

MERCURY.

GOVERNANCE ROADSHOW

PRUE FLACKS
Chair

18 July 2022

JAMES MILLER
Chair, Risk Assurance and
Audit Committee



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MERCURY AT A GLANCE.

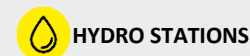
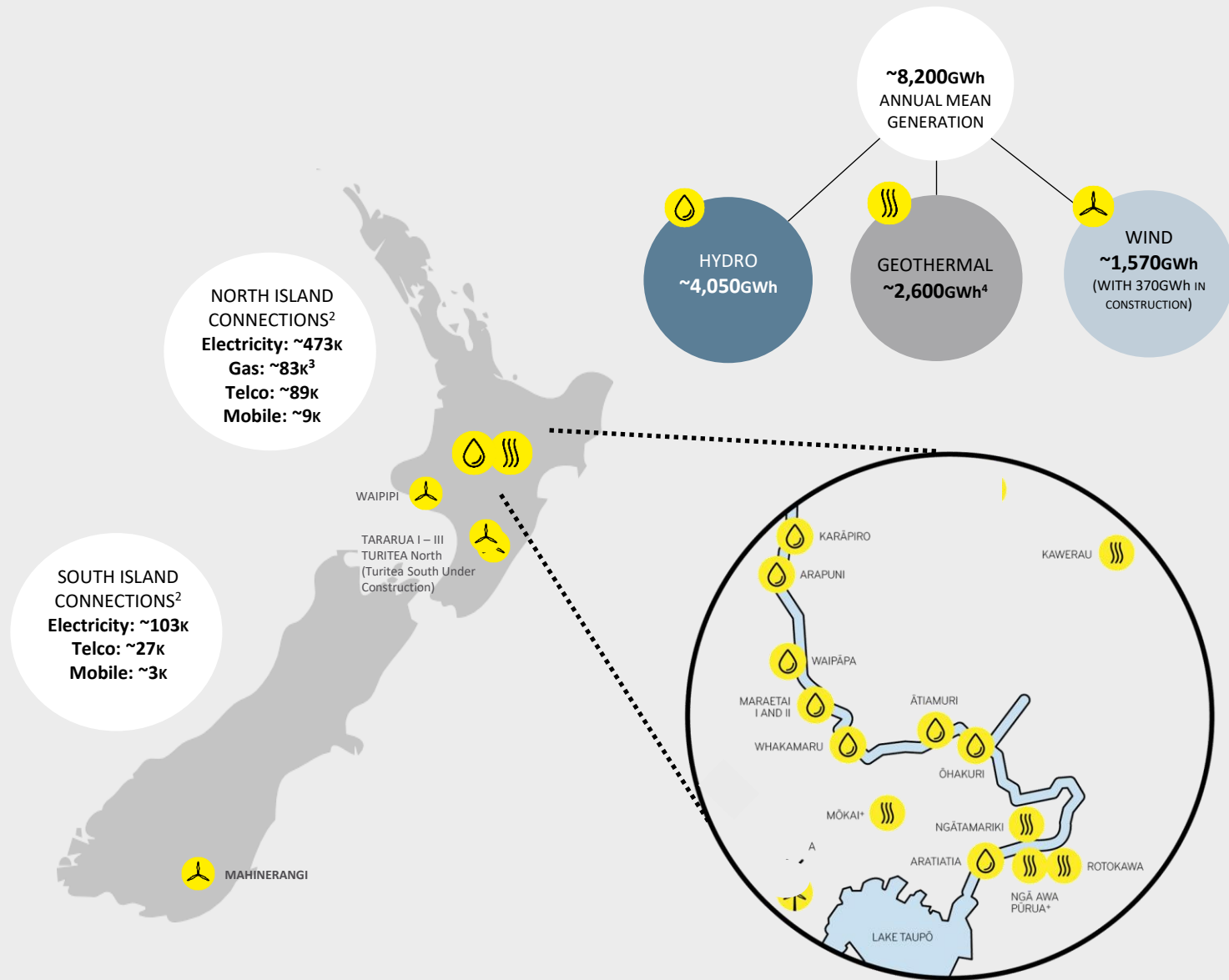
- > Vertically integrated 100% renewable generator and national multi-product utility retailer
- > New Zealand's second largest generator by market cap, NZ's largest wind generator and largest electricity retailer by customer market share
- > Generation market share of ~18%
- > 51% owned by the New Zealand Government
- > Market Capitalisation: ~NZ\$8.1 billion¹
- > Credit Rating: BBB+/Stable (S&P Global)
- > FY22 EBITDAF Guidance: NZ\$570 million

¹ As at 13 July 2022

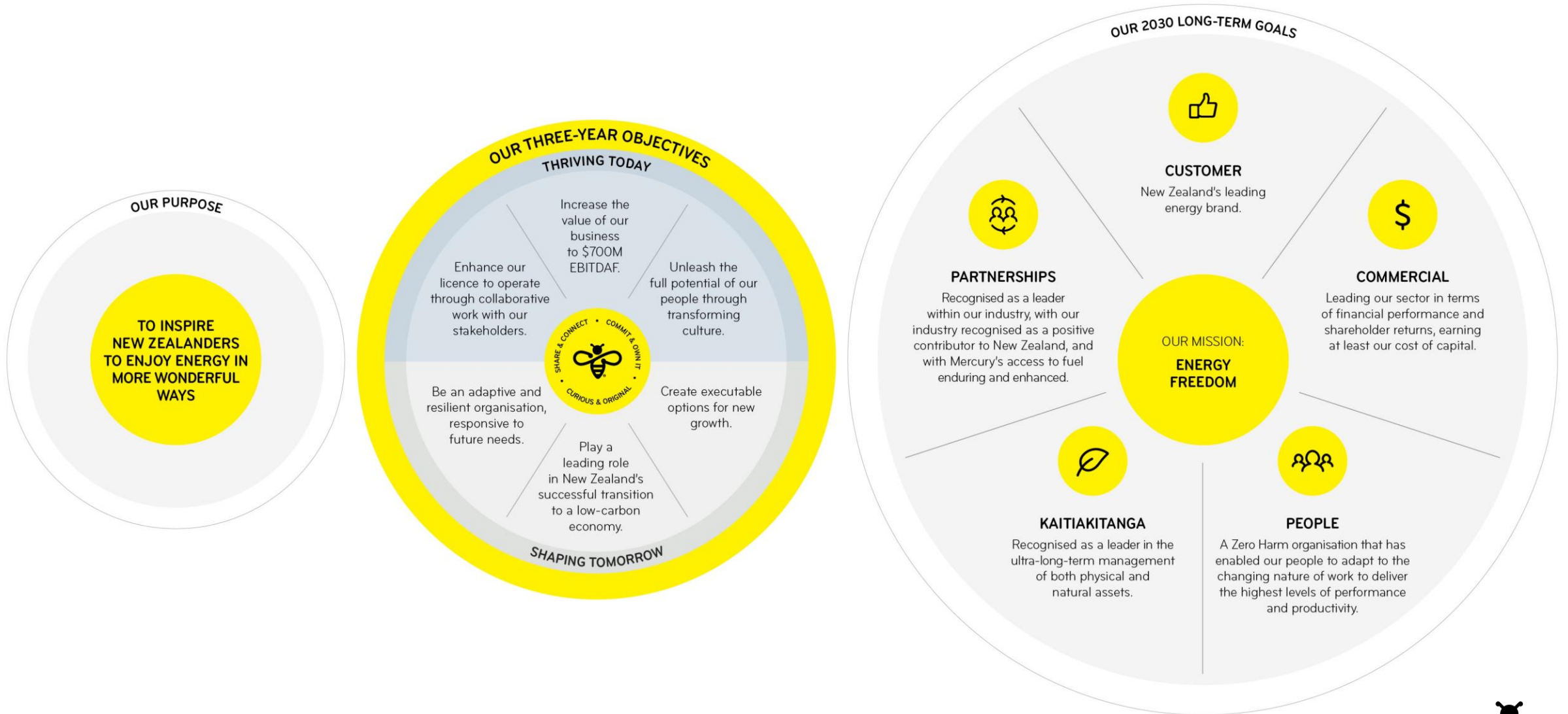
² As at 31 March 2022

³ Reticulated gas only (excludes ~10k LPG customers)

⁴ Excludes equity accounted geothermal generation at Mokai (~200GWh pa)



STRATEGIC FRAMEWORK LINKING THREE-YEAR OBJECTIVES WITH LONG-TERM GOALS.



HY2022 RESULT REFLECTS SIGNIFICANT CHANGE.

TILT NZ ACQUISITION

Acquired five operating wind farms which combined with Turitea North make Mercury NZ's largest wind generator¹

\$242m EBITDAF

Down \$48m versus HY21 reflecting lower hydro generation, Kawerau outage and Norske Skog hedging transaction, partially offset by new wind generation

FY2022 GUIDANCE

\$570m reflecting HY2022 conditions and Tilt & Trustpower acquisitions (including accounting impacts)

TURITEA OPERATING

All 33 turbines in Turitea North operating, generated 105GWh in HY2022 (annual mean 470GWh); Southern section works progressing

HYDRO STORAGE MANAGED

Hydro storage lifted despite lower inflows in preparation for expected dry conditions in 2H-FY2022

8cps

INTERIM DIVIDEND

Increase of 18% versus HY2021; full-year ordinary dividend guidance maintained at 20cps

TRUSTPOWER RETAIL

Trustpower Retail acquisition completed; integration underway

THRIVE

Evolving our culture and the way we work to deliver FY2022 continuous improvement target of \$30m

CAPITAL MANAGEMENT

Dividend Reinvestment Plan announced, interim dividend underwritten. \$250m capital bond issued.



TILT RENEWABLES OPERATIONS BOOSTS GENERATION PORTFOLIO

- > Acquisition of Tilt Renewables New Zealand operations completed in August 2021. Initial bid announced in March at \$7.80 per share, subsequently increased to \$8.10 per share in April. Funded through sale of Mercury's 19.9% Tilt shareholding (cost \$144m, sold for \$608m¹) and additional net debt of \$189m
- > All output sold via PPA to Manawa, CFD with Genesis (Waipipi) and conditional Kaiwaikawe offtake CFD also with Genesis
- > Adds over 1,100GWh of wind generation and a development pipeline. Including Turitea North (470GWh), Mercury NZ's largest wind generator.
- > Wind development and operations capability boosted with NZ based Tilt staff joining Mercury
- > Acquisition lifts wind operating assets, capability, wind generation development potential and core earnings.



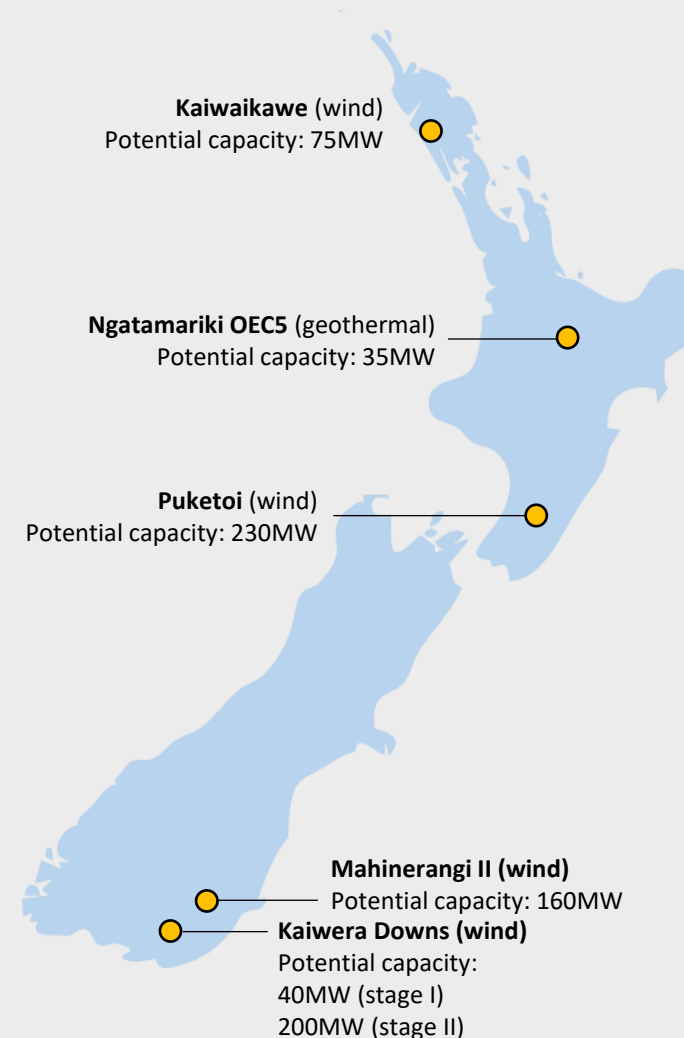
¹ Comprised of \$603m share sale and \$5m special dividend



MERCURY ADVANCING GENERATION DEVELOPMENT OPPORTUNITIES.

Development Options	Potential Capacity (est.)	Commentary
Puketoi	~230MW	Consented lapse period extended to 2031 Constructability work and consent enhancements progressing
Kaiwaikawe	~70MW	Resource consent granted, PPA agreed with Genesis
Mahinerangi II	~160MW	Consented
Kaiwera Downs Stage 1	~40MW	Constructability work underway
Kaiwera Downs Stage 2	~200MW	Consented
Ngatamariki	~35MW	Consent lodged
Mercury also holds a portfolio of early stage options in addition to the above		

- > Advancing development options in response to high market price signals and need to support decarbonisation
- > Mercury committed to NZ’s low carbon future. We are building new generation (e.g. Turitea), have a good portfolio of wind development options and the balance sheet to fund further renewable generation development
- > Appropriate policy settings critical to meet NZ’s decarbonisation goals
 - > Government energy strategy and industry response must “balance” energy trilemma
 - > Need for coordinated policy (e.g. RMA) that recognises electricity as the platform for other industries to decarbonise.

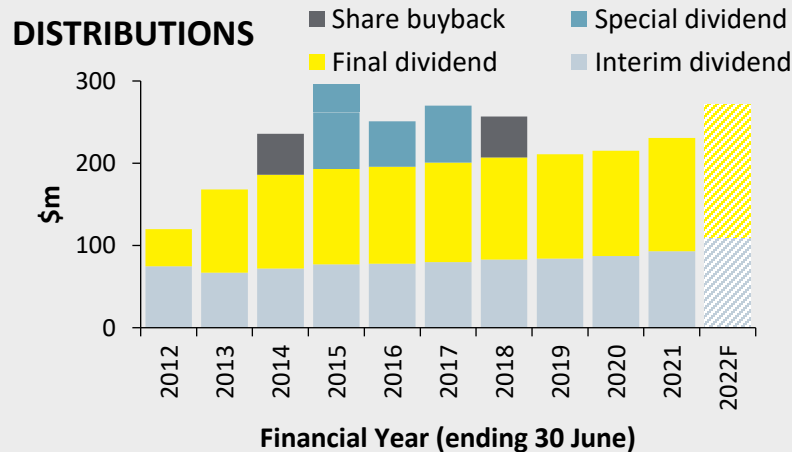
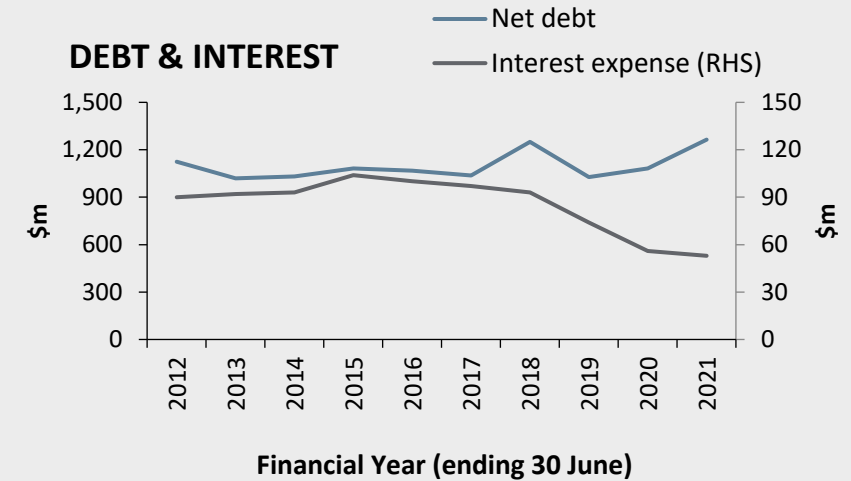
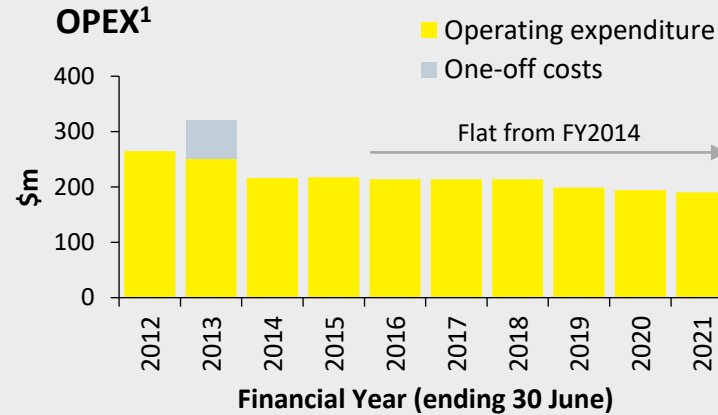
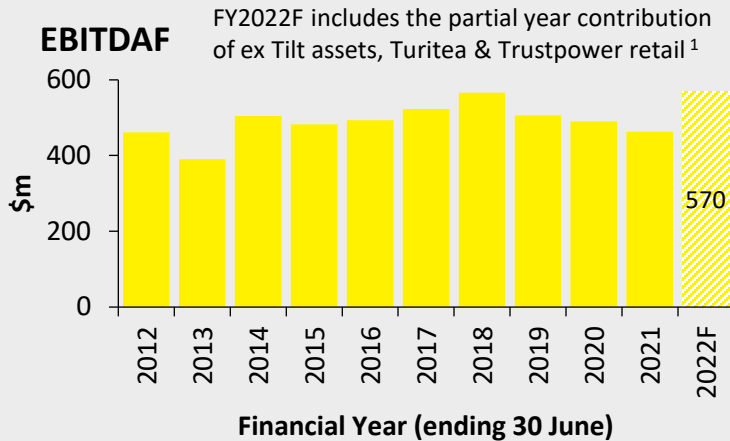


TRUSTPOWER RETAIL ACQUISITION TRANSFORMING.

- > Mercury now NZ's largest energy multi-product utility retailer
- > Acquisition of Trustpower's retail business enables Mercury to accelerate its retail strategy, delivering the right product mix and enhanced value for customers on a faster trajectory
- > Going from a dual utility provider to a truly multi-product retailer adds material value for our customers in terms of convenience, cost efficiencies and the delivery of innovative and exciting new products
- > Greater scale will also allow Mercury to invest in the underlying technology platform, enabling better services and improved customer experience
- > As New Zealand transitions to a low carbon economy, Mercury wants to ensure this shift is equitable for all consumers, including those experiencing hardship
- > Our focus moves quickly to how we integrate the two retail businesses supported by our outstanding generation assets, and how we can be innovative, responsive and streamlined in the way we operate
- > Smooth transition of Trustpower retail business in May and additional 570 staff. Integration team established focusing on:
 - integration of processes and systems
 - good change management to minimise customer impacts and improve UX
 - grow retail earnings and realise synergies



MERCURY'S LONG TERM TRACK RECORD.



- > EBITDAF lifts with increase in core business performance and addition of wind generation¹
- > Debt: gearing ratios within BBB+ band of 2.0 – 3.0x debt/EBITDAF
- > Distributions: FY22 ordinary dividend guidance of 20 cents per share will be the 14th year of ordinary dividend growth

¹ Material non-cash acquisition accounting impacts included in FY22 EBITDAF guidance from Norske Skog hedge transaction and Tilt Renewables NZ operations acquisition (positive to EBITDAF) and Trustpower retail purchase (adverse EBITDAF impact)



LEADERSHIP TEAM.



> VINCE HAWKSWORTH
CHIEF EXECUTIVE



> JULIA JACK
CHIEF MARKETING OFFICER



> WILLIAM MEEK
CHIEF FINANCIAL OFFICER



> LUCIE DRUMMOND
GENERAL MANAGER SUSTAINABILITY



> PHIL GIBSON
GENERAL MANAGER PORTFOLIO



> MARLENE STRAWSON
GENERAL MANAGER PEOPLE & PERFORMANCE



> STEW HAMILTON
GENERAL MANAGER GENERATION



> FIONA SMITH
GENERAL MANAGER CUSTOMER OPERATIONS



> CRAIG NEUSTROSKI
GENERAL MANAGER COMMERCIAL OPERATIONS -
RETAIL

- > New roles established in CY21:
 - > General Manager Sustainability
 - > General Manager Generation
 - > General Manager Customer
- > Retail executive structure aligned to expanded retail business, with the creation of General Manager Customer Operations role to complement General Manager Commercial Operations – Retail



BOARD OF DIRECTORS.



PRUE FLACKS
CHAIR



HANNAH HAMLING
DIRECTOR



ANDY LARK
DIRECTOR



JAMES MILLER
DIRECTOR



SCOTT ST JOHN
DIRECTOR



PATRICK STRANGE
DIRECTOR



MIKE TAITOKO
DIRECTOR



DENNIS BARNES
DIRECTOR



KIM GORDON
FUTURE DIRECTOR

- > Appointment of Dennis Barnes made to complement Board's collective capabilities and to add operational experience at the highest level in the New Zealand energy industry
- > Future Director Kim Gordon appointed under the Institute of Directors Future Directors Programme in May 2021 for 18 month term



ASM RESOLUTIONS.

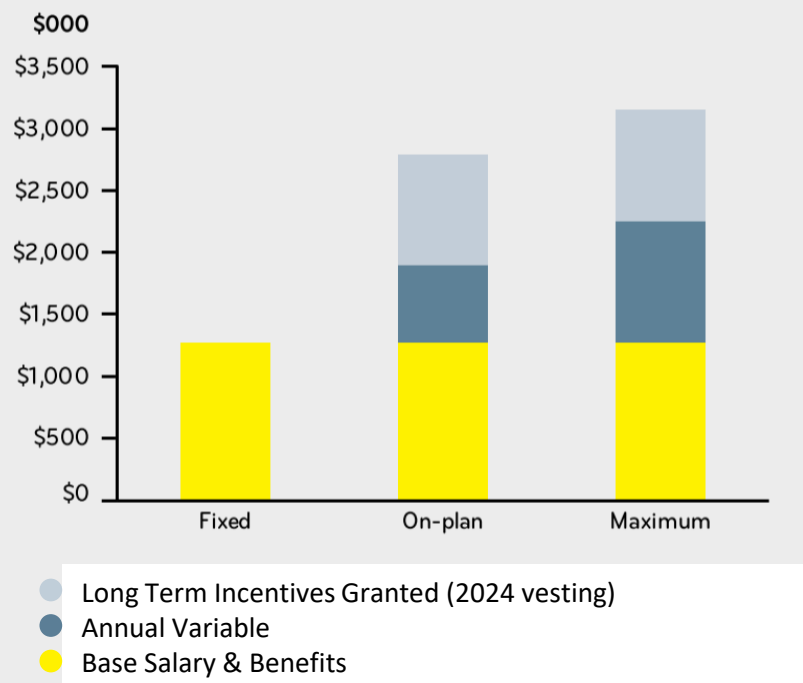
- > Re-election of James Miller
- > Potential director appointments / succession



REMUNERATION.

- > Mercury’s remuneration policy is founded on three guiding principles:
 - > Remuneration is aligned to long-term sustainable shareholder value
 - > Remuneration for individuals will reflect the level of performance and delivery of successful outcomes
 - > Simplicity over complexity will be reflected in the design

Chief Executive’s remuneration performance pay



FY22 Mercury’s Key Performance Indicators (KPIs)

For FY22, Mercury’s KPIs were aligned to our six 3-year objectives (see slide 4).

Goal	Weighting (%)
EBITDAF	40
Licence to operate / stakeholder collaboration	10
Transforming culture	10
Organisational resilience	10
Lead role in transition to low carbon economy	15
Executable options for new growth	15



ESG MATTERS.

- > Climate change strategy articulated in FY2021 Annual report and TCFD Report
 - > Climate change scenario analysis evolving
 - > Actively considering climate change based targets
- > Successful Bond issuance under Mercury's green financing framework
 - > AUD200m Australian Medium Term Notes (AMTN). A first for a NZ corporate
 - > NZD200m MCY030 1.56% Green Retail Bond, maturing Sept. 2027
 - > NZD200m MCY040 2.16% Green Retail Bond, maturing Sept. 2026
 - > NZD150m Green Wholesale Bond, 1.92%, maturing Oct. 2030
- > Inclusion and diversity
 - > Annual measurable objectives well-established, and we want more progress
 - > FY22 initiatives included: support for employee networks; growing Māori and Pasifika employee base; capability building and awareness; policy frameworks supporting inclusive culture
 - > Pay equity



STABLE CAPITAL STRUCTURE.

- > Mercury's dividend policy is to make distributions with a pay-out ratio of 70-85% of Free Cash Flow on average through time subject to:
 - Consideration of the Company's working capital requirements and medium-term asset investment programme;
 - Maintaining a sustainable financial structure for the Company, recognising the Company's targeted long-term credit rating of BBB+ assigned by S&P Global¹ (Debt/EBITDAF within range of 2.0 – 3.0 times); and
 - The risks from predicted short and medium-term economic, market and hydrological conditions, and estimated financial performance
- > S&P re-affirmed Mercury's credit rating of BBB+/stable in November 2021 which includes a one-notch upgrade from stand-alone credit profile of 'bbb' due to Mercury's status as a government-related entity due to 51% Government ownership

	31 Dec 2021	30 June 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
Net debt (\$m)	1,640	1,329	1,149	1,096	1,264 ⁵	1,038
Gearing ratio (%)	26.3	24.1	23.5	23.7	27.7 ⁵	23.9
Debt/EBITDAF (x) ²	2.6 ³	2.5	2.0	1.9	1.9	1.8
Issuer Credit Rating	BBB+/stable	BBB+/stable	BBB+/stable	BBB+/stable	BBB+/stable	BBB+/stable
Ordinary dividend	20.0cps ⁴	17.0cps	15.8cps	15.5cps	15.1cps	14.6cps

¹ Or equivalent from another recognised credit rating agency

² Adjusted for S&P treatment of Capital Bonds

³ Based on FY2022 EBITDAF guidance

⁴ Based on FY2022 ordinary dividend guidance

⁵ Restated to reflect changes in IFRS



