

Annual Results Investor Briefing
3 May 2016

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Disclaimer

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Contents

- Trustpower Key Facts
- FY16 Highlights and Market Environment
- Proposal to Demerge Trustpower
- TPW Core overview
- NewCo Overview
- Funding



Trustpower key facts

- Tauranga based national electricity generator/retailer
- Market capitalisation circa NZD\$2.44 billion
- Key shareholders Infratil (51.0%) and TECT (26.8%).
- New Zealand generation capacity (hydro/wind) 634MW producing an average of circa 2,385 GWh per annum.
- 477 MW of Australian wind and hydro operating assets producing 1,530 GWh per annum.
- Approximately 370,000 energy connections including 31,000 gas connections plus 62,000 telco connections.
- Approximately 730 FTE employees

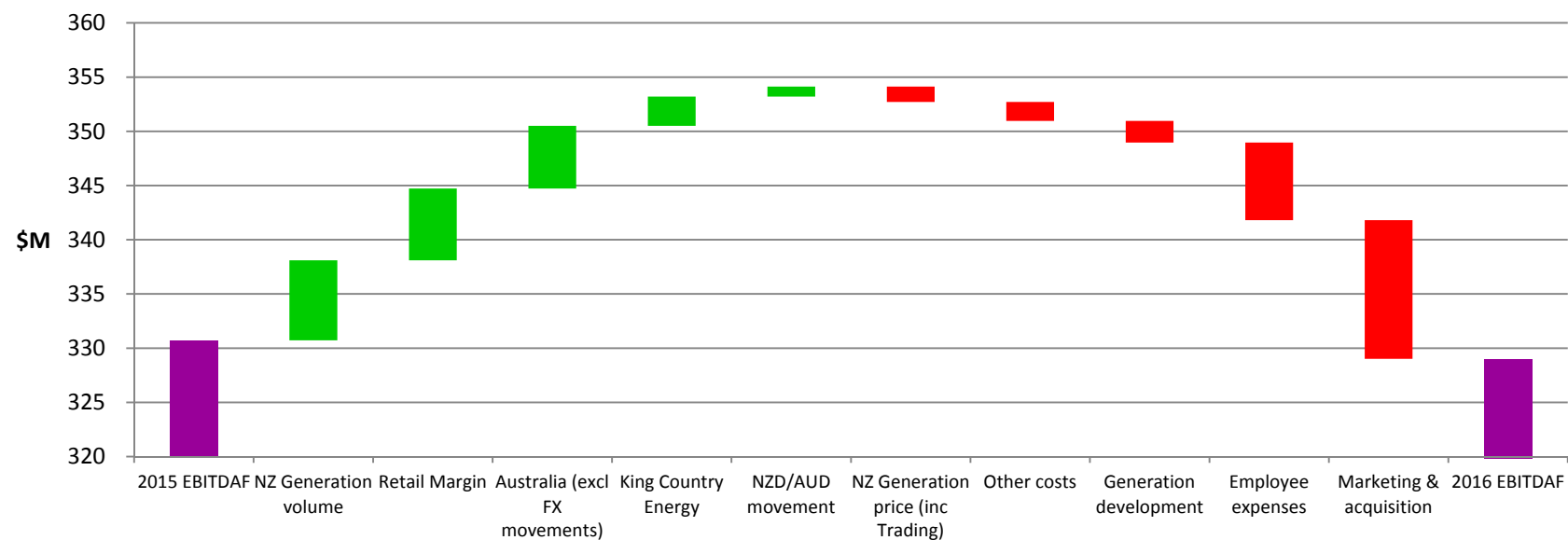


FY16 Overview

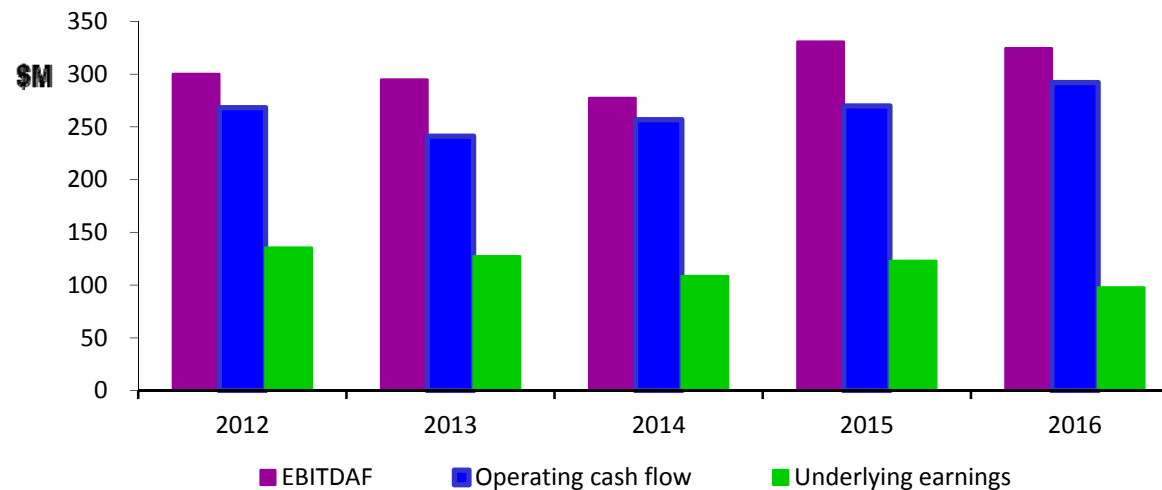
Key Drivers	Comments
<ul style="list-style-type: none"> Continuation of challenging conditions characterised by low wholesale prices, generation over-capacity, flat demand and high NZD/AUD exchange rate delivers flat result 	EBITDAF \$329m down 0.5%
<ul style="list-style-type: none"> FY15 asset revaluations has driven increased depreciation 	Depreciation up 20% Underlying NPAT \$101m down 18%
<ul style="list-style-type: none"> NZ generation increased on very low generation experienced last year but still down on expectation 	NZ Generation production 2,312 GWh up 5% last year, down 4% on expectation
<ul style="list-style-type: none"> Retail growth strategy progressing well Continued spend of marketing and acquisition 	Electricity connections up 15% to 277,000 Gas connections up 29% to 31,000 Telco connections up 83% to 62,000 Customers with two or more connections up 48% to 77,000 Continued spend on marketing and customer acquisition
<ul style="list-style-type: none"> Australian profitability increased due to full year operation at Snowtown Stage 2 and Green State Power 	Stage 2 EBITDAF contribution AUD66m Australian wind volume 1,197GWh down 10% on expectation Green State Power EBITDAF contribution AUD 14m
<ul style="list-style-type: none"> Acquired 65% of King Country Energy 	Acquisition cost NZD76m NPBT impact NZD2m (had we owned for full year would have been NZD12m)



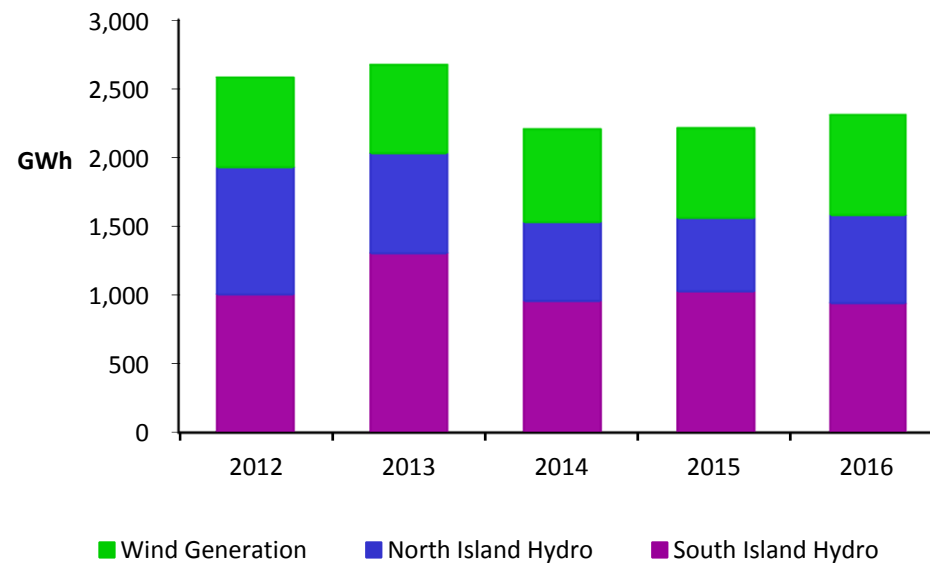
EBITDAF bridge full year 2015 - 2016



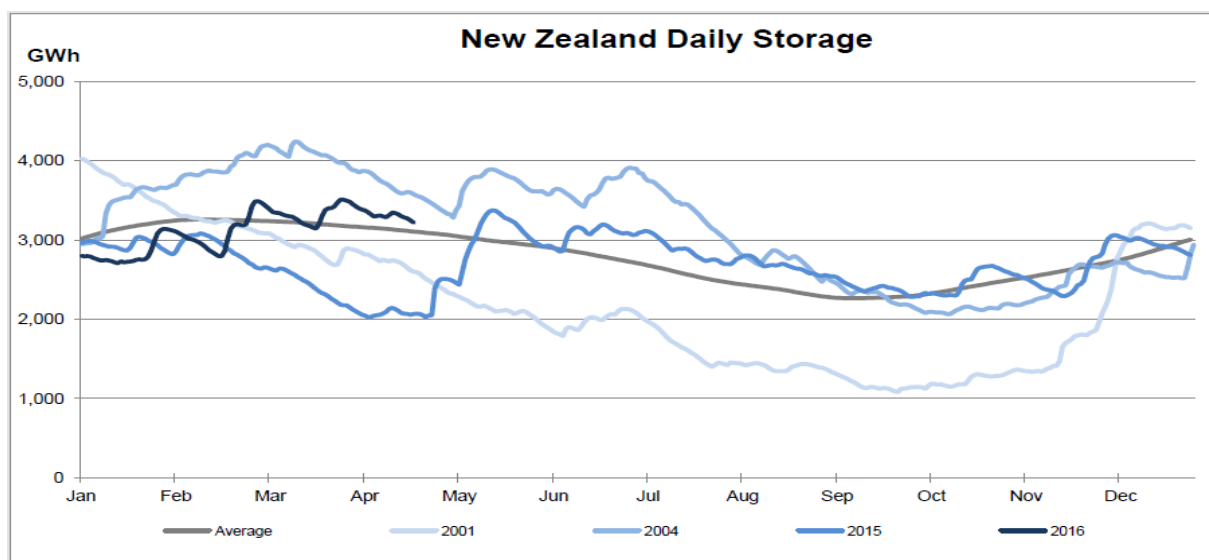
EBITDAF, underlying earnings after tax Operating cash flow year to 31 March 2016



Sources of own New Zealand generation



NZ hydro storage position



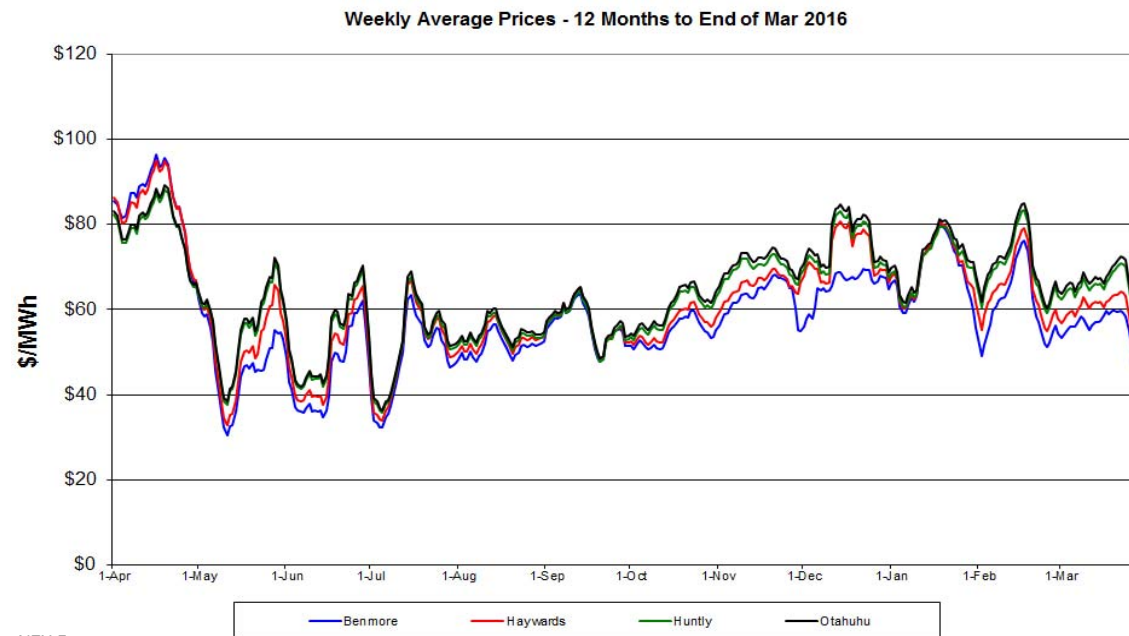
Source: NZX Energy



COMIT Hydro Summary – 19 April 2016
National storage above long term average since late February



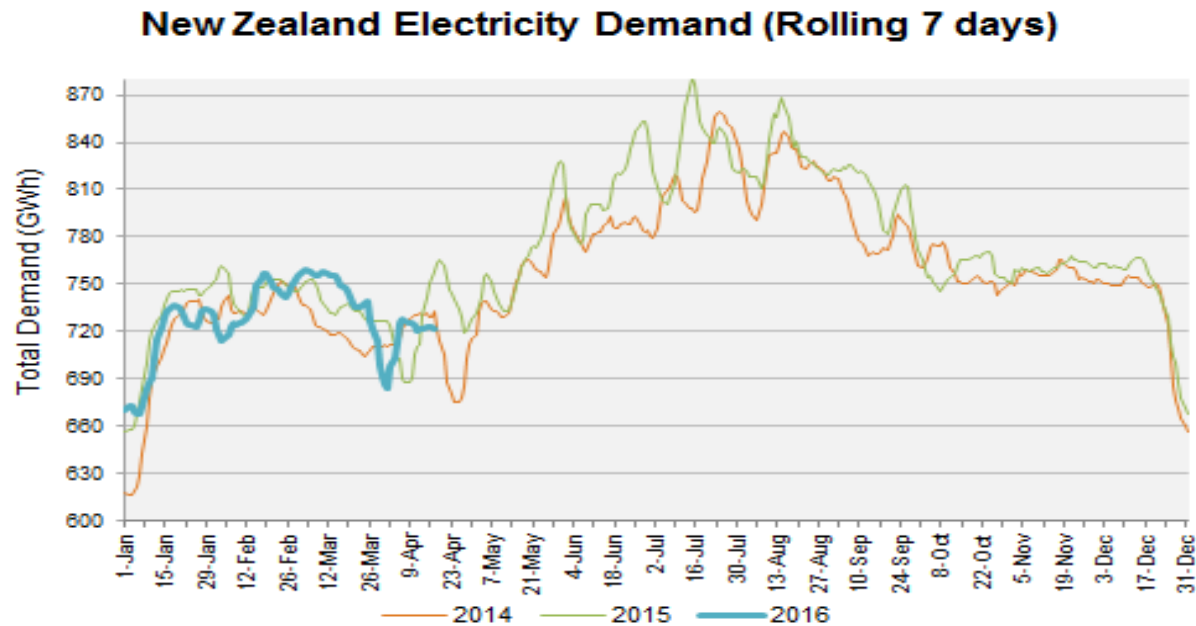
NZ electricity 7 day rolling spot prices last 12 months



Source: NZX Energy



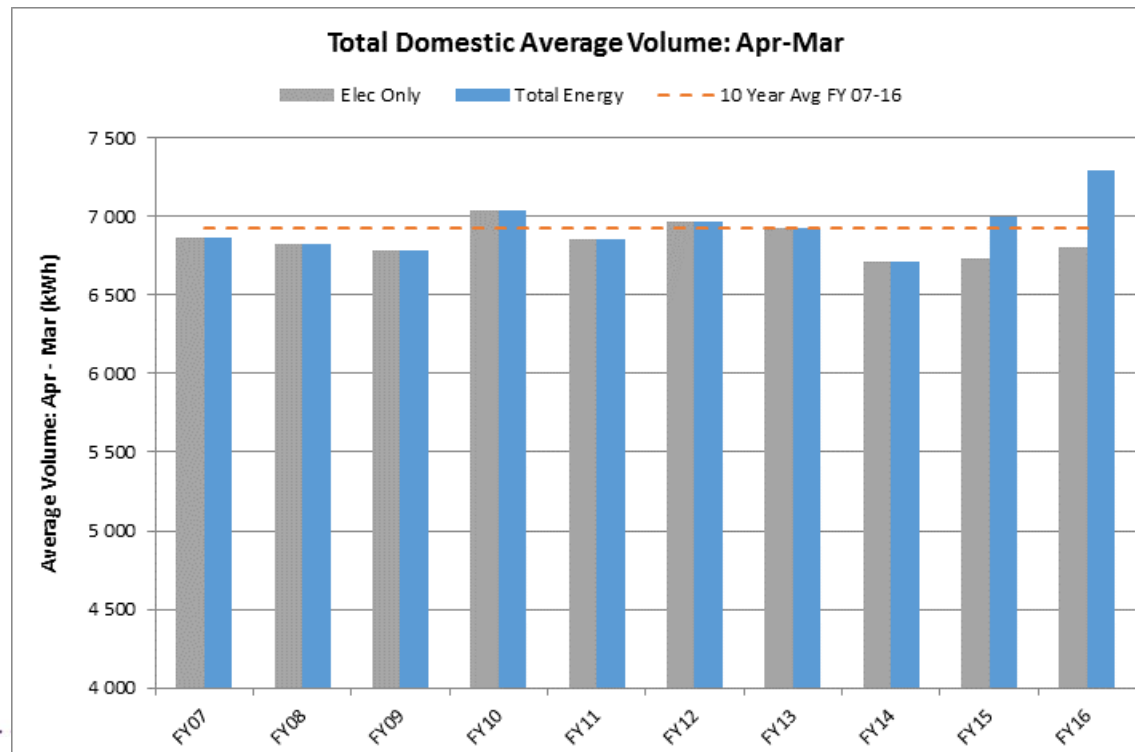
NZ 7 day rolling demand last 12 months



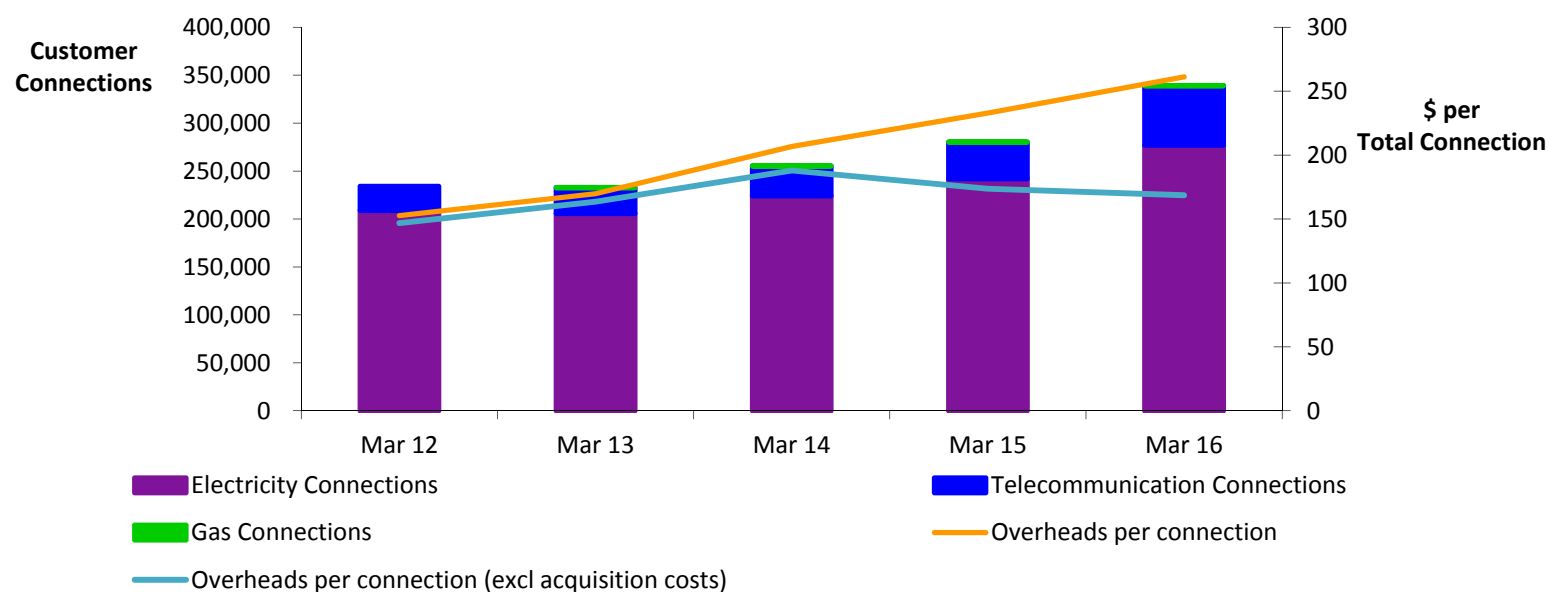
Source: Transpower website



Total energy consumption for average customer



Overhead costs and customer numbers



Proposal to demerge Trustpower's
Australian and New Zealand wind
business

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Announcement highlights

- Trustpower's Board is considering a demerger of the company's wind generation assets and development options
 - 'NewCo': will hold Trustpower's Australian and New Zealand wind assets and wind and solar development pipeline
 - 'Trustpower Core': will hold Trustpower's remaining assets and will retain the Trustpower name and brand
- Creates two independent, attractive, focussed businesses, with different investment and growth profiles
- Shareholders will receive one share in each company for every share held in Trustpower
- Intended that each entity will be listed on the NZX, with the intention of also listing NewCo on the ASX
- To be implemented by way of a scheme of arrangement which will be subject to shareholder approval, with a meeting expected in the second half of CY2016



Rationale for demerger

- Expectation for two independent and focused companies
 - NewCo – attractive portfolio of Australasian wind assets with a significant development pipeline and proven operational and development capability
 - Trustpower Core – a largely New Zealand electricity generator with a growing and profitable multi-product retail strategy
 - Trustpower shareholders currently invest in the above businesses as a bundled opportunity
- Timing is right
 - Near-term window of wind development required in Australia to meet RET scheme requirements
 - Requires a flexible vehicle that can adapt to address dynamic market conditions
- Greater investment choice for shareholders
- Each company will be able to adopt a capital structure and dividend policy more tailored to its specific needs/business profile
- Expected to facilitate better recognition of value of businesses over time



Next steps

- Trustpower's Board has not formally determined to proceed
- A scheme booklet containing more information in relation to the Demerger is expected to be released to Trustpower shareholders in July 2016 once regulator reviews have been completed
- Any transaction will be subject to shareholder approval, with a meeting expected July 2016
- Management focused on successfully executing initiatives in parallel with minimal business disruption



Trustpower Core

“Great things happen when you get power
and broadband together”

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NZ market overview – uncertainty abounds!

- Competition in the retail market remains intense, with continued high churn and an increasing number of new entrants
- NZ hydro storage levels recovered from a low at the start of FY16 and have since oscillated around average levels
- ASX prices have remained relatively low across the FY, peaking again at the start of 2016
- Huntly retirement decisions prior to 2020; North Island capacity and/or national energy shortfalls are a possibility
- Potential for Tiwai exit continues to provide uncertainty over future energy prices and investment economics, particularly in the South Island
- EA Transmission Pricing and Avoided Cost of Transmission reviews continue, with latest proposals set to be announced in Q2 CY2016

Trustpower is well positioned to adapt to these changing market dynamics



Overview of Trustpower Core

Trustpower Core will be a growing, cash generative business with the ability to pay attractive dividends to shareholders

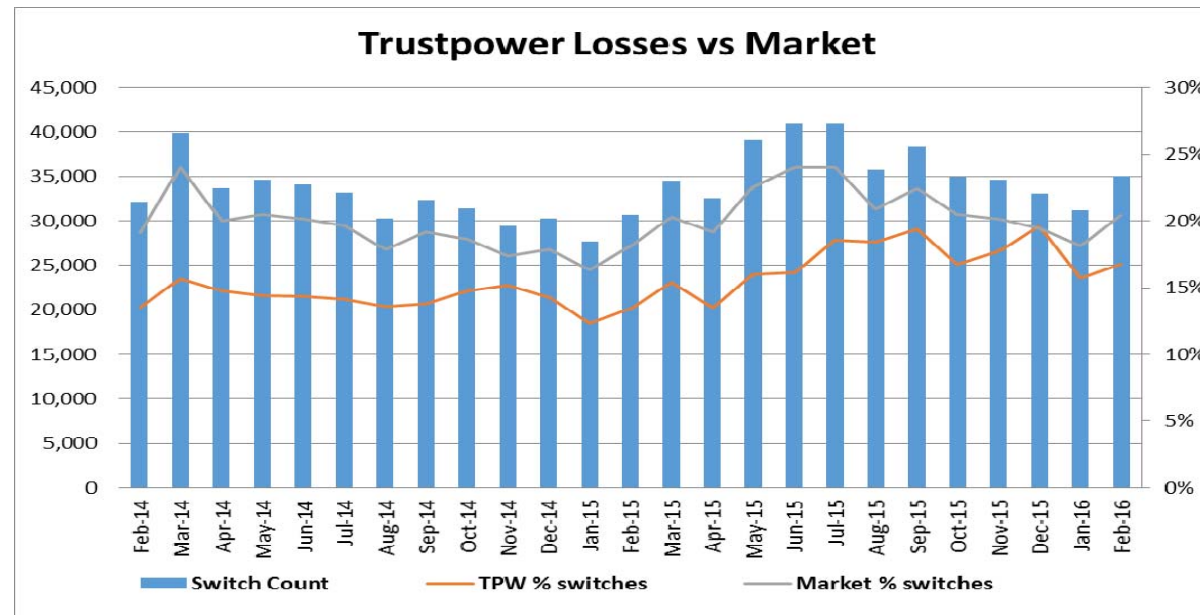
- Focussed New Zealand retail and generation
- Continuing strong momentum in multi-product retail strategy

Connections as at 31 March 2016	000s
Electricity	277
Telecommunication	62
Gas	31

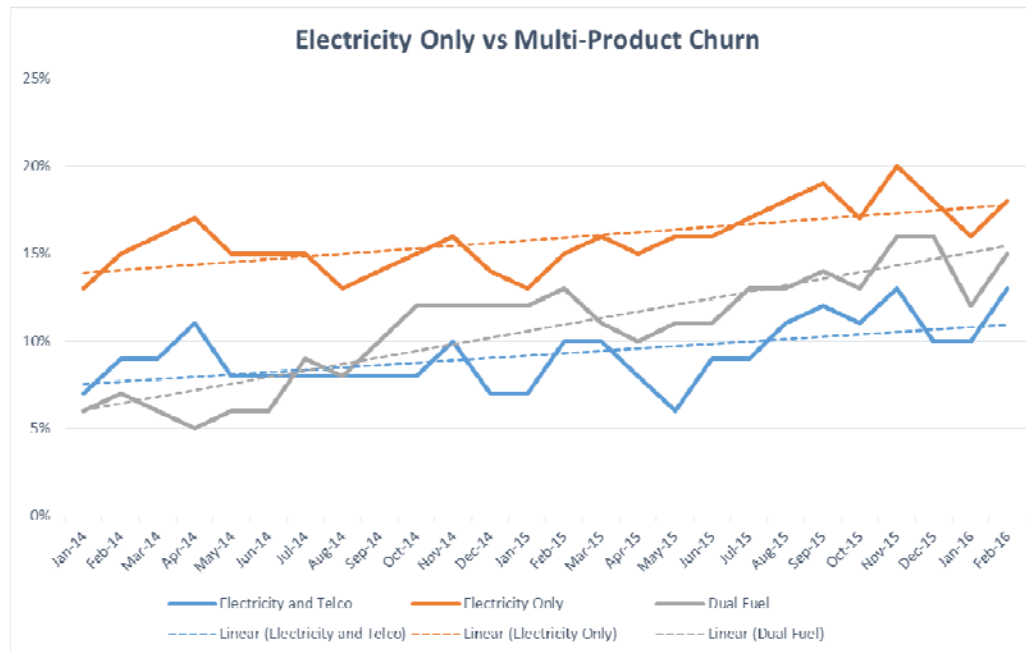
- Includes 16,500 fibre connections and 77,000 customers with two or more services
- Strong cashflow from existing 530MW hydro generation in New Zealand and Australia, with options for further optimisation
- Continuing to monitor for opportunistic acquisitions (e.g. King Country Energy) where Trustpower can add value



Loyalty is key to growth



Multi-product churn benefits continue



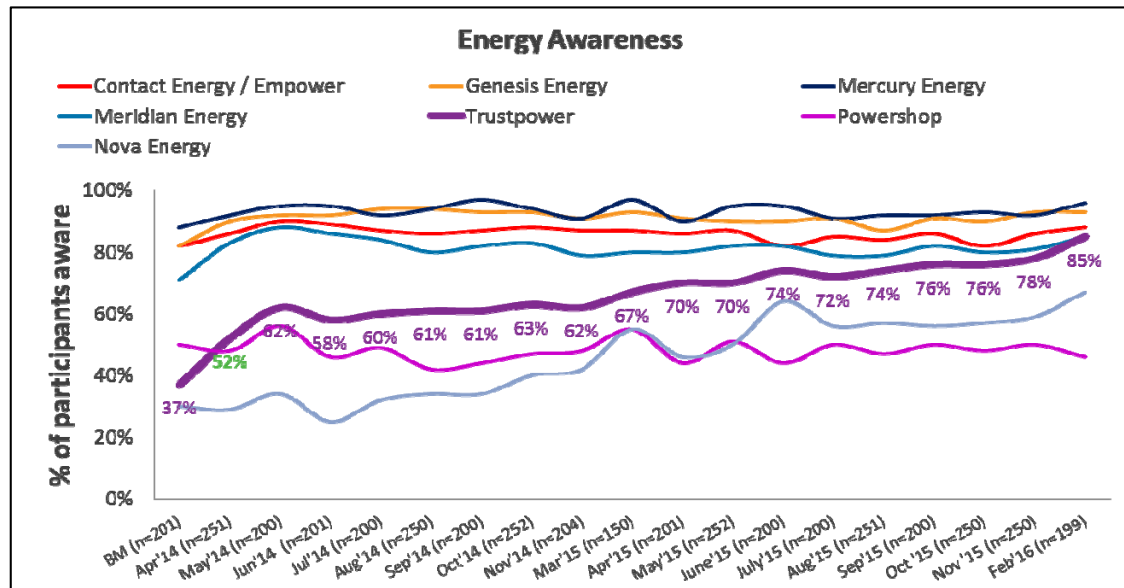
- Markets highly competitive in energy and telco
- 38% lower churn for multi-product customers
- No current evidence of increased churn as acquired broadband customers transition from \$49 to \$79 product



Trustpower energy awareness

– meets target in Auckland

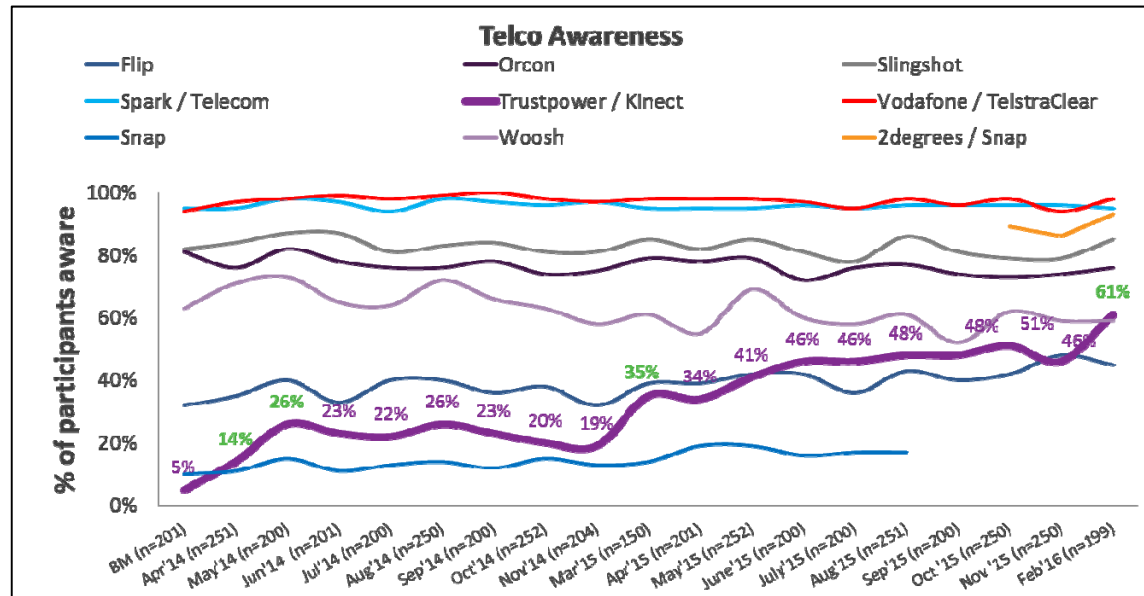
- Increasing awareness drives customer consideration
- Leads to increased acquisition performance



Trustpower telco awareness

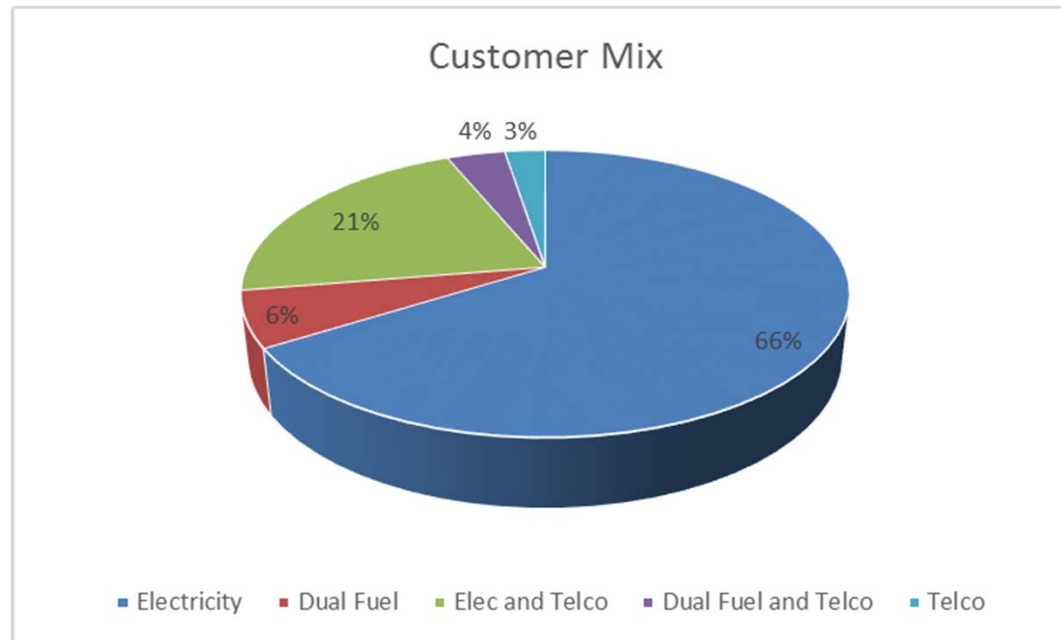
– Positive progress

- Increased telco brand awareness
- Leads to successful multi-product acquisition performance



Multi-product conversion gains momentum

- 1/3 of customers now Multi-Product
- Circa 80% of new customers taking both energy and telco services



NewCo

- The pursuit of growth in renewables

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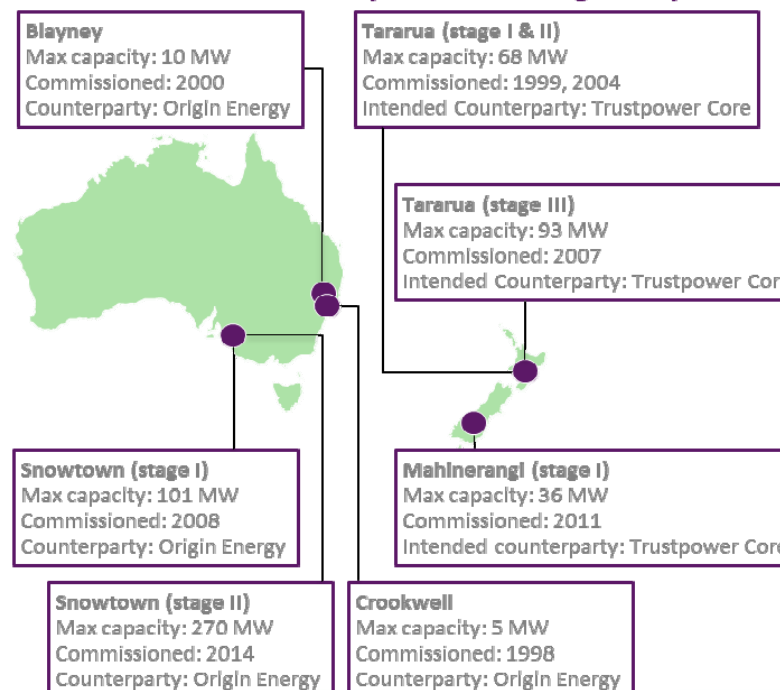


Overview of NewCo*

- High quality portfolio of contracted wind assets
 - with generation capacity of circa 580MW
 - operating track record and high quality sites
 - diversification by asset and country
- Low volatility cashflows with high quality counterparties in Origin Energy and Trustpower Core
 - high level of contracted cashflows with long term PPAs in place for Australia wind farms
 - NewCo to enter into life of asset PPAs with Trustpower Core for the New Zealand assets

* Prepared on the assumption NewCo will be established

Overview of NewCo: Trustpower's existing wind portfolio



Future conviction on renewable energy development

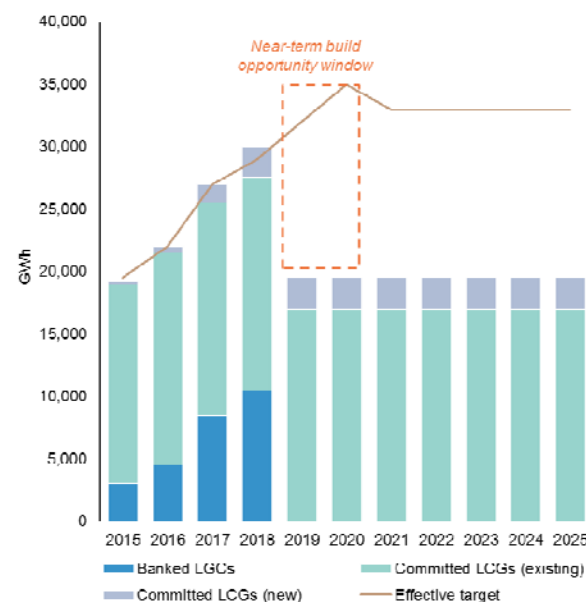
Expected new build opportunity of c15,000GWh in Australia over the next 5 years (80-90% likely to be wind)

Near-term development opportunity

- Development of low-carbon electricity generation is a critical component of the long-term global strategy to fight climate change
- The Australian electricity market has an ageing thermal fleet that will need to be replaced by gas and renewables in the medium term
- Renewables, in particular wind and solar, will continue to gather momentum and present opportunities for profitable growth
- RET (Renewable Energy Target) regime confirmed following change in Liberal leadership
- Expectation that Paris climate accord will provide a further boost for renewable generation development

Note: LGCs are large generator credits issued under the Renewable Energy Target Scheme

RET outlook



Source: Trustpower



Overview of NewCo – development pipeline

NewCo's Australian developments compare favourably to peers which indicates they should be developed within the current RET window

15 year wind development track record

- Trustpower has acquired or developed 580MW of wind generation since 2000, representing c.11% market share in Australasia
- Development and execution expertise:
 - experienced personnel
 - supplier relationships
 - understanding of wind technology
 - ability to move quickly
 - disciplined investment approach
- Operations and maintenance expertise
 - high availability
 - robust and flexible contracting with manufacturers

Well-positioned development pipeline

- Suite of competitive development options
- Development pipeline of 2,080MW in Australia (507MW Consented, although 350MW subject to appeal) and 530MW in New Zealand (400MW Consented)

Overview of key development projects



Key projects	Location	Potential Size (MW)	Current Status
Salt Creek	VIC	52	Consented
Waddi ¹	WA	105	Consented
Dundonnell	VIC	300	Awaiting Consent approval
Rye Park	NSW	350	Progressing consent
Palmer	SA	350	Consent under appeal
NSW Project	NSW	500	Progressing consent
Mahinerangi	NZ	160	Consented
Kaiwera Downs	NZ	240	Consented
Waverley	NZ	130	Intention to lodge consent application shortly

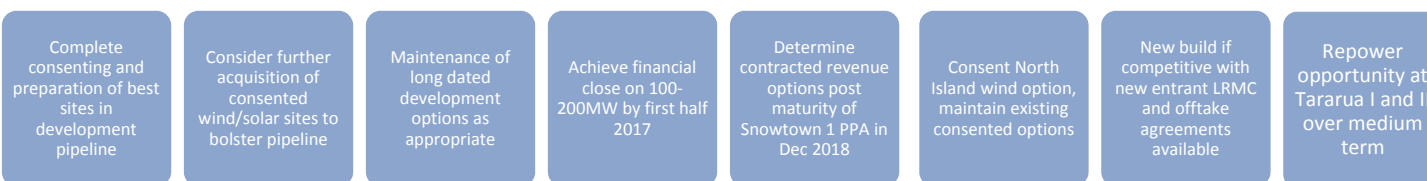
Notes:

- 1 Excludes unconsented Solar site with potential capacity of 40MW



Strategic priorities

- Leverage existing assets and development pipeline to take advantage of available Australasian Investment opportunities
- Maintain a flexible and varied set of 'shovel ready' opportunities (wind and grid connected solar) and use key relationships to deploy these quickly and efficiently



Australia

New Zealand

Aspiration = more than double current operating renewable generation capacity over the next 5 years (to 1,500 MW) and position beyond 2020 with further wind and solar build if policy framework supportive

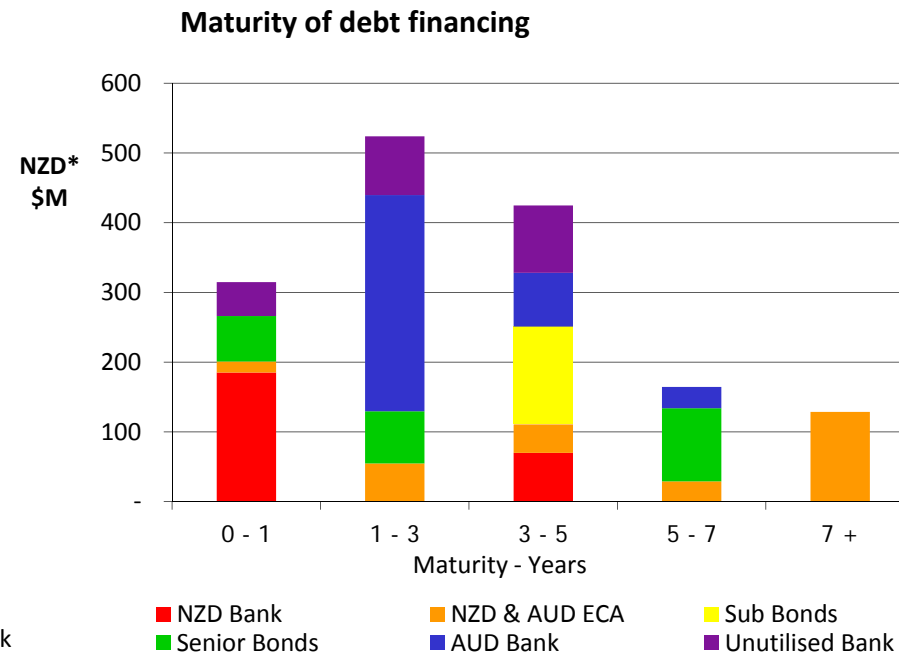
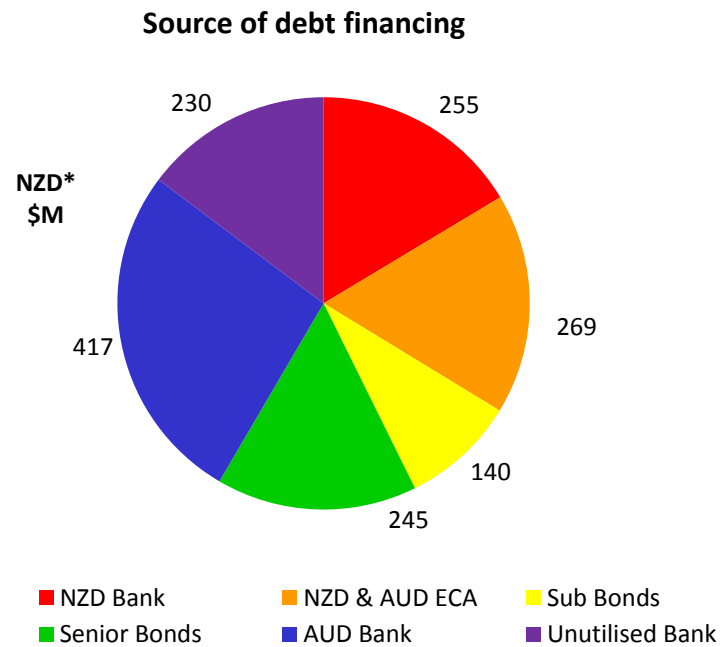


Funding

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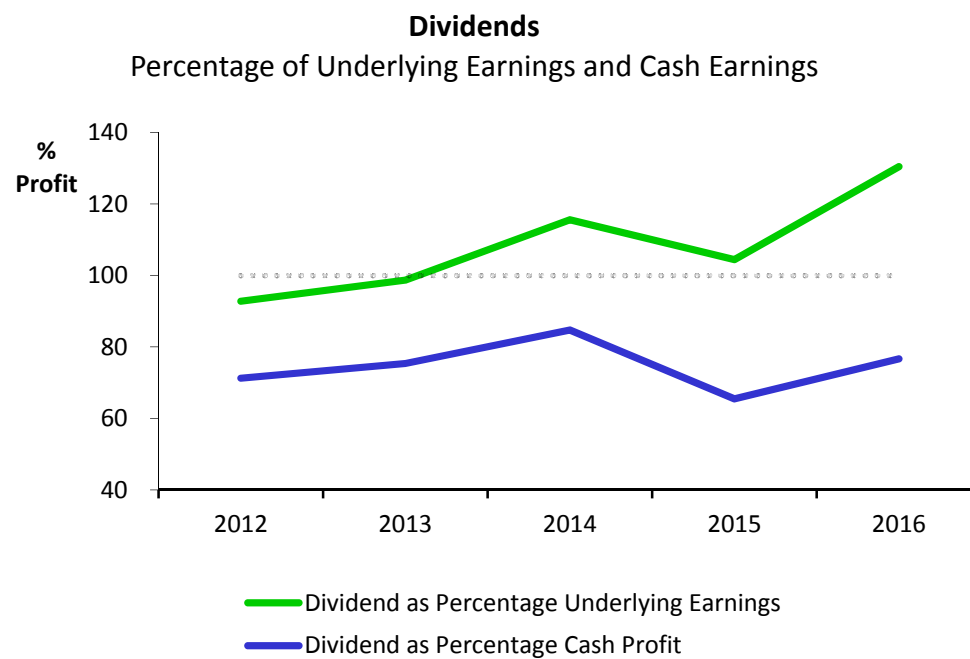
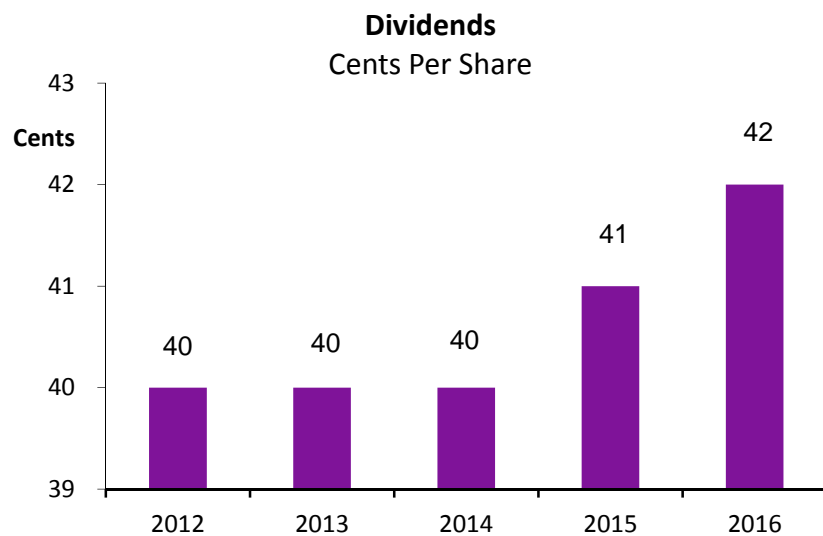
Debt financing – source and maturity



* AUD Loans converted at NZD/AUD 0.91



Dividends



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:

	2012	2013	2014	2015	2016
Profit After Tax Attributable to Shareholders of the Company	131,652	123,351	115,121	144,014	88,105
Fair value losses / (gains) on financial instruments	7,544	5,593	(9,448)	14,219	6,327
Discount on acquisition				(24,986)	(2,114)
Impairment of assets	428	-	226	141	1,247
Changes in income tax expense in relation to adjustments	(2,271)	(1,678)	2,582	(4,021)	(2,121)
Change in corporate tax rules	(2,031)	-	-	(6,471)	-
Impact of Inland Revenue court case on interest expense	-	-	-	-	6,213
Underlying Earnings After Tax	135,322	127,266	108,481	122,896	97,657
	2012	2013	2014	2015	2016
Operating Profit	233,928	223,176	214,615	243,232	204,153
Fair value losses / (gains) on financial instruments	7,544	5,593	(9,448)	14,219	6,327
Impairment of assets	428	-	226	141	3,610
Depreciation and amortisation	58,237	65,987	72,013	98,125	117,038
Discount on acquisition				(24,986)	(2,114)
EBITDAF	300,137	294,756	277,406	330,731	329,014



Thank you



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