

NZX RELEASE

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

15 February 2021: Contact Energy FY21 Interim Result

Contact to build Tauhara geothermal power station; will raise \$400m in equity.

Key metrics

	Six months ended 31 December 2020		Six months ended 31 December 2019
EBITDAF ¹	\$246m	↑	11% from \$221m
Profit	\$78m	↑	32% from \$59m
Interim dividend per share	14.0 cps	↓	13% from 16.0 cps
Operating free cash flow ²	\$157m	↑	31% from \$120m
Operating free cash flow per share	21.9 cps	↑	30% from 16.8 cps
Stay-in-business capital expenditure	\$31m	↑	15% from \$27m

Highlights

- Strong financial performance despite uncertainty of gas availability and the near-term future of major energy users.
- Result underpinned by active channel management to capture higher wholesale prices, strong asset availability, and disciplined approach to managing commodity risks.
- Several major geothermal outages completed safely, on time and under budget.
- \$580m further investment approved to develop a new 152MW geothermal power station at Tauhara, near Taupō.
- \$400m equity raise announced to support a capital investment programme, including the Tauhara Project.
- Strategic review of thermal assets under way over the next few months.
- Revised dividend policy to distribute ordinary dividends targeting a pay-out ratio of between 80-100% of the average operating free cash flow of the preceding four financial years.
- Interim cash dividend of 14 cents per share will be paid on 30 March 2021.
- New director Rukumoana Schaafhausen will join the Contact Board on 1 March 2021. Current director Whaimutu Dewes retires from the Board on 31 March 2021.

¹ Refer to slide 36 of the 2021 interim results presentation for a definition and reconciliation between statutory profit and the non-GAAP profit measures earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments (EBITDAF)

² Refer to note A3 of the 2021 interim financial statements for a definition and reconciliation between cash flow from operating activities and the non-GAAP measure operating free cash flow. Operating free cash flow represents cash available to repay debt, to fund distributions to shareholders and growth capital expenditure.

New Zealand energy company Contact Energy ('Contact') released its interim financial results for the six months to 31 December 2020 and announced it will proceed with the development of a new 152 megawatt geothermal power station at Tauhara (near Taupō) and raise \$400 million of equity to support funding of the development.

Financial performance

Contact reported a statutory profit of \$78m, up 32 per cent (\$19m) on the same period last year. EBITDAF increased by \$25m to \$246m, up 11 per cent on the prior year. Operating free cash flow for the period increased from \$120m to \$157m in the first six months of FY21, up 31 per cent year-on-year.

Contact CEO Mike Fuge said it had been a very heartening start to the year, in a complex environment. "We're pleased to have delivered a strong financial result despite challenging headwinds in the form of ongoing uncertainty around gas availability, and the doubt swirling around the future of the Tiwai Point smelter until the extension announced a month ago. We're also proud to have played our part in helping secure the financial sustainability of the unique low-carbon smelter at Tiwai until at least the end of 2024."

He said the interim result was underpinned by active channel management, strong asset availability, and a disciplined approach to managing commodity risk. "There is no room for complacency as there is an ongoing challenge around the deliverability of gas from declining gas fields and preparing for the exciting opportunity to grow demand for our low carbon energy."

The Board has approved an interim cash dividend of 14 cents per share which will be imputed up to 9 cents per share for qualifying shareholders³ and paid on 30 March 2021.

Tauhara geothermal development: additional \$580m investment approved

The Contact Board has also confirmed the company will proceed with the \$580m⁴ development of a new geothermal power station on the Tauhara field, near Taupo.

Contact Chair Rob McDonald said: "We're absolutely delighted that market conditions now allow us to proceed with this important development for New Zealand – one which has been in the planning stages for over a decade.

"We believe the Tauhara geothermal project is New Zealand's best low-carbon renewable electricity opportunity. It will operate 24/7, is not reliant on the weather and is ideal for displacing baseload fossil fuel generation from the national grid which will significantly reduce New Zealand's carbon emissions."

Construction will begin shortly and is expected to be completed in the middle of 2023. Japanese engineering, procurement and construction contractor Sumitomo Corporation is leading the build, in partnership with New Zealand construction company Naylor Love and Fuji Electric.

Mr Fuge said the investment in Tauhara was a significant commitment aligned with Contact's vision to build a better New Zealand. "It's hugely exciting to be moving into a growth and development phase. We have a fantastic team from within and beyond Contact

³ Being Contact shareholders on the register at close of business on 15 March 2021, following the allotment of new shares under the Equity Raise

⁴ Excluding capitalised interest, sunk costs and capitalised transmission assets

who will ensure the construction of a world-class power station that everyone can be very proud of.

“Proceeding with Tauhara is also the next chapter in our longstanding commitment to the central North Island and is expected to make an important contribution towards the region’s post-COVID19 economic recovery.”

Beyond those economic benefits, Mr Fuge said the development would support New Zealand’s transition to a low-carbon economy.

“Tauhara will provide a foundation to support New Zealand’s increased electricity needs over the next decade. Geothermal is something of an unsung hero in Aotearoa, but it plays a crucial role in our generation mix and the transition away from fossil fuels.”

Equity raise

Contact has also announced a \$400m equity raise. The proceeds of the equity raise will initially reduce net debt and provide financial flexibility to fund the Tauhara Project and other future growth projects.

Mr McDonald said the equity raise would give Contact the flexibility to execute on a development pipeline beyond Tauhara, comprising up to \$800m of additional projects including the potential replacement and expansion of the company’s geothermal power station at Wairakei. “It will mean Contact can maintain optionality in respect of future investment decisions, which will be able to be sized and timed to meet market demand.”

The equity raise will comprise a \$325m underwritten placement (**Placement**) and a non-underwritten offer to shareholders in New Zealand and Australia to raise up to \$75 million (**Retail Offer**).⁵ Contact will retain the ability to accept oversubscriptions in connection with the Retail Offer at its discretion, with the objective of ensuring fairness for most retail shareholders.

Review of thermal assets

Mr Fuge said the company was also undertaking a strategic review of the future role of all thermal assets in the Contact portfolio.

“We believe the time is right to consider our plans for our thermal assets, including the Taranaki Combined Cycle Power Station and Peakers at Stratford, the Te Rapa Power Station and the Whirinaki Peaker Plant. We expect this review will take several months.”

Dividend policy revised

The Board of Contact has updated the company’s dividend policy. Under the new policy, Contact will distribute ordinary dividends targeting a pay-out ratio of between 80 per cent and 100 per cent of the average operating free cash flow⁶ of the preceding four financial years.⁷ For the FY21 financial year, the target payment for the full year dividend is 35 cents per share.

⁵ See ‘Details of the equity raise’ in the Additional information section

⁶ Operating free cash flow is a non-GAAP cash measure that represents the amount of cash Contact has available to distribute to shareholders, reduce debt or reinvest in growing the business. Calculated as operating cash flow less stay-in-business CAPEX.

⁷ This includes Board consideration of the sustainable financial structure of Contact including the targeting of a long-term investment grade credit rating. Dividend payments are expected to be split into an interim dividend paid in March, targeting around 40% of the total expected dividend for the financial year, and a final dividend to be paid in December. It is the intention of the Board to attach imputation credits to dividends to the extent they are available.



Contact also intends to implement a dividend reinvestment plan and will be providing shareholders with more information on this in the coming months. The dividend reinvestment plan will not apply to the dividend to be paid on 30 March 2021.

Outlook

Looking ahead, Mr Fuge said Contact was committed to leading the decarbonisation of New Zealand. “We are excited about the critical role that Contact’s renewable electricity generation is set to play in the decarbonisation of the New Zealand economy over the next decade.

“As the Climate Change Commission signalled last month, renewable electricity provides a key solution to the climate change equation. Sectors such as transport and industrial process heat will need to move to low-emission electricity for their energy supply, and away from their stubborn reliance on high-carbon fossil fuels.”

He said the Contact team was looking forward to accelerating its refreshed growth strategy and building on the company’s strong record of operational performance delivery. “Today’s announcements of the Tauhara investment and the strategic review of the future role of all thermal assets in the Contact portfolio are the next steps on this exciting journey.”

-ends-

1/ CONTACT DETAILS

Investor enquiries:

Matthew Forbes, matthew.forbes@contactenergy.co.nz, Ph +64 21 072 8578

Media enquiries:

Paul Ford, paul.ford@contactenergy.co.nz, Ph +64 21 809 589

2/ ADDITIONAL INFORMATION

A. Details of the Equity Raise

Contact is raising NZ\$400 million via a NZ\$325 million underwritten institutional Placement and a NZ\$75 million non-underwritten Retail Offer. Contact will retain the ability to accept oversubscriptions in connection with the Retail Offer at its discretion, to maximise fairness for retail shareholders.

The Placement is fully underwritten and will be conducted today through a bookbuild in which institutional and other select investors in New Zealand, Australia and other jurisdictions will be invited to participate. The Placement has been underwritten at a fixed price of NZ\$7.00 per share, which represents a 2.8% discount to Contact’s closing price on 12 February 2021 of NZ\$7.20 and a 7.8% discount to the 5-day volume weighted average price (VWAP) of Contact shares on NZX ending on 12 February 2021 of NZ\$7.60. A trading halt has been granted by NZX and ASX to facilitate the Placement.

Contact intends to make the Retail Offer available to eligible existing shareholders with a registered address in New Zealand or Australia, enabling them to subscribe for up to NZ\$50,000/A\$46,500 of new Contact shares respectively. New shares will be offered under the Retail Offer at the lower of the Placement price of NZ\$7.00 per share and a 2.5% discount to the 5-day VWAP of Contact shares traded on NZX during the last five trading days prior to, and including, the closing date for the Retail Offer. If scaling of the Retail Offer

is required, it will be done having regard to shareholders' existing shareholdings at the record date of 7:00pm NZDT / 5:00pm AEDT on 12 February 2021.

Contact considers that the Retail Offer will cater to almost all of Contact's non-institutional shareholders, enabling them to participate pro rata and maintain their relative percentage shareholdings in Contact following completion of the Equity Raise. A Retail Offer document, together with an application form, will be sent to eligible shareholders on 18 February 2021 and will be available at www.contactshareoffer.co.nz on the same day. This document will contain the final terms of the Retail Offer. Applications under the Retail Offer will close at 5.00pm NZDT / 3.00pm AEDT on Friday, 5 March 2021.

New shares to be issued under both the Placement and Retail Offer will rank equally in all respects with Contact's existing ordinary shares on issue.

B. Key dates

Placement	Date
Trading halt commences and bookbuild undertaken	Monday, 15 February 2021
Announcement of results of Placement and trading halt lifted	Expected to be 12:00pm NZDT (10:00am AEDT) Tuesday, 16 February 2021
ASX settlement	Thursday, 18 February 2021
NZX settlement	Friday, 19 February 2021
Placement shares allotted and commence trading on NZX and ASX	Friday, 19 February 2021

Retail Offer	Date
Record date	7:00pm NZDT (5:00pm AEDT) Friday, 12 February 2021
Expected dispatch of Offer Document and application form	Thursday, 18 February 2021
Retail Offer opens	Thursday, 18 February 2021
Retail Offer closes	5:00pm NZDT (3:00pm AEDT) Friday, 5 March 2021
Announcement of results of Retail Offer	Thursday, 11 March 2021
NZX and ASX settlement	Friday, 12 March 2021
Retail Offer shares allotted and commence trading on NZX	Friday, 12 March 2021
Retail Offer shares commence trading on ASX	Monday, 15 March 2021

C. Additional information

A conference call will be held at 10:00am, New Zealand Daylight Time on 15 February 2021 regarding Contact's interim results announcement, Tauhara investment decision and updated dividend policy.

If you would like to attend the live presentation, please see the details below to view the webcast off your chosen device:

Click here to enter the webcast: [LIVE EVENT LINK](#)

Or access this link via our website: <https://contact.co.nz/aboutus/investor-centre>

Additional information regarding the Equity Raise is contained in the Investor Presentation "Tauhara investment and capital management plan – Powering New Zealand's renewable future" accompanying this announcement. That Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Equity Raise.

All dollar amounts are in New Zealand dollars (NZ\$) unless otherwise stated. All times and dates refer to New Zealand Daylight Time.

Nothing contained in this announcement constitutes investment, legal, tax or other advice. Investors are encouraged to seek appropriate professional advice before making any investment decision.

For any questions in respect of the Retail Offer, please visit www.contactshareoffer.co.nz or call Link Market Services Limited on +64 9 375 5998 between 8:30am and 5.00pm (NZDT) Monday to Friday during the Retail Offer period. For other questions, investors should contact a professional adviser.

Forward-looking statements

This announcement may contain certain forward-looking statements with respect to the financial condition, results of operations and business of Contact. Forward-looking statements can generally be identified by the use of words such as "project", "foresee", "plan", "expect", "aim", "intend", "anticipate", "believe", "estimate", "may", "should", "will" or similar expressions. Forward-looking statements in this announcement include statements regarding the timetable, conduct and outcome of the Equity Raise and the use of proceeds thereof, statements about the timing and cost of the Tauhara geothermal project, the timing and cost of other potential Contact projects, the future of the Tiwai Point aluminium smelter, alternative sources of electricity demand and the outlook for New Zealand's energy market generally, and Contact's future financial performance.

Any indications of, or guidance or outlook on, future earnings or financial position or performance and future distributions are also forward-looking statements. All such forward-looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies, and other factors, many of which are outside the control of Contact, which may cause the actual results or performance of Contact to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such forward-looking statements speak only as of the date of this announcement. Except as required by law or regulation (including the NZX Listing Rules and the ASX Listing Rules), Contact undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to the date of this announcement or to update or keep current any of the information contained herein. Any estimates or projections as to events that may occur in the future (including projections of revenue, expense, net income and



performance) are based upon the best judgement of Contact from the information available as of the date of this announcement. A number of factors could cause actual results or performance to vary materially from the projections, including the risk factors set out in our Investor Presentation "Tauhara investment and capital management plan". Investors should consider the forward-looking statements in this announcement in light of those risks and disclosures.

You are strongly cautioned not to place undue reliance on any forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused in relation to Contact and otherwise by the COVID 19 pandemic.

United States selling restrictions

This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The new shares to be offered and sold in the Equity Raise have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the new shares to be offered and sold in the Placement and Retail offer may not be offered or sold to any person in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws.