



Market Announcement

14 September 2016

Trustpower - suspension and redemption of quoted bonds

Redemption

As announced to the market previously, the shareholders of Trustpower Limited (**Trustpower**) have approved the separation of Trustpower into two New Zealand incorporated listed companies (**Demerger**). The two companies will be Bay Energy Limited (to be renamed Trustpower Limited, **New Trustpower**), which will own Trustpower's New Zealand and Australian hydro power generation and New Zealand multi-product retailing businesses, and Tilt Renewables Limited, which will own Trustpower's Australian and New Zealand wind farm assets and wind and solar development projects.

Trustpower has the following four series (**Series**) of NZX Debt Market quoted bonds on issue (**TPW Bonds**):

| Series | NZDX Code | Amount | Maturity | Coupon | Ranking |
|----------|------------------------|--------|----------|--------|--------------|
| Series 1 | TPW090 | \$65m | 15/12/16 | 8.00% | Senior |
| Series 2 | TPW100 | \$75m | 15/12/17 | 7.10% | Senior |
| Series 3 | TPW110 | \$140m | 15/09/19 | 6.75% | Subordinated |
| Series 4 | TPW120 | \$105m | 15/12/21 | 5.63% | Senior |

The terms of the TPW Bonds are set out in a master trust deed dated 30 October 2009 (as amended by a deed of amendment dated 25 July 2012) (**MTD**) between Trustpower as issuer and Trustees Executors Limited (**Trustee**) as trustee, and in separate "Series Supplements" for each Series of TPW Bonds dated 26 November 2009 (Series 1), 17 September 2010 (Series 2), 25 July 2012 (Series 3) and 17 November 2014 (Series 4) (together the **Bond Documents**).

Trustpower may elect to redeem the TPW Bonds in accordance with the terms of the Bond Documents, and indicated its intention (in the scheme booklet for the Demerger which was announced via the NZX on 18 August 2016) to redeem each Series of TPW Bonds prior to the implementation date for the Demerger.

The date on which a formal redemption notice is expected to be given is 6 October 2016, and the expected redemption date is 13 October 2016.

Redemption amount payable

Each Series of TPW Bonds has been suspended from trading from the date of this announcement, and will remain suspended until the redemption date for the TPW Bonds. As a result, the amount payable to holders of TPW Bonds (**Bondholders**) on redemption of the TPW Bonds will be (in accordance with the terms of the Bond Documents) the sum of:

- (a) the average price (net of accrued interest) of the applicable Series of TPW Bonds for the pricing period commencing on 22 September 2016 and ending on 5 October 2016, as

determined by Deloitte (the Independent Advisor selected by the Trustee in accordance with the terms of the MTD);

- (b) all accrued but unpaid interest in respect of the TPW Bonds as at 13 October 2016; and
- (c) any other amount due and payable in respect of the TPW Bonds,

less all withholding tax and other withholdings or deductions required to be made.

A report from Deloitte calculating component (a) above (the average price net of accrued interest for each Series of TPW Bonds) will be released to the market on 6 October 2016.

Illustrative example

The final redemption price payable for each Series of TPW Bonds will not be determined until the formal redemption notice is sent to Bondholders on 6 October 2016.

In order to give Bondholders some indication of what the redemption price might be (excluding any required withholdings or deductions), set out below is an illustrative example calculation of the redemption price (net of accrued interest) for each Series calculated on the basis of the following assumptions:

- (a) the redemption date for each Series of TPW Bonds is the date of this announcement (14 September 2016);
- (b) the date on which formal notice of redemption was given was 7 September 2016;
- (c) the pricing period for the purpose of calculating the redemption price commenced on 24 August 2016 and ended on 6 September 2016; and
- (d) the TPW Bonds were trading throughout the pricing period and accordingly the redemption price was calculated using the volume weighted average price of all trades of TPW Bonds of that Series through the NZX over that pricing period.

On the basis of the assumptions above, the redemption price (ie the average price net of accrued interest) for each Series of TPW Bonds (excluding any required withholdings or deductions) would be:

| Series | NZDX Code | Illustrative example redemption price per TPW Bond (excluding accrued interest)* |
|---------------|------------------------|---|
| Series 1 | TPW090 | \$1.011 |
| Series 2 | TPW100 | \$1.043 |
| Series 3 | TPW110 | \$1.075 |
| Series 4 | TPW120 | \$1.075 |

**Rounded to three decimal places*

Tax Consequences of Redemption

The amount by which the redemption price per TPW Bond exceeds the face value of \$1.00 will be interest income of the holder and will be subject to the same withholding tax treatment as regular interest payments on the TPW Bonds.

There may be other tax consequences for holders of TPW Bonds as a result of the redemption of the TPW Bonds. For example, where the Bondholder is subject to the financial arrangements rules in the Income Tax Act 2007, the excess of the redemption price over the price paid by the Bondholder for each TPW Bond will be taken into account as income under the financial arrangements rules.

Holders of TPW Bonds should seek advice from a tax adviser as to the tax implications for them in relation to the redemption.

Exchange Offer and Priority Pool Offer

Holders of TPW090 Bonds may elect to participate in a priority pool for an offer of new bonds to be undertaken by New Trustpower. The terms of that offer are discussed in a product disclosure statement dated 14 September 2016 (PDS), which will be available at www.business.govt.nz/disclose and also on the NZX website (www.nzx.com/markets/NZSX/securities/TPW/announcements) or by contacting a Joint Lead Manager (details below) or other financial adviser, and must be obtained by investors before they decide to acquire any bonds. As the priority pool will only be available to holders of TPW090 Bonds, each participating TPW090 Bondholder will receive one new New Trustpower bond for each TPW090 Bond they hold, and there will be no scaling.

Holders of TPW100 Bonds, TPW110 Bonds and TPW120 Bonds may elect to exchange their TPW Bonds for new bonds to be issued by New Trustpower that have the same interest rate, maturity date and ranking as the TPW Bonds they currently hold. The details of that exchange offer for the TPW100 Bonds and TPW120 Bonds are set out in the PDS and there is another PDS for the subordinated bonds that New Trustpower will offer in exchange for the TPW110 Bonds. For investors that elect to exchange, their TPW Bonds will be cancelled and New Trustpower undertakes to issue a corresponding New Trustpower bond following the implementation of the demerger for each TPW Bond that is to be exchanged.

The subordinated bonds PDS will also be available at www.business.govt.nz/disclose and on the NZX website (www.nzx.com/markets/NZSX/securities/TPW/announcements) or by contacting a Joint Lead Manager or other financial adviser, and must be obtained by investors before they decide to acquire any bonds.

No money is currently being sought in respect of the offer of New Trustpower bonds, and those new bonds cannot currently be applied for or acquired. If the offer of New Trustpower bonds is made, that offer will be made in accordance with the Financial Markets Conduct Act 2013.

Should an investor have any questions regarding this announcement please contact Computershare on (09) 488 8777 or by email at trustpower@computershare.co.nz, a Joint Lead Manager or a financial adviser.

Ends

For further information please contact:

Joint Lead Managers:

Deutsche Craigs Limited
0800 226 263

Bank of New Zealand
0800 284 017

Forsyth Barr Limited
0800 367 227