

# Proposal to demerge Trustpower's Australian and New Zealand wind business

*Different...*



# 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<sup>1</sup>
- Intended that each entity will be listed on the NZX, with NewCo potentially also being listed 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 quarter of 2016

1. Subject to determining eligibility of overseas shareholders



# Rationale for demerger

- Expectation for two independent and focused companies
  - Trustpower Core – a New Zealand electricity generator with a growing and profitable multi-product retail strategy and
  - NewCo – attractive portfolio of Australasian wind assets with a significant development pipeline and proven operational and development capability

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
  - Minimal tax leakage as a result of the transaction
  - Expected to facilitate better recognition of value of businesses over time
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# Governance and leadership changes

- Dr Bruce Harker will retire from the Board of Trustpower, to become designate Chair of NewCo
- Paul Ridley-Smith, a senior executive at HRL Morrison & Co, is to be appointed as Chair of Trustpower effective 31 December 2015
- Key wind operations and development personnel are proposed to migrate across to NewCo
- Further announcements on the Board and senior management of each entity will be made in the New Year



**Dr. Bruce Harker**  
**Proposed NewCo Chairman Designate**

- Dr Harker has been a Director of Trustpower since 2000 and Board Chair since 2007
- 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 Ridley-Smith**  
**Proposed Trustpower Chairman**

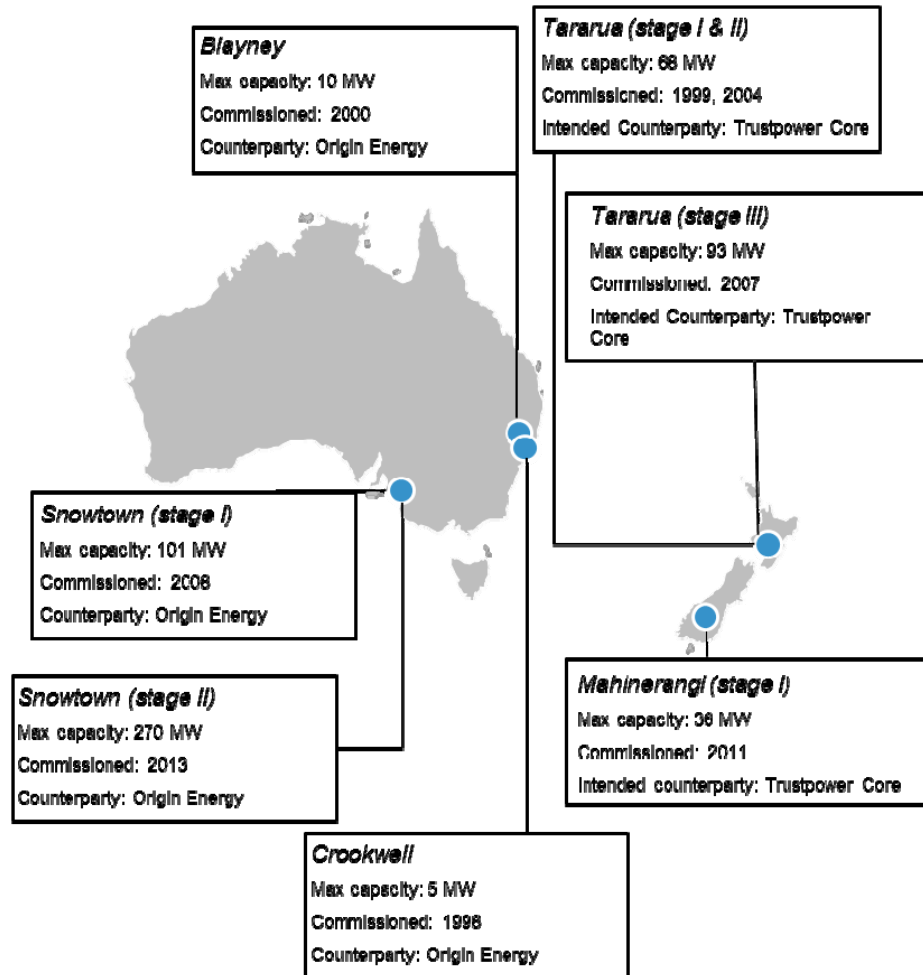
- Paul was a senior executive of HRL Morrison & Co Limited between 1998 and 2011 re-joining earlier this year
- Paul was General Counsel at Contact Energy between 2011 and 2014
- Paul is also a Director of Arvida Group Limited and King Country Energy Limited
- Paul has previously been a director of various Infratil Group and Contact Energy subsidiaries including Wellington International Airport Limited, Liquigas Limited and Mana Coach Services Limited



# Overview of NewCo

- High quality, scale portfolio of contracted wind assets
  - scale renewable asset 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 and Trustpower Core
  - high level of contracted cashflows with long term PPAs in place
  - NewCo to enter into life of asset PPAs with Trustpower Core for the New Zealand assets

## Overview of NewCo: Existing wind portfolio



# Future conviction on renewable energy development

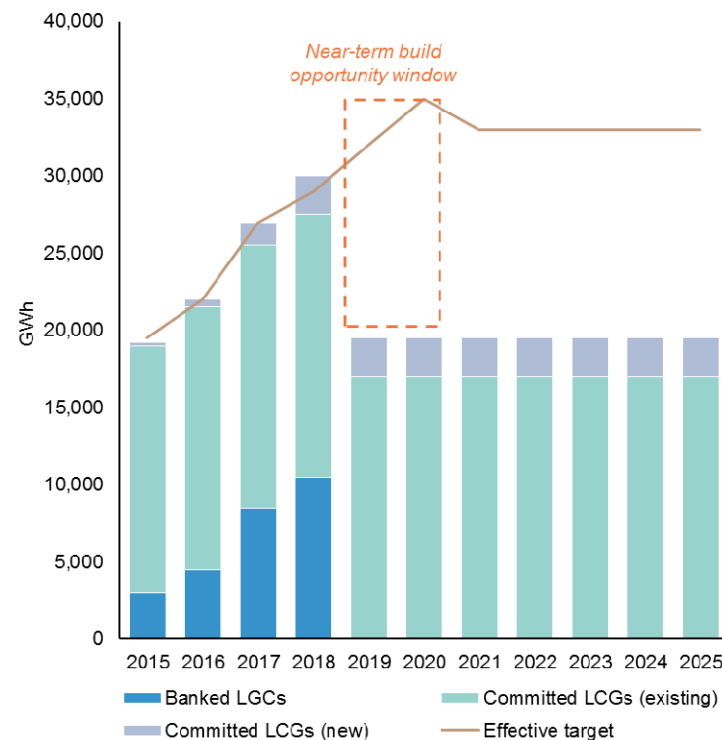
Expected new build opportunity of c15,000GWh in Australia over the next 5 years (80-90% likely to be wind)

## 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 regime recently 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



# 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 (135MW Consented) and 530MW in New Zealand (400MW Consented)
- Access to capital a key competitive advantage

## Overview of key development projects



Key Projects	Location	Size (MW)
Salt Creek	VIC	Up to 50
Waddi	WA	105
Dundonnell	VIC	330
Rye Park	NSW	350
Palmer	SA	350
NSW Project	NSW	500
Mahinerangi	NZ	Up to 160
Kaiwera Downs	NZ	Up to 240
Waverly	NZ	Up to 130



# Overview of Trustpower Core

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

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

Connections as at 30 September 2015	000s
Electricity	252
Telecommunication	51
Gas	28

- 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





# Next steps

- Trustpower's Board has not formally determined to proceed
- Any transaction will be subject to shareholder approval, with a meeting expected in the second quarter of 2016
- Management focused on successfully executing initiatives in parallel with minimal business disruption
- Further announcements will be made to update shareholders in due course with more detail expected to be provided to the market by end of February 2016



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