



To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	28 April 2011
From	Helen Hardy	Pages	67
Subject	CONTACT ENERGY - CONTACT LAUNCHES ENTITLEMENT OFFER TO SUPPORT FUTURE GROWTH		

Attached herewith is a copy of an announcement released to the NZX by Contact Energy today.

Origin Energy holds 52.09% of quoted ordinary shares in Contact Energy Limited.

Regards

A handwritten signature in black ink, appearing to read "Helen Hardy".

Helen Hardy
Company Secretary

02 8345 5023 - helen.hardy@originenergy.com.au

28 April 2011



Media release

Contact launches entitlement offer to support future growth

Contact Energy today announced a 1 for 9 pro rata renounceable entitlement offer of new Contact Energy shares which will be open to existing New Zealand and Australian shareholders, at an offer price of NZ\$5.05 per share. This represents a 13.8 percent discount to the share price at market close yesterday and 15.4 per cent discount to the three month volume weighted average price (VWAP) of Contact Energy shares.

Contact Energy plans to raise approximately NZ\$350 million from the offer. The funds sought in the offer will enable Contact Energy to strengthen its balance sheet for investment in growth opportunities, the first part of which is the 166 megawatt (MW) Te Mihi power station to be constructed by mid-2013.

Contact Energy Chief Executive Dennis Barnes said, "The offer will give existing shareholders the opportunity to participate in the future growth of the company. The offer is available to shareholders on equal terms and provides them with a choice as to how to participate."

The offer has the support of Contact Energy's major shareholder, Origin Energy, which has confirmed it will take up its full entitlement under the offer. Contact Energy has appointed Craigs Investment Partners Limited and Deutsche Bank AG, Auckland Branch (together as one underwriter) and Goldman Sachs & Partners New Zealand Limited (as the other underwriter) to jointly underwrite the Offer (excluding that portion of the Offer offered to Origin Energy).

Shareholders who do not wish to participate in the offer can sell their rights, which will be tradable on the NZSX.*

In order to try to realise value for shareholders who do not wish to, or are unable to, participate in the offer, shares attributable to unexercised rights will be offered in a shortfall bookbuild following the 1 June offer closing date. The shortfall bookbuild is a method by which, at the end of the offer period, the shares which have not otherwise been applied for under the offer will be sold to institutional and other investors. If the proceeds from the bookbuild on a per share basis are higher than the offer price, that difference will be paid to holders of unexercised rights.

Future growth

Contact Energy's strategy for future growth is focused on developing a range of future generation options, including geothermal, gas, wind and hydro, and constructing selected projects at the right time. One of Contact Energy's core areas of capability is geothermal exploration, development and operation. The company's Wairakei power station, one of the first geothermal power stations in the world, has been operating for over 50 years.

Contact Energy has access to consented high quality steam resources which could support the addition of over 350 MW of new geothermal capacity in the next few years. These options together with other emerging opportunities within the New Zealand market position Contact Energy to become one of the world's leading geothermal companies.

In addition to Te Mihi, Contact has consents for two other important new generation projects – the 250 MW Tauhara 2 geothermal project and the 156 MW Waitahora wind project and draft consents for the 504 MW Hauāuru mā raki wind project.

“We have committed to the construction of Te Mihi because we believe geothermal is the most price competitive source of new electricity generation for New Zealand. On the same basis, we expect the Tauhara 2 plant to be Contact’s next significant generation market investment following Te Mihi,” said Mr Barnes.

Media enquiries

Janet Carson 021 242 5723

Investor enquiries

Liz Kelly 021 461 302

Offer Timetable

	<u>Open</u>	<u>Close</u>
Announcement of Offer	28 April	
Record date for eligibility	9 May	
Dispatch of offer document	12 May	
Offer period	13 May	1 June
Rights trading period on NZSX*	5 May	26 May
Shortfall bookbuild for entitlements not taken up	8 June	
Allotment date for shares under entitlement offer	9 June	
Allotment date for shares under shortfall bookbuild	13 June	

A simplified disclosure prospectus for the offer has today been registered with the Companies Office and will be sent to eligible shareholders on or around 12 May.

ENDS

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

No person named in this announcement or the offer document (including Contact Energy, Origin Energy, the Joint Underwriters or any of their respective directors, officers, employees or associates), or any other person warrants or guarantees the new shares to be issued pursuant to the offer, or the future performance of the new shares, or any return on any investment made pursuant to the offer.

Joint Lead Managers, Joint Underwriters and Joint Bookrunners



Contact Energy Limited

28 April 2011

Offer

Document

For a pro-rata, renounceable entitlement offer of 1 share for every 9 shares held at an Application Price of NZ\$5.05 per share



Note: This Offer Document is a Simplified Disclosure Prospectus (as permitted under Regulation 9 of the Securities Regulations 2009) for an offer of shares of the same class as the shares of the issuer already listed at the time of the Offer.

Contact Energy is subject to a continuous disclosure obligation that requires it to notify certain material information to NZX for the purpose of that information being made available to participants in the NZSX market operated by NZX.



Contents

1. General information	1
2. Summary description of Offer	6
3. Offer timetable	7
4. Terms of the Offer	8
5. How to apply	14
6. Contact Energy profile	19
7. New Zealand taxation implications	24
8. Australian taxation implications	26
9. Investment Risks	28
10. Additional information	32
11. Glossary	41
12. Directory	43
13. Notes	44

1. General information



Offer Document

This Offer Document is a Simplified Disclosure Prospectus prepared in accordance with Schedule 10 of the Securities Regulations 2009 relating to the offer by Contact Energy Limited (**Contact Energy**) to Eligible Shareholders of 1 new ordinary share (**New Shares**) for every 9 ordinary shares held (the **Entitlement Offer**) and the offer by Contact Energy to Eligible Investors of any New Shares attributable to Rights not taken up under the Entitlement Offer via a shortfall bookbuild offer (the **Shortfall Bookbuild**). The Entitlement Offer and the Shortfall Bookbuild together are referred to as the **Offer**.

You will find the defined terms in section 11 of this Offer Document.

It is dated 28 April 2011.

A copy of this Offer Document, signed by or on behalf of the Directors of Contact Energy, and which has endorsed or attached:

- the market announcements referred to in section 10 of this Offer Document;
- the latest annual financial statements of the Group, for the year ended 30 June 2010;
- the latest interim financial statements of the Group, for the six months ended 31 December 2010; and
- the relevant authorities where an agent has signed this Offer Document on behalf of a Director,

(being the documents required by section 41 of the Securities Act) has been delivered to the New Zealand Registrar of Companies for registration as required by section 42 of the Securities Act.

This Offer Document is an important document and should be read carefully. Investors should consider the risks that are associated with an investment in the New Shares, particularly with regard to their personal circumstances (including financial and tax issues). A summary of the principal risks associated with the Contact Energy Group and the New Shares is set out in section 9 of this Offer Document.

If you sold your Shares (and settle that sale) prior to the Record Date for the Entitlement Offer, please send this Offer Document and enclosures to the NZX Primary Market Participant through whom you made the sale, requesting that they be forwarded to the new Shareholder.

If you are in any doubt as to how to deal with this Offer Document or as to the action you should take, please immediately contact an NZX Primary Market Participant or your sharebroker, solicitor, accountant or other professional adviser.

Continuous Disclosure

Contact Energy is subject to a continuous disclosure obligation that requires it to notify certain material information to NZX for the purpose of that information being made available to participants in the NZSX market operated by NZX. Investors should note that other important information about Contact Energy is contained in the disclosures made by Contact Energy pursuant to its continuous disclosure obligations under the Securities Markets Act 1988 and the NZSX Listing Rules. Copies of that information are provided on the Company's website (www.contactenergy.co.nz) and Contact Energy's page on NZX's website (www.nzx.com/markets/NZSX/CEN). In addition, Contact Energy publishes an Annual Report and Half Year Report each year and releases investor updates periodically and monthly operational data, all of which are available on the Company's website at www.contactenergy.co.nz.

Offering restrictions

General

The Entitlement Offer is open only to Eligible Shareholders, who are persons who are registered as Shareholders at the Record Date (5.00pm on 9 May 2011) and who have a registered address in New Zealand or Australia.

The Company reserves the right to reject any application for New Shares under the Entitlement Offer that it believes comes from a person who is not an Eligible Shareholder. The Company reserves the right to reject any bid for New Shares under the Shortfall Bookbuild that it believes comes from a person who is not an Eligible Investor.

This Offer Document is intended for use only in connection with the Offer and does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

No action has been taken to register this Offer Document or permit an offering of the New Shares to shareholders under the Entitlement Offer in any jurisdiction outside New Zealand or Australia or to Eligible Investors in any jurisdiction outside New Zealand.

This Offer Document is not to be sent or given to any person in circumstances in which the Offer or distribution of this Offer Document would be unlawful. The distribution of this Offer Document (including an electronic copy) outside New Zealand or Australia may be restricted by law. If you come into possession of this Offer Document, you should seek your own advice on any restrictions and observe them. Any failure to comply with such restrictions may contravene applicable securities laws. The Company disclaims all liability to such persons.

In particular, the New Shares have not been and will not be registered under the United States Securities Act 1933 as amended (the **US Securities Act**) and this Offer Document does not constitute an offer of securities in the United States of America or to any "US person" (**US Person**), as defined in Regulation S under the US Securities Act, or to any person acting for the account or benefit of a US Person.

Shareholders who are custodians, nominees or trustees should seek independent advice as to how they should proceed in respect of the Entitlement Offer and this Offer Document. Eligible Shareholders holding Shares on behalf of persons who are resident in jurisdictions other than New Zealand or Australia are responsible for ensuring that subscribing for New Shares under the Entitlement Offer complies with the terms of this Offer Document and the securities laws of all applicable legal jurisdictions. Any person outside New Zealand or Australia who exercises Rights (and therefore applies for New Shares) through a New Zealand or Australian resident nominee will be deemed to have represented and warranted to the Company that the Entitlement Offer can be lawfully made to their nominee pursuant to this Offer Document. Any person who applies for New Shares under the Shortfall Bookbuild will be deemed to have represented and warranted to the Company that the offer under the Shortfall Bookbuild can be lawfully made to them pursuant to this Offer Document.

Except as set out in this Offer Document, no person may purchase, offer, sell, distribute or deliver New Shares, or be in possession of, or distribute to any other person, any offering material or any documents in connection with the New Shares, in any jurisdiction other than in compliance with all applicable laws and regulations.

The Company and its Directors accept no responsibility whatsoever for determining whether a Shareholder is able to participate in the Entitlement Offer or whether any other person is able to participate in the Shortfall Bookbuild.



Australia

The Entitlement Offer to which this Offer Document relates is being made in Australia under Australian Securities and Investments Commission (**ASIC**) Class Order CO 00/183 (Foreign Rights Issue) (**Class Order**). Consistent with the terms of the Class Order, a copy of this Offer Document will be lodged with ASIC on or before 5 May 2011. This Offer Document is not a prospectus nor any other form of disclosure document regulated by the Australian Corporations Act 2001 (**Corporations Act**) and ASIC does not take any responsibility for the contents of this Offer Document. Accordingly, this Offer Document may not contain all of the information which would otherwise be required by Australian law to be disclosed in a prospectus prepared in accordance with the Corporations Act.

As the Offer will be made without disclosure in Australia under Chapter 6D of the Corporations Act, the offer of New Shares for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors. Accordingly, any person who acquires New Shares pursuant to this Offer Document should not, within 12 months of acquisition of New Shares, offer, transfer, assign or otherwise alienate those New Shares to investors in Australia except in circumstances where disclosure to investors is not required. New Shares transferred on-market on the NZSX are not subject to the Australian disclosure regime.

Contact Energy is not licensed to provide financial product advice in relation to the New Shares. The information provided in this Offer Document is not financial product advice and is not intended to be relied upon as advice to investors or potential investors. This Offer Document has been prepared without taking into account the financial situation, investment objectives or particular needs of any particular person. These should be considered, with professional advice, when deciding if an investment in New Shares is appropriate. There is no cooling-off regime that applies in respect of your acquisition of the New Shares.

Future performance and forward-looking statements

There are statements in this Offer Document that are “forward looking statements”. As these forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Contact Energy. These factors include (but are not limited to) those set out in section 9 of this Offer Document. As a result, actual results and conditions may differ materially from those expressed or implied in this Offer Document.

Given these uncertainties, you should not place undue reliance on any forward-looking statements in this Offer Document. Under no circumstances should you regard the inclusion of such forward-looking statements in this Offer Document as a representation or warranty by any member of the Contact Energy Group or any of their respective Directors, officers or employees or any other person as to the achievement of the results expressed or implied by such statements or that the assumptions underlying such forward-looking statements will in fact be correct.

The members of the Contact Energy Group, and their respective Directors, officers and employees disclaim any responsibility to update any such risk factors or publicly announce the result of any revisions to the forward-looking statements contained in this Offer Document to reflect future developments or events, other than where required to do so by the Securities Act, the Securities Regulations, the Financial Reporting Act 1993 or the NZSX Listing Rules.

No guarantee

No person named in this Offer Document, nor any member of the Contact Energy Group, nor their respective Directors, officers or employees nor any other person warrants or guarantees the New Shares to be issued pursuant to the Offer or the future performance of the New Shares or any return on any investment made pursuant to the Offer.

NZX Listing

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 Offer Document have been duly complied with.

The New Shares have been accepted for quotation by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Offer Document. The New Shares to be issued under the Entitlement Offer are expected to be allotted on 9 June 2011. Any New Shares to be issued under the Shortfall Bookbuild are expected to be allotted on 13 June 2011. The fact that NZX may approve the New Shares for quotation is not to be taken in any way as an indication of the merits of the Offer or the Company.

NZX is a registered exchange, regulated under the Securities Markets Act 1988.

Notice to New Zealand Residents under the New Zealand Privacy Act 1993

Any personal information provided by Eligible Shareholders or Eligible Investors subscribing for New Shares will be held by Contact Energy or the Registrar at the addresses shown in the Directory on the inside back cover of this Offer Document or such other place as is notified. This information will be used for the purposes of managing your investment in Contact Energy. Under the Privacy Act 1993, you have the right to access and correct any personal information held about you.

Notice to Australian Residents under the Australian Privacy Act 1988 (Cth)

If you are an existing shareholder in Contact Energy, Contact Energy and the Registrar have already collected certain personal information from you. If you apply for New Shares under the Entitlement Offer or under the Shortfall Bookbuild, the Company and the Registrar may update personal information that they hold about you, or, where you are not already a Shareholder, collect personal information about you, and you may be asked to provide personal information to the Company (and the Joint Lead Managers, Joint Bookrunners or your NZX Primary Market Participant) and the Registrar on the Company's behalf. That personal information is collected to assess your application, service your needs as a shareholder, fulfil your requests and carry out appropriate administration.

Contact Energy and the Registrar may disclose your personal information for purposes relating to your application and holding to their related bodies corporate, agents and service providers, including the Joint Lead Managers and Joint Bookrunners to assess your application, printers and mailing houses in connection with holder information and communications, and lawyers, accountants, auditors and business consultants to obtain advice. Company and tax law requires some of the information to be collected. If you do not provide the information requested, your application may not be processed efficiently, or at all. You can request access to your personal information by contacting the Registrar at the contact address set out in the Directory.

Governing law

This Offer Document, the Offer and the contract formed on its acceptance are governed by the laws of New Zealand. Each applicant submits to the exclusive jurisdiction of the courts of New Zealand.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation in connection with the Offer not contained in this Offer Document may not be relied upon as having been authorised by Contact Energy, the Joint Lead Managers, the Arranger and Organising Participant, the Joint Bookrunners, the Joint Underwriters or any of their respective directors, officers, employees, or associates.

Definitions

Capitalised terms used in this Offer Document have defined meanings which appear in the Glossary section or within the relevant section of this Offer Document in which the term is used.

All references to "\$" or "dollars" in this Offer Document are to New Zealand dollars unless specified otherwise and all references to dates and times are to New Zealand dates and times.

Enquiries

Enquiries about the Offer should be directed to an NZX Primary Market Participant or your solicitor, accountant or other financial adviser.

You may also call the **Contact Energy Offer Information Line on 0800 742 732** (free call within New Zealand) or **+64 9 488 8724** (outside New Zealand). The Offer Information Line will be open from 8.30am to 5:00pm (New Zealand time), Monday to Friday, excluding public holidays.

If you have any queries about the number of New Shares shown on the Entitlement and Acceptance Form which, in the case of Eligible Shareholders, accompanies this Offer Document, or how to complete the Entitlement and Acceptance Form, please call the Contact Energy Offer Information Line above or contact the Registrar:

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland
Private Bag 92119
Auckland 1142, New Zealand
Facsimile: **+64 9 488 8787**
Investor Enquiries: **+64 9 488 8777**
Email: **contactoffer@computershare.co.nz**

2. Summary description of Offer

Issuer	Contact Energy Limited
Eligibility for Entitlement Offer	Persons who are registered as Shareholders at the Record Date (5.00pm on 9 May 2011) and who have a registered address in New Zealand or Australia.
Rights of Eligible Shareholders	<p>Eligible Shareholders have an entitlement to subscribe for 1 New Share for every 9 Shares held on the Record Date (5.00pm on 9 May 2011).</p> <p>The maximum number of New Shares you may apply for is set out in the accompanying Entitlement and Acceptance Form.</p> <p>Eligible Shareholders may subscribe for fewer than such maximum number of New Shares.</p>
New Shares	New Shares issued on completion of the Offer will rank equally with existing Shares, including as to distributions and voting rights, and will be quoted and traded on the NZSX.
Application Price under the Entitlement Offer	NZ\$5.05 per New Share
Offer proceeds	Up to NZ\$351.4 million
Maximum number of New Shares to be issued under the Offer	69,503,327 (subject to rounding, which may result in the issue of additional Shares of approximately 79,000)
Shares on issue prior to the Offer	625,529,946
Maximum number of Shares on issue on completion of the Offer	695,033,273 (subject to rounding, which may result in the issue of additional Shares of approximately 79,000)
Commitment by Origin Energy	Origin Energy has committed to take up its full entitlement to New Shares under the Entitlement Offer.
Rights	The Entitlement Offer is renounceable and Rights that are not taken up may be sold.
Shortfall Bookbuild	Any New Shares attributable to Rights not taken up by the Closing Date (1 June 2011) including those of Ineligible Shareholders (Unexercised Rights) will be offered to Eligible Investors via a bookbuild process to be conducted on 8 June 2011. If the proceeds from the issue of New Shares under the Shortfall Bookbuild on a per Share basis exceed the Application Price, such excess will be paid to the holders of the Unexercised Rights as compensation for them allowing their Rights to lapse.
Underwriting	The Offer (excluding the Origin Energy Entitlement) is underwritten by Craigs Investment Partners Limited and Deutsche Bank AG, Auckland Branch (together as one underwriter) and Goldman Sachs & Partners New Zealand Limited (as the other underwriter).

No person named in this Offer Document (including Contact Energy, the Joint Lead Managers, the Arranger and Organising Participant, the Joint Bookrunners, the Joint Underwriters, Origin Energy or any of their respective directors, officers, employees, or associates), or any other person warrants or guarantees the New Shares to be issued pursuant to the Offer or the future performance of the New Shares or any return on any investment made pursuant to the Offer.

Eligible Shareholders who take up all their Rights under the Entitlement Offer will have their percentage holding of Shares in the Company unchanged.

3. Offer timetable

Activity	Date
Announcement of the Offer	28 April 2011
Shares quoted “ex-entitlements” on the NZSX	5 May 2011
Rights trading commences on NZSX	5 May 2011
Record Date for determining Rights (5.00pm)	9 May 2011
Offer Document and Entitlement and Acceptance Forms mailed to Eligible Shareholders	12 May 2011
Entitlement Offer opens	13 May 2011
Rights trading ceases on NZSX (5.00pm)	26 May 2011
Closing Date for receipt of Entitlement and Acceptance Forms (together with Application Monies) (5.00pm)	1 June 2011
Shortfall Bookbuild for New Shares attributable to Rights not taken up prior to the Closing Date	8 June 2011
Allotment of New Shares under the Entitlement Offer	9 June 2011
New Shares issued under the Entitlement Offer expected to commence trading on NZSX	9 June 2011
Mailing of Allotment Notices for New Shares under the Entitlement Offer	10 June 2011
Allotment of New Shares under the Shortfall Bookbuild	13 June 2011
New Shares issued under the Shortfall Bookbuild expected to commence trading on NZSX	13 June 2011
Payment of any Premium achieved in the Shortfall Bookbuild to holders of Unexercised Rights	17 June 2011
Mailing of statement of issue of New Shares under the Shortfall Bookbuild	20 June 2011
Expected payment date for the next distribution to be made in respect of the New Shares	27 September 2011

These dates are subject to change and are indicative only, and, subject to the requirements of the Securities Act and NZSX Listing Rules, may be amended by Contact Energy. In its absolute discretion Contact Energy may also withdraw the Offer and/or the issue of New Shares at any time before the date of allotment.



4. Terms of the Offer



Issuer

The issuer of the New Shares referred to in this Offer Document is Contact Energy, a company registered under the Companies Act 1993, having its registered office at Level 1, Harbour City Tower, 29 Brandon Street, Wellington, New Zealand.

Overview

Offer

The maximum number of New Shares that are being offered under the Offer is 69,503,327 (subject to rounding, which may result in the issue of additional New Shares of approximately 79,000).

All New Shares issued under the Offer will be of the same class as existing Shares in Contact Energy, which are listed on NZSX. These Shares will rank equally in all respects as existing Shares, including as to distributions and voting rights.

Proceeds of the Offer

If the Offer is fully subscribed, the total gross proceeds of the Offer will be NZ\$351.4 million. The funds sought in the Offer will enable Contact Energy to strengthen its balance sheet for investment in growth opportunities, the first part of which is the 166 MW Te Mihi geothermal power station. More details about Contact Energy's projects and in particular the Te Mihi geothermal power station are set out in section 6 of this Offer Document.

If the Offer is fully subscribed, the number of Shares on issue will increase by 69,503,327, from 625,529,946 to 695,033,273 (subject to rounding, which may result in the issue of additional Shares of approximately 79,000).

For those Eligible Shareholders who apply for their entitlement to New Shares in full, the Offer has no dilutionary effect on their percentage holding of Shares in the Company. Those Eligible Shareholders who do not take up in full their Rights to New Shares will be diluted.

The Offer

Under the Entitlement Offer, New Shares in Contact Energy are available to Eligible Shareholders on a pro-rata basis. Eligible Shareholders are those persons who are registered as Shareholders on the Record Date who have a registered address in New Zealand or Australia.

Eligible Shareholders are entitled to subscribe for 1 New Share for every 9 Shares held on the Record Date. The Rights are renounceable. This enables Eligible Shareholders who do not wish to accept all or some of their Rights to sell those Rights not taken up.

If you sell any Shares (and settle that sale) prior to 5.00pm on the Record Date, then the Rights attributable to those Shares transfer to the buyer of those Shares. Conversely, if you have acquired Shares after the Record Date, the associated Rights remain with the seller.

In addition, New Shares attributable to the Rights which are not taken up by the Closing Date will be offered via the Shortfall Bookbuild to Eligible Investors.



Application Price

The price payable by Eligible Shareholders who wish to subscribe for New Shares in the Entitlement Offer is NZ\$5.05 per New Share (the **Application Price**), payable in full on application.

The Application Price has been set at a discount to the recent traded market price of Shares in Contact Energy. The market price of Shares may change (i.e. increase or decrease) between the date of this Offer Document and the date that the New Shares are allotted. Any changes in the market price of shares will not affect the Application Price that you are required to pay for New Shares, but the market price of the New Shares following their allotment may be higher or lower than the Application Price.

Rights

The number of Rights attributable to each Eligible Shareholder is shown on your personalised Entitlement and Acceptance Form which accompanies this Offer Document. Applications in excess of an Eligible Shareholder's Rights will not be accepted and corresponding Application Monies will be refunded upon completion of the Entitlement Offer.

Fractional Rights, if any, have been scaled up to the nearest whole number.

Eligible Shareholders can choose to accept all or some of their Rights.

Rights trading and quotation

The Rights are renounceable. This enables Eligible Shareholders who do not wish to take up all or some of their Rights to sell those Rights.

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 Offer Document have been duly complied with. However, NZX accepts no responsibility for the contents of, or any statement in, this Offer Document. NZX is a registered exchange, regulated under the Securities Markets Act 1988.

Eligible Shareholders who wish to sell all or some of their Rights may do so on the NZSX by instructing an NZX Primary Market Participant to sell all or some of the number of Rights specified on their personalised Entitlement and Acceptance Form. Rights may be sold on the NZSX between 10.00am on 5 May 2011 and 5.00pm on 26 May 2011. Eligible Shareholders who wish to sell their Rights using this method must do so before the close of trading on the NZSX on the last day for the trading of Rights. Renunciations must be lodged with the Registrar no later than the Closing Date (5.00pm on 1 June 2011).

Application

Instructions on how to apply for New Shares under the Entitlement Offer are set out in section 5 of this Offer Document.

Application Monies

Application Monies received will be held in a trust account until the corresponding New Shares are allotted. The trust account will be established by Contact Energy solely for the purpose of depositing Application Monies. Interest earned on the Application Monies will be for the benefit, and remain the property, of Contact Energy and will be retained by Contact Energy whether or not the issue and allotment of New Shares takes place.

Contact Energy reserves the right to withdraw the Offer and/or the issue of New Shares at any time prior to allotment, in which case all Application Monies will be refunded as soon as practicable.

Allotment

The New Shares will be allotted under the Entitlement Offer and Allotment Notices will be issued and mailed as soon as practicable after the Entitlement Offer closes. Allotment of the New Shares under the Entitlement Offer is intended to be no later than five business days after the Closing Date of the Entitlement Offer.

Applicants under the Entitlement Offer should ascertain their allocation before trading in the New Shares. Applicants can do so by contacting the Registrar at the address set out in the Directory included on page 43 of this Offer Document.

Applicants selling New Shares prior to receiving a Securities Transaction Statement do so at their own risk. The Company, the Joint Lead Managers, the Arranger and Organising Participant, the Joint Bookrunners, the Joint Underwriters and their respective directors, officers, employees and advisers do not accept any liability or responsibility should any person attempt to sell or otherwise deal with New Shares before the Allotment Notice showing the number of New Shares allotted to the Applicant is received by the Applicant.

New Shares

New Shares issued on completion of the Offer are of the same class as existing Shares previously issued by the Company and that are listed on the NZSX under the code CEN. As such, New Shares will be fully paid and rank *pari passu* (equally) in all respects with other fully paid existing Shares. Each New Share will confer on the holder the rights described in the Company's constitution and as provided for in the Companies Act 1993, including the right to receive notices of, and attend and vote on a poll or any resolution at, Shareholder meetings, and the right to an equal share in any distributions authorised by the Board and in any distribution of surplus assets of the Company. Applicants for New Shares will be bound by the constitution and terms of the Offer set out in this Offer Document.

The New Shares have been accepted for quotation by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Offer Document. New Shares issued under the Entitlement Offer are expected to be allotted and commence trading on the NZSX on 9 June 2011. New Shares issued under the Shortfall Bookbuild are expected to be allotted and commence trading on the NZSX on 13 June 2011. The fact that NZX may approve New Shares for quotation is not to be taken in any way as an indication of the merits of the Offer or the Company.

Commitment by Origin Energy to take up entitlement

The three Origin Energy subsidiaries which, in aggregate, are the Company's majority shareholder (together holding 52.09% of the Shares in Contact Energy), have committed to take up in full their entitlement to New Shares under the Entitlement Offer.



Underwriting

Contact Energy has appointed Craigs Investment Partners Limited and Deutsche Bank AG, Auckland Branch as one underwriter (**DB/CIP**) and Goldman Sachs & Partners New Zealand Limited as the other underwriter (**GS** and together with DB/CIP, the **Joint Underwriters**) to underwrite the Offer (excluding that portion (the **Origin Energy Entitlement**) of the Entitlement Offer offered to Origin Energy Pacific Holdings Limited, Origin Energy Universal Holdings Limited and Origin Energy New Zealand Limited) on the basis of the terms and conditions set out in the Underwriting Agreement. The Underwriting Agreement requires DB/CIP and GS to make application and payment for all New Shares (excluding the Origin Energy Entitlement) not issued under the Entitlement Offer or the Shortfall Bookbuild (the **Shortfall Shares**). If no New Shares are issued under the Entitlement Offer or the Shortfall Bookbuild, Craigs Investment Partners Limited, Deutsche Bank AG, Auckland Branch and Goldman Sachs & Partners New Zealand Limited will be required, on a joint and several basis, to make application and payment for 33.4 million New Shares (subject to rounding). A summary of the principal terms of the Underwriting Agreement is set out below.

- Subject to certain pre-conditions being satisfied, the Joint Underwriters will make or procure valid applications, and pay the Application Price, for Shortfall Shares.
- The Joint Underwriters may enter into sub-underwriting agreements.
- Either Joint Underwriter may terminate its obligations under the Underwriting Agreement prior to the Shortfall Bookbuild Allotment Date (as defined in the Underwriting Agreement) if any of the following events or circumstances occurs or arises (each, a **Termination Event**):
 - any information or statement contained in this Offer Document or any advertisement being untrue, or inaccurate, incomplete, misleading or deceptive (including by omission) in any material respect, or any material amendment being required to be made or this Offer Document or any advertisement; or
 - a material breach of any warranty given by the Company under the Underwriting Agreement, or any warranty given by the Company under the Underwriting Agreement is incorrect or untrue or misleading in any material respect (by omission or otherwise); or
 - an Insolvency Event (as defined in the Underwriting Agreement) in respect of the Company; or
 - approval for quotation of the Rights and the New Shares on NZSX is subsequently withdrawn, qualified or withheld, the Company ceases to be listed on NZSX or the Shares are suspended from official quotation on NZSX (other than a voluntary suspension requested by the Company to facilitate the Offer); or
 - a change of law comes into force, or a proposed change in law is publicly announced, in each case the effect of which is likely to prohibit or limit the Offer or trading in the Rights and/or the New Shares; or
 - the Company withdraws this Offer Document or the Offer, or announces to NZX that it does not intend to proceed with the Offer or any part of the Offer; or
 - the charging of the Company, a director of the Company or the chief executive officer or the chief financial officer of the Company with a crime involving dishonesty (as defined in section 2(1) of the Crimes Act 1961) or any other indictable offence.

- A Joint Underwriter may not terminate the Underwriting Agreement unless such Joint Underwriter, in its opinion, acting reasonably and having consulted with the Company and the other Joint Underwriter, considers that the event or circumstance giving rise to the Termination Event is material and prejudicial in the context of the Offer or is likely to give rise to a contravention by such Joint Underwriter of any law or regulation.
- During the period from the date of the Underwriting Agreement to the earlier of:
 - the latest time by which the Company may give notice (the **Shortfall Notice**) to the Joint Underwriters to make or procure valid applications, and pay, for Shortfall Shares, if no Shortfall Notice is given;
 - for so long as a Joint Underwriter holds Shortfall Shares if a Shortfall Notice is given by the Company to the Joint Underwriters; and
 - the date three months after the date of allotment of New Shares under the Offer,the Company may not, without the prior written consent of the Joint Underwriters, in accordance with certain permitted exceptions or except as contemplated in this Offer Document:
 - offer for sale, accept offers for, allot or issue, Shares, securities substantially similar to Shares or securities exchangeable for, convertible into or redeemable by, the issue of Shares or securities substantially similar to Shares; or
 - dispose of or charge, or agree to dispose of or charge, the whole or substantially all of its business, except as contemplated in this Offer Document; or
 - enter into any commitment or arrangement which is or may be material in the context of the Offer, the underwriting of the Shortfall Shares or quotation.
- The Joint Underwriters will be paid an underwriting fee equal to 1.8% of the Underwritten Amount. No underwriting fee is payable by the Company to the Joint Underwriters if the Underwriting Agreement terminates in accordance with its terms other than if the Company determines, at its sole discretion, not to proceed with the Offer or to allot New Shares.
- The Company has agreed to indemnify the Joint Underwriters (including their related companies and affiliates and their respective directors, officers, partners and employees) against all claims, actions or demands (other than in respect of income or company taxation payable by the Joint Underwriters in the ordinary course of business, including the Offer) that may be brought against them and against any losses, liabilities, costs, charges and expenses suffered or incurred by them arising directly or indirectly from or in connection with the Offer.
- The Company gives a number of warranties to the Joint Underwriters in the Underwriting Agreement, including warranties on the content of this Offer Document, compliance by the Company and other group entities with relevant laws, the valid issue and allotment of the New Shares and compliance with the Company's continuous disclosure obligations.
- The Company may terminate the Underwriting Agreement if:
 - the Company determines, at its sole discretion, not to proceed with the Offer or to allot New Shares; or
 - a Joint Underwriter has committed a material breach of any term of the Underwriting Agreement and (in the case of a breach capable of remedy) has failed to remedy the breach to the Company's satisfaction within two business days of being notified of such breach by the Issuer (if capable of remedy); or
 - a Joint Underwriter has acted in bad faith or fraudulently, or has been negligent, in relation to the Offer.

Participation in Offer by Shareholders outside New Zealand and Australia

The Entitlement Offer is open only to Eligible Shareholders, who are persons who are registered as Shareholders at the Record Date (5.00pm on 9 May 2011) and who have a registered address in New Zealand or Australia.

Given the small number of Ineligible Shareholders under the Entitlement Offer and the cost and complexity of complying with the legal requirements to enable the Entitlement Offer to be made to those Ineligible Shareholders, Contact Energy considers it unduly onerous to extend the Entitlement Offer to those shareholders (the **Ineligible Shareholders**) who do not satisfy the eligibility criteria.

All New Shares attributable to the Rights of Ineligible Shareholders will be offered in the Shortfall Bookbuild. The Shortfall Bookbuild is only open to Eligible Investors. If the proceeds from the issue of New Shares under the Shortfall Bookbuild on a per Share basis exceed the Application Price, such excess will be paid to Ineligible Shareholders in the same manner as the holders of the other Unexercised Rights.

This Offer Document is intended for use only in connection with the offer of the New Shares to Eligible Shareholders under the Entitlement Offer and the offer to Eligible Investors under the Shortfall Bookbuild and does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

Please refer to discussion on Offering Restrictions in section 1 of this Offer Document.

The Company and its Directors accept no responsibility whatsoever for determining whether a Shareholder is able to participate in the Entitlement Offer or whether any other person is able to participate in the Shortfall Bookbuild.

Broker Stamping Fee

No investor will pay brokerage upon taking up their Rights or as a subscriber for New Shares under the Entitlement Offer.

A stamping fee of 0.5% of Application Monies on New Shares allotted under the Entitlement Offer (with a minimum of \$30 per application and a maximum of \$300 per application) will be paid to NZX Primary Market Participants (as defined in the NZX Participant Rules) who submit a valid claim for a broker stamping fee on successful applications. This fee will be met by the Company. Details of the claims process are to be separately communicated to NZX Primary Market Participants by Contact Energy.

The sale of New Shares or Rights may incur normal brokerage fees.

No Guarantees

None of the Company, the Directors, the Joint Lead Managers, the Arranger and Organising Participant, the Joint Bookrunners, the Joint Underwriters or any other agent of the Company or any other person, guarantees:

- (a) the New Shares to be issued pursuant to the Offer;
- (b) that the Application Price under the Entitlement Offer or the Clearing Amount under the Shortfall Bookbuild per New Share will be recovered by investors;
- (c) the payment of any monies in respect of the New Shares, or any return on the New Shares, to be issued pursuant to the Offer, nor in respect of any existing Shares; or
- (d) that the holders of Rights will receive any value for their Rights either through sale on the NZSX or the Shortfall Bookbuild.

5. How to apply

Options available to Eligible Shareholders under the Entitlement Offer

If you are an Eligible Shareholder, then accompanying this Offer Document is an **Entitlement and Acceptance Form** showing the number of New Shares to which you are entitled under the Entitlement Offer. Eligible Shareholders may take one of the following actions:

- take up Rights by applying for all or some of the New Shares set out in the personalised Entitlement and Acceptance Form;
- sell all or some of the Rights set out in the personalised Entitlement and Acceptance Form;
- take up some of the Rights and sell the balance of the Rights; or
- do nothing, in which case value for Rights not taken up may be realised via the Shortfall Bookbuild under which the New Shares which are attributable to these Unexercised Rights will be offered to Eligible Investors. If the proceeds from the issue of New Shares under the Shortfall Bookbuild on a per Share basis (the **Clearing Amount**) exceed the Application Price, such excess (the **Premium**) will be paid to the holders of the Unexercised Rights as compensation for them allowing their Rights to lapse.

Important: If you are an Eligible Shareholder and you do nothing you will be deemed to have elected not to take up Rights to New Shares under the Entitlement Offer. If you apply to take up some but not all of your Rights to New Shares you will be deemed to have not taken up your Rights to the balance of the New Shares. As the Entitlement Offer is renounceable, Rights that are not taken up may be sold. New Shares attributable to the Rights which are not taken up by the Closing Date will be offered via the Shortfall Bookbuild. Any Eligible Shareholders who do not take up their Rights in full, will have their percentage holding of Shares diluted.

To Apply for New Shares under the Entitlement Offer

Eligible Shareholders who wish to take up all or some of the New Shares set out in their personalised Entitlement and Acceptance Form under the Entitlement Offer must:

- complete and sign the Entitlement and Acceptance Form, taking care to follow the instructions on the reverse of that form;
- make payment by direct credit or attach a cheque or bank draft in New Zealand dollars to the completed Entitlement and Acceptance Form for the amount required to be paid made payable to “The Contact Energy Offer” and crossed “Not Transferable”;
- payment of Application Monies by direct credit must be clearly referenced on the funds transfer. Please follow the instructions in the payments section of the Entitlement and Acceptance Form;
- forward the completed Entitlement and Acceptance Form and, if applicable, cheque or bank draft, in the reply-paid envelope to:

Contact Energy Limited
c/- Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland
Private Bag 92119
Auckland 1142

Completed Entitlement and Acceptance Forms, together with Application Monies, must be received by the Registrar no later than 5.00pm on 1 June 2011.

Alternatively, the completed Entitlement and Acceptance Form and, if applicable, cheque or bank draft, may be lodged with any NZX Primary Market Participant, the Joint Lead Managers, the Arranger and Organising Participant, the Joint Bookrunners or any other channel approved by NZX provided that the form is delivered in time to enable it to be received by the Registrar before the Closing Date for the Entitlement Offer (5.00pm on 1 June 2011).

Payment of Application Monies under the Entitlement Offer

Payments must be made in New Zealand dollars under the Entitlement Offer and will only be accepted as follows:

- personal cheque drawn on and payable at any bank in New Zealand;
- bank cheque issued by and payable at any bank in New Zealand;
- bank draft drawn on and payable at any bank in New Zealand; or
- direct credit to the New Zealand dollar trust account established by Contact Energy (details of which are set out in the Entitlement and Acceptance Form). Applicants paying by direct credit for New Shares under the Entitlement Offer must submit their payment instruction to their bank to make payment by no later than 5.00pm on 30 May 2011, which is two business days before the Closing Date for the Entitlement Offer, or such other date as Contact Energy may determine. Payment of Application Monies by direct credit must be clearly referenced on the funds transfer. Please follow the instructions in the payments section of the Entitlement and Acceptance Form.

Processing of applications under the Entitlement Offer and the banking of cheques will take place on the day of receipt by the Registrar (or the first business day after that day if it is not a business day), with Application Monies received held in trust until the New Shares are allotted under the Entitlement Offer. Receipts for payment will not be issued. The banking of Application Monies will not constitute allotment of any New Shares. The New Shares issued under the Entitlement Offer are expected to be allotted and commence trading on the NZSX on 9 June 2011. Allotment Notices under the Entitlement Offer are expected to be issued by 10 June 2011.

Selling Rights

The Rights are renounceable. This enables Eligible Shareholders who do not wish to take up all or some of their entitlement under the Entitlement Offer to sell those Rights not taken up.

Eligible Shareholders who wish to sell all or some of their Rights on the NZSX can do so by instructing an NZX Primary Market Participant to sell all or some of the number of Rights specified on the Entitlement and Acceptance Form. Rights may be sold on the NZSX between 10.00am on 5 May 2011 and 5.00pm on 26 May 2011. To sell Rights on the NZSX, Eligible Shareholders will need to provide their Common Shareholder Number (CSN). To sell Rights using this method Eligible Shareholders must do so before close of trading on the NZSX on the last day for trading of Rights.

Eligible shareholders may also sell all or some of their Rights through private off-market transactions. If you wish to do so by this means, please contact the Registrar.

Renunciations must be lodged with the Registrar no later than the Closing Date for the Entitlement Offer (5.00pm on 1 June 2011).

Taking up some Rights and Selling the Balance

There is no minimum number of New Shares which Eligible Shareholders must subscribe for under the Entitlement Offer. Eligible Shareholders may take up as many or as few Rights as they wish. To take up some Rights and sell the balance, Eligible Shareholders should:

- instruct an NZX Primary Market Participant to sell the number of Rights they wish to renounce; and
- indicate the number of New Shares they wish to accept in the Entitlement and Acceptance Form and send the completed Entitlement and Acceptance Form, together with payment for the number of New Shares applied for, directly to the NZX Primary Market Participant through whom they sold their Rights.

If Contact Energy receives, on or before the Closing Date for the Entitlement Offer (5.00pm on 1 June 2011), both an acceptance and a Renunciation by a Shareholder in respect of the same Rights, effect will be given to the Renunciation in priority to the acceptance.

Rights Not Taken Up – If You Do Nothing

Eligible Shareholders who:

- decide not to sell or take up all of their Rights before the Closing Date; or
- do nothing,

may still receive value for their remaining Unexercised Rights under the Shortfall Bookbuild.

Shortfall Bookbuild

The Company will offer New Shares of an equivalent number to the New Shares attributable to the Unexercised Rights in the Shortfall Bookbuild. Eligible Investors will be invited to participate in the Shortfall Bookbuild to be conducted on 8 June 2011 (subject to any amendment to the timetable).

Eligible Investors will be those persons who:

- if resident in New Zealand, are institutions whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money;
- are NZX Primary Market Participant sponsored retail investors. This means that Shareholders and other retail investors may participate in the Shortfall Bookbuild via a NZX Primary Market Participant submitting a bid on their behalf. Interested investors should contact their broker to participate; and
- if resident outside New Zealand, are persons to whom an offer of New Shares can be made under all applicable laws, without the need for any registration, lodgement or similar formality. Origin Energy will be eligible to participate in the Shortfall Bookbuild, and may apply to acquire additional New Shares in the Shortfall Bookbuild.

The Joint Bookrunners will manage the Shortfall Bookbuild on behalf of Contact Energy. Eligible Investors who wish to participate in the Shortfall Bookbuild should contact the Joint Bookrunners or, if a Shareholder or other retail investor, their broker, who will provide details as to the process to be undertaken in relation to the Shortfall Bookbuild.

Eligible Investors participating in the Shortfall Bookbuild will bid for the New Shares attributable to the Unexercised Rights. The minimum bid that may be made for a New Share under the Shortfall Bookbuild is its Application Price of NZ\$5.05, which amount is payable to the Company. If the Clearing Amount exceeds the Application Price, the Premium is payable to holders of Unexercised Rights (including to Ineligible Shareholders) as compensation for them allowing their Rights to lapse.

Accordingly, the proceeds from the Shortfall Bookbuild will be paid by Computershare Investor Services as follows:

- (a) an amount equal to the Application Price of NZ\$5.05 for each New Share issued under the Shortfall Bookbuild will be paid to the Company; and
- (b) an amount equal to the Premium (if any) will be paid to holders of Unexercised Rights.

If the Clearing Amount is equal to the Application Price, then no Premium will be available to pay to holders of Unexercised Rights.

No brokerage or other expenses will be deducted from the proceeds of the Shortfall Bookbuild available to be paid to holders of Unexercised Rights.



Examples of the method of calculating the amount of Premium that may be payable to holders of Unexercised Rights are set out below. The prices used in these examples are theoretical only, and in order to show the way in which the Shortfall Bookbuild works we have used an example Clearing Amount of NZ\$5.30 in the first example and an example Clearing Amount equal to the Application Price in the second example. If the Clearing Amount is lower than stated in the first example, but still in excess of the Application Price, the Premium you will receive will be lower. If the Clearing Amount is the same as the Application Price, you will not receive any payment.

If the Clearing Amount exceeds the Application Price		
If the Clearing Amount in the Shortfall Bookbuild is greater than the Application Price, holders of Unexercised Rights would receive the Premium amount for the Unexercised Rights. It is only likely that there will be demand for the New Shares available in the Shortfall Bookbuild if the market price of Contact Energy Shares is greater than the Application Price at the time of the Shortfall Bookbuild.	This example assumes that there is demand for all of the New Shares available via the Shortfall Bookbuild.	
		Per share
	Application Price	\$5.05
	Clearing Amount	\$5.30
	Premium	\$0.25
An Eligible Shareholder who holds 1,000 Shares will have 112 Unexercised Rights which would each be eligible for \$0.25 of value. Hence the Eligible Shareholder would receive \$28.00 for his or her entitlements.		
If the Clearing Amount is equal to the Application Price		
If the Clearing Amount is equal to the Application Price, holders of Unexercised Rights would receive no value for them.		Per share
	Application Price	\$5.05
	Clearing Amount	\$5.05
	Premium	\$0.00
Regardless of the number of Unexercised Rights held, Eligible Shareholders would not receive any value for them.		

If the Shortfall Bookbuild does not realise a Clearing Amount above the Application Price, the New Shares will be subscribed for by the Joint Underwriters at the Application Price in accordance with the Underwriting Agreement (see section 4 of this Offer Document). In this event, the holders of Unexercised Rights will receive no value for their Rights.

The ability to sell New Shares in the Shortfall Bookbuild and the price obtained for them are dependent on various factors, including market conditions. There is no guarantee that the Clearing Amount for New Shares under the Shortfall Bookbuild will be greater than the Application Price, or that the holders of Unexercised Rights will receive any value for their Rights. Neither the Joint Bookrunners nor the Company, nor their respective agents or affiliates, will be liable for any failure to sell those New Shares or to procure a Premium. The Directors of the Company reserve the right to issue New Shares under the Shortfall Bookbuild at any price at or above the Application Price at their discretion.

The Premium, if any, will be paid by Computershare Investor Services in New Zealand dollars to holders of Unexercised Rights as follows:

- in accordance with direct payment instructions provided to the Company in respect of Contact Energy distributions;
- otherwise, by a New Zealand dollar cheque sent by ordinary post to their address as recorded in the Company's share register.

Direct payments are expected to be made, and cheques are expected to be dispatched, by 17 June 2011.

General

For applications under the Entitlement Offer to be valid, an Entitlement and Acceptance Form, properly completed, together with Application Monies, must be received by the Registrar no later than 5.00pm on 1 June 2011.

The Company reserves the right to accept late applications under the Entitlement Offer but has no obligation to do so.

Applications for the issue of New Shares under the Entitlement Offer cannot be revoked or withdrawn.

Notwithstanding anything to the contrary in this Offer Document, an Entitlement and Acceptance Form submitted by an Eligible Shareholder will constitute an irrevocable offer to subscribe for and acquire the number of New Shares specified on the Entitlement and Acceptance Form (or such lesser number as the Company may determine) on the terms and conditions set out in this Offer Document and on the Entitlement and Acceptance Form.

By submitting an Entitlement and Acceptance Form, Eligible Shareholders agree to be bound by these terms and conditions and the Company's constitution.

Eligible Investors who bid for Shortfall Shares in the Shortfall Bookbuild agree to be bound by the terms and conditions in this Offer Document, the Company's constitution, and the terms and conditions of participation in the Shortfall Bookbuild specified by the Joint Bookrunners.

Eligible Shareholders applying for New Shares under the Entitlement Offer must complete an Entitlement and Acceptance Form in full. Entitlement and Acceptance Forms may be rejected if any details are not entered correctly. If the Application Monies accompanying the Entitlement and Acceptance Form are incorrect, the Entitlement and Acceptance Form may still be treated by Contact Energy (at its discretion) as valid. Eligible Shareholders will not however be treated as having offered to purchase a greater number of New Shares than the number for which payment is made.

If Application Monies are paid by a cheque which does not clear or a direct credit that is not processed by the Closing Date for the Entitlement Offer (5.00pm on 1 June 2011), that application may be rejected or an allotment made may be cancelled. Any Rights in respect of a rejected application or cancelled amount will lapse. Payment of Application Monies made by direct credit must be clearly referenced on the funds transfer. Please follow the instructions in the payments section of the Entitlement and Acceptance Form.

The Company's decision on the number of New Shares to be allotted to each Eligible Shareholder under the Entitlement Offer and as to whether to reject an Entitlement and Acceptance Form or to treat it as valid (and then how to construe, amend, correct or complete the Entitlement and Acceptance Form) will be final.

The Company and the Joint Bookrunners will allocate New Shares under the Shortfall Bookbuild to Eligible Investors who bid for New Shares in the Shortfall Bookbuild. The decision on the number of New Shares to be allotted to each Eligible Investor under the Shortfall Bookbuild will be final.

The Company reserves the right to reject any application for New Shares under the Entitlement Offer that it believes comes from a person who is not an Eligible Shareholder. The Company reserves the right to reject any bid for New Shares under the Shortfall Bookbuild that it believes comes from a person who is not an Eligible Investor.

If you need any assistance you should contact an NZX Primary Market Participant, or your investment or legal adviser.

You may also call the **Contact Energy Offer Information Line on 0800 742 732** (free call for calls made within New Zealand) or **+64 9 488 8724** (outside New Zealand), or email **contactoffer@computershare.co.nz**, if you have any questions about the Offer.

6. Contact Energy profile

Business Description

Overview

Contact Energy is one of New Zealand's largest publicly listed companies, with around 79,000 shareholders, a national staff of about 1,100 and supplies electricity and gas across New Zealand.

Existing Business

Contact Energy:

- as at 31 December 2010, owned and operated ten power stations comprising 1,863 megawatts (**MW**) of hydro, thermal and geothermal generation capacity located in both the North Island and South Island of New Zealand
- generated about 24% of New Zealand's total annual electricity generation in the year ended 31 December 2010¹
- as at 31 December 2010, had approximately 464,000 retail electricity customers, 62,000 reticulated natural gas customers and 58,700 LPG customers
- as at 31 December 2010, had approximately 25% of New Zealand's total retail electricity market share by customer numbers² and an estimated 24% of New Zealand's retail reticulated natural gas market by customer numbers³
- as at 31 December 2010, through Rockgas Limited (a wholly owned subsidiary of Contact Energy), had approximately 47% of New Zealand's LPG market by volume, based on Contact Energy's calculation
- buys natural gas from a number of gas producers, primarily for use in its thermal power stations and to supply its retail customer base
- in the financial year ended 30 June 2010 utilised 29.5 petajoules of gas for internal generation, and sold 10.7 petajoules of gas to wholesale customers and 3.2 petajoules to its own retail customers
- in the financial year ended 30 June 2010 recorded underlying earnings of \$150 million, and had total assets of \$5.2 billion
- is currently commissioning a 200 MW gas-fired peaking power station and has recently commissioned New Zealand's first underground natural gas storage facility near Stratford
- is currently constructing the 166 MW (gross) Te Mihi geothermal power station near Taupo
- continues to advance a significant generation development investment programme across a range of fuel options, including geothermal, thermal, wind and hydro
- is currently contracted to operate the Crown-owned 155 MW reserve generation plant at Whirinaki in Hawke's Bay and holds a 25% shareholding interest in, and provides operation and maintenance services to, the 282 MW Oakey power station in Queensland, Australia

¹ 2010 Energy Data File published by the Ministry of Economic Development and company information, available on website: http://www.med.govt.nz/templates/StandardSummary___15169.aspx

² Electricity Authority data, on website: <http://www.ea.govt.nz/document/12504/download/industry/market/statistics-reports/percentage-of-icps-per-retailer-graphs/>

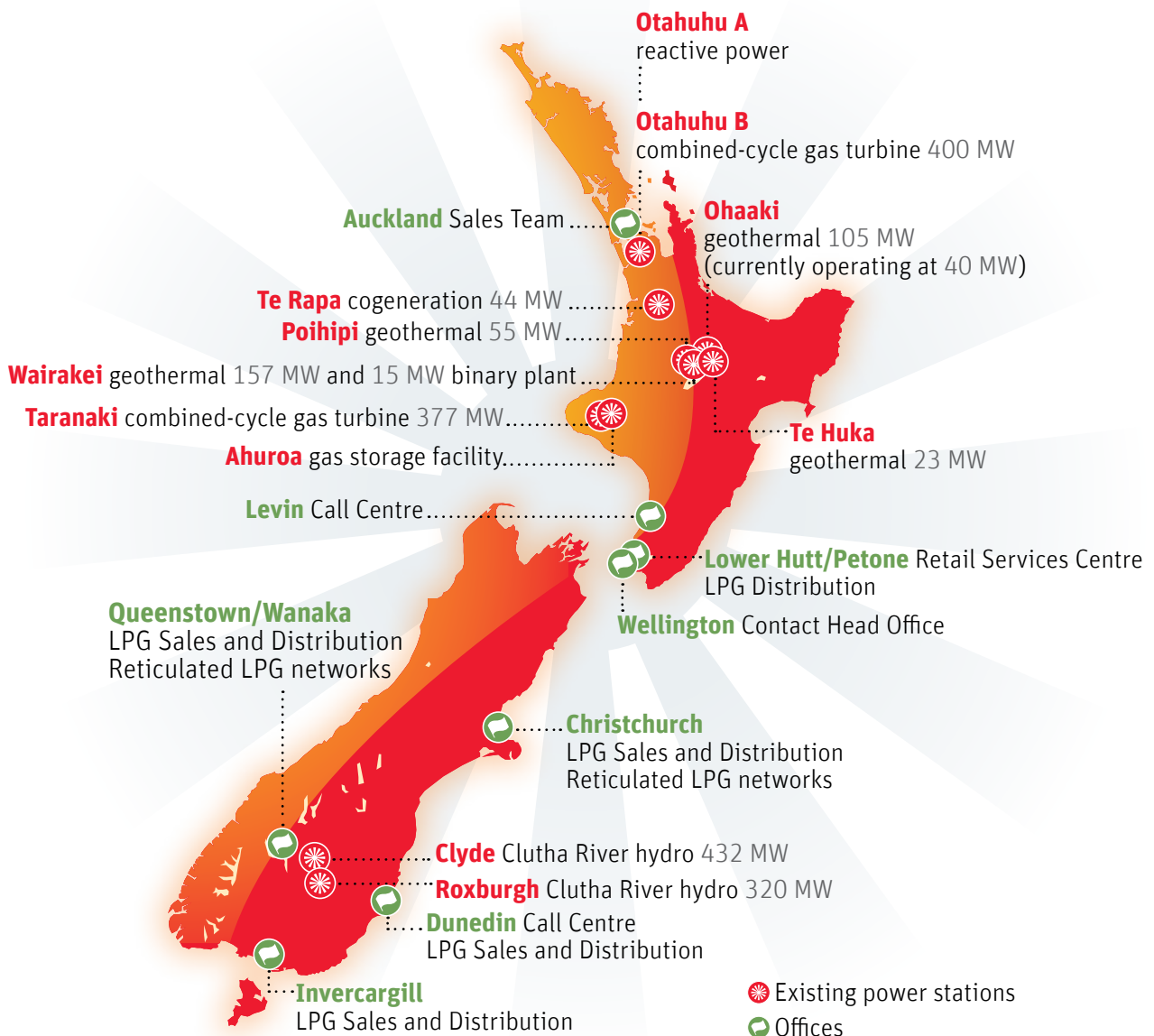
³ Gas Industry Company data, on website: http://www.gasindustry.co.nz/sites/default/files/u14/Gas_Registry_Statistics_December_2010.pdf

Strategy

Contact Energy is an integrated generator and retailer of energy using a diverse fuel base. Contact Energy’s strategy is focused on developing low cost baseload⁴ and flexible generation options so that it can cost effectively meet the energy requirements of its customers and the market. This will be achieved by securing a range of generation options across various fuel types and being in a position to execute them as the market opportunity arises. At present Contact Energy is developing options across four key fuels: geothermal, gas, wind and hydro.

Contact Energy has commissioned the first stage of its Ahuroa gas storage facility, and is currently commissioning an investment in a 200 MW gas peaking plant⁵ which will increase the ability of the business to respond to electricity market volatility. Contact Energy also has the opportunity to further expand the Ahuroa gas storage facility to enable it to inject and extract gas at higher daily rates.

Contact Energy’s current operations are outlined below.



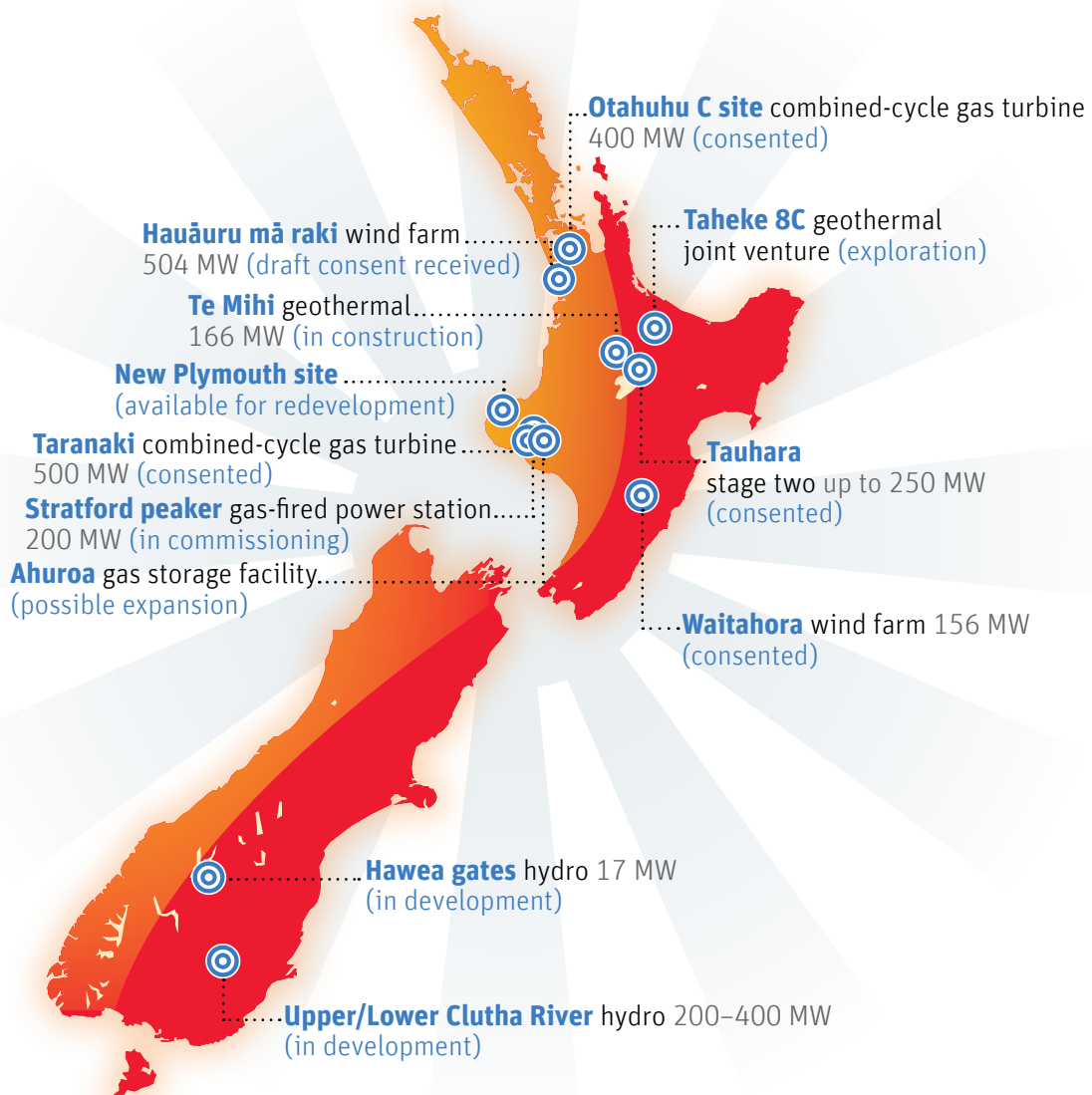
The next stage of Contact Energy's growth strategy involves the continued development and execution of geothermal options, which Contact Energy believes are currently the lowest cost sources of new generation in the New Zealand market.

Contact Energy is also developing wind and hydro options. Consents have been sought for two wind options, Waitahora (granted) and Hauāuru mā raki (in draft but expected to be confirmed shortly) and Contact Energy is examining four hydro options in the lower South Island with a view to determining which, if any, to take to the consenting stage.

The execution of Contact Energy's geothermal options will assist in reducing Contact Energy's average cost of generation and over time, is expected to increase Contact Energy's market share in generation.

The funds sought in the offer will enable Contact Energy to strengthen its balance sheet for investment in growth opportunities, the first part of which is the Te Mihi geothermal power station.

Contact Energy's key development opportunities are outlined below.



⁴ Baseload operations means the capability to generate on a continual basis.

⁵ A peaking plant is capable of operating on a flexible basis as demand requires.



Contact Energy's geothermal development strategy

Geothermal generation is Contact Energy's current priority investment. Contact Energy believes that geothermal is the lowest cost source of new generation for New Zealand. Geothermal is the only form of renewable generation that does not depend on the weather and can produce large volumes of baseload energy.

Accordingly, Contact Energy has developed and is developing a number of projects which will result in significant investment in new geothermal generation in the Taupo region over the next few years:

- In May 2010, Contact Energy commissioned the 23 MW Te Huka geothermal binary plant near Taupo
- In December 2010, Contact Energy received final resource consents from the Board of Inquiry to develop the 250 MW Tauhara 2 power station near Taupo
- In February 2011, Contact Energy committed to the construction of the 166 MW (gross) Te Mihi power station near Taupo. Further details of the project are set out below.

In Contact Energy's view, assuming New Zealand's demand for electricity resumes its growth consistent with long term averages, new baseload generation is likely to be required by around 2013 to support security of supply.

Even in circumstances where electricity demand growth does not resume at these levels, investment in lower-cost geothermal projects such as Te Mihi is expected to benefit Contact Energy as it will be a substitute for higher-cost gas-fired thermal generation from Contact Energy's existing baseload combined-cycle gas turbine plants. This is because the variable cost of gas-fired thermal generation is expected to be higher than the total cost of new geothermal generation and with the ability to store gas for use at a subsequent time, Contact Energy can operate the Te Mihi power station instead of more expensive baseload gas-fired thermal generation. The Ahuroa gas storage project enables Contact Energy to optimise its generation portfolio by injecting a limited volume of gas into storage which otherwise would have to be used in gas-fired thermal generation at times when the marginal costs of gas cannot be recovered, or paid for but not taken.

Te Mihi Geothermal Power Station

Overview of Te Mihi project

The Te Mihi project involves construction of 166 MW (gross)⁶ of generation – this replaces 45 MW (net) of existing Wairakei power station capacity and adds 114 MW (net) of new generation capacity. The project cost is expected to be \$623m, which includes construction of the Te Mihi power station (including two steam turbine generators and associated equipment), electrical switchyard and transmission connection works, incremental steamfield works on the Wairakei geothermal system, including drilling of geothermal wells, and other ancillary works. It is expected to be completed in mid-2013.

Rationale for the investment

The investment in geothermal capacity is expected to enable Contact Energy to lower Contact Energy's average cost of generation and over time, contribute to a growth in Contact Energy's market share in generation. With the likely requirement for new baseload generation around 2013 to support security of supply, as demand growth resumes, Contact Energy is well positioned to invest to meet that need through its geothermal options which, in Contact Energy's opinion, are the most cost effective sources of significant new baseload capacity.

There are additional benefits to be realised from the development of Te Mihi.

⁶ Te Mihi will be a 166 MW plant but will produce approximately 159 MW due to approximately 7 MW of on site demand.



Maximising use of the geothermal resource

The existing geothermal generation capacity on the Wairakei geothermal field (being the 155 MW (net) Wairakei power station, the 15 MW (net) Wairakei binary plant, and the 50 MW (net) Poihipi Road power station) is currently insufficient to utilise the geothermal fluid available to Contact Energy under its existing resource consents. By constructing and operating the Te Mihi power station, Contact Energy will be in a position to fully utilise the available fluid. This is expected to result in an increase in use from around 190,000 tonnes to up to 245,000 tonnes per day.

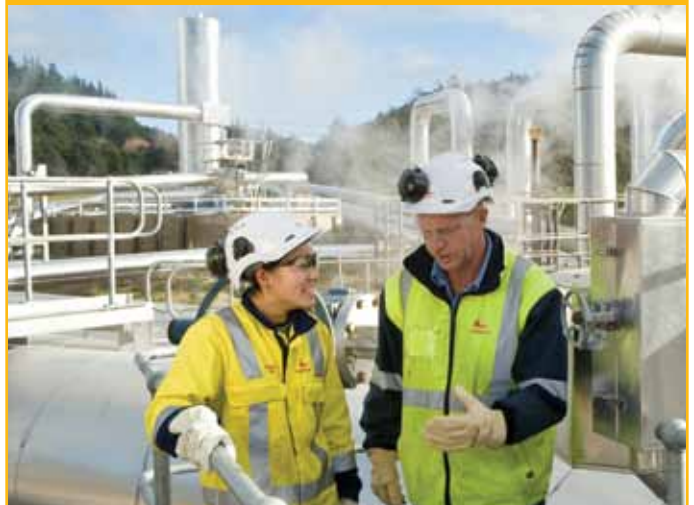
It is expected that the addition of the new Te Mihi power station will further assist in maximising the use of geothermal fluid under Contact Energy's resource consents, because:

- the new power station is expected to have higher efficiency and reliability, and lower operation and maintenance costs, than existing generation capacity on the Wairakei geothermal field
- the power station will be located close to the future geothermal extraction zone and is therefore expected to reduce efficiency losses arising from the transmission of geothermal fluid to the power station.

Improved environmental performance

The Te Mihi project is also expected to deliver improved environmental performance. For example, there will be a reduction in discharges by Contact Energy into the Waikato River.

How conventional geothermal electricity generation works



Conventional geothermal systems form when surface water, seeping into the ground through cracks, is heated by molten rock. The resulting hot water then rises like a plume towards the earth's surface. These systems usually occur in volcanic areas where molten rock is present and the earth's crust is relatively thin. The Wairakei geothermal field, on which the Te Mihi power station will be constructed, is a typical example. Electricity is generated from the resource by drilling down and extracting hot geothermal fluid, which is converted into steam (a process called "flashing"). This steam, in turn, drives a turbine that generates electricity. After driving the turbine, the steam is cooled back into a liquid form, piped away and injected into the earth. Not all of the hot geothermal fluid will flash to steam. A portion will remain as hot geothermal fluid and this is also piped away and injected back into the earth. The electricity generated at the station is then delivered to the national electricity transmission grid.

7. New Zealand taxation implications

Introduction

The following is a summary of the New Zealand taxation implications under New Zealand law for Eligible Shareholders who are tax resident in New Zealand from participating (including by doing nothing) in the Entitlement Offer.

This summary reflects the relevant New Zealand tax law as at the date of this Offer Document. It is intended as a general guide only and is not an authoritative or complete statement of all potential tax implications for each Eligible Shareholder. Taxation is a complex area of law and the taxation consequences for each Eligible Shareholder may differ depending upon their particular circumstances. Accordingly:

- Each Eligible Shareholder should consult their own tax adviser as to the taxation implications of the Entitlement Offer.
- Eligible Shareholders that are also taxpayers outside of New Zealand in relation to their Contact Energy shares should seek independent advice as to the taxation implications of the Entitlement Offer in those other jurisdictions.

General

Set out below is a summary of the New Zealand tax implications of the Entitlement Offer for Eligible Shareholders who hold their existing Shares on capital account.

New Zealand does not have a capital gains tax but does tax profits and gains from dispositions of property in certain circumstances, including where property is acquired with the purpose of sale or as part of a business of dealing in such property.

The summary below does not apply to Eligible Shareholders who do not hold their existing Shares on capital account for income tax purposes.

The summary is based on the New Zealand tax law in effect as at the date of this Offer Document.

Grant of Rights

The grant of the Rights to Eligible Shareholders to subscribe for New Shares has been traditionally treated as not constituting a dividend for New Zealand income tax purposes.

There is a risk that the grant of the Rights to subscribe for New Shares could be considered to be taxable income under the rewritten dividend rules and / or ordinary principles as a result of the decision of the High Court of Australia in *Commissioner of Taxation v McNeil*.

As a consequence of this judicial finding, the Australian government changed the law to clarify the traditionally accepted position that no income generally arises in these cases.

Although decisions of the Australian High Court are not binding, they can be influential on their New Zealand counterparts.

To date there have been no announcements by the New Zealand Government, the New Zealand Courts or the New Zealand Inland Revenue in relation to either the *McNeil* case's applicability in New Zealand or the ambit of the rewritten dividend rules encompassing these arrangements.

Sale of Rights

For those shareholders who have held their existing Shares prior to the Offer being announced, traditionally the sale of the Rights to subscribe for New Shares has been treated as not resulting in any New Zealand income tax liability.

Again, this traditional approach adopted in these cases has not been clarified by the New Zealand Government, the New Zealand Courts or the New Zealand Inland Revenue in relation to either the *McNeil* case's applicability in New Zealand or the ambit of the rewritten dividend rules encompassing these arrangements.

Lapsing of Rights

Payments shareholders receive under the Shortfall Bookbuild process have a nexus to the Rights that they previously held. The payments compensate those shareholders for allowing those Rights to lapse. The traditional approach is to similarly treat such payments as not being subject to New Zealand tax for those shareholders that hold their existing shares on capital account.

Taking up Rights

No New Zealand tax liability should arise for the Eligible Shareholders as a result of taking up any Rights under the Entitlement Offer.

Taxation in respect of your New Shares - New Zealand tax resident shareholders

Under New Zealand's dividend imputation system, corporate tax paid by a New Zealand tax resident company gives rise to imputation credits which can be attached to dividends paid by that company to its shareholders. Those imputation credits can then be used by shareholders to offset their own personal income tax liability on those dividends.

A Shareholder who is required to file a tax return for the income year the dividend is derived must include the dividend in the return as an item of assessable income. A tax credit may be claimed for imputation credits attached to, or resident withholding tax deducted from, the dividend.

Taxation in respect of your New Shares - Non-New Zealand tax resident shareholders

Dividends paid by Contact Energy to non-New Zealand tax resident Shareholders on the New Shares are subject to the deduction of New Zealand non-resident withholding tax. Withholding tax may be reduced under an applicable double tax agreement.

If imputation credits have been attached to the dividend, Contact Energy may decide to pay a supplementary dividend reflecting non-resident withholding tax deductions from the main dividend and the supplementary dividend.

Goods and Services Tax

For New Zealand GST purposes, any New Shares issued will be classified as the supply of a "financial service". No GST will apply to any Application Monies paid in consideration for the New Shares.



8. Australian taxation implications

Introduction

The following is a summary of the Australian taxation implications of the Entitlement Offer for Eligible Shareholders who:

- Are residents of Australia for income tax purposes;
- Already hold existing Shares at the time the Rights are issued;
- Are issued the Rights because of their ownership of the existing Shares; and
- Hold their existing Shares (and will hold their New Shares) on capital account.

As such, the summary below does not apply to Eligible Shareholders who hold their existing Shares (or will hold their New Shares) as revenue assets (such as assets used in carrying on a business of share trading, banking or insurance), or as trading stock or those who have acquired existing Shares for a profit making purpose.

The summary below also does not apply to Eligible Shareholders who:

- Acquired their existing Shares pursuant to an employee share scheme;
- Hold (or will hold) a 10 percent or greater shareholding interest in Contact Energy; or
- Hold their existing Shares (or will hold their New Shares) through a permanent establishment in New Zealand.

General

The summary below sets out the general Australian taxation implications for the Eligible Shareholders identified above participating in the Entitlement Offer and does not take into account any individual circumstances of any particular Eligible Shareholder. Eligible Shareholders should seek specific advice applicable to their own particular circumstances from their own financial or tax advisers.

As a result of the decision of the High Court of Australia in the *Commissioner of Taxation v McNeil (McNeil)*, the Australian taxation treatment of renounceable rights granted to shareholders to acquire shares at a discount, has been the subject of ongoing discussion and debate between taxpayers and the Australian Tax Office (ATO) in recent years. It is therefore recommended that Eligible Shareholders give due consideration to all the facts and circumstances when determining the appropriate taxation treatment of the Rights and any amounts received in respect of the Rights.

The summary below is based on the Australian tax law and practices of the ATO as at the date of this Offer Document.

Grant of Rights

The grant of the Rights to subscribe for New Shares should not of itself result in any amount being included in the assessable income of an Eligible Shareholder, nor cause any adjustment to the cost base of their existing Shares.

For capital gains tax (CGT) purposes, the acquisition date of the Rights should be the same as the acquisition date of the existing Shares.

Sale of Rights

With respect to a disposal of an Eligible Shareholders' Rights, a capital gain should arise for an Eligible Shareholder and should be equal to the capital proceeds from the sale less certain non-deductible incidental costs (if any) associated with the acquisition or disposal of the Rights.

Individuals, complying superannuation entities or trustees that have held their existing Shares for at least 12 months prior to the date of disposal, should be entitled to discount the amount of a capital gain resulting from the sale of the Rights (after the application of any current year or carry forward capital losses). The amount of the discount (**CGT Discount**) will be 50% for individuals and trustees and 33 ¹/₃% for complying superannuation entities.

Lapsing of Rights

Where an Eligible Shareholder receives proceeds in respect of the lapsing of the Rights under the Shortfall Bookbuild, a capital gain may arise for CGT purposes to the extent the capital proceeds received exceed certain non-deductible incidental costs (if any) associated with the Offer. Eligible Shareholders may be eligible to apply the CGT Discount (after the application of any current year or carried forward capital losses) where their existing Shares have been held for at least 12 months.

The Commissioner of Taxation has however expressed a contrary view to this in *Draft Taxation Ruling TR 2010/D8* that any proceeds received in respect of the lapsing of Rights in these circumstances should be included in assessable income as unfranked dividends or, in the alternative, ordinary income for taxation purposes (rather than a capital gain). In these circumstances, the CGT Discount would not apply.

It is not clear whether the position adopted by the Commissioner is correct at law. Any Eligible Shareholders who receive proceeds as a result of allowing their Rights to lapse should obtain taxation advice to confirm the taxation implications that arise based on their own particular circumstances.

Taking up Rights

Eligible Shareholders should not make any capital gain or loss, or derive any assessable income or incur a deductible loss, from exercising their Rights or subscribing for New Shares under the Entitlement Offer.

Eligible Shareholders who take up their Rights and subscribe for New Shares under the Entitlement Offer will acquire those New Shares with a cost base for CGT purposes equal to the Application Price payable plus certain non-deductible incidental costs (if any) they incur in acquiring those New Shares (including any such costs incurred in acquiring the Rights).

Taxation in respect of your New Shares

Eligible Shareholders who take up some or all of their Rights will acquire New Shares.

The Australian tax consequences for Eligible Shareholders in respect of the holding and disposing of New Shares (for example, the taxation of dividends, including the foreign tax offset rules for withholding tax, and the application of any foreign source income attribution rules) will generally be the same as for their existing Shares.

On any future disposal of the New Shares, Eligible Shareholders may make a capital gain or capital loss, depending on whether the capital proceeds of that disposal are more than the cost base or less than the reduced cost base of the New Shares. The cost base (and broadly the reduced cost base) of those New Shares is described under the heading "Taking up Rights" (above) and includes certain non-deductible incidental costs (if any) incurred on disposal.

New Shares will be treated for CGT purposes as having been acquired when the Eligible Shareholder takes up their Rights to subscribe for them under the Entitlement Offer. Accordingly, in order to benefit from the CGT Discount in respect of a disposal of those New Shares (if applicable), the New Shares must have been held for at least 12 months after the date of exercise before the disposal occurs.

Taxation of Financial Arrangements

The *Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009 (TOFA)* amended the operation of the Australian tax law in relation to gains or losses arising from certain "financial arrangements". The TOFA amendments apply to income tax years commencing on or after 1 July 2010 for certain taxpayers (unless a valid election has been made for the amendments to apply from an earlier date).

A Right should generally be a "financial arrangement". However, depending on the circumstances of the particular taxpayer, the TOFA amendments may not be applicable. We note that if TOFA were to apply to the Rights, the CGT concessions would not be available to the Eligible Shareholder. As the application of the TOFA amendments is dependent on the particular facts and circumstances of taxpayers, Eligible Shareholders should obtain taxation advice to confirm the taxation implications that arise based on their own particular circumstances.

Other Australian taxes

No Australian goods and services tax (GST) or stamp duty is payable in respect of the grant or exercise of the Rights or the acquisition of New Shares.

9. Investment risks

Investors should be aware that there are risks associated with an investment in the New Shares.

The summary of risks presented below is not exhaustive and this Offer Document does not take account of the personal circumstances, financial position or investment requirements of any one investor in particular. It is important therefore, that before making any investment decision, investors give consideration to the suitability of an investment in the New Shares in light of their investment needs, objectives and financial circumstances. You should read this Offer Document in its entirety and, if you are in any doubt as to the action to take, consult your NZX Primary Market Participant, sharebroker, accountant or other professional adviser before deciding whether to acquire New Shares.

The **principal risk** for investors in the New Shares is that they may be unable to recoup their original investment amount. This could happen for a number of reasons, including:

- the price at which a New Share can be sold being less than the price paid for the share;
- the market for Contact Energy Shares being illiquid or ceasing to exist; or
- Contact Energy's business circumstances changing significantly, such that Shareholders could receive none, or only some, of the amount they have invested.

The **principal risk factors** which may, either individually or in combination, affect the future operating performance and value of Contact Energy include the risks outlined below.

General risks

General factors that may affect the performance of Contact Energy or its Share price include (but are not limited to):

- Contact Energy's future earnings and cash flow;
- the performance of the NZSX and international securities markets generally; and
- general economic conditions and the demand for Contact Energy's products and services in the market in which Contact Energy operates.

Material business risks relating to Contact Energy

Contact Energy's financial performance is dependent on a number of specific and interrelated factors, any of which could have a material adverse effect on Contact Energy's future results. Contact Energy has a risk management system to mitigate identified key risks to the business but not all risks may be identified or can be fully mitigated. In addition, Contact Energy regularly considers the cost of further risk mitigation and compares this to the likely cost of the risk itself.

Macroeconomic conditions

From mid 2007 the world economy experienced a global financial crisis which resulted in recession in a number of major economies. This impacted on the New Zealand economy as well as others around the world. The recession may have direct and consequential adverse effects for Contact Energy. Possible consequences include:

- reduced availability and increased cost of funding, and the provision of increased levels of financial support to meet contractual commitments, resulting in operational or development constraints;
- increased risk of counterparties defaulting, including in relation to retail and wholesale customers, suppliers of goods and services and other contractors;
- reduced demand for electricity and gas; and
- increased regulatory change risk as governments worldwide take action to address the crisis.

From a more general economic perspective, Contact Energy currently operates in New Zealand. Changes in New Zealand's economic conditions (including the impact of earthquakes in Christchurch) may impact adversely on Contact Energy's performance. These include general changes in monetary and fiscal conditions affecting exchange and interest rates, inflation and costs, commodity and other input costs and prices, rates of economic growth, regulation, taxation and environmental laws, the industrial relations climate, the effects of natural disasters such as earthquakes and customer demands.

Electricity generation asset performance

Contact Energy owns a variety of generation assets. Contact Energy is exposed to a number of operational risks associated with the generation assets including equipment failures and breakdowns, failure of information technology systems, contractor default, unplanned interruptions and unforeseen accidents, including accidents in the workplace and the discovery of any unidentified asbestos. Generation performance is also subject to the risk of a major catastrophic event, such as a major earthquake, breach of site security, landslide, volcanic eruption, fire, flood, explosion or transmission cable or pipeline rupture. The long-term profitability of Contact Energy is dependent on the efficient operation and maintenance of these assets.

Geothermal generation is particularly dependent on continued production of steam from the geothermal reservoirs. Performance of the reservoirs may be impacted by factors such as catastrophic events which may alter the physical state of the reservoir and the effectiveness of drilling programmes targeted at maintaining and growing geothermal output.

Resource Management Act 1991

Contact Energy's ongoing operation of its generation assets relies on obtaining appropriate resource consents under the Resource Management Act 1991. A failure to maintain consents for Contact Energy's assets on appropriate terms, or to obtain consents at all, may adversely affect Contact Energy's financial performance. Contact Energy also depends upon the existence of an appropriate resource management planning environment in each area where it operates its generation assets. A change to district or regional or national planning policies or requirements that materially affected Contact Energy's ability to operate may adversely affect Contact Energy's financial performance.

Contact Energy's new investments also depend on obtaining consents on acceptable terms under the Resource Management Act 1991. Considerable efforts are expended in managing these processes which are intended to ensure the best long term outcome for Contact Energy and the local communities affected.

Wholesale electricity prices

New Zealand's spot wholesale market prices are to a large degree weather-dependent in the short term, with between 60% and 70% of the country's generation coming from hydro sources⁷ and ambient temperature being a key driver of demand. Spot wholesale prices for electricity tend to be driven up during cold or dry weather (the "cold" creating high demand and the "dry" causing lower available hydro supply) and, conversely, spot prices tend to be lower during warm or wet weather (the "warm" resulting in low demand and the "wet" causing higher available hydro supply). Wholesale market prices may also be adversely affected by several other factors such as significant reduction in demand, the availability of fuel and other generation capacity in the market, and competitor behaviour (including the introduction of new generation into the market). This could affect both the volume of energy Contact Energy can generate as well as the price it receives for generation.

Further volatility in earnings can be driven by the location of generation in relation to Contact Energy's customer load, largely driven by transmission constraints which can arise from outages of the transmission network. In such circumstances, Contact Energy may be exposed to high purchase costs in situations where Contact Energy does not have sufficient generation in the area where the transmission constraint occurs.

For example, the removal from service of pole 1 of the cable which connects the North and South Islands and enables energy to flow between the islands (HVDC), in November 2007 and its subsequent restricted operation has increased the probability of price separation between the North and South Islands. Contact Energy has exposure to this price separation when in certain situations, such as when the South Island prices are higher than in the North Island, this may have an adverse impact on Contact Energy where its customer load can at times be greater than its generation. Contact Energy seeks to manage this exposure through available mitigants. In addition Contact Energy sets appropriate risk margins in its prices and seeks to ensure that over the medium term its customer acquisition strategy results in an appropriate location balance of customer load and generation capacity.

The wholesale market may also be affected by the loss of other key infrastructure such as elements of the transmission system and key generating plant. Whether Contact Energy is adversely affected will depend on the specific circumstances and how those circumstances impact Contact Energy's portfolio.

⁷ 2010 Energy Data File published by the Ministry of Economic Development, available on website: http://www.med.govt.nz/templates/StandardSummary___15169.aspx

Demand

The volume of electricity, gas and LPG sold by Contact Energy is dependent on both wholesale and retail customer demand, which is influenced by a range of variables including energy usage in homes, businesses and industries; technological advancement; energy efficiency schemes; economic conditions; energy prices; and weather conditions.

Decreases in customer demand may reduce Contact Energy's revenues and profit.

Gas supply risks

The New Zealand gas supply outlook suggests that the market may be short of gas towards the middle to end of this decade. In the absence of significant new reserves there is expected to be upward pressure on gas and therefore electricity prices.

Contact Energy is exposed to supply risk in relation to its gas fired plants. Contact Energy is contracted for its expected requirements until approximately 2014. Contact Energy has some contractual protection against the risk that the gas reserves deplete earlier than expected; however there is some risk that fields do not perform in accordance with expectations and that available reserves are less than currently expected. In relation to the longer term risk of supply within the New Zealand market, Contact Energy has the option to develop infrastructure to support the importation of LNG as a backstop which is expected to operate in conjunction with its gas storage investment.

Contact Energy is also exposed to the risk of short term field and transmission outages. The development of gas storage is intended to assist in managing the risk of gas interruptions through providing Contact Energy with an alternative source of gas in the event of interruption.

Emissions Trading Scheme

Contact Energy is required to purchase emission units to satisfy its surrender obligations under the Government's Emissions Trading Scheme. The price of units can vary, although under the current transitional period due to end on 31 December 2012, there is an effective price cap of \$25 per unit, and one emissions unit needs to be surrendered in respect of each two tonnes of emissions. Contact Energy is seeking to mitigate this risk by passing the cost through to customers, although the ability and the extent to do so depends on the competitive environment within the market. A review of the scheme has been announced with a report due by the middle of 2011; as a result Contact Energy's obligations may be subject to change.

Development of new generation

Contact Energy has plans to invest in new generation which are a driver of future value. The execution of these plans is dependent on a number of factors including the financial and execution capabilities of contractors, and ensuring that Contact Energy has access to high quality personnel, obtains acceptable consents under the Resource Management Act 1991 in a timely manner, and secures sufficient funding at an acceptable cost.

Contact Energy is also exposed to the risk that the cost of new projects may be greater than expected at the time an investment decision is made. This may be caused by a number of factors such as unforeseen movements in foreign exchange, delays in completion of the project and changes in the design or scope of the construction. Contact Energy seeks to manage these risks through a range of tools such as hedging of currency risks of capital commitments at the time of the investment decision and entering into, where possible, arrangements which fix the price of the project and place appropriate incentives on contractors to minimise delay and manage other factors which could affect the cost to Contact Energy.

LPG risk

Contact Energy runs a significant LPG business, with operational activities spanning LPG bulk storage and bottling facilities, installation and maintenance of LPG reticulation networks and road transportation of LPG in bulk and in bottled form.

The nature of LPG as a highly flammable hydrocarbon product means that these activities are inherently high risk requiring active management through well defined operating procedures. Contact Energy's procedures are industry standard, being driven primarily from the current regulatory regime.

Information technology

Contact Energy's wholesale, generation and retail businesses rely on a number of key information technology applications. Any failure in these applications or the hardware that support the applications may have an adverse effect on Contact Energy's business. To mitigate this risk, Contact Energy is in the process of implementing a new enterprise-wide information management system which is planned for completion over the next few years. As different business units implement the new system, Contact Energy develops detailed plans for managing the risk and cost of this implementation within the business and ensuring continuity of the business through the transition.

Electricity transmission

There has been under-investment in the state owned national transmission grid for more than a decade. Coupled with growth in electricity demand, this has meant that the grid is rapidly reaching capacity. As a consequence there are increasing incidences of transmission constraints, leading to "price separation" in the wholesale electricity market. Investments by Transpower to alleviate transmission constraints are now underway, which are expected to reduce transmission constraints.

Competitor behaviour

Contact Energy operates in the competitive wholesale and retail electricity and gas and LPG markets and Contact Energy's financial performance can be adversely affected by competitive pressure in these markets, resulting in customer churn, loss of customers, reduced margins and reduced wholesale spot market prices. High levels of customer churn can impact the cost of acquiring and maintaining Contact Energy's customer base and can reduce operating margins.

Regulatory environment

Contact Energy has exposure to changes in the regulatory environment. These changes can affect the basis upon which Contact Energy provides energy and services to existing customers. In addition, the introduction of new legislation can impact the way the industry operates, produces energy or can result in the imposition of costs which may not be fully recoverable from the market such as carbon or other fuel levies. Contact Energy also has exposure to general regulatory changes, including in relation to tax or other business matters.

A comprehensive review of the electricity industry in 2009, and the subsequent passing of the Electricity Industry Act in 2010, represent the most material changes to this environment in recent years.

In terms of changes to industry governance, the Electricity Industry Act replaced the existing regulator (the **Electricity Commission**) with an independent crown entity (the **Electricity Authority**) whose mandate is focussed clearly on promoting competition, reliability and efficiency. The Electricity Industry Act also contains a number of specific matters for development by the Electricity Authority, which focus on providing increased options for managing energy and pricing of the risk of shortage of supply in the market or specific locations, and creating incentives to avoid the need for public savings campaigns. These changes are in addition to the Government mandated asset swaps (both physical and virtual) between state owned generators.

Some of the changes such as those which provide appropriate signals of the real cost of providing a reliable and secure energy supply are not expected to have a negative impact on Contact Energy. Others are aimed at promoting increased retail competition, and there may be a period of increased customer churn while the generators and retailers' portfolios and risk profiles are adjusted to account for the regulatory changes. A separate review of transmission pricing is also underway; key to which (for Contact Energy) is a review of the manner in which Transpower's costs of HVDC assets are recovered from market participants. These costs are currently charged to the South Island generators including Contact Energy.

Other risks associated with an investment in Contact Energy

The above list of risk factors should not be taken as exhaustive of the risks faced by Contact Energy. The above risks, and others not specifically referred to above, may in the future materially affect the financial performance of Contact Energy.

10. Additional information

This section includes, but is not limited to, information required by Schedule 10 to the Securities Regulations and by the NZSX Listing Rules.

Statutory Index

For the purposes of Regulation 16 of the Securities Regulations, the matters required to be stated or contained in a registered prospectus are set out in this Offer Document as follows:

Matter	Schedule 10	Page(s)
Information at front of simplified disclosure prospectus	Clause 1	Cover page
Names, addresses, and other information	Clause 2	Directory (page 43)
Experts and underwriter	Clause 3	32 and Directory (page 43)
Terms of offer and securities	Clause 4	32
Relationship with listed securities	Clause 5	8–10
Information available under issuer's disclosure obligation	Clause 6	33
Financial statements	Clause 7	33
Additional interim financial statements	Clause 8	33
Access to information and statements	Clause 9	39
Directors' statement	Clause 10	39

Experts and underwriters

No experts are named in this Offer Document.

The Offer (excluding the Origin Energy Entitlement) is underwritten up to NZ\$168.5 million (subject to rounding) by DB/CIP and GS. The Underwriting Agreement requires DB/CIP and GS to make application and payment for all New Shares (excluding the Origin Energy Entitlement) not issued under the Entitlement Offer or the Shortfall Bookbuild. If no New Shares are issued under the Entitlement Offer or the Shortfall Bookbuild, Craigs Investment Partners Limited, Deutsche Bank AG, Auckland Branch and Goldman Sachs & Partners New Zealand Limited will be required, on a joint and several basis, to make application and payment for 33.4 million New Shares (subject to rounding).

Terms of Offer and securities

All terms of the Offer, and all terms of the Rights and the New Shares being offered, other than:

- (a) any terms implied by law; or
- (b) any terms set out in a document that is:
 - (i) registered with a public official; and
 - (ii) available for public inspection; and
 - (iii) referred to in this Offer Document,

are set out in sections 2 and 4 of this Offer Document.

Information available under Contact Energy's continuous disclosure obligations

Contact Energy, as a listed issuer whose shares are quoted on NZSX, is subject to the continuous disclosure obligations of the NZSX Listing Rules (which are "continuous disclosure provisions" for the purposes of section 19D of the Securities Markets Act 1988). As such, Contact Energy is required to immediately notify NZX of any information concerning the Company of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price of the Company's shares, subject to certain exceptions.

In addition to this Offer Document, the following information that is material to the Offer has been disclosed (on the following dates) by Contact Energy to NZX since 22 February 2011 (together the **Disclosed Information**), being the date on which the latest financial statements of Contact Energy (being the interim financial statements for the period ended 31 December 2010) were notified to NZX:

20 April 2011	Contact Energy releases operational data for March 2011
31 March 2011	Contact Energy advises that its half yearly report is now available
24 March 2011	Contact Energy releases operational data for February 2011
17 March 2011	Contact Energy advises that it does not endorse the offer for Contact Energy Shares by Carlyle Securities
25 February 2011	Contact Energy announces that it has received the draft Hauāuru mā raki Board of Inquiry decision, which proposes to grant resource consents for the Company's proposed wind development in the Waikato region
23 February 2011	Contact Energy releases operational data for January 2011
22 February 2011	Contact Energy announces its results for the 6 month period to 31 December 2010, and announces that it has committed to the construction of the 166 megawatt Te Mihi geothermal project

Contact Energy is not aware of any material information that is not generally available to the market, that Contact Energy is not required to notify to NZX in accordance with the NZSX Listing Rules, which would likely assist a prudent but non-expert person to make an informative decision to subscribe for New Shares in accordance with the Offer.

Financial statements

The most recent financial statements for the Contact Energy Group for the financial year ended 30 June 2010 that comply with, and have been registered under, the Financial Reporting Act 1993 (together with the accompanying audit report) are contained in Contact Energy's 2010 Annual Report. Those financial statements, which were notified to the NZX on 20 August 2010, and were registered at the Companies Office on 4 November 2010, together with Contact Energy's Annual Reports for the preceding financial years, are available on Contact Energy's website at www.contactenergy.co.nz.

Interim financial statements

The interim financial statements for the Contact Energy Group for the six-month period ended 31 December 2010 were notified to the NZX on 22 February 2011 and are also available on Contact Energy's website at www.contactenergy.co.nz.

The following sections describe the material transactions, events and related party transactions that have occurred since 30 June 2010.



Material Transactions

Subsequent to 30 June 2010 (but recorded in the Contact Energy Group interim financial statements for the six months ended 31 December 2010), Contact Energy entered into the following material transactions:

Capital expenditure

Contact Energy continued to invest in its capital investment programme, particularly the development of future generation assets. The total spend for the six months to 31 December 2010 amounted to \$204.6 million (including capitalised interest) and includes development of the following projects:

- Ahuroa gas storage;
- Enterprise Transformation;
- The Stratford Peaker; and
- Te Mihi.

Distribution – 2010 final

On 27 September 2010, Contact Energy paid a final distribution in the form of a non-taxable bonus issue under Contact Energy's profit distribution plan equivalent to 14.0 cents per share.

The effect of the distribution was to increase short term borrowings by \$15.6 million and increase share capital by \$69.3 million, with a corresponding decrease in retained earnings.

Subsequent to 31 December 2010 Contact Energy entered into the following material transactions:

Distribution – 2011 interim

On 31 March 2011, Contact Energy paid an interim distribution in the form of a non-taxable bonus issue under Contact Energy's profit distribution plan equivalent to 11.0 cents per share.

The effect of the distribution was to increase short term borrowings by \$18.7 million and increase share capital by \$49.4 million, with a corresponding decrease in retained earnings.

Material Events

Subsequent to 30 June 2010, the following material events have occurred that may have a future impact on Contact Energy's income statement and balance sheet:

Resource consents

Contact Energy was granted resource consent for the following projects:

- Tauhara 2 – a 250 MW geothermal plant near Taupo;
- Waitahora – an up to 156 MW wind farm in the northern Wairarapa; and
- Hauāuru mā raki – a draft decision for an up to 504 MW wind farm on the west coast of the North Island in the Waikato region.

Te Mihi geothermal project

On 22 February 2011 Contact Energy announced that it had committed to the construction of the 166 MW Te Mihi project. The total cost of the project will be approximately \$623.0 million and will be funded through a combination of debt and equity.

On the same day Contact Energy also announced that it had signed an engineering procurement and construction contract with a consortium of McConnell Dowell Constructors Limited, SNC-Lavalin Constructors Inc and PB New Zealand. The turbines will be supplied to the consortium by Toshiba International Corporation.

Ahuroa Commissioning

In February 2011 Contact Energy commissioned its Ahuroa gas storage facility in Taranaki.

Other than the material transactions and material events noted above, there are no material changes in the matters contained in the interim financial statements for the Contact Energy Group for the six months ended 31 December 2010 from the matters contained in the financial statements for the Contact Energy Group for the financial year ended 30 June 2010.

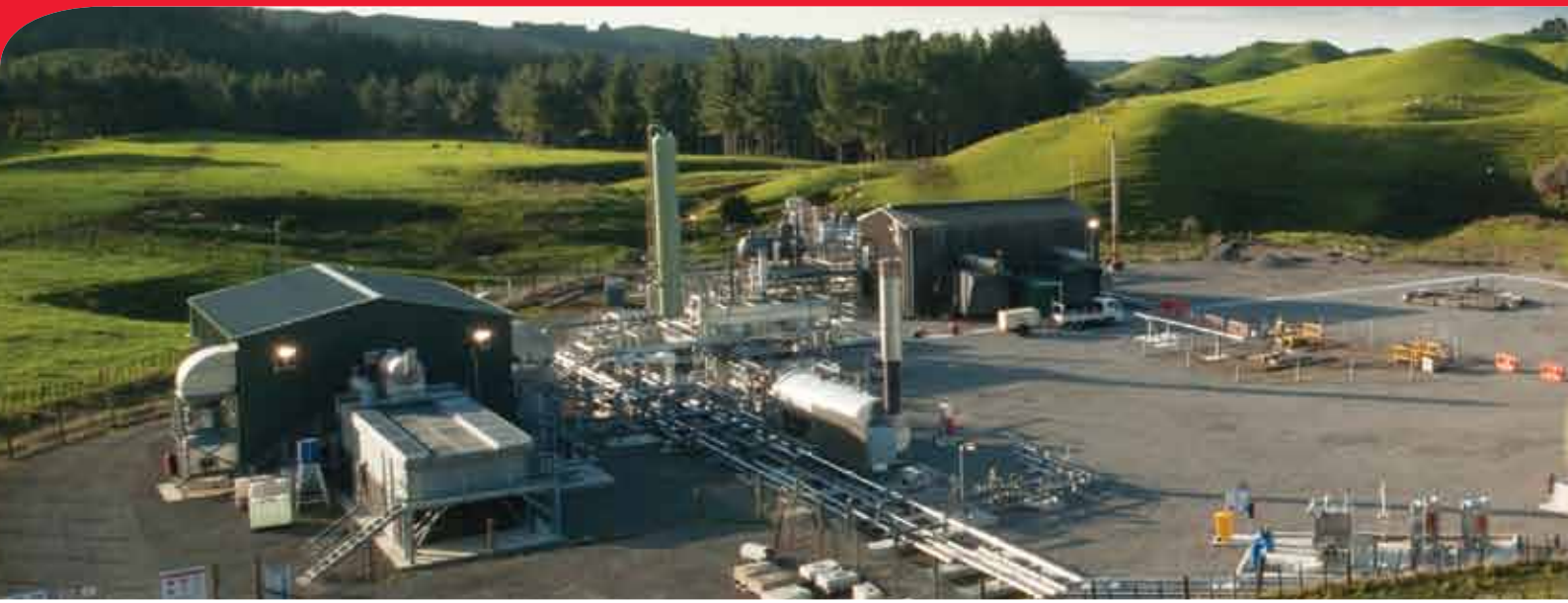
Material Related Party Transactions

Subsequent to 30 June 2010 (but recorded in the interim financial statements for the six months ended 31 December 2010) Contact Energy entered into, or performed, the following related party transactions:

Material transactions with ultimate parent entity

Mr David Baldwin, former Managing Director of Contact Energy, was seconded to Contact Energy from his employer Origin Energy. Fees incurred or accrued during the six months ended 31 December 2010 in relation to Mr Baldwin's role as Managing Director totalled \$0.7 million (year ended 30 June 2010: \$1.2 million), which includes the cost of his salary and other employment benefits. At 31 December 2010 \$0.1 million (30 June 2010: \$0.5 million) of this amount remained outstanding. In addition, share-based payments under Contact Energy's Employee Long-Term Incentive Scheme amounting to \$0.3 million (year ended 30 June 2010: \$0.5 million) were accrued for Mr Baldwin, being the fair value of the share-based payments relating to this reporting period.

During the six months ended 31 December 2010, two members of staff were seconded from Contact Energy to Origin Energy and five members of staff were seconded from Origin Energy to Contact Energy. These services were charged on a cost recovery basis.



Transactions with Origin subsidiaries

Contact Energy and Origin Energy Resources NZ (TAWN) Limited have entered into an agreement in respect of the development and operation of the Ahuroa gas storage facility. Transactions for the six months ended 31 December 2010 amounted to \$3.8 million (year ended 30 June 2010: \$7.8 million). At 31 December 2010, \$7.2 million (30 June 2010: \$3.4 million) remained outstanding.

Contact Energy, Origin Energy Resources NZ (TAWN) Limited and Origin Energy Five Star Holdings Limited have entered into an agreement in respect of drilling and other costs associated with the development of assets for the Ahuroa gas storage facility. During the six months ended 31 December 2010, the transactions under this agreement totalled \$2.3 million (year ended 30 June 2010: \$24.6 million). At 31 December 2010, \$0.1 million remained outstanding (30 June 2010: \$0.6 million).

Contact Energy and Origin Energy Resources NZ Limited have entered into an electricity supply contract to supply Origin's facilities in Taranaki. Transactions for the six months ended 31 December 2010 amounted to \$0.3 million (year ended 30 June 2010: \$0.9 million). At 31 December 2010, \$0.2 million remained outstanding (30 June 2010: \$0.5 million).

Contact Energy has entered into an agreement with Origin Energy Services Limited to provide infrastructure and data centre services for Contact Energy's new SAP system. Transactions for the six months ended 31 December 2010 amounted to \$1.3 million (year ended 30 June 2010: \$1.1 million). At 31 December 2010, \$0.2 million remained outstanding (30 June 2010: \$nil).

Rockgas Limited and Origin Energy LPG Limited have entered into an LPG Sale and Purchase Agreement for the purchase and shipping of imported LPG. During the six months ended 31 December 2010, transactions totalled \$2.0 million (year ended 30 June 2010: \$24.8 million). At 31 December 2010, no amounts remained outstanding (30 June 2010: \$2.0 million).

Rockgas Limited has entered into an LPG Gas Sale Agreement with Origin Energy Resources NZ (Rimu) Limited and Origin Energy Resources NZ (TAWN) Limited for the supply of LPG from the Rimu Production Station. Transactions for the six months ended 31 December 2010 totalled \$0.3 million (year ended 30 June 2010: \$1.7 million). At 31 December 2010, no amounts remained outstanding (30 June 2010: \$0.1 million).

Rockgas Limited has entered into an LPG Sales and Logistics Agreement with Origin Energy Resources (Kupe) Limited and Kupe Mining (No. 1) Limited for the supply of LPG from the Kupe Production Station. Transactions for the six months ended 31 December 2010 totalled \$21.0 million (year ended 30 June 2010: \$19.1 million). At 31 December 2010, \$3.9 million remained outstanding (30 June 2010: \$4.4 million).

Rockgas Limited and Origin Energy Contracting Limited had an agreement in place during the period whereby Origin Energy Contracting Limited provided coastal LPG shipping services to Rockgas Limited. Transactions for the six months ended 31 December 2010 totalled \$0.2 million (year ended 30 June 2010: \$3.3 million). At 31 December 2010, no amounts remained outstanding (30 June 2010: \$nil).



Transactions with subsidiaries and associates

As part of normal operations Contact Energy advances to / receives from subsidiaries and associates loans which are interest free and repayable on demand.

Contact Energy had transactions with Empower Limited, a 100 percent owned subsidiary of Contact Energy, in respect of electricity charges, network charges and management fees, which are calculated at arm's length. These charges totalled \$5.7 million for the six months ended 31 December 2010 (year ended 30 June 2010: \$13.8 million). All balances are settled through the intercompany account.

Contact Energy had transactions with Empower Limited in respect of gas purchases, which are calculated at arm's length. Purchases from Empower Limited totalled \$56.8 million for the six months ended 31 December 2010 (year ended 30 June 2010: \$104.2 million). All balances are settled through the intercompany account.

Contact Energy charges Rockgas Limited a management fee for various management services. Total fees charged for the six months ended 31 December 2010 amounted to \$3.0 million (year ended 30 June 2010: \$10.9 million). All balances are settled through the intercompany account.

Contact Energy pays various operating expenses on behalf of its wholly owned subsidiaries, which are passed on directly to those subsidiaries.

For the six months ended 31 December 2010, Rockgas Limited had transactions with Rockgas Timaru Limited (**Rockgas Timaru**), an associate, in respect of the supply of LPG to Rockgas Timaru amounting to \$0.6 million (year ended 30 June 2010: \$1.1 million). In respect of the provision of deliveries by Rockgas Timaru no material transactions occurred for the six months ended 31 December 2010 (year ended 30 June 2010: \$0.1 million). Both transactions are calculated at arm's length. At 31 December 2010, no amounts remained outstanding (30 June 2010: \$0.2 million receivable).

Transactions with Directors and key management personnel

Fees paid or accrued to Directors and Officers for director services for the six months ended 31 December 2010 totalled \$0.5 million (year ended 30 June 2010: \$1.0 million). At 31 December 2010, no amounts remained outstanding (30 June 2010: \$0.1 million).

New Zealand based Directors and key management personnel purchase gas and electricity from the Group for domestic purposes.



Key management personnel

The table below includes the remuneration of Directors, the Managing Director and his Leadership Team:

	Six months ended 31 December 2010 \$000	Year ended 30 June 2010 \$000
Directors' fees	462	993
Managing Director and Leadership Team		
Salary and other short-term benefits	3,247	4,537
Share-based payments	668	1,065
Total Managing Director and Leadership Team	3,915	5,602
Total key management personnel	4,377	6,595

During the six months ended 31 December 2010, an additional member joined the leadership team. In addition, the six months ended 31 December 2010 included the full impact of several new members of the leadership team employed during the year to 30 June 2010.

Subsequent to 31 December 2010 Contact Energy entered into, or performed, the following additional related party transactions:

Material transactions with ultimate parent entity

On 11 January 2011 it was announced that Mr Baldwin would transition out of his secondment as Managing Director of Contact Energy effective from 1 April 2011. Mr Dennis Barnes, formerly General Manager Energy Risk Management at Origin Energy, succeeded Mr Baldwin as Contact Energy's Chief Executive Officer on 1 April 2011, on secondment from Origin Energy.

Other than the material transaction with the ultimate parent entity noted above, any other material new transaction is related to an existing arrangement and all material related party transactions entered into, or performed, for the six months ended 31 December 2010 have continued on an equivalent basis through until the date of this Offer Document.

Distribution policy

Contact Energy's distribution policy is to maintain or grow distributions on a year-to-year basis while targeting an average distribution equivalent to approximately 80 percent of underlying earnings after tax.

Access to information

Copies of the Disclosed Information, Contact Energy's 2010 Annual Report and 2010/2011 Half Year Report may be obtained, free of charge, from Contact Energy's website at www.contactenergy.co.nz or Contact Energy's page on NZX's website at www.nzx.com/markets/NZSX/CEN.

Copies of the Disclosed Information, Contact Energy's 2010 Annual Report and 2010/2011 Half Year Report are also filed on a public register at the Companies Office of the Ministry of Economic Development and are available for public inspection (including at www.companies.govt.nz). Where relevant statutory filing documents are not available on the Companies Office website, copies may also be obtained (on payment of a fee) by telephoning the Companies Office on 0508 266 726.

Alternatively, the Disclosed Information, Contact Energy's 2010 Annual Report and 2010/2011 Half Year Report may be inspected, without charge, during normal business hours by making a request at Contact Energy's registered office at Level 1, Harbour City Tower, 29 Brandon Street, PO Box 10742, Wellington.

In addition to the Disclosed Information, further information about Contact Energy is contained or referred to in Contact Energy's financial statements and the documents lodged with NZX prior to 28 April 2011, pursuant to Contact Energy's obligations under the "continuous disclosure provisions" in section 19D of the Securities Markets Act 1988. These documents are available free of charge, from Contact Energy's website at www.contactenergy.co.nz or Contact Energy's page on NZX's website at www.nzx.com/markets/NZSX/CEN.

Notification of the availability of Contact Energy's Half Year Reports (including unaudited financial statements for the first six months of each financial year) and its Annual Reports (including annual audited financial statements) and where they can be accessed electronically will be sent by Contact Energy to Shareholders who are registered on the relevant date within three months after the end of each financial half-year and year. Shareholders have the right to request printed copies of these documents. Alternatively, the Half Year Reports and Annual Reports are available on Contact Energy's website at www.contactenergy.co.nz or Contact Energy's page on NZX's website at www.nzx.com/markets/NZSX/CEN.

Contact Energy is from time to time also required to make certain announcements to NZX as required by the NZSX Listing Rules. These announcements can also be viewed on Contact Energy's website at www.contactenergy.co.nz and Contact Energy's page on NZX's website at www.nzx.com/markets/NZSX/CEN.

Directors' statement

In the opinion of the Directors of Contact Energy, after due enquiry by them, the Company is in compliance with the requirements of the continuous disclosure provisions that apply to it.

Takeovers Code

The Takeovers Code, among other things, prohibits any person (together with their "associates" (as defined in the Takeovers Code)) from becoming the holder or controller of more than 20% of the voting rights in Contact Energy (as a "code company") other than in compliance with the requirements of the Takeovers Code.

As at 9 June 2010, being 12 months before the date of allotment under the Entitlement Offer, Origin Energy, through its subsidiaries Origin Energy Pacific Holdings Limited, Origin Energy Universal Holdings Limited and Origin Energy New Zealand Limited, held 51.80% of the Shares in Contact Energy. If, following closing of this Offer and allotment of all New Shares, Origin Energy holds more than 56.80% of the Shares in Contact Energy, Origin Energy will be required to decrease its shareholding in Contact Energy within six months of the date of allotment of the New Shares so that Origin Energy holds in total no more than 56.80% of the Shares in Contact Energy in accordance with section 8 of the Takeovers Code (Class Exemptions) Notice (No 2) 2001.

Signatures

This Offer Document has been signed by each of the directors of Contact Energy or by their authorised agents on 28 April 2011.

11. Glossary

The following definitions apply throughout this Offer Document unless the context requires otherwise:

“NZ\$” or “dollars”	New Zealand dollars, unless expressly stated otherwise.
Application Monies	money received by the Company from Eligible Shareholders who have applied for New Shares under the Entitlement Offer.
Application Price	NZ\$5.05 per New Share.
Arranger and Organising Participant	Craigs Investment Partners Limited.
Board or Directors	the board of directors of Contact Energy Limited.
Clearing Amount	proceeds from the issue of New Shares under the Shortfall Bookbuild on a per Share basis.
Closing Date	the date by which Entitlement and Acceptance Forms together with Application Monies for New Shares under the Entitlement Offer must be received by the Registrar, being 5.00pm on 1 June 2011.
Contact Energy or the Company	Contact Energy Limited
Contact Energy Group or Group	Contact Energy Limited and its subsidiaries.
Disclosed Information	the information that is material to the Offer and has been disclosed by Contact Energy Limited to NZX since 22 February 2011 pursuant to its continuous disclosure obligations and is further described in section 10 of this Offer Document.
Eligible Investors	<p>persons who:</p> <ul style="list-style-type: none"> • if resident in New Zealand, are institutions whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; • are NZX Primary Market Participant sponsored retail investors. This means that Shareholders and other retail investors may participate in the Shortfall Bookbuild via a NZX Primary Market Participant submitting a bid on their behalf; and • if resident outside New Zealand, are persons to whom an offer of New Shares can be made under all applicable laws, without the need for any registration, lodgement or similar formality. Origin Energy will be eligible to participate in the Shortfall Bookbuild, and may apply to acquire additional New Shares in the Shortfall Bookbuild.
Eligible Shareholders	persons who are registered as Shareholders at the Record Date (5.00pm on 9 May 2011) and who have a registered address in New Zealand or Australia.
Entitlement and Acceptance Form	the entitlement and acceptance form to be completed by Eligible Shareholders when applying for New Shares which accompanies this Offer Document.
Entitlement Offer	the 1 for 9 pro-rata, entitlement offer to Eligible Shareholders as described in this Offer Document.
Ineligible Shareholders	persons who are registered as Shareholders at the Record Date and who are not Eligible Shareholders.
Joint Bookrunners	Craigs Investment Partners Limited and Deutsche Bank AG, Auckland Branch (together as one bookrunner) and Goldman Sachs & Partners New Zealand Limited (as the other bookrunner).
Joint Lead Managers	Craigs Investment Partners Limited, Deutsche Bank AG, Auckland Branch and Goldman Sachs & Partners New Zealand Limited.

Joint Underwriters	Each of Craigs Investment Partners Limited and Deutsche Bank AG, Auckland Branch (together as one underwriter) and Goldman Sachs & Partners New Zealand Limited (as the other underwriter) in their capacity as joint underwriters for the Offer.
New Shares	the fully paid new shares in Contact Energy Limited to be issued pursuant to the Offer described in this Offer Document.
NZSX	the main board equity security market operated by NZX.
NZSX Listing Rules	the listing rules of the NZSX.
NZX	NZX Limited.
Offer	the Entitlement Offer and the offer made in accordance with the Shortfall Bookbuild.
Offer Document	this simplified disclosure prospectus for the Offer, dated 28 April 2011.
Origin Energy	Origin Energy Limited and, where the context requires, its subsidiaries.
Origin Energy Entitlement	that portion of the Entitlement Offer offered to Origin Energy Pacific Holdings Limited, Origin Energy Universal Holdings Limited and Origin Energy New Zealand Limited.
NZX Primary Market Participant	an entity designated as such under the NZX Participant Rules.
Premium	the amount by which the Clearing Amount exceeds the Application Price.
Record Date	the date fixed for determining the Rights of existing Shareholders in relation to the Entitlement Offer, being 5.00pm on 9 May 2011.
Renunciations	a notice by an Eligible Shareholder to transfer Rights to another person (whether or not an existing holder of Shares).
Registrar	Computershare Investor Services Limited.
Rights	the entitlement of each Eligible Shareholder to subscribe for 1 New Share for every 9 Shares held on the Record Date.
Securities Act	the Securities Act 1978.
Securities Regulations	the Securities Regulations 2009 made pursuant to the Securities Act.
Shareholder	a holder of Shares in Contact Energy Limited.
Shares	the fully paid ordinary shares in Contact Energy Limited of the class quoted on NZSX on issue immediately prior to the Offer or the shares which result if such ordinary shares in Contact Energy Limited are subdivided, consolidated or reclassified at any time after the date of this Offer Document.
Shortfall Bookbuild	the bookbuild process further described in section 5 of this Offer Document.
Underwriting Agreement	the underwriting agreement entered into on or about the date of this Offer Document between the Company, Craigs Investment Partners Limited, Deutsche Bank AG, Auckland Branch and Goldman Sachs & Partners New Zealand Limited.
Underwritten Amount	means the number of New Shares less the Origin Energy Entitlement, multiplied by the Application Price.
Unexercised Rights	Rights not taken up by the Closing Date, including those of Ineligible Shareholders.

12. Directory

Registered Office of Contact Energy

Level 1, Harbour City Tower
29 Brandon Street
PO Box 10742
Wellington
(04) 499 4001
www.contactenergy.co.nz

Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Auckland
Private Bag 92119
Auckland
(09) 488 8777

Auditors

KPMG
10 Customhouse Quay
PO Box 996
Wellington
(04) 816 4500

Arranger and Organising Participant

Craigs Investment Partners
Level 32, Vero Centre
48 Shortland Street
PO Box 1196
Auckland
(09) 919 7400

Directors of Contact Energy

David Andrew Baldwin
Bruce Gerard Beeren
Whaimutu Kent Dewes
Grant Alfred King
Karen Anne Moses
Phillip John Pryke
Susan Jane Sheldon

Solicitors for Contact Energy

Bell Gully
171 Featherston Street
PO Box 1291
Wellington
(04) 473 7777

Joint Lead Managers, Joint Underwriters and Joint Bookrunners

Craigs Investment Partners
Level 32, Vero Centre
48 Shortland Street
PO Box 1196
Auckland
(09) 919 7400

Deutsche Bank AG, Auckland Branch
Level 36, Vero Centre
48 Shortland Street
PO Box 6900
Wellesley Street
Auckland
(09) 351 1000

Goldman Sachs & Partners New Zealand
Level 38, Vero Centre
48 Shortland Street
PO Box 887
Auckland 1010
(09) 357 3200

13. Notes



Joint Lead Managers, Joint Underwriters and Joint Bookrunners



Contact Energy \$350m pro rata rights issue



April 2011



IMPORTANT NOTICE

The Offer referred to in this presentation is being made pursuant to a simplified disclosure prospectus dated 28 April 2011. A copy of the offer document may be obtained free of charge from 12 May 2011 by calling the Contact Energy shareholder information line on 0800 742 732.

Contact Energy Limited (Contact Energy) is undertaking a pro rata renounceable entitlement offer to eligible shareholders in New Zealand and Australia. Any new shares attributable to rights not taken up will be offered via a bookbuild to institutional and other eligible investors. No action has been or will be taken by Contact Energy which would permit an offer of new shares to eligible shareholders outside Australia or New Zealand or the offer of new shares under the bookbuild to eligible investors outside New Zealand, or to permit possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand and Australia).

This presentation is intended for use only in connection with the Offer and does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

Contact Energy is not licensed to provide financial product advice in relation to the new shares. The information provided in this presentation is not financial product advice and is not intended to be relied upon as advice to investors or potential investors. This presentation has been prepared without taking into account the financial situation, investment objectives or particular needs of any particular person.

There are statements in this presentation that are “forward looking statements”. As these forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Contact Energy. As a result, actual results and conditions may differ materially from those expressed or implied in this presentation.

Given these uncertainties, you should not place undue reliance on any forward-looking statements in this presentation. Under no circumstances should you regard the inclusion of such forward-looking statements in this presentation as a representation or warranty by any member of the Contact Energy group or any of their respective directors, officers or employees or any other person as to the achievement of the results expressed or implied by such statements or that the assumptions underlying such forward-looking statements will in fact be correct.

The members of the Contact Energy group, and their respective directors, officers and employees disclaim any responsibility to update any such risk factors or publicly announce the result of any revisions to the forward-looking statements contained in this presentation to reflect future developments or events, other than where required to do so by the Securities Act 1978, the Securities Regulations 2009, the Financial Reporting Act 1993 or the NZSX Listing Rules.

No person named in this presentation, nor any member of the Contact Energy group or the Joint Lead Managers, the Joint Underwriters, Origin Energy Limited, nor their respective directors, officers or employees nor any other person warrants or guarantees the new shares to be issued pursuant to the Offer or the future performance of the new shares or any return on any investment made pursuant to the Offer.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this presentation or the Offer Document. Any information or representation in connection with the Offer not contained in this presentation or the Offer Document may not be relied upon as having been authorised by Contact Energy, the Joint Lead Managers, the Joint Underwriters and Joint Bookrunners, the Arranger and Organising Participant or any of their respective directors, officers, employees, or associates.

Acceptance of this presentation constitutes acceptance of the terms set out above in this Important Notice.



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 NZSX¹</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)²</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^a
- Generates electricity from geothermal, hydro and gas
- Significant producer of geothermal energy^b
- Wholesaler and retailer of electricity and gas with about 585,000 customers across NZ^c

Wholesale Electricity Market

Generation



Geothermal



Gas



Hydro



Customers



Residential



Commercial



Industrial



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

a - as at 27 April 2011
 b - 290 MW in operation , 416 MW in development
 c - as at 31 December 2010



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



contact.

Strategy – (ii) – Lower average cost of generation



Rendition of the Te Mihi power station

- 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



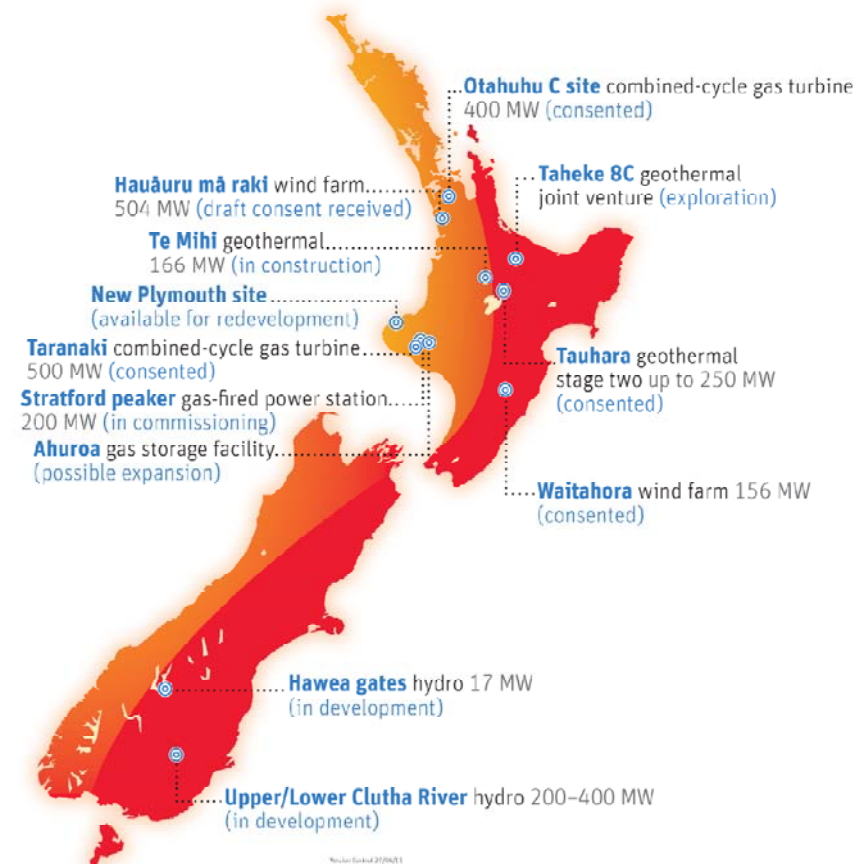
Te Huka power station

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



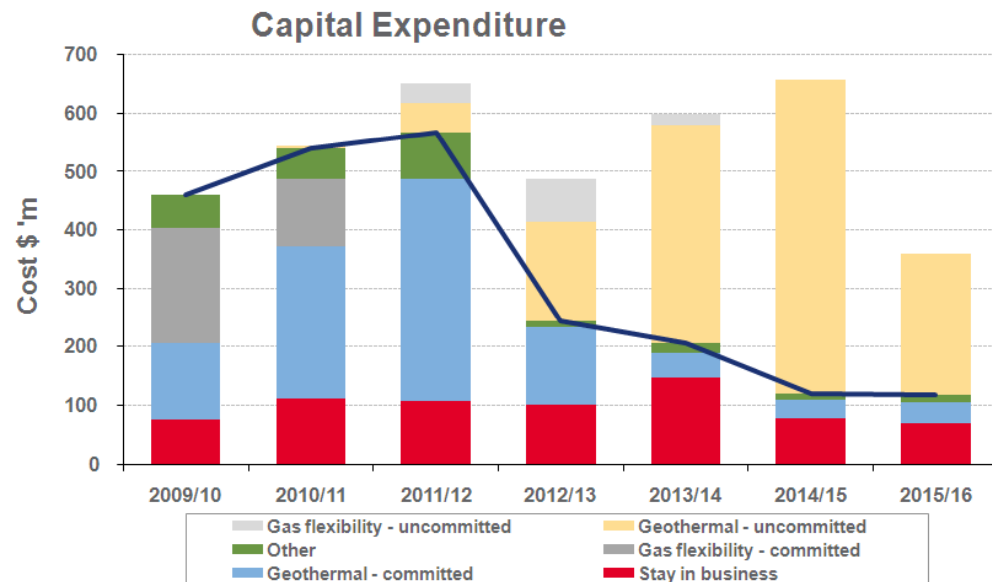
Strategy – (iii) – Generation market share growth

- 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 ¹
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	Eligible Shareholders are those who are both: <ul style="list-style-type: none"> • registered as Shareholders at the Record Date (5.00pm on 9 May 2011) • have a registered address in New Zealand or Australia.
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

1) 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">▪ Take up all or part of their Rights by 5pm (NZ time) on 1 June 2011▪ Sell all or part of their Rights▪ Do nothing
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



