

UBS Australasia Conference

November 2022



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Presenters



Mike Fuge

Chief Executive Officer

Mike Fuge was appointed CEO in September 2019 and joined Contact in February 2020.

Mike was previously the chief executive of Refining New Zealand and has a long history in the energy sector, both in New Zealand and internationally. He has previously been the chief executive of global renewable energy owner operator and developer Pacific Hydro in Australia and held senior roles at Genesis Energy and Royal Dutch Shell Group.



Dorian Devers

Chief Financial Officer

Dorian joined Contact in December 2018 as Contact's Chief Financial Officer.

Dorian is experienced in business transformations having led successful turnarounds of businesses in both the UK and South Africa. He has successfully delivered several acquisitions including ones in the Australian and New Zealand energy sector. He has governance experience having served on the Board of Afrox a publicly listed company and the largest industrial gases business in Africa, as well as being a previous Board member of Liquigas a New Zealand LPG infrastructure business.

Why invest in Contact?

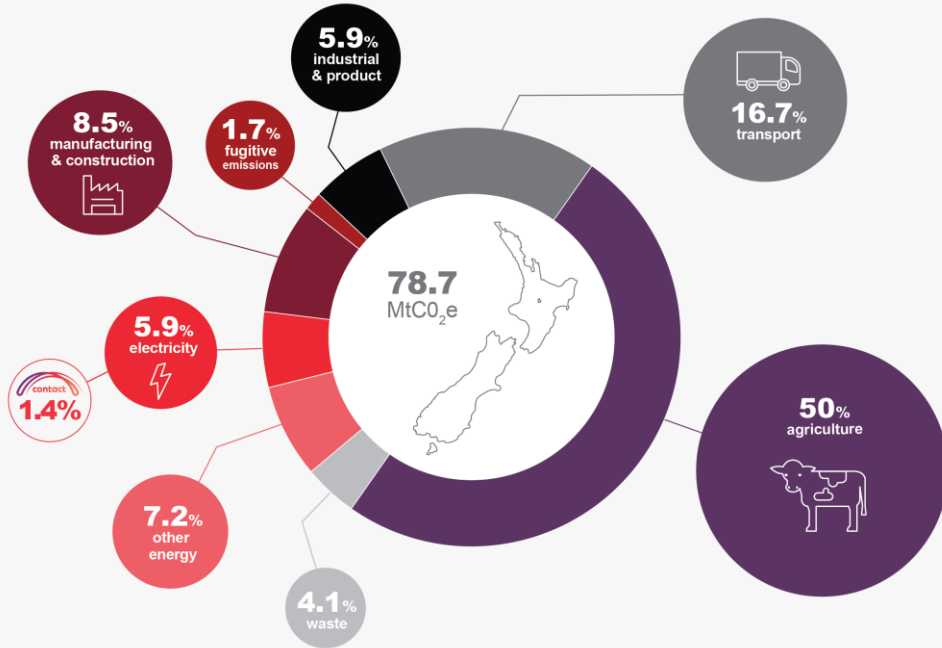
The investment opportunity in our core market is large and in line with our unique capability which will deliver cash flow growth ultimately flowing through to dividends



Electrification will reduce carbon emissions

With New Zealand's high renewable penetration, electricity is the solution to reducing carbon emissions, not the problem

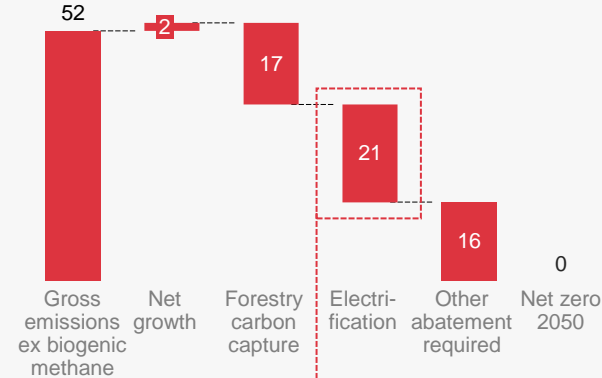
Greenhouse gas emissions by sector
(Greenhouse Gas Inventory, 2020)



Meaningful reductions in carbon emissions are possible with renewable electricity displacing carbon intensive fuels

Sources: New Zealand's Greenhouse Gas Inventory 1990-2020 snapshot, 2022 Inventory, Te Rārangī Haurehu Kati Mahana a Aotearoa 1990-2020 - He whakarāpopoto New Zealand

Paris agreement target, Mt CO₂e
(Transpower, 2020)



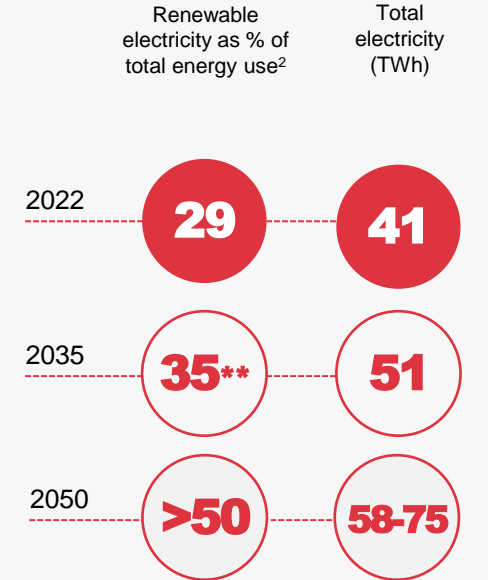
To meet this annual emissions reduction, Transpower estimates 70% more renewable generation is required to electrify heat and decarbonise transportation. This amounts to ~23TWh p.a.

This is the equivalent investment of around \$690m every year for 27.5 years¹

Source: Whakamana i Te Mauri Hiko - Empowering our Energy Future, March 2020 (Transpower)

¹ Based on the cost of the Meridian Harapaki wind farm as per August 2022 NZX announcement (\$448m, 542GWh p.a.)

Our future energy profile
(Climate Change Commission, 2021)

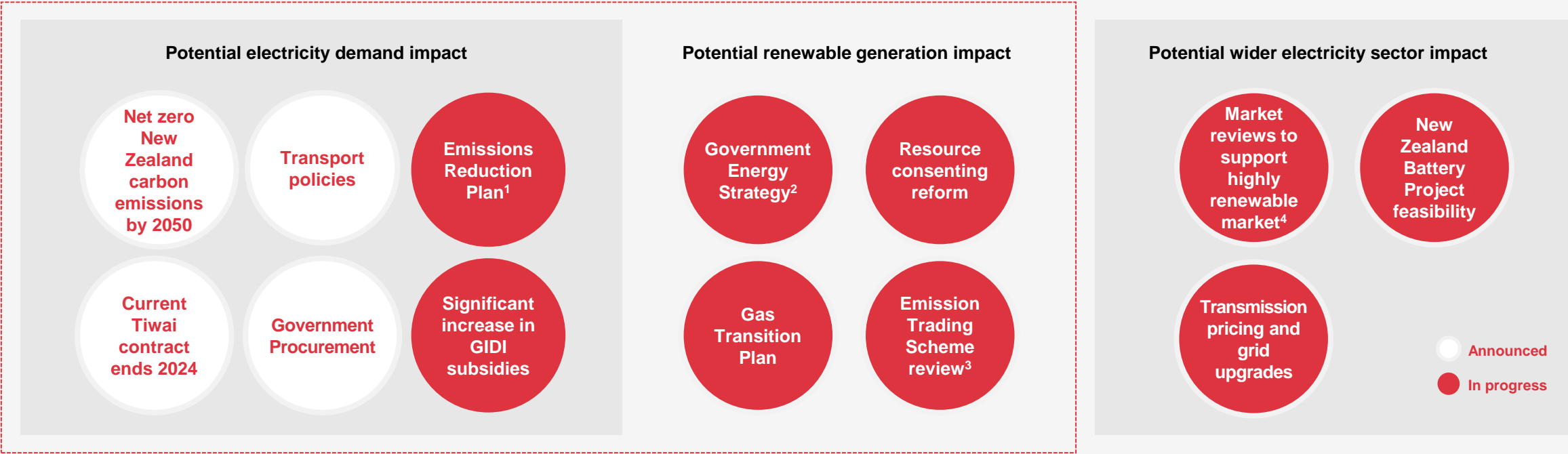


****Transpower and Climate Change Commission analysis preceded the Government's first Emissions Reduction Plan: Targeting an even more ambitious trajectory with renewables at 50% of total energy consumption by 2035**

Source: Climate change commission 2021 final advice
² Based on Consumer Energy use rather than Primary Energy use

Climate change and regulation

The New Zealand regulatory framework is being adapted to deliver on this societal imperative. There is political consensus to deliver net zero by 2050 and on the emissions reductions budgets needed to get there



Society is demanding action on climate change, with clear progress expected.

¹ While the government's first Emissions Reduction Plan has now been released, there is ongoing work on implementation and further planning
² Covering electricity, hydrogen, and industry decarbonization. Terms of Reference have been released
³ Government is consulting on recommendations by the Climate Change Commission on the unit limit and price control settings of the ETS
⁴ Including BCG's "The Future is Electric"; EA/Transpower's "Future Security and Resilience Project"; EA's Market Development Advisory Group; Wholesale Market Review (EA currently consulting on proposals)

Government support for decarbonisation

The Government has recently released its first Emissions Reduction Plan in response to the Climate Change Commission recommendations

An economy-wide plan to meet New Zealand's net zero emissions target by 2050. It includes specific actions government will undertake, as well as policies and strategies to influence emissions from private firms. There are three key impacts for Contact Energy:

1. Target of reaching 50% total energy consumption from renewable sources by 2035

Government developing an 'Energy Strategy' by the end of 2024

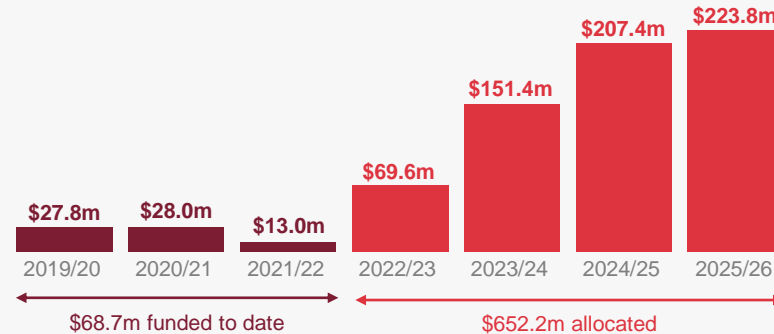
Strategy will include an action plan for decarbonising industry

Strategy will also consider how to make it easier to gain consents for renewable generation

2. A large boost in financial support for decarbonisation

Government has committed \$650m+ over the next four years to contribute to the costs of industry decarbonisation projects

GIDI¹ Fund commitment

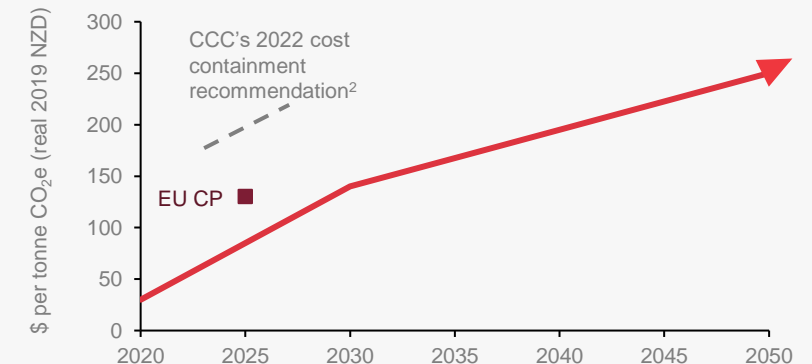


Government has allocated a further \$200m+ to decarbonise the public sector, focussing on replacing coal boilers

3. New Zealand carbon prices expected to continue to rise, further incentivising switching

Carbon priced at \$85 per unit at September 2022 auction. Price is expected to rise as number of auctioned credits reduces which is creating demand for increased electrification

Carbon Price Trajectory: Estimate of the carbon price required to achieve net zero target New Zealand Climate Change Commission, 2021



¹ GIDI: Government Investment in Decarbonising Industry

² In July 2022 the Commission recommended a step-up in the ETS cost containment trigger price: \$171 in 2023; \$214 in 2027

Contact 26 > Our strategy to lead NZ's decarbonisation



Strategic theme

Grow demand

Objective

Attract new industrial demand with globally competitive renewables



Grow renewable development

Build renewable generation and flexibility on the back of new demand



Decarbonise our portfolio

Lead an orderly transition to renewables



Create outstanding customer experiences

Create NZ's leading energy and services brand to meet more of our customers' needs

Enablers

ESG: create long-term value through our strong performance across a broad set of environmental, social and governance factors

Operational excellence: continuously improving our operations through innovation and digitisation

Transformative ways of working: create a flexible and high-performing environment for New Zealand's top talent

Outcomes

Growth
Pivot our business to a new growth era that captures the value unlocked by decarbonisation

Resilience
Deliver sustainable shareholder returns, aligned with our ESG commitment

Performance
Realise a step-change in performance, materially growing EBITDAF through strategic investments

Positive outlook for demand

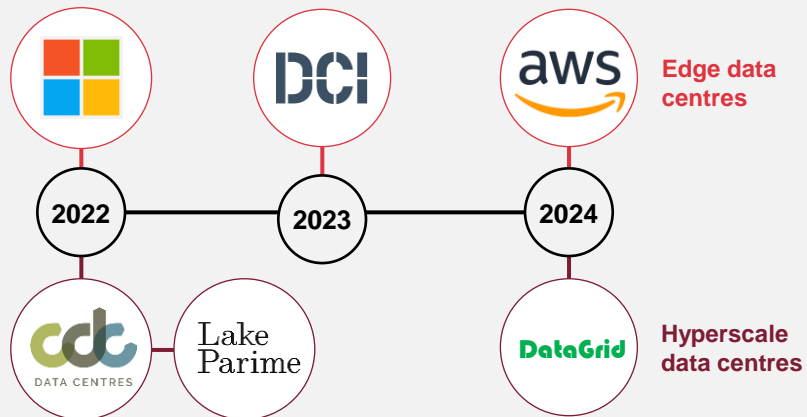
Data centres looking to enter New Zealand, and energy intensive industries looking to sign up long-term renewable energy agreements

New data centre build

Several credible data centre owners have publicly announced they are planning to invest in New Zealand

The baseload characteristics of data centres make them attractive

Data centres proposed by the following companies



Electric vehicle uptake

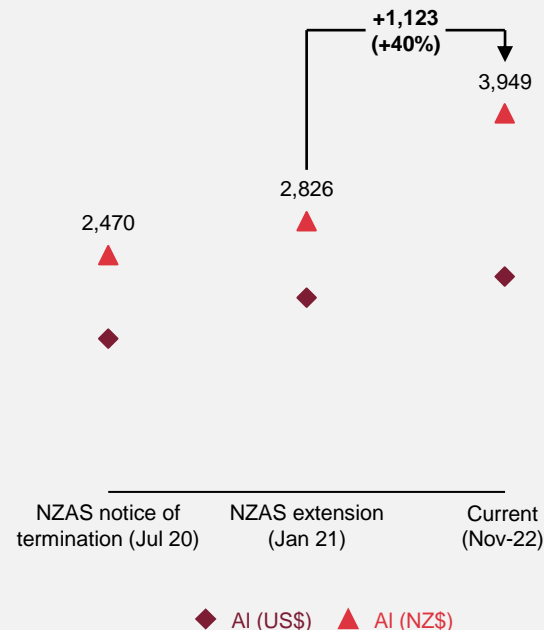
Increasing uptake of EVs: 16% of all registrations in August 2022¹

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¹ Ministry of Transport

Energy intensive industries

Aluminium price (/tonne)



- A** Tiwai smelter (NZAS) extension beyond 2024 appears likely:
- Aluminium economics materially improved
 - Rio Tinto carbon reduction targets aligned with extension of the renewably powered NZAS smelter, without significant renewable energy investment
 - Reduced international aluminium smelting capacity
 - Strong long-term demand outlook for aluminium

- B** Three major electricity users signed to long-term Tauhara backed electricity signed (PPA). **Genesis contract beginning 2025 and the other two in April 2024:**

	62.5 MW / 15 years
	15 MW / 10 years
	10 MW / 10 years

- C** Transpower competed the Clutha Waitaki Lines Project in April 2022, allowing an additional 400 MW of electricity to flow north

Positive outlook for demand

Process heat conversion and baseload thermal substitution

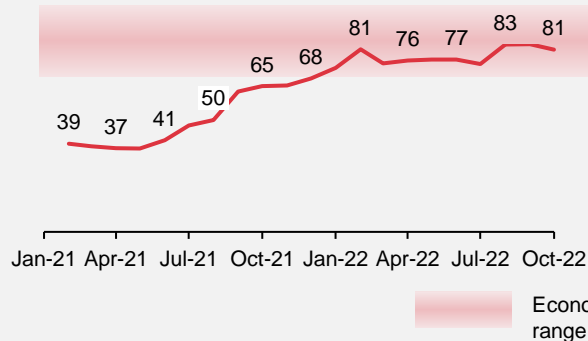
● Process heat conversion

Since 2020, there has been \$69m in confirmed GIDI funding for process heat conversion projects
 The Government has allocated an additional \$650m over four years, with a commitment to allocate a further \$330m for industrial decarbonization post 2026/27

Application of funding will drive conversions to new electric boilers (~50MW). These projects are expected online by April 2024



NZ carbon price (\$/unit)

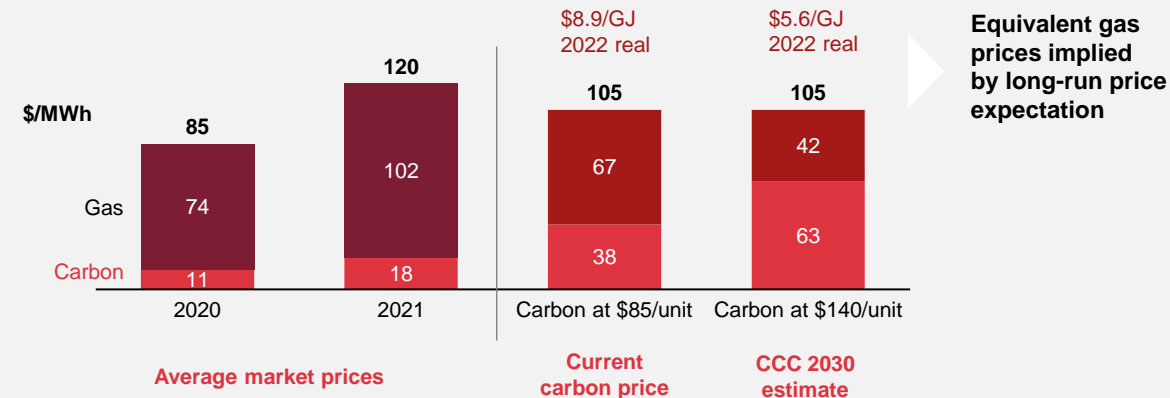


Rising carbon costs (+124% on Jan 2021) are at thermal / electricity switching points for new boiler investments if electricity supplied long-term through Power Purchase Agreements (PPA)

● Baseload thermal substitution

Despite higher expected long run electricity prices, the economics of baseload thermal generation remains challenged with fuel costs expected to continue to remain above estimated long run, renewable backed PPA pricing¹. The break even gas cost reduces as carbon costs rise (as expected)

Thermal fuel costs at average market prices



Equivalent gas prices implied by long-run price expectation

This issue is more acute when fixed operating costs and return on capital requirements are considered

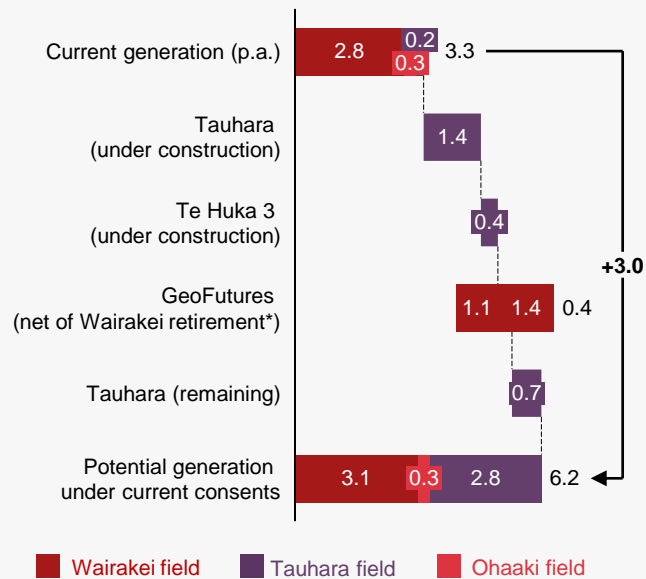
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¹ Ultimate pricing for renewable PPAs will include consideration of the offtake credit rating and credit support, the location of take, firming commitments and outage cover and term.

Market leading development pipeline

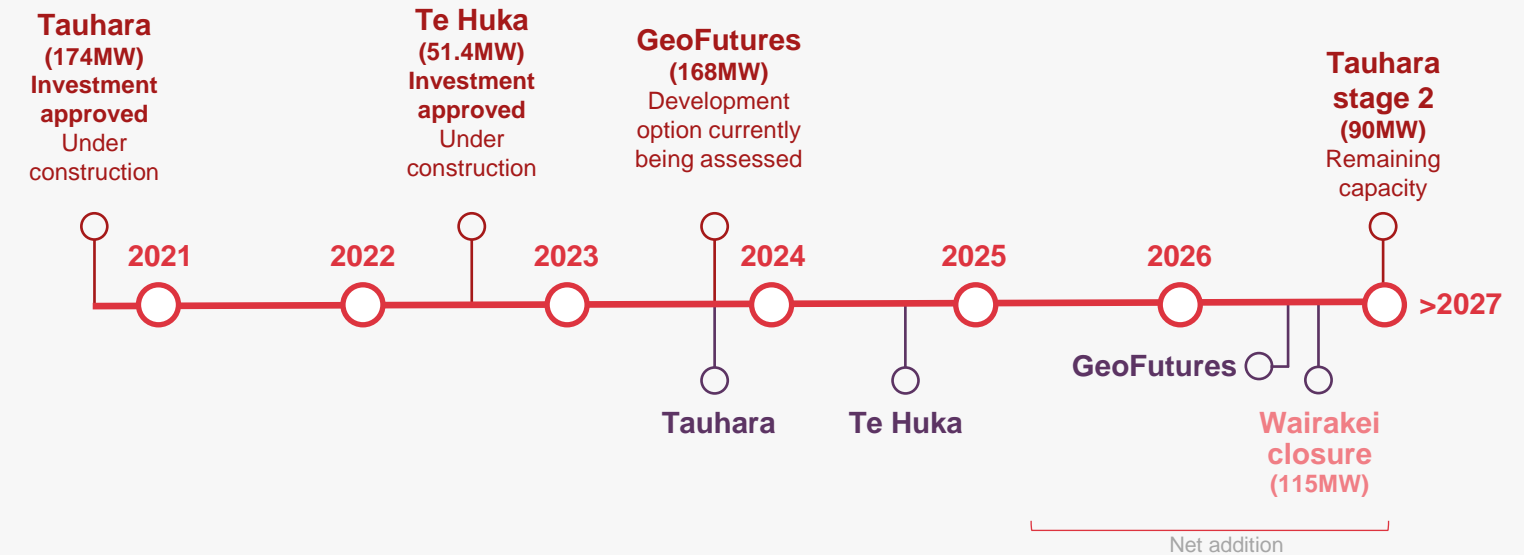
In line with core markets and capability

Geothermal generation potential (TWh p.a.)



Geothermal field responses to extraction and injection will determine the ultimate geothermal generation potential beyond current consents.

Potential geothermal development projects



Potential generation impact

*Expected enthalpy decline at Wairakei is expected to be offset through continuous improvement projects

All uncommitted investment / closures are subject to Board investment decisions

Strategic acquisitions and partnerships to build capability

Wind: Roaring40s adds wind development capability



Roaring40s
Wind Power



Immediate wind development experience having been involved in ~70% New Zealand wind projects



Deep knowledge of New Zealand's undeveloped wind sites, giving us a head start



Strong balance sheet to support build of renewable generation



Ability to incorporate and trade wind developments into market



Strong consenting and community relationships

Assessment and consenting of low-cost wind sites
in an exclusive partnership until April 2026

Solar: Lightsource BP partnership adds solar development capability

lightsource bp



Capability and resourcing to accelerate Contact's position in grid-scale solar



Immediate access to world-leading solar development. Strong connections into solar supply chains and dedicated procurement functions to source solar components for LSBP's projects around the globe



Extensive experience, legal documentation and processes for establishing special purpose vehicles (SPV) and undertaking project financing activities



Likely will provide on-going operations and maintenance (O&M) services to any developed solar farms



Creditworthy counterparty to support a Power Purchase Agreement (PPA) which is a major hurdle to securing project finance and de-risking a project

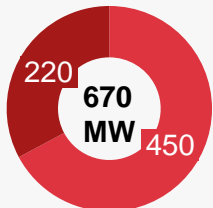


Significant experience in the New Zealand electricity market for both trading and development, providing assurances to LSBP on risks associated with entering a new market



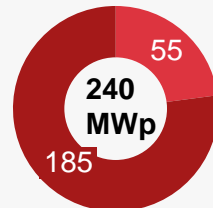
Strong stakeholder relationships

Exclusive partnership to deliver series of **grid-scale solar generation** projects initially targeting 250MWp by 2026



Status of wind under development

- » Commenced consenting of priority South Island site
- » Land access secured for a further 450MW of wind development potential



Status of solar under development

- » Commenced consenting of priority North Island site
- » Land access secured for a further 55MWp of solar development potential

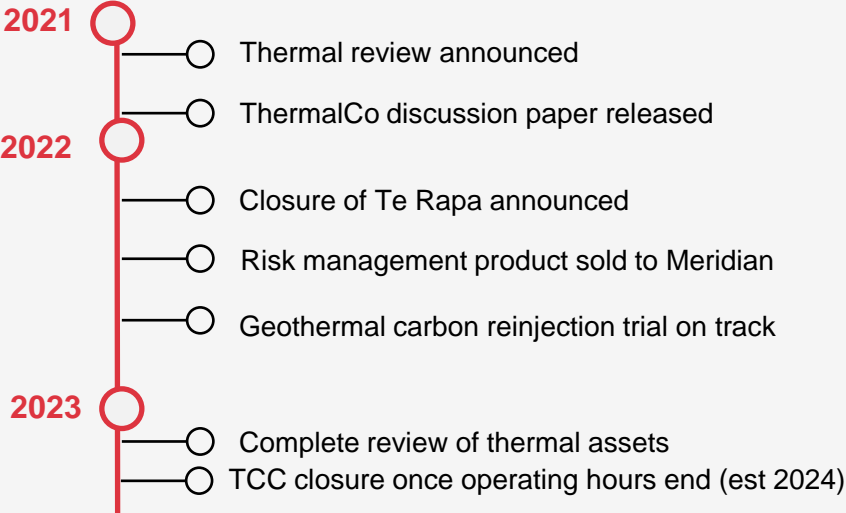
■ Land access secured ■ Consenting underway

- » Contact only includes indications of capacity that are sufficiently progressed (land access secured at a minimum)
- » Advanced land access negotiations are under way for additional wind and solar sites

Decarbonising our portfolio: Leading an orderly transition to renewables

Key outcomes:

- Act on our commitment to ESG, contributing to better outcomes for our communities and the environment
- Support secure 24x7 electricity supply for Contact’s customers and all other market participants
- Capture the value flexibility offers to the electricity market
- Provide an integrated system to support the transition to renewables by providing risk-coverage to the market and reducing price volatility
- Reduce fixed costs by finding cost reductions, synergies and highest-value ownership



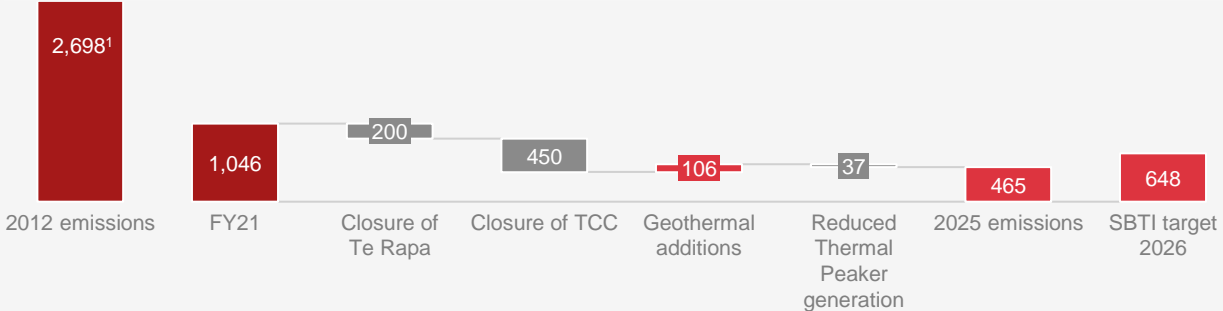
Other external commitments

Our targets have been approved by the Science-based targets initiative (1.5 degree warming)

Reduce Scope 1 and 2 GHG emissions 45% compared to 2018 baseline by 2026

30% reduction of 2018 Scope 3 GHG emissions by 2026

Scope 1 & 2 GHG emissions (ktCO₂e)



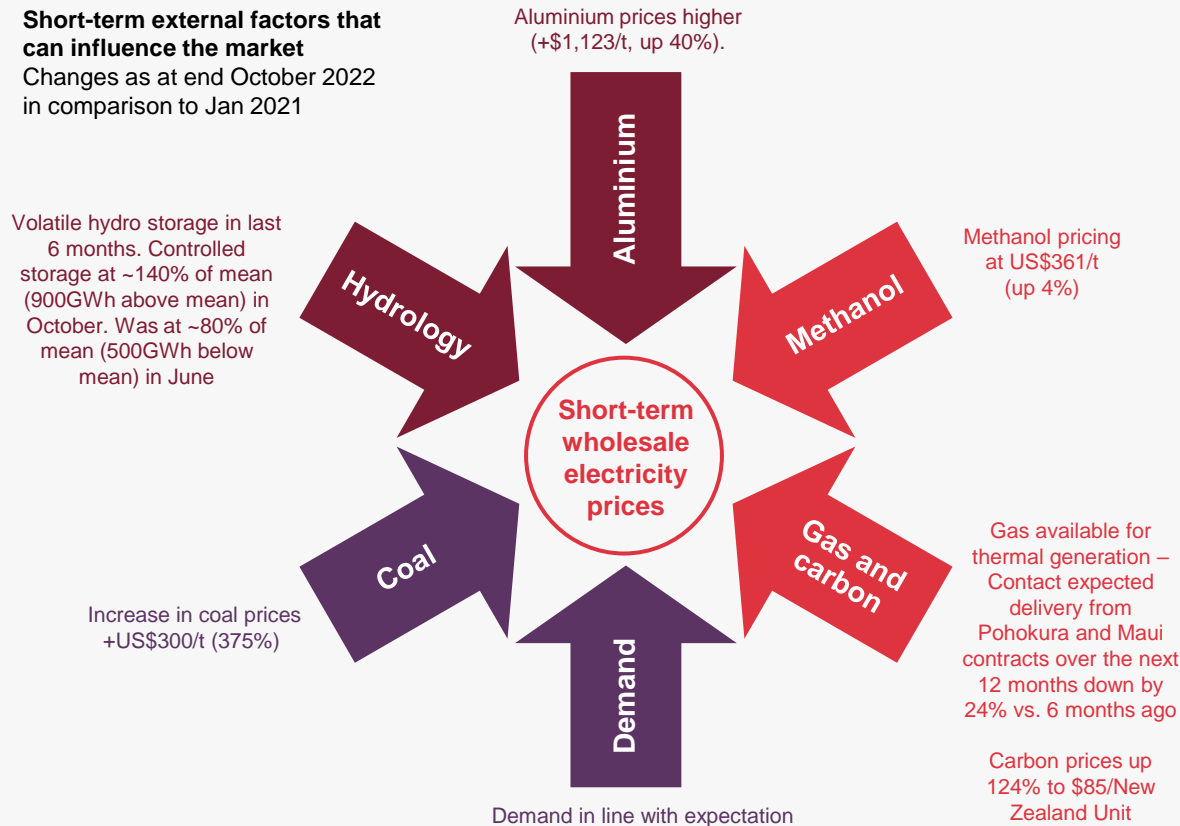
¹ Contact’s annual emissions return to the Environmental Protection Authority for calendar year 2012. Reflects scope 1 emissions ex diesel

Wholesale risks remain elevated

Forward wholesale pricing reflects current market conditions, including fuel cost and availability risks

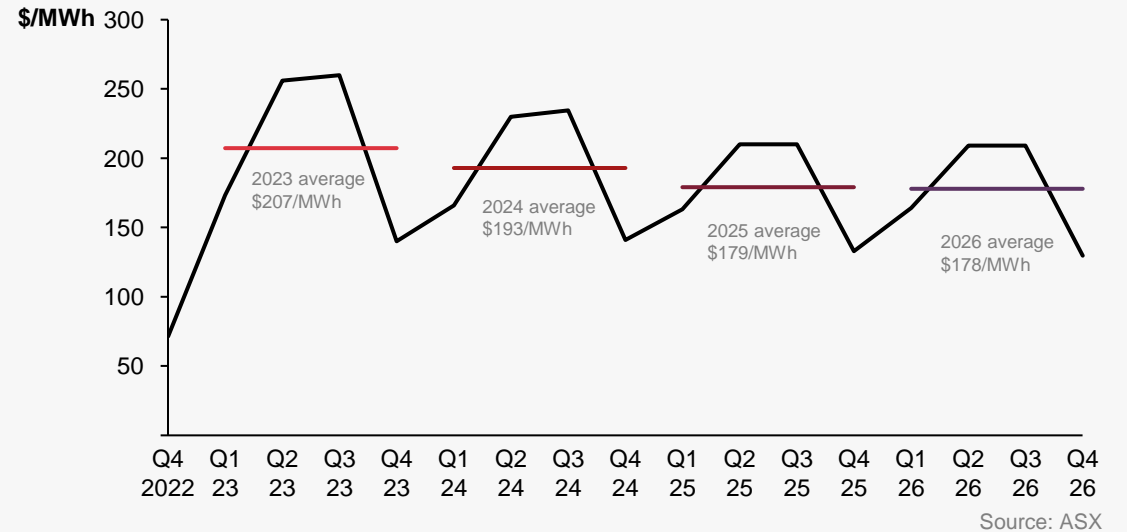
Short-term external factors that can influence the market

Changes as at end October 2022 in comparison to Jan 2021



Elevated wholesale pricing out to 2026

ASX Futures (Quarterly, base period)



Wholesale market conditions are volatile:

- » Q4 2022 impacted by high hydro storage following 95th percentile hydro inflows in Q3 2022
- » Winter 2023 impacted by lower expected gas availability, high coal and carbon costs and the end of the 'swaption' contracts
- » Wholesale prices reduce as new renewable generation is brought online despite the expected closure of thermal generation capacity

There is currently extreme volatility across commodity markets, driven by a combination of global energy supply and security concerns, exacerbated by the impact of the Russian invasion of Ukraine, with subsequent unprecedented increases in international energy prices including coal, gas and oil. Domestically, gas field outages and high coal and gas prices have contributed to a steep escalation in wholesale electricity prices.

Long run pricing expected to revert to \$100 – \$110/MWh from \$85/MWh previously

Long-term pricing is linked to the long-run marginal costs (LRMC) of new renewable projects to meet demand plus costs associated with firming renewable intermittency

	Previous (~2019/20)			Current (2022)		
	Capex \$m/MW	Sector WACC ¹	LRMC ² (\$/MWh)	Capex \$m/MW	Sector WACC ¹	LRMC ² (\$/MWh)
Indicative LRMC (pre-firming)						
Geothermal ³	4.4	6.5%	\$55 to \$65	5.8	7.5%	\$70 to \$80
Wind ⁴	2.2	6.5%	\$65 to \$75	2.7	7.5%	\$85 to \$95
Solar ⁵	Project capex up ~20% driven by higher commodity and shipping costs					
Hydro	Not considered due to environmental limitations of new hydro development					
Cost of firming						
		Variable costs (\$/MWh)	Variable costs (\$/MWh)	Fixed cost pa (100MW)		
Gas ⁶		\$120 to \$140	\$200 to \$220	\$30-35m		
Coal ⁷		\$150 to \$200	\$400 to \$450	\$13m		
Biomass		Indicative assessment: At current carbon and fuel pricing, biomass appears competitive to coal ⁸				

- » Capacity factors of solar, wind and geothermal are around 20%, 40% and 95% respectively in New Zealand
- » Any renewables being built therefore require firming. This firming can come from thermal generation, batteries, demand response or overbuilding of renewables, but comes at a cost

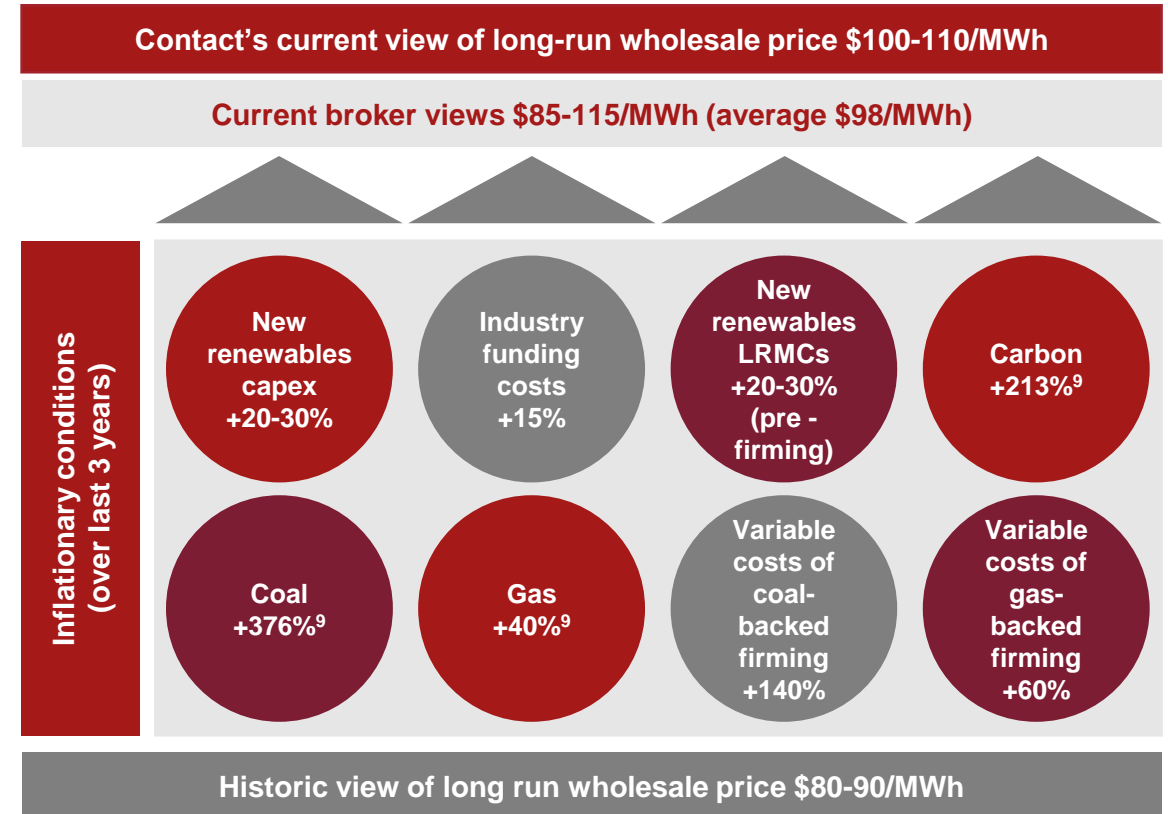
¹ Weighted Average Cost of Capital taken from broker ranges across MCY, MEL, GEN and CEN at ~6-7% in 2019/20 and ~7-8% in 2022

² LRMC = Long run marginal cost of new renewable generation (before firming). Electricity price (real) to deliver NPV = 0

³ Announced capital costs of Tauhara (early 2021) and Te Huka (2022)

⁴ Announced capital costs on Turitea (2019) and Kaiwera Downs (2022)

⁵ International Energy Agency; Analyst estimates



⁶ Based on heat rate and carbon intensity of Peaking plant; Capacity cost includes storage, operating costs and return on capital

⁷ Applies the Genesis MSO calculation in both periods (2019 being an illustration of the current MSO structure on 2019 underlying pricing)

⁸ Genesis Energy Insights on Biofuels (Presentation, May 2022)

⁹ Differences between 2022 and 2019 averages in NZD

Tauhara capacity further increased

Capital cost up reflecting capacity addition, inflationary environment and initiatives to de-risk the schedule

Schedule

On track for first steam supplied to power station in Q2 of calendar 2023

Have stepped up mitigations to de-risk the schedule

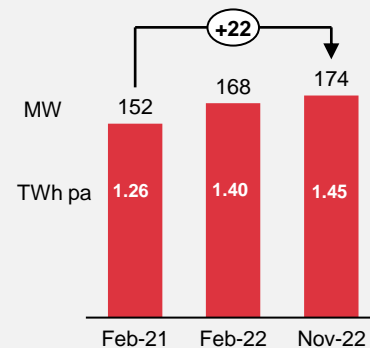
- » Established project acceleration office
- » Enhanced monitoring and performance practices
- » Scaled up project team expertise and capacity for managing interface with contractors

Targeting 4Q of calendar year 2023 for station on-stream date

Resource / capacity

Tauhara will deliver more renewable generation than originally expected

Tauhara station capacity upgrade



The additional capacity was achieved at an incremental capital cost of ~\$2.5m/MW (this is 51% below the all-in capital cost)

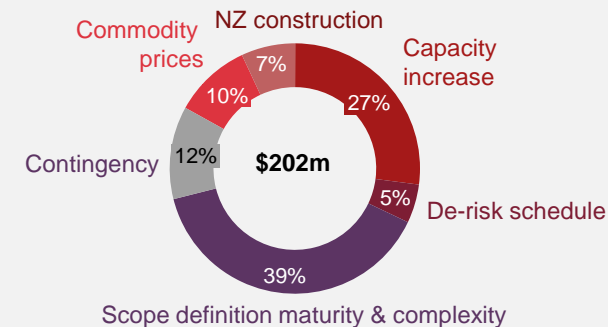
Cost

Expected project costs of \$880m¹. This is \$62m higher than previously expected, equating to an increase of 4% on a \$/MW basis

Estimated sources of cost increase

Cost increase of \$202m since final investment decision (FID):

1. 27% increase for marginal capacity expansion of power station, drilling and the steam field to deliver higher output
2. 39% of increase due to scope definition of the separation plant and plant complexity both being beyond expectations
3. 34% of increase associated with COVID



Confidence on cost forecast driven by all aspects of design complete, 90% of go forward costs contracted, a contingency of 13% on go-forward non EPC capex, and expecting ~\$20m of commissioning revenue to be capitalised which provides a further contingency

Returns

Project returns remain strong. Key drivers have moved favourably since FID:

- ✓ Overall capacity increase of 14%
- ✓ Higher electricity futures pricing from contracted Tauhara generation indicated by futures prices
- ✓ Longer term wholesale price expectations have increased, reflecting higher costs of developing and firming new generation

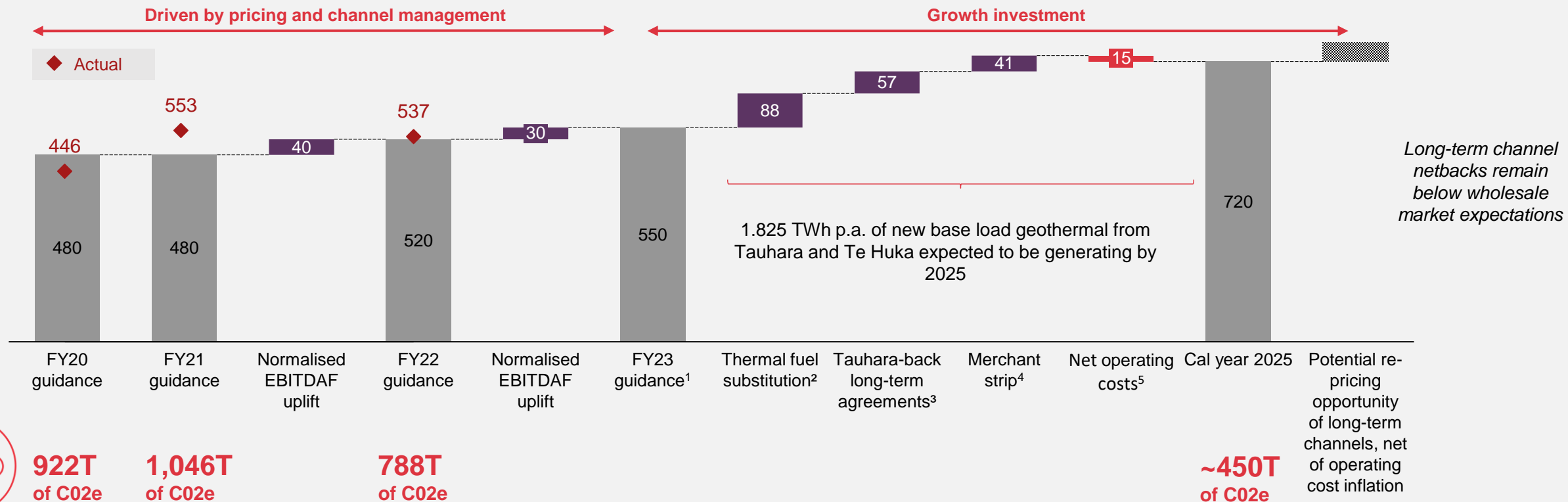
Translating to:

- ✓ Higher recovery through inflation linkages on PPA or market pricing

¹ Total estimated construction costs related to this phase of development (2008 – 2024). Excludes capitalised interest. This will be reduced by up to \$20m of commissioning revenue which reduces capital costs

Contact indicative EBITDAF after completion of announced investment programme

Normalised and expected EBITDAF (\$ million)



922T
of CO2e

1,046T
of CO2e

788T
of CO2e

~450T
of CO2e

Scope 1 and 2 emissions

¹ See slide 28 of FY22 results presentation for assumptions underpinning FY23 normalised and expected earnings

² Substitution of around 875GWh of thermal generation from TCC and Te Rapa at the expected FY23 fuel cost of \$115/MWh less net revenue from Fonterra linked to Te Rapa (steam and electricity sales)

³ Expected revenue from long-term PPA electricity sales already signed

⁴ Additional sales above the FY23 contracted position (250GWh) at the 2025 ASX average price of \$162/MWh (as at 11 August 2022). Estimate not revised for current ASX pricing (2025 average of \$179/MWh) or the extra 50GWh p.a. of generation now expected from Tauhara

⁵ Geothermal operating costs for new stations net of reduction in operating costs following the closure of thermal assets

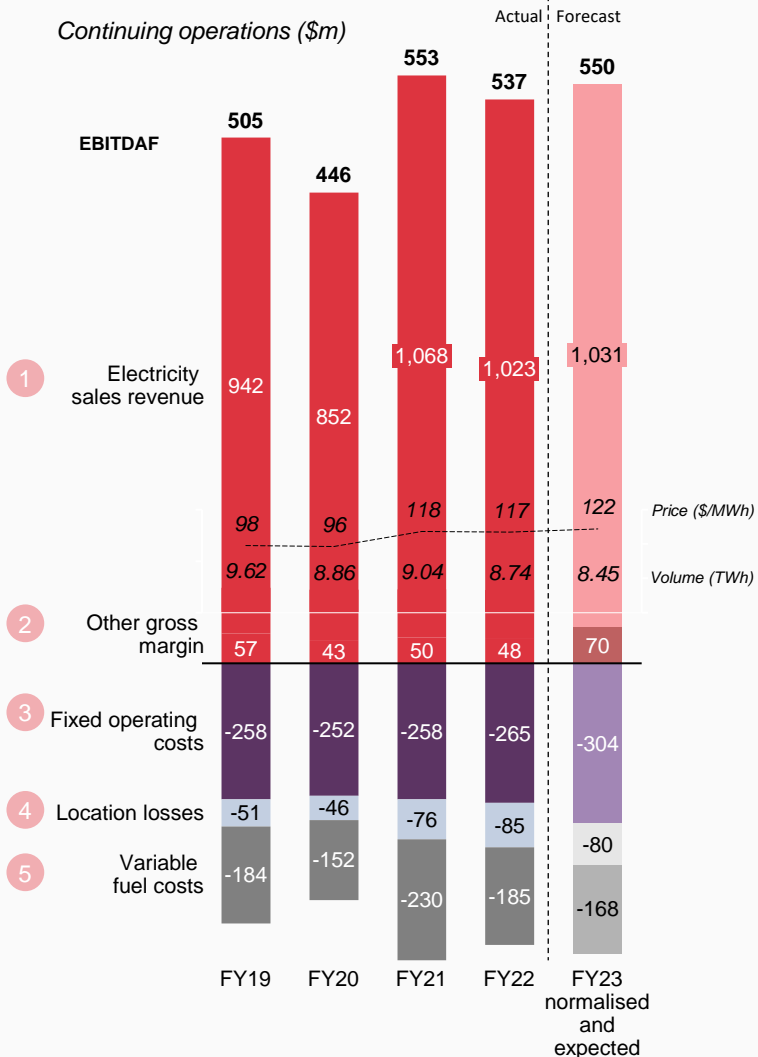
Appendix



Integrated portfolio performance

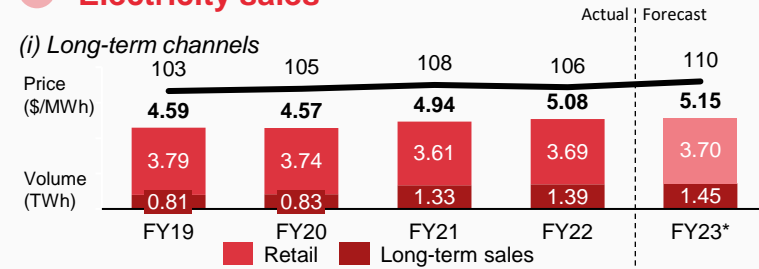
Operating earnings (EBITDAF)

Continuing operations (\$m)

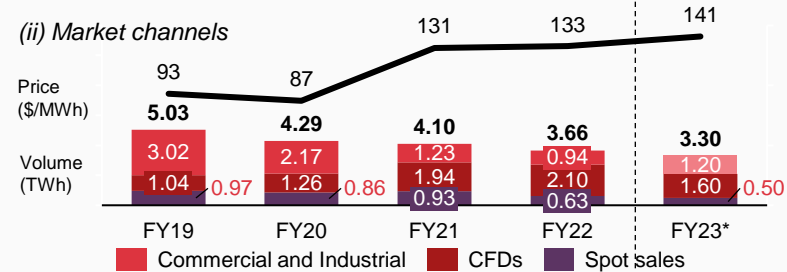


1 Electricity sales

(i) Long-term channels

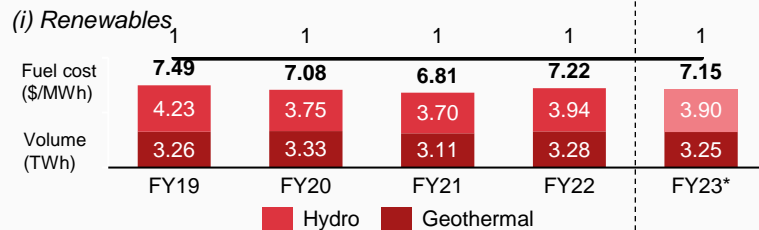


(ii) Market channels

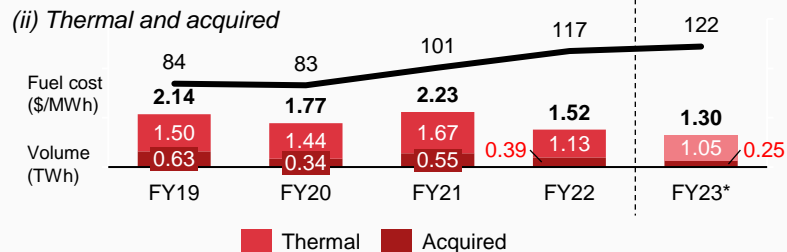


5 Variable fuel costs

(i) Renewables



(ii) Thermal and acquired



Annual sensitivities

- Electricity revenue: Electricity sales (net of network, meters costs) for all sales channels**
 - Pricing: Long-term channels linked to inflation, market channels are linked to futures pricing
 - Volumes: Variable, dependant on hydrology and fuel
- Other gross margin: Steam sales revenue, retail gas gross margin, broadband gross margin and other income**
 - Growing broadband contribution offsetting gas retail margin decline
- Fixed operating costs: Electricity and gas transmission, gas storage costs and other operating costs (includes labour, maintenance expenses, cost to serve, cost to acquire and development)**
 - Inflation linked
- Location losses: Difference between wholesale revenue from generation assets and costs to purchase electricity to support sales**
 - Expected to approximate ~6 to 7% of electricity sales revenue
- Variable fuel costs: Gas, carbon and acquired generation to manage risk**
 - Cost: Thermal generation costs continue to rise on higher gas and carbon costs
 - Volumes: Variable, dependant on hydrology and wholesale prices vs fuel costs

*FY23 normalised and expected provides an indication of the expected FY23 performance from Contact in a mean hydrological year. If hydro inflows are below mean, then more thermal generation will be required to support the fixed sales position increasing costs and reducing operating earnings in line with the thermal and acquired fuel cost. There remains price risk in forward projections. See slide 28 of FY22 results presentation for details around the contractual sales position