24 October 2018

Dear Fellow Shareholder

Tilt Renewables' announcement of an adjustment to the carrying values of Australian generation assets does not impact the Independent Directors' assessment that the JV's $2.30 takeover offer ("Offer") is inadequate

Last week, Tilt Renewables announced that due to changes in the long-term outlook for electricity prices and prices for large-scale generation credits in Australia since March 2017, when the last formal review was undertaken, it was reducing the carrying values of its Australian generation assets. The fact of the review was noted in our Target Company Statement.

Infratil (the major partner in the JV) has now issued a statement in which it maintains that this is evidence that the JV's Offer price is fair.

For shareholders wondering whether the announcement from Tilt Renewables affects their assessment of the Offer, the Independent Directors advise that **there is nothing in the Tilt Renewables announcement that should change any shareholder's view about the merits of the Offer**. The Infratil statement contains errors and omissions and should be disregarded by shareholders. We address these in the following paragraphs.

The Infratil statement fails to appreciate the difference in the purpose and approach of this recent internal valuation and the valuation undertaken by the Independent Adviser, Northington Partners in response to the Offer. The purpose and approach used by Tilt Renewables when adjusting the carrying values is equivalent to establishing a value one can expect to see reflected in the trading share price of Tilt Renewables in the absence of a takeover offer. Northington Partners and the Independent Directors are interested in determining a fair price at which the JV should be able to acquire 100% of the company. It is entirely reasonable, and indeed usual, for there to be a difference in valuation outcomes when these different purposes are considered – in the same way as a takeover offer price is typically materially higher than the pre-offer share price.

As stated in the Tilt Renewables' announcement, the last formal review of the carrying values of Tilt Renewables' Australian generation assets was undertaken in March 2017, some 18 months ago. Infratil's announcement implies that the information leading to this adjustment was not taken into account by Northington Partners in its Independent Adviser's report. This is not correct. The adjustment to carrying values reflects an accounting 'catch-up' for expected lower future electricity prices and prices for large-scale generation credits that have been known to the market for some time. These reduced expectations for electricity prices and prices for large-scale generation credits were known by Northington Partners, at the time of preparing its Independent Adviser's report.

Infratil states that adjusting Northington Partners' valuation range for the updated assumptions would put the Offer price within the adjusted valuation range. This is also incorrect. Although the October forecasts used by Tilt Renewables for its updated assessment differ from the July forecasts used by Northington Partners, if the October forecasts had been used by Northington Partners this would not have resulted in a valuation for Tilt Renewables that is materially different to the valuation set out in the Independent Adviser's report. Shareholders are reminded that the Independent Adviser's mid-point valuation of Tilt Renewables was $2.79 – almost 50c higher than the JV's offer price.

Infratil states the Northington Partners' valuation is not supported by market benchmarks. Again, this is incorrect. The Northington Partners' report sets out a range of market benchmarks that supported the reasonableness of its view.

Infratil states that the Independent Directors have "fundamentally understated the risks associated with the business". However, there have been recent demonstrations of the success of Tilt Renewables' ability to manage risk and achieve great outcomes for shareholders. These include:

I. On 11th September, we announced our successful bid into the Victorian Renewable Energy Auction Scheme to secure a 15 year off-take agreement with the Victorian State Government for around 37% of the output of our proposed Dundonnell Wind Farm (Dundonnell). Subject to a final investment decision from the Board, it is proposed that construction of Dundonnell will now begin in early 2019.

II. In its Offer document, the JV assumed a capital cost for Dundonnell of approximately $A600 million. When the successful Dundonnell outcome was announced, Tilt Renewables noted this expected capital cost had been reduced to $A560m.

III. On 17th October, we announced that we had established a strategic relationship with Genesis with the intention of partnering in the development of Tilt Renewable's Waverly Wind Farm in South Taranaki (Waverly). This is a significant step toward the finalisation of a key partnership which would allow Tilt Renewables to progress Waverly to construction, potentially as early as the first half of 2019, subject to reaching final agreement on commercial terms.

Furthermore, on 19th October, as part of the updated carrying values announcement, Tilt Renewables also provided updated EBITDAF guidance for the year ending 31 March 2019. Underlying EBITDAF guidance has now been revised up from a range of A$120 – A$127 million to a new range of A$134 – A$138 million (9-12% increase). This is due to strong wind production across the portfolio for the first half of the year which is 6% ahead of the long-term expectations and 23% higher than the corresponding period last year.

It is important to note that all the announcements and the profit upgrade have occurred since the Offer was made. Yet there has been no increase in the Offer price or an acknowledgement by Infratil of these events.

These developments provide a strong certification of the position the Independent Directors have maintained from the start of the takeover process – that the Offer significantly undervalues our operational assets and strong pipeline of development opportunities.

The Independent Directors encourage you to ignore the Infratil statement which contains errors and is selective. We maintain our strong recommendation to not accept the Offer which, unless further extended by the JV, will close at 11.59pm on October 29th (NZ time).

Yours sincerely

Fiona Oliver

Fiona Oliver
Chair of the Independent Directors