



**Bond Issue
Offer Briefing
September 2016**

**ALL IN
A DAY'S**

WORK

Disclaimer

This presentation has been prepared by Bay Energy Limited (**New Trustpower**) in relation to an offer of unsubordinated, unsecured debt securities (**Senior Bonds**) and an offer of subordinated, unsecured debt securities (**Subordinated Bonds**), and collectively **New Bonds**. Full details of the Offer of Senior Bonds and the Offer of Subordinated Bonds are contained in separate product disclosure statements (**PDSs**), both of which were lodged on 14 September 2016. Both are available through www.business.govt.nz/disclose or by contacting a Joint Lead Manager or other Primary Market Participant, and must be obtained by investors before they decide to acquire any New Bonds

Capitalised terms used but not otherwise defined in this presentation have the meanings given to them in the PDSs

The information provided in this presentation is not investment advice and has been prepared without taking into account an investor's investment objectives, financial situation or particular needs (including financial and taxation issues). Investors should carefully read and consider the relevant PDS in full and seek advice from their financial adviser or other professional adviser before deciding to invest in any New Bonds. Any decision by a person to apply for any New Bonds should be made on the basis of information contained in the relevant PDS and an independent assessment as to whether to invest, and not in reliance on any information contained in this presentation

This presentation is not a product disclosure statement, disclosure document or other offer document under New Zealand law or under any other law. This presentation is not, and does not constitute, financial advice, an offer to sell or the solicitation, invitation or recommendation to purchase any securities and neither this presentation nor anything contained herein shall form the basis of any contract or commitment. All reasonable care has been taken in relation to the preparation and collation of this presentation. Except for statutory liability which may not be excluded, no person, including New Trustpower, Trustpower Limited (**Trustpower**) or any person mentioned in this presentation accepts responsibility for any loss or damage howsoever occurring resulting from the use of or reliance on this presentation by any person

Past performance is not indicative of future performance and no guarantee of future returns is implied or given

The distribution of this presentation, and the offer or sale of New Bonds, may be restricted by law in certain jurisdictions. Persons who receive this presentation outside New Zealand must inform themselves about and observe all such restrictions. Nothing in this presentation is to be construed as authorising its distribution, or the offer or sale of New Bonds, in any jurisdiction other than New Zealand and New Trustpower and Trustpower accept no liability in that regard. New Bonds may not be offered or sold, directly or indirectly, and neither this presentation nor any other offering material may be distributed or published, in any jurisdiction except under circumstances that will result in compliance with any applicable law or regulations

To the maximum extent permitted by law, neither New Trustpower, Trustpower, the Arranger nor the Joint Lead Managers, or their respective affiliates, directors, officers, partners, employees, advisers and agents of each of them, make any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied in connection with the New Bonds and accept no responsibility or liability therefor. Neither New Trustpower, Trustpower, the Arranger nor the Joint Lead Managers accept any responsibility or obligation to inform you of any matter arising or coming to their notice, after the date of this presentation, which may affect any matter referred to in this presentation



What's happening

- The Demerger of Trustpower Limited into New Trustpower (Bay Energy Limited will be renamed Trustpower Limited following the Demerger) and Tilt Renewables
- All \$385 million of Trustpower's existing NZDX quoted bonds (**TPW Bonds**) are being redeemed or (if exchanged) cancelled on or about 13 October 2016
- New Trustpower is issuing four series of new bonds (**New Bonds**)
- Series 3 of the New Bonds is a new offer of 2022 senior bonds being offered to all New Zealand resident investors (the **General Offer**)
 - Up to \$50 million plus up to \$50 million oversubscriptions of new money
 - In addition holders of the existing TPW090 bonds (the 2016 senior bonds) are being given a priority right to participate in the General Offer (the **Priority Pool**) for up to \$65 million (in addition to the \$100 million above). For each TPW090 bond held, investors can subscribe for and will be issued one New Bond
- Holders of all the other TPW Bonds (TPW100, the 2017 senior bonds; TPW110, the 2019 subordinated bonds; and TPW120 the 2021 senior bonds) are being given the right to exchange their TPW Bonds for New Bonds that have the same ranking, maturity date and interest rate as their TPW Bonds (the **Exchange Offer**)
 - Series 1 Senior exchange from TPW100 \$75 million
 - Series 2 Senior exchange from TPW120 \$105 million
 - Series 4 Subordinated exchange from TPW110 \$140 million





WORKING
SAFER

New Trustpower

Overview of New Trustpower

Overview

427 MW of hydro generation in New Zealand
(approximately 8% of New Zealand's installed hydro capacity)

92 MW of hydro generation in Australia

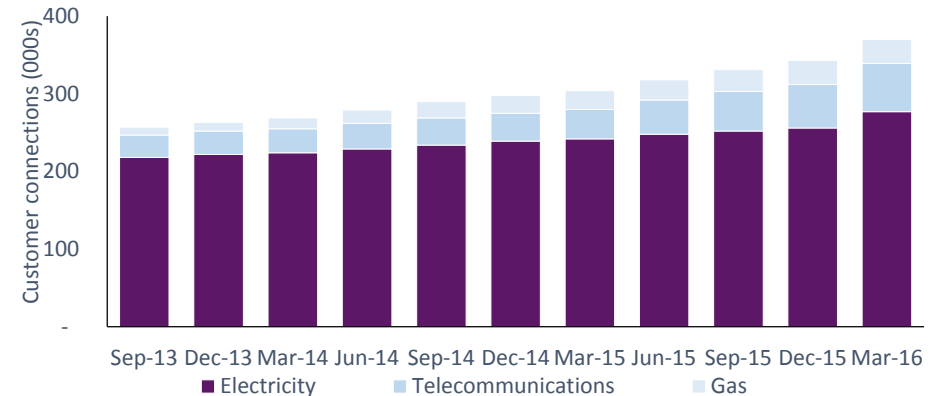
New Zealand's fourth largest energy retailer with approximately 13% of total New Zealand electricity connections

A multi product retail business comprising approximately

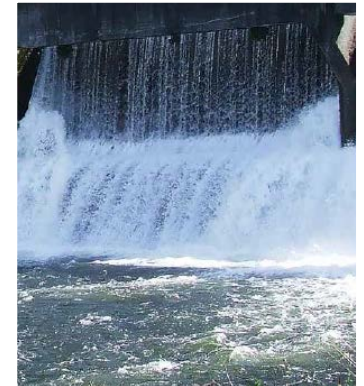
- 280,000 electricity connections
- 31,500 gas connections and
- 65,000 telephone and broadband connections

Approximately 750 full time equivalent employees

Trustpower customer connections by segment



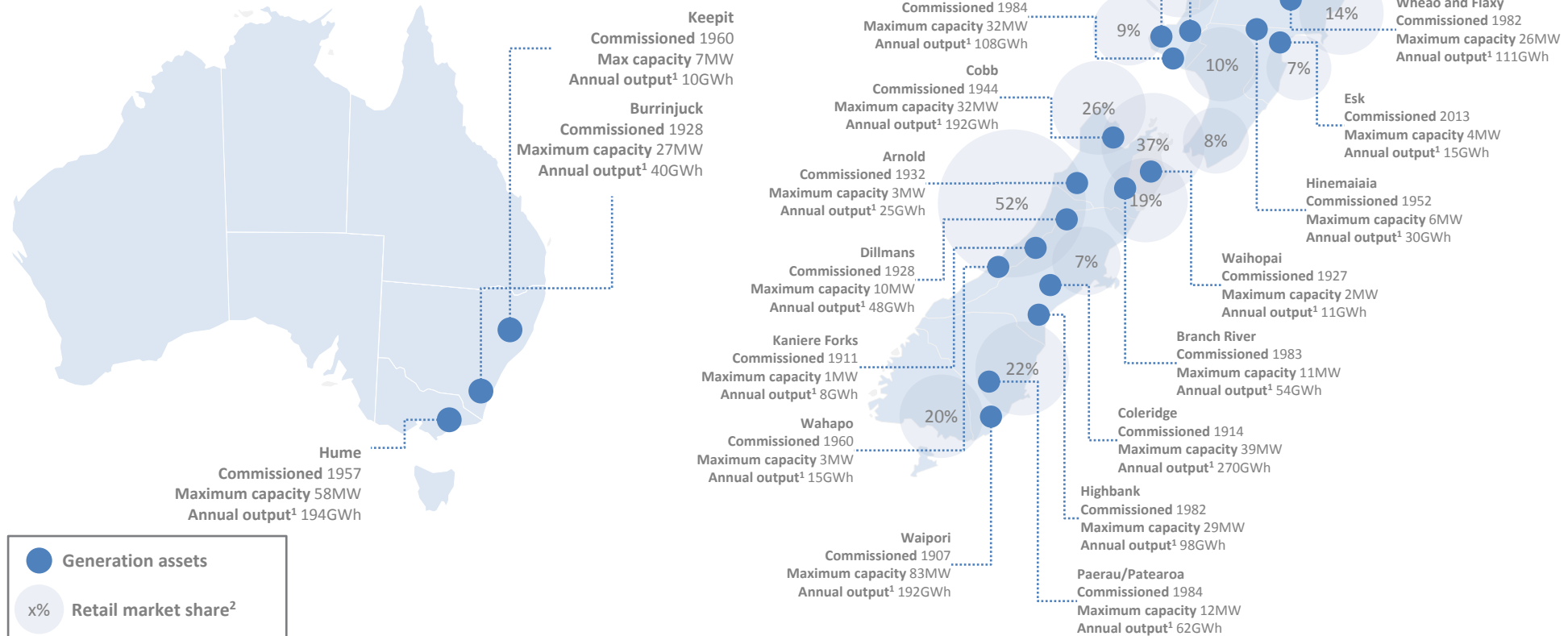
Coleridge Power Station



Arnold Power Station



New Trustpower's Australasian generation assets and customer market share



Notes:

- 1 Based on average annual output
- 2 Retail market share based on Electricity Authority Customer connections as at 31 March 2016
- 3 The percentage figures in the map reflect the percentage of customers in each region who are Trustpower electricity customers (circle size relative to approximate numbers of customers)
- 4 Excludes generation assets of King Country Energy

Source: Electricity Authority as at 31 March 2016



New Trustpower's strategy

Overview

- The key features of New Trustpower's business strategy are:
 - executing New Trustpower's multi-product retail strategy by adding both customers and products per customer
 - taking advantage of opportunities created by new technology to improve customer experience and develop new products and services
 - optimising the value created by New Trustpower's existing hydro generation assets in Australia and New Zealand
 - making acquisitions which are aligned with New Trustpower's existing business and where New Trustpower can add value

It pays to get
it together.



New Trustpower retail – customer growth FY 2016

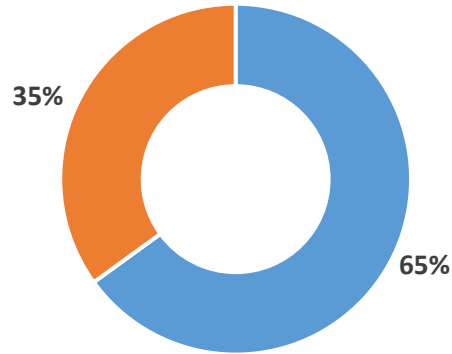


- Customer numbers up 14.5%
- Successful brand and entry strategy in urban markets

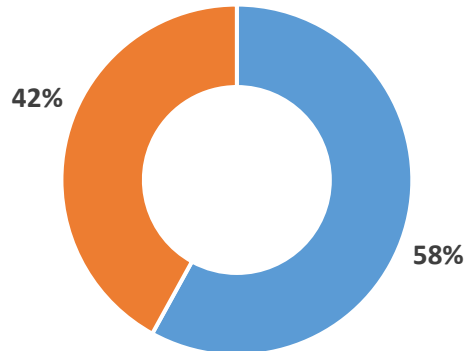


Multi product – targets being met

March 2016



March 2017 (Target)



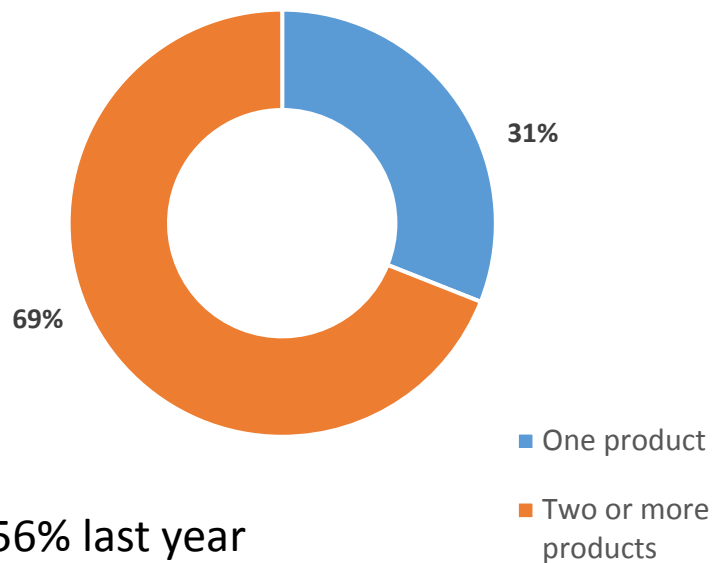
■ One product
■ Two or more products



New metro-markets – bundle take exceeds expectations

Overall Campaign Conversion

1 April 2016 – 31 July 2016



Up from 56% last year



King Country Energy a positive addition

- Trustpower holds 64.5% of KCE acquired at an offer price of \$4.78 per share which will transfer to New Trustpower as part of the demerger
- KCE owns and operates 5 hydro stations with a combined installed capacity of 54MW and generates around 190GWh/pa
 - The Mangahao power scheme located near Palmerston North is the most significant generation asset with an installed capacity of 39.8MW
- KCE's retail business serves approximately 17,500 largely provincial customers
 - KCE's churn rate is about half market average.
- King Country Energy Power Trust partnership is positive



Mangahao Power Scheme



Strategic focus FY 2017

- Maintaining momentum for the Trustpower Brand in Energy and Telco Markets
- Integrating the Energy Direct brand into the Trustpower brand
- Maximising value from our existing asset base
- Completing the demerger and supporting Tilt Renewables in the transition
- Ensuring our people are safe and we are responsible guardians of the environment

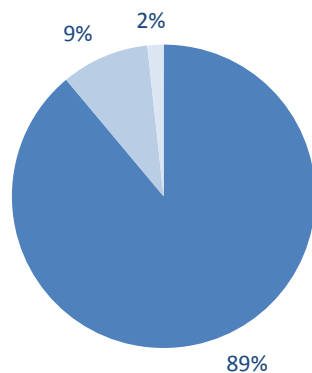


Financial summary

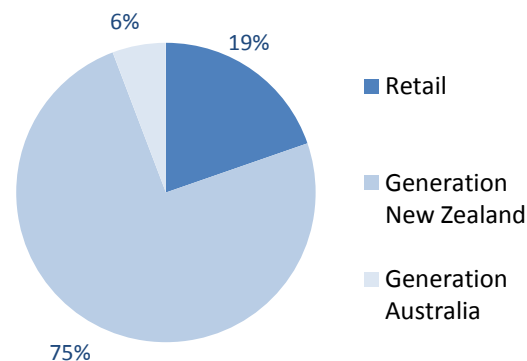
New Trustpower summary pro forma historical financial information

NZ\$m	FY2014	FY2015	FY2016
Generation production (GWh)	2,046	2,035	2,047
Generation capacity (MW)	570	570	570
Revenue	821	920	947
EBITDAF*	234	224	213
Net profit before tax			116

New Trustpower pro forma 2016
revenue by segment



New Trustpower pro forma 2016
EBITDAF by segment



* EBITDAF has declined due primarily to low demand due to mild weather and increased investment in acquiring multiproduct customers



Capital structure

Key ratios taken from the New Trustpower pro forma 2016 financial information

- Debt:Debt + Equity 35%
- Debt/EBITDAF 3.46 times
- EBITDAF/Interest 5.63 times

Dividend payout expected to be in the range of 70% to 90% of free cash flow on average over time

New Trustpower has no current expectations to make capital expenditure above its ongoing maintenance capex of \$20-30 million p.a.

It therefore intends over time to reduce its gearing to be more in line with its peer group i.e. a Debt/EBITDAF ratio of < 3.0 times





WORKING
SAFER

Offer Process

Key Terms of the 2022 General Offer Bonds

Issuer	Bay Energy Limited (to be renamed Trustpower Limited) (New Trustpower)
Type of bond	Unsecured unsubordinated fixed rate bonds (Bonds)
Purpose of the General Offer	The purpose of the General Offer is to raise money for the general corporate purposes of the New Trustpower Group, including repaying bank debt incurred in connection with the Demerger
Issue size	Up to \$50 million with the ability to accept oversubscriptions of up to \$50 million at the Issuer's discretion, plus a \$65 million Priority Pool
Offer components	<p>A General Offer open to investors resident in New Zealand of up to \$165 million comprising:</p> <p>1: up to \$100 million (including at New Trustpower's discretion \$50 million of oversubscriptions) reserved for two pools:</p> <ul style="list-style-type: none">• the first for subscription by clients of (among others) Joint Lead Managers and Primary Market Participants; and• the second, at New Trustpower's discretion, for subscription by existing TPW090 Bondholders that wish to participate in the General Offer <p>with the final size of each of the two pools (which may aggregate to less than \$100 million) to be determined by New Trustpower and announced on or about 23 September 2016; and</p> <p>2: a Priority Pool of up to \$65 million for holders of Trustpower's TPW090 bonds</p>
Maturity date	15 December 2022 (6 years)
Interest rate	The Interest Rate for the Bonds will be determined on 23 September 2016 by New Trustpower
Interest payment dates	15 March, 15 June, 15 September and 15 December in each year
Minimum subscription amount	\$5,000 and in multiples of \$1,000 thereafter
Guarantee	At the Issue Date, the sole Guarantor will be GSP Energy Pty Limited under the Negative Pledge Deed
Issue Price	\$1.00 per Bond
Issue Date	26 October 2016
Quotation*	Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market under the ticker code TPW150

** All the requirements of NZX relating to that quotation that can be complied with on or before the date of this presentation have been fully complied with. However, the New Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this presentation. The NZX Debt Market is a licensed market operated by NZX, which is a licensed market operator, regulated under the FMC Act.*



The Offers¹

1 General Offer - priority pool

- All New Zealand resident existing holders of TPW090 Bonds will be sent personalised letters and a hard copy of the Product Disclosure Statement dated 14 September 2016 for the New Bonds. They will have the opportunity to “tick-the-box” in the application form to reinvest all their Bonds in the New Bonds, or some lesser number
- If an existing TPW090 bondholder does not participate in the Priority Pool their TPW Bonds will be redeemed on or about 13 October 2016 (Redemption Date) for a cash amount equal to the greater of \$1.00 and their market price² (together with accrued interest payable) and subject to any withholding taxes or deductions
- If holders tick the box to reinvest in New Bonds:
 - Trustpower will deduct \$1 from the redemption proceeds payable for each TPW090 Bond and will pay that amount to New Trustpower as the subscription price for each New Bond
 - Bondholders will receive in cash on the Redemption Date (subject to any withholding taxes or deductions):
 - all accrued (but unpaid) interest on their current TPW090 Bonds; and
 - the amount by which the redemption proceeds of the TPW090 Bonds exceeds \$1.00 (if any)
- There will be no scaling of applications on the Priority Pool

¹ Full details of the Offer of Senior Bonds and the Offer of Subordinated Bonds are contained in separate PDSs, both of which were lodged on 14 September 2016. Both are available through www.business.govt.nz/disclose or by contacting a Joint Lead Manager or other Primary Market Participant, and must be obtained by investors before they decide to acquire any bonds

² As the TPW090 Bonds will not be trading prior to the Redemption Date, the Trustee for the TPW Bonds (Trustees Executors Limited) has appointed Deloitte to act as an Independent Adviser to determine the market price of the TPW090 Bonds for the purposes of redemption. That market price is expected to be announced on 6 October 2016



The Offers

2 Exchange Offer

- An offer to all New Zealand resident holders of TPW Bonds (other than the TPW090 Bonds) to exchange their TPW Bonds for new bonds with the same ranking, interest rate and maturity as the TPW Bonds they already hold (**New Bonds**):
 - holders of TPW100 Bonds may apply for **Series 1 Bonds**
These are unsecured, **unsubordinated** bonds maturing 15 December 2017 that will pay an interest rate of 7.10% per annum
 - holders of TPW120 Bonds may apply for **Series 2 Bonds**
These are unsecured, **unsubordinated** bonds maturing 15 December 2021 that will pay an interest rate of 5.63% per annum
 - holders of TPW110 Bonds may apply for **Series 4 Bonds**
These are unsecured, **subordinated** bonds maturing 15 September 2019 that will pay an interest rate of 6.75% per annum
- All existing holders of TPW Bonds will receive personalised letters and a hard copy of the relevant PDS(s). This will include a single application form to cover all series of New Bonds offered in the Exchange Offer
- Holders can exchange all, some or none of their TPW Bonds
- If a holder participates in the Exchange Offer their TPW Bonds will be cancelled and they will not receive any cash payments on the Redemption Date. Instead they will receive New Bonds on the issue date and their interest payment on 15 December will be a full quarterly payment at the applicable Interest Rate
- There will be no scaling of applications on the Exchange Offer
- If an existing holder does not participate in the Exchange Offer, their TPW Bonds will be redeemed for cash on the Redemption Date at the greater of \$1.00 and their market price¹ (together with accrued interest payable) and subject to any withholding taxes or deductions

¹ As the TPW Bonds will not be trading prior to the Redemption Date, the Trustee for the TPW Bonds (Trustees Executors Limited) has appointed Deloitte to act as an Independent Adviser to determine the market price of the TPW Bonds for the purposes of redemption. That market price is expected to be announced on 6 October 2016



Fees and brokerage

General Offer

Firm fees:	0.50%
Brokerage:	0.50%

Priority Pool

Brokerage:	0.50%
------------	-------

Exchange Offer

Brokerage:	
<i>Exchange Offer to holders of TPW100 Bonds:</i>	0.20%
<i>Exchange Offer to holders of TPW110 Bonds:</i>	0.40%
<i>Exchange Offer to holders of TPW120 Bonds:</i>	0.50%

Brokerage on the Priority Pool and Exchange Offer will be paid on stamped application forms

If there is no stamp then it will be paid to the participant (if any) who has supplied the relevant CSN number to Computershare before 22 September 2016



Key dates for the Offer

Week 1: September				
Monday 12	Tuesday 13	Wednesday 14	Thursday 15	Friday 16
		PDS lodged Current Bonds cease trading	Roadshow presentations	Roadshow presentations
Week 2: September				
Monday 19	Tuesday 20	Wednesday 21	Thursday 22	Friday 23
			Offer Documents distributed Letters and PDSs sent to all bondholders	Firm bid process closes Allocation and interest rate set Pool sizes set
Week 3: September				
Monday 26	Tuesday 27	Wednesday 28	Thursday 29	Friday 30
Offer opens	Letters sent to all bondholders advising the interest rate on the new bonds (no later than this date)			
Week 4: October				
Monday 3	Tuesday 4	Wednesday 5	Thursday 6	Friday 7
			Redemption Price announced	
Week 5: October				
Monday 10	Tuesday 11	Wednesday 12	Thursday 13	Friday 14
		Priority Pool closes Exchange Offer closes	All Current Bonds either redeemed or cancelled (Redemption Date)	Demerger Implementation Date
Week 6: October				
Monday 17	Tuesday 18	Wednesday 19	Thursday 20	Friday 21
				General Offer closes
Week 7: October				
Monday 24	Tuesday 25	Wednesday 26	Thursday 27	Friday 28
		Issue date	Quotation date	

Key

Relates to General Offer

Relates to Exchange Offer and Priority Pool





Thank You

ALL IN
A DAY'S

WORK