

>> QUARTERLY HIGHLIGHTS

LOYALTY

LOWER THAN MARKET CHURN
OF 19.7% VS. 21.8% ANNUALISED

RECORD

ANNUAL GENERATION OF 7,533GWh
WITH HYDRO GENERATION 724GWh
ABOVE AVERAGE

+1%

UNDERLYING DEMAND UP
FOR THE QUARTER DUE TO GROWTH
IN URBAN, RURAL AND DAIRY
SECTORS

>> COMMENTARY

LOYALTY DELIVERING LOWER CHURN

Mercury's focus on rewarding its existing customers again resulted in lower than market churn. For the quarter ended 30 June 2017, Mercury's annualised premise churn across all brands was 19.7%, below the market average of 21.8%, based on publicly available Electricity Authority data.

In the period, Mercury celebrated Shortland Street's 25th anniversary with a Free Power Day taken up by more than 50,000 customers online. In addition, the number of customers earning Airpoints™ through Mercury's relationship with Air New Zealand increased to nearly 120,000.

The average energy price to all customers was up 0.8% for the quarter (to \$118.47/MWh) when compared to the same period last year (\$117.58/MWh).

RECORD GENERATION; SOUTH ISLAND STORAGE LEVELS FALL

FY2017 was a record generation year for Mercury, with the company generating 7,533GWh from 100% renewable sources.

For the quarter, hydro generation was up 593GWh to 1,402GWh due to high rainfall during the period. Hydro generation for the financial year was 4,724GWh, above expected annual generation of 4,000GWh. This was the highest full year of hydro generation from the Waikato Hydro Scheme under Mercury's management (since 1999).

Geothermal generation was up slightly (21GWh to 23GWh) on the same quarter last year with 98.6% availability achieved across all stations. Annual generation was 2,809GWh, slightly down (21GWh) on a record year in FY2016.

Persistently dry conditions in the South Island contributed to national hydro storage ending the quarter at 66% of average. As a result, reduced South Island hydro generation contributed to wholesale prices increasing to \$110.82/MWh (Otahuhu) and \$117.77/MWh (Benmore) for June, and \$73.11/MWh and \$74.95/MWh respectively for the quarter.

Quarterly LWAP/GWAP of 1.13 was negatively impacted by the relative difference of wholesale prices between the North and South Islands, with the cost of physical sales to our South Island customers increasing by more than the revenue from our solely North Island generation. This negative movement is partly mitigated by non-physical contracts such as the Virtual Asset Swap (VAS) with Meridian.

UNDERLYING DEMAND GROWTH

The quarter experienced the highest level of national demand for that period on record. After adjusting for temperature, national demand was up 1.0% compared to the same quarter last year. This increase in demand was attributable to the dairy (0.5%), rural (0.5%) and urban (0.3%) sectors. This was partially offset by a reduction in the industrial sector (-0.4%).

>> OPERATING STATISTICS

OPERATING INFORMATION	Three months ended 30 June 2017		Three months ended 30 June 2016		Twelve months ended 30 June 2017		Twelve months ended 30 June 2016	
	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	118.47	1,175	117.58	1,137	113.51	4,606	114.83	4,397
FPV sales to residential customers		660		610		2,458		2,438
FPV sales to business customers		515		527		2,148		1,959
FPV purchases from market		1,241		1,200		4,865		4,643
Spot customer purchases		226		210		899		950
Total NZEM Purchases	80.23	1,467	65.61	1,410	61.04	5,764	65.41	5,593
ELECTRICITY CUSTOMERS ('000)								
North Island Customers		392		376				
South Island Customers		349		339				
Dual Fuel Customers		43		37				
		45		41				
CONTRACTS FOR DIFFERENCE		Volume (GWh)		Volume (GWh)		Volume (GWh)		Volume (GWh)
Buy CfD		372		447		1,628		1,741
Sell CfD		1,011		735		3,586		3,408
End User CFD		331		339		1,325		1,448
Net Sell CfD ²		639		288		1,958		1,667
ELECTRICITY GENERATION								
	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)
Hydro	72.50	1,402	68.33	809	60.31	4,724	64.84	3,866
Gas	-	-	-	-	-	-	68.64	146
Geothermal (consolidated) ³	68.02	668	60.67	642	53.87	2,586	60.84	2,596
Geothermal (equity accounted) ⁴	68.98	55	61.54	60	54.66	223	61.44	234
Total	71.00	2,125	64.81	1,511	57.93	7,533	63.29	6,842
LWAP/GWAP		1.13		1.01		1.05		1.03
CARBON EMISSIONS ('000 TONNES CO₂E)		93		92		359		428
METRIX AMI METERS ('000)		403		396				

¹ VWAP is volume weighed 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 174 GWh GWh for the 3 months ended 30 June 2017 and 174 GWh for the 3 months ended 30 June 2016 and of 699 GWh for the 12 months ended 30 June 2017 and 701 GWh for the 12 months ended 30 June 2016

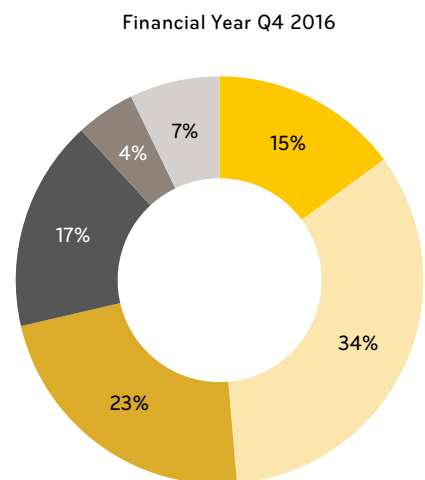
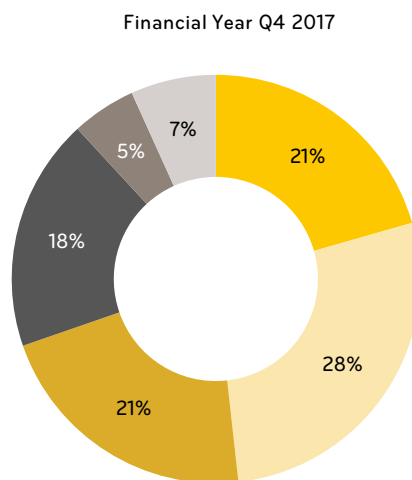
³ Includes Mercury's 65% share of Nga Awa Purua generation

⁴ Tuaropaki Power Company (Mokai) equity share

>> MARKET DATA

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

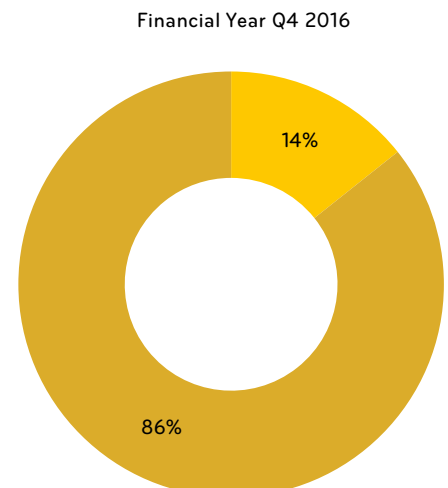
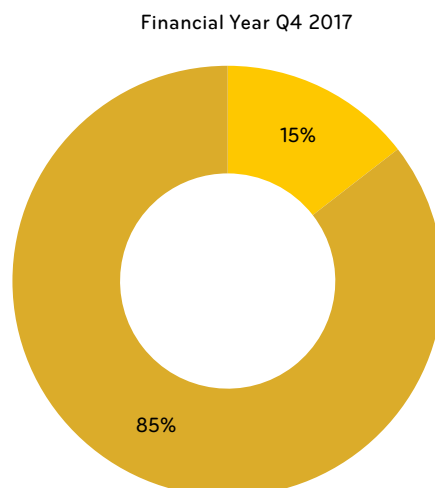
- MERCURY
- MERIDIAN ENERGY
- CONTACT ENERGY
- GENESIS ENERGY
- TRUSTPOWER / TILT
- OTHER



Source: Electricity Authority

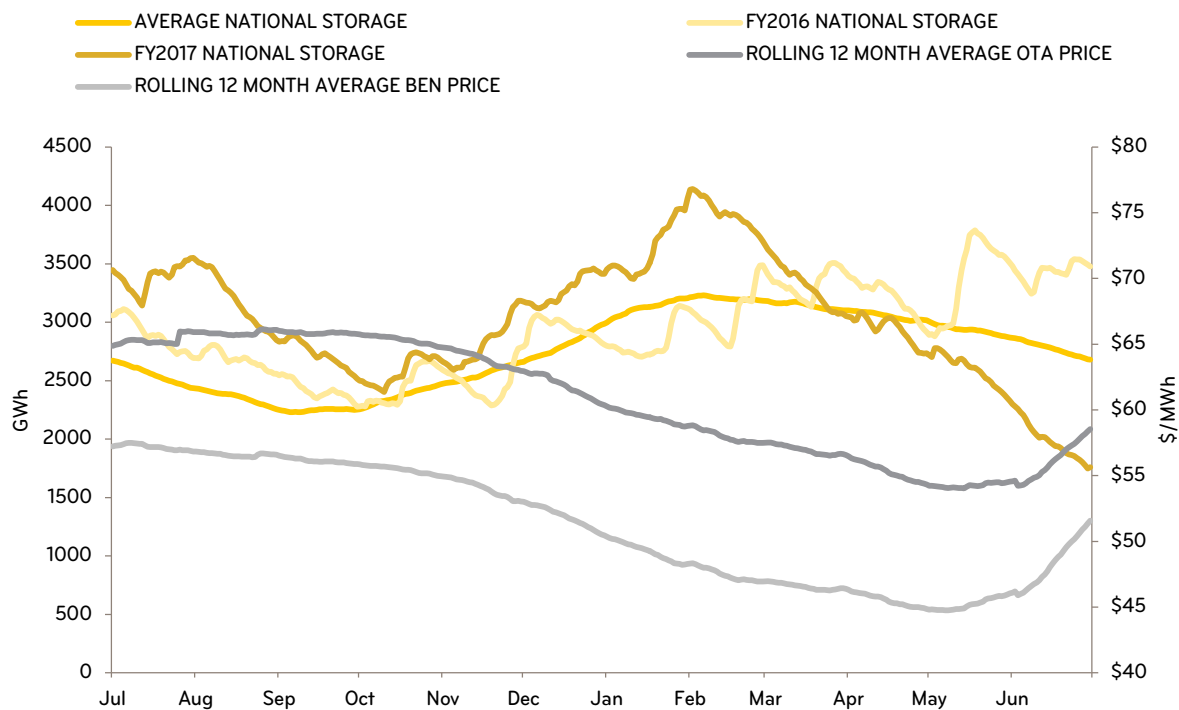
> SHARE OF ELECTRICITY SALES (GWh) FOR THE THREE MONTHS ENDED 30 JUNE (EXCLUDING CFDs)

- MERCURY
- OTHER

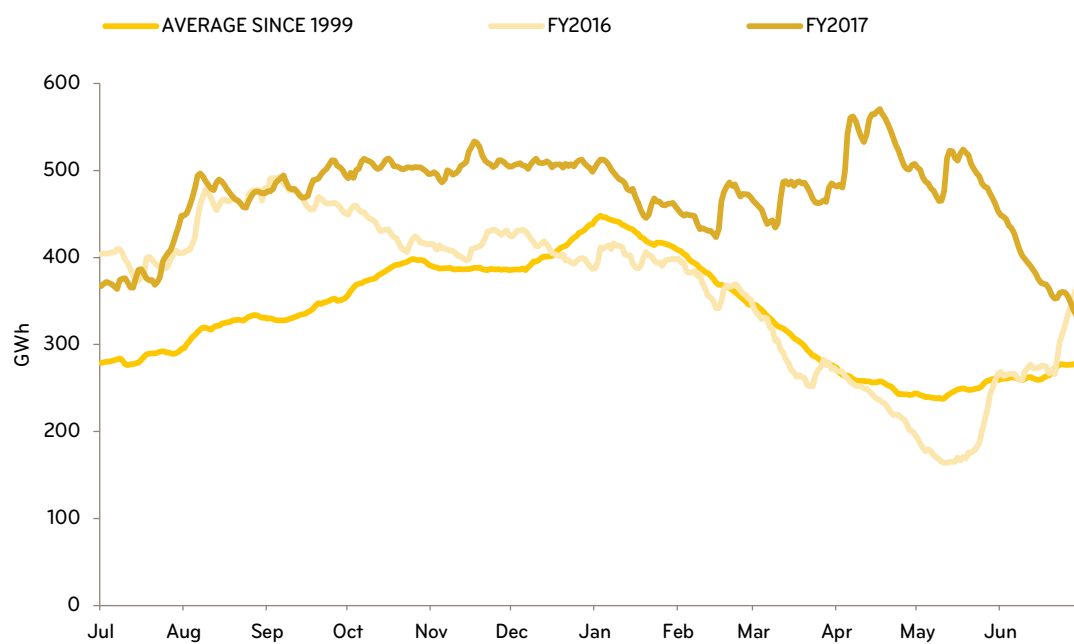


Source: Mercury Purchases and Transpower SCADA

> OTAHUHU WHOLESALE PRICE AND NATIONAL HYDRO STORAGE LEVELS

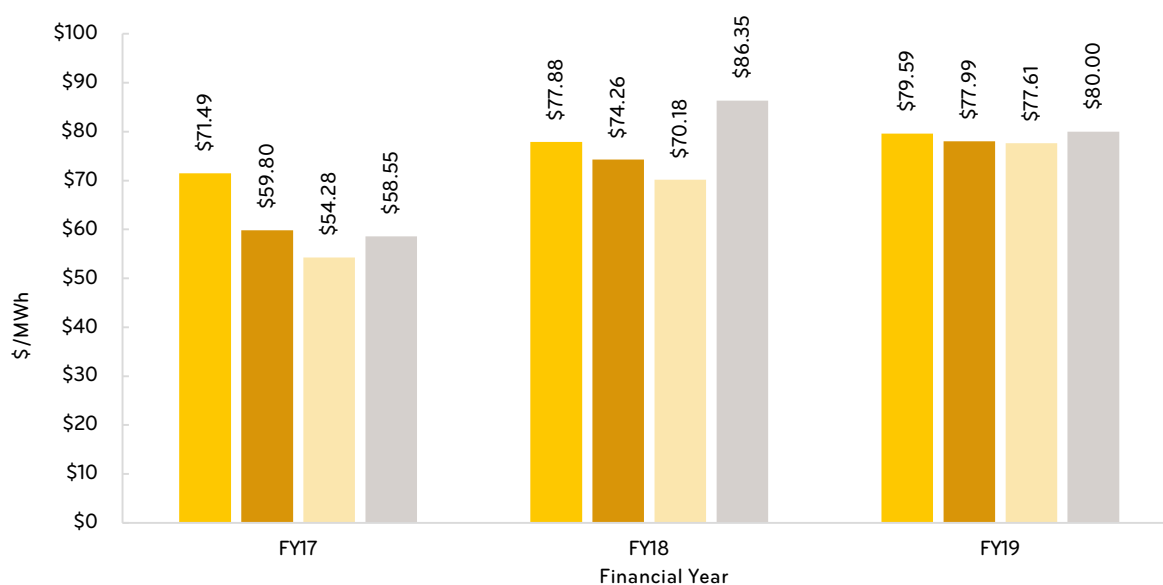


> TAUPO STORAGE



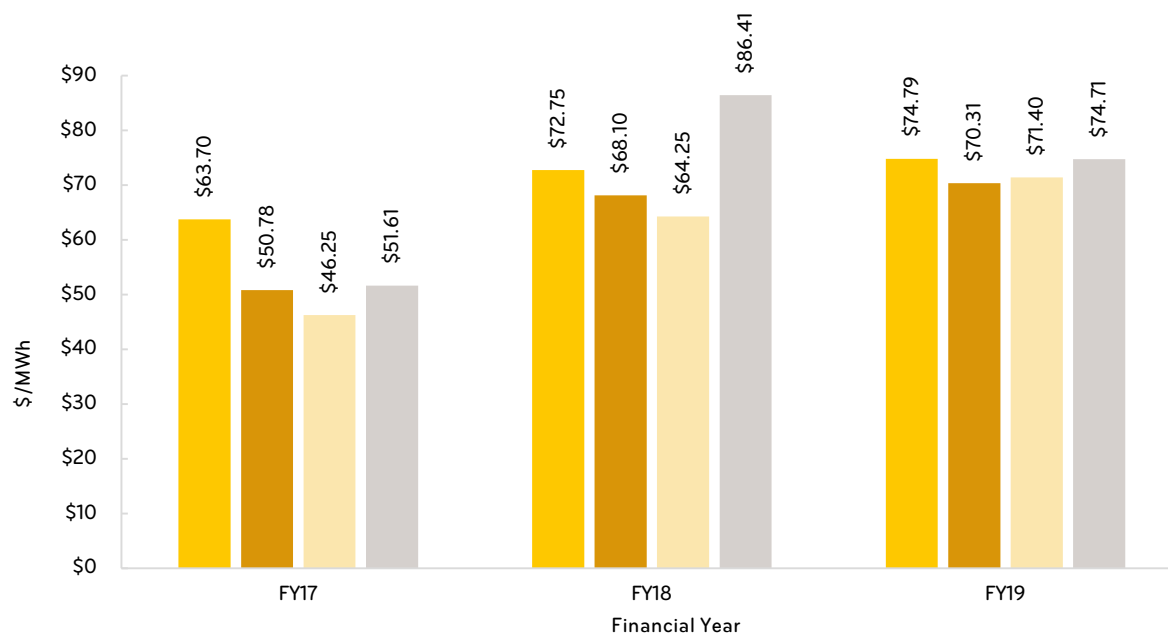
> OTAHUHU ASX FUTURES SETTLEMENT PRICE

■ AS AT 30 JUNE 2016 ■ AS AT 31 DECEMBER 2016 ■ AS AT 31 MARCH 2017 ■ AS AT 30 JUNE 2017

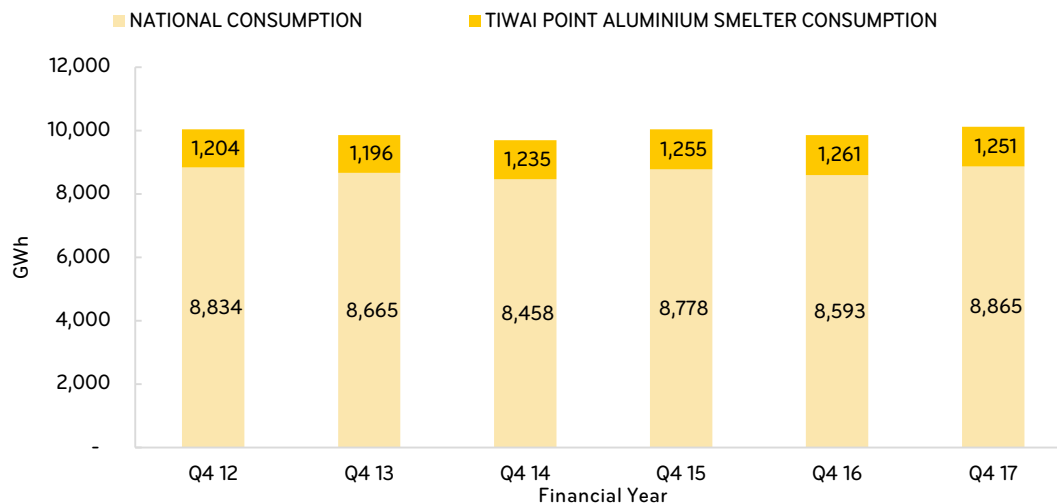


> BENMORE ASX FUTURES SETTLEMENT PRICE

■ AS AT 30 JUNE 2016 ■ AS AT 31 DECEMBER 2016 ■ AS AT 31 MARCH 2017 ■ AS AT 30 JUNE 2017



> NATIONAL CONSUMPTION (NON-TEMPERATURE ADJUSTED)



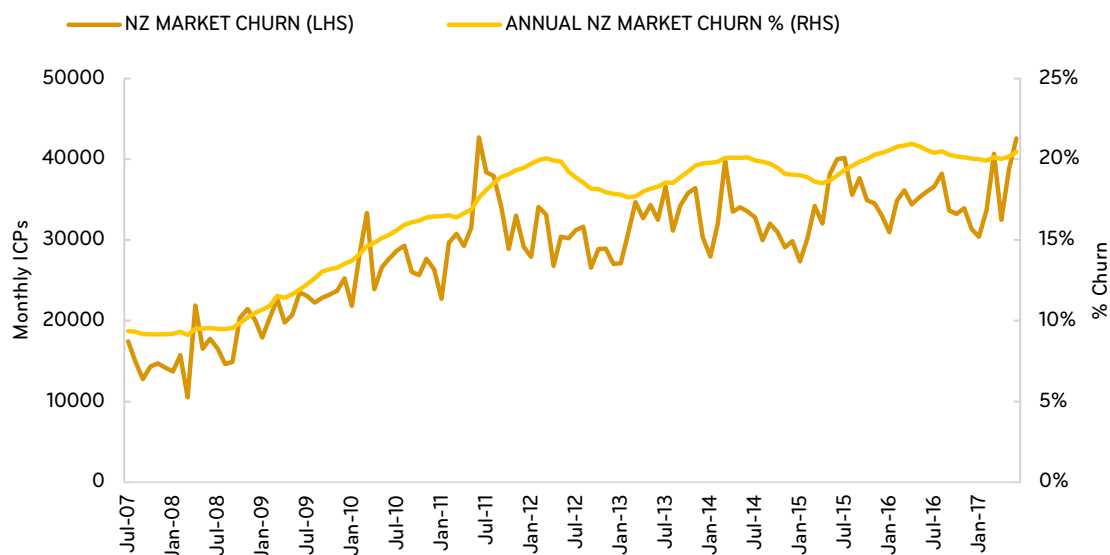
Source: Transpower Information Exchange

> AUCKLAND CLIMATE SUMMARY (°C)

FINANCIAL YEAR	Q1	Q2	Q3	Q4
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	18.9	14.8
2013	12.3	16.5	19.6	14.4
Historical Average (since 1999)	11.9	16.1	19.4	14.2

Source: Met Service

> MONTHLY TOTAL CONSUMER RETAIL SWITCHING (ICPs)



Source: Electricity Authority