



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

## NEWS RELEASE

### Mercury 2022 Annual Shareholders' Meeting

**22 September 2022** – The attached presentations will be given at Mercury NZ Limited's Annual Shareholders' Meeting starting at 10:00am today which will be held in person at Event Cinemas, Westfield Newmarket, Level 4/309 Broadway, Newmarket, Auckland 1023 and as a virtual meeting.

The virtual meeting can be accessed virtually through the Computershare Meeting Platform <https://meetnow.global/nz>.

To access the virtual 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:

- > 2022 Annual Shareholders' Meeting – Chair and Chief Executive Address
- > 2022 Annual Shareholders' Meeting - Presentation

### ENDS

#### Howard Thomas

General Counsel and Company Secretary  
Mercury NZ Limited

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### ABOUT MERCURY NZ LIMITED

We generate electricity from [100% renewable sources](#) – hydro, geothermal and wind. We also sell utility services to our customers through our retail brands – Mercury, Trustpower and GLOBUG.

We're listed on the New Zealand Stock Exchange and the Australian Stock Exchange with foreign exempt listed status. We're listed on both exchanges with the ticker symbol 'MCY'. The New Zealand Government (the Crown) holds a legislated 51% shareholding in the Company.

Visit us at: [www.mercury.co.nz](http://www.mercury.co.nz)



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# Mercury - 2022 Annual Shareholders' Meeting

## Chair and Chief Executive Address

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**Where:** HYBRID MEETING (ONLINE AND IN PERSON AT EVENT CINEMAS, NEWMARKET)

**When:** 10am (NZT), 22 September 2022

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*[ADDRESS BY THE CHAIR: PRUE FLACKS]*

### SLIDE 4: CHAIR'S ADDRESS

Tēnā koutou katoa.

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 you all.

I also extend a warm welcome to those of you online – it is great to have technology that allows multiple methods of engagement to suit as many of you as possible.

I am pleased to confirm we have a quorum represented here today and therefore declare 'open' the 2022 Annual Shareholders' Meeting of Mercury NZ Limited. Voting at today's meeting will be both in-person and 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 hybrid meeting, and also on how to cast votes.

### SLIDE 5: AGENDA

Outlining our agenda for today... first, I will introduce you to our board, all of whom are here in person for this meeting.

I will comment briefly on the past year, and on the broader environment in which we are operating. Vince will then talk about business performance in more detail and the actions Mercury is taking to ensure we continue to thrive both now and into the future.

In terms of formal business, we have three resolutions to put to the meeting – these are resolutions for the re-election of one Board member, James Miller, who retires by rotation and is eligible and available for re-election; and for the election of two new directors, Lorraine Witten and Susan Peterson.

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 general questions from you relating to the company. Now for the introductions:

### SLIDE 6: YOUR BOARD

We have:

Dennis Barnes

Hannah Hamling

Andy Lark

James Miller, who chairs our Risk Assurance and Audit Committee and is today seeking re-election

Susan Peterson, who joined us this September and is seeking election

Scott St John, who chairs our People and Performance Committee

Patrick Strange

Mike Taitoko, and finally

Lorraine Witten, who also joined us this September and is seeking election.

Andy Lark is retiring from the Board at the conclusion of this meeting and I would like to take this opportunity to thank Andy for a valued contribution to Mercury over the last 8 years. Andy works with many companies – in Australia and further afield – which are leaders in the digital transformation which all businesses face today. Andy has generously shared his time and experiences and Mercury is the richer for his contribution. Thank you, Andy.

Kim Gordon, our fourth “future director” through the Institute of Director’s Future Directors programme is also with us today. Kim contributes to discussions and debates but is not involved in Board decision-making. Kim’s tenure with us ends in October, and I would like to extend my thanks to Kim on behalf of the Board for the insights and experience she has shared over her time with us.

In addition, we are joined 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 – a special welcome to Fiona Smith, our GM Customer Operations, who has joined following our acquisition of Trustpower.

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

## **SLIDE 7: FINANCIAL OVERVIEW**

The Board was pleased with the financial outcome for FY22, particularly given the challenges presented by low hydrology for most of the year, and the unplanned outage at Kawerau.

The results reflect the completion of two very significant transactions for the company – the acquisition of Tilt Renewables’ New Zealand assets and the acquisition of Trustpower’s retail business. Integrating the assets acquired through these transactions into Mercury’s existing business provides a strong platform for growth for the medium term.

Our earnings or EBITDAF for FY22 of \$581 million was \$118 million higher than the previous year and includes revenue from wind generation for the first time, both from our Turitea windfarm and from the operating assets acquired from Tilt. Operational expenditure was also up as a consequence of these transactions.

Net profit after tax was \$469 million, up \$328 million on the previous year, driven by the \$367 million net gain on sale of our shareholding in Tilt, which funded the acquisition of Tilt’s New Zealand operations and future development options.

The Board was very pleased to announce a final ordinary dividend of 12 cents per share, fully imputed. This lifted our total FY22 ordinary dividend to 20 cents per share, and was the 14th year of increases to your ordinary dividend.

Looking forward, our FY23 earnings guidance has been set at \$580 million (\$756 million on a normalised basis) and dividend guidance 21.8 cents per share which represents a 9% increase.



## **SLIDE 8: A TIME OF GREAT CHANGE**

Climate change has become the dominant theme in our external environment. It is shaping much of the forward agenda globally.

Mercury supports the concept that all of us must “play our part”, meaning we all take ownership of the challenge to reduce emissions within our control or influence. We cannot excuse ourselves on the basis we have no meaningful impact on global emissions. No single nation or organisation can solve this in isolation.

In New Zealand the electricity sector is acutely aware of the role it needs to play in enabling decarbonisation. Electricity emissions are a very small portion of New Zealand’s gross greenhouse gas emissions – about 6% of total – but through supporting other sectors to decarbonise, we could contribute over 60% of the reductions required to achieve net zero.

This is already happening. As a sector we’ve committed over \$2 billion or 4 TWh of new generation between 2020 and 2025 and projects consented or under construction are able to cover estimated increases in demand through to 2030. Mercury is providing about 30% of that contribution.

We also know that successfully addressing climate change will require commitment and an openness to change. Collective action, and collaboration with Government and other sectors, will be vital to success.

## **SLIDE 9: BALANCING THE TRILEMMA**

However, the transition to a lower carbon world is not without its challenges and key amongst these is how we balance renewability against affordability and, probably most importantly, reliability.

This is a challenge faced around the world. Whilst New Zealand is, relatively speaking, in a much better position, we must endeavour to strike the balance that provides the best outcome for New Zealanders overall.

First; reliability or, put simply, keeping the lights on.

The amount of electricity generation coming from renewable sources is increasing, and at the same time we expect to see a greater portion of our economy relying on electricity. The higher the proportion of renewables, the more challenging it becomes to maintain a secure and reliable supply.

Last year’s 9 August outage was a sharp reminder of the importance of maintaining a steady supply of power when the wind isn’t blowing and the sun isn’t shining.

We are contributing to a number of reviews currently looking at the challenge of reliability.

One of these is the New Zealand Battery Project. It is vital that this project rigorously and transparently tests the full range of options against the Government’s default option of a multi-billion dollar pumped hydro scheme at the bottom of the South Island. The analysis must also consider the impact of the preferred solution on the other legs of the trilemma, namely affordability and renewability.

Next; affordability.

Many New Zealanders say that cost of living and inflation are their biggest issues today, and the same applies in many other parts of the world.

Electricity affordability remains an important focus, and we are watching the situation in Europe closely. New Zealand is in a vastly different situation – electricity price changes for residential customers remain below inflation – and competition remains high. Nonetheless we acknowledge the power bill is a big component of many household budgets and Vince will speak to some of the measures that we are taking to help our customers through this period.

However the reality is that significant investment will be required to build the new renewable generation necessary to transition to a low carbon economy and it will be important to ensure that our market structure remains fit for purpose and regulatory settings do not disincentivise investment.

Finally, renewability.



Our sector remains on track to reach more than 95% renewable generation in the next few years.

There are, however, headwinds that potentially hinder our ability to build new plant as quickly as we'd like to. In particular, the reform of the Resource Management Act must recognise the role that renewable electricity plays in decarbonising our economy. We continue to advocate for reform that does not inadvertently hinder the ability of generators like Mercury to continue to deliver more renewables into the system at the pace required.

Supply chain issues, inflation and access to skilled labour are also seeing project costs increase and must be factored in as we consider future investment opportunities.

As we lift our system to an even higher degree of renewability the role of gas is increasingly important. We welcome the development of a Gas Transition Plan, to work towards further reducing emissions while ensuring we keep the lights on and manage the price of energy.

The next decade will be key for the transition and given the complexity, co-ordinated action will be vital to individual effectiveness. We are looking forward to the Boston Consulting Group's independent report that will bring together a whole of sector view on the best pathway to a low carbon electricity system.

There are undoubtedly significant challenges ahead as we act on climate change. However there are also great opportunities for our country, our sector and for our company. We have a chance to shape a better future for the generations that follow and at the same time unlock sustainable growth for our business.

The foundations of Mercury's business are strong and I am very optimistic for our future.

Ngā mihi nui, and before I hand over to Vince, some words from our people.

## **SLIDE 10 – MERCURY HIGHLIGHTS VIDEO**

*[ADDRESS BY THE CHIEF EXECUTIVE: VINCE HAWKSWORTH]*

## **SLIDE 11 – CHIEF EXECUTIVE'S REPORT**

Thank you Chair.

Kia ora tatou katoa. Welcome everyone – to those in the room, and online.

Having joined Mercury in the midst of COVID, I've now participated in two online ASMs. It is a pleasure to finally be meeting many of you in person for the first time.

You have heard Prue speak to the highly dynamic, rapidly changing world we find ourselves in. The same is true for Mercury, it has been a transformative year for our business. In the space of 12 months, we have gone from a company with no wind generation to New Zealand's largest wind generator. Over the same period, we've become New Zealand's biggest electricity retailer by customer market share and a truly multi-product retailer.

All of this puts us in a great position to thrive in a world where the pace of change is only increasing. A world where the ability to adapt and grow matters.

To get here is the result of many hands, and I want to acknowledge our 1,300—strong team of dedicated individuals. The video you've just seen is wonderful demonstration of some of the many special milestones our people have achieved over the year to support Mercury's ambitions.

## **SLIDE 12 – OUR STRATEGIC FRAMEWORK**

With this visual context, I'm going to speak in more detail about some of the building blocks we have in place to deliver on our strategy, and therefore where the energy of our people is being focused now and into the future.

When we think about creating value, we anchor our activity around our strategic framework to allow us to 'thrive today' while 'shaping tomorrow'. This framework maps what we need to focus on and guides our decision making.

In light of some of the key changes to our business which we are discussing today, our framework is being reviewed to ensure we remain relevant in a rapidly changing world – as you can see on the screen.



## **SLIDE 13 – THRIVING TODAY**

Our business is growing. With our increased scale it is important that we remain connected to the impact that we have on our communities and our customers.

As New Zealand's biggest electricity retailer, we have an important role to play in helping our customers navigate some of the challenges that Prue spoke of earlier. We continue to evolve our approach to customer care, which is centred on compassion, connection and care.

We implemented a number of initiatives over the year, aimed at delivering holistic and long-term solutions for customers needing extra support. A good example of this is the establishment of our Here to Help team, a specialised group of individuals who are dedicated to working with customers in hardship, often in complex situations. While still a relatively new initiative, we are already seeing positive results.

Elevated spot prices remain a well-documented challenge for our sector. Forward wholesale prices indicate this will continue for some time due to the rising cost of thermal fuels like coal and gas and increasing carbon prices.

This is particularly felt by our larger commercial and industrial customers and we are seeing these customers signing longer term contracts to help reduce the price impact.

We also anticipate some flow on impact for our residential customers. Next year will also see further phasing out of the low fixed user tariffs, and while removing inherent unfairness in the tariff, the change will negatively impact some customers. We have a number of mechanisms in place to help consumers through this change, including developing a sector-wide support package for customers struggling with the change.

Looking forward, we anticipate this work to only continue to grow in importance for Mercury as New Zealand makes its way through a transition that needs to be equitable for all.

During the year we were charged by the Commerce Commission for incorrectly applying early termination fees for about 2,000 of our customers between 2016 and 2020. We are disappointed to have let some of our customers down, and the remediation that we completed late last year included apologising to those affected.

Our continued focus on a strong health and safety culture remains another important area of focus for us and is reflected in another year without any serious harm injuries. Our Total Recordable Incident Frequency Rate also continued to trend down slightly to 0.60 during the year.

We did experience an event during the commissioning of rebalancing work at our Rotokawa geothermal field. While there were no injuries, we notified WorkSafe of the incident and have been charged for breaches of health and safety legislation. We are co-operating with WorkSafe and are incorporating those findings as part of our focus on continuous improvement.

Diversity and inclusion is a key area of focus for the business. If we are to continue to do our best work in an ever-changing environment, we need to ensure that we have future proofed our pipeline of talent.

We have had diversity and inclusion objectives for some time but are not yet where we would like to be. We have taken a number of actions this year to help continue to build on our diversity and inclusion goals. These included supporting employee network groups, forming strategic partnerships, building greater awareness internally and ensuring our policies support inclusivity.

Underpinning all of the above is an unrelenting focus on building a continuous improvement mindset to help foster resilience and help our people and company to succeed in an uncertain future. During the year we continued to progress our Thrive programme, delivering initiatives that enhance performance across the business. We know that culture plays an important role in Mercury's ability to thrive into the future. We will need a culture that is adaptive, resilient, collaborative and improvement focussed.

## **SLIDE 14 – SHAPING TOMORROW**

During the year we undertook a significant amount of activity to position Mercury for the future.





We celebrated the completion of the Trustpower acquisition in May and attention now shifts to the integration and bringing together of two operating models – that includes our brand, our technology, our processes and most importantly our people.

This acquisition has catapulted us into the multi-product space, allowing us to deliver even greater value for our wider customer base. Having a scale retail business is fundamental to our ability to continue to deliver innovative solutions for our customers.

Over the same period we completed the acquisition of the New Zealand operations of Tilt Renewables including the future project pipeline. With our Tilt assets now contributing and the northern section of Turitea operating, we are now New Zealand's biggest wind generator.

Looking forward, we anticipate full completion of Turitea by mid-2023. We also announced the next cab off the ranks earlier this month, with construction of stage one of the Kaiwera Downs wind farm due to start in October and take about a year to build. We are extremely excited about this project, which will help continue to shift the dial towards an even more decarbonised New Zealand. The 43MW wind farm will cost \$115 million to complete, lifting our total commitment to new renewable generation to almost \$600 million since 2019.

This is an important next step in our ambition to deliver more renewable generation for New Zealand, but by no means the last. We continue to work at pace to progress our wider generation pipeline. During the year we gained consent for the Kaiwaikawe wind farm, as well as progressing business cases for the Puketoi wind farm and expansion of the Ngā Tamariki geothermal station.

At the same time, we continue to focus on how we can reduce our overall emissions. One of the key areas for focus for us is addressing the emissions from our geothermal stations, which make up the bulk of our scope 1 (direct) emissions. During the year, we piloted carbon reinjection technology at our Ngā Tamariki geothermal station. If successfully deployed to all units at the station, the gains are significant – avoiding about 30,000 tonnes of carbon dioxide emissions per year at Ngā Tamariki alone.

## **SLIDE 15 – A YEAR LIKE NO OTHER**

In our annual report, we talked about this being a year like no other. We have strengthened and expanded our retail business, we are investing significantly in new and existing renewable generation and we are engaged with and working constructively with stakeholders as Aotearoa navigates a period of substantial change.

At the same time, our balance sheet remains strong and we are confident that the actions we have taken future proof our business and allow us to continue to deliver value for our shareholders and New Zealand as a whole.

I am tremendously proud of what our people have achieved over the years. From those who have been with us for 20, 30, 40 years through to our newest team members joining us from Tilt, Trustpower or beyond.

Ehara taku toa i te toa takitahi, engari he toa takitini.

My success is not mine alone, it is the success of the collective.

Thank you for your attention.

Ngā mihi nui.

I will now hand you back to Prue.



# MERCURY NZ LTD ANNUAL SHAREHOLDERS' MEETING.

22 SEPTEMBER 2022

**PRUE FLACKS**  
Chair

**VINCE HAWKSWORTH**  
Chief Executive



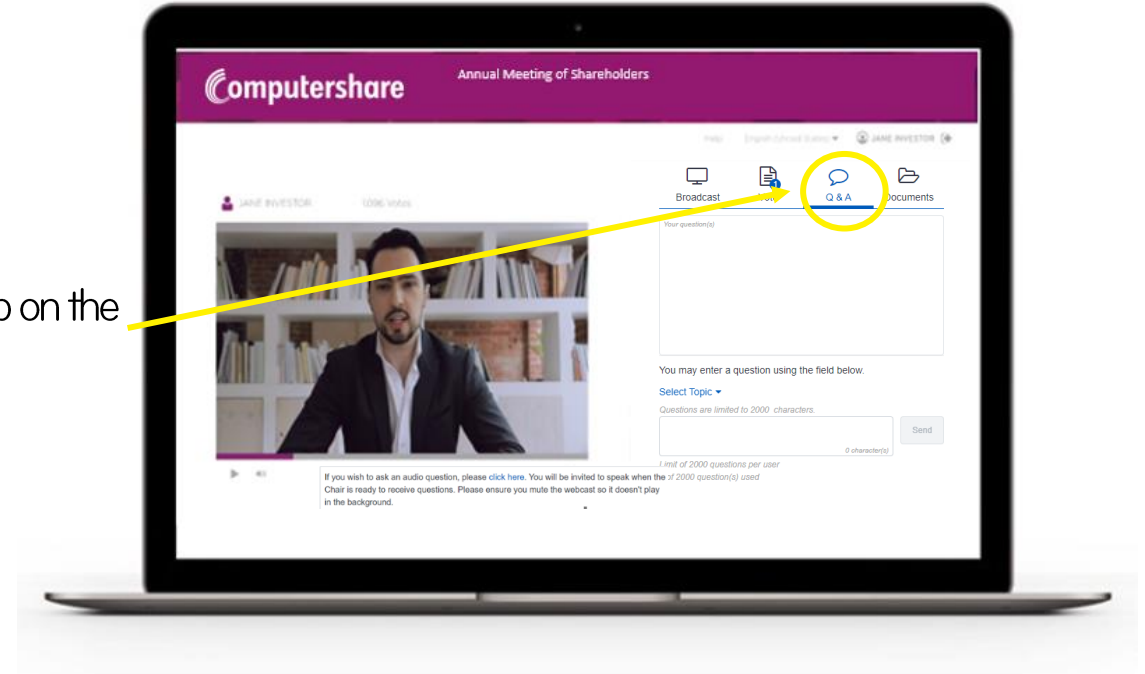


# HOW TO PARTICIPATE IN OUR HYBRID MEETING (Q&A).

## 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, 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

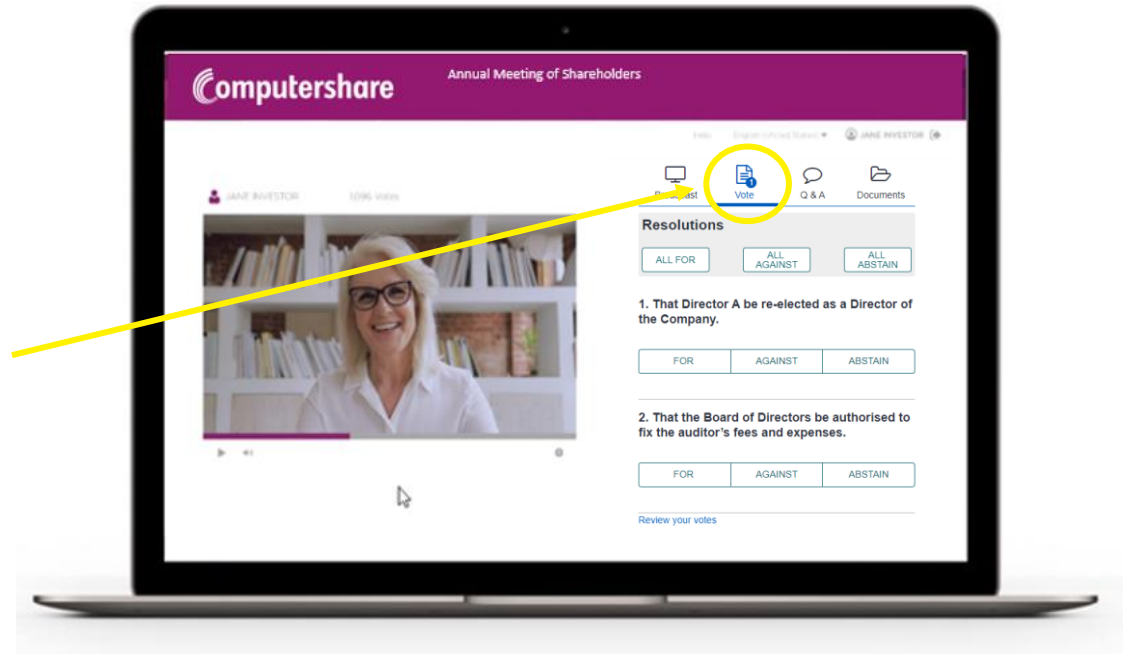
- > The Q&A tab can also be used for immediate help. If you need assistance, please submit your query in the same manner as typing a question and a Computershare representative will respond to you directly



# HOW TO PARTICIPATE IN OUR HYBRID 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'



# CHAIR'S ADDRESS.



# AGENDA.

- >Chair's address
- >Chief Executive's report
- >Business and resolutions
- >Questions and voting





# YOUR BOARD.



> PRUE FLACKS  
CHAIR



> DENNIS BARNES  
DIRECTOR



> HANNAH HAMLING  
DIRECTOR



> ANDY LARK  
DIRECTOR



> JAMES MILLER  
DIRECTOR



> SUSAN PETERSON  
DIRECTOR



> SCOTT ST JOHN  
DIRECTOR



> PATRICK STRANGE  
DIRECTOR



> MIKE TAITOKO  
DIRECTOR



> LORRAINE WITTEN  
DIRECTOR



> KIM GORDON  
FUTURE DIRECTOR



# FINANCIAL OVERVIEW.

- >FY2022 EBITDAF of \$581m, \$118m higher than FY2021
- >FY2022 NPAT \$469m, \$328m higher than FY2021
- >Final ordinary dividend of 12.0cps
  - Total FY2022 ordinary dividend of 20.0cps
- >14th consecutive year of increased ordinary dividend
- >FY2022 EBITDAF guidance of \$580m, dividend guidance of 21.8cps





# A TIME OF GREAT CHANGE.

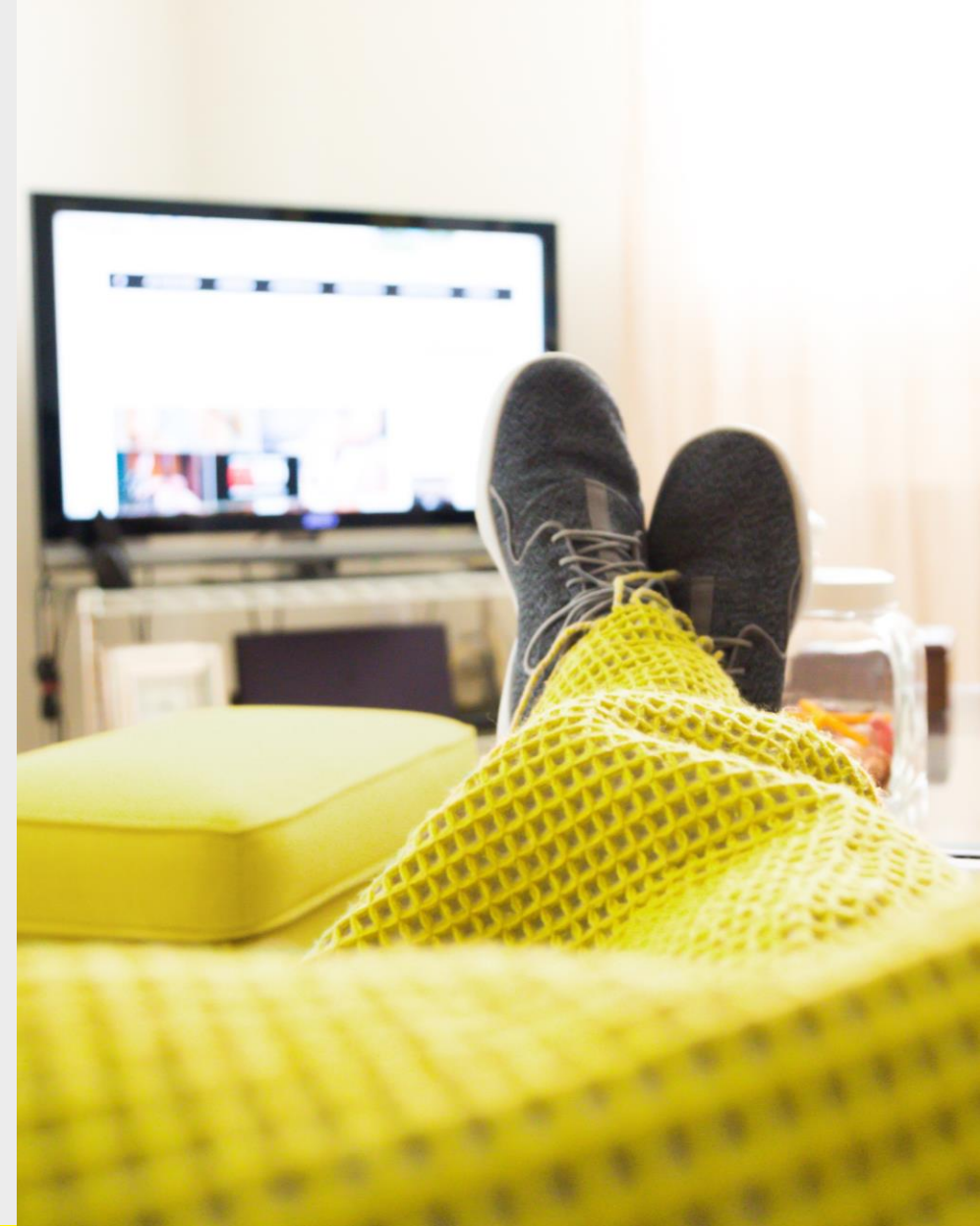
- >Ambition needs to be matched with meaningful action on climate change
- >Electricity sector makes up 6% of emissions, but supporting other sectors' decarbonisation could contribute over 60% of reductions required to achieve net zero
- >\$2 billion or 4 TWh of new generation committed – with projects consented or under construction able to cover estimated increases in demand through to 2030
- >Collective action and collaboration will be vital





# BALANCING THE TRILEMMA.

- > As renewability increases market structure must remain fit for purpose to maintain reliability
- > Price changes below inflation for households, electricity sector well placed globally
- > Sector on track to reach 95% renewable before 2030, RMA critical to enabling pace of deployment

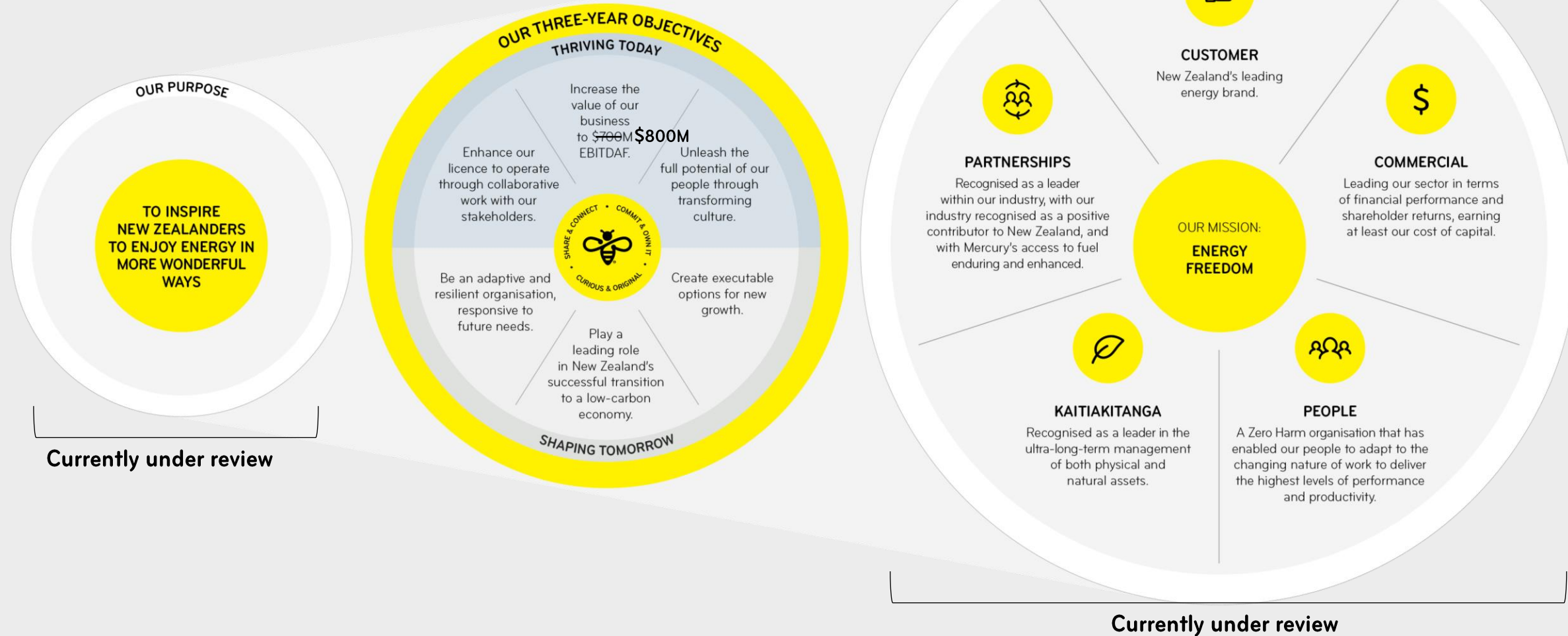




# CHIEF EXECUTIVE'S REPORT.



# OUR STRATEGIC FRAMEWORK.





# THRIVING TODAY.

- >Evolving approach to customer care including establishment of specialised team
- >Elevated spot prices remain a challenge; commercial customers primarily impacted
- >Strong health and safety culture, TRIFR continued to trend down
- >Diversity and inclusion a key focus to future-proof pipeline of talent
- >Building continuous improvement as a mindset to foster resilience



# SHAPING TOMORROW.

- > Trustpower acquisition completed, attention shifts to integration
- > Became New Zealand's biggest wind generator with Tilt assets contributing and Turitea North operating
- > New wind farm, Kaiwera Downs, announced; construction commences next month
- > Kaiwaikawe wind farm consent gained; business cases for Puketoi wind farm and Ngā Tamariki geothermal station expansion progressing
- > Carbon reinjection trial at Ngā Tamariki; potential to avoid 30,000t emissions at Ngā Tamariki alone



# A YEAR LIKE NO OTHER.

- > Strengthened and expanded our retail business
- > Significant investment in new and existing renewables
- > Engaged and working constructively with our stakeholders to navigate change





**BUSINESS AND  
RESOLUTIONS.**



# RESOLUTION 1.

>Re-election of James Miller



# RESOLUTION 2.

>Election of Lorraine Witten



# RESOLUTION 3.

>Election of Susan Peterson



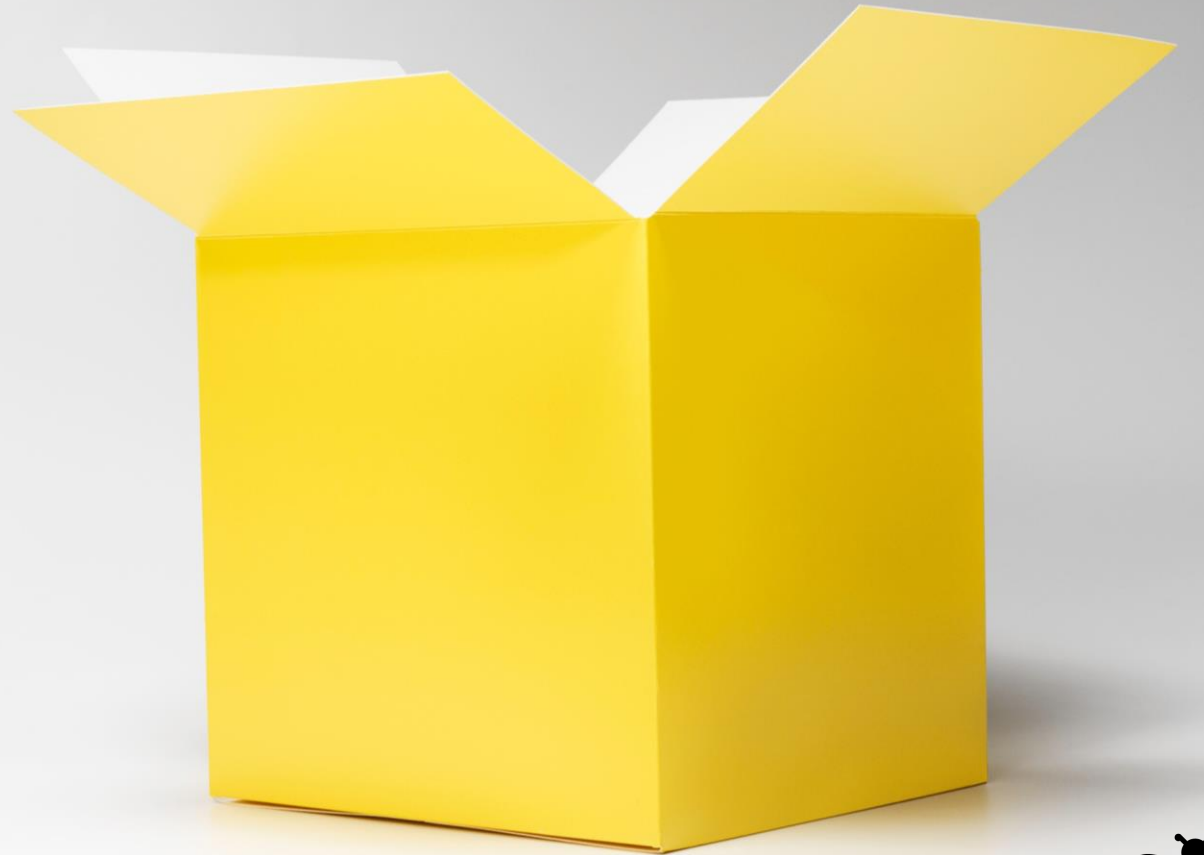


# Q&A: DIRECTOR APPOINTMENTS.





# VOTING.



# Q&A: GENERAL BUSINESS.





