

Notice of Annual Meeting



Dear Shareholder,

On behalf of the Board of Directors, I am pleased to invite you to the 2022 Annual Meeting of Shareholders of Tower Limited (Tower) on **Wednesday, 2 February 2022 at 10.00am (NZT)**.

As at the date of issue of this notice, Tower's Annual Shareholder Meeting will be a hybrid meeting, held both online at Computershare's online web platform at www.meetnow.global/nz (see the Virtual Meeting Guide released with this Notice of Meeting for more information on how to participate online) and in Guineas Room 3, Ellerslie Event Centre, Ellerslie Racecourse, 80 Ascot Avenue, Auckland, New Zealand. Please note that all those attending Tower's Annual Shareholder Meeting in person will be required to follow Ellerslie Event Centre's procedures for operating under the Covid-19 Protection Framework including the requirement to present their Ministry of Health Covid-19 Vaccine Pass (or other approved form of proof of vaccination) before being granted access to the venue.

The health and safety of staff and shareholders is important to Tower, as such, if there is any change to New Zealand Covid-19 alert levels before 2 February 2022, Tower may cancel the in-person meeting and will provide as much notice as possible to shareholders via NZX and ASX. In that case, all shareholders who wish to attend the Annual Shareholder Meeting must do so by joining the virtual meeting at www.meetnow.global/nz.

The business before the annual meeting this year covers the usual administrative matters (auditor remuneration and director re-elections), but also the approval of the proposed NZ\$30.4m capital return. I encourage all shareholders to read the Notice of Meeting and explanatory notes carefully as they provide important information on the capital return in particular.

Business of the meeting

Presentations

- a) Chair's address
- b) CEO's address

Resolutions

Item 1: Auditor Remuneration

To consider, and if thought fit, to pass the following by ordinary resolution:

"That the Board be authorised to determine the auditor's fees and expenses for the 2022 financial year."

Re-election of Directors

In accordance with NZX Listing Rule 2.7.1, Warren Lee, Graham Stuart, and Marcus Nagel retire by rotation, and being eligible, offer themselves for re-election. Accordingly, it is proposed that the shareholders consider, and if thought fit, pass each of the following ordinary resolutions for the purposes of NZX Listing Rule 2.7.1:

Item 2: Re-election of Warren Lee as Director of Tower

"That Warren Lee, who retires on rotation in accordance with NZX Listing Rule 2.7.1, be re-elected as a Director of Tower."

Item 3: Re-election of Graham Stuart as Director of Tower.

"That Graham Stuart, who retires on rotation in accordance with NZX Listing Rule 2.7.1 be re-elected as a Director of Tower."

Item 4: Re-election of Marcus Nagel as Director of Tower

"That Marcus Nagel, who retires on rotation in accordance with NZX Listing Rule 2.7.1 be re-elected as a Director of Tower."

Item 5: Capital Return

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

"THAT the scheme of arrangement relating to the return of capital to shareholders, as set out in the Arrangement Document annexed to the Notice of Meeting, dated 22 December 2021, be approved."

Other business

To consider any other business that may be properly brought before the Annual Meeting.

Michael Stiasny
Chairman
22 December 2021

Explanatory Notes

These notes form part of the Notice of Meeting.

Item 1: Auditor Remuneration

Our auditors, PricewaterhouseCoopers are automatically reappointed at the Annual Meeting under section 207T of the Companies Act 1993. Consistent with past practice, the proposed resolution is to authorise the Board to fix the fees and expenses of the auditors for the coming financial year.

The Board unanimously recommends that shareholders vote in favour of Resolution 1.

Item 2: Re-election of Warren Lee



Warren Lee
BCom, CA
Non-Executive Director
Independent
Appointed Director:
26 May 2015

Warren has extensive experience and a long record of leadership in the international insurance industry, including 15 years at AXA in senior management positions within the company's Australian and Asian businesses. Warren's two most recent positions were Chief Executive Officer of the Victorian Funds Management Corporation and Chief Executive Officer, Australia and New Zealand for AXA Asia Pacific Holdings Limited. Warren is a non-executive director of MyState Limited, a listed Australian Financial Services Group. He has a Bachelor of Commerce from the University of Melbourne and is a member of Chartered Accountants Australia and New Zealand. Warren resides in Melbourne, Australia.

The Board unanimously recommends that shareholders vote in favour of Warren Lee's re-election (Resolution 2).

Item 3: Re-election of Graham Stuart



Graham Stuart
BCom (Hons), MS, FCA
Non-Executive Director
Independent
Appointed Director:
24 May 2012

With over 30 years' of senior management experience, Graham has held senior leadership roles with several major corporates, in New Zealand and overseas, the latest being Sealord Group of which he was Chief Executive Officer for 7 years.

Prior to that he held a number of diverse leadership roles including CEO of Mainland Products, Managing Director of Lion Nathan International, and Chief Financial Officer and Director of Strategy for the Fonterra Co-operative Group. Graham has a Bachelor of Commerce (First Class Hons) from the University of Otago, a Master of Science from Massachusetts Institute of Technology, and is a Fellow of Chartered Accountants Australia and New Zealand. Graham has served on a number of Government bodies including the Food & Beverage Taskforce and the Maori Economic Development Panel. Graham resides in Auckland, New Zealand.

The Board unanimously recommends that shareholders vote in favour of Graham Stuart's re-election (Resolution 3).

Item 4: Re-election of Marcus Nagel



Marcus Nagel
MBA.Economics,
M.Intnl Mgmt
Non-Executive Director
Non-Independent Director
Appointed Director:
14 January 2019

Marcus was nominated by Bain Capital Credit LP (**Bain Capital**) to represent Bain Capital's stake in Tower (Bain Capital holds 19.99% of Tower's ordinary shares). His election was supported by the Tower Board, noting his position with Bain Capital as a Special Advisor. Marcus is not considered an independent director, and Tower's Board and Bain Capital have agreed and implemented necessary governance and confidentiality protocols to protect the interests of all shareholders. Marcus has significant experience in the insurance industry having performed senior leadership roles for Zurich in Europe both in life insurance and general insurance. These roles have included being the branch manager of Zurich Insurance plc Germany, and the CEO of Zurich Group Germany. Marcus resides in Schindellegi, Switzerland.

The Board unanimously recommends that shareholders vote in favour of Marcus Nagel's re-election (Resolution 4).

Item 5: Capital Return

BACKGROUND

- 1 On 24 November 2021, Tower announced its intention to undertake a capital return to shareholders, on a pro rata basis, of approximately NZ\$30.4 million. The amount to be paid out under the proposed capital return will be funded by cash reserves.
- 2 The Board has determined that this return of capital should be effected by way of a Court approved arrangement under Part 15 of the Companies Act 1993 (NZ) (**Scheme**). The Board considers the proposed Scheme to be fair to all shareholders as it achieves a return of capital on a pro rata basis, with the result that the transaction does not alter the shareholders' relative voting and distribution rights.
- 3 The Scheme involves Tower's shareholders having one (1) share cancelled for every ten (10) shares held, and receiving a cash sum of NZ\$0.72 for each share cancelled (with Australian shareholders being paid the Australian dollar equivalent as explained in paragraph 16 below). If the number of shares a shareholder owns is not divisible by ten, then the number will be rounded up or down to the nearest whole number (with 0.5 rounded down).
- 4 On 30 November 2021, Tower applied to the High Court of New Zealand for an order directing Tower to put the Scheme to shareholders. The Court made initial orders on 10 December 2021 which require (amongst other things) the Scheme to be approved by special resolution of shareholders (that is, a resolution passed by a 75% majority of the votes of all shareholders entitled to vote and voting at the meeting), and IRD approval of the Scheme to be obtained by 9 February 2022. Tower will also be seeking a ruling from the Australian Tax Office in relation to the tax effect of the capital return for Australian tax purposes on Australian Shareholders. However, this will not be a condition of the Scheme.
- 5 If the resolution is passed and IRD approval is obtained, Tower will seek final orders from the High Court sanctioning the return of capital. The final orders that are being sought by Tower sanctioning the Scheme are set out in the copy of Tower's application to the Court (dated 30 November 2021), which accompanies this Notice of Meeting.
- 6 If shareholders do not approve the Scheme or if IRD approval is not obtained, the Scheme will not proceed and Tower's application to the High Court will be discontinued.
- 7 The Directors of Tower unanimously recommend that shareholders vote in favour of the Scheme (Resolution 5).

RATIONALE FOR THE CAPITAL RETURN

- 8 In 2019 Tower undertook a capital raising to fund the acquisition of Youi NZ's insurance portfolio, and also to reflect a change in its RBNZ licence conditions reflecting the removal of its EQC receivable¹ from its solvency calculations due to a dispute concerning it. As advised to the market on 24 November 2020, the dispute was settled with Tower receiving a net amount of NZ\$42.1 million².
- 9 Consequently, as at 30 September 2021 (and following payment of the dividend announced on 24 November 2021), Tower had approximately NZ\$37.7 million of surplus capital in excess of its target operating range for its prudential solvency margins.
- 10 The Board has been through an extensive exercise to determine the best use of these funds (subject to maintaining appropriate headroom above minimum solvency margins), including potential acquisition opportunities. The Board does not believe that any better opportunities exist at present or are likely in the short to medium term for these funds.

¹The Earthquake Commission (EQC) receivable relates to the recovery of claims costs related to the 2010 and 2011 Christchurch Earthquakes.

²Under the settlement agreement Tower received \$53.6m of the \$70.3m gross recovery receivable recognised as of 30 September 2020, with \$42.1m being the net amount after disbursement to reinsurers and costs.

- 11 After taking into account Tower's balance sheet structure, prudential and solvency requirements, investment opportunities and operating outlook, the Board has determined that approximately NZ\$30.4 million be returned to shareholders by the Scheme.
- 12 Immediately following the capital return Tower's solvency margins and ratios will be materially above the minimum prescribed by law³.
- 13 In determining the amount of capital to be returned to shareholders, Tower considered a number of factors, including:
 - a. Tower's statutory capital adequacy requirements and its solvency position (including that of subsidiaries);
 - b. any potential need for capital expenditure over the next 1 – 2 years;
 - c. Tower's ability to meet all of its liabilities;
 - d. Tower's credit quality; and
 - e. likely future revenues and liabilities.
- 14 In determining the preferred form of capital return, Tower sought advice from its external legal advisers, investment bankers, appointed actuary, and tax advisers. All options were considered, including the payment of a dividend, both on-market and off-market share buyback transactions, and the proposed Scheme. After careful consideration by the Board, the preferred method adopted was the Scheme.
- 15 In reviewing the options for the return of capital, Tower's objectives included:
 - a. certainty that the return of capital would proceed (with a low level of execution risk);
 - b. ensuring that the payment made to shareholders is appropriately treated as a return of capital for New Zealand tax purposes (see further information under the heading "Taxation – New Zealand" below). Tower will also be seeking a ruling from the Australian Tax Office in relation to the tax effect of the capital return for Australian tax purposes on Australian Shareholders (see further information under the heading "Taxation – Australia" below);
 - c. ensuring that the return of capital will be made in a timely manner, so that shareholders receive cash in the near term; and
 - d. adopting a method that ensured all shareholders are treated on the same basis and that the return of capital does not alter any shareholder's proportionate voting or distribution rights.

THE SCHEME AND ITS EFFECT

- 16 Subject to approval by shareholders, receipt of IRD approval by 9 February 2022 (see "Taxation – New Zealand" below), and receipt of final orders from the High Court sanctioning the return of capital, the Scheme will result in:
 - a. the cancellation of one (1) in every ten (10) shares held by each shareholder in Tower (together with all rights attaching to those shares) on the Record Date (as defined in paragraph 20 below). Fractions of a share will be rounded up or down to the nearest whole number (with 0.5 rounded down); and
 - b. the payment to each shareholder of NZ\$0.72 for each share cancelled. Shareholders with an address on the register in Australia at 7:00pm (New Zealand time) on the Record Date for determining the shareholders to participate in the Scheme will be paid the NZ\$0.72 converted into Australian dollars at the exchange rate organised by Tower's share registrar on or about that time, as approved by Tower. In this way, Tower will return to shareholders, on a pro rata basis, approximately NZ\$30.4 million of capital. On the Record Date, there are expected to be 421,647,258 shares on issue. Based on this number, 42,164,726 ordinary shares will be cancelled (subject to rounding). This will leave the total number of ordinary shares on issue at approximately 379,482,532.
- 17 Subject to the approval of shareholders and receipt of IRD approval (see "Taxation – New Zealand" below), the final orders from the High Court sanctioning the Scheme are expected to be made on or about 25 February 2022. If shareholders do not approve the Scheme or IRD approval is not obtained, it will not proceed and Tower's application to the High Court will be discontinued.

³Tower is required to maintain capital in excess of the minimum solvency capital requirement specified by the Reserve Bank of New Zealand (RBNZ). See also Tower's 2021 full year results presentation, released to NZX and ASX on 24 November 2021.

18 The indicative timetable for the proposed Scheme is set out in the table below.

EVENT	DATE
Annual Meeting	2 February 2022
Due date for IRD approval	9 February 2022
Final orders made by High Court*	25 February 2022
Record Date*	4 March 2022
Payment to shareholders*	18 March 2022

*The dates above are indicative only. If the final court orders have not been made by 25 February 2022, the Record Date will be five business days after the date on which the final orders from the High Court sanctioning the Scheme are made. Payment will be made to shareholders within ten business days after the Record Date.

19 Directors of Tower and associated persons of Directors who legally and/or beneficially own shares in Tower will participate in the return of capital in exactly the same way as all other ordinary shareholders of Tower. Directors and/or their associated persons are entitled to vote on Resolution 5 to approve the capital return.

PAYMENT OF FUNDS UNDER THE SCHEME

20 The share register will close at 7:00pm (New Zealand time) on 4 March 2022, or the date five business days after the date on which the final orders from the High Court sanctioning the Scheme are made, whichever is the latest (**Record Date**). This will be for the purpose of determining the number of shares to be cancelled and the amount to be returned to those shareholders whose names appear in the share register at that time. The cancellation will be effected during the course of a short trading halt, the details of which will be advised through NZX/ASX in due course.

21 Payment to shareholders will be made by direct credit in the case of those shareholders who have previously provided bank account details to Tower. Direct credits will be made, within ten business days after the Record Date. At the same time, each shareholder will be issued with a new shareholding statement showing the new number of shares held following the cancellation of shares. Both the payment to shareholders and the provision of a new shareholding statement will be undertaken by Tower's share registrar.

22 For those shareholders that have not previously provided their bank account details to Tower, the share registrar will make contact to obtain them by the Record Date. Payment will then be made within ten business days of valid details having been provided (without interest) if they are not provided by the Record Date, with the funds being dealt with as unclaimed dividends in the meantime in accordance with Tower's constitution (see clause 5.11).

23 Shareholders with an address on the register in Australia at 7:00pm (New Zealand time) on the Record Date will be paid NZ\$0.72 converted into Australian dollars at the exchange rate organised by Tower's share registrar on or about that time, as approved by Tower. Any such shareholder who does not provide valid bank account details by the Record Date, will have these funds held for them in accordance with paragraph 22 above.

TAXATION – NEW ZEALAND

- 24 The following is provided as general guidance as to the tax effect in New Zealand. Shareholders should obtain independent taxation advice on the effect of the Scheme based on their individual circumstances.
- 25 The Scheme is conditional on Tower receiving notification from the Commissioner of Inland Revenue under section CD 22 of the Income Tax Act 2007 (NZ) by 9 February 2022 that no part of the amount that will be paid (\$30.4 million) to shareholders on the share cancellation is in lieu of the payment of a dividend. Therefore, even if the shareholders approve the Scheme, it will not proceed unless this condition is satisfied by 9 February 2022.
- 26 If this condition is satisfied as well as certain other requirements in the Income Tax Act 2007 (NZ), the amount paid to shareholders will be treated as a return of capital and not as a dividend for New Zealand income tax purposes.
- 27 This means the payment will generally not be taxable for New Zealand shareholders unless:
- the shareholder is a share dealer;
 - the shares were acquired for the dominant purpose of disposal; or
 - the amount received by a shareholder is derived from a profit-making undertaking or scheme.

TAXATION – AUSTRALIA

- 28 The following is provided as general guidance as to the tax implications for Australian tax resident shareholders (**Australian Shareholders**). Australian Shareholders should obtain independent tax advice on the effect of the Scheme based on their individual circumstances.
- 29 Tower will be applying to the Australian Taxation Office (**ATO**) for a Class Ruling on behalf of the Australian Shareholders to confirm that no part of the payment received by the Australian Shareholders under the Scheme will be treated as a dividend for Australian tax purposes and that the payment will be treated as capital proceeds received by the Australian Shareholders for the purposes of calculating any capital gain or loss on the cancellation of the shares. The description below is based on a favourable Class Ruling being issued by the ATO. Regardless of whether the Class Ruling is issued, Tower will proceed with the proposed Scheme (subject to shareholder approval, final Court approval and IRD approval).
- 30 Australian Shareholders cannot rely on this guidance until the Class Ruling is issued by the ATO. If it is issued, Tower will notify the Australian Shareholders as soon as the Class Ruling is available by announcement on NZX/ASX and a copy of the Class Ruling will be published on the Tower website. If the Class Ruling is not issued by the ATO then the tax consequences for Australian Shareholders may be different to the description below.
- 31 Under the Scheme, the shares held by an Australian Shareholder will be cancelled. The cancellation of the shares will constitute a CGT event (CGT event C2). The CGT event will happen at the time the shares are cancelled.
- 32 An Australian Shareholder will make a capital gain from the CGT event to the extent that the capital proceeds received in respect of the cancellation of their shares (the payment they receive) is more than the cost base of the shares (which will broadly include the amount paid to acquire the shares and certain non-deductible costs associated with acquiring and holding the shares). An Australian Shareholder will make a capital loss to the extent that the capital proceeds received in respect of the cancellation of the shares is less than the reduced cost base of the shares.
- 33 To the extent that the Scheme results in an Australian Shareholder having a capital gain, they may be entitled to reduce the gain under the CGT discount rules. Under the CGT discount rules, an Australian Shareholder is generally able to reduce the capital gain (after first applying any current year or prior year capital losses) by 50% where they are an individual or trust and by 33.33% where they are a complying superannuation fund, provided that they have held the shares for at least 12 months before their cancellation. The CGT discount is not available to Australian Shareholders that are companies.

- 34** An Australian Shareholder must include the net capital gain in their assessable income for the income year in which the Scheme is implemented. If an Australian Shareholder makes a capital loss, this can be used to offset other capital gains from the same income year or may be carried forward to offset capital gains incurred in future income years. Specific loss recoupment rules apply to companies which determine whether capital losses can be carried forward to future income years.
- 35** This section and the Class Ruling is only relevant for Australian Shareholders who hold their Tower shares on capital account and does not apply to Australian Shareholders who:
- hold their shares as trading stock or as revenue assets;
 - hold their shares as assets used in carrying on a business or as part of a profit making undertaking or scheme;
 - who are Australian tax residents but who hold their shares as part of an enterprise carried on, at or through a permanent establishment in a foreign country;
 - that are financial institutions, insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents of Australia; or
 - who are subject to the taxation of financial arrangements rules in Australia in relation to gains and losses on their shares.

FURTHER INFORMATION

- 36** Shareholders who have any questions about the effect of the Scheme on their investment should consult their financial advisers.
- 37** Copies of the Court documents filed in relation to the Scheme and the initial Court orders are available on the following website <https://www.tower.co.nz/investor-centre/>.

Procedural Notes

Convening orders

The meeting referred to in this Notice of Meeting has been convened by an order of the High Court of New Zealand made at Auckland on 10 December 2021.

The scheme of arrangement referred to in Resolution 5 is recorded in the Arrangement Document annexed to this Notice of Meeting.

A copy of Tower's application to the Court for final orders sanctioning the scheme of arrangement (dated 30 November 2021) accompanies this Notice of Meeting.

A copy of the Court's minute containing its initial orders (dated 10 December 2021) accompanies this Notice of Meeting.

This Notice of Meeting has been submitted to NZ RegCo in accordance with NZX Listing Rule 7.1.1 and NZ RegCo has provided written confirmation that it does not object to this Notice of Meeting. However, NZX accepts no responsibility for any statement in this Notice of Meeting.

Eligibility to vote

If you are a shareholder whose name is recorded in the Tower share register at the close of business on 31 January 2022, you are entitled to attend the Annual Meeting and vote either in person or by Proxy (subject to the time limits for returning Proxy Forms).

Appointing a Proxy

A Proxy Form is included with this Notice of Meeting. A shareholder entitled to vote at the Annual Meeting but who is unable to attend may appoint a Proxy to attend the meeting, to act generally and vote on their behalf. A Proxy does not need to be a Tower shareholder. You may appoint the Chair of the meeting or any Director as your Proxy. The Chair of the meeting and the Directors will vote as directed on any resolutions and intend to vote any discretionary proxies in favour of all resolutions, even if they have an interest in the outcome of the resolution, to the extent permitted by the NZX Listing Rules, ASX Listing Rules, and Tower's constitution. If you have ticked the "Proxy's Discretion" box and your named Proxy does not attend the meeting or you have not named a Proxy (but otherwise completed your Proxy Form in full), the Chair of the meeting will act as your Proxy.

To be valid, a completed Proxy Form (and any power of attorney under which it is signed) must be deposited with Computershare no later than 10:00am (NZT) on Monday, 31 January 2022.

COMPLETING PROXY FORMS

A completed Proxy Form may be deposited by:

ONLINE

1. Go to www.investorvote.co.nz
2. Use the control number and CSN/shareholder number found on the Proxy Form and post code or country of residence (if outside New Zealand) to securely access InvestorVote.
3. Follow the prompts to appoint a proxy or corporate representative online.

EMAIL

Email a completed and signed Proxy Form to corporateactions@computershare.co.nz with "Tower proxy" in the subject line.

NOTICE IN WRITING

1. Complete and sign the Proxy Form attached to this Notice of Meeting.
2. Return the completed and signed Proxy Form to Tower's Share Registry, Computershare Investor Services Limited, Private Bag 92119, Victoria Street West, Auckland 1142, New Zealand, or if in **Australia** to Tower's Share Registry, Computershare Investor Services Pty Limited, GPO Box 3329, Melbourne, VIC 3001, Australia.

Please see your Proxy Form for further details about signing the proxy form. Proxy Forms that are signed incorrectly will be invalid.

Resolutions

Resolutions 1 to 4 are ordinary resolutions. An ordinary resolution is a resolution passed by a simple majority of votes of those shareholders entitled to vote and voting on the resolution. No shareholder is prohibited from voting on resolutions 1 to 4.

Resolution 5 is a special resolution. The special resolution must be approved by a majority of 75% of votes of those shareholders entitled to vote and voting on the resolution. No shareholder is prohibited on voting on the special resolution and all shareholders will vote together as one class.

The Board unanimously recommends that you vote in favour of all resolutions put to the meeting. The Directors intend to vote their own shares in favour of all resolutions.

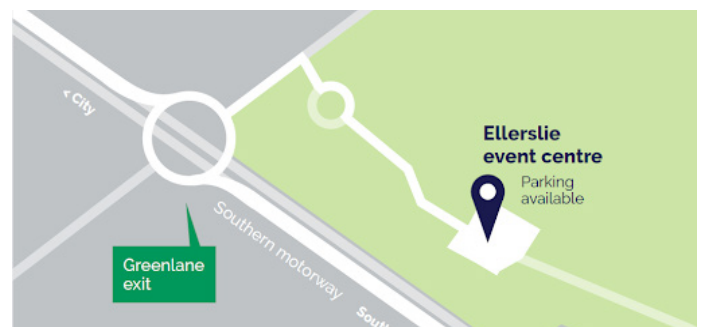
Motions from the floor will not be allowed unless they are consistent with the meeting agenda.

Participating in the Annual Meeting online

To attend the Annual Meeting online please go to www.meetnow.global/nz. To access the Meeting, click Go under the Tower meeting and then click JOIN MEETING NOW. Select 'shareholder' on the login screen and enter your CSN or holder number (which can be found on the Proxy Form attached to this Notice of Meeting) and mailing address postcode (if in New Zealand) or if outside New Zealand, choose your country from the drop-down list. Shareholders attending online will be able to vote and ask questions virtually during the Meeting.

The Virtual Meeting Guide accompanying this Notice of Meeting contains more information on how to attend and participate in the Annual Meeting online. We recommend that you read this guide, and login 15 minutes in advance of the Annual Meeting to ensure you are familiar and ready to start at 10.00am. If you have any questions on how to attend the meeting online, please contact Computershare Investor Services Limited on +64 9 488 8777 between 8.30am and 5.00pm Monday to Friday (NZT).

Directions to Ellerslie Event Centre and parking details



ARRANGEMENT DOCUMENT

Scheme of Arrangement pursuant to Part 15 of the Companies Act 1993 (NZ)

BETWEEN: Tower Limited and the holders of shares in Tower Limited.

1. INTERPRETATION

1.1 In this document, unless the context otherwise requires:

"Business Day" means a day on which the stock exchanges operated by NZX and ASX are open for trading.

"Record Date" means 4 March 2022, or the date five Business Days after the date on which the final order from the High Court of New Zealand is made pursuant to section 236(1) of the Companies Act 1993 sanctioning the arrangement, whichever is the latest.

"Share" means an ordinary share in Tower.

"Shareholder" means each person who is registered in the share register of Tower as the holder of a Share at 7:00pm (New Zealand time) on the Record Date.

"Tower" means Tower Limited.

2. ARRANGEMENT

2.1 One (1) Share for every ten (10) Shares registered in the name of each Shareholder at 7:00pm (New Zealand time) on the Record Date shall be cancelled (together with all the rights attaching to those Shares). For this purpose, fractions of a Share shall be rounded up or down to the nearest whole Share (with 0.5 rounded down).

2.2 Within ten Business Days after the Record Date, Tower shall pay to each Shareholder for each Share registered in the name of that Shareholder which has been cancelled in accordance with clause 2.1:

(a) where that Shareholder has at 7:00pm (New Zealand time) on the Record Date an address on the share register other than in Australia, NZ\$0.72; or

(b) where that Shareholder has at 7:00pm (New Zealand time) on the Record Date an address on the share register in Australia, NZ\$0.72 converted into Australian dollars at the exchange rate organised by Tower's share registrar on or about that time, as approved by Tower.