

Mercury 2024 Annual Shareholders' Meeting Chair, Chief Executive and Executive Addresses

Where: HYBRID MEETING (ONLINE AND IN PERSON AT HYUNDAI MARINE SPORTS CENTRE, ŌRĀKEI)
When: 1pm (NZST), 19 September 2024

[ADDRESS BY THE CHAIR: SCOTT ST JOHN]

SLIDE 4: CHAIR'S ADDRESS

Tēnā koutou katoa.

Good afternoon and thank you for joining us at Mercury's 2024 Annual Shareholders' Meeting. My name is Scott St John, and I am Chair of Mercury NZ Limited. I've had the privilege of being Chair since January, following the retirement of Prue Flacks in December 2023 after her substantial contribution to Mercury.

On behalf of your directors, our new Chief Executive Stew Hamilton, our leadership team and all of Mercury, I extend a warm welcome to you all, whether you're online or here in person.

I am pleased to confirm we have a quorum represented here today and therefore declare Mercury's 2024 Annual Shareholders' Meeting open. Voting is open on all items of business.

SLIDE 5: AGENDA

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

I will comment briefly on our financials and the broader environment in which we are operating. Stew will then talk to Mercury's forward focus.

The Board was delighted to appoint Stew to the role of Chief Executive, succeeding Vince Hawksworth who retired at the end of August. As you may recall from our meeting last year, Stew was previously Mercury's Executive General Manager Generation. He has a proven track record of success in leading large, complex businesses in New Zealand and internationally. His appointment is the result of the Board's strategic focus on succession planning, and testament to the depth of talent we have within Mercury.

I want to also acknowledge Vince for his significant contribution to Mercury and the sector more broadly.

Following Stew's address, we will hear from our Executive GM Sustainability Lucie Drummond and Executive GM Customer Craig Neustroski about key activity in their areas.

We will then move to resolutions. 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 your Board of directors:

- Mark Binns
- Mike Taitoko



- Adrian Littlewood
Susan Peterson, who chairs our People and Performance Committee
- James Miller, who chairs our Risk Assurance and Audit Committee
- Lorraine Witten; and
- Hannah Hamling.

Nicole Rosie, our fifth Future Director under the Institute of Directors' Future Directors Programme, is also present. Nicole is invited to attend and contribute to Mercury Board and Committee meetings but does not participate in decision making.

We are also joined by our:

- Chief Executive, Stew Hamilton,
- Chief Financial Officer, William Meek, and
- Company Secretary, Howard Thomas.

Also present are representatives from EY, who undertake the audit of Mercury on behalf of the Auditor-General, and members of Mercury's Executive Team.

SLIDE 7: FINANCIAL OVERVIEW

Mercury's net profit after tax lifted to \$290 million in FY24, due to positive unrealised fair value movements in financial derivatives and carbon units, higher EBITDAF and prior year revaluation losses and impairment, partially offset by higher taxes and interest expense.

Our scaled business produced EBITDAF of \$877 million supported by increased wind and geothermal generation and higher customer prices, and partially offset by reduced hydro generation and higher operating costs.

Operating costs increased to \$385 million, primarily due to higher salaries and wages and an increase in headcount and higher generation maintenance costs partly due to new wind operations at the Turitea and the Kaiwera Downs wind farms.

Stay-in-business capital expenditure (CAPEX) increased to \$142 million, as our geothermal drilling campaign ramped up.

Your Board was pleased to declare a fully imputed final dividend of 14.0 cents per share. This brings the full-year ordinary dividend to 23.3 cents per share, up 7% on last year and our 16th consecutive year of dividend growth.

There has been commentary recently that companies like Mercury have been more focussed on delivering dividends, than investing in renewable generation for New Zealand.

We believe we can and must do both. In FY24, 42% of our earnings were reinvested in new and existing assets, while 31% was paid out in dividends and 27% paid as interest and income tax.

We have a responsibility to generate reasonable returns for your investment in our business, and a core way we do this is by investing to sustain existing operations and grow New Zealand's renewable generation supply.

Flat national electricity demand for over a decade and a half combined with the significant uncertainty around whether the NZ Aluminium Smelter would remain in New Zealand, has required careful navigation over many years.

The \$1 billion Mercury invested in wind farms, geothermal drilling and hydro upgrades between FY13 and FY23 reflects our focus on fiscally responsible decision making, balanced with an eye to the future.

We currently have a further \$1 billion of investment in the works right now, reflecting an improved outlook.

Our FY25 EBITDAF guidance has been set at \$820 million, with the lower than usual hydro inflows, higher gas purchase costs and trading activity at the start of the financial year impacting this outlook.



Ordinary dividend guidance for FY25 is 24 cents per share which represents a 3% increase on FY24, and the 17th consecutive year of ordinary dividend increases.

SLIDE 8: A RAPIDLY CHANGING LANDSCAPE

The New Zealand electricity market has effectively delivered secure supply while supporting significant growth in renewables over the past 20 years.

About 85% of Aotearoa's electricity generation today comes from renewable sources, and the sector is on track to deliver around 98% renewable generation by 2030 (according to the independent 'The Future is Electric' report by BCG).

Like other countries, our energy system is evolving to mitigate and adapt to climate change and enable the electrification of the economy.

The global energy transition will be a complex and uneven process, with disruptions and challenges along the way.

This was brought sharply into focus in early August when the country experienced an energy shortage, which resulted in record spot electricity and gas prices.

As the charts on screen show, this came about because of short-term issues like low national hydro inflows, and longer-term issues like gas supply challenges.

More rain creating higher hydro inflows, demand response measures and Methanex gas deals that increased gas-fired generation saw these prices collapse by early September.

Spot electricity and gas prices were close to zero dollars at times.

These recent events have further underscored the critical importance of taking a whole-of-system approach to work through the challenges of the energy transition.

As we integrate more intermittent generation like wind and solar, the challenge of matching supply and demand to maintain consistent supply of electricity increases, with potential for sharp peaks of demand or physical lack of supply.

To that end, we welcome the refocusing of attention on security of supply, including the recognition of the critical role of gas as a transition fuel.

The electrification opportunity is important to New Zealand's long-term prosperity. It will be the biggest contributor to the nation achieving its climate change goals and can help drive a higher growth economy. We need to work collectively to ensure it remains on track.

Alongside the sector we've worked hard to establish mechanisms for this, as you'll hear from Lucie about.

We recognise continuing to build social licence with customers, communities, people and the wider public is critical to the success of this journey.

Before hearing from our Chief Executive Stew about our forward focus, we will thus watch a short video looking back on FY24 that showcases some of the ways we're achieving this.

Ngā mihi nui.

[VIDEO OF FY24 HIGHLIGHTS PLAYS]

[ADDRESS BY THE CHIEF EXECUTIVE: STEW HAMILTON]



SLIDE 10: CHIEF EXECUTIVE'S ADDRESS

Thank you, Chair.

Kia ora tātou katoa. Welcome everyone.

Ko Stew Hamilton toku ingoa. Ko au te tumuaki o te roopu whakahaere o Mercury.

It is a pleasure to present at my first Annual Shareholders' Meeting as Mercury's Chief Executive.

Over the past month I've enjoyed connecting with many of our team and stakeholders, and I look forward to connecting with many of you after the meeting today.

I want to firstly acknowledge the recent challenges that Scott touched on, and the impact they have had on some businesses.

Considering these challenges, we have been evolving our commercial and industrial customer offerings to meet emerging needs, including providing longer-term arrangements in some cases.

SLIDE 11: OUR THREE-YEAR OBJECTIVES

As a member of the Executive Management Team the past few years, I've been deeply involved in shaping our strategic direction.

In FY23, we introduced a new purpose: Tiakina te anamata, mā te tūhono i ngā tāngata me ngā wāhi o te inamata. Taking care of tomorrow: connecting people and place today.

We also updated our 2035 long-term aspirations. Then in FY24, we reset our objectives for FY25 to FY27. These objectives are our shorter-term enterprise-wide goals that are the key steps we need to take towards meeting our long-term aspirations.

They include our commitment to delivering more reliable and renewable energy for New Zealand and our support for the country's shift to a low-carbon future.

While delivering more generation is a material way in which we are supporting this shift, we are also looking at things like how we can support customers as their energy needs change.

The three-year objectives also cover our focus on financial growth, creating success with others, our culture and innovating with technology; all of which enable us to deliver on our ambitions.

As we move forward, I am focussed on enabling the Mercury team to deliver on these goals, while also looking at the next steps in our growth story.

Front-of-mind is looking at how we can further act on the significant opportunity electrification presents in a way that delivers economic and sustainable benefits for our communities, Aotearoa and company.

SLIDE 12: TAKING CARE OF TOMORROW

A key way we are acting on this opportunity is continuing to deliver more generation for New Zealand at scale and pace.

The \$1 billion investment that Scott called out includes the \$220 million expansion of the Ngā Tamariki geothermal station, and the \$486 million expansion of the Kaiwera Downs wind farm which we began after signing a long-term supply agreement with New Zealand Aluminium Smelters.

After delays due to procurement and construction logistics, we expect to reach final investment decision for the Kaiwaikawe wind farm this side of Christmas.



We have much more planned too, including five projects which we have put forward for fast-track consideration. This includes two new projects: a wind farm near Huntly and a grid-scale battery at Whakamaru hydro station.

We are also investing significantly in existing assets, like Karāpiro hydro station, to enhance their resilience and performance.

We have also made significant progress on our ambitions for our customer business, with the integration of Mercury and Trustpower complete.

As Craig, our Executive GM Customer, will speak to, we are now seeing the benefits from this, particularly considerable capability for product bundling.

SLIDE 13: CONNECTING PEOPLE AND PLACE TODAY

I believe we perform at our best when we feel united, empowered, and mutually committed to achieving something worthwhile.

To that end, we continue to focus on empowering talent and uplifting diversity, equity and inclusion, which we recognise is critical to attracting and retaining top talent.

We also continue to prioritise health, safety and wellbeing. We have set several milestones to reach safety citizenship, the gold standard of safety culture, by December 2026.

Finally, before I hand over to my team, I want to make a special mention to our CFO, William Meek, as this is his last Annual Shareholders' Meeting. William is stepping down in March 2025 after more than three decades at Mercury, including 16 years as Chief Financial Officer.

I want to thank William for his huge contribution to Mercury's success. His presence has made a lasting difference to Mercury, the sector and capital markets more broadly. A robust recruitment process for his successor is underway.

Ngā mihi nui. Thank you for your ongoing support of Mercury and our team.

I will now hand over to Lucie, our Executive GM Sustainability, to speak further to our external environment and the actions we're taking, alongside others, to actively shape the pathway forward.

[ADDRESS BY EXECUTIVE: LUCIE DRUMMOND]

SLIDE 14: EXECUTIVE PRESENTATION 1: LUCIE DRUMMOND

Thank you, Stew. Kia ora tātou katoa.

As the Executive GM Sustainability at Mercury, my team works on our overall strategic framework and improving Mercury's resilience by identifying future risks and opportunities so we can respond to change. We engage work across the sectors that we are part of to develop long-term sustainable solutions that set New Zealand up for success.

SLIDE 15. BALANCING THE ENERGY TRILEMMA

The broader environment Scott spoke to highlights just how important balancing the energy trilemma is on our journey to a lower carbon energy system.

By looking globally and locally, we understand the inherent complexities of the energy transition, and are committed to navigating the challenges and opportunities it will bring.

Security of supply is of critical importance as Aotearoa rapidly scales up renewable energy. We're pleased to see a refocusing of regulatory settings to prioritise this leg of the trilemma. This includes ensuring there is fuel and plant available in our system that can respond flexibly to peaks in demand and also supply electricity when the sun doesn't shine, the wind doesn't blow, and the rain doesn't fall.



The recent focus on the relationship between the gas market and how gas might play a part in supporting a secure electricity supply reflects the importance of this issue for New Zealand. We are supportive of exploratory work on LNG as one potential solution, and would like to see this done in parallel with exploring other security options. These may include domestic gas production or other fuels that can flexibly provide secure energy to the electricity system – both for now and into the future.

As well as supporting sector work on delivering a physical solution to security of supply, we are actively contributing to work on market and regulatory settings needed for a successful energy transition. This includes contributing our expertise and experience and ultimately supporting the development of solutions in this space.

If we improve the security of our energy supply, we can then improve electricity affordability for our customers.

Affordability remains at the forefront of our strategy. We know managing the costs of this transition is essential to keeping electricity accessible AND that switching to electricity can ultimately drive lower overall **energy** costs for households and New Zealand.

To help with this, we are investing in digital solutions to optimise operations and lower costs. We are also exploring innovative pricing models to help reduce peak demand pressures. The hot water load control trial, mentioned in the video, is a great example of this in practice.

In the regulatory space, we are advocating for changes that will support a smart, two-way energy system. An independent report by BCG found this would be the lowest cost pathway to efficiently scaling our electricity system.

Looking ahead, we are advocating for a clear, long-term view of electricity pricing across the value chain and will continue to provide help for our customers most in need, as Craig will speak to.

Turning to the renewability leg now, as we've seen overseas, building new renewable infrastructure like wind farms requires earning and maintaining social licence.

With this in mind, we are committed to engaging early and frequently with communities, iwi, and stakeholders - listening to their concerns and working together to ensure our projects bring local benefits.

This commitment is evident in our approach to upcoming projects, where we actively incorporate community feedback into planning to minimise environmental impacts and enhance shared value.

SLIDE 16: COLLABORATING FOR SUCCESS

Achieving the scale and pace of change for the energy transition needs a whole-of-system approach. To us, this means lifting our sights beyond individual projects or issues to instead address challenges across the whole value chain, from production to end-use. By doing so, we can ensure solutions deliver the best outcomes for New Zealand. This means thinking beyond our individual operations and collaborating with others.

This is why we have been working alongside other participants across the electricity system to develop an energy transition framework. The framework aims to speed up progress by concentrating on priority areas and sharing insights to lower risks. It is the first time this level of collaboration has taken place, recognising the critical importance of collective action.

By taking both individual actions AND working with others, we are helping to ensure that New Zealand's energy transition is not only achievable but also equitable and beneficial for all.

In closing, while the road ahead may be complex, I am confident that Mercury, alongside our partners, is well-positioned to navigate these challenges. Together, we will drive the transition towards a secure, affordable, and sustainable energy future for Aotearoa.

Thank you. Ngā mihi nui.

I will now hand you to Craig to speak to key activity in our customer business.

[ADDRESS BY EXECUTIVE: CRAIG NEUSTROSKI]



SLIDE 17: EXECUTIVE PRESENTATION 2: CRAIG NEUSTROSKI

Thank you, Lucie. Kia ora tātou katoa.

As the Executive GM Customer at Mercury, I'm responsible for driving the strategy of our customer business.

SLIDE 18: LAYING THE FOUNDATIONS FOR THE FUTURE

Electricity retailers like Mercury are at the forefront of the shift towards a more electric future.

We are not just suppliers of electricity but will drive innovation and adoption of clean energy solutions.

We are deeply focussed on ensuring we set all our customers up for a brighter and more connected future.

As has been shared, FY24 was a big year for our customer business. Our team has worked incredibly hard to get us to a position where we are well placed to deliver enhanced operating efficiencies and growth.

We reduced our acquisition activity for the first half of FY24 to prioritise the successful completion of the Mercury and Trustpower integration.

Now this is complete, we are firmly focussed on delivering the benefits of this integration, including leveraging our scale and bundling capability to enhance and expand our multi-product offerings.

On that note I am very pleased to share that we recently achieved a mini milestone of having 10% of the Fixed Broadband market. We are also seeing an acceleration in the uptake of our Mobile services.

We continue to deliver integration synergies, with most expected to be secured in FY25.

SLIDE 19: NAVIGATING THE ENERGY TRANSITION

We continue to think deeply about how we can enable our customers to play an active role in the energy transition.

A key focus relates to our gas sales, with expected cost increases in the near to medium term being well documented.

We are providing information to our gas customers and partners about the outlook and the options available to them, to equip them with the information needed to make well-considered decisions.

Another key area of focus is on helping manage pressure on the grid at peak times. As our customers' energy use changes, we want to ensure customers can participate in demand management with increased transparency and control.

In the past year we undertook several successful projects and trials in this space. The learnings from these are feeding into the new products we will bring to market in the New Year.

SLIDE 20: OUR CUSTOMER CARE IMPACT

We expect to see larger increases in lines and transmission costs than we have seen in recent years as a result of rising costs and level of investment required in critical electricity infrastructure.

We will continue to provide comprehensive support for customers experiencing hardship, including developing innovative solutions that address the broader challenges related to affordability.

We are pleased with the considerable impact we have achieved in this space, including a 76% reduction in post-pay disconnections year-on-year. We continue to look for opportunities to drive better outcomes for customers and shareholders and I am pleased to share that we have had zero credit disconnections in the last 3 months.

A lot of this is executed through our Here to Help programme, which includes a team dedicated to providing tailored solutions to customers most in need.

Since December 2023, this team has provided comprehensive support in collaboration with government agencies and community partners to just over 1000 of our customers who are most in need. Nearly a third of these



customers no longer require Here to Help support; highlighting the sustainable, long-term impacts we have been able to deliver.

Among other initiatives, we also continue to provide significant commercial support to social electricity providers Nau Mai Rā and Toast Electric, to further help whānau in need.

I am excited about the platform we have created and the new ways we can use our scale and capability to deliver value to shareholders and empower and serve all our customers.

Thank you.

Ngā mihi nui.

I will now hand you back to Scott.

