TRUSTED FOR MORE THAN JUST POWER

Annual Results Briefing| 15 May 2017

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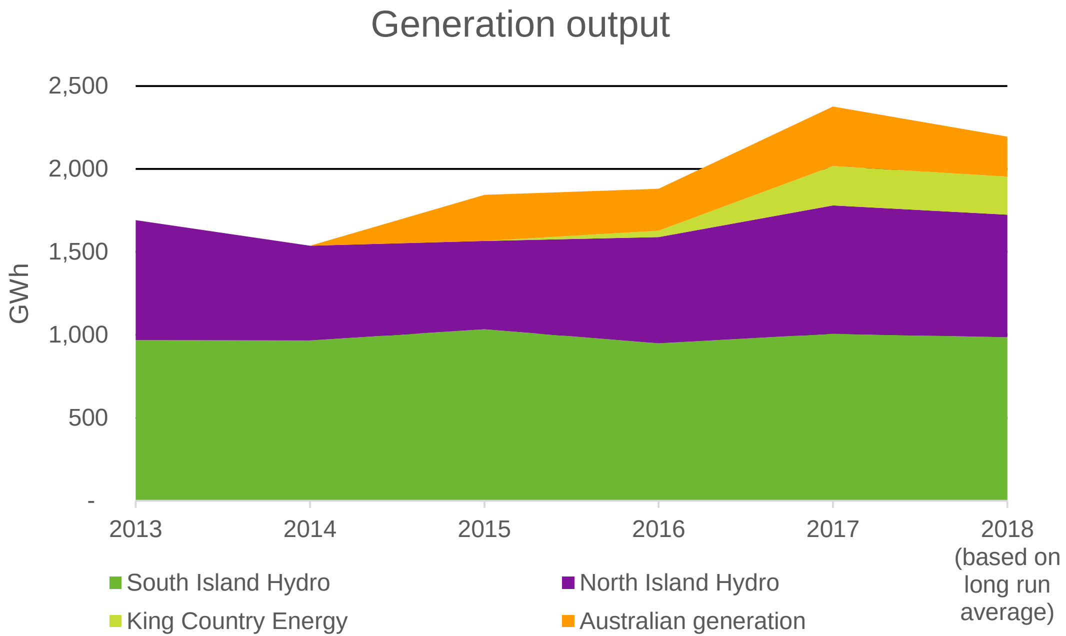
2017 Highlights

- Successful completion of demerger and restructure
- NZ generation volume 27% above 2016. Australian generation volume 41% above 2016
- Continue to invest in strong service and technology platform
- 17% increase in customers with two or more products, up to 90,000
- Reduced net debt to EBITDAF to 3.0 times (down from 3.5 times at March 2016)

Operating Overview

Sources of own generation



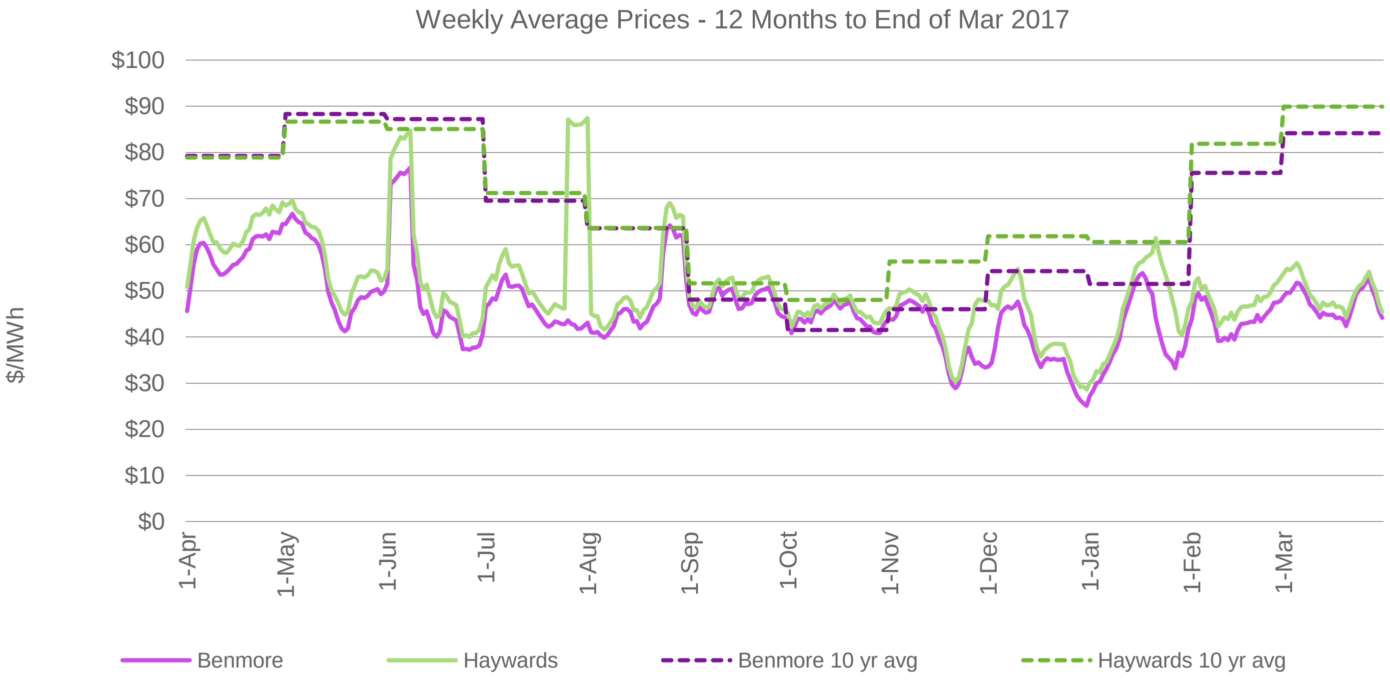
NZ generation up 429GWh (27%) due to acquisition of King Country Energy and strong hydrological inflows

Australian Generation

Scheme	Long run average volume GWh	Volume before REC GWh
Hume	194	223
Burrinjuck	40	29
Keepit	10	11

- Schemes earn Renewable Energy Credits (REC) once threshold is reached in a calendar year
- All schemes are fully merchant (unhedged)
- Circa 2% of revenue in royalties paid to dam owner

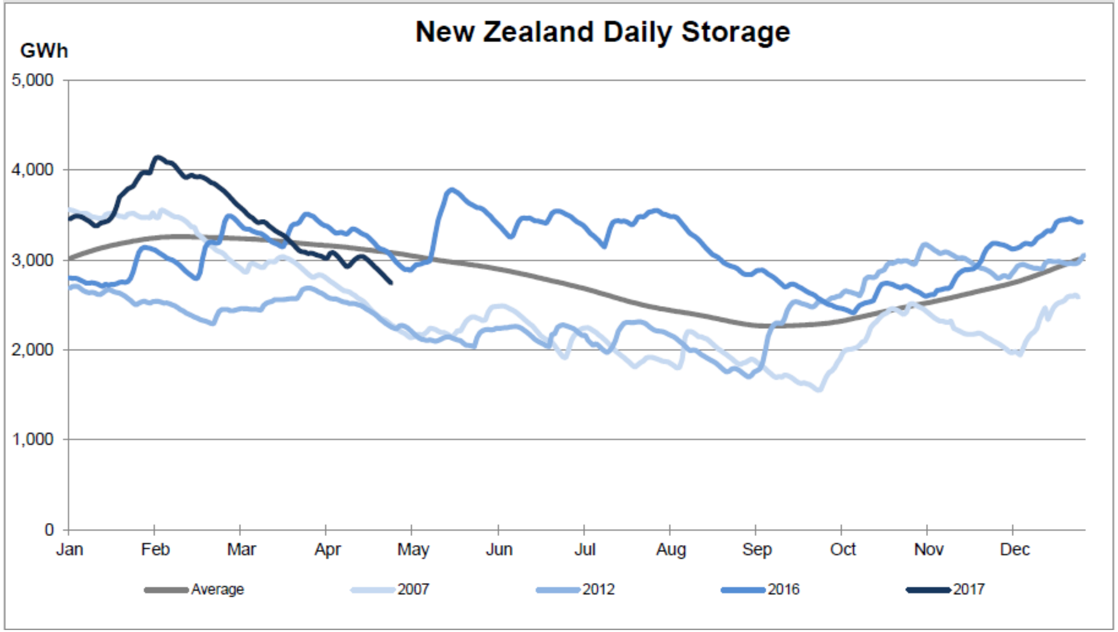
NZ wholesale prices well below average



Generation Weighted Average Price (GWAP) $52/MWh compared to $60/MWh in 2016.

Source: NZX Energy

NZ hydro storage position

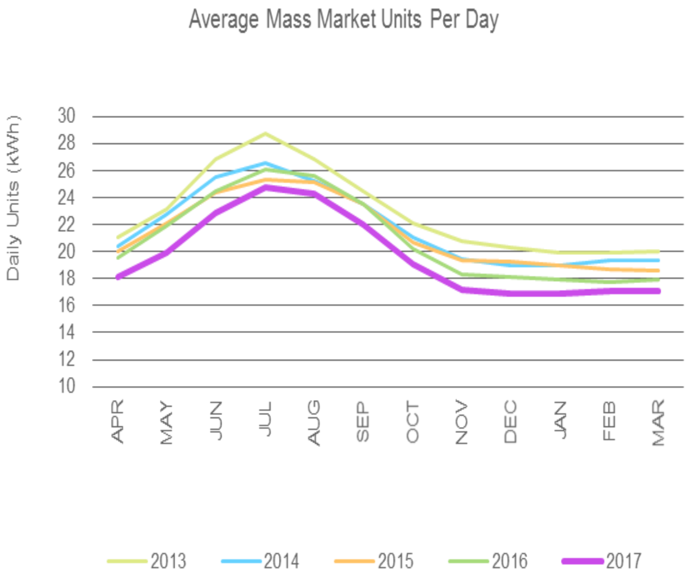


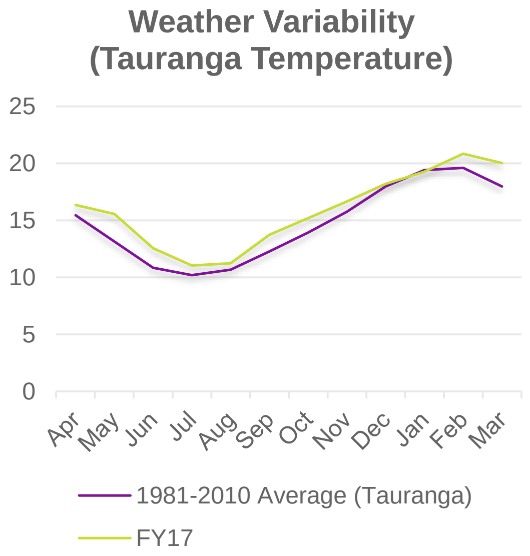
- Continued decline of South Island storage levels increase the potential for a high priced event
- High price events can lead to retailer stress if risk management is not robust
- Highlights the importance of the EA stress test.

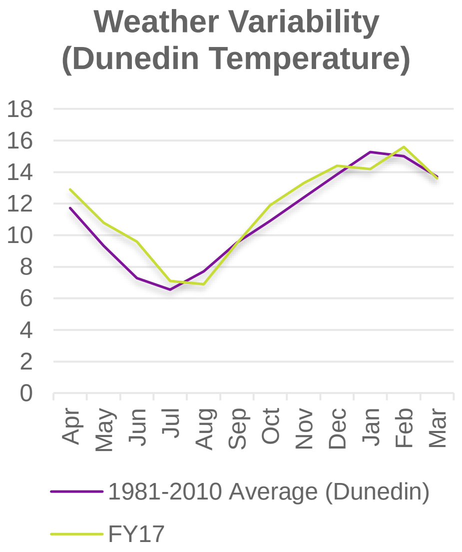
Source: NZX Energy COMIT Hydro Summary – 27 April 2017

Lower electricity sales per customer

Driven by very mild weather and changing customer mix as Trustpower gains customers in North Island metro markets

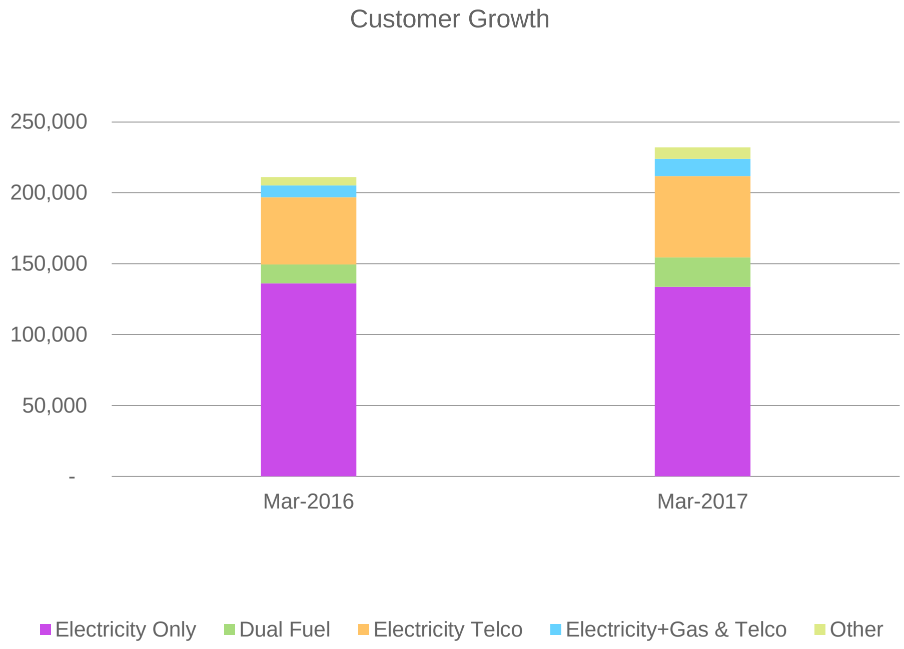






Source : NIWA Data

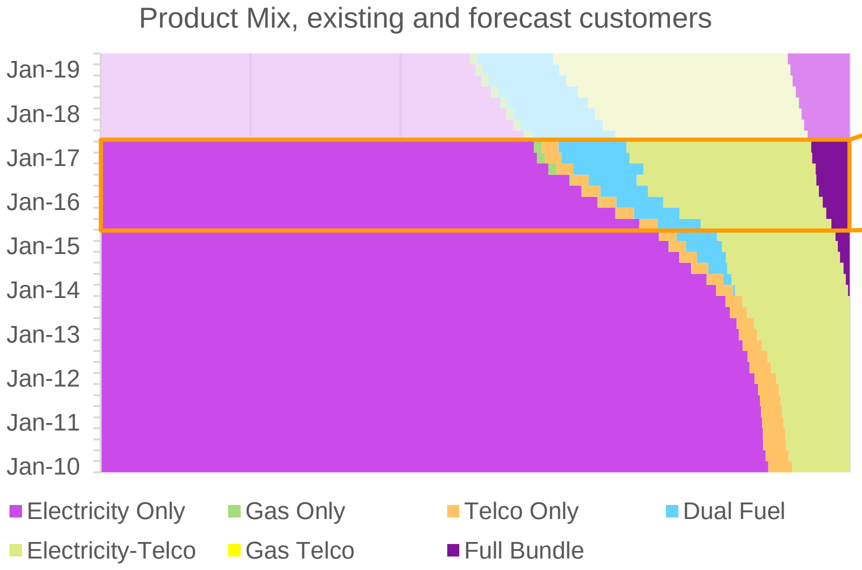
Continued Customer growth

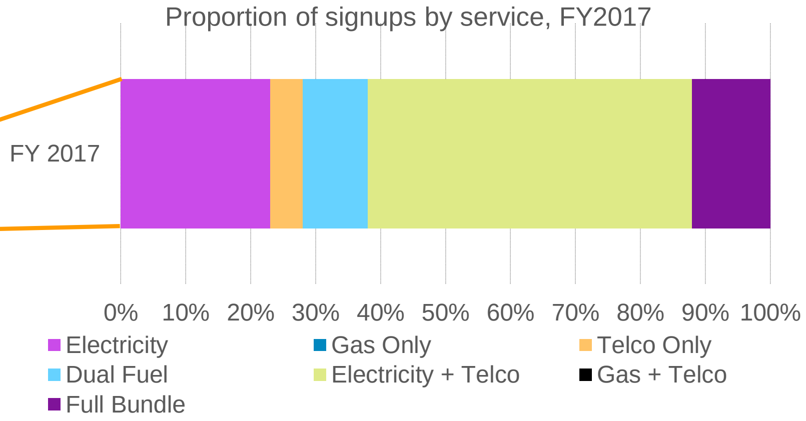


	March 2017	Target
Electricity Connections	276,000	290,000 to 300,000
Telco Connections	76,000	70,000 to 80,000
Gas Connections	33,000	33,000 to 35,000
% customers with 2 or more products	39%	42%

Electricity connections down due to higher than expected competition and the loss of a few major customers with large numbers of connections

Product mix has changed significantly as a result of our focus on a bundling strategy, at the same time as we've delivered significant growth in total customer services

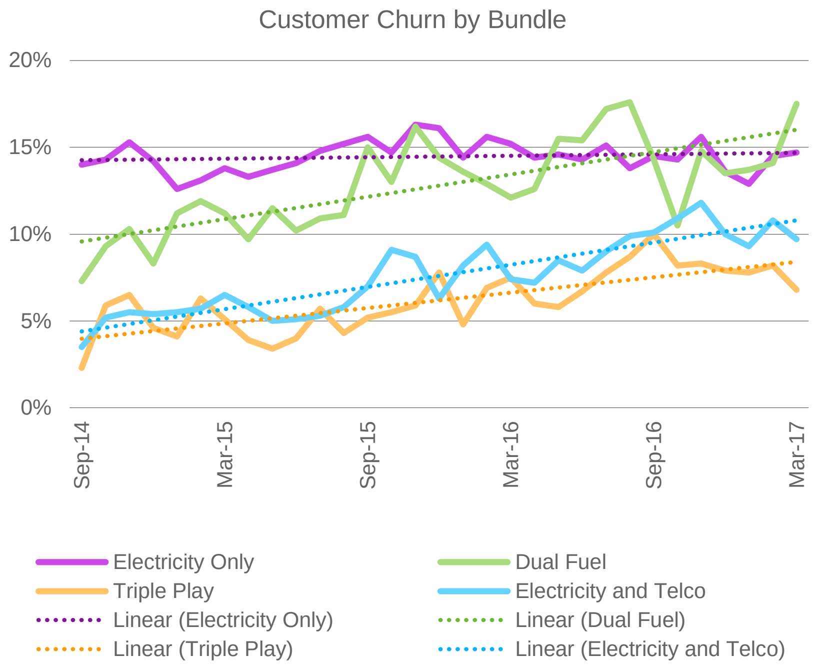




Electricity-only services are challenging due to high churn and margin decline, hence our continued focus to improve our product mix

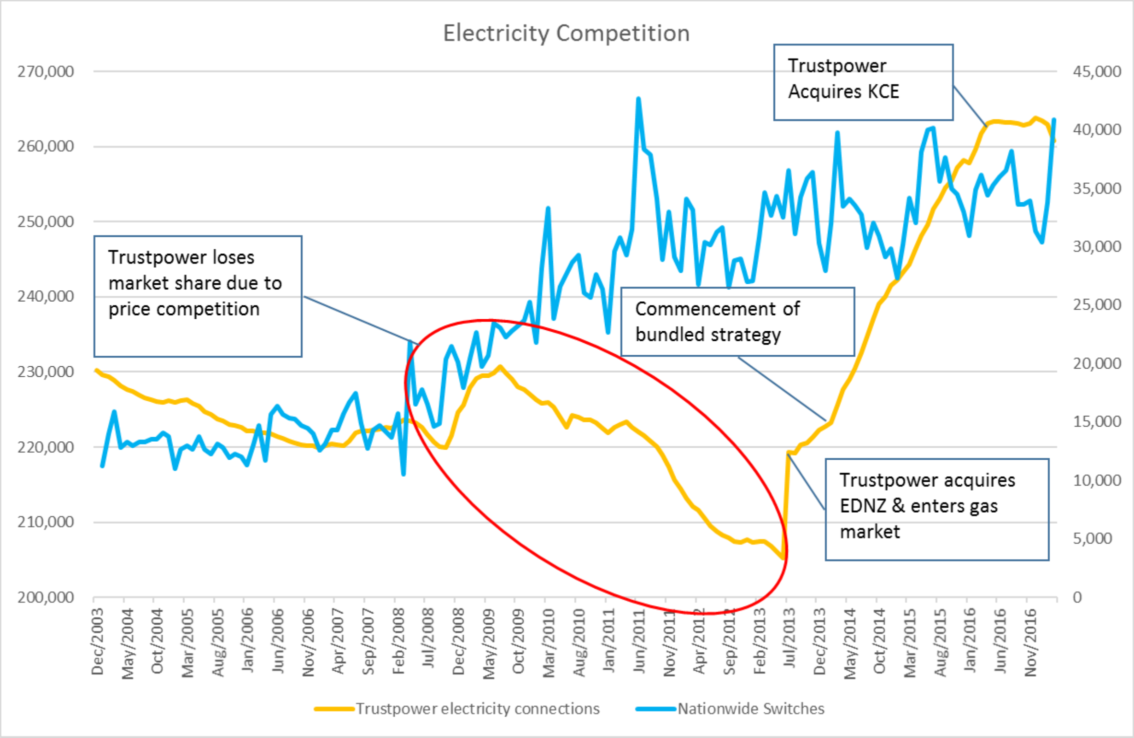
- Customer churn is significantly below industry averages as a result of this bundling strategy, and we expect this to be reflected in improving profitability in our retail business in the future
- We have seen successful results of our focus in increasing the number of services per customer, with nearly 40% of customers now taking more than one service

Multi-product churn benefits continue



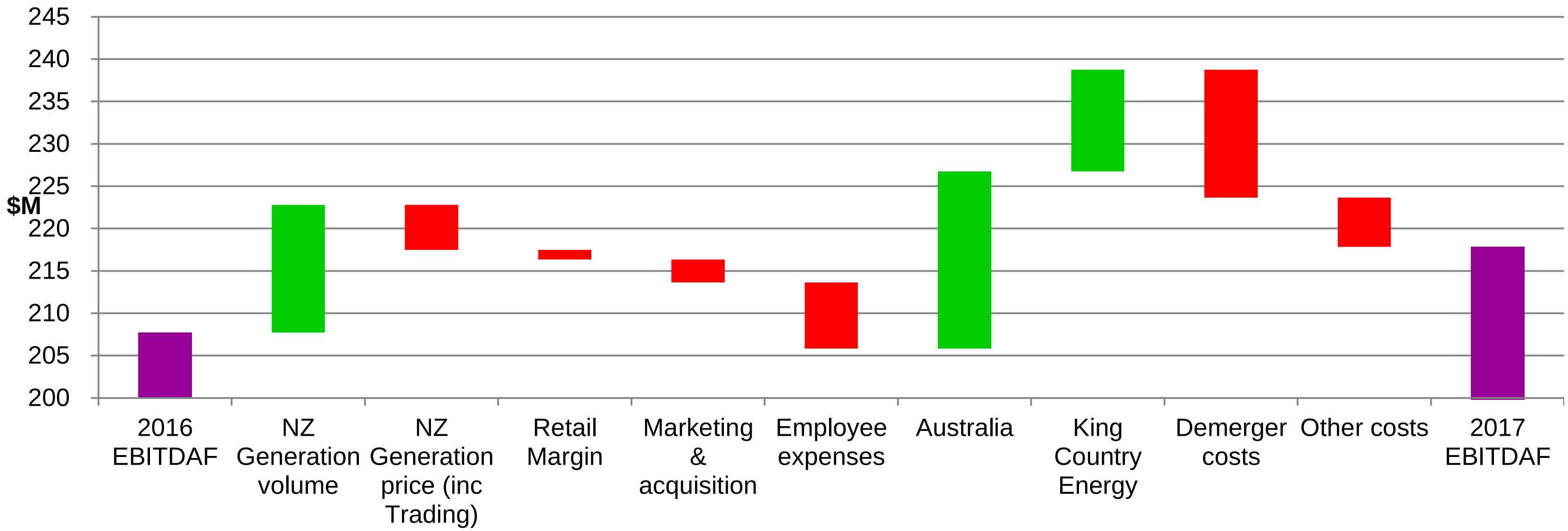
- Markets highly competitive in energy and telco
- Up to 37% lower churn for multi-product customers
- We are closely monitoring the level of churn as customers transition from $49/$79 product to Market rates

Bundling effective response to competitor price discounting

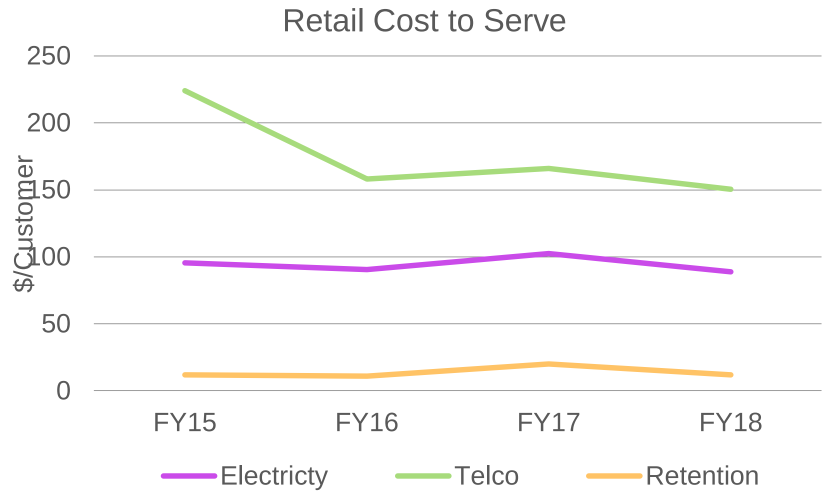


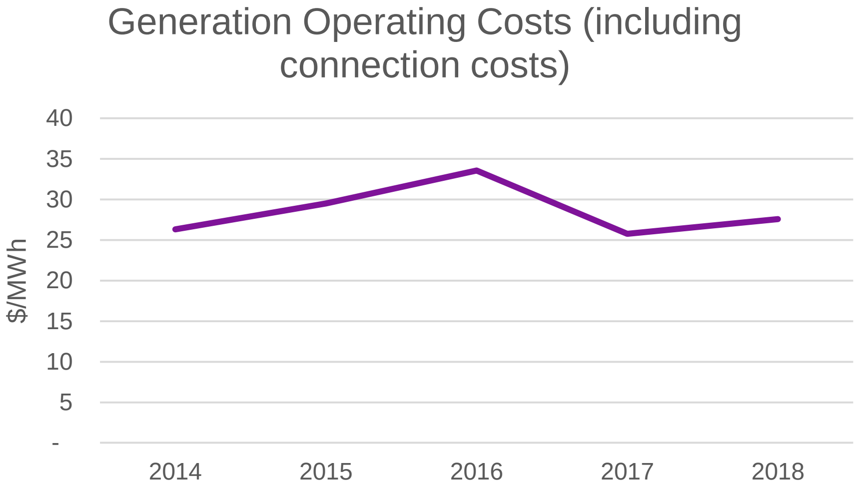
Overview of Financial Results

EBITDAF bridge full year 2016 - 2017



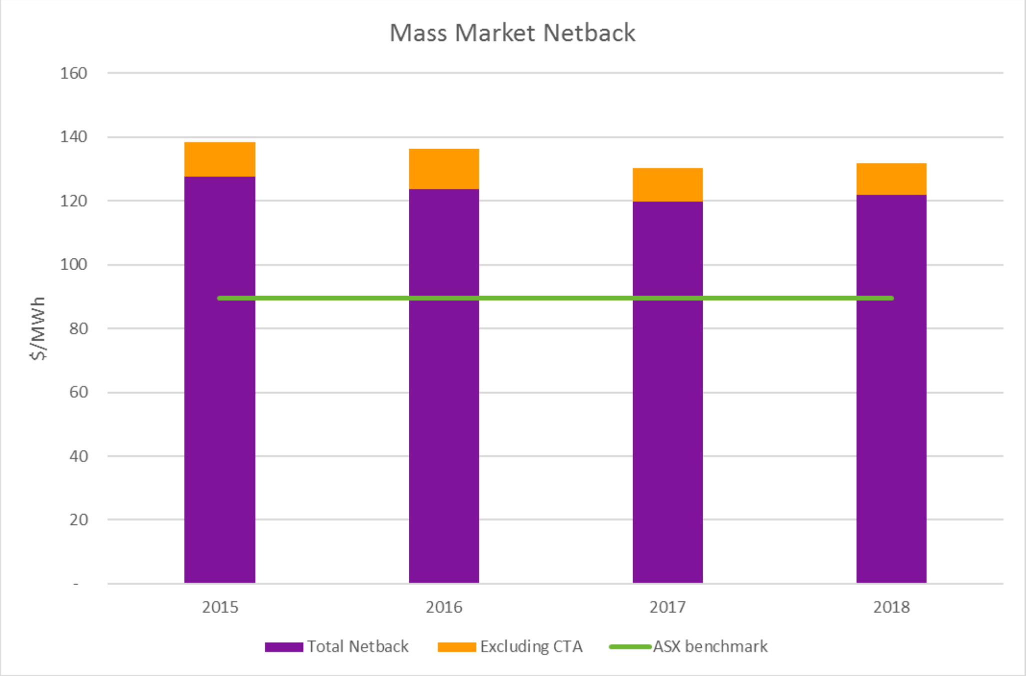
Operating costs remain a key focus





Slight increase in FY17 due to new building and cloud computing. Forecast to decline in FY18 due to increased automation.

Netback & other measures



Source : Trustpower Internal Data

Trustpower is constantly reviewing its disclosure. This year we have added a new netback measure. During FY18 we plan to add:

- Churn measure as customers come off their initial contracts
- Measure the profitability of bundled customers separately
- Demonstrate effectiveness of acquisition spend

Revenue recognition

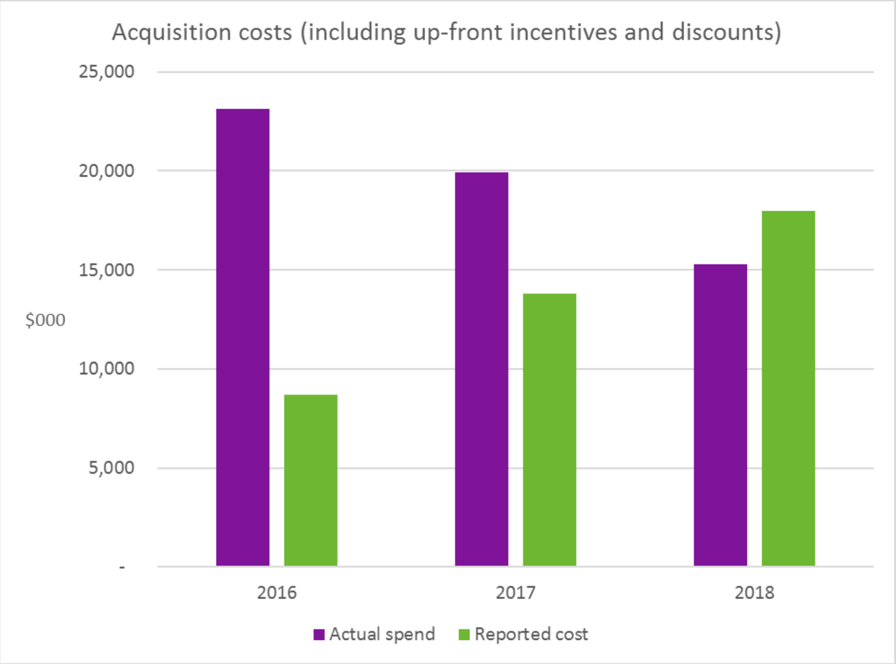
Trustpower has changed its accounting policy for revenue recognition to align with IFRS15

Previous policy

- All costs including customer discounts were recorded in operating expenditure when they were incurred

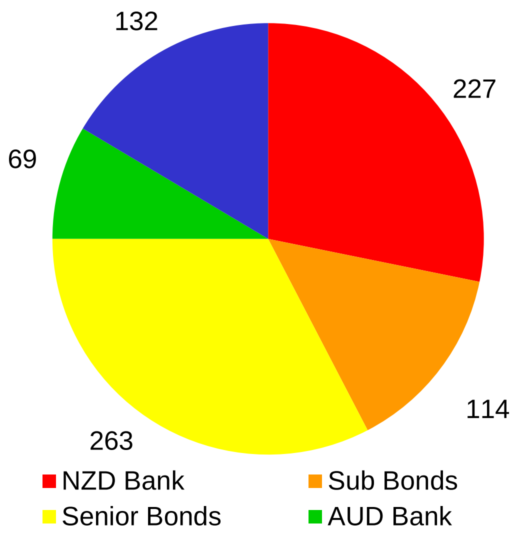
Revised policy

- All costs recorded as an asset in the balance sheet when incurred
- Discounts and incentives given directly to customers are amortised against revenue
- Other costs e.g. sales commissions are amortised to operating expenditure
- Average amortisation period is four years being the estimated median tenure of customers acquired. This estimate will be reviewed annually.
- Discounts/incentives are allocated across all revenue in the bundle (e.g. electricity and telco) even if the whole discount is presented to the customer as a discount against one product only

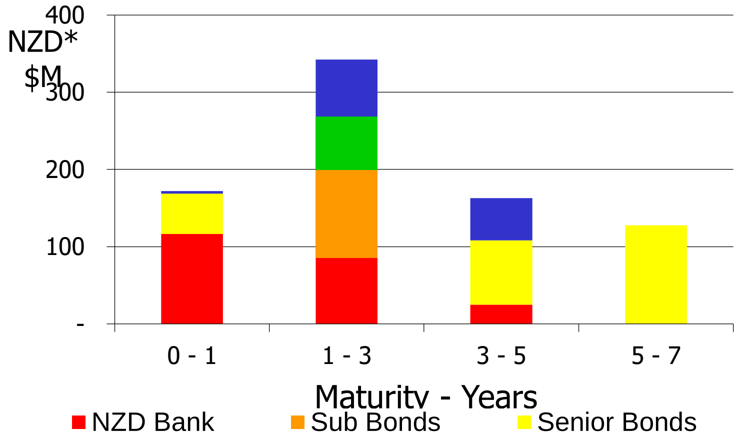


Debt capital management

Source of debt financing



Maturity of debt financing



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

* AUD Loans converted at NZD/AUD 0.92

First full year of dividends post demerger

Dividend declared of **17 cps**

bringing total dividend for the year to **33 cps**

87% of underlying profit

79% of free cash flows

Market Overview and Outlook

Key regulatory issues

Telecommunications Act review

- We will continue to push for a refresh of industry self-governance, and introduction of pro-consumer, pro-competitive measures

Electricity distribution pricing reform

- Shift to cost-reflective pricing. Will require careful transition and communication

Regulatory framework for emerging energy technology

- Competition in the provision of network support services (e.g. by batteries, DG, load management, etc) must be able to flourish

Review of Distributed Generation Pricing Principles (DGPPs) (Avoided Cost of Transmission (ACOT) payments)

- Following the Electricity Authority's (EA) final decision in December 2016, we are currently awaiting publication by the EA of Transpower's assessment of which DG should continue to receive ACOT payments; their assessment is subject to review and approval by the EA

Transmission pricing review

- We continue to believe that the EA's review and proposals are based on fundamental errors of law and process, and that they are not based on sound evidence. This was confirmed with the EA's recent decision to commission a new cost benefit analysis.
- We also believe the EA's proposal will be unworkable, as Transpower will be required to undertake 30-year forecasts of market outcomes, including assessing shares of benefits for parties that do not yet exist

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
- 2017/18 Proof points:
  - Customer retention post acquisition term
  - Continued ability to execute targeted campaigns in high value segments
  - Increased returns through cost optimisation and scale

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

March 2018 Forecast

Trustpower expects its FY18 EBITDAF to be in the range of $215 million to $235 million

The following assumptions underpin this forecast:

- Long run average generation volumes (NZ 1,954 GWh, Australia 242 MWh)
- NZ Wholesale price averages $77/MWh baseload at Otahuhu and $73/MWh at Benmore
- Average temperatures during autumn and winter leading to average electricity consumption
- Total customers increase to between 255,000 and 260,000 including 90,000 to 95,000 telco customers

Appendices

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 $1.5 billon
- 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
- 90,000 customers have more than one product
- Approximately 786 FTE employees (including King Country Energy)

FY17 Overview

Key Drivers	Comments
• First set of accounts since the demerger in October 2016.	Comparative numbers and first seven months of FY17 are based on a split of the consolidated pre-demerger Trustpower Group accounts. EBITDAF includes demerger costs of $16.8 million. Interest includes refinancing costs of $7.2 million
• Continuation of challenging conditions characterised by low wholesale prices and a competitive retail market. However positive hydrology has lead to an increase in generation volume in both New Zealand and Australia	EBITDAF $217.8 million up 4.9%. Excluding the demerger costs noted above EBITDAF of $234.6 million up 12% Underlying Earnings of $115 million up 36.4%
• NZ generation increased on last year but was in line with long run average	NZ Generation production 2,017 GWh up 27% last year, up 3% on long run average
• Retail growth strategy progressing well • Continued spend on marketing and acquisition	Electricity connections down 0.4% to 276,000 Gas connections up 6% to 33,000 Telco connections up 23% to 76,000 Customers with two or more connections up 17% to 90,000
• Change to accounting policy for revenue recognition to line up with new accounting standard	EBITDAF impact compared to previous policy up $6 million (restated FY16 comparatives up $14 million)
• Australian profitability increased due to above average generation and pricing	NSW generation 359 GWh up 41% Average energy price (excluding REC) $78/MWh up 82% NSW EBITDAF contribution AUD29.8 million
• Full year of King Country Energy (acquired in December 2015)	EBITDAF impact $14.7 million

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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