For personal use only

STOCK EXCHANGE LISTINGS: NZX (MCY) / ASX (MCY)

NEWS RELEASE

Mercury 2021 Annual Shareholders' Meeting

23 September 2021 – The attached presentations will be given at Mercury NZ Limited's Annual Shareholders' Meeting starting at 10:00am today which will be held as a virtual meeting. The virtual meeting can be accessed through the Computershare Meeting Platform **https:meetnow.global/nz**.

To access the meeting:
- click 'Go' under the Mercury meeting;
- click 'Join Meeting Now".

Shareholders can log in by entering their CSN/Securityholder Number and post code (or country of residence if outside of New Zealand).

Attachments:
- 2021 Annual Shareholders' Meeting – Chair and Chief Executive Address
- 2021 Annual Shareholders' Meeting – Presentation

ENDS

Howard Thomas
General Counsel and Company Secretary
Mercury NZ Limited

For investor relations queries, please contact:
Tim Thompson
Head of Treasury and Investor Relations
0275 173 470

For media queries, please contact:
Shannon Goldstone
Head of Communications
Media phone: 027 210 5337

ABOUT MERCURY NZ LIMITED
Mercury's mission is energy freedom. Our purpose is to inspire New Zealanders to enjoy energy in more wonderful ways and our goal is to be New Zealand's leading energy brand. We focus on our customers, our people, our partners and our country; maintain a long-term view of sustainability; and promote wonderful choices. Mercury is energy made wonderful. Visit us at: www.mercury.co.nz

The Mercury Building, 33 Broadway, Newmarket 1023
PO Box 90399, Auckland 1142
New Zealand

PHONE: + 64 9 308 8200
FAX: + 64 9 308 8209

mercury.co.nz

For personal use only

Mercury - 2021 Annual Shareholders' Meeting Chair and Chief Executive Address

Where: VIRTUAL MEETING
When: 10am (NZT), 23 September 2021

[ADDRESS BY THE CHAIR: PRUE FLACKS]

CHAIR'S ADDRESS

SLIDE 4: CHAIR'S ADDRESS

Kia ora koutou katoa. Haere mai ki tenei hui motuhake.

Good morning ladies and gentlemen and thank you for joining us at this Annual Shareholders' Meeting. My name is Prue Flacks and I am Chair of Mercury NZ Limited. On behalf of your directors, the Chief Executive, our leadership team and all of Mercury, I extend a very warm welcome to those of you who have been able to join us online.

This is the second year that COVID has forced us to an online forum, and while we always appreciate the opportunity to interact with you face-to-face, your safety, and the safety of our people, and the wider community must take priority.

I am pleased to confirm that we have a quorum represented here today and therefore declare 'open' the 2021 Annual Shareholders' Meeting of Mercury NZ Limited. All voting at today's meeting will be by way of online poll and, accordingly, in my capacity as Chair I require that a poll be held for each of the resolutions. Voting is open on all items of business. You have received instructions on asking questions during this virtual meeting, and also on how to cast votes.

SLIDE 5: AGENDA

Outlining our agenda for today… first, I will introduce you to our board and briefly cover some financial highlights. I will talk a little about the external environment, and some of the challenges and opportunities for our sector. I will then hand you over to our Chief Executive, Vince Hawksworth to talk about our business and how we are responding.

In terms of formal business, we have four resolutions to put to the meeting – these are resolutions for the election of one Board member, Dennis Barnes; and for the re-election of two other directors who retire by rotation and are eligible and available for re-election. The fourth resolution is for an increase in the total annual remuneration payable to all directors.

I will outline the process for discussion and voting on the resolutions at that point in the agenda. After the resolutions are presented and voting is closed, we will take questions from you on our financial and operational performance or other questions relating to the company. Now for the introductions:

SLIDE 6: YOUR BOARD

All of your Board are present online for this meeting. As I mention them, you should see them on the screen. We have:

- Hannah Hamling
- Andy Lark
- James Miller
- Keith Smith, who chairs our Risk Assurance and Audit Committee
- Scott St John, who chairs our People and Performance Committee
- Patrick Strange
- Mike Taitoko, who is today seeking re-election, and finally
- Dennis Barnes who joined us this September following an extensive review and recruitment process.

Dennis' appointment will fill the vacancy left by Keith Smith, who will step down at the end of this meeting after 12 years as a director, including over 10 years as Chair of our Risk Assurance and Audit Committee. I would like to thank Keith for his significant contribution to Mercury during his tenure – the broad experience and skills he has brought have been invaluable. Following Keith's retirement, James Miller will chair the Risk Assurance and Audit Committee.

I am also very pleased to introduce Kim Gordon, our fourth "future director" under the Future Directors programme established by the Institute of Directors to expand the pool for governance roles in New Zealand businesses. Kim contributes to discussions and debates but is not involved in Board decision-making. Kim is based in Auckland and is a technology consulting partner with law firm MinterEllison. We welcome Kim to Mercury and know that she has much to contribute to our board.

I encourage you to familiarise yourselves with your directors' professional experience and skills, which are outlined in the corporate governance section of our Annual Report and on Mercury's website.
In addition, we are joined online by our:

- Chief Executive, Vince Hawksworth.
- Chief Financial Officer, William Meek, and
- Company Secretary, Howard Thomas, from whom you have already heard.

Also present are representatives of our auditors, Ernst & Young, representatives of our legal advisors, Chapman Tripp and all members of Mercury's Executive Team – including our two newest members, Craig Neustroski, GM Customer; and Stew Hamilton, GM Generation. Welcome both.

Moving, now to some highlights of our financial performance over the past financial year.

For personal use only

For personal use only

SLIDE 7: FINANCIAL OVERVIEW

The Board was very pleased to announce a final ordinary dividend of 10.2 cents per share, fully imputed. This lifted our total FY21 ordinary dividend to 17 cents per share, and was the 13th year of sustainable, reliable increases to your ordinary dividend.

Our earnings or EBITDAF for FY21 was $463m, which was $27 million lower than the previous year, and Vince will talk to some of the reasons behind that later. For the eighth consecutive year, our operational costs remained broadly flat, a credit to the efficiency and productivity of our Mercury team.

Looking forward, our FY22 earnings guidance has been set at $590 million, and dividend guidance is 20 cents per share, up 17.6% on last year. Our guidance reflects the significant investments made to set Mercury up for the future, which Vince will speak to shortly.

SLIDE 8: CLIMATE CHANGE

Every day that passes brings another tangible demonstration of the devastating impacts of climate change.

The UN Climate Report released earlier this year indicated that some warming is already locked in and found that severe weather events that have occurred worldwide in the past few years are linked to climate change.

The report outlined that immediate, rapid and large-scale reductions in emissions are necessary. New Zealand has committed to net zero carbon emissions by 2050, and renewable energy sits squarely in the centre of that goal. This Government has said climate change is “one of the greatest challenges of our time”. That is true. But we seem to be making it more of a challenge than it should be.

As we work through proposed RMA reforms, we see a very real risk that any renewable energy project of size will struggle to ever get off the ground, if unworkable environmental limits are imposed.

We need to protect the environment. And we need strong national policy direction that acknowledges this is exactly what decarbonisation does. Time is rapidly running out. Climate change, and decarbonisation, must be treated as a priority in the new legislation, given the inextricable link to our wider world.

Future decisions should account for the climate change benefits of renewable energy projects and enable offsets or compensation for other environmental effects as we chase the big decarbonisation goal. The RMA reforms could be an opportunity to practically address New Zealand’s response to climate change. It should not be a barrier.

SLIDE 9: THE ELECTRICITY MARKET

Low-emissions electricity underpins virtually every other sector’s emission reduction plans and is therefore critical to achieving our net zero carbon objectives. However the transition to net zero carbon must be fair. Electricity must be affordable and the lights must stay on. Fortunately, we are starting from a relatively strong position in New Zealand.

I acknowledge the recent challenges experienced by some industrial customers and electricity retailers as a second dry year in succession, and constrained gas supply, has led to some high wholesale prices in both the spot and contracts markets. While most retailers have adopted hedging strategies that cushioned the impact, we also understand the difficulties some are facing. Mercury has and will continue to actively work with our commercial and industrial customers seeking electricity contracts.

However, it's important to recognise that the market structure we operate within has delivered strong results, consistently, over many years.

New Zealanders benefit from:

- One of the most reliable supplies of electricity - the second most secure in the OECD.
- Some of the greenest electricity in the OECD at around 80% renewable. It's worth comparing that with Australia, for example, which sits at around 25% renewable.
- And our electricity is among the most affordable – New Zealand ranks in the lowest third of the OECD.

These results have all been delivered while competition has remained high. There are more than 40 retail brands for customers to choose from, and almost one in five customers change their electricity supplier every year. It's very competitive – much more so than other sectors.

Given these results – which are enviable compared to most other countries – it is perhaps unfortunate that a handful of voices are calling loudly for radical upheaval of the market. One of the biggest risks facing the sector is the risk of a political response to these calls resulting in regulatory intervention with unintended consequences.

We need to be very clear. In the context of the investment the Climate Change Commission believes is needed to achieve net zero carbon, one new windfarm must be built every nine months between now and 2050. That's an extraordinary amount of investment, requiring stable policy settings which support the end objectives.

Any proposal to change market structure should be well thought through and soundly based. Given what is at stake it is not the time for an experimental reset, especially when the current structure has delivered such strong results.

SLIDE 10: INVESTING IN THE FUTURE

Turning now to investment.

Over the past 20 years there has been significant investment in new renewable generation, with Mercury spending over $1.4billion on our geothermal assets alone. Much of this has been through joint ventures with Iwi land trusts.

Similarly, suggesting hydro generation is 'free water' is simply not true. The dams require constant work and major capital investment. Mercury has invested $300 million in our Waikato hydro assets over the past decade. This investment both maintains and enhances our dams and power stations – an extra 50GWh has been gained, enough to power 30,000 electric vehicles each year.

For personal use only

Looking forward, more than $1.5billion is already committed by companies like Mercury, including our Turitea windfarm which will be New Zealand's largest. The new generation already being built means more than 90% of electricity in New Zealand will be from renewable sources by 2025.

And that's just the start. As I mentioned, the equivalent of one windfarm every nine months will be required until 2050. There is a bright future, with windfarms, geothermal and some solar complementing New Zealand's backbone of hydro generation.

Mercury is committed to playing a leading role in New Zealand's decarbonisation. I encourage our policy makers to focus on how they can continue to ensure a market structure that incentivises the investment New Zealand needs, and which is essential to our country's response to climate change, in a way that keeps electricity affordable and secure.

As shareholders you can be proud of your involvement in Mercury. We are investing to transition to a lower carbon New Zealand for our children and grandchildren. Your support today is vital to leaving them with a world of opportunity and hope that they can enjoy tomorrow.

Nga mihi nui, and I will now hand over to our Chief Executive, Vince Hawksworth.

[ADDRESS BY THE CHIEF EXECUTIVE: VINCE HAWKSWORTH]

CHIEF EXECUTIVE'S ADDRESS

SLIDE 11 – CHIEF EXECUTIVE'S REPORT

Thank you Chair.

Kia ora tatou katoa.

This is my second 'virtual' ASM since I joined Mercury as Chief Executive in March 2020. I am disappointed that for a second year I won't be able to meet you, our shareholders in person and share those informal conversations over a cup of tea. However, I have heard feedback from some of those who joined us online for last year's meeting that this format made it easier for them to attend. I would like to add my welcome to everyone and thank you for joining us.

Prue has spoken to you about the world we find ourselves in, the challenges of climate change and energy market volatility. I'm going to talk about our business this year, in particular the ways we have set out to be "thriving today" and "shaping tomorrow" in what was a challenging year for us in terms of generating renewable electricity, and a tough year for many due to COVID.

SLIDE 12 – THE YEAR IN REVIEW

At our hydro power stations: it was the second consecutive year of low rainfall across the Waikato catchment, and we can only work with the rain that falls. Despite the best efforts of the team who manage river flows to our hydro power stations there was a significant decrease in hydro generation year on year.

For personal use only

In geothermal: a fault put our Kawerau geothermal power station out of action during a period of high demand and high prices, this loss of production also resulting in a loss in revenue. I must acknowledge the commitment and experience of the teams involved who mobilised to get the station back up and running quickly and safely, and those who supported them.

In the market, the past year was characterised by high wholesale prices, mostly as a result of low lake inflows and constrained gas supply. While this has not impacted most household bills, it has challenged industrial energy users and some businesses retailing electricity as Prue has noted.

Of course, to be able to sell it, you have to first generate it, and that lack of rain I mentioned earlier meant that Mercury was low on generation while prices have been high. That is reflected in our earnings, which are down from last year.

SLIDE 13 – THRIVING TODAY

Let's take a look at some of the recent investment we are making in our power stations so that – weather notwithstanding for our hydro – they continue to work hard for New Zealanders now and into the future:

- The seven-year, $75m upgrade of Karāpiro power station (currently scheduled for completion in 2025) will increase overall peak station capacity by 17% (enough to power approximately 19,000 homes);
- $24m was invested in Rotokawa and Nga Awa Purua geothermal power stations to add renewable power output to each station while preserving the longevity of the field.

At these projects and with the ongoing construction of the Turitea Wind Farm, despite the various lockdowns creating challenging working conditions for on-site teams, I am very pleased to say that there were no serious harm injuries during FY21. The Total Recordable Incident Frequency measure dropped significantly to 0.64 from 1.26 at the end of FY20. This speaks to the strong and growing safety culture within Mercury teams, and their commitment to keep themselves and each other safe to return home at the end of the day.

Turning now to our retail business. We continue to navigate a very competitive market, with our competitors – including smaller independents – fighting hard for customers. Our total customer numbers fell by 20,000 for the year to June. The competitive nature of the retail market has, I believe, driven significant innovation across the sector in terms of how we serve our customers – the bundling of products is one example of the evolution of our sector, directly in response to greater competition.

To this end, I would like to give credit to our dedicated customer team who have continued to think outside the box and really hone in on customer-focussed propositions. Our recent Moves campaign – focussed on supporting customers moving homes – has been a great example of this. That campaign contributed to our best customer acquisition and retention performance since December 2017.

We believe competition will only intensify. Internationally, traditional retail energy providers are staring down the changing face of competition as new entrants come into play – telcos, global tech giants, oil companies. It's something we have started to see here in New Zealand with the entry of Z Energy and overseas participants into the retail electricity space. In order to compete, we need to remain ahead of

For personal use only

the game by deepening our connections to our customers through digital innovation, better use of data and importantly maximising our value to customers beyond just a single product. More on that later.

We also remain focused on improvements that better support our customers. Over the year we launched a customer care hub, built on our community engagement and deepened understanding of those customers experiencing hardship. This work continues over a decade of focussed effort by a team of dedicated individuals at Mercury, alongside our stakeholders in the community.

We are pleased with the progress of our company-wide programme to support continuous improvement, aptly named Thrive. We continue to see teams setting aspirational goals and applying a critical lens to improve and align our resources with those aspirations.

A good example of this is the Digital River, a digital simulation of the Waikato River and our hydro stations, that models generation scenarios to help maximise efficiency and value to the company. Its value has already been proven in gains at our Aratiatia power station, on the Waikato Hydro System.

We also recognise that for Mercury to thrive today and into the future, our culture needs to evolve to support new ways of working. To this end, Mercury has begun a culture change programme called Whakapuāwai (meaning 'to thrive or evolve') to create a culture that embraces learning, challenges mindsets, lifts capability and celebrates curiosity.

Each of these examples demonstrates an openness to new ideas. Recognising the vital importance of this outlook to a growing, evolving company.

SLIDE 14 – SHAPING TOMORROW

This year we have made acquisitions that will shape our future as a company.

In June we entered into a conditional binding agreement to acquire Trustpower's retail business. This is a significant opportunity for Mercury and our customers. The scale that we gain will accelerate our ability to deliver the right product mix and value for customers, with the combined business providing about 780,000 connections across energy and telco. If completed, this transaction positions us well for a future in which Mercury is able to continue to add meaningful value for our customers, and Mercury.

In August we acquired five wind farms, and a pipeline of development options from Tilt Renewables, adding over 1,100GWh to our annual generation and making us one of New Zealand's largest wind power companies. Wind power is a natural complement for the Waikato Hydro System, that can be managed to respond to the fluctuations in wind output. This efficient use of our portfolio will enable further decarbonisation of New Zealand's electricity generation.

Meanwhile, a key point of progress was celebrated at the Turitea Wind Farm last month when power was generated for the first time. We look forward to the completion of the northern section in the last quarter of 2021, with final project completion for the more challenging southern end of the site currently scheduled for mid 2023.

For personal use only

SLIDE 15 – ROADMAP TO 2050

This new wind farm, and others in the pipeline from Mercury and our peers, will contribute to the goal of net zero carbon emissions by 2050.

Bold thinking and fast action is required to transition from carbon emissions and fossil fuels.

Huge investment is also required, which is why the sector's $1.5bn commitment so far is so important. This alone will lift New Zealand to over 90% renewable by 2025.

Mercury is working carefully to build our pipeline of new renewables and support those who have fossil fuel plants to exit that plant in an orderly way. We believe that with transparent business practices it is possible to be competitors but also business partners, in building new renewable generation to decarbonise the New Zealand economy. Genesis has signed a 20-year commitment to support the construction of Mercury's Kaiwaikawe Wind Farm, near Dargaville, and they have a similar arrangement for output from our Waipipi wind farm in Taranaki.

As we plan, invest, innovate and partner to grow NZ's carbon-free future, what we need as a business and for you, who have invested in us, is certainty. As Prue said earlier, certainty and stability around regulation and market structures, policy makers focused on creating an environment that supports investment.

It is essential that policy, the market and all its participants continue to support the world leading performance of the New Zealand electricity market; ensuring that we achieve our environmental goals, keep the lights on for New Zealanders and all of this at the least-cost for consumers.

We are aware of the challenges facing New Zealand, and pivotal role that the energy sector must play in moving meaningfully towards decarbonisation of the economy by 2050.

Mercury has grown significantly this year, with the acquisition of Tilt Renewables' NZ assets and pipeline and the conditional binding agreement to acquire Trustpower's retail operations.

We have also grown in our outlook, our appetite for innovation. We are focused on strong partnerships across the industry and beyond. Care for our customers remains the heartbeat of who we are.

I am tremendously proud of our people, and their commitment and drive.

Thank you for your attention.

Nga mihi nui.

I will now hand you back to Prue.

For personal use only

MERCURY NZ LTD ANNUAL SHAREHOLDERS' MEETING.

23 SEPTEMBER 2021

PRUE FLACKS
Chair

VINCE HAWKSWORTH
Chief Executive

For personal use only

DISCLAIMER.

This presentation has been prepared by Mercury NZ Limited and its group of companies ("Company") for informational purposes. This disclaimer applies to this document and the verbal or written comments of any person presenting it.

Information in this presentation has been prepared by the Company with due care and attention. However, neither the Company nor any of its directors, employees, shareholders nor any other person gives any warranties or representations (express or implied) as to the accuracy or completeness of this information. To the maximum extent permitted by law, none of the Company, its directors, employees, shareholders or any other person shall have any liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it.

This presentation may contain projections or forward-looking statements regarding a variety of items. Such projections or forward-looking statements are based on current expectations, estimates and assumptions and are subject to a number of risks, and uncertainties, including material adverse events, significant one-off expenses and other unforeseeable circumstances, such as, without limitation, hydrological conditions. There is no assurance that results contemplated in any of these projections and forward-looking statements will be realised, nor is there any assurance that the expectations, estimates and assumptions underpinning those projections or forward-looking statements are reasonable. Actual results may differ materially from those projected in this presentation. No person is under any obligation to update this presentation at any time after its release or to provide you with further information about the Company.

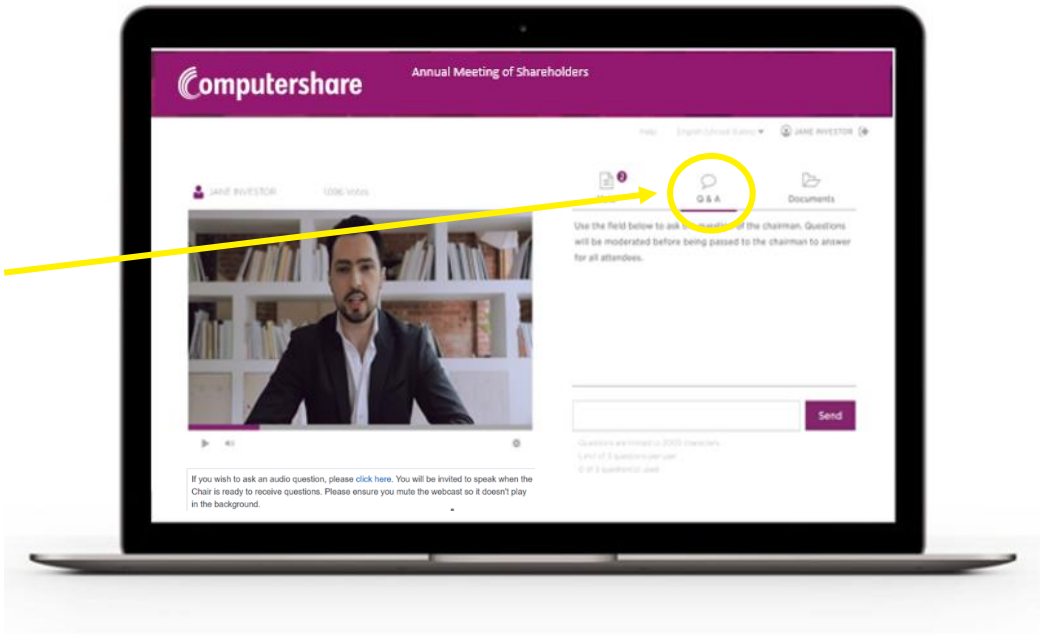
A number of non-GAAP financial measures are used in this presentation, which are outlined in the appendix of the presentation. You should not consider any of these in isolation from, or as a substitute for, the information provided in the audited consolidated financial statements for the year ended 30 June 2021, which are available at www.mercury.co.nz/investors.

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation. The presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any security and may not be relied upon in connection with the purchase or sale of any security. Nothing in this presentation constitutes legal, financial, tax or other advice.

ersonal use only

HOW TO PARTICIPATE IN OUR VIRTUAL MEETING (Q&A).

Shareholder & Proxyholder Q&A Participation



Written Questions

> Questions may be submitted ahead of the meeting.

> If you have a question to submit during the live meeting, please select the 'Q&A' tab on the right half of your screen at anytime.

> Type your question into the field and press submit. Your question will be immediately submitted.

Help

> The Q&A tab can also be used for immediate help. If you need assistance, please submit your query in the same manner as typing a question and a Computershare representative will respond to you directly.

ersonal use only

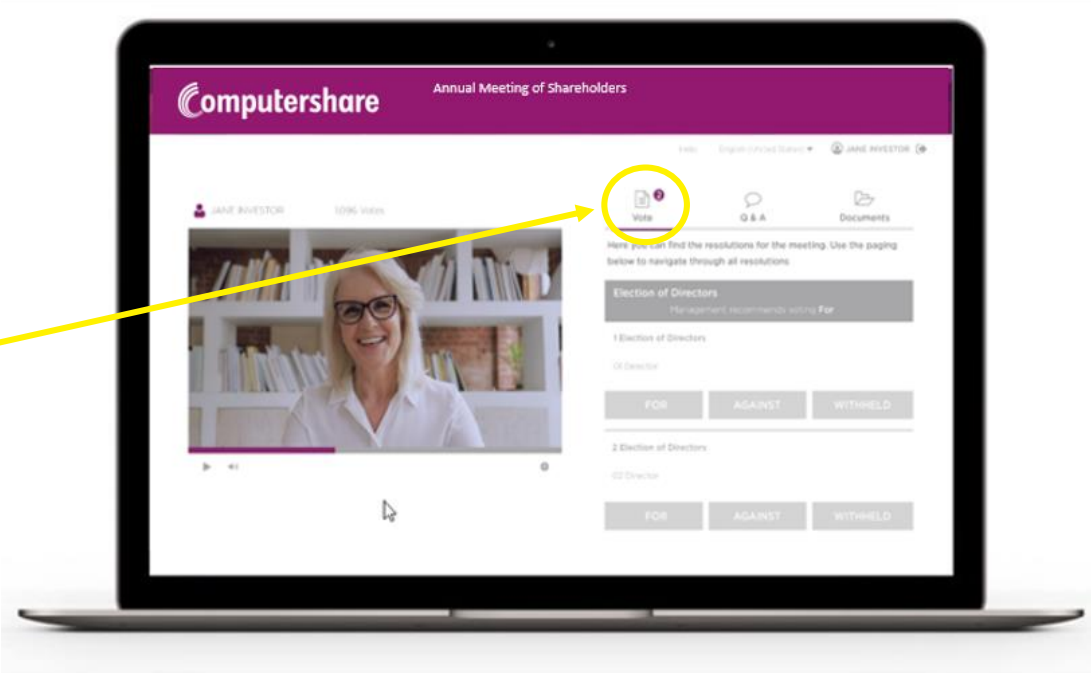
HOW TO PARTICIPATE IN OUR VIRTUAL MEETING (VOTING).

Shareholder & Proxyholder Voting

> Once the voting has been opened, the resolutions and voting options will allow voting.

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

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



ersonal use only

CHAIR'S ADDRESS.

ersonal use only

AGENDA.

- Chair's address
- Chief Executive's address
- Resolutions and voting
- Other business and questions

ersonal use only

YOUR BOARD.



> PRUE FLACKS
CHAIR



> HANNAH HAMLING
DIRECTOR



> ANDY LARK
DIRECTOR



> JAMES MILLER
DIRECTOR



> KEITH SMITH
DIRECTOR



> SCOTT ST JOHN
DIRECTOR



> PATRICK STRANGE
DIRECTOR



> MIKE TAITOKO
DIRECTOR



> DENNIS BARNES
DIRECTOR



> KIM GORDON
FUTURE DIRECTOR

ersonal use only

FINANCIAL OVERVIEW.

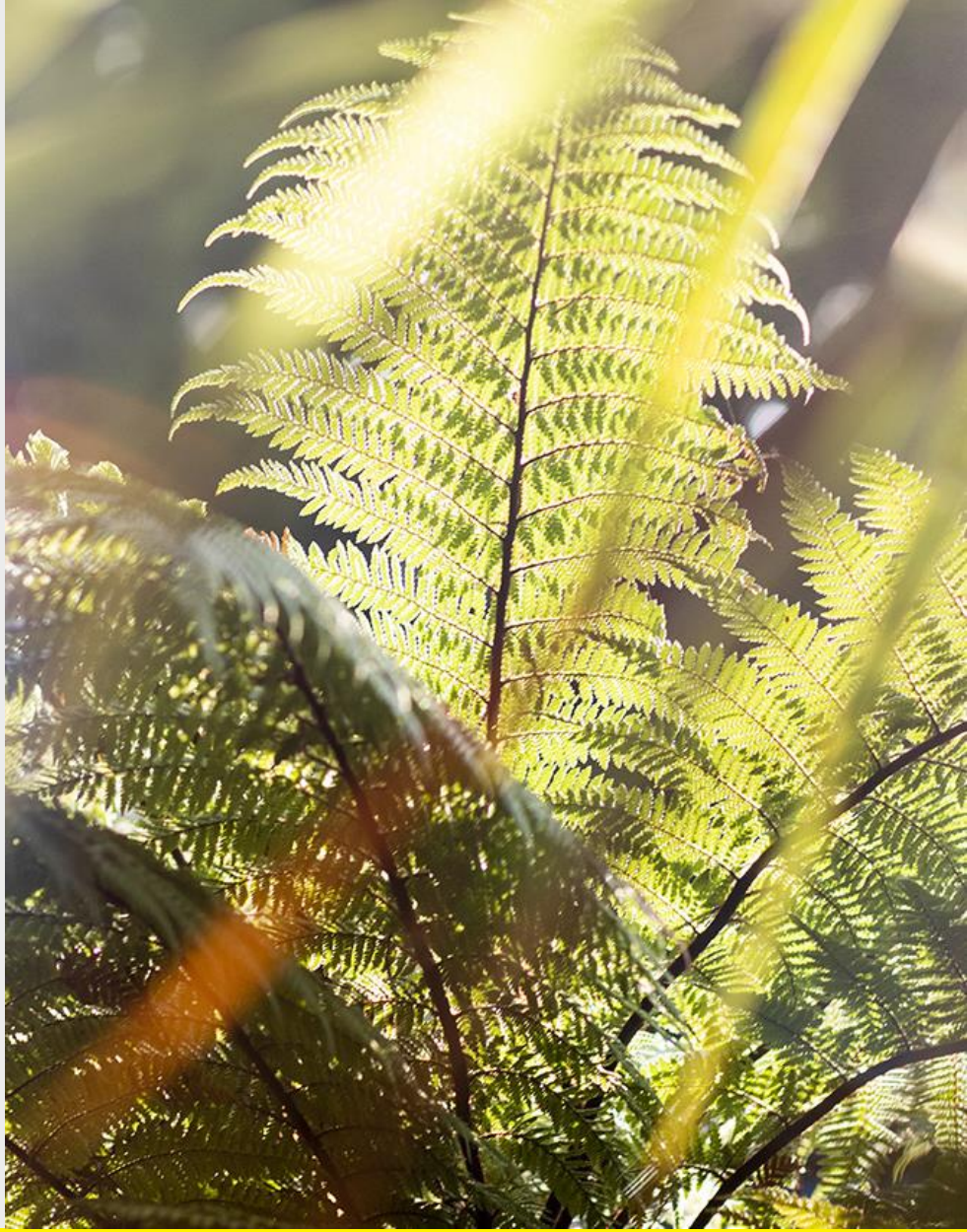
- Final ordinary dividend of 10.2cps
  - Total FY21 ordinary dividend of 17cps
- 13th consecutive year of increased ordinary dividend
- FY2021 EBITDAF of $463m, $27m lower than FY2020
- FY2022 EBITDAF guidance of $590m, dividend guidance of 20.0cps



ersonal use only

CLIMATE CHANGE.

- Aotearoa New Zealand has committed to net zero carbon emissions by 2050
- Renewable electricity enables New Zealand's decarbonisation
- Policy needs to support renewable energy projects



ersonal use only

THE ELECTRICITY MARKET.

Aotearoa New Zealand has:

- One of the most reliable supplies of electricity
- Generated from ~80% renewable sources
- Among the cheapest third of the OECD



ersonal use only

INVESTING IN THE FUTURE.

- Mercury has spent over $1.4b on our geothermal assets over the past 20 years
- $300m has been invested in the Waikato hydro assets over the past decade
- More than $1.5b has been committed by companies like Mercury to build new generation



ersonal use only

ersonal use only

CHIEF EXECUTIVE'S REPORT.

THE YEAR IN REVIEW.

» Hydro generation down

> Due to the second consecutive year of low rainfall in the Waikato catchment

» Kawerau geothermal fault

> Damage repaired and returned to service in 42 days

» High wholesale prices

> Due to low hydro inflows and gas supply constraints



ersonal use only

THRIVING TODAY.

- Continued to invest in our hydro and geothermal power stations
- No serious harm injuries with TRIFR down to 0.64
- Customer numbers down 20,000 in competitive retail market
  - Recent ‘Move with Mercury’ campaign proving successful



ersonal use only

SHAPING TOMORROW.

- Conditional binding agreement to acquire Trustpower's retail business
- Acquired five wind farms and a development pipeline from Tilt Renewables
- First power generated at Turitea wind farm



ersonal use only

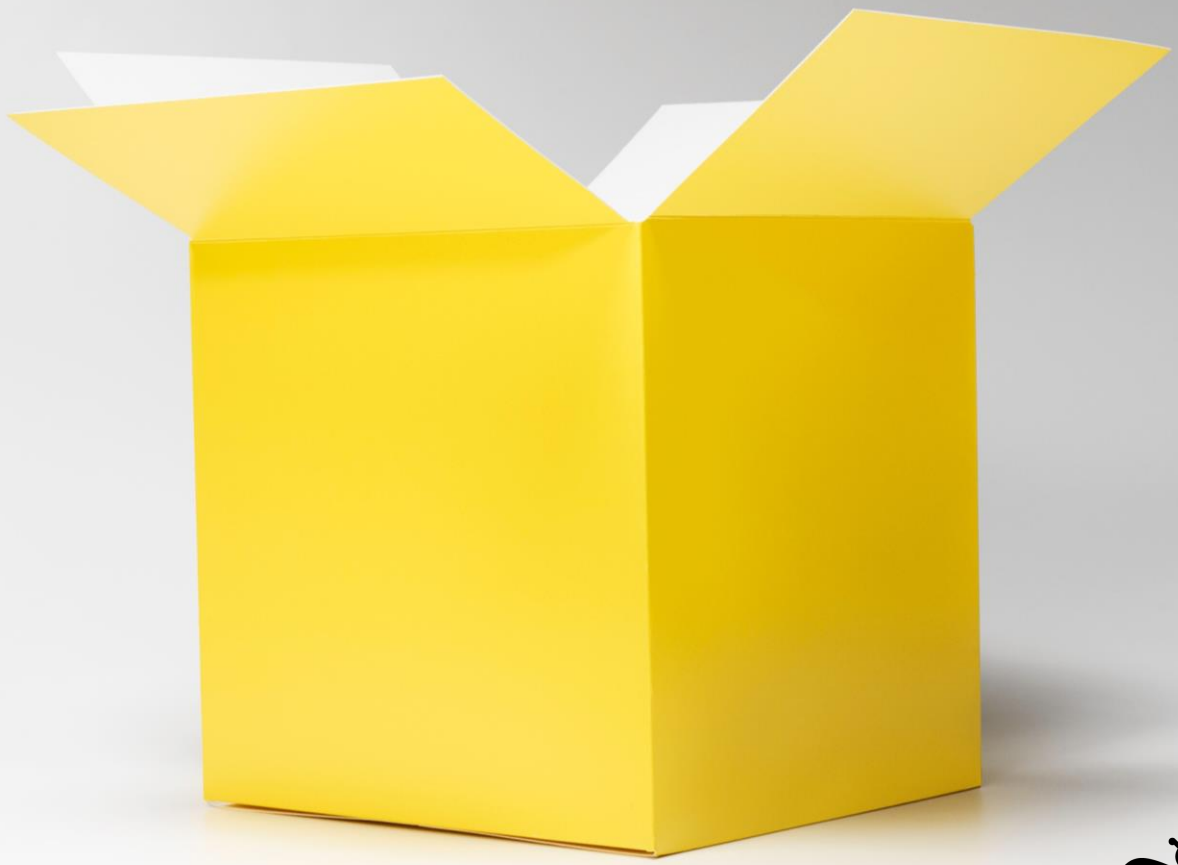
ROADMAP TO 2050.

- Bold thinking and fast action is required to transition from carbon emissions and fossil fuels
- Mercury is working carefully to build our pipeline of renewables and support the exit of fossil fuel plants
- Essential that policy, the market and all participants continue to support our world-leading performance



ersonal use only

VOTING.



Personal use only

RESOLUTION 1.

> Election of Dennis Barnes



ersonal use only

RESOLUTION 2.

> Re-election of Prue Flacks



ersonal use only

RESOLUTION 3.

> Re-election of Mike Taitoko



ersonal use only

Q&A: DIRECTOR APPOINTMENTS.



ersonal use only

RESOLUTION 4.

> Directors' Fees



ersonal use only

Q&A: DIRECTORS' FEES.



ersonal use only

Q&A: GENERAL BUSINESS.



ersonal use only

ersonal use only



FOR FURTHER INFORMATION > **TIM THOMPSON | HEAD OF TREASURY & INVESTOR RELATIONS T. +64 275 173 470 E. INVESTOR@MERCURY.CO.NZ**