Market Announcement

30 October 2015

Trustpower's consolidated profit after tax was $59.7 million for the period, representing a decrease of 33% compared with $89.8 million for the same period last year. Last year a one-off gain of $25 million was included in profit relating to the acquisition of the Green State Power hydro and wind assets in New South Wales.

Underlying earnings[1] after tax excluding fair value movements on financial instruments, the impact of the Inland Revenue court case and one-off gains and impairment charges were $68.3 million compared with $67.4 million in the prior period, an increase of 1%. Fair value losses on financial instruments were $3.0 million for the period (prior period was a loss of $4.4 million) primarily due to decreases in long term interest rates continuing to have a negative impact on the Group's portfolio of interest rate hedges.

Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments and asset impairments (EBITDAF)[2] were $184.2 million, compared with $173.3 million achieved in the prior period representing an increase of 6%.

Total electricity volume sold by the Company in New Zealand through mass market retailing and time of use sales was 2,147 GWh, compared with 2,051 GWh in the prior period, an increase of 5%.

Total energy accounts increased to 280,000 including 28,000 gas accounts. Good progress was made in acquiring new customers in North Island metro markets and Trustpower's multiproduct retail strategy continues to achieve good momentum. Trustpower now has 66,000 customers with two or more services, up 20,000 (43%) over prior period. Telecommunications growth continued to be strong with connections increasing by 16,000 (46%) to 51,000 compared with prior period. While the retail energy market remained highly competitive throughout the period, Trustpower continued to experience lower levels of customer churn than the market overall. Over the last three half year periods Trustpower has maintained its rate of growth in electricity and gas connections while telecommunication connection growth has accelerated as broadband take up increases. This confirms that Trustpower's bundled service offering is being well received by customers and is delivering the benefits expected.

The Group's New Zealand generation production of 1,307 GWh was 7% higher than the prior period and in line with the expected long term average. The increase over prior period was driven primarily by increased North Island Hydro (up 25%) and North Island Wind (up 8%).

The Snowtown Wind Farm in South Australia produced 596 GWh during the period, 2 percent higher than the 584 GWh produced in the prior period. Stage 2 of the wind farm was not fully commissioned in the prior period. This result was however below long term expectation...

Trustpower is in an ongoing dispute with the Inland Revenue about the deductibility of feasibility expenditure. The Court of Appeal recently overturned the High Court decision which was in Trustpower's favour. Trustpower maintains its position is correct and will appeal this decision in the Supreme Court in March 2016. As a result Trustpower has provided for the full costs of losing this appeal in the financial statements. This has resulted in a reduction in net surplus after tax of $6.1 million. This reduction has been excluded from the calculation of underlying earnings noted above.

Group operating cash flow was $126.3 million for the reporting period versus $126.9 million in the prior period.

Net debt (including subordinated bonds) to Net debt plus equity remains at 40% the same as at 31 March 2015.

Trustpower continues to maintain conservative levels of committed credit facilities. As at 30 September 2015 Group net debt was $1,184 million. The Group has close to NZD equivalent 1.5 billion of committed debt facilities.

Trustpower has $100 million of subordinated bonds maturing in December 2015. Trustpower is currently reviewing its portfolio of funding in relation to its existing operations and future options and has decided at this stage to retain flexibility and repay these bonds using existing undrawn bank facilities.

Trustpower is actively progressing wind development options in Australia with the aim of developing further wind projects to help meet the Australian Mandatory Large Renewable Energy Target over the course of the next five years. Trustpower is actively pursuing development approval applications for close to 900 MW for 3 wind projects located in Victoria, New South Wales and South Australia. The hearing for the development approval of the up to 330 MW Dundonnell project in Victoria has been completed. A non-appealable decision is expected to be given by the end of 2015. Trustpower has also recently secured a wind farm site in Western Australia which has been granted development approval for up to 105 MW. This site may have potential for a 20 MW grid connected solar project subject to obtaining further development approval. Trustpower continues to pursue development options. Trustpower believes that, following the confirmation of the revised Renewable Energy Target by the Australian Government, there is now a more stable policy environment for renewable energy investment in Australia.

The Directors are pleased to announce an interim dividend of 21 cents per share, partially imputed to 16 cents per share, payable 11 December 2015 (record date of 27 November 2015).

BJ Harker
CHAIRMAN

Notes

1. Underlying Earnings is a non GAAP (Generally Accepted Accounting Principles) financial measure. Trustpower believes that this measure is an important additional financial measure to disclose as it excludes movements in the fair value of financial instruments which can be volatile year to year depending on movement in long term interest rates and or electricity futures prices. Also excluded in this measure are items considered to be one off and not related to core business such as changes to the company tax rate or impairment of generation assets.

   A full reconciliation between profit after tax attributable to the shareholders of the Company and underlying earnings after tax is provided in Note 3 to the Interim Financial Statements.

2. 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 this measure as an input into company valuation and valuation metrics used to assess relative value and performance of companies across the sector.

3. Net Debt is a measure of indebtedness to external funding providers net of funds held with those providers and is defined as bank loans + subordinated bonds + senior bonds – cash at bank