# SEPTEMBER 2018 INTERIM REPORT

TILT RENEWABLES LIMITED

tilt renewables

**Salt Creek Wind Farm**
Australia

# CHIEF EXECUTIVE OFFICER REPORT

## Tilt Renewables Limited is pleased to present this interim report for the six-month period ended 30 September 2018.

**Key highlights for 1H FY19**

Highlights for the 6-month period ending 30 September 2018 included:

- Continued focus on health and safety has improved reporting accuracy and alignment of contractor systems. The Snowtown 1 Wind Farm achieved 750 days without a recordable injury, however four recordable injuries were reported across the rest of the group.
- The 54 MW Salt Creek Wind Farm project in Victoria was successfully completed on time and under budget in July 2018, completing its first quarter 9% above long-term generation expectation.
- The 336MW Dundonnell Wind Farm project secured a Support Agreement from the Victorian State Government via the Victorian Renewable Energy Auction Scheme for approximately 37% of the production, underpinning an investment case for the project.
- Development activity has also continued with focus on bringing the Rye Park, Waverley and Waddi Wind Farms and the Snowtown Battery project to shovel ready status, plus continued pre-feasibility studies associated with the Highbury Pumped Hydro.
- Operational asset performance has been in-line with expectations and combined with strong wind resource, produced 23% more energy than the same period last year.
- Earnings Before Interest, Tax, Depreciation, Amortisation and Fair Value Movements of Financial Instruments ("EBITDAF") of $66.9 million was achieved in the period.
- Net cash from operating activities of $66.4 million was delivered in the period.

**Business performance in 1H FY19**

In contrast to the prior corresponding period, the assets in both Australia and New Zealand have benefited from higher than average wind resource producing a total of 1,070GWh, 6% ahead of long term expectations and 23% ahead of the same period in FY18. An estimated 31GWh of additional generation was lost due to the South Australia System Strength Constraint imposed by AEMO, clearly highlighting the materiality of the deficiencies in some parts of the Australian transmission network. AEMO and the local transmission provider are working with industry participants on technical resolutions to this constraint with resolution now expected in 2020.

Group revenue was 27% higher than the prior period as a result of the improved wind conditions and stronger generation as noted above. EBITDAF was $66.9 million, 36% higher than the prior period. Net Profit After Tax was $8.5 million versus a prior period profit of $9.0 million.

At 30 September 2018 the Group had net debt of $641 million and unutilised committed funding lines of $15 million. Balance sheet gearing of 59% at 30 September 2018 is considered appropriate at this time given the existing portfolio of operational assets and the current high level of contracted revenue produced by those assets.

Deion Campbell
Chief Executive Officer

**1,070GWh**

Production was 6% ahead of long term expectations and 23% ahead of the same period in FY18.

**$66.9m**

EBITDAF was $17.6 million, 36% higher than the prior period.

**336GWh**

Dundonnell Wind Farm project final investment decision made.

**750 DAYS**

Period of days without a recordable injury of Snowtown Wind Farm Stage 1.

### Strategic Focus and Outlook

**In addition to the September highlights, the positive news has continued in October with the Group making the following further progress towards its strategic goals:**

- agreeing to the terms of long term off-take with Genesis Energy in New Zealand for the proposed Waverley wind farm;
- securing a 15-year Power Purchase Agreement with an investment grade counterparty for 50% of the production from the Dundonnell Wind Farm, taking that project to approximately 87% contracted; and
- making the Final Investment Decision on the Dundonnell Wind Farm project, which will increase the installed capacity under management by approximately 50%.

As a result of the Dundonnell investment decision, Tilt Renewables anticipate an equity raising in early 2019 to fund the construction of the project. Construction is expected to commence in January 2019, with first generation occurring Q2 2020 and final completion in Q4 2020.

An investment decision for the Waverley Wind Farm is anticipated for Q2 2019, depending on progress with procurement activities and finalising off-take arrangements with Genesis Energy. A successful outcome with Waverley will see the Group's installed capacity exceed 1GW, with close to half of that being achieved since demerging from Trustpower in 2016.

In addition, the Group continues to progress several other pipeline projects through the planning and development process to shovel ready status providing short term options to respond to market opportunities. In that respect the policy certainty in Australia anticipated from the proposed National Energy Guarantee (NEG) has not materialised making investment decisions more difficult in the short term.

Tilt Renewables remains confident that a portfolio of well-developed and suitably located renewable energy and storage options will provide positive investment opportunities over time as the Australian market looks to replace the aging coal fleet and New Zealand looks to further reduce carbon emissions across the economy. Tilt Renewables currently has, in addition to Dundonnell and Waverley, a total of approximately 2,000MW of projects with planning approvals and a total pipeline of approximately 3,000MW, one of the strongest pipelines in the market which includes wind, solar, storage and peaking options.

### Dividend

The Directors have approved an interim unfranked and unimputed dividend of AUD 1.60 cents per share which will be paid on 30 November 2018.

The dividend is at the lower end of the Group's target dividend payout range, with the reduced amount considered prudent by the Board given the opportunities which are currently being investigated by the business.

**Deion Campbell**
Chief Executive Officer

## Business performance

| 1H FY19 result | Units | 1H FY19 | 1H FY18 | Change |
|---|---|---|---|---|
| Safety – Lost Time Injury frequency rating | Incidents per million hours | 8.2 | 0.0 | n/a |
| Revenue | AUD $M | 96.6 | 75.5 | 28% |
| EBITDAF | AUD $M | 66.9 | 49.3 | 36% |
| Net profit after tax | AUD $M | 8.5 | 9.0* | -5% |
| Basic earnings per share | AUD cps | 2.71 | 2.87* | -6% |
| Underlying earnings per share | AUD cps | 1.21 | (0.66)* | 155% |
| Interim dividends per share | AUD cps | 1.60 | 1.25 | 28% |

* Amounts have been restated to reflect prior period accounting adjustments.

## Renewables wind assets

| | 1H FY19 | | | 1H FY18 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| GWh | Aust | NZ | Group | Aust | NZ | Group | Aust | NZ | Group |
| Electricity production | 712 | 358 | 1,070 | 591 | 278 | 869 | 20% | 29% | 23% |

**Notes**

1. EBITDAF is a non GAAP financial measure but is commonly used within the energy and infrastructure sectors 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.
2. Net debt is a measure of indebtedness to external funding providers net of deposits help with those providers and is defined as bank loans less cash at bank.
3. Balance sheet gearing is defined as Net Debt over the sum of Net Debt plus Equity.
4. All numbers referred to are in AUD.

# RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting period 6 months to 30 September 2018
Previous reporting period 6 months to 30 September 2017

| | Amount $000's | Percentage change |
|---|---|---|
| Revenue from ordinary activities | 96,588 | 28% |
| Profit from ordinary activities after tax attributable to shareholders | 8,495 | -5% |
| Net profit attributable to shareholders | (92,670) | N/A |

| | Amount per share | Inputed amount per share | Foreign tax credit per share |
|---|---|---|---|
| Interim dividend payable | 1.60 cents | N/A | N/A |
| Interim dividend record date | 16 November 2018 | | |
| Interim dividend payment date | 30 November 2018 | | |

# KEY METRICS

For the 6 months ended 30 September 2018

| | 2018 | 2017 |
|---|---|---|
| Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF) ($M) | 66.9 | 49.3 |
| Profit after tax ($M) | 8.5 | 9.0 |
| Underlying earnings after tax ($M) | 3.8 | (2.1) |
| Basic earnings per share (cents per share) | 2.71 | 2.87 |
| Dividends paid during the period (cents per share) | 3.40 | 3.50 |
| Gearing ratio | 59% | 54% |
| Net tangible assets per security ($) | 1.31 | 1.63 |
| **Generation production** | | |
| Australian generation production (GWh) | 712 | 591 |
| New Zealand generation production (GWh) | 358 | 278 |
| | 1,070 | 869 |
| **Other information** | | |
| Employee numbers (full time equivalents) | 36.2 | 30.4 |

**Snowtown Wind Farm**
South Australia

# INDEPENDENT AUDITOR'S REPORT

Independent auditor's review report to the members of Tilt Renewables Limited

## Report on the half-year financial statements

We have reviewed the accompanying financial statements of Tilt Renewables Limited (the Company) which comprises the consolidated statement of financial position as at 30 September 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity,consolidated cash flow statement and consolidated income statement for the half-year ended on that date, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the financial statements

The directors of the Company are responsible on behalf of the Company for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal controls as the directors determine are necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

## Our responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of tax compliance and other assurance services. The provision of these other services has not impaired our independence.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Company are not prepared, in all material respects, in accordance with NZ IAS 34.

## Who we report to

This report is made solely to the members of Tilt Renewables Limited, as a body. Our review work has been undertaken so that we might state to the Company's members those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members, as a body, for our review procedures, for this report, or for the conclusion we have formed.

The engagement partner on the review resulting in this independent auditor's review report is Charles Christie.

For and on behalf of:

**Chartered Accountants Melbourne**
30 October 2018

I, Charles Christie, am currently a member of Institute of Chartered Accountants in Australia and my membership number is 77665.

PricewaterhouseCoopers was the audit firm appointed to undertake the review of Tilt Renewables Limited for the half-year ended 30 September 2018. I was responsible for the execution of the review and delivery of our firm's review report. The audit work was completed on 30 October 2018 and an unqualified review conclusion was issued.

**Charles Christie**
Partner

# DIRECTOR REPORT

Financial Statements for the 6 months ended 30 September 2018

The Directors are pleased to present the financial statements of Tilt Renewables Limited and subsidiaries for the six months ended 30 September 2018.

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group as at 30 September 2018 and the financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept that enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

**Bruce Harker**
Chairman

**Fiona Oliver**
Director

Company Registration Number 1212113
Dated: 30 October 2018

**Mahinearangi Wind Farm**
New Zealand

# CONSOLIDATED INCOME STATEMENT

For the 6 months ended 30 September 2018

| | Note | 6 months ended 30 September 2018 $000 | 6 months ended 30 September 2017 $000* |
|---|---|---|---|
| **Operating revenue** | | | |
| Electricity revenue | | 96,405 | 75,502 |
| Other operating revenue | | 184 | 3 |
| | | **96,588** | **75,505** |
| **Operating expenses** | | | |
| Generation costs | | 19,551 | 14,920 |
| Employee benefits | | 4,866 | 4,471 |
| Other operating expenses | | 5,291 | 6,863 |
| | | **29,708** | **26,254** |
| **Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF)** | | **66,880** | **49,251** |
| Net fair value (gains)/losses on financial instruments | | (6,743) | (15,791) |
| Amortisation of intangible assets | | - | 385 |
| Depreciation | | 44,070 | 36,958 |
| **Operating profit** | | **29,553** | **27,699** |
| Interest paid | | 15,372 | 15,675 |
| Interest received | | (418) | (614) |
| **Net finance costs** | | **14,954** | **15,061** |
| **Profit before income tax** | | **14,599** | **12,638** |
| Income tax expense | 9 | 6,104 | 3,660 |
| **Profit after tax** | | **8,495** | **8,978** |
| Profit after tax attributable to the shareholders of the Group | | 8,495 | 8,978 |
| Basic earnings per share (cents per share) | | 2.71 | 2.87 |
| Diluted earnings per share (cents per share) | | 2.71 | 2.87 |

The Board of Tilt Renewables Limited authorised these interim financial statements for issue on 30 October 2018.

* Certain amounts have been restated to reflect adjustments relating to note 14.

*The accompanying notes form part of these interim financial statements.*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 30 September 2018

| | 6 months ended 30 September 2018 $000 | 6 months ended 30 September 2017 $000* |
|---|---|---|
| Profit after tax | 8,495 | 8,978 |
| **Other comprehensive income** | | |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Other currency translation differences | (2,340) | 616 |
| Fair value changes in financial instruments | (1,516) | - |
| Tax effect of the following: | | |
| Other currency translation differences | 655 | (240) |
| Fair value changes in financial instruments | 455 | - |
| **Items that will not be reclassified subsequently to profit or loss:** | | |
| Revaluation losses on generation assets | (140,153) | (14,931) |
| Tax effect of the following: | | |
| Revaluation losses on generation assets | 41,734 | 4,479 |
| **Total other comprehensive income/(expense)** | **(101,165)** | **(10,076)** |
| **Total comprehensive income/(expense)** | **(92,670)** | **(1,098)** |
| Attributable to shareholders of the Group | **(92,670)** | **(1,098)** |

* Certain amounts have been restated to reflect adjustments relating to note 14.

*The accompanying notes form part of these interim financial statements.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

| | Note | 30 September 2018 $000 | 31 March 2018 $000* |
|---|---|---|---|
| **Equity** | | | |
| *Capital and reserves attributable to shareholders of the Group* | | | |
| Share capital | 6 | - | - |
| Invested capital | | - | - |
| Revaluation reserve | | 292,926 | 391,345 |
| Retained earnings | | 129,144 | 126,282 |
| Foreign currency translation reserve | | (9,236) | (7,551) |
| Cash flow hedge reserve | | (1,061) | - |
| Other reserves | | 237 | 89 |
| **Total equity** | | **412,010** | **510,165** |
| *Represented by:* | | | |
| **Current assets** | | | |
| Cash at bank | | 49,798 | 45,913 |
| Receivable from related parties | | 3,777 | 2,090 |
| Accounts receivable and prepayments | | 26,039 | 31,827 |
| Financial instruments | 15 | 311 | - |
| | | **79,926** | **79,830** |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | 1,025,866 | 1,170,613 |
| Financial instruments | 15 | 104,462 | 100,504 |
| Intangible assets | | 571 | 597 |
| | | 1,130,899 | 1,271,714 |
| **Total assets** | | **1,210,824** | **1,351,544** |
| **Current liabilities** | | | |
| Accounts payable and accruals | | 16,292 | 15,652 |
| Payable to related parties | | - | 367 |
| Borrowings | 4 | 40,027 | 36,781 |
| Financial instruments | 15 | 12,160 | 14,292 |
| Taxation payable | | 3,939 | 2,044 |
| | | **72,418** | **69,136** |
| **Non-current liabilities** | | | |
| Borrowings | 4 | 601,012 | 602,269 |
| Financial instruments | 15 | 6,643 | 5,469 |
| Accounts payable and accruals | | 2,845 | 2,837 |
| Deferred tax liability | 10 | 115,896 | 161,668 |
| | | **726,397** | **772,243** |
| **Total liabilities** | | **798,814** | **841,379** |
| **Net assets** | | **412,010** | **510,165** |

* Certain amounts have been restated to reflect adjustments relating to note 14.
*The accompanying notes form part of these interim financial statements.*

# CONSOLIDATED CASH FLOW STATEMENT

For the 6 months ended 30 September 2018

| | 6 months ended 30 September 2018 $000 | 6 months ended 30 September 2017 $000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| *Cash was provided from:* | | |
| Receipts from customers (inclusive of GST) | 110,786 | 77,606 |
| | 110,786 | 77,606 |
| *Cash was applied to:* | | |
| Payments to suppliers and employees (inclusive of GST) | 39,164 | 35,612 |
| Taxation paid | 5,256 | 9,913 |
| | 44,420 | 45,525 |
| **Net cash from operating activities** | **66,365** | **32,081** |
| **Cash flows from investing activities** | | |
| *Cash was provided from:* | | |
| Interest received | 418 | 614 |
| | 418 | 614 |
| *Cash was applied to:* | | |
| Purchase of property, plant and equipment | 23,082 | 19,744 |
| | 23,082 | 19,744 |
| **Net cash used in investing activities** | **(22,664)** | **(19,130)** |
| **Cash flows from financing activities** | | |
| *Cash was provided from:* | | |
| Secured loan proceeds | - | 100,000 |
| | - | 100,000 |
| *Cash was applied to:* | | |
| Repayment of loans | 18,628 | 15,321 |
| Interest paid | 15,550 | 16,149 |
| Dividends paid | 5,633 | 7,034 |
| | 39,812 | 38,504 |
| **Net cash used in financing activities** | **(39,812)** | **61,496** |
| **Net increase/(decrease) in cash and cash equivalents** | **3,889** | **74,447** |
| Cash and cash equivalents at beginning of the period | 45,913 | 27,008 |
| Exchange (losses)/gains on cash and cash equivalents | (3) | 967 |
| **Cash and cash equivalents at end of the period** | **49,798** | **102,422** |

*The accompanying notes form part of these interim financial statements.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 September 2018

| | Note | Share capital $000 | Invested capital $000 | Revaluation reserve $000 | Foreign currency translation reserve $000 | Retained earnings $000 | Cash flow hedge reserve $000 | Other reserves $000 | Total equity $000 |
|---|---|---|---|---|---|---|---|---|---|
| **Opening balance as at 1 April 2018 (restated)*** | | **-** | **-** | **391, 345** | **(7,551)** | **126,282** | **-** | **89** | **510,165** |
| **Profit for the period** | | **-** | **-** | **-** | **-** | **8,495** | **-** | **-** | **8,495** |
| *Other comprehensive income* | | | | | | | | | |
| Revaluation movement on generation assets | | - | - | (140,153) | - | - | - | - | (140,153) |
| Other currency translation differences | | - | - | - | (2,340) | - | - | - | (2,340) |
| Fair value changes in financial instruments | | - | - | - | - | - | (1,516) | - | (1,516) |
| Tax effect of the following: | | | | | | | | | |
| Revaluation movement on generation assets | | - | - | 41,734 | - | - | - | - | 41,734 |
| Other currency translation differences | | - | - | - | 655 | - | - | - | 655 |
| Fair value changes in financial instruments | | - | - | - | - | - | 455 | - | 455 |
| **Total other comprehensive income** | | **-** | **-** | **(98,419)** | **(1,685)** | **-** | **(1,061)** | **-** | **(101,165)** |
| *Transactions with owners recorded directly in equity* | | | | | | | | | |
| Dividends paid | 5 | - | - | - | - | (5,633) | - | - | (5,633) |
| Share based payment expenses | | - | - | - | - | - | - | 148 | 148 |
| **Total transactions with owners recorded directly in equity** | | **-** | **-** | **-** | **-** | **(5,633)** | **-** | **148** | **(5,485)** |
| **Closing balance as at 30 September 2018** | | **-** | **-** | **292,926** | **(9,236)** | **129,144** | **(1,061)** | **237** | **412,010** |
| **Opening balance as at 1 April 2017** | | **-** | **-** | **450,148** | **(9,767)** | **79,047** | **-** | **-** | **519,428** |
| Power purchase arrangements adjustment, net of tax (refer to note 14) | | - | - | (41,259) | - | 41,259 | - | - | - |
| **Opening balance as at 1 April 2017 (restated) *** | | **-** | **-** | **408,889** | **(9,767)** | **120,306** | **-** | **-** | **519,428** |
| **Profit for the period** | | **-** | **-** | **-** | **-** | **8,978** | **-** | **-** | **8,978** |
| *Other comprehensive income* | | | | | | | | | |
| Revaluation movement on generation assets | | | | (14,931) | | | | | (14,931) |
| Other currency translation differences | | - | - | - | 616 | - | - | - | 616 |
| Tax effect of the following: | | | | | | | | | |
| Revaluation movement on generation assets | | - | - | 4,479 | - | - | - | - | 4,479 |
| Other currency translation differences | | - | - | - | (240) | - | - | - | (240) |
| **Total other comprehensive income** | | **-** | **-** | **(10,452)** | **376** | **-** | **-** | **-** | **(10,076)** |
| *Transactions with owners recorded directly in equity* | | | | | | | | | |
| Dividends paid | 5 | - | - | - | - | (7,034) | - | - | (7,034) |
| Share based payment expenses | | - | - | - | - | - | - | 690 | 690 |
| **Total transactions with owners recorded directly in equity** | | **-** | **-** | **-** | **-** | **(7,034)** | **-** | **690** | **(6,344)** |
| **Closing balance as at 30 September 2017** | | **-** | **-** | **398,437** | **(9,391)** | **122,249** | **-** | **690** | **511,985** |

* Certain amounts have been restated to reflect adjustments relating to note 14.
*The accompanying notes form part of these interim financial statements*

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## Note 1: Basis of preparation

The reporting entity is the consolidated Group comprising Tilt Renewables Limited and its subsidiaries together referred to as Tilt Renewables. Tilt Renewables Limited is a limited liability company incorporated and domiciled in New Zealand. The principal activities of Tilt Renewables are the development, ownership and operating of electricity generation facilities from renewable energy sources.

Tilt Renewables Limited is registered under the Companies Act 1993, and is listed on the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX). It is an FMC Reporting Entity under the Financial Markets Conducts Act 2013.

The interim financial statements are presented for the half year ended 30 September 2018.

### Basis of preparation

These unaudited condensed interim financial statements have been prepared for the six months ended 30 September 2018. These financial statements provide an update on the interim performance of Tilt Renewables, and should be read in conjunction with the full year financial statements presented for the year ended 31 March 2018 from which the same accounting policies and methods of computation have been followed. Comparatives have been restated to reflect adjustments relating to note 14.

The interim financial statements are prepared in accordance with:

- NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting
- the accounting policies and methods of computation in the most recent annual financial statements
- the Financial Markets Conduct Act 2013, and NZX equity listing rules
- New Zealand Generally Accepted Accounting Practice (NZGAAP)
- New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards (IFRS)
- Other applicable New Zealand Financial Reporting Standards, as appropriate for profit oriented entities.

The financial statements have been prepared as follows:

- All transactions at the actual amount incurred (historical cost convention), except for generation assets and derivatives which have been revalued to fair value
- All figures have been reported in Australian Dollars (AUD) and reported to the nearest thousand.

### New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period as a result of adopting the following standards:

- NZ IFRS 9 Financial Instruments; and
- NZ IFRS 15 Revenue from Contracts with Customers.

There is no material impact to financial statements on the adoption of the above standards.

### Impact of standards issued but not yet applied by the Group

NZ IFRS 16 Leases, removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating. The standard is effective for annual reporting periods beginning on or after 1 January 2019.

## Note 2: Segment information

For internal reporting purposes, Tilt Renewables is organised into two segments. The main activities of each segment are:

| Australian generation | New Zealand Generation |
|---|---|
| The generation of electricity by wind generation assets across Australia. | The generation of electricity by wind generation assets across New Zealand. |

**The segment results for the six months ended 30 September 2018 are as follows:**

| | Generation New Zealand $000 | Generation Australia $000 | Total $000 |
|---|---|---|---|
| Revenue from external customers | 24,053 | 72,535 | 96,588 |
| **Earnings before interest, tax, deprecation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF)** | **14,728** | **52,152** | **66,880** |
| Depreciation | 10,942 | 33,128 | 44,070 |
| Capital expenditure | 1,148 | 45,565 | 46,713 |

**The segment results for the six months ended 30 September 2017 are as follows:**

| | Generation New Zealand $000 | Generation Australia $000 | Total $000 |
|---|---|---|---|
| Revenue from external customers | 19,189 | 56,316 | 75,505 |
| **Earnings before interest, tax, deprecation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF)** | **11,212** | **38,039** | **49,251** |
| Amortisation of intangible assets | 379 | 6 | 385 |
| Depreciation | 10,727 | 27,775 | 38,502 |
| Capital expenditure | 1,523 | 18,221 | 19,744 |

## Note 3: Profitability analysis

Tilt Renewables owns 440MW of wind generation assets throughout Australia as well as 196MW of wind generation assets in New Zealand.

| | 6 months ended 30 September 2018 $000 | 6 months ended 30 September 2017 $000 |
|---|---|---|
| **Australia** | | |
| **Operating revenue** | | |
| Electricity revenue | 72,535 | 56,316 |
| | 72,535 | 56,316 |
| **Operating expenses** | | |
| Generation production costs | 13,437 | 9,776 |
| Employee benefits | 4,261 | 3,724 |
| Other operating expenses | 2,685 | 4,777 |
| | 20,383 | 18,277 |
| **Earnings before interest, tax, deprecation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF)** | **52,152** | **38,039** |
| **New Zealand** | | |
| **Operating revenue** | | |
| Electricity revenue | 23,869 | 19,186 |
| Other revenue | 184 | 3 |
| | 24,053 | 19,189 |
| **Operating expenses** | | |
| Generation production costs | 6,114 | 5,144 |
| Employee benefits | 605 | 747 |
| Other operating expenses | 2,606 | 2,086 |
| | 9,325 | 7,977 |
| **Earnings before interest, tax, deprecation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF)** | **14,728** | **11,212** |

**Debt**

Tilt Renewables borrows under a syndicated bank debt facility. The facility requires Tilt Renewables to operate within defined performance and debt gearing ratios. The borrowing arrangements may also create restrictions over the sale or disposal of certain assets unless the bank loans are repaid or renegotiated. Throughout the period Tilt Renewables has complied with all debt covenant requirements in these agreements.

## Note 4: Borrowings

| | 30 September 2018 | | | |
|---|---|---|---|---|
| | New Zealand dollar facilities # $000 | Australian dollar facilities $000 | Finance lease liabilties $000 | Total borrowings $000 |
| *Repayment terms:* | | | | |
| Less than one year | 14,651 | 25,722 | 1,557 | 41,930 |
| One to two years | 14,391 | 171,478 | 1,470 | 187,339 |
| Two to five years | 74,537 | 210,502 | 3,933 | 288,972 |
| Over five years | 9,159 | 101,254 | 15,800 | 126,213 |
| Facility establishment costs | (709) | (2,705) | - | (3,414) |
| | **112,029** | **506,251** | **22,760** | **641,039** |
| Current portion | 14,406 | 24,064 | 1,557 | 40,027 |
| Non-current portion | 97,623 | 482,187 | 21,203 | 601,012 |
| | **112,029** | **506,251** | **22,760** | **641,039** |

| | 31 March 2018 | | | |
|---|---|---|---|---|
| | New Zealand dollar facilities # $000 | Australian dollar facilities $000 | Finance lease liabilties $000 | Total borrowings $000 |
| *Repayment terms:* | | | | |
| Less than one year | 14,617 | 24,065 | - | 38,682 |
| One to two years | 15,194 | 177,781 | - | 192,975 |
| Two to five years | 82,080 | 213,226 | - | 295,306 |
| Over five years | 10,959 | 105,492 | - | 116,451 |
| Facility establishment costs | (831) | (3,534) | - | (4,365) |
| | **122,019** | **517,031** | **-** | **639,050** |
| Current portion | 14,255 | 22,526 | - | 36,781 |
| Non-current portion | 107,764 | 494,505 | - | 602,269 |
| | **122,019** | **517,031** | **-** | **639,050** |

*# New Zealand dollar facilities are drawn down and repaid in NZD. In the financial statements the New Zealand dollar facilities are presented in AUD.*

The finance lease liability was recognised in the current period in relatation to a new transmission line for Salt Creek Wind Farm.

## Note 5: Dividends

| | 6 months ended 30 September 2018 $000 | 12 months ended March 2018 $000 |
|---|---|---|
| Final dividend prior year | 5,633 | 7,034 |
| Interim dividend current year – declared subsequent to the end of the reporting period | 5,008 | 3,912 |
| **Total dividend** | **10,641** | **10,946** |

| | Cents per share | Cents per share |
|---|---|---|
| Final dividend prior year | 1.80 | 2.25 |
| Interim dividend current year – declared subsequent to the end of the reporting period | 1.60 | 1.25 |
| **Total dividend** | **3.40** | **3.50** |

## Note 6: Share capital

| | 6 months ended 30 September 2018 $000 | 12 months ended March 2018 $000 |
|---|---|---|
| Authorised and issued ordinary share capital at beginning of the period | - | - |
| | **-** | **-** |

| | 000's of shares | 000's of shares |
|---|---|---|
| Authorised and issued ordinary share capital at beginning of the period | 312,973 | 312,973 |
| | **312,973** | **312,973** |

All shares rank equally with one vote per share, have no par value and are fully paid.

## Note 7: Property, plant and equipment

Generation assets include land and buildings which are not separately identifiable from other generation assets. Generation assets were revalued, using a discounted cash flow methodology, as at 30 September 2018, to their estimated fair value. Other property, plant and equipment assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## Note 7: Property, plant and equipment (continued)

| | Generation assets $000 | Other plant and equipment $000 | WIP $000 | Total $000 |
|---|---|---|---|---|
| **At 31 March 2018 – Restated*** | | | | |
| Fair value | 1,158,457 | 497 | - | 1,158,954 |
| Cost | - | 7,794 | 81,882 | 89,676 |
| Accumulated depreciation | (75,564) | (2,452) | - | (78,016) |
| **Net book amount** | **1,082,893** | **5,838** | **81,882** | **1,170,613** |
| **Half year ended 30 September 2018** | | | | |
| Opening net book amount | 1,082,893 | 5,836 | 81,882 | 1,170,611 |
| Additions at cost | 21,285 | 2,774 | 22,655 | 46,713 |
| Depreciation | (43,315) | (334) | - | (43,649) |
| Disposals at net book value | (2,098) | - | - | (2,098) |
| Foreign exchange movements | (5,559) | - | - | (5,559) |
| Transfers | 92,183 | 130 | (92,313) | - |
| Revaluation | (140,153) | - | - | (140,153) |
| **Closing balance as at 30 September 2018** | | | | |
| Fair value | 1,102,830 | 364 | - | 1,103,194 |
| Cost | 21,285 | 10,708 | 12,224 | 44,217 |
| Accumulated depreciation | (118,879) | (2,667) | - | (121,546) |
| **Net book amount** | **1,005,236** | **8,405** | **12,224** | **1,025,866** |
| **Closing balance as at 30 September 2018 by country** | | | | |
| Australia | 800,959 | 8,328 | 12,008 | 821,295 |
| New Zealand | 204,278 | 77 | 216 | 204,571 |
| | **1,005,236** | **8,405** | **12,224** | **1,025,866** |

Generation assets are revalued every three years or more frequently if there is evidence of a significant change in value. All other property, plant and equipment is stated at its original cost less depreciation and impairment. During HY19, due to an acceleration in the decline of the Large Generation Certificates (LGC's) forward curve, and a decline in the electricity forward curve, the Australian assets were revalued, resulting in a carrying value reduction of $128.5m at 30 September 2018. The remaining difference to the HY19 property, plant and equipment revaluation balance is associated with the change in revaluation accounting treatment for power purchase arrangements outlined in note 14.

No revaluation was performed for the New Zealand assets as no impairment indicators were identified as at 30 September 2018.

WIP additions in the period primarily relate to the construction costs associated with the Salt Creek Wind Farm, and Dundonnell project development costs.

* Certain amounts have been restated to reflect adjustments relating to note 14.

## Note 7: Property, plant and equipment (continued)

Land is not depreciated. Depreciation on all other property, plant and equipment is calculated using the straight-line method at the following rates:

| | |
|---|---|
| Generation assets | 1-8% |
| Freehold buildings | 2% |
| Plant and equipment | 5-33% |

Other property plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

| Transmission line | 30 September 2018 $000 | 31 March 2018 $000 |
|---|---|---|
| Cost | 23,544 | - |
| Accumulated depreciation | (650) | - |
| **Net book amount** | **22,894** | **-** |

**Fair value of generation property, plant and equipment**

The valuation of Tilt Renewables generation assets is sensitive to the inputs used in the discounted cash flow valuation model.

A sensitivity analysis around some key inputs is given in the table below. The valuation is based on a combination of values that are generally at the midpoint of the range. The valuation impact is calculated as the movement in the fair value as a result of the change in the assumption and keeping all other valuation inputs constant.

| Assumption | Low | High | Valuation impact AUD – 000's |
|---|---|---|---|
| **Australian Assets** | | | |
| Forward electricity price path (including LCG's) | 10% reduction in future electricity pricing | 10% increase in future electricity pricing | -$77,035 / +$77,035 |
| Generation volume | 10% reduction in future production | 10% increase in future production | -$89,031 / +$89,114 |
| Operating costs | 10% increase in future operating expenditure | 10% decrease in future operating expenditure | -$12,920 / +$12,920 |
| Discount rate – post tax | 7.75% | 6.75% | -$28,447 / +$30,413 |

## Note 8. Cash at bank

The cash and cash equivalents disclosed in the balance sheet and in the statement of cash flows include $4.3m which is classified as restricted. This restricted cash balance is held in a electricity trading margin call account, and is not available for general use by the other entities within the Group.

## Note 9. Income tax expense

| | 6 months ended 30 September 2018 $000 | 6 months ended 30 September 2017 $000* |
|---|---|---|
| Profit before income tax | 14,599 | 12,638 |
| Tax on profit (30%) | 4,380 | 3,791 |
| Tax effect of non-assessable revenue | (1) | (203) |
| Reconciliation difference between tax jurisdictions | (23) | 72 |
| Income tax over/(under) provided in prior year | 1,748 | - |
| | **6,104** | **3,660** |
| *Represented by:* | | |
| Current tax | 5,537 | 6,828 |
| Deferred tax | 567 | (3,168) |
| | **6,104** | **3,660** |

* Certain amounts have been restated to reflect adjustments relating to note 14.

## Note 10: Deferred income tax

| | 6 months ended 30 September 2018 $000 | 12 months ended March 2018 $000* |
|---|---|---|
| Balance at beginning of period | 161,668 | 167,933 |
| Current year changes in temporary differences recognised in profit or loss | (2,884) | (4,108) |
| Current year changes in temporary differences recognised in other comprehensive income | (42,189) | (3,040) |
| Reclassification of prior year temporary differences | (44) | 2 |
| Exchange rate movements on foreign denominated deferred tax | (655) | 881 |
| **Total deferred tax liabilities** | **115,896** | **161,668** |

* Certain amounts have been restated to reflect adjustments relating to note 14.

## Note 11: Underlying earnings after tax

Underlying earnings is a non-GAAP (Generally Accepted Accounting Principles) financial measure. Tilt Renewables 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 rate and or electricity future prices. Also excluded in this measure are items considered to be one off and not related to core business such as changes to the Group tax rate or gain/impairment of generation assets.

| | 6 months ended 30 September 2018 $000 | 6 months ended 30 September 2017 $000* |
|---|---|---|
| Profit after tax attributable to the shareholders of the Group | 8,495 | 8,978 |
| Fair value losses/(gains) on derivative financial instruments | (6,743) | (15,791) |
| **Adjustments before income tax** | **(6,743)** | **(15,791)** |
| Adjustments after income tax | 2,023 | 4,737 |
| | 2,023 | 4,737 |
| **Underlying earnings after tax** | **3,775** | **(2,076)** |

* Certain amounts have been restated to reflect adjustments relating to note 14.

## Note 12. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of Tilt Renewables Limited by the weighted average number of ordinary shares on issue during the year.

| | 6 months ended 30 September 2018 $000 | 6 months ended 30 September 2017 $000* |
|---|---|---|
| Profit after tax attributable to the shareholders of the Group ($000) | 8,495 | 8,978 |
| Weighted average number of ordinary shares in issue ('000s) | 312,973 | 312,973 |
| **Basic and diluted earnings per share (cents per share)** | **2.71** | **2.87** |
| Underlying earnings after tax ($000) | 3,775 | (2,076) |
| Weighted average number of ordinary shares in issue ('000s) | 312,973 | 312,973 |
| **Underlying earnings per share (cents per share)** | **1.21** | **(0.66)** |

* Certain amounts have been restated to reflect adjustments relating to note 14.

## Note 13: Contingent assets and liabilities

There were no contingent assets or liabilities as at 30 September 2018 (31 March 2018: nil).

## Note 14: Power purchase arrangements adjustment

Australian Power Purchase Arrangements (PPAs) are entered into with third parties (electricity retailers) by the Group in order to ensure it can continue to sell electricity at predetermined prices. Historically, the Group determined that PPA agreements were operating leases and recognised the fixed price income as it was generated. The Group has historically concluded that all PPAs were supply contracts for the delivery of electricity as the contracts required physical delivery of the products and the view that the Australian Electricity Market Operator (AEMO) was a market clearing house that is used to settle such arrangements.

Whilst the accounting standards that outline the measurement and presentation requirements to be applied to PPAs have not changed with the implementation if NZ IFRS 9, there has been a review of the accounting treatment for these contracts since the year ended 31 March 2018. The Australian electricity PPAs are net settled with AEMO, therefore it has been concluded that the net payable to/receivable from the third party offtaker should be accounted for as a derivative financial instrument. As a result, the Group has determined the fair value of these arrangements and recognised a derivative asset or liability at each reporting date. The Australian Large-scale Generation Certificates are settled directly with the counterparty and therefore the change in policy is only for the Australian electricity element of the PPAs. This change in accounting treatment has been reflected in both the current and comparative periods. This change is not applicable to the New Zealand PPAs as these are not net settled and the energy market is structured differently.

The Group has also identified that the relationship between the PPAs and the Group's exposure to fluctuating energy prices meets the criteria as a qualifying hedge relationship. On a prospective basis, the Group will apply hedge accounting to the Power Purchase Arrangements (PPAs), entered into with third parties.

The Group has restated each of the affected financial statement line items for the prior year, as detailed below.

**Impact on statement of financial position**

| | Previously reported | Adjustment | Restated |
|---|---|---|---|
| **31 March 2018** | | | |
| Derivative assets – non-current | 2,471 | 98,033 | 100,504 |
| Property, plant and equipment | 1,251,530 | (80,917) | 1,170,613 |
| **Total assets** | **1,334,428** | **17,116** | **1,351,544** |
| Derivative liabilities – current | 264 | 14,028 | 14,292 |
| Deferred tax liabilities | 160,742 | 926 | 161,668 |
| **Total liabilities** | **826,425** | **14,954** | **841,379** |
| Revaluation reserve | 450,148 | (58,803) | 391,345 |
| Retained earnings | 65,317 | 60,965 | 126,282 |
| **Net impact on equity** | | **2,162** | **2,162** |

## Note 14: Power purchase arrangements adjustment (continued)

**Impact on statement of financial position** (continued)

| | Previously reported | Adjustment | Restated |
|---|---|---|---|
| **31 March 2017** | | | |
| Derivative assets – non-current | 4,654 | 87,698 | 92,352 |
| Property, plant and equipment | 1,241,025 | (58,942) | 1,182,083 |
| **Total assets** | **1,293,086** | **28,756** | **1,321,842** |
| Derivative liabilities – current | 1,448 | 25,063 | 26,511 |
| Derivative liabilities – non-current | 7,666 | 3,693 | 11,359 |
| **Total liabilities** | **773,658** | **28,756** | **802,414** |
| Revaluation reserve | 450,148 | (41,259) | 408,889 |
| Retained earnings | 79,047 | 41,259 | 120,306 |
| **Net impact on equity** | | **-** | **-** |

**Impact on income statement (increase/(decrease))**

| | 000's |
|---|---|
| **30 September 2017** | |
| Depreciation | 1,544 |
| Net fair value (gains)/losses on financial instruments | 14,931 |
| Income tax expense | (4,943) |
| **Total impact – profit after tax** | **11,532** |

**Impact on other comprehensive income/(expense)**

| | 000's |
|---|---|
| **30 September 2017** | |
| Revaluation losses on generation assets | (14,931) |
| Tax effect of revaluation losses on generation assets | 4,479 |
| **Total other comprehensive income** | **(10,452)** |

**Impact on basic and diluted earnings per share (EPS) increase/(decrease) in EPS**

| | |
|---|---|
| Basic earnings per share (cents per share) | 3.7 |
| Diluted earnings per share (cents per share) | 3.7 |

As the Group has not historically hedge accounted for the Australian PPAs, the initial recognition of the derivative value as at 31 March 2017 is required to be amortised through profit and loss over the life of the PPA. Any movements in the PPA derivative value after 1 April 2018 will be assessed for effectiveness and the effective portion taken through Other Comprehensive Income to the cash flow hedge reserve removing the ongoing volatility within the profit and loss.

## Note 15. (a) Fair value (gains)/losses on financial instruments

The changes in the fair value of financial instruments recognised in the income statement for the year to 30 September 2018 are summarised below:

**Recognised in the income statement**

| | 30 September 2018 $000 | 30 September 2017 $000* |
|---|---|---|
| Interest rate swaps | 1,670 | (860) |
| Australian purchase price agreements | (8,438) | (14,931) |
| | **(6,768)** | **(15,791)** |

**Derivative financial instruments**

| | 30 September 2018 $000 | 31 March 2018 $000* |
|---|---|---|
| **Current assets** | | |
| Interest rate swaps | 32 | - |
| Electricity derivatives | 279 | - |
| | **311** | **-** |
| **Current liabilities** | | |
| Interest rate swaps | 25 | 264 |
| Electricity derivatives | 1,560 | - |
| Australian purchase price agreements | 10,575 | 14,028 |
| | **12,160** | **14,292** |
| **Non-current assets** | | |
| Interest rate swaps | 775 | 2,471 |
| Electricity derivatives | 669 | - |
| Australian purchase price agreements | 103,018 | 98,033 |
| | **104,462** | **100,504** |
| **Non-current liabilities** | | |
| Interest rate swaps | 5,714 | 5,469 |
| Electricity derivatives | 930 | - |
| | **6,643** | **5,469** |

* Certain amounts have been restated to reflect adjustments relating to note 14.

## Note 15. (b) Fair value measurement of financial instruments

### (i) Liquidity risk

The tables below analyse Tilt Renewables financial liabilities excluding gross settled derivative financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the period end date. The amounts in the tables are contractual undiscounted cash flows.

| | Less than 1 month $000 | 1-6 months $000 | 6-12 months $000 | Over 1 year $000 | Total $000 |
|---|---|---|---|---|---|
| **As at 30 September 2018** | | | | | |
| Interest rate swaps | 50 | - | 24 | 5,890 | 5,964 |
| Electricity derivatives | - | 988 | 571 | 930 | 2,489 |
| Australian purchase price agreements | 387 | 1,934 | 8,255 | - | 10,576 |
| Accounts payable and accruals | 16,194 | 98 | - | 2,845 | 19,137 |
| Finance lease | 133 | 652 | 772 | 21,203 | 22,760 |
| Secured loans | - | 19,686 | 20,687 | 581,321 | 621,694 |
| **Total** | **16,764** | **23,358** | **30,309** | **612,189** | **682,620** |
| **As at 31 March 2018** | | | | | |
| Interest rate swaps | - | 100 | 164 | 5,469 | 5,733 |
| Australian purchase price agreements | 1,406 | 7,032 | 5,590 | - | 14,028 |
| Accounts payable and accruals | 15,473 | 81 | 98 | 2,837 | 18,489 |
| Secured loans | - | 18,809 | 19,873 | 604, 732 | 643,415 |
| **Total** | **16,879** | **26,022** | **25,724** | **613,038** | **681,665** |

### (ii) Interest rate risk

The aggregate notional principal amounts of the outstanding interest rate derivative instruments at 30 September 2018 was $461.2m of Australian and $95.0m of New Zealand principal amounts.

Interest payment transactions are expected to occur at various dates between one month and nine years from the end of the reporting period consistent with Tilt Renewables forecast total borrowings.

#### Sensitivity analysis

At 30 September 2018, if interest rates at that date had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year and other components of equity would have been adjusted by the amounts in the table below, as a result of the fair value change in interest rate derivative instruments.

| | 30 September 2018 $000 | 30 September 2017 $000 |
|---|---|---|
| Increase/(decrease) to profit of a 100 basis point decrease in interest rates | 8,439 | 9,288 |
| Increase to profit of a 100 basis point increase in interest rates | (8,815) | (9,782) |
| Increase/(decrease) to equity of a 100 basis point decrease in interest rates | 8,439 | 9,288 |
| Increase to equity of a 100 basis point increase in interest rates | (8,815) | (9,782) |

The above interest rate sensitivities would have an offsetting impact on the floating rate interest paid on borrowings.

## Note 15. (c) Fair value measurement

**Fair values**

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

**(i) Valuation techniques used to determine fair values**

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and liabilities are calculated using discounted cash flow analysis based on market-quoted rates.
- The fair value of derivative financial instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve or available forward price data for the duration of the instruments.
- Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument, the two key types of variables used by the valuation techniques are:
  - forward price curve (as described below); and
  - discount rates.

| Valuation Input | Source |
|---|---|
| • Interest rate forward price curve to value interest rate swaps<br>• Discount rate for valuing interest rate derivatives | • Published market swap rates<br>• Published market interest rates as applicable to the remaining life of the instrument adjusted by the cost of credit of the counterparty for assets and the cost of credit of Tilt Renewables for liabilities. |

If the discount rate for valuing electricity price derivatives increased/decreased by 1% then the fair value of the electricity price derivatives would have decreased/increased by an immaterial amount.

The selection of variables requires significant judgement and therefore there is a range of reasonably possible assumptions in respect of these variables that could be used in estimating the fair value of these derivatives. Maximum use is made of observable market data when selecting variables and developing assumptions for the valuation techniques. See earlier in this note for sensitivity analysis.

NZ IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy which represents the level of judgement and estimation applied in valuing the instrument:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as priced) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

There were no transfers between level 1, 2 and 3 assets or liabilities within the fair value hierarchy (March 2018: none).

The fair value for generation assets is disclosed in note 7.

## Note 15. (c) Fair value measurement (continued)

The following tables present Tilt Renewables financial assets and liabilities that are measured at fair value.

| | Level 1 $000 | Level 2 $000 | Level 3 $000 | Total $000 |
|---|---|---|---|---|
| **30 September 2018** | | | | |
| **Assets per the statement of financial position** | | | | |
| Interest rate swaps | - | 807 | - | 807 |
| Electricity derivatives | - | 948 | - | 948 |
| Australian purchase price agreements | - | - | 103,018 | 103,018 |
| | **-** | **1,755** | **103,018** | **104,773** |
| **Liabilities per the statement of financial position** | | | | |
| Interest rate swaps | - | 5,738 | - | 5,738 |
| Electricity derivatives | - | 2,489 | - | 2,489 |
| Australian purchase price agreements | - | - | 10,575 | 10,575 |
| | **-** | **8,228** | **10,575** | **18,803** |

| | Level 1 $000 | Level 2 $000 | Level 3 $000 | Total $000 |
|---|---|---|---|---|
| **31 March 2018** | | | | |
| **Assets per the statement of financial position** | | | | |
| Interest rate swaps | - | 2,471 | - | 2,471 |
| Australian purchase price agreements | - | - | 98,033 | 98,033 |
| | **-** | **2,471** | **98,033** | **100,504** |
| **Liabilities per the statement of financial position** | | | | |
| Interest rate swaps | - | 5,733 | - | 5,733 |
| Australian purchase price agreements | - | - | 14,028 | 14,028 |
| | **-** | **5,733** | **14,028** | **19,761** |

**(ii) Fair value hierarchy**

The fair value of derivative investments is recognised at level 2 fair value for interest rate swaps and electricity forwards and level 3 fair value for the Australian purchase price agreements. The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 September 2018.

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

**(iii) Fair value measurements**

The following table summarises the methods that are used to estimate the fair value of the Group's financial instruments.

| Instrument | Fair value methodology |
|---|---|
| Financial instruments traded in active markets | Quoted market prices at reporting date. |
| Long-term debt and other financial assets | Quoted market prices, dealer quotes for similar instruments, or present value of estimated future cash flows. |
| Interest rate swaps | Present value of expected future cash flows of these instruments. Key variables include market pricing data, discount rates and credit risk of the Group or counterparty where relevant. Variables reflect those which would be used by market participants to execute and value the instruments. |
| Structured electricity forwards which are not regularly traded and with no observable market price | The valuation models for long-term electricity derivatives reflect the fair value of the avoided costs of construction of the physical assets which would be required to achieve an equivalent risk management outcome for the Group. The methodology takes into account all relevant variables including forward commodity prices, physical generation plant variables, the risk-free discount rate and related credit adjustments, and asset lives. The valuation models for short-term electricity derivatives include premiums for lack of volume in the market relative to the size of the instruments being valued. |
| Australian Purchase price agreements derivatives | The discounted cash flow methodology reflects the difference in the contract price and long term forecast electricity pool prices which are not observable in the market. The valuation also requires estimation of forecast electricity volumes, the risk-free discount rate and related credit adjustments. |

## Note 15. (c) Fair value measurement (continued)

**(iv) Valuation inputs and relationships to fair value**

The following is a summary of the main inputs and assumptions used by the Group in measuring the fair value of Level 3 financial instruments.

**Discount rates:** Based on observable market rates for risk-free instruments of the appropriate term.

**Credit adjustments:** Applied to the discount rate depending on the asset/liability position of a financial instrument to reflect the risk of default by either the Group or a specific counterparty. Where a counterparty specific credit curve is not observable, an estimated curve is applied that takes into consideration the credit rating of the counterparty and its industry.

**Forward commodity prices:** Including both observable external market data and internally derived forecast data. For certain long term electricity derivatives, internally derived forecast spot pool prices and renewable energy certificate prices are applied as market prices are not readily observable for the corresponding term.

**Generation volumes:** Forecast generation volumes over the life of the instrument based on histrocial actuals.

**Liquidity premiums:** Applied to allow for the lack of volume in the market relative to the size of the instruments being valued.

**Strike premiums:** Applied to allow for instances where instruments have different strike prices to those associated with instruments that have observable market prices.

The use of different methodologies or assumptions could lead to different measurements of fair value. For Level 3 fair value measurements, a sensitivity analysis around the key unobservable inputs is given in the table below.

| Assumption | Low | High | Valuation impact AUD – 000's |
|---|---|---|---|
| **Impact on the statement of financial position 30 September 2018** | | | |
| Forward electricity price path | 10% increase in future electricity pricing | 10% reduction in future electricity pricing | -$41,124 /+ $41,124 |
| Generation volume | 10% reduction in future production | 10% increase in future production | -$9,244 /+ $9,244 |
| Discount rate – post tax | 7.75% | 6.75% | -$4,122 /+ $4,393 |

## Note 16. Subsequent and other events

**Dundonnell Wind Farm**

- On 30 October 2018 the Tilt Renewables Board approved proceeding to financial close for this project
- The Group has accepted an offer from the Victorian Government to enter into a Support Agreement in relation to approximately 37% of the output from Dundonnell Wind Farm. Under the Support Agreement, the Group will have a 15 year contract with the Victorian Government to supply electricity to the network under a contract for difference pricing mechanism.
- In addition, the Group has executed a 15 year power purchase agreement for a further 50% of the output from Dundonnell Wind Farm with an investment grade counterparty

The Group has also agreed proposed terms and conditions for a long term power purchase and services agreement with Genesis Energy Limited in association with the development of the Waverley Wind Farm.

Other than those disclosed above and elsewhere in the financial statements there have been no material events subsequent to 30 September 2018 (31 March 2018: $nil).

**Salt Creek Wind Farm**
South Australia

# DIRECTORY

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Paul Newfield
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renewables

# Interim Results for the 6 months ending 30 September 2018

30 October 2018

# Highlights for first half FY19

## Operating portfolio has capitalised on strong wind conditions….

- Delivery of 54MW Salt Creek Wind Farm under budget and on schedule (commissioned July), contributing 57GWh to 30 September 2018
- Revenue up $21.1 million on 1H FY18 due to favourable and above long-term expected wind conditions, with group production 6% up on “P50”
- Portfolio asset availability 97.3% allowed the conversion of strong wind conditions (averaging 8 m/s across TLT sites) into revenue
- Earnings Before Interest, Tax Depreciation, Amortisation, Fair Value Movements of Financial Instruments (“EBITDAF”) of $66.9 million reflected the higher production and lower development expense (net of capitalisation), partially offset by minor increases in opex and some takeover related costs
- Underlying earnings AUD 1.21 cents per share
- Net cash from operating activities of $66 million was significantly higher than prior period
- Increase in Interim Dividend to AUD 1.6c (1H FY18 AUD 1.25c) declared at lower end of payout range reflecting growth phase of the business

## … and the business is delivering the growth strategy through strategic contracting and investments

- ✓ Tilt Renewables’ delivery credibility seen as critical factor in securing two 15-year offtake contracts with investment grade counterparties
- ✓ Dundonnell Wind Farm investment approved to proceed to financial close by the end of CY2018 with 87% of output contracted
- ✓ Portfolio financing strategy demonstrates funding flexibility and allows Tilt Renewables to optimise contracting activity
- ✓ Strategic relationship with Genesis Energy to progress the Waverley Wind Farm in New Zealand towards investment decision in 1H CY19
- ✓ Remainder of the diverse pipeline continues to grow and positioned for commercialisation in the right market conditions

# Interim results – 1H FY19 Balanced Scorecard

| First half FY19 result | Units | 1H FY19 | 1H FY18* | Delta | % |
|---|---|---|---|---|---|
| Safety – rolling 12 month TRIFR | per 1M hrs | 8.2 | 0 | ● | n/a |
| Production (energy sent out) | GWh | 1,070 | 869 | ● | 23% |
| Revenue | A$M | 96.6 | 75.5 | ● | 28% |
| Generation costs | A$M | (19.6) | (14.9) | ● | 32% |
| Corporate / development costs | A$M | (10.1) | (11.3) | ● | 11% |
| EBITDAF | A$M | 66.9 | 49.3 | ● | 36% |
| Statutory Net profit after tax | A$M | 8.5 | 9.0 | ● | (6%) |
| Statutory Earnings per share | AUD cps | 2.71 | 2.87 | ● | (6%) |
| Underlying Net profit after tax | A$M | 3.8 | (2.1) | ● | 155% |
| Underlying Earnings per share** | AUD cps | 1.21 | (0.66) | ● | 155% |
| Distributions per share - Interim | AUD cps | 1.60 | 1.25 | ● | 22% |

* Certain amounts have been restated to reflect adjustments included in the interim accounts
** Underlying Earnings exclude net fair value gains/losses on financial instruments

# Market Outlook & Strategy

# Strategy – diverse market opportunities to monetise TLT's pipeline of options

## Australia

- Federal energy policy remains fluid with components of the National Energy Guarantee potentially still on the table
- Upcoming election in 2019 will be another key sign post – climate change (in response to drought) and energy are 'live' issues
- State government ambitions driving investment in VIC and development in QLD
- Some less experienced developers have been caught by transmission limitations and connection requirements


## New Zealand

- Encouraging Government policy on climate change to broaden decarbonisation efforts across the economy
- Murmurings of new capacity requirements, Huntly coal plant retirement, some demand growth (Tiwai potline) and electrification
- Interest in Waverley Wind Farm development was encouraging and resulting strategic relationship is exciting

## Other opportunities

- Opportunities to acquire partially developed sites or operating assets at end of foundation contracts will emerge
- Offtake flexibility, team capability and balance sheet strength create options

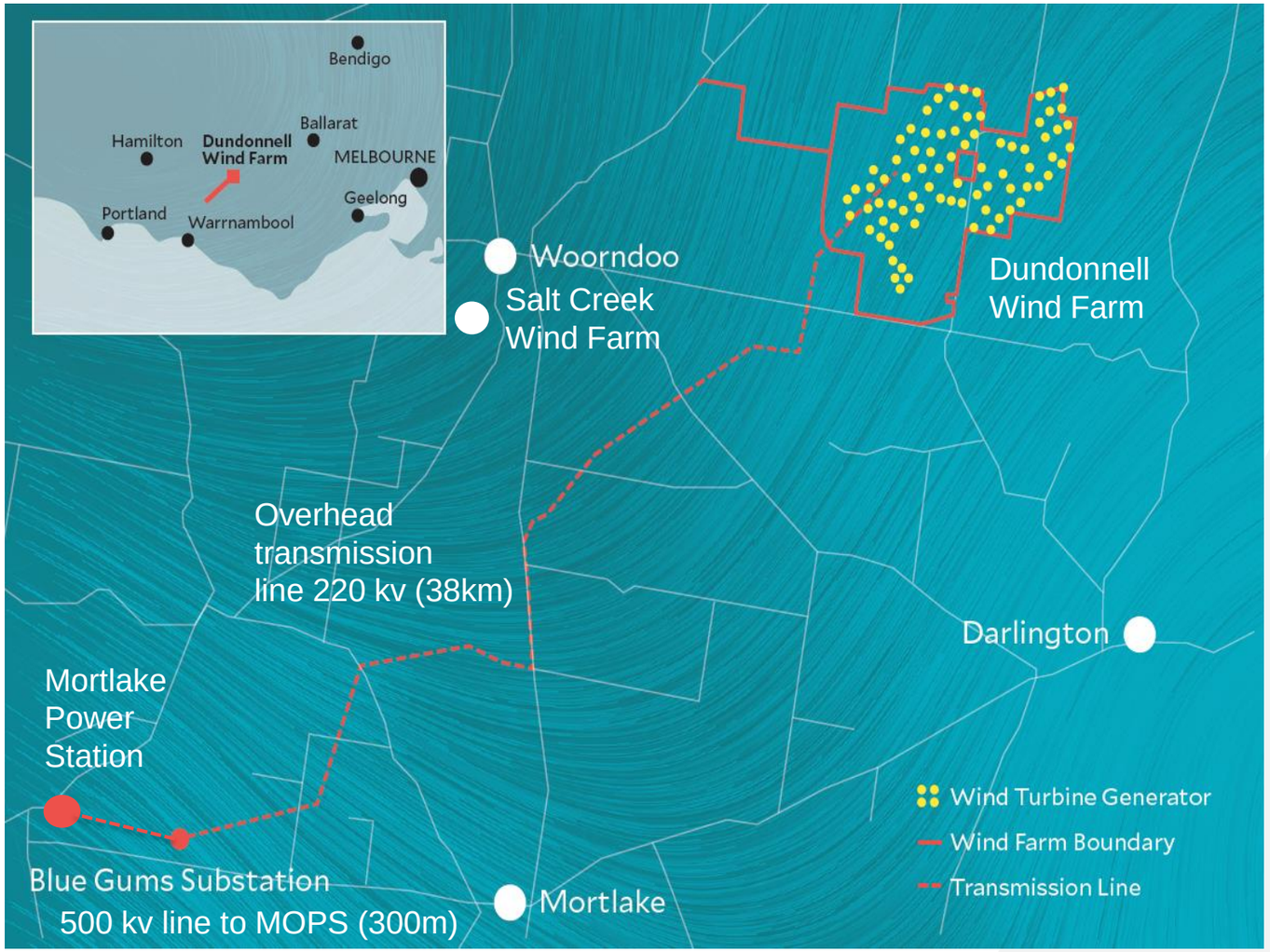
# Strategy Execution – delivery excellence at Salt Creek Wind Farm

- ✓ 54MW Salt Creek Wind Farm fully operational
- ✓ Delivered on schedule and below budget
- ✓ 7th wind farm delivered by executive team over 15 years – **we know what we are doing**
- ✓ Energy output 50% contracted to Meridian Energy in CY2018, then 100% of energy output until CY2030
- ✓ LGCs for CY2018 and CY2019 largely forward sold above $70
- ✓ 25-year fixed price operations & maintenance agreement with Vestas
- ✓ Lessons learnt through delivery will be applied to Dundonnell with the same delivery partners (Vestas, Zenviron and AusNet)

| Project stats | Salt Creek Wind Farm |
|---|---|
| HSE: recordable incidents | 3 TRIs across 228,712 hours worked |
| Wind Farm fully commissioned | July 2018 |
| Turbine commissioning | Completed for all turbines, AEMO hold-point tests completed on 29 June 2018 |
| Take-over-certificate | Issued for all turbines |
| Production | 57 GWh from July to September (Capacity Factor of 48% demonstrating the benefit of latest technology – 126 meter rotors) |

# Strategy Execution - Dundonnell Wind Farm Final Investment Decision Taken

| Project stats | Dundonnell Wind Farm (DDWF) |
|---|---|
| Capital cost | ~$560 million ^ |
| Turbines | 80 x Vestas V150-4.2MW turbines |
| Project Structure | Engineering Procure and Construct (EPC) contract with Vestas for Wind Farm and Balance of Plant; and<br>Build, Own Operate contract with AusNet Services to deliver connection assets |
| Revenue contracting | - VRET portion (29 turbines)<br>- Other contracted portion (40 turbines)<br>- Merchant portion (11 turbines) |
| Capacity | 336 MW |
| Turbine tip height / Hub height | 189m / 114m |
| P50 GWh | ~1,230 GWh |
| FID Date | Board approved 30 October 2018 |
| Target NTP | November 2018 |
| Target COD | Q3 calendar 2020 |
| Capex per MW | $1.7M per MW ^ |



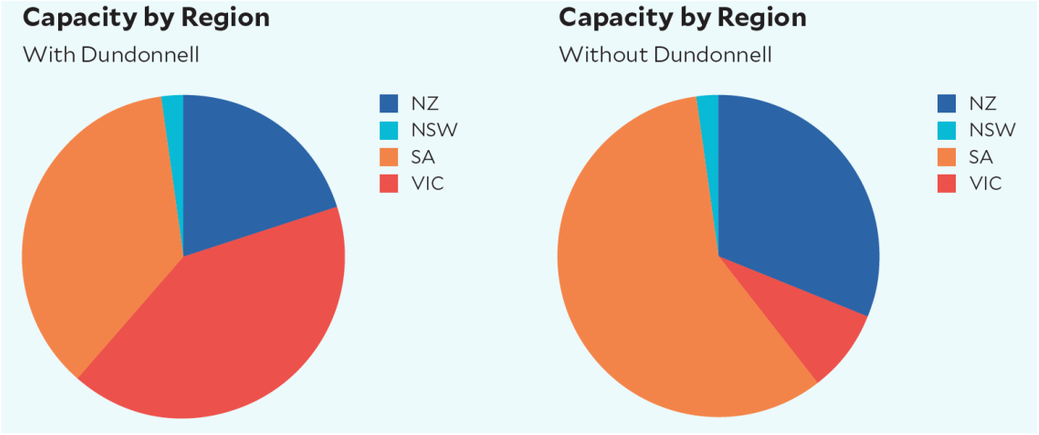

^ New connection assets will be constructed and owned by AusNet and services provided under a lease arrangement (not included in project capital costs)

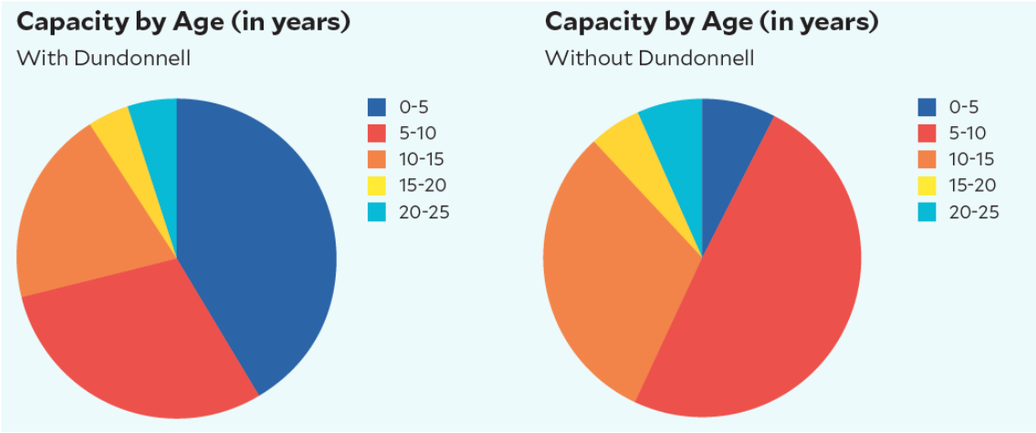
# Strategy execution - Dundonnell Wind Farm to deliver significant growth

**Key benefits of bringing Dundonnell Wind Farm into TLT portfolio**

- ~58% uplift in the P50 production across TLT portfolio
- Latest turbine technology (150m rotors), 42% capacity factor
- Additional resource and grid diversification into Victoria
- Prolongs TLT turbine fleet average remaining life by ~5 years
- 98% turbine availability warranty is highest across portfolio
- 25-year Operations & Maintenance agreement with Vestas

| Metric | Current Portfolio | Portfolio + DDWF |
|---|---|---|
| Installed capacity | 636MW | 973MW |
| Turbines | 322 | 402 |
| P50 production | ~2,120 GWh | ~3,350 GWh |
| P50 capacity factor | 38.1% | 39.3% |
| Average remaining life (weighted by MW) | 17.8 years | 22.8 years |
| Average remaining life (weighted by # of turbines) | 14.7 years | 18.1 years |



# Strategy execution – high quality, long term revenue contracting

- Tilt Renewables has a strong contracting position, with the majority of production contracted out to 2035
- Tilt Renewables' PPA counterparties are Tier 1 retailers in Australia/New Zealand and Victorian Government
- Residual uncontracted production is managed through short-term LGC and energy contracts in forward ASX or 'Over-The-Counter' markets

**At demerger**

origin

Trust power

**Strong counterparties added**

meridian

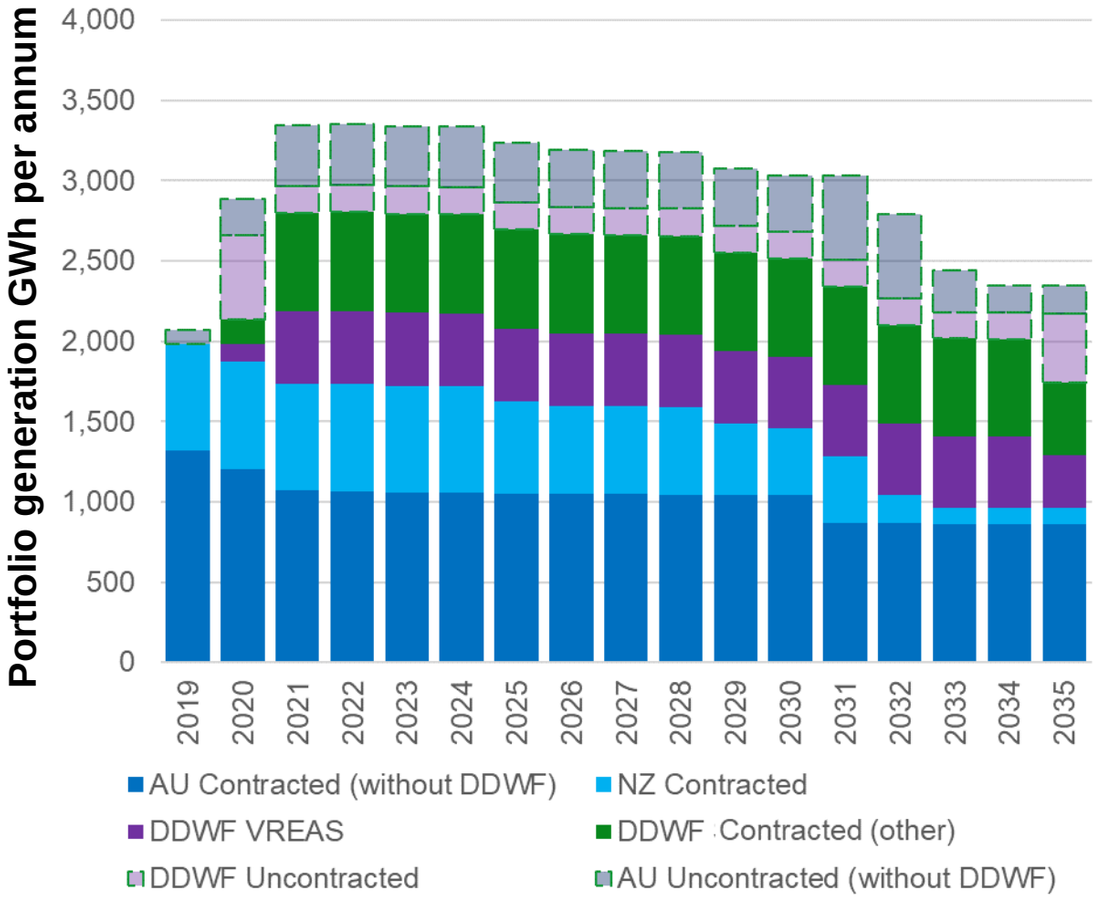
VICTORIA State Government

**Partnering with others**

Un-named counterparty ( investment grade )

genesis

## Revenue contract mix including Dundonnell WF




Source: Tilt Renewables indicative P50 production offtake profile

# Dundonnell Wind Farm – Funding and Next steps

## Prior funding approach remains unchanged

- Construction debt fully underwritten and credit approved
- Equity fully underwritten (timing of raise likely to occur in early 2019)
- Arrangements in place to cover the funding requirement at Financial Close
- Expected split of debt and equity will not materially change portfolio gearing levels

## Next steps

- Finalise financing due diligence and approvals
- Execute all key project contracts, hedging and achieve first debt drawdown at Financial Close

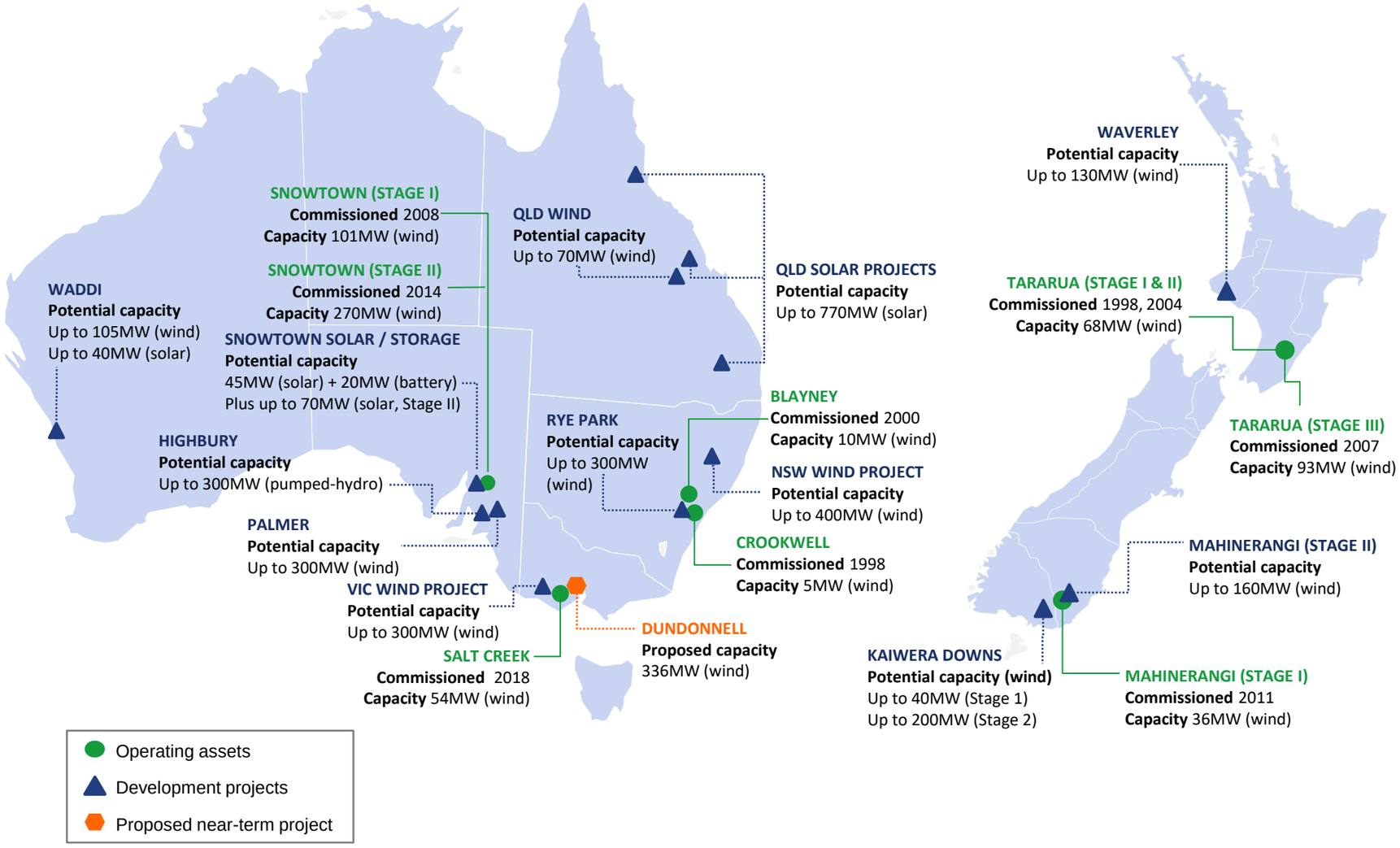
# Development Pipeline

# Development pipeline overview

## Tilt Renewables – 636 MW operational across 322 turbines → 973 MW with Dundonnell across 402 turbines

### Investment highlights

- Tilt Renewables is a significant and established owner, operator and developer of wind farm assets, with an operating portfolio of 636 MW of assets located in high wind resource regions and 336 MW of wind to commence construction in near term
- Tilt Renewables has a high level of contracted revenue, with counterparties including Origin Energy, Meridian, Victorian State government and Trustpower providing stable and predictable cashflows
- Tilt Renewables has a development pipeline of more than 3.1 GW of wind, solar and storage projects across Australia and NZ, of which 2GW is consented
- Tilt Renewables management team and Board have extensive renewables energy development and operational expertise
- Australia and New Zealand remain attractive long-term investment markets for renewable energy underpinned by generation capacity renewal (Australia) and decarbonisation policies (NZ)
- Long-term expansion of Australia and New Zealand renewable energy generation capacity is supported by global trends toward decarbonisation, replacement of existing thermal generation capacity and continue technology / cost advances

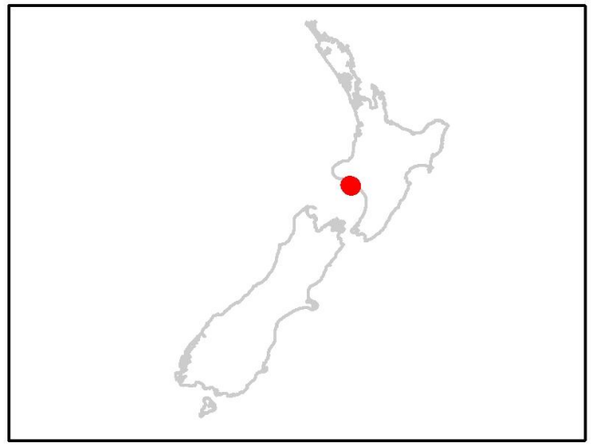


# Development pipeline – near term NZ opportunity with Waverley Wind Farm

- **Tilt Renewables has made good progress advancing the development of Waverley Wind Farm**
  - Obtained all development and environmental approvals
  - Advanced discussions for long-term offtake with partly Government-Owned Utility, Genesis Energy

- **Project Highlights:**
  - Expected capacity of ~100 MW (consented up to 130 MW)
  - Wind turbine tip height up to 160 meters
  - Excellent wind resource
  - Shovel and investment-ready by mid-2019

| Key project stats | Waverley Wind Farm |
|---|---|
| Installed capacity | Approval for up to 48 wind turbines, up to 130 MW |
| Annual production | ~400 GWh lifetime average (100MW layout) |
| Energy produced | Sufficient to power approximately 48,000 homes |
| Capacity factor | ~42% average |
| Construction period | 18 months |
| Anticipated timing | Final investment decision first half of CY 2019 |



**Legend**

- Site Boundary
- EBZ Constraint
- Coastal Protection Area
- Proposed Transmission LIne

Source: Tilt Renewables,

## Interim Financial Results

- Operating performance
- Financial performance
- Treasury and dividend

# Operational performance overview

## Operating performance

- YTD production from the Australian assets was 20% higher compared to the prior corresponding period due to higher wind and also due to the Salt Creek Wind Farm being fully operational from July. The Salt Creek Wind Farm produced 57 GWh from July to September, 9% above long-term expectation.
- AEMO 1295MW constraint on SA wind production at times when high wind coincides with gas generators being offline. Impact on Snowtown I/II production since April 2018 is ~41GWh curtailed
- 4% higher average price per MWh achieved

## Health, safety, environment (HSE) and community

- Management focused on delivering zero incidents across 3 asset life phases – Development | Construction | Operations
- TRIFR increased due to incidents at operational and construction assets
- HSE reporting "looks through" into contractor HSE performance to reinforce Tilt Renewables' safety culture across the assets
- Stakeholder engagement with our host communities continues at Salt Creek into the operational phase with lessons learned to be applied to Dundonnell

## Asset performance – 6 months ending 30 September

| | 1H FY19 | 1H FY18 | △% vs prior period | △% vs long-term expectation |
|---|---|---|---|---|
| Australia (GWh) | 712 | 591 | 20% | 4% |
| New Zealand (GWh) | 358 | 278 | 29% | 10% |
| **Group Production** | **1,070** | **869** | **23%** | **6%** |
| Australia (A$M) | 72.6 | 56.3 | 29% | 4% |
| New Zealand (A$M) | 24.0 | 19.2 | 25% | 12% |
| **Group Revenue** | **96.6** | **75.5** | **28%** | **6%** |

## Safety performance – rolling 12 months ending 30 September

| Measure | 12 month performance |
|---|---|
| Total recordable injury frequency rate (TRIFR) [1] | 19.2 per million work hours |
| Lost time injury frequency rate (LTIFR) [2] | 8.2 per million work hours |
| Lost time injuries (LTI) | 3 |

**Notes:**

Safety incident frequency rates are measured on a rolling 12-month basis including contractor statistics.

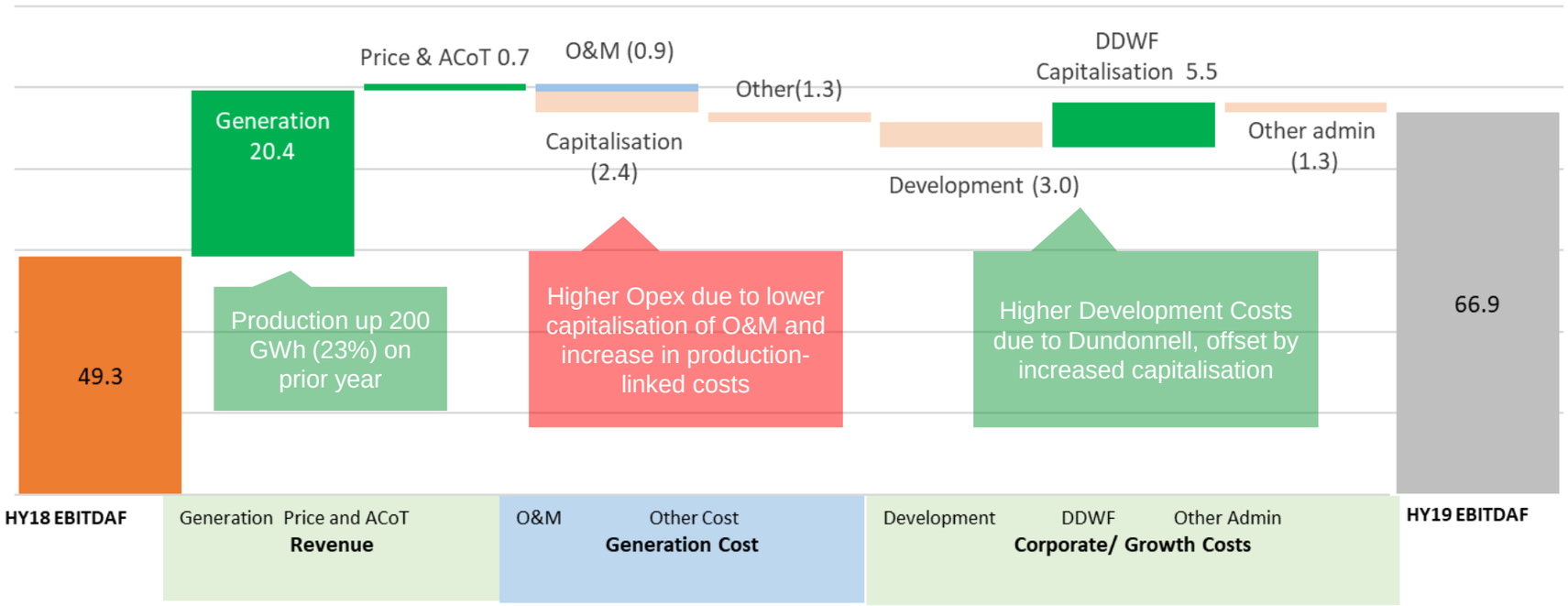
(1) TRIFR is calculated as the number of lost time injuries and applicable medical treatment incidents multiplied by 1 million divided by total hours worked

(2) LTIFR is calculated as the number of LTIs multiplied by 1 million divided by total hours worked

# Financial Performance - variance to prior period

- 1H FY19 EBITDAF of $66.9 million was $17.6M or 36% up on the prior period, predominantly due to increased production and development cost capitalisation. These increases were partially offset by increased generation and admin costs.

**Group EBITDAF**
**A$M**



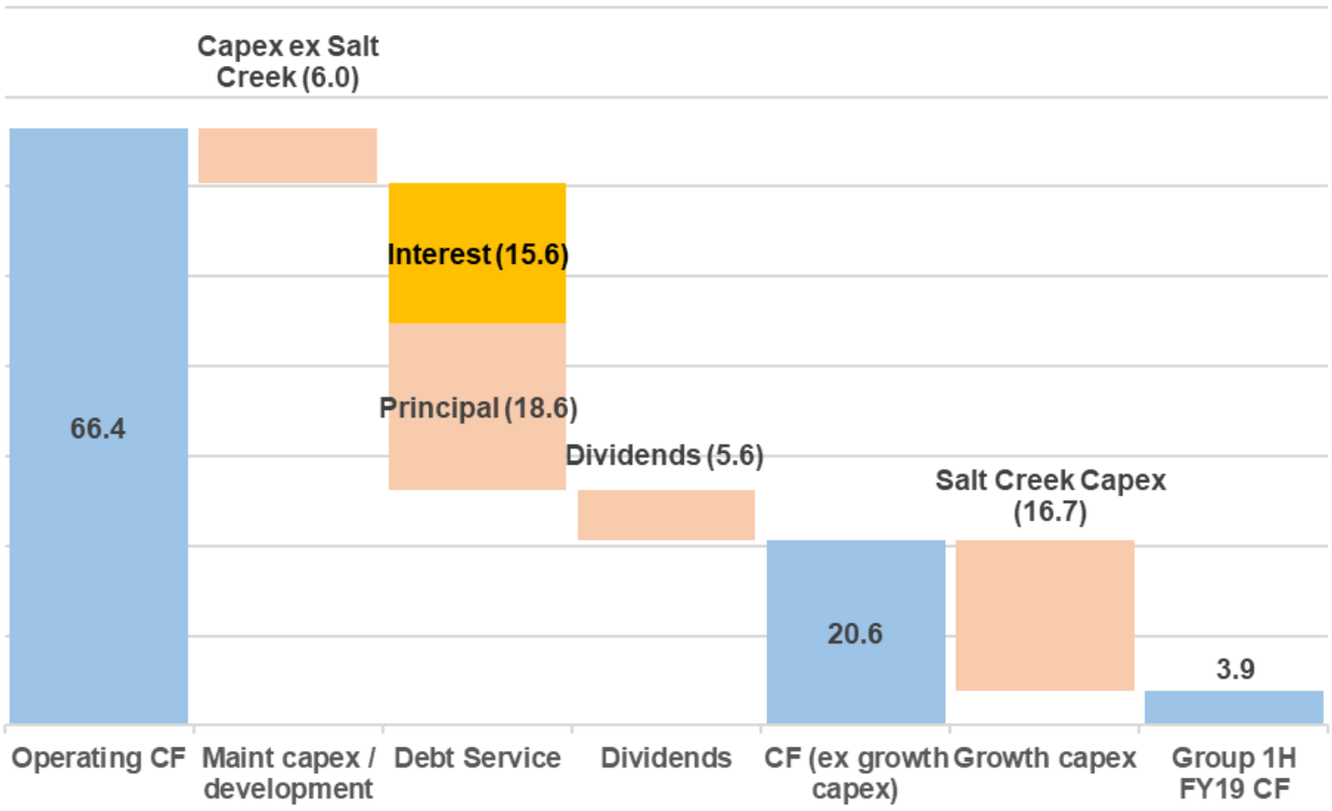

- 1H FY19 NPAT was a profit of $8.5M (Underlying earnings $3.8M), noting that additional variances (beyond that noted in EBITDAF above) are due to slightly higher depreciation versus prior year and a higher tax expense

# Treasury - Cash position, debt ratios and dividend

- Total cash position of $50M at 30 September 2018
- Net cash flow generated from operating activities of $66M in the 6 months to 30 September impacted by:
  - Above average wind production in AU and NZ
- Net Debt at 30 September 2018 was $591M
- Development spend increase due to Dundonnell activity

| Debt ratios | 31 Mar 2018 | 30 Sep 2018 |
|---|---|---|
| EBITDAF (last 12 months) | $104M | $121M |
| Gearing (Net debt / (Net debt + equity)) | 54% | 59% |
| Net Debt / EBITDAF | 5.7x | 4.9x |
| EBITDAF / Interest expense | 3.4x | 3.9x |

**Cash flow waterfall (A$M) – 6 months to 30 September 2018**




- Tilt Renewables has declared an AUD 1.60 cents per share interim dividend with a record date of 16 November 2018 and payment date of 30 November 2018. Interim dividend payout ratio (based on normalised Operating Cash Flow after debt service) sits within the guidance range of 25 to 50% for the 6 months to 30 September 2018

# Financial Performance - Balance Sheet

| Summary Balance Sheet – A$M | Sep-18 | Mar-18 Restated | △ equity |
|---|---|---|---|
| Cash | 50 | 46 | 4 |
| Receivables & prepayments | 30 | 34 | (4) |
| Property, Plant & Equipment (PPE) [1] | 1,026 | 1,171 | (145) |
| Financial instruments [2] | 105 | 101 | 4 |
| **Total assets** | **1,211** | **1,352** | **(141)** |
| Bank loans [3] | 618 | 639 | 21 |
| Payable and accruals | 19 | 19 | - |
| Finance lease | 23 | - | (23) |
| Financial instruments | 19 | 20 | 1 |
| Other liabilities | 4 | 2 | (2) |
| Deferred tax liability | 116 | 162 | 46 |
| **Total liabilities** | **799** | **841** | **42** |
| **Net assets / Total equity** | **412** | **510** | **(98)** |

(1) Includes $571k of intangible assets
(2) Financial instrument (assets & liabilities) include interest rate swap, electricity price swap/cap and PPA derivatives
(3) Includes outstanding bank debt less capitalised financing costs

## Key impacts of accounting treatments at 30 September 2018

- Derivative accounting for Australian power purchase agreements (PPA)
- PPE revaluation - Carrying value adjustment for generation assets
- Finance lease – new Salt Creek connection asset (25-year contract with AusNet)

- PPE movement $(145M)
  - Additions: $47M Salt Creek completion including transmission line $42M; other additions including WIP $5M
  - Revaluation: $(140M) including $(129M) carrying value period end adjustment and $(12M) new derivative treatment of power purchase arrangements
  - Other movements: $(52M) from depreciation, FX revaluation and asset disposals
- Bank loan movement $21M
  - No additional loan drawdowns in the period and a net $21M of debt principal repayments
- Financial lease movement $(23M)
  - Liability recognised for Salt Creek transmission line finance lease
- Deferred tax liability movement $46M
  - Impacted by the combination of accounting adjustments for the new derivative treatment of power purchase arrangements and the period ending carry valuation adjustment to the generation assets

# Notes on financial information

Notes on currency conventions

1. All financial information in this publication is presented in Australian dollars unless otherwise specified.

Notes on non-GAAP Measures

2. EBITDAF is a non GAAP financial measure but is commonly used within the energy and infrastructure sectors as a measure of performance as it shows the level of earnings before the 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 deposits held with those providers and is defined as bank loans less cash at bank.

4. Balance sheet gearing is defined as Net Debt over the sum of Net Debt plus Equity

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