2015 Results Presentation

17 August 2015

Year ended 30 June 2015
Dennis Barnes, Chief Executive Officer
Graham Cockroft, Chief Financial Officer

Disclaimer

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 earnings after tax, OCAT and free cash flow are non-GAAP (generally accepted accounting practice) profit 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.

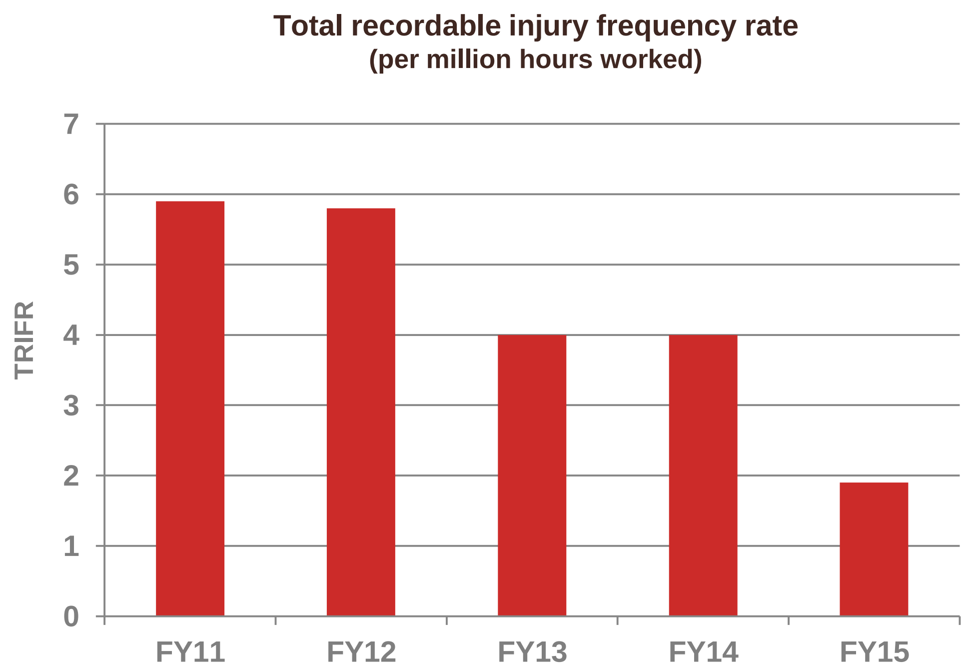
Performance highlights

Key themes for today

Increased cash flow	• Free cash flow improvement » Sales volumes stable » Strong retail competition continues to impact margins » Transition phase following investment in new systems and plant complete
Distribution of free cash flow	• 15 cps final dividend (76 cps distributed to shareholders) • Share buyback programme to commence in 1H16 • Continued commitment to investment grade credit rating
Smooth transition from sale	• Dennis Barnes confirmed as CEO, employed by Contact • Recruitment of new board members and chairman progressing • ASX application on track
Focus on structural efficiency	• 80MW contract with Meridian supports ongoing Tiwai operation • Otahuhu to close September 2015 • Major maintenance at TCC • Ongoing transition to flexible thermal capacity » Ahuroa gas storage a key enabler
FY16 outlook	• Increased renewable availability • New gas and Te Rapa supply contracts in place • Retail business stabilised; benefits realisation commences

Safety culture and performance improvement continues

- Safety is our number one priority and we continue to advance our cultural journey towards “generative”, to realise our goal of zero harm
- 55% reduction in TRIFR in FY15
- Over 9,000 safety conversations – eligible employees receive an award of Contact shares for exceeding our target
- Integrated safety improvement programme underway to improve our process safety performance and capability, and simplify our safety processes
  - Dashboard will provide real-time information on the status of our critical process safety controls.



Statutory profit down 43% to $133m
Underlying earnings per share down 29%

	Year ended 30 June 2015	
EBITDAF[1]	$525m	down 11% from $587m
Profit	$133m	down 43% from $234m
Earnings per share (cents)	18.2 cps	down 43% from 32.0 cps
Underlying earnings after tax[1]	$161m	down 29% from $227m
Underlying earnings per share (cents)	21.9 cps	down 29% from 31.0 cps
FY15 declared dividends (cents)	76.0 cps	up 192% from 26.0 cps
Underlying operating cashflow after tax (OCAT)[1]	$452m	up 11% from $406m
Free cash flow[2]	$363m	up 21% from $299m
Capital expenditure	$105m	down 62% from $274m

[1] Refer to slides 33-37 for a definition and reconciliation of EBITDAF, UEAT, OCAT and free cash flow

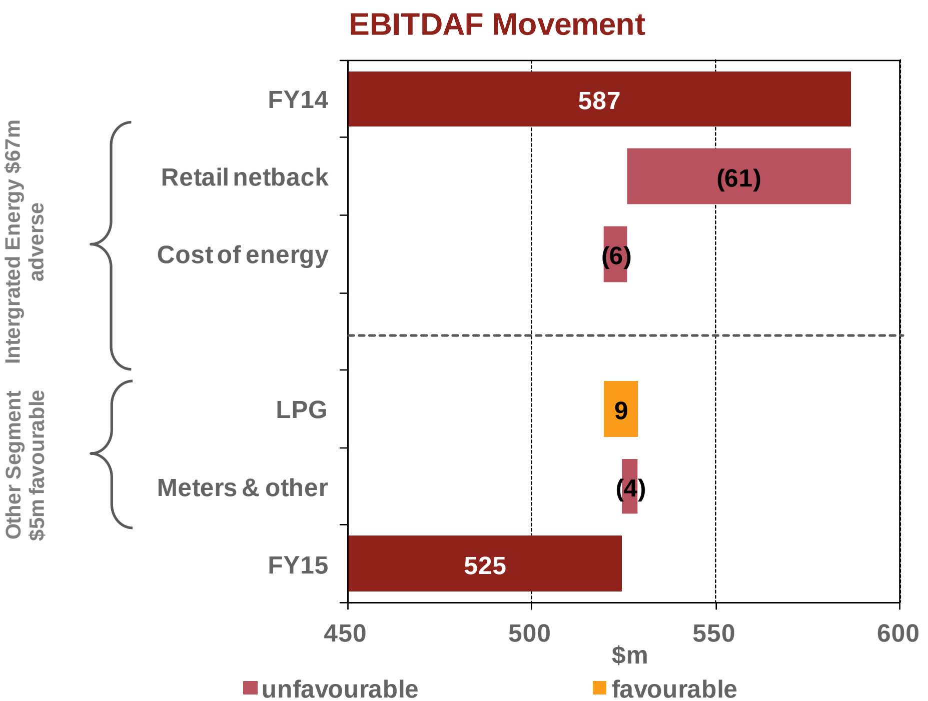
[2] Refer to slide 15 for a reconciliation of OCAT and free cash flow

Free cash flow up 21%

Margin pressure in mass market and C&I reduces EBITDAF

Integrated Energy segment EBITDAF: down $67m (12%) to $484m

- **Netback:** unfavourable $61m (7%)
  - Volumes remained stable despite lower customer numbers and reduced C&I sales
  - Netback down $7/MWh driven by increased discounting, network and operating costs
- **Cost of energy:** unfavourable $6m (2%)
  - Renewable generation increased from 69% to 76% led by geothermal
  - Increased electricity purchases and unit generation costs reduced contribution



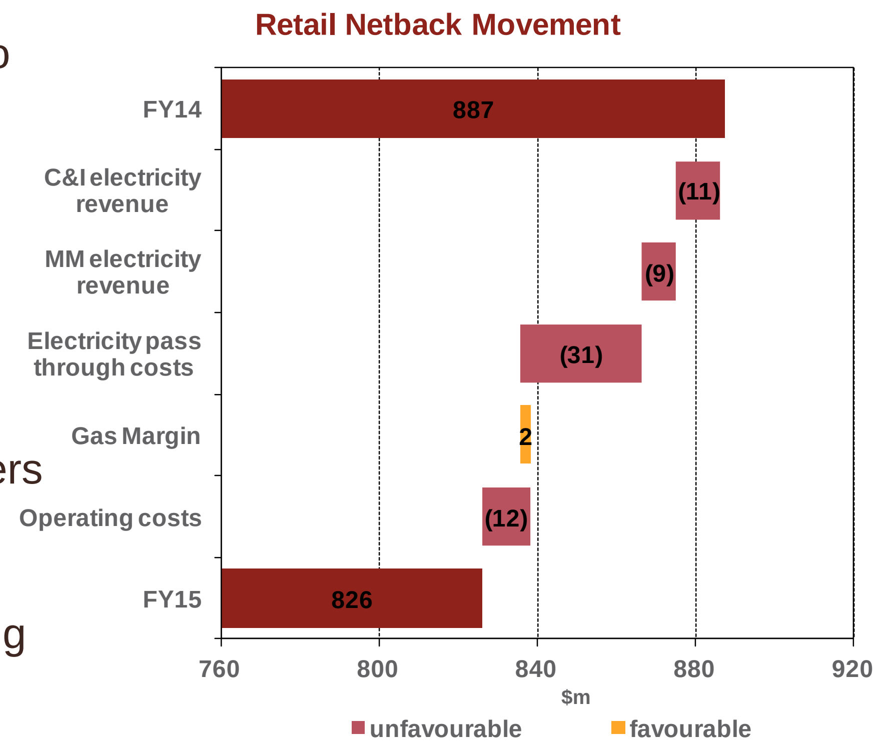
Other segment EBITDAF increased $5m (14%) to $41m

- **LPG:** favourable $9m due to a combination of higher sales volumes and lower costs
- **Meters & Other:** unfavourable $4m reflecting the continued transition to smart meters

Netback – $61m lower (7%) to $826m

Mass market discounting prevents full recovery of rising distribution costs

- Electricity sales in line with FY14 at 8,392 GWh
  - » Mass market sales up 44 GWh (2%) due to additional small business customers offsetting residential losses
  - » C&I sales down 30 GWh (1%), 2H15 sales increased 24 GWh



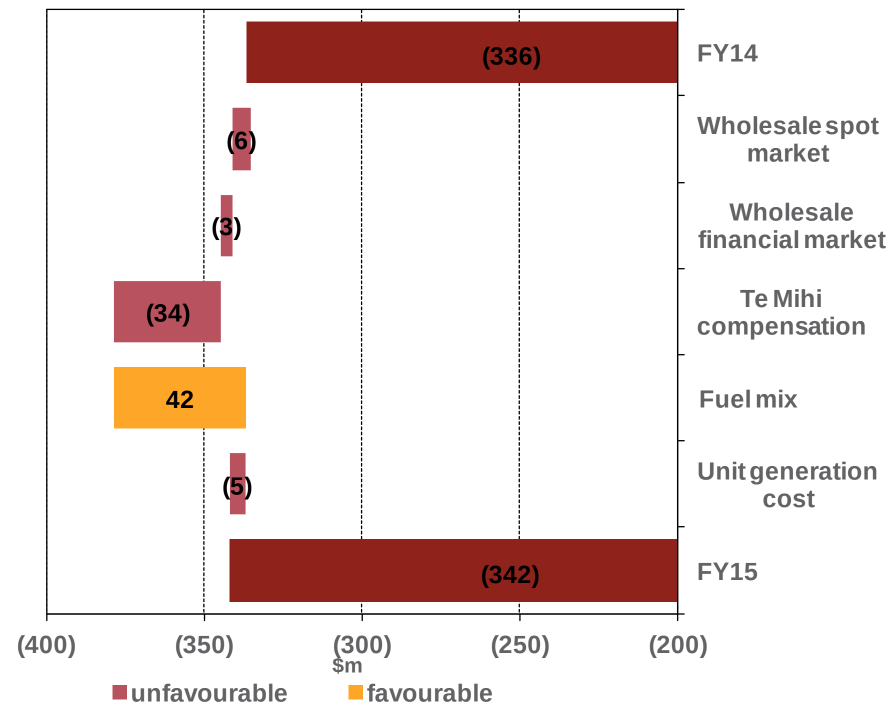
- Mass market netback $13/MWh unfavourable
  - » Approaching 70% of mass market customers now on non-standard tariff discounts
  - » Increased network costs include $5m ($1/MWh) one-off changes in network billing timing and absorption of cost increases for fixed price customers
  - » Cost to serve increased $12m ($3/MWh) due to increased ICT and consultancy costs offsetting a reduction in bad debts. Change to corporate cost allocation $6m ($1/MWh)
- Commercial and industrial netback unfavourable $3/MWh
  - » Competition and a lower forward curve reduced 1H15 netback. C&I netback flat 2H15

Cost of energy – unfavourable $6m (2%) to $342m

Renewable generation increased from 69% to 76% of total generation

- Wholesale spot market down $6m due to higher electricity purchases (up 200 GWh) being partially offset by increased generation
- Wholesale financial market unfavourable $3m due to 1H14 including HVDC commissioning revenue
- $43m Te Mihi liquidated damages in FY14 ($9m in FY15)
- Fuel mix favourable $42m with renewable generation increasing from 69% to 76%
  - » Geothermal volumes up 742 GWh; 2H15 increased 350 GWh to 1,600 GWh
  - » Gas used in generation down 3.7 PJ (15%)

Cost of Energy Movement



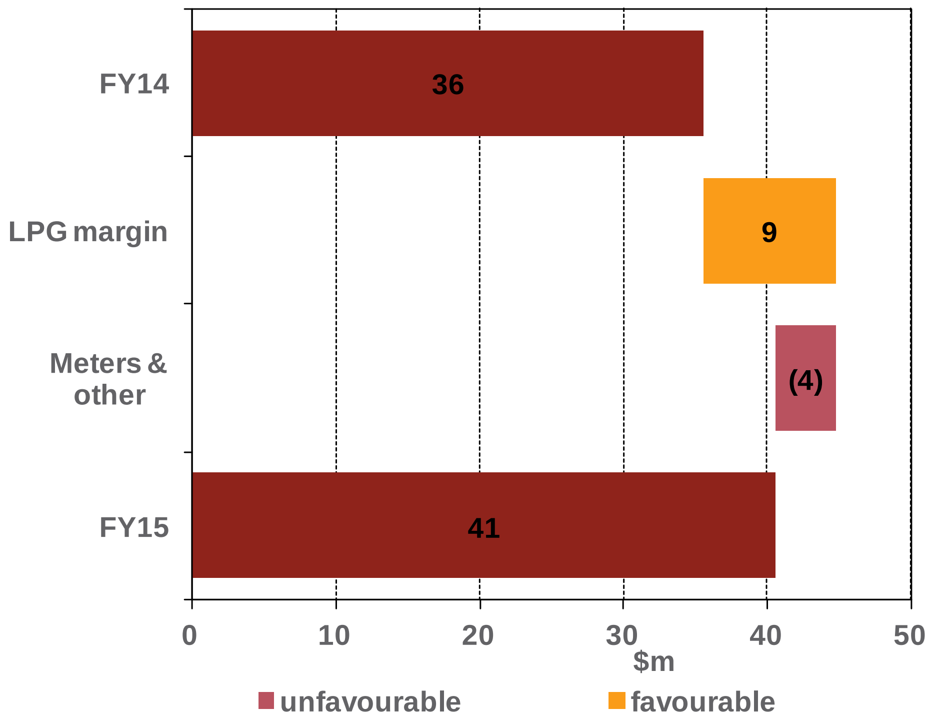
- Unit generation cost unfavourable $5m due to increased cost of carbon units and gas transmission costs, partially offset by lower gas unit prices and lower corporate cost allocation
  - » New gas contracts resulted in unit generation costs being $4m favourable in 2H15

Other segment – favourable $5m (14%) to $41m

- LPG margin up $9m
  - LPG sales up 4,864 tonnes (7%) with reticulated demand responding to cooler weather and additional wholesale sales
  - Profit margin up $103/tonne (32%) with continued margin pressure offset by lower product and operating costs (incl. change to corporate cost allocation $4m)

- Meter business unfavourable $4m reflecting the transition to smart meters offset by lower depreciation
  - Smart meter deployment continues with approximately 261,000 customers with a smart meter

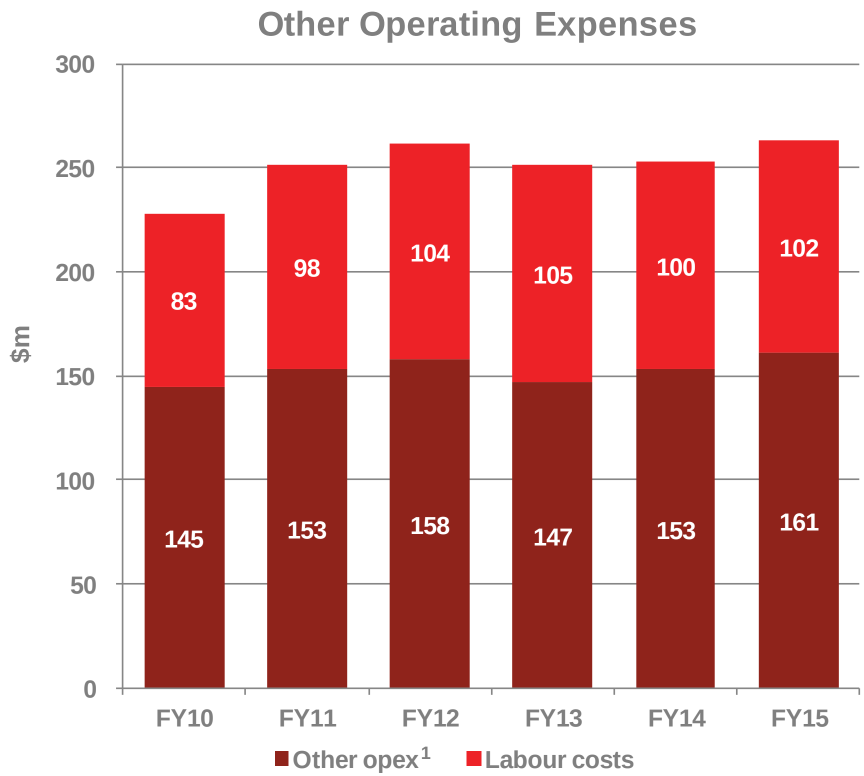
Other segment movements



Other operating expenses increased by $10m during transitional year

- Labour costs increased $2m
  - » Return of project resources to business as usual
  - » Partially offset by reduced incentive accruals reflecting FY15 performance

- Other operating costs increased $8m
  - » Timing of repairs and maintenance expenditure relating to the Clyde unit one repairs and full year impact of the Te Mihi operating costs
  - » Increased SAP-related and retail consultancy costs offsetting a $3m reduction in bad debts
  - » Review of international growth options



[1] Repairs and maintenance costs create year-on-year variability

Financial Review – Graham Cockroft

Statutory profit down 43% to $133m
Underlying earnings per share down 29%

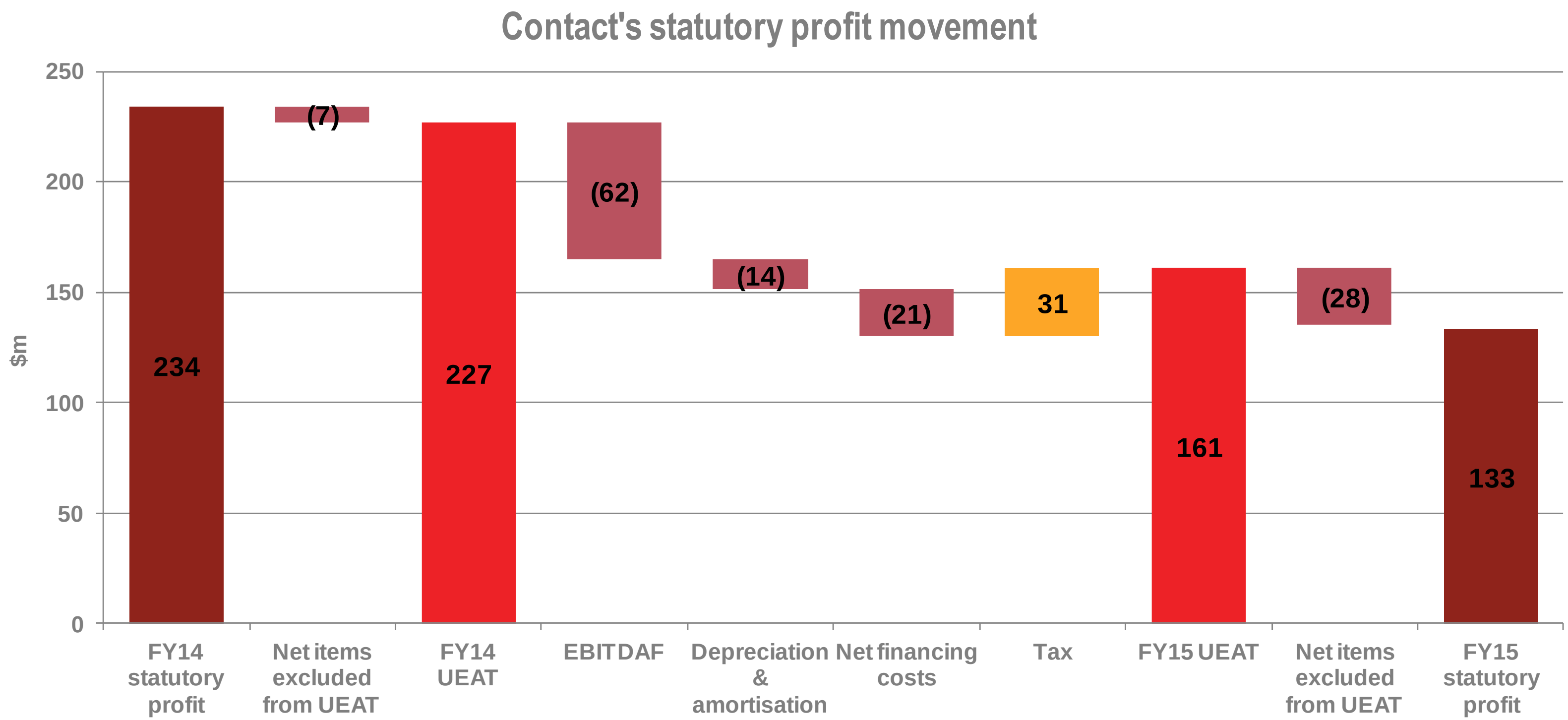
	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m	Variance $m	Variance %
Profit	133	234	(101)	(43%)
Earnings per share (cents)	18.2	32.0	(13.8)	(43%)
Revenue and other income	2,443	2,446	(3)	(0%)
EBITDAF[1]	525	587	(62)	(11%)
Underlying EBIT	321	397	(76)	(19%)
Underlying earnings after tax[1]	161	227	(66)	(29%)
Underlying earnings per share (cents)	21.9	31.0	(9.1)	(29%)
Underlying OCAT[1]	452	406	46	11%
Free cash flow[2]	363	299	64	21%
Free cash flow per share (cents)[2]	49.5	40.7	8.8	22%
Capital expenditure	105	274	(169)	(62%)

[1] Refer to slides 33-37 for a definition and reconciliation of EBITDAF, UEAT, OCAT and free cash flow

[2] Refer to slide 15 for a reconciliation of OCAT and free cash flow

Free cash flow up 21%

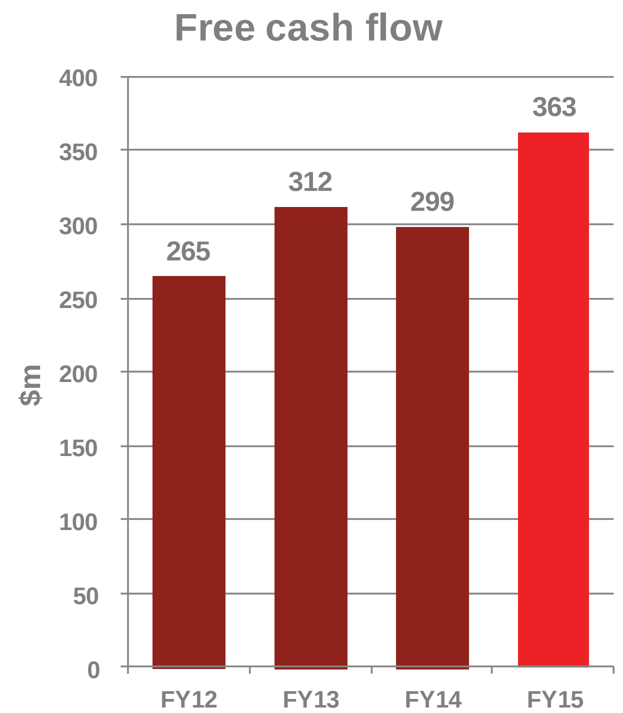
Statutory profit down 43% from $234m to $133m
Underlying earnings after tax down 29% from $227m to $161m



- Depreciation, amortisation and interest costs increased following full year of Te Mihi and new retail system operation
- Net items excluded from UEAT primarily relate to Retail Transformation stabilisation with costs of $7m in 2H15. FY16 cost expected to be $3m
- $31m favourable tax movement due to lower profit
  - Tax depreciation adjustment on powerhouses is excluded from UEAT

Free cash flow up 21%

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m	Variance $m	%
EBITDAF	**525**	**587**	**(62)**	**(11%)**
Change in working capital	20	(103)	123	119%
Tax paid	(45)	(53)	8	15%
Other	15	21	(6)	(29%)
Underlying operating cash flows	**515**	**452**	**64**	**14%**
Stay in business capital expenditure	(63)	(46)	(17)	(37%)
Underlying OCAT[1]	**452**	**406**	**46**	**11%**
Net interest paid	(89)	(107)	18	17%
Free cash flow[2]	**363**	**299**	**64**	**21%**
Average funds employed excluding CAPWIP	4,659	3,997	662	17%
Underlying OCAT ratio	9.2%	9.4%	(0.2%)	(2%)



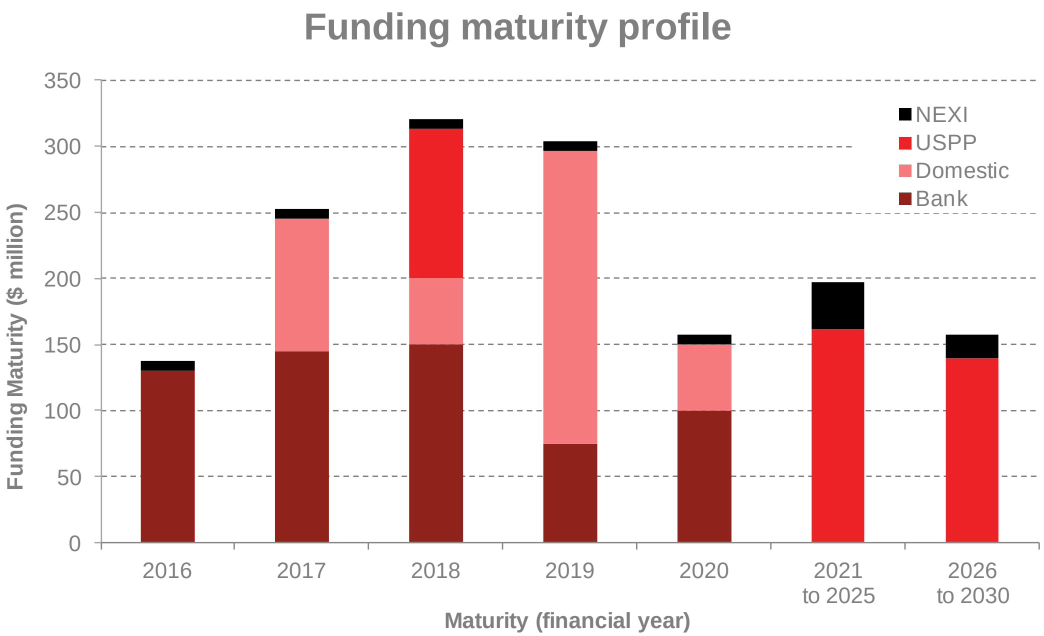
[1] Operating cash flow after tax. Refer to slide 39 for a definition of OCAT and the OCAT ratio

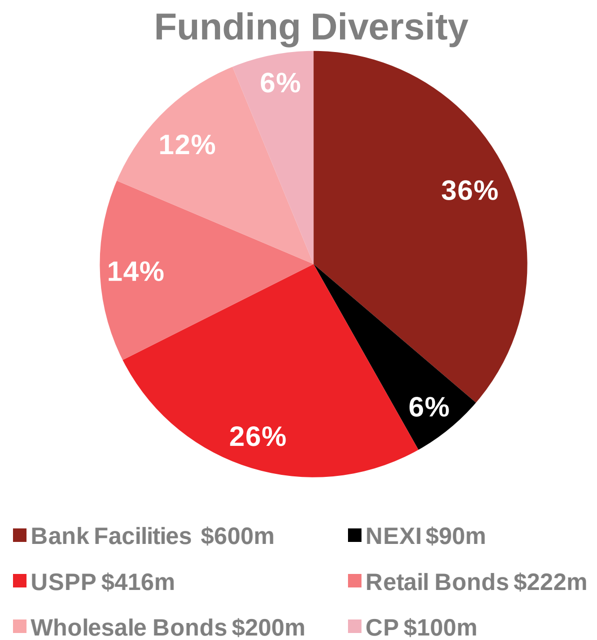
[2] Cash available to fund distributions to shareholders and growth capital expenditure. Refer to slide 39 for a definition of free cash flow

- Favourable working capital movement primarily due to natural gas inventory movements and favourable retail collections
- Stay in business capex of $63m was within expected ongoing range of $60m - $75m and follows a period of growth capital expenditure where stay in business capex was deferred
- Retail receivables continue positive trend

Timing of special dividend increased year end gearing ratio

Considering retail bond offer; expected to open 24 August





- Balance sheet gearing ratio increased to 34.6% at 30 June 2015
  - Net debt increased $282m to $1,698m to support June 2015 special dividend
  - $900m total committed bank facilities ($639m drawn and $100m commercial paper)
  - Weighted average tenor of funding facilities 4.7 years (excluding bridge facility)
- The above graphs exclude $300m bridge facilities in place to provide timing flexibility for funding of the March 2015 USPP maturity and June 2015 special dividend
  - Since balance date, $225m of refinancing for the bridge facilities has been secured via additional bank facilities ($80m) and USPP issuance (US$100m / NZ$145m)

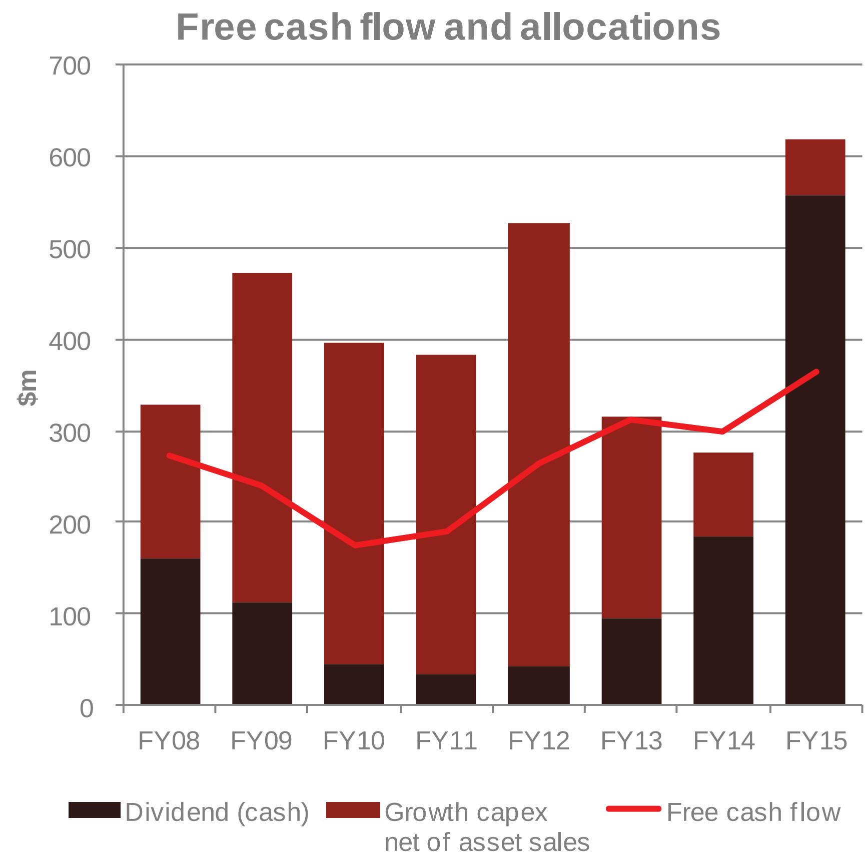
Net financing costs increased by $21m due to the reduction in capitalised interest

	Year ended 30 June 2015	Year ended 30 June 2014	Variance	
	$m	$m	$m	%
Interest income	1	6	(5)	(83%)
Interest expense	(99)	(120)	21	18%
Financing costs	**(98)**	**(114)**	**16**	**14%**
Financing costs capitalised	-	37	(37)	(100%)
Net financing costs	**(98)**	**(77)**	**(21)**	**(27%)**
Weighted average interest rate on borrowing	5.9%	6.5%	(0.6%)	(9%)

- Lower weighted average interest rate reflects success of the 2014 refinancing programme
- Interest income of $6m in FY14 was due to partial pre-funding of 2014 debt maturities
- No interest was capitalised in FY15 following the completion of Te Mihi and Retail Transformation projects

FY15 declared dividends 76 cents per share
Unimputed final dividend 15 cents per share
Share buyback programme to commence in FY16

- Dividend policy revised in May to target average ordinary dividends of 100% of UEAT
  - In the event that free cash flow exceeds ordinary dividends, additional distributions will be made
- FY15 declared dividends 76 cps including an unimputed final dividend of 15cps
  - Origin sale reduced imputation credits to zero. Imputation of dividends expected to restart March 2016
  - Record date 2 September 2015; payment date 15 September 2015
- Greater certainty provides opportunities for further cash returns with a share buy back programme to commence in 1H16



- Options around future distributions remain within commitment to investment grade credit rating
  - S&P re-confirmed BBB on 3 August 2015

Prospects

Transition update

- Dennis Barnes confirmed as CEO, employed by Contact
- Contact has commenced the process of finding suitable replacements for departing directors including Bruce Beeren who will retire at the next AGM
  - The permanent chairman will be one of the new directors
  - AGM will be later than normal to facilitate due process
- The Transitional Relationship Arrangement with Origin ensures the current operations of both companies are not adversely impacted by the change of control and details a timetable for the separation of shared arrangements
- ASX listing in progress, remains on track to be listed by mid September
- Contact's share register is now more diverse and liquid
  - Management and board to meet new and existing investors in the coming months

Contact's capital investments have positioned it well for the New Zealand market …

Upstream Fuel → Generation → Wholesale/Retail

Largely renewable fuel

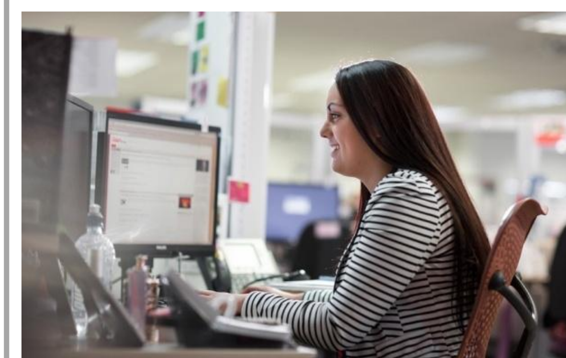
- Renewable generation increased from 69% to 76%
- Resource consents in place until 2026 and beyond
- Growth capital programme completed

Flexible generation portfolio

- Peakers and gas storage provide risk management flexibility
- CCGT operation dependent on market conditions
- Gas secured for the next 2-3 years

Significant customer base

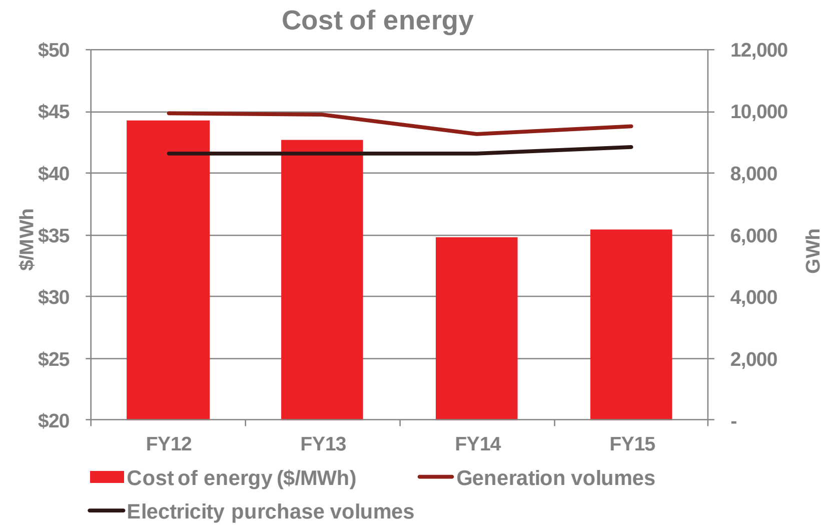
- Retail volumes stable in highly competitive market
- Retail Transformation provides platform for efficiency and innovation



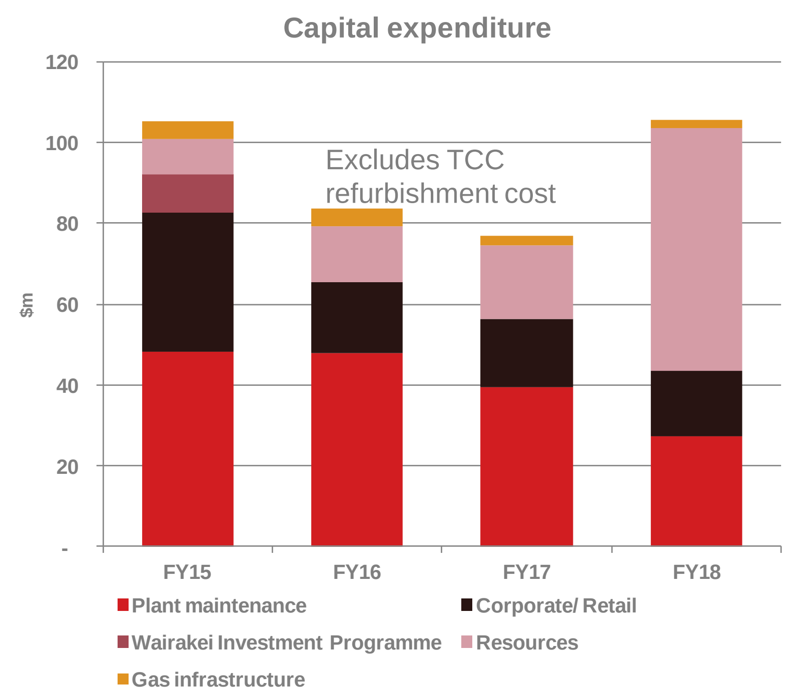
… with limited need for further investment in the operating business

Contact's cost of energy continues to track down with minimal capital requirements to support cash flow

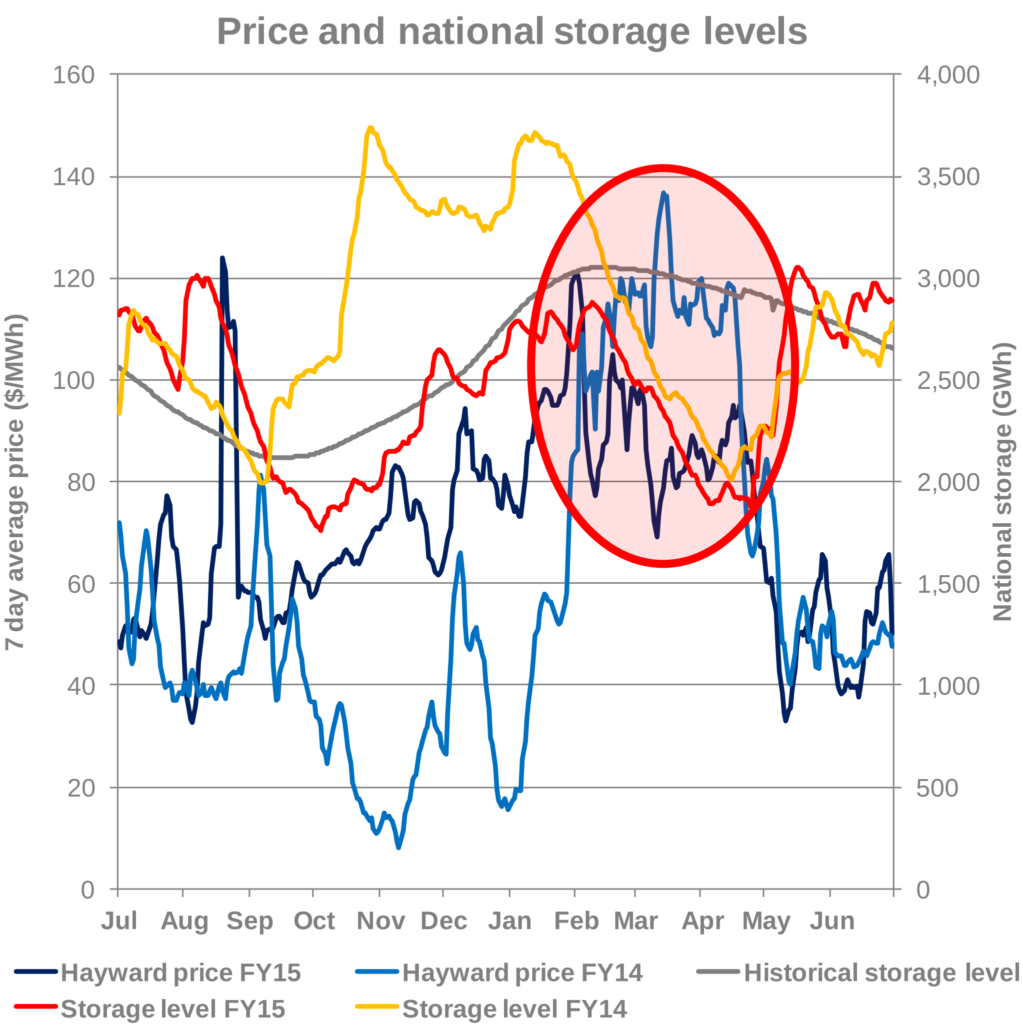
- FY16 cost of energy expected to continue to improve
  - Improved plant availability following maintenance programme in FY15
  - Geothermal generation expected to exceed 3,300GWh
  - Greater gas flexibility and lower unit cost



- Capital expenditure remains low
  - Plant maintenance over the next 2 years focused on asset upgrade and long-term maintenance program
  - Continued investment in products and process enhancements in the retail business drive corporate spend
  - Additional geothermal wells not forecast until 2018. FY16 and FY17 spend relates to modifications to increase Ohaaki generation from FY18

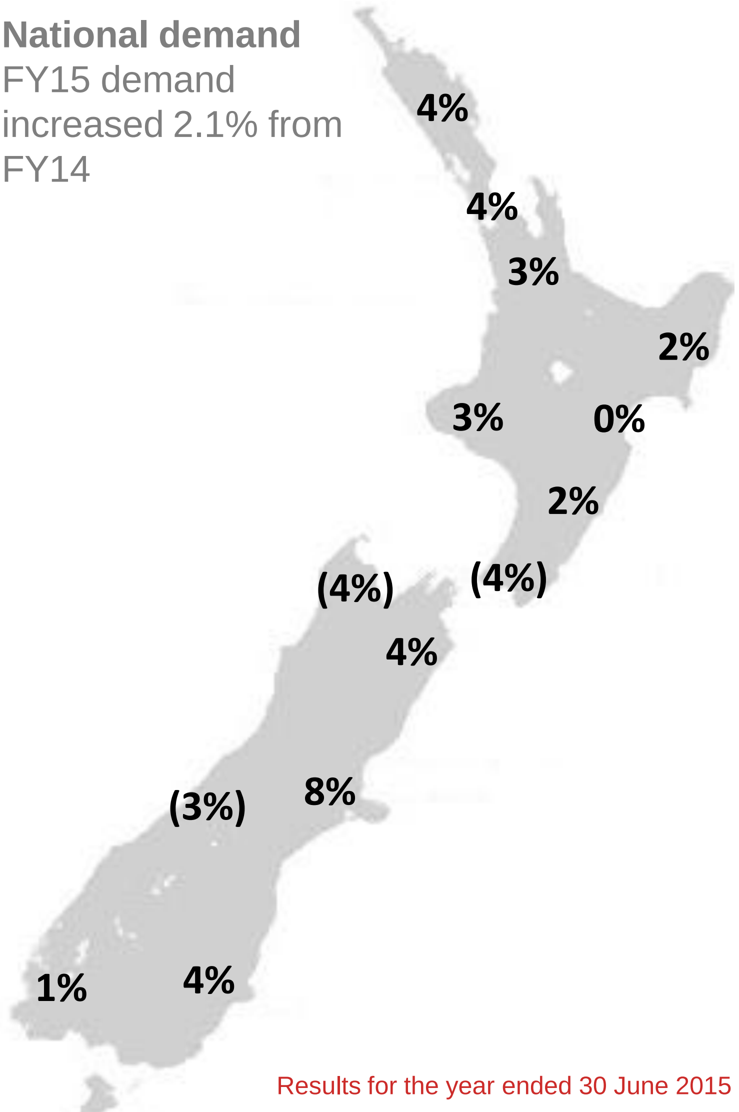


Continued wholesale oversupply despite dry conditions and some demand growth



National demand

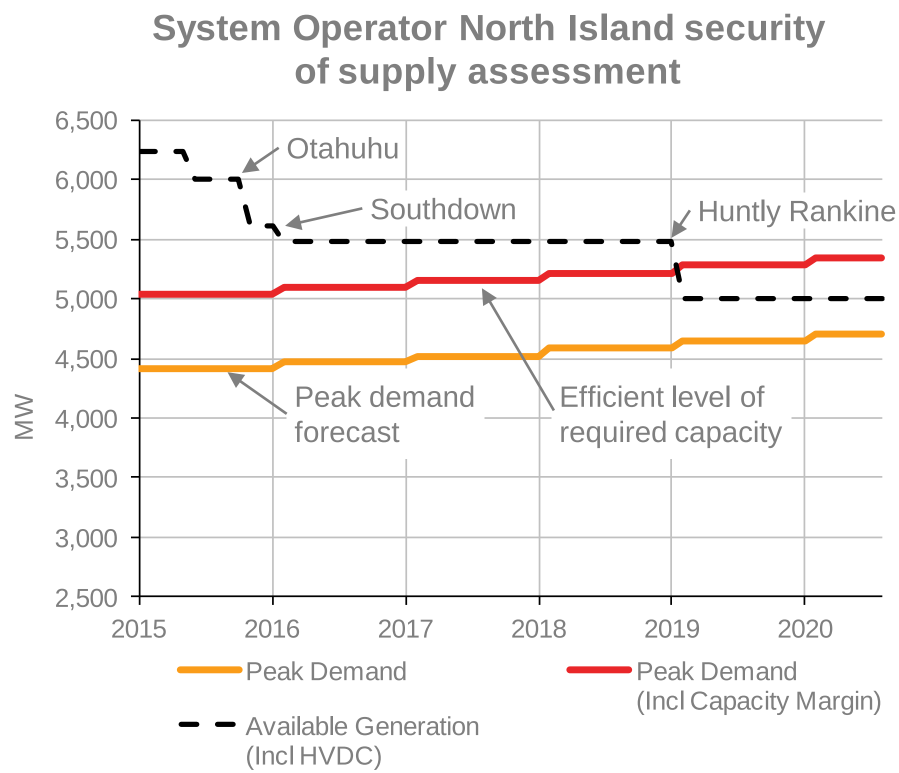
FY15 demand increased 2.1% from FY14



Contact to close Otahuhu power station from September 2015

Continued oversupply makes hold costs uneconomic

- Market currently oversupplied
  - Capacity factor of Contact's CCGTs has averaged 24% over past year despite periods of low hydrology
  - Tender for Otahuhu to provide capacity to the market unsuccessful
- Otahuhu power station to close from September 2015
  - Consolidation of thermal operations to Stratford. Staff redeployment opportunities to be actively sought
  - Annualised cost savings of ~$15m
  - Sale of plant expected to cover site remediation costs
  - 37 hectares of flexible use land will be sold
  - Accounting book value $253m and tax book value $56m
- Action taken to reduce costs while providing clarity and time for the market to respond

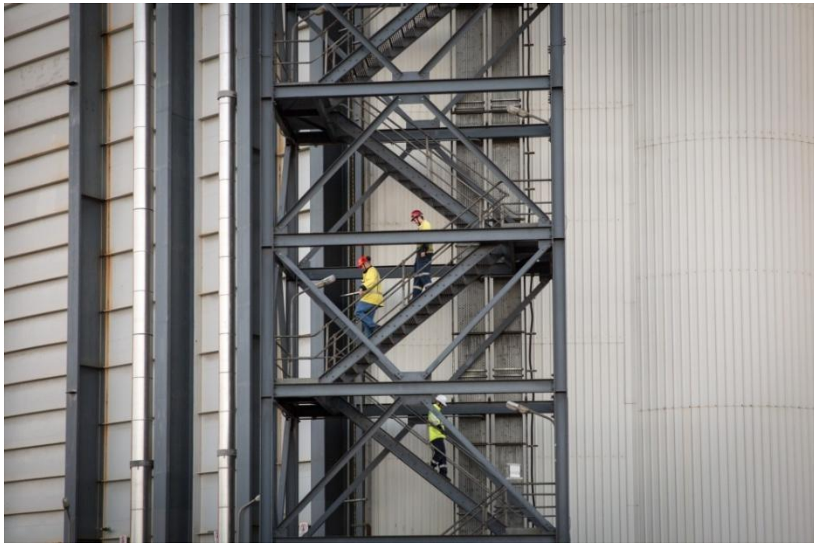


Source: Electricity Authority (March 2015), Contact

2018 Huntly closure too long dated to support hold costs

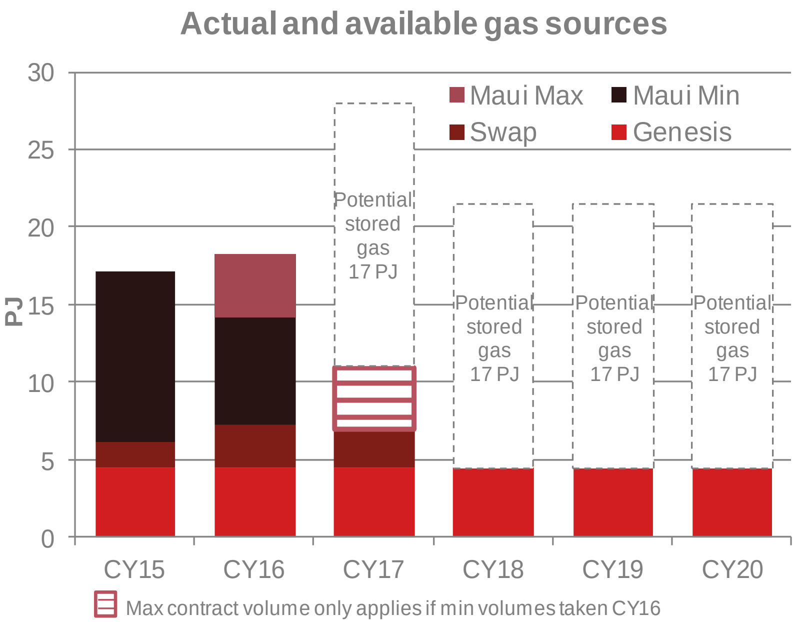
Cost reduction outweighs revenue uncertainty

- Alternative to closing is to put Otahuhu into storage until Huntly closes
  - Otahuhu expected to have ~8,000 operating hours at the end of September 2015 providing ~2,400 GWh, or ~2 winters
  - Not expected to get a return on these hours whilst Huntly is operating
  - Huntly announced closure timing consistent with Contact's internal assumption
  - Deferring land sale and tax benefit and incurring storage and operational costs would require at least $70m or ~$29/MWh in addition to gas and carbon costs to be recovered over 2 years
  - Hydrology and demand (incl. Tiwai) variability provide no certainty on revenues as far out as 2019
- 400MW marginal unit not well suited to New Zealand market so unlikely to be refurbished



TCC will be refurbished to gain 24,000 additional operating hours

- Capex cost of $45m over FY16/17
- 377 MW but can operate down to 140 MW with limited heat rate degradation. Potential to operate down to 100MW
- Consolidated operation with Stratford Peakers and Ahuroa gas storage
- Portfolio no longer requires a spare CCGT
  - More liquid hedging market
  - More flexible use of Hawea storage
  - Whirinaki peaker
- Thermal flexibility maintained with no additional gas contracted
  - Current gas contracts plus storage allow for 15PJ to be flexibly supplied



From 2019 the market will likely require additional flexible capacity not energy

Contact well positioned to support flexible development when it is needed

- Ahuroa gas storage provides 45TJ/day gas extraction and 27TJ/day of gas injection
  - » Two options to expand injection and extraction capacity at 50 TJ/day increments
  - » Expansion timing ~30 months
  - » Capacity available to third parties

- Contact has a range of thermal peaking options that would be supported by existing Stratford operations if required

Retail Transformation provides a platform for efficiency and innovation in a highly competitive market

Stabilise

Data
Insight driven using SMART, customer & demographic data

Digital channels
Leading online energy provider

Flexible products
Customer centric products offering choice and options

Service model
Highest levels of customer satisfaction

- Stabilise customer numbers
- Leaner operating model with prioritised cost-out initiatives
- Industry processes that support simplicity and transparency

Optimise

Lower cost to acquire

Lower cost to retain

- Target customers by region and value
- Optimise touch points to improve customer experience
- Tailored products and services for priority segments

Sustain

Lowest cost to serve

- Expand beyond energy
- Seek scale efficiencies

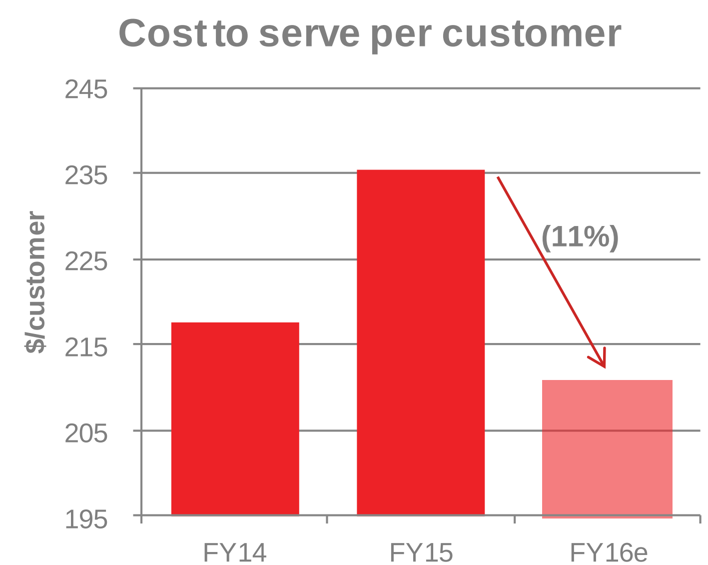
» System go-live
» Improved front office metrics
» Real-time credit checking
» Cost to serve reductions
» Omni-channel platform
» Data analytics and CLV operationalised

» Competitive pricing
» At market churn
Current position
» Prepay price revision
» Product and pricing pilots

Retail stabilisation substantially complete

Customer service metrics all now close to pre go-live levels

- Key front and back office metrics now at, or close to, pre go-live levels
  - Customer satisfaction survey now back at pre go-live target range
  - First time call resolution doubled since June 14
  - SAP support work force now fewer than 50, down 80% from go-live and in line with stabilisation plan
- Approaching 70% of Contact customers are now taking advantage of discounted offers and products
- Customer churn for the last 6 months in line with market churn
- SAP to deliver cost to serve reductions of ~10%
  - Leveraging data and insight to drive targeted customer retention and acquisition offers
  - Delivery of streamlined credit checking to reduce credit exposure and deliver material reductions in write-offs
  - Contact is planning to exit residential door to door sales by the end of FY16



Outlook

- Continued strong free cash flow

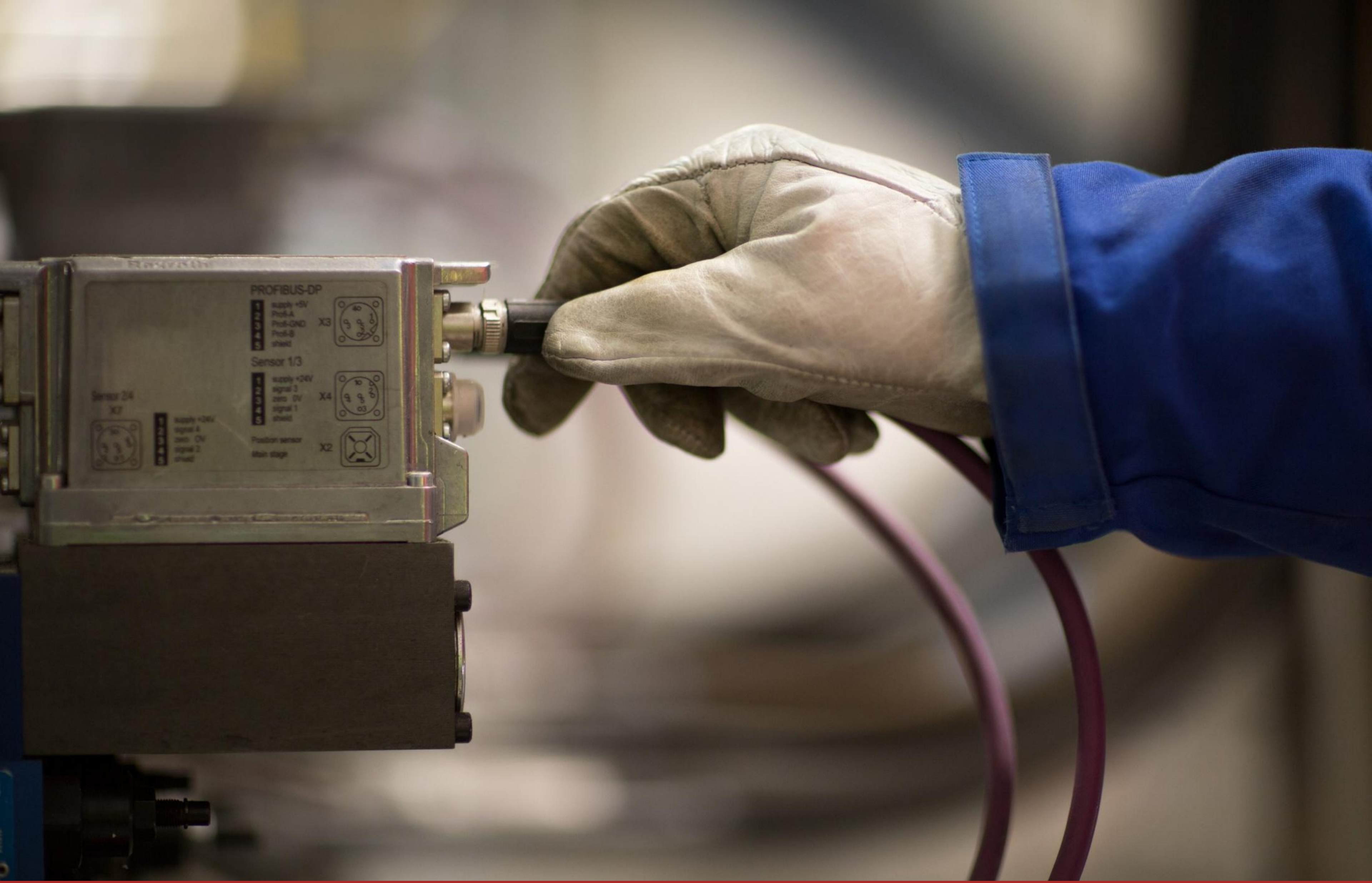
- Lower cost to serve to offset continued intense retail competition
- C&I load reduced following the non-renewal of the Fonterra electricity contract
- Customer business begins to move beyond stabilisation to optimisation
- No repeat of 1H15 one-off network costs or retail stabilisation costs
- LPG costs reflective of lower oil prices

- Increased geothermal production offsets return to mean hydrology
- New gas contracts and Te Rapa agreement commence
- Reduced operating costs following the closure of Otahuhu

- Opportunities to support market requirements for flexible capacity from 2019

Key themes from today

Increased cash flow	• Free cash flow improvement » Sales volumes stable » Strong retail competition continues to impact margins » Transition phase following investment in new systems and plant complete
Distribution of free cash flow	• 15 cps final dividend (76 cps distributed to shareholders) • Share buyback programme to commence in 1H16 • Continued commitment to investment grade credit rating
Smooth transition from sale	• Dennis Barnes confirmed as CEO, employed by Contact • Recruitment of new board members and chairman progressing • ASX application on track
Focus on structural efficiency	• 80MW contract with Meridian supports ongoing Tiwai operation • Otahuhu to close September 2015 • Major maintenance at TCC • Ongoing transition to flexible thermal capacity » Ahuroa gas storage a key enabler
FY16 outlook	• Increased renewable availability • New gas and Te Rapa supply contracts in place • Retail business stabilised; benefits realisation commences



Supporting material

Non-GAAP profit measure - EBITDAF

- EBITDAF is Contact’s earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items
- The CEO monitors EBITDAF as a key indicator of Contact’s performance at segment and group levels, and believes it assists investors to understand the performance of the core operations of the business
- Reconciliation of EBITDAF to statutory profit:

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m	Variance $m	Variance %
EBITDAF	**525**	**587**	**(62)**	**(11%)**
Depreciation and amortisation	(204)	(190)	(14)	(7%)
Change in fair value of financial instruments	(37)	7	(44)	(629%)
Other significant items	(24)	1	(25)	(2500%)
Net interest expense	(98)	(77)	(21)	(27%)
Tax expense	(29)	(94)	65	69%
Profit	**133**	**234**	**(101)**	**(43%)**

- Depreciation and amortisation, change in fair value of financial instruments, net interest and tax expense are explained in the following slide

Explanation of reconciliation between EBITDAF and profit

- The adjustments from EBITDAF to reported profit are as follows:
  - Depreciation and amortisation: Costs increased by $14m (7%) reflecting commissioning of Te Mihi and go-live of the Retail Transformation in 2H14. This is partially offset by a decrease in Meter depreciation due to an extended timeline to replace these with smart meters, and a decrease in depreciation following asset useful life reviews
  - Change in fair value of financial instruments: the balance of -$37m reflecting an unfavourable movement in interest swap rates over the period.
  - Other significant items: these are detailed on the next two slides
  - Net interest expense increased $21 million (27 per cent) to $98 million in FY15 due to no interest being capitalised ($37 million in FY14) following the commissioning of major projects. This is offset partially by lower interest costs on debt due to lower average interest rates as a result of debt refinancing completed over the past 2 years
  - Tax expense for FY15 is $29 million compared to $94 million for FY14 due to lower profit. Tax expense represents an effective tax rate of 18 per cent compared to 29 per cent in FY14. The variance from the statutory rate of 28 per cent is a result of tax expense credits relating to powerhouses historically treated as buildings and subject to a tax depreciation rate of zero per cent now able to be depreciated for tax purposes

Non-GAAP profit measure – underlying earnings

- The CEO monitors underlying earnings and believes it assists investors to understand the ongoing performance of the business
- Underlying earnings after tax is calculated by adjusting reported profit for the year for significant items that do not reflect Contact's ongoing performance
- Other significant items are determined in accordance with the principles of consistency, relevance and clarity. Items considered for classification as other significant items include impairment or reversal of impairment of assets; business integration, restructure, acquisition and disposal costs; and transactions or events outside of Contact's ongoing operations that have a significant impact on reported profit
- Reconciliation of statutory profit for the year to underlying earnings after tax:

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m	Variance $m	%
Profit	**133**	**234**	**(101)**	**(43%)**
Change in fair value of financial instruments	37	(7)	44	629%
Transition costs	24	11	13	118%
Clutha land sales	-	(7)	7	100%
Gain on restructure of gas storage operations	-	(7)	7	100%
Asset impairments	-	2	(2)	(100%)
Tax on items excluded from underlying earnings	(17)	1	(18)	(1800%)
Reinstatement of tax depreciation on powerhous	(16)	-	(16)	(100%)
Underlying earnings after tax	**161**	**227**	**(66)**	**(29%)**

Explanation of reconciliation from reported profit to underlying earnings

- The adjustments from reported profit to underlying earnings are as follows:
  - The change in fair value of financial instruments that do not qualify for hedge accounting
  - Transition costs are those costs incurred on the Retail Transformation project which are comprised primarily of temporary staffing, infrastructure and technology costs.
  - Gain on sale of priority processing rights through the Waihapa production station as a result of the restructure of gas storage operations
  - Phased programme of land sales in relation to a Clutha River hydro generation development. This development will not proceed in the foreseeable future
  - Asset impairments related to land held for sale

OCAT, OCAT ratio and free cash flow

Free cash flow

- Free cash flow measures the cash generating performance of the business and represents cash available to fund distributions to shareholders and growth capital expenditure. Free cash flow is equal to cash flows from operating activities less stay in business capital expenditure, interest costs and transition costs included within other significant items.

OCAT (Operating cashflow after tax)

- Contact uses OCAT and OCAT ratio as internal measures of the cash-generating performance of the business. The key difference between OCAT and statutory cash flows from operating activities is OCAT includes stay-in-business capex

OCAT ratio

- Measures cash returns generated from productive funds employed within operations

OCAT ratio = (OCAT – interest tax shield) / average funds employed (excl CAPWIP)

- Interest tax shield adjustment accounts for the reduction in tax due to interest paid

Average funds employed

- Measures funds employed by Contact in the operating assets of the business, excluding capital work in progress that is not yet operational
- Calculated on a 12-month weighted average basis to match the operating asset base to operational cash flows

Net assets
Less:
Cash
Derivative financial instruments - assets
Capital work in progress
Add:
Debt (NZD equivalent of notional borrowings - after foreign exchange hedging and before deferred financing fees
Derivative financial instruments - liabilities
Fund employed (12 month weighted average)