

**TrustPower** harnessing energy



# Investor Briefing November 2011

# TrustPower Key Facts

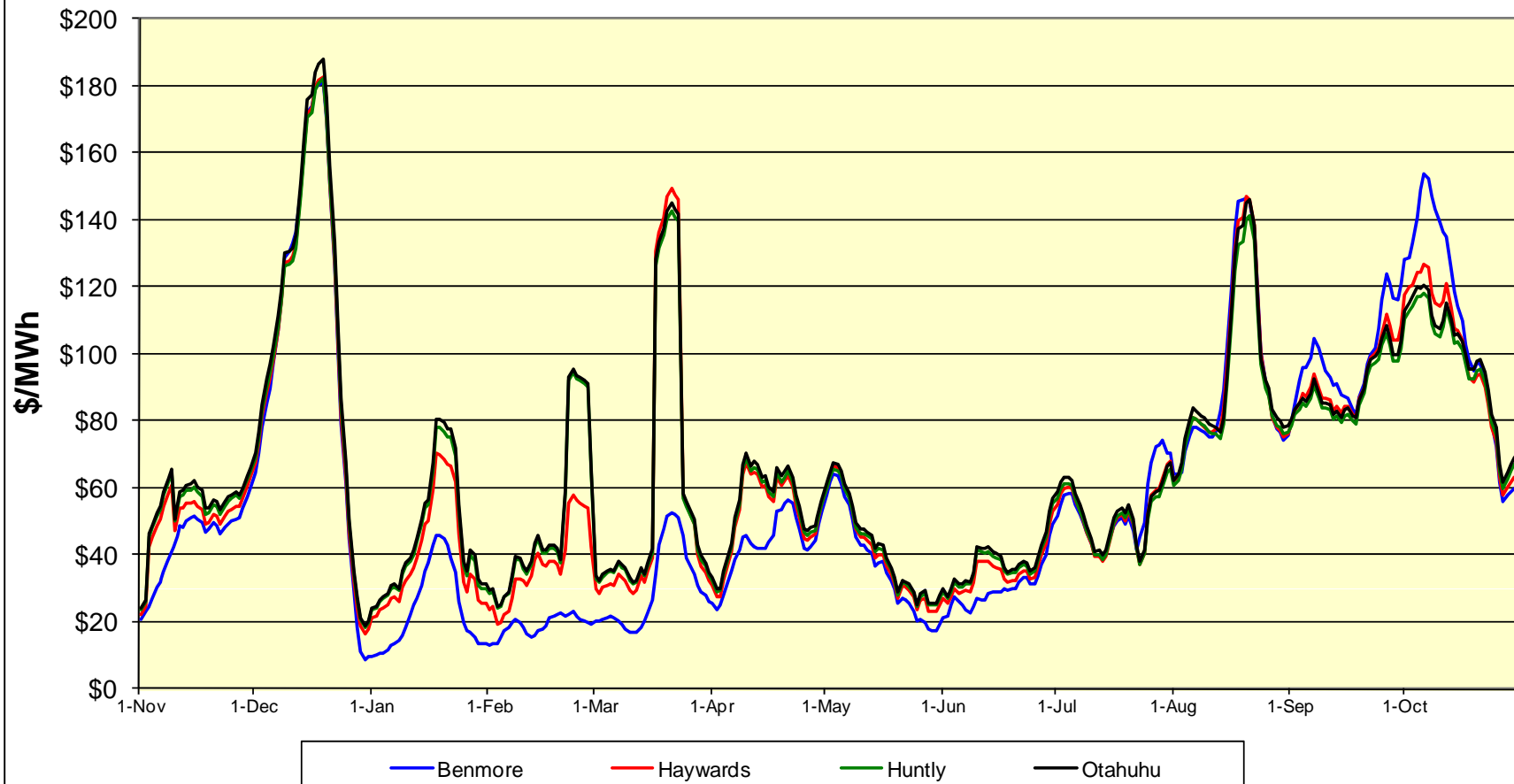


- Tauranga based national electricity generator / retailer.
- Market capitalisation circa NZD 2.3 billion.
- Key Shareholders Infratil (50.5%), TECT (33.0%).
- Freefloat 16.5%.
- NZ generation capacity (hydro/wind) 630MW producing circa 2,367 GWh per annum in average year.
- 99MW wind farm in South Australia.
- 218,000 electricity customers and 36,000 telco services.
- 456 employees.

# NZ Electricity 7 Day Rolling Spot Prices Last 12 Months



Weekly Average Prices - 12 Months to End of Oct 2011



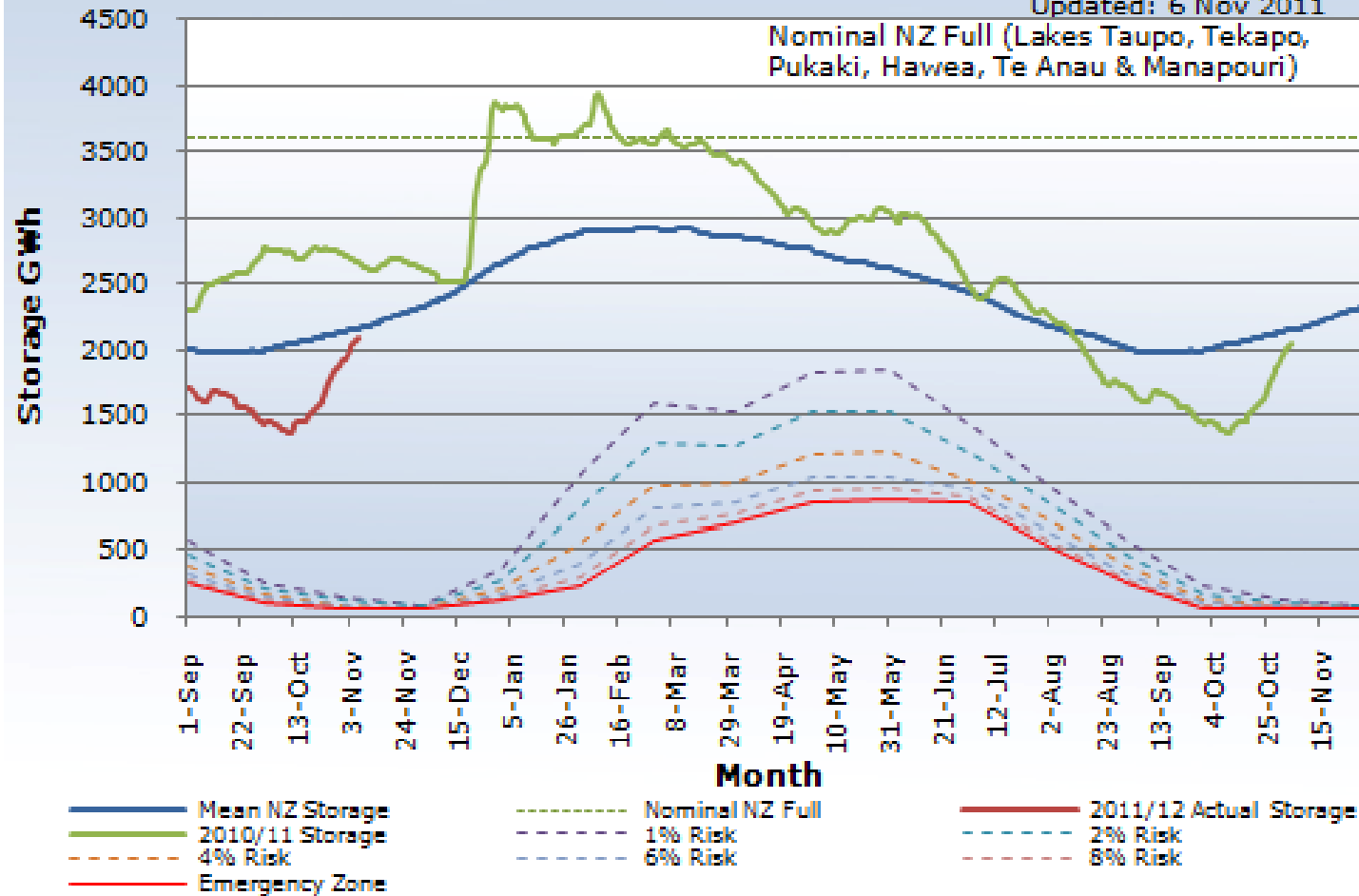
# New Zealand Daily Storage



## NZ Actual Controlled Storage and Risk Curve

Updated: 6 Nov 2011

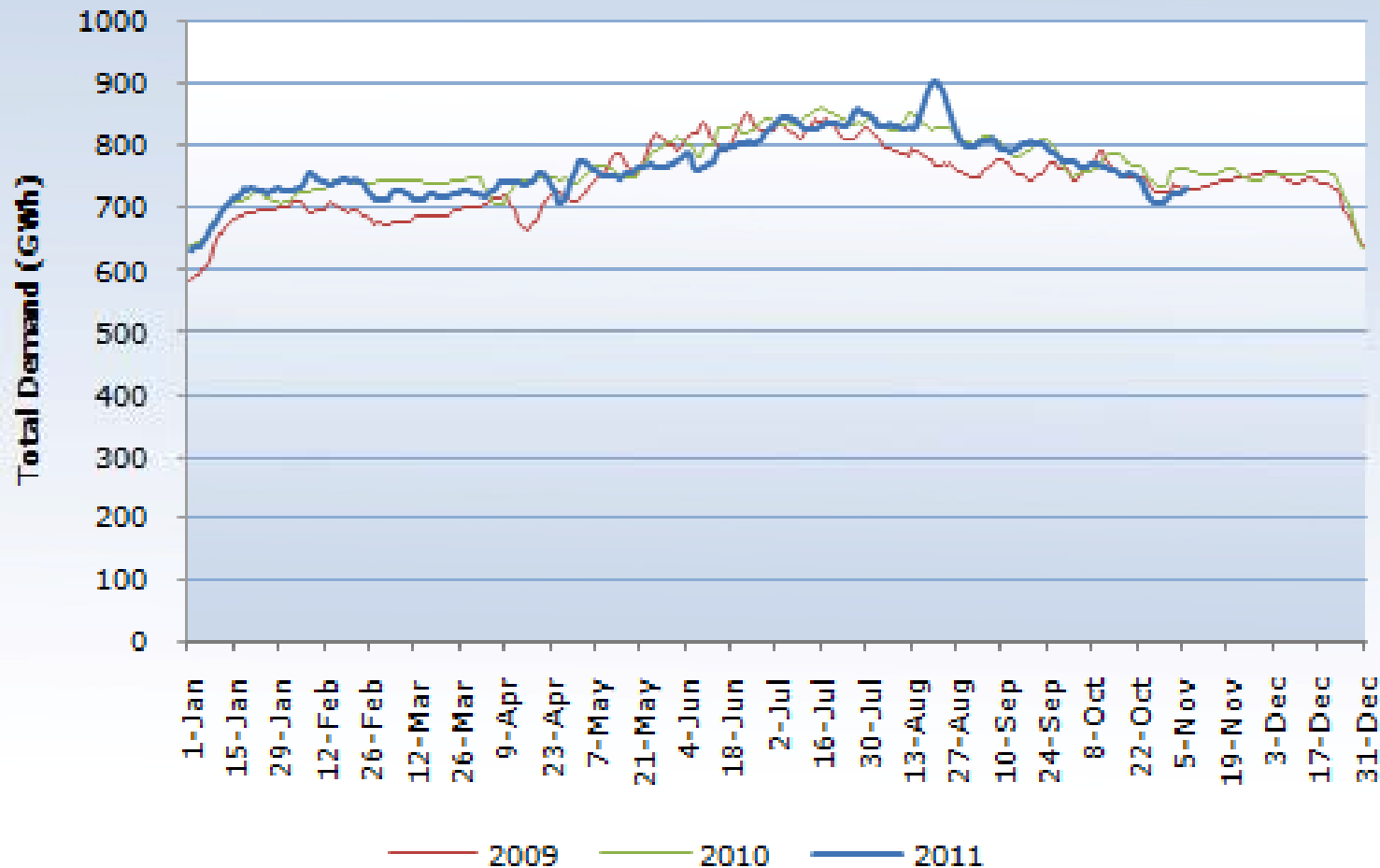
Nominal NZ Full (Lakes Taupo, Tekapo, Pukaki, Hawea, Te Anau & Manapouri)



# NZ Rolling 7 Day Demand Last 12 Months



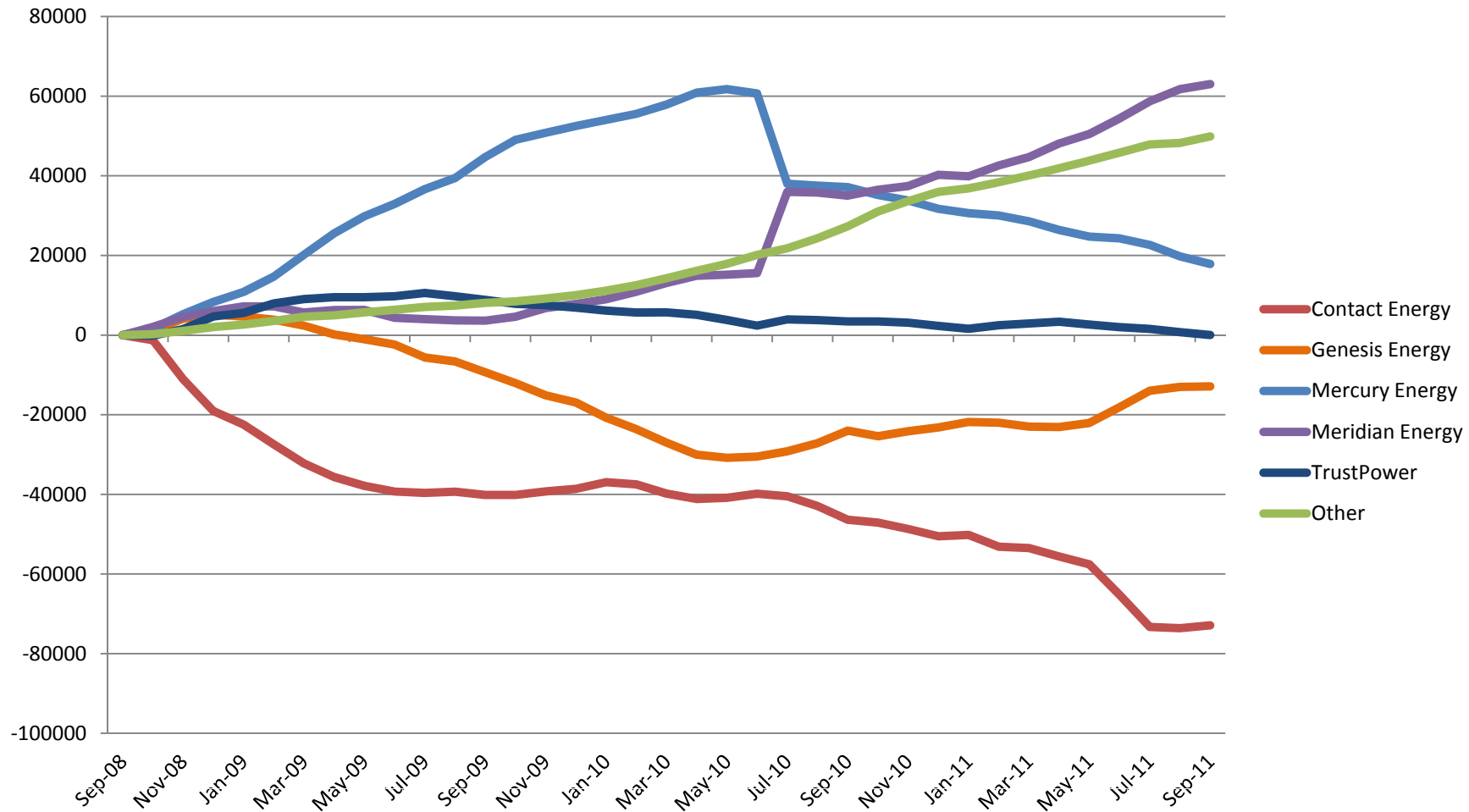
## New Zealand Electricity Demand (Rolling 7 days)



# Change in Customer Numbers by Major Competitors – Last 3 Years



**TOTAL Cumulative Change in ICP Count by Retailer (base year Sept 08)**

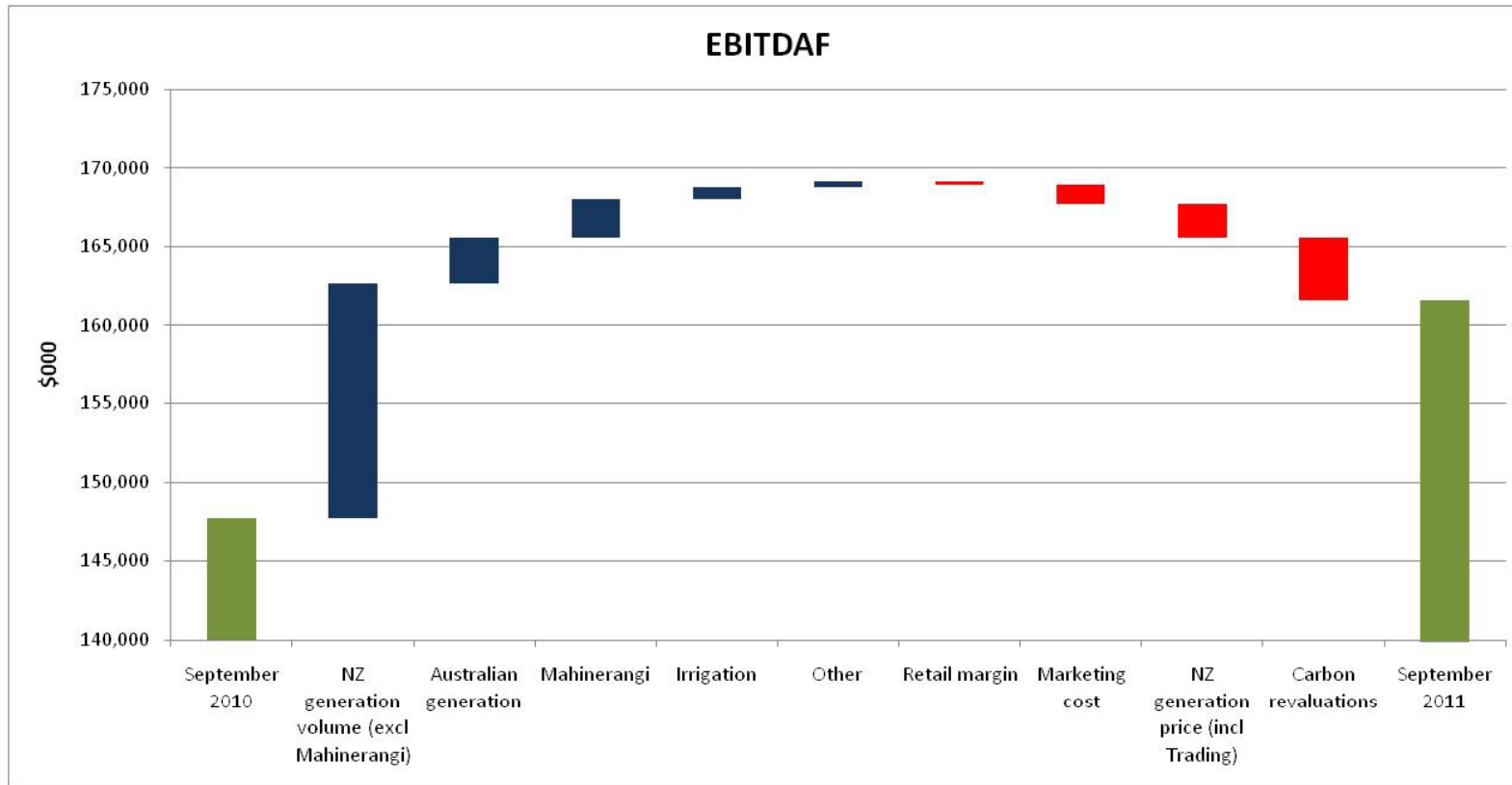


# Financial Summary First Half FY12



Extracted from Unaudited Accounts	HY Sep 12 \$m	HY Sep 11 \$m	% Change
Operating Revenue	426.6	403.5	5.7
Operating Costs	265.0	255.8	3.6
EBITDAF	161.6	147.7	9.4
Depreciation and Amortisation	29.4	28.9	1.7
Fair Value (Gains) / Losses on Financial Instruments	9.5	(3.2)	N/A
EBIT	122.7	122.0	0.6
Net Interest	31.3	30.3	3.3
Tax	22.6	32.0	(29.4)
Net Surplus After Tax	68.8	59.7	15.2
Underlying Earnings After Tax	75.6	63.8	18.5

# EBITDAF Bridge HY10-HY11





# Comments on Financial Result Key Points

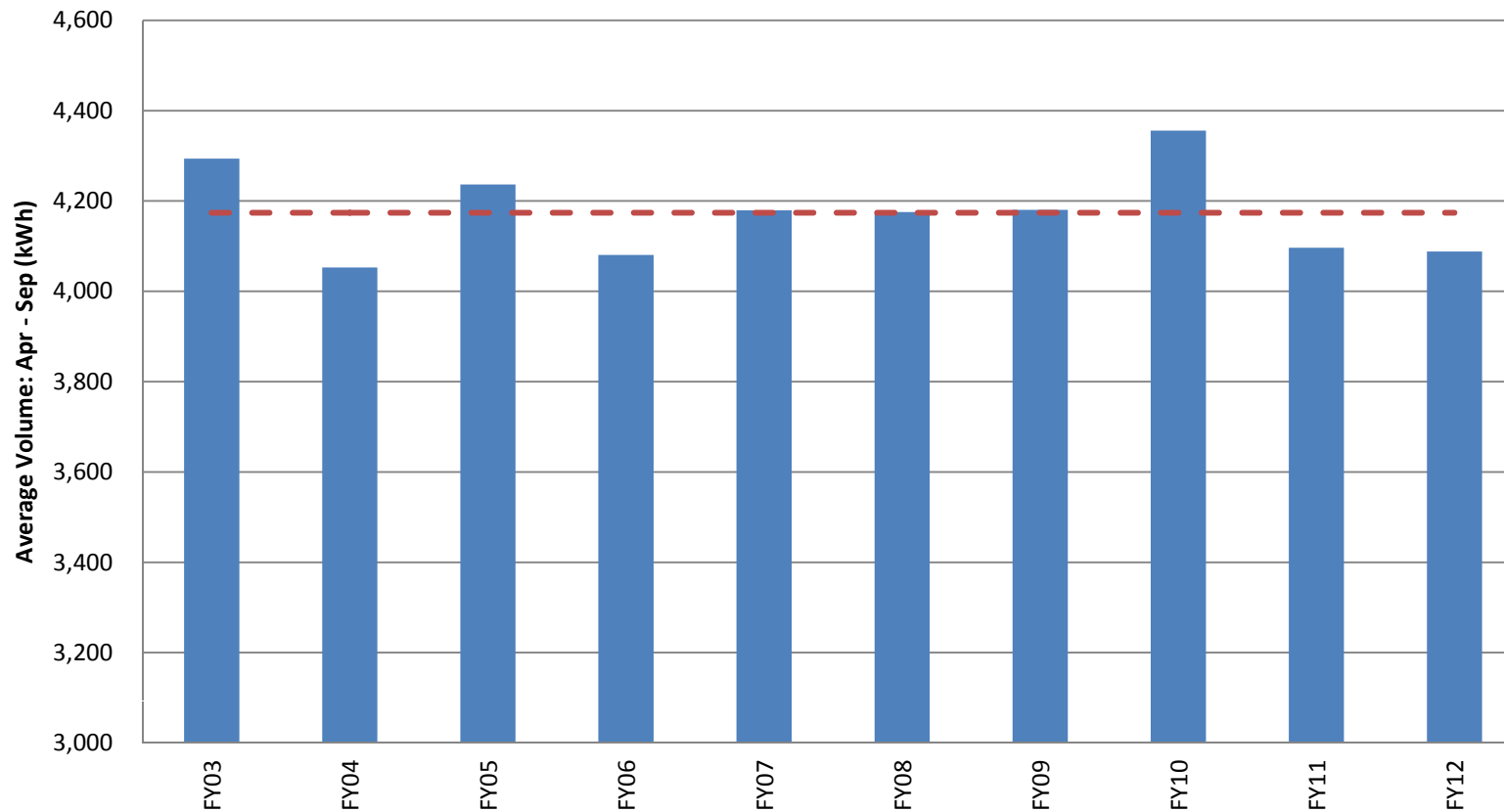


- NZ Generation volume 10% above long run expectation
- Initial contribution from Mahinerangi Wind and Highbank Irrigation Pumping
- Increased Customer Acquisition costs impacted retail margins
- Unsold carbon credit inventory revalued down by \$1.7m due to drop in European market prices
- Unrealised foreign exchange losses of \$2.6m for debtor balances in relation to forward sales of carbon credits taken through other operating expenses (\$1.9m relates to prior periods)

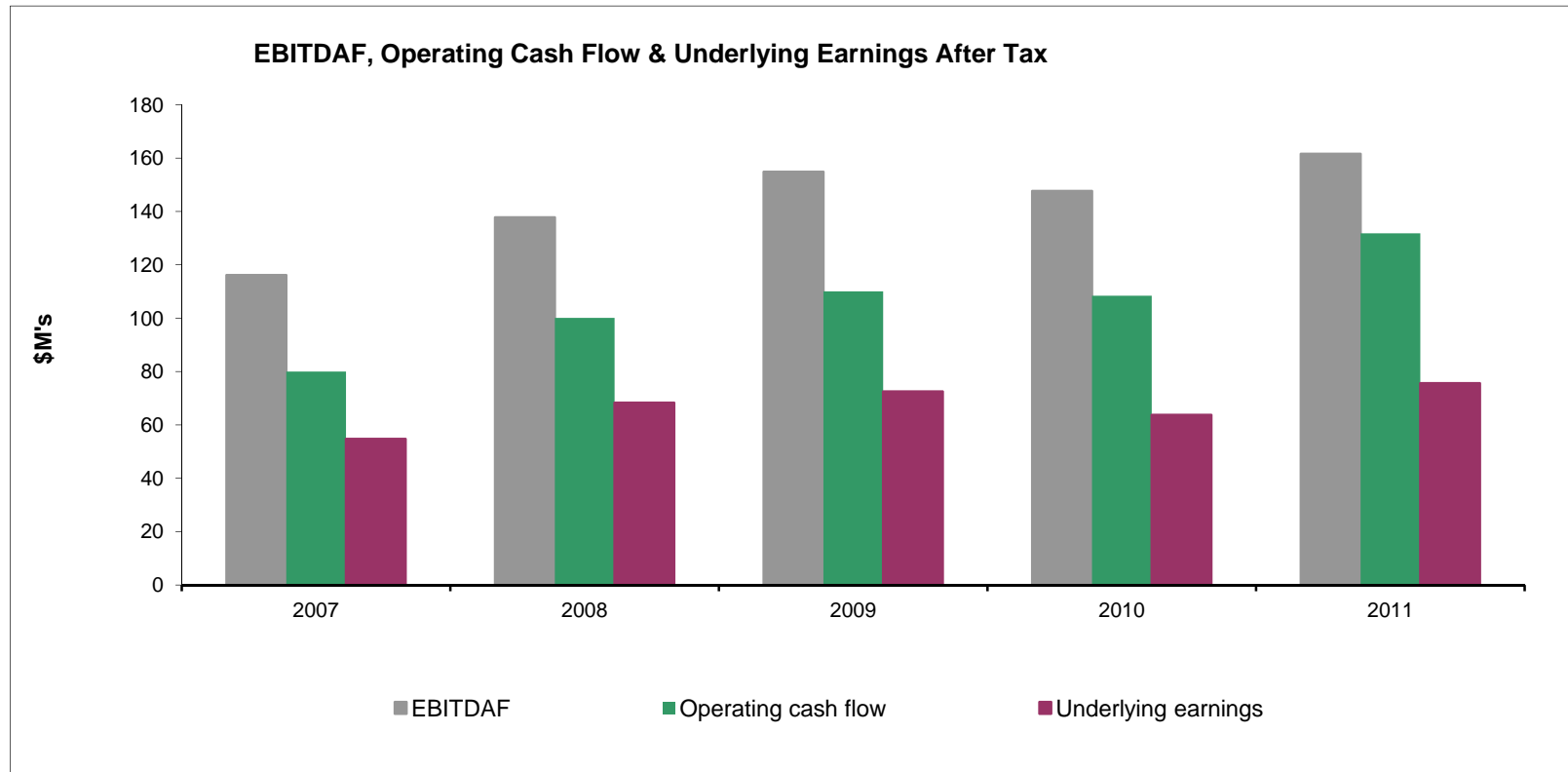
# TrustPower Domestic Average Consumption (April – September) Last 10 Years



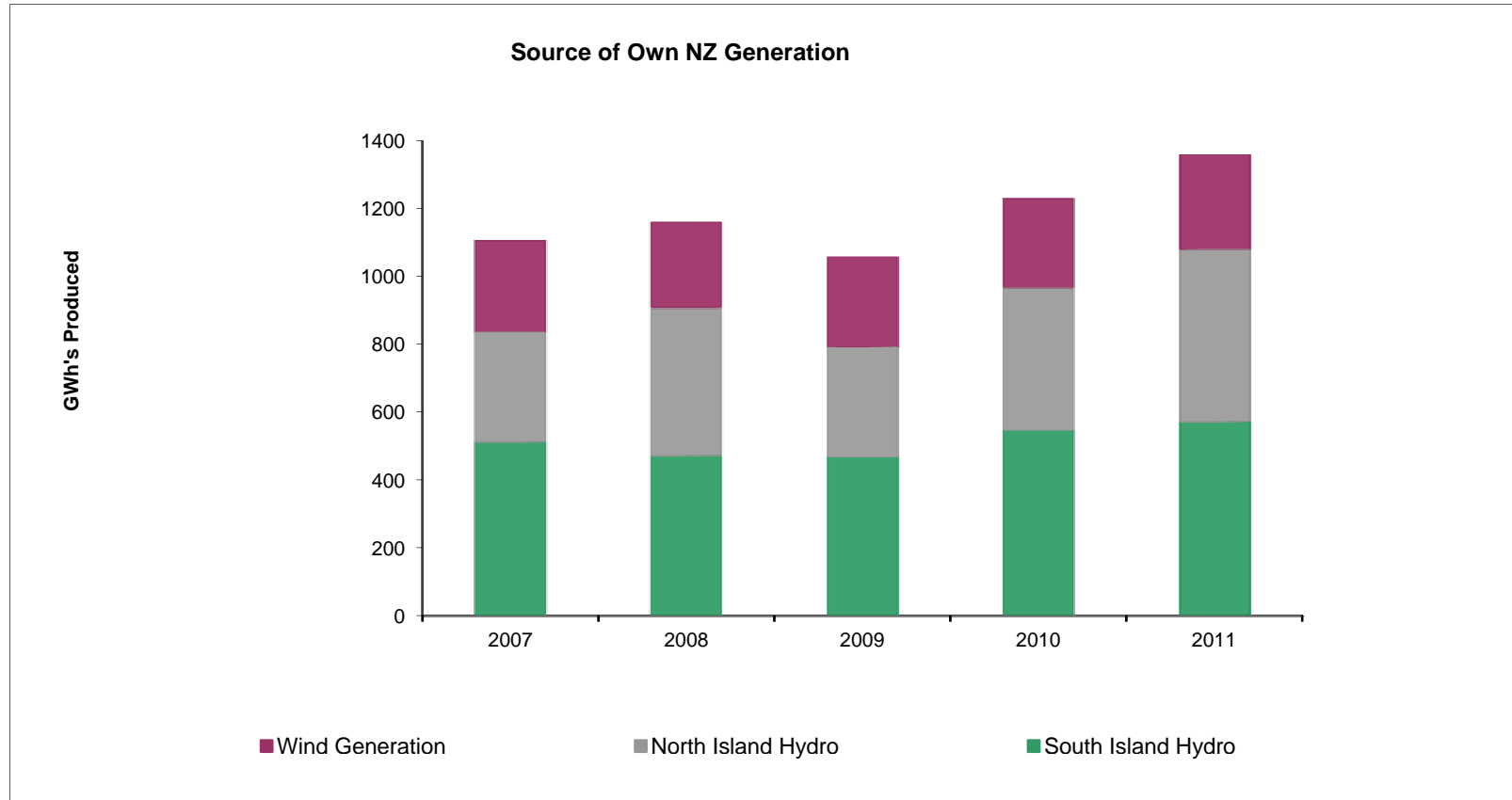
Total Domestic Average Consumption: Apr - Sep



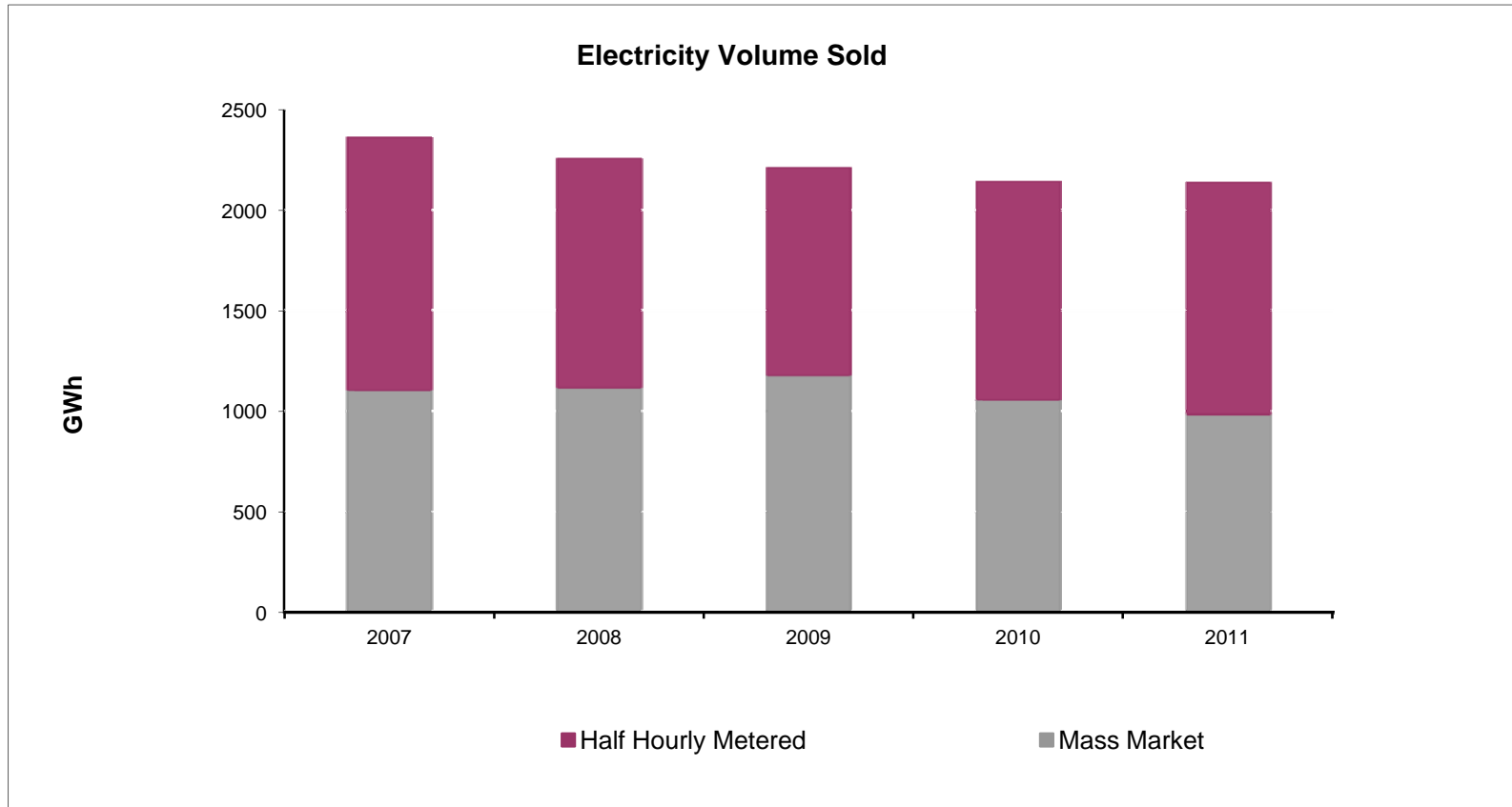
# EBITDAF, Underlying Earnings After Tax and Operating Cash Flow Six Months to 30 September



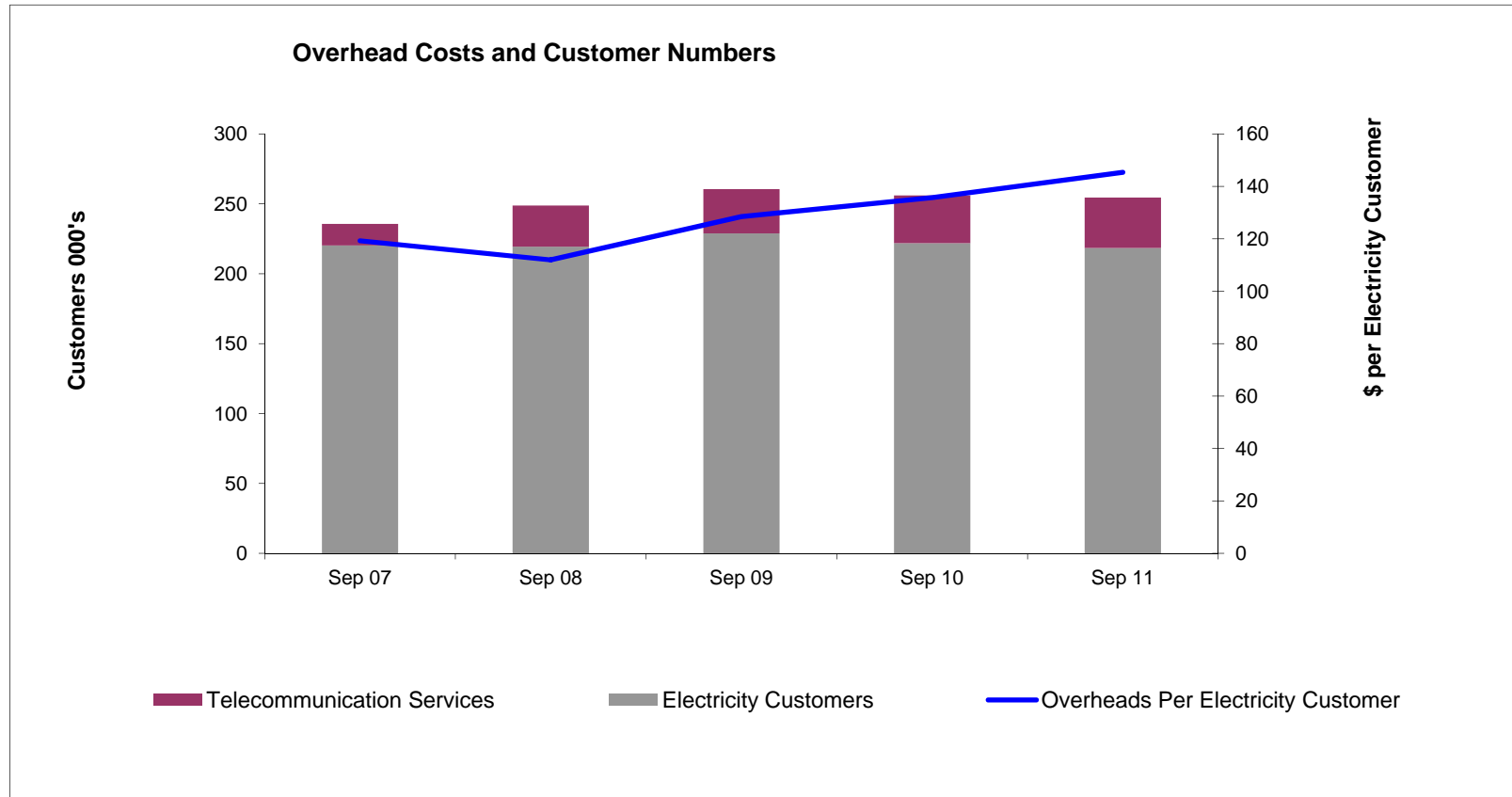
# Sources of Own Generation Six Months to 30 September



# Electricity Volume Sold – Six Months to September



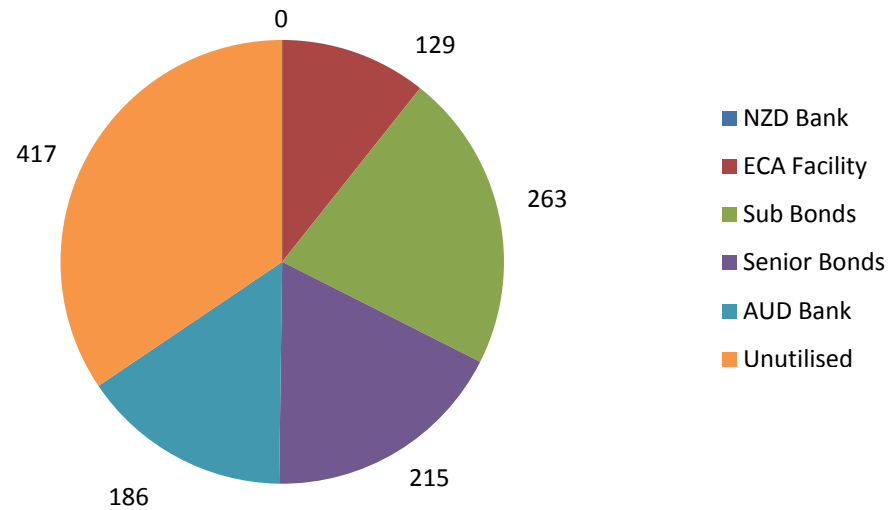
# Overhead Costs and Customer Numbers



# Current Sources of Debt Funding

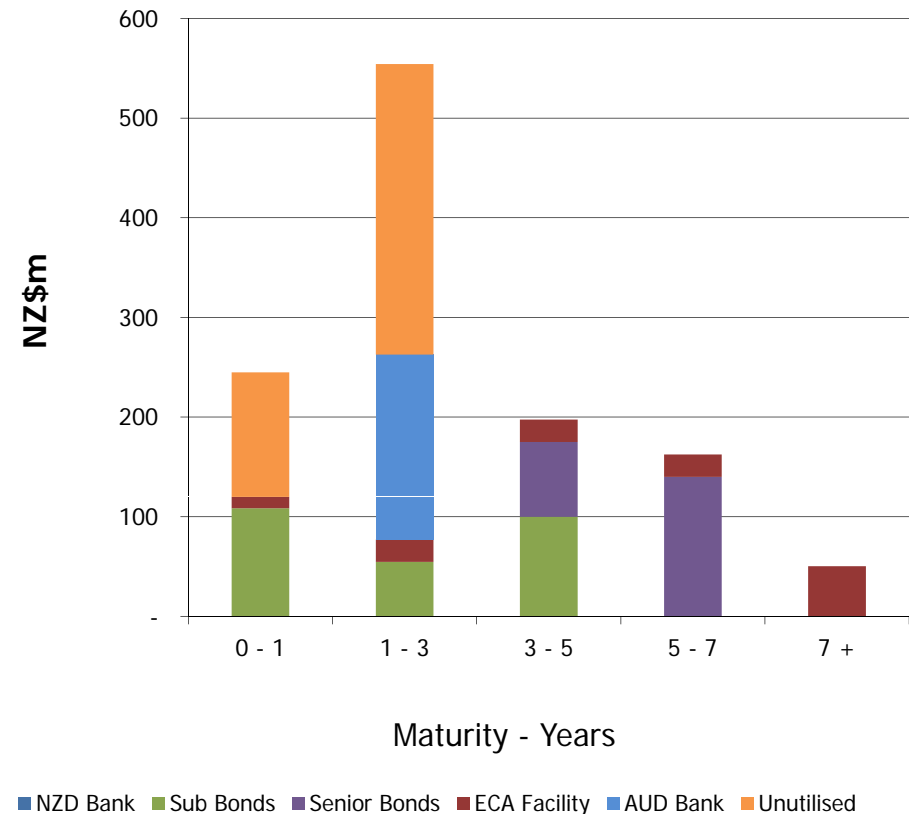


## Funding Sources



- Good mix of funding sources.
- Debt capacity available to fund new generation investment.

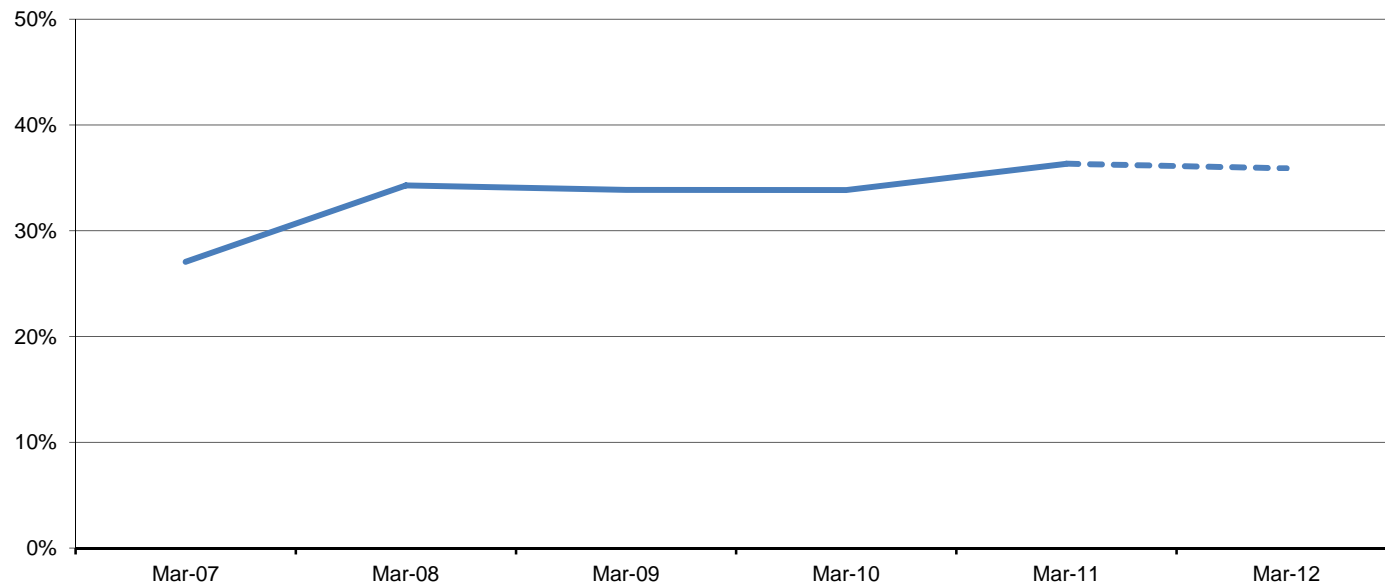
## Debt Maturity



# Gearing



Debt to Debt + Equity

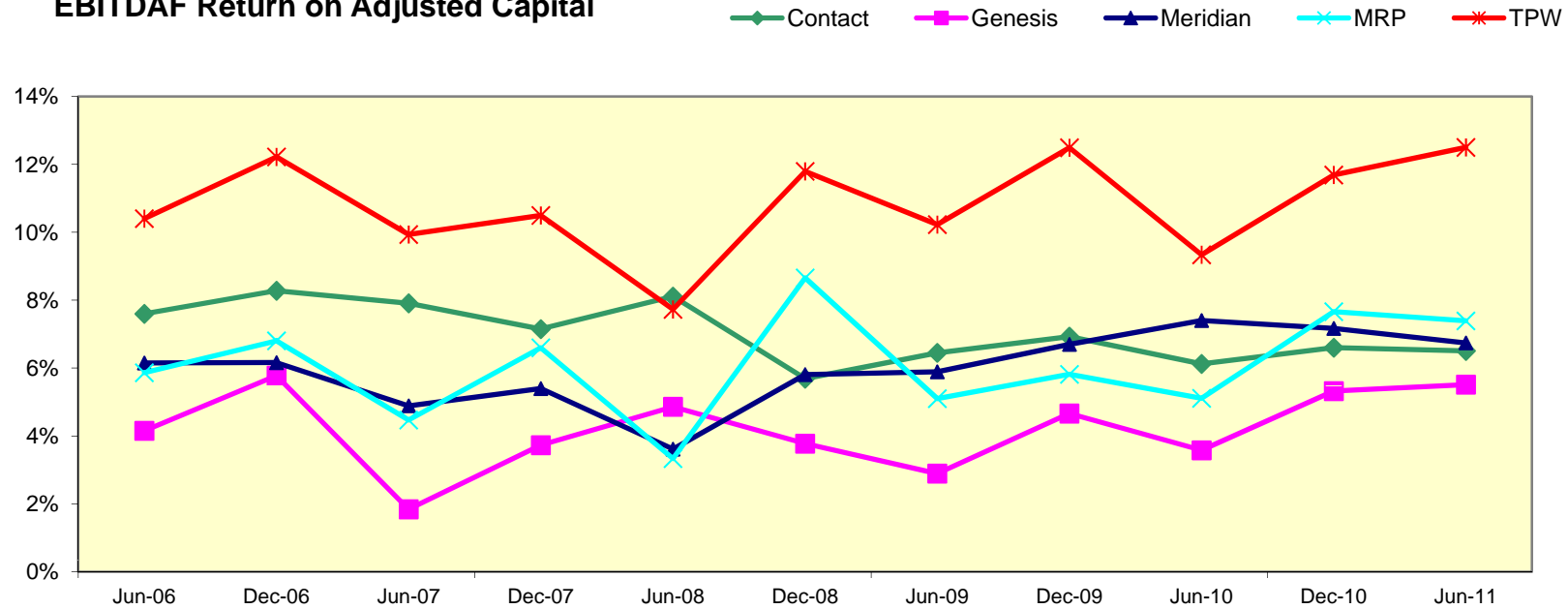




# Competitor Benchmarking



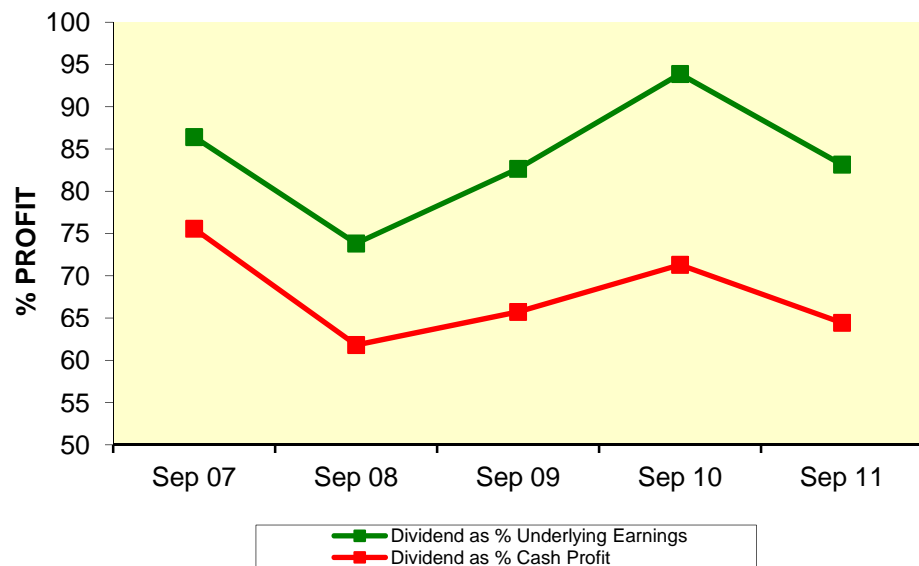
EBITDAF Return on Adjusted Capital



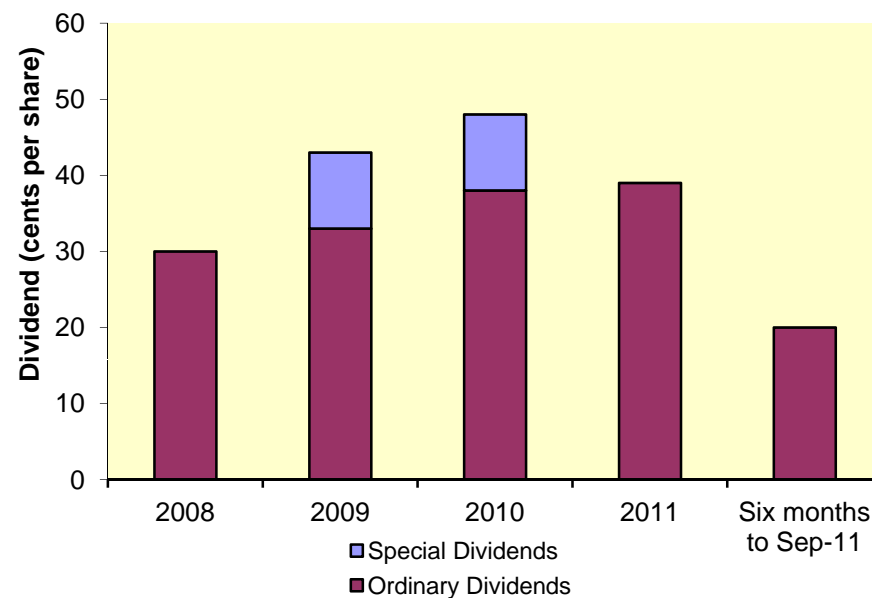
# Dividends



### Interim Dividend as % of Half Year Underlying Earnings and Cash Earnings



### Dividends Per Share



# Regulatory Update - NZ



## Emissions Trading Scheme

- Government Review of ETS Completed
- Key recommendations include:
  - Delay in charging emitters covered by the scheme for all emissions until 2015 (two years later than original plan).
  - Carbon price cap until at least 2017. \$25 cap to increase from 2012 to 2017 at \$5 per year.
  - Agriculture has delayed transition to the scheme so all sectors are fully accountable for emissions by 2019.

## Electricity Industry Authority

- HVDC Transmission pricing methodology. Further work being undertaken following Industry Working Group Review.
- Scarcity pricing.
- March 26 price event under appeal.
- Financial Transmission Rights.
- ASX Hedge Market liquidity.

# Regulatory Update - Australia



## Australian MRET Legislation

- MRET target increased from 9,500 GWh pa to 45,000 GWh pa by 2020 (increase equivalent to 12,000 MW of new wind).
- Small scale and large scale targets now separated into different schemes. Large scale renewable target now 41,000 GWh.
- Scheme in place until 2030.
- REC shortfall penalty increased to \$65 MWh post tax.

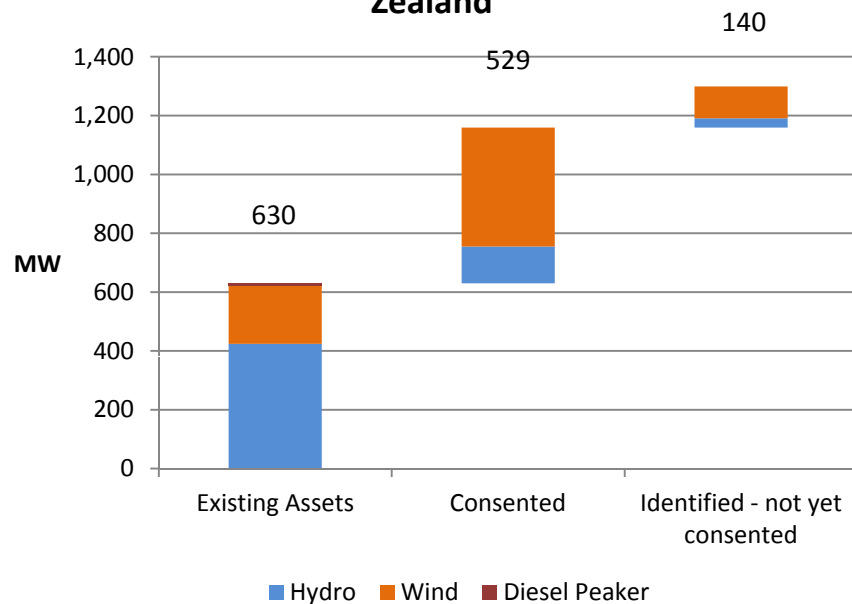
## Australian Carbon Tax & ETS

- Bill passed through federal parliament but must still be passed by the Australian senate which is expected by end of 2011.
- Carbon tax of \$23/tCO<sub>2</sub>-e from 1 July 2012 escalating at 2.5% p.a.
- ETS commences 1 July 2015.
- Scheme will cover stationary energy, most business transport emissions and industrial processes (covers around 60% of Australia's carbon pollution).

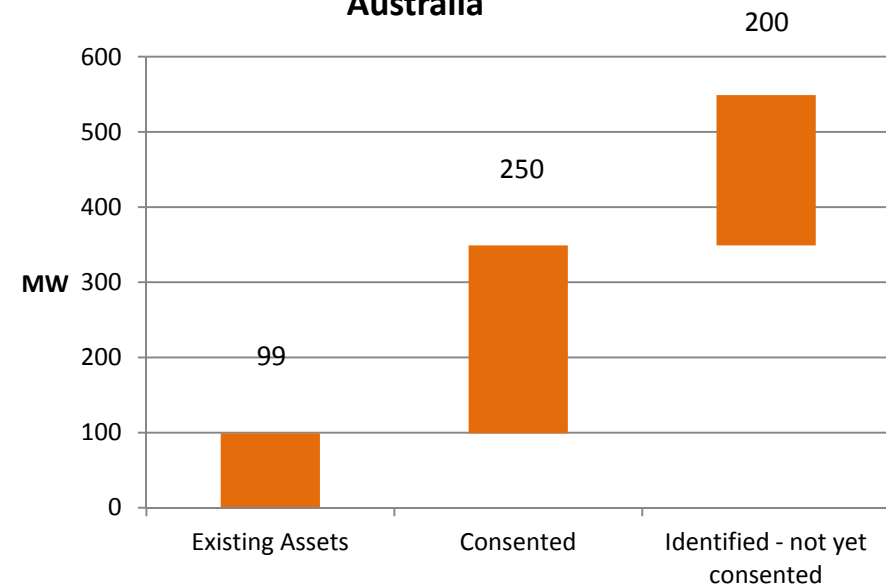
# Generation Development Pipeline



### Generation Development Pipeline - New Zealand



### Wind Generation Development Pipeline - Australia



# Group Strategic Focus



- Generation Development
  - Complete first phase of detailed design and geotech studies for Arnold Hydro
  - Amendment of Rakaia Water Conservation Order in order to progress Canterbury Irrigation strategy
  - Small schemes – confirmation of project economics and key contracts for Esk Hydro and Arnold Residual Flow
- Australia
  - Snowtown Stage II – complete transmission studies and key counterparty negotiations
  - Pursue additional wind sites – VIC, NSW, WA
- Protect TrustPower's premium Retail position
- Implementation of customer care and billing system

# Outlook



- CAPEX for FY12 now likely to be in the range of NZD50-60m from original outlook of NZD60-75m due to delay in spend on customer information systems replacement and small hydro schemes.