



Presentation to  
Investor Briefing  
May 2009



# Agenda



- TrustPower – Key Facts
- FY2009 Financial Performance and Operations Overview
- Competitor Benchmarking and Shareholder Returns
- Regulatory Environment
- Strategic Focus and FY 2010 Outlook
- Questions and Answers

# TrustPower – Key Facts



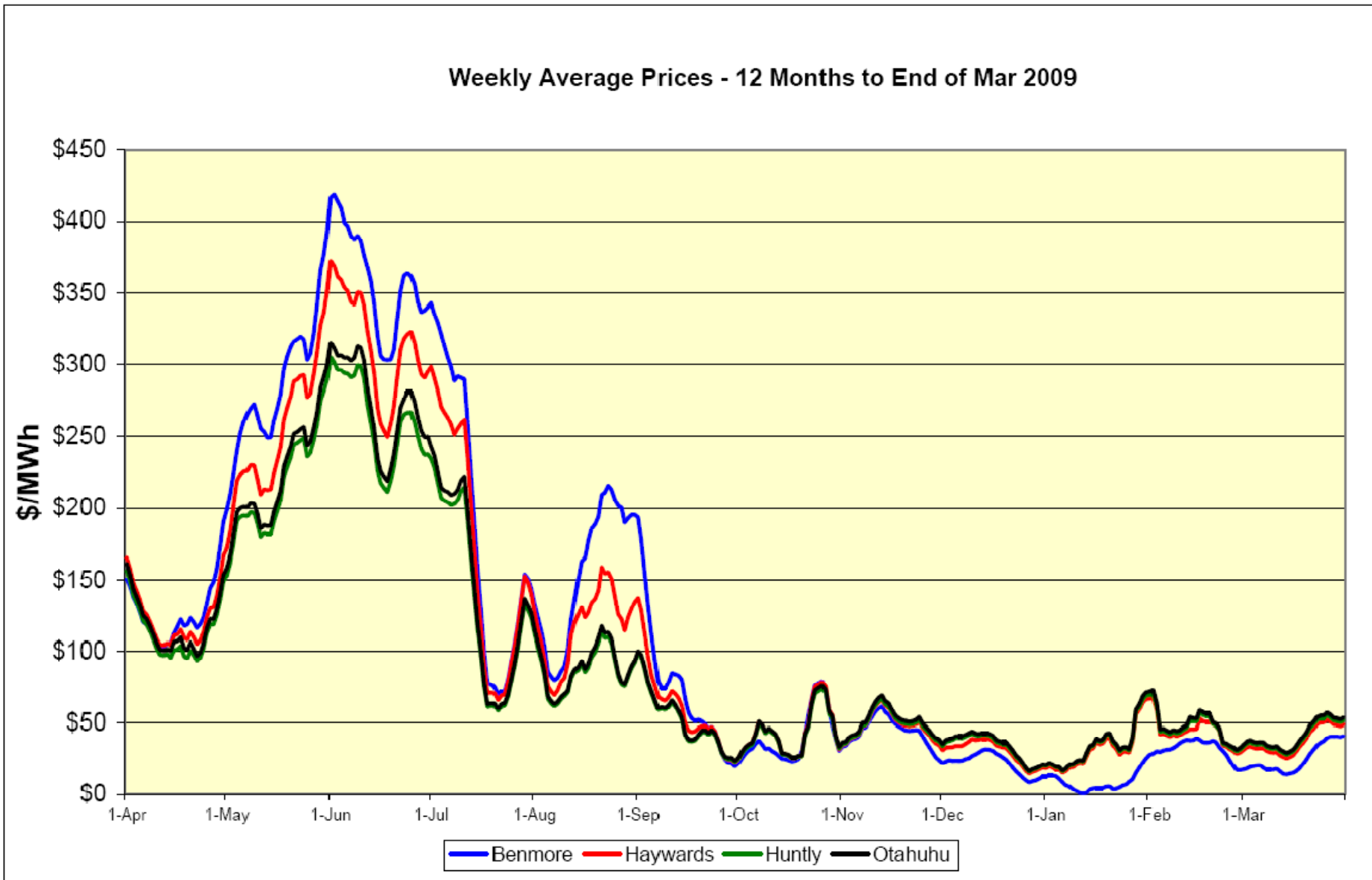
- Tauranga based national electricity generator / retailer
- Market capitalisation circa NZD 2.35 billion
- Key Shareholders Infratil (50.5%), TECT (33%)
- Freefloat 16.5%
- NZ generation capacity (hydro / wind) 594MW producing circa 2,230 GWh per annum in average year
- 99 MW wind farm in South Australia
- 227,000 electricity customers, 21,000 telco customers
- 394 employees

# TrustPower Generation Assets



TrustPower's New Zealand Generation Assets		
Assets	Generation Capacity (MW)	Average Annual Output (GWh)
<b>North Island</b>		
Bay of Plenty Hydro	151	582
Taranaki Hydro	40	152
Tararua Wind	161	620
TOTAL North Island	<u>352</u>	<u>1,354</u>
<b>South Island</b>		
Nelson / Marlborough Hydro	44	244
West Coast Hydro	25	90
Canterbury Hydro	72	362
Otago Hydro	101	270
TOTAL South Island	<u>242</u>	<u>966</u>
<b>TOTAL NZ</b>	<b><u>594</u></b>	<b><u>2,320</u></b>

# NZ Electricity 7 Day Rolling Spot Prices Last 12 months

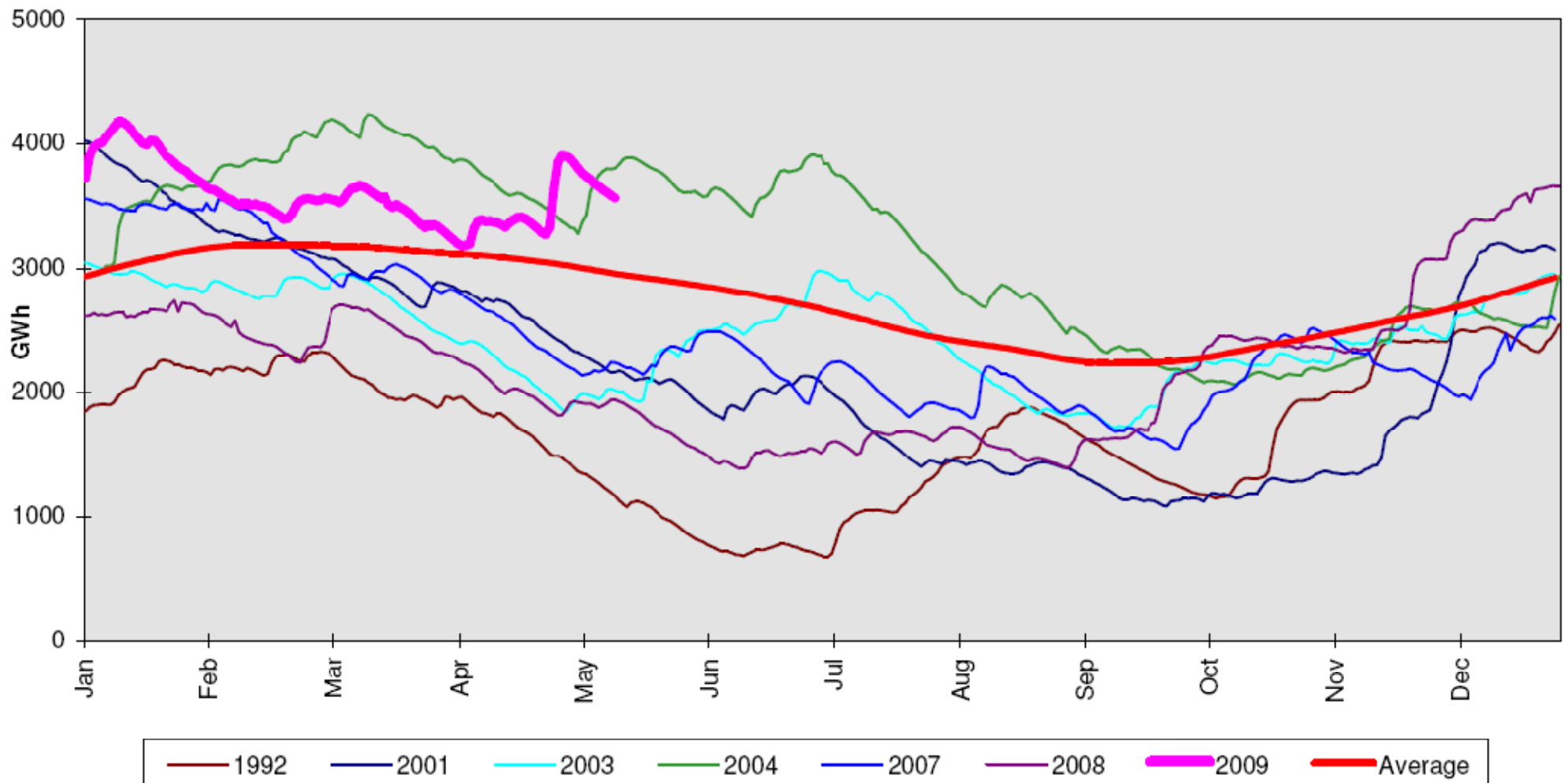


Source: Mco

# New Zealand Daily Storage



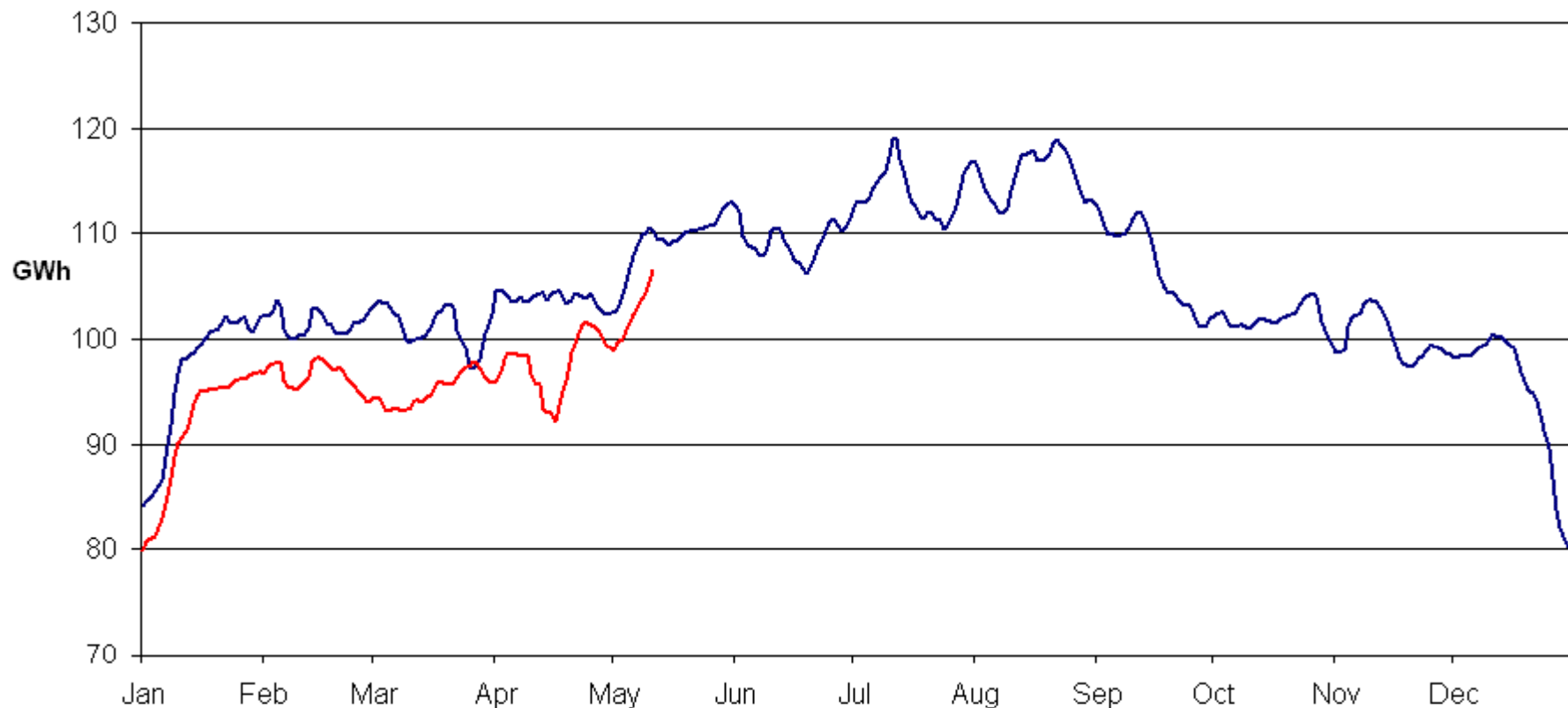
New Zealand Daily Storage



# 7 Day Rolling Demand 2008 - 2009



**Demand - seven day rolling average 2008-2009**  
**(Updated daily last on Tuesday 12 May 2009)**



**Note: Based on unreconciled gxp metering information that is subject to change**

— 2008 — 2009

# Financial Summary



Extracted from Unaudited Accounts	FY March 09 \$m	FY March 08 \$m	% Change
Operating Revenue	785.4	681.5	15.2
Operating Costs	525.4	473.4	11.0
EBITDAF	260.0	208.0	25.0
Depreciation and Amortisation	44.4	32.3	37.5
Fair Value (Gains) / Losses on Financial Instruments	19.6	(1.0)	N/A
EBIT	196.0	176.6	11.0
Net Interest	52.4	39.8	31.7
Tax	38.6	38.7	(0.3)
Net Surplus After Tax	105.1	98.1	7.1
Underlying Earnings After Tax	118.8	92.6	28.3

# Comments on Financial Result

## Key Points



- NZ generation down 193 GWh (-8%) versus long term average but 5% up on prior year.
- Hydro generation up 96 GWh on prior year (7%) and wind production up 12 GWh (2%).
- Australian wind production (part year) of 254 GWh was 16 GWh (6%) down on expectation.
- Fair value loss on financial instruments due to large drop in long term NZ and Australian interest rates impacting interest rate swap mark-to-market valuation.
- Generation asset revaluation outcome was a NZD259m uplift in fixed asset values.

# Operational Performance FY09



Operational Performance	FY09	FY08
Volume Sold GWh	4,032	4,540
Own Generation Hydro (GWh)	1,568	1,472
Own Generation Wind (GWh)	558	546
Australian Wind (GWh)	254	-
Load weighted average price paid \$MWh	120	73
Customers	227,000	222,000
Telecommunication Services Provided	30,000	26,000

# EBITDA & Underlying Earnings After Tax



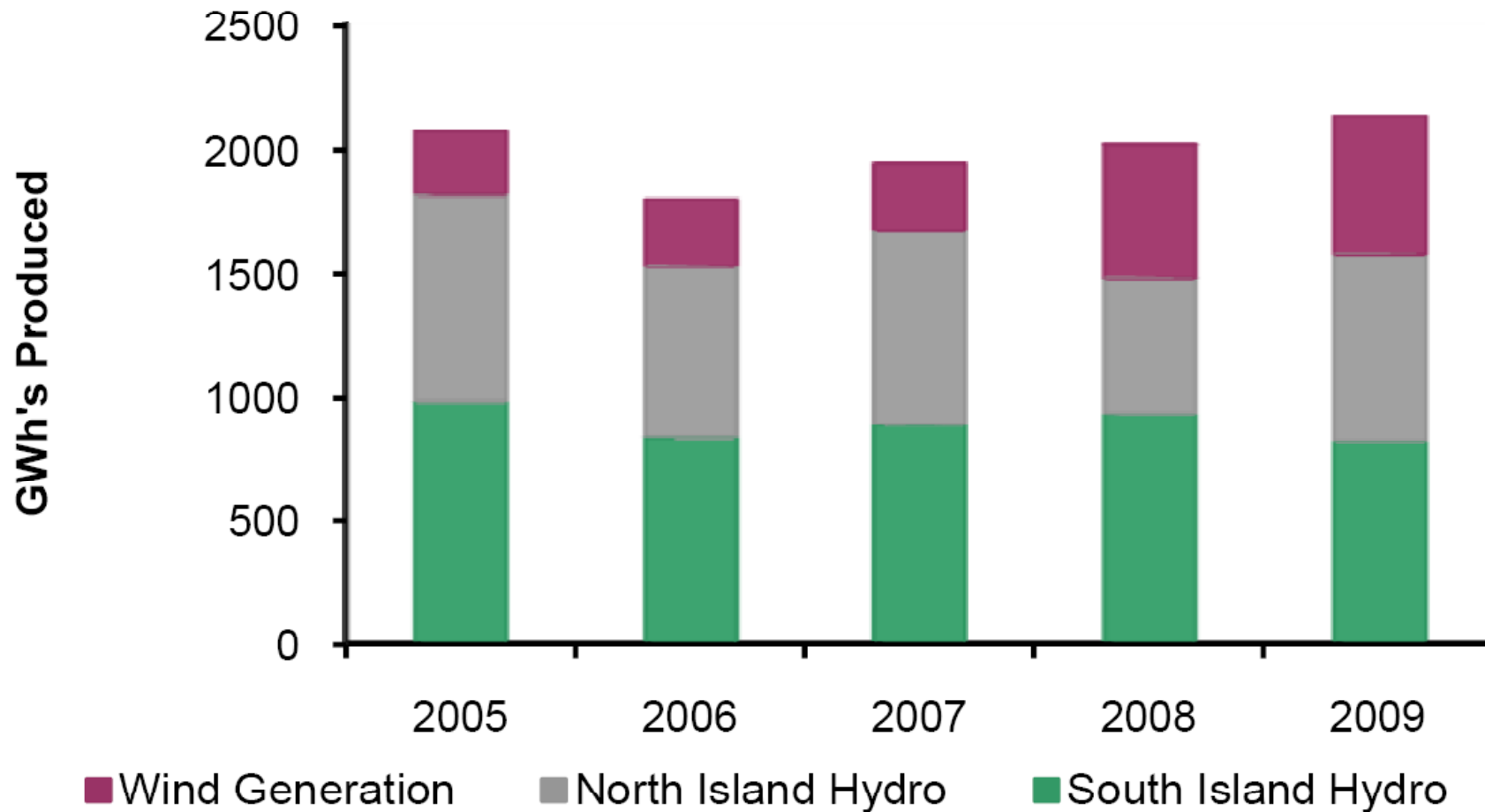
## EBITDAF & Underlying Earnings After Tax



# Sources of Own Generation



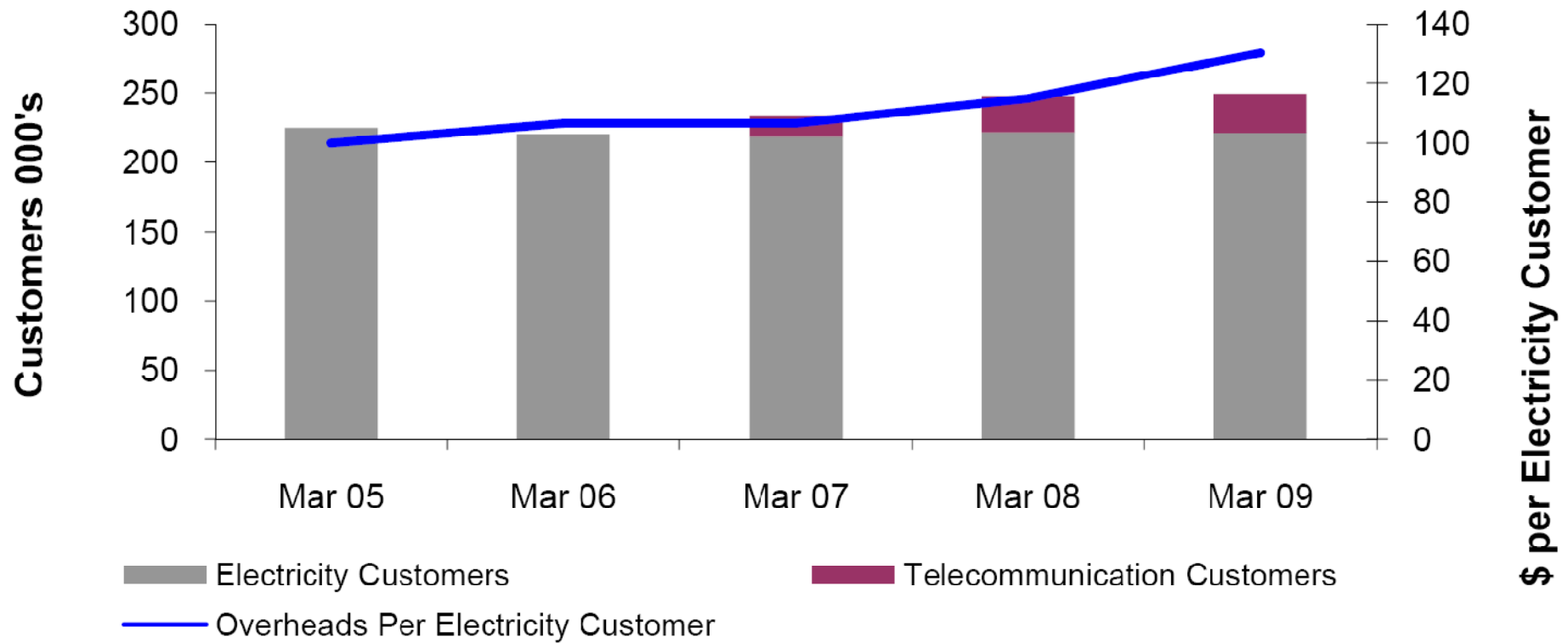
## Source of Own NZ Generation



# Overhead Costs and Customer Numbers



## Overhead Costs and Customer Numbers



# Current Sources of Debt Funding



Funding Source	Committed Amount	Maturity	Tranches
Banks - NZD	290m	2010-2012	3
Banks - NZD / AUD	180m	2011	2
Amortising ECA Backed Funding	NZD 99m	2020	1
AUD Bank Facility	AUD 160m	2010	1
Subordinated Bonds	NZD 263m	Sept 2012 - Dec 2015	3
<b>Total NZD Equivalent</b>	<b>1,032m</b>		

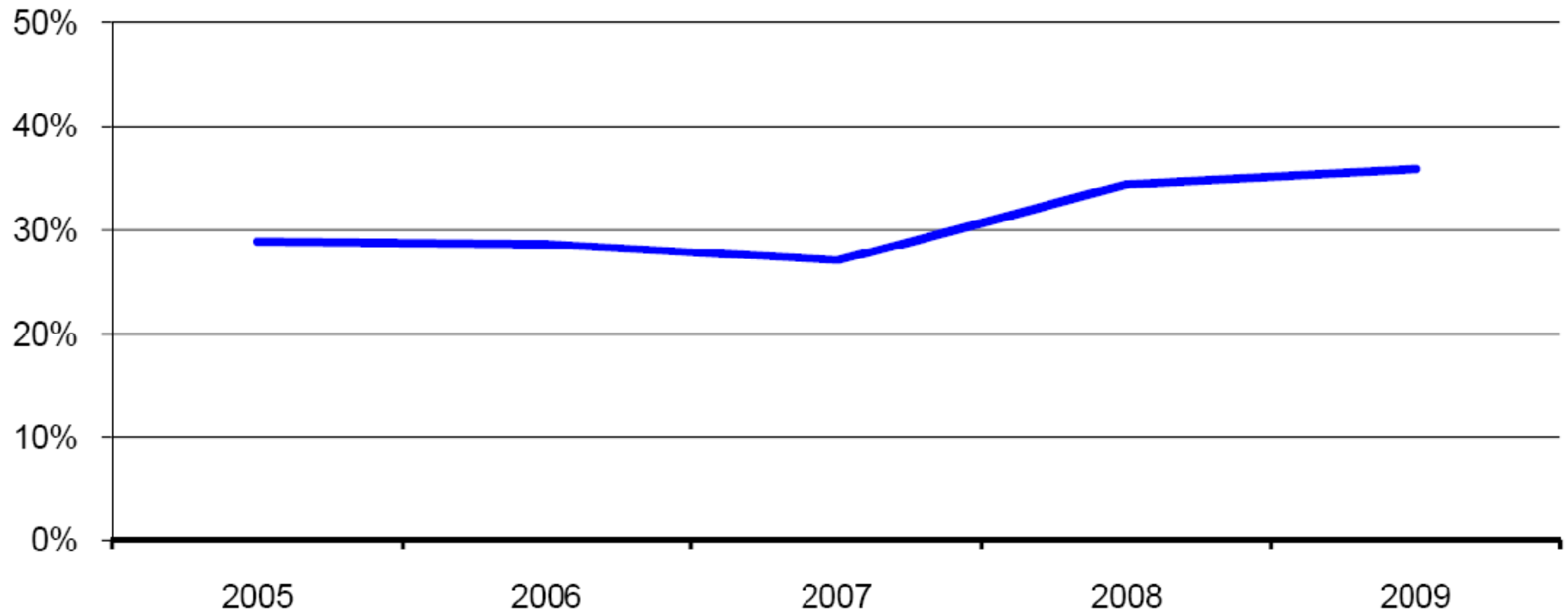
**Group Net Debt NZD 705m at March 09**

**NZD100m Bank Facilities maturing July 09 extended to July 2011 and increased to NZD 120m with NZD 80m transferred to NZD / AUD facility to provide greater AUD funding capacity**

# Gearing



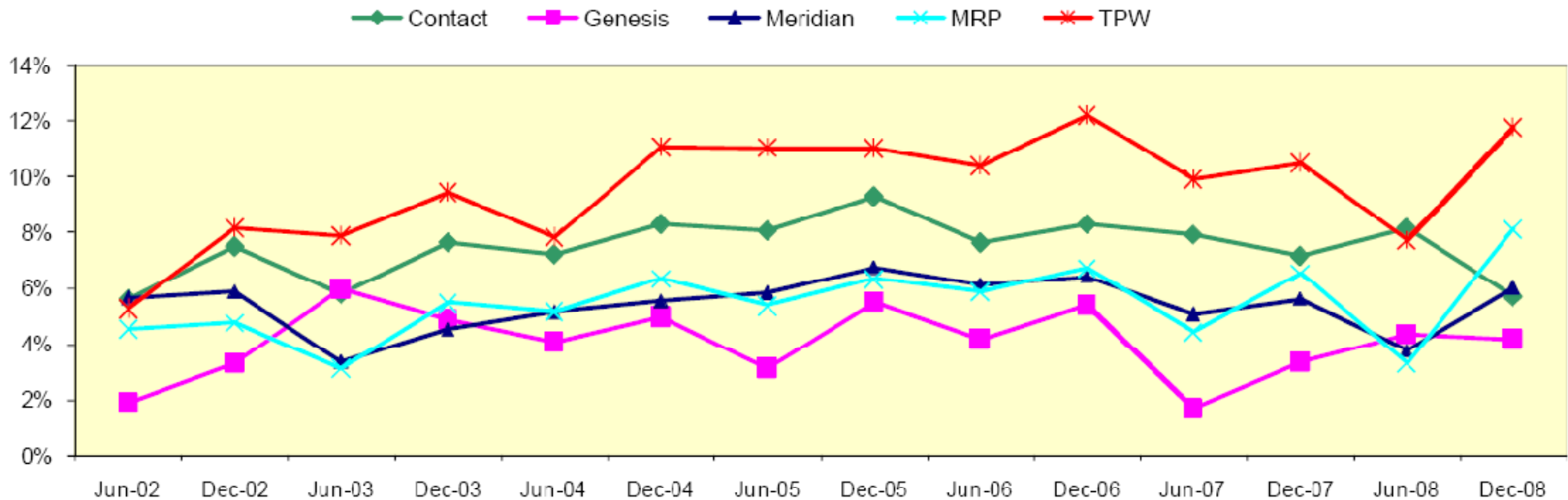
Debt to Debt + Equity



# Competitor Benchmarking

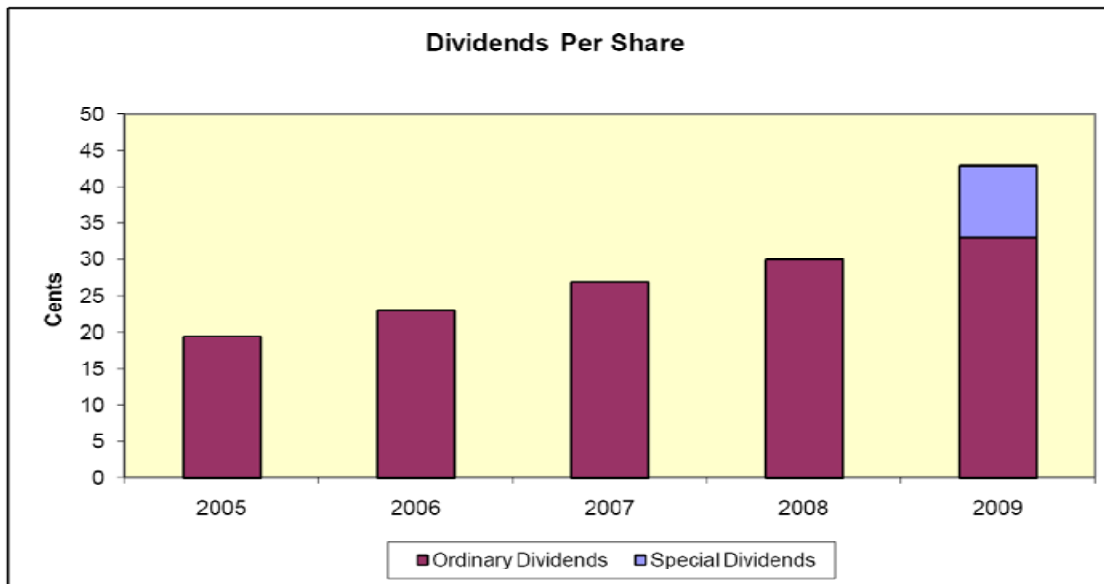
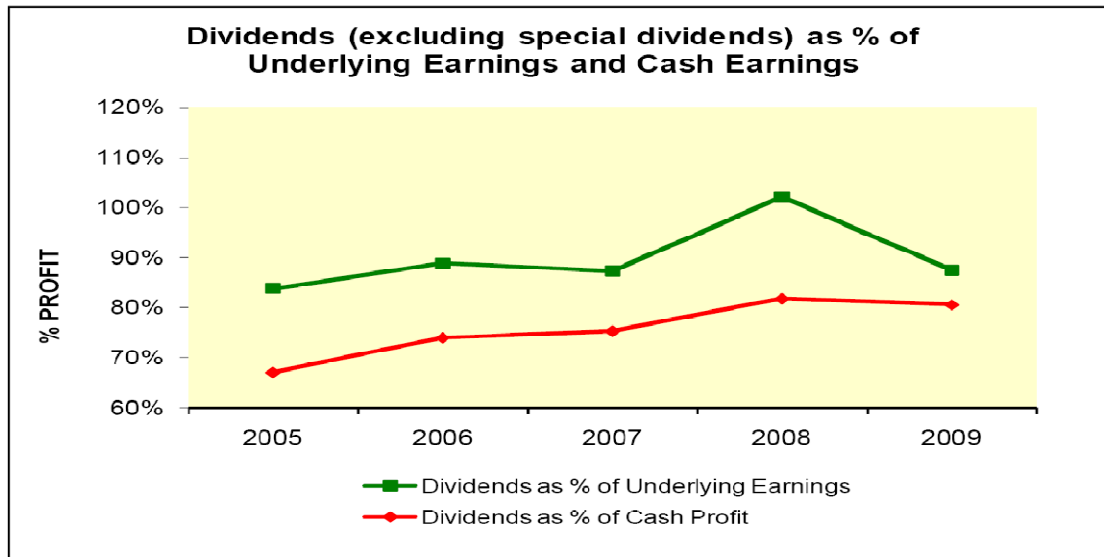


EBITDA Return on Adjusted Capital



- National has publicly announced it is reviewing SOE performance and governance
- Will this mean improved SOE financial performance?

# Dividends

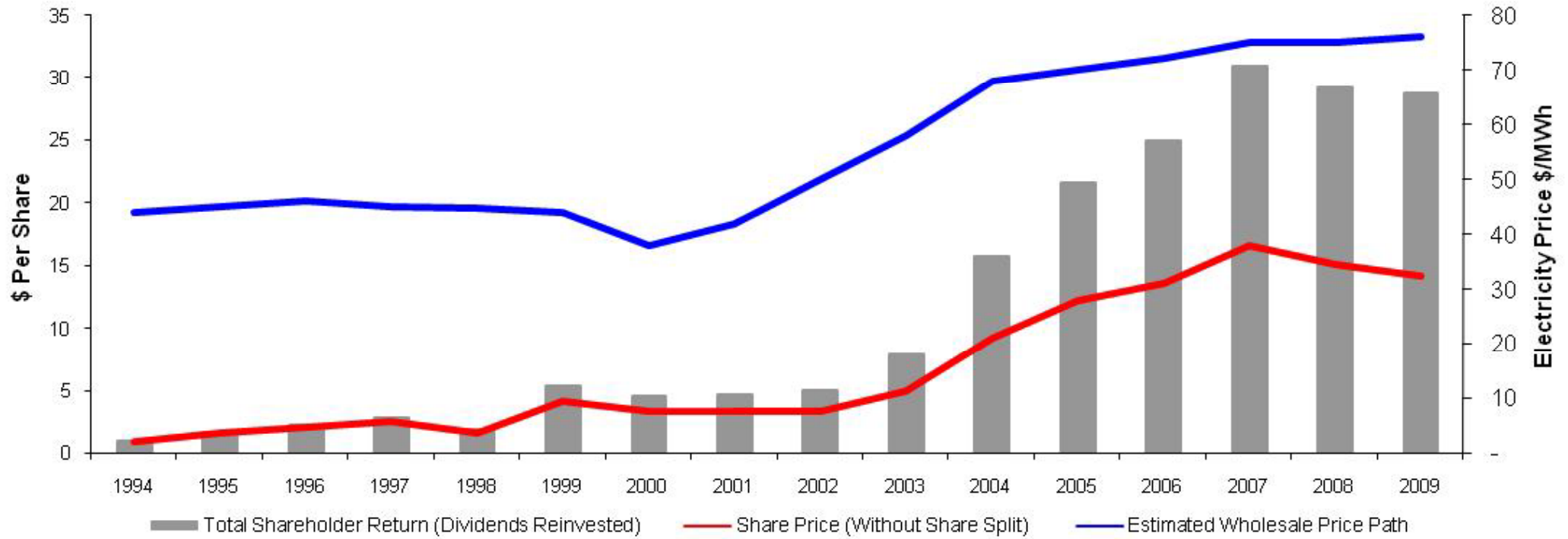


- A final dividend of 17 cps announced payable 8 June 2009.
- Partially imputed to 9 cps.
- Total dividend for the year of 33.0 cps represents growth of 10%.
- Unimputed special dividend of 10cps paid December 2008.
- Unimputed special dividend of 10 cps declared with same payment date as final dividend.

# TrustPower Total Shareholder Return since 1994



## TrustPower Total Shareholder Return



- 10 Year compound TSR of 30%

# Regulatory Update



## Ministerial Review

- Objective to improve electricity market performance, its institutions and governance
- Technical Advisory Group appointed
- Discussion Paper June 2009
- Amended legislation enacted by June 2010

## Emissions Trading Scheme

- Under review – Select Committee expected to report shortly
- National has confirmed that it still supports an ETS versus other options
- Harmonisation with Australian CPRS likely to cause delays

## Electricity Commission

- HVDC Transmission pricing methodology to be reviewed during 2009

## Commerce Commission

- Reviews ongoing – findings likely to be covered off in Ministerial Review

# Regulatory Update cont.



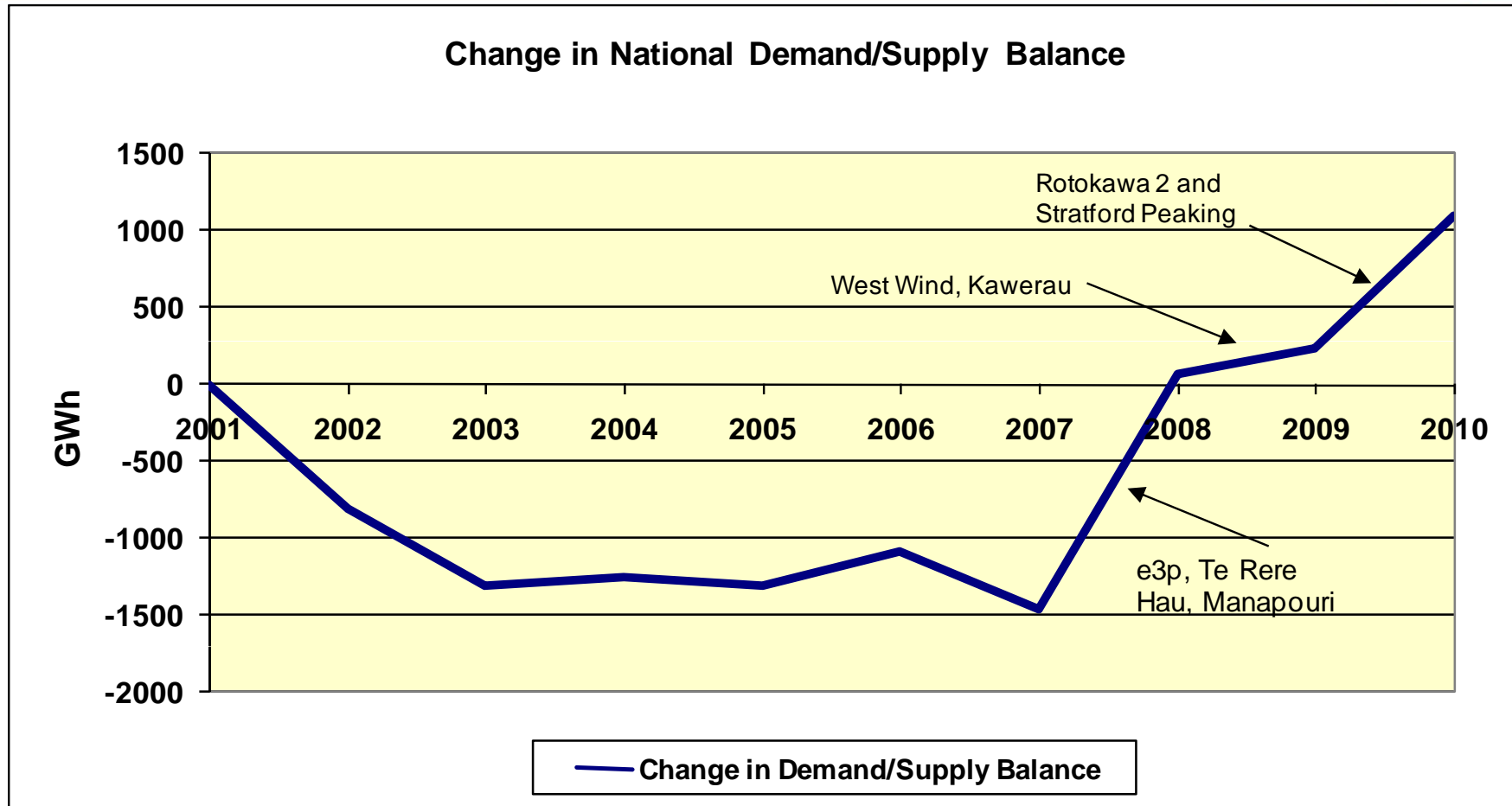
## Australian MRET Legislation

- MRET target to be increased from 9,500 GWh pa to 45,000 GWh pa by 2020 [increase equivalent to 12,000 MW of new wind]
- Scheme in place until 2030
- Likely to be passed by July 2009

## Australian CPRS

- Difficulty in getting through Australian Senate
- Intense lobbying
- Government has announced delay in introduction from July 2010 until mid 2011.

# NZ Supply Demand Balance



- Change in National Demand / Supply balance using 2001 as the base year assuming 2% load growth.
- Recently completed generation projects and those under construction are expected to provide modest excess supply over 2009 and 2010 but need to put in context of total 2008 national demand of circa 38,000 GWh.

# Strategic Focus



- Generation Development
  - Complete resource consents for Arnold and Wairau hydro schemes
  - North Island Wind Options
  - Hydro Generation Enhancements
- Australia
  - 48 MW at Myponga?
  - Pursue other opportunities that align with further expansion of Snowtown
  - Further wind sites NSW, VIC and SA
- Protecting TrustPower's Premium Retail Position
- Smooth Execution of Retail Systems replacement

# TrustPower NZ Generation Development Update



## Consenting Completed

Project	Capacity MW	Likely Strategy	Lead Time to commit once consenting complete
Mahinerangi Wind	200	30 MW able to be embedded. Then incremental build in stages subject to economics	3-6 Months
Kaiwera Downs Wind	240	Build in two stages subject to economics	3-6 Months
<b>TOTAL</b>	<b>440</b>		

## Consents granted but under appeal

Wairau Hydro	72	Further environmental studies being undertaken prior to Environment Court Hearing – October 2009	12 Months
Arnold Hydro	46	Consulting with a small number of appellants which may avoid court process	12 Months
<b>TOTAL</b>	<b>118</b>		

### Under Investigation:

- North Island Wind
- Hydro / Irrigation Opportunities
- Enhancement of Existing Hydro Schemes

# TrustPower Australian Generation Development Update



Planning Consent	Capacity MW	Likely Strategy
Myponga	48	Awaiting approval of planning consent extension
Snowtown Wind	235	Incremental generation able to be built under existing planning consent Additional Transmission Investment required for further stages
<b>TOTAL</b>	<b>283</b>	

## Further Wind Sites:

- Looking to shortlist further wind sites as development options in Victoria, New South Wales and South Australia
- A number of landowner agreements have been signed and more under negotiation

# Investment Landscape NZ



Key Issues	
Demand	<ul style="list-style-type: none"><li>• Prolonged economic recession could see flat demand growth which may lead to investment deferral</li></ul>
Government support for renewable generation	<ul style="list-style-type: none"><li>• National has made no comment with respect to previous government's long term renewable generation target</li><li>• Changes to ETS uncertain</li></ul>
Carbon Pricing	<ul style="list-style-type: none"><li>• Forward prices starting to incorporate carbon pricing</li></ul>
Exchange Rates	<ul style="list-style-type: none"><li>• High component of wind farm capital cost (70-80%) is FX related (USD or EUR). Current weakness of NZD makes wind more challenging</li><li>• Also has impact on cost of new thermal / geothermal plant</li></ul>
Transmission	<ul style="list-style-type: none"><li>• HVDC Transmission pricing methodology impacts South Island generation EC to review this year</li><li>• Transpower investment programme should support renewable generation development over the medium term</li></ul>

# Investment Landscape NZ cont.



Key Issues	
Wind Turbine Supply Availability and Terms	<ul style="list-style-type: none"><li>• Global forward orders declining for suppliers but US infrastructure package supportive of wind development</li></ul>
RMA	<ul style="list-style-type: none"><li>• Proposed changes should assist streamlining of consenting processes but too late to make a difference to TrustPower's existing consent processes</li></ul>
Asset Sales	<ul style="list-style-type: none"><li>• Unlikely</li></ul>

# Australian Investment Landscape



## Key Issues

### Government support for renewable generation

- Rudd Government still appears committed to increased renewable generation targets although recent request for Parliamentary enquiry into proposed ETS may be a sign resolve is wavering

### Carbon Pricing

- Industry lobbying may see ETS proposals delayed / diluted but difficult to tell until legislation is proposed
- Current REC prices are firm at over \$50 MWh
- REC shortfall penalty likely to increase to \$65 MWh

### Foreign Exchange

- Weaker AUD makes wind generation more challenging

### Transmission

- Proximity to grid critical

### Asset Sales

- Some distressed assets likely and number of potential bidders will reduce in current environment, however, major players are cashed up

# FY10 Outlook



- Retail Pricing – expect retail price rises of 4-5% across mass market customers. Line charge increases are a significant offset.
- Generation Development Expenditure – expect around \$7m to be expensed in FY10
- CAPEX spend likely to be limited to stay in business generation but possible start to smaller wind project, CAPEX, Retail IT Project, and small hydro generation enhancement projects. Total CAPEX circa \$38m