all the
little
things

Annual Meeting of Shareholders – 23 July 2018

Chair’s Address

Heading to a low emissions economy

- Government has set an aspirational target for net-zero emissions by 2050
- Trustpower supports the intent – the targets are ambitious and require careful consideration of economic and social impacts
- To succeed it is critical that the Climate Change Commission and the goals achieve cross party support
- Success requires “joined up thinking” across all government policy areas and that specific initiatives are sound
- Decisions like the recent oil and gas announcement, that deplete the capital needed for the task and don’t achieve the objectives (reduction in emissions) must be avoided

Electricity sector is already largely renewable

- New Zealand electricity production is more than 80% renewable in an average hydrology year
- The Government target is 100%. This is achievable, but not necessarily the best economic outcome, nor the most productive means of getting the greatest emission reductions. The targets need further expert analysis
- Irrespective of the political targets, renewable electricity generation should significantly increase, both to meet increased electricity demand as other sectors move from fossil fuels and in the proportion of electricity generated from renewable sources
- Conversion of industrial heat boilers to electricity and the widespread uptake of electric vehicles could increase electricity consumption by 75% in 2050
- Gas peaking for dry, calm overcast and peak demand periods will be needed
- Retaining access to existing hydro resources underpin the ability to increase renewable generation

Government policy must be joined up

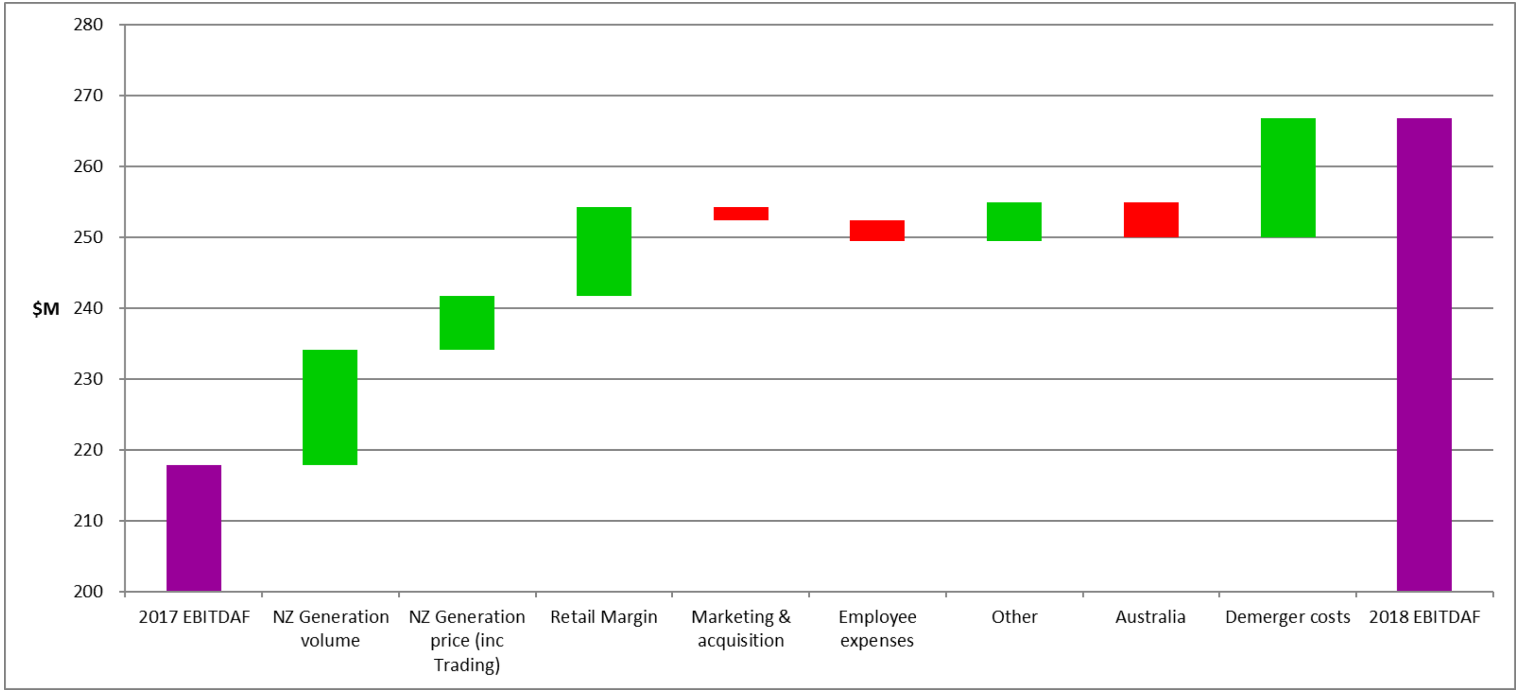
- There are 10 government agencies with climate change functions
- National Policy Statement (NPS) renewable energy generation needs to strengthen if targets are to be realistic
- Cross party support for climate policy is vital if private capital is to be deployed on long life assets
- Both the demand and supply side have a role to play
- Policy response must be adaptive
- Trustpower is optimistic about how technology, innovation and private capital can help address the issues
- We recognise the political dimension and will stay fully engaged with all political parties and seek to give evidence based and constructive input

Chief Executive’s Address

FY18 Highlights

- Net Profit after tax of $129 million – up 38%
- EBITDAF (including Australia) of $267 million - up 22%
- Retail EBITDAF of $60 million, up 33%
- NZ Generation EBITDAF of $196 million, up 16%
- Divestment of GSP Energy Australian hydro assets adds value and tightens focus
- Completion of King Country Energy take over with King Country Electric Power Trust allows consolidation and synergy realisation
- Trustpower continues to pursue investment opportunities as they arise
- Fully imputed full year dividend of 34c/share

EBITDAF bridge full year 2017 - 2018



First Quarter update

- Mass market volume per customer for Q1-19 is marginally lower than the same period last year.
- While overall electricity connections have dropped, Gas and Telco customer gains have more than offset this.
- Multi-product customer churn rates have settled over the last 12 months and continue to track well below market average.

- 397,000 total utility accounts (flat for the quarter, up 5,000 vs last year).
- We reached a milestone 100,000 customers with more than one service (up 2,000 for the quarter, and up 7,000 vs last year).
- Approximately 78% of customer acquisitions in Q1-19 have taken 2+ products.

- NZ wholesale prices were materially down on long run average this quarter, down -30% at Benmore and -23% at Otahuhu on the current 10-year average across the period.
- NZ generation volumes were down 4% on the same quarter last year, but up 14% compared to long run average.

FY19 EBITDAF still expected to be between $205 million and $225 million

Electricity industry poised for growth

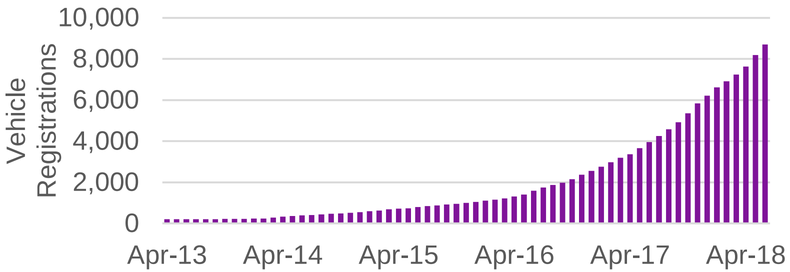
The NZ economy is electrifying!

"Synlait commits to never building another coal fired boiler – new boiler to be electric"[1]

We are already starting to see the evidence

EV fleet size[2]

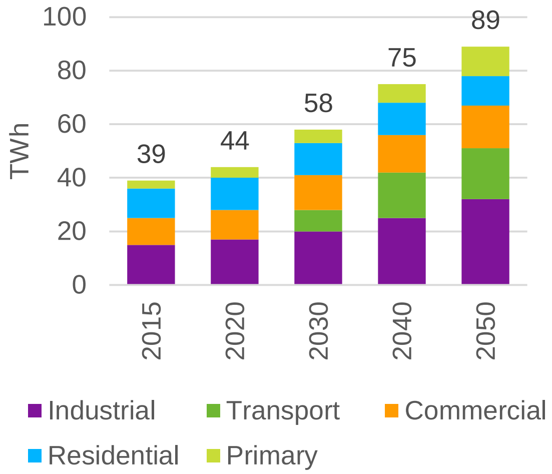
EV's will soon start to make a difference



1. Synlait announcement 28 June 2018, 2. https://www.transport.govt.nz/resources/vehicle-fleet-statistics/ monthly-electric-and-hybrid-light-vehicle-registrations/

Transpower's view

" the major difference between the last 10 years and the next 30 years will be significantly more electrification" [3]



Estimated delivered electricity demand by sector

3. Te Mauri Hiko Energy Futures – Transpower White Paper 2018 (page 20)

The Trustpower market view

Supply and demand tightening

- Trustpower agrees with other market commentators and participants that the market is approaching a supply/demand balance.
- This is particularly true now the fourth pot line at Tiwai is coming on line
- The last 12 months demonstrate how changes in short term hydrology will have a more direct impact on wholesale pricing as supply and demand tighten.

Short term view

- Wholesale prices will be more volatile and this will to be reflected in forward wholesale pricing as well as retail pricing.

Long term view

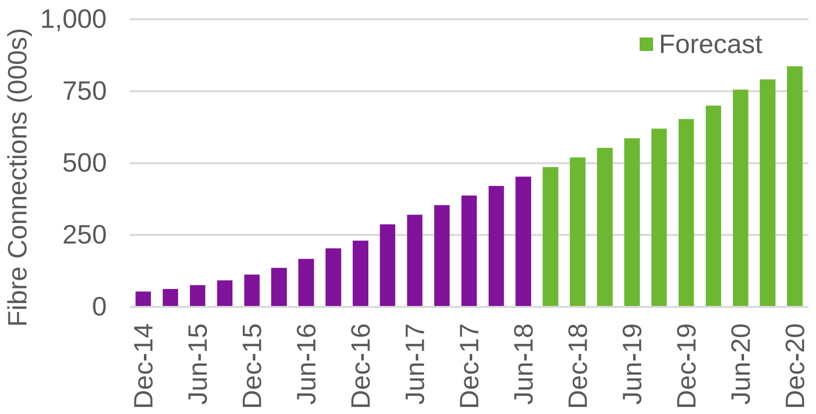
- Considerable uncertainty exists as to the long run supply/demand balance.
- Trustpower is unlikely to invest in a significant new generation build in the near term. Small scale builds/enhancements may be possible.
- Clear signals are required from government to encourage capital deployment

Fibre rollout and data consumption driving significant telco growth

Actual and forecast fibre connections

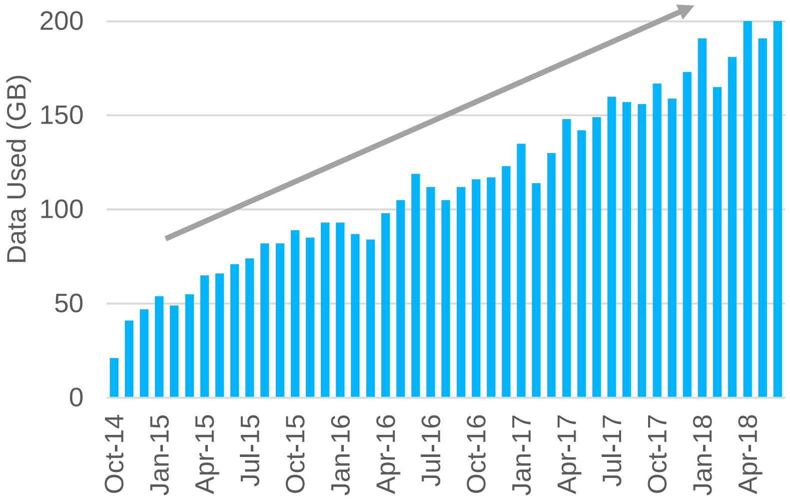
Fibre opportunity growing fast

- Driven by data hungry customers
- Creates new opportunity for customer engagement



Trustpower's customers are showing no signs of slowing down

Average data use per customer per month



Trustpower's strategy – to create executable options driving shareholder returns

Strategic Pillars

- **Bundling Energy and Telco**
- **Generation Portfolio Performance**
- **Maximising Electricity Value**
- **Identifying New Markets**

Strategic Capabilities

- Driving action based on data, analytics and insight
- Meeting our customers' needs
- Strong, positive relationships
- Lean, agile, scalable technology platforms and processes
- Open culture with a collective learning focus

Values

- **Passion**
- **Respect**
- **Integrity**
- **Innovation**
- **Delivery**
- **Empower**

Shareholder Value

To deliver a total shareholder return in the top quartile of the NZX while maintaining a strong focus on total societal impact.

Trustpower the leading multi-utility business

Comment

- We created a new category and others have followed
- There is plenty of room for growth in this category

Our achievements

Over 100,000 customers have more than one product

- Growth from a base of around 20,000 multi-utility customers in mid 2013
- We continue to see strong telecommunications growth
- We are now realising material scale and cost to serve benefits
  - E.g. caching delivering savings of ~$3m p.a.

Customer service – a strategic capability

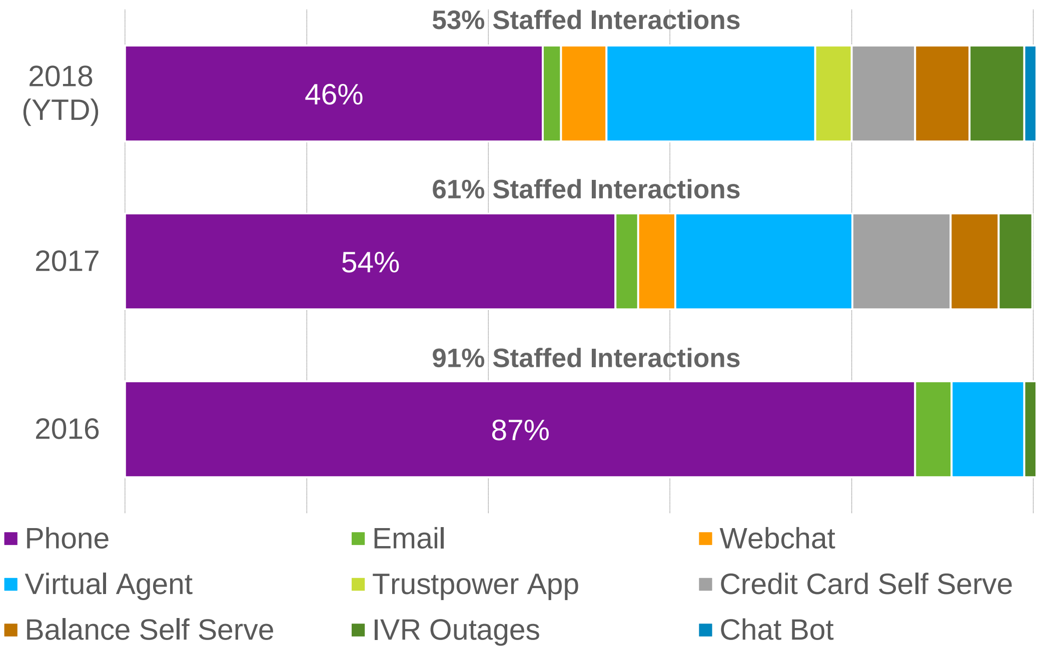
Trustpower has been focusing on developing customer service as a strategic capability

- Proven capability in acquiring and migrating customer bases without any noticeable increase in customer churn
  - » EDNZ complete
  - » KCE complete
- One of the most automated utilities in New Zealand with nearly half of our customer contacts serviced without human contact
- Using technology to automate the back office processes
- Steadily improving labour efficiency

This capability allows us to actively participate in industry consolidation while at the same time creating an environment that promotes customer retention

And digital success…

- 47% of all customer contacts are now serviced without human intervention
- Goal to reduce staffed contacts by another 12% across the next 18 months & reduce on queue FTE by 10%
- Delivering a hybrid staffed/non-staffed model with a focus on value add human interactions



We will continue to drive portfolio profitability & manage risk in the near term through a number of different focus areas

Key focus areas

Maximizing portfolio profitability

Our licence to operate and risk management

Asset efficiency

Identifying new generation opportunities

Matahina G1 refurbishment + enhancement – case study

- Refurbished second-hand 56 MVA Transformer replaced end-of-life single-phase transformers – total installed cost of $1.5m versus $3-5m for a new transformer
- Investigations initiated for a Low-flow Turbine to increase total station GWh

Transformer lifted onto trailer for short journey to switchyard

Installed in final location in switchyard

Matahina Station (In top 5 highest value in portfolio):

- Outage timed to minimise lost generation
- Concurrent major rotor refurbishment works
- ‘Healthy’ outage concept with good H&S results

Coleridge G2 & G3 generator replacement

- Condition assessment and Asset Management Plan identified Coleridge Generators G2 & G3 (12 MW each) as two of our six top-earning machines, but being in very poor condition
- International tendering process to select preferred supplier and installer
- Optimal timing for generator replacement balanced the risk of failure (lost revenue) with the benefit of delay (project cost).

New G3 rotor awaiting installation

G3 stator being lifted into station

Summary of key messages

Our retail business is well positioned

- Our differentiated bundled strategy is adding value with a significant growth opportunity due to the fibre rollout
- Being a value led rather than price lead competitor is a long term sustainable and profitable position
- We have made significant progress in our digital strategy and are well positioned for the digital future

We have developed a high level of capability that gives us the flexibility and agility to perform well in a changing future

- A highly capable organisation that focuses on collective learning and fast decision making
- A strong focus on the communities in which we operate and a commitment to be a positive contributor
- Agile and flexible technology platforms that support our commitment to digital initiatives
- We are extracting significant scale benefits from our telco platform

Our generation assets are well placed to capitalise on a renewable future

- Geographical diversity and high levels of availability

We are facing a high level of regulation both in energy and in telco

- It is yet to be seen if this will be a positive or negative for Trustpower. However we are fully engaged and believe we have the flexibility and capability to prosper whatever the outcome.

We are well positioned to grow both organically and through acquisition


Governance Review

Purpose of the Review

Trustpower has completely reviewed its governance structure and key policies to ensure:

- The structure meets the evolving shareholder and stakeholder expectations, including the NZX Governance Code, social reporting etc.
- A committee structure is in place to support the Board in its increasing workload around culture, conduct, remuneration frameworks and appropriate incentives
- There is an appropriate framework that supports and governs the act of governance itself not just the governance of the operations of the Company

Outcome of the review

The key changes as a result of the review were:

1. **Expansion of the Remuneration Committee into a People and Remuneration Committee to assist the Board and Management in**:

- Establishing appropriate remuneration policies
- Determining the remuneration of senior executives
- Establishing policies and practices that foster an open organisational culture with a collective learning focus

2. **The formation of a Nominations and Governance Committee to:**

- Guide Board development and succession planning
- Co-ordinate the selection of new directors
- Recommend directors’ fees (to the Board and ultimately to shareholders)

3. **Completion of a review and update of the charters for the Board and Audit & Risk Committee**

4. **Update of the key governance policies**

Appointments to committees

When considering appointments to committees the Board used the following guiding principles

- All committee chairs should be independent directors
- The majority of committee members should be independent directors
- The workload of directors should be as balanced as possible
- Where a director has a specialist skill this should be applied to the appropriate committee e.g. accountancy to the Audit & Risk Committee

Committee membership is as follows:

Committee	Chair	Members
Audit & Risk	S Knowles	K Baker, G Swier
People & Remuneration	G Swier	S Peterson, P Ridley-Smith
Nomination & Governance	S Peterson	S Knowles, P Ridley-Smith

Proposed Fees

Proposal to increase the total directors' fee pool from $800,000 to $840,000

- $40,000 increase or 5%
- Director fees last reviewed at the shareholder meeting in 2016

No change to base directors fees

Increase in pool required to account for four new committee positions including two new committee chairs

Proposed Committee fees are as follows:

Committee	Chair	Members
Audit & Risk	$22,500	$15,000
People & Remuneration	$17,500	$15,000
Nomination & Governance	$17,500	$15,000

Thank You

Non-GAAP Measures

- 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. The EBITDAF shown in the financial statements excludes the Australian business which is a discontinued operation.
- Reconciliation between statutory measures of profit and EBITDAF, as well as EBITDAF per the financial statements and total EBITDAF, is given below:

	2017	2018
Operating Profit	**141,883**	**191,068**
Fair value losses / (gains) on financial instruments	(3,825)	2,675
Impairment of assets	3,479	5,099
Depreciation and amortisation	44,742	44,242
Discount on acquisition	-	-
EBITDAF per financial statements	**186,279**	**243,084**
EBITDAF of Australian business	31,552	26,684
Reclassification of foreign currency translation reserve	-	(3,022)
Total EBITDAF	**217,831**	**266,746**

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