

TRANSPower

DOMESTIC GREEN BOND OFFER

Investor Presentation

September 2022



Important Information

Transpower New Zealand Limited (Issuer or Transpower) is offering up to NZ\$150,000,000 fixed rate green bonds (with the ability to accept up to NZ\$50,000,000 oversubscriptions at Transpower's discretion) due 16 September 2027 (Green Bonds) in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (FMCA).

The Green Bonds will have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Transpower's:

NZ\$100,000,000 fixed rate green bonds maturing on 16 September 2022 with a fixed interest rate of 4.069%, which are quoted on the NZX Debt Market under the ticker code TRP040;

NZ\$125,000,000 fixed rate green bonds maturing on 6 March 2025 with a fixed interest rate of 3.823%, which are quoted on the NZX Debt Market under the ticker code TRP050;

NZ\$150,000,000 fixed rate green bonds maturing on 14 March 2024 with a fixed interest rate of 2.73%, which are quoted on the NZX Debt Market under the ticker code TRP060;

NZ\$450,000,000 fixed rate green bonds maturing on 4 September 2025 with a fixed interest rate of 1.735%, which are quoted on the NZX Debt Market under the ticker code TRP070;

NZ\$150,000,000 fixed rate green bonds maturing on 8 April 2026 with a fixed interest rate of 1.52%, which are quoted on the NZX Debt Market under the ticker code TRP080; and

NZ\$200,000,000 fixed rate green bonds maturing on 8 September 2026 with a fixed interest rate of 2.047%, which are currently quoted on the NZX Debt Market under the ticker code TRP090, (together, Quoted Green Bonds).

Accordingly, the Green Bonds are of the same class as the Quoted Green Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

Transpower 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 <https://www.nzx.com/companies/TRP>.

Investors should look to the market price of the Quoted Green Bonds referred to above to find out how the market assesses the returns and risk premium for those green bonds.

The Green Bonds will be debt securities and will constitute unsecured, unsubordinated debt obligations of the Issuer. The Green Bonds will rank equally and without any preference among themselves and at least equally with all other unsecured and unsubordinated indebtedness of the Issuer, except indebtedness preferred by law and subject to laws affecting creditors' rights generally and equitable principles of general application. Neither the repayment of, nor the payment of interest on, the Green Bonds is guaranteed by the Crown or any other person.



Disclaimer

This presentation does not constitute a recommendation by the Issuer, Bank of New Zealand (Lead Manager), The New Zealand Guardian Trust Company Limited (Supervisor), nor any of their respective directors, officers, employees or agents to subscribe for, or purchase, any of the Green Bonds. None of the Issuer, the Supervisor or any of their respective directors, officers, employees or agents accepts any liability whatsoever for any loss arising from this presentation or its contents or otherwise arising in connection with the offer, except as provided for in the FMCA.

This presentation is for preliminary information purposes only and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. The information in this document is given in good faith and has been obtained from sources believed to be reliable and accurate at the date of preparation, but its accuracy, correctness and completeness cannot be guaranteed. All material information in this document is derived from publicly available information, unless otherwise indicated. All of the numerical data provided in this presentation is derived from the Statement of Corporate Intent 2022/2023 and the audited Financial Statements for the year ended 30 June 2022.

Any internet site addresses provided in this presentation 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 presentation.

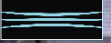
The presentation outlines a number of Transpower's forward-looking plans and projections. Those plans and projections reflect current expectations, but are inherently subject to risk and uncertainty, and may change at any time. There is no assurance that those plans will be implemented or that projections will be realised.

Pricing supplement [No. 18, dated 7 September 2022] (Pricing Supplement) has been prepared in respect of the offer of the Green Bonds. The Pricing Supplement is an important document and should be read carefully. Investors should not purchase the Green Bonds until they have read the Pricing Supplement. Investors should consider the risks that are associated with an investment in the Green Bonds, particularly with regard to their personal circumstances (including financial and tax issues). Nothing in this presentation constitutes legal, financial, tax or other advice.

The Pricing Supplement sets out the applicable selling restrictions in respect of the Green Bonds.

Neither the Lead Manager nor any of its directors, officers, employees and agents: (a) accept any responsibility or liability whatsoever for any loss arising from this presentation or its contents or otherwise arising in connection with the offer of Green Bonds; (b) authorised or caused the issue of, or made any statement in, any part of this presentation; and (c) make any representation 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 presentation and accept no liability (except to the extent such liability is found by a court to arise under the FMCA or cannot be disclaimed as a matter of law).





Agenda

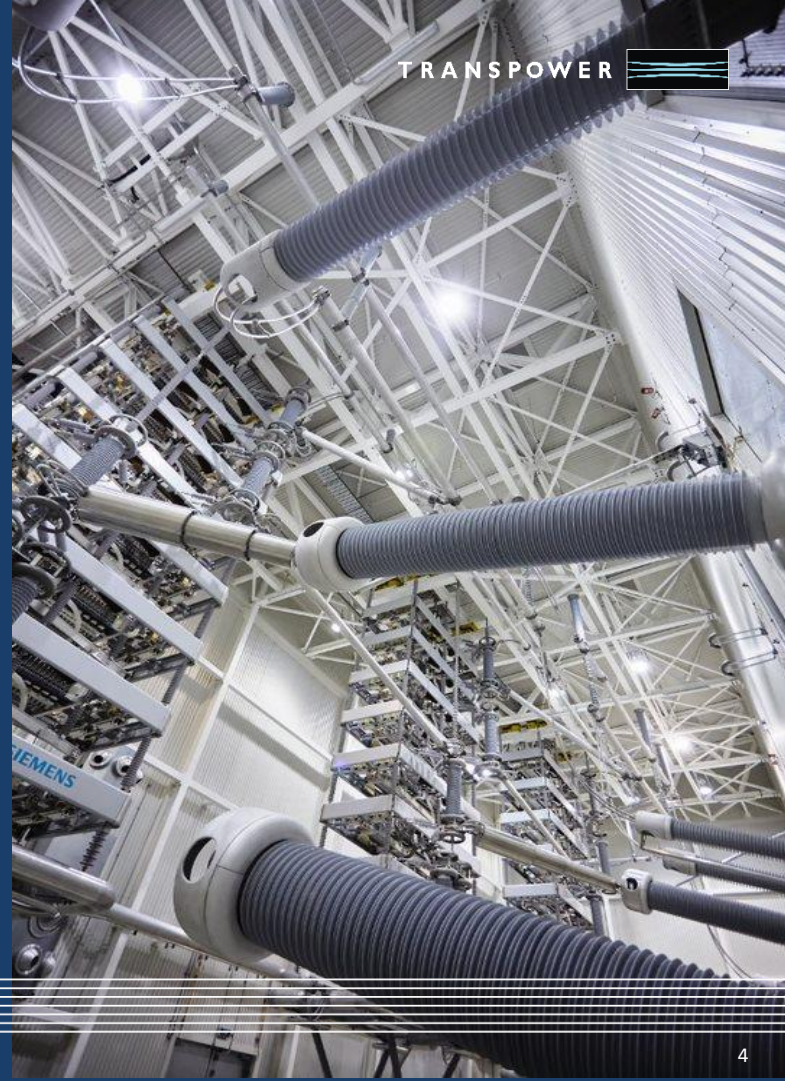
- > Company Overview
- > Sustainability
- > Green Financing Framework
- > Industry & Regulation
- > Capital Expenditure
- > Funding
- > Bond Offer
- > Questions



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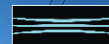
Transpower Investment Highlights

- Strong investment grade profile – AA (stable) by S&P Global Ratings
- Green Financing Framework - Certified Climate Bond
- A focus on sustainability / enabling renewable generation
- Stable, regulated cash flow
- Prudent financial risk management
- Crown ownership
- Essential national utility / high barriers to entry
- Experienced governance and management team
- Low counterparty risk / enforceable requirement to pay





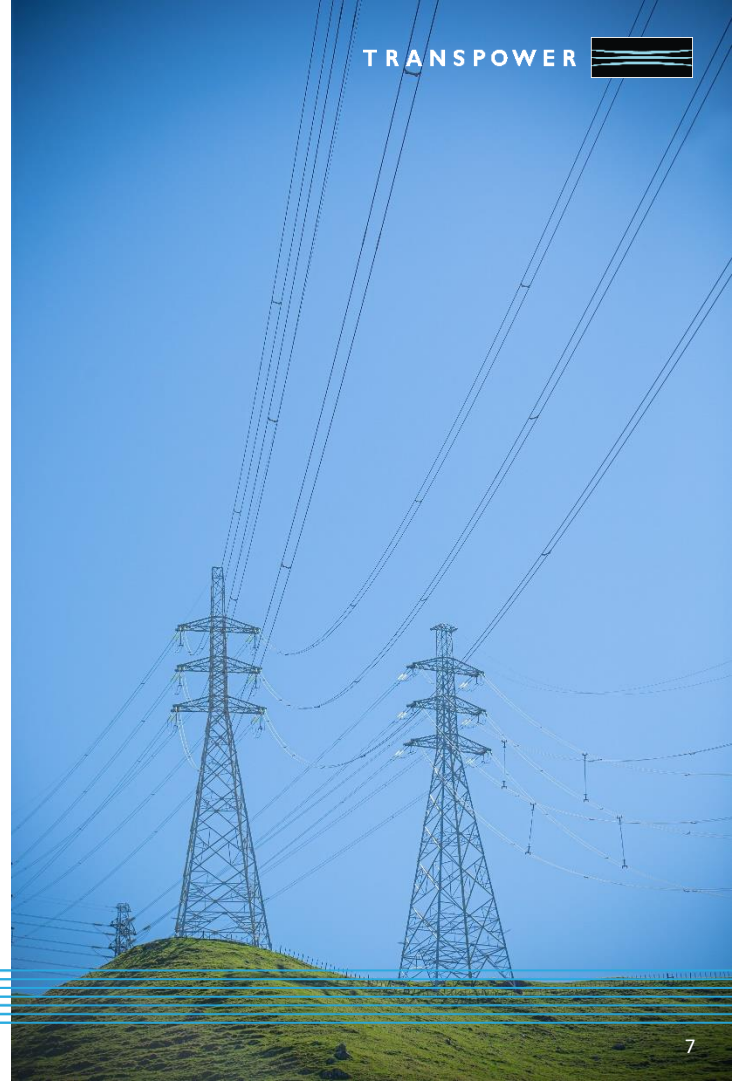
Company Overview



Company Overview

- 100% Crown-owned¹
- Rated AA (stable) by S&P Global Ratings
- Central to the New Zealand electricity industry
 - Owner and operator of the National Grid
 - System Operator
- No volume risk
- Highly regulated
 - Low volatility in underlying earnings
 - Stable regulatory regime
- Impact from COVID-19 ongoing. Global supply chain risks remain elevated with access to strategic stock and specialist capabilities an ongoing challenge

¹ The Crown (State) does not guarantee bonds issued by Transpower



Transmission Network

- Over \$4.9 billion regulated transmission assets
- Sole Transmission System Operator in New Zealand
- Approximately 11,000 kilometres of transmission lines
- 178 substations
- 27 distribution customers
- 10 large industrial direct-connect customers
- 5 large grid-connected generator customers

Source: Transpower's Audited Financial Statements 30 June 2022 and
Transpower's Transmission Planning Report 2021
<https://www.transpower.co.nz/resources/transmission-planning-report-2021>



Financial Performance Targets

- Our key financial performance targets are focused on:
 - Maintaining our credit rating
 - Balance sheet strength
 - Financial returns
- We remain focused on managing our financial metrics and financial profile consistent with our AA rating band (S&P Global Ratings)
- Transpower targets:
 - FFO/Interest cover no less than 2.8x
 - FFO/Debt no less than 12.5%



Financial Performance

Total Revenue					OPEX					EBITDAIF ¹				
	2022	\$M	2021	% Δ		2022	\$M	2021	% Δ		2022	\$M	2021	% Δ
FY	885.2	↓	916.2	(3.4)		(311.1)	↑	(299.5)	3.9		574.1	↓	616.7	(6.9)

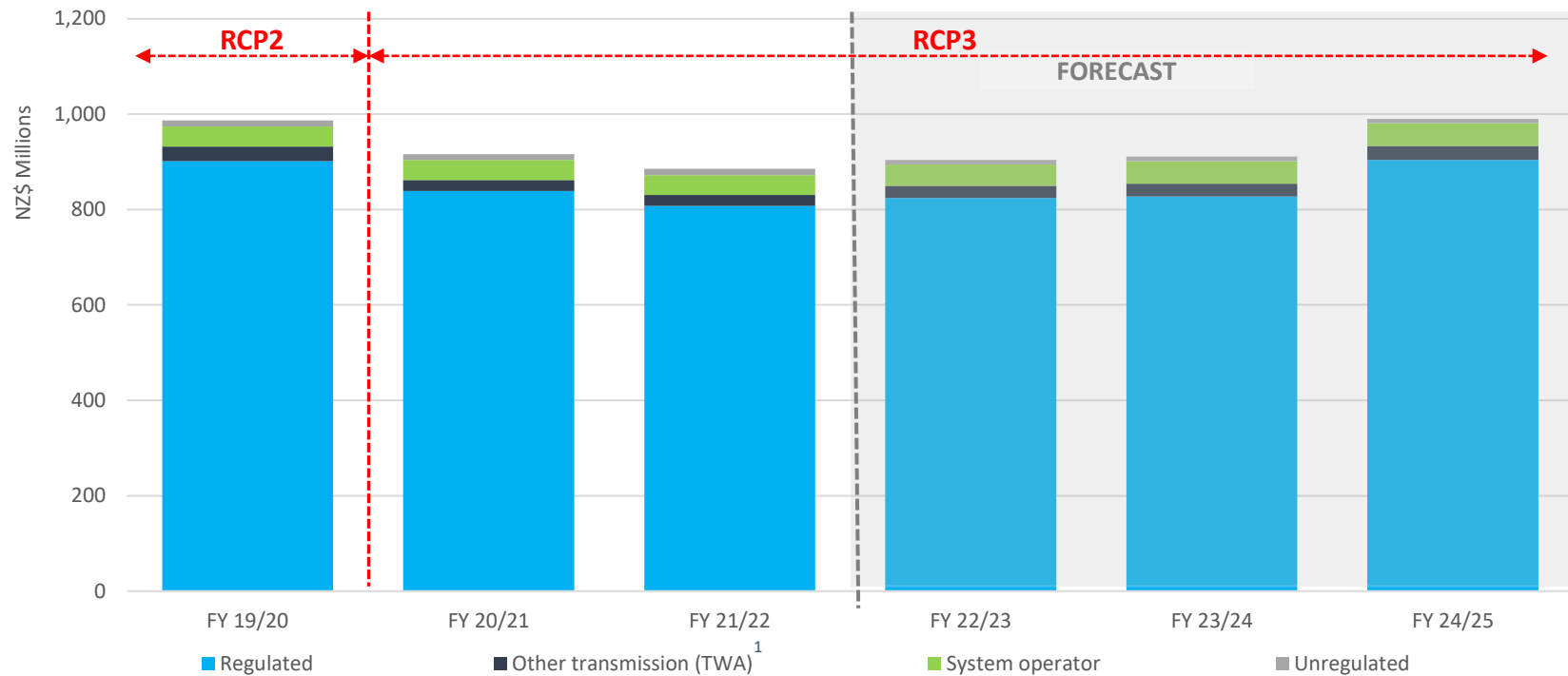
Depreciation, Amortisation					Net Finance Costs					Net Profit				
	2022	\$M	2021	% Δ		2022	\$M	2021	% Δ		2022	\$M	2021	% Δ
FY	(291.1)	↓	(351.1)	17.1		(86.2)	↑	(85.8)	(0.5)		166.6	↑	155.6	7.1

Revenue, EBITDAIF and Depreciation prior year comparatives include a one off Transpower Works Agreement (TWA) for ca. \$34 million. Normalising for the one off item, current FY financial results are in line with the comparative figures.

Source: Transpower's Audited Financial Statements 30 June 2022

¹ Earnings Before Interest, Tax, Depreciation, Amortisation, Asset write-off, Impairment and Fair Value movements

Forecast Revenue



¹ Transpower Works Agreement (Customer Investment Contracts)

Source: Transpower



Sustainability

Sustainability Focus

Our Sustainability Strategy sets out goals and enabling actions across four challenge areas

Transpower is committed to:

- Annual greenhouse gas emissions inventory reporting and assurance
- Sustainability reporting under the Environment, Social and Governance (ESG) reporting framework
- Disclose exposures to climate-related risks in accordance with the New Zealand XRB Climate Standards in 2024

Climate Change



We enable connections for new renewable generation and are working hard to reduce emissions across our supply chain

Environmental Stewardship



We aim to reduce the environmental impact and increase the efficiency with which we use materials and resources

Sustainable Business



We consider the social and environmental impacts of what we do and commit to report on our activities in a transparent way

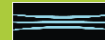
Our Communities



We partner with iwi and acknowledge connection to land and we work with communities and landowners to minimise physical presence and disruption related to our assets

More about Transpower's sustainability focus, including strategy, governance and disclosure can be found here - <https://www.transpower.co.nz/about-us/sustainability>





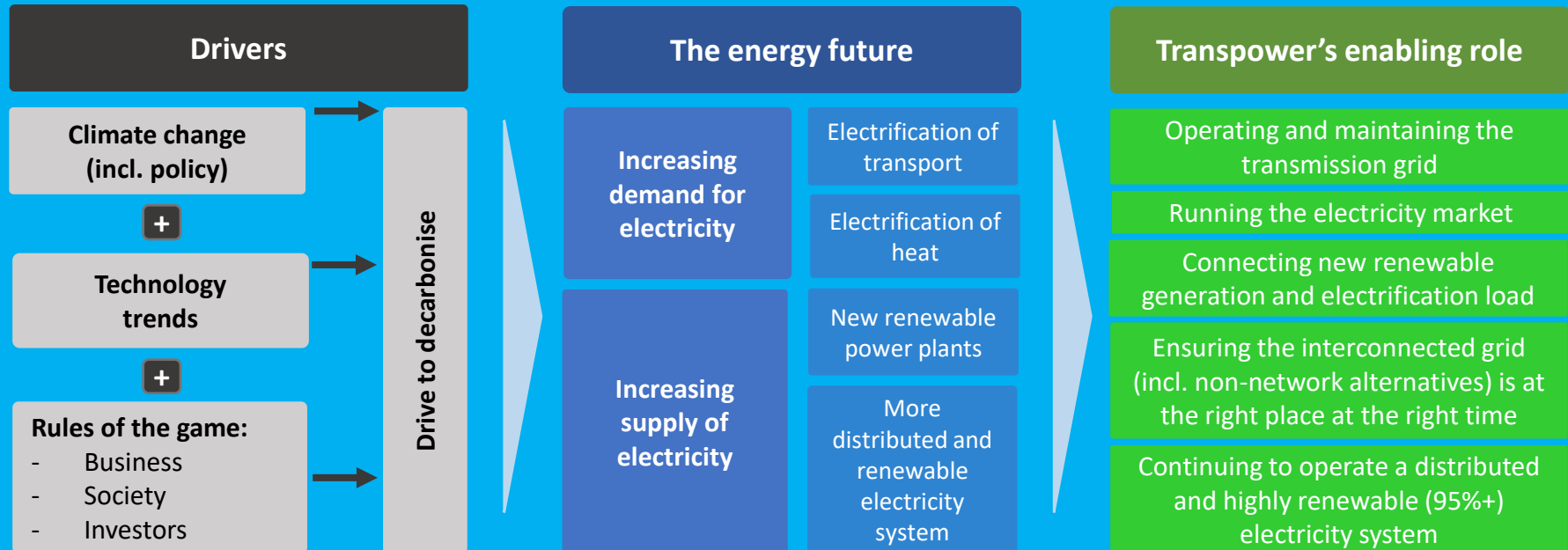
Transpower's Central Role in Decarbonisation

- Transpower has three key roles to enable the electrification of load and renewable generation required to meet New Zealand's climate change commitments
 1. To connect new electrification load and renewable generation to the grid
 2. To ensure that the core, interconnected grid stays ahead of the game and these new connections can be accommodated
 3. To operate a highly renewable and more distributed power system in real-time



Electricity Transmission – Enabling Infrastructure

- Electrification and renewable generation will play a critical role in decarbonisation
- Growth and enabling implications for electricity transmission





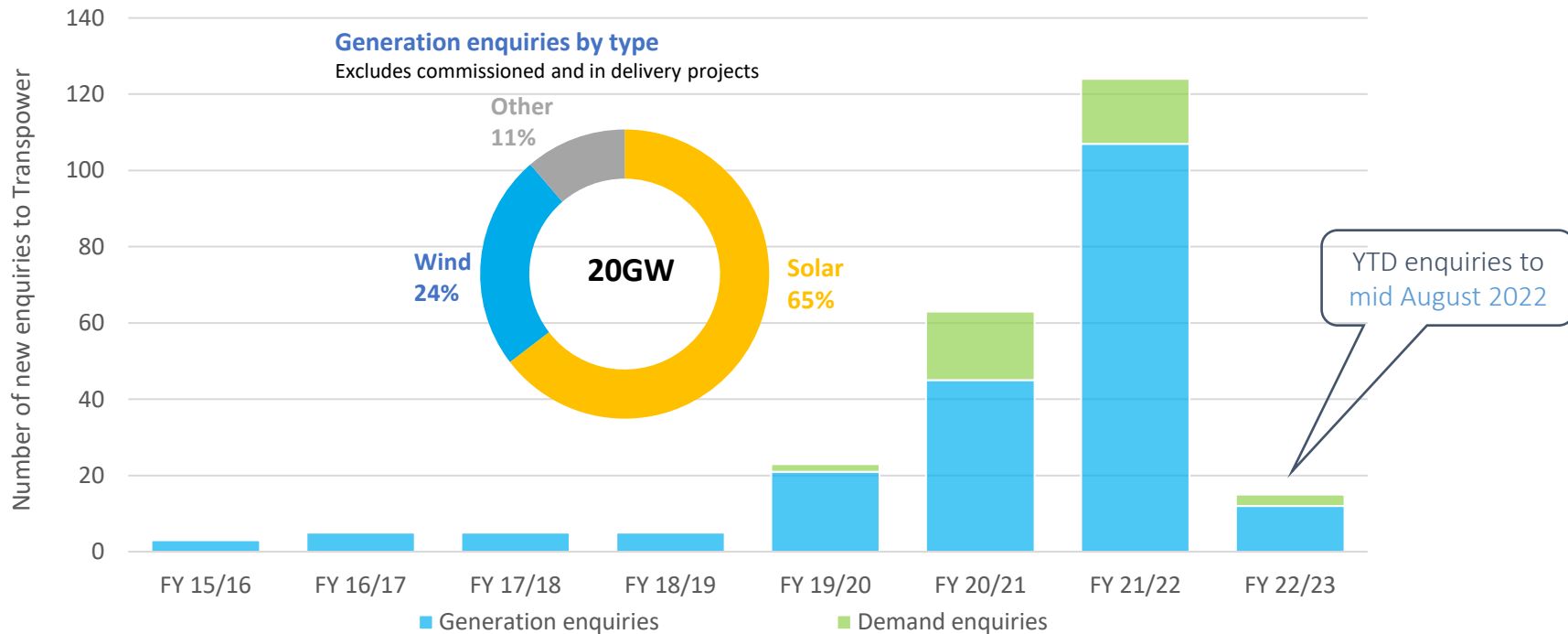
Accelerating Electrification

- Utility scale generation interest is high in anticipation of growing electrification
- New connection enquiries increasing - utility scale solar generation making up 65% and wind generation 24% of generation connection enquiries
- Driven by:
 - Solar generation faster to build than traditional thermal generation
 - Declining cost, improvements in technology and consenting
 - Increased new entrants primarily international based solar farm developers
 - Policies encouraging increased electrification and renewable energy
- Approximately 20GW of interest for new generation projects ¹

¹ Not all enquiries convert to connection but we expect a step change in connections



Connection Enquiries



An aerial photograph of a town at dusk, with lights glowing from the buildings and streets. The town is nestled in a valley, surrounded by dark, forested hills. In the background, a large body of water (a lake or fjord) stretches towards the horizon, with snow-capped mountains visible in the distance. A large, stylized circular graphic, composed of many thin, concentric white lines, is overlaid on the image, centered over the town and the water. The lines form a circular shape with some internal patterns, resembling a stylized 'G' or a decorative frame.

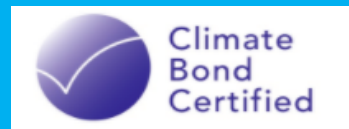
Green Financing Framework



Green Financing Framework (Framework)

- Launched on 4 May 2022, recognising Transpower's leading role in enabling a net zero carbon transmission grid
- Programmatic certification under the global Climate Bonds Standard
- Transpower is the first transmission grid globally to achieve certification under the newly published Electrical Grids and Storage criteria¹
- The Green Finance Programme covers both existing and future issuances of Transpower's Green Financing Instruments, the net proceeds of which will be allocated to finance or refinance Eligible Green Assets – Transpower's transmission lines and substations, key enabling infrastructure

¹ [Climate Bonds Initiative: Electrical Grids and Storage Criteria](#)





Green Financing Framework (continued)

- In assessing compliance with the Electrical Grids and Storage criteria, Transpower identifies new generation capacity added to the electrical system over a rolling five year period, along with a calculation of capacity of new generation below the generation threshold of 100g CO₂e/kWh to total new generation capacity

Instruments included under Framework:

- Commercial paper
- Bank facilities
- Retailable bonds
- Wholesale bonds
- Floating Rate Notes
- Offshore Bonds and notes

Eligible Green Assets included under Framework:

- HVAC Transmission Lines
- HVDC Transmission Lines
- HVAC Substations
- HVDC Substations



Climate Bonds Initiative - Eligibility Criteria

- Two components to achieve the criteria:

- The Mitigation component

“More than 67% of newly connected generation capacity in the System in which the infrastructure is located below the generation threshold value of 100gCO₂e/kWh measured on a PCF basis, over a rolling five-year period”

Period	< 100g CO ₂ e/kWh	> 100g CO ₂ e/kWh	Total	Percentage
2021 Rolling 5-year average new capacity	427.4	107.0	534.4	80%

- The Adaptation & Resilience component

“Has the issuer fulfilled the requirements of the Adaptation and Resilience checklist?”



Eligible Green Assets and Green Financing Instruments

Transpower (NZ\$ million)	FY 2022
Total assets employed	6,053
Eligible Green Assets	4,522
Green Financing Instruments	2,928
Excess Eligible Green Assets	1,594
Ratio Green Financing Instruments / Eligible Green Assets	65%

HVDC Lines \$106m

HVDC Substations \$435m

HVAC Substations
\$1,939m

HVAC Lines
\$2,042m

Green Financing
Instruments
\$2,928m

Source: Transpower's Audited Full Year Financial Statements 30 June 2022

Green Financing Framework

Use of Proceeds	Transpower notionally allocates the net proceeds of its Green Financing Instruments or Green Bonds to finance or refinance, new or existing electrical grid related assets and projects that meet the eligibility criteria set out in the Framework (Eligible Green Assets)
Evaluation and Selection	Transpower's Green Financing Committee (Committee) will oversee processes described in the Framework to ensure that Eligible Green Assets are properly identified and assessed to ensure compliance with the Framework ¹ and the Climate Bonds Standard. The Committee consists of representatives from Treasury, Finance, Risk & Assurance, Strategy, Sustainability and Legal
Management of Proceeds	Transpower will maintain a register of the book value of Eligible Green Assets and book value of Green Financing Instruments
Reporting and Verification	Transpower will report on the allocation of net proceeds of Green Financing Instruments to the Eligible Green Assets and on relevant environmental impact metrics at least annually Ernst & Young has provided an independent limited assurance report at the time Transpower launched its Green Financing Framework ²

¹ [Green Financing Framework | Transpower](#)

² [Ernst and Young - Transpower Assurance Statement](#)





Industry and Regulation

Electricity Regulation in New Zealand

- Commerce Commission
 - All electricity transmission and distribution under economic regulation, including grid investment approvals
 - Specific regulatory powers in respect of utilities including Transpower and electricity distribution businesses
 - Administers price control regime applying to transmission and distribution businesses for five-year control periods
- Electricity Authority
 - Determines, monitors and enforces the Electricity Industry Participation Code (Code), including the Transmission Pricing Methodology (TPM)
 - The Code gives enforceability to transmission charges as long as calculated in accordance with the TPM
 - Contracts with Transpower for System Operator services





Regulation Overview

- Transpower's revenues are governed by a regulated price-quality path for each pricing year, with the paths being reset every 5 years
- The Commerce Commission is reviewing the Input Methodologies as part of regular cycle of review in 2023
- Building block model determined Maximum Allowed Revenue (MAR)
 - Regulated cost recovery for all approved operating costs
 - Regulated transmission assets receive a WACC return
- Revenue cap - no volume risk
- 100% of regulated transmission charges recovered across all regulated customers
- Financial incentives apply to over/under performance on quality and expenditure
- Transpower's post tax WACC in RCP3 - the five year period from 2020 to 2025, is 4.23%
- System Operator Service Provider Agreement - ca. 4% of total revenue





Industry Developments

- Transition towards more renewable generation with connection and security of supply considerations
- Overall energy efficiency and energy intensity improving, offset by recent increase in residential demand growth
- Process heat decarbonisation building momentum through support of the Government Investment in Decarbonising Industry fund (GIDI)
- Electric vehicle numbers have been boosted by recent transport policy and funding, and are expected to continue rising
- Capability to meet energy demand and peak demand is generally sufficient today but recent events highlight potential future issues
- Battery technology and flexible demand providing solutions to meet peak demand and support system reliability

Source: WiTMH Monitoring Report - March 22

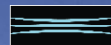




Transmission Pricing Methodology

- Methodology by which Transpower's revenue is apportioned among transmission customers
- On 12 April 2022, the Electricity Authority announced its decision to adopt a new TPM
- Transpower is now working to implement the new TPM to come into effect from 1 April 2023
- It will not change Transpower's business plan assumptions or total revenue, it only changes customer allocation of Transpower's transmission charges





Capital Expenditure

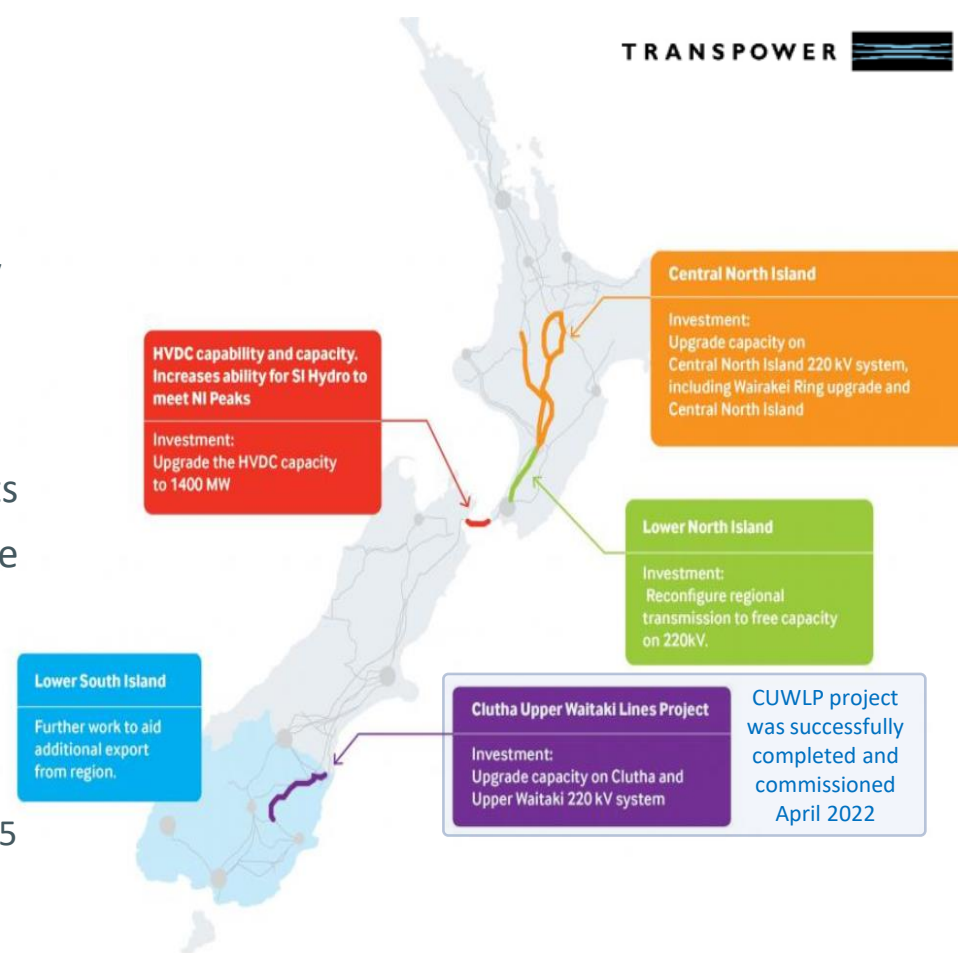
Capital Projects

- Focus on matching investment to need over time
- Growing asset base with capex spend exceeding depreciation
- Growing capex forecast over RCP4 and RCP5
- Most investment in transmission assets is recovered through regulated revenues approved by the Commerce Commission
- Some investment directly recovered through bilateral contracts with customers
- Major Capital Projects (MCP - projects greater than \$20 million) are subject to Commerce Commission approval and can be made independent of RCP's



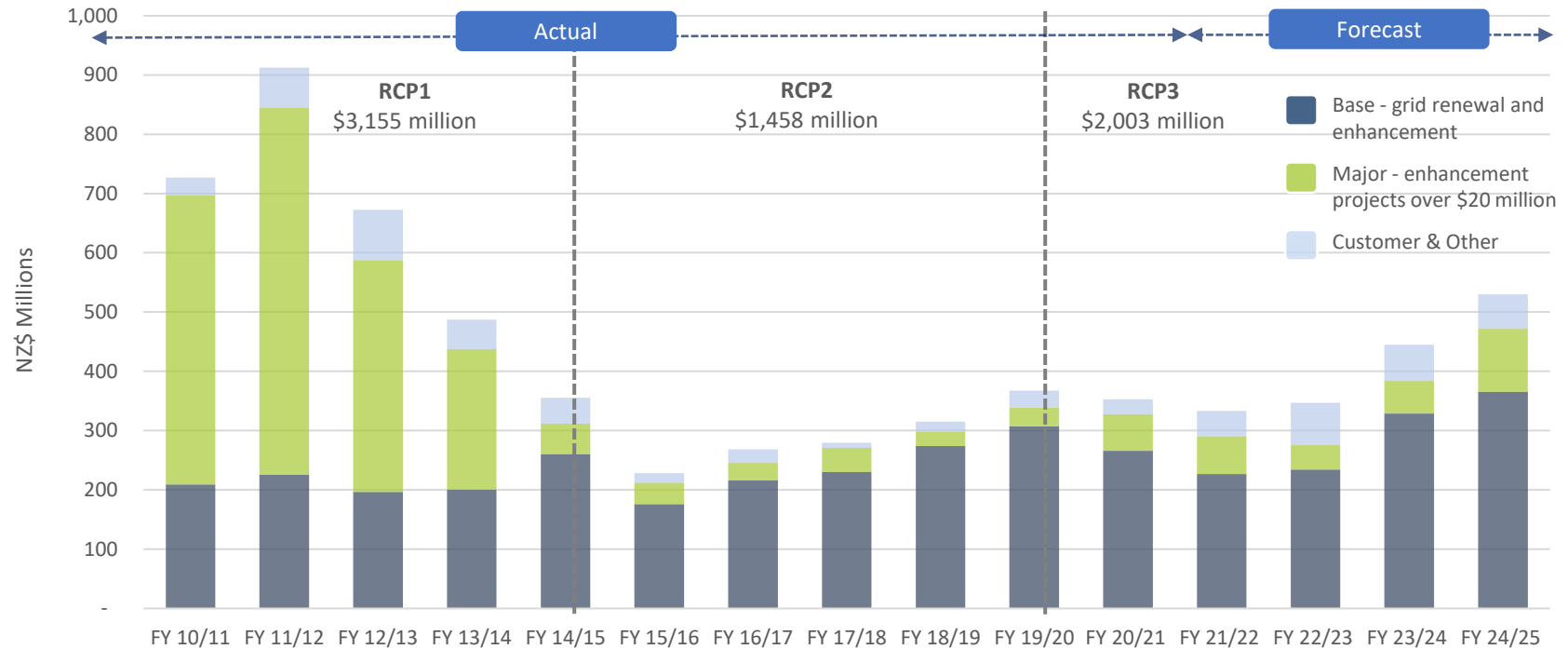
Net Zero Grid Pathways

- Net Zero Grid Pathways covers Transpower's investments on the backbone of the electricity transmission grid
- Investments of ca. \$1.1 billion will enable the electrification of the economy and assist with meeting New Zealand's decarbonisation targets
- First MCP planned for submission to Commerce Commission by end of 2022
- Two phases
 - Enhance the existing grid backbone to 2035; and
 - Addresses the likely need for a larger grid backbone with new interconnections beyond 2035

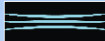


Net Zero Grid Pathways - July 2021

Capital Expenditure Forecast



Source: Transpower



Funding

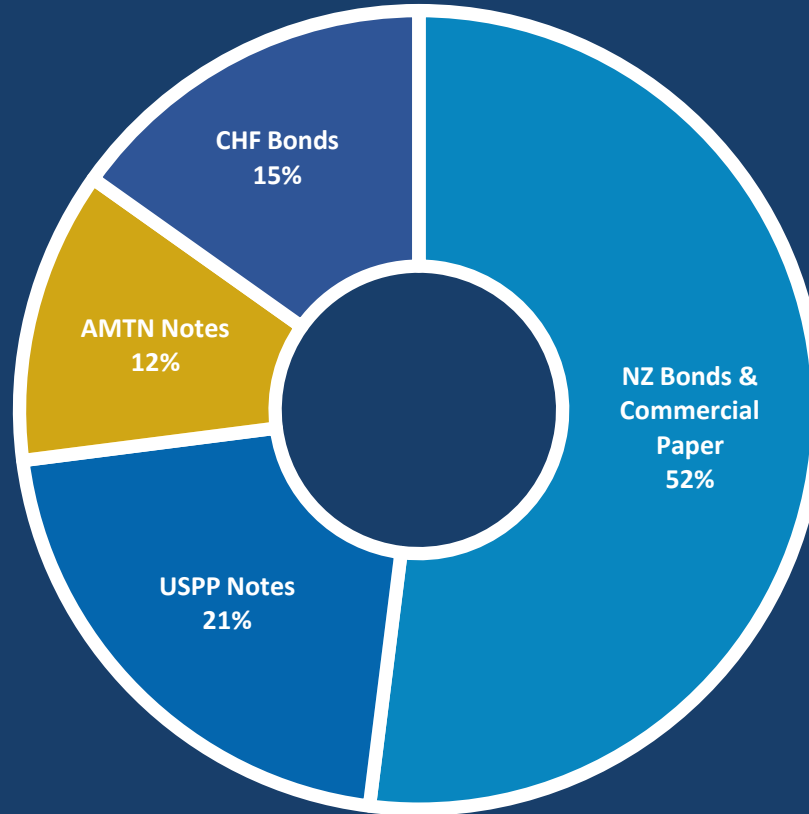
Conservative Policies/Targets

- Prudent financial policies and low financial risk
- Focused on maintaining current credit rating band, AA (S&P Global Ratings)
- Sufficient Liquidity & Funding
 - \$500 million undrawn committed standby facility¹
 - Multiple long-term and short-term funding programmes
 - Free cash flow from operations very strong
- Interest Rate
 - Interest rate risk management policies align with regulatory control periods. Transpower Treasury Policy provides for some discretion for exposure to floating interest rates

¹ Two tranches of \$250 million, maturing 7 December 2022 and 7 December 2023 refinanced prior to maturity.



Funding

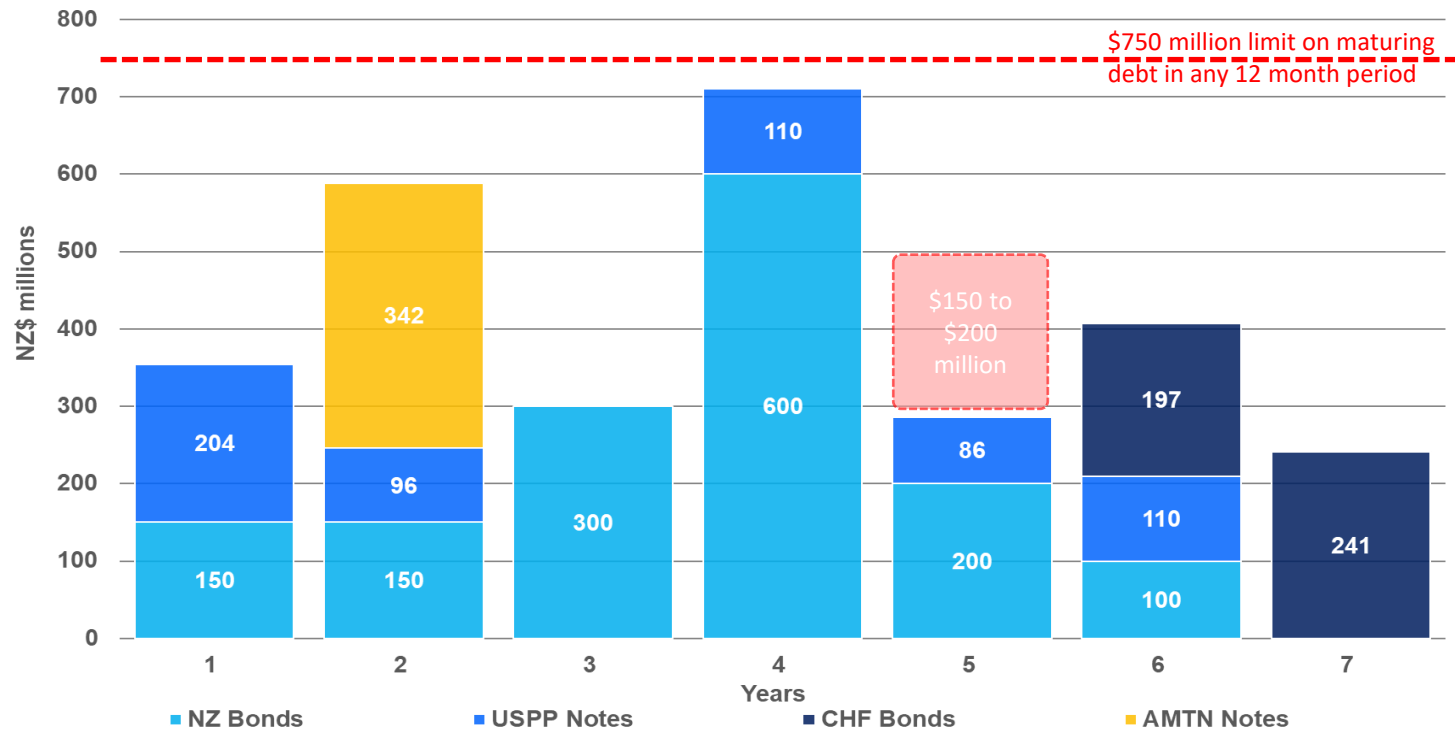


- Multiple sources of funding
- Approximately NZ\$3 billion drawn debt as at June 2022
- Leverage of ca. 62%
- Undrawn bank facilities of NZ\$500 million

Source: Transpower, Transpower Audited Financial Statements, as at 30 June 2022



Term Debt Maturity Profile



Source: Transpower Audited Financial Statements, 30 June 2022





Bond Offer



Summary Terms and Conditions

Issuer	Transpower New Zealand Limited
Issuer Ratings	AA (stable) (S&P Global Ratings)
Expected Issue Ratings	AA (S&P Global Ratings)
Description of Bonds	Unsecured, unsubordinated debt obligations of Transpower
Maturity	16 September 2027
Issue Amount	Up to NZ\$150 million (with the ability to accept up to a further NZ\$50 million in oversubscriptions)
Interest Rate (Coupon)	The aggregate of the Base Rate on the Issue Rate Set Date and the Issue Margin
Issue Margin	The Issue Margin (which may be above or below the abovementioned indicative range) will be determined by Transpower in consultation with the Lead Manager following the bookbuild process and announced via NZX
Issue Yield	The aggregate of the Base Rate on the Issue Yield Set Date and the Issue Margin
Use of Proceeds	For general corporate purposes of the Transpower Group
Repo-eligibility	Application will be made to have the Bonds accepted by the Reserve Bank of New Zealand as eligible securities for domestic market operations
Principal Amount	NZ\$1.00 per Bond
Minimum Subscription Amount	NZ\$5,000 and thereafter in multiples of NZ\$1,000
Quotation	The Bonds will be quoted under the NZX ticker code “TRP100”
Lead Manager	Bank of New Zealand



Timetable

Key Transaction Dates	
Offer Opens	Wednesday, 7 September 2022
Investor Conference Call	Thursday, 8 September 2022
Offer Close	1.00 pm, Friday 9 September 2022
Issue Rate Set	Friday, 9 September 2022
Issue and Allotment Date	Friday, 16 September 2022
Interest Payments	16 March and 16 September in each year up to and including the Maturity Date





Questions

[TRANSPOWER.CO.NZ](https://transpower.co.nz)



Other Information

Investor centre	https://www.transpower.co.nz/keeping-you-connected/investors <ul style="list-style-type: none">• Financial statements• Annual Reports and Annual Reviews• Publications webcasts & resources• Links useful information – Statement of Corporate Intent (SCI)
NZX Debt Market (NZDX)	https://www.nzx.com/companies/TRP
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Appendices



Key Financial Metrics – SCI Outlook

Financial performance targets	2021/22 FY Actual	2022/23 Target	2023/24 Target	2024/25 Target
FFO / Interest cover (x)	6.2	5.2	4.8	5.1
FFO / Debt (%)	14.7	13.9	12.8	13.8
Debt / (Net Debt + Equity) (%)	62.3	63.7	64.8	65.4
Return on Equity (%)	8.1	6.1	6.4	9.1
Return on Capital Employed (%)	3.8	3.5	3.6	4.5

Source: Transpower's Operational and Financial Performance Report 30 June 2022, Financial Statements 30 June 2022 (Actuals) and Statement of Corporate Intent (SCI) 1 July 2022 (Target)



Summary Financials (continuing activities)

Financial performance (NZ\$ million)	FY June 2018	FY June 2019	FY June 2020	FY June 2021	FY June 2022
Total operating revenue	1,084	1,030	987	916	885
Total operating expenses	(294)	(297)	(292)	(300)	(311)
EBITDAIF ¹	791	733	695	617	574
Earnings Before tax	352	359	316	217	231
Net profit	252	258	231	156	167

Cash flow (NZ\$ million)	FY June 2018	FY June 2019	FY June 2020	FY June 2021	FY June 2022
Net cash from operations	554	514	484	474	485
Net cash from investments	(343)	(268)	(423)	(350)	(279)
Net cash from financing	(165)	(165)	(204)	92	(378)
Closing net cash carried forward	75	156	13	230	58

¹ Earnings Before Interest, Tax, Depreciation Amortisations and asset write-offs, Impairment and changes in Fair value of financial instruments

Source: Transpower's Audited Financial Statements

2018 results restated to be consistent with 2019 post IFRS 9 adoption.



Summary Financials (continued)

Financial position (NZ\$ million)	FY June 2018	FY June 2019	FY June 2020	FY June 2021	FY June 2022
Total assets employed	5,749	5,932	6,116	6,158	6,055
Total liabilities	4,193	4,291	4,493	4,495	4,196
Total equity	1,556	1,641	1,623	1,663	1,859

Source: Transpower's Audited Full Year Financial Statements and Unaudited Half Year Financial Statements



Credit Rating Summary

S&P Global Ratings – Key Criteria and Assessments

Corporate Rating:	AA / Stable
Business risk:	Excellent
<ul style="list-style-type: none">• Country risk:• Industry risk:• Competitive position:• Cash flow/Leverage:	Low Very low Strong Significant
Stand-alone credit profile:	A
Related government rating:	AAA / Stable (local currency)
Likelihood of government support:	Very high (+3 notches)



Glossary/Key Definitions

Crown	The New Zealand Government, or State
EA	Electricity Authority
FFO	Free Funds from Operations
FY	Financial Year
Grid	National Transmission Grid
GWh	Giga Watt hours - unit of power equal to one billion watt hours
MAR	Maximum Allowable Revenue
MW	Mega Watt - unit of power equal to one million watts
RAB	Regulated Asset Base
RCP	Regulatory Control Period
SO	System Operator
WiTMH - Whakamana i Te Mauri Hiko	Māori language name for Powering the Energy Future
TPM	Transmission Pricing Methodology
WACC	Weighted Average Cost of Capital

