



# King Country Trust

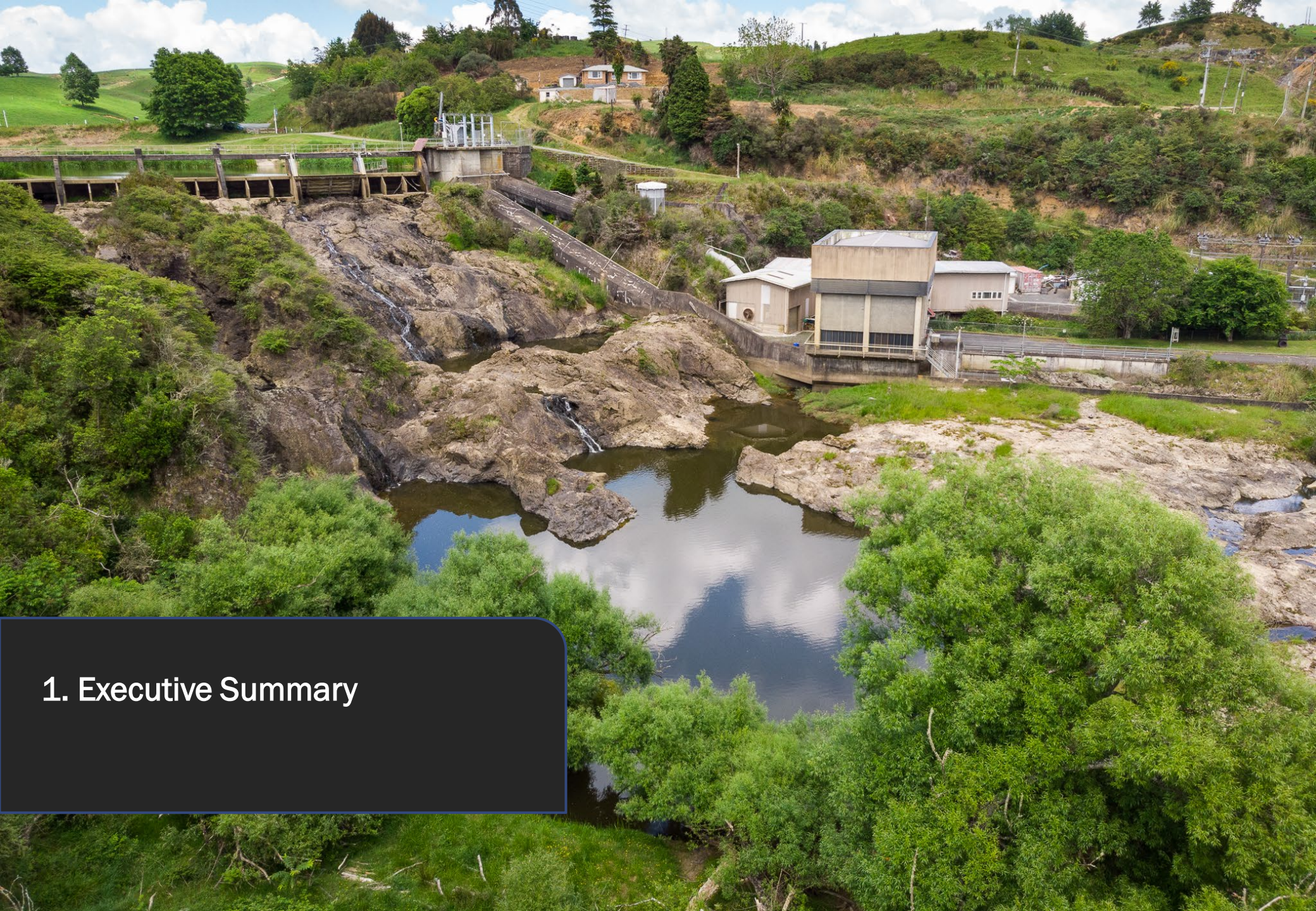
## Special Ownership Review of King Country Energy

January 2026

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## 1. Executive Summary



## Executive Summary – Background

Contact Energy has made an offer to acquire KCT's 25% interest in KCE. The Trustees have initiated a Special Ownership Review to inform their decision as to whether to accept or reject Contact's offer.

### Background

King Country Trust ("KCT" or the "Trust") is an energy consumer trust which owns assets with a market value of approximately \$75m. The Trust serves approximately 10,300 beneficiaries who are connected to the lines network within the legacy King Country Electric Power Board supply area ("Beneficiaries"). KCT's mission is to provide regular distributions to its Beneficiaries while maintaining and growing its capital base to enhance future distribution potential.

The Trust's primary asset is a 25% shareholding in King Country Energy Limited ("KCE"). The remaining 75% of KCE is owned by NZX-listed Contact Energy Limited ("Contact") following its acquisition of Manawa Energy's generation business. In addition to its shareholding in KCE, KCT holds a diversified portfolio of Australasian and international equities managed by Fisher Funds, Milford and Salt Funds as well as a growing allocation to private equity through Continuity Capital. These investments sit alongside the KCE shareholding as part of the Trust Fund and support the Trust's long-term distribution objectives.

On 21 November 2025, Contact made a non-binding indicative offer to acquire the Trust's 25% interest in KCE for total consideration of \$47m. Consideration for the acquisition will be paid via the issue of Contact shares to KCT (the "Transaction").

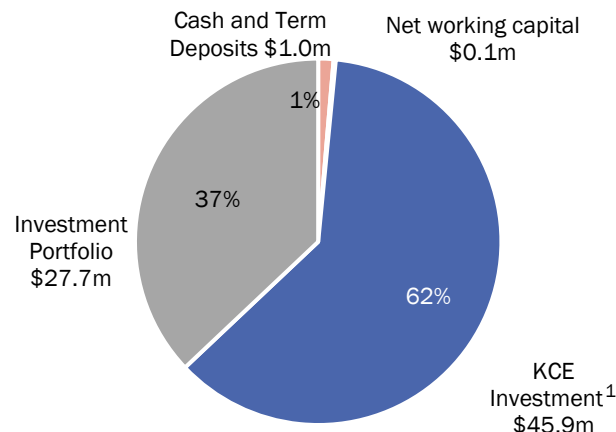
Triggered by Contact's offer, the Trustees have initiated a Special Ownership Review ("Special Ownership Review") in accordance with the Trust Deed. KCT has engaged Northington Partners Limited ("Northington Partners") to provide advice and prepare a report to support the Trustees in carrying out the Special Ownership Review.

### KCT at a Glance

KCT's investments include:

- A 25% shareholding in KCE, the owner and operator of five hydropower stations. Four of these generation assets are located near Taumarunui and the fifth is on the Mangahao River. The estimated market value of the KCT shareholding is \$45.9m<sup>1</sup>.
- Diversified investment portfolio, valued at approximately \$27.7m ("Investment Portfolio").
- Cash and Term deposits of \$1.0m.

Figure 1: KCT Net Assets at Market Value



<sup>1</sup> based on Northington's current valuation, before an allowance for any minority discount

# Executive Summary – KCE Overview and Valuation

Our assessed value for the Trust's 25% shareholding in KCE is \$45.9m before any allowance for a minority discount.

## Overview of KCE

KCE owns four hydropower stations located within the King Country region, and one hydropower station near Shannon. Since 2017, the operation and maintenance of the five power stations has been managed by Manawa Energy (now Contact).

KCE's only revenue source is the sale of electricity generated into the wholesale market. As such, KCE's performance is largely dependent on wholesale electricity prices, hedging execution, generation volumes and management of operating costs.

## Performance of KCE

Operationally, KCE continues to perform well.

The company has experienced, and continues to face, increasing opex and capex spend as the company invests to support seismic strengthening at Mangahao and Kuratau, as well as consenting costs. This increased capex, combined with the dividend policy changes made in 2023, has resulted in lower dividends being paid out to shareholders.

Total shareholder return – a measure of both capital and dividend return – from the Trust's investment in KCE has been towards the lower end of its peers.

## Valuation of KCE

Our equity valuation for KCE is between \$167.2m and \$200.8m, with a mid-point of \$183.8m. This reflects value on a 100% ownership, full control basis.

Contact's \$47m offer lies within our valuation range for KCE when considered on a pro-rata basis (\$41.8m - \$50.2m). Notably, Contact's offer is significantly above our valuation of KCE after incorporating a 20% minority discount to reflect the Trust's non-controlling interest (mid-point of \$36.7m).

**Table 1: Generation Assets**

Plant	Location	Commissioned	Installed Capacity	Mean Annual Output
Kuratau	Omori	1962	6.0 MW	28 GWh
Wairere	Piopio	1925	4.5 MW	17 GWh
Mangahao	Shannon	1924	39.8 MW	131 GWh
Mokauiti	Aria	1963	1.9 MW	7 GWh
Piriaka	Piriaka	1924	1.5 MW	7 GWh
<b>Total</b>			<b>53.7 MW</b>	<b>189 GWh</b>

**Table 2: Annualised TSR for KCE and Listed Peer Group – since March 2021**

	Contact	Genesis	Mercury	Meridian	Manawa	KCE
Capital Gain/(Loss)	7.5%	(5.6%)	5.0%	4.2%	(5.6%)	(2.3%)
Dividend Return	4.7%	5.8%	3.6%	3.5%	5.8%	4.7%
<b>TSR</b>	<b>12.2%</b>	<b>0.3%</b>	<b>8.6%</b>	<b>7.7%</b>	<b>0.3%</b>	<b>1.7%</b>

Source: Northington Partners analysis, Capital IQ and other publicly available information.

**Table 3: KCE EV and Equity Value**

	Low	High	Mid-Point
<b>Enterprise Value (100%)</b>	<b>\$177.1m</b>	<b>\$210.7m</b>	<b>\$193.7m</b>
/less Net Debt	(\$9.9m)	(\$9.9m)	(\$9.9m)
<b>Equity Value (100%)</b>	<b>\$167.2m</b>	<b>\$200.8m</b>	<b>\$183.8m</b>
KCT's Share (24.98%) – excluding minority discount	\$41.8m	\$50.2m	\$45.9m
KCT's Share (24.98%) – after 20% minority discount	\$33.4m	\$40.1m	\$36.7m

## Executive Summary – Transaction Considerations

The Transaction is a cashless exchange of KCE shares for Contact shares, reshaping KCT's exposure from KCE's more concentrated generation profile to an investment in a listed company with a more diversified earnings base.

### Offer Structure

- Total consideration of \$47.0m (subject to standard settlement adjustments including any dividends paid by KCE prior to settlement).
- 100% paid in new Contact Energy ("CEN") shares.
- CEN share price determined by 5-day Value Weighted Average Price ("VWAP") prior to completion (currently ~\$9.28 per CEN share).
- 12-month escrow meaning KCT cannot sell its CEN shares until after the escrow period has expired (March 2027).

### Divestment Considerations

- KCT would retain exposure to KCE through CEN which will own 100% of KCE as well as CEN's broader portfolio.
- KCT will continue to have a large proportion of its capital invested in one company which may experience price volatility. However, this concentration risk is arguably better than KCT's existing exposure to KCE because owning CEN shares is likely to be less risky than KCE ownership.
- KCT may look to reduce CEN investment at the end of the 12-month escrow period. Selling CEN shares would be a straightforward exercise relative to trying to sell a 24.98% holding in KCE because CEN shares are publicly traded. A partial or full sell down of the CEN shares would allow KCT to rebalance its portfolio over time.

### Portfolio Benefits

If the Offer is accepted, the potential benefits to KCT include:

- The risk-adjusted returns from KCT's investment portfolio should improve. That is, there is unlikely to be any discernible decrease in investment returns vs the status quo (in fact returns from CEN could be higher than KCE) but the portfolio risk would have reduced due to CEN being more diversified and less prone to the specific asset risks faced by KCE.
- Income distributions from CEN are likely to be higher than what could be achieved through retention of KCE. This is partly due to differing dividend policies but also due to performance factors with KCE being more exposed to wholesale electricity prices and dry-year risk in the central-lower North Island.
- While KCT does not benefit from any immediate liquidity (ie. cash) due to the 12-month escrow arrangement, CEN shares are highly liquid and could be sold by KCT in the future for reinvestment into the Investment Portfolio or distributed to Beneficiaries as part of a future ownership review.
- While there is the risk that the value of CEN's shares could decline over the escrow period and up to the point that KCT may wish to divest the shares, the factors impacting CEN's share price are highly likely to also impact the future market value of KCE. That is, we believe that it is highly unlikely that the value of CEN would reduce and KCE would increase over the same time frame.
- There is a potential for lower Trust costs (immediately post Offer or in the future) due to reduced management and governance complexity and by having all capital effectively allocated to managed investments.

# Executive Summary – Ownership Options Review

We have considered the advantages, disadvantages and overall assessment for divesting KCE in line with the four ownership options outlined in the Trust Deed.

## Ownership Options

KCT's Trust Deed provides that under an ownership review, consideration should be given to a range of ownership options for KCT's investment in KCE (as well as a review of all assets of the Trust), including (without limitation) four ownership options specified in the Trust Deed. The review options for the KCE shares along with the relative advantages, disadvantages and overall assessment for each option are provided in the table below. Given that Contact has proactively made the Offer for KCT's shares in KCE (and recognising the pre-emptive rights available to Contact under the KCE Shareholders' Agreement), we believe that the Offer represents the best option available to the Trust.

We have considered whether there are any other ownership options available to the Trust beyond those specified in the Trust Deed. We have concluded that, in the current circumstances and having regard to the Trust Deed and KCE's ownership structure, there are no other realistic or viable ownership options available to the Trust beyond those described below.

Option	Advantages	Disadvantages	Assessment
<b>1 Status Quo</b> No change, with the Trust continuing to own 25% of KCE	<ul style="list-style-type: none"> <li>KCT ownership is an efficient vehicle through which to manage the Beneficiaries' interests in KCE. It provides a level of governance and oversight that may not be available if the shares are sold or distributed to the Beneficiaries.</li> </ul>	<ul style="list-style-type: none"> <li>KCT remains heavily reliant on the energy market, with only its Investment Portfolio providing diversification benefits.</li> </ul>	<ul style="list-style-type: none"> <li>KCE has performed reasonably well but performance is largely reliant on wholesale electricity prices (which were high in FY25), generation levels (weak in FY25 due to hydrology) and asset availability/performance.</li> <li>Opportunities for KCE to grow or add new generation assets to its existing portfolio are limited and would require mutual agreement between KCT and Contact Energy. Given Contact Energy's own generation development opportunities, we consider it unlikely they would prioritise new generation via KCE.</li> <li>While the status quo may be a reasonable option, we consider that the Offer (ie. Option 2 below) represents a better outcome for the Trust.</li> </ul>
<b>2 Sale to Institutional Investors (e.g. Contact Offer)</b> Sell some or all of KCT's KCE shares to institutional investors (ie. as contemplated under the Offer)	<ul style="list-style-type: none"> <li>Increases capital available for KCT to invest in other opportunities, further diversifying the Trust's investment from the energy sector and into more liquid assets.</li> <li>Potentially provides the opportunity to grow Trust funds faster than otherwise available by retaining KCE.</li> </ul>	<ul style="list-style-type: none"> <li>KCT will lose its influence over KCE (including a board seat). However, KCT has limited influence currently and exposure to KCE will be retained through ownership of CEN shares (which will own 100% of KCE).</li> </ul>	<ul style="list-style-type: none"> <li>Given the Offer represents fair value for the KCE shares and the other benefits of exchanging KCE shares for Contact shares, we consider this is the best option available to the Trust.</li> <li>Apart from a sale to Contact, institutional appetite for KCT's KCE shares is likely to be extremely limited due to Contact's pre-emptive rights over the shares. Therefore, the possibility of extracting higher value from a third party is very low.</li> </ul>
<b>3 Distribution</b> The Trust is wound up, with all proceeds distributed to the relevant Beneficiaries	<ul style="list-style-type: none"> <li>Direct benefit to existing Beneficiaries.</li> <li>Enables Beneficiaries to make their own investment decisions.</li> </ul>	<ul style="list-style-type: none"> <li>Favours current Beneficiaries, with future Beneficiaries not benefiting from the distribution of KCT's investments.</li> </ul>	<ul style="list-style-type: none"> <li>Winding up KCT (or distributing the KCE shares in specie) would deliver a short-term benefit to today's Beneficiaries, enabling them to make their own investment decisions. However, this approach may disadvantage both:               <ul style="list-style-type: none"> <li>The local community as capital and returns may be diverted elsewhere; and</li> <li>Future Beneficiaries who would no longer receive distributions.</li> </ul> </li> <li>Given the escrow on the CEN shares under the Offer, this option is not currently viable but could be considered at subsequent ownership reviews.</li> </ul>
<b>4 Sale to the Public</b> Sell some or all of KCT's KCE shares to the public	<ul style="list-style-type: none"> <li>Same advantages as under Option 2</li> </ul>	<ul style="list-style-type: none"> <li>No transparent price for KCE shares or future liquidity, thereby limiting likely demand for the shares.</li> </ul>	<ul style="list-style-type: none"> <li>Not a viable option as Contact has pre-emptive rights over shares sold by KCT and it is highly unlikely Contact would support a sale to the public.</li> </ul>





## 2. Background and Overview



# Background of KCT

The King Country Trust manages the Trust Fund for the benefit of over 10,000 households in the King Country region.

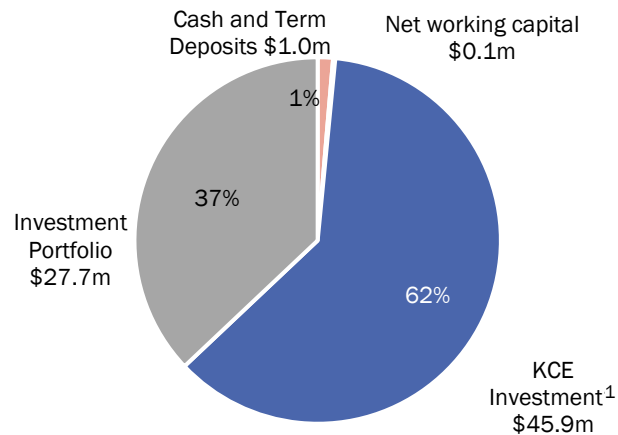
## Overview of KCT

KCT (formerly King Country Electric Power Trust) was established in 1993 as the sole shareholder of King Country Energy Limited. At the time, KCE owned distribution assets as well as generation and retailing assets. In 1998, electricity sector reform required the separation of its lines network operations from the retailing and generation assets. This led to the merger with Waitomo Energy Company and subsequent splitting of the lines network (The Lines Company) and generation / retail operations (KCE).

Ownership of the Trust is attributed to approximately 10,300 Beneficiaries, defined as those households connected to the lines network within the legacy King Country Electric Power Board supply area (i.e. The Lines Company).

KCT's current holdings are valued at approximately \$75m<sup>1</sup>, as summarised below in Figure 2.

Figure 2: KCT Net Assets at Market Value



<sup>1</sup> based on Northington's current valuation, before an allowance for any minority discount.

## Review of the Trust Deed

In May 2024, the High Court approved amendments to the Trust Deed. The amendments include:

- Changes which allow the Trust to continue to benefit its Beneficiaries through management of other investments even if its current shares in KCE are sold.
- new powers for the Trustees to alter the Deed without requiring a prescribed public consultative procedure where the amendment is minor, corrective in nature or necessary to comply with statute or regulation.
- a new definition of “Consumers” to clarify that persons who pay for line services from the Lines Company Limited (Lines Company) but who do not necessarily own the connected premises are Consumers.
- clarifying the powers of Trustees to pay or apply income for the benefit of Consumers indirectly by making a donation or grant to a local charity.
- amendments to the definitions of key dates to change the maximum duration of the Trust.

# Contact Offer and the Special Ownership Review under the Trust Deed

The Trustees have initiated a Special Ownership Review to inform their decision as to whether to accept or reject Contact's offer.

## Contact's Offer

Contact's non-binding indicative offer is to acquire KCT's 24.98% shareholding in KCE for total consideration of \$47m, with consideration based on the issue of new Contact shares to the Trust.

The newly issued shares will be listed on the NZX and ASX but will be subject to a 12-month escrow for the purposes of compliance with securities law requirements. Under the terms of the escrow agreement, the Contact shares would be issued to the Trust with full voting rights and entitlement to dividends, but the Trust would commit to not sell those shares for a 12-month period.

The offer price is subject to adjustment to reflect the amount of any dividend payable by KCE to the Trust between the offer date and the transaction completion date.

## Requirements of the Trust Deed

The Trust Deed provides that the Trustees may, at their discretion, requisition a special ownership review at any time they consider such a review to be warranted. Under such a review, the Trustees are required to prepare a report which evaluates the proposals and ownership options available to the Trust. This report must address the specific matters set out in clause 4.2(a)-(g) of the Trust Deed.

The Trustees have initiated a Special Ownership Review to inform their decision as to whether to accept or reject Contact's offer. The Trustees have engaged Northington Partners Limited to prepare a report and provide advice to support the Trustees in carrying out the Special Ownership Review.

## The Special Ownership Review

Reflecting both the requirements of the Trust Deed and the Trustees' objectives, the Special Ownership Review will cover the following considerations:


Clauses 4.2(a)-(c):

- i. an analysis of the performance of the Trust to the date of the Ownership Review, together with a discussion of the advantages and disadvantages of trust ownership.
- ii. an analysis of alternative ownership options considered including without limitation, a share distribution to Beneficiaries, sale of shares to an institutional investor or to the public, or retention of all or part of the Trust Fund.
- iii. comparison of KCE's performance with similar generation businesses around New Zealand.

Transaction specific:

- iv. An independent valuation of the Trust's 25% shareholding in KCE, including consideration of standalone fair market value and the potential discount for a minority interest.
- v. an assessment of the merits of Contact's offer, including whether the proposed consideration represents fair market value.
- vi. an evaluation of the offer structure, including the dividend adjustment mechanisms and the cashless nature of the Transaction.
- vii. assessment of the immediate and medium-term impacts of the Transaction, including liquidity and market risks of holding Contact shares for at least 12 months. This will include a profile of Contact and discussion of how that investment compares to the existing investment in KCE.



A wide-angle landscape photograph showing a river winding through a lush green valley. The river is surrounded by dense forests and green hills. The sky is blue with scattered white clouds. In the foreground, there are rolling green hills with some trees. The overall scene is a beautiful natural landscape.

### 3. Overview and Performance Review of KCE

# Overview of KCE

KCE is the owner of five hydropower stations in the King Country region, four located near Taumarunui and the fifth on the Mangahao River.

## Overview of KCE

KCE is the owner of five hydropower power stations, all of which are operated under contract by Contact.

- Originally formed in 1991, KCE entered into a joint venture with Todd Mangahao Ltd in 1997 to purchase the Mangahao hydro generation assets near Shannon from the government.
- In 1998, the Electricity Reform Act required the separation of electricity lines network operations from retail and generation activities. As part of this process, KCE and Waitomo Energy Company merged and subsequently demerged, with the lines network transferred to The Lines Company and the retail and generation activities retained within KCE.
- In 2012, KCE bought out Todd Energy's shareholding in the Mangahao joint venture, becoming the sole owner of the Mangahao generation asset.
- In 2015, Trustpower acquired Todd Energy's 54.1% shareholding in KCE, together with additional shares, becoming the majority shareholder of KCE.
- In March 2018, Trustpower and KCT made a joint takeover for KCE. Trustpower successfully purchased all minority shares for \$18.8m bringing their shareholding to 80%. In April 2018, KCE was delisted from the USX.
- In July 2018, KCE sold its retail book to Trustpower for \$15m. As a result, KCE now operates as a standalone generator. In the same process, KCT purchased ~5% of KCE from Trustpower for \$6.3m. This resulted in Trustpower's ownership of KCE decreasing from 80% to ~75%, with KCT's shareholding of KCE increasing by 5% to ~25%.
- In 2022, Trustpower sold its retail business to Mercury and rebranded the remaining generation business as Manawa Energy.
- In July 2025, Contact acquired Manawa Energy. As a result, the former Trustpower/Manawa 75% interest is now held by Contact.

Table 4: KCE Ownership Breakdown

Shareholder	Number of Shares	%
<b>Contact</b> (via King Country Energy Holdings Limited)	16,627,471	75.02%
<b>King Country Trust</b>	5,536,581	24.98%



# Generation Operations

KCE's performance is reliant on the wholesale electricity market environment and the company's hedging position.

## General Operations

KCE owns four hydropower stations located within the King Country region and one hydropower station near Shannon. Since 2017, the operation and maintenance of the five power stations has been managed by Manawa Energy (now Contact).

KCE's only revenue source is the sale of electricity generated into the wholesale market. As such, KCE's performance is largely dependent on wholesale electricity prices, hedging execution, generation volumes and its management of operating costs.

**Table 5: Generation Assets**

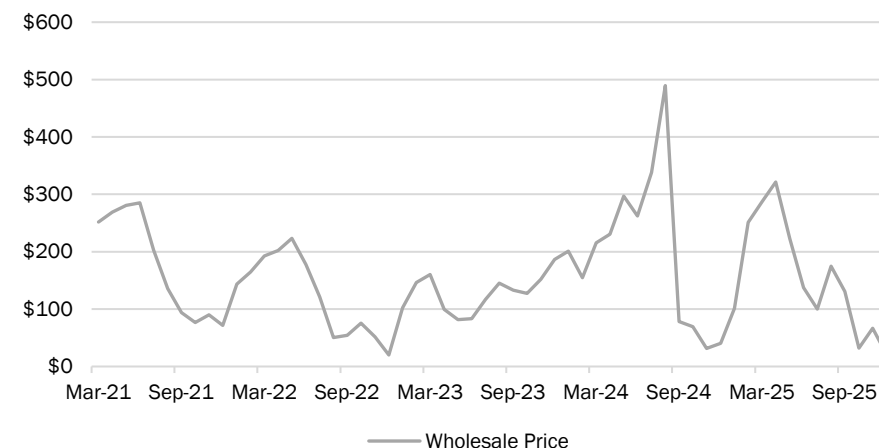
Plant	Location	Commissioned	Install Capacity	Mean Annual Output
Kuratau	Omori	1962	6.0 MW	28 GWh
Wairere	Piopio	1925	4.5 MW	17 GWh
Mangahao	Shannon	1924	39.8 MW	131 GWh
Mokauiti	Aria	1963	1.9 MW	7 GWh
Piriaka	Piriaka	1924	1.5 MW	7 GWh
<b>Total</b>			<b>53.7 MW</b>	<b>189 GWh</b>

FY25 generation volume was 150GWh against a budget of 182GWh. This was the second worst result in the past 25 years. The financial impact of the low volumes was mitigated by significantly elevated electricity prices.

## Wholesale Prices

KCE manages electricity price risk by entering into financial contracts (hedges) which effectively provide the company with a fixed price. The general strategy is to hedge two thirds of the year ahead volume. Hedges are contracted forward (months and years ahead) and this approach results in an average hedge price that lags and smooths the underlying market price volatility.

**Figure 3: Weekly Average Wholesale Spot Price (Otago - \$/MWh)**



From 2021 through 2025, the New Zealand electricity market continued to experience significant volatility in wholesale spot prices, driven primarily by hydrological conditions, thermal fuel availability and periods of heightened winter demand. As illustrated in Figure 3, prices were elevated in the winter of 2021, before easing through 2022 and the first half of 2023. This period also included renewed scarcity events, most notably in 2024 and early 2025 when low hydro storage, limited gas availability and low wind conditions contributed to sharp spikes in spot prices.

Figure 3 illustrates that wholesale electricity prices can vary materially from month to month, with prices ranging from relatively low levels during periods of strong renewable supply to extreme peaks during scarcity events. Because generation volumes are also variable, it is prudent to hedge less than 100% of forecast generation volume. This mix of hedged and unhedged volumes leaves KCE's generation volume and revenue only partly dependent on market prices. In effect, much of the annual revenue is locked in with only a portion of generation being sold at the volatile spot prices.

# Financial Performance

A summary of KCE's financial performance during the Review Period is set out below.

Financial Year Ending 31 March NZD '000's unless otherwise stated	FY21	FY22	FY23	FY24	FY25
Generation Revenue*	19,630	20,508	21,104	22,754	24,374
Other Income	2,080	2,181	1,828	520	514
<b>Total Revenue</b>	<b>21,710</b>	<b>22,689</b>	<b>22,932</b>	<b>23,274</b>	<b>24,888</b>
Cost of Sales and General Operating Expenses	(6,670)	(6,788)	(7,419)	(9,183)	(9,264)
<b>EBITDAF</b>	<b>15,040</b>	<b>15,901</b>	<b>15,513</b>	<b>14,091</b>	<b>15,624</b>
Electricity Derivatives Movement	(29,865)	2,271	12,239	(2,040)	(4,566)
Interest Rate Derivative Movement	352	1,173	357	(337)	(502)
Depreciation	(3,655)	(3,794)	(3,755)	(4,043)	(3,994)
<b>EBIT</b>	<b>(18,128)</b>	<b>15,551</b>	<b>24,354</b>	<b>7,671</b>	<b>6,562</b>
Interest Expense	(916)	(1,064)	(1,383)	(1,250)	(933)
Tax Expense	5,488	(4,052)	(6,960)	(3,358)	(1,387)
<b>NPAT</b>	<b>(13,556)</b>	<b>10,435</b>	<b>16,011</b>	<b>3,063</b>	<b>4,242</b>
<b>Dividends Declared</b>	<b>12,500</b>	<b>13,500</b>	<b>4,300</b>	<b>5,751</b>	<b>6,547</b>
<b>Key Metrics</b>					
Generation Volume (GWh)	173 GWh	175 GWh	186 GWh	175 GWh	150 GWh
EBITDAF Margin	69%	70%	68%	61%	63%
EBIT / Interest Coverage	(19.8x)	14.6x	17.6x	6.1x	7.0x
Dividends / Net Profit	(92%)	129%	27%	188%	154%

\* net of hedge settlements



## Financial Performance (continued)

KCE's financial performance over the Review Period has been driven by increased wholesale electricity prices. EBITDAF has been maintained at approximately \$15m.

### Generation Revenue

As shown in Figure 4, generation revenue (net of hedging) increased modestly from FY21 to FY24 driven by increasing market prices. Market pricing was significantly elevated in FY25 but generation volumes were far below average meaning KCE did not benefit as much as it could have.

Generation Revenue reported is net of hedge revenue / expense, which reflects the net settlement on hedges (as distinct from the movement in fair value). Well executed hedging should offset variances in generation revenue (and cash). This can be seen in FY21 to FY24. Effective hedging has ensured net generation revenue of circa \$21m despite variances in electricity prices.

### Cost of Sales and General Operating Expenses

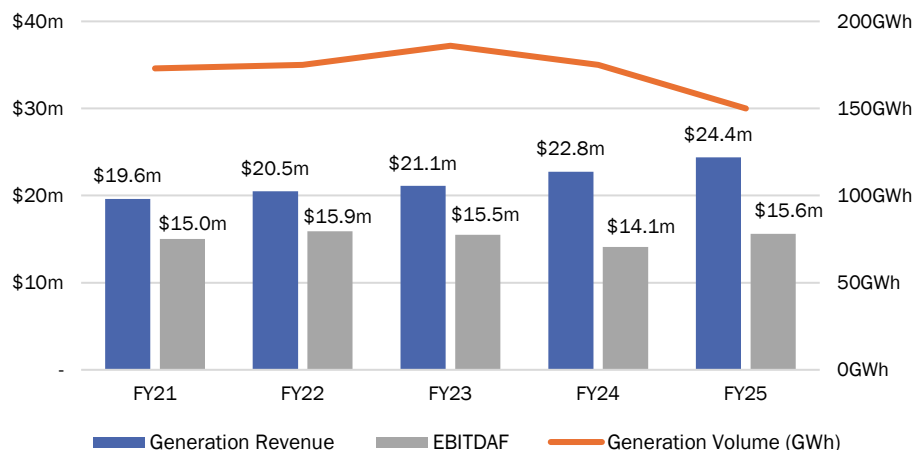
Cost of sales have increased through the review period as a result of increasing operational expenditure. This has increased from \$4.2m in FY21 to \$7.5m in FY25. KCE is facing increased expenditure associated with reconsenting, dam safety spend to meet deficiency targets and targeted spend on aging asset components

### EBITDAF

Figure 4 also shows EBITDAF performance since FY21, which has been relatively stable in a range between \$14m - \$16m.

In the long-term it will be difficult for KCE to materially grow earnings in the absence of new generation projects or continued wholesale price increases.

Figure 4: KCE EBITDAF Performance



Source: KCE financial statements and annual reports.

# Financial Hedging

The adopted hedging policy plays an important role in the financial performance of KCE's generation operations. While hedging limits KCE's ability to fully benefit from high wholesale prices (as experienced in FY25), it provides a critical risk mitigant tool.

## Fair Value of Derivatives and Movement in Fair Value

As a standalone generator, KCE's revenue and earnings would ordinarily be exposed to wholesale market prices. The company therefore enters into a range of hedging arrangements in order to reduce the volatility of revenue and earnings.

A hedge is a financial contract between two parties, either traded on an exchange or transacted as a bespoke "over-the-counter" contract between two parties. The contract will specify a future time period over which the hedge applies (the settlement period) – typically one month or one quarter. One party agrees to pay a fixed price per MWh and receive the floating market price (buyer), the other party pays the floating market price and receives a fixed price (seller). This arrangement transfers risk between the two parties. Typically, an independent retailer will buy hedges and an independent generator (such as KCE) will sell hedges.

These hedges are effective at managing earnings and cash flow risk in the settlement period. For example, if market prices decrease, KCE as a generator will have decreased earnings from electricity sales at spot prices, but this will be offset by settlement of the hedge in favor of KCE (the floating price is less than fixed price).

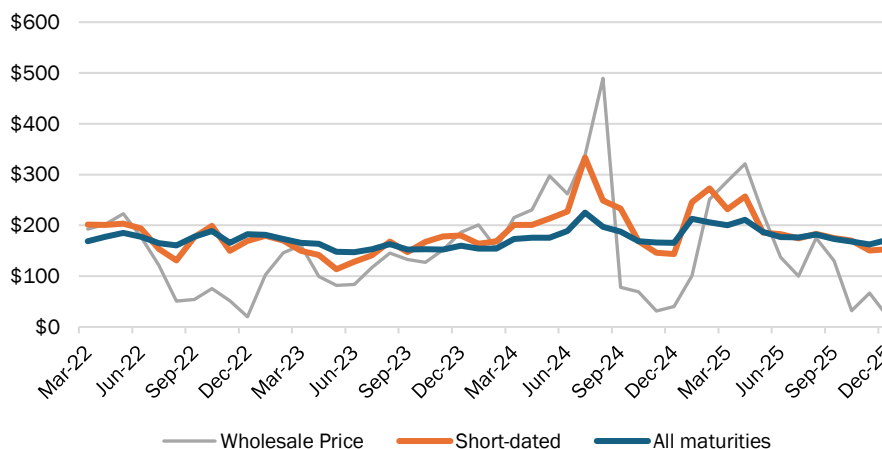
Prior to the settlement period, the hedge is held on the balance sheet at fair value. Fair value is determined by forecasting the market price (or using observed futures pricing) for the settlement period – as the forecast price moves up or down the fair value of the hedge will change. Any movement in the fair value of the hedge is recognized in profit & loss below EBITDAF. Movement in fair value does not impact cash flow (except through any margin requirements). As a seller of hedges, KCE's hedges increase in value as the forecast price decreases.

## Performance and Impacts

Figure 5 shows the trend in average futures prices for all (and short-dated) settlement periods since 2021 – these prices represent the market's forecast of future prices at any point in time. Although wholesale electricity prices have been volatile (between ~\$5 - \$500/MWh), forward contract prices (for all maturities) have been more stable, albeit the variability has been more elevated since early 2024.

The impact of this movement on the fair value of hedges is clearly shown in KCE's P&L and balance sheet.

Figure 5: Futures pricing (Otago - \$/MWh)



Source: Electricity Authority (EMI)

KCE previously executed most of its hedging on the ASX (via Jarden). ASX futures trading requires initial margin to be posted to cover credit risk. As the value of hedges decline, margin calls are made to ensure there is sufficient collateral to cover the negative balance in addition to the initial margin required. This margin posted is reflected in the Jarden Funds current asset shown in the balance sheet. Posting margin increases borrowings / decreases capital that could be productively deployed elsewhere in the business.

An alternative to futures trades made on the ASX is over-the-counter ("OTC") trades with a willing counterparty. OTC trades typically require little or no collateral and as such may appear to present a cheaper hedging solution. KCE now conducts all hedging OTC.



# Financial Position

A summary of KCE's Financial position during the Review Period is set out below.

Financial Year Ending 31 March NZD '000's unless otherwise stated	FY21	FY22	FY23	FY24	FY25
Cash and Cash Equivalents	26	359	27	47	109
Jarden Funds	15,081	10,998	4,744	1,153	0
Fair Value Hedges	0	72	1,398	207	138
Other current assets	2,622	2,699	4,344	2,525	3,037
<b>Current Assets</b>	<b>17,729</b>	<b>14,128</b>	<b>10,513</b>	<b>3,932</b>	<b>3,284</b>
Property, Plant and Equipment	149,008	145,607	161,782	160,514	170,697
<b>Non Current Assets</b>	<b>149,008</b>	<b>145,607</b>	<b>161,782</b>	<b>160,514</b>	<b>170,697</b>
<b>Total Assets</b>	<b>166,737</b>	<b>160,616</b>	<b>172,924</b>	<b>164,880</b>	<b>174,039</b>
Payables and Accruals	1,362	1,432	1,490	1,157	2,623
Fair Value Hedges	15,785	10,644	3,407	6,326	9,175
Other Current Liabilities	1,401	590	3,016	2,361	2,300
<b>Current Liabilities</b>	<b>18,548</b>	<b>12,666</b>	<b>7,913</b>	<b>9,844</b>	<b>14,098</b>
Borrowings	32,368	35,900	23,050	16,950	15,850
Fair Value Hedges	11,859	8,513	4,228	2,301	4,074
Deferred Tax	17,874	20,513	29,136	29,876	30,464
<b>Non-Current Liabilities</b>	<b>62,101</b>	<b>64,926</b>	<b>56,414</b>	<b>49,127</b>	<b>50,388</b>
<b>Total Liabilities</b>	<b>80,649</b>	<b>77,592</b>	<b>64,327</b>	<b>58,971</b>	<b>64,486</b>
<b>Equity</b>	<b>86,088</b>	<b>83,024</b>	<b>108,597</b>	<b>105,909</b>	<b>109,553</b>
<b>Financial Ratios</b>					
Current ratio	0.96	1.12	1.33	0.40	0.23
Debt / Equity	0.38	0.43	0.21	0.16	0.14
Assets / Equity	1.94	1.93	1.59	1.56	1.59
Asset turnover	0.15	0.16	0.14	0.14	0.15

# Financial Position and Dividends

Material items in KCE's financial position during the Review Period are discussed below.

## Jarden Funds

KCE previously conducted ASX hedging through Jarden, which required margin to be posted. KCE no longer hedges with ASX futures and no margin is therefore reflected in FY25.

## Fair Value Hedges (current and non-current)

This includes all financial hedge instruments, but it is primarily made up of interest rate swaps and electricity derivatives.

Electricity derivatives are accounted for on an aggregate basis. The net current position is a \$13.1m liability due to significant upward price movement for settlement periods within 12 months.

The hedge instrument liability decreased over the period. This reflects the maturity of previously high-value hedge positions that arose from significant historical price movements, together with more subdued price movements on newly entered hedges.

## Property Plant and Equipment

No generation plants were purchased or sold by KCE during the Review Period.

The value of assets has increased since FY22 due to increased capital expenditure required to maintain the income earning life of the generation assets.

## Dividends

KCE changed its dividend policy in 2023 from a policy based around maintaining debt at a certain level (excluding that required to fund margin calls), to a distribution policy based on "free cash flow". While this resulted in a material drop in dividends, the revised policy ensures that dividends are sustainable and is more consistent with KCE's peers (including Contact which has a dividend policy to pay out 80 - 100% of average operating free cash flow over four years).

## Capex

Capex has increased over the last three years, from less than \$1m per annum in FY21 and FY22, to \$5.8m in FY25. This increase is due to consenting costs, Mangahao No.2 bypass costs, and other major projects. KCE's medium-term capex outlook is increasing further yet, as the company invests to support seismic strengthening at Mangahao and Kuratau, as well as further consenting costs. Total budgeted capex over the next five years exceeds \$30m, and approaches \$9m per annum by FY30. This level of capex may impact on future dividend levels.

## Borrowing

Borrowings decreased over the review period. As hedge liabilities reduced and hedging activity ceased to be conducted through the ASX, borrowings previously used to fund margin accounts declined from approximately \$15 million to nil. In addition, changes to the dividend policy in 2023 enabled a greater proportion of cash flow to be directed toward debt repayment rather than being distributed to shareholders.

## Equity

Equity decreased in FY22, primarily due to the elevated dividend payout in that year. Since FY22, equity has increased in line with stable positive operating performance, more moderate dividend distributions, and favourable fair value movements on hedge instruments, particularly in FY23.



## Comparable Performance – Dividend Yield

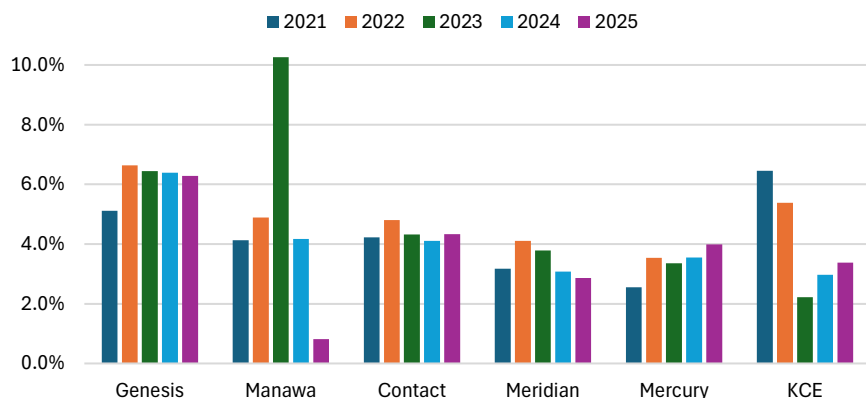
We have benchmarked KCE against listed energy companies and other asset classes on a dividend yield basis. The change in KCE's dividend policy in 2023 resulted in a significant decline in dividend payout to levels more in line with its key peers.

### Dividend Yield

In order to assess KCE's relative financial performance, we have focused on dividend yield and total shareholder returns ("TSR"). Both of these measures are based on our assessment of KCE's market value (discussed in Section 4).

As illustrated in Figure 6, KCE's dividend yield exceeded most of its peers in FY21 and FY22 but has lagged behind its peers since. This underperformance can be explained by the changes to the dividend policy (resulting in debt being repaid) and the requirement to invest in maintenance and refurbishment of generation assets.

Figure 6: Comparable Company Dividend Yield



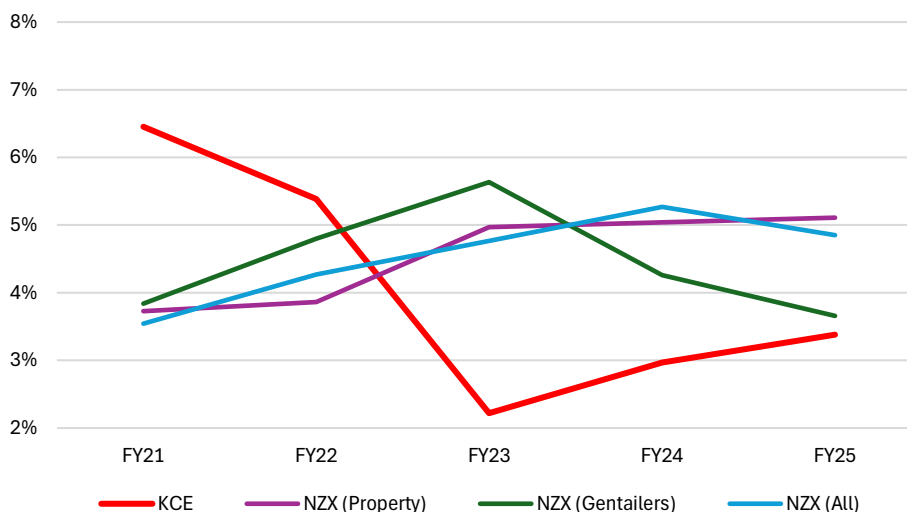
Source: Northington Partners analysis, Capital IQ and other publicly available information

### Other Industries

As KCE is the main source of income for KCT, we have also compared its income returns to other defensive asset classes such as property and the broader NZX (Figure 7). KCE distributed a total dividend of \$40m over the Review Period.

Dividend yields on other asset classes have recovered since the Covid-19 pandemic. In contrast to this, KCE's dividend yield has fallen due to the dividend policy changes and asset maintenance program. The dividend yield from KCE is now less than those from other asset classes.

Figure 7: Listed Equity Dividend Yields



## Comparable Performance – Total Shareholder Returns

KCE's performance on a Total Shareholder Return basis is towards the lower end of its peers. This reflects a modest decline in assessed value since FY21 and the reduction in dividends since 2023.

### Total Shareholder Return

TSR is a common measure of performance which reflects the total returns from an investment, taking account of both dividends and any change in the value of the business. This approach therefore incorporates the return to shareholders created through the repayment of debt and any investment in additional assets.

Because a market price for KCE shares is not available, we have relied on our prior valuation to determine the opening value at the beginning of the period<sup>1</sup> and our current valuation (see Section 4) to calculate the change in value over the Review Period.

The data summarised in Table 6 demonstrate that KCE's TSR performance is towards the lower end of its peers.

- The comparable companies generally experienced share price declines due to broader equity market conditions, generally reflecting a reduction in the EV / EBITDA multiples over the period.
- Despite reasonable dividend returns through the period, KCE's TSR was significantly impacted by the assessed decrease in equity value. This reduction was driven by reductions in the EV / EBITDA multiple across the sector. KCE's equity value decline was partly mitigated by a modest increase in normalised earnings and a reduction in borrowings.

<sup>1</sup>: Based on our 2022 valuation of KCE as at 31 March 2021, which assessed an enterprise value of \$224m and an equity value of \$207m (after net debt of \$17m). This was based on a 14.9x EV/EBITDA multiple.

**Table 6: Annualised TSR for KCE and Listed Peer Group – since March 2021**

	Contact	Genesis	Mercury	Meridian	Manawa	KCE
Capital Gain/(Loss)	7.5%	(5.6%)	5.0%	4.2%	(5.6%)	(2.3%)
Dividend Return	4.7%	5.8%	3.6%	3.5%	5.8%	4.7%
<b>TSR</b>	<b>12.2%</b>	<b>0.3%</b>	<b>8.6%</b>	<b>7.7%</b>	<b>0.3%</b>	<b>1.7%</b>

Source: Northington Partners analysis, Capital IQ and other publicly available information.



## Summary of KCE Performance and Outlook

On the basis of our analysis and benchmarking exercise, we conclude:

- Operationally, KCE continues to perform well.
- KCE's financial performance is clearly subject to generation volumes and wholesale electricity prices.
- KCE is facing increased operational and capital expenditure requirements.
- This increased cost, combined with the dividend policy changes, has resulted in lower dividends being paid.
- Lower dividends and reductions in the EV /EBITDA multiple across the sector has resulted in returns to KCE (as measured by TSR) being towards the lower end of its peers.
- There is limited ability for the company to grow earnings beyond that driven by electricity prices. Opportunities for KCE to grow or add new generation assets to its existing portfolio are limited and would require mutual agreement between KCT and Contact Energy. Given Contact Energy's own generation development opportunities, we consider it unlikely it would prioritise new generation assets via KCE.



## 4. Valuation of KCE

# Key Valuation Assumptions

Our valuation assessment is based on the valuation framework and assumptions set out below.

Assumption	Description
<b>Model Structure</b>	Our valuation is primarily based on a Discounted Cash Flow (“DCF”) model. The model uses nominal post-tax free cash flows to the business for a 20-year projection period, discounted at an appropriate WACC estimate as discussed below.
<b>Basis for Cash Flow Projections</b>	KCE prepares budgets and forecasts for the business. We have reviewed those projections and made limited adjustments where necessary
<b>Valuation Date</b>	The effective valuation date is 31 March 2026 – reflecting KCE’s financial year end and the likely timetable for the Transaction.
<b>Discount Rate (WACC)</b>	<p>Our estimate is based on the standard WACC model for the New Zealand market, with key model inputs based on data derived from comparable listed companies. We have also applied a number of adjustments to account for KCE’s relative size and lack of liquidity.</p> <p>The resulting WACC estimate is 8.3%, expressed on a post-tax nominal basis. A range of 7.8% - 8.8% was used for our analysis.</p>
<b>Terminal Value Calculation &amp; Growth</b>	We have included a terminal value to represent an expected asset life beyond the 20-year period which has been explicitly modelled. We have assumed 2% earnings growth beyond 2045, in line with our long-term inflation assumption.
<b>General Inflation Rates</b>	We assume an inflation rate of 2.00% p.a. over the life of the project.
<b>Electricity Generation (Production)</b>	Assumed annual average production of ~190GWh, based on the Company’s projection for FY27 and beyond.
<b>Net debt</b>	<p>We have forecast KCE’s balance sheet position at 31 March 2026 using the October 2025 balance sheet position and the latest forecast P&amp;L.</p> <p>We have assumed that no dividend (and associated increase in borrowing) is paid between November 2025 and March 2026. This approach reflects the dividend adjustment clause in Contact’s offer.</p>
<b>Forecast Electricity Prices</b>	<p>Based on the following sources:</p> <ul style="list-style-type: none"> <li>▪ Hedge prices and volumes based on contracts in place.</li> <li>▪ Unhedged price for FY27 &amp; FY28 based on KCE’s forecast price received.</li> <li>▪ For FY29 and beyond, the revenue projections are based on the average price path for the Otahuhu GXP with appropriate location and GWAP factors applied. This price path was prepared by Energy Link as of January 2026.</li> </ul>
<b>Capital Works</b>	<p>KCE has provided a 10-year capital expenditure forecast for all sites, covering the period from FY26 to FY35.</p> <p>This forecast is significantly higher than historical capex levels – driven by seismic strengthening and consenting costs –and appears to omit some capex spend in the latter years.</p> <p>For our analysis, we have adopted KCE’s forecast for the years FY25 to FY32. From FY33 onwards, we have assumed a long-term capex of \$3.5 million annually (adjusted for inflation), which aligns with the historical average.</p>
<b>Depreciation Rates</b>	Based on average rates from KCE’s budget.



## Assessed Value Range

Our 100% equity valuation of KCE is between \$167.2m and \$200.8m, with a mid-point of \$183.8m.

### Valuation Approach

Our valuation assessment is based on a discounted cash flow basis, using the assumptions set out on the previous page. The effective valuation date is 31 March 2026.

As summarised in Table 7, our assessed enterprise value (“EV”) for KCE is between \$177.1m and \$210.7m, with a mid-point of \$193.7m.

### Equity Valuation

The equity value of KCE is determined by adjusting the EV for the current level of term debt, with adjustments for any surplus assets or cash.

The 31 March 2026 valuation requires us to forecast the balance sheet position – calculated from the October 2025 balance sheet position and the business forecast for the remainder of FY26. Critically, this approach assumes that no dividends are paid (consistent with Contact’s offer). This forecast results in an estimated net debt of \$9.9m.

KCE reports an unclaimed dividend liability of \$745k on its balance sheet. This is a historic liability which is unlikely to ever be claimed. As such, we have not adjusted the equity value to account for this liability.

Our equity valuation for KCE is between \$167.2m and \$200.8m, with a mid-point of \$183.8m. This reflects value on a 100% control basis. Before any allowance for a minority discount, our mid-point assessment implies a \$45.9m valuation for KCT’s 24.98% shareholding.

Table 7: KCE EV and Equity Value

	Low	High	Mid-Point
Enterprise Value (100%)	\$177.1m	\$210.7m	\$193.7m
net debt	(\$9.9m)	(\$9.9m)	(\$9.9m)
Equity Value (100%)	\$167.2m	\$200.8m	\$183.8m
KCT’s (24.98%) equity	\$41.8m	\$50.2m	\$45.9m

# Benchmark Assessment of KCE

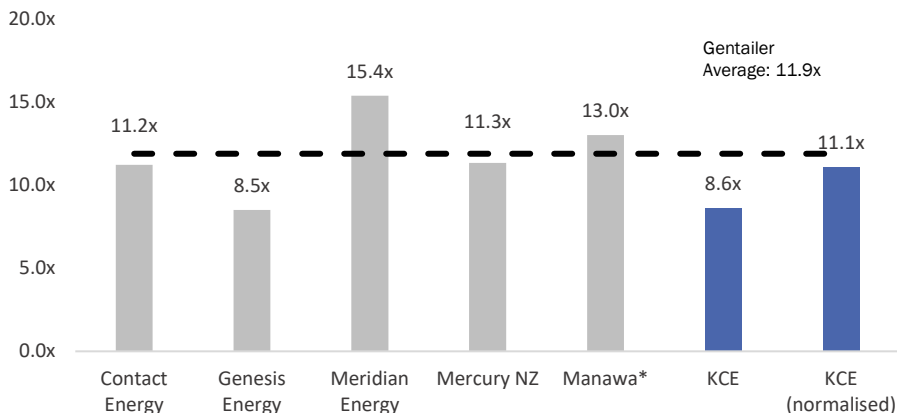
The earnings multiples implied by our valuation range are broadly consistent with comparable company evidence.

## Benchmarking of Valuation Range

We have benchmarked our valuation range for KCE using forward EBITDAF multiples for a small number of comparable companies:

- As a renewable energy generator with no retail presence, KCE has few direct comparables with publicly available data.
- We suggest that the most meaningful market data for benchmarking purposes is drawn from firms operating in the renewable energy generation industry, with the primary comparables being NZX listed companies Mercury NZ, Manawa, Contact Energy, Genesis Energy, and Meridian Energy.
- In September 2024, Contact Energy issued a proposal to acquire 100% of the shares of Manawa Energy. The market price of Manawa shares increased by 33% as a result of the takeover offer. Figure 8 shows the implied forward multiple on a normalised EBITDAF basis.

**Figure 8: Forward EV / EBITDAF Multiples for KCE and Comparable Companies**



Source: Capital IQ as at 12 Jan 2026.

EV = Current Market Cap + Net Debt

\*Manawa multiple reflects the post-offer EV and normalised earnings.

With regard to the benchmark information summarised in Figure 8 we note:

- The earnings of KCE and comparable companies are highly sensitive to electricity prices. Forward EV/EBITDAF multiples reflect both forecast electricity price assumptions and the sensitivity of each company's earnings to these prices.
- A well-hedged or vertically integrated gentailer typically has lower earnings sensitivity to electricity price fluctuations. In contrast, a merchant generator like KCE, with a significant proportion of its generation exposed to market prices, exhibits higher earnings sensitivity.
- Forecast electricity prices, as indicated by the ASX futures, are currently elevated compared both to historical levels and medium-term forecasts. KCE, with 50% and 18% of its forecast FY27 and FY28 generation hedged respectively, has elevated earnings forecasts for those years. Consequently, KCE's forward EV/EBITDAF multiple is relatively compressed compared to gentailers whose forecast earnings are less influenced by the elevated electricity prices.
- Based on a normalised EBITDAF of \$17.5m (assuming a more conservative electricity price of \$140/MWh based on EnergyLink's assessed long-run wholesale price), our valuation implies a 11.1x forward multiple. Contact's offer of \$47m implies an 11.3x multiple on normalised EBITDAF.
- We believe that the comparable data analysis is broadly supportive of our assessed valuation range for KCE. In our view, KCE should be valued at a slightly lower earnings multiple relative to its listed peers, taking account of the differences in relation to company size, generation diversification, liquidity and growth prospects. This view is reflected in the equity premium applied in our determination of the WACC, and in the resulting valuation multiples observed.

**Table 8: KCE EV / EBITDAF**

	FY2026	Normalised Earnings
<b>Enterprise Value</b>	<b>\$193.7m</b>	<b>\$193.7m</b>
FY26 Forecast EBITDAF	\$22.5m	\$17.5m
<b>Forward EV/EBITDAF multiple</b>	<b>8.6x</b>	<b>11.1x</b>

# Valuation Adjustment for Minority Position

The value of KCT's interest in KCE should reflect a discount from the 100% control value to reflect KCT's minority interest.

## The Valuation Impact of Lack of Control

Control premiums are typically observed in M&A transactions where the buyer is acquiring a controlling share in the company.

A control premium reflects both the buyer's perceived benefits available from synergies and improving the operations of the company, as well as a financial premium required to incentivise sellers to sell their shares.

Accepting that a premium should be attached to a controlling position through the ability to control strategy and implement change, the corollary is that a discount should apply for a minority interest compared to the 100% control position.

This relationship between the control premium and the minority discount is:

$$\text{Minority Discount (\%)} = 1 - \frac{1}{1 + \text{Control Premium (\%)}}$$

Control premiums and minority discounts are justified on the ability to influence:

- Sale and liquidation decisions;
- Director appointments;
- Management appointments;
- Dividend decisions;
- Funding decisions – relative use of debt and equity, and
- Strategic decisions.

Empirical evidence shows that control premiums generally range from 25% to 30%.

## Valuation of KCT's Minority Position


Assuming a 20% equity discount (equivalent to a 25% control premium), the 24.98% shareholding owned by KCT is valued at \$36.7m with a range of \$33.4m to \$40.1m.

This valuation approach assumes that our \$183.8m valuation - for 100% ownership and full control of KCE – represents the value available under full control including, but not limited to, efficient governance and synergies.

**Table 9: KCE EV and Equity Value**

	Low	High	Mid-Point
<b>Equity Value (100% Control Position)</b>	<b>\$167.2m</b>	<b>\$200.8m</b>	<b>\$183.8m</b>
KCT's Shareholding Value – pre-adjustment	\$41.8m	\$50.2m	\$45.9m
<b><i>less</i> Minority Discount (20%)</b>	<b>(\$8.4m)</b>	<b>(\$10.0m)</b>	<b>(\$9.2m)</b>
KCT's Shareholding Value – Minority Interest	<b>\$33.4m</b>	<b>\$40.1m</b>	<b>\$36.7m</b>





## 5. Transaction Details, Merits and other Options

# Contact has offered to acquire the Trust's interest in KCE for \$47m

If accepted, the Offer will result in KCT exchanging its 24.98% shareholding in KCE for approximately \$47m of new Contact Energy shares (representing a Contact Energy shareholding of ~0.5%).

## Offer Structure

- Total consideration of \$47.0m (subject to standard settlement adjustments including any dividends paid by KCE prior to settlement).
- 100% paid in new Contact Energy shares.
- CEN share price determined by 5-day VWAP prior to completion (currently ~\$9.28 per CEN share).
- 12-month escrow meaning KCT cannot sell its CEN shares until after the escrow period has expired (March 2027).

## Contact Shares

Contact Energy is one of the largest listed companies on the NZX with a current market capitalization of \$9.2bn and is highly liquid (ie. large volumes of shares trade frequently). More information about Contact Energy can be found at [www.contact.co.nz](http://www.contact.co.nz) and latest NZX investor news at [www.nzx.com/companies/CEN](http://www.nzx.com/companies/CEN).

In effect, KCT is exchanging KCE equity investment risk for Contact Energy equity investment risk. KCT will hold ~\$47m in CEN shares at settlement currently representing a CEN shareholding of ~0.5% vs KCT's current 24.98% shareholding in KCE.

While the payment is not in cash, KCT will be permitted to sell the shares for cash in 2027.

## Considerations

- KCT has limited opportunity to consider other options under the Trust Deed (distribution to Beneficiaries or sale to third-party) because CEN has a pre-emptive first right of refusal over KCT's shareholding in KCE (see page 29).
- KCT retains exposure to KCE through CEN which will own 100% of KCE as well as CEN's broader portfolio.
- KCT will continue to have a large proportion of its capital invested in one company which may experience price volatility. However, this concentration risk is arguably less concerning than KCT's existing exposure to KCE because owning CEN shares is likely to be less risky than KCE ownership.
- KCT may look to reduce CEN investment at the end of the 12-month escrow period which would be a straightforward exercise relative to trying to sell a 24.98% holding in KCE (ie. sell the CEN shares on market). This would allow KCT to consider its options at this point, including investing the proceeds into a diversified investment portfolio or distributing the proceeds to Beneficiaries. Depending on the way in which the shares are sold, we expect the cost of divestment would be in a range between 0.5% - 1.0%.

# Relative Merits of Owning CEN vs KCE Shares

Exchanging KCE shares for CEN shares provides KCT with exposure to a significantly more diversified renewable-focused generation and retail business with future upside from Contact's considerable development pipeline.

## Potential Benefits of CEN Ownership vs KCE

- CEN is considerably larger and more diversified than KCE. As summarized in the adjacent table, CEN is >50x larger by generation and market value with considerable geographic and portfolio diversification.
- CEN has delivered attractive historical total shareholder returns. The historic returns from both CEN dividends and the increase in share price over the FY21 – FY25 period was 12.6% vs 1.7% for KCE (although we note historic returns are no indication for future returns).
- Had KCT owned CEN shares from the start of FY22 (with a value equivalent to the Offer of \$47m and based on the current CEN share price), dividends would have been 13% higher on average than the dividends received from KCE and have been growing, relative to KCE dividends which have been volatile and declined over the same period.
- KCE has limited growth opportunities due to the nature of its portfolio with future earnings largely correlated with wholesale electricity prices. Conversely, CEN has a demonstrable record of historic earnings growth and strong forecast growth under its Contact31+ strategy:
  - Contact is targeting to increase EBITDAF from \$980m in FY26 to \$1,300 - \$1,400m by FY31 (5.8% - 7.4% annualized increase); and
  - targeting to increase dividends from 40 cents per share in FY26 to >50 cents by FY31 (>4.6% annualized increase).
- Over the last five years, CEN has invested over \$2bn in renewable energy projects (including two new geothermal plants with further battery, solar and geothermal projects under construction) and has a significant new renewable energy development pipeline which is expected to contribute to New Zealand's energy transition.
- While there is possible risk that CEN underperforms KCE in the short-term (either operationally or resulting from CEN market price risk), over the long-term CEN is more likely to outperform KCE.

Table 10: CEN vs KCE Portfolio and Investment Comparison<sup>1</sup>



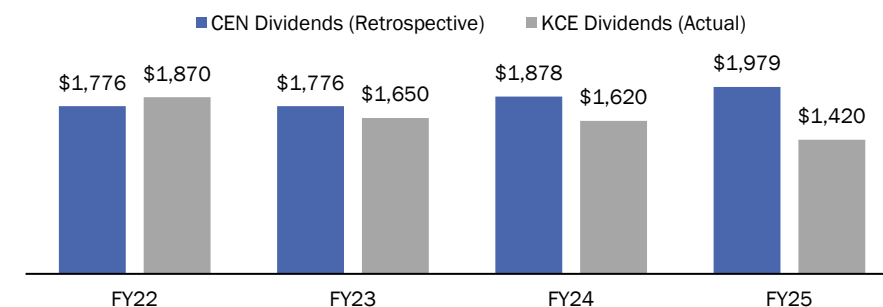
		
Generation assets	36	5
Generation capacity (MW)	2,678	54
Forecast generation (FY26e GWh)	11,800	166
Generation mix (FY26e)	43% Geothermal 50% Hydro 5% Wind 2% Thermal	100% Hydro
Retail connections	>640k	0
EBITDAF (FY26f)	\$980m	\$17m
Market cap / Equity valuation (\$m, Jan-26)	\$9,208	\$184
TSR (FY21 - FY25)	12.6%	1.7%

Figure 9: CEN vs KCE Historic Dividends<sup>2</sup>



<sup>1</sup> Sourced from most recently available disclosures and CEN share price of \$9.28 as at 16 Jan 2026.

<sup>2</sup> CEN historic dividends based on KCT assumed ownership of 5.1m CEN shares being the \$47m offer value divided by the current CEN share price of \$9.28. The ultimate shareholding and inferred historic dividends may differ depending on the ultimate settlement value.

Note CEN financial balance date of 30 June vs 31 March for KCE.



# Ownership Options for KCE

In line with KCT's Trust Deed, the Trust is required to consider ownership options regarding its KCE investment and other investment opportunities.

## KCT Objectives

As stated in the Trust Deed, the objective of the Trust is to hold the KCE shares on behalf of the Beneficiaries and to exercise the rights attaching to the ownership of the KCE shares and distribute to the Beneficiaries in their capacity as owners, the benefits of ownership of the KCE shares.

Given KCT's role as acting on behalf of the Beneficiaries, KCT is required to act in the best interest of the Beneficiaries and to take any necessary action to protect the interests of the Beneficiaries. Therefore, KCT holds significant power in making investment decisions in relation to its KCE shares or any other investment.

## KCT Investment Powers

The Trustees may invest all or any of KCT's funds, either alone or in common with any other person or persons, in all or any of the following investments:

- Shares or other equity securities or debt securities of KCE and any other company.
- The stock, funds or other securities of the New Zealand Government.
- Interest bearing deposit accounts with any Bank.
- Any other investments the Trustees think proper or expedient.

## KCE Ownership Options

Because KCE is the Trust's most significant investment and reflecting that KCT is required to protect the interests of its Beneficiaries, the Trust Deed requires KCT to carry out Ownership Reviews involving public consultation in accordance with the terms of the Trust Deed.

As set out in the Trust Deed, KCE share ownership options include but are not limited to:

- Retention of the KCE shares by the Trust (Status Quo).
- Distribution of the KCE shares to the Beneficiaries.
- Sale of the KCE shares to the public.
- Sale of the KCE shares to institutional investors.

## Contact's Offer

This Special Ownership Review was initiated in response to Contact's offer and should therefore explicitly evaluate the merits of accepting Contact's offer against the other ownership options available.

Sale of KCE shares to Contact represents a special – albeit most likely – option under the "Sale of the KCE shares to institutional investors". It is therefore necessary to also evaluate whether the KCE shares could be sold to a party other than Contact, and whether this would result in a superior outcome for the Trust.

# Ownership Options for KCE

We believe that the alternative ownership options are unlikely to offer any relative advantage to KCT or the Beneficiaries, given Contact Energy's priority rights and the time and risk involved.

KCT's Trust Deed provides that under an ownership review, consideration should be given to a range of ownership options for KCT's investment in KCE (as well as a review of all assets of the Trust), including (without limitation) four ownership options specified in the Trust Deed. The review options for the KCE shares along with the relative advantages, disadvantages and overall assessment for each option are provided in the table below. Given that Contact has proactively made the Offer for KCT's shares in KCE (and recognising the pre-emptive rights available to Contact under the KCE Shareholders' Agreement), we believe that the Offer represents the best option available to the Trust.

We have considered whether there are any other ownership options available to the Trust beyond those specified in the Trust Deed. We have concluded that, in the current circumstances and having regard to the Trust Deed and KCE's ownership structure, there are no other realistic or viable ownership options available to the Trust beyond those described below.

Option	Advantages	Disadvantages	Assessment
<b>1 Status Quo</b> No change, with the Trust continuing to own 25% of KCE	<ul style="list-style-type: none"> <li>KCT ownership is an efficient vehicle through which to manage the Beneficiaries' interests in KCE. It provides a level of governance and oversight that may not be available if the shares are sold or distributed to the Beneficiaries.</li> </ul>	<ul style="list-style-type: none"> <li>KCT remains heavily reliant on the energy market, with only its Investment Portfolio providing diversification benefits.</li> </ul>	<ul style="list-style-type: none"> <li>KCE has performed reasonably well but performance is largely reliant on wholesale electricity prices (which were high in FY25), generation levels (weak in FY25 due to hydrology) and asset availability/performance.</li> <li>Opportunities for KCE to grow or add new generation assets to its existing portfolio are limited and would require mutual agreement between KCT and Contact Energy. Given Contact Energy's own generation development opportunities, we consider it unlikely they would prioritise new generation via KCE.</li> <li>While the status quo may be a reasonable option, we consider that the Offer (ie. Option 2 below) represents a better outcome for the Trust.</li> </ul>
<b>2 Sale to Institutional Investors (e.g. Contact Offer)</b> Sell some or all of KCT's KCE shares to institutional investors (ie. as contemplated under the Offer)	<ul style="list-style-type: none"> <li>Increases capital available for KCT to invest in other opportunities, further diversifying the Trust's investment from the energy sector and into more liquid assets.</li> <li>Potentially provides the opportunity to grow Trust funds faster than otherwise available by retaining KCE.</li> </ul>	<ul style="list-style-type: none"> <li>KCT will lose its influence over KCE (including a board seat). However, KCT has limited influence currently and exposure to KCE will be retained through ownership of CEN shares (which will own 100% of KCE).</li> </ul>	<ul style="list-style-type: none"> <li>Given the Offer represents fair value for the KCE shares and the other benefits of exchanging KCE shares for Contact shares, we consider this is the best option available to the Trust.</li> <li>Apart from a sale to Contact, institutional appetite for KCT's KCE shares is likely to be extremely limited due to Contact's pre-emptive rights over the shares. Therefore, the possibility of extracting higher value from a third party is very low.</li> </ul>
<b>3 Distribution</b> The Trust is wound up, with all proceeds distributed to the relevant Beneficiaries	<ul style="list-style-type: none"> <li>Direct benefit to existing Beneficiaries.</li> <li>Enables Beneficiaries to make their own investment decisions.</li> </ul>	<ul style="list-style-type: none"> <li>Favours current Beneficiaries, with future Beneficiaries not benefiting from the distribution of KCT's investments.</li> </ul>	<ul style="list-style-type: none"> <li>Winding up KCT (or distributing the KCE shares in specie) would deliver a short-term benefit to today's Beneficiaries, enabling them to make their own investment decisions. However, this approach may disadvantage both:               <ul style="list-style-type: none"> <li>The local community as capital and returns may be diverted elsewhere; and</li> <li>Future Beneficiaries who would no longer receive distributions.</li> </ul> </li> <li>Given the escrow on the CEN shares under the Offer, this option is not currently viable but could be considered at subsequent ownership reviews.</li> </ul>
<b>4 Sale to the Public</b> Sell some or all of KCT's KCE shares to the public	<ul style="list-style-type: none"> <li>Same advantages as under Option 2</li> </ul>	<ul style="list-style-type: none"> <li>No transparent price for KCE shares or future liquidity, thereby limiting likely demand for the shares.</li> </ul>	<ul style="list-style-type: none"> <li>Not a viable option as Contact has pre-emptive rights over shares sold by KCT and it is highly unlikely Contact would support a sale to the public.</li> </ul>

# Advantages to the Trust of the Offer

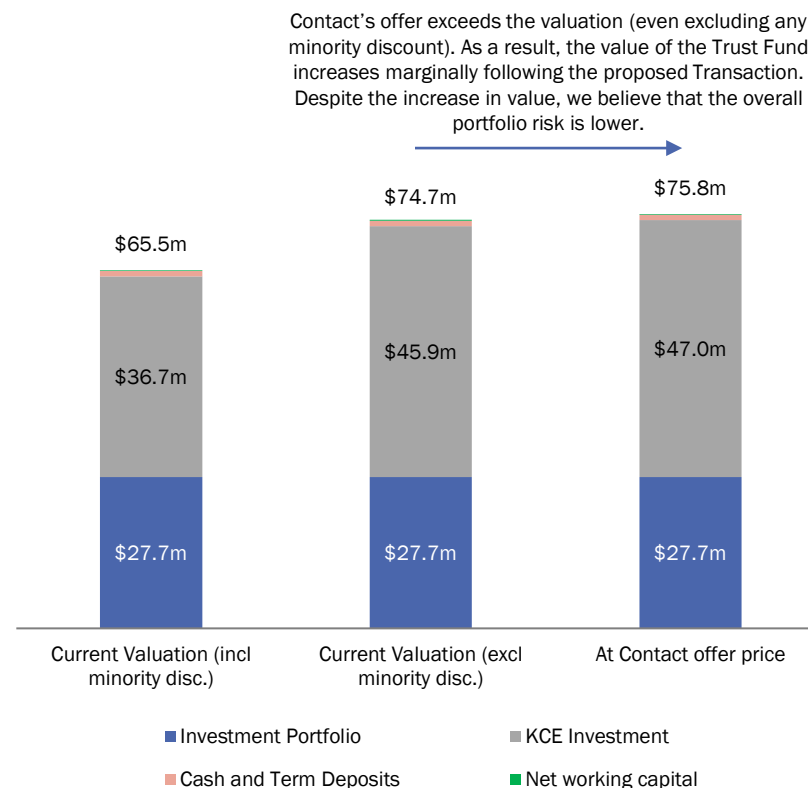
In effect, the Offer allows KCT to achieve a better risk-adjusted return profile from its portfolio by exchanging its KCE shares for CEN shares while also retaining increased flexibility to readily divest the CEN shares in the future in a liquid market.

## Portfolio Benefits

If the Offer is accepted, the potential benefits to KCT include:

- The risk-adjusted returns from KCT's investment portfolio should improve. That is, there is unlikely to be any discernible decrease in investment returns vs the status quo (in fact returns from CEN could be higher than KCE) but the portfolio risk will reduce due to CEN being more diversified and less prone to the specific asset risks faced by KCE.
- Income distributions from CEN are likely to be higher than what could be achieved through retention of KCE. This is partly due to differing dividend policies but also due to performance factors with KCE being more exposed to wholesale electricity prices and dry-year risk in the central-lower North Island.
- While KCT does not benefit from any immediate liquidity (ie. cash) due to the 12-month escrow arrangement, CEN shares are highly liquid and could be sold by KCT in the future for reinvestment into the Investment Portfolio or distributed to Beneficiaries as part of a future ownership review.
- While there is the risk that the value of CEN's shares could decline over the escrow period and up to the point that KCT may wish to divest the shares, the factors impacting CEN's share price are highly likely to also impact the future market value of KCE. That is, we believe that it is highly unlikely that the value of CEN would reduce and KCE would increase over the same time frame.
- There is a potential for lower Trust costs (immediately post Offer or in the future) due to reduced management and governance complexity and by having all capital effectively allocated to managed investments.

Figure 10: Value of KCT's Trust Fund pre and post-sale







## Appendix 1: Performance Review of KCT



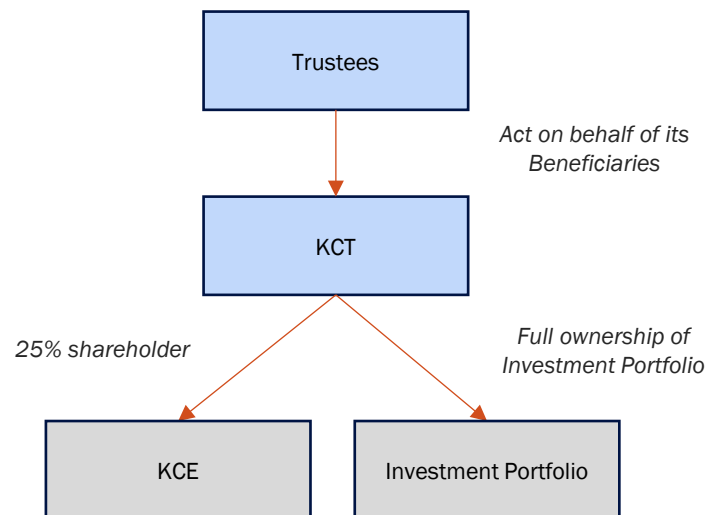
# Overview of KCT

KCT is an energy consumer trust with a mission to provide distributions to its current Beneficiaries while maintaining growth in its capital base to enhance future distributional potential.

## Overview of KCT

KCT is an energy consumer trust with assets of approximately \$75m<sup>1</sup>, serving Beneficiaries in the King Country region. Figure 11 summarises the structure of KCT and its material investments.

Figure 11: KCT Structure



1. Northington Partners' analysis using KCE estimated market value

## Trustee Responsibilities

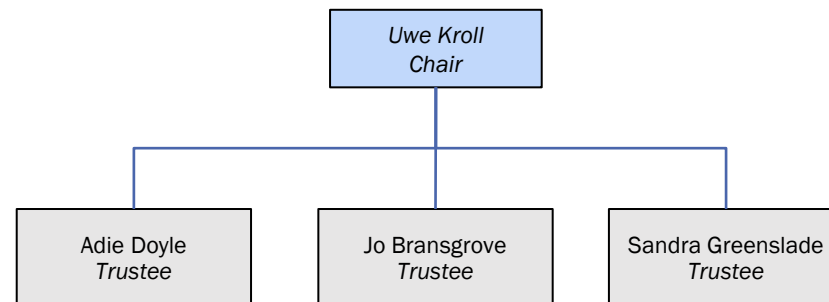
The Trust Deed enables the Trustees to invest all or any of the funds held by KCT, either alone or in common with any other person or persons, in all or any of the following investments:

- Shares or other equity securities or debt securities of KCE and Other Shares.
- The stock, funds or other securities of the New Zealand Government.
- Interest bearing deposit accounts with any Bank.
- Any other investments the Trustees think proper or expedient.

## Trustees

Ordinarily, KCT has five elected trustees. One seat is currently vacant. Elections are held every two years, typically resulting in the election of two to three trustees. Elected trustees serve four-year terms.

Figure 12: Trustee Representatives



# Financial Performance

KCT continues to generate positive earnings despite the reduction in the level of dividends received from KCE.

Financial Year Ending 31 March NZD '000's unless otherwise stated	FY21	FY22	FY23	FY24	FY25
Dividend Income	-	-	-	-	-
PIE Income	491	17	92	929	1,136
Gain on Investments	2,633	(356)	(548)	1,211	335
Interest and Other Income	34	9	40	114	36
<b>Total Revenue</b>	<b>3,158</b>	<b>(330)</b>	<b>(416)</b>	<b>2,253</b>	<b>1,508</b>
General Operating Expenses	(294)	(389)	(383)	(387)	(302)
Beneficiary and Community Contributions	(847)	(304)	(217)	(88)	(249)
<b>EBITDA</b>	<b>2,017</b>	<b>(1,024)</b>	<b>(1,016)</b>	<b>1,778</b>	<b>957</b>
Interest Expense	-	-	-	-	-
Share of Total Comprehensive Income from KCE recognised in net surplus	(3,386)	2,607	4,532	765	1,060
Tax Expense	(148)	(691)	(78)	(21)	51
<b>NPAT</b>	<b>(1,518)</b>	<b>892</b>	<b>3,439</b>	<b>2,523</b>	<b>2,067</b>
<b>Total Comprehensive Income</b>	<b>(1,518)</b>	<b>892</b>	<b>3,439</b>	<b>2,523</b>	<b>2,067</b>
Beneficiary Distributions (Direct)	1,383	1,218	0	2,060	1,538
Beneficiary Distributions (Indirect) <sup>1</sup>	847	304	217	88	249
<b>Total Beneficiary Distributions</b>	<b>2,231</b>	<b>1,522</b>	<b>217</b>	<b>2,148</b>	<b>1,787</b>
<b>Adjustments: As adjusted by Northington Partners to best depict historic operational financial performance (as discussed on the following page).</b>					
Include KCE Dividend Income (not reported as income)	3,910	3,779	1,260	1,995	2,272
Remove Gain on Investments	(2,633)	356	548	(1,211)	(335)
<b>Adjusted Revenue</b>	<b>4,435</b>	<b>3,805</b>	<b>1,392</b>	<b>3,037</b>	<b>3,445</b>
Add back Beneficiary and Community Contributions	847	304	217	88	249
<b>Adjusted EBITDA</b>	<b>4,141</b>	<b>3,416</b>	<b>1,010</b>	<b>2,650</b>	<b>3,143</b>

<sup>1</sup> These include Beneficiary and Community Contributions recognised as an expense in the profit & loss for reporting purposes.



# Financial Performance (Continued)

Despite the reduction in dividends received from KCE, the Trust has performed well over the Review Period. It has maintained its ability to make distributions to Beneficiaries and has managed operating costs in line with similar trusts.

## Dividend Income

Dividend, interest and PIE Income currently reported in Trust income is in relation to existing term deposits and the Investment Portfolio.

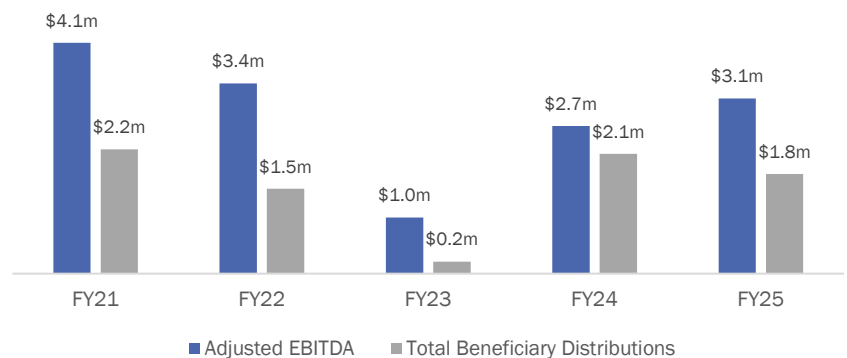
The investment in KCE is recognised in the financial statements under the equity method for reporting purposes. As such, KCT recognises its share of Total Comprehensive Income from KCE below EBITDA. To better represent KCT earnings, we have adjusted Revenue and EBITDA to include cash dividends from KCE.

## Total Beneficiary Distributions

Total Beneficiary Distributions includes all donations, grants, community projects, contributions and distributions. While some of these contributions are expensed (Indirect Beneficiary Distributions), we have excluded these from Adjusted EBITDA and aggregated them to illustrate the total distributions received by Beneficiaries.

Figure 13 below illustrates how beneficiary distributions have been managed in response to the earnings of the Trust. Distributions have trended between \$1.5m and \$2.2m but reduced in FY23 in response to the lower dividend received from KCE and weaker Investment Portfolio performance.

Figure 13: EBITDA to Total Beneficiary Distributions



## Gain on Investments

This mainly reflects the movement in valuation of the Investment Portfolio. Whilst investment valuation appreciation has been favourable over the Review Period, it is subject to prevailing market conditions, as evident in FY22 and FY23. To better represent the KCT earnings, we have adjusted Revenue and EBITDA to exclude these gains.

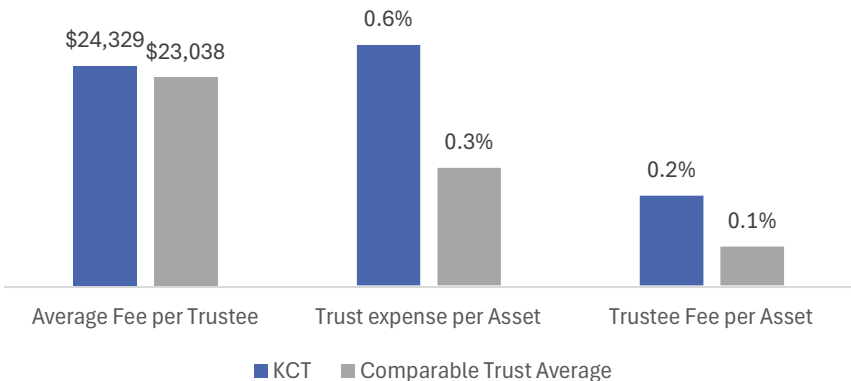
## General Operating Expenses

General operating expenses have been relatively consistent.

Notable operating expenses include Trust Deed review costs and Ownership Review costs. This can be seen in the higher operating costs in years FY22, FY23, and FY24.

In order to assess whether regular KCT operating expenses are appropriate, we have compared KCT's FY25 expenses to other trusts of a similar nature and size on the following page. As illustrated in Figure 14 below, KCT's fees per Trustee are in line with other comparable energy trusts, but fees and expenses as a proportion of assets is higher than the comparable trusts because of KCT's comparatively smaller asset base.

Figure 14: KCT Expense Comparison



## Comparable Energy Trusts

KCT's trust expenses are comparable to those of other similar trusts.

**Table 11: Consumer Trust Expense Comparison**

	Number of Trustees	Average Fee per Trustee	Trust expense per Asset	Trustee Fee per Asset
Lines Trust South Canterbury	5	\$15,727	0.36%	0.11%
Hawke's Bay Power Consumers' Trust	5	\$27,999	0.89%	0.23%
Waitaki Power Trust	5	\$23,015	0.16%	0.11%
Electra Trust	6	\$19,833	0.18%	0.07%
West Coast Electric Power Trust	6	\$19,333	0.10%	0.06%
Counties Power Consumer Trust	5	\$32,318	0.12%	0.05%
<b>Average</b>	<b>5</b>	<b>\$23,038</b>	<b>0.30%</b>	<b>0.11%</b>
<b>KCT</b>	<b>4*</b>	<b>\$24,329</b>	<b>0.61%</b>	<b>0.23%</b>

\* KCT ordinarily has five trustees, one seat is currently vacant. For the purposes of calculating Trust Expense per Asset, we have adjusted costs to reflect the full five person Trust.

## Financial Position

KCT has no term debt and shareholder's equity therefore closely mirrors total assets. Shareholder's equity has increased modestly over the Review Period, driven by an increase in the value of both KCE and the Investment Portfolio

Financial Year Ending 31 March NZD '000's	FY21	FY22	FY23	FY24	FY25
Cash and Cash Equivalents	2,791	1,432	845	195	1,007
Income Tax receivable	377	153	163	113	136
Other assets	10	8	12	16	56
Term Deposits	1,862	0	1,017	1,000	0
Current Investment Portfolio	2,451	248	196	0	0
<b>Total Current Assets</b>	<b>7,492</b>	<b>1,841</b>	<b>2,234</b>	<b>1,324</b>	<b>1,199</b>
Non-Current Investment Portfolio	18,697	24,878	24,395	26,414	27,685
KCE Investment	18,526	17,760	24,149	23,477	24,387
<b>Total Non-Current Assets</b>	<b>37,223</b>	<b>42,639</b>	<b>48,544</b>	<b>49,891</b>	<b>52,072</b>
<b>Total Assets</b>	<b>44,714</b>	<b>44,479</b>	<b>50,778</b>	<b>51,215</b>	<b>53,272</b>
Payables and Accruals	10	101	31	6	48
<b>Total Liabilities</b>	<b>10</b>	<b>101</b>	<b>31</b>	<b>6</b>	<b>48</b>
<b>Equity</b>	<b>44,705</b>	<b>44,378</b>	<b>50,747</b>	<b>51,209</b>	<b>53,224</b>
<b>Equity and Liabilities</b>	<b>44,714</b>	<b>44,479</b>	<b>50,778</b>	<b>51,215</b>	<b>53,272</b>

# Financial Position (Continued)

The primary assets of KCT are non-current financial assets relating to its equity interests in KCE and the Investment Portfolio.

## KCE Investment

The movement in the book value – different to our assessed market value – is driven by net profit after tax, dividends, and revaluations. As shown in Figure 15, substantially all of the \$8.4m net profit after tax was paid out in dividends. The residual \$4.9m increase in the book reported value of the Trust’s investment in KCE is a result of the FY23 revaluation of the generation assets.

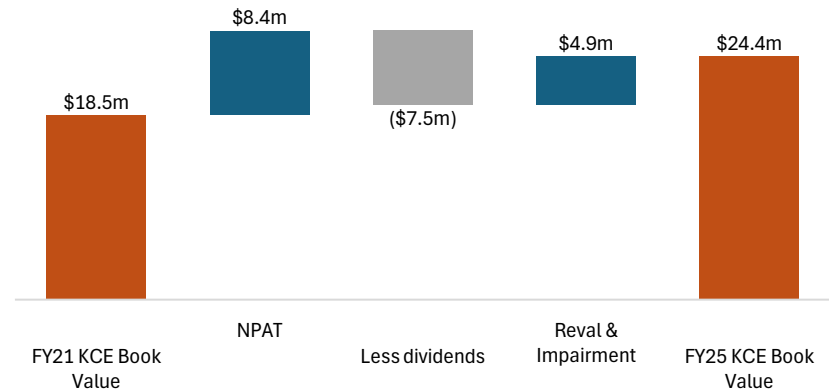
## Investment Portfolio

KCT’s diversified Investment Portfolio is managed by Eriksons Global and is currently invested in funds managed by Fisher Funds, Milford Asset Management, Continuity Capital, and Salt Funds. These portfolios are recognised at market value within the financial statements.

The objectives of the Investment Portfolio are to provide capital growth, and the Trustees are prepared to accept volatility as there continues to be a long-term perspective.

Given the focus on the proposed KCE Transaction, and that portfolio manager Eriksons Global already provides regular fund reports to KCT, we have not sought to review the performance of, or allocation within, the Investment Portfolio in this Special Ownership Review.

Figure 15: Net Movement of KCE Book Value (\$m)







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