

Contact Energy Introduction

International Engagements | September 2023



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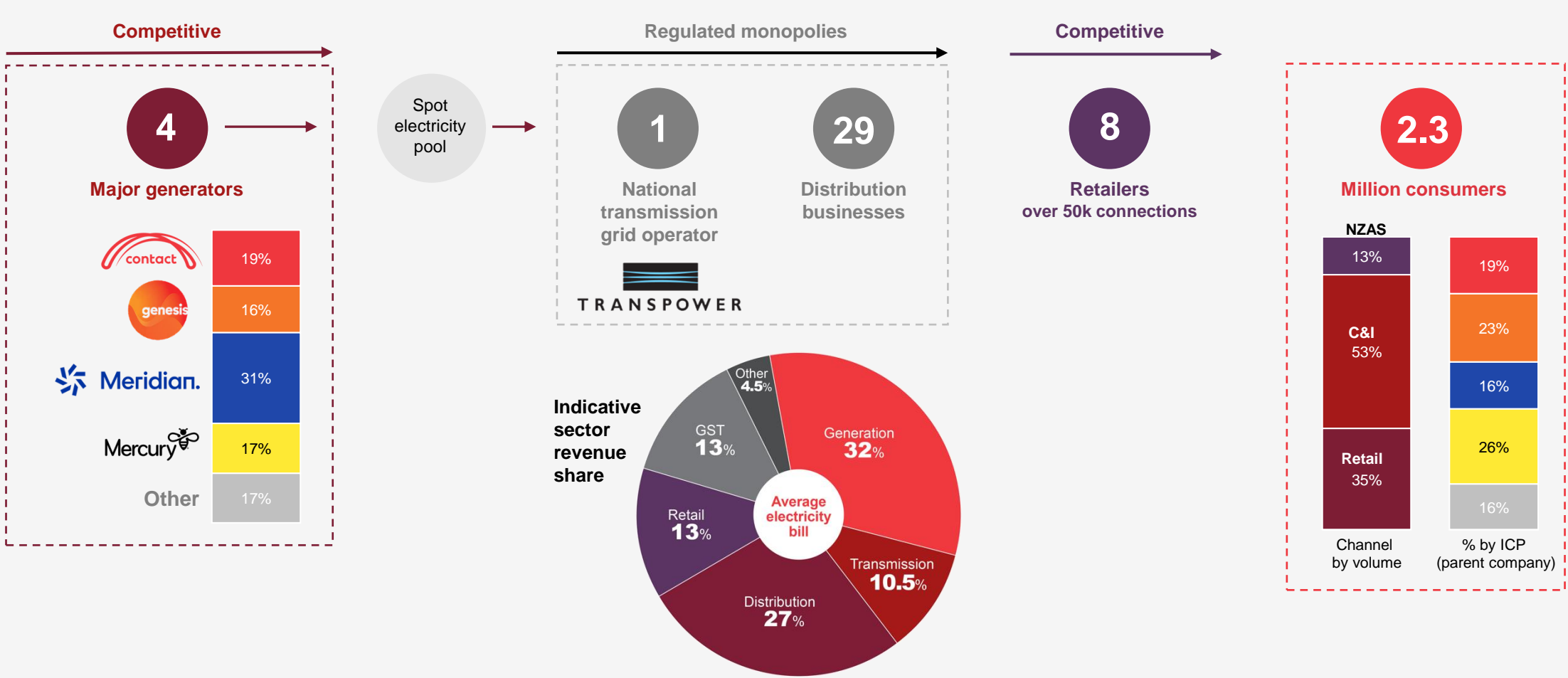
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Introduction to New Zealand's electricity sector



New Zealand enjoys a reliable, affordable and environmentally sustainable electricity system



Source: MBIE quarterly electricity generation and consumption, Sep 18–Jun 23, Major generators respective operating reports, July 2018-Jun 2023

Source: EA website: <https://www.ea.govt.nz/consumers/my-electricity-bill/>

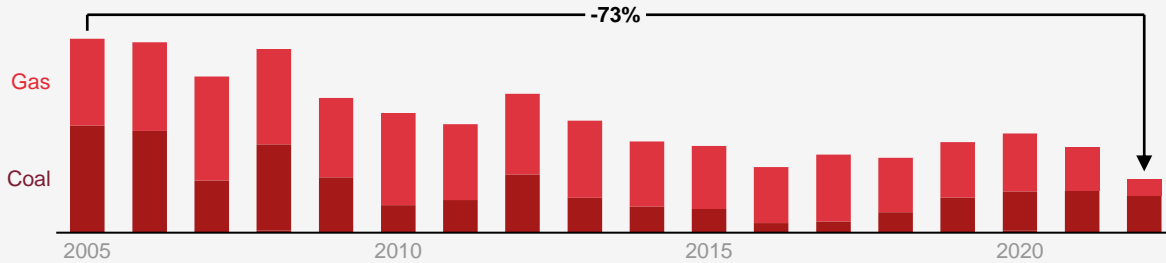
Source: MBIE quarterly electricity generation and consumption, Sep 22–Jun 23, EMI, Aug 2023

NZ electricity supply is highly renewable

Contact has led the way in decarbonising the NZ electricity system through geothermal development

Electricity generation carbon emissions (units of CO2e)

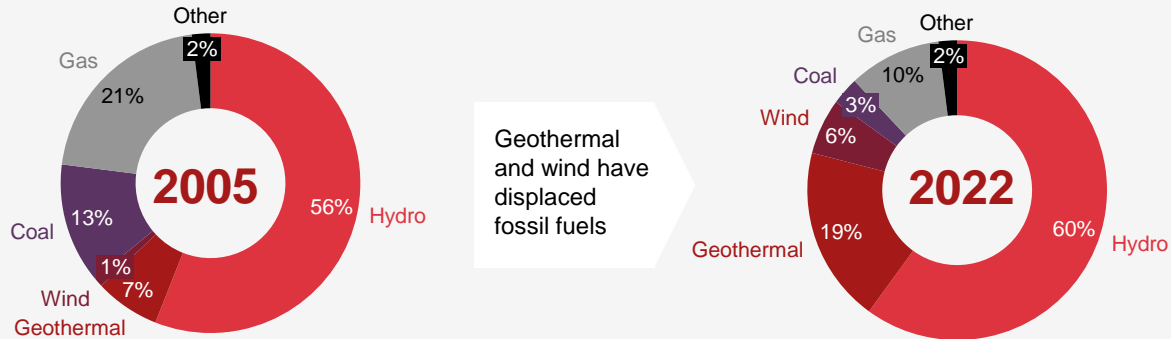
Calendar year



Source: MBIE quarterly electricity and liquid fuel emissions data tables

Electricity generation mix comparison 2005 and 2022

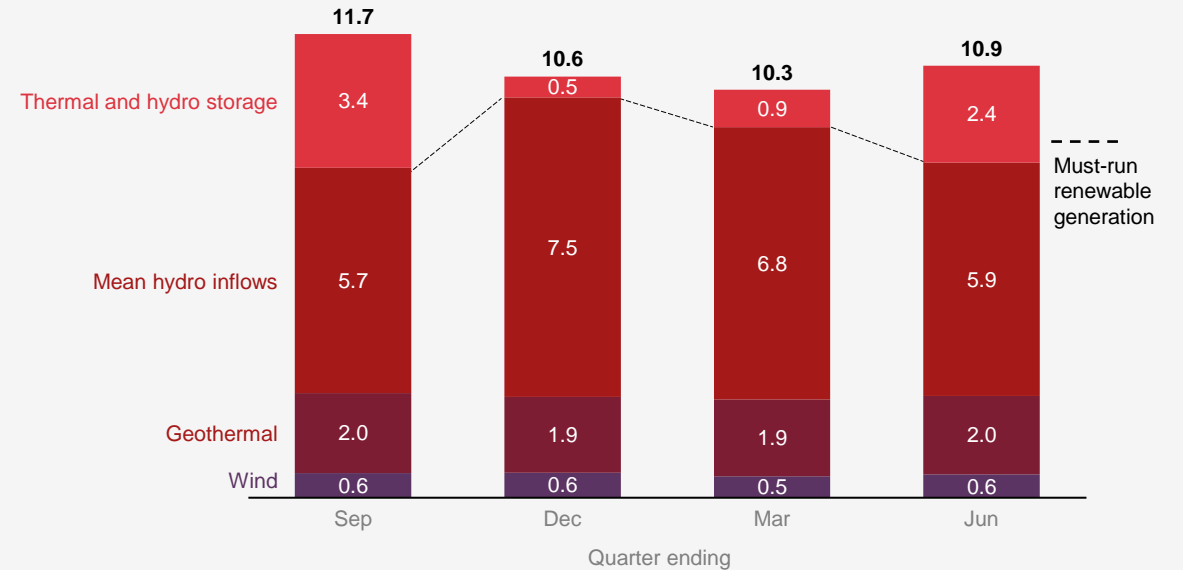
Calendar year



Source: MBIE quarterly electricity generation and consumption

Current national quarterly supply and demand (TWh)

Measured at the station grid entry point



5TWh
per annum

Flexible thermal production is required to complement

3TWh
per annum

of seasonal renewables firming

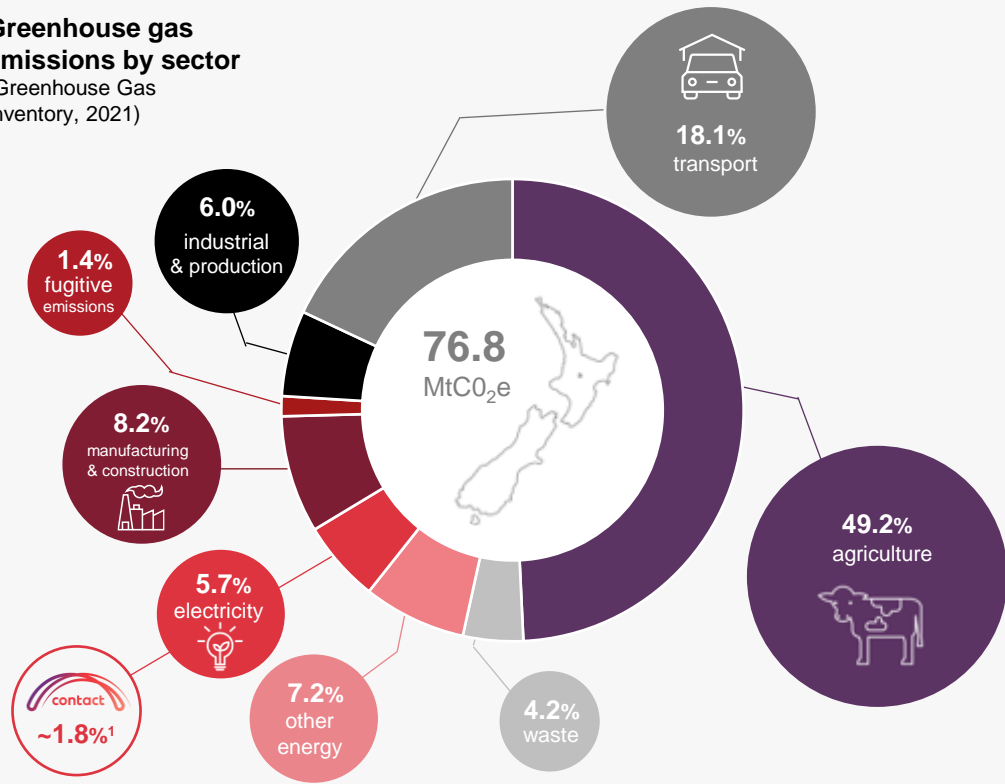
*Source: NZX hydro, mean inflows 1926 – 2023

** Source: MBIE quarterly electricity generation and consumption 2015 to 2023

Electrification will reduce carbon emissions

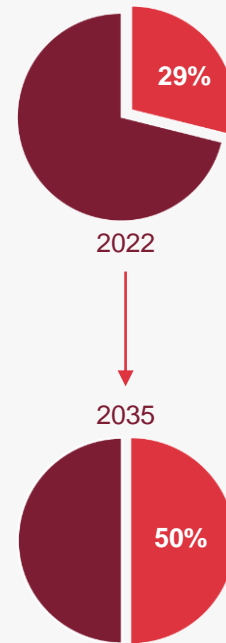
With New Zealand's high renewable penetration, electricity is the solution to reducing carbon emissions, not the problem

Greenhouse gas emissions by sector
(Greenhouse Gas Inventory, 2021)

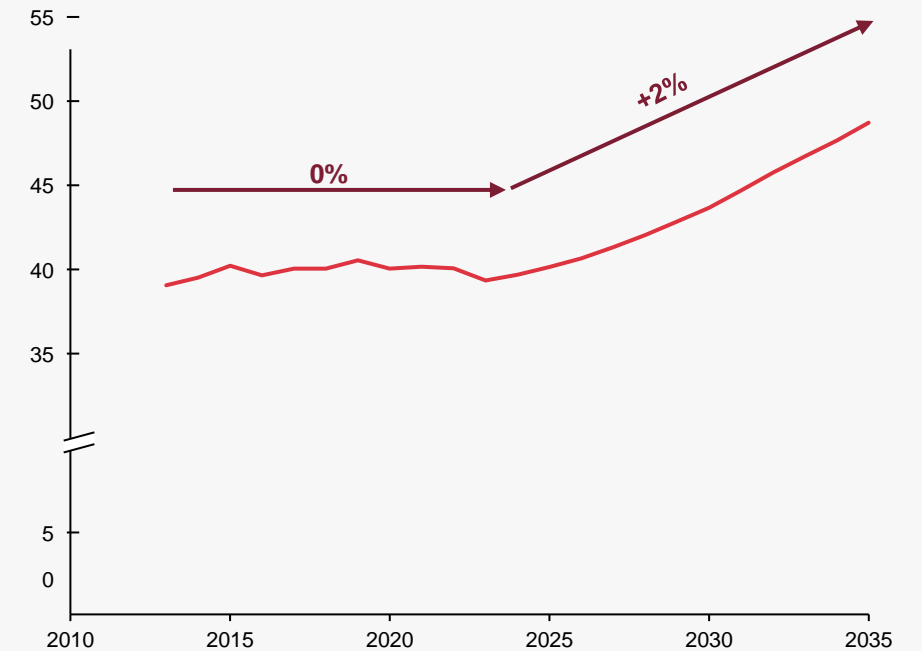


Meaningful reductions in carbon emissions are possible with renewable electricity displacing carbon intensive fuels

Government's first Emissions Reduction Plan
Renewable electricity as % of total energy use:



The Climate Change Commission expects electricity demand to grow to meet climate targets Electricity demand, TWh¹



Key drivers



Sources: New Zealand's Greenhouse Gas Inventory 1990-2021 snapshot, 2023 Inventory, Te Rārangī Haurehu Kati Mahana a Aotearoa 1990-2021 - He whakarāpopoto New Zealand
¹ Based on the average of Contact's published greenhouse gas data (FY18 to FY21)

Source: Climate Change Commission 2021 (Demonstration case), Contact Energy analysis

The market quickly responds to changes in supply and demand by sending price signals

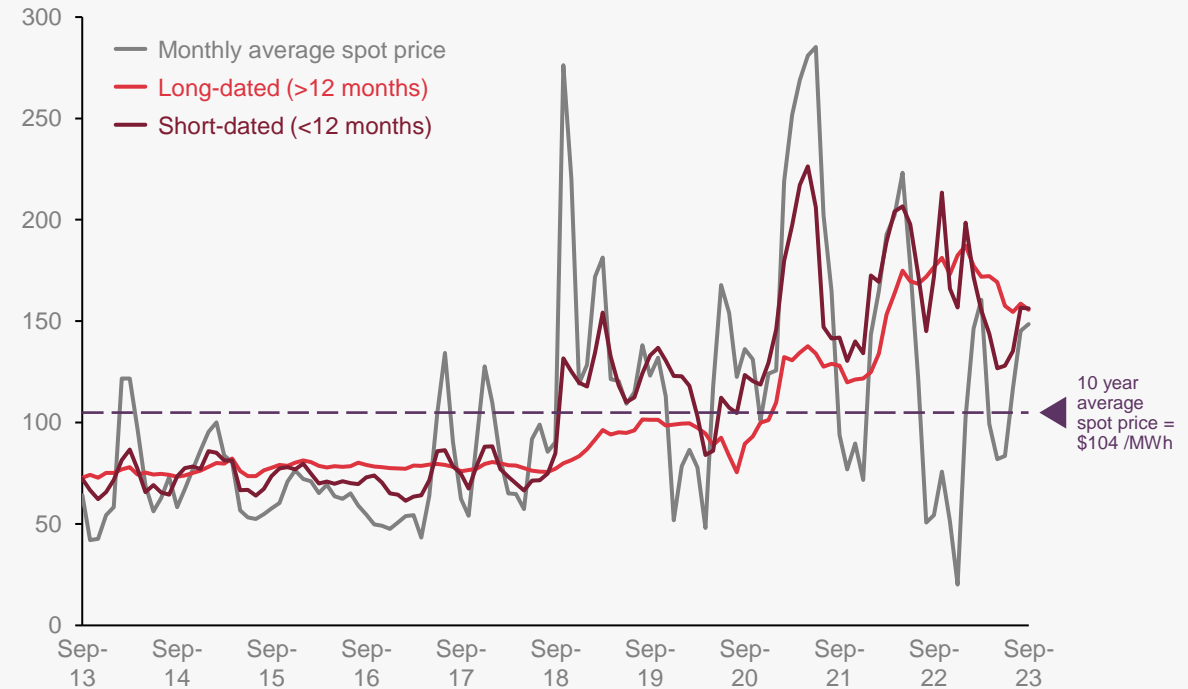
And the fundamental requirement for thermal to support a hydro dominated system supports forward electricity prices

Short-term external factors that can influence the market include thermal fuel price volatility and availability risks as well as swings in hydrology conditions.



Long-term pricing is linked to the long-run marginal costs of new renewable projects to meet demand, plus costs associated with firming renewable intermittency. On this basis, Contact expects the long-term wholesale price to revert to \$100-110/MWh (2022 real).

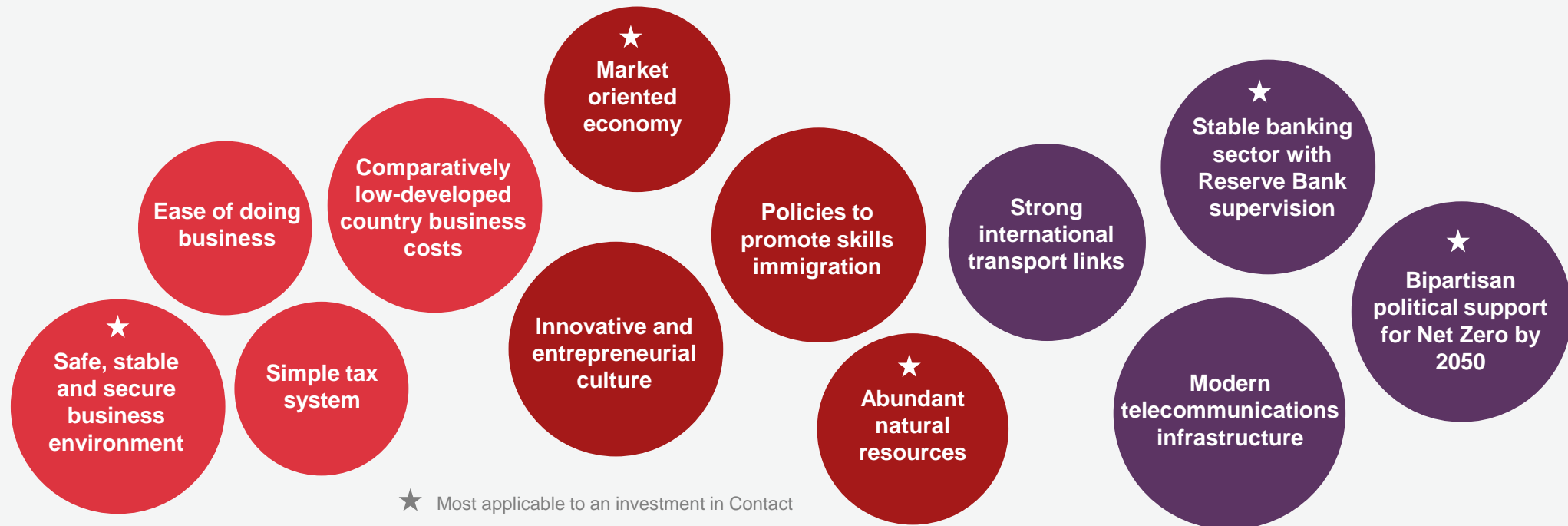
Wholesale and futures electricity pricing (\$/MWh)



Source: EMI wholesale pricing

Why invest in New Zealand?

New Zealand has an open economy that works on free market principles



A stable economy and political system with a reputation for innovation and a commitment to decarbonisation make New Zealand an attractive place to invest

Contact Energy Overview

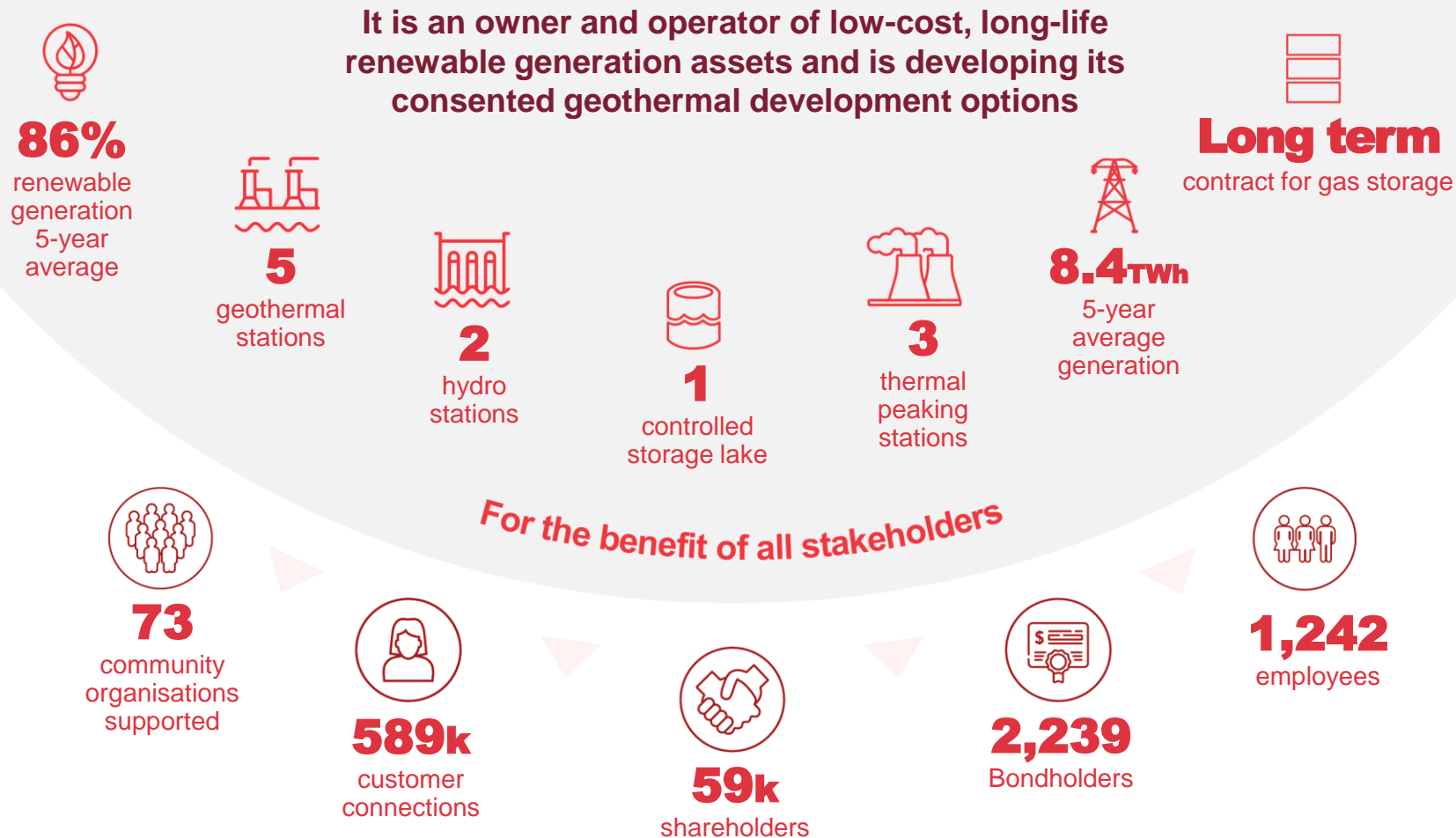


Why invest in Contact?

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

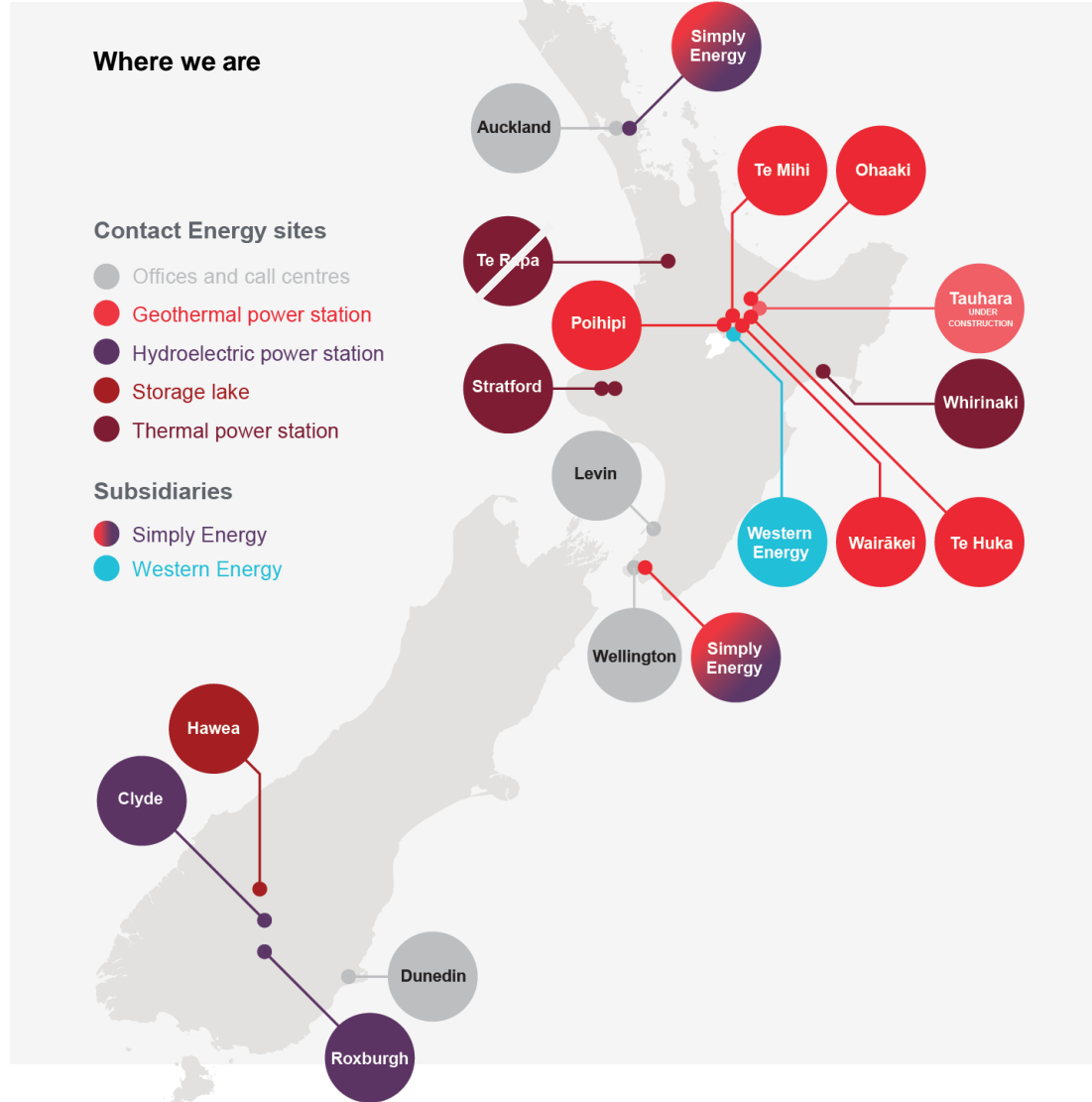
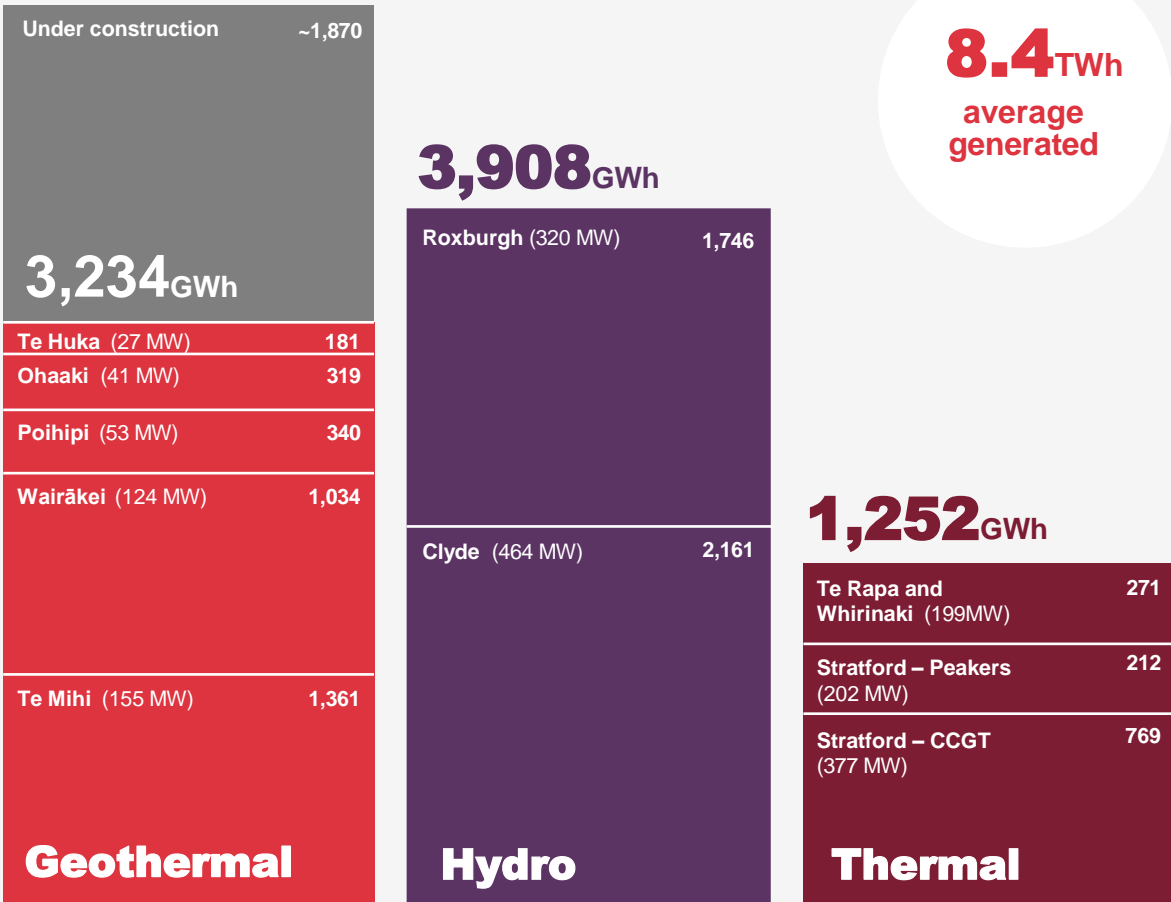


Contact is one of New Zealand's most significant companies



Contact has a diversified and resilient portfolio of generation assets

5 year average generation by station and type (FY19-FY23)¹



¹ Numbers shown are net capacity
² Total generation at Te Rapa includes both spot and direct sales

Note: Contact closed its gas-fired co-generation plant at Te Rapa in 30 June 2023 as planned

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

Contact has a clear path towards a long-term thermal asset solution



Decarbonise our portfolio

Horizon



Orderly retirement of baseload gas generation



Otahuhu closed in 2015
Market testing of ThermalCo solution concluded
Thermal asset review now complete
Te Rapa closed June 2023
Confirmed TCC will run its remaining operating hours or as market needs dictate. Decommissioning expected at end of 2024

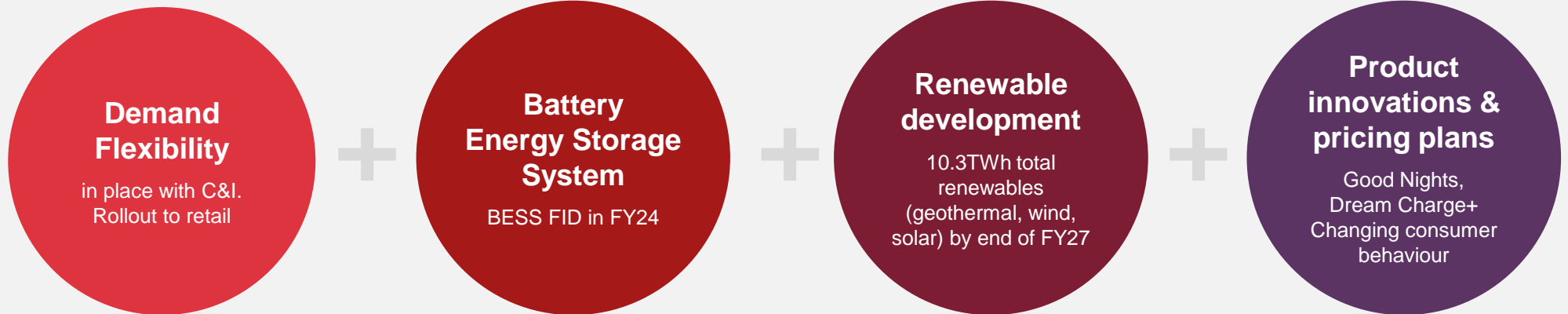


Peakers to be retained, medium term, to assist orderly transition without threatening stable, affordable electricity supply
Peakers fire up quickly to meet urgent, short-lived peak demand
With Otahuhu, Te Rapa and expected TCC closures, Contact's emissions will have reduced by 70% over 10 years

Horizon



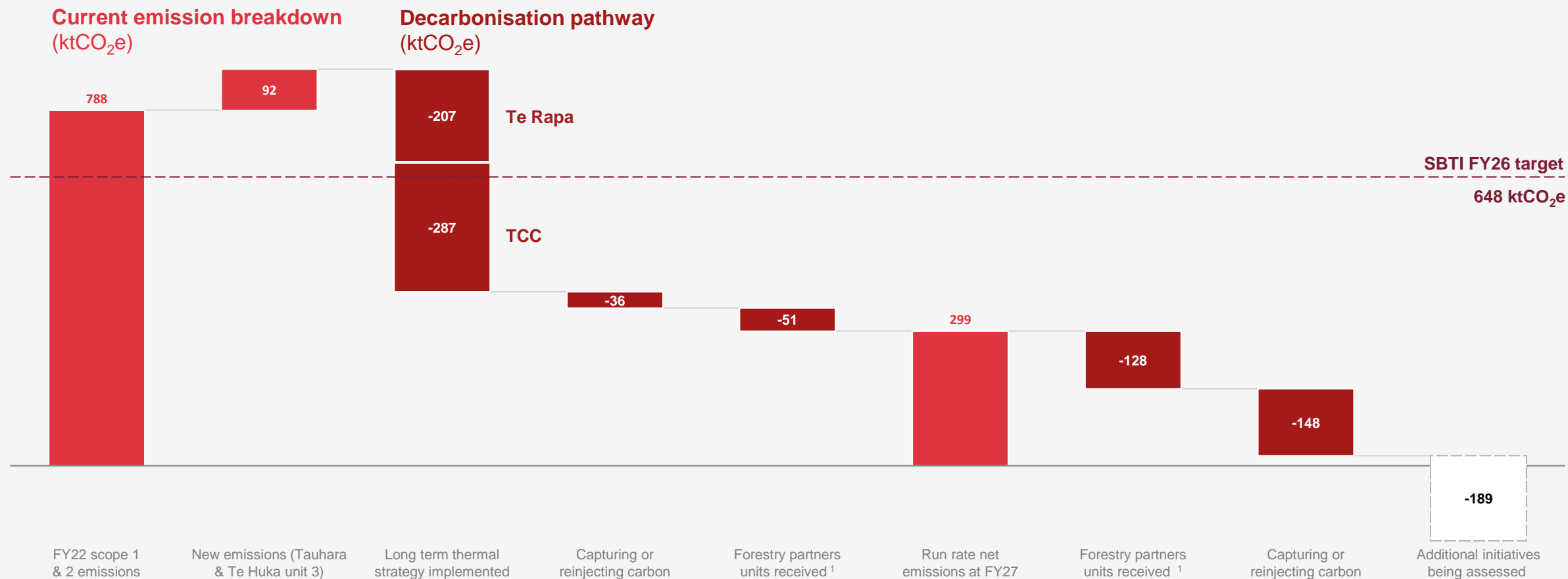
Contact's solutions to enable eventual peaking plant retirement



Our pathway to Net Zero for Scope 1 and 2 emissions by 2035



Decarbonise our portfolio



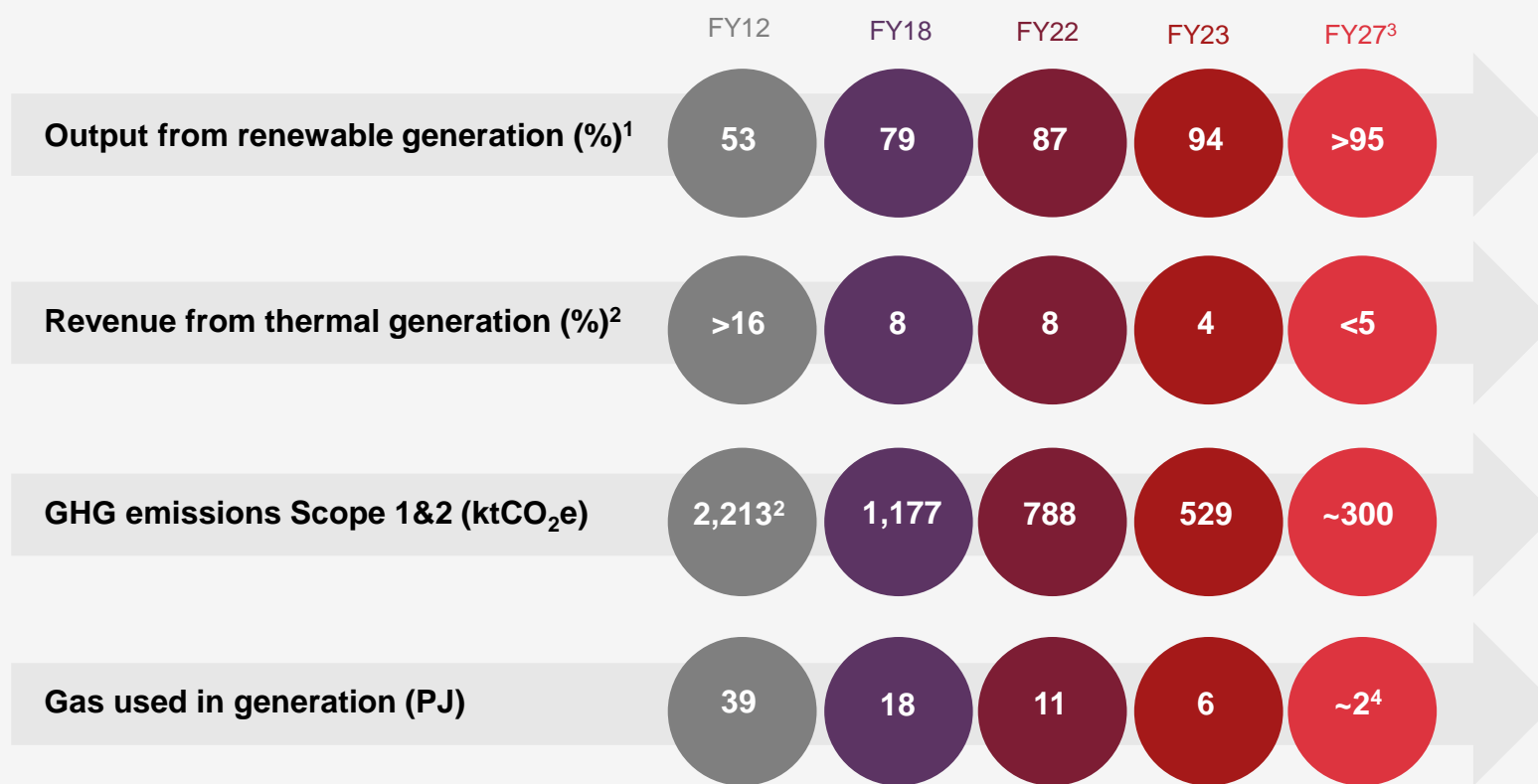
Note: Analysis is based on FY22 actual scope 1 and 2 emissions (indicative of mean year generation). Utilisation of the Peakers will vary over future years depending on hydro sequences and new technologies. Expected net impact of the Wairakei replacement, involving plans for carbon capture, is included in the second tranche of "capturing or reinjecting carbon".

¹ Includes expected units from Drylandcarbon One Limited Partnership and Forest Partners Limited Partnership. Units are shown per annum and are based on current information and may fluctuate based on climate conditions and/or regulatory updates.



Showing clear leadership in responsible decarbonisation of NZ's electricity supply

By investing to displace baseload thermal generation at Te Rapa and TCC and innovating to reduce NZ's reliance on fast start peakers for system security



¹ Based on total output sold to the grid.

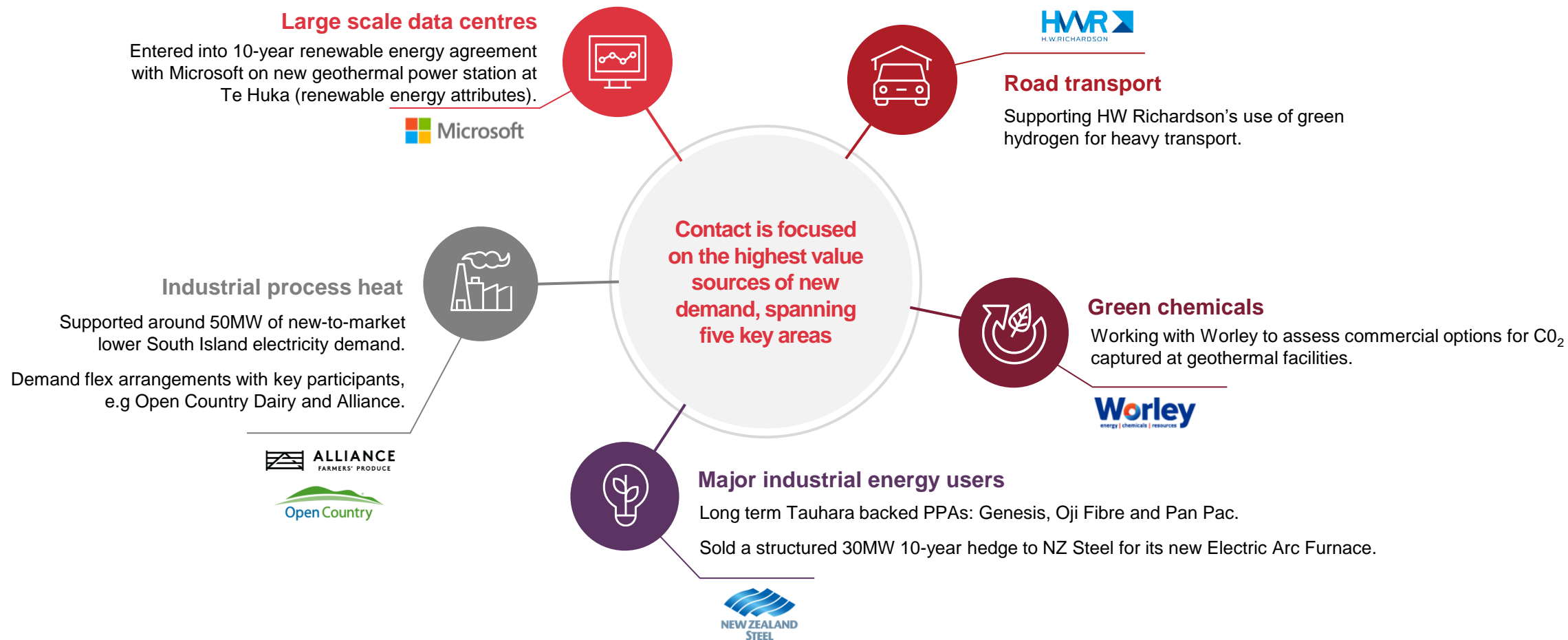
² Calculated as pool revenue from thermal generation over Contact's total reported sales.

³ In a mean hydrology year.

⁴ Estimate based on gas used in generation and geothermal portfolio carbon emissions rates, assuming a mean hydrology year.

Key partnerships to advance demand growth

Contact has developed a view of relative netbacks across applications and will focus on those of highest value

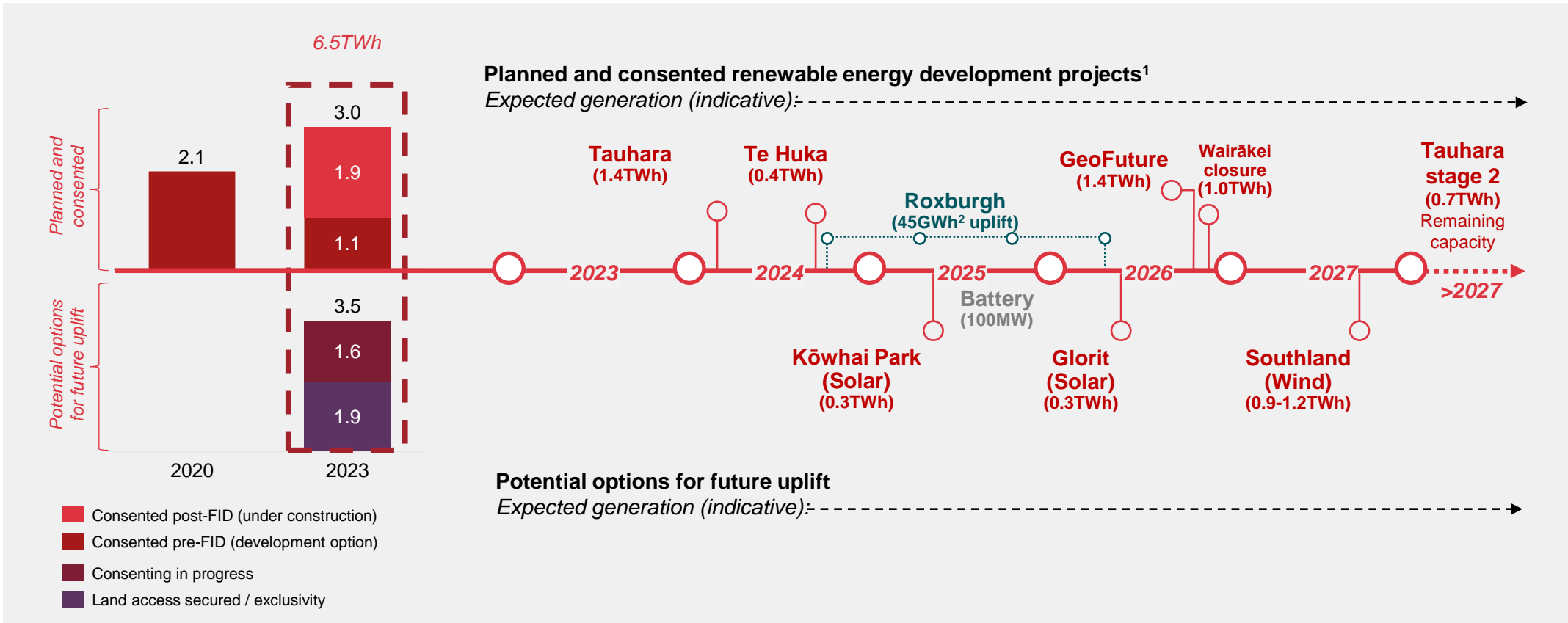


Market leading renewable development pipeline

Contact has built a renewable electricity development pipeline of >6TWh, and is targeting 10.3TWh of renewable generation output online by end of FY27



Grow
renewables
development



Note: Timeline is shown based on calendar years.

¹ All uncommitted investment / closures are subject to Board investment decisions. The Tauhara, Te Huka and Roxburgh investments have been committed to.

² 45GWh p.a. uplift is based on mean hydrology conditions.

Geothermal investment programme underway

Supporting the decarbonisation of New Zealand by building world class geothermal power stations



Grow
renewables
development



Tauhara



Te Huka 3



GeoFuture³

Size (TWh p.a)	1.4	0.4	1.4 ⁴
FID date	Feb 2021	Aug 2022	Early 2024
Online date	Q1 2024	Q4 2024	2H 2026
Current activity	Commissioning	Construction (54% complete) ²	Drilling and design
Spend to date (to 30 Jun) ¹	\$748m	\$116m	\$12m
Committed spend ¹	\$880m	\$300m	\$114m pre-FID ⁵
Total expected project cost	\$880m	\$300m	\$5.3 – 5.7m/MW

¹ Includes sunk costs. Excludes capitalised interest.

² As at 31 August 2023.

³ Subject to final investment decision (FID).

⁴ Based on mid-point of 160-180MW indicative capacity range. Represents a net uplift of 0.4TWh per annum following the closure of Wairākei plants.

⁵ Approved pre-FID development costs. We are undertaking drilling from September 2023 and advancing steamfield design.

We've developed the capability to execute large capital projects through our Major Projects office



Grow
renewables
development



Tauhara



Te Huka 3



GeoFuture



Wind



Solar



Battery

Organisation

- Clear vision and leadership
- Defined functions to cover major project needs
- Competent Resources and Roles & Responsibilities
- Cadence of execution and reporting
- Full involvement of Major Projects team during project development allowing for gradual transition

Design

- Design Efficiency through scope optimisation (Design to Cost)
- Simplification of specifications & standardisation
- Constructability in Design
- Safety in Design

Capability

- Front-end work and project planning for flawless delivery
- Major Project processes for consistency in delivery
- Contracting & procurement focus
- Project Academy and mentoring programme
- Acquire specialist knowledge through partnerships (wind / solar)

Construction

- Contracting strategies aligned with local, regional and national industry capabilities
- Partnership and collaboration mindset with contractors and construction industry
- Lean construction
- Sustainability in construction

Contact's retail business

An innovative customer-focussed business with multiple service offerings

Create outstanding customer experiences



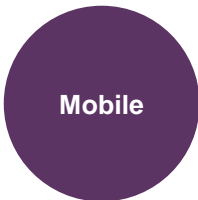
Electricity is purchased from the wholesale business at an arm's length internal transfer price and sold on to mass market customers. Innovative time-of-use 'Good' plans support customers to shift usage to periods of low-carbon generation.



Natural gas is purchased from New Zealand suppliers, who obtain the gas from domestic natural gas fields, and is on-sold to customers. Gas services include piped natural gas.

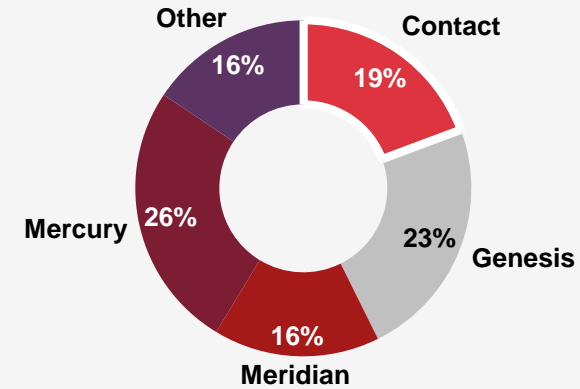


Broadband is offered as a bundled service to Contact's electricity and gas customers. The broadband service is delivered via wholesale partner and regulated nationwide fixed (FTTH/DSL)¹ as well as wireless networks.



Contact Mobile is a new service offering launched in August 2023. Mobile is offered to customers as both a standalone or bundled service. Mobile service is delivered via MVNO² agreement with network partner One NZ.

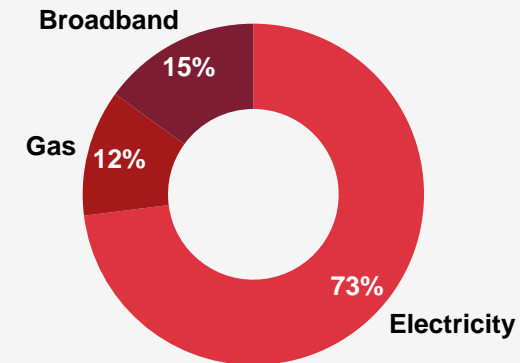
Retail electricity market-share by customer connections



Source: EMI, Aug 2023

Contact products by customer connection

At 30 June 2023



589,000 customer connections

At 30 June 2023

¹ Fibre to the Home (FTTH) / Digital Subscriber Line (DSL)

² Mobile Virtual Network Operator (MVNO)

Scaling retail business through adjacencies

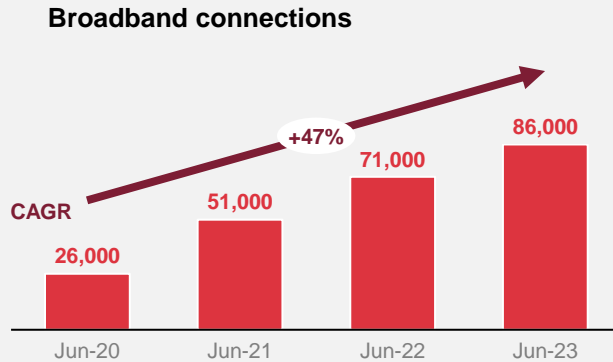
Incremental margin and improved customer experiences drive increased customer lifetime value

Create outstanding customer experiences



Broadband:
Growing

Rapidly building scale and market share

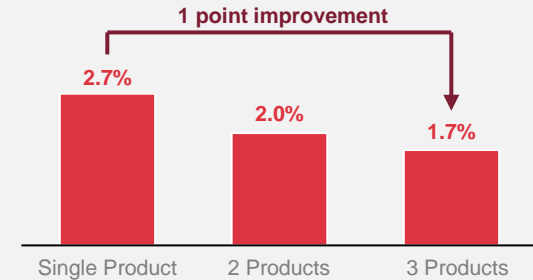


Multi product attachment
continues to drive lower churn

Bundling creates loyalty

Multi-product churn benefit

Customer month churn rate by bundle Dec 21-Dec 22



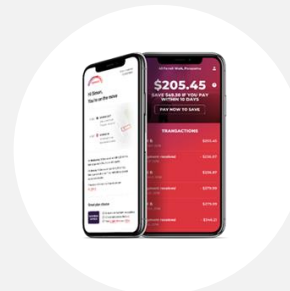
Expanding data connectivity through Contact Mobile



Dynamic load control will improve management of peak load and compliment 'Good' plans



Bringing to life 'Energy Mobility' digitally through partnerships



EV



Batteries



Solar



Time of use Energy Plans

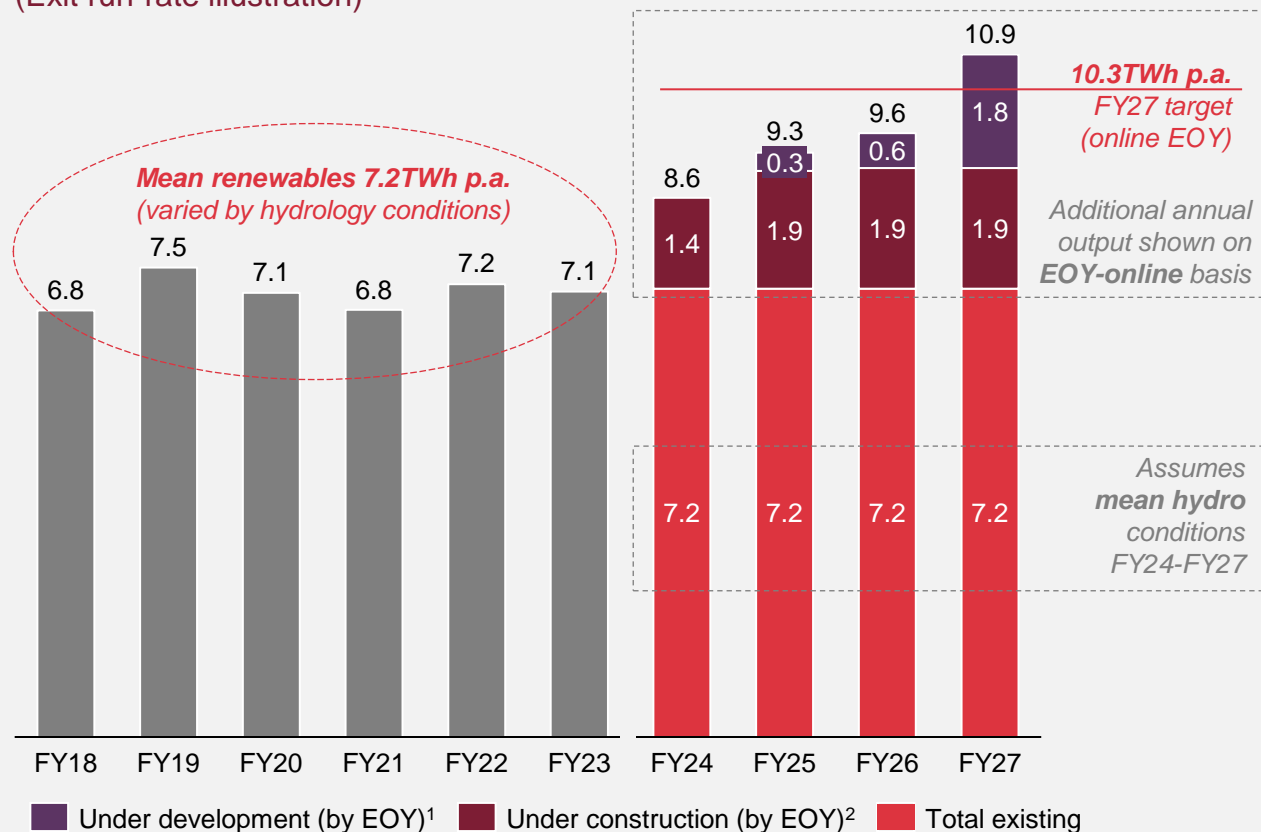


Energy Control

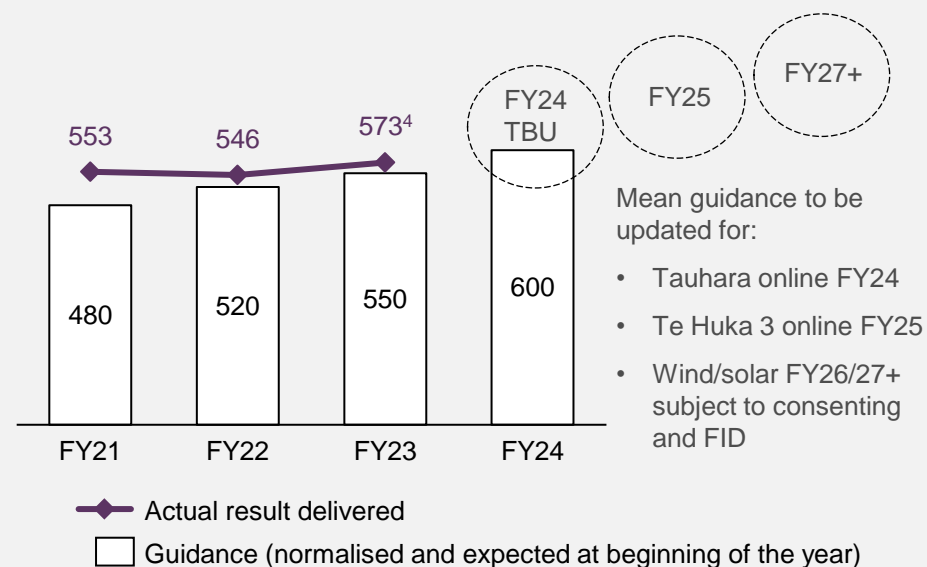
Contact expects to deliver near term uplift in renewable generation and EBITDAF

Further substitution of baseload gas generation for low cost geothermal to drive EBITDAF margin uplift

Renewable generation – Annual output (TWh)
(Exit run-rate illustration)



EBITDAF Guidance vs Actual (\$m)³



Strong track record of delivering performance above guidance
Hydrology swing of +/- \$50m EBITDAF remains

¹ Includes two grid scale solar projects (0.3TWh p.a. each) and the Southland wind project (0.9-1.2TWh p.a.). Each is progressing through consenting and development processes and remains subject to final investment decision.

Also includes the consented GeoFuture project, for the replacement of Wairakei A&B geothermal station (net 0.4TWh p.a. uplift in output based on ~170MW replacement plant), subject to final investment decision.

² Includes geothermal plants under construction at Tauhara (1.4TWh p.a.) and Te Huka (0.4TWh p.a.) and uplift from the planned refurbishment of hydro turbines at Roxburgh (0.05 TWh p.a.).

³ Refer to slide 43 of FY23 results presentation for reconciliation of EBITDAF.

⁴ Underlying EBITDAF excludes non-cash accounting item: onerous contract provision expense of \$113m.

Appendix: Supporting information



We have stepped up our ambitions for the delivery of Contact26

And we have committed to reach net zero (Scope 1&2) by 2035

Strategic pillar

FY27 ambitions¹



Grow demand

Facilitate 100MW of new demand.
Reach 100MW total Demand Flex and start pivoting to Demand Response.
New green chemical channel established contributing incremental EBITDAF.



Grow renewables development

Grow to 10.3TWh p.a of renewable assets from geothermal new build, solar and wind.
100MW battery operational.



Decarbonise our portfolio

Scope 1 and 2 GHG emissions run-rate of ~300ktCO₂e, putting us well on track to our 2035 net zero commitment.
Renewable flexibility strategy to reduce reliance on thermal peaking.



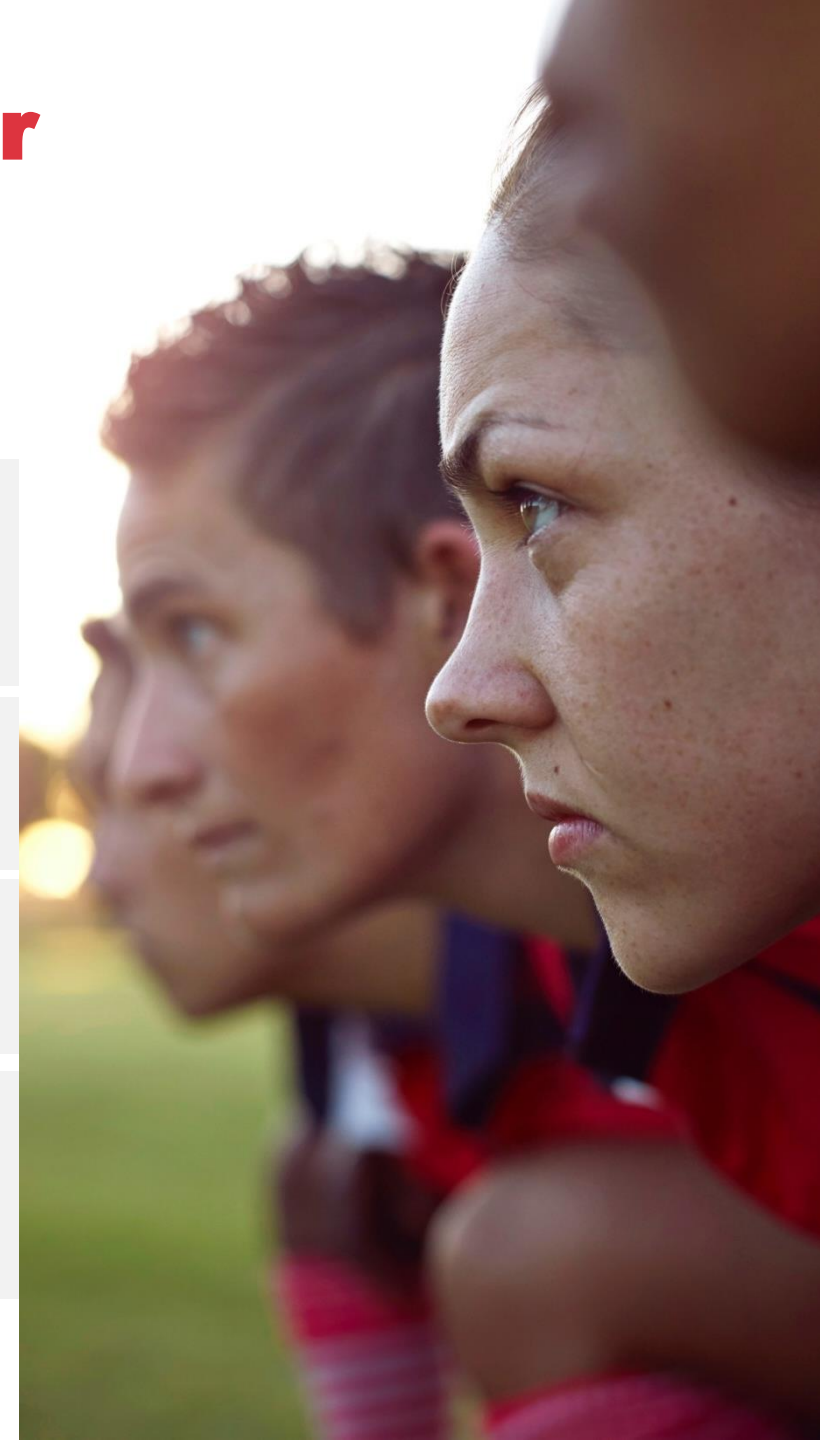
Create outstanding customer experiences

Greater than 685k connections.
CTS at global benchmark of <\$80/ connection.
Grow EBITDAF contribution from non-energy lines of business by 3x.
Top quartile NZ Business for Sustainability survey² and most Trusted Energy brand³.

¹ Set in May 2023.

² As measured by Kantar Better Futures survey.

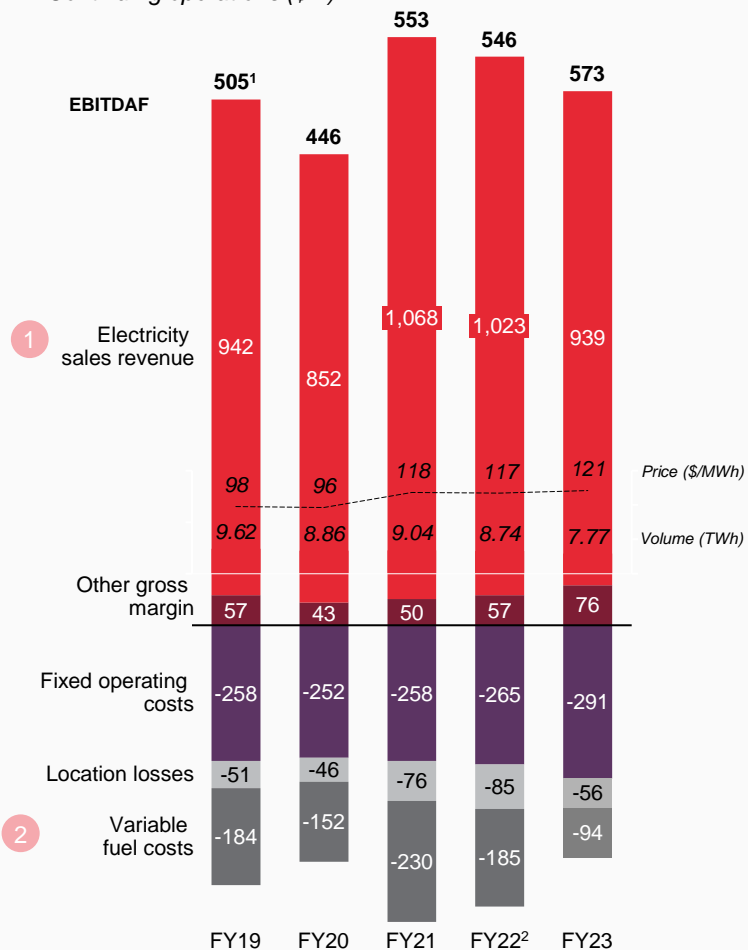
³ As measured by Contact's independently surveyed brand tracker.



Integrated portfolio performance

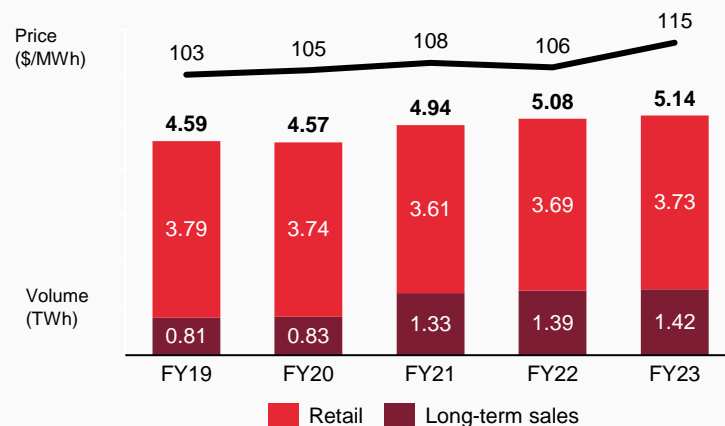
Operating earnings (EBITDAF)

Continuing operations (\$m)

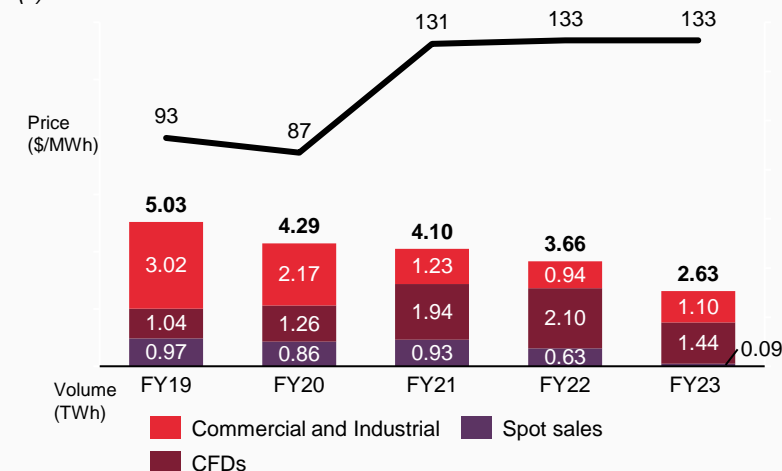


1 Electricity sales

(i) Long-term channels

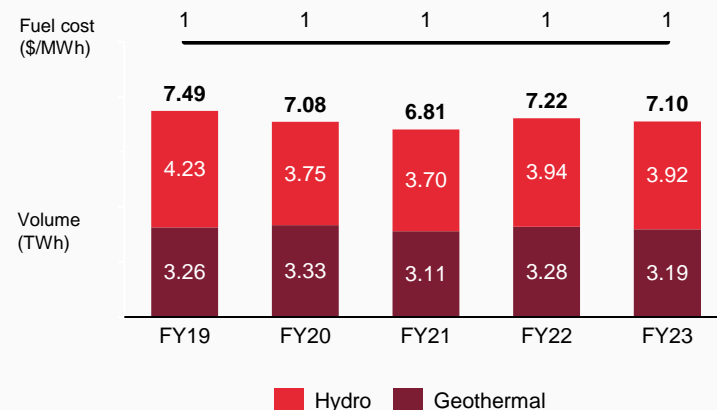


(ii) Market channels

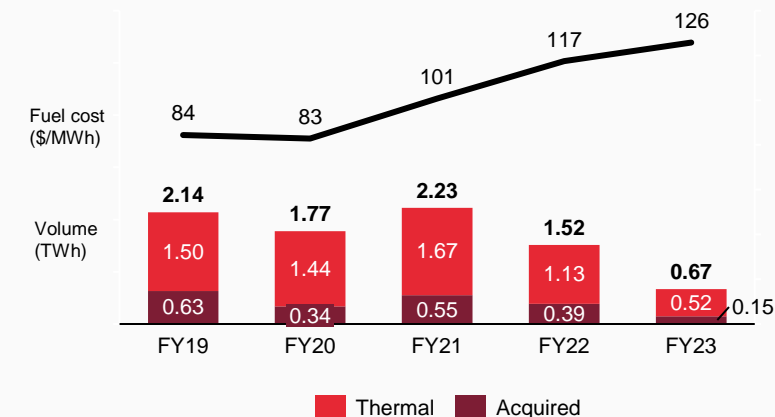


2 Variable fuel costs

(i) Renewables



(ii) Thermal and acquired



¹ Underlying EBITDAF excluding the impact of the sale of Rockgas (LPG business)

² Refer to slide 43 of FY23 results presentation for a definition and reconciliation of EBITDAF. Contact has made reclassifications to better align with IFRIC guidance on IFRS 9 resulting in realised gains/losses from market derivatives not in a hedge relationship (includes market making activity) no longer being reported in operating income (EBITDAF). FY22 figures restated accordingly.