

Mercury – 2016 Annual Shareholders' Meeting

10.30am, 3 November 2016

Vodafone Events Centre, Auckland

[SLIDE: 2016 ANNUAL SHAREHOLDERS' MEETING]

ADDRESS BY THE CHAIR: JOAN WITHERS

[SLIDE: JOAN WITHERS, CHAIR]

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.

On behalf of your Directors, the Chief Executive, our leadership team and all of our people at Mercury... a very warm welcome, and a special welcome to those shareholders who are following this meeting online from our webcast.

I am pleased to confirm that we have a quorum and therefore declare the 2016 Annual Shareholders' Meeting of Mercury NZ Limited open.

[SLIDE: OUR COMPANY]

Before I introduce our Board, I want to start with a reference to what you see around you here today in our new Mercury brand.

This past year has been a big one, and strategically important for our company.

This is our first Annual Shareholders' Meeting where we are talking to you, our owners, as Mercury following our brand and name change from 29 July.

That change has enabled us to put all of our collective energy and focus in one place, behind one brand.

The new Mercury brand connects right through from our customers to the company's wonderful heritage generating renewable energy on the Waikato River, and our geothermal partnerships.

We now have the same brand [and bee logo] on our Annual Report, on our electric vehicles and our customer offers. This will also be on our power stations.

Our business still has the same fundamental, underlying strengths, with kaitiakitanga or long-term thinking at the core. What *HAS* evolved is our ambition and our strategy.

That's what the Mercury 'bee' represents.

We see a new energy future, with benefits for Kiwi consumers and the country from customer-led technology and renewable energy.

We want Mercury to stand out with customers because we are passionate about the use of energy in different ways to improve our customers' lives. We are also inspired by the unparalleled benefits for New Zealand in renewable energy.

At Mercury we call this 'Energy Freedom'.

I want to share with you a television clip from Seven Sharp last month, which really brings to life what our brand is all about. It also highlights just how much our strategic focus has evolved from the old-style power company of yesteryear that simply pumped electricity into your house.

I'll let our customer, Jill Davenport from Waihi, do the talking...

[VIDEO: SEVEN SHARP E-BIKE VIDEO CLIP]

Our Chief Executive, Fraser Whineray, will expand on this theme and highlight some examples of how we are delivering on our purpose and our mission of Energy Freedom. Now to the introductions.

[SLIDE: YOUR BOARD]

I am pleased to introduce to you the Mercury Board...

- Prue Flacks, who chairs our Human Resources Committee and has been on the Board since 2010;
- Andy Lark came onto 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;
- Patrick Strange who joined the Board two years ago after stepping down as Chief Executive of Transpower;
- Mike Taitoko who was elected at last year's Annual Meeting;
- ... and Mike Allen who is stepping down from the Board today after seven years' service.

A special thanks to Mike. Having his skills and deep expertise in geothermal around the Board table has been extremely valuable, both in capturing opportunities and evaluating this global niche of renewable generation.

During his tenure we have completed two major geothermal projects, Nga Awa Purua and Ngatamariki, which have contributed to geothermal growing to become New Zealand's second-largest electricity fuel source.

Geothermal is now an important strength for Mercury, making up more than 40% of our total annual generation. But our business has evolved significantly, including the decision announced at the end of 2014 to exit international geothermal development interests following a review of investment priorities.

We have a strong focus on ensuring that Mercury's Board is well-balanced with skills and experience aligned to the company's strategic priorities. This will be reflected in the recruitment of a new director, with the vacancy to be filled in the coming months.

Completing the introductions...

Also with me on stage are:

- our Company Secretary, Tony Nagel;
- our Chief Executive, Fraser Whineray, and our Chief Financial Officer, William Meek
- Nicky Ashton is our *Future Director* who has joined the Board deliberations since mid-year and will continue through to the end of the 2017 calendar year.

Until recently, Nicky has been GM Brand and Marketing for Kiwibank and she has a strong background in consumer marketing.

Nicky brings fresh insights through participation in our discussion and debate but in line with the parameters around the Future Director scheme, she is not involved in Board decision-making.

Here today, we also have all of our Executive Management Team, along with our auditors, Ernst and Young, and the company's solicitors, Chapman Tripp.

We have a couple of important guests who are joining us today: back-to-back Olympic gold medallist Mahé Drysdale... who created one of those special moments of Kiwi sport, with a victory in the men's single sculls at Rio.

After years of training, and a career of preparation, his win came down to the thousandths of a second – a record time and the closest-ever Olympics finish.

Through our 20-year commitment to New Zealand Rowing, owing to our Karapiro dam creating New Zealand's great rowing track used in the 1950 Empire Games, just three years after its construction, we have shared some great victories. But this is pure magic and it's wonderful to have Mahé here with us today.

At the close of today's meeting, we are also announcing an important new partnership for Mercury.

The Vice President of Strategic Initiatives for global software and services company, PlugShare, Ashley Horvat has joined us here today from Portland, Oregon for that announcement.

[SLIDE: AGENDA]

Running through the order of events today...

I'm looking forward to taking you through Mercury's highlights of the past year. I'll also cover Dividends and Share Price Performance before handing over to Fraser.

Fraser will update you on our business and financial performance, and highlight a few examples of our focus with customers, our priorities across Mercury and the Company's alignment with national outcomes.

In terms of the formal business, we will cover each resolution in turn and invite questions specific to those items. It will then be time to vote on the two resolutions, one of which relates to my re-election as a director of Mercury.

For the portion of the meeting, relating to my re-election, I will be handing over to Prue [Flacks].

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

Following the resolutions we will take questions from you on our financial and operational performance or other questions relating to the Company.

At the close of the meeting, we hope you will join us for morning tea.

We also have some of our people from our Customer team here with us, who can talk with you about any questions you may have about your energy supply for your home or business... or a substantial discount on an e-bike!

We have the largest number of owners for a listed company in New Zealand at just over 90,000. Therefore, I am an advocate for having our owners also as happy customers.

So whether you are already a Mercury customer, or with another power company, it's worth talking with our team today. If you are already a Mercury customer, and you sign up for a two-year fixed price plan before 15 November, you can earn triple Airpoints Dollars and avoid any price changes.

If you are not already a Mercury customer, our team should be able to get you on a better deal for your electricity and gas and we're offering new customers 150 bonus Airpoints Dollars and double Airpoints for the first two years after you join. This offer is open until 31 December [this year].

Even if you are following on the webcast, all you need to do is get in touch with our team on 0800 45 65 27 and just say that you are a proud Mercury shareholder.

[SLIDE: HIGHLIGHTS OF THE YEAR]

I have already spoken about the standout of the year, our successful brand change to Mercury.

In the year's highlights I could also refer to some of the numbers in our 'Report Card' in the Annual Report... EBITDAF and NPAT are up, the increased dividend, and customer metrics are responding well along with no high severity safety incidents during the last financial year.

Instead of focusing on the numbers, I want to make a few comments about something that is less tangible and difficult to express in a single number of business metric. That is the leadership in your company.

One of the highlights I spoke about at last year's Annual Meeting was the "seamless Chief Executive transition" and how quality leadership is fundamental to creating long-term shareholder value. I am pleased to report the Board is delighted with Fraser's performance over the two years since he assumed the role.

Beyond the Chief Executive appointment which is one of the Board's primary responsibilities, we have made a significant investment across Mercury in building strong leadership and management capability, with customised pan-Company management training programmes.

This investment in our people is essential to delivering on our strategic priorities and also to developing the capability and culture that we need to succeed in this new energy future.

Over recent years we have highlighted examples of how we are shaping your business for the future. This is about ensuring our strategy, our brand and our people are fully aligned.

[SLIDE: IMPORTANT MILESTONES]

There are three very different and important milestones over the past year, that each speak clearly to Mercury's continuing evolution and progress:

- The closure of our Southdown power station at the end of last year, that made our generation 100% renewable hydro and geothermal. Mercury's annual hydro generation typically makes up about 10% of New Zealand's total electricity supply, and our geothermal about 7% of New Zealand's generation.
- We acquired one of this country's leading solar businesses, adding new capability and expertise to support a best-in-market customer offering under our Mercury brand.
- And, in the last few weeks, Fraser has led an initiative with Christopher Luxon from Air New Zealand that resulted in the single-largest commitment of electric vehicles in this country... more than 30 significant businesses, one-thousand-four-hundred-and-fifty EVs.

This leadership from Mercury will boost EV numbers by more than 75% and take around three million kilograms of carbon emissions a year out of the atmosphere.

This includes moving 70 of our own fleet to electric plug-in, that we announced back at our 2014 Annual Meeting

This is what leadership and real sustainability looks like. It moulds the conversation and consensus and achieves alignment with businesses, Government, customers and the environment for long-term outcomes.

These are the actions of a company with a bold vision that is delivering for Kiwi customers and moving our country forward.

[SLIDE: SHAREHOLDER RETURNS]

This leadership has been matched by operational and financial performance.

Throughout the 2016 financial year, we had a strong operating performance and strong cash flows that contributed to another year of improved returns to the owners of Mercury.

We have achieved five consecutive years of ordinary dividend growth for shareholders, up 2% this year along with the special dividend in FY2016 of 4 cents per share. Mercury's ordinary dividend continues to be fully imputed.

For the year our Total Shareholder Return was 14%.

We're pleased to have returned \$252 million, or 18.3 cents per share, to our owners for the full year, underscoring the strength of our company in a period of significant change and progress for the business, including our rebranding to Mercury at the end of July.

These distributions represent 100% of Free Cash Flow and proceeds from land sales completed over the past two years.

Your Board continues to have an ongoing focus on capital management, and will continue to balance special returns to shareholders with maintaining appropriate balance sheet flexibility to deliver on the company's strategy.

[SLIDE: EBITDAF GUIDANCE]

Today we have announced updated EBITDAF guidance.

At the time of the Annual Results, at the end of August, we announced that Mercury had adopted a single 'point-estimate' for EBITDAF guidance from FY2017, rather than the previous range. This approach has been well received by the investment community.

Guidance was issued at \$490 million subject to any material events, significant one-off expenses or other unforeseeable circumstances including hydrological conditions.

With the modest level of earnings variability from year-to-year due to hydrological conditions, our aim is to communicate expected business outcomes more clearly to investors.

We committed to providing EBITDAF guidance updates at least twice-yearly – at the Annual Shareholders' Meeting and then at Interim Results in February. Our Quarterly Operational Updates include estimates for full-year hydro generation.

Mercury has enjoyed favourable hydrological conditions through the first three months of this financial year. Consequently we have updated the FY2017 hydro generation forecast to 4,250GWh, which is up 100 GWh on previous guidance.

Full year EBITDAF guidance has been lifted to \$495 million, based on this additional hydro generation. Ordinary dividend guidance remains at 14.6 cents per share, up 2% on last year.

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

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

Thank you also to our business partners and to the many people and organisations sharing mutual relationships with Mercury that drive our success.

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

ADDRESS BY THE CHIEF EXECUTIVE: FRASER WHINERAY

[SLIDE: CHIEF EXECUTIVE, FRASER WHINERAY]

Tēnā huihui tātou katoa,

Kei ngā mana, kei ngā reo o tēnā iwi, o tēnā iwi, huri noa.

Koutou kua haere tawhiti mai, tata mai hoki, ki te kaupapa o te wā.

Anei te reo mihimihi o Mercury, e rere atu ana ki a koutou.

E rau rangatira mā, tēnā koutou, tēnā koutou, tēnā rā koutou katoa.

Good morning ladies and gentlemen. I am very pleased to address you, the owners of Mercury.

I finished last year's ASM emphasising Mercury's attention to customer focus and embedding that right throughout the organisation. Our research tells us that we need to be making it easy for our customers...such as when they move house, rewarding loyalty and inspiring them. We are motivated by those goals.

I said that we needed to carefully consider and drive commercially-relevant opportunities for the long-term. We have acted on this:

- Electric vehicles for the overwhelming benefit of customers and the country
- Solar to complement our strength in renewables...
- ...and distributed storage to complement the very large, economic and sustainable natural energy storage of hydro dams.

I mean *carefully consider*, because there are literally thousands of solutions chasing just a few customer challenges and opportunities.

New Zealand is a small country and doesn't have a scale mass market, so customer-focused activity must be for viable niches...with a reasonable return over time for Mercury's owners.

At the time of last year's ASM, we also had significant projects underway from decisions taken the previous year. These included:

- The exit from geothermal interests in Chile
- The closure of our Southdown power station
- Planning for a geothermal drilling campaign on New Zealand operating sites in FY17
- ...and the ongoing major hydro upgrade programme.

I am pleased to report very positive progress in each of these areas.

We have completed the critical risk stages of our exit from international geothermal development interests in Chile, with the permanent closure of several exploratory geothermal wells.

At Southdown in Penrose, a hallmark of the closure of the gas-fired plant was the absolute commitment of our team on the site down to the very last day, 31 December.

We have turned our attention to securing the long-term strategic value of the Penrose site. As part of this we have started construction of a Mercury Research and Development Centre to showcase world-leading solar, battery storage and other energy technologies.

The third row of solar panels was completed on Tuesday [this week]. In total the solar arrays generate enough to power about 15 homes over the course of a year, and our purpose here is to work with this technology in New Zealand conditions.

The initial installation includes the panels [that you see here today, across to your right at the back of the room] from the global leader in solar panel technology and sustainability, Trina Solar.

Mercury has been confirmed as Trina's preferred residential and commercial sales partner in New Zealand. Their glass panels are some of the most efficient in the market, have an improved look and come with 30-year performance guarantees.

We're bringing the latest battery technologies together with solar generation, as well as EV charging, to show how a total 'home energy ecosystem' works. What this R&D Centre means is that Mercury's customers can have confidence in our offerings.

We launched Mercury Solar this week [for Auckland]. This is the one stop shop for solar for both the best customer experience and a supportive long-term partnership with the customers.

When this leading customer package is added to our renewable electricity credentials, people should only be thinking MERCURY when they think solar.

[SLIDE: OUR LEADERSHIP TEAM]

As Joan mentioned, behind the brand change, we are making a very important investment in leadership across our organisation.

What has positively surprised me, is just how much impact we have seen from the consolidation to the new Mercury brand. The feeling across the company that comes from the alignment of everyone to a single customer-led brand and its purpose, as detailed in this year's Annual Report, is palpable.

We have welcomed two new faces onto our Leadership Team in complementary roles that support our focus on innovation for customer. Julia Jack is our Chief Marketing Officer and Kevin Angland, GM Digital Services.

The rest of our senior leadership team are also here today and will be available after the meeting: Nick Clarke, Phil Gibson, Matt Olde and Marlene Strawson along with William Meek and Tony Nagel [who are here with me on stage] and.

This is a highly competent, cohesive and committed team, supported in turn by an equally dedicated team throughout Mercury, overseen of course by your Directors.

I am grateful for their combined endeavour, innovation and advocacy for Mercury.

[SLIDE: MERCURY – BEE]

We have had a great response from customers to our new brand and related initiatives since the launch in early August.

One of our primary goals in the rebrand was to stand out with customers.

The logo and the colour clearly do this. I'd challenge anyone here to describe any competitor logo with just one word.

We also now have a brand fit for the digital age, that we can leverage effectively in the tiny real estate of smartphone screens, where an increasing proportion of customer engagement occurs.

We also want to inspire New Zealanders. It will take time.

Judging from the feedback we have had on our electric bike campaign, we're off to a good start... you saw the reaction from Jill Davenport and her friends in Waihi [in the video clip].

We've observed that wonderful feeling at all of our e-bike ride events, and we had more than 9,200 entries within a week to our e-bike promotion with Breakfast TV.

Independent research shows that one-in-two Kiwis would now consider buying an e-bike, and this is climbing. I expect we will see a lift in e-bike sales coming into both summer and Christmas.

Our partners in many bike stores are telling us that demand has been much greater than anticipated from our campaign and that supply needs to significantly lift to satisfy Santa's demands.

Our Mercury brand performance is already relatively strong.

The average percentage of Mercury's residential customers rating as 'highly satisfied' is significantly above the average of the other major retail electricity brands. Our ambition is much higher.

Following the launch of the new Mercury brand our customer gains reached a four-year high in August with a net increase of more than 5,000 for the three months ended 30 September.

While customer switching rates across the industry continued at near-record levels, Mercury's focus on loyalty initiatives has resulted in lower churn [switching], now at the lowest level in four years relative to the market.

Customers have responded very favourably to our Free Power Day offer alongside the re-launch, with nearly 100,000 signing up since 29 July, making this our most successful campaign... 38% of those had never experienced a Free Power Day before.

Based on calls made to our customers and also through social media posts, they've certainly enjoyed themselves.

I know of one who turned on so many appliances that they blew the pole fuse out on the street and needed it reset by their lines company. What is also worth noting is that it was also a very low-cost campaign, run only through digital channels.

Another significant contributor to loyalty is the popularity of our fixed-price contracts. This is the single most successful retail offering in terms of uptake in the New Zealand electricity market.

There is a strong desire for certainty, with more than 40% of Mercury customers opting for fixed price contracts. This protects customers from increases from transmission and local lines company charges that Mercury, as a retailer, does not control.

And of course we now have a new, long-term exclusive Airpoints partnership with Air New Zealand [announced last month] that literally allows our customers to fly. Another example of *Energy made Wonderful*.

[SLIDE: BUSINESS AND FINANCIAL PERFORMANCE]

Looking across the key areas of business and financial performance.

We have continued a strong trend in health and safety, with no serious harm to employees or onsite contractors in the period.

In the current financial year, we have unfortunately had one serious harm incident with a stair fall injury to a contractor at our Greenlane office. Both our key measures, Total Recordable Injury Frequency Rate and Lost Time Injury Frequency Rate, had significant reductions across last year as we strive towards our goal of zero harm.

Our focus remains on preventing low probability high consequence events.

As I mentioned, we have continuing strong customer loyalty around the Mercury brand.

In the Annual Report and our Results, you will have seen operating earnings for FY2016 were up just over 2% to \$493 million.

Hydro generation was up 16% on the previous year to 3,866 GWh. However, this was lower than the historical average of 4,000 GWh due to low inflows to the Waikato River catchment.

Geothermal generation was up 2% to a record 2,830GWh. Reduced volatility in the wholesale market led to subdued average pricing with a greater impact on generation prices relative to electricity purchase costs.

An increase in commercial sales lifted overall volumes in the final quarter of the financial year. This contributed to a 4% fall in the average energy price to customers

as new commercial contracts replaced higher-priced contracts signed between FY2011 and FY2013.

Revenue from Metrix' third-party metering and energy data services increased due to additional meters deployed, reaching 396,000 in FY2016.

As a retailer, Mercury has the broadest set of customer-led applications for smart meters, such as our leading pre-pay service GLOBUG.

We recognised \$13 million from the disposal of non-core land, including parcels around the site of the former Marsden Point power station to the Office of Treaty Settlements.

Operating costs were held flat year-on-year as we captured benefits from efficiency to reinvest elsewhere and absorb inflationary costs.

Net profit after tax for the year increased \$113 million to \$160 million due to impairments in the prior period and Mercury's improved EBITDAF in FY2016. Underlying earnings after tax increased by \$7 million to \$152 million.

Our renewable generation assets are where our capital expenditure remains largely focused.

In total, the reinvestment capital expenditure is forecast to be around \$125 million this financial year in ongoing hydro refurbishment to improve the operational efficiency and long-term reliability of these key stations on the Waikato River and geothermal well-drilling to sustain performance over time.

Our hydro refurbishment programme is one of the examples I would now like to share with you to help illustrate how we are delivering on our purpose of: *Inspiring New Zealanders to enjoy energy in more wonderful ways.*

[IMAGE: PHONE]

If you're a Mercury Customer, you don't expect to be called by one of our Hydro Production Engineers. Andrew King who is based at our Aratiatia Station doesn't usually talk directly with customers.

Though over the past month I challenged all of our employees to each call a customer. We're now up to about 80% of our people right across the business having made a call.

Some of the stories are amazing... and in Andrew's case, he's gone the extra mile and offered a drive in an EV and a personal tour of the Aratiatia hydro station in the next few weeks.

[IMAGE: E-BIKE]

This is Jill Davenport from the Seven Sharp clip.

Who would have thought that a little bit of renewable electricity could really change someone's life so much...

[IMAGE: ARCGIS IMAGE]

This picture is what you get from a strong safety culture, and a few smart people putting their heads together.

With 140 of our people and contractors on a small site like the Mokai Geothermal Station during a maintenance shut, that can be dangerous.

The important part here is the orange circles, showing hazards on this online tool. Two members of our Geothermal team started using this to map sites and provide a clear and up-to-date picture of risks so that they can be managed [in real time].

[IMAGE: SOLAR]

This is Roger Wark, who is, like you, a Mercury owner. Roger and his wife Mary are here with us today.

In addition to his shareholding in Mercury, Roger's the sort of customer who is really thinking beyond the light switch and embracing new technology.

Roger and Mary have got a couple of EVs, they're putting another 10 solar panels on their roof, and they have the latest SolaX battery on order.

[IMAGE: OCT SCANNER WAND]

This may not look like much but it's extremely high-tech and it's changing kids' lives.

This new \$120,000 OCT eye scanner uses infrared light to create three-dimensional images of child patients' eyes. You can't put a price on the accurate diagnoses that families are now getting

A very genuine thank you to the generosity of Mercury's customers alongside our support that's been going into the Starship Foundation for more than a decade.

To my knowledge, this is New Zealand's largest and longest-running crowd funding campaign.

Nearly thirty-thousand households are giving a little bit through their power bill, every month. Joan and I recently visited Starship to see first-hand their wonderful work, in combination with the contributions of our customers.

[IMAGE: HYDRO REINVESTMENT]

If you had a 60 year-old car and it was going in for its first overhaul, you'd be pretty happy.

And that's what you see here... one of the new runners for the Whakamaru hydro station. The station was commissioned in 1956. Six decades of service so far is a tribute to the original engineers... incredible men and women.

We're now taking that craftsmanship to the next level. Modern computer-driven engineering allows us to achieve a tolerance around the band seal on this 22-tonne runner of about the width of a human hair [0.15mm]...

On a single turbine, finely tuned engineering like that adds up to an extra five megawatts and a 4% increase in efficiency, using the same amount of water.

[IMAGE: ELECTRIC VEHICLES]

This last photo is an important symbol of change.

It represents the decision of a small cutting-edge Kiwi IT company, Base 2, to buy their first electric vehicle, a BMW i3. Base 2 sees plug-in vehicles as a "perfect fit for a forward-thinking company" and they're looking to go 100% electric across their five-car fleet.

It's great to have Base 2's Finance Director, Ian Baker, and their Managing Director, Greg Sharp, here with us today too.

On a bigger scale, Joan referred to the breakfast we hosted last month with Air New Zealand where more than 30 organisations each committed to transition at least 30% of what's possible in our fleets to plug-in electric by 2019.

That's a single collective commitment of 1,450 cars.

A couple of other introductions:

- Across to your left you'll see a Nissan LEAF and a Mitsubishi Outlander... our family has one of each, what I call the "Kiwi Combo", one's perfect for running around town and the other one's a plug-in hybrid for longer trips out of town or to the beach.
- And at the back of the room [the white car on the left without our brand on it] we have the first e-Golf that VW has brought into New Zealand... once again, a sign of change, the new models of this car planned for our market should have a real-world range in excess of 220km on a single charge.
- We've got solar and batteries for you to look at, rowing and an Olympic Gold medalist, our customer team, and Airpoints where you can test your flying skills. Wonderful.

[SLIDE: FUTURE OPPORTUNITY]

Standing back from our business, the overall picture of the New Zealand electricity market is healthy, with two financial years of steady demand growth and a well-balanced market.

A large amount of thermal generation has been retired, largely on the back of geothermal investment over the past decade.

The conversation on electricity and its renewability in New Zealand has shifted substantially.

- ...From “issue to opportunity”
- ...From “unknown contributor, to being considered a national competitive advantage”
- ...From a “carbon emitter” to “the low-carbon solution”.

The conversation had to change for the long-term benefit of our country, its electricity consumers and for you, as the owners of Mercury.

I am delighted with how far this has moved.

Though, as an industry and a country, we cannot rest on the more-than-a-century of hard work by Kiwi men and women that has created our nation’s renewable advantage.

It is time to press home this advantage, by continuing to drive the right focus and actions.

Reflecting on overall industry outcomes over the medium-term since the listing of Mercury and several of our competitors...electricity prices have reduced, system security has improved and renewability has expanded.

New Zealand is now ranked 9th on the World Energy Council’s Energy Trilemma framework that has three dimensions... energy security, energy equity, and environmental sustainability.

Renewable electricity is why we’re there in the top 10 – what is holding the country back on further improvement is, in fact, energy.

I see several sector priorities in the coming year, three of which I want to highlight.

Firstly, beyond the very good work undertaken by New Zealand Trade and Enterprise, renewable electricity should be woven more into how we sell New Zealand to the world, underpinning our biggest export earner, tourism.

The second area concerns the regulatory environment. New Zealand has a stable and well-functioning regulatory environment that’s delivering high levels of energy

security, unprecedented choice for customers and 80% renewable electricity supply and rising.

However, the regulatory regime will need to simplify and evolve to support the best long-term outcomes for consumers and the country.

In particular, distribution pricing needs to be overhauled as a priority to provide appropriate long-term signals for consumers and generators alike and to keep pace with new technologies.

Thirdly, I would like to see a fundamental shift in energy policy from the current renewable electricity target... which is now largely irrelevant, to focusing on total renewable energy.

While New Zealand's total primary energy supply is looking greener, with a record 40% coming from renewable sources... the plain fact is that the only really positive change has come from the country's electricity supply, and geothermal growth since 2008.

An *ENERGY* target, rather than electricity target, would force us as a country to give much greater import to the opportunity to electrify transport, which is New Zealand's greatest green growth opportunity.

It may be a lower number optically, but it would put the country in an outstanding position against competing nations, who have decades and trillions of dollars to go to even catch up to where we are today.

What is happening in New Zealand right now is an extremely positive context for Mercury.

[SLIDE: MERCURY – ENERGY MADE WONDERFUL]

This is an exciting time for our business.

In the past four months, we have rebranded... launched the leading solar proposition in New Zealand...we have rewarded 100,000 customers with Free Power Days and many others with Airpoints...

... we have inspired many customers and members of the public with e-bikes...started construction of our Mercury R&D Centre here in Auckland and just a few weeks ago convinced 30 other companies to commit a total of more than \$60 million on electric vehicles.

To add to that, I will be making a further announcement in the EV space at the conclusion of today's formal business.

Before I hand back to Joan, thank you, our owners, for your strong support and confidence in Mercury.

I look forward to updating you at the half-year results in February 2017.

Thank you.

ORDINARY BUSINESS & RESOLUTIONS: JOAN WITHERS

[SLIDE: ORDINARY BUSINESS & RESOLUTIONS]

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

All items of business are ordinary resolutions and are required to be passed by a simple majority – being more than 50% – of the eligible votes cast.

The resolutions that we will be voting on today are as follows:

Resolution 1: Re-election of Joan Withers as a director of Mercury

Resolution 2: Re-election of James Miller as a director of Mercury

As stated in the Voting/Proxy Form, all voting at today's meeting will be by way of poll and, accordingly, in my capacity as Chair I require that a poll be held for each of the resolutions.

Shareholders who are entitled to vote and proxies who have discretion as to how they vote have received a Voting/Proxy Form when they registered upon arrival at the meeting.

If you completed a postal vote, you do not need to complete another Voting/Proxy form.

If you have not received a Voting/Proxy Form, please go to the Computershare desk at the back of the room where their representatives will be able to assist you.

After voting, you should place your Voting/Proxy Form in one of the ballot boxes which will be passed around the room.

I'll invite you to vote after all of the resolutions have been introduced to the meeting.

As Chair, and together with other directors, the Board holds undirected proxies:

- With respect to Resolution 1, re-election of Joan Withers: 541,112 shares
- With respect to Resolution 2, re-election of James Miller: 586,003 shares

Your Board supports the re-election of these directors and the directors intend to vote all of these shares in favour of these two resolutions.

There will be an opportunity to ask questions on, or speak to, each resolution being put to shareholders. I ask that, in the interests of fairness to all shareholders attending this meeting, anyone wishing to speak to a resolution be as concise as

possible and be considerate to other shareholders who may also wish to ask questions.

Please remember that this meeting is being webcast, so you will also be heard by an audience outside of this room.

I will now pass the chairing of this meeting to director, Prue Flacks, who will introduce the resolution relating to my re-election as a director.

[SLIDE: RESOLUTION 1]

Thank you Joan.

Resolution one relates to the re-election of Joan Withers.

Joan Withers was appointed a director of Mercury in August 2009, and has been Chair of the Board for the past seven years.

She was re-elected to the Board in November 2013. Joan is retiring by rotation in accordance with the NZX Listing Rules and offers herself for re-election.

The Board recommends Joan Withers to you as a Mercury director and unanimously supports her re-election.

Being eligible, Joan has confirmed she is available for re-election. I invite her to address the meeting on her proposed re-election.

[Address from Joan Withers]

Thank you Joan.

I now move, as an ordinary resolution, that Joan Withers be re-elected as a director. Is there any discussion on this resolution?

There appears to be no [further] discussion.

I will now hand back to Joan for the next resolution.

[SLIDE: RESOLUTION 2]

Thank you Prue.

Resolution two relates to the re-election of James Miller.

James Miller was appointed a director of Mercury in May 2012, and re-elected in November 2014.

James is retiring by rotation in accordance with the NZX Listing Rules and offers himself for re-election.

The Board recommends James Miller to you as a Mercury director and unanimously supports his re-election.

Being eligible, James has confirmed he is available for re-election. I invite him to address the meeting on his proposed re-election.

[Address from James Miller]

Thank you James.

I move, as an ordinary resolution, that James Miller be re-elected as a director. Is there any discussion on this resolution?

There appears to be no [further] discussion.

We will now turn to voting, for any shareholders who have not already cast a postal or proxy vote.

[SLIDE: VOTING]

If you wish to vote on these motions, you should use either the Voting/Proxy Form that was sent to you with the Notice of Meeting or an alternative voting form given to you by Computershare when you entered the meeting.

When you cast your vote, please tick one box to select “for”, “against” or “abstain”, alongside each resolution in the section marked Step 1: Voting Instructions/Voting Paper.

If you hold a proxy on behalf of a shareholder, you will need to cast that shareholder's votes in order for them to be counted. The Voting/Proxy Form given to proxy holders, sets out the number of proxy votes held and records directed votes.

If there are no undirected votes, the proxy holder needs only to sign the voting form. Where there are undirected votes, proxy holders may vote these as they see fit [by ticking the appropriate box].

Finally, in all cases, please ensure the voting form is signed.

After voting, you should place your Voting/Proxy Form in one of the ballot boxes which will be passed around the room. If anyone is unsure how to complete the voting form or hasn't got a form, if you go to the registration desk, someone will be able to help you.

Once all the votes have been cast, they will be counted by the Company's share registrar, Computershare, and scrutinised by the company's auditor. The results of today's meeting will be released to the NZX and ASX on the completion of verification of voting.

Please prepare your forms and cast your votes now, while we take questions.

Can I now ask Computershare to please bring the ballot boxes forward.

[SLIDE: QUESTIONS]

At this point we will open the floor to any questions on the financial results, the business update or any other matters you would like to raise.

We have roving microphones available around the room. I ask that any shareholders wishing to speak raise your hand and a microphone will be brought to you. In the interests of other shareholders who may want to ask a question, please keep your questions brief and state your name and whether you are a shareholder or a proxy holder.

Are there any items of general business to be discussed?

There appears to be no further business for discussion. That brings this meeting to a close.

Ladies and gentlemen, that brings us to the end of formal business for Mercury's 2016 Annual Shareholders' Meeting.

Thank you for taking the time to participate today.

ENDS.