

 Joint Lead Managers, Joint Underwriters and Joint Bookrunners



**Goldman  
Sachs**

# Contact Energy \$350m pro rata rights issue



April 2011



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# Contents



- **Executive summary of the offer**
- **Contact Energy business overview and strategy**
- **Offer overview**



## Executive summary of the offer

Purpose	<p>Funds will enable Contact Energy to strengthen its balance sheet for investment in growth opportunities</p> <p>First part of investment programme is Te Mihi power station</p>
Offer Size	Equity raising of approximately NZ\$350 million
Offer Structure	<p>1 for 9 pro rata entitlement offer</p> <p>Traditional rights issue, with rights trading, followed by a bookbuild for the shares attributable to the rights not, or not able to be, taken up after the close of rights trading period</p> <p>Rights may be traded on the NZSX<sup>1</sup></p>
Offer Price	<p>Application price of \$5.05 per New Share</p> <p>13.8% discount to Contact Energy's closing price on 27 April 2011</p> <p>12.6% discount to the theoretical ex-rights price (TERP)<sup>2</sup></p>
Underwriting	<p>Origin has made a commitment to take up its 52% pro rata entitlement</p> <p>Remaining 48% of the offer is fully underwritten</p>

1) An application has been made to NZX for permission to quote the rights and all requirements of NZX relating to such quotation that can be complied with on or before the date of this presentation have been duly complied with. NZX is a registered exchange, regulated under the Securities Markets Act 1988

2) The theoretical ex-rights price is calculated based on Contact Energy's closing price on 27 April 2011 of NZ\$5.86

$$\text{TERP} = \frac{[\text{Number of Shares (Pre-Issue)} \times \text{Reference Share Price}] + [\text{Shares Issued} \times \text{Issue Price}]}{\text{Number of Shares (Post-Issue)}}$$



# ***Business overview and strategy***





## Including consented options, Contact is New Zealand's leading integrated energy company

- Third largest listed company on the NZX with a market capitalisation of NZ\$3.7 billion<sup>a</sup>
- Generates electricity from geothermal, hydro and gas
- Significant producer of geothermal energy<sup>b</sup>
- Wholesaler and retailer of electricity and gas with about 585,000 customers across NZ<sup>c</sup>

a - as at 27 April 2011

b - 290 MW in operation, 416 MW in development

c - as at 31 December 2010



Contact Energy	Market share <sup>c</sup>
Generation:	24%
Electricity demand:	25%
Natural gas demand:	24%
LPG demand:	47%
585,000 customers	



## First half EBITDAF \$225m, and Underlying Earnings \$79m Consistent with 1H10

- Good result given challenging operating environment
  - Wet conditions
  - Gas, network, carbon cost increases
  - Portfolio inflexibility
- First stage of Ahuroa Gas Storage commissioned
  - Operational performance better than expected
  - Excellent safety performance during construction
- Stratford Peaker Project commissioning well advanced
  - Commissioning delays not materially impacting financial performance
  - Good unit performance
  - Commissioning complete during May

Key financial information	1H11	1H10	Variance	
			\$	%
EBITDAF (\$m)	225.5	225.0	0.5	0%
Profit for the Period (\$m)	83.7	87.1	(3.4)	(4%)
Underlying Earnings After Tax (\$m)	78.8	79.0	(0.2)	0%
Capital expenditure (\$m)	204.6	214.6	10.0	5%
Operating cash flow after tax (\$m)	167.7	165.1	2.6	2%
Net debt (\$m)	1,416.3	1,229.7	(186.6)	(15%)
Net debt / net debt + equity (%)	33%	31%	(2%)	(6%)



## Strategy – (i) – Increase portfolio flexibility

- Ahuroa Gas Storage
  - 3.3 PJ injected during 1H11 (mitigating \$25m of additional gas costs)
  - At 31 December 2010, total gas and LPG in the reservoir: 14.6 PJ (8.3 PJ of which is inventory gas)
  - Extraction facilities commissioned
  - Operational at 32 TJ/day in, 45 TJ/day out
  - Working volume now around 17PJ
- Stratford Peaker Project
  - Commissioning delays with balance of plant
  - Plant output and efficiency above expectations
  - Commissioning complete during May 2011
- Lower take-or-pay gas volumes from January 2011
  - Expiry of major gas contract lowers take-or-pay gas from 31 PJ in 1H11 to 20 PJ in 2H11



**Ahuroa gas storage project**



**Stratford peaker and TCC power stations**





## Strategy – (ii) – Lower average cost of generation



- 166 MW Te Mihi geothermal power project (net 159 MW)
  - Engineering, procurement and construction (EPC) contract executed on 22 February
  - Project cost: \$623m
  - Expected life: 35 years
  - Replaces 45 MW of existing Wairakei capacity and adds about 114 MW of new capacity to the national grid
  - Increases operational efficiency
  - Lowers unit operation and maintenance costs
  - Lowers discharges of geothermal fluids into the Waikato River
  - Assuming no demand growth or Huntly retirement, Te Mihi will reduce Contact's base-load gas-fired (CCGT) generation capacity factor



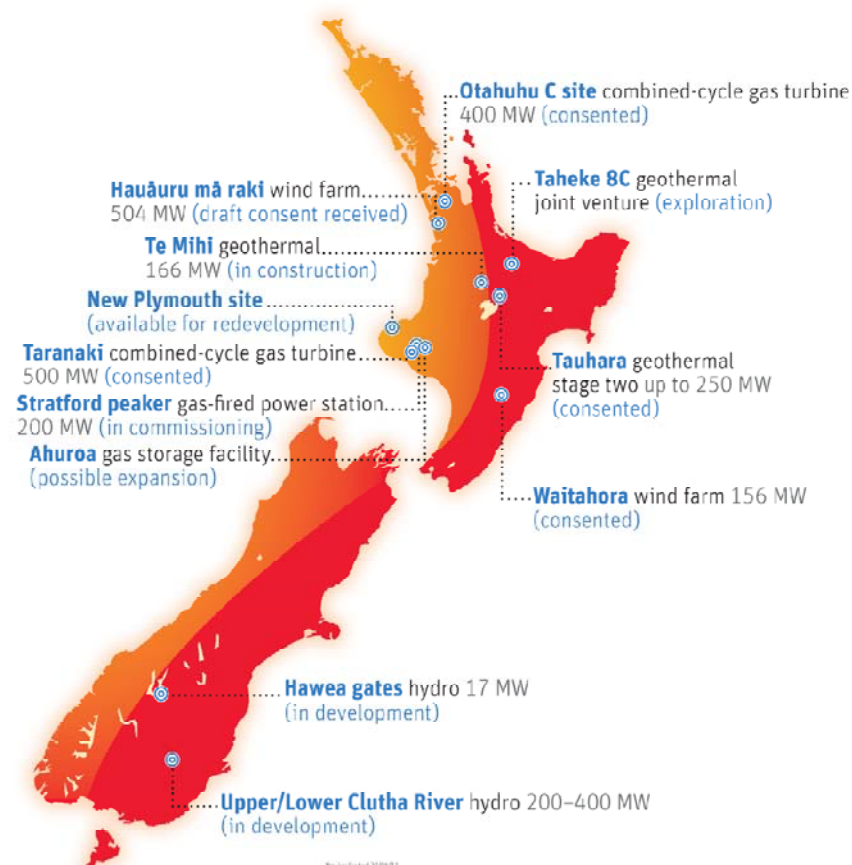
Te Huka power station

- 23 MW Te Huka geothermal power plant
  - Completed in May 2010



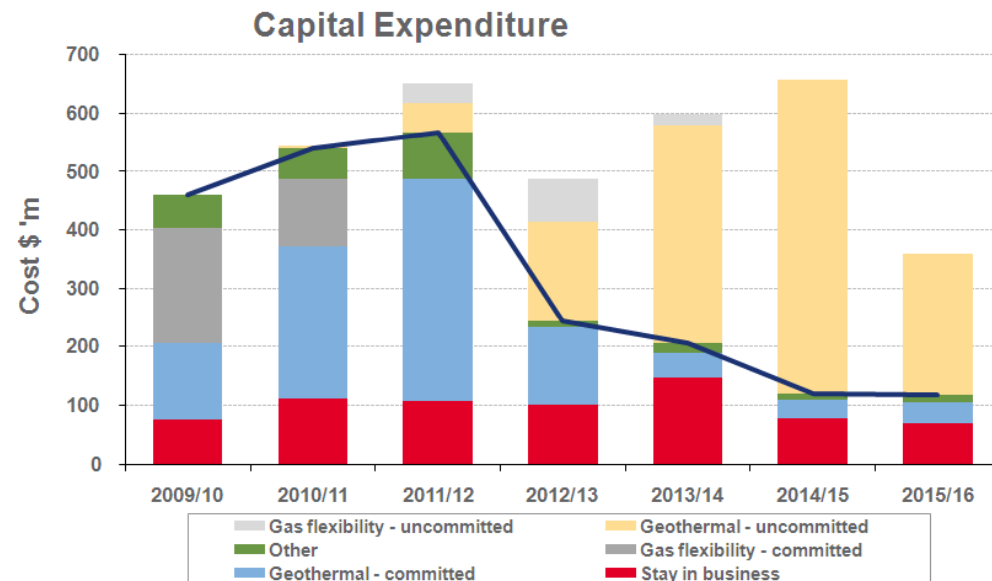
## Strategy – (iii) – Generation market share growth

- Geothermal
  - 250 MW Tauhara 2 project: Consented
  - Likely to follow Te Mihi
  - Taheke – three exploration wells drilled; positive preliminary results
- Wind
  - 156 MW Waitahora project: Consented
  - 504 MW Hauāuru mā raki project: draft consent received
- Hydro
  - Progressing selection of favoured Clutha hydro option
- Gas
  - Progressing future peaker options
  - Next stage of gas storage under consideration



## Capital expenditure – reflects Contact's growth strategy

- Committed capex includes:
  - Te Mihi geothermal project
  - Enterprise transformation (SAP) programme
  - Other geothermal investment in existing field (wells, steamfield investment etc.)
- Tauhara 2 and the possible expansion of Ahuroa gas storage are not committed



# *Offer overview*



## Offer terms



Entitlement Ratio	1 New Share for every 9 existing Shares
Maximum New Shares to be issued	69.5 million (subject to rounding)
Application Price	NZ\$5.05 per New Share
Offer Discount	12.6% discount to TERP <sup>1</sup>
Total equity to be raised	Approximately NZ\$350 million
Ranking	New Shares issued on completion of the Offer will rank equally with existing Shares, including as to dividends and voting rights, and will be quoted on the NZSX
Rights	The Offer is renounceable and Rights that are not taken up may be sold on the NZSX
Eligible Shareholders	<p>Eligible Shareholders are those who are both:</p> <ul style="list-style-type: none"> <li>• registered as Shareholders at the Record Date (5.00pm on 9 May 2011)</li> <li>• have a registered address in New Zealand or Australia.</li> </ul>
Joint Lead Managers, Joint Underwriters and Joint Bookrunners	Craigs Investment Partners and Deutsche Bank; Goldman Sachs
Broker stamping fee	0.5% of Application Monies on New Shares allotted with NZX Primary Market Participant stamp. Minimum of \$30, maximum of \$300

<sup>1</sup>) The theoretical ex-rights price is calculated based on Contact Energy's closing price on 27 April 2011 of NZ\$5.86



## Offer structure



Entitlement Offer	<p>Eligible Shareholders will be sent an Offer Document with a personalised Entitlement and Acceptance Form in the week ending 13 May 2011</p> <p>Each Eligible Shareholder may choose to:</p> <ul style="list-style-type: none"><li>▪ Take up all or part of their Rights by 5pm (NZ time) on 1 June 2011</li><li>▪ Sell all or part of their Rights</li><li>▪ Do nothing</li></ul>
Shortfall Bookbuild	<p>New Shares attributable to Rights not taken up, including those of Ineligible Shareholders, will be offered to institutional and other eligible investors via a Bookbuild process to be conducted on 8 June 2011</p> <p>If the proceeds under the Shortfall Bookbuild on a per Share basis exceed the Application Price, the Premium will be returned to those shareholders who do not, or cannot, take up their Rights</p>



## Offer timetable



Ex-date (rights commence trading)	5 May 2011
Record date for the offer	9 May 2011
Mail offer document and Entitlement and Acceptance Form	By 12 May 2011
Rights trading ceases on NZSX	26 May 2011
Rights issue closing date	1 June 2011
Shortfall Bookbuild for entitlements not taken up	8 June 2011
Allotment date for offer shares	9 June 2011
Allotment date for shares under the bookbuild	13 June 2011



