Market Announcement

3 November 2014

Trustpower's consolidated profit after tax was $89.8 million for the period, representing an increase of 16% compared with $77.2 million for the same period last year.

Underlying earnings[1] after tax excluding fair value movements on financial instruments and one-off gains and impairment charges were $67.4 million compared with $69.9 million in the prior period, a decrease of 4%. Fair value losses on financial instruments were $4.4 million for the period (prior period was a gain of $10.1 million) primarily due to decreases in long term interest rates having a negative impact on the Group's portfolio of interest rate hedges. A $25 million gain has been included in the income statement representing the difference between purchase price and fair value. This was determined by an independent valuation undertaken by the Group following the acquisition of the Green State Power hydro and wind assets in New South Wales in July this year. This has been excluded from the calculation of underlying earnings as it is considered to be one off in nature.

Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments and asset impairments (EBITDAF)[2] were $173.3 million, compared with $153.2 million achieved in the prior period representing an increase of 13%.

Total electricity volume sold by the Company in New Zealand through mass market retailing and time of use sales was 2,051GWh, compared with 1,831GWh in the prior period, an increase of 12%.

Total energy accounts increased to 255,000 including 21,000 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 15,000 more customers with two or more services over prior period.

Telecommunications growth continued with customers increasing to 35,000 and over 60,000 telecommunications services being provided. While the retail energy market remained highly competitive throughout the period, Trustpower continued to experience lower levels of customer churn than the market overall.

The Group's New Zealand generation production of 1,225GWh was in line with the prior period but 8% below the expected long term average. North Island wind production was down 9% on prior period, while South Island hydro production was up by 8%.

The Snowtown Wind Farm in South Australia produced 578GWh during the period significantly higher than the 193GWh produced in the prior period as Snowtown Stage 2 became fully operational during July 2014.

Final handover of the 270 MW Snowtown Stage 2 wind farm has occurred and the wind farm was officially opened yesterday. The project has been delivered ahead of schedule, under budget and with an excellent health and safety and environmental record. The final project cost is expected to be A$424 million (excluding capitalised interest) around A$16 million below initial budget, an excellent result for a project of this scale.

Group operating cash flow was $138.9 million for the reporting period versus $118.9 million in the prior period.

Net debt (including subordinated bonds) to Net debt plus equity increased to 45% from 43% at 31 March 2014, as a result of increased borrowing levels to finance the completion of construction at Snowtown Stage 2 and the acquisition of the Green State Power assets.

Trustpower continues to maintain conservative levels of committed credit facilities. As at 30 September 2014 Group Net debt was $1,274 million. The Group has close to NZD equivalent 1.4 billion of committed debt facilities.

Trustpower has $75 million of senior bonds maturing in December 2014 and will be shortly looking to refinance with a similar bond offer. More details on the upcoming bond issue will be provided in a separate media release.

Trustpower is actively progressing other 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. Development approval applications for close to 1,300MW for 4 wind projects located in Victoria, New South Wales and South Australia are being progressed on the basis that the Australian regulatory environment will continue to support further renewable investment.

The outcome of the Australian Government's review of the Renewal Energy Target remains uncertain but there appears to be growing support for the view that a bipartisan agreement may be successfully concluded which should provide greater investor certainty for future investments in renewable energy.

Post signing of a long term service contract in June, Trustpower continues to work with its smart metering service provider, Metrix, to ensure robust end to end processes and systems are in place to facilitate the deployment of smart meters and the provision of smart metering services to Trustpower's mass market customer base. Although the project is still in set-up phase, it is intended that services and a 3

year deployment project will begin in the first half of 2015.

The Directors are pleased to announce an interim dividend of 20 cents per share, partially imputed to 12 cents per share, payable 12 December 2014 (record date of 28 November 2014).

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