

## >> QUARTERLY HIGHLIGHTS

### REWARDS

**CUSTOMERS ENJOYING AIRPOINTS™  
UP 24% TO 147,000 CUSTOMERS**

### RECORD

**Q1 GENERATION OF 2,258GWh  
INCLUDING 1,522GWh FROM HYDRO**

### 4,400GWh

**HYDRO GENERATION FORECAST UP  
250GWh FOR FY2018 ON HIGHER  
INFLOWS**

## >> COMMENTARY

### CONTINUED FOCUS ON REWARDING LOYALTY

Mercury's focus on rewarding existing customers continued to produce below market churn. For the quarter ended 30 September 2017, Mercury's annualised trader churn for all brands of 7.9% was 1.6% below the market average of 9.5%, based on Electricity Authority data.

During the quarter an additional 28,000 customers were registered to enjoy Airpoints™ as Mercury continued to deliver on our customer promises to reward, inspire and make it easy. At 30 September, 147,000 customers (approximately 40% of Mercury brand) were registered with Airpoints™.

The average energy price to customers was up (to \$118.05/MWh) compared to the same period last year (\$117.46/MWh). Consistent with the previous quarter, the VWAP of sales to business customers was down approximately \$4/MWh.

### RECORD GENERATION; HYDRO GENERATION FORECAST UP

During the quarter, Mercury produced a number of records across our renewable generation fleet.

Total generation was a record for the quarter, up 313GWh to 2,258GWh. Hydro generation was up 266GWh to 1,522GWh, due to inflows into the Waikato catchment being the fourth highest on record. Geothermal generation was up 47GWh with 98.2% availability achieved across all stations due to the timing of planned outages.

Within the quarter, records for peak output were achieved for the Waikato Hydro Scheme and at the Kawerau geothermal station. A record for peak instantaneous output of 1,063MW was achieved for hydro generation with all 39 units simultaneously generating on the Waikato River and a new daily generation record was achieved at Kawerau. These records were accomplished due to the company's ongoing hydro refurbishment programme and focus across the company on operational excellence and innovation.

National storage was 66% of average at 30 June 2017 due to earlier dry conditions in the South Island. As a result, wholesale prices peaked in July and were \$92.79/MWh (Otahuhu) and \$95.92/MWh (Benmore) for the quarter. These prices were up \$33.36/MWh and \$48.62/MWh respectively on the prior year. Mercury was able to achieve record generation in the highest-priced quarter since Q3-FY2014 as a result of inflows into the Waikato catchment being uncorrelated to hydrological conditions in the South Island.

With high inflows into the Waikato catchment since August, Mercury has updated our FY2018 mid-point hydro generation forecast to 4,400GWh (up 250GWh on the forecast provided with the release of our FY2017 results and 400GWh above the long-term average).

### UNDERLYING DEMAND GROWTH

After adjusting for temperature, national demand was up 0.6% compared to the same quarter last year (or flat on an unadjusted basis). This increase in demand was attributable to growth in the urban (0.6%) and rural (0.2%) sectors, partially offset by a reduction in the industrial sector (-0.2%).

## >> OPERATING STATISTICS

OPERATING INFORMATION	Three months ended 30 September 2017		Three months ended 30 September 2016	
	VWAP <sup>1</sup> (\$/MWh)	Volume (GWh)	VWAP <sup>1</sup> (\$/MWh)	Volume (GWh)
<b>ELECTRICITY SALES</b>				
FPV sales to customers	118.05	1,276	117.46	1,307
FPV sales to residential customers		762		748
FPV sales to business customers		514		559
FPV purchases from market		1,349		1,380
Spot customer purchases		244		224
Total NZEM Purchases	99.01	1,593	60.38	1,604
<b>ELECTRICITY CUSTOMERS ('000)</b>				
North Island Customers		393		381
South Island Customers		349		341
Dual Fuel Customers		44		40
		46		42
<b>CONTRACTS FOR DIFFERENCE</b>		<b>Volume (GWh)</b>		<b>Volume (GWh)</b>
Buy CfD		324		509
Sell CfD		1,021		896
End User CfD		316		326
Net Sell CfD <sup>2</sup>		697		387
<b>ELECTRICITY GENERATION</b>	<b>VWAP (\$/MWh)</b>	<b>Volume (GWh)</b>	<b>VWAP (\$/MWh)</b>	<b>Volume (GWh)</b>
Hydro	93.40	1,522	60.32	1,256
Gas	-	-	-	-
Geothermal (consolidated) <sup>3</sup>	85.83	689	54.69	634
Geothermal (equity accounted) <sup>4</sup>	92.57	47	54.79	55
Total	91.07	2,258	58.32	1,945
<b>LWAP/GWAP</b>		1.09		1.04
<b>CARBON EMISSIONS ('000 TONNES CO2)</b>		102		96
<b>METRIX AMI METERS ('000)</b>		406		398

<sup>1</sup> VWAP is volume weighed average energy-only price sold to FPV customers after lines, metering and fees

<sup>2</sup> Includes Virtual Asset Swap volumes in both Buy and Sell CfD volumes of 176GWh for the 3 months ended 30 September 2017 and 176GWh for the 3 months ended 30 September 2016

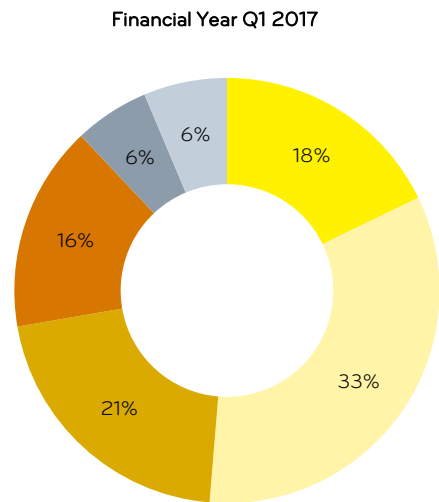
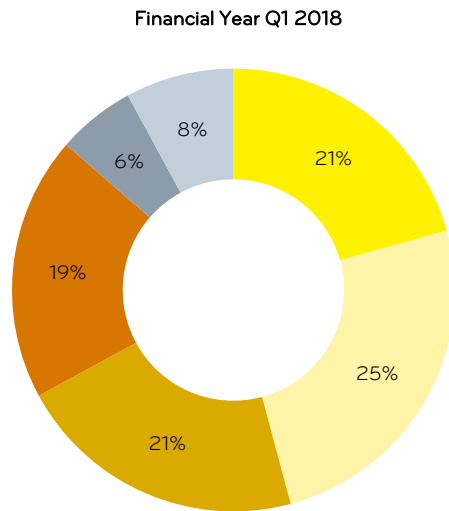
<sup>3</sup> Includes Mercury's 65% share of Nga Awa Purua generation

<sup>4</sup> Tuaropaki Power Company (Mokai) equity share

## >> MARKET DATA

### > ELECTRICITY GENERATION BY COMPANY FOR THE THREE MONTHS ENDED 30 SEPTEMBER

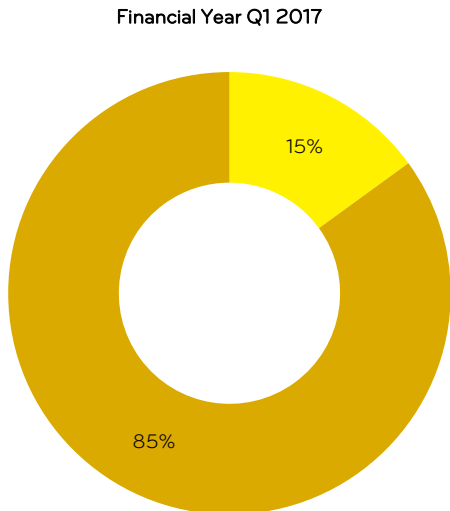
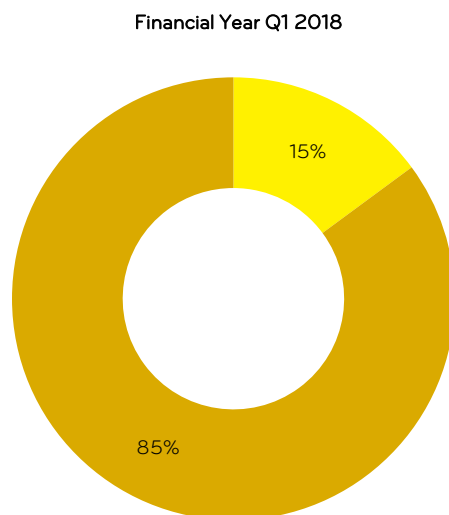
■ MERCURY  
 ■ MERIDIAN ENERGY  
 ■ CONTACT ENERGY  
 ■ GENESIS ENERGY  
 ■ TRUSTPOWER / TILT  
 ■ OTHER



Source: Electricity Authority

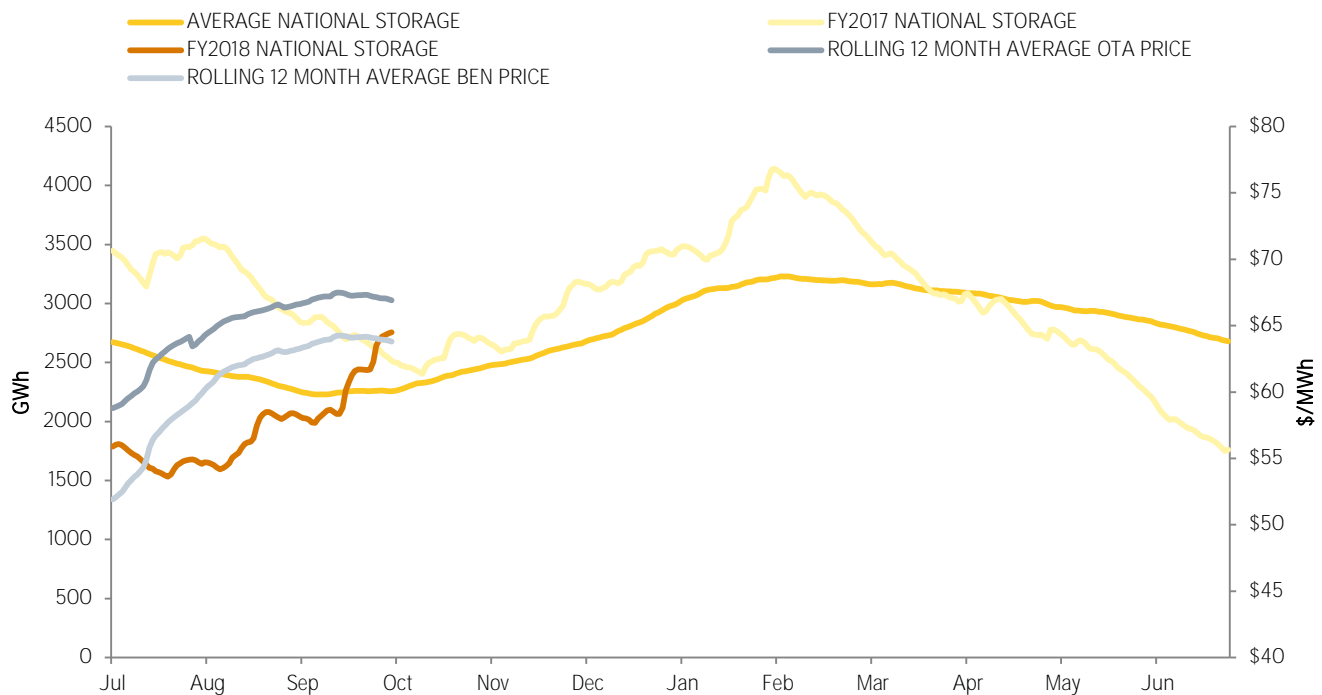
### > SHARE OF ELECTRICITY SALES (GWh) FOR THE THREE MONTHS ENDED 30 SEPTEMBER (EXCLUDING CFDs)

■ MERCURY  
 ■ OTHER

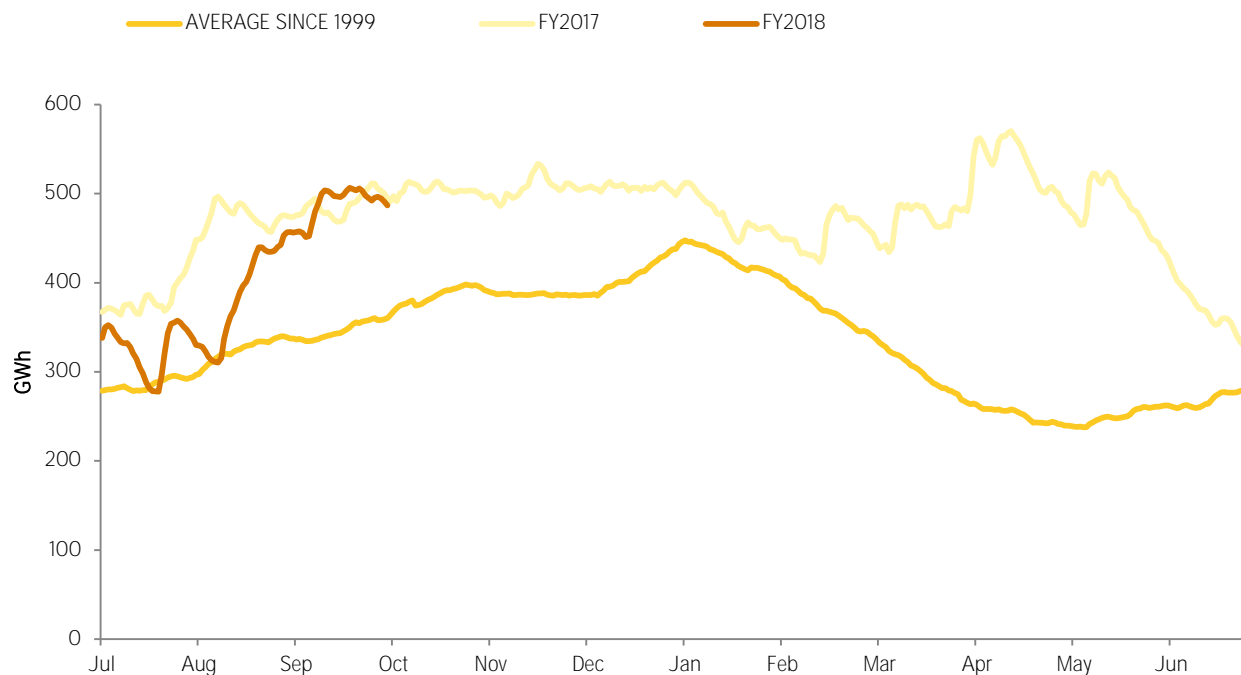


Source: Mercury Purchases and Transpower SCADA

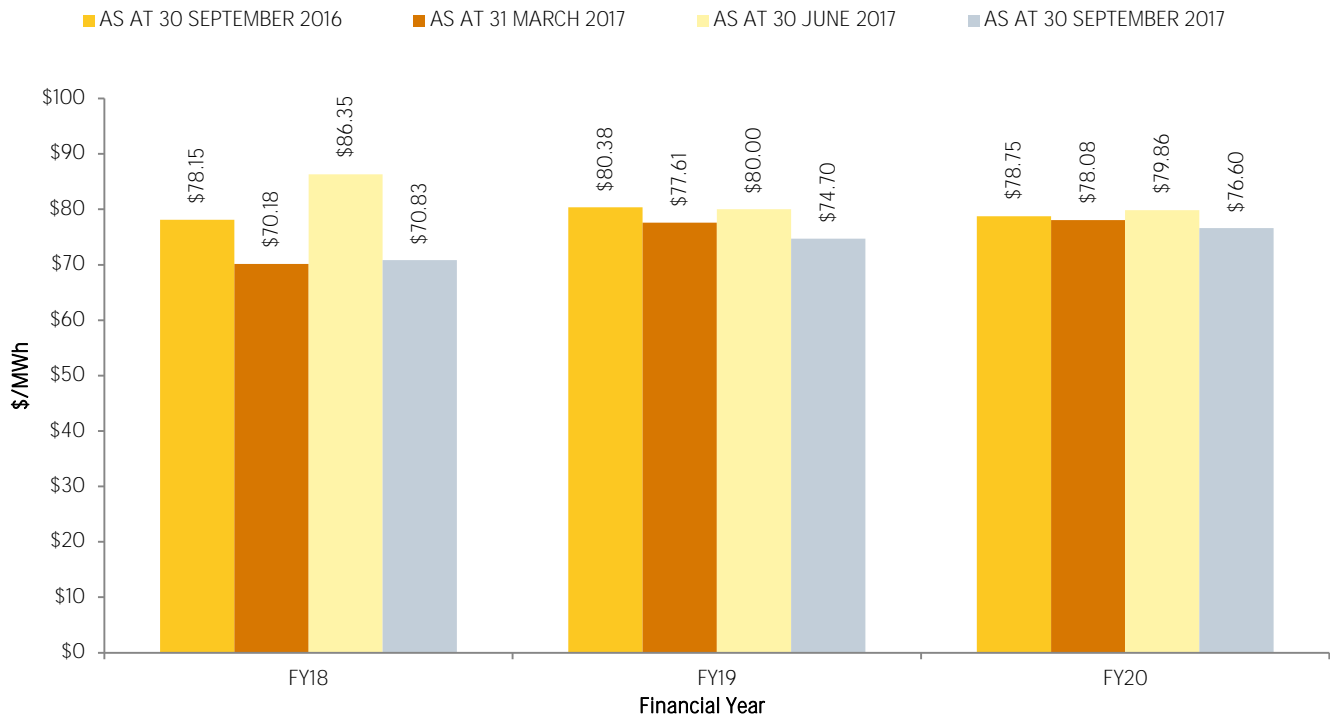
## > OTAHUHU WHOLESALE PRICE AND NATIONAL HYDRO STORAGE LEVELS



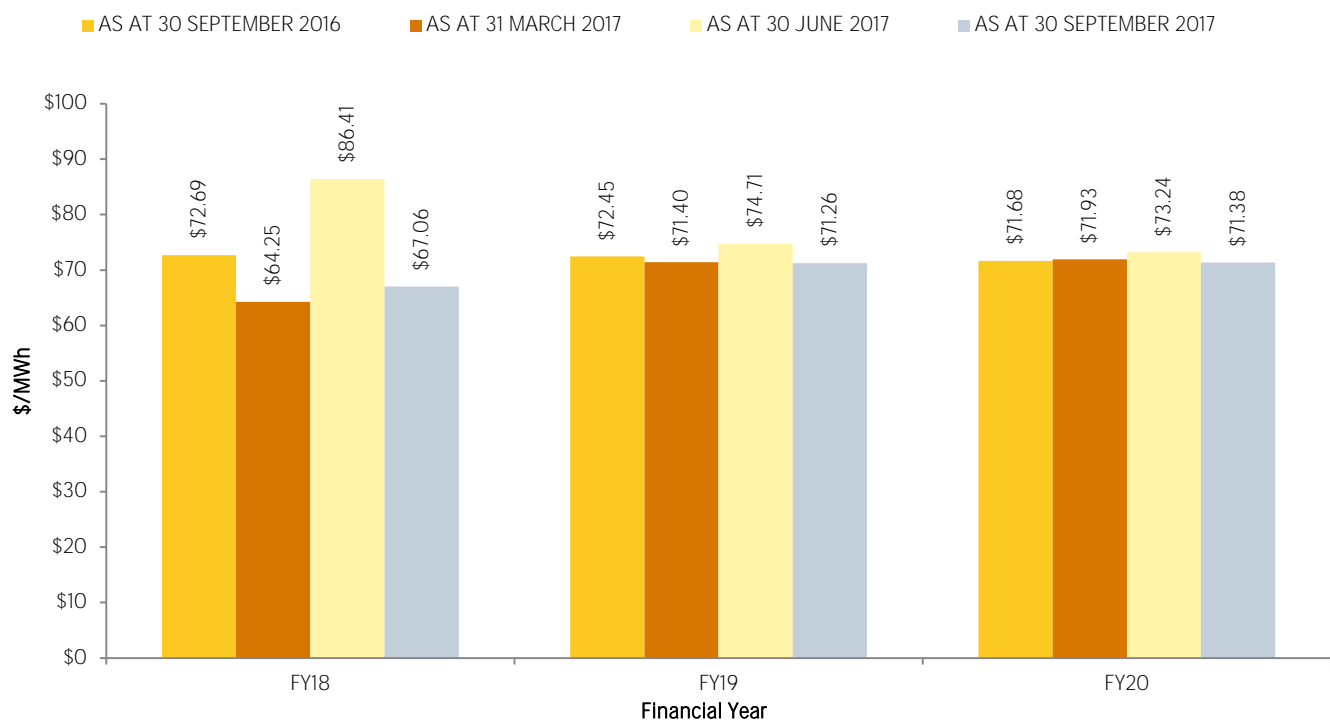
## > TAUPO STORAGE



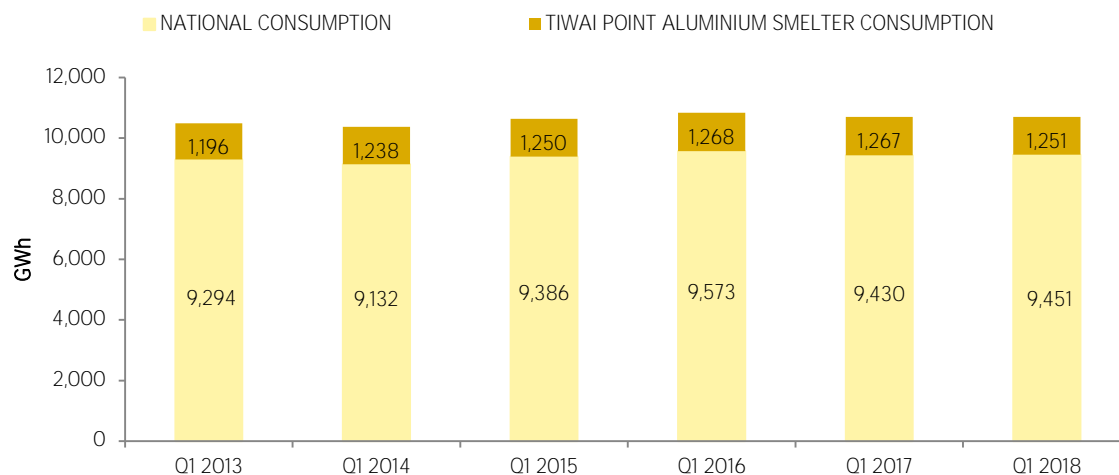
## > OTAHUHU ASX FUTURES SETTLEMENT PRICE



## > BENMORE ASX FUTURES SETTLEMENT PRICE



## > NATIONAL CONSUMPTION (NON-TEMPERATURE ADJUSTED)



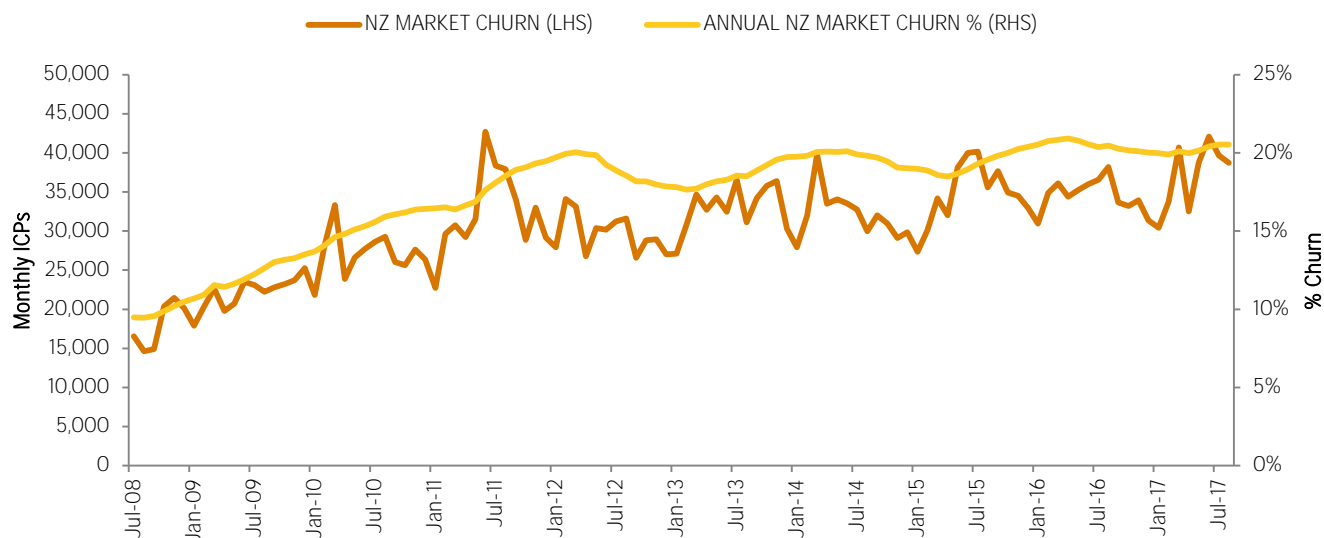
Source: Transpower Information Exchange

## > AUCKLAND CLIMATE SUMMARY (°C)

FINANCIAL YEAR	Q1	Q2	Q3	Q4
2018	12.3	-	-	-
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