

23 June 2015

Dear Shareholder(s)

With your support we have invested over \$2 billion during the past seven years to improve our business. We've built a more flexible and lower cost power generation business and introduced world class information technology systems that will help us enhance the service we provide to our customers. With no near term plans for large capital investments we are today paying a special dividend of 50 cents per share, totalling \$367 million.

Not progressing international development opportunities

In February 2015 we announced that we were looking at international growth opportunities in renewable energy and reviewing our approach to shareholder distributions. While we looked at a range of investments where we could use our renewable skills, we concluded that there were currently no material opportunities that would sufficiently reward shareholders. Our extensive expertise in geothermal energy was recently on show at the World Geothermal Congress in Melbourne, where eight of our experts took part as presenters and we will continue to explore how we benefit from this expertise over the long term.

Revised distribution policy

Our Board has concluded that we can support increased distributions to shareholders and as a result has revised our distribution policy to target an average ordinary dividend equivalent to approximately 100% of underlying earnings after tax¹ (previously 80%). Contact expects free cash flow to be in excess of the ordinary dividend level described above and will make additional distributions in the form of special dividends or share buybacks.

Our priorities

Looking ahead, we remain focused on creating long-term value for you, our shareholders. Our priorities continue to be the safe operation of our business, a focus on costs and efficiency and providing customers with the quality of service and products they expect.

I hope you are pleased with Contact's approach to shareholder distributions and would like to thank you for your continued support.

Yours sincerely

A handwritten signature in black ink that reads "Dennis Barnes".

Dennis Barnes
Chief Executive Officer

¹ Underlying earnings after tax is a non-generally accepted accounting (non-GAAP) profit measure and is calculated by excluding significant items that do not reflect Contact's ongoing performance from profit. Refer to Contact's financial statements for a reconciliation between statutory profit and underlying earnings after tax (www.contactenergy.co.nz).