2014 Interim Results Presentation

18 February 2014

6 months ended 31 December 2013
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 and underlying earnings are non-GAAP (generally accepted accounting practice) profit measures. Information regarding the usefulness, calculation and reconciliation of EBITDAF and underlying earnings 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.

Agenda

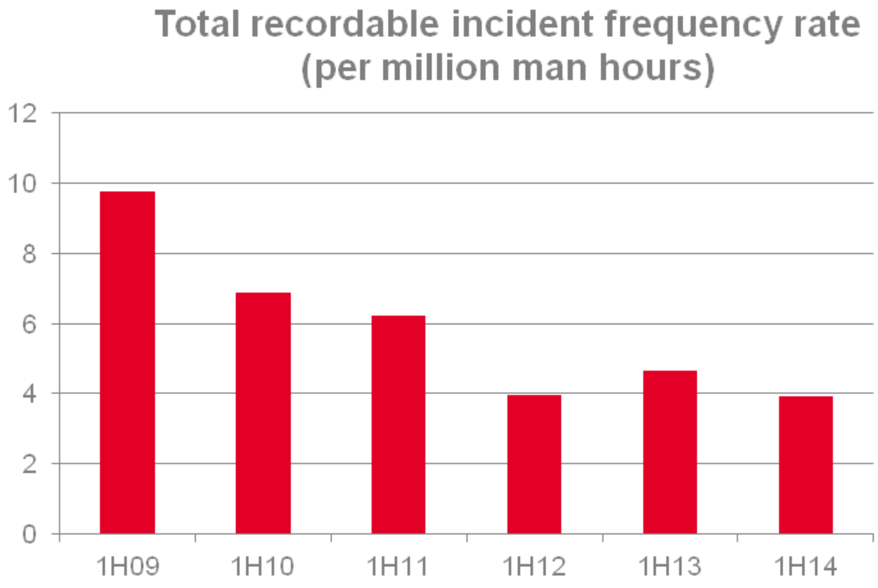
Performance Highlights

Dennis Barnes

Improved safety performance reflects improving safety culture, proving zero harm is realistic and achievable

- The health, safety and well-being of our people remains our number one priority
- A strong focus on increasing visible and active leadership, through frontline coaching and sharing lessons learned and insights more systematically across the company
- In 1H14 we have worked over two million hours on Contact sites with eight low severity injuries
- Our systems and culture continue to mature and improve

Example 2014 return to work campaign banners



Results

	6 months ended 31 December 2013	Variance compared to 31 December 2012
EBITDAF[1]	$264m	up 4% from $253m
Profit for the period	$112m	up 27% from $88m
Earnings per share (cents)	15.3 cps	up 25% from 12.2cps
Net items excluded from underlying earnings after tax [1]	$15m	up from ($4m)
Underlying earnings after tax[1]	$97m	up 5% from $92m
Underlying earnings per share (cents)	13.2 cps	up 4% from 12.7 cps
Interim dividend (cents)	11 cps	stable
Operating Cashflow after Tax (OCAT)[1]	$177m	stable
Capital expenditure	$153m	down 19% from $188m

- Significant items excluded from underlying earnings include gain on restructure of gas storage operations, asset sales, impairments on land held for sale and transition costs

[1] Refer to slides 34–38 for a definition and reconciliation of EBITDAF, UEAT and OCAT

Reducing fuel costs and increasing electricity sales

- Holding market share and customers in one of the most competitive retail electricity markets in the world
  - Commercial and industrial sales offset lower mass market demand
  - Increasing customer take-up of discounted products

- Net purchase cost reduced by $5/MWh, predominantly as a result of increased hydro generation and spot purchases displacing more expensive thermal generation
  - Resumption of bi-pole operation on the HVDC
  - Ohaaki reconsented until 2038

- Te Mihi is in the final stages of commissioning, has generated close to full capacity, and continues in commissioning phase with completion expected in the final quarter of the 2014 financial year

- 2014 refinancing nearing completion. Five year retail bond offer launching today with preference to existing bond holders

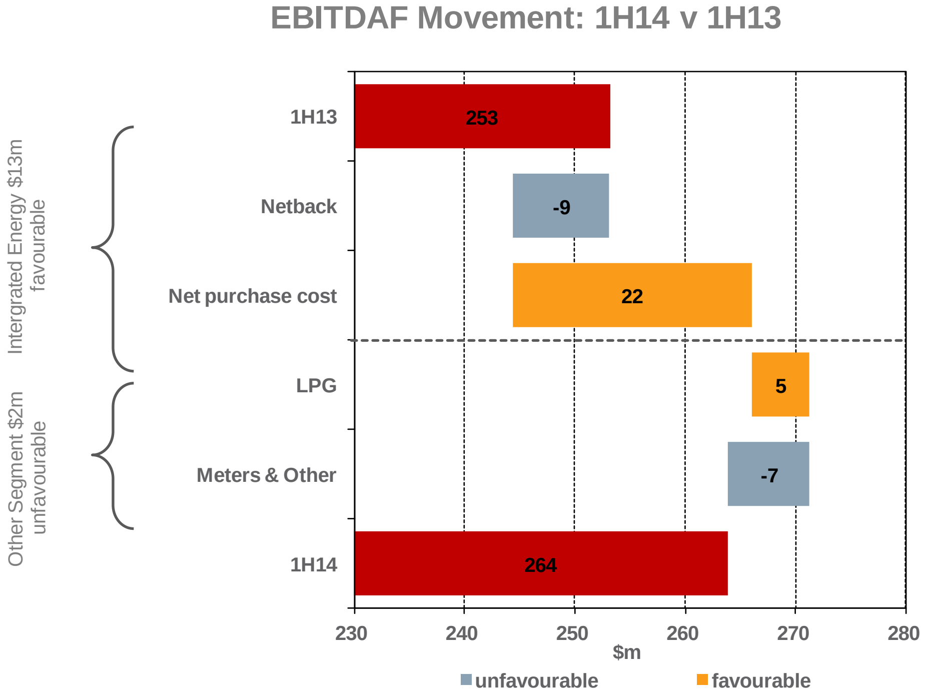
Reducing fuel costs and increasing electricity sales

Integrated Energy segment EBITDAF: up $13m (6%) to $244m

- **Netback:** unfavourable $9m (2%)
- **Net purchase cost:** favourable $22m (10%)

Other segment EBITDAF: down $2m

- **LPG:** favourable $5m due to lower product costs
- **Meters & Other:** unfavourable $7m, primarily reflecting the sale of the gas metering business



Operational Review

Dennis Barnes

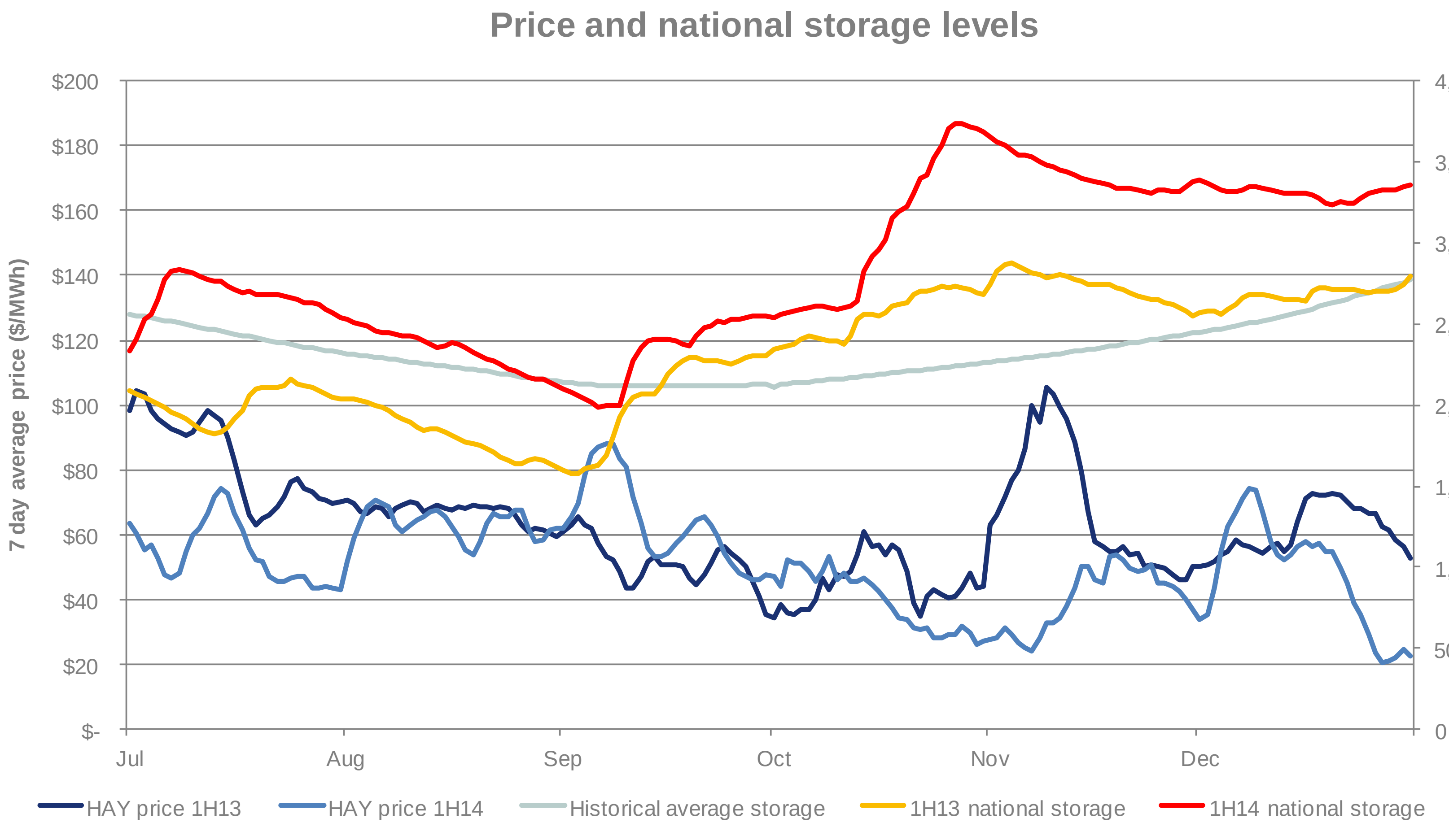
National demand down 1.6% – impact of warmer weather on mass market demand

	6 months ended 31 December 2013 GWh	6 months ended 31 December 2012 GWh	Variance GWh	Variance %
North Island	11,823	12,170	(347)	(2.9%)
South Island ex Tiwai	4,485	4,526	(41)	(0.9%)
Tiwai	2,508	2,427	81	3.3%
Total national demand	**18,816**	**19,123**	**(307)**	**(1.6%)**

Source: SCADA data – excludes embedded generation

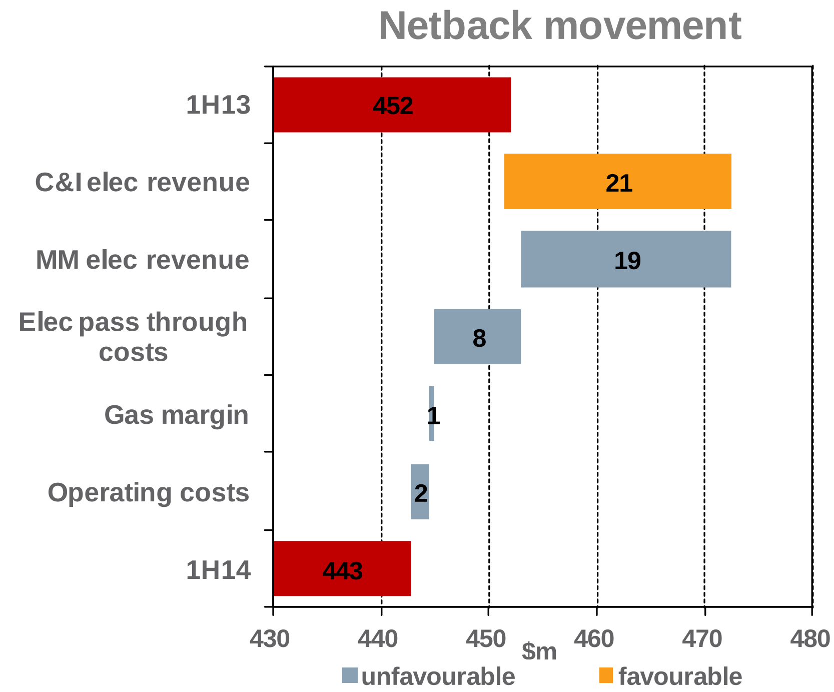
- 1H14 national electricity demand down 1.6% on 1H13
- Residential and commercial demand down 1.4%.
  - Driven by average temperature 0.7°C warmer (6%) than 1H13
- Major industrials demand down 2.2%
  - Tiwai demand up 81 GWh (3%)
  - Norske Skog down 211 GWh (48%) after the closure of plant in January 2013
  - Other large industrial demand up 43 GWh (4%)

Above mean storage levels kept wholesale prices suppressed

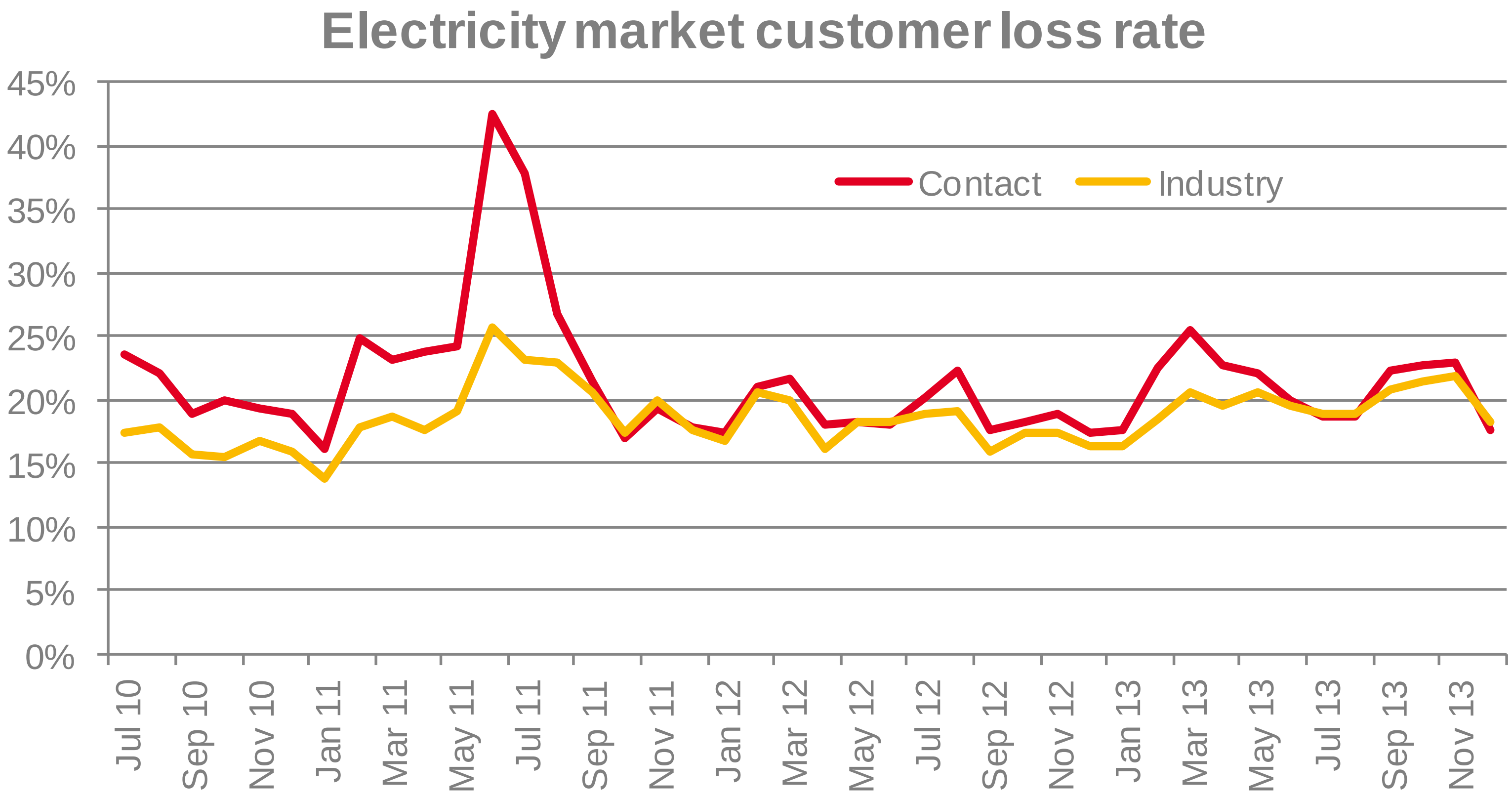


Netback – $9m lower (2%) to $443m

- Change in electricity sales mix; volume increased 74 GWh to 4,334 GWh
  - Mass market consumption down 178 GWh with average temperatures 6% warmer
  - C&I sales up 252 GWh
- Netback unfavourable $2/MWh to $88/MWh
  - Mass market netback stable with recovery of increased network costs
  - C&I netback down $5/MWh reflecting increased competition and a lower forward curve
  - Gas margin down $1m reflecting competition in dual fuel offerings
- LPG sales decreased 7% compared with 1H13, driven by reduced bulk load and warmer temperatures



Retail market remains highly competitive



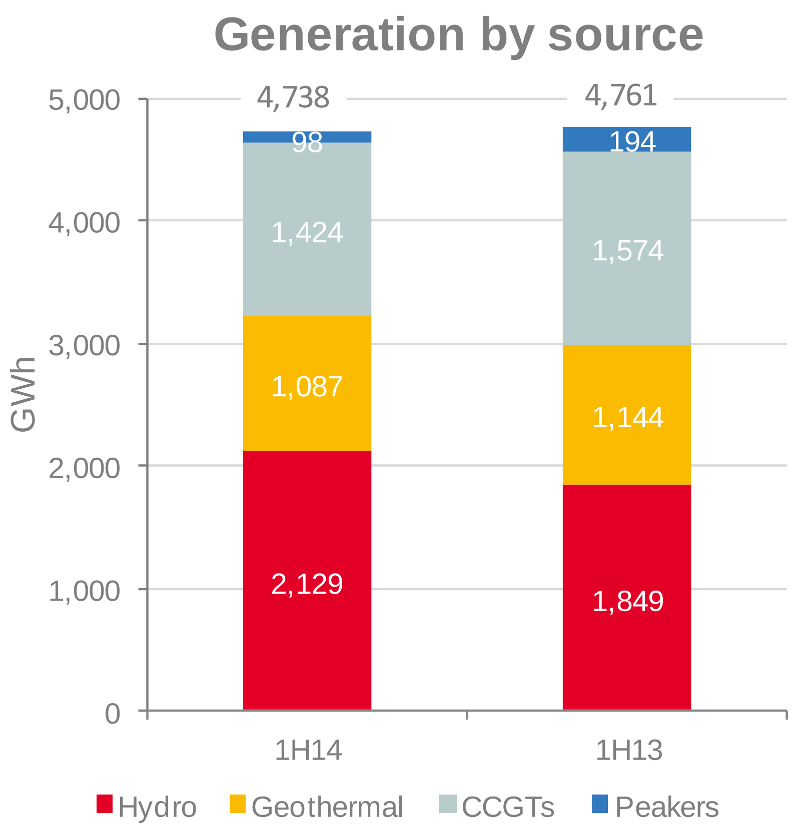
- Contact's competitive pricing strategy has seen loss rates move closer to market

Net purchase cost – favourable $22m (10%) to –$199m

Renewable generation moved from 63% to 68% of production

- Wholesale spot market stable; price separation remained high during HVDC commissioning
  - GWAP down $9/MWh to $47/MWh, generation volumes down 23 GWh
  - LWAP down $11/MWh; purchases up 80 GWh
- Wholesale financial market stable – swaption expiry and lower gas take-or-pay commitments increased CfD purchases
- Fuel mix favourable $17m
  - Lower prices resulted in less thermal generation with excess gas injected into storage. Gas used in generation down 2.3 PJ (15%)
- Unit generation cost favourable $4m
  - Reduced thermal generation and lower carbon unit price partially offset by increased HVDC charges

Flexible portfolio allows management of variable operating conditions



- More flexible fuel allows less thermal generation while hydro volumes increase
  - Hydro generation was up 281GWh (15%) due to higher rainfall
    - HVDC completion gives more south to north flow in these conditions
  - Geothermal generation was down 58 GWh to 1,087 GWh due to steam diversion and outages related to Te Mihi commissioning
  - Generation from the combined-cycle gas-fired power stations decreased 150 GWh to 1,424 GWh. Lower wholesale prices and a reduction in gas take-or-pay volumes meant it was often cheaper to purchase spot electricity than to generate it
  - Contact operated with no CCGT running for 20% of 1H14 (8% in 1H13)
  - Stratford Peaker generation decreased 95 GWh to 97 GWh, reflecting lower prices

Financial Review

Graham Cockroft

Profit for the period up 27% to $112m

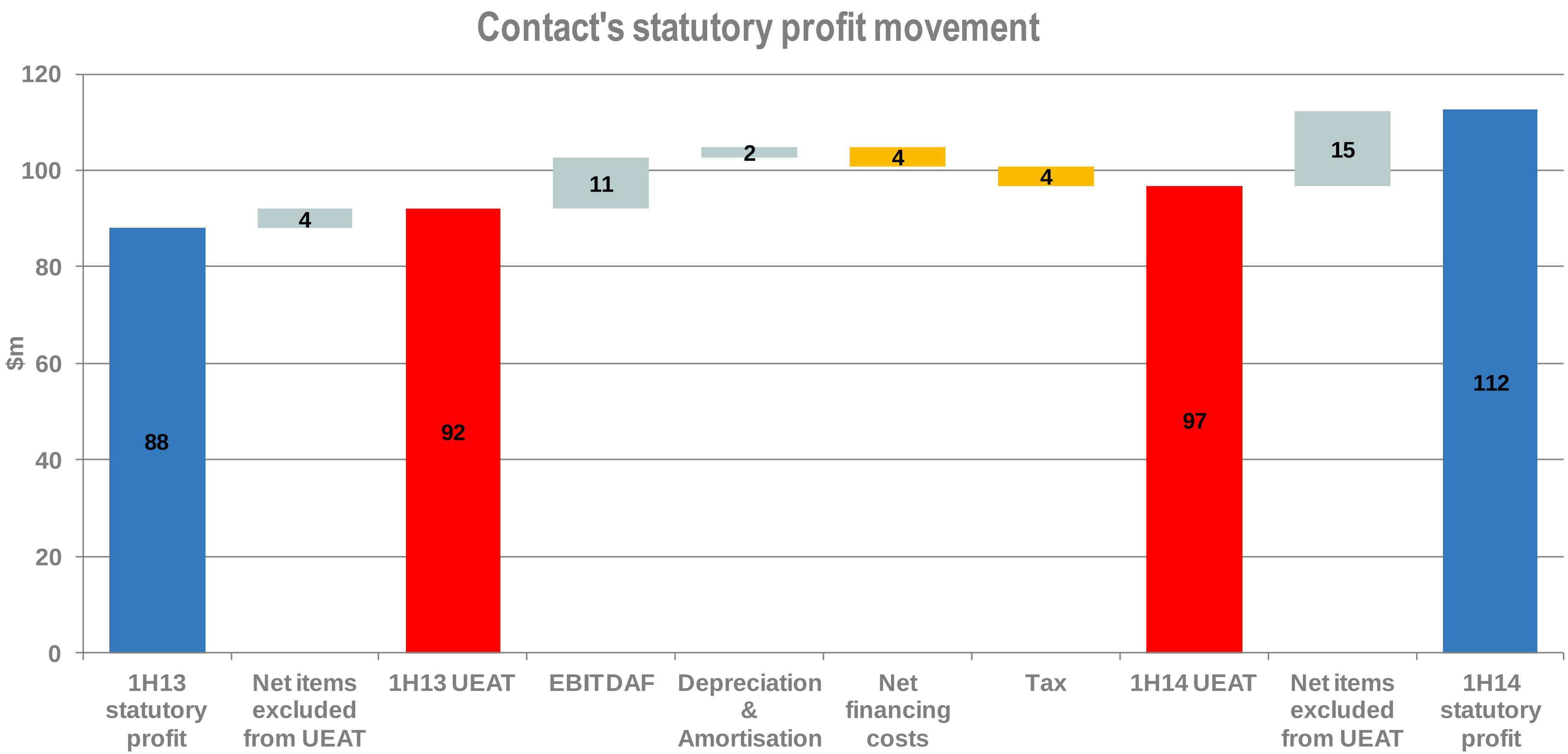
Underlying earnings per share up 4%

	6 months ended 31 December 2013 $m	6 months ended 31 December 2012 $m	Variance $m	Variance %
Profit for the period	112	88	24	27%
Earnings per share (cents)	15.3	12.2	3.1	25%
Revenue and other income	1,148	1,213	(65)	(5%)
EBITDAF	264	253	11	4%
Underlying EBIT	171	159	12	8%
Underlying earnings after tax	97	92	5	5%
Underlying earnings per share (cents)	13.2	12.7	0.5	4%
OCAT	177	177	0	0%
Free cash flow per share	16.8	17.6	(0.8)	(5%)
Capital expenditure	153	188	35	19%

Reconciliation of statutory profit to underlying earnings after tax

	6 months ended 31 December 2013 $m	6 months ended 31 December 2012 $m
Profit for the period	**112**	**88**
Change in fair value of financial instruments	(16)	1
Clutha land sales	(3)	(2)
Asset impairments	3	3
Transition costs	2	3
Gain on restructure of gas storage operations	(7)	-
Tax on items excluded from underlying earnings	6	(1)
Underlying earnings after tax	**97**	**92**

Profit for the period up 27% from $88m to $112m
Underlying earnings after tax up 5% from $92m to $97m



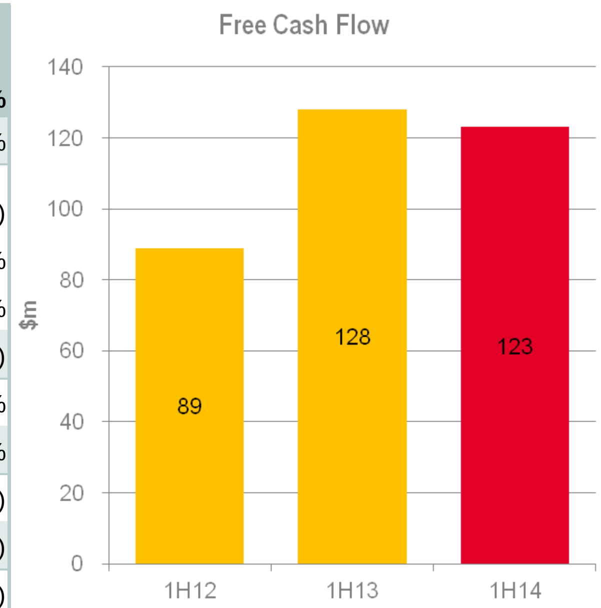
Results for the 6 month period ended 31 December 2013

Improved EBITDAF offset by increased gas storage injections resulted in stable cash position

	6 months ended 31 December 2013 $m	6 months ended 31 December 2012 $m	Variance $m	%
EBITDAF	**264**	**253**	**11**	4%
Change in working capital	(49)	(15)	(34)	(227%)
Tax paid	(38)	(39)	1	3%
Other	13	5	8	160%
Operating cash flows	**190**	**204**	**(14)**	(7%)
Stay in business capital expenditure	(13)	(27)	14	52%
OCAT[1]	**177**	**177**	**-**	0%
Net interest paid	(54)	(49)	(5)	(10%)
Free cash flow[2]	**123**	**128**	**(5)**	(4%)
Average Funds Employed excl. CAPWIP	3,898	3,948	(49)	(1%)
OCAT Ratio	4.1%	4.1%	0%	(2%)

[1] Operating Cashflow After Tax. Refer to slide 38 for a definition and reconciliation of OCAT

[2] Cash available to fund distributions to shareholders and growth capital expenditure



- Unfavourable working capital movement due to increased injections into Ahuroa gas storage
- Lower SIB capex spend following the completion of CCGT major inspection work in 1H13

Financing costs increased by $6m due to higher average gross debt, partially offset by a reduction in the average cost of funds

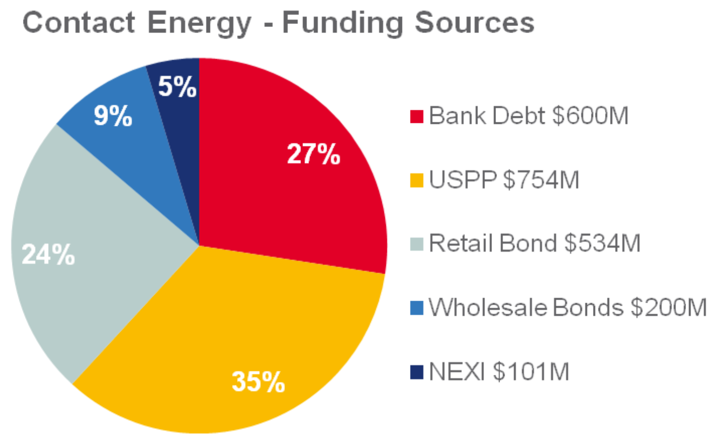
	6 months ended 31 December 2013 $m	6 months ended 31 December 2012 $m	Variance $m	Variance %
Interest income	3	2	1	50%
Interest expense	(62)	(56)	(6)	(11%)
Financing costs	**(59)**	**(54)**	**(5)**	**9%**
Financing costs capitalised	22	21	1	5%
Weighted average interest rate on borrowing[1]	0	6.9%	0.5%	7%

[1] excluding fees, costs and accounting adjustments

- Lower weighted average interest rate predominantly due to a change in the mix of the borrowings portfolio to include lower priced debt
- Average gross debt was higher by $105m in 1H14 compared to $1,472m in 1H13, as the company pre-funded for debt maturing in 2H14
- Average net debt in 1H14 was $1,385m, $79m lower than 1H13

2014 refinancing nearing completion with retail bond offer launched today

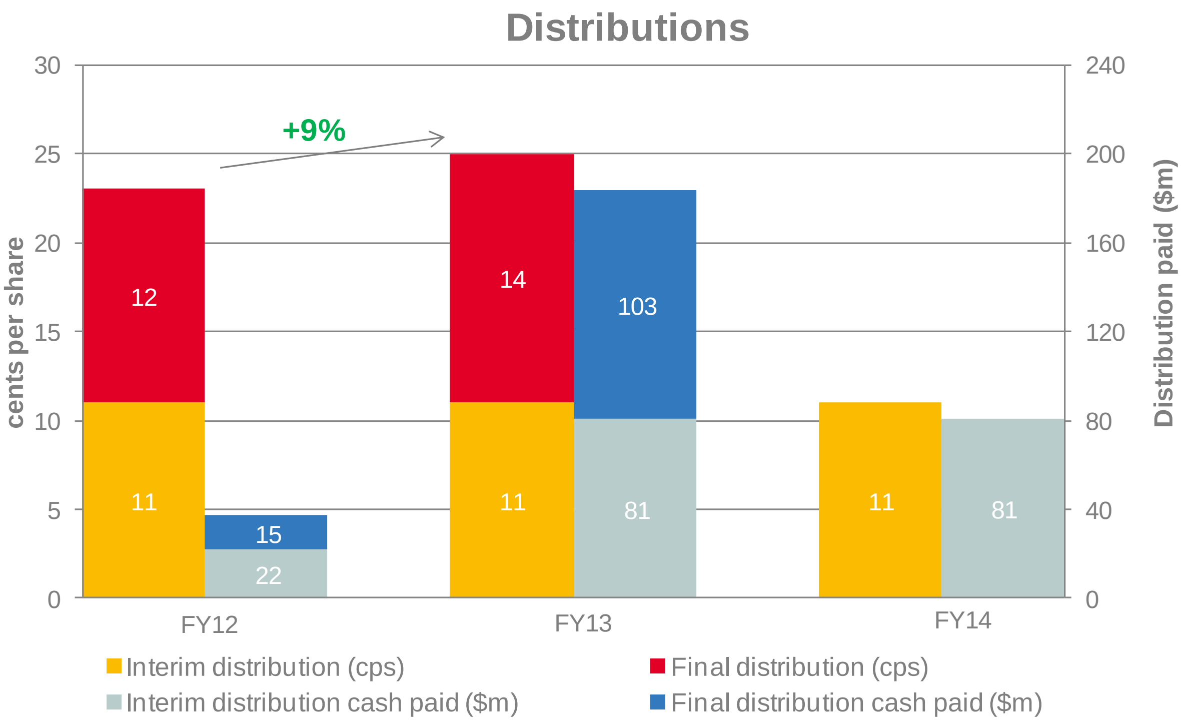
- Balance sheet gearing level remains strong at 31 December 2013:
  - Net debt $1.4bn, down slightly on 31 December 2012; gearing ratio 28%
  - $600m total committed facilities (nil drawn); short term cash deposits of $196m
  - Weighted average tenor of funding facilities 4.2 years



- Contact raised $551m in 2013 to assist with refinancing the $689m of 2014 maturities and the redemption of the $200m Capital Bond in November 2013:
  - NZ$100m of domestic wholesale bonds were issued in May 2013
  - NZ$301m equivalent of USPP notes were executed in June 2013, with settlement in September and December
  - NZ$150m additional bank facilities executed in November 2013, available May 2014
- The balance of the funds required for refinancing will be sourced from a Retail Bond offer to be launched today
  - Offer for up to $250m new bonds to existing holders of $534m maturing bonds
  - Five year tenor, interest rate 5.80% to 6.00% depending on demand

Fully imputed interim distribution – stable at 11 cps

- Free cash flow including the purchase or sale of fixed assets in 1H14 was $85m compared with ($24) in 1H13 due to the sale of gas meters and reduced growth capex. Further improvements expected with the completion of major projects
- Reduction in growth capital expenditure has resulted in a steady increase in distributions
- Discontinuing the profit distribution plan has seen cash distributions increase



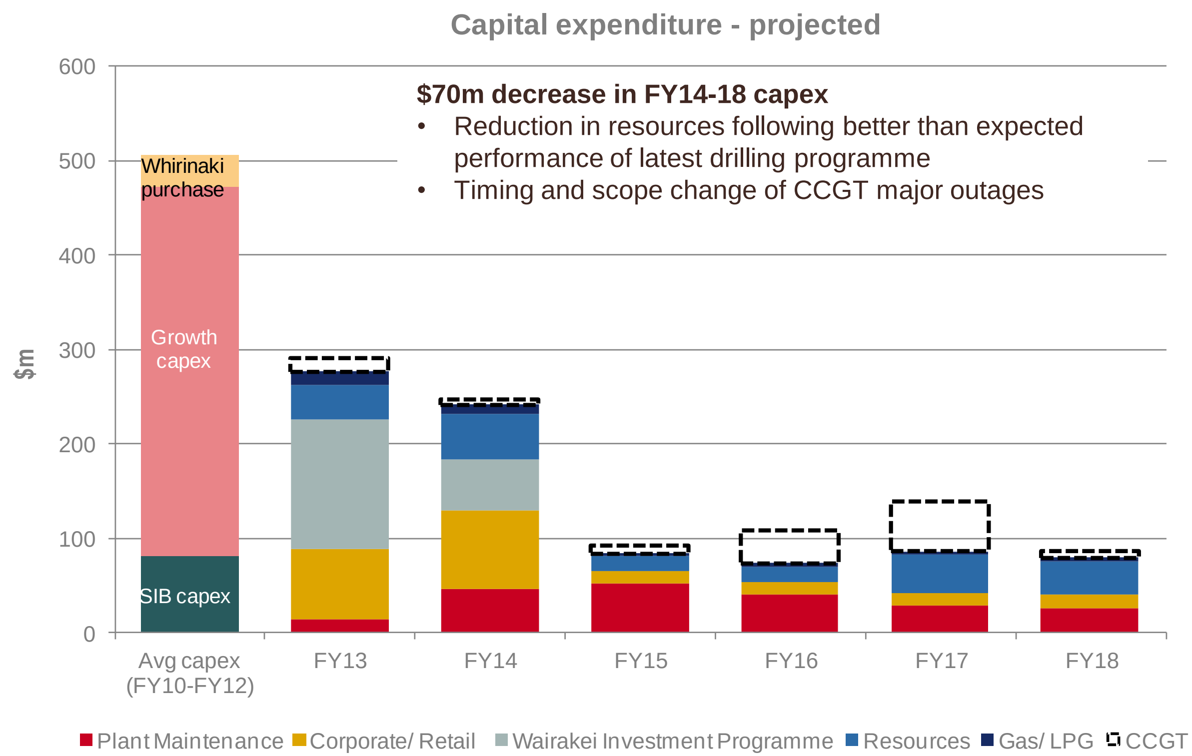
- Record date: 7 March 2014
- Payment date: 27 March 2014

Prospects

Dennis Barnes

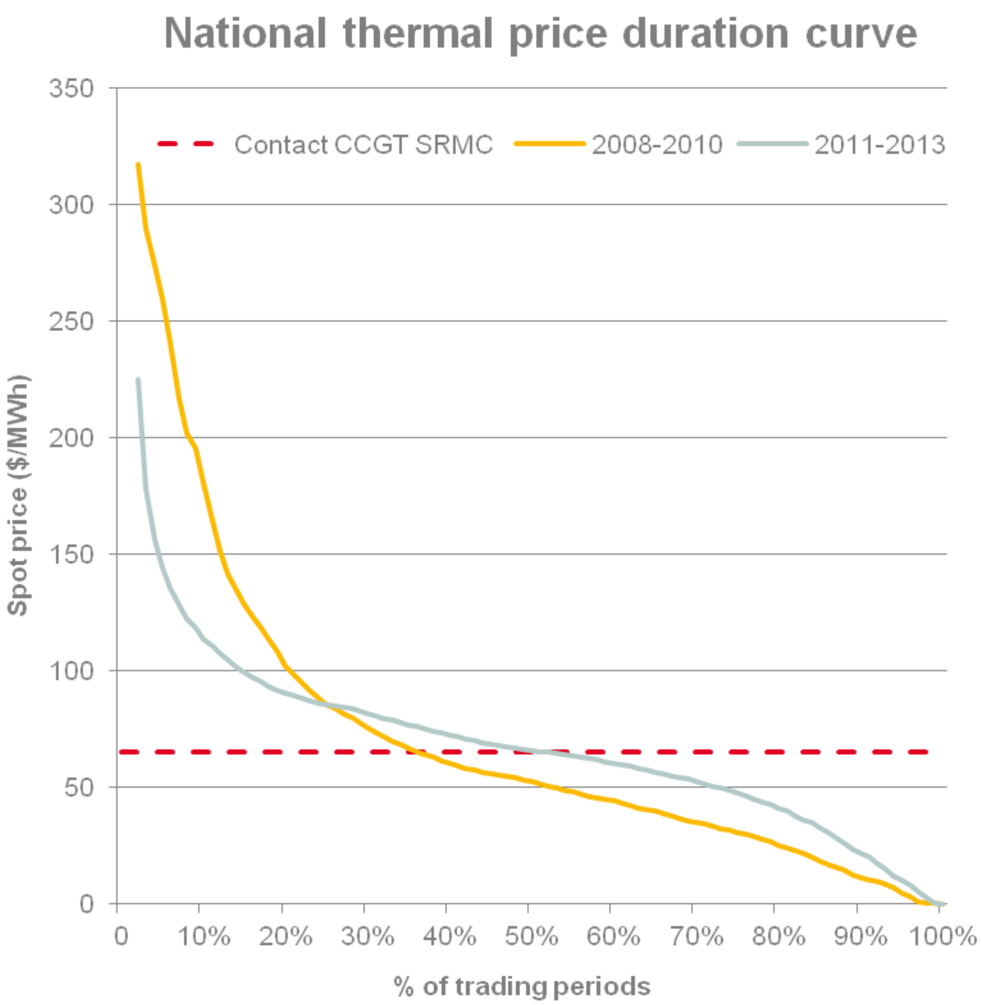
Contact will target further efficiencies to drive growth while lower capital expenditure will increase free cashflow

- **Leverage asset base**
  - » Complete Te Mihi
  - » Increase production from existing renewable assets
- **Improve efficiency**
  - » Reduce cost to serve with the benefits of SAP implementation
  - » Ensure the supply of thermal capacity provides security and a fair return



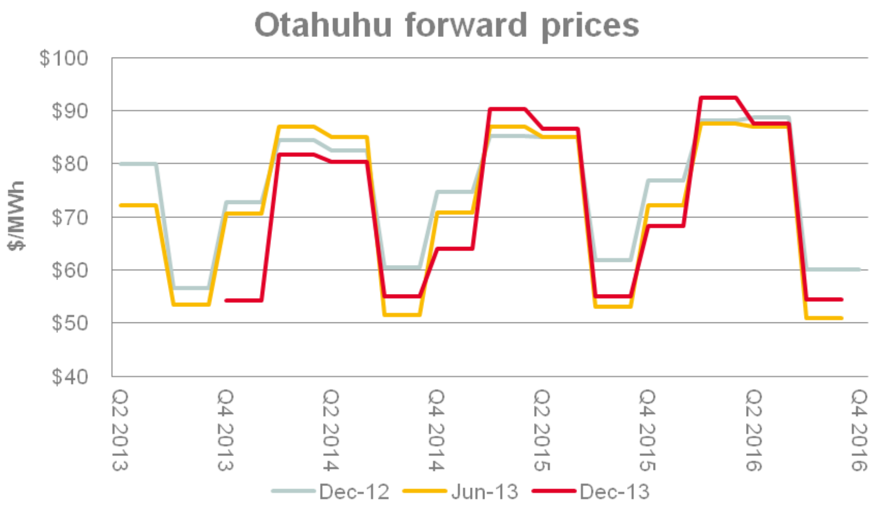
- **Continue fuel substitution**
  - » Balance generation gas availability with renewable firming requirements
  - » Tauhara – next most competitive generation development in New Zealand

Poor thermal returns require flexibility in fuel and maintenance commitments



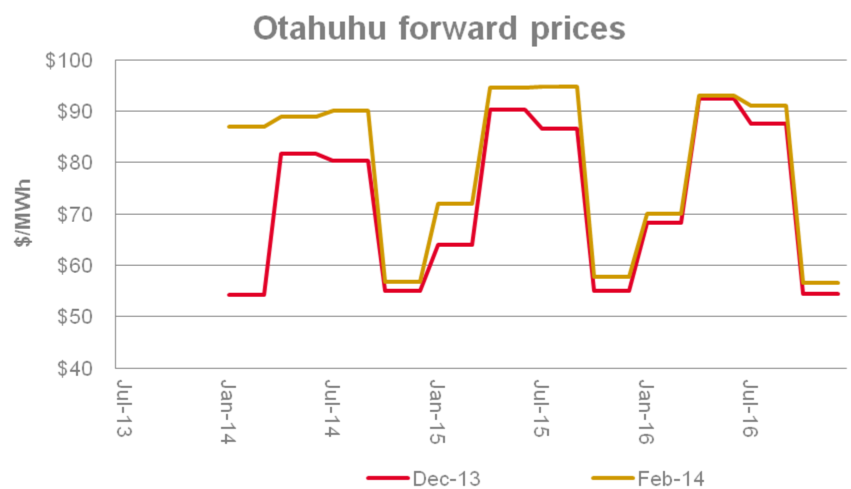
- Historic thermal generation shows plant running below short run marginal cost of a CCGT more than 50% of the time
  - CCGT utilisation 41% 2011 – 2013, down from 47% 2008 – 2010 with the addition of new baseload renewable generation
  - Capacity margins earned above SRMC reducing over time
- Market is responding by withdrawing excess capacity and reducing fuel commitments
  - Contact has not contracted additional gas and expects to not require TCC during winter 2014. No fuel currently for CCGTs in 2015
  - Genesis has reduced and extended its coal contracts with second Huntly unit placed in storage

Average forward prices have fallen; however, there is evidence the change in generation mix is impacting the price profile



- Generation oversupply resulted in the average forward price falling $4-5/MWh for FY15

- However, there is early evidence that reduced must-run thermal capacity is resulting in a firming of the forward curve

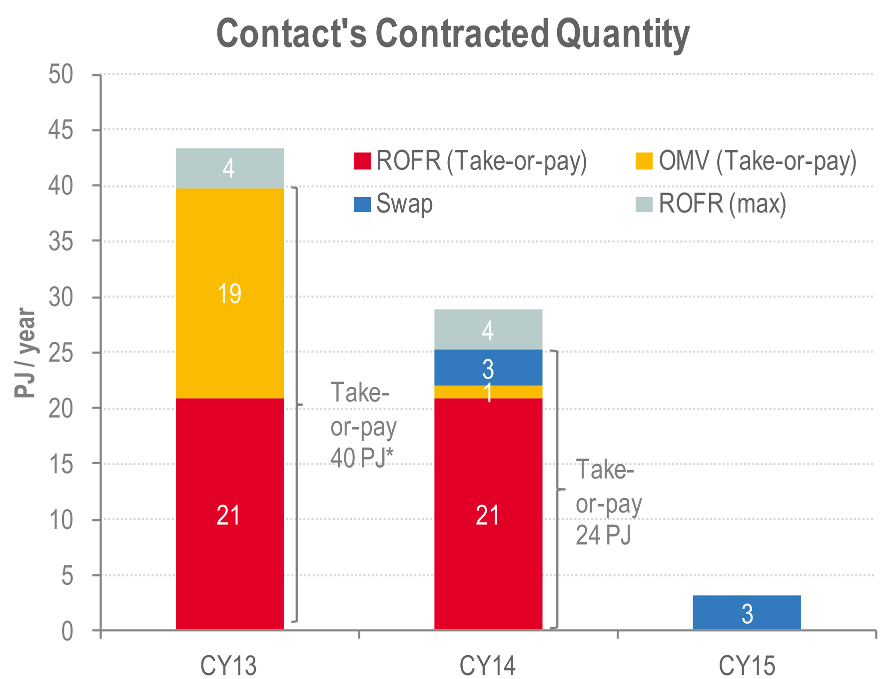


Source: ASX New Zealand electricity futures

The market value of capacity will drive gas contracting decisions

Gas storage allows patient approach to contracting new gas

- Contact has commissioned the 9km gas pipeline from Ahuroa gas storage (AGS) to the Taranaki generation assets. Removing reliance on the Waihapa processing station reduces cost and increases flexibility and control of our gas operations
- Contact remains without any significant contracted gas for the 2015 calendar year with current signals around baseload capacity requirements and political and demand risks supporting the approach
- A number of options exist to manage our gas position beyond the end of 2014
  - Contract additional gas with a preference for flexibility
  - Invest in the injection/extraction capacity of AGS to improve management of contracted gas
  - Contract generation from third-parties to match sales



Te Mihi update

- Te Mihi is in the final stages of commissioning
  - Ran successfully at 159 MW during its four week reliability test in December 2013
- Commissioning tests revealed an issue with the hot well pumps
  - Solutions are being developed, which should see the plant operating at full capacity in the final quarter of the 2014 financial year
  - In the event that further modifications to the hot well pumps are required, the production impacts will be reduced by diverting steam to the existing Wairakei units
- The associated commercial matters are in the process of being resolved with the contractor

Retail strategy

Improved margins without compromising competitiveness

- In parallel with the Retail Transformation programme we have completed building an advanced segmentation model which will leverage the data capabilities of SAP
- This will provide opportunities to lower our cost to serve, allowing us to remain competitive while moving away from the current industry model of deep discounting

Data	Insight driven using SMART, customer and demographic data
Digital channels	Leading online energy provider – leader in search and digital acquisition
Flexible products	Bundled products, with customer centric payment plans
Service model	Highest levels of customer satisfaction

Lower cost to acquire

Lower cost to retain

Lower cost to serve

NZ Power proposal

- Energy affordability needs to be understood and addressed
- Opposition parties want to remove the wholesale market to reduce electricity prices

<u>BUT</u>

» Wholesale electricity prices account for less than one third of retail electricity price and network transmission and distribution costs have risen much faster than wholesale prices

» New Zealand retail electricity prices when compared internationally are ‘middle of the pack’

» There is no factual support for the suggestion Contact is making ‘super profits’

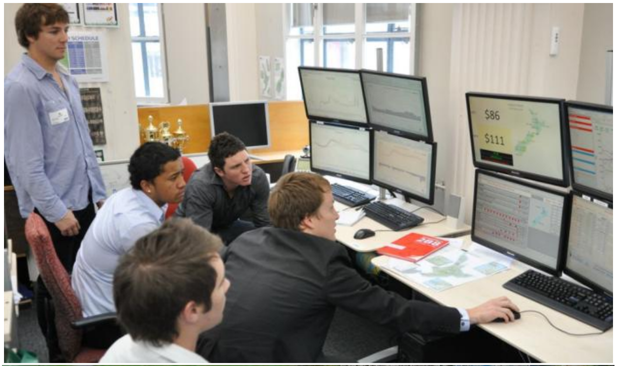
» International experience is inconclusive on whether the proposal could work

» Savings of $500-$700m are targeted but not clear that they exist. Over 50% of savings will be borne by the Government from lower taxes and dividends

- Retail competition is healthy as evidenced by switching statistics/regulatory measures/price promises/offerings etc
- Charging for water is an issue that has broader implications than the electricity generation sector and needs careful consideration
- A stable regulatory environment is important given the long-term nature of our industry

Summary

- Solid Half Year result
  - Improvement in health and safety continues
  - Organisational restructure complete
  - Increased sales volume and stable customer numbers reflects focus on being competitive
  - Generation portfolio now able to take advantage of wetter conditions
- Earnings and cashflow momentum will continue with the completion of Te Mihi
- Opportunities now being advanced to leverage core competencies and extract efficiencies across Contact and the industry
- A stable regulatory environment is critical



Supporting material

Non-GAAP profit measures – EBITDAF

- EBITDAF is Contact's earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items
- Management and directors monitor EBITDAF as a key indicator of Contact's performance at segment and group levels, and believe it assists investors to understand the performance of the core operations of the business
- Reconciliation of EBITDAF to reported profit:

	6 months ended 31 December 2013 $m	6 months ended 31 December 2012 $m
EBITDAF	**264**	**253**
Depreciation and amortisation	(93)	(95)
Change in fair value of financial instruments	16	(1)
Other significant items	5	(4)
Net interest expense	(37)	(33)
Tax expense	(43)	(32)
Profit for the period	**112**	**88**

- Depreciation and amortisation, change in fair value of financial instruments, net interest and tax expense are explained in the following slide. Other significant items are explained in the following slides on underlying earnings

Explanation of reconciliation between EBITDAF and profit for the period

- The adjustments from EBITDAF to reported profit are as follows:
  - Depreciation and amortisation: Costs decreased by $2m (2%) driven by the sale of the gas meters business
  - Change in fair value of financial instruments: the movement of $17m predominantly driven by the favourable movement in interest rate swap derivatives arising from an upward shift in New Zealand interest rates. This compares to an unfavourable FY12 balance of $1m
  - Other significant items: these are detailed on the next two slides
  - Net interest expense increased $4m (12%) to $37m in 1H14. The increase was attributable to increased deferred financing costs on redemption of the capital bond ($3m) and additional interest costs from increased debt levels due to pre-funding of 2014 maturities ($3m). These were partially offset by higher interest income ($1m) as short term deposits were higher
  - Tax expense for 1H14 was $43m, which represents an effective tax rate of 28% (1H13: 26%)

Non-GAAP profit measures – underlying earnings

- Management and directors monitor underlying earnings as a basis for determining dividends and believe 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 the ongoing performance of the Group
- Significant items are determined in accordance with three principles of consistency, relevance and clarity. Transactions considered for classification as significant items include impairment or reversal of impairment of assets; fair value movements in financial instruments; 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 reported profit for the year to underlying earnings after tax:

	6 months ended 31 December 2013 $m	6 months ended 31 December 2012 $m
Profit for the period	**112**	**88**
Change in fair value of financial instruments	(16)	1
Clutha land sales	(3)	(2)
Asset impairments	3	3
Transition costs	2	3
Gain on restructure of gas storage operations	(7)	-
Tax on items excluded from underlying earnings	6	(1)
Underlying earnings after tax	**97**	**92**

The numbers in the table have been extracted from Contact's financial statements

Non-GAAP profit measures – 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
  - Contact is not proceeding in the foreseeable future with any of the options for hydro generation development on the Clutha River. The project development costs were impaired and associated land has been sold
  - Asset impairments recognised are in relation to land held for sale
  - Gain on restructure of gas storage operations
  - Transition costs arising from implementation of the retail transformation programme and associated activities in the retail business
  - Tax adjustments in relation to the above

Operating cashflow after tax (OCAT) and OCAT ratio

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

OCAT ratio

- Measures Contact's cash returns generated from productive funds employed within operations

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

- 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 are not yet operational
- Calculated on a 13-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 (13 month weighted average)

Financial results summary

Key financial information	6 months ended 31 December 2013 $m	6 months ended 31 December 2012 $m	Variance $m	%
Revenue and other income	1,148	1,213	(65)	(5%)
Operating expenses [(1)]	(884)	(960)	76	8%
EBITDAF [(2)]	**264**	**253**	**11**	**4%**
Depreciation and amortisation	(93)	(95)	2	2%
Change in fair value of financial instruments	16	(1)	17	1700%
Other significant items	5	(4)	9	225%
Earnings before net interest expense and tax (EBIT)	**192**	**153**	**39**	**25%**
Net interest expense	(37)	(33)	(4)	(12%)
Tax expense	(43)	(32)	(11)	(34%)
Profit for the period	**112**	**88**	**24**	**27%**
Earnings per share (cents)	15.3	12.2	3.1	25%
Underlying earnings after tax [(3)]	**97**	**92**	**5**	**5%**
Underlying earnings per share (cents)	13.2	12.7	0.5	4%
Shareholders' equity	3,539	3,497	42	1%

(1) Includes electricity purchases

(2) EBITDAF is a non-GAAP profit measure calculated as reported profit for the period before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items. Management and Directors monitor EBITDAF as a key indicator of Contact's performance at segment and Group levels and believe it assists investors in understanding the performance of the core operations of the business

(3) Underlying earnings after tax represents profit for the period after tax and adjusted for significant items that do not reflect the ongoing performance of the Group

Integrated Energy segment result

Integrated Energy Segment	6 months ended 31 December 2013 $m	6 months ended 31 December 2012 $m	Variance $m	Variance %
Mass market electricity	496	515	(19)	(4%)
Commercial and industrial electricity	279	258	21	8%
Retail gas	35	39	(4)	(10%)
Steam	11	11	-	0%
Total Revenue	**821**	**823**	**(2)**	**(0%)**
Net purchase cost	(199)	(221)	22	10%
Electricity networks, levies & meter costs	(305)	(295)	(10)	(3%)
Gas networks, levies & meter costs	(18)	(24)	6	25%
Total cost of goods sold	**(522)**	**(540)**	**18**	**3%**
Electricity and gas cost to serve	(55)	(52)	(3)	(6%)
EBITDAF	**244**	**231**	**13**	**6%**

Net purchase cost

Net Purchase Cost	6 months ended 31 December 2013 $m	6 months ended 31 December 2012 $m	Variance $m	%
Wholesale electricity revenue	248	298	(50)	(17%)
Wholesale gas revenue	13	15	(2)	(13%)
Total wholesale revenue	**261**	**313**	**(52)**	**(17%)**
Electricity purchases	(233)	(274)	41	15%
Other purchase costs	(6)	(15)	9	60%
Electricity transmission & levies	(23)	(20)	(3)	(15%)
Gas purchases	(122)	(141)	19	13%
Gas transmission & levies	(13)	(15)	2	13%
Carbon	1	(2)	3	150%
Total direct costs	**(396)**	**(467)**	**71**	**15%**
Generation operating costs	(64)	(67)	3	4%
Net purchase cost	**(199)**	**(221)**	**22**	**10%**

Other segment result

Other Segment	6 months ended 31 December 2013 $m	6 months ended 31 December 2012 $m	Variance $m	Variance %
LPG revenue	61	65	(4)	(6%)
Meter leases revenue	3	7	(4)	(57%)
Meter leases revenue - internal	20	17	3	18%
Other revenue	2	5	(3)	(60%)
Total other segment revenue	**86**	**94**	**(8)**	**(9%)**
LPG purchases	(39)	(46)	7	15%
Meter lease costs	(16)	(13)	(3)	(23%)
Carbon emissions	(1)	(2)	1	50%
Total direct costs	**(56)**	**(61)**	**5**	**8%**
Other operating expenses	(10)	(11)	1	9%
EBITDAF	**20**	**22**	**(2)**	**(9%)**