

## Market Announcement

Friday, 13 May 2011

TrustPower's consolidated profit after tax was \$112.4 million for the year ended 31 March 2011. This represents a decrease of 6 per cent compared with \$119.4 million for the same period last year. Impacting on the prior year result was fair value gains on financial instruments of \$12.4 million resulting from rising long term interest rates that favourably impacted the value of the Group's interest rate hedging portfolio.

Underlying earnings after tax excluding fair value movements on financial instruments and impairment charges was \$116.5 million compared with \$116.8 million in the prior year.

Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments and asset impairments (EBITDAF) were \$274.4 million slightly above the \$273.9 million achieved in the previous year. Taking into account the very competitive retail environment during the year, this is considered to be a solid result and in line with guidance provided to the market following the interim announcement.

Operating revenue increased 1 per cent from \$759.3 million in the previous year to \$766.2 million. Operating expenses including energy and line costs increased in line with revenues.

Total electricity volume sold by the Company in New Zealand was 4,033 GWh compared with 4,103 GWh in the year to 31 March 2010. Customer numbers decreased by 4,000 from 225,000 as at 31 March 2010 to 221,000 as at 31 March 2011. While sales volume to mass market customers fell by 180 GWh (9 per cent) due to lower customer numbers and the impact of a mild winter in 2010, the Company was able to increase time of use sales volume by 110 GWh (5 per cent). Total New Zealand electricity demand was slightly down over the 2011 financial year following a mild winter in 2010, as mentioned, and the impact of the Canterbury earthquakes.

For most of the financial year wholesale electricity prices remained subdued due to above average levels of South Island hydro storage. However, a number of short term wholesale price increases occurred during the last four months of the financial year when thermal generation was priced at very high levels following capacity constraints in the market. TrustPower's sound risk management practices resulted in the Company not being materially impacted by these events.

The Group's New Zealand generation production of 2,286 GWh was up 269 GWh (13 per cent) on the previous year and slightly above expected long term average. Total hydro production was up 301 GWh (21 per cent) on the previous year and 6 per cent above expected long term average due to above average inflows over the course of the year into both North and South Island catchments. Wind production was down 32 GWh (5 per cent) on the previous year and down 11 per cent on expected long term average.

Wind production from the Snowtown Wind Farm in South Australia was 328 GWh which was 45 GWh (12 per cent) lower than the previous year and 16 per cent lower than expected long term average.

In both Australia and New Zealand review of available wind data does not indicate that the low wind conditions reflect a long term reduction in the resource.

Underlying return on average equity, adjusted for fair value movements on financial instruments and impairment charges was 8.2 per cent (last year 8.1 per cent).

Group operating cash flow was \$224.0 million for the 2011 financial year versus \$234.1 million in the previous year.

TrustPower's balance sheet as at 31 March 2011 remains solid with shareholders' funds of \$1,420 million.

Debt (including subordinated bonds) to debt plus equity increased to 36.3 per cent from 33.9 per cent at prior year end, as a result of increased borrowing to fund the construction of the Mahinerangi Wind Farm and Highbank pumping projects.

TrustPower continues to maintain conservative levels of committed credit facilities. Including subordinated bonds the Company currently has NZD equivalent of 1.21 billion of committed debt funding in place. As at 31 March 2011 Group net debt was \$795.7 million. TrustPower has recently accepted offers to refinance its \$225 million of bank facilities due to mature in July 2011. These facilities will be increased to \$250 million and extended to July 2014.

During the financial year TrustPower successfully raised \$75 million of seven year senior bonds from retail investors and arranged a \$50 million amortising export credit agency guaranteed debt facility for the Mahinerangi Wind Farm. These arrangements have improved the diversity of long term funding for the Group.

Purchases of TrustPower's shares has continued under the Company's Share Buyback Programme which was originally approved at the Annual Meeting in July 2008. The approval allows the Company to purchase up to 5 million shares over a 3 year period. At time of writing 1,103,417 shares have been purchased at an average cost of \$7.12 since July 2008. This represents just under 5 per cent of total TrustPower shares traded over the period and the average purchase price compares to a volume weighted average price of \$7.35 for total shares traded during the period.

The construction of the 36MW first stage of the Mahinerangi Wind Farm adjacent to the Waipori Hydro Generation Scheme was completed during the year ahead of schedule and under budget. The long term expected annual output from this initial stage of the wind farm is forecast to be 105 GWh and has cost \$70.4 million including capitalised interest.

Final commissioning and takeover of the wind farm is scheduled to be completed during May 2011.

The output from the wind farm is to be embedded in the local Aurora network and retailed locally. This will enable HVDC costs to be avoided and underpins the project's expected return on investment.

TrustPower has recognised for some time the opportunity for the Coleridge Hydro Scheme to play an important part in delivering reliable irrigation capacity along the Rakaia River Plains in Canterbury. TrustPower is working with landowners, as well as central and local government to develop solutions to increase irrigation reliability in the region.

As a first stage in a wider irrigation development strategy, TrustPower has completed the development of a pumping facility to supply water from the Rakaia River using the Company's Highbank hydro generation scheme to a joint venture between Barhill Chertsey Irrigation Limited and Electricity Ashburton. This first stage has cost around \$15 million and will enable reliable irrigation of approximately 8,000-10,000 hectares of land. Further stages of irrigation development will require changes to the way in which the Lake Coleridge storage and the existing hydro generation scheme is operated. To achieve this outcome the existing water conservation order for the Rakaia River will require some minor variations. Consultation on this process is currently underway.

TrustPower expects that electricity prices will become more volatile over time and consequently generation capacity which is able to meet peak demand will become more valuable. Many of TrustPower's hydro generation assets have peaking capacity and a detailed review has been undertaken to identify potential enhancement opportunities that can increase peaking capacity in the short to medium term.

The Company has recently announced the development of a 9MW diesel generation facility near Marsden Point in Northland. This is one of a number of initiatives that the Company is looking to take to protect itself from high price spikes that are occurring more frequently in the Upper North Island. The facility will be embedded in the North Power distribution network and is expected to be operational by July 2011.

Good progress has been made on a range of growth options in New Zealand and Australia.

Discussion on Arnold TrustPower currently has consents for around 400MW of wind farm development and 120MW of hydro development in the South Island.

The Company is advancing geotechnical and civil design studies for the Arnold hydro project on the West Coast with a view to completing these in 2011.

In Australia, the TrustPower Group has planning consent for up to another 250MW of capacity at the Snowtown Wind Farm. TrustPower is progressing transmission studies, tendering for the supply and erection of turbines and exploring options for electricity off take agreements.

Forecast capital expenditure, excluding major capital projects, in the 2012 financial year is expected to be in the range of \$60-75 million. This includes generation expenditure undertaken as part of the Company's 10 year asset management plan, completion of pumping facilities adjacent to the Company's Highbank hydro scheme in Canterbury, generation enhancement projects, the 9MW diesel peaker and the implementation of a new customer information system.

Generation feasibility investigation costs to be expensed in the 2012 financial year are projected to be around \$7 million continuing the high level of commitment to expanding the Group's portfolio of investment options. TrustPower is working to ensure that it is in a position to progress renewable projects should the Company conclude that shareholder value is likely to be created.

The Directors are pleased to announce a final dividend of 20 cents per share, partially imputed to 16 cents per share, payable 10 June 2011 (record date of 27 May 2011). This together with an interim dividend of 19 cents per share provides a total payout of 39 cents per share for the 2011 financial year compared with 38 cents per share, for the 2010 financial year.

New Zealand hydro storage is currently at above average levels for this time of year and TrustPower's hydro storage lakes are in a similar position. The current New Zealand hydro storage position should ensure a comfortable level of electricity supply to meet demand over the 2011 winter.

While it is too early to make predictions about the 2012 financial year, it is worth noting that the Company is well positioned to meet its customers' needs and to pursue further development of electricity generation assets when it is economically justifiable.



BJ Harker  
**CHAIRMAN**