



Market Announcement

Friday, 12 February 2016

Trustpower Limited Third Quarter Operating Results for the Nine Months Ended 31 December 2015

Trustpower's operating statistics for the quarter ended 31 December 2015 together with prior period comparatives are provided at the end of this announcement.

Trustpower continues to make good progress on the implementation of its multi product retail growth strategy. Total energy connections increased to 287,000 including 31,000 gas connections. Telecommunications growth was very strong with customer numbers increasing by 56% increasing from 36,000 to 56,000. Importantly 73,000 customers are now taking 2 or more services, up 46% from the 50,000 customers in the prior period.

Trustpower continues to experience lower than market customer churn levels.

Mass market sales volume was up 8 percent on prior period, in line with customer account growth. Time of use sales volume was broadly in line with prior period. This remains a highly competitive market segment.

New Zealand generation production was 1 percent above prior period and 3 percent below expectation based on long term average. Wind production was well ahead of prior period, particularly in the South Island. North Island hydro production was 15 percent above prior period due mainly to very low production in the prior period. South Island hydro was 11% down of prior period following a sustained period of low inflows.

During the third quarter New Zealand hydro storage stayed around average and electricity prices firmed from the very soft prices seen earlier in the year to expected level for this time of year. National storage has since dropped below average with further firming in prices.

Australian wind generation of 897GWh was ahead of the prior period as the Snowtown Stage 2 wind farm in South Australia was fully operational for the entire period. However, below average wind conditions over the period contributed to year to date wind production being 4% below the expected long term average, noting that the expected long term average for Snowtown Stage 2 was revised in December 2015.

Australian hydro production of 164 GWh from the Green State Power assets acquired in July 2014 was below the prior period but in line with expectation. Spot prices for black energy in NSW have been slightly firmer than expected.

Trustpower is actively progressing wind development options in Australia with the aim of developing further wind projects to help meet the Australian Mandatory Large-scale Renewable Energy Target over the course of the next five years. Trustpower is actively pursuing development approval applications for over 900 MW for 3 wind projects located in Victoria, New South Wales and South Australia. The Palmer Project in South Australia has received development approval from the Local Authority however this decision is now subject to appeal. Planning approval for the Dundonnell project in Victoria is expected in the coming months.

Trustpower has recently announced it is considering a demerger to separate off the Australasian wind business. Further details of the demerger process are expected to be made over the next month.

Competition for mass market customers remains intense and is putting pressure on margins. Trustpower has participated strongly in this market and has experienced considerable success with its bundled telco/energy offer. This strategy is expected to add value to shareholders over time but comes at the immediate cost of increased acquisition expenditure. Retention of existing customers will be a key focus for FY2017 as Trustpower's existing customers are increasingly becoming the target of competitor activity.

Generation volumes in New Zealand are again lower than expected and full year volumes are forecast to be in line with FY2015. Australian generation is expected to be slightly above expectation once the revised forecast for Snowtown Stage 2 (refer market announcement in November 2015) is taken into consideration. Overall forecast full year costs are expected to be up on FY2015 due to increased customer numbers, the tax case refund from IRD being received in FY2015 and repaid in FY2016 and costs associated with the proposed demerger.

Taking all these factors above into account Trustpower does not expect FY2016 EBITDAF to be materially different to FY2015 EBITDAF of \$330.7 million.



Vince Hawksworth
Chief Executive

	9 Months December 2015	9 Months December 2014	12 Months March 2015
Customers, Sales and Service			
Electricity connections (000s)	256	239	242
Telecommunication connections (000s)	56	36	38
Gas connections (000s)	31	23	24
Customers with two or more services (000s)	73	50	52
Mass market sales - Fixed Price (GWh)	1,390	1,284	1,659
Time of use sales - Fixed Price (GWh)	620	607	810
Time of use sales - Spot (GWh)	1,075	1,101	1,465
Total customer sales (GWh)	3,085	2,992	3,934
Average spot price of electricity purchased (\$/MWh)	59	71	77
Gas Sales (TJ)	830	754	903
Annualised electricity customer churn rate*	15%	14%	14%
Annualised electricity customer churn rate - total market*	23%	19%	19%
Generation Production and Procurement			
North Island hydro generation production (GWh)	515	447	532
South Island hydro generation production (GWh)	775	870	1,034
Total hydro generation production (GWh)	1,290	1,317	1,566
North Island wind generation production (GWh)	464	434	551
South Island wind generation production (GWh)	100	81	99
Total wind generation production (GWh)	564	515	650
Total New Zealand generation production (GWh)	1,854	1,832	2,216
Average spot price of electricity generated (\$/MWh)	63	67	71
Net third party fixed price volume purchased (GWh)	609	489	750
Australian wind generation production (GWh)	897	876	1,187
Australian hydro generation production (GWh)	164	170	278
Total Australian generation production (GWh)	1,061	1,046	1,465
Other Information			
Resource consent non-compliance events	4	1	7
Staff numbers (full time equivalents)	708	622	628

*Calculations based on Electricity Authority registry data