

# **Pro Forma Historical Information for FY2014, FY2015 and FY2016**

## Introduction and Basis of Preparation

This report reconciles the pro forma historical financial information to Trustpower Group's audited financial statements for the FY2014, FY2015 and FY2016.

Pages 2 to 4 of this report show the split of the FY2014, FY2015 and FY2016 financial statements between the New Trustpower Group and Tilt Renewables Group, that is, how the previously reported financial information has been split into the two groups.

Pages 5 to 7 demonstrate how this split was calculated and the methodology used to derive the Tilt Renewables and New Trustpower reported financial information.

Pages 8 to 9 summarise the pro forma adjustments that have been made to the reported financial information for New Trustpower for FY2014, FY2015 and FY2016. Pages 10 to 12 demonstrates how these pro forma adjustments have been applied to the summarised financial information for FY2014 and FY2015 and the full reported financial results for FY2016 of New Trustpower.

### Trustpower - Audited Historical Consolidated Financial Information

The tables below present the split of the FY2014, FY2015 and FY2016 Trustpower audited consolidated financial statements into the New Trustpower Group and Tilt Renewables Group. Note that the financial information below is presented in New Zealand dollars and prior to pro forma adjustments (see page 8 for pro forma adjustments). Refer to the commentary on page 5 for details of how the audited Trustpower consolidated financial information was split into the two groups.

#### Financial year ended 31 March 2014

\$000s	① New Trustpower Unaudited	② Tilt Renewables Unaudited	③ Trustpower Audited
<b>Income Statement</b>			
Electricity Revenue	698,385	54,059	752,444
Telecommunications Revenue	28,783	-	28,783
Gas Revenue	10,962	-	10,962
Other Operating Revenue	19,028	482	19,510
Operating Revenue	757,158	54,541	811,699
Line Costs	(232,103)	-	(232,103)
Energy Costs <sup>(1)</sup>	(174,408)	48,350	(126,058)
Generation Production Costs	(29,993)	(19,352)	(49,345)
Telecommunications Cost of Sales	(23,261)	-	(23,261)
Gas Cost of Sales	(8,617)	-	(8,617)
Other Operating Expenses	(86,525)	(8,384)	(94,909)
Operating Expenses	(554,907)	20,614	(534,293)
EBITDAF	202,251	75,155	277,406
Depreciation and Amortisation			(72,013)
Net Financing Costs			(61,728)
Other			9,222
Profit Before Tax			152,887
Taxation			(37,766)
Profit After Tax Attributable to Shareholders			115,121

<sup>(1)</sup> Tilt Renewables' energy costs are positive as Trustpower treats New Zealand electricity generated as a reduction in its energy cost. Electricity generated from the New Zealand wind farms is sold within the Trustpower Group, based on an Internal Transfer Pricing system (ITP). This income is reclassified in the Pro Forma accounts and is also updated to reflect the new power purchase agreements

## Financial year ended 31 March 2015

\$000s	New Trustpower Unaudited	Tilt Renewables Unaudited	Trustpower Audited
<b>Income Statement</b>			
Electricity Revenue	794,018	121,344	915,362
Telecommunications Revenue	34,544	-	34,544
Gas Revenue	22,150	-	22,150
Other Operating Revenue	21,637	(226)	21,411
Operating Revenue	872,349	121,118	993,467
Line Costs	(279,210)	-	(279,210)
Energy Costs <sup>(1)</sup>	(205,055)	44,273	(160,782)
Generation Production Costs	(33,619)	(33,106)	(66,725)
Telecommunications Cost of Sales	(26,942)	-	(26,942)
Gas Cost of Sales	(16,625)	-	(16,625)
Other Operating Expenses	(106,968)	(5,484)	(112,452)
Operating Expenses	(668,419)	5,683	(662,736)
EBITDAF	203,930	126,801	330,731
Depreciation and Amortisation			(98,125)
Net Financing Costs			(78,563)
Other			10,626
Profit Before Tax			164,669
Taxation			(20,655)
Profit After Tax Attributable to Shareholders			144,014

- <sup>(1)</sup> Tilt Renewables' energy costs are positive as Trustpower treats New Zealand electricity generated as a reduction in its energy cost. Electricity generated from the New Zealand wind farms is sold within the Trustpower Group, based on an Internal Transfer Pricing system (ITP). This income is reclassified in the Pro Forma accounts and is also updated to reflect the new power purchase agreement.

## Financial year ended 31 March 2016

\$000s	New Trustpower Unaudited	Tilt Renewables Unaudited	Trustpower Audited
<b>Income Statement</b>			
Electricity Revenue	806,274	127,621	933,895
Telecommunications Revenue	50,792	-	50,792
Gas Revenue	27,255	-	27,255
Other Operating Revenue	24,820	(222)	24,598
Operating Revenue	909,141	127,399	1,036,540
Line Costs	(289,750)	-	(289,750)
Energy Costs <sup>1</sup>	(192,596)	48,833	(143,763)
Generation Production Costs	(38,905)	(29,988)	(68,893)
Telecommunications Cost of Sales	(38,188)	-	(38,188)
Gas Cost of Sales	(20,000)	-	(20,000)
Other Operating Expenses	(137,440)	(9,492)	(146,932)
Operating Expenses	(716,879)	9,353	(707,526)
EBITDAF	192,262	136,752	329,014
Depreciation and Amortisation	(42,546)	(74,492)	(117,038)
Net Financing Costs	(43,671)	(37,407)	(81,078)
Other	(11,842)	4,019	(7,823)
Profit Before Tax	94,203	28,872	123,075
Taxation	(35,365)	2,135	(33,230)
Profit After Tax Attributable to Shareholders	58,838	31,007	89,845
<b>Balance Sheet</b>			
Cash	7,642	5,702	13,344
Other Current Assets	117,843	29,300	147,143
Non-Current Assets	2,367,917	1,288,057	3,655,974
Total Assets	2,493,402	1,323,059	3,816,461
Current Bank Debt	(180,200)	(28,865)	(209,065)
Current Retail Bonds	(65,000)	-	(65,000)
Other Current Liabilities	(102,298)	(13,384)	(115,682)
Bank Debt	(104,591)	(640,035)	(744,626)
Retail Bonds	(317,773)	-	(317,773)
Other Non-Current Liabilities	(300,097)	(175,574)	(475,671)
Total Liabilities	(1,069,959)	(857,858)	(1,927,817)
Net Assets	1,423,443	465,201	1,888,644
Equity	1,423,443	465,201	1,888,644

<sup>1</sup>Tilt Renewables' energy costs are positive as Trustpower treats New Zealand electricity generated as a reduction in its energy cost. Electricity generated from the New Zealand wind farms is sold within the Trustpower Group, based on an Internal Transfer Pricing system (ITP). This income is reclassified in the Pro Forma accounts and is also updated to reflect the new power purchase agreement.

### Allocation Method Summary - Split of Trustpower into Tilt Renewables and New Trustpower

The audited Trustpower financial statements are split into Tilt Renewables and New Trustpower using the following methodology:

- Certain entities are 100% allocated to New Trustpower or Tilt Renewables; and
- Other 'mixed' entities are split into Tilt Renewables and New Trustpower based on specific rules (as discussed on pages 6 to 7).

#### Summaries of EBITDAF by Entity

##### Financial year ended 31 March 2014

\$000s	New Trustpower	Tilt Renewables	Total FY2014
<b>EBITDAF</b>			
<b>Entities 100% Allocated to New Trustpower</b> <sup>(1)</sup>	52	-	52
<b>Entities 100% Allocated to Tilt Renewables</b> <sup>(2)</sup>	-	59,192	59,192
<b>Allocation of 'Mixed' Entities</b>			
① Trustpower	201,802	23,176	224,978
② Trustpower Insurance	397	152	549
③ GSP Energy	-	-	-
④ NZ Consolidation Entries	-	(376)	(376)
⑤ AU Consolidation Entries	-	(6,989)	(6,989)
<b>EBITDAF</b>	<b>202,251</b>	<b>75,155</b>	<b>277,406</b>

<sup>(1)</sup> Entities 100% allocated to New Trustpower are Trustpower Metering, and EDNZ.

<sup>(2)</sup> Entities 100% allocated to Tilt Renewables are Tararua Wind, Tilt Renewables, TPAH, Snowtown, TAFP, Trustpower Market Services, Snowtown Stage II, Snowtown South, Dundonnell, Church Lane, Wingeel, and Salt Creek.

##### Financial year ended 31 March 2015

\$000s	New Trustpower	Tilt Renewables	Total FY2015
<b>EBITDAF</b>			
<b>Entities 100% Allocated to New Trustpower</b> <sup>(1)</sup>	67	-	67
<b>Entities 100% Allocated to Tilt Renewables</b> <sup>(2)</sup>	-	109,656	109,656
<b>Allocation of 'Mixed' Entities</b>			
① Trustpower	196,107	17,162	213,269
② Trustpower Insurance	358	176	534
③ GSP Energy	7,398	2,648	10,046
④ NZ Consolidation Entries	-	344	344
⑤ AU Consolidation Entries	-	(3,185)	(3,185)
<b>EBITDAF</b>	<b>203,930</b>	<b>126,801</b>	<b>330,731</b>

<sup>(1)</sup> Entities 100% allocated to New Trustpower are Trustpower Metering, and EDNZ.

<sup>(2)</sup> Entities 100% allocated to Tilt Renewables are Tararua Wind, Tilt Renewables, TPAH, Snowtown, TAFP, Trustpower Market Services, Snowtown Stage II, Snowtown South, Dundonnell, Church Lane, Wingeel, and Salt Creek.

## Financial year ended 31 March 2016

\$000s

	New Trustpower	Tilt Renewables	Total FY2016
<b>EBITDAF</b>			
<b>Entities 100% Allocated to New Trustpower</b> <sup>(1)</sup>	2,786	-	2,786
<b>Entities 100% Allocated to Tilt Renewables</b> <sup>(2)</sup>	-	112,129	112,129
<b>Allocation of 'Mixed' Entities</b>			
① Trustpower	177,686	27,701	205,387
② Trustpower Insurance	(535)	217	(318)
③ GSP Energy	12,325	3,441	15,766
④ NZ Consolidation Journals	-	(1,482)	(1,482)
⑤ AU Consolidation Entries	-	(5,254)	(5,254)
EBITDAF	192,262	136,752	329,014
<b>Net Assets</b>			
<b>Entities 100% Allocated to New Trustpower</b> <sup>(1)</sup>	129,630	-	129,630
<b>Entities 100% Allocated to Tilt Renewables</b> <sup>(2)</sup>	-	1,130,529	1,130,529
<b>Allocation of 'Mixed' Entities</b>			
① Trustpower	1,240,261	98,959	1,339,220
② Trustpower Insurance	3,996	-	3,996
③ GSP Energy	136,302	(3,284)	133,018
④ NZ Consolidation Journals	(9,032)	(97,042)	(106,074)
⑤ AU Consolidation Entries	(77,714)	(663,961)	(741,675)
Net Assets	1,423,443	465,201	1,888,644

<sup>(1)</sup> Entities 100% allocated to New Trustpower are Trustpower Metering, and EDNZ.

<sup>(2)</sup> Entities 100% allocated to Tilt Renewables are Tararua Wind, Tilt Renewables, TPAH, Snowtown, TAFP, Trustpower Market Services, Snowtown Stage II, Snowtown South, Dundonnell, Church Lane, Wingeel, and Salt Creek.

#### Summary of allocation method of 'Mixed' Entities

- ① **Trustpower** - All telecommunications revenue, gas revenue, line costs, telecommunications costs, and gas cost of sales relate to New Trustpower. Electricity revenue, other operating revenue, energy costs, generation production costs, and other operating expenses are split into Tilt Renewables and New Trustpower based on the business units that generate this revenue and expenditure. All items below EBITDA are allocated to New Trustpower except for depreciation, which is allocated based on asset location, and tax. Tax is allocated to Tilt Renewables based on 28% of allocated NPBT, with the remaining tax expense allocated to New Trustpower.

Accounts receivables, prepayments, property, plant and equipment (PP&E), accounts payable and accruals, unsecured bank loans, and the deferred tax liability are split between Tilt Renewables and New Trustpower using methods specific to each line item. For example, PP&E is allocated to Tilt Renewables if the asset is located at the Mahinerangi Wind Farm. Furthermore, the deferred tax liability allocated to Tilt Renewables is calculated as 28% of the difference between the accounting and tax book values of Tilt Renewables' allocated PP&E, less any land revaluation associated with that PP&E. The balance of the deferred tax liability is allocated to New Trustpower. Bank loans are allocated to Tilt Renewables on the assumption that net assets allocated to Tilt Renewables are financed via bank debt. All other assets and liabilities (not included in the list above) are assumed to relate to New Trustpower.

- ② **Trustpower Insurance** - Operating revenue and costs relating to the insurance of wind assets are allocated to Tilt Renewables, with the remainder allocated to New Trustpower. All balance sheet items are allocated to New Trustpower as these are eliminated from a Group perspective so there is no need to allocate.
- ③ **GSP Energy Pty Ltd** - GSP is separated based on business unit where there is one generation scheme per business unit.
- ④ **NZ Consolidation Journals** - Components are allocated on a line by line basis. The primary Income Statement elimination is the removal of intercompany Trustpower Insurance income (Other Revenue) and Other Operating Expenses. The impairment of assets ('Other' item in the Income Statement) is all allocated to Tilt Renewables as it relates to the impairment of intercompany advances to TPAH. Exchange rate movements are allocated to Tilt Renewables as they are assumed to all relate to Australian Wind operations.

In relation to the balance sheet, the advances to subsidiaries balance is assumed to be all Tilt Renewables whereas the investment in subsidiaries balance is split into Tilt Renewables and New Trustpower based on the subsidiaries they relate to. The investment in subsidiaries balances for Tilt Renewables and New Trustpower are subsequently replaced by bank debt via pro forma adjustments. It is assumed that Tilt Renewables funds the net assets with bank debt (recorded as non-current bank debt).

- ⑤ **AU Consolidation Entries** - This elimination entity is allocated to Tilt Renewables as Australia is primarily wind. However, items relating to GSP Energy hydro assets are allocated to New Trustpower. As with the NZ Elimination Company, it is assumed that Tilt Renewables funds the net assets with bank debt (recorded as non-current bank debt).

## Pro Forma Adjustment Summary

A number of pro forma adjustments have been made by management to reflect the pro forma full year impact of recent acquisitions and other significant changes that have occurred over the historical period. The aim of this is to present the pro forma historical financial information in a consistent manner in line with the current Trustpower Group that exists at 31 March 2016, adjusted for the impact of the Demerger. The tables and commentary below show the impact of the pro forma adjustments on both EBITDAF and net profit before tax (NPBT).

### **New Trustpower - Pro Forma Adjustments**

<b>\$000s</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
<b>NPBT</b>			
Reported NPBT			94,203
① Difference between Internal Transfer Pricing and power purchase agreement			6,132
② King Country Energy Acquisition			9,778
③ GSP Energy Acquisition			-
④ Reverse King Country Energy Gain on Acquisition			(2,114)
⑤ Energy Direct NZ (EDNZ) Acquisition			-
⑥ Interest on New Debt Levels			6,759
⑦ Demerger costs			1,659
Pro Forma NPBT			116,417
<b>EBITDAF</b>			
Reported EBITDAF	202,251	203,930	192,262
① Difference between Internal Transfer Pricing and power purchase agreement	10,001	6,525	6,132
② King Country Energy Acquisition	12,043	14,247	13,291
③ GSP Energy Acquisition	9,002	(908)	-
⑤ Energy Direct NZ (EDNZ) Acquisition	411	-	-
⑦ Demerger costs	-	-	1,659
Pro Forma EBITDAF	233,708	223,794	213,344
<b>Net Assets</b>			
Reported Net Assets			1,423,443
⑧ Transaction Costs			(70,000)
Pro Forma Net Assets			1,353,443

- ① Currently, electricity generated by Tilt Renewables' NZ wind farms is sold within the Trustpower Group based on an Internal Transfer Pricing system (ITP) and partially at spot price. However, under the proposed new business structure, Tilt Renewables would sell all the wind-generated electricity to New Trustpower based on the proposed power purchase agreement. Under this agreement, New Trustpower would purchase the majority of the wind-generated electricity at a lower price than it was purchased for under the ITP. The price differential for the remainder depends upon market conditions and the resulting spot price. In the years under review the profitability of New Trustpower has been adjusted upwards.
- ② In December 2015 a controlling stake in King Country Energy was acquired. The historical NPBT figures have been adjusted to include full years of trading for King Country Energy. Consistent with GAAP, 100% of the King Country Energy financial results has been included in the consolidated numbers above. The after-tax non-controlling interests for FY2014, FY2015 and FY2016 would have been \$1,797,000, \$1,396,000 and \$2,493,000 respectively. Management obtained historical data, directly from King Country Energy.



- ③ GSP, which includes hydro generation assets that are included in New Trustpower, was acquired in July 2014. As FY2015 represents only about 7 months of trading, FY2015 NPBT has been adjusted to reflect a full year of operations, primarily based on the extrapolation of the 7 months of trading and actual generation volumes. FY2014 NPBT has also been adjusted to include a full year of GSP hydro asset trading, based on the FY2015 pro forma result adjusted for actual generation volumes. The estimate of the revenue adjustment was calculated by pro-rating FY2015 revenue that was recognised by the Trustpower Group based on actual generation volumes prior to the acquisition of GSP. The generation volumes were obtained from the previous owner of these assets. Note that the adjustment reduces profitability in FY2015 as generation volumes are relatively low from April to July as irrigation releases from the dam, which aid generation, are summer weighted. As costs have largely been extrapolated on a straight line basis the April to July period generates a loss.
- ④ The \$2.1 million one-off gain on acquisition for King Country Energy recognised in FY2016 for New Trustpower was removed as a one off adjustment.
- ⑤ In July 2013 Energy Direct NZ (EDNZ) was acquired. The FY2014 results are adjusted to reflect a full year of trading (this adjustment reflects the disclosure made in the 2014 audited accounts of Trustpower).
- ⑥ Interest on new debt has been deducted from NPBT. This is calculated based on adjustments to debt levels (unsecured subordinated bonds, senior bonds and bank loans) that relate to the Pro Forma adjustments above and the actual effective interest rate paid during the year.
- ⑦ One-off Demerger costs of \$1.7 million expensed in FY2016 have been removed from the FY2016 EBITDAF and NPBT.
- ⑧ Transaction costs - Bank debt has been increased by the transaction costs that are anticipated to occur between 31 March 2016 and the Implementation Date to reflect the New Trustpower balance sheet immediately post Demerger. Details of these transaction costs can be found on page 42 of the Scheme Booklet.

No pro forma adjustments have been made to net assets as a result of debt refinancing because this refinancing will not impact the total debt level, only how it is comprised.

**Appendix****Reconciliation of split of Trustpower audited consolidated financial statements to pro forma financial statements for New Trustpower****Financial year ended 31 March 2014**

<b>\$000s</b>	<b>New Trustpower- Split from Trustpower Unaudited</b>	<b>Pro Forma Adjustments Unaudited</b>	<b>Pro Forma New Trustpower Unaudited</b>
<b>Income Statement</b>			
Electricity Revenue	698,385	57,328	755,713
Telecommunications Revenue	28,783	-	28,783
Gas Revenue	10,962	3,614	14,576
Other Operating Revenue	19,028	2,734	21,762
Operating Revenue	757,158	63,676	820,834
Line Costs	(232,103)	(5,218)	(237,321)
Energy Costs	(174,408)	(9,983)	(184,391)
Generation Production Costs	(29,993)	(5,039)	(35,032)
Telecommunications Cost of Sales	(23,261)	-	(23,261)
Gas Cost of Sales	(8,617)	(3,007)	(11,624)
Other Operating Expenses	(86,525)	(8,972)	(95,497)
Operating Expenses	(554,907)	(32,219)	(587,126)
EBITDAF	202,251	31,457	233,708

## Financial year ended 31 March 2015

\$000s	New Trustpower- Split from Trustpower Unaudited	Pro Forma Adjustments Unaudited	Pro Forma New Trustpower Unaudited
<b>Income Statement</b>			
Electricity Revenue	794,018	43,931	837,949
Telecommunications Revenue	34,544	-	34,544
Gas Revenue	22,150	85	22,235
Other Operating Revenue	21,637	3,585	25,222
Operating Revenue	872,349	47,601	919,950
Line Costs	(279,210)	(4,334)	(283,544)
Energy Costs	(205,055)	(13,102)	(218,157)
Generation Production Costs	(33,619)	(2,960)	(36,579)
Telecommunications Cost of Sales	(26,942)	-	(26,942)
Gas Cost of Sales	(16,625)	(56)	(16,681)
Other Operating Expenses	(106,968)	(7,285)	(114,253)
Operating Expenses	(668,419)	(27,737)	(696,156)
EBITDAF	203,930	19,864	223,794

## Financial year ended 31 March 2016

\$000s	New Trustpower- Split from Trustpower Unaudited	Pro Forma Adjustments Unaudited	Pro Forma New Trustpower Unaudited
<b>Income Statement</b>			
Electricity Revenue	806,274	35,457	841,731
Telecommunications Revenue	50,792	-	50,792
Gas Revenue	27,255	81	27,336
Other Operating Revenue	24,820	2,375	27,195
Operating Revenue	909,141	37,913	947,054
Line Costs	(289,750)	(3,645)	(293,395)
Energy Costs	(192,596)	(7,415)	(200,011)
Generation Production Costs	(38,905)	(1,904)	(40,809)
Telecommunications Cost of Sales	(38,188)	-	(38,188)
Gas Cost of Sales	(20,000)	(50)	(20,050)
Other Operating Expenses	(137,440)	(3,817)	(141,257)
Operating Expenses	(716,879)	(16,831)	(733,710)
EBITDAF	192,262	21,082	213,344
Depreciation and Amortisation	(42,546)	(4,550)	(47,096)
Net Financing Costs	(43,671)	5,755	(37,916)
Taxation	(35,365)	(6,815)	(42,180)
Other	(11,842)	(73)	(11,915)
Profit After Tax Attributable to Shareholders	58,838	15,399	74,237
<b>Balance Sheet</b>			
Cash	7,642	-	7,642
Other Current Assets	117,843	-	117,843
Non- Current Assets	2,367,917	-	2,367,917
Total Assets	2,493,402	-	2,493,402
Current Bank Debt	(180,200)	180,200	-
Current Retail Bonds	(65,000)	65,000	-
Other Current Liabilities	(102,298)	-	(102,298)
Bank Debt	(104,591)	(182,973)	(287,564)
Retail Bonds	(317,773)	(132,227)	(450,000)
Other Non - Current Liabilities	(300,097)	-	(300,097)
Total Liabilities	(1,069,959)	(70,000)	(1,139,959)
Net Assets	1,423,443	(70,000)	1,353,443
Equity	1,423,443	(70,000)	1,353,443