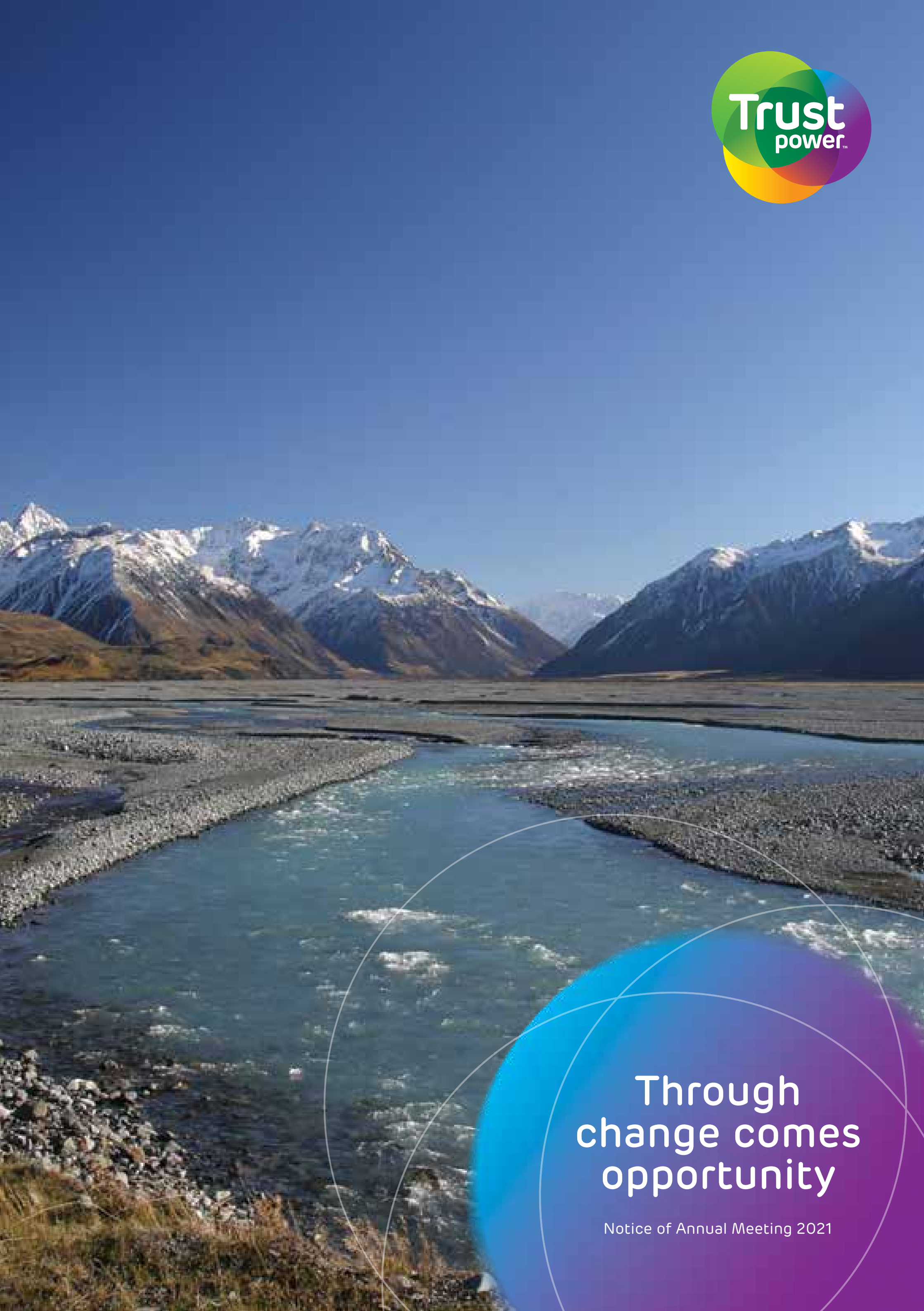

Through change comes opportunity

Notice of Annual Meeting 2021

Notice of Annual Meeting 2021

Notice is hereby given that the annual meeting ("Meeting") of shareholders of Trustpower Limited ("Trustpower") will be held both online on the Computershare Online Meeting Platform and at Trinity Wharf, 51 Dive Crescent, Tauranga on Wednesday, 22 September 2021 at 1pm.

Important Note

This notice of meeting ("**Notice of Meeting**") is an important document and requires your attention. It should be read in its entirety. It has been prepared by Trustpower to advise you of the forthcoming Meeting and to assist you in understanding the resolutions to be put to shareholders for consideration at the Meeting.

The directors encourage you to read this Notice of Meeting and exercise your right to vote. If you do not understand any part of this document or are in doubt as to how to deal with it, you should consult your broker or other professional adviser as soon as possible.

Forward-looking statements

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

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 Notice of Meeting.

Neither Trustpower nor any of its associates, advisers, employees or directors gives any assurance that actual outcomes will not differ materially from the forward-looking statements contained in this Notice of Meeting, and the inclusion of forward-looking statements in this Notice of Meeting should not be regarded as a representation by any person that they will be achieved.

You should also note that this Notice of Meeting 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.

COVID-19

The Meeting will only go ahead in person if Tauranga is at COVID-19 Alert Level 1 on Wednesday, 22 September 2021.

If Tauranga is at COVID-19 Alert Level 2 or above on Wednesday, 22 September 2021, the Meeting will move to a virtual only meeting. If this occurs, we will provide shareholders with as much notice as is reasonably practicable via the NZX. Details of how to attend the Meeting virtually are set out in the Virtual Meeting Guide on pages 8 and 9.

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Chair's Letter

Dear Shareholder,

On behalf of the Trustpower Board, I am pleased to provide you with this Notice of Meeting which contains detailed information regarding the resolutions to be considered at the meeting, both in respect of the ordinary business and special business.

There are five resolutions relating to the re-election or election of directors. The Board unanimously recommends (with Messrs Baker, Coman and Gibson as existing directors abstaining in respect of themselves) that shareholders vote in favour of the five candidates.

We're particularly pleased to introduce two potential new directors for the consideration of shareholders, Joanna Breare and Sheridan Broadbent. As will be clear to shareholders from their biographies included within this Notice of Meeting both have excellent energy sector and business credentials.

We also say farewell and sincere thanks to Susan Peterson and David Prentice as directors. David is not being lost to Trustpower as he has agreed to be our Chief Executive Officer. Susan has been a director since 2016 and has given invaluable support to Trustpower. She holds many other listed and unlisted company directorships so will continue to contribute positively to New Zealand's future.

Special Business Resolution 7 relates to the proposed disposal of Trustpower's retail electricity (excluding commercial and industrial customers), reticulated and bottled gas, fixed and wireless broadband and mobile phone business ("**Retail Business**").

Trustpower's retained business (which will be renamed Manawa Energy Limited), will continue to operate Trustpower's hydro generation assets and sell electricity to commercial and industrial customers. It will continue to be listed on the NZX Main Board with the new ticker code MNW.

The Board unanimously recommends that shareholders vote in favour of Special Business Resolution 7. The explanatory note to Special Business Resolution 7 of this Notice of Meeting gives the detailed rationale for this proposed transaction, but the key reasons are summarised as follows:

- The New Zealand wholesale electricity market operates sufficiently well to allow a generator-only business to be successful. As part of the proposed transaction, Mercury and Trustpower have negotiated a hedge contract that will give fair returns for Trustpower's generation volume through to 2030 (with volumes declining from three years after completion) and Trustpower is retaining its energy trading capabilities and electricity supply business to commercial and industrial customers.
- There needs to be a significant increase in New Zealand's electricity generation capacity over the next 30 years to meet the country's climate change aspirations and electrification needs. The Board believes there may be attractive investment opportunities in renewable energy development going forward and that capital is likely better deployed in these opportunities.
- The utility retail market has low barriers to entry and is likely to become more competitive in future with significant investment expected to be necessary in order to compete sustainably.

- A refreshed business model will allow Trustpower (to be renamed Manawa Energy) to be less dependent on retail market earnings.
- The purchase price paid by Mercury is favourable, and is a fair reflection of value and the earning and growth potential of the Retail Business.

The Board believes that the sale of the Retail Business to Mercury will create greater long term value for Trustpower shareholders than the status quo, or other alternatives considered by the Trustpower Board. Accordingly, the Board determined that it would be in Trustpower's strategic interests to focus on the electricity generation sector.

The accompanying Notice of Meeting has been prepared to help shareholders assess the merits of the proposed transaction before voting. The Trustpower Board unanimously recommends that you **vote in favour** of Special Business Resolution 7.

Your action is required

The sale of the Retail Business will only be implemented if it is approved by Trustpower Shareholders at the Shareholder Meeting to be held on 22 September 2021.

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 Notice of Meeting. Alternatively, you can appoint a proxy online at www.investorvote.co.nz.

Please read this Notice of Meeting 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.

Yours sincerely,

Paul Ridley-Smith
Chair

Notice of Annual Meeting

The business of the meeting will be:

- Introduction of Directors and Management
- Chairperson's Address
- Chief Executive's Review
- Receive and consider the Annual Report
- Consider the ordinary business of the meeting – Proposed Resolutions 1–6
- Consider the special business of the meeting – Proposed Resolution 7
- General business
- Shareholder questions and discussion

Ordinary business of the meeting – Resolutions 1–6

To receive and consider the annual report, including the audit report and financial statements, for the financial year ended 31 March 2021.

Re-election of Mr Kevin Baker

To consider and, if thought fit, pass the following ordinary resolution in accordance with NZX Listing Rule 2.7.1 and clause 25.3(a) of Trustpower's constitution:

1. That Mr Kevin Baker be re-elected as a Director of Trustpower.

Election of Mr Peter Coman

To consider and, if thought fit, pass the following ordinary resolution in accordance with NZX Listing Rule 2.7.1 and clause 25.3(a) of Trustpower's constitution:

2. That Mr Peter Coman be elected as a Director of Trustpower.

Election of Mr David Gibson

To consider and, if thought fit, pass the following ordinary resolution in accordance with NZX Listing Rule 2.7.1 and clause 25.3(a) of Trustpower's constitution:

3. That Mr David Gibson be elected as a Director of Trustpower.

Election of Dr Joanna Breare

To consider and, if thought fit, pass the following ordinary resolution following nomination under NZX Listing Rule 2.3.2 and in accordance with clause 25.3(a) of Trustpower's constitution:

4. That Dr Joanna Breare be elected as a Director of Trustpower.

Election of Ms Sheridan Broadbent

To consider and, if thought fit, pass the following ordinary resolution following nomination under NZX Listing Rule 2.3.2 and in accordance with clause 25.3(a) of Trustpower's constitution:

5. That Ms Sheridan Broadbent be elected as a Director of Trustpower.

Auditors

To consider and, if thought fit, pass the following ordinary resolution in accordance with section 207S(a) of the Companies Act 1993:

6. That the directors be authorised to fix the fees and expenses of the auditors of Trustpower for the ensuing year.

Special business of the meeting – Resolution 7

The special business of the meeting will be to consider and, if thought fit, pass the following ordinary resolution in accordance with NZX Listing Rule 5.1.1(a):

7. That the disposal of Trustpower's retail electricity (excluding commercial and industrial customers), reticulated and bottled gas, fixed and wireless broadband and mobile phone business is approved.

Board recommendation

The Board unanimously supports all the resolutions and recommends that shareholders vote in favour of all resolutions.

NZ RegCo confirmation

NZ RegCo has confirmed that it has no objection to this Notice of Meeting, but takes no responsibility for any statement made in this Notice of Meeting.

Explanatory notes

An explanatory note to Resolutions 1–5 and Resolution 7 accompanies this Notice of Meeting.

By Order of the Board of Directors

KJ Palmer
Company Secretary

Dated at Tauranga this 19th day of August 2021

Procedural Matters

Ordinary Resolution

All of the resolutions are ordinary resolutions. An ordinary resolution means a resolution passed by a simple majority of votes of those shareholders entitled to vote and voting.

Shares in Trustpower are the only class of security issued by Trustpower that carry a right to vote at the Meeting.

Voting

As required by NZX Listing Rule 6.1.1, the Chairperson of the Meeting will be calling a poll in relation to the resolutions to be put to shareholders at the Meeting so that the results will be determined on the basis of one vote per share held.

No shareholder is prohibited from voting on the proposed resolutions and all shareholders will vote together as one class.

Persons entitled to vote

All persons registered on Trustpower's register of shareholders as at 5pm 20 September 2021 shall be entitled to vote at the Meeting in person or by proxy.

Proxy

A shareholder of Trustpower is entitled to attend and vote or may appoint a proxy to attend and vote in their place. A proxy need not be a shareholder of Trustpower.

The Chairperson of the Meeting, Mr Paul Ridley-Smith of Wellington, is willing to act as proxy for any shareholder who may wish to appoint him for that purpose. The Chairperson intends to vote all discretionary proxies, for which he has authority to vote, in favour of the resolutions.

In addition, where a shareholder does not name a person as their proxy but otherwise completes the proxy form in full, or where a shareholder's named proxy does not attend the Meeting, the Chairperson will act as that shareholder's proxy and will vote in accordance with that shareholder's express direction and, if expressly granted a discretion on how to vote, will vote in favour of the resolutions.

You may appoint a proxy by completing the proxy form which accompanies this Notice of Meeting. If you elect to use the proxy form, it must be lodged with Trustpower using one of the methods outlined on the proxy form not less than 48 hours before the time for holding the Meeting, being 1pm on 20 September 2021. These methods include:

(1) lodging the proxy appointment online on the website of Trustpower's share registrar www.investorvote.co.nz or

(2) returning the signed proxy form to Trustpower's share registrar (a) using the reply-paid envelope provided; or (b) by faxing to+64 9 488 8787.

If you wish to appoint a proxy to attend online via Computershare's Online Meeting Platform on your behalf, please ensure that you provide their contact details (phone and email) on the proxy form.

Online proxy appointment

To lodge proxy appointments online, shareholders will need to follow the prompts online at www.investorvote.co.nz. Shareholders will require their CSN/Securityholder Number and postcode (if in New Zealand) or country of residence (if outside New Zealand) and the secure access control number, all of which can be found on the proxy form accompanying the Notice of Meeting.

Alternatively, shareholders can scan the QR code that appears on their proxy form with their smartphone or tablet and follow the directions provided. To scan the code, shareholders need to have already downloaded a free QR code reader to their tablet or smartphone. When scanned, the QR code will take them directly to the mobile voting site.

No motions

The only matters being discussed and voted on at the Meeting are the resolutions contained in this Notice of Meeting. No motions will be allowed from the floor.

Meeting participation

Webcast

The Meeting will be webcast through Computershare's Online Meeting Platform (https://meetnow.global/nz).

Virtual participation

Trustpower is holding the Meeting as a hybrid meeting, so that shareholders who are unable to attend in person can still have the opportunity to attend and participate online through Computershare's Online Meeting Platform. By using the Computershare Meeting Platform, you will be able to watch the Meeting, vote and ask questions online from your smartphone, tablet or desktop device.

Shareholders can also attend the meeting virtually through the Computershare Meeting Platform https://meetnow.global/nz. To access the meeting, click 'Go' under the Trustpower meeting and then click 'JOIN MEETING NOW'. By using the meeting platform, you will be able to watch the meeting, vote and ask questions online using your smartphone, tablet or desktop device. Please refer to the Virtual Meeting Guide on pages 8–9 for more information. You will need the latest version of Chrome, Safari, Edge or Firefox to access the meeting. Please ensure your browser is compatible.

The Virtual Meeting Guide can be found on pages 8–9 in this booklet and shareholders are encouraged to review the Virtual Meeting Guide prior to the Meeting. If you have any questions, or need assistance with the online process, please contact Computershare on +64 9 488 8777 between 8.30am and 5.00pm Monday to Friday or by email to corporateactions@computershare.co.nz.

Virtual Meeting Guide

Visit https://meetnow.global/nz

Attending the meeting online

Computershare's online meeting platform provides you the opportunity to participate online using your smartphone, tablet or computer.

If you choose to attend online you will be able to view a live webcast of the meeting, ask questions and submit your votes in real time.

You will need the latest version of Chrome, Safari, Edge or Firefox.
Please ensure your browser is compatible.

Access

Access the online meeting at **https://meetnow.global/nz**, and select the required meeting.

Click 'JOIN MEETING NOW'.

If you are a shareholder:
Select 'Shareholder' on the login screen and enter your CSN/Holder Number and Post Code.

If you are outside New Zealand, simply select your country from the drop down box instead of the post code.

Accept the Terms and Conditions and click 'Continue'.

If you are a guest: Select 'Guest' on the login screen. As a guest, you will be prompted to complete all the relevant fields including title, first name, last name and email address.

Please note, guests will not be able to ask questions or vote at the meeting.

If you are a proxy holder: You will receive an email invitation the day before the meeting to access the online meeting. Click on the link in the invitation to access the meeting.

Contact

If you have any issues accessing the website please call +64 9 488 8700.

Navigation

When successfully authenticated, the home screen will be displayed. You can watch the webcast, vote, ask questions, and view meeting materials in the documents folder. The image highlighted blue indicates the page you have active.

The webcast will appear and begin automatically once the meeting has started.

Voting

Resolutions will be put forward once voting is declared open by the Chair. Once the voting has opened, the resolution and voting options will appear.

To vote, simply select your voting direction from the options shown on screen. You can vote for all resolutions at once or by each resolution.

Your vote has been cast when the green tick appears. To change your vote, select 'Change Your Vote'.

Q&A

Any eligible shareholder/proxy attending the meeting remotely is eligible to ask a question.

Select the Q&A tab and type your question into the box at the bottom of the screen and press 'Send'.

Explanatory Notes

Explanatory Note to Ordinary Business (Resolutions 1–5)

Resolutions 1–3

Pursuant to NZX Listing Rule 2.7.1, a director must not hold office (without re-election) past the third annual meeting following the director's appointment or three years, whichever is longer. Retiring directors are eligible for re-election at the annual meeting.

Mr Kevin Baker retired and was re-elected as a director at Trustpower's 2018 Annual Meeting, and accordingly, is due to retire at the annual meeting and, being eligible, seeks re-election.

The Board has determined, in its view, that Mr Kevin Baker is, by reason of his association with Infratil Limited, not an independent director. The Board (other than Mr Kevin Baker) unanimously recommends that you vote in favour of the resolution.

In addition, a director appointed by the Board must not hold office (without election) past the next annual meeting following the director's appointment.

The Board appointed Mr David Gibson and Mr Peter Coman as directors with effect from 7 September 2020 and 6 November 2020 respectively. Accordingly, Mr David Gibson and Mr Peter Coman must be elected at the Meeting, being the first annual meeting since their appointments.

The Board has determined, in its view, that Mr David Gibson is an independent director and Mr Peter Coman, by reason of his association with Infratil Limited, is not an independent director. The Board (other than Mr David Gibson and Mr Peter Coman, each in respect of the resolution to appoint them as directors) unanimously recommends that you vote in favour of the resolutions.

Resolutions 4–5

Pursuant to NZX Listing Rule 2.3.2, Trustpower issued a notice on 27 July 2021 advising a closing date for director nominations of 11 August 2021.

Nominations were received for two new directors – Dr Joanna Breare and Ms Sheridan Broadbent. The Board has determined, in its view, that Dr Joanna Breare and Ms Sheridan Broadbent will be independent directors. The Board unanimously recommends that you vote in favour of the resolutions.

Brief biographical details of the directors seeking election or re-election are set out below:

Mr Kevin Baker – Resolution 1

Mr Kevin Baker joined the Trustpower Board in June 2018. His 25 year executive career has covered energy, airports, retirement living, transport and data centres. He was previously Morrison & Co's CFO and an executive director from 2010–2019, CFO of Infratil from 2005–2014 and Natural Gas Corporation Holdings Ltd from 1999 to 2005. He is also a director of Infratil Infrastructure Property. He has been a director of Lumo Energy / Infratil Energy Australia, Metlifecare, CDC Data Centres and Wellington International Airport. Mr Kevin Baker was for 6 years a member of the New Zealand Market Disciplinary Tribunal, retiring from that position on 31 March 2018. He has a Bachelor of Management Studies from University of Waikato and is a member of Directors Institute, Institute Chartered Accountants Australia and New Zealand, and Institute of Financial Professionals NZ.

Mr Peter Coman – Resolution 2

Mr Peter Coman joined the Trustpower Board in November 2020. He is currently head of social infrastructure investing at Morrison & Co and a member of the Morrison & Co Management Committee. He is currently chair of RetireAustralia, Pacific Radiology, Infratil Infrastructure Property Ltd and a director at Wellington International Airport Ltd. His career background is in infrastructure and property investment management with 25 years' experience in New Zealand and the United Kingdom. He has BA and BPA degrees from University of Auckland and a MSc degree from Cass Business School, City, University of London.

Mr David Gibson – Resolution 3

Mr David Gibson joined the Trustpower Board in September 2020. He has private business interests and is currently also a director of Goodman (NZ) Limited, NZME Limited and Rangatira Limited. His career background is in corporate finance with 17 years' experience at Deutsche Bank and Deutsche Craigs in New Zealand. He has a BCom LLB (Hons) degree from University of Canterbury.

Dr Joanna Breare – Resolution 4

Dr Joanna Breare has recently retired from Chief Executive Todd Energy, New Zealand after nearly seven years with the company. During her tenure she was also Chair of the Petroleum Exploration and Production Association of New Zealand, the Chair of BeSafe Taranaki, a Board member of Venture Taranaki and Chair of the Taranaki 2050 Lead Group working towards a low emission economy. Dr Joanna Breare, born in the UK, graduated from London University with a BSc. (Geology, Hons 1st class) and a PhD (Geology). She has 32 years' experience in the energy industry with involvement in exploration, development, project management and production roles. She has worked in the UK and Vietnam with BP. Joanna migrated to New Zealand in 1997 and was a consultant to Shell, Shell Todd Oil Services (STOS) and Fletcher Challenge Energy prior to joining STOS in 2002. During her 12 years at STOS, Joanna held the positions of Deputy General Manager, Joint Venture Business Manager and Exploration and Development Manager. Her role in Todd oversaw the expansion of the onshore Mangahewa natural gas field, the acquisition of the onshore Kapuni natural gas field from Shell and the acquisition of the Kapuni Gas Treatment plant from Vector.

Ms Sheridan Broadbent – Resolution 5

Ms Sheridan Broadbent is a business consultant and independent director with a career in senior executive roles in infrastructure, technology and energy in New Zealand, Australia and the South Pacific. She has been a director of Kordia since 2014, is presently Deputy Chair of the New Zealand Business Leaders' Health and Safety Forum and an independent director of safety technology provider Cloudsource (SaferMe). She has previously been on the board of Transpower Ltd, Timberlands Ltd and was an Interim Board Member of Waka Kotahi NZTA. Sheridan is the former Chief Executive of lines company Counties Power, a former executive of Genesis Energy and held executive positions with Downer Group in New Zealand and Australia. She is a graduate member of the Australian Institute of Company Directors, a chartered member of the New Zealand Institute of Directors, a member of Global Woman Inc, a member of the Te Runanga o te Ngati Maru and a graduate of the Harvard Business School Advanced Management Program. Sheridan holds a BCom in International Business from the University of Auckland.

Explanatory Note to Special Business (Resolution 7)

1. The Proposed Transaction

This explanatory note is structured as follows:

- Summary of the Proposed Transaction
- Mercury
- Rationale of the Proposed Transaction
- Key Considerations
  - Energy price risk
  - Focused generation business
  - Electricity hedge with Mercury
  - Value accretion
  - Capital structure & Dividend Policy
- Trustpower Going Forward
  - Management structure
  - Brand identity
  - Strategy
  - Generation assets
  - Commercial and industrial business
- Financial Implications
  - Operating results
  - Capital structure
- Risks of the Proposed Transaction
  - Loss of "natural hedge"
  - People & systems
- Changes to TECT
- Timeline
- NZX Listing Rule requirements
- Resolution Not Passed
- Appendix A – Financial Implications
- Appendix B – Details of the Proposed Transaction
- Appendix C – Details of Comparable Transactions
- Appendix D – Glossary

2. Summary of the Proposed Transaction

The Proposed Transaction involves the sale by Trustpower of its Retail Business to Mercury. The key details of the Proposed Transaction are as follows:

- The Retail Business comprises the gas, telecommunications and retail electricity supply business (excluding the supply of electricity to commercial and industrial customers).
- The purchase price is $441 million (subject to post-Completion adjustments) and assuming a normal level of working capital. The purchase price will adjust up or down once the actual level of working capital is known. There is also a price adjustment should there be a substantial decrease in the number of customers between the date of signing the SPA and Completion. Trustpower doesn't expect that a price adjustment due to a decrease in customer numbers will result.
- The sale of the Retail Business will take effect following the Conditions of sale being met.
- Key Conditions of the sale include:
  - Commerce Commission clearance;
  - Approval by Trustpower's shareholders; and
  - Completion of the TECT restructure.
- An electricity hedge contract (being the CFD) has been agreed between Trustpower and Mercury to give each party some protection against movements in the wholesale electricity price in New Zealand over the next 10 years in relation to the geographic areas covered by the retail customer base which is the subject of the Proposed Transaction. See Section 5.3, "Electricity hedge with Mercury" below for more details.
- All assets used in the Retail Business will be transferred, including:
  - The mass market retail business of ~231,000 customers;
  - Nationwide carrier grade ISP network;
  - IT systems and other business assets required to enable operations of the Retail Business at Completion;
  - An assignment of Trustpower's leases at its Tauranga and Oamaru premises;
  - Debtors and other working capital;
  - The Trustpower name, brand and associated intellectual property;
- Mercury has offered, or will offer, roles to Trustpower's approximately 585 Retail Business employees to transfer with the Retail Business. It is expected that almost all of those staff will accept Mercury's offer and transfer to Mercury at Completion.

Further details of the SPA are contained in Appendix B.

Following the Proposed Transaction, Trustpower will retain:

- All its generation and irrigation assets and related staff, contracts and associated businesses;
- Approximately 600 C&I Customers;
- Its energy trading team and capabilities;
- The systems and business processes (particularly IT systems) required to operate the retained business;
- Its generation development business;
- Its existing electricity hedge book and contracts, including its power purchase agreements with Tilt Renewables Limited which were entered into as part of the demerger with Tilt Renewables Limited in 2016 and relate to the Tararua Stages I and II, Tararua Stage III and Mahinerangi wind farms. (These have been assigned by Tilt Renewables Limited to Mercury in an unrelated transaction.); and
- Any assets not specifically agreed to be sold to Mercury.

Trustpower expects to retain approximately 220 of its current staff and to lease new premises in Tauranga for the Tauranga based staff, as well as additional premises in Wellington.

Trustpower will also retain responsibility for all its existing banking facilities and the bonds it has on issue and which are listed on the NZX.

Completion of the Proposed Transaction will occur once all of the Conditions have been satisfied. Trustpower is confident that the Conditions will be satisfied but does not control the timing of them. See Section 10 "Timeline" for further details on timing of the Proposed Transaction.

3. Mercury

Mercury (NZX: MCY) is an electricity generator and retailer that provides energy services to homes, businesses and industrial customers throughout New Zealand.

Mercury (formerly Mighty River Power, NZX: MRP) is a company with a long heritage in renewable energy in New Zealand serving about 1-in-5 homes and businesses under the Mercury brand and other specialty brands. Mercury also has proven capability and technical expertise in smart metering services and solar.

Mercury's electricity generation is 100% renewable, with the hydro and geothermal power stations operated by Mercury producing enough renewable electricity for about 1 million New Zealand homes.

4. Rationale for the Proposed Transaction

The Board of Trustpower unanimously recommends that shareholders approve the Proposed Transaction because:

- The New Zealand wholesale electricity market operates sufficiently efficiently to allow a generator, of a generation profile of Trustpower, to receive a fair market price for its generation through a combination of sale on the spot market, hedge arrangements made up to 3 years in advance through the ASX and bi-lateral hedge agreements with other market counterparties. In other words, Trustpower doesn't believe that it is necessary to be an integrated generator and retailer in order to receive a fair price for its generation output;

- A hedge contract (being the CFD) will be entered into with Mercury on Completion of the Proposed Transaction. The CFD provides fair and certain pricing for its term and gives Trustpower sufficient time to develop an alternative energy trading strategy. Prior to the Proposed Transaction, Trustpower's overall earnings were substantially dependent on the retail electricity sale prices achieved to Trustpower's customers. This is because Trustpower is required to sell the electricity it generates into the wholesale electricity market where Trustpower earns the applicable "spot" price. Trustpower contemporaneously needed to purchase the electricity it sells to customers from that wholesale electricity market at the spot price. Because these prices largely match, Trustpower's returns arise from selling the electricity to customers at a greater price than purchased on the wholesale electricity market. Trustpower also sells to customers a greater volume of electricity than it generates. Going forward, Trustpower will, as described immediately above, have a wider range of options as to how it can achieve a higher price than simply selling electricity to the retail market and, as a consequence its earnings will be less dependent on the retail market;
- The growth opportunities in the New Zealand electricity sector lie in the building of new renewable generation, and that capital is likely better deployed in those opportunities than in the Retail Business;
- Utility retailing in New Zealand is highly competitive, with low barriers to entry. Trustpower doesn't see that competition abating, rather it believes that it may become more competitive. To compete sustainably in that market requires significant investment in people, brand, customer service and products, and digital platforms. Trustpower has preferred to focus its investments in its generation and irrigation business;
- By retaining its C&I Customers and energy trading capabilities, Trustpower can continue to be an effective player in the wholesale electricity market and an intermediary for smaller generators;
- The sale price for the Retail Business fairly reflects its value and earnings potential. Trustpower has built up a unique multi-utility bundling proposition and believes that Mercury has the capability to significantly enhance that and has paid a purchase price sufficient to reward Trustpower for that growth potential;
- The restructure by Tauranga Energy Consumer Trust – see Section 9 "Changes to TECT" – allows (which would not previously have been the case) Trustpower to sell its customers located in the Tauranga and Western Bay of Plenty regions and have those customers continue to receive distributions from TECT for an extended period.

5. Key Considerations

In reaching the decision to enter into the Proposed Transaction a careful and deliberate process was undertaken and advice taken from a range of experts and professional advisers. A summary of the key issues considered follows.

a. Energy price risk

Trustpower gave specific consideration to how it would manage its energy price risk, without the natural hedge of a retail business (as outlined in the second bullet point in Section 4, "Rationale for the Proposed Transaction", above). There are already a small number of generally small scale generators (such as Pioneer Generation and, until it was taken over, Tilt Renewables) who have no retail business and another cohort of generally large gentailers (such as Contact Energy and Meridian Energy) who generate electricity well in excess of the volume they sell to their own retail customers. As an example, Contact Energy's annual generation to 30 June 2021 was approx. 8,400GWh and the demand of its retail business was 3,605GWh plus 1,844GWh for C&I Customers. This means that Contact is selling the difference of 2,950GWh each year through the various channels other than to its own retail and C&I Customers. By comparison, Trustpower's mean annual generation is approximately 1740GWh, supplemented by approx. 660GWh of purchased output from the ex-Tilt Renewables Limited windfarms. There are also a large number of electricity retailers who either have no electricity generation capacity to support their retail business or generate significantly less than the amount required by their retail customers (such as Pulse Energy, Nova Energy, and Electric Kiwi).

There are existing examples where electricity generators are successfully entering into hedge arrangements for generation volumes greater than Trustpower will have to place once its hedge contract (CFD) with Mercury comes to an end (as explained in Section 5.3 below). Equally, there are electricity retailers that each year are required to buy electricity to match their customers' demand. For example, Trustpower estimates that aggregate annual demand of Pulse Energy, Nova Energy, Electric Kiwi and Vocus is around 1,800GWh more than their aggregate own generation.

Trustpower also estimates that the aggregate commercial & industrial energy market (excluding New Zealand Aluminium Smelter and other grid connected consumers) is approximately 13,000GWh and that this market commonly enters into hedge contracts for electricity on a rolling 3 year basis.

Trustpower also engaged the services of Concept Consulting Group Limited (Concept). Concept are recognised experts in electricity risk management. Concept undertook extensive modelling of the electricity market, including observations over an extended period of spot and forward contract (ASX) prices, and determined:

- Provided Trustpower enters into transitional forward contracts covering a substantial portion of its generation volume with the buyer of the Retail Business (Mercury) using standard quarterly products, the change in earnings volatility for Trustpower is expected to be relatively modest (absolute earnings variance for Trustpower will decrease but will be a similar percentage of EBITDAF).
- Trustpower should be able to access multiple channels to forward contract the price of the electricity generated by Trustpower as the transitional hedge referred to above expires, including time of use customers (i.e. the commercial and industrial market), over the counter and futures contract sales. Over the counter and futures sales are both forms of financial instruments that enable a generator to secure fixed pricing for a period of time from a counterparty (typically a retailer or large industrial customer).

The Board concluded on balance that with the transitionary hedge (CFD) to be put in place with Mercury and given the scale of its generation, that it will have the ability to manage electricity price risk sustainably over the long term without the natural hedge of the Retail Business.

Refer below for further discussion under Section 8 – "Risks of the Proposed Transaction".

b. Focused generation business

Trustpower has determined that a standalone generation business is viable and strategically well placed because:

1. As noted in Section 5.a above, a standalone generation business can prudently manage its energy price risk. Further, because of expected increase in demand through electrification, and the generation plant closures noted below, Trustpower expects wholesale electricity prices to remain firm.
2. There needs to be a significant increase in New Zealand's electricity generation capacity over the next 30 years to meet the country's electrification needs. This translates into increased demand for existing generation and increased demand to support the build of new generation. It is also expected that some existing coal and gas powered generation will close in the coming years so new renewable generation will be required to be developed simply to maintain the current levels of electricity generation.

Accordingly, Trustpower identified that it would be in its strategic interests to focus on the electricity generation sector. The C&I Customer segment has been retained by Trustpower as it provides an alternative to trading energy through the wholesale market. Term contracts for fixed and variable volumes sold to large C&I Customers will continue to provide a profitable marketplace for our generation business and by providing a mechanism to fix the sale price of electricity assist it to manage exposure to fluctuating wholesale prices as a generator.

c. Electricity hedge with Mercury

A hedge contract (being the CFD) has been agreed and will be entered into with Mercury on Completion of the Proposed Transaction. The hedge contract will see Trustpower giving Mercury a fixed price in respect of approx. 2,000GWh of electricity per annum for the first three years after Completion, with this quantity reducing linearly over its term. This is illustrated in Fig 1 below.

MCY Hedge GWh by Year

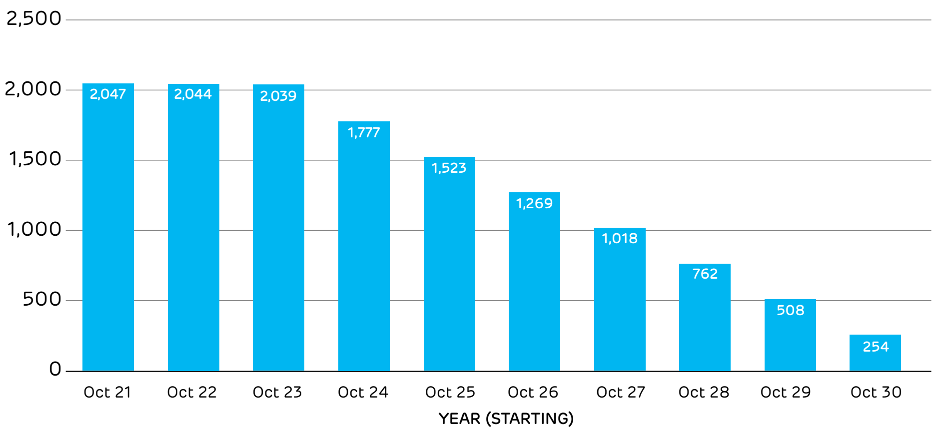


Fig 1: Mercury hedge contract volumes

The first three years of the proposed hedge contract comprises a similar volume and profile to the generation required by customers of the Retail Business, meaning that Trustpower's overall position in the market is broadly the same as before the sale. The fourth to tenth years see the volumes reduce steadily, so that Trustpower becomes a "longer generator" and hence has an increased opportunity and appetite to sell this "excess generation" through other channels to the wholesale or retail markets.

Refer to Appendix B – "Electricity CFD" for further details on the CFD with Mercury.

d. Value accretion

The Board has determined that the Proposed Transaction is value accretive for Trustpower. In reaching this view a number of factors are relevant:

1. Trustpower conducted an extensive market testing and a competitive tender process. A number of potential buyers participated in the process and provided indicative views of value. A smaller number of parties submitted final, binding offers, and it was determined by the Board that the offer of Mercury (taking both the headline price for the Retail Business and the hedge contract) was the highest value.
2. When tested against conventional valuation benchmarks, the price paid by Mercury is favourable. The purchase price of $441 million represents:
   - A 9.0x EBITDA multiple on the FY21 performance of the Retail Business and a 8.5x EBITDA multiple on the forecast FY22 performance of the Retail Business. Note that these EBITDA multiples are based on the standalone financial information prepared for the Proposed Transaction.
   - $1,048 per customer connection (counting each electricity, gas and telecommunication connection separately and based on 31 March 2021 connection numbers) or $1,900 per individual customer. These metrics compare favourably with comparable market transactions. Refer to Appendix C for further details on comparable transactions.
3. After Completion of the Proposed Transaction, as a largely standalone generation business, Trustpower may elect to enter into long term hedge agreements at fixed or resettable prices (likely by reference to the ASX) and against these more certain cashflows increase its gearing to enhance its equity returns.

Trustpower engaged Forsyth Barr, an investment bank, to advise on these matters.

e. Capital structure & dividend policy

As a prudent operator Trustpower will continually keep its capital structure under review and the level of its debt and dividend policy will reflect the term and nature of hedge contracts for its generation, the price at which its generation output is sold (which will reflect evolving views on the long run wholesale price of electricity) and what level of capital is required to support development growth options.

As its initial position Trustpower has determined the dividend policy, with a consequential effect on gearing, set out under Section 7.b – "Capital Structure" below.

6. Trustpower Going Forward

If the Proposed Transaction is approved by shareholders, Trustpower's business will change from being a "gentailer", being a generator and retailer of electricity (together with the bundled gas, broadband and mobile phone services business), to a largely generation business (but Trustpower will also continue its irrigation business and electricity supply business to C&I Customers).

Following the Proposed Transaction, Trustpower will retain:

- All generation assets
- Energy trading capability
- 13,100 connections with 600 C&I Customers
- Power purchase agreements with Tilt Renewables Limited (which have been transferred to Mercury in an unrelated transaction)
- Existing hedge contracts
- Existing water storage and delivery agreements whereby Trustpower stores and delivers water to large irrigation companies via its hydro-electricity schemes.

a. Management structure

Subject to the approval by shareholders of the resolutions in this Notice of Meeting the directors will be:

- Mr Paul Ridley-Smith (Chair)
- Mr Kevin Baker
- Mr Peter Coman
- Mr David Gibson
- Mr Keith Turner
- Dr Joanna Breare
- Ms Sheridan Broadbent

Further changes to the Board aren't contemplated at this time. Director fees will remain at the levels currently approved by shareholders – which provides for a pool from which director fees are paid of up to $840,000 per annum.

David Prentice, Trustpower's current Chief Executive, will remain as Chief Executive but will cease to be a director as at the date of the Meeting.

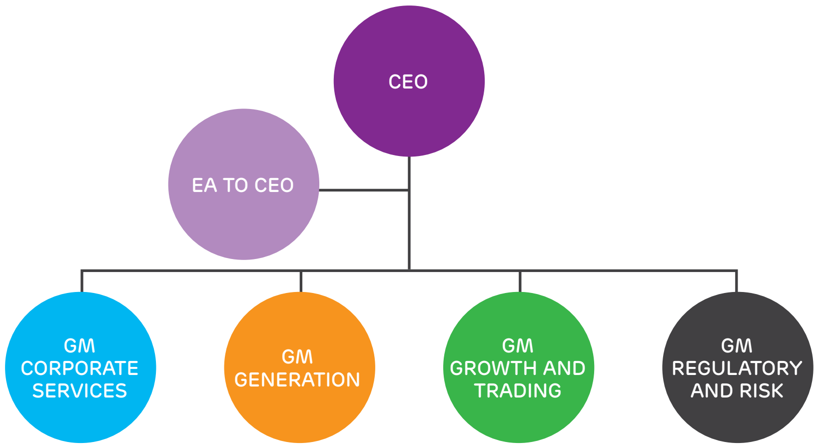
The intended management structure following Completion of the Proposed Transaction is depicted below. Until Completion, the existing roles on the senior leadership team will continue.

b. Brand identity

The new generation business will be called Manawa Energy.

This name was selected following an extensive process of engaging with stakeholders, inside and outside the company, who identified several key attributes that we wanted to be incorporated into the brand.

We are honoured that Manawa Energy is a name that has been offered to us by Ngāti Hangarau hapū, who hold mana whenua of the area where our Kaimai scheme is located. Manawa means 'heart' and it speaks to the heart of our operations in the Bay of Plenty, from where we connect to communities throughout New Zealand through our generation assets.



c. Strategy

The strategic focus of Trustpower going forward will be in three areas:

- Operational excellence for the existing generation assets. This encompasses maintenance and capital expenditure programmes that ensure that all assets operate safely, reliably and efficiently, within the parameters set by Trustpower's Resource Management Act consents and, more broadly, within Trustpower's wider social licence to operate. There will be a continuing focus on increasing output from these assets and/or getting greater flexibility in their despatch.
- Energy trading and sales to C&I Customers. Trustpower will remain an active participant in the electricity market and look to maximise the value of its generation through how it despatches and trades electricity, how it contracts for the sale of its electricity and how it can add value to its C&I Customers beyond merely supply of electricity.
- Investing in new renewable energy projects. The following settings support this approach:
  - New Zealand's renewable electrification trend and the need to increase electricity generation capacity by as much as 70% by 2050.
  - Market consensus that the demand for electricity will increase materially over the next two to three decades.
  - The Climate Change Response (Zero Carbon) Amendment Act continues to support a shift to a low emissions economy and increased electrification of the New Zealand economy.

d. Generation assets

Trustpower's existing generation assets will be retained post Completion of the Proposed Transaction. The current focus on operational excellence will remain.

Further details of Trustpower's generation assets can be found on its website (https://www.trustpower.co.nz/our-assets-and-capability/power-generation)

e. Commercial and Industrial business

Having competed in the C&I Customer sector for over 20 years, Trustpower has a well-established capability in the provision of electricity services to this customer segment, navigating both challenges and new market opportunities. Our capability revolves around our bespoke billing and data management capability, our experienced national team of account managers and a number of products and services tailored for C&I Customer needs.

The C&I Customer electricity supply business is complementary to both generation development and the growth in electricity demand by the C&I Customer segment. Increasing our portfolio of new product offerings in line with the above-mentioned trends, will in-turn increase our competitiveness and relevance in this segment and will enable us to continue to sell electricity to C&I Customers with sustainable positive margin.

The C&I Customer segment provides an alternative to simply trading electricity through the wholesale market. Term hedge contracts for fixed and variable volumes sold to large C&I Customers will continue to provide a profitable marketplace for our generation business and, by providing a mechanism to fix the sale price of electricity, assist it to manage exposure to fluctuating wholesale prices as a generator.

7. Financial Implications

a. Operating results

Set out below is a summary of Trustpower's pro forma historical income statements FY2020 and FY2021 prepared as if the Retail Business had been sold:

Income statement ($000)	2021	2020
Electricity revenue	**441,867**	462,003
Other operating revenue	**18,326**	18,749
Operating Revenue	**460,193**	480,752
Line costs	**62,455**	84,791
Electricity costs	**162,505**	169,060
Generation asset maintenance costs	**21,753**	22,219
Employee benefits	**27,973**	27,567
Other operating expenses	**32,360**	20,539
Operating Expenses	**307,046**	324,175
EBITDAF	**153,147**	156,577
Depreciation & amortisation	**22,912**	19,841
Net financing costs	**29,021**	30,361
Other	**87,256**	12,923
Profit After Tax	**13,958**	93,451

Statement of financial position ($000)	2021
Cash	**447,091**
Other current assets	**262,380**
Non-current assets	**1,906,048**
Total assets	**2,615,519**
Current liabilities (excluding term borrowings)	**158,155**
Bank debt	**303,294**
Retail bonds	**433,049**
Other non-current liabilities	**271,093**
Total liabilities	**1,165,591**
Net assets	**1,449,928**
Represented by Equity	**1,449,928**

These pro forma financial statements have been prepared in accordance with the FMA guidance on preparing pro forma financial statements[1]. Refer to Appendix A for full details on how these pro forma statements have been prepared, including a reconciliation to the audited financial statements.

b. Capital structure

i. Dividends

Capital structure reflects the trade-offs between providing long term stable dividends, preserving borrowing capacity to undertake growth and returning capital to shareholders.

Trustpower intends, post Completion of the Proposed Transaction, to:

- pay a special, unimputed dividend early in the 2023 financial year of up to 65 cents per share (approximately $200 million); and
- retain its current dividend policy stated below (refer also https://www.trustpower.co.nz/investor-centre/dividends).

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

- *earnings, cash flow 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 Trustpower Board is satisfied in respect of these matters, it is expected that Trustpower will have a dividend payout ratio of between 70% and 90% of its free cash flow on average over time. Free Cash Flow means EBITDAF less interest, tax and maintenance capex, plus adjustments for non 100% owned entities."

Had this policy been applied to the pro forma financial statements shown above then it would have resulted in the following dividend payout ranges:

Range	FY20	FY21
70% of free cash flows	18.0 cps ($56.3 million)	**23.4 cps ($73.2 million)**
90% of Free cash flows	23.1 cps ($72.3 million)	**30.0 cps ($93.9 million)**
Actual ordinary dividend paid	32.5 cps ($101.7 million)	**35.5 cps ($111.1 million)**

Trustpower will formally review, and publish, its dividend policy from time to time.

ii. Capital Structure

Trustpower intends to, in the first instance, use all the funds from the sale of the Retail Business not paid to shareholders by way of special dividend to repay debt. Based on the dividends signaled above, and assuming that the business operates within expected bounds and there are no major unbudgeted capital projects or acquisitions, Trustpower expects its gearing at the end of FY23 (i.e. the first full year post Completion) to be net debt of $430 to $475 million or 2.6 to 2.8 times EBITDAF. The Board is of the view that this level of debt is appropriate having considered Trustpower's growth aspirations and the need to provide an appropriate return to shareholders.

8. Risks of the Proposed Transaction

Below is a summary of the key risks of the Proposed Transaction. As noted under Section 2 "Summary of the Proposed Transaction", the Proposed Transaction will Complete following satisfaction or waiver of the Conditions under the SPA. There is no break fee payable by Trustpower to Mercury if the Proposed Transaction does not complete.

a. Loss of "natural hedge"

Given the Proposed Transaction removes the vertical integration of Trustpower's generation and retail businesses the natural hedge between these two parts of the business will no longer exist. What this means, in summary, is that Trustpower is required to sell the electricity it generates into the wholesale electricity market, with the price it receives being, in general terms, the spot price. By Trustpower being an electricity retailer, it must buy the electricity it sells to its customers from the wholesale electricity market, paying, in general terms, the spot price. By on-selling that electricity to retail customers at a fixed price, it has a "natural hedge" against the spot price received when selling electricity into the wholesale electricity market that is equal to the volume which it sells to retail customers. The "natural hedge" is that Trustpower knows it will receive the fixed price agreed with its retail customers for that volume, irrespective of the wholesale electricity market spot price.

Concept were asked to advise on:

- What risks might increase or decrease for Trustpower due to the altered structure?
- What other sources of value is the transaction likely to unlock or destroy?
- How might a transitional hedge be best structured between Trustpower and the buyer of the Retail Business?

1 FMA Guidance Note entitled "Disclosing non-GAAP financial information" dated 14 July 2017.

Concept's key conclusions were:

- Provided Trustpower enters into transitional forward contracts covering a substantial portion of its generation volume with the buyer of the Retail Business using standard quarterly products, the change in earnings volatility for Trustpower is expected to be relatively modest (absolute earnings variance for Trustpower will decrease, but will be a similar percentage of EBITDAF).
- Trustpower should be able to access multiple channels to forward contract as transitional hedges roll off, including time of use, over the counter and futures contract sales. Over the counter and futures sales are both forms of financial instruments that enable a generator to secure fixed pricing for a period of time from a counterparty (typically a retailer or large industrial customer).
- After Completion Trustpower is more exposed than prior to Completion (when Trustpower owned its Retail Business) to future adverse market events, such as regulatory changes which may transfer value from the generation to retail sector.

As part of their review Concept gave guidance on the key aspects of a transitional CFD they thought should be entered into if a sale was contemplated. In Trustpower's view, the CFD agreed with Mercury is consistent with the guidance provided by Concept.

The main difference from what was recommended by Concept is that the CFD negotiated with Mercury has fixed volumes for a longer period of time and includes different prices within each day, with higher prices at peak periods. Both these matters reduce the earnings volatility risk for Trustpower.

b. People & systems

Any change in the substantial nature of a business has people and systems risks. There are risks during the transition phase between when the transaction is announced and when it completes and there are risks that the retained business does not have the required people or systems capabilities.

These risks have been and are being actively managed. Mercury has provided employment offers to substantially all of the staff currently deployed in the Retail Business, so Trustpower is confident that it will retain the staff required to run the Retail Business through the transition period until Completion.

Likewise, Trustpower is confident that the staff currently deployed in its generation business are at no greater risk of resignation than in the normal course.

For those staff that are in business units that service both the retail and generation business (for example corporate and IT functions), Mercury and Trustpower have worked closely to give these people certainty about which organisation they will continue with and, where Trustpower anticipates losing capability, it is actively looking to fill those roles.

A similar approach is being taken to systems risks. Some systems will stay with Trustpower, some will transfer to Mercury, with some of the systems that transfer to Mercury needing to be replaced. Trustpower has detailed plans, which are being implemented, to ensure that on Completion of the Proposed Transaction it has all the necessary systems to operate the retained business. As part of this plan, Mercury will, under a Transitional Services Agreement, provide to Trustpower, for a transitional period, services or assets which are to transfer to Mercury. Trustpower will be able to receive these services or use these assets for that transitional period while it makes new arrangements. Further details on the Transitional Services Agreement and the process for agreeing the inputs and services fees under that agreement are included in Appendix B.

9. Changes to TECT

Following Trustpower's announcement earlier this year that it was undertaking a strategic review, including a possible sale of its Retail Business, the trustees of TECT undertook a review of the TECT structure. Changes to the TECT structure were considered necessary because, under the TECT Trust Deed, TECT's beneficiaries (being those persons who are entitled to a distribution from TECT) are Trustpower customers in the Tauranga and Western Bay of Plenty regions. If Trustpower sold its Retail Business, the retail customers who are in the Tauranga or Western Bay of Plenty regions would no longer be entitled to receive a distribution (given they would no longer be customers of Trustpower). Instead, the only beneficiaries after a sale of the Retail Business would be the relatively few C&I Customers in the Tauranga and Western Bay of Plenty region who would remain customers of Trustpower.

TECT consulted with beneficiaries in relation to these changes. Further details are available on TECT's website at tect.org.nz.

Following this consultation, the trustees of TECT decided to proceed with changes to the structure of TECT and on 14 May 2021, the trustees filed an application in the High Court seeking orders under the Trusts Act 2019 that it is lawful and proper for the trustees to implement the proposed changes to TECT.

In summary, under the proposed reform, the beneficiaries of TECT will be the retail and C&I Customers of Trustpower as at 28 January 2021 in the Tauranga and Western Bay of Plenty regions that remain customers of Trustpower or Mercury (or a subsequent buyer). TECT will retain funds sufficient to pay a distribution to beneficiaries as follows:

- The distribution will be $500 a year for the first ten years, will increase to $600 in 2030 and increase further to $700 in 2040.
- Distributions will be paid on the usual six monthly TECT cycle.

There is no guarantee that distributions will be paid out until the end of 2050, but that is the current projection based on TECT's financial modelling.

If a TECT beneficiary does not remain a customer of Trustpower or Mercury, then the distribution stops, but this is subject to limited exceptions.

If approved by the High Court, these changes will be implemented by amendments made to the TECT Trust Deed.

It is also proposed as part of the changes to the TECT structure that TECT's 26.8% shareholding in Trustpower be transferred into a new long-term community trust. Any decisions about the future sale of TECT's Trustpower shares will be made by the trustees of this new community trust.

Completion under the SPA is conditional upon implementation of the restructure of TECT (as well as the other conditions noted in Appendix B - Conditions). The TECT restructure was included as a Condition in the SPA to provide protection to Mercury as, following the restructure of TECT, customers of Trustpower as at 28 January 2021 in the Tauranga and Western Bay of Plenty regions who become customers of Mercury as part of the Proposed Transaction will remain entitled to the distribution from TECT in accordance with the amended TECT Trust Deed.

10. Timeline

Event	Indicative Date and Time[1]
Latest time for receipt of proxy appointments	1.00 pm 20 September 2021
Record date for determining voting entitlements at the annual meeting of shareholders	5.00 pm 20 September 2021
Annual meeting of shareholders	1.00 pm 22 September 2021
TECT Court hearing[2]	15 to 17 November 2021 Note: Completion of the TECT restructure is a Condition to Completion under the SPA.
Expected Completion Date	Expected first quarter of 2022
Long Stop Date	19 June 2022 (or where the Completion Date has been extended to the first business day of the following month to facilitate the orderly separation and transition of the Retail Business at Completion, the day immediately following the Completion Date as extended) or such later date as may be agreed in writing by Mercury and Trustpower

11. NZX Listing Rule requirements

Under NZX Listing Rule 5.1.1, a listed issuer must obtain shareholder approval for a transaction to acquire, sell, lease or dispose of assets where the transaction (a) would significantly change the nature of the issuer's business or (b) involves a "Gross Value" above 50% of the issuer's "Average Market Capitalisation" (each as defined in the NZX Listing Rules).

NZ RegCo has determined that the Proposed Transaction will constitute a significant change in the nature of Trustpower's business for the purposes of Rule 5.1.1(a) of the NZX Listing Rules. Accordingly, shareholder approval by ordinary resolution is being sought under NZX Listing Rule 5.1.1(a). An ordinary resolution is a resolution which must be approved by a simple majority of the votes of those shareholders entitled to vote and voting on the question.

The Gross Value of the assets that are subject to the Proposed Transaction do not exceed 50% of Trustpower's Average Market Capitalisation[3] and, therefore, shareholder approval by ordinary resolution is not required under NZX Listing Rule 5.1.1(b).

It is also noted that shareholder approval under section 129 of the Companies Act 1993 (a "major transaction") is not required, as the assets that are subject to the Proposed Transaction being contemplated do not exceed more than half the value of Trustpower's assets before the disposition and Trustpower is not incurring obligations or liabilities, including contingent liabilities, the value which is more than half the value of Trustpower's assets before the transaction.

1 All dates in the table above are indicative only (except for the Long Stop Date). Any material changes to these dates will be announced to the NZX Main Board (at https://www.nzx.com) and notified on Trustpower's website at trustpower.co.nz.

2 This is the expected date of the Court hearing. The Condition will not be satisfied until the decision of the High Court is given (in favour of the proposed TECT changes) and the subsequent 20 business day appeal period has expired without an appeal being made.

3 Trustpower's Average Market Capitalisation as at 16 August 2021, being the latest practical date prior to the printing of the Notice of Meeting was approximately $[2,541 million].

12. Resolution Not Passed

If shareholders do not approve this resolution, then the Proposed Transaction will not proceed, and the Board may consider alternative options with regards to the Retail Business. These options will include operating the Retail Business as it currently is, continuing to operate the Retail Business but revisiting the current retail strategy, or seeking another party to acquire/merge with the Retail Business.

Upon Trustpower announcing the Proposed Transaction, Infratil Limited made a market announcement advising that "it is supportive of the sale of Trustpower's retail business to Mercury and intends to vote in favour of the sale". Infratil Limited holds 51.04% of Trustpower's shares as at 16 August 2021, being the latest practical date prior to the printing of this Notice of Meeting. Accordingly, if Infratil Limited does not dispose of any of its Trustpower shares and votes all of its shares in favour of this resolution, the resolution will pass.

Appendices

Appendix A: Financial Implications

Introduction to Trustpower's financial information

This section sets out details of Trustpower's financial performance in relation to its retained businesses, being its electricity generation business, water supply business and electricity supply business to C&I Customers. Trustpower, in operating these businesses, is referred to in this section as "Manawa Energy".

Manawa Energy earns revenue by generating electricity from its, primarily, hydro assets in New Zealand and selling this into the wholesale market at spot prices. Manawa Energy also earns revenue by selling electricity to around 600 C&I Customers (across ~13,100 connections).

Key drivers of financial performance

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

Wholesale price of electricity

Manawa Energy has mitigated the risk of selling electricity at low spot prices by using various hedging instruments. At Completion Manawa Energy will enter into an electricity contract for differences with Mercury (details of which are set out in Appendix B – Electricity CFD). However, in an average hydrology year, Manawa Energy has more generation capacity than it needs to meet the requirements of its hedge contracts. Manawa Energy is therefore still a net seller of generation into the wholesale market.

The wholesale price of electricity affects Manawa Energy's decision about whether to generate, and therefore Manawa Energy's generation volumes. 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 Manawa Energy's generation is not sufficient to meet the requirements of its hedging contracts.

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 Manawa Energy'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 Manawa Energy'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 Manawa Energy's profitability. The key determinants of output are water inflows and lake storage levels. Manawa Energy 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.

Other key drivers

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

- regulatory changes to the electricity industry;
- transmission and connection costs associated with connecting Manawa Energy's generation schemes with distribution networks or the national grid;
- 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 Manawa Energy's financial performance

This section contains summary pro forma historical financial information in relation to Manawa Energy, including:

- Manawa Energy pro forma historical income statements for FY2020 and FY2021; and
- Manawa Energy pro forma historical statement of financial position as at 31 March 2021.

Basis of preparation

The Manawa Energy pro forma historical financial information has been prepared for illustrative purposes, to assist to understand the financial position and financial performance of Manawa Energy. By its nature, pro forma financial information is illustrative only. Consequently, the Manawa Energy 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 Manawa Energy had operated as a standalone entity for the relevant period principally because:

- Manawa Energy did not operate independently of Trustpower during the periods for which the financial information is presented;
- Manawa Energy pro forma historical financial information may not reflect the strategies or operations that Manawa Energy may have followed or undertaken as a separate entity rather than as part of Trustpower; and
- Manawa Energy may have been exposed to different financial and business risks had it operated as a separate entity rather than as part of Trustpower.

The Manawa Energy pro forma historical financial information has been prepared by extracting the financial information of Manawa Energy from Trustpower's accounting records. These accounting records were used to generate the audited Trustpower financial statements for FY2020 and FY2021. 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 FY2020 and FY2021 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.

Manawa Energy summary pro forma historical income statements

The Manawa Energy pro forma historical income statements are presented after adjusting the audited Trustpower income statement for income statement pro forma adjustments. These adjustments can be summarised as follows:

- Remove the Retail segment result as per Note 3 to the FY2021 audited financial statements.
- Add back the Trustpower corporate costs that had been allocated to the Retail segment. These allocated corporate costs have been split out from ‘other operating expenses’ to demonstrate this more clearly.
- Add back the financial performance of the sales to C&I Customers which are included in the Retail segment but are not part of the Proposed Transaction and will remain with Manawa Energy.
- Remove the total costs of Trustpower’s corporate functions and replace with an estimate of the costs for Manawa Energy. These estimated costs are consistent with the Manawa Energy organisation structure described in Section 6 – "*Trustpower Going Forward*".
- Remove loss and constraint rental rebate income which has been reported as part of the Generation segment in the audited financial statements but will no longer be earned by Manawa Energy without the retail customers.
- Remove the depreciation and amortisation expenses related to assets being sold as part of the Proposed Transaction.
- Reallocate revenue from the electricity generated from Manawa Energy’s generation assets as ‘Electricity Revenue’ in the Income Statement. This revenue is considered a credit to ‘Electricity Costs’ in Trustpower’s financial statements as electricity generated is used to satisfy the requirements of the Retail Business.

The CFD to be entered into with Mercury has been priced based on the current view of future electricity prices. It is not possible to know what Mercury’s view would have been had the CFD been entered into for the financial years covered in the pro forma financial statements. Trustpower is of the view that its internal transfer price accurately reflects an arm’s length price that two independent parties would have reached given the data available at the time. As such, no adjustment has been made to reflect the replacement of an internal pricing mechanism between Trustpower’s Retail and Generation segment with the CFD to be entered into with Mercury as part of the Proposed Transaction.

Set out below is a summary of Manawa Energy's pro forma historical income statements FY2020 and FY2021:

Income statement ($000)	2021	2020
Electricity revenue	**441,867**	462,003
Other operating revenue	**18,326**	18,749
Operating revenue	**460,193**	480,752
Line costs	**62,455**	84,791
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Other operating expenses	**32,360**	20,539
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EBITDAF	**153,147**	156,577
Depreciation & amortisation	**22,912**	19,841
Net financing costs	**29,021**	30,361
Other	**87,256**	12,923
Profit After Tax	**13,958**	93,451

Manawa Energy pro forma historical statement of financial position as at 31 March 2021

The Manawa Energy pro forma historical statement of financial position is set out below assuming the Proposed Transaction took place on 31 March 2021. The $441 million cash (purchase price) has been received and the net assets included in the Proposed Transaction have been disposed of.

Statement of financial position ($000)	2021
Cash	**447,091**
Other current assets	**262,380**
Non-current assets	**1,906,048**
Total assets	**2,615,519**
Current liabilities (excluding term borrowings)	**158,155**
Bank debt	**303,294**
Retail bonds	**433,049**
Other non-current liabilities	**271,093**
Total liabilities	**1,165,591**
Net assets	**1,449,928**
Represented by Equity	**1,449,928**

Assets

The majority of the value of Manawa Energy's assets represents the value of the hydro generation assets. These assets were revalued to fair value as at 31 March 2020. 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 Manawa Energy or the value if the asset were to be sold.

The cash balance reflects the receipt of the sales proceeds before any decision is made on how best to allocate it.

Liabilities

Bank debt and retail bonds are unchanged, pending an allocation of the sales proceeds.

Other

As noted above, a CFD will be entered with Mercury upon Completion of the Proposed Transaction (see Appendix B – Electricity

CFD for a further description of the CFD). This CFD will be fair valued and may have a material impact on the balance sheet. This impact cannot currently be quantified as it will be determined by the market price at the time of Completion which is currently unknown and is therefore not included in the pro forma adjustments.

i. Reconciliation of pro forma historical income statements to audited Trustpower income statements

Below is the reconciliation of the FY2020 audited Trustpower income statement to the FY2020 Manawa Energy pro forma income statement. The adjustments are described in further detail in this Appendix.

Income statement ($000)	Audited financial statements	Remove retail segment	Add back Retail corporate costs	Add back C&I business	Replace corporate costs	LRR income	Depreciation & amortisation	Generation revenue	Manawa Energy pro forma financial statements
Electricity revenue	804,214	(756,838)	–	277,039	–	(2,260)	–	139,848	462,003
Telecommunications revenue	98,101	(98,101)	–	–	–	–	–	–	–
Gas revenue	29,934	(29,934)	–	–	–	–	–	–	–
Revenue allocated to customer incentives	27,865	(27,865)	–	–	–	–	–	–	–
Other operating revenue	29,818	(11,069)	–	–	–	–	–	–	18,749
Operating Revenue	**989,932**	**(923,807)**	**–**	**277,039**	**–**	**(2,260)**	**–**	**139,848**	**480,752**
Line costs	280,732	(280,732)	–	84,791	–	–	–	–	84,791
Electricity costs	207,138	(357,583)	–	179,657	–	–	–	139,848	169,060
Generation asset maintenance costs	22,219	–	–	–	–	–	–	–	22,219
Employee benefits	74,156	(40,597)	–	1,246	–	–	–	–	34,805
Telecommunications cost of sales	63,236	(63,236)	–	–	(7,238)	–	–	–	(7,238)
Gas cost of sales	24,008	(24,008)	–	–	–	–	–	–	–
Customer incentives	26,872	(26,872)	–	–	–	–	–	–	–
Other operating expenses	105,105	(71,671)	–	5,858	–	–	–	–	39,292
Internal corporate recharges	–	(23,765)	23,765	–	(18,754)	–	–	–	(18,754)
Operating Expenses	**803,466**	**(888,464)**	**23,765**	**271,552**	**(25,992)**	**–**	**–**	**139,848**	**324,175**
EBITDAF	**186,466**	**(35,343)**	**(23,765)**	**5,487**	**25,992**	**(2,260)**	**–**	**–**	**156,577**
Depreciation & amortisation	42,574	–	–	–	–	–	(22,733)	–	19,841
Net financing costs	31,745	(1,384)	–	–	–	–	–	–	30,361
Other	14,539	(9,509)	(6,654)	1,536	7,278	(633)	6,365	–	12,922
Profit After Tax	**97,608**	**(24,450)**	**(17,111)**	**3,951**	**18,714**	**(1,627)**	**16,368**	**–**	**93,452**

Below is the reconciliation of the FY2021 audited Trustpower income statement to the FY2021 Manawa Energy pro forma income statement. The adjustments are described in further detail in this Appendix.

Income statement ($000)	Audited financial statements	Remove retail segment	Add back Retail corporate costs	Add back C&I business	Replace corporate costs	LRR income	Depreciation & amortisation	Generation revenue	Manawa Energy pro forma financial statements
Electricity revenue	760,898	(714,496)	–	238,337	–	(3,184)	–	160,312	441,867
Telecommunications revenue	105,234	(105,234)	–	–	–	–	–	–	–
Gas revenue	29,842	(29,842)	–	–	–	–	–	–	–
Revenue allocated to customer incentives	27,543	(27,543)	–	–	–	–	–	–	–
Other operating revenue	29,272	(10,946)	–	–	–	–	–	–	18,326
Operating Revenue	**952,789**	**(888,061)**	**–**	**238,337**	**–**	**(3,184)**	**–**	**160,312**	**460,193**
Line costs	242,709	(242,709)	–	62,455	–	–	–	–	62,455
Electricity costs	189,727	(351,669)	–	164,135	–	–	–	160,312	162,505
Generation asset maintenance costs	21,753	–	–	–	–	–	–	–	21,753
Employee benefits	75,697	(40,646)	–	1,503	–	–	–	–	36,554
Telecommunications cost of sales	67,199	(67,199)	–	–	(8,581)	–	–	–	(8,581)
Gas cost of sales	26,865	(26,865)	–	–	–	–	–	–	–
Customer incentives	20,742	(20,742)	–	–	–	–	–	–	–
Other operating expenses	107,930	(62,563)	–	5,066	–	–	–	–	50,433
Internal corporate recharges	–	(28,685)	28,685	–	(18,073)	–	–	–	(18,073)
Operating Expenses	**752,622**	**(841,078)**	**28,685**	**233,159**	**(26,654)**	**–**	**–**	**160,312**	**307,046**
EBITDAF	**200,167**	**(46,983)**	**(28,685)**	**5,178**	**26,654**	**(3,184)**	**–**	**–**	**153,147**
Depreciation & amortisation	45,342	–	–	–	–	–	(22,430)	–	22,912
Net financing costs	30,305	(1,284)	–	–	–	–	–	–	29,021
Other	93,783	(12,796)	(8,032)	1,450	7,463	(892)	6,280	–	87,256
Profit After Tax	**30,737**	**(32,903)**	**(20,653)**	**3,728**	**19,191**	**(2,292)**	**16,150**	**–**	**13,958**

Appendix B: Details of the Proposed Transaction

Sale and Purchase Agreement

Business and Assets

Mercury will acquire the business and the assets used by Trustpower in the conduct of the Retail Business from Trustpower. Mercury also assumes certain obligations due to be performed in respect of the Retail Business after Completion such as:

(a) the obligation to repay cash bonds to customers and to perform the services to customers related to any advanced payment in accordance with the applicable customer contract; and

(b) any obligations or liability pursuant to any business contract in relation to the Retail Business or the business premises leases to the extent that such liabilities arise in and relate to the period after Completion, in each case other than any liability arising out of, or relating to, a breach or failure to perform that occurred prior to Completion.

Trustpower will retain its electricity generation business, water supply business and electricity supply business to C&I Customers.

The assets to be sold to Mercury include:

(a) Trustpower's rights under its business contracts in relation to the Retail Business as well as its leases in Durham Street, Tauranga and Severn Street, Oamaru;

(b) plant and equipment, furniture, fixtures and fittings, inventory and motor vehicles, each as used predominantly in conduct of the Retail Business;

(c) goodwill of the Retail Business. This includes the exclusive right of Mercury to represent itself as carrying on the Retail Business as the successor to Trustpower, the bank accounts, the business records, the Trustpower name and other intellectual property of the Retail Business;

(d) IT assets of the Retail Business, including the ISP network assets;

(e) book debts; and

(f) trade prepayments.

The "Purchaser" under the SPA is Mercury; however, Mercury is able to nominate a wholly-owned subsidiary to complete the transaction. If Mercury elects to nominate a wholly-owned subsidiary to acquire the Retail Business, it will not release Mercury from its rights or obligations under the SPA.

The SPA includes a process in relation to obtaining consent for assignment or novation of business contracts from Trustpower to Mercury. As detailed under the heading "Conditions", the SPA includes as a Condition the consent to assignment or novation of the six Key Contracts in the SPA. The Key Contracts are the key contracts from suppliers to the business the parties identified as being necessary to operate the retail business. Trustpower is currently working through the process of seeking counterparty consent to assignment or novation with Mercury. Customers of the Retail Business will be assigned to Mercury under Trustpower's standard terms and conditions.

Before the Completion Date (but effective at Completion), Mercury is required to offer employment to the employees of the Retail Business on no less favourable terms and conditions and with the same remuneration and location of employment as presently enjoyed by such employees, with service treated as continuous.

Mercury will take an assignment of Trustpower's leases in Durham Street, Tauranga and Severn Street, Oamaru.

An area of the Tauranga premises will be sub-let back to Trustpower for 12 months after Completion while Trustpower locates an alternative premises. The intention is for the generation business to be located within the Tauranga area, most likely within the central business district, subject to the availability of suitable premises. An additional premises is also expected to be leased in Wellington.

Trustpower and Mercury will enter into a transitional services agreement and electricity contract for differences at Completion.

Purchase Price

The "Estimated Purchase Price" under the SPA is $431 million, plus Trustpower's estimate of the purchase price adjustment (as notified to Mercury at least five business days prior to the Completion Date). The estimated purchase price adjustment is calculated on Trustpower's estimate of the book debts, trade prepayments, advance payments, transferring accrued employee benefits and the further adjustment (described below). Earlier in this Notice of Meeting we refer to a purchase price of $441 million. This is based on Trustpower's estimate of the purchase price adjustment ($10 million), which gives a final purchase price of $441 million.

Mercury will pay the Estimated Purchase Price in cash to Trustpower on Completion. Post-Completion adjustments will be made for the actual book debts, trade prepayments, advance payments, transferring accrued employee benefits and the further adjustment against the estimates as notified by Trustpower to Mercury. The further adjustment involves a decrease in the purchase price if customer numbers in certain areas reduce below a specified amount and if actual capital expenditure is below a specified amount.

Conditions

The Conditions to Completion are as follows:

(a) Shareholder approval: Trustpower shareholder approval by ordinary resolution.

(b) Commerce Commission approval: Mercury obtaining a clearance or authorisation from the Commerce Commission on terms and conditions that are acceptable to Mercury (acting reasonably).

(c) TECT restructure: The restructure of TECT be completed on terms satisfactory to Mercury (acting reasonably).

(d) Key Contracts remaining on foot: Each of the Key Contracts must remain on foot at Completion.

(e) Key Contract consents: Consent to assignment or novation (on terms acceptable to each party, acting reasonably) to each Key Contract being obtained.

(f) No Material Adverse Change: No Material Adverse Change occurring between the date of the SPA and Completion.

In addition to seeking shareholder approval at the Meeting, Trustpower is responsible for obtaining the Key Contract consents. Mercury is responsible for seeking the approval of the Commerce Commission. The clearance application was filed with the Commerce Commission on 30 July 2021.

As Mercury and Trustpower's retail businesses compete with one another, Completion is conditional on Mercury obtaining Commerce Commission clearance for the Proposed Transaction. Trustpower considers there are strong grounds for Commerce Commission clearance for the Proposed Transaction, including due to the highly competitive nature of utility retailing in New Zealand with low barriers to entry, and the number of other competitors. Accordingly, Trustpower currently expects that Mercury will receive Commerce Commission clearance during this calendar year. However, as Mercury has only recently formally filed its clearance application, the Commerce Commission has not yet provided an indication of its expected timing for its clearance process. It is, therefore, possible that the Commerce Commission's clearance process extends into 2022.

The Conditions under the headings *"Key Contracts remaining on foot"* and *"No Material Adverse Change"* are to be satisfied or waived by Mercury at Completion. The Conditions under the headings *"TECT restructure"* and *"Key Contract consents"* can only be waived by Mercury. The *"Shareholder approval"* Condition cannot be waived and the *"Commerce Commission approval"* condition can only be waived by agreement between Trustpower and Mercury.

Completion Date

Trustpower expects that Completion will occur in early 2022. The Completion Date will be the first business day of the month in which the last of the Positive Conditions is satisfied or waived. This is subject to the following:

(a) if the Completion Date would otherwise be the first business day of January, it will be deferred until the first business day in February. This is included given the difficulties of Completion occurring over the Christmas holidays;

(b) if the last of the Positive Conditions is satisfied or waived within 10 business days of the end of a month, the Completion Date will be the first business day of the second month following that month. This has been included as the parties will require a minimum period after the Positive Conditions are satisfied to prepare for Completion;

(c) either party can extend the proposed Completion Date to the first business day of the month following the month in which the Completion Date would otherwise have fallen if that party reasonably considers (in consultation with the other party) that such delay is appropriate to facilitate the orderly separation and transition of the Retail Business; and

(d) the parties can agree a different date.

If, on the date that would have been the Completion Date:

(e) a restraint order, injunction or other order is issued by any court or authority preventing or delaying Completion is in effect; or

(f) a cyber attack that has substantially disabled the operation of the Retail Business has not been resolved to the satisfaction of Mercury (acting reasonably),

the Completion Date will be deferred until the first business day of the month following the month in which the restraint has ceased to apply or the cyber attack is resolved (as applicable). This deferral is subject to the Long Stop Date.

Termination rights

If a Material Adverse Change occurs in the period between the agreement date and Completion (or the condition regarding Key Contracts remaining on foot becomes incapable of satisfaction, and is not waived by Mercury), the parties must consult in good faith for four weeks to see if a solution can be found. If the parties are unable to agree a solution, Mercury may elect to terminate the agreement.

Subject to the paragraph above, the SPA may be terminated by either party if any of the Conditions are not fulfilled or waived, or the Completion Date has not occurred, by the Long Stop Date.

Warranties and liability

Under the SPA, Trustpower provides warranties in relation to the Retail Business which are customary for a transaction of this nature.

Trustpower's liability for a warranty claim (other than a warranty in relation to title and capacity) is limited to 50% of the purchase price. Trustpower's overall liability under the SPA is limited to 100% of the purchase price. The SPA includes time periods by which Mercury may bring a claim under the SPA.

Restraint of trade

In consideration for Mercury entering into the SPA, Trustpower has agreed that it will not, and it will procure that no subsidiary of it will:

(a) for a period of three years from the Completion Date, solicit or entice away from Mercury any of the transferring employees other than as a result of normal recruiting procedures that are not targeted at any transferring employee;

(b) for a period of five years from the Completion Date, conduct or carry on any business venture or activity which is the same or substantially similar to, or which competes with, the Retail Business or any part of it (a "Competing Business") or be concerned or interested in or provide technical or other support to a Competing Business; and

(c) for a period of five years from the Completion Date, supply electricity to a related company which is a retailer (as defined in the Electricity Industry Participation Code 2010) for the purposes of re-supply. The term "related company" is defined by reference to the definition in the Companies Act 1993, and would be, for example, a holding company of Trustpower, a subsidiary of Trustpower or a company with the same holding company as Trustpower.

As Trustpower is retaining its business of electricity supply to C&I Customers, the SPA includes an exception so that Trustpower may supply electricity to no more than 2,000 customers in the ordinary course of business and on arms' length commercial terms. There is also an exception if Trustpower were to acquire any business or entity undertaking any business which includes a Competing Business, where it will not breach the restraint provisions in the SPA provided Trustpower disposes of the Competing Business acquired within 12 months.

There is also a small number of ICPs of C&I Customers which Trustpower agrees not to supply for a period of five years after Completion.

Transitional arrangements

Trustpower is to operate the Retail Business in the ordinary course and in accordance with the business practices and strategies employed by Trustpower over the previous 12 months until Completion. This includes matters such as using all reasonable endeavours to preserve the goodwill of the Retail Business, maintaining equipment in a good state, maintaining its usual procedures and proceedings to collect book debts and maintaining in force its existing insurances. Trustpower is also required to notify Mercury of any law suits or claims which are brought or threatened to be brought as well as any notice issued or development in respect of the Key Contracts. There are also negative obligations of Trustpower in the period until Completion. For example, Trustpower cannot enter into or amend a business contract with revenue or expenditure over a certain amount or engage new employees in the Retail Business other than in the ordinary course and with remuneration below a specified amount. These restrictions do not prevent Trustpower from doing anything to comply with applicable laws or to perform its contractual obligations, in response to an emergency or disaster or which is approved by Mercury.

The parties have formed a separation and transition committee ("**Separation and Transition Committee**") to plan for Completion and to develop and coordinate an agreed plan for separation of the Retail Business from Trustpower's retained businesses. The Separation and Transition Committee will also agree on the physical separation of the area of Trustpower's Durham Street premises which is being sub-let to Trustpower, implementing a communications plan, seeking consent to assignment or novation of business contracts to Mercury and coordinating arrangements with employees who will be transferring to Mercury. The Separation and Transition Committee meets weekly.

The parties have agreed a form of transitional services agreement ("**Transitional Services Agreement**") which (once finalised) will be entered into on Completion. One of the other tasks of the Separation and Transition Committee is to identify and agree the inputs, services, products, dependencies and/or underlying agreements required to finalise the Transitional Services Agreement.

The purpose of the Transitional Services Agreement is to allow the transition, and separation of, the Retail Business, from Trustpower to Mercury. The Transitional Services Agreement sets out transitional services that the parties have agreed to provide each other on a temporary basis after Completion.

The party providing a service will be entitled to charge the agreed service fee for the provision of the relevant service. The service fees will be agreed between the parties and are to be set at the lowest reasonable cost that incentivises the separation and transition. If the parties are unable to agree the service fees, then either party is able refer the matter for expert determination.

The Transitional Services Agreement commences on the Completion Date and continues until the transition period for all the services expires or the date on which all services are otherwise terminated. Either party is entitled to terminate a service upon written notice provided the minimum period (if any) has passed or in the event the other party commits a breach of any of its material obligations and the breach is not remedied within the prescribed timeframe. In addition, either party may terminate the Transitional Services Agreement in whole if the other party commits a breach of any of its material obligations and the breach is not remedied within the prescribed timeframe, or the other party becomes insolvent or bankrupt.

Electricity CFD

Trustpower will enter into an electricity contract for differences ("CFD") with Mercury upon settlement of the Proposed Transaction, pursuant to a new ISDA Master Agreement and Schedule to be entered into between the parties. The purpose of the CFD is to provide Mercury and Trustpower with some protection against movements in the wholesale electricity price in New Zealand over the next 10 years in relation to the geographic areas covered by the retail customer base which is the subject of the transaction.

The CFD will comprise a series of individual transactions for each calendar quarter over a period of 10 years. For each calendar quarter, there will be a number of individual transactions made up of a unique combination of:

(a) six different grid reference points; and

(b) four different electricity "profiles" (being weekday days, weekday nights, weekend days and weekend nights).

Under each transaction, Mercury will pay a fixed amount to Trustpower and Trustpower will pay a floating amount to Mercury. The aggregate fixed amount payable by Mercury and the aggregate floating amount payable by Trustpower under all relevant transactions will be determined on a monthly basis and will be netted such that only one net amount will be paid by one party (being the party who is "out of the money") to the other party each month. All transactions under the CFD are cash-settled and there is no physical delivery of electricity under the CFD.

The floating amount payable by Trustpower will be a notional amount of electricity at the final wholesale price for electricity per megawatt hour for each 30 minute trading period at various grid reference points, as determined under the electricity code. The fixed amount payable by Mercury will be the same notional quantity of electricity at a fixed price for various grid reference points, as agreed between the parties.

The "fixed price" payable by Mercury will change during the life of the CFD and will depend on (among other things) the relevant grid reference point and "profile" (e.g. weekday days, weekday nights, weekend days or weekend nights) of the particular transaction.

The CFD protects Trustpower from deceases in the wholesale electricity price. Trustpower generates electricity and sells that electricity into the wholesale market for a floating price. A decrease in the wholesale electricity price would reduce the revenue that Trustpower earns from the electricity that it generates. In this scenario, Trustpower would receive payments from Mercury under the CFD to the extent that the floating wholesale electricity price is lower than the fixed price under the CFD.

The CFD protects Mercury from increases in the wholesale electricity price. Mercury purchases electricity from the wholesale market at a floating price and then sells that electricity to its retail customers. An increase in the wholesale electricity price would mean it is more expensive for Mercury to purchase electricity from the wholesale market. In this scenario, Mercury would receive payments from Trustpower under the CFD to the extent that the floating wholesale electricity price is higher than the fixed price under the CFD.

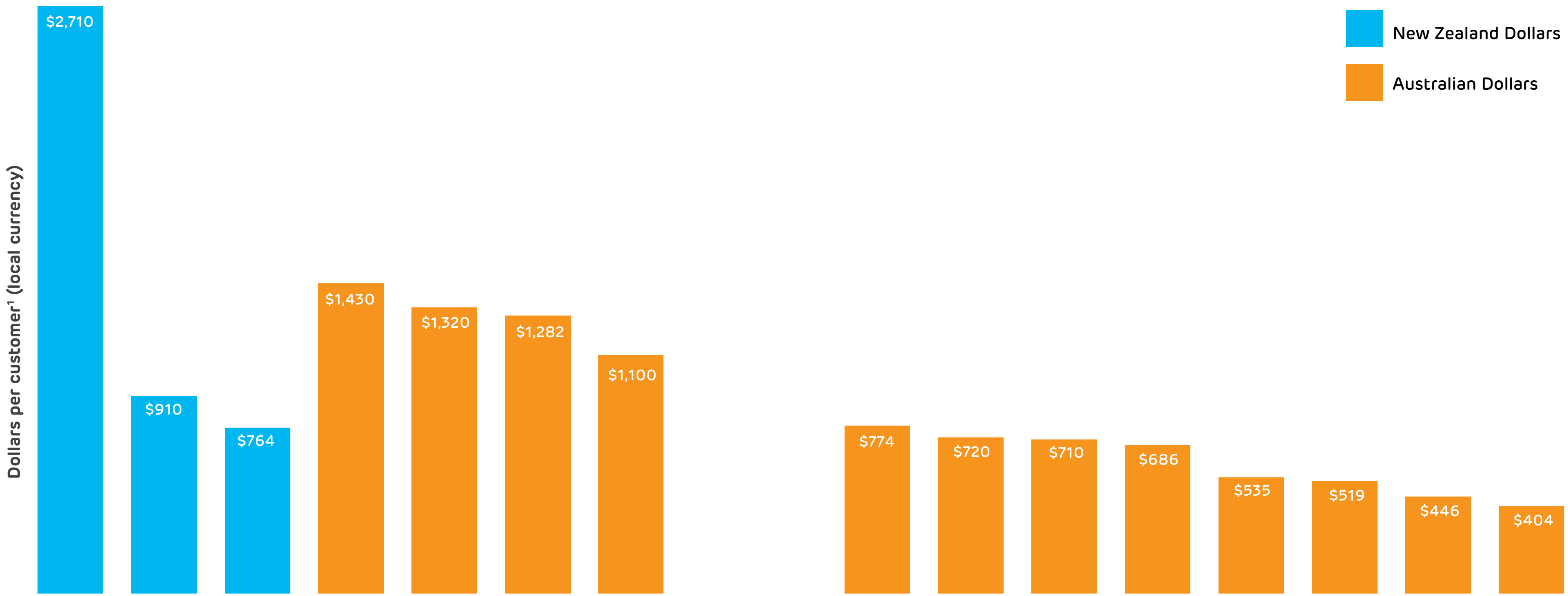
The electricity price protection that Trustpower provides Mercury under the CFD will reduce over the life of the CFD, with the protection provided in the final year of the CFD being 1/8th of the protection provided in the first year. This is shown in Fig 1 under Section 5.c "Electricity hedge with Mercury".

Appendix C:
Details of Comparable Transactions

Comparable Transactions – Retail

Retail electricity transactions are normally valued on an EV/Customer basis. A premium is typically paid for scale and customer books including "sticky" long term customers.

EV/customer valuation



	Aug 18	May 13	Oct 15	Jul 02	Feb 07	Dec 10	Nov 06	Apr 17	Mar 07	May 07	Apr 05	Aug 20	Jul 02	Jul 13	Apr 01
Target	Flick Electric	Energy Direct	Pulse Energy	Pulse Energy	Powerdirect	Integral and Country Energy retail businesses	Sun Retail	Click Energy	Victoria Electricity	Simply Energy	Simply Energy	Click	CitiPower Retail	Australian Power & Gas	Powercor Retail
Acquirer	Z Energy	Trustpower	Buller Electricity	AGL Energy	AGL Energy	Origin Energy	Origin Energy	Amaysim	Infratil	International Power	International Power	AGL	Origin Energy	AGL Energy	Origin Energy
Dollars per customer	$2,710	$910	$764	$1,430	$1,320	$1,282	$1,100	$774	$720	$710	$686	$535	$519	$446	$404

Source: S&P Capital IQ, company releases, media reports Note: excludes gas customers where disclosed separately.

1 Where number of customers was not disclosed, number of electricity connections was used for the purposes of the calculation.

Appendix D: Glossary

"ASX" means the financial market operated by ASX Limited, also known as the Australian Securities Exchange.

"Board" means the board of directors of Trustpower.

"C&I Customers" means commercial and industrial customers.

"CFD" means the contract for differences to be entered into between Trustpower and Mercury, details of which are summarised in the Appendix B - "Electricity CFD".

"Conditions" means the conditions to Completion, details of which are summarised under the heading "Conditions" in Appendix B.

"Concept" means Concept Consulting Group Limited, an adviser to Trustpower.

"Completion" means the time at which completion takes place under the SPA.

"Completion Date" means date of completion under the SPA.

"FY" means financial year.

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

"EBITDAF" means earnings before interest, tax, depreciation, amortisation and fair value adjustments.

"Key Contracts" means the six contracts listed as such in the SPA.

"Long Stop Date" means the date by which Trustpower or Mercury may terminate the SPA if any of the Conditions are not fulfilled or waived (to the extent capable of being waived) or if Completion has not occurred. This date is 19 June 2022 (or where the Completion Date has been extended to the first business day of the following month to facilitate the orderly separation and transition of the Retail Business at Completion, the day immediately following the Completion Date as extended) or such later date as may be agreed in writing by Mercury and Trustpower.

"Material Adverse Change" means any of the following events:

(a) any change in law, or the introduction to the House of Representatives of any proposed change in law, requiring separation of ownership of electricity retail and generation businesses in New Zealand;

(b) any material failure of Trustpower's ISP network which; (i) is not an industry-wide matter affecting the provision of services to substantially all users of ISP networks in the region of such failure, (ii) is not resolved within three days of its occurrence and (iii) is reasonably likely to have an adverse impact on the EBITDAF of the Business of more than $5,000,000 in either of the 12 month periods ending 31 March 2022 or 31 March 2023; or

(c) any change in law, rules, regulations and codes (or any proposed change announced by any authority) that is reasonably likely to have an adverse impact on the EBITDAF of the Business of more than $5,000,000 in either of the 12 month periods ending 31 March 2022 or 31 March 2023.

With respect to paragraph (c), none of the following (by itself or when aggregated) will be deemed to be or constitute a Material Adverse Change or will be taken into account when determining whether a Material Adverse Change has occurred or may, would or could occur:

(d) changes or proposed changes in NZ GAAP, IFRS or other accounting standards; or

(e) changes in the interpretation or enforcement of any law, rules, regulations or codes which apply as at the date of the agreement.

"Meeting" means the annual meeting of shareholders of Trustpower to be held on 22 September 2021.

"Mercury" means Mercury NZ Limited.

"Notice of Meeting" means this notice of meeting, including the explanatory notes.

"Positive Conditions" means the Conditions under the following bullet points: "Shareholder approval"; "Commerce Commission approval"; "TECT restructure" and "Key Contract consents".

"Proposed Transaction" means the transaction contemplated by the SPA.

"Resolutions" means the resolutions set out in the Notice of Meeting.

"Retail Business" means the retail electricity supply (excluding the supply of electricity to C&I Customers), reticulated and bottled gas, fixed and wireless broadband and mobile phone business operated by Trustpower.

"SPA" means the agreement for sale and purchase of the Retail Business of Trustpower between Trustpower and Mercury dated 19 June 2021.

"TECT" means the Tauranga Energy Consumer Trust (or such other name as the trustees may determine from time to time) established pursuant to the Tauranga Energy Consumer Trust Deed, dated 21 December 1993.

"TECT Trust Deed" means the Tauranga Energy Consumer Trust Deed, dated 21 December 1993 and including all amendments as at 19 October 2016.

"Transitional Services Agreement" means the transitional services agreement, details of which are summarised under the heading "Transitional Arrangements" in Appendix B.

"Trustpower" means Trustpower Limited.

Notes

Trust power

www.trustpower.co.nz