

>> QUARTERLY HIGHLIGHTS

RECORD ANNUAL GENERATION

ANNUAL GENERATION 7,704GWh;
HYDRO GENERATION 947GWh
ABOVE AVERAGE

DEMAND GROWTH

UNDERLYING DEMAND UP 1.8%
LED BY URBAN AND DAIRY SECTORS

SUSTAINED RETAIL COMPETITION

ANNUAL CHURN FOR ALL MERCURY BRANDS UP 2.1% VERSUS PCP;
MARKET CHURN UP 0.6%

>> COMMENTARY

STRONG FINAL QUARTER CONCLUDES RECORD YEAR AS HYDRO CATCHMENT INDEPENDENCE LIFTS GENERATION VALUE

Mercury's 100% renewable portfolio set a new generation record of 7,704GWh in the 12 months to 30 June 2018. This result was achieved through the highest North Island inflows in company history enabling annual hydro generation of 4,947GWh.¹

In the quarter, generation from the Waikato Hydro Scheme declined (by 184GWh to 1,218GWh) from historic highs in the prior comparable period but remained well above average.² Geothermal generation was down by 15GWh to 708GWh due to a combination of planned and unplanned outages.

Wholesale prices for the quarter diverged between the islands, being elevated at \$78/MWh at Otahuhu but below average at \$64/MWh at Benmore due to high South Island storage levels. Within the quarter, wholesale prices weakened during April and May as national storage remained above-average and increased in June as storage levels declined towards average. The non-correlated nature of Mercury's North Island hydro catchment to South Island hydrology allowed Mercury to align hydro generation with these patterns which led to a significant increase (from \$72.50/MWh to \$84.42/MWh) in the hydro VWAP compared to the same quarter in the previous year.

Mercury's LWAP/GWAP ratio improved to 1.05 from 1.13 in the same quarter last year with the annual LWAP/GWAP ratio increasing slightly (from 1.05 to 1.06) due to increased electricity purchase costs caused by atypical southwards power flows in 1H FY18.

SUSTAINED INTENSE RETAIL COMPETITION; MERCURY CONTINUES TO REALISE CUSTOMER PROMISES

Customer numbers across all brands decreased by 3,000 over the quarter to 388,000 as high levels of retail competition, especially in the North Island, were sustained. As a result, Mercury's annual churn rose to 19.8%, up 2.1% compared to the same period last year. Mercury continues to maintain its below-market churn advantage as churn across all retailers also increased to 21.0%.

In the face of intense retail competition, Mercury continues to realise our customer promises to reward, inspire and make it easy as approximately 90,000 customers redeemed a Free Power Day in June. Additionally, the number of customers registered to benefit from Airpoints™ has steadily increased, reaching 155,000 by the end of the quarter.

The recent April storms caused widespread loss of power in Auckland. Mercury proactively made more than 1,700 calls to vulnerable and medically dependent customers and also sent nine staff to assist with high call volumes in Vector's faults contact centre.

The average sales VWAP increased by 1.7% to \$120.51/MWh in part due to higher-yield mass market sales making up a greater proportion of total sales than in the prior comparable period.

DEMAND UP DUE TO UNDERLYING URBAN GROWTH AND DAIRY SECTOR RECOVERY

National demand increased by 1.8% after adjusting for warmer than normal temperatures (1.6% on an unadjusted basis) compared to the same quarter last year setting a new record. This increase was driven by underlying urban demand growth (+1.2%) and a recovery in dairy sector demand (+0.3%) as unfavourable weather conditions hampered dairy sector activity in the same quarter last year.

¹ For years ended 30 June since 1999

² For quarters ended 30 June since 1999

>> OPERATING STATISTICS

| OPERATING INFORMATION | Three months ended 30 June 2018 | | Three months ended 30 June 2017 | | Twelve months ended 30 June 2018 | | Twelve months ended 30 June 2017 | |
|--|------------------------------------|-----------------|------------------------------------|-----------------|-------------------------------------|-----------------|-------------------------------------|-----------------|
| ELECTRICITY SALES | VWAP ¹ (\$/MWh) | Volume (GWh) | VWAP ¹ (\$/MWh) | Volume (GWh) | VWAP ¹ (\$/MWh) | Volume (GWh) | VWAP ¹ (\$/MWh) | Volume (GWh) |
| FPV sales to customers | 120.51 | 1,144 | 118.47 | 1,175 | 115.41 | 4,477 | 113.51 | 4,606 |
| FPV sales to residential customers | | 669 | | 660 | | 2,460 | | 2,458 |
| FPV sales to business customers | | 475 | | 515 | | 2,017 | | 2,148 |
| FPV purchases from market | | 1,207 | | 1,241 | | 4,729 | | 4,865 |
| Spot customer purchases | | 209 | | 226 | | 891 | | 899 |
| Total NZEM Purchases | 83.48 | 1,416 | 80.23 | 1,467 | 91.62 | 5,620 | 61.04 | 5,764 |
| ELECTRICITY CUSTOMERS (‘000) | | | | | | | | |
| North Island Customers | | 388 | | 392 | | | | |
| South Island Customers | | 345 | | 349 | | | | |
| Dual Fuel Customers | | 43 | | 43 | | | | |
| | | 48 | | 45 | | | | |
| CONTRACTS FOR DIFFERENCE | | Volume (GWh) | | Volume (GWh) | | Volume (GWh) | | Volume (GWh) |
| Buy CfD | | 347 | | 372 | | 1,504 | | 1,628 |
| Sell CfD | | 863 | | 1,011 | | 3,613 | | 3,586 |
| End User CfD | | 288 | | 331 | | 1,226 | | 1,325 |
| Net Sell CfD ² | | 516 | | 639 | | 2,109 | | 1,958 |
| ELECTRICITY GENERATION | VWAP (\$/MWh) | Volume (GWh) | VWAP (\$/MWh) | Volume (GWh) | VWAP (\$/MWh) | Volume (GWh) | VWAP (\$/MWh) | Volume (GWh) |
| Hydro | 84.42 | 1,218 | 72.50 | 1,402 | 89.43 | 4,947 | 60.31 | 4,724 |
| Geothermal (consolidated) ³ | 71.76 | 656 | 68.02 | 668 | 80.13 | 2,564 | 53.87 | 2,586 |
| Geothermal (equity accounted) ⁴ | 74.40 | 52 | 68.98 | 55 | 83.50 | 193 | 54.66 | 223 |
| Total | 79.84 | 1,926 | 71.00 | 2,125 | 86.19 | 7,704 | 57.93 | 7,533 |
| LWAP/GWAP | | 1.05 | | 1.13 | | 1.06 | | 1.05 |
| CARBON EMISSIONS (‘000 TONNES CO ₂) | | 85 | | 93 | | 341 | | 359 |
| METRIX AMI METERS (‘000) | | 413 | | 403 | | | | |

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 149 GWh for the 3 months ended 30 June 2018 and 174 GWh for the 3 months ended 30 June 2017 and of 650 GWh for the 12 months ended 30 June 2018 and 699 GWh for the 12 months ended 30 June 2017

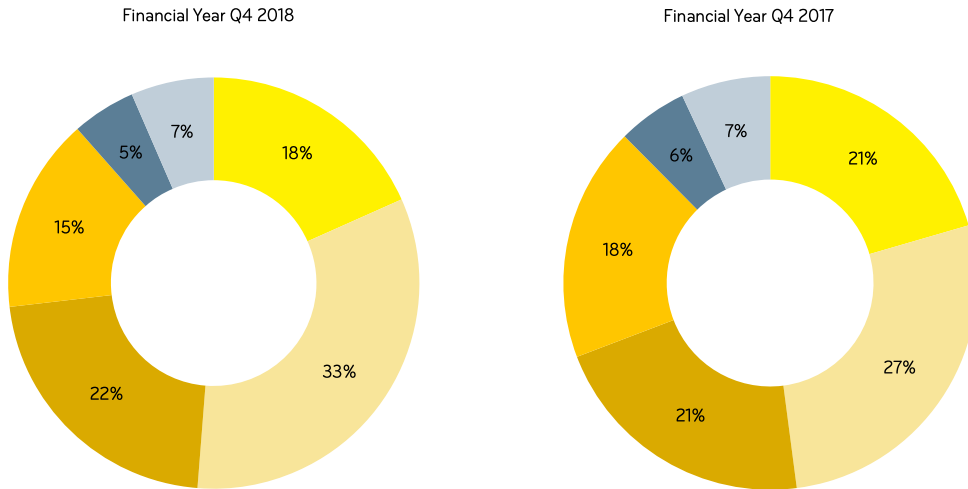
³ Includes Mercury's 65% share of Nga Awa Purua generation

⁴ Tuaropaki Power Company (Mokai) equity share

>> MARKET DATA

> ELECTRICITY GENERATION BY COMPANY FOR THE THREE MONTHS ENDED 30 JUNE

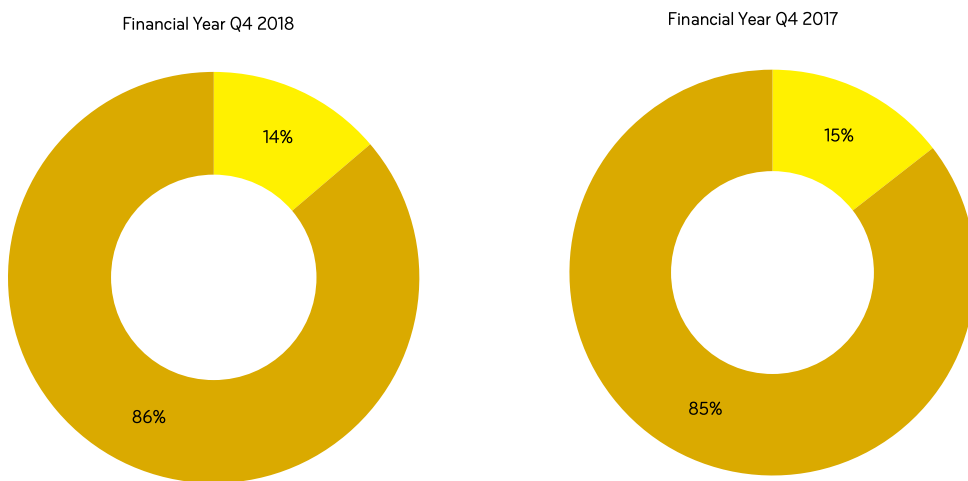
- MERCURY
- MERIDIAN ENERGY
- CONTACT ENERGY
- GENESIS ENERGY
- TRUSTPOWER / TILT
- OTHER



Source: Electricity Authority

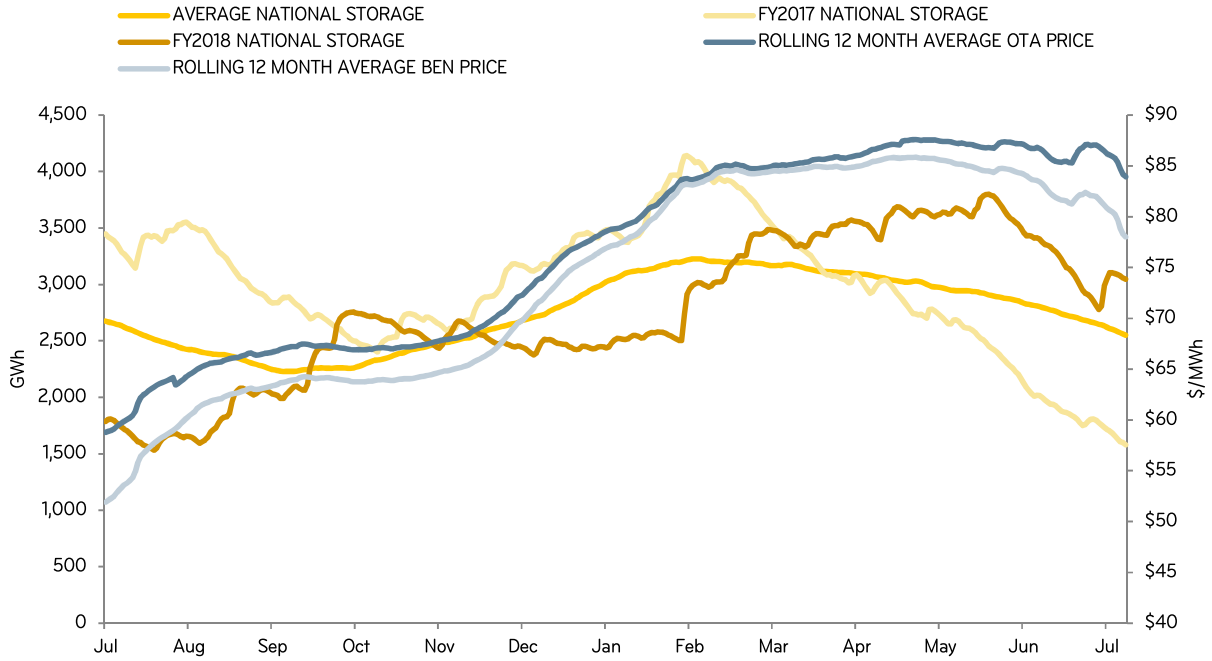
> SHARE OF ELECTRICITY SALES (GWh) FOR THE THREE MONTHS ENDED 30 JUNE (EXCLUDING CFDs)

- MERCURY
- OTHER



Source: Mercury Purchases and Transpower SCADA

> WHOLESALE PRICE AND NATIONAL HYDRO STORAGE LEVELS



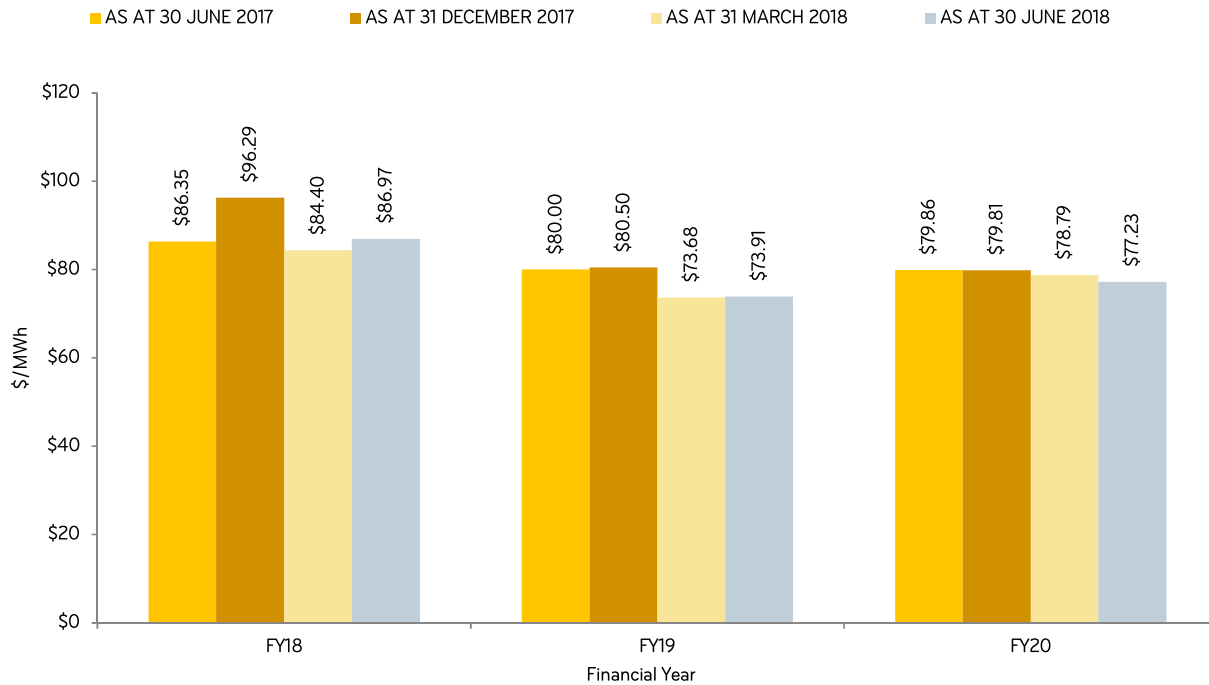
Source: NZX Hydro and NZEM Pricing Manager (NZX)

> TAUPO STORAGE



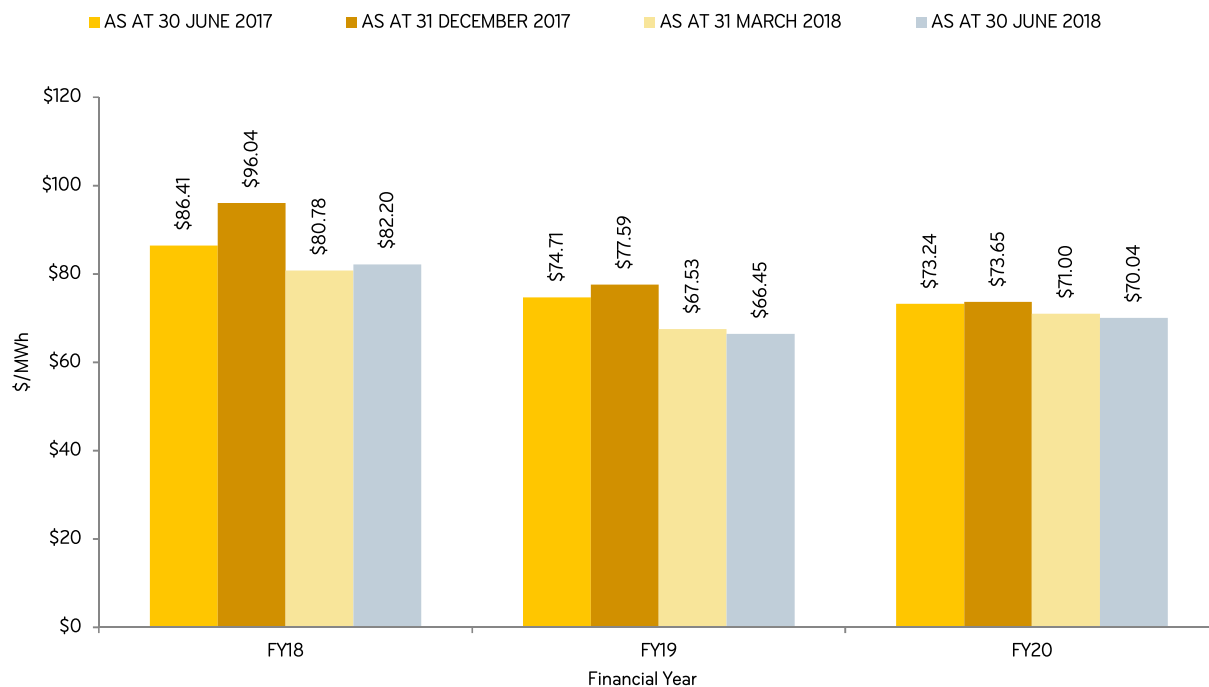
Source: NZX Hydro

> OTAHUHU ASX FUTURES SETTLEMENT PRICE



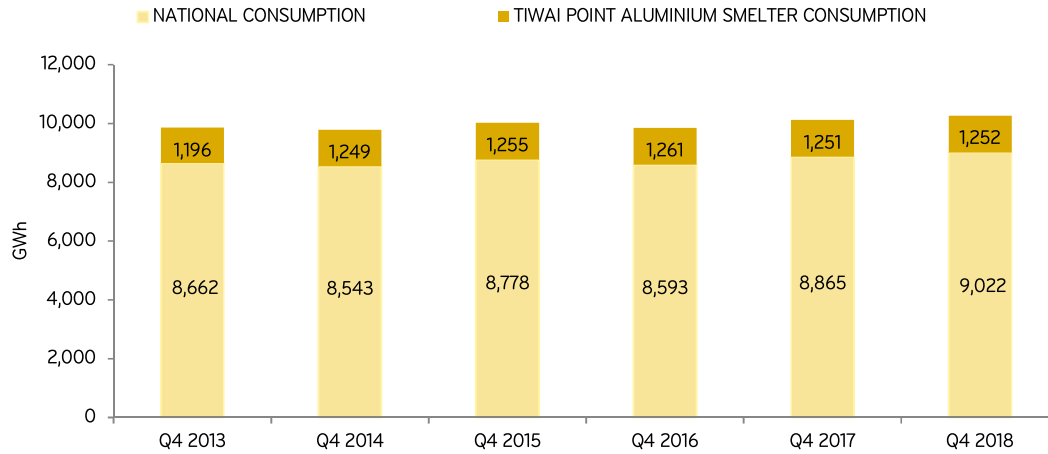
Source: ASX

> BENMORE ASX FUTURES SETTLEMENT PRICE



Source: ASX

> NATIONAL CONSUMPTION (NON-TEMPERATURE ADJUSTED)



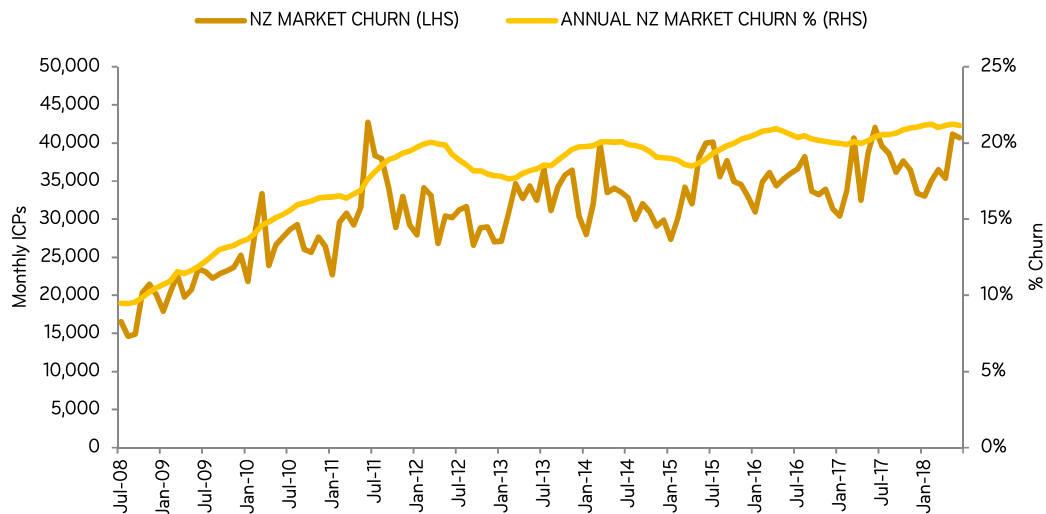
Source: Transpower Information Exchange

> AUCKLAND CLIMATE SUMMARY (°C)

| FINANCIAL YEAR | Q1 | Q2 | Q3 | Q4 |
|---------------------------------|------|------|------|------|
| 2018 | 12.3 | 17.2 | 20.7 | 14.3 |
| 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

> MONTHLY TOTAL CONSUMER RETAIL SWITCHING (ICPs)



Source: Electricity Authority