

Contact accelerates renewable investment with new \$300m power station near Taupō

Key financial metrics

	Twelve months ended 30 June 2022 FY 22		Twelve months ended 30 June 2021 FY 21
EBITDAF ¹	\$537m	↓	3% from \$553m
Profit	\$182m	↓	3% from \$187m
Profit per share	23.4 cents	↓	8% from 25.3 cents
Operating free cash flow ²	\$325m	↓	12% from \$371m
Declared dividend per share	35c	→	35c
Stay-in-business capital expenditure	\$75m	↑	23% from \$61m
Growth capital expenditure (cash)	\$291m	↑	283% from \$76m

Highlights

Strong progress in FY22 on delivery of our Contact26 strategy, which is focussed on leading New Zealand's decarbonisation by connecting customers with our renewable development pipeline:

- A \$300m investment approved to develop a new 51.4MW (0.43TWh p.a.) geothermal power station at Te Huka, near Taupō, targeting onstream in Q4 2024
- Good progress on the 168MW (1.40TWh p.a.) Tauhara geothermal power station development which will supply around 3.5 percent of New Zealand's total electricity demand by the end of next year
- Growing the development pipeline by securing land access rights to support the development of wind projects through our Roaring40s partnership and entering a joint-venture agreement with Lightsource bp to initially develop up to 200MW of solar

¹ Refer to slide 45 of the 2022 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 (EBITDAF)

² Refer to note E7 of the 2022 Full Year 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.

- Ongoing strategic review of thermal assets supporting the announcement of the closure of Te Rapa next year, on track to more than halve our FY21 scope 1 and 2 carbon emissions by 2026
- Strong endorsement of Contact's refreshed retail offering over the past 12 months
 - More than 50,000 new customers chose Contact for electricity, gas, or broadband services.
 - Supported customers by limiting average price increases to households to 1.2 percent on FY21, despite sustained higher wholesale prices and inflationary pressures.
 - Saw tangible commitment to our new 'Good to be Home' brand platform with 3 months free energy for more than 1,000 new parents who enjoyed over 2 million hours of energy as they welcomed the newest Kiwis into Aotearoa
- Committed to a new partnership with Women's Refuge

New Zealand renewable energy company Contact Energy ('Contact') released its full year financial results for the 12 months to 30 June 2022 today.

Contact CEO Mike Fuge said the company had delivered a solid financial performance in the FY22 financial year and was investing in line with its strategy to lead New Zealand's decarbonisation efforts.

Financial performance

Contact reported a net profit of \$182m, down \$5m from a year ago on lower operating earnings (EBITDAF) and higher depreciation, partially offset by lower interest costs reflecting the capitalisation of interest to major growth capital projects, lower tax on earnings and favourable movements to the fair value of financial instruments against the prior year.

EBITDAF decreased by \$16m to \$537m, down 3 percent on the prior year on lower wholesale electricity prices, lower sales and rising gas and carbon unit costs, which were partially offset by more renewable generation.

Operating free cash flow for the period decreased from \$371m to \$325m, down 12 percent year-on-year primarily on lower operating earnings, additional working capital investments in carbon, higher stay-in-business capital expenditure, and higher cash tax paid on stronger earnings in prior periods.

The Board approved a final ordinary dividend of 21 cents per share (imputed by up to 19 cents per share for qualifying shareholders) to be paid on 27 September 2022; taking the annual dividend declared for FY22 to 35 cents per share which is in line with the prior year.

Mr Fuge said: "Contact has delivered a solid financial performance 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 and steady pricing.”

Demand

In line with Contact’s decarbonisation focus, Mr Fuge said demand for renewable electricity from forward-thinking customers remains strong.

“In the year we secured long-term power purchase agreements to supply Oji Fibre, Pan Pac, Genesis Energy and Foodstuffs with renewable electricity. Long-term contracts underpin sustainable operations, support additional renewable generation development, and can also displace thermal generation. We are seeing further exciting demand growth potential with more proposed process heat conversion projects in industry and high-quality data centre proposals now in the public arena.”

Rio Tinto is looking to continue operating its unique low carbon smelter at Tiwai Point beyond 2024 and has announced it has begun exploring potential pathways with electricity generators. Contact has been approached by Rio, and we will constructively engage.

Mr Fuge said, “It’s still early days, but we are encouraged that the smelter’s owner recognises the renewable advantages of our electricity system and Contact supports their engagement approach with key local stakeholders.”

The Southern Green Hydrogen project is also progressing well with two Australian companies, Woodside Energy and Fortescue Future Industries, entering the final stage of negotiations to become lead developer. The two companies will provide more detailed proposals to the joint Contact and Meridian Energy (Meridian MEL:NZ) project team by the end of September.

Renewable development

Contact has announced today it will be building a new 51.4MW geothermal power station adjacent to its existing Te Huka power station.

Te Huka Unit 3 is the latest investment commitment into Contact’s world-class geothermal development pipeline after Tauhara. Once both stations are operational, they will produce clean, low carbon, renewable electricity that operates 24/7 and is not reliant on the weather. This combined investment will increase Contact’s renewable electricity generation by 25 percent from what is produced today and increase New Zealand’s total renewable electricity supply by over 5 percent on average per year.

Earlier in the year, Contact announced an upgrade to the Tauhara power station’s expected capacity by 11 percent, from 152MW to 168MW following the outstanding results from the drilling campaign. It is expected to be completed in the second half of 2023.

“While COVID-19 has had an impact on the project’s progress and cost, we continue to assess all options to deliver more output and reinforce returns. Once completed, Tauhara will be a world-class renewable development that will be a foundation for New Zealand’s increased renewable electricity needs over the next decade,” Mr Fuge said.

As part of Contact’s exclusive relationship with wind generation experts Roaring40s, it has secured land access rights to potentially develop wind projects across the country. Contact

has also entered a joint-venture partnership with global solar developer Lightsource bp to collaborate on a series of grid-scale solar generation projects.

Contact has also completed the economic assessment of a 100MW battery energy storage system investment. Mr Fuge said while current battery commodity costs make the project economically challenging, the project has been progressed and is ready for development when conditions allow.

Decarbonising our portfolio

Contact has signed an electricity 'swaption' contract with Meridian Energy for 2023 and 2024 as part of its strategy to lower New Zealand's carbon emissions. Mr Fuge said Contact has been saying for some time that the role of thermal assets will change from running baseload to providing risk management support; backed by fixed insurance-style payments.

"Contracts like this one show the merits of Thermal Co – an industry-wide entity that could provide the risk management support the market needs, at the lowest cost with the lowest carbon emissions while new renewable generation is built." This arrangement with Meridian demonstrates the efficiency of the market and will reduce the use of coal.

Contact also announced that its 44MW Te Rapa power station will close in June 2023. The closure of this station will ultimately reduce Contact's scope 1 and 2 greenhouse gas emissions by ~20 percent per annum or 200 000 tons per annum - the equivalent of taking 44,000 vehicles off the road.

"The closure of the Te Rapa power station is aligned with Contact's strategy to decarbonise New Zealand and demonstrates that we don't just talk about decarbonisation, we deliver on our commitments by decarbonising the assets in our portfolio," said Mr Fuge. "We remain focused on growing our development portfolio to help meet demand for renewable electricity from thermal plant closures in the near-term or new customers over the longer-term."

Retail

Mr Fuge said Contact's retail business has continued to grow strongly over FY22. "We have seen total connections increase by 51,000 across electricity, gas and broadband and we successfully launched our new Good Nights plan which has proven popular with customers who are keen to have three hours of free power every night from 9pm.

"As part of our commitment to build a better future for Aotearoa, we launched our 'Fourth Trimester' initiative. So far, we have given more than 1,000 Kiwi families with newborn babies a small but powerful gift of three months free power.

Outlook

Looking ahead to the next year, 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."

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MORE INFORMATION

1/ Enquiries

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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 15 August 2022.

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>

