

Contact[®]

rockgas[™]

Sale of Rockgas

Portfolio optimisation

July 2018

Dennis Barnes, Chief Executive Officer

Graham Cockroft, Chief Financial Officer

Disclaimer



Not financial product advice: This presentation is for information purposes only and is not financial or investment advice or a recommendation to acquire Contact Energy's (Contact) securities, and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and consult an NZX Firm, or solicitor, accountant or other professional adviser if necessary.

Past performance: Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Future performance: 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.

Investment risk: An investment in securities in Contact is subject to investment and other known and unknown risks, some of which are beyond the control of Contact. Contact does not guarantee any particular rate of return or the performance of Contact.

Financial data: All dollar values are in New Zealand dollars (NZ\$ or NZD) unless otherwise stated. Any financial information provided in this presentation is for illustrative purposes only and is not represented as being indicative of Contact's views on its future financial condition and/or performance.

Disclaimer: Contact and its affiliates, related bodies corporate, directors, officers, partners, employees and agents: (i) exclude and disclaim all liability, for any expenses, losses, damages or costs incurred by you as a result of any information in this presentation being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise and (ii) make no representation or warranty, express or implied, as to the adequacy, accuracy, reliability, fairness or completeness of information, statements, opinions, forecasts, reports or other matters, express or implied, contained in, arising out of or derived from, or for omissions from, this presentation including, without limitation, any financial information, any estimates or projections and any other financial information derived there from. Statements made in this presentation are made only as the date of this presentation. The information in this presentation remains subject to change without notice. Contact has no responsibility or obligation to inform you of any matter arising or coming to its notice, after the date of this presentation, which may affect any matter referred to in this presentation.

Recipient's agreement: Each recipient, by reading this presentation, irrevocably agrees (i) to be bound by the limitations set out in this presentation; (ii) that it waives, and will not take any action in relation to, any rights (if any) it may now or at any time in the future have against any or all of Contact and its respective, affiliates, related bodies corporate, directors, officers, partners, employees and agents; and (iii) to conduct its own independent analysis of Contact and the presentation.

Contact's strategy is to optimise the Customer and Generation businesses to deliver strong cash flows



Customer

Will deliver value by providing customers with choice, certainty and control while reducing cost to serve and improving the customer experience through systems-enabled operational improvements



Generation

A low cost, long life and flexible generation portfolio with a continuous improvement programme focusing on safety, spend, reliability and resource utilisation to improve the efficiency of our generation assets

Underpinned by a disciplined and transparent approach to operating and capital expenditure while continuing to investigate ways to optimise our portfolio of assets

Executing our strategy – Transaction summary

- » Contact has entered into an agreement to sell 100% of the shares in Rockgas Limited (Rockgas) which includes 50% of the issued shares in Rockgas Timaru Limited and an 8.5% investment in Liquigas Limited to Gas Services NZ Midco Limited (GSNZ), an associate of First Gas Limited (First Gas)
 - » GSNZ is a provider of operational services for First Gas and other customers. GSNZ operates one of New Zealand's largest gas networks, with 2,500 kilometres of high pressure gas transmission pipes and around 4,800 kilometres of gas distribution pipes in the North Island. GSNZ and Contact are currently working to satisfy the conditions to complete the sale of the Ahuroa gas storage facility.
- » The sale price of \$260 million is payable in cash at completion subject to standard pre-completion adjustments for net debt (primarily property leases) and working capital movements. As the sale is of shares there is no tax payable on sale. Contact will apply the net proceeds to the reduction of debt.
- » As part of the transaction the parties will enter into two agreements:
 - » Marketing alliance: This agreement sets out the basis for cooperation on growing the value from dual fuel mass market customers
 - » Services agreement: Contact has agreed a service level agreement with GSNZ, covering call centre services and billing and collections for mass market customers for an annual fee of \$2 million
- » Contact will also provide certain transitional services after completion of the sale to ensure no disruption to customers
- » The conditions precedent to the sale, include Overseas Investment Office approval and the consent to change of control or assignment or novation of agreements from a limited number of contractual counter-parties

Creating value for Contact shareholders through the sale of Rockgas

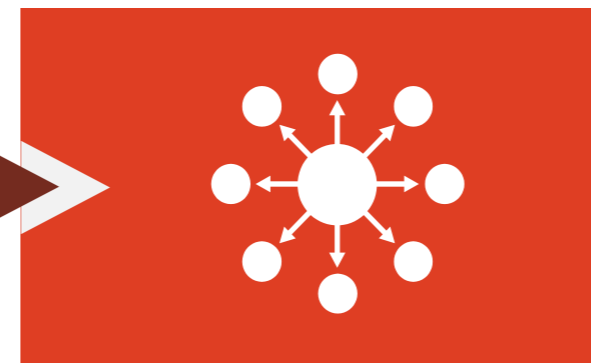
Sale price represents a multiple of 8.1x FY18 EBITDAF, or 11.8x average EBITDAF since 2007

Divesting the logistical aspects of the LPG business will improve the focus and speed of digital transformation of our Customer business



Preserving dual fuel value

- » The marketing alliance allows Contact to continue to offer LPG as part of its product suite and grow the customer base through cross-selling to both new and existing customers
- » The benefits of lower churn retained



Monetising scale advantages

- » The services agreement will preserve our scale advantage to enhance returns from digital transformation



Reduce commodity exposure

- » The sale will eliminate Contact's exposure to the variability in international LPG prices, exchange rates and domestic LPG supply and demand dynamics



Strengthen balance sheet

- » The sale proceeds will improve our balance sheet strength and facilitate improved distributions to shareholders

GSNZ will be Contact's specialist LPG fulfilment partner

Agreements ensure that LPG will continue to be an important part of Contact's product suite

	Contact	GSNZ
LPG procurement and commodity risk management	✗	✓
Operations, distribution and logistics	✗	✓
Call centre and billing	Mass market LPG	Bulk LPG <small>Includes sales to large customers, franchises, service stations and automotive</small>
Ability to market and sell LPG	✓	✓
LPG margin	✗	✓

An important competency of our Customer business is the contracting and management of fulfilment partners

Simplification will allow the Customer business to accelerate its digital transformation

CUSTOMER BUSINESS STRATEGY REMAINS UNCHANGED


Deliver value by providing customers with choice, certainty and control while reducing cost to serve and improving the customer experience through systems-enabled operational improvements

NEAR TERM SUCCESS MEASURES

- » High-performing, efficient retailer with the lowest cost to serve and best customer experience of the tier 1 retailers in New Zealand, with an ability to execute consistently

ACCELERATE THE STRATEGY TO CAPTURE VALUE FOR SHAREHOLDERS

- » Sustainable cost reduction through continuous improvement
- » Deliver a digitally led customer experience transformation
 - » Digitalise / streamline highest-priority customer journeys
 - » Optimise and automate processes
 - » Adapt IT operating model to better serve customer needs

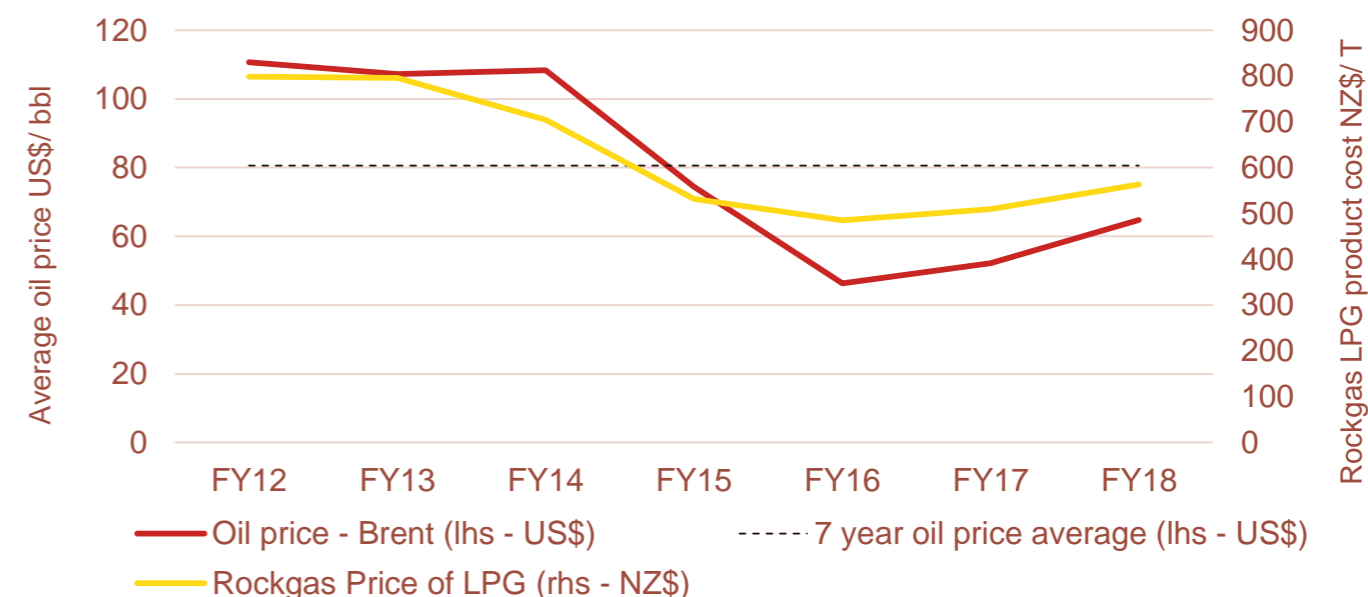


In an environment of continuing competitive intensity, speed is key to capturing value for shareholders

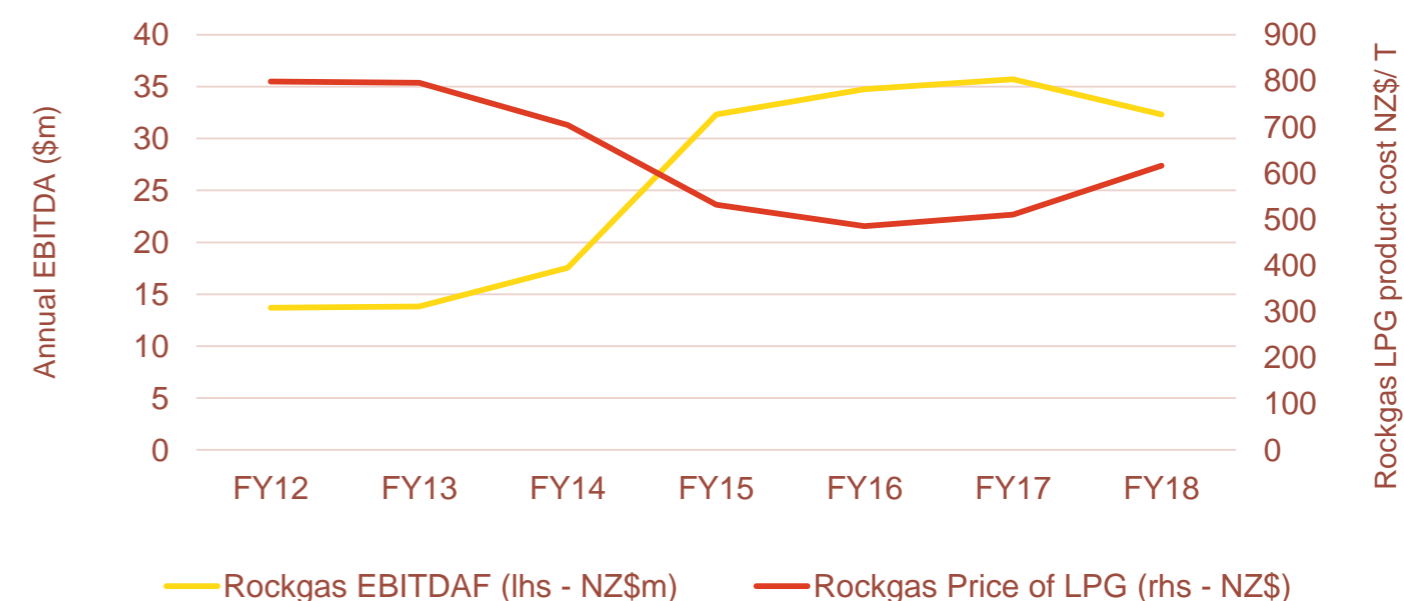
Rockgas history

- » Contact acquired 100% of Rockgas from Origin Energy in 2007 for \$156m
 - » FY07 Rockgas gross profit was \$42m with an EBITDAF of \$20m
- » Contact has improved margins since acquisition through:
 - » Operating cost reduction of ~\$5m p.a
 - » Optimised fuels procurement
 - » Optimised bulk services and shipping
- » Annual average EBITDAF range for the period under ownership (FY07 and FY18) of \$22m with an EBITDAF range of between \$13m to \$35m
- » Rockgas FY18 unaudited EBITDAF is estimated at \$32m.
 - » Sold to GSNZ for \$260m

International oil prices and product cost



Rockgas profitability and product cost



Key financial impacts

- 01 BORROWINGS
- 02 EBITDAF
- 03 EARNINGS PER SHARE (EPS)
- 04 OPERATING FREE CASH FLOW
- 05 CREDIT METRICS (S&P NET DEBT / EBITDAF)



On FY18 results

\$250m

Estimated net cash proceeds applied to borrowings after net debt adjustment and transaction fees

(\$32m)

Unaudited FY18 LPG EBITDAF \$32m

(1.3 cps)

Reduction in EBITDAF offset by lower interest (\$15m) and depreciation (\$5m) and accounting tax

(0.8 cps)

Reduction in EBITDAF offset by lower interest (\$15m) and capital expenditure (\$6m) and cash tax

strengthened

S&P net debt to EBITDAF ratio expected to be comfortably below target of 2.8x on completion

Since Contact ownership

	Average (FY07 – 18)	Range (FY07 – 18)
EBITDAF	\$22m	\$13m to \$35m
EPS	(0.3 cps)	0.6 cps to (1.6 cps)
Operating free cash flow	0.2 cps	1.1 cps to (1.1 cps)

Based on the expected net proceeds applied to debt reduction

Conditions precedent and transaction timeline

Limited conditions precedent

- 01** Overseas Investment Office consent for GSNZ to purchase Rockgas
- 02** The consent to change of control or assignment or novation of agreements from a limited number of contractual counter-parties

Transition / Separation arrangements

Contact and GSNZ will work together to transfer the assets and undertakings of the Rockgas business from Contact to Rockgas

Contact is targeting transaction completion by the end of 1H19

