**Market Announcement**

**9 May 2014**

Trustpower has continued to make good progress on its growth agenda over the 2014 financial year. The 270MW Snowtown Stage 2 Wind Farm in South Australia is well advanced and tracking to plan. Trustpower acquired the electricity and gas customers of Energy Direct NZ Limited (EDNZ) enabling an entry in to gas trading and retailing. The Company has undertaken a major rebranding exercise and completed a number of important systems enhancements to support its multi-product growth strategy and is now actively acquiring customers across New Zealand. Trustpower has established a position as New Zealand's leading multi-utility retailer, broadening its product suite to include power, ultra-fast broadband and phone services, natural gas and bottled LPG.

Trustpower's consolidated profit after tax was $115.1 million for the year ended 31 March 2014. This represents a decrease of 7% compared with $123.4 million for the same period last year.

Underlying earnings[1] after tax excluding fair value movements on financial instruments and one-off impairment charges were $108.5 million compared with $127.3 million in the previous year, a decrease of 15%.

Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments and asset impairments (EBITDAF)[2] were $277.4 million, compared with $294.8 million achieved in the previous year representing a decrease of 6%.

The weaker Group operating performance was driven by lower New Zealand generation production and a challenging retail environment, where pressure on margins and lower customer demand was experienced. Also, the strength of NZD/AUD exchange rate during the last 12 months negatively impacted on Australian based earnings when translated to NZ dollars for financial reporting purposes.

Operating revenue was 1% higher than prior period at $811.7 million. Operating expenses including energy and line costs increased 5% to $534.3 million driven by higher generation production costs, employee related expenses and increased marketing spend related to Trustpower's rebranding.

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 consolidated 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.

Total electricity volume sold by the Company in New Zealand through mass market retailing and time of use sales was 3,512GWh, compared with 3,683GWh in the year to 31 March 2013, a decrease of 5%. The majority of the decrease related to lower time of use sales. This market was very competitive during the reporting period as competitors looked to place surplus product at low margins.

Trustpower achieved an increase in mass market sales volume in the second half of the 2014 financial year versus the prior period as the impact of the EDNZ acquisition and the Company's own customer acquisition activity began to flow through. Total energy accounts increased to 238,000 at March 2014 (including 14,000 gas accounts) from 206,000 as at 31 March 2013 (nil gas accounts). While the retail market remained highly competitive throughout the year, Trustpower continued to experience lower levels of customer churn than the market overall.

Trustpower continued to achieve strong growth in retailing of telecommunication products with an increase in services provided from 43,000 to 54,000, up 26% on prior year. Ultra fast broadband services are now being offered in a number of markets as ultra-fast fibre infrastructure is rolled out.

The Group's New Zealand generation production of 2,209GWh was down 121GWh (5%) on the previous year and 9% below the expected long term average. Total hydro production was down 156GWh (9%) almost entirely due to low North Island hydro production which was 21% down on prior year. Trustpower actively used its South Island storage lakes to support generation output. New Zealand wind production ended 35GWh higher than the previous year but was down 5% on expected long term average.

The Snowtown Stage 1 Wind Farm in South Australia produced a record production result of 397GWh which was 11GWh (3%) higher than the previous year and 3% above expected long term average. Early commissioned wind turbines from Snowtown Stage 2 Wind Farm contributed 139 GWh to total Australian wind production.

Underlying after tax return on average equity, adjusted for fair value movements on financial instruments and impairment charges, was 7.1% (8.2 % in the previous year).

Group operating cash flow remained solid at $256.8 million for the 2014 financial year versus $241.1 million in the prior year.

Trustpower's balance sheet as at 31 March 2014 remains in good shape, with shareholders' funds of over $1.5 billion and total assets of approximately $3.1 billion.

Net debt (including subordinated bonds) to net debt plus equity increased to 43% from 37% at prior year end, as a result of increased borrowing levels to finance the ongoing development of the Snowtown Stage 2 Wind Farm. Trustpower continues to maintain conservative levels of committed credit facilities. As at 31 March 2014 Group net debt was $1.14 billion. Trustpower has recently accepted offers to refinance A$220 million of bank facilities due to mature in September 2014. These facilities will be extended in two tranches to mature in July 2017 and July 2019.

$54.5 million of subordinated bonds maturing in March 2014 were repaid from available bank facilities at maturity.

Following the completion of these financing activities the Group will have approximately NZD equivalent 1.4 billion of committed debt facilities and around NZD equivalent 173 million of undrawn debt facilities which is sufficient to complete the construction of the Snowtown Stage 2 Wind Farm and cover the Group's operational liquidity requirements.

Purchases of Trustpower's shares have continued under the Company's share buyback programme for which a three year extension was approved at the Annual Meeting in July 2011. The approval allows the Company to purchase up to 5 million shares over a three year period. Close to 1.1 million shares were purchased at an average cost of $6.89 during the year to 31 March 2014. It is intended that approval will be sought at the Annual Meeting for the share buyback programme to be extended for a further 3 years on similar terms.

Construction of the 270MW Snowtown Stage 2 Wind Farm in South Australia is progressing well and is on track in terms of budget and schedule. 80 of 90 3MW turbines have now been erected, 73 turbines have been commissioned and 64 turbines have been issued with take-over certificates. The Project is on target to be completed by September 2014, two months ahead of original schedule.

Trustpower is actively progressing other wind development options in Australia with the aim of developing further wind projects to help meet the Australian Renewable Energy Target over the course of the next five years. Development approval applications are in progress for up to 320MW at the Dundonnell wind project in Western Victoria, up to 270MW for the Palmer wind project in South Australia, up to 300MW for the Rye Park wind project and up to 500MW for another wind project, both in New South Wales. These projects are expected to be well positioned should the outcome of the current review of the Renewable Energy Target regime by the Australian Government confirm an ongoing framework that is supportive of further renewable energy investment in Australia.

Given the current generation oversupply situation in New Zealand, Trustpower is looking to maintain its existing 520MW of consented wind and hydro development options where this can be achieved within reasonable cost parameters. Trustpower will continue to look at small high return enhancement options on existing hydro generation assets.

Following Government approval of the variation to the Rakaia River Water Conservation Order, Trustpower is now in a position to store and distribute consented water from Lake Coleridge to improve irrigation reliability to various irrigator groups. Trustpower has in place long term storage and release agreements with Barrhill Chertsey Irrigation Limited and Central Plains Waters Limited. It is expected that these initial agreements will result in an additional irrigation supply area in mid Canterbury of around 40,000ha.

Trustpower is continuing to work with these Canterbury irrigation groups to develop a regional infrastructure solution that optimises the water storage capacity of Lake Coleridge that could potentially enable the irrigation supply area in the region to be expanded by a further 80,000 ha.

During the year, Trustpower signed a memorandum of understanding with Hawkes Bay Regional Investment Company and Ngai Tahu Capital Limited to undertake due diligence and capital funding discussions with respect to the Ruataniwha Water Storage Scheme in the Hawkes Bay. Following due diligence, Trustpower decided to withdraw from the project and has terminated the memorandum of understanding. Trustpower's view is that the expected risk and return profile for this project would not meet its required thresholds.

Trustpower has for some time been reviewing the potential deployment of smart meters to its residential customer base including the technology options and business models available to enable a successful transition to be made. The Company is currently negotiating with a preferred supplier and expects to finalise an agreement over the next few months.

Last year, it was noted that there had been two significant events that had given Trustpower cause to reflect on the level of regulatory risk that the Group is exposed to in New Zealand. The first of these was the Electricity Authority's proposals to significantly revise the current transmission pricing framework. The second was the Labour/Green proposal to abolish the current competitive wholesale and retail market model and replace it with a single buyer model.

Over the last 12 months the Electricity Authority has released further working papers on its transmission pricing proposals and received further submissions from industry participants and interested parties, the vast majority of which were against these proposals. At this stage it remains unclear whether the Electricity Authority will push ahead with its reform proposals and a final decision is not expected to be made until 2015.

The Labour and Green Parties have released very little further detail on the single buyer model.

While the regulatory overhang of these issues continues Trustpower's views have not changed. In short, Trustpower believes that significant policy changes need to be carefully managed. Trustpower and the electricity industry need a stable and workable regulatory environment to operate in. New Zealand can ill afford dramatic regulatory and policy interventions that cast aside the framework on which investors have made long term investment decisions.

The Directors are pleased to announce a final dividend of 20 cents per share, partially imputed to 12 cents per share, payable 13 June 2014 (record date of 30 May 2014). This together with an interim dividend of 20 cents per share provides a total pay-out of 40 cents per share for the 2014 financial year, in line with the prior year. Despite the current challenging New Zealand electricity environment which includes intense retail competition, an oversupplied generation market and regulatory uncertainty, the Board is confident that Trustpower will regain earnings momentum in FY2015 as the Snowtown Stage 2 Wind Farm is completed.

BJ Harker
**CHAIRMAN**