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To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	19 October 2011
From	Helen Hardy	Pages	16
Subject	<b>CONTACT ENERGY - ANNUAL GENERAL MEETING</b>		

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

Origin Energy holds 52.76% of quoted ordinary shares in Contact Energy Limited.

Regards

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

Helen Hardy  
Company Secretary

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19 October 2011

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## **New facilities and construction reflect year of change**

At Contact Energy's AGM in Rotorua today, Contact Chairman, Grant King, updated shareholders on the company's performance and strategy. Following the completion of a number of key developments during the year the company is now focused on maximising the benefits from the newly commissioned Stratford peakers and the Ahuroa gas storage facility. Contact is also continuing its growth path, particularly through its geothermal portfolio.

This was the first Contact AGM for Dennis Barnes, Contact's new chief executive, who reminded the meeting of the company's promise at the 2010 AGM that this year would be one of change. "The focus has been on fulfilling Contact's need for generation flexibility, meeting customer needs and working on the future development needed by the company and New Zealand," said Mr Barnes.

Mr King told shareholders that the gas-fired peaker units at the Stratford power station and the Ahuroa gas storage facility would give Contact greater flexibility in its generation portfolio, support earnings in wet years and provide New Zealand with greater security of supply.

"We are already seeing a positive impact on the bottom line – gas costs to be reduced in June as low wholesale prices limited the amount of generation required from our combined cycle gas stations, and allowed us to buy lower cost electricity from the wholesale market, whilst limiting our risk exposure by having the peakers available if prices spiked," Mr King said.

Mr Barnes outlined progress on the construction of the Te Mihi geothermal development, near Taupo. Once completed in 2013, the new power station will reduce the company's costs and reliance on gas-fired combined-cycle plants to meet baseload demand.

This year Contact has also secured resource consents for three significant renewable generation developments – two wind farms and another geothermal plant between Rotorua and Taupo.

Mr Barnes acknowledged the Rotorua community and the partnerships Contact had in the wider region.

“Strong relationships are a cornerstone of responsible development. We understand that the development of natural resources requires engagement and consultation with local communities and iwi.

“One of the most enjoyable aspects of my new role has been working with local communities and iwi. I had lunch yesterday with our Taheke partners. We share a common purpose - to develop this region, and New Zealand, in a way that not only provides economic benefits but in a sustainable way too,” he said.

**ENDS**



## Speech to Contact Energy 2011 Annual Meeting

**Grant King, Chairman**

### **Introduction**

As shareholders will be well aware, the last year has been difficult for New Zealand as it recovered from the impact of the global economic recession and the Christchurch earthquakes. We think that Contact has been able to respond appropriately to those circumstances, and importantly, continue to successfully implement its strategy to ensure the long term strength and growth of the company.

### **Progress on our strategy**

Last year, we continued to implement our strategy to create fuel and portfolio flexibility. I'm pleased to say that the progress on this implementation has been outstanding:

- **The Stratford peakers and the associated Ahuroa gas storage facility** were completed and opened this year. These facilities will give us the greater flexibility our generation portfolio needed. They will support earnings in wet years and provide New Zealand with greater security of supply. As predicted, they have already had a positive impact on the

bottom line – enabling gas costs to be reduced in June as low wholesale prices limited the amount of generation required from our combined cycle gas stations, and allowed us to buy lower cost electricity from the wholesale market, whilst limiting our risk exposure by having the peakers available if prices spiked.

- Construction started on the **Te Mihi geothermal development**, near Taupo. Once completed in 2013, the new power station will reduce the company's costs and reliance on gas-fired combined-cycle plants to meet baseload demand.
- Contact secured resource consents for **three significant renewable generation developments** – two wind farms and another geothermal plant between Rotorua and Taupo.
- Contact has achieved some excellent results in retail also. In a competitive and dynamic market Contact **increased retail sales**, managing customer losses and gaining customers in the Time of Use market. Contact has been creative and responsive to customer needs with new offerings to secure customer loyalty when there is high price sensitivity in the market. Contact made some bold moves in the retail space and the Board is pleased with what's been achieved.
- We have also made significant progress during the year in implementing new computer systems in our finance, generation and retail activities to improve our operational effectiveness.

Dennis will describe these achievements in more detail.

### **Wet Year and Financial Performance**

The financial year ending 30 June 2011 was yet another wet year, with storage levels in the country's hydro lakes averaging 120 per cent of mean levels. This, along with the lower demand because of a warmer winter, created a difficult environment for Contact to grow earnings with its current generation portfolio.

Despite this, Contact's EBITDAF in FY11 was \$441.4 million, an increase of three percent on the previous year, and underlying earnings after tax for the year were \$150.9 million, an increase of one per cent from the year before. These percentages, while small, are positive and as I have explained, this has been the year that we have taken major steps to increase our flexibility and address the impact of hydrology on Contact.

To fund our construction activities we have successfully raised \$351 million of equity through a one-for-nine renounceable Entitlement Offer. This equity has strengthened our balance sheet for investment in growth opportunities, which Dennis will tell you more about. We thank our shareholders for their support of this equity raising.

We also remain active in debt capital markets. We have additional liquidity available from \$450 million of committed bank facilities, of which none had been drawn as at 30 June 2011. We are in a strong financial position to implement our development plans.

## **Distribution to shareholders**

Given the year's performance your Directors resolved that the final distribution to shareholders be 12 cents per share, a total distribution for the year of 23 cents per share. This is a reduction of 2 cents from the year before, but the payout ratio is 100 per cent of Contact's underlying earnings.

Investors can be confident that Contact is in a solid financial position and is taking great strides to evolve its generation portfolio to secure increased earnings in the future.

## **Board Changes**

As you are aware David Baldwin resigned as Managing Director and moved to the position of Chief Development Officer at Origin Energy on 1 April. On behalf of the Board I would like to thank David for his five years of leadership at Contact. I'm pleased to say that David remains as a director of Contact and will continue to contribute to Contact's development.

Our new Chief Executive Dennis Barnes comes to Contact from Origin Energy. Most recently Dennis was General Manager Energy Risk Management at Origin. In addition to the experience he gained guiding Origin's significant and expanding operations in wholesale markets, Dennis's many years operational experience in Australia and in international energy markets is a valuable asset to Contact.

We will come later in the meeting to the election and re-election of directors. Related to that, I wish to advise shareholders that the Board has made some changes to the directors share scheme. The Board firmly believes that directors should own shares in Contact on their own account to help align interests with shareholders but we found our existing director share scheme cumbersome and costly to operate. So recently we have adopted a new Board policy that requires directors to hold at least 20,000 shares in Contact within 3 years of appointment, rather than take a proportion of their fees in shares via a three year trust arrangement. This new policy is similar to others companies, such as Telecom, Fletcher Building and Fisher & Paykel Healthcare, and is consistent with the NZX's Corporate Governance Best Practice Code

## **Outlook**

Looking to the future, we expect demand for electricity to grow as the country recovers. Contact is well positioned to help meet this demand with reduced dependence on the weather, a strong generation portfolio, development opportunities across all major fuel types, and approximately 23% of New Zealand's total retail electricity market by number of customer accounts.

The Board is confident in the growth strategy that is being progressed. In the coming year we expect to see further benefits from the restored flexibility delivered by the Ahuroa gas storage and Stratford peaker plant. In the longer term, with geothermal as our priority generation investment, we expect to reap the rewards, both for Contact and for the country, of renewable energy generation that is not weather-dependent.



I would like to thank my colleagues on the Board, your directors, for their contribution during the year. We also thank all the team at Contact for their continued efforts on your behalf.

Thank you.

**ENDS**

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19 October 2011

## **Speech to Contact Energy 2011 Annual General Meeting Dennis Barnes, CEO**

I'm Dennis Barnes and I joined Contact as CEO six months ago, taking over from Managing Director David Baldwin, who now works for shareholder Origin Energy. As a Contact board member and Chief Development Officer at Origin, David retains a close interest in Contact, and no doubt keeps an eye on me.

Firstly, let me introduce the Contact Leadership team with us here today.

- First of all, seated up here is Paul Ridley-Smith, who joined us this year as Contact's General Counsel and Company Secretary.
- Mark Elliott is Contact's Chief Financial Officer
- Graham Cockroft, Contact's Chief Operating Officer, is responsible for all of Contact's generation, generation development and wholesale market trading functions.
- Ruth Bound, is Contact's General Manager of Retail, responsible for all of Contact's retail operations and strategic marketing.
- Andy Williams is Contact's General Manager of Enterprise Transformation. Andy is responsible for the company's SAP systems replacement programme and other strategic business transformation programmes.
- Luc Hennekens is Contact's General Manager of Information and Communications Technology.

At the end of this meeting, I hope you will enjoy a cup of tea with us, introduce yourself to members of the team and share with us any thoughts you have about the company and its direction.

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I'll shortly talk about Contact's performance but would like to talk a little about how the year has been for New Zealand.

Every New Zealander has, in some way, been touched by the Canterbury earthquakes. Some of the effects are of the deepest kind – profound tragedy at the loss of so many and so much, and incredible uplift as the true heart, strength and goodness of people has been demonstrated in acts of kindness, big and small.

For many it has been the worse imaginable year. At Contact, these people have been in our thoughts and we've done what we can to help. Some of this help has been financial, with \$4 million pledged to help get Canterbury back on its feet, and some very practical, with free 9 Kg LPG refills for anyone in Christchurch who needed them –over 19,000 bottles were filled – helping warm and feed people when they needed it most.

### **Generation flexibility**

At the AGM last year David promised you a year of change and we've certainly delivered on that. It's been a year of fulfilling Contact's need for generation flexibility, meeting our customers' needs and working on the future development that the country needs and that will deliver benefits for Contact.

The completion of the Ahuroa gas storage facility and Stratford peakers this year was a step forward for us in restoring the generation flexibility we had lost with changes to gas contracts in 2006.

We've taken a near-depleted natural gas reservoir and developed it so we can now put gas back into the reservoir during periods in which we don't need it, such as in summer during periods of low electricity demand, when the wind is blowing strongly or during a wet winter. When demand is higher or there is less water in the lakes, we will then extract the gas from the reservoir.

Gas storage has meant we have the ability to use gas only when we need to and so can contract for a smaller annual volume of gas. We have flexible generation which can operate when the market needs, but that can be turned off when it is not required. We're now much better placed to perform in both wet and dry years.

During FY11 we injected 5.8 petajoules of gas into Ahuroa, the equivalent of \$45 million in gas costs. Having this storage gave us the confidence not to replace a major gas contract, lowering our exposure to costly take-or-pay arrangements.

The energy industry recognised the innovation and impact of Ahuroa gas storage with an award at the Deloitte Energy Excellence Awards.

Working in tandem with Ahuroa, and also opened this year, are the Stratford peakers – a fast-start gas fired power station that is adding to New Zealand's security of supply by balancing weather-dependent renewable generation, such as wind and hydro, and adding to supply during periods of peak electricity demand.

The peaker units can start up in about 10 minutes, adding a significant amount of flexible generation to Contact's portfolio.

The Stratford peakers and the Ahuroa gas storage facility are already reducing the fixed costs associated with our thermal generation and the benefits are showing in the year's results. In the second half of the year, lower gas take-or-pay volumes and the flexibility provided by these two new facilities allowed us to manage risk more efficiently during periods of low wholesale prices, usually as a result of high hydro generation. This was most evident in June when both facilities were available and we were able to reduce our generation to more closely align to our demand resulting in lower costs during a period of low wholesale electricity prices.

### **Customers**

There are many reasons for the flat energy demand the New Zealand electricity market experienced this year. A mild mid-winter, despite the brief but picturesque August storms we all experienced; the Canterbury earthquakes; and subdued economic growth all played a part.

Despite this, Contact's retail sales volumes have increased 8 per cent, largely because we've attracted new Time of Use customers.

And you would have to have been in hibernation this winter to have missed the government's 'What's my number?' campaign, which created a lot of customer churn in the market this year.

We are always creating new products and offers to be competitive and in August increased our existing prompt payment discount from 12 per cent to 22 per cent for residential customers who subscribe to Online OnTime and receive their bills online. The offer has been successful in retaining customers and attracting new ones. It is an investment in the future and retaining the customer base we need to support our growth. We are now looking at additional products we can add to the market to further enhance our customers experience.

### **Generation developments**

New Zealand will continue to need new sources of electricity generation to meet growing demand. We've made clear our belief that geothermal generation represents the best and most cost-effective renewable generation option to meet these needs and that geothermal is a key part of Contact's growth strategy.

It's been a big year for geothermal development. We started the \$623 million Te Mihi project near Taupo. The project includes a power station, five kilometres from our existing Wairakei geothermal power station. Te Mihi station is expected to come on line in 2013, when we plan to decommission 45 MW of the Wairakei station, resulting in a net increase in output from the power stations on the Wairakei geothermal resource of 114 MW.

Wairakei station was the first geothermal plant of its kind anywhere in the world. It has been producing large volumes of reliable, renewable energy for New Zealand for more than 50 years. But it's aging and its cooling system using river water is old technology. Wairakei will eventually be taken out of operation when its consents expire in 2026.

The overall Te Mihi project, which is much more than the power station alone, includes development of the steamfield as well a series of projects that will extend the life of the remaining key plant at Wairakei and ensure it operates reliably and sustainably through to 2026.

This year we gained consent for the construction of a 250 MW geothermal development on the Tauhara geothermal field, not far from

where we are here in Rotorua. Since gaining the consent we have been developing the project in readiness for construction when market conditions allow.

We continue to investigate the potential for development at the Taheke geothermal field in partnership with the Taheke 8c and Adjoining Block Incorporation. This work has been progressing since the owners selected us as partners in the development of the resource in 2010 and we are pleased to have the AGM here in Rotorua close to Mourea where this project is taking place.

We're not putting all our eggs in one basket. Our growth strategy continues to involve pursuing a range of options across the major fuel types – gas, geothermal, wind and hydro – that we can execute at the right time to meet demand.

This year we gained consents for two wind farm developments and consultation is ongoing with the Stratford community and iwi on the development of a second set of gas-fired peakers at the Stratford power station.

To have a healthy balance sheet for investment in growth opportunities, we launched a successful one-for-nine renounceable Entitlement Offer in June 2011. Approximately \$65.7 million new shares, 94.5 per cent of shares offered, were purchased under the Offer. A shortfall book build was conducted to sell the 5.5 per cent of unclaimed new shares and shares. The Offer and shortfall book build raised a total of \$351.2 million.

### **Health and safety**

This year Contact made a significant improvement in the Total Recordable Injury Frequency Rate, which is the total number of recordable injuries for employees per million hours worked.

Contact's rate this year was 5.9, well down from the previous year's 6.6. This is an improvement of 11 per cent for employees and 28 per cent for contractor incidents.

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I'm pleased to say we're making real progress towards our goal of 'zero harm' and I intend to keep health and safety front-and-centre as Contact's top priority.

### **Our communities**

This year we continued to build on the relationships we've established with the communities in which we operate.

Our relationships with tangata whenua in the Taupo region continue to strengthen. And as we develop projects such as Te Mihi and Tauhara and look to other future developments in the area, we keep the door open and the conversations flowing.

We understand that the development of natural resources requires engagement and consultation with local communities and iwi. As a Mancunian coming to New Zealand via Sydney, one of the most enjoyable aspects of my new role has been working with local communities and iwi.

I had lunch yesterday with our Taheke partners. We share a common purpose - to develop this region, and New Zealand, in a way that not only provides economic benefits but in a sustainable way too.

The successful opening of the Stratford peakers and the Ahuroa gas storage facility involving South Taranaki iwi, Ngati Ruanui has also opened the doors for a strong and enduring relationship.

We continued to invest in sponsorships for events and community activities in Taupo, Central Otago and Taranaki, regions where we are part of the community.

### **Looking forward**

Contact has an exciting year ahead, one that is focussed on the continued delivery of our growth strategy and realising the benefits and increased earnings made possible by our newly commissioned assets.

In the coming year we'll continue to keep customer needs close to our hearts and to develop the new products and offers they have come to expect from the energy provider they choose to support. As we roll out the final wave of Enterprise Transformation into the retail business in 2012 we will do it with minimal interruption to business and service.

Te Mihi is progressing apace. Delivery of the project on time and within budget is a key measure of success for the team, as is safety, improving our environmental performance and maintaining positive relationships with the community as the project progresses.

The leadership team and I are proud of the Contact team and thank them for what has been achieved this year. It has set a high standard and we intend to maintain the momentum in the coming year.

I would also like to thank the Board members for their contribution and support. Their confidence in our strategy is starting to return the benefits they sought.

Thank you.

ENDS