04 September 2018

Dear Shareholder,

The Independent Directors Committee of Tilt Renewables recommends shareholders do not accept the TLT JV takeover offer of $2.30 per share

As you will be aware, Tilt Renewables' two largest shareholders, Infratil (through a subsidiary) and Mercury NZ, have formed an unincorporated joint venture (the JV) and have now made a full takeover offer for Tilt Renewables at $2.30 per share, seeking to acquire all the shares that Infratil and Mercury NZ do not currently own. You will receive their offer in the mail.

The view of the Independent Directors Committee (the Independent Committee) which is authorised by the Board of Tilt Renewables to assess the offer and provide advice to shareholders, is that the takeover offer of $2.30 per share is inadequate and is not fair to Tilt Renewables shareholders.

<u>The Independent Committee advises you to not accept the offer</u> – simply ignore the takeover offer documents sent to you by the JV and <u>take no action</u>.

There are compelling reasons why you should not accept the JV's offer. We will provide details of these when we send you our Target Company Statement no later than 17 September 2018. The reasons include:

1. **The offer is simply too low. It does not adequately value our existing operational assets and the potential of our development pipeline of future projects**

- Our operational assets are delivering very strong and reliable cash flows.
- As Tilt Renewables set out in our recent annual report, we believe our pipeline of future projects is arguably the best renewable energy pipeline in Australia and New Zealand. We have been successful in securing a footprint at some of the best sites for wind-based generation.
- We have a strong track record of delivering very successful development projects. Our experienced management team has a proven ability to successfully take projects from planning through to completion. Building large-scale renewable energy projects is what we do, and we do it very well.

2. **The premium offered is only 8% above the closing price prior to the offer**

- This premium is materially below the average level for successful takeovers of this kind in New Zealand – even when the offeror already owns more than 50% of the target. The TLT JV seeks to show that the premium is more than this, but it does so by choosing an inappropriate date to do its comparison.

3. **The offer is being made at an opportunistic time and doesn't factor in a major future project that may deliver significant benefits to the company**

- In February 2018, Tilt Renewables bid into the Victorian Renewable Energy Auction Scheme (VREAS) for a portion of output from the fully permitted 336 MW Dundonnell Wind Farm (Dundonnell bid).
- If Tilt Renewables is successful with its bid, the Independent Committee believes this project is likely to be significantly positive for Tilt Renewables and its shareholders. The JV's offer is being

made at a time when the value and benefits of our investment in the Dundonnell bid has yet to be realised. The JV seeks to paint the Dundonnell project as one shareholders should avoid – to sell before the project commences. The very opposite is true – this project is likely to be value enhancing.

- However, irrespective of the outcome of the Dundonnell bid, the offer is inadequate. Should we be successful with the Dundonnell bid, it would only make the offer more inadequate.

4. Any capital raising required for Dundonnell is expected to be for the benefit of all shareholders

- The JV suggests in its offer document that a reason to accept their offer is that, if Dundonnell is successful, the company will have to raise capital to complete the development. Shareholders should be assured:

  a. If the company needs to raise capital to fund any project, it will be because the Board has decided that committing to the project and raising capital is entirely in the interests of all shareholders and likely to increase the value of Tilt Renewables.

  b. If a capital raising is required for Dundonnell, it is currently anticipated that shareholders will have the option to participate. If they choose not to, they are likely to be compensated for any dilution in their holding by being able to sell their entitlements.

  c. As both Infratil and Mercury have stated in their offer document that they remain "supportive of providing equity to Tilt Renewables for the development of Dundonnell and other future projects", raising capital for the project is clearly expected to be good for shareholders. We note that Infratil has publicly stated it targets a 20% per annum after-tax return on its investments.

As mentioned, we will send you a full response with our analysis of the JV's offer as part of our Target Company Statement. This will also include a detailed independent analysis of the merits of the offer undertaken by Northington Partners, an independent financial adviser approved by the Takeovers Panel. This report has not yet been received by the Independent Committee. However, the position of the Independent Committee is already clear:

The takeover offer of $2.30 per share is inadequate and is not fair to Tilt Renewables shareholders.
<u>The Independent Committee advises you to not accept the offer.</u>

We would like to remind you again, that the JV may be incentivising certain share-brokers to solicit acceptances to the offer from shareholders. A share-broker may well contact you. We reiterate our independent advice, which is that you should not accept the offer. If you accept the offer, your decision is final and cannot be revoked. You will have plenty of time to make any decision on the JV's offer after receiving the Target Company Statement. The offer must remain open at least until the end of October 15, 2018.

We will continue to update you with information as we believe is appropriate. Updates in relation to the offer will also be posted on Tilt Renewable's website (https://www.tiltrenewables.com/tilt-renewables-limited-2018-takeover/).

Yours sincerely

Fiona Oliver

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