



2014 Retail Bond Offer Investor Presentation

February 2014

Dennis Barnes, Chief Executive Officer
Graham Cockroft, Chief Financial Officer

Arranger, Joint Lead Manager
and Organising Participant:



Joint Lead Managers:



DeutscheCRAIGS



Co-Manager:

CommonwealthBank



Agenda

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1 This is Contact

Dennis Barnes

2 Financial information

Graham Cockroft

3 Bond offer information

Graham Cockroft



Bond offer

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- **New Offer of unsecured, unsubordinated fixed rate bonds (“2014 Bonds”)**
- **Seeking to raise up to \$200m plus up to \$50m of oversubscriptions**
- **Offer will incorporate an Exchange Offer for investors that hold bonds maturing in May 2014 (“Existing Bondholders”), as well as a General Offer**
- **The new 2014 Bonds will mature on 15 May 2019, and carry a quarterly, fixed rate of interest between 5.80 – 6.00% p.a. with a minimum holding of \$5,000**
- **Existing Bondholders can elect how many 2014 Bonds to apply for under the Exchange Offer at 10bp increments within this range, or at the Final Interest Rate**
- **Contact has no current intention to access the retail market again in the near term**



Contact Energy - overview

Contact Energy is one of New Zealand's largest electricity generators and retailers, and owns and operates geothermal, hydro and thermal electricity plants across New Zealand that support homes and businesses.

Contact Energy owns and operates
11 power stations
throughout New Zealand

166 MW (gross)
of geothermal generation being commissioned

New Zealand's only underground gas storage at
Ahuroa, Taranaki

4 geothermal stations in the
central North Island

Supplies 22% of the New Zealand
electricity retail market
(at 31 December 2013)

5 **thermal generation stations**,
located in Taranaki, Auckland,
the Waikato and Hawke's Bay
provide capacity and backup to
New Zealand's largely renewable
generation

2 hydro power stations at
Roxburgh and Clyde

Employs
1,175 people
from Auckland
to Invercargill

Generates around
1/4
of New Zealand's electricity

\$3.5 billion Contact Energy Limited
had net assets of
at 30 June 2013

Contact Energy is one of New Zealand's largest publicly listed
companies by market capitalisation and is widely held, with
around 72,000 shareholders

Contact has approximately:
566,000
customers
across Contact Energy's electricity, gas and LPG businesses

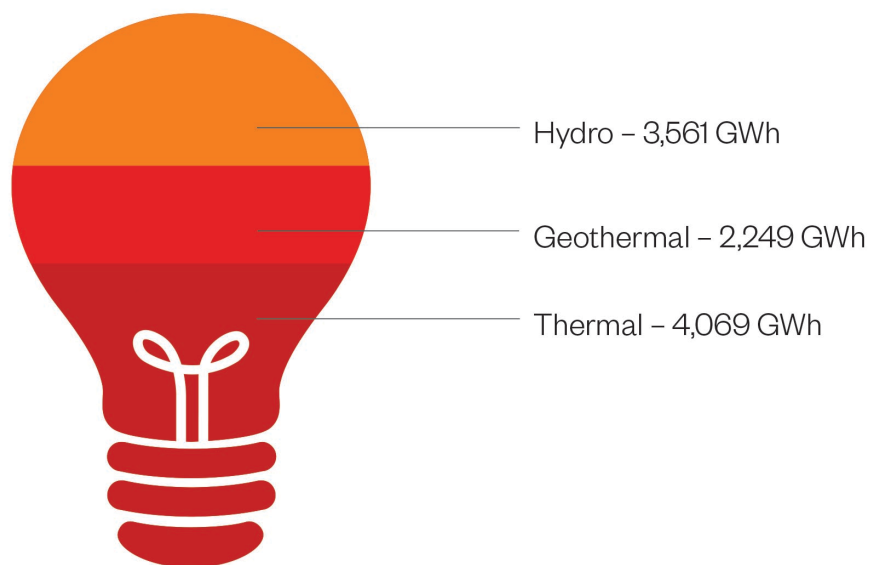
Our core business

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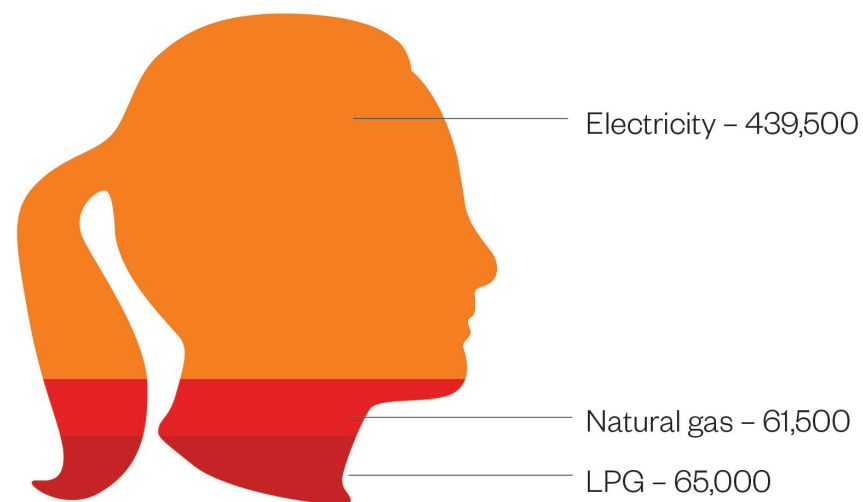
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**Generation by type
for the year ended
30 June 2013**
Total – 9,879 GWh



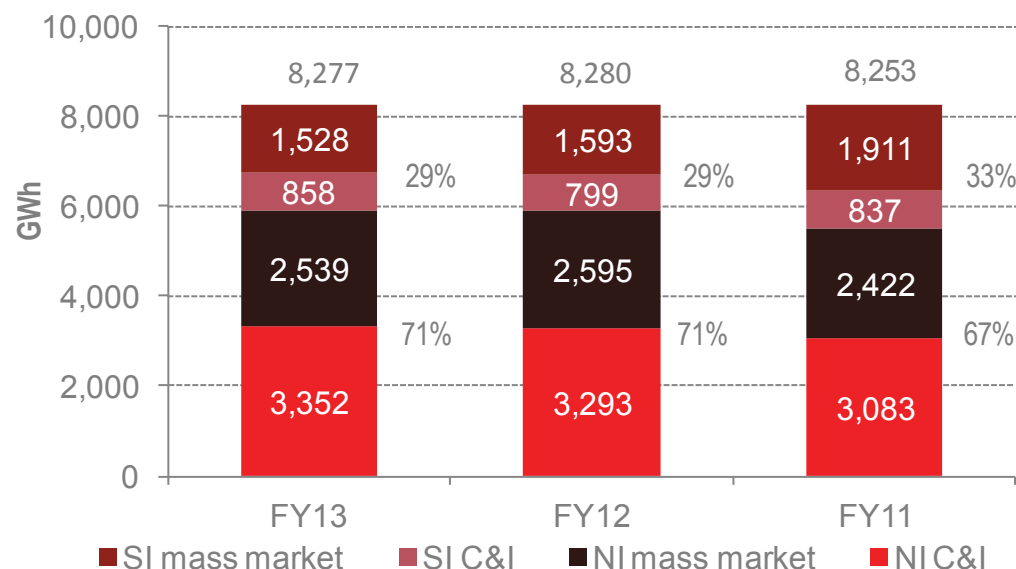
**Customers by
energy type
at 30 June 2013**
Total – 566,000



Second largest gas and electricity retailer in New Zealand

- **Second largest electricity retailer in New Zealand**
 - » Approximately 439,500 commercial and residential electricity customers
 - » Diversified customer base and large proportion of residential customers underpins a stable retail revenue base
- **Contact is competitive in one of the world's most active energy markets**
 - » New Zealand's largest online energy brand
 - » Range of products and offers have kept total customer numbers and sales volumes stable over the past three years
 - » Leading market share in commercial and industrial (C&I) segment

Electricity sales by customer type and island



- **Significant LPG and natural gas businesses enhance Contact's energy offering**
 - » 61,500 natural gas customers; 23% market share
 - » 65,000 LPG customers, 43% market share

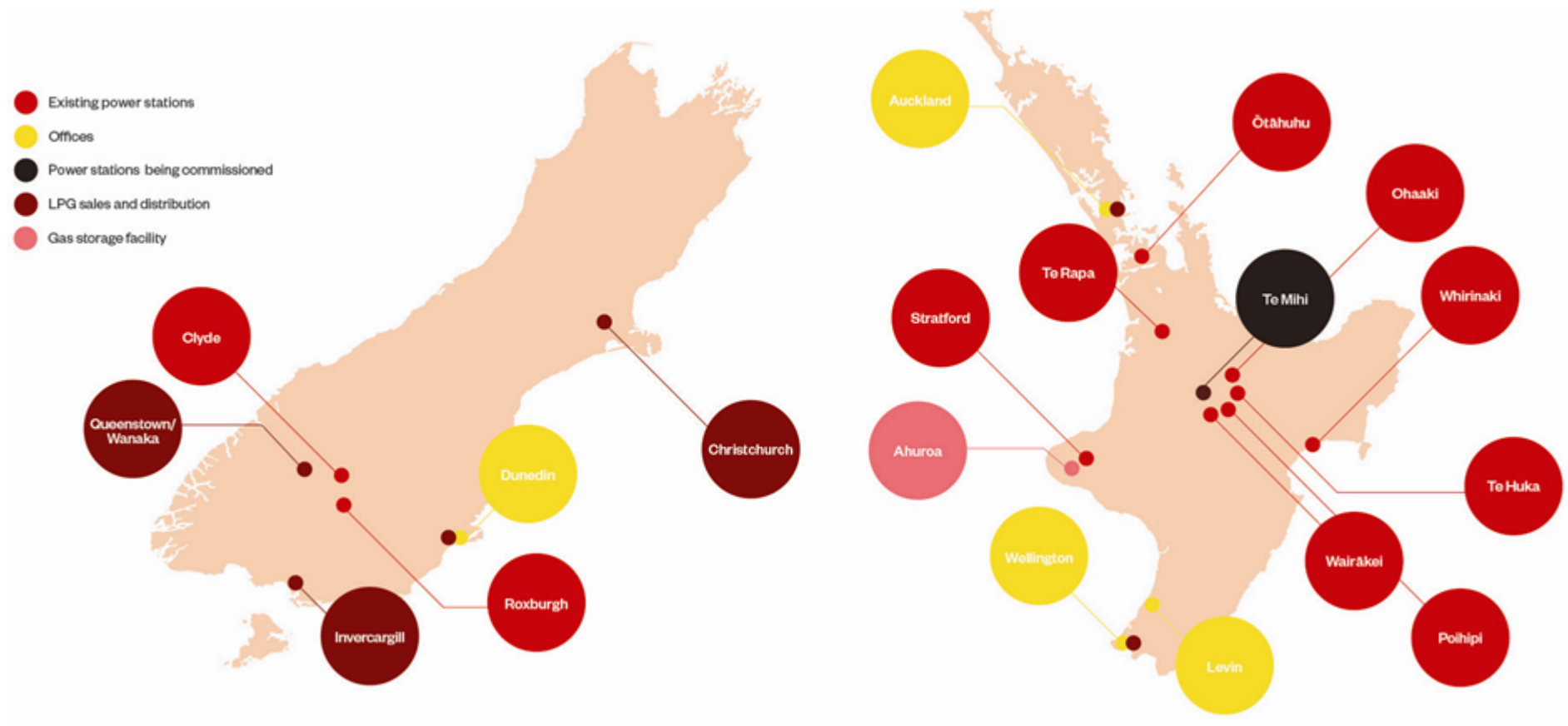


Owner of a diverse and flexible generation portfolio with over 2,200 MW installed capacity

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Reducing fuel costs and increasing electricity sales

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- Holding market share and customers in one of the most competitive retail electricity markets in the world
 - » Commercial and industrial sales offset lower mass market demand
 - » Increasing customer take-up of discounted products
- Net purchase cost reduced by \$5/MWh, predominantly as a result of increased hydro generation and spot purchases displacing more expensive thermal generation
 - » Resumption of bi-pole operation on the HVDC
 - » Ohaaki re-consented until 2038
- Te Mihi is in the final stages of commissioning, has generated close to full capacity, and continues in commissioning phase with completion expected in the final quarter of the 2014 financial year
- 2014 refinancing nearing completion



1H14 results

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	6 months ended 31 December 2013	Variance compared to 31 December 2012
EBITDAF ¹	\$264m	up 4% from \$253m
Profit for the period	\$112m	up 27% from \$88m
Earnings per share (cents)	15.3 cps	up 25% from 12.2cps
Net items excluded from underlying earnings after tax ¹	\$15m	up from (\$4m)
Underlying earnings after tax ¹	\$97m	up 5% from \$92m
Underlying earnings per share (cents)	13.2 cps	up 4% from 12.7 cps
Interim dividend (cents)	11 cps	stable
Operating Cashflow after Tax (OCAT) ¹	\$177m	stable
Capital expenditure	\$153m	down 19% from \$188m

- Significant items excluded from underlying earnings include gain on restructure of gas storage operations, asset sales, impairments on land held for sale and transition costs

¹ Refer to slides 34–38 of the 2014 interim results presentation for a definition and reconciliation of EBITDAF, UEAT and OCAT



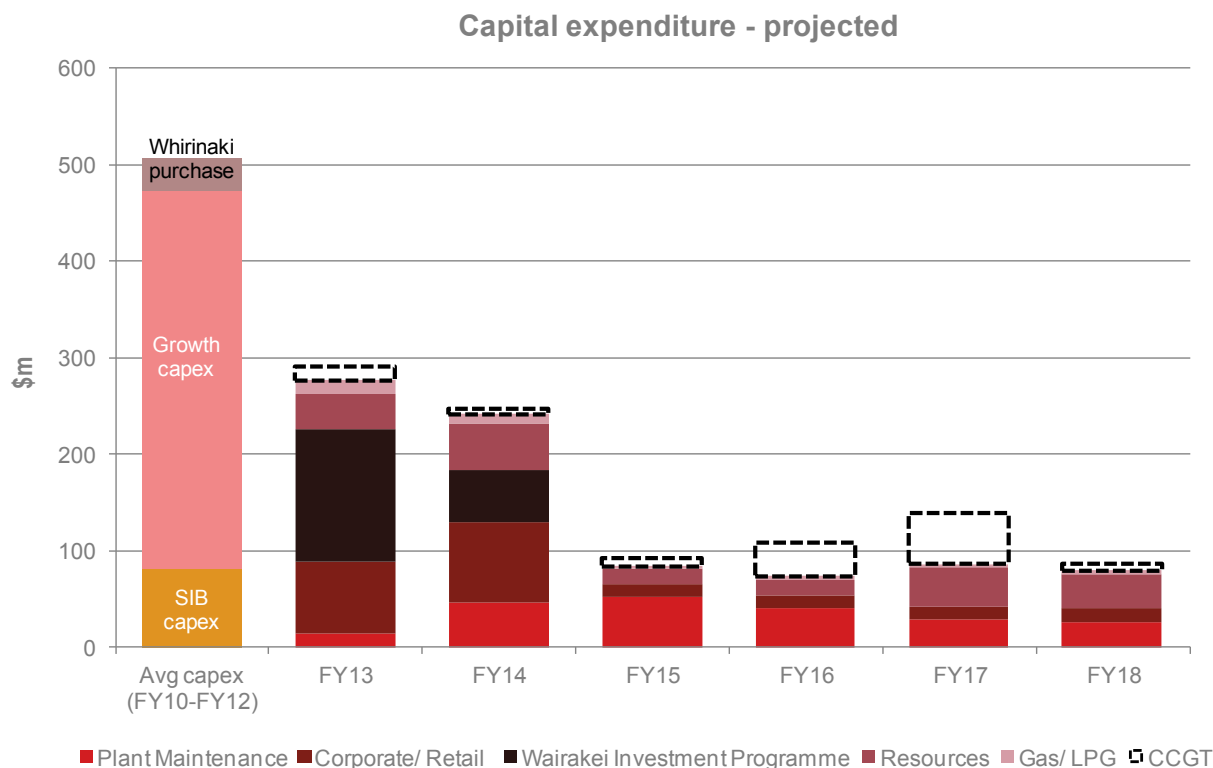
Contact will target further efficiencies to drive growth while lower capital expenditure will increase free cashflow

- **Leverage asset base**

- » Complete Te Mihi
- » Increase production from existing renewable assets

- **Improve efficiency**

- » Reduce cost to serve with the benefits of SAP implementation
- » Ensure the supply of thermal capacity provides security and a fair return



- **Continue fuel substitution**

- » Balance generation gas availability with renewable firming requirements
- » Tauhara – next most competitive generation development in New Zealand



Financial information

Graham Cockcroft

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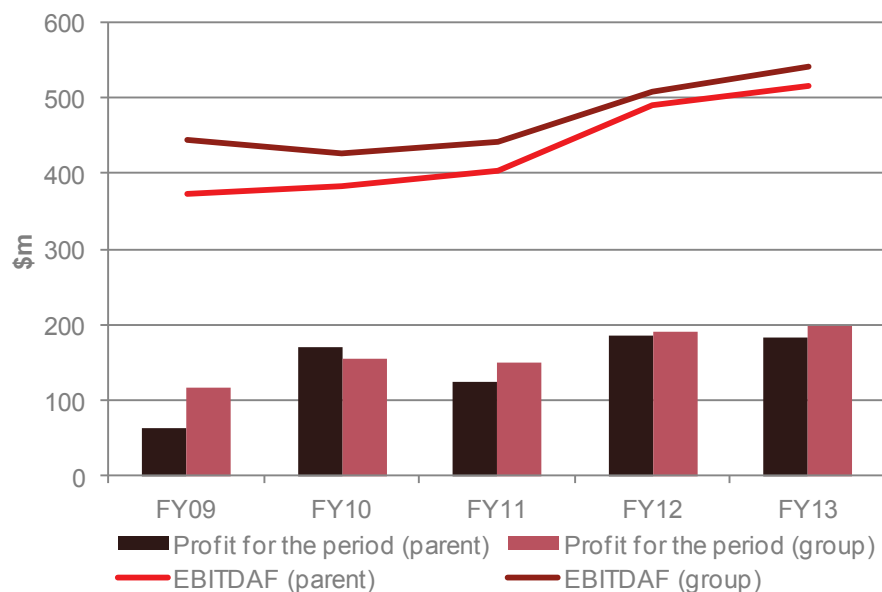
Earnings and cashflow

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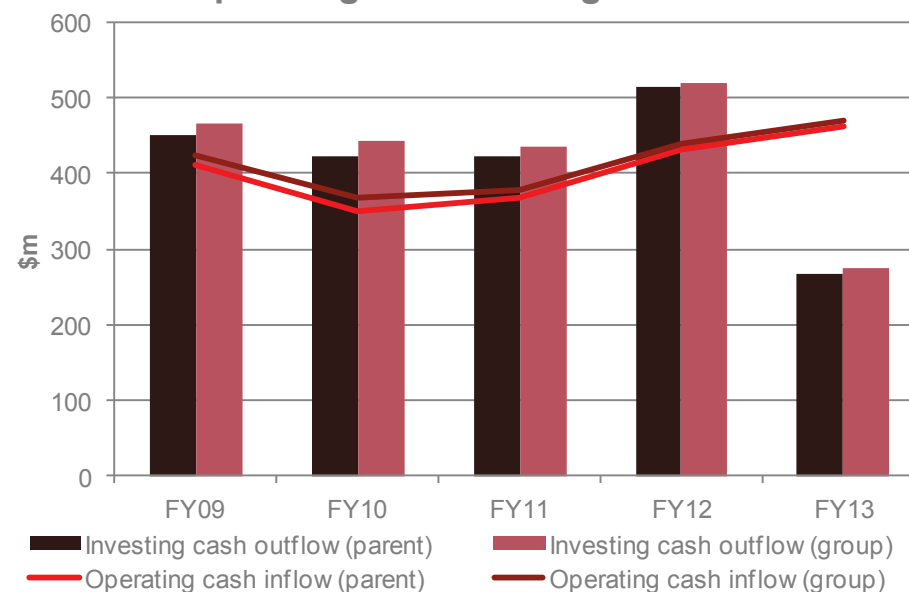
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EBITDAF and NPAT



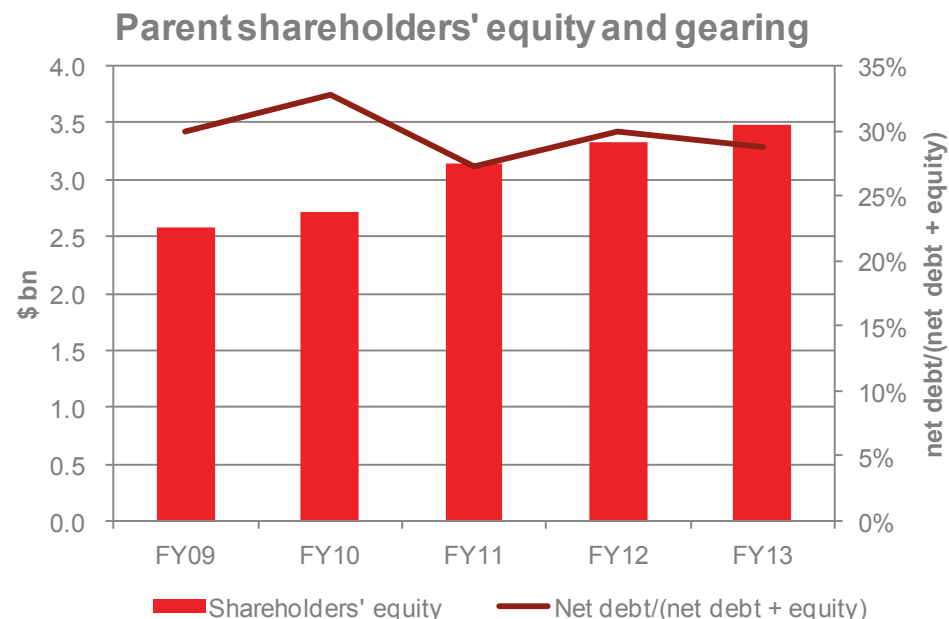
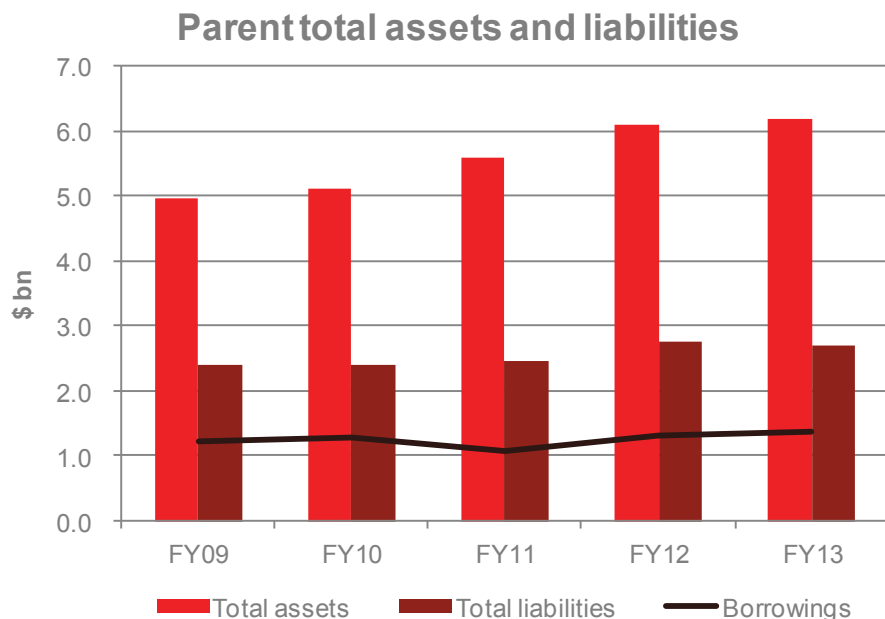
Operating and investing cashflow



- **NPAT largely follows EBITDAF trend with steady gains as investments have been completed and flexibility has returned to the generation portfolio**
- **Substantial investment in new assets with over \$2bn spent in past 5 years**
 - » Ahuroa gas storage, Stratford and Whirinaki peaking plants, Te Huka geothermal plant, Wairakei bioreactor
 - » Investment nearing completion on Te Mihi and Retail Transformation



Balance sheet



- **Parent borrowings have increased \$134m (11%) over the last 5 years**
 - » Total parent borrowings \$1.37bn
 - » Relative to parent shareholders' equity of \$3.48bn
- **Parent balance sheet gearing (net debt / net debt + equity) of 28.8% at 30 June 2013**



Capital structure

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- **BBB (stable outlook) issuer credit rating from S&P since 2002**
 - » Investment grade rating provides Contact with benefits in terms of access to funding markets and cost of funds
 - » Historically, Contact has raised equity to support growth and creditworthiness
- **The proposed 2014 Bonds are part of Contact's ongoing funding strategy**
 - » Proceeds to be used for repayment of 2009 bonds and general corporate purposes
 - » Extends term funding profile
 - » Maintains presence with domestic retail investors
- **The 2014 Bonds are expected to be assigned an initial credit rating of BBB by S&P**



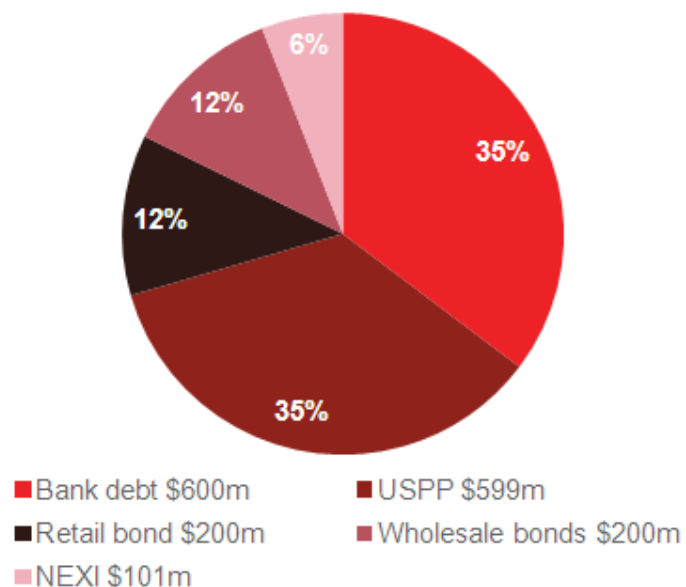
Funding portfolio

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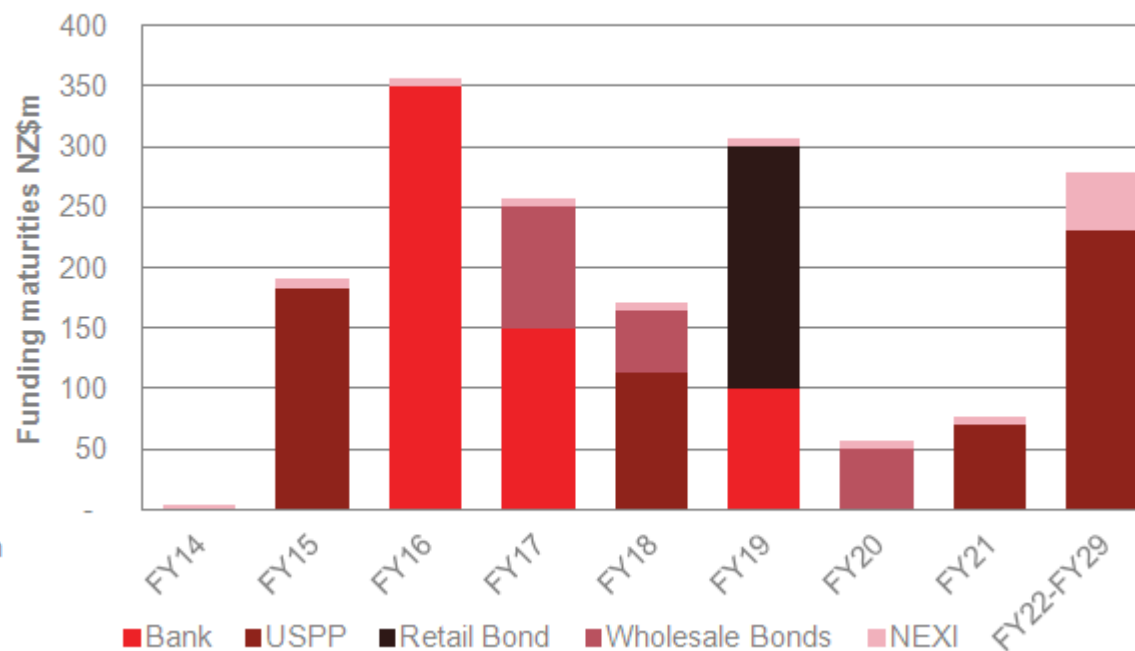
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ContactEnergy - funding sources
as at May 2014



ContactEnergy - funding maturity profile as at May 2014



- Throughout the 2014 refinancing programme, Contact has maintained a diverse funding portfolio and improved the maturity profile
- Post 2014 refinancing, the weighted average tenor of funding facilities will be 4.6 years



Bond offer information

Unsecured, unsubordinated, fixed rate bonds

Maturing 15 May 2019

Graham Cockcroft

Contact[®]

Key terms

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Issuer	Contact Energy Limited
Type of Bond	Unsecured, unsubordinated, fixed rate bonds ("2014 Bonds")
Maturity Date	15 May 2019
Interest Rate	Final Interest Rate to be set via the Rate Setting Mechanism, as outlined in more detail in the SDP, but not less than 5.80%
Indicative Range	5.80 – 6.00% Existing Bondholders can elect how many 2014 Bonds to apply for under the Exchange Offer at 10bp increments within this range
Interest Payments	Quarterly in arrear (except for first interest payment date) Exchange Offer applicants keep final coupon on 2009 Bonds on 15 May 2014 For General Offer applicants, first coupon is ITOS
Listing	NZX Debt Market
Credit Ratings	Contact has an issuer credit rating of BBB (outlook stable) from S&P The 2014 Bonds are expected to be assigned an initial credit rating of BBB by S&P
Ranking	Bondholders have the benefit, through the Trustee, of the Negative Pledge
Covenant	Debt to debt plus equity \leq 60% (through the Negative Pledge)



Offer summary

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Size	Up to \$200m with up to \$50m of oversubscriptions
Exchange Offer	<p>Existing Bondholders can exchange their 2009 Bonds for 2014 Bonds on a one-for-one basis</p> <p>The potential interest rates at which investors can elect to exchange some or all of the 2009 Bonds are:</p> <ol style="list-style-type: none">1. 5.80%2. 5.90%3. 6.00% <p>Existing Bondholders may also elect to exchange at the Final Interest Rate</p>
General Offer	<p>Open to Existing Bondholders who wish to apply for additional 2014 Bonds, and other investors</p> <p>General Offer applicants are required to apply at the Final Interest Rate</p>
Scaling preference	<p>1st: Exchange Offer applicants</p> <p>2nd: Existing Bondholders applying for additional 2014 Bonds in the General Offer</p> <p>3rd: Other General Offer applicants</p> <p>Notwithstanding the above, Contact may reserve 2014 Bonds for General Offer applicants (either reserved allocations or a public pool)</p>
Brokerage	<p>0.40% under the Exchange Offer</p> <p>0.50% under the General Offer</p>
JLMs	Forsyth Barr (Arranger), ANZ, Deutsche Craigs and First NZ Capital
Co-manager	CBA



How the Interest Rate will be set

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- **Rate Setting Mechanism as described in SDP**
- **Existing Bondholders presented with three options under the Exchange Offer:**
 - » **Option 1:** Tick the box to apply to exchange ALL their 2009 Bonds at the Final Interest Rate
 - » **Option 2:** Enter the number of 2009 Bonds to apply to exchange at the Final Interest Rate
 - » **Option 3:** Enter the number of 2009 Bonds to apply to exchange at each of the three interest rates: 5.80%, 5.90%, 6.00%
- **All applicants at the Final Interest Rate will be treated as being at the lowest rate**
- **General Offer applicants are required to apply at the Final Interest Rate**
- **The aggregated information from this process will be used to set the Final Interest Rate. All 2014 Bonds will carry this rate**
- **If Contact accepts applications for \$150m or less, then the Final Interest Rate will be at least 6.00%**



Example of Interest Rate set

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A single Interest Rate, for the entire Offer, will be set by the Rate Setting Mechanism and all 2014 Bonds will carry this rate

In the event Contact wishes to issue \$200m of 2014 Bonds:

Example A

- Contact receives applications for at least \$200m specifying an interest rate of 5.80% or the Final Interest Rate, so the Interest Rate will be set at 5.80%
- Applicants at 5.80% or at the Final Interest Rate will receive an allocation (subject to scaling). Applicants at a rate of 5.90% or higher will not receive any 2014 Bonds

Example B

- Contact receives \$100m of applications specifying an interest rate of 5.80%, and a further \$120m specifying 5.90%. The Interest Rate for all \$200m of 2014 Bonds will be 5.90%
- Applications at 5.80%, 5.90% or the Final Interest Rate will receive an allocation (subject to scaling). But applicants at a rate of 6.00% will not receive any 2014 Bonds



Timetable

SDP registered	18 February 2014
Trading halt commences	19 February 2014
Record Date for Exchange Offer	24 February 2014
Offer opens	26 February 2014
Documents mailed to Existing Bondholders	4 March 2014
Exchange Offer closing date	13 March 2014
General Offer closing date	20 March 2014*
Issue Date	20 March and 27 March 2014 (if required)*
Trading recommences on 2009 Bonds	20 March 2014*
Expected date of initial quotation for 2014 Bonds	21 March 2014*
First Interest Payment Date	15 May 2014^

* Unless extended at the discretion of Contact Energy

^ Existing Bondholders who exchange their 2009 Bonds will still receive the final interest payment that would have been paid on their 2009 Bonds on 15 May 2014 at the current rate applying to these bonds of 8% p.a. Accordingly no interest will accrue in relation to 2014 Bonds issued under the Exchange Offer until 15 May 2014



Business highlights

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Second largest
retailer in New
Zealand with
approximately
566,000
customers

Owner of a
diverse and
flexible generation
portfolio with over
2,200 MW
installed capacity

Completion of 166
MW (gross) Te
Mihi power station
will end the
current generation
investment

One of the largest
publicly listed
companies in New
Zealand¹

Net assets of \$3.5
billion at 30 June
2013²

Issuer credit rating
of BBB (stable
outlook) from
Standard & Poor's



¹ By market capitalisation (\$3.8 billion as at 13 February 2014).

² Parent net assets as at 30 June 2013, see the statement of financial position in Contact Energy's audited financial statements for the year ended 30 June 2013.



Any questions?



Disclaimer

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A simplified disclosure prospectus dated 18 February 2014 has been prepared by Contact Energy Limited (the "Issuer") in respect of fixed rate, unsecured, unsubordinated bonds ("2014 Bonds") and registered in accordance with section 42 of the Securities Act 1978 ("Prospectus").

This document does not constitute a recommendation by the Issuer, Forsyth Barr Limited, ANZ Bank New Zealand Limited, Deutsche Craigs Limited, First NZ Capital Securities Limited (the "Joint Lead Managers"), Commonwealth Bank of Australia (the "Co-manager"), Guardian Trust (the "Trustee") nor any of their respective directors, officers, employees or agents to subscribe for, or purchase, any of the 2014 Bonds. To the extent permitted by law, the Issuer, the Joint Lead Managers, the Co-manager and the Trustee, and their respective directors, officers, employees and agents accept no liability whatsoever for any loss arising from this document or its contents.

This document is for preliminary informational purposes only and is not an offer to sell or the solicitation of an offer to purchase or subscribe for the 2014 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. All financial and numerical data is derived either from the Prospectus or from financial statements and other announcements notified to NZX. You should not decide to purchase the 2014 Bonds until you have read the Prospectus relating to the 2014 Bonds.

Applications for 2014 Bonds may only be made by completing and lodging one of the Application Forms accompanying the Prospectus. The Prospectus is an important document and should be read carefully. Investors should consider the risks that are associated with an investment in the 2014 Bonds, particularly with regard to their personal circumstances (including financial and tax issues). The principal risks associated with the 2014 Bonds are set out in the Prospectus under the heading "Key risk factors".

The Issuer intends to offer the 2014 Bonds to the public in New Zealand. No action has been or will be taken by the Issuer which would permit an offer of 2014 Bonds to the public, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand), including Existing Bondholders who are not New Zealand residents.

Application has been made to NZX for permission to quote the 2014 Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of distribution of this document have been duly complied with. However, NZX accepts no responsibility for any statement in this document. The NZX Debt Market is a registered market operated by NZX which is a registered exchange under the Securities Markets Act 1988.

The 2014 Bonds constitute fixed rate, unsecured, unsubordinated, debt obligations of the Issuer ranking equally among themselves and equally with all other outstanding unsecured obligations of the Issuer.

To receive a copy of the Prospectus free of charge, please call your NZX Primary Market Participant, or visit <http://contactenergy.co.nz/web/investor/investor?vert=in>, or the offices of the Issuer at Harbour City Tower, 29 Brandon St, Wellington.

