

# Contact Energy Limited Green Capital Bond Offer



Investor presentation  
23 September 2024

Joint Lead Managers:



# Disclaimer and important information

## Important Notice

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The Offer is an offer of debt securities that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as the Issuer's: NZ\$225,000,000 unsecured, subordinated, redeemable, cumulative, interest bearing, green capital bonds (which have a fixed interest rate of 4.33% per annum) maturing on 19 November 2051, which are currently quoted on the NZX Debt Market under the ticker code CEN060 (**CEN060 Bonds**).

The Capital Bonds are of the same class as the CEN060 Bonds (the **Existing Bonds**) for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014. The Issuer is also subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (**NZX**) for the purposes of that information being made available to participants in the market and that information can be found at [www.nzx.com/companies/CEN](http://www.nzx.com/companies/CEN)

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Capitalised terms used in this presentation but not defined have the meaning given to them in the Terms Sheet.

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# Agenda



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# Offer highlights



**\$200m**

With additional oversubscriptions



**30 year**

Legal tenor, maturing  
3 October 2054



**Subordinated  
debt**

Sits below senior debt and above  
equity



**Fixed**

Interest rate for 5 years  
paid quarterly



**Green**

Certified with the CBI under Contact's  
Sustainable Finance Framework to  
finance renewable generation



**BB+**

Expected issue credit  
rating with S&P

# Contact Strategy and Update



**Electricity Market Overview**

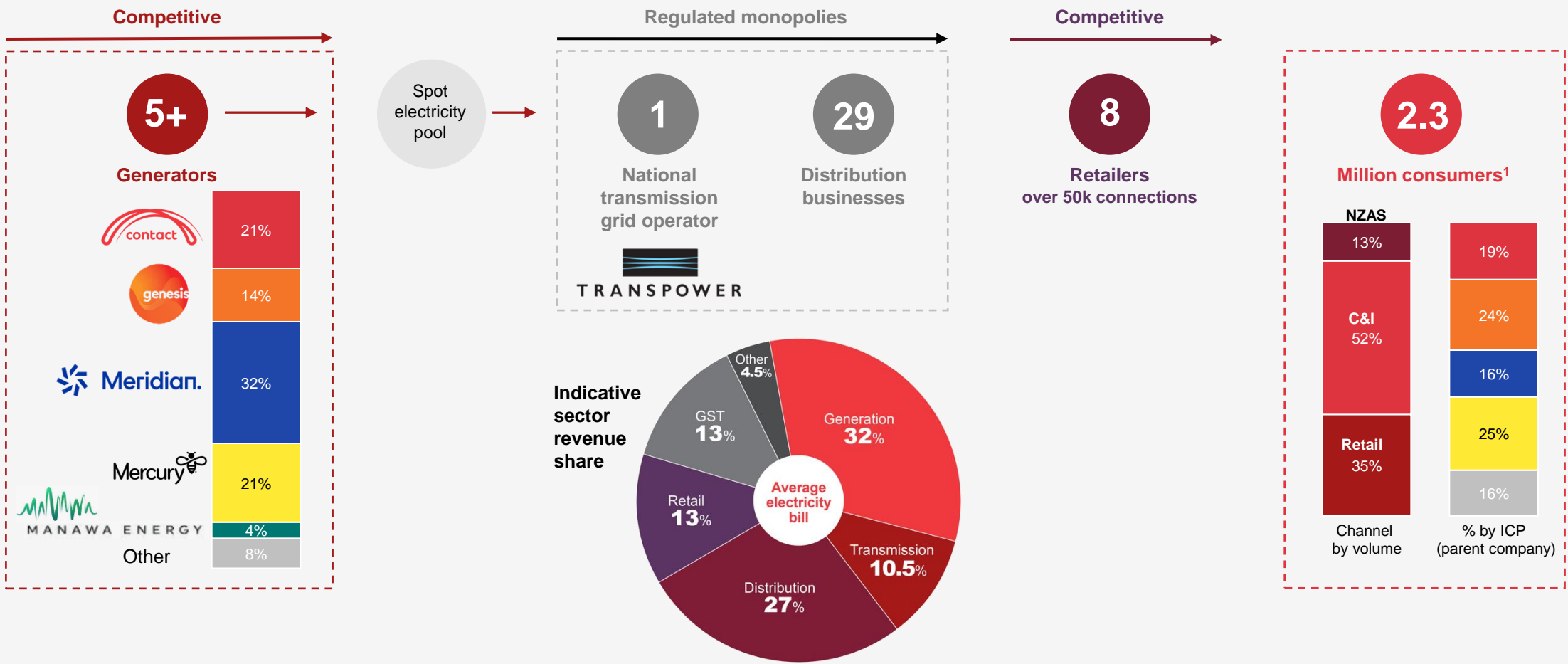


**Strategy and Performance Update**



**Manawa Acquisition**

# New Zealand's reliable, competitive and environmentally sustainable electricity system



Source: EMI, July 2023-Jun 2024  
Major generators' respective operating reports, July 2023-Jun 2024. Mercury's FY24 generation is as reported on page 5 of its FY24 Integrated Report and appears to exclude a portion geothermal output associated with joint ventures (captured under other market participants).

Source: EA website

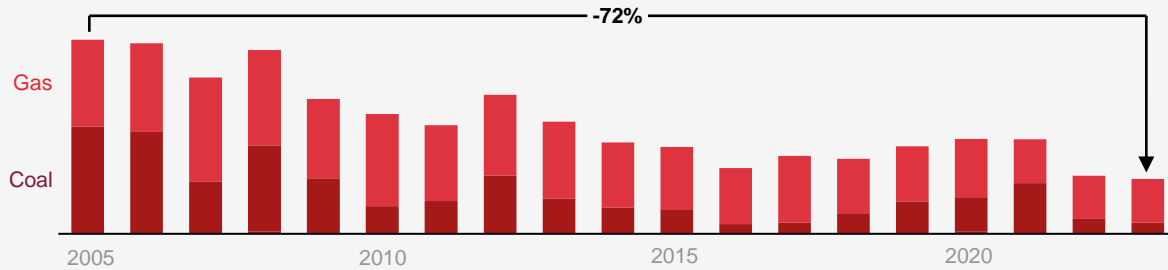
Source: MBIE quarterly electricity generation and consumption, Sep 22 – Mar 24. EMI, Aug 2024.<sup>1</sup> Total ICP including residential, Small Medium Enterprises, C&I

# NZ electricity supply is highly renewable

Contact has led the way in decarbonising the NZ electricity system through geothermal development

## Electricity generation carbon emissions (units of CO<sub>2</sub>e)<sup>1</sup>

Calendar year



Source: MBIE quarterly electricity and liquid fuel emissions data tables

## Electricity generation mix comparison 2005 and 2023

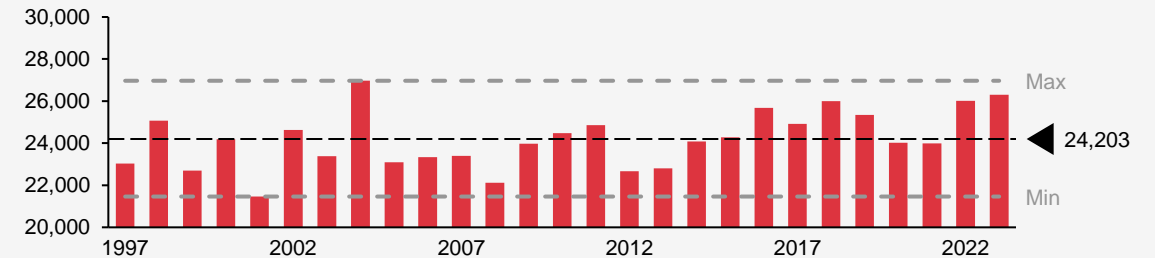
Calendar year



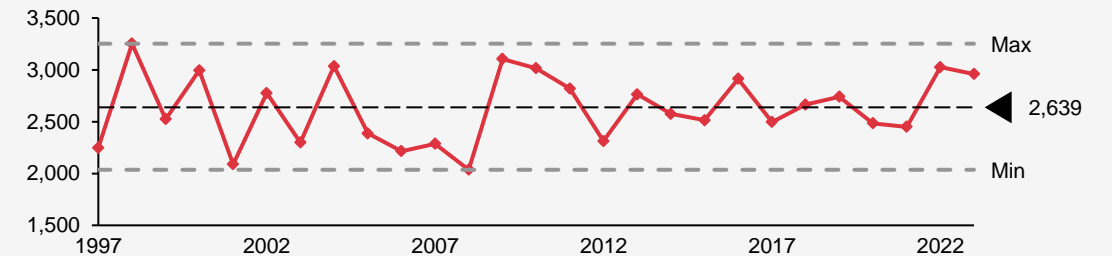
<sup>1</sup> Source: MBIE quarterly electricity generation and consumption data

## New Zealand has limited hydro storage and high variability

### Annual hydro generation volumes (GWh)<sup>2</sup>



### Controlled hydro lake storage volumes (GWh)<sup>3</sup>



**3-5TWh**

of flexible alternatives (including thermal) are required to manage dry year risk<sup>4</sup>

<sup>2</sup> Source: NZX hydro, annual average controlled lake storage volumes (post-market formation) 1997 – 2023

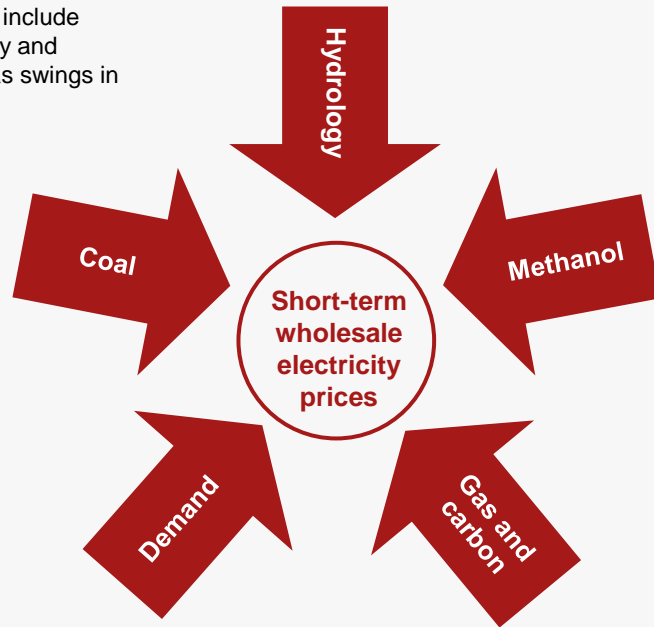
<sup>3</sup> MBIE Electricity Generation statistics (post-market formation) 1997 – 2023

<sup>4</sup> Source: NZ Battery Indicative Business Case, MBIE, 2023

# The market responds to changes in supply and demand by sending price signals

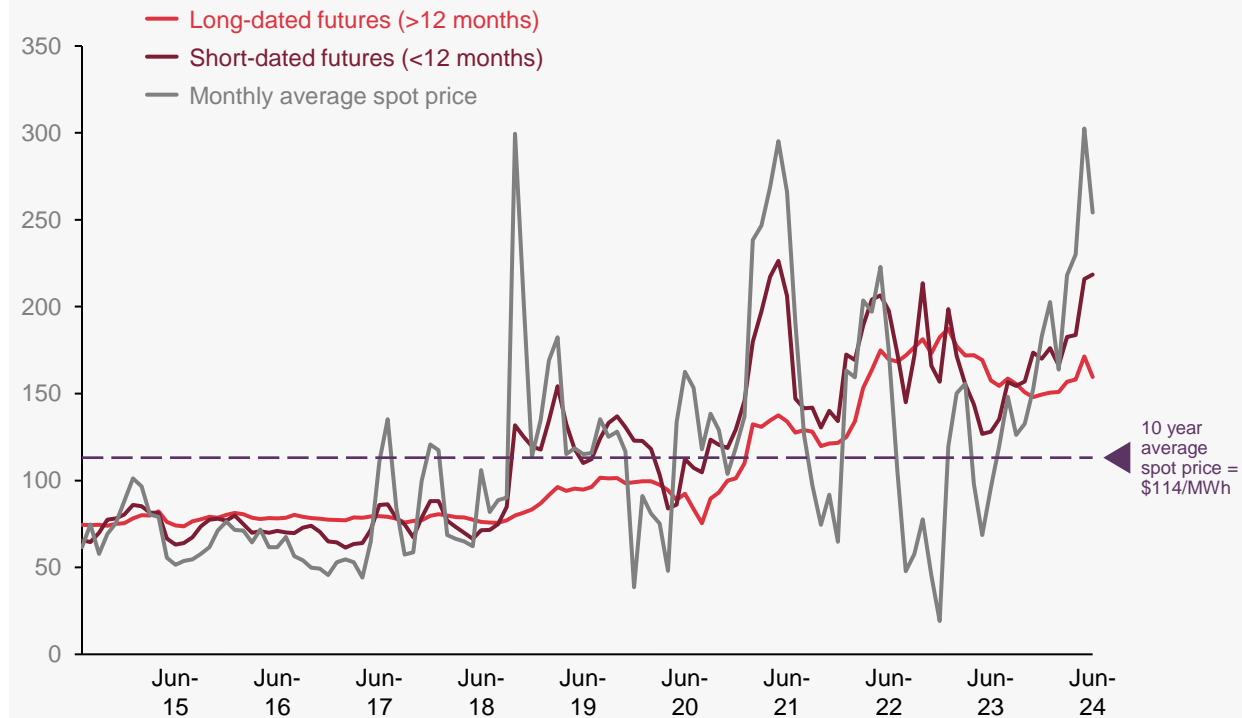
And the fundamental requirement for thermal to support a hydro dominated system supports forward electricity prices

**Short-term** external factors that can influence the market include thermal fuel price volatility and availability risks as well as swings in hydrology conditions.



**Long-term pricing** is linked to the long-run marginal costs of new renewable projects to meet demand, plus costs associated with firming renewable intermittency. On this basis, Contact expects the long-term wholesale price to revert to \$115-125/MWh (2024 real - OTA).

## Wholesale and futures electricity pricing (\$/MWh)



Source: EMI wholesale pricing (OTA) - data to 30 June 2024



# Contact 26 > Our strategy to lead NZ's decarbonisation



**Strategic theme**

**Grow demand**

Objective

Attract new industrial demand with globally competitive renewables



**Grow renewable development**

Build renewable generation and flexibility on the back of new demand



**Decarbonise our portfolio**

Lead an orderly transition to renewables



**Create outstanding customer experiences**

Create New NZ's leading energy and services brand to meet more of our customers' needs

**Enablers**

**ESG:** create long-term value through our strong performance across a broad set of environmental, social and governance factors

**Operational excellence:** continuously improving our operations through innovation and digitisation

**Transformative ways of working:** create a flexible and high-performing environment for New Zealand's top talent

**Outcomes**

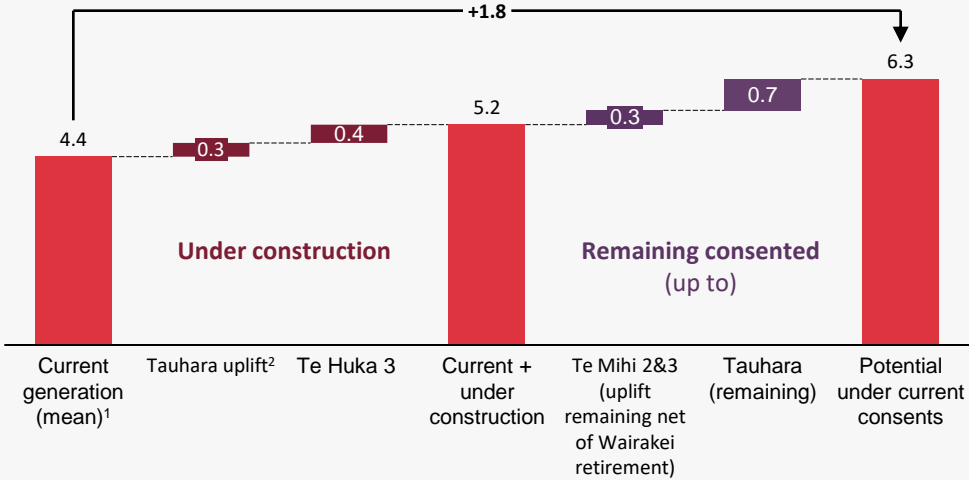
**Growth**  
Pivot our business to a new growth era that captures the value unlocked by decarbonisation

**Resilience**  
Deliver sustainable shareholder returns, aligned with our ESG commitment

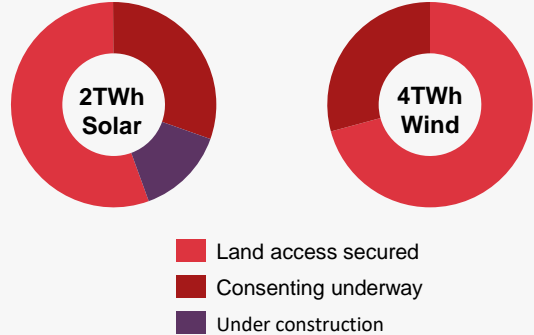
**Performance**  
Realise a step-change in performance, materially growing EBITDAF through strategic investments

# Contact is preparing for further investment in renewable generation and storage

Geothermal generation potential (TWh p.a.)



Wind and solar options under development (TWh p.a.)<sup>3</sup>

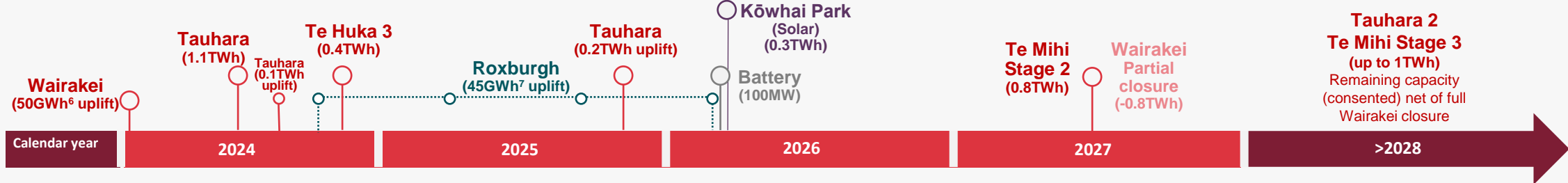


Key updates (including grid-scale batteries)

- Kōwhai Park solar (0.3TWh) and Glenbrook battery (100MW) now under construction.
- Stratford battery (100MW) consented.
- Consenting underway includes:
  - Glorit solar (0.3TWh).
  - Stratford solar (0.3TWh).
  - Southland Wind (0.9-1.2TWh).
- Earliest expected FID for these projects is FY26.
- Contact is investigating the potential to include additional battery capacity within the Glorit and Stratford solar consenting processes.<sup>4</sup>
- Expected FID and online dates depend on supportive market conditions and funding arrangements.




Planned geothermal plus other renewables under construction<sup>5</sup>

Expected generation (indicative):



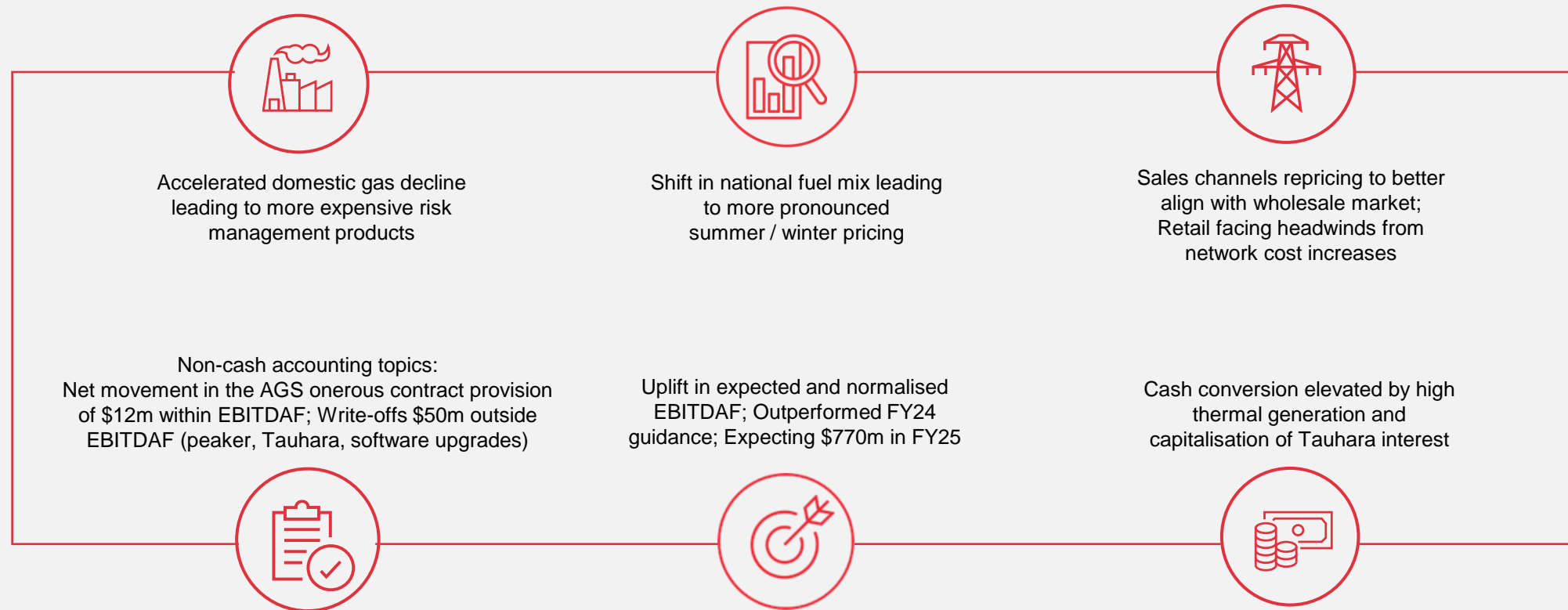
<sup>1</sup> Includes mean geothermal generation (existing stations) plus Tauhara volume based on 135MW currently online. Also includes ~50GWh uplift already delivered on Wairakei field (see note 6).  
<sup>2</sup> Represents uplift in Tauhara output expected from completion of final commissioning activity in 2024 (0.1TWh) and the first planned outage in October 2025 (0.2TWh).  
<sup>3</sup> For projects included in the "land access secured" category, indicative output is shown based on early estimates of capacity per hectare and assumed capacity factors of ~40% for wind and 20-25% for solar.  
<sup>4</sup> Consent already received for 100MW grid-scale battery at Stratford.  
<sup>5</sup> All uncommitted investments are subject to Board investment decisions. The Tauhara, Te Huka 3, Roxburgh, Kōwhai Park and Glenbrook battery investments have been committed to.  
<sup>6</sup> In FY24 Contact operationalised the higher consented fluid take at the Wairakei field (5kt per day) translating to a ~50GWh p.a. uplift in average geothermal generation (before new developments online) applying at ~30MWh/kt efficiency factor.  
<sup>7</sup> 45GWh p.a. uplift is based on mean hydrology conditions.

# Impacts of the energy transition in New Zealand are starting to become clearer

Theme	Domestic natural gas production in decline 	Thermal power stations closing as more intermittent renewables come online 	High level of activity to advance renewable electricity builds 
Characteristics	<ul style="list-style-type: none"> <li>• Ageing natural gas fields with limited forward plans for further investment.</li> <li>• Drilling / maintenance on major domestic fields unsuccessful.</li> <li>• Overall trend of output decline.</li> </ul>	<ul style="list-style-type: none"> <li>• More intermittent renewable generation entering the market, leading to increased price volatility.</li> <li>• High-cost baseload gas generation no longer aligns to market needs.</li> <li>• Thermal power stations closing.</li> </ul>	<ul style="list-style-type: none"> <li>• High volume of proposed renewable developments putting pressure on consenting bodies.</li> <li>• Constrained contracting market.</li> <li>• Generators and independent developers competing for quality resource e.g. land / sites.</li> </ul>
Observable impacts	<ul style="list-style-type: none"> <li>• Scarcity of new long-term gas contracts (and at elevated prices).</li> <li>• Spot gas trading at over \$35/PJ.</li> <li>• Higher reliance on coal for electricity generation.</li> <li>• Stored gas and coal depleted.</li> </ul>	<ul style="list-style-type: none"> <li>• High fixed costs associated with running thermal plant need to be recovered on lower volume.</li> <li>• Wholesale electricity prices materially higher when thermal generation is required.</li> </ul>	<ul style="list-style-type: none"> <li>• Backlog in consenting processes.</li> <li>• Cost escalation on domestic construction and productive resource.</li> <li>• Expected returns on Contact's projects at or nearing FID remain above targets.<sup>1</sup></li> </ul>

<sup>1</sup> See slide 29 (Annual Results Investor Presentation dated 20/08/24) .

# Key themes from the FY24 financial results

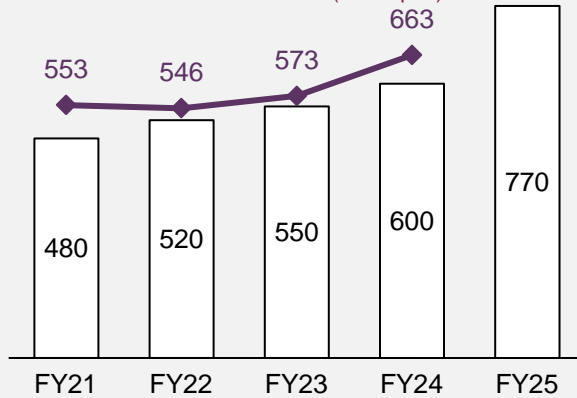


# Uplift in Contact's expected FY25 EBITDAF to be driven by the realisation of growth investment

FY25 normalised and expected EBITDAF includes generation from Tauhara and Te Huka 3

## Guidance vs Actual

Guidance CAGR FY21 to FY25 (~13% p.a.)



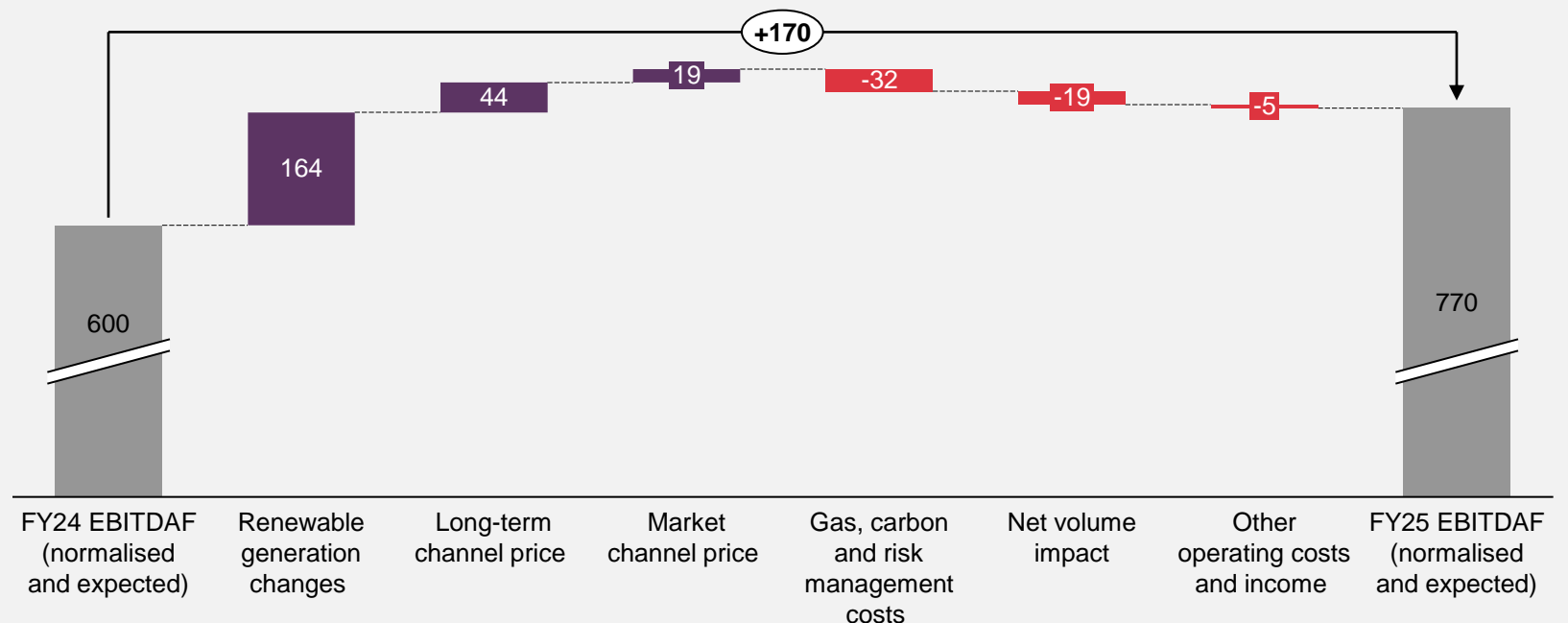
◆ Actual result delivered  
□ Guidance (at beginning of the year)

## Strong track record of delivering performance above guidance

(Guidance reflects normalised and expected EBITDAF based on mean hydrology conditions)

## Normalised and expected EBITDAF (\$ million)<sup>1</sup>

Like-for-like increase of \$170m (28%) on year-on-year guidance



## Normalised and expected EBITDAF is based on mean hydrology conditions

Start to FY25 has been characterised by low hydro inflows and high wholesale prices. These conditions have a partially offsetting impact on earnings (resulting in above or below normalised expected performance).

Of note, July 2024 EBITDAF was \$10m below normalised and mean expected.

<sup>1</sup> See slide 40 (Annual Results Investor Presentation dated 20/08/24) for assumptions underpinning FY24 normalised and expected earnings.

# **Manawa Energy Acquisition**

# A highly strategic and financially compelling acquisition

1

Geographically diversified hydro schemes are complementary, enhancing portfolio resilience and the ability to support the energy market

2

Accelerates Contact's strategy to grow its renewable generation portfolio and decarbonise with a combined development pipeline of >10TWh and complementary development capabilities

3

Transaction structure maintains Contact's BBB credit rating, retains capital options for renewable development and enables Manawa shareholders to share in combination benefits

4

Greater stability of both portfolio generation and cash flow expected to support an uplift in Contact's DPS profile by 1cps in FY26 (40cps) and by 2 - 3cps in FY27 (41- 42cps)<sup>1</sup>

5

~\$220m Normalised EBITDAF contribution post realisation of future embedded value, portfolio benefits and cost synergies (~\$75m higher than Manawa reported FY24)<sup>2</sup>

6

Transaction implies a 10.7x Normalised EV/EBITDAF acquisition multiple and is forecast to deliver an IRR exceeding Contact's WACC

<sup>1</sup> All dividend decisions are a matter for the Board. These align to the dividend policy and are dependent on business and market conditions when each payment decision is made.

<sup>2</sup> Normalised EBITDAF represents Manawa's FY24 Reported EBITDAF adjusted for expected future mean annual hydro generation, Contact's view of expected long-run wholesale electricity prices and expected cost synergy and portfolio combination benefits. Please refer to pages 24 and 41 for further detail, and to pages 25 and 27 for expected integration and transaction costs to achieve the Normalised EBITDAF (Investor Presentation – Contact acquisition of Manawa dated 11/09/24).

# Important combination for the New Zealand energy market and energy transition

## Combination benefits

- ✓ Increased hydro generation diversification and greater portfolio resilience
- ✓ Attractive and diversified combined renewable development pipeline of >10TWh supported by complementary capabilities
- ✓ Balance sheet and scale efficiencies – including reduced cost of capital, while retaining capital options

## Enhanced Contact abilities

- ✓ Greater ability to offer competitive risk management products to the market
- OR
- ✓ Greater ability to place a higher volume of fixed price supply agreements into the market<sup>1</sup>
- ✓ Greater ability to develop and invest in future intermittent renewable generation

## Expected energy market benefits

- ✓ Ability for customers to reduce exposure to spot-market rates in 'dry years' through hedging
- ✓ Increasing renewable generation capacity can
  - ✓ Enhance energy market security
  - ✓ Contribute to reducing wholesale electricity prices
  - ✓ Reduce reliance on baseload or discretionary thermal generation

***“The combination with Manawa is expected to create a more diversified, resilient and efficient Contact business, which will be positioned to better manage dry year risk, execute on renewable development opportunities and support New Zealand’s energy transition”***

- Mike Fuge, CEO

<sup>1</sup> When compared to the volume that can be supported by Contact's and Manawa Energy's standalone hydro portfolios.



# Acquisition summary

Contact has entered into a Scheme Implementation Agreement with Manawa to acquire 100% of Manawa via a mixture of Contact shares and cash



## Acquisition overview

- Contact has entered into a Scheme Implementation Agreement (Scheme) to acquire 100% of Manawa
- As consideration, eligible Manawa shareholders are expected to receive 0.5719x<sup>1</sup> Contact shares for each Manawa share held on the record date (equivalent to \$4.79 per Manawa share); plus cash consideration of \$1.16 per Manawa share<sup>2</sup>
- Total consideration implies a value of \$5.95 per Manawa share and a Manawa enterprise value of ~\$2.3bn
  - equates to a 47.6% premium to last close and 47.4% premium to the 30-day VWAP
  - implies a Normalised EV / EBITDAF acquisition multiple of 10.7x



## Financial impacts

- ~\$220m Normalised EBITDAF contribution post realisation of future embedded value, portfolio benefits and cost synergies
- Transaction is accretive on a Normalised EBITDAF less SIB capex per share basis and is expected to deliver an IRR exceeding Contact's WACC
- Expected Contact cost of capital benefits from greater earnings stability, generation diversification and reduced thermal generation exposure
- Greater stability of generation and cash flow is expected to support an uplift in Contact's DPS profile by 1cps in FY26 (40cps) and by 2 - 3cps in FY27 (41 – 42cps)<sup>3</sup>



## Funding & capital structure

- Estimated cash consideration and repayment of outstanding Manawa bank debt and bonds will initially be funded via new committed Contact bank debt facilities
- Contact Net Debt / EBITDAF is expected to rise temporarily above 3.0x on a spot basis<sup>4</sup> at the time of closing before progressively decreasing to below 3.0x in the short term
  - post transaction announcement, Standard & Poor's (**S&P**) have reaffirmed Contact's BBB credit rating on a stable outlook



## Transaction process

- The Scheme is subject to a number of conditions including Contact obtaining NZ Commerce Commission approval
- Major Manawa shareholders Infratil and TECT Holdings (who together represent 77.9% of Manawa's shares) have committed to vote in favour of the Scheme subject to certain conditions
  - Manawa shareholders are expected to own ~18.5%<sup>1</sup> of Contact post completion of the Transaction
- The current indicative timetable is targeting the Scheme taking effect first half 2025<sup>5</sup>

<sup>1</sup> Based on the Contact SIA price of \$8.3755 (calculated as the 5-day VWAP to market close 10th September 2024) and excludes any adjustments for dividends declared and paid by Contact between Scheme signing and implementation.

<sup>2</sup> Final cash consideration and the number of shares issued to Manawa shareholders are subject to adjustments for dividends declared paid by Contact and Manawa between Scheme signing and implementation. <sup>3</sup> All dividend decisions are a matter for the Board. These align to the dividend policy and are dependent on business and market conditions when each payment decision is made. <sup>4</sup> Does not account for smoothing. <sup>5</sup> All dates are indicative only and subject to change.

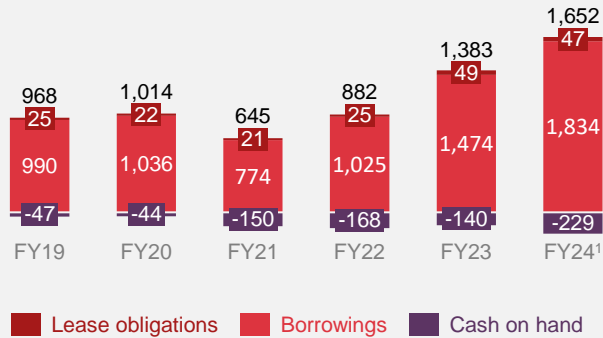
# Capital Structure & Funding

# Strong balance sheet

Contact's sustainable finance principles are built on diversified sources of funding

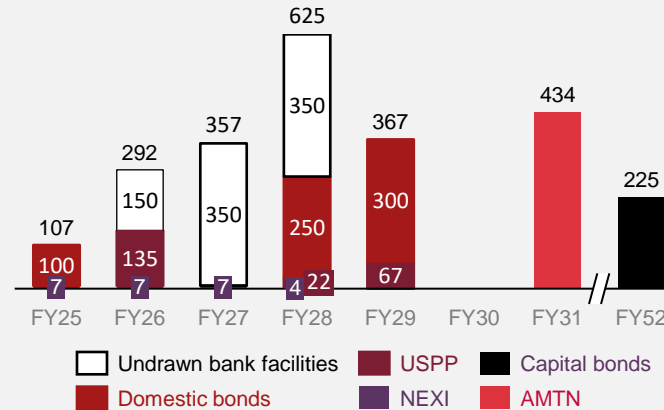
## Closing net debt (\$m)

Face value of borrowings less cash



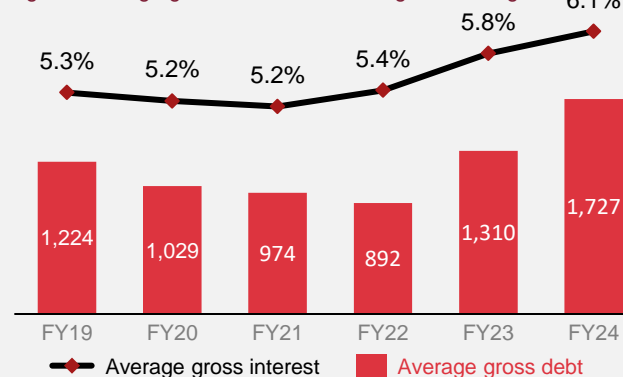
## Borrowing maturities (\$m)

Average tenor of 5.9 years as at 30 June 2024



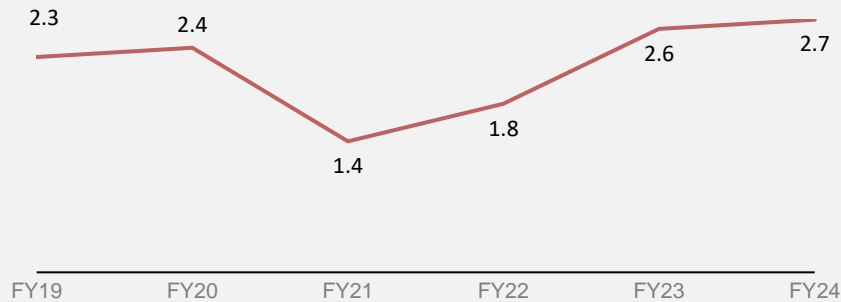
## Interest rate (%)

Weighted average gross interest<sup>2</sup> on average borrowings



## Net debt to EBITDAF (x)

Includes S&P adjustments (prior to FY20, AGS was treated as a lease)<sup>3</sup>



- A Green Australian Medium Term Note (AMTN) was issued during the year. This was partly to refinance a maturing tranche of USPP in December 2023, but also provided additional funding for the ongoing capital investment programme.
- Contact's hydropower assets have now (as at 30/6/24) been included in the green asset pool that supports Contact's Green Borrowing Programme, having been subject to an assurance review by EY verifying compliance with the Climate Bonds Standard and the Hydropower sector criteria (see our [GBP Update Report – Independent Assurance FY24](#))
- Contact's planning aligns with maintaining its investment grade credit rating. This requires net debt to EBITDAF to remain below 3.0x over a sustained period. Point estimate net debt to EBITDAF is currently 2.7x and Contact's EBITDAF outlook, DRP and capacity for additional hybrid bonds (such as the Capital Bonds) provide the ability to manage this metric effectively.

<sup>1</sup> Includes \$87m of collateral held on deposit for margin calls associated with the trading of electricity price derivatives on the ASX.

<sup>2</sup> Gross interest includes all interest on borrowings, bank commitment fees and deferred financing costs. Unwind of leases, provisions and capitalised interest not included.





<sup>3</sup> Illustrated here on a point basis based on expected S&P adjustments. FY21 and FY22 have been restated based on latest understanding of S&P approach.

# Sustainable finance

- Contact established its Green Borrowing Programme in 2017 – the first such certification completed by a New Zealand issuer and the first green certification of an entire debt programme globally. This demonstrates Contact’s commitment to investing in renewable energy assets (i.e. geothermal and hydro power) which have achieved independent certification by the Climate Bonds Initiative (CBI).
- The Green Borrowing Programme is described within Contact’s [Sustainable Finance Framework \(Framework\)](#), which aligns with the International Capital Markets Association Green Bond Principles, and the Asia Pacific Loan Market Association Green Loan Principles. The Framework, which also incorporates the issuance of sustainability-linked instruments was released in November 2022 and has been externally reviewed by Ernst & Young.

## Eligible Asset Criteria – Green Bond

- In alignment with the Sustainable Finance Framework, Contact will use the net proceeds from the Green Bond issue to finance or refinance Eligible Green Assets and/or Activities.
- Eligible Green Assets and/or Activities are those that meet the eligibility criteria set out to the right and will comply with one or more of the Green Bond Principles, Green Loan Principles or the Climate Bonds Standard, and contribute to meeting the United Nations Sustainable Development Goals (SDGs).

ELIGIBLE CATEGORIES (GBP/ CLP)	ELIGIBILITY CRITERIA	SDG ALIGNMENT
<b>Renewable Energy</b>	<p>Investments in assets and activities related to the construction, transmission, maintenance, operation and/or expansion of renewable energy generation projects. This includes but is not limited to:</p> <ul style="list-style-type: none"> <li>• Geothermal energy including: <ul style="list-style-type: none"> <li>• Geothermal electricity generation facilities with direct emissions of less than 100g CO<sub>2</sub>/kWh.</li> </ul> </li> <li>• Hydropower energy including: <ul style="list-style-type: none"> <li>• Run of river;</li> <li>• Small-scale hydropower schemes (&lt;15MW capacity);</li> <li>• Natural lake system hydropower projects that do not significantly alter an ecosystem; or</li> <li>• Schemes with power density of greater than 5W/m<sup>2</sup><sub>0</sub>.</li> </ul> </li> <li>• Solar energy including: <ul style="list-style-type: none"> <li>• Onshore solar electricity generation;</li> <li>• Onshore solar thermal facilities; or</li> <li>• Transmission infrastructure wholly dedicated to supporting solar generation/ thermal activity.</li> </ul> </li> <li>• Wind energy including: <ul style="list-style-type: none"> <li>• Onshore wind generation facilities;</li> <li>• Transmission infrastructure wholly dedicated to supporting wind generation facilities; or</li> <li>• Manufacturing facilities dedicated for wind energy equipment.</li> </ul> </li> </ul>	<p><b>7 AFFORDABLE AND CLEAN ENERGY</b> </p> <p><b>13 CLIMATE ACTION</b> </p>
<b>Energy Efficiency</b>	<p>Investments in assets and activities that contribute to a reduction in energy consumption. This includes but is not limited to:</p> <ul style="list-style-type: none"> <li>• Energy storage (including batteries); or</li> <li>• Energy efficiency processes, appliances, products and technology.</li> </ul>	<p><b>7 AFFORDABLE AND CLEAN ENERGY</b> </p>
<b>Clean Transportation</b>	<p>Investments in low carbon transportation assets, systems and/ or infrastructure. This includes but is not limited to:</p> <ul style="list-style-type: none"> <li>• Electric vehicles and supporting infrastructure and systems; or</li> <li>• Hybrid vehicles that meet an emissions intensity threshold of 50g CO<sub>2</sub> per passenger-km travelled.</li> </ul>	<p><b>11 SUSTAINABLE CITIES AND COMMUNITIES</b> </p>

# Green Borrowing Programme

- Contact recognises the importance investors place on transparency and disclosure relating to Green Debt Instruments. Our Framework, CBI programmatic certification, annual independent assurance statement and annual Integrated Reports are available on our [website](#). Contact's reporting in relation to this Capital Bonds issue will be outlined within the Capital Bonds documents.
- A key metric is the Green Ratio whereby the total green asset value must be at least equal to total green debt (i.e. a ratio of 1.0 minimum). As at 30 June 2024, Contact's Green Ratio is met at **2.4 times**.

## Hydropower Sustainability Standard Assessment

- Inclusion of Contact's Hydro Assets in its Green Borrowing Programme per the Climate Bonds Standard involved undertaking a Hydropower Sustainability Assessment.
- Contact's ESG performance benchmarked the Clyde and Roxburgh hydro schemes against best international practice.
- The assessment was detailed and broad – involving a site visit from international accredited assessors, collecting evidence and engaging with internal and external stakeholders across 12 different sustainability topics.
- Contact is the first company in New Zealand to have undertaken the assessment. We received silver certification from the International Hydropower Association and reached gold level in 10 of the 12 topics.

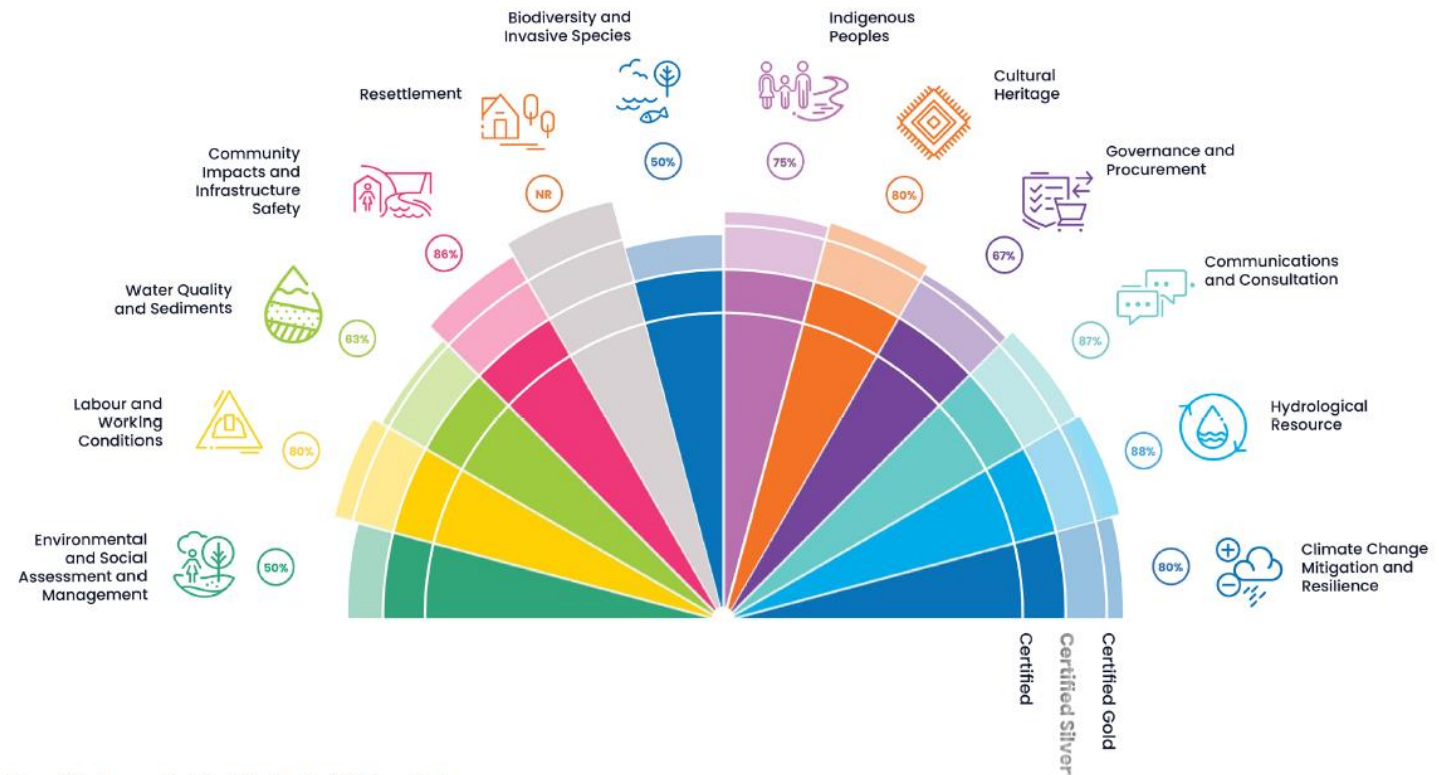


Figure 1 Hydropower Sustainability Standard (HSS) results diagram

# Key Terms and Dates

# Key terms of the Capital Bonds

Issuer	Contact Energy Limited ( <b>Contact</b> )
Instrument	Unsecured, subordinated, redeemable, cumulative, interest bearing debt securities
Purpose	The proceeds from the issue of the Capital Bonds will be used by Contact for the financing and refinancing of renewable generation and other eligible green assets in accordance with the terms of the Sustainable Finance Framework
Guarantors	None
Ranking	The Capital Bonds will rank equally among themselves and will be subordinated to all other indebtedness of Contact, other than indebtedness expressed to rank equally with, or subordinated to, the Capital Bonds The Capital Bonds will rank equally with the CEN060 Bonds
Credit rating	Expected issue credit rating – BB+ by S&P The expected issue credit rating of the Capital Bonds is two notches below Contact's issuer credit rating of BBB. One notch is deducted for the Capital Bonds being subordinated and a second notch is deducted because of the potential for interest payments to be deferred
Issue amount	Up to \$200m (with the ability to accept oversubscriptions at Contact's discretion)
Term	30 years (maturing 3 October 2054)
Reset Dates	3 October 2029 and every five years thereafter. As part of a Successful Election Process, a different Reset Date may be adopted
Optional early Redemption by Contact	On each Reset Date, any Interest Payment Date after a Reset Date if a Successful Election Process has not been undertaken, a Tax Event, a Rating Agency Event or if there are less than 100m Capital Bonds on issue
Interest Rate	The Interest Rate and Margin for the first five-year period will be set following a bookbuild on 26 September 2024 as the Benchmark Rate plus the Margin, subject to a minimum Interest Rate If not redeemed earlier, on each Reset Date, unless there has been a Successful Election Process, the Interest Rate for the next five-year period will reset to the Benchmark Rate on the applicable Reset Date plus the Margin plus the Step-up Percentage (0.25%)
Deferral of interest	Payment of interest can be deferred at any time for up to five years at the sole discretion of Contact, with a distribution stopper in place while any Unpaid Interest remains outstanding Deferred interest is cumulative
Quotation*	It is expected the Capital Bonds will be quoted under the ticker code CEN090 on the NZX Debt Market

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

# Interest payments

## Interest Rate

The Margin and the Interest Rate for the period until the First Reset Date (3 October 2029) is to be set by the bookbuild

Before each Reset Date, Contact may propose, through an Election Process, new terms and conditions (including a new Interest Rate and Margin) that would apply to the Capital Bonds from that Reset Date

If no Successful Election Process occurs, the Interest Rate for the next five-year period resets to the sum of the Benchmark Rate on that Reset Date plus the Margin plus the Step-up Percentage of 0.25%

## Interest deferral

An interest payment may be deferred at Contact's sole discretion for up to five years

If deferred, an interest payment amount will itself accrue interest at the prevailing Interest Rate on the Capital Bonds (in aggregate, the Unpaid Interest)

If there is any Unpaid Interest outstanding, Contact shall not:

- make any distributions on, or acquire, redeem or repay, any of its shares or other securities ranking behind the Capital Bonds
- make any distributions on, or acquire, redeem or repay, any securities ranking pari passu with the Capital Bonds (other than on a pro-rata basis)



# Issuer redemption rights

## Contact must Redeem Capital Bonds on the Maturity Date or if an Event of Default occurs

Contact also has a right to Redeem:

- a) all or some of the Capital Bonds on any Reset Date;
- b) all or some of the Capital Bonds on any Interest Payment Date after a Reset Date if a Successful Election Process has not been undertaken in respect of that Reset Date;
- c) all of the Capital Bonds if there are less than 100m Capital Bonds on issue;
- d) all of the Capital Bonds if a Tax Event<sup>(1)</sup> occurs; or
- e) all of the Capital Bonds if a Rating Agency Event<sup>(2)</sup> occurs

## The redemption price will be:

If Redemption is on the Maturity Date, a Reset Date, occurs where there are less than a 100m Capital Bonds on issue or due to the occurrence of a Tax Event:

- a) the Principal Amount plus Unpaid Interest plus accrued interest;

If Redemption occurs where a Successful Election Process has not been undertaken or due to the occurrence of a Rating Agency Event, the higher of:

- a) the Principal Amount plus Unpaid Interest plus accrued interest; and
- b) the market price, which will include accrued interest

A partial redemption will be permitted only to the extent there will be at least 100m Capital Bonds outstanding after the partial redemption

1) A Tax Event is where a change of law or regulation has, or will, occur and interest payable on the Capital Bonds is not, or will not be, fully tax deductible.

2) A Rating Agency Event occurs where Standard & Poor's changes its criteria and the Capital Bonds no longer qualify for intermediate equity content or if Contact ceases to have a credit rating.

# Key early redemption drivers

2029



## Year five

Contact can Redeem the Capital Bonds or run an Election Process

- If the Election Process is unsuccessful the effective Margin will increase by the Step-up Percentage (0.25%)
- Capital Bonds are redeemable at par whereas any subsequent issuer call between Reset Dates will be at the higher of par and market value (unless there are less than 100m Capital Bonds on issue or due to the occurrence of a Tax Event)
- If the Capital Bonds are not redeemed at year five then at year ten there is a refinancing requirement at the same time as there is a loss of equity content

2034



## Year ten

- Equity content falls to minimal, S&P treats the Capital Bonds as 100% debt in Contact's financial ratios
- Likely to be high-cost debt with limited benefits
- These outcomes are not consistent with the rationale for the issue

- Notwithstanding these early redemption drivers, Contact considers that hybrid securities that are ascribed equity content, such as the Capital Bonds, will be a key feature of its capital structure going forward
- As such, if Contact chooses to redeem the Capital Bonds early, current expectation is that equivalent replacement securities would be issued to fund that redemption

# Key information and timeline

## The Offer

### Bookbuild process

NZX Firms, institutional investors and other approved parties to be invited to participate in the bookbuild process

No public pool

### Minimum applications

\$5,000 and multiples of \$1,000 thereafter

### Fees

Firm fees of 0.50% to those participating in the bookbuild

Brokerage fee of 0.50%

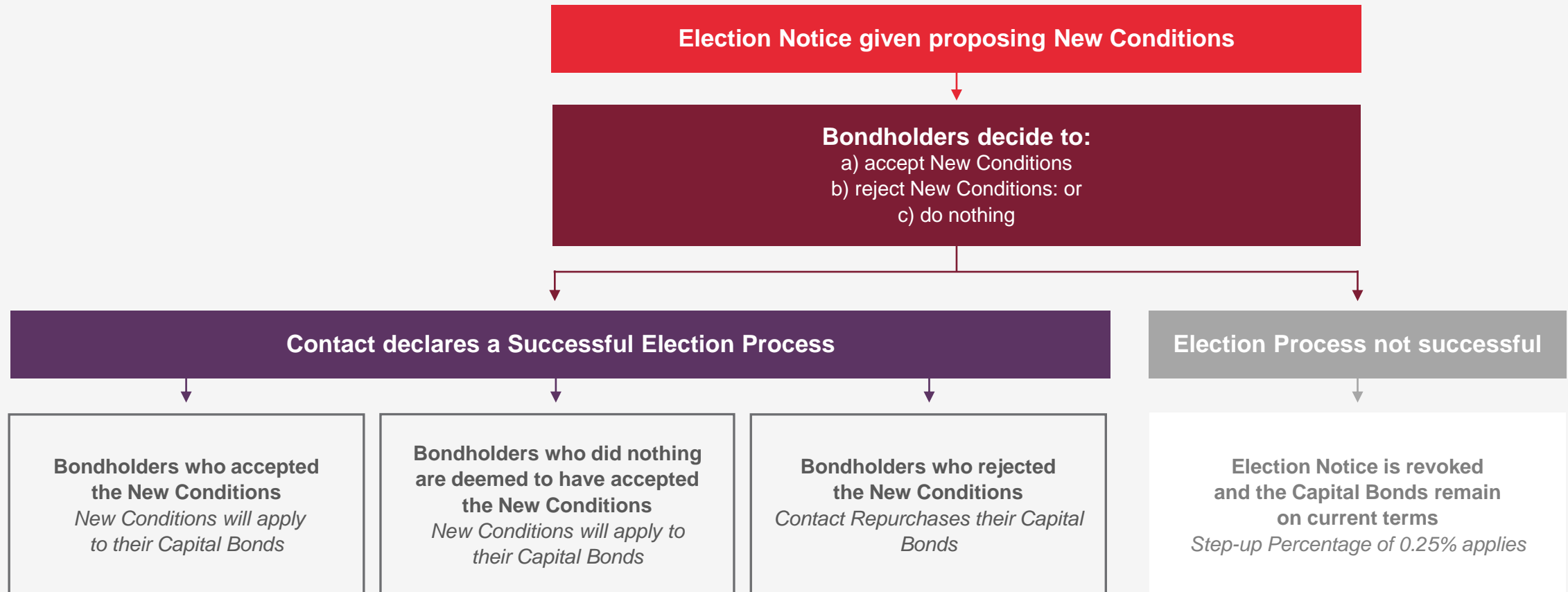
### Joint Lead Managers

Bank of New Zealand  
Craigs Investment Partners  
Forsyth Barr

2024	Monday, 23 September	Opening Date Indicative pricing and Terms Sheet released
	Thursday, 26 September	Closing Date (11am) Rate Set Date
	Thursday, 3 October	Issue Date
	Friday, 4 October	Expected Quotation Date
2025	Friday, 3 January	First Interest Payment Date
2029	Wednesday, 3 October	First Reset Date
2034	Tuesday, 3 October	Equity credit content expected to fall to minimal (0%)
2054	Saturday, 3 October	Maturity Date

# Appendix

# A reminder of the Election Process



**Thank you**





## Indicative Terms Sheet Green Capital Bonds

23 September 2024



# Indicative Terms Sheet

23 September 2024

This indicative terms sheet (**Terms Sheet**) sets out the key terms of the offer (**Offer**) by Contact Energy Limited (**Contact** or **Issuer**) of up to NZ\$200 million (with the ability to accept oversubscriptions at Contact's discretion) of unsecured, subordinated, redeemable, cumulative, interest bearing green capital bonds maturing on 3 October 2054 (**Capital Bonds**) under its Amended and Restated Master Trust Deed dated 21 August 2015 (as further amended from time to time) as modified and supplemented by the Supplemental Trust Deed dated 20 September 2023 entered into between Contact and The New Zealand Guardian Trust Company Limited (**Supervisor**) (together, **Trust Documents**). Unless the context otherwise requires, capitalised terms used in this Terms Sheet have the same meaning given to them in the Trust Documents.

## Important notice

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

The Offer contained in this Terms Sheet is an offer of debt securities that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Contact's NZ\$225 million unsecured, subordinated, redeemable, cumulative, interest bearing green capital bonds with an interest rate of 4.33% per annum and a final maturity of 19 November 2051, which are currently quoted on the NZX Debt Market under the ticker code CEN060 (**CEN060 Bonds**).

Accordingly, the Capital Bonds are the same class as the CEN060 Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014 (**FMC Regulations**).

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

The CEN060 Bonds are the only debt securities of Contact that are in the same class as the Capital Bonds and are currently quoted on the NZX Debt Market.

Investors should look to the market price of the CEN060 Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds. When comparing yield of different debt securities, it is important to consider all relevant factors (including rating (if any), maturity and other terms of the relevant debt securities).

Investors should carefully consider the features of the Capital Bonds which differ from the features of a standard senior bond. Those features include the ability of Contact to defer interest, optional redemption rights for Contact, a margin step-up and the subordinated nature of the Capital Bonds. Investors should read this Terms Sheet carefully (including the risks discussed on page 10) and seek financial advice before deciding to invest in the Capital Bonds.

## ADDRESS DETAILS:

Issuer:	Arranger and Joint Lead Manager:	Joint Lead Manager and Green Programme Co-ordinator:	Joint Lead Manager:	Registrar: Link Market Services Limited	Supervisor:	Legal Adviser to Issuer:
Contact Energy Limited	Forsyth Barr Limited	Bank of New Zealand	Craigs Investment Partners Limited		The New Zealand Guardian Trust Company Limited	Buddle Findlay
Level 2, Harbour City Tower, 29 Brandon Street Wellington 6011	Level 22, NTT Tower, 157 Lambton Quay Wellington 6011	Level 6, Deloitte Centre, 80 Queen Street Auckland 1010	Level 36, Vero Centre, 48 Shortland Street Auckland 1010	Level 30, PwC Tower, 15 Customs Street West Auckland 1010	Level 6, 191 Queen Street, Auckland Central, Auckland, 1010, New Zealand	Level 18, HSBC Tower 188 Quay Street, Auckland 1010





Issuer	Contact Energy Limited ( <b>Contact</b> ).		
Description of Capital Bonds	<p>The Capital Bonds are unsecured, subordinated, redeemable, cumulative, interest bearing debt securities of Contact ranking equally and without preference among themselves and equally with all other outstanding unsecured and subordinated indebtedness of Contact, except indebtedness preferred by law.</p> <p>The Capital Bonds are Green Debt Instruments under Contact's Sustainable Finance Framework and are certified by the Climate Bonds Initiative (<b>CBI</b>) based on the Climate Bonds Standard. A copy of the Sustainable Finance Framework is available on Contact's website:</p> <p><a href="http://www.contact.co.nz/aboutus/sustainability/financial-sustainability">www.contact.co.nz/aboutus/sustainability/financial-sustainability</a></p>		
Ranking	<p>The Capital Bonds will be unsecured and will rank equally among themselves and will be subordinated to all other indebtedness of Contact, other than indebtedness expressed to rank equally with, or subordinate to, the Capital Bonds. The Capital Bonds will rank equally with the CEN060 Bonds. See "Ranking on liquidation" on page 6.</p>		
Purpose	<p>The proceeds from the issue of the Capital Bonds will be used by Contact for the financing and refinancing of renewable generation and other eligible green assets (<b>Green Assets</b>) in accordance with the terms of the Sustainable Finance Framework.</p>		
No guarantee	<p>Contact is the issuer and the sole obligor in respect of the Capital Bonds. No other person guarantees the Capital Bonds.</p>		
Further indebtedness	<p>Contact may incur finance debt from time to time without the consent of holders of Capital Bonds (<b>Bondholders</b>), including finance debt which ranks in priority to the Capital Bonds.</p>		
Equity content	<p>S&amp;P Global Ratings is expected to assign an "intermediate" equity content to the Capital Bonds. Where such equity credit content is assigned, S&amp;P Global Ratings will consider that the Capital Bonds comprise 50% equity when calculating its financial ratios for Contact.</p> <p>The equity content is expected to fall to minimal (0%) on 3 October 2034.</p>		
Capital structure	<p>Contact believes that hybrid securities such as the Capital Bonds that are ascribed equity content are an effective capital management tool and intends to maintain such instruments as a key feature of its capital structure going forward.</p>		
Credit ratings	S&P Global Ratings	Issuer credit rating	Expected issue credit rating
	BBB (stable outlook)	BB+	
	<p>The expected issue credit rating of the Capital Bonds is two notches below Contact's issuer credit rating of BBB (and Contact's stand-alone credit profile of 'bbb'). One notch is deducted for the Capital Bonds being subordinated and a second notch is deducted because of the potential for interest payments to be deferred.</p>		
	<p>A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information making an investment decision.</p>		
	<p>A credit rating is not a recommendation by any rating organisation to buy, sell or hold Capital Bonds. Contact's credit rating provided above is current as at the date of this Terms Sheet and any rating may be subject to suspension, revision or withdrawal at any time by the S&amp;P Global Ratings.</p>		



Offer	<p>Up to NZ\$200 million (with the ability to accept oversubscriptions at Contact's discretion).</p> <p>The Offer is not underwritten.</p> <p>The Offer will be conducted on a firm allocation basis as described in more detail below under the heading "Who may apply &amp; How to apply".</p>
Expected date of initial quotation and trading on the NZX Debt Market	Friday, 4 October 2024.
Term	30 years (maturing 3 October 2054) unless Redeemed earlier.
Issue Price and Principal Amount	NZ\$1.00 per Capital Bond.
Interest Rate from the Issue Date to the First Reset Date	The percentage per annum equal to the sum of the Benchmark Rate (determined on the Rate Set Date) plus the Margin, but subject to the Minimum Interest Rate of 5.65% per annum for this period.
Benchmark Rate	<p>The mid-market NZD swap rate, determined according to market convention (i) on the Rate Set Date for a term matching the period from the Issue Date to the First Reset Date and (ii) at or around 11.00am New Zealand time on each Reset Date for a 5-year term, in each case, with reference to Bloomberg page 'ICNZ4' (or any successor page) and adjusted to a quarterly equivalent rate (rounded to 2 decimal places, if necessary, with 0.005 being rounded up).</p>
Margin	<p>The indicative Margin range for the period to the First Reset Date is 2.15% to 2.30% per annum for the Capital Bonds.</p> <p>The actual Margin for the Capital Bonds for the period prior to the First Reset Date (which may be above or below the indicative Margin range) will be set by Contact (in consultation with the Joint Lead Managers) on the Rate Set Date following the Bookbuild and will be announced by Contact via NZX on the Rate Set Date.</p> <p>During any subsequent period which commences on a Reset Date, the Margin will be the Margin that applied immediately prior to that Reset Date, unless otherwise determined as part of a Successful Election Process.</p>
Interest Payments	Interest will be payable on an Interest Payment Date and (if the date on which Redemption is to occur is not an Interest Payment Date) the date in respect of which any Capital Bonds are to be Redeemed, to the Bondholder as at 5.00pm on the relevant Record Date.
Interest Payment Dates	<p>Interest shall be paid quarterly in arrear in equal payments on 3 January, 3 April, 3 July, 3 October of each year (or if that day is not a Business Day, the next Business Day). Interest accrues on the Capital Bonds until (but excluding) the date on which they are Redeemed.</p> <p>Any interest on Capital Bonds payable on a date which is not an Interest Payment Date will be calculated on the basis of the number of days elapsed and a 365-day year, and shall accrue in respect of the period from, and including, the previous Interest Payment Date until, but excluding, the date for payment of that interest.</p> <p>The first Interest Payment Date is 3 January 2025.</p> <p>Interest may be deferred at the discretion of Contact – see "Discretionary deferral of interest" below.</p>
Record Date	<p>In relation to any payments due on a Capital Bond, the date which is 10 calendar days before the due date for the payment.</p> <p>In relation to an Election Process (as defined below), the date which is two Business Days prior to the date on which the applicable Election Notice is given.</p> <p>In either case, if that date is not a Business Day, the Record Date will be the preceding Business Day.</p>



Reset Dates	The First Reset Date for the Capital Bonds is the date that is five years after the Issue Date (3 October 2029). Thereafter, there is a further Reset Date every five years. As part of a Successful Election Process, a different Reset Date may be adopted.
Interest Rate after each Reset Date	<p>If not Redeemed prior, the Interest Rate applying from each Reset Date up to but excluding the next Reset Date will be the fixed rate of interest expressed as a percentage per annum equal to the then Benchmark Rate on that Reset Date plus the Margin plus the Step-up Percentage.</p> <p>If a Successful Election Process has been completed, the Interest Rate after each Reset Date will be as set out in the relevant Election Notice (as defined below).</p>
Step-up Percentage	0.25%.
Discretionary deferral of interest	<p>Contact may defer payment of interest on the Capital Bonds at any time for up to five years at its sole discretion by notifying Bondholders. Where an interest payment has not been paid on its due date, notice of its deferral shall be deemed to have been given.</p> <p>If Contact defers the payment of interest, the interest payable will itself accrue interest (compounding on each Interest Payment Date) at the prevailing Interest Rate (in aggregate, the Unpaid Interest) until the Interest Payment Date on which all Unpaid Interest is paid.</p> <p>Unpaid interest is cumulative.</p> <p>See “Deferral of interest payments” under the “Risks” section on page 10.</p>
Distribution Stopper	<p>Whilst there is any Unpaid Interest outstanding Contact shall not:</p> <ul style="list-style-type: none"> <li>(i) make any dividends, distributions or payments of interest on any shares or securities ranking after the Capital Bonds; or</li> <li>(ii) acquire, redeem or repay any share or other security ranking after the Capital Bonds (or provide financial assistance for the acquisition of such shares or securities),</li> </ul> <p>in each case, without obtaining a Bondholder Special Resolution; or</p> <ul style="list-style-type: none"> <li>(iii) make any dividends, distributions or payments of interest on any other securities ranking pari passu with the Capital Bonds; or</li> <li>(iv) acquire, redeem or repay any other security ranking pari passu with the Capital Bonds (or provide financial assistance for the acquisition of such securities),</li> </ul> <p>in each case, other than on a pro-rata basis, (together, the <b>Distribution Stopper</b>).</p>
Election Process	<p>No earlier than six months and not later than 30 Business Days before any Reset Date, Contact may give to each Bondholder a notice (<b>Election Notice</b>) specifying new terms and conditions (<b>New Conditions</b>) (including for example a new Margin) proposed to apply from the next Reset Date. Bondholders may elect to accept or reject the New Conditions in respect of some or all of their Capital Bonds. Bondholders who do not respond will be deemed to have accepted the New Conditions.</p> <p>If Contact declares a Successful Election Process then it is obliged to Repurchase any Capital Bonds held by a Bondholder who has rejected the New Conditions for the Repurchase Amount. Contact may choose to establish a resale facility to seek buyers for those Capital Bonds.</p> <p>If Contact does not wish to Repurchase all Capital Bonds from those Bondholders that have rejected the New Conditions then Contact must declare that the Election Process has failed, in which case the existing terms and conditions will continue to apply and all Capital Bonds will remain outstanding.</p>
Optional early Redemption by Contact	<p>Contact may, by giving Bondholders prior written notice, Redeem some or all of the Capital Bonds on:</p> <ul style="list-style-type: none"> <li>(i) any Reset Date; or</li> <li>(ii) any Interest Payment Date after a Reset Date if a Successful Election</li> </ul>



Process has not been undertaken in respect of that Reset Date, provided that after any partial Redemption, there will still be at least 100,000,000 Capital Bonds outstanding. Any partial Redemption will be done on a proportionate basis and may include adjustments to take account of the effect on marketable parcels and other logistical considerations.

Contact may Redeem all (but not some only) of the Capital Bonds if:

- (iii) there are less than 100,000,000 Capital Bonds on issue;
- (iv) a Tax Event (as defined below) occurs; or
- (v) a Rating Agency Event (as defined below) occurs.

If the Redemption occurs pursuant to paragraph (i), (iii) or (iv), the amount payable will be the aggregate of the Principal Amount of the Capital Bonds plus any Unpaid Interest plus any interest scheduled to be paid on the date of Redemption (**Redemption Amount**).

If the Redemption occurs pursuant to paragraph (ii) or (v), the amount payable will be the greater of:

- (i) the Redemption Amount; and
- (ii) the market price of the Capital Bonds (determined in accordance with the Trust Documents), which will include accrued interest at the relevant time.

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#### Tax Event

A Tax Event will occur if Contact (having taken appropriate legal or tax advice) determines that there has been, or there will be, a change in New Zealand law applying after the Issue Date, as a result of which any interest payable on the Capital Bonds is not, or will not be, fully deductible for income tax purposes.

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#### Rating Agency Event

A Rating Agency Event means:

- (i) the receipt by Contact of notice from S&P Global Ratings that, as a result of a change of criteria, the Capital Bonds will no longer have the same equity content classification from S&P Global Ratings as it had immediately prior to the change in criteria; or
- (ii) Contact ceasing to hold a credit rating.

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#### Events of Default

The Events of Default are contained in the Supplemental Trust Deed for the Offer. They include:

- (i) a failure by Contact to make a payment, including of principal or interest (to the extent payment of interest has not been, or is not capable of being deferred) due in respect of the Capital Bonds), including on Redemption when due (subject to applicable grace periods);
- (ii) a failure by Contact to comply with the Distribution Stopper (when it is applicable); or
- (iii) an insolvency event of Contact occurs.

This summary does not cover all of the Events of Default. For full details of the Events of Default see the corresponding definition in clause 1.2 of the Supplemental Trust Deed.

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#### No Event of Default

Failure by Contact to:

- (i) allocate the proceeds of the Capital Bonds as described in the Sustainable Finance Framework;
- (ii) meet the Climate Bonds Standard, Green Bond Principles or the Sustainable Finance Framework in respect of the Capital Bonds;
- (iii) maintain CBI certification of the Capital Bonds or other Green Debt Instruments;
- (iv) comply with any environmental laws and standards in respect of the Green Assets or otherwise;
- (v) receive further assurance from CBI;
- (vi) comply with the Sustainable Finance Framework (including updating its website in respect of the Capital Bonds);
- (vii) notify Bondholders that the Capital Bonds cease to comply with the



Sustainable Finance Framework, the Green Bond Principles or Climate Bonds Standard; or

- (viii) in any other way ensure that the Capital Bonds retain their green attributes,

is not an Event of Default or other default or breach of any obligation under the Trust Documents and does not have the result of requiring, or permitting Bondholders or Contact to require, the Capital Bonds to be repaid early.

Contact may, depending on the exact circumstances, provide the market with an update in relation to the ongoing status of the Capital Bonds as green capital bonds.

### Ranking on liquidation

On a liquidation of Contact amounts owing to Bondholders rank equally with all other unsecured, subordinated obligations of Contact. The Capital Bonds rank behind Contact's bank debt, senior bonds (including senior green bonds), US private placement notes, commercial paper and any amounts owing to unsubordinated general and trade creditors, as well as indebtedness preferred by law and secured indebtedness. The ranking of the Capital Bonds on a liquidation of Contact is summarised in the diagram below.

	Ranking on liquidation	Type of liability/equity	Indicative amount <sup>1</sup>
Higher ranking / earlier priority	Liabilities that rank above the Capital Bonds	Liabilities preferred by law (for example, Inland Revenue for certain unpaid taxes), unsubordinated creditors (including banks and financial institutions that have lent money to Contact, holders of Contact's senior bonds (including senior green bonds), holders of Contact's US private placement notes, commercial paper and unsubordinated trade and general creditors)	NZ\$3,364 million <sup>2</sup>
	Liabilities that rank equally with the Capital Bonds	The Capital Bonds  The CEN060 Bonds and any other subordinated obligations of Contact	NZ\$200 million  NZ\$225 million
Lower ranking / later priority	Equity	Ordinary shares, reserves and retained earnings	NZ\$2,619 million

#### Notes:

1. Amounts shown above are indicative based on the financial position of Contact as at 30 June 2024 adjusted for the issue of the Capital Bonds assuming an issue size of NZ\$200 million. The actual amounts of liabilities and equity of Contact at the point of its liquidation will be different to the indicative amounts set out in the diagram above. Amounts above are subject to rounding adjustments.



2. This represents the total liabilities of Contact consolidated group (other than the CEN060 Bonds) as at 30 June 2024. It includes amounts corresponding to deferred tax (approximately NZ\$524 million), derivative financial instruments (approximately NZ\$405 million and lease liabilities (approximately NZ\$47 million) not all of which would be crystallised on liquidation. Such liabilities on liquidation may be materially different.

Minimum application amount and minimum holding	NZ\$5,000 with multiples of NZ\$1,000 thereafter.
Transfer restrictions	As a Bondholder, you may only transfer Capital Bonds if the transfer is in respect of Capital Bonds having an aggregate Principal Amount that is an integral multiple of NZ\$1,000. However, Contact will not register any transfer of Capital Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Capital Bonds with an aggregate Principal Amount of less than NZ\$5,000, unless the transferor would then hold no Capital Bonds.
NZX Debt Market quotation	<p>An application has been made to NZX for permission to quote the Capital Bonds on the NZX Debt Market and all of the requirements of NZX relating thereto that can be complied with on or before the distribution of this Terms Sheet have been duly complied with. However, the Capital Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this Terms Sheet.</p> <p>NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.</p>
NZX Debt Market ticker code	CEN090.
ISIN	NZCEND0090L6.
Business Day	<p>A day (other than a Saturday or Sunday) on which registered banks are generally open for business in Auckland and Wellington.</p> <p>If an Interest Payment Date, Redemption Date or the Maturity Date falls on a day that is not a Business Day, the due date for any payment to be made on that date will be the next Business Day, with no adjustment to be made to the amount payable as a result of the delay in payment.</p>
Governing law	New Zealand.
Who may apply & How to apply	<p>All of the Capital Bonds including any oversubscriptions will be reserved for clients of the Joint Lead Managers, institutional investors and other primary market participants invited to participate in the bookbuild.</p> <p>There will be no public pool for the Capital Bonds.</p> <p>Retail investors should contact the Joint Lead Managers, their financial adviser or any Primary Market Participant for details on how they may acquire Capital Bonds. You can find a Primary Market Participant by visiting <b><a href="http://www.nzx.com/investing/find-a-participant">www.nzx.com/investing/find-a-participant</a></b></p> <p>Any allotment of Capital Bonds will be at Contact's discretion, in consultation with the Joint Lead Managers. Contact reserves the right to refuse to make any allotment (or part thereof) without giving any reason. Contact may deal with oversubscriptions (if any) in its sole discretion.</p> <p>Each investor's financial adviser will be able to advise them as to what arrangements will need to be put in place for the investors to trade the Capital Bonds including obtaining a common shareholder number (<b>CSN</b>), an authorisation code (<b>FIN</b>) and opening an account with a Primary Market Participant as well as the costs and timeframes for putting such arrangements in place.</p>
Securities Registrar and Paying Agent	<p>Link Market Services Limited.</p> <p>The Capital Bonds will be accepted for settlement within the NZClear system.</p>
Supervisor	The New Zealand Guardian Trust Company Limited.
Arranger	Forsyth Barr Limited.



Joint Lead Managers	Bank of New Zealand, Craigs Investment Partners Limited and Forsyth Barr Limited.
Green Programme Co-ordinator	Bank of New Zealand.
Fees	<p>Taxes may be deducted from interest payments on the Capital Bonds.</p> <p>You are not required to pay brokerage or any other fees or charges to Contact to purchase the Capital Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Capital Bonds or for the transfer of Capital Bonds.</p>
Brokerage	Contact will pay brokerage of 0.50% and firm fees of 0.50% (as applicable).
Selling restrictions	<p>The selling restrictions set out in the schedule to this Terms Sheet apply to the Capital Bonds. The Capital Bonds must not be offered or sold other than in strict compliance with those selling restrictions.</p> <p>By subscribing for Capital Bonds, you indemnify Contact, the Arranger, the Joint Lead Managers and the Supervisor in respect of any loss incurred as a result of you breaching the selling restrictions in Schedule 1 or clause 4.5 of the Master Trust Deed.</p>
Non-reliance	<p>This Terms Sheet does not constitute a recommendation by the Arranger, the Joint Lead Managers, the Green Programme Co-ordinator, the Supervisor or any of their respective directors, officers, employees, agents or advisers to subscribe for, or purchase, any of the Capital Bonds. None of these parties or any of their respective directors, officers, employees, agents or advisers accept any liability whatsoever for any loss arising from this Terms Sheet or its contents or otherwise arising in connection with the Offer.</p> <p>The Arranger, the Joint Lead Managers, the Green Programme Co-ordinator and the Supervisor have not independently verified the information contained in this Terms Sheet. In accepting delivery of this Terms Sheet, you acknowledge that none of the Arranger, the Joint Lead Managers, the Green Programme Co-ordinator, the Supervisor nor their respective directors, officers, employees, agents or advisers gives any warranty or representation of accuracy or reliability and they take no responsibility for it. They have no liability for any errors or omissions (including for negligence) in this Terms Sheet, and you waive all claims in that regard.</p>
Sustainable Finance Framework Assurance	<p>Contact has received a pre-issuance certification from CBI in respect of the Capital Bonds.</p> <p>Contact has engaged Ernst &amp; Young Limited to provide independent assurance of the Sustainable Finance Framework to confirm that the Sustainable Finance Framework continues to meet the requirements of the Climate Bonds Standard and the Green Bond Principles. Contact will seek to obtain further assurance at least annually.</p> <p>Copies of the CBI certification and the latest Ernst &amp; Young Limited independent limited assurance report (which details the assurance procedures and standards followed) can be found here:  <a href="http://www.contact.co.nz/aboutus/sustainability/financial-sustainability">www.contact.co.nz/aboutus/sustainability/financial-sustainability</a></p>



## Key Dates

Opening Date	Monday, 23 September 2024
Closing Date	11.00am, Thursday, 26 September 2024
Rate Set Date	Thursday, 26 September 2024
Issue Date	Thursday, 3 October 2024
First Reset Date	3 October 2029
Maturity Date	3 October 2054

The dates set out in this Terms Sheet are indicative only and Contact, in conjunction with the Joint Lead Managers, may change the dates set out in this Terms Sheet. Contact has the right in its absolute discretion and without notice to close the offer early, to extend the Closing Date, or to choose not to proceed with the offer. If the Closing Date is changed, other dates (such as the Issue Date, Interest Payment Dates and the Maturity Date) may be changed accordingly.

## Other Information

Any internet site addresses provided in this Terms Sheet are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Terms Sheet.

Copies of the Trust Documents will be made available by Contact for inspection during usual business hours by any Bondholder at Contact's registered office listed above (or such office as Contact may notify the Bondholders from time to time). Copies of the Trust Documents are also available on Contact's website:

[www.contact.co.nz/aboutus/investor-centre/investor-information#Bond-information](http://www.contact.co.nz/aboutus/investor-centre/investor-information#Bond-information)

Investors should seek qualified, independent financial and taxation advice before deciding to invest. Investors will be personally responsible for all tax return filing obligations in respect of their investment in the Capital Bonds, compliance with the financial arrangements rules (if applicable) and payment of provisional or terminal tax (if required) on interest derived.

For further information regarding Contact, visit [www.nzx.com/companies/CEN](http://www.nzx.com/companies/CEN).





## RISKS

An investment in the Capital Bonds is subject to the risks that:

- (i) Contact becomes insolvent and is unable to meet its obligations under the Capital Bonds; and/or
- (ii) if the investor wishes to sell the Capital Bonds before maturity, the investor is unable to find a buyer or that the amount received is less than the principal amount paid for the Capital Bonds.

Investors should carefully consider the features of the Capital Bonds which differ from the features of a standard senior bond. Those features include the ability of Contact to defer interest, optional early redemption rights for Contact, a margin step-up, an election process and the subordinated nature of the Capital Bonds. Key risks concerning those features are set out in detail below.

This summary does not cover all of the risks of investing in the Capital Bonds. For example, whilst certain risks in relation to the Capital Bonds are set out in more detail below, those risks relating to Contact, rather than the Capital Bonds themselves, are not set out below on the basis that information relating to Contact and its operations is already disclosed to the market pursuant to Contact's continuous disclosure obligations under the NZX Listing Rules. Also, the summary below sets out the risks in relation to the Capital Bonds that differ from risks in relation to standard senior bonds. It does not cover the risks that are common to both the Capital Bonds and standard senior bonds (such as risks around liquidity and your ability to sell the Capital Bonds at a given price, or at all).

Investors should carefully consider those risk factors (together with the other information in this Terms Sheet) before deciding to invest in the Capital Bonds.

The statement of risks in this Terms Sheet also does not take account of the personal circumstances, financial position or investment requirements of any investor. It is important, therefore, that before making any investment decision, investors give consideration to the suitability of an investment in the Capital Bonds in light of his or her individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues).

The interest rate for the Capital Bonds should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the Offer of Capital Bonds is fair.

You should speak to your financial adviser about the risks involved with an investment in the Capital Bonds.

### *Deferral of interest payments*

There is a risk that interest payments on the Capital Bonds will be deferred by Contact for a period of up to five years, as described in the paragraph headed "Discretionary deferral of interest" on page 4.

Contact has a broad discretion to defer the payment of interest on the Capital Bonds, and Bondholders will not have an immediate redemption right in those circumstances.

### *Redemption prior to the Maturity Date*

Although the Capital Bonds have a term of 30 years, Contact may choose to Redeem the Capital Bonds early in certain circumstances.

Contact may elect to Redeem the Capital Bonds in the circumstances outlined in the paragraph headed "Optional early Redemption by Contact" on page 4. While some of those Redemption triggers may appear to be unlikely to occur, recent history suggests that such events can occur, and Contact will have the right to Redeem after five years and on each subsequent Reset Date.

If Contact is entitled to Redeem any of the Capital Bonds, the method and date by which Contact elects or is required to do so may not accord with the preference of individual Bondholders. This may be disadvantageous in light of market conditions or a Bondholder's individual circumstances.

### *Ranking*

The Capital Bonds rank behind all of Contact's unsubordinated obligations. In a liquidation of Contact, the holders of the Capital Bonds would be paid only after all amounts owing by Contact to its bankers, holders of senior bonds (including green senior bonds), holders of US private placement notes, holders of commercial paper and general and trade unsubordinated creditors, have been paid. After payment of those amounts, there may be insufficient funds available to the liquidator to repay all or any of the amounts owing on the Capital Bonds.



### *Supervisor's enforcement rights*

Investors should be aware that even if the right to seek repayment of the Capital Bonds is exercised following the occurrence of an Event of Default, the Supervisor has very limited powers to enforce these rights given the subordinated nature of the Capital Bonds. For example, the Supervisor has no ability to appoint a receiver with a view to recovering amounts owing to Bondholders and is only entitled to file a conditional claim in the event of the liquidation of the Issuer requiring repayment of the Capital Bonds after all prior ranking indebtedness has been repaid in full.

### **CBI disclaimer**

The certification of the Capital Bonds as Climate Bonds by the Climate Bonds Initiative is based solely on the Climate Bonds Standard and does not, and is not intended to, make any representation, warranty, undertaking, express or implied, or give any assurance with respect to any other matter relating to the Capital Bonds, the Sustainable Finance Framework, any other Green Debt Instrument or Green Asset, including but not limited to this Terms Sheet, the Trust Documents, any transaction documents, Contact or the management of Contact.

The certification of the Capital Bonds as Climate Bonds by the Climate Bonds Initiative was addressed solely to the board of directors of Contact and is not a recommendation to any person to purchase, hold or sell the Capital Bonds (or any other Green Debt Instruments in the Sustainable Finance Framework) and such certification does not address the market price or suitability of the Capital Bonds or the Sustainable Finance Framework for a particular investor. Each potential purchaser of the Capital Bonds should determine for itself the relevance of this certification. Any purchase of Capital Bonds should be based upon such investigation that each potential purchaser deems necessary. The certification also does not address the merits of the decision by Contact or any third party to participate in the Capital Bonds, any other Green Debt Instruments or any Green Asset and does not express and should not be deemed to be an expression of an opinion as to Contact or any aspect of the Capital Bonds, any other Green Debt Instruments or any Green Asset (including but not limited to the financial viability of the Capital Bonds, any other Green Debt Instruments or any Green Asset) other than with respect to conformance with the Climate Bonds Standard.

In issuing or monitoring, as applicable, the certification, the Climate Bonds Initiative has assumed and relied upon and will assume and rely upon the fairness, accuracy, reasonableness and completeness in all material respects of the information supplied or otherwise made available to the Climate Bonds Initiative. The Climate Bonds Initiative does not assume or accept any responsibility or liability to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any Green Debt Instruments, Green Asset or Contact. In addition, the Climate Bonds Initiative does not assume any obligation to conduct (and it has not conducted) any physical inspection of any Green Debt Instruments or Green Asset. The certification may only be used with the Capital Bonds and may not be used for any other purpose without the Climate Bonds Initiative's prior written consent.

The certification does not, and is not in any way intended to, address the likelihood of timely payment of interest when due on the Capital Bonds (or any other Green Debt Instruments in the Sustainable Finance Framework) and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the Climate Bonds Initiative's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.

### **Arranger and Joint Lead Manager important information**

None of the Arranger, the Joint Lead Managers nor any of their respective directors, officers, employees and agents: (a) to the extent permitted by law, accept any responsibility or liability whatsoever for this Terms Sheet or any loss arising from this Terms Sheet or its contents or otherwise arising in connection with the offer of Capital Bonds; (b) authorised or caused the issue of, or made any statement in, any part of this Terms Sheet; and (c) make any representation, recommendation or warranty, express or implied regarding the origin, validity, accuracy, adequacy, reasonableness or completeness of, or any errors or omissions in, any information, statement or opinion contained in this Terms Sheet. This Terms Sheet does not constitute financial advice or a recommendation from the Arranger, any Joint Lead Manager or any of their respective directors, officers, employees, agents or advisers to purchase, any Capital Bonds. Each investor must make its own independent investigation and assessment of the financial condition and affairs of the issuer before deciding whether or not to invest in the Capital Bonds.



## SCHEDULE - SELLING RESTRICTIONS

The Green Bonds may only be offered for sale or sold in New Zealand in conformity with all applicable laws and regulations in New Zealand. No Capital Bonds may be offered for sale or sold in any other country or jurisdiction except in conformity with all applicable laws and regulations of that country or jurisdiction and the selling restrictions contained in this Terms Sheet. This Terms Sheet may not be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations in that country or jurisdiction and the selling restrictions contained in this Terms Sheet.

Without limiting the generality of the above, the following selling restrictions apply in respect of each relevant jurisdiction:

### Member States of the European Economic Area

In relation to each Member State of the European Economic Area, no Capital Bonds have been offered and no Capital Bonds will be offered that are the subject of the offering contemplated by this Terms Sheet in relation thereto to the public in that Member State except that an offer of Capital Bonds to the public in the Member State may be made:

- a) to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;
- b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the Joint Lead Managers for any such offer; or
- c) in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of the Capital Bonds shall require Contact or the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression an **offer of the Capital Bonds to the public** in relation to any Capital Bonds in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Capital Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Capital Bonds and the expression **EU Prospectus Regulation** means Regulation (EU) 2017/1129.

### United Kingdom

No Capital Bonds have been offered and no Capital Bonds will be offered that are the subject of the offering contemplated by this Terms Sheet in relation thereto to the public in the United Kingdom except that it may make an offer of such Capital Bonds to the public in the United Kingdom:

- a) to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- b) to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the Joint Lead Managers for any such offer; or
- c) in any other circumstances falling within section 86 of the Financial Services and Markets Act 2000 (**FSMA**),

provided that no such offer of the Capital Bonds shall require Contact or the Joint Lead Managers to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an **offer of the Capital Bonds to the public** in relation to any Capital Bonds means the communication in any form and by any means of sufficient information on the terms of the offer and the Capital Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Capital Bonds and the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

#### *Other regulatory restrictions*

No communication, invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) has been or may be made or caused to be made or will be made in connection with the issue or sale of the Capital Bonds in circumstances in which section 21(1) of the FSMA applies to Contact.

All applicable provisions of the FSMA with respect to anything done by it in relation to the Capital Bonds in, from or otherwise involving the United Kingdom, must be complied with.

### Singapore

This Terms Sheet has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Terms Sheet and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Capital Bonds may not be circulated or distributed, nor may the Capital Bonds be offered or sold, or caused to be made the subject of an invitation for subscription or purchase,



whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (**SFA**) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

### Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (**Corporations Act**)) in relation to the Capital Bonds (including this Terms Sheet) has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission (**ASIC**) or any other regulatory authority in Australia. No person may:

- a) make or invite (directly or indirectly) an offer of the Capital Bonds for issue, sale or purchase in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- b) distribute or publish, any Terms Sheet, information memorandum, prospectus or any other offering material or advertisement relating to the Capital Bonds in Australia, unless:
  - i. the minimum aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act;
  - ii. the offer or invitation is not made to a person who is a “retail client” within the meaning of section 761G of the Corporations Act;
  - iii. such action complies with all applicable laws, regulations and directives (including, without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act); and
  - iv. such action does not require any document to be lodged with, or registered by, ASIC or any other regulatory authority in Australia.

By applying for the Capital Bonds under this Terms Sheet, each person to whom the Capital Bonds are issued (an **Investor**):

- a) will be deemed by Contact and the Joint Lead Managers to have acknowledged that if any Investor on-sells the Capital Bonds within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:
  - i. that sale is to an investor within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act to whom it is lawful to offer the Capital Bonds in Australia without a prospectus or other disclosure document lodged with ASIC; or
  - ii. the sale offer is received outside Australia; and
- b) will be deemed by Contact and the Joint Lead Managers to have undertaken not to sell those Capital Bonds in any circumstances other than those described in paragraphs (a)(i) and (a)(ii) above for 12 months after the date of issue of such Capital Bonds.

This Terms Sheet is not, and under no circumstances is to be construed as, an advertisement or public offering of any Capital Bonds in Australia.

### United States of America

The Capital Bonds have not been and will not be registered under the Securities Act of 1933, as amended (**Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

None of Contact, any Joint Lead Manager nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts in relation to the Capital Bonds, and each of Contact, any Joint Lead Manager have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act.

The Capital Bonds will not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the completion of the distribution of all Capital Bonds of the Tranche of which such Capital Bonds are part, as determined and certified by any Joint Lead Manager, except in accordance with Rule 903 of Regulation S under the Securities Act. Any Capital Bonds sold to any distributor, dealer or person receiving a selling concession, fee or other remuneration during the distribution compliance period require a confirmation or notice to the purchaser at or prior to the confirmation of the sale to substantially the following effect:



*'The Capital Bonds covered hereby have not been registered under the United States Securities Act of 1933, as amended (the 'Securities Act') or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, or to or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Capital Bonds and the closing date except in either case pursuant to a valid exemption from registration in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S.'*

Until 40 days after the completion of the distribution of all Capital Bonds of the Tranche of which those Capital Bonds are a part, an offer or sale of the Capital Bonds within the United States by any Joint Lead Manager, or any dealer or other distributor (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Regulation S.

### Hong Kong

No Capital Bonds have been offered or sold or will be or may be offered or sold in Hong Kong, by means of any document, other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

No advertisement, invitation or document relating to the Capital Bonds may be issued or in the possession of any person or will be issued or be in the possession of any person in each case for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Capital Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to 'professional investors' as defined in the SFO and any rules made under the SFO.

### Japan

The Capital Bonds have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) in reliance upon the exemption from the registration requirements since the offering constitutes the small number private placement as provided for in "ha" of Article 2, Paragraph 3, Item 2 of the FIEA. A Japanese Person who transfers the Capital Bonds shall not transfer or resell the Capital Bonds except where the transferor transfers or resells all the Capital Bonds en bloc to one transferee. For the purposes of this paragraph, Japanese Person shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### Indemnity

By its subscription for the Capital Bonds, each Bondholder agrees to indemnify Contact, the Arranger, the Joint Lead Managers and the Supervisor and each of their respective directors, officers and employees for any loss, cost, liability or expense sustained or incurred by Contact, the Arranger, the Joint Lead Managers or the Supervisor, as the case may be, as a result of the breach by that Bondholder of the selling restrictions set out above.