



Retail Bond Offer Investor Presentation

Dorian Devers, Chief Financial Officer
Louise Tong, Head of Capital Markets & Tax

Joint Lead Managers



DeutscheCRAIGS

February 2019

Important Notice

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

The offer contained in this presentation is an offer of bonds (**Bonds**) that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Contact's:

- NZ\$222,000,000 unsecured, unsubordinated, fixed rate, interest bearing bonds (which have a fixed interest rate of 5.80% per annum) maturing on 15 May 2019, which are currently quoted on the NZX Debt Market under the ticker code CEN020 (**CEN020 Bonds**);
- NZ\$150,000,000 unsecured, unsubordinated, fixed rate, interest bearing bonds (which have a fixed interest rate of 4.40% per annum) maturing on 15 November 2021, which are currently quoted on the NZX Debt Market under the ticker code CEN030 (**CEN030 Bonds**); and
- NZ\$100,000,000 unsecured, unsubordinated, fixed rate, interest bearing bonds (which have a fixed interest rate of 4.63% per annum) maturing on 15 November 2022, which are currently quoted on the NZX Debt Market under the ticker code CEN040 (**CEN040 Bonds**),

(the CEN020, CEN030 and CEN040 Bonds, together the **Existing Bonds**).

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

Investors should look to the market price of the Existing Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

Disclaimer

This document does not constitute a recommendation by the Issuer, ANZ Bank New Zealand Limited, Bank of New Zealand and Deutsche Craigs Limited (together, Joint Lead Managers), 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, Joint Lead Managers 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.

This document is for preliminary information purposes only and is not an offer to sell or the solicitation of an offer to purchase or subscribe for the Bonds and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

The information in this document is given in good faith and has been obtained from sources believed to be reliable and accurate at the date of preparation, but its accuracy, correctness and completeness cannot be guaranteed.

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.

Speaker Profiles



Dorian Devers

Chief Financial Officer

Dorian joined Contact in December 2018 as Contact's Chief Financial Officer. Dorian has led successful transformations in both the UK and South Africa. He has successfully delivered a number of acquisitions including transactions in the Australian and New Zealand energy sector

He has governance experience having served on the Board of Afrox, a publicly listed company and the largest industrial gases business in Africa, as well as being a previous Board member of Liquigas, a New Zealand LPG infrastructure business



Louise Tong

Head of Capital Markets & Tax

Louise is responsible for funding, liquidity and financial market risks, investor relations 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

Louise is current Chair of the Institute of Finance Professionals NZ, INFINZ, and acts as an independent advisor in the Auckland Council Treasury Management Steering Group

Agenda

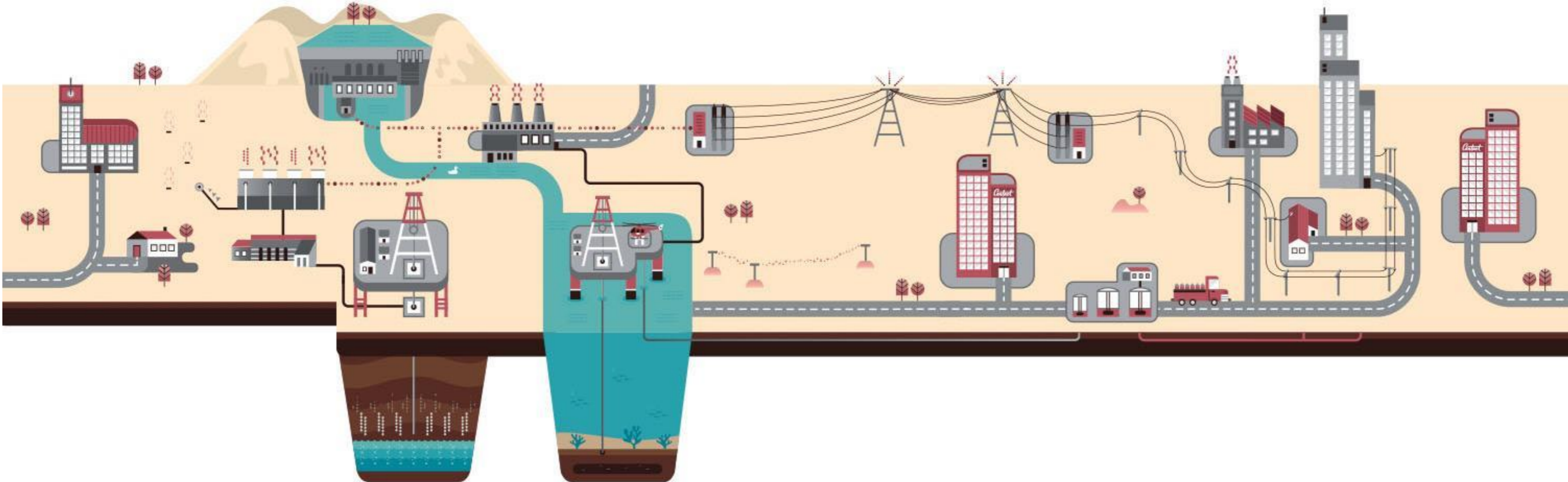
1	Electricity market overview	
2	Contact overview	Dorian Devers
3	Business performance update	
4	Capital structure and funding	Louise Tong
5	Bond offer information	Joint Lead Managers



Electricity market overview

Dorian Devers
CFO

New Zealand electricity market



5 Major generators

1/2 Hourly wholesale spot market

1 State-owned national transmission grid operator

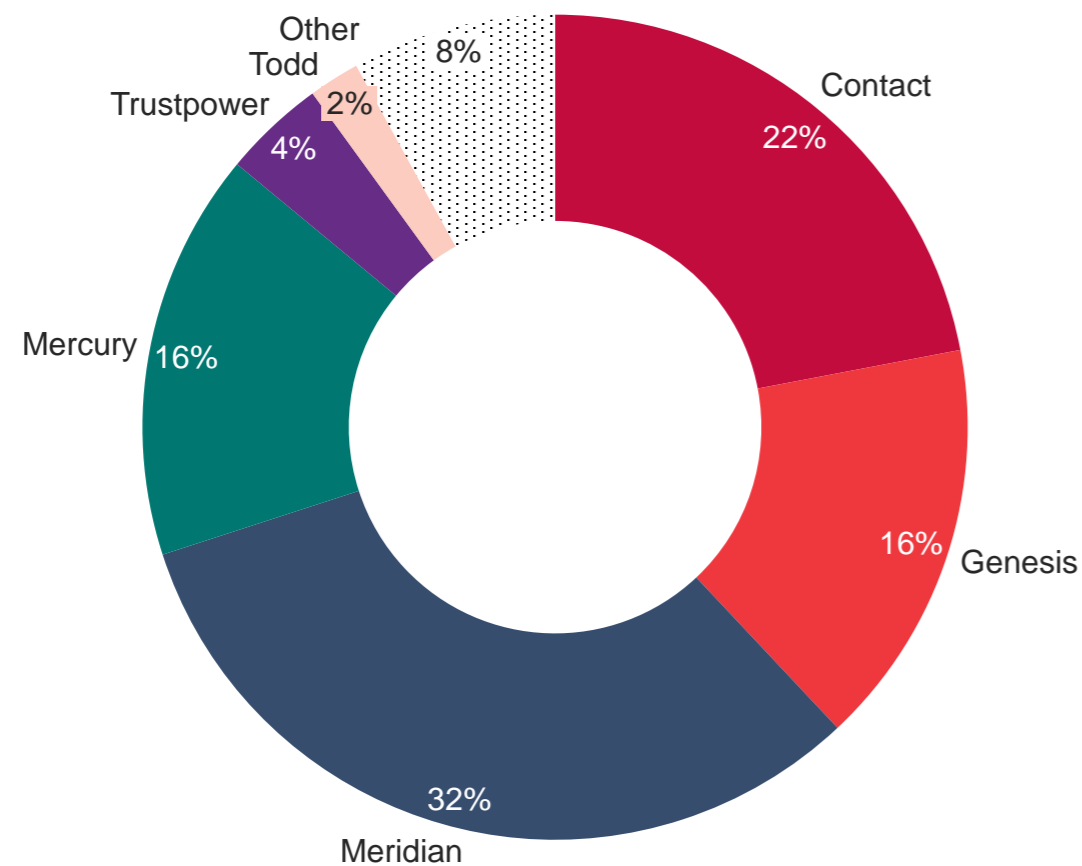
29 Distribution businesses

31 Retailers (36 brands)

2.1 Million consumers

The five largest energy companies are all vertically integrated and publicly listed

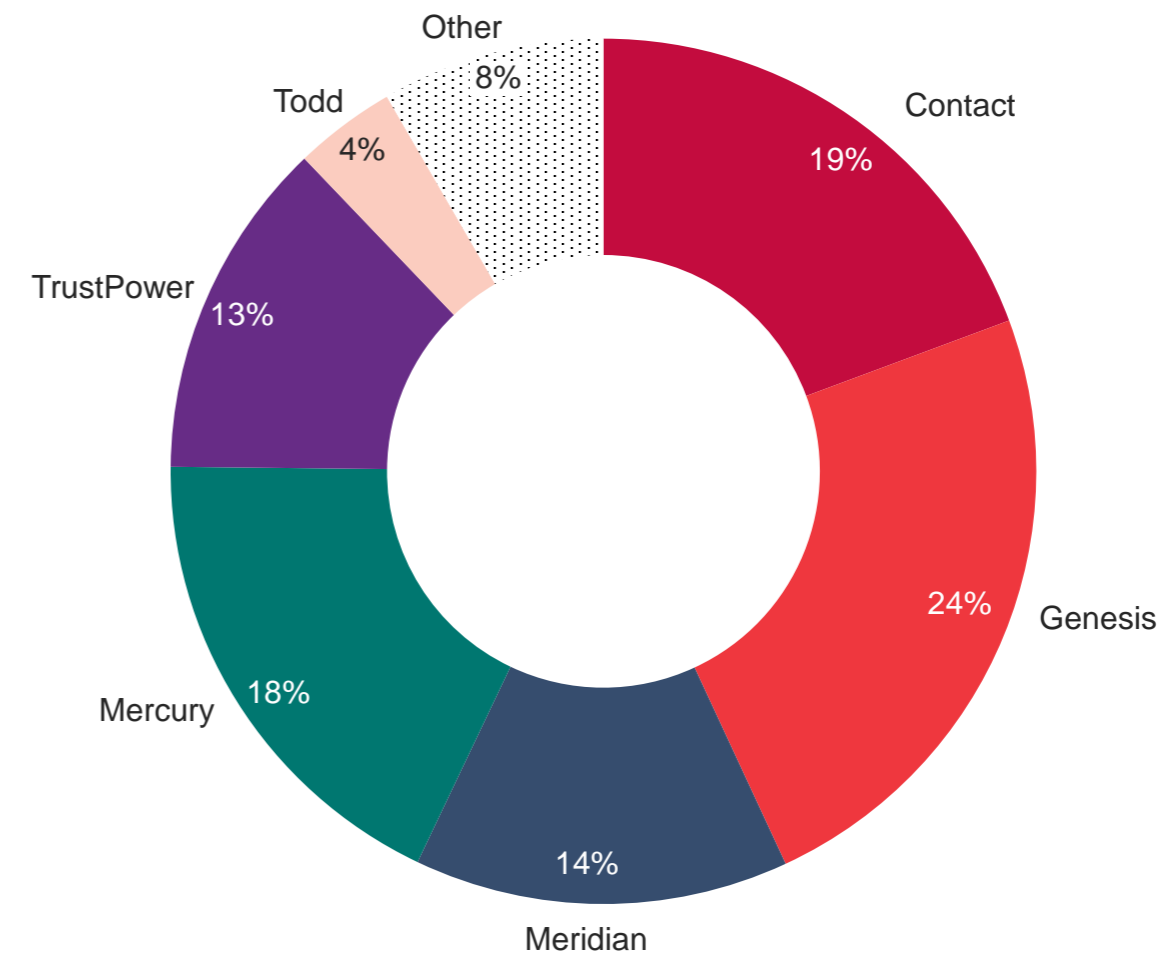
Generation market share by volume



Source: Electricity Authority (year ended 31 December 2018)

- Year-to-year generation market share varies depending on hydrology
- Contact has a diverse generation portfolio allowing management of exposure to spot market volatility

Retail electricity market share by customer connections



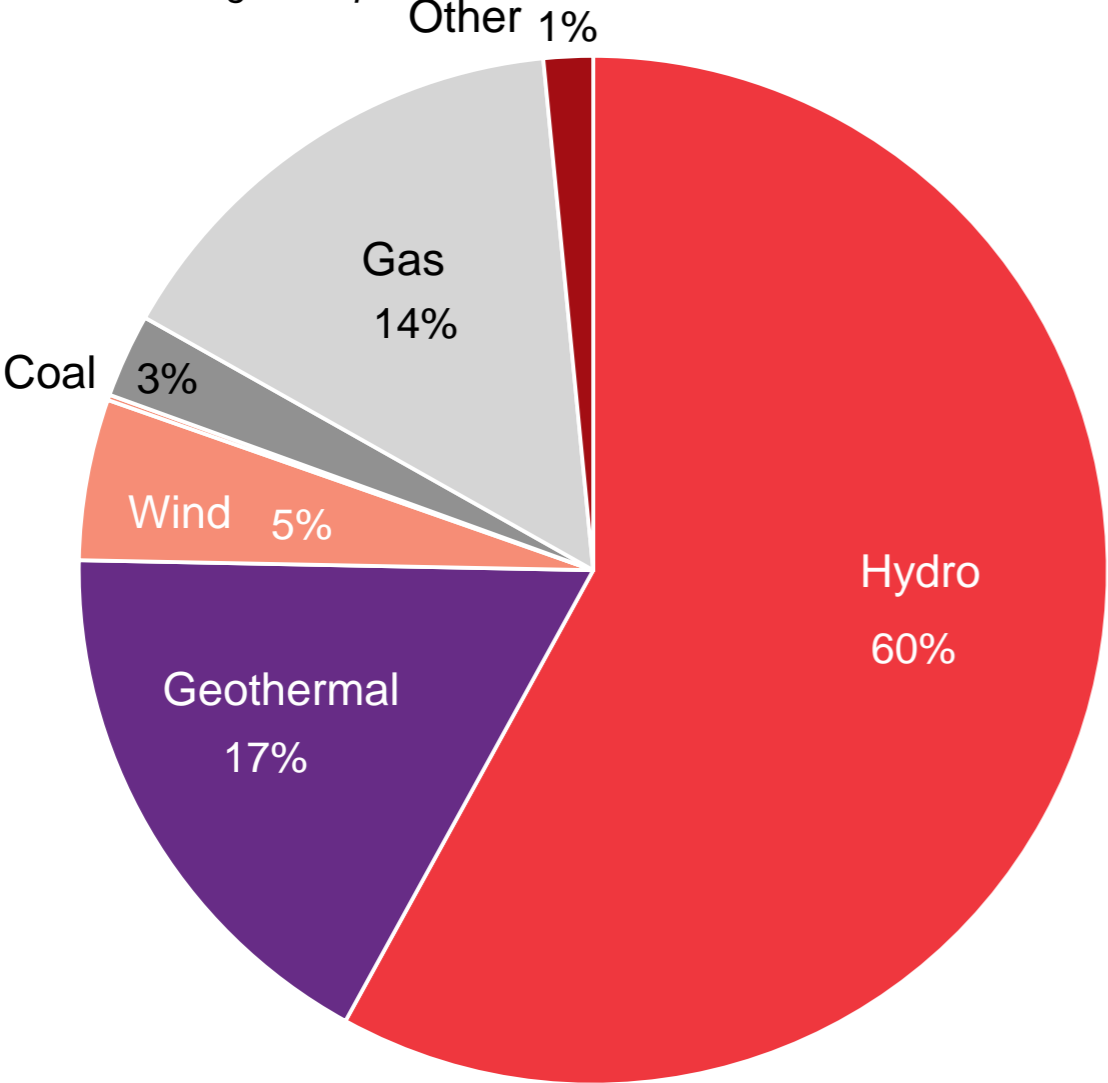
Source: Electricity Authority (as at 31 December 2018)

- Meridian supplies the Tiwai smelter which accounts for approximately 14% of total national electricity demand

New Zealand electricity supply is over 80% renewable

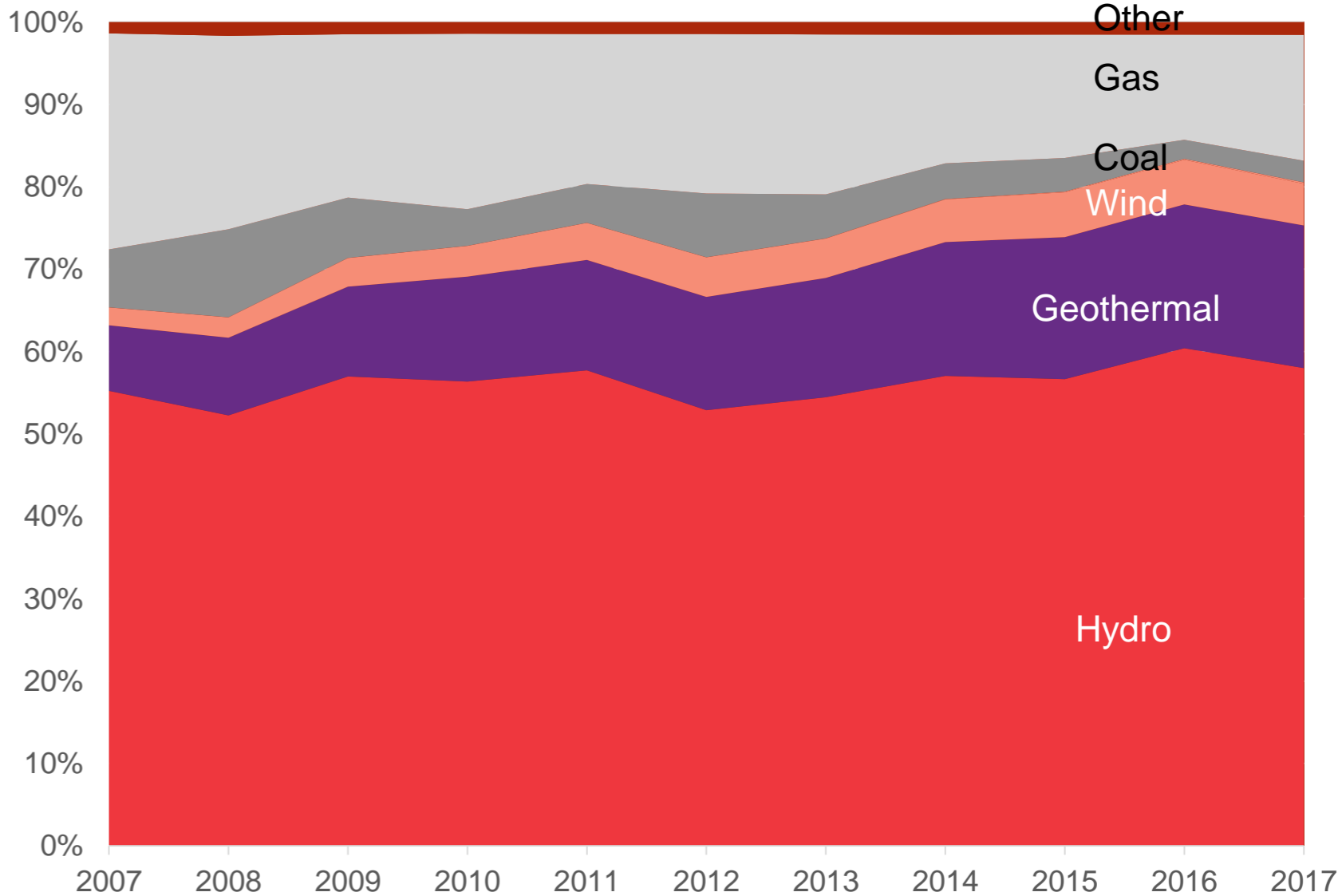
Electricity generation mix

Source: MBIE quarterly electricity generation and consumption survey
12 months ending 30 September 2018



» Distributed generation (e.g. solar) comprises approximately 0.2% of the total annual generation

New Zealand electricity supply



» New Zealand has added subsidy free renewable generation in a period of flat demand which has displaced fossil fuels. The percentage of renewables is now over 80%, up from 65% in 2007

Industry risks are balanced with potential for growth, strong capital discipline to continue

Long term prices impacted by the fundamental supply and demand balance

- » Estimated population growth of over 200k by 2023
- » Electrification of transport

- » The Tiwai fourth potline provides medium term demand strength
- » Material demand growth from the conversion of carbon based energy to electricity

- » New products and services through a deeper customer relationship and managing complexity

- » Consented and scalable renewable development projects
- » Geothermal energy for direct use in industrial process



Demand

Industrial demand

New technology

Fuel

- » Average household consumption falling through energy efficiency

- » Tiwai - early termination option (Tiwai electricity demand is around ~14% of the annual New Zealand electricity demand)

- » Improving solar and storage economics but the transition is likely to be slow
- » Deploying capital into the evolution of digital and data

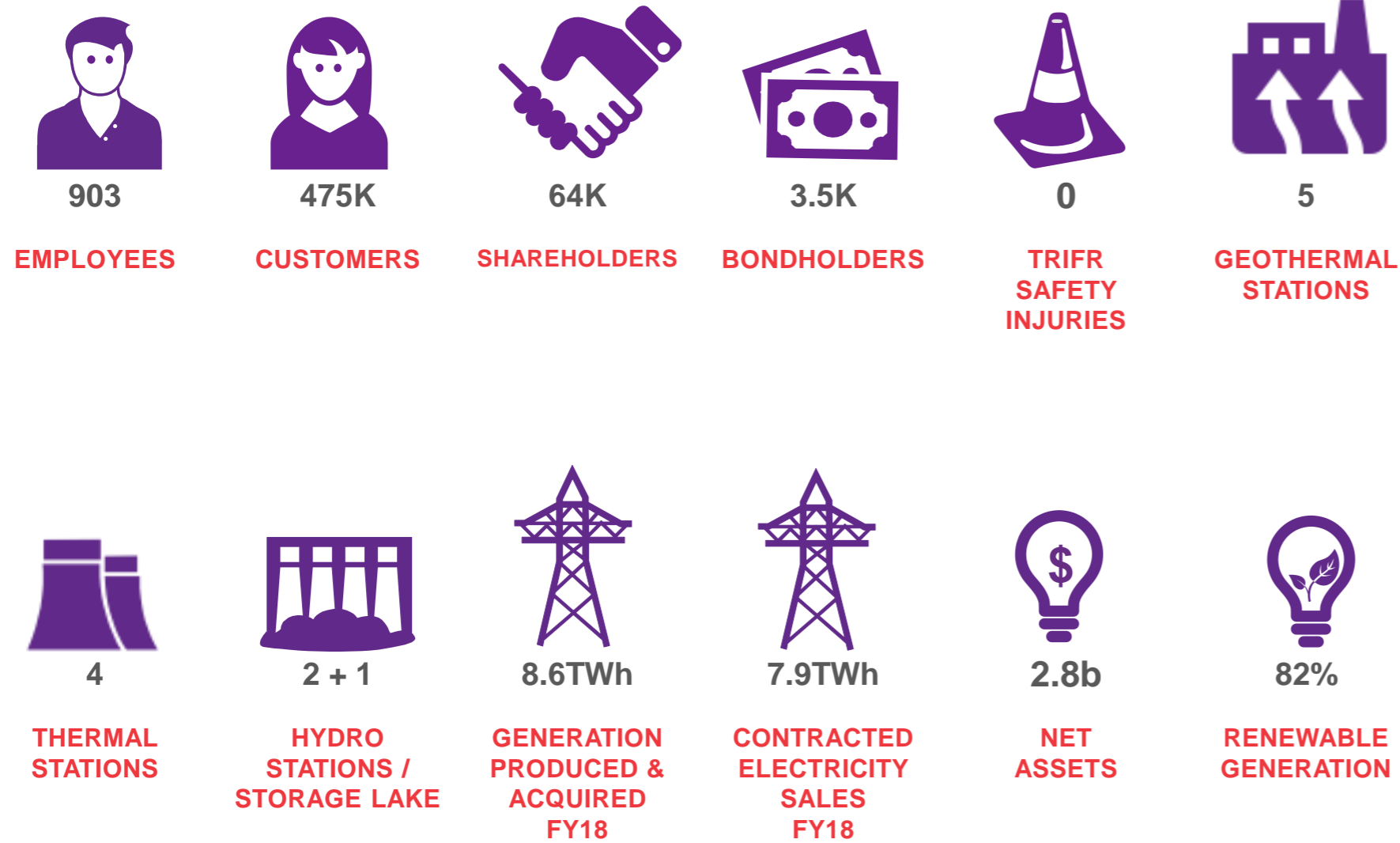
- » Only one natural gas producing basin, with a reserves / production ratio of 12 years
- » Carbon price increasing, currently at the cap



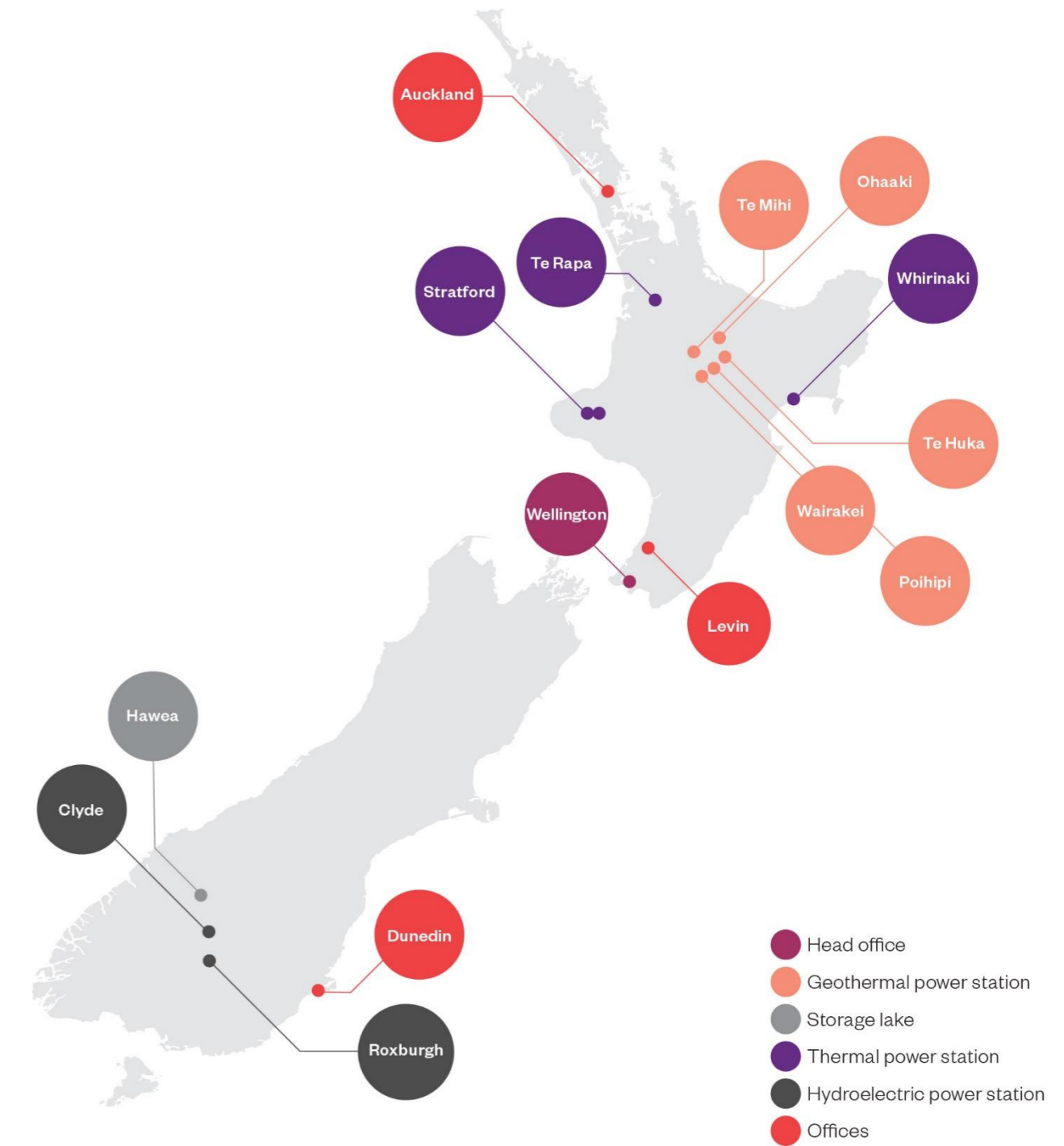
Contact overview

Snapshot of Contact

We are an integrated electricity, gas and LPG business



* Except as noted, all figures as at / 6 months to 31 December 2018



Operations have a national footprint with 11 power stations totalling 1,969 MW capacity

Our strategy

Optimise the Customer and Wholesale businesses to deliver strong cash flows

CUSTOMER

A service and value focused retailer, connecting customers and communities to smart solutions that make living easier for them now, and in the future

WHOLESALE

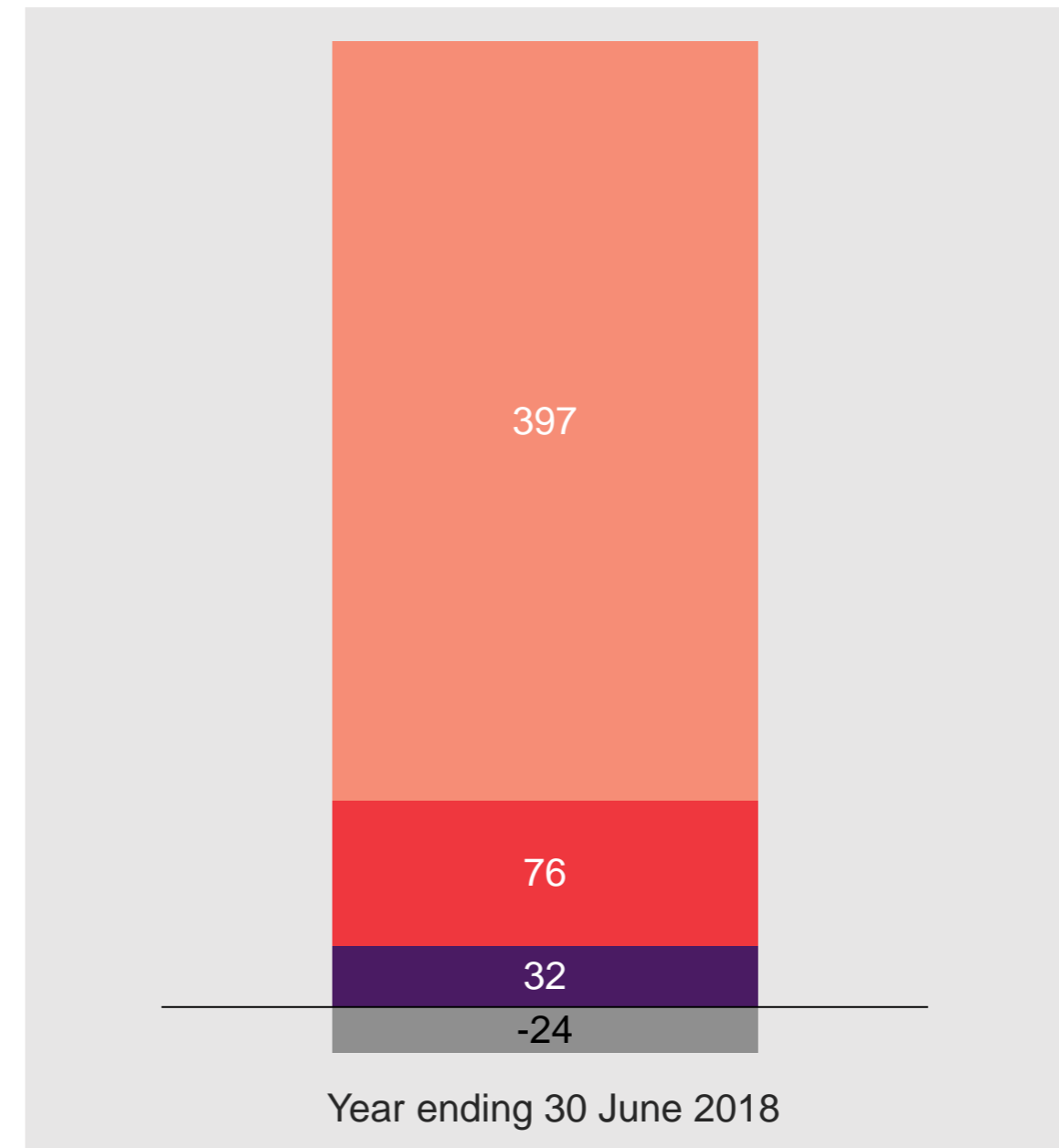
An innovative, safe and efficient generator working with business customers, partners and suppliers to decarbonise New Zealand's energy sector

Underpinned by a disciplined and transparent approach to operating and capital expenditure while continuing to investigate ways to optimise our portfolio of assets

Well run generation and wholesale operations currently drive most cashflow

EBITDAF segmentation (\$m)

- Customer business provides important contribution to overall operations, but generation drives high proportion of total cashflows
- Corporate overheads well managed



Wholesale LPG (disposed of in November 2018)
Customer Corporate



Business performance update

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Execution of the strategy will capture value



Customer

- » Move to a simple, lean operating model centred on the customer experience reinventing key customer experiences and processes
- » Capable employees, identifying and driving performance initiatives with ownership and accountability
- » Transform technology to drive both efficiency and better automated customer experiences
- » Reposition the brand and reputation from a strong operational retailer to a smart customer solutions provider



Wholesale

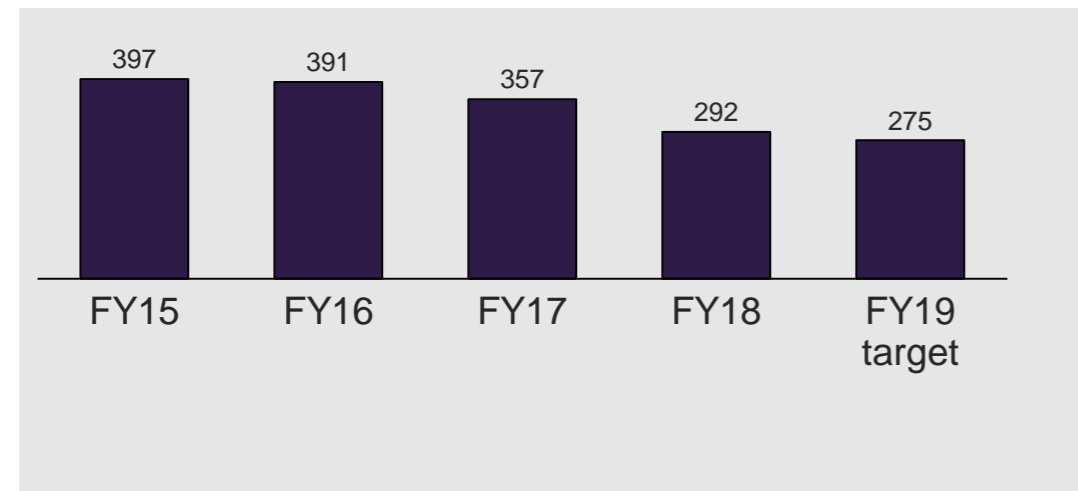
- » Sustainable cost reduction balanced against risk
- » Strengthen geothermal capability to remain as a recognised world leader
- » Partner with customers on mutually beneficial decarbonisation opportunities
- » Develop options to enable the economic substitution of thermal generation with renewables
- » Lower the cost of geothermal to ensure Contact development options are cost competitive with firmed intermittent renewables

Capital discipline to continue

..and deliver continued operational improvement

MAINTAINING FINANCIAL DISCIPLINE

CONTROLLABLE OPEX AND CAPEX COSTS (\$m)



SAFE AND ENGAGED EMPLOYEES

TOTAL RECORDABLE INJURY FREQUENCY RATE

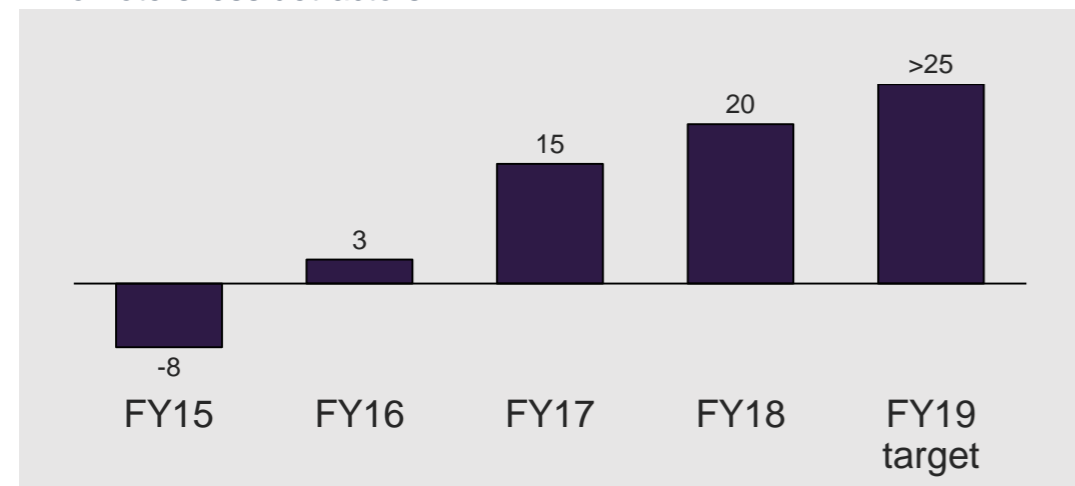
Recordable injuries per million hours worked



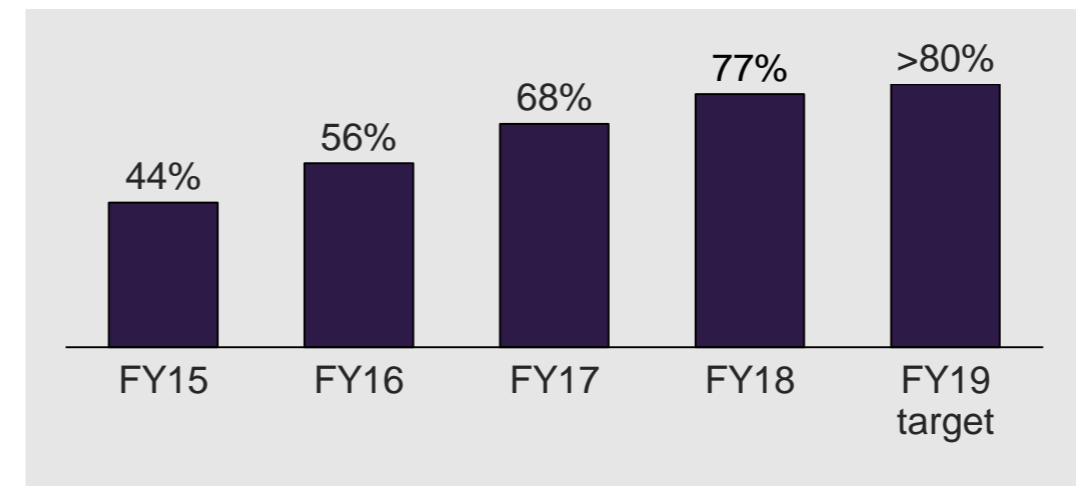
BUILDING CUSTOMER ADVOCACY

NET PROMOTER SCORE

Promoters less detractors

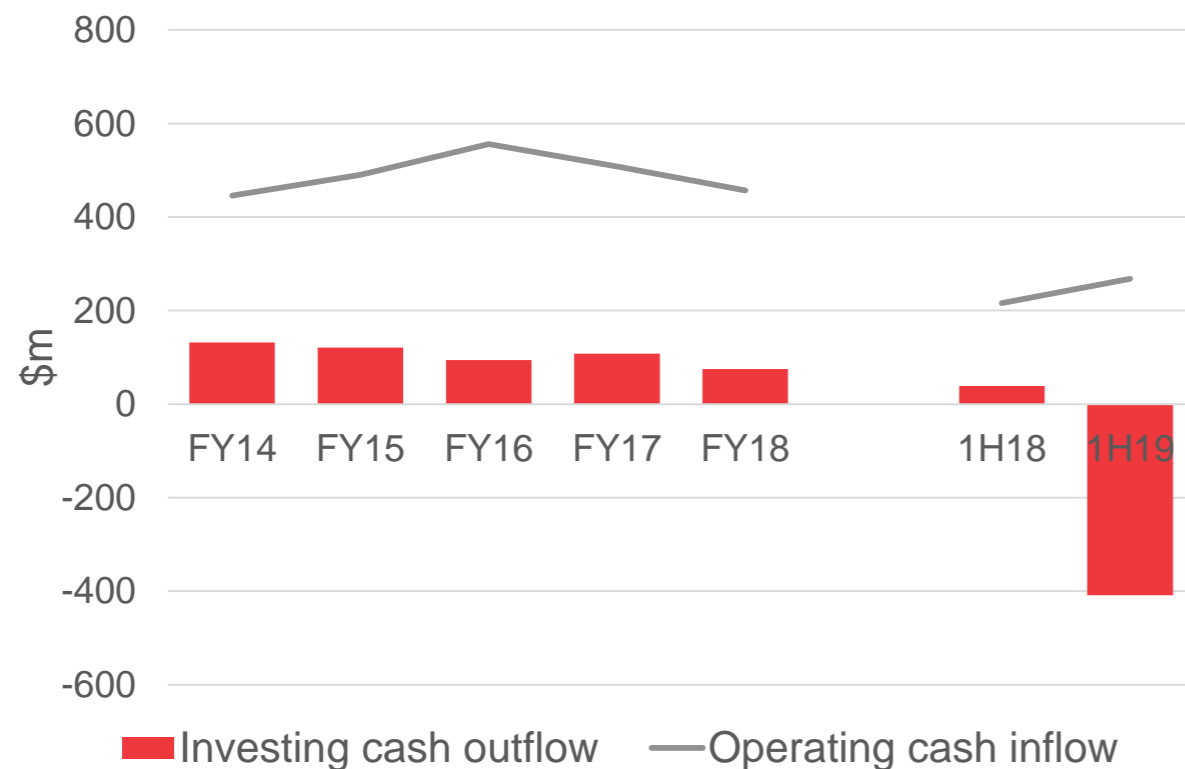


EMPLOYEE ENGAGEMENT (%)

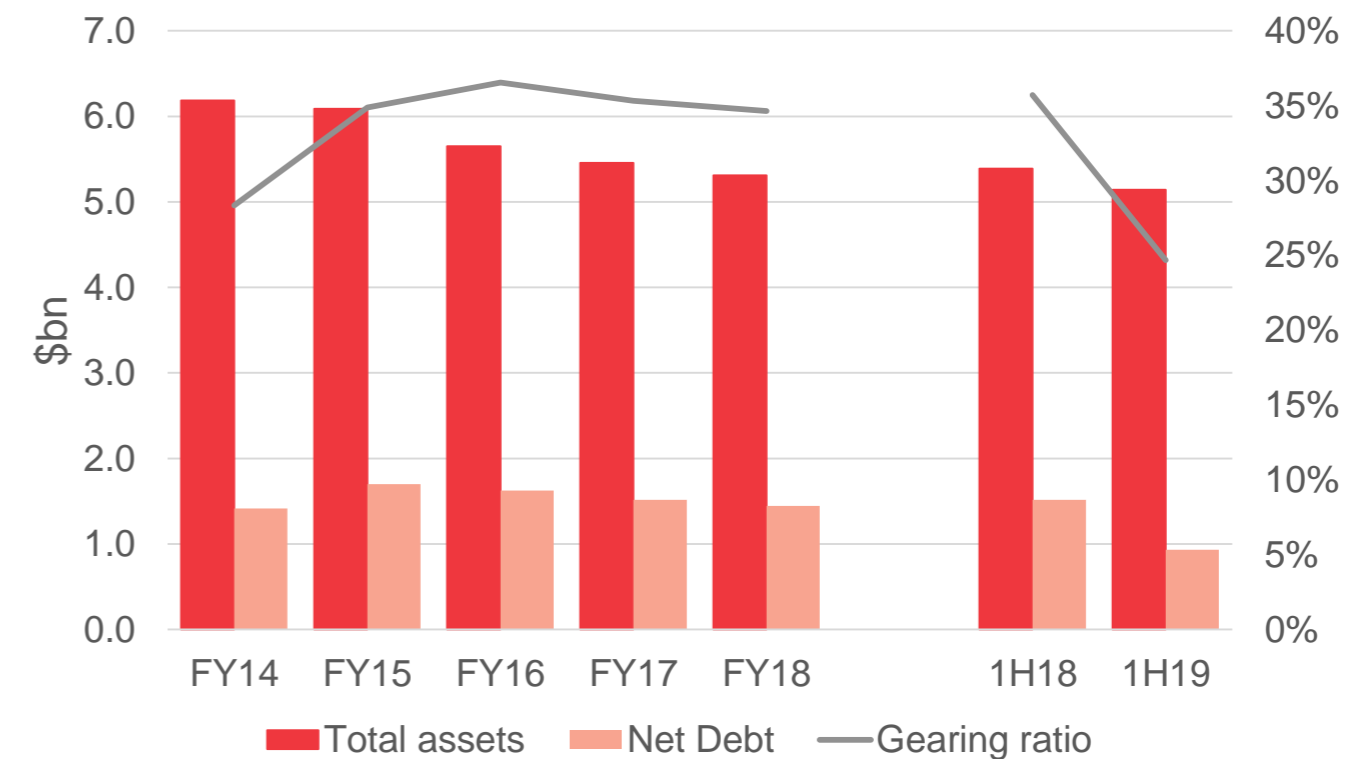


Operating cashflow remains strong and balance sheet gearing managed within BBB metrics

Group operating and net investing cashflow



Balance sheet & gearing



- » Focus and discipline managing opex and capex underpins strong net cashflows in all hydrological conditions
- » Gearing increased in FY15 and FY16 due to capital management initiatives and one-off impairments reducing the book value of equity. As at 31 December 2018, net debt was \$0.93bn (including finance leases), relative to shareholders' equity of \$2.84bn, putting gearing (net debt / net debt + shareholders' equity) at 24.7%



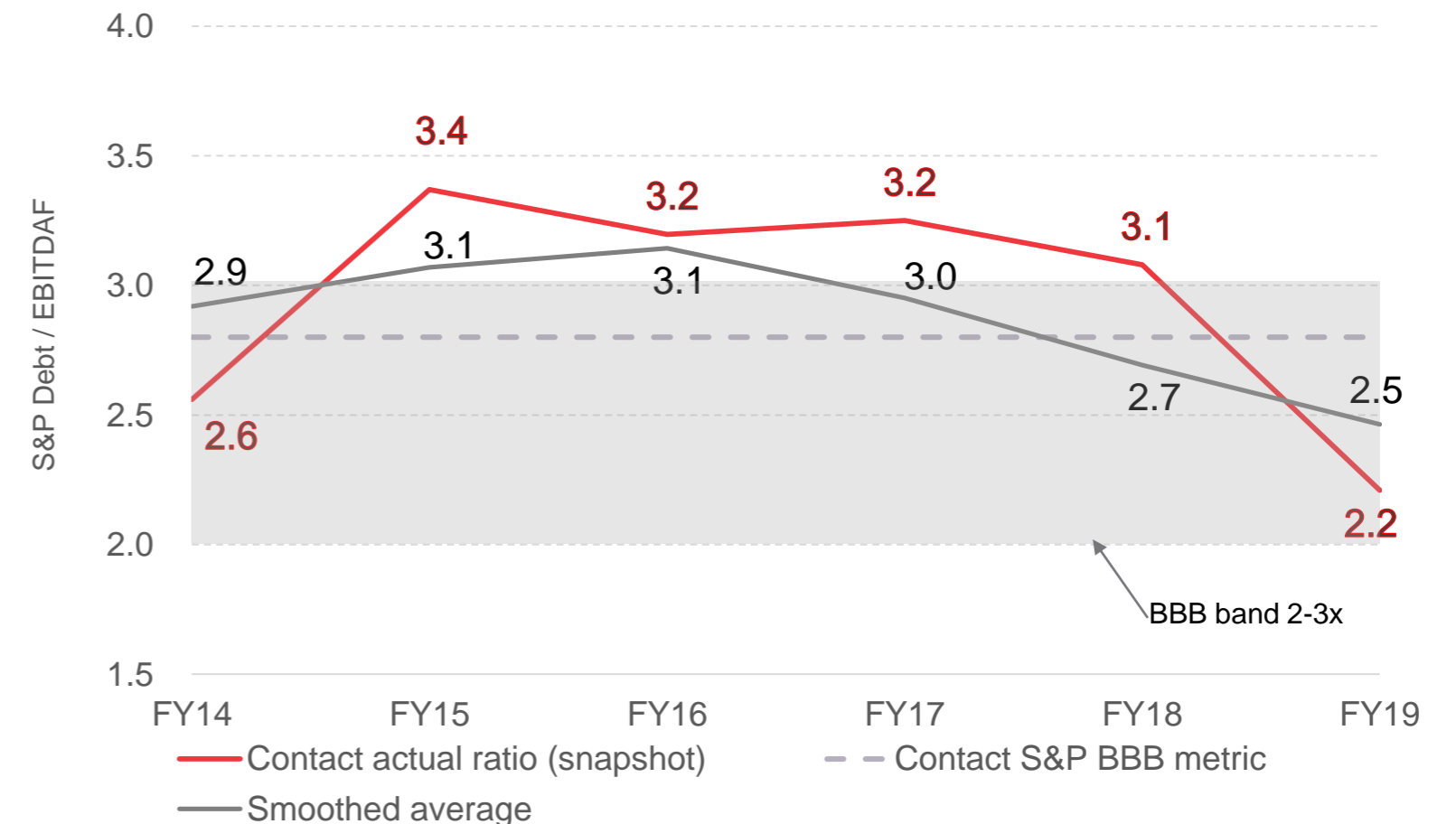
Capital structure & funding requirement

Contact remains committed to a BBB credit rating

Contact has had a BBB rating since 2002 - why BBB?

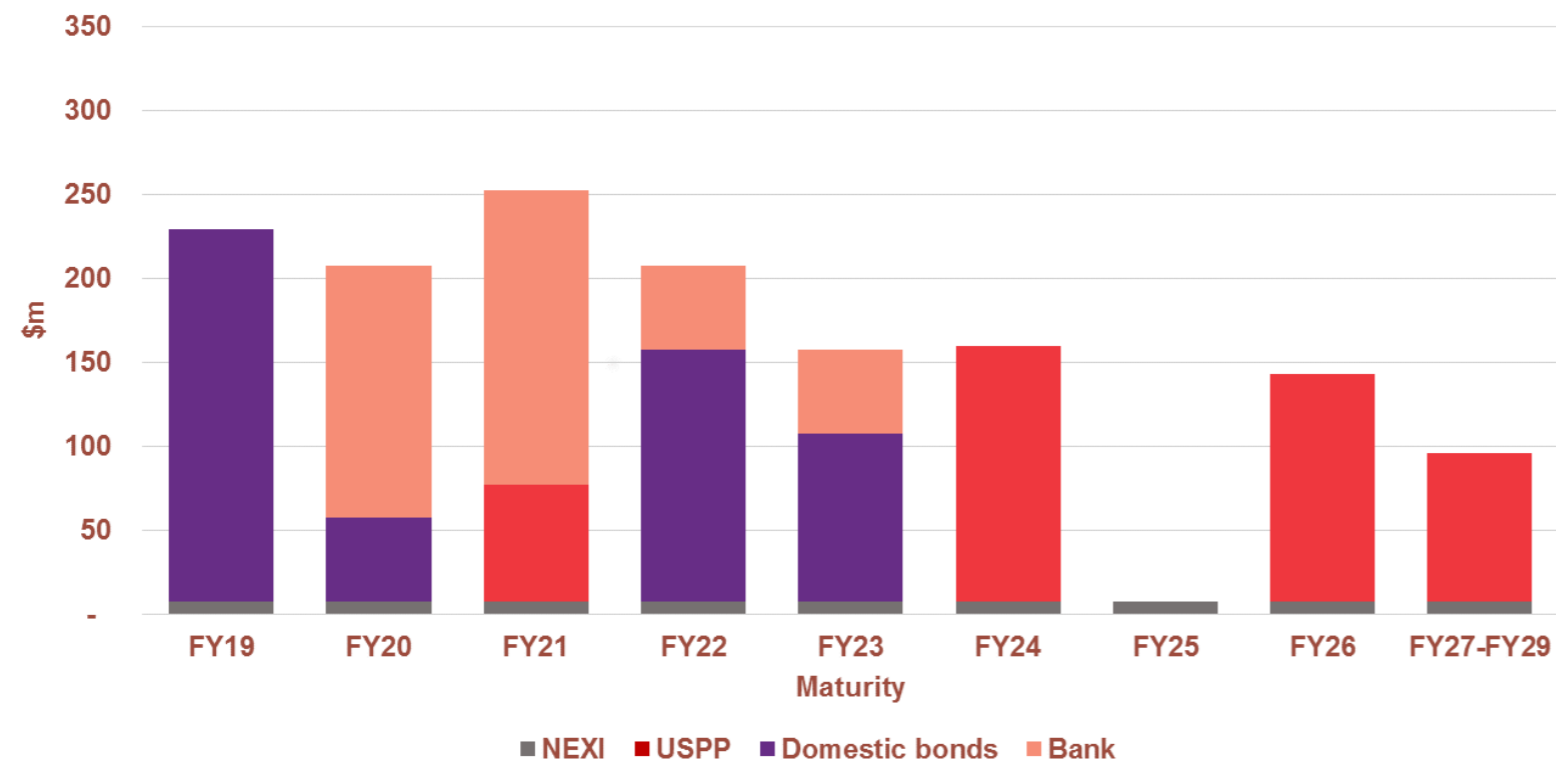
- ✓ Solid foundation for the management of operational and financial risks
- ✓ Efficient capital structure
- ✓ Access to diverse sources of funding markets and jurisdictions
- ✓ Attractive relative pricing and terms
- ✓ A margin of safety within the investment grade rating
- ✓ Key S&P metric net debt / EBITDA ratio of 2.8x

Contact's S&P Debt / EBITDAF Ratio is now comfortably back within BBB band

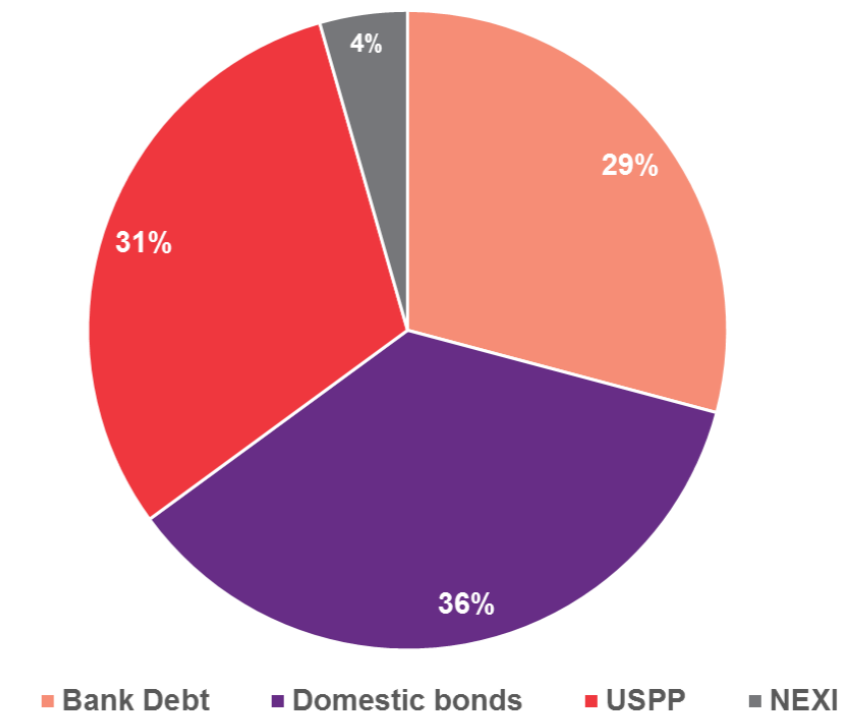


Contact's balance sheet is supported by a robust funding portfolio

Funding maturity profile (at 31 December 2018)



Funding sources (at 31 December 2018)



- Contact benefits from a funding portfolio that is flexible, efficient, diverse and has a manageable maturity profile:
 - As at 31 December 2018, \$425m total committed bank facilities (\$0 drawn) and \$80m commercial paper
 - Addition of the new bond issue will extend portfolio duration
- Funding requirement arises from maturity of \$222m of domestic retail bonds on 15 May 2019
- Contact has issued domestic bonds at least once every two years since 2007, demonstrating its commitment to this market

Green Borrowing Programme

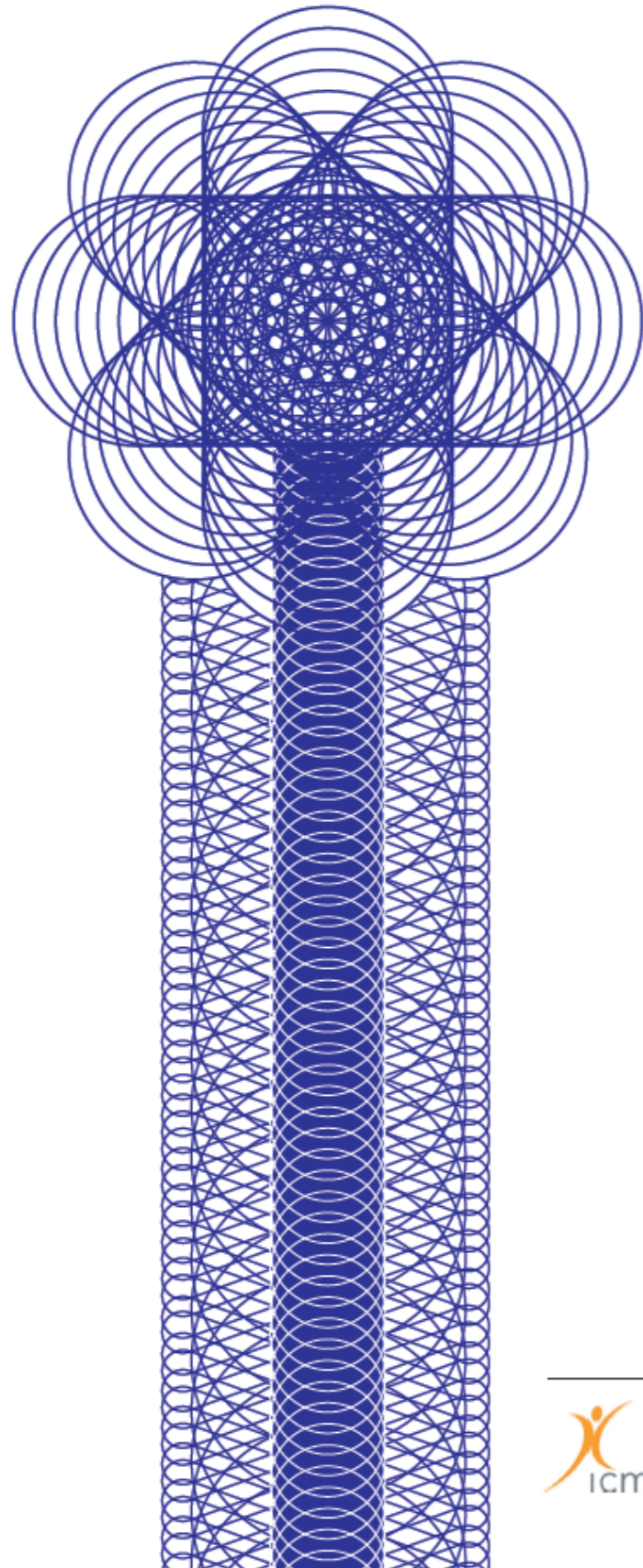


In August 2017, Contact obtained green certification from the Climate Bonds Initiative for all debt in the funding portfolio – the “Green Borrowing Programme”

- The proceeds of the Green Borrowing Programme are used to finance existing and future renewable generation assets that meet the Green Bond Principles and the Climate Bonds Standard (Green Assets). All of Contact’s geothermal assets (excluding Ohaaki) qualify to be included as eligible Green Assets
- Through certification, the Green Borrowing Programme means Contact’s funding portfolio reflects the low carbon nature of the company’s renewable generation assets and aligns with our focus on decarbonisation

The new 2019 bond will be a certified Green Bond

- The 2019 bond will be the first new bond issue under Contact’s Green Borrowing Programme and the first new Green Bond issue by a New Zealand corporate
- The Green Borrowing Programme has been independently verified by EY. As at 30 June 2018, the emissions intensity (of the Green Assets) was 35gCO₂/kWh, well below the 100gCO₂/kWh required under the standard, and the Green Ratio (Eligible Green Assets / Green Debt Instruments) was 1.08 times
- Further information about the Green Borrowing Programme and the Green Borrowing Programme Framework is available on the Issuer's website: www.contact.co.nz/aboutus/sustainability/financial-sustainability
- Note that lack of compliance with the Green Borrowing Programme Framework or the CBI standards is not an event of default in relation to the bonds



Certification



Climate
Bond
Certified

This is to certify that the

Contact Energy 2024 Retail Bonds

Issued by

Contact Energy Limited

Has met the criteria for certification by the Climate Bonds Standard Board on behalf of the
Climate Bonds Initiative

29.1.2019

SEAN KIDNEY

CEO of the Climate Bonds Initiative



CALSTRS IIGCC



Climate Bonds Initiative

Contact credit highlights

Independent board with diverse experience and perspectives

Vertically integrated business with diversified portfolio

Well run, largely renewable generation drives value

Leveraging technology investment across large customer base

Significant positive free cash flow

Strong balance sheet

BBB S&P issuer rating since 2002

Diversified funding with well spread maturity profile

Regular issuer in domestic retail market

Green Borrowing Programme



Bond offer information

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Key terms of the offer

Issuer	Contact Energy Limited	
Description	Unsecured, unsubordinated, fixed rate obligations of the Issuer	
Purpose	The proceeds from the issue of the Bonds will be used by the Issuer for the financing of renewable generation and other eligible assets (Green Assets) in accordance with the terms of the Green Borrowing Programme Framework	
Negative Pledge	The Supervisor, on behalf of the Bondholders, has the benefit of certain provisions of Contact's deed of negative pledge and guarantee dated 19 May 2005, as amended (Negative Pledge)	
Issue Amount	Up to NZ\$100,000,000	
Maturity Date	15 August 2024	
Interest Rate	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	1.45 – 1.55% p.a.	
Interest Payments	Quarterly in arrear in equal payments on 15 February, 15 May, 15 August and 15 November. 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 (Wednesday, 15 May 2019)	
Application Amounts	Minimum NZ\$5,000 with multiples of NZ\$1,000 thereafter	
Listing*	It is expected the Bonds will be quoted under the ticker code CEN050 on the NZX Debt Market	
Issue Credit Rating Standard & Poor's	Issuer Credit Rating BBB (Stable)	Expected Issue Credit Rating BBB
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%	
Repo-eligibility	Contact intends to apply to the Reserve Bank of New Zealand for the Bonds to be included as eligible securities for domestic market operations	

Key dates and offer process

Date	Process
18 February 2019 (Monday)	Offer opens
18 – 19 February 2019	Roadshow presentations in Auckland and Wellington and investor call
22 February 2019 (Friday)	Offer closes – bids due 12pm
22 February 2019	Allocations and rate set
1 March 2019 (Friday)	Issuance and settlement date
4 March 2019 (Monday)	Expected date of initial quotation
15 May 2019 (Wednesday)	First Interest Payment Date
15 August 2024 (Thursday)	Maturity Date



Questions?

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