

*Contact*TM

Monthly Operating Report

November 2017

November overview

- » For the month of November 2017 Contact recorded:
 - Electricity and gas sales of 605 GWh (November 2016: 611 GWh)
 - Netback of \$78.45/MWh (November 2016: \$72.01/MWh)
 - Cost of energy was \$19.43/MWh (November 2016: \$27.18/MWh)

- » Otahuhu futures settlement wholesale price for the 4th quarter of 2017 (ASX):
 - As at 15 December 2017: \$92/MWh
 - As at 30 November 2017: \$88/MWh
 - As at 31 October 2017: \$61/MWh

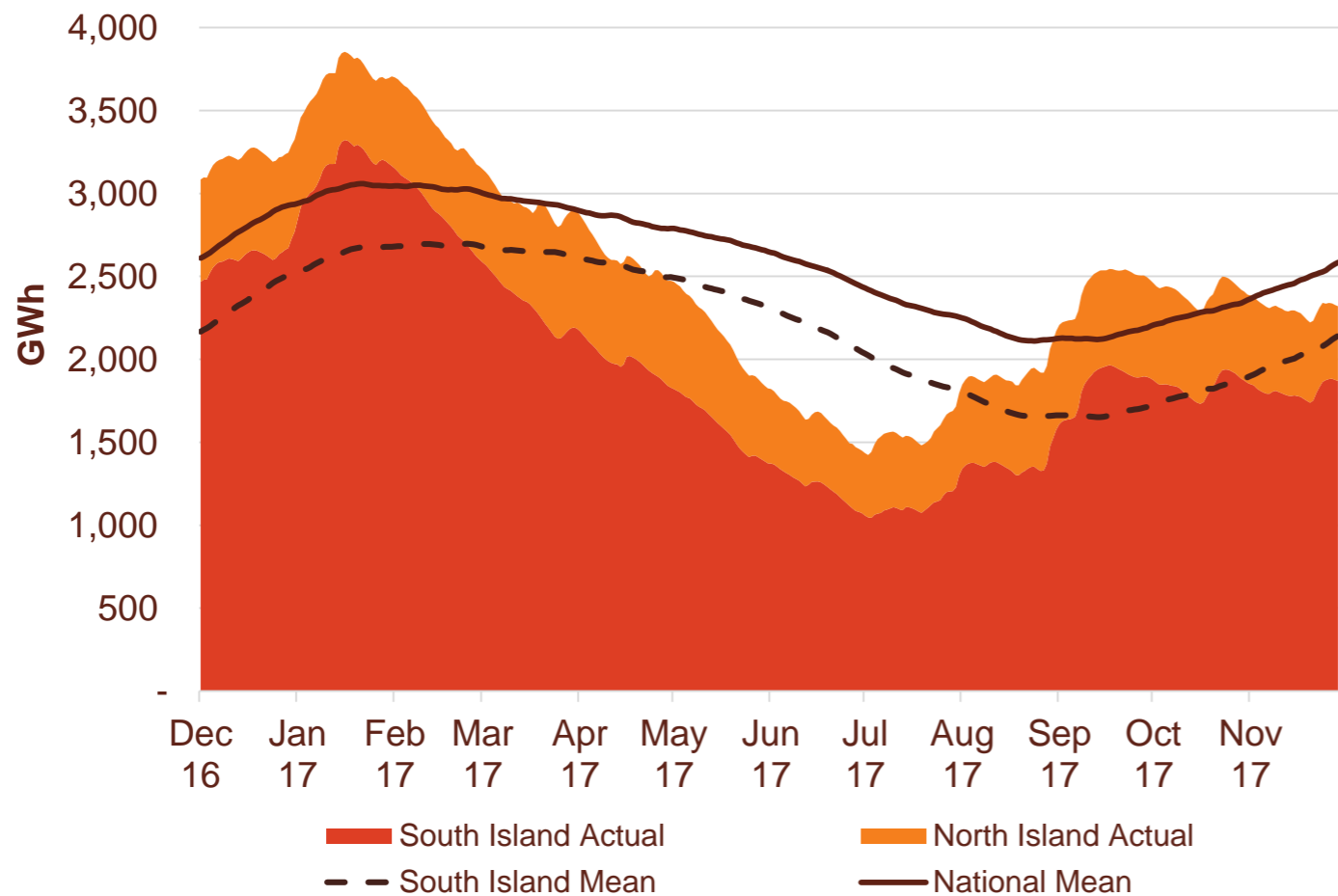
- » As at 15 December 2017, South Island controlled storage was 89% of mean (30 November 2017: 90%) and North Island storage was 102% of mean (30 November 2017: 111%)
 - As at 15 December, total Clutha scheme storage (including uncontrolled storage) was 51% of mean
 - Inflows into Contact's Clutha catchment for November 2017 were at 69% of mean (October 2017 47% of mean)



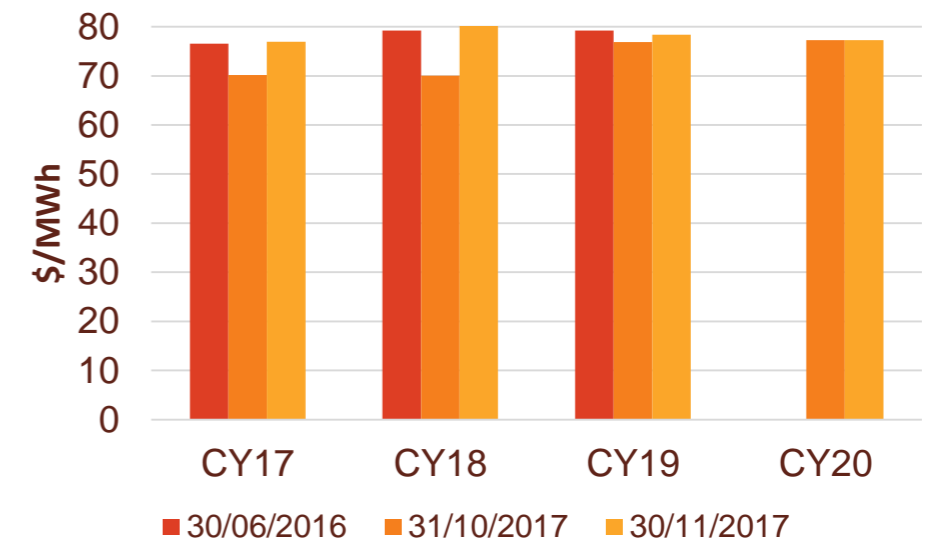
- » The Taranaki Combined Cycle plant (TCC) will be available to generate after refurbishment from 19 December 2017

Hydro storage and forward prices

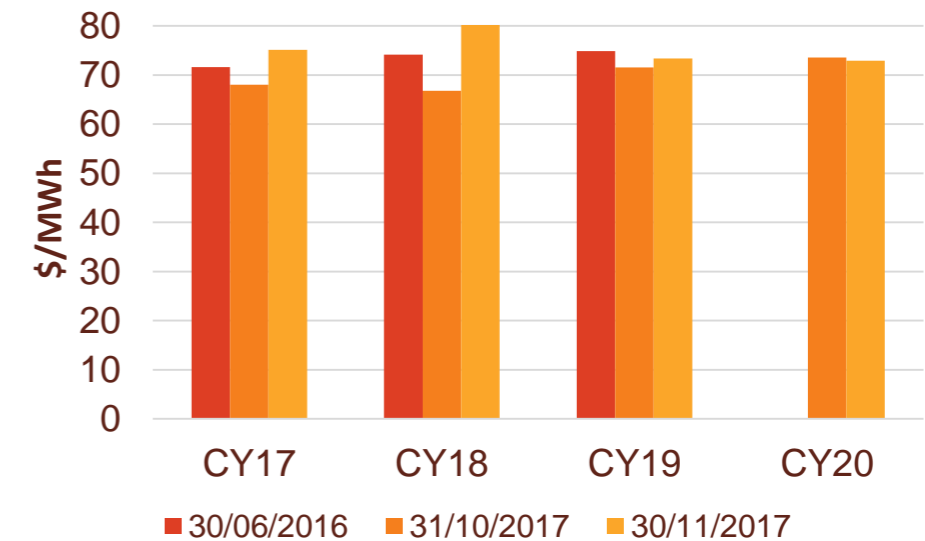
New Zealand controlled hydro storage against mean



Otauhu ASX futures settlement

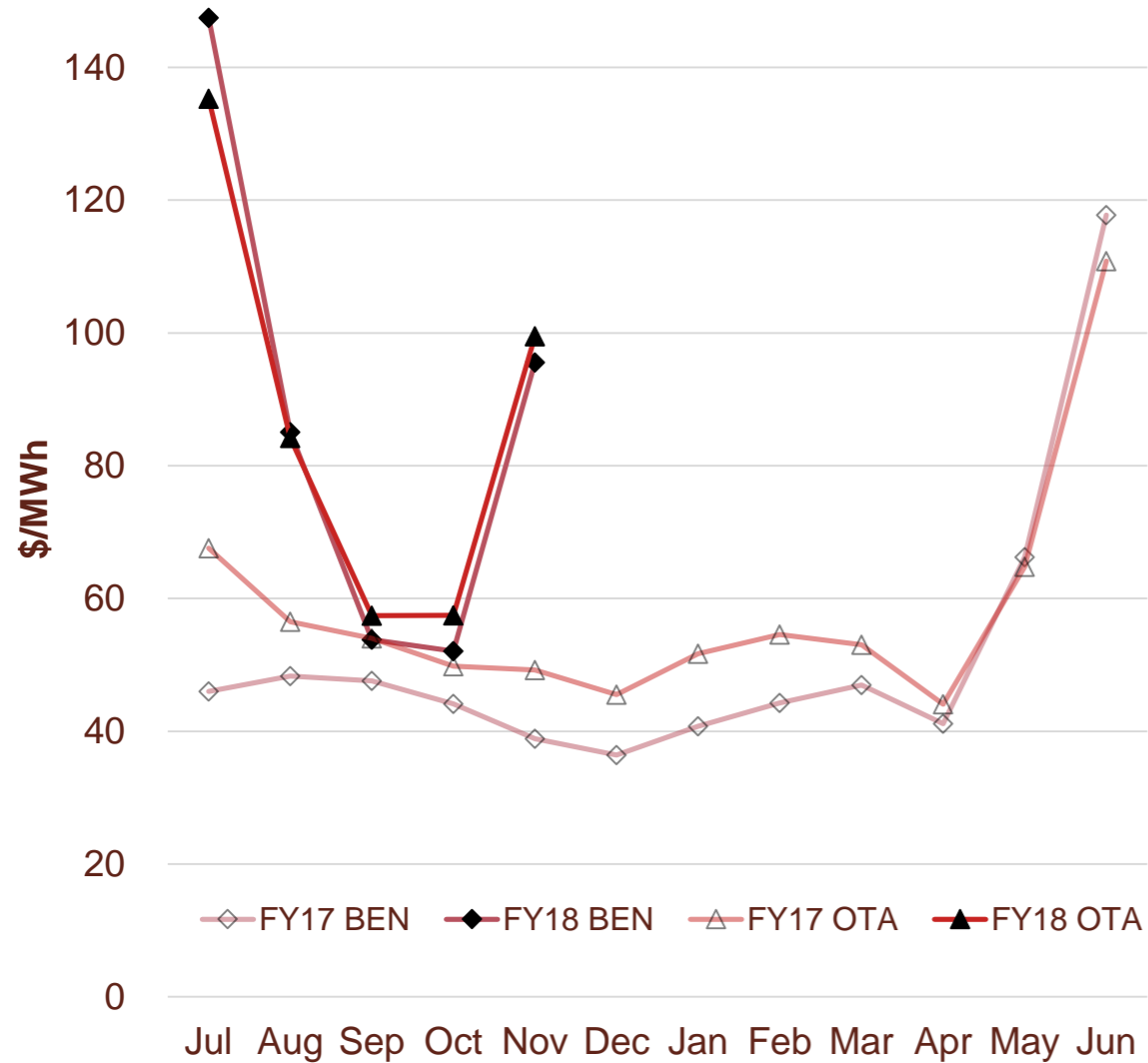


Benmore ASX futures settlement



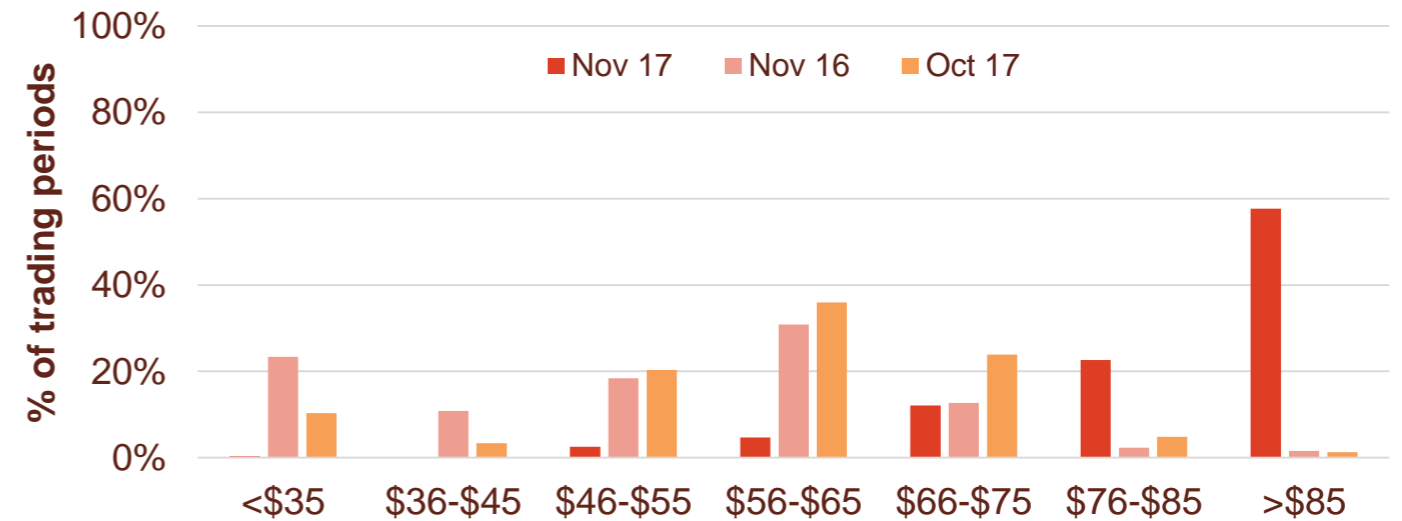
Wholesale market

Wholesale electricity pricing

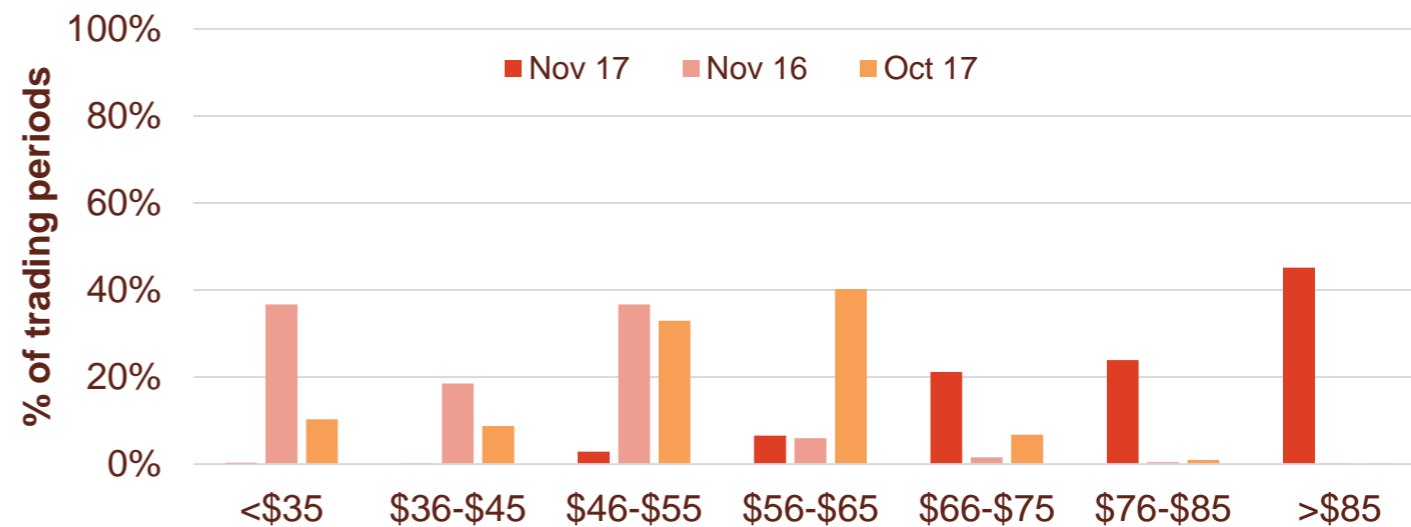


Distribution of wholesale market price by trading periods

Otahuhu node



Benmore node

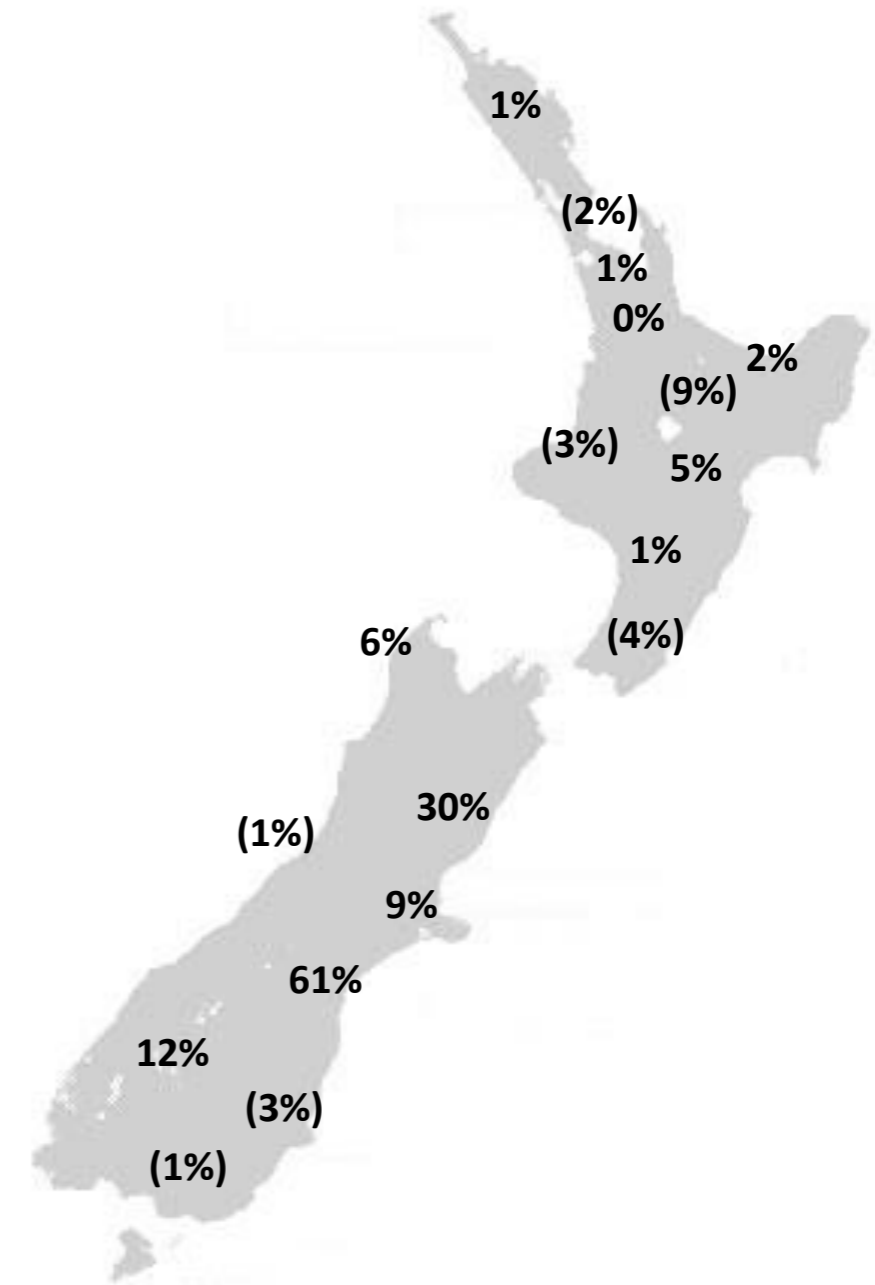
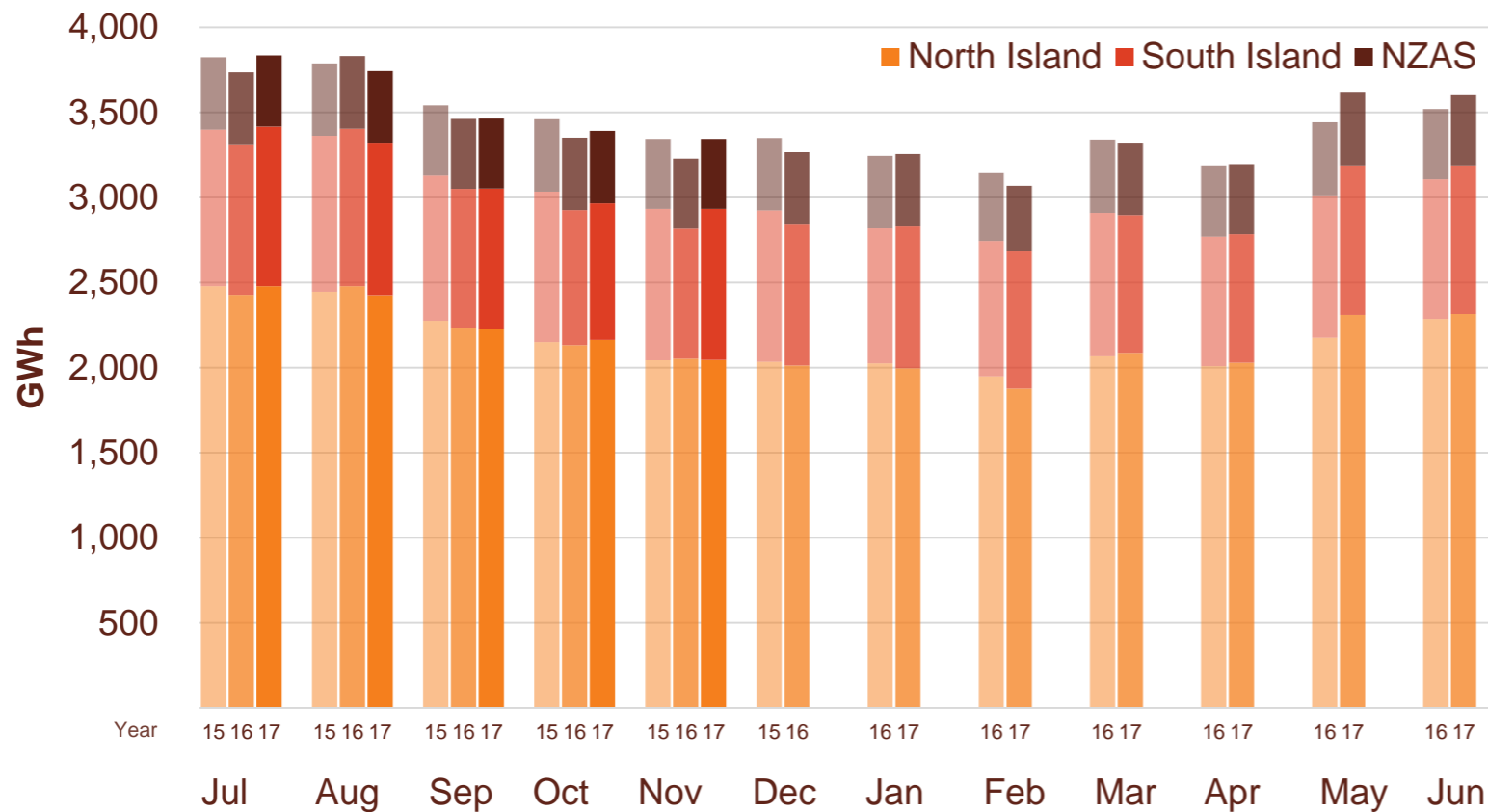


Electricity demand

- » New Zealand electricity demand was up 3.6% on November 2016 (flat on November 2015).
- » Cumulative 12 months demand for December 2016 to November 2017 of 41,098 GWh is 0.7% higher than the prior comparative period.

Regional demand change (%) on November 2016

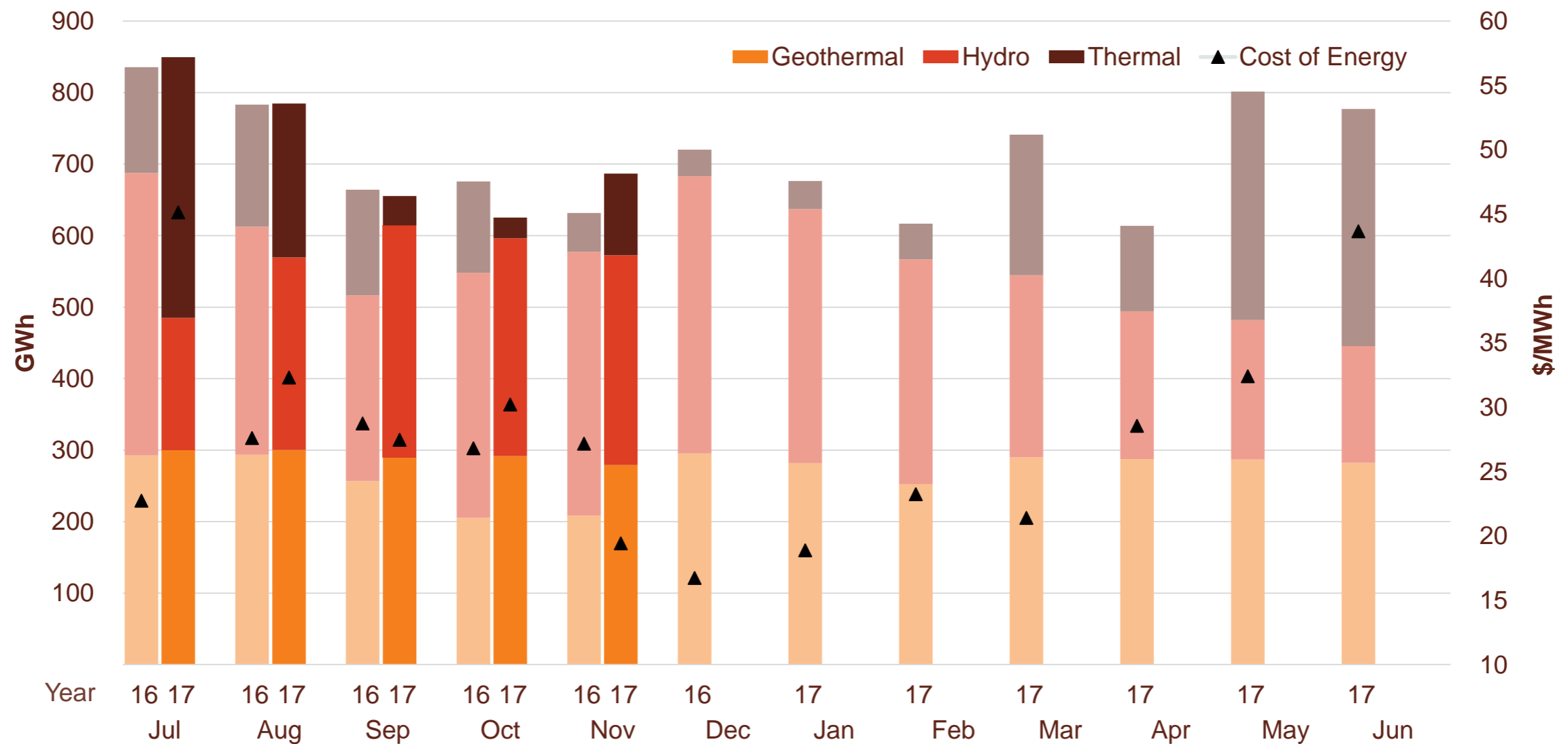
Total national demand (FY16, 17 and 18)



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

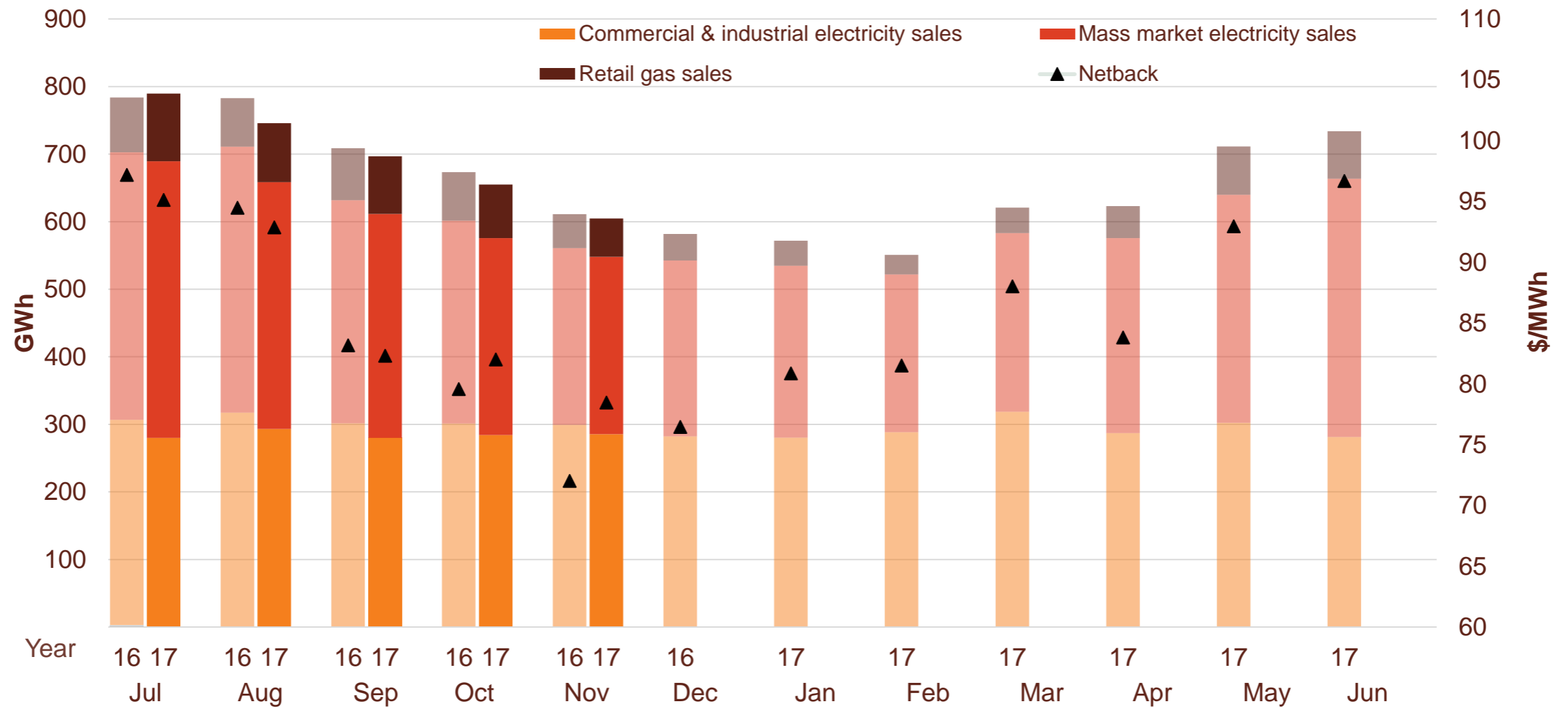
Contact's Generation business performance

Generation mix and cost of energy (FY17 and 18)



Contact's Customer business performance

Retail sales volumes and netback (FY17 and 18)



Investor briefing and update

- » Contact hosted invited institutional investors and research analysts in November
- » Dennis Barnes, Contact Chief Executive, presented a brief update of current performance and the outlook for distributions to shareholders which is available at <https://contact.co.nz/aboutus/investor-centre/reports-and-presentations>
- » A summary of FY18 forecasts provided to the market includes:
 - Forecast capital expenditure for FY18 of between \$70 million to \$80 million. Capital expenditure for the year expected to sit within the guided range.
 - Forecast operating expenditure for FY18 of between \$225 million to \$235 million. Year to date operating costs are tracking toward the lower end of the target.
 - Forecast depreciation for FY18 of between \$215 million and \$220 million.
 - Forecast net interest for FY18 of between \$88 million and \$90 million.
 - Contact is targeting an FY18 ordinary dividend of 32 cents per share.

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

- » Delivering strong operational performance and providing value for customers and shareholders

Contact's operational performance

Data		Measure	The month ended November 2017	The month ended November 2016	The month ended October 2017	Five months ended November 2017	Five months ended November 2016
Customer	Mass market electricity sales	GWh	263	261	292	1,661	1,681
	Commercial & industrial electricity sales	GWh	286	299	284	1,423	1,523
	Retail gas sales	GWh	57	50	79	408	352
	Total electricity and gas sales	GWh	605	611	655	3,492	3,557
	Average electricity sales price	\$/MWh	178.58	171.41	183.87	189.96	187.35
	Electricity direct pass through costs	\$/MWh	(81.00)	(80.71)	(83.03)	(83.86)	(81.20)
	Electricity and gas cost to serve	\$/MWh	(13.74)	(14.87)	(12.29)	(11.60)	(13.67)
	Netback	\$/MWh	78.45	72.01	81.99	86.73	86.13
	Electricity line losses	%	8%	6%	6%	6%	5%
	Retail gas sales	PJ	0.2	0.2	0.2	1.3	1.2
	LPG sales	tonnes	5,508	5,882	6,064	33,250	32,749
	Electricity customer numbers ¹	#	421,000	422,500	422,500		
	Gas customer numbers ¹	#	64,500	62,500	64,500		
	LPG customer numbers (includes franchises) ¹	#	83,500	76,000	82,500		
Generation	Thermal generation	GWh	114	54	29	764	648
	Geothermal generation	GWh	279	208	292	1,461	1,256
	Hydro generation	GWh	293	369	305	1,377	1,686
	Spot market generation	GWh	687	632	625	3,602	3,590
	Spot electricity purchases	GWh	595	594	611	3,290	3,380
	CfD sales	GWh	38	20	19	51	72
	Steam sales / (purchases)	GWh	61	60	64	276	294
	Commercial & industrial electricity sales	GWh	10	9	10	40	43
	GWAP	\$/MWh	93.05	41.55	52.67	86.99	48.91
	LWAP	\$/MWh	(101.74)	(47.46)	(58.59)	(93.69)	(54.25)
	LWAP/GWAP	%	109%	114%	111%	108%	111%
	Gas used in internal generation	PJ	1.3	0.7	0.5	7.5	6.8
	Gas storage net movement ²	PJ	(0.0)	0.3	0.6	(0.1)	(1.1)
	Unit generation cost	\$/MWh	(31.35)	(32.60)	(29.05)	(33.76)	(32.54)
	Cost of energy	\$/MWh	(19.43)	(27.18)	(30.22)	(31.62)	(26.54)

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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