all the
little
things

Investor Briefing 2018 Year-end Results| 14 May 2018

Contents

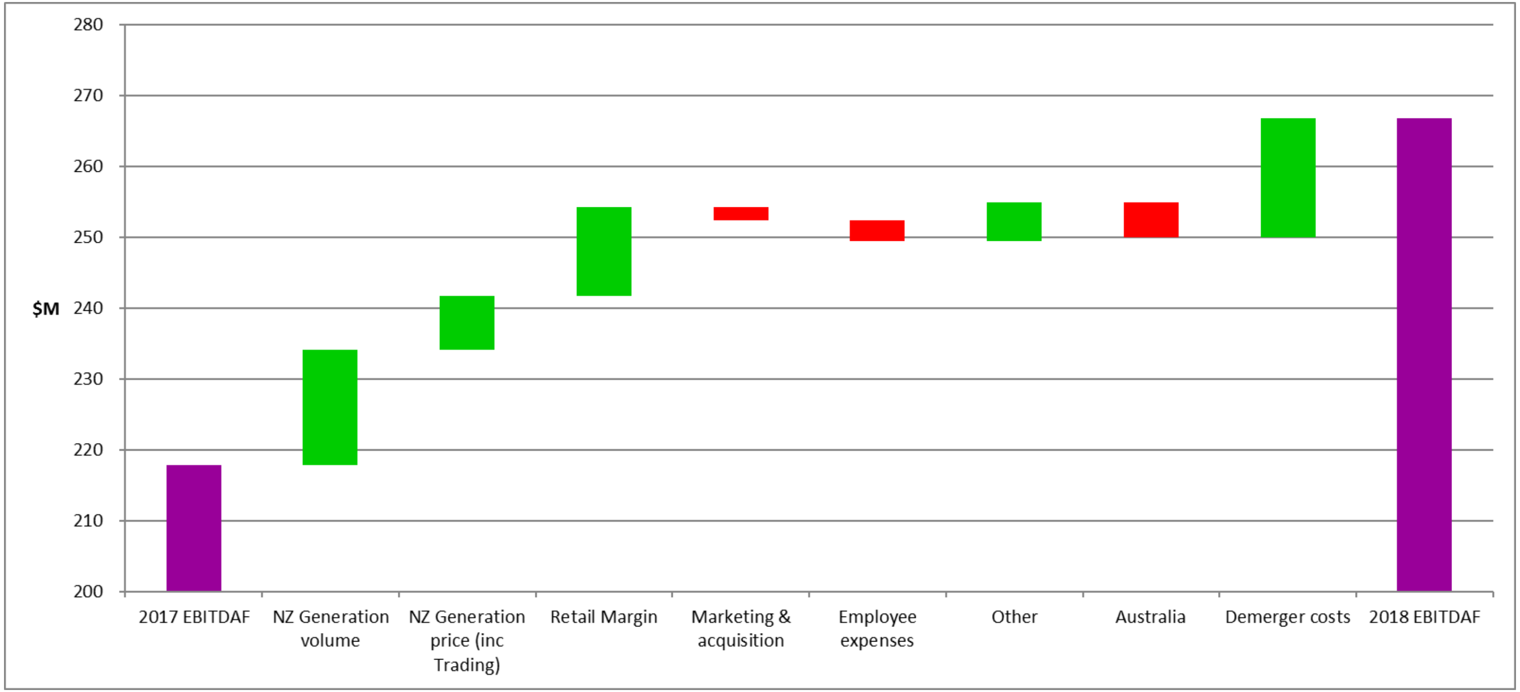
- FY18 highlights
- Overview of financial results
- Operational overview
- Strategy update and outlook

FY18 Highlights and Financial Review

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



Retail transfer price

Methodology

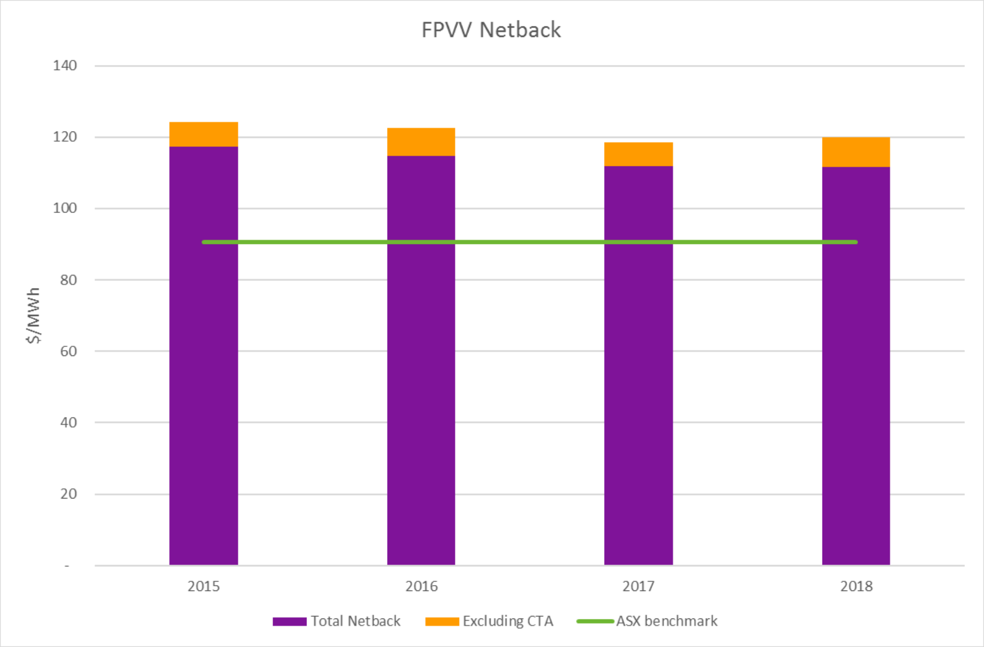
1. Establish a monthly base rate based primarily on ASX pricing (1/3 based 3 years ago,1/3 2 years ago, 1/3 1 year ago).
2. Adjust for location factors and load shape relative to pricing peaks (peaking factor)
3. Adjust for the annual volume option premium provided by the internal trading division and an allowance the transaction costs.
4. Establish a fixed volume for each month and location. If actual volume varies then Retail needs to buy/sell at spot prices.

Industry practice

Steps I & 2 seem to be fairly consistent with market practice for setting transfer prices however steps 3 & 4 seem unique to Trustpower. Others appear to use variable volume, load following hedges with no premium above ASX.

	FY16 $000	FY17 $000	FY18 $000
Reported Retail EBITDAF	56,098	44,965	59,593
Volume settled at spot	1,091	4,535	(1,177)
Option premium/transaction costs	4,366	4,320	4,114
Retail EBITDAF if hedge volume is variable and no risk premium	**61,556**	**53,819**	**62,529**

Netback



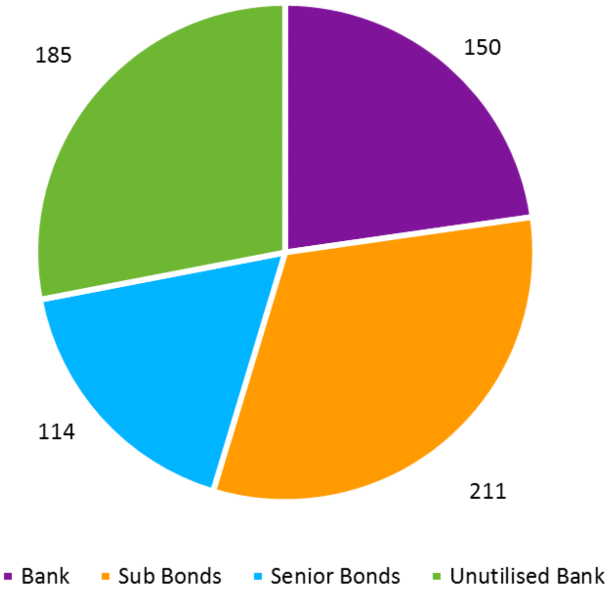
Strong retail profitability reflects:

- Retention of existing customers through excellent service
- Targeting of value adding new customers

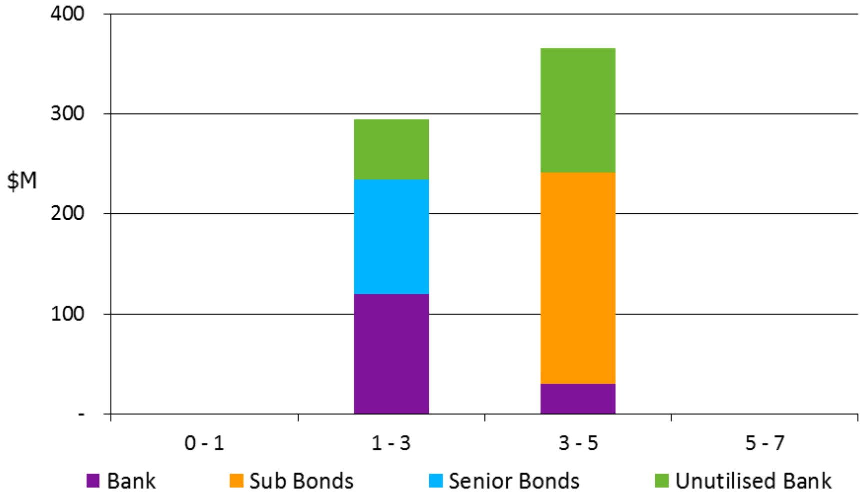
Note: includes Fixed Price Variable Volume (FPVV) commercial and industrial customers

Debt capital management

Source of debt financing ($M)



Maturity of debt financing



- FY19 forecast Debt/EBITDAF is circa 2.3 times
- Trustpower expects to access debt capital markets during the year to increase debt tenure

First full year of dividends post demerger

Dividend declared of **17 cps**

bringing total dividend for the year to **34 cps**

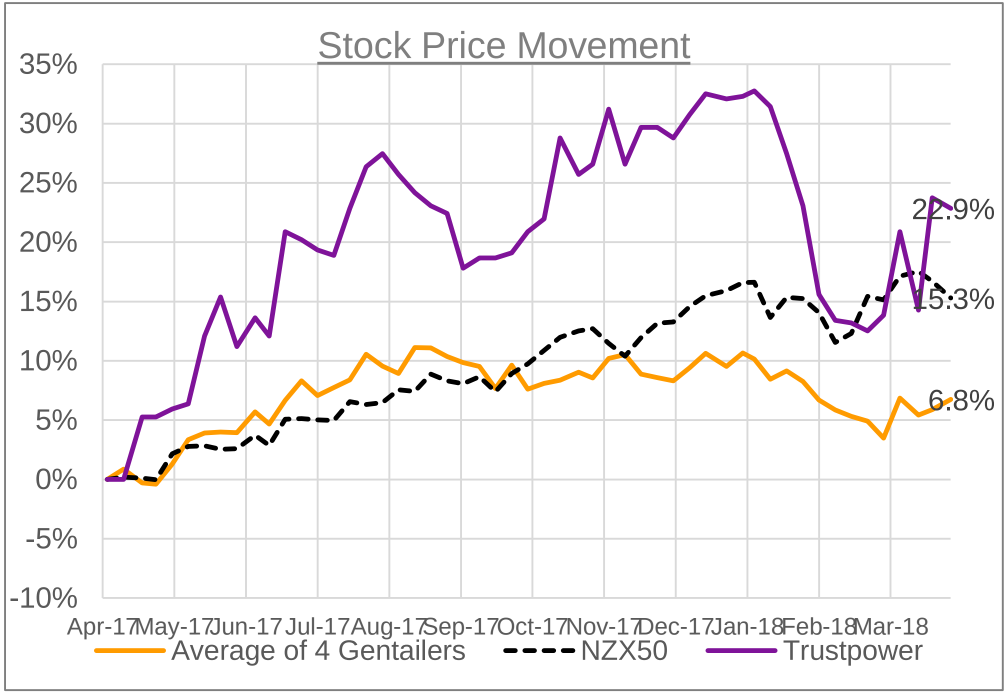
79% of underlying profit

68% of free cash flows

Trustpower adds shareholder value

Share price is starting to reflect underlying value

- Refocus and renewed momentum since demerger
- High dividend yield
- Modest gearing allowing for future growth
- Credible retail growth story
- Flexible and geographically diverse fleet of generation assets that will optimise value under a variety of scenarios



Generation portfolio performance

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.

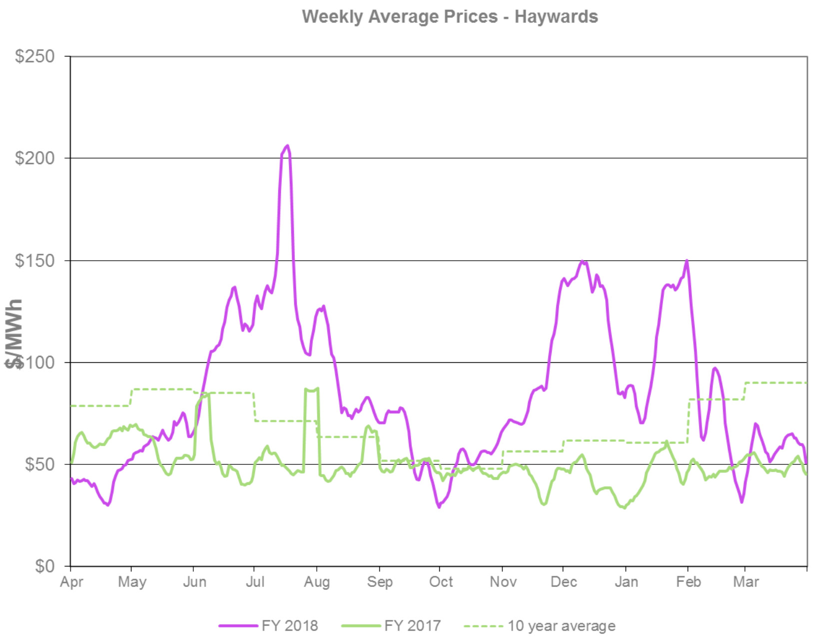
Short term view

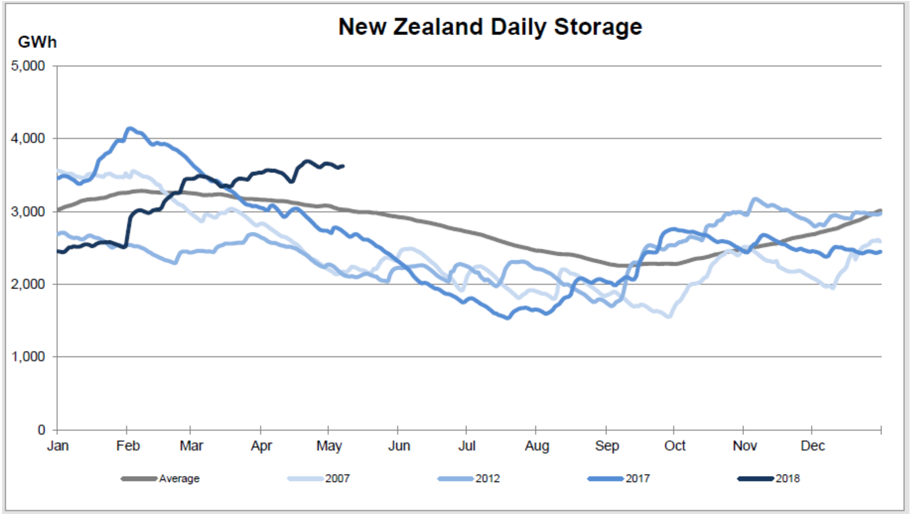
- Wholesale prices will be more volatile and this needs to be reflected in forward wholesale pricing as well as retail pricing.

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.

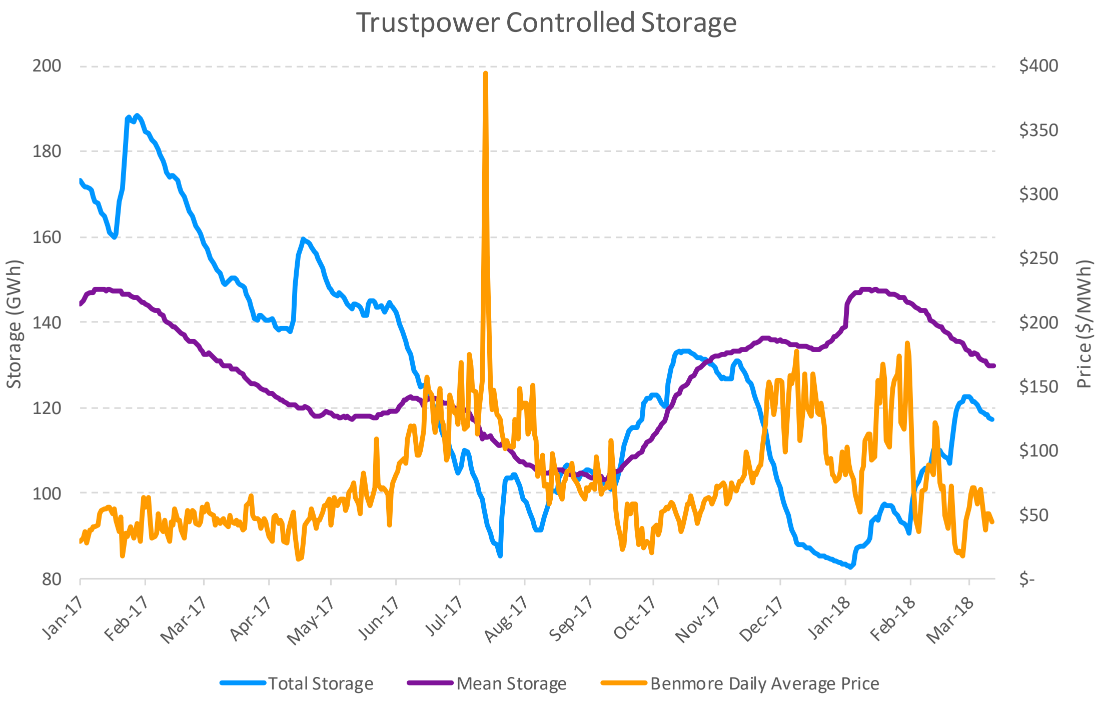
Wholesale prices – overall about average but volatile





- Current storage levels well above average due to strong inflows since 1 February 2018
- The rapid change in storage levels indicates how quickly the situation can change
- Highlights the importance of prudent risk management

Wholesale price and volume risk management – delivers sustainable earnings

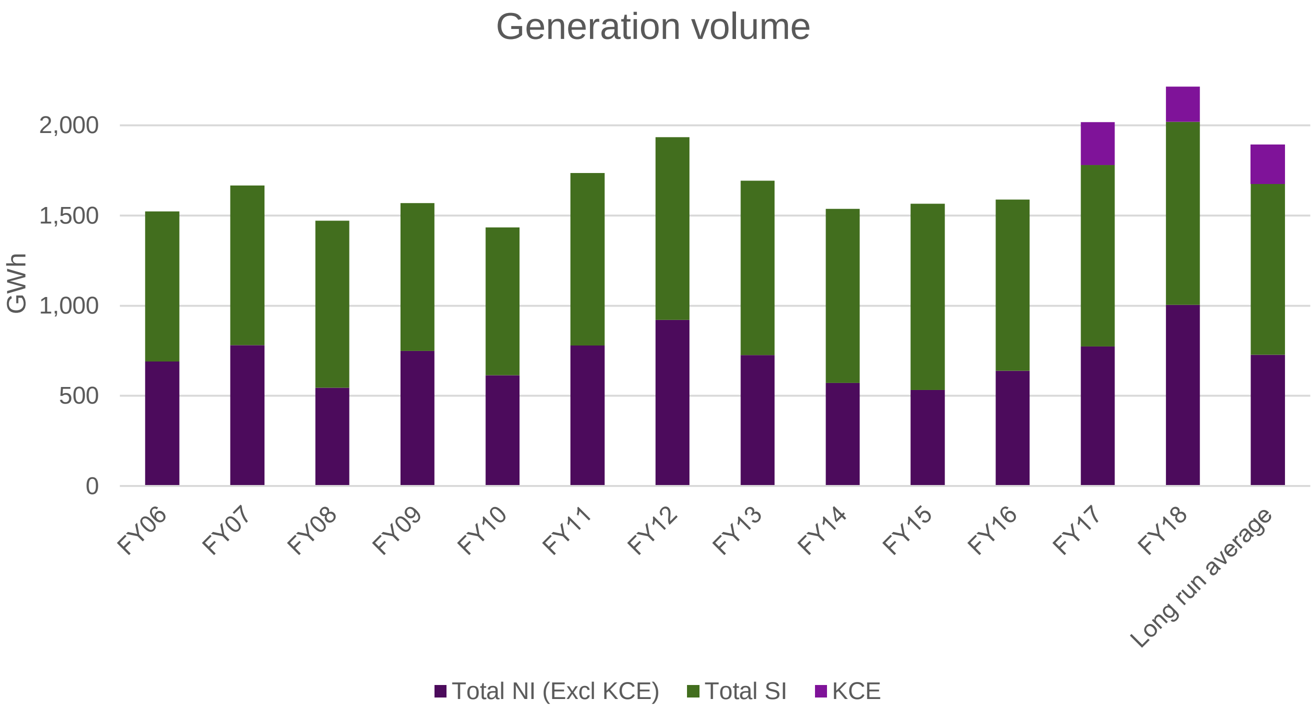


Well positioned at the start of winter 2017

- Geographically distributed generation
- Strong generation throughout the year in response to high spot prices
- Use of hedging instruments to balance portfolio for the 2018 winter limits downside
- Lakes have largely recovered, retaining upside opportunity

Controlled storage = Cobb, Coleridge and Waipori

FY18 Generation volume – drives performance



Generation volume well above long run average, however return to average would out perform FY14 – FY16

Generation performance focus

- Emphasis on health & safety, dam/civil safety and maintaining our licence to operate and compliance projects
- Sharper focus on enhancement and incremental growth to create earnings uplift
- Improving asset management maturity – more predictive and preventative focus for long term

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

- Identified system health & safety and reliability risks
- Fit for purpose solution – 'second hand' 56MVA transformer purchased and refurbished
- Improved system availability and reliability
- Reduced health & safety risk


Transformer lifted onto trailer for short journey to switchyard


Installed in final location in switchyard

Bundling energy and telecommunications

Trustpower the leading multi-utility business

Comment

- We created a new bundled category and others are attempting to follow

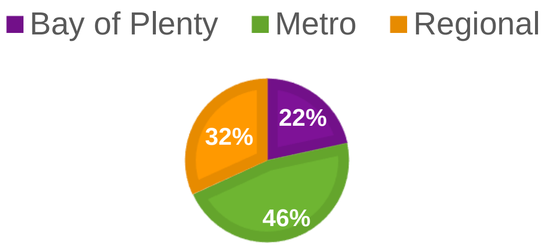
Our achievements

Over 100,000 customers have more than one product

- 2/3rds of all new customers are taking 2 or more products
- We continue to see strong telecommunications growth and we are creating a diverse and resilient customer base
- We are now realising scale and cost to serve benefits
- 52% of our telco customers have fibre

We are no longer a multi-utility start up

BUNDLED CUSTOMERS BY REGION



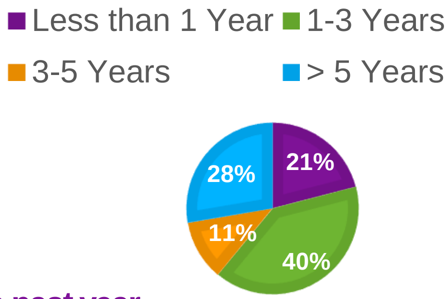
We have reached critical mass

273,000 electricity

37,000 gas

87,000 telco

MATURING CUSTOMER BASE



In the past year

- Over 3,000 existing energy customers added Telco
- 1,200 electricity customers added gas
- 5,600 customers upgraded from DSL to Fibre
- Targeted outbound campaigns are seeing 80% of new high value customers taking two or more products
- Invested in our ISP network and capability to support growth

Creating Value for customers and shareholders

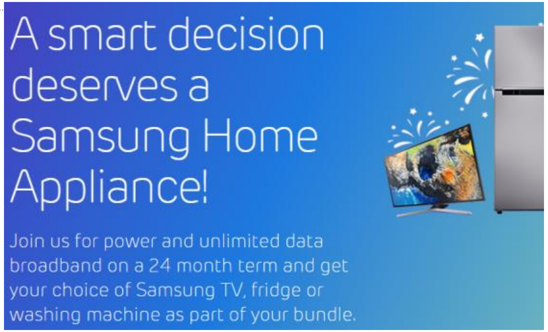
Metric	FY-18	FY-17	Var %
Mass Market Electricity Sales GWh)	1,918	1,936	-1%
Mass Market Gas Sales (TJ)	1012	1013	0%
Total Connections	397,000	388,000	2%
Customers with 2+ services	100,000	90,000	11%
Telco customers	87,000	76,000	14%
EBITDAF ($'000's)	59,593	43,097	38%
Broadband customers on Fibre	51.59%	36.55%	41%
Proportion of bundled customers with tenure > 3 years	39.00%	34.00%	15%
Average Electricity volume per customer	7,103	7,147	-1%

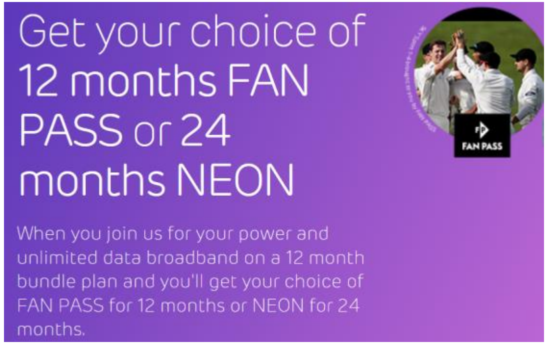
Note: Apr-Mar numbers for each year.

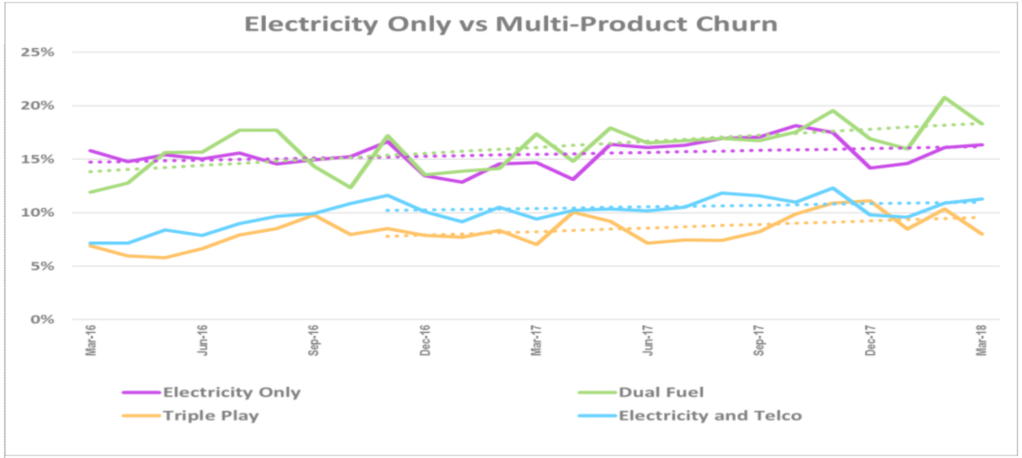
Comment

- Significant improvement in Retail EBITDAF YoY driven primarily by increased profitability from bundled customers
- Maturing customer base reflecting our conviction that bundled customers will stay longer than energy only acquisitions
- Beginning to extract scale benefits from bundled customers

Value based offers outperform discounting







Value based offers continue to outperform discounting offers :

- 44% reduction in sales leakage (customers churning between sale and service provision starting)
- 80% reduction in credit issues
- 50% reduction in first year churn
- 14% increase in average energy consumption
- 63% net margin increase

Maximising electricity value

Electricity segment – not for the faint hearted

Consumer market highly competitive

Comment

- Circa 40 retail brands now present

Electricity only

- New Zealand electricity market one of the most competitive in the world
- Consumer segment remains highly competitive with consolidation and failures likely
- Opportunities remain in emerging energy and service technologies
- Trustpower's multi-product strategy is allowing us to improve customer retention by moving customers into the bundled category

Electricity segment – Demonstrates diversity & tenure

Legacy Electricity only

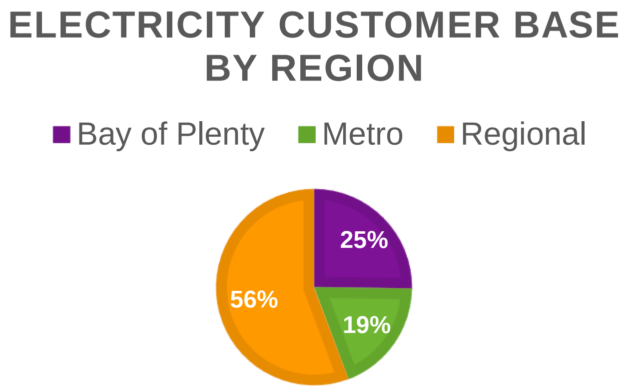
- Balanced portfolio across Commercial, Industrial, Government and Consumer
- Cross sell within the Consumer segment is moving customers out of this category
- Trustpower's remaining electricity consumer business has a low cost to serve and good tenure

Commercial and Industrial market

Comment

- Diverse customer base, typical contract term 2-3 years
- Average tenure over 7 years, supply relationships with some of New Zealand's most recognised corporates for over 15 years
- Profitable and sustainable at circa 1,900GWh pa

Consumer Market



Comment

- Electricity only customer base biased away from the metros
- Around 60% of customers have 5+ years tenure


Meeting our customer needs

Customer service – a strategic capability

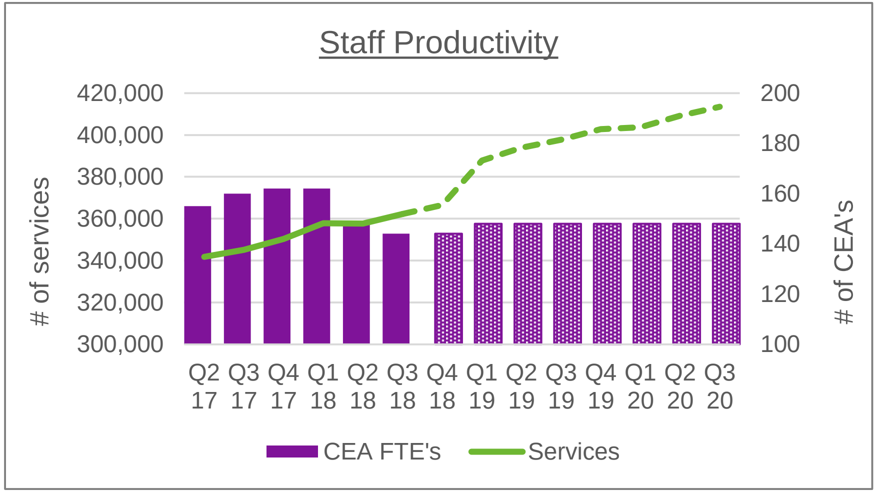
Trustpower has been focusing on developing customer service as a strategic capability

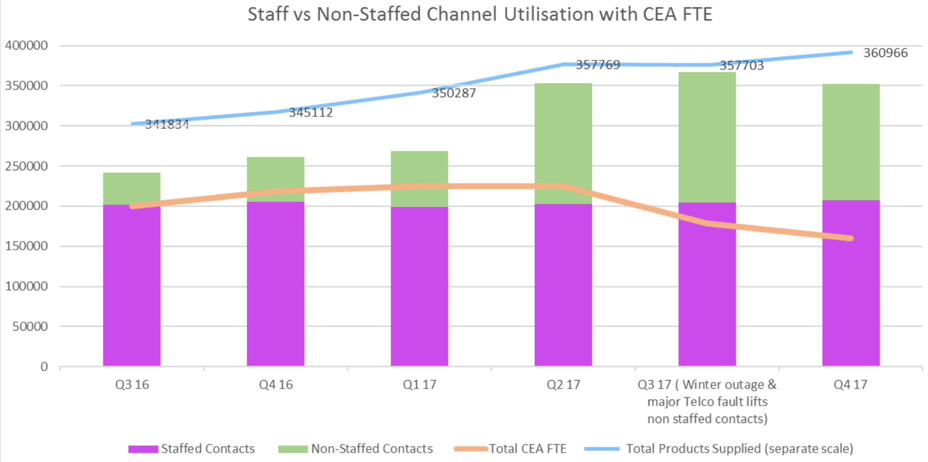
- Proven capability in acquiring and migrating customer bases without any noticeable increase in customer churn
  - » EDNZ complete
  - » KCE underway
- One of the most automated utilities in New Zealand with nearly half of our customer contacts serviced without human contact
- Using technology to automate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

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

Focus on efficiency, automation and digital solutions

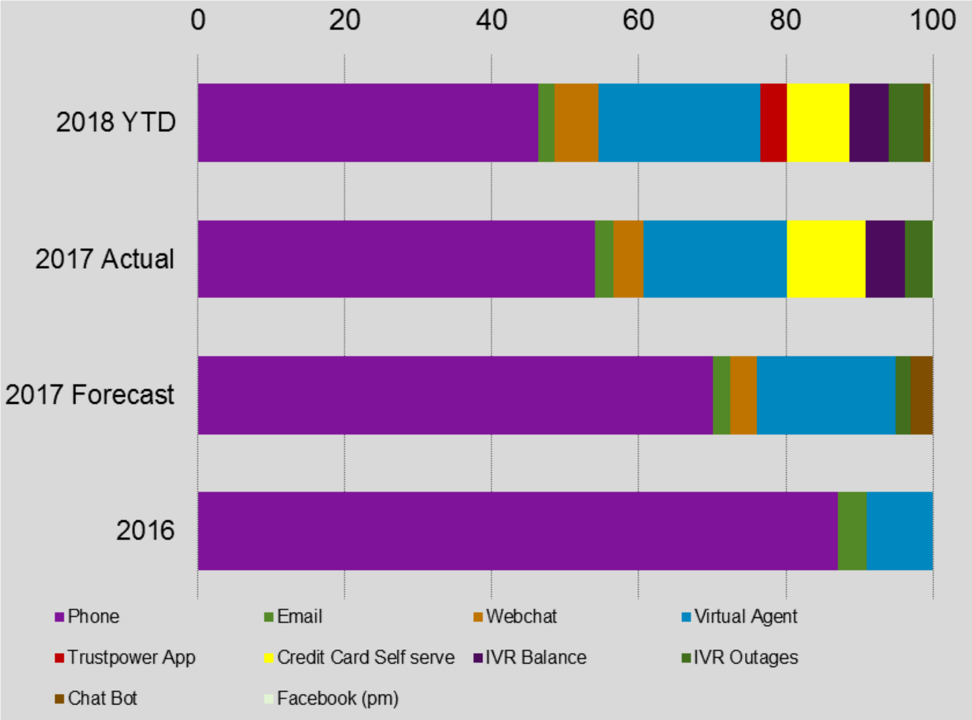
Increase in the numbers of products supplied and associated customer contacts is offset by the migration of customers to non staffed channels, leading to lower staff numbers



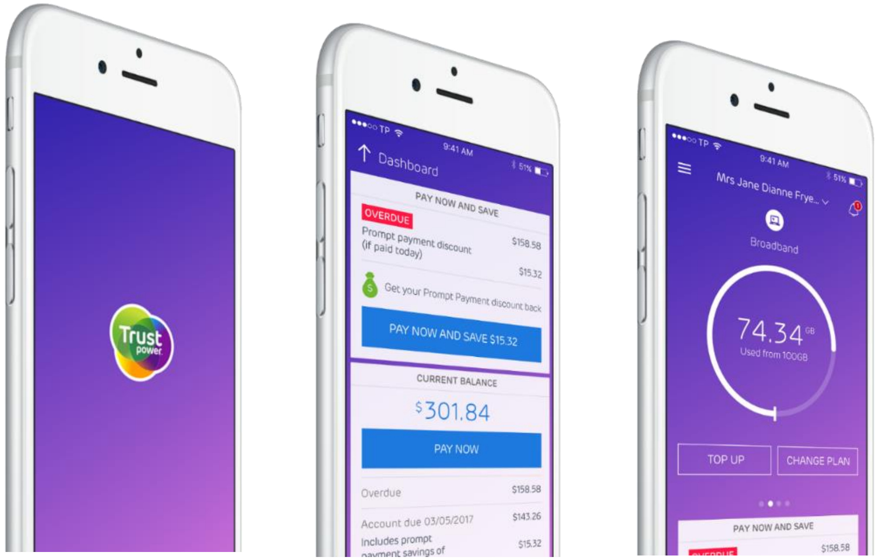


Automation providing customers with choice

- 45.7% of all customer contacts are now serviced without human intervention
- Chatbot receiving customer satisfaction ratings on par with an agent
- Staffed channels are focussed on positively impacting churn through delivering high quality service in the moments that matter



Continued focus on customer and efficiency



- We continue to enhance our hybrid service model (a combination of staffed and unstaffed channels) allowing our customers to engage via their channel of choice while at the same time reducing our cost to serve
- Trustpower App released with 32,900 interactions to date and achieving high satisfaction & engagement rates

Growth and industry overview

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 (TSR) in the top quartile of the NZX.

Industry consolidation

Trustpower is well positioned to capitalise on emerging market opportunities

- The joint KCE takeover offer by Trustpower and the King Country Electric Power Trust (KCEPT) was successful. Trustpower and KCEPT are now working together to achieve synergies, primarily through the sale of the KCE retail customers to Trustpower. This sale has been completed and the transfer of customers is underway
- The GSP Energy sale is complete with a sale price of AUD168 million compared to AUD72 million purchase price (including two small wind farms now owned by Tilt Renewables) in 2014
- Following the sale of GSP and the takeover of KCE, Trustpower will be well positioned to participate in further industry consolidation
- Trustpower currently has undrawn committed bank facilities of around $180 million and is towards the bottom of its leverage targets giving options for capital deployment

Key regulatory issues

Overview

Trustpower broadly supports the principles espoused in the recent Productivity Commission report. However for these principles to be effected New Zealand needs a considered policy framework with “joined up thinking” across all sectors. We have growing concerns that policy decisions are being made on a piecemeal basis with little consideration for the picture as a whole.

Low emissions economy

- Trustpower supports and is well placed to contribute to the transition to 100% renewable electricity in an average hydrology year by 2035. noting the importance of gas generation to maintain security of supply when hydrology is below average.

Electricity price review

- The current market structure functions well. The focus should be on barriers for
  - transition to a low emission economy; and emergence and growth of new technologies
- The review is also a valuable opportunity to fine-tune industry governance:
  - In the generation and retail sector, we think the focus should be on promoting competition, and not on ex-post assessments of overall investment efficiency
  - In the lines sector, the focus should be on delivering the lowest possible prices for consumers while delivering a reliable service, fit for the modern economy

Regulatory frameworks for telecommunications and gas

- We would like to see similar issues regulated with consistent approvals across the electricity, gas and telecommunications sectors
- A review of industry self-governance in telecommunications and gas, to accelerate the introduction of pro-consumer (particularly mass market) and pro- competitive measures. We are particularly interested in access to mobile networks

In summary

- A strong financial performance in FY18 has established a solid platform for continued growth, particularly in retail.
- Trustpower repositioned as a New Zealand focused multi-product platform
- Multi-product platform delivering for customers and shareholders
- Well positioned in an uncertain and changing world for further convergence with proven integration capability

March 2019 Forecast

Trustpower expects its FY19 EBITDAF to be in the range of $205 million to $225 million

- The following assumptions underpin this forecast:
- Long run average generation volumes (NZ 1,890 GWh)
- 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 95,000 to 105,000 telco customers

- The key changes to the current year are:
- Return to average generation volumes and prices – reduction of circa $25m
- Sale of Australian operations - reduction of circa $25m
- Forecast change in Avoided Cost Of Transmission revenue - reduction of circa $4m

Thank You

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 $1.8 billon
- Key shareholders Infratil (51.0%) and TECT (26.8%)
- New Zealand generation capacity (hydro) 487MW producing an average of circa 1,954 GWh per annum
- Approximately 247,000 customers
- 100,000 customers have more than one product
- Approximately 803 FTE employees

FY18 Overview

Key Drivers	Comments
• A very strong result thanks to favourable hydrology and pricing as well as an improved retail contribution.	EBITDAF $266.8 million up 22% (up 14% if costs of the 2017 demerger are excluded) Underlying Earnings of $135 million up 17%
• NZ generation was well above last year and long run average	NZ Generation production 2,235GWh up 11% on last year, up 14% on long run average
• Retail growth strategy progressing well • Continued spend on marketing and acquisition	Electricity connections down 1% to 273,000 Gas connections up 12% to 37,000 Telco connections up 14% to 87,000 Customers with two or more connections up 11% to 100,000
• Australian profitability reduced due to generation volume reducing from 2017's very strong result. This was offset somewhat by an increase in prices achieved.	NSW generation 284GWh down 21% Average energy price (excluding REC) $92/MWh up 19% NSW EBITDAF contribution AUD24.4 million
• Australian business sold for AUD168 million as at 29 March 2018. • Presented as a discontinued operation in the financial statements.	Gain of $19.4m recognised in reserves EBITDAF of $243.1 million per the income statement excludes the Australian business, a reconciliation of this number to the total EBITDAF or $266.8 million is shown on the next slide.

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

	2017	2018
Proft After Tax Attributable to Shareholders of the Company	**92,545**	**128,127**
Fair value losses / (gains) on financial instruments	(3,825)	2,675
Gain on sale of the subsidiary after income tax	-	(183)
Impairment of assets	3,479	5,099
Demerger related expenditure	23,959	-
Changes in income tax expense in relation to adjustments	(687)	(749)
Underlying Earnings After Tax	**115,471**	**134,969**
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**

Generation volumes

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	Long run average
	MWh	MWh	MWh	MWh	MWh	MWh	MWh	MWh	MWh	MWh	MWh	MWh	MWh	MWh
Long Term NI Generation	690,401	780,391	546,024	749,931	614,570	779,535	921,240	724,997	566,207	516,092	626,126	758,366	987,184	712,389
Long Term SI Generation	832,536	886,856	925,803	818,512	820,116	956,633	1,012,092	947,841	948,379	1,012,905	930,464	988,994	998,371	929,193
Bream Bay	-	-	-	-	-	-	311	994	1,030	666	981	2,249	2,448	1,395
Deep Stream	-	-	-	-	-	-	-	18,713	16,790	20,788	18,525	18,293	17,095	18,368
Esk	-	-	-	-	-	-	-	-	5,118	15,710	11,630	12,674	14,481	13,624
KCE	-	-	-	-	-	-	-	-	-	-	-	236,904	195,178	216,041
Total NI	**690,401**	**780,391**	**546,024**	**749,931**	**614,570**	**779,535**	**921,551**	**725,991**	**572,355**	**532,468**	**638,737**	**1,010,192**	**1,199,291**	**943,449**
Total SI	**832,536**	**886,856**	**925,803**	**818,512**	**820,116**	**956,633**	**1,012,092**	**966,554**	**965,169**	**1,033,694**	**948,989**	**1,007,287**	**1,015,466**	**947,560**

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