



Craigs Investor Day

Queenstown, March 2020



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All references to \$ are New Zealand dollars

Contact Energy is one of New Zealand's largest companies.


84%
renewable
generation


5
geothermal
stations


2
hydro
stations


1
controlled
storage lake


4
thermal
stations


8.9TWh
FY19
generation


15 year
contract for
gas storage

For the benefit of all stakeholders.

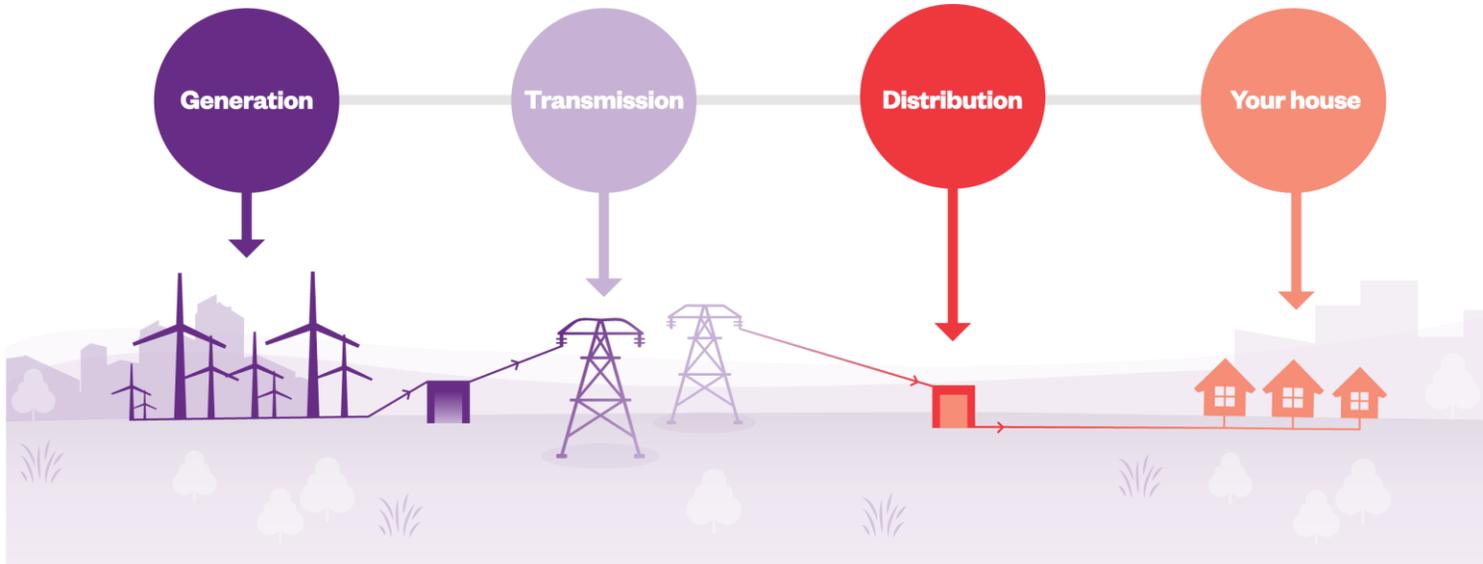

889
employees


493K
customer
connections

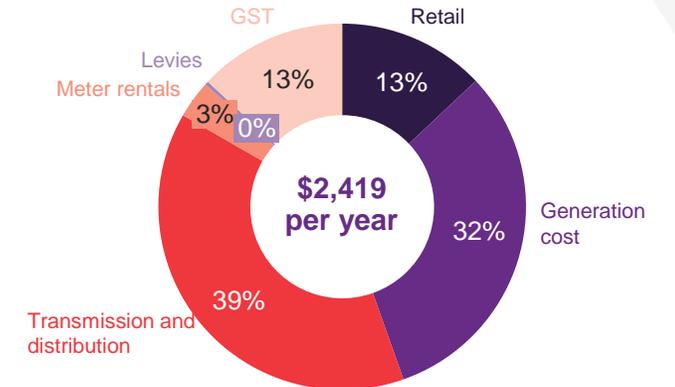

62.5K
shareholders


1.3K
bondholders

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



What does your power bill pay for?



“New Zealand serves as a model for effective energy markets and secure power system operation.”

International Energy Agency (IEA)
New Zealand 2017 Review

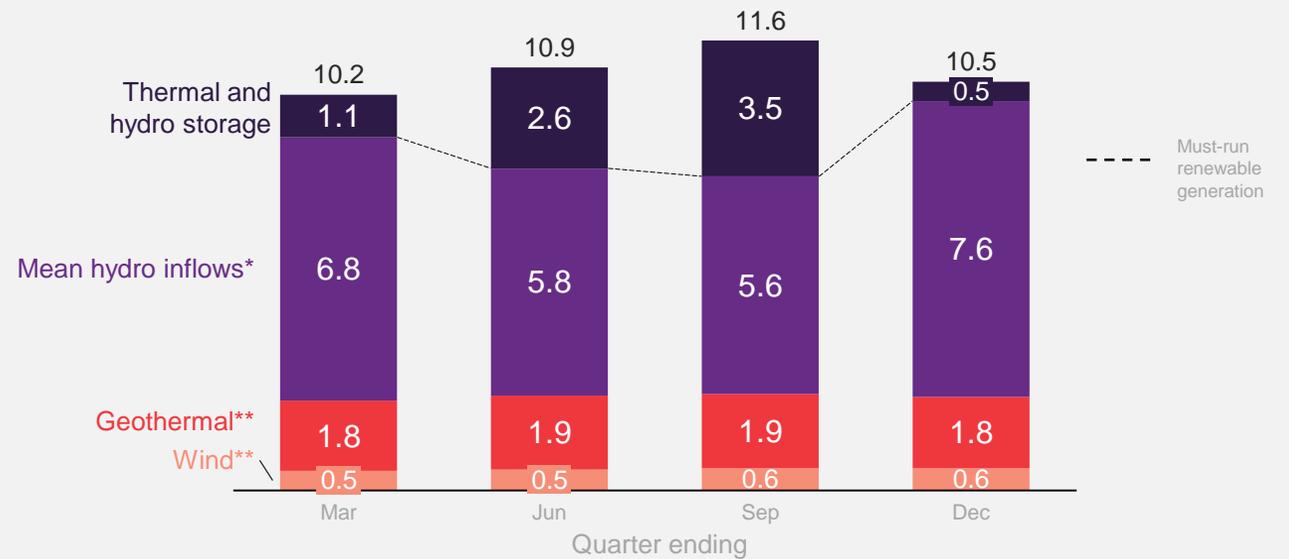
Thermal generation sets the opportunity cost of renewables, this includes stored water.

Flexible thermal production is required

5TWh

per annum of seasonal renewables firming required

National quarterly supply and demand (TWh)



*Source: NZX hydro, mean inflows 1926 – 2019. ** Source: MBIE quarterly electricity generation and consumption 2015 to 2019

Thermal generation is currently the most economic swing fuel to manage the seasonal supply and demand mismatch.

What are the value drivers for the industry?

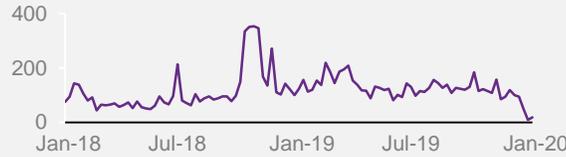


Pricing

Fixed sales improves earnings predictability from volatile wholesale spot prices

Value from thermal assets by selling at a fixed price

Electricity spot prices (\$/MWh)
Generation weighted



Fixed price sales as a % of mean renewable generation

120%

FY19 year.

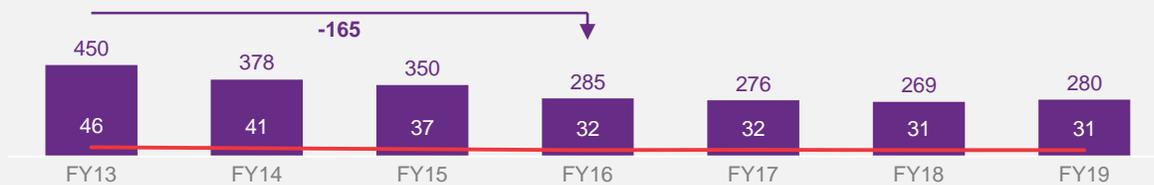


Investing in profitable growth

Reducing the cost of generation through thermal substitution

Lowering the cost of geothermal generation

Generation costs (\$m and \$/MWh)



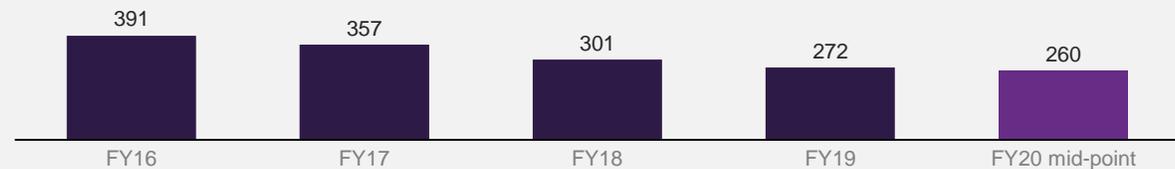
Productivity

Disciplined and transparent approach to operating and capital expenditure

Focus on operational improvement

Optimise asset portfolio

Controllable opex and capex (\$m)



STRONG INVESTMENT CASE

From a shareholders perspective the investment opportunity in our core market is large,
with good visibility on projects to deliver cash flow growth which flow through to dividends.



Indicative economics for a generic fully developed 250MW geothermal power station at Tauhara.

Investment staged to substitute thermal generation and/or capture demand growth; early developments likely to be at lower capital cost/MW.

Estimated total capital cost

\$4m / MW*

~\$1bn

Operating free cash flow yield

8 to 9% p.a.*

~11 to 12 cps

A world-class geothermal expertise with consented brownfield development potential.

Opportunity

>25% uplift

in operating free cash flow from capital deployment into an asset that we have a 60 year track record of managing.



Possible staging timing dependent on results of appraisal drilling, demand growth and economic thermal substitution.

- Assumes debt funded at current rates with an \$75-85/MWh wholesale price. Capital cost estimates exclude sunk costs incurred pre-FY20 and capitalised interest.