

Investor update: Demerger of Trustpower's Australian & New Zealand wind business

Different...



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Announcement highlights

- As announced in December 2015, Trustpower is commencing the process to demerge its Australian and New Zealand wind assets into two separate companies, NewCo and Trustpower Core
- NewCo will be focused on the development, management and operation of wind farms in Australasia and grid connected solar in Australia
- Trustpower Core will be focused on hydro electricity in New Zealand and Australia and multi product retailing in New Zealand
- Trustpower shareholders are to receive one share in Trustpower Core and one share in NewCo via a Court approved scheme of arrangement
- Shareholder meeting documents are targeted to be sent to shareholders in June for a shareholder vote in July
- Since the last announcement NewCo's development pipeline has been further strengthened:
 - confirmation of a development approval for the Palmer wind farm in South Australia for up to 350MW. However, this approval remains subject to an appeal process
 - development approval variation for the Salt Creek wind farm in Victoria to allow an increase from 30MW to 52MW



Rationale for Demerger

- The Demerger will produce two independent and focused companies
 - 'Trustpower Core' – a largely New Zealand hydro-electricity generator with a growing and profitable multi-product retail strategy with certain hydro generation assets in Australia
 - NewCo – attractive portfolio of operating Australasian wind assets with a significant renewable development pipeline and with operational and development capability
- Trustpower shareholders currently invest in the above businesses as a bundled opportunity
- Timing is right
 - near-term window for wind development required in Australia to meet RET scheme requirements
 - requires a flexible vehicle that can adapt to dynamic market conditions and readily access growth capital
- Demerger will allow greater investment choice for shareholders
- Each company will be able to adopt a capital structure and dividend policy tailored to its specific needs and business profile
- Minimal tax leakage as a result of the transaction
- Focussed scope of each business expected to facilitate value recognition



Board and senior management structure

- Both businesses equipped with strong Boards and experienced senior management teams
- Board member elects and senior executives to be appointed to the 'new' companies will be primarily drawn from Trustpower and have relevant industry experience
- NewCo's Senior Leadership Team will include over 40 years of combined experience with Trustpower and its wind business
- NewCo post Demerger will seek to identify appropriate candidates to join its Board as additional non-executive directors and will make external appointments to complete its senior management team

Trustpower Core

Non-Executive Directors

- Paul Ridley-Smith (Chairman)
- Richard Aitken
- Alan Bickers
- Marko Bogoeievski
- Sam Knowles
- Susan Peterson
- Geoff Swier

Executive

- Vince Hawksworth (CEO)
- Kevin Palmer (Acting CFO)

NewCo

Non-Executive Designate Directors

- Dr. Bruce Harker (Chairman)
- Geoff Swier
- Paul Newfield

Designate Senior Executives

- Robert Farron (CEO)
- Deion Campbell (GM – Generation and Trading)
- Clayton Delmarter (GM – Renewable Development)



Overview of Trustpower Core

Trustpower Core to be a focused utility with strong cash flow generation

- Focused New Zealand retail and generation
 - strong retail margins through maintaining close connection with retail base
- Continuing strong momentum in multi-product retail strategy based on:
 - two out of three new customers of Trustpower currently taking a bundled service, including telco services
 - Trustpower's strong contracted position and lower customer churn rates relative to market average
- Strong cashflow from Trustpower's existing 530MW hydro generation in New Zealand and Australia, with options for further optimisation
 - low marginal cost renewable generation
- Continuing to monitor for opportunistic acquisitions (e.g. King Country Energy) where Trustpower Core can add value

Customer connections	Mar-14	Mar-15	Dec-15
Electricity	224	240	256
Telecommunications	31	37	56
Gas	14	23	31
Total	269	300	343

It pays to get it together.



Overview of Trustpower Core

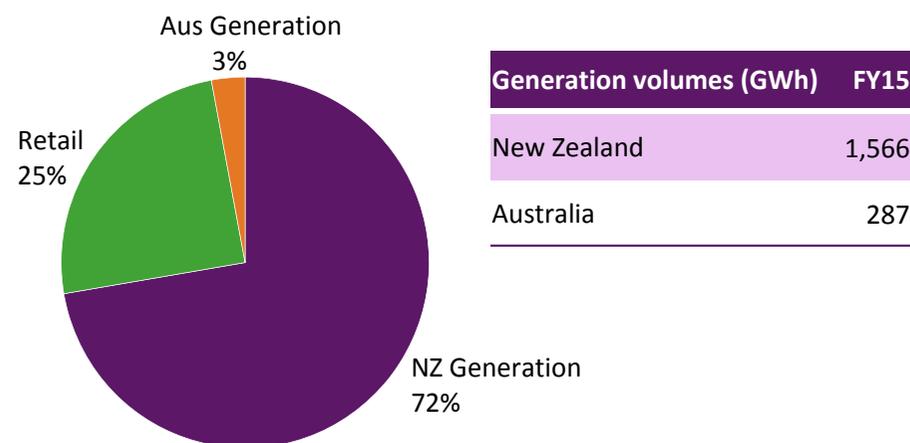
Trustpower Core indicative pro forma financial profile^{1,2}

Year ending 31 March (NZ\$m)	FY15	H1 16
Revenue	920	507
EBITDAF ³	220	127
<i>EBITDAF margin (%)</i>	24%	25%
Operating profit (EBIT)	170	102
<i>Operating profit margin (%)</i>	18%	20%

Notes:

1. Financial information presented is non-GAAP, pro forma and unaudited. It provides an indicative estimate which remains subject to change.
2. Assumes the financial results of King Country Energy and the Green State Power hydro assets were fully consolidated for all of FY15 and H1 16
3. Earnings before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments, Asset Impairments and Discount on Acquisition. 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.

Trustpower Core indicative pro forma EBITDA by segment (FY15)



Trustpower Core is to be organised into the following three segments:

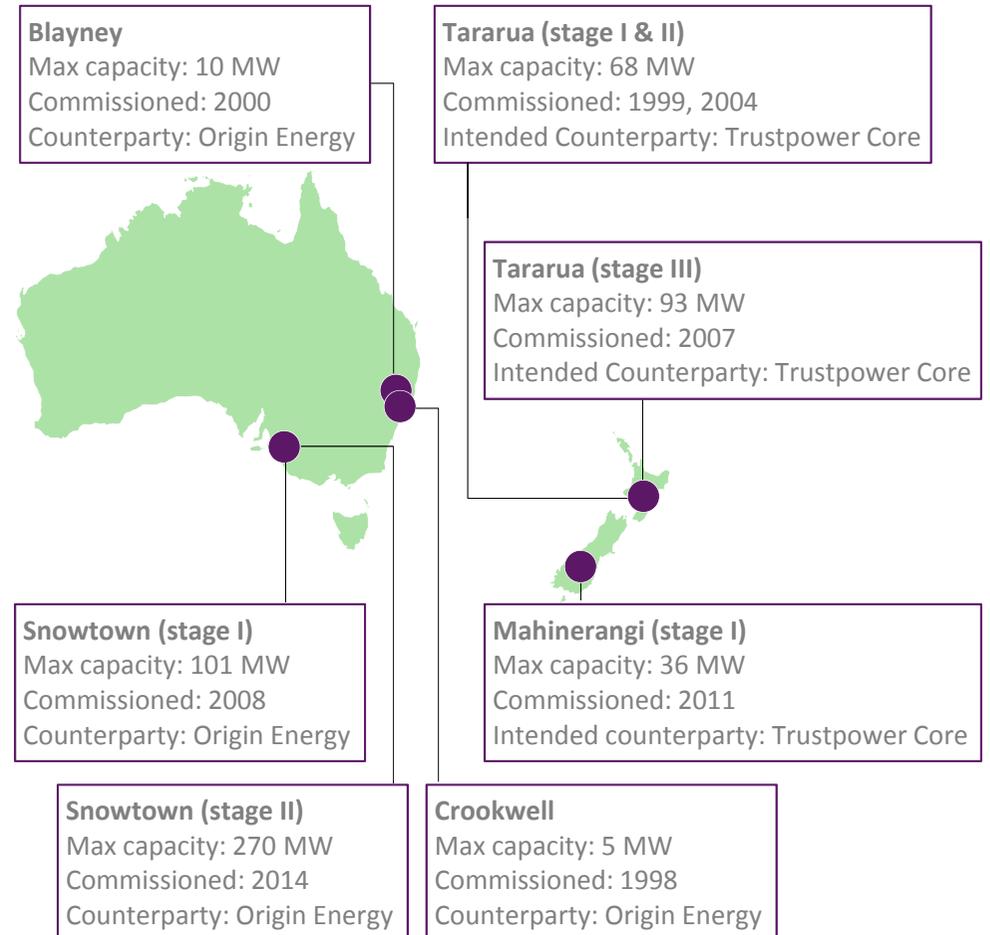
- **Retail:** the retail sale of electricity, gas and telecommunication services to customers in New Zealand
- **New Zealand Generation:** the generation of renewable electricity by hydro power schemes across New Zealand
- **Australian Generation:** the generation of renewable electricity in Australia by its NSW hydro schemes



Overview of NewCo – intended operational assets

- High quality portfolio of contracted wind assets
 - significant renewable asset base with generation capacity of circa 580MW
 - operating track record and high quality sites
 - diversification by region and country
- Low volatility cashflows with high quality counterparties in Origin Energy and planned with Trustpower Core
 - high level of contracted cashflows with long term power purchase agreements (PPAs):
 - in place with Origin Energy
 - to be entered into for life-of asset PPAs with Trustpower Core for the New Zealand wind assets

Overview of NewCo: Trustpower's existing wind portfolio



NewCo – development pipeline

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)
 - Salt Creek earliest investment decision Q117
- Access to capital a key competitive advantage

Overview of key development projects



Key Projects	Location	Potential Size (MW)
Salt Creek	VIC	52
Waddi ¹	WA	105
Dundonnell	VIC	300
Rye Park	NSW	350
Palmer	SA	350
NSW Project	NSW	500
Mahinerangi	NZ	160
Kaiwera Downs	NZ	240
Waverley	NZ	130

Note 1 : Excludes unconsented Solar site with potential capacity of 40MW



Overview of NewCo

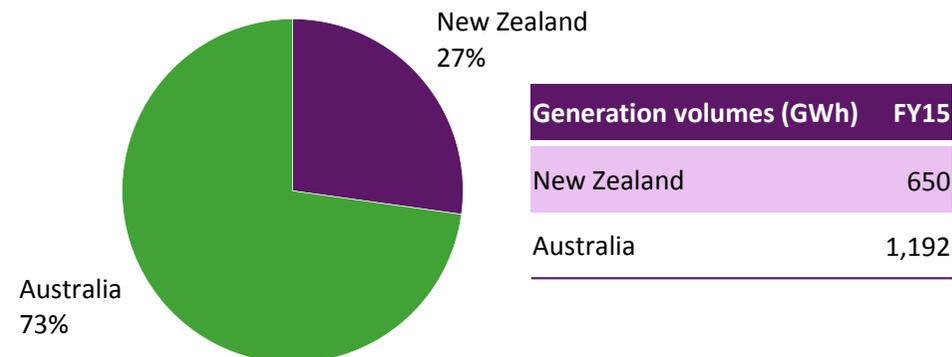
NewCo indicative pro forma financial profile^{1,2,3}

Year ending 31 March (A\$m)	FY15	H1 16
Generation volume (GWh)	1,842	947
Revenue	152	78
EBITDAF ⁴	108	58
<i>EBITDAF margin (%)</i>	71%	74%
Operating profit (EBIT)	42	24
<i>Operating profit margin (%)</i>	28%	31%

Notes:

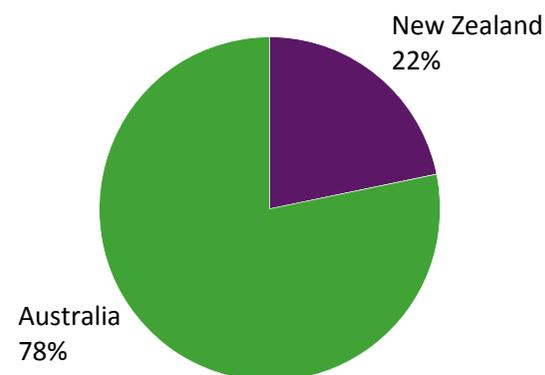
1. Financial information presented is non-GAAP, pro forma and unaudited. It provides an indicative estimate which remains subject to change.
2. Includes additional corporate costs that are anticipated to arise post demerger (estimated to be approximately A\$7m p.a.)
3. Assumes the financial results of the Green State Power wind assets were fully consolidated for all of FY15 and H1 16
4. Earnings before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments, Asset Impairments and Discount on Acquisition. 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.

NewCo indicative pro forma revenue by geography (FY15)



Generation volumes (GWh)	FY15
New Zealand	650
Australia	1,192

NewCo indicative pro forma EBITDA by geography (FY15)



Demerger transitional arrangements

- On Demerger, Trustpower Core and NewCo will enter into short-term transitional arrangements where appropriate to share some assets, IT systems and services
- NewCo will enter into life-of asset PPAs with appropriate commercial terms with Trustpower Core for the following New Zealand wind assets
 - Tararua stage I & II
 - Tararua stage III
 - Mahinerangi stage 1



Demerger process

- The Demerger will be implemented by way of a Court approved scheme of arrangement under which eligible shareholders will receive one share in each company in respect of every share held in Trustpower
- The key steps to implement the Demerger include:
 - approval of the Demerger resolution by Trustpower shareholders at the shareholder meeting
 - obtaining all required approvals, waivers or consents in respect of Trustpower's retail bonds
 - refinancing of existing debt facilities with appropriate terms
- Subject to initial court approval, a scheme booklet is expected to be sent to shareholders in June 2016 which will contain further information about the Demerger. A shareholder meeting to consider and vote on the Demerger is expected to be scheduled thereafter. Final court approval will be sought following the shareholder meeting.



Indicative demerger timeline

May

- Release of Trustpower's FY16 results
- Expected timing of first court hearing

June

- Expected despatch of Demerger-related documentation to shareholders

July

- Trustpower shareholder meeting expected to be held
- Expected timing of second court hearing

- Dates and times are indicative only and are subject to change



Next steps

- A scheme booklet containing more information in relation to the Demerger is expected to be released to Trustpower shareholders in June 2016
- Further announcements regarding Trustpower's retail bonds will be released in due course
- All Demerger related dates in this announcement are indicative only and subject to change
- Management focused on successfully executing initiatives in parallel with minimal business disruption



Appendix

NewCo Board and Senior Management biographies



Appendix – Bios of NewCo Designate Directors



Dr. Bruce Harker
Chairman

BE(Hons), PHD (ELEC. ENG), MIPENZ

Dr Harker was a Director of Trustpower from 2000 and Board Chair from 2007 to 2015.

Dr Harker has extensive experience in corporate governance and energy markets with a particular focus on renewable energy development.

Dr Harker is the Director of HRL Morrison & Co's Utilities Group.

Dr Harker previously chaired the Australian hydro business, Southern Hydro Partnership and was deputy chair of ASX listed Energy Developments Limited. He also chaired start up electricity retailer, Victoria Electricity over the period from 2004 to 2012 from its first signed customer through to 500,000 customers.



Paul Newfield

MA(Hons), MPhil, Cambridge

Paul Newfield is Head of Investment Strategy at H.R.L. Morrison & Co, the manager of Infratil, where he leads the team responsible for analysing investment markets, directing origination activity and assessing the attractiveness of specific investment opportunities.

Paul's investment management experience includes both listed and unlisted assets across the energy, transport and social infrastructure sectors in Australia, NZ and Europe. He is a director of H.R.L. Morrison & Co Australia and the Melbourne Convention & Exhibition Centre PPP.

Prior to joining H.R.L. Morrison & Co in 2008, Paul was a Principal at The Boston Consulting Group where he worked on strategy, M&A and corporate finance assignments for major corporations in Australia and New Zealand.

Paul holds an MA (Hons) in Philosophy from the University of Auckland and an MPhil in Management from the University of Cambridge, where he was a Commonwealth Scholar.



Appendix – Bios of NewCo Designate Directors cont.



Geoff Swier

(MCom (ECON), MAICD)

Geoff joined the Trustpower Board in 2007, and is also Chair of the Audit Committee. His other roles include Director of Melbourne consulting firm, Farrier Swier. Geoff has over 25 years of experience in micro-economic reform; notably in the establishment of competitive energy markets and privatisation in Australia and New Zealand and in the development of water industries in Australia and Asia. His past roles include being a Member of the Australian Energy Regulator and Associate Member of the Australian Competition and Consumer Commission.

It is intended that a further New Zealand based director is added to the Board immediately after the demerger is completed



Appendix – Bios of NewCo senior management



Robert Farron: Designate CEO

(BBS, CA, CFIPNZ, CMInstD)

Robert joined Trustpower in 2004 and has been Chief Financial Officer and Company Secretary for 12 years. In these roles he has been responsible for over \$1.3 billion of debt funding facilities, capital raising, investor relations, treasury, financial reporting, group insurance and risk management. His career has included senior roles in corporate and institutional banking and renewable energy development in emerging markets. He is a member of the Institute of Chartered Accountants New Zealand and Australia and a chartered member of the NZ Institute of Directors.



Deion Campbell: Designate GM Generation and Trading

(BE (Elect, HONS), ME (MGMT), FIPENZ, MInstD)

Deion, a professional electrical engineer, returned from Sydney in 2001 to join Trustpower as North Island Asset Manager. From 2004, as Major Projects Manager, he led the development, construction and operation of wind and hydro generation projects worth over \$1B. He became General Manager Generation in May 2011, with responsibility for safety, environment, development, maintenance and operations activities for 50 power stations across Australia and NZ. In addition to this successful development background, Deion has also driven innovation in wind farm maintenance strategies and commercial frameworks, in collaboration with leading turbine suppliers. He has also been involved in renewables business development and due diligence in South America.



Appendix – Bios of NewCo senior management cont.



Clayton Delmarter: Designate GM Renewable Development
(BSc(Tech), GDipBus(Fin))

Clayton joined Trustpower in 2002 before spending a period in North America working on large scale renewable developments and returning to Trustpower in 2007. Since this time he has held several roles including Project Delivery Manager, responsible for a number of successful wind and hydro projects, as well as a term as Acting General Manager – Generation, and Engineering Manager. Clayton has had extensive input into all of Trustpower's Australasian development projects.

