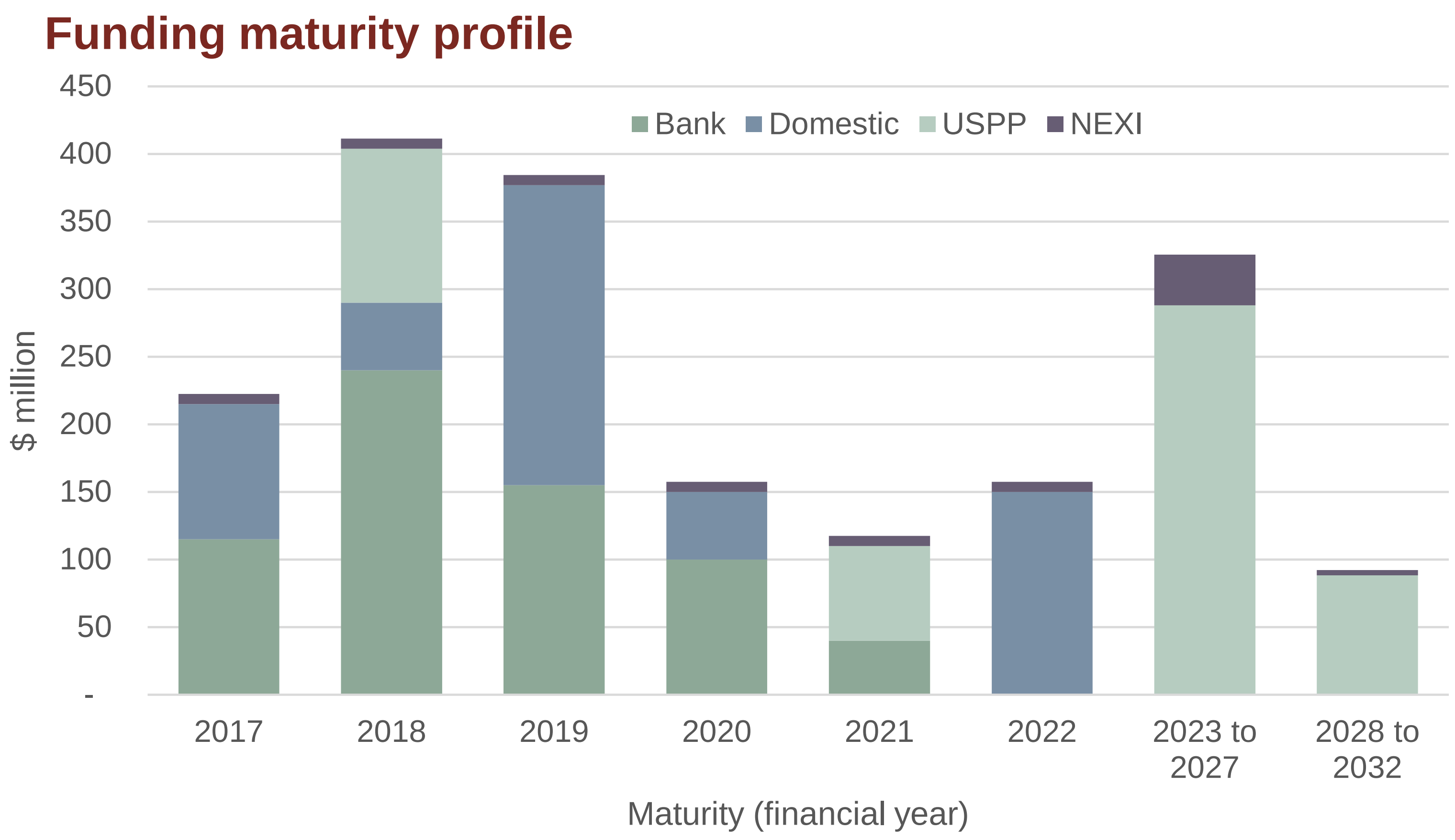
» No additional gas contracted. Deferral of Maui gas to CY17 confirmed

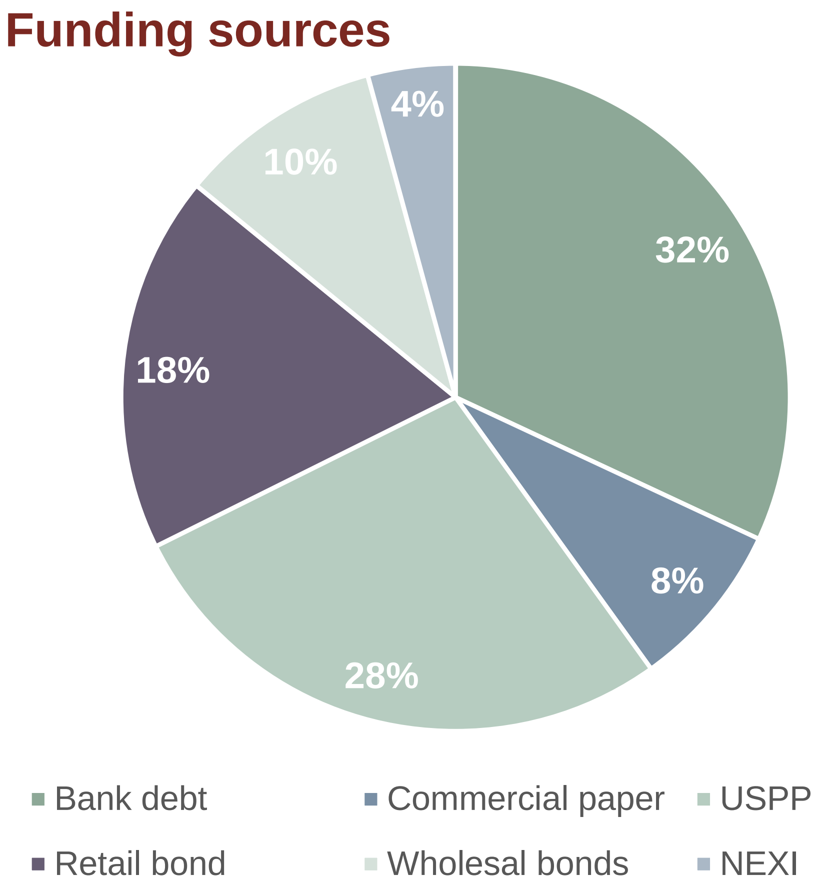
Ahuroa gas storage monthly injections and extractions



» Working volume in Ahuroa gas storage at 30 June was 10.9PJ

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





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

- $650m total committed bank facilities ($223m drawn) and $165m commercial paper
- Weighted average tenor of funding facilities 4.0 years
- Since 30 June 2015, $375m of funding has been secured, enabling Contact to repay and cancel $300m short term bridge facilities. Refinancing sources included additional bank facilities ($80m), long term USPP note issuance (US$100m / NZ$145m) and a six year retail bond ($150m)

» Contact continues to reduce interest costs by accessing cost effective funding sources, managing execution costs and by focusing on interest rate risk and efficient cash management. Average weighted cost of borrowings has fallen steadily from 7.2% in FY12 to 5.3% in FY16

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
- The CEO monitors EBITDAF as a key indicator of Contact's performance at segment and group levels, and believes it assists investors to understand the performance of the core operations of the business
- Reconciliation of EBITDAF to statutory profit/(loss):

$m	Year ended 30 June 2016	Year ended 30 June 2015	Variance $m	Variance %
EBITDAF	**523**	**525**	**(2)**	**(0%)**
Depreciation and amortisation	(201)	(204)	3	1%
Significant items	(327)	(61)	(266)	(436%)
Net interest expense	(101)	(98)	(3)	(3%)
Tax expense	40	(29)	69	238%
Profit	**(66)**	**133**	**(199)**	**(150%)**

- Depreciation and amortisation, net interest and tax expense are explained in the following slide

Explanation of reconciliation between EBITDAF and profit/(loss)

» The adjustments from EBITDAF to reported profit/(loss) are as follows:

- Depreciation and amortisation: Costs decreased by $3m (1%) reflecting a reduction due to the closure of the Otahuhu power station, partially offset by an increase in depreciation due to the change in useful lives of geothermal wells
- Significant items: these are detailed on the next two slides
- Net interest expense increased $3m (3%) to $101m due to a higher level of borrowings related to funding the share buyback programme and the special dividend distributed at the end of FY15. This is partially offset by lower average interest rates reflecting the success of the 2015 refinancing programme.
- Tax expense for FY16 is a $40m credit compared to $29m expense for FY15 due to impairment of Otahuhu and Taheke and a write-down of inventory gas. Tax expense represents an effective tax rate of 37% compared to 18% in FY15. The variance from the statutory rate of 28% is a result of tax expense credits relating to Otahuhu gain on sale of land not being taxable and powerhouses historically treated as buildings, subject to a tax depreciation rate of zero percent, now able to be depreciated as plant for tax purposes.

Non-GAAP profit measure – underlying profit

- The CEO monitors underlying profit and believes it assists investors to understand the ongoing performance of the business
- Underlying profit is calculated by adjusting reported profit/(loss) for the year for significant items that do not reflect Contact's ongoing performance
- Significant items are excluded from EBITDAF and underlying profit when they meet criteria approved by the Board of Directors in our non-GAAP financial information policy
- Reconciliation of statutory profit/(loss) for the year to underlying profit:

	Year ended	**Year ended**	**Variance**	
$m	**30 June 2016**	**30 June 2015**	**$m**	**%**
Profit/(loss)	**(66)**	**133**	**(199)**	**(150%)**
Change in fair value of financial instruments	21	37	(16)	(43%)
Otahuhu power station closure and sale	217	-	217	100%
Write down of inventory gas	43	-	43	100%
Asset impairments	36	-	36	100%
Transition costs	10	24	(14)	(58%)
Tax on items excluded from underlying profit	(100)	(17)	(83)	(488%)
Reinstatement of tax depreciation on powerhouses	(4)	(16)	12	75%
Underlying profit	**157**	**161**	**(4)**	**(2%)**

Explanation of reconciliation from reported profit to underlying profit

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

- Change in 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
- Otahuhu power station closure and sale: The Otahuhu power station was closed and the site was sold during the reporting period. The amount recognised of $217 million includes an asset impairment of $250 million and a gain on sale of assets of $33 million
- Write-down of inventory gas: At 30 June 2016 inventory gas was written down by $43 million to a net realisable value of $90 million
- Asset impairments: Contact's development of the Taheke geothermal resource was fully impaired as Contact is unlikely to develop the resource in the foreseeable future
- Transition costs incurred as a result of:
    - Origin Energy Limited's (Origin's) sale of their majority shareholding in Contact in August 2015 mostly made up of ASX listing costs and incremental share-based compensation expense ($2 million)
    - The Retail Transformation project mostly comprising temporary staffing and infrastructure costs ($4 million)
    - ICT Change and Transition programme that will significantly change Contact's ICT infrastructure and service delivery. While most of the programme relates to asset replacements it also includes consultancy costs while the transition is occurring and accelerated depreciation on assets being replaced ($4 million). The programme will be completed in FY17

Integrated energy segment

Integrated energy segment $m	Year ended 30 June 2016	Year ended 30 June 2015	Variance $m	 %
Mass market electricity	903	951	(48)	(5%)
Commercial and industrial electricity	520	563	(43)	(8%)
Retail gas	62	61	1	2%
Steam	25	21	4	19%
Total revenue	**1,510**	**1,596**	**(86)**	**(5%)**
Cost of energy	(285)	(342)	57	17%
Electricity networks, levies & meter costs	(596)	(619)	23	4%
Gas networks, levies & meter costs	(33)	(31)	(2)	(6%)
Total cost of goods sold	**(914)**	**(992)**	**78**	**(8%)**
Electricity and gas cost to serve	(112)	(118)	6	5%
EBITDAF	**484**	**486**	**(2)**	**(0%)**
Mass market electricity sales (GWh)	3,792	3,896	(104)	(3%)
Commercial & industrial electricity sales (GWh)	4,099	4,496	(397)	(9%)
Retail gas sales (GWh)	618	620	(2)	(0%)
Steam sales (GWh)	626	649	(23)	(4%)
Total retail sales (GWh)	**9,135**	**9,661**	**(526)**	**(5%)**
Average electricity sales price ($/MWH)	180.37	180.40	(0.03)	(0%)
Electricity direct pass through costs ($/MWh)	(75.51)	(73.93)	(1.58)	(2%)
Electricity and gas cost to serve ($/MWh)	(13.20)	(13.14)	(0.06)	(0%)
Netback ($/MWh)	84.21	85.49	(1.28)	(1%)
Actual electricity line losses (%)	5%	6%	(1%)	12%
Retail gas sales (PJ)	2.2	2.2	(0.0)	(1%)
Electricity customer numbers (closing)	425,000	430,000	(5,000)	(1%)
Retail gas customer numbers (closing)	62,000	61,500	500	1%

Cost of energy

Cost of energy	Year ended	Year ended	Variance	
$m	30 June 2016	30 June 2015	$m	%
Wholesale electricity revenue	539	693	(154)	(22%)
Wholesale gas revenue	1	20	(19)	(95%)
Other income (including liquidated damages)	6	9	(3)	(33%)
Total wholesale revenue	**546**	**722**	**(176)**	**(24%)**
Electricity purchases	(527)	(669)	142	(21%)
Other purchase costs	(1)	(6)	5	(83%)
Electricity transmission & levies	(41)	(44)	3	(7%)
Gas purchases	(122)	(183)	61	(33%)
Gas transmission & levies	(12)	(27)	15	(56%)
Emission costs	(7)	(5)	(2)	40%
Total direct costs	**(710)**	**(934)**	**224**	**(24%)**
Generation operating costs	(121)	(130)	9	(7%)
Cost of energy	**(285)**	**(342)**	**57**	**(17%)**
Thermal generation (GWh)	1,614	2,321	(707)	(30%)
Geothermal generation(GWh)	3,297	3,074	223	7%
Hydro generation (GWh)	4,091	4,119	(28)	(1%)
Spot market generation (GWh)	**9,002**	**9,514**	**(512)**	**(5%)**
Spot electricity purchases (GWh)	8,231	8,838	(607)	(7%)
CfD sales/(purchases) (GWh)	81	124	(43)	(35%)
GWAP ($/MWh)	58.49	69.67	(11.18)	(16%)
LWAP ($/MWh)	(64.05)	(75.56)	11.51	(15%)
LWAP/GWAP (%)	110%	108%	2%	1%
Gas used in internal generation (PJ)	16.0	21.5	(5.5)	(26%)
Wholesale gas sales (PJ)	0.1	2.1	(2.0)	(97%)
Gas storage net movement (PJ)	0.3	-	0.3	100%
Unit generation costs ($MWh)	31.72	36.84	(5.12)	(14%)
Cost of energy ($MWh)	31.23	35.38	(4.15)	(12%)

Other segment

Other segment $m	Year ended 30 June 2016	Year ended 30 June 2015	Variance $m	 %
LPG revenue	117	118	(1)	(1%)
Meter leases revenue	4	4	(0)	(6%)
Other revenue	1	3	(2)	(67%)
Total other segment revenue	**122**	**125**	**(3)**	**(3%)**
LPG purchases	(69)	(71)	2	(3%)
Total direct costs	**(69)**	**(71)**	**2**	**(3%)**
Other operating costs	(14)	(15)	1	(7%)
EBITDAF	**39**	**39**	**(0)**	**(1%)**
LPG sales (tonnes)	69,617	73,302	(3,685)	(5%)
Customer number	75,500	70,000	5,500	8%