



Market Announcement

Friday, 29 April 2016

Trustpower results announcement for the financial year ended 31 March 2016

Trustpower released today its financial statements for the year ended 31 March 2016 together with its key operating metrics. These results are summarised in the table below.

	2016	2015	Variance
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments, Asset Impairments and Discount on Acquisition (EBITDAF) (\$M) ²	329	331	-1%
Profit After Tax (\$M)	90	144	-38%
Underlying earnings after tax (\$M) ¹	101	123	-18%
Total utility accounts	370	304	22%
Customers with two or more utilities (000s)	77	52	48%
Total New Zealand generation production (GWh)	2,312	2,209	5%
Total Australian generation production (GWh)	1,451	1,465	-1%

The EBITDA result is on a par with the previous year and reflects the low wholesale price environment, the variable nature of hydro and wind generation and the success of our multi-product strategy. In particular the Broadband and Electricity bundle product acquisition campaign surpassed our targets, resulting in increased costs of \$12 million compared with the prior year, with associated customer gains producing additional retail margin which are expected to result in future value creation. There are also costs of \$4.9 million associated with the tax dispute with the Inland Revenue and the proposed demerger, both of these processes are expected to conclude in the coming year and are therefore not recurring.

Profit after tax is lower than the prior year due to the increase in depreciation as a result of the increase in asset values and the gain on acquisition of Green State Power reported in the previous financial year.

Trustpower made good progress on the implementation of its multi-product retail strategy. Growth has occurred across all product groups. 77,000 customers are now taking two or more services, up 48% from last

year. Trustpower already experiences lower than market customer churn levels and the higher penetration of bundled services achieved is expected to reduce churn further in the future.

While New Zealand generation production was 5 percent above prior period it remained 3 percent below long term average. Hydro generation was below long term average however wind production was better than average.

Nationally wholesale electricity prices were soft, particularly during winter. During the period May to October 2015 the rolling weekly price seldom rose above \$60/MWh. Overall the average price received for generation was \$60/MWh the lowest level since the year ended March 2011.

In December 2015 Trustpower acquired a controlling stake in King Country Energy Limited, with this increasing to 65% by February 2016. The total cost for this acquisition was \$72 million. The operations of King Country Energy since December 2015 have been consolidated into the Group financial results. Trustpower considers this acquisition to be a very good strategic fit with its existing business and is looking forward to working with the management and other shareholders to create future value.

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 production being 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 254 GWh from the Green State Power assets acquired in July 2014 was below the prior period but in line with long run average. Spot prices for black energy in NSW have been slightly firmer than average.

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 in Victoria, New South Wales and South Australia for over 900 MW of wind projects. The Palmer Project in South Australia has received development approval from the local authority however this decision is now subject to appeal. A decision on planning approval for the Dundonnell project in Victoria is expected in the coming months.

Tax case costs from Inland Revenue received in FY2015 were repaid in FY2016. The tax dispute was heard by the Supreme Court in March 2016 but to date no judgment has been received. Trustpower has provided for the dispute in the financial statements.

Net debt (including subordinated bonds) to net debt plus equity increased slightly to 41% as at 31 March 2016 from 40% at prior year end primarily due to the acquisition of King Country Energy. Trustpower continues to maintain conservative levels of committed credit facilities. As at 31 March 2016 Group net debt was approximately \$1.3 billion. Trustpower is currently working with its debt capital providers to ensure that debt facilities will be in place should the demerger proposal be accepted by shareholders.

The Directors are pleased to announce a final dividend of 21 cents per share, partially imputed to 17 cents per share, payable 10 June 2016 (record date of 27 May 2016). This together with an interim dividend of 21 cents per share, provides a total pay-out of 42 cents per share for the 2016 financial year, a 2.4% increase over the prior year.

Trustpower has announced it is considering a demerger to separate its Australasian wind business from the rest of its operations. Full details of the demerger process are expected to be announced over the coming months.



Vince Hawksworth
Chief Executive

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 A2 to the 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 provides net of funds held with those providers and is defined as bank loans plus subordinated bonds plus senior bonds less cash at bank.