



NZX Announcement

10 February 2017

Trustpower Limited Third Quarter Operating Results for the Nine Months Ended 31 December 2016

Trustpower's operating statistics for the quarter ended 31 December 2016 together with prior period comparatives are provided at the end of this announcement.

On 31 October 2016, Trustpower Limited implemented its demerger whereby the Company separated into two separate companies: Trustpower Limited (formerly Bay Energy Limited, Trustpower) and Tilt Renewables Limited (Tilt). These results reflect the stand alone operation of Trustpower as if the demerger had been in effect for both the current period and the comparative period.

Trustpower delivers customer growth in half year prior to demerger

Performance for the nine months to 31 December 2016:¹

- Total utility accounts increase to 384,000, 4% higher than 31 March 2016
- Customers with two or more utilities increase to 88,000, 13% higher than 31 March 2016
- New Zealand hydro generation 1,585 GWh, 23% above Q3 2016²
- Australian hydro generation 237GWh, 44% higher than Q3 2016
- Annualised electricity customer churn of 17% well below the total industry churn of 20%

Retail operations

Trustpower's retail business continued to make good progress with its multi-product growth strategy. Customer account numbers increased in all product groups during the period. Most importantly, the number of customers taking two or more services rose to 88,000, up from the 73,000 customers at the same time last year.

" Trustpower's bundled service strategy continues to position Trustpower well for the future" said Trustpower's Chairman Paul Ridley-Smith.

Generation

New Zealand generation production was above the prior period mainly due to the impact of the King Country Energy acquisition. Excluding this impact it was 9% up on last year however it remained 3 per cent below the long term average due to generation being withheld in response to low spot prices. Nationally electricity prices remained very soft, particularly during winter when the weather was warmer than average. The average spot price received for generation was \$53/MWh, well below last year's \$63/MWh.

Production from, the three Australian hydro stations, was 237 GWh, 44% higher than in the prior period reflecting very strong hydro inflows in the period.

King Country Energy

King Country Energy Power Trust (KCEPT) a 20% owner of King Country Energy has recently announced it is undertaking consultation with its beneficiaries. One of the options under consideration involves the sale of the Mangahoa Generation station and the retail business to Trustpower.

“We have developed a very productive working relationship with KCEPT and look forward to working with them in the future” said Trustpower’s Chief Executive Vince Hawksworth.

Regulatory matters

In July, Trustpower applied to the High Court for a judicial review of the Electricity Authority’s consultation process regarding its review of transmission pricing and distributed generation. While we were unsuccessful in the review it was an important step in ensuring our views were heard. The delays in implementing the distribution generation proposals are positive however all of this time will be required as the new regulations enacted by the Electricity Authority are highly subjective and will be very difficult to implement. At this stage we are unable to accurately quantify the impact these changes will have on our revenue.

Major customers

Spark have given notice to the Company that after a long standing relationship as a spot electrify customer they will be changing electricity providers for strategic reasons in March. Spark has approximately 3,000 connections but as they are all supplied at spot the overall margin is modest.

Mr Hawksworth advised that as there was no ability to cross sell telecommunications to these sites the loss of 3,000 connections will have no impact on the Company’s bundling strategy.

Yearend outcome

Trustpower’s 2017 earnings will be increased by consolidating a full year of operations from King Country Energy and offset by the cost of the demerger. Taking these factors into account as well as the operating results to date the Directors consider that Trustpower’s yearend results will be better than last year but not by a significant margin.

Outlook

Looking ahead, Trustpower will continue its pursuit of profitable growth – both organically through its multi-product retail strategy, or via the acquisition of aligned business where it can add value. It will continue to seek technology opportunities to improve customer experience and drive product growth, and will also remain focused on optimising the value generated by its generation assets.

For further information:

| | |
|---------------------------------------|--------------|
| Vince Hawksworth, Chief Executive | 021 223 4609 |
| Kevin Palmer, Chief Financial Officer | 021 471 779 |

About Trustpower

Trustpower is New Zealand's fifth largest electricity generator and fourth largest energy retailer by market share, with approximately 13% electricity retail market share. It owns 26 hydro power schemes throughout New Zealand and Australia with a total installed capacity of 570MW. It operates a multi-product retail business, including electricity, gas and telecommunications services with approximately 280,000 electricity customer connections, 32,000 gas customer connections and 73,000 telecommunications customer connections. The Australian and New Zealand wind generation assets and wind and solar development projects previously held by Trustpower were transferred to Tilt Renewables in a demerger in October 2016. For further information see www.trustpower.co.nz

Operating Statistics

| | 9 Months December 2016 | 9 Months December 2015 | 12 Months March 2016 |
|--|---------------------------|---------------------------|-------------------------|
| Customers, Sales and Service | | | |
| Electricity connections (000s) | 279 | 256 | 277 |
| Telecommunication connections (000s) | 73 | 56 | 62 |
| Gas connections (000s) | 32 | 29 | 31 |
| Customers with two or more services (000s) | 88 | 73 | 77 |
| Mass market sales - Fixed Price (GWh) | 1,503 | 1,390 | 1,820 |
| Time of use sales - Fixed Price (GWh) | 628 | 620 | 823 |
| Time of use sales - Spot (GWh) | 956 | 1,075 | 1,389 |
| Total customer sales (GWh) | 3,087 | 3,085 | 4,032 |
| Average spot price of electricity purchased (\$/MWh) | 56 | 59 | 64 |
| Gas Sales (TJ) | 856 | 936 | 1,046 |
| Annualised electricity customer churn rate* | 17% | 15% | 16% |
| Annualised electricity customer churn rate - total market* | 20% | 23% | 21% |
| Generation Production and Procurement | | | |
| North Island hydro generation production (GWh) | 796 | 515 | 639 |
| South Island hydro generation production (GWh) | 789 | 775 | 949 |
| Total hydro generation production (GWh) | 1,585 | 1,290 | 1,588 |
| Average spot price of electricity generated (\$/MWh) | 53 | 63 | 60 |
| Net third party fixed price volume purchased (GWh) | 877 | 609 | 902 |
| Australian hydro generation production (GWh) | 237 | 164 | 254 |
| Other Information | | | |
| Resource consent non-compliance events | 10 | 4 | 7 |
| Staff numbers (full time equivalents) | 796 | 708 | 727 |

Notes

1. On 31 October 2016 the Trustpower Group demerged into two separate groups - Trustpower Limited (formerly Bay Energy Limited) and Tilt Renewables Limited. All references to operating stats in this report relate to the demerged Trustpower and have been restated as if the demerger had occurred for the entire period (including comparative periods)
2. References to Q3 2016 or prior period are for the nine month period to 31 December 2015