

Infratil Investor Day
13 April 2016

Different...



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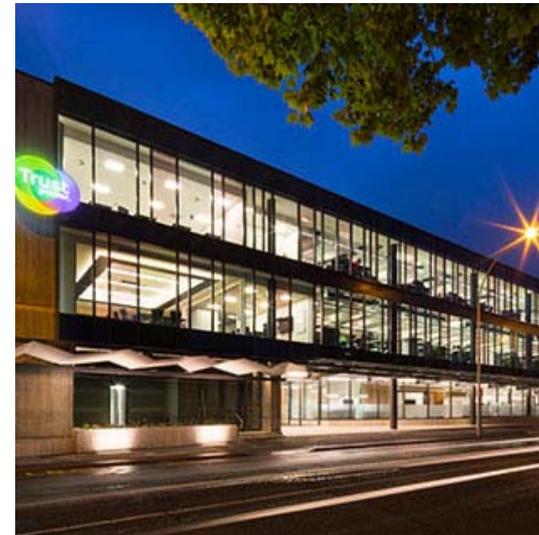
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Agenda

- Trustpower Demerger
- Trustpower “Core” performance and strategy
- Australian Market and NewCo opportunity



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 and

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 June 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



King Country Energy acquisition

- Trustpower holds 64.5% of KCE acquired at an offer price of \$4.78 per share.
- KCE owns and operates 5 hydro stations with a combined installed capacity of 54MW and generates around 190GWh/pa.
 - The Mangahao power scheme located near Palmerston North is the most significant generation asset with an installed capacity of 39.8MW.
- KCE's retail business serves approximately 17,500 largely provincial customers.
 - KCE's churn rate is about half market average.



Overview of Trustpower Core

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

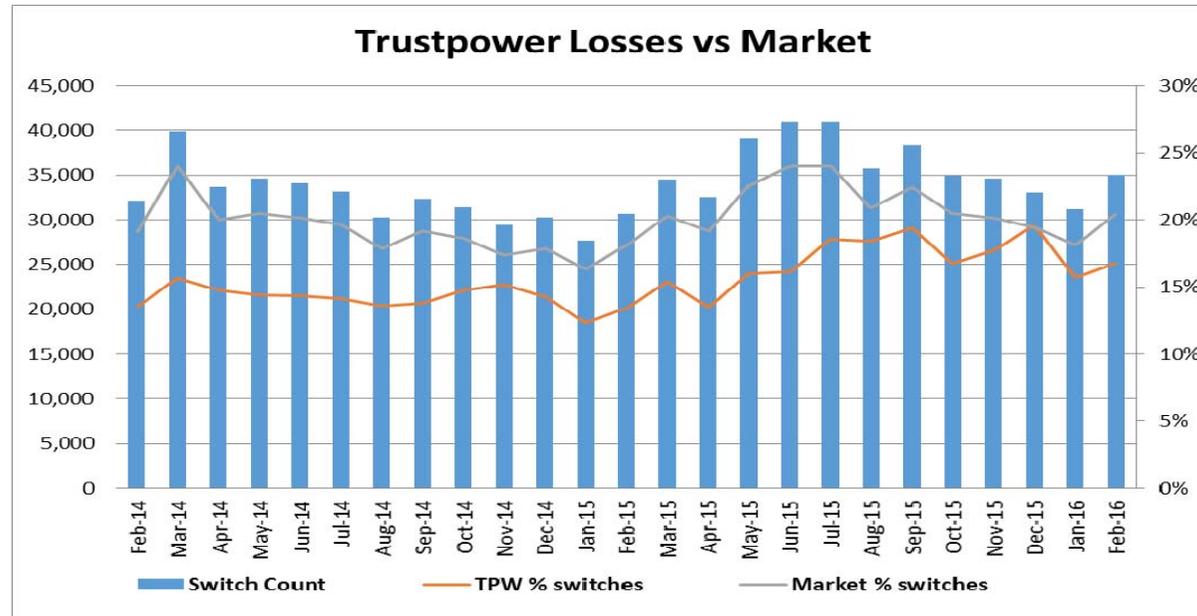
- Focused New Zealand retail and generation
- Continuing strong momentum in multi-product retail strategy

Connections as at 31 December 2015	000s
Electricity	256
Telecommunication	56
Gas	31

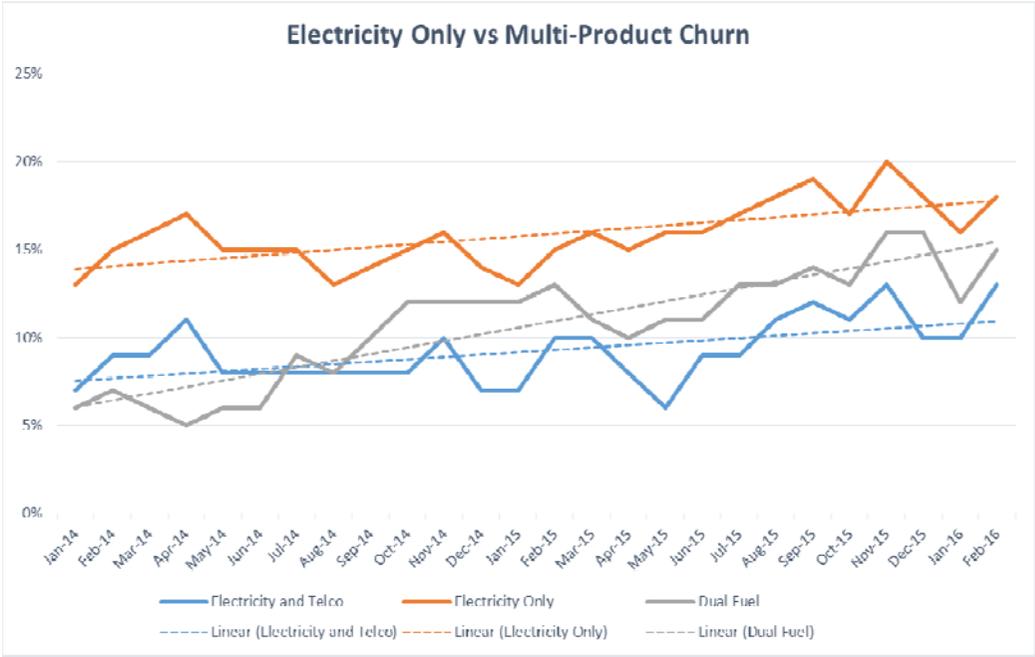
- Includes 12,100 fibre connections and 73,000 customers with two or more services
- Strong cashflow from existing 530MW hydro generation in New Zealand and Australia, with options for further optimisation
- Continuing to monitor for opportunistic acquisitions (e.g. King Country Energy) where Trustpower 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

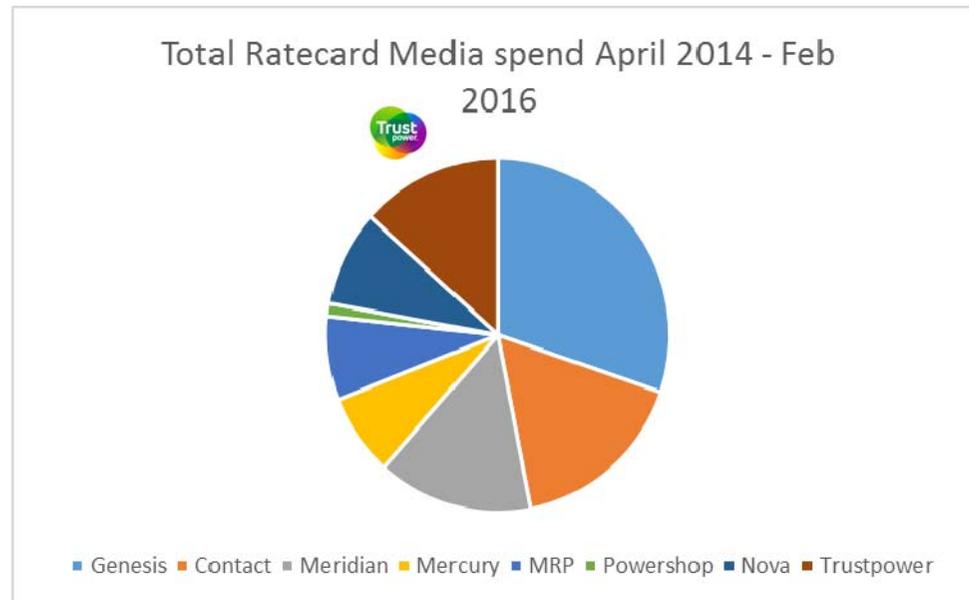


Energy relative media spend

Power

Trustpower had the 4th highest ratecard media spend of the power companies

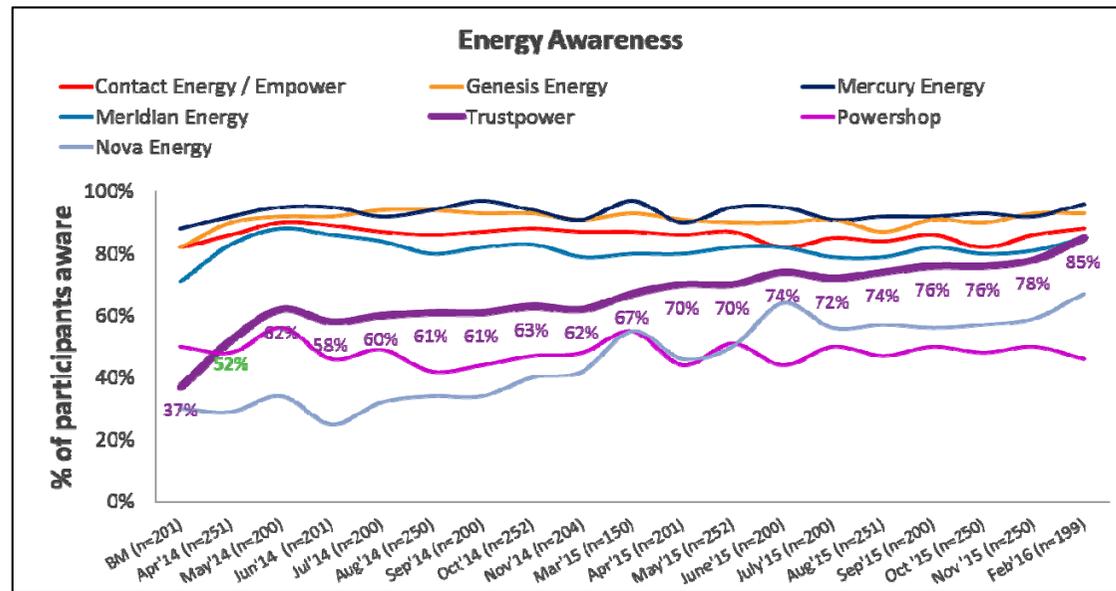
- Ratecard spend for Genesis has been over double that of Trustpower's
- Contact's spend was over 120% of Trustpower's
- Meridian's spend was 113% of Trustpower's
- Mercury's spend was lower than Trustpower's, however the combined spend attributed to Mercury/MRP was slightly higher



Trustpower energy awareness

– meets target in Auckland

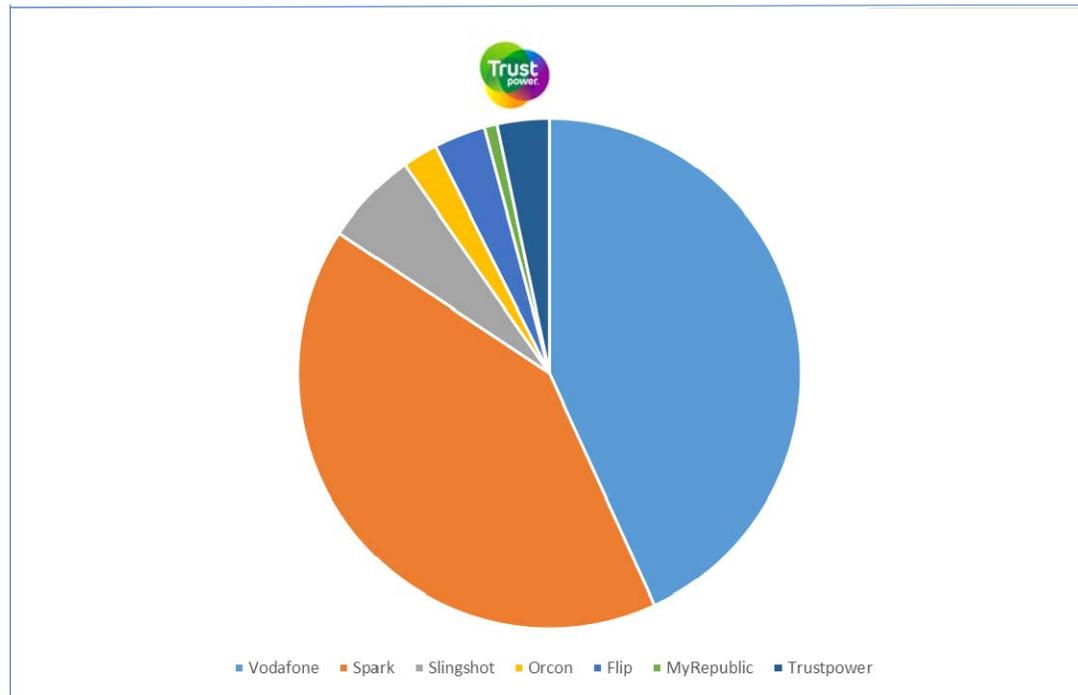
- Increasing awareness drives customer consideration
- Leads to increased acquisition performance



Telco relative media spend

Telco

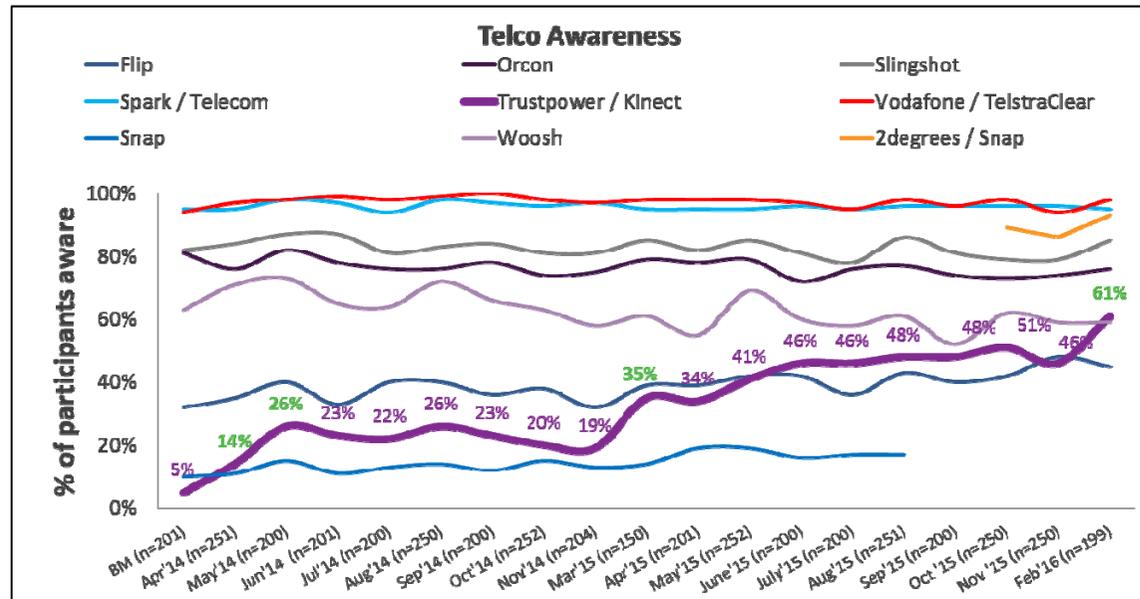
- Trustpower had the 4th highest media ratecard spend of the telco's.
- Vodafone's ratecard spend was nearly 13 times that of Trustpower
- Spark's ratecard spend was just over 12 times that of Trustpower
- Slingshot's spend was 1.8 times that of Trustpower
- Trustpower and Flip had virtually the same ratecard spend



Trustpower telco awareness

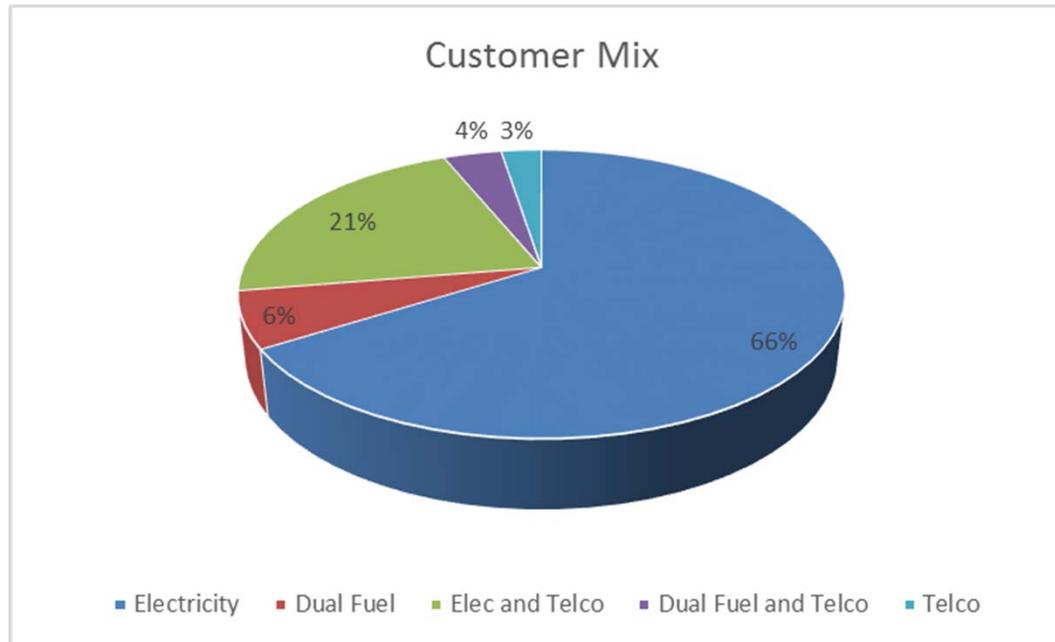
– Positive progress

- 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



Increasing awareness and consideration – leads to new campaign



JOIN FOR **POWER + BROADBAND**
ON A 24 MONTH PLAN

and get **unlimited data broadband**

\$49 a month for the **FIRST** year

\$84 a month for the **SECOND** year

Exit fees and Terms & Conditions apply – see www.trustpower.co.nz/49unlimited

* In Auckland offer applies to ADSL and 30/10 speed VFN plans. Offer only available to new residential customers who join Trustpower for power and broadband at the same address. This offer may be subject to change or expiry without prior notice.

The advertisement features a man and a woman dressed as superheroes. The woman is in a green suit with a laptop icon on her chest, and the man is in a purple suit with a power symbol on his chest. The Trustpower logo is on the right, and the background is a light blue sky with a signal tower icon.

- By bringing together **energy** and **telco** Trustpower can offer customer better value - \$49 a month for unlimited broadband for a year



NewCo

- The pursuit of growth in renewables

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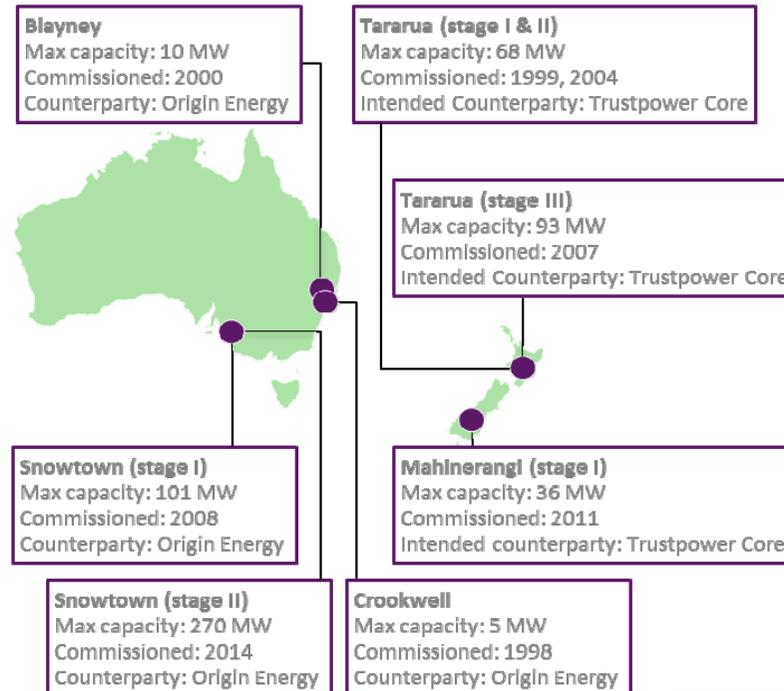


Overview of NewCo*

- 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

Overview of NewCo: Trustpower's existing wind portfolio



* Prepared on the assumption NewCo will be established



Future conviction on renewable energy development

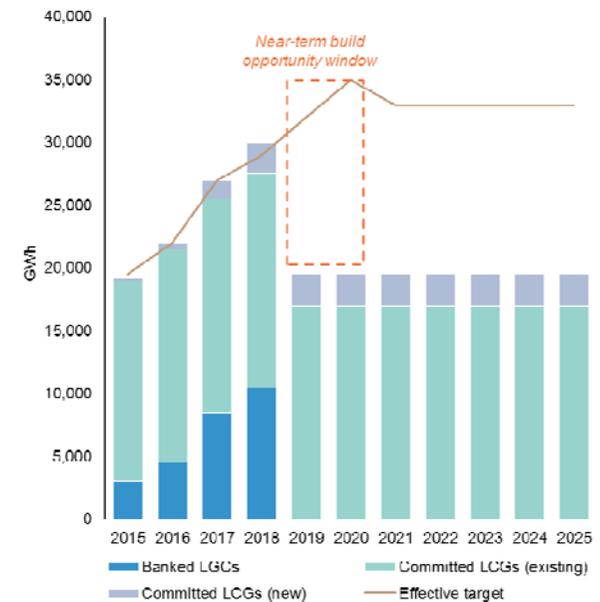
Expected new build opportunity of c15,000GWh in Australia over the next 5 years (80-90% likely to be wind)

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



Australasian renewable investment outlook

Australia

- Bipartisan support for Renewable Energy Target (RET) since 2001, recently confirmed at 33,000 GWh (2020)
- State targets and initiatives becoming more significant e.g. ACT reverse auctions, VIC LGC procurement
- Public support for renewables is high
- Ongoing policy support for renewables is likely to continue
- Energy mix is currently dominated by ageing emission intensive thermal plant. Investment in renewables will be key to addressing this situation
- Further strengthening of the RET and introduction of other policy frameworks which support renewables build likely to be required to make progress beyond 2020

New Zealand

- Wind investment has been possible in the absence of specific incentive schemes. Wind expected to be competitive with geothermal and gas for future new generation build
- Signalled closures of existing thermal plant will rebalance supply with demand (albeit with ongoing uncertainty regarding the future demand of Tiwai and other large industrial consumers)
- Potential need for new build to emerge over next 2-3 years
- Potential for carbon emission legislation to be strengthened to favour further renewable build over the medium term



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

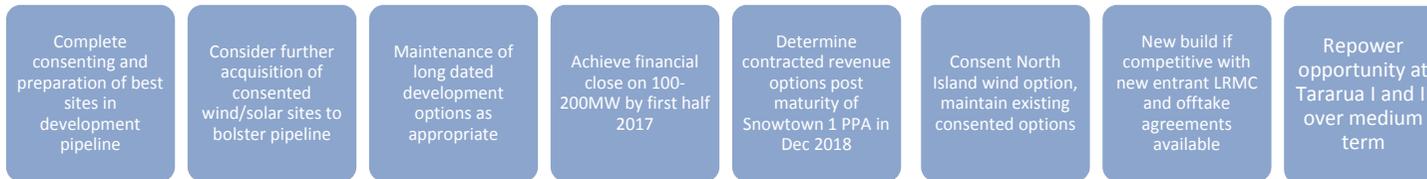
Notes:

1 Excludes unconsented Solar site with potential capacity of 40MWS



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



Key drivers for successful execution of strategic agenda

- Establishing a management team that can harness Trustpower's wind IP strengths and successfully execute NewCo's Growth agenda, including a smooth transition from Trustpower Group
- Appropriate capital structure to enable achievement of growth aspirations
- Bring forward new renewable investment opportunities in wind or grid connected solar that meet the risk and return appetite of NewCo's shareholders
- Achieve world class operational performance of existing asset base



NewCo's competitive advantage

In a unique position to leverage off the people, relationships, credibility and systems it has developed over many years. Key points of difference include:

Development and Execution Expertise

- Experienced personnel, spanning greenfield development to operations
- Deep understanding of wind technology and transmission connection challenges for renewable assets
- Strong, credible relationships with key suppliers and balance of plant contractors
- Early adoption of leading technology via understanding and management of risks
- Optimisation of wind turbine technology to ensure best fit with site conditions
- Flexible innovative approaches to contracting and financing
- Respect for environment, landowners and community
- Risk management techniques developed over a range of existing generation assets
- Proven project execution capability
- Disciplined investment approach
- Diverse range of development options already secured



NewCo's competitive advantage

Operations & Maintenance (O&M) Expertise

- Over 15 years' experience operating one of the world's toughest onshore sites (Tararua in NZ)
- Robust and flexible contracting with wind turbine manufacturers. First to market with production-based O&M payments to align priorities between owner and O&M contractor
- Innovative and open approach to dealing with defects and maintenance challenges
- Track record of high availability
- Local repair options developed to reduce reliance on European-based suppliers, lowering costs and turnaround time
- Enhancement focus, including maintenance programming and application of new technologies to existing assets
- In-house technical expertise to scrutinise performance and challenge O&M contractors



Immediate focus of the NewCo Establishment Team

- Organisation structure and capability review, positioning to meet growth aspirations
- External recruitment to fill gaps and bolster bench strength for growth
- NewCo Establishment plan to ensure smooth transition post demerger
- NewCo debt financing
- Finalisation of internal agreements with Trustpower Core
- Contribution to demerger process





Thank you

trustpower.co.nz