



# Simplified Disclosure Prospectus

for an offer of interest bearing capital bonds.

This Prospectus is a Simplified Disclosure Prospectus for an offer of capital bonds that will rank in priority to the ordinary shares of Mighty River Power Limited which are quoted on the NZX Main Board and the ASX.

Mighty River Power is subject to a continuous disclosure obligation that requires it to notify certain material information to NZX for the purpose of that information being made available to participants in the NZX Main Board operated by NZX.

Arranger, Organising Participant and Joint Lead Manager



Joint Lead Managers



DeutscheCRAIGS



# An opportunity to invest in Capital Bonds.

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## Issue Highlights

**\$250<sup>M</sup>**

Offer with an option to accept up to \$50m of over subscriptions.

Expected issue credit rating.

**BB+**

**MINIMUM INTEREST RATE**

will be determined following the bookbuild.



<sup>1</sup> Based on aggregated residential and business installation control points as at 31 December 2013.

<sup>2</sup> The proportion of total equity weighted New Zealand generation for the year ended 31 December 2013 that is generated by a renewable resource, based on Mighty River Power's percentage ownership of each power station.

<sup>3</sup> Based on equity weighted generation volumes for the year ended 31 December 2013 and taking into account hydrological volatility.

## Business Highlights

With more than 380,000 customers, we supply nearly

**1-in-5**<sup>1</sup>

homes and businesses.

More than

**90**<sup>2</sup>%

of our annual electricity production is from renewable sources – hydro and geothermal.



The Crown has a minimum

**51**<sup>3</sup>%

shareholding of Mighty River Power.

Mighty River Power's Standard & Poor's long-term credit rating.

**BBB+**



**EXPERIENCED**

and skilled board, with quality governance.

Management team with

**DEPTH**

of experience in the electricity sector as well as other industries.

We generate

**15-17**<sup>3</sup>%

of New Zealand's electricity.

# Important Information.

## Understanding this investment

This offer of Capital Bonds is an offer of complex financial products. The Capital Bonds have some different features to other bonds. (See the *Offer Highlights* section on pages 4 to 5 and the *Key Terms of the Capital Bonds* section on pages 7 to 13 for an overview of the Capital Bonds features). Potential investors should make their own independent investigation and assessment of both the offer and the financial condition and affairs of Mighty River Power before deciding whether or not to invest in the Capital Bonds.

We recommend you consult an Authorised Financial Adviser before making a decision. If you do not have an Authorised Financial Adviser you can find one at [www.fma.govt.nz/help-me-comply/financial-advisers/how-to-get-licensed/afa-application-resources-and-templates/list-of-authorised-financial-advisers-\(afa\)/](http://www.fma.govt.nz/help-me-comply/financial-advisers/how-to-get-licensed/afa-application-resources-and-templates/list-of-authorised-financial-advisers-(afa)/)<sup>4</sup>.

## Prospectus

This Prospectus is a Simplified Disclosure Prospectus prepared in accordance with Regulation 10 of, and Schedule 12 to, the Securities Regulations.

Capitalised terms are defined in the *Glossary* section on pages 47 to 50 or within the relevant section of this Prospectus.

All references to dates and times are to New Zealand dates and times.

This Prospectus is prepared as at, and dated, 6 June 2014. A copy of this Prospectus, signed by or on behalf of the directors of Mighty River Power, and having endorsed on it or attached to it the documents required by section 41 of the Securities Act, has been delivered to the Registrar of Financial Service Providers for registration under section 42 of the Securities Act. The documents required by section 41 of the Securities Act to be endorsed on or attached to the copy of this Prospectus delivered to the Registrar of Financial Service Providers are:

- a copy of the audited financial statements for Mighty River Power for the financial year ended 30 June 2013 and a copy of the unaudited interim financial statements for Mighty River Power for the six months ended 31 December 2013;
- copies of the Disclosed Information;
- the Trustee's statement as set out in the *Trustee's Statement* section on page 31; and
- any relevant authorities where an agent has signed the Prospectus on behalf of a director of Mighty River Power.

## Continuous disclosure

Mighty River Power is subject to a continuous disclosure obligation that requires it to notify certain material information to NZX for the purpose of that information being made available to participants on the NZX Main Board operated by NZX under the Securities Markets Act and the Listing Rules. Copies of that information are provided on Mighty River Power's page on NZX's website ([www.nzx.com/companies/MRP](http://www.nzx.com/companies/MRP)).

## Selling restrictions

The Capital Bonds are offered in New Zealand to investors who are resident in New Zealand. This Prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction other than New Zealand. Mighty River Power reserves the right to reject any application for Capital Bonds under the Offer that it believes comes from a person who is not a New Zealand resident investor.

This Prospectus is intended for use only in connection with the Offer and does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register this Prospectus or permit an offering of the Capital Bonds to persons in any jurisdiction outside New Zealand. Accordingly, the Capital Bonds have not been, and will not be, registered under the United States Securities Act 1933 as amended (*US Securities Act*) and this Prospectus does not constitute an offer of securities in the United States of America or to any 'US person', as defined in Regulation S under the US Securities Act (*US Person*), or to any person acting for the account or benefit of a US Person.

By applying for Capital Bonds, each investor agrees to indemnify Mighty River Power, the Trustee, the Arranger, the Organising Participant, the Joint Lead Managers, the Registrar and their respective directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred as a result of the investor breaching the selling restrictions described above.

## Forward looking statements

This Prospectus contains certain statements which relate to the future. Such statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Mighty River Power and which may cause actual results, performance or achievements of Mighty River Power to differ materially from those expressed or implied by such statements.

## Disclaimer

The Trustee, the Arranger, the Organising Participant and the Joint Lead Managers have not independently verified the information contained in this Prospectus. In accepting delivery of this Prospectus, the recipient acknowledges that none of the Trustee, the Arranger, the Organising Participant and the Joint Lead Managers (or their respective directors, officers, employees and agents) gives any warranty or representation of accuracy or reliability. To the maximum extent possible at law, none of the Trustee, the Arranger, the Organising Participant and the Joint Lead Managers (or any of their respective directors, officers, employees or agents) accepts any liability whatsoever for any loss arising from this Prospectus or its contents or otherwise arising in connection with the Offer.

<sup>4</sup> Mighty River Power does not guarantee the accuracy of the information contained on this website.

# Letter to Investors.

Dear Investor

I am pleased to present you an opportunity to invest in Capital Bonds to be issued by Mighty River Power.

This Prospectus describes the Capital Bonds and the Offer, and provides an overview of Mighty River Power's business and operations.

Mighty River Power's generation portfolio includes the Waikato River Hydro System and interests in five geothermal power stations in the Central North Island that harness natural resources to produce electricity. Every year the power stations we operate generate enough electricity for about 1 million New Zealand homes.

Our electricity generation is complemented by sales to approximately 1-in-5 homes and businesses across New Zealand, through our flagship brand Mercury Energy and other specialty brands. Our metering business, Metrix, is also an industry leader – building an important strategic platform with a growing network of 'smart' meters and services to electricity retailers and their customers.

Mighty River Power has a long-term issuer credit rating of BBB+ assigned by Standard & Poor's, which was reaffirmed on 7 May 2014. This rating is a key reference point in the Company's dividend policy and our commitment to a sustainable capital structure for the Company.

The Capital Bonds are expected to be rated BB+ reflecting their subordination and interest deferred features.

In making this Offer, the Mighty River Power board views the Capital Bonds, as outlined in this Prospectus, as an on-going and valuable component of the Company's capital structure. The proceeds will be used for general corporate purposes including the repayment of bank debt and extending the average term of our funding profile.

Bondholders will be paid interest quarterly, with the Minimum Interest Rate to be announced on or before the opening of the Offer. The actual Interest Rate for the first five years (which may be higher) will be confirmed shortly after the close of the Offer.

Recognising that there will be demand from Mighty River Power shareholders and investors who do not have a broker relationship, the Offer includes a Public Pool which if scaled will give preference to Mighty River Power shareholders.

I encourage you to carefully read this Prospectus. It includes important information in relation to the Offer and potential risks for you as an investor. To ensure that an investment in the Capital Bonds meets your specific objectives, we advise you to consult your Authorised Financial Adviser before making a decision. Additional information on Mighty River Power and its performance is also available in our annual reports at [www.mrpcapitalbonds.co.nz](http://www.mrpcapitalbonds.co.nz) and our announcements through NZX/ASX.

On behalf of our board, I invite you to consider this Offer and would welcome your interest in this opportunity to invest in Mighty River Power Capital Bonds.

Yours sincerely,



 **Joan Withers Chair**



02/03  
IMPORTANT INFORMATION  
LETTER TO INVESTORS



# Offer Highlights.

<b>Issuer</b>	Mighty River Power Limited.
<b>Security</b>	Unsecured, subordinated, redeemable, cumulative, interest bearing bonds.
<b>Offer amount</b>	Up to \$250 million (plus up to \$50 million oversubscriptions).
<b>Credit rating</b>	Mighty River Power is rated BBB+ (stable) by Standard & Poor's. The Capital Bonds are expected to be rated BB+, reflecting their subordination and interest deferral features.
<b>Maturity Date</b>	11 July 2044.
<b>Reset Dates</b>	11 July 2019 and every fifth anniversary of that date.
<b>Interest Rate</b>	<p>The Interest Rate for the first five years will be set on 9 July 2014 as the higher of:</p> <p>(a) the Minimum Interest Rate; or</p> <p>(b) the sum of the Swap Rate (as at the Rate Set Date) plus the Initial Margin.</p> <p>The Minimum Interest Rate and Initial Margin will be set following the Bookbuild and announced on or before the Opening Date.</p> <p>During the period commencing six months before each Reset Date and ending 20 Business Days before each Reset Date, Mighty River Power may propose (through an Election Process) that new terms and conditions (including a new Interest Rate and Margin) apply to the Capital Bonds from that Reset Date if a Successful Election Process occurs.</p> <p>If no Successful Election Process has occurred, the Interest Rate for the next five year period will reset to the sum of the Swap Rate on that Reset Date and the applicable Margin, which will include the Step-up Percentage (if this has not already been added to the Margin).</p>
<b>Interest payments</b>	Equal quarterly amounts in arrear on each Interest Payment Date (11 January, 11 April, 11 July and 11 October).
<b>First interest payment</b>	11 October 2014.
<b>Deferral of interest</b>	An interest payment can be deferred at any time for up to five years at the sole discretion of Mighty River Power. While any Deferred Interest payment remains outstanding, Mighty River Power may not make any distributions or pay any dividends to its shareholders or provide financial assistance for the acquisition of its shares or other securities that rank equally with or lower than the Capital Bonds.
<b>Mandatory redemption</b>	Mighty River Power must redeem all of the Capital Bonds on the Maturity Date (11 July 2044) or earlier if an Event of Default occurs.
<b>Early redemption</b>	<p>Mighty River Power may redeem all or some of the Capital Bonds (as applicable):</p> <ul style="list-style-type: none"> <li>• on any Reset Date; or</li> <li>• on any Interest Payment Date after a Reset Date if a Successful Election Process has not been undertaken in respect of that Reset Date; or</li> <li>• on a Tax Event or Rating Agency Event; or</li> <li>• if the outstanding amount is less than \$100 million.</li> </ul> <p>The repayment amount will be at par (\$1.00 per Capital Bond) plus accrued interest if redeemed on a Reset Date, on a Tax Event or if the outstanding amount is less than \$100 million, and at the higher of par plus accrued interest or market value if called on an Interest Payment Date or following a Rating Agency Event</p>

**Election Process**

Mighty River Power may offer new terms and conditions to Bondholders prior to each Reset Date through an Election Process. Bondholders can either accept and retain their Capital Bonds on the new terms and conditions, or reject the new terms and give Mighty River Power the option of repurchasing or redeeming their Capital Bonds at par plus accrued interest. A Successful Election Process will only occur if Mighty River Power elects to repurchase (or procure the repurchase through a resale facility) or redeem all Capital Bonds held by Bondholders who reject the new terms and conditions. Bondholders who do not respond or make an election will be deemed to have accepted the new terms and conditions. If a Successful Election Process does not occur, there will be no change to the terms and conditions of the Capital Bonds (including for any Bondholders who have accepted the new terms and conditions).

**Why Mighty River Power is issuing Capital Bonds**

Mighty River Power is a publicly-listed (NZX: MRP/ASX: MYT) company with a market capitalisation of \$3.0 billion, and the Crown having a minimum 51% shareholding (as required by the Public Finance Act 1989). The Capital Bonds will provide Mighty River Power with additional funding flexibility and will be an on-going and valuable component of the Company's capital structure. The proceeds will be used for general corporate purposes, including the repayment of bank debt and extending the average term of Mighty River Power's funding profile.

Mighty River Power expects that the Capital Bonds will be ascribed an intermediate equity content classification for quantitative purposes from Standard & Poor's until 11 July 2024. After that date, Mighty River Power expects that the Capital Bonds will continue to provide some qualitative support of its credit profile until redemption, having regard to the Capital Bonds' subordinated ranking, long tenor and interest deferral features.

Mighty River Power believes that hybrid securities that are ascribed equity content such as the Capital Bonds are an effective capital management tool and intends to maintain such instruments as a key feature of its capital structure going forward.

**Risks**

Investment in the Capital Bonds is subject to risks. The risks are:

- Mighty River Power may become insolvent and be unable to pay the principal and/or interest due on the Capital Bonds. The Capital Bonds are subordinated so Bondholders will only be repaid once all other creditors of Mighty River Power are paid (other than those who have agreed to accept a priority behind, or equal with that of, the Bondholders);
- Mighty River Power may elect to defer interest on the Capital Bonds; and
- you may not be able to sell your Capital Bonds or, if you can sell them, the price you get may be less than the amount you have paid.

The key factors that could cause those events are briefly summarised below. More detail on the risks is set in the *Risks* section on pages 28 to 30.

- **Regulatory risks** – Legislative and regulatory changes could have a material adverse effect on Mighty River Power. An example of this is the proposal from the Green Party of Aotearoa New Zealand and the Labour Party for electricity sector reform, if these parties are elected.
- **Fuel security & supply risks** – If Mighty River Power is unable to generate expected amounts of electricity this may impact on its future operating results. This could occur for a number of reasons including adverse hydrological conditions, competition for resources, resource consents being varied or not being renewed, government regulation or power station availability.
- **Insurance risk** – If there is a catastrophic event, Mighty River Power's insurance arrangements may not cover or may be insufficient to recover the cost of damage and/or loss of business, impacting future operational performance and the financial condition of the Company.
- **Electricity market exposure** – Wholesale prices, market demand, competitor behaviour, regulatory changes, fuel cost changes and transmission capacity can all impact Mighty River Power's ability to manage its exposure to the wholesale electricity market. Electricity demand, retail competition and regulatory and technological changes could impact on Mighty River Power's retail market share profitability and its financial performance.

# Important dates.

<p>Minimum Rate Set Date</p> <p><b>17 JUNE 2014</b></p>	<p>Opening Date</p> <p><b>18 JUNE 2014</b></p>	<p>Closing Date</p> <p><b>8 JULY 2014</b> (5.00pm)</p>
<p>Rate Set Date</p> <p><b>9 JULY 2014</b></p>	<p>Issue Date</p> <p><b>11 JULY 2014</b></p>	<p>Expected date of quotation on the NZX Debt Market</p> <p><b>11 JULY 2014</b></p>
<p>First Interest Payment Date</p> <p><b>11 OCTOBER 2014</b></p>	<p>Interest Payment Dates</p> <p><b>11 JANUARY, 11 APRIL, 11 JULY AND 11 OCTOBER</b></p>	<p>First Reset Date, first date the Step-up Percentage may be added and first date a Successful Election Process can occur</p> <p><b>11 JULY 2019</b></p>
<p>Second Reset Date (and equity content to minimal)</p> <p><b>11 JULY 2024</b></p>	<p>Maturity Date</p> <p><b>11 JULY 2044</b></p>	

These dates are indicative only and are subject to change. Mighty River Power has the right in its absolute discretion and without notice to open or close the Offer early, to accept late applications, and to extend the Closing Date. If the Closing Date is extended, subsequent dates (including the Rate Set Date, the Issue Date, the Interest Payment Dates, the Reset Dates and the Maturity Date) will be extended accordingly. Any such change will not affect the validity of any applications received before or after that point.

Mighty River Power reserves the right to cancel the Offer and the issue of Capital Bonds in which case all Application Monies received will be refunded (without interest) as soon as practicable.



# Key terms of the Capital Bonds.

The following is a summary of the main terms of the Offer and the Capital Bonds. Investors should also refer to the more detailed information in the other sections in this Prospectus, including the *Statutory Information* section on pages 32 to 46.

<b>Issuer</b>	Mighty River Power Limited. A description of Mighty River Power is set out in the <i>Business Overview</i> section on pages 14 to 17. The Crown has a minimum 51% shareholding in Mighty River Power.
<b>Status of Capital Bonds</b>	The Capital Bonds are unsecured, subordinated, redeemable, cumulative, interest bearing debt obligations of Mighty River Power. The Capital Bonds will rank equally among themselves and will be subordinated to all other indebtedness of Mighty River Power, other than indebtedness ranking equally with, or subordinate to, the Capital Bonds.  This means that in the event of the liquidation or winding up of Mighty River Power, Bondholders' rights to payment of any amounts owing under the Capital Bonds will rank behind the claims of all other creditors of Mighty River Power (other than those who have agreed that their claims rank behind or equal with the Bondholders) but ahead of claims of its shareholders.  The Capital Bonds are expected to be quoted on the NZX Debt Market. <sup>5</sup>
<b>Offer amount</b>	Up to \$250 million (plus up to \$50 million oversubscriptions).
<b>No guarantee</b>	Mighty River Power is the issuer and the sole obligor in respect of the Capital Bonds.  None of the Crown, any subsidiary of Mighty River Power or any other person guarantees the Capital Bonds.
<b>Credit rating<sup>6</sup></b>	The Company expects Standard & Poor's to assign an issue credit rating of BB+ to the Capital Bonds. This reflects the subordinated nature of the Capital Bonds and the potential for deferral of interest.  Mighty River Power's long-term issuer credit rating is BBB+ (stable outlook) from Standard & Poor's. <sup>7</sup> This rating was affirmed by Standard & Poor's on 7 May 2014.  Further information concerning the credit ratings is contained in the <i>Credit Ratings</i> section on page 23.
<b>Maturity Date</b>	11 July 2044.
<b>Reset Dates</b>	11 July 2019 and every fifth anniversary of that date.

<sup>5</sup> Application has been made to NZX for permission to quote the Capital Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, the Capital Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this Prospectus. The NZX Debt Market is a registered market operated by NZX, which is a registered exchange, regulated under the Securities Market Act.

<sup>6</sup> There can be no guarantee that the credit ratings of the Mighty River Power and/or the Capital Bonds will be maintained at this level whilst the Capital Bonds are outstanding. The credit ratings of Mighty River Power and/or the Capital Bonds may change over time depending on, among other things, the business, operational and financial performance of Mighty River Power and the wider Mighty River Power group or any external market factors. Credit ratings are not a recommendation to buy, sell or hold the securities issued by Mighty River Power (including the Capital Bonds) and the ratings may be subject to revision or withdrawal at any time by Standard & Poor's.

<sup>7</sup> Mighty River Power's BBB+ rating includes a one notch ratings uplift from its standalone credit profile of bbb to reflect Standard & Poor's assessment of the moderate likelihood of the Crown providing extraordinary support to ensure Mighty River Power's financial obligations are met in a timely manner. The Crown does not guarantee the Capital Bonds and is under no obligation to provide any financial support to Mighty River Power. The credit rating of the Capital Bonds does not reflect the one notch uplift.



<b>Interest Rate</b>	<p>The Capital Bonds will pay a fixed rate of interest from the Issue Date until (but excluding) the First Reset Date, being 11 July 2019. The Interest Rate will be reset every five years.</p> <p>The Interest Rate for the period from (and including) the Issue Date until (but excluding) the First Reset Date will be the higher of:</p> <ul style="list-style-type: none"> <li>a) the Minimum Interest Rate; or</li> <li>b) the sum of the Swap Rate (as at the Rate Set Date) plus the Initial Margin.</li> </ul> <p>The Minimum Interest Rate and Initial Margin will be set following the Bookbuild and announced on or before the Opening Date. The actual Interest Rate will be set and announced following the close of the Offer.</p> <p>During the period commencing six months before each Reset Date and ending 20 Business Days before each Reset Date, Mighty River Power may propose (through an Election Process) that new terms and conditions (including a new Interest Rate and Margin) apply to the Capital Bonds from that Reset Date if a Successful Election Process occurs.</p> <p>If the Capital Bonds are not redeemed or repurchased on a Reset Date, and no Successful Election Process has been undertaken, the Interest Rate for the next five year period will reset to the sum of the Swap Rate on that Reset Date and the Margin which will increase by the Step-up Percentage (provided that the Step-up Percentage has not already been added to the Margin).</p> <p>A more detailed description of how the Interest Rate is determined is set out in the <i>Statutory Information</i> section under the heading <i>Interest</i> on page 34.</p>
<b>Interest payments</b>	<p>Interest is scheduled to be paid quarterly in arrear in equal amounts on each Interest Payment Date (11 January, 11 April, 11 July and 11 October of each year). Interest accrues on the Capital Bonds until (but excluding) the date on which they are redeemed.</p>
<b>First interest payment</b>	<p>The first interest payment will be made on 11 October 2014.</p>
<b>Early bird interest</b>	<p>Interest will be paid on Application Monies for applications that are accepted at the Interest Rate that will apply to the Capital Bonds when they are issued. This interest will be paid for the period from (and including) the date on which those Application Monies are banked to (but excluding) the Issue Date. This interest will be paid as soon as practicable following the Issue Date and will be paid to the initial subscriber for the Capital Bonds irrespective of any transfer prior to the date of payment of that interest.</p>
<b>Discretionary deferral of interest</b>	<p>Mighty River Power may defer payment of interest on the Capital Bonds at any time for up to five years at its sole discretion by notifying Bondholders. Where an interest payment has not been paid on its due date, notice of its deferral is deemed to have been given.</p> <p>Deferred Interest will itself accrue interest at the prevailing Interest Rate and that interest will compound on each Interest Payment Date after the date on which the interest was deferred. A deferral of interest payments will not constitute an Event of Default under the Trust Documents, unless the interest is not paid by the day which is five years from the original date of deferral.</p> <p>If a Deferred Interest payment, and all interest that has accrued on it, has not been paid in full by the day which is five years from the date of deferral, Mighty River Power must pay to Holders in full all unpaid Deferred Interest outstanding at that time.</p> <p>While any Deferred Interest is outstanding, Mighty River Power must not make any distributions or pay any dividends to its shareholders or provide financial assistance for the acquisition of its Shares or other securities that rank equally or lower than the Capital Bonds.</p> <p>A more detailed description of deferral is set out in the <i>Statutory Information</i> section under the heading <i>Deferral of interest</i> on pages 34 to 35.</p>

**Optional early redemption by Mighty River Power**

Mighty River Power may redeem:

- all or some of the Capital Bonds on any Reset Date; or
- all or some of the Capital Bonds on any Interest Payment Date after a Reset Date if a Successful Election Process has not been undertaken in respect of that Reset Date; or
- all or some of the Capital Bonds on the occurrence of a Tax Event or Rating Agency Event; or
- all of the Capital Bonds if the outstanding amount of the Capital Bonds is less than \$100 million.

More detail on the optional early redemption of the Capital Bonds by Mighty River Power is set out in the *Statutory Information* section under the heading *Optional early redemption by Mighty River Power* on page 35.

**Election Process**

Mighty River Power may offer new terms and conditions (*New Conditions*) to Bondholders prior to each Reset Date through an Election Process. Those terms may include a change to the Interest Rate, the Margin, the timing of the next Reset Date and the Step-up Percentage.

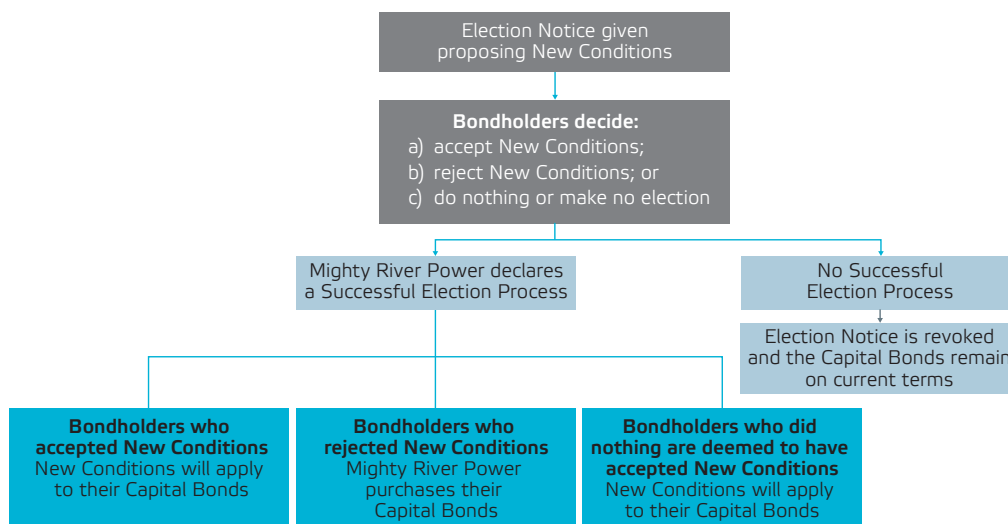
Bondholders can accept or reject the New Conditions. Bondholders who do not respond or make an election will be deemed to have accepted the New Conditions.

A Successful Election Process will only occur if Mighty River Power elects to repurchase (or procure the repurchase) or redeem all Capital Bonds held by Bondholders who reject the New Conditions.

If the Election Process is not successful, the existing terms and conditions will continue to apply (including for any Bondholders who have accepted the New Conditions).

Mighty River Power has complete discretion to decide whether or not a Successful Election Process has occurred.

**SUMMARY OF ELECTION PROCESS**



A more detailed description of how the Election Process is operated is set out in the *Statutory Information* section under the heading *Election Process* on page 36 to 37.

<p><b>Mandatory redemption by Mighty River Power</b></p>	<p>Mighty River Power must redeem all of the Capital Bonds on the Maturity Date (11 July 2044). Mighty River Power must also redeem the Capital Bonds if an Event of Default occurs.</p> <p>The Events of Default are set out in full in the Conditions and may be summarised as:</p> <ul style="list-style-type: none"> <li>• failure to pay interest when it is due, except where Mighty River Power has deferred interest payments in accordance with the optional deferral of interest provisions;</li> <li>• failure to pay the Principal Amount when it is due;</li> <li>• an insolvency event of Mighty River Power (being where Mighty River Power is placed into liquidation, voluntary administration or any analogous event occurs in respect of Mighty River Power or a secured party takes possession of all or substantially all of its assets or a trustee, receiver and manager, administrator or inspector under any companies and securities legislation or similar official is appointed) or Mighty River Power is deregistered;</li> <li>• failure by Mighty River Power to pay the Repurchase Price for the Capital Bonds in accordance with a Successful Election Process; and</li> <li>• Mighty River Power makes a distribution to its shareholders or a holder of any security or obligation ranking equally with or behind the Capital Bonds while any Deferred Interest is outstanding.</li> </ul> <p>More detail on the mandatory redemption of the Capital Bonds by Mighty River Power is set out in the <i>Statutory Information</i> section under the heading <i>Mandatory redemption by Mighty River Power</i> on page 35.</p>
<p><b>No general right for Bondholders to require early redemption</b></p>	<p>Bondholders have no right to require Mighty River Power to redeem their Capital Bonds before the Maturity Date, except following an Event of Default.</p>
<p><b>Payments on redemption</b></p>	<p>If Mighty River Power redeems the Capital Bonds the amount paid will be:</p> <ul style="list-style-type: none"> <li>• if the redemption occurs on the Maturity Date, a Reset Date (including following a Successful Election Process), following a Tax Event, an Event of Default or because less than \$100 million of Capital Bonds are outstanding, the Principal Amount of the Capital Bonds plus any Deferred Interest plus any accrued and unpaid interest; or</li> <li>• if the redemption occurs following a Rating Agency Event or on an Interest Payment Date other than a Reset Date (and not following a Tax Event), the higher of:             <ul style="list-style-type: none"> <li>– the Principal Amount of the Capital Bonds plus any Deferred Interest plus any accrued and unpaid interest; or</li> <li>– the market price of the Capital Bond (further detail on how this is calculated is set out in the <i>Statutory Information</i> section under the heading <i>Payments on redemption</i> on page 36).</li> </ul> </li> </ul>
<p><b>Equity content</b></p>	<p>The Company expects Standard &amp; Poor’s will assign “Intermediate Equity Content” (50%) to the Capital Bonds, meaning that 50% of the Principal Amount of the Capital Bonds and associated interest payments will not be included in the debt and total interest figures which Standard &amp; Poor’s uses when calculating financial ratios for Mighty River Power. However, the equity content assigned to the Capital Bonds by Standard &amp; Poor’s is expected to be reduced to minimal (0%) at the date falling 20 years before the Maturity Date (11 July 2024).</p>

**Prior ranking debt and no limitation on issuing further debt**

As at 31 December 2013, the Mighty River Power consolidated group had total liabilities of \$2,492.8 million (including total borrowings of \$1,077.2 million, payables and accruals (including tax) of \$177.5 million, deferred tax of \$963.3 million, derivative financial instruments of \$261.4 million and provisions of \$13.5 million). Mighty River Power may also incur further debt obligations from time to time which may rank ahead of, or equally with, the Capital Bonds without the consent of Bondholders. The borrowings, payables and accruals and certain other liabilities of Mighty River Power will rank ahead of the Capital Bonds in the event of the liquidation or winding up of Mighty River Power. Further detail on Mighty River Power's debt profile is on page 19.

In the event of a shortfall of funds, as a Bondholder you may not receive any payment at all (if claims ranking in priority to the Capital Bonds are not satisfied in full) or may not receive the full Principal Amount and accrued interest or other amounts owing on the Capital Bonds.

**➤ ILLUSTRATION OF RANKING OF CAPITAL BONDS ON THE LIQUIDATION OR WINDING UP OF MIGHTY RIVER POWER**

Ranking		Illustrative examples	As at 31 December 2013 <sup>8</sup>
Higher ↑ ↓ Lower	Creditors preferred by law and secured debt	Liabilities preferred by law (including some employee entitlements) and secured creditors	\$2,492.8 million <sup>9</sup>
	Unsubordinated and unsecured debt	Senior bonds, drawn bank facilities, trade and general creditors	
	Subordinated and unsecured debt	The <b>Capital Bonds</b> and other subordinated unsecured debt obligations	Nil <sup>10</sup>
	Ordinary shares	Shares	\$3,185.0 million <sup>11</sup>

More detail on the extent of the liabilities of Mighty River Power that will rank ahead of the Capital Bonds in the event of the liquidation or winding up of Mighty River Power is set out in the *Statutory Information* section under the heading *Consequences of insolvency* on page 43.

**No financial covenants** There are no financial covenants contained in the Trust Documents applicable to the Capital Bonds to ensure Mighty River Power meets minimum levels of financial performance.

**Taxation** A description of the applicable New Zealand taxes is set out in the *Statutory Information* section under the heading *Taxation of returns* on pages 37 to 38.

**Governing law** New Zealand.

<sup>8</sup> This diagram is set out solely for the purpose of illustrating the ranking of creditors upon liquidation of Mighty River Power. This data will change over time.

<sup>9</sup> This represents the total liabilities of the Mighty River Power consolidated group at 31 December 2013 inclusive of deferred tax, not all of which would be crystallised on liquidation. Liabilities on liquidation may be materially different.

<sup>10</sup> This does not include the Principal Amounts of any of the Capital Bonds issued under this Prospectus.

<sup>11</sup> Shareholders' equity. The NZX Main Board market value of the Shares in Mighty River Power at 31 December 2013 was \$2,954.7 million, based on a market price of \$2.13 per Share and 1,387.2 million Shares (excluding those Shares held by Mighty River Power as treasury stock).

# Terms of the Offer.

The following is a summary of the main terms of the Offer. Investors should also refer to the more detailed information in the other sections in this Prospectus, including the *Statutory Information* section on pages 32 to 46.

<b>Offer</b>	Mighty River Power is offering for subscription up to \$250 million (plus oversubscriptions of up to \$50 million) in Principal Amount of Capital Bonds.
<b>Issue Price</b>	\$1.00 per Capital Bond.
<b>Minimum application and holding</b>	<p>The minimum application amount in respect of the Capital Bonds is \$5,000 with multiples of \$1,000 thereafter.</p> <p>The minimum holding of Capital Bonds is an aggregate Principal Amount of \$5,000 of Capital Bonds. If a Bondholder holds less than a minimum aggregate Principle amount of \$5,000 of Capital Bonds, Mighty River Power may give notice to the Bondholder requiring them to see those Capital Bonds</p>
<b>Minimum transfer</b>	Mighty River Power may refuse to accept or register a transfer if the Principal Amount being transferred is not a multiple of \$1,000 and/or if such transfer would result in the transferor or transferee holding Capital Bonds with an aggregate Principal Amount of less than \$5,000 of Capital Bonds unless the transfer is by a New Zealand registered bank or a Primary Market Participant.
<b>Who may apply</b>	<p>The Capital Bonds are offered in New Zealand to investors who are New Zealand residents.</p> <p>Mighty River Power reserves the right to refuse all or any part of any application for Capital Bonds without giving a reason.</p>
<b>Firm Allocations</b>	Mighty River Power expects to reserve a substantial proportion of the Capital Bonds for subscription by clients of the Joint Lead Managers, Primary Market Participants and other invitees to the Bookbuild under Firm Allocations. The aggregate number of Capital Bonds so reserved will be determined by Mighty River Power, in consultation with the Joint Lead Managers, on or before the Opening Date. However, Mighty River Power, in consultation with the Joint Lead Managers, reserves the right to make further Firm Allocations after the Opening Date.
<b>Public Pool</b>	Mighty River Power will make a Public Pool available, with scaling preference (if required) given to applicants who are Mighty River Power shareholders at the time the Registrar receives their application and who include their Mighty River Power CSN number on their Application Form. This means that the scaling applied to applicants who are Mighty River Power shareholders will be less than that applied to general public pool applicants. The size of the Public Pool will be determined by Mighty River Power, in consultation with the Joint Lead Managers, on or before the Opening Date and announced to NZX.
<b>How to apply</b>	<p>Full application instructions are set out in the <i>Statutory Information</i> section under the heading <i>Applications</i> on page 32, in the <i>How to apply</i> section on pages 51 to 52 and in the Application Form attached to this Prospectus.</p> <p>If you are applying for Capital Bonds pursuant to a Firm Allocation, you must contact a Primary Market Participant or your financial adviser.</p> <p>If you are applying for Capital Bonds through the Public Pool, you should complete the Application Form in accordance with the application instructions and lodge the Application Form (together with payment) in time for it to be received by the Registrar before 5.00pm on the Closing Date. If you are a Mighty River Power shareholder, include your Mighty River Power CSN number in the space provided and tick the box on the Application Form to ensure you receive a preference in any scaling (if required).</p>
<b>No underwriting</b>	The Offer is not underwritten.
<b>Brokerage</b>	NZX has authorised Primary Market Participants to act in respect of the Offer. Applicants are not required to pay brokerage or any charges to Mighty River Power in relation to the Offer.

<b>Sale and transfer</b>	Applicants should not attempt to sell any Capital Bonds until they know whether, and how many, Capital Bonds have been issued to them. None of Mighty River Power, the Joint Lead Managers, the Registrar or any other person accepts any liability should any applicant attempt to sell or otherwise deal with the Capital Bonds before the applicant receives his, her or its holding statement.
<b>Quotation on the NZX Debt Market</b>	Application has been made to NZX for permission to quote the Capital Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, the Capital Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this Prospectus. The NZX Debt Market is a registered market operated by NZX (which is a registered exchange), regulated under the Securities Markets Act.
<b>Arranger and Organising Participant</b>	Forsyth Barr Limited.
<b>Joint Lead Managers</b>	Forsyth Barr Limited, ANZ Bank New Zealand Limited, Deutsche Craigs Limited and Goldman Sachs New Zealand Limited.
<b>Registrar and paying agent</b>	Computershare Investor Services Limited.
<b>Trustee</b>	The New Zealand Guardian Trust Company Limited.



# Business Overview.

Mighty River Power is one of New Zealand’s largest electricity companies – with its core business based on low fuel-cost electricity generation complemented by sales to homes and businesses.

Mighty River Power is publicly-listed (NZX: MRP/ASX: MYT) with the Crown having a minimum 51% shareholding<sup>12</sup> in the Company which has a market capitalisation of \$3.0 billion<sup>13</sup> and enterprise value of \$4.0 billion<sup>14</sup>.

The Company generates 15–17% of New Zealand’s annual electricity requirements, with more than 90% from renewable hydro and geothermal sources including the nine hydro stations on the Waikato River and interests in five geothermal power stations in the Central North Island. Mighty River Power sells electricity to approximately 1-in-5 homes and businesses through multiple channels and consumer brands, including Mercury Energy – among the country’s longest-established major retail electricity brands – and niche market brands, GLO-BUG, Bosco Connect and Tiny Mighty Power. Our metering business, Metrix, is New Zealand’s second largest provider of electricity metering services with more than 340,000 active “smart” meters and is focused on securing value-enhancing growth opportunities, both domestically and internationally.

Mighty River Power is one of the world’s largest geothermal power station owners, and has a successful track record in geothermal development and operations with three major

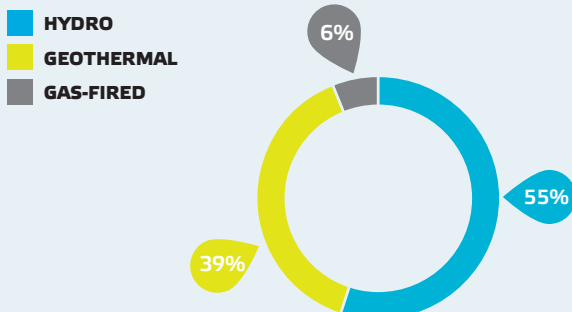
projects successfully completed in New Zealand since 2008 – supported through strong long-term commercial partnerships with Māori landowners to harness these natural resources. The stations at Kawerau (2008), Nga Awa Purua (2010) and Ngatamariki (2013) have added approximately 2,700 GWh of annual base-load generation with the additional renewable energy equivalent to the annual requirement of approximately 330,000 New Zealand homes. Mighty River Power has investments in international geothermal interests in the US and Chile and is using a patient and measured approach to exploring international growth opportunities in geothermal.

Following completion of the large domestic geothermal development programme, base-load geothermal now makes up 40% of Mighty River Power’s total annual generation. As a result Mighty River Power is reviewing the role of its 175MW gas-fired station (Southdown), considering a full range of options from assessing market interest in acquisition to re-configurations to better match market opportunities with asset management considerations.

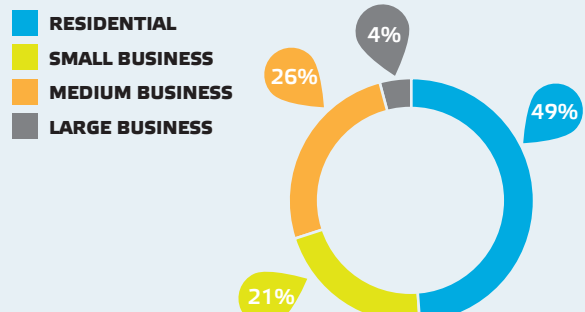
Ratings agency Standard & Poor’s reaffirmed in May 2014 Mighty River Power’s long-term issuer credit rating as BBB+/Stable. In confirming the Company’s credit rating Standard & Poor’s acknowledged Mighty River Power’s integrated business model along with the improved portfolio resilience from the addition of base-load geothermal.



## OUR GENERATION PORTFOLIO FOR THE YEAR ENDED 31 DECEMBER 2013<sup>15</sup>



## OUR ELECTRICITY SALES TO CUSTOMERS FOR THE YEAR ENDED 31 DECEMBER 2013<sup>16</sup>



<sup>12</sup> The Public Finance Act 1989 provides that the Crown must hold at least 51% of the Shares and no other person may have a relevant interest in more than 10% of the Shares.

<sup>13</sup> Based on Mighty River Power’s Share price as at 31 December 2013.

<sup>14</sup> Based on Mighty River Power’s Share price as at 31 December 2013.

<sup>15</sup> Based on equity weighted generation volumes for the year ended 31 December 2013.

<sup>16</sup> Based on fixed price variable volume sales (in kWh) for the year ended 31 December 2013.



**HYDRO**  
9 stations on the Waikato River

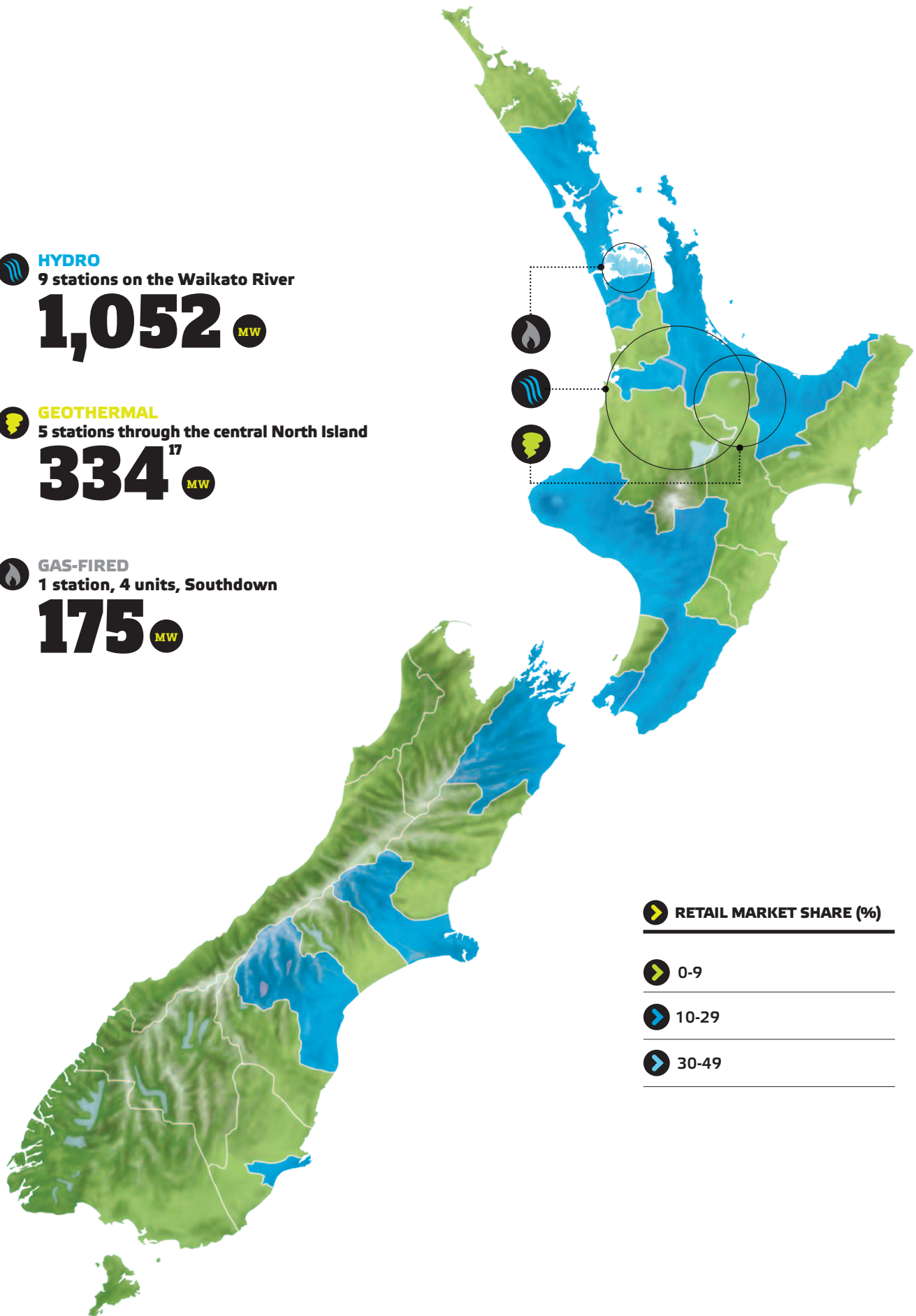
**1,052** MW

**GEOTHERMAL**  
5 stations through the central North Island

**334**<sup>17</sup> MW

**GAS-FIRED**  
1 station, 4 units, Southdown

**175** MW



**▶ RETAIL MARKET SHARE (%)**

▶ 0-9

▶ 10-29

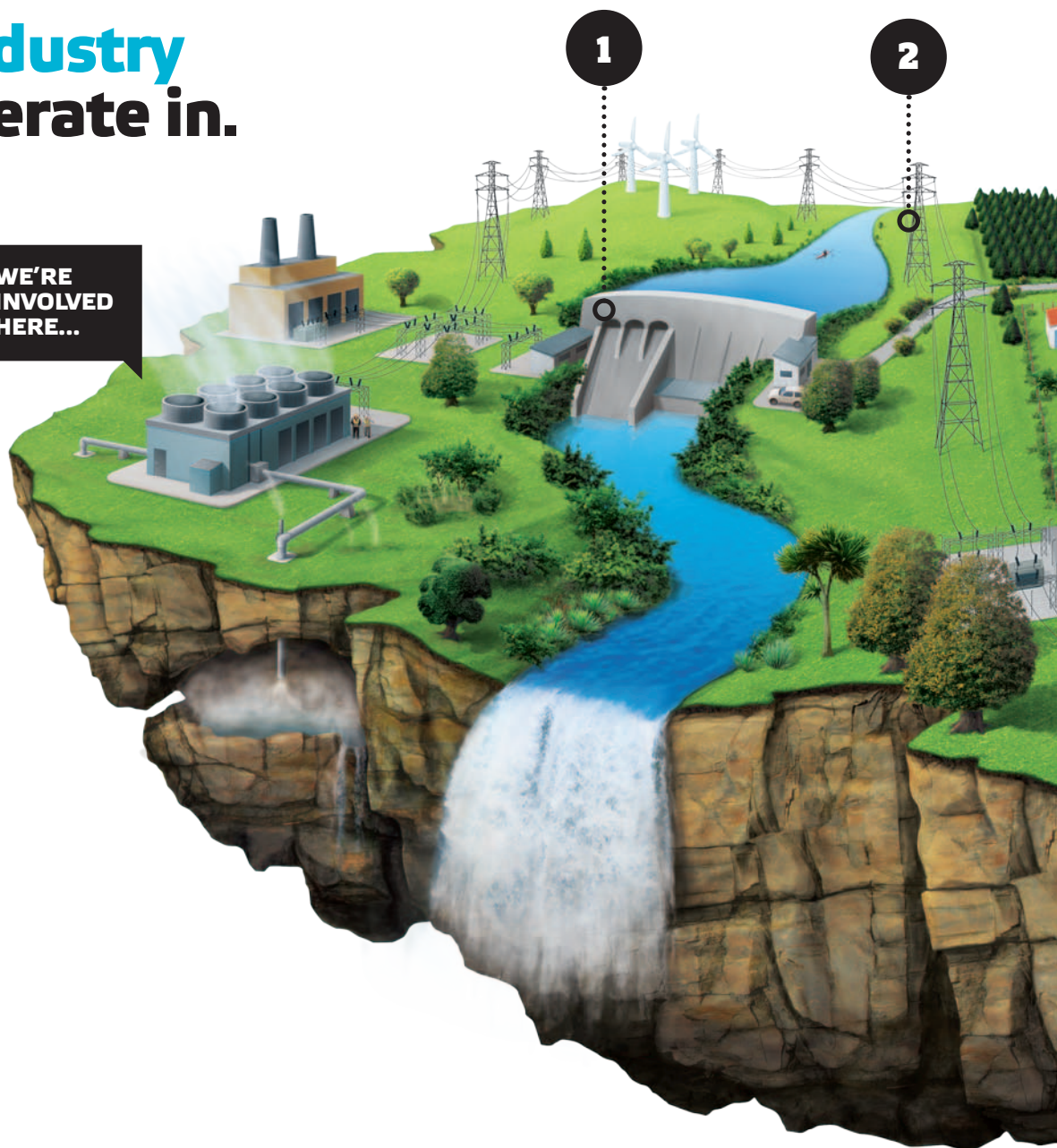
▶ 30-49



<sup>17</sup> Equity weighted based on Mighty River Power's percentage ownership of each power station.

# The industry we operate in.

WE'RE INVOLVED HERE...



Electricity is an essential service for all sectors of the New Zealand economy. Residential electricity usage is largely driven by population, while commercial and industrial usage is influenced by economic activity. The residential, commercial and industrial segments all individually account for approximately a third each of the total electricity consumption.

More than 30% of New Zealand's population of about 4.5 million is concentrated in Auckland, however residential customers in the South Island have higher average consumption primarily due to the colder climate.

The majority of New Zealand's industrial electricity demand comes from the wood, pulp, paper and printing industries and from the basic metals sector. The four key components of the New Zealand electricity market are: Generators, the National Grid, Distribution Network Owners and Retailers.

Most New Zealand electricity generation and retailing is undertaken by five large, vertically integrated generator/retailers: Mighty River Power, Contact Energy, Genesis Energy, Meridian Energy and Trustpower. Collectively, these companies generate about 95% of New Zealand's electricity and provide retail services to more than 90% of end consumers by customer numbers (ICPs). Independent retailers have a small but growing retail market share.



**AND  
INVOLVED  
HERE...**

## **1** GENERATORS

Generators generate electricity at power stations throughout the country and sell that electricity to the wholesale spot market. New Zealand's electricity supply is based on a mix of plant technologies and fuels, with a nationwide geographic spread. Renewable hydro, geothermal and wind generation accounts for approximately 80% of total annual generation, complemented by gas and coal-fired production along with minor sources such as other thermal production and bio-energy.

## **2** THE NATIONAL GRID

Transpower (a State-Owned Enterprise) is the owner and operator of the National Grid that transports electricity at high voltages from power stations to distribution networks and directly to large industrial users throughout the country. Transpower is also the System Operator, and in this role is responsible for scheduling electricity generation to meet consumer demand and for the maintenance of system voltage and frequency.

## **3** DISTRIBUTION NETWORK OWNERS

Distribution Network Owners own the 150,000km of overhead and underground distribution networks that carry electricity from the national grid to residential, commercial and some industrial users. There are currently 29 businesses that operate distribution networks, including publicly-listed and private companies shareholders. In addition to distribution networks connected to the National Grid, there are more than 100 secondary or embedded networks (such as airports and retail complexes) that supply clusters of customers at specific locations.

## **4** RETAILERS AND CONSUMERS

Retailers buy electricity from the wholesale spot market and on-sell it to nearly two million end consumers, ranging from large industrial users to households who can choose supply from any retailer operating in their area. New Zealand has a deregulated electricity market with retailer's prices determined through competition by each retailer. The Electricity Authority is responsible for promoting competition, efficiency and reliability of supply for the long-term benefit of consumers through market design, overseeing market operation and monitoring and enforcing compliance with market rules.

# Selected financial information.

The selected financial information<sup>18</sup> set out in the tables below contains financial data for Mighty River Power over the financial years ending 30 June 2009 to 30 June 2013.

Selected financial information (\$m)	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009
<b>Income Statement</b>					
Earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments, impairments and equity accounted earnings ( <i>EBITDAF</i> ) <sup>19</sup>	390.5	461.5	443.1	327.8	447.1
Net profit for the year	114.8	67.7	127.1	84.6	159.6
Underlying earnings <sup>19</sup>	179.5	162.7	162.2	139.6	211.7
<b>Balance Sheet</b>					
Total assets	5,802.1	5,877.4	5,376.6	4,894.9	4,388.1
Total liabilities	2,620.3	2,863.2	2,470.0	2,205.9	1,766.5
Shareholders' equity	3,181.7	3,014.2	2,906.5	2,689.0	2,621.6
<b>Cash Flow Statement</b>					
Net cash provided by operating activities	286.0	277.0	292.8	199.5	317.1
Net cash used in investing activities	(83.9)	(291.6)	(202.4)	(296.4)	(221.8)
Net cash provided by (used in) financing activities	(230.3)	27.8	(68.8)	48.0	(72.5)

<sup>18</sup> The selected financial information has been extracted from audited financial statements which have been prepared in accordance with NZ GAAP. The audited financial statements comply with New Zealand Equivalents to International Financial Reporting Standards, as appropriate for profit-oriented entities, and with International Financial Reporting Standards. The selected financial information provided cannot be expected to provide as complete an understanding as provided by the full financial statements which are included in the annual reports of Mighty River Power available at [www.mrpcapitalbonds.co.nz](http://www.mrpcapitalbonds.co.nz).

<sup>19</sup> In reporting Mighty River Power's financial performance, there are a number of measures and terms that we consistently use and that we believe are useful for investors, but are not part of NZ GAAP standards we follow in preparing our financial statements. Further detail can be found in the *Non-NZ GAAP financial information* section on pages 20 to 22.

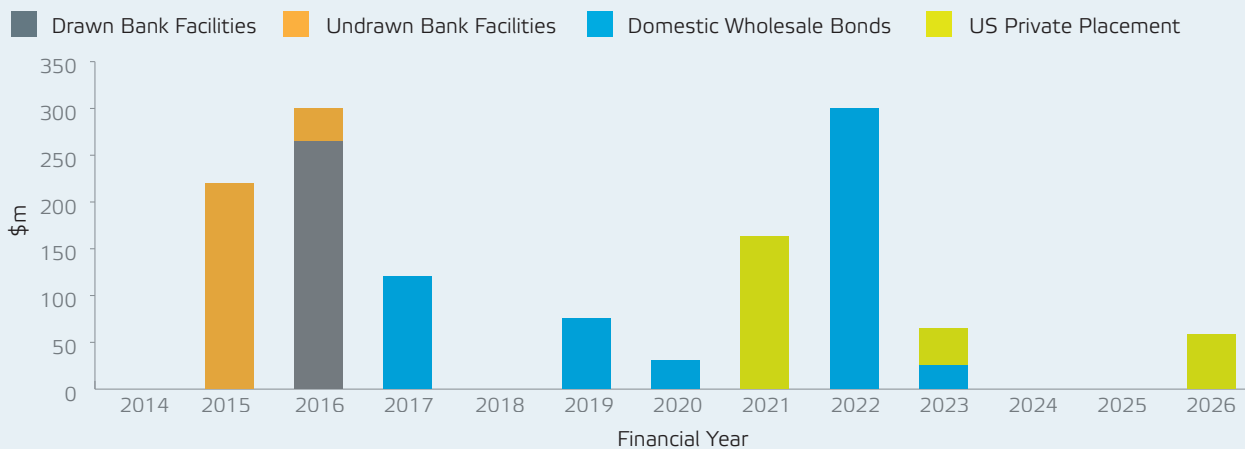
# Debt profile.

Mighty River Power’s debt portfolio is diversified with a mix of maturity and type of debt including bank debt, wholesale bonds, commercial paper and a US private placement. At 31 December 2013, Mighty River Power had drawn debt of \$1,075 million and had a further \$255 million of undrawn and uncommitted facilities<sup>20</sup>. The average duration to maturity of the debt portfolio was 4.9 years<sup>21</sup>.

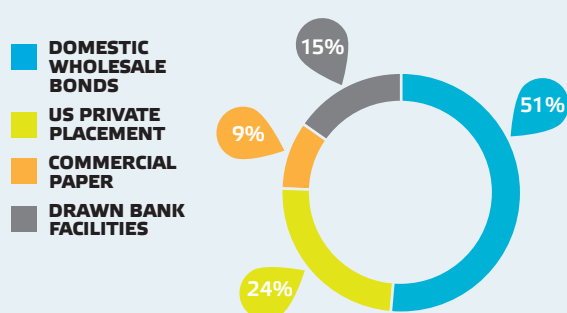
## FINANCIAL RATIOS AND RATINGS HISTORY <sup>22</sup>

	As at 31 December 2013 (interim results)	As at 30 June 2013	As at 30 June 2012	As at 30 June 2011	As at 30 June 2010	As at 30 June 2009
Net debt (\$m)	1,043.9	1,027.8	1,115.6	975.9	970.9	585.7
Gearing ratio (%)	24.7	24.4	27.0	25.1	26.5	18.3
Net debt/EBITDAF (x)	N/A	2.6	2.4	2.2	3.0	1.3
S&P long-term issuer credit rating	BBB+/stable	BBB+/stable	BBB+/stable	BBB+/stable	BBB+/negative	BBB+/stable

### DEBT MATURITIES AS AT 31 DECEMBER 2013<sup>23</sup>



### DEBT TYPE AS AT 31 DECEMBER 2013<sup>24</sup>



<sup>20</sup> Excluding facilities covering the re-issue of short term paper issued under Mighty River Power’s commercial paper programme.

<sup>21</sup> Excluding short term paper issued under Mighty River Power’s commercial paper programme.

<sup>22</sup> In reporting Mighty River Power’s financial performance, there are a number of measures and terms that we consistently use and that we believe are useful for investors, but are not part of NZ GAAP standards we follow in preparing our financial statements. Further detail can be found in the *Non-NZ GAAP financial information* section on pages 20 to 22.

<sup>23</sup> Excludes commercial paper maturities. Facilities covering the re-issue of outstanding commercial paper are illustrated as drawn.

<sup>24</sup> US Private Placement are bonds issued to investors in the United States. Commercial paper or short term paper are short term (usually for less than 270 days) notes issued to wholesale investors as part of a programme.



# Non-NZ GAAP financial information.

Mighty River Power believes that the following Non-NZ GAAP financial information is useful to investors for the reasons set out below. Mighty River Power has reported these measures of financial performance to date and intends to do so in the future, allowing investors to compare periods. The basis for these calculations can be found below or as part of the audited financial statements which can be found in the annual reports of Mighty River Power available at [www.mrpcapitalbonds.co.nz](http://www.mrpcapitalbonds.co.nz).

**EBITDAF** is reported in the income statement of the audited financial statements (page 5 of the Annual Financial Report 2013) and is a measure that allows comparison across the electricity industry. EBITDAF is defined as earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments, impairments and equity accounted earnings.

	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009
<b>EBITDAF</b>					
Total revenue	1,382.4	1,520.6	1,163.9	1,104.6	1,119.9
Energy costs	(636.4)	(761.2)	(446.0)	(500.7)	(460.7)
Other direct cost of sales, including metering	(36.8)	(33.5)	(42.0)	(46.4)	(28.6)
Employee, maintenance & other expenses *	(318.8)	(264.4)	(232.8)	(229.7)	(183.5)
<b>EBITDAF</b>	<b>390.5</b>	<b>461.5</b>	<b>443.1</b>	<b>327.8</b>	<b>447.1</b>

\* Includes employee compensation and benefits, maintenance expenses, sales and marketing costs, contractors' fees, professional services costs and other expenses

**Underlying earnings** is net profit for the year adjusted for one-off and/or infrequently occurring events (exceeding \$10 million of net profit before tax), impairments and any changes in the fair value of derivative financial instruments. In contrast to net profit for the year, the exclusion of certain items enables a comparison of the underlying performance of the business across time periods. Underlying earnings is reported in the audited financial statements (note 2, page 20 of the Annual Financial Report 2013).

	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009
<b>NPAT to Underlying Earnings</b>					
Net profit for the year	114.8	67.7	127.1	84.6	159.6
Change in the fair value of financial instruments	(25.6)	92.8	25.6	(8.1)	47.2
Equity accounted share of the change in the fair value of financial instruments of associate entities	(2.4)	1.5	1.4	17.5	-
Equity accounted share of the change in the fair value of financial instruments of joint ventures	(37.6)	24.2	1.9	21.3	-
Equity accounted share of the income statement impact of the capital return from joint ventures excluding fair value movements	0.4	-	-	-	-
Restructure cost of international geothermal interests	37.2	-	-	-	-
Impaired assets	85.1	4.0	19.8	31.4	46.9
Gain on sale of Marsden generations assets	-	-	-	-	(20.4)
Adjustments before income tax expense	57.1	122.5	48.8	62.2	73.7
Income tax expense on taxable adjustments	7.7	(27.5)	(12.9)	(10.0)	(21.6)
Impact of deferred tax rate change through the income statement	-	-	(0.8)	(7.1)	-
Deferred tax impact of removal of building depreciation	-	-	-	9.8	-
Adjustments after income tax expense	64.7	95.0	35.1	54.9	52.0
<b>Underlying earnings after tax</b>	<b>179.5</b>	<b>162.7</b>	<b>162.2</b>	<b>139.6</b>	<b>211.7</b>
Tax rate applied on all taxable adjustments	28%	28%	30%	30%	30%

**Net debt** is reported in the audited financial statements (note 25, page 41 of the Annual Financial Report 2013) and is defined as current and non-current loans less cash and cash equivalents and loan fair value adjustments and is a metric commonly used by investors.

**Gearing ratio** is reported in the audited financial statements (note 25, page 41 of the Annual Financial Report 2013) and is defined as net debt divided by total capital (being net debt plus total shareholders' equity). This is a metric commonly used by investors.

	Six months ended 31 Dec 2013 (Interim results)	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009
<b>Net Debt/Gearing ratio (\$m)</b>						
Loans at carrying value	1,077.2	1,057.8	1,181.4	985.5	978.8	642.5
Fair value adjustments US Private Placement	2.1	(18.8)	(27.5)	19.1	-	-
Less cash and cash equivalents	(35.4)	(11.2)	(38.3)	(28.7)	(7.9)	(56.8)
<b>Net debt</b>	<b>1,043.9</b>	<b>1,027.8</b>	<b>1,115.6</b>	<b>975.9</b>	<b>970.9</b>	<b>585.7</b>
Total equity	3,185.0	3,181.7	3,014.2	2,906.5	2,689.0	2,621.6
Total capital	4,228.9	4,209.5	4,129.8	3,882.4	3,659.9	3,207.3
<b>Gearing Ratio (net debt/total capital)</b>	<b>24.7%</b>	<b>24.4%</b>	<b>27.0%</b>	<b>25.1%</b>	<b>26.5%</b>	<b>18.3%</b>



# Credit ratings.

The Capital Bonds are expected to be assigned an initial issue credit rating of BB+ by Standard & Poor's. According to Standard & Poor's, an obligation rated 'BB' is less vulnerable to non-payment than other speculative issues. However, such an obligation faces major on-going uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

Mighty River Power currently has a long-term issuer credit rating of BBB+ (stable outlook) from Standard & Poor's. This rating was affirmed by Standard & Poor's on 7 May 2014. According to Standard & Poor's, an obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. Mighty River Power's BBB+ rating includes a one notch ratings uplift to reflect Standard & Poor's assessment of the moderate likelihood of the Crown providing extraordinary support to ensure Mighty River Power's financial obligations are met in a timely manner. The Crown does not guarantee the Capital Bonds and is under no obligation to provide any financial support to Mighty River Power.

A credit rating in respect of an entity is an independent opinion of the capability and willingness of an entity to repay its debts – in other words, its financial strength or creditworthiness. A credit rating in respect of a bond is an independent opinion of the capability and willingness of an entity to repay the debt under that bond. Neither rating is a guarantee that the bond being offered is a safe investment or that any or all amounts payable under that bond will be repaid.

Credit ratings should be considered alongside all other relevant information when making an investment decision. Standard & Poor's gives long-term issuer credit ratings from 'AAA' through

to 'D/SD', as set out in the table below. Credit ratings of 'AAA' to 'BBB' are considered to be 'investment grade'. Credit ratings below 'BBB' are regarded by Standard & Poor's as having significant speculative characteristics. The ratings from 'AA' to 'CCC' may be modified with the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. Ratings may also be subject to positive, negative or stable outlooks. Standard & Poor's periodically reviews Mighty River Power's long-term issuer credit rating, and/or stand-alone credit profile and any change to the long-term issuer credit rating and/or stand-alone credit profile will likely result in a change to the issue credit rating of the Capital Bonds (which change may not necessarily be equivalent or proportionate). Standard & Poor's may review Mighty River Power's long-term issuer credit rating or the rating on the Capital Bonds at any time. Any withdrawal or downward revision of the credit rating of Mighty River Power or the Capital Bonds may have an effect on the ability of investors to sell the Capital Bonds and the market price of the Capital Bonds (and, therefore, the proceeds received from a sale of the Capital Bonds). When determining a company's issuer credit rating, Standard & Poor's takes a variety of qualitative and quantitative factors into account. A sustained deterioration in Standard & Poor's assessment of Mighty River Power's performance under the ratings criteria could result in a ratings downgrade.

Further information about the ratings criteria used by Standard & Poor's is available on its website ([www.spratings.com/corporates/Understanding-Ratings-2.html](http://www.spratings.com/corporates/Understanding-Ratings-2.html)).

The credit ratings of Mighty River Power or the Capital Bonds are not a recommendation to buy, sell or hold securities issued by Mighty River Power (including the Capital Bonds) and may be subject to revision, withdrawal or suspension at any time. Rating agencies may also change the methodology by which securities are rated.

Rating	AAA	AA	A	BBB	BB	B	CCC	CC	D/SD
Capacity to meet financial commitments	Extremely strong	Very strong	Strong	Adequate	Less vulnerable	More vulnerable	Currently vulnerable	Currently highly vulnerable	Default / Selective default
← Investment grade →				← Speculative grade →					



# Governance and management.

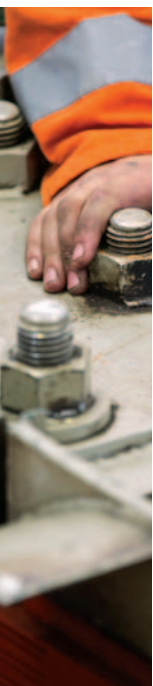
Our board of directors is sharply focused on maintaining the highest standards of governance – providing strategic guidance for Mighty River Power and its related companies, and effective oversight of management.

Around our board table the emphasis is on strategic, innovative thinking coupled with financial and business expertise – and industry sector knowledge, including legal and regulatory. Our directors have experience across a range of publicly-listed and private companies, along with extensive commercial sector and professional experience.

We seek to ensure we have the right mix of skills and experience and regularly assess these to ensure our board competencies match the needs of the business. We see

diversity in all its facets as a strength and work together to drive value and the performance of Mighty River Power, through governance best-practice – with independently facilitated reviews of our board’s performance.

The board has adopted corporate governance policies which reflect contemporary standards in New Zealand and Australia, incorporating principles and guidelines issued by the Financial Markets Authority and the best practice recommendations issued by NZX and ASX. As a listed company, our Market Disclosure Policy underpins a commitment to making sure our shareholders and investors have timely accurate and complete information so that they can make informed assessments of Mighty River Power’s value and prospects.



## Board of directors



01.



02.



03.



04.



05.



06.



07.

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### 01. Joan Withers

#### Chair

MBA, AFInstD

Joan Withers was appointed a director of Mighty River Power in August 2009 and Chair of the board in October 2009. She is Deputy Chair of Television New Zealand, a director of ANZ Bank New Zealand Limited and of The Treasury Advisory Board, a trustee of Pure Advantage, the Sweet Louise and the Tindall Foundations. Joan has more than 20 years' experience at a senior executive level in the New Zealand media industry, including serving as Chief Executive Officer of Fairfax New Zealand and The Radio Network of New Zealand. Joan is a former director of Feltex Carpets and is one of several defendants to a civil class action suit brought by investors in relation to the initial public offering of that company. Joan is defending that claim.

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### 02. Dr Michael Allen

#### Director

BE (Chem) (Hons), PhD

Michael Allen was appointed a director of Mighty River Power in November 2009 and is also a director of Mid Century Design. With a background in engineering, he has 25 years' experience in the management, promotion and marketing of international geothermal engineering consulting. He has been involved in more than 20 geothermal developments in 12 countries and has undertaken project consultancy in South East Asia, Africa, Japan, and Central and South America. Michael is also Executive Chairman of ReEx Capital Asia Pte (Singapore) through which he has been active in brokering finance from banking and private equity sources for clean energy projects within Asia. He has been appointed to the office of Special Envoy for Renewable Energy by the Ministry of Foreign Affairs and Trade.

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### 03. Prue Flacks

#### Director

LLB, LLM

Prue Flacks joined the Mighty River Power board in May 2010. She is a barrister and solicitor with extensive specialist experience in commercial law and, in particular, banking and finance and securities law. Prue is a consultant to Russell McVeagh, where she was a partner for 20 years. She is a director of Chorus and Bank of New Zealand and a trustee of the Victoria University of Wellington Foundation.

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### 04. James Miller

#### Director

BCom, FCA, AMInstD

James Miller was appointed a director of Mighty River Power in May 2012. He is Deputy Chair of NZX, a director of New Zealand Clearing and Depository Corporation (a subsidiary of NZX), the Accident Compensation Corporation and Auckland International Airport and is a member of the Financial Markets Authority. He has 15 years' experience in capital markets, having retired as a director and Head of NZ Wholesale Equities with Craigs Investment Partners in Auckland. James' prior roles included Head of Equities and Head of Research at ABN AMRO in New Zealand. James is a Fellow of the Institute of Finance Professionals New Zealand Inc. He is also a Fellow of the New Zealand Institute of Chartered Accountants.

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### 05. Tania Simpson

#### Director

BA, MMM, AFInstD

Tania Simpson became a director of Mighty River Power in November 2001, making her the longest serving member of the current board and is Chair of its Human Resources Committee. Tania is the founding director of Māori policy adviser, Kōwhai Consulting. She has previously held management positions in Housing Corporation, Ministry of Māori Development and Office of Treaty Settlements and has worked on social policy, environment, economic development and Treaty-related matters. She is of Tainui, Ngai Tahu and Nga Puhi descent. Tania is a Member of the Waitangi Tribunal, a director of Landcare Research (until the end of June 2014), Oceania Group, AgResearch and a Trustee of Te Reo Irirangi o Maniapoto Trust, Kōwhai Trust and Tui Trust.

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### 06. Keith Smith

#### Director

BCom, FCA

Keith Smith was appointed a director of Mighty River Power in May 2009 and is Chair of its Risk Assurance and Audit Committee. He is Chair of Goodman (NZ), Healthcare Holdings, Enterprise Motor Group and Mobile Surgical Services and H J Asmuss & Co Limited. He is Deputy Chair of The Warehouse Group and a director of Westland Dairy Cooperative Limited and various private companies covering a range of industry sectors. Keith is also a Trustee for Cornwall Park Trust Board and a member of the Advisory Board of the New Zealand Tax Trading Company.

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### 07. Dr Patrick Strange

#### Director

BE (Hons), PhD

Patrick Strange joined the Mighty River Power board in February 2014. He was previously a director of Mighty River Power in 2006-2007 and stepped down to take up the role of Chief Executive of New Zealand's transmission owner and operator, Transpower New Zealand Limited, which he held for more than six years. He is currently a director of Worksafe New Zealand and of the joint board of Ausgrid, Endeavour Energy and Essential Energy, Australia. Patrick has spent 30 years working principally in the New Zealand and international electricity and energy sectors, as a senior executive and director in both private and listed companies.

## Executive Management



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### **01. Doug Heffernan** Chief Executive

Doug Heffernan has been Chief Executive of Mighty River Power since it was formed in December 1998 and now has nearly 40 years' experience in the New Zealand electricity industry. He has led Mighty River Power through a period of sustained growth and evolution from its beginnings as a hydro-only operator to a diversified electricity generator and retailer with a significant geothermal business. In 2012 Doug was named the Energy Executive of the Year at the Deloitte Energy Excellence Awards. Doug is a director of Tuaropaki Power Company and was, until 2012, Chair of Rotokawa Joint Venture Limited and the Nga Awa Purua Joint Venture. Doug was formerly Chief Executive of Power New Zealand Limited (distributor and retailer) from 1991 to 1997, leading it through the processes of corporatisation, merger and listing with NZX through demutualisation and initial development of the Rotokawa geothermal field. Prior to that Doug worked for the Electricity Corporation of New Zealand in national transmission grid and generation development and sales and marketing.

Mighty River Power announced in 2013 that Doug Heffernan would be leaving Mighty River Power on 31 August 2014 after nearly 16 years as Chief Executive. On 1 May 2014, Mighty River Power announced that Fraser Whineray, currently General Manager Operations, will take up the role of Chief Executive of Mighty River Power from 1 September 2014 and will be Chief Executive Designate from 1 July 2014 reporting to Doug Heffernan.

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### **02. Fraser Whineray** General Manager Operations

Fraser Whineray is responsible for optimising the performance of all of Mighty River Power's domestic generation operations, portfolio and industrial sales activities. He joined Mighty River Power in 2008 from Carter Holt Harvey where he was Director Operational Improvement. Prior to that he held a number of senior roles in the dairy industry and with Credit Suisse First Boston in New Zealand and Australia. He has considerable experience in performance management, strategy, mergers and acquisitions and international business. Fraser is an independent non-executive director of Opus International Consultants.

On 1 May 2014, Mighty River Power announced that Fraser Whineray will take up the role of Chief Executive of Mighty River Power from 1 September 2014 and will be Chief Executive Designate from 1 July 2014 reporting to Doug Heffernan.

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### **03. William Meek** Chief Financial Officer

William Meek joined Mighty River Power in 1999 and heads the finance, treasury, and investor relations functions. William was previously responsible for Mighty River Power's generation investment strategy and enterprise risk functions. He has 15 years' industry experience in areas such as risk management, power development, wholesale markets and forecasting.

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### **04. James Munro** General Manager Retail

James Munro joined Mighty River Power in 2008 with responsibility for the consumer brands businesses. James has a broad range of commercial experience, having started his career as an accountant and with a background in media, finance and banking. James has over 20 years' experience in complex retail services businesses. Previously he has worked for a number of companies including The Economist in London, TVNZ and St George Bank.

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### **05. Tony Nagel** General Counsel and Company Secretary

Tony Nagel is responsible for Mighty River Power's legal, company secretarial and communications functions. He joined the Company in 2004, after seven years in legal and commercial roles in the telecommunications industry with Clear Communications and SamoaTel. Previously Tony spent more than 10 years at leading corporate law firms in Auckland and Wellington, providing commercial litigation and corporate legal advice.

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### **06. Matthew Olde** Metrix Chief Executive (Acting)

Matthew Olde was appointed Metrix Chief Executive (Acting) in May 2014, and is responsible for driving the Company's metering business, Metrix, as it seeks to secure growth opportunities in advanced metering, both domestically and internationally. Matthew joined Mighty River Power in 2010. He was appointed to the Company's executive team as General Manager Business Strategy and Solutions in December 2012 and, as IPO Project Manager, was responsible for overseeing the Company's preparations for the initial public offering in May 2013. Matthew's previous experience was in the investment banking industry in Auckland, Sydney and London with Deutsche Bank and ABN AMRO, predominantly providing corporate finance advice across a wide range of sectors.

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### **07. Marlene Strawson** General Manager Human Resources

Marlene Strawson joined Mighty River Power in 2012 and leads Mighty River Power's human resources strategy along with having responsibility for the ICT (Information, Communication and Technology) function. Marlene has over 20 years' experience in human resources, with a strong organisational development background. Prior to joining Mighty River Power, Marlene held a number of human resources roles in a wide range of sectors including telecommunications, banking and health sectors, including a period at Yellow Pages after it was acquired from Telecom.

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### **08. Mark Trigg** General Manager Development

Mark Trigg is responsible for Mighty River Power's generation development strategy, both within New Zealand and internationally. He joined Mighty River Power in 2010 following 14 years' experience in the New Zealand power sector where he has held a number of senior executive roles. Mark brings a range of experience in operations, business development, trading and risk management and strategy development. Before moving to the energy sector, Mark spent 10 years in the financial markets, predominantly in trading roles.



# Risks.

## Investment risks

The principal risks for you, as a Bondholder, are that:

- Mighty River Power may become insolvent and be unable to pay the principal and/or interest due on the Capital Bonds. The Capital Bonds are subordinated so Bondholders will only be repaid once all other creditors of Mighty River Power are paid (other than those who have agreed to accept a priority behind, or equal with that of, the Bondholders);
- Mighty River Power may elect to defer interest on the Capital Bonds; and
- you may not be able to sell your Capital Bonds or, if you can sell them, the price you get for them may be less than the amount you have paid.

## Insolvency

If Mighty River Power becomes insolvent and is put into liquidation, Bondholders will only be repaid after all other creditors of Mighty River Power are paid (other than those who have agreed to accept a priority behind, or equal with that of, the Bondholders).

Following an Event of Default, the Trustee has limited rights to enforce the demand for repayment of the Capital Bonds given their subordinated nature. For example the Trustee has no right to appoint a receiver and may only file a conditional claim in the liquidation of Mighty River Power requiring repayment of the Capital Bonds after all prior ranking indebtedness has been repaid in full.

## Deferral of interest

Mighty River Power has discretion to defer interest at any time and without reason.

However, if Mighty River Power were to defer interest, it must not pay dividends or make other distributions to its shareholders or provide financial assistance for the acquisition of its Shares or other securities that rank equally with or lower than the Capital Bonds. Without limiting the board's complete discretion, it is therefore likely that Mighty River Power would only defer interest payments if there were to be a material adverse change in Mighty River Power's circumstances.

## Sale of Capital Bonds

Mighty River Power has applied to quote the Capital Bonds on the NZX Debt Market but there is no guarantee that a secondary market will develop that will enable you to sell your Capital Bonds. If you are able to sell them, the price you get for them may be less than the price you have paid. The price for the Capital Bonds will be affected by changes in market interest rates and any change, whether real or perceived, in the creditworthiness of Mighty River Power (including changes in credit ratings).

## Other Capital Bond risks

In addition to the above risks, Mighty River Power may choose to, or be required to, redeem the Capital Bonds before the end of their 30 year term. The timing of any early redemption may be disadvantageous in light of market conditions or a Bondholder's individual circumstances.

Mighty River Power may from time to time issue additional bonds or incur debt obligations which rank equally with, or ahead of, the Capital Bonds without the consent of the Bondholders. These securities may be issued on such terms as Mighty River Power thinks fit. Mighty River Power is subject to interest coverage and leverage financial covenants in its senior debt facilities limiting the amount of Mighty River Power's indebtedness. Bondholders do not have the benefit of those covenants and they may be amended, terminated or replaced at any time without the consent of Bondholders.

Some examples of matters that may impact on Mighty River Power's solvency, any decision to defer interest and the Company's real or perceived creditworthiness are set out below.

## Material business risks relating to Mighty River Power

Mighty River Power's financial performance is dependent on a number of specific and interrelated factors, any of which could have a material adverse effect on Mighty River Power's future performance. Mighty River Power has a risk management framework to mitigate identified key risks to the business but not all risks may be identified or fully mitigated. In addition, Mighty River Power regularly considers the cost of further risk mitigation and compares this to the likelihood and cost of the risk itself.

## Legislative and regulatory

Political change could impact on Mighty River Power. For example, on 18 April 2013, two opposition political parties, the Green Party of Aotearoa New Zealand and the New Zealand Labour Party, jointly announced proposals for major electricity sector regulatory reform, under the label of NZ Power. The proposals differ in a number of respects, but a common feature is the establishment of a state agency, NZ Power, to act as a single buyer of wholesale electricity from generators. NZ Power may also require the owners of the existing major electricity companies (including Mighty River Power) to separate their retail divisions into standalone companies with separate boards and management. If those parties are elected and the proposals implemented, these reforms may have a material adverse effect on Mighty River Power.

Other legislative or regulatory changes, including Treaty of Waitangi claims, may result in the Company facing direct or indirect restrictions, conditions or additional costs on Mighty River Power's access to freshwater or geothermal resources for its hydro and geothermal generation activities.

Regulatory changes imposed on the current wholesale and retail market structure and pricing regimes may affect the effectiveness of Mighty River Power's integrated business model of generating and retailing electricity and could adversely impact the value of Mighty River Power in the future.

For example, the Electricity Authority is currently reviewing the transmission pricing methodology for electricity transmission which may increase Mighty River Power's costs and reduce its income. The Government is also currently considering a package of reforms for freshwater and resource management systems which could impose restrictions, conditions and costs on Mighty River Power's hydro generation activities.



### **Fuel security and supply**

Mighty River Power's generation is dependent on the availability of, and access to, 'fuel', including water for hydro generation, geothermal fluid for geothermal generation and gas for the gas-fired power station at Southdown. The principal risks to Mighty River Power include that it is unable to generate expected levels of electricity due to either temporarily or permanently reduced fuel supplies or that it may face increased costs to secure the necessary fuel, both of which may adversely affect Mighty River Power's future operating results.

### **Power station availability**

Mighty River Power's ability to generate electricity is dependent on the continued efficient operation of its power stations. The viability, efficiency or operability of Mighty River Power's power stations could be adversely affected by a range of factors, including:

- material failure of turbines, transformers or geothermal wells and other mechanical, electrical or steamfield equipment or loss of connection to the core grid that result in unplanned power station outages and which may require replacement or repair; and
- catastrophic events such as major earthquake, volcanic eruption, or other catastrophes that could cause failure of any one or several of Mighty River Power's power stations.

### **Insurance risk**

In the event of catastrophic events, Mighty River Power's insurance arrangements may not cover or may be insufficient to recover the cost of damage and/or loss of business, impacting future operational performance and financial condition of the Company.

Mighty River Power renews its insurance cover annually and any renewed cover may be on different terms and/or for a lower level.

### **Electricity market exposure**

In the short-run, Mighty River Power's ability to balance its electricity portfolio to mitigate wholesale price exposure is dependent on its ability to purchase and sell electricity in the wholesale electricity market which could be impacted by:

- short-term changes in supply and demand;
- national fuel conditions based on hydrological conditions;
- competitor behaviour; and
- constrained transmission and distribution of electricity and gas.

In the long-run, wholesale prices are determined by the level of customer demand relative to supply from power generation and can be affected by levels of activity in the industrial sector population growth, economic conditions, competitor behaviour including new generation build and closure of existing stations, technological changes or new sources of energy, and regulatory changes.

One specific example of this relates to the Tiwai Point aluminium smelter, operated by New Zealand Aluminium Smelters, which represented approximately 13% of New Zealand's electricity demand in 2013. If New Zealand

Aluminium Smelters closes its Tiwai Point aluminium smelter or significantly reduces its electricity consumption, Mighty River Power may be adversely affected.

Competitor behaviour, such as pricing campaigns or the entry of new competitors, may put downward pressure on retail electricity prices and may also reduce Mighty River Power's market share or require Mighty River Power to increase its sales and marketing costs in order to maintain sales volumes. Competitor behaviour can also be affected by changes in customer behaviour, including reductions in demand, the displacement of demand by technology change or large business customers choosing to buy electricity directly on the wholesale spot market rather than entering into fixed contracts. Mighty River Power could also be adversely affected if a large group of customers, one or more major customers, or a New Zealand market participant were to default on payment for electricity provided or for hedge settlements.

### **Key relationships and contracts**

Major contracts and agreements with partners, customers or suppliers could be terminated or not renewed, requiring replacements which may be less desirable or alternative solutions which could adversely affect the operational and financial performance of Mighty River Power.

### **Financial risks**

A deterioration of Mighty River Power's financial condition or instability in capital markets could increase Mighty River Power's cost of capital or eliminate its ability to raise debt, impacting its financial performance and pursuit of its strategic objectives.

The Crown's shareholding and the provisions of the Public Finance Act 1989 may limit Mighty River Power's ability to raise equity capital.

There is a risk that foreign currency or interest rate movements may impact Mighty River Power's earnings by increasing the cost for imported goods and services and issued debt, or decreasing revenues from offshore investment earnings.

Mighty River Power may at any time make an acquisition or development, increase its dividend or return capital to shareholders, which could cause an increase in its debt ranking ahead of Bondholders.

### **Accounting risks**

Changes to International Financial Reporting Standards (*IFRS*) and other accounting standards or their application may affect Mighty River Power's reported financial statements to the extent that an accounting loss results or the stated financial position is adversely affected.

### **Metering business risk**

Mighty River Power's metering business, Metrix, could be adversely affected by changes in regulation of the metering industry. In addition the business could be adversely affected by major changes to metering technology, which might lead to displacement of Metrix's meters by other meters, or by major failure of the systems and technologies supporting its business, including New Zealand's radio and telecommunications networks.

### Reputation risks

Mighty River Power is a publicly listed company and therefore subject to public scrutiny by the media and investment community. The following events (real or perceived) could lead to negative publicity resulting in the loss of business revenues or reduction in Mighty River Power's value:

- errors in customer connections or disconnections, billing or general customer communications;
- errors by directors, management, employees, contractors or related industry operators negatively reflecting on Mighty River Power;
- adverse environmental impact caused, or perceived to be caused, by Mighty River Power's operations;
- health and safety incidents under the operational control of Mighty River Power;
- a reduction in corporate citizenship standards reflecting poorly on Mighty River Power's reputation; and
- announcements from political parties about proposed policies.

### Credit rating

Mighty River Power has a credit rating and the Capital Bonds are expected to have a credit rating as described in the *Credit Ratings* section on page 23. If Standard & Poor's changes its rating criteria or its view of Mighty River Power and as a result either Mighty River Power or the Capital Bonds have a lower credit rating than the rating initially assigned, your ability to transfer the Capital Bonds may be impacted or the price you can obtain may be reduced.

Mighty River Power may also redeem the Capital Bonds if a Rating Agency Event occurs (as set out in the *Statutory Information* section under the heading *Optional early redemption by Mighty River Power* on page 35). The timing of this redemption may be disadvantageous for Bondholders depending on market conditions and their individual circumstances.

### Summary

The summary of risks presented above is not exhaustive. Changes in risk factors may offset each other to some extent or may be cumulative. In addition, this Prospectus does not take account of your personal circumstances, financial position or investment requirements. The Capital Bonds have a 30 year term so if they are not redeemed early and there is no liquid market to sell your Capital Bonds, you could be required to hold the Capital Bonds until the end of the 30 year period.

Recipients of this Prospectus must make their own independent investigation and assessment of the financial condition and affairs of Mighty River Power before deciding whether or not to apply for Capital Bonds. The Capital Bonds are a complex financial product so we recommend you consult your Authorised Financial Adviser before making a decision. If you do not have an Authorised Financial Adviser you can find one at [www.fma.govt.nz/help-me-comply/financial-advisers/how-to-get-licensed/afa-application-resources-and-templates/list-of-authorised-financial-advisers-\(afa\)/25](http://www.fma.govt.nz/help-me-comply/financial-advisers/how-to-get-licensed/afa-application-resources-and-templates/list-of-authorised-financial-advisers-(afa)/25).



<sup>25</sup> Mighty River Power does not guarantee the accuracy of the information contained on this website



# Trustee's Statement.

6 June 2014

**Guardian Trust**  
THE TRUST COMPANY

## TO: THE INVESTORS UNDER THIS PROSPECTUS OF MIGHTY RIVER POWER LIMITED

Dear Investor,

Clause 9(3) of Schedule 12 to the Securities Regulations 2009 requires us to confirm that the offer of new capital bonds of a principal amount of up to \$250 million (plus up to \$50 million of oversubscriptions) (*Capital Bonds*) by Mighty River Power Limited (*Mighty River Power*) set out in the Simplified Disclosure Prospectus dated on or about 6 June 2014 (*Prospectus*), complies with any relevant provisions of:

- (a) the Master Trust Deed between Mighty River Power and The New Zealand Guardian Trust Company Limited (*Trustee*) dated 4 April 2003 (as amended from time to time); and
- (b) the Supplemental Trust Deed (*Capital Bonds*) between Mighty River Power and the Trustee dated 6 June 2014,

(together, *Trust Documents*).

The relevant provisions of the Trust Documents are those which:

- (a) entitle Mighty River Power to constitute and issue under the Trust Documents the Capital Bonds offered under this Prospectus; and
- (b) impose any restrictions on the right of Mighty River Power to offer the Capital Bonds,

and are described in the *Statutory Information* section of the Prospectus, under the heading *Provisions of the Trust Documents and other restrictions on Mighty River Power*.

The Trustee's statement does not refer to any financial information, or to any material contained in the Prospectus, which does not relate to the Trust Documents.

The Trustee confirms that the offer of Capital Bonds set out in the Prospectus complies with all relevant provisions of the Trust Documents. We have given the above confirmation on the basis:

- (a) set out above; and
- (b) the inclusion of this Trustee's statement in the Prospectus should not be taken to imply that the Trustee has responsibility for the material in the Prospectus other than the Trustee's statement.

The Trustee does not guarantee or provide any assurance as to the repayment of the Capital Bonds offered or the payment of interest thereon or any other aspect of the Capital Bonds.

Signed for and on behalf of the Trustee



The New Zealand Guardian Trust Company Limited



# Statutory Information.

The Offer is an offer of debt securities that will rank in priority to the Shares (which are quoted on the NZX Main Board and ASX). The information in this section is provided in accordance with Schedule 12 to the Securities Regulations.

## Names, addresses and other information

The issuer of the Capital Bonds is Mighty River Power Limited, whose registered office is Level 14, ANZ Centre, 23–29 Albert Street, Auckland, New Zealand.

The directors of Mighty River Power as at the date of this Prospectus are Joan Withers, Michael David Allen, Prudence Mary Flacks, James Bruce Miller, Tania Joy Te Rāngingāngana Simpson, Keith Raymond Smith and Patrick Clifford Strange.

There is no promoter in relation to the Offer.

The Trustee in respect of the Capital Bonds is The New Zealand Guardian Trust Company Limited, whose registered office is Level 7, Vero Centre, 48 Shortland Street, Auckland, New Zealand. On 1 July 2014 the Trustee is scheduled to relocate to Level 15, 191 Queen Street, Auckland.

The Trustee has been granted a licence by the Financial Markets Authority under section 16(1) of the Securities Trustees and Statutory Supervisors Act 2011 to act as a trustee for a term expiring on 16 March 2018. Conditions on the licence include a requirement for the Trustee to certify to the Financial Markets Authority every six months that it has adequate insurance, financial resources and independence to support and develop its trustee and statutory supervisor business.

Further information on the Trustee's licence and applicable conditions is publicly available on the Financial Markets Authority website at [www.fma.govt.nz/help-me-comply/supervisors/licensed-supervisors](http://www.fma.govt.nz/help-me-comply/supervisors/licensed-supervisors).

## Experts and underwriters

No experts are named in this Prospectus.

The Offer is not underwritten.

## Main terms of Offer

### The Capital Bonds

The Capital Bonds offered under this Prospectus are debt securities. The Capital Bonds constitute unsecured, subordinated, redeemable, cumulative, interest bearing debt obligations of Mighty River Power.

The Capital Bonds are not shares and no voting rights will attach to the Capital Bonds (other than the right to attend and vote at meetings of Bondholders). The Capital Bonds will rank equally and without preference among themselves, and will be subordinated to all other indebtedness of Mighty River Power, except indebtedness ranking equally with, or subordinate to, the Capital Bonds. A brief description of the Capital Bonds is set out in the *Key Terms of the Capital Bonds* section on pages 7 to 11. A description of the main terms of the Offer is set out in the *Terms of the Offer* section on pages 12 to 13. The Conditions of the Capital Bonds are contained in the Trust Documents. A summary of the principal provisions of the Trust Documents is set out in this *Statutory Information* section under the heading *Summary of the Trust Documents* on pages 38 to 42.

### Trustee

The Trustee holds on trust for the benefit of Bondholders the right to enforce Mighty River Power's obligations in respect of the Capital Bonds. None of the Trustee, its directors or officers guarantees repayment of the Capital Bonds or the payment of interest on the Capital Bonds.

### Maximum amount of securities being offered

Capital Bonds with an aggregate Principal Amount of up to \$300 million are being offered by Mighty River Power. This includes oversubscriptions of up to \$50 million.

### Issue Price

The Issue Price of each Capital Bond is \$1.00, being the Principal Amount of each Capital Bond. The Issue Price must be paid in full on application for the Capital Bonds under the Offer.

### Applications

Applications to subscribe for the Capital Bonds must be for a minimum aggregate Principal Amount of \$5,000 and in multiples of \$1,000 afterwards. There is no maximum amount of Capital Bonds you may apply for (other than the maximum amount of the Offer), but applications for an aggregate Principal Amount of less than \$5,000 will not be accepted.

The Capital Bonds are offered in New Zealand to New Zealand resident investors. Applications to subscribe for the Capital Bonds must be made on the Application Form contained at the back of this Prospectus in accordance with the instructions set out in the *How to apply* section on pages 51 to 52.

Mighty River Power expects to reserve a substantial proportion of the Capital Bonds for subscription by clients of the Joint Lead Managers, Primary Market Participants and other invitees to the Bookbuild under Firm Allocations. The aggregate Principal Amount of Capital Bonds so reserved will be determined by Mighty River Power, in consultation with the Joint Lead Managers, on or before the Opening Date. However, Mighty River Power, in consultation with the Joint Lead Managers, reserves the right to make further Firm Allocations after the Opening Date.

If you are applying for Capital Bonds pursuant to a Firm Allocation, you must contact a Primary Market Participant or your financial adviser. Applicants accepting a Firm Allocation from a Primary Market Participant or approved financial intermediary must provide a completed Application Form (with payment) to that Primary Market Participant or financial intermediary in time to enable forwarding to the Registrar before 5.00pm on the Closing Date (8 July 2014).

Mighty River Power will also make a Public Pool available, with scaling preference (if required) given to applicants who are Mighty River Power shareholders at the time the Registrar receives their application and who include their Mighty River Power CSN number on their Application Form. This means that the scaling applied to applicants who are Mighty River Power shareholders will be less than that applied to general public pool applicants. The size of the Public Pool will be determined by Mighty River Power, in consultation with the Joint Lead Managers, on or before the Opening Date and announced to NZX.



If you are applying for Capital Bonds through the Public Pool, you should complete the Application Form in accordance with the application instructions and lodge the Application Form (together with payment) in time for it to be received by the Registrar before 5.00pm on the Closing Date. If you are a Mighty River Power shareholder, include your Mighty River Power CSN number in the space provided on the Application Form and tick the box on the Application Form to ensure you receive a preference in any scaling (if required).

Application Forms from all other applicants must be mailed or delivered (with payment) so that they are received by the Registrar before 5.00pm on the Closing Date (8 July 2014). The address details of the Registrar are:

**Mighty River Power Bond Issue  
c/- Computershare Investor Services Limited**

*Postal address:*  
Private Bag 92119  
Victoria Street West  
Auckland 1142

*Physical address:*  
Level 2  
159 Hurstmere Road  
Takapuna  
Auckland

Applications for Capital Bonds may also be submitted to any Primary Market Participant, the Organising Participant or any other channel approved by NZX, in time to enable forwarding to the Registrar before 5.00pm on the Closing Date (8 July 2014).

Mighty River Power reserves the right to refuse all or any part of any application for Capital Bonds without giving a reason including (but without limitation) where an applicant has not provided account details for payments by direct credit. An application cannot be withdrawn or revoked by the applicant once it has been submitted.

If you do not return your Application Form and payment by 5.00pm on the Closing Date (8 July 2014), you may not receive any Capital Bonds. Mighty River Power reserves the right to accept applications that are received by the Registrar after the Closing Date, but has no obligation to do so.

By signing and submitting a valid Application Form with full payment, an applicant irrevocably offers to subscribe for and acquire the Principal Amount of Capital Bonds specified in the Application Form (or such lesser number which Mighty River Power may determine) on the terms set out in this Prospectus, the Trust Documents and the Application Form, despite any changes to the timetable or other dates set out in the *Important Dates* section on page 6.

**Relationship with listed securities and ranking of securities**

Mighty River Power's ordinary shares (the *Shares*) are currently quoted on securities markets operated by NZX and ASX.

The Capital Bonds are debt securities and constitute unsecured, subordinated, redeemable, cumulative, interest bearing, debt obligations of Mighty River Power. The Capital Bonds will:

- rank equally and without preference among themselves; and

- be subordinated to all other indebtedness of Mighty River Power, except indebtedness ranking equally with, or subordinate to, the Capital Bonds.

The Capital Bonds will rank in priority to the Shares on liquidation of Mighty River Power.

Mighty River Power has other borrowings in addition to the Capital Bonds. Those borrowings, and their ranking in relation to the Capital Bonds, are described in this *Statutory Information* section under the heading *Consequences of insolvency* on page 43. Those borrowings are unsecured.

As at the date of the latest statement of financial position referred to in this Prospectus (being 31 December 2013), there were no securities (as that term is defined in the Securities Act) secured by a mortgage or charge over any of the assets of Mighty River Power ranking in point of security ahead of, or equally with, the Capital Bonds.

Mighty River Power may, from time to time, without the consent of the Bondholders:

- issue further capital bonds so as to form a single issue with the Capital Bonds; and
- issue further bonds, or incur other debts, which rank equally with, or in priority to, the Capital Bonds (whether as to payment of interest, principal or otherwise).

There is no restriction, as between Mighty River Power and the Bondholders, on the amount of debt which Mighty River Power may issue or guarantee.

Additional information in relation to the ranking of the Capital Bonds is set out in this *Statutory Information* section under the heading *Consequences of insolvency* on page 43.

**Issue expenses**

The estimated amount of expenses of the Offer is \$5.5 million, based on an Offer amount of \$250 million. That amount includes brokerage (as referred to below), arrangement and lead management fees, legal and accounting fees, Trustee fees, registry expenses, advertising expenses and expenses in respect of the printing and distribution of this Prospectus.

Mighty River Power will pay Primary Market Participants and approved financial intermediaries brokerage of 0.75% of the aggregate Principal Amount of Capital Bonds allotted by Mighty River Power pursuant to each valid application submitted by that Primary Market Participant or financial intermediary.

Mighty River Power will also pay approved participants in the Bookbuild a firm fee of 0.50% of the aggregate Principal Amount of Capital Bonds allotted pursuant to valid applications submitted under Firm Allocations.

**Returns**

**Introduction**

The information set out below in relation to returns on the Capital Bonds should be read in conjunction with the information set out in the *Risks* section on pages 28 to 30. Certain events could reduce or eliminate the returns intended to be derived from holding the Capital Bonds.

The returns to Bondholders comprise interest paid on the Capital Bonds and either the Principal Amount payable by

Mighty River Power on the Maturity Date (or, if the Capital Bonds are redeemed early, the early redemption amount payable by Mighty River Power) or the price received for any Capital Bonds sold.

The Capital Bonds do not benefit directly from any capital growth in Mighty River Power and Bondholders will not participate in any dividend, bonus issue, rights issue or any other distribution made in respect of the Shares.

### Key factors determining returns

The key factors that will determine the returns to Bondholders are:

- the Interest Rate (which may vary over time);
- Mighty River Power's financial condition, financial performance and financial position to the extent that they affect:
  - Mighty River Power's ability to pay interest on the Capital Bonds or repay the Principal Amount; or
  - the price of the Capital Bonds on the secondary market (if one develops);
- whether or not interest on the Capital Bonds is deferred;
- whether or not a Bondholder's Capital Bonds are redeemed before the Maturity Date and the circumstances of that redemption;
- the price of the Capital Bonds if a Bondholder chooses to transfer Capital Bonds or sell Capital Bonds on the secondary market (if one develops);
- each Bondholder's individual circumstances for tax purposes; and
- the other risk factors described in the *Risks* section on pages 28 to 30.

It is not possible to quantify, as at the date of this Prospectus, the exact amount of returns Bondholders will receive. Therefore, no amount of returns on the Capital Bonds are promised by Mighty River Power.

### Interest

Mighty River Power will pay interest on each Capital Bond at the applicable Interest Rate.

### Interest Rate from Issue Date until the First Reset Date

The Interest Rate for the Capital Bonds for the period from (and including) the Issue Date until (but excluding) the First Reset Date (11 July 2019) will be set and announced on the Rate Set Date. The initial Interest Rate will be announced on Mighty River Power's website for the Capital Bonds ([www.mrpcapitalbonds.co.nz](http://www.mrpcapitalbonds.co.nz)) and released through NZX. The Interest Rate for the first five years will be set at the higher of:

- the Minimum Interest Rate; and
- the sum of the Swap Rate (as at the Rate Set Date) and the Initial Margin.

The Minimum Interest Rate and Initial Margin will be determined by Mighty River Power in consultation with the Joint Lead Managers following completion of the Bookbuild on the Minimum Rate Set Date (17 June 2014). They will be announced on Mighty River Power's website for the Capital

Bonds (at [www.mrpcapitalbonds.co.nz](http://www.mrpcapitalbonds.co.nz)) and released through NZX on or before the Opening Date.

### Interest Rate following each Reset Date

Before each Reset Date, Mighty River Power may propose (through an Election Process) that new terms and conditions will apply to the Capital Bonds from that Reset Date. If a Successful Election Process is undertaken, the new Interest Rate will have been disclosed in the relevant Election Notice.

If the Capital Bonds are not redeemed on a Reset Date, and no Successful Election Process is undertaken, the Interest Rate for the next five year period will reset to the sum of the Swap Rate on that Reset Date and the Margin which will increase by the Step-up Percentage (if the Step-up Percentage has not already been added to the Margin).

### Time of payment

Other than for the first interest payment for a Capital Bond, interest is scheduled to be paid quarterly in arrear in equal amounts on each Interest Payment Date (11 January, 11 April, 11 July and 11 October of each year) to the Bondholder on the Register as at the Record Date. Interest accrues on the Capital Bonds until (but excluding) the date on which they are redeemed. If an Interest Payment Date falls on a day that is not a Business Day, the relevant payment will be made on the next day which is a Business Day, without adjustment, interest or further payment as a result thereof.

The first interest payment will be made on 11 October 2014. Early bird interest will also be payable from (and including) the date on which a Bondholder's Application Monies have been banked into the trust account operated in respect of the Offer to (but excluding) the Issue Date at the interest rate that will apply to the Capital Bonds when they are issued. This interest will be paid as soon as practicable following the Issue Date and will be paid to the initial subscriber for the Capital Bonds irrespective of any transfer prior to the date of payment of this interest.

### Deferral of interest

Payment of interest on the Capital Bonds may be deferred by Mighty River Power at any time.

Mighty River Power may, at any time before an Interest Payment Date, notify the Bondholders and the Trustee that the interest payment due on the Interest Payment Date shall be deferred (and where an interest payment has not been paid on its due date, notice of its deferral shall be deemed to have been given), in which case that interest payment shall be deferred. If payment of interest is deferred, it must be deferred equally on all the Capital Bonds.

Deferred Interest will itself accrue interest at the prevailing Interest Rate on the Capital Bonds and that interest will compound on each Interest Payment Date after the date on which the interest was deferred. A deferral of interest payments on the Capital Bonds will not constitute an Event of Default under the Trust Documents unless the interest is not paid by the date which is five years from the original date of deferral. No default interest will be payable in respect of the Deferred Interest.



Mighty River Power may, in its absolute discretion, resume payments of interest, and repay all or any part of any unpaid Deferred Interest at any time.

If any Deferred Interest has not been paid by the earlier of the Maturity Date and the fifth anniversary of the Interest Payment Date on which it was originally due, the amount of all Deferred Interest becomes immediately due and payable by Mighty River Power to Bondholders.

Interest payments on the Capital Bonds scheduled to be made on the redemption date for the Capital Bonds or the interest component of the Repurchase Price payable on a Reset Date cannot be deferred.

While any Deferred Interest remains unpaid, Mighty River Power must not, unless approved by the Bondholders by way of an Extraordinary Resolution, pay any distributions or dividends to its shareholders or holders of securities that rank equally with or lower than the Capital Bonds (whether by way of dividend, buy-back, redemption, cancellation, acquisition or otherwise) or provide financial assistance for the acquisition of its Shares or other securities that rank equally with or lower than the Capital Bonds (the *Distribution Stopper*).

#### **Repayment of Principal Amount**

The Principal Amount of each Capital Bond will be paid to each Bondholder on:

- the Maturity Date (11 July 2044); or
- any earlier date on which Mighty River Power is required, or elects, to redeem the Capital Bonds.

The circumstances in which the Capital Bonds may be redeemed are set out below.

#### **Redemption**

##### **Mandatory redemption by Mighty River Power**

Mighty River Power must redeem all of the Capital Bonds on the Maturity Date.

Mighty River Power must also immediately redeem the Capital Bonds if an Event of Default occurs. The Events of Default are set out in full in the Supplemental Trust Deed and may be summarised as follows:

- failure by Mighty River Power to pay interest when due (except where the due date is not a Business Day and the payment is made on the next succeeding Business Day), except where Mighty River Power has deferred interest payments in accordance with the deferral of interest provisions; or
- failure by Mighty River Power to pay the Principal Amount when due; or
- failure by Mighty River Power to comply with the Distribution Stopper (as described above under the heading *Deferral of interest*); or
- failure by Mighty River Power to pay the Repurchase Price for the Capital Bonds in accordance with a Successful Election Process; or
- an insolvency event of Mighty River Power occurs (being where Mighty River Power is placed into liquidation, voluntary administration or any analogous event occurs in

respect of Mighty River Power or a secured party takes possession of all or substantially all of Mighty River Power's assets or a trustee, receiver, receiver and manager, administrator or inspector under any companies and securities legislation or similar official is appointed in respect of Mighty River Power), or Mighty River Power is deregistered.

##### **Optional early redemption by Mighty River Power**

Mighty River Power may redeem:

- all or some of the Capital Bonds on a Reset Date;
- all or some of the Capital Bonds on any Interest Payment Date after a Reset Date if a Successful Election Process has not been undertaken in respect of that Reset Date;
- all or some of the Capital Bonds then outstanding at any time if a Tax Event or a Rating Agency Event occurs; or
- all of the Capital Bonds then outstanding if the Principal Amount of Capital Bonds on issue is less than \$100 million.

For any partial redemption of the Capital Bonds, Mighty River Power must endeavour to treat all Bondholders on an approximately proportionate basis and there must remain at least \$100 million in Principal Amount of Capital Bonds outstanding after the partial redemption.

If Mighty River Power elects to redeem the Capital Bonds in one of these circumstances it will give notice to the Holders. In the case of a redemption on a Reset Date, on an Interest Payment Date after a Reset Date or if less than \$100 million of Capital Bonds are on issue, Mighty River Power will give at least 10 Business Days' notice. In the case of a Tax Event or a Rating Agency Event, redemption will occur on the next Interest Payment Date or earlier if Mighty River Power determines having regard to the best interests of the Holders (collectively).

The terms Tax Event and Rating Agency Event are defined in full in the Supplemental Trust Deed and are described below:

- *Tax Event* – means the receipt by Mighty River Power of an opinion from a reputable legal counsel, or reputable tax adviser that, as a result of any amendment to, clarification of, or change (including any announced prospective change) in the laws, treaties, or any regulations affecting taxation of New Zealand or any political subdivision or taxing authority of New Zealand, or any relevant administrative action or any amendment to, clarification of, or change in any relevant administrative action that provides for a position that differs from the current generally accepted position, which is effective or is announced on or after the Issue Date, the interest payable on all or any of the Capital Bonds, including Deferred Interest, is not fully deductible under the Tax Act.
- *Rating Agency Event* – means receipt by Mighty River Power of advice from Standard & Poor's that, as a result of a change in criteria, the Capital Bonds will no longer have the same equity content classification from Standard & Poor's as it had immediately prior to the change in criteria or Mighty River Power ceases to hold a credit rating.

##### **Restrictions on redemption**

As described above, there are a number of different scenarios in which the Capital Bonds may be redeemed.



If Mighty River Power does not redeem the Capital Bonds when required to do so the Trustee may take action for repayment of the Capital Bonds in accordance with the Trust Documents.

#### Payments on redemption

If Mighty River Power elects to redeem the Capital Bonds on a Reset Date following a Tax Event, following a Successful Election Process or where the Principal Amount of Capital Bonds on issue is less than \$100 million or is required to redeem the Capital Bonds on the Maturity Date or following the occurrence of an Event of Default, Mighty River Power must pay to the relevant Bondholder the Principal Amount of the Capital Bonds held by that Bondholder plus any Deferred Interest payable plus any accrued interest not paid up to (but excluding) the date on which the redemption is to occur.

If Mighty River Power redeems the Capital Bonds early following a Rating Agency Event or on any Interest Payment Date which is not a Reset Date (and not following a Tax Event), Mighty River Power must pay an amount for each Capital Bond redeemed which is the greater of:

- the Principal Amount of the Capital Bond plus any Deferred Interest payable plus accrued interest not paid up to (but excluding) the date on which the redemption is to occur; or
- the market price of the Capital Bond, being:
  - the volume weighted average price of the Capital Bonds traded through the NZX Debt Market over the 10 Business Days before the 15th day before the early redemption date, plus any accrued interest from the date the price is calculated up to (but excluding) the date on which the redemption is to occur; or
  - where the Capital Bonds have not traded on the NZX Debt Market for at least half of the 10 Business Day period specified above, the average price of the Capital Bonds for that period will be determined by an independent adviser. If an independent adviser is required, the Trustee shall select an appropriately qualified investment banker, chartered accountant or other financial adviser. Mighty River Power shall, within two Business Days after the Trustee's selection, advise the Trustee whether or not it approves that adviser. Mighty River Power shall not unreasonably withhold its approval of any adviser. If Mighty River Power does not approve an adviser, the Trustee shall select another until a suitable adviser is approved, but Mighty River Power shall not be entitled to withhold its approval to more than three advisers proposed by the Trustee in good faith.

#### Form of payment

All payments in relation to a Capital Bond shall be by direct credit to the bank account nominated in writing (before the Record Date) by the Bondholder unless Mighty River Power determines otherwise. If the Registrar does not have a valid bank account, payment will be withheld until a valid bank account has been provided. No interest will be paid on any monies withheld.

#### Payments made on Business Days

If any payment falls due on a day that is not a Business Day, that payment will instead be made on the next day that is a Business Day. No additional interest will be paid as a result of this adjustment to the day on which payment is made.

#### Person legally liable to pay returns

If a Bondholder sells the Capital Bonds, the purchaser of the Capital Bonds will be legally liable to pay the purchase price of those Capital Bonds to that Bondholder.

Mighty River Power is legally liable to pay all other returns on the Capital Bonds.

#### Election Process

Mighty River Power may offer new terms and conditions (*New Conditions*) to Bondholders before each Reset Date through an Election Process. Under the Election Process, Bondholders can either accept those New Conditions and retain their Capital Bonds subject to the New Conditions, or reject the New Conditions and give Mighty River Power the option of purchasing their Capital Bonds at the Repurchase Price (that is, the same price a Bondholder would have received if their Capital Bonds had been redeemed). A Successful Election Process will only occur if Mighty River Power elects to purchase (or procure the purchase through the resale facility) all Capital Bonds held by Bondholders who elect to sell their Capital Bonds.

To initiate an Election Process, Mighty River Power will, in the period commencing six months before a Reset Date and ending 20 Business Days before the Reset Date, issue an Election Notice to each Bondholder proposing New Conditions to apply to the Capital Bonds on and from that Reset Date if a Successful Election Process is undertaken.

Each Bondholder will then have a period of not less than 15 Business Days to accept or reject the New Conditions. If a Bondholder does not return an Election Notice by the end of that period, the Bondholder will be deemed to have elected to retain all its Capital Bonds subject to the New Conditions. If a Bondholder returns an Election Notice, but does not indicate whether or not it elects to retain or sell all or part of their Capital Bonds, the Bondholder will be deemed to have elected to retain those Capital Bonds (subject to the New Conditions) in respect of which no such indication has been given. After the end of that 15 Business Day period, Mighty River Power will determine whether a Successful Election Process has been undertaken.

If a Bondholder elects to retain some or all of its Capital Bonds the aggregate Principal Amount retained must not be less than \$5,000 and must be a multiple of \$1,000. If the Principal Amount of Capital Bonds a Bondholder elects to retain is less than \$5,000 then the Bondholder will not be entitled to retain those Capital Bonds and those Capital Bonds will be purchased by Mighty River Power or an investment bank, stockbroker or similar professional organisation if a resale facility is established (if a Successful Election Process is undertaken). If the Principal Amount of Capital Bonds stipulated to be retained is not a multiple of \$1,000, then the amount of Capital Bonds to be retained by that Bondholder will be rounded down



to the nearest multiple of \$1,000 and the Bondholder will be deemed to have elected to sell the remainder.

If Mighty River Power declares that a Successful Election Process has been undertaken, on the relevant Reset Date the New Conditions will take effect and Mighty River Power must purchase the Capital Bonds, or procure that the Capital Bonds are purchased, of all Bondholders electing to sell Capital Bonds at the Repurchase Price.

Mighty River Power may choose to establish a resale facility to seek buyers for those Capital Bonds. This would involve one or more investment banks, stockbrokers or similar professional organisations purchasing or procuring the purchase of the Capital Bonds for value on the Reset Date. Mighty River Power may itself purchase or sell Capital Bonds through the resale facility.

If Mighty River Power does not wish to purchase, or procure the repurchase of, all Capital Bonds that Bondholders have elected to sell then Mighty River Power must declare that the Election Process is not successful.

If a Successful Election Process has not occurred, then the Election Notice will be deemed to be revoked and there will be no change to the terms and conditions of the Capital Bonds.

Mighty River Power may treat any Bondholder that does not provide Mighty River Power with evidence satisfactory to Mighty River Power that the Bondholder is a New Zealand Holder as having elected in an Election Notice to sell all Capital Bonds held by it. A *New Zealand Holder* is a Bondholder who has a valid New Zealand IRD number, a valid New Zealand bank account number and a New Zealand address.

The purpose of the Election Process is to give Mighty River Power flexibility to propose New Conditions to apply to the Capital Bonds. If those proposed New Conditions are not accepted by Bondholders, the Capital Bonds held by those Bondholders may be purchased by Mighty River Power or sold through any resale facility if such facility is established.

#### **Mighty River Power's current intention regarding the Capital Bonds**

Mighty River Power intends (without thereby assuming a legal obligation) that while the Capital Bonds are ascribed a level of equity credit by Standard & Poor's, in the event of:

- a redemption of the Capital Bonds at Mighty River Power's option upon a Reset Date or Interest Payment Date after a Reset Date (if a Successful Election Process has not been undertaken in respect of that Reset Date); or
- a repurchase by Mighty River Power of Capital Bonds of more than:
  - 10% of the total Principal Amount of Capital Bonds originally issued in any period of 12 consecutive months; or
  - 25% of the total Principal Amount of Capital Bonds originally issued in any period of 10 consecutive years,

it will only redeem or repurchase Capital Bonds:

- where Mighty River Power believes that its credit profile is substantially the same or better than at the date of this Prospectus, and Mighty River Power believes that its credit profile would not be materially adversely affected as a result of any such redemption or repurchase; or

- to the extent the total Principal Amount of Capital Bonds to be redeemed or repurchased does not exceed the net proceeds received by Mighty River Power or any subsidiary, during the 360 day period prior to such redemption or repurchase, from certain securities offerings.

These offerings must involve the sale or issuance by Mighty River Power or any subsidiary to third party purchasers of securities which are ascribed by Standard & Poor's a level of equity credit that is equal to or greater than the equity credit Standard & Poor's ascribed to the Capital Bonds to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of Capital Bonds).

The matters set out above do not form part of or alter the Conditions of the Capital Bonds and do not involve any obligations to or by the Trustee.

#### **Taxation of returns**

##### **Introduction**

The returns on the Capital Bonds will be affected by taxes. If a law requires Mighty River Power (which for the purposes of this section of this Prospectus includes the Registrar acting on Mighty River Power's behalf) or the Trustee to deduct an amount in respect of taxes from a payment to a Bondholder, then Mighty River Power or the Trustee will deduct the amount for the taxes and pay it to the relevant authority. Neither Mighty River Power nor the Trustee is obliged to gross-up, indemnify or otherwise compensate or pay any additional amounts to the Bondholder as a consequence of or otherwise in connection with such deduction.

The Capital Bonds are not marketed outside New Zealand so the information set out below relates solely to New Zealand taxation. It does not constitute taxation advice to any Bondholder. The information is believed by Mighty River Power to be correct as at the date of this Prospectus. Taxation laws are subject to change, and changes may affect your tax position with respect to an investment in the Capital Bonds. You should seek qualified independent financial and taxation advice before deciding to invest. In particular, you should consult your tax adviser in relation to your specific circumstances.

All Bondholders (including those resident outside New Zealand) must give written notice to the Registrar (or, where applicable, to the custodian/nominee registered as the Bondholder in respect of Capital Bonds held on behalf of the beneficial owner) of their country of residence for taxation purposes and, if not a New Zealand tax resident, whether the Bondholder is engaged in business in New Zealand through a branch or other fixed establishment in New Zealand. This requirement for written notice is satisfied for initial Bondholders where the relevant parts of the Application Form are completed by applicants.

##### **Resident withholding tax: Resident Bondholders and New Zealand Branch Bondholders**

If you are either a New Zealand resident for tax purposes (*Resident Bondholder*) or are engaged in business in New Zealand through a fixed establishment (as defined in the Tax Act) in New Zealand (*New Zealand Branch Bondholder*), resident withholding tax (*RWT*) will be deducted from the



interest (including amounts deemed to be interest) payable to you in accordance with the provisions of the Tax Act. As at the date of this Prospectus, RWT of 33% will be deducted from interest paid to a Resident Bondholder or New Zealand Branch Bondholder that is an individual or trustee, unless the Bondholder supplies their IRD number to the Registrar and elects for RWT to be deducted at a different rate.

The available rates of RWT for individuals and trustees as at the date of this Prospectus are 33%, 30% and 17.5%. In addition, if the Resident Bondholder or New Zealand Branch Bondholder is a trustee of certain testamentary trusts, or an individual (not acting as a trustee) who has a reasonable expectation at the time of the election that their income for the income year (i.e. 1 April 2014 to 31 March 2015) will be \$14,000 or less, and they have supplied their IRD number to the Registrar, they may elect for RWT to be deducted at 10.5%.

The RWT rate for interest paid to a company (other than a Māori authority or trustee) is 28%, as at the date of this Prospectus. However, if a Resident Bondholder or New Zealand Branch Bondholder that is a company (other than a Māori authority or trustee) has not supplied its IRD number to the Registrar, RWT will be deducted at 33%.

RWT will not be deducted where a Resident Bondholder or New Zealand Branch Bondholder provides a copy of a current RWT exemption certificate (as defined in the Tax Act) to the Registrar on or before the Record Date for the relevant payment. Bondholders should promptly notify the Registrar of any changes to their elected RWT rate as a result of changes to their particular circumstances.

**Approved issuer levy and non-resident withholding tax: Non-resident Bondholders**

Mighty River Power has registered, or will register, the Capital Bonds with the IRD for the purposes of the approved issuer levy (AIL) regime. Unless otherwise agreed, Mighty River Power will, where it is lawfully able, deduct an amount equal to the applicable rate of AIL from payments made or credited to Bondholders who are neither Resident Bondholders nor New Zealand Branch Bondholders (*Non-Resident Bondholders*). The current rates of AIL are 0% and 2% of amounts treated as interest. Unless Mighty River Power is lawfully able to use the rate of 0% AIL, an amount equal to 2% AIL will be deducted.

Non-Resident Bondholders may request by written notice to the Registrar that AIL not be deducted from interest paid or credited in respect of their Capital Bonds, and that non-resident withholding tax be deducted instead, at the rate required by law (as reduced by any applicable double tax agreement where the Non-Resident Bondholder promptly provides satisfactory evidence to the Registrar of entitlement to such reduced rate).

If the Non-Resident Bondholder derives interest under the Capital Bonds jointly with one or more New Zealand tax residents, tax must be deducted from the interest paid or credited to the Non-Resident Bondholder at the applicable RWT rate.

**New Zealand income tax implications**

Resident Bondholders and New Zealand Branch Bondholders who are acquiring Capital Bonds will be entering into a financial arrangement which is subject to the 'financial arrangements

rules' in the Tax Act. Interest paid to Resident Bondholders and New Zealand Branch Bondholders under the Capital Bonds will be income that is taxable at the Bondholder's relevant tax rate (with a credit for RWT deducted – see above).

The timing of that income will be governed by the financial arrangements rules. The financial arrangements rules may require that interest income or expenditure be spread over the life of the Capital Bonds. For most individuals (as opposed to corporate Bondholders) this may not be the case, as they should constitute 'cash basis persons' for the purposes of the financial arrangements rules – but this can only be established by actual application of the financial arrangements rules.

The financial arrangements rules may cause both individual and corporate Bondholders to derive income on the transfer of Capital Bonds held by them. For example, if a gain is made on the transfer of Capital Bonds by a Bondholder to whom the financial arrangements rules apply, the 'base price adjustment' performed under the financial arrangements rules will bring the gain to account for New Zealand tax purposes and will cause that gain to be included in their income. Where a Bondholder incurs a loss on the transfer of the Capital Bonds, this loss may be deductible to the Bondholder in limited circumstances.

In addition, in some circumstances a Non-Resident Bondholder may be subject to New Zealand tax on gains on the transfer of the Capital Bonds.

All Bondholders should ascertain whether New Zealand's provisional tax rules apply to their individual situations.

**Guarantors**

No person guarantees, or provides any other surety in respect of, the Capital Bonds or any of Mighty River Power's obligations in relation to the Capital Bonds.

**Provisions of the Trust Documents and other restrictions on Mighty River Power**

**Summary of the Trust Documents**

The Capital Bonds will be issued under the Master Trust Deed dated 4 April 2003 between Mighty River Power and the Trustee and the Supplemental Trust Deed dated 6 June 2014 between Mighty River Power and the Trustee (together the *Trust Documents*). The Trust Documents contain the Conditions of the Capital Bonds, and are available for inspection at the places indicated in this *Statutory Information* section under the heading *Access to information* on page 45.

**Introduction**

The following is a summary of the principal provisions of the Trust Documents not set out elsewhere in this Prospectus. Applicants requiring further information should refer to the Trust Documents. Bondholders are bound by, and are deemed to have notice of, the provisions of the Trust Documents.

**The Trustee and the Bondholders**

The Trustee is appointed under the Master Trust Deed to act as trustee for the Bondholders. It also acts as trustee for the holders of any other Series of bonds issued under the Master Trust Deed and any relevant supplemental trust deed.





The Trustee does not guarantee the payment of interest or the Principal Amount on the Capital Bonds.

#### **Issue and form of the Capital Bonds**

The Master Trust Deed does not create any security over the assets of Mighty River Power or any of its subsidiaries or other entities in which Mighty River Power has an interest.

The Master Trust Deed provides that Mighty River Power may issue bonds (including the Capital Bonds) at such times, in such amounts, to such persons, on such terms and conditions and at the prices determined by Mighty River Power.

Under the terms of the Master Trust Deed, Mighty River Power has the power, from time to time, to create and issue further Series of bonds without the consent of the Bondholders. A further Series (depending on its terms) may or may not be guaranteed and may rank ahead of, equally with, or subordinate to the Capital Bonds.

Mighty River Power also has the power to incur other indebtedness under separate documentation. Any such indebtedness may or may not be guaranteed and may rank equally with or subordinate to the Capital Bonds.

#### **Covenants**

The Trust Documents contain a number of covenants by Mighty River Power, including:

- whenever so requested in writing, to give to the Trustee such information relating to Mighty River Power and any of its subsidiaries or their business or financial condition as may reasonably be required for the purposes of the discharge of the duties, trusts and powers vested in the Trustee under the Master Trust Deed or imposed upon it by law;
- to promptly notify the Trustee of the occurrence of any Event of Default and any event or circumstance which with the lapse of time, giving of notice or fulfilment of any other requirement would constitute an Event of Default, giving details of it and of any action taken (or to be taken) as a result;
- to maintain in full effect all necessary consents required to enable Mighty River Power to perform or comply fully with its material obligations under the Master Trust Deed;
- at all times to comply with its constitution, the Securities Act, Securities Regulations, Companies Act 1993, Financial Reporting Act 1993, the Listing Rules, (to the extent applicable to Mighty River Power) the State-Owned Enterprises Act 1986 and any statement of corporate intent issued by Mighty River Power under it and all other applicable laws, directives and consents non-compliance with which would have or would be likely to have a material adverse effect on Mighty River Power;
- to file tax returns as required by law and pay and discharge all taxes upon it or against its property to the date upon which penalties become due, except to the extent that those taxes are being contested in good faith by the taking of appropriate steps;
- to comply in all material respects with its obligations under the Agency Agreement and use all reasonable endeavours to ensure that the Registrar does so;

- to comply in all material respects with its obligations under the Trust Documents; and
- to maintain a Register and cause the Registrar to keep the Register under the Agency Agreement and give notice to the Bondholders of any resignation or removal of the Registrar and the appointment of any replacement Registrar promptly following such event.

Mighty River Power has also undertaken to use reasonable endeavours to quote and maintain quotation of the Capital Bonds on the NZX Debt Market, and to notify the Trustee of various matters, including the occurrence of any non-payment in respect of the Capital Bonds (other than Deferred Interest).

Breach of any of the covenants above does not constitute an Event of Default under the Trust Documents.

There are no financial covenants contained in the Trust Documents to ensure Mighty River Power meets minimum levels of financial performance.

#### **Duties and powers of the Trustee**

The Trustee is appointed under the Master Trust Deed to act in the interests of the Bondholders and the holders of further Series of bonds issued under the Master Trust Deed and any relevant supplemental trust deed.

The principal duties of the Trustee under the Trust Documents in relation to the Bondholders are summarised as follows:

- upon the occurrence of any Event of Default the Trustee may at its discretion (and must if directed by an Extraordinary Resolution of Bondholders or in writing by Bondholders holding not less than 50% of the Principal Amount of the outstanding Capital Bonds) exercise the powers of enforcement available to it and apply all monies received in accordance with the provisions of the Master Trust Deed. The Trustee may only take enforcement action to recover an amount payable in relation to the Capital Bonds if Mighty River Power defaults in payment of an amount due to Bondholders and does not remedy that default within seven days. The only enforcement action the Trustee may take under the Trust Documents is to bring proceedings against Mighty River Power to recover any amounts due and unpaid (but only to the extent necessary to preserve a claim in a liquidation of Mighty River Power) and apply to have a liquidator appointed to Mighty River Power;
- receive the regular financial and other reports and certificates furnished to it by Mighty River Power;
- to perform a number of functions relating to the ongoing administration of the Trust Documents including in relation to the meetings of Bondholders, and the exercise of discretions or the giving or withholding of consents (as appropriate) relating to such administration and other matters out of the ordinary, such as making application to the High Court of New Zealand under the Securities Act, the substitution of an obligor in place of Mighty River Power in relation to the Capital Bonds and agreeing to modifications of the Trust Documents, all upon the terms set out in the Trust Documents; and
- on being satisfied that all amounts owing in relation to the Capital Bonds and any other bond monies owing under the Trust Documents have been paid or provided for upon the



terms of the Trust Documents, and on being indemnified to its reasonable satisfaction, to execute a deed of release of the Trust Documents.

In addition, the Trustee has a statutory duty under the Securities Act and the Securities Regulations to exercise reasonable diligence to:

- ascertain whether or not there has been any breach of the terms of the Trust Documents or of the terms of the Capital Bonds and to do all it is empowered to do to cause any such breach of those terms to be remedied (except where the Trustee is satisfied that the breach will not materially prejudice the interests of the Bondholders); and
- ascertain whether or not the assets of Mighty River Power that are or may be available, are sufficient or likely to be sufficient to discharge the amounts of the Capital Bonds as they become due.

The Trustee receives the benefit of a general indemnity from Mighty River Power for any expenses, losses or liabilities it reasonably sustains or incurs while acting as Trustee unless the claim arises out of wilful default, gross negligence or wilful breach of trust by the Trustee. The Trustee is not indemnified against liability for wilful default, gross negligence or wilful breach of trust where the Trustee has failed to show the degree of care and diligence required of it having regard to the powers, authorities and discretions conferred on it under the Trust Documents and the provisions of the Master Trust Deed.

Except as otherwise expressly provided in the Trust Documents, the Trustee has absolute and uncontrolled discretion as to the exercise or non-exercise of its powers in relation to the Capital Bonds. Under the Trust Documents, the Trustee may, amongst other things, in relation to the Capital Bonds:

- decline to act or exercise any power, take any action or comply with any request or direction (including direction by an Extraordinary Resolution of Bondholders) unless it has first been indemnified to its satisfaction against all reasonable expenses, losses and liabilities it may sustain or incur by so doing;
- represent and act on behalf of Bondholders in any matter concerning them generally;
- invest any monies held in its capacity as Trustee, in the name of the Trustee or its nominee, in any investment, with power to vary, deal with or dispose of such investment, and all income arising from all such investments will belong to Mighty River Power until monies due in relation to the Capital Bonds become immediately due and payable;
- in the performance of its duties, act on, or decline to act on, certificates signed by two directors of Mighty River Power, the advice or opinion of professional advisers or any certificate or report provided to the Trustee under the Master Trust Deed; or
- require Mighty River Power to report to Bondholders on certain matters, convene meetings of Bondholders or otherwise seek directions from the Bondholders or a court of New Zealand.

### Reporting

Mighty River Power undertakes to supply to the Trustee various reports, certificates, annual and half-yearly financial statements and other information as to the financial condition of Mighty River Power and its subsidiaries and as to compliance with the Trust Documents.

This requires two directors of Mighty River Power, on behalf of the board, to provide a certificate to the Trustee, following the end of each financial year and each financial half-year, as to various matters relating to Mighty River Power and the Capital Bonds, including details of any matter that has arisen which has or may adversely affect the ability of Mighty River Power to perform its obligations under the Trust Documents and the Capital Bonds, compliance by Mighty River Power with the provisions of the Trust Documents, and confirmation that all payments in relation to the Capital Bonds which have fallen due for payment (other than Deferred Interest) have been paid or otherwise satisfied.

### Events of Default

Upon the occurrence of any of the Events of Default, the Capital Bonds will become immediately due and payable and Mighty River Power will redeem the Capital Bonds on the next Business Day following the occurrence of the Event of Default.

The Events of Default are defined in the Supplemental Trust Deed. A summary of the Events of Default is set out in this *Statutory Information* section under the heading *Mandatory redemption by Mighty River Power* on page 35.

### No enforcement by Bondholders

Except to the extent permitted by law, Bondholders have no direct enforcement rights and they may not bring proceedings directly against Mighty River Power for the enforcement of any of their rights or remedies under the Trust Documents, unless the Trustee has failed to enforce such rights or remedies after having become bound to do so under the provisions of the Trust Documents.

### Default interest

Default interest shall not apply in respect of any Deferred Interest.

### Substituted obligor

Mighty River Power may, with the consent of the Trustee but without the consent of the Bondholders, substitute any individual, body corporate, an association of persons (being a trust, a state and an agency of a state (in each case whether or not having separate legal personality)) incorporated in New Zealand in substitution for Mighty River Power or a previous substituted obligor under the Trust Documents. Such substitution may only occur if a number of requirements are met, as set out in the Master Trust Deed.

### Meetings

Where used in this section, *Bondholders* means both Bondholders as defined in the Glossary and, if applicable, holders of any other Series of bonds which may be constituted and issued by Mighty River Power under the Master Trust Deed and in relation to which the Trustee is appointed to act.



The Trust Documents contain provisions for meetings of Bondholders and the matters which may be determined by ordinary or Extraordinary Resolutions.

Mighty River Power must call a meeting of Bondholders, or a class of Bondholders, at the request in writing of the Bondholders holding at least 10% in Principal Amount of the Capital Bonds or any Series of bonds (as the case may be). Mighty River Power or the Trustee may also convene a meeting of Bondholders at any time.

Except where an Extraordinary Resolution affects either a particular Bondholder, or a particular Series only, as opposed to the rights of holders generally, an Extraordinary Resolution passed at a meeting of Bondholders or a class of Bondholders is binding on all Bondholders, whether or not they were present at such meeting.

After the occurrence of an Event of Default and while it continues unremedied, Bondholders may by an Extraordinary Resolution direct the Trustee to declare all monies payable in respect of the Capital Bonds, to be immediately due and payable by notice in writing to Mighty River Power.

Bondholders have the power exercisable by Extraordinary Resolution to agree, approve, authorise, ratify and sanction any acts, matters or things whatsoever in relation to, or in connection with, the Trust Documents, the Capital Bonds and the exercise or performance by the Trustee of its powers, duties and discretions. For example, the Bondholders may, by Extraordinary Resolution:

- release Mighty River Power from payment of part of all monies payable on or in relation to the Capital Bonds to the Bondholders under the Conditions;
- postpone the payment of interest on the Capital Bonds and the Maturity Date of the Capital Bonds;
- sanction any alteration, release, modification, waiver, variation or compromise in respect of the rights of the Bondholders or of the Conditions in respect of the Capital Bonds;
- sanction, assent to, release or waive any breach or default of Mighty River Power, or commission or omission of the Trustee; and/or
- remove the Trustee and appoint a new Trustee.

An Extraordinary Resolution is a resolution passed at a meeting of Bondholders (or of a class of Bondholders) properly convened at which at least 75% of the Bondholders (or that class of Bondholders) voting at the meeting or, if a poll is demanded, at least 75% of the votes cast, vote in favour of the resolution. A quorum for the purpose of passing an Extraordinary Resolution is the Bondholders holding a majority in nominal amount of the securities or, in the case of a meeting of any class of Bondholders, of the securities of the relevant class.

#### **Amendment of Trust Documents**

The terms of the Trust Documents may be altered with the approval of Bondholders (or a class of Bondholders, if applicable) by an Extraordinary Resolution and, in limited circumstances, with the approval only of the Trustee. A description of the requirements for an Extraordinary Resolution is set out in the preceding paragraph of this Prospectus.

In addition, the Trustee and Mighty River Power may, without the approval of Bondholders, agree to alter the Trust Documents in the limited circumstances specified in the Trust Documents. These circumstances include amendments:

- of a minor, formal, administrative or technical nature;
- to correct a manifest error;
- to comply with the requirements of any applicable law;
- necessary for the purpose of obtaining or maintaining a quotation of the Capital Bonds on any stock exchange in New Zealand or elsewhere;
- to any of the provisions of the Trust Documents relating to reporting to the Trustee, the Trustee expenses and indemnities or the exercise of the Trustee's powers; and
- which will not be, and are not likely to be, materially prejudicial to the interests of Bondholders or do not materially adversely affect the Bondholders.

If the Trust Documents are amended in these circumstances, Mighty River Power will give notice to Bondholders within 30 days of the amendment being made.

The Trustee may also agree to amend or temporarily vary the Trust Documents or the Capital Bonds to reflect an exemption granted to or applicable to Mighty River Power, in relation to any obligation imposed upon Mighty River Power by or under the Securities Act, the Companies Act 1993 or the Financial Reporting Act 1993 which is materially the same as or analogous to any obligation of Mighty River Power under the Master Trust Deed or the Capital Bonds. The Trustee may also agree to waive any breach or anticipated breach of such obligation in a manner which is consistent with the relevant exemption. Two directors of Mighty River Power must certify that the modification, temporary variation or waiver will not have a material adverse effect on Mighty River Power or be or become materially prejudicial to the general interests of the Bondholders.

In addition, the Trustee may temporarily vary the provisions of the Master Trust Deed or the Conditions, or waive any breach or anticipated breach by Mighty River Power of the Master Trust Deed or the Conditions, for such period and on such terms as:

- may be deemed appropriate provided that the Trustee is satisfied that the interests of the Bondholders generally will not be materially prejudiced by the variation;
- may be agreed by the Trustee to reflect an exemption of the nature referred to above; and
- may be approved by Extraordinary Resolution of the Bondholders (or relevant class of Bondholders).

Once Part 4 of the Financial Markets Conduct Act 2013 applies to the Trust Documents, the Trust Documents will only be able to be amended:

- with the consent of the Trustee, subject either to the Bondholders having approved the amendment by way of Extraordinary Resolution or the Trustee being satisfied that the amendment will not have a material adverse effect on the Bondholders;



- with the approval of the Financial Markets Authority, who must be satisfied that the amendment is necessary for the Trust Documents to comply with any enactment or rule of law; or
- in accordance with any power under an enactment to amend or replace the Trust Documents including the Securities Trustees and Statutory Supervisors Act 2011 (to be renamed the Financial Markets Supervisors Act 2011).

Any amendment to the Trust Documents will be binding on all Bondholders and will only be effective if it is in writing and signed by Mighty River Power and the Trustee.

#### Supplemental Trust Deed

The Supplemental Trust Deed contains provisions specific to the Capital Bonds to be issued under this Prospectus, although Mighty River Power may elect to issue further Series of bonds on the same terms. It contains the terms and conditions of the Capital Bonds.

#### Other restrictions

##### Restrictions on new mortgages or charges or ratio of liabilities to assets

The Trust Documents do not create any security over the assets of Mighty River Power or any of its subsidiaries or other entities in which Mighty River Power has an interest. None of Mighty River Power, any of its subsidiaries or other entity in which Mighty River Power has an interest nor any other person guarantees the obligations of Mighty River Power under the Trust Documents in respect of the Capital Bonds.

Further, there are no limitations in the Trust Documents relating to:

- the creation of new mortgages or charges ranking in point of security ahead of, or equally with, any mortgage or charge securing the Capital Bonds; or
- any ratio of liabilities, or class of liabilities, to assets, or to any class of assets of Mighty River Power.

##### Borrowing restrictions

The Trust Documents do not contain any restrictions on the ability of Mighty River Power to borrow or incur further indebtedness.

There are no restrictions on Mighty River Power borrowing, being restrictions that result from any undertaking given, or contract or deed entered into, by Mighty River Power. Nonetheless there are a number of covenants under the negative pledge deed, US note purchase agreement and other borrowing documents to which Mighty River Power is a party which indirectly affect Mighty River Power's ability to borrow further sums:

- Shareholders' Funds are at no time to be less than \$625,000,000;
- the ratio of Total Debt to Total Debt plus Shareholders' Funds is not to exceed 55% at any time;
- on a rolling 12 month basis calculated semi-annually, EBITDA is required to be at least 250% of Interest and Financing Costs;

- the Total Assets of the Guaranteeing Group (being Mighty River Power and its guaranteeing subsidiaries) are at all times to be not less than 90% of Total Assets of the Group (excluding assets funded by Project Finance Debt);
- no member of the Guaranteeing Group may create a security interest over any of its assets to secure any indebtedness other than certain permitted exceptions or unless the aggregate principal amount secured by all such security interests (i.e. excluding Permitted Security Interests) does not exceed 5% of Total Assets;
- not to give any security interest (other than certain permitted exceptions) in favour of any party unless an equivalent security interest is also granted in favour of the holders of the senior guaranteed notes issued by Mighty River Power in favour of certain institutional investors in the United States (the US Notes);
- if Mighty River Power gives to a third party financier any covenant or default event that provides for limitations on or which measures:
  - indebtedness, financial condition or performance; or
  - changes in control or transfers of interests in assets of the group,

where such provision is not included in the documentation relating to the US Notes or are more onerous than any comparable provision in that documentation, then that provision is deemed incorporated into the documentation relating to the US Notes; and

- Mighty River Power and its subsidiaries is subject to a number of other business covenants in its borrowing documentation which relate to, amongst other things, restrictions on asset sales and other dispositions, restrictions on changes in the nature of its business or operations, related party dealing restrictions, restrictions on amalgamations and other general business covenants. There is also a prohibition on repayments of any subordinated debt if default conditions subsist or if the making of the payment will result in a breach of its borrowing documentation.

As a consequence of the unremedied breach of any of the above covenants, the relevant parties may demand immediate repayment of all outstanding monies owed by Mighty River Power and its guaranteeing subsidiaries to those parties, and if these are not repaid the relevant parties may then apply to the High Court of New Zealand to appoint a liquidator to Mighty River Power and its guaranteeing subsidiaries.

Bondholders do not have the benefit of these covenants and they may be amended at any time without the consent of the Bondholders.

Terms defined in this *Statutory Information* section under the heading *Borrowing restrictions* have the meaning given to them in the negative pledge deed dated 7 March 2001 entered into by Mighty River Power.

#### Miscellaneous

The Trust Documents also contain detailed provisions relating to procedures for holding meetings of Bondholders, transfer and registration of Capital Bonds and various other matters.

Because the Capital Bonds are to be registered (rather than bearer) securities, the Trustee and Mighty River Power are entitled to rely on the Register as the sole and conclusive record of the Capital Bonds held by a Bondholder, despite any discrepancy between the Register and any certificate issued in respect of any Capital Bonds. A certificate will not constitute a document of title.

Transfers must be effected using a registrable transfer form, by any method of transfer permitted by NZX for securities quoted on the NZX Debt Market or by any other means of transfer of marketable securities which is not contrary to law and the Listing Rules and which is approved by Mighty River Power. A transfer will not take effect until the transferee is registered as the holder of the Capital Bond.

The Trustee and Mighty River Power are entitled to treat a person recorded in the Register as the absolute owner of the Capital Bonds it is recorded to own, and shall have no liability to any person for doing so.

#### **Trustee's statement**

The statement required to be made by the Trustee under clause 9(3) of Schedule 12 to the Securities Regulations is set out in the *Trustee's Statement* section on page 31.

#### **Consequences of insolvency**

Bondholders will not be liable to pay any money to Mighty River Power or any other person in respect of the Capital Bonds as a result of the insolvency of Mighty River Power. However, in the event of the insolvency of Mighty River Power, Bondholders could receive none, or only some, of the returns referred to in this *Statutory Information* section under the heading *Returns* on pages 33 to 34. It is therefore foreseeable in those circumstances that Bondholders would receive less than the amount they paid for their investment in the Capital Bonds.

The Capital Bonds are unsecured, subordinated interest bearing debt obligations of Mighty River Power. In a liquidation of Mighty River Power, Bondholders' rights to payment of any amounts owing under the Capital Bonds will rank after the claims of all other creditors of Mighty River Power (other than those who have agreed that their claims rank behind, or equal with, claims of the Bondholders), including:

- persons to whom preferential payments must be made (including creditors of Mighty River Power preferred by law and secured creditors (if any)); and
- other unsubordinated creditors of Mighty River Power (including trade creditors of Mighty River Power).

As at 31 December 2013, the Mighty River Power consolidated group had total liabilities of \$2,492.8 million (including total borrowings of \$1,077.2 million, payables and accruals (including tax) of \$177.5 million, deferred tax of \$963.3 million, derivative financial instruments of \$261.4 million and provisions of \$13.5 million). The borrowings, payables and accruals and certain other liabilities of Mighty River Power will rank ahead of the Capital Bonds on liquidation or winding up of Mighty River Power.

Bondholders' rights to payment of any amounts owing under the Capital Bonds will rank equally among themselves (after payment of any amounts due to the Trustee under the Trust Documents) and with all other subordinated creditors of Mighty

River Power (other than creditors whose claims rank behind the obligations of Mighty River Power under the Capital Bonds). As at the date of this Prospectus, Mighty River Power has no creditors whose claims on the assets of Mighty River Power rank, or are expected to rank, equally with or behind the obligations of Mighty River Power under the Capital Bonds.

In a liquidation of Mighty River Power, the claims of Bondholders will rank ahead of claims of its shareholders.

#### **Alteration of securities**

The terms of the Capital Bonds can be altered in certain circumstances. Mighty River Power also reserves the right to vary the dates of the Offer including the Opening Date and Closing Date, at its sole discretion. The terms of the Offer and the terms and conditions on which investors may apply for and acquire Capital Bonds may be altered by an amendment to this Prospectus and, if required, the Trust Documents. Details of any amendment to this Prospectus or the Trust Documents must be filed with the Registrar of Financial Service Providers.

A summary of how the Trust Documents may be altered is set out in this *Statutory Information* section under the heading *Amendment of Trust Documents* on pages 41 and 42.

#### **Substituted obligor**

Mighty River Power may, with the consent of the Trustee but without the consent of the Bondholders, substitute any individual, body corporate, an association of persons (being a trust, a state and an agency of a state (in each case whether or not having separate legal personality)) incorporated in New Zealand in substitution for Mighty River Power or a previous substituted obligor under the Trust Documents. Such substitution may only occur if a number of requirements are met, as set out in the Master Trust Deed.

#### **Early termination**

##### **On market purchase by Mighty River Power**

Mighty River Power may purchase Capital Bonds from any person at any time on market or by private treaty at any price. Any Capital Bonds purchased by Mighty River Power may be held as treasury stock and can be cancelled or sold by Mighty River Power at any time. Capital Bonds held as treasury stock will not bear interest and will not entitle Mighty River Power to vote at Bondholder meetings or be considered for the purposes of calculating a quorum at a meeting of Bondholders.

##### **Sale of Capital Bonds by Mighty River Power**

If a Bondholder holds less than a minimum aggregate Principal Amount of \$5,000 of Capital Bonds, Mighty River Power may give notice to the Bondholder requiring them to sell those Capital Bonds. If the Capital Bonds have not been sold after three months Mighty River Power may arrange for a sale of those Capital Bonds through the NZX Debt Market or some other manner approved by NZX.

##### **Redemption**

Mighty River Power may in certain circumstances redeem Capital Bonds before their Maturity Date. These circumstances are described in this *Statutory Information* section under the heading *Redemption* on pages 35 to 36.



### Election Process

In addition, Bondholders may through an Election Process, elect for Mighty River Power to purchase their Capital Bonds on the relevant Reset Date. Such purchase will only occur if Mighty River Power elects to purchase all Capital Bonds, or procure the purchase of all Capital Bonds, held by Bondholders who elect to sell their Capital Bonds through the Election Process. The Election Process is further described in this *Statutory Information* section under the heading *Election Process* on pages 36 to 37.

No early termination charges or switching or sale charges are payable by a Bondholder to Mighty River Power or any associated person (as defined in the Securities Act) of Mighty River Power.

### Right to sell securities

Bondholders are entitled to sell or transfer their Capital Bonds at any time, subject to the terms of the Trust Documents and any applicable securities laws and regulations. Capital Bonds may be transferred using a transfer document in any commonly used written instrument of transfer, by any method of transfer permitted by NZX for securities quoted on the NZX Debt Market or by any other means of transfer of marketable securities which is not contrary to law and the Listing Rules and which is approved by Mighty River Power.

Application has been made to NZX for permission to quote the Capital Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, the Capital Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this Prospectus. The NZX Debt Market is a registered market operated by NZX, which is a registered exchange, regulated under the Securities Markets Act.

As at the date of this Prospectus, there is no established secondary market for the Capital Bonds. On the basis that permission is expected to be granted to quote the Capital Bonds on the NZX Debt Market, Mighty River Power considers that a secondary market for the Capital Bonds will develop following completion of the Offer. However, Mighty River Power gives no assurance as to the existence or liquidity of such secondary market. A summary of the risks involved with selling Capital Bonds on the secondary market (if one develops) is set out in the *Risks* section under the heading *Investment risks* on page 28.

Applicants should contact their broker or financial adviser if they wish to sell or transfer Capital Bonds.

Applicants should not attempt to sell their Capital Bonds until they know whether, and how many, Capital Bonds have been issued to them. None of Mighty River Power, the Trustee, the Arranger, the Organising Participant, the Joint Lead Managers, the Registrar or any of their respective directors, officers, employees or agents, or any other person, accepts any liability or responsibility should any applicant for Capital Bonds attempt to sell or otherwise deal with any Capital Bonds before receiving from the Registrar a holding statement recording the number of Capital Bonds (if any) issued to them.

Mighty River Power may direct the Registrar to refuse to register any transfer of Capital Bonds where the Trust Documents, the Listing Rules or any applicable legislation permits or requires Mighty River Power to do so.

No charges are payable to or by Mighty River Power on any sale of the Capital Bonds. However, brokerage at applicable rates is likely to be payable by a Bondholder on any transfer of their Capital Bonds effected through a Primary Market Participant or other financial intermediary.

If Bondholders transfer any Capital Bonds, the price obtained for them may differ from the amount paid to subscribe for, or purchase, them. Factors which may affect the price at which a Bondholder is able to sell the Capital Bonds are set out in this *Statutory Information* section under the heading *Key factors determining returns* on page 34 and the *Risks* section on pages 28 to 30.

Mighty River Power will not compensate Bondholders for any loss they incur if they choose to sell their Capital Bonds.

### Other terms of the Offer and securities

All of the terms of the Offer and the Capital Bonds being offered are set out in this Prospectus, except for those:

- implied by law; or
- which are set out in a document that has been registered with a public official, is available for public inspection, and is referred to in this Prospectus.

### Information available under Mighty River Power's continuous disclosure obligations

Mighty River Power, as a listed issuer whose Shares are quoted on the NZX Main Board, is subject to the continuous disclosure obligations of the Listing Rules (which are 'continuous disclosure provisions' for the purposes of section 19D of the Securities Markets Act). As such, Mighty River Power is required to immediately notify NZX of any information concerning Mighty River Power of which Mighty River Power is or becomes aware and which a reasonable person would expect to have a material effect on the price of Mighty River Power's Shares, subject to certain exceptions.

Copies of announcements made by Mighty River Power through NZX are available on NZX's website (at [www.nzx.com/](http://www.nzx.com/) companies/MRP). You are encouraged to monitor Mighty River Power announcements through this website.

The following information that is material to the Offer has been disclosed by Mighty River Power through NZX before registration of this Prospectus in accordance with Mighty River Power's obligations under the Listing Rules (i.e. the Disclosed Information). This is not a list of all announcements made by Mighty River Power. Copies of all announcements referred to below have been filed with NZX and the Registrar of Financial Service Providers and are available on request.

## Disclosed Information

Disclosure date	Description of disclosure
5 June 2014	Metrix confirmed as preferred partner for Trustpower
27 May 2014	Mighty River Power considers capital bond offer
13 May 2014	Metrix Chief Executive Appointment
9 May 2014	S&P reaffirms Mighty River Power's corporate credit rating
8 May 2014	Macquarie Conference Presentation
1 May 2014	Mighty River Power Appoints New Chief Executive
17 April 2014	Quarterly Operational Update for 3 months ending 31 March 2014
13 March 2014	2014 Commerce Select Committee Presentation
6 March 2014	Mighty River Power Interim Report 2014
26 February 2014	Interim Results for period ended 31 December 2013
30 January 2014	Quarterly Operational Update for 3 months ending 31 December 2013
11 December 2013	No energy price increase in 2014
2 December 2013	Joint Venture Power Station temporarily withdrawn
7 November 2013	2013 Mighty River Power Annual Shareholders' Meeting
23 October 2013	Quarterly Operational Update
3 October 2013	New Geothermal plant boosts Mighty River Power and benefits NZ
2 October 2013	Capital Markets Day presentation
30 September 2013	Mighty River Power Annual Report 2013

## Financial statements

The audited financial statements for Mighty River Power for the financial year ended 30 June 2013, that comply with, and have been registered under, the Financial Reporting Act 1993 (together with the accompanying audit report), were notified to NZX on 28 August 2013 and registered at the Companies Office (available at [www.business.govt.nz/companies](http://www.business.govt.nz/companies)) on 30 September 2013. These are also available on [www.mrpcapitalbonds.co.nz](http://www.mrpcapitalbonds.co.nz).

Mighty River Power's unaudited interim financial statements for the 6 months ended 31 December 2013 were notified to NZX on 26 February 2014, and are also available at [www.mrpcapitalbonds.co.nz](http://www.mrpcapitalbonds.co.nz). There are no material changes in matters contained in these interim financial statements from the matters contained in the audited financial statements for the financial year ended 30 June 2013.

Statements as to all transactions that are material related party transactions under NZ GAAP and were entered into or were being performed in the 6 months ended 31 December 2013 are set out in note 13 to Mighty River Power's unaudited interim financial statements for the 6 months ended 31 December 2013.

## Access to information

Copies of Mighty River Power's audited financial statements for the year ended 30 June 2013, the unaudited interim financial statements for the 6 months ended 31 December 2013 and the Disclosed Information are filed on a public register at the Companies Office of the Ministry of Economic Development and are available for public inspection (including at [www.business.govt.nz/companies](http://www.business.govt.nz/companies)).

Copies of the Disclosed Information may be obtained, free of charge, from Mighty River Power's page on NZX's website (at [www.nzx.com/companies/MRP](http://www.nzx.com/companies/MRP)) and copies of Mighty River Power's 2013 Annual Report (and earlier annual reports) and unaudited interim financial statements for the 6 months ended 31 December 2013 may be obtained, free of charge, from [www.mrpcapitalbonds.co.nz](http://www.mrpcapitalbonds.co.nz) or Mighty River Power's page on NZX's website (at [www.nzx.com/companies/MRP](http://www.nzx.com/companies/MRP)).

Alternatively, the Disclosed Information and Mighty River Power's audited financial statements for the year ended 30 June 2013 and unaudited interim financial statements for the 6 months ended 31 December 2013 may be inspected, without charge, during normal business hours by making a request at Mighty River Power's registered office being Level 14, ANZ Centre, 23-29 Albert Street, Auckland, New Zealand.

## Other material matters

There are no additional material matters relating to the Offer of the Capital Bonds other than those set out in:

- this Prospectus;
- the Disclosed Information; and
- the audited financial statements for Mighty River Power for the year ended 30 June 2013 and the unaudited interim financial statements for the 6 months ended 31 December 2013; or
- contracts entered into in the ordinary course of business of Mighty River Power.

## Directors' statement


In the opinion of the directors of Mighty River Power, after due enquiry by them, Mighty River Power is in compliance with the requirements of the continuous disclosure provisions that apply to it.



### Signatures

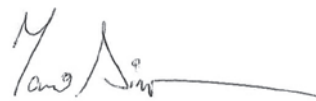
This Prospectus has been signed by each of the directors of Mighty River Power (or by their authorised agents) on 6 June 2014.

SIGNED by the directors of Mighty River Power Limited



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**Joan Withers**



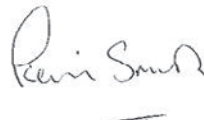
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**Tania Joy Te Rangiangana Simpson**



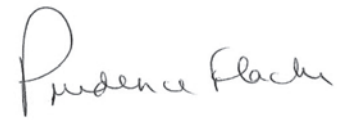
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**Michael David Allen**



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**Keith Raymond Smith**



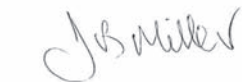
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**Prudence Mary Flacks**



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**Patrick Clifford Strange**



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**James Bruce Miller**





# Glossary.

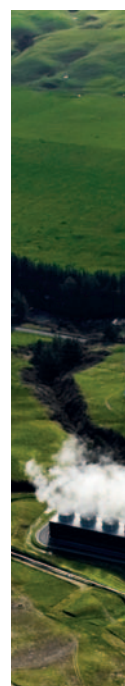
The following definitions apply throughout this Prospectus unless the context requires or expressly stated otherwise.

<b>'\$', 'NZ\$' or 'dollars'</b>	New Zealand dollars.
<b>Agency Agreement</b>	the registry customer agreement entered into between Mighty River Power and the Registrar for the provision of registry services dated on or about the date of this Prospectus.
<b>AIL</b>	Approved Issuer Levy.
<b>Application Form</b>	the application form which accompanies this Prospectus to be completed by applicants when applying for Capital Bonds.
<b>Application Monies</b>	money received by Mighty River Power from applicants who have applied for Capital Bonds under the Offer.
<b>Arranger</b>	Forsyth Barr Limited.
<b>ASX</b>	ASX Limited, or the financial market operated by ASX Limited, as the context requires.
<b>Authorised Financial Adviser</b>	has the meaning given to that term in the Financial Advisers Act 2008. A list of Authorised Financial Advisers can be found on the Financial Markets Authority website at <a href="http://www.fma.govt.nz/help-me-comply/financial-advisers/how-to-get-licensed/afa-application-resources-and-templates/list-of-authorised-financial-advisers-afa/">www.fma.govt.nz/help-me-comply/financial-advisers/how-to-get-licensed/afa-application-resources-and-templates/list-of-authorised-financial-advisers-afa/</a> <sup>28</sup> .
<b>Bondholder</b>	a person whose name is recorded in the Register as the holder of a Capital Bond.
<b>Bookbuild</b>	the process conducted by the Joint Lead Managers before the Opening Date through which: <ul style="list-style-type: none"> <li>a) the Joint Lead Managers, institutional investors and other approved financial intermediaries lodge bids for the Capital Bonds; and</li> <li>b) on the basis of those bids, Mighty River Power, in consultation with the Joint Lead Managers, will determine the Minimum Interest Rate, the initial Margin and the Firm Allocations.</li> </ul>
<b>Business Day</b>	any day (other than a Saturday or a Sunday) on which banks are generally open for business in Auckland and Wellington, except that in the context of the Listing Rules, it means a day on which the NZX Debt Market is open for trading.
<b>Calculation Period</b>	<ul style="list-style-type: none"> <li>a) the period from (and including) the Issue Date to (but excluding) the First Reset Date; and</li> <li>b) thereafter, the period from (and including) a Reset Date to (but excluding) the next Reset Date.</li> </ul>
<b>Capital Bonds</b>	the bonds offered under this Prospectus.
<b>Closing Date</b>	8 July 2014 or other date that Mighty River Power may determine.
<b>Company</b>	Mighty River Power Limited.
<b>Conditions</b>	the terms and conditions of the Capital Bonds as set out in the Trust Documents.
<b>Crown</b>	Her Majesty the Queen in Right of New Zealand.
<b>CSN</b>	Common Shareholder Number.
<b>Deferred Interest</b>	any interest that Mighty River Power has deferred (as described in more detail in the <i>Statutory Information</i> section under the heading <i>Deferral of interest</i> on page 34), together with any accrued but unpaid interest on such deferred interest.
<b>Disclosed Information</b>	the information described in the <i>Statutory Information</i> section under the heading <i>Information available under Mighty River Power's continuous disclosure obligations</i> on page 44.
<b>Election Notice</b>	the election notice sent to Bondholders as part of the Election Process.
<b>Election Process</b>	the election process summarised in the <i>Statutory Information</i> section under the heading <i>Election Process</i> on pages 36 to 37.
<b>Event of Default</b>	is defined in the Supplemental Trust Deed, as summarised in the <i>Statutory Information</i> section under the heading <i>Mandatory redemption by Mighty River Power</i> on page 35.
<b>Extraordinary Resolution</b>	a resolution passed at a meeting of Bondholders and holders of any other Series of bonds which may be constituted and issued by Mighty River Power under the Master Trust Deed and a supplemental trust deed, duly convened at which at least 75% of the persons voting at the meeting upon a show of hands or, if a poll is duly demanded, then at least 75% of the votes given on such a poll voted in favour of the resolution.

<sup>28</sup> Mighty River Power does not guarantee the accuracy of the information contained on this website.

<b>Firm Allocations</b>	Capital Bonds reserved for clients of the Joint Lead Managers, Primary Market Participants and other approved financial intermediaries, as determined by Mighty River Power in consultation with the Joint Lead Managers.
<b>First Reset Date</b>	11 July 2019.
<b>GWh</b>	Gigawatt hour. One gigawatt hour is equal to 1,000 MWh or 1,000,000 kWh.
<b>Initial Margin</b>	the margin determined by Mighty River Power in consultation with the Joint Lead Managers on the Minimum Rate Set Date.
<b>Interest Payment Date</b>	11 January, 11 April, 11 July and 11 October in each year commencing on 11 October 2014 and ending on 11 July 2044, unless redeemed earlier.
<b>Interest Period</b>	in relation to a Capital Bond, the period from (and including) an Interest Payment Date until (but excluding) the next Interest Payment Date (or, if the Capital Bond is redeemed on a date that is not an Interest Payment Date, the date the Capital Bond is redeemed in accordance with the Conditions).
<b>Interest Rate</b>	at any time, the prevailing rate of interest per annum payable on the Issue Price of the Capital Bonds.
<b>IRD</b>	New Zealand Inland Revenue Department.
<b>Issue Date</b>	11 July 2014.
<b>Issue Price</b>	\$1.00 per Capital Bond.
<b>Joint Lead Managers</b>	Forsyth Barr Limited, ANZ Bank New Zealand Limited, Deutsche Craigs Limited and Goldman Sachs New Zealand Limited.
<b>Listing Rules</b>	the NZX Main Board/NZX Debt Market Listing Rules of NZX.
<b>Margin</b>	<ul style="list-style-type: none"> <li>a) for the period from (and including) the Issue Date to (but excluding) the First Reset Date will be the Initial Margin; and</li> <li>b) during any subsequent Calculation Period which commences on a Reset Date in respect of which a Successful Election Process has been undertaken, such other percentage (if any) as may be specified by Mighty River Power in the applicable Election Notice as the Margin; or</li> <li>c) during any subsequent Calculation Period which commences on a Reset Date in respect of which a Successful Election Process has not occurred, the Margin that applied in the immediately preceding Calculation Period (as calculated in accordance with paragraphs (a) or (b) above (as applicable)) plus the Step-up Percentage (provided the Step-up Percentage has not already been added to the Margin).</li> </ul>
<b>Master Trust Deed</b>	the deed between Mighty River Power and the Trustee dated 4 April 2003 under which Mighty River Power may constitute and issue Series of bonds.
<b>Maturity Date</b>	11 July 2044.
<b>Mighty River Power</b>	Mighty River Power Limited.
<b>Minimum Interest Rate</b>	the rate determined by Mighty River Power in consultation with the Joint Lead Managers following completion of the Bookbuild.
<b>Minimum Rate Set Date</b>	17 June 2014.
<b>MW</b>	a megawatt (MW) is a unit of power and equal to 1,000,000 watts (W) or 1,000 kilowatts (kW).
<b>MWh</b>	a megawatt hour (MWh) is the amount of electricity equivalent to a steady power of one MW running for one hour. Megawatt hours are the standard unit for the wholesale spot market.
<b>New Zealand Branch Bondholder</b>	a Bondholder that is engaged in business in New Zealand through a fixed establishment (as defined in the Tax Act) in New Zealand.
<b>NZ GAAP</b>	New Zealand Generally Accepted Accounting Practice.
<b>NZX</b>	NZX Limited.

<b>NZX Debt Market</b>	the registered market for trading debt securities operated by NZX.
<b>NZX Main Board</b>	the registered market for trading equity securities operated by NZX.
<b>Offer</b>	the offer of Capital Bonds by Mighty River Power under this Prospectus.
<b>Opening Date</b>	18 June 2014.
<b>Organising Participant</b>	Forsyth Barr Limited.
<b>Primary Market Participant</b>	is defined in the NZX Participant Rules.
<b>Principal Amount</b>	in relation to a Capital Bond, the amount (other than interest, fees and costs) payable on redemption or repayment of that Capital Bond, being an amount recorded as such in the Register in respect of that Capital Bond.
<b>Prospectus</b>	this simplified disclosure prospectus for the Offer, dated 6 June 2014.
<b>Public Pool</b>	the Capital Bonds which are not subject to Firm Allocations.
<b>Rate Set Date</b>	9 July 2014.
<b>Rating Agency</b>	Standard & Poor's or its successors.
<b>Rating Agency Event</b>	is defined in the Supplemental Trust Deed, as summarised under the heading <i>Optional early redemption by Mighty River Power</i> on page 35.
<b>Record Date</b>	in relation to an Election Process, two Business Days before the date on which the relevant Election Notice is given, or, in relation to a payment, 10 calendar days before the relevant payment date (or if that date is not a Business Day, the preceding Business Day or such other date as may be required by NZX).
<b>Register</b>	any register of Capital Bonds maintained by the Registrar.
<b>Registrar</b>	Computershare Investor Services Limited.
<b>Repurchase Price</b>	in relation to a Capital Bond and a Reset Date, an amount equal to the sum of the Issue Price, any Deferred Interest on the Capital Bond and any accrued interest to be paid on the applicable Reset Date.
<b>Reset Date</b>	the First Reset Date and each five year anniversary of the First Reset Date, or if a Successful Election Process is declared, the date so specified in the relevant Election Notice.
<b>Resident Bondholder</b>	a Bondholder that is a New Zealand resident for tax purposes.
<b>RWT</b>	Resident Withholding Tax.
<b>Securities Act</b>	the Securities Act 1978.
<b>Securities Markets Act</b>	the Securities Markets Act 1988.
<b>Securities Regulations</b>	the Securities Regulations 2009.
<b>Series</b>	is defined in the Master Trust Deed.
<b>Shares</b>	the ordinary shares in Mighty River Power.
<b>SOE</b>	a state-owned enterprise under the State-Owned Enterprises Act 1986.
<b>Standard &amp; Poor's</b>	Standard & Poor's (Australia) Pty Limited.
<b>Step-up Percentage</b>	0.25% per annum or such other percentage determined through a Successful Election Process.
<b>Subsidiary</b>	is defined in the Companies Act 1993.
<b>Successful Election Process</b>	an Election Process in respect of which Mighty River Power has confirmed (or is deemed to have confirmed) that it will repurchase, or procure the repurchase of, or redeem all Capital Bonds held by Bondholders that have elected to sell their Capital Bonds.
<b>Supplemental Trust Deed</b>	the supplemental trust deed between Mighty River Power and the Trustee dated 6 June 2014 executed under the Master Trust Deed.



<b>Swap Rate</b>	the rate per annum expressed on a percentage yield basis (adjusted to a quarterly basis as necessary), and rounded up to the nearest two decimal places, which is the average of the bid and offered swap rates displayed at or about 11.00am New Zealand time on or about (but not more than three Business Days before) the Rate Set Date or relevant Reset Date on page FISSWAP (or any successor page) of the Reuters monitor screen for an interest rate swap with a tenor equal to the period from the applicable date to (but excluding) the next Reset Date. If such rate does not appear on page FISSWAP, the relevant Swap Rate shall be the average of the mid-point of the bid and offered swap rates quoted by three registered banks in New Zealand which usually quote rates on the relevant screen page (as selected by Mighty River Power) at or around 11.00am New Zealand time, on the relevant date for an interest rate swap with a tenor equal to the period from the applicable date to the next Reset Date (adjusted to a quarterly basis as necessary).
<b>Tax Act</b>	the Income Tax Act 2007.
<b>Tax Event</b>	is defined in the Supplemental Trust Deed, as summarised under the heading <i>Optional early redemption by Mighty River Power</i> on page 35.
<b>Trust Documents</b>	the Master Trust Deed and the Supplemental Trust Deed.
<b>Trustee</b>	The New Zealand Guardian Trust Company Limited.



# How to apply.

## You should read this Prospectus carefully before completing the Application Form.

An application will constitute an irrevocable offer by the applicant to subscribe for and acquire the Principal Amount of Capital Bonds specified in the Application Form (or such lesser number which Mighty River Power may determine) on the terms and conditions set out in this Prospectus, the Trust Documents and the Application Form despite any changes to the Closing Date or subsequent dates (including Issue Date, Interest Payment Dates, Reset Dates and Maturity Date). An Application Form cannot be withdrawn or revoked by the applicant once it has been submitted.

Mighty River Power's decision on the aggregate Principal Amount of Capital Bonds to be allotted to an applicant and as to whether to accept or reject an Application Form, or to treat it as valid, will be final.

## The Application Form

Please complete all relevant sections of the Application Form using BLOCK CAPITAL LETTERS. Mighty River Power may accept any Application Form not correctly completed as being valid, and may correct errors and omissions, in its sole discretion.

**A. Full name details:** Enter your FULL NAME. Up to three applicants may apply jointly. Note that ONLY LEGAL ENTITIES are allowed to hold Capital Bonds. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to Mighty River Power. At least one full given name and surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described below.

### Type of investor

- Individual – use given name in full, not initials.
- Company – use company title, not abbreviations.
- Trusts – do not use the name of the trust, use the trustee(s)' personal names. All trustees must apply as joint applicants.
- Deceased estates – do not use the names of deceased, use the executor(s)' personal names.
- Clubs / Unincorporated bodies – do not use names of clubs etc, use the office bearer(s)' personal names.
- Superannuation Funds – do not use name of fund, use name of trustee.

Applications using the wrong form of name may be rejected.

**B. Contact details:** Enter your POSTAL ADDRESS for all correspondence. All communications to you from Mighty River Power (holding statements, periodic reports, correspondence etc) will be mailed to the person(s) at the address as shown. For joint applicants, only one address is to be entered.

Enter your EMAIL ADDRESS if you would like to receive those communications that Mighty River Power considers appropriate to be sent by electronic means. If you do not provide your email address you will receive the communications by mail. If necessary, the Registrar may

contact you at your email address (if one is provided) regarding your application.

Tick the relevant box if you wish to receive communications from Mighty River Power by electronic means (where possible).

Please enter your TELEPHONE NUMBER(S) in case we need to contact you in relation to your application.

- C. Common shareholder number:** If you currently have a Common Shareholder Number (CSN), please enter it in the box provided.
- D. Mighty River Power shareholders:** If you are a Mighty River Power shareholder, please tick the relevant box provided.
- E. Principal Amount of Capital Bonds applied for:** Please enter the TOTAL Principal Amount of Capital Bonds that you wish to apply for (minimum of \$5,000, and thereafter multiples of \$1,000). Each Capital Bond has a Principal Amount of \$1.00.
- F. Interest and Principal Amount payments:** Please complete only one option by ticking the appropriate box to select the method of payment for all interest and Principal Amount when they become payable.

If you currently receive interest or dividend payments from the Registrar (Computershare Investor Services Limited) by direct credit, and wish payments in respect of the Capital Bonds to be direct credited to the same account, then do not complete section F of the Application Form.

If you wish to be paid by direct credit and the Registrar does not already hold your bank account details or you wish to have your payments credited to another bank account, please tick the box in respect of Option 1 and enter the details of the account.

If payment to your cash management account is selected, please tick the box in respect of Option 2, insert the name of the Primary Market Participant which holds your cash management account and provide your cash management client account number.

- G. IRD number:** Please enter your IRD NUMBER and elect the rate at which you wish resident withholding tax to be deducted by ticking the relevant box. For joint applicants, only one IRD number is required.

Indicate by ticking the relevant box whether you hold a resident withholding tax exemption certificate. If you hold an exemption certificate, Mighty River Power will still be obliged to deduct resident withholding tax on interest payments if it has not seen the relevant certificate. A copy of the certificate must be attached to the Application Form.

- H. Declaration and signature:** Read the declaration and the terms and conditions on the Application Form carefully and SIGN and DATE the Application Form. The Application Form must be signed by, or on behalf of, each applicant. If the applicant is a company or other entity it should be signed by a duly authorised person in accordance with any applicable constitutions or by-laws.

If the Application Form is signed by an attorney, a copy of the power of attorney document is required to be lodged unless already held by Computershare Investor Services Limited, but the attorney must complete the certificate of non-revocation of power of attorney on the reverse of the

Application Form. If the Application Form is signed by an agent, the agent must complete the certificate of non-revocation of agent on the reverse of the Application Form.

**Payment**

Except for applicants settling through the NZClear system or the TCS BaNCS system operated by NZX, payment in full of the aggregate Principal Amount of Capital Bonds applied for must accompany the completed Application Form. Payments must be made in New Zealand dollars and will only be accepted as follows:

- personal cheque made out to "Mighty River Power Limited", drawn on and payable at any bank in New Zealand;
- bank cheque made out to "Mighty River Power Limited", issued by and payable at any bank in New Zealand;
- bank draft drawn on and payable at any bank in New Zealand; or
- direct debit from an account of any bank in New Zealand to the New Zealand dollar trust account established by Mighty River Power (details of which are set out in the Application Form). If you chose the direct debit option you must tick the box authorising the Registrar to direct debit the bank account nominated in the Application Form, on the day the application is received by the Registrar, for the Principal Amount of Capital Bonds applied for on the Application Form (or such lesser Principal Amount of Capital Bonds in respect of which your application is accepted). You cannot specify a direct debit date. The bank account must be with a New Zealand registered bank and you must ensure that the bank account details are correct and that the account you nominate is a transactional account eligible for direct debit transactions. By signing the Application Form you confirm that the person(s) giving the direct debit instructions has/have the authority to operate the bank account. If requested, a direct debit authority form and conditions will be provided to you by the Registrar.

If the application is for Capital Bonds of an aggregate Principal Amount of \$500,000 or more, payment must be made by bank cheque or any other method approved by the Arranger and Organising Participant.

Cheques will be banked upon receipt into a New Zealand dollar trust account established by Mighty River Power pending allotment of Capital Bonds. The banking of Application Monies does not constitute confirmation of allotment of any Capital Bonds or acceptance of an offer to subscribe for Capital Bonds.

Processing of applications under the Offer and the banking of cheques will take place on the day of receipt by the Registrar (or the first Business Day after that day if it is not a Business Day). Application Monies received will be held in trust until the Capital Bonds are issued under the Offer. Receipts for payment will not be issued. The Capital Bonds issued under the Offer in respect of valid applications received before the Closing Date are expected to commence trading on the NZX Debt Market on 11 July 2014.

Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your application being rejected or your allotment being cancelled. In addition, Mighty River Power may pursue the defaulting applicant for any damages suffered as a result of the payment being dishonoured. Institutional investors must pay in immediately cleared funds.

**Delivery**

Applicants who have accepted a Firm Allocation from a Primary Market Participant or approved financial intermediary need to return a completed Application Form (with payment) to an office of that Primary Market Participant or financial intermediary in time to enable forwarding to the Registrar before 5.00pm on the Closing Date 8 July 2014.

Application Forms from other applicants must be mailed or delivered (with payment) to arrive before 5.00pm on the Closing Date 8 July 2014 to:

**Mighty River Power Bond Issue  
c/- Computershare Investor Services Limited**

*Postal address:*  
Private Bag 92119  
Victoria Street West  
Auckland 1142

*Physical address:*  
Level 2  
159 Hurstmere Road  
Takapuna  
Auckland

Applicants may also lodge an Application Form (with payment) with any Primary Market Participant, the Organising Participant or any other channel approved by NZX in time to enable forwarding to the Registrar before 5.00pm on the Closing Date.

Applicants should remember that the Closing Date may be changed at the sole discretion of Mighty River Power.

Mighty River Power reserves the right to accept applications which are received by the Registrar after the Closing Date but has no obligation to do so.

Mighty River Power may accept or reject any application without giving any reason. Mighty River Power will refuse to accept applications which are for less than the minimum amount specified above.

Mighty River Power reserves the right to cancel the Offer of Capital Bonds at any time before allotment of Capital Bonds, in which case all Application Monies received will be refunded (without interest) as soon as possible.

Any Application Monies received in respect of an application which is not accepted in full or part by Mighty River Power (whether because of late receipt or otherwise), will be refunded (without interest) as soon as practicable and, in any event, within 14 calendar days of the receipt of the application. If Mighty River Power accepts an application in part, the balance of the Application Monies will be refunded (without interest) as soon as practicable and, in any event, within 14 calendar days of the receipt of the application.

Where an applicant's payment for Capital Bonds is dishonoured, Mighty River Power may cancel the Capital Bonds issued to that applicant, and may pursue the defaulting applicant for damages suffered by Mighty River Power.

# Directory.

## The Issuer

### Mighty River Power Limited

Level 14  
ANZ Centre  
23-29 Albert Street  
Auckland  
New Zealand

## Directors of Mighty River Power

Joan Withers  
Michael David Allen  
Prudence Mary Flacks  
James Bruce Miller  
Tania Joy Te Rangingangana Simpson  
Keith Raymond Smith  
Patrick Clifford Strange

## Trustee

From the date of the Prospectus until 30 June 2014:

### The New Zealand Guardian Trust Company Limited

Level 7, Vero Centre  
48 Shortland Street  
Auckland

From 1 July 2014:

### The New Zealand Guardian Trust Company Limited

Level 15  
191 Queen Street  
Auckland

## Arranger, Joint Lead Manager and Organising Participant

### Forsyth Barr Limited

Level 9, Forsyth Barr House  
The Octagon  
Private Bag 1999  
Dunedin 9054

## Joint Lead Managers

### ANZ Bank New Zealand Limited

Level 26, ANZ Centre  
23-29 Albert Street  
Auckland 1010

### Deutsche Craigs Limited

Level 36, Vero Centre  
48 Shortland Street  
Auckland 1010

### Goldman Sachs New Zealand Limited

Level 39, Vero Centre  
48 Shortland Street  
Auckland 1010

## Registrar

### Computershare Investor Services Limited

Level 2  
159 Hurstmere Road  
Takapuna  
Auckland 0622

## Legal advisers to Mighty River Power

### Chapman Tripp

Level 35, ANZ Centre  
23-29 Albert Street  
Auckland 1010

## Legal advisers to the Trustee

### Bell Gully

Level 21, Vero Centre  
48 Shortland Street  
Auckland 1010



Level 14, 23-29 Albert Street, Auckland 1010. PO Box 90399, Auckland 1142, New Zealand

**PHONE** +64 9 308 8200 **FAX** +64 9 308 8209

 [www.mightyriver.co.nz](http://www.mightyriver.co.nz)

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