

MEDIA RELEASE

For immediate release

Monday 25 May 2015

Contact concludes review and announces revised distribution policy including a special dividend of \$367m to be paid in June 2015

As announced in February 2015, Contact Energy Limited (Contact) has been examining growth opportunities in renewable energy, the company's capital structure and the capacity to increase distributions to shareholders.

Contact has concluded that there are no material investment opportunities available at this time that would sufficiently reward shareholders and that the company can support increased distributions to shareholders.

The Contact Board of Directors has revised the company's distribution policy to reflect the expectation that Contact will have limited capital requirements in the near term. Contact's amended dividend policy will be to target an average ordinary dividend equivalent to approximately 100 per cent of Underlying Earnings after Tax¹.

To the extent free cash flow exceeds the distributions outlined above, and absent new domestic growth opportunities or adverse market events, additional distributions will be made and are likely to take the form of share buybacks.

As the company has accumulated a significant balance of imputation credits from capital raisings over recent years the company has determined to return \$367 million (50.0 cents per share) to shareholders through a fully imputed special dividend to be paid on 23 June 2015.

Contact remains committed to maintaining an efficient capital structure and to an investment grade credit rating. Standard and Poor's has recently re-confirmed Contact's BBB credit rating.

"As a result of the capital investments made with the support of our shareholders, Contact is a strongly cash generative business which can support the change in distribution policy announced today. We value the flexibility provided by an investment grade credit rating which enables the company to withstand variable market conditions.

¹Refer to pages 3 and 4 of the Management discussion of financial results for the 6 months ended 31 December 2014 for a definition and reconciliation between statutory profit and the non-GAAP profit measure underlying earnings after tax (profit excluding significant items that do not reflect Contact's ongoing performance).

Contact believes that we have a strong capability in renewable energy, in particular geothermal, and we will continue to explore how we may leverage these skills to grow earnings over the long term.

Contact is focused on creating long-term value for our shareholders and will do this through the safe operation of our business, a focus on costs and efficiency and providing customers with the quality of service and products they expect”, said Mr Barnes.

ENDS

Notes:

- The fully imputed special dividend of 50.0 cents per share will be paid on 23 June 2015 to all Contact Energy shareholders who are on the Company’s share register at 5pm on the record date of 10 June 2015.
- The dividend will be fully imputed which amounts to an imputation credit of 19.4444 cents per share.
- The Company will also pay a supplementary dividend of 8.8235 cents per share to non-resident shareholders. The Company will receive from the IRD a tax credit equivalent to the supplementary dividend.

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