



16 November 2022

2022 Annual Shareholder Meeting

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Please find attached the following presentations that will be delivered at the Annual Shareholder Meeting this morning:

- Chair's Address
- Chief Executive's Address

For further information please contact:

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Wednesday, 16 November 2022

Chair's address to ASM

I want to update you on our strategic ambitions and to take a moment to talk about the path ahead as we continue to play a leading role in decarbonisation.

Despite challenging global economic headwinds, we have continued to deliver solid returns for our shareholders and ensure that Contact is well positioned for the future; a future where we will help to build a better Aotearoa New Zealand.

Before I begin, I would like to acknowledge Mike, the Contact leadership team and all our Contact whānau, who everyday come to work to make a positive difference for our customers and stakeholders. They focus on how Contact can support New Zealand's decarbonisation at the same time continuing to deliver solid financial performance through the economic and Covid headwinds. Contact people have consistently delivered.

For that I say, well done and thank you.

Overview of the Year

It has been two years since we launched our Contact26 strategy to be a leader in New Zealand's decarbonisation by:

- developing new, flexible renewable generation,
- decarbonising our portfolio,
- growing demand for renewable electricity, and
- creating outstanding customer experiences.

I am pleased to report significant progress in the past year that positions Contact well for sustainable growth.

Our strategy allows Contact to leverage our strengths and respond to external drivers, including changing stakeholder and societal expectations. We are responsibly managing the natural resources we use, as well as reducing New Zealand's greenhouse gas emissions.

Developing new, flexible renewable generation

Contact is continuing to bring new renewable electricity projects to market.

We have made good progress with our Tauhara geothermal development near Taupō - a nationally significant renewable generation project. It is now expected to generate 174 MW of renewable electricity, up from 152 MW when we first announced the investment. The scale of this project is evident with over 500 people currently working on the construction site.

This year, we were also pleased to announce a further \$300m investment in a new 51.4 MW geothermal power station at Te Huka, near Taupō which will be generating from 2024. Our technical capability and knowledge and experience gained with the Tauhara project has enabled us to confidently bring forward the Te Huka investment.

We have lodged resource consent applications to redevelop the Wairakei geothermal station when consents expire in 2026. The original Wairakei geothermal plant was commissioned in

1958. This redevelopment will move existing operations away from the Waikato River and increase the efficiency and generation capacity from the Wairakei resource.

In addition to our geothermal development, we have developed a strong pipeline of wind, solar and grid scale battery opportunities. This pipeline will provide us with investment options for solar generation as early as 2024, and wind generation as early as 2027.

Decarbonising our portfolio

As we invest in new renewable generation to support demand growth, thermal generation will be removed from our portfolio. We will ensure that our transition is orderly to support the security of supply and energy affordability for New Zealand.

Our journey to decarbonisation began in 2015 with the closure of our Otahuhu thermal plant. In 2023 we will close our Te Rapa gas co-generation power station, and we expect to decommission the gas-fired Taranaki Combined Cycle power station in 2024 once the Tauhara power station plant is operating.

Contact is committed to our science-based target to reduce from 2018 levels Scope 1 and 2 CO2 emissions by 45 percent by 2026.

Today I am pleased to tell you that we are well on target; we have reduced our greenhouse gas emissions by 33 per cent from 2018.

With the planned closures of Te Rapa and TCC, together with the closure of Otahuhu in 2015, Contact's emissions will have reduced by 70 per cent over a 10-year period. This represents approximately two million tonnes of CO2 emissions being avoided each year. That certainly makes Contact Energy one of the leaders of the decarbonisation of the New Zealand economy. We are also continuing to explore options to reduce emissions further including piloting reinjection of fugitive CO2 emissions from geothermal fluids.

Growing demand for renewable energy

Transpower's Te Mauri Hiko report forecasts electricity demand to increase by 68 per cent by 2050. We are seeing accelerated interest from both domestic and international customers for significant new demand. New Zealand's electricity market, in the face of volatile international energy markets, is increasingly being recognised as a world leader in stability and affordability as well as a high and growing portion of renewables.

This new demand has been slower than anticipated, however our pipeline of new projects is strong, and we remain confident that new demand will continue to materialise.

Creating outstanding customer experiences

We are pleased to have won a number of awards that recognise Contact's focus on outstanding customer experiences. This includes Energy Retailer of the Year at the New Zealand Energy Excellence Awards, four awards at the New Zealand Compare Awards: Best Customer Support – Power; Best Mobile Application; Power Provider of the Year; and Supreme Champion Award across Broadband and Power. And at the advertising industry effectiveness awards last month we won a gold Effie for our brand campaign launch, It's Good To Be Home. These awards are testament to the focus of the Contact team.

The Investment Environment

The path to decarbonisation will demand significant investment. The recent independent Boston Consulting Group (BCG) report **The Future is Electric** sets out the extent of investment the sector will have to make collectively through to 2030 to deliver near 100% renewable generation. That figure is \$42 billion in the 2020s across generation, transmission and distribution.

As I have said Contact is well placed to play our part to deliver a fully renewable electricity system.

We will continue to support work by the Government on options to support renewable electricity, including the development of a New Zealand energy strategy. However, the government must carefully consider how potential interventions impact necessary investment in new generation.

The report highlights there are significant policy considerations for the distribution and transmission of electricity to support transition to a zero-carbon electricity industry.

The Government's New Zealand Battery Project is exploring options to address dry year risk, including the large-scale Lake Onslow scheme. Contact has a direct interest in the specifics of Lake Onslow with the proposed intake and outlet impacting water flows at our Roxburgh dam.

The BCG report clearly identifies the significant progress already underway to address the dry year risk, and that there are lower cost and more effective ways to decarbonise New Zealand energy sector, including the use of smart technology and increased demand response.

While the government's evaluation of Lake Onslow is at early stages and ongoing, Onslow is a high risk and expensive option to address the final few percent of renewable generation, when compared to other opportunities to decarbonise New Zealand. It is a less than ideal location and we fear its cost is vastly understated. If it proceeds it will have a chilling effect on the robust renewables' investment pipeline we now see.

Experience with similar but smaller projects than Lake Onslow, such as Snowy River Hydro in Australia, face significant cost overruns and delay.

Financial performance and environment

On the financial front, the 2022 financial year was a solid one – a year in which we continued to deliver to New Zealanders and the communities we are privileged to operate in.

Contact delivered a firm financial performance over the last year, with EBITDAF of \$537 million and a net profit of \$182 million, despite unpredictable and volatile trading conditions. This unpredictability has been compounded by a combination of global energy supply and security concerns, exacerbated by the impact of Russia's invasion of Ukraine, with subsequent unprecedented increases in international energy prices, including coal, which has also coincided with a reduction in gas output from the domestic gas market.

These thermal fuel challenges further support the acceleration of our Contact26 strategy, and we continue to progress a range of renewable energy projects across the country in our aim to lead New Zealand's decarbonisation. Our retail business has grown its market share in electricity and broadband through innovative retail plans resulting in Contact being the fastest growing energy and broadband company in the past financial year.

In February 2021, the dividend policy was revised to target a pay-out ratio of between 80 and 100 per cent of the average operating free cash flow of the proceeding four financial years. This saw the Board approve a final dividend that brought the annual dividend to 35 cents per share, in line with the previous year.

Our financial performance in the first four months of this current year has reflected the significant rainfall resulting in softer wholesale spot electricity prices. We expect wholesale prices for the remaining seven months of this year to firm, with fuel also secured for next year when the market is expected to be tighter.

People

Before I hand over to Mike, I would like to pay tribute to the Board. Our Board is full of talented people with a wide range of experience, perspectives, and networks. You are in good hands. Thank you to Victoria, Sandra, Rukumoana, Elena, Jon and David for your relentless commitment and dedication this past year.

I would also like to acknowledge and thank KPMG for their 17 years of service as the Contact auditors. The Board decided after 17 years as a matter of good governance to seek new auditors. This also aligns with our recent policy of limiting an auditor's tenure to 15 years.

Finally, I would like to say thank you to all of you who have come today, whether in person or virtually and for your ongoing support as investors in Contact Energy. Your support is much appreciated.

We are focused and well-positioned for the future leading New Zealand's energy transition, and to create value for all stakeholders alongside sustainable success for our shareholders for the long term.

Ngā mihi nui.

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Wednesday, 16 November 2022

CEO's address to ASM

Looking back over the past year, I feel a real sense of pride and satisfaction at all the Contact team has achieved.

It is a year characterised by a solid financial performance, progress on nationally significant renewable developments, managing through a challenging economic environment, supporting New Zealand's energy wellbeing and exploring new demand and generation opportunities.

All this is underpinned by our Contact26 strategy to build a better Aotearoa New Zealand by leading the country's decarbonisation.

I will first turn to our generation and development activity.

We have over \$1b of construction projects underway at Tauhara and Te Huka.

We have plans in place to develop up to 5.7 TWh of new renewable generation this decade. Of this, 3.0 TWh represents our geothermal renewable developments in the Tāupo region, including Tauhara, Te Huka and the planned redevelopment of Wairakei.

The remaining 2.7 TWh represents wind and solar opportunities where plans are progressed with land access secured and for some sites consenting has begun. In addition to this, we are also continuing to explore opportunities to further build our pipeline of other wind and solar opportunities.

To provide some context to the scale of Contact's development pipeline, 5.7 TWh equates to nearly an eighty per cent increase in Contact's current renewable generation output in a mean hydrological year.

The recent BCG report suggests that an increase of 11 TWh of generation will be required in New Zealand by 2030. If realised, when netted with our thermal closures, these developments could contribute almost half this required increase in generation.

Our Tauhara project remains on track. The impact of COVID and tight supply chains, like other construction projects, has placed additional pressure on project cost. We continue to feel the impact of higher input costs, increasing labour costs, and China's COVID policies shutting factories at short notice. As the project progressed, we also found the complexity and scope definition of the plant were beyond initial expectations.

As a result of all these combined factors, project costs have increased to \$880m, a \$62m increase since our previous update including contingency. We have a high level of confidence that the updated cost of \$880m fully reflects the remaining cost to complete this project.

Pleasingly, a significant component of the increased cost reflects a further expansion in the capacity of the plant, which has increased to 174 MW, up a further 6 MW from our last update. That means that on a cost per MW basis, the project cost has escalated by 4% since our last update. At approximately \$5m/MW of baseload renewable energy, Tauhara remains a world-class project without peer in a New Zealand context.

Since the project began, we have also seen wholesale electricity market prices increase due to rising capital costs across all generation technologies, higher interest rates, higher carbon costs and the increasing costs of thermal fuel. As a result, we are increasingly confident of stronger returns from uncontracted sales, despite the higher build costs.

The project remains on track for delivery in the second half of next year, which given the external environment and excellent project economics is a pleasing outcome.

We have also taken the learnings from the Tauhara build into our next project at Te Huka. We announced this 51.4MW plant in August and work is already commenced. We expect this plant to be up and running by late 2024.

We are particularly proud of the training and employment opportunities that these projects offer. Since launching in October 2021, our Ka Hiko programme has seen 60 ākonga (including 12 wahinetoa) complete the course and start work on site at Tauhara. Ka Hiko brings to fruition our promise to provide job opportunities to the local community.

Consenting work on the Wairākei field is well progressed. The consent hearing was held in October with no opposition from submitters or the Council. This reflects the positive engagement and the building of sustained relationships with the local community and tangata whenua. We expect a final decision on the consent by year-end. If approved, this will enable our continued operation on the Wairākei field for the next 35 years.

I expect you will have seen regular announcements about new wind and solar developments from a myriad of potential local and international investors. It remains unclear how many of these announcements will eventuate. A similar phenomenon occurred in Australia a few years ago, with many parties 'kicking the tyres' but few making it to market.

We take a very disciplined approach based on great data with our wind and solar investment pipeline, starting with the selection of good sites. We have begun consenting activities for a number of priority South Island and North Island sites and are finalising land access agreements for several sites. We have several wind masts arriving before the end of the year which will be erected to further assess the available wind resource.

Our commitment to our customers

When it comes to customer experience, our commitment to innovative products and experiences has paid off with significant growth in customer satisfaction and retention. Our Voice of the Customer programme shows 67 percent of our customers say they are satisfied with Contact, and 79 percent say Contact is easy to deal with. Our Net Promoter Score – the number of customers who say they would recommend us, versus those who would not – increased significantly again this year from +31 to +39. Contact has 580,000 connections, and we remain one of the country's fastest growing broadband providers.

Having said that, we acknowledge that New Zealanders are living today in an environment where there are inflationary pressures on households. Interest rates, global supply and the effects of two years of pandemic uncertainty have taken effect.

At Contact we had to increase our retail prices recently. In line with our pricing principles, we have shielded customers from the full impact of the wholesale price increases for the past three years – which has helped customers and ensured that Contact remains competitive in a highly competitive market, and we can keep growing our retail business.

Wholesale prices are likely to remain elevated for several years. This reflects the reality that firmed electricity in a renewable transition is more expensive. Significant investment in renewables on the scale Contact is committed to will address this over the longer term, as New Zealand's reliance on thermal energy reduces.

We are also focused on getting alongside New Zealand consumers to help them shift their demand to off-peak periods, reducing the need for thermal generation that is currently required to support periods of peak demand.

Earlier this month, we launched **Dream Charge**, our EV charging plan that enables customers to recharge EVs with cheaper rates from 11pm to 7am and redeem AA Smartfuel credits that can be converted to ChargeNet credits. And more than 35,000 customers have signed up to our Goodnights plan – giving them three hours of free electricity from 9pm to midnight.

We are well into the transition to renewable electricity as a country – and a company.

Gas will be an important part of the transition and we are confident of an ongoing supply of gas for our generation plants and consumers in the foreseeable future. The reality is that rapidly growing intermittent wind and solar will continue to rely on fast start thermal generation to provide firming. We are well insulated from price volatility that may emerge as gas use declines, given our proximity to gas supply, our storage capacity, and the closure of our Taranaki Combined Cycle plant in 2024.

Our Transformation

Our transformation programme, **Mau taniwha, Mauri ora**, which broadly translates to **Harness Energy, Create Wellbeing** is ensuring that we have the capacity and capability to deliver on our strategy. In essence it is about building muscle strength for sustained growth through focussed execution.

It is aligned in our aspirations to:

- lead New Zealand's energy transition to leave our home in a better place for future generations,
- become New Zealand's most sought-after workplace with a workforce that reflects NZ,
- innovate the way we work and deliver value to our customers through digitisation, and
- deliver value to our shareholders by doubling the value of our company.

Our Transformative Ways of Working programme continues to give our people flexibility and choice to work from anywhere. It is well embedded. It makes us a more effective and productive place to work, and it ensures that we continue to attract top talent.

Two days ago, we launched our new parental leave policy, Growing Your Whānau, of which I am very proud. From basic compliance, we now offer primary carers 26 weeks salary top up, employer Kiwisaver contributions while on leave, 10 days paid special leave, six months flexible working at 80 percent but paid at 100 percent on return to work, along with three months of free power, and a \$5,000 childcare koha. It ensures that Contact is the one of most attractive workplaces in New Zealand and we attract and retain the critical skills that underpin our ambitious growth plans.

With the next generation in mind, we are focused on being a responsible world-class organisation. We know our families; our teams and our communities expect us to be good

corporate citizens. Similarly, investors increasingly consider sustainability-based measures alongside traditional financial measures when assessing company performance.

Our Dow Jones Sustainability Index results were released recently. This year we scored 72 and are rated in the top 87th percentile in the Asia Pacific region. In December we will know whether we will be included in the prestigious Asia-Pacific DSJI index.

Thanks

Before I finish, I would like to thank Rob and the Board for their continued support.

I would also like to give a huge thank you to the Contact team for their purpose and passion to doing a great job. None of what we have achieved would be possible without our people.

Thank you to our customers and our suppliers. Thank you to our neighbours. We live, work and operate in communities across New Zealand, and we know our action impacts on the people and the environment around us. We will keep striving to be the neighbour you want to have.

And thank you to you – our investors – we appreciate your continued support of Contact.

Ngā mihi nui.

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