VOTE FOR THE POWER OF TWO

TWENTY
SIXTEEN

SCHEME BOOKLET
Demerger of Trustpower Limited

TRUSTPOWER LIMITED

NOTICE OF MEETING AND SCHEME BOOKLET

For a scheme of arrangement between Trustpower Limited and its shareholders in relation to the proposed demerger of Trustpower Limited.

VOTE IN FAVOUR

The Trustpower Board unanimously recommends that you vote in favour of the Demerger.

The Shareholder Meeting will be held at 10am on 9 September 2016 at Trinity Wharf Tauranga, 51 Dive Crescent, Tauranga.

This is an important document and requires your immediate attention. You should carefully read it in its entirety before deciding whether to vote for or against the Demerger. If you are in any doubt as to what you should do, you should consult your stockbroker, appropriately authorised financial adviser, solicitor, accountant and/or other professional adviser before voting on the Demerger.

IMPORTANT NOTICES

GENERAL

This Scheme Booklet relates to a proposed Demerger of Trustpower Limited **("Trustpower")** into two companies – Tilt Renewables Limited **("Tilt Renewables")** and Bay Energy Limited (which will be renamed Trustpower Limited after the Demerger and is called **"New Trustpower"** in this Scheme Booklet).

The Demerger is to be implemented by way of a Court approved scheme of arrangement under Part 15 of the Companies Act. This Scheme Booklet includes a notice convening a meeting of Trustpower Shareholders to consider and vote on the Demerger.

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding whether to vote for or against the Demerger Resolution. If the Demerger Resolution is approved by the requisite majority of Trustpower Shareholders then, subject to all conditions to the implementation of the Demerger, as set out in Section 9 *(Implementing the Demerger)*, being satisfied, and subject to the Court granting the Final Court Orders, the Demerger will be implemented and binding on all Trustpower Shareholders, including those who did not vote or who voted against the Demerger Resolution.

PURPOSE OF THIS SCHEME BOOKLET

The purpose of this Scheme Booklet is to provide you with information that could reasonably be expected to be material to your decision whether to vote in favour of, or against, the Demerger including:

- an outline of the background to, and rationale for, the Demerger;
- the advantages, disadvantages, risks and other factors associated with the Demerger;
- the procedural steps required to effect the Demerger, including why you are being asked to vote;
- an overview of Tilt Renewables and New Trustpower after the Demerger;
- an explanation as to why the Trustpower Board believes that the Demerger is in the best interests of Trustpower Shareholders as a whole; and
- a recommendation that you vote in favour of the Demerger.

This Scheme Booklet has been prepared in reliance upon the Financial Markets Conduct (Trustpower Group) Exemption Notice 2016 and is not a product disclosure statement. It has not been filed, registered with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 or any other New Zealand laws. This Scheme Booklet does not contain all the information that a product disclosure statement is required to contain under New Zealand law.

This Scheme Booklet when taken together with the Wrap that will be provided to NZX for release to the market upon implementation of the Demerger also constitutes a "Profile" for the purposes of the NZX Listing Rules and the compliance listings of Tilt Renewables and New Trustpower on the NZX Main Board. The Wrap will record the outcome of the Shareholder Meeting and any other material changes that have occurred in respect of Tilt Renewables and/or New Trustpower since the date of this Scheme Booklet, as confirmed by Tilt Renewables and New Trustpower.

RESPONSIBILITY FOR INFORMATION

Other than as set out below, this Scheme Booklet has been prepared by, and is the responsibility of, Trustpower:

- the Investigating Accountants have prepared the Investigating Accountant's Report on the Compilation of the Pro Forma Financial Information in Section 12 *(Investigating Accountant's Report on the Compilation of the Pro Forma Financial Information)*; and
- the Independent Adviser has prepared the Independent Adviser's Report which appears in Appendix 2 *(Independent Adviser's Report Prepared in Relation to the Proposed Demerger of Trustpower Limited)*.

The liability of Trustpower with respect to the accuracy or completeness of this Scheme Booklet will be assumed by New Trustpower after the Demerger. To the extent that this Scheme Booklet is inaccurate or incomplete (as concerns the Financial Markets Conduct Act 2013 or any other rule of law), New Trustpower will assume Trustpower's liability.

The Trustpower Board has received confirmation from the respective nominated chairs of the proposed Tilt Renewables Board and the proposed New Trustpower Board that Section 7 (*Tilt Renewables after the Demerger*) in respect of Tilt Renewables, and Section 8 (*New Trustpower after the Dermerger*) in respect of New Trustpower, reflects each of Tilt Renewables' and New Trustpower's current expectations (as applicable).

NO REPRESENTATION

Except to the extent set out in this Scheme Booklet or as required by law (and then only to the minimum extent so required), none of Trustpower, Tilt Renewables or New Trustpower (nor any of their respective associates, advisers, employees or current or proposed directors) warrants the performance of Trustpower, Tilt Renewables or New Trustpower, or any return on Trustpower Shares, New Trustpower Shares or Tilt Renewables Shares.

YOUR DECISION

This Scheme Booklet does not take into account your individual investment objectives, financial situation or needs. You must make your own decisions and take your own advice in this regard. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as constituting, financial product advice.

If you are in any doubt as to what you should do, you should consult your stockbroker, appropriately authorised financial adviser, solicitor, accountant and/or other professional adviser before voting on the Demerger.

NOT AN OFFER

This Scheme Booklet does not constitute an offer to Trustpower Shareholders (or any other person), or a solicitation of an offer from Trustpower Shareholders (or any other person), in any jurisdiction.

LAWS OF NEW ZEALAND

This Scheme Booklet has been prepared in accordance with New Zealand law. Accordingly, the information contained in this Scheme Booklet may not be the same as that which would have been disclosed in this Scheme Booklet if it had been prepared in accordance with the laws and regulations of another jurisdiction.

INFORMATION FOR TRUSTPOWER SHAREHOLDERS IN OTHER JURISDICTIONS

This Scheme Booklet and the Demerger do not in any way constitute an offer of financial products in any place in which, or to any person to whom, it would be unlawful to make such an offer. The distribution of this Scheme Booklet outside of New Zealand may be restricted by law and persons who come into possession of it should observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. Nominees, custodians and other Trustpower Shareholders who hold Trustpower Shares on behalf of a beneficial owner:

(a) may be restricted under applicable laws in how they can deal with this Scheme Booklet and/or any Tilt Renewables Shares and New Trustpower Shares they receive under the Demerger and are therefore advised to seek independent advice as to how they proceed; and

(b) may not forward this Scheme Booklet (or accompanying documents) to anyone outside New Zealand, Australia and the United States except, with the consent of Trustpower, to beneficial shareholders resident in certain other countries where Trustpower may determine it is lawful and practical.

IMPORTANT INFORMATION FOR TRUSTPOWER SHAREHOLDERS IN THE UNITED STATES

Trustpower, Tilt Renewables and New Trustpower intend to rely on an exemption from the registration requirements of the US Securities Act of 1933 provided by Section 3(a)(10) thereof in connection with the consummation of the Scheme and the issuance of the Tilt Renewables Shares and New Trustpower Shares. Approval of the Scheme by the Court will be relied upon by Trustpower, Tilt Renewables and New Trustpower for the purposes of qualifying for the Section 3(a)(10) exemption.

US shareholders should note that the Scheme is made for the securities of a New Zealand company in accordance with the laws of New Zealand and the NZX Listing Rules. The Scheme is subject to disclosure requirements of New Zealand that are different from those of the United States.

Any financial statements included in the Scheme Booklet have been prepared in accordance with New Zealand accounting standards and may not be comparable to the financial statements of US companies. New Zealand corporations must comply with New Zealand equivalents to International Financial Reporting Standards.

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws, since Trustpower is located in New Zealand and most of its officers and directors are residents of New Zealand. You may not be able to sue Trustpower or its officers or directors in New Zealand for violations of the US securities laws. It may be difficult to compel Trustpower, Tilt Renewables, New Trustpower and their affiliates to subject themselves to a US court's judgment.

The Scheme Booklet has not been filed with or reviewed by the US Securities and Exchange Commission or any state securities authority and none of them has passed upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of the Scheme Booklet. Any representation to the contrary is a criminal offence.

The Tilt Renewables Shares and New Trustpower Shares to be issued pursuant to the Scheme have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any US state or other jurisdiction. An offer of securities is not being made in any US state or other jurisdiction where it is not legally permitted to do so.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Scheme Booklet constitute "forward-looking statements". Forward-looking statements can generally be identified by the use of forward-looking words such as 'may', 'could', 'anticipate', 'estimate', 'expect', 'opportunity', 'plan', 'continue', 'objectives', 'outlook', 'guidance', 'intend', 'aim', 'seek', 'believe', 'should', 'will' and similar expressions. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Trustpower, Tilt Renewables and New Trustpower, which may cause actual results to differ materially from those expressed in or implied by the statements contained in this Scheme Booklet.

Additional important factors that could cause actual results to differ materially from such forward-looking statements are set out in Section 6 *(Advantages, Disadvantages and Risks in respect of the Demerger)* which describes risks arising in respect of the Demerger, and Sections 7 *(Tilt Renewables after the Demerger)* and 8 *(New Trustpower after the Demerger)* which outline the potential risks associated with an investment in Tilt Renewables and New Trustpower, respectively. In addition, company strategy can change and evolve over time, including as a result of changes in markets and other business factors.

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this Scheme Booklet. None of Trustpower, Tilt Renewables or New Trustpower (or their respective associates, advisers, employees or current or proposed directors) gives any assurance that actual outcomes will not differ materially from the forward-looking statements contained in this Scheme Booklet, and the inclusion of forward-looking statements in this Scheme Booklet should not be regarded as a representation by any person that they will be achieved. Other than as required by law or by the rules of any applicable stock exchange, none of Trustpower, Tilt Renewables or New Trustpower undertakes any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Neither Trustpower nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Scheme Booklet will actually occur. You are cautioned against relying on any such forward-looking statements.

You should note that this Scheme Booklet contains pro forma financial information. In preparing the pro forma financial information, certain adjustments were made to the historical financial information of Trustpower that it considers appropriate to reflect the transactions described herein. The pro forma financial information does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the US Securities and Exchange Commission.

PRIVACY AND PERSONAL INFORMATION

Trustpower, Tilt Renewables and New Trustpower may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Trustpower Shareholders and the name of persons appointed by those persons to act as a proxy or corporate representative at the Shareholder Meeting. The primary purpose of the collection of personal information is to assist Trustpower, Tilt Renewables and New Trustpower to conduct the Shareholder Meeting and implement the Scheme. Personal information of the type described above may be disclosed to Computershare, print and mail service providers, proxy solicitation firms, related companies of Trustpower, Tilt Renewables, New Trustpower and Trustpower's service providers and advisers. Trustpower Shareholders have certain rights to access personal information that has been collected. Trustpower Shareholders should contact Computershare in the first instance if they wish to access their personal information. Trustpower Shareholders who appoint a named person to act as their proxy or corporate representative should make sure that person is aware of these matters.

NO INTERNET SITE FORMS PART OF THIS SCHEME BOOKLET

Any references in this Scheme Booklet to any website are for informational purposes only. No information contained on any website forms part of this Scheme Booklet.

TIMETABLE AND DATES

All references to times in this Scheme Booklet are references to New Zealand time, unless otherwise stated. Any obligations to do an act by a specified time in New Zealand time must be done at the corresponding time in any other jurisdiction.

DIAGRAMS, CHARTS, MAPS, GRAPHS AND TABLES

Any diagrams, charts, maps, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be to scale.

EFFECT OF ROUNDING

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, actual calculations may differ from amounts set out in this Scheme Booklet.

NOTICE OF THE FINAL COURT HEARING

If you wish to oppose the Scheme at the Final Court Hearing, which is expected to be on or about 6 October 2016 at the High Court, Cnr Waterloo Quadrant and Parliament Street, Auckland, you must file a notice of appearance or a notice of opposition together with supporting documents on which you wish to rely at the High Court and at Trustpower's registered office by 26 September 2016. Further information on this process is set out in Section 9 *(Implementing the Demerger)* under the heading "Shareholder objection rights".

DEFINED TERMS AND INTERPRETATION

Capitalised terms set out in this Scheme Booklet have the meanings given to them in Section 13 *(Glossary)*. Unless the context otherwise requires:

(a) singular words include the plural and vice versa;

(b) references to times and dates are to times and dates in New Zealand; and

(c) references to amounts of currency are to New Zealand dollars except where the term "A$" or "AUD" is used where the reference is to Australian dollars.

References to customer numbers, generation, and employees of Trustpower are on a consolidated group basis, and include those of its 65% owned subsidiary, King Country Energy, unless otherwise stated.

DATE OF THIS SCHEME BOOKLET

This Scheme Booklet is dated 12 August 2016.

CONTENTS

SECTION 1: LETTER FROM THE TRUSTPOWER CHAIRMAN

Dear Shareholder,

On behalf of the Trustpower Board, I am pleased to provide you with this Scheme Booklet which contains all the information you should need regarding the proposed division of Trustpower into Tilt Renewables and New Trustpower (the **"Demerger"**). If implemented:

- Tilt Renewables: will hold Trustpower's Australian and New Zealand wind generation assets and its wind and solar development projects. This will position Tilt Renewables to focus on projects to meet Australia's renewable energy needs.
- New Trustpower: will continue to operate Trustpower's remaining Australian and New Zealand hydro generation assets and its multi-product New Zealand retail business. New Trustpower will retain Trustpower's name and brand.

Each of Tilt Renewables and New Trustpower will be listed on the NZX Main Board. Tilt Renewables is also expected to be listed on the ASX.

This Scheme Booklet has been prepared to help you assess the merits of the transaction before you vote.

If the Demerger is approved, you will hold one Tilt Renewables Share and one New Trustpower Share for each Trustpower Share you currently have.

Key reasons for the recommendation to vote in favour

Trustpower's history lies in its New Zealand based hydro generation portfolio and its successful electricity retailing business. These businesses remain strong, and in recent years the electricity retailing business has grown and broadened to include gas, LPG and telecommunications.

Separately, but equally importantly, Trustpower has become a significant wind generation developer and operator. Completed projects include the Snowtown and Mahinerangi Wind Farms and the expansion of the Tararua Wind Farms. Trustpower holds development options of approximately 2,200MW in respect of further wind and solar farms. In Australia, key environmental approvals in respect of 832MW have been granted (with 375MW subject to appeal) and 400MW in respect of which environmental approval has been obtained in New Zealand. The growth of the renewable energy generation business is underpinned by social and regulatory concerns about climate change and the expected move away from carbon based electricity generation. This trend is more evident in Australia, where coal based electricity generation is currently predominant. Australia now has a well established renewable energy scheme, broadly supported by both major political parties, that has created significant opportunities for renewable energy developers.

The Trustpower Board has carefully considered how to best take advantage, for the benefit of all Trustpower Shareholders, of the renewable energy development opportunities, particularly in Australia, and how to advance the New Zealand based multi-product retailing strategy. After considering a range of options, it has concluded that the Demerger is the best option.

The Demerger will:

- allow both Tilt Renewables and New Trustpower to pursue targeted, independent business strategies, supported by dedicated boards and management teams;
- provide Tilt Renewables with equity raising options dedicated to its development options;
- allow both Tilt Renewables and New Trustpower to optimise their capital structures and dividend policies to suit their respective businesses; and
- allow existing Trustpower Shareholders to choose what investment emphasis, with corresponding benefits and risks, they prefer through changing their relative shareholdings in Tilt Renewables and New Trustpower.

The Trustpower Board believes that the Demerger is likely to create greater value for Trustpower Shareholders over the medium to long term than the status quo, or other alternatives considered by the Trustpower Board.

The advantages, disadvantages, risks and other relevant considerations of the Demerger are set out in this Scheme Booklet.

If the Demerger proceeds, you will receive one share in each of Tilt Renewables and New Trustpower for every share you hold in Trustpower. It is proposed that both Tilt Renewables and New Trustpower will be listed on the NZX Main Board, and that Tilt Renewables will also be listed on the ASX. Trustpower Shareholders will, after implementation of the Demerger, have the choice to retain both their Tilt Renewables Shares and New Trustpower Shares or sell either or both. You are not required to make any payments to Tilt Renewables or New Trustpower to participate in the Demerger.

You should make your own decision on the merits of the Demerger proposal. However, the Trustpower Board considers the Demerger to be in the best interests of Trustpower Shareholders as a whole and accordingly unanimously recommends that you vote in favour of the Demerger. Trustpower's major shareholders, Infratil and TECT, have also indicated that, in the absence of material new information or changes, they intend to vote in favour of the Demerger.

One consequence of the Demerger is that each of Tilt Renewables and New Trustpower will have separate boards of directors, with different individuals serving on each, except Geoff Swier will serve on both. The New Trustpower Board will comprise the existing Trustpower Board of Paul Ridley-Smith (Chairman), Richard Aitken, Alan Bickers, Marko Bogoievski, Sam Knowles, Susan Peterson and Geoff Swier. The Tilt Renewables Board will comprise Bruce Harker (Chairman, and formerly Chairman of Trustpower), Paul Newfield, Fiona Oliver, Phillip Strachan, Geoff Swier and Vimal Vallabh.

The Trustpower Board has determined that the fees per director for New Trustpower for the 2017 financial year should remain at the current levels that apply for Trustpower, and that the directors fees for Tilt Renewables should be set commensurate with Australian market rates, because that is where the substantial part of Tilt Renewables' assets, and growth prospects, are located. The Demerger process has been demanding on directors' time and involved additional responsibility, consequently the Trustpower Board approved, subject to shareholder approval, to make certain additional one-off payments to its directors. Although New Trustpower does not intend to increase its fees per director at this time, it is proposing to increase its overall director fee pool to $800,000 effective from 1 April 2017.

More specific details about the directors' fees for each of Tilt Renewables and New Trustpower are contained in Section 7 *(Tilt Renewables after the Demerger)* and Section 8 *(New Trustpower after the Demerger)*.

Your action is required

The Demerger will only be implemented if it is approved by Trustpower Shareholders at the Shareholder Meeting to be held on 9 September 2016.

Your vote is important, regardless of how many Trustpower Shares you own. I strongly encourage you to exercise your right to vote on this important matter.

If you are unable to attend the meeting in person, please exercise your right to vote by appointing a proxy to attend and vote on your behalf. A personalised Proxy Form accompanies this Scheme Booklet. Alternatively, you can appoint a proxy online in accordance with the instructions under the heading "Voting" in Section 4 *(Notice of Special Meeting (including procedural notes))*.

Please read this Scheme Booklet carefully and in its entirety as it contains important information that you should consider before you vote. You may also wish to seek independent legal, financial, taxation or other professional advice.

If you have any questions regarding the Demerger or this Scheme Booklet, please contact the Trustpower Shareholder Information Service at demerger@trustpower.co.nz.

Yours sincerely,

Paul Ridley-Smith
Chairman

SECTION 2: EXPECTED TIMETABLE OF PRINCIPAL EVENTS

EVENT	DATE
Anticipated mailing of the Scheme Booklet to Trustpower Shareholders	22 August 2016
Voting eligibility date for determining eligibility to vote at the Shareholder Meeting	5pm on 6 September 2016
Time by which Proxy Forms must be received by the Share Registrar	10am on 7 September 2016
Shareholder Meeting	10am on 9 September 2016
IF THE DEMERGER IS APPROVED BY TRUSTPOWER SHAREHOLDERS (The times and dates below may change and, among other things, are subject to Court approval)	
Anticipated receipt of the Final Court Orders	6 October 2016
Record Date (and relevant time) (all Trustpower Shareholders at this time and date will be entitled to receive Tilt Renewables Shares and New Trustpower Shares)	5pm 13 October 2016 (assuming the Final Court Orders are received as indicated above, otherwise 5pm five Business Days following the date of the Final Court Orders)
Anticipated Distribution Date (distribution of Tilt Renewables Shares and New Trustpower Shares to Trustpower Shareholders)	17 October 2016 (assuming the Final Court Orders are received as indicated above, otherwise two Business Days following the Record Date)
Anticipated mailing of shareholding statements	18 October 2016 (assuming the Final Court Orders are received as indicated above, otherwise one Business Day following the Distribution Date)
NZX / ASX Dates	
Last date on which Trustpower Shares will trade on the NZX Main Board	5pm on 11 October 2016
New Trustpower Shares begin trading on the NZX Main Board on a conditional settlement basis	13 October 2016
Tilt Renewables Shares begin trading on the NZX Main Board on a conditional settlement basis	13 October 2016
Expected commencement of normal trading of Tilt Renewables Shares and New Trustpower Shares on the NZX Main Board and normal trading of Tilt Renewables Shares on the ASX	17 October 2016

All times and dates referred to in this Scheme Booklet are times and dates in New Zealand, unless otherwise indicated. These times and dates and the references to them throughout this Scheme Booklet are subject to change and are indicative only. Trustpower reserves the right to amend the times and dates without prior notice.

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SUMMARY OF DEMERGER PROPOSAL

SECTION 3: SUMMARY OF DEMERGER PROPOSAL

BACKGROUND

Trustpower is an electricity generator and retailer. It also supplies gas and telecommunications services to its New Zealand customers as part of its multi-product retail business. Its retail operations are undertaken in New Zealand. Its generation activities are undertaken in both New Zealand and Australia. On 18 December 2015, Trustpower announced that it was considering separating into two New Zealand incorporated listed companies by way of a Court approved scheme of arrangement. The Demerger will result in the creation of two new companies, which can be summarised as follows:

WHAT IS TILT RENEWABLES?

- Tilt Renewables will be an owner, operator and developer of a portfolio of wind farms across Australia and New Zealand
- Tilt Renewables will have an approximately 11% market share of installed wind capacity in Australasia
- Tilt Renewables' assets will comprise 307 operating turbines across 7 wind farms, with a total installed capacity of 582MW
- Tilt Renewables' assets will include Australia's second largest and New Zealand's largest wind farms
- Tilt Renewables will have a high level of contracted revenue, with counterparties including Origin Energy and New Trustpower
- Tilt Renewables will have a development pipeline of 8 further wind farm projects, with the potential for more than 2,000MW of installed capacity. Tilt Renewables also intends to pursue solar development opportunities in Australia
- The Tilt Renewables management team will have extensive wind farm development and operational expertise
- Tilt Renewables is expected to employ approximately 35 full time equivalent employees

WHAT IS NEW TRUSTPOWER?

- New Trustpower, headquartered in Tauranga, will be New Zealand's fifth largest electricity generator and fourth largest energy retailer by market share, with approximately 13% electricity retail market share
- New Trustpower will retain Trustpower's name and brand
- New Trustpower will own 22 hydro power schemes throughout New Zealand and Australia with a total installed capacity of 516MW*
- New Trustpower will operate a multi-product retail business, including electricity, gas and telecommunications services with approximately 280,000 electricity customer connections, 31,500 gas customer connections and 65,000 telecommunications customer connections
- New Trustpower will have approximately 750 full time equivalent employees

* Note: Excludes King Country Energy generation assets.

The purpose of this Scheme Booklet is to provide you with information that could reasonably be expected to be material to your decision whether to vote in favour of, or against, the Demerger including:

- an outline of the background to, and rationale for, the Demerger;
- the advantages, disadvantages, risks and other factors associated with the Demerger;
- the procedural steps required to effect the Demerger, including why you are being asked to vote;
- an overview of Tilt Renewables and New Trustpower after the Demerger;
- an explanation as to why the Trustpower Board believes that the Demerger is in the best interests of Trustpower Shareholders as a whole; and
- a recommendation that you vote in favour of the Demerger.

As part of the Demerger process, Trustpower has engaged Northington Partners Limited to provide an Independent Adviser's Report on the proposal. In its report Northington Partners Limited concluded that, on balance, it believes that the potential benefits of the Demerger outweigh the costs and potential disadvantages. A copy of the Independent Adviser's Report is included in Appendix 2 *(Independent Adviser's Report Prepared in Relation to the Proposed Demerger of Trustpower Limited)*.

RATIONALE FOR THE DEMERGER

Trustpower's history

Trustpower was established in 1994 as the successor company of the Tauranga Electric Power Board. A key asset vested in Trustpower at the time of formation was the Tauranga Electric Power Board's interest in a joint venture with the Tauranga District Council known as "Kaimai Hydropower". Kaimai Hydropower owned three hydro generation schemes, with a capacity of 41MW, representing approximately one-third of Trustpower's then energy requirements for supply to its customers in the Tauranga region.

From 1 April 1994 the historic distribution and energy trading supply franchises ceased to exist, allowing power companies such as Trustpower to compete for customers anywhere in New Zealand, not just supplying customers within their historical supply areas.

In 1997 Trustpower purchased all of the Tauranga District Council's electricity assets and liabilities and as a consequence assumed full control of Tauranga Electricity Limited's lines business and Kaimai Hydropower.

Beginning in 1998, significant change took place in the electricity industry. Electricity companies were required by legislation to elect to be either a distribution company (commonly called a lines company), or a generator and/or retailer of electricity. Trustpower elected to be a generator and retailer, and sold its distribution company assets. Subsequently, Trustpower acquired the Coleridge, Matahina and Highbank hydro power stations from the Electricity Corporation of New Zealand, as well as other generation assets and customer bases, mostly from other regional electricity companies that had elected to retain their distribution businesses. By the end of 1999 Trustpower had some 430MW of generation capacity (including the Tararua Stage I Wind Farm) and retail customers throughout New Zealand.

Leveraging off Trustpower's experience of operating Tararua Stage I, Trustpower expanded into the development and construction of wind farms in New Zealand and Australia and continued its acquisition of hydro assets, acquiring Cobb in 2003.

In addition to expanding Trustpower's generation, Trustpower grew its customer base as well as its retail brand, including by offering telecommunication services in 2004 and gas after its acquisition of the business of Energy Direct NZ Limited in 2013. These initiatives have enabled the development of Trustpower's multi-product customer offering.

Trustpower has also diversified its markets and earnings, and pursued investment opportunities to deliver enhanced value for Trustpower Shareholders.

Consequently, Trustpower has become a geographically and operationally diverse company with a wide range of investment opportunities, particularly in relation to Trustpower's electricity, gas and telecommunications retailing in New Zealand, and its predominantly Australian wind development and generation business. The Trustpower Board believes that these quite different businesses can be more effectively run, and Trustpower Shareholder value enhanced, if they are split into two separate companies.

New Trustpower

The New Zealand retail utility markets have remained highly competitive as Trustpower and its incumbent and new entrant competitors have improved and broadened their customer offerings, both in terms of products and prices. Trustpower's primary response, which has been successful to date, is to provide a multi-product offering combining power, gas, and telecommunications retailing. This has helped reduce customer churn and improve overall margins.

The New Zealand electricity generation market has seen overall electricity demand flatten. No major electricity generation plant is currently being built, and Trustpower does not see this changing in the near term. Rather, Trustpower's competitors have been closing, or signaling the intention to close, large gas and coal fired generation plants.

Trustpower does not believe that New Trustpower needs to retain a significant generation development portfolio.

Tilt Renewables

The Renewable Energy Target (RET) was established by the Australian Federal Government in 2001. It is now designed to reflect a target of 33,000GWh of Australia's electricity is generated from renewable energy sources by 2020. This has given rise to a large number of investment opportunities in the Australian renewables electricity sector. Australia is currently only about halfway to meeting the 33,000GWh target. To achieve this target approximately 5,000MW of new renewable generation capacity needs to be built over the next four to five years. This policy has cross-bench political support following an agreement between both major Australian political parties in June 2015.

Trustpower identified the RET policy and resulting generation development projects as an opportunity to utilise its renewable generation development expertise and operational capability to expand its business in Australia to provide additional growth and diversification to Trustpower's New Zealand business. Trustpower first invested in Australia in 2006 with the construction of the 98.7MW Snowtown Wind Farm in South Australia. Since that time, Trustpower has expanded in Australia and currently has 386MW of installed renewable wind generation capacity there.

In addition to its current Australian generation portfolio, Trustpower has a development pipeline of wind and solar projects that are potential investment opportunities and which are expected to be competitive with the projects of other renewable energy developers. If all of Trustpower's projects were taken through to construction they would represent more than 2,000MW of additional installed capacity.

Successfully executing these development options within the RET 2020 timeframe will require significant amounts of additional capital and a dedicated effort from a focused management team.

While Trustpower could continue its existing strategy of undertaking its Australian wind farm developments within the existing Trustpower business, the Trustpower Board is of the view that a separate company should be established to undertake these development activities reflecting the likely funding needs, focus required from the management team and the risks involved in such developments.

KEY ADVANTAGES OF THE DEMERGER

The Trustpower Board is of the view that the Demerger is more likely to enhance value for Trustpower Shareholders over the medium to long term than maintaining the status quo, or pursuing other alternatives considered by the Trustpower Board.

The key advantages of the Demerger include:

- Separation will enable the pursuit of targeted, independent business strategies by each business, to be supported by dedicated boards and management teams. For Tilt Renewables this is particularly with respect to its wind and solar development opportunities in Australia and for New Trustpower it primarily relates to the growth of its multi-product strategies in New Zealand.
- Access, especially for Tilt Renewables, to equity capital that is dedicated to helping fund development options. Trustpower's current wind and solar development options, if fully built, would represent more than 2,000MW of new investment, over three times Trustpower's current wind operating assets.
- Optimising capital structures and dividend policies to reflect the strategies of each business. In particular Tilt Renewables shareholders should anticipate new equity capital will be raised to complete its development

projects. It is expected that New Trustpower will be able to distribute a higher proportion of its profits than Trustpower would be able to.

- The separate listing of Tilt Renewables (including the intended listing on the ASX) and New Trustpower will provide existing and future shareholders with greater investment choice.

The advantages of the Demerger are discussed in greater detail in Section 6 *(Advantages, Disadvantages and Risks in respect of the Demerger)*.

KEY DISADVANTAGES AND RISKS OF THE DEMERGER

The key disadvantages and risks of the Demerger include:

- Tilt Renewables and New Trustpower will each be smaller and less diversified than Trustpower pre-Demerger.
- Reduction in NZX index weighting through smaller separate market capitalisations.
- Implementing the Demerger involves costs (expected to be approximately $68 million to $82 million) and Tilt Renewables and New Trustpower will incur additional ongoing operating costs as separate entities. Further information as to the costs of the Demerger can be found in Section 6 *(Advantages, Disadvantages and Risks in Respect of the Demerger)* under the heading "Disadvantages and Risks of the Demerger".
- The combined market value and trading of Tilt Renewables Shares and New Trustpower Shares after the Demerger is uncertain.
- Reliance on contracts between Tilt Renewables and New Trustpower rather than integrated ownership, particularly for electricity generated from the New Zealand wind farms that Tilt Renewables will sell to New Trustpower.
- The possibility of failure to achieve expected business and operational benefits.
- Potential for delays, unexpected costs and other problems in establishing Tilt Renewables.

The disadvantages and risks of the Demerger are discussed in greater detail in Section 6 *(Advantages, Disadvantages and Risks in respect of the Demerger)*.

Shareholders should carefully consider the risk factors relating to an investment in Tilt Renewables and New Trustpower as set out in Sections 7 *(Tilt Renewables after the Demerger)* and 8 *(New Trustpower after the Demerger)*, respectively, along with all other information set out in this Scheme Booklet.

HOW THE DEMERGER WILL BE EFFECTED

For the Demerger to proceed it must first be approved by the requisite majority of Trustpower Shareholders at the Shareholder Meeting. The Court must then grant the Final Court Orders. If the requisite majority of Trustpower Shareholders vote in favour of the Demerger and the Final Court Orders are granted, the Demerger will be implemented and binding on all Trustpower Shareholders, including those who did not vote or voted against the Demerger.

There is a risk that the Court refuses to grant the Final Court Orders or that the granting of the Final Court Orders is delayed, despite Trustpower Shareholder approval. The Demerger cannot be implemented unless the Final Court Orders are granted.

The Demerger will be effected through a distribution of Tilt Renewables Shares and New Trustpower Shares to Trustpower Shareholders, by way of an *in specie* distribution made by the liquidator of Trustpower. The reference to the distribution being *in specie* means that Trustpower Shareholders will receive a transfer of property in the form of Tilt Renewables Shares and New Trustpower Shares, rather than monetary proceeds of that property. As a result, Trustpower Shareholders will become shareholders in Tilt Renewables and New Trustpower upon completion of the Demerger.

The distribution will occur following the completion of a restructuring of Trustpower whereby all of its assets and liabilities (including contracts) are transferred to the Tilt Renewables Group or the New Trustpower Group, except for the shares which Trustpower holds in Tilt Renewables and New Trustpower. Trustpower is then to be placed into liquidation and the shares which it holds in Tilt Renewables and New Trustpower are to be subdivided so that Trustpower holds the same number of shares in each of those companies as it has on issue. The liquidator of Trustpower will then make an *in specie* distribution of these shares to the Trustpower Shareholders, with each Trustpower Shareholder receiving one Tilt Renewables Share and one New Trustpower Share for each Trustpower Share which they hold at the Record Date.

Initially the Tilt Renewables Shareholders and New Trustpower Shareholders will be the same as the Trustpower Shareholders, because each Trustpower Shareholder will receive one Tilt Renewables Share and one New Trustpower Share for each Trustpower Share which they hold at the Record Date.

The Independent Adviser's Report contained in Appendix 2 *(Independent Adviser's Report Prepared in Relation to the Proposed Demerger of Trustpower Limited)* includes a diagram to show the corporate structure of each of Tilt Renewables and New Trustpower as if the Demerger had been implemented.

Rights attaching to Tilt Renewables Shares and New Trustpower Shares

All of the Tilt Renewables Shares transferred to Trustpower Shareholders under the Demerger will be fully paid ordinary shares which rank equally between them. This will also be the case in respect of New Trustpower Shares. The key features of the ordinary shares in each of Tilt Renewables and New Trustpower do not differ from those that generally apply to ordinary shares in a company incorporated in New Zealand.

Further details of the Demerger and intercompany agreements resulting from the Demerger are set out in Section 9 *(Implementing the Demerger)*.

Substantial shareholdings

As at the date of this Scheme Booklet, each of Infratil (through various subsidiaries) and TECT (through its wholly-owned subsidiary, TECT Holdings Limited) have the following shareholdings in Trustpower:

Infratil and TECT shareholdings in Trustpower

Name of holder	Number of Trustpower Shares held	Percentage of all Trustpower Shares on issue (excluding treasury stock)
Infratil	159,742,389	51.04%
TECT	83,878,838	26.80%

Immediately following implementation of the Demerger, Infratil (through various subsidiaries) and TECT through its wholly-owned subsidiary, TECT Holdings Limited, will hold a number of shares in Tilt Renewables and New Trustpower that is equal to the number of Trustpower Shares they currently hold. These shareholdings will be a "major holding" under NZX Listing Rule 7.8.

Neither Tilt Renewables nor New Trustpower has any formal restrictions on the transfer of the shares held in Tilt Renewables and/or New Trustpower respectively by either of those shareholders, or any other person. There are no restrictions imposed by Tilt Renewables or New Trustpower on either Infratil or TECT (or any other Tilt Renewables Shareholder or New Trustpower Shareholder) which would prevent them from decreasing their holdings, or increasing their holdings, in the Tilt Renewables Shares and/or New Trustpower Shares, in compliance with New Zealand law. The principal laws which may apply are the Takeovers Code (in respect of a person (and their associates) acquiring more than 20% of the voting securities of either of those companies or, if they (or their associates) hold more than 20% already, increasing that level) and the Financial Markets Conduct Act 2013.

The trust deed of TECT has been amended so as to facilitate the Demerger.

Recommendation

The Trustpower Board considers the Demerger to be in the best interests of Trustpower Shareholders as a whole and accordingly unanimously recommends that you vote in favour of the Demerger.

SUMMARY OVERVIEW OF TILT RENEWABLES AFTER THE DEMERGER

Introduction

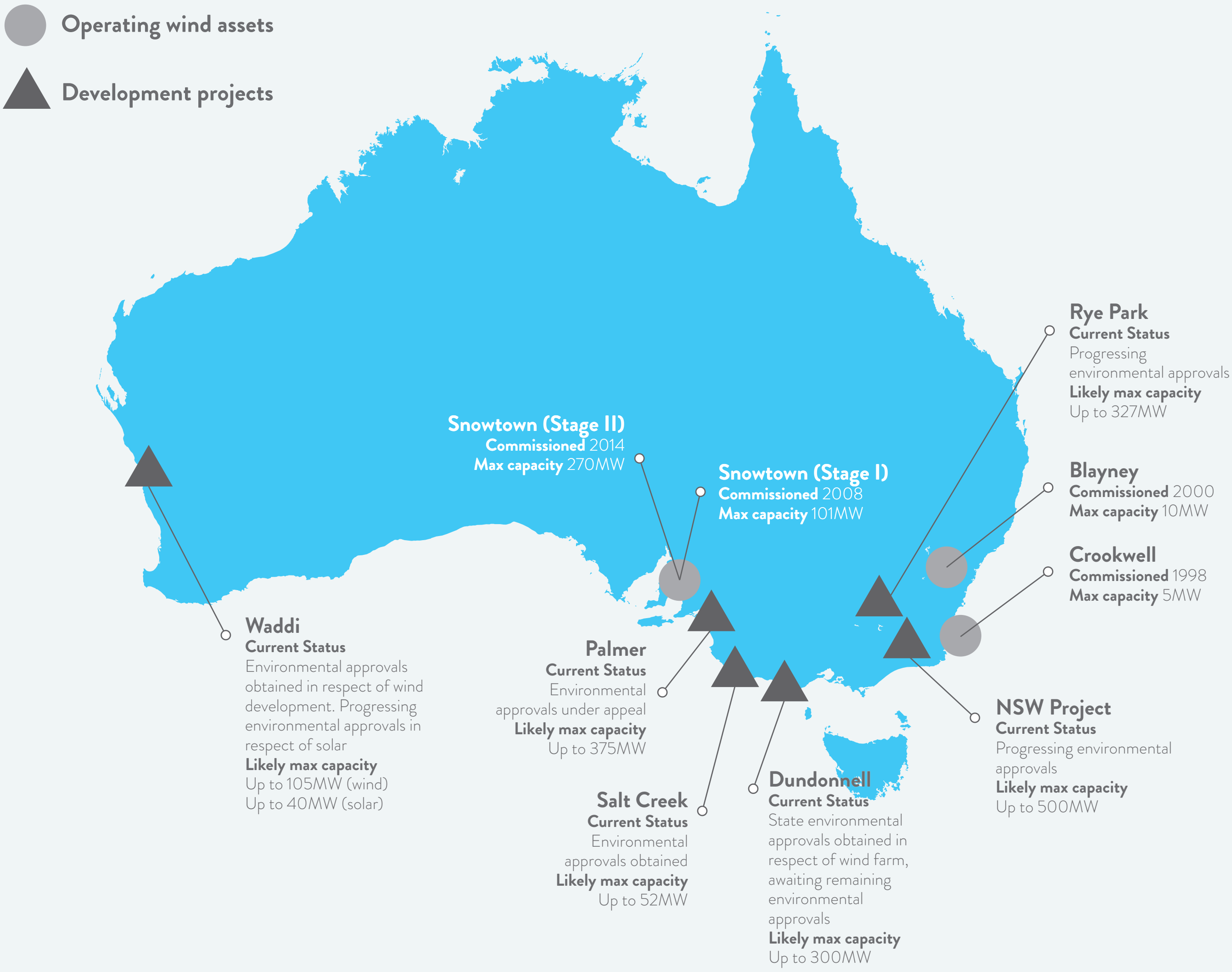
Tilt Renewables will be an Australasian renewable energy company with a number of established wind farms and an extensive wind and solar development pipeline.

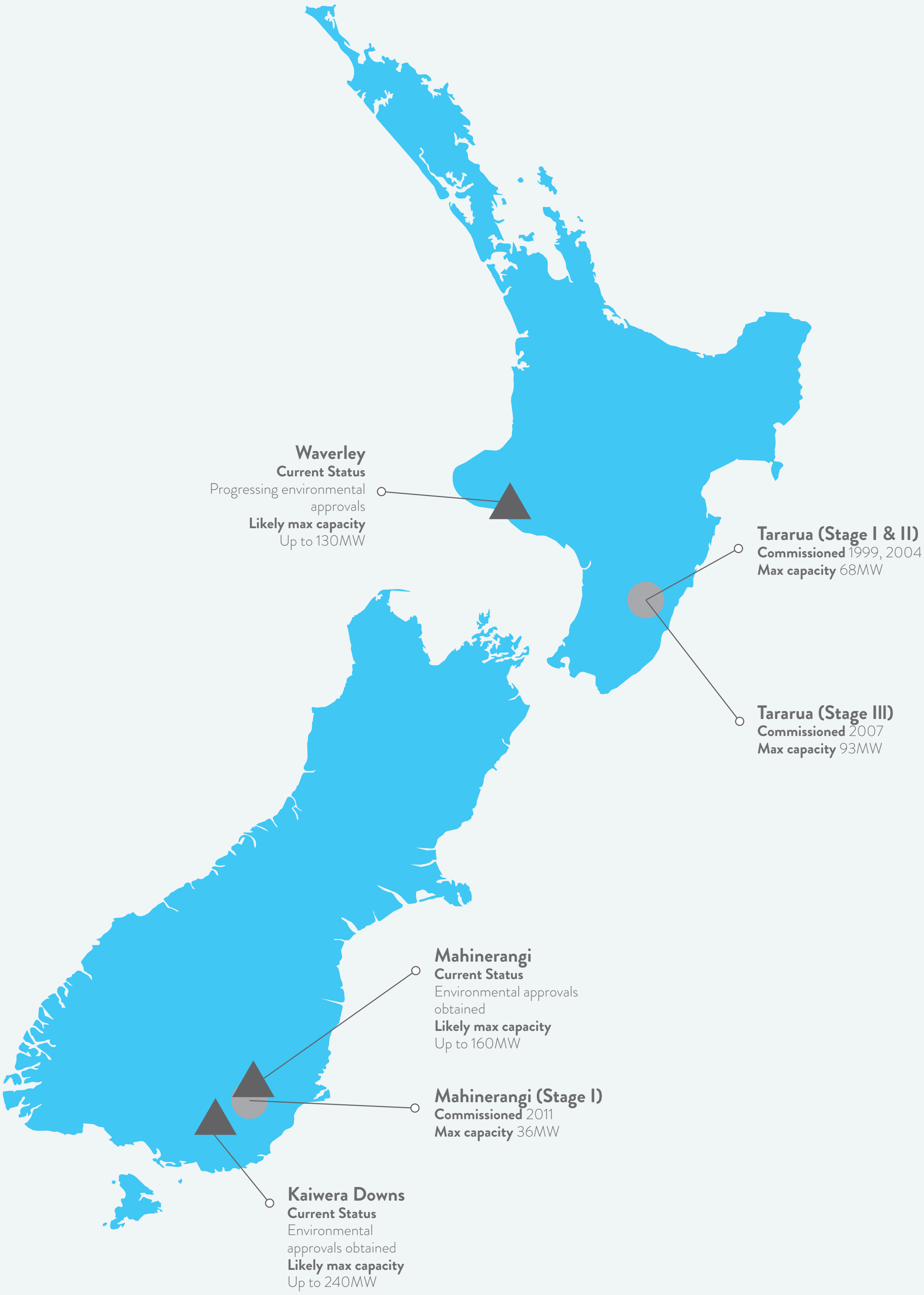
Tilt Renewables will have seven wind farms located in Australia and New Zealand, with an installed operating capacity of 582MW representing approximately 11% of market share by installed wind capacity in Australasia.

Tilt Renewables will have:

- a high level of contracted electricity sales through long term power purchase agreements with Origin Energy and New Trustpower; and
- a development pipeline consisting of a number of potential development projects that, if all are taken through to construction, could produce more than 2,000MW of renewable generation capacity.

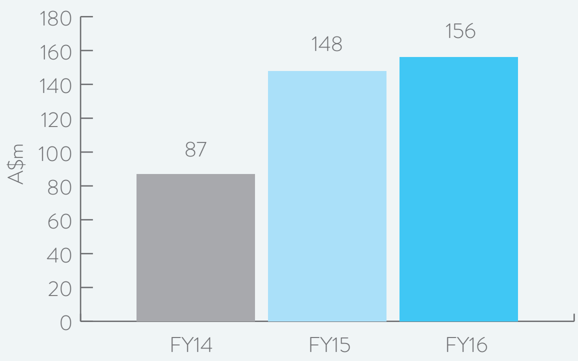
OVERVIEW OF WIND ASSET PORTFOLIO




Waverley
Current Status
Progressing environmental approvals
Likely max capacity
Up to 130MW
Tararua (Stage I & II)
Commissioned 1999, 2004
Max capacity 68MW
Tararua (Stage III)
Commissioned 2007
Max capacity 93MW
Mahinerangi
Current Status
Environmental approvals obtained
Likely max capacity
Up to 160MW
Mahinerangi (Stage I)
Commissioned 2011
Max capacity 36MW
Kaiwera Downs
Current Status
Environmental approvals obtained
Likely max capacity
Up to 240MW

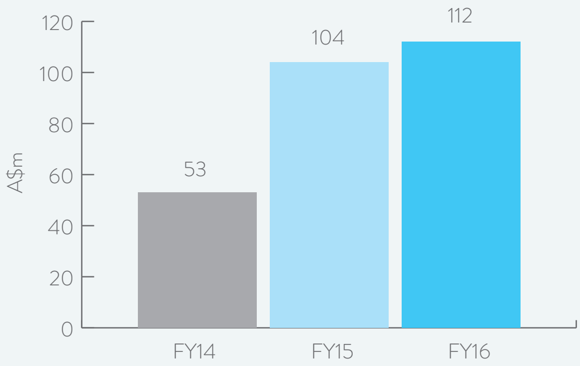
Selected pro forma financial information

Tilt Renewables pro forma revenue



Source: Trustpower

Tilt Renewables pro forma EBITDAF



Source: Trustpower

Further details on Tilt Renewables' pro forma financial performance and financial position after the Demerger are set out in Section 7 *(Tilt Renewables after the Demerger)*.

Strategy

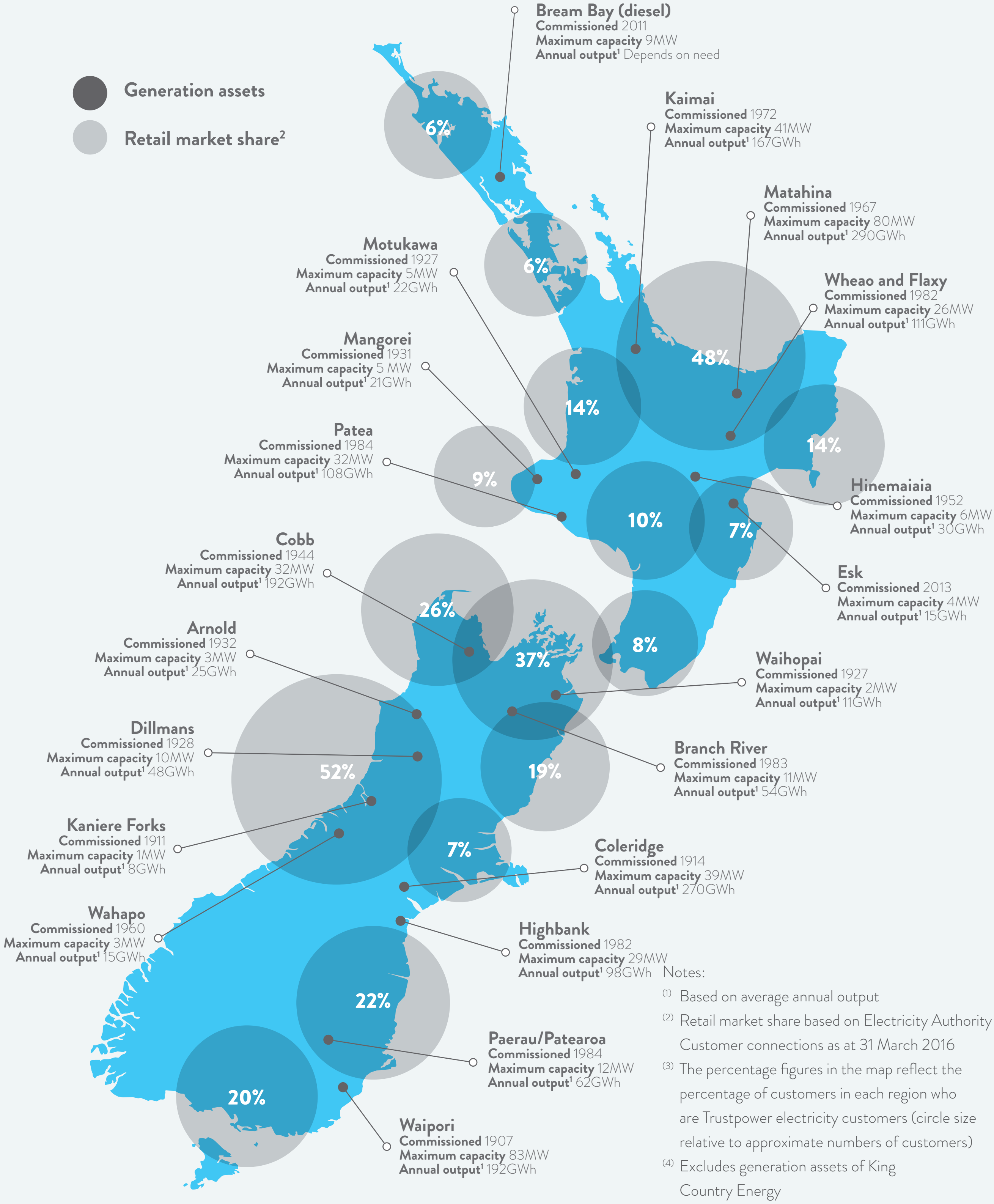
Tilt Renewables' primary objective is to build on its existing Australian and New Zealand wind development experience and establish itself as a leading developer and owner of renewable generation in Australia and New Zealand. In doing so, Tilt Renewables will be positioned to capitalise on the opportunity presented by the RET in Australia of generating 33,000GWh of electricity from renewable generation by 2020.

SUMMARY OVERVIEW OF NEW TRUSTPOWER AFTER THE DEMERGER

Introduction

New Trustpower will be a Tauranga-based utility company engaged in the development, ownership and operation of principally hydro electricity generation facilities in New Zealand and Australia and the sale of electricity, gas and telecommunications services to its retail customers in New Zealand. New Trustpower will represent approximately 8% of market share by installed hydro capacity in New Zealand, from a geographically diverse portfolio of generation schemes.

OVERVIEW OF NEW TRUSTPOWER'S GENERATION ASSETS AND RETAIL MARKET SHARE



Notes:

(1) Based on average annual output

(2) Retail market share based on Electricity Authority Customer connections as at 31 March 2016

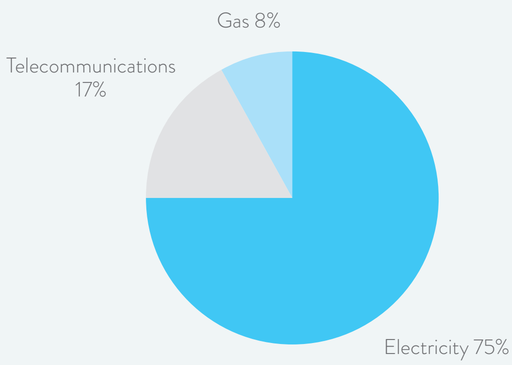
(3) The percentage figures in the map reflect the percentage of customers in each region who are Trustpower electricity customers (circle size relative to approximate numbers of customers)

(4) Excludes generation assets of King Country Energy

Source: Electricity Authority as at 31 March 2016

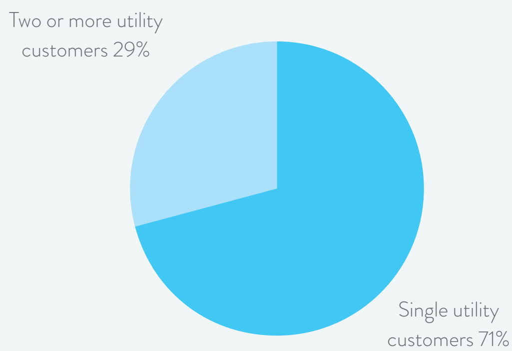
New Trustpower will remain New Zealand's fourth largest energy retailer, as Trustpower is today, with an estimated market share of approximately 13% of total New Zealand electricity customers. New Trustpower will provide electricity to around 280,000 homes and businesses, supply gas to around 31,500 customer connections and provide telephone and broadband services to around 65,000 customer connections. New Trustpower's multi-product offering and premium service will drive its ability to grow revenue and maintain lower than market customer churn levels.

New Trustpower customer connections by segment



Source: Trustpower

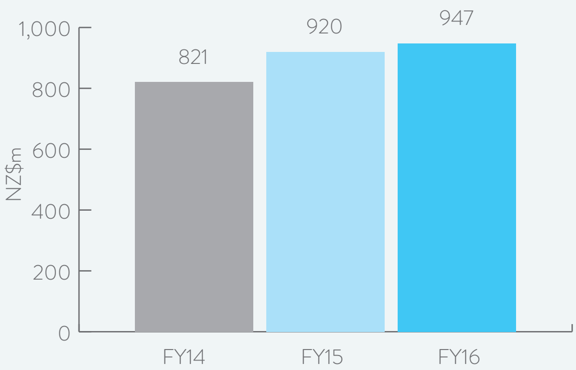
New Trustpower customer connections with two or more utilities



Source: Trustpower

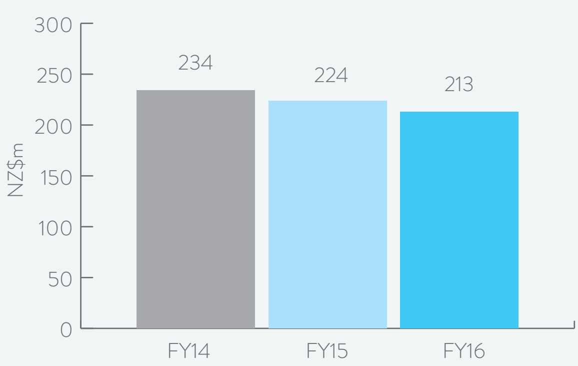
Selected pro forma financial information

New Trustpower pro forma revenue



Source: Trustpower

New Trustpower pro forma EBITDAF



Source: Trustpower

Further details on New Trustpower's pro forma financial performance and financial position after the Demerger are set out in Section 8 *(New Trustpower after the Demerger)*.

Strategy

The key features of New Trustpower's business strategy are:

- growing its customer base, building on Trustpower's existing multi-product retail brand;
- taking advantage of opportunities created by new technology;
- optimising the value created by Trustpower's existing generation assets; and
- making acquisitions which are aligned with New Trustpower's existing business, and where New Trustpower can add value, such as the recent acquisitions made by Trustpower of GSP in Australia and a 65% interest in King Country Energy.

New Trustpower will remain focused on maintaining and strengthening the good relationships that it enjoys with the communities in which it operates as well as its key stakeholders.

TAXATION IMPLICATIONS FOR TRUSTPOWER SHAREHOLDERS

Trustpower sought and received a binding ruling from the New Zealand Inland Revenue to confirm the New Zealand tax consequences of particular aspects of the Demerger. The effect of the ruling is that the Tilt Renewables Shares and New Trustpower Shares that are distributed to Trustpower Shareholders in accordance with the Demerger will not constitute a dividend for New Zealand tax purposes.

New Zealand does not have a generic capital gains tax. However, Trustpower Shareholders may be subject to New Zealand income tax on gains made, or allowed a deduction for losses sustained, on the disposal of Trustpower Shares (by way of the Demerger) or on a future disposal of Tilt Renewables Shares or New Trustpower Shares, in certain circumstances.

The New Zealand tax rules applying to dividends paid by Tilt Renewables and New Trustpower will be the same as those applying to dividends paid by Trustpower. However, the overall outcome for Trustpower Shareholders of applying those rules will differ based on Tilt Renewables' and New Trustpower's respective ability to generate imputation credits and attach them to dividends. Further, the amount of available subscribed capital in each of Tilt Renewables and New Trustpower compared with Trustpower will be negligible (the relevance of available subscribed capital is that it is not treated as a dividend when returned to shareholders upon liquidation and certain off-market share cancellations).

Trustpower Shareholders should not be subject to Australian capital gains tax on gains made, or allowed losses, in relation to the disposal of Trustpower Shares (by way of the Demerger). Australian tax may apply to a future sale or disposal of Tilt Renewables Shares or New Trustpower Shares, in certain circumstances.

Further details as to the New Zealand and Australian tax consequences for Trustpower Shareholders in relation to the Demerger are contained in Section 11 *(Taxation Implications for Trustpower Shareholders)*. Details as to certain New Zealand and Australian tax implications in respect of the Tilt Renewables Group and the New Trustpower Group after the Demerger are contained in Sections 7 *(Tilt Renewables after the Demerger)* and 8 *(New Trustpower after the Demerger)*, respectively.

No information is specifically provided in relation to Trustpower Shareholders in other jurisdictions. The information is expressed in general terms and does not constitute taxation advice in respect of the particular circumstances of any Trustpower Shareholder.

All Trustpower Shareholders are advised to seek independent professional advice regarding the tax consequences of the Demerger according to their own particular circumstances.

INDEPENDENT ADVISER'S OPINION

Trustpower has engaged Northington Partners as the Independent Adviser to prepare a report on the Demerger for Trustpower Shareholders and to advise whether the Demerger will materially prejudice Trustpower's creditors. The provision of such a report is common for New Zealand schemes of arrangement. The purpose of the report is to provide an independent assessment of the merits of the Demerger for Trustpower Shareholders.

The Independent Adviser has concluded that:

- on balance, the benefits of the Demerger will outweigh the costs and potential disadvantages;
- the Demerger should have no material impacts on the key terms of creditors' existing arrangements with Trustpower; and
- the Demerger is unlikely to impact creditors' ability to receive payment of their debts when due.

The Independent Adviser's Report is contained in Appendix 2 *(Independent Adviser's Report Prepared in Relation to the Proposed Demerger of Trustpower Limited)*.

FURTHER INFORMATION

Trustpower Shareholders' attention is drawn to the further information set out in this Scheme Booklet and are advised to read the whole of this Scheme Booklet and not just rely on the summary.

SECTION 4: NOTICE OF SPECIAL MEETING (INCLUDING PROCEDURAL NOTES)

Notice is hereby given that a meeting of Trustpower Shareholders will be held at Trinity Wharf Tauranga, 51 Dive Crescent, Tauranga on 9 September 2016 commencing at 10am.

Items of business

A. The Chairman's introduction.

Resolution 1: Demerger Resolution.

To consider, and if thought fit, to pass the following resolution as a special resolution:

That the Demerger is approved (details of which are set out in the Scheme Booklet which incorporates this notice of meeting), which includes the following:

(a) the assets and liabilities of Trustpower being transferred to New Trustpower (and its subsidiaries) and Tilt Renewables (and its subsidiaries) in accordance with the Separation Deed, the key elements of which are described in Section 9 (Implementing the Demerger) of the Scheme Booklet;

(b) Trustpower Shareholders receiving the same number of New Trustpower Shares and Tilt Renewables Shares as Trustpower Shares that they hold on the Record Date by way of an in specie distribution from Trustpower, as part of the liquidation of Trustpower, in accordance with the Final Court Orders; and

(c) the constitution of Trustpower being amended to include the following clause:

The Board must, following the Tilt Renewables constitution taking effect in accordance with the implementation of the Demerger, and on the Distribution Date, resolve to give effect to the notice of appointment which appoints a liquidator or liquidators to Trustpower

(with capitalised terms not defined in this constitution having the meaning set out in the Separation Deed between Trustpower Limited, Bay Energy Limited, Tilt Renewables Limited and Tararua Wind Power Limited).

and the financing arrangements in respect of the Demerger described under the heading "Debt Structure" in Section 7 (Tilt Renewables after the Demerger) and under the heading "Debt Structure" in Section 8 (New Trustpower after the Demerger) being entered into by the Tilt Renewables Group and New Trustpower Group, as applicable, are also approved.

Resolution 2: To consider, and if thought fit, to pass the following ordinary resolution in accordance with clause 12.14.1 of Trustpower's constitution:

That, for the purposes of NZX Listing Rule 3.5.1 and in accordance with the Company's constitution, the sum of up to $150,000 be paid to the Trustpower Board, to be divided amongst those directors as they deem appropriate, in respect of the additional work undertaken by the Trustpower Board in respect of the Demerger Proposal.

B. Other business.

Further information in relation to Resolution 1 and the Demerger is set out in this Scheme Booklet.

By order of the Trustpower Board.

Paul Ridley-Smith
Chairman
12 August 2016

EXPLANATORY NOTES

Explanatory Notes to Demerger Resolution (Resolution 1):

The Demerger is to be implemented by way of a Court approved scheme of arrangement under Part 15 of the Companies Act. Initial Court Orders were obtained from the High Court on 9 August 2016 specifying how Trustpower is to proceed with the Demerger.

The voting thresholds under the Companies Act for approval of the Scheme are:

- a majority of 75% of the votes of the Trustpower Shareholders in each interest class entitled to vote and voting on the Demerger Resolution; and
- a simple majority of the votes of all Trustpower Shareholders entitled to vote on the Demerger Resolution. (This threshold applies on the total number of Trustpower Shares rather than by each interest class separately.)

Both of the above voting thresholds must be met for the Demerger Resolution to be approved. Assuming that there is a single interest class at the time of the Demerger, to approve the Demerger will require a majority of 75% of the votes of all Trustpower Shareholders voting on the Demerger Resolution, and a simple majority of the votes of all Trustpower Shareholders entitled to vote on the Demerger Resolution.

If the Scheme would result in a different effect for a group of Trustpower Shareholders, that group could form a separate interest class for the purposes of voting on the Demerger Resolution. As at the date of this Scheme Booklet, all Trustpower Shareholders currently form part of a single interest class, because each Trustpower Shareholder is treated in the same way under the Demerger, with each receiving the same number of Tilt Renewables Shares and New Trustpower Shares as the number of Trustpower Shares they hold on the Record Date.

Trustpower Shareholder approval is also required under Listing Rule 9.1.1 of the NZX Listing Rules because the Demerger is, and the entry into the financing arrangements described under the heading "Debt Structure" in Section 7 (*Tilt Renewables after the Demerger*) and under the heading "Debt Structure" in Section 8 (*New Trustpower after the Demerger*) may be, a major transaction in terms of the NZX Listing Rules. The Demerger Resolution will also constitute approval for this purpose.

Trustpower Shareholders can vote by:

- attending the Shareholder Meeting and voting in person;
- appointing an attorney, or in the case of corporate shareholders, a corporate representative, to attend the meeting and vote; or
- appointing a proxy to attend and vote on their behalf.

Trustpower Shareholders also have the right to appear and be heard at the Final Court Hearing, as set out in Section 9 *(Implementing the Demerger)*.

Trustpower Shareholders should read the Scheme Booklet in its entirety before deciding whether to vote for or against the Demerger Resolution.

The Trustpower Board considers the Demerger to be in the best interests of all Trustpower Shareholders as a whole and accordingly unanimously recommends that you vote in favour of the Demerger Resolution. Each member of the Trustpower Board intends to vote any Trustpower Shares that they own in favour of the Demerger Resolution.

Explanatory Notes to Resolution 2:

The remuneration of the Trustpower Board was set in 2013 at $705,000 per financial year, to be divided between the Trustpower Board as they saw fit. This pool was allocated on the basis of $165,000 being paid to the Chair, with the balance paid to the remaining six directors. This has exhausted the pool.

The Trustpower Board has undertaken a significant amount of extra work as a result of the Demerger proposal including considering a number of additional reports, attending a number of additional meetings (such as the Demerger and Due Diligence Committee meetings), as well as having significant input and oversight in the preparation of this Scheme Booklet. Because the remuneration pool has been exhausted, the Trustpower Board has not been able to be paid any further remuneration for that additional work.

Resolution 2 will permit Trustpower to pay the Trustpower Board for such additional work.

Resolution 1 and Resolution 2 are not interdependent. Therefore, Trustpower Shareholders may vote on whether to approve Resolution 2, whether or not Resolution 1 is passed. The Trustpower Board believes that this is appropriate as Resolution 2 would authorise remuneration for work that has already been performed by the Trustpower Board in connection with providing Trustpower Shareholders with this opportunity to vote on the Demerger Proposal.

If the Demerger is implemented, the directors of each of Tilt Renewables and New Trustpower will receive the remuneration that is outlined in Section 7 *(Tilt Renewables after the Demerger)* and Section 8 *(New Trustpower after the Demerger)* under the heading "Board/Management/Corporate Governance" in those sections.

Voting Restrictions

Under the NZX Listing Rules the Trustpower Board and their Associated Persons (as defined in NZX Listing Rules) are disqualified from voting in favour of Resolution 2. This voting restriction also prohibits any person who is prevented from voting in favour of a resolution from voting any undirected proxy in favour of the resolution. Each director of Trustpower is accordingly prohibited from voting in favour of Resolution 2. If you wish to appoint a director of Trustpower (including the Chairman of the Trustpower Board in his capacity as Chairman of the meeting) as your proxy for the meeting, please direct how you wish the director to vote on Resolution 2, otherwise the director will not be entitled to exercise your proxy in respect of that resolution.

VOTING

Voting in person

If you are entitled to vote and wish to do so in person, you should attend the Shareholder Meeting and bring your Proxy Form (which contains your attendance slip and ballot paper) with you to the meeting.

A corporation may appoint a person to attend the meeting as its representative in the same manner as that in which it could appoint a proxy.

Voting by proxy

A Trustpower Shareholder who is entitled to attend and vote at the Shareholder Meeting is entitled to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a Trustpower Shareholder.

If you appoint a proxy you may either direct your proxy how to vote for you or you may give the proxy discretion to vote as he or she sees fit. If you wish to give your proxy a direction as to how to vote, then you must mark the appropriate box on the Proxy Form.

A Proxy Form accompanies this notice of meeting.

If you do not propose to attend the Shareholder Meeting but wish to be represented by proxy, complete and sign the Proxy Form (detach the attendance slip) and either:

- return the Proxy Form by mail to the Computershare Investor Services Limited, Private Bag 92119, Auckland 1142, using the freepost envelope enclosed; or
- fax the Proxy Form to 09 488 8787 (within New Zealand) or +64 9 488 8787 (international); or
- lodge your proxy online by going to www.investorvote.co.nz. To complete a Proxy Form online, you will need your CSN/shareholder number and post code to do this. If you do not have a CSN number, please contact Computershare at: enquiry@computershare.co.nz or +64 9 488 8777 (international); or
- deliver the proxy to Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, Auckland.

The completed Proxy Form must be received by the Share Registrar no later than 10am on 7 September 2016.

A proxy granted by a company must be signed by a duly authorised officer or attorney. Persons who sign on behalf of a company must be acting with the company's express or implied authority.

When the Proxy Form is signed by an attorney, the power of attorney under which it is signed, if not previously provided to Trustpower, and a completed certificate of non-revocation of authority, must accompany the Proxy Form.

If the Chairman (or any other Trustpower director) is appointed to act as proxy and is not directed how to vote, they will vote in favour of the Demerger Resolution and will abstain from voting on Resolution 2.

Voting

Those Trustpower Shareholders appearing on Trustpower's share register as at 5pm on 6 September 2016 will be the only persons entitled to vote at the Shareholder Meeting.

Questions

To provide the opportunity to ask questions of the Trustpower Board, Trustpower is offering the facility for Trustpower Shareholders to submit questions in advance of the Shareholder Meeting. Questions should relate to the Demerger and to other matters that are relevant to the Shareholder Meeting. The Chairman will answer as many of the most frequently asked questions as practical during the Shareholder Meeting. To assist in processing your questions please email your questions to: demerger@trustpower.co.nz.

If you are not in favour of the Demerger

If you are not in favour of the Demerger, you can vote against it at the Shareholder Meeting. As a Trustpower Shareholder, you also have the right to appear and be heard at the Final Court Hearing. Further details are set out in Section 9 *(Implementing the Demerger)*.

If the Demerger Resolution is passed and the Demerger is implemented, all Trustpower Shareholders will participate in the Demerger and receive New Trustpower Shares and Tilt Renewables Shares. Trustpower Shareholders who vote against the resolution will not have the right under section 110 of the Companies Act to require Trustpower to purchase their Trustpower Shares in accordance with section 111 of that Act.

If you do not want to participate in the Demerger, you are free to sell your Trustpower Shares at any time up to close of trading on the date which is two Business Days before the Record Date (in order not to be registered as a Trustpower Shareholder on the Record Date).

SECTION 5: FREQUENTLY ASKED QUESTIONS

This Section answers some frequently asked questions about the Demerger. It is not intended to address all relevant issues for Trustpower Shareholders. This Section should be read together with all other parts of this Scheme Booklet.

QUESTION	ANSWER
DEMERGER PROPOSAL	
What is the Demerger proposal?	The Demerger proposal involves the separation of Trustpower into two companies: • Tilt Renewables: which will hold Trustpower's Australian and New Zealand wind assets as well as the wind and solar development pipeline; and • New Trustpower: which will continue to operate Trustpower's remaining generation assets and multi-product retail business. Each company will have separate management teams and boards of directors and will pursue their own respective strategic objectives independently of one another. After the Demerger, neither company will hold shares in the other. You will receive one Tilt Renewables Share and one New Trustpower Share for each Trustpower Share you currently have.
Why has the Trustpower Board proposed the Demerger?	Trustpower believes that the businesses of Tilt Renewables and New Trustpower are distinctly different and can be more effectively run, and shareholder value enhanced, if split into two separate companies. Each company will have its own dedicated board and management team focussed on maximising shareholder value, particularly through pursuing the wind development opportunities in Australia and the multi-product retail strategies in New Zealand. The rationale for the Demerger can be found in Section 3 *(Summary of Demerger Proposal)*.
What are the key advantages of the Demerger?	The key advantages of the Demerger are summarised in Section 3 *(Summary of Demerger Proposal)* and discussed further in Section 6 *(Advantages, Disadvantages and Risks in respect of the Demerger)*.
What are the key disadvantages and risks of the Demerger?	The key disadvantages and risks of the Demerger are summarised in Section 3 *(Summary of Demerger Proposal)* and discussed further in Section 6 *(Advantages, Disadvantages and Risks in respect of the Demerger)*. Potential risks associated with an investment in Tilt Renewables and New Trustpower are discussed in Section 7 *(Tilt Renewables after the Demerger)* and Section 8 *(New Trustpower after the Demerger)*, respectively.
How does the Board recommend I vote?	The Trustpower Board unanimously recommends that you vote in favour of the Demerger Resolution to be considered at the Shareholder Meeting. Each member of the Trustpower Board intends to vote any Trustpower Shares that he/she owns in favour of the Demerger Resolution.
What is the Independent Adviser's opinion on the Demerger?	The Independent Adviser has concluded that, on balance, it believes that the potential benefits of the Demerger outweigh the costs and potential disadvantages. The Independent Adviser's Report is contained in Appendix 2 *(Independent Adviser's Report Prepared in Relation to the Proposed Demerger of Trustpower Limited)*.

What are the key steps and conditions to implement the Demerger?	The key remaining steps to implement the Demerger are: • approval of the Demerger Resolution by Trustpower Shareholders at the Shareholder Meeting; • satisfaction or waiver of all conditions to the Demerger, as set out in Section 9 *(Implementing the Demerger)*; and • Court approval of the Demerger through the granting of the Final Court Orders.
What happens if the Demerger does not proceed?	If the Demerger does not proceed: • Trustpower will continue to own and manage the same business and assets that it currently does; • Trustpower Shares will continue to trade on the NZX Main Board on the basis that there will not be a Demerger; • you will retain your current holding of Trustpower Shares; • the Trustpower Board and management may consider other alternatives for the New Zealand and Australian wind and solar business in the future. Trustpower is expected to have incurred transaction and other Demerger related costs of approximately NZ$8 million to NZ$12 million by the time of the Trustpower Shareholder vote.
Can I choose to receive cash instead of Tilt Renewables Shares and New Trustpower Shares?	No. There is no option to elect to receive cash instead of Tilt Renewables Shares and New Trustpower Shares. However, once the Tilt Renewables Shares and New Trustpower Shares have commenced trading, you may sell some or all of your Tilt Renewables Shares and/or New Trustpower Shares (but you may then incur brokerage in respect of such a sale).
Will I need to make any payments to participate in the Demerger?	No payments are required to be made by you to Tilt Renewables or New Trustpower to participate in the Demerger.
Can I sell my Trustpower Shares now?	Yes. You can sell your Trustpower Shares on market at any time before close of trading on NZX Main Board on the date which is expected to be two Business Days before the Record Date, at the then prevailing market price (but you may then incur brokerage in respect of such a sale). Trustpower has applied to NZX for Trustpower Shares to be suspended from official quotation on the NZX Main Board from close of trading on the date which is two Business Days before the Record Date (with the Record Date currently expected to be 13 October 2016 (subject to the timing of the Court process)). You will not be able to sell your Trustpower Shares on market after this time.
What options are available to shareholders if they do not support the Demerger?	A Trustpower Shareholder who does not support the Demerger may: • sell their Trustpower Shares at any time prior to trading on the NZX Main Board being halted (for timing, see the FAQ above titled "Can I sell my Trustpower Shares now?"); • vote against the Scheme at the Shareholder Meeting if they hold a Trustpower Share at 5pm on 6 September 2016. There are no other dissent or buy-out rights for Trustpower Shareholders who do not support the Scheme (subject to the right to sell Trustpower Shares above); and • if they wish to do so, appear and be heard at the Application for Final Orders after filing in Court and serving upon Trustpower a notice of opposition and supporting documents (see Section 9 *(Implementing the Demerger)* for further details).

TILT RENEWABLES AFTER THE DEMERGER

Where will Tilt Renewables be listed?	Tilt Renewables intends to maintain a primary listing on the NZX Main Board. Tilt Renewables also intends to have a secondary listing on the ASX through an ASX Foreign Exempt Listing.
What will the Tilt Renewables share price be after the Demerger?	There is no certainty as to the price of Tilt Renewables Shares after the Demerger.
What will be Tilt Renewables' strategic priorities after the Demerger?	Tilt Renewables' primary objective is to build on its existing Australian and New Zealand wind development experience and establish itself as a leading owner and developer of renewable generation in Australia and New Zealand. In doing so, Tilt Renewables will be positioned to capitalise on the opportunity presented by the RET in Australia of generating 33,000GWh of electricity from renewable generation by 2020.
What will be Tilt Renewables' dividend policy?	Dividends and other distributions with respect to Tilt Renewables Shares will be made at the discretion of the Tilt Renewables Board. The payment of dividends is not guaranteed and Tilt Renewables' dividend policy may change over time. The Tilt Renewables Board intends to target a dividend payout in the range of 25% and 50% of Operating Free Cash Flow After Debt Servicing. The payout range reflects the Tilt Renewables Board's view that a significant level of earnings should be retained within the business to assist in the funding of growth projects over the medium term. The Tilt Renewables Board will review the appropriateness of the target payout range in the context of any future significant equity capital raising. The Tilt Renewables Board intends to distribute available imputation credits or franking credits to shareholders with dividend payments when it is considered practicable and appropriate. Tilt Renewables intends to pay dividends semi-annually, typically in June and December each year. The first dividend following the Demerger is expected to be paid in December 2016.
What will be Tilt Renewables' debt structure?	Tilt Renewables has received legally binding commitments from a syndicate of lenders to provide approximately A$715 million of new A$ and NZ$ facilities. The provision of these facilities is subject to a number of conditions precedent, including agreement of all applicable finance and security documentation, and the occurrence of the Demerger. If the Demerger proceeds, all the material commercial conditions precedent will have been satisfied prior to the date on which the Final Court Orders are sought, with all remaining conditions precedent (which are principally mechanical funding conditions, or conditions wholly within the control of Tilt Renewables and its subsidiaries) to be satisfied on or prior to implementation of the Demerger. The total amount of debt drawn immediately following the Demerger will depend on the amount of Trustpower's operating, investing and financing cash flows during the period prior to the Demerger and market rates during that period. The facilities described above are considered adequate for the Tilt Renewables Group in light of its expected earnings. Following the refinancing of existing debt, Tilt Renewables Group will have additional undrawn commitments under the new syndicated facilities of approximately A$100 million available (subject to additional conditions precedent) for future development, acquisitions or expansion and A$15 million for working capital requirements.

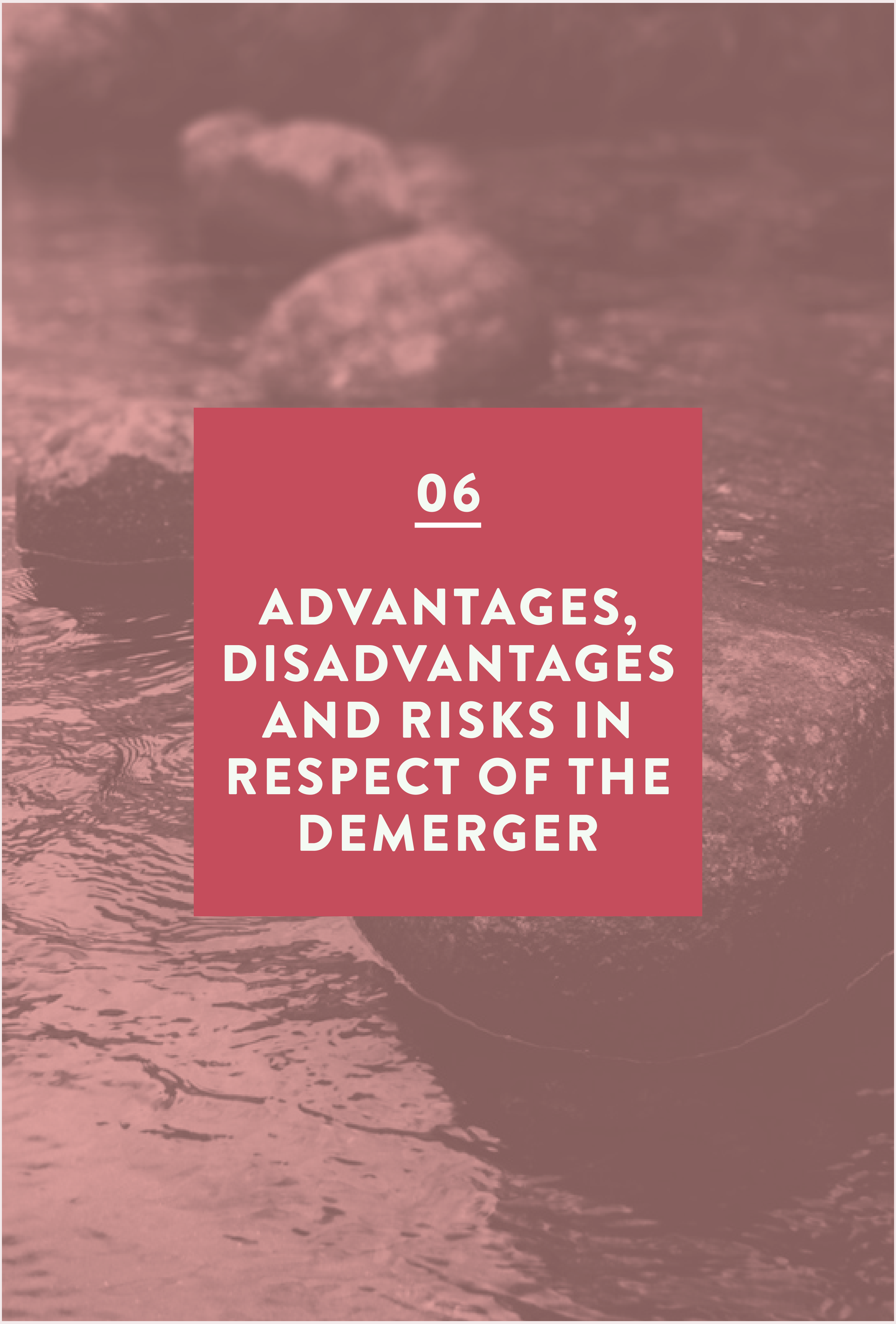
NEW TRUSTPOWER AFTER THE DEMERGER

Where will New Trustpower be listed?	New Trustpower intends to maintain a primary listing on the NZX Main Board.
What will the New Trustpower share price be after the Demerger?	There is no certainty as to the price of New Trustpower Shares after the Demerger.
What will be New Trustpower's dividend policy?	Dividends and other distributions with respect to New Trustpower Shares will be made at the discretion of the New Trustpower Board. The payment of dividends is not guaranteed and New Trustpower's dividend policy may change over time. New Trustpower will seek to pay dividends that distribute all available imputation credits in each financial year and provides New Trustpower Shareholders with a consistent level of dividend. Under ordinary business circumstances, the dividend to be declared will be determined by reference to New Trustpower's: • earnings, cashflow and performance in any given period; • working capital requirements; • medium-term fixed asset investment programme; • investment in new business opportunities; and • the risks from predicted short and medium-term economic, market and hydrological conditions, and estimated financial performance. Providing the New Trustpower Board is satisfied in respect of these matters, it is expected that New Trustpower will have a dividend payout ratio of between 70% and 90% of its free cash flow on average over time. The first dividend is expected to be paid in December 2016. New Trustpower intends to pay dividends semi-annually, typically in June and December each year.
What will be New Trustpower's debt structure?	Trustpower intends to refinance its existing bilateral bank debt facilities and then novate those facilities to New Trustpower as part of the Demerger. The aggregate principal amount of the existing bilateral facilities is NZ$325 million. Following the refinancing and amendment referred to above, the aggregate principal amount of those facilities will be approximately NZ$805 million, which includes a short term loan of NZ$425 million which will be available to redeem all of Trustpower's listed bonds if required. The total amount of debt drawn immediately following the Demerger will depend on the amount of Trustpower's operating, investing and financing cash flows during the period prior to the Demerger and market rates during that period. The facilities described above are considered adequate for the New Trustpower Group in light of its expected earnings. Trustpower intends to redeem each series of listed bonds in accordance with their terms, so as to redeem these bonds before the Implementation Date. New Trustpower intends to launch an offer of new bonds prior to the Implementation Date, and issue new bonds immediately after the Demerger is complete. The proceeds of that issue will be used to repay New Trustpower's short term loans and other bank debt facilities. No money is currently being sought in respect of that offer of new bonds, and those new bonds cannot currently be applied for or acquired (the offer for the new bonds has not yet been launched, but is expected to be launched prior to the Implementation Date). If that offer of new bonds is made, that offer will be made in accordance with the Financial Markets Conduct Act 2013. Following the Demerger, funding for New Trustpower is expected to be sourced from a combination of its own cash balances, operating cash flows, external bank debt and bonds. It is expected that this will be sufficient to allow New Trustpower to carry out its business and stated objectives following the Demerger, and is appropriate having regard to the financial and investment profile of New Trustpower following the Demerger.

VOTING ON THE DEMERGER

What are the voting thresholds?	For the Demerger to proceed, the Demerger Resolution must be approved by a special resolution of 75% or more of the votes cast by those Trustpower Shareholders in each interest class entitled to vote and voting on the Demerger Resolution at the Shareholder Meeting (whether in person or by proxy) and a simple majority of the votes of all Trustpower Shareholders entitled to vote on the Demerger Resolution. If the Scheme would result in a different effect for a group of Trustpower Shareholders, that group will form a separate interest class for the purposes of voting on the Demerger Resolution. As at the date of this Scheme Booklet, all Trustpower Shareholders currently form part of a single interest class, because each Trustpower Shareholder is treated in the same way under the Demerger, with each receiving the same number of Tilt Renewables Shares and New Trustpower Shares as the number of Trustpower Shares they hold on the Record Date.
Who is entitled to vote at the Shareholder Meeting?	Trustpower Shareholders as at 5pm on 6 September 2016 are entitled to vote on the Demerger Resolution and on any other resolutions put to Trustpower Shareholders at the Shareholder Meeting.
When and where is the Shareholder Meeting?	The Shareholder Meeting will be held at 10am on 9 September 2016 at Trinity Wharf Tauranga, 51 Dive Crescent, Tauranga.
What is the procedure to vote in person?	Trustpower Shareholders who are entitled to vote at the Shareholder Meeting and wish to do so in person should bring their Proxy Form (which contains an attendance slip and voting paper) with them to the Shareholder Meeting. A corporation may appoint a person as its representative in the same manner as that in which it could appoint a proxy.
What is the procedure to vote by proxy?	A Trustpower Shareholder who is entitled to attend and vote at the Shareholder Meeting is entitled to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a Trustpower Shareholder. If you appoint a proxy you may either direct your proxy how to vote for you or you may give the proxy discretion to vote as he or she sees fit. If you wish to give your proxy a direction as to how to vote, then you must mark the appropriate box on the Proxy Form. A Proxy Form accompanies this notice of meeting. If you do not propose to attend the Shareholder Meeting but wish to be represented by proxy, complete and sign the Proxy Form (detach the attendance slip) and either: • return the Proxy Form by mail to the Computershare Investor Services Limited, Private Bag 92119, Auckland 1142, using the freepost envelope enclosed; or • fax the Proxy Form to 09 488 8787 (within New Zealand) or +64 9 488 8787 (international); or • lodge your proxy online by going to www.investorvote.co.nz. To complete a Proxy Form online, you will need your CSN/shareholder number and post code to do this. If you do not have a CSN number, please contact Computershare at: enquiry@computershare.co.nz or +64 9 488 8777 (international); or • deliver the proxy to Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, Auckland. The completed Proxy Form must be received by the Share Registrar no later than 10am on 7 September 2016. A proxy granted by a company must be signed by a duly authorised officer or attorney. Persons who sign on behalf of a company must be acting with the company's express or implied authority. When the Proxy Form is signed by an attorney, the power of attorney under which it is signed, if not previously provided to Trustpower, and a completed certificate of non-revocation of authority must accompany the Proxy Form.
What if I do not vote at the Shareholder Meeting or if I vote against the Demerger Resolution?	If the Demerger Resolution is approved by the requisite majority of Trustpower Shareholders, then, subject to the granting of the Final Court Orders and the other conditions of the Demerger being satisfied or waived, the Demerger will be implemented and binding on all Trustpower Shareholders, including those who did not vote or voted against the Demerger Resolution.

TAXATION	
What are the tax implications of the Demerger in respect of Trustpower Shareholders?	Trustpower has received a binding ruling from the New Zealand Inland Revenue to confirm the New Zealand tax consequences of particular aspects of the Demerger. The effect of the ruling is that the Tilt Renewables Shares and New Trustpower Shares that are distributed to Trustpower Shareholders in accordance with the Demerger will not constitute a dividend for New Zealand tax purposes. New Zealand does not have a generic capital gains tax. However, Trustpower Shareholders may be subject to New Zealand income tax on gains made, or allowed a deduction for loss sustained, on the disposal of Trustpower Shares (by way of the Demerger) or on a future disposal of Tilt Renewables Shares or New Trustpower Shares, in certain circumstances. The New Zealand tax rules applying to dividends paid by Tilt Renewables and New Trustpower will be the same as those applying to dividends paid by Trustpower. However, the overall outcome for Trustpower Shareholders of applying those rules will differ based on Tilt Renewables' and New Trustpower's respective ability to generate imputation credits and attach them to dividends. Further, the amount of available subscribed capital in each of Tilt Renewables and New Trustpower compared with Trustpower will be negligible (the relevance of available subscribed capital is that it is not treated as a dividend when returned to shareholders upon liquidation and certain off-market share buybacks). Trustpower Shareholders should not be subject to Australian capital gains tax on gains made, or allowed losses, in relation to the disposal of Trustpower shares (by way of the Demerger). Australian tax may apply to a future sale or disposal of Tilt Renewables Shares or New Trustpower Shares, in certain circumstances. Further details as to the New Zealand and Australian tax consequences for Trustpower Shareholders in relation to the Demerger are contained in Section 11 *(Taxation Implications for Trustpower Shareholders)*. Details as to certain New Zealand and Australian tax implications in respect of the Tilt Renewables Group and the New Trustpower Group after the Demerger are contained in Sections 7 *(Tilt Renewables after the Demerger)* and 8 *(New Trustpower after the Demerger)*, respectively. No information is specifically provided in relation to Trustpower Shareholders in other jurisdictions. The information is expressed in general terms and does not constitute taxation advice in respect of the particular circumstances of any Trustpower Shareholder. All Trustpower Shareholders are advised to seek independent professional advice regarding the tax consequences of the Demerger according to their own particular circumstances.
OTHER INFORMATION	
If you have further questions	If you have any further questions, it is recommended that you consult your stockbroker, appropriately authorised financial adviser, solicitor, accountant and/or other professional adviser before voting on the Demerger; or email the Trustpower Shareholder Information Service at demerger@trustpower.co.nz.



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ADVANTAGES, DISADVANTAGES AND RISKS IN RESPECT OF THE DEMERGER

SECTION 6: ADVANTAGES, DISADVANTAGES AND RISKS IN RESPECT OF THE DEMERGER

GENERAL

The Trustpower Board believes that the advantages of the Demerger outweigh any potential disadvantages and risks.

Trustpower Shareholders should carefully consider the advantages, disadvantages and risks of the Demerger set out in this Section, the potential risks associated with an investment in Tilt Renewables in Section 7 *(Tilt Renewables after the Demerger)*, and Section 8 *(New Trustpower after the Demerger)* in respect of New Trustpower, and the Independent Adviser's Report contained in Appendix 2 *(Independent Adviser's Report Prepared in Relation to the Proposed Demerger of Trustpower Limited)*, in deciding whether to vote for or against the Demerger Resolution.

The risks in this Section are the risks associated with the Demerger. Market risks and other general risks to which Trustpower is already exposed and to which Tilt Renewables and/or New Trustpower will become exposed as a result of continuing a part of Trustpower's operations are not highlighted in this Scheme Booklet because they are already faced, but a number are outlined in Section 7 *(Tilt Renewables after the Demerger)* and Section 8 *(New Trustpower after the Demerger)* in relation to Tilt Renewables and New Trustpower, respectively.

ADVANTAGES OF THE DEMERGER

The Trustpower Board is of the view that the Demerger is more likely to enhance value for Trustpower Shareholders over the medium to long term than the status quo, or other alternatives considered by the Trustpower Board.

The advantages of the Demerger include the following:

- **Separation will enable the pursuit of targeted, independent business strategies**

  Tilt Renewables and New Trustpower will be able to concentrate on their individual strategies to a greater extent than is currently the case within Trustpower.

  - » Tilt Renewables will be positioned to pursue its wind and solar development opportunities using the expertise that Trustpower has acquired through the development, construction and operation of Trustpower's existing wind farms.
  - » New Trustpower will continue to focus on the generation of electricity and the provision of multi-product services to customers.

  Each company will have its own dedicated board and management team with skills matching their business requirements.

- **Access, especially for Tilt Renewables, to equity**

  Tilt Renewables should be able to access new sources of equity to help fund its developments than might otherwise be available to Trustpower. This should better position it to take advantage of renewable generation opportunities in Australia.

- **Optimising capital structures and dividend policies**

  Tilt Renewables and New Trustpower will adopt different capital structures and dividend policies which are better suited to their individual needs. Tilt Renewables will be able to pursue growth opportunities that may not be possible if Tilt Renewables remained part of Trustpower. New Trustpower is likely to be able to maintain a more consistent dividend policy, and distribute a higher proportion of its profits, because it will not need to retain profits to help fund the development of further wind farms. Continuing shareholders in New Trustpower are less likely to be diluted by equity capital raisings because of that company's generation investment requirements. Tilt Renewables Shareholders should anticipate that Tilt Renewables will raise new equity capital, in order to complete its development projects. However, the quantum and timing of any new capital raising is uncertain at this stage.

- **Improving shareholder investment choice**

  The Demerger will provide Trustpower Shareholders with separate investments in two New Zealand listed companies (with Tilt Renewables also seeking a listing on the ASX). This will give existing and future investors the flexibility to choose the level of investment they wish to hold in each company by buying, selling or holding shares in each company independent of the other company.

DISADVANTAGES AND RISKS OF THE DEMERGER

Disadvantages and risks of the Demerger include:

- **Tilt Renewables and New Trustpower will each be smaller and less diversified than Trustpower pre-Demerger**

  The Demerger will create two separate companies, each of which will be smaller and have less diversified earnings than Trustpower prior to the Demerger. This may affect Tilt Renewables and New Trustpower in a variety of ways, including if an adverse event occurs. For example, an adverse change in Australian regulatory policy will have a proportionately greater negative effect on Tilt Renewables than it would have had on Trustpower (and little effect on New Trustpower). Likewise, a drop in earnings at New Trustpower due to more intense retail competition will have a proportionately greater negative effect on New Trustpower than it would have had on Trustpower (and no effect on Tilt Renewables).

- **Reduction in NZX and ASX index weighting through smaller separate market capitalisations**

  Each of Tilt Renewables and New Trustpower will have a smaller market capitalisation than Trustpower prior to the Demerger. As a result, each is likely to have a lower stock market index weighting. This means that each, individually, will comprise a smaller proportion of all stocks listed on the NZX Main Board than Trustpower comprises currently. This may result in lower institutional investor interest and, as a result, lower trading volumes and reduced liquidity than there currently is in the Trustpower Shares.

- **Implementing the Demerger involves costs and Tilt Renewables and New Trustpower will incur ongoing operating costs as separate entities**

  Trustpower has estimated that the total transaction and implementation costs associated with the Demerger will be between $68 million and $82 million on a pre-tax basis, of which approximately $12 million have already been incurred, or will be incurred, whether or not the Demerger goes ahead. These costs relate to:

NZ$ million	Low	High
Bank establishment fees (including bond issue expenses)	$16	$16
Bond redemption costs	$27	$27
EKF Facilities break fees (if the EKF Facilities are not novated to Tilt Renewables)	-	$7
Depreciation recovery on the sale of Mahinerangi Wind Farm	$11	$11
Advisory fees	$12	$16
Other	$2	$5

  Further information concerning these costs is set out in the Independent Adviser's Report in Appendix 2 *(Independent Adviser's Report Prepared in Relation to the Proposed Demerger of Trustpower Limited)*.

  Collectively, Tilt Renewables and New Trustpower are likely to incur higher corporate overhead costs than Trustpower incurs in its present form as each will need to establish and perform a number of separate corporate functions. For example, each of Tilt Renewables and New Trustpower will have their own boards, senior executive teams, IT systems and compliance systems. These operating expenses can be found in the summary of pro forma historical information, in Section 7 *(Tilt Renewables after the Demerger)* in respect of Tilt Renewables, and Section 8 *(New Trustpower after the Demerger)* in respect of New Trustpower.

- **The combined market value and trading of Tilt Renewables Shares and New Trustpower Shares after the Demerger is uncertain**

  While the Trustpower Board is of the view that the Demerger will enhance value for Trustpower Shareholders over time, it is not possible to predict the market value of Tilt Renewables Shares or New Trustpower Shares following the Demerger.

  Following the Demerger, some Trustpower Shareholders may adjust their holdings in Tilt Renewables and/or New Trustpower. There is a risk that the combined market value of Tilt Renewables and New Trustpower after the Demerger will be different (positively or negatively) from the market value of Trustpower immediately before the Demerger.

- **Reliance on contracts between Tilt Renewables and New Trustpower rather than integrated ownership, particularly for electricity generated from the New Zealand wind farms that Tilt Renewables will sell to New Trustpower**

  The Demerger requires that certain agreements be put in place between Tilt Renewables and New Trustpower to implement the Demerger. A number of these agreements are summarised in Section 9 *(Implementing the Demerger)*. Three of these agreements are the power purchase agreements under which New Trustpower will purchase from Tilt Renewables all or substantially all of the electricity output of the Mahinerangi Wind Farm and Tararua Wind Farms. There is a risk to each party that the other will not perform its obligations under these agreements, that a dispute arises as to how the agreements are applied or that the agreements do not operate as either party intends. These issues would not arise if the Demerger does not occur.

- **The possibility of failure to achieve expected business and operational benefits**

  Tilt Renewables and/or New Trustpower may fail to realise the anticipated benefits of the Demerger. While Trustpower expects the more focussed management structures to enhance shareholder value and the separate companies to provide access to new sources of capital, this may not eventuate. There is the potential for delays, unexpected costs or other problems in establishing Tilt Renewables and/or New Trustpower as standalone legal entities.

- **Potential for delays, unexpected costs or other problems in establishing Tilt Renewables**

  Trustpower's businesses are currently supported by Trustpower's corporate and shared services infrastructure, including group accounting, treasury, taxation, legal, insurance administration, information management, purchasing services and general human resources.

  Following the implementation of the Demerger, New Trustpower will be providing certain services to Tilt Renewables under the Transitional Services Agreement, outlined in Section 9 (*Implementing the Demerger)*. Tilt Renewables intends to replace these services prior to the termination of the Transitional Services Agreement with internal capability or with third party contracts and arrangements appropriate for it as a standalone entity. There is a risk that Tilt Renewables has not identified all of the services it requires to operate as a standalone entity from the Implementation Date, and that the performance of the functions of New Trustpower under the Transitional Services Agreement may not be sufficient for Tilt Renewables' needs.

  In replacing the services provided pursuant to the Transitional Services Agreement, Tilt Renewables may incur one-off costs with establishing internal capability, or with entering into third party contracts to provide these services. It may take some time to ensure that all processes are operating properly. There is a risk that the establishment of these capabilities may take longer than expected or may involve greater costs than anticipated.

  The Demerger process creates uncertainty for staff. Retention of staff with the leadership and subject matter expertise required to operate the business of Tilt Renewables and New Trustpower is important to the continuity of both businesses. Key Trustpower staff may choose not to continue with either business.

- **Not all contracts may be able to be transferred and not all third parties may provide their consent**

  Although Trustpower considers that the Demerger should have no material impacts on the key terms of creditors' existing arrangements with Trustpower (and is unlikely to impact creditors' ability to receive payments of debts when they fall due), not all agreements with third parties may be able to be transferred through the Court process. The Court may refuse to exercise its discretion to transfer certain contracts including in response to an objection by counterparties.

The Demerger (or steps associated with the Demerger) may result in breaches or defaults under certain contracts to which Trustpower or one of its subsidiaries is a party, unless relevant counterparty consents are obtained.

In order to effect the Demerger, Trustpower has undertaken a process to seek waivers or consents in relation to its material contractual arrangements that could be impacted by the Demerger. As at the date of this Scheme Booklet, the majority of these have been obtained. Trustpower will continue to seek these waivers and/or consents, but not all counterparties may provide consent, or agree to a waiver (and some counterparties may seek to alter the terms of the relevant contract, as a condition of providing consent or agreeing to the appropriate consent). A failure to obtain these waivers and/or consents may result in breaches or defaults or extra costs under contracts, or an inability to transfer contractual arrangements to Tilt Renewables and New Trustpower as independent entities.

- **There may be a revaluation of the assets of Tilt Renewables and New Trustpower**

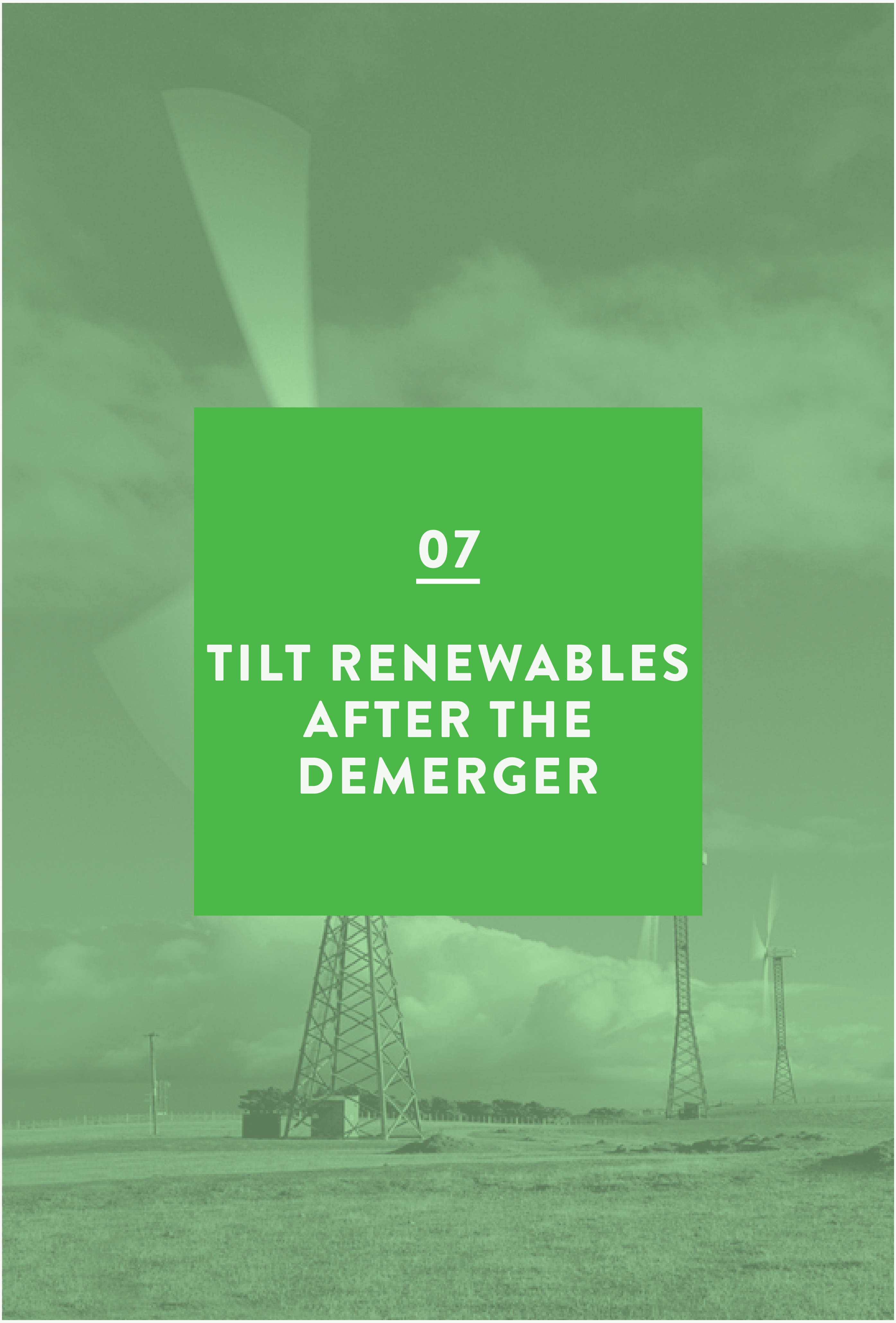
  The asset valuations shown in the pro forma financial statements in Sections 7 *(Tilt Renewables after the Demerger)* and 8 *(New Trustpower after the Demerger)* and Appendix 1 *(Pro Forma Historical Information for FY14, FY15 and FY16)*, are based on valuations produced in respect of Trustpower as at 31 March 2016. Subsequent valuations of these assets may be different because Tilt Renewables and New Trustpower may have different cost structures, offtake agreements and funding arrangements from those of Trustpower.

- **The Demerger may not complete or may be delayed**

  Completion of the Demerger is subject to the satisfaction or waiver of a number of conditions precedent, including those set out in Section 9 *(Implementing the Demerger)*. If the Trustpower Shareholders do not approve the Demerger Resolution at the Shareholder Meeting, or any of the other conditions precedent are not satisfied or waived, the Demerger will not proceed.

  There is a risk that the Court refuses to grant the Final Court Orders or that the granting of the Final Court Orders is delayed, despite Trustpower Shareholder approval. The Demerger cannot be implemented without the grant of the Final Court Orders.

  If implementation of the Demerger does not occur, then Trustpower may experience a delay in the execution of its strategic objectives, and may be unable to realise the benefits for Trustpower Shareholders that the Trustpower Board believes will result from the Demerger. In these circumstances, Trustpower will have already committed or incurred costs, as detailed in this Section 6 *(Advantages, Disadvantages and Risks in respect of the Demerger)*, notwithstanding that the Demerger would not proceed.



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TILT RENEWABLES AFTER THE DEMERGER

SECTION 7: TILT RENEWABLES AFTER THE DEMERGER

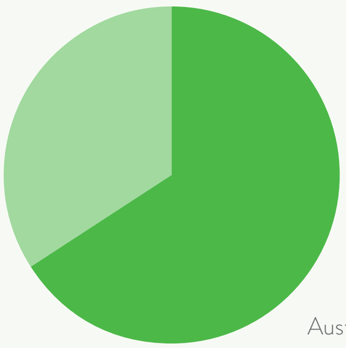
BUSINESS

Introduction

Tilt Renewables will be an Australasian owner, operator and developer of a number of established wind farms and an extensive wind and solar development pipeline. Tilt Renewables will have seven wind farms with an installed operating capacity of 582MW, all of which have been acquired or developed by Trustpower since 1999. The existing wind farms that Tilt Renewables will own and operate represent approximately 11% of market share by installed wind capacity in Australasia.

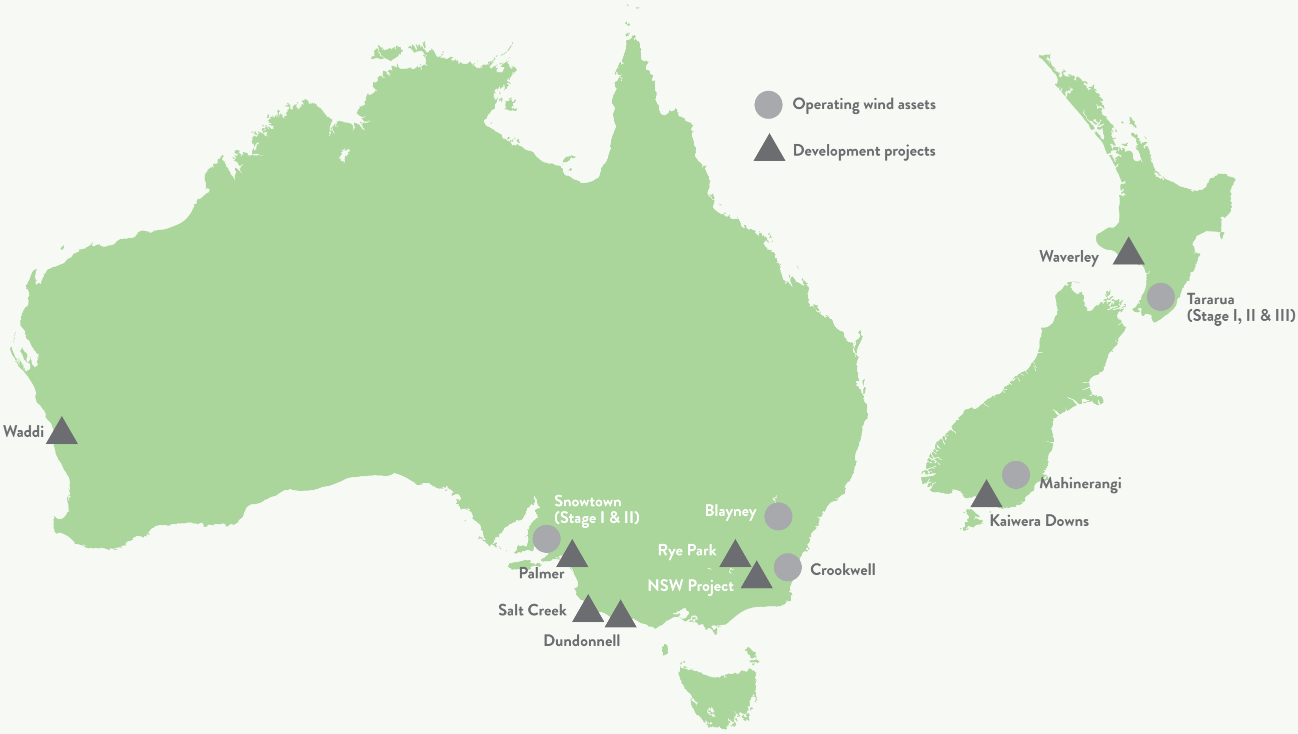
Tilt Renewables' Australian assets are mostly strategically located in the South-East of Australia, which has some of the most favourable wind resource conditions in Australia. Tilt Renewables also has operating assets situated in the North and South Islands of New Zealand. The portfolio consists of 307 wind turbines across seven wind farms operating a diversified range of installed wind technology.

Tilt Renewables installed capacity by geography



Source: Trustpower

OVERVIEW OF TILT RENEWABLES' WIND ASSET PORTFOLIO



Summary of Tilt Renewables' operating wind farm portfolio

Name	Location	Commissioned	Number of turbines	Installed capacity	Annual output[1]	Capacity factor	Tilt Renewables ownership
Snowtown (Stage I)	SA	2008	48	101MW	357GWh	40%	100%
Snowtown (Stage II)	SA	2014	90	270MW	875GWh	37%	100%
Crookwell[2]	NSW	1998	8	5MW	8GWh	19%	80%
Blayney	NSW	2000	15	10MW	18GWh	21%	100%
Tararua (Stage I & II)	NZ	1999 & 2004	103	68MW	245GWh	41%	100%
Tararua (Stage III)	NZ	2007	31	93MW	318GWh	39%	100%
Mahinerangi	NZ	2011	12	36MW	101GWh	32%	100%

Notes:

(1) Remaining lifetime average assuming 25 year operating life.

(2) Origin Energy is a 20% joint venture partner in the Crookwell Wind Farm.

Power Purchase Agreements ("PPAs")

Tilt Renewables will have a high level of contracted cash flows with long term PPAs in place under which the purchase price for electricity is fixed for a period of time and, in some cases, with an option to extend the contract.

All of Tilt Renewables' existing Australian wind farms have PPAs in place with Origin Energy. Tilt Renewables has also entered into PPAs with New Trustpower for the New Zealand wind farms. Further details about the PPAs between Tilt Renewables and New Trustpower can be found in Section 9 *(Implementing the Demerger)*.

The mechanics of the PPAs provide Tilt Renewables with revenue protection against low spot prices, with New Zealand PPAs including a base price referenced to the ASX and a floor provision, should the base price fall too low. Whilst providing long term price certainty, the fixed price nature of the PPAs in both countries also reduces the upside in high spot price scenarios.

Summary of PPAs

Project	Counterparty	Volume contracted	Term	Pricing
Snowtown (Stage I)	Origin Energy	89%	2018	Fixed + Escalator
Snowtown (Stage II)	Origin Energy	100%	2030	Fixed + Escalator
Blayney	Origin Energy	100%	2021	Fixed + Escalator
Crookwell	Origin Energy	100%	2019	Fixed + Escalator
Tararua (Stage I & II)	New Trustpower	100%	2029	Fixed for 5 years, then referenced to the ASX Futures Otahuhu or Benmore baseload prices. Includes a floor which is in place until 5 years prior to the end of the term (asset year 20) and indexed to CPI from year 6 of the contract
Tararua (Stage III)	New Trustpower	100%	2033	
Mahinerangi	New Trustpower	100%	2036	

Operations & Asset Management

The main cost of operating a wind farm is the operating and maintenance (O&M) cost of the plant and equipment, in particular the wind turbines (accounting for approximately 52% of operating costs for FY16). Tilt Renewables will have long term arrangements in place with turbine O&M providers (out to operational years 15-20 for key projects), with limited exposure to unscheduled maintenance costs and major turbine component capital expenditure over the operational life of the assets.

Arrangements are in place with respect to key projects, which have the same effect as full-service O&M contracts. These O&M arrangements include an availability warranty (for each project other than Tararua Stage I & II), with liquidated damages if this warranty is not satisfied. These contracts cover matters required to maintain production and availability. Pricing is generally structured on a $/MWh basis (with an annual floor) to provide the right incentives to maximise production.

Appropriate arrangements are also in place with suitably qualified third parties to ensure the reliable operation of the civil and electrical balance of plant infrastructure.

Summary of Tilt Renewables' O&M arrangements

Name	Supplier	Scope	Contract Type	Expiration of contract
Snowtown (Stage I)	Suzlon	Wind Turbine Generator ("**WTG**") – scheduled maintenance	Fixed price ($/WTG)	2023
		WTG – unscheduled maintenance		
		Electrical Balance of Plant (for example, electrical cabling, switch gear, communications equipment, etc.)	Fixed price for scheduled maintenance, unscheduled maintenance on time and materials basis	
		Civil Balance of Plant (for example, roading and access to wind farm assets, drainage, cable trenches, etc.)	Time and materials	
Snowtown (Stage II)	Siemens	WTG – scheduled maintenance	Fixed price ($/MWh)	2034
		WTG – unscheduled maintenance		
		Electrical Balance of Plant (for example, electrical cabling, switch gear, communications equipment, etc.)	Fixed price for scheduled maintenance (full term), unscheduled maintenance on time and materials basis (outside warranty period ending Mar 19)	
		Civil Balance of Plant (for example, roading and access to wind farm assets, drainage, cable trenches, etc.)	Time and materials basis	
Blayney	Vestas	WTG – scheduled maintenance	Fixed price ($/WTG)	2021
Crookwell		WTG – unscheduled maintenance	Time and materials	
		Electrical Balance of Plant (for example, electrical cabling, switch gear, communications equipment, etc.)	Time and materials	
		Civil Balance of Plant (for example, roading and access to the wind farm)	Time and materials	
Tararua (Stage I & II)	Vestas	WTG – scheduled maintenance	Fixed price ($/MWh)	2024
		WTG – unscheduled maintenance		
Tararua (Stage III)		Electrical Balance of Plant (for example, electrical cabling, switch gear, communications equipment, etc.)	Time and materials	2027
Mahinerangi		Civil Balance of Plant (for example, roading and access to wind farm assets, drainage, cable trenches, etc.)	Time and materials	2031

Development

The renewable market opportunity

In June 2015, after gaining cross-bench support, the Australian Federal Government's amendments to the renewable energy target ("**RET**") came into force. The amendments changed the annual required amount of renewable source electricity under the large-scale RET to reflect a target of 33,000GWh of renewable generation by 2020. As a result, the next phase of Australian renewables generation development has commenced. The RET is expected to continue until 2030.

The 33,000GWh RET to be achieved by 2020 will require approximately 5,000MW of new renewable generation capacity to be built within the next four to five years, effectively doubling the amount of large-scale renewable energy being delivered in Australia, compared with current levels.

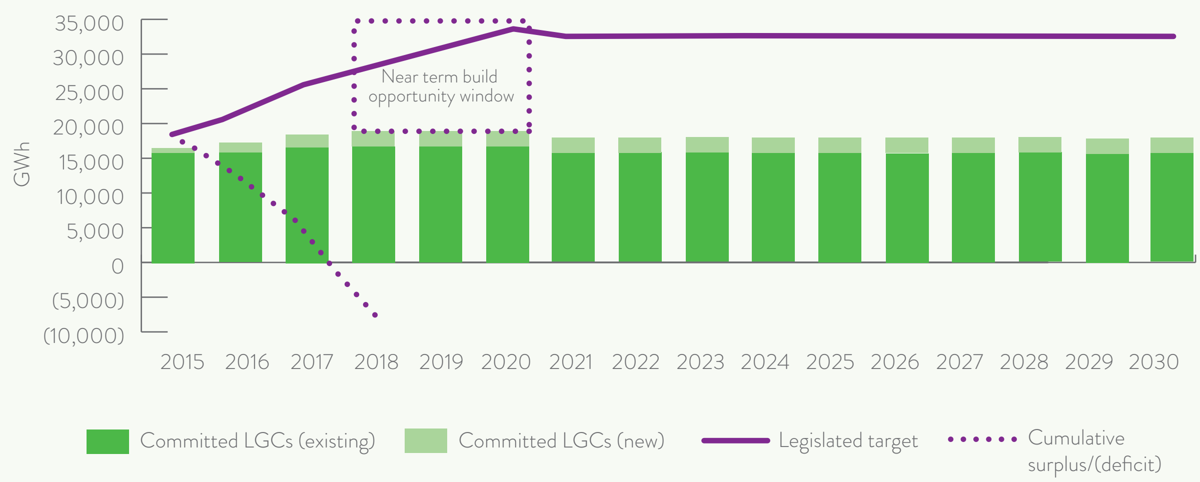
Key features of the large-scale RET are:

- an accredited power station that generates electricity from renewable sources is entitled to create a large-scale generation certificate ("**LGCs**") for every MWh of electricity produced;
- each liable entity (usually an electricity retailer) must purchase and then surrender its calculated share of LGCs to the Clean Energy Regulator each year in order for the annual target to be met, and for the liable entity to avoid having to pay a shortfall charge;
- LGCs may be purchased directly from an accredited power station or from the open LGC market; and
- a liable entity must pay a large-scale generation shortfall charge if it fails to surrender sufficient LGCs. This is calculated at a rate of A$65 per MWh of renewable energy for which the entity is liable, but has not surrendered an LGC.

The figure below shows the surplus of LGCs primarily created by the generation of renewable energy certificates between 2009 and 2010, prior to the separation of the RET into a large-scale renewable energy target and a small-scale renewable energy scheme from the beginning of 2011. The surplus will largely be eliminated by 2017, with a deficit forecast in 2018. The legislated annual required amount of renewable source electricity under the RET rises substantially from 2016, creating a significant gap between total demand for LGCs and total supply from committed new and existing renewable generation. This shortfall must be met by LGCs created from new renewable generation projects, opening a window of opportunity for Tilt Renewables' development pipeline. To receive at least 10 years of RET benefit prior to it expiring in 2030, new developments need to be completed by 2020.

Tilt Renewables, with its development and operating expertise and experience in the renewable energy market, is well placed to capitalise on the Australian RET opportunity.

Renewable Energy Target outlook



Source: Green Energy Markets as at March 2016

Development pipeline

Tilt Renewables' development pipeline consists of a number of potential development projects. If all of these are constructed, they could produce more than 2,000MW of renewable generation. Tilt Renewables will have 832MW of renewable energy projects for which key environmental approvals have been obtained in Australia (with 375MW subject to appeal), and 400MW in respect of which environmental approval has been obtained in New Zealand.

375MW of the approved Australian renewable generation relates to the Palmer development, which is subject to appeal. The appeal process to date has resulted in minor changes to the number of turbines proposed. Although Court determination is still to be received, it is believed that a slightly smaller development will be approved. However, there is a risk that there could be further impositions on the development that may make its construction less economic than other options available.

Overview of key development projects

Name	Location	Status	Likely maximum installed capacity	Maximum number of turbines
Salt Creek	VIC	Environmental approvals obtained	Up to 52MW	15
Waddi	WA	Environmental approvals obtained in respect of wind development. Progressing environmental approvals in respect of solar	Up to 105MW (wind) Up to 40MW (solar)	57
Dundonnell	VIC	State environmental approvals obtained in respect of wind farm, awaiting remaining environmental approvals	Up to 300MW	Up to 96
Rye Park	NSW	Progressing environmental approvals	Up to 327MW	109
Palmer	SA	Environmental approvals under appeal	Up to 375MW	114
NSW Project	NSW	Progressing environmental approvals	Up to 500MW	Undisclosed
Mahinerangi	NZ	Environmental approvals obtained	Up to 160MW	88
Kaiwera Downs	NZ	Environmental approvals obtained	Up to 240MW	83
Waverley	NZ	Progressing environmental approvals	Up to 130MW	48

STRATEGY

Tilt Renewables' primary strategic objective is to build on its existing Australian and New Zealand wind development experience in order to successfully implement its development pipeline. In doing so, Tilt Renewables aims to secure a greater share of the Australasian renewable energy market and further establish itself as a leading developer of renewable energy generation in Australasia. Tilt Renewables will consider bringing forward new renewable investment opportunities in wind or grid connected solar that meet the risk and return appetite of Tilt Renewables Shareholders.

Trustpower has built a strong track record of identification, development and operation of renewable energy assets. Tilt Renewables' current senior management team has been significantly involved in Trustpower's wind development programme over the last 15 years. The combined know-how of the senior leadership team and existing staff employed by Tilt Renewables Group subsidiaries in Australia will be a key enabler to Tilt Renewables in the successful execution of its growth strategy.

Tilt Renewables will seek to continually improve the operational performance of its existing asset base and position itself for repowering opportunities for its existing assets as they reach the end of their operational lives.

Tilt Renewables' strategic priorities

Complete consenting and preparation of best sites in development pipeline	Consider further acquistion of consented wind/solar sites to bolster pipeline	Maintenance of long dated development options as appropiate	Achieve financial close on at least one major project by first half of 2017	Determine contracted revenue options post maturity of Snowtown 1 PPA in Dec 2018	Consent North Island wind option, maintain existing consented options	Evaluate NZ wholesale price levels, off take arrangements and progress projects if returns are adequate	Repower opportunity at Tararua I & II over medium term
AUSTRALIA					NEW ZEALAND		

Aspiration = more than double current operating renewable generation capacity over the next five years (to 1,500MW) and position beyond 2020 with further wind and solar build if policy framework supportive

Outside of Tilt Renewables' existing development portfolio, it is expected that there will continue to be opportunities over the long term renewables horizon for acquisition of other existing operational wind assets and development sites for wind and solar generation in Australia. Tilt Renewables will continually assess the quality of such opportunities relative to its own development pipeline.

Tilt Renewables will look to have a capital structure consistent with its growth aspirations. Tilt Renewables will have at least A$100 million of committed debt facilities available (subject to additional conditions precedent) for future development, acquisitions or expansion of solar or wind assets, and A$15 million for working capital requirements.

RISKS IN RESPECT OF TILT RENEWABLES

In addition to the risks set out in Section 6 *(Advantages, Disadvantages and Risks in respect of the Demerger)*, there are a number of existing risks faced by Trustpower which will be faced by Tilt Renewables after the Demerger. Most of the risks noted below exist irrespective of whether the Demerger proceeds, but if the Demerger proceeds they will be substantially concentrated in Tilt Renewables.

RET change

The RET is an Australian federal government policy, established by the Renewable Energy (Electricity) Act 2000. This Act was amended (and the target of generating 33,000GWh of electricity from renewable generation by 2020 set) in 2015, with support from Australia's two major political parties. Government priorities are subject to change, and it is possible that the legislation could be amended or repealed. If the RET is removed, or adversely amended from the perspective of Tilt Renewables, this may have a detrimental effect on Tilt Renewables' revenues from sales of LGCs and also its ability to successfully implement its planned development projects. In addition, if there are delays in Tilt Renewables implementing its development projects, it may not be able to take advantage of the RET to the level anticipated in its strategy before the RET's expected conclusion in 2030.

PPA Counterparty Concentration

After the Demerger, Tilt Renewables' revenue will be derived primarily from two counterparties, Origin Energy (comprising approximately 70% of revenue) and New Trustpower (comprising approximately 30% of revenue). A failure of either of these entities would require Tilt Renewables to sell its electricity generation to third parties or through spot markets. This may result in lower overall and/or more volatile, revenues and, if so, have a material adverse impact on Tilt Renewables. The credit rating of Origin Energy issued by Standard & Poor's was BBB– (stable outlook). New Trustpower is not rated, and is expected to remain unrated.

Over time it is expected that Tilt Renewables will transact with a wider group of counterparties as it undertakes further developments.

Operational risks

These risks include:

- fluctuations in weather patterns (compared to long-term wind resource);
- business stability of Tilt Renewables' suppliers, which could impact support for warranties;
- increases in non-turbine related costs;
- operational issues impacting on generation production;
- transmission system failure;
- environmental and planning law changes;
- labour disputes; and
- performance issues which impact all turbines at a particular wind farm, causing warranties to be inadequate.

Development risks

These risks include:

- gaining suitable development and other regulatory approvals;
- contracting appropriate offtake agreements with suitable counterparties;
- the supply of generation plant;
- exchange rate fluctuations;
- construction contractors completing projects on time, within scope and within budget;
- transmission connection agreements and costs; and
- project execution effectiveness.

New Zealand regulatory uncertainty

The Electricity Authority has recently released proposals relating to how electricity transmission charges are to be set and allocated. More particularly, the Electricity Authority has proposed changes to the Transmission Pricing Methodology (TPM) and the removal of the Avoided Cost of Transmission (ACOT) regime over the next two years. The ACOT regime is proposed to be replaced by individual contracts between scheme owners and Transpower. If implemented in the form proposed, Tilt Renewables is highly likely to suffer a modest drop in earnings from the ACOT regime. The exact outcome and quantification is uncertain in respect to its New Zealand wind farms.

Wind variability

Fluctuations in the level of wind resource occur on a short term basis (daily, monthly and seasonal variations) and on a long term basis. Wind fluctuations affect the amount of energy produced by a wind farm project and the revenue generated by it. If the amount of energy produced is reduced, this is likely to be detrimental to Tilt Renewables.

Future funding requirements

Tilt Renewables will likely require further capital to undertake its developments. This funding is likely to be sourced (at least in part) through an offering of Tilt Renewables Shares. Any such offering may be at a discount to the then trading price of Tilt Renewables Shares and may or may not allow for pro-rata participation by Tilt Renewables Shareholders. Tilt Renewables Shareholders who do not participate in an offer of Tilt Renewables Shares will have their shareholdings diluted. There is no assurance that any future capital raising that is undertaken by Tilt Renewables will be successful.

Employee uncertainty and retention risk

Tilt Renewables has not been in a position to fill most employment positions, and will not be in such a position until after it is clear that the Demerger will occur. There is a risk that Tilt Renewables may be unable to employ personnel who have the specialist knowledge that Tilt Renewables will require, or the time it takes to employ such persons is longer than expected.

In addition, initially Tilt Renewables will have a small management team with knowledge of the identification, development and operation of renewable energy assets. If any of those persons leave their employment with Tilt Renewables, this may impact it to a greater extent than if Tilt Renewables had remained part of Trustpower.

Currency risk

Tilt Renewables will have the majority of its revenues in Australian dollars and it has adopted Australian dollars as its functional currency. Accordingly, following the Demerger, holders of Tilt Renewables Shares who are based outside of Australia will be affected (favourably or unfavourably) by movements in the exchange rate of Australian dollars relative to their local currency. This will impact the value at which Tilt Renewables Shares trade on the NZX Main Board and the value of any future dividends paid by Tilt Renewables when converted into local currency.

Wholesale electricity prices

While Tilt Renewables is selling a substantial amount of its electricity output through long term PPAs, those PPAs will eventually expire and the price setting mechanisms in some of them reflect current wholesale electricity prices. Accordingly, if wholesale electricity prices drop then this may, in time, have a material adverse effect on Tilt Renewables' financial performance. Many of the factors that affect wholesale electricity prices are outside the control of Tilt Renewables, for example hydrology and wind and production from other forms of competing generation, competitor activities, significant changes in the balance between supply and demand (for example in New Zealand, the closure of the Tiwai Point aluminium smelter) and regulatory settings.

General market risks

There can be no assurance that an active trading market in the Tilt Renewables Shares will develop or that the price of Tilt Renewables Shares will increase. There may be relatively few potential buyers or sellers of Tilt Renewables Shares on the NZX Main Board or on the ASX. This may increase the volatility of the market price of Tilt Renewables Shares. It may also affect the prevailing market price at which Tilt Renewables Shares are able to be sold. Future issues of Tilt Renewables Shares may dilute a Tilt Renewables Shareholder's interest in Tilt Renewables and affect the trading price of Tilt Renewables Shares.

Factors such as changes in the New Zealand, Australian or international regulatory environment, New Zealand, Australian or global equity and debt markets, New Zealand and Australian dollar and the New Zealand, Australian and global economy could cause the market price of Tilt Renewables Shares to fluctuate after the Demerger.

BOARD/MANAGEMENT/CORPORATE GOVERNANCE

Following implementation of the Demerger, the Tilt Renewables Board will initially comprise Bruce Harker (Chair), Paul Newfield, Fiona Oliver, Phillip Strachan, Geoff Swier and Vimal Vallabh.

Robert Farron, the current Chief Financial Officer and Company Secretary of Trustpower, will be the Chief Executive Officer of Tilt Renewables. Other members of the executive team of Tilt Renewables (and their proposed roles) are: Deion Campbell (General Manager – Generation and Trading) and Clayton Delmarter (General Manager – Renewable Development).

Biographies for these proposed directors and members of senior management are set out below.

Board

Name: Bruce James Harker
Qualifications: BE(Hons), PhD (ELEC, ENG), Dist FIPENZ
Biography: Dr Harker was a Director of Trustpower from 2000 and Board Chair from 2007 to 2015. Dr Harker has extensive experience in corporate governance and energy markets with a particular focus on renewable energy development. Dr Harker is an executive of H.R.L. Morrison & Co, the manager of Infratil. Dr Harker previously chaired the Australian hydro business, Southern Hydro Partnership and was deputy chair of ASX listed Energy Developments Limited. He also chaired start up electricity retailer, Victoria Electricity over the period from 2004 to 2012 from its first signed customer through to 500,000 customers. Upon implementation of the Demerger, Bruce will become a non-independent director of Tilt Renewables. Bruce lives in Wellington.

Name: Paul Joseph Charles Newfield
Qualifications: MA (Hons), MPhil
Biography: Paul Newfield is the Chief Investment Officer of H.R.L. Morrison & Co, the manager of Infratil, where he has overall responsibility for analysing investment markets, directing origination activity and assessing the attractiveness of specific investment opportunities. Paul's experience includes management of listed and unlisted investments across the energy, utilities and infrastructure sectors in Australia, NZ and Europe. He is a director of H.R.L. Morrison & Co Australia and the Melbourne Convention & Exhibition Centre PPP. Prior to joining H.R.L. Morrison & Co in 2008, Paul was a Principal at The Boston Consulting Group. Paul holds an MA (Hons) in Philosophy from the University of Auckland and an MPhil in Management from the University of Cambridge. Upon implementation of the Demerger, Paul will become a non-independent director of Tilt Renewables. Paul lives in Sydney.

Name: Fiona Ann Oliver
Qualifications: LLB, BA
Biography: Fiona is experienced as a board member, and has New Zealand and overseas executive experience in asset management, funds management, and private equity. Fiona was previously the Chief Operating Officer of Westpac New Zealand's funds management subsidiary, BT Funds Management. She also managed risk and operations for AMP Limited's Australian and UK private equity division, and held the position of General Manager, Wealth Management at AMP New Zealand. Fiona is currently on the board of Wynyard Group Limited, Vinta Funds Management Limited (Chairperson), Public Trust (Deputy Chairperson), and the National Provident Fund. She is also a member of the Inland Revenue Department's Risk and Assurance Committee. Upon implementation of the Demerger, she will become an independent director of Tilt Renewables. Fiona lives in Auckland.

Name: Phillip David Strachan
Qualifications: BCom, FCPA
Biography: Phillip has extensive experience, both at an executive and governance level. Phillip held a number of executive roles within the Rio Tinto Group, including Chief Financial Officer at Rio Tinto Aluminium in Brisbane, and Chief Financial Officer at Rio Tinto Alcan in Montreal. During his tenure at the Rio Tinto Group, Phillip obtained merger and acquisition experience, and was involved in developing and driving the strategy and leading the operations of a global business. He has held governance roles previously, including as the President of the Australian Aluminium Council and is a current director of the Great Barrier Reef Foundation where he is also Chairman of the Audit and Risk Committee. Upon implementation of the Demerger he will become an independent director of Tilt Renewables. Phillip lives in Brisbane.

Name: Geoffrey Jon Campbell Swier (Geoff)
Qualifications: MCom (Econ)
Biography: Geoff joined the Trustpower Board in 2007, and is also Chair of the Audit Committee. His other roles include Director of Melbourne consulting firm, Farrier Swier Consulting, a board member of Health Purchasing Victoria and a member of the ARENA Advisory Panel. Geoff has over 25 years of experience in micro-economic reform, notably in the establishment of competitive energy markets and privatisation in Australia and New Zealand and in the development of water industries in Australia and Asia. His past roles include being a Member of the Australian Energy Regulator and Associate Member of the Australian Competition and Consumer Commission. Upon implementation of the Demerger he will become an independent director of Tilt Renewables and New Trustpower. Geoff lives in Melbourne.

Name: Vimal Nagin Vallabh
Qualifications: BCom, LLB, CFA IMC
Biography: Vimal is an Investment Director of H.R.L. Morrison & Co's Energy and Renewable Sector team. Vimal has been involved in the development and acquisition of power and renewable energy projects and related supply chain companies across Europe, the US and South Africa. Previously he was a Director in PwC's UK Corporate Finance Infrastructure team, and held roles in the energy industry, private equity and investment banking. Upon implementation of the Demerger he will become a non-independent director of Tilt Renewables. Vimal lives in Wellington.

The address at which each of the intended members of the Tilt Renewables Board can be contacted is at the registered office of Tilt Renewables, which is currently at the same address as for Trustpower as set out in the Corporate Directory. The registered office of Tilt Renewables may change from time to time. The registered office can be searched online at www.business.govt.nz/companies under the name of Tilt Renewables Limited.

Senior Management

Role: Chief Executive Officer
Name: Robert Farron
Qualifications: BBS, CA, CFIPNZ, CMInstD
Biography: Robert joined Trustpower in 2004 and has been Chief Financial Officer and Company Secretary for 12 years. In these roles he has been responsible for over $1.3 billion of debt funding facilities, capital raising, investor relations, treasury, financial reporting, group insurance and risk management. His career has included senior roles in corporate and institutional banking and renewable energy development in emerging markets. He is a member of the Institute of Chartered Accountants New Zealand and Australia and a chartered member of the NZ Institute of Directors.

Role: General Manager – Generation and Trading
Name: Deion Campbell
Qualifications: BE (Elect, HONS), ME (MGMT), FIPENZ, MInstD
Biography: Deion, a professional electrical engineer, returned from Sydney in 2001 to join Trustpower as North Island Asset Manager. From 2004, as Major Projects Manager, he led the development, construction and operation of wind and hydro generation projects worth over $1 billion in New Zealand and Australia. He became General Manager Generation in May 2011, with responsibility for safety, environment, development, maintenance and operations activities for 50 power stations across Australia and NZ. In addition to this successful development background, Deion has also driven innovation in wind farm maintenance strategies and commercial frameworks, in collaboration with leading turbine suppliers.

Role: General Manager – Renewable Development
Name: Clayton Delmarter
Qualifications: BSc(Tech), GDipBus(Fin)
Biography: Clayton joined Trustpower in 2002 before spending a period in North America working on large scale renewable developments and returning to Trustpower in 2007. Since this time he has held several roles including Project Delivery Manager, responsible for a number of successful wind and hydro projects, as well as a term as Acting General Manager – Generation, and Engineering Manager. Clayton has had extensive input into all of Trustpower's Australasian development projects.

Employees

The majority of senior management will initially be based in Tauranga but it is expected that the headquarters of Tilt Renewables will be transferred to Australia following the Demerger over the period to 31 March 2017.

Corporate Governance

Immediately following the Demerger, Tilt Renewables' corporate governance arrangements will be broadly consistent with those existing for Trustpower prior to the Demerger, modified, as appropriate, for a group carrying on business in Australia, with a foreign exempt listing on the ASX.

Board Remuneration Policy

The remuneration of the Tilt Renewables Board has been set by the Trustpower Board as a pool equal to A$685,000 (with the board chair to receive A$190,000) and permits the fees paid to any of the directors of Tilt Renewables to be paid in part or in whole by the issue of ordinary shares, provided that the issue is in compliance with NZX Listing Rule 7.3.1 and the Tilt Renewables Shares are held for at least 12 months after the person ceases to be a director of Tilt Renewables. For comparative purposes, the remuneration of the Trustpower Board is currently paid out of a pool of NZ$705,000 per financial year which was set in 2013, to be divided among the seven members of the Trustpower Board as they see fit.

The Tilt Renewables Board believes that this sum is appropriate because:

- the fees need to be set at a level that will assist in attracting people with the commensurate skills to add value as a director of Tilt Renewables; and
- the directors of Tilt Renewables will be expected to have a greater involvement in the business than was the case in respect of Trustpower, given the potentially significant development that Tilt Renewables is expected to undertake.

As Tilt Renewables will have its functional currency in Australian dollars, the remuneration will be paid in Australian dollars.

Constitution

Tilt Renewables will have a constitution that is appropriate for a company listed on the NZX Main Board.

The constitution incorporates by reference the requirements of the NZX Listing Rules and requires Tilt Renewables to comply with the NZX Listing Rules for so long as the Tilt Renewables Shares are quoted on the NZX Main Board. It does not seek to directly replicate the Trustpower constitution, on the basis that Tilt Renewables has a different focus from Trustpower/New Trustpower. The constitution has the following features:

- As noted above, the NZX Listing Rules are incorporated by reference (rather than set out) and there are also provisions to facilitate listing on the ASX as a foreign exempt listing.
- It does not specify the requirement for the head office or a significant permanent operational and senior management presence to be in the Tauranga area, or restrict the level of distributions (as the current Trustpower constitution does).
- It contains the right for a Tilt Renewables Shareholder who holds not less than 25% of the ordinary shares to appoint and remove one director, subject to the NZX Listing Rule requirements (as the current Trustpower constitution does).
- The minimum number of directors is three and the maximum is seven. For meetings of directors, the quorum is three directors. In the case of equality of votes at board meetings, the Chairperson has a casting vote.

TAX

New Zealand

Trustpower and Tararua Wind are (among others) currently members of the Trustpower Consolidated Tax Group. While Tararua Wind will leave the Trustpower Consolidated Tax Group as a result of the Demerger, it will remain jointly and severally liable for the tax liabilities of the Trustpower Consolidated Tax Group relating to the period in which it was a member. However, the Separation Deed contains provisions to ensure that Tararua Wind (as part of the Tilt Renewables Group) is only responsible for taxes which relate to its business and the assets transferred to it, and not taxes attributable to the wider Trustpower Consolidated Tax Group. (These provisions will operate in the same manner for all other taxes, such as GST.) Certain taxes in respect of the assets transferred to Tararua Wind will remain with the New Trustpower Group.

The ability of Tilt Renewables to attach imputation credits to dividends will depend on the level of tax paid in New Zealand by the Tilt Renewables Group. It is therefore expected that Tilt Renewables will not be able to impute dividends to a material level, and not to the level that Trustpower currently does. The tax consequences of this for Trustpower Shareholders are set out in Section 11 *(Taxation Implications for Trustpower Shareholders)*.

There will be a negligible amount of available subscribed capital in Tilt Renewables compared with the available subscribed capital in Trustpower. The relevance of available subscribed capital is that it is not treated as a dividend when returned to shareholders upon liquidation and certain off-market share cancellations.

Australia

Tilt Renewables' wholly owned Australian resident subsidiaries (including GSP prior to the Demerger) are members of the TPAH Tax Consolidated Group for Australian income tax purposes. Transactions between members of an Australian tax consolidated group are ignored for income tax purposes.

The transfer of Tararua Wind to Tilt Renewables will not give rise to any Australian income tax consequences. Likewise, the transfer of shares in GSP to New Trustpower should not give rise to any immediate Australian income tax consequences as capital gains tax rollover relief is available to asset transfers within the same wholly owned group.

The Demerger of Tilt Renewables will not impact the continuity of the TPAH Tax Consolidated Group's franking account. The ability of members of the TPAH Tax Consolidated Group to attach franking credits to dividends paid to Tilt Renewables will depend on the balance of the franking account at the time of the Demerger and the level of tax paid in Australia by the TPAH Tax Consolidated Group following the Demerger.

DIVIDEND POLICY

Dividends and other distributions with respect to Tilt Renewables Shares will be made at the discretion of the Tilt Renewables Board. The payment of dividends is not guaranteed and Tilt Renewables' dividend policy may change over time.

The Tilt Renewables Board intends to target a dividend payout in the range of 25% and 50% of Operating Free Cash Flow After Debt Servicing. The payout range reflects the Tilt Renewables Board's view that a significant level of earnings should be retained within the business to assist in the funding of growth projects over the medium term. The Tilt Renewables Board will review the appropriateness of the target payout range in the context of any future significant equity capital raising. The Tilt Renewables Board intends to distribute available imputation credits or franking credits to Tilt Renewables Shareholders with dividend payments when it is considered practicable and appropriate.

Tilt Renewables intends to pay dividends semi-annually, typically in June and December each year. The first dividend following the Demerger is expected to be paid in December 2016.

DEBT STRUCTURE

Overview of proposed debt facilities

Tilt Renewables has received legally binding commitments from a syndicate of lenders to provide A$715 million of new A$ and NZ$ facilities. The provision of these facilities is subject to a number of conditions precedent, including agreement of all applicable finance and security documentation, and the occurrence of the Demerger. If the Demerger proceeds, all the material commercial conditions precedent will have been satisfied prior to the date on which the Final Court Orders are sought, with all remaining conditions precedent (which are principally mechanical funding conditions, or conditions wholly within the control of Tilt Renewables and its subsidiaries) to be satisfied on or prior to implementation of the Demerger. The new syndicated facilities will be used to, among other things, refinance existing debt owing by the Trustpower Australia Financing Partnership (a partnership controlled by Tilt Renewables and another Tilt Renewables Group subsidiary).

The EKF Facilities have been directly provided, or guaranteed, by EKF to Trustpower (in respect of the Mahinerangi Wind Farm and Tararua Stage III Wind Farm) and to the Trustpower Australia Financing Partnership (in respect of the Snowtown Stage II Wind Farm). The intention is for the EKF Facilities to remain in place (but in respect of the facilities provided to Trustpower, novated to Tararua Wind, a proposed Tilt Renewables subsidiary, with effect from the Implementation Date) and for the terms of these facilities to be amended in a consistent manner with the syndicated facilities. This will include that the lenders under these facilities will be secured on a pari passu basis along with the syndicated facilities. EKF has indicated that it expects to consent to the novation and amendment of these facilities subject to a number of conditions, consistent with the completion of the syndicated facilities, being met. If consent is not obtained, the EKF Facilities will be repaid in full using part of the proceeds of the syndicated facilities described above. An amount equal to A$230 million has been provided for under the syndicated facilities for repayment of the EKF Facilities if required. If the EKF Facilities are novated as planned, this portion of the syndicated facilities will be cancelled and will not be available for drawing.

The total amount of debt drawn immediately following the Demerger will depend on the amount of Trustpower's operating, investing and financing cash flows during the period prior to the Demerger and market rates during that period. The facilities described above are considered adequate for the Tilt Renewables Group in light of its expected earnings. Following the refinancing of existing debt, Tilt Renewables Group will have additional undrawn commitments under the new syndicated facilities of approximately A$100 million available (subject to additional conditions precedent) for future development, acquisitions or expansion and A$15 million for working capital requirements.

Tilt Renewables will also have arrangements in place with a number of counterparties to permit it to undertake interest rate, foreign exchange and electricity derivative transactions following the Demerger.

Funding terms

The terms of the new syndicated facilities referred to above are different to the terms of Trustpower's existing bank funding arrangements.

One of the key differences to the existing Trustpower financing arrangements (which are unsecured) is that Tilt Renewables and each of its material subsidiaries will be required to provide security over all of their assets in support of the Tilt Renewables Group's obligations under those syndicated facilities and the EKF Facilities. That security limits the ability of the Tilt Renewables Group to deal with its assets.

Covenants

The new syndicated facilities will include negotiated, arm's-length terms, including (among other things) restrictions on disposals, acquisitions, creating security over its assets, change of core business, incurring additional debt and entering into joint ventures. Those restrictions are subject to permitted exceptions but are generally more restrictive than the covenant package applicable to Trustpower's existing bank facilities. Those more restrictive covenants may affect the Tilt Renewables Group's operations. Special restrictive covenants will apply to the exercise of the Tilt Renewables Group's rights in respect of the material project documents (such as material PPAs).

The syndicated facility terms also restrict the payment of dividends unless:

- no event of default or potential event of default under the Tilt Renewables financing arrangements has occurred or would result from payment of the dividend;
- certain key offtaker counterparties are not insolvent;
- the RET scheme has not been repealed or materially amended;
- no "lock up event" in respect of Origin Energy has occurred (broadly, Origin Energy becomes insolvent or fails to provide or maintain credit support under a material PPA);
- the Tilt Renewables Group's debt service coverage ratio is equal to or greater than an agreed threshold at the time of paying the dividend; and
- its guarantor coverage test is met.

Dividends may be paid as frequently as quarterly subject to compliance with the above restrictions and certification by the Tilt Renewables Board.

The syndicated facilities are amortising facilities and include a debt service coverage ratio.

In addition to scheduled amortisation, mandatory prepayments are required in certain circumstances, including where certain key offtaker counterparties (such as New Trustpower, Origin Energy and others) have become insolvent.

There are conditions on funding for new developments. If those conditions are not able to be satisfied, there is a risk that the Tilt Renewables Group will not be able to develop future generation assets as anticipated, other than on a standalone project basis with no recourse back to the Tilt Renewables Group under the new syndicated facilities.

Events of review and default

If a person other than Infratil acquires a relevant interest (as that term is defined in the Companies Act) of more than 50% of the Tilt Renewables Shares and Tilt Renewables and the lenders cannot reach agreement on terms on which the syndicated facilities can continue following that event, the lenders may require the prepayment of the facilities in full.

If the RET scheme is repealed or materially amended, the lenders may require that a prepayment is made to reduce the outstanding amount under the facilities to a new target debt level.

Events of default will also apply. If an event of default occurs, the lenders can accelerate the debt so it becomes immediately payable or enforce their security. Events of default include payment default, breach of covenants or representations, cross default, insolvency and if a counterparty to a material project document is entitled to terminate that agreement.

SUMMARY OF PRO FORMA HISTORICAL INFORMATION

Introduction to Tilt Renewables' financial information

Tilt Renewables earns revenue through the generation of electricity from wind farms located in Australia and New Zealand. This electricity is sold predominantly via contracts to Tilt Renewables' counterparties, Origin Energy and New Trustpower, with a small residual amount of the electricity sold into a wholesale market at spot prices.

Key drivers of financial performance

The following factors can have an impact on annual financial performance and net cash flows, but are not an exhaustive list.

Generation output

Tilt Renewables' generation output is the most significant factor in determining profitability. In general, the higher the level of generation output, the greater Tilt Renewables' profitability. The amount of electricity generated, when combined with the price, determines revenue. Levels of generation output for Tilt Renewables are primarily determined by wind volumes. Generation output is also the most significant driver of cost, as a significant proportion of the maintenance contract payments and all of the land owner royalties are linked to the volume of generation output.

Wholesale price of electricity

Tilt Renewables has very little control over when it generates electricity, as it can only generate when the wind blows. If it were to sell its electricity directly into a wholesale market as a merchant generator, it would be a price taker i.e. it would have to accept whatever price the market was offering at the time it generated. The wholesale price of electricity in both New Zealand and Australia is volatile. Merchant generators therefore receive volatile earnings, both through volume and price.

Tilt Renewables has mitigated this risk by entering into PPAs with major customers. The mechanics of the PPAs effectively provide Tilt Renewables with revenue protection against low wholesale spot prices and also limit the upside when wholesale prices are high.

All of Tilt Renewables' Australian and New Zealand wind farms have PPAs in place as set out in the table headed "Summary of PPAs" on page 48.

Development expenditure

Development capital expenditure, such as for the construction of new wind farms, is typically substantial. The ability to successfully deliver on projects consistent with Tilt Renewables' development plan is important for the financial performance of Tilt Renewables. Variations from the development plan may have positive or negative impacts on financial performance due to variations in timing and level of operating cash flows, the impact on total borrowing and the associated cost of debt.

Overview of Tilt Renewables' financial performance

This Section contains summary pro forma historical financial information in relation to the Tilt Renewables Business, including:

- Tilt Renewables Business pro forma historical income statements for FY2014, FY2015 and FY2016;
- Tilt Renewables Business pro forma historical net operating cash flows before net financing costs and tax expense but after capital expenditure for FY2014, FY2015 and FY2016; and
- Tilt Renewables Business pro forma historical statement of financial position as at 31 March 2016.

Basis of preparation

The Tilt Renewables Business Pro Forma Historical Financial Information has been prepared for illustrative purposes, to assist Trustpower Shareholders in understanding the financial position and financial performance of the Tilt Renewables Business. By its nature, pro forma financial information is illustrative only. Consequently, the Tilt Renewables Business Pro Forma Historical Financial Information does not purport to reflect the actual financial performance and position that would have occurred if the Tilt Renewables Business had operated as a standalone entity for the relevant period, principally because:

- the Tilt Renewables Business did not operate independently of Trustpower during the periods for which the financial information is presented;
- the Tilt Renewables Business Pro Forma Historical Financial Information may not reflect the strategies or operations that Tilt Renewables may have followed or undertaken as a separate entity rather than as part of Trustpower; and
- the Tilt Renewables Business may have been exposed to different financial and business risks had it operated as a separate entity rather than as part of Trustpower.

The Tilt Renewables Business Pro Forma Historical Financial Information has been prepared by extracting the financial information of the Tilt Renewables Business from Trustpower's accounting records. These accounting records were used to generate the audited Trustpower financial statements for FY2014, FY2015 and FY2016. The Trustpower financial statements for these periods are available from Trustpower's website (www.Trustpower.co.nz) or the NZX website (www.nzx.com). The Trustpower financial statements for the years ended FY2014, FY2015 and FY2016 have been audited by PricewaterhouseCoopers in accordance with New Zealand Auditing Standards and the audit opinions issued to the members of Trustpower relating to those financial statements were not modified.

The Tilt Renewables Business pro forma historical income statements and net operating cash flows are presented after adjusting for income statement pro forma adjustments. These adjustments can be summarised as follows:

- the New Zealand PPAs between Tilt Renewables and New Trustpower are assumed to have been in effect from 1 April 2013;
- GSP Energy is assumed to have been owned from 1 April 2013 to show comparable pro forma financial performance in all the financial periods;
- excludes one-off gain relating to the acquisition of GSP Energy;
- includes the anticipated corporate and operating costs associated with Tilt Renewables operating as a standalone listed entity; and
- net financing costs and tax expense for the year ended 31 March 2016 adjusted to show the impact of the funding and tax position of Tilt Renewables as if the Demerger had occurred at the beginning of the relevant period.

The Tilt Renewables Business pro forma historical income statements for FY2014 and FY2015 and net operating cash flows for all years are presented before net financing costs and tax expense because, among other things:

- the proposed level of debt within Tilt Renewables following the Demerger is not commensurate with the financing capacity the Tilt Renewables Business would have had or required as part of the integrated group e.g. the ability to fund the capital expenditure required to develop the Snowtown Stage II Wind Farm; and

- the application of Australian tax laws in relation to the assets and operations of the Tilt Renewables Business as part of Trustpower's tax consolidated groups in Australia and New Zealand may not reflect the application of the applicable tax laws to the assets and operations of Tilt Renewables as the head entity of its own Australian and New Zealand tax consolidated groups following the Demerger.

The Tilt Renewables Business pro forma historical statement of financial position has been prepared on the basis that the Demerger occurred on 31 March 2016 and that the Tilt Renewables Business assets and liabilities had been transferred from Trustpower to Tilt Renewables at their carrying value at that time.

The Tilt Renewables Business pro forma historical statement of financial position is presented after adjusting for financial position pro forma adjustments. These adjustments can be summarised as follows:

- restructure steps which will be undertaken before the Implementation Date as discussed in Section 9 *(Implementing the Demerger)*;
- settlement of intercompany loans from Trustpower; and
- the refinancing and drawdown of external borrowings.

The summary pro forma historical financial information for Tilt Renewables has been presented in A$ as the financial information for future financial periods will be presented in A$. Both below and in the NZ$ pro forma historical financial information presented in Appendix 1 *(Pro Forma Historical Information for FY14, FY15 and FY16)* the following NZ$: A$ exchange rates have been used. These rates are the same rates used to convert A$ transactions to NZ$ in the original audited Trustpower financial statements. (Refer to the table below).

Unless otherwise noted, the Tilt Renewables Business Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in the New Zealand International Financial Reporting Standards adopted by the New Zealand Accounting Standards Board, which comply with the recognition and measurement principles of the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The accounting policies used in the preparation of the Tilt Renewables Business Pro Forma Historical Financial Information are consistent with those set out in Trustpower's annual reports for FY2014, FY2015 and FY2016.

The financial information in this Section is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual financial report prepared in accordance with the New Zealand International Financial Reporting Standards.

The Investigating Accountant has prepared an Investigating Accountant's Report in respect of the Tilt Renewables Business Pro Forma Historical Financial Information, a copy of which is included in Section 12 *(Investigating Accountant's Report on the Compilation of the Pro Forma Financial Information)*. The financial information set out below should be read in conjunction with the Investigating Accountant's Report.

More information on pro forma adjustments, the principal assumptions on which the pro forma financial information is based and a reconciliation back to Trustpower's statutory annual accounts, is set out in Appendix 1 *(Pro Forma Historical Information for FY14, FY15 and FY16)*. The financial information in this Section should also be read in conjunction with the risk factors set out in Section 6 *(Advantages, Disadvantages and Risks in respect of the Demerger)*.

Assumed NZ$: A$ exchange rates

	FY14	FY15	FY16
Closing rate used for conversion of balance sheet	n/a	n/a	0.90074
Average rate used for conversion of income statements	0.90064	0.92839	0.91965

Tilt Renewables summary pro forma historical income statements

Tilt Renewables summary pro forma historical income statements

A$000	FY2014	FY2015	FY2016
Electricity revenue	86,840	148,378	156,637
Other operating revenue	434	(210)	(204)
Operating Revenue	**87,274**	**148,168**	**156,433**
Generation production costs	(17,890)	(30,877)	(27,578)
Other operating expenses	(16,183)	(13,723)	(17,245)
Operating Expenses	**(34,073)**	**(44,600)**	**(44,823)**
EBITDAF	**53,201**	**103,568**	**111,610**
Depreciation and Amortisation	(37,937)	(54,128)	(68,507)
Net Financing costs[1]			(28,553)
Other			3,696
Net profit before taxation			**18,246**

Notes:

(1) The pro forma net financing costs have been adjusted to show the effect of the Demerger as if the Demerger was effective from 1 April 2015 by being calculated based on A$612 million of pro forma drawn debt at the applicable interest rate (for the new Tilt Renewables bank facility), commitment fees on A$138 million of undrawn facilities, amortisation of establishment fees and other funding costs associated with managing Tilt Renewables' intra month and intra period funding requirements.

Tilt Renewables summary pro forma historical segment information

Tilt Renewables summary pro forma historical segment information

A$000	FY2014	FY2015	FY2016
New Zealand			
Generation production (GWh)	673	650	724
Generation capacity (MW)	197	197	197
Revenue	36,569	37,270	41,196
EBITDAF	29,028	28,324	34,450
Australia			
Generation production (GWh)	536	1,187	1,197
Generation capacity (MW)	254	386	386
Revenue	50,705	110,898	115,237
EBITDAF	24,173	75,244	77,160
Total			
Generation production (GWh)	1,209	1,837	1,921
Generation capacity (MW)	451	582	582
Revenue	87,274	148,168	156,433
EBITDAF	53,201	103,568	111,610

Management commentary on Tilt Renewables' summary pro forma historical financial performance

Financial year ended 31 March 2014

General operating environment – The Snowtown Stage I, Mahinerangi Wind Farm and Tararua Wind Farms were all fully operational, while the Snowtown Stage II Wind Farm was under construction with some turbines operational. The Snowtown Stage II Wind Farm generated 141GWh with 254MW operational at year end.

Australian wind conditions were slightly better than expected with generation at Snowtown Stage I Wind Farm 2.6% above expected average. NZ wind conditions were below expectations with generation volume 5.1% below expected average.

Costs – generation production costs were in line with expectation based on assets under operation and wind volume. There were no large or one-off items. Development of new wind generation options in Australia was a focus with A$6.3 million expended in the year. Corporate costs of A$8.5 million have been added to the Tilt Renewables cost structure to reflect the increased costs of operating a standalone business.

Financial year ended 31 March 2015

General operating environment – the Snowtown Stage II Wind Farm was progressively completed during the year and became fully operational in September 2014. The Snowtown Stage II Wind Farm generated 819GWh with the full 270MW wind farm operational at year end.

Australian wind conditions were calmer than the expected average, with generation at Snowtown Stage I Wind Farm 6.5% below expectation. NZ wind conditions were also below the expected long run average, with generation volume 8.4% below the expected average.

Costs – generation production costs were in line with expectation based on assets under operation and wind volume. There were no large or one-off items. The increase in costs was due to increased production at Snowtown Stage II Wind Farm. Generation development spend on new wind options was below average at A$3.2 million. Other corporate costs are consistent with the prior year.

Financial year ended 31 March 2016

General operating environment – there were no significant changes to the assets in FY2016. Snowtown Stage II Wind Farm had its first full year of operations.

Australian wind conditions were again calmer than the expected average, with generation 13.0% below expectation. NZ wind conditions were in line with expectations.

Costs – generation production costs were in line with expectations, based on assets under operation and wind volume. There were no large or one-off items. Spending on development options in Australia was A$5.0 million. Other corporate costs are consistent with the prior year.

Other – the A$3.7 million relates primarily to the fair value movement in financial instruments.

Tilt Renewables summary pro forma historical net operating cash flows

The table below summarises Tilt Renewables' pro forma historical net operating cash flows before net financing costs and tax expense but after capital expenditure for FY2014, FY2015 and FY2016.

Following the Demerger, Tilt Renewables will have different net cash outflows relating to financing activities, taxation and dividends. Pro forma adjustments have not been made for these items because the periods presented do not reflect Tilt Renewables' corporate and operating structures, financing arrangements, tax arrangements and capital structure following the Demerger.

Tilt Renewables summary pro forma historical operating cash flows

A$000	FY2014	FY2015	FY2016
Pro Forma EBITDAF	**53,201**	**103,568**	**111,610**
Change in working capital and other	(1,982)	(522)	55
Capital expenditure	(264,027)	(47,856)	(4,301)
Pro forma net operating cash flows before net financing costs and tax expense but after capital expenditure	**(212,808)**	**55,190**	**107,364**

The key driver of capital expenditure over this three year period is the construction of the Snowtown Stage II Wind Farm. FY2016 represents stay in business capital expenditure only, with no large development spend incurred.

Tilt Renewables summary pro forma historical statement of financial position as at 31 March 2016

For the purposes of presenting the pro forma historical statement of financial position, it has been assumed that the Demerger occurred on 31 March 2016.

Tilt Renewables' summary pro forma historical statement of financial position has been prepared in order to give Trustpower Shareholders an indication of Tilt Renewables' statement of financial position in the circumstances noted in the basis of preparation referred to in Appendix 1 *(Pro Forma Historical Information for FY14, FY15 and FY16)*, and does not state the actual financial position of Tilt Renewables at the time of the Demerger. No adjustments have been made to reflect the trading of the Tilt Renewables Business since 31 March 2016.

The most significant item on the balance sheet is the value of wind farm assets. These assets were revalued to fair value as at 31 March 2016. The valuation reflects the value as if the assets were held by Trustpower for the remainder of their lives. It may not reflect the value of the assets to Tilt Renewables or the value if the asset were to be sold.

Tilt Renewables pro forma historical statement of financial position

A$000	FY2016
Cash	5,136
Other Current Assets	26,392
Non-current Assets	1,160,202
Total Assets	**1,191,730**
Current Bank Debt	–
Other Current Liabilities	12,055
Bank Debt	612,231
Other Non-current Liabilities	158,147
Total Liabilities	**782,433**
Net Assets	**409,297**
Represented by	
Equity	**409,297**

NZX AND ASX LISTINGS OF TILT RENEWABLES

If the Demerger proceeds, it is intended that Tilt Renewables will be listed on both the NZX Main Board and the ASX. Tilt Renewables will trade on the NZX under the ticker code "**TLT**".

Tilt Renewables is expected to trade on the ASX, initially under the ticker code "**TRE**" and in February 2017 is expected to adopt the ticker code "**TLT**".

NZX Listing

It is intended that Tilt Renewables Shares will initially be listed on the NZX Main Board commencing two Business Days prior to the Distribution Date on a conditional settlement basis. If you wish to sell your Tilt Renewables Shares on the NZX Main Board during the period of conditional and deferred settlement trading, you must contact an NZX Firm.

Application has been made to NZX for permission to list Tilt Renewables and to quote the Tilt Renewables Shares on the NZX Main Board. All of NZX's requirements relating to that application that can be complied with on or before the date of this Scheme Booklet have been duly complied with. However, NZX accepts no responsibility for any statement in this Scheme Booklet.

This Scheme Booklet, when taken together with the Wrap will constitute a "Profile" for the purposes of the NZX Listing Rules and the compliance listing of Tilt Renewables on the NZX Main Board.

The NZX Main Board is a licensed market operated by NZX, which is a licensed market operator regulated under the Financial Markets Conduct Act 2013.

If implementation of the Demerger does not occur, then all trades in Tilt Renewables Shares during the conditional trading period will be cancelled and be of no effect. Tilt Renewables will then apply to NZX to delist and have the Tilt Renewables Shares ceased to be quoted on the NZX Main Board.

ASX Listing

Application will be made following the dispatch of this Scheme Booklet to ASX for Tilt Renewables to be admitted to the official list of ASX as an ASX foreign exempt listing and for the Tilt Renewables Shares to be granted official quotation on the financial market operated by ASX, initially on a deferred settlement basis. ASX is not a registered market under the Financial Markets Conduct Act 2013.

If Tilt Renewables is admitted as an ASX foreign exempt listing, it will still need to comply with the NZX Listing Rules (other than as waived by NZX), but will not need to comply with the vast majority of the ASX Listing Rule obligations. Instead, Tilt Renewables will need to comply only with the rules specified in ASX Listing Rule 1.15, which are relatively procedural in nature. Tilt Renewables will not be subject to substantive ASX Listing Rule requirements such as the rules on continuous disclosure, periodic reporting, shareholder approval of share issuances, escrow, transactions with persons of influence and significant transactions.

ASX takes no responsibility for the contents of this Scheme Booklet or for the merits of the Demerger to which this Scheme Booklet relates. Admission to the official list of ASX and quotation of the Tilt Renewables Shares on the ASX are not guaranteed and are not to be taken as an indication of the merits, or as an endorsement by ASX, of the Demerger, Tilt Renewables or the Tilt Renewables Shares.

Failure to achieve admission to list on ASX will not, of itself, prevent the Demerger from proceeding.

It is expected that the Tilt Renewables Shares will initially be quoted on the ASX on a deferred settlement basis. Trading will be on a deferred settlement basis until Tilt Renewables has advised the ASX that holding statements have been dispatched. Normal settlement trading (on a 'T+2' basis) is expected to commence on the ASX within two Business Days of the Distribution Date. This means that during the deferred settlement trading period, a holder of Tilt Renewables Shares who sells their Tilt Renewables Shares on the ASX during the deferred settlement trading period will not receive the proceeds of such a sale until the commencement of normal settlement trading.

Holding Statements

Holding statements for Tilt Renewables Shares transferred to Trustpower Shareholders under the Demerger will be issued and mailed as soon as practicable after the Distribution Date. Trustpower Shareholders can confirm their shareholdings by contacting Computershare, whose contact details are set out in the Corporate Directory.

Selling Tilt Renewables Shares on ASX and CHESS

Tilt Renewables will apply to participate in CHESS in accordance with the ASX Settlement Operating Rules. CHESS is an automated transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic (i.e. paperless) form.

Shareholdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister. The Tilt Renewables Shares held by a person who is a participant in CHESS or a person sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Tilt Renewables Shares will be registered on the issuer-sponsored subregister.

08

NEW TRUSTPOWER AFTER THE DEMERGER

SECTION 8: NEW TRUSTPOWER AFTER THE DEMERGER

BUSINESS

New Trustpower will be a Tauranga-based utility company engaged in the development, ownership and operation of hydro electricity generation facilities and the retail sale of energy and telecommunications services to customers. It will principally comprise Trustpower's current New Zealand and Australian hydro generation plants and the New Zealand customer base.

New Trustpower will be New Zealand's fifth largest electricity generator and the fourth largest retailer of energy as Trustpower is today, with an estimated market share of approximately 13% of all New Zealand electricity customers. New Trustpower will supply electricity to around 280,000 homes and businesses, supply gas to around 31,500 customers, and provide around 65,000 customers with telephone and broadband services.

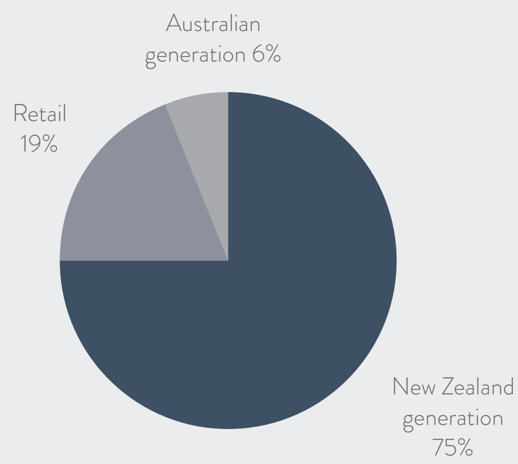
Under long term market based PPAs with Tilt Renewables, New Trustpower will buy the electricity generated from the New Zealand wind farms transferred to Tilt Renewables under the Demerger.

Key features of New Trustpower

Following the Demerger, New Trustpower's business functions will be organised into the following three segments:

- **New Zealand Generation:** the generation of electricity by hydro power schemes across New Zealand (and a small diesel peaking unit in Northland). The New Zealand segment will also include the supply of stored water for irrigation purposes;
- **Australian Generation:** the generation of renewable electricity in Australia from the GSP hydro schemes in New South Wales; and
- **Retail:** the retail sale of electricity, gas and telecommunication services to customers in New Zealand.

Indicative pro forma EBITDAF by segment (FY16)



Source: Trustpower

New Trustpower's generation assets

New Trustpower will own and operate a portfolio of hydro generation assets across New Zealand, three hydro generation assets in New South Wales, Australia and a small diesel peaking unit in Northland. New Trustpower's New Zealand assets will generate approximately 5% of New Zealand's total annual electricity output.

The New Zealand generation stations and irrigation water supply assets comprise:

- 38 hydro power stations across 19 power schemes, totalling 424MW*;
- a small diesel power station that runs to support the business in high price periods; and
- the supply of irrigation water using the Coleridge and Highbank Power Schemes, as well as a 20% shareholding in Rangitata Diversion Race Management Limited (New Zealand's largest irrigation scheme).

*Note: Excludes King Country Energy generation assests.

The New Zealand generation business sells the electricity it produces into the New Zealand electricity market, as it will do in respect of the electricity it purchases from Tilt Renewables' New Zealand wind farms following the Demerger.

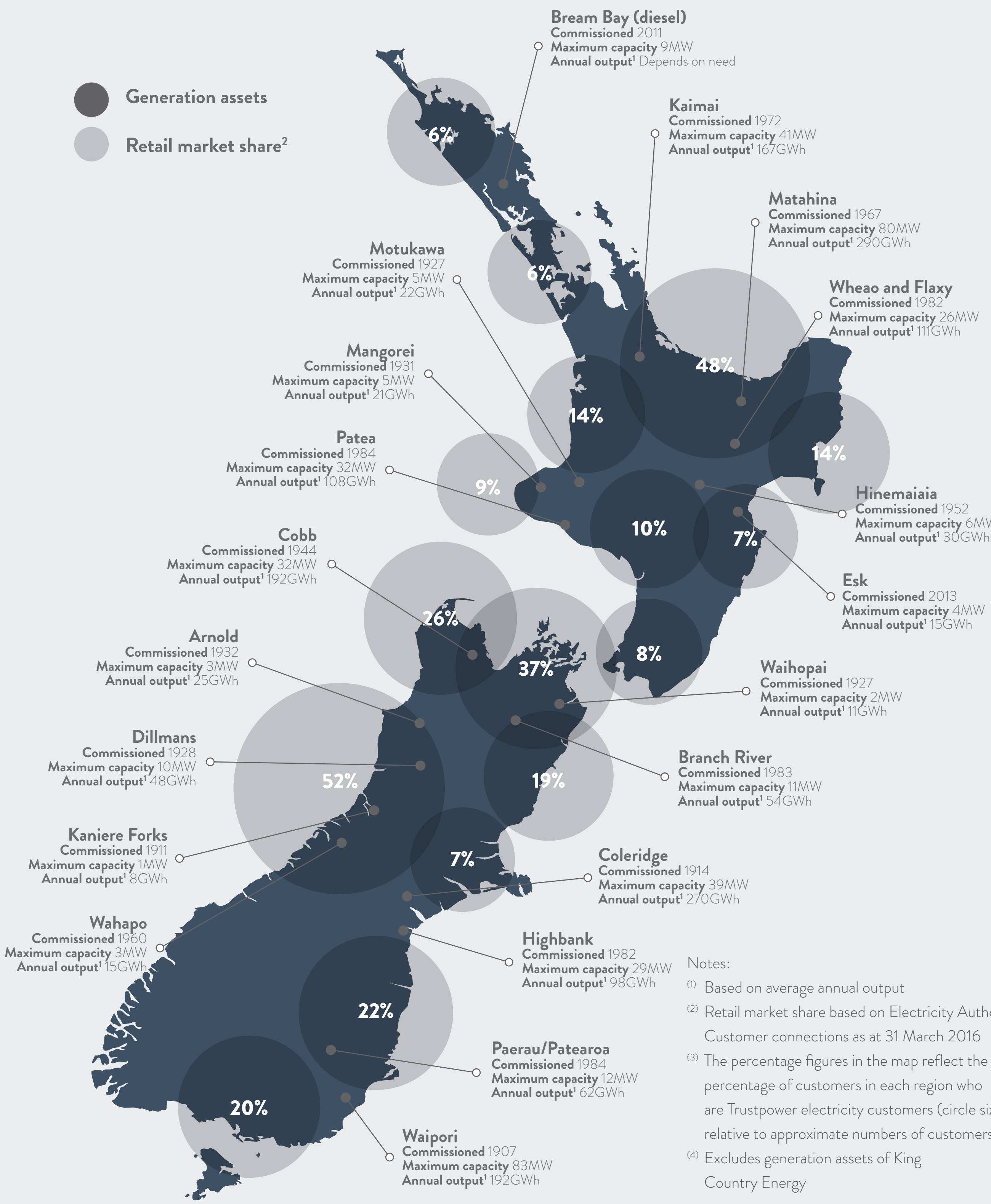
The Australian generation business will be the smallest part of New Trustpower's operations and will comprise the hydro section of the GSP assets acquired by Trustpower in 2014. Electricity will be sold into the Australian wholesale market.

New Trustpower's generation asset portfolio has a number of features including:

- geographic diversity provides a hedge against different climatic conditions and the impact such conditions can have on individual generation schemes and schemes as a whole;
- New Trustpower's large number of operational units provide an inbuilt resilience against the impact of any individual unit failure;
- hydro stations tend to have very long economic lives. For example, the Waipori scheme has been operational for over 100 years; and
- being largely hydro based, New Trustpower benefits from a low marginal cost of generation.

There are options for further optimisation of the hydro portfolio in both countries which are expected to incrementally improve financial performance over time.

OVERVIEW OF NEW TRUSTPOWER'S GENERATION ASSETS AND CUSTOMER MARKET SHARE



Notes:

(1) Based on average annual output

(2) Retail market share based on Electricity Authority Customer connections as at 31 March 2016

(3) The percentage figures in the map reflect the percentage of customers in each region who are Trustpower electricity customers (circle size relative to approximate numbers of customers)

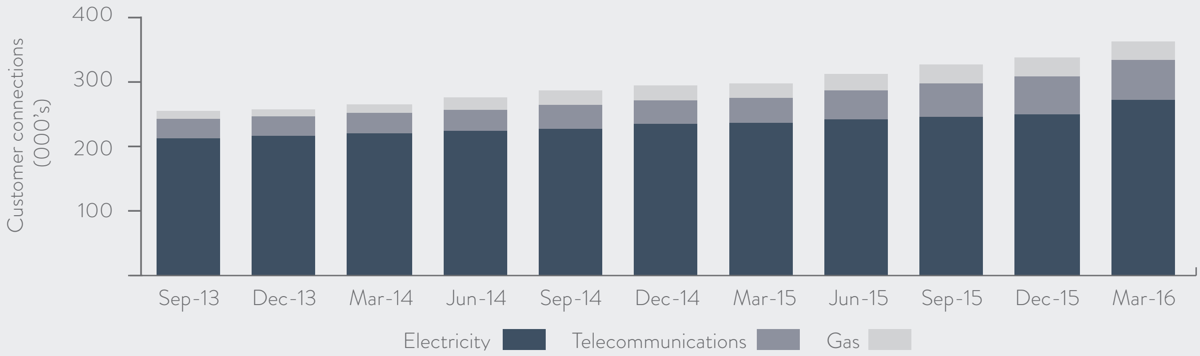
(4) Excludes generation assets of King Country Energy

Source: Electricity Authority as at 31 March 2016

Multi-product retail business

Trustpower's multi-product retail offering has given it a point of difference in a crowded and competitive New Zealand utility market enabling Trustpower to continue to grow both energy and telecommunications customer connections. The expectation is that this strategy will continue to be pursued by New Trustpower.

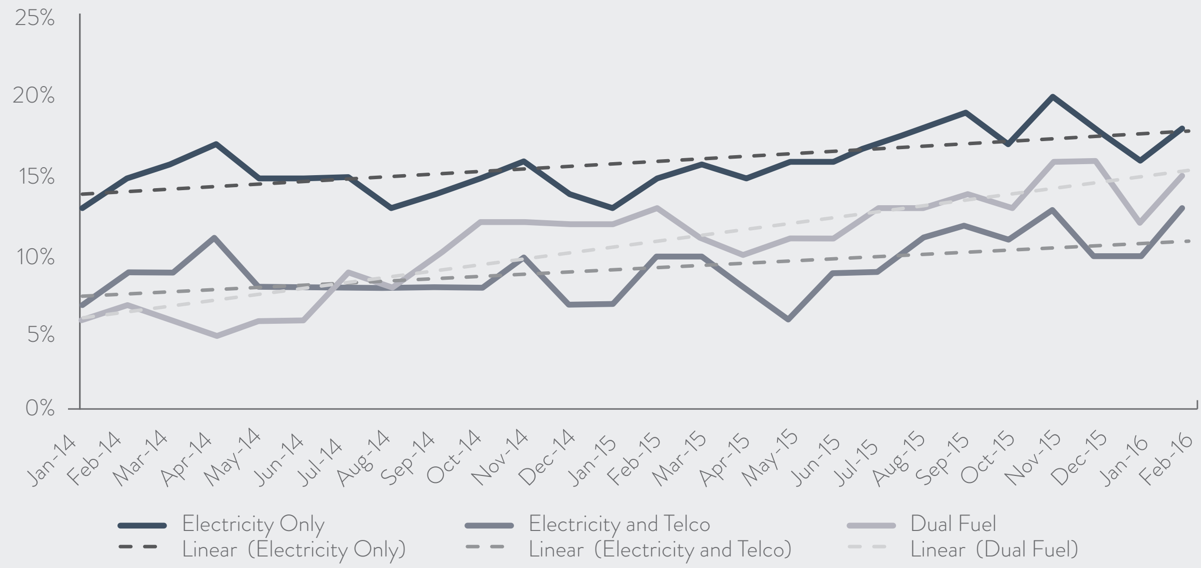
Trustpower customer connections by segment



Trustpower has been able to maintain strong retail margins through fostering a close connection with its retail customer base. It has a strong contracted position and lower customer churn rates than the market average – two out of three new customers of Trustpower take a multi-product service, including telecommunication services.

TECT has historically provided eligible Trustpower customers in Tauranga and the Western Bay of Plenty region with a payment decided by TECT annually. To be eligible, Trustpower customers must have a property which receives electricity from Trustpower within this region. Trustpower has historically experienced lower churn among these customers. After the Demerger, New Trustpower will assume the retail customer base in this region and TECT has confirmed that it will continue to provide eligible customers with an annual payment.

Electricity only against multi-product churn



STRATEGY

Demand growth for grid-sourced electricity in New Zealand has moderated since the mid-2000s, due to a number of factors including slowing rates of new electricity connections, a reduction of large scale electricity intensive manufacturing, increased population density, improved energy efficiency and increased penetration of distributed generation, e.g. solar panels. Lower demand growth and an excess of supply of electricity generation is expected to keep downward pressure on electricity wholesale prices in the near term.

Overall population growth, a stronger economy and increased penetration of electric vehicles may create load growth in the future. However, the timing and extent of this is uncertain.

The New Zealand retail electricity market is highly competitive when measured in terms of customer switching rates. There have been a significant number of new entrants, which have grown their customer bases largely at the expense of the large incumbent retailers over recent years.

Technological changes are also creating significant change in electricity and telecommunications markets in New Zealand and overseas. Demand for high speed broadband and bandwidth has increased due to, in part, online entertainment becoming more common. New Zealand telecommunication customers spend more time online for this and other reasons. Coupled with the rollout of the open access ultra-fast broadband network, this creates a growing opportunity for revenue expansion in telecommunications, albeit that the telecommunications market is also highly competitive.

New Trustpower aims to be the leading provider of multiple products in New Zealand, providing a high quality multi-product service to its customers incorporating electricity, gas and telecommunications.

The key features of New Trustpower's business strategy are:

- executing Trustpower's multi-product retail strategy by adding both customers and products per customer;
- taking advantage of opportunities created by new technology to improve the customer experience and develop new products and services;
- optimising the value created by Trustpower's existing hydro generation assets in Australia and New Zealand and the water rights they control. Conveyance of water for irrigation of land used for agriculture is a potentially valuable opportunity to develop; and
- making acquisitions which are aligned with New Trustpower's existing business and where New Trustpower can add value, such as the recent acquisitions of GSP and the 65% interest in King Country Energy.

In addition, New Trustpower will remain focused on maintaining and strengthening the good relationships that it enjoys with the communities in which it operates and its key stakeholders.

RISKS IN RESPECT OF NEW TRUSTPOWER

In addition to the risks set out in Section 6 *(Advantages, Disadvantages and Risks in respect of the Demerger)* there are a number of existing risks faced by Trustpower which will be faced by New Trustpower after the Demerger. Most of the risks noted below exist irrespective of whether the Demerger proceeds, but if the Demerger proceeds they will be substantially concentrated in New Trustpower. These risks include:

PPA counterparty risk

After the Demerger, Tilt Renewables will become responsible for the operation and maintenance of the Tarurua Scheme and Mahinerangi Wind Farm, the output of which New Trustpower is purchasing. These wind farms provide approximately 16.2% of New Trustpower's annual electricity sales. If Tilt Renewables fails to maintain these assets or otherwise causes electricity output to drop, New Trustpower will have to procure that shortfall through other channels, including the spot market.

Financing

Because of its reduced size and diversification of earnings, lenders may provide less favourable terms to New Trustpower than they have to Trustpower. This may cause the cost of raising capital to be higher for New Trustpower than Trustpower.

Regulatory uncertainty

The Electricity Authority has recently released proposals relating to how electricity transmission charges are to be set and allocated. More particularly, the Electricity Authority proposes change to the Transmission Pricing Methodology (TPM), and removal over two years of the Avoided Cost of Transmission (ACOT) regime to be replaced by individual contracts between scheme owners and Transpower. If implemented in the form proposed, New Trustpower is highly likely to suffer a material drop in earnings from the ACOT regime. The exact outcome and quantification is uncertain, but will almost certainly be materially financially negative for New Trustpower.

New Trustpower will largely be a hydro generator and therefore reliant on access to water to generate electricity. It must comply with a large number of resource consent conditions to maintain access. Ensuring access to this water resource over the life of the assets is dependent on the management of, and compliance with, these conditions, but is also subject to that access remaining uninhibited by any policy change relating to water access rights.

Operational risks

These risks include:

- fluctuations in rainfall that adversely affect hydro generation volumes;
- increases in maintenance costs for the hydro generation plants;
- operational issues impacting on generation production;
- transmission system failure;
- environmental and planning law changes; and
- labour disputes.

Multi-product retailing

The highly competitive retail utility markets, flat wholesale electricity demand and regulatory changes make it harder to deliver earnings growth. Trustpower has adopted a multi-product strategy combining energy and telecommunication services in response to these market conditions. There is a risk that competitors may also adopt this strategy, which may reduce New Trustpower's point of difference with customers.

The telecommunications market is highly competitive. Competitors of New Trustpower may adopt a strategy of bundling telecommunications services with electricity services or other products. This may undermine New Trustpower's point of difference with customers.

Retail electricity sales

The volume and price at which New Trustpower will be able to sell electricity could materially influence its financial performance. Volume and price may be adversely affected by:

- competitor behaviour such as discounted pricing;
- alternative retail models such as peer-to-peer trading;
- customer behaviour, such as reduced demand due to increased energy efficiency and the adoption of distributed generation technologies (such as photovoltaic solar); and
- factors that affect longer-term wholesale electricity prices. These include generation capacity being increased before it is required in the market, a significant gas discovery, a reduction in demand in the industrial sector, adverse conditions in the economy, adverse regulatory changes or overall warming of the climate.

Wholesale electricity prices

Overall, New Trustpower benefits from higher wholesale electricity prices provided these are passed through to consumers. New Trustpower is substantially a price taker in the wholesale electricity market with many of the factors that affect wholesale electricity prices outside of its control. For example, rainfall, wind flows, competitor activities, significant changes in the balance between supply and demand (for example, the closure of the Tiwai Point aluminium smelter) and regulatory settings.

General market risks

There can be no assurance that an active trading market in the New Trustpower Shares will develop or that the price of New Trustpower Shares will increase. There may be relatively few potential buyers or sellers of New Trustpower Shares on the NZX Main Board. This may increase the volatility of the market price of New Trustpower Shares. It may also affect the prevailing market price at which New Trustpower Shares are able to be sold.

Factors such as changes in the New Zealand or international regulatory environment, New Zealand or global equity and debt markets, New Zealand dollar and the New Zealand and global economy could cause the market price of New Trustpower Shares to fluctuate after the Demerger.

BOARD/MANAGEMENT/CORPORATE GOVERNANCE

Following implementation of the Demerger, the board of directors of New Trustpower will initially be made up of Paul Ridley-Smith (Chairman), Richard Aitken, Alan Bickers, Marko Bogoievski, Sam Knowles, Susan Peterson and Geoff Swier.

Vince Hawksworth, the current Chief Executive Officer of Trustpower, will be the Chief Executive Officer of New Trustpower. New Trustpower will retain the Trustpower executive team with the exception of Robert Farron and Deion Campbell who will transfer to Tilt Renewables on implementation of the Demerger. Robert and Deion will be replaced by Kevin Palmer and Peter Lilley, as acting Chief Financial Officer and acting General Manager - Generation respectively.

Biographies for these proposed directors and senior management are set out below.

Board

Name: Paul Morton Ridley-Smith
Qualifications: LLB, MBA (Columbia)
Biography: Paul was a senior executive with H.R.L. Morrison & Co Limited, the manager of Infratil, from 1998 to 2011, re-joining early in 2015. From 2011 to 2014 he was General Counsel at Contact Energy Limited. He has previously been a director of various Infratil group and Contact Energy subsidiaries and is currently a director of Arvida Group Limited and King Country Energy Limited. Paul was also a member of the NZ Markets Disciplinary Tribunal for six years. Paul has been a non-independent director of Trustpower since 31 December 2015, and upon implementation of the Demerger he will become the non-independent chairman of New Trustpower. Paul lives in Wellington.

Name: Richard Hammond Aitken
Qualifications: BE(Hons), M.Eng.Sc. (Syd)
Biography: Richard brings extensive experience in engineering, project management and associated contractual matters, for major power and water infrastructure projects. He is also Executive Chair of the Beca Group, having previously been the Beca Group CEO, and has been with Beca for over 40 years. Richard has been an independent director of Trustpower since 14 May 2010, and upon implementation of the Demerger he will become an independent director of New Trustpower. Richard lives in Auckland.

Name: Alan Norman Bickers
Qualifications: MNZM, JP, BE, GDipBS, CFInstD (NZ), DistFIPENZ, FAMINZ
Biography: Alan has a long history of governance in private companies, Government Boards, Crown Entities and not for profit organisations. He is a civil engineer with a background in water resources and environmental matters, with a particular interest in renewable generation of electricity and sustainable management of the environment. He was formerly Chief Executive of Tauranga City Council and is a Chartered Fellow of the Institute of Directors and Distinguished Fellow of the Institution of Professional Engineers. Alan has been a non-independent director of Trustpower since 1 September 2014, and upon implementation of the Demerger he will become a non-independent director of New Trustpower. Alan was made a Member of the New Zealand Order of Merit (MNZM) in 2015 for services to the community. Alan lives in Tauranga.

Name: Marko Bogoievski
Qualifications: BCA, FCA, MBA (Harvard)
Biography: Marko is the Chief Executive of both H.R.L. Morrison & Co Limited and Infratil. He is also a director of Infratil and a number of Infratil subsidiary companies. He is a chartered accountant and prior to joining Infratil, was the Chief Financial Officer at Telecom. Marko has previously worked for a number of years in New York after earning his MBA from Harvard University. He is a Fellow of the New Zealand Institute of Chartered Accountants. Marko has been a non-independent director of Trustpower since 26 February 2009, and upon implementation of the Demerger he will become a non-independent director of New Trustpower. Marko lives in Lower Hutt.

Name: Ian Samuel Knowles (Sam)
Qualifications: MSc(Hons)
Biography: Sam has considerable experience in the banking and insurance industry. He has been a senior manager for trading banks in New Zealand and Australia, specialising in areas including strategic planning, retail services, marketing and business development. Sam was previously the founding Chief Executive of Kiwibank and is now a director of a number of publicly listed and private companies. Sam has been an independent director of Trustpower since 31 August 2007, and upon implementation of the Demerger he will become an independent director of New Trustpower. Sam lives in Wellington.

Name: Susan Ruth Peterson
Qualifications: BCom, LLB
Biography: Susan is currently an independent director of Property for Industry Limited, Vista Group International Limited, Compac Holdings Limited, The New Zealand Merino Company Limited and Organic Initiative Limited. Susan is also a Member of the NZ Markets Disciplinary Tribunal. Susan's earlier career was in law and financial services where she held a number of senior management roles at ANZ. Susan has been an independent director of Trustpower since 27 August 2015, and upon implementation of the Demerger she will become an independent director of New Trustpower. Susan lives in Auckland.

Name: Geoffrey Jon Campbell Swier (Geoff)
Qualifications: MCom (Econ)
Biography: Geoff joined the Trustpower Board in 2007, and is also Chair of the Audit Committee. His other roles include Director of Melbourne consulting firm, Farrier Swier Consulting, a board member of Health Purchasing Victoria and a member of the ARENA Advisory Panel. Geoff has over 25 years of experience in micro-economic reform, notably in the establishment of competitive energy markets and privatisation in Australia and New Zealand and in the development of water industries in Australia and Asia. His past roles include being a Member of the Australian Energy Regulator and Associate Member of the Australian Competition and Consumer Commission. Upon implementation of the Demerger he will become an independent director of Tilt Renewables and New Trustpower. Geoff lives in Melbourne.

The address at which each of the intended members of the New Trustpower Board can be contacted is at the registered office of New Trustpower, which is currently at the same address as for Trustpower as set out in the Corporate Directory. The registered office of New Trustpower may change from time to time. The registered office can be searched online at www.business.govt.nz/companies under the name of New Trustpower, which following the Demerger, will be Trustpower Limited.

Senior management

Role: Chief Executive Officer
Name: Vincent James Hawksworth (Vince)
Qualifications: MBA, FIPENZ, FIEAust
Biography: Vince joined Trustpower in 2010. Originally from the UK where he worked for British Coal, Vince moved to New Zealand with his family in 1993. Vince was Production Manager at Huntly Power Station before he undertook roles as General Manager Generation and General Manager Retail with Genesis Energy. Prior to joining Trustpower, Vince was appointed CEO for Hydro Tasmania in 2006. Vince studied mining engineering at Trent Polytechnic in Nottingham, UK and has an MBA from Waikato University. He is a Fellow of the Institution of Professional Engineers New Zealand, a Fellow of the Institution of Engineers Australia and a member of the Institute of Directors.

Role: Acting Chief Financial Officer
Name: Kevin Palmer
Qualifications: BMS, PGCert(Mgt), CA
Biography: Kevin joined Trustpower in 2007 and has been Financial Controller for 9 years. Over the last year he has acted in the Chief Financial Officer role. In these roles he has been responsible for providing strategic support to the Chief Financial Officer and managing the operations of the finance function that includes over $1.3 billion of debt funding facilities, capital raising, investor relations, treasury, financial reporting and financial transaction processing. He joined Trustpower following a role as Chief Financial Officer and Company Secretary in an electricity lines distribution company. He has had over 20 years' experience working in the electricity industry. He is a member of the Institute of Chartered Accountants New Zealand and Australia.

Other members of New Trustpower's senior leadership team are:

Peter Calderwood *(General Manager Strategy & Growth)*;
Simon Clarke *(General Manager Solutions & Technology)*;
Melanie Dyer *(General Manager People & Culture)*;
Peter Lilley *(Acting General Manager Generation)*;
Craig Neustroski *(General Manager Trading)*; and
Chris O'Hara *(General Manager Commercial Operations)*.
Chris has announced his intention to retire from Trustpower/New Trustpower in September 2016.

Employees

Those employees of Trustpower who are engaged in the business to be undertaken by New Trustpower will, immediately following the Demerger, become employees of New Trustpower. It is expected that New Trustpower will have a workforce totalling approximately 750 full time equivalent people, based principally in New Zealand.

Corporate governance

Immediately following the Demerger, New Trustpower's corporate governance arrangements will be broadly consistent with those existing for Trustpower prior to the Demerger. Trustpower's key policies and charters can be found at www.trustpower.co.nz/company-and-investor-information/governance-documents.

Board remuneration details

The remuneration of the New Trustpower Board has been set by the Trustpower Board as a pool equal to $705,000 and permits the fees paid to any of New Trustpower's Board to be paid in part or in whole by the issue of ordinary shares, provided that the issue is in compliance with NZX Listing Rule 7.3.1.

The above amount is consistent with the remuneration pool approved by Trustpower Shareholders in respect of the Trustpower Board (which comprises $165,000 for the Chair and $90,000 on average for each other director).

Effective from 1 April 2017, the pool from which to pay remuneration to the New Trustpower Board has been set at $800,000.

Constitution

The constitution of New Trustpower incorporates by reference the requirements of the NZX Listing Rules and requires New Trustpower to comply with the NZX Listing Rules for so long as the New Trustpower Shares are quoted on the NZX Main Board. The constitution of New Trustpower to apply from the Demerger has been prepared reflecting the existing constitution of Trustpower but with the following principal changes:

- Trustpower's constitution includes the NZX Listing Rules required to be included in an issuer's constitution by expressly stating them. However, as the NZX Listing Rules have been amended over time Trustpower's constitution has not been updated to reflect those changes. Rather, Trustpower has relied upon a general clause in the constitution that, notwithstanding any other provision of the constitution, Trustpower may do anything permitted by the NZX Listing Rules and if a provision of the constitution is inconsistent with the NZX Listing Rules, the NZX Listing Rules prevail. The constitution of New Trustpower incorporates the relevant NZX Listing Rules by reference (similar to many other companies listed on NZX) rather than expressly setting them out, to avoid having to amend the constitution as NZX changes the NZX Listing Rules from time to time.
- The following matters in Trustpower's existing constitution have been replicated in New Trustpower's constitution (with amendment as noted):
  - » maintaining the head office and a significant permanent operational and senior management presence in the Tauranga region;
  - » subject to a special resolution authorising otherwise, the board of New Trustpower must not authorise a distribution where, immediately after the distribution, the net debt divided by total tangible assets of the New Trustpower Group (being New Trustpower and its subsidiaries) would exceed 50%. This does not apply to restrict a distribution of New Trustpower's annual net profit after tax being paid as a distribution. (This has been amended from the position set out in Trustpower's constitution which refers only to the net debt and total tangible assets of Trustpower, and does not include Trustpower's subsidiaries). This restriction ceases upon:
    - any party (excluding Infratil or an associated person of Infratil Limited) making a full offer in accordance with the Takeovers Code and that full offer is declared unconditional; or
    - TECT and/or the TECT Charitable Trust (or nominees of either of them which are wholly-owned by either of them) in aggregate ceases to beneficially own at least 25% of the ordinary shares of New Trustpower; and
  - » the right for any shareholder who beneficially owns at least 25% of the ordinary shares to appoint and subsequently remove a director. This remains subject to the NZX Listing Rule requirements, which include provisions that if such a right is exercised the shareholder may

not vote on other director elections and the right can only be exercised if the proportion the director appointed bears to the total number of directors in the office after the appointment does not exceed the proportion of votes held by the appointing shareholder. For example, if the shareholder held 25% of New Trustpower's ordinary shares, it would hold 25% of the votes. It can appoint one director provided that, after the appointment, New Trustpower will have at least four directors. It has been clarified that the director able to be removed is the director whom the relevant shareholder appointed.

- A new clause has been inserted providing for vacation of office of a director if the director has for more than six months been absent without board approval from board meetings during that period. This is a common clause in constitutions.
- The obligation for a director to retire at the next annual meeting after they turn 70 (and at each subsequent annual meeting if they are re-elected) has not been included in New Trustpower's constitution (as it is in Trustpower's constitution). It is not believed that this clause is necessary and nor is it commonly found in other company constitutions.
- The maximum number of directors is seven and no minimum number of directors is specified (although the NZX Listing Rules impose minimum director numbers). As it is in Trustpower's constitution, in the case of an equality of votes at board meetings, the Chairperson will have a casting vote, except at a meeting where only two directors are present in which case the Chairperson does not have a casting vote.
- The ability to undertake matters by the Board by email and how to approve documents which are deeds, have been updated (as have references to laws which have changed).

TAX

New Zealand

Trustpower and New Trustpower are (among others) members of the Trustpower Consolidated Tax Group and in a group of companies for New Zealand GST purposes (the Trustpower GST Group). In accordance with the Demerger, New Trustpower will become the nominated company and representative member of those groups respectively.

The transfer of assets and liabilities by Trustpower to New Trustpower in accordance with the Demerger will occur within the Trustpower Consolidated Tax Group and within the Trustpower GST Group, and therefore should not have any income tax or GST consequences at the time of transfer. However, an income tax liability may arise in the future should New Trustpower leave the Trustpower Consolidated Tax Group. For the avoidance of doubt, New Trustpower is not expected to leave the Trustpower Consolidated Tax Group.

The transfer of Mahinerangi Wind Farm and Kaiwera Downs and Waverley development options from Trustpower to Tararua Wind under the tax consolidation rules, followed by Tararua Wind leaving the Trustpower Consolidated Tax Group as a result of the Demerger, will result in a tax liability for the Trustpower Consolidated Tax Group. This tax liability will be borne by the New Trustpower Group under the Separation Deed. It is anticipated that approximately $39 million of depreciation recovery income will arise, which gives rise to a tax cost of approximately $11 million.

The existing imputation credits in the Trustpower Consolidated Tax Group's imputation credit account will remain in that imputation credit account and be accessible by the Trustpower Consolidated Tax Group following the Demerger. It is expected that New Trustpower will impute dividends in a similar manner as Trustpower currently does.

There will be a negligible amount of available subscribed capital in New Trustpower compared with the available subscribed capital in Trustpower. The relevance of available subscribed capital is that it is not treated as a dividend when returned to shareholders upon liquidation and certain off-market share cancellations.

Australia

Tilt Renewables' wholly owned Australian resident subsidiaries (including GSP prior to the Demerger) are currently members of a consolidated group for Australian tax purposes (the TPAH Tax Consolidated Group). As a result of the Demerger, GSP will become a wholly owned subsidiary of New Trustpower and cease to be a member of the TPAH Tax Consolidated Group. GSP will make a 'clear exit payment' to Trustpower Holdings Australia Pty Ltd (a member of the Tilt Renewables Group) prior to exiting the TPAH Tax Consolidated Group, and as a result GSP should not be liable for any tax liabilities of the TPAH Tax Consolidated Group.

The transfer of the shares held by Tilt Renewables in GSP to New Trustpower should not give rise to any immediate Australian income tax consequences, on the basis that capital gains tax roll-over relief is available. In addition, no duty liability should arise to New Trustpower, Tilt Renewables or Trustpower Shareholders as a result of this transfer due to the availability of corporate reconstruction relief.

The ability of GSP to attach franking credits to dividends paid to New Trustpower will depend on the amount of tax paid in Australia by GSP following the Demerger.

DIVIDEND POLICY

Dividends and other distributions with respect to New Trustpower Shares are made only at the discretion of the New Trustpower Board. The payment of dividends is not guaranteed and New Trustpower's dividend policy may change.

New Trustpower will seek to pay dividends that distribute all available imputation credits in each financial year and provide New Trustpower Shareholders with a consistent level of dividend. Under ordinary business circumstances, the dividend to be declared is determined by reference to New Trustpower's:

- earnings, cashflow, and performance in any given period;
- working capital requirements;
- medium-term fixed asset investment programme;
- investment in new business opportunities; and
- the risks from predicted short and medium-term economic, market and hydrological conditions, and estimated financial performance.

Provided that the New Trustpower Board is satisfied in respect of these matters, it is expected that New Trustpower will have a dividend payout ratio of between 70% and 90% of Free Cash Flow on average over time.

New Trustpower intends to pay dividends semi-annually, typically in June and December each year. The first dividend following the Demerger is expected to be paid in December 2016.

DEBT STRUCTURE

Trustpower intends to refinance its existing bilateral bank debt facilities and then novate those facilities to New Trustpower as part of the Demerger. Following the refinancing, the aggregate principal amount of those facilities will be approximately NZ$805 million, including a short term loan of NZ$425 million which will be available to redeem all of Trustpower's listed bonds if required.

The total amount of debt drawn immediately following the Demerger will depend on the amount of Trustpower's operating, investing and financing cash flows during the period prior to the Demerger and market rates during that period. The facilities described above are considered adequate for the New Trustpower Group in light of its expected earnings.

The table below sets out the series of listed senior and subordinated bonds Trustpower currently has on issue.

Trustpower intends to redeem each series of listed bonds in accordance with their terms, so as to redeem these bonds before the Implementation Date. The proceeds of the short term loan of NZ$425 million referred to above will be used to redeem those bonds and will then be novated to New Trustpower as part of the Demerger.

New Trustpower intends to launch an offer of new bonds prior to the Implementation Date, and issue those new bonds immediately after the Demerger is complete. The proceeds of that issue will be used to repay the short term loan and other bank debt. No money is currently being sought in respect of that offer of new bonds, and those new bonds cannot currently be applied for or acquired (the offer for the new bonds has not yet been launched, but is expected to be launched prior to the Implementation Date). If that offer of new bonds is made, that offer will be made in accordance with the Financial Markets Conduct Act 2013.

Following the Demerger, funding for New Trustpower is expected to be sourced from a combination of its own cash balances, operating cash flows, external bank debt and bonds. It is expected that this will be sufficient

Bond	Amount	Maturity	Interest	Series	Type
TPW090	NZ$65 million	15 December 2016	8.0%	Series 1 Bonds	Senior
TPW100	NZ$75 million	15 December 2017	7.10%	Series 2 Bonds	Senior
TPW110	NZ$140 million	14 September 2019	6.75%	Series 3 Bonds	Subordinated
TPW120	NZ$105 million	15 December 2021	5.63%	Series 4 Bonds	Senior

to allow New Trustpower to carry out its business and stated objectives following the Demerger, and is appropriate having regard to the financial and investment profile of New Trustpower following the Demerger.

New Trustpower will also have arrangements in place with a number of counterparties to permit it to undertake interest rate, foreign exchange and electricity derivative transactions following the Demerger.

Funding terms

The key terms of the new bilateral bank debt facilities (including the novation of those facilities to New Trustpower as part of the Demerger) have been agreed with each of the relevant banks.

The new facilities will be provided on substantially the same terms as Trustpower's existing bank facilities. New Trustpower will enter into a new negative pledge deed (the benefit of which will be given to the banks providing the new facilities as well as the bond trustee for the new bonds) which will be in substantially the same form as Trustpower's existing negative pledge deed (which the existing banks and the existing bond trustee currently have the benefit of).

The terms of New Trustpower's funding arrangements include (among other things) restrictions on disposals, entering into related party transactions, changing its core business and creating security over its assets. Those restrictions are subject to exceptions and generally reflect standard market terms. The terms also include a restriction on paying dividends if an event of default (as defined in the negative pledge deed) has occurred or would result from the payment of the dividend.

The new funding arrangements also include financial covenants, including a requirement that the guaranteeing group (which includes New Trustpower and any of its subsidiaries which guarantee New Trustpower's bank and bond debt) represent at least 90% of the total tangible assets and EBITDAF of the consolidated New Trustpower Group.

King Country Energy

References to the bank debt facilities of Trustpower and New Trustpower in this Section exclude the bank debt facilities made available to King Country Energy.

As King Country Energy is not a wholly owned subsidiary of Trustpower, it has its own separate financing arrangements and it is not party to (and does not guarantee) Trustpower's existing financing arrangements.

SUMMARY OF PRO FORMA HISTORICAL INFORMATION

Introduction to New Trustpower's financial information

New Trustpower earns revenue by generating electricity primarily from its hydro assets in New Zealand and selling this to its retail division at a fixed price. The retail division also sources additional supply from other generators or the wholesale market. The retail division earns revenue by selling electricity, gas and telecommunication services to its customers.

New Trustpower also operates three small hydro schemes in Australia. New Trustpower has no retail presence in Australia so the electricity generated from these assets is sold into the wholesale market at spot prices.

Key drivers of financial performance

The following factors can have an impact on annual financial performance and net cash flows, but are not an exhaustive list of all relevant factors.

Retail market conditions

Customer retail sales prices and sales volumes determine the revenue earned by New Trustpower's retail division. A change in retail competition, national demand and average temperatures can lead to material changes in sales volumes, prices and operating costs. A relatively small change in volumes and prices can substantially affect margins.

New Trustpower will only acquire customers if it thinks they will improve the profitability of the company in the long term. However, in the short term, the cost of acquiring those customers can sometimes have an adverse impact and reduce profitability.

Wholesale price of electricity

The wholesale price of electricity affects New Trustpower's decision about whether to generate, and therefore New Trustpower's generation volumes. Most of the contracts New Trustpower has with other electricity generation companies or the wholesale market are at fixed prices. In an average hydrology year, New Trustpower has more generation capacity than it needs to meet the requirements of its retail division when also taking into account existing contracts with other generators. In periods of excess generation capacity, New Trustpower is therefore a net seller of generation into the wholesale market.

Lower wholesale electricity prices tend to drive lower profitability overall, as this excess electricity generated is sold at lower prices. The opposite tends to happen when wholesale electricity prices increase. In extreme conditions, high prices can reduce profitability if they are coupled with very low hydrology and New Trustpower's generation is not sufficient to meet the requirements of its retail division when also taking into account electricity sourced from other generators.

The most important factors driving variability in wholesale electricity prices are supply and demand of electricity, with supply being particularly affected by the availability of water for hydro generation. The wholesale price over time can have a significant impact on both generation volumes and revenues and the cost of purchasing electricity to supply New Trustpower's customers.

The prevailing wholesale price is affected by both supply and demand factors:

- Because over half of New Zealand's electricity comes from hydro generation, typically the most important factor in any given year affecting overall capacity to supply is hydrological conditions throughout New Zealand. Other factors affecting the supply of electricity and wholesale electricity prices include planned and unplanned power station outages, the commissioning of new power stations (and decommissioning of existing stations), the supply and cost of other generation (such as geothermal), the cost of fuels (such as gas and coal), transmission constraints and the decisions of power station operators to increase or decrease their generation.
- The main short term factor affecting residential demand for electricity is seasonal conditions. Cold weather generally leads to higher consumption due to increased use of electric heating in homes. The limited penetration of air conditioning in New Zealand means high summer temperatures do not affect electricity demand as much as in some other countries. Commercial and industrial demand is primarily affected by general economic conditions (currency, interest rates, population growth, commodity prices and general demand growth), as well as supply and demand fundamentals within energy intensive industries such as heavy manufacturing, pulp and paper and aluminium smelting.

Generation output

The volume of New Trustpower's generation output affects the revenue it earns from selling electricity into the wholesale market. In general, the higher the level of generation output, the greater New Trustpower's profitability. The key determinants of output are water inflows and lake storage levels. New Trustpower has only limited capacity to store water from one season to the next. Most of its storage is for a few weeks, at most.

Seasonality

Electricity consumption follows daily and seasonal patterns. Demand is typically lower in warmer months and can increase by more than 30% during colder months. Fluctuations in seasonal weather patterns have a significant impact on the supply of, and demand for, electricity, and therefore on financial performance.

Capital expenditure

New Trustpower has a relatively consistent level of capital expenditure required to maintain its generation schemes. In recent years, there has been an increased focus on the investment in information technology to improve New Trustpower's billing platform and introduce an enhanced digital experience for its customers. A similar level of spend will be required in the future to keep pace with the increasingly digital focus of its customers and the community in general.

Other key drivers

When estimating how much New Trustpower is likely to earn in any given year, consideration should also be given to:

- regulatory changes to the electricity, gas and telecommunications industries;
- transmission and distribution costs associated with transporting electricity and natural gas and the ability to recover these costs from customers;

- costs to serve, which are costs associated with servicing its customer base such as connection/disconnection costs, call centre operations, marketing and metering;
- the wholesale costs of natural gas and LPG to supply its natural gas and LPG customers;
- the wholesale costs of telecommunications to supply telecommunication customers;
- operating and maintenance costs of its generation plant;
- costs associated with running the corporate offices and administrative functions like finance, legal and IT;
- depreciation and amortisation costs;
- net finance expenses; and
- taxation.

Overview of New Trustpower's Financial Performance

This Section contains summary pro forma historical financial information in relation to the New Trustpower Business, including:

- New Trustpower Business pro forma historical income statements for FY2014, FY2015 and FY2016;
- New Trustpower Business pro forma historical net operating cash flows before net financing costs and tax expense but after capital expenditure for FY2014, FY2015 and FY2016; and
- New Trustpower Business pro forma historical statement of financial position as at 31 March 2016.

Basis of preparation

The New Trustpower Business Pro Forma Historical Financial Information has been prepared for illustrative purposes, to assist Trustpower Shareholders to understand the financial position and financial performance of the New Trustpower Business. By its nature, pro forma financial information is illustrative only. Consequently, the New Trustpower Business Pro Forma Historical Financial Information does not purport to reflect the actual or future financial performance for the relevant period, nor does it reflect the actual financial performance and position that would have occurred if the New Trustpower Business had operated as a standalone entity for the relevant period principally because:

- the New Trustpower Business did not operate independently of Trustpower during the periods for which the financial information is presented;
- the New Trustpower Business Pro Forma Historical Financial Information may not reflect the strategies or operations that New Trustpower may have followed or undertaken as a separate entity rather than as part of Trustpower; and
- the New Trustpower Business may have been exposed to different financial and business risks had it operated as a separate entity rather than as part of Trustpower.

The New Trustpower Business Pro Forma Historical Financial Information has been prepared by extracting the financial information of the New Trustpower Business from Trustpower's accounting records. These accounting records were used to generate the audited Trustpower financial statements for FY2014, FY2015 and FY2016. The Trustpower financial statements for these periods are available from Trustpower's website (www.trustpower.co.nz) or the NZX website (www.nzx.com). The Trustpower financial statements for the years ended FY2014, FY2015 and FY2016 have been audited by PricewaterhouseCoopers in accordance with New Zealand Auditing Standards and the audit opinions issued to the members of Trustpower relating to those financial statements were not modified.

The New Trustpower Business pro forma historical income statements and net operating cash flows are presented after adjusting for income statement pro forma adjustments. These adjustments can be summarised as follows:

- the New Zealand PPAs between Tilt Renewables and New Trustpower are assumed to have been in effect from 1 April 2013;
- all of the businesses in New Trustpower, including Energy Direct NZ (EDNZ), GSP Energy and King Country Energy, are assumed to have been owned from 1 April 2013 to show comparable pro forma financial and operating performance in all the financial periods;
- one-off gain relating to the acquisition of GSP Energy has been excluded;
- one-off costs relating to the Demerger have been excluded; and
- net financing costs and tax expense for the year ended 31 March 2016 have been adjusted to show the impact of the funding and tax position of New Trustpower as if the Demerger had occurred at the beginning of the relevant period.

The New Trustpower pro forma historical income statements for FY2014 and FY2015 and net operating cash flows for all years are presented before net financing costs and tax expense because, among other things:

- the proposed level of debt within New Trustpower following the Demerger is not commensurate with the financing capacity the New Trustpower Business would have had or required as part of the integrated group; and
- the application of Australian and New Zealand tax laws in relation to the assets and operations of the New Trustpower Business, as part of Trustpower's Australian and New Zealand tax consolidated groups, may not reflect the application of the tax laws relating to the assets and operations of New Trustpower as the head entity of its own tax consolidated groups following the Demerger.

The New Trustpower Business pro forma historical statement of financial position has been prepared on the basis that the Demerger occurred on 31 March 2016 and that the New Trustpower Business assets and liabilities had been transferred from Trustpower to New Trustpower at their carrying value at that time.

The New Trustpower Business pro forma historical statement of financial position is therefore presented after adjusting for financial position pro forma adjustments. These adjustments can be summarised as follows:

- restructure steps which will be undertaken before the Implementation Date as discussed in Section 9 *(Implementing the Demerger)*;
- the settlement of intercompany loans from Trustpower; and
- the refinancing and the drawdown of external borrowings.

Unless otherwise noted, the New Trustpower Business Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in the New Zealand International Financial Reporting Standards adopted by the New Zealand Accounting Standards Board, which comply with the recognition and measurement principles of the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The accounting policies used in the preparation of the New Trustpower Business Pro Forma Historical Financial Information are consistent with those set out in Trustpower's annual reports for FY2014, FY2015 and FY2016.

The financial information in this Section is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual financial report prepared in accordance with the New Zealand International Financial Reporting Standards.

The Investigating Accountant has prepared an Investigating Accountant's Report in respect of the New Trustpower Business Pro Forma Historical Financial Information, a copy of which is included in Section 12 *(Investigating Accountant's Report on the Compilation of the Pro Forma Financial Information)*. The financial information set out below should be read in conjunction with the Investigating Accountant's Report.

More information on pro forma adjustments, the principal assumptions on which the pro forma financial information is based, and a reconciliation back to Trustpower's statutory annual accounts is set out in Appendix 1 *(Pro Forma Historical Information for FY14, FY15 and FY16)*. The financial information in this Section should also be read in conjunction with the risk factors set out in Section 6 *(Advantages, Disadvantages and Risks in respect of the Demerger)*.

New Trustpower summary pro forma historical income statements and key operating statistics

New Trustpower summary pro forma historical operating statistics

NZ$000	FY2014	FY2015	FY2016
New Zealand generation production (GWh)	1,721	1,751	1,793
New Zealand generation capacity (MW)	478	478	478
Australia generation production (GWh)	325	284	254
Australia generation capacity (MW)	92	92	92
New Zealand wholesale price of generation ($/MWh)	67	71	60
Total utility connections	286,000	322,000	370,000
Customers with two or more utilities	38,000	52,000	77,000

New Trustpower summary pro forma historical income statements

NZ$000	FY2014	FY2015	FY2016
Electricity revenue	755,713	837,949	841,731
Telecommunications revenue	28,783	34,544	50,792
Gas revenue	14,576	22,235	27,336
Other operating revenue	21,762	25,222	27,195
Operating Revenue	**820,834**	**919,950**	**947,054**
Line costs	(237,321)	(283,544)	(293,395)
Energy costs	(184,391)	(218,157)	(200,011)
Generation production costs	(35,032)	(36,579)	(40,809)
Telecommunications cost of sales	(23,261)	(26,942)	(38,188)
Gas cost of sales	(11,624)	(16,681)	(20,050)
Other operating expenses	(95,497)	(114,253)	(141,257)
Operating Expenses	**(587,126)**	**(696,156)**	**(733,710)**
EBITDAF	**233,708**	**223,794**	**213,344**
Depreciation and Amortisation	(40,635)	(47,016)	(47,096)
Net Financing costs[1]			(37,916)
Other			(11,915)
Net Profit before Taxation			**116,417**

Notes:

(1) The pro forma net financing costs has been adjusted to show the effect of the Demerger as if the Demerger was effective from 1 April 2015 by being calculated based on NZ$738 million of pro forma drawn debt at the applicable interest rate (for the new New Trustpower bank facility and retail bonds), commitment fees on NZ$80 million of undrawn facilities, amortisation of establishment fees and other funding costs associated with managing New Trustpower's intra month and intra period funding requirements.

(2) In December 2015 a controlling stake in King Country Energy was acquired. The historical NPBT figures have been adjusted to include full years of trading for King Country Energy. Consistent with GAAP, 100% of the King Country Energy financial results has been included in the consolidated numbers above. The after-tax non-controlling interests for FY14, FY15 and FY16 would have been $1,797,000, $1,396,000 and $2,493,000 respectively. Management obtained historical data, directly from King Country Energy.

New Trustpower summary pro forma historical segment information

New Trustpower results by segment

NZ$000	Retail	Generation New Zealand	Generation Australia	Total
For the Year ended 31 March 2014				
Total segment revenue	714,313	241,989	12,897	969,199
Inter-segment revenue	–	(148,365)	–	(148,365)
Revenue from external customers	**714,313**	**93,624**	**12,897**	**820,834**
EBITDAF	**50,274**	**174,432**	**9,002**	**233,708**
For the Year ended 31 March 2015				
Total segment revenue	815,143	233,798	11,380	1,060,321
Inter-segment revenue	–	(140,371)	–	(140,371)
Revenue from external customers	**815,143**	**93,427**	**11,380**	**919,950**
EBITDAF	**54,535**	**162,769**	**6,490**	**223,794**
For the Year ended 31 March 2016				
Total segment revenue	842,079	229,023	16,347	1,087,449
Inter-segment revenue	–	(140,395)	–	(140,395)
Revenue from external customers	**842,079**	**88,628**	**16,347**	**947,054**
EBITDAF	**41,956**	**159,063**	**12,325**	**213,344**

Management commentary on New Trustpower's summary pro forma historical financial performance

Additional commentary on the New Trustpower Business historical financial performance is available within Trustpower's Annual Report for FY2014, FY2015 and FY2016, which can be found on Trustpower's website (www.trustpower.co.nz).

Financial year ended 31 March 2014

Wholesale price and hydrology – the winter of 2013 was very mild and was characterised by low generation volumes and low wholesale generation prices. Over the whole FY2014 year, generation was 10.8% below the long run average.

Retail conditions – the market for both energy customers and telecommunications customers remained competitive. New Trustpower rebranded the company and began a growth campaign based around a multi-product offering. It also started selling gas for the first time.

Financial year ended 31 March 2015

Wholesale price and hydrology – the winter of 2014 was again mild and was also characterised by low generation volumes and low wholesale generation prices. Over the whole FY2015 year, generation was 9.9% below long run average.

Retail conditions – despite continued competition, New Trustpower's brand proposition and product offering resulted in a significant increase in customer numbers. This, however, resulted in increased costs to acquire new customers. These costs exceeded the increase in gross margin from retail. This is the primary reason for the increase in other operating costs. The expectation is that the increased margin over time will add value for shareholders.

Financial year ended 31 March 2016

Wholesale price and hydrology – the winter of 2015 was, again, mild and was characterised by low generation volumes and low wholesale generation prices. Over the whole FY2016 year, generation was approximately 10% below the long run average. New Trustpower has no way of determining whether this sequence of mild winters is the start of a new trend or just part of the normal variability of weather patterns.

Retail conditions – despite continued competition, New Trustpower's brand proposition and product offering has resulted in a significant increase in customer numbers, particularly in telecommunications. This has, however, resulted in increased costs to acquire new customers. These costs have exceeded the increase in gross margin from retail. These acquisition costs and the additional costs required to service new customers are the primary reasons for the increase in other operating costs.

New Trustpower summary pro forma historical net operating cash flows

The table below summarises New Trustpower's pro forma historical net operating cash flows before net financing costs and tax expenses but after capital expenditure for FY2014, FY2015 and FY2016.

Following the Demerger, New Trustpower will have different net cash outflows relating to financing activities, taxation and dividends. Pro forma adjustments have not been made for these items because the periods presented do not reflect New Trustpower's corporate and operating structures, financing arrangements, tax arrangements and capital structure following the Demerger.

Capital expenditure represents stay in business capital expenditure only, with no large developments forecasted. Capital expenditure in FY2015 was unusually low, with approximately NZ$5 million of capital expenditure delayed. The further increase in FY2016 reflects additional one-off expenditure on a new office building.

In accordance with GAAP and as descibed in Appendix 1 New Trustpower has consolidated the full results of King Country Energy in presenting the financial results including cash flows. The cash flows attributable to King Country Energy are shown in the table headed "New Trustpower summary pro forma historical operating cash flows" below. As a 65% owner New Trustpower may not have full access to these cash flows depending on the dividend policy adopted by King Country Energy.

New Trustpower summary business pro forma historical statement of financial position as at 31 March 2016

Set out in the table overleaf is a summary of the New Trustpower Business pro forma historical statement of financial position, as at 31 March 2016. For the purposes of presenting the pro forma historical statement of financial position, it has been assumed that the Demerger occurred on 31 March 2016.

The New Trustpower Business pro forma historical statement of financial position has been prepared in order to give Trustpower Shareholders an indication of the New Trustpower Business' statement of financial position in the circumstances noted in the basis of preparation referred to in Appendix 1 *(Pro Forma Historical Information for FY14, FY15 and FY16)*, and does not state the actual financial position of the New Trustpower Business at the time of the Demerger. No adjustments have been made to reflect the trading of the New Trustpower Business since 31 March 2016. Refer to the table on page 89.

Assets

The majority of the value of New Trustpower's assets represents the value of the hydro generation assets. These assets were revalued to fair value as at 31 March 2016. The valuation reflects the value as if the assets were held by Trustpower for the remainder of their lives. It may not reflect the value of the assets to New Trustpower or the value if the assets were to be sold.

The current assets are primarily receivables from the sale of electricity, telecommunications and gas.

New Trustpower summary pro forma historical operating cash flows

NZ$000	FY2014	FY2015	FY2016
Pro Forma EBITDAF	**233,708**	**223,794**	**213,344**
Change in working capital and other	15,535	(20,135)	(1,279)
Capital expenditure	(32,141)	(24,581)	(38,101)
Pro forma net operating cash flows before net financing costs and tax expense but after capital expenditure	**217,102**	**179,078**	**173,964**
Included in the above results are pro forma net operating cash flows before net financing costs and tax expense but after capital expenditure attributable to King Country Energy	**9,161**	**14,247**	**17,762**

New Trustpower summary pro forma historical statement of financial position

NZ$000	FY2016
Cash	7,642
Other Current Assets	117,843
Non-current Assets	2,367,917
Total Assets	**2,493,402**
Current Liabilities	102,298
Bank Debt	287,564
Retail Bonds	450,000
Other Non-current Liabilities	300,097
Total Liabilities	**1,139,959**
Net Assets	**1,353,443**
Represented by	
Equity	**1,353,443**

Liabilities

Bank debt and retail bonds reflect the allocation of existing debt in accordance with the process described in Section 8 (*New Trustpower after the Demerger*) under the heading "Debt Structure".

Other current liabilities are accounts payable. Other non-current liabilities are primarily deferred tax arising mostly from the revaluation of generation assets.

NZX LISTING OF NEW TRUSTPOWER

NZX listing

If the Demerger proceeds, it is intended that New Trustpower will be listed on the NZX Main Board. It is not intended that New Trustpower will seek a listing on the ASX.

It is intended that New Trustpower Shares will initially be listed on the NZX Main Board commencing two Business Days prior to the Distribution Date on a conditional settlement basis, under the temporary ticker code "**TPX**". If you wish to sell your New Trustpower Shares on the NZX Main Board during the period of conditional and deferred settlement trading, you must contact an NZX Firm.

It is expected Trustpower will be delisted from NZX and that New Trustpower Shares will trade on a normal settlement basis under Trustpower's existing ticker code "**TPW**" with effect from the Distribution Date.

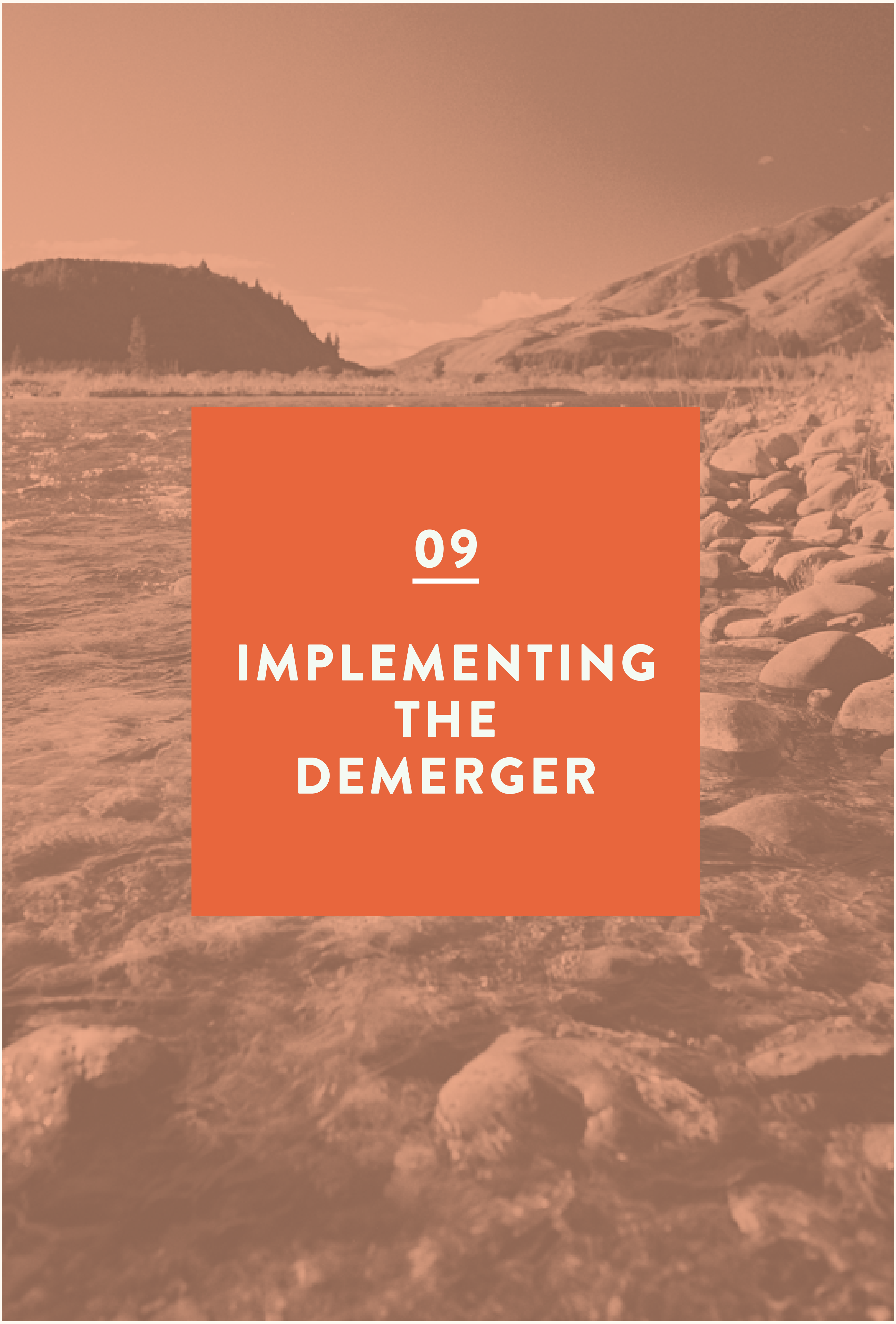
However, if implementation of the Demerger does not occur, then all trades in New Trustpower Shares during the conditional trading period will be cancelled and be of no effect. New Trustpower would then apply to NZX to delist and have the New Trustpower Shares cease to be quoted on the NZX Main Board.

Application has been made to NZX for permission to list New Trustpower and to quote the New Trustpower Shares on the NZX Main Board. All of NZX's requirements relating to that application that can be complied with on or before the date of this Scheme Booklet have been duly complied with. However, NZX accepts no responsibility for any statement in this Scheme Booklet. This Scheme Booklet when taken together with the Wrap will constitute a "Profile" for the purposes of the NZX Listing Rules and the compliance listing of New Trustpower on the NZX Main Board.

The NZX Main Board is a licensed market operated by NZX, which is a licensed market operator regulated under the Financial Markets Conduct Act 2013.

Holding statements

Holding statements for New Trustpower Shares transferred to Trustpower Shareholders under the Demerger will be issued and mailed as soon as practicable after the Distribution Date. Trustpower Shareholders can confirm their shareholdings by contacting the Registry, whose contact details are set out in the Corporate Directory.



09

IMPLEMENTING THE DEMERGER

SECTION 9: IMPLEMENTING THE DEMERGER

CONDITIONS PRECEDENT TO THE DEMERGER

Implementation of the Demerger is subject to a number of conditions being satisfied or waived. The key conditions are summarised below:

- the requisite majority of Trustpower Shareholders passing the Demerger Resolution, as described in Section 4 *(Notice of Special Meeting (including procedural notes))*;
- the Independent Adviser providing a report to Trustpower on the merits of the Demerger, and the Independent Adviser not changing its conclusion or withdrawing its report prior to the meeting of Trustpower Shareholders to approve the Demerger;
- the Court approving the Demerger under Part 15 of the Companies Act with any amendments or variations to what Trustpower proposed in the application for Final Court Orders being acceptable, in all respects, to Trustpower; and
- each of Tilt Renewables and New Trustpower having established satisfactory financing arrangements.

INTERNAL RESTRUCTURE

To establish Tilt Renewables and New Trustpower as the owner of their respective aspects of the business currently owned by Trustpower, a number of internal share and asset transfers and other commercial arrangements have been or will be implemented within the Trustpower Group in connection with the Demerger.

The objective of the Internal Restructure is to ensure that Tilt Renewables and New Trustpower own all the companies, assets, rights and operating liabilities relating to the businesses that will be operated by each of them respectively.

The key elements of the Internal Restructure are as follows:

- entities and assets and liabilities relating to the business to be operated by Tilt Renewables have been or will be transferred to the Tilt Renewables Group;
- to the extent entities and assets and liabilities are not transferred to Tilt Renewables, they are transferred to the New Trustpower Group; and
- certain persons previously employed by the Trustpower Group who will work for the Tilt Renewables Group or New Trustpower Group have been or will be offered continuing employment with the Tilt Renewables Group or New Trustpower Group, as the case may be.

In respect of certain share and asset transfers forming part of the Internal Restructure in Australia:

- the assets and liabilities relating to the Blayney Wind Farm will be transferred from GSP to Blayney and Crookwell Co;
- the 80% participation interest held by GSP in the Crookwell Joint Venture relating to the Crookwell Wind Farm will be transferred from GSP to Blayney and Crookwell Co; and
- subsequent to the transfers referred to above, all of the ordinary shares in GSP will be transferred from Tilt Renewables to New Trustpower.

In order to give effect to a number of the steps forming part of the Internal Restructure, the Separation Deed was entered into between Trustpower, Tilt Renewables, New Trustpower, and Tararua Wind. The Separation Deed as well as the other key Internal Restructure agreements are described in this Section 9 *(Implementing the Demerger)*.

Not all of the transactions underlying the Internal Restructure have been entered into or effected on the same terms as could have been obtained from third parties. In particular, agreements for the transactions underlying the Internal Restructure have not included terms such as warranties that might have been obtained from third parties. This reflects the nature of the Demerger (which is unlike a sale to a third party) and the desire of the Trustpower Board to allocate the risks and benefits between Tilt Renewables and New Trustpower appropriately.

COURT APPROVED SCHEME OF ARRANGEMENT

The Demerger is to be implemented by way of a Court approved scheme of arrangement under Part 15 of the Companies Act. Under this Part of the Companies Act, the Court is empowered to make orders binding on Trustpower, New Trustpower, Tilt Renewables, Tararua Wind, Trustpower Shareholders and other affected parties which in this case will include contractual counterparties. In accordance with the Initial Court Orders made by the Court on 9 August 2016, Trustpower is required to convene a meeting of Trustpower Shareholders to consider the Demerger.

Trustpower has already commenced the Court process to obtain Final Court Orders. Provided that the Demerger Resolution is passed by the requisite majority at the Shareholder Meeting and the other steps required to implement the Demerger as set out in this Scheme Booklet are realised, Trustpower can seek the Final Court Orders. The Final Court Orders will make the Demerger binding on Trustpower and Trustpower Shareholders subject to its terms. A copy of the Initial Court Orders, and Trustpower's application for Final Court Orders is available at www.trustpower.co.nz/TPDemerger. A physical copy can also be viewed at the registered office of Trustpower set out in the Directory.

The Initial Court Orders included the following:

- Any Trustpower Shareholder who wishes to appear and be heard on the Application for Final Orders must file a notice of appearance or a notice of opposition (both containing an address for service within New Zealand) and, if they oppose the application, any affidavits and a memorandum of submissions on which they intend to rely by 5pm on 26 September 2016 and serve a copy on Trustpower at its address for service or email at demerger@trustpower.co.nz. Trustpower shall serve upon that holder at their address for service a copy of the affidavits in support of Trustpower's Application for Final Orders by 5pm on 29 September 2016.
- Any creditor of Trustpower or any other person (other than a Trustpower Shareholder) claiming to have an interest in the Demerger who wishes to appear and be heard on the Application for Final Orders must file an application for leave to be heard on the Application for Final Orders (containing an address for service within New Zealand), a notice of opposition, any affidavits and a memorandum of submissions upon which that person intends to rely by 5pm on 26 September 2016 and serve a copy on Trustpower's address for service. Trustpower shall serve upon that person at their address for service a copy of the affidavits in support of the Application for Final Orders by 5pm on 29 September 2016.

If the Court considers a hearing of the application for Final Court Orders to be necessary, the application for Final Court Orders will be heard by the High Court at Auckland on 6 October 2016. In accordance with the Initial Court Orders, the only persons entitled to appear and be heard at Trustpower's application for Final Court Orders will be:

- Trustpower, New Trustpower, Tilt Renewables and Tararua Wind;
- the Takeovers Panel;
- the proposed liquidators (as discussed in Section 10 (*Liquidation of Trustpower*));
- those holders of Trustpower Shares who file a notice of appearance or a notice of opposition to Trustpower's application for Final Court Orders; and
- those suppliers/creditors of Trustpower or other persons who claim to have an interest in the Demerger who file an application for leave to be heard and a notice of opposition to Trustpower's application for Final Court Orders, and who are subsequently granted leave to appear and be heard at the hearing of Trustpower's application for Final Court Orders.

If the hearing of Trustpower's application for Final Court Orders approving the Demerger is adjourned, only those persons referred to above need be served with notice of the adjourned date.

TAKEOVERS PANEL NO OBJECTION STATEMENT

Under the Companies Act, Trustpower may request a statement from the Takeovers Panel indicating that the Takeovers Panel has no objection to the High Court making orders to approve the Demerger. This is commonly referred to as a "no objection statement".

Trustpower has applied for a "no objection statement". The Takeovers Panel does not issue "no objection statements" until just before documents are filed for the Final Court Hearing in respect of the Scheme. This will not take place until after the Shareholder Meeting.

In the meantime, Trustpower requested from, and has been granted by, the Takeovers Panel a preliminary statement, called a letter of intention, which was presented to the High Court on the Initial Court Date.

The Takeovers Panel has indicated that, on the basis of the documents and information provided to it, it is minded to issue a final "no objection statement" on or before the date specified for the Final Court Orders in the timetable.

In giving a "no objection statement", the Takeovers Panel does not comment on the merits of the Scheme. Rather, the Takeovers Panel's primary question is to consider whether Trustpower Shareholders will be adversely affected by the transaction being implemented by way of a scheme of arrangement under the Companies Act, rather than by a takeover offer under the Takeovers Code. The Takeovers Panel does not consider the fact that a transaction is being effected by the use of a scheme rather than a takeover as an adverse effect in itself. The Takeovers Panel's role is to ensure that appropriate information is put before shareholders and interest classes of shareholders are adequately identified.

Even when a "no objection statement" is granted by the Takeovers Panel, the High Court still has a discretion whether or not to approve the Scheme.

SHAREHOLDER OBJECTION RIGHTS

If you do not support the Demerger, you can vote against the Demerger Resolution at the Shareholder Meeting.

In addition, Trustpower Shareholders may appear and be heard at the application for Final Court Orders (which is expected to occur on 6 October 2016 at the Auckland Registry of the High Court), provided that the Trustpower Shareholder complies with the obligations set out under the heading "Court approved scheme of arrangement" above.

If the application for Scheme approval is opposed, opposition will be heard by the High Court on 6 October 2016, unless the Final Court Hearing is adjourned to a later date to be fixed by the High Court.

The Takeovers Panel may consider an objection by a shareholder or other interested party to a scheme proposal when determining whether to provide a "no objection statement". Written complaints can also be submitted directly to the Takeovers Panel (whether or not a "no objection statement" is granted) by email: takeovers.panel@takeovers.govt.nz.

There are no other dissent or buy-out rights for Trustpower Shareholders who do not support the Scheme.

If you do not want to participate in the Scheme, you are free to sell your Trustpower Shares at any time before close of trading on the NZX Main Board on the date which is two Business Days before the Record Date.

NZX WAIVERS AND RULINGS

NZX Listing Rule 3.4.3

NZX has granted a waiver from NZX Listing Rule 3.4.3 so that the full Trustpower Board may vote on any board resolutions necessary to consider, progress, or give effect to the Demerger, notwithstanding that some of the Trustpower Board may be "interested" in the Demerger due to being representatives of Infratil and TECT respectively. That waiver is subject to the following conditions:

- the waiver will only apply to those resolutions required to take the necessary steps to progress the Demerger, to put the Demerger before Trustpower Shareholders, and to implement the Demerger if it is approved by Trustpower Shareholders;
- the waiver will only apply to the Trustpower Board who are considered to be "interested" in terms of section 139 of the Companies Act, as a result of their relationships to Infratil and TECT; and
- the waiver is disclosed in this Scheme Booklet.

NZX Listing Rule 3.5.1

NZX has granted a ruling that an ordinary resolution passed by Trustpower to authorise the remuneration to be paid to the New Trustpower Board and the Tilt Renewables Board is an Ordinary Resolution of each of those companies as "Issuers", to authorise the remuneration paid to those directors for the purposes of NZX Listing Rule 3.5.1 and that NZX Listing Rule 7.3.8 will apply to allow such remuneration to be satisfied by the issue of shares.

NZX Listing Rule 5.2.3

NZX has granted a ruling that it considers that each of Tilt Renewables and New Trustpower will have a spread of security holders which is sufficient to ensure that there is a sufficiently liquid market in the Tilt Renewables Shares and New Trustpower Shares, respectively, for the purposes of NZX Listing Rule 5.2.3.

This ruling allows each of Tilt Renewables and New Trustpower to replicate the shareholdings that will exist in Trustpower immediately prior to the Demerger. Notwithstanding this ruling, the liquidity position of New Trustpower and/or Tilt Renewables may change (positively or negatively) in the future.

The ruling in relation to NZX Listing Rule 5.2.3 is subject to the conditions that:

- Trustpower clearly and prominently discloses the ruling and its implications in this Scheme Booklet.
- Tilt Renewables and New Trustpower clearly and prominently disclose the ruling and its implications in their annual reports in relation to any period during which the ruling was relied upon for the whole or part of that period.
- Tilt Renewables and New Trustpower (as applicable) notify NZX Regulation as soon as practicable if there has been a material reduction in:
    - » the total number of members of the public holding at least a Minimum Holding (as defined in the NZX Listing Rules) of the ordinary shares in the relevant entity; or
    - » the percentage of ordinary shares in the relevant entity held by members of the public holding at least a Minimum Holding.
- The New Trustpower Shares and/or Tilt Renewables Shares are held by at least 500 members of the public holding at least 20% of the number of shares in that class, with each member of the public holding at least a Minimum Holding.

DEMERGER AGREEMENTS

As a result of the proposed Demerger, a number of arrangements have been entered into, or will be entered into prior to the Demerger, between Trustpower, Tilt Renewables and New Trustpower. The principal arrangements are:

Separation Deed

The Separation Deed between Trustpower, New Trustpower, Tilt Renewables and Tararua Wind governs the Demerger process. The Separation Deed provides for the preparation of this Scheme Booklet and the process to undertake the Demerger. The Separation Deed broadly provides that:

- a list of assets will be transferred from Trustpower to Tararua Wind (which will form part of the Tilt Renewables Group post Demerger) upon implementation of the Demerger, for no consideration;
- a list of assets will be transferred from Trustpower to Tilt Renewables upon implementation of the Demerger, for no consideration;
- a list of liabilities will be assumed by Tilt Renewables or Tararua Wind in substitution for Trustpower upon the implementation of the Demerger, for no consideration;
- all assets and liabilities of Trustpower not transferred or assumed by Tararua Wind or Tilt Renewables as noted above will be transferred to or assumed by New Trustpower upon the implementation of the Demerger for no consideration;
- certain contracts will be transferred to Tilt Renewables, Tararua Wind or New Trustpower in substitution for Trustpower upon implementation of the Demerger;
- the Trustpower name and logo is transferred to New Trustpower, although Tilt Renewables may use these on existing assets until it is practical to remove them. In certain instances, and on six months' notice to Tilt Renewables, New Trustpower may require an earlier cessation of use;
- a process is established to govern if assets or liabilities are transferred or assumed by Tilt Renewables, Tararua Wind, or New Trustpower when they should have been transferred or assumed by another one of those parties. In that event the parties will seek to transfer the relevant asset or liability to the correct party and, if that cannot occur, to hold it for the other and to be indemnified by the other in respect of any liability which may arise;

- with respect to taxes in relation to periods prior to the Demerger:
  - » Australian income taxes relating to GSP are allocated to Tilt Renewables in accordance with the Australian tax law related to Australian tax consolidated groups;
  - » any tax liability which relates to the transfer of Mahinerangi Wind Farm and Kaiwera Downs and Waverley development options from Trustpower to Tararua Wind is allocated to New Trustpower;
  - » any other tax liability which relates to New Trustpower's business is allocated to New Trustpower and similarly any other tax liability which relates to Tilt Renewables' business is allocated to Tilt Renewables (and any joint liability shall be shared proportionately between the two parties), where New Trustpower is subject to such a tax liability which relates to Tilt Renewables' business, Tilt Renewables indemnifies New Trustpower in relation to such a tax liability (and vice versa); and
  - » if any deductions regarding the TAFP are disallowed, any resulting tax in respect of the period up to the Demerger will be allocated to New Trustpower;
- in respect of litigation:
  - » which relates wholly to New Trustpower's business, is allocated to New Trustpower and which relates wholly to Tilt Renewables' business, is allocated to Tilt Renewables (with cross-indemnities provided to the other);
  - » which relates to the business of both Tilt Renewables and New Trustpower, will be allocated (and subjected to cross-indemnities) depending on the extent to which the liability relates to the New Trustpower business or the Tilt Renewables business;
  - » brought against New Trustpower after the Demerger relating to the Tilt Renewables business, or brought against Tilt Renewables after the Demerger relating to the New Trustpower business, will be allocated (and subject to cross-indemnities) depending on the extent to which the liability relates to the Tilt Renewables or New Trustpower business, although there are certain exclusions from this regime, being criminal prosecutions, fraud and tax litigation;
- arrangements are entered into in respect of existing insurance, including that Trustpower Insurance will be transferred to New Trustpower;
- each of Tilt Renewables and New Trustpower indemnifies the other for any losses, damages, liabilities, claims, costs, and expenses (except in relation to criminal prosecutions, fraud and tax) incurred by the indemnified party after the Demerger in relation to the indemnifying party's business.

The Separation Deed also contains provisions in respect of:

- New Trustpower's and Tilt Renewables' offer of employment to Trustpower employees; and
- arrangements governing insurance for directors and officers and access to records by a member of the New Trustpower Group or Tilt Renewables Group.

Connection arrangements – Mahinerangi

The Mahinerangi Wind Farm and Trustpower's Waipori Hydro Scheme connect to the local electricity network via the same transmission line. This transmission line contains two 'parts', one part being owned by Trustpower and the other jointly owned by Trustpower and the local network operator. Trustpower's interests will be transferred to New Trustpower as part of the Demerger. Following the Demerger, New Trustpower will operate the transmission line and be the counterparty to the connection agreement with the local network operator.

To govern the connection arrangements of the Mahinerangi Wind Farm following the Demerger, New Trustpower and Tararua Wind (as owner of the Mahinerangi Wind Farm following the Demerger) will enter into an agreement entitled "Agreement for the Connection of the Mahinerangi Wind Farm to Trustpower's Assets", under which New Trustpower will grant Tararua Wind access and use of the transmission line, subject to capacity and local network restrictions.

The agreement has been negotiated on an arms-length commercial basis and has a term expiring on 31 March 2036. Key terms include:

- Tararua Wind will be entitled to connect to the transmission line and inject electricity generated by the Mahinerangi Wind Farm up to a certain capacity limit. However, in certain circumstances, the generation of the Mahinerangi Wind Farm may be constrained to prevent overloading of the transmission line.
- New Trustpower will ensure that the transmission line remains connected to the local network for the purposes of conveying electricity generated by the Mahinerangi Wind Farm.
- Tararua Wind will be entitled to receive a supply of electricity for the purposes of operating and maintaining the Mahinerangi Wind Farm via the transmission line.

- The parties will coordinate and provide information to one another to ensure compliance with the Code, capacity restrictions and local network restrictions.
- The parties share the cost of the operation and maintenance of the transmission line.
- New Trustpower will pay Tararua Wind the avoided costs of transmission benefit for the electricity generated by the Mahinerangi Wind Farm.
- Any high voltage direct current charges that are attributable to the Mahinerangi Wind Farm will be paid by Tararua Wind.
- Tararua Wind will be required to comply with the obligations placed on New Trustpower under the connection agreement it has with the local network operator in respect of the transmission line.

Transitional services agreement

As a background to this agreement, in the short term following the Demerger (expected to be until 30 June 2017), certain corporate and enterprise capabilities that were provided centrally prior to the Demerger will continue to be required by Tilt Renewables while it seeks to independently develop its own capabilities or to engage third parties for the provision of the required services. New Trustpower agrees to provide these to Tilt Renewables under a Transitional Services Agreement for a transitional period.

The majority of services supplied under the Transitional Services Agreement will be provided from the implementation of the Demerger until 30 June 2017, unless the Transitional Services Agreement specifies an earlier date. Following the expiry of the minimum agreed term for a service, if Tilt Renewables continues to require the service, the parties shall discuss whether the continued provision of the service is feasible. Tilt Renewables indemnifies New Trustpower for any additional costs in the continued provision of the service. Any service that is provided for an additional term may be terminated by Tilt Renewables on one month's notice to New Trustpower.

Under the agreement, the provision of services may be varied (including the termination date, service specifications, volume, extent or scope of any service) by agreement between the parties. Tilt Renewables may also, within the specified period, request other services to be provided if it is able to demonstrate that such service is important to the continuation of its business and New Trustpower is reasonably able to provide it. There is also provision for the parties to agree that a third party supply a service.

The Transitional Services Agreement requires the services to be provided to the same level as those services were provided immediately prior to the Demerger (to the extent that such services were provided prior to the Demerger). In providing the services, New Trustpower shall:

- provide the required personnel and resources;
- ensure that the personnel are appropriately skilled, qualified and experienced and comply with all health and safety plans;
- ensure that it does not unreasonably prioritise the provision of any services to itself to the detriment of Tilt Renewables (without Tilt Renewables' consent); and
- use reasonable endeavours to ensure that the services are provided in a manner and time so that Tilt Renewables' business operations are not adversely affected.

New Trustpower must use its reasonable endeavours to achieve the service levels. However, consistent with similar transitional arrangements in other major transactions involving separation of businesses, there will not be financial consequences to New Trustpower for a failure to meet service levels, with a view to creating incentives for the parties to move away from the services onto either an internally provided service or an alternative provider within the transitional term.

There are provisions that allow for a party who previously received benefits under a contract that has been transferred to the other party to continue to be provided the benefits under that contract until it is able to negotiate its own arrangements with the relevant third party.

The Transitional Services Agreement also provides for misplaced assets that have not been transferred or assigned in accordance with the Separation Deed to be held on trust by the asset holder for the intended holder. The asset holder must account for any benefits received from that asset until the misplaced asset has been transferred to the intended holder. In respect of any misplaced liabilities that have been transferred to the incorrect party in accordance with the Separation Deed, the parties are to take such steps as may be reasonably required, after obtaining the consent of the relevant obligor, to transfer that liability to the correct party. If this cannot occur, the party that should have received the liability shall comply with the obligations of that liability and shall indemnify the other party for any loss.

There is also a cap on liability under the agreement.

Power purchase agreements

New Trustpower and Tararua Wind will enter into three PPAs in respect of the New Zealand wind farms. These wind farms are to be owned by Tararua Wind following the Demerger, with Tararua Wind being a subsidiary of Tilt Renewables. Tararua Stages I and II will be covered under one PPA, Tararua Stage III Wind Farm under a second and Mahinerangi under the third PPA. Each of the PPAs will differ slightly to reflect the different connection arrangements, and the remaining life, of the relevant wind farm, but the core terms and pricing mechanics will be similar in all three PPAs (albeit the price values under each PPA will differ to reflect the location and characteristics of the wind farm). Tararua Wind will sell the electricity generated by the wind farms under each PPA to New Trustpower (at a fixed price) who will then on-sell that electricity into the wholesale electricity market (receiving the spot revenue).

Under each PPA New Trustpower will purchase the electricity from Tararua Wind in accordance with the following price methodology:

- The "base price" for the first five years of the PPAs is fixed and has been set with reference to the ASX Futures Otahuhu (or Benmore) base load prices. At the end of each contract year, an extra year will be established with reference to ASX Future prices at the time, to always maintain five years of "agreed base prices". The base price is subject to a floor price providing Tilt Renewables with revenue protection against low spot prices. The floor terminates five years prior to the end of the term of the relevant PPA.
- At the start of each contract year the base price is adjusted for each pricing period for specific location and peaking factors (using a three year rolling average) and is given a "quarterly shape" reflecting the inherent price shape in the New Zealand wholesale market and to incentivise Tilt Renewables to schedule outages in low priced times.

Expected terms of PPAs

Name of Wind Farm	Expiry of Intial Term of PPA	Rights of Renewal
Tararua I and II	31 March 2029	Right to negotiate a renewal
Tararua III	31 March 2032	No renewal right
Mahinerangi	31 March 2036	No renewal right

The PPAs have been negotiated on an arms-length commercial basis and are for the expected remaining life of the relevant wind farm. Key terms include:

- Tararua Wind is responsible for the physical on-site operation and maintenance of the wind farm. It is required to use good industry practice to maintain each wind farm to a standard to ensure that its available installed capacity is at all times (subject to scheduled and unscheduled maintenance shutdowns) not less than 85% of total installed capacity.
- Tararua Wind appoints New Trustpower as its agent to provide offer and dispatch services for the purposes of the Code.
- Tararua Wind provides New Trustpower with online access to Tilt Renewables' systems to enable New Trustpower to remotely limit or increase the electricity output of each wind farm.
- Tararua Wind, as the asset owner, must ensure that the wind farms are at all times operated in accordance with the Code and is liable for compliance with all relevant statutory and regulatory requirements in respect of each wind farm.
- Tararua Wind is liable for all charges relating to connection and use of systems agreements, the generation of electricity at each wind farm and otherwise generally levied against generators of electricity, including relevant transmission and distribution charges.
- New Trustpower is liable for all charges generally levied against wholesale purchasers and retailers of electricity, including relevant transmission and distribution charges.
- Tararua Wind must pay New Trustpower a monthly fee (CPI adjusted) for New Trustpower services it provides, including in respect of acting as Tilt Renewables' agent in respect of offering and despatch of the electricity generated into the wholesale market.
- Tararua Wind is responsible to ensure that all necessary agreements are entered into with the local network operator to enable Tararua Wind to export the electricity to the local network or the national grid (as applicable). As Tararua Wind is the party to these agreements, it enjoys the benefits and burdens of them, including the receipt of any ACOT payments.
- A party may terminate the PPA if the other party has an order or resolution passed for the winding up of that party or has a receiver or liquidator or statutory manager appointed in respect of all or part of that party's assets; the other party fails to perform any of

its obligations under the PPA and where a breach is capable of remedy, fails to remedy that failure within 30 days of notice; or it becomes unlawful to perform a material obligation or a party ceases to be registered as a participant under the Code. The parties may also cancel the PPA if, by reason of force majeure, the claiming party is unable to perform its obligations under the PPA for a continuous period of 12 months (in the case of an event of force majeure which damages or destroys all or substantially all of the wind farm), or 60 business days (in the case of all other events of force majeure).
- Tilt Renewables guarantees the obligations of Tararua Wind pursuant to the agreement. New Trustpower can be required to provide credit support to secure its payment obligations under the PPA.
- If a party defaults in the performance of its obligations under the PPA, it will be liable to the other party for the direct losses caused by such default (which includes any difference between the spot prices and the contract prices). The parties will not be liable for any consequential losses that arise from such breach.
- The PPAs include provisions to vary them in the event of change in circumstances in respect to regulatory or legal changes with the intention that any amendments will apply as from the commencement of the change and shall fairly reflect, as far as possible, the same allocation of benefits, rights and/or obligations of the parties as at the commencement date of the PPA.

Blayney asset sale agreement

GSP and Blayney and Crookwell Co will enter into an agreement whereby Blayney and Crookwell Co agrees to acquire the assets and the liabilities relating to the Blayney Wind Farm from GSP for a nominal consideration. The assets to be acquired include leasehold interests, material contracts and plant and equipment.

Completion under this agreement will take place prior to the Implementation Date.

Crookwell Joint Venture – Sale of Participation Interest Agreement

GSP and Blayney and Crookwell Co will enter into an agreement whereby Blayney and Crookwell Co agrees to acquire the 80% participation interest held by GSP in the Crookwell Joint Venture from GSP for a nominal consideration. The Crookwell Joint Venture operates the Crookwell Wind Farm.

Completion under this agreement will take place prior to the Implementation Date.

GSP share sale agreement

New Trustpower and Tilt Renewables will enter into an agreement whereby New Trustpower agrees to acquire all of the ordinary shares in GSP from Tilt Renewables for nominal consideration.

Completion under this agreement will take place prior to the Implementation Date.

SECTION 10: LIQUIDATION OF TRUSTPOWER

Trustpower will be placed into voluntary liquidation as one of the final stages of the Demerger. The liquidation of Trustpower will bring an end to the old corporate vehicle which will effectively be replaced by Tilt Renewables and New Trustpower (which will be renamed Trustpower).

The liquidation will be on a solvent basis because Trustpower is able to pay all its debts. This is different from a company which goes into liquidation because it is in financial trouble.

Trustpower will work closely with the liquidators through the Demerger process to ensure that the distribution of Tilt Renewables Shares and New Trustpower Shares through liquidation is seamless for Trustpower and its stakeholders, including Trustpower Shareholders and creditors of Trustpower.

Engagement with the liquidators started in advance of seeking Initial Court Orders, in relation to the appointment of the liquidators and their conduct.

The Trustpower constitution must be amended by special resolution of shareholders to enable and require the Trustpower Board to appoint liquidators under the Companies Act following the Court approval of the Scheme. This special resolution is part of the resolution sanctioning the Scheme. Following the Final Court Orders, the liquidators will be appointed and will have Court approval to perform certain acts on Trustpower's behalf. This includes the distribution of the Tilt Renewables Shares and New Trustpower Shares to Trustpower Shareholders.

The Scheme process and, in particular, the hearing and granting of the Final Court Orders (including directions in relation to the liquidation of Trustpower), is designed to ensure that all stakeholders are properly dealt with, including Trustpower Shareholders and creditors of Trustpower.

SECTION 11: TAXATION IMPLICATIONS FOR TRUSTPOWER SHAREHOLDERS

Introduction

This Section comments, in summary, on the general taxation position of Trustpower Shareholders in relation to the Demerger. This Section does not purport to be a complete analysis of the potential tax consequences of the Demerger, and is intended as a general guide to the New Zealand and Australian tax implications only (on materiality grounds, the tax implications in other jurisdictions are not addressed). It should not be a substitute for advice from an appropriate professional advisor having regard to your individual circumstances. All Trustpower Shareholders are advised to obtain their own professional advice on the tax implications based on their own specific circumstances.

New Zealand

The following is a general outline of the main New Zealand taxation implications in relation to the Demerger for Trustpower Shareholders. It has been prepared on the basis of the law in force as at the date of this Scheme Booklet.

Income tax implications of Trustpower distributing Tilt Renewables Shares and New Trustpower Shares

The Demerger will result in a distribution of Tilt Renewables Shares and New Trustpower Shares to Trustpower Shareholders.

- **No dividend**

Trustpower has received a binding ruling from the New Zealand Inland Revenue to confirm the New Zealand tax consequences of particular aspects of the Demerger.

The effect of the ruling is that the Tilt Renewables Shares and New Trustpower Shares that are distributed to Trustpower Shareholders in accordance with the Demerger will not constitute a dividend for New Zealand tax purposes. As the distribution of Tilt Renewables Shares and New Trustpower Shares by Trustpower is not a dividend, no imputation credits will be attached to that distribution, and no withholding tax will be withheld by Trustpower in respect of that distribution.

- **Disposal of Trustpower Shares**

Trustpower will be liquidated in accordance with the Demerger and Trustpower Shareholders will therefore be disposing of their Trustpower Shares at the time of liquidation.

New Zealand does not have a generic capital gains tax. However, Trustpower Shareholders may be subject to New Zealand income tax on gains made, or allowed a deduction for loss sustained, on the disposal of Trustpower Shares in certain circumstances. Generally, a Trustpower Shareholder will be subject to income tax on a gain (or allowed a deduction for a loss) arising from the disposal of Trustpower Shares if the Trustpower Shareholder is in the business of dealing in shares, disposes of the Trustpower Shares as part of a profit-making undertaking or scheme, or acquired the Trustpower Shares with the purpose of selling them.

If any gain on disposal of the Trustpower Shares is taxable (or loss deductible) to a Trustpower Shareholder, the taxable gain (or deductible loss) will be the difference between the cost base for the Shareholder in the Trustpower Shares and the amount received for their disposal. The amount received for their disposal will be the market value of the Tilt Renewables Shares and New Trustpower Shares that are distributed to the Trustpower Shareholder in respect of their Trustpower Shares, on the date that the Tilt Renewables Shares and New Trustpower Shares are distributed.

If a Trustpower Shareholder is tax resident in a country which has entered into a tax treaty with New Zealand for the avoidance of double taxation, and is not tax resident in New Zealand for the purposes of that tax treaty, the Trustpower Shareholder may be relieved from New Zealand taxation under the articles of that tax treaty.

Other than where the Trustpower Shareholder is relieved from tax pursuant to an applicable tax treaty, a Trustpower Shareholder who holds Trustpower Shares on revenue account for New Zealand tax purposes will need to file an income tax return in New Zealand to return as income the amount received for disposal of those Trustpower Shares and to claim a deduction for the cost of those Trustpower Shares.

Income tax implications of holding Tilt Renewables Shares and New Trustpower Shares after the Demerger

- **Dividends**

As both Tilt Renewables and New Trustpower will continue to be New Zealand incorporated and tax resident companies after implementation of the Demerger, the tax rules applying to dividends paid by each of those companies are the same as the rules applying to dividends paid by Trustpower. However, the overall outcome of applying those rules will differ based on Tilt Renewables' and New Trustpower's respective ability to generate imputation credits and attach them to dividends.

New Trustpower intends to attach imputation credits to dividends to the extent they are available. It is expected that this will be to a similar extent as Trustpower is currently able to. However, it is expected that Tilt Renewables will not be able to impute dividends to a material level, and not to the level that Trustpower currently does. Tilt Renewables intends to attach Australian franking credits to dividends to the extent they are available.

In respect of dividends paid to New Zealand tax resident shareholders, resident withholding tax will be deducted from the cash dividend (grossed up for any attached imputation credits), and therefore will reduce the amount of the cash dividend received, unless the shareholder holds an RWT exemption certificate (as that term is defined in the Income Tax Act 2007). The rate at which resident withholding tax is deducted is 33%, with an allowance for any attached imputation credits. For example, resident withholding tax will be deducted at the rate of 5% where a dividend is fully imputed (reflecting company tax paid at the 28% rate). The shareholder will need to return the cash dividend (grossed up for any attached imputation credits) as assessable income, and any attached imputation credits or resident withholding tax deducted will be creditable against New Zealand taxes payable. Any Australian franking credits attached will not be included in assessable income and will not result in a credit that can be claimed against New Zealand tax payable.

In respect of dividends paid to non-New Zealand tax resident shareholders, non-resident withholding tax will be deducted from the cash dividend, reducing the amount of the cash dividend. The rate at which non-resident withholding tax is imposed will depend on the extent to which imputation credits are attached to a dividend and whether the Shareholder is tax resident in a country which has entered into a tax treaty with New Zealand for the avoidance of double taxation. Generally, non-resident withholding tax is deducted at the rate of:

- 15%, or 0% if the tax rate applicable after applying any relevant tax treaty would be less than 15%, to the extent that a dividend is fully imputed; or
- 30%, or the tax rate applicable after applying any relevant tax treaty, to the extent that a dividend is not fully imputed.

Depending on the extent to which a dividend is imputed, the impact of non-resident withholding tax may be mitigated by the company paying the non-New Zealand tax resident shareholder a supplementary cash dividend in addition to the ordinary dividend paid to all shareholders, funded by a tax credit for the company. For example, where the ordinary dividend is fully imputed, the effect of paying the supplementary dividend is that, while the distribution to the non-New Zealand resident shareholder is subject to non-resident withholding tax, the shareholder's after-New Zealand-tax return is equal to the amount of the ordinary dividend paid before any deduction of non-resident withholding tax.

- **Disposal of Tilt Renewables Shares or New Trustpower Shares**

Subject to relief under any applicable tax treaty, a Trustpower Shareholder may be subject to New Zealand income tax on gains made, or allowed a deduction for loss sustained, on the disposal of Tilt Renewables Shares or New Trustpower Shares in certain circumstances (as described in this Section 11 *(Taxation Implications for Trustpower Shareholders)* in respect of the disposal of Trustpower Shares).

Where this is the case, the gain or loss will be the difference between the cost base for the Trustpower Shareholder in the relevant Tilt Renewables Shares or New Trustpower Shares (which will be their respective market value on the date distributed by Trustpower) and the amount received for their disposal.

Goods and services tax (GST)

The distribution of the Tilt Renewables Shares and New Trustpower Shares to Trustpower Shareholders in accordance with the Demerger, or the disposal by Trustpower Shareholders of Tilt Renewables Shares or New Trustpower Shares after the Demerger, will not result in any GST being payable to the New Zealand Inland Revenue.

Australia

Implications of Trustpower distributing Tilt Renewables Shares and New Trustpower Shares

- **Income tax**

The Australian income tax implications for Trustpower Shareholders from the distribution of shares in Tilt Renewables and New Trustpower and the subsequent liquidation of Trustpower should be considered in conjunction. This is on the basis that the transactions should form part of a 'demerger', which should receive concessional tax treatment under the Australian tax law. The following comments consider the Australian income tax implications for New Zealand resident and Australian resident shareholders of Trustpower who hold their shares on capital account.

New Zealand resident shareholders

A Trustpower Shareholder who is not a resident of Australia for tax purposes and:

- has not held, with associates, 10% or more of the shares in Trustpower for a continuous period of 12 months within the past two years; and
- has not, at any time, used their shares in Trustpower in carrying on a business through a permanent establishment in Australia,

must disregard a capital gain or capital loss they make from the disposal of their Trustpower Shares under the scheme, on the basis that the Australian capital gains tax provisions will not apply to the disposal. Any dividend component arising upon the distribution should be disregarded for Australian tax purposes.

New Zealand resident Trustpower Shareholders who own greater than 10% of the Trustpower Shares should also disregard any capital gain or capital loss arising from the disposal of their Trustpower Shares under the scheme, on the basis that the majority of the market value of Trustpower is attributable to assets other than Australian real property (eg the New Zealand business and the Australian wind farm assets, which pursuant to an Australian Taxation Office ruling should not be treated as Australian real property). Any dividend component arising upon the distribution should be disregarded for Australian tax purposes.

Australian resident shareholders

Australian tax resident shareholders who hold their interests in Trustpower on capital account will realise a capital gain where the market value of the Tilt Renewables Shares and New Trustpower Shares exceeds the historic tax cost base of their Trustpower Shares at the time of liquidation (or a capital loss where their historical cost base is less than the market value of the Trustpower Shares). However Australian resident Trustpower Shareholders should be entitled to elect to apply demerger roll-over relief to disregard any capital gains arising on the cancellation of Trustpower Shares and to treat any dividend component of the distribution as non-assessable.

- **Stamp Duty**

There should not be a liability for Australian duty for any Trustpower Shareholders in respect of the distribution of Tilt Renewables Shares and New Trustpower Shares.

New Trustpower will be a "landholder" for the purpose of the New South Wales duties legislation. However, as New Trustpower will be listed on the NZX Main Board at the time of the distribution of the New Trustpower Shares, provided no investor will acquire an interest of 90% or more in New Trustpower (alone or with associates), the distribution of New Trustpower Shares will not be subject to duty.

Similarly Tilt Renewables will be a "landholder" for the purpose of the South Australian duties legislation. The South Australian Commissioner of Taxation has provided confirmation to Trustpower that the distribution of Tilt Renewables Shares in the course of its liquidation will not give rise to any liability for duty in South Australia.

In the event the value of any land/fixtures transferred to Tilt Renewables cause Tilt Renewables to be a landholder in New South Wales, no liability for landholder duty should arise provided no investor will acquire an interest of 90% or more in Tilt Renewables, as it will be listed on the ASX at the time of the distribution of Tilt Renewables Shares.

- **Goods and services tax (Australian GST)**

No Australian GST consequences will arise as a result of the liquidation distributions as the distribution of Tilt Renewables Shares and New Trustpower Shares will be outside the scope of Australian GST.

Implications of holding Tilt Renewables Shares and New Trustpower Shares after the Demerger

- **Dividends**

For Australian tax purposes, only Australian tax residents will be taxable in relation to dividends paid by Tilt Renewables or New Trustpower.

Where Tilt Renewables or New Trustpower pays a dividend which has franking credits attached, Australian tax resident shareholders will be required to treat the cash component and the franking credit as assessable income, and will be entitled to a tax offset with respect to the franking credit.

- **Sale of Tilt Renewables Shares or New Trustpower Shares**

The comments below summarise the Australian tax implications for shareholders who will hold their shares in Tilt Renewables and New Trustpower on capital account.

A non-Australian tax resident that has not:

- held, with associates, 10% or more of the Tilt Renewables Shares or New Trustpower Shares for a continuous period of 12 months within the past two years at the time of sale; and
- at any time, used their Tilt Renewables Shares or New Trustpower Shares in carrying on a business through a permanent establishment in Australia,

must disregard a capital gain or capital loss they make from the disposal of their Tilt Renewables Shares or New Trustpower Shares.

Whether non-Australian tax resident Tilt Renewables Shareholders or New Trustpower Shareholders that hold greater than 10% of the shares will recognise an Australian capital gain or capital loss on a future disposal of the Tilt Renewables Shares or New Trustpower Shares will depend on whether the market value of each entity is predominantly derived from Australian real property at the time of disposal.

Australian tax resident shareholders will recognise capital gains or capital losses upon any future disposal of Tilt Renewables Shares or New Trustpower Shares and will need to disclose this in their income tax return.

If any gain on the sale or disposal of Tilt Renewables Shares or New Trustpower Shares is taxable to a Trustpower Shareholder, the taxable gain will be the difference between the cost base for the Trustpower Shareholder in the Tilt Renewables Shares or New Trustpower Shares (as relevant) and the amount received for their disposal. A capital loss may arise where the amount received for the disposal of the shares is less than the cost base of the shares. The tax cost base of Tilt Renewables Shares and New Trustpower Shares (for Australian tax purposes) will be determined by allocating the relevant shareholder's existing tax cost base in Trustpower across the shares, based on the respective market values of Tilt Renewables and New Trustpower.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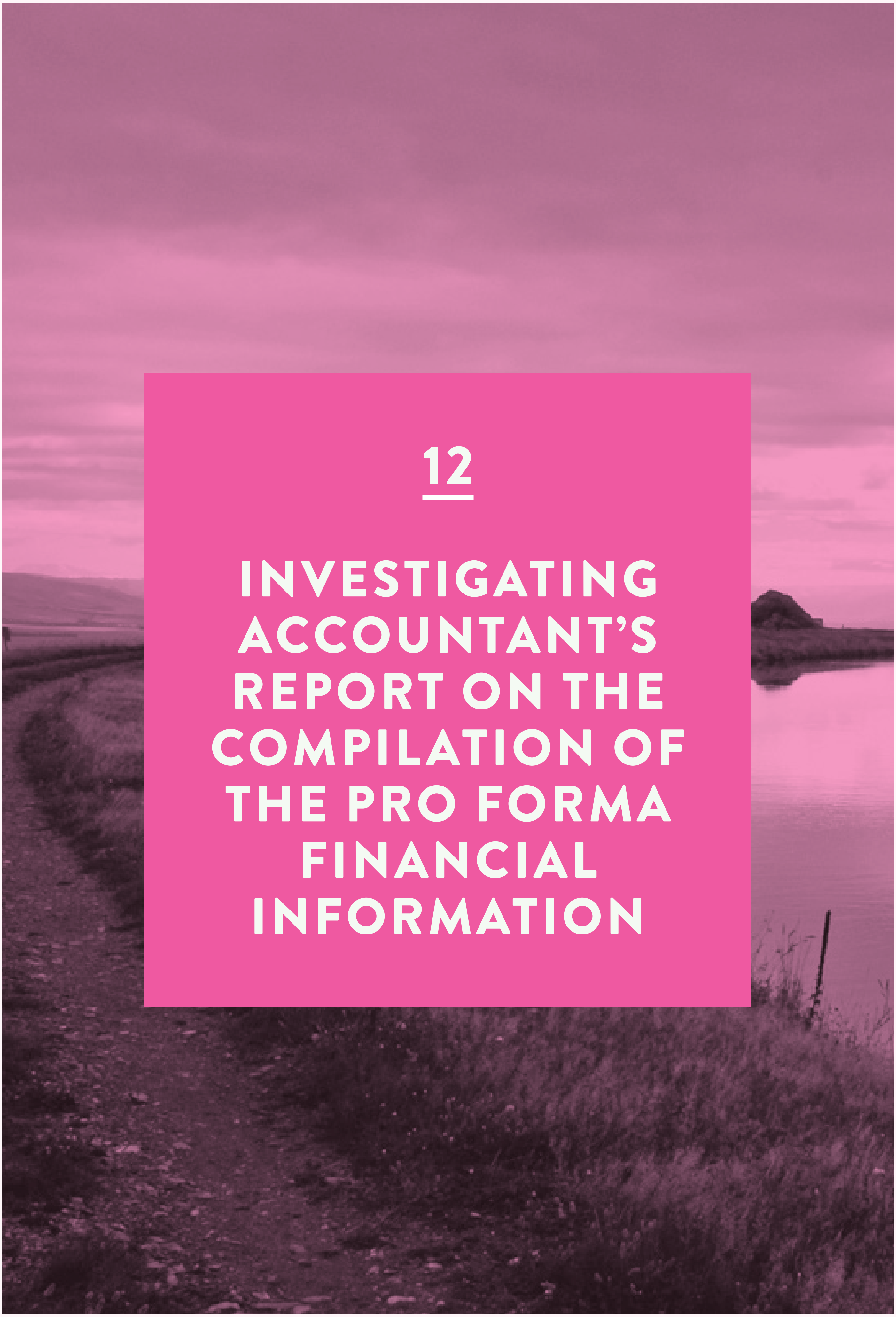

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INVESTIGATING ACCOUNTANT'S REPORT ON THE COMPILATION OF THE PRO FORMA FINANCIAL INFORMATION

Reasonable Assurance Compilation report on Pro Forma Financial Information

The Directors
Trustpower Limited
108 Durham Street
Tauranga 3110
New Zealand

12 August 2016

Investigating Accountant's Report on the Compilation of Pro Forma Financial Information

We have completed our assurance engagement to report on the compilation of pro forma financial information of New Trustpower and Tilt Renewables by Trustpower Limited ("Trustpower") in accordance with the terms of our engagement letter dated 12 April 2016. The Pro Forma Financial Information consists of:

- the Pro Forma unaudited historical Income Statements for New Trustpower and Tilt Renewables for the years ended 31 March 2014, 31 March 2015 and 31 March 2016;
- the Pro Forma unaudited historical Balance Sheets for New Trustpower and Tilt Renewables as at 31 March 2016;
- the Pro Forma unaudited Net Operating Cash Flows before Net Financing Costs and Tax Expense but after Capital Expenditure for New Trustpower and Tilt Renewables for the years ended 31 March 2014, 31 March 2015 and 31 March 2016; and
- related notes as set out in Appendix 1 (Pro Forma Historical Information for FY14, FY15 and FY16) of the Scheme Booklet issued by Trustpower.

The basis on which Trustpower has compiled the Pro Forma Financial Information is described in Appendix 1 (Pro Forma Historical Information for FY14, FY15 and FY16).

This Report is an independent limited assurance report, the scope of which is set out below. Expressions defined in the Scheme Booklet have the same meaning in this Report.

The Pro Forma Financial Information has been compiled by Trustpower to illustrate the impact of the demerger on New Trustpower and Tilt Renewables' financial position as at 31 March 2016 and New Trustpower and Tilt Renewables' financial performance and cash flows for the years ended 31 March 2014, 31 March 2015 and 31 March 2016 as if the demerger had taken place at 1 April 2013. As part of this process, information about New Trustpower and Tilt Renewables' financial position, financial performance and cash flows has been extracted by Trustpower from Trustpower's financial statements for the years ended 31 March 2014, 31 March 2015 and 31 March 2016, on which audit reports have been published.

Trustpower's Responsibility for the Pro Forma Financial Information

Trustpower is responsible for compiling the Pro Forma Financial Information on the basis described in Appendix 1 (Pro Forma Historical Information for FY14, FY15 and FY16). There is a degree of subjective judgement involved in the preparation of the Pro Forma Financial Information.

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Professional and Ethical Standard 1 (PES 1 (Revised)) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PricewaterhouseCoopers does not have any interest in the outcome of the Demerger other than the preparation of this Report and participation in due diligence in connection with the Scheme Booklet and advisory services being performed in relation to the Demerger, for which normal professional fees will be received. We have no relationship with or interests in any member of the Trustpower Limited group or the Companies other than in our capacities as auditor, investigating accountant, tax adviser and providers of other advisory and assurance services. These services have not impaired our independence as investigating accountant of Trustpower Limited.

Our Responsibilities

Our responsibility is to express an opinion about whether the Pro Forma Financial Information has been compiled, in all material respects, by Trustpower on the basis described in Appendix 1 (Pro Forma Historical Information for FY14, FY15 and FY16).

We conducted our engagement in accordance with International Standard on Assurance Engagements (New Zealand) (ISAE (NZ)) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the New Zealand Auditing and Assurance Standards Board. This standard requires that the assurance practitioner plan and perform procedures to obtain reasonable assurance about whether Trustpower has compiled, in all material respects, the Pro Forma Financial Information on the basis described in Appendix 1 (Pro Forma Historical Information for FY14, FY15 and FY16).

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in this Scheme Booklet is solely to illustrate the impact of the demerger on unadjusted financial information of the entity as if the event had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been compiled, in all material respects, on the basis described in Appendix 1 (Pro Forma Historical Information for FY14, FY15 and FY16) involves performing procedures to assess whether the applicable criteria used by Trustpower in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The scope of this engagement has not extended to performing any procedures by way of audit, review or verification of the underlying records or other sources from which the amounts included in the Pro Forma Financial Information were extracted. The procedures performed do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Pro Forma Financial Information.

The procedures selected depend on the assurance practitioner's judgement, having regard to the assurance practitioner's understanding of the nature of the company, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Financial Information has been properly compiled on the basis stated.

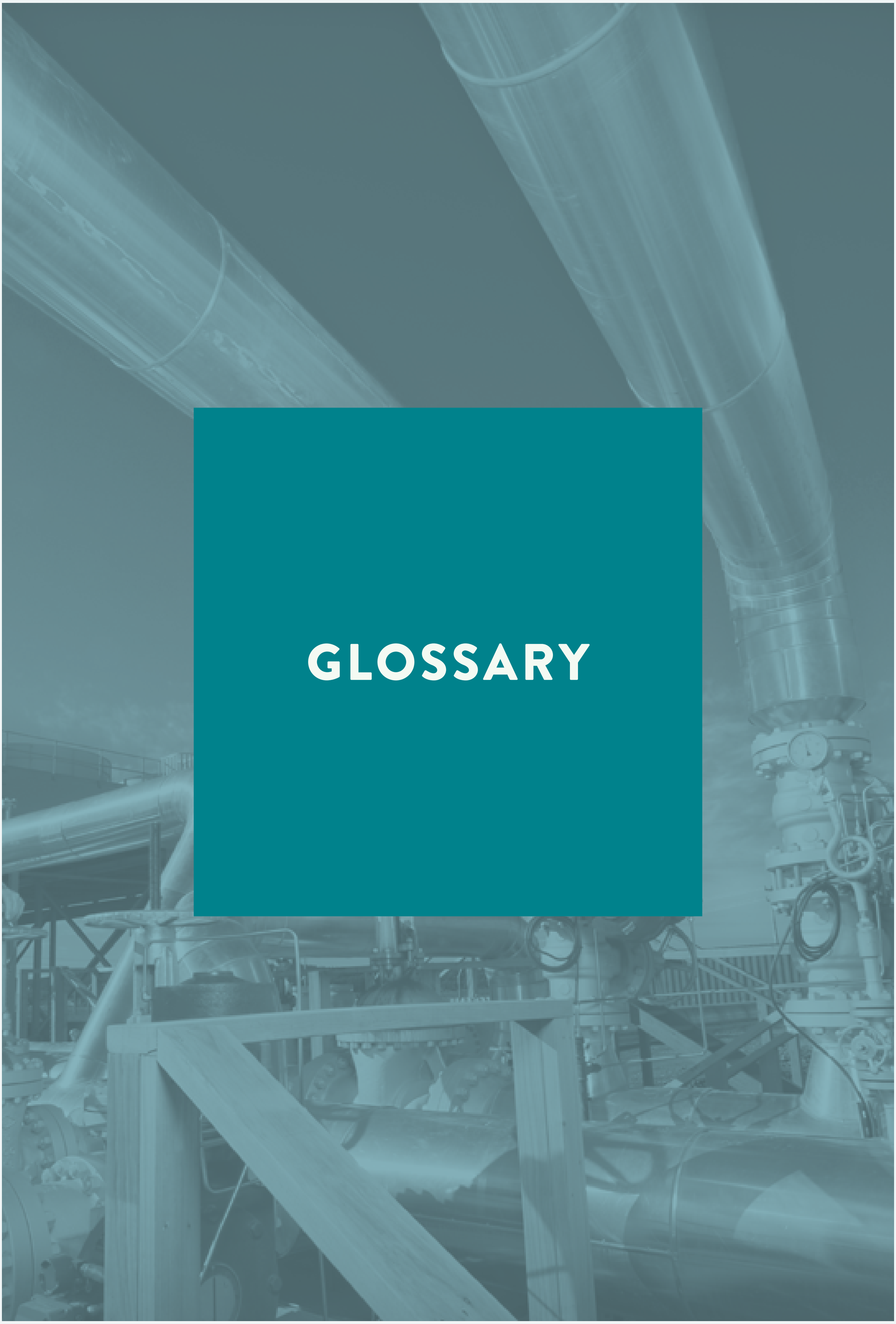
Restrictions on Use of our Report

This report is made solely to the directors of Trustpower Limited for inclusion in the Scheme Booklet. We disclaim any assumption of responsibility for any reliance on this Report or on the Pro Forma Financial Information to which this Report relates for any purpose other than the purpose for which it was prepared. This Report should be read in conjunction with the Scheme Booklet. However, we take no responsibility for, nor do we report on, any part of the Scheme Booklet not specifically mentioned in this report. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the directors of Trustpower Limited for the conclusions that we have formed.

Yours faithfully
Chartered Accountants

PricewaterhouseCoopers

GLOSSARY



GLOSSARY

A$ means the lawful currency of Australia from time to time.

ACOT or **Avoided Cost of Transmission** means a payment made from distribution companies to owners of embedded generating plant for generating during peak demand periods.

ASX means ASX Limited ABN 98 008 624 691, or the financial market operated by ASX Limited, as the context requires.

Blayney and Crookwell Co means Blayney and Crookwell Windfarm Pty Ltd ACN 612 416 029, a wholly owned subsidiary of Tilt Renewables.

Blayney Wind Farm means the wind farm located at Blayney, New South Wales, Australia, which was commissioned in 2000.

Business Day means a day (other than a Saturday or Sunday) on which registered banks are generally open for business in Auckland and/or Wellington.

Church Lane means Church Lane Wind Farm Pty Ltd.

Clean Energy Regulator means the Australian Government body responsible for administering legislation to reduce carbon emissions and increase the use of clean energy. The regulator was created after passing of the Clean Energy Bill in 2011.

Cobb means the Cobb River hydro electric power scheme located on the Cobb River, approximately 112km northwest of Nelson, in the Tasman region of the South Island of New Zealand.

Code means the Electricity Industry Participation Code 2010 (as amended).

Companies Act means the Companies Act 1993.

Computershare means Computershare Investor Services Limited.

Court and **High Court** means the High Court of New Zealand.

Crookwell Joint Venture means the unincorporated joint venture between GSP and Origin Energy in relation to the Crookwell Wind Farm constituted by the joint venture agreement dated 18 July 1997 between GSP and Origin Energy (as amended and varied).

Crookwell Wind Farm means the wind farm located at Crookwell, New South Wales, Australia, which was commissioned in 1998.

Demerger means the proposed demerger of Tilt Renewables and New Trustpower from Trustpower to be implemented through the Scheme.

Demerger Resolution means a resolution to approve the Scheme to be considered by Trustpower Shareholders at the Shareholder Meeting as set out in the notice convening the Shareholder Meeting included in this Scheme Booklet.

Distribution Date means the Business Day occurring immediately after the Implementation Date.

Dundonnell means Dundonnell Wind Farm Pty Ltd.

EBITDA means earnings before interest, tax expense, depreciation and amortisation.

EBITDAF means earnings before interest, tax expense, depreciation, amortisation and fair value movements in financial instruments. EBITDAF is a non GAAP financial measure but is commonly used within the electricity industry as a measure of performance as it shows the level of earnings before impact of gearing levels and non-cash charges such as depreciation and amortisation. Market analysts use this measure as an input into company valuation and valuation metrics used to assess relative value and performance of companies across the sector.

EDNZ and **Energy Direct NZ** means Energy Direct NZ Limited.

EKF means EKF Danmarks Eksportkredit.

EKF Facilities means the financing arrangements in respect of the Mahinerangi Wind Farm, Tararua Stage III Wind Farm and the Snowtown Stage II Wind Farm that are either directly provided or guaranteed by EKF.

Final Court Hearing means the hearing of the Court in respect of the Demerger made under Part 15 of the Companies Act in relation to the grant of the Final Court Orders.

Final Court Orders means the final orders of the Court in respect of the Demerger made under Part 15 of the Companies Act.

Free Cash Flow means EBITDAF less interest, tax and maintenance capex, plus adjustments for non 100% owned entities.

FY means the financial year ended 31 March.

GAAP means Generally Accepted Accounting Practice.

GSP and **GSP Energy** means GSP Energy Pty Limited.

GST means goods and services tax or similar tax chargeable under the Goods and Services Tax Act 1985 or A New Tax System (Goods and Services Tax) Act 1999 (as appropriate).

Implementation Date means the Business Day occurring immediately after the Record Date.

***in specie* distribution** means the distribution of the Tilt Renewables Shares and New Trustpower Shares from Trustpower to Trustpower Shareholders made by the liquidator of Trustpower.

Independent Adviser means Northington Partners Limited.

Infratil means Infratil Limited.

Initial Court Orders means the initial orders of the Court relating to the Demerger dated 9 August 2016 as outlined in Section 9 (*Implementing the Demerger*) of this Scheme Booklet.

Internal Restructure means the restructuring of the Trustpower group in order to effect the Demerger, as described in Section 9 *(Implementing the Demerger)*.

Investigating Accountants means PricewaterhouseCoopers.

King Country Energy means King Country Energy Limited.

King Country Energy Holdings means King Country Energy Holdings Limited.

LGC means large scale generation certificates, created under the RET scheme.

Mahinerangi Wind Farm means the Mahinerangi wind farm located on the Lammerlaw Ranges, Otago, New Zealand, which commenced commercial operation in 2011.

New Trustpower means Bay Energy Limited.

New Trustpower Board means the board of directors of New Trustpower proposed in this Scheme Booklet.

New Trustpower Business means the assets and operations which are to comprise the business of New Trustpower after the Demerger.

New Trustpower Business Pro Forma Historical Financial Information means the pro forma historical financial information relating to the assets and operations which are to comprise the business of New Trustpower after the Demerger.

New Trustpower Group means the group of companies comprising New Trustpower and its intended subsidiaries following the Demerger.

New Trustpower Share means an ordinary share in New Trustpower.

New Trustpower Shareholder means a registered holder of New Trustpower Shares following the implementation of the Scheme.

NZ$ means the lawful currency of New Zealand from time to time.

NZX means NZX Limited.

NZX Firm means a sharebroking firm authorised to trade shares on the NZX Main Board.

NZX Listing Rules means the NZX Main Board/Debt Market Listing Rules.

NZX Main Board means the main board securities market operated by NZX.

O&M means operations and maintenance.

Operating Free Cash Flow After Debt Servicing means EBITDAF less interest, tax, maintenance capex, changes in working capital and compulsory debt repayments.

Origin Energy means Origin Energy Electricity Limited ACN 071 052 287.

PPA means power purchase agreement.

Proxy Form means the proxy form for the Shareholder Meeting which accompanies this Scheme Booklet and also contains an attendance slip, voting instructions and ballot paper.

Record Date means the date and time at which the entitlement of Trustpower Shareholders to participate in the Demerger is determined, which, as at the date of the Scheme Booklet, is expected to be 5pm on 13 October 2016.

RET or **RET scheme** means the Renewable Energy Target scheme, an Australian Federal Government scheme to incentivise investment in renewable energy.

Salt Creek means Salt Creek Wind Farm Pty Ltd.

Scheme means the Court approved arrangement under Part 15 of the Companies Act as described in this Scheme Booklet, the key elements of which are described in the Separation Deed, subject to any amendments or variations made in accordance with the Initial Court Orders, the Final Court Orders, and/or required by the Court.

Scheme Booklet means this document dated 12 August 2016 and includes the accompanying Proxy Form and notice convening the Shareholder Meeting.

Separation Deed means the Separation Deed between Trustpower, Tilt Renewables, New Trustpower and Tararua Wind.

Share Registrar means Computershare.

Shareholder Meeting means the meeting of Trustpower Shareholders to be held at 10am on 9 September 2016 at Trinity Wharf Tauranga, 51 Dive Crescent, Tauranga, to vote on the Demerger Resolution, or any adjournment thereof.

Snowtown South means Snowtown South Wind Farm Pty Ltd.

Snowtown Stage I means Snowtown Wind Farm Pty Ltd.

Snowtown Stage I Wind Farm means stage I of the Snowtown wind farm located on Barunga and Hummock ranges in South Australia, Australia, which commenced operation in 2008.

Snowtown Stage II means Snowtown Wind Farm Stage 2 Pty Ltd.

Snowtown Stage II Wind Farm means stage II of the Snowtown wind farm located on the Barunga and Hummock ranges in South Australia, Australia, which commenced commercial operation in 2014.

TAFP means Trustpower Australia Financing Partnership.

Takeovers Code means the New Zealand Takeovers Code approved pursuant to the Takeovers Code Approval Order 2000 (SR 2000/210) (as amended).

Tararua Stage I means stage I of the Tararua Wind Farms, located in the Tararua Ranges, Wellington, New Zealand, which commenced commercial operation in 1999.

Tararua Stage II means stage II of the Tararua Wind Farms, located in the Tararua Ranges, Wellington, New Zealand, which commenced commercial operation in 2004.

Tararua Stage III Wind Farm means stage III of the Tararua Wind Farms, located in the Tararua Ranges, Wellington, New Zealand, which commenced commercial operation in 2007.

Tararua Wind means Tararua Wind Power Limited.

Tararua Wind Farms means Tararua Stage I, Tararua Stage II and Tararua Stage III Wind Farm with an aggregate capacity of 161MW.

TECT means Tauranga Energy Consumer Trust.

Tilt Renewables means Tilt Renewables Limited (previously named Trustpower Australia (New Zealand) Limited, and previously named Australasian Renewables Limited, with these name changes occurring in the previous 12 months).

Tilt Renewables Board means the board of directors of Tilt Renewables proposed in this Scheme Booklet.

Tilt Renewables Business means the assets and operations which are to comprise the business of Tilt Renewables after the Demerger.

Tilt Renewables Business Pro Forma Historical Financial Information means the pro forma historical financial information relating to the assets and operations which are to comprise the business of Tilt Renewables after the Demerger.

Tilt Renewables Group means the group of companies comprising Tilt Renewables and its intended subsidiaries following the Demerger.

Tilt Renewables Share means an ordinary share in Tilt Renewables.

Tilt Renewables Shareholder means a holder of Tilt Renewables Shares following the implementation of the Scheme.

TPAH means Trustpower Australia Holdings Pty Ltd.

TPAH Tax Consolidated Group means the Australian Multiple-Entry Consolidated Group of which Trustpower Australia Holdings Pty Ltd is the "Head Company" (as that term is used in section 995-1 of the Income Tax Assessment Act 1997 (Australia)).

TPM or **Transmission Pricing Methodology** means the methodology by which Transpower recovers its transmission investment cost.

Transitional Services Agreement means an agreement between Tilt Renewables and New Trustpower under which New Trustpower will provide services to Tilt Renewables, as more particularly described in Section 9 *(Implementing the Demerger)*.

Transpower means Transpower New Zealand Limited.

Trustpower means Trustpower Limited.

Trustpower Board means the board of directors of Trustpower.

Trustpower Consolidated Tax Group means the Trustpower consolidated group under subpart FM of the Income Tax Act 2007.

Trustpower Group means Trustpower and its subsidiaries.

Trustpower Insurance means Trustpower Insurance Limited.

Trustpower Market Services means Trustpower Market Services Pty Ltd.

Trustpower Share means an ordinary share in Trustpower.

Trustpower Shareholder means a registered holder of Trustpower Shares.

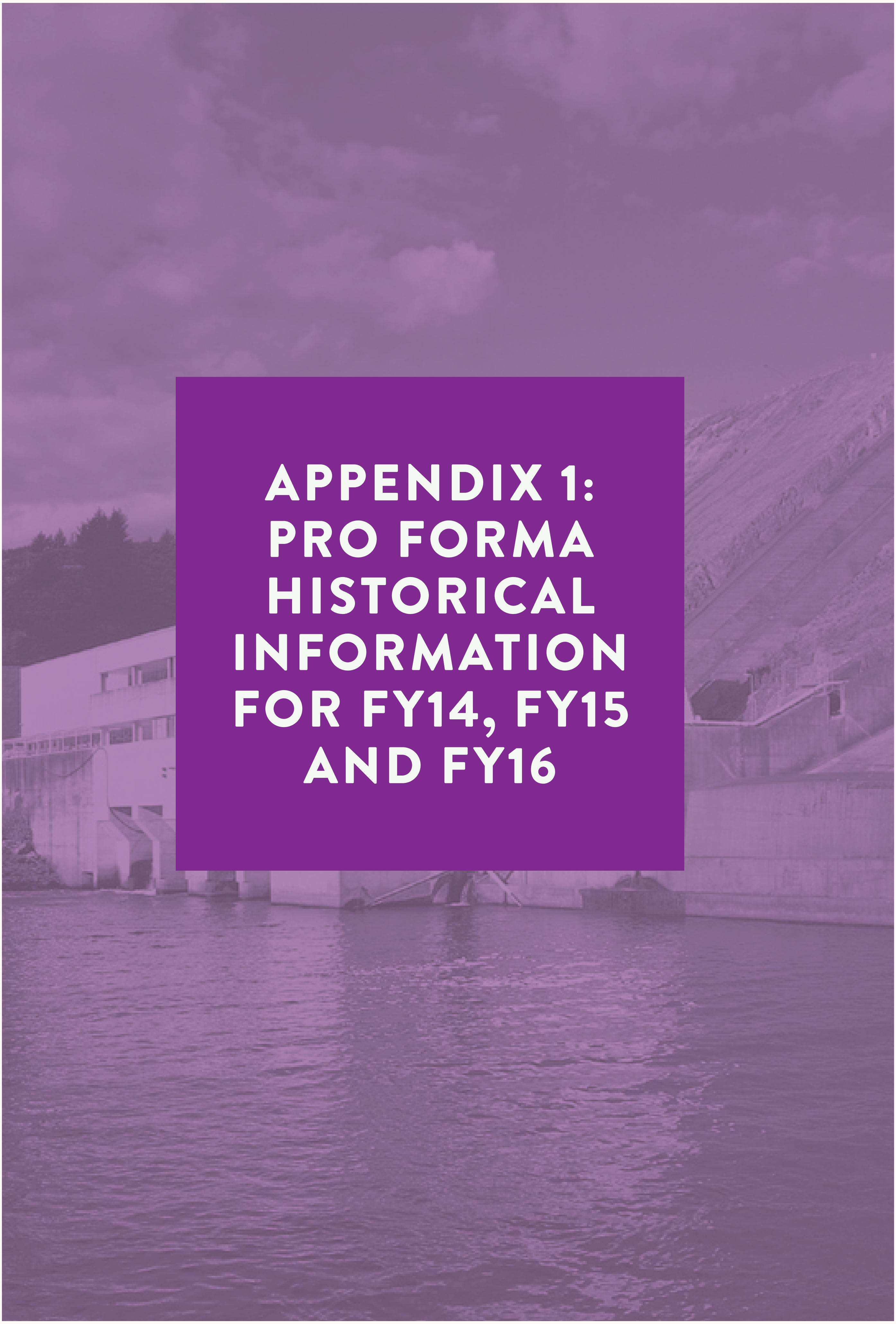
Trustpower Shareholder Information Service means the question and answer service, available by email at demerger@trustpower.co.nz.

Voting Eligibility Date means the date and time at which the entitlement of Trustpower Shareholders to vote at the Shareholder Meeting is determined, which, as at the date of this Scheme Booklet is expected to be 5pm on 6 September 2016.

Waddi means Waddi Wind Farm Pty Ltd.

Wingeel means Wingeel Wind Farm Pty Ltd.

Wrap means the supplementary document that will be provided to NZX for release to the market together with this Scheme Booklet upon implementation of the Demerger, recording the outcome of the Shareholder Meeting and any other material changes that have occurred in respect of Tilt Renewables and/or New Trustpower since the date of this Scheme Booklet, as confirmed by Tilt Renewables and New Trustpower.



APPENDIX 1: PRO FORMA HISTORICAL INFORMATION FOR FY14, FY15 AND FY16

APPENDIX 1: PRO FORMA HISTORICAL INFORMATION FOR FY14, FY15 AND FY16

Pro Forma Historical Financial Information

Introduction and Basis of Preparation

This Appendix reconciles the pro forma historical financial information to Trustpower Group's audited financial statements for the FY14, FY15 and FY16.

Pages 117 to 120 of this Appendix show the split of the FY14, FY15 and FY16 financial statements between the New Trustpower Group and Tilt Renewables Group, that is, how the previously reported financial information has been split into the two groups.

Pages 121 to 123 demonstrate how this split was calculated and the methodology used to derive the Tilt Renewables and New Trustpower reported financial information.

Pages 124 to 126 summarise the pro forma adjustments that have been made to the reported financial information for Tilt Renewables and New Trustpower for FY14, FY15 and FY16. Pages 127 to 130 demonstrates how these pro forma adjustments have been applied to the summarised financial information for FY14 and FY15 and the full reported financial results for FY16 of Tilt Renewables and New Trustpower.

The pro forma historical financial information for Tilt Renewables has been presented in A$ as the financial information for future financial periods will be presented in A$. The NZ$ pro forma historical financial information presented in this Appendix 1 *(Pro Forma Historical Information for FY14, FY15 and FY16)* has been converted using the following NZ$:A$ exchange rates. These rates are the same rates used to convert A$ transactions to NZ$ in the original audited Trustpower financial statements.

	FY14	FY15	FY16
Closing rate used for conversion of balance sheet	n/a	n/a	0.90074
Average rate used for conversion of income statements	0.90064	0.92839	0.91965

Trustpower – Audited Historical Consolidated Financial Information

The tables below present the split of the FY14, FY15 and FY16 Trustpower audited consolidated financial statements into the New Trustpower Group and Tilt Renewables Group. Note that the financial information below is presented in New Zealand dollars and prior to pro forma adjustments (see page 124 for pro forma adjustments). Refer to the commentary on page 121 for details of how the audited Trustpower consolidated financial information was split into the two groups.

Financial year ended 31 March 2014

$000s	New Trustpower Unaudited	Tilt Renewables Unaudited	Trustpower Audited
Income Statement			
Electricity Revenue	698,385	54,059	752,444
Telecommunications Revenue	28,783	–	28,783
Gas Revenue	10,962	–	10,962
Other Operating Revenue	19,028	482	19,510
Operating Revenue	757,158	54,541	811,699
Line Costs	(232,103)	–	(232,103)
Energy Costs [(1)]	(174,408)	48,350	(126,058)
Generation Production Costs	(29,993)	(19,352)	(49,345)
Telecommunications Cost of Sales	(23,261)	–	(23,261)
Gas Cost of Sales	(8,617)	–	(8,617)
Other Operating Expenses	(86,525)	(8,384)	(94,909)
Operating Expenses	(554,907)	20,614	(534,293)
EBITDAF	202,251	75,155	277,406
Depreciation and Amortisation			(72,013)
Net Financing Costs			(61,728)
Other			9,222
Profit Before Tax			152,887
Taxation			(37,766)
Profit After Tax Attributable to Shareholders			115,121

[(1)] Tilt Renewables' energy costs are positive as Trustpower treats New Zealand electricity generated as a reduction in its energy cost. Electricity generated from the New Zealand wind farms is sold within the Trustpower Group, based on an Internal Transfer Pricing system (ITP). This income is reclassified in the Pro Forma accounts and is also updated to reflect the new power purchase agreements. Refer to the Tilt Renewables reconciliation in this Appendix 1 *(Pro Forma Historical Information for FY14, FY15 and FY16)* to see the reclassification.

Financial year ended 31 March 2015

$000s	New Trustpower Unaudited	Tilt Renewables Unaudited	Trustpower Audited
Income Statement			
Electricity Revenue	794,018	121,344	915,362
Telecommunications Revenue	34,544	–	34,544
Gas Revenue	22,150	–	22,150
Other Operating Revenue	21,637	(226)	21,411
Operating Revenue	872,349	121,118	993,467
Line Costs	(279,210)	–	(279,210)
Energy Costs [1]	(205,055)	44,273	(160,782)
Generation Production Costs	(33,619)	(33,106)	(66,725)
Telecommunications Cost of Sales	(26,942)	–	(26,942)
Gas Cost of Sales	(16,625)	–	(16,625)
Other Operating Expenses	(106,968)	(5,484)	(112,452)
Operating Expenses	(668,419)	5,683	(662,736)
EBITDAF	203,930	126,801	330,731
Depreciation and Amortisation			(98,125)
Net Financing Costs			(78,563)
Other			10,626
Profit Before Tax			164,669
Taxation			(20,655)
Profit After Tax Attributable to Shareholders			144,014

[1] Tilt Renewables' energy costs are positive as Trustpower treats New Zealand electricity generated as a reduction in its energy cost. Electricity generated from the New Zealand wind farms is sold within the Trustpower Group, based on an Internal Transfer Pricing system (ITP). This income is reclassified in the Pro Forma accounts and is also updated to reflect the new power purchase agreement. Refer to the Tilt Renewables reconciliation in this Appendix 1 *(Pro Forma Historical Information for FY14, FY15 and FY16)* to see the reclassification.

Financial year ended 31 March 2016

$000s	New Trustpower Unaudited	Tilt Renewables Unaudited	Trustpower Audited
Income Statement			
Electricity Revenue	806,274	127,621	933,895
Telecommunications Revenue	50,792	–	50,792
Gas Revenue	27,255	–	27,255
Other Operating Revenue	24,820	(222)	24,598
Operating Revenue	909,141	127,399	1,036,540
Line Costs	(289,750)	–	(289,750)
Energy Costs [(1)]	(192,596)	48,833	(143,763)
Generation Production Costs	(38,905)	(29,988)	(68,893)
Telecommunications Cost of Sales	(38,188)	–	(38,188)
Gas Cost of Sales	(20,000)	–	(20,000)
Other Operating Expenses	(137,440)	(9,492)	(146,932)
Operating Expenses	(716,879)	9,353	(707,526)
EBITDAF	192,262	136,752	329,014
Depreciation and Amortisation	(42,546)	(74,492)	(117,038)
Net Financing Costs	(43,671)	(37,407)	(81,078)
Other	(11,842)	4,019	(7,823)
Profit Before Tax	94,203	28,872	123,075
Taxation	(35,365)	2,135	(33,230)
Profit After Tax Attributable to Shareholders	58,838	31,007	89,845
Balance Sheet			
Cash	7,642	5,702	13,344
Other Current Assets	117,843	29,300	147,143
Non–Current Assets	2,367,917	1,288,057	3,655,974
Total Assets	2,493,402	1,323,059	3,816,461
Current Bank Debt	(180,200)	(28,865)	(209,065)
Current Retail Bonds	(65,000)	–	(65,000)
Other Current Liabilities	(102,298)	(13,384)	(115,682)
Bank Debt	(104,591)	(640,035)	(744,626)
Retail Bonds	(317,773)	–	(317,773)
Other Non–Current Liabilities	(300,097)	(175,574)	(475,671)
Total Liabilities	(1,069,959)	(857,858)	(1,927,817)
Net Assets	1,423,443	465,201	1,888,644
Equity	1,423,443	465,201	1,888,644

[(1)] Tilt Renewables' energy costs are positive as Trustpower treats New Zealand electricity generated as a reduction in its energy cost. Electricity generated from the New Zealand wind farms is sold within the Trustpower Group, based on an Internal Transfer Pricing system (ITP). This income is reclassified in the Pro Forma accounts and is also updated to reflect the new power purchase agreement. Refer to the Tilt Renewables reconciliation in this Appendix 1 *(Pro Forma Historical Information for FY14, FY15 and FY16)* to see the reclassification.

Allocation Method Summary – Split of Trustpower into Tilt Renewables and New Trustpower

The audited Trustpower financial statements are split into Tilt Renewables and New Trustpower using the following methodology:

- Certain entities are 100% allocated to New Trustpower or Tilt Renewables; and
- Other 'mixed' entities are split into Tilt Renewables and New Trustpower based on specific rules (as discussed on pages 122 to 123).

Summaries of EBITDAF by Entity

Financial year ended 31 March 2014

$000s	New Trustpower	Tilt Renewables	Total FY14
EBITDAF			
Entities 100% Allocated to New Trustpower [1]	52	–	52
Entities 100% Allocated to Tilt Renewables [2]	–	59,192	59,192
Allocation of 'Mixed' Entities			
1 Trustpower	201,802	23,176	224,978
2 Trustpower Insurance	397	152	549
3 GSP Energy	–	–	–
4 NZ Consolidation Entries	–	(376)	(376)
5 AU Consolidation Entries	–	(6,989)	(6,989)
EBITDAF	**202,251**	**75,155**	**277,406**

[1] Entities 100% allocated to New Trustpower are Trustpower Metering, and EDNZ.
[2] Entities 100% allocated to Tilt Renewables are Tararua Wind, Tilt Renewables, TPAH, Snowtown, TAFP, Trustpower Market Services, Snowtown Stage II, Snowtown South, Dundonnell, Church Lane, Wingeel, and Salt Creek.

Financial year ended 31 March 2015

$000s	New Trustpower	Tilt Renewables	Total FY15
EBITDAF			
Entities 100% Allocated to New Trustpower [1]	67	–	67
Entities 100% Allocated to Tilt Renewables [2]	–	109,656	109,656
Allocation of 'Mixed' Entities			
1 Trustpower	196,107	17,162	213,269
2 Trustpower Insurance	358	176	534
3 GSP Energy	7,398	2,648	10,046
4 NZ Consolidation Entries	–	344	344
5 AU Consolidation Entries	–	(3,185)	(3,185)
EBITDAF	**203,930**	**126,801**	**330,731**

[1] Entities 100% allocated to New Trustpower are Trustpower Metering, and EDNZ.
[2] Entities 100% allocated to Tilt Renewables are Tararua Wind, Tilt Renewables, TPAH, Snowtown, TAFP, Trustpower Market Services, Snowtown Stage II, Snowtown South, Dundonnell, Church Lane, Wingeel, and Salt Creek.

Financial year ended 31 March 2016

$000s	New Trustpower	Tilt Renewables	Total FY16
EBITDAF			
Entities 100% Allocated to New Trustpower (1)	2,786	–	2,786
Entities 100% Allocated to Tilt Renewables (2)	–	112,129	112,129
Allocation of 'Mixed' Entities			
1 Trustpower	177,686	27,701	205,387
2 Trustpower Insurance	(535)	217	(318)
3 GSP Energy	12,325	3,441	15,766
4 NZ Consolidation Journals	–	(1,482)	(1,482)
5 AU Consolidation Entries	–	(5,254)	(5,254)
EBITDAF	**192,262**	**136,752**	**329,014**
Net Assets			
Entities 100% Allocated to New Trustpower (1)	129,630	–	129,630
Entities 100% Allocated to Tilt Renewables (2)	–	1,130,529	1,130,529
Allocation of 'Mixed' Entities			
1 Trustpower	1,240,261	98,959	1,339,220
2 Trustpower Insurance	3,996	–	3,996
3 GSP Energy	136,302	(3,284)	133,018
4 NZ Consolidation Journals	(9,032)	(97,042)	(106,074)
5 AU Consolidation Entries	(77,714)	(663,961)	(741,675)
Net Assets	**1,423,443**	**465,201**	**1,888,644**

(1) Entities 100% allocated to New Trustpower are Trustpower Metering, and EDNZ.
(2) Entities 100% allocated to Tilt Renewables are Tararua Wind, Tilt Renewables, TPAH, Snowtown, TAFP, Trustpower Market Services, Snowtown Stage II, Snowtown South, Dundonnell, Church Lane, Wingeel, and Salt Creek.

Summary of allocation method of 'Mixed' Entities

1. **Trustpower** – All telecommunications revenue, gas revenue, line costs, telecommunications costs, and gas cost of sales relate to New Trustpower. Electricity revenue, other operating revenue, energy costs, generation production costs, and other operating expenses are split into Tilt Renewables and New Trustpower based on the business units that generate this revenue and expenditure. All items below EBITDA are allocated to New Trustpower except for depreciation, which is allocated based on asset location, and tax. Tax is allocated to Tilt Renewables based on 28% of allocated NPBT, with the remaining tax expense allocated to New Trustpower.

   Accounts receivables, prepayments, property, plant and equipment (PP&E), accounts payable and accruals, unsecured bank loans, and the deferred tax liability are split between Tilt Renewables and New Trustpower using methods specific to each line item. For example, PP&E is allocated to Tilt Renewables if the asset is located at the Mahinerangi Wind Farm. Furthermore, the deferred tax liability allocated to Tilt Renewables is calculated as 28% of the difference between the accounting and tax book values of Tilt Renewables' allocated PP&E, less any land revaluation associated with that PP&E. The balance of the deferred tax liability is allocated to New Trustpower. Bank loans are allocated to Tilt Renewables on the assumption that net assets allocated to Tilt Renewables are financed via bank debt. All other assets and liabilities (not included in the list above) are assumed to relate to New Trustpower.

2. **Trustpower Insurance** – Operating revenue and costs relating to the insurance of wind assets are allocated to Tilt Renewables, with the remainder allocated to New Trustpower. All balance sheet items are allocated to New Trustpower as these are eliminated from a Group perspective so there is no need to allocate.

3. **GSP Energy Pty Ltd** – GSP is separated based on business unit where there is one generation scheme per business unit.

4. **NZ Consolidation Journals** – Components are allocated on a line by line basis. The primary Income Statement elimination is the removal of intercompany Trustpower Insurance income (Other Revenue) and Other Operating Expenses. The impairment of assets ('Other' item in the Income Statement) is all allocated to Tilt Renewables as it relates to the impairment of intercompany advances to TPAH. Exchange rate movements are allocated to Tilt Renewables as they are assumed to all relate to Australian Wind operations.

   In relation to the balance sheet, the advances to subsidiaries balance is assumed to be all Tilt Renewables whereas the investment in subsidiaries balance is split into Tilt Renewables and New Trustpower based on the subsidiaries they relate to. The investment in subsidiaries balances for Tilt Renewables and New Trustpower are subsequently replaced by bank debt via pro forma adjustments. It is assumed that Tilt Renewables funds the net assets with bank debt (recorded as non-current bank debt).

5. **AU Consolidation Entries** – This elimination entity is allocated to Tilt Renewables as Australia is primarily wind. However, items relating to GSP Energy hydro assets are allocated to New Trustpower. As with the NZ Elimination Company, it is assumed that Tilt Renewables funds the net assets with bank debt (recorded as non-current bank debt).

Pro Forma Adjustment Summary

A number of pro forma adjustments have been made by management to reflect the pro forma full year impact of recent acquisitions and other significant changes that have occurred over the historical period. The aim of this is to present the pro forma historical financial information in a consistent manner in line with the current Trustpower Group that exists at 31 March 2016, adjusted for the impact of the Demerger. The tables and commentary below show the impact of the pro forma adjustments on both EBITDAF and net profit before tax (NPBT).

New Trustpower – Pro Forma Adjustments

$000s	FY14	FY15	FY16
NPBT			
Reported NPBT			94,203
1 Difference between Internal Transfer Pricing and power purchase agreement			6,132
2 King Country Energy Acquisition			9,778
3 GSP Energy Acquisition			–
4 Reverse King Country Energy Gain on Acquisition			(2,114)
5 Energy Direct NZ (EDNZ) Acquisition			–
6 Interest on New Debt Levels			6,759
7 Demerger costs			1,659
Pro Forma NPBT			116,417
EBITDAF			
Reported EBITDAF	202,251	203,930	192,262
1 Difference between Internal Transfer Pricing and power purchase agreement	10,001	6,525	6,132
2 King Country Energy Acquisition	12,043	14,247	13,291
3 GSP Energy Acquisition	9,002	(908)	–
5 Energy Direct NZ (EDNZ) Acquisition	411	–	–
7 Demerger costs	–	–	1,659
Pro Forma EBITDAF	233,708	223,794	213,344
Net Assets			
Reported Net Assets			1,423,443
8 Transaction Costs			(70,000)
Pro Forma Net Assets			1,353,443

1. Currently, electricity generated by Tilt Renewables' NZ wind farms is sold within the Trustpower Group based on an Internal Transfer Pricing system (ITP) and partially at spot price. However, under the proposed new business structure, Tilt Renewables would sell all the wind-generated electricity to New Trustpower based on the proposed power purchase agreement. Under this agreement, New Trustpower would purchase the majority of the wind-generated electricity at a lower price than it was purchased for under the ITP. The price differential for the remainder depends upon market conditions and the resulting spot price. In the years under review the profitability of New Trustpower has been adjusted upwards.

2. In December 2015 a controlling stake in King Country Energy was acquired. The historical NPBT figures have been adjusted to include full years of trading for King Country Energy. Consistent with GAAP, 100% of the King Country Energy financial results has been included in the consolidated numbers above. The after-tax non-controlling interests for FY14, FY15 and FY16 would have been $1,797,000, $1,396,000 and $2,493,000 respectively. Management obtained historical data, directly from King Country Energy.

3. GSP, which includes hydro generation assets that are included in New Trustpower, was acquired in July 2014. As FY15 represents only about 7 months of trading, FY15 NPBT has been adjusted to reflect a full year of operations, primarily based on the extrapolation of the 7 months of trading and actual generation volumes. FY14 NPBT

has also been adjusted to include a full year of GSP hydro asset trading, based on the FY15 pro forma result adjusted for actual generation volumes. The estimate of the revenue adjustment was calculated by pro-rating FY15 revenue that was recognised by the Trustpower Group based on actual generation volumes prior to the acquisition of GSP. The generation volumes were obtained from the previous owner of these assets. Note that the adjustment reduces profitability in FY15 as generation volumes are relatively low from April to July as irrigation releases from the dam, which aid generation, are summer weighted. As costs have largely been extrapolated on a straight line basis the April to July period generates a loss.

4. The $2.1 million one-off gain on acquisition for King Country Energy recognised in FY16 for New Trustpower was removed as a one off adjustment.

5. In July 2013 Energy Direct NZ (EDNZ) was acquired. The FY14 results are adjusted to reflect a full year of trading (this adjustment reflects the disclosure made in the 2014 audited accounts of Trustpower).

6. Interest on new debt has been deducted from NPBT. This is calculated based on adjustments to debt levels (unsecured subordinated bonds, senior bonds and bank loans) that relate to the Pro Forma adjustments above and the actual effective interest rate paid during the year.

7. One-off Demerger costs of $1.7 million expensed in FY16 have been removed from the FY16 EBITDAF and NPBT.

8. Transaction costs – Bank debt has been increased by the transaction costs that are anticipated to occur between 31 March 2016 and the Implementation Date to reflect the New Trustpower balance sheet immediately post Demerger. Details of these transaction costs can be found on page 42.

No pro forma adjustments have been made to net assets as a result of debt refinancing because this refinancing will not impact the total debt level, only how it is comprised.

Tilt Renewables – Pro Forma Adjustments

$000s	FY14	FY15	FY16
NPBT			
Reported NPBT			28,872
1 Difference between Internal Transfer Pricing and power purchase agreement			(6,132)
3 New Cost Structure			(9,260)
4 Interest on New Debt Facilities			6,360
Pro Forma NPBT			19,840
EBITDAF			
Reported EBITDAF	75,155	126,801	136,752
1 Difference between Internal Transfer Pricing and power purchase agreement	(10,001)	(6,525)	(6,132)
2 GSP Energy Acquisition	3,377	541	–
3 New Cost Structure	(9,462)	(9,260)	(9,260)
Pro Forma EBITDAF	59,069	111,557	121,360
Net Assets			
Reported Net Assets			465,201
5 Transaction Costs			(10,800)
Pro Forma Net Assets			454,401

1. As discussed above, the pro forma financial information has been adjusted to reflect the new proposed PPA, rather than the ITP system currently used.

2. GSP, which includes hydro generation assets that are included in New Trustpower, was acquired in July 2014. As FY15 represents only about 7 months of trading FY15, NPBT has been adjusted to reflect a full year of operations, primarily based on the extrapolation of the 7 months of trading and generation volumes. FY14 NPBT has also been adjusted to include a full year of GSP Energy trading, based on the FY15 pro forma result adjusted for actual generation volumes. The estimate of the revenue adjustment was calculated by pro-rating FY15 revenue that was recognised by the Trustpower Group based on actual generation volumes prior to the acquisition of GSP. The generation volumes were obtained from the previous owner of these assets.

3. It is assumed that additional FTEs would be required if Tilt Renewables operated as a standalone group. Average salaries for each department are applied to the required FTEs to get estimated additional staff costs in A$. The cost is then converted to NZD using the average exchange rate for the year. A Tilt Renewables establishment team has been formed and has assessed that the additional FTEs will provide Tilt Renewables the organisational capability it will need in order to execute its strategy. Other additional costs such as directors' fees, travel costs, and rent are also assumed to be incurred. The levels of these costs has, again, been assessed by the Tilt Renewables establishment team. Management believes that New Trustpower would require approximately the same number of FTEs pre and post the Demerger.

4. Interest on new debt is calculated based on additional debt relating to the Pro Forma adjustments above and the actual effective interest rate paid during the year. This is reflected as an increase in bank loans in the balance sheet.

5. Transaction costs – Bank debt has been increased by the transaction costs that are anticipated to occur between 31 March 2016 and the Implementation Date to reflect the Tilt Renewables balance sheet immediately post Demerger. Details of these transaction costs can be found on page 42.

No pro forma adjustments have been made to net assets as a result of debt refinancing because this refinancing will not impact the total debt level, only how it is comprised.

APPENDIX

Reconciliation of split of Trustpower audited consolidated financial statements to pro forma financial statements for Tilt Renewables and New Trustpower

New Trustpower

Financial year ended 31 March 2014

$000s	New Trustpower – Split from Trustpower Unaudited	Pro Forma Adjustments Unaudited	Pro Forma New Trustpower Unaudited
Income Statement			
Electricity Revenue	698,385	57,328	755,713
Telecommunications Revenue	28,783	–	28,783
Gas Revenue	10,962	3,614	14,576
Other Operating Revenue	19,028	2,734	21,762
Operating Revenue	757,158	63,676	820,834
Line Costs	(232,103)	(5,218)	(237,321)
Energy Costs	(174,408)	(9,983)	(184,391)
Generation Production Costs	(29,993)	(5,039)	(35,032)
Telecommunications Cost of Sales	(23,261)	–	(23,261)
Gas Cost of Sales	(8,617)	(3,007)	(11,624)
Other Operating Expenses	(86,525)	(8,972)	(95,497)
Operating Expenses	(554,907)	(32,219)	(587,126)
EBITDAF	202,251	31,457	233,708

Financial year ended 31 March 2015

$000s	New Trustpower – Split from Trustpower Unaudited	Pro Forma Adjustments Unaudited	Pro Forma New Trustpower Unaudited
Income Statement			
Electricity Revenue	794,018	43,931	837,949
Telecommunications Revenue	34,544	–	34,544
Gas Revenue	22,150	85	22,235
Other Operating Revenue	21,637	3,585	25,222
Operating Revenue	872,349	47,601	919,950
Line Costs	(279,210)	(4,334)	(283,544)
Energy Costs	(205,055)	(13,102)	(218,157)
Generation Production Costs	(33,619)	(2,960)	(36,579)
Telecommunications Cost of Sales	(26,942)	–	(26,942)
Gas Cost of Sales	(16,625)	(56)	(16,681)
Other Operating Expenses	(106,968)	(7,285)	(114,253)
Operating Expenses	(668,419)	(27,737)	(696,156)
EBITDAF	203,930	19,864	223,794

Financial year ended 31 March 2016

$000s	New Trustpower – Split from Trustpower Unaudited	Pro Forma Adjustments Unaudited	Pro Forma New Trustpower Unaudited
Income Statement			
Electricity Revenue	806,274	35,457	841,731
Telecommunications Revenue	50,792	–	50,792
Gas Revenue	27,255	81	27,336
Other Operating Revenue	24,820	2,375	27,195
Operating Revenue	909,141	37,913	947,054
Line Costs	(289,750)	(3,645)	(293,395)
Energy Costs	(192,596)	(7,415)	(200,011)
Generation Production Costs	(38,905)	(1,904)	(40,809)
Telecommunications Cost of Sales	(38,188)	-	(38,188)
Gas Cost of Sales	(20,000)	(50)	(20,050)
Other Operating Expenses	(137,440)	(3,817)	(141,257)
Operating Expenses	(716,879)	(16,831)	(733,710)
EBITDAF	192,262	21,082	213,344
Depreciation and Amortisation	(42,546)	(4,550)	(47,096)
Net Financing Costs	(43,671)	5,755	(37,916)
Taxation	(35,365)	(6,815)	(42,180)
Other	(11,842)	(73)	(11,915)
Profit After Tax Attributable to Shareholders	58,838	15,399	74,237
Balance Sheet			
Cash	7,642	–	7,642
Other Current Assets	117,843	–	117,843
Non – Current Assets	2,367,917	–	2,367,917
Total Assets	2,493,402	–	2,493,402
Current Bank Debt	(180,200)	180,200	–
Current Retail Bonds	(65,000)	65,000	–
Other Current Liabilities	(102,298)	–	(102,298)
Bank Debt	(104,591)	(182,973)	(287,564)
Retail Bonds	(317,773)	(132,227)	(450,000)
Other Non – Current Liabilities	(300,097)	–	(300,097)
Total Liabilities	(1,069,959)	(70,000)	(1,139,959)
Net Assets	1,423,443	(70,000)	1,353,443
Equity	1,423,443	(70,000)	1,353,443

Tilt Renewables

Financial year ended 31 March 2014

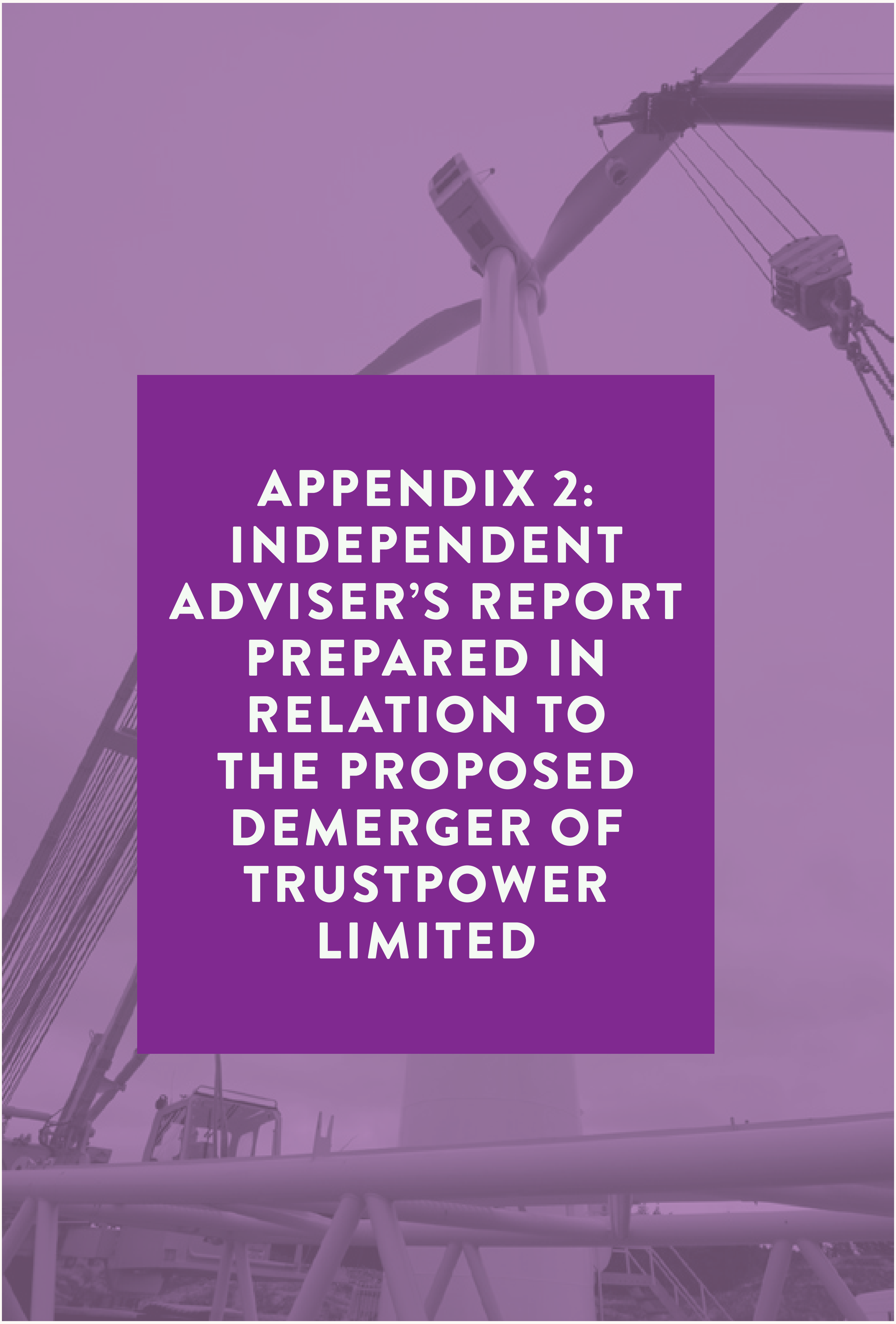
$000s	Tilt Renewables – Split from Trustpower Unaudited	Pro Forma Adjustments Unaudited	Pro Forma Tilt Renewables Unaudited
Income Statement			
Electricity Revenue	54,059	42,361	96,420
Telecommunications Revenue	–	–	–
Gas Revenue	–	–	–
Other Operating Revenue	482	–	482
Operating Revenue	54,541	42,361	96,902
Line Costs	–	–	–
Energy Costs	48,350	(48,350)	–
Generation Production Costs	(19,352)	(512)	(19,864)
Telecommunications Cost of Sales	–	–	–
Gas Cost of Sales	–	–	–
Other Operating Expenses	(8,384)	(9,585)	(17,969)
Operating Expenses	20,614	(58,447)	(37,833)
EBITDAF	75,155	(16,086)	59,069

Financial year ended 31 March 2015

$000s	Tilt Renewables – Split from Trustpower Unaudited	Pro Forma Adjustments Unaudited	Pro Forma Tilt Renewables Unaudited
Income Statement			
Electricity Revenue	121,344	38,479	159,823
Telecommunications Revenue	–	–	–
Gas Revenue	–	–	–
Other Operating Revenue	(226)	–	(226)
Operating Revenue	121,118	38,479	159,597
Line Costs	–	–	–
Energy Costs	44,273	(44,273)	–
Generation Production Costs	(33,106)	(153)	(33,259)
Telecommunications Cost of Sales	–	–	–
Gas Cost of Sales	–	–	–
Other Operating Expenses	(5,484)	(9,297)	(14,781)
Operating Expenses	5,683	(53,723)	(48,040)
EBITDAF	126,801	(15,244)	111,557

Financial year ended 31 March 2016

$000s	Tilt Renewables – Split from Trustpower Unaudited	Pro Forma Adjustments Unaudited	Pro Forma Tilt Renewables Unaudited
Income Statement			
Electricity Revenue	127,621	42,701	170,322
Telecommunications Revenue	–	–	–
Gas Revenue	–	–	–
Other Operating Revenue	(222)	–	(222)
Operating Revenue	127,399	42,701	170,100
Line Costs	–	–	–
Energy Costs	48,833	(48,833)	–
Generation Production Costs	(29,988)	–	(29,988)
Telecommunications Cost of Sales	–	–	–
Gas Cost of Sales	–	–	–
Other Operating Expenses	(9,492)	(9,260)	(18,752)
Operating Expenses	9,353	(58,093)	(48,740)
EBITDAF	136,752	(15,392)	121,360
Depreciation and Amortisation	(74,492)	–	(74,492)
Net Financing Costs	(37,407)	6,360	(31,047)
Taxation	2,135	2,587	4,722
Other	4,019	–	4,019
Profit/ (Loss) After Tax Attributable to Shareholders	31,007	(6,445)	24,562
Balance Sheet			
Cash	5,702	–	5,702
Other Current Assets	29,300	–	29,300
Non – Current Assets	1,288,057	–	1,288,057
Total Assets	1,323,059	–	1,323,059
Current Bank Debt	(28,865)	28,865	–
Current Retail Bonds	–	–	–
Other Current Liabilities	(13,384)	–	(13,384)
Bank Debt	(640,035)	(39,665)	(679,700)
Retail Bonds	–	–	–
Other Non – Current Liabilities	(175,574)	–	(175,574)
Total Liabilities	(857,858)	(10,800)	(868,658)
Net Assets	465,201	(10,800)	454,401
Equity	465,201	(10,800)	454,401



APPENDIX 2: INDEPENDENT ADVISER'S REPORT PREPARED IN RELATION TO THE PROPOSED DEMERGER OF TRUSTPOWER LIMITED

Northington Partners

Trustpower Limited

Independent Adviser's Report Prepared in Relation to the Proposed Demerger of Trustpower Limited

August 2016

Statement of Independence

Northington Partners Limited confirms that it:

- Has no conflict of interest that could affect its ability to provide an unbiased report; and
- Has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Northington Partners Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code and the Panel's requirements for schemes of arrangements involving Code companies for the purposes of preparing this report.

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Abbreviations and Definitions

A$	Australian dollars
ASX	ASX Limited, or the financial market operated by the ASX Limited as the context requires
BEL	Bay Energy Limited
CAGR	Compound average growth rate
Code	The Takeovers Code
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDAF	Earnings before interest, tax, depreciation, amortisation and fair value adjustments
EV	Enterprise Value
FY	Financial year ending 31 March
GWh	Gigawatt hour, a measurement of electrical energy being 1,000 MW of electrical energy used continuously for one hour
GSP	GSP Energy Pty Limited
Independent Adviser's Report	This report prepared by Northington Partners
Infigen	Infigen Energy Limited
Infratil	Infratil Limited
KCE	King Country Energy Limited
LGC	Large-scale generation certificates created under Australia's RET scheme, with one LGC representing one MWh of renewable electricity
MW	Megawatt, a unit of power being one million watts
MWh	Megawatt hour, a measurement of electrical energy being one million watts of electrical energy used continuously for one hour
Northington Partners	Northington Partners Limited
NPAT	Net Profit After Tax
NZ$	New Zealand dollars
NZX	NZX Limited
NZX Main Board	The main board equity securities market operated by NZX
PPA	Power purchase agreement, being an agreement for the purchase of electricity and LGCs (if applicable)
Origin	Origin Energy Limited
Proposed Demerger	The proposal to divide Trustpower into two separate entities, being Tilt Renewables and New Trustpower, as described in the Scheme Booklet
RET	Australia's Renewable Energy Target, a scheme to incentivise investment in renewable energy
Scheme of Arrangement	The scheme of arrangement being contemplated by Trustpower under Part 15 of the Companies Act 1993
Scheme Booklet	Trustpower's Notice of Meeting and Scheme Booklet in relation to the Proposed Demerger including the procedural notes and this Independent Adviser's Report
Separation Deed	A Deed entered into between Trustpower, BEL and TANZL which governs the Proposed Demerger
Tilt Renewables	Tilt Renewables Limited, previously named Australasian Renewables Limited (and Trustpower Australia (New Zealand) Limited prior to 8 July 2016), which under the Proposed Demerger will (together with its subsidiaries) hold Trustpower's Australian and New Zealand wind farm assets and wind farm and solar development projects.
TECT	Tauranga Energy Consumer Trust
Trustpower or Company	Trustpower Limited
New Trustpower	BEL, which under the Proposed Demerger will (together with its subsidiaries) retain ownership of the assets of Trustpower not transferred to Tilt Renewables
TWP	Tararua Wind Power Limited

1.0 Assessment of the Merits of the Proposed Demerger

1.1. Introduction

Trustpower Limited ("**Trustpower**" or "**Company**") is listed on the NZX Main Board, being the main board equity securities market operated by NZX Limited ("**NZX**"). Trustpower is a renewable energy generator with hydro power stations and wind farms in New Zealand and Australia and an electricity and multi-product retailer in New Zealand.

On 18 December 2015, Trustpower announced it was considering a demerger into two, separate standalone listed companies ("**Proposed Demerger**"):

1. "Tilt Renewables", comprising Trustpower's Australian and New Zealand wind farm assets as well as wind and solar development projects; and
2. "New Trustpower", which will retain ownership of Trustpower's remaining assets, being primarily its New Zealand and Australian hydro power generation and New Zealand multi-product retailing business.

Table 1 summarises the key generation and operating statistics for each of New Trustpower and Tilt Renewables following the Proposed Demerger relative to Trustpower currently.

Table 1: Summary Operating Statistics

	New Trustpower	Tilt Renewables	Trustpower
Installed New Zealand Capacity (MW)	478	197	675
Installed Australian Capacity (MW)	92	386	478
Total Installed Capacity	572	582	1,153
New Zealand Average Generation (GWh)	1,929	664	2,593
Australia Average Generation (GWh)	244	1,258	1,502
Total Average Generation	2,173	1,922	4,095
FY16 Actual Generation	2,047	1,921	3,968
Total Utility Connections (as of 31 March 2016)	370,000	0	370,000

Source: Trustpower and Northington Partner's analysis. For further generation asset details, see Section 3.3 and Section 3.4 of this report and the Scheme Booklet.

Table 2 provides a summary of the key pro forma financial information for the year end 31 March 2016 for each of New Trustpower and Tilt Renewables relative to Trustpower's actual recently reported financial results.

Table 2: Summary Financial Information (FY16 Pro Forma)

NZ$m	Trustpower Core	Tilt Renewables	Pro Forma Adjustments	Trustpower FY16 Actual
Revenue				
Generation NZ	229	45	(31)	242
Generation Australia	16	125	(1)	140
Retail	842	0	0	842
Other[1]	(140)	0	(48)	(188)
Total Revenue	947	170	(81)	1,037
EBITDAF				
Generation NZ	159	37	(3)	194
Generation Australia	12	84	9	105
Retail	42	0	(0)	42
Other[1]	0	0	(12)	(12)
Total EBITDAF	213	121	(6)	329

NZ$m	Trustpower Core	Tilt Renewables	Pro Forma Adjustments	Trustpower FY16 Actual
Current Assets	118	29	0	147
Non-current Assets	2,368	1,288	0	3,656
Current Liabilities	(102)	(13)	0	(116)
Net Debt	(730)	(674)	81	(1,323)
Other Non-current Liabilities	(300)	(176)	0	(476)
Net Assets	**1,353**	**454**	**81**	**1,889**
Net Debt / EBITDAF	3.4x	5.4x		4.0x
Net Debt / (Net Debt + Equity)	35%	60%		41%

Source: Trustpower and Northington Partner's analysis. For more detailed financial information, see Section 3.3 and Section 3.4 of this Independent Adviser's Report and the Scheme Booklet. Tilt Renewables figures based on average NZD/AUD exchange rate of $0.92 for FY16 revenue and EBITDAF and at a rate of $0.90 for 31 March balance sheet items.

[1] Other includes unallocated revenue and expenses (mainly related to unallocated corporate functions) and, in the case of revenue, inter-company eliminations between segments.

Further details on Trustpower are set out in Section 2, while profiles of Tilt Renewables and New Trustpower are set out in Section 3.3 and Section 3.4, respectively.

The Proposed Demerger is being implemented by way of a Court approved scheme of arrangement under Part 15 of the Companies Act 1993 ("**Scheme of Arrangement**"). This will essentially involve:

- The assets and liabilities of Trustpower being transferred to each of Tilt Renewables and New Trustpower (and their subsidiaries), the key elements of which are described in the Scheme Booklet and Section 3.1 of this report.
- The liquidation of Trustpower.
- The liquidator of Trustpower making an in-specie distribution of New Trustpower and Tilt Renewables shares to those persons who hold shares in Trustpower on the date at which the entitlement of Trustpower shareholders to participate in the Proposed Demerger is determined (the "**Record Date**"), which date is shown in the timetable set out in Section 1.3 below. Each Trustpower shareholder holding Trustpower shares on the Record Date will receive one Tilt Renewables share and one New Trustpower share for every one Trustpower share they own.
- Shareholders of Trustpower will continue to own Trustpower shares but these will be of no value and Trustpower will be liquidated.
- New Trustpower will be listed on the NZX Main Board and Tilt Renewables on the NZX Main Board and Tilt Renewables may also be listed as a foreign exempt issuer on the ASX.

1.2. Key Conditions

The Scheme of Arrangement is subject to a number of conditions before it will become binding, the full details of which are set out in the Notice of Meeting to be sent to Trustpower shareholders contained within the Scheme Booklet. A summary of the key conditions is as follows:

- Trustpower's shareholders must approve the Scheme of Arrangement at a special meeting of shareholders. The voting thresholds under the Companies Act 1993 for approval of the Scheme of Arrangement are:
  - a majority of 75% of the votes of the Trustpower shareholders in each interest class entitled to vote and voting on the demerger resolution; and
  - a simple majority of the votes of all Trustpower shareholders entitled to vote on the demerger resolution. (This threshold applies on the total number of Trustpower shares rather than by each interest class separately).
- Trustpower shareholder approval is also required under NZX Listing Rule 9.1.1, which will be achieved if Trustpower's shareholders approve the Scheme of Arrangement.
- The High Court must approve the Scheme of Arrangement and order its implementation.

1.3. Proposed Demerger Timetable

Table 3 provides a summary of the key events for the Proposed Demerger.

Table 3: Transaction Timetable

Event	Date
Date for determining eligibility to vote	5pm on 6 September 2016
Shareholder Meeting	9 September 2016
Anticipated receipt of Final Court Orders	6 October 2016
Last date on which Trustpower shares will trade on the NZX Main Board	13 October 2016
Record Date for entitlements to receive Tilt Renewables and New Trustpower shares	5pm on 13 October 2016
Anticipated Demerger Date	17 October 2016
New Trustpower shares begin trading on the NZX Main Board on a conditional settlement basis	13 October 2016
Tilt Renewables shares being trading on the NZX Main Board and ASX on a conditional settlement basis	13 October 2016
Mailing of shareholder statements	18 October 2016

Source: Trustpower. Events have the same meaning as defined in the Scheme Booklet and are subject to change.

1.4. Regulatory Requirements and Scope of this Report

The Proposed Demerger is to be implemented by way of Scheme of Arrangement under the Companies Act 1993 and is required to be approved by the High Court. The NZX Listing Rules (as well as general law) specifies that the Notice of Meeting must state the nature of the business to be transacted at the meeting in sufficient detail to enable shareholders to form a reasoned judgement in relation to it.

Trustpower has requested that the Takeovers Panel issue a "no-objection statement" in relation to the Scheme of Arrangement to present to the High Court to assist with its deliberations. The practice of the Takeovers Panel (except in very limited circumstances) is to require the preparation of an independent adviser's report before it will consider issuing a no-objection statement. It is also customary practice in New Zealand for an independent report to be provided to shareholders when considering a transaction of the nature of the Proposed Demerger.

Accordingly, Trustpower requested Northington Partners Limited ("**Northington Partners**") to prepare an independent adviser's report setting out our view of the merits of the Proposed Demerger. We have also been requested to give our opinion as to whether the Proposed Demerger materially prejudices Trustpower's creditors. Our appointment was approved by the Takeovers Panel on 22 March 2016. Further details on the regulatory requirements and scope of this report are set out in Appendix 1.

This report will accompany the Notice of Meeting to be sent to all Trustpower shareholders and sets out our opinion on the merits of the Proposed Demerger. This report will also be provided to the Court considering the Scheme of Arrangement in respect of the Proposed Demerger. Being part of the Scheme Booklet which will enter the public domain, we understand that the report may also be viewed by creditors of Trustpower potentially affected by the Proposed Demerger. This report should not be used for any other purpose and should be read in conjunction with the declarations, qualifications and consents set out in Appendix 7.

1.5. Basis of Evaluation

Appendix 1 sets out details of the matters we have taken into account in our assessment of the Proposed Demerger from the perspective of Trustpower's shareholders and creditors.

1.6. Summary of Our Assessment of the Proposed Demerger for Trustpower Shareholders

Our full assessment of the merits of the Proposed Demerger for Trustpower shareholders is set out in Section 4.0, and summarised below in Table 4.

Table 4: Summary of Merits for Trustpower Shareholders

Item	Key Conclusions	Further Information
Advantages and Benefits	▪ The Proposed Demerger will allow both New Trustpower and Tilt Renewables to focus on separate strategies appropriate for each entity. ▪ Tilt Renewables will provide a better platform for raising the capital required to fund the significant wind development opportunities currently under consideration. ▪ Given the separate listing arrangements for New Trustpower and Tilt Renewables, shareholders will have the opportunity to make an explicit choice regarding their continued exposure to either company.	Section 4.1
Potential Value Impacts of the Proposed Demerger	▪ We believe that the immediate impacts on share values are highly uncertain, and could be driven as much by market supply and demand factors as fundamental value drivers. ▪ There is potential for uplift in the value attributed to the development opportunities held by Tilt Renewables following the Proposed Demerger. If this is realised, the aggregate value of the New Trustpower and Tilt Renewables shares may exceed the current value attributed to Trustpower. The eventual outcome is uncertain and ultimately dependent on a myriad of market and performance factors in the medium term.	Section 4.2
Risks, Disadvantages and Costs	▪ All of the risks faced by New Trustpower and Tilt Renewables following the Proposed Demerger are already faced by Trustpower today. However, the two new entities will be smaller and less diversified and will arguably be more affected by any adverse event. We believe that the practical impact of this change is limited. ▪ All else being equal, the liquidity in New Trustpower and Tilt Renewables may be lower than Trustpower because of the smaller size of each entity. Liquidity in Trustpower is already low, largely because over 77% of the shares are owned by only two shareholders. If this position changes after the Proposed Demerger, liquidity in one or both of the new entities may improve. ▪ Based on information provided by Trustpower, we estimate the total economic costs of the Proposed Demerger at $75 – $90 million ($0.24 – $0.29 per share). This includes both the one-off transaction costs and an estimate of the incremental present value of higher on-going operating costs from running two separate companies relative to the costs which would have been incurred under the status quo. This will represent a direct loss in shareholder value if the potential benefits of the Proposed Demerger are not realised.	Section 4.3
Impact on Initial Capital Structure and Funding Costs	▪ New Trustpower and Tilt Renewables must be recapitalised as part of the Proposed Demerger. The gearing level for New Trustpower will be lower than Trustpower's current position, while Tilt Renewables will be more highly geared (supported by its high level of contracted revenue). ▪ We expect that both entities will have suitable facilities and funding sources in place, and on comparable terms, when the Proposed Demerger is implemented.	Section 4.4
Dividend Consequences	▪ Based on pro-forma financial information for FY2016 and the proposed dividend policies of New Trustpower and Tilt Renewables, we estimate that the aggregate dividend from the two companies would be approximately $0.03 - $0.04 lower than the $0.42 dividend paid by Trustpower in FY2016 (based on the upper end of the proposed dividend pay-out ratios). ▪ However, we note that most of this reduction should not be directly attributed to the Proposed Demerger. If the Australian wind development opportunities were pursued under the status quo structure, it is very likely	Section 4.5

Item	Key Conclusions	Further Information
	that Trustpower would decrease its dividend pay-out to help fund the capital expenditure or require new equity from shareholders.	
Tax Considerations	▪ The Proposed Demerger should have no material tax consequences for New Trustpower, Tilt Renewables, or New Zealand resident or Australian resident shareholders in Trustpower.	Section 4.6

A summary of our conclusions is set out in Section 4.8. On balance, we believe that the potential benefits of the Proposed Demerger outweigh the costs and potential disadvantages.

1.7. Summary of Our Assessment of the Proposed Demerger for Trustpower Creditors

Our full assessment of whether the Proposed Demerger is likely to materially prejudice Trustpower's creditors is set out in Section 5.0. A summary of our key conclusions is as follows:

- The Proposed Demerger should have no material impacts on the key terms of creditors' existing arrangements with Trustpower.
- The Proposed Demerger is unlikely to impact creditors' ability to receive payment of their debts when due:
  - We do not believe New Trustpower or Tilt Renewables will be materially more likely than Trustpower today to suffer an insolvency or liquidation event before existing creditors have been paid; and
  - Even if such an insolvency or liquidation event were to occur to New Trustpower or Tilt Renewables, there should be no material impact on the practical and legal implications for affected creditors compared to the situation they would face if such an event were to occur to Trustpower today in the absence of the Proposed Demerger.

1.8. Approval or Rejection of the Scheme of Arrangement

This report represents one source of information that Trustpower shareholders may wish to consider when forming their own view on whether to approve the Proposed Demerger. It is not possible to contemplate all shareholders' personal circumstances or investment objectives and our assessment is therefore general in nature. The appropriate course of action for each shareholder is dependent on their own unique situation. Shareholders should read the Scheme Booklet and if appropriate, consult their own professional adviser(s).

2.0 Profile of Trustpower and Rationale for the Proposed Demerger

2.1. Overview

Trustpower traces its origins back to 1915 and the construction of Tauranga's first power station. Today, the Company remains headquartered in Tauranga and is listed on the NZX Main Board. Trustpower's principal business activities comprise electricity generation and the retailing of energy and telecommunication services.

Trustpower's generation activities have a strong focus on sustainable generation using hydroelectric power stations and, increasingly, wind farms. The Company currently owns hydro and wind generation assets at 41 generation sites in New Zealand and 6 generation sites in two states of Australia (New South Wales and South Australia). A number of wind farm projects are currently in development or at the planning stages, predominantly in Australia.

Figure 1: Map of Trustpower's Generation Assets

Source: Trustpower

The retail side of the business operates in New Zealand only, where Trustpower supplies electricity to approximately 280,000 customers (including King Country Energy Limited ("**KCE**") customers), gas to 31,500 customers and telecommunications services (including Ultra-Fast Broadband internet) to 65,000 customers. Other ancillary operations include the leasing of legacy meters to other energy retailers and a number of irrigation projects (operational and planned) that are linked to the Company's hydroelectric assets.

As set out in Figure 2 below, the majority of Trustpower's revenue is derived from its retail division. However, low margins in this division (consistent with other generator-retailer businesses in the New Zealand market) results in a disproportionality low level of profitability compared to other divisions. Figure 3 shows that the majority of EBITDAF is derived from the Company's generation activities. Although Generation New Zealand is the single largest contributor to EBITDAF, the contribution from Generation Australia has increased significantly, particularly following the commissioning of the 270MW Snowtown Stage 2 Wind Farm in South Australia ("**Snowtown Stage 2")**.

Figure 2: Revenue by Business Division

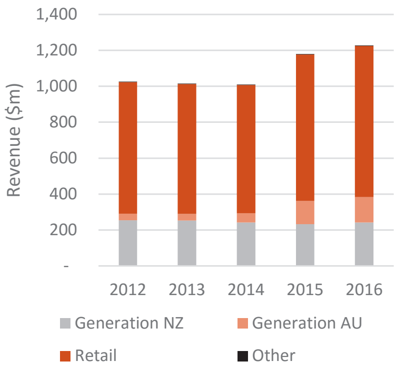
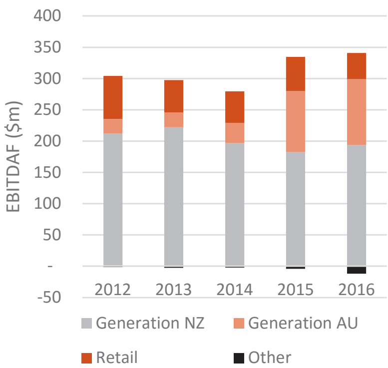


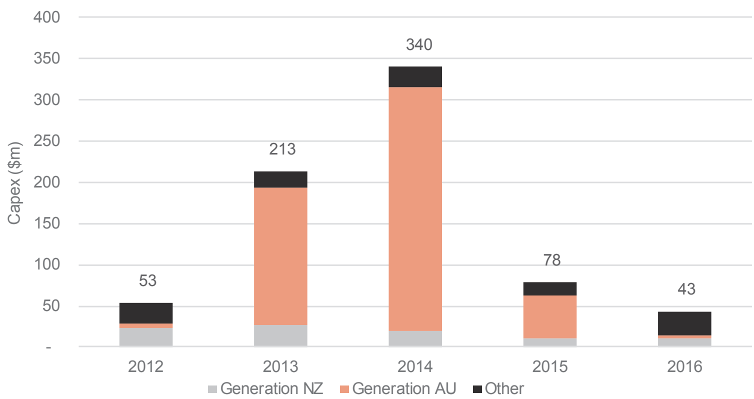
Figure 3: EBITDAF by Business Division



Source: Trustpower audited financial statements (FY2012 - FY2016). Note: Revenue figures include inter division trading.

In recent years, Trustpower has invested heavily in the development of its Australian wind generation assets. The extent of this investment can be seen in Figure 4 below, which highlights capital expenditure by segment over the last five years.

Figure 4: Capital Expenditure FY2012 – FY2016



Source: Based on Northington Partners' estimates of capital expenditure excluding acquisitions (sourced from Trustpower financial statements FY2012 – FY2016).

2.2. Significant Historical Events

Key milestones in Trustpower's history are summarised below:

Date	Event
1915	Tauranga's first power station begins operation.
1923	The first Tauranga Electric Power Board is elected to serve the greater Tauranga area.
1994	Tauranga Electric Power Board becomes Trustpower and is listed on the New Zealand Stock Exchange. Infratil and TECT become major shareholders in Trustpower.
1994	Acquisition of a 67% interest in Rotorua Electricity Limited.
1995	Acquisition of Taupo Electricity Limited and Taupo Generation Limited.

1996	Acquisition of the remaining 33% stake in Rotorua Electricity Limited.
1997	Trustpower merges with Tauranga Electricity Limited and Kaimai Hydropower Limited.
1998	Trustpower sells its lines network and invests in the retail business and generation assets of eight power boards.
1999	Acquisition of Coleridge, Matahina and Highbank stations from Electricity Corporation of New Zealand.
2004	Trustpower starts to offer telecommunication services to its customers.
2007	Acquisition of CallSouth, a provider of fixed line, tolls, internet and broadband services.
2008	Stage 1 of Trustpower's Snowtown wind farm in South Australia opens.
2012	Trustpower starts to offer Ultra-Fast Broadband over New Zealand's growing fibre network.
2013	Acquisition of Energy Direct NZ, a provider of gas and electricity services.
2014	Snowtown Stage 2 is commissioned.
2014	Acquisition of 105MW of Australian hydro and wind assets previously owned by Green State Power (New South Wales).
2016	Acquisition of an approximately 65% stake in KCE.

Source: Trustpower

2.3. Capital Structure and Ownership

As at 29 April 2016, Trustpower had 315,751,872 ordinary shares on issue. The Company is very closely held, with the top five shareholders holding approximately 81% of the shares on issue; the remaining 19% is held by approximately 12,300 shareholders. Trustpower's substantial security holders and cornerstone shareholders are Infratil Limited ("**Infratil**") and the Tauranga Energy Consumer Trust ("**TECT**"), which own 51.0% and 26.8% of Trustpower respectively (excluding treasury stock which is anticipated to be cancelled prior to the Proposed Demerger). Infratil is a specialist investor in infrastructure and utility assets. TECT has been a cornerstone shareholder in Trustpower since its formation, with its beneficiaries being Trustpower electricity customers in the Tauranga area.

Table 5: Top 5 Shareholders

Shareholder	Holding Balance	Shareholding Percentage
Renew Nominees[1]	110,399,170	34.28%
TECT	83,878,838	26.80%
Infratil Energy New Zealand[1]	48,470,446	15.49%
New Zealand Superannuation Fund	6,124,780	1.96%
ACC	3,507,603	1.12%
Top 5 Shareholders	**252,380,837**	**80.65%**
Remaining Shareholders	60,571,685	19.35%
Total Shares on Issue	**312,952,522**	**100.00%**

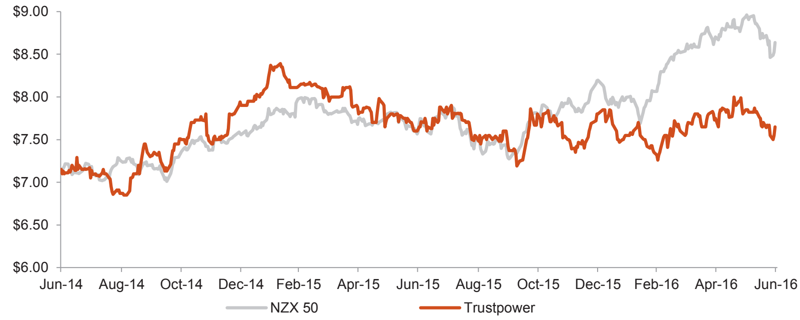
Source: Trustpower share register as of 29 April 2016 excluding treasury stock of 2,799,350 shares.
[1] Represents interests of Infratil.

2.4. Share Price Performance and Liquidity

Figure 5 summarises Trustpower's share price performance over the last two years to 29 June 2016 relative to the NZX50 Capital Index (which excludes dividend payments)[1]. We note that Trustpower has traded in a reasonably wide range, from $7.03 at the beginning of the period to a high of $8.39 in February 2015. Including dividend payments, total annualised shareholder returns for Trustpower have been approximately 9% since June 2014, well below the 15% return on the Gross NZX50 Index (also including dividends) over the same period.

[1] Figure 11 in Appendix 2 summarises the relative share price performance from 18 December 2015 (the announcement date of the Proposed Demerger).

Figure 5: Trustpower Share Price Performance Relative to NZX50 Capital Index

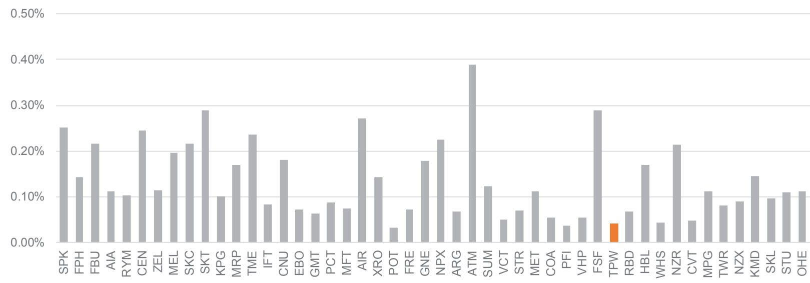


Source: Capital IQ. NZX50 Capital Index rebased.

Figure 6 and Table 6 present some basic data in relation to the trading liquidity of Trustpower shares. Figure 6 shows the daily trading volume for each of the New Zealand companies included in the NZX50 Index, relative to the level of free float shares for each company (and ordered by the free-float market capitalisation). Free float represents the number of shares freely available to trade, and generally excludes strategic shareholdings in each Company. For Trustpower, the free float excludes the Infratil and TECT shareholdings, collectively representing about 78% of the total shares on issue.

This measure shows that Trustpower is one of the least liquid shares in the NZX50 Index.

Figure 6: Median Daily Trading Volume Relative to Free Float



Source: Capital IQ

Table 6 illustrates the relative liquidity of Trustpower shares by comparing the number of times an average shareholding parcel in Trustpower can be traded in a day. This metric again illustrates the relative illiquidity of Trustpower shares in that only approximately 5.1 average shareholder parcels can be traded in Trustpower shares per day, compared to approximately 52 times for the same parcel value relative to the median daily trading value for shares in the broader NZX50 index.

Table 6: Liquidity Analysis

	Trustpower	NZX50 Average
Free Float Market Capitalisation	$545m	$1,580m
Average Trustpower Shareholder Parcel Value	$43,000	-
Median Daily Value Traded	$220,000	$2,250,000
Median Daily Turnover / Average Trustpower Shareholder Parcel Value	5.1x	52.3x

Source: Capital IQ, Northington Partners' estimates based on median trading value over 12 months to 31 May 2016 and 12,300 Trustpower shareholders.

2.5. Historic Financial Results

2.5.1. Financial Performance

A summary of Trustpower's financial performance for the five year period between FY2012 and FY2016 is set out in Table 7 below.

Table 7: Trustpower Historical Financial Performance

Year ended 31 March ($000)	FY2012	FY2013	FY2014	FY2015	FY2016
Operating revenue	807,060	805,504	811,699	993,467	1,036,540
Operating expenses	(506,923)	(510,748)	(534,293)	(662,736)	(707,526)
EBITDAF	**300,137**	**294,756**	**277,406**	**330,731**	**329,014**
Impairment of assets	(428)	-	(226)	(141)	(3,610)
Discount on acquisition	-	-	-	24,986	2,114
Net fair value gains / losses on financial instruments	(7,544)	(5,593)	9,448	(14,219)	(6,327)
Depreciation & amortisation	(58,237)	(65,987)	(72,013)	(98,125)	(117,038)
Operating Profit	**233,928**	**223,176**	**214,615**	**243,232**	**204,153**
Net finance costs	(62,985)	(62,747)	(61,728)	(78,563)	(81,078)
Income tax expense	(39,291)	(37,078)	(37,766)	(20,655)	(33,230)
Profit after tax	**131,652**	**123,351**	**115,121**	**144,014**	**89,845**

Sources: Trustpower Audited Financial Statements (FY2012-FY2016).

The main features of Trustpower's historical financial performance can be summarised as follows:

- Operating revenue was relatively flat in the three year period FY2012 to FY2014. However, revenue increased significantly in FY2015 (up 22.4% on FY2014 levels) following the acquisition in July 2014 of 105MW of Australian hydro and wind assets from Green State Power and the commissioning of Snowtown Stage 2.
- Revenue in FY2016 increased around 4% compared to FY2015 as a result of increased revenue from the New Zealand retail division (following significant investment in the Company's retail growth strategy) and the full-year effect of revenue from the Green State Power assets and Snowtown Stage 2.
- EBITDAF decreased marginally in FY2013 compared to FY2012 levels. This trend continued into FY2014, with EBITDAF around 6% lower than FY2013 primarily as a result of lower New Zealand generation production, a challenging retail environment which reduced retail margins, and the strength of the NZD/AUD exchange rate which negatively impacted Australian based earnings when translated into New Zealand dollars.
- EBITADF increased around 19% in FY2015 compared to FY2014 levels, largely on the back of the increase in Australian generation assets following the acquisition of the Green State Power assets and the commissioning of Snowtown Stage 2. Although EBITDAF in FY2016 changed little compared to FY2015, EBITDAF as a percentage of revenue decreased from 33.3% in FY2015 to 31.7% in FY2016. This represented a continuation of the trend observed in previous financial years, caused in large part by the competitive retail environment which reduced margins in the Company's largest revenue generating division.
- Net finance costs reduced marginally over the period FY2012 to FY2014, but increased materially in FY2015 and FY2016 as debt levels increased to fund the completion of Snowtown Stage 2 and the acquisitions of the Green State Power assets and KCE.
- Depreciation in FY2015 and FY2016 was significantly higher than in previous periods. This reflected the significant investment in Australian generation assets and an upwards revaluation of those assets that took place as at 31 March 2015.

2.5.2. Financial Position

A summary of Trustpower's financial position for the five year period between FY2012 and FY2016 is set out in Table 8 below.

Table 8: Trustpower Historical Financial Position

As at 31 March ($000)	FY2012	FY2013	FY2014	FY2015	FY2016
Assets					
Cash and liquid assets	24,933	54,967	34,322	16,797	16,991
Accounts receivable and prepayments	115,963	139,465	132,279	123,003	132,792
Property, plant and equipment	2,584,985	2,716,588	2,886,619	3,348,382	3,586,094
Land and Buildings held for sale	-	-	-	-	7,189
Derivative financial instruments	16,268	9,171	9,639	14,173	7,821
Taxation receivable	5,159	6,362	9,913	5,145	-
Other investments	2,431	2,420	1,892	1,892	8
Intangible assets	45,895	47,298	72,239	72,207	65,566
Liabilities					
Accounts payable and accruals	114,085	124,527	126,285	99,919	109,619
Unsecured subordinated bonds	262,277	292,375	238,211	238,671	139,069
Unsecured senior bonds	212,178	212,838	213,498	243,140	243,704
Unsecured bank loans	308,440	460,192	722,520	734,803	953,689
Derivative financial Instruments	21,406	39,727	16,873	28,925	39,565
Taxation payable	5,702	2,726	5,222	4,821	3,152
Deferred tax liability	300,215	292,123	309,762	421,084	439,017
Net Assets	**1,571,331**	**1,551,763**	**1,514,532**	**1,810,236**	**1,888,644**
Equity					
Share capital	166,078	166,108	159,034	158,586	158,896
Revaluation reserve	1,026,513	1,025,063	1,009,212	1,298,494	1,357,033
Retained earnings	361,350	359,317	349,428	368,287	326,520
Cash flow hedge reserve	5,198	(9,390)	614	4,806	(1,494)
Foreign currency translation reserve	12,192	10,665	(3,756)	(19,937)	2,310
Non-controlling interests	-	-	-	-	45,379
Total Equity	**1,571,331**	**1,551,763**	**1,514,532**	**1,810,236**	**1,888,644**

Sources: Trustpower Audited Financial Statements (FY2012-FY2016).

The main features of Trustpower's historical financial position can be summarised as follows:

- The recorded value of property, plant & equipment increased from $2,585 million at the end of FY2012 to $3,586 million at the end of FY2016. The increase was primarily attributable to the significant investment in Australian generation assets (the Green State Power assets and Snowtown Stage 2), and an upwards revaluation of the Company's generation assets that took place as at 31 March 2015 as part of a three yearly cycle required under Trustpower's accounting policies.
- Unsecured bank loans increased from $308.4 million as at 31 March 2012 to $953.7 million as at 31 March 2016. The increase is directly attributable to the Company's increase in property, plant & equipment, which was primarily funded by bank debt.

2.5.3. Cash Flows

Table 9 below summarises Trustpower's historical cash flows for the five year period FY2012 to FY2016.

Table 9: Trustpower Statement of Historical Cash Flows

Year ended 31 March ($000)	FY2012	FY2013	FY2014	FY2015	FY2016
Receipts from customers	816,396	802,716	839,741	998,971	1,043,448
Payments to suppliers and employees	(501,742)	(517,867)	(548,999)	(688,938)	(715,652)
Taxation paid	(46,402)	(43,741)	(33,979)	(40,229)	(46,667)
Cash flow from operating activities	**268,252**	**241,108**	**256,763**	**269,804**	**281,129**
Sale of property, plant & equipment and other investments	21	377	861	251	1,941
Net cash flows from electricity market and other bonds and interest received	2,347	2,292	(117)	926	(477)
Capitalised interest	(27)	(4,780)	(15,146)	(2,087)	-
Purchase of property, plant & equipment	(35,863)	(198,603)	(308,803)	(63,202)	(36,903)
Purchase of investments, businesses and intangibles	(17,552)	(9,333)	(33,531)	(94,247)	(69,742)
Purchase of minority interests	-	-	-	-	(12,687)
Net cash from investing activities	**(51,074)**	**(210,047)**	**(356,736)**	**(158,359)**	**(117,868)**
Net increase / (repayment) of bank loans and bonds	(15,251)	188,246	278,837	73,947	41,355
Net share issuance / (repurchase)	(4,672)	30	(7,125)	(448)	310
Interest paid	(63,082)	(61,404)	(61,796)	(74,906)	(75,625)
Dividends paid	(125,671)	(125,447)	(125,275)	(125,155)	(131,002)
Net cash from financing activities	**(208,676)**	**1,425**	**84,641**	**(126,562)**	**(164,962)**
Net change in cash	**8,502**	**32,486**	**(15,332)**	**(15,117)**	**(1,701)**

Source: Trustpower Audited Financial Statements (FY2012-FY2016).

The main features of Trustpower's historical cash flows can be summarised as follows:

- Cash flows from operating activities have generally increased commensurately with EBITDAF over the five year period. However, cash tax paid has typically been higher than taxation expensed in the statement of financial performance due to deferred taxation.
- Capital expenditure as recognised in the purchase of property, plant and equipment increased significantly in FY2013 and FY2014, collectively totalling $507 million, due largely to the development of Snowtown Stage 2. Excluding new development capital expenditure, remaining maintenance capital expenditure (largely for Trustpower's generation assets) has generally been lower than depreciation recognised in the statement of financial performance.
- Over FY2014 to FY2016, Trustpower has spent approximately $162 million on business acquisitions including the acquisition of Energy Direct in FY2014 (approximately $17 million), Green State Power in FY2015 (approximately $81 million) and an approximate 65% stake in KCE in FY2016 (approximately $65 million excluding minority interests).
- Capital expenditure and business acquisitions not funded through the free cash flows of Trustpower resulted in a net increase in debt of approximately $582 million in the period FY2013 to FY2016.

2.6. Key Issues and Outlook

2.6.1. Wind Developments and Capital Requirements

Trustpower has successfully pursued a strategy of acquiring and developing wind generation in Australasia, with over 535MW of development across 5 projects since first acquiring the Tararua I wind farm in 1999. Over this period, Trustpower has built up significant development and project execution expertise with respect to its understanding of wind technology and performance. The Company has also developed strong supplier relationships and an experienced management team.

Following a period of review, in June 2015 the Australian Government settled on reforms to the Renewable Energy Target ("**RET**") scheme (see Appendix 6 for further details), which requires approximately 20% of Australia's electricity to be generated by renewable sources by 2020. Improved political consensus in relation to the RET scheme has led to greater investment certainty in Australia's renewable energy industry, providing greater confidence for new large scale renewable energy projects. Trustpower estimates the new RET targets will require approximately 5,000MW of new renewable energy capacity to be built by 2020, positioning the Company to utilise its expertise and pursue a number of wind development projects with a greater degree of confidence.

Trustpower currently has development application approvals in progress for five wind development projects in Australia in addition to two resource-consented wind projects in New Zealand (see Section 3.3 for an overview of Trustpower's development projects). These projects have the potential to provide up to 1,699MW of additional renewable energy capacity in Australia and up to 530MW in New Zealand. This compares to the 270MW Snowtown Stage 2 wind farm development in South Australia (which Trustpower completed at a development cost, excluding capitalised interest, of A$424 million in 2014) and Trustpower's total current wind generation capacity of 582MW. Trustpower estimates the total cost to develop all of these projects would exceed A$2 billion and potentially require significant new equity funding (although we note that not all of the projects will necessarily be developed). Consideration of funding alternatives to fund these developments was a key factor in deciding to proceed with the Proposed Demerger.

2.6.2. Regulatory Risks

Trustpower is currently facing a number of regulatory risks, primarily relating to the New Zealand Electricity Authority's current review of the Transmission Pricing Methodology. This process includes a review of Avoided Cost of Transmission ("**ACOT**") payments. A significant portion of Trustpower's generation capacity is imbedded into local electricity distribution networks, which means that Trustpower is currently compensated for the reduced charges the electricity distribution business would otherwise have to pay Transpower New Zealand Limited ("**Transpower**") to obtain electricity from the National Grid. In FY2016, Trustpower's ACOT revenue was approximately $27 million.

The Electricity Authority has recently proposed to progressively phase out ACOT payments by 1 April 2018 under which distributed generators (including Trustpower) would no longer receive ACOT payments unless commercial arrangements are made with Transpower (where distributed generators can demonstrate they reduce transmission costs). Any reduction or removal of ACOT payments as currently proposed may have a material impact on Trustpower's earnings and the value of its New Zealand wind farm assets.

2.6.3. New Zealand Wholesale Electricity Prices

New Zealand has recently suffered from a flat electricity demand outlook, which could be exacerbated by the potential closure of the Tiwai Aluminium smelter. There is also on-going uncertainty in relation to the potential closure of Genesis' Huntly coal and gas fired steam units beyond 2022, which provide a vital role in providing back-up electricity supply. The dynamics between the closure of aging thermal capacity and the potential closure of Tiwai have a strong bearing on New Zealand's overall wholesale electricity market, which in turn creates a high level of uncertainty around medium to long-term electricity prices and new generation development.

2.6.4. New Zealand Retail Competition

Since 2008, New Zealand's five large generator-retailers (Meridian, Mighty River Power, Contact, Genesis and Trustpower) have seen their collective market share of the mass market decline from 98% to 92%. The number of customers changing from one electricity provider to another, known colloquially as "churn", has also increased from approximately 9% per annum to over 20% over this period, while the number of retailers in the market has increased from 7 to 20. The rate of churn has been caused by a number of factors, including the Electricity Authority's "What's my number?" campaign and technology improvements in smart metering which has allowed new entrants to offer more competitive pricing terms over the traditional fixed price, variable volume price plans offered by the larger generator-retailers.

The increased competition and churn has resulted in greater operating costs for the retail component of the New Zealand market and has generally led to reduced retail margins. Trustpower's retail strategy is based on a bundled utility offering (electricity, gas and telecommunications), designed in part to lower churn levels and support growth in market share.

2.6.5. Australian Electricity Prices and PPA Market

Trustpower has utilised off-take agreements known as power purchase agreements ("**PPAs**") for its wind developments in order to mitigate its development risks and assist with the process of raising development funding. Wholesale electricity prices and the Australian market for renewable energy certificates (known as LGCs – see Appendix 6 for further details on the RET scheme and LGCs) can be volatile, and renewable energy developers therefore often utilise long-term fixed price PPAs to counter this risk. In the case of Trustpower's Snowtown Stage 1 and Snowtown Stage 2 projects, Trustpower has PPA contracts with Origin Energy Limited ("**Origin**"), one of Australia's leading integrated energy companies. The price paid under the PPA represents the "bundled" price for electricity and LGCs on a fixed price per MWh basis. The other key terms of the PPAs are detailed below:

- Snowtown Stage 1: Covers approximately 90% of annual volume (equating to circa 330GWh) through until December 2018 at a fixed escalating price. The balance of output beyond December 2018 is (or will be) exposed to spot electricity and LGC prices.
- Snowtown Stage 2: Covers 100% of electricity (892GWh) through until 2030 with an option (in favour of both Trustpower and Origin on different price terms) to extend for a further five years for electricity only (not LGCs) at a fixed escalating price. Beyond 2030, or 2035 if the extension option is not exercised, output electricity pricing will be based on prevailing wholesale prices.

Currently LGCs make up a significant portion of the bundled price for Trustpower's PPAs and are therefore a material component of revenue. Australia's RET scheme is designed to incentivise renewable energy development by making it cheaper relative to fossil fuel generated supply. We also note that current spot LGC prices have averaged approximately A$80 per MWh over the last six months, while average monthly wholesale electricity prices in South Australia (the key market supplied by Snowtown Stage 1 and 2) have generally traded between A$50-70 per MWh over the same period. This illustrates the importance of the renewable energy credit component to any future bundled price PPAs.

The dynamic between wholesale electricity prices and LGCs is effectively driven by the long-run marginal cost of renewable energy (the cost to produce renewable energy over the life of the project) and the current shortage of renewable energy generation capacity to meet Australia's RET. Consequently, the availability of LGCs is critical to ensure that PPA pricing is at a level that will support the economics of capital-intensive wind development projects.

The outlook for electricity prices in Australia is uncertain and will be impacted by several key factors. Australia's current RET scheme expires in 2030 and the price for LGCs is therefore expected to converge to zero in the absence of a new scheme. In addition, long-run electricity prices will be impacted by the retirement of Australia's aging fleet of coal powered stations and the long-run marginal cost of new, largely renewable, generation capacity that replaces them.

As the RET expiry in 2030 draws closer, the term for fixed price PPAs has condensed with shorter contract terms anticipated. It is therefore unlikely that Trustpower will commence new wind developments unless it can obtain PPA terms supportive of investment and financing or greater confidence around market pricing beyond PPA expiry. There is no certainty that Trustpower will be able to obtain suitable PPA contract terms to support new wind developments, although it may be prepared to take more market risk for its development pipeline which will impact the nature and risk profile of future developments.

2.7. Rationale for the Proposed Demerger

The strategic direction of Trustpower over the last several years has changed materially. The Company has evolved from a New Zealand focussed hydro-electric generator and electricity retailer into a business with two distinct areas of focus:

- Wind farm development in Australia, taking advantage of increasing demand for renewable energy and Trustpower's expertise in developing, maintaining and operating wind farms; and
- A New Zealand based retailer offering bundled electricity, gas and telecommunication products. This integrated retail strategy is expected to underpin electricity demand and customer loyalty for Trustpower's New Zealand electricity generation assets.

Each of these business components has a number of different characteristics in relation to geographic focus, growth outlook, capital requirements and management expertise.

One of the key reasons for pursuing the Proposed Demerger is due to Trustpower's assessment of the most efficient way to fund the next phase of its wind development pipeline while maximising overall shareholder value. Trustpower has funded its growth to date primarily using additional debt, but the Company is now at a point where it believes new equity is required. Trustpower's Board of Directors reviewed a number of options for raising new equity, with key consideration given to the following factors:

- **Capacity and appetite of existing shareholders**: The scale of the investment opportunity is such that the capital requirements are larger than the likely funding capacity and appetite of existing shareholders.
- **Source of capital**: The Company could potentially raise capital through Trustpower itself (as the parent company) or directly from the Australian subsidiary responsible for the wind farm development. Consideration was also given to potentially recycling capital out of completed developments (i.e. sell completed wind farms and use the proceeds to develop new ones) or the sale of the Australian business comprising the majority of the wind development projects.
- **Investment profile**: The New Zealand and Australian businesses have significantly different growth and risk profiles, each capable of supporting different capital structures and dividend policies which will have different levels of appeal to investors.
- **Market for capital**: As most of the growth opportunities are located in Australia, it may be more feasible to raise the required equity capital in that market.

After due consideration, Trustpower's Board of Directors selected the Proposed Demerger as the best available alternative on the basis that it:

- Enables the pursuit of targeted business strategies to capitalise on specific investment opportunities related to the two distinct businesses;
- Allows Tilt Renewables to raise capital from investors who have an appetite that is most aligned with the type of opportunities expected to be available from Tilt Renewables' development pipeline;
- Allows each business to adopt independent capital structures and dividend policies appropriate for their respective operational and strategic objectives;
- Provides Trustpower shareholders with greater investment choice in relation to capital allocation, giving all shareholders the flexibility to determine their investment levels in each company; and
- Increases transparency for the Tilt Renewables and New Trustpower businesses, providing investors with greater ability to independently assess underlying performance and separately value each business.

After taking into account certainty of outcome, benefits, risks, associated costs and time to implement, Trustpower considered that the Proposed Demerger achieves the desired outcomes in a manner that is likely to realise more value for Trustpower shareholders compared to the other options that were considered (Section 4.7 details other considered alternatives).

3.0 Effect of the Proposed Demerger

3.1. Separation Process

Trustpower, Bay Energy Limited ("**BEL**") and Australasian Renewables Limited (known as Trustpower Australia (New Zealand) Limited prior to 8 July 2016) ("**TANZL**") have entered into a Separation Deed ("**Separation Deed**") which governs the Proposed Demerger process. BEL is currently a non-operating wholly-owned subsidiary of Trustpower that will become New Trustpower following the Proposed Demerger. TANZL is currently a wholly-owned holding company for Trustpower's existing Australian investments, and will become Tilt Renewables following the Proposed Demerger.

Among other things, the Separation Deed sets out the conditions that must be satisfied before the Proposed Demerger can proceed and the steps to implement the Proposed Demerger, including in respect of the transfer of assets and liabilities and the offering of employment to Trustpower's employees.

3.1.1. Demerger Conditions

Key conditions required to be met before the Proposed Demerger can be implemented include:

- Approval of the Proposed Demerger by Trustpower's shareholders.
- Obtaining all required approvals, waivers or consents in respect of the refinancing of bank funding and financial and electricity derivative arrangements.
- Approval of the conditional listing of BEL on the NZX Main Board.
- Approval of the conditional listing of TANZL on the NZX Main Board.
- Final Court approval to give effect to the Proposed Demerger.

3.1.2. Transfer of Assets and Liabilities

Prior to the Proposed Demerger taking effect, all of Trustpower's assets and liabilities will be identified. An assessment will then be made as to whether those assets and liabilities should appropriately transfer to New Trustpower or Tilt Renewables. In the majority of cases, that assessment should be relatively straightforward: assets and liabilities associated with hydro-electric generation and Trustpower's multi-product retail business will transfer to New Trustpower, whilst assets and liabilities (including development opportunities) associated with wind farm or solar generation will transfer to Tilt Renewables.

Other key points relevant to the transfer of assets and liabilities are as follows:

- If it is not possible to identify whether a Trustpower asset or liability should appropriately be transferred to New Trustpower or Tilt Renewables, the asset or liability will be transferred to New Trustpower.
- To the extent that assets or liabilities are mistakenly transferred to New Trustpower instead of Tilt Renewables or to Tilt Renewables instead of New Trustpower, the parties have agreed a mechanism post the Proposed Demerger for such misplaced assets and liabilities to be transferred (wherever possible) to the appropriate entity.
- Each of BEL and TANZL will provide an indemnity to the other in respect of misplaced liabilities. If a liability is identified as having been misplaced but it is not possible to transfer that liability to the appropriate entity (e.g. consents for a novation cannot be obtained), the entity to whom the liability was initially transferred will assume that liability but with an indemnity from the other entity.
- The Trustpower name and logo will transfer to New Trustpower, with Tilt Renewables retaining the ability to use the name and logo on existing assets until it is practical to remove them.

3.1.3. Employees

Prior to the Proposed Demerger taking effect, Trustpower's employees will be identified and offered employment by either BEL or TANZL. From the date the Proposed Demerger is implemented, BEL will assume (and indemnify Trustpower against):

- The obligation of Trustpower to pay any accrued obligations in respect of such employees that accept employment with BEL;
- The obligation to meet any employee entitlement to redundancy compensation upon termination of their employment with Trustpower; and

Trustpower will pay all employee entitlements to those employees of Trustpower who will transfer to TANZL.

3.1.4. Liquidation of Trustpower

Once the assets and liabilities of Trustpower have been transferred to New Trustpower or Tilt Renewables, Trustpower will be placed into liquidation. The shares which Trustpower holds in BEL (which will become New Trustpower) and TANZL (which will become Tilt Renewables) will be subdivided so that Trustpower will hold the same number of shares in each of those companies as it has on issue immediately prior to the Proposed Demerger. The liquidator of Trustpower will then make an in specie distribution of these shares to Trustpower's shareholders, with each Trustpower shareholder receiving one share in New Trustpower and one share in New Co for each Trustpower share which they hold on the Record Date.

Summary details on the ownership and structure of Trustpower prior to the Proposed Demerger and New Trustpower and Tilt Renewables following the Proposed Demerger are set out in Section 3.2 below.

3.1.5. Transitional Arrangements

Certain services and functions currently provided centrally within the Trustpower group will not be able to be divided and "shared" between New Trustpower and Tilt Renewables upon the Proposed Demerger taking effect. Such services and functions will reside within New Trustpower following the Proposed Demerger.

BEL (New Trustpower) and TANZL (Tilt Renewables) have entered into a transitional services agreement to deal with Tilt Renewables' requirement for access to these corporate services whilst it develops its own capabilities or engages third parties for the provision of the required services. BEL has agreed to provide these services and functions to TANZL to the same level as those services were provided immediately prior to the Proposed Demerger.

Unless otherwise agreed, the transitional arrangements are expected to last until 30 June 2017.

3.1.6. Power Purchase Agreements

Under the Proposed Demerger, Tilt Renewables will enter into a PPA with New Trustpower in respect of each of the New Zealand wind farm assets that are to be transferred to Tilt Renewables or a Tilt Renewables subsidiary - i.e. Tararua Stage I and II, Tararua Stage III and Mahinerangi. The PPAs for the New Zealand wind farm assets will sit alongside the PPAs that currently exist in respect of Trustpower's Australian wind farms (and which are owned by various wholly-owned subsidiaries of TANZL, being the entity that will become Tilt Renewables).

Currently, the electricity generated by the New Zealand wind farms is sold by Trustpower into the New Zealand electricity market in its capacity as an electricity retailer. Consequently, there is no present need for PPAs. However, following the Proposed Demerger Tilt Renewables will not have the infrastructure to sell the electricity from these wind farms into the market. Long-term PPAs between Tilt Renewables (as the owner of the New Zealand wind farms) and New Trustpower (which will own the electricity retail business of Trustpower) are required, pursuant to which New Trustpower will acquire the electricity generated by the New Zealand wind assets and sell this into the market.

Due to the geographic location of the wind farms relative to the connections to New Zealand's National Grid, there will be three separate PPAs – one for Tararua Stages I and II and separate PPAs for each of Tararua Stage III and Mahinerangi.

The PPAs have been negotiated on an arms' length commercial basis. Key terms include:

- The "base" pricing for the first five years of the PPAs has been set with reference to the ASX Futures Otahuhu or Benmore base load prices. At the end of each contract year, the price for the fifth year forward will be established with reference to ASX Futures prices at the time, essentially ensuring the PPA always has five years of price visibility.
- The base prices are then adjusted for each pricing period for specific location and peaking factors, but are subject to a floor price providing Tilt Renewables with revenue protection against low spot prices. The floor mechanism terminates five years prior to the expiry of the term of the PPA.
- The PPAs are for the expected remaining life of the New Zealand wind farms, with limited termination rights (primarily force majeure or default by one of the parties).

These terms compare to the existing PPAs for the Australian wind farms (with Origin as the counterparty), which have been set at fixed, but escalating prices, for the life of the wind farm (with the exception of Snowtown Stage 1 which expires in 2018).

A summary of the existing Australian PPAs and the proposed New Zealand PPAs resulting from the Proposed Demerger are set out in Table 10 below.

Table 10: Existing and Proposed PPAs

Project	Counterparty	Volume Contracted	Term	Pricing
Snowtown Stage 1	Origin Energy	89%	2018	Fixed + Escalator
Snowtown Stage 2	Origin Energy	100%	2030	Fixed + Escalator
Blayney	Origin Energy	100%	2021	Fixed + Escalator
Crookwell	Origin Energy	100%	2019	Fixed + Escalator
Tararua (Stage I & II)	New Trustpower	100%	2029[1]	Fixed (5 years), then ASX referenced. Includes floor price which is in place until 5 years prior to end of the term (asset year 20) and indexed to CPI from year 6 of the contract.
Tararua (Stage III)	New Trustpower	100%	2033	Fixed (5 years), then ASX referenced. Includes floor price which is in place until 5 years prior to end of the term (asset year 20) and indexed to CPI from year 6 of the contract.
Mahinerangi	New Trustpower	100%	2036	Fixed (5 years), then ASX referenced. Includes floor price which is in place until 5 years prior to end of the term (asset year 20) and indexed to CPI from year 6 of the contract.

Source: Trustpower.
[1] Includes rights to extend term on mutually agreed terms.

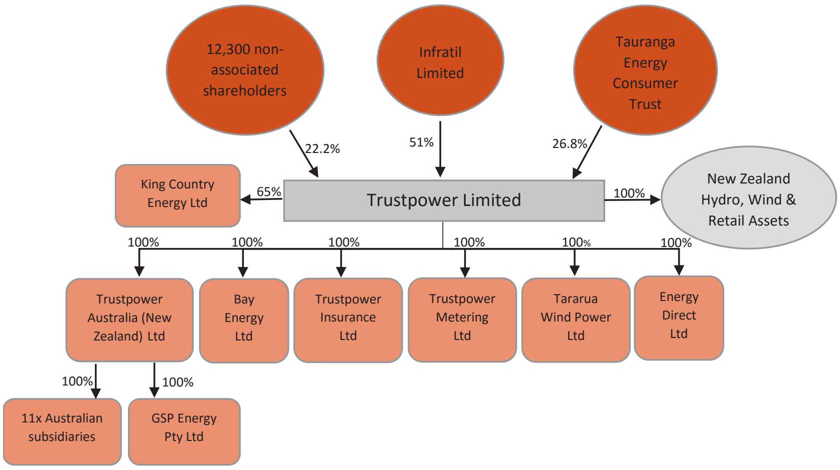
3.2. Ownership and Structure

A summary of the ownership and structure of Trustpower before the Proposed Demerger is shown in Figure 7 below. In respect of Trustpower's various wholly-owned subsidiary companies:

- TANZL is a non-trading holding company for Trustpower's existing Australian investments and has 12 wholly-owned subsidiaries. TANZL will become Tilt Renewables following the Proposed Demerger.

- BEL is a non-trading company and will become New Trustpower following the Proposed Demerger.
- Trustpower Insurance Limited is a captive insurance company, established with the specific purpose of insuring risks emanating from within the Trustpower group.
- Trustpower Metering Limited is a non-operating subsidiary.
- Tararua Wind Power Limited ("**TWP**") owns significant wind farm assets located in Tararua, New Zealand.
- Energy Direct Limited was incorporated following Trustpower's purchase of Energy Direct New Zealand Limited in 2014. It exists to protect the "Energy Direct" brand name and enable the Trustpower group to trade directly with customers using that name.

Figure 7: Pre-Demerger Ownership and Structure



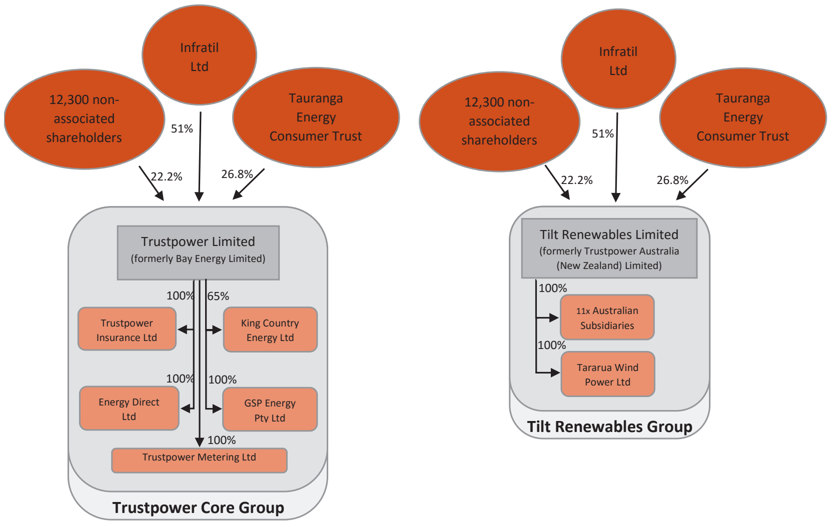
Source: Trustpower, Northington Partners' analysis

If the Proposed Demerger takes effect, the immediate post-demerger ownership and structure of New Trustpower and Tilt Renewables will be as set out in Figure 8 below. Key points to note in relation to ownership and structure following the Proposed Demerger are as follows:

- Both New Trustpower and Tilt Renewables will have the same number of shares on issue as there were shares on issue in Trustpower immediately prior to the Proposed Demerger. Accordingly, the relative ownership interests held by each current Trustpower shareholder in each of New Trustpower and Tilt Renewables will be equal to their ownership interest in Trustpower immediately prior to implementation of the Proposed Demerger.
- Currently, Trustpower directly owns the 36MW Mahinerangi wind farm in Otago, New Zealand. This asset will be transferred to TWP and the shares in TWP will then be transferred from Trustpower to Tilt Renewables (i.e. TANZL).
- The shares in GSP Energy Pty Limited ("**GSP**") will be transferred from TANZL to New Trustpower (i.e. BEL). At the time of transfer, GSP will own various hydro assets in Australia. Wind assets that were also owned by GSP immediately prior to the Proposed Demerger will be transferred to another Australian wholly-owned subsidiary of Tilt Renewables.
- BEL will change its name to Trustpower Limited (i.e. the Trustpower name transfers to New Trustpower as part of the Proposed Demerger process).

Apart from the transitional arrangements noted in Section 3.1.5 above, New Trustpower and Tilt Renewables will be independent groups that will deal with each other on an arms' length commercial basis. There will be no cross shareholdings or common management between New Trustpower and Tilt Renewables, although there will be at least one shared director (Geoff Swier).

Figure 8: Post-Demerger Ownership and Structure



Source: Trustpower, Northington Partners' analysis

3.3. Profile of Tilt Renewables

3.3.1. Overview

Immediately following the Proposed Demerger, Tilt Renewables will own and operate seven wind farms across five sites in Australia and New Zealand, as set out in Table 11 below. With a total installed capacity of 582MW, the wind farm portfolio represents approximately 11% of the installed wind farm capacity in the combined Australian and New Zealand markets.

Table 11: Tilt Renewables' Generation Assets Immediately Post-Demerger

Asset	Location	Type	Commission Date	Capacity (MW)	Expected Average Annual Generation (GWh)
Tararua (Stage I & II)	New Zealand	Wind	1999 & 2004	68	245
Tararua (Stage III)	New Zealand	Wind	2007	93	318
Mahinerangi	New Zealand	Wind	2011	36	101
Snowtown Stage 1	Australia	Wind	2008	101	357
Snowtown Stage 2	Australia	Wind	2014	270	875
Blayney	Australia	Wind	2000	10	18
Crookwell	Australia	Wind	1998	5	8
Total				**582**	**1,922**

Source: Trustpower

Tilt Renewables will also possess a development pipeline consisting of projects that could provide up to 2,229MW of additional capacity. The development pipeline comprises 832MW of projects in respect of which development approvals have been obtained in Australia (with 375MW subject to appeal) and projects granted environment approval that could deliver 400MW in New Zealand.

Table 12: Tilt Renewables' Development Pipeline Immediately Post-Demerger

Tilt Renewables Project	Type	Location	Status	Proposed Generation Capacity (MW)
Salt Creek	Wind	Victoria, Australia	Environmental approvals obtained	Up to 52
Dundonnell	Wind	Victoria, Australia	Environmental approvals obtained	Up to 300
Waddi Wind	Wind & Solar	Western Australia	Environmental approvals obtained in respect of wind development. Progressing environmental approvals in respect of solar	Up to 105 wind Up to 40 solar
Rye Park	Wind	NSW, Australia	Progressing environmental approvals	Up to 327
Palmer	Wind	South Australia	Environmental approval under appeal	Up to 375
NSW Project	Wind	NSW, Australia	Progressing environmental approval	Up to 500
Kaiwera Downs	Wind	Southland, New Zealand	Environmental approval obtained	Up to 240
Waverley	Wind	Taranaki, New Zealand	Progressing environmental approval	Up to 130
Mahinerangi	Wind	Southland, New Zealand	Environmental approval obtained	Up to 160
Total				**Up to 2,229**

Source: Trustpower

3.3.2. Strategy and Outlook

Tilt Renewables' primary strategy is expected to involve building on Trustpower's existing wind portfolio and development pipeline. The principal focus for Tilt Renewables will be the Australian market given the positive dynamics offered by the RET scheme (a summary of which was discussed in Section 2.6.1 above, with further information set out in Appendix 6 and the Scheme Booklet).

A summary of Tilt Renewables' strategic priorities (as currently envisaged) is set out in Table 13 below.

Table 13: Tilt Renewables' Current Strategic Priorities

Geography	Strategic Priorities
Australia	▪ Complete consenting and preparation of the best sites in the development pipeline. ▪ Consider further acquisitions of consented wind / solar sites to bolster pipeline. ▪ Maintenance of long-dated development options, as appropriate. ▪ Achieve financial close on at least one major project by the first half of 2017. ▪ Determine contracted revenue options for Snowtown Stage 1 following the maturity of the PPA for this site in December 2018.
New Zealand	▪ Consent North Island wind option and maintain existing consented options. ▪ Evaluate NZ wholesale price levels, off take arrangements and progress projects if returns are adequate. ▪ Repower opportunity at Tararua I and Tararua II over the medium term.

Source: Trustpower

Following the Proposed Demerger, Tilt Renewables will have a high level of contracted earnings, with approximately 98% of its generation output contracted through long-term PPAs with Origin and New Trustpower (although the PPA for Snowtown Stage 1 representing approximately 17% of contracted output expires in 2018). If Tilt Renewables wishes to develop and commercialise a reasonable proportion of the projects within its development pipeline, significant amounts of new equity capital will likely need to be raised to finance those opportunities.

3.3.3. Directors, Management and Staff

Following the Proposed Demerger, Tilt Renewables' Board of Directors will comprise six members: Bruce Harker (Chairman), Paul Newfield, Geoff Swier, Vimal Vallabh, Fiona Oliver and Phillip Strachan. Bruce Harker, Paul Newfield and Vimal Vallabh will be appointees of Infratil, while Geoff Swier, Fiona Oliver and Phillip Strachan will be independent directors.

The senior management team of Tilt Renewables will be sourced from senior management personnel within Trustpower, including Robert Farron as Chief Executive Officer Designate (previously Chief Financial Officer and Company Secretary of Trustpower), Deion Campbell as General Manager Generation and Trading Designate (previously General Manager Generation at Trustpower) and Clayton Delmarter as General Manager Renewable Development Designate (previously Engineering Manager at Trustpower).

Tilt Renewables is expected to have around 35 employees, approximately 7 of whom are expected to transfer from Trustpower with the remainder to be recruited. The majority of Tilt Renewables' employees will be based in Australia, with Melbourne expected to be the location of Tilt Renewables' headquarters. Although most of the senior management team of Tilt Renewables will initially be based in Tauranga, they are also expected to transfer to Melbourne by 31 March 2017.

Further details (including biographies) on Tilt Renewables' directors and senior management team are set out in the Scheme Booklet.

3.3.4. Dividend Policy

Tilt Renewables' dividend policy will be set by the new Board of Directors following the Proposed Demerger, having regard (among other things) to Tilt Renewables' working capital needs, strategy and potential future capital requirements. Although the payment of dividends cannot be guaranteed, the current expectation is that Tilt Renewables will pay dividends semi-annually (typically in June and December each year) in the range of 25 – 50% of operating free cash flow after debt servicing (defined by Trustpower as EBITDAF less interest, tax, maintenance capital expenditure, changes in working capital and compulsory debt repayments).

In the near-term, it is unlikely that Tilt Renewables will look to grow the level of its dividend payments, with a more realistic scenario being the retention of a large proportion of earnings to invest in advancing its numerous development opportunities.

Any dividends declared by Tilt Renewables will be paid in Australian dollars. The Board intends to distribute available New Zealand imputation credits or Australian franking credits to shareholders with dividend payments when it is considered practicable and appropriate. However, it is unlikely Tilt Renewables will generate sufficient New Zealand imputation credits to fully impute dividends as the majority of its earnings and corporate tax paid will not be New Zealand based.

The first dividend following the Proposed Demerger is expected to be paid in December 2016.

3.3.5. Pro-forma Financial Performance

Set out in Table 14 below is a summary of Tilt Renewables' generation output and pro-forma financial performance during the three year period FY2014 to FY2016, based on various assumptions and adjustments. The purpose of this information is to demonstrate what Tilt Renewables' financial performance would have been had Tilt Renewables existed during this period (i.e. if the Proposed Demerger had taken place prior to the commencement of FY2014). Tilt Renewables' financial information is presented in Australian dollars, which will be the functional currency of Tilt Renewables post the Proposed Demerger.

Table 14: Tilt Renewables Pro-forma Historical Operating Statistics and Financial Performance (FY2014-FY2016)

Operating Statistics (Generation Output)	FY2014	FY2015	FY2016
Generation New Zealand Production (GWh)	673	650	724
Generation Australia Production (GWh)	536	1,187	1,197
Total Generation Production (GWh)	**1,209**	**1,837**	**1,921**

Income Statement for Year Ending 31 March (A$000)	FY2014	FY2015	FY2016
Generation New Zealand Revenue	36,569	37,270	41,196
Generation Australia Revenue	50,705	110,898	115,237
Total Revenue	**87,274**	**148,168**	**156,433**
Generation New Zealand EBITDA	29,028	28,324	34,450
Generation Australia EBITDA	24,173	75,244	77,160
Total EBITDA	**53,201**	**103,568**	**111,610**
Depreciation and amortisation	(37,937)	(54,128)	(68,507)
Net financing costs			(28,553)
Other			3,696
Net Profit Before Taxation			**18,246**

Source: Trustpower

The main features of Tilt Renewables' pro forma financial performance can be summarised as follows:

- The increase in revenue from A$87.3 million to A$148.2 million (and EBITDA from $53.2 million to A$103.6 million) between FY2014 and FY2015 is largely due to the commissioning of Snowtown Stage 2. This resulted in Tilt Renewables' generation output increasing from 1,209GWh in FY2014 to 1,837GWh in FY2015. FY2016 represents the first full year of production from Snowtown Stage 2, with generation output increasing to 1,921GWh, in line with expectations of 1,922GWh based on average wind conditions.
- Implied revenue per MWh for New Zealand wind generation has been between approximately A$54/MWh in FY2014 and approximately A$50/MWh in FY2016. The implied Australian wind generation revenue has generally been between approximately A$94 per MWh for the FY2014 and FY2015 periods and about A$96 per MWh for FY2016. The average Australian revenue includes the bundled price of electricity and LGCs. This illustrates the importance of LGC prices in Australia relative to New Zealand PPA prices, with LGCs comprising a significant portion of the bundled PPA prices in Australia.
- Operating costs per MWh have decreased from approximately A$28/MWh to A$23/MWh between FY2014 and FY2016 largely as a result of scale economies, with fixed costs being spread over a larger generation base. Operating and maintenance expenses (which accounted for approximately 52% of the operating costs in FY2016) are however generally variable costs based on output.

3.3.6. Pro-forma Financial Position

Set out in Table 15 below is a summary of Tilt Renewables' pro-forma financial position at the end of FY2016. Based on various assumptions and adjustments, the purpose of this information is to demonstrate what Tilt Renewables' financial position would have been like had Tilt Renewables existed at this time (i.e. if the Proposed Demerger had taken place prior to the end of FY2016).

Table 15: Tilt Renewables Pro-forma Financial Position (FY2016)

Balance Sheet as at 31 March (A$000)	FY2016
Cash	5,136
Other current assets	26,392
Non-current assets	1,160,202
Total Assets	**1,191,730**

Current liabilities	12,055
Bank debt	612,231
Non-current liabilities	158,147
Total Liabilities	**782,433**
Net Assets	**409,297**

Source: Trustpower.

Tilt Renewables' pro forma balance sheet for FY2016 illustrates what the financial position would have been had the Proposed Demerger occurred on 31 March 2016; it is not necessarily reflective of what the actual financial position will look like at the time of the Proposed Demerger becoming effective. However, the pro forma information does provide an indicative snapshot of Tilt Renewables' leverage ratios, with implied pro forma net debt to FY2016 EBITDA, net debt to net debt plus equity and EBITDA interest cover ratios of approximately 5.4x, 60% and 3.9x respectively (see Section 4.4 and Section 5.3.1 for further information).

3.3.7. Pro-forma Cash Flows

Set out in Table 16 below is a summary of Tilt Renewables' pro-forma cash flows prior to any financing and taxation costs but after capital expenditure. Tilt Renewables' cash flows following the Proposed Demerger will reflect the revised capital structure and subsequent net financing cash flows, taxation (which will depend on the taxable earnings) and adopted dividend policy.

Table 16: Tilt Renewables Pro-forma Cash Flow Statement (FY2014 - FY2016)

Cash Flow Statement as at 31 March (A$000)	FY2014	FY2015	FY2016
Pro Forma EBITDA	53,201	103,568	111,610
Change in Working Capital and other	(1,982)	(522)	55
Capital Expenditure	(264,027)	(47,856)	(4,301)
Pro forma net operating cash flows before net financing costs and tax expense but after capital expenditure	**(212,808)**	**55,190**	**107,364**

Source: Trustpower.

While Tilt Renewables' capital expenditure was high in FY2014 and FY2015 due to the development of Snowtown Stage 2, FY2016 capital expenditure of A$4.3 million represents maintenance capital expenditure only. Consequently, free cash flows are strong and should support new developments, debt servicing costs and Tilt Renewables' intended dividend policy.

3.4. Profile of New Trustpower

3.4.1. Overview

Immediately following the Proposed Demerger, New Trustpower will be similar to Trustpower today, but with the exclusion of the existing New Zealand and Australian wind farm assets and wind and solar development portfolio (which will become the property of Tilt Renewables).

New Trustpower's business assets will comprise the following post the Proposed Demerger:

- A portfolio of geographically diverse, predominantly hydro-electric, New Zealand based generation schemes. With a total of 488MW of installed capacity (478MW excluding Bream Bay), New Trustpower will be New Zealand's fifth largest electricity generator, generating approximately 5% of New Zealand's total annual electricity output.
- Three hydro generation schemes in NSW, Australia comprising 92MW of installed capacity. These assets were part of the GSP assets acquired by Trustpower (via one of its wholly-owned Australian subsidiaries) in 2014.
- The current retail business of Trustpower, which will continue to be New Zealand's fourth largest electricity retailer with an estimated 13% market share.

A summary of New Trustpower's generation assets immediately following the Proposed Demerger is set out in Table 17 below.

Table 17: New Trustpower's Generation Assets Immediately post-Demerger

New Trustpower Australia Assets	Type	Commission Date	Generation Capacity (MW)	Average Output (GWh)
Burrinjuck	Hydro	1928	27	40
Hume	Hydro	1957	58	194
Keepit	Hydro	1960	7	10
Total			**92**	**244**
New Trustpower New Zealand Assets	**Type**	**Commission Date**	**Generation Capacity (MW)**	**Average Output (GWh)**
Matahina	Hydro	1967	80	290
Kaimai	Hydro	1972	41	167
Wheao and Flaxy	Hydro	1982	26	111
Esk	Hydro	2013	4	15
Hinemaiaia	Hydro	1952	6	30
Mangorei	Hydro	1931	5	21
Motukawa	Hydro	1927	5	22
Patea	Hydro	1984	32	108
Cobb	Hydro	1944	32	192
Branch River	Hydro	1983	11	54
Waihopai	Hydro	1927	2	11
Arnold	Hydro	1932	3	25
Dillmans	Hydro	1928	10	48
Kaniere Forks	Hydro	1911	1	8
Wahapo	Hydro	1960	3	15
Coleridge	Hydro	1914	39	270
Highbank	Hydro	1982	29	98
Paerau / Patearoa	Hydro	1984	12	62
Waipori	Hydro	1907	83	192
Bream Bay	Diesel	2011	9	Peaker
Wairere Falls (KCE)	Hydro	1925	5	17
Mokauiti (KCE)	Hydro	1963	2	7
Piriaka (KCE)	Hydro	1924	2	7
Kuratua (KCE)	Hydro	1962	6	28
Mangahao (KCE)	Hydro	1924	40	131
Total			**488**	**1,929**

Source: Trustpower. Note: Total installed capacity of 488MW includes Bream Bay peak generation – excluding Bream Bay, installed capacity is 478MW.

3.4.2. Strategy and Outlook

The strategy of New Trustpower is expected to remain largely unchanged from that adopted by Trustpower today in respect of its hydro-electric assets and retail business. Key features of New Trustpower's strategy are therefore likely to include:

- Building on Trustpower's existing premium multi-product retail brand by adding additional retail services.
- Using new technology to improve customer experience and develop new products and services.
- Optimising the value created by existing hydro generation assets in Australia and New Zealand and the water rights they control, including in respect of using water for irrigation of agricultural land.
- Making acquisitions which are aligned with New Trustpower's existing business and where value can be added.

3.4.3. Directors, Management and Staff

Following the Proposed Demerger, New Trustpower's corporate governance arrangements will be consistent with those of Trustpower prior to the Proposed Demerger. New Trustpower's Board of Directors will initially comprise Paul Ridley-Smith (Chairman), Richard Aitken, Alan Bickers, Marko Bogoievski, Sam Knowles, Susan Peterson and Geoff Swier. These directors represent all of the current directors of Trustpower. Paul Ridley-Smith and Marko Bogoievski will be representatives of Infratil, while Alan Bickers is associated with TECT. Richard Aitken, Sam Knowles, Susan Peterson and Geoff Swier will be independent directors of New Trustpower.

The senior management team of New Trustpower will retain the Trustpower executive team with the exception of Robert Farron and Deion Campbell who will transfer to Tilt Renewables. Robert and Deion will be replaced by Kevin Palmer (as acting Chief Financial Officer) and Peter Lilley (as acting General Manager – Generation), respectively.

The senior management team of New Trustpower will continue to be based in Tauranga at the current head office of Trustpower. New Trustpower is expected to have a workforce of approximately 750 employees.

Further details (including biographies) on New Trustpower's directors and senior management team are set out in the Scheme Booklet.

3.4.4. Dividend Policy

New Trustpower's dividend policy will be set by its Board of Directors following the Proposed Demerger, having regard (among other things) to New Trustpower's earnings and cash flow performance in any given period, working capital needs, the risks from predicted short and medium term economic and hydrological conditions and potential future capital requirements. Although the payment of dividends cannot be guaranteed, the current expectation is that New Trustpower will pay dividends semi-annually (typically in June and December each year) in the range of 70 – 90% of free cash flow (defined by Trustpower as EBITDAF less interest, tax and maintenance capex plus adjustments for non-100% owned entities) on average over time.

Quite distinct from Tilt Renewables (which is likely to want to restrict growth in the level of dividends in order to invest in its numerous development opportunities), the objective of New Trustpower will be to seek to pay a dividend that provides shareholders with a consistent, reliable and attractive dividend.

New Trustpower intends to attach imputation credits to dividends to the extent they are available, with the first dividend following the Proposed Demerger expected to be paid in December 2016.

3.4.5. Pro-forma Financial Performance

Set out in Table 18 below is a summary of New Trustpower's pro-forma financial performance during the three year period FY2014 to FY2016. Based on various assumptions and adjustments, the purpose of this information is to demonstrate what New Trustpower's financial performance would have been had New Trustpower existed during this period (i.e. if the Proposed Demerger had taken place prior to the commencement of FY2014).

Table 18: New Trustpower Pro-forma Financial Performance (FY2014-FY2016)

Operating Statistics (Generation Output)	FY2014	FY2015	FY2016
Generation New Zealand Production (GWh)	1,721	1,751	1,793
Generation Australia Production (GWh)	325	284	254
Total Generation Production (GWh)	**2,046**	**2,035**	**2,047**
New Zealand Wholesale Electricity Prices ($/MWh)	67	71	60
Total Retail Utility Connections	**286,000**	**322,000**	**370,000**

Income Statement for Year Ending 31 March ($000)	FY2014	FY2015	FY2016
Retail Revenue	714,313	815,143	842,079
Generation New Zealand Revenue	241,989	233,798	229,023
Generation Australia Revenue	12,897	11,380	16,347

Inter-segment Revenue	(148,365)	(140,371)	(140,395)
Total Revenue	**820,834**	**919,950**	**947,054**
Retail EBITDAF	50,274	54,535	41,956
Generation New Zealand EBITDAF	174,432	162,769	159,063
Generation Australia EBITDAF	9,002	6,490	12,325
Total EBITDAF	**233,708**	**223,794**	**213,344**
Depreciation and Amortisation	(40,635)	(47,016)	(47,096)
Net Financing Costs			(37,916)
Other			(11,915)
Net Profit Before Taxation			**116,417**

Source: Trustpower. Inter-segment revenue represents revenue between the Retail and Generation New Zealand segments.

The main features of New Trustpower's pro forma financial performance can be summarised as follows:

- Retail revenues grew approximately 18% relative to customer increases of approximately 29% over the FY2014 to FY2016 period. The increase in revenue was not commensurate with customer numbers largely as a result of lower revenue per customer, which dropped from an average of approximately $208 per month in FY2014 to $190 month in FY2016.
- Retail margins have decreased from approximately 7% in FY2014 to 5% in FY2016 as a result of increased competition, as well as the costs to service existing customers and acquire new customers.
- Generation New Zealand revenues are characterised by low wholesale prices and below average generation volumes, largely driven by below average rainfall and low hydrology levels. However, EBITDA margins have largely been maintained at between 70% – 72% over the three year period.
- Generation Australia operates three small hydro schemes and does not have any retail presence. The electricity generated is therefore sold into the wholesale market at spot prices. While revenue has generally fluctuated with generation over the period (due to hydrology conditions), higher spot prices in FY2016 resulted in significantly increased revenue and EBITDAF relative to FY2014 and FY2015.

3.4.6. Pro-forma Financial Position

Set out in Table 19 below is a summary of Tilt Renewables' pro-forma financial position at the end of FY2016. Further information regarding the capital structure and leverage ratios for New Trustpower relative to Trustpower and Tilt Renewables are set out in Section 4.4 and Section 5.3.1.

Table 19: New Trustpower Pro-forma Financial Position (FY2016)

Balance Sheet as at 31 March ($000)	FY2016
Cash	7,642
Other Current Assets	117,843
Non-current Assets	2,367,917
Total Assets	**2,493,402**
Current Liabilities	102,298
Bank Debt	287,564
Retail Bonds	450,000
Other Non-current liabilities	300,097
Total Liabilities	**1,139,959**
Net Assets	**1,353,443**

Source: Trustpower.

3.4.7. Pro-forma Cash Flows

Table 20 provides a summary of New Trustpower's pro-forma cash flows prior to any financing and taxation costs but after capital expenditure. Cash flows following the Proposed Demerger will reflect the revised capital structure and subsequent net financing cash flows, taxation (which will depend on the taxable earnings) and adopted dividend policy.

Table 20: New Trustpower Pro-forma Cash Flow Statement (FY2014-FY2016)

Cash Flow Statement as at 31 March ($000)	FY2014	FY2015	FY2016
Pro Forma EBITDA	233,708	223,794	213,344
Change in Working Capital and other	15,535	(20,135)	(1,279)
Capital Expenditure	(32,141)	(24,581)	(38,101)
Pro forma net operating cash flows before net financing costs and tax expense but after capital expenditure	**217,102**	**179,078**	**173,964**

Source: Trustpower.

New Trustpower's capital expenditure largely reflects maintenance capital, and has averaged approximately $32 million over the last three years relative to FY2016 depreciation of $47.1 million. With no large new developments anticipated, the free cash flows (even after adjusting for likely net finance and tax expenses) support its intended dividend pay-out ratio of between 70 – 90% of free cash flow.

4.0 Assessment of the Merits of the Proposed Demerger for Trustpower Shareholders

Trustpower shareholders are being asked to split their current investment into two parts: a shareholding in New Trustpower and a separate shareholding in Tilt Renewables. The effective ownership interest held by each Trustpower shareholder in each of New Trustpower and Tilt Renewables will be equal to their ownership interest in Trustpower immediately prior to the Proposed Demerger. On the face of it, the Proposed Demerger does not therefore result in a diminution of ownership or economic interest for existing Trustpower shareholders as there is:

- No issue of new equity in either New Trustpower or Tilt Renewables;
- No value transfers between the separate entities if ongoing arrangements between New Trustpower and Tilt Renewables, including the PPA contracts, are on arm's length market based terms; and
- No value leakage to third parties from either entity.

However, the Proposed Demerger does result in a number of costs, risks and potential disadvantages. Consequently, an evaluation of the merits of the Proposed Demerger involves weighing up the advantages and disadvantages of the proposal and taking a view as to whether the potential benefits of the Proposed Demerger outweigh these costs, risks and potential disadvantages.

In forming our opinion on the merits of the Proposed Demerger, we have considered the following:

- The financial implications of the Proposed Demerger on the operations and earnings of both New Trustpower and Tilt Renewables and the effect on future dividend payments to existing Trustpower shareholders;
- The proposed management and Board structures, and associated change in management focus on the business operations of both New Trustpower and Tilt Renewables;
- Any possible share market re-rating following the Proposed Demerger;
- The transitional and PPA arrangements between New Trustpower and Tilt Renewables following implementation of the Proposed Demerger;
- The potential taxation risks and/or consequences for both businesses and existing Trustpower shareholders;
- Any other benefits or advantages of the Proposed Demerger;
- The disadvantages, costs and risks of the Proposed Demerger; and
- The implications for Trustpower shareholders if the Proposed Demerger does not proceed.

4.1. Advantages and Benefits

4.1.1. Focussed Strategy and Objectives after Separation

As summarised in Section 2, in its current form Trustpower already effectively comprises two separate business units:

- A hydro-electricity generator (predominantly New Zealand focussed but with some Australian based hydro assets) with a business that supplies electricity, gas and telecommunications services to a growing New Zealand retail customer base (i.e. "New Trustpower"); and
- A wind farm operator (predominantly Australian based but with some New Zealand assets) that has significant wind and solar development opportunities mainly in Australia (i.e. "Tilt Renewables").

These two business units are quite distinct, and have different growth and risk profiles. Formally demerging the businesses will allow separate Boards of Directors and management teams to focus specifically on their respective businesses. In doing so, it will be possible to refine strategies, objectives and business processes to best suit the current circumstances and future opportunities facing each business. Additionally, management incentive schemes can potentially be introduced that better reflect the objectives of each business and which will be more easily measurable against the performance of the separate companies.

4.1.2. Better Platform for Capital Raising

If the Proposed Demerger proceeds, we believe that the ability of both Tilt Renewables and New Trustpower to pursue growth opportunities will be improved as standalone entities. In addition to not having to effectively compete with each other for growth capital, the Board of Directors of each business will be able to adopt capital structures and dividend policies that best suit the growth profiles and investment opportunities available to both businesses.

Trustpower's Board of Directors believes the Company's current ability to raise new equity capital is constrained by virtue of it comprising two distinct businesses within the same corporate group. A reasonable proportion of the Trustpower shareholder base may be attracted to the lower-risk profile of New Trustpower, and less attracted to the higher growth, higher risk profile of Tilt Renewables (or vice versa). Accordingly, attempting a capital raise for the group as a whole may not be supported by those shareholders who have a preference for one business over the other.

By separating New Trustpower and Tilt Renewables, the ability to raise new equity capital should be enhanced. Shareholders that elect to retain their investment in either or both of New Trustpower or Tilt Renewables will presumably do so because they like the growth and risk profile presented by the respective businesses. Any planned capital raise should therefore be better supported by those shareholders who have consciously decided to remain on the share register. Additionally, the ability to attract new shareholders should also be enhanced given the distinct investment proposition that will be represented by the separated businesses. For example, institutional investors with a specific preference for wind generation developments would be more likely to invest in Tilt Renewables than in Trustpower as a whole.

4.1.3. Shareholders have Clearer Investment Choices

As mentioned above, the growth opportunities, risk profile and capital structure of New Trustpower and Tilt Renewables will be quite different and we expect that these different profiles will appeal to different types of investors. The Proposed Demerger will therefore provide investors with the opportunity to specifically choose which of the two Trustpower businesses they prefer. Investors will be able to maintain or increase their investment in the business they favour and decrease their investment in the business they may find less attractive.

The Proposed Demerger should also allow investors (and investment analysts) to better evaluate New Trustpower and Tilt Renewables as distinct businesses. In time, enhanced transparency around their respective outlooks, performance, strategies and other business characteristics will facilitate a better understanding of how each business should be assessed.

4.1.4. Enhanced Takeover Potential

In some circumstances, takeovers can provide shareholders with the ability to realise value for their investment in excess of market traded values. The additional value arising from a successful takeover is often attributed to a premium for control. While Trustpower is arguably already a potential takeover prospect, the current composition of the business may not appeal to potential bidders looking for a more focussed investment. The current shareholding structure is also clearly a deterrent to any possible takeover interest: Infratil holds a controlling interest (51%) and TECT holds a blocking stake (27%) which could prevent a bidder from reaching the 90% threshold needed to eventually achieve a 100% control position.

In the short term at least, the shareholding structure of Tilt Renewables and New Trustpower will mirror that of Trustpower and on the face of it, prospects for a takeover are also unchanged in this respect. However, we note that:

- Both of the major shareholders may be more open to selling their shareholding in the demerged entities compared to a sale of Trustpower shares. Based on the nature of the two shareholders and their various public disclosures, we would expect that TECT is likely to have a higher level of long term interest in New Trustpower, while Infratil may be more focused on the growth opportunities offered by Tilt Renewables; and

- The smaller size of New Trustpower and Tilt Renewables (relative to the current business) may be of more appeal and more digestible to a broader range of potential acquirers following the Proposed Demerger.

4.2. Potential Value Impacts of the Demerger

One of the benefits often associated with a demerger is the potential for uplift in the aggregate market value of the demerged entities. These improvements are typically attributed to greater investor transparency in relation to each entity's operations, strategy and future prospects compared to when the demerged business operations were part of a broader group. This benefit is often more pronounced where one of the demerged entities is a small part of a larger group or operates in an industry which attracts higher valuation multiples compared to the broader group.

In Trustpower's case, we believe that the potential for value gains is less clear:

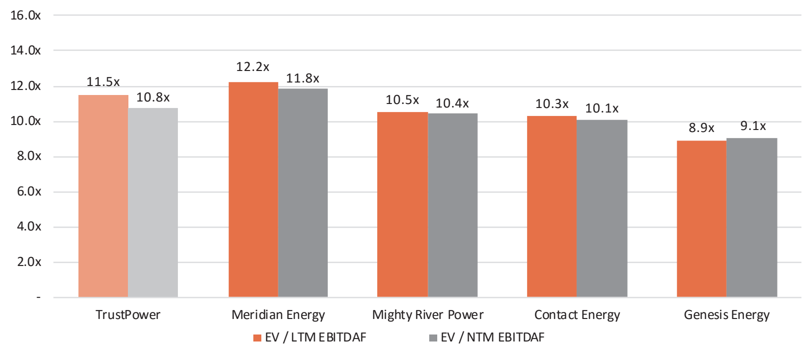
- While international markets often apply different multiples to renewable versus non-renewable or thermal electricity generators, there is no compelling evidence to support pure-play wind generation companies trading at higher multiples than other renewable energy companies. In the case of New Trustpower and Tilt Renewables, both will remain 100% renewable focussed electricity generators.
- Trustpower is currently capitalised at approximately $2.5 billion and is ranked amongst the top 50 companies listed on the NZX Main Board by free float market capitalisation. The Company therefore receives a relatively high level of scrutiny from investment analysts and fund managers.
- There is already a significant level of disclosure in relation to Trustpower and its underlying businesses units, with segmented financial performance for New Zealand Generation, Australia Generation and Retail.
- There is no compelling evidence to suggest that Trustpower's current market capitalisation does not reasonably reflect the fair market value of the Trustpower business. In addition, there has been no discernible evidence of over or under performance relative to the market and Trustpower's key peers since announcing it was considering the Proposed Demerger in December 2015. It is therefore not possible to conclusively assess whether and to what extent the current share price of Trustpower incorporates any anticipation of the benefits of the Proposed Demerger; this uncertainty adds to the complexity of assessing the prospects of a potential market re-rating following the Proposed Demerger.

Notwithstanding these comments, it is possible that the aggregate value of the separate companies could exceed the value of the Trustpower business in its current structure. We suggest that:

- New Trustpower and Tilt Renewables will have a higher level of scrutiny as two distinct businesses. Tilt Renewables will be one of only two listed Australasian pure-play wind focussed electricity generators while New Trustpower will be broadly similar to its New Zealand "gentailer" peers.
- With greater management focus and increased capital structure flexibility, Tilt Renewables should be better positioned to pursue its growth strategy in wind development projects, potentially providing greater visibility to the earnings and valuation upside.
- Over time there may be a degree of share register realignment as New Trustpower and Tilt Renewables are likely to attract investors with different objectives. Tilt Renewables in particular may attract institutional and international investors seeking unique exposure to Australia's growing requirement for renewable energy.

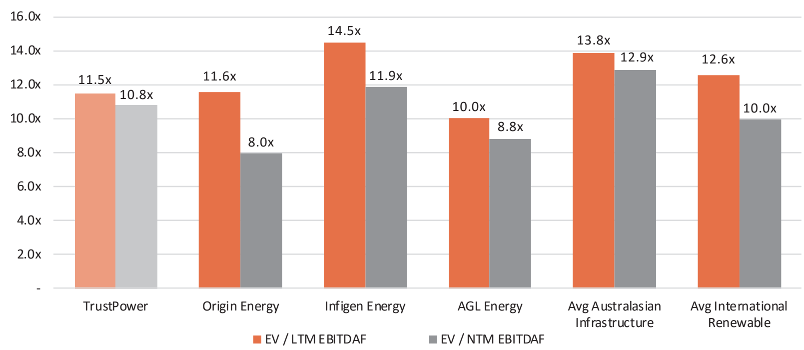
Figure 9 and Figure 10 summarise some valuation metrics for a range of peers against which New Trustpower and Tilt Renewables are likely to be rated following the Proposed Demerger (see Appendix 3 for further details). These include comparable New Zealand, Australian and international listed renewable electricity generators and retailers. Given the contracted nature of Tilt Renewables' earnings, Australasian contracted or regulated infrastructure businesses are also included.

Figure 9: EV/EBITDAF Multiples for New Zealand Gentailers



Source: Capital IQ, as of 29 June 2016. "LTM" represents last 12 months calendarised to 31 March 2016 (being a mixture of actual reported results and forecast results) and "NTM" represents the next 12 months calendarised to 31 March 2017 (representing consensus broker research forecasts).

Figure 10: EV/EBITDAF Multiples for International Comparable Companies



Source: Capital IQ, as of 29 June 2016. "LTM" represents last 12 months calendarised to 31 March 2016 (being a mixture of actual reported results and forecast results) and "NTM" represents the next 12 months calendarised to 31 March 2017 (representing consensus broker research forecasts).

The evidence suggests that on an enterprise value to EBITDAF basis, Trustpower is currently trading in line with its key New Zealand gentailer peers, and broadly in line with its Australian and international peers. However, Australasian regulated infrastructure companies or companies with a high level of contracted revenue appear to trade at a premium.

While we would expect New Trustpower to continue to trade broadly in line with its key New Zealand peers following the Proposed Demerger (assuming no significant changes in relative performance), the value outlook for Tilt Renewables is more uncertain. Tilt Renewables will become an Australasian pure-play wind electricity generation business with largely contracted cash flows and fewer directly comparable companies.

Infigen Energy Limited ("**Infigen**"), an Australian ASX-listed wind farm owner, operator and developer is arguably the most comparable listed company to Tilt Renewables, with a broadly similar asset base and development exposure. Infigen does however offer a different risk/return profile because it has a higher portion of its electricity generation and LGC output that is un-contracted, and its revenues are therefore more exposed to spot market price fluctuations. Infigen has also recently experienced an extended period of market volatility due to performance issues unique to the business, partly exacerbated by relatively high debt levels and more recently, speculation around potential takeover activity.

Table 21 compares some of the key operational and valuation parameters of Infigen relative to Tilt Renewables.

Table 21: Operational and Financial Comparison of Tilt Renewables relative to Infigen Energy

	Infigen (ASX:IFN) (12 months ending 31 December 2015)	**Tilt Renewables (period ending 31 March 2016)**
Operational (Based on FY2015)		
Generation Facilities	6 wind, 1 demonstration solar facility	7 wind (4 Australia, 3 NZ)
Installed Generation Capacity	557MW	582MW
Generation Volume	1,477GWh	1,921GWh
Implied Capacity Factor	30%	38%
Annual Production Contracted under PPAs[1]	40-50%	98%
Development Pipeline	1,200MW	2,229MW Australia (832MW consented) 530MW NZ (400MW consented)
Financial (A$m)		
Revenue	$152	$156
EBITDA	$100	$112
EBITDA Margin	66%	71%
Valuation Parameters (as of 29 June 2016, A$m)		
Market Capitalisation	$800	NA
Net Debt	$740	NA
Enterprise Value	$1,540	NA
EV / NTM EBITDA[2]	11.9x	NA
EV / Installed capacity (A$m/MW)	$2.8m/MW	NA

Source: Company reports, Northington Partners analysis. Tilt Renewables values reflect the pro forma results for the financial year ending 31 March 2016.
[1] Represents contracted annual production as a percentage of P50 annual electricity production (P50 being the best estimate of electricity production in an average year). Tilt Renewables' contracted production under PPA's represents the position immediately post the Proposed Demerger following Tilt Renewables entering into new PPA terms with New Trustpower.
[2] NTM EBITDA based on consensus forecast estimates calendarised to 31 March 2017.

In the absence of more companies directly comparable to Tilt Renewables, we have also considered recent transaction value multiples. There have been few transactions involving businesses that are directly comparable to Tilt Renewables, with most of the recent activity relating to individual wind farms backed by PPAs. However, the recent sale of Pacific Hydro, a portfolio of wind and hydro assets and projects in Australia, Brazil and Chile, to China's State Power Investment Corporation for A$3 billion does illustrate market interest in renewable energy portfolio opportunities.

Appendix 4 provides a summary of the recent transaction evidence, with key elements summarised as follows:

- In the absence of EBITDA multiples, the enterprise value to installed generation capacity (expressed in MW) is a common valuation benchmark multiple for renewable energy transactions. Multiples will vary depending on a number of factors including the type of asset involved (hydro or wind), specific availability and capacity factors, expected remaining asset life with respect to wind, as well as operating and maintenance costs.
- The recent Taralga Wind Farm and Macarthur Wind Farm transactions reflect values of A$2.8 million per MW and A$2.5 million per MW respectively. Individual Australian wind

farm transactions for a selection of recent acquisitions suggest an average value of A$2.7 million per MW of installed generation capacity.

- The Pacific Hydro transaction in December 2015 took place at an implied value of A$3.3 million per MW, while the implied EV / EBITDAF multiple was approximately 17.1x (based on calendar year 2015 forecast EBITDAF[2]).

For illustrative purposes we note that if Tilt Renewables was valued on the same basis as the transaction evidence (at A$2.5 – A$2.8 million per MW of currently installed generation capacity), the implied enterprise valuation range would be A$1,455 million – A$1,630 million. This results in an implied EV / EBITDAF multiple of approximately 13.0x – 14.6x (based on FY2016 pro-forma EBITDAF), a materially higher multiple than the current trading range for Trustpower.

Although this evidence may support an argument for some upside in Tilt Renewables value following the Proposed Demerger, we suggest there is a high level of uncertainty in relation to the likely trading range of the shares, particularly in the short term. Depending on investor appetite, market prices for an extended period may be impacted by imbalances in supply and demand for Tilt Renewables shares if a significant number of shareholders decide to exit their investment.

On balance, we believe it is unlikely that the aggregate value of the New Trustpower and Tilt Renewables shares will materially differ from the current value of a Trustpower share in the short term. In terms of our general valuation considerations, we note:

- Any potential market re-rating of both companies (but especially Tilt Renewables) will likely take some time to be realised, with the market waiting to see evidence that the promoted benefits of the Proposed Demerger are being achieved.
- All else being equal, the transaction will give rise to a value loss equal to the aggregate value of the costs associated with the Proposed Demerger, which we estimate in the order of $75 - $90 million[3] ($0.24 - $0.29 per share). While this loss in value only represents about 3% – 4% of Trustpower's current market capitalisation, it effectively needs to be recovered via other value enhancements before shareholders will realise any net value gain.
- Based on current market evidence, we would expect Tilt Renewables to trade at a higher valuation multiple than New Trustpower in the medium term. However, the time period required to reach this outcome is uncertain and is obviously dependent on the market conditions that prevail in the distinct market sectors in which New Trustpower and Tilt Renewables will operate.

4.3. Risks, Disadvantages and Costs

4.3.1. Overview

The majority of the potential issues and risks faced by New Trustpower and Tilt Renewables following the Proposed Demerger are already faced by Trustpower today (see Section 2.6 and the "Risk Factors" Section of the Scheme Booklet). Our assessment has therefore focussed on the potential risks, disadvantages and costs that are a direct consequence of the Proposed Demerger.

4.3.2. Impact on Risk Profile

Both of the demerged entities will be smaller and less diversified than the current Trustpower business. As a result, each of New Trustpower and Tilt Renewables will be less able to absorb the financial and business impacts of any significant adverse events that may occur after the Proposed Demerger. Particular risk factors include:

- Increased levels of competition for new and existing business or project development. For example, sustained high levels of customer churn due to retail competition in the New Zealand market will have a greater impact on the New Trustpower business, with retail

[2] Estimated calendar year EBITDA of $175 million based on media reports.

[3] This is based on an estimate of the $15 million one-off "economic" costs that are still to be incurred, plus the capitalised value of the net $6 million – $7 million additional overhead costs that will be incurred if the Proposed Demerger proceeds (see Sections 4.3.4 and 4.3.5 for further details). At a multiple range of 10.0x – 11.0x, this translates to a range of approximately $60 million - $77 million.

EBITDAF expected to contribute 25% on a FY2016 pro forma basis (relative to 16% for Trustpower currently).

- Changes to regulatory or climate policies including changes to ACOT charges in the case of New Trustpower and Australia's RET Scheme in the case of Tilt Renewables.
- Development risk associated with new wind farm opportunities. Clearly these risks will have a proportionately greater impact on Tilt Renewables than they would on the existing Trustpower business.
- Tilt Renewables' PPA counterparty exposure to two parties - Origin and New Trustpower. This creates a more concentrated exposure to the economic stability and credit quality of these two counterparties relative to Trustpower status quo.
- Tilt Renewables' initial high degree of asset concentration risk across two wind farms. Snowtown in Australia (371MW) and Tararua in New Zealand (161MW) represent 91% of the total installed capacity of 582MW across Tilt Renewables' five wind farms. Any performance issue at these wind farms will have a materially higher relative impact on Tilt Renewables' financial performance.

While the potential impact of these key risks is clearly amplified for New Trustpower and Tilt Renewables, we do not believe that the change in risk profile is material. We note that:

- Given the relative size and ownership of well-established operations, the incremental impact of the Proposed Demerger is likely to be lower for New Trustpower.
- In Tilt Renewables' case, any new developments will likely only proceed once comprehensive due diligence has been undertaken and the company can obtain suitable PPA contract terms or comfort around future wholesale electricity prices. In addition, any new developments will likely reduce counterparty and asset concentration risk (assuming new PPA counterparties other than Origin and New Trustpower are obtained).
- Both entities will operate in markets and industries with relatively defensive characteristics that are less prone, but not immune, to business volatility.
- Both entities will continue to be substantial entities with continued access to equity markets to raise additional equity if necessary.

4.3.3. Tilt Renewables Exposed to Establishment Risks

While New Trustpower will continue with established management and operations, Tilt Renewables has some exposure to a number of establishment risks relating to the implementation of the Proposed Demerger. It will take some time to work through a process to establish a new corporate identity and brand, as well as the management and operational structures that will be needed to run the Tilt Renewables business.

However, we believe that these risks are relatively immaterial: as set out in Section 3.3, Tilt Renewables will have an experienced senior management team and key Board members in place at inception, all of whom have a strong track record with the wind farm component of the existing Trustpower business.

4.3.4. Liquidity and Share Registry Realignment

As set out in Section 2.4, Trustpower is amongst the least liquid stocks in the NZX50. The Proposed Demerger could exacerbate this further:

- Whilst Trustpower is currently in the NZX50 with a market capitalisation and free float market capitalisation of $2.5 billion and $0.6 billion respectively, the free float of New Trustpower and Tilt Renewables will be materially lower.
- We expect the free float of New Trustpower will be sufficient to maintain inclusion in the NZX50. New Trustpower will however have a smaller NZX50 index weighting and that may have a small impact on trading volumes driven by institutional investors looking to retain index weighting relativities.

- Tilt Renewables will not be large enough to initially be included in the NZX50 index, and will arguably be subject to a lower level of institutional interest as a result. The planned ASX listing should however support interest from Australian investors.

On balance, we conclude that because the current free float in Trustpower is small and liquidity is already low, the net impact on the liquidity of shares in New Trustpower and Tilt Renewables may be negligible. In the medium term, liquidity in both companies will be dependent on any changes to the shareholder registers and whether either Infratil or TECT reduce their shareholdings, thereby allowing a more broad-based ownership structure and a higher level of free float.

4.3.5. One-off Transaction Costs

Trustpower has estimated that the total transaction and implementation costs associated with the Proposed Demerger will be between approximately $68 million – $82 million on a pre-tax basis. These costs include debt facility break fees and establishment fees, advisers' fees, restructuring costs, the costs of establishing standalone entities and support services, fees associated with the ASX listing of Tilt Renewables, marketing and rebranding and other costs. Approximately $12 million ($15 million - $18 million if consent for the EKF Facilities is not obtained as detailed in Section 4.4) of these costs will have been incurred prior to the Trustpower shareholders' meeting to approve the Proposed Demerger, with the remaining costs to be incurred if the Proposed Demerger goes ahead.

A high level breakdown of the costs is set out in Table 22.

Table 22: Summary of One-Off Transaction Costs

NZ$ million	Low	High
Bank establishment fees[1]	$16	$16
Bond redemption costs	$27	$27
EKF Facility break fees	-	$7
Depreciation recovery on the sale of Mahinerangi	$11	$11
Advisory fees	$12	$16
Other	$2	$5
Total	**$68**	**$82**

[1] Includes bond issue expenses
Source: Trustpower.

Some of these costs would have been incurred in the short to medium term in the absence of the Proposed Demerger, or represent the present value of costs that would otherwise be incurred by Trustpower under the status quo.

- The bank establishment fees represent the upfront costs of establishing New Trustpower's $805 million banking facilities (including headroom available to redeem Trustpower's listed bonds) and Tilt Renewables' A$715 million banking facilities. These costs will amortise over the term of the facilities and allow each of New Trustpower and Tilt Renewables to refinance existing facilities (as well as provide additional headroom) at currently favourable interest rates. Trustpower would have incurred these costs in the establishment of any new facilities (for instance the A$100 million expansion facility for Tilt Renewables to finance future developments or acquisitions) or the refinancing of existing facilities as they expire in the ordinary course of business.
- The bond redemption costs of $27 million represent the accrued interest and current secondary market price premium over the $385 million face value of Trustpower's existing listed bonds. This price premium reflects the weighted average coupon interest cost of the bonds (6.7%) relative to a weighted average yield to maturity of 4.0% in the secondary market. Trustpower intends to redeem each series of bonds in accordance with their terms. This may include an offer to existing bond holders to exchange their existing bonds for new bonds on effectively the same terms (including the maturity and coupon rate) with bond holders not participating in the exchange offer being redeemed for cash at the prevailing market price in accordance with the bond terms. Whether Trustpower redeems the bonds at a premium to face value or exchanges them into new bonds with the same coupon and maturity is broadly value neutral to Trustpower (and New Trustpower who will refinance the

bonds post the Proposed Demerger), assuming New Trustpower can either obtain new financing terms consistent with current Trustpower secondary market yields; or rollover the existing bonds into new bonds on the same terms. The company is effectively paying a premium today in order to lock in lower interest rates for the future or maintaining its current bond coupon rates.

- The EKF Facility break fees will only materialise if EKF does not consent to novate its current facilities to Tilt Renewables (as detailed in Section 4.4). If consent is obtained, no break fees will be incurred.
- Depreciation recovery represents the tax cost in respect of Trustpower transferring Mahinerangi to Tilt Renewables (see Section 4.6 for further detail), which cost is to be borne by New Trustpower. While this represents an upfront cost to New Trustpower, TWP (which will become part of Tilt Renewables) will be able to depreciate Mahinerangi over the remaining life of the wind farm. Consequently, this cost will be partially recovered (in present value terms) by Tilt Renewables in future years.

The total one-off transaction costs of the Proposed Demerger, whilst material in absolute terms, are not overly significant relative to the scale of Trustpower: the aggregate costs of $68 million - $82 million represent approximately 1.7% – 2.1% of Trustpower's current enterprise value. Furthermore, excluding costs already incurred and the costs for which New Trustpower and Tilt Renewables will receive future benefit or would have otherwise ordinarily incurred at a later date (as discussed above), the "net" costs of the Proposed Demerger are significantly less - we estimate a value of approximately $15 million. If the objectives of the Proposed Demerger are realised in line with current expectations, we suggest that the medium term impact of the one-off costs will be relatively low.

However, there is a risk that the potential advantages and benefits of the Proposed Demerger do not materialise, in which case Trustpower would have incurred these costs unnecessarily. For example, future market conditions may mean that Tilt Renewables is not in a position to develop any new wind farm operations over the medium term and is therefore left with its current wind farm portfolio. If this outcome did arise, the net transaction costs will effectively represent a direct loss of shareholder value.

4.3.6. Additional Corporate and Operating Costs

The Proposed Demerger will result in the loss of financial benefits of operating New Trustpower and Tilt Renewables under a single corporate structure. These benefits are largely derived from operating a single corporate head office with central administrative functions which will effectively be duplicated after the Proposed Demerger or lost through diminished scale economies. The costs relate primarily to information technology, human resources, marketing and financial service functions, as well as NZX and ASX listing and compliance costs.

While New Trustpower will utilise the current business structure, Tilt Renewables will need to establish its own resources. The incremental corporate and operational costs that Tilt Renewables will incur following the Proposed Demerger include:

- Costs associated with a separate Board of Directors. In terms of Directors' fees, Tilt Renewables will have a Director remuneration pool of A$685,000 per annum after the Proposed Demerger.
- Costs associated with a separate listing on the NZX Main Board and ASX. These include share registry, annual reporting, shareholder communication and legal/regulatory costs.
- Administrative costs such as finance, human resources, legal, insurance and marketing.
- Staff costs for new roles established at Tilt Renewables, including the CEO and CFO positions. We note that Tilt Renewables expects to have a total of approximately 35 full-time equivalent employees with 28 new full-time equivalents and the remainder transferring from Trustpower.

Trustpower estimates that the total incremental costs to Tilt Renewables will be $9.3 million per annum. However, a significant portion of this cost results from the employment of new staff to accelerate Tilt Renewables' development opportunities which would have otherwise been required by Trustpower if it were to pursue the same opportunities. Consequently, we estimate the net impact of additional corporate costs of Tilt Renewables relative to Trustpower executing the same strategy under the status quo structure would be approximately $6 – $7 million. While there is some risk that the level of incremental costs will be higher, we believe that the risk is limited and the potential quantum of any cost increase will be relatively small.

4.4. Impact on Initial Capital Structure and Funding Costs

New Trustpower and Tilt Renewables must be recapitalised as part of the Proposed Demerger to ensure each business has a funding structure which appropriately reflects their respective business and credit characteristics, as well as future funding requirements. Trustpower had total net debt (including derivatives) of approximately NZ$1.3 billion as at 31 March 2016. The proposed refinancing and debt allocation under the Proposed Demerger would result in New Trustpower and Tilt Renewables having FY2016 pro forma opening net debt of NZ$730 million and NZ$674 million respectively[4], an aggregate increase of approximately $80 million relative to Trustpower at 31 March 2016 (largely reflecting adjustments for transaction costs).

The proposed facilities and key gearing ratios are summarised in Table 23 below.

Table 23: Initial Capital Structure of New Trustpower and Tilt Renewables

	New Trustpower	Tilt Renewables
Key Business Characteristics	▪ Defensive earnings while operating in a competitive market place ▪ Modest growth outlook ▪ Relatively low future capital requirements	▪ Strong, reliable earnings under-pinned by off-take PPAs with Origin and New Trustpower ▪ Strong growth outlook supported by Australian RET scheme and development project pipeline ▪ High capital requirements to execute growth strategy but likely to be financed on a project by project basis
Pro forma FY2016 Net Debt	NZ$730 million	A$607 million
Total Debt Facilities in Place After the Proposed Demerger	NZ$805 million	A$715 million
Pro forma FY2016 Net Debt / EBITDAF	3.4x	5.4x

Source: Trustpower and Northington Partners analysis.

We note the following in relation to the initial and future capital structure of New Trustpower and Tilt Renewables:

- New Trustpower will retain a similar funding structure to Trustpower, with a diversified mix of unsecured senior bank debt and unsecured bonds (subject to refinancing):
  - While not rated, we anticipate New Trustpower will have credit ratios in-line with Trustpower's current position and consistent with its investment grade peers.
  - Trustpower is intending to redeem all of the currently outstanding senior and subordinated bonds on issue; these bonds have a face value of $385 million and maturity dates between December 2016 and December 2021. Under the terms of the bonds, they will be redeemed at the higher of face and market value. New Trustpower has committed bank bridge facilities to fund the redemption of the bonds.

[4] Based on the pro-forma values for 31 March 2016. Actual debt levels for each business in the event that the Proposed Demerger is implemented are expected to differ slightly from these values.

- There are four series of bonds outstanding, with coupon interest rates between 5.63% and 8.00%. Reflecting the current low interest rate environment, the bonds are trading at yields around 4.0% and therefore have current market values above par. That means that Trustpower will need to pay more than face value to redeem each series of bonds.
- While it is New Trustpower's intention to undertake a new issue of bonds following the Proposed Demerger to refinance the bridge facilities, the bond terms will depend on market conditions at the time and may include an exchange offer for new bonds on similar terms to the existing bonds (including maturity and coupon), or an offer of new bonds at prevailing market coupon rates. However, assuming that any offer of new bonds (other than any issued in exchange for existing bonds on the same pricing terms) can be issued at coupon interest rates close to the observed secondary market yields on the existing bonds, it is likely the new bonds will carry a lower interest cost than the existing bonds.

- Tilt Renewables is establishing a new multi-tranche funding structure with a syndicate of banks:
  - The new facilities will include sufficient headroom to refinance the A$167 million and $80 million of funding provided by EFK Danmarks Eksportkredit ("**EKF Facilities**") if those facilities are not able to be novated to Tilt Renewables.
  - If consent for the novation is not obtained, the EKF Facilities will incur break fees. The break fees for the EKF Facilities total approximately $7 million.
  - The Tilt Renewables bank facilities will be a mixture of amortising and revolving facilities with terms between three and seven years. The new facilities are expected to include A$100 million of headroom for future developments, acquisitions or expansion.
  - Tilt Renewables' leverage ratios will be higher than those for Trustpower, but Tilt Renewables' contracted PPA revenues provide greater income certainty supporting relatively higher debt levels.

The agreed terms for New Trustpower's new facilities are generally in line with the existing Trustpower facilities. However, Tilt Renewables' facilities are different. Aside from the differences in terms, the funding costs for both New Trustpower and Tilt Renewables will not be materially impacted. One of the key differences for Tilt Renewables relative to the existing Trustpower financing arrangements, which are unsecured, is that Tilt Renewables and each of its material subsidiaries will be required to provide security over all of their assets in support of Tilt Renewables Group's obligations under those syndicated facilities and the EKF Facilities. Despite this change, we consider that the overall funding arrangements will not be adversely impacted by the implementation of the Proposed Demerger.

4.5. Dividend Consequences

While Trustpower currently has no formal dividend policy, Table 24 shows that Trustpower has historically paid an average of 108% of underlying earnings over the last five years. On an adjusted cash profit basis (which excludes non-cash depreciation and amortisation), the pay-out has averaged 63%.

Table 24: Trustpower's Dividend History

Financial year ending 31 March (NZD)	2012	2013	2014	2015	2016
Underlying earnings per share (cents per share)	43	41	35	39	32
Dividends declared during the year (cents per share)	40	40	40	41	42
Adjusted cash profit per share (cents per share)[1]	62	62	58	70	69
Dividend as % of underlying earnings	**93%**	**98%**	**114%**	**105%**	**131%**
Dividend as % of adjusted cash profit	**65%**	**64%**	**69%**	**58%**	**61%**

Source: Company annual reports.
[1] Adjusted cash profit represents underlying earnings plus depreciation and amortisation.

Based on the proposed dividend policies for Tilt Renewables and New Trustpower (outlined in Sections 3.3.4 and 3.4.4), the aggregate dividends of the two companies are expected to be lower than the dividends declared by Trustpower in FY2016.

Applying the intended dividend policies of New Trustpower (70% – 90% of free cash flows) and Tilt Renewables (25% – 50% of pro forma operating free cash flow) to their respective pro forma FY2016 earnings and cash flows, we estimate New Trustpower would have paid a FY2016 pro-forma cash dividend of $0.24 – $0.31 and Tilt Renewables $0.033 – $0.067. The aggregate dividend of $0.27 – $0.38 compares to Trustpower's FY2016 declared dividend of $0.42, representing a decline of between approximately 11% and 35% on a pro forma FY2016 basis. However, given the nature of Trustpower's current shareholder base and Trustpower's recent high dividend pay-out levels, we would expect New Trustpower and Tilt Renewables to initially target dividend pay-out ratios towards the top of the intended policy ranges, at least in the short-term. On this basis, the pro forma impact of the Proposed Demerger on FY2016 dividends would have been relatively modest, with a $0.03 – $0.04 reduction in overall dividends.

Although the aggregate dividends from New Trustpower and Tilt Renewables are expected to decline in the short term at least, most of the reduction is not a direct consequence of the Proposed Demerger. If the Australian wind development opportunities were pursued under the status quo structure, it is very likely that Trustpower would decrease its dividend pay-out to help fund the capital expenditure or require new equity from shareholders. Only about $0.03 of the expected reduction reflects the additional ongoing corporate and operating costs of operating two separate businesses.

4.6. Tax Considerations

4.6.1. New Zealand Tax

In order to confirm the New Zealand tax implications of certain aspects of the Proposed Demerger, Trustpower sought and obtained a binding ruling from the New Zealand Inland Revenue. Additional advice was also obtained from Trustpower's New Zealand tax advisers.

A summary of the main New Zealand tax considerations is set out in Table 25 below. A fuller analysis of the New Zealand tax consequences of the Proposed Demerger is set out in the Scheme Booklet.

Table 25: Summary of New Zealand Tax Considerations

Entity / Shareholder	Comment
New Trustpower	▪ Trustpower and New Trustpower are currently members of a consolidated group for New Zealand tax purposes. New Trustpower will remain a member of the consolidated tax group following the Proposed Demerger. ▪ The transfer of assets from Trustpower to New Trustpower will occur within the consolidated tax group so should not have any income tax consequences at the time of transfer. ▪ The transfer of wind assets from Trustpower to TWP will occur whilst TWP is part of the consolidated tax group so should not have any income tax consequences at the time of transfer. However, once TWP leaves the consolidated tax group to become part of Tilt Renewables, the consolidated group will have a tax liability in respect of certain depreciable assets transferred to TWP (which will be borne by the New Trustpower group in accordance with the Separation Deed). TWP will be able to claim future depreciation in relation to these assets. ▪ Existing imputation credits within the consolidated tax group will remain and be accessible by the consolidated tax group to attach to dividends following the Proposed Demerger.
Tilt Renewables	▪ TWP (which will become part of Tilt Renewables) is currently a member of the same consolidated tax group referred to above. TWP will leave the consolidated tax group as a result of the Proposed Demerger, but will remain jointly and severally liable for tax liabilities of the consolidated tax group relating to the period during which it was a member. ▪ Tilt Renewables will not be able to access imputation credits in the imputation credit account available to the Trustpower consolidated tax group. The ability of Tilt Renewables to attach imputation credits to dividends will therefore depend on the level of tax paid by Tilt Renewables in New Zealand.

Distribution of New Trustpower and Tilt Renewables shares (resident and non-resident shareholders)	▪ The distribution of New Trustpower shares and Tilt Renewables shares to Trustpower shareholders pursuant to the Proposed Demerger will not constitute a dividend for New Zealand tax purposes. ▪ The liquidation of Trustpower pursuant to the Proposed Demerger will result in Trustpower shareholders disposing of their Trustpower shares. On disposal, the tax consequences will depend on the basis upon which particular shareholders hold their shares. For shareholders that hold their shares on "revenue account" (e.g. they bought their shares with the dominant intention of selling them, or they are in the business of dealing in shares), any gain is likely to be taxable and any loss likely to be deductible. Certain non-resident shareholders may be relieved from New Zealand taxation under an applicable tax treaty. ▪ Any gain or loss on disposal would be calculated as the difference between the shareholder's cost base for its Trustpower shares and the combined market value of the New Trustpower and Tilt Renewables shares on the date they are distributed to a shareholder.

Source: Scheme Booklet

Based on the binding ruling and the separate tax advice received, our understanding is that:

- Overall, the Proposed Demerger should have no material adverse New Zealand tax consequences for New Trustpower or Tilt Renewables.
- Although the tax consolidated group is expected to incur a tax liability of approximately $11 million (associated with depreciation recovery upon the transfer of certain wind assets from Trustpower to TWP) and such tax cost will be borne by the New Trustpower group, in our view that sum is relatively immaterial in relation to the size of New Trustpower following the Proposed Demerger. We also note that TWP will be able to claim future depreciation in respect of the transferred assets which gave rise to the tax liability (although a small time-value-of-money disadvantage will exist when this "benefit" is compared to the "disadvantage" of incurring the liability upfront).
- The impact on Trustpower shareholders disposing of their Trustpower shares will depend principally on the basis upon which those shareholders hold their shares in the Company. Shareholders holding on "revenue account" are likely to be required to recognise a gain or loss on the disposal of their Trustpower shares upon the liquidation of Trustpower. However, we note that the impact is only one of timing (i.e. the same result would arise at whichever point in time such shareholders may otherwise have sold those shares in the absence of the Proposed Demerger).
- As both New Trustpower and Tilt Renewables will continue to be New Zealand incorporated and tax resident companies after the implementation of the Proposed Demerger, the tax rules applying to dividends paid by each of those companies are the same as the rules applying to dividends paid by Trustpower. However, the overall outcome of applying those rules will differ based on New Trustpower's and Tilt Renewables' respective ability to generate imputation credits and attach them to dividends. Tilt Renewables is unlikely to generate material imputation credits, which will impact the rate at which withholding taxes are imposed in respect of dividends paid to shareholders.

4.6.2. Australian Tax

Advice was obtained from Trustpower's Australian tax advisers in respect of the Australian tax implications of certain aspects of the Proposed Demerger.

A summary of the main Australian tax considerations is set out in Table 26 below. A fuller analysis of the Australian tax consequences of the Proposed Demerger is set out in the Scheme Booklet.

Table 26: Summary of Australian Tax Considerations

Entity / Shareholder	Comment
New Trustpower	▪ Shares in GSP held by Tilt Renewables will be transferred to New Trustpower as part of the Proposed Demerger. This should have no

	Australian income tax consequences as capital gains tax roll-over relief will be available. ▪ No stamp duty liability should arise to New Trustpower as a result of the GSP transfer due to the availability of corporate reconstruction relief.
Tilt Renewables	▪ The transfer of shares in TWP to Tilt Renewables will not give rise to any Australian income tax consequences. ▪ The transfer of shares in GSP to New Trustpower should not give rise to Australian income tax consequences as capital gains tax rollover relief is available.
New Zealand Resident Shareholders	▪ Generally, the Australian capital gains tax provisions will not apply to the disposal of Trustpower shares under the Scheme of Arrangement by New Zealand resident shareholders. Any capital gain or capital loss made upon the disposal must be disregarded. ▪ Any dividend component arising upon the distribution of Tilt Renewables and New Trustpower shares to New Zealand resident shareholders will be disregarded for Australian tax purposes.
Australian Resident Shareholders	▪ Australian tax resident shareholders who hold their interests in Trustpower on capital account will realise a capital gain or capital loss, depending on whether the market value of the shares in Tilt Renewables and New Trustpower exceeds or is less than the historical tax cost base of their shares in Trustpower at the time of liquidation. However, such shareholders should be entitled to elect to apply demerger roll-over relief to disregard any capital gains arising on the cancellation of Trustpower shares and to treat any dividend component of the distribution as non-assessable. ▪ There should be no adverse stamp duty implications arising from the Proposed Demerger for Australian resident shareholders. ▪ Any future dividends paid by Tilt Renewables or New Trustpower following the Proposed Demerger will be taxable in the hands of Australian tax residents. An offset will be available to the extent of any franking credits attached to those dividends. ▪ Australian tax resident shareholders will recognise capital gains or capital losses upon any future disposal of Tilt Renewables shares or New Trustpower shares following the Proposed Demerger. The taxable gain or loss will be the difference between the cost base for the shares in Tilt Renewables and New Trustpower and the amount received for their disposal.

Source: Scheme Booklet

Based on our reading of the binding ruling and the separate tax advice received, the Proposed Demerger should have no material Australian tax consequences for New Trustpower, Tilt Renewables, or New Zealand resident or Australian resident shareholders in Trustpower.

4.7. Alternatives to Proposed Demerger

In deciding to implement the Proposed Demerger, the Board of Trustpower considered a range of alternatives including:

- Maintaining the status quo;
- An outright or partial sale of Tilt Renewables; and
- Recycling capital by selling individual wind assets.

The Board determined the Proposed Demerger was the preferred option and the one most likely to deliver the best value outcome for shareholders over time. In particular, there was a view that the alternatives could be suboptimal given the current market context and time to execute.

Key factors that influenced Trustpower's decision to proceed with the Proposed Demerger over the alternatives included:

- An outright or partial sale of Tilt Renewables in the immediate future was considered to be unlikely to realise a price that fully captured the future value benefits of Tilt Renewables' considerable development pipeline. Conversely, waiting until these projects had commenced or completed would not necessarily be in shareholders' best interests having consideration to other factors including the equity capital required to complete them, market conditions and possible tax implications.

- A sale process would likely involve a high degree of transaction uncertainty and would also likely involve no less transactional complexity or separation costs than the Proposed Demerger.
- A sale would not provide the additional investment choice and flexibility that will be provided to shareholders by the Proposed Demerger.
- Recycling capital by selling individual wind assets to fund future development would also create high transaction uncertainty and considerable periodic management distraction and would also involve significant transaction costs.

4.8. Conclusion

Trustpower currently has a significant portfolio of wind farm development opportunities. As set out in Section 3.3, the development pipeline includes projects with up to 1,700MW of capacity in Australia and 530MW capacity in New Zealand. This development potential compares to a total of 582MW of existing wind farm capacity (of which about 58% is based in Australia). The aggregate capital costs for all of the potential developments is estimated at over $2.0 billion.

Development opportunities in the Australian market have become a particular focus following recent improvements in regulatory certainty, particularly in relation to the RET scheme. Market conditions and pricing for the output from renewable energy projects are now more supportive of the level of returns on investment that are needed for economically viable development.

Under the current ownership structure, it will be difficult to aggressively pursue those options through the existing Trustpower vehicle. Raising the level of capital needed to develop the new wind farms will ultimately require support from both Infratil and TECT, and may not suit all shareholders given the impacts that the growth strategy would have on Trustpower's business profile and capital structure. Given its structure and objectives, TECT in particular is likely to favour a more conservative strategy which preserves a high and stable level of dividends. If a significant amount of new capital needs to be introduced to Trustpower to fund the developments, TECT is unlikely to be in a position to contribute the level of equity required to maintain its current shareholding position.

The Proposed Demerger definitely provides a better platform for pursuing the wind development opportunities. We believe that Tilt Renewables will be appropriately capitalised and will have the level of governance and management needed to successfully implement any new projects which meet relevant investment hurdles. As discussed above in Section 4.1, the separation of Trustpower into two entities also provides shareholders with:

- The ability to make a choice regarding their exposure to the wind developments. If existing shareholders would prefer to focus their investment in New Trustpower (with the expectation of a lower risk profile and higher dividend pay-out), then there will be an opportunity to sell the shares in Tilt Renewables. The ability to exit will of course be subject to market liquidity for the shares after the Proposed Demerger, but we expect there will be improved opportunities for shareholders to sell their shares at fair value in the medium term;
- The potential for uplift in the aggregate value of their investment, generated both from the greater ability of Tilt Renewables to pursue attractive investment opportunities, and the better investor clarity and improved strategy focus that the separation into two entities will provide. New Trustpower and Tilt Renewables may also be subject to a higher level of takeover scrutiny than Trustpower, which may add to shareholders' ability to realise greater value from their investment.

The Proposed Demerger does have a number of costs and risks. One-off transaction costs are projected to be approximately $68 million – $82 million (pre-tax), although we estimate the "net" one-off costs (excluding costs for which there is future benefit) to be about $15 million. We also estimate the present value of incremental future operating costs in a range between $60 million– $77 million. While we suggest that these transaction costs are relatively immaterial if the benefits of the Proposed Demerger are realised, the aggregate net cost of $75 – $90 million ($0.24 - $0.29 per share) will represent a loss in shareholder value if Tilt Renewables is unable to proceed with the development opportunities for any reason.

We understand that the tax implications are relatively benign for both the Company and existing shareholders.

We believe that the additional risks arising as a direct consequence of the Proposed Demerger are relatively minor. The split into two smaller entities with less diversified asset portfolios will on the face of it mean that New Trustpower and Tilt Renewables are more exposed to the effects of existing risk factors, but we suggest that the practical impact on both companies is low. Both companies will continue to operate in a defensive sector, New Trustpower's operations are largely unaffected and Tilt Renewables' development risks are partially offset by a high level of contracted revenue.

In summary, we suggest that a useful way to characterise the Proposed Demerger is that it puts Trustpower in a much better position to exercise the potentially valuable growth options it currently holds in wind generation developments, particularly in Australia. While there remains considerable uncertainty over the number and scale of the projects that will be developed, we believe that the potential value creation from exercising these development options is significant and outweighs the costs of the Proposed Demerger.

5.0 Assessment of the Merits of the Proposed Demerger for Trustpower's Creditors

5.1. Background

As set out in Section 3.1, Trustpower, BEL and TANZL have entered into the Separation Deed, which sets out their respective rights and obligations in respect of, and the mechanics to give effect to, the Proposed Demerger. A key aspect of the Proposed Demerger mechanics is the transfer of assets and liabilities (including creditors) from Trustpower to either New Trustpower or Tilt Renewables. As previously noted, generally, creditors associated with Trustpower's hydro-electric generation and retail business will transfer to New Trustpower, whilst creditors associated with Trustpower's wind farm or solar generation activities will transfer to Tilt Renewables. A mechanism has been agreed in respect of any creditors who are "misplaced".

Trustpower's creditors are likely to be interested in two key matters in respect of the Proposed Demerger:

- Whether it will result in changes to any of the key terms of their existing arrangement with Trustpower; and
- Whether it will have any likely impact on their ability to receive payment of their debts when due.

5.2. Impact on Creditors' Terms

If the Proposed Demerger is implemented, many (but not all) creditors will need to deal with, and have ultimate recourse against, a different legal entity than they did prior to the Proposed Demerger (see Section 5.3 below). However, apart from this change, our understanding (based on discussions with Trustpower and its legal advisers) is that creditors' terms will generally not be impacted by the Proposed Demerger.

Unless otherwise specifically agreed with a creditor during negotiations associated with the Proposed Demerger:

- The dates and terms upon which creditors will be paid will not change.
- A creditor's security status will not be impacted – i.e. secured creditors will remain secured and unsecured creditors will remain unsecured.
- The priority of a particular creditor's security position in New Trustpower will not be impacted. However, Tilt Renewables will grant security to its banking syndicate, which may or may not impact the priority of an unsecured creditor's ranking depending on their existing priority position.

On this basis, we conclude that the Proposed Demerger should have no material impacts on creditors' terms.

5.3. Likely Impact on Payment of Debts When Due

The likely impact of the Proposed Demerger on the ability of creditors to receive payment of their debts when due requires an analysis of two key matters:

- The financial position for the entity which has assumed the debts of creditors compared to the financial position for Trustpower as it exists before the Proposed Demerger. In a pragmatic sense, this comparison requires a qualitative assessment of the likelihood of either entity (i.e. Trustpower before the Proposed Demerger or the debt assuming entity post the Proposed Demerger) becoming subject to an insolvency or liquidation event in the short-term.
- The legal and practical implications for creditors in the event of an insolvency event for Trustpower before the Proposed Demerger compared to the debt assuming entity following the Proposed Demerger.

5.3.1. Financial Position

If the Proposed Demerger is implemented, many trade creditors will have their debts assumed by a legal entity that is different from that which currently bears the obligation to make payment ("**Affected Creditors**"). For example, Affected Creditors will include those who have debts currently legally owed by:

- Trustpower - which will have its debts transferred to either BEL (New Trustpower) or TWP (before TWP's shares are then transferred to TANZL (Tilt Renewables));
- TWP - which will have its shares transferred from Trustpower to TANZL (Tilt Renewables); and
- GSP – which will have its shares transferred from TANZL (Tilt Renewables) to BEL (New Trustpower).

We note that a large number of trade creditors will not be Affected Creditors, in particular:

- With the exception of creditors with exposure to GSP, Australian based trade creditors that currently have debts owing by TANZL or any of TANZL's wholly-owned subsidiaries. This category of creditors will continue to have recourse to the same entity for payment of their debts as they do today. Importantly, we also understand that TANZL (or its subsidiaries) has never had any of its trade obligations guaranteed by Trustpower or other members of the Trustpower group, so the Proposed Demerger will not have any impact on TANZL's credit quality as a result of the withdrawal of credit support.
- Creditors who currently have credit exposure to TWP, who will remain exposed to TWP credit risk following the Proposed Demerger. Although the ownership of TWP will change (i.e. TWP's shares will transfer from Trustpower to TANZL (Tilt Renewables)), there is no current guarantee of TWP's obligations by Trustpower and there will be no guarantee of TWP's obligations by TANZL (Tilt Renewables) following the Proposed Demerger. Thus, trade creditors in this category will largely be unaffected by the Proposed Demerger (although it is arguable TWP's financial position will be slightly enhanced as a result of the transfer to it of the Mahinerangi wind farm).

Creditors who previously had recourse to Trustpower will constitute the vast majority of Affected Creditors. A small proportion of such Affected Creditors will be those who have debts owing in respect of the Mahinerangi wind farm. Creditors in this category currently have recourse to Trustpower for payment of their debts but will need to look to TWP for payment following the Proposed Demerger. Although TWP's shares will be transferred to TANZL (Tilt Renewables), TANZL will not explicitly guarantee TWP's obligations to trade creditors. Given TWP is a far smaller and less diversified entity than Trustpower, creditors associated with the Mahinerangi wind farm will on the face of it assume a greater level of credit risk following the Proposed Demerger. However, based on our understanding of TWP's likely financial position when the Proposed Demerger will be implemented (considering both revenue and operating costs), we do not believe that the Mahinerangi creditors will, in a practical sense, be exposed to a greater level of risk.

The vast majority of Affected Creditors will comprise those who have debts currently owed by Trustpower and will have to look to either New Trustpower or Tilt Renewables for payment of those debts following the Proposed Demerger. To this end, a comparison of key pro-forma financial and credit parameters between Trustpower, New Trustpower and Tilt Renewables for FY2016 (showing the position that would have existed had the Proposed Demerger taken place before the commencement of FY2016) is set out in Table 27 and Table 28 below.

In relation to the key financial and credit parameters set out below, we note the following:

- Both New Trustpower and Tilt Renewables will be substantial entities following the Proposed Demerger. New Trustpower will have total assets and EBITDAF of approximately $2.5 billion and $213 million, respectively. Tilt Renewables will have total assets and EBITDAF of approximately A$1.2 billion and A$112 million, respectively.
- Key credit parameters for New Trustpower are better than Trustpower today, as debt associated with recent wind farm developments in Australia will be transferred from Trustpower to Tilt Renewables. On a pro-forma basis, New Trustpower's ratio of net debt to

EBITDAF is 3.4x, compared to 4.0x for Trustpower. Other key credit metrics are also improved, as set out in Table 28.

- Conversely, key credit parameters for Tilt Renewables are inferior to those of Trustpower today, reflecting the higher level of debt assumed by Tilt Renewables relative to its asset base and main earnings measures (i.e. EBITDAF and EBIT).

Table 27: Impact of Proposed Demerger on Key Financial Parameters

Pro forma FY2016 ($000's)	Trustpower NZ$	New Trustpower NZ$	Tilt Renewables A$
Revenue	1,036,540	947,054	156,433
EBITDAF	329,014	213,344	111,610
EBIT	208,374	166,248	43,103
Total assets	3,816,461	2,493,402	1,191,730
Net borrowings	1,336,462	729,922	607,095
Net assets	1,888,644	1,353,443	409,297
Capital expenditure	(36,903)	(38,101)	(4,301)

Source: Trustpower, Northington Partners' Analysis. The aggregate of New Trustpower and Tilt Renewables does not sum to the figures for Trustpower due to pro forma adjustments.

Table 28: Impact of Proposed Demerger on Key Credit Parameters

Pro forma FY2016 ($000's)	Trustpower	New Trustpower	Tilt Renewables
Net Debt / EBITDAF	4.0x	3.4x	5.4x
Net debt/(net debt + equity)	41%	35%	60%
EBITDA / Interest cover	4.1x	5.6x	3.9x

Source: Trustpower, Northington Partners' Analysis

For Affected Creditors that currently have credit exposure to Trustpower and who will be required to look to New Trustpower for payment of their debts following the Proposed Demerger, arguably they will end up in a slightly better position given the stronger credit profile of New Trustpower. Similarly, a slightly improved position should result for Affected Creditors that currently have exposure to TANZL (with no guarantee from Trustpower) and who will have recourse to New Trustpower following the Proposed Demerger.

For Affected Creditors that have a current credit exposure to Trustpower and who will need to look to Tilt Renewables for payment of their debts following the Proposed Demerger (which we understand is only a small number of creditors), arguably they will be in a worse position given the weaker credit profile of Tilt Renewables compared to Trustpower. However, we do not believe this category of Affected Creditors will be materially impacted as a result of the Proposed Demerger for the following reasons:

- Although Tilt Renewables will have relatively higher debt ratios than Trustpower, its debt levels will be in line with other industry peers. For example, the net debt to EBITDA levels for the international comparable companies listed in Appendix 3 average greater than 5 times, while Infigen's current net debt to forecast EBITDA for the 12 months to 30 June 2016 is approximately 5.7 times).
- Tilt Renewables will have a high level of contracted revenues with good credit quality counterparties (i.e. Origin and New Trustpower) from which it can meet its debt servicing and other payment obligations.
- The Proposed Demerger should provide a better platform than exists with Trustpower today to raise additional equity capital to strengthen Tilt Renewables' balance sheet and fund future development opportunities.

We also note that Affected Creditors' credit exposure exists for a short duration until their current debts have been paid (e.g. 30-60 days, depending on their current payment terms). Following the Proposed Demerger and payment of their existing debts, Affected Creditors without term contracts (and any other future creditors) are free to make their own assessment of the credit quality of the counterparty they are dealing with and determine whether they wish to continue doing (or start doing) business with that party.

In conclusion, we do not believe New Trustpower or Tilt Renewables will be materially more likely than Trustpower today to suffer an insolvency or liquidation event before existing creditors have been paid. However, the small number of creditors in relation to the Mahinerangi scheme who have a current exposure to Trustpower (and who will need to look to TWP for payment of their debts following the Proposed Demerger) will, in the absence of a guarantee from Tilt Renewables, assume a greater level of credit risk.

5.3.2. Implications Upon an Insolvency Event

As noted in Section 5.2 above, the Proposed Demerger should have no material impacts on creditors' terms, including in respect of creditors' security status (secured versus unsecured) and the priority of a particular creditor's security position.

On this basis, we conclude that there should be no material impact on the practical and legal implications for Affected Creditors in circumstances where an insolvency event was to eventuate in respect of BEL, TANZL or one of their respective subsidiary companies.

Appendix 1. Regulatory Requirements and Scope of this Report

Introduction

The Proposed Demerger is to be implemented by way of Scheme of Arrangement under the Companies Act 1993 and is required to be approved by the High Court. An explanation of the role of the High Court is set out in the Notice of Meeting sent to Trustpower's shareholders.

As Trustpower is listed on the NZX Main Board, the NZX Listing Rules (as well as general law) specifies that the Notice of Meeting must state the nature of the business to be transacted at the meeting in sufficient detail to enable shareholders to form a reasoned judgement in relation to it.

Role of Takeovers Panel

Trustpower has requested that the Takeovers Panel issue a "no-objection statement" in relation to the Scheme of Arrangement to present to the High Court to assist with its deliberations. The primary role of the Takeovers Panel is to assist the High Court by:

- Reviewing scheme documents to ensure that appropriate information is placed before shareholders; and
- Helping to ensure that matters that are relevant to the High Court's decision are properly brought to the High Court's attention.

Although there is no legal requirement under the Companies Act 1993 or the Takeovers Code for an independent adviser's report as a result of the Scheme of Arrangement, the practice of the Takeovers Panel (except in very limited circumstances) is to require the preparation of an independent adviser's report before it will consider issuing a no-objection statement.

Trustpower requested Northington Partners to prepare an independent adviser's report setting out, in its opinion, the merits of the Proposed Demerger. Northington Partners has also been requested to give its opinion as to whether the Proposed Demerger materially prejudices Trustpower's creditors. Our appointment was approved by the Takeovers Panel on 22 March 2016.

Basis of Assessment

The exact meaning of the word "merits" is not prescribed in the Takeovers Code and there is no well accepted, authoritative New Zealand reference that clearly establishes what should be considered when assessing the merits of a transaction. Although the Takeovers Panel has published a guidance note about the role of an Independent Adviser, it has been careful not to limit the scope of the assessment and states that the relevant factors that should be taken into consideration will depend on the features of the proposed transaction as well as the prevailing circumstances of the parties involved. However, the Takeovers Panel suggests that a merits assessment is broader than a valuation assessment and will include other positive and negative aspects of a transaction.

Northington Partners has assessed the merits of the Proposed Demerger for Trustpower's shareholders by taking into account the following matters:

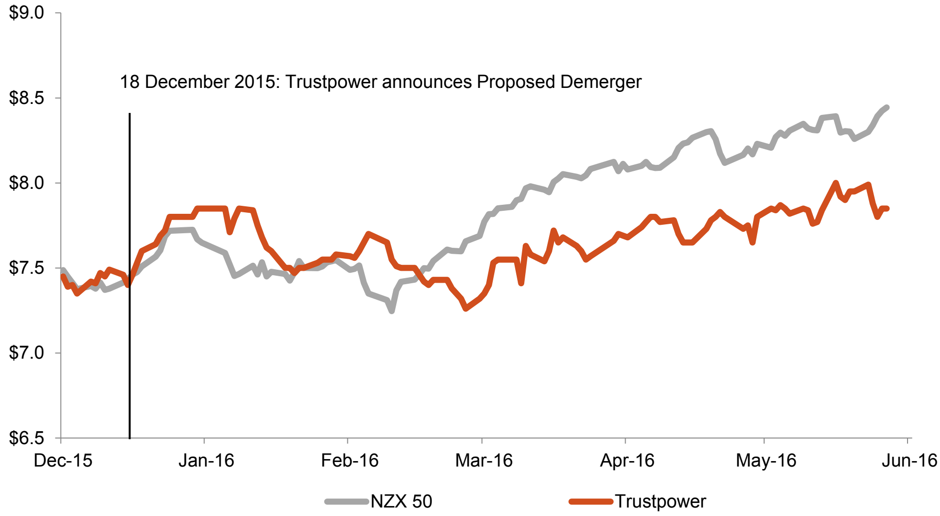
- The impact on business operations if the Proposed Demerger proceeds;
- The impact on earnings and dividends attributable to existing shareholders under the Proposed Demerger;
- The impact of the Proposed Demerger on the financial position of the demerged companies;
- The likely impact of the market value of shareholders' interests and the market for shares in the demerged companies;
- Any other advantages and benefits from the Proposed Demerger; and
- The costs, disadvantages and risks of the Proposed Demerger.

In forming our opinion as to whether the Proposed Demerger materially prejudices Trustpower's creditors, Northington Partners has considered the following matters:

- The effect of the Proposed Demerger on the financial position and size of New Trustpower and Tilt Renewables;
- Creditors' security positions before and post the Proposed Demerger;
- The impact of the Proposed Demerger on the credit profile of New Trustpower and Tilt Renewables;
- The debt facilities available to New Trustpower and Tilt Renewables post the Proposed Demerger; and
- Any other issues considered relevant relating to creditors associated with the Proposed Demerger.

Appendix 2. Trustpower Share Price Performance Since Announcement of the Proposed Demerger

Figure 11: Relative Share Price Performance



Source: Capital IQ. NZX50 Capital Index rebased to the Trustpower share price on 18 December.

Appendix 3. Comparable Company Information

The tables below summarise selected valuation trading multiples of listed companies that are broadly comparable to Trustpower, New Trustpower and Tilt Renewables.

Table 29 summarises the current valuation trading multiples of Trustpower's key New Zealand gentailer peers which are likely to continue to be key benchmarks for New Trustpower post the Proposed Demerger.

Table 29: Listed New Zealand Gentailers

Company	Country	EV ($m)	Market Cap ($m)	EV / LTM EBITDA	EV / NTM EBITDA	EV / LTM EBIT	EV / NTM EBIT	Price / Book
Trustpower	**NZ**	**3,789**	**2,394**	**11.5x**	**10.8x**	**17.8x**	**16.1x**	**1.3x**
Meridian Energy	NZ	7,839	6,659	12.2x	11.8x	19.3x	18.2x	1.5x
Mighty River Power	NZ	5,101	3,964	10.5x	10.4x	16.5x	16.3x	1.2x
Contact Energy	NZ	5,449	3,699	10.3x	10.1x	16.5x	15.7x	1.3x
Genesis Energy	NZ	3,010	2,109	8.9x	9.1x	16.0x	16.3x	1.2x
Average (ex-Trustpower)				**10.5x**	**10.3x**	**17.1x**	**16.6x**	**1.3x**

Source: Capital IQ as at 29 June 2016. "LTM" represents last 12 months calendarised to 31 March 2016 (being a mixture of actual reported results and forecast results) and "NTM" represents the next 12 months calendarised to 31 March 2017 (representing consensus broker research forecasts).

Comparable listed Australian generation and retail companies as detailed below in Table 30 also trade broadly in line with the New Zealand gentailers. While less comparable than New Trustpower's New Zealand gentailer peers, Infigen is more comparable to Tilt Renewables, as detailed in Section 4.2.

Table 30: Listed Australian Integrated Energy Companies and Renewable Generators (in NZ$)

Company	Country	EV ($m)	Market Cap ($m)	EV / LTM EBITDA	EV / NTM EBITDA	EV / LTM EBIT	EV / NTM EBIT	Price / Book
Infigen Energy	Australia	1,609	836	14.5x	11.9x	33.8x	20.5x	3.0x
AGL Energy Limited	Australia	16,540	13,370	10.0x	8.8x	13.8x	11.7x	1.6x
Origin Energy Limited	Australia	19,388	10,133	11.6x	8.0x	22.5x	16.1x	0.6x
Average				**12.0x**	**9.5x**	**23.4x**	**16.1x**	**1.7x**

Source: Capital IQ as at 29 June 2016. "LTM" represents last 12 months calendarised to 31 March 2016 (being a mixture of actual reported results and forecast results) and "NTM" represents the next 12 months calendarised to 31 March 2017 (representing consensus broker research forecasts).

In the absence of directly comparable Australian and New Zealand wind farm business with a high proportion of contracted revenues, the Australasian infrastructure businesses in Table 31 also provide a useful comparison for Tilt Renewables.

Table 31: Listed Australasian Contracted/Regulated Infrastructure (in NZ$)

Company	Country	EV ($m)	Market Cap ($m)	EV / LTM EBITDA	EV / NTM EBITDA	EV / LTM EBIT	EV / NTM EBIT	Price / Book
APA Group	Australia	20,118	10,400	15.8x	13.8x	24.5x	21.8x	2.5x
DUET Group	Australia	12,575	6,205	13.2x	12.1x	20.7x	19.7x	1.7x
AusNet Services	Australia	12,886	5,944	10.7x	11.3x	16.3x	18.2x	1.6x
Spark Infrastructure	Australia	5,575	4,272	18.9x	15.9x	20.0x	18.9x	1.9x
Vector	NZ	6,028	3,216	10.4x	11.3x	15.6x	17.5x	1.4x
Average				**13.8x**	**12.9x**	**19.4x**	**19.2x**	**1.8x**

Source: Capital IQ as at 29 June 2016. "LTM" represents last 12 months calendarised to 31 March 2016 (being a mixture of actual reported results and forecast results) and "NTM" represents the next 12 months calendarised to 31 March 2017 (representing consensus broker research forecasts).

Table 32 provides a broader peer group of international renewable businesses with a focus on wind generation (although many also have hydro and other business components). While these provide useful cross-check benchmarks for Tilt Renewables (and to a lesser extent, New Trustpower), the renewable energy regulatory policies, market dynamics and growth prospects in each market will differ making direct comparison more difficult.

Table 32: Listed International Renewable Energy (Wind Focused) (in NZ$)

Company	Country	EV ($m)	Market Cap ($m)	EV / LTM EBITDA	EV / NTM EBITDA	EV / LTM EBIT	EV / NTM EBIT	Price / Book
Brookfield Renewable Energy Partners	Canada	37,997	11,318	20.8x	15.3x	42.9x	28.4x	2.7x
NRG Yield	United States	9,963	2,117	10.8x	8.4x	21.5x	14.3x	0.8x
EDP Renováveis	Spain	16,291	9,197	10.9x	8.5x	27.1x	16.6x	1.0x
Huaneng Renewables Corporation	China	14,872	4,455	9.8x	8.1x	16.6x	13.7x	1.2x
TransAlta Renewables	Canada	4,313	3,206	NM	10.1x	NM	46.5x	1.3x
CPFL Energias Renováveis	Brazil	4,714	2,347	10.3x	8.6x	21.0x	15.0x	1.3x
Pattern Energy Group	United States	6,147	2,370	NM	12.9x	NM	64.7x	2.2x
Innergex Renewable Energy	Canada	4,430	1,675	21.2x	16.9x	35.0x	25.7x	5.0x
China Datang Corporation Renewable Power Co.	China	10,070	961	10.0x	8.5x	22.0x	18.1x	0.4x
Boralex	Canada	2,979	1,363	NM	10.1x	NM	24.7x	2.4x
TerraForm Power	United States	5,698	1,162	10.2x	6.9x	25.4x	12.8x	0.7x
Saeta Yield	Spain	3,307	1,123	12.8x	10.3x	25.7x	21.0x	1.3x
Falck Renewables	Italy	1,377	320	6.5x	6.5x	12.8x	14.1x	0.4x
Chorus Clean Energy	Germany	827	392	11.3x	7.8x	21.9x	13.5x	1.1x
Voltalia	France	897	394	16.1x	10.4x	24.0x	15.6x	1.6x
Average				**12.6x**	**10.0x**	**24.7x**	**23.0x**	**1.6x**

Source: Capital IQ as at 29 June 2016. "LTM" represents last 12 months calendarised to 31 March 2016 (being a mixture of actual reported results and forecast results) and "NTM" represents the next 12 months calendarised to 31 March 2017 (representing consensus broker research forecasts).

Table 33 provides a description of the comparable companies.

Table 33: Detailed Listed Company Descriptions

Company	Country	Description
Meridian Energy	New Zealand	Meridian Energy Limited engages in the generation, trading, and retailing of electricity in New Zealand and Australia. It generates electricity from water and wind resources. It operates seven hydro stations and five wind farms in New Zealand; and owns and operates wind farms in Australia. The company provides electricity to approximately 276,000 customers, including homes, businesses, and farms in New Zealand; and approximately 48,000 residential and commercial customers in Australia. It operates under the Meridian and Powershop brand names. The company also operates a solar farm in Tongatapu, Tonga. In addition, it offers management, insurance, financing, and trustee services.
Mighty River Power	New Zealand	Mighty River Power Limited produces electricity from renewable sources primarily in New Zealand. It operates nine hydro stations on the Waikato River; five geothermal power stations in the Central North Island; and a multi-unit gas-fired station in Southdown, Auckland. The company sells electricity to homes and businesses under the Mercury Energy, GLOBUG, Bosco Connect, and Tiny Mighty Power brands. It also provides metering equipment to residential and commercial customers through electricity retailers under the METRIX brand.
Contact Energy	New Zealand	Contact Energy Limited generates and retails electricity in New Zealand. It operates through two segments, Integrated Energy and Other. The company generates, purchases, and retails electricity and natural gas. It generates electricity through hydro, geothermal, and thermal sources, as well as through wind. The company is also involved in the sale of LPG. It serves approximately 562,000 customers, such as residential, small business, commercial, and industrial.
Genesis Energy	New Zealand	Genesis Energy Limited generates, trades in, and sells electricity to homes and businesses primarily in New Zealand. The company generates electricity from thermal, hydro, and wind sources. Its Customer Experience segment supplies energy, including electricity, gas, and LPG to end-user customers, as well as provides related services. The company's Energy Management segment generates and trades in electricity and related products. This segment sells electricity to the wholesale electricity market, derivatives entered into to fix the price of

Company	Country	Description
		electricity, and wholesale of gas and coal. Its Oil and Gas segment explores, develops, produces, and sells gas, LPG, and light oil. The company's generation asset portfolio includes the Huntly power station with a generation capacity of 953 MW that comprises 1 gas fired, 2 gas/coal fired, and a gas/diesel generating units; and 3 Tongariro hydro power scheme with a generation capacity of 361.8 MW; Waikaremoana hydro power scheme comprising 3 power stations with a generation capacity of 36 MW, 60 MW, and 42 MW respectively; Tekapo power scheme with a 179 MW generation capacity; and Hau Nui wind farm with 15 wind turbines. It supplies electricity, natural gas, and LPG to approximately 650,000 customers; and holds a 31% equity interest in the Kupe oil and gas fields located in Taranaki.
Infigen Energy	Australia	Infigen Energy develops, owns, and operates renewable energy generation assets in Australia. It owns six wind farms and a solar farm with a combined installed capacity of 557 megawatts operating in New South Wales, South Australia, and Western Australia. The company's development pipeline comprises approximately 1,200 megawatts of large-scale wind and solar projects spread across five states in Australia.
AGL Energy Limited	Australia	AGL Energy Limited operates as an integrated renewable energy company in Australia. It operates through Energy Markets, Group Operations, New Energy, and Investments segments. It buys and sells natural gas, electricity, and energy-related products and services; constructs and/or operates power generation and energy processing infrastructure; develops and operates natural gas storage facilities; and explores, extracts, produces, and sells natural gas. The company markets and sells natural gas, electricity, and energy related products and services to approximately 3.7 million residential and small business customers in New South Wales, Victoria, South Australia, and Queensland. Its power generation portfolio includes thermal generation, as well as renewable sources, such as hydro, wind, solar, landfill gas, and biomass. The company is also involved in the design, manufacture, and distribution of new and reconditioned steam boilers, commercial and industrial hot and warm water boilers, condensing heaters, and thermal oil boilers; and design, manufacture, installation, and service of power factor correction equipment, as well as provides lighting consultancy services that reduces consumption and save energy bill; operational energy management services; and a range of gas infrastructure solutions. In addition, it installs solar panels for businesses.
Origin Energy Limited	Australia	Origin Energy Limited, an integrated energy company, engages in oil and gas exploration and production, and electricity business primarily in Australia and New Zealand. The company operates through Energy Markets, Exploration & Production, and LNG segments. It owns interests in the Surat and Bowen basins in Queensland; BassGas and Otway Gas projects in Victoria and Tasmania; Kupe Gas project in New Zealand; Taranaki basin in New Zealand; Canterbury basin in New Zealand; and Song Hong basin block in Vietnam. The company is also involved in the generation of electricity using natural gas, coal, wind, pumped water storage, solar, geothermal, and hydropower sources; and wholesale and retail sale of electricity and gas. In addition, it offers electricity and natural gas, LPG, and solar plans; hot water systems; and heating and cooling products comprising split system air conditioners, space heating, ducted evaporative cooling, ducted heating, and ducted reverse cycle air conditioning products, as well as cogeneration and tri-generation solutions. The company serves approximately 4.3 million electricity, natural gas, LPG, and green energy customers in Australia; and has generation portfolios with approximately 6,000 megawatts of capacity.
APA Group	Australia	APA Group owns and operates energy infrastructure assets and businesses in Australia. The company operates through three segments: Energy Infrastructure, Asset Management, and Energy Investments. It operates natural gas pipelines, gas storage facilities, and a wind farm. The company has interests in approximately 14,700 kilometres of gas transmission pipelines; approximately 27,700 kilometres of gas mains and pipelines; and approximately 1.3 million gas consumer connections. It also owns the Mondarra gas storage facility in Western Australia; the Dandenong LNG storage facility in Victoria; and has an 80 MW Emu Downs wind farm in Western Australia. In addition, the company provides asset management, operation, and maintenance services to its energy investments and third parties; and corporate, financial, and accounting services, as well as invests in various listed and unlisted energy entities.
DUET Group	Australia	DUET Group, through its subsidiaries, owns and operates energy utility assets in Australia. The company operates in Dampier Bunbury Pipeline, United Energy, Multinet Gas, and DBP Development Group segments. The company's asset portfolio includes 80% interest in the Dampier Bunbury natural gas pipeline connecting the natural gas reserves of the Carnarvon and Browse basins on Western Australia's North West Shelf with customers in Perth and the surrounding regions; and 66% interest in United Energy Distribution that operates electricity distribution network covering approximately 1,472 square kilometres of south-east Melbourne and the Mornington Peninsula. Its asset portfolio also comprises a 100% interest in the Multinet Gas Group Holdings, a gas distribution company with a network covering approximately 1,860 square kilometres of the eastern and south-eastern suburbs of Melbourne; and DBP

Company	Country	Description
		Development Group, which owns and operates the Wheatstone Ashburton West Pipeline that connects the onshore Wheatstone LNG complex to the DBNGP. The company serves industrial, commercial, and residential customers.
AusNet Services	Australia	AusNet Services Ltd engages in the electricity distribution and transmission, and gas distribution businesses in Australia. The company operates in Electricity Distribution, Gas Distribution, Electricity Transmission, and Select Solutions segments. As of September 30, 2015, it had an electricity distribution network of approximately 51,598 kilometres serving 685,435 customers in Eastern Victoria; and operated approximately 6,573 kilometres of transmission lines and 13,000 towers in Victoria. It also had a 10,721 kilometres of gas distribution network serving 654,587 customers across Central and Western Victoria. The company is involved in the transmission of electricity from power stations to electricity distributors through its high voltage towers and transmission lines. Further, the company provides utility related metering, data, and asset management services to businesses operating in the infrastructure sector, such as electricity, water, and gas utility owners, as well as telecommunications companies.
Spark Infrastructure Group	Australia	Spark Infrastructure Group invests in regulated electricity distribution and transmission businesses in Australia. The company operates in four segments: Victoria Power Networks, SA Power Networks, TransGrid, and Other. It owns interests in the SA Power Networks that operates and maintains an electricity distribution network serving approximately 847,000 customers in South Australia. The company also has interest in CitiPower, which owns and operates a distribution network that supplies electricity to approximately 323,000 customers in Melbourne's CBD and inner suburbs; and Powercor Australia, which owns and manages an electricity distribution network that serves approximately 757,000 customers in Victoria. In addition, it has interests in TransGrid, which owns and operates a high voltage electricity network connecting approximately 3 million homes and businesses across New South Wales and the ACT to the electricity grid.
Vector	New Zealand	Vector Limited provides integrated infrastructure services in New Zealand. The company owns and operates the electricity distribution network in the Auckland region; and delivers power to approximately 543,000 homes and businesses. It also owns and operates gas processing facilities at Kapuni in South Taranaki that produces and sells propane and butane (LPGs), natural gasoline, and carbon dioxide. In addition, the company supplies piped and bottled gas under the OnGas brand; sells natural gas to gas retailers, electricity generators, and other commercial and industrial customers; and offers pipeline and related services, such as cathodic protection, instrumentation, maintenance, and pipeline defect repair services. Further, it provides data communication solutions to wholesale and corporate customers; and offers connectivity solutions in Auckland, Wellington, Christchurch, Hamilton, Tauranga, Napier/Hasting, and New Plymouth. Additionally, the company owns and operates energy meters and metering services for approximately 800,000 homes and businesses; and provides gas meters and gas metering services to approximately 220,000 residential, commercial, and industrial customers, as well as is engaged in the tolling, storage, and distribution of bulk LPG. It also offers solar power solutions, which combines solar cells with battery storage to produce electricity; and operates a cogeneration plant situated at the Kapuni that produces electricity and steam for the gas treatment plant and other customers.
Brookfield Renewable Energy Partners	Canada	Brookfield Renewable Energy Partners L.P. owns a portfolio of renewable power generating facilities. It owns and manages 207 hydroelectric generating stations, 37 wind facilities, 3 biomass facilities, and 2 natural gas-fired plants with 7,284 megawatts of generating capacity in the United States, Canada, Brazil, and Europe. The company sells its generation output primarily to public power authorities, load-serving utilities, and industrial users. Brookfield Renewable Partners Limited operates as the general partner of Brookfield Renewable Energy Partners L.P.
NRG Yield	United States	NRG Yield, Inc., through its subsidiaries, acquires, owns, and operates contracted renewable and conventional generation, and thermal infrastructure assets in the United States. As of December 31, 2015, it had contracted renewable and conventional generation portfolio of 4,435 net megawatt (MW). The company also owns thermal infrastructure assets with an aggregate steam and chilled water capacity of 1,315 net MW thermal equivalents, and electric generation capacity of 124 net MW. Its thermal infrastructure assets provide steam, hot water and/or chilled water, and electricity to commercial businesses, universities, hospitals, and governmental units.
EDP Renováveis	Spain	EDP Renováveis, S.A., together with its subsidiaries, engages in the planning, construction, operation, and maintenance of electricity production facilities generating power stations through renewable energy sources, primarily wind and solar. It manages a portfolio of projects in Spain, France, Poland, Italy, Portugal, Belgium, Romania, the United States, Canada, and Brazil; and is developing projects in the United Kingdom and Mexico.
Huaneng Renewables Corporation	China	Huaneng Renewables Corporation Limited, together with its subsidiaries, generates and sells wind power and solar power in the People's Republic of China. As of December 31, 2014, it had an installed capacity of 8,011.4 megawatts.

Company	Country	Description
TransAlta Renewables	Canada	TransAlta Renewables Inc. develops, owns, and operates renewable power generation facilities. The company's portfolio consists of wind, hydro, and gas facilities. As of February, 11, 2016, it owned 18 wind facilities, 13 hydroelectric facilities, 8 natural gas generation facilities, and 1 natural gas pipeline comprising an ownership interest of 2,441 MW of net generating capacity located in the provinces of British Columbia, Alberta, Ontario, Quebec, and New Brunswick, Canada; the State of Wyoming; and the State of Western Australia.
CPFL Energias Renováveis	Brazil	CPFL Energias Renováveis S.A. engages in the development, construction, and operation of a portfolio of small and medium scale power plants primarily in Brazil. The company operates small hydroelectric plants, wind power plants, biomass-fired power plants, and solar power plants. Its portfolio of projects totals 5,875 MW comprising 38 SHPPs, 36 wind farms, and 8 UTEs in operation, as well as 1 solar power plant with capacity of 1,773 MW; 1 SHPP and 12 wind farms consisting of 335.5 MW under construction; and 3,767 MW in preparation for construction and development in the four renewable sources.
Pattern Energy Group	United States	Pattern Energy Group Inc. operates as an independent power company that owns and operates power projects in the United States, Canada, and Chile. The company holds interests in 16 wind power projects that have a total owned capacity of 2,282 MW. It sells electricity and renewable energy credits primarily to local utilities and local liquid independent system organizations markets.
Innergex Renewable Energy	Canada	Innergex Renewable Energy Inc. operates as an independent renewable power producer in North America. It develops, owns, and operates run-of-river hydroelectric facilities, wind farms, and solar photovoltaic farms. The company operates through four segments: Hydroelectric Generation, Wind Power Generation, Solar Power Generation, and Site Development. It holds interests in 35 operating facilities with an aggregate net installed capacity of 716 MW; 4 projects under development with an aggregate net installed capacity of 187 MW; and prospective projects with an aggregate net capacity totalling 3,280 MW. The company has operations in Quebec, Ontario, and British Columbia, Canada, as well as in Idaho, the United States.
China Datang Corporation Renewable Power Co.	China	China Datang Corporation Renewable Power Co., Limited, together with its subsidiaries, generates and sells wind and other renewable power in the People's Republic of China. It also develops, invests, constructs, and manages wind power; and other renewable energy sources, including solar power, biomass, and coal bed methane. As of December 31, 2014, the company had 6,038 megawatt (MW) of installed capacity, including 5,916 MW of wind power installed capacity, 117 MW of solar energy installed capacity, and 5 MW installed capacity of other clean energy. It is also involved in the research and development, application, and promotion of low carbon technology; research, sale, testing, and maintenance of renewable energy-related equipment; engineering; import and export of renewable energy equipment and technologies; design, construction and installation, repair and maintenance of domestic and international power projects; foreign investments; provision of renewable energy-related consulting services; and leasing of property. The company was formerly known as Datang Chifeng Saihanba Wind Power Generation Co., Ltd. and changed its name to China Datang Corporation Renewable Power Co., Limited in March 2009.
Boralex	Canada	Boralex Inc., together with its subsidiaries, develops, constructs, and operates renewable energy power facilities primarily in Canada, France, and the United States. As at December 31, 2015, the company had interests in 45 wind power stations with an installed capacity of 874 megawatts (MW); 15 hydroelectric power stations with a capacity of 158 MW; 2 thermal power stations with an installed capacity of 47 MW; and 2 solar power facilities with a capacity of 15 MW, as well as operated two hydroelectric power stations.
TerraForm Power	United States	TerraForm Power, Inc. owns and operates solar and wind generation assets serving utility, commercial, and residential customers. As of February 20, 2015, its portfolio consisted of solar and wind projects located in the United States, Canada, the United Kingdom, and Chile with an aggregate nameplate capacity of 1,507.3 megawatt.
Saeta Yield	Spain	Saeta Yield, S.A. generates and distributes electricity to the wholesale market/electricity system in Spain. It operates 16 wind farms with a total capacity of 539 MW and 3 solar thermal plants with a total capacity of 150 MW. The company was formerly known as El Recuenco Eólica, S.A. and changed its name to Saeta Yield, S.A. in 2014.
Falck Renewables	Italy	Falck Renewables SpA develops, designs, constructs, and manages energy production plants in Italy, the United Kingdom, France, Spain, Japan, Canada, Mexico, and Bulgaria. It operates wind energy, solar energy, biomass energy, waste-to-energy, photovoltaic energy, and waste treatment plants. The company also provides renewable energy plant management services; and engineering and consulting services to develop projects for electricity generation primarily solar and wind energy. It has an installed capacity of approximately 762 MW.
Chorus Clean Energy	Germany	CHORUS Clean Energy AG owns and operates solar and wind energy plants in Germany, Italy, France, Austria, and Finland. The company generates and distributes electricity to energy

Company	Country	Description
		suppliers and governments. It operates 70 wind and solar parks with a total installed capacity of approximately 250 megawatts. The company also provides investment opportunities in renewable energy plants for institutional investors, such as insurance companies, pension funds, banks, and foundations. In addition, it offers a range of services, including asset sourcing, transaction processing/due diligence, operational management, documentation/reporting, and realizing exit opportunities.
Voltalia	France	Voltalia SA engages in the production of electricity from renewable energy sources in France, Brazil, Greece, and French Guiana. It develops, constructs, operates, and maintains wind, solar, hydro, and biomass power plants.

Source: Capital IQ as at 29 June 2016.

Appendix 4. Australian Renewable Energy Transactions

Date	Target	Acquirer	Installed Capacity (MW)	Implied EV (A$m)	Economic Interest	Implied EV / MW
Mar-16	Taralga Wind Farm	State Power Investment Corporation	107	300	100%	$2.8
Dec-15	Pacific Hydro	State Power Investment Corporation	900	3,000	100%	$3.3
Sep-15	MacArthur Wind Farm	HRL Morrison & Co	420	532	50%	$2.5
Jun-13	MacArthur Wind Farm	Malakoff International	420	659	50%	$3.1
May-13	Clare Valley Wind Farm	Palisade Investment Partners	111	228	75%	$2.7
Sep-12	Musselroe Wind Farm	Shenhua Clean Energy Holdings	168	299	75%	$2.4
May-12	Hallett 5 Wind Farm	Eurus Energy Holdings	53	174	100%	$3.3
Dec-11	Woolnorth Wind Farm	Guohua Energy Investment	140	297	75%	$2.1
Jun-11	Emu Downs Wind Farm	APA Group	80	171	100%	$2.1
May-10	Mt Millar Wind Farm	Meridian Energy	70	191	100%	$2.7
Apr-07	Wattle Point Wind Farm	ANZ Energy Infrastructure Trust	91	225	100%	$2.5
Average						**A$2.7m/ MW**

Source: Capital IQ, publicly available company announcements, Northington Partners' analysis.

Appendix 5. Sources of Information Used in this Report

Other than the information sources referenced directly in the body of the report, this assessment is also reliant on the following sources of information:

- Annual reports for Trustpower for 2012, 2013, 2014 and 2015
- Audited financial statements for Trustpower for the period FY2012 to FY2016
- Discussions with senior management personnel of Trustpower
- The Trustpower website
- A final Draft Scheme Booklet to be sent to Trustpower shareholders, containing details of the Proposed Demerger
- A final draft Separation Deed
- Various other documents that we considered necessary for the purposes of our analysis

Appendix 6. Australian RET Scheme Overview

In February 2014 the Australian Federal Government announced the review of the Renewable Energy Target (RET) scheme which had been in place since 2001. Australia's RET is a Federal Government policy designed to ensure that at least 20% of Australia's electricity comes from renewable sources by 2020. The RET review was completed in June 2015 with a final target agreed by both the Coalition and Labor of 33,000GWh, reduced from 41,000GWh. Australia is currently approximately half way to meeting this target.

The RET creates a financial incentive for the establishment or expansion of renewable energy power stations, such as wind and solar farms or hydro-electric power stations. It does this by legislating demand for Large-scale Generation Certificates (LGCs). One LGC can be created for each megawatt-hour of eligible renewable electricity produced by an accredited renewable power station. LGCs can be sold to entities (mainly electricity retailers) who surrender them annually to the Clean Energy Regulator to demonstrate their compliance with the RET scheme's annual targets. The revenue earned by the power station for the sale of LGCs is additional to that received for the sale of the electricity generated. LGCs are traded at a rate determined by supply and demand of the market, and certificate revenues contribute to the commercial viability of renewable generation. Failure to surrender adequate LGCs results in a shortfall charge of $65 per MWh (non tax-deductible). LGC's trade in the wholesale market and have generally traded at between A$60 – 80 per MWh over the last 6 months.

Based on the expected mix of wind, hydro-electric, solar and other renewable generation sources, the 33,000GWh target is expected to require up to approximately 6,000MW of new large-scale renewable energy generation capacity to be built by 2020. The target is enough electricity to power the equivalent of at least five million average homes for a year.

Appendix 7. Declarations, Qualifications and Consents

Declarations

This report is dated 12 August 2016 and has been prepared by Northington Partners at the request of the independent directors of Trustpower to fulfil the requirements of the Takeovers Panel in relation to the Proposed Demerger and to be used for the purposes of the Court application to approve the Scheme of Arrangement to implement the Proposed Demerger. This report, or any part of it, should not be reproduced or used for any other purpose. Northington Partners specifically disclaims any obligation or liability to any party whatsoever in the event that this report is supplied or applied for any purpose other than that for which it is intended.

Prior drafts of this report were provided to Trustpower for review and discussion. Although minor factual changes to the report were made after the release of the first draft, there were no changes to our methodology, analysis, or conclusions.

This report is provided for the benefit of all of the shareholders of Trustpower that are being asked to consider the proposed Scheme of Arrangement, and Northington Partners consents to the distribution of this report to those people. Being part of the Scheme Booklet which will enter the public domain, this report may also be viewed by creditors potentially affected by the Proposed Demerger. Given the analysis conducted by Northington Partners in relation to creditors is general in nature, this report may not be relied upon by any particular creditor of Trustpower. Creditors should take their own advice in relation to how the Proposed Demerger may affect their particular situation.

Our engagement terms did not contain any term which materially restricted the scope of our work.

Qualifications

Northington Partners provides an independent corporate advisory service to companies operating throughout New Zealand. The company specialises in mergers and acquisitions, capital raising support, expert opinions, financial instrument valuations, and business and share valuations. Northington Partners is retained by a mix of publicly listed companies, substantial privately held companies, and state owned enterprises.

The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons) and Ph.D, Steven Grant B.Com, LLB (Hons). Each individual has a wealth of experience in providing independent advice to clients relating to the value of business assets and equity instruments, as well as the choice of appropriate financial structures and governance issues.

Northington Partners has been responsible for the preparation of numerous independent reports in relation to takeovers, mergers, and a range of other transactions subject to the Takeovers Code and NZX Listing Rules.

Independence

Northington Partners has not been previously engaged on any matter by Trustpower or (to the best of our knowledge) by any other party to the proposed Scheme of Arrangement that could affect our independence. None of the Directors or employees of Northington Partners have any other relationship with any of the directors or substantial security holders of the parties involved in the proposed Scheme of Arrangement.

The preparation of this independent report will be Northington Partners' only involvement in relation to the proposed Scheme of Arrangement. Northington Partners will be paid a fixed fee for its services which is in no way contingent on the outcome of our analysis or the content of our report.

Northington Partners does not have any conflict of interest that could affect its ability to provide an unbiased report.

Disclaimer and Restrictions on the Scope of Our Work

In preparing this report, Northington Partners has relied on information provided by Trustpower. Northington Partners has not performed anything in the nature of an audit of that information, and does not express any opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

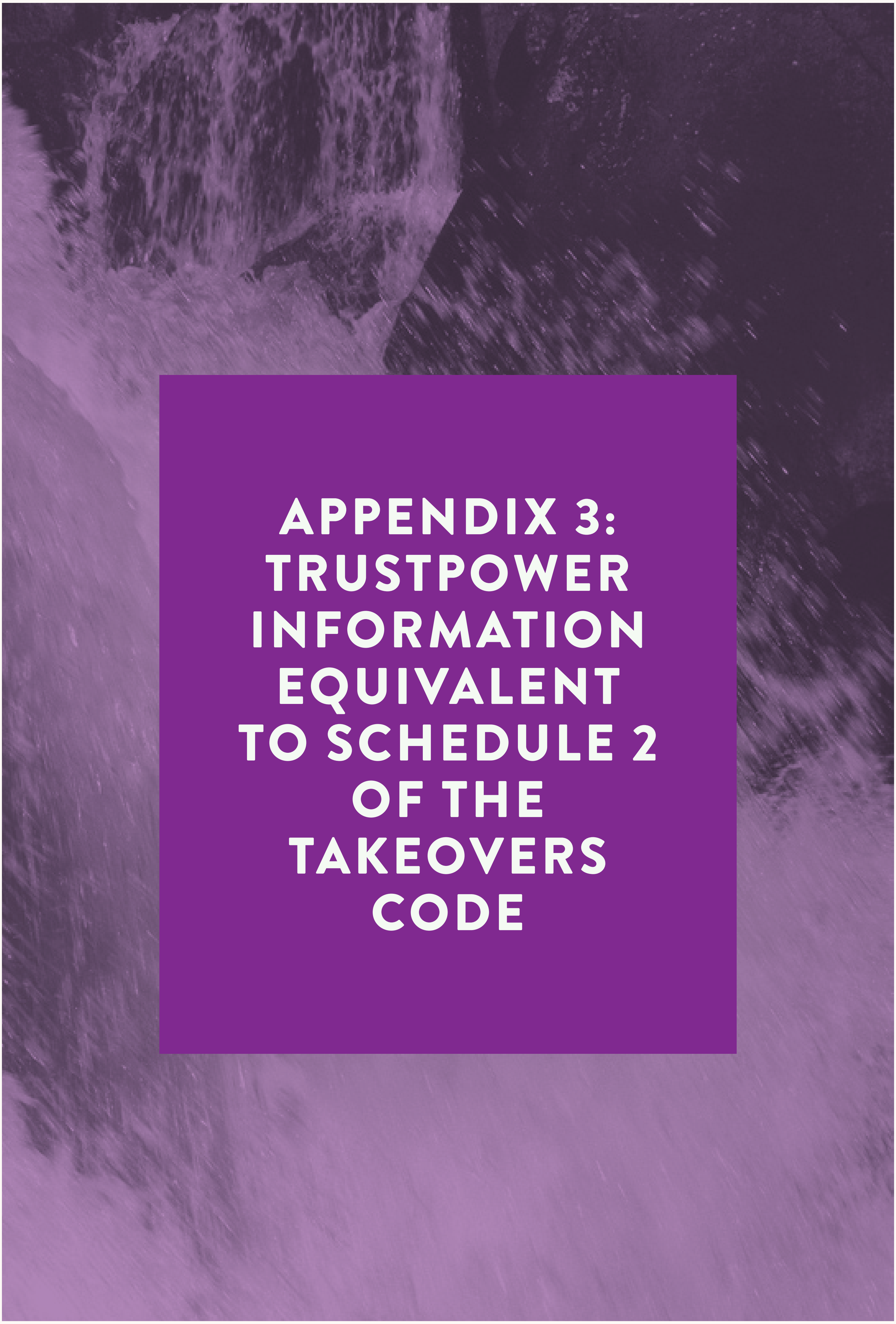
Northington Partners has used the provided information on the basis that it is true and accurate in material respects and not misleading by reason of omission or otherwise. Accordingly, neither Northington Partners nor its directors, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this report resulting directly or indirectly from any such circumstances or from any assumptions upon which this report is based proving unjustified.

We reserve the right, but will be under no obligation, to review or amend our report if any additional information which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

Indemnity

Trustpower has agreed to indemnify Northington Partners (to the maximum extent permitted by law) for all claims, proceedings, damages, losses (including consequential losses), fines, penalties, costs, charges and expenses (including legal fees and disbursements) suffered or incurred by Northington Partners in relation to the preparation of this report, except to the extent resulting from any act or omission of Northington Partners finally determined by a New Zealand Court of competent jurisdiction to constitute negligence or bad faith by Northington Partners.

Trustpower has also agreed to promptly fund Northington Partners for its reasonable costs and expenses (including legal fees and expenses) in dealing with such claims or proceedings upon presentation by Northington Partners of the relevant invoices.



APPENDIX 3: TRUSTPOWER INFORMATION EQUIVALENT TO SCHEDULE 2 OF THE TAKEOVERS CODE

APPENDIX 3: TRUSTPOWER INFORMATION EQUIVALENT TO SCHEDULE 2 OF THE TAKEOVERS CODE

The information in this appendix is given at the direction of the Takeovers Panel. It sets out additional information that would be provided by Trustpower in a target company statement under Schedule 2 of the Takeovers Code.

1. The table below sets out the number and percentage of Trustpower Shares held or controlled by each member of the Trustpower Board (for this appendix each being a **"Director"**) and senior officer[1] of Trustpower (**"Senior Officer"**) or their Associates (as that term is defined in the Takeovers Code):

Directors

Name	No. of Trustpower Shares held or controlled	Class	Percentage of total Trustpower Shares[2]
R Aitken	27,576	Ordinary	0.01%
AN & EJ Bickers[3]	6,102	Ordinary	0.00%
M Bogoievski[4]	26,318	Ordinary	0.01%
IS Knowles	42,716	Ordinary	0.01%
Maclagan Pty Ltd as trustee of the Swier Family Trust (an Associate of G Swier)	63,846	Ordinary	0.02%

Senior Officers

Name	No. of Trustpower Shares held or controlled	Class	Percentage of total Trustpower Shares[2]
JA Calderwood (an Associate of P Calderwood)	70,000	Ordinary	0.02%
Birkham Family Trust (an Associate of D Campbell)	20,000	Ordinary	0.01%
RWH Farron Family Trust (an Associate of R Farron)	106,700	Ordinary	0.03%
Trustees of the Hawksworth Family Trust (an Associate of V Hawksworth)	13,400	Ordinary	0.00%
RA O'Hara (an Associate of C O'Hara)	15,600	Ordinary	0.00%

(1) The senior officers for this Section are: P Calderwood, D Campbell, S Clarke, M Dyer, R Farron, V Hawksworth, P Lilley, C Neustroski, C O'Hara and K Palmer.

(2) The total Trustpower shares used to determine this percentage excludes Treasury Stock.

(3) TECT Holdings Limited is an Associate of A Bickers. Details of its shareholding is set out on page 21.

(4) Infratil is an Associate of M Bogoievski and P Ridley-Smith. Details of its shareholding is set out on page 21.

Notes:
(1) This information is taken from information provided by Directors and the Senior Officers.
(2) Percentages have been rounded to two decimal places.
(3) Except as noted above, no other Director or Senior Officer or their Associates holds or controls any equity securities of Trustpower.

2. Details of Trustpower securities acquired or disposed of by Directors and Senior Officers of Trustpower and their Associates, and any other person holding or controlling 5% or more of Trustpower Shares, to the knowledge of Trustpower within six months of the date of this Scheme Booklet:

Name	No. of Trustpower securities acquired or disposed of	Class	Acquisition or Disposal	Consideration
RWH Farron Family Trust (an Associate of R Farron)	6,700	Ordinary Trustpower Shares	Acquisition on 9 June 2016	$7.975 per share
Trustees of the Hawksworth Family Trust (an Associate of V Hawksworth)	6,700	Ordinary Trustpower Shares	Acquisition on 9 June 2016	$7.975 per share
RA O'Hara (an Associate of C O'Hara)	6,700	Ordinary Trustpower Shares	Acquisition on 9 June 2016	$7.975 per share
BW & MP Cronin. BW Cronin is a trustee of the Tauranga Energy Consumer Trust which is the 100% shareholder of TECT Holdings Limited.	7,000	Ordinary Trustpower Shares	Disposal during week ending 6 May 2016	$7.89 per share
	5,000	Ordinary Trustpower Shares	Disposal during week ending 20 May 2016	$7.92 per share

Except as noted above, no Trustpower securities were acquired or disposed of during the six month period before the date of this Scheme Booklet by any such person.

3. The table below sets out, as at the date of this Scheme Booklet, the name of every Director, Senior Officer and their Associates who have advised Trustpower that he or she intends to vote in favour of the Demerger Resolution, and the number of Trustpower Shares in respect of which the person intends to vote in favour of the Demerger Resolution:

Name	No. of Trustpower Shares intended to be voted in favour of the Demerger Resolution	Designation
R Aitken	27,576	Director
AN & EJ Bickers	6,102	Director
M Bogoievski	26,318	Director
IS Knowles	42,716	Director
Maclagan Pty Ltd	63,846	Associate of G Swier, a Director
JA Calderwood	70,000	Associate of P Calderwood, a Senior Officer
Birkham Family Trust	20,000	Associate of D Campbell, a Senior Officer
RWH Farron Family Trust	106,700	Associate of R Farron, a Senior Officer
Trustees of the Hawksworth Family Trust	13,400	Associate of V Hawksworth, a Senior Officer
RA O'Hara	15,600	Associate of C O'Hara, a Senior Officer

4. TECT has advised Trustpower that it proposes to vote in favour of the Demerger Resolution subject to:

(a) receiving advice from Trustpower that:

(i) the Demerger is unanimously supported by both the Trustpower Board and the sub-committee of independent directors of the Trustpower Board established to consider the Demerger; and

(ii) the Trustpower Board is satisfied that the refinancing arrangements needed to support the Demerger are in place;

(b) being satisfied that the scheme for the Demerger as set out in the final Scheme Booklet is not materially disadvantageous for it compared to the scheme set out in the draft scheme booklet dated 26 May 2016;

(c) the Independent Adviser does not change its conclusion on the merits of the Demerger;

(d) the constitutions of each of New Trustpower and Tilt Renewables are put in place as described in the draft scheme booklet dated 26 May 2016;

(e) being satisfied with the orders of the High Court;

(f) obtaining an exemption from the Takeovers Panel permitting its shareholding in each company in the Demerger, on terms acceptable to it;

(g) Infratil providing a letter in substantially the same form and that letter is copied to TECT; and

(h) being satisfied that there are no material changes in circumstances that are relevant to the rationale or basis for the Demerger.

5. Infratil has advised Trustpower that it proposes to vote in favour of the Demerger Resolution subject to:

(a) receiving advice from Trustpower that:

(i) the Demerger is supported by both the Trustpower Board and the sub-committee of independent directors of the Trustpower Board established to consider the Demerger; and

(ii) the Trustpower Board is satisfied that the refinancing arrangements needed to support the Demerger are in place;

(b) being satisfied that the scheme for the Demerger as set out in the final Scheme Booklet does not contain materially adverse provisions compared to the draft scheme booklet dated 26 May 2016;

(c) the Independent Adviser does not change its conclusion on the merits of the Demerger; and

(d) being satisfied that there are no material changes in circumstances that are relevant to the rationale or basis for the Demerger.

6. The contents of the Scheme Booklet have been approved by all the Directors.

To the best of our knowledge and belief, after making proper enquiry, the information contained in this appendix is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise.

Paul Ridley-Smith – Chairman

Samuel Knowles – Director

Vincent Hawksworth – Chief Executive Officer

Kevin Palmer – Acting Chief Financial Officer

OTHER INFORMATION

CORPORATE DIRECTORY

Directors of Trustpower

Paul Morton Ridley-Smith (Chairman)
Richard Hammond Aitken
Alan Norman Bickers
Marko Bogoievski
Ian Samuel Knowles
Susan Ruth Peterson
Geoffrey Jon Campbell Swier

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Registrar

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Investigating Accountants

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Independent Adviser

Northington Partners Limited
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Auckland 1143

SCHEME BOOKLET
Demerger of Trustpower Limited