



New operating segments

Historic comparative information - January 2019

Contents

Supplementary information for investors based on the new operating segments as outlined in November and December 2018.

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- » Some of the operating statistics may have changed from previously released to align operating reporting with segment reporting
- » FY19 LPG EBITDAF will be \$13m

New operating segments provide transparency

The new operating segments provide a clearer view of profitability in the operating businesses, as the segments exclude indirect Corporate costs

- » Combining C&I and Generation - C&I prices have trended to wholesale levels and large customers are a focus for decarbonisation and renewable development
- » Divested Rockgas

This presented an opportunity to develop clearer disclosures of net generation positions. This will assist with Wholesale channel optimisation decisions and a wider understanding of the drivers of Wholesale profitability

New operating segments



- » Revenue from delivering electricity, natural gas, LPG service revenue, broadband and other products and services to mass market customers less the cost of purchasing those products and services, and the costs to serve customers

- » Revenue from the sale of electricity to the wholesale market, to C&I customers and to the Customer segment, less the cost to generate and/or purchase electricity and costs to serve and distribute electricity to C&I customers

- » Corporate functions (Finance and Risk, Governance, People & Safety, Board, Leadership team and an allocation of ICT costs)

Restated segment note

Ref	\$m	Unaudited 6 months ended 31 December 2017						Unaudited 12 months ended 30 June 2018							
		Wholesale	Customer	Unallocated	Eliminations	Total continuing operations	Discontinued operation	Total	Wholesale	Customer	Unallocated	Eliminations	Total continuing operations	Discontinued operation	Total
1	Mass market electricity - Fixed Price	-	458	-	-	458	-	458	-	884	-	(1)	883	-	883
2	Commercial & Industrial (C&I) electricity - Fixed Price	217	-	-	-	217	-	217	432	-	-	-	432	-	432
3	Commercial & Industrial (C&I) electricity - Spot	11	-	-	-	11	-	11	20	-	-	-	20	-	20
4	Wholesale electricity, net of hedging	380	-	-	-	380	-	380	705	-	-	-	705	-	705
5	Electricity related services revenue	3	-	-	-	3	-	3	7	-	-	-	7	-	7
6	Inter-segment electricity sales	159	-	-	(159)	-	-	-	314	-	-	(314)	-	-	-
7	Gas	-	39	-	-	39	-	39	4	71	-	-	74	-	74
8	LPG	-	-	-	-	-	63	63	-	-	-	-	-	121	121
7	Steam	14	-	-	-	14	-	14	25	-	-	-	25	-	25
	Total revenue	784	497	-	(159)	1,122	63	1,185	1,507	955	-	(315)	2,147	121	2,268
9	Other income (including liquidated damages)	2	2	-	-	4	1	5	-	5	-	-	5	2	7
	Total revenue and other income	786	499	-	(159)	1,126	64	1,190	1,507	960	-	(315)	2,152	123	2,275
10	Electricity purchases, net of hedging	(367)	-	-	-	(367)	-	(367)	(657)	-	-	-	(657)	-	(657)
11	Electricity purchases - Spot	(9)	-	-	-	(9)	-	(9)	(17)	-	-	-	(17)	-	(17)
12	Electricity related services cost	(4)	-	-	-	(4)	-	(4)	(7)	-	-	-	(7)	-	(7)
13	Inter-segment electricity purchases	-	(159)	-	159	-	-	-	-	(314)	-	314	-	-	-
14	Gas and diesel purchases	(57)	(8)	-	-	(65)	-	(65)	(107)	(16)	-	-	(123)	-	(123)
15	Gas storage costs	(1)	-	-	-	(1)	-	(1)	(1)	-	-	-	(1)	-	(1)
16	LPG purchase	-	-	-	-	-	(36)	(36)	-	-	-	-	-	(73)	(73)
17	Generation transmission & reserve costs	(20)	-	-	-	(20)	-	(20)	(39)	-	-	-	(39)	-	(39)
18	Electricity networks, levies & meter costs - Fixed Price	(78)	(225)	-	-	(303)	-	(303)	(152)	(433)	-	-	(585)	-	(585)
19	Electricity networks, transmission levies & meter costs - Spot	(2)	-	-	-	(2)	-	(2)	(3)	-	-	-	(3)	-	(3)
20	Gas networks, transmission & meter costs	(5)	(20)	-	-	(25)	-	(25)	(9)	(37)	-	-	(46)	-	(46)
21	Other operating expenses	(52)	(41)	(13)	-	(106)	(8)	(114)	(103)	(82)	(24)	1	(208)	(15)	(223)
22	Carbon emissions costs	(6)	(1)	-	-	(7)	(1)	(8)	(15)	(2)	-	-	(17)	(3)	(20)
	Total operating expenses	(601)	(454)	(13)	159	(909)	(45)	(954)	(1,110)	(884)	(24)	315	(1,703)	(91)	(1,794)
	EBITDAF	185	45	(13)	-	217	19	236	397	76	(24)	-	449	32	481

Wholesale electricity, net of hedging: is revenue received from electricity generated and sold into the wholesale market and the net settlement of electricity hedges sold on electricity futures markets, and to generators, retailers and industrial customers (Sell CFDs).

Electricity purchases, net of hedging: is the cost of electricity purchased from wholesale markets to supply customers and the net settlement of buy-side electricity hedges (Buy CFDs), including revenue from Financial Transmission Rights

Contact's operational performance

» Some of the operating statistics may have changed from previously released to align operating reporting with segment reporting

		Line	Measure	1H19 Six months ended December 18	1H18 Six months ended December 17	FY18 Twelve months ended June 2018
Customer	Mass market electricity sales	1	GWh	1,874	1,907	3,648
	Retail gas sales	2	GWh	485	452	806
	Mass market electricity and gas sales	3	GWh	2,359	2,358	4,454
	Average electricity sales price	4	\$/MWh	242.57	240.42	242.25
	Electricity direct pass thru costs	5	\$/MWh	(117.17)	(118.07)	(118.38)
	Cost to serve	6	\$/MWh	(17.02)	(17.47)	(18.36)
	Customer netback	7	\$/MWh	91.66	89.90	91.35
	Energy cost	8	\$/MWh	(71.59)	(71.05)	(74.20)
	Actual electricity line losses	9	%	7%	8%	7%
	Retail gas sales	10	PJ	1.7	1.4	2.8
	Electricity ICPs (rounded to the nearest 500)	11	#	407,000	419,000	417,000
	Gas ICPs (rounded to the nearest 500)	12	#	64,000	64,000	64,000
Wholesale	Electricity sales to Customer business	13	GWh	2,017	2,069	3,941
	Electricity sales to Commercial and Industrial	14	GWh	1,572	1,736	3,376
	Electricity CFD sales	15	GWh	708	658	1,266
	Contracted electricity sales	16	GWh	4,296	4,463	8,582
	Steam sales	17	GWh	351	330	584
	Total electricity and steam net revenue	18	\$/MWh	77.84	74.04	76.18
	C&I netback (at the ICP)	19	\$/MWh	82.99	82.94	85.24
	C&I line losses	20	%	4%	4%	4%
	Thermal generation	21	GWh	836	966	1,812
	Geothermal generation	22	GWh	1,652	1,726	3,323
	Hydro generation	23	GWh	2,045	1,635	3,479
	Spot electricity sales	24	GWh	4,532	4,327	8,614
	Electricity sales - Direct	25	GWh	51	50	90
	Acquired generation	26	GWh	171	384	519
	Electricity generated (or acquired)	27	GWh	4,754	4,762	9,223
	Unit generation cost (including acquired generation)	28	\$/MWh	(34.49)	(36.98)	(34.25)
	Spot electricity purchases	29	GWh	(3,538)	(3,755)	(7,226)
	CFD sales	30	GWh	(708)	(658)	(1,266)
	Spot exposed purchases / CFD settlement	31	GWh	(4,246)	(4,413)	(8,492)
	Spot revenue and settlement on acquired generation (GWAP)	32	\$/MWh	134.58	92.37	85.10
	Spot purchases and settlement on CFDs sold (LWAP)	33	\$/MWh	(138.40)	(97.14)	(89.84)
	LWAP/GWAP	34	%	103%	105%	106%
	Gas used in internal generation	35	PJ	8.1	9.6	17.6
	Gas storage net movement (extraction) / injection	36	PJ	(2.0)	(0.8)	(0.3)

Contact's operational performance - monthly

» Some of the operating statistics may have changed from previously released to align operating reporting with segment reporting

	Measure	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	
Customer	Mass market electricity sales	GWh	409	365	332	292	263	246	248	234	265	285	325	385	400	365	320	285	259	246
	Retail gas sales	GWh	100	87	85	79	57	43	34	37	50	57	75	100	108	104	89	75	59	50
	Mass market electricity and gas sales	GWh	509	453	417	371	319	289	282	272	315	342	400	485	508	469	409	360	317	296
	Average electricity sales price	\$/MWh	227.83	239.33	238.43	245.70	248.57	250.69	255.99	244.89	246.45	244.83	243.21	235.32	235.88	238.14	241.66	246.06	248.94	250.48
	Electricity direct pass thru costs	\$/MWh	(106.88)	(110.32)	(125.78)	(119.94)	(121.20)	(132.30)	(125.13)	(121.44)	(122.24)	(115.53)	(117.92)	(113.51)	(112.86)	(111.49)	(115.67)	(118.61)	(120.37)	(129.49)
	Cost to serve	\$/MWh	(14.25)	(14.48)	(17.17)	(18.92)	(22.79)	(20.54)	(25.21)	(23.82)	(22.09)	(18.12)	(16.21)	(15.21)	(13.26)	(14.64)	(15.15)	(19.27)	(20.85)	(23.04)
	Customer netback	\$/MWh	91.32	96.95	81.19	90.70	90.39	87.34	96.50	89.98	92.14	98.05	94.03	88.71	91.59	92.82	92.36	90.48	92.82	89.16
	Energy purchase cost	\$/MWh	(86.97)	(80.78)	(69.62)	(61.09)	(57.97)	(57.02)	(68.74)	(72.00)	(77.39)	(71.54)	(82.67)	(86.77)	(84.65)	(79.53)	(69.09)	(65.64)	(61.08)	(58.52)
	Actual electricity line losses	%	7%	8%	6%	7%	10%	9%	7%	6%	4%	7%	11%	6%	5%	7%	8%	7%	8%	7%
	Retail gas sales	PJ	0.3	0.3	0.3	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.3	0.4	0.4	0.4	0.3	0.3	0.2	0.2
	Electricity ICPs (rounded to the nearest 500)	#	420,000	420,000	419,500	419,000	417,500	416,500	415,500	415,000	414,000	414,000	414,000	413,000	411,500	407,500	406,500	406,500	406,000	406,000
	Gas ICPs (rounded to the nearest 500)	#	64,000	64,500	64,500	64,500	64,500	64,500	64,500	64,500	64,500	65,000	65,000	65,000	65,000	65,000	65,000	65,500	65,500	65,000
	Wholesale	Electricity sales to Customer business	GWh	443	397	354	314	292	270	267	249	277	304	366	409	423	394	346	306	282
Electricity sales to Commercial and Industrial		GWh	284	293	288	291	297	283	285	261	288	268	284	253	254	269	267	261	261	260
Electricity CFD sales		GWh	106	104	103	103	103	140	109	84	94	101	111	108	115	113	108	143	114	116
Contracted electricity sales		GWh	833	795	745	707	691	693	660	594	660	674	761	771	791	775	721	710	657	641
Steam sales		GWh	26	58	67	64	61	54	44	46	51	55	39	20	30	63	68	69	66	56
Total electricity and steam net revenue		\$/MWh	89.40	81.72	73.67	65.73	65.44	65.28	70.03	70.22	75.98	75.55	82.97	93.27	90.08	82.53	72.37	77.91	68.01	74.10
C&I netback (at the ICP)		\$/MWh	103.25	91.24	89.34	75.91	67.48	70.57	75.52	78.79	86.57	86.35	93.51	106.26	96.37	89.81	80.03	86.06	67.92	77.31
C&I line losses		%	6%	3%	5%	5%	6%	1%	1%	3%	4%	4%	5%	4%	3%	4%	7%	2%	4%	4%
Thermal generation		GWh	365	215	41	29	114	203	305	113	38	55	147	188	198	201	216	152	31	38
Geothermal generation		GWh	300	300	290	292	279	265	257	245	275	274	283	263	273	291	295	293	273	227
Hydro generation		GWh	185	270	325	305	293	258	191	267	323	366	380	316	317	322	243	358	440	365
Spot electricity sales		GWh	850	785	655	625	687	726	753	625	636	694	810	767	788	813	754	803	744	631
Electricity sales - Direct		GWh	3	8	9	10	10	10	10	8	9	8	4	1	4	9	10	10	10	9
Acquired generation		GWh	62	44	90	82	65	42	27	31	37	0	6	33	17	9	22	22	42	59
Electricity generated (or acquired)		GWh	916	837	755	716	761	777	790	665	682	703	821	802	808	831	785	835	796	699
Unit generation cost (including acquired generation)		\$/MWh	(45.03)	(38.03)	(31.18)	(34.01)	(31.29)	(40.31)	(44.07)	(33.77)	(28.30)	(23.33)	(25.61)	(32.27)	(33.98)	(30.78)	(35.84)	(36.47)	(29.16)	(41.67)
Spot electricity purchases		GWh	(723)	(682)	(632)	(595)	(579)	(543)	(542)	(501)	(557)	(564)	(646)	(661)	(673)	(654)	(604)	(557)	(533)	(516)
CFD sales		GWh	(106)	(104)	(103)	(103)	(103)	(140)	(109)	(84)	(94)	(101)	(111)	(108)	(115)	(113)	(108)	(143)	(114)	(116)
Spot exposed purchases / CFD settlement		GWh	(829)	(787)	(735)	(697)	(681)	(683)	(651)	(586)	(651)	(666)	(757)	(770)	(788)	(767)	(711)	(700)	(648)	(632)
Spot revenue and settlement on acquired generation (GWAP)		\$/MWh	137.98	82.46	54.61	53.52	93.02	120.67	118.44	65.40	58.51	57.01	56.89	101.48	79.26	82.72	86.59	283.35	164.79	102.49
Spot purchases and settlement on CFDs sold (LWAP)	\$/MWh	(149.13)	(86.18)	(58.33)	(57.71)	(100.76)	(125.03)	(126.11)	(69.81)	(62.23)	(62.22)	(63.71)	(105.50)	(80.78)	(86.60)	(89.79)	(297.64)	(181.27)	(107.42)	
LWAP/GWAP	%	108%	105%	107%	108%	108%	104%	106%	107%	106%	109%	112%	104%	102%	105%	104%	105%	110%	105%	
Gas used in internal generation	PJ	3.1	2.0	0.6	0.5	1.3	2.0	2.7	1.2	0.6	0.7	1.4	1.4	1.8	1.8	1.9	1.5	0.5	0.6	
Gas storage net movement (extraction) / injection	PJ	(1.0)	(0.2)	0.5	0.6	(0.0)	(0.7)	(0.5)	0.2	0.3	0.5	0.4	(0.4)	(0.3)	(0.7)	(1.0)	(0.5)	0.4	0.2	

Customer business – components of EBITDAF

What is 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 customers

Add: Revenue from gas sales, broadband and legacy meters and LPG service revenue

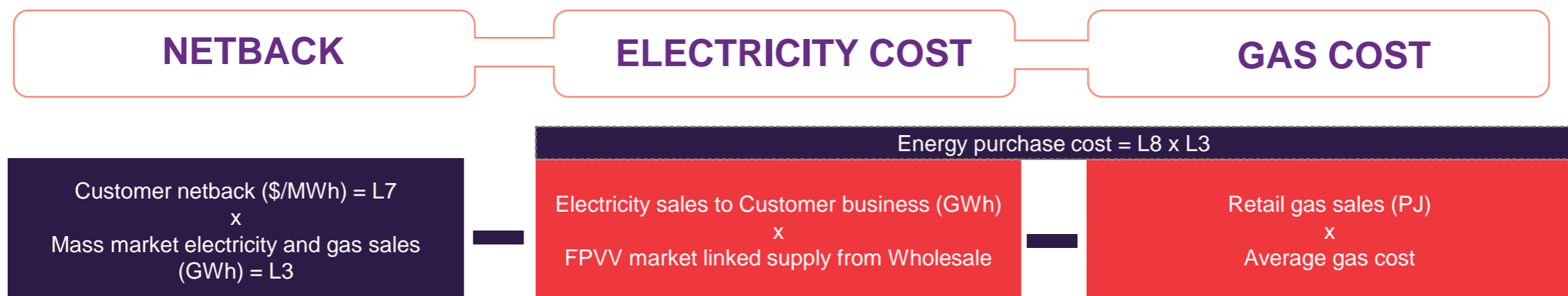
Less: Electricity distribution network costs, meter costs and electricity levies and wholesale costs of broadband

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

Less: Direct operating costs to serve the customer, (excludes head office allocation)

Less: Carbon emission costs on the sale of retail gas

Components of EBITDAF



Calculating Customer EBITDAF from the operating report (see page 5)

Customer EBITDAF (\$000s) = Netback [Line 7 x Line 3] – Energy purchase cost [Line 8 x Line 3]

Wholesale business – components of EBITDAF

CONTRACTED

Electricity sales to Customer

- Fixed price variable volume sales to Customer business mass market at a market price

Electricity sales to C&I (netback)

- Fixed price variable volume sales to C&I, includes retailing margin. C&I is shown as a netback (i.e. net of all pass through and cost to serve)
- Only the margin from C&I spot sales is shown (volumes and costs removed – agency relationship only)
- Direct C&I sales from a generation site

CFD electricity sales

- Revenue from contracts for difference (CFD) – includes support for NZAS and retailers

Other income

- Revenue from the sale of steam, net proceeds on wholesale gas sales, net proceeds on electricity related services, ASX market making and other income

$$\begin{aligned} &\text{Total electricity and steam revenue (\$/MWh)} = \text{L18} \\ &\quad \times \\ &\text{Contracted electricity and steam sales (GWh)} = \\ &\quad \text{L16+ L17} \end{aligned}$$

GENERATION COST

Generation costs

- Electricity transmission and levies
- Thermal fuel (gas and diesel)
- Carbon costs
- Gas transmission and levies
- Wholesale operating costs

Acquired generation cost

- Cost of electricity CFD purchases bought for fuel replacement
- Cost of options for fuel replacement

$$\begin{aligned} &\text{Unit generation cost (including acquired} \\ &\text{generation) (\$/MWh)} = \text{L28} \\ &\quad \times \\ &\text{Electricity generated (or acquired) (GWh)} = \text{L27} \end{aligned}$$

TRADING / MERCHANT

Spot electricity sales to the wholesale market / settlement of acquired generation

- Spot electricity sales
- Settlement on acquired generation

$$\begin{aligned} &\text{Spot revenue and settlement on acquired} \\ &\text{generation (GWAP)} = \text{L32} \\ &\quad \times \\ &\text{Spot electricity sales + acquired generation (GWh)} \\ &\quad = \text{L24+ L26} \end{aligned}$$

Purchases from the wholesale market / settlement on CFD sales

- Spot electricity purchases
- Settlement on CFD sales

$$\begin{aligned} &\text{Spot purchases and settlement on CFDs sold} \\ &\text{(LWAP)} = \text{L33} \\ &\quad \times \\ &\text{Spot exposed purchases / CFD settlement (GWh)} \\ &\quad = \text{L31} \end{aligned}$$

Estimating Wholesale EBITDAF from the operating report (page 5)

$$\text{Wholesale EBITDAF (\$000s)} = \text{Contracted } [(\text{Line 16} + \text{Line 17}) \times \text{Line 18}] + \text{Generation cost } [\text{Line 27} \times \text{Line 28}] + \text{Trading / merchant } [((\text{Line 24} + \text{Line 26}) \times \text{Line 32}) - (\text{Line 31} \times \text{Line 33})]$$

Historic wholesale performance

	1H18			FY18			Reference to segment note
	Six months ended 31 December 2017			12 months ended 30 June 2018			
	Volume GWh	GWAP \$/MWh	\$m	Volume GWh	GWAP \$/MWh	\$m	
Note: this table has not been rounded and might not add							
Electricity sales to Customer	2,069	76.9	159	3,941	79.7	314	6
Electricity sales to Fixed C&I (netback)	1,686			3,285			Data in operating report
Electricity sales – Direct	50			90			
Electricity sales to C&I	1,736	79.6	138	3,376	82.2	278	2, 18, 21 [C&I opex only] + Spot margin 3,11,19
CfDs – Tiwai support	353			701			
CfDs - Long term sales	258			497			
CfDs - Short term sales	47			67			
Electricity sales - CFDs	658	63.4	42	1,266	64.2	81	4
Total contracted electricity sales	4,463	76.0	339	8,582	78.4	673	
Steam sales	330	43.0	14	584	42.8	25	7
Other income			2			-	9
Net income on gas sales			-			1	7, 14 (gas cost)
Net income on electricity related services			-			-	5, 12
Net other income			2			1	
Total contracted revenue (1)	4,792	74.0	355	9,166	76.3	699	
Generation costs	4,377	(32.2)	(141)	8,704	(30.9)	(269)	14, 15, 17, 20, 21, 22 [less gas sold and C&I opex]
Acquired generation cost	384	(91.2)	(35)	519	(92.1)	(48)	10
Generation costs (including acquired generation) (2)	4,762	(37.0)	(176)	9,223	(34.3)	(317)	
Spot electricity revenue	4,327	92.6	401	8,614	84.8	730	4
Settlement on acquired generation	384	90.3	35	519	90.1	47	10
Spot revenue and settlement on acquired generation (GWAP)	4,712	92.4	435	9,132	85.1	777	
Spot electricity cost	(3,755)	(97.6)	(367)	(7,226)	(90.7)	(656)	10
Settlement on CFDs sold	(658)	(94.3)	(62)	(1,266)	(84.8)	(107)	4
Spot purchases and settlement on CFDs sold (LWAP)	(4,413)	(97.1)	(429)	(8,492)	(89.8)	(763)	
Trading, merchant revenue and losses (3)			7			14	
Wholesale EBITDAF (1+2+3)			185			397	

Components of EBITDAF

EBITDAF

Customer business EBITDAF (see page 7)

Add: Wholesale EBITDAF (see page 8)

Add: LPG EBITDAF - Sold 30 November 2018 - **FY18: \$32m, FY19: \$13m, FY20: nil**

Less: Corporate costs (FY18: \$25m), will only be updated at results (half and full)

FAQ:

Q: Why are Wholesale contracted sales higher than previously reported?

A: Contact now reports on the gross CFD sales made (these were previously net settled into wholesale revenue), this includes the CFD to support the Tiwai smelter and other market participants. The settlement cost of these contracts has also been included as an effective electricity purchase. Grossing up the CFDs also give a clearer understanding of Contact's effective generation and sales position.

Q: Why are C&I sales volumes lower than previously reported?

A: Contact acts as an agent to allow some large C&I customers access to the wholesale spot market, as Contact does not take any risk or generate to cover this load, these sales (along with the costs) are eliminated from what is reported.