



10 August 2020

**Contact Energy Limited – 2020 Full Year Results**

Please find attached the following documents relating to Contact Energy Limited's (Contact) full year results for the year ended 30 June 2020.

- (a) Media Release
- (b) Results Presentation
- (c) NZX Results announcement form (LR 3.5)
- (d) NZX Distribution form (LR 3.14.1)

The 2020 Integrated Report is being loaded separately on ASX online and will be available on Contact's website <https://contact.co.nz/AboutUs/Investor-Centre>.

Dividend information filed on Appendix 3A.1 will follow.

**ENDS**

**MEDIA RELEASE: 10 August 2020**

# Contact delivers for customers, employees and shareholders despite Covid-19 disruption

## Key financial metrics

	12 months ended 30 June 2020 (FY20)	Comparison against continuing operations in FY19 <sup>3</sup>		12 months ended 30 June 2019 (FY19)
EBITDAF <sup>1</sup>	\$451m	↓	-11% from \$505m	↓ -13% from \$518m
Profit	\$125m	↓	-26% from \$170m	↓ -64% from \$345m
Underlying profit	\$129m	↓	-22% from \$166m	↓ -27% from \$176m
Dividend (per share)	39.0 cents			- 39.0 cents
Operating free cash flow per share <sup>2</sup>	\$290m	↓	-13% from \$334m	↓ -15% from \$341m

## Highlights

- Resilient through COVID-19 lockdown
- Confirmed world-class geothermal resource at Tauhara after successful appraisal programme
- Decarbonisation-driven demand momentum with a long-term 13MW renewable agreement signed and demand management platform customer base growing quickly
- Navigated risks relating to constrained natural gas supply via reduction in fixed priced electricity sales and prudent management of gas and hydro storage
- More than 500,000 customer connections across electricity, gas and broadband
- New Chief Executive Officer (CEO) and new Chief People Officer (CPO) appointed to leadership team
- Cost efficiency focus delivering, with cash spent on continuing 'stay in business' capital projects down by \$7m (12%) and \$9m (4%) reduction in other operating costs from continuing operations.
- Focus on Tiwai smelter exit and executing mitigation options, including putting the Tauhara project on hold and co-funding accelerated work programme by Transpower

<sup>1</sup> Refer to slides 54-55 of the 2020 full year 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 and other significant items (EBITDAF) and underlying profit (profit excluding significant items that do not reflect Contact's ongoing performance).

<sup>2</sup> Refer to Note A3 in the Contact FY20 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.

<sup>3</sup> Sale of Rockgas LPG which completed on 30 November 2018

New Zealand's second-largest energy company Contact Energy ('Contact') released its full year financial results for the 12 months to 30 June 2020 ('FY20') this morning.

Contact Chair Rob McDonald said Contact had delivered a "solid" financial result. "The second half of the year has been in line with expectations despite the impact of COVID-19. This follows on from a more challenging first half of the year which was impacted by poor gas availability.

"Profit from continuing operations was down 26 per cent to \$125m but we're pleased to deliver investors a 39 cents per share annual dividend this year which is in line with last year. The results are underpinned by Contact's operational efficiency, high quality and flexible portfolio of gas-fired and renewable generation assets, and the continued strength of our balance sheet."

Mr McDonald said he was proud of the way Contact had come through the pandemic response and lockdown period. "It was an extraordinary time, but overall Contact coped extremely well in challenging, uncharted circumstances. There was a real focus on crisis management and doing right by Contact's customers, our team of more than 900 people and broader New Zealand too."

There were changes to the Contact leadership team in FY20, with new CEO Mike Fuge starting in February 2020, and Jan Bibby joining as CPO in November 2019. In July 2020 James Kilty was promoted to Deputy CEO, and Jacqui Nelson joined the leadership team as Chief Generation Officer.

### **Financial performance**

CEO Mike Fuge said Contact reported a statutory profit for FY20 of \$125m. "This was \$220m lower than FY19, but last year included a \$170m gain on the sale of the Rockgas business and the Ahuroa gas storage facility."

He said EBITDAF from continuing operations was down \$54m (11%) on last year to \$451m in FY20. "This was due to a combination of lower renewable generation, lower wholesale prices and the impact of rising costs of thermal generation and restricted gas supply."

He said income from electricity market making was also down \$10m on the prior year following "volatile swings" in the wholesale market during the large inter-island transmission outage early in 2020, pleasingly the market headwinds were partially offset by strong cost control with fixed costs down by \$13m.

Mr Fuge said the increasing cost of gas and carbon was "accelerating the case" for the substitution of Contact's Taranaki Combined Cycle thermal plant at Stratford with new renewables. The useful life of the plant has been reduced, increasing depreciation by \$15m year-on-year.

Contact's operating free cash flow for FY20 was \$290m, down 15 per cent on FY19. "This was due to a combination of lower operating earnings, partially offset by lower stay-in-business capital expenditure and interest costs," Mr Fuge said.

Cash tax of \$70m was paid, up \$23m on FY19 and reflecting the increased tax payable on the strong profit realised in the last financial year.

The Board approved a final ordinary dividend of 23 cents per share (imputed by up to 15 cents per share for qualifying shareholders) to be paid on 15 September 2020. An interim ordinary

dividend of 16 cents per share was paid in April 2020, meaning the annual dividend declared for FY20 is 39 cents per share.

### **Customer business: 500,000 connections, driving digitisation**

Mr Fuge said Contact's Customer business now had more than 500,000 connections across electricity, gas and broadband. In June more than 10,000 energyclubnz customers joined Contact after that retailer exited the market. "We're continuing our transformation to becoming a digital-first retailer, with more than 100,000 customers now using our apps and website for self-service each month. Not only have customers told us they prefer this engagement channel but this has eased demand on our traditional service channels, with call volumes reducing from 850,000 in FY19 to 760,000 in FY20."

Despite strong operational performance and underlying efficiency improvements, EBITDAF in the Customer business was down \$17m year-on-year to \$50m, as rising costs for electricity, gas and carbon were not recovered in the year as average electricity tariffs were flat year-on-year.

### **Wholesale business: diverse assets, managing risk and advancing renewable options**

Mr Fuge said Contact's Wholesale business was continuing to work with business customers, partners and suppliers to decarbonise New Zealand's energy sector. "We're helping our commercial and industrial customers with their transition to low carbon fuels, with new products and renewable substitutes. We aim to displace 1PJ of industrial heat with electricity by 2022 — roughly equivalent to the electricity used by all the houses in Taupō in a year."

He said the difficult wholesale market conditions driven by a shortage of gas in the first half of the financial year showed the value of diverse generation assets, Contact's strong risk management systems and executable renewable development options.

EBITDAF in the Wholesale business reduced by \$38m to \$425m year-on-year, as production from hydro-generation was restricted by transmission constraints and dipped by 11 per cent (479GWh) despite strong hydro inflows. Thermal generation costs per unit increased by 1 per cent after a \$6m increase in gas storage facility costs.

Mr Fuge said New Zealand was undergoing a shift from reliance on fossil fuels to renewable electricity. "This transformation has impacted Contact's near-term profitability as thermal costs rise, but over the longer term we are well-positioned to connect renewable energy to our customers."

### **Looking ahead**

Mr Fuge said there was a focus on last month's announcement that Rio Tinto was preparing to close the Tiwai Point smelter in August 2021. "We've made no secret of our view that we were disappointed about this — we believe the best interests of NZ Inc are served by the smelter remaining operational for at least the next five years. The inability for this to happen will be bad news not only for Southland, but also for global emissions and New Zealand's renewable energy aspirations."

He said Contact was well-placed to emerge in "a stronger competitive position over the longer term" and that it is under way with mitigating the impact of the smelter's looming closure. "One major decision was pausing our world-class, shovel-ready geothermal project at Tauhara. It is on hold for now but we believe it is a matter of when — not if — Tauhara will play an important role in New Zealand's transition to a low-carbon future. However we must get a clearer picture of demand before we make any final decision to proceed with this \$600m investment."

He said Contact was also “actively engaged” in negotiations for revised terms for electricity supply to the Tiwai smelter and has been co-funding an accelerated work programme by Transpower to help move renewable electricity generation in the lower South Island north.

“We’re also working with commercial and industrial customers to deliver reductions to their carbon footprints by connecting them with low-carbon, reliable electricity. We recently signed a long-term 13MW renewable agreement with Open Country Dairy and anticipate this will be the first of many.”


Mr Fuge said Contact would remain focussed on improving operational efficiency and leveraging its lean operating model. “We’re excited about the future. We’re a strong company with plenty of options and opportunities in front of us. We have a robust balance sheet, an excellent portfolio of assets and a very capable team.”

**-ends-**

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A photograph of two people from behind, standing on a beach at sunset. The person on the left is wearing a black and white wetsuit with a colorful floral pattern on the sleeves and is holding a blue surfboard. The person on the right is wearing a black wetsuit and is holding a surfboard above their head. The sun is low on the horizon, creating a warm, golden glow. The ocean waves are visible in the background. There are decorative curved lines in the top left corner, one in purple and one in pink.

# 2020 Full Year Results Presentation

Twelve months ended 30 June 2020



Putting our energy where it matters

## Disclaimer and important information

This presentation may contain projections or forward-looking statements regarding a variety of items. Such forward-looking statements are based upon assumptions at a point in time, and carry significant risks if relied upon.

Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks.

Although management may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realised.

EBITDAF, underlying profit, free cash flow and operating free cash flow are non-GAAP (generally accepted accounting practice) measures. Information regarding the usefulness, calculation and reconciliation of these measures is provided in the supporting material.

Furthermore, while all reasonable care has been taken in compiling this presentation, Contact accepts no responsibility for any errors or omissions.

This presentation does not constitute investment advice.

Numbers in the presentation have not all been rounded and might not appear to add.

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All references to \$ are New Zealand dollar.

- 1 FY20 Highlights and Progress on Strategy / Mike Fuge, CEO 4-19
- 2 Operational Performance and Financial Results / Dorian Devers, CFO 20-31
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# FY20 highlights and progress on strategy

Mike Fuge, CEO



## Financial performance down on a very strong comparative period, cash flow supported by controllable cost and capital discipline

	Twelve months ended 30 June 2020 (FY20)	Comparison against continuing operations <sup>3</sup> FY19		Twelve months ended 30 June 2019 (FY19)	
EBITDAF <sup>1</sup>	\$451m	↓	-11% from \$505m	↓	-13% from \$518m
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Underlying profit <sup>1</sup>	\$129m	↓	-22% from \$166m	↓	-27% from \$176m
Dividend per share	39.0 cps			-	39.0 cps
Operating free cash flow <sup>2</sup>	\$290m	↓	-13% from \$334m	↓	-15% from \$341m
Operating free cash flow per share <sup>2</sup>	40.4 cps	↓	-13% from 46.5 cps	↓	-15% from 47.5 cps
Stay-in-business (SIB) capital expenditure (cash)	\$51m	-	-12% from \$58m	↓	15% from \$60m

<sup>1</sup> Refer to slides 54-55 for a definition and reconciliation of EBITDAF and underlying profit

<sup>2</sup> Refer to slides 29 for a reconciliation of operating free cash flow

<sup>3</sup> Continuing operations excludes the discontinued Rockgas LPG business sold on 30 November 2018

Operating earnings (EBITDAF) were down by \$54m when compared to continuing operations in FY19, a period which included:

- **Stronger hydro generation**
- **Higher wholesale prices**

The operating conditions in FY20 were characterised by:

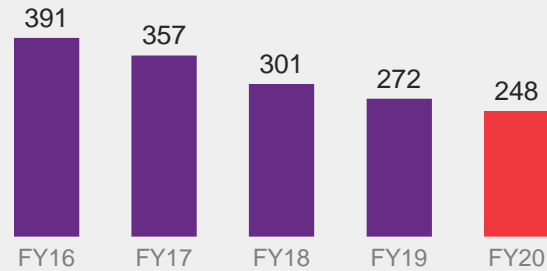
- Rising costs of thermal generation which include gas, carbon and gas storage.
- Disciplined and active commodity risk management and a reduction in fixed priced sales.
- Transmission constraints during planned HVDC outage impacting market making.
- Global pandemic.

Despite the difficult operating conditions, Contact delivered **strong cost control with other operating costs from continuing operations down by \$9m (4%) and SIB capital spend down by \$7m (12%)**. Our high quality renewable generation assets and portfolio structure deliver strong cash flows.

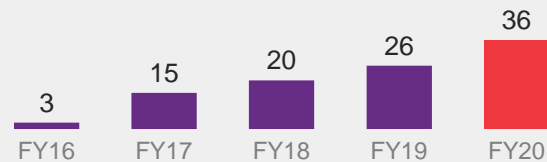
Economics of baseload thermal generation are looking challenged long-term; The Taranaki Combined Cycle (TCC) plant asset useful life has been reassessed with depreciation accelerated, reducing profit in FY20 vs prior comparative period.

## An efficient and focused business, delivering on the controllables and building capability

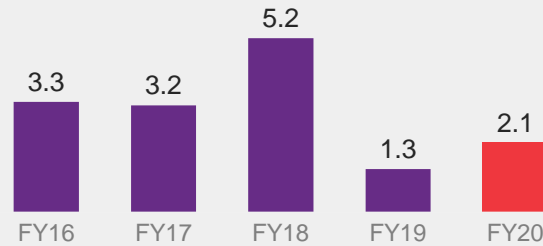
### Maintaining financial discipline Other operating costs and SIB capex (\$m)



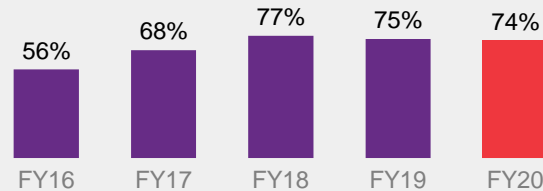
### Building customer advocacy Net promoter score - NPS (Promoters less detractors)



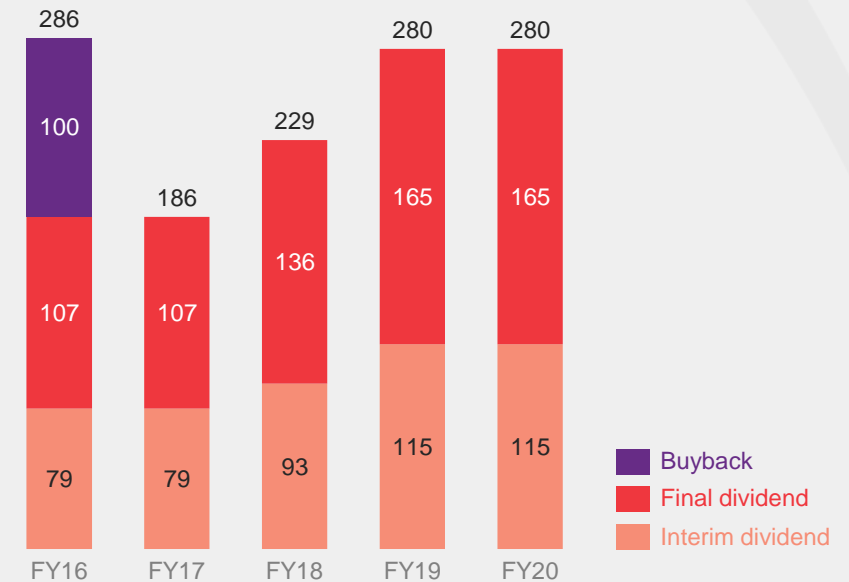
### Safe and engaged employees Total recordable injury frequency rate (Recordable injuries per million hours worked)



### Employee engagement (%)



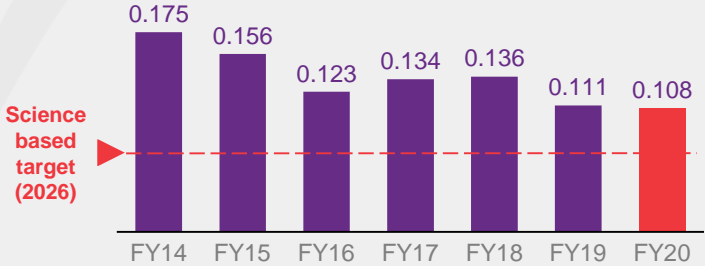
### Rewarding shareholders Distributions (\$m)



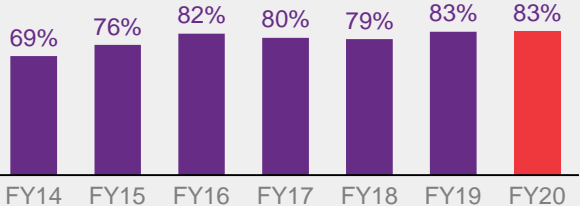


# We take a holistic view on our operations to benefit all stakeholders

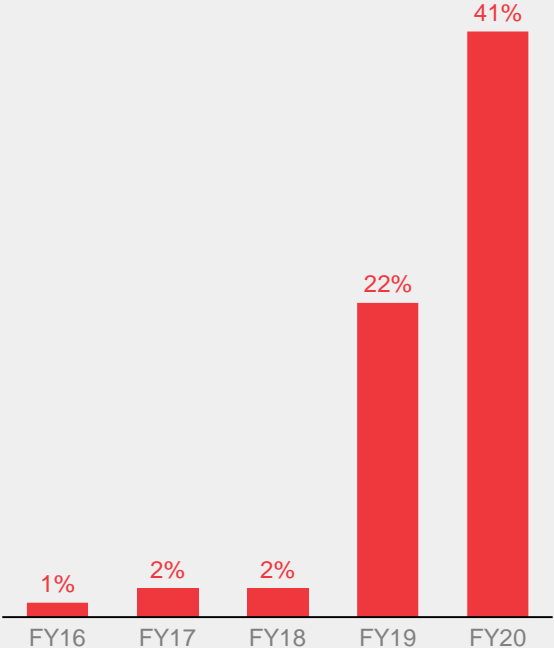
**Total generation emissions intensity**  
tCO<sub>2</sub>-e / MWh



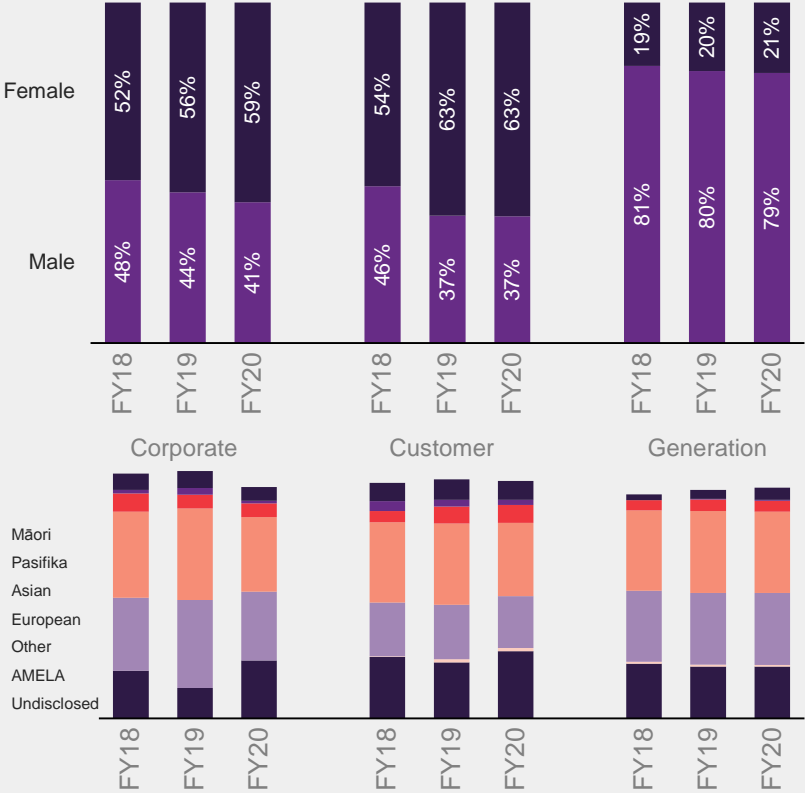
**Renewable generation**  
% of total generation



**Customers with impaired credit now accepted**  
% of impaired credit customers accepted



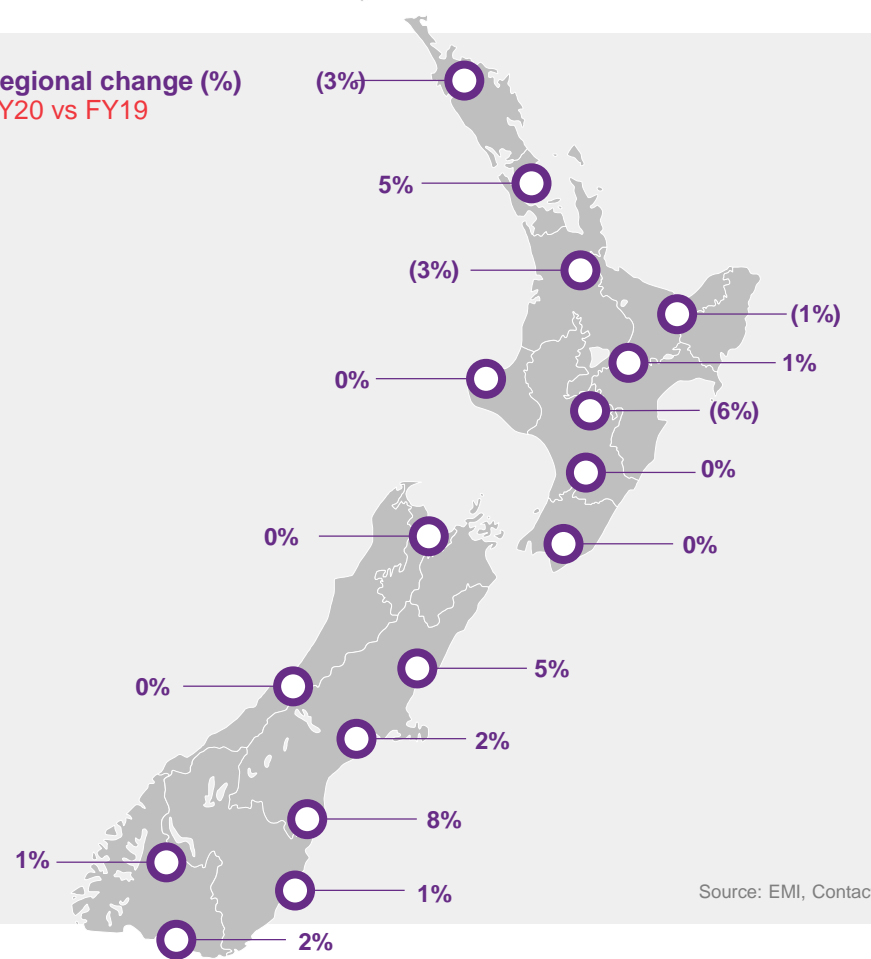
**Gender diverse workforce**  
% of total workforce



NB. Individuals can choose to identify multiple ethnicities

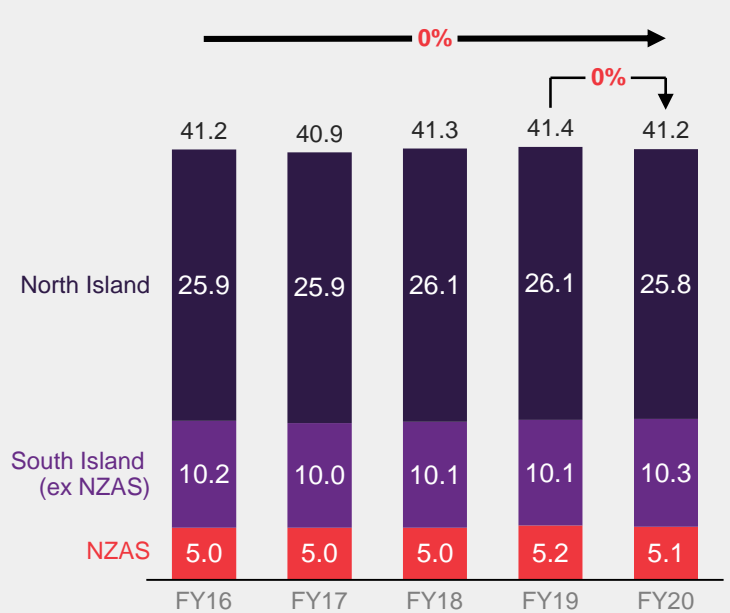
# National electricity demand

Regional change (%)  
FY20 vs FY19



Source: EMI, Contact

National electricity demand (TWh)



Source: EMI, Contact

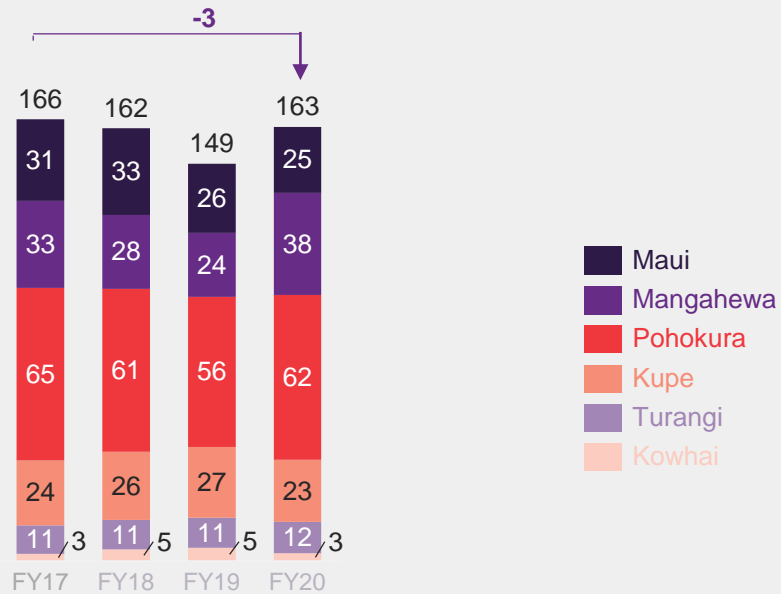
○ Demand flat. Indicates underlying demand growth once the impact of COVID is included

○ NZAS curtailed the production from the 4<sup>th</sup> potline (50MW) from 3 April 2020. NZAS have given notice of termination of their remaining electricity contract (572MW), with closure expected on 31 August 2021.



# Natural gas production recovered after two years of impaired deliverability

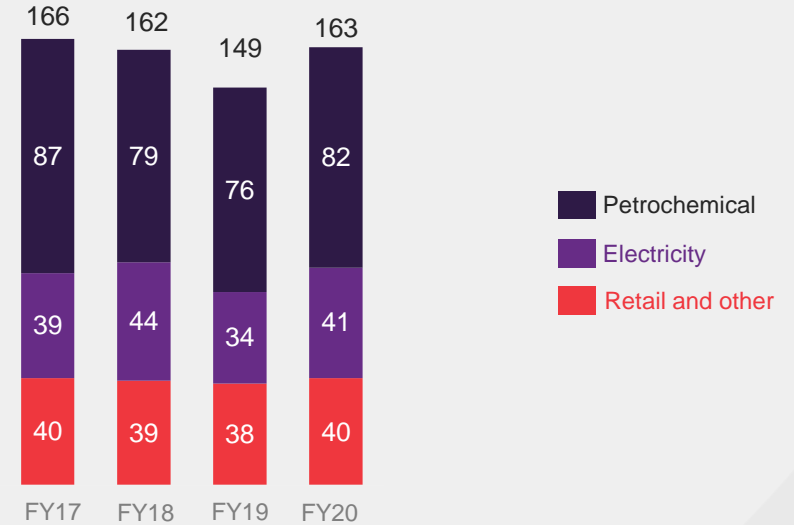
Production from the major fields (PJ)



Source: OATIS

Total production has recovered with increases from McKee Mangahewa, and Maui. Pohokura performing well.

Demand from key sectors (PJ)



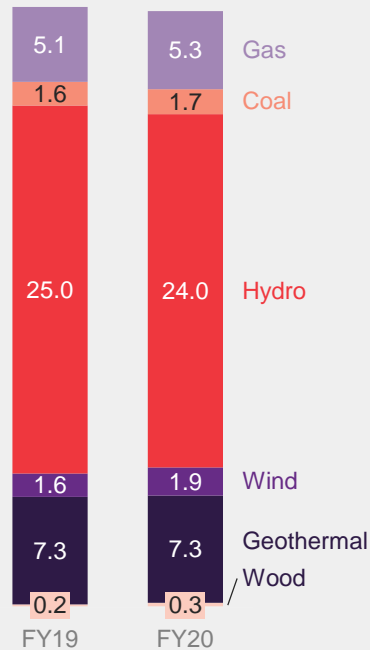
Source: OATIS, EMI, Contact estimate

Gas used in electricity generation in line with the last two years. Concerns around future delivery have resulted in cautious management of hydro storage.

# Hydrology and impact on generation mix

## Generation by type (TWh)

Generation from generator retailers



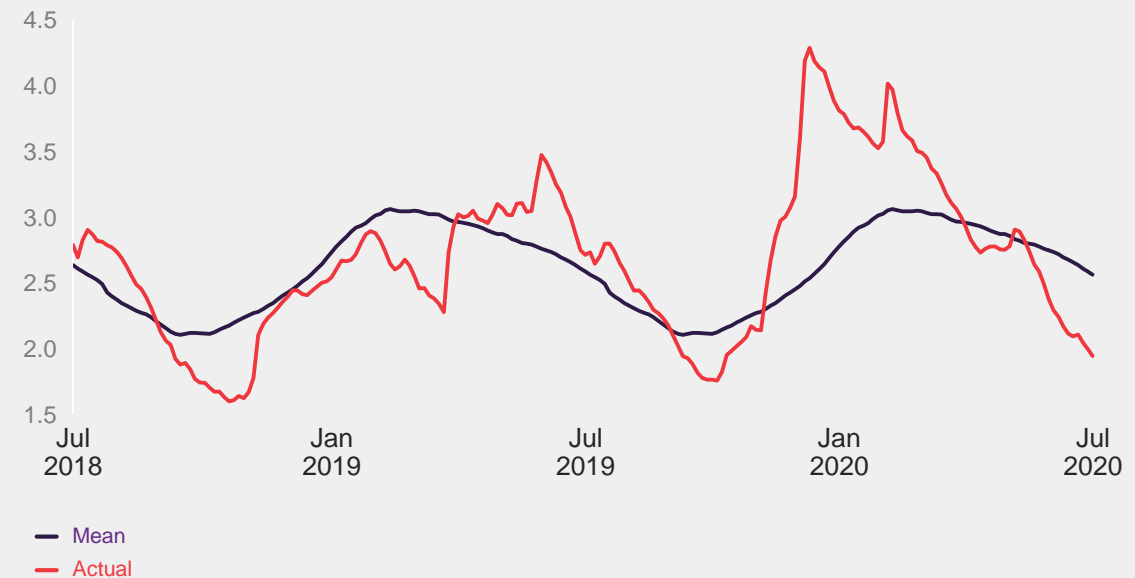
Despite high inflows in November and December 2019, hydro generation was slightly down compared with FY19 following a 3-month HVDC outage limiting the ability to generate from South Island hydro catchments.

The increase in gas fired generation reflects a recovery in gas volumes from the Pohokura field following an extended outage in late 2018. Production from the Maui and Pohokura fields are still below historical levels.

Source: EMI

## National hydro storage against mean storage (TWh)

Mean storage 1927 – 2020



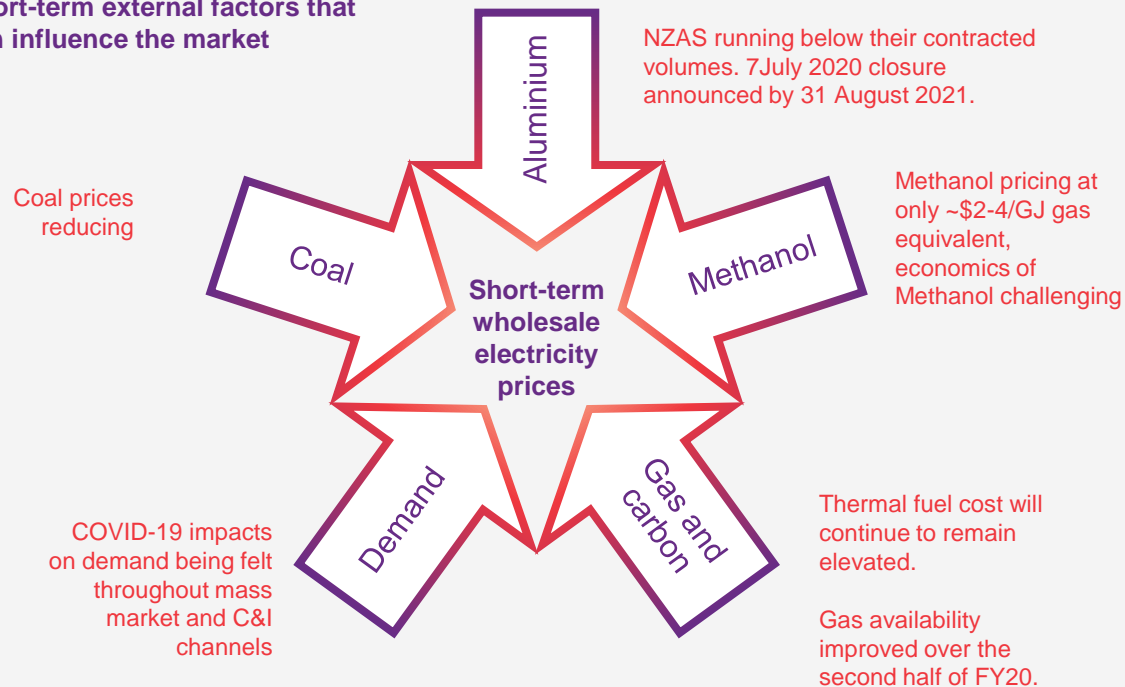
Hydro generators stored more water than historically seen to cover potential 2020 winter exposure in an uncertain gas supply environment, while the HVDC outage limited South Island hydro during the first quarter of calendar 2020.

Source: NZX

## In addition to hydrology, wholesale electricity prices are influenced by multiple factors

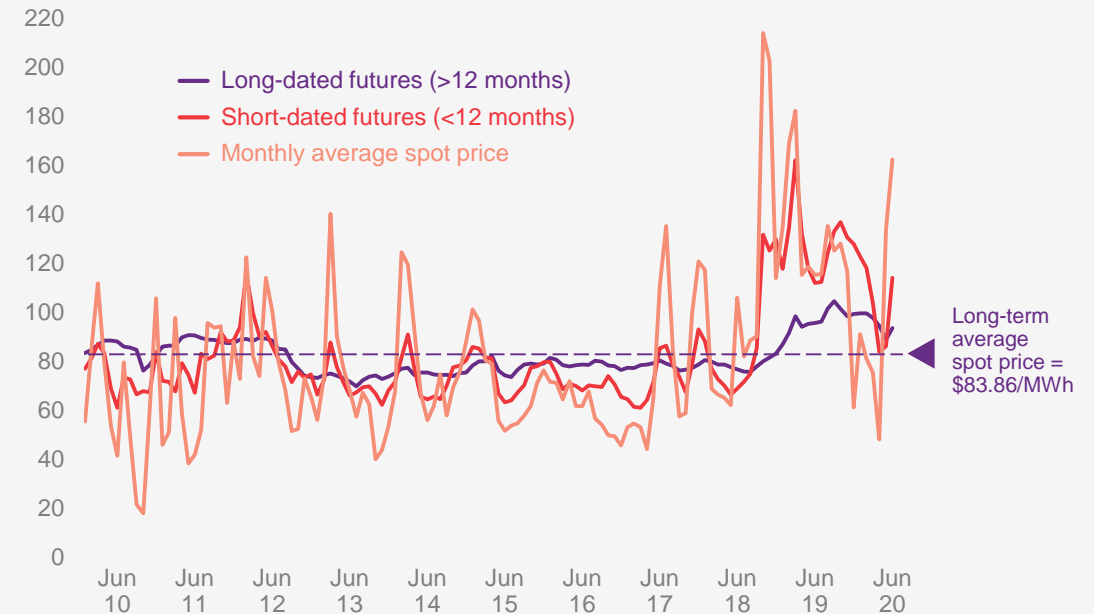
The market quickly responds to key market inputs by sending price signals.

Short-term external factors that can influence the market



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**

Wholesale and futures electricity pricing (\$/MWh)

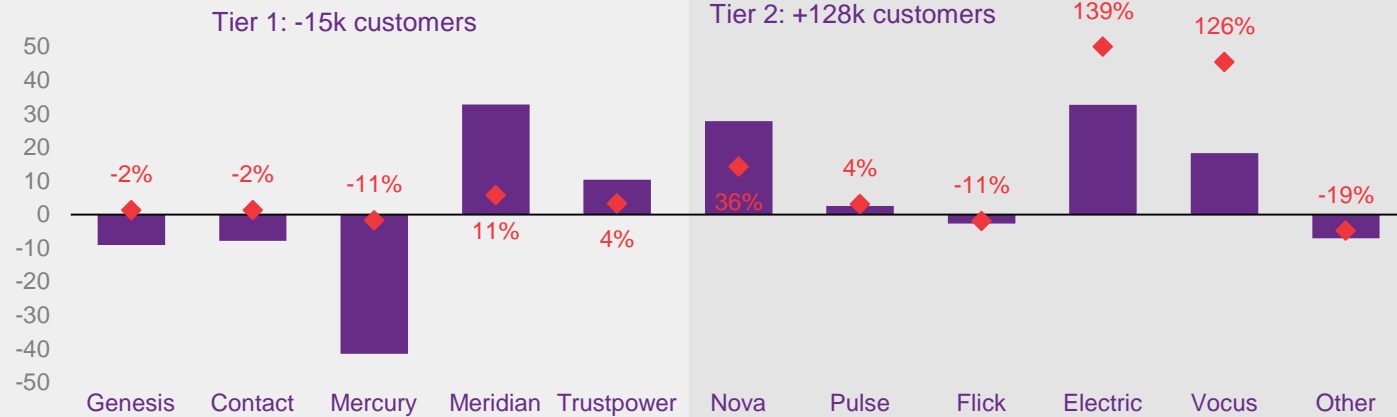


Both long-dated and short-dated prices remain well above long-term averages, reflecting higher thermal fuel costs.

Source: EMI wholesale pricing

# Retail competition remains intense

Change in customer connections (000s)



Source: EMI

Retail competition remains intense.

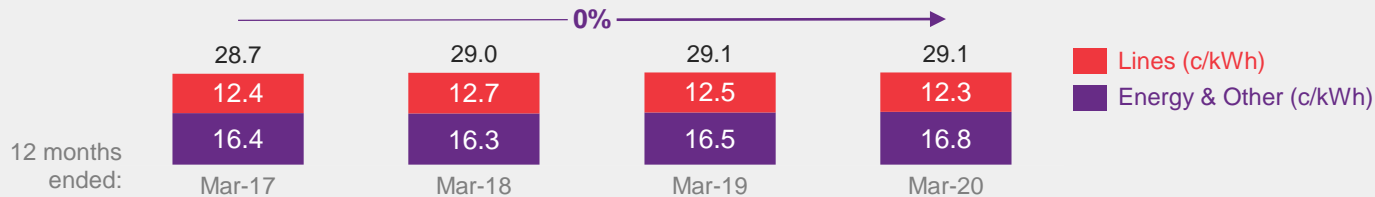
Divergent views on the value of a customer:

- Tier 1: Mercury reducing customer numbers, Meridian growing market share
- Electric Kiwi continuing growth trajectory
- Reducing market share of main players continues, Tier 2 market share now at 15% (from 12% June 2018).
- New connections in line with prior year

■ 2yr ICP delta (1000s)

◆ 2yr % change

Retail tariff changes (c/ kWh)



Source: MBIE

Despite sharply higher wholesale prices over the last two years, tariffs flat reflecting intense competition and diverging views of long-term wholesale prices.

Regulatory reset of Electricity Distributors WACC, has led to network cost reductions since 1 April 2020.

# Topical regulatory matters

## Preliminary undesirable trading situation (UTS) findings

The Electricity Authority (EA) reached a preliminary conclusion that a UTS occurred in December 2019 during significant flooding in the lower South Island.

While Contact was not found responsible, Contact disagrees with the EA's initial assessment of market conditions and generators offer behavior.



### Safety first

Safety of our assets, people and the communities in which we operate is paramount. Contact sought to limit marginal running during the flood event to maintain stable lake levels and ensure steady flows to avoid flooding downstream of Roxburgh. Marginal running can exacerbate changes in lake levels and river flow.

### Economically rational

Generators need to offer their generation to be able to recover the economic cost

**Submissions close on 18 August, with cross submissions due on 9 September.**

## Market making

The cost of providing market making services needs to be borne by all beneficiaries including generators, purchasers and financial participants. Contact welcomes the EA's Hedge Market Enhancement workstream and believe a Commercial scheme that is sized appropriately through a competitive process will be the most sustainable and beneficial to consumers.

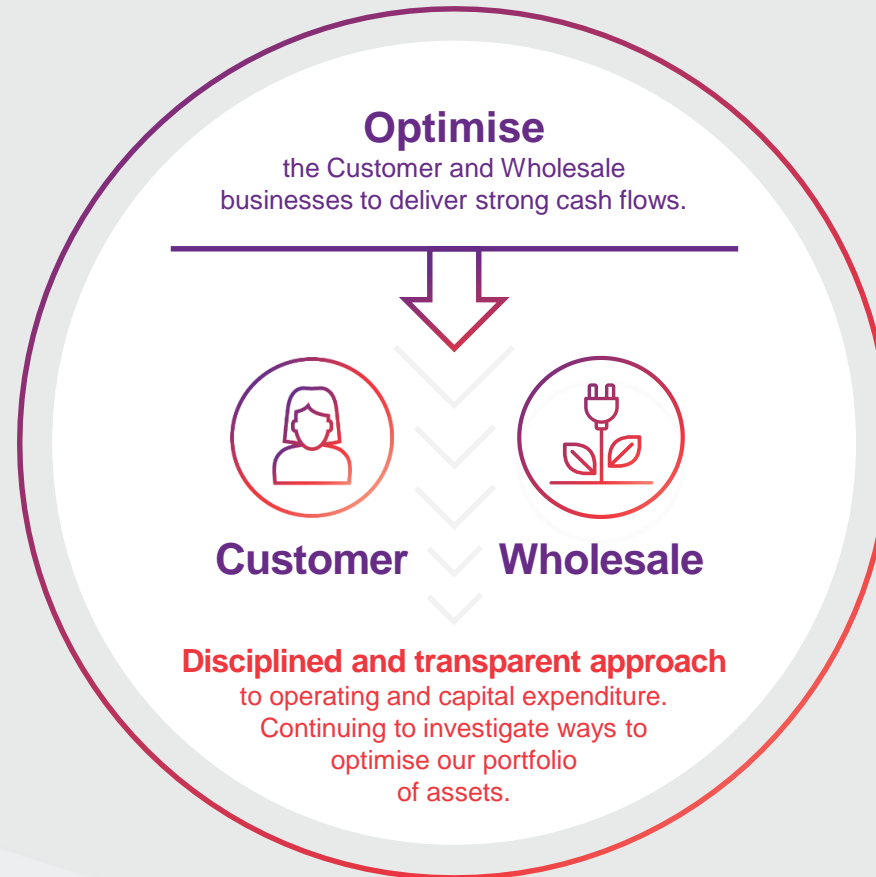
In January, Contact agreed new ASX trading arrangements that increased market making volume and maintain narrow bid/offer spreads. This was consistent with the EA's request for Contact and other large gentailers to voluntarily provide market making to ensure market liquidity.

The EA is also continuing consultation on enduring market making measures.



# A Better New Zealand

## We put our energy where it matters





**A service and value focused retailer,  
connecting customers and  
communities to smart solutions  
that make living easier  
for them now, and  
in the future.**



### **Technology**

Leverage advances in technology to drive efficiency with automated customer experiences.



### **Brand**

Brand and reputation repositioned from a strong operational retailer to a smart customer solutions provider.



### **Operating model**

Simple and lean operating model centred on the customer experience, reinventing key customer experiences and processes.  
Capable employees identifying and driving performance initiatives with ownership and accountability.

## Technology

Optimisation through 'clouding' and digital collaboration



### Top rated energy app

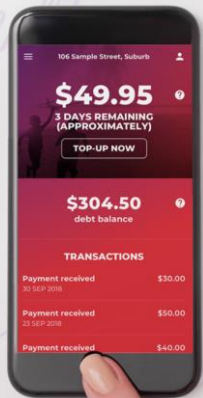
in New Zealand, with usage increasing 90% on prior year

### Cloud based systems and software enabling seamless remote working

for all staff through the Covid-19 lockdown

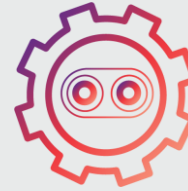
### Digital self service interactions up 450%

Through bill and consumption views, payments, account management & support.



## Operating model

Targeting reductions in cost to serve



### Robotic Process Automation (RPA) implementation across 26 key processes

### 130k customers now on zero Prompt Payment Discount (PPD) plans, following the launch of our Simplicity plans

### Cost reductions

with \$4m reduction in ICT opex from ongoing platform improvements

### Lower customer complaints than market

12% share of all market deadlock complaints relative to our connection market share of ~19%

### Net bad debt write offs reduced by 25% on prior year



## Brand

Winning brand recognition and awareness



### >26,000 broadband connections

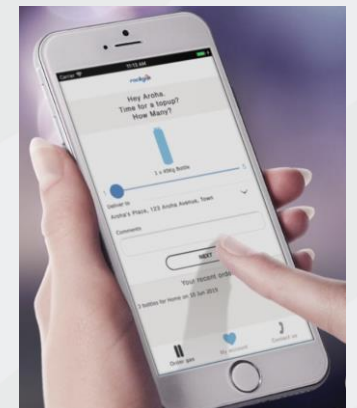
With >19% of customers now taking more than one product or service

### Award winning Brand

Charge Energy Global Awards: Best Established Brand, and Readers Digest Quality Service Awards: sector Gold Award

### Strong NPS growth

Q4 NPS increased from +26 in FY19 to +36 in FY20





# An innovative, safe and efficient generator, working with business customers, and partners to decarbonise New Zealand.

Strong operational performance and options to grow earnings being developed.



## Thermal generation

Develop options to enable the economic substitution of Contact's thermal generation assets with renewables.

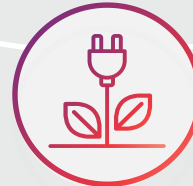
Improve the economic return on our flexible thermal assets in a volatile market.



## Customer solutions

Leveraging capability to expand C&I products and services; underpinned by our investment in Simply Energy.

Partner with customers on mutually beneficial decarbonisation opportunities.

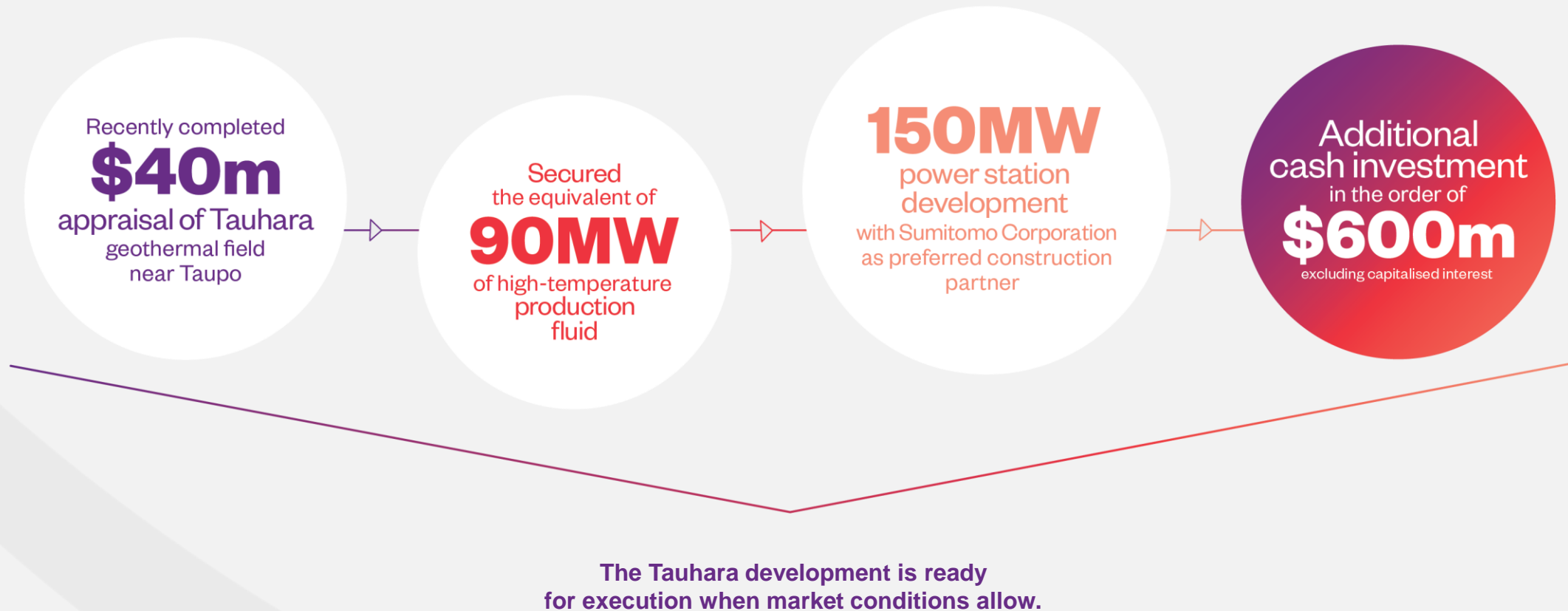


## Renewable development

Potential to develop Tauhara, New Zealand's lowest-cost firmed scale renewable generation option:  
Prepare a range of development strategies to accommodate the project in a changing market.  
Resource proven, project ready for execution as soon as market conditions allow.

# Tauhara remains New Zealand's pre-eminent scale renewable development

However, market conditions do not currently support the development of this resource





# Contact successfully adapted to the challenges from COVID-19

Catalyst to accelerate transformation of the operating model

**A resilient  
business with  
strong systems  
and capability**



- Enterprise-wide programme management office set up identifying opportunities to improve performance
  - Reduced controllable operating and capital costs
- Increased liquidity by \$200m for 18 months at short notice to pre-emptively protect against a potential credit market closure



- Support provided to employees
- Support provided to the community



- Credit collection well managed in line with Nga Tikanga, our moral compass
- Customer advocacy improved, with NPS higher



- New ways of working programme accelerated
  - Enabled by technology investment and move to cloud-based applications



An aerial photograph of a lush tropical forest. A white line, possibly a path or boundary, winds through the dense green foliage. A semi-transparent grey polygon is overlaid on the upper right portion of the image. The text 'Operational performance and financial results' is written in large, white, sans-serif font in the upper left area.

# Operational performance and financial results

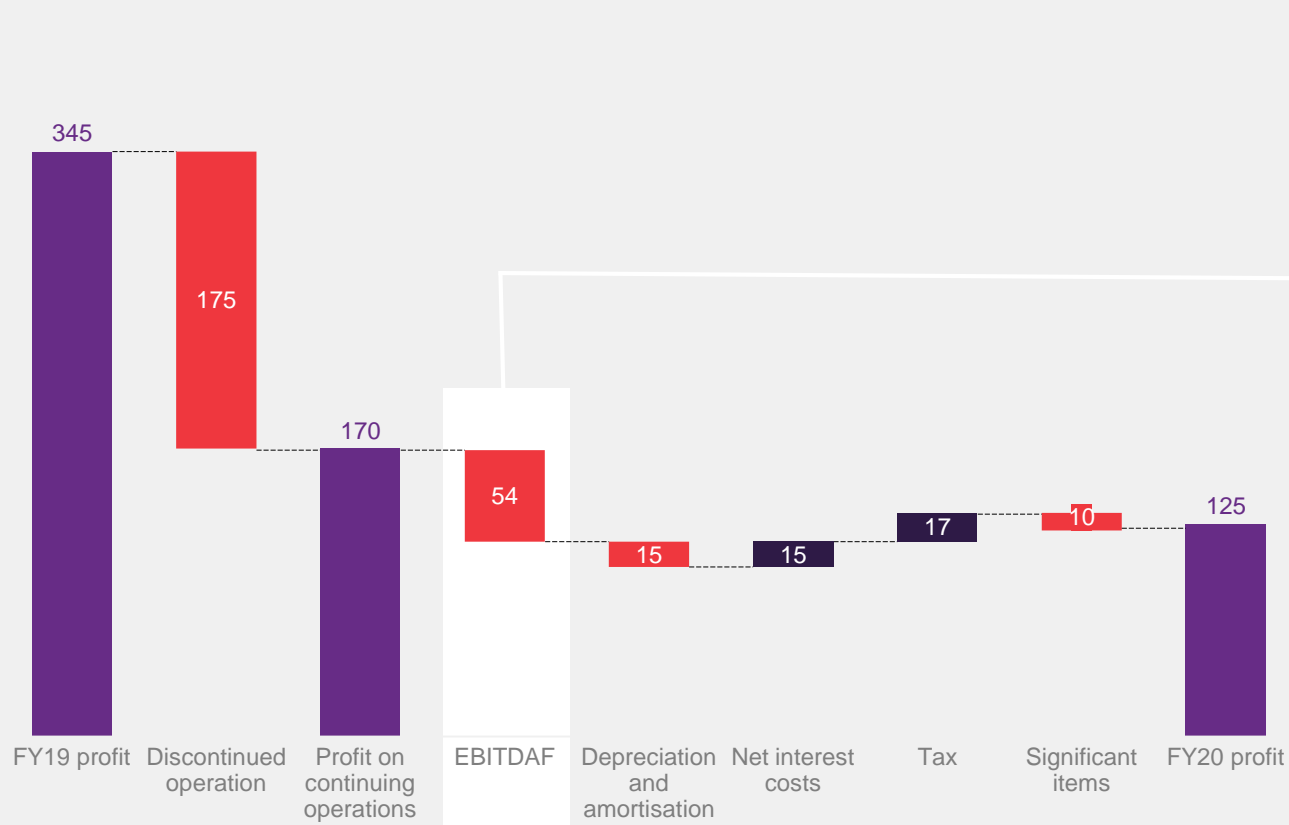
Dorian Devers, CFO



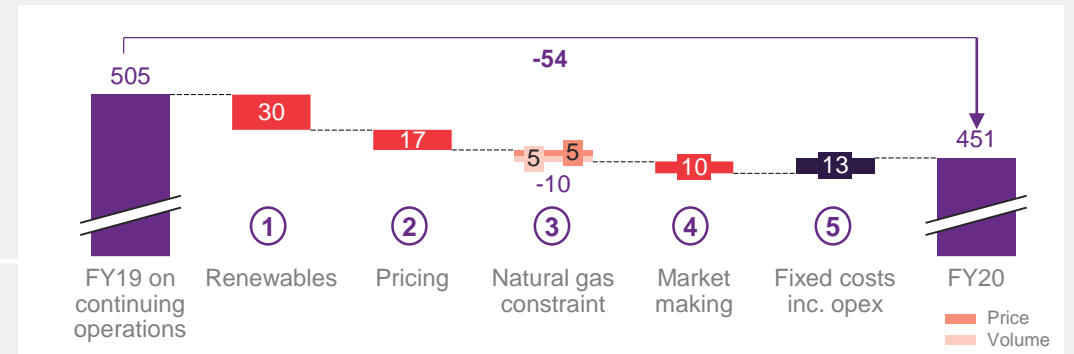
# Profit of \$125m

EBITDAF from continuing operations down by \$54m, reflecting strong prior period and lower hydro generation

Profit (\$m)



EBITDAF (\$m)

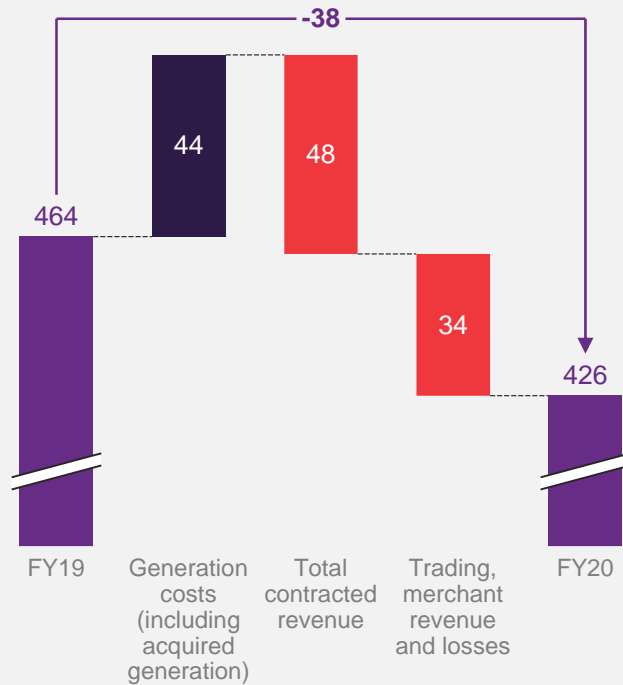


- ① Lower hydro year on year (impacted by transmission constraints) partially offset by strong geothermal generation
- ② FY19 supported stressed market during unplanned gas field outage.
- ③ Gas availability issues in 1H20, lower electricity sales volumes.
- ④ Market makers forced into positions, driving earnings volatility
- ⑤ Strong operating cost control and lower transmission costs.

# EBITDAF from continuing operations down by \$54m

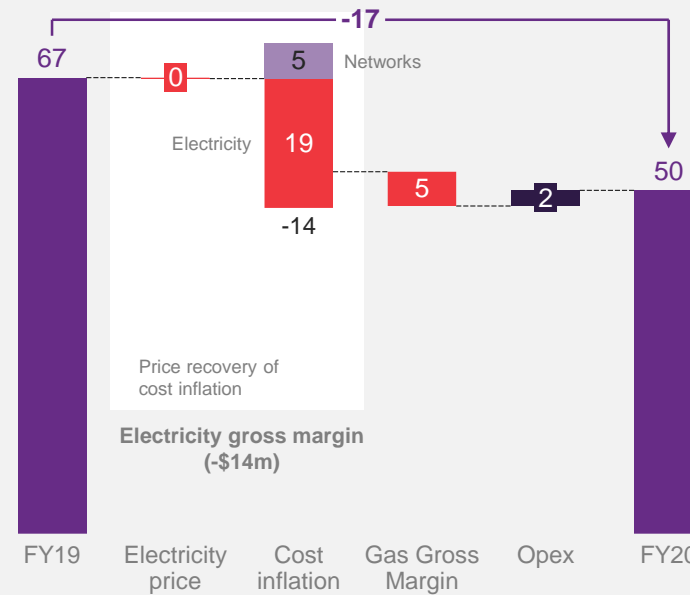
Continuing business performance by segment.

Wholesale EBITDAF (\$m)



Refer to slides 23 - 25

Customer EBITDAF (\$m)



Price recovery of cost inflation  
Electricity gross margin (-\$14m)

Refer to slide 26

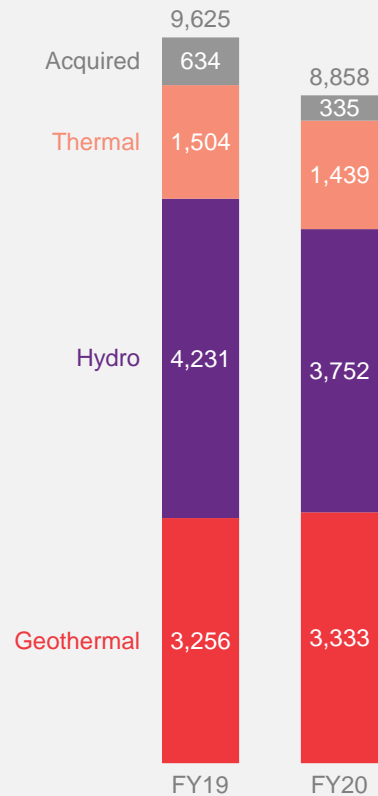
Corporate / unallocated (\$m)



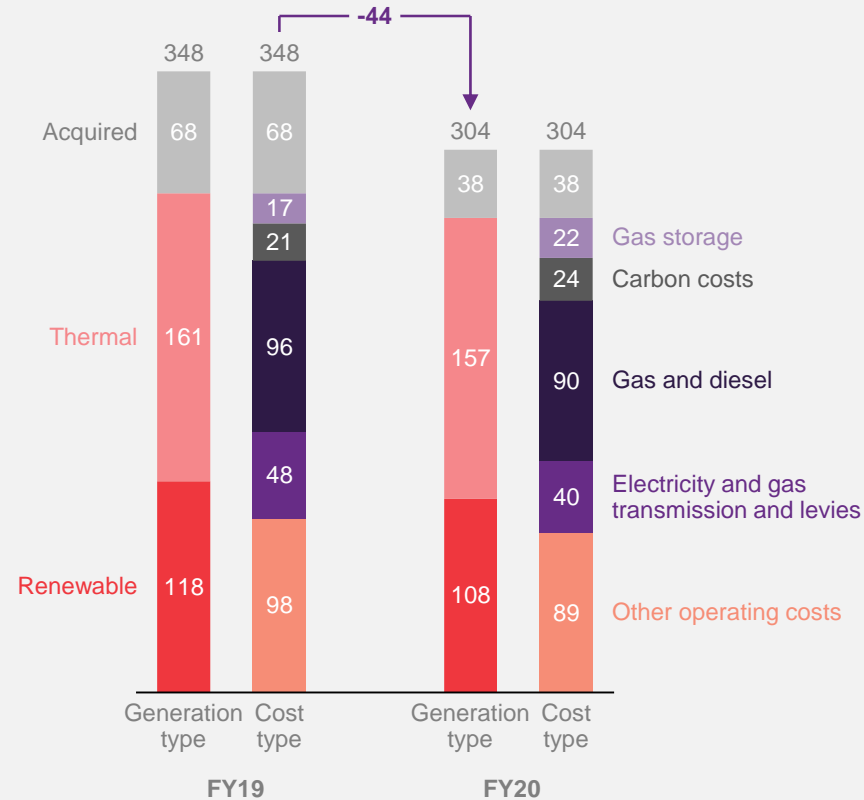
## Generation costs

Hydro down 11%. Costs down \$44m (\$2/MWh) on lower acquired generation, transmission costs and deliberate cost control.

Electricity generated or acquired (GWh)



Electricity generated or acquired costs (\$m)



Hydro generation down 479GWh on FY19 (-11%), 4% below that expected in a mean year. Geothermal volumes were 77GWh up on prior year and 33GWh on an average year as Contact processed more fluid in advance of FY21 outages.

- Renewable generation costs were down by \$10m. Transmission costs down by \$6m, other operating costs down \$5m. Geothermal carbon costs were up \$1m.

Thermal generation costs were down due to lower thermal generation in the year.

- Gas and carbon unit costs up from \$75/MWh in FY19 to \$76/MWh (+1%).
- Fixed costs, led by the new gas storage contract (since October 18), were up by \$6m on the prior comparative period (net of other operating costs).

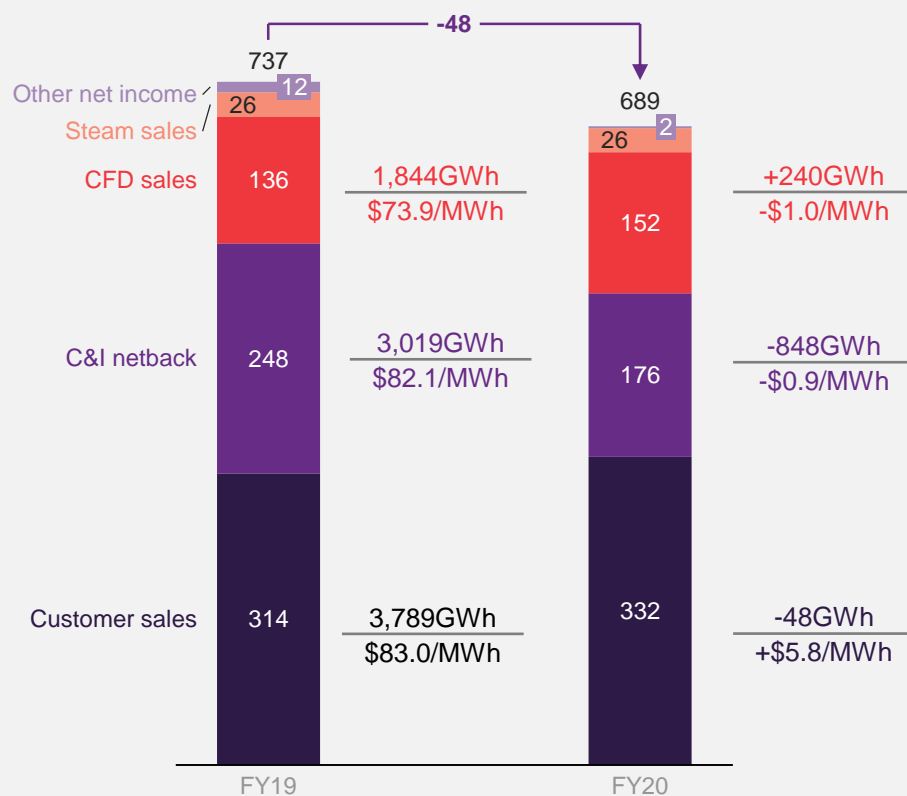
An easing of gas supply restrictions over FY20 saw risk management costs significantly lower (down \$30m) with acquired generation volume down by 53%.



## Wholesale contracted revenue

Sales mix adjusted to manage commodity risk; fuel now contracted to **recover fixed price sales**

### Contracted revenue (\$m)

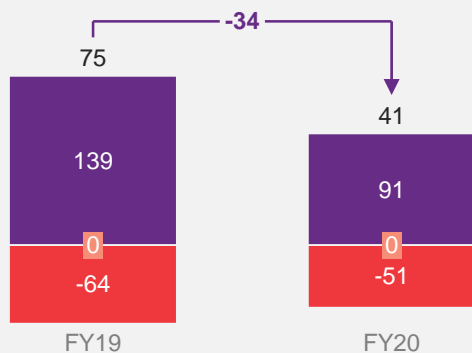


- Fixed price variable volume electricity sales to the Customer segment and C&I customers ended 896GWh lower than FY19 (-\$75m), this was partially offset by higher prices (+\$22m) to the Customer business, reflecting higher wholesale prices over the three preceding years.
- CFD sales were up by 240GWh with increased sales to support NZAS, which was up by 23GWh on FY19, electricity sales from gas tolling (gas price, not market linked) and CFD sales committed to part way through 1H19 before forward prices rose. Only 274GWh of CFD sales have been committed since October 2018.
- Steam revenue was in line with FY19 with a reduction in volume but increased tariffs on rising carbon costs.
- Other income down by \$10m as volatile wholesale markets reduced market making revenue (\$9m)

## Wholesale trading and merchant revenue

In the prior period we supported the stressed market during the unplanned Pohokura outage by selling 'merchant'.  
Contact enjoyed favourable hydro generation during this period.

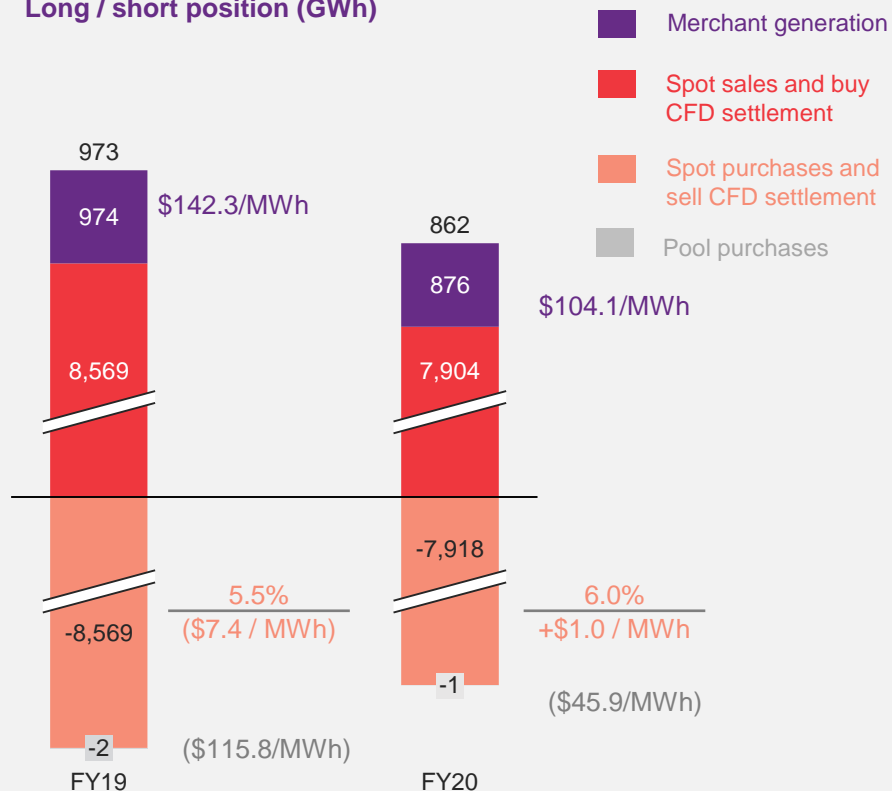
Trading EBITDAF (\$m)



Trading revenue

- Merchant sales:** short-term sales channel available when the spot prices exceed the opportunity cost of Contact generation.
- Pool purchase:** short-term opportunistic purchases from the spot electricity market when better value than alternatives (adjusted for volatility and volume).
- LWAP / GWAP losses:** locational price differences between where electricity is generated and purchased.

Long / short position (GWh)



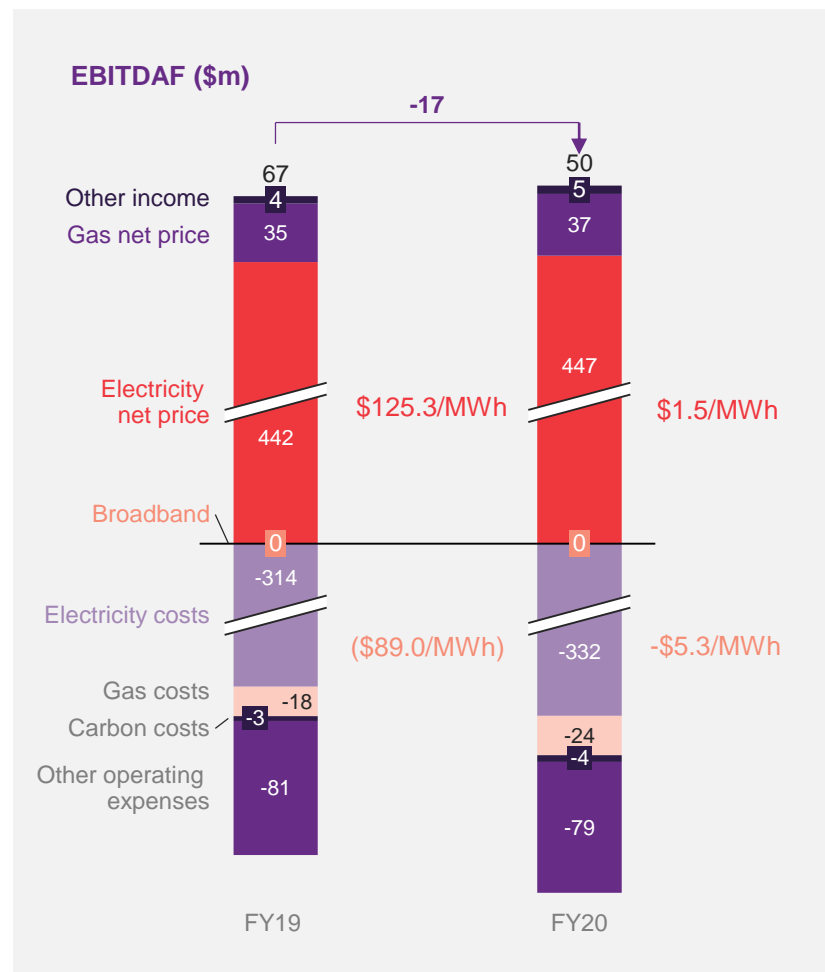
- 98GWh decrease in merchant sales volumes (-\$10m). The price received for this "long" generation was down by \$38.2/MWh (-\$37m).
- Strong risk management saw limited price exposure to unhedged spot market purchases during higher wholesale price periods.
- The relative reduction fixed price sales and lower wholesale prices saw absolute LWAP/GWAP improve by \$13m.

# Customer business performance

Government's regulatory review completed.

Revenue & Tariff <sup>1</sup> (\$m)	FY19	FY20		Variance	
	\$m	\$m	Tariff	\$m	Tariff
Electricity gross revenue	858	859	243.7	1	0.8
PPD not taken	12	10			
Incentives paid	(7)	(6)			
<b>Net revenue (cash)</b>	<b>863</b>	<b>862</b>	<b>244.8</b>	<b>(1)</b>	<b>0.7</b>
Capitalised incentives	9	7			
Amortised incentives	(8)	(8)			
<b>Net revenue (P&amp;L)</b>	<b>864</b>	<b>861</b>	<b>244.5</b>	<b>(3)</b>	<b>0.0</b>
Gas revenue	73	74	88.8	1	3.8
Broadband revenue	7	17	70.1	10	(27.5)
Other income	4	5		1	
<b>Total revenue</b>	<b>948</b>	<b>957</b>		<b>9</b>	
Contract Asset (closing)	16	13		(3)	

1. Tariff is \$/MWh for electricity, Gas \$/GJ and \$ per month per customer connection for broadband



Electricity tariff changes reflect the regulatory pressures and the competitive environment:

- 16k customers migrated to fit-for-purpose plans.
- End to further Prompt Payment Discounts - 19% reduction in PPD not taken.
- Free electricity to charities during COVID (\$0.7m).
- Only ~20% of customers received a price increase in FY19, resulting in limited flow through.

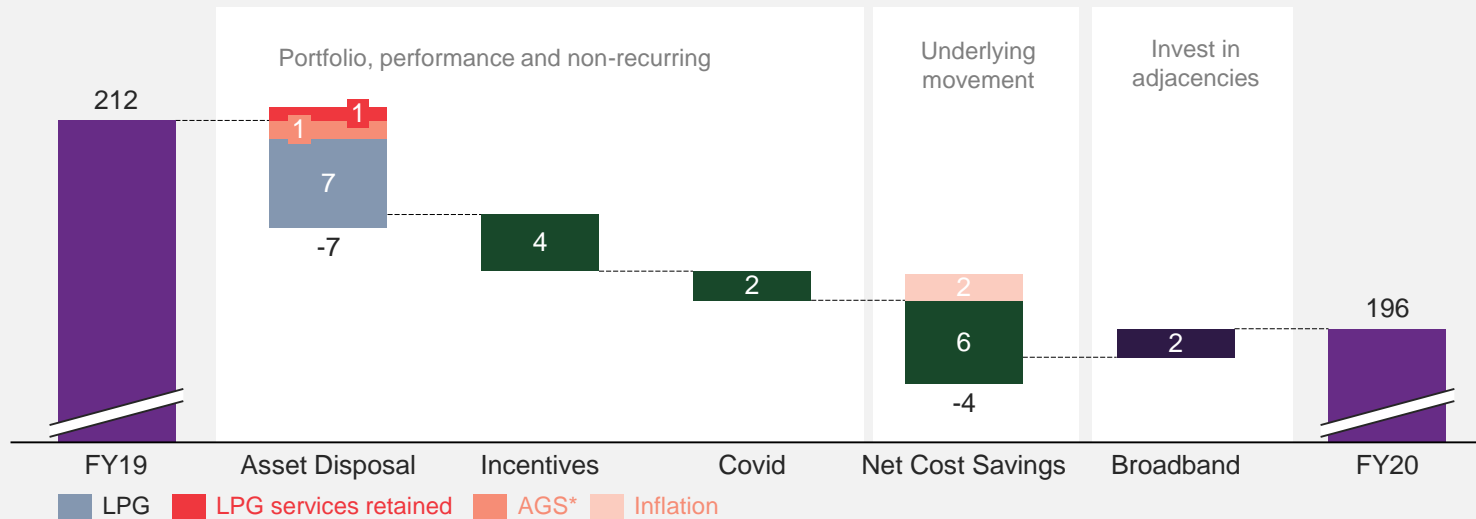
Smooth the impact of higher electricity costs for customers, which are up by 6% on FY19.

- Combination of targeted retail price rises and a reduction in network costs from 1 April 2020 has seen gross margins recover.

Retail gas tariffs will need to rise to reflect rising gas and carbon costs.

## Controllable operational expenditure continues to fall

### Other operating cost movement (\$m)



### Underlying movement

\$5m from procurement savings with ICT delivering reductions from insourcing activity and relocation of servers into the cloud.

\$1m change in meter read provider.

### COVID

\$2m from reduced marketing

- Reassessed the tone of customer engagement during COVID.

\$1m from reduced field services and travel.

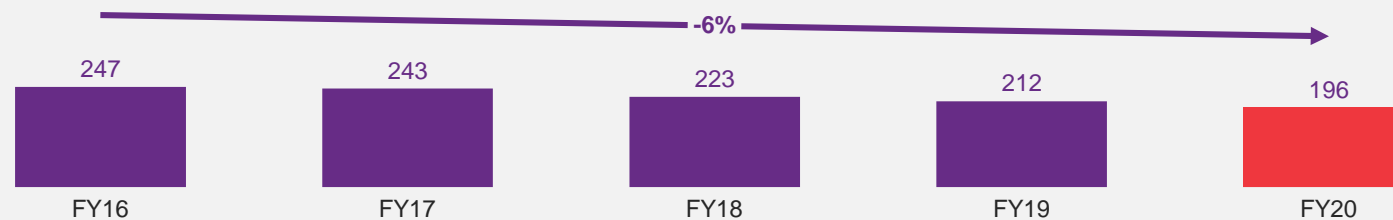
(\$1m) from an increase in provision for bad debts.

### Other operating cost trajectory

Reduction of 6% CAGR since FY16.

Delivered \$6m of underlying operating cost improvement exceeding our FY20 target of between \$200m – \$205m.

### Other operating cost (\$m)



\*Ahuroa Gas Storage

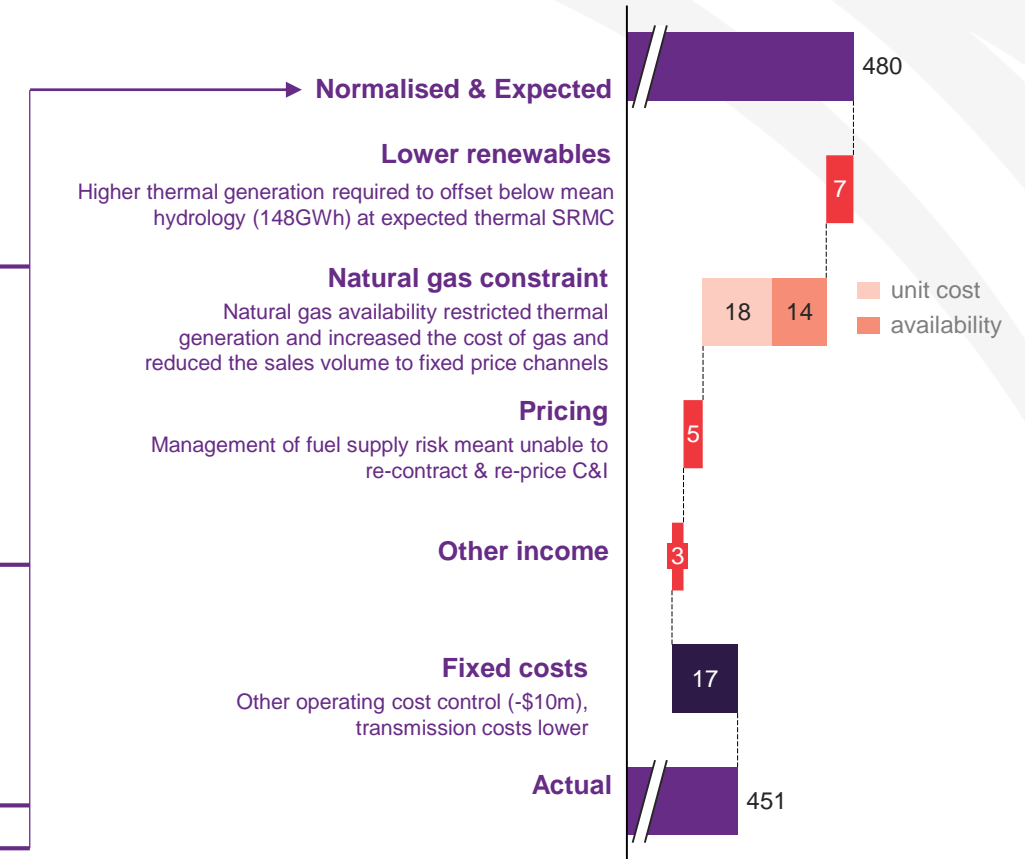
# Normalised and expected EBITDAF assumptions

With reconciliation to actual performance.

## FY assumptions that deliver expected & normalised EBITDAF of \$480m

<b>1</b> Channel choices maximise long term value <sup>1</sup>	<b>X</b>	<b>2</b> Net price <sup>2</sup> driven by best commercial practices	<b>=</b>	<b>Total</b>
CFDs	1,450GWh	x \$64/MWh	=	\$93m
C&I	3,350GWh	x \$83/MWh	=	\$278m
Retail	3,800GWh	x \$117/MWh	=	\$445m
Other income <sup>3</sup>			=	\$50m
				<b>\$866m</b>
<b>3</b> Hydrology & Asset availability optimise generation	<b>X</b>	<b>4</b> Access to and price of fuel* drives financials & risk position	<b>=</b>	<b>Total</b>
Hydro mean	3,900GWh	x \$0/MWh	=	-\$0m
Geothermal average	3,300GWh	x \$1/MWh	=	-\$3m
Thermal	1,800GWh	x \$66/MWh <sup>4</sup>	=	-\$119m
Acquired	100GWh	x \$100/MWh	=	-\$10m
				<b>-\$132m</b>
<b>5</b> Trading delivers value to more than offset locational losses		<b>6</b> Digitalisation & continuous improvement optimise fixed costs		
Length <sup>5</sup>	\$55m	Transmission/Storage		-\$70m
Location losses <sup>6</sup>	-\$36m	Operating expenses		-\$203m
<b>Total</b>	<b>\$19m</b>	<b>Total</b>		<b>-\$273m</b>

## EBITDAF reconciliation to FY20



1. All volumes are at the Grid Exit Point (GXP)  
2. Net price is equal to tariff less pass-through costs (network, meters and levies) /MWh

3. Steam sales, retail gas gross margin, other income  
4. Gas price of \$6/GJ, carbon price of \$20/unit and thermal portfolio heat rate (9.25GJ/MWh)

5. Length of 500GWh p.a. assumed  
6. Locational losses of 5.6% on spot purchases and settlement of CFDs sold at a wholesale price of \$75/MWh

\* Fuel is natural gas and carbon costs

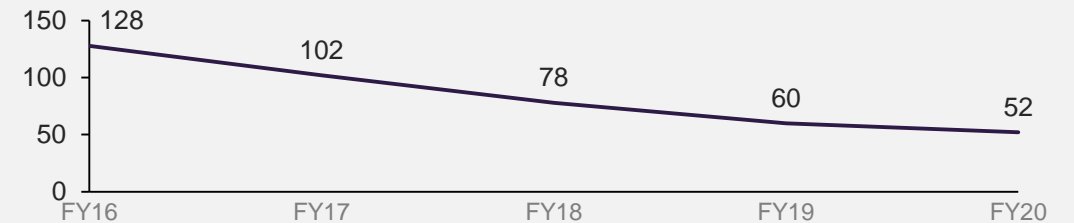
# Cash flow and capital expenditure

Underlying cash conversion remains strong.

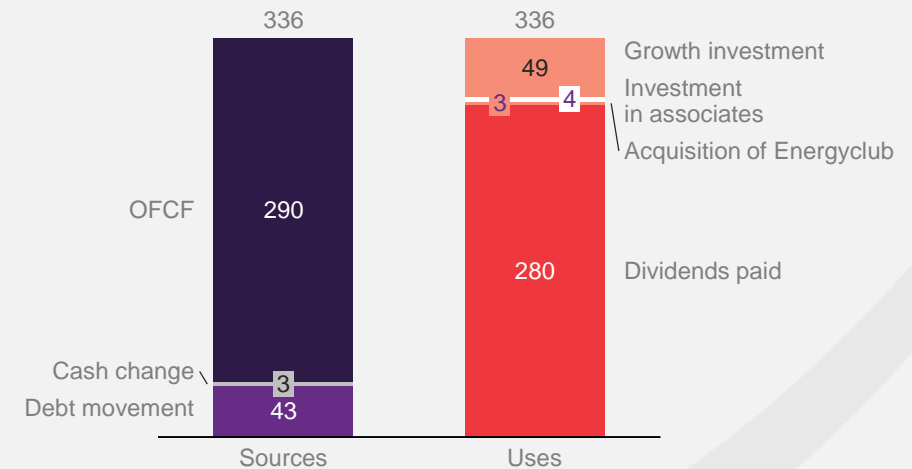
	12 months ended 30 June 2020	12 months ended 30 June 2019	Comparison against FY19
EBITDAF	<b>\$451m</b>	\$518m	↓ (\$67m)
Working capital changes	<b>\$7m</b>	(\$7m)	↑ \$14m
Tax paid	<b>(\$70m)</b>	(\$47m)	↓ (\$23m)
Interest paid, net of interest capitalised	<b>(\$49m)</b>	(\$65m)	↑ \$16m
SIB capital expenditure	<b>(\$51m)</b>	(\$60m)	↑ \$9m
Non-cash items included in EBITDAF	<b>\$2m</b>	\$4m	↑ \$2m
Significant items	-	(\$2m)	↑ \$2m
Operating free cash flow	<b>\$290m</b>	\$341m	↓ (\$51m)
Operating free cash flow per share	<b>40.4 cps</b>	47.5 cps	↓ (7.1 cps)
Proceeds from sale of assets/operations	-	\$390m	↓ (\$390m)
Free cash flow	<b>\$290m</b>	\$731m	↓ (\$441m)

- EBITDAF down \$67m with continuing operations down \$54m with \$13m from Rockgas (discontinued)
- Working capital changes \$14m favourable as debtors balance reduced in line with fixed-priced sales
- Capital expenditure (cash) on continuing operations of \$51m in FY20, \$9m less than FY19

SIB capital expenditure – accounting (\$m)



Sources and uses of cash (\$m) FY20



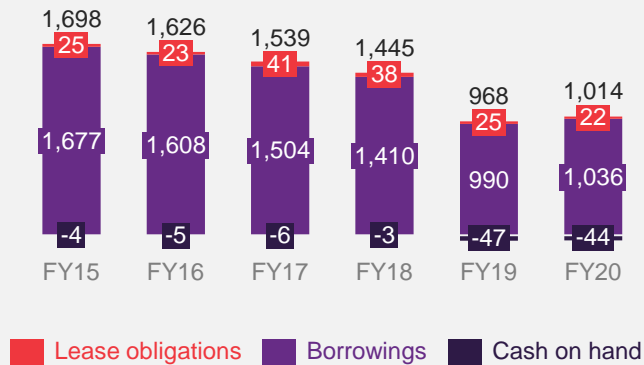


# Robust balance sheet

Well-managed, diversified portfolio with green certification. Capacity to withstand uncertain operating conditions.

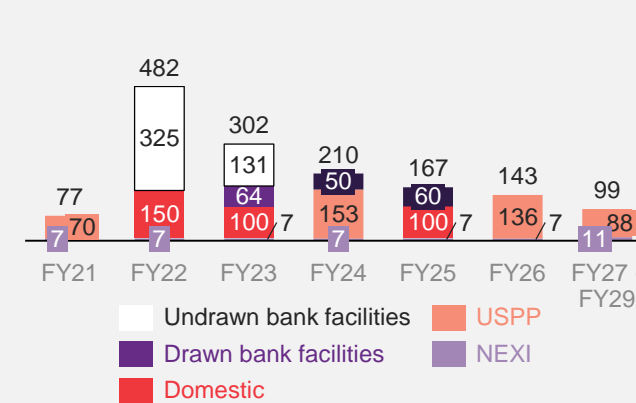
## Closing net debt (\$m)

Face value of borrowings less cash



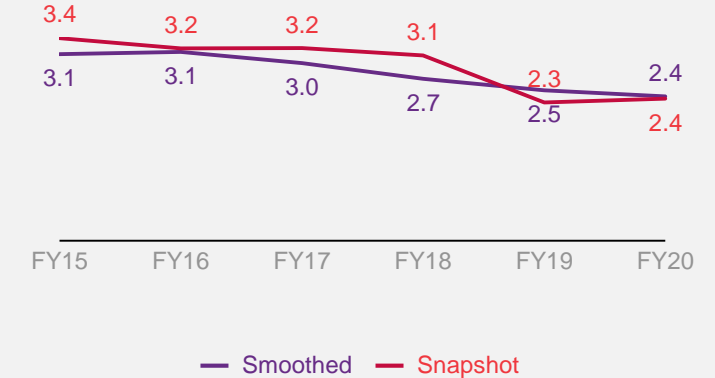
## Borrowing maturities (\$m)

Average tenor of 3.0 years as at 30 June 2020



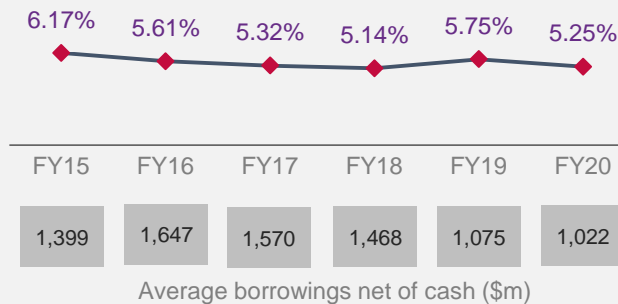
## Net debt to EBITDAF (x)

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



## Interest rate (%)

Weighted average net interest<sup>1</sup> on average borrowings net of cash

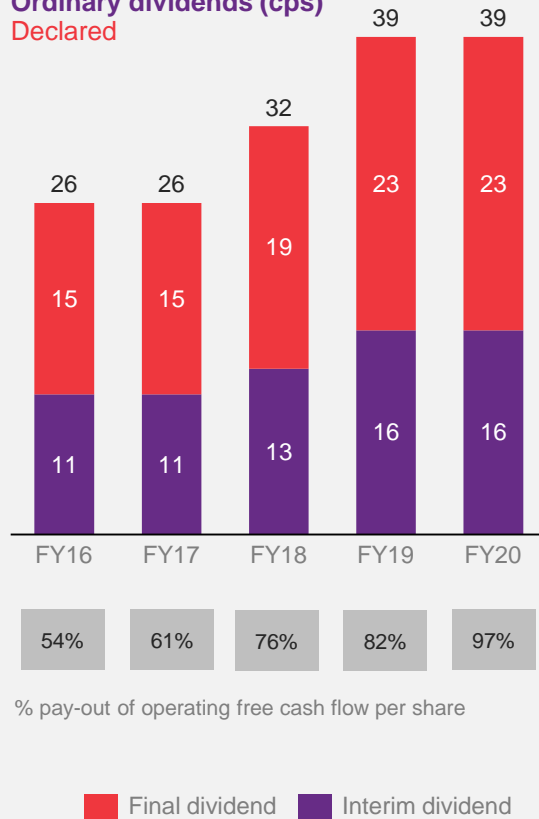


- Face value borrowings net of cash (excl. leases) increased by \$46m to \$1,036m from 30 June 2019. This was due to investments in associates and growth capex exceeding operating free cash flow.
- Net debt has reduced by \$684m since the end of FY15. Gearing was 31.4% at 30 June 2020, up from 28.3% at 30 June 2019.
- \$70m USPP maturity in December 2020 is expected to be funded through existing facilities.
- Weighted average interest rate reduced by 50bp compared to FY19. A greater portion of funding was financed at low floating rate debt in FY20.
- Contact continues to target a credit rating of BBB (net debt / EBITDAF <2.8x).
- New sustainability linked loan was executed in December 2019, aligning capital structure with strategic ESG ambitions.
- \$200m syndicated loan was established in April 2019 to provide additional liquidity buffer during COVID-19.

1. Net interest includes all interest on borrowings, bank commitment fees and deferred financing costs. Unwind of leases and provisions not included.

## Dividend for FY20 in line with target

### Ordinary dividends (cps) Declared



### Dividend for FY20 of 39 cents per share

- Final dividend of 23 cents per share (Final FY19 23 cents per share) is imputed to 65% or 15 cents per share for qualifying shareholders. This represents a pay-out of 97% of FY20 operating free cash flow per share.
- Record date of 27 August 2020; payment date of 15 September 2020.
- The NZD/AUD exchange rate used for the payment of Australian dollar dividends will be set on 1 September 2020.

# Market update and outlook



Mike Fuge, CEO & Dorian Devers, CFO

## A disorderly exit impacts multiple stakeholders

### Suppliers

- Reduced return on thermal assets and lower natural gas demand
- Heavy industry
- Premature decline of the oil and gas sector

### Government

- Impact on the Southland and Taranaki economy, loss of regional jobs
- Carbon leakage from low carbon aluminum
- Inefficient capital investment decisions
- Loss of tax revenue; current account impact

### Communities & employees

- Large closing costs with uncertain remediation timeline
- Uncertainty from 14 month termination
- Infrastructure and supply chain to support NZAS
- Retooling and reskilling – time and investment

### Joined up thinking is required:

① Risk of a disorderly exit needs to be fully understood

② Competitive short-term electricity contract negotiated to facilitate a staged exit

③ Fair transmission pricing

④ Working with the Southland community to understand the terms of a just transition

# South Island renewable supply to the North Island increases

Transmission investment underway, Transpower evaluating acceleration options

## What we know

NZAS consumes 13% of national demand, 572MW baseload contract, located in the lower South Island.

Transmission constrained at times until May 2022 leading up to 0.6 TWh of spill p.a. for Contact.

HVDC currently runs at an average of ~275MW over a year:

- Physical capacity 1,200MW, practical capacity with current reserve arrangements 950MW
- Post LSI\* upgrade and with effective lake management there is HVDC capacity for all of Tiwai linked generation to flow North
- Base load thermal will limit South Island generation and lead to unnecessary spill

Currently ~\$1bn being invested in wind in the NI which will further limit SI hydro coming across the HVDC.

**The key bottleneck is caused by the actual NI demand less must run NI renewables and the reserves.**



\*Lower South Island

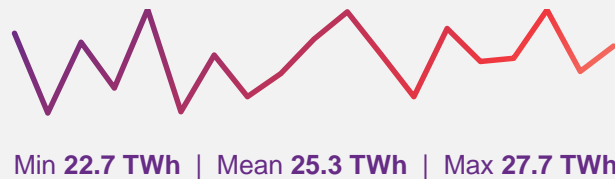
# South Island renewable supply to the North Island increases

Actual HVDC flows will be determined by a range of volatile factors



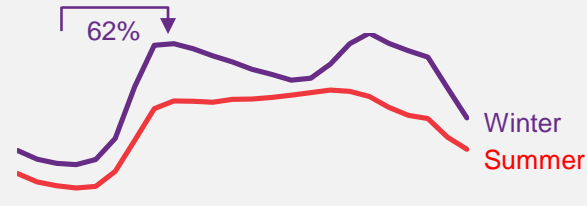
## Hydrology

Annual Hydrology (2000 - 2019)



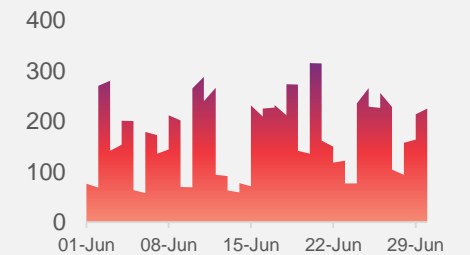
## Daily demand shape

Daily demand (MWh)



## Wind generation

Wind generation  
(MW by trading period June 2020)

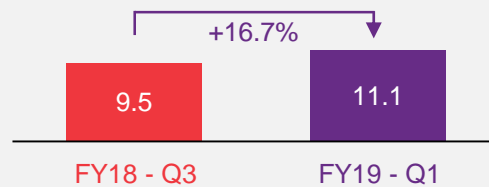


Multiple variables will impact actual HVDC South to North Flow up +950MW



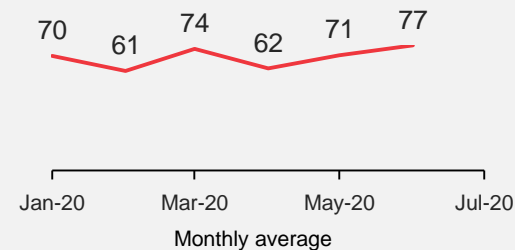
## Seasonal demand

Seasonal demand (TWh)



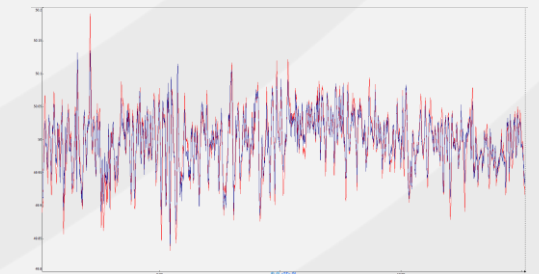
## Take-or-pay gas contracts

Kupe delivered energy (TJ/day)



## North Island reserves

Increase reserves will increase  
HVDC capacity beyond 950MW



\*at time North Island demand less than must run NI generation

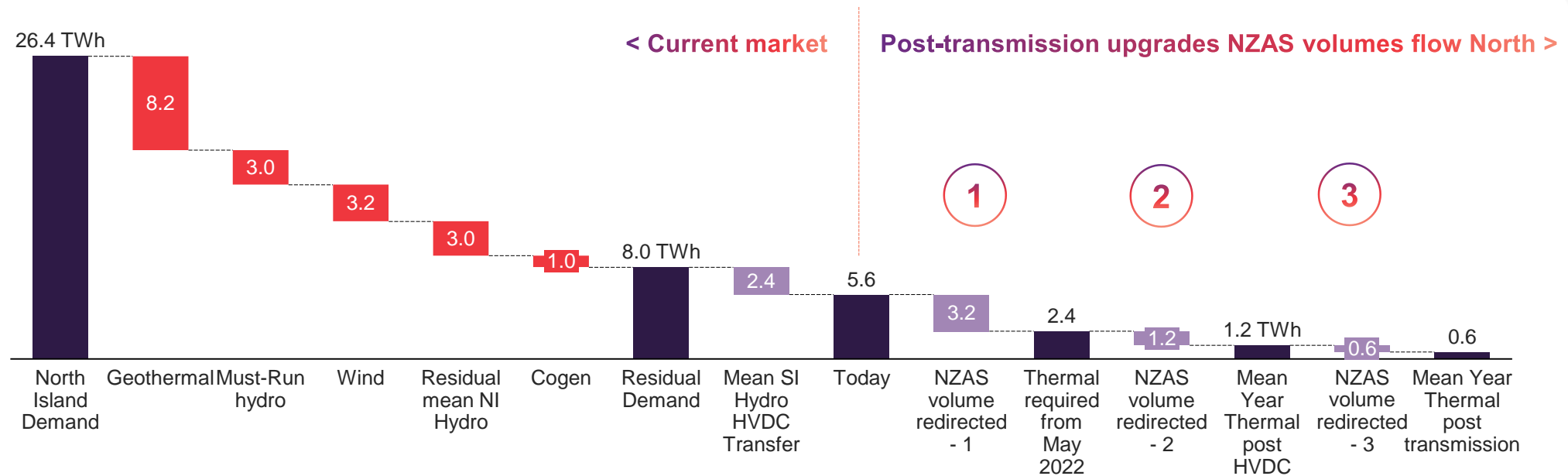


## North Island position

Thermal generation has a limited role after the HVDC investment

### North Island energy market

- Thermal generation will become increasingly volatile and therefore require flexible gas and/or coal.
- On a national level 5.6 TWh of thermal generation is currently required. This would reduce to ~0.6 TWh under mean hydrological conditions once the HVDC is invested in.
- Additional North Island generation is not required without demand.

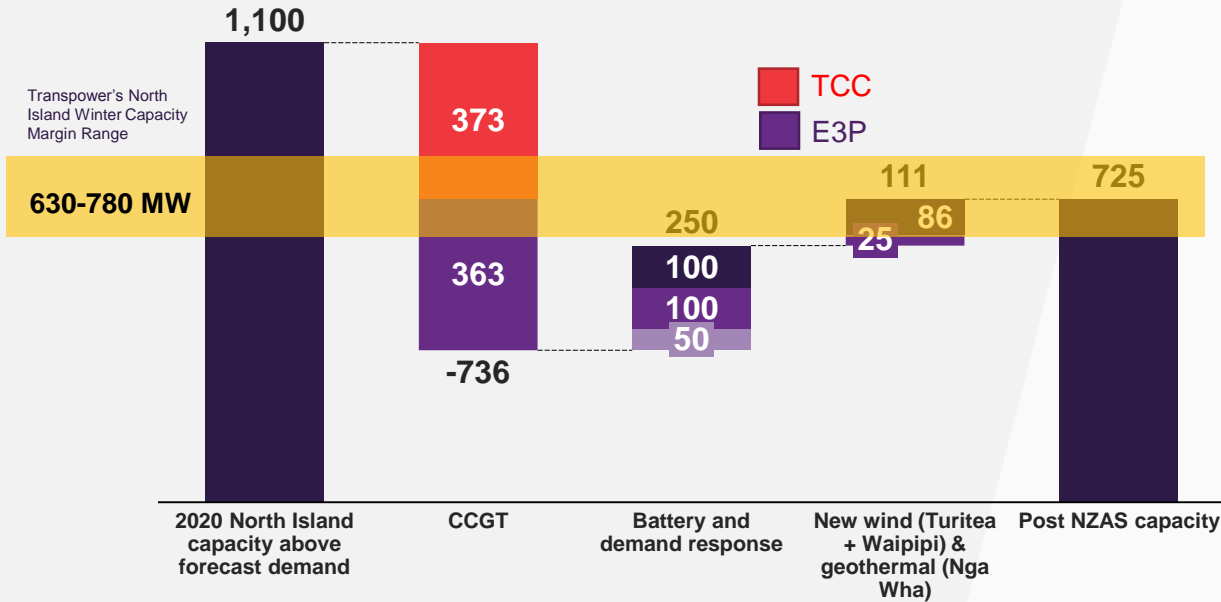


# North Island capacity

Limited requirement for thermal generation except to cover outages, North Island hydro risk and peak demand growth.

## North Island Winter Capacity Margin (MW)

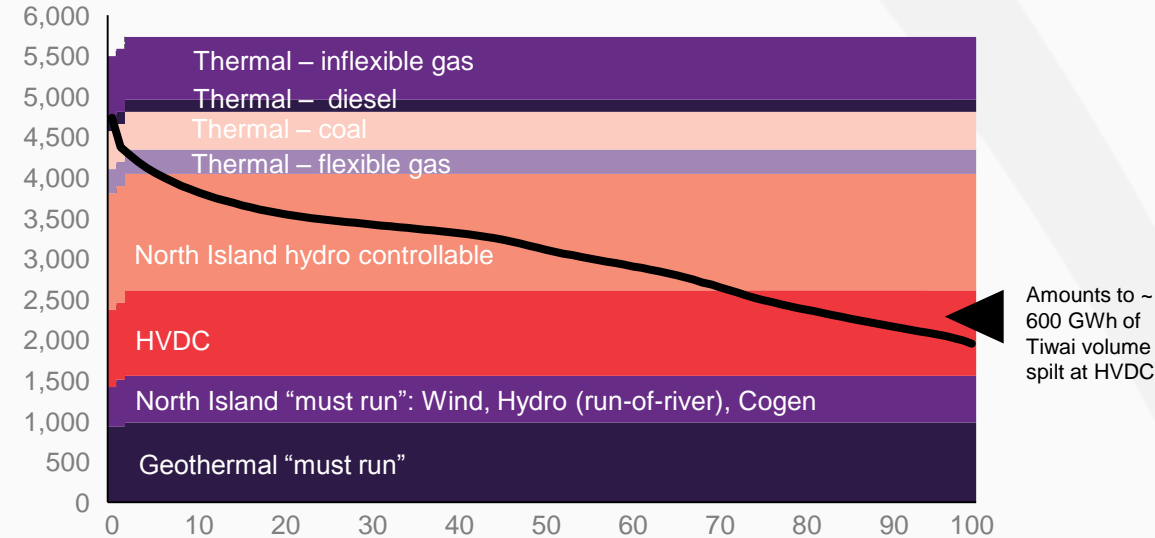
Transpower’s North Island Winter Capacity Margin (WCM) Security Standard (April 2020) is still exceeded post NZAS without any CCGTs.



- Notes**
- 1. Based on Low Demand growth scenario
  - 2. Wind: 25% of the installed capacity
  - 3. North Island WCM Security Standard is 630-780 MW

## North Island demand duration curve (MW)

Generation capacity to meet the market.



Using Transpower’s contribution to winter capacity margin calculations.

There appears no role for any baseload thermal generation post NZAS exit.

## Required thermal generation

TCC faces the same challenge as all thermal plant, with the advantage of flexible fuel through gas storage.

Plant type	Fuel type	Fuel flexibility/ economic dispatch	Efficiency / operating costs	Dry year / seasonal	Daily shape	Reserves	Assessment of value post NZAS exit
Open cycle	Diesel	+++	---	-	+++	+++	More important role
Peaker	Gas with storage	+++	+	++	+++	++	Critical in managing volatility
	Gas with take-or-pay/inflexible/integrated	--	++	+	-	+	Baseload thermal not required
Rankine cycle	Coal	++	--	+++	++	++	Value of flexibility diminished by coal stigma and age of plant
	Gas with take-or-pay/inflexible/integrated	--	-	+	-	++	Baseload thermal not required
Combined cycle plant	Gas with storage	+	+++	++	+	--	Dry year cover and supports market outages
	Gas with take-or-pay/inflexible/integrated	--	+++	-	++	+	Baseload thermal not required

**There appears no role for baseload thermal generation post NZAS exit.**

# Contact strengths and mitigations

Well-positioned emerge in a stronger competitive position longer-term

*Organisational capability to deliver competitive advantage.*

## Strengths

Contract position with limited short-term price exposure

1

### Fixed prices sales contracts

Limits near-term exposure to lower near-term prices.

Unique expertise to drive decarbonisation

2

### Alternative electricity demand growth

Dairy electrification real. Increase holding in. Simply Energy to 100%.

Strong customer proposition

3

### Leverage customer propositions

Broadband bundle is valued by customers and increases loyalty.

Flexible thermal fuel, with asset optionality for TCC to support control of wholesale outcomes

4

### Thermal portfolio optionality

Short gas book. Access to flexible fuel – gas storage, includes first right to further expansion. Whirinaki well placed to offer reserves.

Flexible portfolio

5

### Control NI reserves to increase HVDC flow

Virtual peaker – grow DemandFlex business from 7MW to >50MW. Battery investment.

Low-cost renewable assets

6

### Optimise assets

Low capex extension of the Wairakei geothermal field. Reviewing the merits of bringing forward hydro refurbishment programme. Optimising geothermal fuelling spend.

Track-record of delivering operational cost improvement

7

### Cost and capital reduction programme

Will continue to support Contact's strong balance sheet.

Refer to slide 40

Refer to slide 41

## Mitigations

*Transpower proceeding with transmission upgrades at pace.*

## The value of flexibility will increase post Tiwai

Unique sources of portfolio flexibility



### Hawea

286 GWh storage,  
~500 GWh p.a. throughput



### AGS contract and gas peakers

0-200 MW

First rights on further AGS expansion

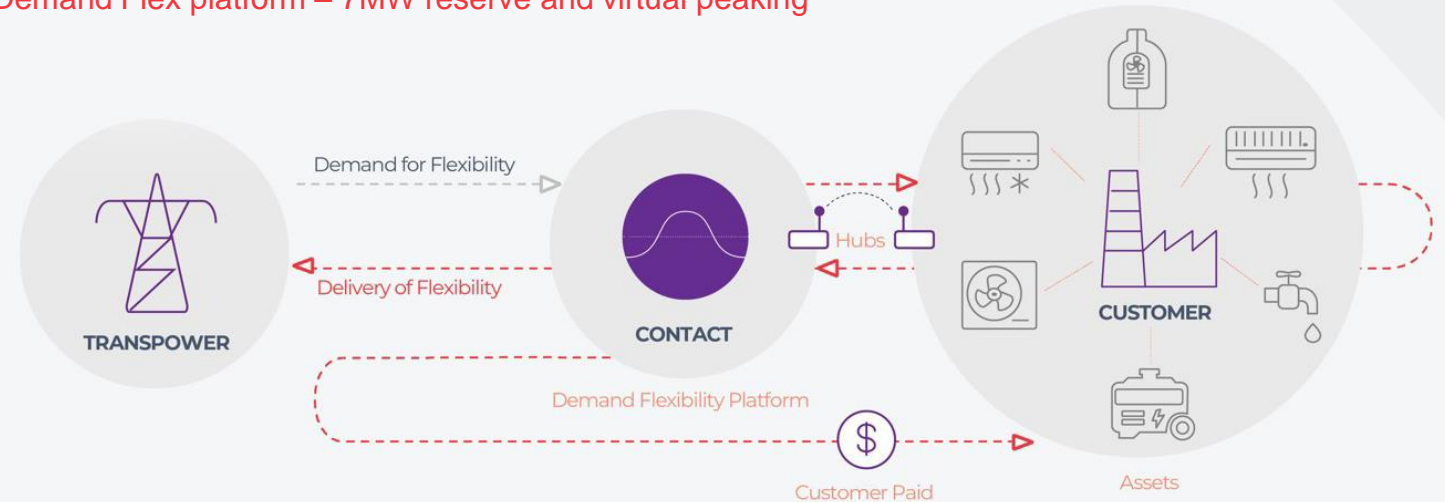


### Whirinaki peaker plant

155 MW peaker

### Virtual generator I

Demand Flex platform – 7MW reserve and virtual peaking



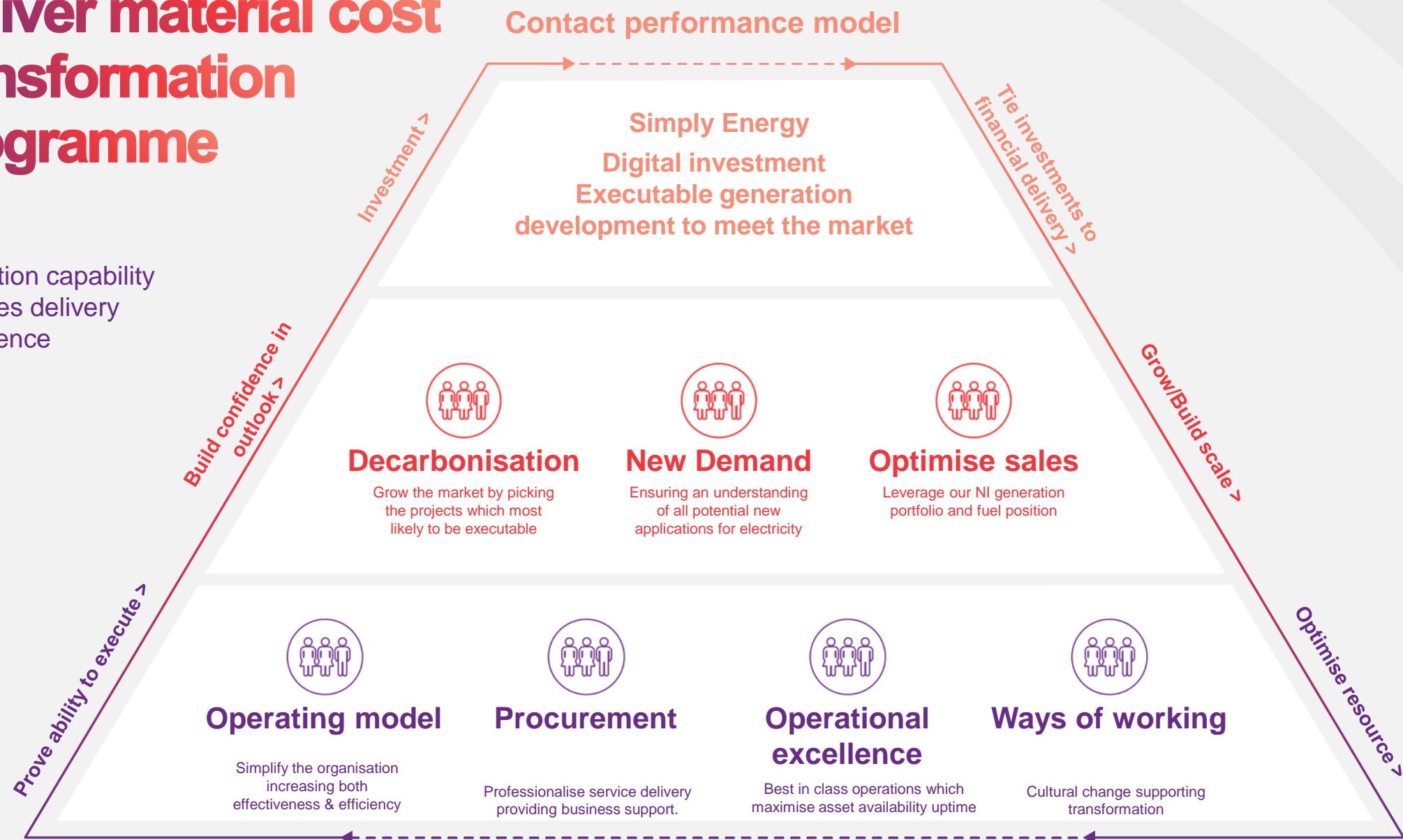
### Virtual generator II

Huntly swaption – 100 MW

Investigating the benefits of and the optimal approach to invest in a North Island battery

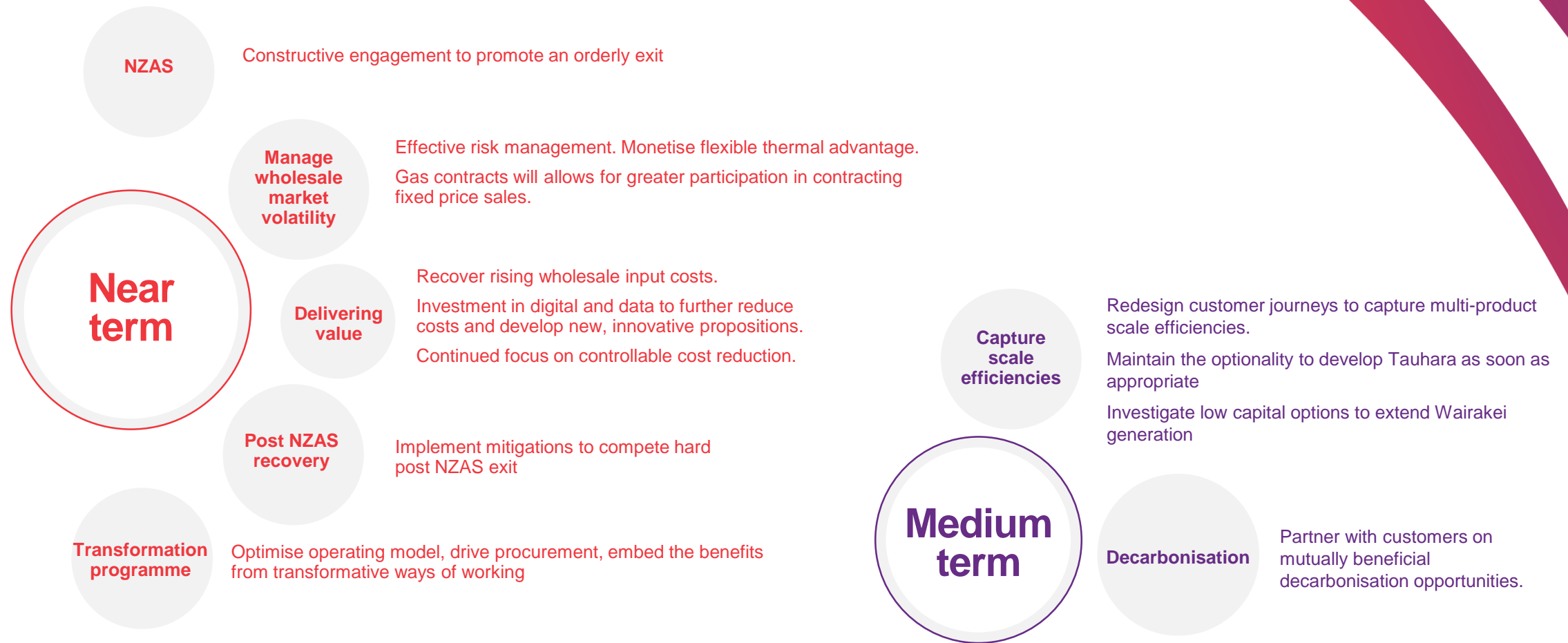
# Deliver material cost transformation programme

Execution capability provides delivery confidence





## Priority areas



## Distribution policy under review.

Dividend policy needs to endure a period of potentially significant market disruption.

**Current dividend policy is predicated on a stable environment – this is no longer appropriate**

### ○ **Forward expected earnings >**

- Forecast uncertainty reduces confidence in the expected earnings over the medium term
- Mitigation options need to be fully developed

### ○ **Forward stay-in-business capex >**

- Decisions around the optimal asset portfolio need to be made including geothermal life extension (Wairakei re-consenting) and TCC refurbishment

### ○ **Forward balance sheet strength >**

- Maintaining balance sheet strength is an important mitigation (maintenance of BBB credit rating)
  - Means net debt/EBITDA ratio below 2.8x.

### **Financial framework principles are unchanged**

Disciplined management and application of cash flows to maximise the returns for shareholders.

- This includes an evaluation of the capital required to pursue mitigation/growth opportunities and ongoing investment in the business
- The maintenance of an appropriate gearing level and distribution of profit and excess capital to investors in an efficient manner

### **FY21 dividend guidance to be provided as soon as appropriate**

This provides time to refine expectations to include:

- Potential changes to the current NZAS exit timeline
- Shorter term impacts on market pricing
- Capital risk management linked to increased uncertainty
- Value of mitigations and implementation costs

## Strong delivery in FY20. Further performance improvements targeted

	FY20 Guidance	Result	FY21 Guidance	Guidance commentary
Other operating costs	\$200 – 205m	✓ \$196m	\$190 – 205m*	Targeting further reduction in controllable costs
Stay in business capital expenditure	\$55 – 60m	✓ \$51m	\$55 – 60m	
<b>Cash spend ('Totex')</b>	<b>\$255 – 265m</b>	<b>✓ \$247m</b>	<b>\$250 – 265m</b>	
Depreciation and amortisation	\$213 – 223m	✓ \$220m	\$250 – 260m	TCC likely to be fully depreciated by 2022.
Net interest (accounting)	\$55 – 60m	✓ \$55m	\$55 – 60m	Interest on Tauhara spend no longer capitalised to PP&E
Cash interest (in operating cash flow)	\$50 – 55m	✓ \$49m	\$50 – 55m	
Cash taxation	\$70 – 75m	✓ \$70m	\$75 – 85m	
Target ordinary dividend per share	39 cps	✓ 39 cps	No guidance issued	FY21 dividend target updated as soon as appropriate
Geothermal volumes	3,300GWh	✓ 3,333GWh	3,050GWh	Statutory 4-yearly Te Mihi outage in 1H21

\* Excludes any additional abnormal impacts due to COVID-19



# Questions



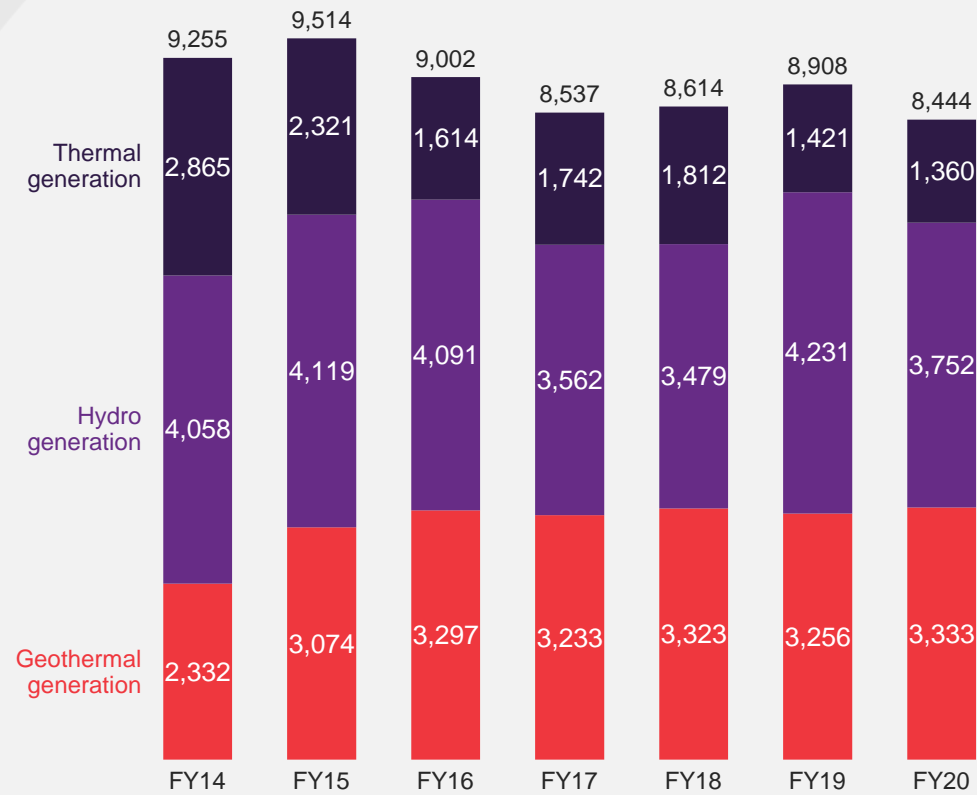
# Supporting materials



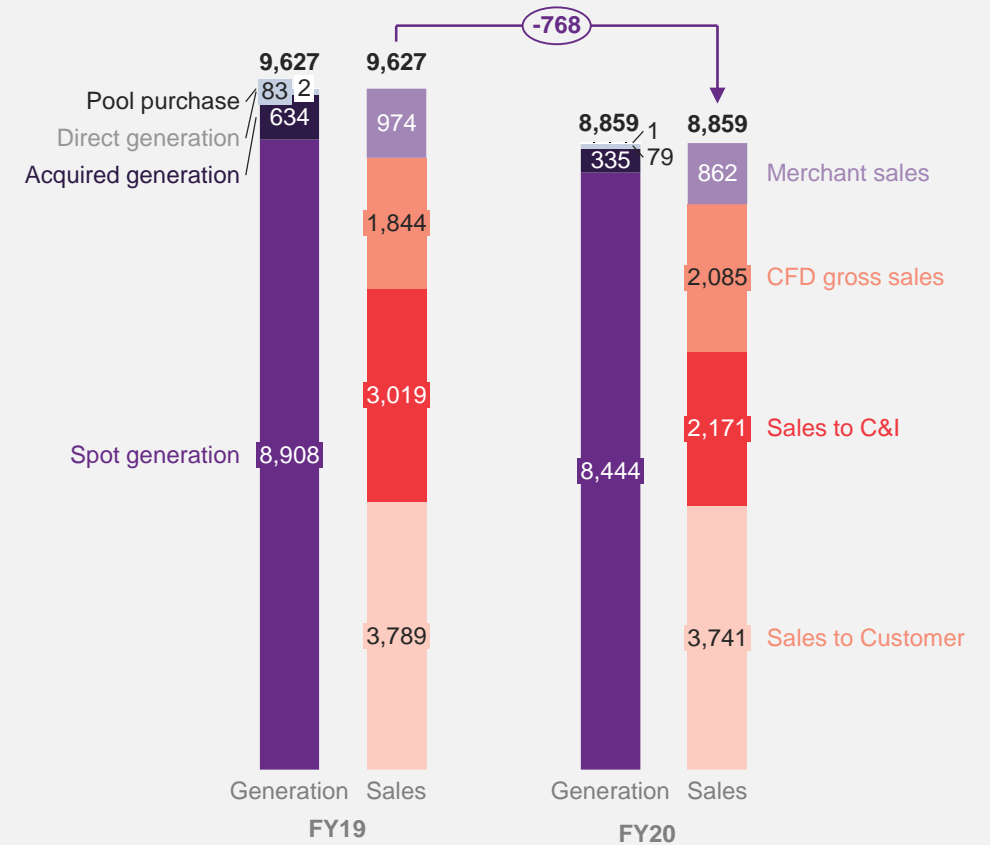


# Generation and sales position

Contact generation output sold to the national grid (GWh)

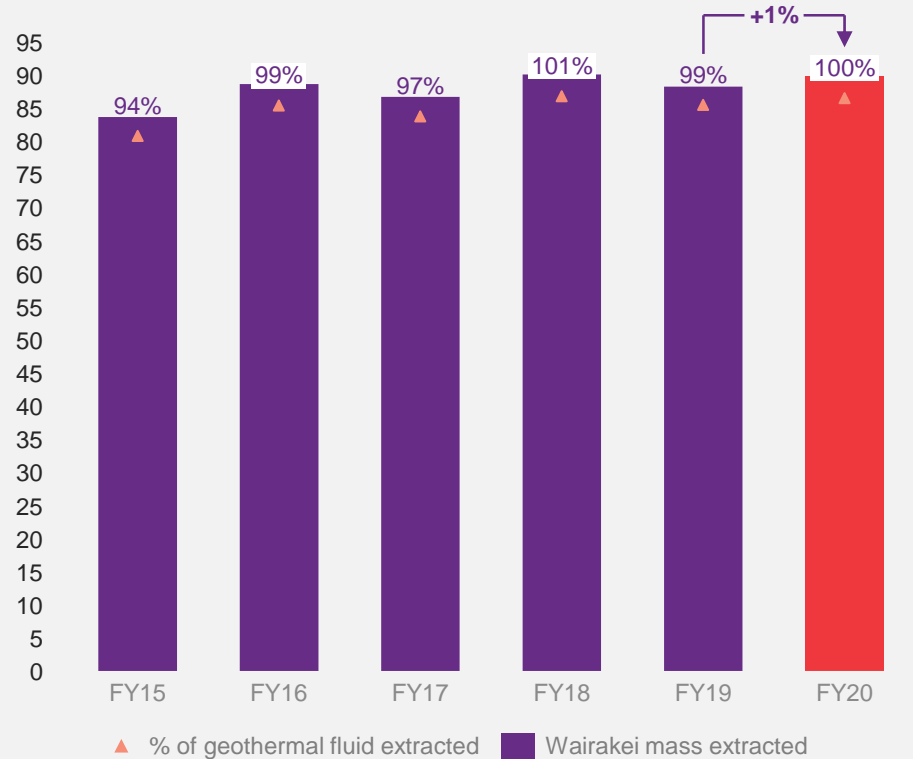


Electricity and generation sales position (GWh)



## Wairakei geothermal field mass take and efficiency

Geothermal fuel extracted at Wairakei vs consented (GWh)

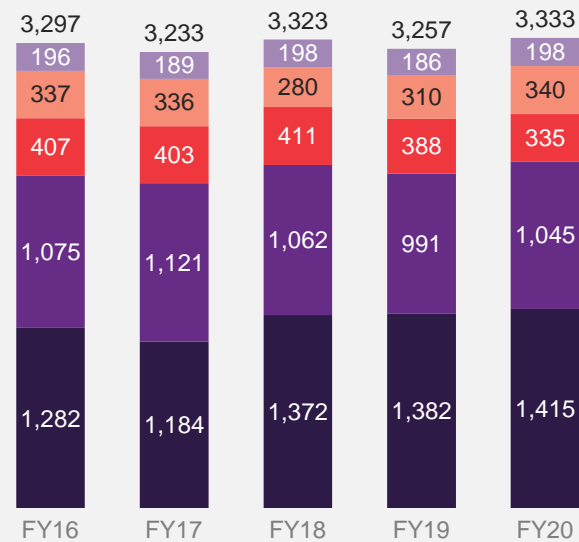


Wairakei, Poihipi and Te Mihi conversion effectiveness (MWh per kT extracted)



# Generation volumes: renewable generation down by 5% on FY19

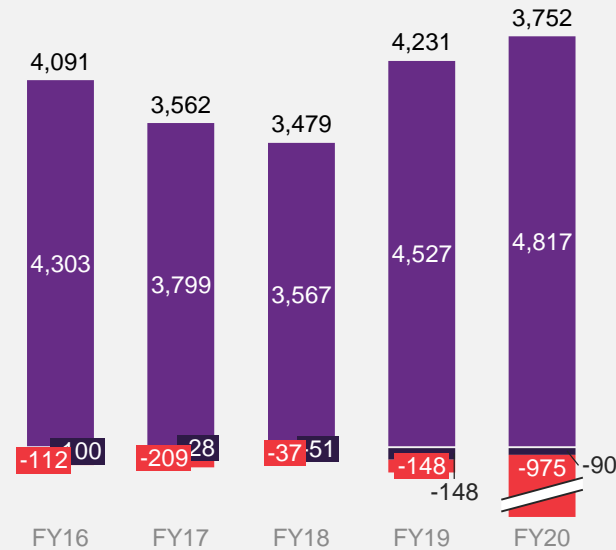
Geothermal generation (GWh)



Te Huka  
Ohaaki  
Poihipi  
Wairakei  
Te Mihi

Geothermal generation was 76GWh higher than FY19 as an increase in Te Mihi and Wairakei generation to extract consented geothermal take in advance of the FY21 statutory Te Mihi outage

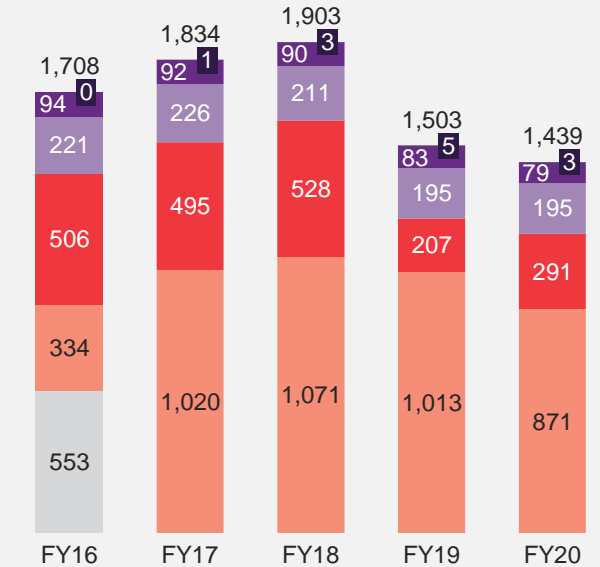
Hydro generation (GWh)



Total inflows  
Inflows stored  
Spill

Hydro generation was 148GWh below mean (FY 3,900GWh) in FY20, 756GWh below FY19 but 245GWh higher than a dry FY18. During December the Clutha catchment was in flood conditions throughout the period. We could not process all of the water through our hydro stations and had to spill it.

Thermal generation (GWh)



Whirinaki  
Te Rapa - spot  
Stratford Peakers  
TCC  
Otahuhu

Thermal generation volumes were 64GWh lower in FY20 on lower sales and restricted availability of gas in H1 of this year, which reduced the ability to run baseload thermal at TCC with the Stratford peakers. Gas availability in H2 allowed for TCC to run more and flexibility with Stratford peakers.

# Plant availability

## Hydro

	Net capacity (MW)	Availability (%)	Capacity factor (%)	Electricity output (GWh)	Pool revenue (\$/MWh)	Pool revenue (\$m)
FY17	784	92%	52%	3,562	47	169
FY18	784	95%	51%	3,479	78	271
FY19	784	97%	62%	4,231	123	521
FY20	784	92%	54%	3,752	90	338

## Geothermal

	Net capacity (MW)	Availability (%)	Capacity factor (%)	Electricity output (GWh)	Pool revenue (\$/MWh)	Pool revenue (\$m)
FY17	429	91%	86%	3,233	55	177
FY18	425	96%	89%	3,323	80	267
FY19	425	92%	87%	3,256	133	434
FY20	425	95%	89%	3,333	99	330

## Taranaki combined cycle (TCC)

	Net capacity (MW)	Availability (%)	Capacity factor (%)	Electricity output (GWh)	Pool revenue (\$/MWh)	Pool revenue (\$m)
FY17	377	90%	31%	1,021	64	65
FY18	377	68%	32%	1,071	102	110
FY19	377	63%	31%	1,031	115	117
FY20	377	88%	26%	870	120	104

## Peakers (including Whirinaki)

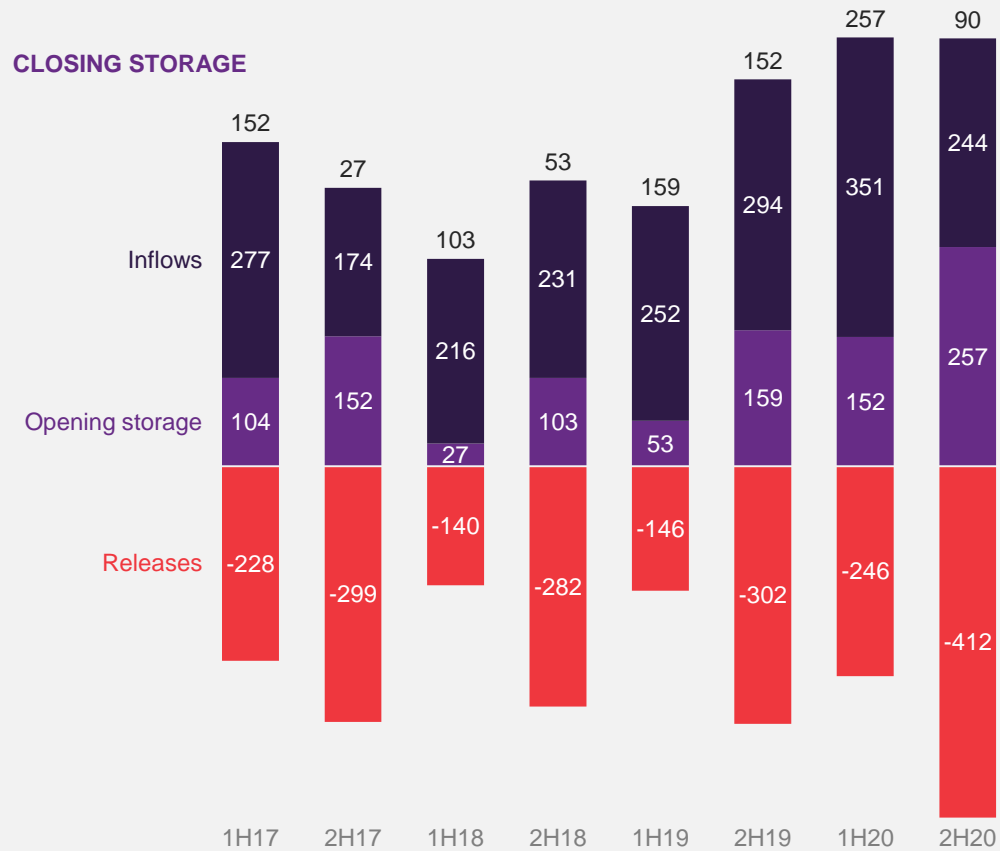
	Net capacity (MW)	Availability (%)	Capacity factor (%)	Electricity output (GWh)	Pool revenue (\$/MWh)	Pool revenue (\$m)
FY17	360	95%	16%	495	73	36
FY18	360	87%	17%	530	116	62
FY19	360	79%	7%	212	192	41
FY20	360	88%	9%	295	162	48

## Te Rapa (spot generation only)

	Net capacity (MW)	Availability (%)	Capacity factor (%)	Electricity output (GWh)	Pool revenue (\$/MWh)	Pool revenue (\$m)
FY17	41	98%	63%	226	58	13
FY18	41	87%	59%	211	94	20
FY19	41	96%	54%	195	160	31
FY20	41	98%	73%	184	106	21

# Fuel storage movements

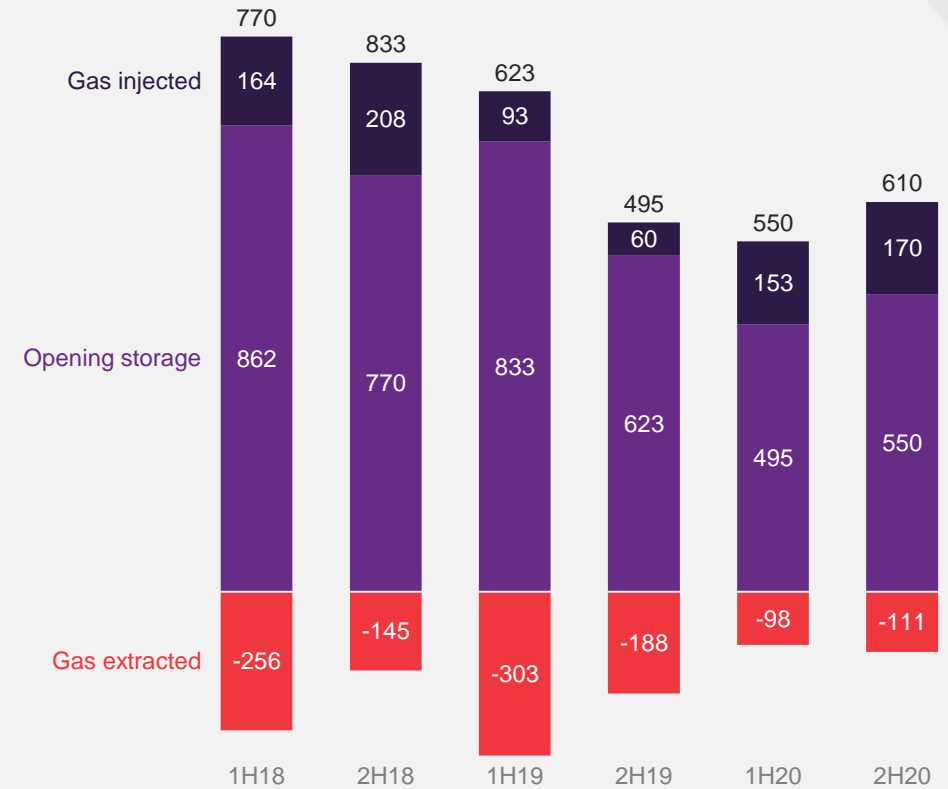
## Hawea storage (GWh)



## Gas storage (GWh equivalent)

Using the FY20 thermal efficiency (9.04 TJ/GWh)

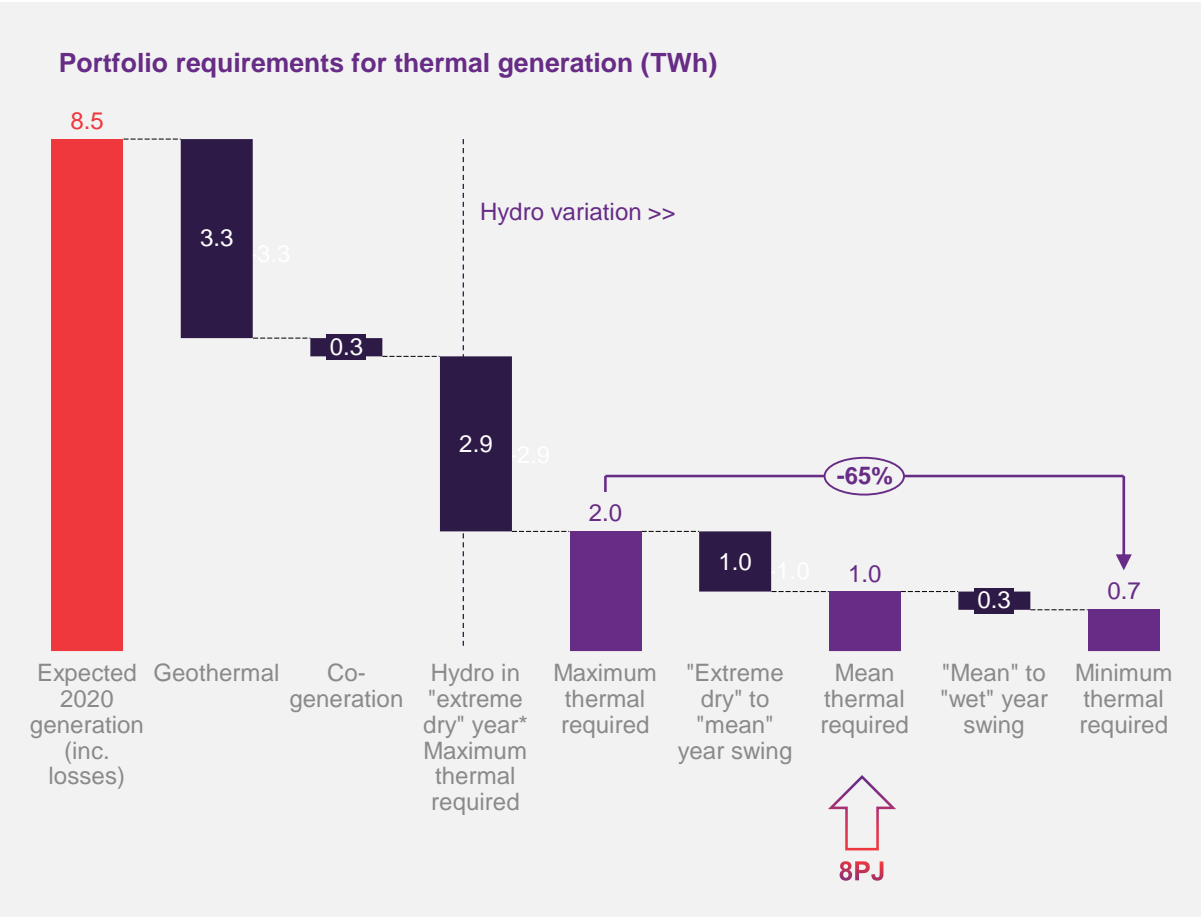
### CLOSING STORAGE



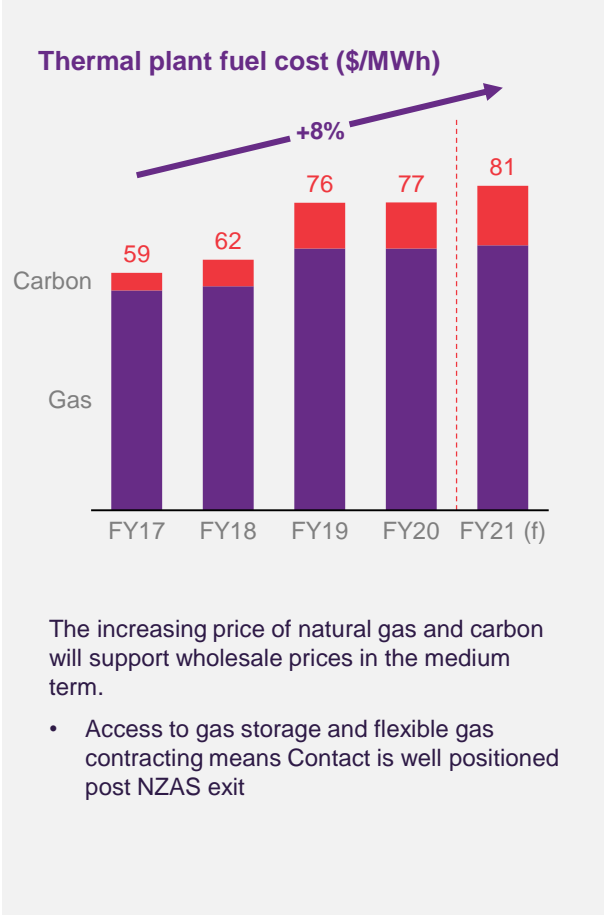
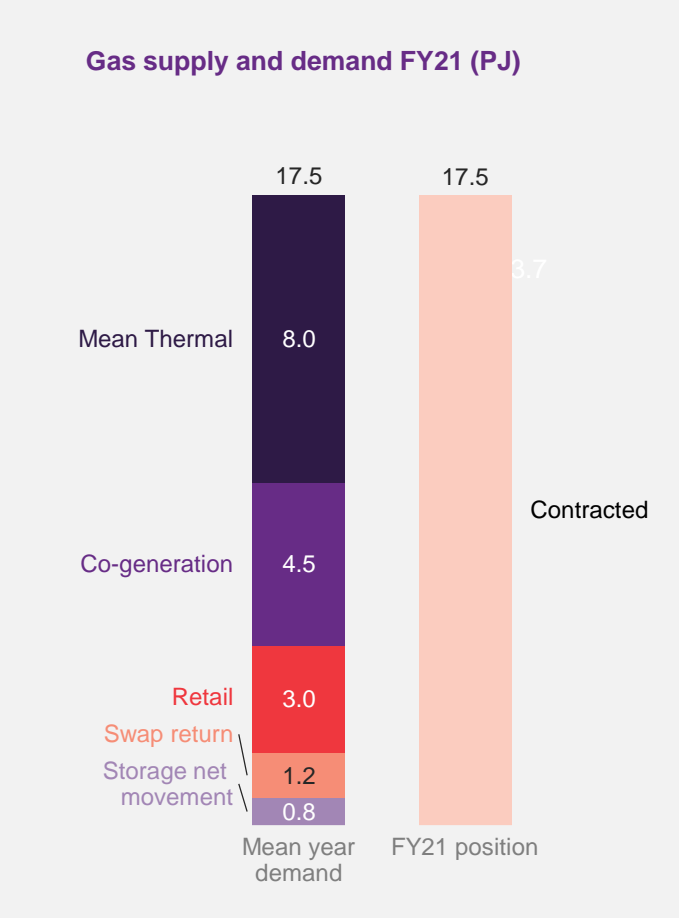
Source: NZX hydro



# Contractual fuel position in line with firming requirements

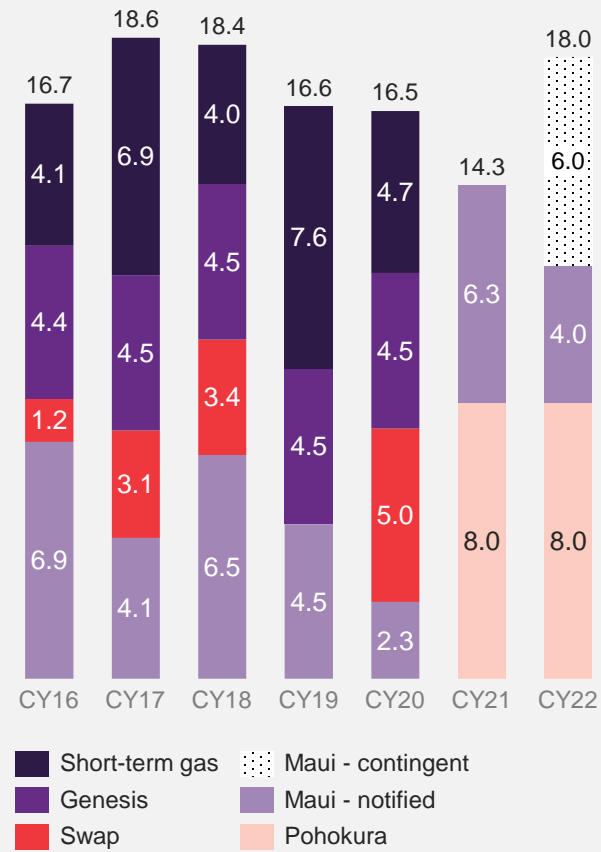


\* Hydro generation in FY12

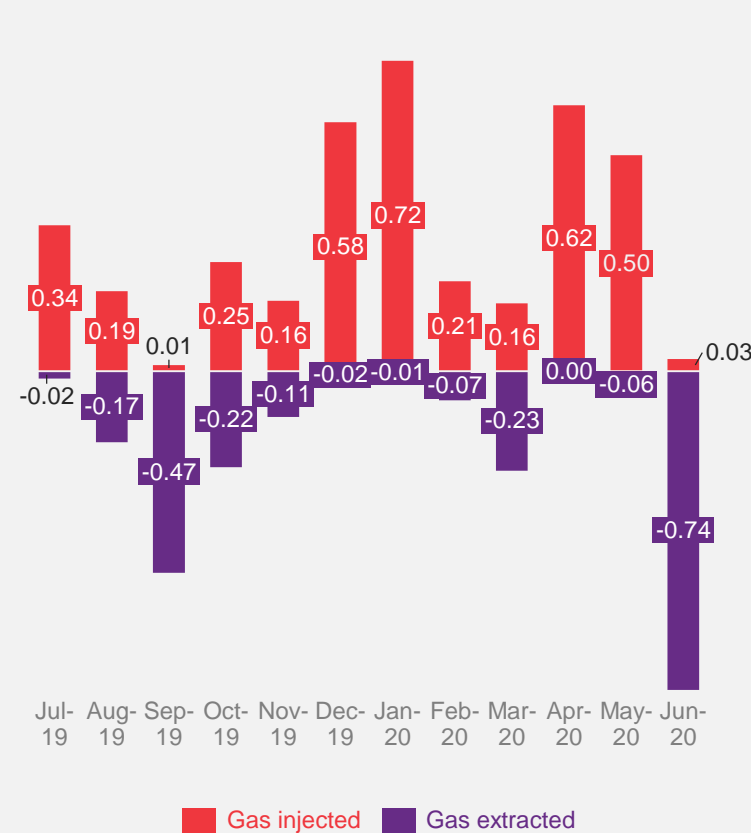


# Contracted and stored gas

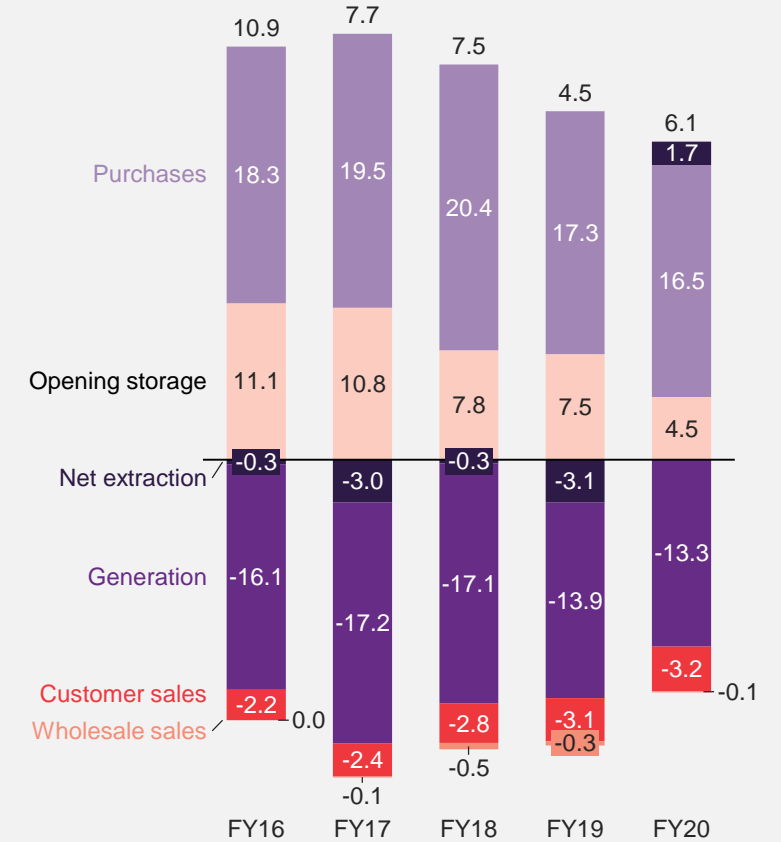
Contracted gas volumes (PJ)



Ahuroa gas storage monthly injections and extractions (PJ)



Sources and uses of gas (PJ)  
Closing storage



Storage balance at 30 June 2020 was 6.1PJ

## Reconciliation between Profit and EBITDAF

- EBITDAF is Contact's earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items.
- EBITDAF is commonly used in the electricity industry so provides a comparable measure of Contact's performance.
- Reconciliation of statutory profit back to EBITDAF:

	12 months ended 30 June 2020	12 months ended 30 June 2019	Variance on prior year	
			\$m	%
<b>Profit</b>	<b>125</b>	<b>345</b>	<b>(220)</b>	<b>(64%)</b>
Depreciation and amortisation	220	205	15	7%
Significant items (gross of tax)	5	(174)	179	(103)%
Net interest expense	55	70	(15)	(21%)
Tax expense	46	72	(26)	(36%)
<b>EBITDAF</b>	<b>451</b>	<b>518</b>	<b>(67)</b>	<b>(13%)</b>

- Depreciation and amortisation, change in fair value of financial instruments, net interest and tax expense are explained in the following slide

The adjustments from EBITDAF to reported profit and movements on FY19 are as follows:

- Depreciation and amortisation:** Increased by \$15m (7%) on FY19 primarily resulting from the change in estimate for the expected useful life of TCC to 2022 (previously 2028) which has resulted in accelerated depreciation from 1 July 2019.
- Net interest expense:** Reduced by \$15m (21%) over FY20 on reduced average borrowings and a lower interest rate as well as the capitalisation of interest relating to the Tauhara geothermal project (\$6m).
- Tax expense** for the period was \$26m down following operating earnings and higher depreciation partially offset by lower net interest expense. Tax expense for FY20 represents an effective tax rate of 27%. The effective tax rate for FY19 was 17% on total earnings as the gain on the sale of Rockgas was not subject to income tax.
- Other significant items** are detailed on the following page.

## Reconciliation between Profit and Underlying profit

	12 months ended 30 June 2020	12 months ended 30 June 2019	Variance on prior year	
			\$m	%
<b>Profit</b>	<b>125</b>	<b>345</b>	<b>(220)</b>	<b>(64%)</b>
Change in fair value of financial instruments	-	(2)	2	(100%)
Gain on sale of Rockgas Limited (LPG)	-	(165)	165	(100%)
Gain on sale of Ahuroa gas storage	-	(5)	5	(100%)
Remediation for Holidays Act non-compliance	(5)	(2)	(3)	150%
Tax on items excluded from underlying profit	1	5	(4)	(80%)
<b>Underlying profit</b>	<b>129</b>	<b>176</b>	<b>(47)</b>	<b>(27%)</b>

- Underlying profit provides a consistent measure of Contact's ongoing performance.
- Underlying profit excludes the effect of significant items from profit. Significant items are determined based on principles approved by the Board of Directors.
- Other significant items are determined in accordance with the principles of consistency, relevance and clarity. Items considered for classification as other significant items include impairment or reversal of impairment of assets; business integration, restructure, acquisition and disposal costs; and transactions or events outside of Contact's ongoing operations that have a significant impact on reported profit.
- Reconciliation of statutory profit for the year to underlying profit.

The only adjustment from profit to underlying profit for FY20 was:

- Increase in Holiday Act provision to reflect the recent High Court ruling following the Metro Glass vs MBIE case and estimated impact (net of tax).
- Final tax payment relating to the sale of the Otahuhu Power Station in FY16.

## Historical financial information

	Unit	FY16	FY17	FY18	FY19	FY20
Revenue	\$m	2,163	2,079	2,275	2,519	2,073
Expenses	\$m	1,640	1,578	1,794	2,001	1,622
EBITDAF	\$m	523	501	481	518	451
Profit/(loss)	\$m	-66	151	132	345	125
Underlying profit	\$m	157	142	130	176	129
Underlying profit per share	cps	21.7	19.9	18.1	24.6	18.0
Operating free cash flow	\$m	352	305	301	341	290
Operating free cash flow per share	cps	48.5	42.6	42	47.5	40.4
Dividends declared <sup>1</sup>	cps	26	26	32	39	39
Total assets	\$m	5,652	5,455	5,311	4,954	4,896
Total liabilities	\$m	2,829	2,677	2,584	2,172	2,275
Total equity	\$m	2,823	2,778	2,727	2,782	2,621
Gearing ratio	%	38	36	35	28	31

<sup>1</sup> On 10 August 2020, the Board resolved to pay a 65% imputed final dividend of 23 cents per share on 15 September 2020. On 7 August 2020, Contact had \$7 million of imputation credits available for use in future periods.

- Figures have been restated for the adoption of NZ IFRS 15 *Revenue from Contracts with Customers* and NZ IFRS 16 *Leases*
- Figures above reflect the combined result and position for continuing and discontinued operations and certain 2018 amounts have been reclassified to conform to the current year's presentation



## SEGMENTAL PERFORMANCE

# Wholesale segment

	FY20 Twelve months ended 30 June 2020			FY19 Twelve months ended 30 June 2019			Reference number for Wholesale segment note (see following page)
	Volume GWh	GWAP \$/MWh	\$m	Volume GWh	GWAP \$/MWh	\$m	
Note: this table has not been rounded and might not add							
<b>Electricity sales to Customer</b>	<b>3,741</b>	<b>88.8</b>	<b>332</b>	<b>3,789</b>	<b>83.0</b>	<b>314</b>	<b>1</b>
Electricity sales to Fixed C&I (netback)	2,092	80.3	168	2,936	81.6	240	<b>2</b>
Electricity sales – Direct	79	105.1	8	83	99.2	8	
<b>Electricity sales to C&amp;I</b>	<b>2,171</b>	<b>81.2</b>	<b>176</b>	<b>3,019</b>	<b>82.1</b>	<b>248</b>	<b>3</b>
CfDs – Tiwai support	828			805			
CfDs - Long term sales	581			569			
CfDs - Short term sales	676			471			
<b>Electricity sales - CFDs</b>	<b>2,085</b>	<b>72.9</b>	<b>152</b>	<b>1,844</b>	<b>73.9</b>	<b>136</b>	
<b>Total contracted electricity sales</b>	<b>7,997</b>	<b>82.6</b>	<b>661</b>	<b>8,652</b>	<b>80.7</b>	<b>699</b>	
<b>Steam sales</b>	<b>544</b>	<b>47.6</b>	<b>26</b>	<b>558</b>	<b>47.3</b>	<b>26</b>	<b>4</b>
Other income			0			10	<b>5</b>
Net income on gas sales			1			1	<b>6</b>
Net income on electricity related services			2			0	<b>7</b>
<b>Net other income</b>			<b>2</b>			<b>12</b>	
<b>Total contracted revenue (1)</b>	<b>8,540</b>	<b>80.6</b>	<b>689</b>	<b>9,210</b>	<b>80.0</b>	<b>737</b>	
Generation costs	8,523	(31.2)	(266)	8,991	(31.1)	(279)	<b>8</b>
Acquired generation cost	335	(113.9)	(38)	634	(107.7)	(68)	<b>9</b>
<b>Generation costs (including acquired generation) (2)</b>	<b>8,858</b>	<b>(34.3)</b>	<b>(304)</b>	<b>9,625</b>	<b>(36.1)</b>	<b>(348)</b>	
Spot electricity revenue	8,444	99.7	842	8,908	128.6	1,146	<b>10</b>
Settlement on acquired generation	335	115.4	39	634	146.1	93	<b>11</b>
<b>Spot revenue and settlement on acquired generation (GWAP)</b>	<b>8,779</b>	<b>100.3</b>	<b>880</b>	<b>9,542</b>	<b>129.8</b>	<b>1,238</b>	
Spot electricity cost	(5,833)	(109.0)	(636)	(6,725)	(137.6)	(925)	<b>12</b>
Settlement on CFDs sold	(2,085)	(97.8)	(204)	(1,844)	(129.2)	(238)	<b>13</b>
<b>Spot purchases and settlement on CFDs sold (LWAP)</b>	<b>(7,918)</b>	<b>(106.0)</b>	<b>(840)</b>	<b>(8,569)</b>	<b>(135.8)</b>	<b>(1,163)</b>	
<b>Trading, merchant revenue and losses (3)</b>			<b>41</b>			<b>75</b>	
<b>Wholesale EBITDAF (1+2+3)</b>			<b>426</b>			<b>464</b>	

## Wholesale segment key

	Wholesale segment	Reference to detailed operating segment performance	Comment
Revenue	C&I electricity – Fixed Price	2	
	C&I electricity – Spot	2-spot	Spot sales are regarded as a pass-through and not reflected in performance reporting, any margin included in C&I netback
	Wholesale electricity, net of hedging	3 + 10 + 13	
	Electricity related services revenue	7	
	Inter-segment electricity sales	1	
	Gas	6	Revenue from wholesale gas sales, purchase cost in gas and diesel purchases
	Steam	4	
	Other income	5	
Costs	Electricity purchases, net of hedging	9 + 11 + 12	
	Electricity purchases – Spot	2-spot	Spot sales are regarded as a pass-through
	Electricity related services cost	7	
	Gas and diesel purchases	8 (less costs identified relating to 6)	Includes wholesale gas sales purchases (if any)
	Gas storage costs	8	
	Carbon emissions	8	
	Generation transmission and reserve costs	8	
	Gas networks, transmission and meter costs – Fixed Price	2	
	Gas networks, transmission and meter costs – Spot	2-spot	Spot sales are regarded as a pass-through
	Gas networks, transmission and meter costs	8	
	Other operating expenses	8 (less costs identified relating to 2)	C&I operating costs are included in the calculation of netback (2) and are excluded from generation operating costs

# Customer segment

Residential electricity	unit	FY17	FY18	FY19	FY20
Average connections	#	362,570	359,171	353,105	355,073
Sales volumes	GWh	2,628	2,549	2,491	2,532
Average usage	per ICP	7.2	7.1	7.1	7.1
Tariff	\$/MWh	248	250.1	251.7	250.4
Network, meters and levies	\$/MWh	-119.8	-122.4	-122.1	-118.8
Energy costs	\$/MWh	-85.7	-86.7	-89.5	-94.8
<b>Gross margin</b>	<b>\$/MWh</b>	<b>42.5</b>	<b>41</b>	<b>40.2</b>	<b>36.8</b>
Gross margin	\$ per ICP	308	291	283	262
Gross margin	\$m	112	104	100	93

SME electricity	unit	FY17	FY18	FY19	FY20
Average connections	#	56,292	57,309	55,020	55,033
Sales volumes	GWh	1,074	1,099	1,042	991
Average usage	per ICP	19.1	19.2	18.9	18.0
Tariff	\$/MWh	224.1	224.1	226.8	229.3
Network, meters and levies	\$/MWh	-106.6	-108	-111.9	-114.5
Energy costs	\$/MWh	-83.8	-84.8	-87.7	-93.0
<b>Gross margin</b>	<b>\$/MWh</b>	<b>33.7</b>	<b>31.3</b>	<b>27.2</b>	<b>21.8</b>
Gross margin	\$ per ICP	643	599	516	392
Gross margin	\$m	36	34	28	22

Customer EBITDAF					
Electricity Gross margin	\$m	148	139	128	115
Gas Gross Margin	\$m	15	15	14	9
Broadband Gross Margin	\$m	-	0	1	0
<b>Total Gross Margin</b>	<b>\$m</b>	<b>163</b>	<b>154</b>	<b>144</b>	<b>125</b>
Other income	\$m	4	4	4	5
Other operating costs	\$m	-105	-82	-82	-79
<b>Customer EBITDAF</b>	<b>\$m</b>	<b>62</b>	<b>76</b>	<b>67</b>	<b>50</b>
Corporate allocation (50%) <sup>1</sup>	\$m		-12	-13	-12
<b>Retailing EBITDAF</b>	<b>\$m</b>	<b>62</b>	<b>64</b>	<b>54</b>	<b>38</b>
EBITDAF margins (% of revenue)	%	6%	7%	5%	4%

Residential gas	unit	FY17	FY18	FY19	FY20
Average connections	#	59,809	60,905	61,711	61,591
Sales volumes	TJ	1,581	1,600	1,605	1,577
Average usage	per ICP	26.4	26.3	26	25.6
Tariff	\$/GJ	32	31.6	31.5	33.1
Network, meters and levies	\$/GJ	-19.5	-19.6	-18.4	-17.9
Energy costs	\$/GJ	-5.8	-5.6	-5.9	-7.9
Carbon costs	\$/GJ	-0.3	-0.7	-1	-1.4
<b>Gross margin</b>	<b>\$/GJ</b>	<b>6.4</b>	<b>5.8</b>	<b>6.3</b>	<b>5.9</b>
Gross margin	\$ per ICP	168	152	165	151
Gross margin	\$m	10	9	10	9

SME gas	unit	FY17	FY18	FY19	FY20
Average connections	#	2,981	3,677	3,901	3,947
Sales volumes	TJ	883	1,300	1,492	1,425
Average usage	per ICP	296.3	353.5	382.6	360.9
Tariff	\$/GJ	17.5	15.5	15.1	15.5
Network, meters and levies	\$/GJ	-5.3	-4.5	-5.5	-6.0
Energy costs	\$/GJ	-5.8	-5.6	-5.9	-7.9
Carbon costs	\$/GJ	-0.3	-0.7	-1	-1.4
<b>Gross margin</b>	<b>\$/GJ</b>	<b>6.1</b>	<b>4.8</b>	<b>2.8</b>	<b>0.2</b>
Gross margin	\$ per ICP	1,817	1,689	1,068	72
Gross margin	\$m	5	6	4	0

1. Prior to FY18, corporate costs were fully allocated to the reporting segments.



NEW ZEALAND'S EXCHANGE  
TE PAEHOKO O AOTEAROA

## Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Updated as at 17 October 2019

Results for announcement to the market		
Name of issuer	Contact Energy Limited	
Reporting Period	12 months to 30 June 2020	
Previous Reporting Period	12 months to 30 June 2019	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$2,073,000	(15.7)%
Total Revenue	\$2,073,000	(17.7)%
Net profit/(loss) from continuing operations	\$125,000	(26.4)%
Total net profit/(loss)	\$125,000	(63.8)%
Interim/Final Dividend		
Amount per Quoted Equity Security	\$0.23000000	
Imputed amount per Quoted Equity Security	\$0.05833333	
Record Date	27 August 2020	
Dividend Payment Date	15 September 2020	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$3.08	\$3.27
A brief explanation of any of the figures above necessary to enable the figures to be understood		
Authority for this announcement		
Name of person authorised to make this announcement	Kirsten Clayton, Company Secretary	
Contact person for this announcement	Matthew Forbes, GM Corporate Finance	
Contact phone number	+64 21 072 8578	
Contact email address	investor.centre@contactenergy.co.nz	
Date of release through MAP	10/08/2020	

Audited financial statements accompany this announcement.

Please note: all cash amounts in this form should be provided to 8 decimal places

Section 1: Issuer information				
Name of issuer	Contact Energy Limited			
Financial product name/description	Ordinary shares			
NZX ticker code	CEN			
ISIN (If unknown, check on NZX website)	NZCENE0001S6			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year	X	Quarterly	
	Half Year		Special	
	DRP applies			
Record date	27/08/2020			
Ex-Date (one business day before the Record Date)	26/08/2020			
Payment date (and allotment date for DRP)	15/09/2020			
Total monies associated with the distribution <sup>1</sup>	\$165,170,333.32 (718,131,884 shares @ \$0.23 / share)			
Source of distribution (for example, retained earnings)	Operating Free Cash Flow			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution <sup>2</sup>	\$0.28833333			
Gross taxable amount <sup>3</sup>	\$0.28833333			
Total cash distribution <sup>4</sup>	\$0.23000000			
Excluded amount (applicable to listed PIEs)	N/A – Not a listed PIE			
Supplementary distribution amount	\$0.02647059			
Section 3: Imputation credits and Resident Withholding Tax <sup>5</sup>				
Is the distribution imputed	<del>Fully imputed</del>			
	Partial imputation			
	<del>No imputation</del>			

<sup>1</sup> Continuous issuers should indicate that this is based on the number of units on issue at the date of the form

<sup>2</sup> "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (RWT).

<sup>3</sup> "Gross taxable amount" is the gross distribution minus any excluded income.

<sup>4</sup> "Total cash distribution" is the cash distribution excluding imputation credits, per financial product, before the deduction of RWT. This should include any excluded amounts, where applicable to listed PIEs.

<sup>5</sup> The imputation credits plus the RWT amount is 33% of the gross taxable amount for the purposes of this form. If the distribution is fully imputed the imputation credits will be 28% of the gross taxable amount with remaining 5% being RWT. This does not constitute advice as to whether or not RWT needs to be withheld.



If fully or partially imputed, please state imputation rate as % applied <sup>6</sup>	20%	
Imputation tax credits per financial product	\$0.05833333	
Resident Withholding Tax per financial product	\$0.03681667	
<b>Section 4: Distribution re-investment plan (if applicable) – Not applicable</b>		
DRP % discount (if any)	%	
Start date and end date for determining market price for DRP	[dd/mm/yyyy]	[dd/mm/yyyy]
Date strike price to be announced (if not available at this time)	[dd/mm/yyyy]	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)		
DRP strike price per financial product	\$	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	[dd/mm/yyyy]	
<b>Section 5: Authority for this announcement</b>		
Name of person authorised to make this announcement	Kirsten Clayton, Company Secretary	
Contact person for this announcement	Matthew Forbes, GM Corporate Finance	
Contact phone number	+64 21 072 8578	
Contact email address	<a href="mailto:investor.centre@contactenergy.co.nz">investor.centre@contactenergy.co.nz</a>	
Date of release through MAP	10 August 2020	

<sup>6</sup> Calculated as (imputation credits/gross taxable amount) x 100. Fully imputed dividends will be 28% as a % rate applied.