

11 February 2019

Trustpower Limited



Indicative Terms Sheet

Re-setting Fixed Rate Bonds
Maturing 22 February 2029

Joint Lead Managers



Indicative Terms Sheet

This Terms Sheet sets out the key terms of the offer ("**Offer**") by Trustpower Limited ("**Trustpower**") of up to \$75,000,000 (with the ability to accept oversubscriptions of up to \$25,000,000 at Trustpower's discretion) of unsecured unsubordinated re-setting fixed rate bonds maturing on 22 February 2029, with the interest rate re-setting on 22 February 2024 ("**Bonds**"). The Bonds are to be issued pursuant to a master trust deed dated 14 September 2016 (as amended from time to time) ("**Trust Deed**") as modified and supplemented by a series supplement dated 11 February 2019 ("**Series Supplement**" and, together with the Trust Deed, the "**Trust Documents**") entered into between Trustpower and Trustees Executors Limited ("**Supervisor**"). Unless defined in this Terms Sheet or the context otherwise requires, capitalised terms used in this Terms Sheet have the same meaning as given to them in the Trust Documents.

Important Notice

The offer of debt securities by Trustpower is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 ("**FMCA**").

The offer contained in this Terms Sheet is an offer of bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as:

- Trustpower's bonds maturing on 15 December 2021, which have a fixed interest rate of 5.63% per annum and are currently quoted on the NZX Debt Market under the ticker code TPW140; and
- Trustpower's bonds maturing on 15 December 2022, which have a fixed interest rate of 4.01% per annum and are currently quoted on the NZX Debt Market under the ticker code TPW150,

(together the "**Existing Bonds**").

Accordingly, the Bonds are the same class as the Existing Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

Trustpower is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited ("**NZX**") for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/TPW.

The Existing Bonds are the only debt securities of Trustpower that are currently quoted and in the same class as the Bonds.

Investors should look to the market price of the Existing Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

Key terms of the Bonds

ISSUER	Trustpower Limited
DESCRIPTION	Unsecured unsubordinated re-setting fixed rate bonds.
PURPOSE	The proceeds of the Offer will be used for general corporate purposes, including to repay existing bank debt and future investment opportunities (if any).
CREDIT RATING	The Bonds are not rated.
ISSUE AMOUNT	Trustpower is offering up to \$75,000,000 of Bonds with the ability to accept oversubscriptions of up to \$25,000,000 at Trustpower's discretion. The Offer is not underwritten.
OPENING DATE	Monday, 11 February 2019
CLOSING DATE	Bids due by 12pm, Friday, 15 February 2019
RATE SET DATE	Friday, 15 February 2019
ISSUE DATE AND ALLOTMENT DATE	Friday, 22 February 2019
RESET DATE	Thursday, 22 February 2024
MATURITY DATE	Thursday, 22 February 2029
INTEREST RATE	The rate of interest payable on the Bonds will be: <ul style="list-style-type: none">• the Initial Interest Rate (as defined below) for the first five year period; and• the Reset Interest Rate (as defined below) for the second five year period.
INITIAL INTEREST RATE (FIRST FIVE YEARS)	<p>The initial Interest Rate will be the sum of the Issue Margin and the Base Rate on the Rate Set Date, but in any case will be no less than the minimum Interest Rate of 3.95 per cent per annum ("Initial Interest Rate").</p> <p>The Initial Interest Rate will apply for the five year period from (and including) the Issue Date up to (but excluding) the Reset Date, and will be announced by Trustpower via NZX on or shortly after the Rate Set Date.</p>
INDICATIVE ISSUE MARGIN	The indicative range of the Issue Margin is 1.90 – 2.05 per cent per annum.
ISSUE MARGIN	The Issue Margin will be determined by Trustpower in consultation with the Joint Lead Managers (identified below) following completion of the bookbuild process and announced via NZX on or shortly after the Rate Set Date.

**RESET INTEREST RATE
(SECOND FIVE YEARS)**

The Interest Rate will be reset on the Reset Date to be the reset interest rate ("**Reset Interest Rate**"). The Reset Interest Rate will be the sum of the Issue Margin and the Base Rate on the Reset Date.

The Reset Interest Rate will apply for the five year period from (and including) the Reset Date up to (but excluding) the Maturity Date, and will be announced by Trustpower via NZX on or shortly after the Reset Date. The Reset Interest Rate may be higher or lower than the Initial Interest Rate referred to above.

The minimum Interest Rate is only applicable to the Initial Interest Rate and is not relevant to the calculation of the Reset Interest Rate.

BASE RATE

A 5-year mid-market rate for a New Zealand dollar interest rate swap (adjusted to a quarterly basis as necessary), determined on:

- (a) the Rate Set Date by the Arranger in consultation with Trustpower; and
- (b) the Reset Date by a third party (to be appointed by Trustpower for such purpose, which may include the Arranger or a Joint Lead Manager) in consultation with Trustpower,

according to market convention, with reference to ICAP New Zealand Limited (Bloomberg: ICNI > NZD Interest Rate Swaps) (or its successor page) rounded to 2 decimal places, if necessary, with 0.005 being rounded up.

**INTEREST RATE STRUCTURE
AND RISK CONSIDERATIONS**

The Bonds have a 10 year term. However, the Interest Rate will be set for two separate periods of 5 years each, with:

- the first fixed rate period being from (and including) the Issue Date to (but excluding) the Reset Date; and
- the second fixed rate period being from (and including) the Reset Date to (but excluding) the Maturity Date.



The Interest Rate for the second fixed rate period referred to above will be determined on the Reset Date, and that rate could be higher or lower than the Initial Interest Rate calculated at the Rate Set Date. The minimum Interest Rate will only apply to the first fixed rate period.

Before investing in the Bonds, potential investors should consult their financial adviser about this feature and the related risk that the interest rate for the second fixed rate period may be lower than the first fixed rate period.

INTEREST PAYMENTS

Interest will be payable quarterly in arrear in equal amounts on 22 February, 22 May, 22 August and 22 November of each year up to (and including) the Maturity Date. The first Interest Payment Date will be 22 May 2019.

If an Interest Payment Date is not a Business Day, the due date for the payment to be made on that date will be the next following Business Day and no adjustment will be made to the amount payable as a result of the delay in payment.

TRUSTPOWER'S EARLY
REDEMPTION OPTION

The Bonds are issued with an Early Redemption Option, meaning Trustpower may elect to redeem all the Bonds prior to the Maturity Date by giving holders of the Bonds ("**Holders**") 15 Business Days' notice of the early redemption date.

On early redemption, Trustpower will pay to each Holder an early redemption amount in respect of each Bond held by the Holder which is equal to, in summary:

- the greater of:
 - the Face Value of the Bond; and
 - a volume weighted average market trading price for the Bond, as determined in accordance with the Series Supplement;
- all accrued but unpaid interest in respect of the Bond; and
- any other amount due and payable in respect of the Bond.

Holders have no right to require Trustpower to redeem their Bonds prior to the Maturity Date, except if an Event of Default occurs.

If the Bonds are redeemed on a day that is not an Interest Payment Date, the amount of interest payable to Holders will be adjusted to reflect the number of days in the period in which the interest accrued prior to redemption.

GUARANTEE

The Bonds benefit from the cross guarantee provisions in the negative pledge deed dated 5 September 2016 ("**Negative Pledge Deed**"). As at the date of this Series Supplement, Trustpower is the only member of the Guaranteeing Group under the Negative Pledge Deed.

In the Series Supplement, Trustpower has covenanted that:

- Total Tangible Assets of the Guaranteeing Group (being Trustpower and any subsidiary that is a guarantor under the Negative Pledge Deed) will at no time be less than 85% of the Total Tangible Assets of the Consolidated Group (being Trustpower and its Subsidiaries); and
- for the 12 month period ending on each Reporting Date (being 31 March and 30 September of each year), EBITDA of the Guaranteeing Group will not be less than 85% of EBITDA of the Consolidated Group.

FURTHER DEBT

Trustpower may incur finance debt (including bank debt or debt in respect of new bonds), without the consent of the Holders, while the Bonds are outstanding.

FINANCIAL COVENANT

In the Series Supplement, Trustpower has covenanted to ensure that, on each Reporting Date, Net Debt of the Consolidated Group divided by Total Tangible Assets of the Consolidated Group will not exceed 50%.

NEGATIVE PLEDGE

In the Series Supplement, Trustpower has agreed that it will not create or permit to subsist any security interest over the whole or any part of its assets other than:

- in certain limited circumstances defined in the Series Supplement as Permitted Security; and
- in addition to any Permitted Security, any security interest where the aggregate value of Trustpower's assets subject to the security interests does not exceed 7.5% of the Total Tangible Assets of the Consolidated Group.

ISSUE PRICE

\$1.00 per Bond (being the Face Value of each Bond).

MINIMUM APPLICATION

The minimum application is \$5,000, with multiples of \$1,000 thereafter.

RECORD DATE	5:00pm on the tenth calendar day before the due date for payment (or, if that day is not a Business Day, the preceding Business Day).
HOW TO APPLY	<p>All of the Bonds, including oversubscriptions, are reserved for clients of the Joint Lead Managers, institutional investors and other primary market participants invited to participate in the bookbuild. There will be no public pool for the Offer. Accordingly, retail investors should contact a Joint Lead Manager, their financial adviser or any primary market participant for details on how they may acquire Bonds. You can find a primary market participant by visiting www.nzx.com/investing/find_a_participant.</p> <p>In respect of oversubscriptions or generally, any allotment of Bonds will be at Trustpower's discretion, in consultation with the Joint Lead Managers. Trustpower reserves the right to refuse all or any part of an application without giving any reason.</p> <p>Each investor's financial adviser will be able to advise them as to what arrangements will need to be put in place for the investors to trade the Bonds including obtaining a common shareholder number (CSN), an authorisation code (FIN) and opening an account with a primary market participant as well as the costs and timeframes for putting such arrangements in place.</p>
BROKERAGE	Trustpower will pay brokerage of 0.50% of the aggregate principal amount of Bonds issued plus 0.50% on firm allocations. Such amounts will be paid to the Arranger who will distribute as appropriate to primary market participants and approved financial intermediaries.
NZX DEBT MARKET TICKER CODE	TPW170
ISIN	NZTPWDT170CO
TRANSFERS	<p>Holders are entitled to sell or transfer their Bonds at any time subject to the terms of the Trust Documents and the Selling Restrictions set out below. Trustpower may decline to register a transfer of Bonds for the reasons set out in the Trust Documents.</p> <p>No transfer of Bonds will be registered if the transfer would result in the transferee holding Bonds of less than the minimum holding of \$5,000 (other than zero). Trustpower may also require a Holder to dispose of their Bonds if such Holder's holding is less than the minimum holding of \$5,000 in accordance with the Trust Documents.</p>
QUOTATION DATE	<p>Expected to be Monday, 25 February 2019.</p> <p>Trustpower will take any necessary steps to ensure that the Bonds are, immediately after issue, quoted. Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the distribution of this Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this Terms Sheet. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the FMCA.</p>
SELLING RESTRICTIONS	<p>The Bonds may only be offered for sale or sold in New Zealand in conformity with all applicable laws and regulations in New Zealand. No Bonds may be offered for sale or sold in any other jurisdiction except in conformity with all applicable laws and regulations of that jurisdiction.</p> <p>No offer, sale or delivery of the Bonds or distribution of any advertisement or this Terms Sheet may be made, published, delivered or distributed in or from any jurisdiction except in circumstances which will result in compliance with all applicable laws and regulations in that jurisdiction and where compliance with all such applicable laws and regulations will not impose any obligations on Trustpower.</p>

The dates set out in this Terms Sheet are indicative only and are subject to change. Trustpower has the right in its absolute discretion and without notice to close the Offer early, to accept late applications, to extend the Closing Date or to choose not to proceed with the Offer. If the Closing Date is extended, subsequent dates may be extended accordingly.

Copies of the Trust Documents are available at Trustpower's website at <https://www.trustpower.co.nz/company-and-investor-information/share-and-bondholder-information>.

Investors 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. Investors will also be personally responsible for ensuring compliance with relevant laws and regulations applicable to them (including any required registrations).

For further information regarding Trustpower, visit www.nzx.com/companies/TPW.

Contact details

Issuer

Trustpower Limited

Trustpower Building
108 Durham Street
Tauranga 3143

Registrar

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622

Private Bag 92119
Auckland 1142

Arranger and Organising Participant

ANZ Bank New Zealand Limited

Level 10, ANZ Centre
171 Featherston Street
Wellington 6011

Joint Lead Managers

ANZ Bank New Zealand Limited

Level 10, ANZ Centre
171 Featherston Street
Wellington 6011

Forsyth Barr Limited

Level 9, Forsyth Barr House
The Octagon
Dunedin 9054

Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)

Westpac on Takutai Square
Level 8, 16 Takutai Square
Auckland 1010

Supervisor

Trustees Executors Limited

Level 5
10 Customhouse Quay
Wellington 6140

Legal advisers to Trustpower

Russell McVeagh

Vero Centre
48 Shortland Street
Auckland 1140