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Trustpower Annual General Meeting | 25 July 2017



Chairman's Update



Demerger successfully completed

- Targeted Business Strategies
 - A strong focus on the core New Zealand retail business
 - Ensuring New Zealand and Australian assets are efficient, cost effective, safe and fit for purpose
- Access to Capital and Optimising Capital Structure
 - Successfully refinanced our bank and New Zealand bond portfolio of a total value of \$805 million
 - Net debt to EBITDAF down from 3.5 times to 3.0 times over FY17
- Investment Performance
 - Trustpower shares have increased from \$4.90 on demerger to \$5.70 on 21 July 2017
 - Declared a dividend of 17 cps bringing total dividend since demerger 33 cps

Key areas of focus for the Trustpower Board

Risk management

- Our generation business contributes 75% of EBITDAF
- Electricity markets are volatile
- Trustpower's approach is to be biased towards a net seller position that reduces the downside risk in such periods

Retail strategy

- Our retail strategy is based on the belief that New Zealanders value purchasing electricity, gas and telecommunications from a single provider
- Trustpower is focussed on delivering this expectation of our customers more efficiently than our competitors can deliver individual services
- Our challenge is to be more cost effective whilst maintaining a high level of service in an increasingly competitive market

Water and resources

- Remains an important political and societal issue
- Trustpower believes it is important to recognise the unique role of hydro generation and its environmental and economic contribution to a sustainable New Zealand



Keeping our people healthy and safe



- **Trustpower Board of Directors**
- **Focus on Risk**
- **Engaging with our Workforce**

- Informed on what H&S looks like day to day for Trustpower
- Educated on what's happening industry wide and with our Regulator, WorkSafe

- Keeping focused on where our risk is greatest
- Our people drive projects to improve how we manage H&S

Health and safety story – Meter Reading

- Ensuring the Health & Safety of our 70 Meter Readers
- Identifying the risks and hazards that we face every day in the field
- Dogs and driving
- Having robust, open and transparent discussions as a team as to ensure that we're doing all that we can to keep them safe.
- If it isn't safe, don't do it! The Meter Readers understand that we don't expect them to be superhuman – they don't need to get the read at any cost!



Angela Lumby
Meter Reading Manager Data Management

“I support the maintenance of a high level of health and safety practice across all aspects of meter reading operations.”

Chief Executive's Update



Trustpower is well positioned in a world that is decentralising and converging at the customer premise

A proven ability to execute in our target markets

- We are not relying on our strong relative position in the traditional electricity industry to build our future business
- Trustpower has made a series of investments in the last few years to pre-position for the inevitable changes in the industry:
 - diversified generation fleet, multi-service offer, flexible enterprise systems, online capability, improved work environment, and extending the Trustpower brand
- The most obvious strategic shift has been towards multi-service retail – this is a high conviction and important strategy but only part of the overall plan for preparing the business for major changes

Creates opportunities for growth in energy and other utility services, and a path to value through customer insight, portfolio management, cost efficiency and targeted investment

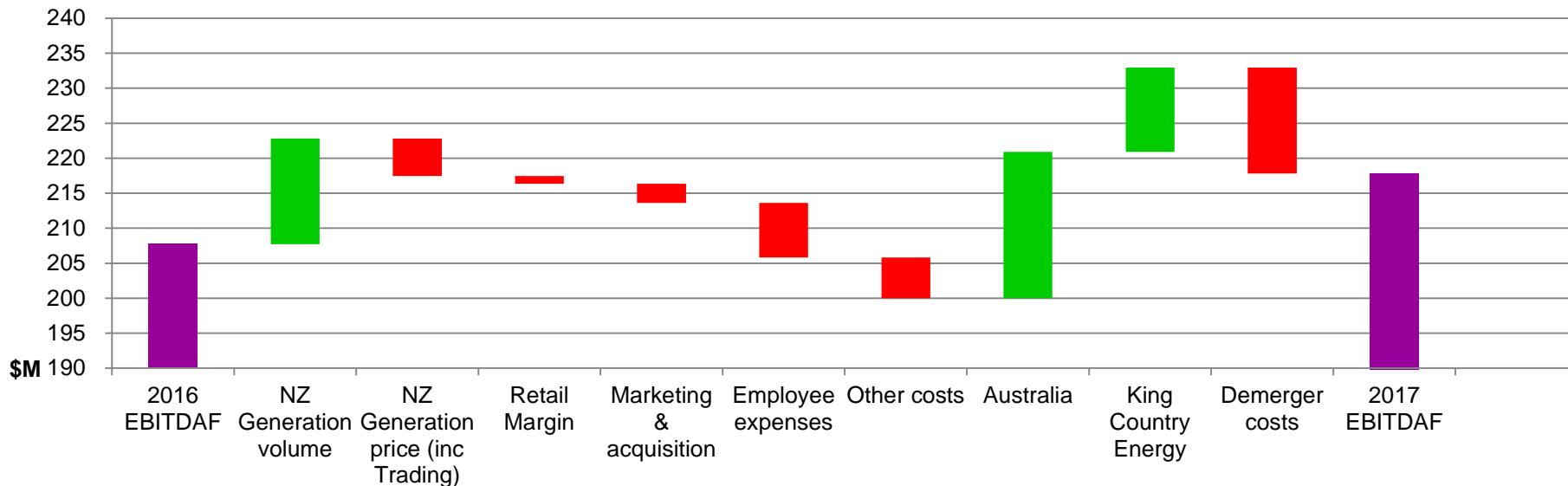
2017 highlights

- Successful completion of demerger and reorganisation to create fresh focus for Trustpower
- New Senior Leadership Team
- NZ generation volume 27% above 2016.
- Australian generation volume 41% above 2016
- Continued investment in strong service and technology platform
- 17% increase in customers with two or more products
- Reduced net debt to EBITDAF to 3.0 times (down from 3.5 times at March 2016)

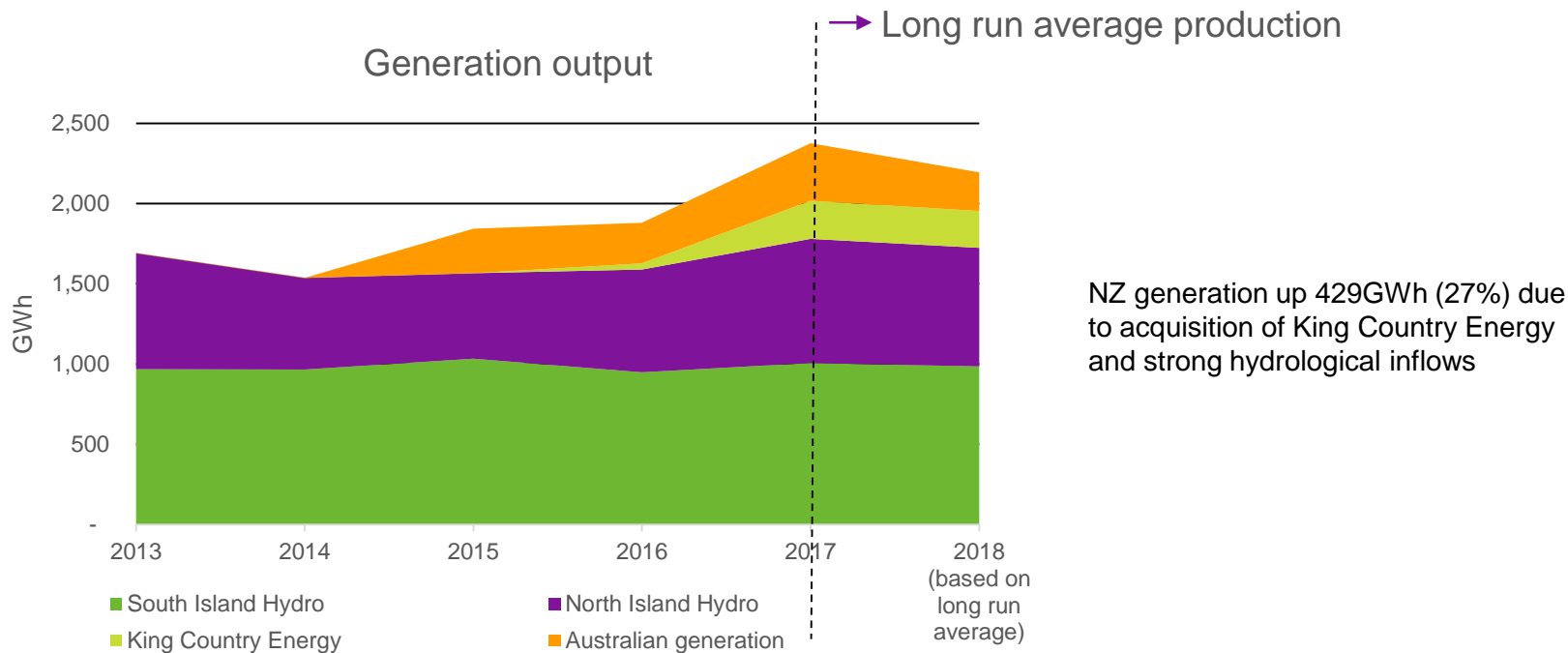
Trustpower senior leadership team – refreshed and focused



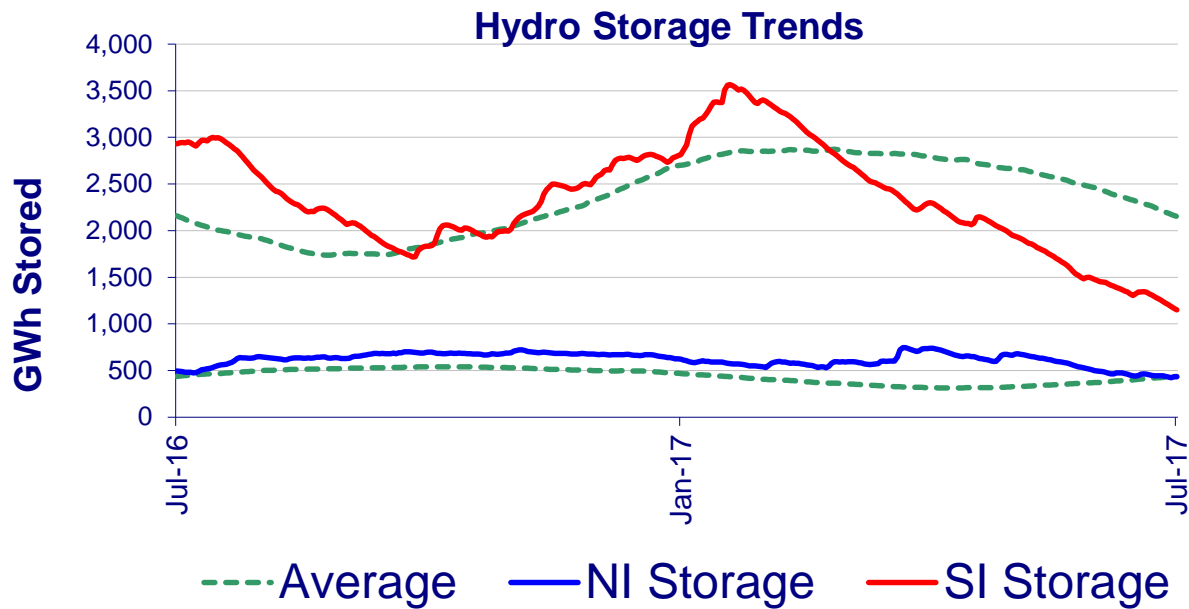
EBITDAF bridge full year 2016 - 2017



Sources of own generation – boosted by rainfall in FY17



NZ hydro storage position



Continued decline of South Island storage levels has increased wholesale prices in the first quarter of FY18.

Storage

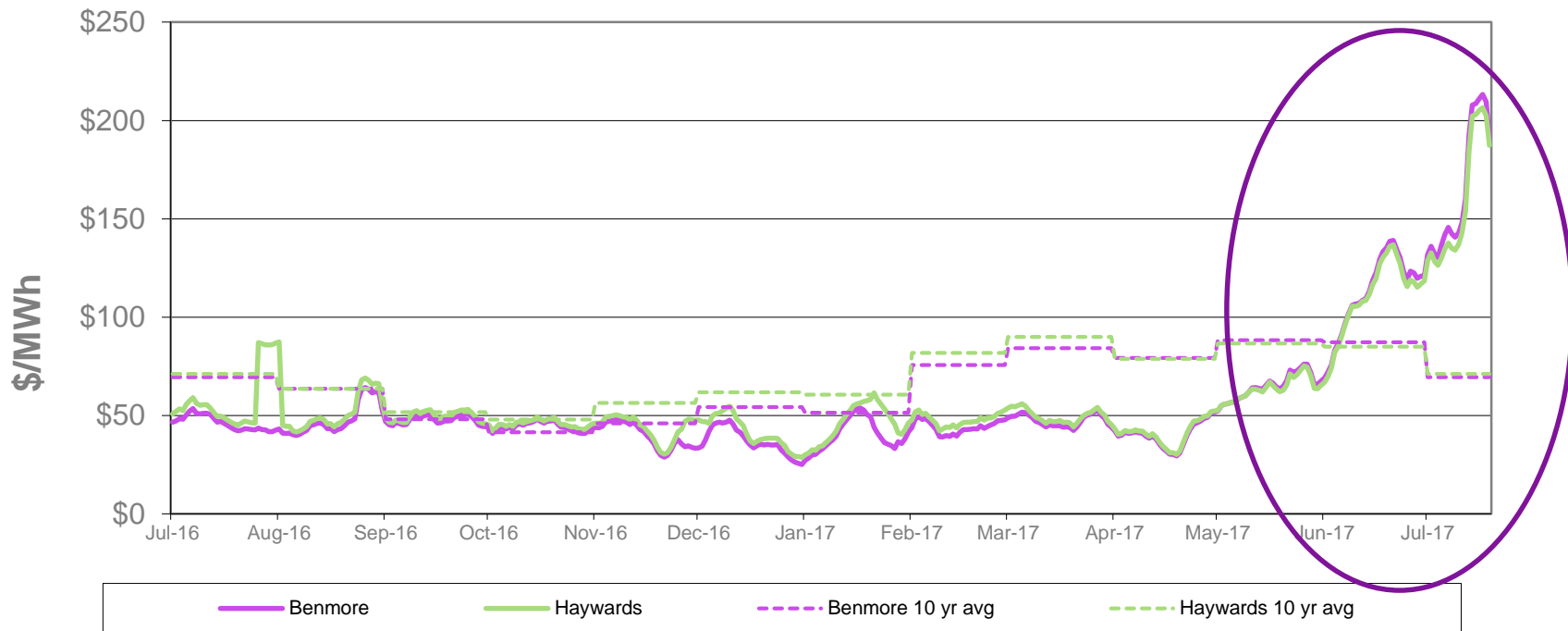
- North Island 119% of average
- South Island 51% of average

High price events can lead to retailer stress if risk management is not robust

Highlights the importance of the EA stress test.

FY 2017 NZ wholesale prices well below average, much firmer in FY 2018 to date

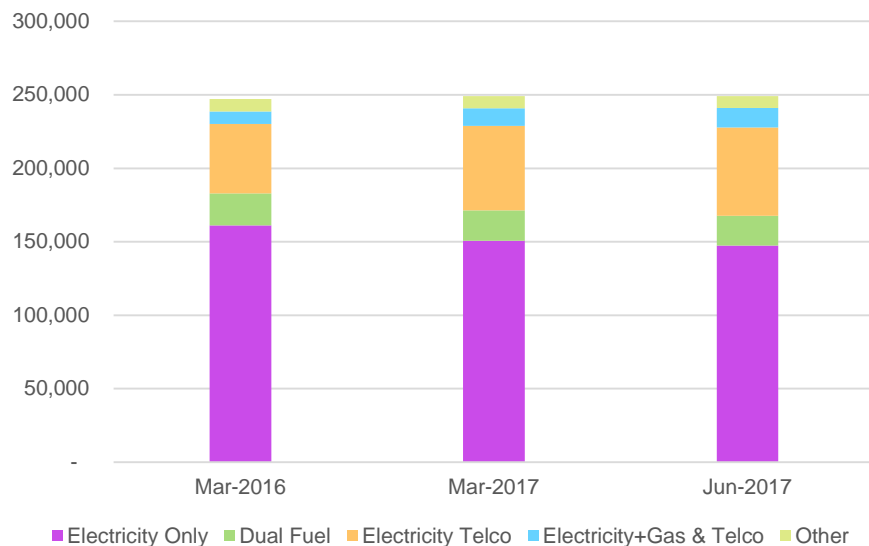
Weekly Average Prices - 12 Months to 19th July 2017



Source: NZX Energy

Improving Customer Mix

Customer Mix



	Actual - June 2017	Target - March 2018
Electricity Connections	278,000	280,000 to 290,000
Telco Connections	79,000	90,000 to 100,000
Total Gas Connections (incl LPG)	37,000	35,000 to 38,000
% customers with 2 or more products	38%	42%

Insight driven propositions – entertainment bundle

- Determine who to market to;
- Determine how to engage and;
- Develop the compelling proposition



40" Samsung Smart TV



free with
100/20 Fibre

50" Samsung Smart TV



free with
200/20 Fibre

55" Samsung Smart TV

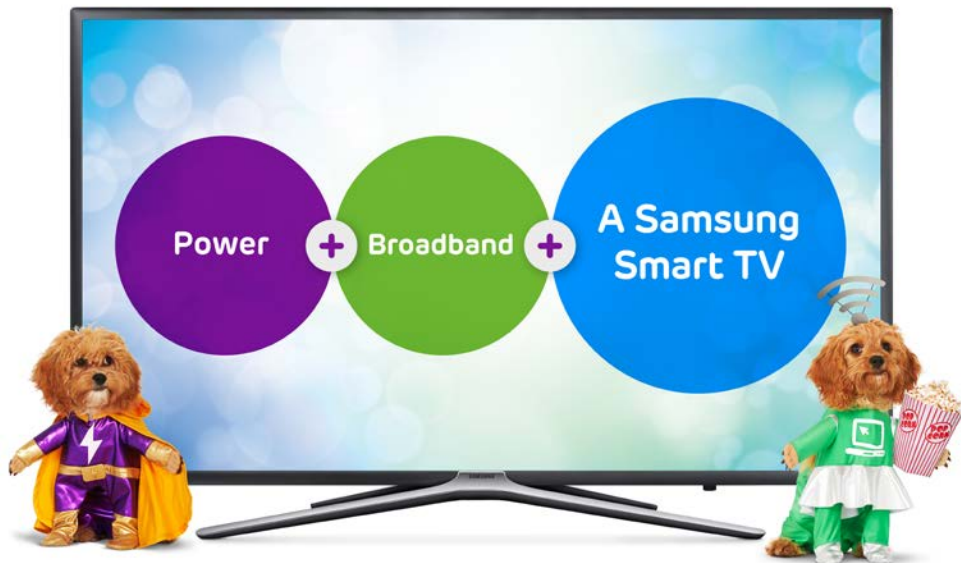


free with
200/200 Fibre



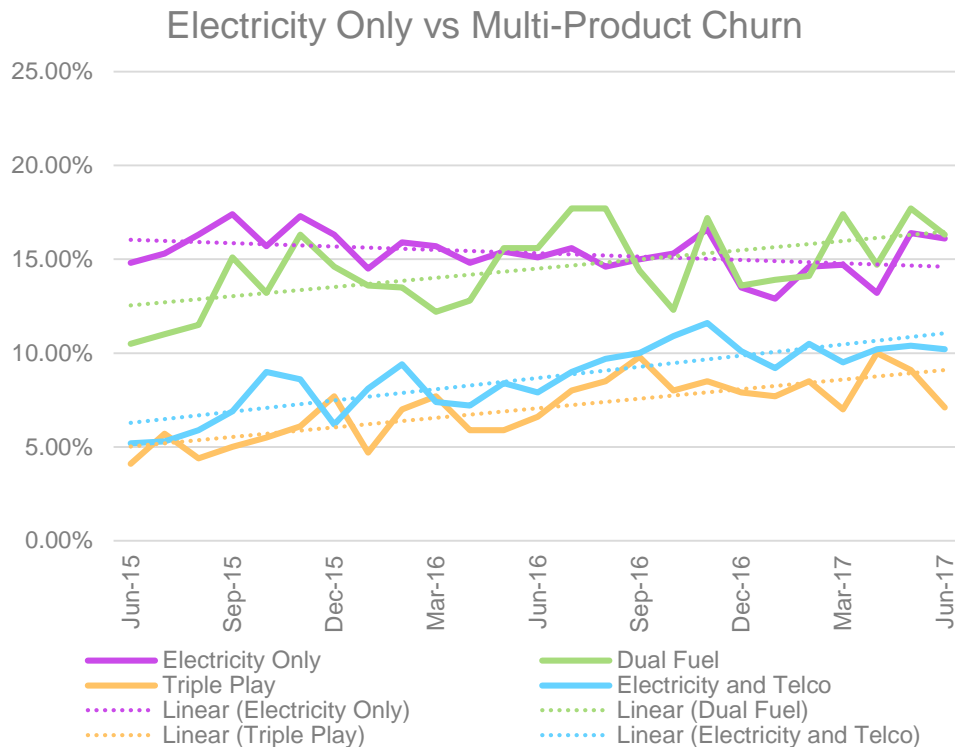
What did we set out to achieve

- Develop and promote targeted propositions ✓
- Build capability to sell a complex offer ✓
- Move customers to higher value plans ✓
- Decrease cost of sales due to better conversion ✓
- Acquire customers in high value segments ✓
- Attract customers that:
 - Will stay with us longer
 - Use more electricity
 - Are more likely to take future offers



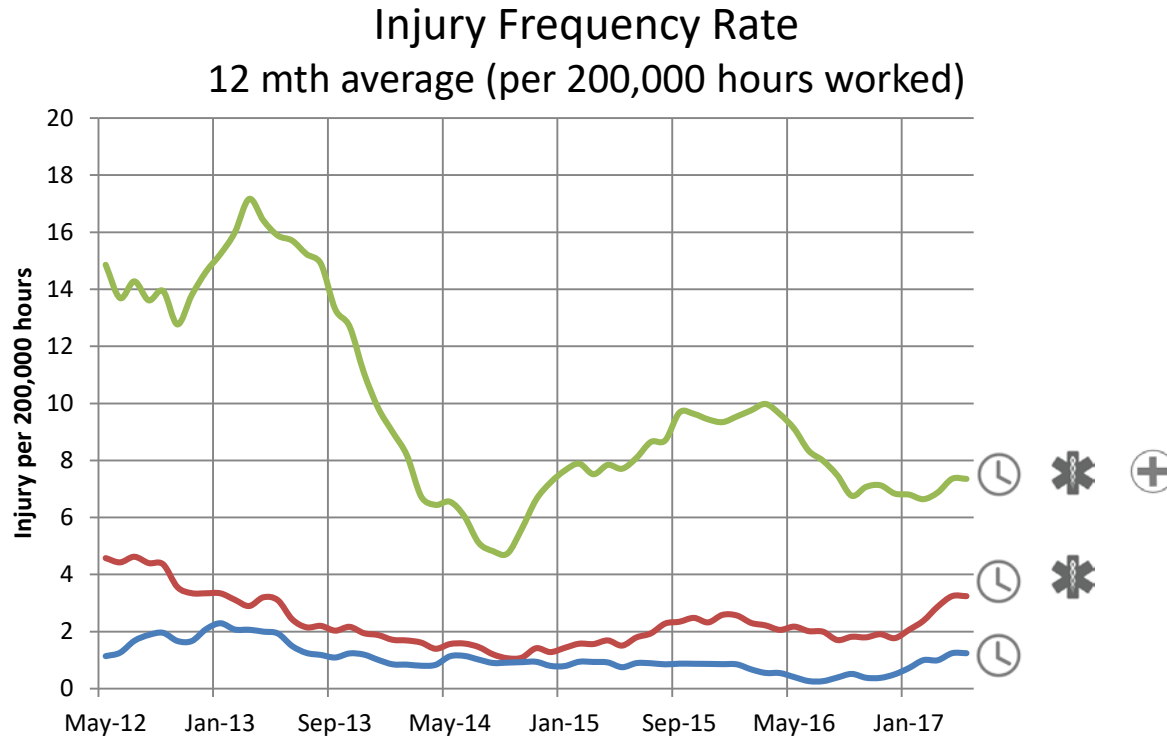
Achieved over 3,000 sales to targeted customers

Multi-product churn benefits continue



- Markets highly competitive in energy and telco
- Churn for multi-product customers remains materially lower than energy only
- 80% of customers acquired in Q1 FY18 took 2 or more products

Health and Safety – our progress



Lost time injury



Medical Treatment



First Aid



Community focus

Community groups involved in the
Trustpower Community Awards Programme

2017 → 1,299

2016 → 1,036

2015 → 1,198



High school students recognised via Trustpower Youth Spirit Awards

2017	2016	2015	2014	2013
62	68	65	60	77

First quarter FY 2018

Metric	Q1-18	Q1-17	
RETAIL			
Total Utility Accounts	392,000	380,000	●
Customers with 2+ Services	94,000	82,000	●
Mass Market Customer Churn	15.3%	14.4%	●
Total Customer Sales (GWh) (Electricity)	990	1,014	●
GENERATION			
Average NZ Wholesale Price	72	56	●
Generation Volume – NZ (GWh)	595	430	●
Generation Volume – AUS (GWh)	35	28	●
CORPORATE			
FTE's	782	787	●

March 2018 Forecast

Trustpower expects its FY18 EBITDAF to be in the range of **\$225 million to \$245 million** this is an increase on its earlier guidance of \$215 million to \$235 million.

The increased forecast has been driven by the favourable trading conditions in the year to date. The forecast is underpinned by the following assumptions:

- Long run average generation volumes for the remainder of the year
- NZ Wholesale price averages are in line with current ASX pricing for the remainder of the year
- Average temperatures and average electricity consumption for the remainder of the year
- Total customers increase to between 255,000 and 260,000 including 90,000 to 95,000 telco customers

Appendix

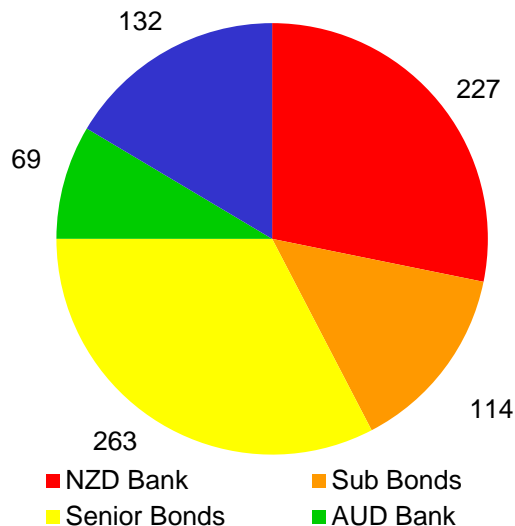


Trustpower key facts

- Tauranga based national electricity generator and retailer of energy and telco
- History dates back to 1923 as the Tauranga Electric Power Board
- Market capitalisation circa \$1.7 billion
- Key shareholders Infratil (51.0%) and TECT (26.8%)
- New Zealand generation capacity (hydro) 433MW producing an average of circa 1,723 GWh per annum
- 93 MW of Australian hydro operating assets producing an average of circa 244 GWh per annum
- Approximately 249,000 customers
- 94,000 customers have more than one product
- Approximately 786 FTE employees (including King Country Energy)

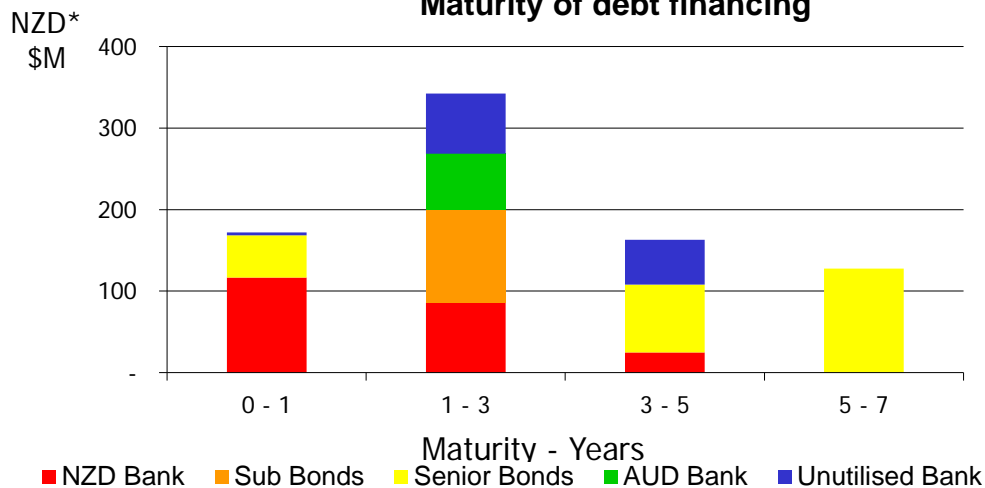
Debt capital management

Source of debt financing



* AUD Loans converted at NZD/AUD 0.92

Maturity of debt financing



Net debt to EBITDAF **3.0** times down
from **3.5** times in 2016

FY17 financial highlights

	March 2017	March 2016
EBITDAF (\$m)	218	208
Underlying Earnings after tax (\$m)	115	84
Dividends paid (cents per share)	33	34
Net debt to EBITDAF	3.0	3.5
Net Tangible Assets (\$ per share)	4.21	4.24
Total connections (000)	385	370
Total generation (GWh)	2,376	1,842

All figures above exclude the impact of the operations transferred Tilt Renewables in the October 2016 demerger. A detailed explanation of how these figures were calculated can be found in note 1 of Trustpower's March 2017 audited financial statements

Non-GAAP Measures

- Underlying Earnings is a non GAAP (Generally Accepted Accounting Principles) financial measure. Trustpower believes that this measure is an important additional financial measure to disclose as it excludes movements in the fair value of financial instruments which can be volatile year to year depending on movement in long term interest rate and or electricity future prices. Also excluded in this measure are items considered to be one off and not related to core business such as changes to the company tax rate or impairment of generation assets.
- EBITDAF is a non GAAP financial measure but is commonly used within the electricity industry as a measure of performance as it shows the level of earnings before impact of gearing levels and non-cash charges such as depreciation and amortisation. Market analysts use the measure as an input into company valuation and valuation metrics used to assess relative value and performance of companies across the sector.
- Reconciliation between statutory measure of profit and the two measures above are given below:

	2016	2017
Profit After Tax Attributable to Shareholders	67,798	92,545
Fair value losses / (gains) on financial instruments	10,480	(4,735)
Discount on acquisition	(2,114)	-
Impairment of assets	3,476	3,479
Demerger related expenditure	1,659	23,959
Changes in income tax expense in relation to adjustments	(3,908)	(687)
Impact of Inland Revenue court case on interest expense	5,304	-
Impact of Inland Revenue court case on income tax expense	1,277	-
Underlying Earnings After Tax	83,972	114,561
 Operating Profit	 153,320	 171,553
Fair value losses / (gains) on financial instruments	10,480	(4,735)
Impairment of assets	3,476	3,479
Depreciation and amortisation	42,539	47,534
Discount on acquisition	(2,114)	-
EBITDAF	207,701	217,831

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