



Contact[®]

Retail Bond Offer Investor Presentation

August 2015

Graham Cockroft, Chief Financial Officer
Louise Tong, Head of Treasury and Tax



Lead Manager and
Organising Participant



FORSYTH BARR

Co-Manager

Disclaimer

The offer of debt securities by Contact Energy Limited (Contact or the Issuer) is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (FMCA).

The offer of Contact Energy bonds (Bonds) is an offer of bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Contact's \$222,000,000 unsecured, unsubordinated, fixed rate, interest bearing bonds maturing on 15 May 2019 which are currently quoted on the NZX Debt Market under the ticker code CEN020 (CEN020 Bonds). The Bonds are of the same class as the CEN020 Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

The Issuer is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (NZX) for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/CEN.

The CEN020 Bonds are the only debt securities of Contact that are currently quoted and of the same class as the Bonds.

Investors should look to the market price of the CEN020 Bonds (which have a fixed interest rate of 5.80% per annum) to find out how the market assesses the returns and risk premium for those bonds.

This document does not constitute a recommendation by the Issuer, ANZ Bank New Zealand Limited (Lead Manager and Organising Participant), Forsyth Barr Limited (Co-Manager), The New Zealand Guardian Trust Company Limited (Supervisor), nor any of their respective directors, officers, employees, affiliates or agents to subscribe for, or purchase, any of the Bonds. To the extent permitted by law, none of the Issuer, Lead Manager, Co-Manager or Supervisor nor any of their respective directors, officers, employees, affiliates or agents accept any liability whatsoever for any loss arising from this document or its contents, or otherwise in connection with the offer or any person's investment in these Bonds.

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A terms sheet (Terms Sheet) has been prepared by the Issuer in respect of the offer of the Bonds, which sets out how Bonds may be applied for.

Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the distribution of the Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this document. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.

Presentation team



Graham Cockroft

Chief Financial Officer

Graham Cockroft was appointed as Contact's Chief Financial Officer in June 2012. Prior to this he spent three years as Contact's Chief Operating Officer in which he was responsible for the operation of Contact's wholesale and generation functions, including generation development. Before joining Contact, Graham worked for nearly two decades for BG Group in senior strategy, business development and operational roles. Most recently, Graham was BG Group's Asset General Manager based in São Paulo, Brazil. He holds a Master of Commerce from the University of Otago, and a Master of Finance from the London Business School.



Louise Tong

Head of Treasury & Tax

Louise is responsible for funding, liquidity and financial market risks and tax at Contact. Prior to joining Contact in December 2011 she worked for 15 years in the banking industry in New Zealand, principally in corporate finance and financial markets. Louise holds a degree with Honours in Civil Engineering from the University of Canterbury and a Masters in Applied Finance from Victoria University of Wellington.

Agenda

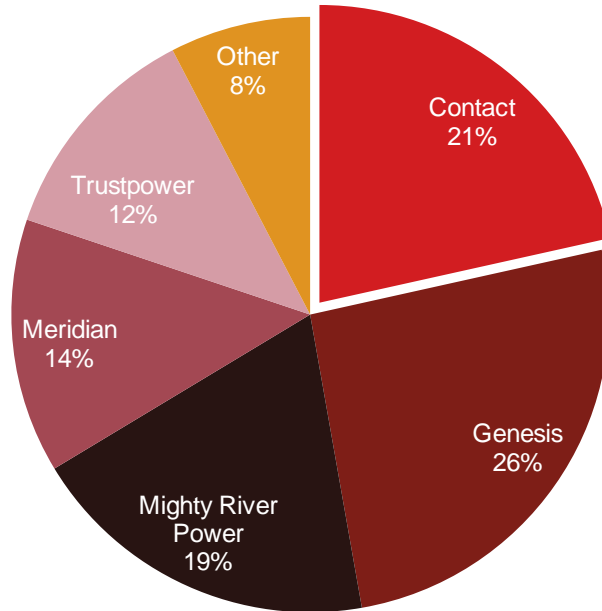
- | | | |
|----------|---|-------------------------|
| 1 | New Zealand electricity market overview | Graham Cockroft |
| 2 | Contact overview | Graham Cockroft |
| 3 | Business performance update | Graham Cockroft |
| 4 | Capital structure and funding requirements | Louise Tong |
| 5 | Bond offer information | Jason Green, ANZ |



1. New Zealand electricity market overview

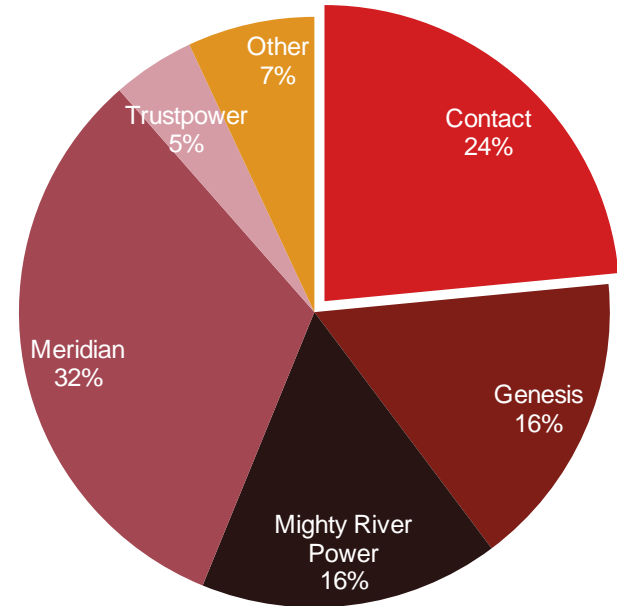
Industry dominated by highly hedged, vertically integrated companies with the five largest companies now all publicly listed

Retail electricity market share by customer number



Source: NZ Electricity Authority (data as at 30 June 2015)

Generation market share by volume (GWh)

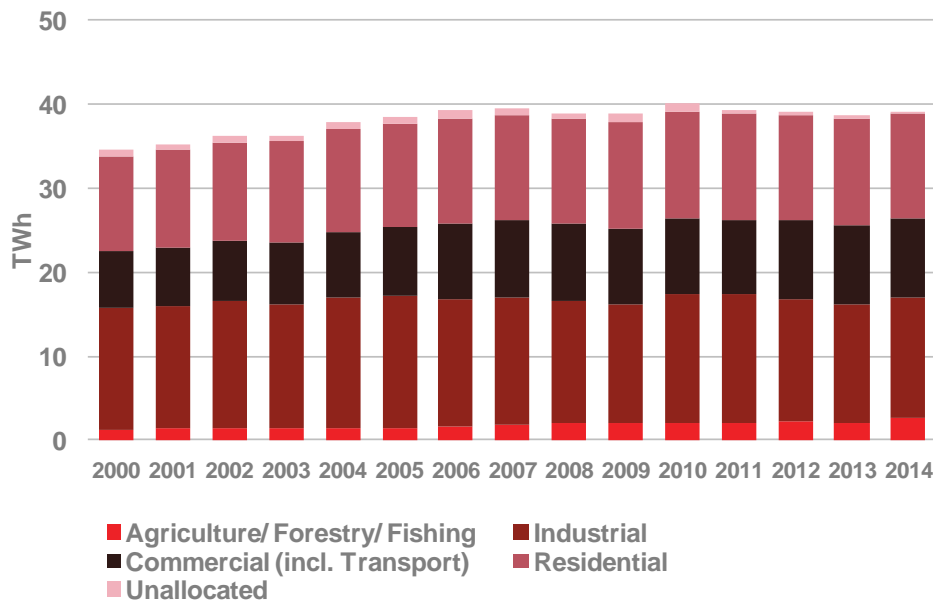


Source: NZ Electricity Authority (year ended 30 June 2015)

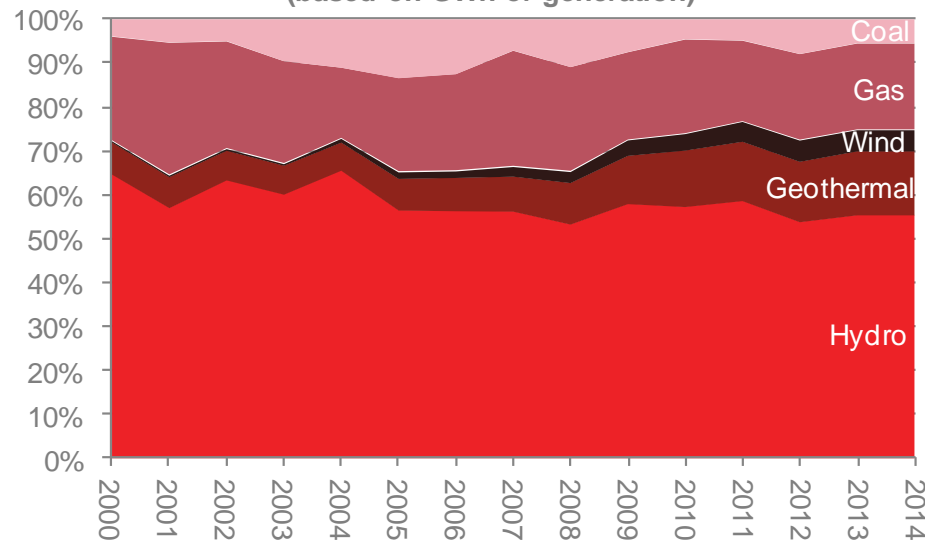
- Exact generation market share is dependent upon hydrology
- Contact has a diverse generation portfolio which is closely matched to load, allowing management of exposure to market volatility

New Zealand has added subsidy free renewable generation, which, in a period of flat demand, has displaced fossil fuels

National electricity demand



New Zealand energy supply (based on GWh of generation)



- Total demand has remained largely flat since 2008
- Strong migration and increased agriculture demand has offset the impact of energy efficiency
- Solar photovoltaic has had relatively little impact
- Recent signs of demand growth
- Methanol linked gas prices and historical uncertainty regarding long-term gas supply supported a transition from gas generation to geothermal and wind



2. Contact overview

Snapshot of Contact Energy

\$3.2_b

Our net assets are worth
\$3.2 billion at 30 June 2015

166 ^{mW}
(gross)

of geothermal generation
commissioned May 2014

1,039

We employ 1,039 people from
Auckland to Invercargill.

1

New Zealand's
only underground gas
storage facility

12

Contact owns and operates
12 power stations throughout
New Zealand

560_k

Contact has over
560,000 customers
across electricity, gas
and LPG businesses

5

Geothermal stations in
the central North Island

22%

We supply 22 per cent of the
New Zealand electricity and gas
retail market (at 30 June 2015)

24%

Contact generates around
a quarter of
New Zealand's electricity

2

Hydro power stations at
Roxburgh and Clyde

68,000

Contact is one of New Zealand's
largest listed companies, with
around 68,000 shareholders

5

North Island thermal power
stations support New Zealand's
largely renewable generation



Contact is one of New Zealand's largest listed companies and a leading integrated energy company

Upstream Fuel



Flexible and diverse fuel portfolio

- Hydro and geothermal generation assets supported by thermal fuels
- Purchases natural gas mainly for electricity generation to supply retail customers
- Underground gas storage facility



Te Mihi Geothermal Power Station

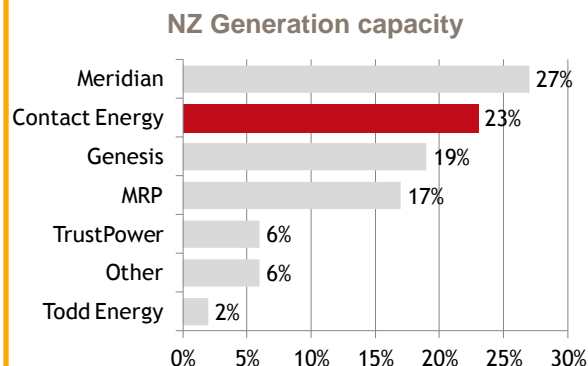
- ➔ **Certainty of cost**
- ➔ **Certainty of supply**

Generation



Flexible generation portfolio

- 2,359 MW
- Fuel-diverse: 43% hydro, 32% geothermal, 24% natural gas (2015)
- Generates 24% of NZ total annual generation output (2015)



- ➔ **Certainty of cost**
- ➔ **Risk management**

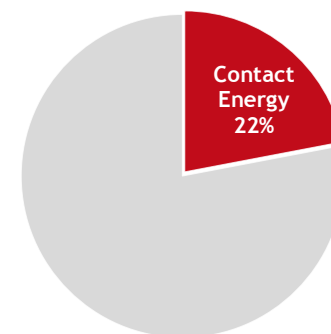
Wholesale/Retail



Leading retail customer base in NZ

- Over 560,000 electricity, natural gas and LPG customer accounts
- Diverse portfolio of customer energy solutions

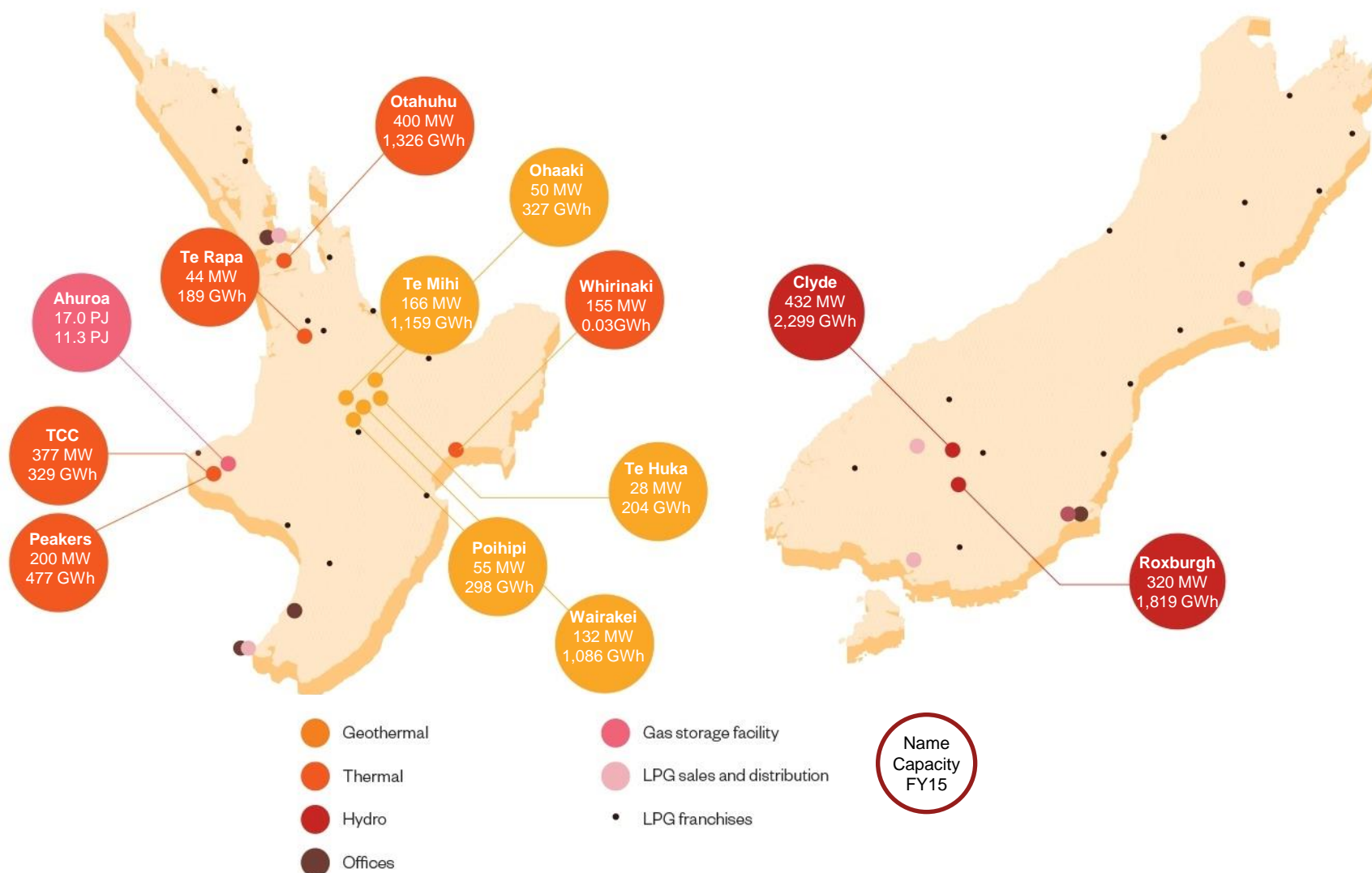
Market Share of NZ Electricity and Natural Gas customer accounts



- ➔ **Certainty of revenues**
- ➔ **Benefits of scale**

Contact's operations

National focus with 12 power stations totalling 2,359 MW capacity



A number of important events are now behind us

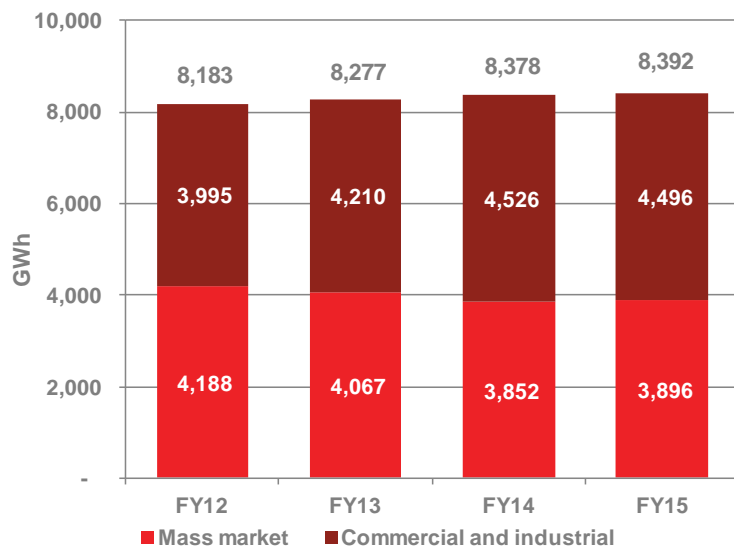


Business set up to deliver stable cash flows

Focus on efficiency and lower capital expenditure expected to increase free cash flow

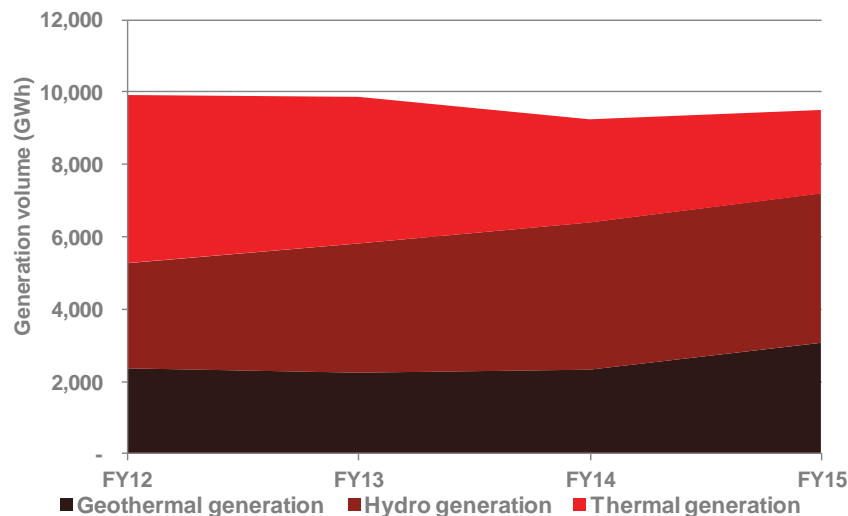
Second largest gas and electricity retailer in New Zealand

Contact electricity sales



Flexible portfolio allows management of variable operating conditions

Contact generation mix



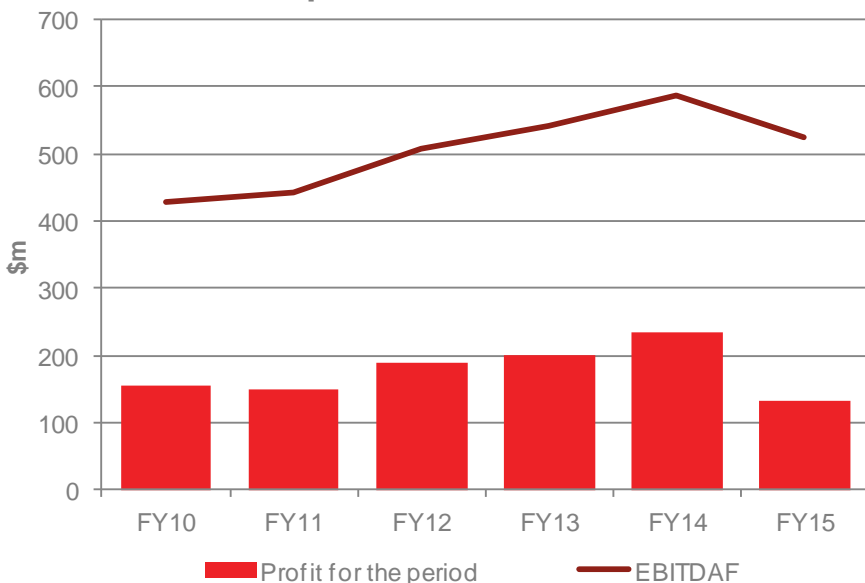
- Second largest electricity retailer in New Zealand based on customer accounts
 - » Diversified customer base and large proportion of residential customers underpins a stable retail revenue base
- Significant LPG and natural gas businesses enhance Contact's energy offering

- Generation spread across hydro, geothermal and thermal fuel sources
- Contact owns and operates New Zealand's only commercial gas storage facility
- Increasingly renewable portfolio with a declining cost of energy

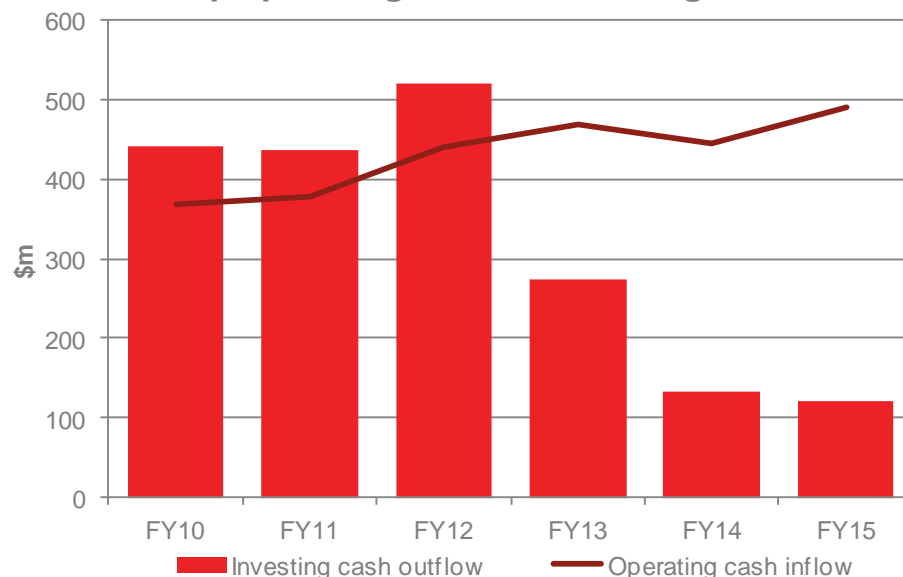
Average annual capital expenditure for FY16-18 now expected to be \$80-100m per annum down from FY10-FY14 average of \$400m per annum following a period of capital investment

Earnings and cash flow

Group EBITDAF and NPAT



Group operating and net investing cash flow

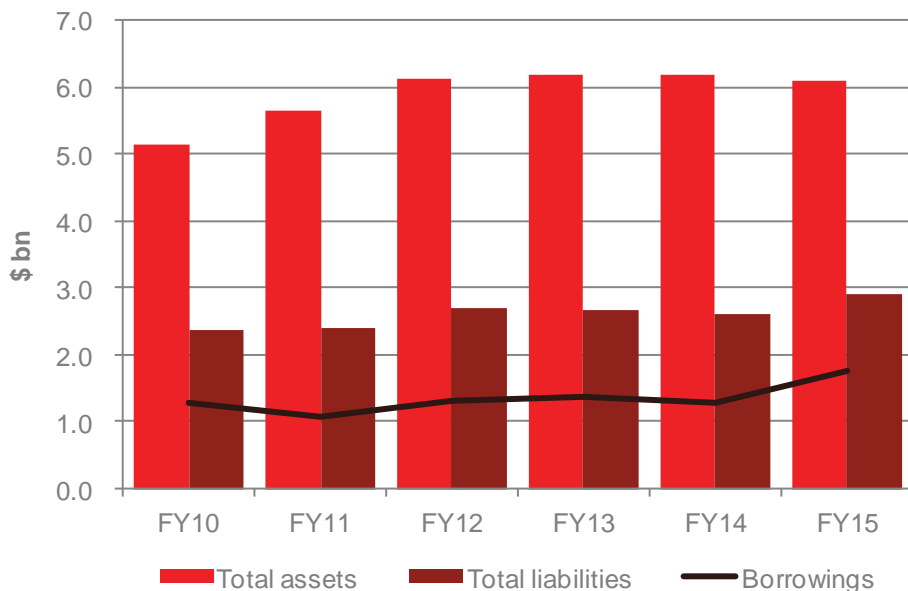


- **NPAT largely follows EBITDAF* trend with steady gains as investments have been completed and flexibility has returned to the generation portfolio**
 - » FY14 EBITDAF included \$43m compensation as a result of the delayed start-up of Te Mihi without a full year of associated interest and depreciation costs
- **Substantial investment in new assets with over \$2bn spent in past 5 years**
 - » 166 MW Te Mihi and 23 MW Te Huka geothermal power station; Wairakei bioreactor
 - » Ahuroa gas storage; Stratford and Whirinaki peaking plants
 - » Implementation of SAP enterprise and customer service system
 - » FY14 investing cash outflow included proceeds from the sale of the gas meters business

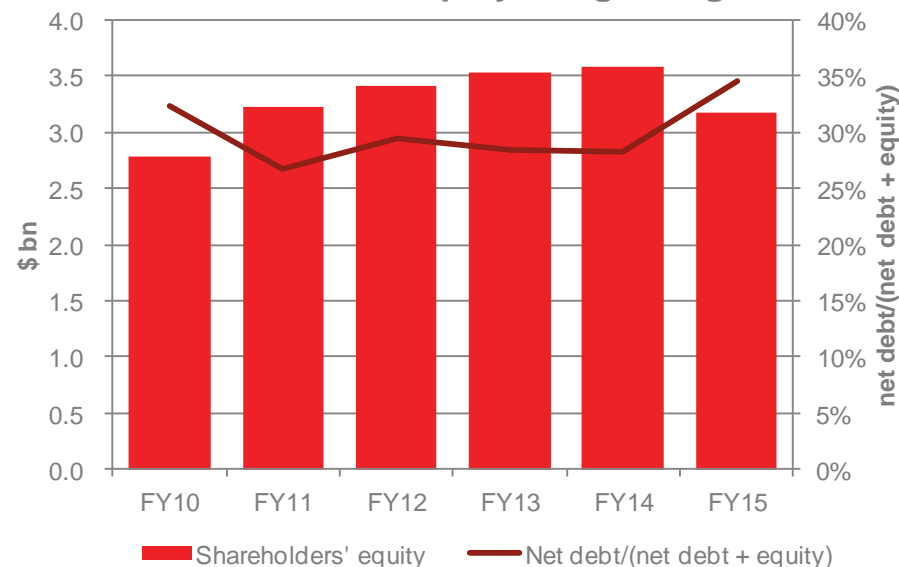
* Earnings before net interest expense, tax, depreciation, amortisation, changes in fair value of financial instruments and other significant items

Contact has raised equity to maintain its investment grade credit rating during the period of capital investment

Total assets and liabilities



Shareholders' equity and gearing



- Gearing has remained low over the period of capital investment, with recent increase due to the special dividend on 23 June 2015
- As at 30 June 2015:
 - » Total borrowings \$1.75bn (including finance leases)
 - » Relative to shareholders' equity of \$3.17bn
 - » Balance sheet gearing (net debt / net debt + shareholders' equity) 34.6%



3. Business performance update

Key themes

Increased cash flow

- Free cash flow improvement
 - » Sales volumes stable
 - » Strong retail competition continues to impact margins
 - » Transition phase following investment in new systems and plant complete

Distribution of free cash flow

- 15 cps final dividend (76 cps distributed to shareholders)
- Share buyback programme to commence in 1H16
- Continued commitment to investment grade credit rating

Smooth transition from Origin sale

- Dennis Barnes confirmed as CEO, employed by Contact
- Recruitment of new board members and chairman progressing
- ASX application on track

Focus on structural efficiency

- 80MW contract with Meridian supports ongoing Tiwai operation
- Otahuhu to close Sept 2015, gas operations consolidated at Stratford
- Major maintenance at Taranaki Combined Cycle power station (TCC)
- Ongoing transition to flexible thermal capacity
 - » Ahuroa gas storage a key enabler

FY16 outlook

- Increased renewable availability
- New gas and Te Rapa supply contracts in place
- Retail business stabilised; benefits realisation commences

Statutory profit down 43% to \$133m

Underlying earnings down 29%

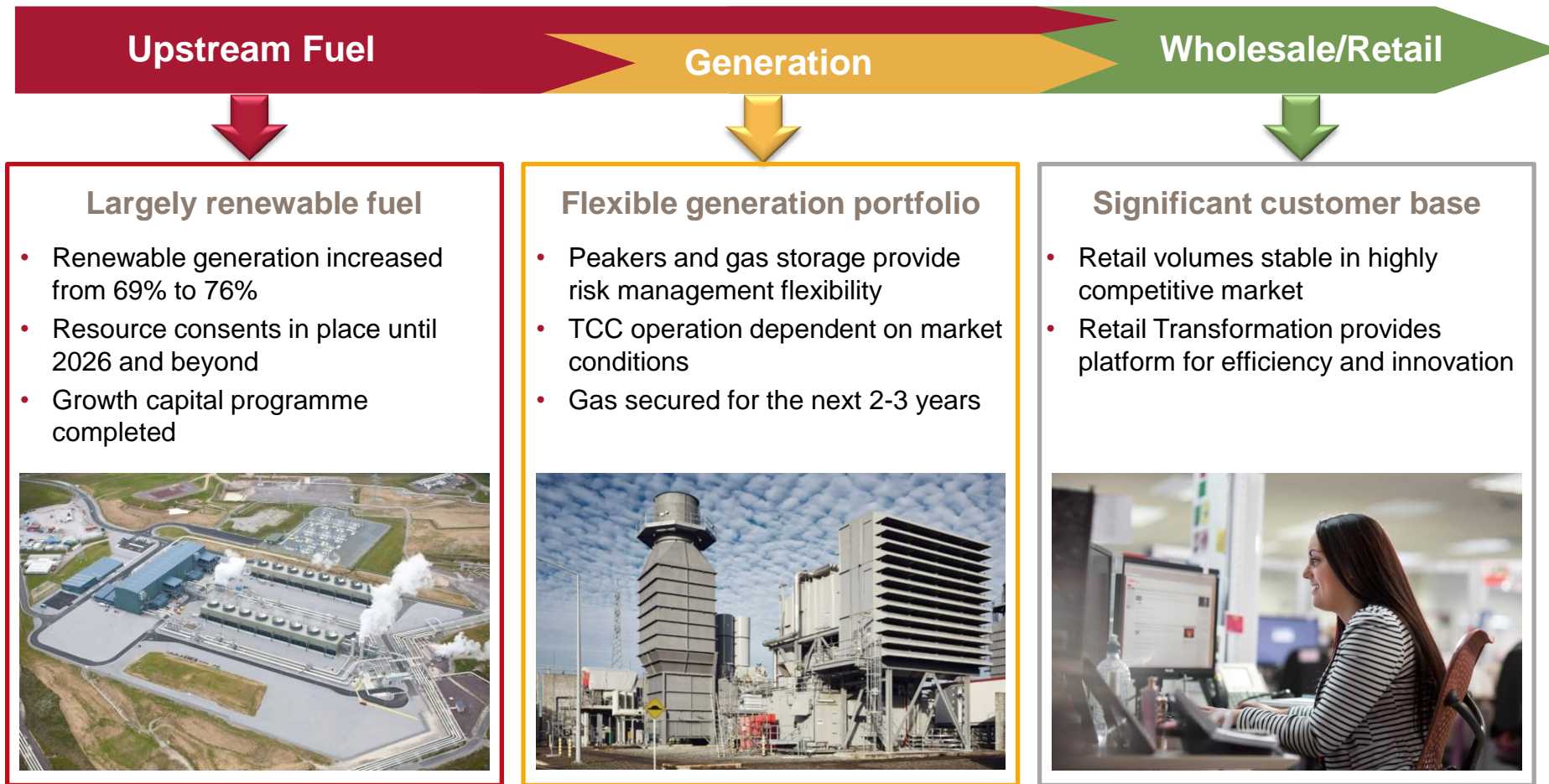
	Year ended 30 June 2015	
EBITDAF ¹	\$525m	down 11% from \$587m
Profit	\$133m	down 43% from \$234m
Underlying earnings after tax (UEAT) ¹	\$161m	down 29% from \$227m
FY15 declared dividends (cents)	76.0 cps	up 192% from 26.0 cps
Underlying operating cashflow after tax (OCAT) ¹	\$452m	up 11% from \$406m
Free cash flow ¹	\$363m	up 21% from \$299m
Capital expenditure	\$105m	down 62% from \$274m

Free cash flow up 21%

¹ Refer to slides 33-37 of Contact's FY15 results presentation for a definition and reconciliation of EBITDAF, UEAT and OCAT, and slide 15 for a reconciliation of OCAT and free cash flow. Presentation available at:

<https://www.contact.co.nz/corporate/media-centre/results-and-reports/financial-results-and-presentations>

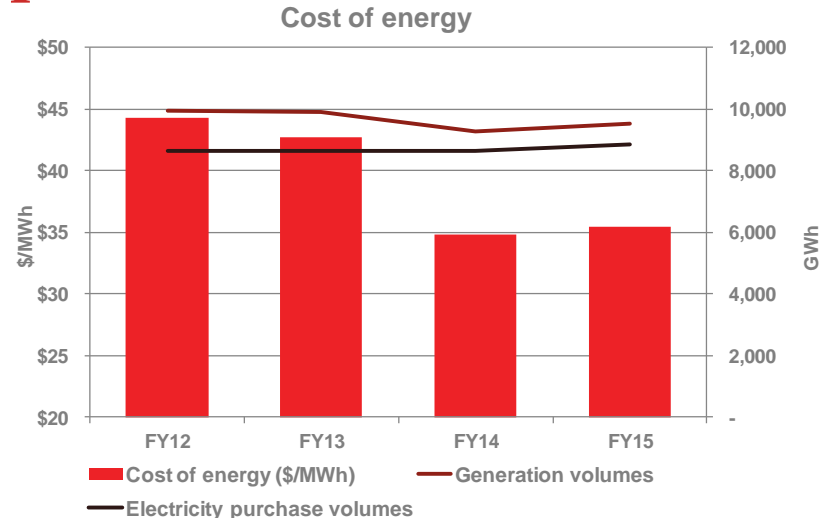
Contact's capital investments have positioned it well for the New Zealand market ...



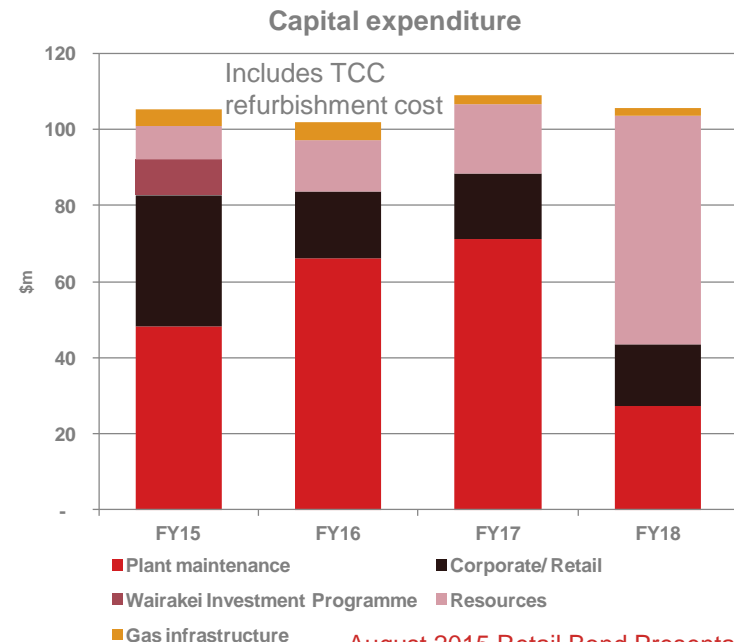
... with limited need for further investment in the operating business

Contact's cost of energy continues to track down with minimal capital requirements to support cash flow

- FY16 cost of energy expected to continue to improve
 - » Improved plant availability following maintenance programme in FY15
 - » Geothermal generation expected to exceed 3,300GWh
 - » Greater gas flexibility and lower unit cost.
 - » Otahuhu closure delivers annualised cost savings of ~\$15m



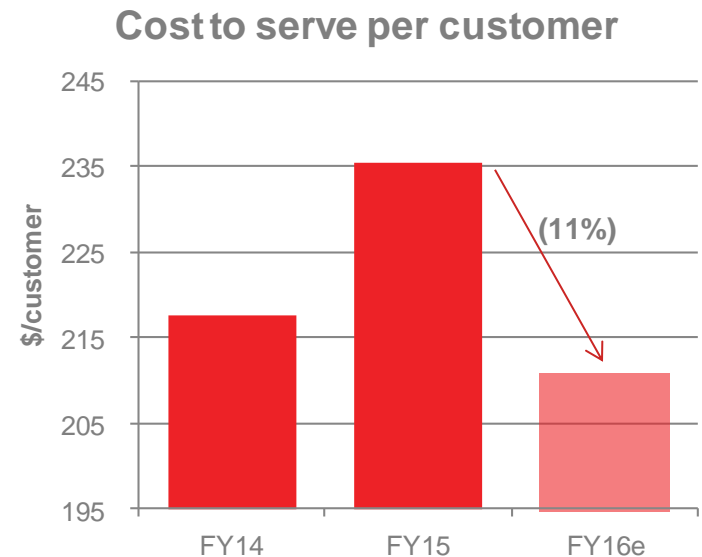
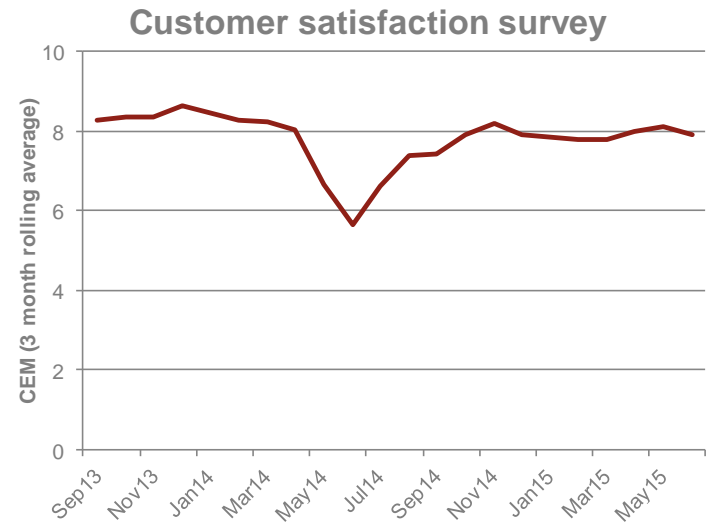
- Capital expenditure remains low
 - » Plant maintenance over the next two years focused on asset upgrade and long-term maintenance programme
 - » Continued investment in products and process enhancements in the retail business drive corporate spend
 - » Additional geothermal wells not forecast until FY18. FY16 and FY17 spend relates to modifications to increase Ohaaki generation from FY18
 - » TCC capex cost of \$45m over FY16/17



Retail stabilisation substantially complete

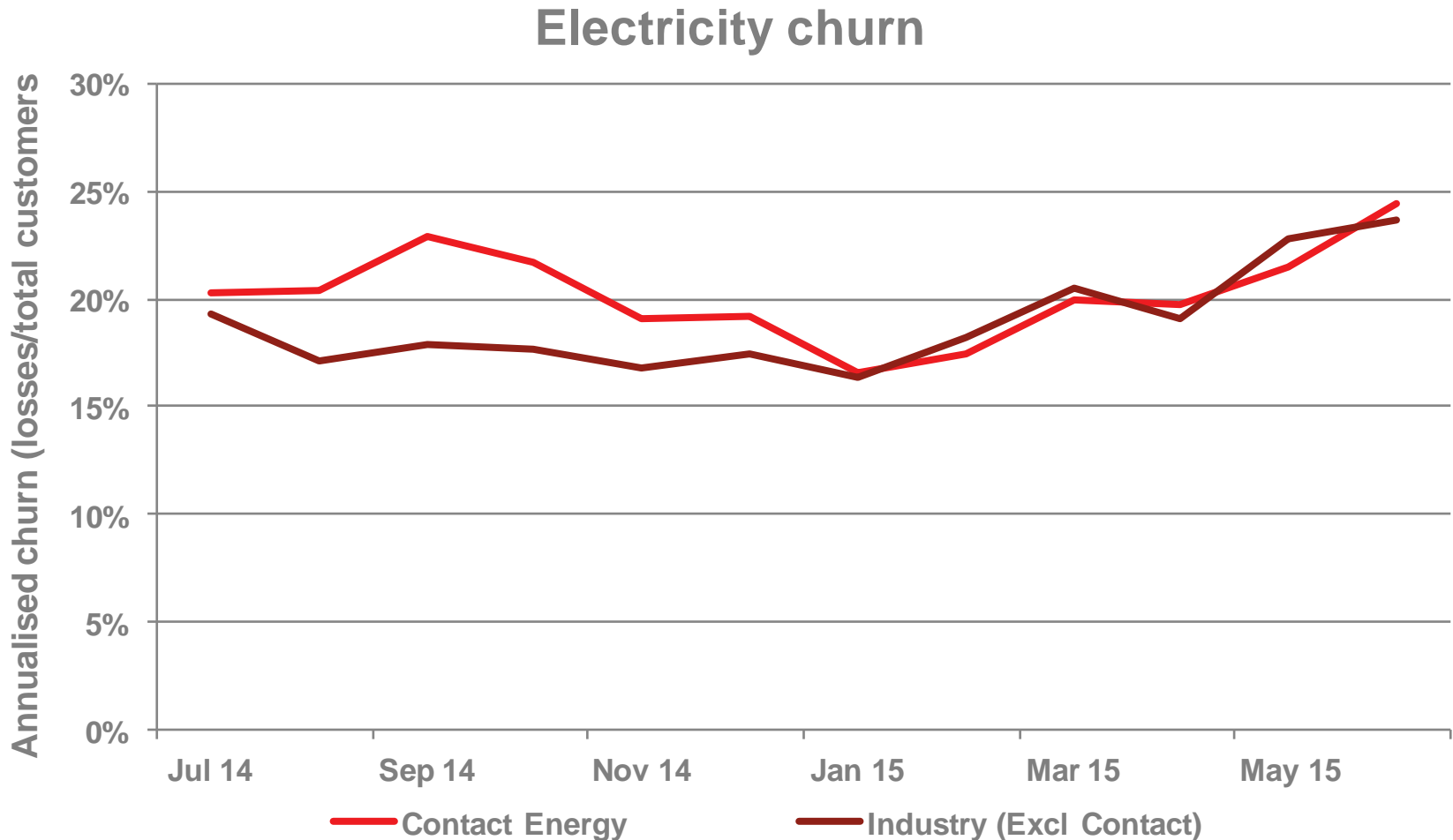
Customer service metrics all now close to pre go-live levels

- Key front and back office metrics now at, or close to, pre go-live levels
 - » Customer satisfaction survey now back at pre go-live target range
 - » First time call resolution doubled since June 14
 - » SAP support work force now fewer than 50, down 80% from go-live and in line with stabilisation plan
- Approaching 70% of Contact customers are now taking advantage of discounted offers and products
- Customer churn for the last 6 months in line with market churn
- SAP to deliver cost to serve reductions of ~10%
 - » Leveraging data and insight to drive targeted customer retention and acquisition offers
 - » Delivery of streamlined credit checking to reduce credit exposure and deliver material reductions in write-offs
 - » Contact is planning to exit residential door to door sales by the end of FY16



Contact's churn levels have returned to market levels as the new retail system has stabilised

Retail competition remains intense



Data source: Electricity Authority

Outlook

Financial

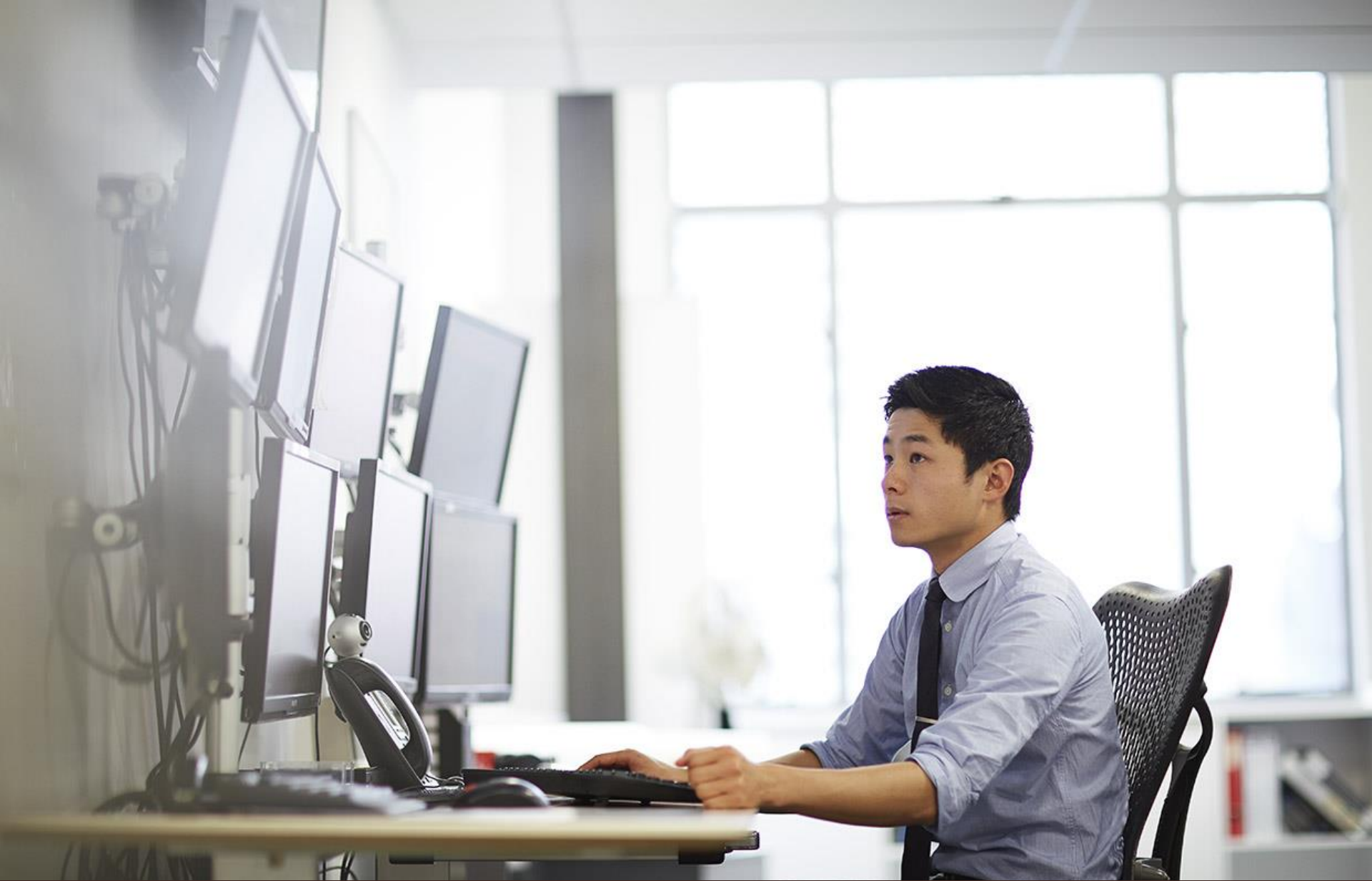
- Continued strong free cash flow

Customer

- Lower cost to serve to offset continued intense retail competition
- C&I load reduced following the non-renewal of the Fonterra electricity contract
- Customer business begins to move beyond stabilisation to optimisation
- No repeat of 1H15 one-off network costs or retail stabilisation costs
- LPG costs reflective of lower oil prices

Generation

- Increased geothermal production offsets return to mean hydrology
- New gas contracts and Te Rapa agreement commence
- Reduced operating costs following the closure of Otahuhu
- Opportunities to support market requirements for flexible capacity from 2019



4. Capital structure & funding requirements

BBB (stable) S&P Corporate Credit Rating since 2002

Reaffirmed April, May & August 2015

- Investment grade rating provides Contact with benefits in terms of access to multiple funding markets and efficient borrowing costs
- Historically, Contact has raised equity to maintain its investment grade credit rating - to support the recent \$2 billion capital investment programme, Contact raised \$830 million of equity
- S&P's minimum expectation of key financial metrics for the rating focus on Debt / EBITDA between 2 – 3 times (2.8 times specific reference in last two annual ratings reports). Actual metric was 2.7 times for FY14 and 3.3 times for FY15, due to the special dividend at the end of June 2015
- Rating supported by competitive position, diversified generation portfolio and vertically integrated business model
- Strong working relationship with rating agency, regular updates. S&P re-affirmed Contact's rating:
 - » at the time of its annual review of Contact in April 2015;
 - » in May 2015, following the announcement of Contact's revised dividend policy and the \$367 million special dividend; and
 - » in August following Origin's sell-down of its shareholding, and also following FY15 result

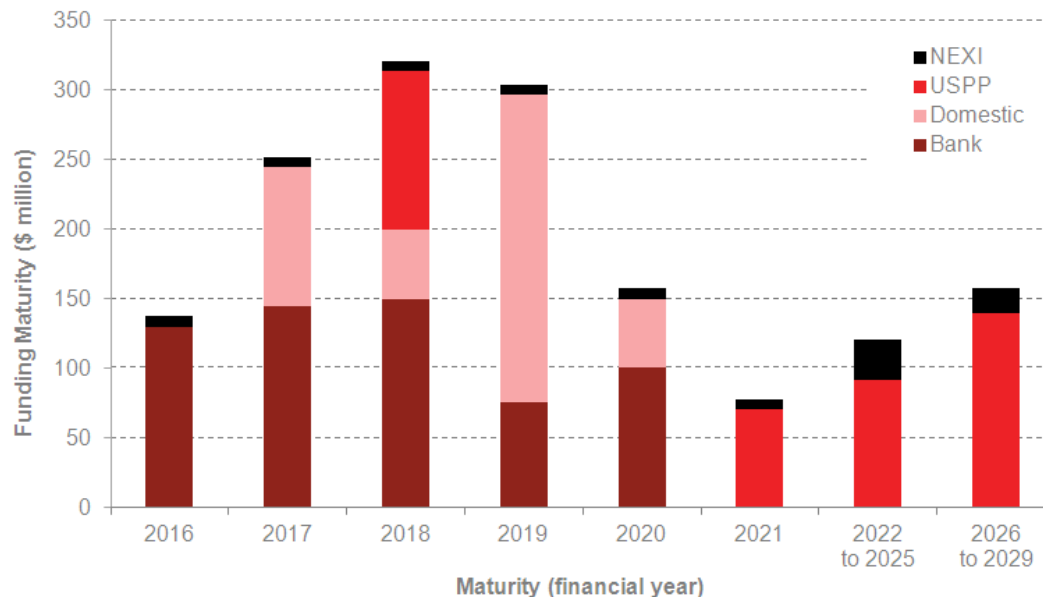
Funding requirements

Over the last few years, Contact has successfully executed a material refinancing programme including:

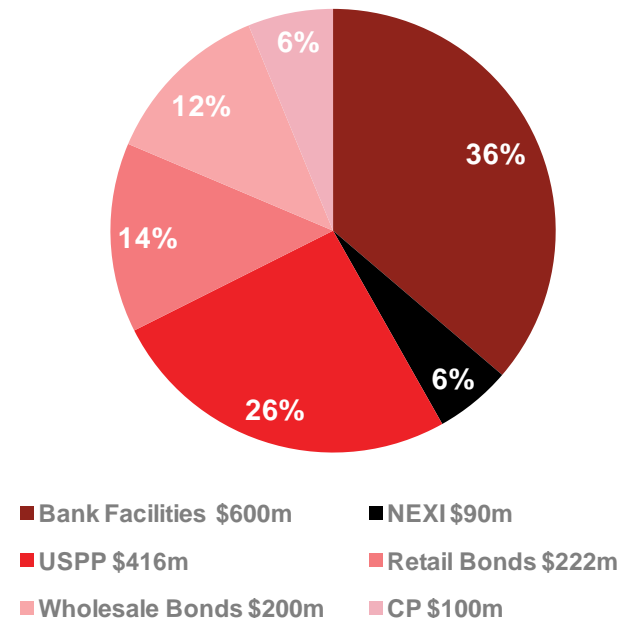
- » Terming out its maturity profile to mitigate against any material requirements in any one year
 - » Diversifying funding sources across multiple debt markets
 - » Adding flexibility and capacity in its banking facilities
-
- \$183m USPP matured March 2015
 - » \$100 million bridge facility provided timing flexibility while capital structure review completed
 - Additional \$200 million bank facilities put in place to provide timing flexibility for funding of the June 2015 special dividend
 - Since then, \$225 million of refinancing for the bridge facilities has been secured:
 - » \$80 million additional bank facilities now in place to maximise flexibility in funding portfolio, given significant cash flow
 - » In June, Contact issued US\$100 million USPP (approximately NZ\$145 million with a weighted average term to maturity of about 10 years) with Sept 2015 settlement
 - » Final step in refinancing is the issuance of the domestic retail bond now being offered

Contact funding portfolio at 30 June 2015

Funding Maturity Profile



Funding Diversity



- Weighted average tenor of funding facilities 4.7 years (excluding bridge facilities)
- Net interest rate on borrowings has continued to decrease, with weighted average of 5.9% in FY15 (6.5% in FY14)
- Contact continues to maintain a liquidity buffer – current minimum policy requirement is \$200 million
- After 2015 refinancing activities, next capital markets maturity is April 2017 (\$100 million Wholesale Bond)

Contact credit highlights

**Now has a
widely held
share
register**

**Diversified,
portfolio;
largely
low marginal
cost,
renewable
generation**

**Vertically
integrated
business**

**SAP provides
platform for
efficiency and
innovation**

**Significant
positive
free cash
flow**

**Strong
balance
sheet**

**BBB S&P
rating
since 2002**

**Diversified
funding with
well spread
maturity
profile**



5. Bond offer information

Key terms of the offer

Issuer	Contact Energy Limited
Description	<p>Unsecured, unsubordinated, fixed rate, interest bearing debt obligations of the Issuer, ranking equally and without preference among themselves and equally with all other outstanding unsecured and unsubordinated indebtedness of Contact, except indebtedness preferred by law</p> <p>The Supervisor, on behalf of the Bondholders, has the benefit of certain provisions of the deed of negative pledge and guarantee between Contact and certain of its subsidiaries dated 19 May 2005 (Negative Pledge). Among other things, the Negative Pledge provides that Contact will not grant any security interest in its assets except under certain limited exceptions set out in the Negative Pledge. The Bonds are not guaranteed by any person</p>
Issue Amount	Up to NZ\$100,000,000 with the ability to accept oversubscriptions up to NZ\$25,000,000 at the discretion of the Issuer
Maturity Date	15 November 2021
Interest Rate	The Interest Rate will be the sum of the Base Rate plus the Issue Margin, on the Rate Set Date as set out in the Terms Sheet
Indicative Issue Margin	1.15 – 1.20% p.a
Interest Payments	<p>Quarterly in arrear in equal payments on 15 February, 15 May, 15 August and 15 November or such other dates in each year as determined by the Issuer with the prior written consent of the Supervisor and recorded in the register of the Bonds.</p> <p>Interest paid on the first Interest Payment Date will be for the period from (and including) the Issue Date to the first Interest Payment Date (15 November 2015)</p>
Application Amounts	Minimum application amounts NZ\$5,000 with multiples of NZ\$1,000 thereafter
Listing*	It is expected the Bonds will be quoted under the ticker code CEN030 on the NZX Debt Market
Issue Credit Rating	BBB (Standard & Poor's)
Financial Covenant	The ratio of consolidated unsubordinated group debt to consolidated unsubordinated group debt plus shareholders' funds (as described in the Negative Pledge) must not exceed 60%
Brokerage	Nil
Settlement	Settlement via secondary market transactions with the Lead Manager

Key dates and process

Date	Process
24 August 2015 (Monday)	Offer opens
24 - 27 August 2015	Roadshow presentations in Auckland and Wellington and investor call.
28 August 2015 (Friday)	Offer closes – bids due 1pm
28 August 2015	Allocations and rate set post 1pm
4 September 2015 (Friday)	Issue date
7 September 2015	Expected date of quotation
15 November 2015	First Interest Payment Date
15 November 2021	Maturity Date



Questions?