



STOCK EXCHANGE LISTINGS: NEW ZEALAND (MCY) / AUSTRALIA (MCY)

## NEWS RELEASE

# **MERCURY NZ LIMITED – 2019 ANNUAL SHAREHOLDERS' MEETING**

27 September 2019

The attached presentations will be given at Mercury NZ Limited's Annual Shareholders' Meeting starting at 10:00am today at Eden Park, Kingsland, Auckland.

- > 2019 Annual Shareholders' Meeting – Chair and Chief Executive Address and successor Chair speech
- > 2019 Annual Shareholders' Meeting – Presentation

**ENDS**

### **For further information:**

Media – Craig Dowling 0272 105 337  
Investors – Tim Thompson 0275 173 470

## **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](http://www.mercury.co.nz)



## Mercury – 2019 Annual Shareholders' Meeting

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**Where:** EDEN PARK, AUCKLAND

**When:** 10.00am, 27 September 2019

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### [SLIDE 3: ADDRESS BY THE CHAIR, JOAN WITHERS]

Kia ora koutou katoa.

Haere mai ki tenei hui motuhake.

Good morning ladies and gentlemen and thank you for joining us.

My name is Joan Withers and I am Chair of Mercury NZ Limited.

On behalf of your directors, the Chief Executive, our leadership team and all of our people at Mercury... a very warm welcome to those of you able to be here today.

I also extend a warm welcome to those owners who are following this meeting online via our webcast.

I appreciate that you have taken the time to join us on the occasion of this, our 2019 Annual Shareholders' Meeting, and my final ASM as Chair of Mercury.

We value this opportunity to interact with you, our owners, and we appreciate your engagement.

We are here today to report on our progress in delivering on Mercury's strategy and of course to conduct the necessary governance business of the Board.

With that context, I am pleased to confirm that we have a quorum represented here today and therefore declare the 2019 Annual Shareholders' Meeting of Mercury NZ Limited open.

#### **[SLIDE 4: AGENDA]**

Outlining our agenda for today...

I'll first introduce you briefly to your Board, and discuss Board composition, including introducing you to your incoming Chair, Prue Flacks.

I'll reflect on my time with this wonderful company.

Then I will summarise our share price performance and dividends, as well as our EBITDAF guidance, before taking you through some of our highlights from the past year.

I'll then hand you over to Fraser.

Fraser will update you on our business initiatives and the operating environment.

As he does so well, he will further bring to life Mercury's integrated approach to creating sustainable value as well as our company's alignment with critically important long-term national outcomes.

In terms of the formal business, we have two resolutions to put to the meeting.

We will cover each resolution in turn and invite questions specific to those items.

It will then be time to vote on our resolutions.

I will outline the process for the discussion and voting on the resolutions at that point in the agenda.



After the resolutions are presented and voted on, we will take questions from you on our financial and operational performance or other questions relating to the company.

At the conclusion of question time, there will be an opportunity to hear briefly from Prue.

Then, at the close of the meeting, we hope you will join us for a late morning tea.

This time also provides an opportunity for us to hear more from you, our owners, and for us to provide some more detail about the things we are doing to take us towards our mission of Energy Freedom.

Now for the introductions:

### **[SLIDE 5: YOUR BOARD]**

With me on stage today are Mercury's:

- Chief Executive, Fraser Whineray;
- Chief Financial Officer, William Meek; and
- our Company Secretary, Howard Thomas.

Also with me on stage is your Board.

As I introduce them, could I ask each Board member to identify themselves for our audience:

- Prue Flacks, who chairs our People and Performance Committee.
- Andy Lark, who joined the Board in 2014.
- James Miller, who joined in 2012 in the lead-up to our IPO.
- Keith Smith, who chairs our Risk Assurance and Audit Committee and joined as a director in May 2009.
- Scott St John, who joined Mercury's Board in 2017.
- Patrick Strange, who joined the Board in 2014.



- While introducing Patrick, I will embarrass him slightly by noting that he was the recipient of the Editor's Award at this year's Deloitte Energy Excellence Awards.
  - This was an honour bestowed on Patrick for his outstanding, significant and long term contribution to the New Zealand energy sector.
  - It was well deserved recognition, that also reinforces the value Patrick brings to Mercury.
  - Sincere congratulations Patrick
- And Mike Taitoko, who joined the Board in 2015.

I encourage you to familiarise yourselves with your Directors' professional experience and skills, which are outlined variously in our Annual Report's corporate governance section and on Mercury's website.

- It is a pleasure finally to also introduce Anna Lissaman - our *Future Director*.
  - In line with the parameters of the Future Directors programme, which are aimed at developing New Zealand's next generation of governance leaders, Anna contributes to our discussions and debates, but is not involved in Board decision-making.
  - Anna joined us for an 18-month period that will conclude at the end of this calendar year. We have been enjoying and benefiting from her contribution.

This is a big day for me, as it is my last as Chair, after a decade with what was first Mighty River Power, and more recently Mercury.

I announced at the 2016 Annual Shareholders' Meeting that I would not be seeking re-election beyond the current term which ends today with this ASM.

I will state now, and unequivocally, that it has been an honour to serve you, and I will reflect a little more on that shortly.

Before that, I am delighted to restate that, following a rigorous process, your Board confirmed earlier this year that Prue Flacks would replace me as Chair.

Prue has been an outstanding contributor to the Mercury Board since joining in 2010.



She chaired the Due Diligence Committee at the time of our Initial Public Offering (IPO) in 2013 and has, in recent years, chaired the People and Performance Committee. Her previous professional experience as a leading commercial lawyer has been invaluable to the company.

With Prue's knowledge of the business, her ongoing contribution in key areas, her extensive governance experience and the support of existing Board members, I am confident that with Prue as Chair the future of Mercury is positioned well to continue to deliver to the expectations of its many and varied stakeholders.

I have thoroughly enjoyed working with Prue. She is a multi-talented and very astute business leader who I know is ready, willing and able to take this business forward on your behalf.

I note here, that with my stepping down from the Board, there is an opportunity for a new Board member to be appointed and that work is in progress.

#### **[SLIDE 6: REFLECTIONS ON A DECADE WITH MERCURY]**

As I leave the role, and look back over my 10 years as Chair, I am delighted that we have successfully evolved from an SOE into one of New Zealand's largest listed companies – and have doubled the market capitalisation of the business since our IPO six years ago.

We are able to attract the very best directors to our board, and our Chief Executive, who was an internal appointee, has become one of NZ's most talented and highly regarded leaders.

We continue to pay close attention to our responsibility to our precious assets, the environment, and the health and safety of our people and contractors.

We enjoy productive, respectful and harmonious relationships with our partners.

Our team members are highly engaged, our customers are enjoying energy in more wonderful ways and, for our shareholders, as well as growing the value of our company we have delivered consistent growth in our ordinary dividend stream.



In reflecting back over the last 10 years, the IPO was an obvious highlight and being at NZX in Wellington as a company lists on the stock exchange is a rare privilege.

But the most powerful memories will be of the opening of our geothermal stations at Nga Awa Purua with around 400 of our Tauhara North No2 Trust partners in attendance, and later Ngatamariki.

I am handing over to Prue who will take the business forward and who has the full support of the board and the entire company.

So it's the right time to move on, but my time at Mercury will always hold a special place in my career reflections.

## **[SLIDE 7: PERFORMANCE OVERVIEW]**

Moving now to the year in review.

As outlined in our Annual Report, and as reflected in our returns to shareholders, Mercury had another strong year in FY2019.

Reflecting on our underlying performance; Mercury's achievements in managing unfavourable hydrology during the financial year, and the bold and carefully considered moves we have executed are all indicators that the company is positioned well for growth in a dynamic market.

Operating earnings (or our EBITDAF), of \$505 million, were down 11%, impacted by the early wet weather across the Waikato catchment giving way to an acutely dry period from September last year.

Annual hydro generation of 4,006 GWh was in line with the company's long-term average, and was 941 GWh down on the record established last year.

Annual geothermal generation set a record, reaching 2,896 GWh, coinciding with record high annual spot prices, caused in part by gas supply and thermal generation constraints from October 2018.



Mercury reduced discounted retail acquisition activity, and focused on customer value and loyalty, as retail margins contracted with elevated spot prices and ongoing high levels of retail competition.

Our record bottom line profit, so that's our Net Profit after Tax, of \$357 million was up \$123 million on the prior year's record, as the company benefited from the gain on sale of our Metrix smart metering business and also from lower interest costs as historic hedges matured.

## **[SLIDE 8: SHAREHOLDER RETURNS]**

Total shareholder returns – or TSR – for the financial year, of 42.5%, included significant share price appreciation, which valued the company at \$6.3 billion at financial year end, compared with \$4.6 billion at the same time last year.

Our FY2019 dividend of 15.5 cents per share, fully imputed, made this the 11th year of ordinary dividend growth.

That represents \$211 million in total ordinary dividends this year.

The momentum we are enjoying, assisted by the market's flight to stocks offering sustainable yield, is supported by the clarity of our strategy and a track record of executing well on what we say we will do.

That position informs expectation of a continuation of the trend through FY2020, and beyond.

Now to our guidance for the current financial year

## **[SLIDE 9: EBITDAF AND DIVIDEND GUIDANCE]**

Mercury's earnings – or EBITDAF – guidance, for this financial year 2020, is \$485 million – based on forecast mean hydro and geothermal generation.

This guidance is subject to any material events, significant one-off expenses or other unforeseeable circumstances including hydrological conditions.





FY2020 ordinary dividend guidance has been issued at 15.8 cents per share, a 2% increase on FY2019.

Mercury will continue to provide updates of its mid-point estimate of full-year hydro generation with its quarterly operating statistics.

#### **[SLIDE 10: BALANCED APPROACH]**

We focus on what matters most, and balance the interests of all our stakeholders. Our strategic goals will only be achieved if what Mercury does each year is most important to the balanced interests of all our stakeholders over the long term.

Fundamental to the Board's assessment of priorities is understanding risk and opportunity and determining how best we can add value across the pillars of our business: customer, partnerships, kaitiakitanga, people and commercial.

Management and your Board have agreed three-year targets across the pillars of our business. These are linked to key performance indicators to measure our success and progress. They connect to our overarching mission and purpose and they will guide Mercury towards its 10-year goals.

This structure, and our approach, is outlined in our Annual Report which is available online.

#### **[SLIDE 11: CAPITAL MANAGEMENT]**

In terms of capital management, we concluded a successful placement for \$300 million of subordinated capital bonds, allocated to New Zealand retail and institutional investors.

The interest rate was struck at 3.60% per annum, with bonds issued on 11 July. This has enabled Mercury to redeem our existing subordinated capital bonds.

Your Board carefully considers the capital structure of the company, and our capital management initiatives support Mercury's investment-grade credit rating (BBB+), which was reaffirmed by S&P Global Ratings in December 2018.



We have been very considered and consistent with our capital and balance sheet management, and our dividend policy, which is why we are now strongly positioned for sustainable earnings growth.

## **[SLIDE 12: PATH FOR GROWTH]**

That growth will only occur if we are able to capitalise on value-enhancing investment opportunities.

Mercury's strategy of pursuing growth opportunities is important for securing its ultra-long-term success and, also, for New Zealand.

As a Board, we understand there is an alternative option to focus predominantly on yield but we believe, on behalf of our owners, that the appropriate strategy for Mercury at this time is to be an active part of New Zealand's drive for increased renewable energy output, and to continue to reinvest in plant and systems across our entire business.

This approach supports a growing economy overall, while helping to meet the imperative of reducing carbon emissions and supporting New Zealand's energy security.

A considered approach to growth through renewable energy generation will also strengthen Mercury's ability to enhance the value of your capital into the future.

With that focus, it has been a big year again for Mercury.

## **[SLIDE 13: MILESTONES]**

In FY2019, Mercury advanced its relationship with Tilt Renewables Limited.

Fraser was recently appointed a director of Tilt's Board and we have benefitted from strength in Tilt Renewables' share price and our share of Tilt's own renewable energy growth path.

The value of our stake as at 30 June 2019 was 18% above our total investment. It has increased further since then.



In terms of recycling capital, Mercury concluded the sale of the Metrix smart-metering business in March 2019 for a cash consideration of \$272 million.

After previously exploring smart-metering opportunities in Australia, the decision to sell Metrix released capital and resources for other growth opportunities and helped simplify our business.

Mercury confirmed a \$75m investment in securing and enhancing the operating future of the Karapiro hydro station, part of our multi-year programme of work demonstrating guardianship of New Zealand's Waikato hydro system.

Your Board also approved the decision to construct our first wind farm, at Turitea near Palmerston North, with a cost estimate of \$256 million.

Fraser will talk more about this significant milestone.

#### **[SLIDE 14: LEADERSHIP]**

I want to talk a little about leadership.

As well as delivering strong financial results, Mercury continues to play a broader role in support of its customers, communities and the country that distinguishes the business in a highly competitive market.

During the year Mercury actively contributed to Government processes looking at water management; electricity pricing; and climate change.

We received external recognition, winning awards for our annual reporting, for the work of the wonderful people in our contact centre and for the new premises in Newmarket, Auckland, where we have been able to bring our people together, exploring new ways of working and collaborating.

Executing strongly doesn't just happen by accident or good fortune.

The management of our generation assets in all conditions is also a critical competency and requires huge effort and experience. The dedication, hard work and commitment of the people who work for Mercury is a



cornerstone of our success. I would like to acknowledge the role of Mercury's executive and wider management team for their contribution to the year's results and for their work in identifying value-accretive opportunities for growth.

## **[SLIDE 15: OUR PEOPLE AND WELLBEING]**

As I have said previously our focus on People is one of our strategic pillars.

We give considerable focus to our people, because their wellbeing, health and safety is fundamental to the sustainability of our business.

Our goal continues to be Zero Harm. We are very pleased that there were no high severity injuries in FY2019.

That is encouraging, as were the results of a new survey this year which presented some heartening results, including that 86% of our people say that they ask for help when they need it and learn from each other.

78% identified that they saw Mercury as visible and actively involved in the wellbeing of its people.

These are important signals as we face competition to retain, develop and attract talent.

## **[SLIDE 16: BOARD SKILLS AND DEVELOPMENT]**

Moving now to your Board.

We continue to be vigilant in ensuring that Mercury's Board is well-balanced with skills and experience aligned to the company's strategic priorities.

I believe your company is well served in that regard.

Again, this year, we have conducted an externally facilitated and comprehensive Board performance review. The outcome again reinforced the strong performance of the board across elements such as



capability and role, diversity, culture, strategy and planning, policy and process, performance and risk, customer and stakeholder engagement and company oversight

The Nominations Committee of your Board compiles a Board skill matrix which appears in our Annual Report and which we regularly track to ensure that the skills and experience we have around the table match the company's requirements both now and going forward.

Mercury's directors, individually and collectively, pay attention to their ongoing development, and as one of NZ's largest listed companies we work hard to contribute to the debate around improving standards of corporate governance.

#### **[SLIDE 17: ACKNOWLEDGMENTS]**

Before I hand over to Fraser, I want to thank you again for your support as owners of Mercury.

As I noted in our Annual Report, Mercury is well positioned to continue generating consistent and growing returns for our owners, along with value for our partners, our customers, our people and our communities.

Thank you also to our customers for their loyalty, and our people for their commitment and professionalism.

And finally, thank you to our business partners, advisors and to the many people and organisations sharing the mutual relationships with Mercury that drive our success.

I will now hand over to our Chief Executive, Fraser Whineray.

#### **[Slide 18: FRASER WHINERAY]**

Tenei te mihi ki a koe Joan

Kia ora tatou.



It is my pleasure to present to you, on behalf of all of the dedicated people at Mercury, my sixth ASM as Chief Executive. This is particularly the case in a year marked by significant challenges in the markets, tremendous execution on a number of projects and also the initiation of growth, to support earnings growth which enables growth in distributions to our owners.

As Joan has mentioned we have completed our 11th year of ordinary dividend growth. Whilst it sounds old-fashioned, ongoing growth should be supported by a sustainable growth in earnings, not increasing the mortgage. Mercury's way, as we have been open about, is to remain patient and focused on the long-term, in alignment with long-term owners of the company, and all of its stakeholders.

This turn to growth is undertaken in the context of a strong re-investment across all areas of the business:

- investment in the brand, reset in mid-2016;
- investment in the hydro refurbishments and upgrades, started in 2010;
- re-investment in geothermal to support reliable operation over the long-term;
- investment in process safety and High Performance Teams;
- investment in the IT systems and digital platforms, particularly over the last three years;
- investment in the office spaces for our people in Auckland, Rotorua and Maraetai, and the tools all of our people use to increase productivity, lift engagement and satisfy our customers and stakeholders;
- investment in R&D with the commissioning of the first grid connected Tesla battery, in conjunction with market rule upgrades for this technology by the Electricity Authority and Transpower;
- investment in partnerships, including for Mercury Drive (New Zealand's first EV subscription service), Starship, Taupo Coastguard and the Waikato River Trails; and
- investment in digital technologies to support our customer promises of make it easy, reward loyalty and inspire.

All of that investment whilst keeping Opex flat for the sixth year in a row.



We have simplified the business through the divestment of Metrix for \$272m. Metrix began with traditional meters in Central Auckland in 1999 and was sold as a data centric smart meter business in March this year with an ongoing contract for the supply of metering services for our Mercury and GLOBUG customers.

And in addition to that investment across all facets of the business, after starting the wind journey in 2005, we committed to our first wind farm at Turitea east of Palmerston North for an estimated \$256m in March. This is regional investment. This is renewable investment. It is the first major generation development in the country since 2014, will produce enough electricity for more than 200,000 cars, and will work wonderfully in combination with the largest peaker in the North Island, which is the Waikato Hydro Scheme. That's a scheme that can ratchet generation up or down readily to match demand.

Even better is that there is further development available at Turitea, slightly smaller in scale, but expected to have even better economics.

On top of the Turitea investment, we have actively managed our strategic 20% stake in Tilt Renewables which, since our purchase, has committed to wind farms in Victoria (Australia) and Waverley (New Zealand), and has unrealised returns of 29%.

The 2019 financial year has, in summary, been a remarkable year for execution of multi-year activity. With all of that mahi done, the best years are ahead for the consumers, the country, our partners and the company.

### **[Slide 19: FIVE PILLARS]**

At Mercury we focus on five pillars to define success over the long-term, the development of which has evolved for the company over the last four years, as outlined in page 25 of our Annual Report.

These five pillars are important. If any of these aspects are not present or are impaired in the future, then all of them will be affected in some way. All of these pillars in one sense represent forms of capital, or assets, which need to be nurtured and grown in an aligned and coordinated manner.



These same five pillars are repeated in our Annual Report on page 111, as they form the basis for the group KPIs. In this way, saying is linked to doing, and all of these are integral rather than ancillary or token gestures.

#### **[Slide 20: CUSTOMER]**

Our three customer promises are to make it easy, reward loyalty and inspire. The Mercury app, called Mercury Go, has had many releases throughout the year, providing such enhancements as making it easy to move your account as you move house.

Our headline prices for our existing customers have not lifted since April 2018 despite record spot and wholesale prices. Contracts for industrial and commercial customers are now being signed at net energy yields greater than mass market customers.

Whilst we are still acquiring thousands of customers per month, this level has reduced as we focus more on non-price attributes and in bound sales channels – we haven't been door knocking since the start of the year. As a result of that, and proactively deciding to reduce our sales load over the summer months by accelerating the winter transfer of more than 10,000 meter connections from more than 3,000 Farmsource customers, the number of mass market connections we have has reduced.

At the end of the year we had the same number of customers as in 2016. This strategy is aligned with our focus on value for existing and loyal customers.

#### **[Slide 21: PARTNERSHIPS]**

Partnerships are very important for the company because they help us achieve more without having to DIY everything. We have taken our landowner partnerships at Turitea to the next stage with the commencement of the Turitea wind farm, partnered with Ngai Tahu to enhance the resilience of their Kiwi egg hatchery in Rotorua, partnered with Snap Rentals to get our Mercury Drive EV subscription product to market and we have put renewed emphasis into the longest running crowd funding partnership we have with the Starship Foundation. This helps the Starship hospital to buy the best equipment, attract the best





paediatricians under the leadership of the exceptional Dr Mike Shepherd, and then deliver the best service to the country's children and their families.

And on the larger scale, we have continued to invest in our commercial geothermal partnerships with Maori land trusts: the Tuaropaki Trust and the Tauhara North #2 Trust. Mercury has the largest commercial partnerships with the Maori economy of any listed company, by some distance.

Whilst an emphasis on the Maori economy is receiving a lot of attention of late, Mercury initiated and developed these relationships, and near billion-dollar joint ventures, starting about twenty years ago. What these Maori land trusts achieve for their people with their share of the cashflow is phenomenal and we are inspired by their approach.

## **[Slide 22: KAITIAKITANGA]**

Climate change is getting a lot of focus globally. Particularly this week. Mercury, being 100% renewable in generation, and the leader in promoting New Zealand's renewable competitive advantage and the electrification of transport, has been on this journey well before it became a corporate fashion.

The geothermal renaissance in New Zealand between 2000 and 2014 has been the greatest decarbonisation achievement of the century, displacing fossil fuels. And I acknowledge the Maori land trusts and Contact Energy in this achievement also, along with the Waikato Regional Council and Bay of Plenty Regional Council providing appropriate regulatory frameworks.

Seven years ago, to deal with residual emissions, Mercury undertook New Zealand's first and largest carbon tender from New Zealand forests, and subsequently committed to more than \$100m of carbon contracts from landowners. These contracts underwrote the planting of more than 10,000 hectares of native and exotic forests. We don't have a carbon reduction target because we now have more carbon being sequestered by those trees than we emit – i.e. we're carbon positive.

We rely on natural resources for our generation. Not only hydro, solar and wind, but also that most Kiwi of renewables, steam. We're the only company in New Zealand to have the 'Awesome Foursome' of



renewables, and note that renewable steam powers 17% of the country's electricity without the need for rain, wind or sun.

During the year we announced the \$75m refurbishment of the Karapiro power station with site works to occur between 2022 and 2024. This is the fifth of nine stations to be committed for upgrade by since 2010 as we look after these critical, integrated and indivisible Waikato Hydro System assets for the long-term benefit of New Zealand and New Zealanders. Like the wind investments, these refurbishments create high-quality regional employment.

### **[Slide 23: PEOPLE]**

We achieved zero serious harm injuries during the year, though still need to do more to bring the serious near misses to an acceptable level of zero. Also of note is that our total recordable injury frequency rate - TRIFR - dropped, however that statistic relates to low severity and non-permanent incidents, and is usually not a lead indicator of worse events, which are our primary focus.

We brought all of our Auckland employees together for the first time in the company's 20 years, into Newmarket. This location provides great access to public transport routes and less expensive parking than the CBD, and is proving very successful. We also changed the way we work. I now have no office, no desk and the same laptop as everyone else.

We continue to invest in High Performance Teams – including with the executive. Quality teamwork is a very delicate and critical value driver for productivity, quality decisions and long-term outcomes.

A great team can get through the mahi 10 times better than a non-performing team. There is no physical or technology asset can get that performance uplift for an equivalent investment.

Along with the new work environment, High Performance Teams fosters a more agile work flow around business priorities.

### **[Slide 24: COMMERCIAL]**



In the core business, we encountered a tough combination of a very dry sequence in the Waikato catchment from September, right at the same time that electricity spot prices went very high because of a number of issues, in particular unplanned outages on the Pohakura offshore gas platform. So, to come out with the result we did in those circumstances was very pleasing and reflects the strength of the portfolio and the skill of the many people involved in managing this unusual sequence.

During this time, because of the unacceptable disclosure regime from gas suppliers, we had to look at satellite photos to see where particular ships were off the Taranaki coast, to infer what was happening there. A lack of proper disclosure will harm all energy consumers in the long-run, and the licence to operate for that part of the sector. We strongly encourage better proactive disclosure and we know that the Government is actively working on this.

There was a substantial amount of capital reallocation in the last 18 months. As well as printing the 11th ordinary dividend increase, payable on Monday 30 September, we have sold Metrix, invested in Tilt Renewables and committed to our first wind farm. Our investments that sustainably grow earnings are expected to flow through to increased distributions over time as per our dividend policy. Because our balance sheet is strong, these investments do not require us to curtail dividends. We have more than \$500m of head room on senior debt, have recently issued a \$300m capital bond at 3.6% with 50% equity credit, and have just under \$200m of Treasury Stock.

The wind development options we have in the Manawatu and Wairarapa are the best wind options in the country.

To assist with your understanding we outline, in the following video, the Turitea project and the other adjacent development options in the pipeline.

**[Slide 25: TURITEA VIDEO)**

**[Slide 26: LOOKING AHEAD]**



We look forward to the Electricity Price Review, initiated by the coalition Government, being concluded. We were active participants in the process and appreciated that there was good dialogue allowed for.

The early EPR papers, like I mentioned at last year's ASM, showed that there is no smoking gun, and no silver bullet. We look forward, among potential initiatives, to the regressive low fixed charge tariff being phased out and clarity on transmission pricing.

New Zealand is in the box seat for a world desperately looking for decarbonisation that works. Our electricity system is already renewable, reliable and low cost. The NZ Initiative report "Switched On" and the ICCC report "Accelerated Electrification" are exceptional documents, and thoroughly recommended reading for owners of Mercury and others. These reports provide background on the sector with astute international comparisons.

It is a story that needs to be more widely known, and shared.

New Zealand's renewable electricity system is a true competitive advantage. The two global technologies of wind generation and electrification of transport are arriving in perfect time for New Zealand to extend this competitive advantage, lower structural costs in the economy, reduce emissions, improve balance of payments and improve wellbeing.

And just as New Zealand is in the box seat for decarbonisation, Mercury is in the front row, and has a balance sheet, bench strength, focus and development pipeline to support that position.

I want to acknowledge the Board, the incoming Chair Prue, my outstanding executive team and everyone at Mercury for the performance in FY2019 and the approach to the opportunities ahead for New Zealand and for Mercury.

Finally, I would like to acknowledge Joan. Joan has provided exceptional support and leadership of Mercury over a decade, delivered the first listing of the mixed-ownership-model programme, strongly supported our approach to a revitalised national narrative for this incredible sector, and has left consumers, communities, partners, the environment, Mercury staff and the country in a substantially better place.



Against our Mercury set of five pillars, it is hard to ask for more that. Grit, perspective, absolute integrity, empathy, belief and seriously hard work. You have set a great example for us all for which we are all very grateful.

All the best for the future Joan.

To our owners, thank you for your ongoing support.

Nga mihi nui ki a koutou katoa.



## **RESUMPTION OF ADDRESS BY THE CHAIR: JOAN WITHERS**

We now move on to the formal business of the day.

### **[SLIDE 27: RESOLUTIONS & VOTING]**

[PRUE FLACKS TO STAND AND OFFER VOTE OF THANKS]

### **[PRUE FLACKS]**

Tēnā koutou, Tēnā koutou, Tēnā tātou katoa

(Greetings, greetings, greetings to you all)

It is an honour to stand here today as your incoming Chair.

The loyalty and enthusiasm which our owners have shown for Mercury inspires and challenges all of us who work on your behalf.

Your participation in this annual event is very much appreciated, and I hope to meet many of you personally over a cup of tea when the formalities are over.

I have one item of “other business” to conduct.

That is to recognise our outgoing Chair, Joan Withers.

Joan, on behalf of everyone in this room and those attending by webcast I’d like to express our very sincere thanks to you for your decade of service and your very significant contribution to this company.

In your time as chair you have led Mercury from a state-owned enterprise to the company it is today with the Government as a strong majority shareholder but alongside 80-thousand individual and institutional owners.



You are one of NZ's most highly regarded directors. But it is not just your commitment to best practice governance which sets you apart. You have a strong sense of what is right and the courage to carry that through.

However you do this with compassion and humility and it is that blend of attributes which defines you as a chair.

Under your stewardship, Mercury has established itself as a strong, recognisable, and respected brand. A brand that focuses on our customers, our people and of course our owners. A brand that is not afraid to take a leadership position on issues seen as important for the communities we work in, and for the country, particularly as we seek to unlock the potential for New Zealand in the electrification of transport.

I reflect on Mercury's development of renewable electricity generation during your time as Chair from a largely hydro generator with the beginnings of a geothermal portfolio to where we are today with geothermal making up approximately 40% of our generation, a small investment in solar and our first wind farm underway.

I also reflect on:

- the passion you have, and commitment you make to the health, safety and wellbeing of our people;
- the attention you give to development of the Board, and to ensuring the skills and the diversity of thought around the table is fit for now and into the future; and
- the pride you have in, and the support you provide to, our management team and in particular to Fraser. This is hugely valued by all of us.

Joan, you leave Mercury in a strong position and placed well for the future. And on a personal note, you have been a great mentor and role model and for that I will always be indebted to you.

Now we have a small presentation to honour your contribution.

Ladies and gentlemen, can I ask you to acknowledge our outgoing chair, Joan Withers

I would also like to thank the Board for the confidence they have shown in me. It is a privilege to be the incoming Chair of Mercury.



Your directors come from a variety of backgrounds – they bring to the Mercury board table deep expertise and experience - in retail, in regulatory, government and community relationships, in iwi relationships, and of course operational experience in the electricity sector.

Robust debate does take place - we each bring our own strong and diverse views and we are all committed to making decisions that will create value for Mercury and its owners in the short, medium, and long term.

As a mixed ownership model company, the appointment of Mercury's chair must be approved by the majority shareholder. I would like to acknowledge the support of the Crown, and I look forward to continuing the constructive relationship we have which is so important for all our owners.

Looking to the future Mercury's goal is to be NZ's leading energy brand by 2030. That means delivering on the objectives we have set under our five key pillars and if we can do that we will absolutely create long term value for shareholders.

As Joan has said we have set some mid-term goals to ensure we remain on track to meet our longer-term objectives.

I now want to comment briefly on some particular areas under each Pillar where I think the board will need to focus over the coming year:

In relation to Customers we need to maintain the right balance between value and number of mass market customers. We must also ensure we understand the needs of vulnerable customers and have a strong proposition for that segment.

In terms of Partnerships, our partnerships with iwi are a differentiator for Mercury and strengthening those relationships will create value for both sides. This will be a focus for the board over the coming year.

Under the Kaitiakitanga pillar two areas are top of mind. First, we are part way through a once in a generation refurbishment of our hydro assets. These are complex projects involving significant capital investment and if executed well not only extend the life of our assets but also enhance performance in some areas.





Second, Mercury has a strong interest in fresh water issues and we will continue to contribute to that debate to ensure the importance of hydro generation is appropriately recognised.

Under the People pillar, again two things are top of mind. First, we must continue to embed process safety into our organisation.

This is an internationally recognised approach to the prevention and control of serious safety events. Mercury is required to follow this process for certain of our geothermal sites and we are also choosing to use it on our hydro sites and for our approach to medically dependant customers.

Secondly, we will continue our focus on high performance teams with the ultimate objective of delivering tangible productivity gains across the business.

Finally, under the Commercial pillar, we will:

- continue a robust focus on capital allocation and management
- continue to look for ways to improve our operational performance including through technology and new ways of working
- progress our investment in wind and in particular the development of the Turitea windfarm.

I believe there is an exciting future for Mercury and for the electricity sector in New Zealand.

I look forward to continuing to work with my colleagues on the Board, and with Fraser and his team to build value for you our owners, for our customers, our partners and our communities. I am committed to ensuring Mercury continues to be a company of which we can all be proud.

So now to recognise this time of change I'd like to leave you with this beautiful saying:

Ko tēnei te whitinga o te rā hou,

a, kia maia, kia manawanui tatou.

Now is the sunrise of a new day, and we should be confident and steadfast.



Thank-you.

## **HANDOVER TO JOAN WITHERS**

**[Joan Withers]**

Thank you Prue. I very much appreciate those comments.

Reflecting then, that this is my last Mercury ASM as Board member and Chair, I acknowledge the wonderful support and contribution of all my Board colleagues throughout my tenure.

I sincerely thank Mercury's Chief Executive Fraser Whineray, the executive and all of Mercury's dedicated people for executing so well on Mercury's strategy.

To you, our owners, I have appreciated your support as well.

I look forward to connecting with some of you over a cup of tea shortly.

And finally, I gratefully acknowledge all the customers, partners including iwi and Maori land trusts, and other stakeholders who continue as strong advocates for Mercury, as I will be, into the future.

Ladies and gentlemen, that brings us to the end of formal business for Mercury's 2019 Annual Shareholders' Meeting, and brings this meeting to a close.





# 2019 ANNUAL SHAREHOLDERS' MEETING.

# JOAN WITHERS.

Chair

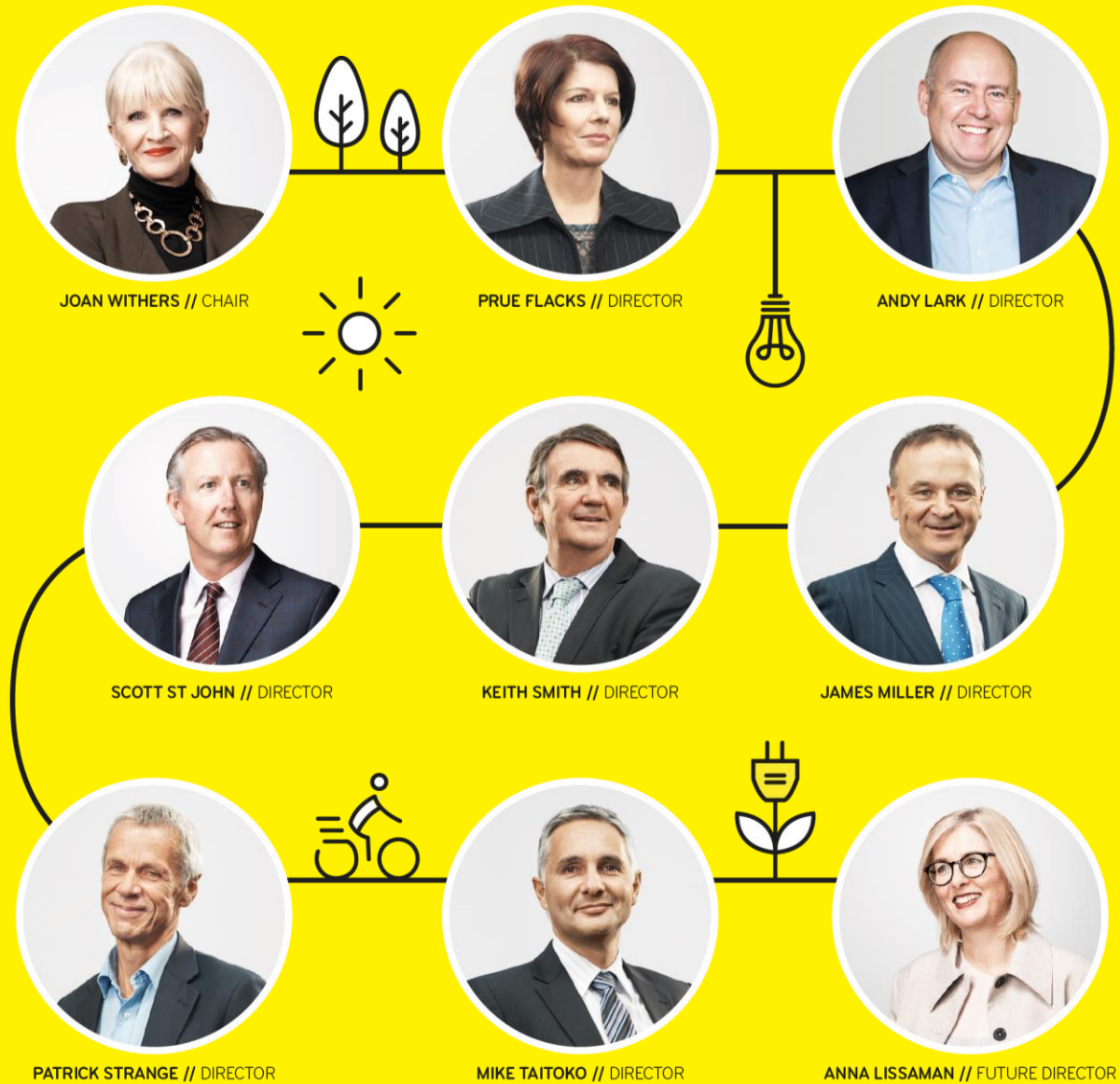


# AGENDA.

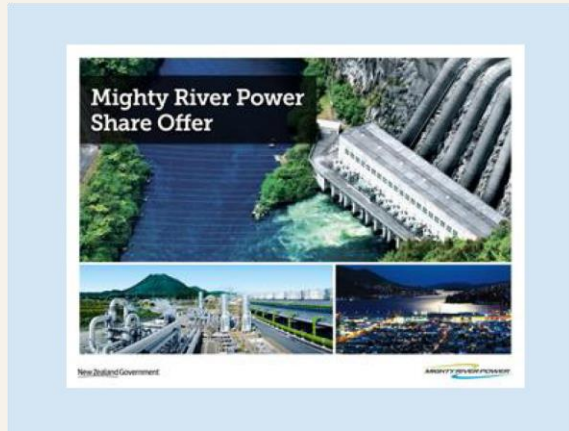
- > Chair's address
- > Chief Executive's address
- > Resolutions and voting
- > Other business and questions



# YOUR BOARD.



# REFLECTIONS ON A DECADE WITH MERCURY.





# PERFORMANCE OVERVIEW.

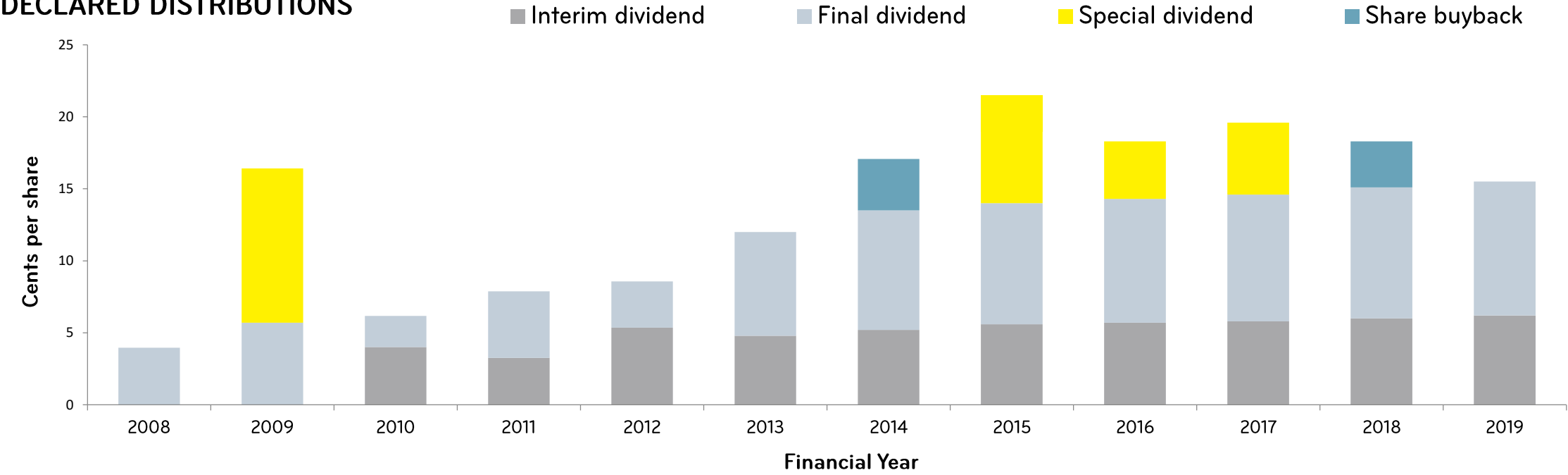


# SHAREHOLDER RETURNS.

42.5%  
FY2019 TSR

> 11<sup>th</sup> CONSECUTIVE YEAR OF ORDINARY DIVIDEND GROWTH

## DECLARED DISTRIBUTIONS





# EBITDAF AND DIVIDEND GUIDANCE.

- > FY2020 forecast generation 6,620GWh
- > FY2020 EBITDAF guidance \$485 million
- > Stay-in-business capital expenditure guidance \$105 million
- > Ordinary dividend guidance 15.8 cents per share

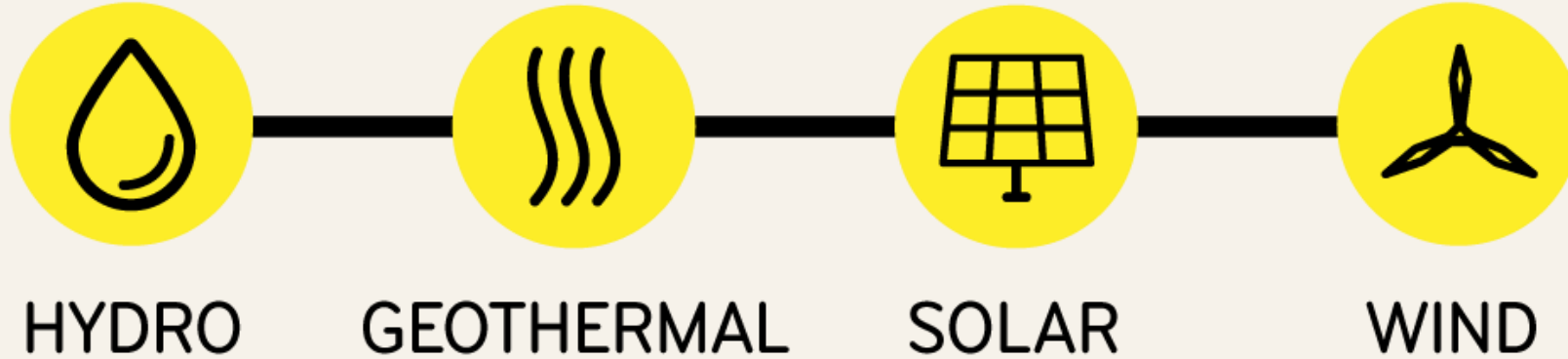
# A BALANCED APPROACH.





# CAPITAL MANAGEMENT.

# A PATH FOR GROWTH.



# MILESTONES.





# LEADERSHIP.



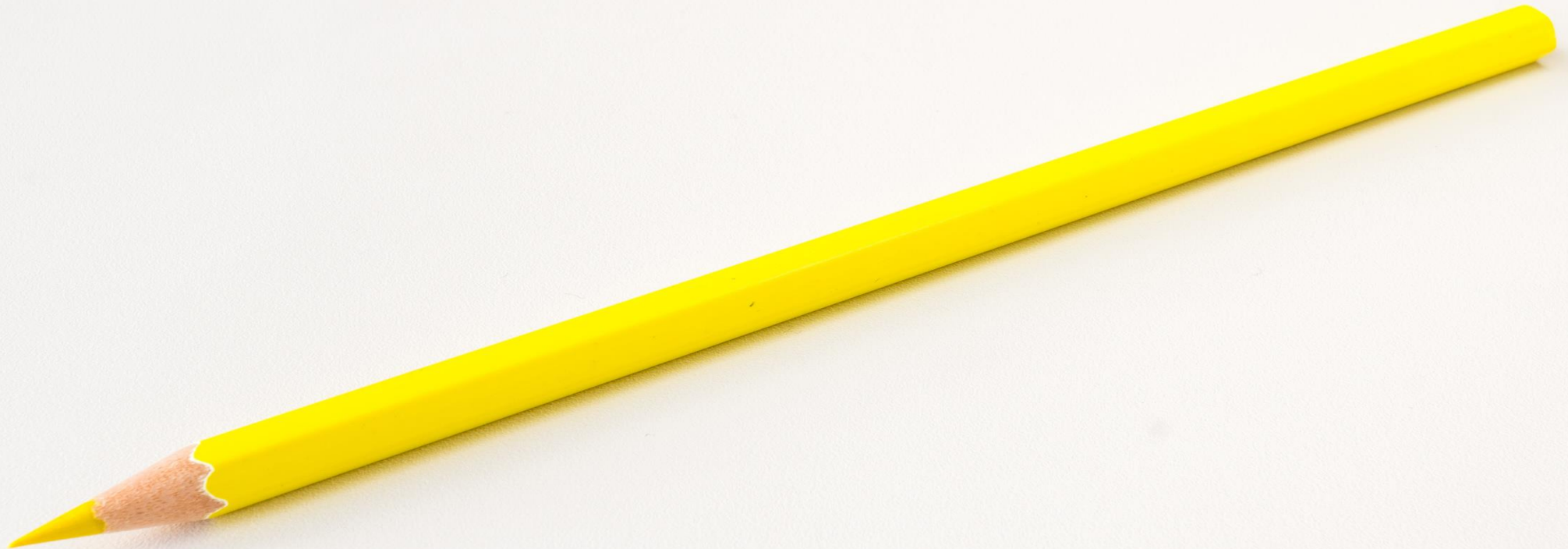


OUR PEOPLE  
& WELLBEING.

Mercury 



# BOARD SKILLS AND DEVELOPMENT.



# ACKNOWLEDGEMENTS.

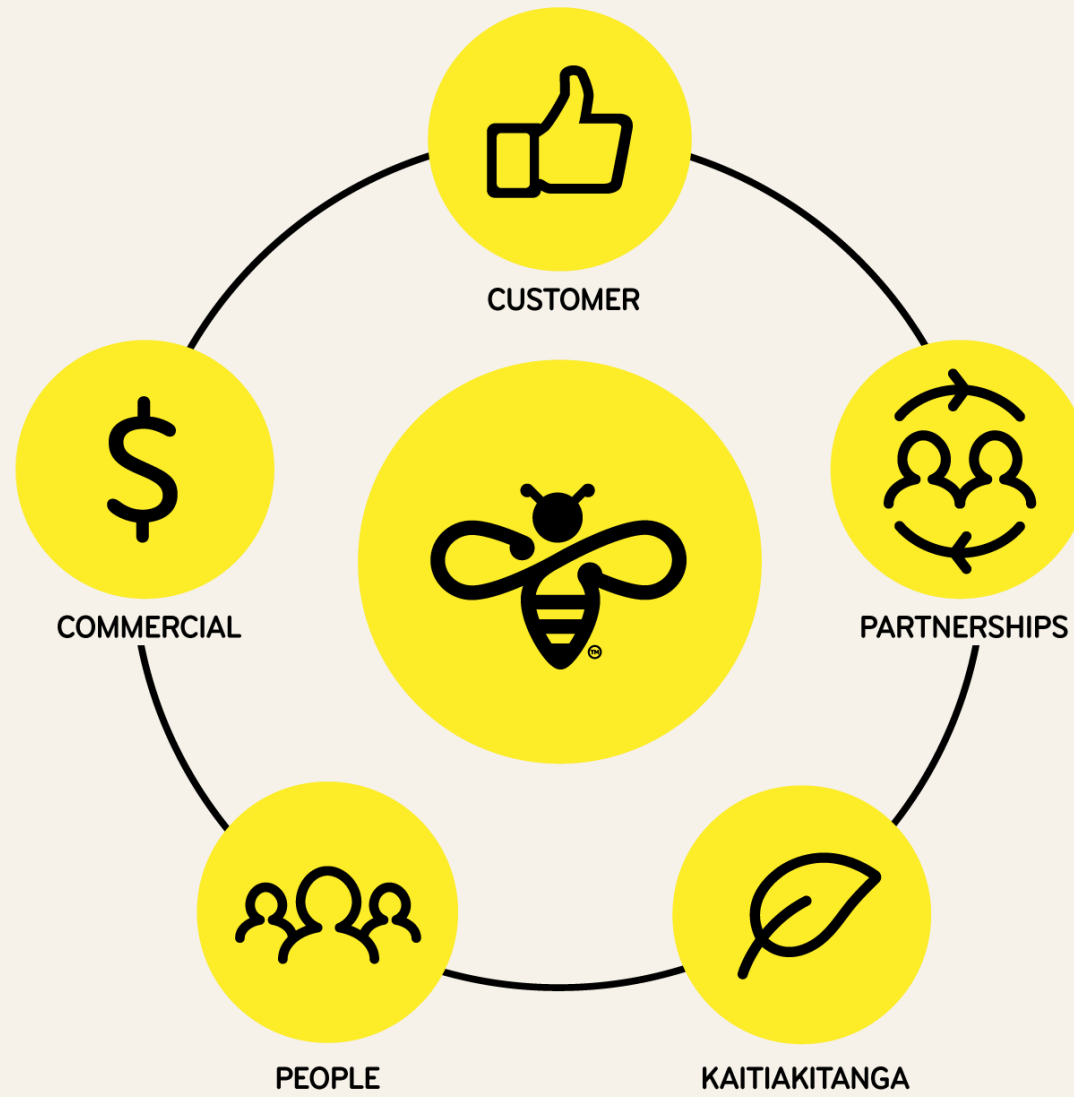


# FRASER WHINERAY.

Chief Executive



# OVERVIEW.



**CUSTOMER.**





# PARTNERSHIPS.





# KAITIAKITANGA.





# PEOPLE.

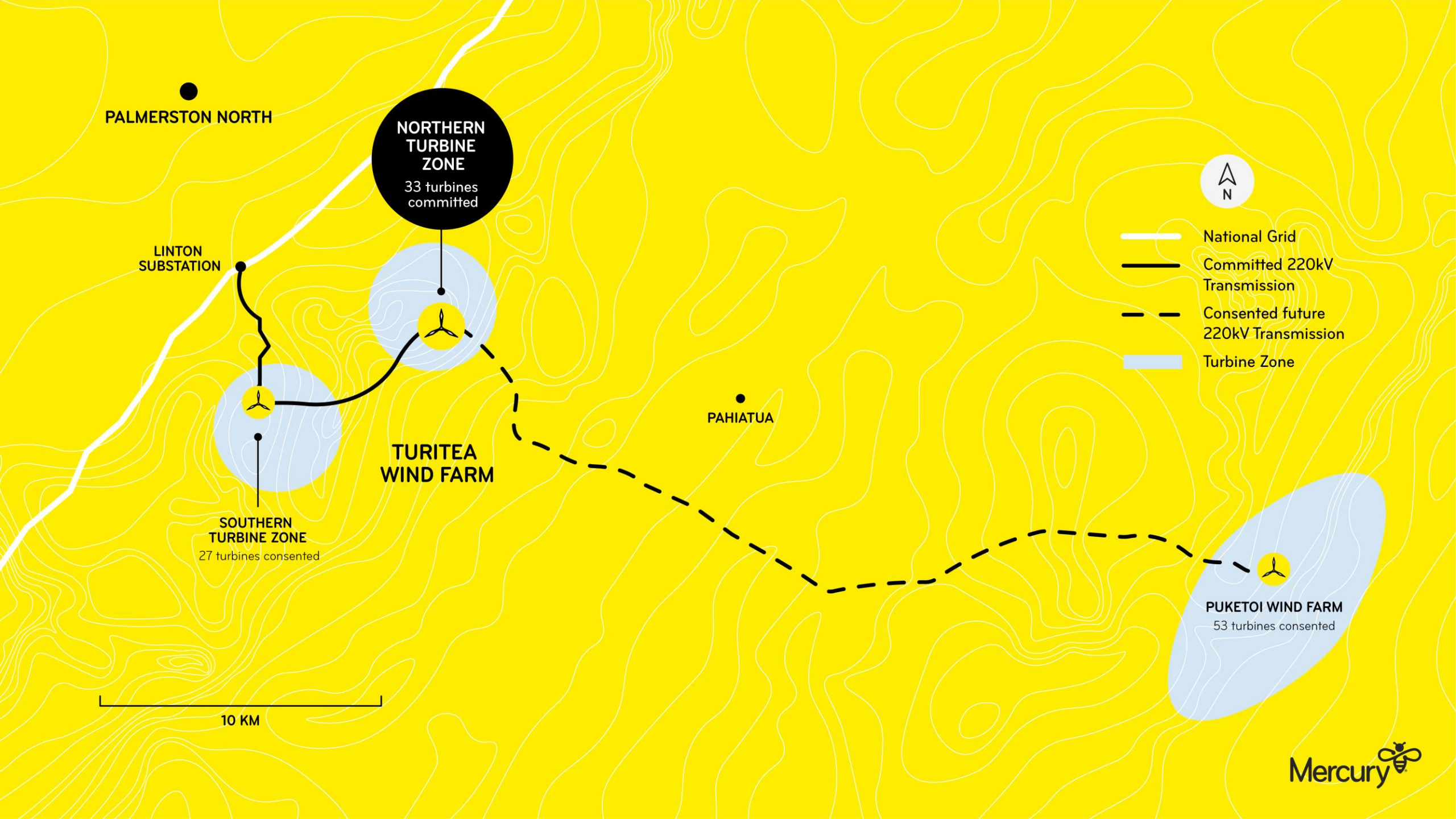




# COMMERCIAL.









# LOOKING AHEAD.



Tilt Renewables' Tararua Wind Farm

# **BUSINESS AND RESOLUTIONS.**

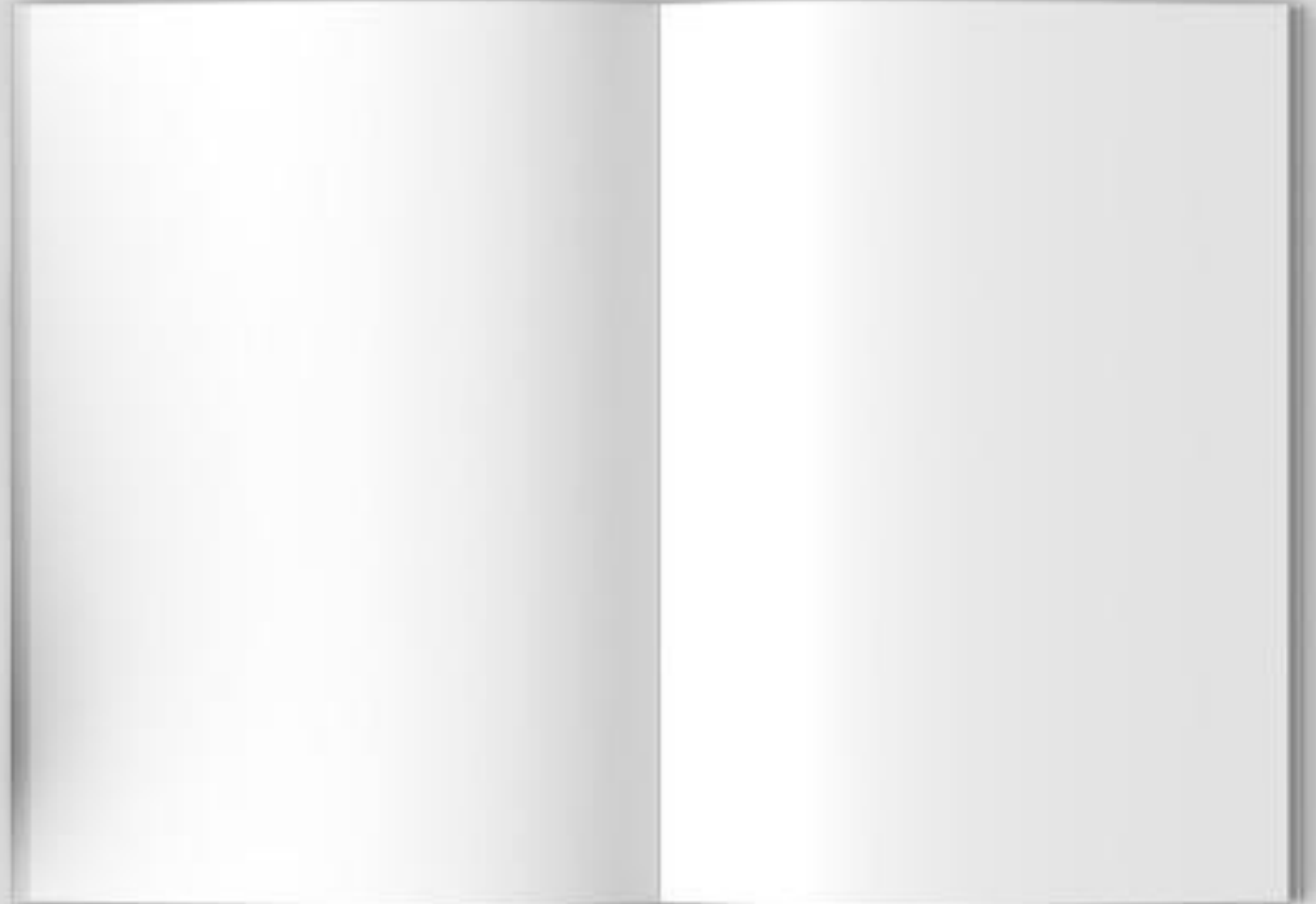
# RESOLUTION 1.

- > Re-election of James Miller

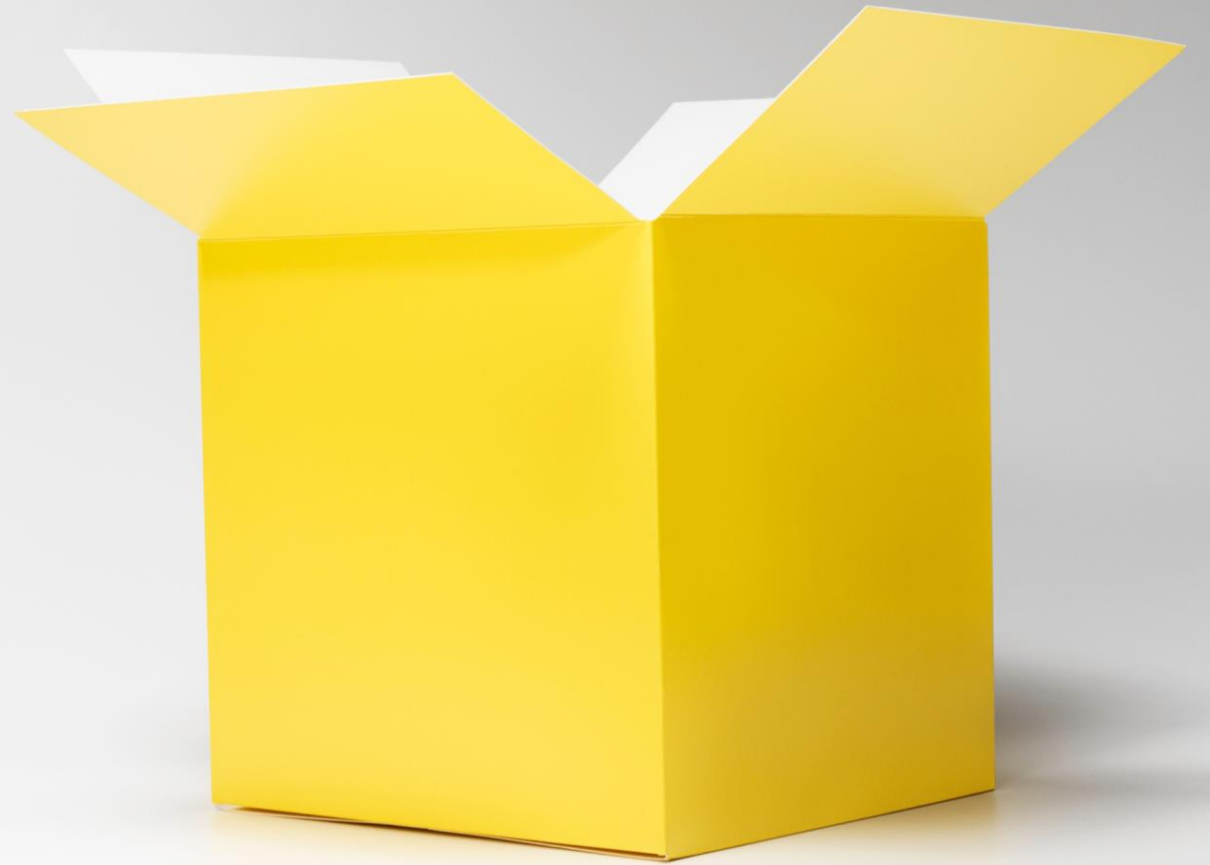


# RESOLUTION 2.

- > Amendment of Constitution



# VOTING.





# QUESTIONS.



# MORNING TEA.

