

International roadshow

October 2019



Putting our energy where it matters

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.

All logos and brands are property of their respective owners. All company, product and service names used in this presentation are for identification purposes only.

All references to \$ are New Zealand dollars

Dennis Barnes / Chief Executive Officer



Dennis has been Chief Executive Officer of Contact since 2011.

Dennis has completed Contact's \$2bn investment programme in renewable energy, flexible generation and companywide systems. He has provided industry leadership on topics as wide ranging as wholesale electricity market structures and health and safety reform.

During 2015, Dennis successfully led Contact as its majority shareholder exited and Contact diversified its shareholding base and listed on the ASX.

Prior to joining Contact, he was General Manager Energy Risk Management at Origin Energy where he oversaw Origin's significant and expanding operations in wholesale markets. Prior to Origin, Dennis held a number of positions operating in international energy markets; including managerial roles at Scottish and English electricity companies. Dennis' career began as a metallurgist with Alcan and he holds a BSc (Hons), GradDip (Marketing) and MBA.

Dorian Devers / Chief Financial Officer



Dorian joined Contact in December 2018 as
Contact's Chief Financial Officer.

Dorian has 20 years of financial and operational experience in industrial businesses. He is experienced in business transformations, having led successful turnarounds of businesses in both the UK and South Africa, and has successfully delivered a number of acquisitions, including ones in the Australian and New Zealand energy sector.

He has governance experience having served on the Board of Afrox a publicly listed company and the largest industrial gases business in Africa, as well as being a previous Board member of Liquigas, a New Zealand LPG infrastructure business.

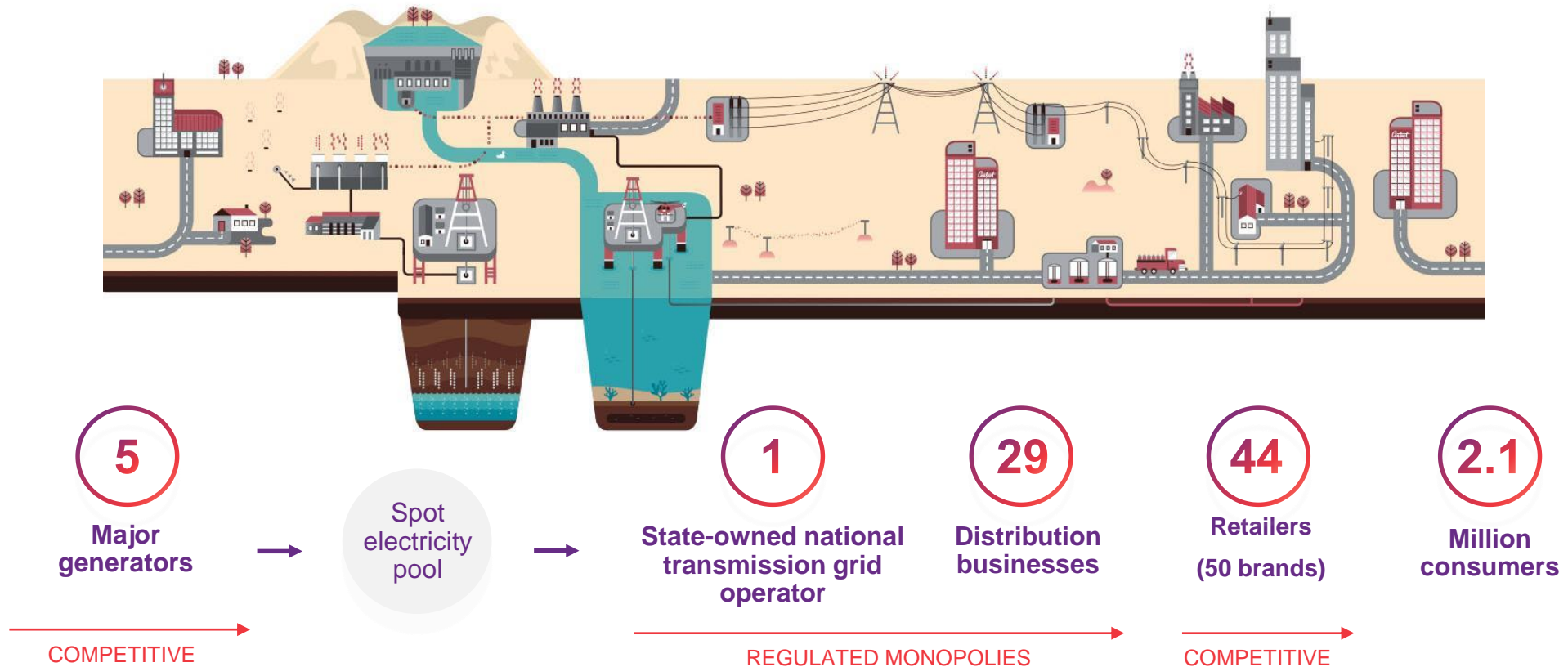
AGENDA

- 1 New Zealand electricity market 6-11
- 2 Contact's business and value drivers 12-33
- 3 Why invest in Contact 34-43
- 4 Appendix 44-61
– Market in action, FY19 results extracts

A hand holding a lit sparkler against a background of bokeh lights. The scene is festive, with warm orange and yellow light from the sparklers and cool blue bokeh lights in the background. A diagonal grey band runs across the upper right portion of the image.

New Zealand electricity market

New Zealand enjoys a reliable, affordable and environmentally sustainable electricity system.



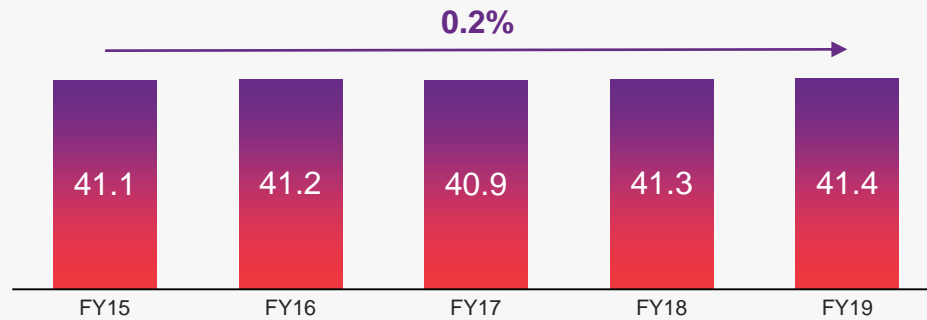
“New Zealand serves as a model for effective energy markets and secure power system operation.”

International Energy Agency (IEA) New Zealand 2017 Review

DEMAND

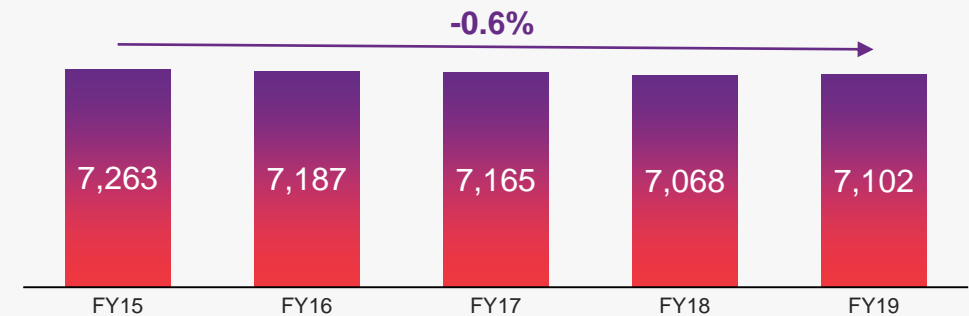
Growth in commercial and industrial sectors offsetting energy efficiency in the residential market.

National electricity demand (TWh)

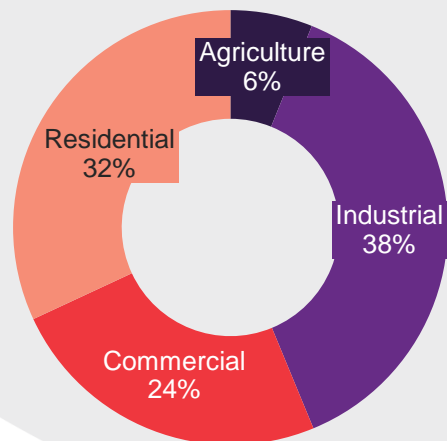


Source: EMI

Annual consumption per household (kWh)



Source: MBIE electricity statistics



Electricity consumption breakdown

Forestry/agriculture, food processing and commercial have grown since the GFC.

This growth has been offset by ongoing reductions in demand from the pulp and paper sector as well as residential efficiency.

Source: MBIE electricity statistics

While demand is at a similar level to 2008, there are encouraging signs of demand growth in some key sectors

SUPPLY FUNDAMENTALS

Hydro schemes are mostly run-of-river with flows into key catchments weighted to summer, while demand is winter biased.



Clutha

- Average annual generation of 3,900 GWh
- Max storage of ~300 GWh
- Summer inflows
- Wet to dry range of 1,000 GWh



Waitaki

- Average annual generation of 7,000 GWh
- Max storage of ~2,500 GWh
- Shared between Genesis (Lake Tekapo) and Meridian (all lakes downstream of Lake Tekapo)
- Summer inflows
- Wet to dry range of 3,000 GWh



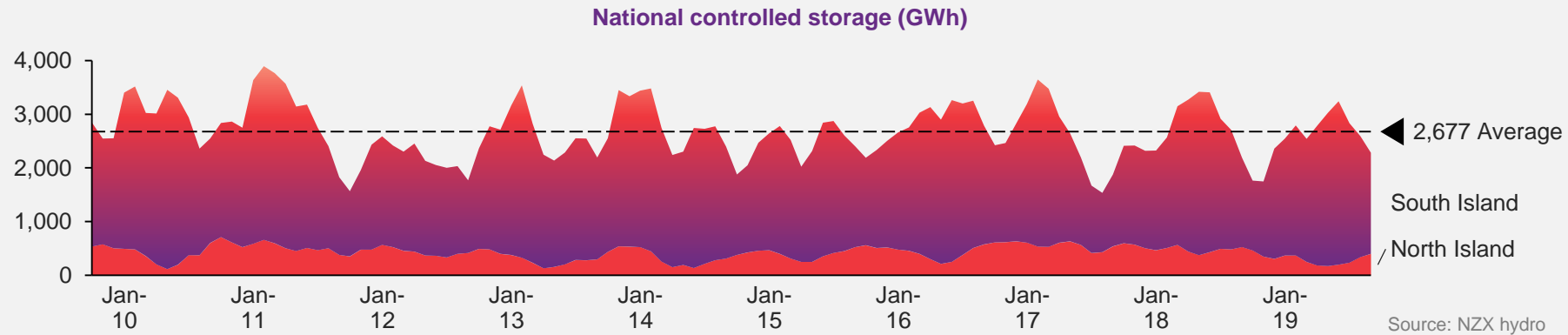
Manapouri

- Average annual generation of 4,800 GWh
- Max storage of ~800 GWh
- Highest inflow intra year volatility of all catchments
- Wet to dry range of 2,000 GWh



Taupo

- Average annual generation of 4,000 GWh
- Max storage of ~500 GWh
- Winter inflows
- Wet to dry range of 1,300 GWh



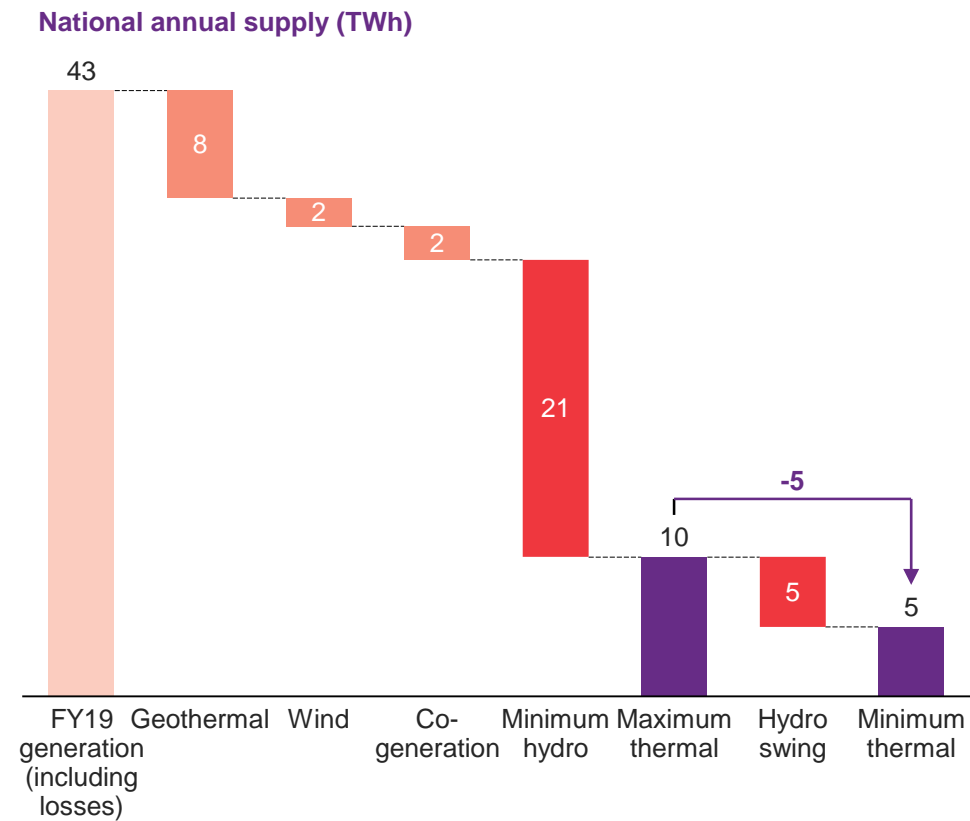
Hydro storage is crucial, but limited;
Maximum controlled storage of ~4 TWh spread across four key catchments,
~10% of annual demand of 41TWh.

Thermal generation sets the opportunity cost of renewables, this includes stored water.

Flexible thermal production is required

5TWh to 10TWh

per annum of seasonal renewables firming required

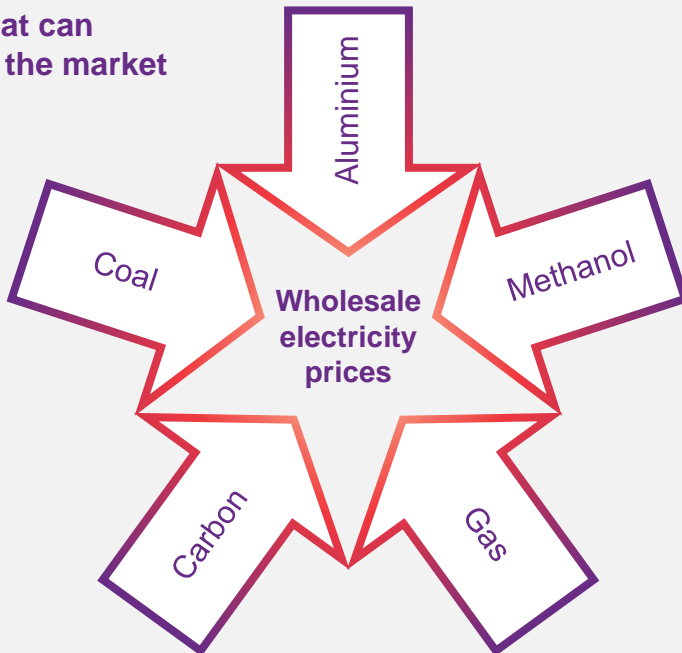


Major thermal generators	Sources of flexibility
Contact: gas and diesel with 15 year (extendable) contract for gas storage	“Dry year”: Genesis’s coal stock pile
Genesis: coal and gas	Daily and seasonal: Gas storage
Nova/Todd Energy: gas	“Wet year”: Gas storage
	Winter peaks/ outages: Diesel
	Contingent/ emergency hydro storage

Thermal generation is currently the most economic swing fuel to manage the seasonal supply and demand mismatch.

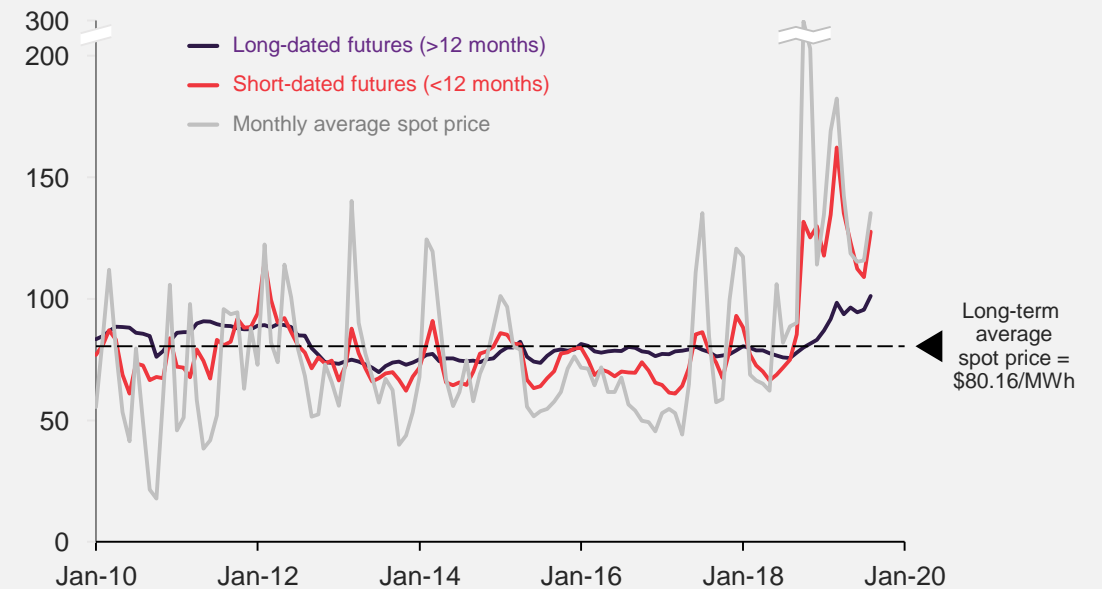
Wholesale electricity prices are influenced by multiple factors including the recent gas supply unreliability

Short-term external factors that can influence the market



Long-term pricing is linked to the **long-run marginal costs of new renewable projects** to meet demand plus costs associated with **firming renewable intermittency**

Wholesale and futures electricity pricing (\$/MWh)



Long-dated futures have jumped +30% in last 12 months.
Average spot prices remain well above long-term average.

Source: EMI wholesale pricing

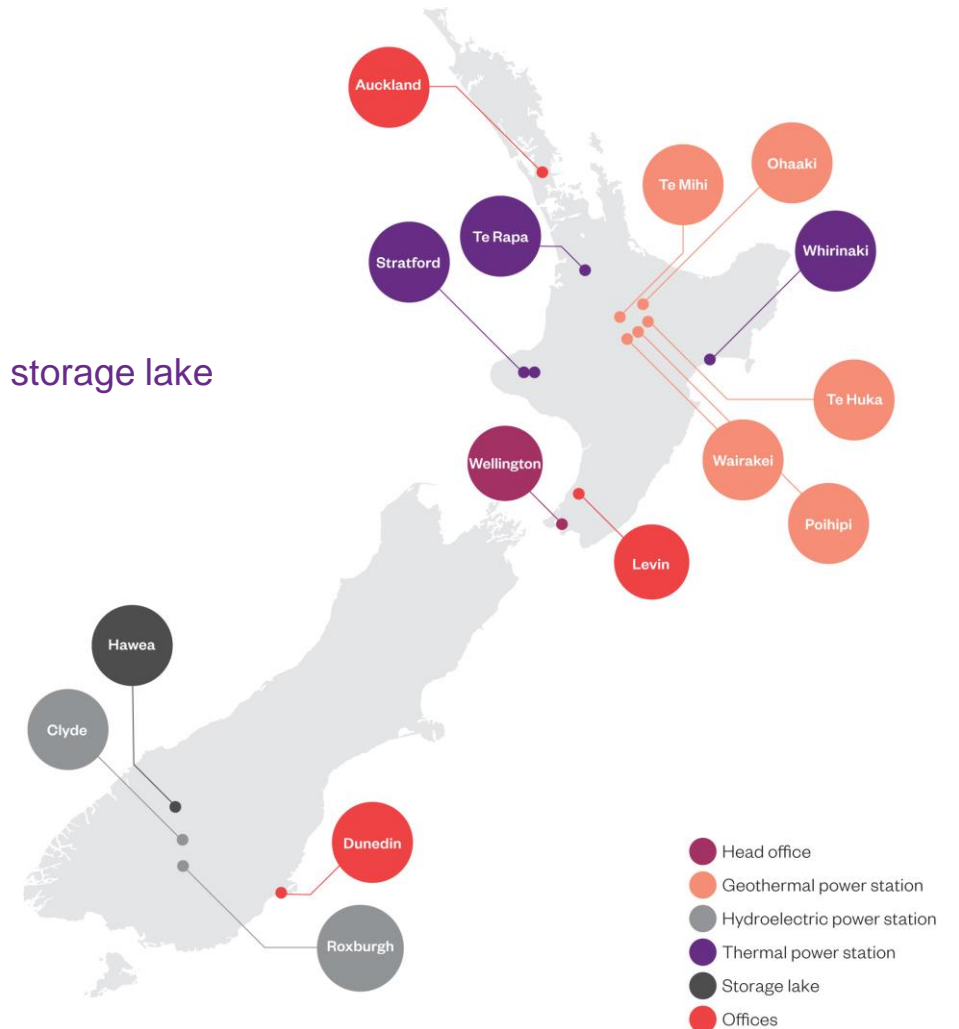
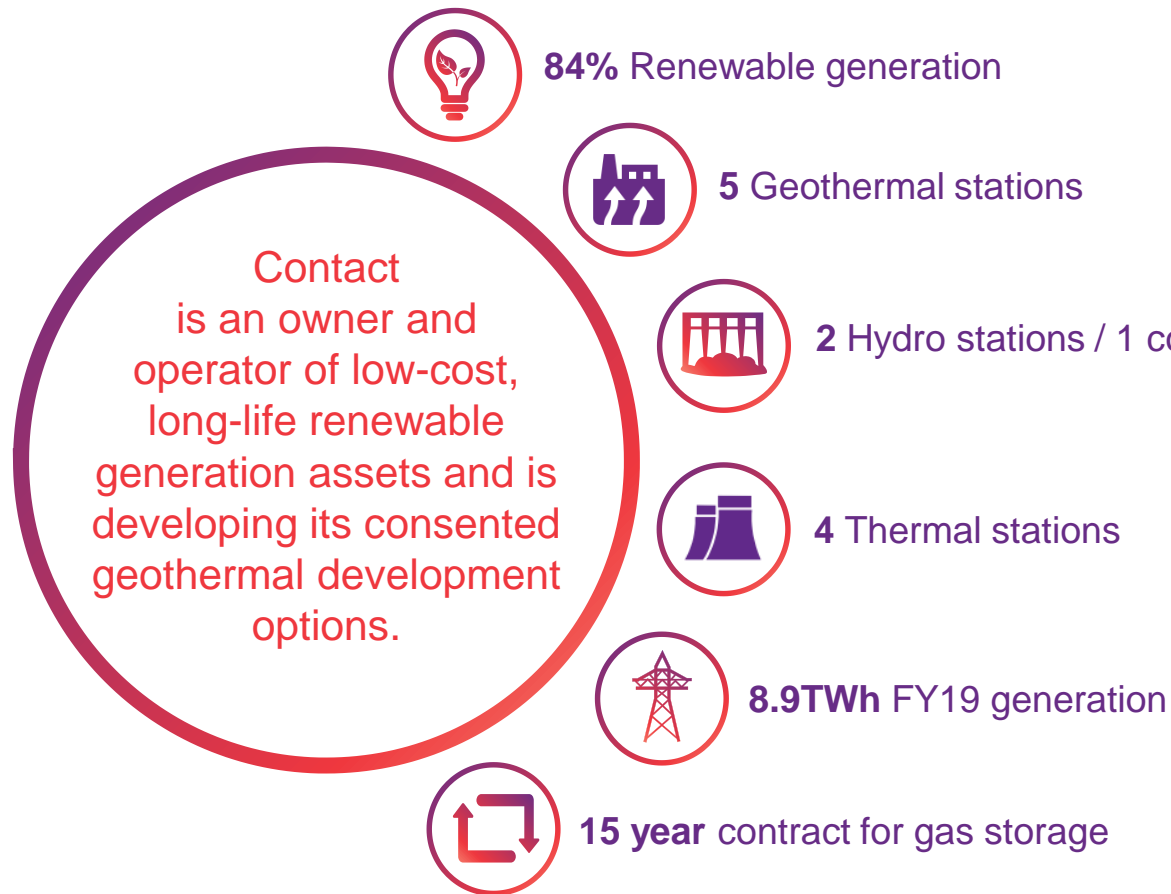
The market quickly responds to changes in supply and demand by sending price signals.

A wide-angle photograph of a large concrete dam situated in a deep mountain valley. The dam has multiple spillways with water cascading down. Behind the dam is a large reservoir that fills the valley. The surrounding hills are covered in green vegetation. A winding road is visible on the right side of the valley. In the foreground, a steep, grassy hillside slopes down towards the dam. The sky is overcast with soft, diffused light. A semi-transparent geometric overlay consisting of several overlapping triangles is positioned on the right side of the image.

Contact's business and value drivers

Wholesale business

Contact owns and operates thermal plant, which is used to manage hydro intermittency.



Underpinning these operations is a world-class geothermal capability.

- Operational experience on the world's second longest electricity producing geothermal field (Wairakei, since 1958).
- Capability in construction management, consenting and stakeholder engagement.

We have maintained a dedicated, internationally-recognised, subsurface team to:

- Lower the cost of operations significantly – comfortably New Zealand's lowest cost geothermal operator.
- Investigate options to extend and improve generation at Wairakei at the 2026 resource consent renewal.
- Provide geothermal consultancy services internationally.

Most recent geothermal developments



Te Huka (2010) 28MW



Bioreactor (2012)



Te Mihi (2014) 166MW



Tauhara (Pre-FID)

Contact's geothermal operations are significant in a global context with consents to expand production by ~67%

**This transformation
is being driven by
macro-economic
fundamentals.**



Government policy



Quality, long-life renewable assets



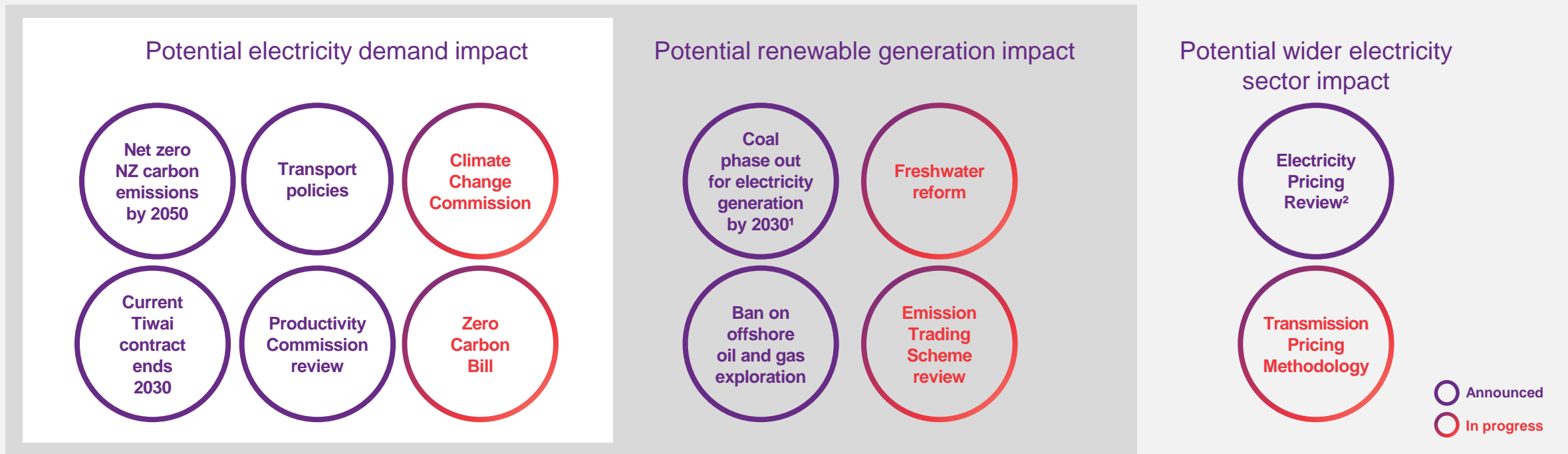
Historically low cost of capital



Climate change

New Zealand is
in the early stages
of a decades-long
transformation from
reliance on fossil
fuels to renewable
electricity.

The New Zealand regulatory framework is being adapted to deliver on this societal imperative.



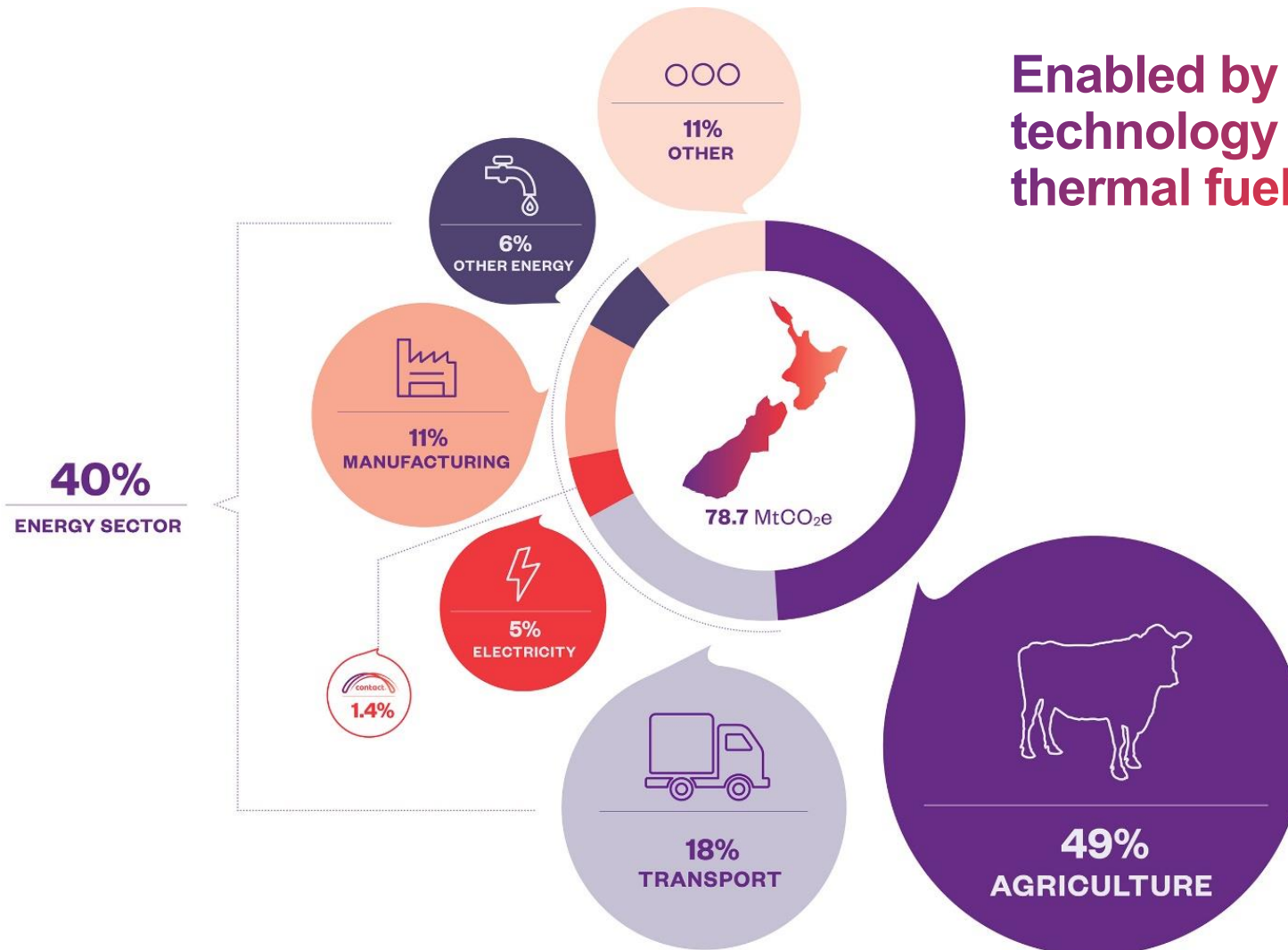
Society is demanding action on climate change, with clear progress expected.

¹ A commitment made by the Government when New Zealand joined the Powering Past Coal Alliance.

² Review complete, findings announced and into implementation.

CARBON REDUCTION OPPORTUNITY

Enabled by falling renewable technology costs and rising thermal fuel costs.

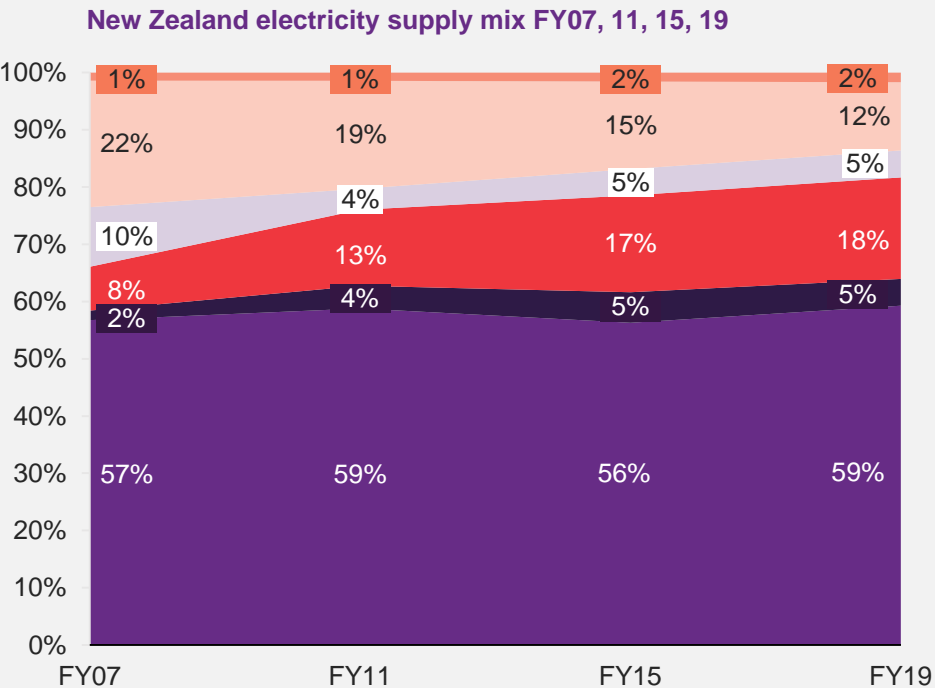


With high renewable penetration, electricity is the solution to reducing carbon emissions, not the problem.

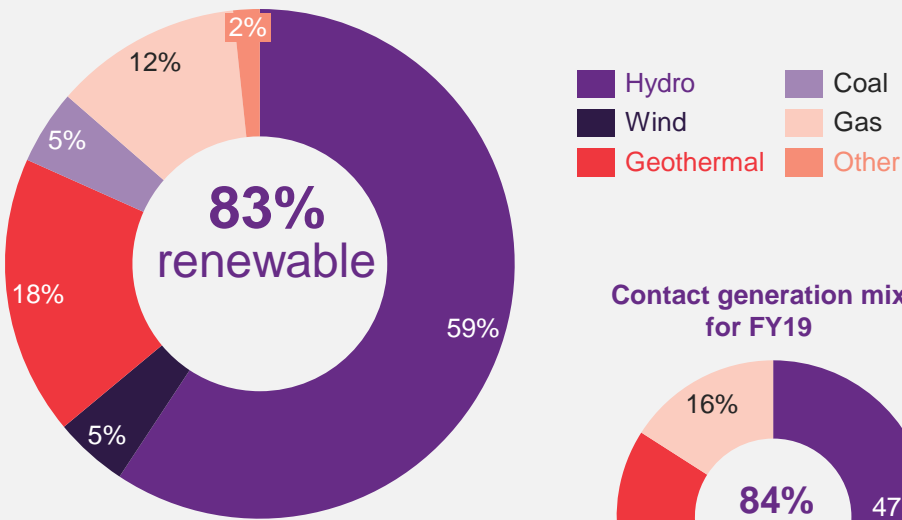
Meaningful reductions in carbon emissions are possible with renewable electricity displacing carbon intensive fuels.

Sources: Productivity Commission's Low Emissions Economy Issues Paper, August 2017
and New Zealand's Action on Climate Change, September 2016

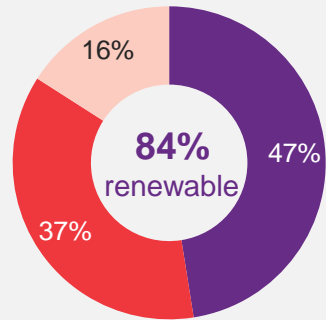
New Zealand has added subsidy-free renewable generation in a period of flat demand, displacing fossil fuels. World-class geothermal and wind resources are consented for development.



New Zealand electricity generation mix for FY19



Contact generation mix for FY19



Source: MBIE electricity statistics

An innovative, safe and efficient generator, working with business customers, and partners to decarbonise New Zealand. Strong operational performance and options to grow earnings being developed.



Thermal generation

Develop options to enable the economic substitution of Contact's thermal generation with renewables.



Renewable development

Potential to develop Tauhara, New Zealand's best new renewable generation option:

Prepare a range of development options for a final investment decision (FID).

Deploy capital to enabling works – including pre-FID drilling.

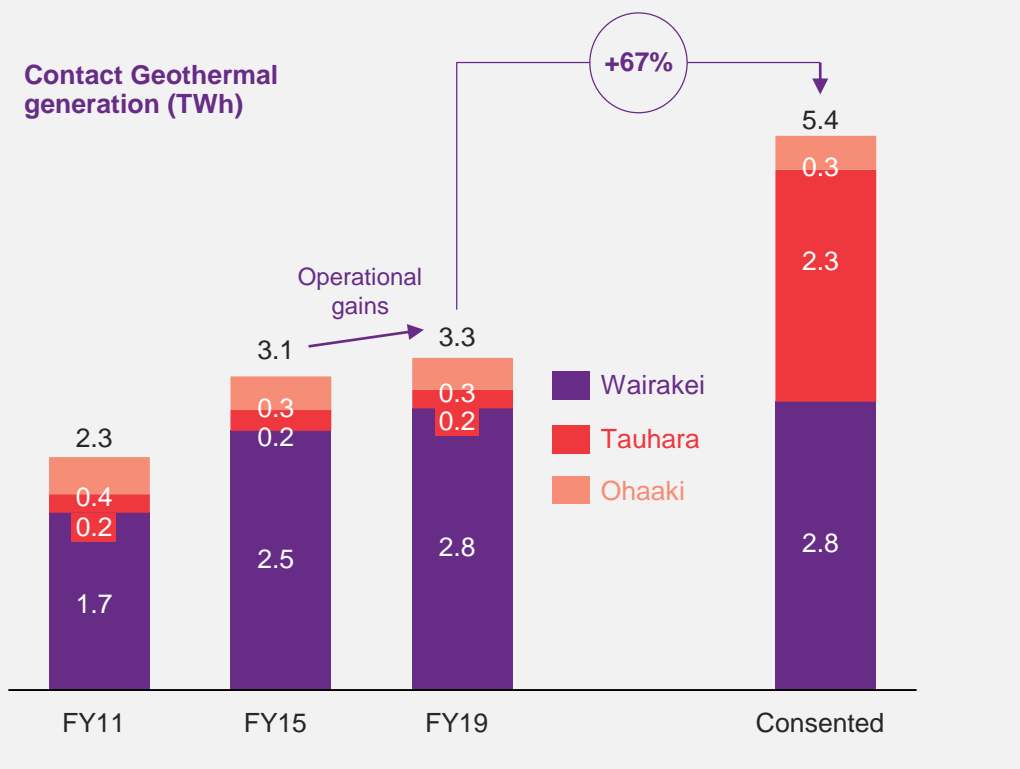


Customer solutions

Leveraging capability to expand C&I products and services; underpinned by our investment in Simply Energy.

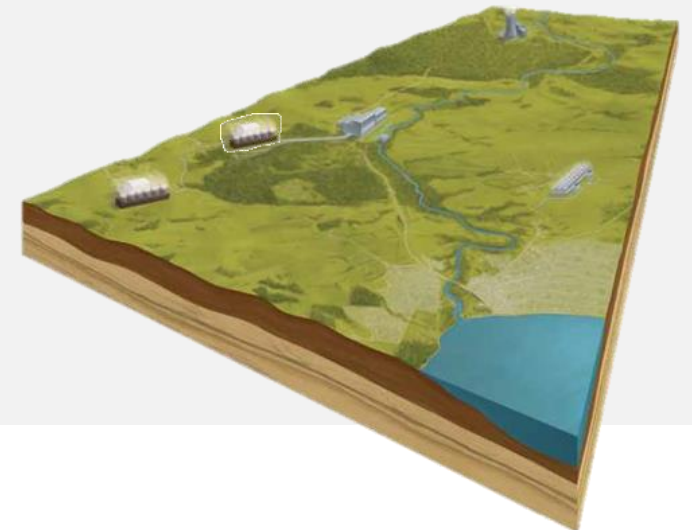
Partner with customers on mutually beneficial decarbonisation opportunities.

Contact is a world-leading geothermal operator, operating Wairakei for 60 years. Current consenting provides Contact the option to increase geothermal generation by at least two thirds.



Tauhara – >250MW consented

- New Zealand's pre-eminent scale renewable development
- Baseload renewable generation option
- Close proximity to the transmission grid
- \$30m investment in pre-FID drilling (August-December 2019)
- FID early 2020



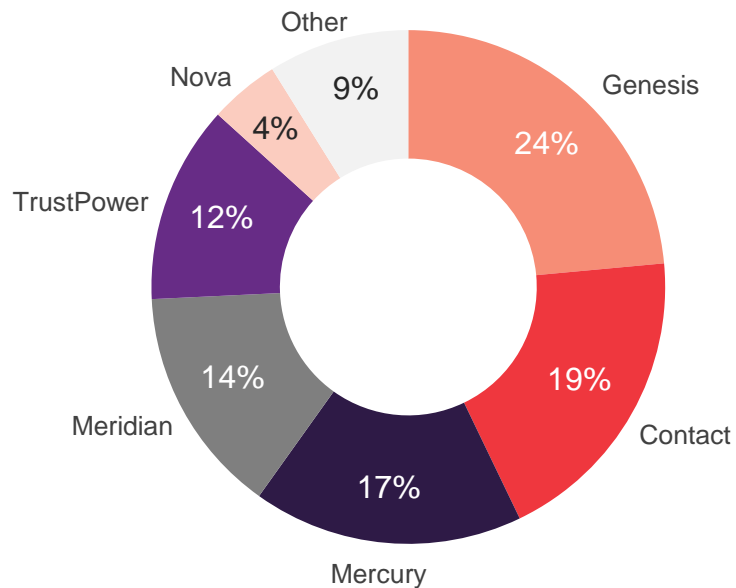
Contact's business and value drivers

Customer business

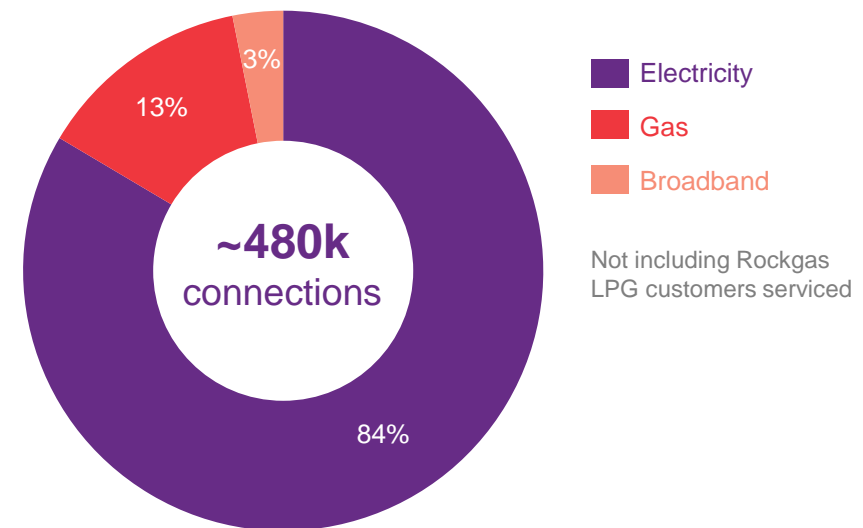


Contact is New Zealand's largest electricity brand by connections and a national retailer of electricity, gas, LPG and broadband.

Retail electricity market share by customer connections



Products by customer connection



LPG is sold through a partnership with Rockgas. Source: Electricity Authority as at 31 August 2019

Contact's Customer business is a service-obsessed retailer of electricity, gas and broadband for the mass market.

Competition remains intense, political and regulatory scrutiny on essential goods and services is expected to continue.



Capable
regulator



Low barriers
to entry



Ease of
switching



Readily
available risk
management

The retail electricity market is highly competitive,
resulting in pressure on retail margins.

Targeted investments are being made to support the strategy, which will enable a \$20m reduction in operating costs over the next few years.



Technology

Leverage advances in technology to drive efficiency with automated customer experiences.



Operating model

Simple and lean operating model centred on the customer experience, reinventing key customer experiences and processes.

Capable employees identifying and driving performance initiatives with ownership and accountability.



Brand

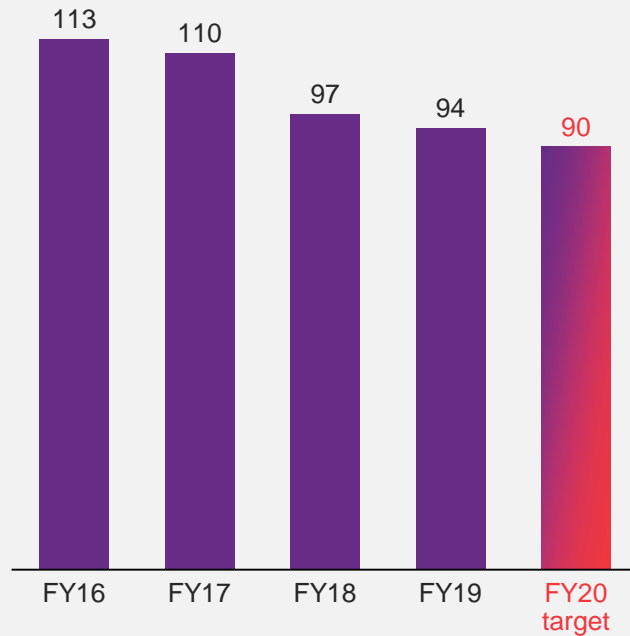
Brand and reputation repositioned from a strong operational retailer to a smart customer solutions provider.

Contact's Customer business has a solid foundation on which to capture further scale efficiencies.

Market-leading systems and meter to cash processes.

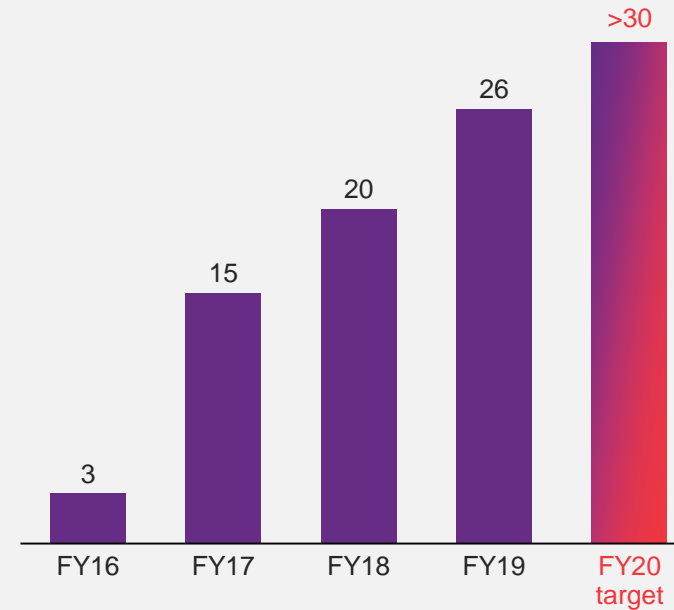
Reducing cost to serve

Customer operating costs (\$m) (Includes 50% corporate allocation)



Building customer advocacy

Net promoter score (Promoters less detractors)



Targeting the lowest cost to serve and to be the most advocated for retailer.

Contact's business and value drivers

Value drivers



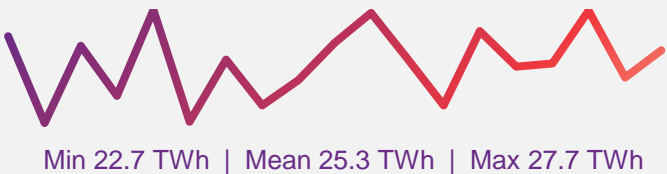
Ability to manage three key levers delivers performance.



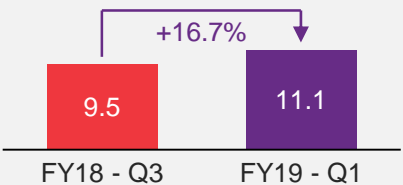
A range of flexible fuels and “virtual generators” allows for effective risk management and fuel substitution opportunities in a market with significant daily, seasonal and annual variations in supply and demand.

National demand and supply fluctuation

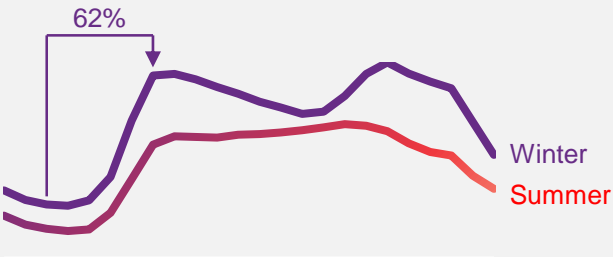
Annual Hydrology 2000 - 2018



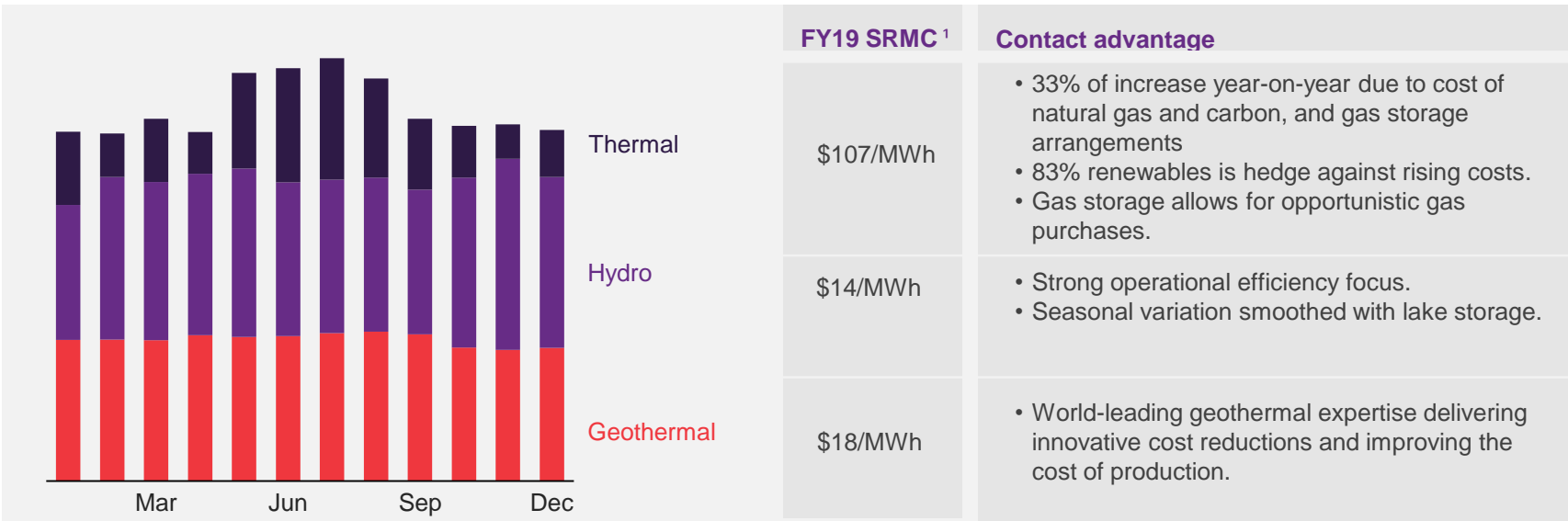
Seasonal demand TWh



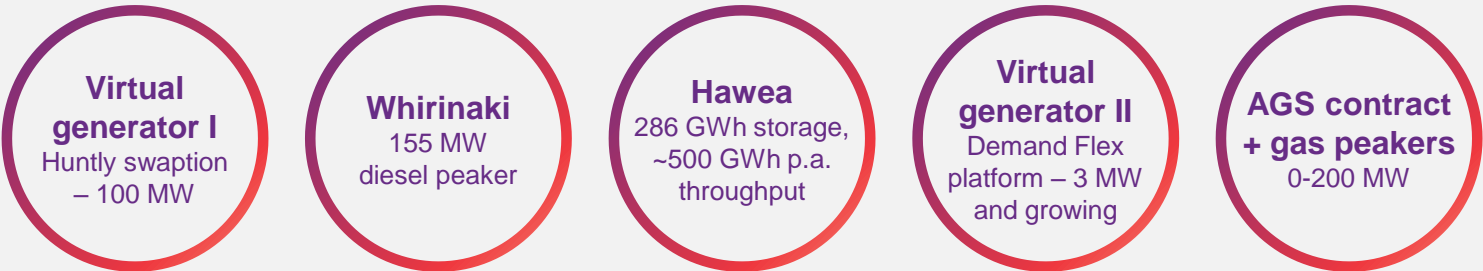
Daily demand (MWh)



Contact’s portfolio

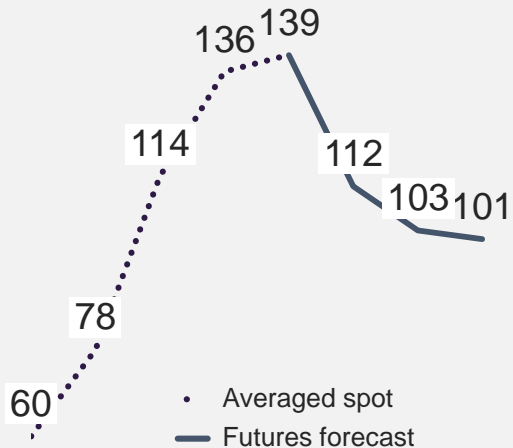


Sources of portfolio flexibility – most diverse risk management tools within the industry



¹ Short-run marginal cost: Fuel and carbon costs, direct operating costs (inc. gas storage)

In a tightening fuels environment, effective risk management processes can be seen by change of sales channel.

Futures pricesOtahuhu, FY16-23
(\$/MWh)**Pricing linkage****Channel netbacks**
FY19
(\$/MWh)High correlation to
wholesale spot pricing

130

Temporarily low linkage to
futures, as C&I not being
recontracted due to risk
management; normally
strong futures linkage

82

Key long-term contract
(Tiwai support) is CPI
linked, other CfDs are
futures linked

64

Low short-term futures
linkage; stronger long-
term linkage expected.

97

Channels to market

9.6 TWh

Length + short-term CfDs
1.4 TWhC&I
3.0 TWhLong-term CfDs
1.4 TWhMass
market
3.8 TWh

FY19

Channel volumes

FY18-19 delta (GWh)

+293

-274

+176

-152

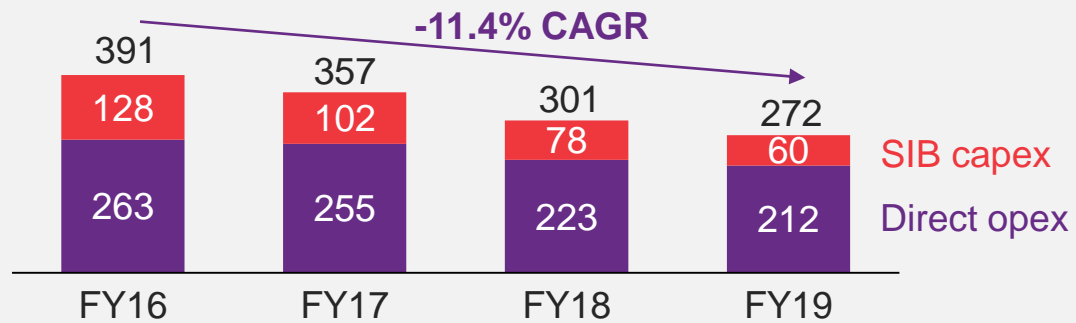
Transfer of longer term C&I
volume to short term CFDs
demonstrates the risk
management processes

Tiwai fourth potline coming online

In line with customer numbers

Proactive initiatives driving gains in operational and capital efficiency.

Contact 'Totex' discipline \$m



Initiatives driving opex down – FY16-19

- \$6m reduction in ICT costs
- \$7m reduction in cost of bad debt partly driven by introduction of products offering payment flexibility
- Leaner organisation implemented with FTE reducing by 66 (exc. Rockgas)
- Some savings reinvested in product development and digital transition
 - Investment in digital journey's switching customers to cheaper channels
- \$5m reduction in FY19 due to business disposals
- More opportunities going forwards – FY20 targets further \$13m reduction

World-class geothermal technology introduced by Contact

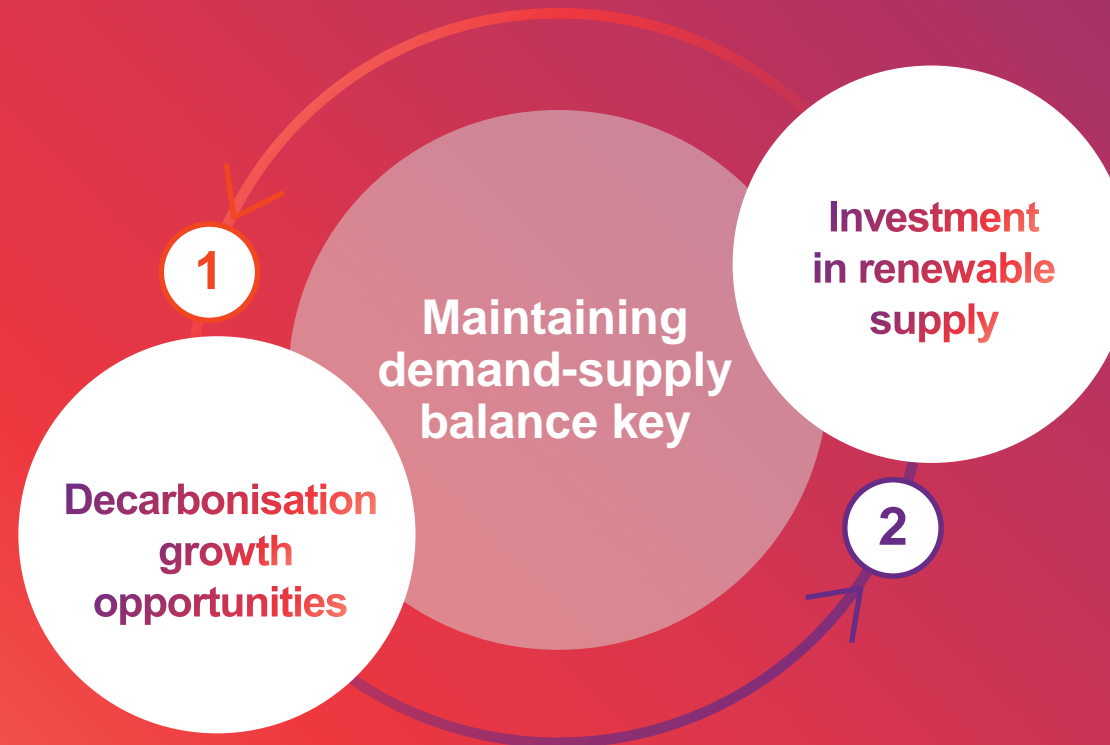


- Use of coil tubing units and proprietary technology for live well work overs & maintenance
- Geo40 – relationship to extract silica from geothermal reinjection systems
- Increasing direct heat customer base

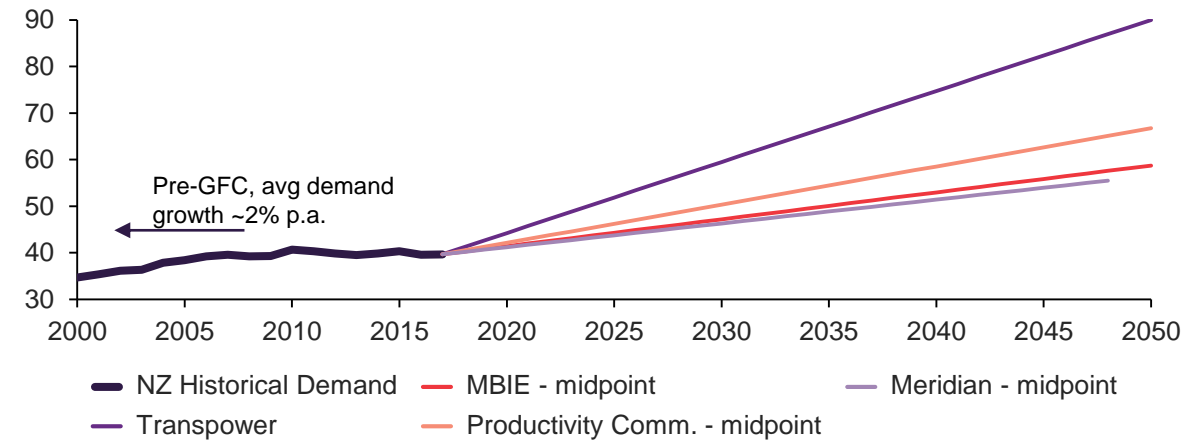
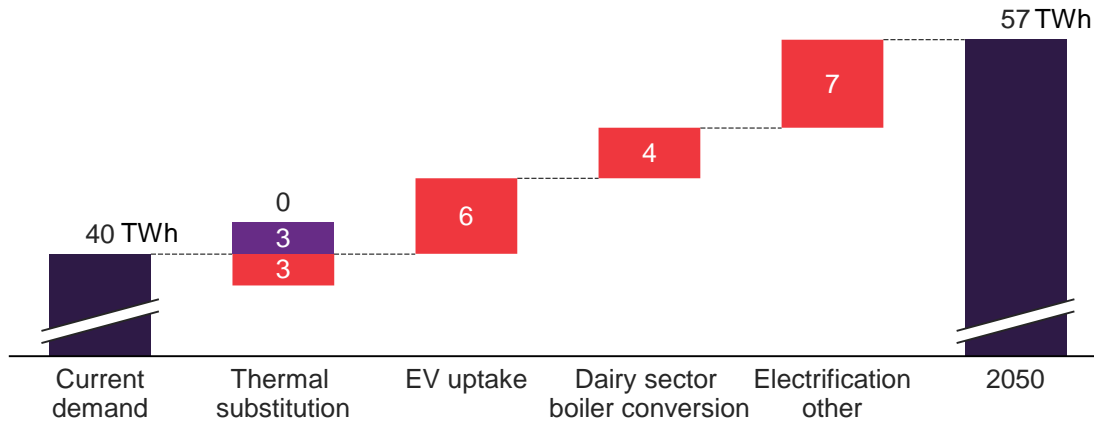
	FY10 – FY14	FY15 – FY19	Outlook
» SIB wells drilled – major rig	37	0	➡
» SIB wells drilled – minor rig	0	1*	⬆
» Rig workovers / broaching	16 / 21	0 / 3	⬇
» Coil tube workovers	2	10	⬇
» Contact proprietary technology workovers	0	11	⬆
» Chemical anti-scalant systems	0	9	⬆
» Chemical interventions	7	20	⬆
» Current fuelling cost	>\$20/MWh ¹	~\$2.50/MWh ¹	⬆

¹ – cash cost incurred in workovers, scale prevention, connection costs and wells drilled
* - shallow reinjection well BR55 drilled at Ohaaki during November 2018

**Contact sees a clear pathway
to long-term value creation.**



The continued substitution of fossil fuels with renewable electricity will drive demand for renewable generation development



Thermal plant substitution

- New renewable generation will continue to displace base-load thermal generation.
- Rising carbon prices – cap of \$25/tCO₂ to be reviewed prior to the end of 2022.
- Uncertainty about the price and availability of base-load gas will accelerate this conversion.
- Gas-peaking to provide firming.
- Base-load thermal shifting to winter-only role.

Electric vehicle uptake

- There are currently 16,000 EVs and there are 4m light vehicles in NZ.
- The Government's new EV "feebate" scheme starts in 2021.
- EV demand growth is likely to be off-peak.
- Conservative forecast, fleet proportion (2050): ~50 – 75%
- EV fleet size (2050): 1.7m – 2.7m

Electrification of process heat

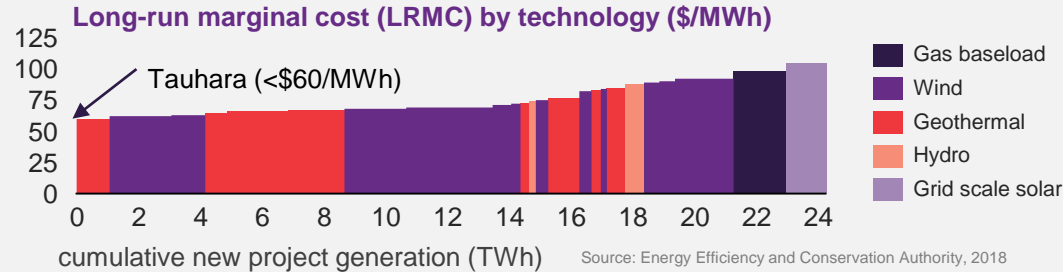
- Dairy conversion has already started by major participants.
- Contact is working with a customer on a 13MW boiler.
- Converting all South Island dairy factories from coal to electricity will increase peak demand by 600MW; equivalent to NZAS's demand.
- Multi-year, periodic capex and maintenance cycles with upcoming renewals.
- Food processing sector utilises cool storage and this creates a link to our "demand flex" platform.
- Emissions Trading Scheme expected to incentivise electrification

INVESTMENT IN RENEWABLE ENERGY

Contact continues to leverage its portfolio

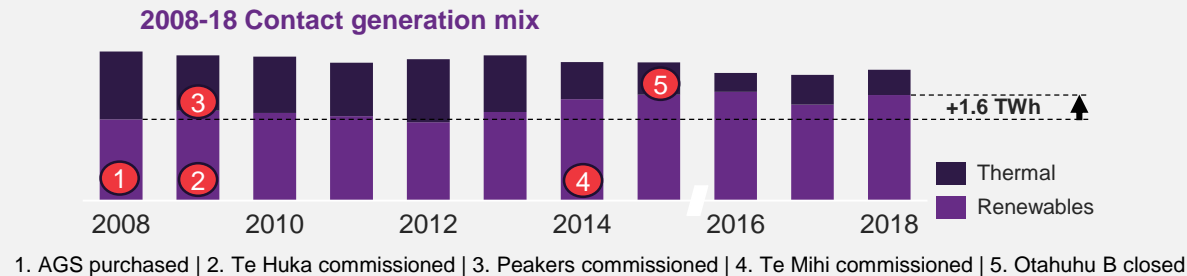
Managing supply and demand balance, whilst building highest-quality renewable generation, increasing asset performance and fuel certainty.

Competitive
base load
Geothermal



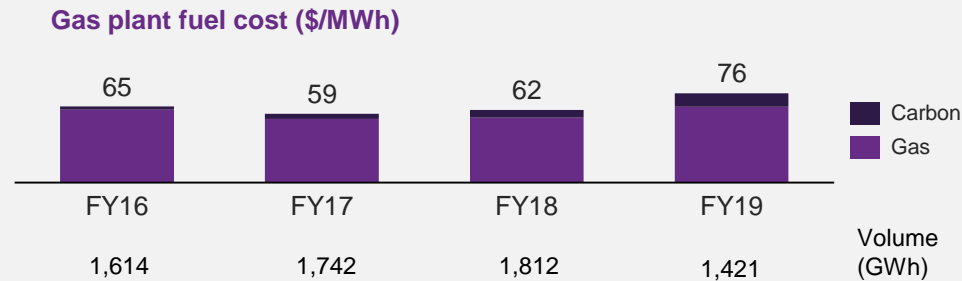
Geothermal isn't weather dependent

Space and
ability to
substitute gas



Geothermal cheaper and more
reliable than our combined cycle gas
plant (TCC)

Increasing
cost of
thermal
generation



TCC life extension decision due early
2020 (~\$80m)

Why invest in Contact:

Our equity story

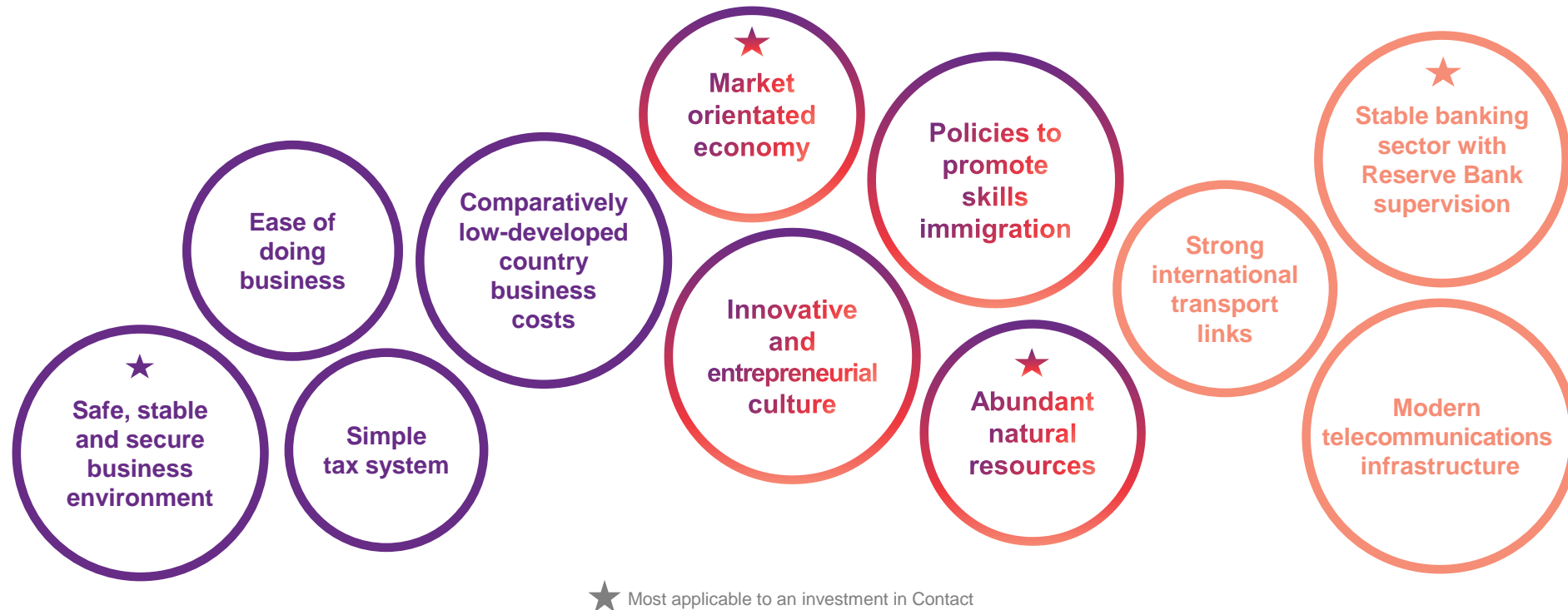


Why invest in Contact?

Our investment opportunity in our core market is large, with good visibility on projects to deliver cash flow growth with flow through to dividends.



New Zealand has an open economy that works on free market principles.

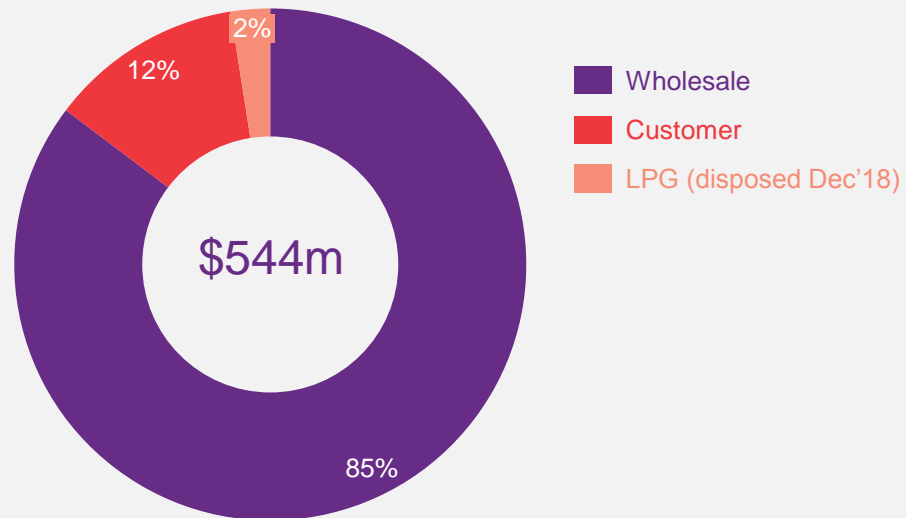


A stable economy and political system with a reputation for innovation make New Zealand an attractive place to invest

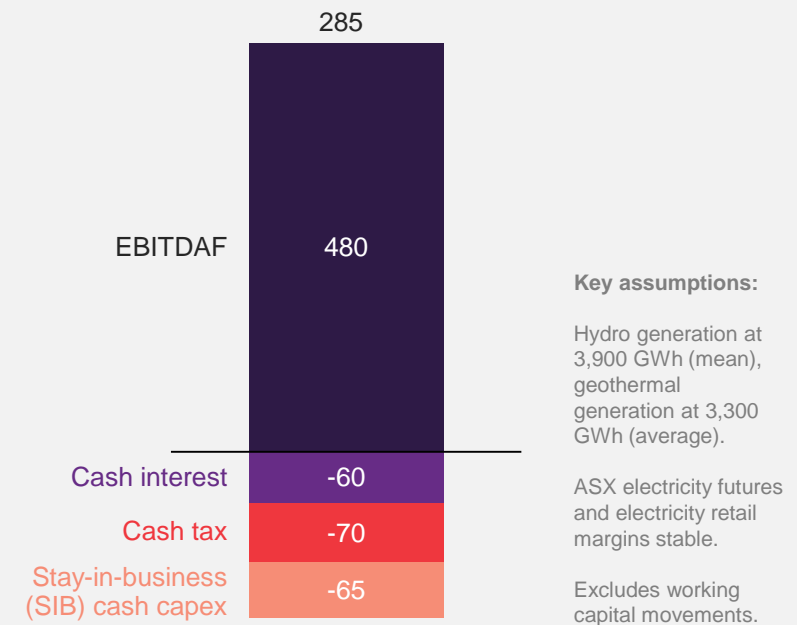
Performance comes from controlling the controllables.

A disciplined and transparent approach to operating and stay-in-business capital expenditure while investigating ways to optimise our portfolio of assets.

Segmental earnings (%) of FY19 EBITDAF
Excludes corporate costs of \$26m



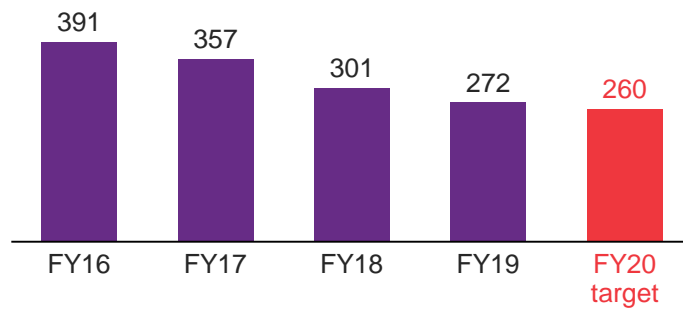
Expected medium-term Operating Free Cash Flow (\$m)



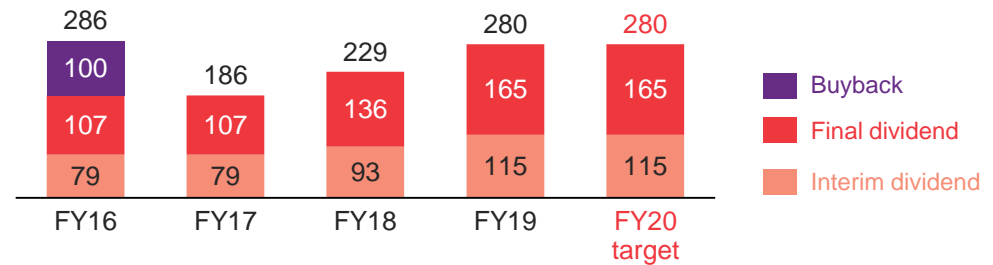
Delivery of strong, stable operating cash flows for distribution to shareholders.

An efficient and focused business, building capability and disposing of non-core activities.

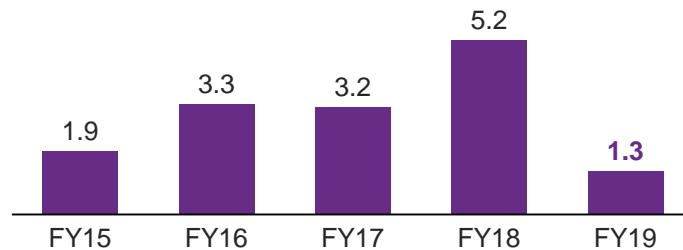
Maintaining financial discipline
Controllable OPEX and CAPEX costs (\$m)



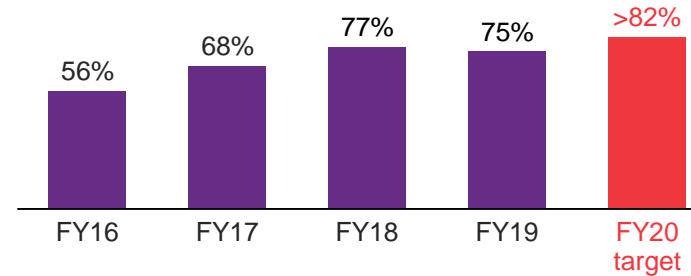
Rewarding shareholders
Distributions (\$m)



Safe and engaged employees
Total recordable injury frequency rate
(Recordable injuries per million hours worked)

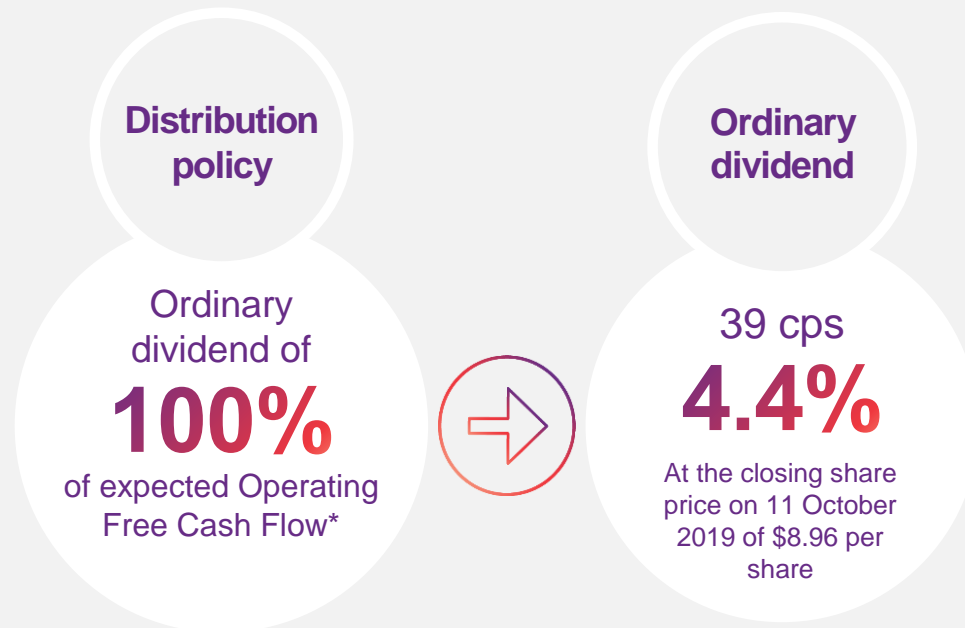


Employee engagement (%)



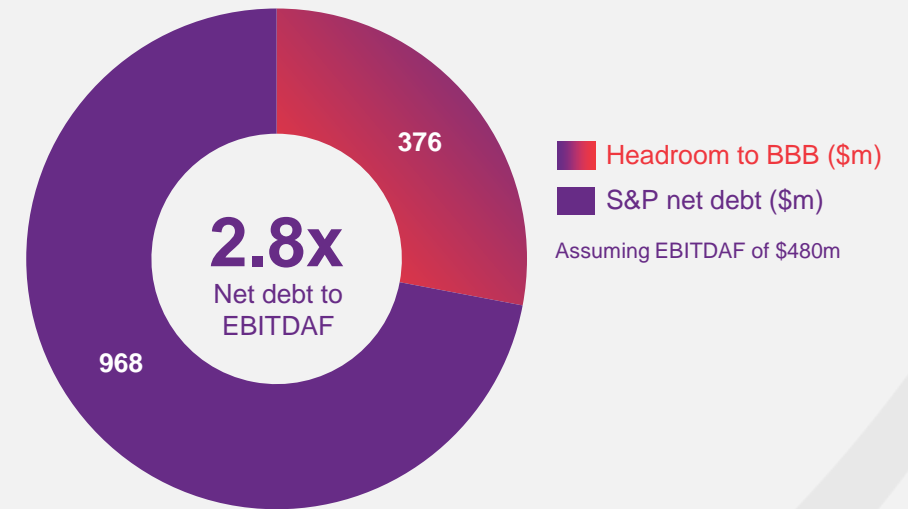
The focus on continuous improvement, in a period of flat demand, has seen operational performance metrics improve.

Distribution policy provides clarity to investors and drives a strong capital discipline.



* 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 including targeting the long-term credit rating of BBB from S&P.

Balance sheet capacity



With a new long-term user contracted to access AGS, S&P will no longer capitalise the storage service payments from FY20.

GEOHERMAL POTENTIAL

Indicative economics for a generic fully developed 250MW geothermal power station at Tauhara.

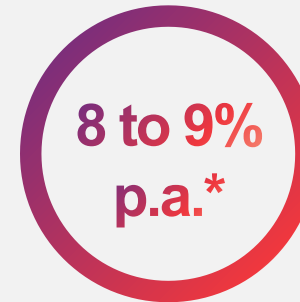
Investment staged to substitute thermal generation and/or capture demand growth; early developments likely to be at lower capital cost/MW.

Estimated total
capital cost



~\$1bn

Operating free
cash flow yield



~11 to 12 cps

* Assumes debt
funded at current
rates with an
\$75-85/MWh
wholesale price.

A world-class
geothermal
expertise with
consented
brownfield
development
potential.

Opportunity

>25% uplift

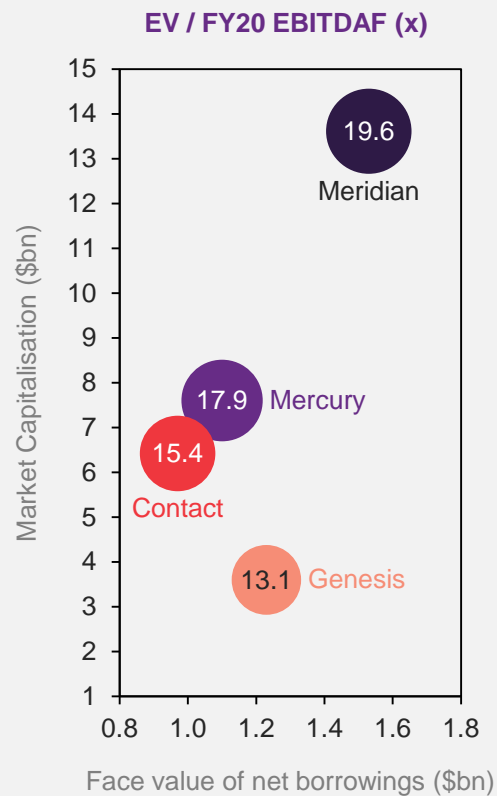
in operating free cash flow from capital
deployment into an asset that we have
a 60 year track record of managing.



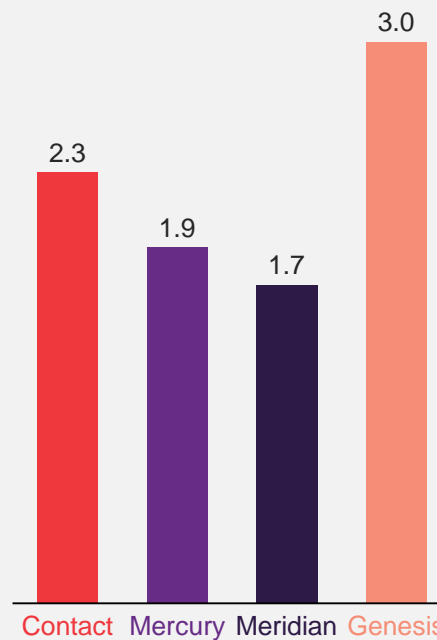
Possible staging timing dependent on results of appraisal drilling, demand
growth and economic thermal substitution.

OFFERS VALUE ON EXPECTED EARNINGS

Strong ordinary dividend yield with significant balance sheet capacity.

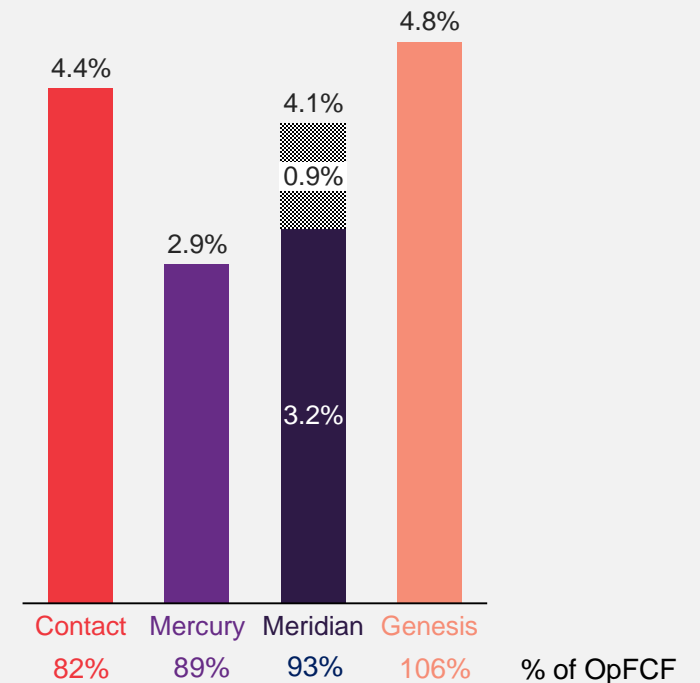


Net debt to FY19 EBITDAF (x)



Net debt / EBITDAF as reported by the each company at their FY19 full year results. Consistency of the application of the definitions cannot be confirmed

Dividend yield and percentage payout of FY19 operating free cash flow

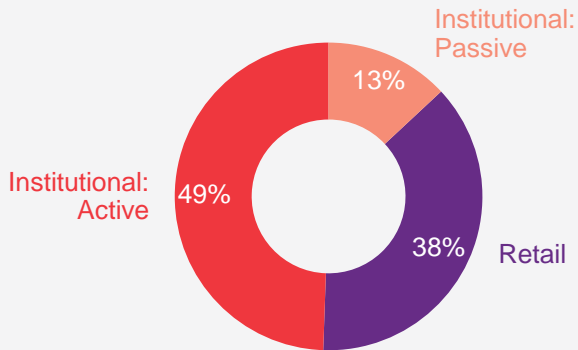


Meridian has a capital management plan in place until FY22 – distributed as a special dividend

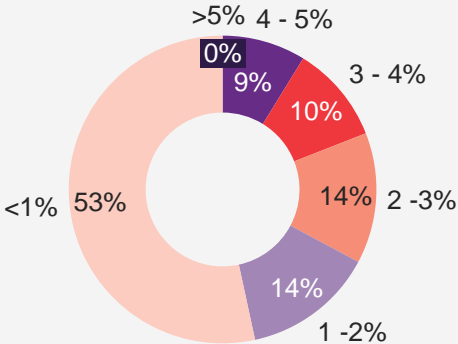
FY20 EBITDAF multiples: Expected medium term Contact EBITDAF of \$480m, peers at mid-point of guidance or analyst consensus if guidance has not been issued as at 11 October.
 Net borrowings is calculated as Borrowings less cash on hand at 30 June 2019; sourced from company financial statements. Share prices as at 11 October 2019.
 Operating free cash flow (OpFCF) is calculated as: Operating cash flow less SIB capex less cash interest (if not already included in the calculation of Operating cash flow).

Open share register provides significantly more liquidity and flexibility relative to 'government owned' peers.

Holder by type (%)

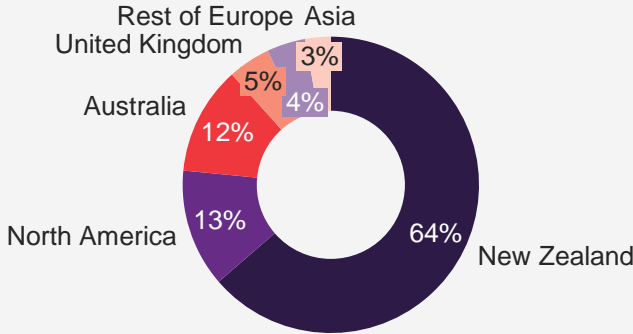


Sum of register by % of issued share capital holding



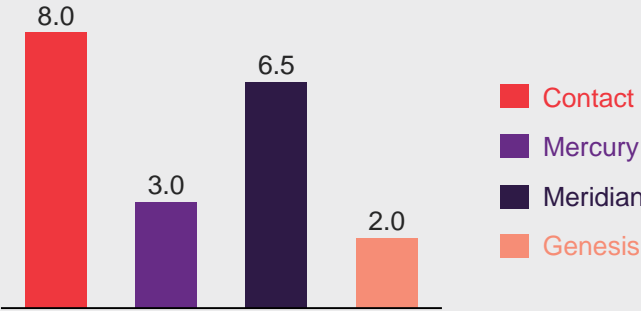
No holders above 5% of issued share capital

Holder by region (%)



36% of register is held outside of New Zealand

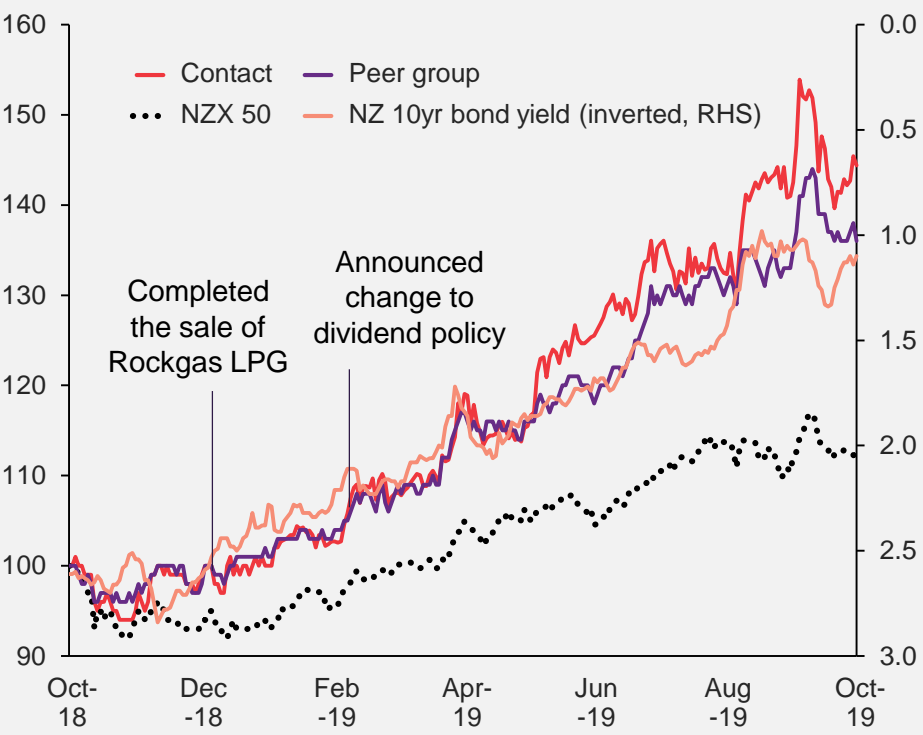
Daily trading – last 6 months (\$m/day)



Returns to shareholders improving as operational focus enabled ordinary dividend increases which resonated in a weaker forward interest rate environment.

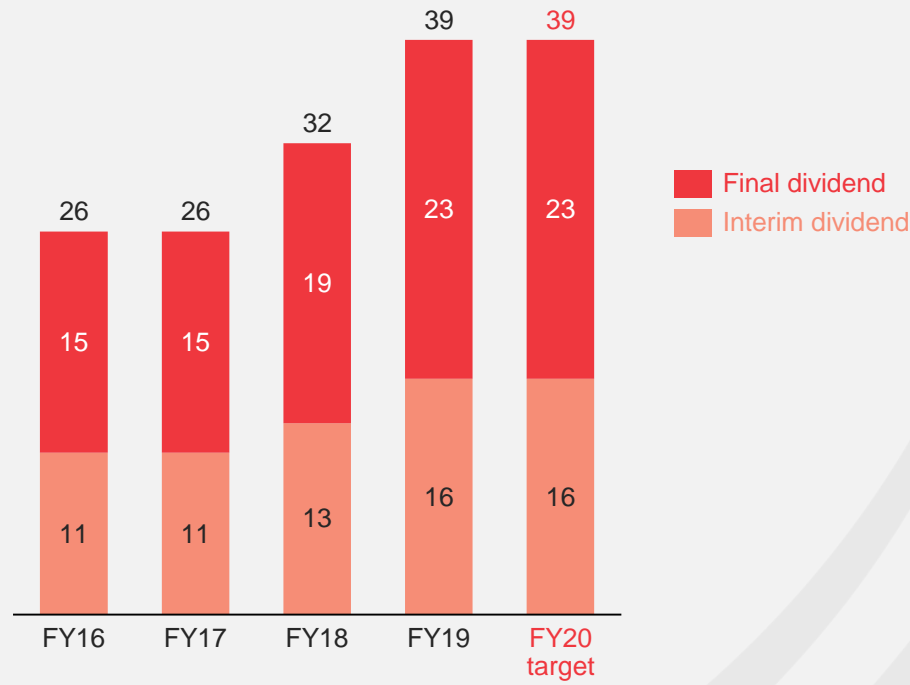
12 month share prices

Share prices rebased to 100; bond yield absolute %



Dividends (cps)

Declared or target



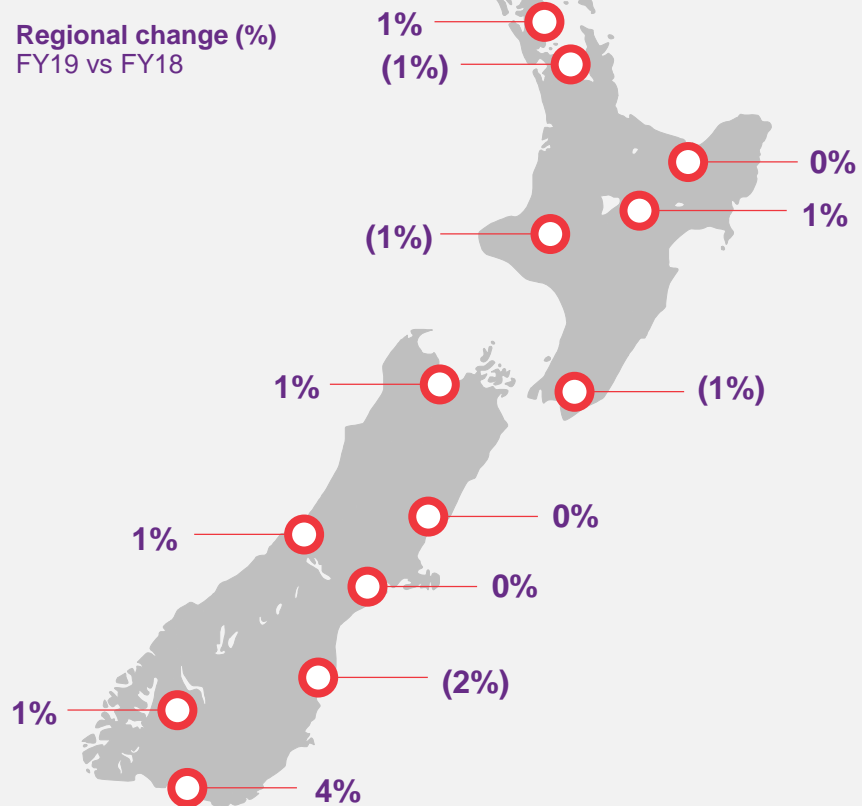


Appendix

The market in action FY19

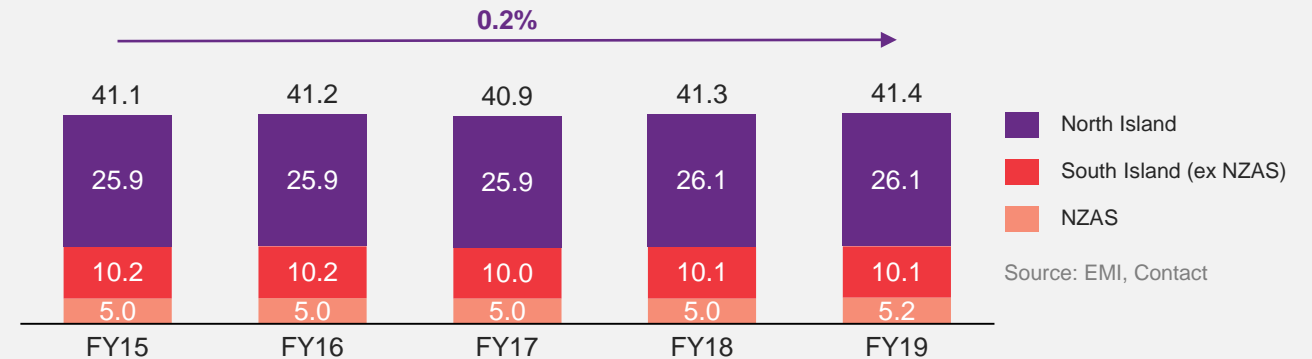
National electricity demand flat.

Regional change (%)
FY19 vs FY18



Source: EMI, Contact

National electricity demand (TWh)



The NZAS gradual re-commissioning of the 4th potline (50MW) from October 2018, contributed to a 4.1% increase in NZAS electricity consumption (12.6% of national demand).

National electricity demand has remained at about 41TWh since 2008:

- Forestry/agriculture, food processing and commercial have grown since the GFC.
- This growth has been offset by ongoing reductions in demand from the pulp and paper sector as well as residential efficiency.

South Island hydrology rebounded.

South Island inflows normalized

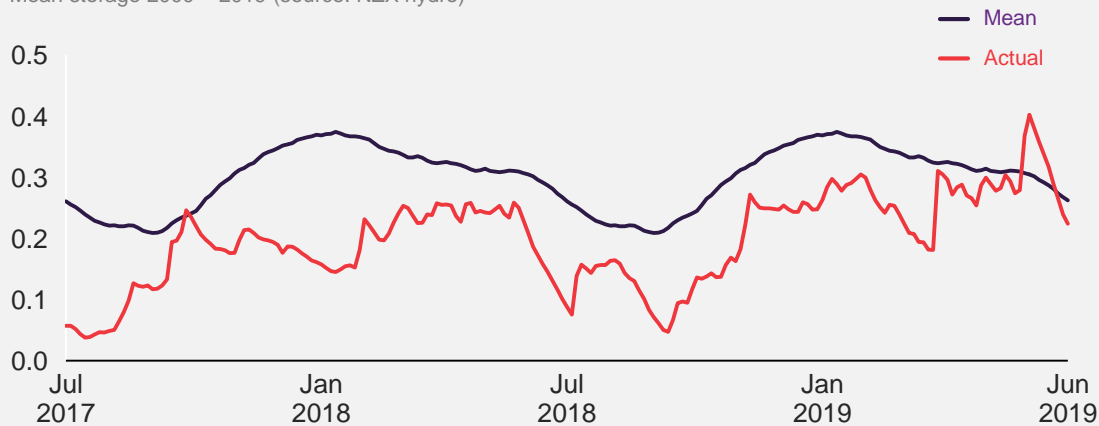
Extreme November 2018 rainfall added ~700GWh to national storage over a two week period after the traditional Spring inflows failed to materialise

A large March event provided an additional ~700GWh, largely in the SI catchments, including Contact's Clutha catchment

North Island hydro storage was below mean during FY19 after favourable conditions in the two years prior

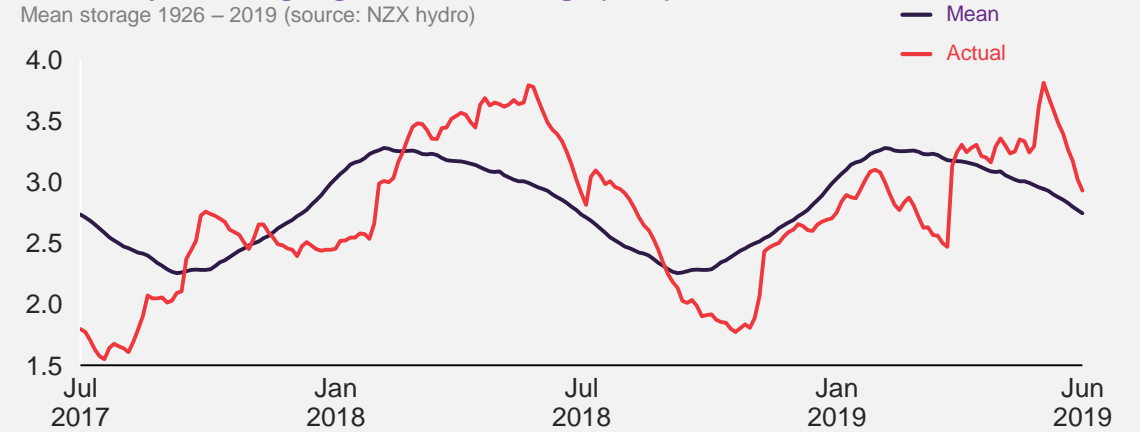
Clutha hydro storage against mean storage (TWh)

Mean storage 2000 – 2019 (source: NZX hydro)



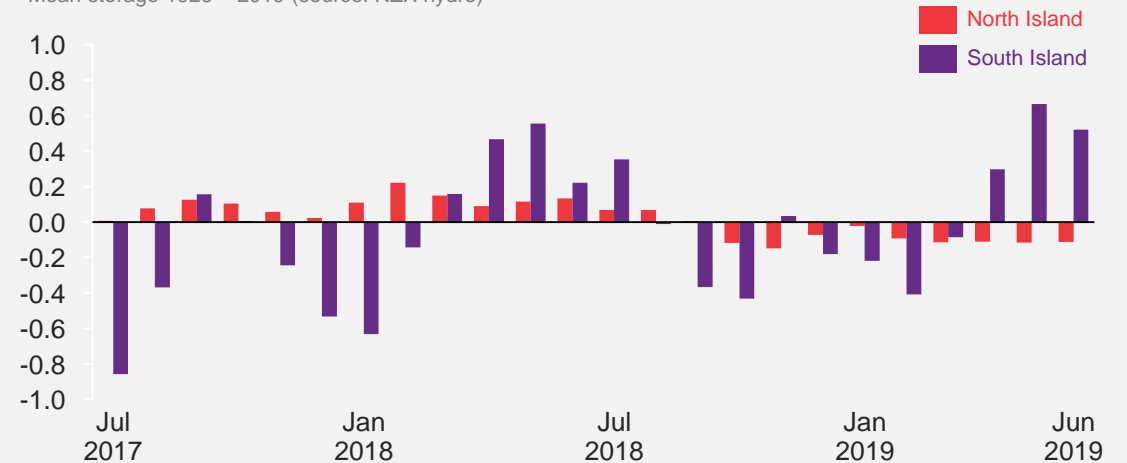
National hydro storage against mean storage (TWh)

Mean storage 1926 – 2019 (source: NZX hydro)



Average monthly storage vs mean by island (TWh)

Mean storage 1926 – 2019 (source: NZX hydro)



Wholesale spot prices responded to fuel scarcity.

Hydro storage volatility and thermal fuel constraints increased spot prices

While volatile hydrology is a well-known feature of electricity supply in New Zealand, normally reliable gas production significantly constrained generation from thermal assets.

The elevated spot price environment has led to sharp increases in short-dated forwards (i.e. for contracts maturing less than six months ahead).

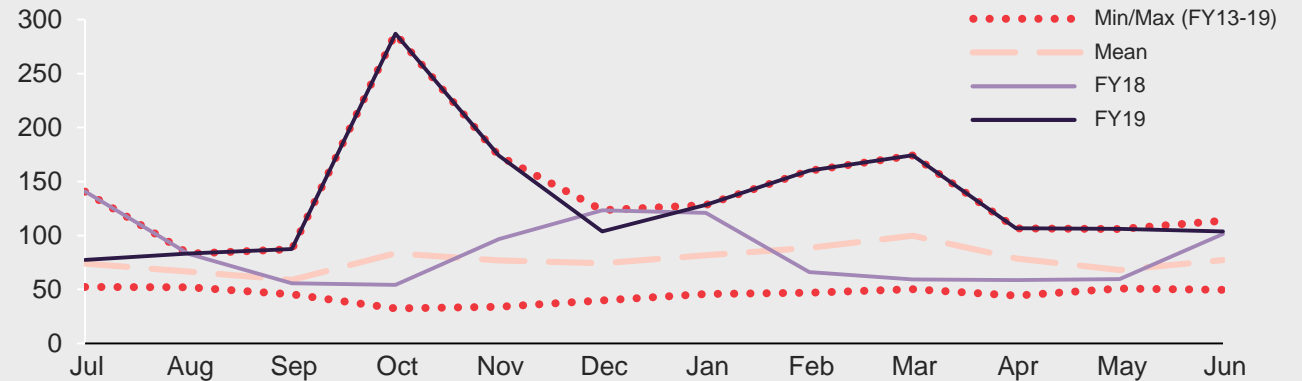
- Short dated market movements are usually predominantly impacted by hydrology.

Long-dated forward prices (\$97/MWh as at July 19) have increased by over \$21/MWh (28%) in the last year.

- While gas availability continues to improve, thermal costs including gas and carbon input costs have risen.

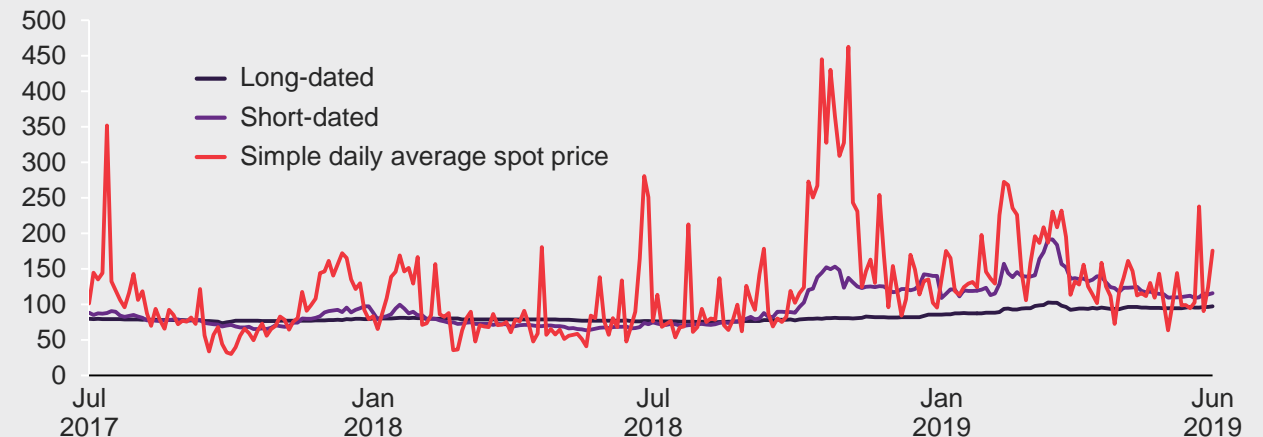
Monthly wholesale spot electricity prices (\$/MWh)

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



Electricity forward price curves (\$/MWh)

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



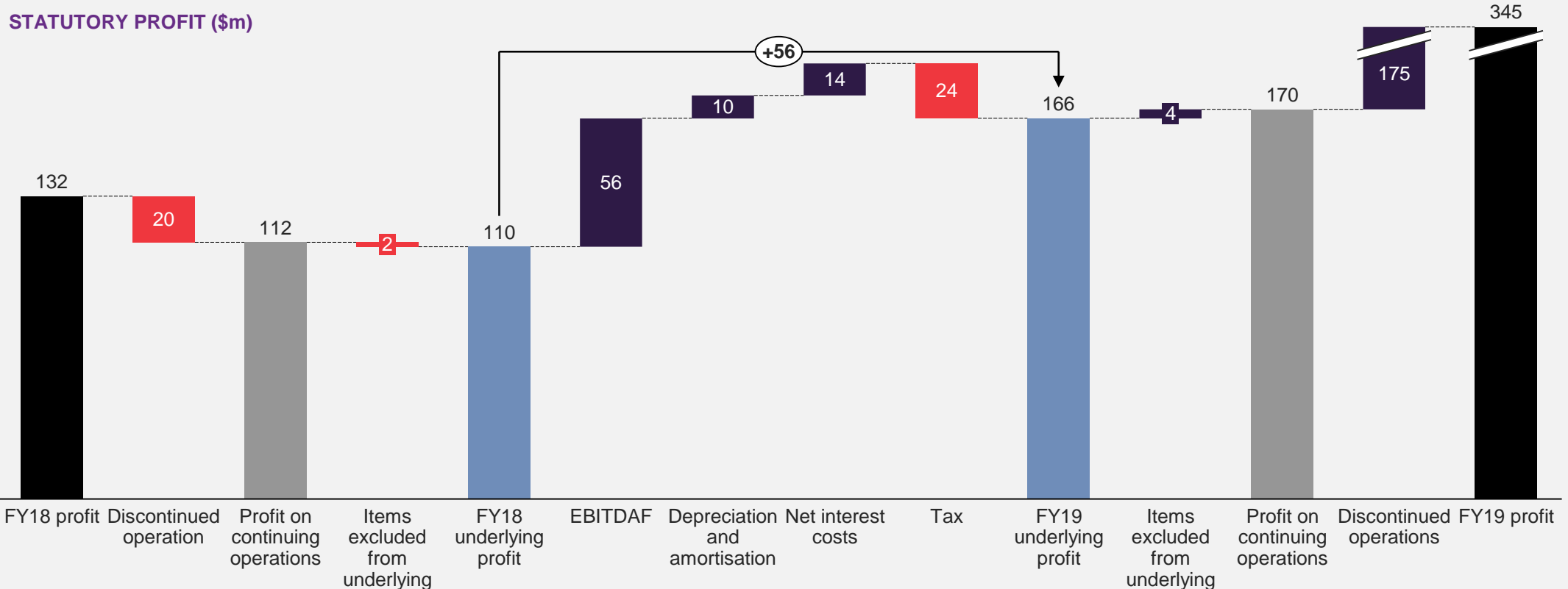
Appendix

FY19 result extracts



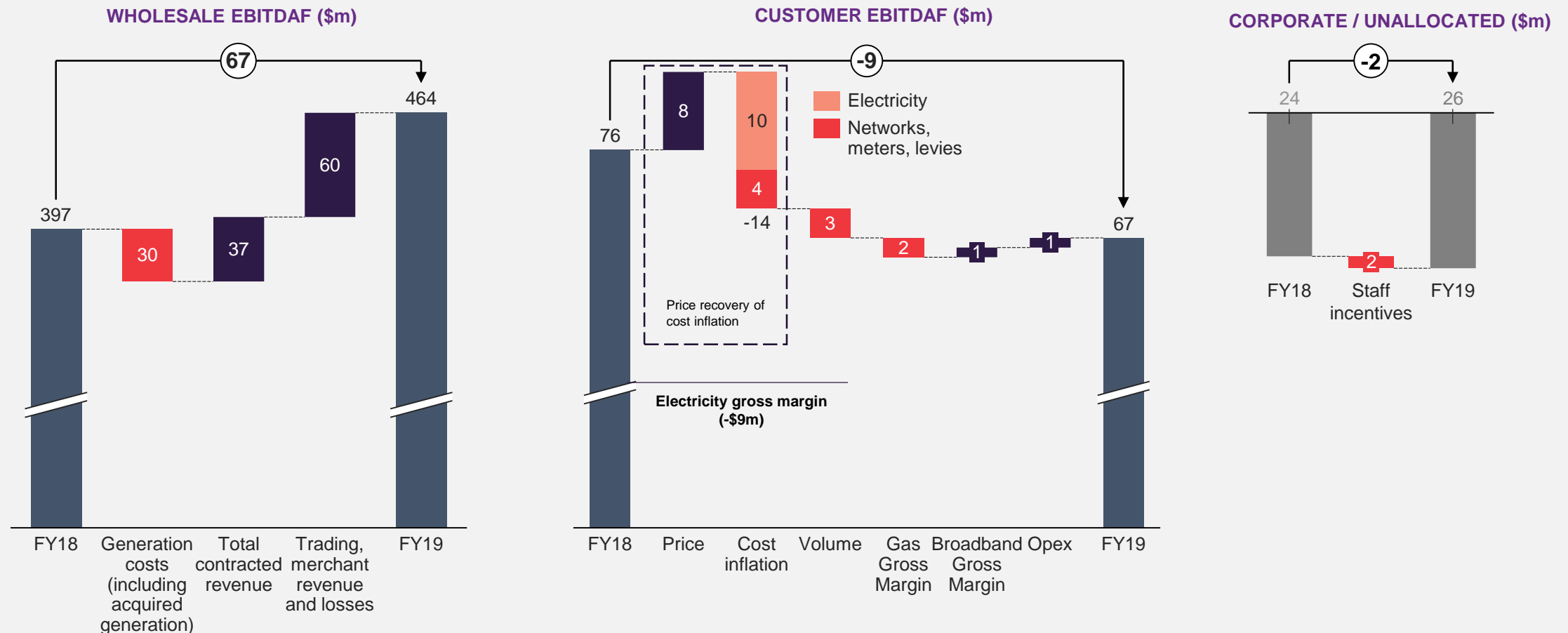
Profit of \$345m, supported by proceeds from divestments

Profit from underlying continuing operations up by 51%; EBITDAF from continuing operations up by \$56m.



EBITDAF from continuing operations up by \$56m

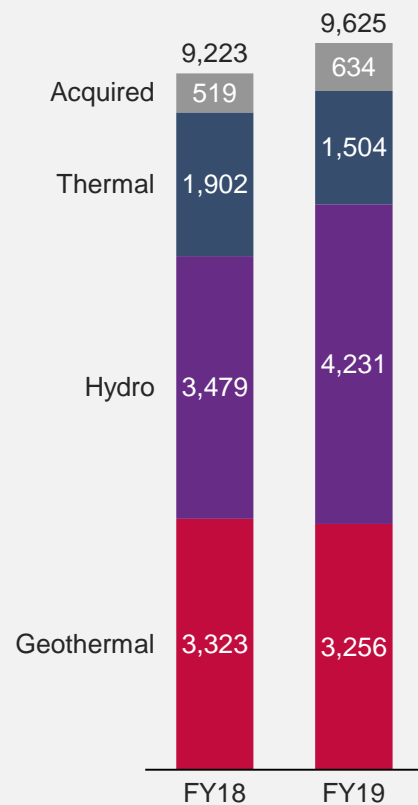
Continuing business performance by segment.



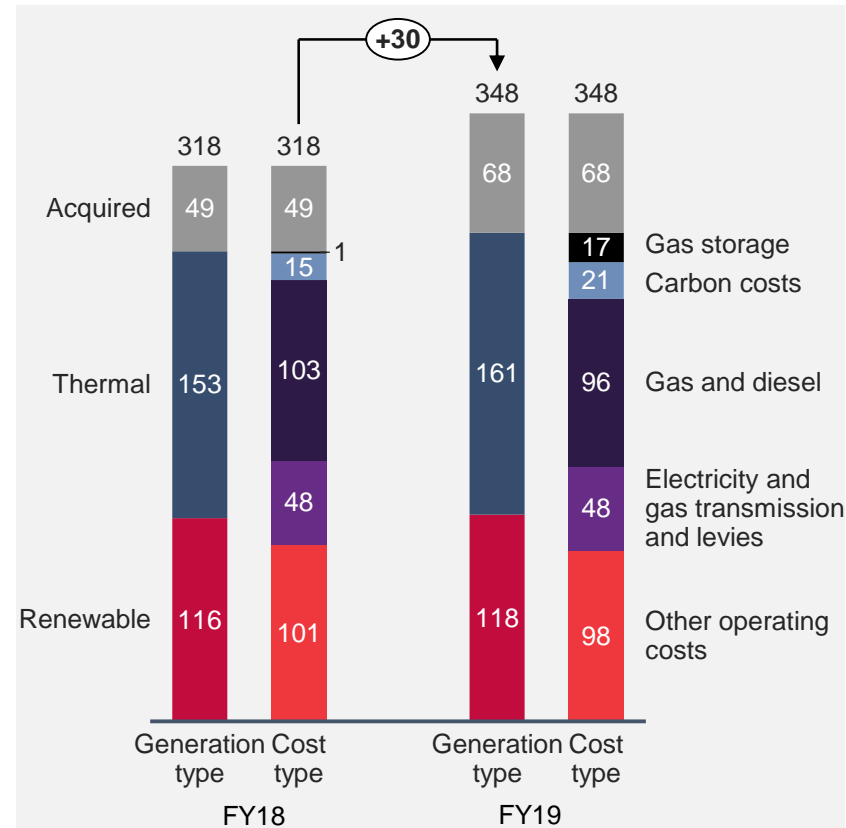
Generation costs

Renewable generation volumes up 10%. Costs up \$30m on rising thermal generation and risk management costs.

Electricity generated or acquired (GWh)



Electricity generated or acquired costs (\$m)



Hydro generation was up 752 GWh on FY18 (+21%), which was 8% above what would be expected in a mean year. Geothermal volumes were down 67 GWh (-2%)

- Renewable generation costs are predominantly fixed. Geothermal carbon costs were up \$1m.

Thermal generation costs were up \$8m despite lower generation volumes (-21%)

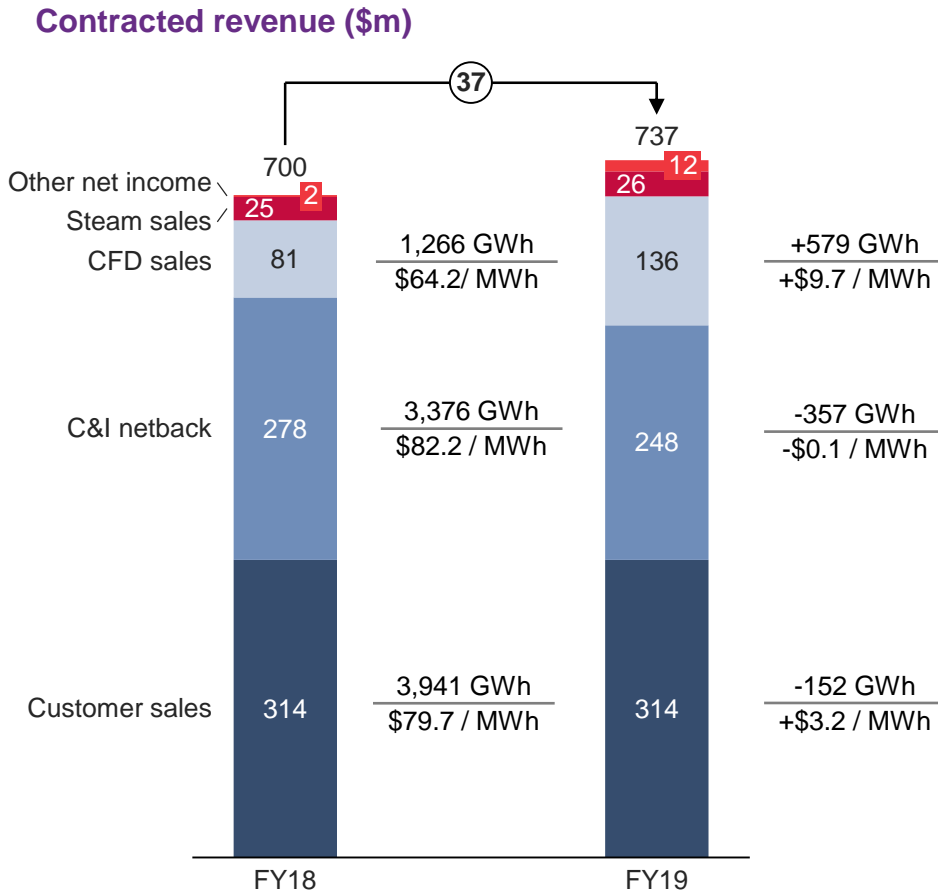
- Gas and carbon costs up from \$60/MWh in FY18 to \$74/MWh (-23%)
- Fixed costs, led by the new gas storage contract (since December 18) which was up by \$12m (net of other operating costs) on the prior year

Gas supply restrictions saw risk management costs up by \$19m with acquired generation volume up 22%

- Acquired generation costs up from \$94/MWh in FY18 to \$108/MWh (-23%).

Wholesale contracted revenue

Sales mix adjusted to manage commodity risk; higher pricing and volumes increase revenues.

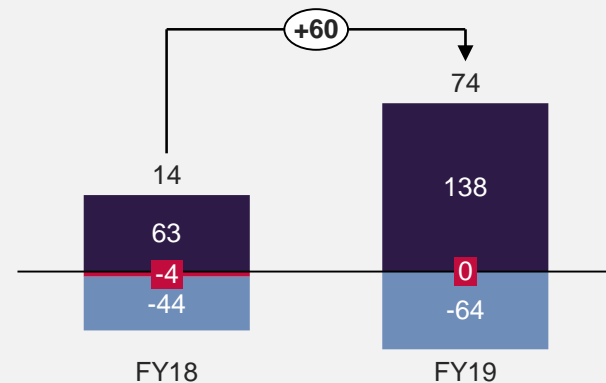


- Fixed price variable volume electricity sales to Customer and C&I customers were 509 GWh lower than FY18 (-\$42m), this was partially offset by higher prices (+\$12m) to the Customer segment
- Increased CFD sales to support NZAS, which was up by 104 GWh on FY18 contributed to higher long-term CFD electricity sales in FY19 (+\$13m). Contact prioritised short term CFD sales (+403 GWh) which were mostly executed to capture favourable short-term pricing (+\$35m).
- Higher pricing was achieved on both long-term CFDs (+\$2m) and short-term CFD sales to other generators (+\$7m)
- Steam revenue was up by \$1m on FY18 on a reduction in volumes but increased tariffs on rising carbon costs with customers not taking the minimum volume under their take-or-pay contracts
- Other income was up by \$10m, predominantly due to improvements made to market trading processes following FY18 market making losses of \$2m

Wholesale trading and merchant revenue

Higher merchant sales at elevated spot prices offered better value than fixed price contracts.

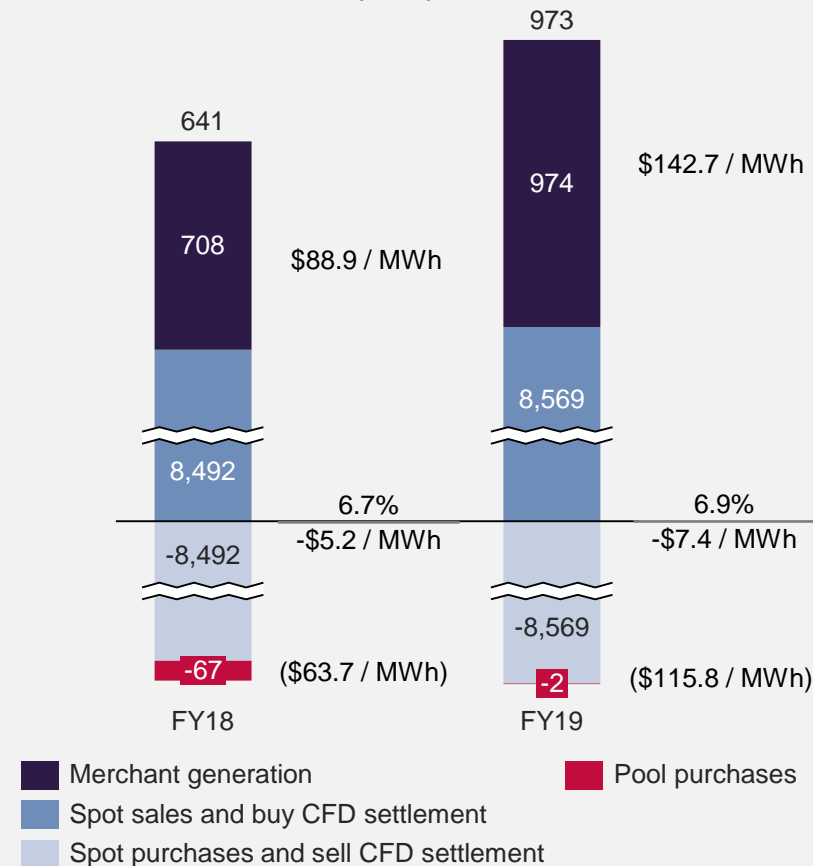
TRADING EBITDAF (\$m)



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

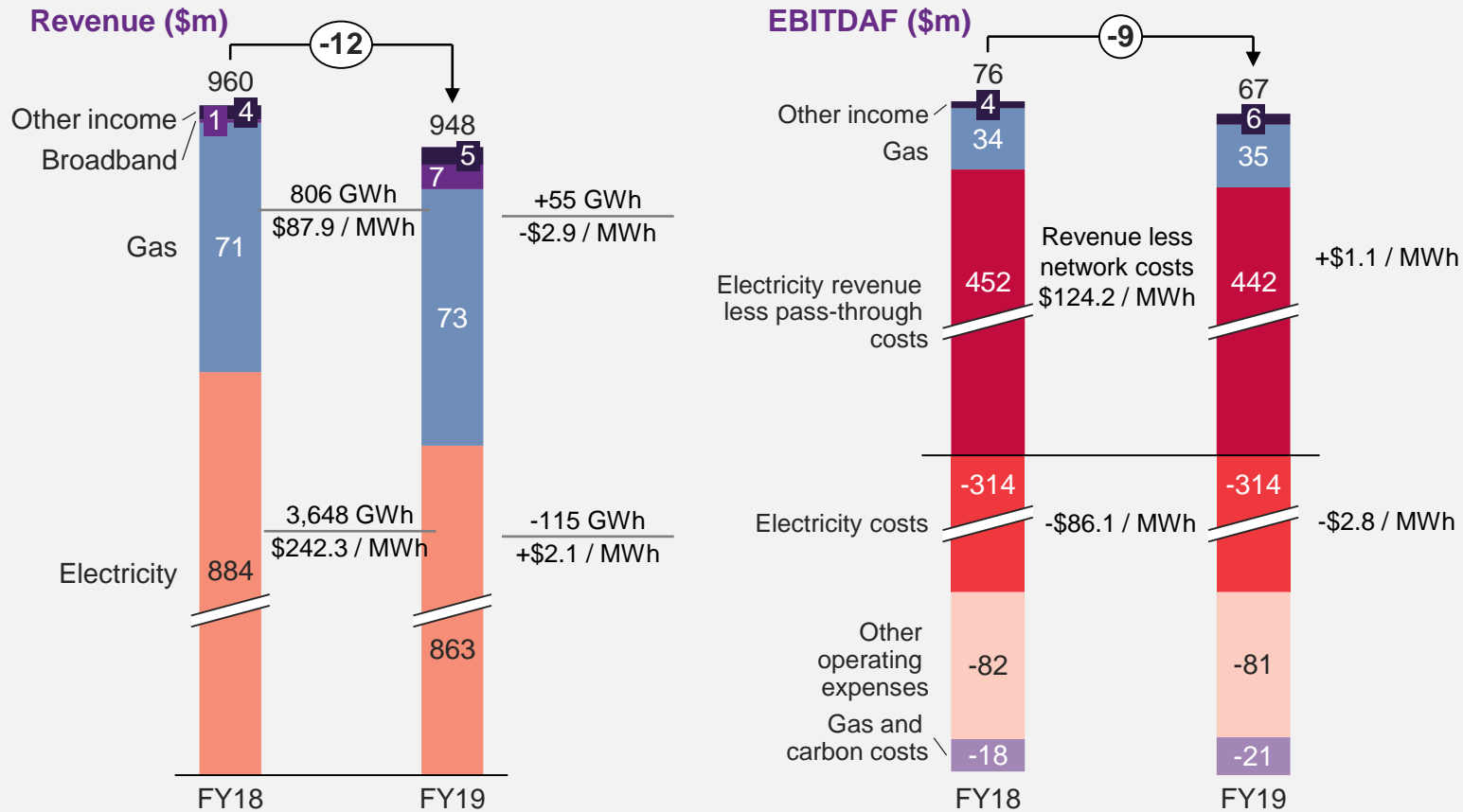
LONG / SHORT POSITION (GWh)



- 266 GWh increase in merchant sales volumes (+\$38m). The price received for this “long” generation was up by \$53.7/MWh (+\$38m)
- Strong generation volumes and risk management saw limited price exposure to unhedged spot market purchases during higher wholesale price periods
- Contact managed price separation well in the period, as a significant increase in South Island generation only increased relative locational losses by 0.2%. However, higher wholesale prices saw absolute LWAP/GWAP up by \$20m

Customer business performance

EBITDAF down by \$9m as the 1% increase in tariff was not sufficient to recover rising input costs.



Electricity gross margin down by \$9m, tariff increases (+\$8m) only partially recovered pass-through costs

- Electricity sales volume down 115 GWh (-3%) due to lower customer numbers (-2%) and lower usage per customer, offset by higher gas sales to SME customers
- Customer numbers up by 4,200 ICPs over 2H19 with new propositions in market. Broadband offer attractive with 10,000 new customers

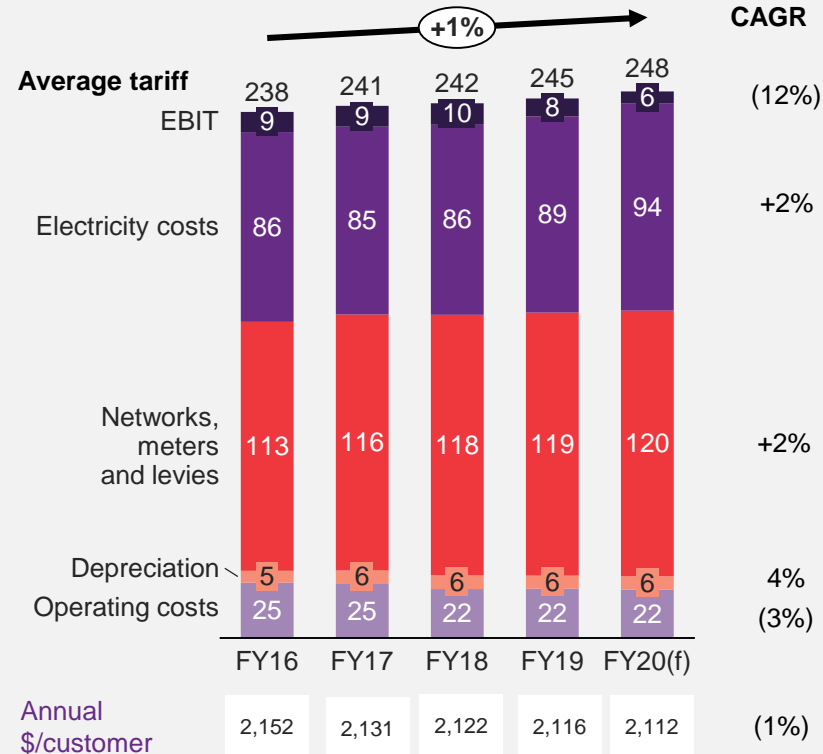
Energy costs higher with unit electricity prices up 3% following a sustained period of higher wholesale prices, carbon costs rising

Other operating expenses down by \$1m despite accelerated investment in digital, brand and new products

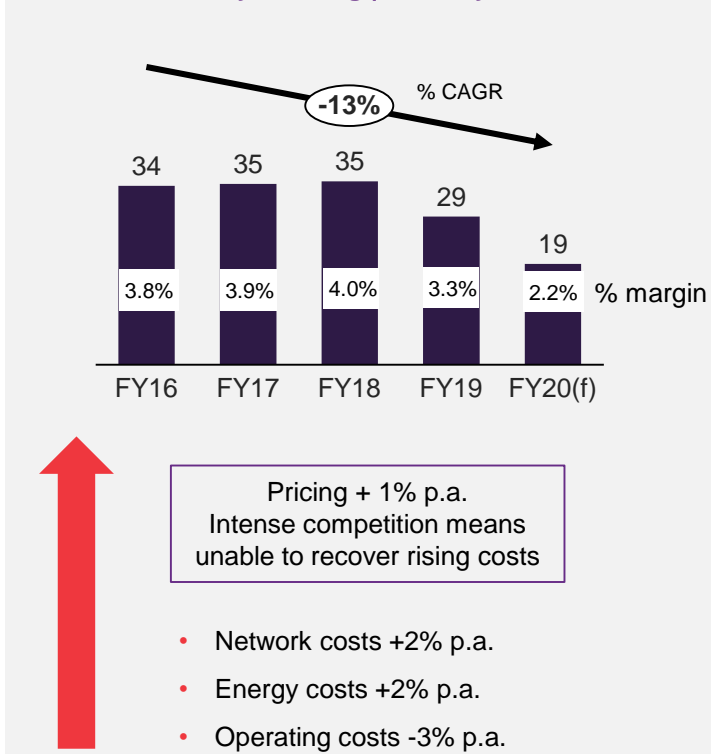
Electricity retailing margins remain under pressure

Intense retail competition has limited tariff increases. When combined with steadily rising input costs, margins from retailing electricity remain under pressure. Contact has focused on reducing its controllable costs and increasing the flexibility of its technology platform leaving it well positioned to capture value from scale.

Electricity cost and pricing development (\$/MWh)



Contact electricity retailing | industry headwinds EBIT \$m



Positioned to capture value

Contact has developed key strengths with industry leading cost to serve and a flexible IT platform

Leaving us well positioned to capture scale efficiencies



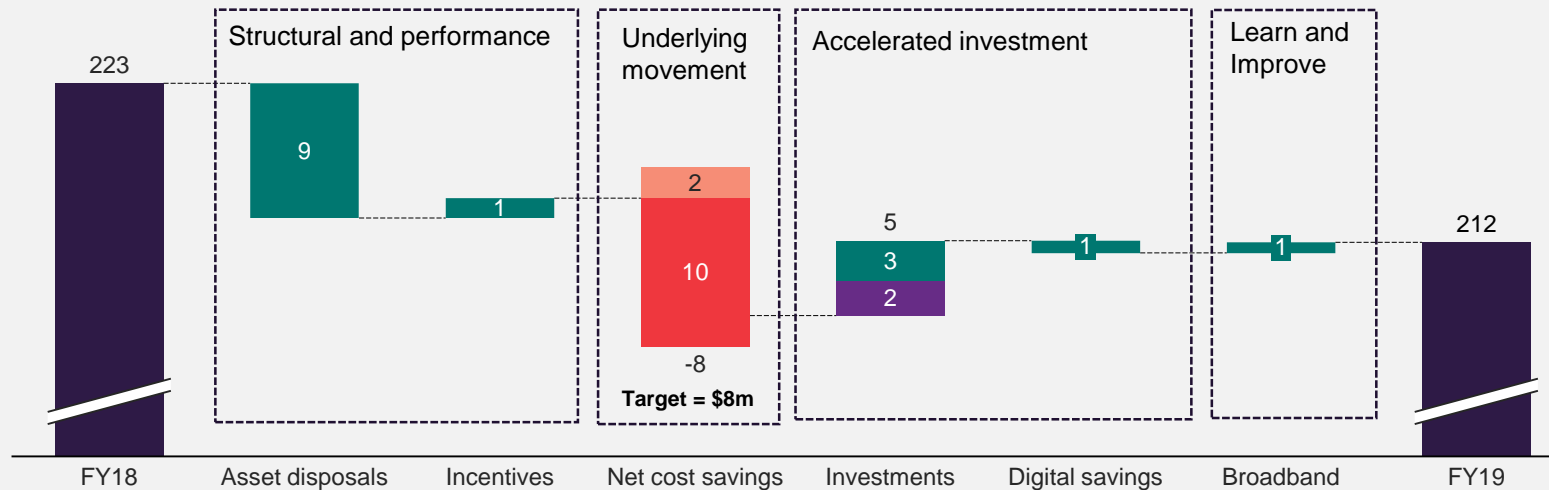
Move to **increased scale** and **cross-industry convergence**

Key assumptions for FY20(f):

- » Tariff increases, change in usage per customer in line with history
- » Corporate operating costs and depreciation 50% allocated to Customer
- » Operating costs and depreciation allocated by number of customer connections

Cost efficiency programme continues to deliver controllable cost reduction

OTHER OPERATING COST MOVEMENT (\$m)



Underlying movement

Delivered \$8m of underlying operating cost improvement in line with FY19 target

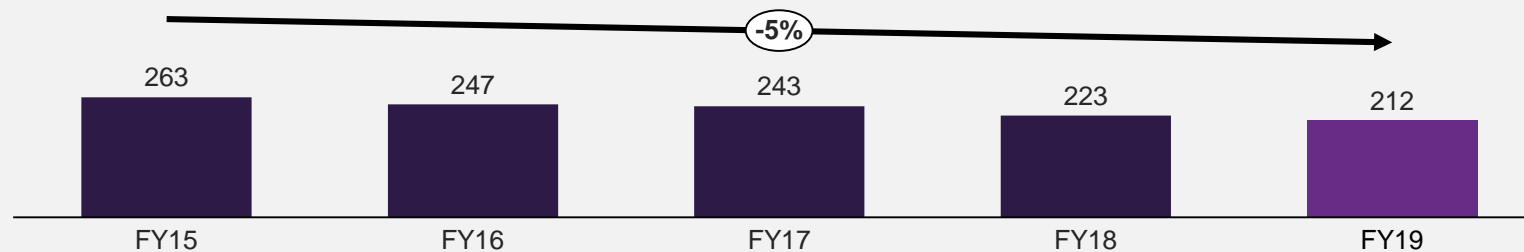
\$4m from ICT procurement savings

- Configuration management database optimised applications
- Rightsizing of application support leveraging internal maturity with systems

\$3m leaner Wholesale operations

\$3m reduction in the cost of bad debt

CONTROLLABLE OPEX (\$m)



Purposeful acceleration of operating cost spend

Delivering smart customer solutions

\$3m investment in our brand, new product development and promotion. Key journeys digitised.

Introduced new payment methods with PrePay and weekly/fortnightly billing to help customers manage their bills

- Fewer customers in arrears, customers who would previously have been declined on credit grounds can now be on-boarded

New products launched to deliver customer choice and innovative rewards including “free-bill”, “promise plan”, “broadband bundle” and “basic plan” with no PPD

Increased digitisation improving NPS and lowering servicing and acquisition costs

- 11% reduction in call centre volumes
- 15% increase in web traffic and 7% increase in digital sales

Which services would you like?

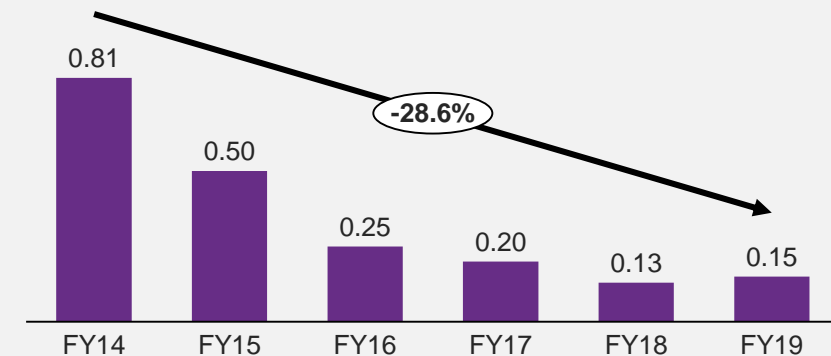


Geothermal fuelling

Additional \$2m investment in workovers of geothermal wells. R&D and capability continue to reduce costs

- Delivered 30 GWh p.a. of additional geothermal generation valued at \$3m p.a. in FY19
- Our internationally-recognised, subsurface team continues to lower the cost of operations significantly – comfortably New Zealand’s lowest cost geothermal operator
- This improves the economics of geothermal development at Tauhara

Average workover costs per well (\$m)



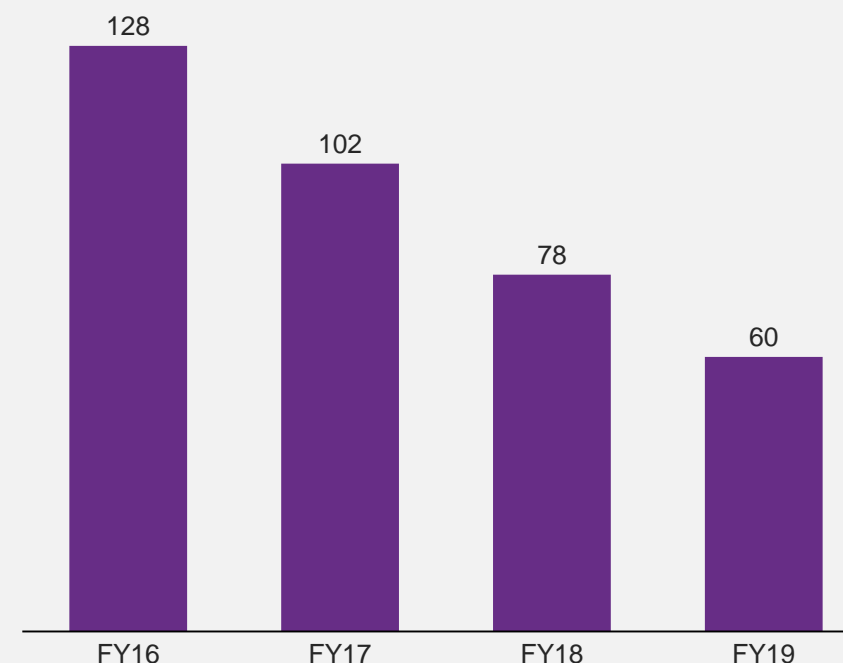
Cash flow and capital expenditure

Operating free cash flow up by \$40m on higher EBITDAF and lower interest and SIB capital expenditure.

	12 months ended 30 June 2019	12 months ended 30 June 2018	Comparison against FY18
EBITDAF	\$518m	\$481m	↑ \$37m
Working capital changes	(\$7m)	\$7m	↓ (\$14m)
Tax paid	(\$47m)	(\$33m)	↑ (\$14m)
Interest paid	(\$65m)	(\$78m)	↓ \$13m
SIB Capital	(\$60m)	(\$78m)	↑ \$18m
Non-cash share based compensation	\$4m	\$3m	↑ \$1m
Significant items	(\$2m)	(\$1m)	↓ (\$1m)
Operating free cash flow	\$341m	\$301m	↑ \$40m
Operating free cash flow per share	47.5 cps	42.0 cps	↑ 5.5 cps
Proceeds from sale of assets/operations	\$390m	\$6m	↑ \$384m
Free cash flow	\$731m	\$307m	↑ \$424m

- » EBITDAF up on strong Wholesale performance
- » Working capital changes \$14m lower as NZX receivables were higher on strong June merchant sales position
- » Capital expenditure on continuing operations of \$58m in FY19

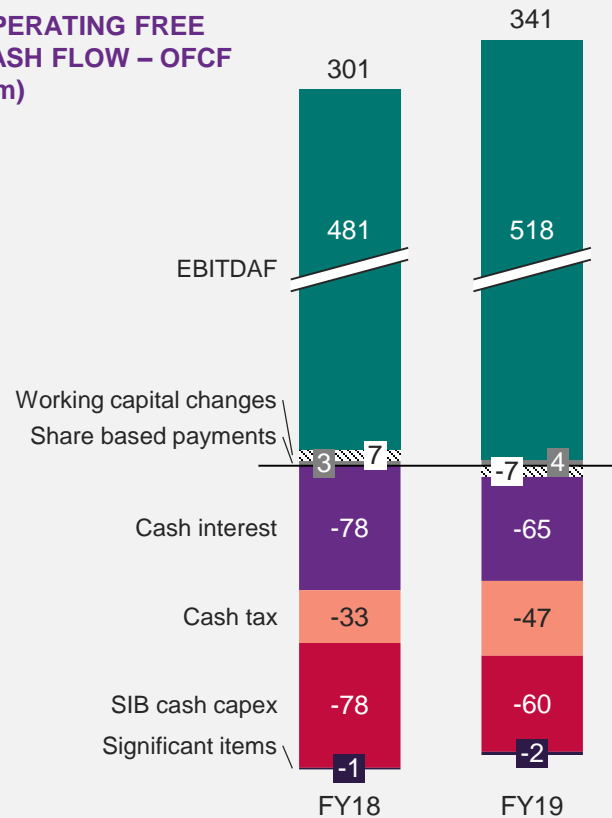
SIB CAPEX (\$m)



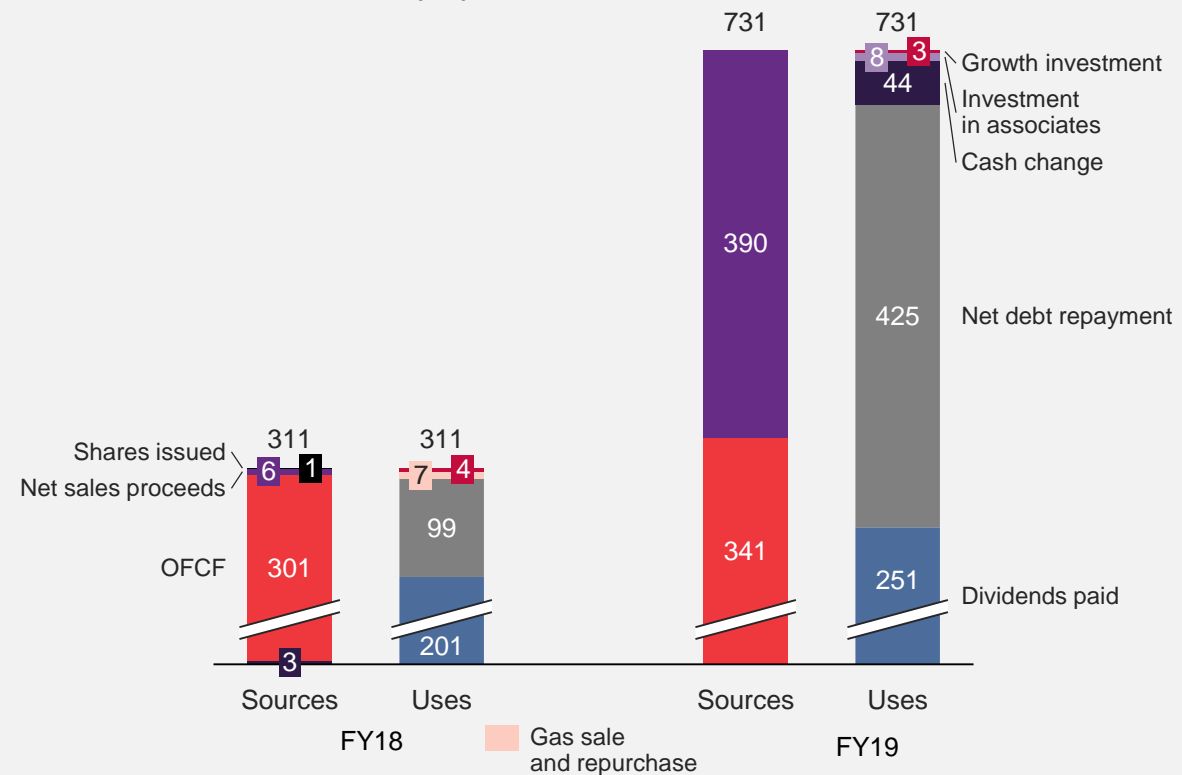
Free cash flow used to strengthen balance sheet

EBITDAF to cash conversion increased to 66% in FY19 from 63% in FY18.

OPERATING FREE CASH FLOW – OFCF (\$m)



SOURCES AND USES OF CASH (\$m)

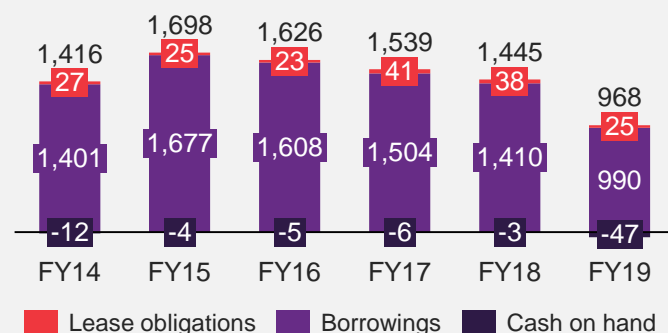


Robust balance sheet

Well managed, diversified portfolio with green certification. Capacity to fund renewable generation.

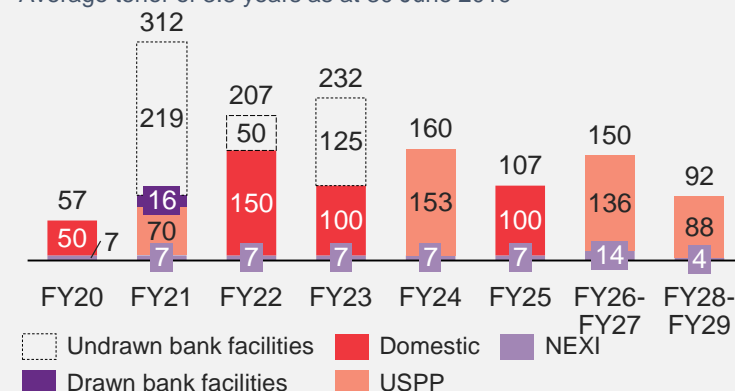
CLOSING NET DEBT (\$m)

Face value of borrowings less cash



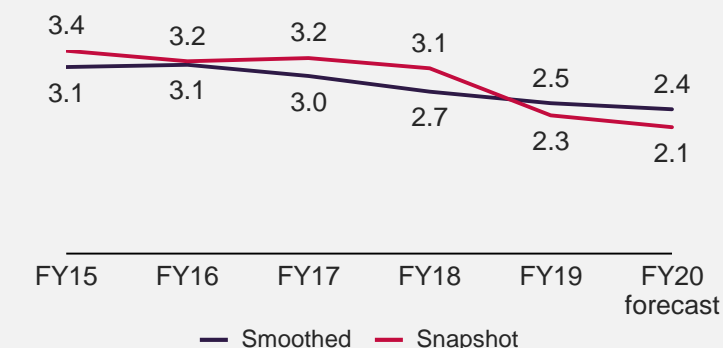
BORROWING MATURITIES (\$m)

Average tenor of 3.8 years as at 30 June 2019



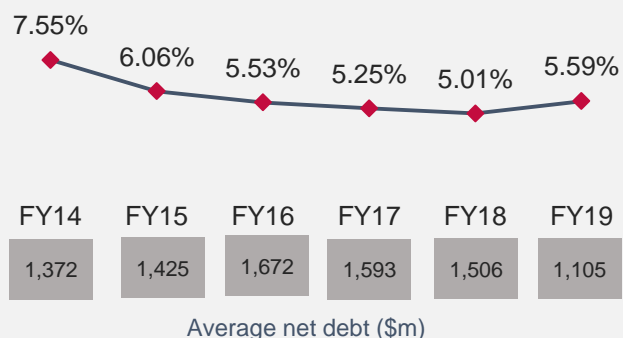
NET DEBT TO EBITDAF (x)

Includes S&P adjustments (in FY19 AGS was treated as a lease)



INTEREST RATE (%)

Weighted average interest rate on average net debt



- Face value of borrowings net of cash reduced by \$464m to \$943m following the completion of the asset sales and strong operating cash flow which exceeded dividend payments. Net debt has reduced by \$730m since the end of FY15. Gearing reduced to 28.3% at 30 June 2019, down from 35.4% at 30 June 2018
- \$50m wholesale domestic bond maturity in May 2020, funded through existing facilities
- Weighted average interest rate increased by 58bp on FY18 as more flexible, lower cost floating rate debt was repaid with the asset sales proceeds
- Contact continues to target a credit rating of BBB (net debt / EBITDAF <2.8x)