

MIGHTY RIVER POWER SHARE OFFER - Q&A

5 April 2013

THE CONSIDERATION PERIOD

What is the consideration period?

This is the period between the share offer document being registered with the Registrar of Financial Service Providers (the **Registrar**) and the share offer opening. The Registrar notifies the Financial Markets Authority (**FMA**) that the share offer document has been registered and the FMA has the opportunity to consider it.

The share offer document is made public during this period, but remains subject to FMA consideration. The share offer will not be open during the consideration period and no applications for shares will be able to be received.

The consideration period also gives potential investors an advance opportunity to consider the information in the share offer document before the share offer opens for applications.

How long is the consideration period?

The FMA consideration period is generally five working days after the date that the share offer document is registered. The FMA can extend the period by up to five business days (making the total period up to 10 business days).

The Mighty River Power share offer document consideration period starts on 5 April 2013 and is expected to end at the close of next Friday (12 April 2013).

What does the FMA review?

During this period the FMA has the opportunity to consider whether the offer document complies with the Securities Act, contains any material inaccuracies or is otherwise misleading in a material way.

Why is the Share Offer Document only available online during the consideration period?

During this period the share offer document remains subject to FMA consideration. For cost and efficiency reasons, the document is printed after the FMA review is complete and we know that no changes are required.

Once the consideration period has ended, the share offer can open. The share offer document will be sent to all pre-registrants and will be freely available in New Zealand online and in hard copy to all interested New Zealanders.

What should interested or potential investors do during this period?

No applications for shares can be made during this period. There will be a formal announcement when the share offer opens.

New Zealanders who are interested in the share offer should use the consideration period to commence their evaluation of the investment proposition outlined in the share offer document.

The share offer document includes comprehensive information about Mighty River Power's business, its financial results and prospects, the terms of the share offer and a description of the risks associated with investing in Mighty River Power. The share offer document is large and detailed and should be carefully considered before making a decision whether or not to apply for Mighty River Power shares.

Potential investors should also consider what additional information or advice might be available to assist with their consideration of the share offer. Information about share ownership and the share market is freely available from a range of sources, including www.governmentshareoffers.govt.nz. If potential investors are in any doubt as to any aspect of the share offer, they should consult their financial adviser or an NZX firm.

LOYALTY BONUS SHARES

What are the details of the Mighty River Power Share Offer Loyalty Bonus Shares?

Loyalty Bonus Shares are extra shares in Mighty River Power that are allocated for no further cash investment to New Zealand retail investors who apply for shares under the Share Offer and continue to hold them for two years.

A New Zealand retail investor will be allocated one Loyalty Bonus Share for every 25 shares allocated to them in the Share Offer and then held continuously in the same shareholder name for two years, up to a maximum of 200 Loyalty Bonus Shares.

Who is eligible for Loyalty Bonus Shares?

All New Zealanders applying for shares under the general public offer will be eligible for Loyalty Bonus Shares if they satisfy the criteria.

A New Zealand applicant will need to supply the following with their application:

1. a valid IRD number; and
2. a valid New Zealand bank account; and
3. a New Zealand address; and
4. a declaration that they are a New Zealand citizen or permanent resident in New Zealand (or an equivalent declaration if they apply through a company, trust or other legal entity); and
5. a confirmation that they are in New Zealand and are not acting for the account or benefit of, a person in the United States.

Institutional investors, such as investment fund managers, will not be eligible for Loyalty Bonus Shares. Yet-to-settle iwi who purchase shares under the 'on account' arrangement will not be eligible (and they have already been informed of this).

Why offer Loyalty Bonus Shares?

Loyalty Bonus Shares have two effects:

1. The Loyalty Bonus provides New Zealand retail investors that satisfy the criteria with a quantity of free shares (after two years). It provides an incentive for New Zealand retail investors that institutional investors do not receive. It is one of the mechanisms the Government is using to meet its commitment to put New Zealanders at the front of the queue for shares and to encourage wide-spread ownership throughout New Zealand.

2. Loyalty Bonus Shares provide an incentive for New Zealanders not to sell their shares within the first two years of issue, which encourages long-term share ownership.

Are there any fees regarding Loyalty Bonus Shares?

No fee will be incurred if you are allotted Loyalty Bonus Shares. These shares are simply added to your registered shareholding for no further cash investment.

I am a New Zealand retail investor. If I sell some of the shares that I am allocated under the Share Offer, will I still be eligible for the Loyalty Bonus Shares?

The number of Loyalty Bonus Shares you will be entitled to receive will be calculated on the **lowest** number of shares held at any time between the date you are allocated them under the Share Offer and the end of the two year period. Therefore, you will only receive Loyalty Bonus Shares for the shares that have not been sold.

For example, if someone is allocated 5,000 shares in the Share Offer, sells down to 3,000 and then purchases 2,000 so they hold 5,000 again at the end of the period, they would have their Loyalty Bonus Share entitlement calculated off a holding of 3,000 shares.

SHARE OFFER DOCUMENT

What is the value of Mighty River Power?

Indicative market capitalisation of \$3,290 million to \$3,920 million¹, making it the fourth or fifth largest New Zealand company on the stock exchange.

Up to 686,000,000 shares on offer (being up to 49% of the total number of shares on issue following the offer).

Indicate price range of \$2.35 to \$2.80 per share.

Is the indicative price range the maximum retail investors will pay?

The price range is indicative only. The final price will depend on the demand for shares through the General and Institutional Offers and may be within, above or below the indicative price range.

How do I know how many shares I can apply for if I don't know the price per Share?

Applications are submitted based on a specified dollar value of shares (i.e. you apply for a dollar value of shares, e.g. \$2000 worth of shares. You do not apply for a number of shares).

The minimum application size is \$1,000 and multiples of \$100 thereafter.

¹ Indicative market capitalisation calculated as the number of shares on issue following the offer multiplied by the indicative price range. Shares may trade within, above or below the indicative price range following completion of the offer.

New Zealanders are guaranteed to get the first \$2,000 that they ask for (and pre-registrants may get up to 25% more, in the event of scaling if the offer is over-subscribed).

You can pay by cheque or direct debit.

Will I get a refund if I don't receive all the shares I applied for?

Yes. If you don't receive all of the shares you ask for, you will get a refund of the balance payment without interest, within five business days after the allotment date.

You will not receive a refund for any difference solely due to rounding of the final issue price.

Why has a price not been set up front? How is the final price determined?

The final price can only be determined when the total demand for shares is known. The final price per share is determined when the demand from retail investors is assessed along with the demand from institutional investors during the bookbuild process.

Ministers make this decision in consultation with advisers.

What is the bookbuild?

A 'bookbuild' is the process of collating demand for shares from retail investors and demand for shares at various prices from institutional investors who bid for shares. The information collated in this process is then used to assist with setting the final price.

Will retail investors pay more than institutional investors?

No. All successful applicants will pay the final price per share. Retail investors also receive additional incentives to institutional investors, such as the guaranteed allocation and, if certain conditions are met, Loyalty Bonus Shares.

What incentives are available for New Zealanders?

- A guarantee that applications up to \$2,000 will not be scaled. Applications in excess of \$2,000 will not receive less than \$2,000 worth of shares.
- If the offer is oversubscribed, New Zealanders who pre-registered for the offer may receive up to 25% more shares than that a non pre-registrant that applies for the same amount of shares
- Loyalty Bonus Shares at a ratio of 1 free share for every 25 shares held (up to 200 loyalty shares), for New Zealand applicants who continue to hold their shares in the same registered name for a period of 24 months

When will investors know how many shares they have been allocated?

Allocations are expected to be available from 10 May 2013.

Investors who applied on the website can go online from that date and check their allocation using their unique reference number. Investors who did not apply online will be able to confirm their allocation by calling 0800 90 30 90. Confirmation in writing is expected to be sent on 14 May 2013.

Will my application be filled in full?

If the offer is over-subscribed, applications may be scaled. This means that the dollar amount of shares you receive may be less than the dollar amount of shares you apply for.

Scaling will be determined by Ministers, in consultation with advisers. The Government has stated that New Zealanders will be at the front of the queue for shares.

How many shares will I get for my guaranteed \$2000?

Your share allocation will depend on the final price per share. Based on the indicative price per share, a person would get between 714 and 851 shares for a \$2000 application. They would also receive between 28 and 34 additional free loyalty shares if they hold their shares for 24 months. This would mean they would get between 742 and 885 shares (after two years).

Will broker clients get higher allocations than investors who don't have a broker relationship?

No.

Are there limitations when it comes to foreign ownership?

Yes. The Government has stated that its goal is to ensure that a minimum of 85-90% of Mighty River Power's total shares are owned by New Zealanders.

The Government has also introduced legislation which prevents any one shareholder (other than the Government) owning more than 10% of Mighty River Power.

Will Mighty River Power pay a dividend?

Page 12 of the Offer Document outlines Mighty River Power's dividend policy. Subject to Board consideration, the dividend policy will target a pay-out ratio in the range of 90% to 110% of adjusted net profit after tax. The forecast total declared dividend for FY2013 is \$0.12 per share. The dividend policy section in the Offer Document should be read in full.

Important notice

The offer of shares in Mighty River Power Limited is made by the Crown on the terms and conditions set out in a combined investment statement and prospectus dated 5 April 2013 (the "Share Offer Document"). **The Share Offer is not yet open. It is expected to open for Applications on 15 April 2013.** When the Share Offer opens, Applications for shares must be made on the Application Form accompanying the Share Offer Document. The eligibility criteria for receiving Loyalty Bonus Shares are set out in the Share Offer Document. This document includes certain prospective financial information, which is also contained in the Share Offer Document. The principle assumptions and method of calculation of the prospective financial information included in this document are set out in the Share Offer Document.

The contents of this press release are not permitted to be made available to persons in any country other than New Zealand. Mighty River Power's shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "United States Securities Act") or the securities laws of any state of the United States and may not be offered or sold in the United States unless the shares are registered under the United States Securities Act, or an exemption from the registration requirements of the United States Securities Act and applicable United States state securities laws is available.