

The logo for Trust power is centered on the left side of the page. It consists of the word "Trust" in a large, white, sans-serif font, with "power" in a smaller, white, sans-serif font below it. The logo is set against a background of three overlapping circles: a green one at the top, a blue one on the right, and an orange one at the bottom. Below the logo, several small human figures are shown working on the logo. One person is on a ladder, another is holding a rope, and others are standing around, suggesting a collaborative effort to assemble or maintain the logo. The entire scene is set against a solid purple background.

Trust
power™

**all the
little
things**

**/ Q2-19
/ Quarterly Operating Report
/ September 2018**

bomg

FY-19 EBITDAF Market Guidance Update

Trustpower advises it now expects its FY-19 EBITDAF to be in the range of **\$215 million to \$235 million**. This is an increase on its earlier guidance of \$205 million to \$225 million.

The increased forecast is being driven by the favourable trading conditions in the year to date, and a revision of the expected trading conditions for the remainder of the year. Noting that the current trading conditions are experiencing highly volatile and elevated prices due to a gas field outage and low hydrology. Trustpower is expecting a reversion to more average trading conditions towards the end of the 2018 calendar year.

The forecast is underpinned by the following assumptions:

- Long run average generation volumes for the remainder of the year
- NZ wholesale prices are in line with current forward pricing for the remainder of the year
- Average temperatures and average electricity consumption for the remainder of the year
- Total customers increase to between 255,000 and 260,000 including circa 95,000 telco customers

Key Highlights



- Q2-19 saw 78% of all new customer acquisitions take multiple products, with an 8.5% increase year-on-year of total customers taking 2+ products to 102,000.
- Total retail sales volume was 2.8% below the pcp for Q2-19, with Mass Market/SME falling 5.8%, and C&I increasing 0.8%.
- Customer churn for those who take Telco products from us was stable in Q2-19, continuing to track well below those who only take energy products.
- 56% of all our broadband customers are now on fibre, up from 44% same time last year. Those customers taking medium and fast speed plans (100+MB download) increased from 56% in Q2-18, to 82% at the end of September 2018.
- Trustpower has now ranked number 1 in the Netflix Speed Rankings for 10 months in a row.



- Q2-19 Generation volumes were above long-run average, but down against last year's abnormally high volumes by 23%.
- Our ability to extract higher than TWAP was evident in the last quarter, with a GWAP/TWAP ratio of 1.10.
- Asset availability averaged 96.4% over the quarter.



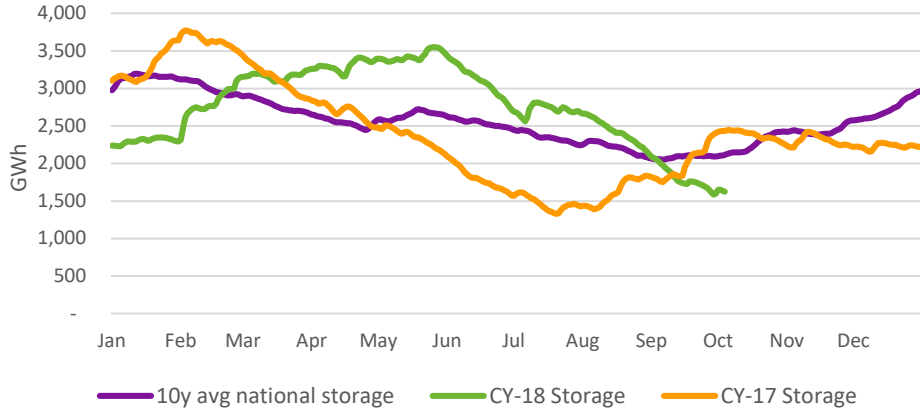
- National Controlled storage continued to decline throughout September to be sitting at 76% of the 10-year average (as at 30th September).
- Forward ASX prices rose over the quarter, particularly for Q4-18 and Q1-19. Near-term ASX pricing has continued to climb into October, and we are actively monitoring this and managing our risk position.
- National demand rose 0.8% quarter-on-quarter.



- Trustpower completed the successful integrations of the King Country Energy (KCE) and Utilise retail customer bases over the quarter.
- Trustpower signed an AMI (smart meter) deployment and Data service agreement with Intellihub in July. Deployment of AMI meters commenced in August and is anticipated to run until 2021.
- We completed the extension of our optical network through the North Island. This is a further investment in the quality of service to our customers.

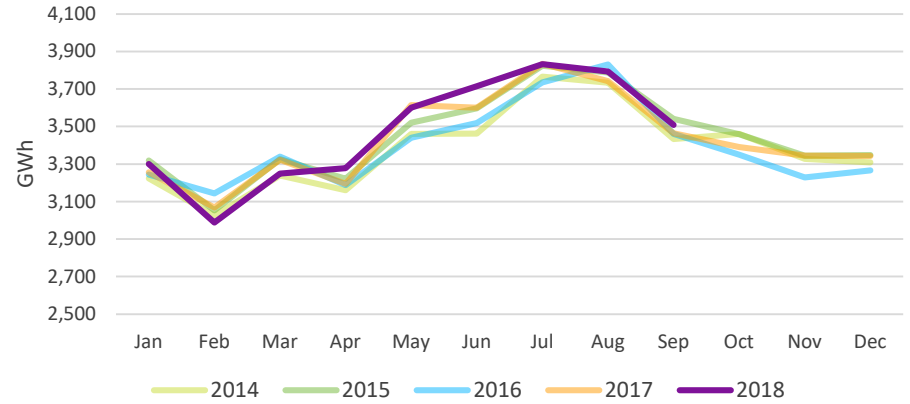
Wholesale electricity market

National Controlled Storage



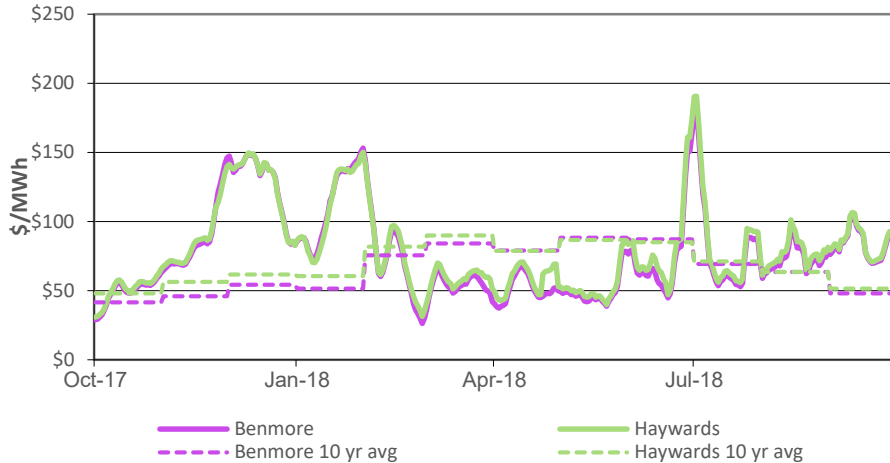
SOURCE: NZX Hydro

National Demand

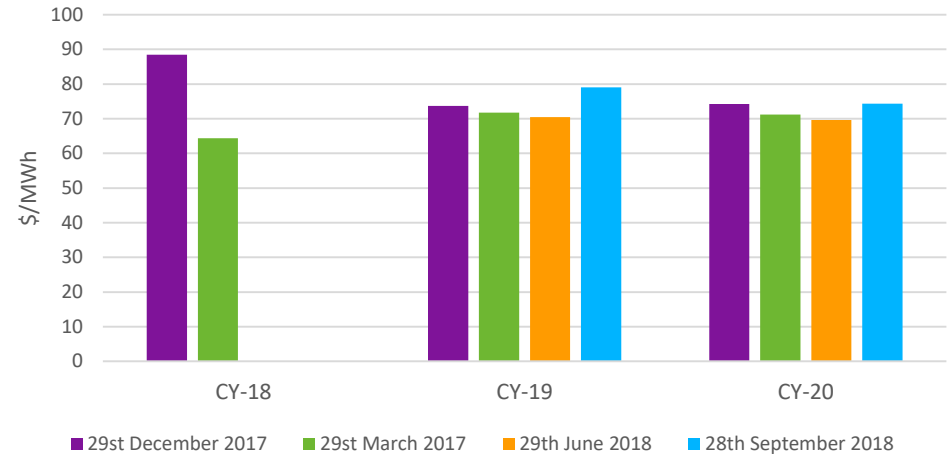


SOURCE: Electricity Authority

Weekly Average Prices - 12 Months to End

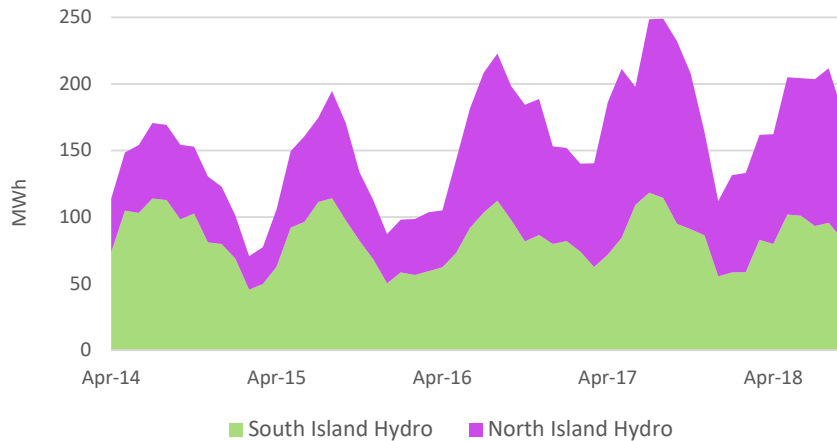


Benmore ASX Futures Settlement Prices

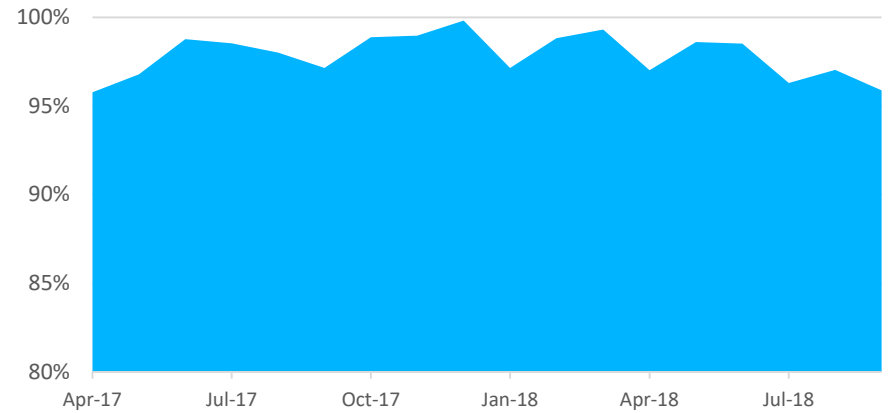


Generation

Monthly Generation Volumes



Asset Availability



**Q2-19
NI Generation**
↓ **25%**
vs pcp

**Q2-19
SI Generation**
↓ **20%**
vs pcp

**Q2-19
GWAP/TWAP**
1.10

\$87/MWh

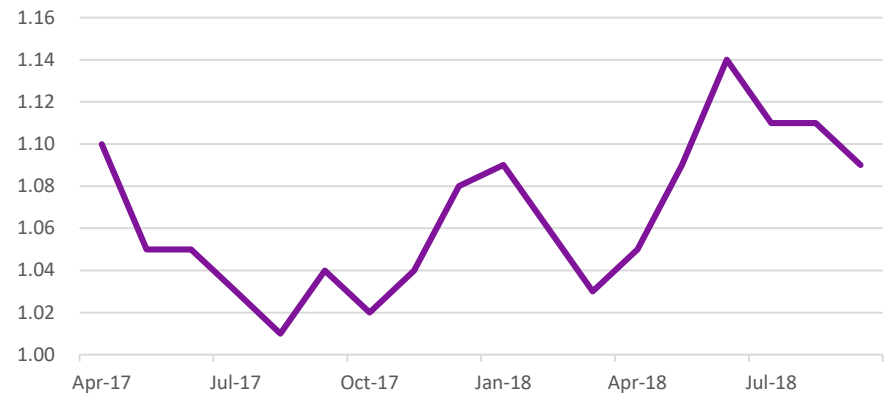
New Zealand Load Weighted Average Price (LWAP)

\$88/MWh

New Zealand Generation Weighted Average Price (GWAP)

NOTE: Q2 Prices

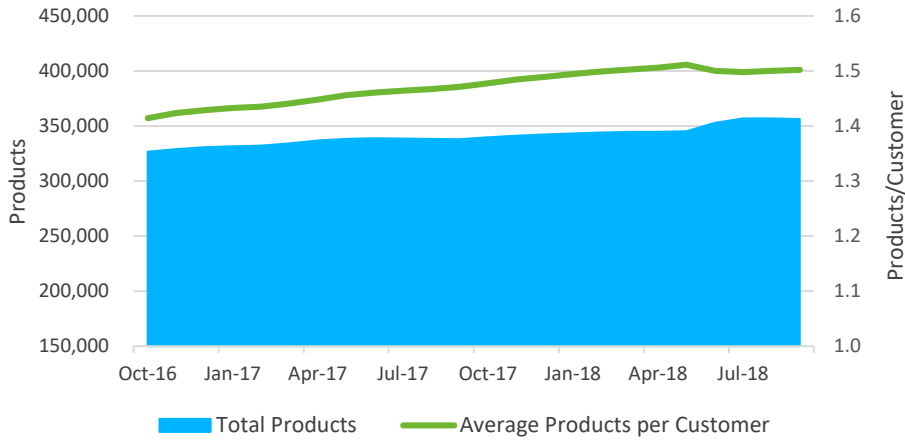
GWAP / TWAP



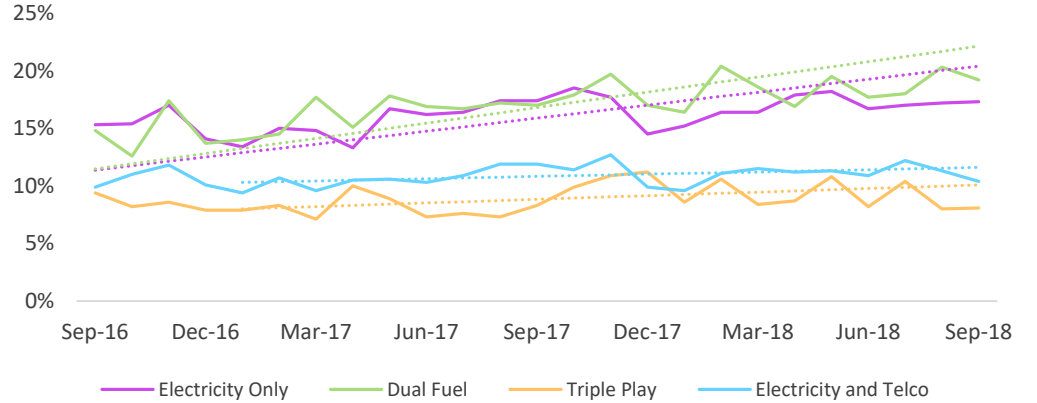
* See glossary for definitions

Retail

Average Products per Customer

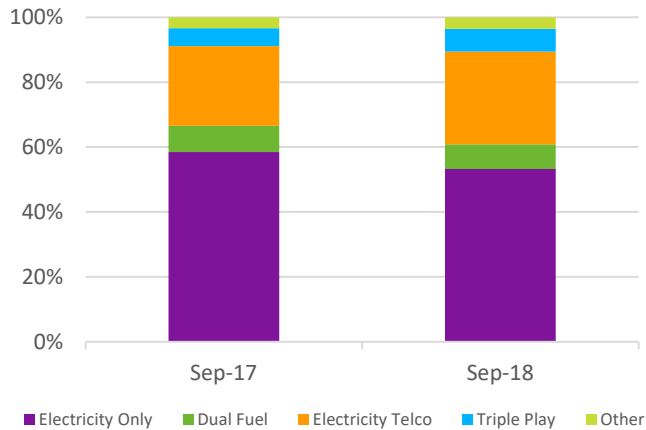


Electricity Only vs Multi-Product Churn



NOTE: Excludes C&I customers

Customer Mix

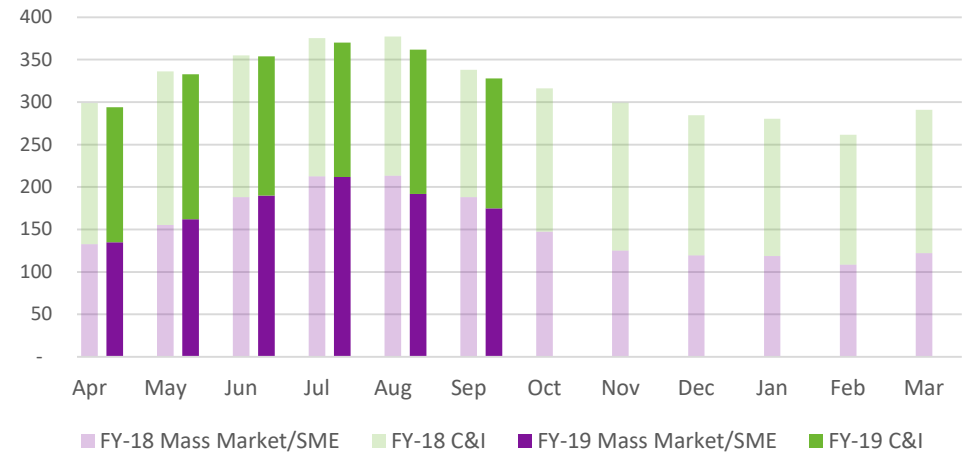


Q2-19 acquisitions
- 2+ products
78%

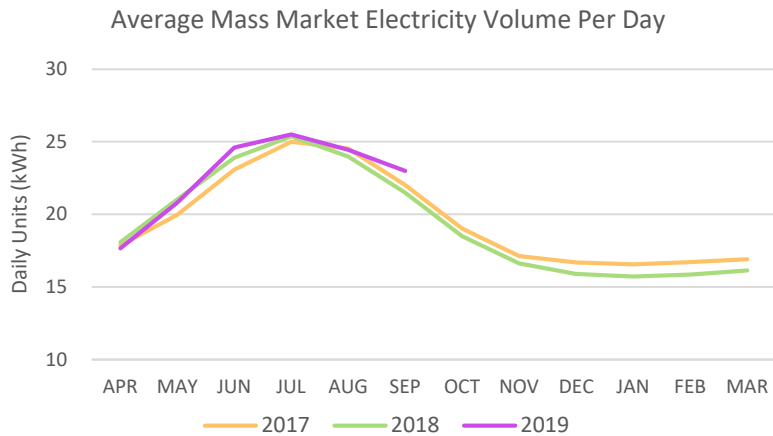
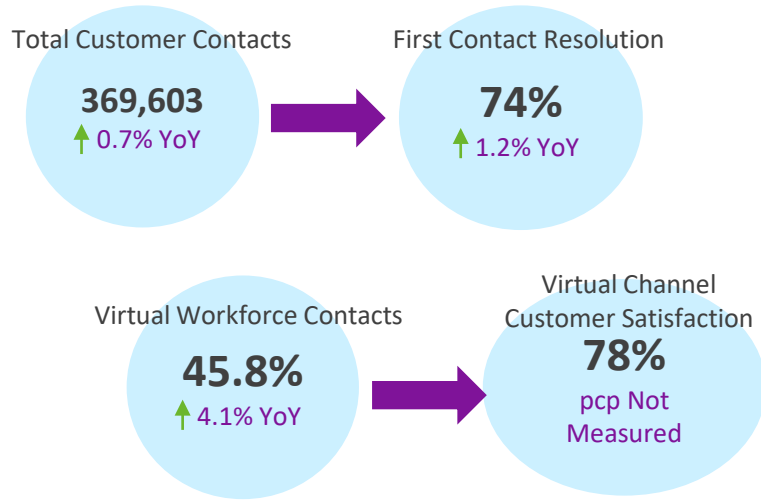
YoY customers
taking 2+
products
↑ 8.5%

* See glossary for definitions

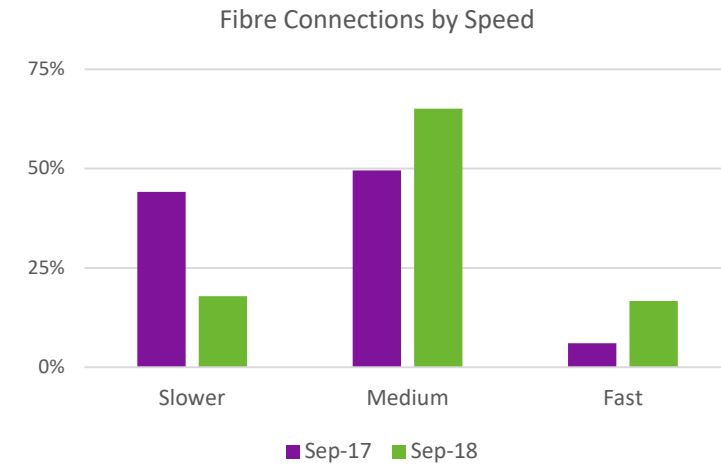
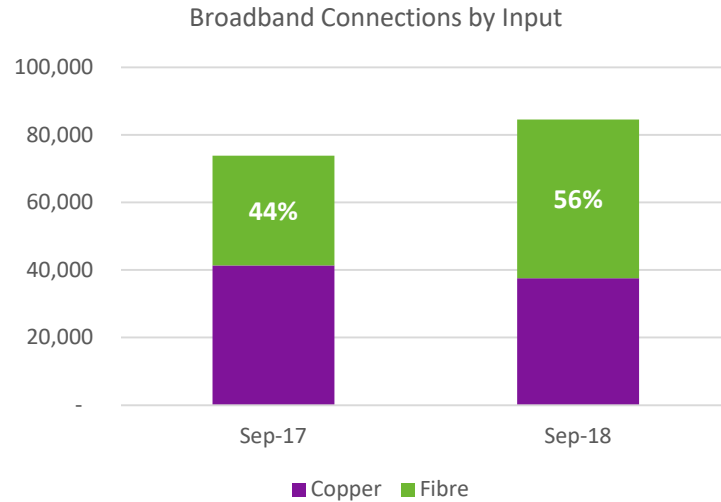
Total Retail Sales Volumes



Retail



* See glossary for definitions



NZ UFB Market Share
7.0%

YoY Data Usage
↑ 50%

Netflix Ranking

Jul-18: 1st

Aug-18: 1st

Sep-18: 1st

NOTE: Market share data lags by 3 months



Operating stats

	Q1 FY-17	Q1 FY-18	Q1 FY-19	Q2 FY-17	Q2 FY-18	Q2 FY-19	Q3 FY-17	Q3 FY-18	Q3 FY-19	Q4 FY-17	Q4 FY-18	Q4 FY-19
Customers, Sales and Service												
Electricity connections (000s)	279	276	270	278	273	270	279	273		276	273	
Telecommunication connections (000s)	66	79	89	69	80	91	73	85		76	87	
Gas connections (000s)	35	37	38	34	37	38	35	37		36	37	
Total utility accounts	380	392	397	378	390	399	384	395		385	397	
Customers with two or more services (000s)	82	94	101	84	94	102	88	98		90	100	
Mass market sales - Fixed Price (GWh)	481	476	488	585	614	579	437	392		392	349	
Time of use sales - Fixed Price (GWh)	201	227	216	216	199	218	211	239		207	233	
Time of use sales - Spot (GWh)	332	287	272	320	279	263	304	269		288	251	
Total customer sales (GWh)	1,014	990	976	1,121	1,092	1,060	952	900		887	833	
Average spot price of electricity purchased (\$/MWh)	63	79	80	55	97	88	47	96		52	87	
Gas Sales (TJ)	258	308	303	406	406	384	192	185		157	113	
Annualised electricity ICP churn rate	16%	21%	20%	18%	21%	20%	18%	19%		16%	16%	
Annualised electricity ICP churn rate - total market	21%	21%	21%	21%	23%	23%	20%	21%		18%	19%	
Generation Production and Procurement												
North Island generation production (GWh)	203	330	289	315	402	322	278	251		214	226	
South Island generation production (GWh)	227	266	282	314	327	273	248	233		218	200	
Total New Zealand generation production (GWh)	430	596	571	629	729	595	526	484		432	426	
Average spot price of electricity generated (\$/MWh)	60	81	78	58	101	87	46	88		49	83	
Net third party fixed price volume purchased (GWh)	448	409	423	423	361	348	366	348		489	421	
Other Information												
Resource consent non-compliance events*	3	2	4	1	1	1	5	2		3	3	
Recordable Injuries	3	9	4	3	7	3	7	7		13	7	
Staff numbers (full time equivalents)	787	782	805	813	787	798.1	796	803		786	803	

* Events are recorded only when they have been confirmed as non-compliance events by the relevant regulatory authority

Operating stats

	YTD FY-17	YTD FY-18	YTD FY-19	Full Year FY-17	Full Year FY-18	Full Year FY-19
Customers, Sales and Service						
Electricity connections (000s)	278	273	270	276	273	
Telecommunication connections (000s)	69	80	91	76	87	
Gas connections (000s)	34	37	38	36	37	
Total utility accounts	378	390	399	385	397	
Customers with two or more services (000s)	84	94	102	90	100	
Mass market sales - Fixed Price (GWh)	1,066	1,090	1,067	1,895	1,831	
Time of use sales - Fixed Price (GWh)	417	426	434	835	898	
Time of use sales - Spot (GWh)	652	566	535	1,244	1,086	
Total customer sales (GWh)	2,135	2,082	2,036	3,974	3,815	
Average spot price of electricity purchased (\$/MWh)	58	91	84	55	91	
Gas Sales (TJ)	664	714	687	1,013	1,012	
Annualised electricity ICP churn rate	17%	21%	20%	17%	19%	
Annualised electricity ICP churn rate - total market	21%	22%	22%	20%	21%	
Generation Production and Procurement						
North Island generation production (GWh)	518	732	611	1,010	1,209	
South Island generation production (GWh)	541	593	555	1,007	1,026	
Total New Zealand generation production (GWh)	1,059	1,325	1,166	2,017	2,235	
Average spot price of electricity generated (\$/MWh)	57	89	83	52	88	
Net third party fixed price volume purchased (GWh)	871	770	771	1,726	1,539	
Other Information						
Resource consent non-compliance events*	4	3	5	12	8	
Recordable Injuries	6	16	7	26	30	
Staff numbers (full time equivalents)	813	787	798	786	803	

* Events are recorded only when they have been confirmed as non-compliance events by the relevant regulatory authority

Glossary

Term	Definition
ACPU	Average Cost Per User. Direct costs (COS) only – does not include CTS
AMPU	Average Margin Per User – difference between ARPU and ACPU
ARPU	Average Revenue Per User. Includes acquisition capitalisation and amortisation
Asset Availability	Total hours asset(s) available or operating/Total hours in month. Excl planned outages.
Bundled Customer	Customer that has 2+ products with Trustpower
C&I	Commercial and Industrial customers
Churn Rate	Annualised % of customers leaving Trustpower.
Customer Contact	A channel agnostic customer interaction where service has been provided
E-Bill	Receives their bill electronically rather than post
EOM	End Of Month

Term	Definition
First contact resolution (FCR)	Where the customers reason for calling is resolved at first point of contact. Does not count if they contact again within 14 days.
FTE	Full Time Equivalent
Gross Margin	Gross Revenue – Direct Cost of Sales
GWAP	Generation Weighted Average Price – Average revenue per unit
GWh	Gigawatt hour(s) – unit of energy
Input	Broadband connections segmented by delivery type
ISP	Internet Service Provider
KCE	King Country Energy
LY	Last year
LWAP	Load Weighted Average Price – Average cost of energy per unit for the retail business

Glossary

Term	Definition
Main lakes	Waipori, Cobb and Coleridge schemes.
Market Share	Total TrustPower fibre connections / total NZ fibre connections.
Mbps	Megabytes per second (measure of internet data transfer speed)
MM	Mass Market customers
MWh	Megawatt hour(s) – unit of energy
Netflix Ranking	Published monthly on ispspeedindex.netflix.com/country/new-zealand
NI	North Island
OPEX	Operating expenditure
Pcp	Prior corresponding period
Recordable Injury	Lost Time and Medical Treatment Injuries
Rev	Revenue

Term	Definition
SI	South Island
SME	Small-Medium Enterprise
Speed	Slower: <100 Mbps, Medium: 100 Mbps, Fast: >100 Mbps
TRIFR	Total Reportable Injury Frequency Rate. Measured per 200,000 hours.
TWAP	Time-Weighted Average Price
Var	Variance
Virtual Channel Customer Satisfaction	The satisfaction rating of digital channels that are non-staffed (including Bot , App and Virtual Agents)
Virtual workforce contact	Contact not handled by a person – e.g. Chabot, self service.
YoY	Year-On-Year
YTD	Year-To-Date



Trust
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Contact

Kevin Palmer

/ Chief Financial Officer & Company Secretary

021 471 779

kevin.palmer@trustpower.co.nz



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