Contact Energy Limited

Investor update for proposed bond offer

Investor presentation

27 March 2023

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Contact Presenters

Matthew Forbes
Head of Corporate Finance

Will Thomson
Corporate Treasurer

Agenda

Introduction to Contact

Presented by

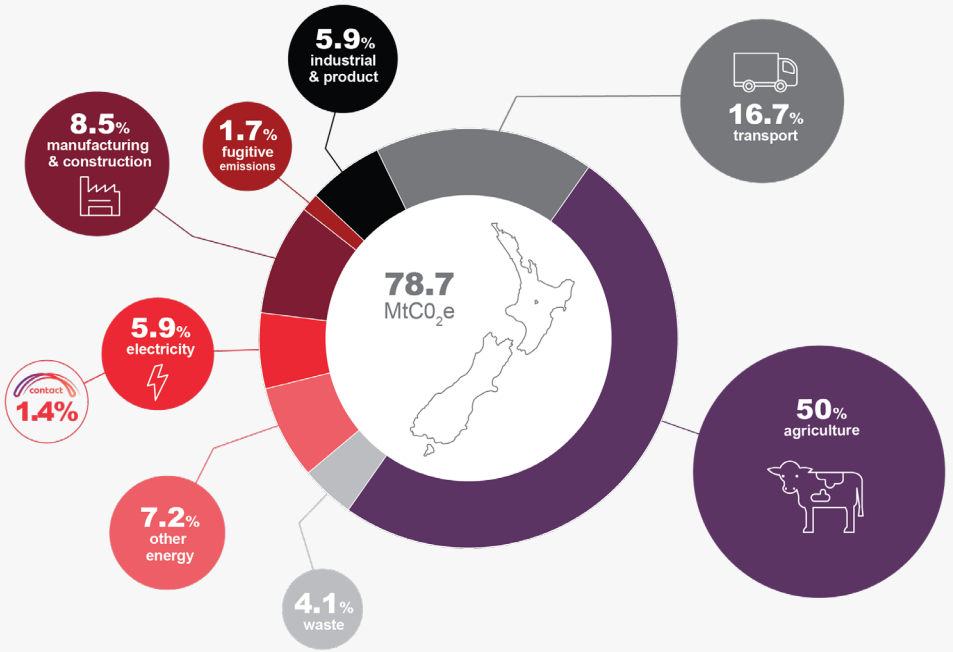
Matthew Forbes
Head of Corporate Finance

- **Electricity Market Overview**
- **Contact Energy Strategy**
- **Financial Performance Update**

Electrification will reduce carbon emissions

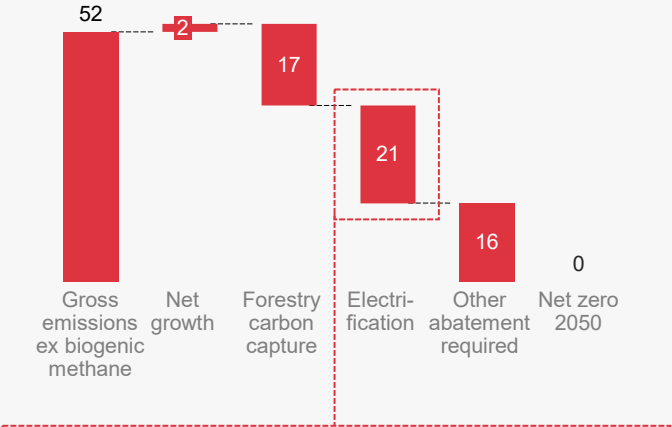
With New Zealand's high renewable penetration, electricity is the solution to reducing carbon emissions, not the problem

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



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

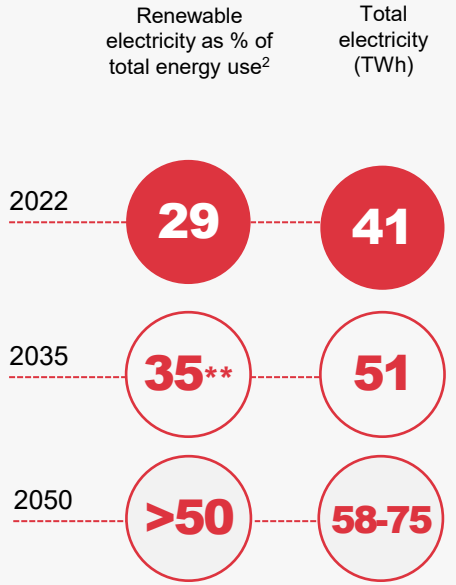
Paris agreement target, Mt CO2e
(Transpower, 2020)



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 years[1]

Our future energy profile
(Climate Change Commission, 2021)



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

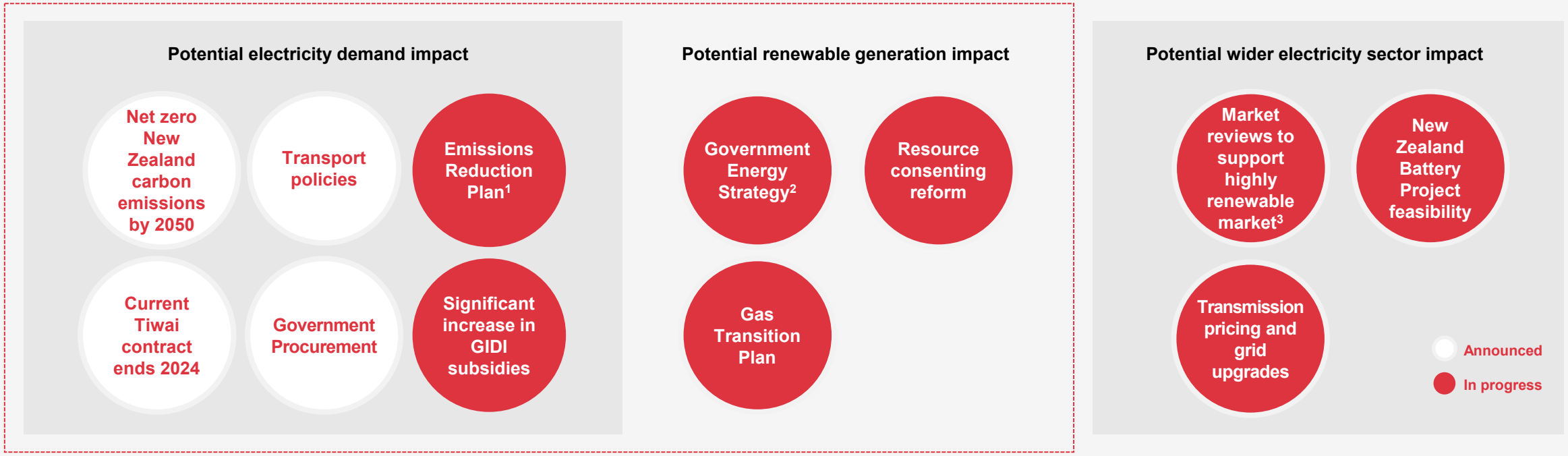
Sources: New Zealand's Greenhouse Gas Inventory 1990-2020 snapshot, 2022 Inventory, Te Rārangi Haurehu Kati Mahana a Aotearoa 1990-2020 - He whakarāpopoto New Zealand

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.)

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. Work on the next Emissions Reduction Plan will also start in 2023.
[2] Covering electricity, hydrogen, and industry decarbonisation. Terms of Reference have been released.
[3] 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).

Topical regulatory matters

Key themes		What Contact is doing
 **Wholesale market security**	Medium term spot and hedge market prices continue to be higher than long term averages due to coal prices, gas availability and the cost of carbon. This is increasing pressure on unhedged energy intensive industries. The industry, Transpower and the EA are paying close attention to capacity in winter 2023. The industry CEO forum is working closely with the EA to minimise the risk of any shortage in 2023.	**Contact** is exploring further renewable generation opportunities across geothermal, wind and solar to reduce future impacts from thermal fuel volatility. **Contact** is working with customers to smooth out pricing volatility through long-term contracts. **Contact** is leading the development of the demand response market for C&I customers, and has introduced time-of-use offerings for retail customers, helping to reduce load during peak periods. **Contact** is continuing to engage with the EA on the longer-term impacts of market volatility. The sector is now entering a period of intense investment to both decarbonise existing generation and build new generation to meet future demand.
 **NZ Battery Project**	The Government is assessing options to address New Zealand's dry year risk with 100% renewable generation. This includes assessing its initially preferred solution of pumped hydro at Lake Onslow. In October 2022, Boston Consulting Group released a report "The Future Is Electric" which showed that a range of industry-led solutions were available to address the dry-year risk without the need for the proposed Lake Onslow project.	**Contact** supports further analysis to address dry year risk. Multiple options exist that will require careful evaluation, including interruptible green hydrogen, interruptible load for other major customers and grid-scale batteries. **Contact** continues to assess low cost, low capital options to support decarbonisation through market-led thermal solutions.

Our strategy to lead New Zealand's decarbonisation

	Grow demand	Grow renewable development	Decarbonise our portfolio	Create outstanding customer experiences
Strategic theme				
Objective	Attract new industrial demand with globally competitive renewables	Build renewable generation and flexibility on the back of new demand	Lead an orderly transition to renewables	Create New Zealand'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 believes it is well positioned to enable New Zealand's decarbonisation

1/ Distinctive capabilities

Deep understanding of energy applications

Unique in-house geothermal capability

Wind capability

Solar joint venture

2/ New Zealand's best renewable development pipeline

Geothermal +2.9TWh p.a

Under development +1.8TWh p.a

Medium-term target – +1.1TWh p.a (net)

Wind

Land access agreements signed

Solar target 200MW

Initial target

3/ Leading New Zealand's thermal generation transition

We have led the economic substitution of almost 3TWh of thermal generation over the last 15 years (twice as much as all of our peers combined), while developing advanced trading capabilities and systems to manage changes to our commodity risk position

Low-cost, innovative operations

We have a track record of sustainably reducing costs across the business, with low cost geothermal and retail cost-to-serve when benchmarked

Largest New Zealand electricity brand*

Contact is New Zealand's largest electricity brand, catering to changing customer needs with a great customer experience

Future-focused capabilities

Our capabilities will support our growth with major projects, business development and digital and analytics skills recently added

Simply Energy powered by contact. | Western Energy — 100% Subsidiaries

FOREST PARTNERS — 14.0% investment

DRYLAND CARBON — 16.5% investment

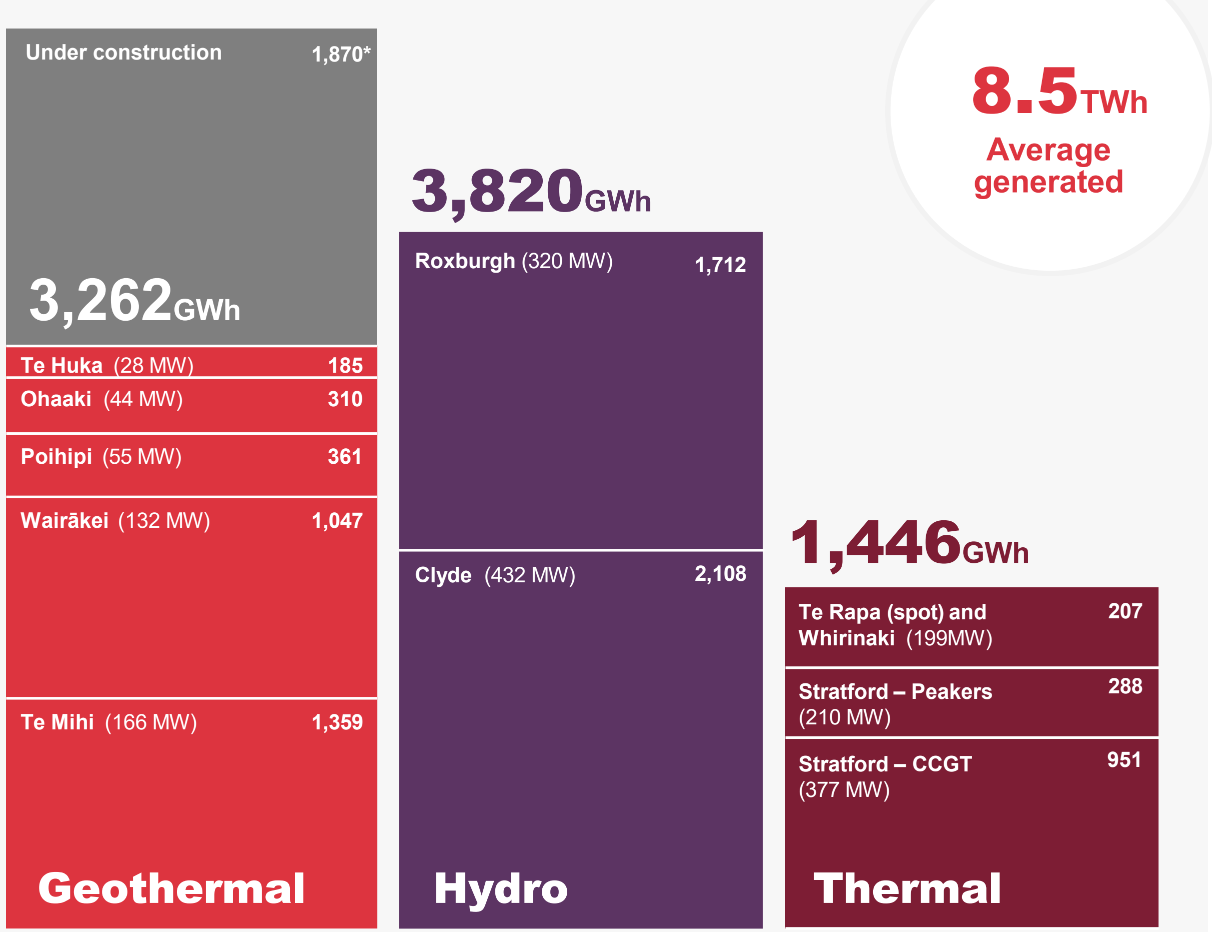
Roaring40s Wind Power — Partnership

lightsource bp — Joint Venture

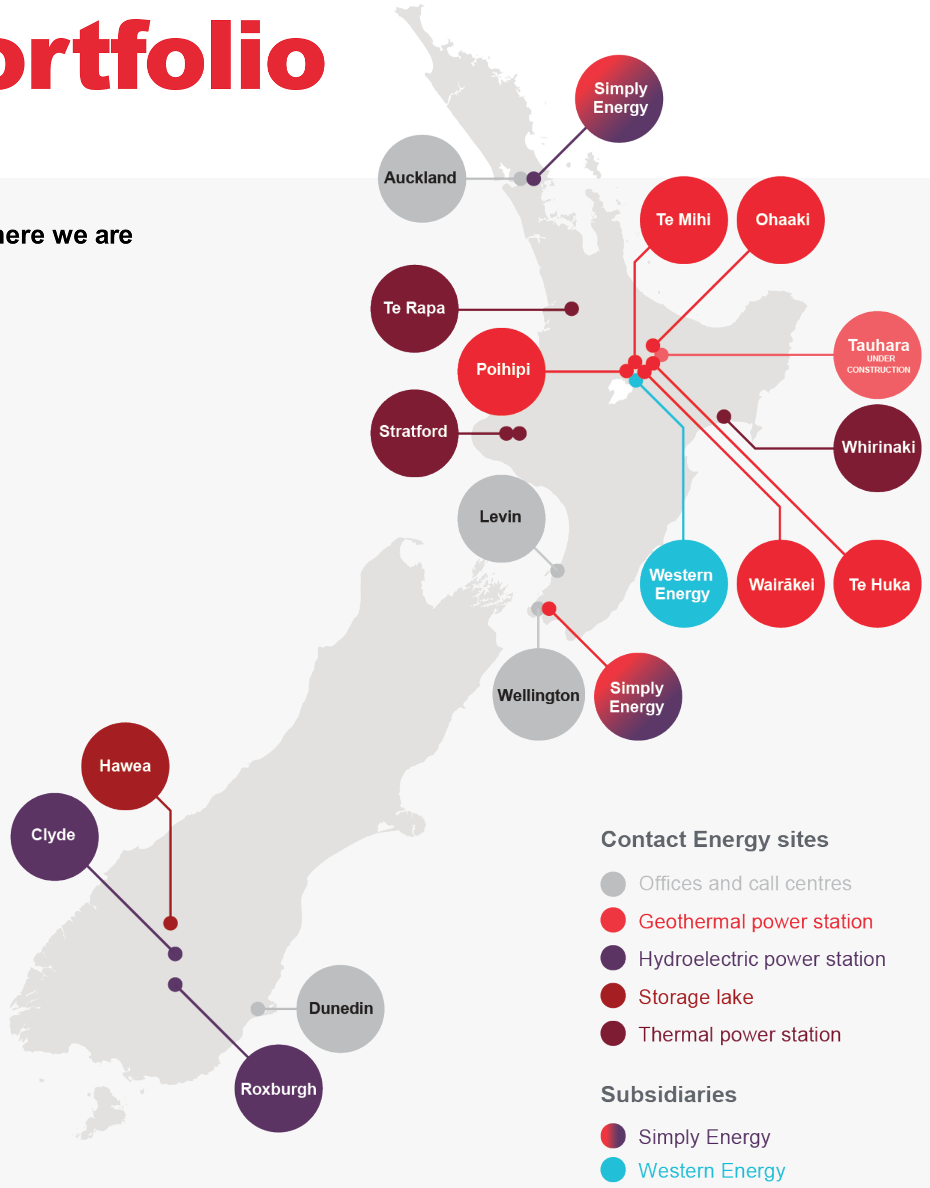
* Source: EMI ICP numbers by trader 31/01/23

Contact has a diversified portfolio of generation assets

2018 - 2022 generation by station and type (five-year average)[1]



Where we are



* Source: Forsyth Barr analyst report 8/02/2023

[1] Excludes Te Rapa direct sales

Improving demand outlook for electricity

Decarbonisation ambitions and thermal economics will support growth

Focus area	Large scale data centres	Industrial process heat	Major industrial energy users	Road transport	Green chemicals
What we've learned	• Attractive baseload characteristics • Low emission customers • Pipeline of hyperscale data centres announced e.g. CDC, DCI, Microsoft, Amazon	• Some barriers remain e.g. high transmission costs • Higher carbon pricing needed to drive increased rate of boiler conversions • $69m in confirmed GIDI funding allocated since 2020	• Increasing commitment to decarbonisation targets by major energy users • Significant appetite for flexible, renewables-backed electricity contracts	• Technology advancement enabling options for heavy transport • Increasing uptake of EVs – 21% of all registrations in December 2022[1] • Expansion of charging infrastructure required	• Hydrogen export economics challenging vs alternatives • Domestic opportunity for green chemicals in a range of hard to abate sectors
Examples of our progress	• Data centres under construction or highly likely totalling 200MW • >100MW capacity due to be added by 2024	• Supported around 50MW of new-to-market lower South Island electricity demand	• Long term Tauhara backed PPAs: Genesis, Oji Fibre and Pan Pac • NZAS negotiations underway • Working with NZ Steel on options around interruptibility	• Working with the HW Richardson Group to assess a trial use of hydrogen for heavy transport • Extended time of use retail offering to EV plan, introducing *Dream Charge*	• Carbon capture trials complete at Te Huka. Have option to reinject or harvest • Working with BOC, a Linde company, to assess highest value commercial options for $C0_2$ captured at geothermal facilities

Demand response

- ✓ **Demand response is introduced wherever possible when entering into new supply contracts – this is high value to Contact, industrial customers and NZ**
- ✓ **Will contribute to decarbonisation of New Zealand whilst improving the security of supply at peak periods**
- ✓ **High degree of customer appetite for demand response mechanisms to be packaged into new contracts**

[1] "EVs" includes the number of electric vehicle registrations for December 2022 as reported by the Motor Industry Association. This is inclusive of 100% electric (2,295), plug-in petrol hybrid (389) and petrol hybrid vehicles (1,286).

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 24/7 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

2021
- Thermal review announced
- ThermalCo discussion paper released

2022
- Closure of Te Rapa announced
- Risk management product sold to Meridian
- Geothermal carbon reinjection trial on track

2023
- Complete review of thermal assets
- TCC closure once operating hours end (est 2024)

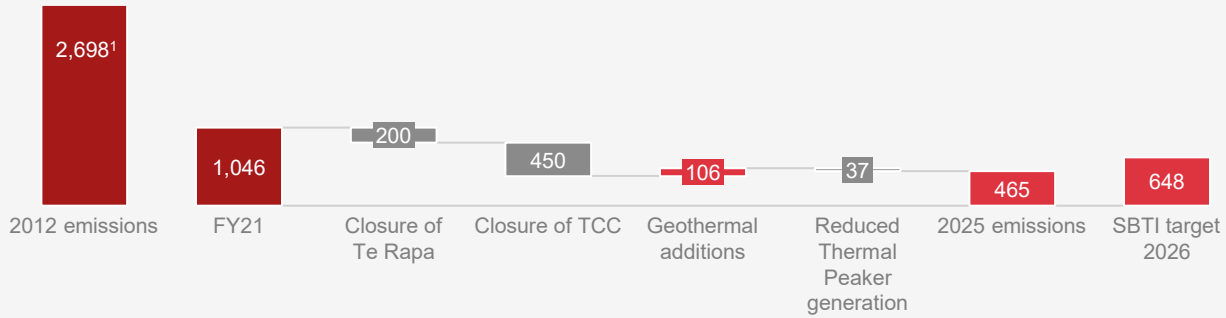
Other external commitments

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

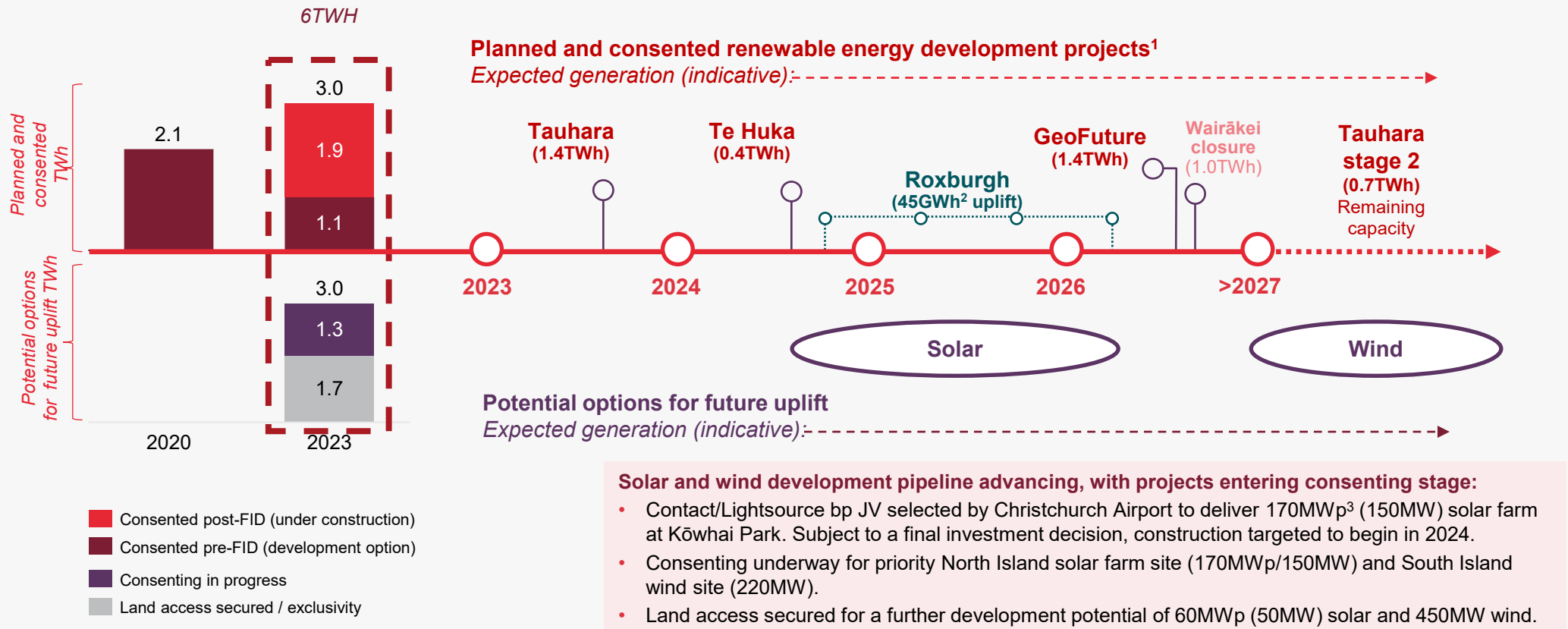
Scope 1 & 2 GHG emissions ($ktCO_2e$)



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

Market leading renewable development pipeline

Contact has built a renewable electricity development pipeline of 6TWh, with capability to deliver



Solar and wind development pipeline advancing, with projects entering consenting stage:

- Contact/Lightsource bp JV selected by Christchurch Airport to deliver 170MWp[3] (150MW) solar farm at Kōwhai Park. Subject to a final investment decision, construction targeted to begin in 2024.
- Consenting underway for priority North Island solar farm site (170MWp/150MW) and South Island wind site (220MW).
- Land access secured for a further development potential of 60MWp (50MW) solar and 450MW wind.

[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.
[3] MWp refers to the Direct Current (DC) MW output from a Solar farm which is then converted to Alternating Current (AC) MW output (MW).

Wairākei geothermal consents granted

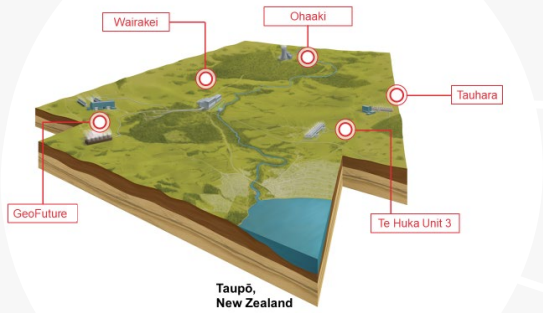
Consent received to operate for the next 35 years on the Wairākei field, enabling Contact to proceed with its plans for the replacement of Wairākei A and B legacy geothermal power stations at Te Mihi (GeoFuture)

Wairākei re-consent highlights

- ✓ Consent to continue operations for next 35 years on Wairākei geothermal steamfield.
- ✓ Consent for large new plant at Te Mihi – up to 180 MW additional to the existing Te Mihi units 1 and 2 – providing investment optionality / flexibility.
- ✓ Will result in significant local investment for Waikato during construction.
- ✓ Immediate benefits from higher geothermal mass take – 2% higher than current.
- ✓ Reinvigorated partnership with local iwi and hapu.
- ✓ All Contact's operational steamfield discharges into Waikato River cease from 30 June 2026.

GeoFuture planned development key features

(capacity / output shown as previously indicated)



Indicative MW (net export to grid) | **~168MW**

Estimated plant capacity factor/ annual generation | **95% / ~1.4TWh p.a.**

Net generation uplift from field resource after closure of Wairākei A and B | **~0.4TWh p.a.**

Targeted final investment decision / Indicative timing for on-line date | **End of 2023 / 2H 2026[1]**

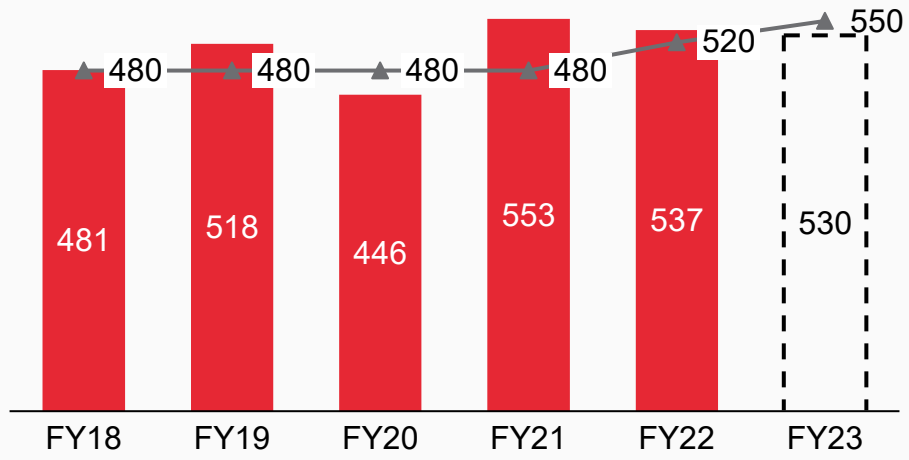
Balance sheet prepared, enabling investment option to proceed fully funded

[1] References are to calendar years.

Financial performance update

High quality, long-life generation assets support strong operating cash flow

Operating earnings (EBITDAF) ($m)



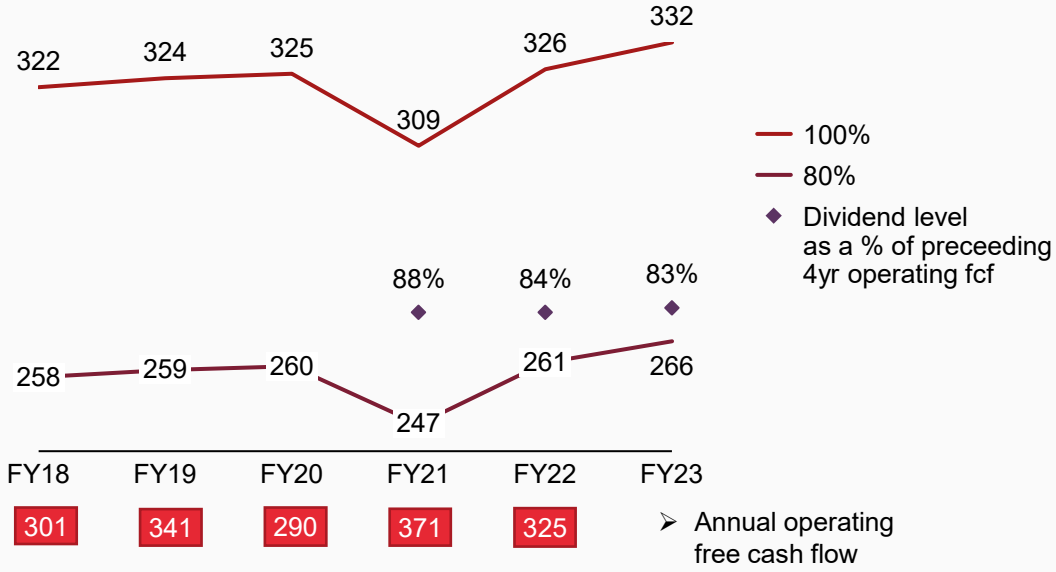
EBITDAF

EBITDAF FY23 Normalised Update

Normalised and expected mean year EBITDAF at the start of the FY

Operating free cash flow ($m)

Average operating cash flow for the preceding four financial years



Dividend policy range: 80-100% of average operating free cash flow for the preceding four years

Capital Structure & Funding

Presented by

Will Thomson
Corporate Treasurer

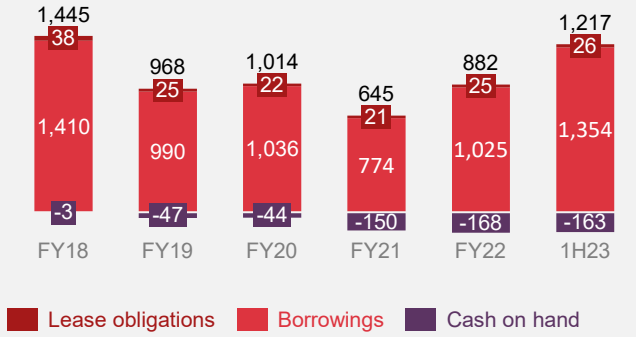
Capital Structure & Funding

Funding

A green and sustainably-linked debt portfolio aligned to our Contact26 strategy

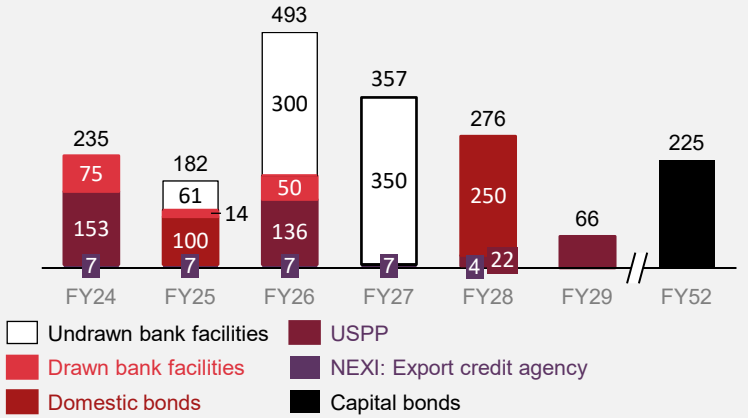
Closing net debt ($m)

Face value of borrowings less cash



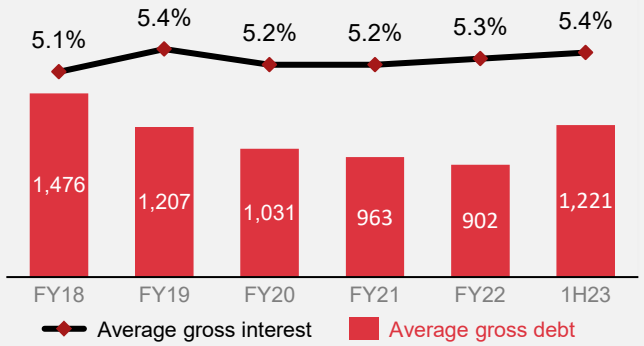
Borrowing maturities ($m)[3]

Average tenor of 6.4 years as at 31 December 2022



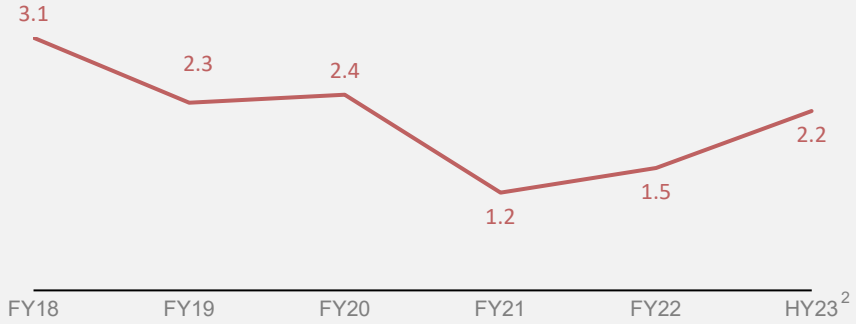
Interest rate (%)

Weighted average gross interest[1] on average borrowings



Net debt to EBITDAF (x)

Includes S&P adjustments (prior to FY20, AGS was treated as a lease)



- Balanced debt portfolio with diverse sources of funding; comprising bank debt, domestic bonds and USPP
- Debt level has risen over the last financial year as development of the Tauhara and Te Huka geothermal power stations continues
- Entire debt portfolio is certified green by the Climate Bonds Initiative (CBI)
- A new $850m sustainability linked loan was executed in December 2022. This replaced all existing loans and brought all bank funding into full alignment with Contact26 strategy
- S&P's key financial metric for BBB is a Net Debt/EBITDAF ratio which must be kept below 3x over the medium-term
- Gearing increased to 30% at 31 December 2022, up from 23.5% at 30 June 2022

1. Gross interest includes all interest on borrowings, bank commitment fees and deferred financing costs. Unwind of leases, provisions and capitalised interest not included
2. Based on a normalised and expected EBITDAF of $550m
3. Maturity profile shows all committed debt as opposed to all drawn debt

Sustainable Finance

- Contact established our Green Borrowing Programme in 2017 – the first such certification completed by a New Zealand issuer and the first green certification of an entire debt programme globally. This demonstrates Contact's commitment to investing in renewable energy assets (i.e. geothermal power) which have achieved independent certification by the Climate Bonds Initiative (CBI).
- The Green Borrowing Programme is described within Contact's Sustainable Finance Framework **(Framework)**, which aligns with the International Capital Markets Association Green Bond Principles, and the Asia Pacific Loan Market Association Green Loan Principles. The Framework, which also incorporates the issuance of sustainability-linked instruments was released in November 2022 and has been externally reviewed by Ernst & Young.

Eligible Asset Criteria

- Green Assets will meet the eligibility criteria set out to the right and will comply with one or more of the Green Bond Principles, Green Loan Principles, or the Climate Bonds Standard and contribute towards meeting the United Nations Sustainable Development Goals **(SDGs).**
- A key metric is the Green Ratio whereby the total green asset value must be at least equal to total green debt (i.e. a ratio of 1.0 minimum). As at 31 December 2022, Contact's Green Ratio is met at 1.6 times.

ELIGIBLE CATEGORIES (GBP/ GLP)	ELIGIBILITY CRITERIA	SDG ALIGNMENT

Renewable Energy	Investments in assets and activities related to the construction, transmission, maintenance, operation and/or expansion of renewable energy generation projects. This includes but is not limited to:
	• Geothermal energy including:
	  ◦ Geothermal electricity generation facilities with direct emissions of less than 100g CO2/kWh.
	• Hydropower energy including:
	  ◦ Run of river;
	  ◦ Small-scale hydropower schemes (<15MW capacity);
	  ◦ Natural lake system hydropower projects that do not significantly alter an ecosystem; or
	  ◦ Schemes with power density of greater than 5W/m2[10].
	• Solar energy including:
	  ◦ Onshore solar electricity generation;
	  ◦ Onshore solar thermal facilities; or
	  ◦ Transmission infrastructure wholly dedicated to supporting solar generation/ thermal activity.
	• Wind energy including:
	  ◦ Onshore wind generation facilities;
	  ◦ Transmission infrastructure wholly dedicated to supporting wind generation facilities; or
	  ◦ Manufacturing facilities dedicated for wind energy equipment.
		7 AFFORDABLE AND CLEAN ENERGY
		13 CLIMATE ACTION

Energy Efficiency	Investments in assets and activities that contribute to a reduction in energy consumption. This includes but is not limited to: • Energy storage (including batteries); or • Energy efficiency processes, appliances, products and technology.	7 AFFORDABLE AND CLEAN ENERGY
Clean Transportation	Investments in low carbon transportation assets, systems and/ or infrastructure. This includes but is not limited to: • Electric vehicles and supporting infrastructure and systems; or • Hybrid vehicles that meet an emissions intensity threshold of 50g CO2 per passenger-km travelled.	11 SUSTAINABLE CITIES AND COMMUNITIES

Thank you