

*Contact*TM

Monthly Operating Report

December 2017

December overview

- » For the month of December 2017 Contact recorded:
 - Electricity and gas sales of 571 GWh (December 2016: 582 GWh)
 - Netback of \$79.23/MWh (December 2016: \$77.40/MWh)
 - Cost of energy was \$22.56/MWh (December 2016: \$17.11/MWh)

- » Otahuhu futures settlement wholesale price for the 1st quarter of 2018 (ASX):
 - As at 29 January 2018: \$111/MWh
 - As at 31 December 2017: \$104/MWh
 - As at 30 November 2017: \$90/MWh

- » As at 29 January 2018, South Island controlled storage was 73% of mean (31 December 2017: 80%) and North Island storage was 124% of mean (31 December 2017: 98%)
 - As at 29 January, total Clutha scheme storage (including uncontrolled storage) was 41% of mean
 - Inflows into Contact's Clutha catchment for December 2017 were at 50% of mean (November 2017: 69%, October 2017: 51%)

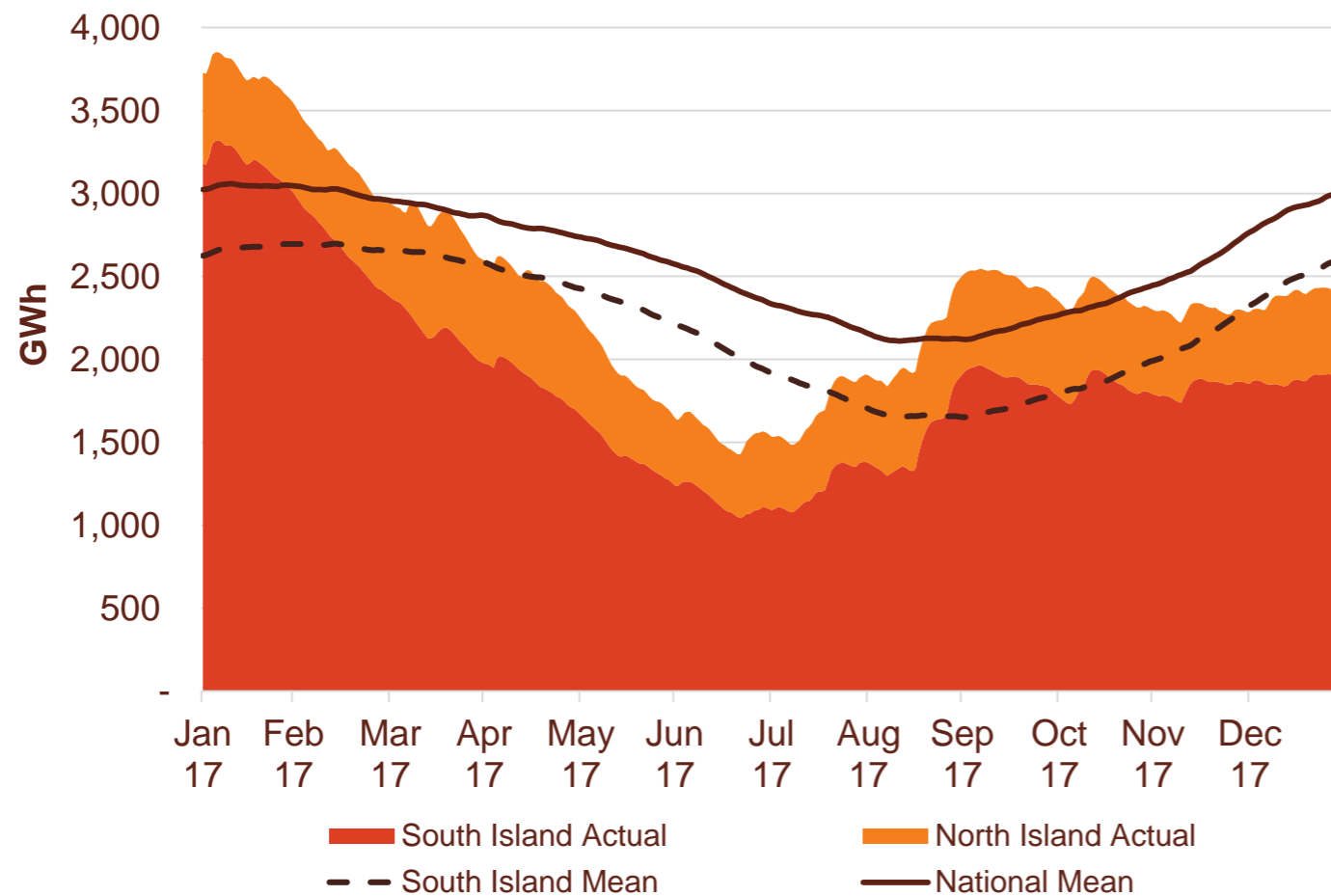


- » On 21 December 2017, Contact announced that it had entered into an agreement to sell the Ahuroa Gas Storage facility and associated assets to Gas Services New Zealand, an associate of First Gas Limited, for a cash consideration of NZ\$200 million. As part of the transaction, Contact will retain access to competitive long term gas storage services compatible with its requirements for flexible thermal generation.

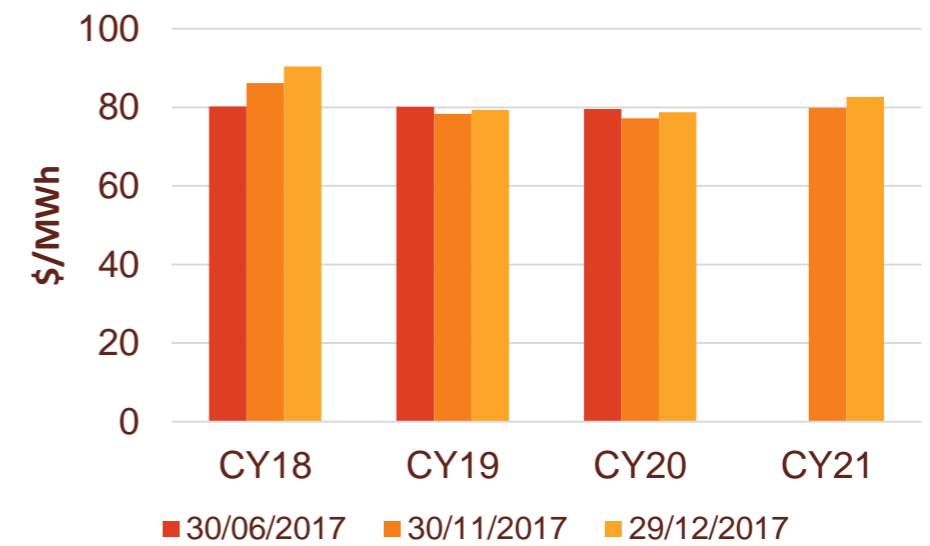
- » Further information and a replay of the investor call can be found at <https://contact.co.nz/aboutus/investor-centre/>

Hydro storage and forward prices

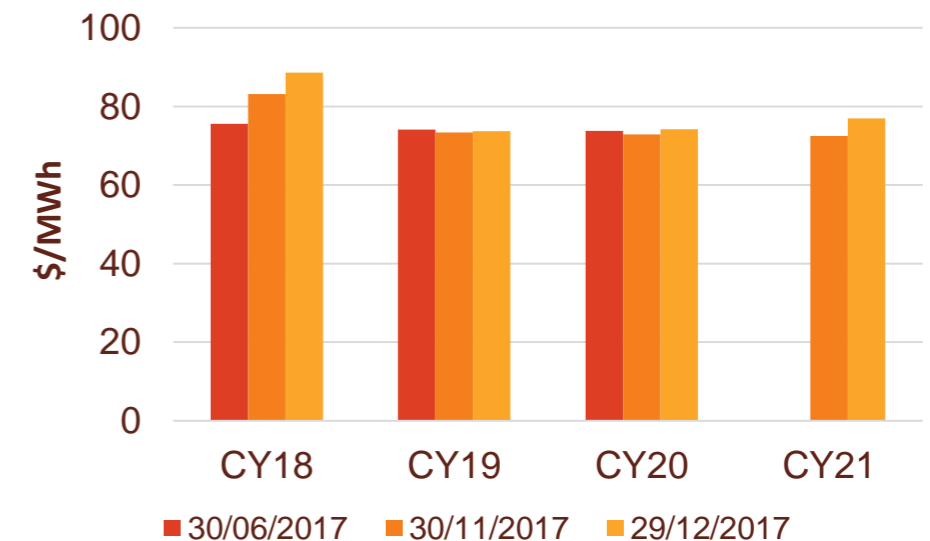
New Zealand controlled hydro storage against mean



Otahuhu ASX futures settlement

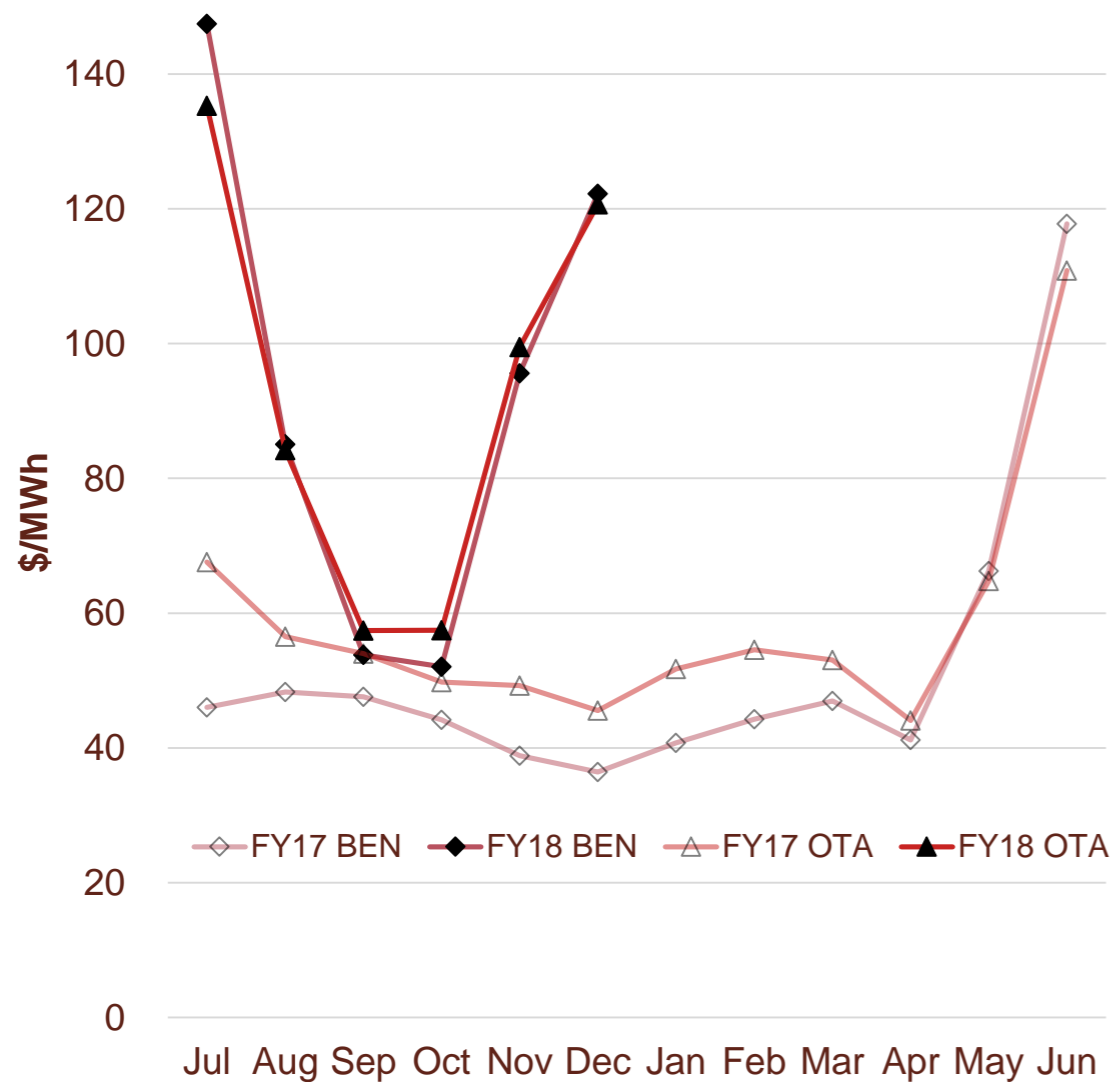


Benmore ASX futures settlement



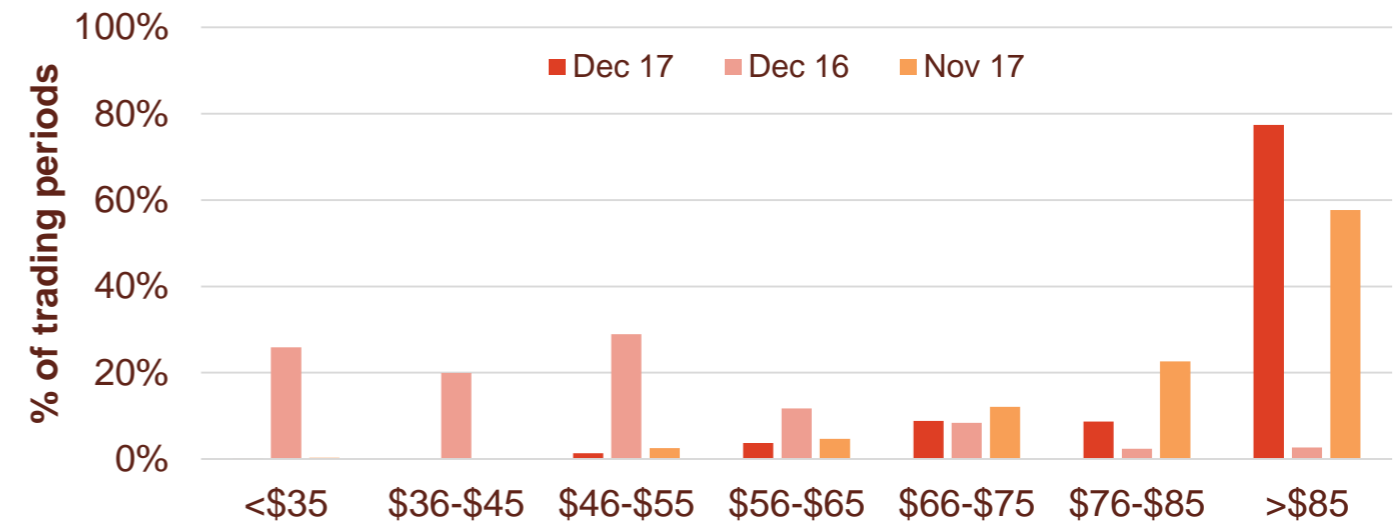
Wholesale market

Wholesale electricity pricing

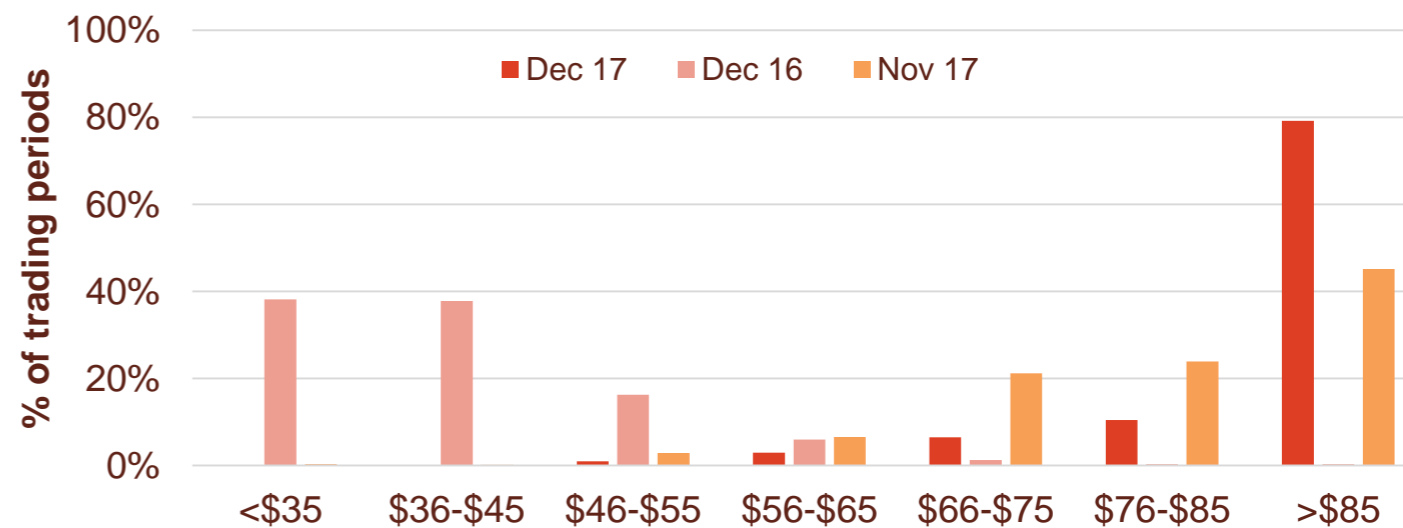


Distribution of wholesale market price by trading periods

Otahuhu node



Benmore node

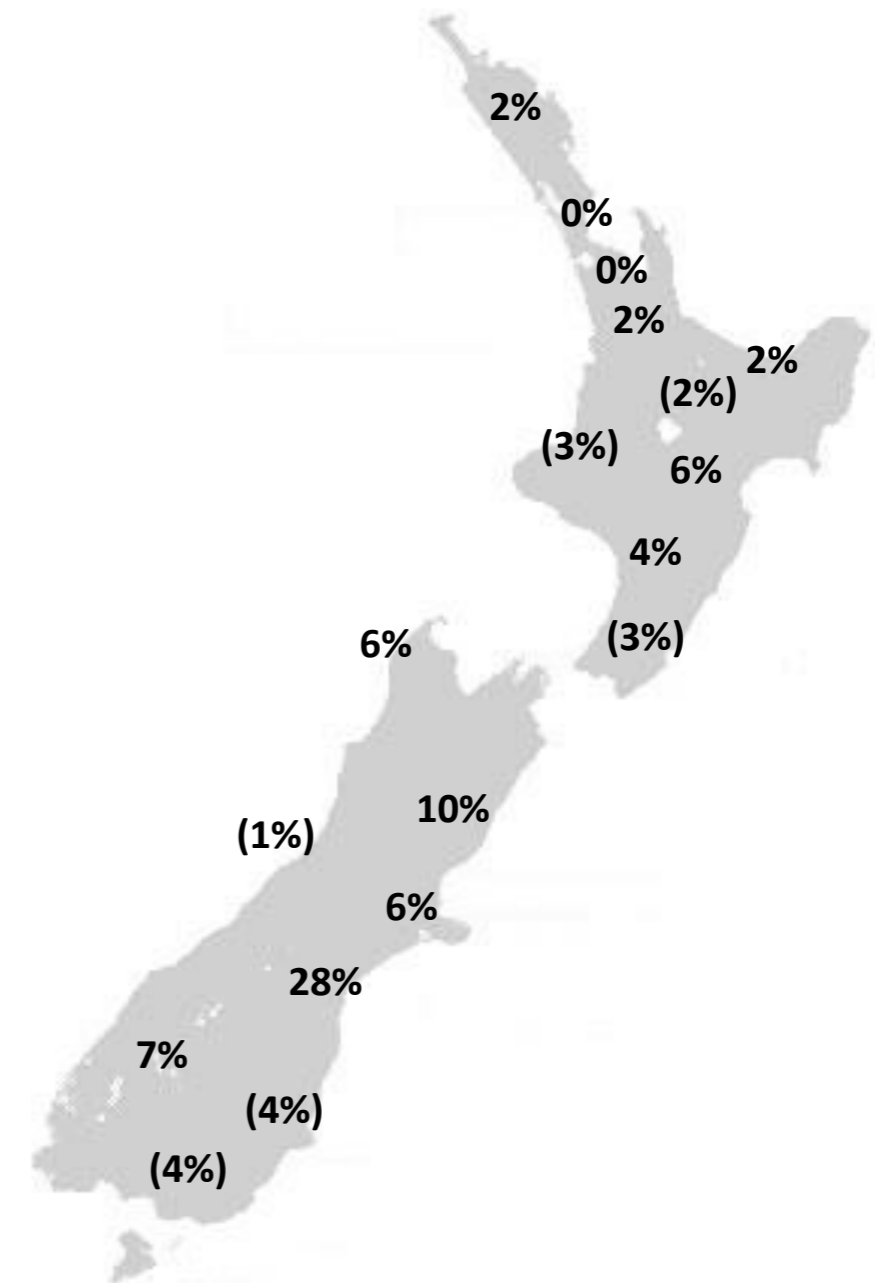
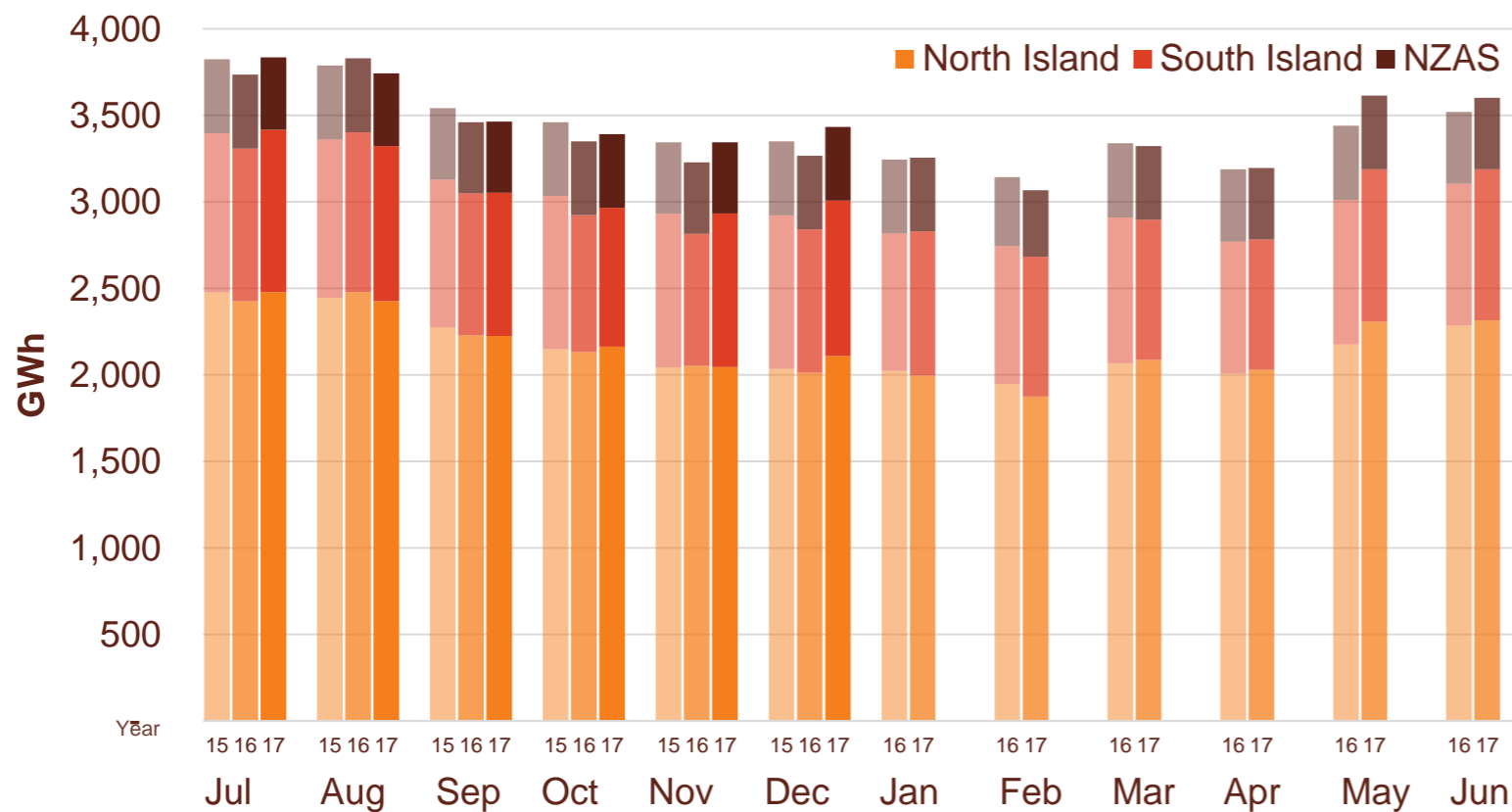


Electricity demand

- » New Zealand electricity demand was up 5.1% on December 2016 (up 2.5% on December 2015).
- » Cumulative 12 months demand for January 2017 to December 2017 of 41,265 GWh is 1.3% higher than the prior comparative period.

Regional demand change (%) on December 2016

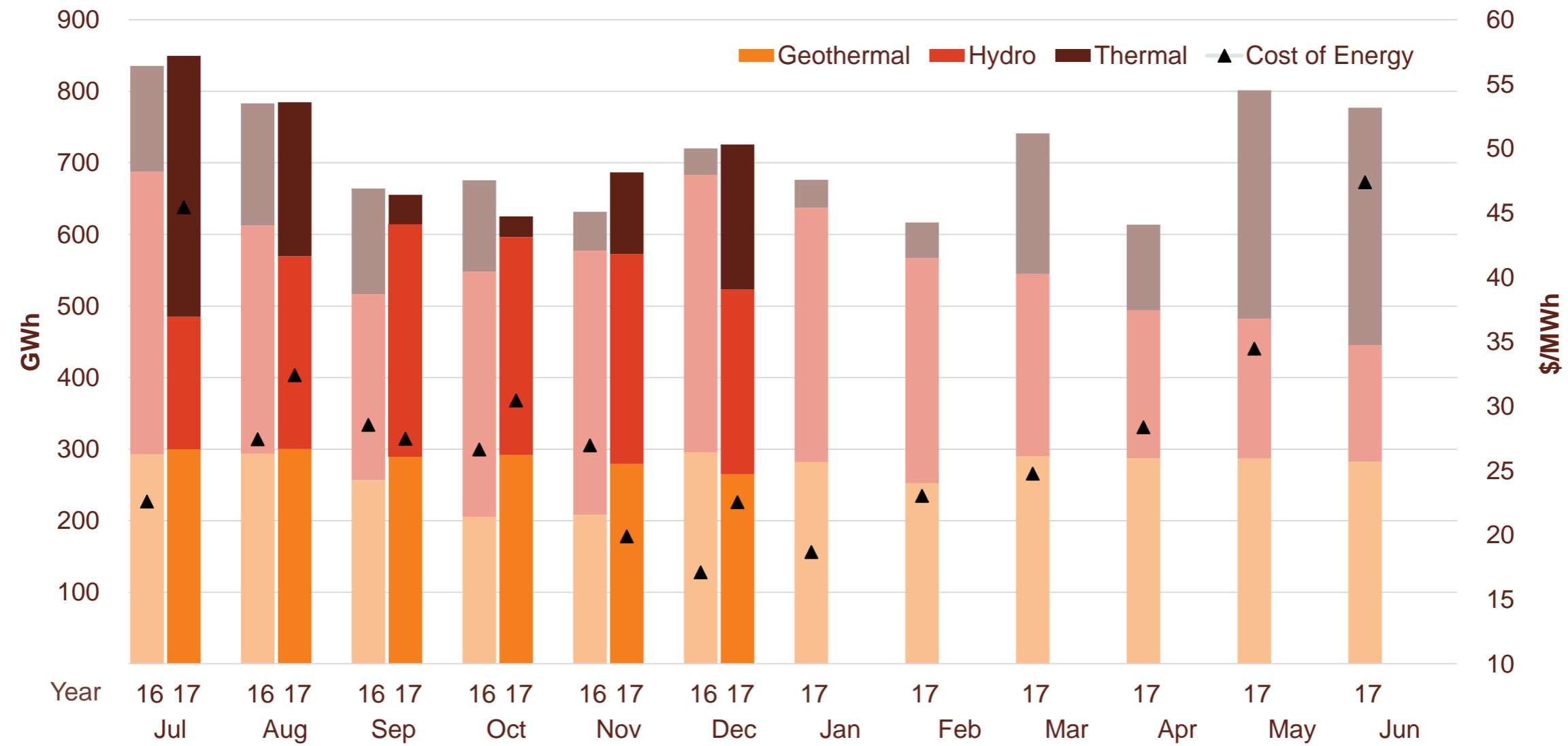
Total national demand (FY16, 17 and 18)



Source: Contact and Electricity Authority grid demand (reconciled) <http://www.emi.ea.govt.nz>

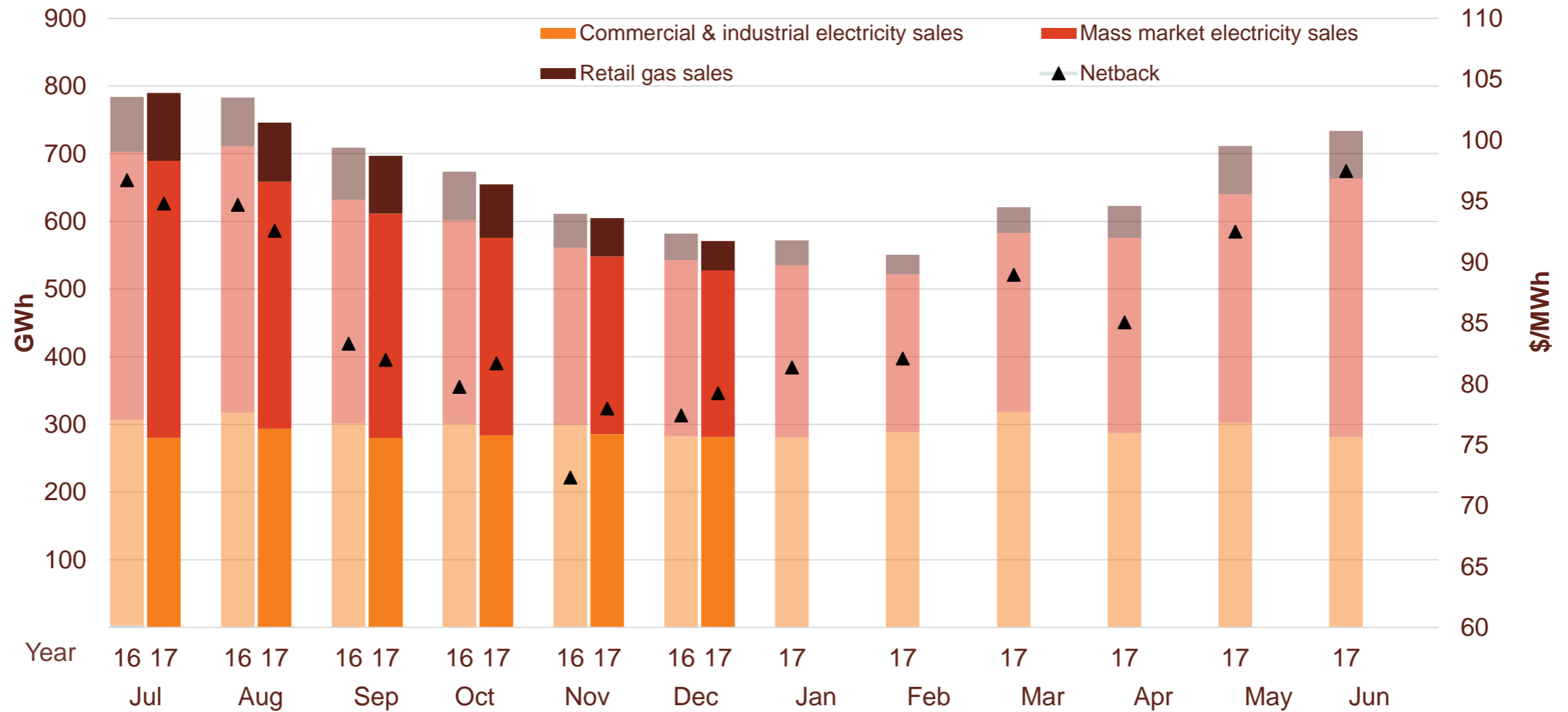
Contact's Generation business performance

Generation mix and cost of energy (FY17 and 18)



Contact's Customer business performance

Retail sales volumes and netback (FY17 and 18)



Operating statistics have been restated to include the changes to 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 ending 30 June 2018. Both standards have been adopted retrospectively. This has resulted in the restatement of and/or reclassification of comparatives to conform with the current period's classification.

	Measure	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Mass market electricity sales	GWh	396	393	330	301	261	260	254	233	265	289	338	382	409	365	332	292	263	246
Commercial & industrial electricity sales	GWh	304	317	302	301	299	282	280	288	319	287	302	281	280	293	280	284	286	281
Retail gas sales	GWh	81	72	77	72	50	39	37	29	38	47	71	70	100	87	85	79	57	43
Total electricity and gas sales	GWh	781	783	709	673	611	582	572	551	621	623	711	734	790	746	697	655	605	571
Average electricity sales price	\$/MWh	198.12	195.16	184.89	180.76	171.37	179.89	180.48	179.93	182.89	185.48	192.93	201.57	198.38	194.61	191.54	183.92	178.57	181.45
Electricity direct pass thru costs	\$/MWh	(81.49)	(80.55)	(81.29)	(81.99)	(80.71)	(82.80)	(82.10)	(81.50)	(76.85)	(81.55)	(79.81)	(83.89)	(82.94)	(82.23)	(90.01)	(83.03)	(81.00)	(86.27)
Electricity and gas cost to serve	\$/MWh	(12.04)	(13.01)	(13.71)	(13.14)	(14.53)	(15.97)	(13.96)	(13.91)	(13.96)	(14.50)	(13.36)	(13.77)	(11.17)	(10.73)	(12.01)	(12.64)	(14.21)	(12.07)
Netback	\$/MWh	96.72	94.68	83.30	79.74	72.29	77.40	81.33	82.07	88.94	85.05	92.49	97.46	94.80	92.57	81.96	81.68	77.97	79.23
Actual electricity line losses	%	7%	4%	5%	5%	6%	6%	6%	6%	6%	2%	8%	5%	7%	6%	6%	6%	8%	5%
Retail gas sales	PJ	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.1
LPG sales	tonnes	7,433	7,334	6,477	5,623	5,882	5,363	4,676	4,535	5,293	5,339	7,124	7,622	7,749	7,371	6,558	6,064	5,508	5,128
Electricity customer numbers	#	425,500	423,500	423,000	423,000	422,500	421,000	420,500	421,000	421,500	422,000	422,500	423,000	423,500	423,500	423,000	422,500	421,000	420,000
Gas customer numbers	#	62,000	62,000	62,500	62,500	62,500	62,500	62,500	62,500	63,000	63,000	63,500	64,000	64,000	64,500	64,500	64,500	64,500	64,500
LPG customer numbers (includes franchises)	#	76,000	75,500	76,000	75,500	76,000	76,500	77,000	77,000	77,500	78,000	78,500	80,000	80,500	81,500	82,000	82,500	83,500	84,000
Thermal generation	GWh	148	171	148	128	54	37	39	50	197	120	320	332	365	215	41	29	114	203
Geothermal generation	GWh	293	294	257	205	208	295	282	253	290	287	287	282	300	300	290	292	279	265
Hydro generation	GWh	395	319	260	343	369	388	355	314	255	206	195	163	185	270	325	305	293	258
Spot market generation	GWh	835	783	664	676	632	720	676	617	741	614	802	777	850	785	655	625	687	726
Spot electricity purchases	GWh	749	740	664	633	594	574	572	554	620	590	694	699	739	698	647	611	595	556
CfD sales	GWh	44	21	(45)	32	20	89	132	97	141	41	99	44	33	16	(55)	19	38	98
Steam sales	GWh	34	69	66	65	60	55	55	51	58	50	29	10	26	58	67	64	61	54
Commercial & industrial electricity sales		4	9	10	10	9	9	10	8	9	7	4	1	3	8	9	10	10	10
GWAP	\$/MWh	54	51	50	45	42	38	43	44	49	44	65	110	138	82	53	53	93	119
LWAP	\$/MWh	(63)	(56)	(54)	(50)	(47)	(44)	(51)	(53)	(53)	(47)	(70)	(121)	(152)	(87)	(59)	(59)	(102)	(130)
LWAP/GWAP	%	115%	109%	107%	110%	114%	118%	118%	119%	108%	107%	108%	110%	110%	106%	112%	111%	109%	109%
Gas used in internal generation	PJ	1.4	1.7	1.5	1.3	0.7	0.6	0.6	0.6	1.7	1.2	2.7	2.8	3.1	2.0	0.6	0.5	1.3	2.0
Gas storage net movement	PJ	(0.2)	(0.5)	(0.5)	(0.1)	0.3	0.3	0.1	0.2	(0.6)	(0.3)	(1.1)	(0.6)	(1.0)	(0.2)	0.5	0.6	(0.0)	(0.7)
Unit generation cost	\$/MWh	(28.28)	(33.53)	(35.66)	(33.57)	(32.09)	(26.04)	(24.59)	(28.41)	(33.34)	(35.06)	(38.82)	(43.46)	(42.01)	(36.53)	(28.16)	(29.13)	(31.51)	(35.64)
Cost of Energy	\$/MWh	(22.60)	(27.45)	(28.56)	(26.64)	(26.97)	(17.11)	(18.67)	(23.05)	(24.77)	(28.36)	(34.48)	(47.39)	(45.44)	(32.41)	(27.48)	(30.44)	(19.90)	(22.56)

The segment note has been restated to include the changes to accounting standards

\$m	Restated 6 months ended 31 Dec 2016				Restated year ended 30 June 2017			
	Generation	Customer	Elimination	Total	Generation	Customer	Elimination	Total
Mass market electricity	-	465	-	465	-	892	(1)	891
Commercial & Industrial electricity	4	231	-	235	8	465	-	473
Wholesale electricity	222	-	-	222	492	-	-	492
Inter-segment electricity sales	301	-	(301)	-	596	-	(596)	-
Gas	-	36	-	36	0	66	-	66
LPG	-	62	-	62	-	119	-	119
Steam	14	-	-	14	25	-	-	25
Total revenue	541	794	(301)	1,034	1,121	1,542	(597)	2,066
Other income	-	3	-	3	6	7	-	13
Total revenue and other income	541	797	(301)	1,037	1,127	1,549	(597)	2,079
Electricity purchases	(206)	-	-	(206)	(460)	-	-	(460)
Inter-segment electricity purchases	-	(301)	301	-	-	(596)	596	-
Gas purchases	(44)	(8)	-	(52)	(100)	(15)	-	(115)
LPG purchases	-	(33)	-	(33)	-	(67)	-	(67)
Electricity networks, transmission, levies & meter costs	(24)	(305)	-	(329)	(48)	(590)	-	(638)
Gas networks, transmission, levies & meter costs	(4)	(19)	-	(23)	(8)	(36)	-	(44)
Other operating expenses	(61)	(64)	-	(125)	(119)	(125)	1	(243)
Carbon emissions	(4)	(1)	-	(5)	(9)	(2)	-	(11)
Total operating expenses	(343)	(731)	301	(773)	(744)	(1,431)	597	(1,578)
EBITDAF	198	66	-	264	383	118	-	501
Depreciation and amortisation				(101)				(208)
Net interest expense				(48)				(93)
Tax on underlying profit				(33)				(58)
Underlying profit				82				142
Significant items								
Change in fair value of financial instruments				30				23
Transition costs				(7)				(7)
Remediation for Holidays Act non-compliance				(5)				(5)
Otahuhu thermal power station closure and sale				1				-
Tax on significant items				(5)				(2)
Profit				96				151
Underlying profit per share (cents)				11.5				19.9

Contact's operational performance

	Measure	The month ended December 2017	The month ended December 2016	The month ended November 2017	Six months ended December 2017	Six months ended December 2016	
Customer	Mass market electricity sales	GWh	246	260	263	1,907	1,942
	Commercial & industrial electricity sales	GWh	281	282	286	1,704	1,806
	Retail gas sales	GWh	43	39	57	452	392
	Total electricity and gas sales	GWh	571	582	605	4,063	4,139
	Average electricity sales price	\$/MWh	181.45	179.89	178.57	188.75	185.90
	Electricity direct pass thru costs	\$/MWh	(86.27)	(82.80)	(81.00)	(84.21)	(81.43)
	Electricity and gas cost to serve	\$/MWh	(12.07)	(15.97)	(14.21)	(12.05)	(13.61)
	Netback	\$/MWh	79.23	77.40	77.97	85.38	84.95
	Actual electricity line losses	%	5%	6%	8%	6%	5%
	Retail gas sales	PJ	0.1	0.1	0.2	1.4	1.3
	LPG sales	tonnes	5,128	5,363	5,508	38,378	38,112
	Electricity customer numbers	#	420,000	421,000	421,000		
	Gas customer numbers	#	64,500	62,500	64,500		
	LPG customer numbers (includes franchises)	#	84,000	76,500	83,500		
	Generation	Thermal generation	GWh	203	37	114	966
Geothermal generation		GWh	265	295	279	1,726	1,552
Hydro generation		GWh	258	388	293	1,635	2,073
Spot market generation		GWh	726	720	687	4,327	4,310
Spot electricity purchases		GWh	556	574	595	3,846	3,955
CfD sales		GWh	98	89	38	149	161
Steam sales		GWh	54	55	61	330	349
Commercial & industrial electricity sales			10	9	10	50	52
GWAP		\$/MWh	119	38	93	92	47
LWAP		\$/MWh	(130)	(44)	(102)	(99)	(53)
LWAP/GWAP		%	109%	118%	109%	107%	112%
Gas used in internal generation		PJ	2.0	0.6	1.3	9.5	7.4
Gas storage net movement		PJ	(0.7)	0.3	(0.0)	3.4	3.9
Unit generation cost		\$/MWh	(35.64)	(26.04)	(31.51)	(34.31)	(31.39)
Cost of Energy		\$/MWh	(22.56)	(17.11)	(19.90)	(30.53)	(25.07)

Glossary of terms

Netback

Measures the performance of the Customer business.

This enables the performance of the retail channels to be measured without using an energy cost. The netback is meant to cover, inter alia, the net purchase cost, capital return, risk margin and a retail margin.

Electricity revenue from mass market and C&I customers

Add: Revenue from gas sales

Less: Electricity distribution network costs, meter costs and electricity levies

Less: Gas distribution network costs, meter costs and gas levies

Less: Operating costs to serve the customer, including head office allocation

Cost of Energy

Measures the performance of the Generation business.

Cost of energy reflects the total operational costs of generating and procuring electricity sold to customers. It does not include any capital return expectations.

Wholesale electricity revenue from our generating assets

Add: Revenue from steam sales and direct electricity sales from Te Rapa

Less: Electricity purchase costs from the wholesale market to supply customers

Less: Electricity transmission costs and levies

Less: Gas and diesel purchase costs (excluding gas purchases for retail gas sales)

Less: Gas transmission costs and levies

Less: Carbon emissions costs

Less: Generation operating costs and head office allocation

Netback and cost of energy is divided by the total retail sales volumes (electricity and gas sales) to be expressed as \$/MWh

Keep in touch

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