

>> QUARTERLY HIGHLIGHTS

**SECOND
HIGHEST Q3
GENERATION¹**

1,035 GWh HYDRO GENERATION;
114% OF AVERAGE

4,700 GWh

FULL YEAR HYDRO GENERATION
FORECAST UP 150GWh

**RETAIL
COMPETITION
INTENSE**

ANNUAL CHURN FOR ALL MERCURY
BRANDS UP 0.9% VERSUS PCP;
MARKET CHURN UP 1.2%

>> COMMENTARY

LOW STORAGE LEADS TO RECORD HIGH JANUARY PRICES; CYCLONES ARRIVE FEBRUARY-MARCH

Average wholesale prices remained elevated for the quarter ended 31 March 2018 being \$85/MWh at Otahuhu and \$79/MWh at Benmore, up over \$30/MWh on the prior comparable period. However prices varied significantly in the quarter with the January average price hitting a record high due to national storage beginning the quarter at 82% of average and January national inflows being significantly below average. This was contrasted with February and March as large inflows associated with cyclones Fehi and Gita suppressed wholesale prices and pushed national hydro storage to 114% of average by the end of the quarter.

ABOVE AVERAGE HYDRO GENERATION OFFSETS GEOTHERMAL OUTAGE

Mercury continued to benefit from high inflows into the Waikato catchment with hydro generation in the quarter reaching 114% of average¹. The increased hydro contribution offset a reduction in geothermal output at Kawerau due to a planned two-yearly maintenance outage. Favourable hydrological conditions have also lead to our full year hydro generation forecast being lifted to 4,700GWh (up 150GWh on guidance provided with the Q2 FY2018 Operational Update).

Mercury's LWAP/GWAP ratio of 1.08, relative to 1.02 in the prior comparable period, was negatively affected by the timing of inflows and by high prices coinciding with scheduled geothermal outages.

HIGH LEVELS OF RETAIL COMPETITION; INCREASED MARKET CHURN

Customer numbers decreased by 2,000 over the quarter to 391,000 due to intense retail competition with 48 retail brands now competing in the New Zealand market, up 12 from the previous year. The decrease was spread across all Mercury group brands with the Mercury brand itself experiencing its first quarterly decline following six consecutive quarters of growth.

Intense retail competition has also impacted churn levels with Mercury's annualised churn for all brands being 19.2% for the year to 28 February 2018² and up 0.9% compared to the same period the year prior. This remains below market with market churn also increasing by 1.2% to 21.1%.

Mercury continues to 'Make It Easy' for our customers with 10,000 customers choosing to take up our offer to fix their prices under our 'Beat The Price Rise' campaign. The total number of customers on fixed-term contracts was more than 127,000 at the end of the quarter, however down on the number at the start of the financial year as some customers chose not to re-fix as their fixed terms expired.

The average energy VWAP was up 3% to \$113.99/MWh as average prices for both residential and commercial customers rose relative to the prior year.

URBAN DEMAND GROWTH NEGATED BY REDUCTION IN IRRIGATION AND DAIRY LOAD

National demand was down 0.8% versus the prior comparable period after normalising for temperature (down 1.5% on an unadjusted basis). Lower irrigation demand (-1%) was the most negatively impacted sector with lower demand also seen in the dairy (-0.2%), rural (-0.3%) and industrial (-0.2%) sectors. The contraction in these sectors was partially offset by urban demand growth (up 1% after adjusting for temperature).

¹ For quarters ended 31 March since 1999

² March 2018 Electricity Authority switching data was not available at the time of release

>> OPERATING STATISTICS

OPERATING INFORMATION	Three months ended 31 March 2018		Three months ended 31 March 2017		Nine months ended 31 March 2018		Nine months ended 31 March 2017	
	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)
ELECTRICITY SALES								
FPV sales to customers	113.99	999	110.70	1,036	113.70	3,334	111.82	3,431
FPV sales to residential customers		488		496		1,792		1,798
FPV sales to business customers		511		540		1,542		1,633
FPV purchases from market		1,055		1,094		3,522		3,624
Spot customer purchases		211		218		681		672
Total NZEM Purchases	87.92	1,266	53.70	1,312	94.36	4,203	54.48	4,296
ELECTRICITY CUSTOMERS ('000)								
		391		390				
North Island Customers		348		348				
South Island Customers		43		42				
Dual Fuel Customers		48		44				
CONTRACTS FOR DIFFERENCE		Volume (GWh)		Volume (GWh)		Volume (GWh)		Volume (GWh)
Buy CfD		438		352		1,157		1,256
Sell CfD		839		775		2,750		2,576
End User CfD		296		324		938		996
Net Sell CfD ²		401		423		1,593		1,320
ELECTRICITY GENERATION	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)
Hydro	87.34	1,035	55.21	954	91.07	3,729	55.16	3,321
Geothermal (consolidated) ³	75.39	591	49.41	628	83.01	1,908	48.94	1,918
Geothermal (equity accounted) ⁴	78.21	45	50.30	54	86.83	141	49.94	168
Total	82.87	1,671	52.82	1,636	88.31	5,778	52.79	5,407
LWAP/GWAP		1.08		1.02		1.07		1.03
CARBON EMISSIONS ('000 TONNES CO2)		68		80		256		266
METRIX AMI METERS ('000)		410		401				

¹ VWAP is volume weighted average energy only price sold to FPV customers after lines, metering and fees

² Includes Virtual Asset Swap volumes in both Buy and Sell CfD volumes of 148 GWh for the 3 months ended 31 March 2018 and 172 GWh for the 3 months ended 31 March 2017 and of 500 GWh for the 9 months ended 31 March 2018 and 525 GWh for the 9 months ended 31 March 2017

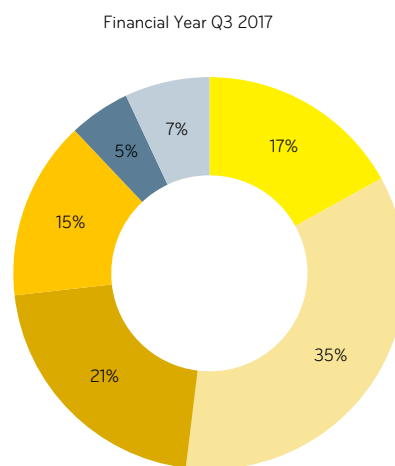
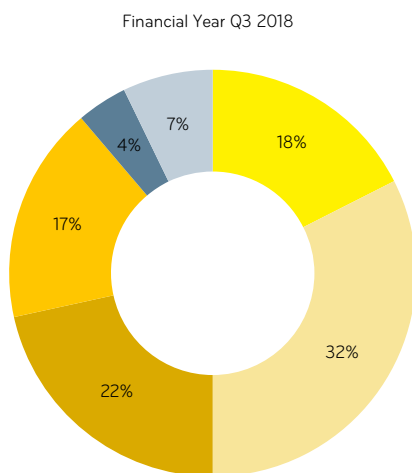
³ Includes Mercury's 65% share of Nga Awa Purua generation

⁴ Tuaropaki Power Company (Mokai) equity share

>> MARKET DATA

> ELECTRICITY GENERATION BY COMPANY FOR THE THREE MONTHS ENDED 31 MARCH

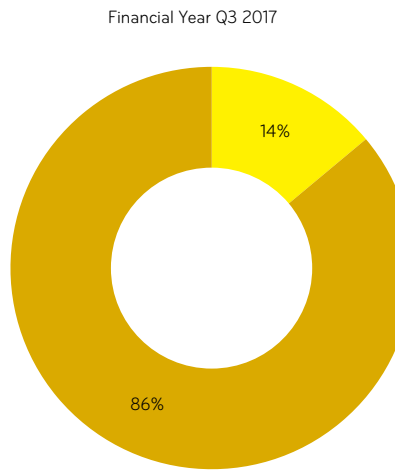
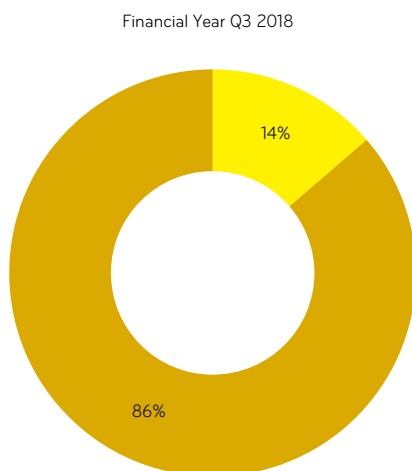
■ MERCURY
 ■ MERIDIAN ENERGY
 ■ CONTACT ENERGY
 ■ GENESIS ENERGY
 ■ TRUSTPOWER / TILT
 ■ OTHER



Source: Electricity Authority

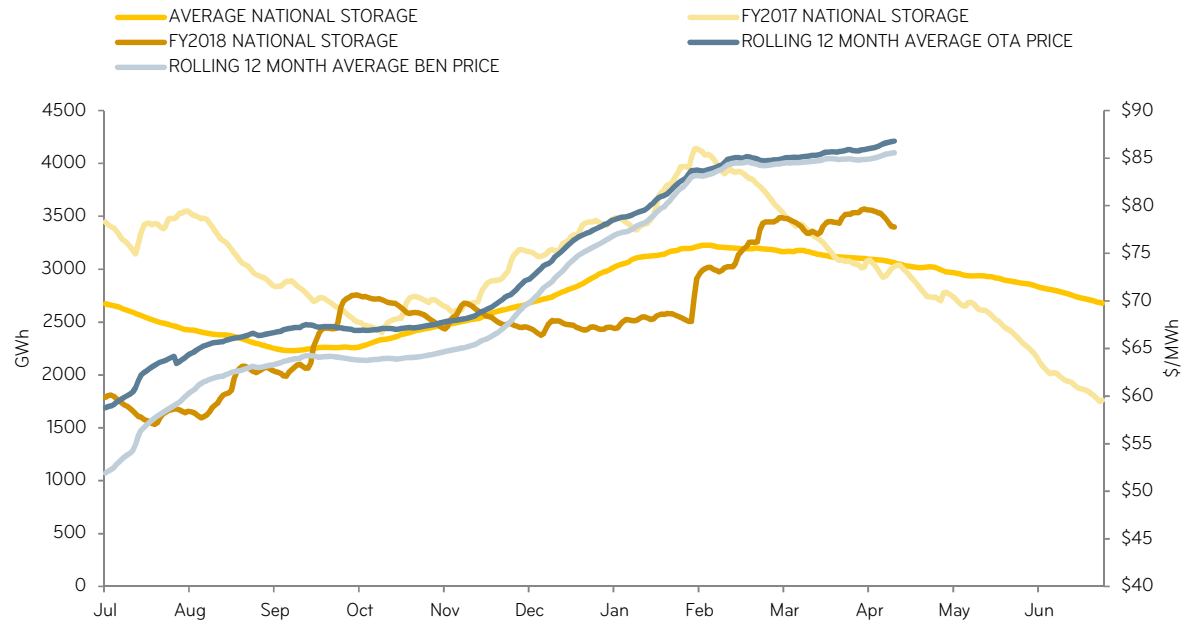
> SHARE OF ELECTRICITY SALES (GWh) FOR THE THREE MONTHS ENDED 31 MARCH (EXCLUDING CFDs)

■ MERCURY
 ■ OTHER

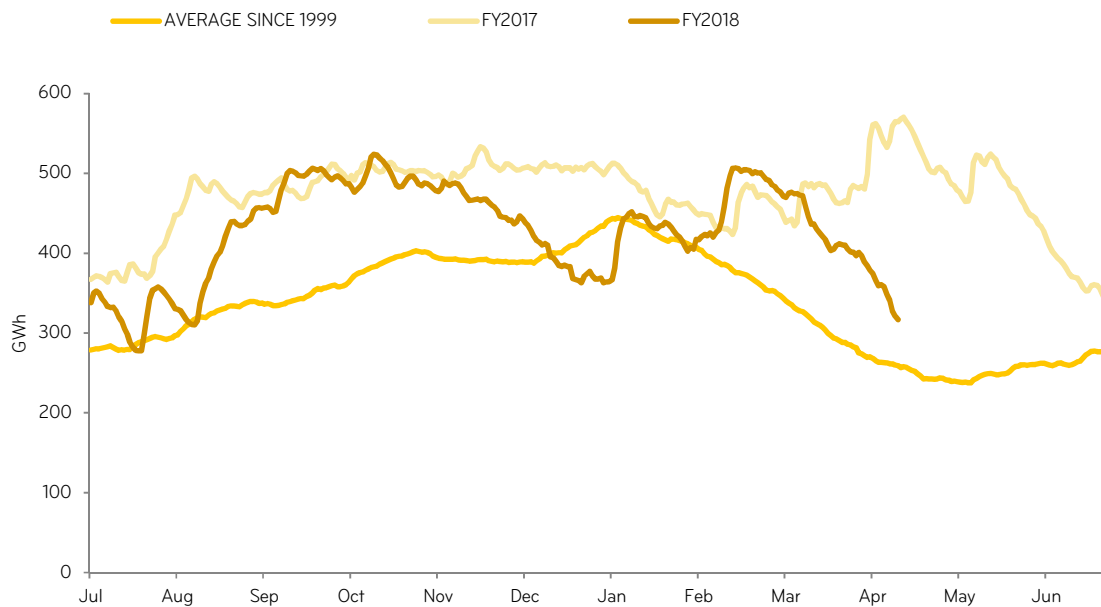


Source: Mercury Purchases and Transpower SCADA

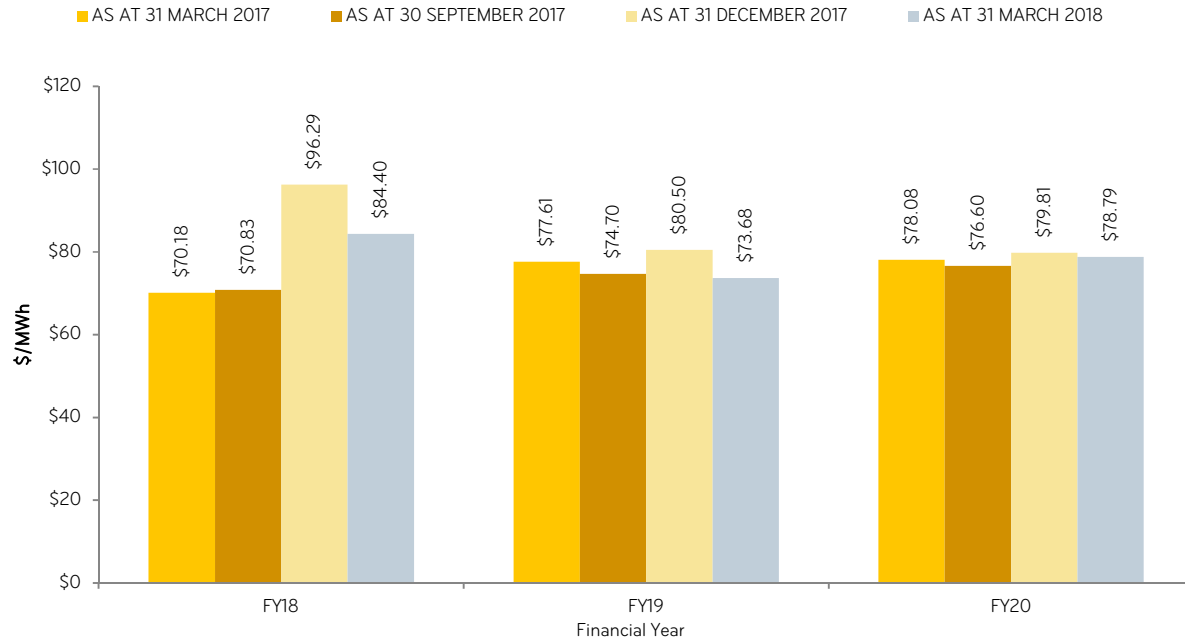
> OTAHUHU WHOLESALE PRICE AND NATIONAL HYDRO STORAGE LEVELS



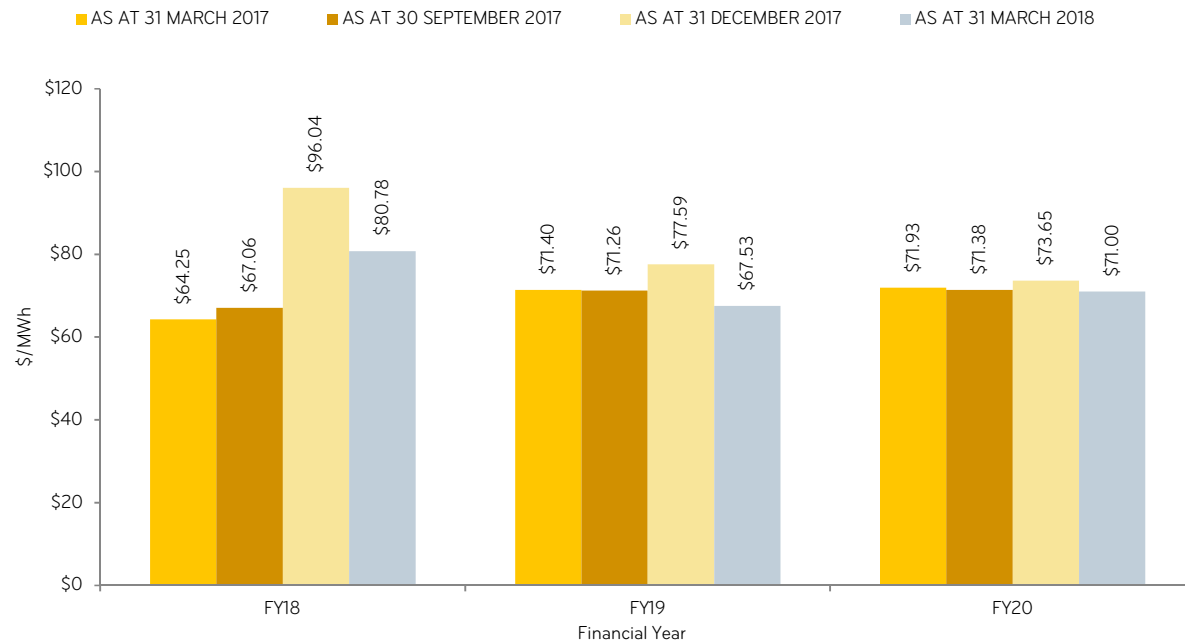
> TAUPO STORAGE



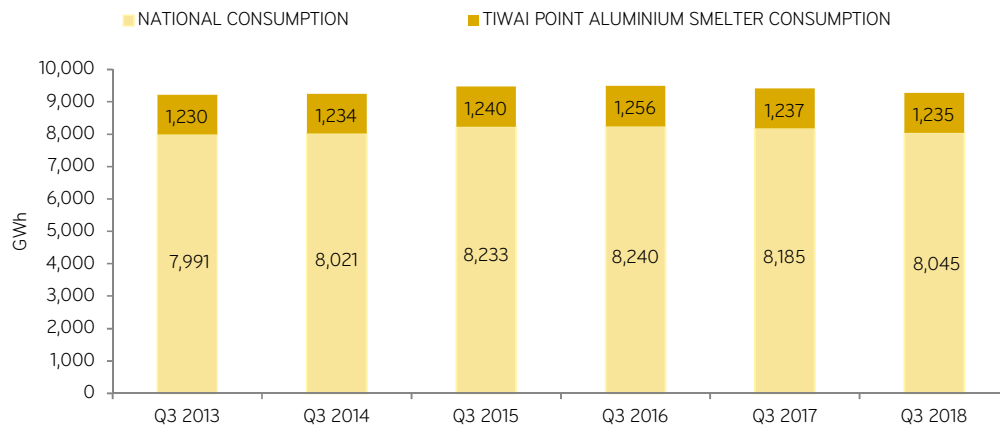
> OTAHUHU ASX FUTURES SETTLEMENT PRICE



> BENMORE ASX FUTURES SETTLEMENT PRICE



> NATIONAL CONSUMPTION (NON-TEMPERATURE ADJUSTED)



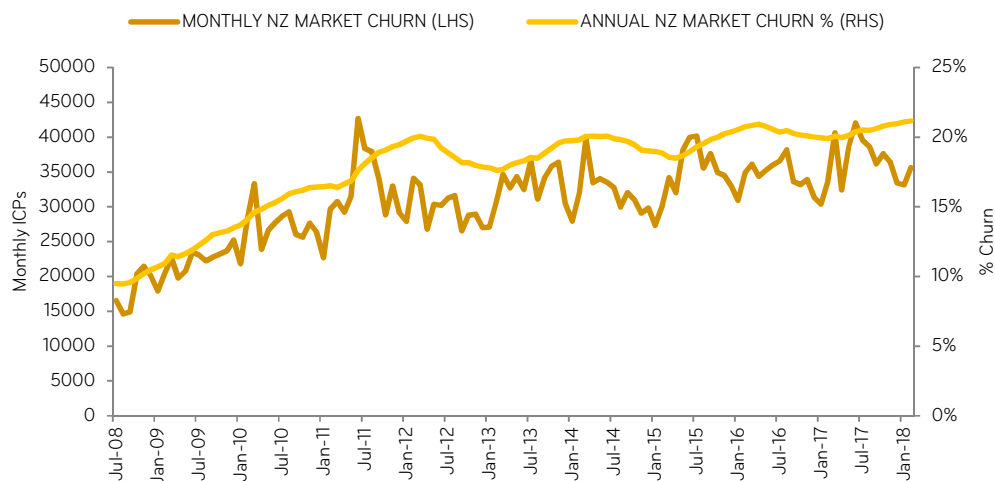
Source: Transpower Information Exchange

> AUCKLAND CLIMATE SUMMARY (°C)

FINANCIAL YEAR	Q1	Q2	Q3	Q4
2018	12.3	17.2	20.7	-
2017	12.1	16.1	19.3	14.3
2016	11.4	16.0	20.6	15.3
2015	11.9	15.9	19.9	14.3
2014	12.3	16.7	18.8	14.8
Historical Average (since 1999)	11.9	16.1	19.4	14.1

Source: Met Service

> TOTAL CONSUMER RETAIL SWITCHING (ICPs)



Source: Electricity Authority