13 February 2023

Contact Energy Limited – 2023 Interim Results

Please find attached the following documents relating to Contact Energy Limited's (Contact) half year results for the six months ended 31 December 2022.

(a) Media Release
(b) 2023 Interim Financial Statements
(c) Financial Results Announcement (NZX form)
(d) Distribution Notice (NZX form)

The 2023 Interim Results Presentation is being loaded separately on ASX online.

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

ENDS

NZX release: 13 February 2023: Contact Energy 1H23 Result

Contact's performance reflects short-term wholesale market conditions, investing in decarbonisation strategy

Key financial metrics

	Six months ended 31 December 2022 1H23		Six months ended 31 December 2021 1H22	
	Underlying[1]	Reported	Against underlying	
EBITDAF[2]	$246m	$126m	↓	24% from $322m
Profit	$79m	($7m)	↓	41% from $134m
Profit per share	10.1 cps	($0.9) cps	↓	41% from 17.2 cps
Operating free cash flow[3]	$60m		↓	54% from $131m
Stay-in-business capital expenditure	$55m		↑	57% from $35m
Growth capital expenditure (cash)	$217m		↑	87% from $116m

Overview

New Zealand renewable energy company Contact Energy ('Contact') today released its interim financial results for the six months to 31 December 2022.

Contact CEO Mike Fuge said the financial performance in the first half of the FY23 financial year was reflective of soft short-term wholesale market conditions. Contact had made strong progress on delivering to its Contact26 strategy and was focused on leading New Zealand's decarbonisation by connecting customers with its renewable development pipeline.

- Net loss of $7m reported after recognising an onerous contract provision of $120m ($86m after tax) following a review of the estimated available capacity of the Ahuroa Gas Storage Facility (AGS). Excluding AGS, underlying net profit was $79m.

- Underling EBITDAF (pre-AGS provision) decreased by $76m to $246m as a result of lower wholesale prices, lower renewable and thermal generation, increased operating costs to deliver on strategic growth priorities and inflationary conditions.

- Operating free cash flow decreased by $71m to $60m. Working capital continues to be elevated, with more gas and carbon in inventory.

- Resource consent gained to continue operating on the Wairākei geothermal field for the next 35 years, enabling planning to proceed on GeoFuture, a new station of up to 180MW at Te Mihi to replace Contact's 64 year-old operations (Wairākei, 127MW).

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[1] Underlying EBITDAF and profit are shown excluding a $120 million onerous contract provision ($86 million after tax) for AGS. All variances are shown on an underlying basis.
[2] Refer to slide 36 of the 2023 interim results presentation for a definition and reconciliation between statutory profit and the non-GAAP profit measure earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments (EBITDAF).
[3] Refer to note A3 of the 2023 interim 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.

- Selected by Christchurch Airport to deliver 170MWp (150MW) solar farm at Kōwhai Park through Contact's joint venture with Lightsource bp.

- Market leading development pipeline expected to deliver up to 6TWh of new renewable electricity this decade, with 3.0TWh already consented.

- Te Rapa power station prepared for closure in June. On track to more than halve FY21 scope 1 and 2 carbon emissions by 2026.

- Strong endorsement of Contact's refreshed retail offering in the past six months, with more than 20,000 new connections.

    - Expanded 'time of use' offerings by introducing *Dream Charge,* enabling customers to charge their EVs at home at cheaper night rates and contributing to the decarbonisation of New Zealand.

    - Supported customers by keeping price increases below inflation, despite sustained higher wholesale prices over the last 3 years.

- Launched a leading parental leave policy, 'Growing your Whānau', one of the most comprehensive, far-reaching parental leave policies in New Zealand.

Financial performance

Contact reported a net loss of $7m after recognising an onerous contract provision of $120m ($86m after tax) following a review of the estimated available storage capacity of AGS. This is a non-cash accounting adjustment to recognise the difference between the expected benefits received and the contracted schedule of payments. Underlying net profit of $79m was down $55m from a year ago on lower operating earnings (EBITDAF) and unfavourable movements to the fair value of financial instruments, partially offset by lower depreciation and lower tax on earnings against the prior year.

Underlying EBITDAF (pre-AGS provision) decreased by $76m to $246m, down 24 percent on the record result of 1H22, with lower wholesale prices, lower renewable and thermal generation and increased operating costs to deliver on strategic growth priorities and reflecting inflationary conditions.

Operating free cash flow for the period decreased from $131m to $60m, down 54% year-on-year on lower operating earnings, higher stay-in-business capital expenditure and higher cash tax paid on strong earnings in prior periods. This was partially offset by favourable working capital movements on a net basis. While lower than last year, working capital was still elevated as we held more gas and carbon in inventory.

The Board approved an interim dividend of 14 cents per share (imputed by up to 12 cents per share for qualifying shareholders) to be paid on 30 March 2023.

"Contact's financial performance reflected the soft short-term wholesale market conditions experienced in the half year," said Mr Fuge.

"We saw unprecedented hydro inflows which depressed market prices and saw greater price separation between the North and South Islands. We responded running less thermal generation and positioned our portfolio to benefit from expected improved market conditions in the second half."

"Global energy and supply concerns continued to impact on commodity markets, with international energy prices holding at unprecedented levels, including coal. Domestic gas output remains constrained and readily accessible storage has reduced. These thermal fuel challenges continue to support the acceleration of our Contact26 strategy."

Demand

In line with Contact's decarbonisation focus, Mr Fuge said demand for renewable electricity from forward-thinking customers remained strong. Contact is focused on five key areas for demand growth, being large scale 24/7 data centres, industrial process heat, major industrial energy users, road transport and green chemicals.

"While still early days, we are excited about opportunities to work with major energy users pursuing their own decarbonisation strategies. Examples include working with NZ Steel to look at options around interruptibility and with the HW Richardson Group to assess a trial use of hydrogen for heavy transport. These have the potential to lead to large scale sources of new demand," Mr Fuge said.

"With all new supply contracts, we are looking to build in demand response. This is of high value to Contact, our industrial customers and ultimately New Zealand. These initiatives will contribute to the decarbonisation of New Zealand whilst improving the security of supply at peak periods. We have been positively surprised by the customer appetite - from retail customers to large industrials - for demand response mechanisms to be packaged into new contracts," said Mr Fuge.

"Significant new electricity demand is also now emerging in New Zealand, with new large scale 24/7 data centres. Hyperscale data centre projects announced by the likes of CDC, Microsoft and DCI are starting to come online and will see significant contributions to electricity demand over the next few years as each project stage reaches completion."

Rio Tinto is looking to continue operating its unique low carbon smelter at Tiwai Point beyond 2024. Contact is engaging constructively and working toward new commercial arrangements.

Renewable development

Contact has been granted new consents to operate on the Wairākei geothermal field for the next 35 years. This enables it to proceed with replacing the 1950s-built Wairākei A and B power stations with a new station of up to 180MW at Te Mihi – the GeoFuture project. Contact is targeting a final investment decision around the end of this calendar year.

"This is an exciting milestone for Contact, moving our geothermal production off-river, and delivering better environmental outcomes," said Mr Fuge.

"GeoFuture will be the third major development in five years from Contact's world-class geothermal development pipeline, with Tauhara and Te Huka Unit 3 well on track for completion in 2023 and 2024 respectively. This is all low carbon, baseload renewable electricity that operates around the clock and is not weather reliant."

Our joint venture partnership with global solar developer Lightsource bp has been selected by Christchurch Airport to deliver the first stage of its renewable energy precinct, Kōwhai

Park – an estimated 170MWp solar farm. Subject to a final investment decision, construction is expected to begin in 2024.

Consenting for another 170MWp solar farm in the North Island is underway and the partnership has land access rights to potentially develop another ~60MWp of solar power.

Decarbonising our portfolio

Contact has announced the successful completion of carbon capture trials at its Te Huka geothermal power station. This gives Contact the option of either reinjecting carbon back into the geothermal reservoir, now a routine part of its Te Huka operation, or harvesting the $C0_2$ for commercial use. Contact is working with leading industrial gas supplier BOC, a Linde company, to assess the highest value commercial options for the use of the $C0_2$ being captured at its geothermal facilities. This includes pure $C0_2$ and combining $C0_2$ with hydrogen production for complementary derivative products (e.g. green chemicals).

"We are thrilled with these results. We will see the capture of 10,000 tons of greenhouse gas emissions per annum from Te Huka on an ongoing basis. This can be eliminated through reinjection or potentially used in commercial applications where these align to our decarbonisation strategy," said Mr Fuge.

In addition, Contact is optimizing the flexibility it can achieve in its geothermal generation portfolio by shifting up to 11GWh of generation on the Wairākei field between the summer and winter periods in 2023. This reduces the need to run thermal generation.

The first half also saw Contact preparing for the planned closure of its 44MW Te Rapa power station in June 2023.

Retail

Mr Fuge said Contact's retail business has continued with targeted growth in the first half of 2023, with customers on bundled packages up 13% on the prior period.

"We have seen connections increase by more than 20,000 in the half year. We are seeing significant growth in broadband, with connections up 30% on the prior period, and have introduced wireless broadband, providing yet another way for our customers to stay connected at home."

Contact has expanded its time-of-use offerings, with its *Dream Charge* plan enabling customers to charge their EVs at home at cheaper night rates. This adds to Contact's existing time-of-use offer, *Good Nights*, an initiative that's proven popular with customers who can access three hours of free power every night from 9pm, shifting their load from peak evening times and thereby reducing the need for peak thermal generation, lowering carbon emissions.

In December, we were recognised at the NZ Compare Awards**,** winning Power Provider of the Year, Best Customer Support; Power and Best Bundled Plan. The awards recognise excellence and achievement in New Zealand's broadband, energy and mobile sectors.

Outlook

Looking ahead, Mr Fuge said Contact remains committed to leading the decarbonisation of New Zealand.

"We are excited about the future. We have a clear strategy, strong balance sheet with supportive shareholders and a host of opportunities in front of us to lead the decarbonisation of the New Zealand economy over the next decade."

1/ MORE INFORMATION

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2/ CONFERENCE CALL

A conference call to support the interim results announcement will be held at 10am, NZ (New Zealand) time on 13 February 2023.

If you would like to attend the live presentation, please see the details below to view the webcast off your chosen device:

Click here to enter the webcast: **LIVE EVENT LINK**

Or access this link via our website: https://contact.co.nz/aboutus/investor-centre

2023

Interim Financial Statements

Building a better Aotearoa New Zealand

About these financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

These interim financial statements are for Contact, a group made up of Contact Energy Limited, the entities over which it has control and its associates.

Contact Energy Limited is registered in New Zealand under the Companies Act 1993. It is listed on the New Zealand stock exchange (NZX) and the Australian Securities Exchange (ASX) and has bonds listed on the NZX debt market. Contact is an FMC reporting entity under the Financial Markets Conduct Act 2013.

Contact's interim financial statements for the six months ended 31 December 2022 provide a summary of Contact's performance for the period and outline significant changes to information reported in the financial statements for the year ended 30 June 2022 (2022 Annual Report). The Financial Statements should be read with the 2022 Annual Report.

Contact's financial statements are prepared:

- in accordance with New Zealand generally accepted accounting practice (GAAP) and comply with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.
- in millions of New Zealand dollars (NZD) unless otherwise noted.
- using the same accounting policies and significant estimates and critical judgments disclosed in the 2022 Annual Report.
- with certain comparative amounts reclassified to conform to the current period's presentation.

The financial statements were authorised on behalf of the Contact Energy Limited Board of Directors on 10 February 2023:

Robert McDonald
Chair

Sandra Dodds
Chair, Audit & Risk Committee

Statement of comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

$m	Note	Unaudited 6 months ended 31 Dec 2022	Unaudited 6 months ended 31 Dec 2021	Audited Year ended 30 June 2022
Revenue	A2	994	1,141	2,387
Operating expenses	A2	(868)	(819)	(1,850)
Interest expense	B4	(20)	(19)	(36)
Interest revenue	B4	1	-	-
Depreciation and amortisation	C1	(111)	(129)	(262)
Change in fair value of financial instruments	D1	(6)	13	14
Profit/(loss) before tax		***(9)**	**187**	**253**
Tax expense		2	(53)	(71)
Profit/(loss)		**(7)**	**134**	182
Items that may be reclassified to profit/(loss):				
Change in hedge reserves (net of tax)		(30)	33	(31)
Comprehensive income		**(37)**	**167**	**151**
Profit/(loss) per share (cents) - basic and diluted		(0.9)	17.2	23.4

*Profit/(loss) before tax includes an onerous contract provision relating to Ahuroa Gas Storage facility (AGS) of $120 million. Excluding the onerous contract provision, Profit/(loss) before tax would be $111 million.

Statement of cash flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

$m	Note	Unaudited 6 months ended 31 Dec 2022	Unaudited 6 months ended 31 Dec 2021	Audited Year ended 30 June 2022
Receipts from customers		1,023	1,211	2,397
Payments to suppliers and employees		(820)	(965)	(1,880)
Interest paid		(12)	(15)	(28)
Tax paid		(76)	(65)	(89)
Operating cash flows		115	166	400
Purchase and construction of assets		(272)	(151)	(347)
Capitalised interest		(17)	(8)	(19)
Investment in associates		(4)	(6)	(11)
Proceeds from sale of assets		4	-	1
Deferred consideration for acquisition of subsidiaries		(11)	(5)	(5)
Investing cash flows		(300)	(170)	(381)
Dividends paid	B2	(146)	(145)	(242)
Proceeds from borrowings		643	267	536
Repayment of borrowings		(315)	(193)	(291)
Financing costs		(2)	(4)	(4)
Financing cash flows		180	(75)	(1)
Net cash flow		(5)	(79)	18
Add: cash at the beginning of the period		168	150	150
Cash at the end of the period		163	71	168

Statement of financial position

AT 31 DECEMBER 2022

$m	Note	Unaudited 31 Dec 2022	Unaudited 31 Dec 2021	Audited 30 June 2022
Cash and cash equivalents		163	71	168
Trade and other receivables		211	186	227
Inventories		39	87	58
Intangible assets	C1	72	64	27
Derivative financial instruments	D1	59	29	23
Assets held for sale		5	-	5
Total current assets		549	437	508
Property, plant and equipment	C1	4,293	4,024	4,095
Intangible assets	C1	197	205	200
Goodwill		214	214	214
Inventories	C2	36	-	-
Investment in associates		24	16	21
Derivative financial instruments	D1	95	82	128
Total non-current assets		4,859	4,541	4,658
Total assets		5,408	4,978	5,166
Trade and other payables		252	235	261
Tax payable		1	33	36
Borrowings	B3	415	115	287
Derivative financial instruments	D1	121	54	98
Provisions		6	14	15
Total current liabilities		795	451	697
Borrowings	B3	985	814	812
Derivative financial instruments	D1	197	50	128
Provisions		*183	53	58
Deferred tax		563	645	616
Other non-current liabilities		26	14	15
Total non-current liabilities		1,953	1,576	1,629
Total liabilities		2,748	2,027	2,326
Net assets		2,660	2,951	2,840
Share capital	B1	1,976	1,944	1,955
Retained earnings		788	1,019	958
Hedge reserves		(113)	(18)	(82)
Share-based compensation reserve		9	6	8
Shareholders' equity		2,660	2,951	2,840

*Non-current provisions include an onerous contract provision relating to AGS of $120 million.

Statement of changes in equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

$m	Note	Share capital	Retained earnings	Other reserves	Shareholders' equity
Balance at 1 July 2021		1,922	1,048	(43)	2,927
Profit/(loss)	A2	-	134	-	134
Change in hedge reserves (net of tax)		-	-	33	33
Change in share-based compensation reserve		-	-	(2)	(2)
Change in share capital	B1	22	-	-	22
Dividends paid	B2	-	(163)	-	(163)
Unaudited balance at 31 December 2021		1,944	1,019	(12)	2,951
Profit/(loss)	A2	-	48	-	48
Change in hedge reserves (net of tax)		-	-	(64)	(64)
Change in share-based compensation reserve		-	-	2	2
Change in share capital	B1	11	-	-	11
Dividends paid	B2	-	(109)	-	(109)
Audited balance at 30 June 2022		1,955	958	(74)	2,840
Profit/(loss)	A2	-	(7)	-	(7)
Change in hedge reserves (net of tax)		-	-	(30)	(30)
Change in share-based compensation reserve		-	-	-	-
Change in share capital	B1	21	-	-	21
Dividends paid	B2	-	(164)	-	(164)
Unaudited balance at 31 December 2022		1,976	788	(104)	2,660

A. Our performance

Notes to the financial statements for the six months ended 31 December 2022

A1. SEGMENTS

Contact reports activities under the Wholesale segment and the Retail segment. There have been no significant changes to Contact's operating segments in the current period.

The Wholesale segment includes revenue from the sale of electricity to the wholesale electricity market, to Commercial & Industrial (C&I) customers, and to the Retail segment, less the cost to generate and/or purchase the electricity and costs to serve and distribute electricity to C&I customers.

The results of Simply Energy Limited and Western Energy Services Limited are included in the Wholesale segment. The results of Contact Energy Risk Limited have been allocated across the operating segments based on fixed asset values, revenues, and headcount.

The Retail segment includes revenue from delivering electricity, natural gas, broadband and other products and services to mass market customers less the cost of purchasing those products and services, and the cost to serve customers.

'Unallocated' includes corporate functions not directly allocated to the operating segments.

The Retail segment purchases electricity from the Wholesale segment at a fixed price in a manner similar to transactions with third parties.

A2. EARNINGS

The table below provides a breakdown of Contact's revenue, expenses and earnings before interest, tax, depreciation and amortisation and changes in fair value of financial instruments (EBITDAF) by segment, and a reconciliation from EBITDAF to profit/(loss) reported under NZ GAAP. EBITDAF is used to monitor performance and is a non-GAAP profit measure.

	Unaudited 6 months ended 31 Dec 2022					Unaudited 6 months ended 31 Dec 2021					Audited year ended 30 June 2022				
$m	Wholesale	Retail	Unallocated	Eliminations	Total	Wholesale	Retail	Unallocated	Eliminations	Total	Wholesale	Retail	Unallocated	Eliminations	Total
Mass market electricity	-	482	-	-	482	-	448	-	-	448	-	869	-	(1)	868
C&I electricity - fixed price	126	-	-	-	126	100	-	-	-	100	215	-	-	-	215
C&I electricity - pass through	9	-	-	-	9	15	-	-	-	15	34	-	-	-	34
Wholesale electricity, net of hedging	260	-	-	-	260	476	-	-	-	476	1,071	-	-	-	1,071
Electricity-related services revenue	6	-	-	-	6	4	-	-	-	4	8	-	-	-	8
Inter-segment electricity sales	241	-	-	(241)	-	199	-	-	(199)	-	395	-	-	(395)	-
Gas	3	48	-	-	51	3	43	-	-	46	7	82	-	-	89
Steam	19	-	-	-	19	19	-	-	-	19	33	-	-	-	33
Geothermal services	3	-	-	-	3	1	-	-	-	1	3	-	-	-	3
Broadband	-	32	-	-	32	-	25	-	-	25	-	53	-	-	53
Other income	-	6	-	-	6	6	3	-	-	9	6	7	-	-	13
Total revenue	**667**	**568**	**-**	**(241)**	**994**	**821**	**519**	**-**	**(199)**	**1,141**	**1,772**	**1,011**	**-**	**(396)**	**2,387**
Electricity purchases, net of hedging	(204)	-	-	-	(204)	(318)	-	-	-	(318)	(793)	-	-	-	(793)
Electricity purchases - pass through	(5)	-	-	-	(5)	(9)	-	-	-	(9)	(26)	-	-	-	(26)
Electricity related services cost	(3)	-	-	-	(3)	(5)	-	-	-	(5)	(8)	-	-	-	(8)
Inter-segment electricity purchases	-	(241)	-	241	-	-	(199)	-	199	-	-	(395)	-	395	-
Gas and diesel purchases	(29)	(15)	-	-	(44)	(42)	(18)	-	-	(60)	(95)	(33)	-	-	(128)
Gas storage costs	*(132)	-	-	-	(132)	(11)	-	-	-	(11)	(24)	-	-	-	(24)
Carbon emissions costs	(12)	(6)	-	-	(18)	(13)	(3)	-	-	(16)	(38)	(6)	-	-	(44)
Generation transmission & levies	(14)	-	-	-	(14)	(9)	-	-	-	(9)	(24)	-	-	-	(24)
Electricity networks, levies & meter costs - fixed price	(32)	(218)	-	-	(250)	(32)	(208)	-	-	(240)	(60)	(407)	-	-	(467)
Electricity networks, levies & meter costs - pass through	(1)	-	-	-	(1)	(5)	-	-	-	(5)	(8)	-	-	-	(8)
Gas networks, transmission & meter costs	(3)	(24)	-	-	(27)	(3)	(21)	-	-	(24)	(6)	(40)	-	-	(46)
Geothermal service costs	(2)	-	-	-	(2)	(1)	-	-	-	(1)	(2)	-	-	-	(2)
Broadband costs	-	(28)	-	-	(28)	-	(21)	-	-	(21)	-	(45)	-	-	(45)
Other market costs	(22)	-	-	-	(22)	(2)	-	-	-	(2)	(25)	-	-	-	(25)
Other operating expenses	(61)	(35)	(22)	-	(118)	(55)	(33)	(10)	-	(98)	(115)	(68)	(28)	1	(210)
Total operating expenses	**(520)**	**(567)**	**(22)**	**241**	**(868)**	**(505)**	**(503)**	**(10)**	**199**	**(819)**	**(1,224)**	**(994)**	**(28)**	**396**	**(1,850)**
EBITDAF	**147**	**1**	**(22)**	**-**	**126**	**316**	**16**	**(10)**	**-**	**322**	**548**	**17**	**(28)**	**-**	**537**
Depreciation and amortisation					(111)					(129)					(262)
Net interest expense					(19)					(19)					(36)
Change in fair value of financial instruments					(6)					13					14
Tax expense					2					(53)					(71)
Profit/(loss)					**(7)**					**134**					**182**

*Gas storage costs include an onerous contract provision relating to AGS of $120 million.

A3. FREE CASH FLOW

Free cash flow is a non-GAAP cash measure that shows the amount of cash Contact has available to distribute to shareholders, reduce debt or reinvest in growing the business. A reconciliation from EBITDAF to NZ GAAP operating cash flows and to free cash flow is provided below.

$m	Unaudited 6 months ended 31 Dec 2022	Unaudited 6 months ended 31 Dec 2021	Audited Year ended 30 June 2022
EBITDAF	126	322	537
Tax paid	(76)	(65)	(89)
Change in working capital, net of investing and financing activities	(43)	(69)	(17)
Non-cash items included in EBITDAF	120	(7)	(3)
Net interest paid, excluding capitalised interest	(12)	(15)	(28)
Operating cash flows	115	166	400
Stay-in-business capital expenditure	(55)	(35)	(79)
Operating free cash flow	60	131	321
Proceeds from sale of assets	4	-	1
Free cash flow	63	131	322
Operating free cash flow per share (cents)	7.7	16.8	41.8

30 June 2022 stay-in-business capital expense has been restated, increasing by $4 million and therefore also decreasing operating free cash flow and free cashflow by $4 million. This is a reclassification between stay-in-business capital expense and growth capital expense, which has no impact on total capital expense.

A4. RELATED PARTY TRANSACTIONS

Contact's related parties include its Directors, the Leadership Team (LT), Drylandcarbon One Limited Partnership, and Forest Partners Limited Partnership.

$m	Unaudited 6 months ended 31 Dec 2022	Unaudited 6 months ended 31 Dec 2021	Audited Year ended 30 June 2022
Drylandcarbon One Limited Partnership			
Capital contributions	-	(6)	(9)
Forest Partners Limited Partnership			
Capital contributions	(4)	-	(2)
Key management personnel			
Directors' fees	(1)	(1)	(1)
LT - salary and other short-term benefits	(4)	(5)	(7)
LT - share-based compensation expense	(1)	(1)	(1)

Members of the Directors and LT purchase goods and services from Contact for domestic purposes on normal commercial terms and conditions. For members of the LT this includes the staff discount available to all eligible employees. Salary and other short-term benefits are the cash amount paid in the year.

A5. PROVISIONS

In late 2021 Contact was notified of an unexpected and unexplained increase in pressure recorded in the AGS facility by the owner and operator, Flexgas, to whom Contact sold the facility in 2018. This suggested that the current storage capacity of the facility was less than previously thought, which may impact the storage capacity available to Contact. Contact and Flexgas formed a joint technical working group to investigate these concerns and assess whether there are actions that could be taken to improve the performance of the facility.

During the six months ended 31 December 2022, the technical working group concluded the first stage of studies into the issues and Contact has largely concluded its internal review of the findings using an independent technical expert. The technical working group have found that the estimate of current available storage is between 10 and 12 PJs which is less than originally understood. Also, to maintain reservoir pressure to support the optimal daily injection and extraction rate, approximately 4PJs of gas currently stored in AGS ($36m) and owned by Contact may only be available for extraction at the end of Contact's storage contract in 2033.

Based on the findings, Contact has assessed the storage contract in line with NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and has recognised a new onerous contract provision of $120 million at 31 December 2022.

The provision is calculated as the difference between the contract payments and the value received from access to available AGS storage over the remaining term of contract, discounted to present value using a pre-tax discount rate of 4.5%.

There is a significant level of judgement involved in estimating the value Contact will obtain from the contract for the remainder of its term with key drivers such as, hydrology, future gas and carbon prices, the level of Contact's contracted sales, and the market supply/demand balance.

If the value received increased by 10%, the provision would reduce by $15 million. If the value received decreased by 10% the provision would increase by $15 million.

A6. CONTINGENCIES

In the normal course of business, Contact is subject to inquiries, claims and investigations. There are no other material matters to disclose in this respect at 31 December 2022.

B. Our funding

Notes to the financial statements for the six months ended 31 December 2022

B1. SHARE CAPITAL

	Number	$m
Balance at 1 July 2021	776,122,070	1,922
Share capital issued	3,001,936	22
Balance at 31 December 2021	779,124,006	1,944
Share capital issued	1,514,297	11
Balance at 30 June 2022	780,638,303	1,955
Share capital issued	2,619,193	21
Balance at 31 December 2022	783,257,496	1,976
Comprised of:		
Ordinary shares	783,000,347	1,975
Contact Share	257,149	1

During the period Contact granted a new tranche of share awards under the Equity Scheme, comprising 360,281 performance share rights (PSRs) and 348,226 deferred share rights (DSRs). PSRs and DSRs have no exercise price and have a vesting period of three years and two years respectively.

B2. DIVIDENDS PAID

$m	Cents per share	Unaudited 6 months ended 31 Dec 2022	Unaudited 6 months ended 31 Dec 2021	Audited Year ended 30 June 2022
2021 final dividend	21	-	163	163
2022 interim dividend	14	-	-	109
2022 final dividend	21	164	-	-
		164	163	272
Comprising:				
Cash dividends		146	145	242
Dividend reinvestment plan		18	18	30

On 10 February 2023 the Board declared an interim dividend of 14 cents per share to be paid on 30 March 2023.

B3. BORROWINGS

$m	Unaudited 31 Dec 2022	Unaudited 31 Dec 2021	Audited 30 June 2022
Bank overdraft	-	5	2
*Commercial paper	230	-	175
*Drawn bank facilities	139	-	7
Lease obligations	26	24	25
*Retail bonds	350	200	200
*Capital bonds	225	225	225
*Export credit agency facility	36	43	40
*USPP notes	376	376	376
Face value of borrowings	1,382	873	1,050
Deferred financing costs	(8)	(6)	(6)
Fair value adjustment on hedged borrowings	26	62	55
Carrying value of borrowings	1,400	929	1,099
Current	415	115	287
Non-current	985	814	812

$250 million retail bond was issued during the period, with an interest rate of 5.82%, maturing in April 2028.

Borrowings denoted with an asterisk (*) are Green Debt Instruments under Contact's Green Borrowing Programme, which has been certified by the Climate Bonds Initiative. At 31 December 2022 Contact remains compliant with the requirements of the programme. Further information is available on the Sustainability section on Contact's website.

B4. NET INTEREST EXPENSE

$m	Unaudited 6 months ended 31 Dec 2022	Unaudited 6 months ended 31 Dec 2021	Audited Year ended 30 June 2022
Interest expense on borrowings	(32)	(24)	(48)
Interest expense on finance leases	(1)	-	(1)
Unwind of discount on provisions	(3)	(3)	(5)
Unwind of deferred financing costs	(1)	-	(1)
Capitalised interest	17	8	19
Interest income	1	-	-
Net interest expense	(19)	(19)	(36)

C. Our assets

Notes to the financial statements for the six months ended 31 December 2022

C1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment $m	Unaudited 31 Dec 2022	Unaudited 31 Dec 2021	Audited 30 June 2022
Opening balance	4,095	3,961	3,961
Additions	293	171	359
Acquisitions	-	-	12
Transfers to assets held for sale	-	-	(17)
Disposals	(2)	(3)	(5)
Depreciation charge	(93)	(105)	(215)
Closing balance	4,293	4,024	4,095

Included within property, plant and equipment is $30 million (31 December 2021: $28 million, 30 June 2022: $29 million) of lease assets with a depreciation charge of $2 million for the six months ended 31 December 2022 (31 December 2021: $2 million, 30 June 2022: $5 million).

Included within additions is capitalised interest of $17 million (31 December 2021: $8 million, 30 June 2022: $19 million) in relation to the build of the Tauhara and Te Huka Unit 3 power stations and associated steamfield.

Intangibles $m	Unaudited 31 Dec 2022	Unaudited 31 Dec 2021	Audited 30 June 2022
Opening balance	227	245	245
Additions	75	67	122
Disposals	(15)	(19)	(92)
Transfers to assets held for sale	-	-	(1)
Amortisation charge	(18)	(24)	(47)
Closing balance	269	269	227
Current	72	64	27
Non-current	197	205	200

At 31 December 2022, Contact was committed to $323 million of contracted capital expenditure (31 December 2021: $263 million, 30 June 2022: $275 million) and $119 million of carbon forward contracts (31 December 2021: $68 million, 30 June 2022: $150 million), of which $352 million (31 December 2021: $236 million, 30 June 2022: $252 million) is due within one year of balance date.

C2. INVENTORY

During the period, $36 million of inventory gas has been reclassified from current to non-current inventory as this gas is not expected to be used within 12 months of reporting date.

D. Financial risks

Notes to the financial statements for the six months ended 31 December 2022

D1. SUMMARY OF DERIVATIVE FINANCIAL INSTRUMENTS

A summary of derivatives and the impact on Contact's financial position is provided below grouped by type of hedge relationship. There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

	Unaudited at 31 December 2022							Unaudited at 31 December 2021							Audited at 30 June 2022						
	Fair value hedge	Cash flow & fair value hedge	Cash flow hedge			No hedge relationship		Fair value hedge	Cash flow & fair value hedge	Cash flow hedge			No hedge relationship		Fair value hedge	Cash flow & fair value hedge	Cash flow hedge			No hedge relationship	
$m	IRS	CCIRS	IRS	Electricity price derivatives	Foreign exchange contracts	Electricity price derivatives	Total	IRS	CCIRS	IRS	Electricity price derivatives	Foreign exchange contracts	Electricity price derivatives	Total	IRS	CCIRS	IRS	Electricity price derivatives	Foreign exchange contracts	Electricity price derivatives	Total
Carrying value of derivatives - asset	-	57	57	4	2	34	**154**	3	60	14	14	3	17	**111**	-	75	37	3	3	33	**151**
Carrying value of derivatives - liability	(26)	(8)	-	(207)	(3)	(74)	**(318)**	(2)	(3)	(26)	(51)	(2)	(21)	**(104)**	(16)	(5)	(4)	(154)	(5)	(42)	**(226)**
Carrying value of hedged borrowings	(545)	(252)	-	-	-	-	**(797)**	(347)	(437)	-	-	-	-	**(784)**	(331)	(448)	-	-	-	-	**(779)**
Fair value adjustments to borrowings	26	(52)	-	-	-	-	**(26)**	(1)	(61)	-	-	-	-	**(62)**	16	(71)	-	-	-	-	**(55)**
Change in fair value of financial instruments to profit/(loss)	-	-	5	-	-	(11)	**(6)**	-	-	15	-	-	(2)	**13**	-	-	24	-	-	(10)	**14**
Hedge effectiveness recognised in OCI	-	(2)	19	(77)	(1)	-	**(61)**	-	2	18	(12)	-	-	**8**	-	4	52	(125)	(2)	-	**(71)**
Initial premium recognised in trade and other receivables	-	-	-	-	-	(20)	**(20)**	-	-	-	-	-	-	**-**	-	-	-	-	-	-	**-**
Amounts reclassified to profit/(loss) or balance sheet	-	-	-	26	1	-	**27**	-	-	3	36	-	-	**39**	-	-	5	38	-	-	**43**

The cross-currency interest rate swaps (CCIRS) liability arises from the cash flow hedge component.

Included within hedge reserves balance at 31 December 2022 is $14 million relating to close out of electricity price derivatives which will be amortised over the financial year (31 December 2021: nil, 30 June 2022: $10 million).

Independent Auditor's review report

To the shareholders of Contact Energy Limited
Report on the interim financial statements

Conclusion

We have reviewed the interim financial statements of Contact Energy Limited and its subsidiaries (together "the Group") on pages 2 to 17 which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements on pages 2 to 17 of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the six month period ended on that date, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

This report is made solely to the Company's shareholders, as a body. Our review has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our review procedures, for this report, or for the conclusion we have formed.

Basis for conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised*) Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial statements* section of our report. We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Ernst & Young provides services to the Group in relation to trustee reporting, market remuneration surveys, immigration services, research and development tax credit advice and other assurance relating to sustainable finance framework. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

Directors' responsibility for the interim financial statements

The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the interim financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*. A review of interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on those interim financial statements.

The engagement partner on the review resulting in this independent auditor's review report is Grant Taylor.

Ernst & Young

Chartered Accountants
Wellington
10 February 2023

Corporate directory

Board of Directors

Robert McDonald (Chair)
Victoria Crone
Sandra Dodds
Jon Macdonald
David Smol
Rukumoana Schaafhausen
Elena Trout

Leadership team

Mike Fuge
Chief Executive Officer
Chris Abbott
Chief Corporate Affairs Officer
Jack Ariel
Major Projects Director
Jan Bibby
Chief People & Transformation Officer
Matt Bolton
Chief Retail Officer
John Clark
Chief Generation Officer
Dorian Devers
Chief Financial Officer
Iain Gauld
Chief Information Officer
Jacqui Nelson
Chief Development Officer
Tighe Wall
Chief Digital Officer

Registered office

Contact Energy Limited
Harbour City Tower
29 Brandon Street
Wellington 6011
New Zealand

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Company numbers

NZ Incorporation 660760
ABN 68 080 480 477

Auditor

Ernst & Young
40 Bowen Street
PO Box 490
Wellington 6011

Company secretary

Kirsten Clayton
General Counsel and Company Secretary

Registry

Change of address, payment instructions and investment portfolios can be viewed and updated online:

investorcentre.linkmarketservices.co.nz
investorcentre.linkmarketservices.com.au

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Sustainability enquiries

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Head of Sustainability
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Results announcement

Results for announcement to the market		
Name of issuer	Contact Energy Limited	
Reporting Period	6 months to 31 December 2022	
Previous Reporting Period	6 months to 31 December 2021	
Currency	NZD	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$994,000	-12.9%
Total Revenue	$994,000	-12.9%
Net profit/(loss) from continuing operations	($7,000)	-105.2%
Total net profit/(loss)	($7,000)	-105.2%
Interim/Final Dividend		
Amount per Quoted Equity Security	$ 0.14000000	
Imputed amount per Quoted Equity Security	$ 0.04666667	
Record Date	10/03/2023	
Dividend Payment Date	30/03/2023	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$2.78	$3.17
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, General Counsel & Company Secretary	
Contact person for this announcement	Shelley Hollingsworth, Investor Relations & Strategy Manager	
Contact phone number	+64 27 227 2429	
Contact email address	shelley.hollingsworth@contactenergy.co.nz	
Date of release through MAP	13/02/2023	

Unaudited financial statements accompany this announcement.

Distribution Notice

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		Quarterly	
	Half Year	X	Special	
	DRP applies	X		
Record date	10/03/2023			
Ex-Date (one business day before the Record Date)	09/03/2023			
Payment date (and allotment date for DRP)	30/03/2023			
Total monies associated with the distribution	$109,656,049 (783,257,496 shares @ $0.14 / share)			
Source of distribution (for example, retained earnings)	Operating Free Cash Flow			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution	$ 0.18666667			
Gross taxable amount	$ 0.18666667			
Total cash distribution	$ 0.14000000			
Excluded amount (applicable to listed PIEs)	N/A			
Supplementary distribution amount	$ 0.02117647			
Section 3: Imputation credits and Resident Withholding Tax				
Is the distribution imputed	~~Fully imputed~~			
	Partial imputation			
	~~No imputation~~			
If fully or partially imputed, please state imputation rate as % applied	25%			
Imputation tax credits per financial product	$ 0.04666667			
Resident Withholding Tax per financial product	$ 0.01493333			
Section 4: Distribution re-investment plan (if applicable)				
DRP % discount (if any)	0% - No discount			

Start date and end date for determining market price for DRP	09/03/2023	15/03/2023
Date strike price to be announced (if not available at this time)	16/03/2023	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	New issue	
DRP strike price per financial product	Not available at this time	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	13/03/2023	
Section 5: Authority for this announcement		
Name of person authorised to make this announcement	Kirsten Clayton, General Counsel & Company Secretary	
Contact person for this announcement	Shelley Hollingsworth, Investor Relations & Strategy Manager	
Contact phone number	+64 27 227 2429	
Contact email address	shelley.hollingsworth@contactenergy.co.nz	
Date of release through MAP	13/02/2023	