

## >> QUARTERLY HIGHLIGHTS

### RECORD Q2 GENERATION

1,848 GWh GENERATED  
INCLUDING 1,172 GWh FROM HYDRO

### WHOLESALE PRICES RISING

HIGHEST Q2 WHOLESALE PRICE SINCE  
FY2006

4,550 GWh

FULL YEAR HYDRO GENERATION  
FORECAST UP 150GWh

## >> COMMENTARY

### ELEVATED WHOLESALE PRICES; RECORD GENERATION; HYDRO GENERATION FORECAST UP

Wholesale prices for the quarter ending 31 December 2017, of \$93/MWh at Otahuhu and \$90/MWh at Benmore, almost reached the record highs set in FY2006. These prices were up significantly on the prior comparable period by \$45/MWh and \$50/MWh respectively.

South Island inflows were 68% of average (or almost 1,800 GWh below average) contributing to wholesale prices increasing from \$59/MWh at Otahuhu and \$53/MWh at Benmore in October to be \$121/MWh and \$122/MWh respectively in December. Low inflows into the South Island hydro catchments resulted in total South Island hydro storage falling from 120% of average at the start of the quarter to end at 77%<sup>1</sup> (or almost 600 GWh below average).

In contrast to the South Island, hydro inflows into the Waikato Hydro Catchment were near normal contributing to the second consecutive quarter of record output from our renewable generation fleet of 1,848 GWh. Mercury utilised storage within Lake Taupo to generate 1,172 GWh from the Waikato Hydro Scheme, optimising generation with rising wholesale prices. Lake Taupo storage fell from 130% of average to 85% at the end of the quarter<sup>1</sup> (or 70 GWh below average). Geothermal generation was down 39 GWh to 676 GWh as scheduled maintenance outages were completed at the Nga Awa Purua and Mokai power stations.

The quarter illustrated the value to Mercury of the low level of correlation between wholesale prices and inflows into the Waikato Hydro Catchment. Mercury was able to benefit from the coincidence of high hydro generation and high wholesale prices (unlike what is typical for South Island hydro operators).

With higher than average inflows into the Waikato Hydro Catchment since 31 December 2017, Mercury has updated its FY2018 mid-point hydro generation forecast to 4,550GWh (up 150GWh on the forecast provided with the previous Quarterly Operational Update).

### CONTINUED BELOW MARKET CHURN; MODERATE END-USER PRICE GROWTH

Mercury's rate of customer churn was again below market average as the company continues to focus on rewarding, inspiring and making it easy for our customers. For the quarter, Mercury's annualised churn for all brands of 19.4% was 1.2% below the market average of 20.6%. Trader churn for all Mercury brands for the quarter increased to market levels.

The company's churn advantage over the twelve months to 31 December 2017 contributed in customer numbers increasing by 6,000 to 393,000 as fewer customers switched from Mercury. The company experienced customer growth in both the North (+4,000) and South Islands (+2,000) and for dual fuel customers (+4,000).

The average energy price to customers was up (to \$108.20/MWh) compared to the same period last year (\$106.11/MWh). This increase partially reflects loyalty offerings redeemed in the prior period associated with the Mercury brand launch.

### UNDERLYING DEMAND GROWTH

After adjusting for temperature, national demand was up 3.7% compared to the same quarter last year (or up 3.0% on an unadjusted basis). This increase in demand was impacted by a normalisation of irrigation and dairy load due to wet conditions in the prior period (1.8%). Positive signs of underlying demand growth were again observed with continued growth in the urban (0.8%) and rural (0.7%) sectors.

<sup>1</sup> Average since 1999

## >> OPERATING STATISTICS

OPERATING INFORMATION	Three months ended 31 December 2017		Three months ended 31 December 2016		Six months ended 31 December 2017		Six months ended 31 December 2016	
<b>ELECTRICITY SALES</b>	<b>VWAP <sup>1</sup></b> <b>(\$/MWh)</b>	<b>Volume</b> <b>(GWh)</b>						
FPVW sales to customers	108.2	1,058	106.11	1,088	113.58	2,335	112.3	2,395
FPVW sales to residential customers		541		554		1,304		1,302
FPVW sales to business customers		517		534		1,031		1,093
FPVW purchases from market		1,118		1,150		2,468		2,529
Spot customer purchases		227		231		471		454
Total NZEM Purchases	94.93	1,345	48.38	1,381	97.14	2,939	54.83	2,983
<b>ELECTRICITY CUSTOMERS</b> <b>('000)</b>								
		393		387				
North Island Customers		350		346				
South Island Customers		43		41				
Dual Fuel Customers		47		43				
<b>CONTRACTS FOR DIFFERENCE</b>		<b>Volume</b> <b>(GWh)</b>		<b>Volume</b> <b>(GWh)</b>		<b>Volume</b> <b>(GWh)</b>		<b>Volume</b> <b>(GWh)</b>
Buy CfD		394		395		718		904
Sell CfD		890		905		1,911		1,801
End User CfD		325		346		642		673
Net Sell CfD <sup>2</sup>		496		510		1,193		897
<b>ELECTRICITY GENERATION</b>	<b>VWAP</b> <b>(\$/MWh)</b>	<b>Volume</b> <b>(GWh)</b>	<b>VWAP</b> <b>(\$/MWh)</b>	<b>Volume</b> <b>(GWh)</b>	<b>VWAP</b> <b>(\$/MWh)</b>	<b>Volume</b> <b>(GWh)</b>	<b>VWAP</b> <b>(\$/MWh)</b>	<b>Volume</b> <b>(GWh)</b>
Hydro	91.34	1,172	49.28	1,112	92.50	2,694	55.14	2,367
Geothermal (consolidated) <sup>3</sup>	87.09	627	42.94	657	86.43	1,317	48.71	1,290
Geothermal (equity accounted) <sup>4</sup>	89.30	49	44.97	58	90.89	96	49.77	113
Total	89.84	1,848	46.87	1,827	90.52	4,107	52.78	3,770
<b>LWAP/GWAP</b>		1.06		1.03		1.07		1.04
<b>CARBON EMISSIONS</b> <b>('000 TONNES CO<sub>2</sub>)</b>		86		90		188		186
<b>METRIX AMI METERS ('000)</b>		408		399				

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

<sup>2</sup> Includes Virtual Asset Swap volumes in both Buy and Sell CfD volumes of 176 GWh for the 3 months ended 31 December 2017 and 176 GWh for the 3 months ended 31 December 2016 and of 352 GWh for the 6 months ended 31 December 2017 and 352 GWh for the 6 months ended 31 December 2016

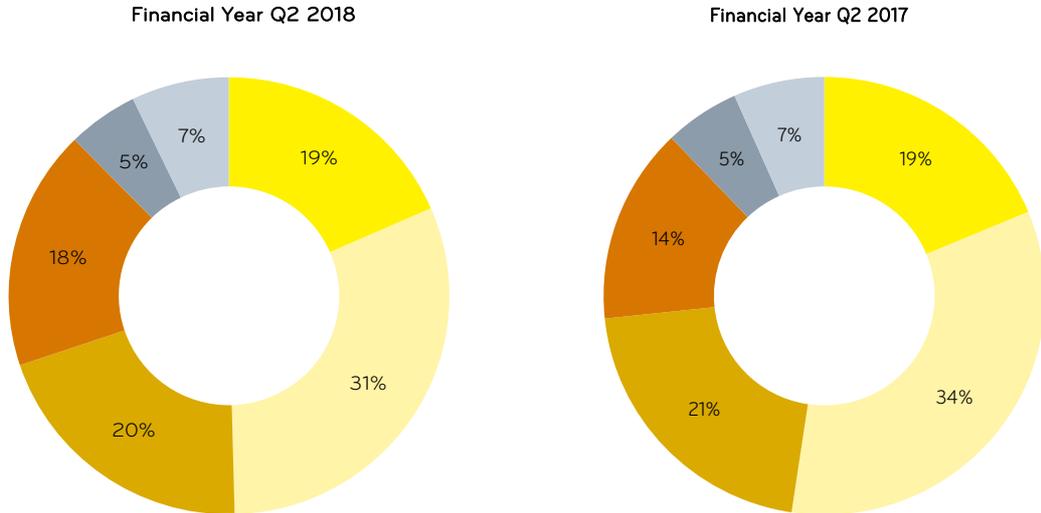
<sup>3</sup> Includes Mercury's 65% share of Nga Awa Purua generation

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

>> MARKET DATA

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

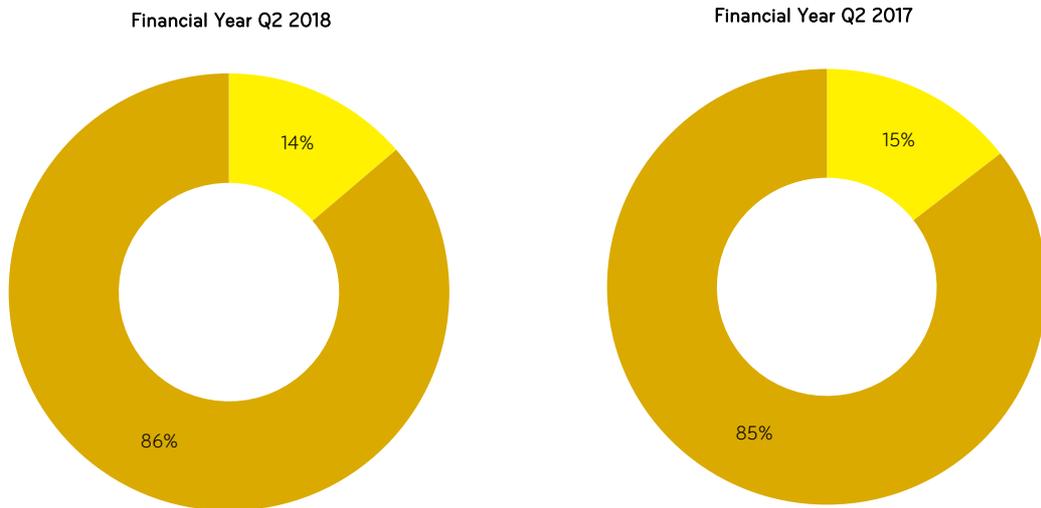
- MERCURY
- MERIDIAN ENERGY
- CONTACT ENERGY
- GENESIS ENERGY
- TRUSTPOWER / TILT
- OTHER



Source: Electricity Authority

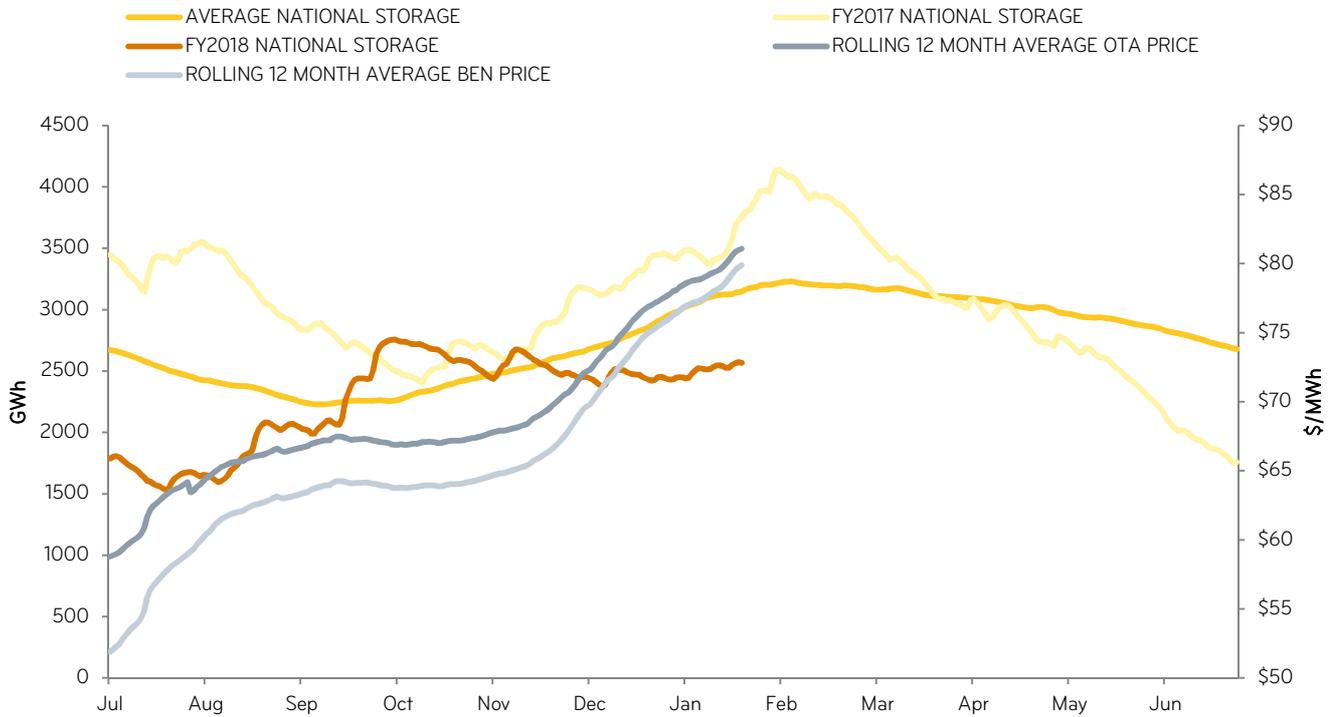
> SHARE OF ELECTRICITY SALES (GWh) FOR THE THREE MONTHS ENDED 31 DECEMBER (EXCLUDING CFDs)

- MERCURY
- OTHER

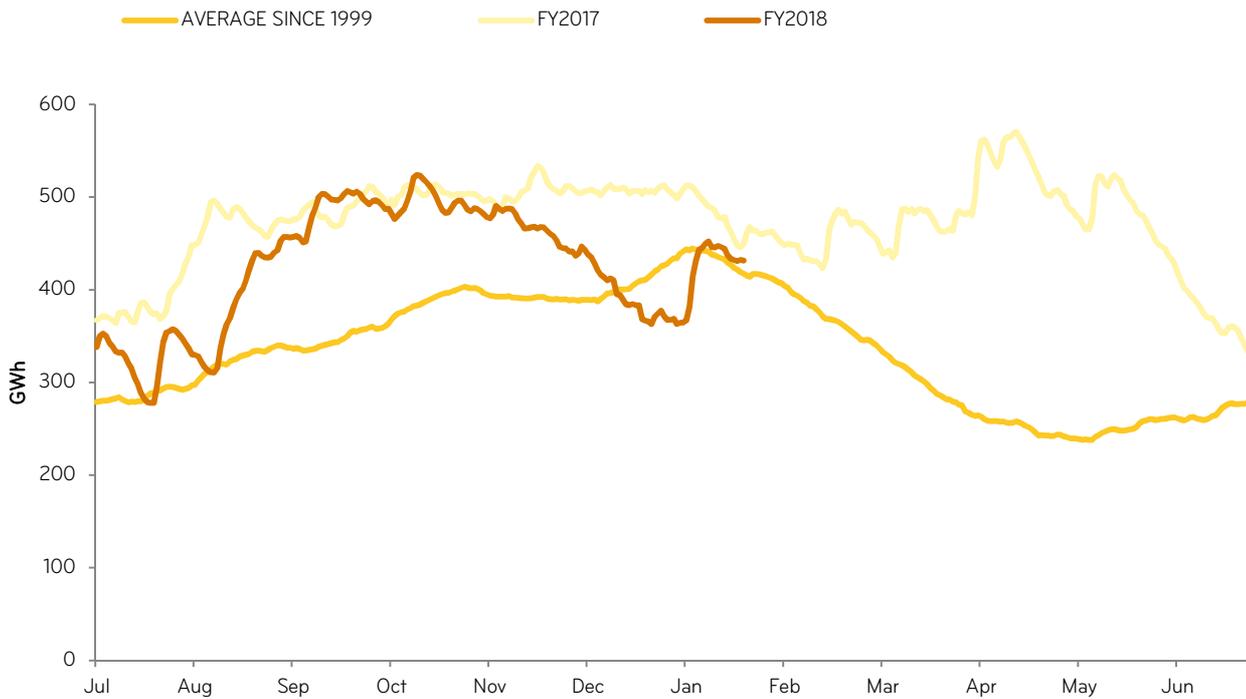


Source: Mercury Purchases and Transpower SCADA

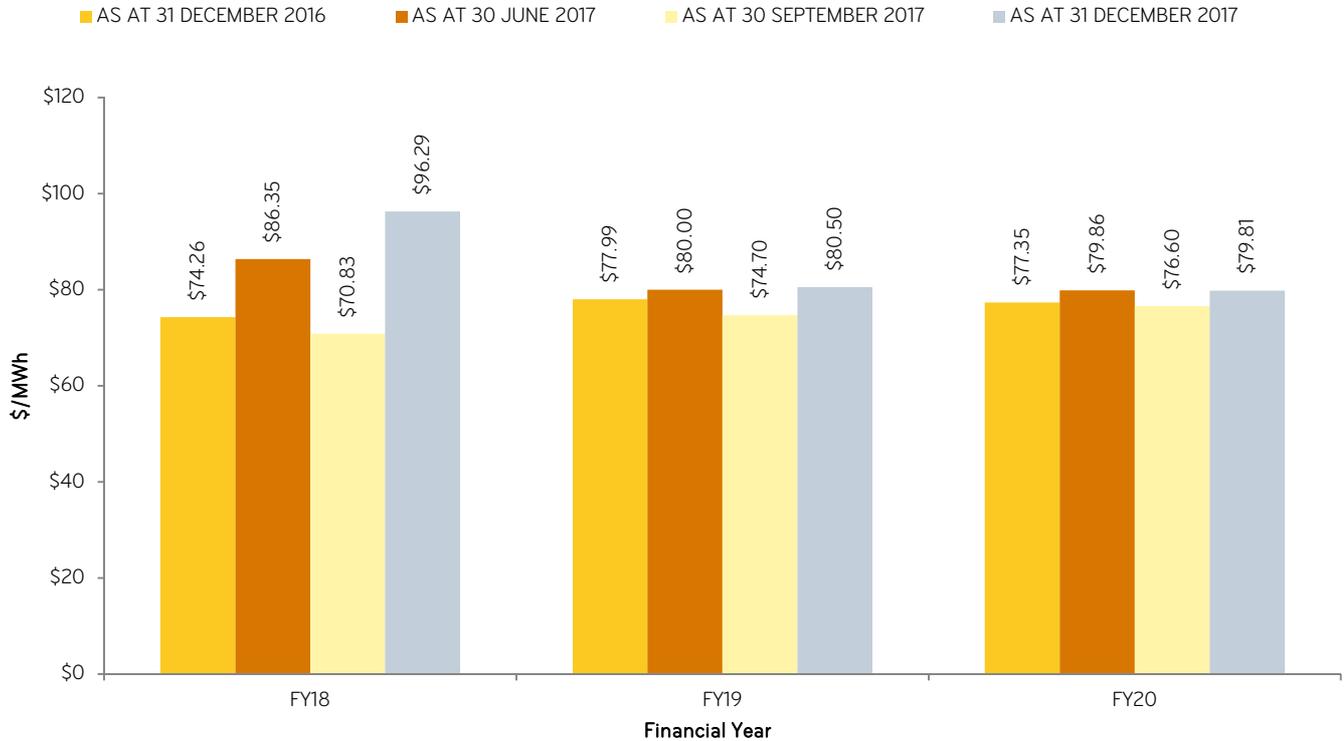
> OTAHUHU WHOLESALE PRICE AND NATIONAL HYDRO STORAGE LEVELS



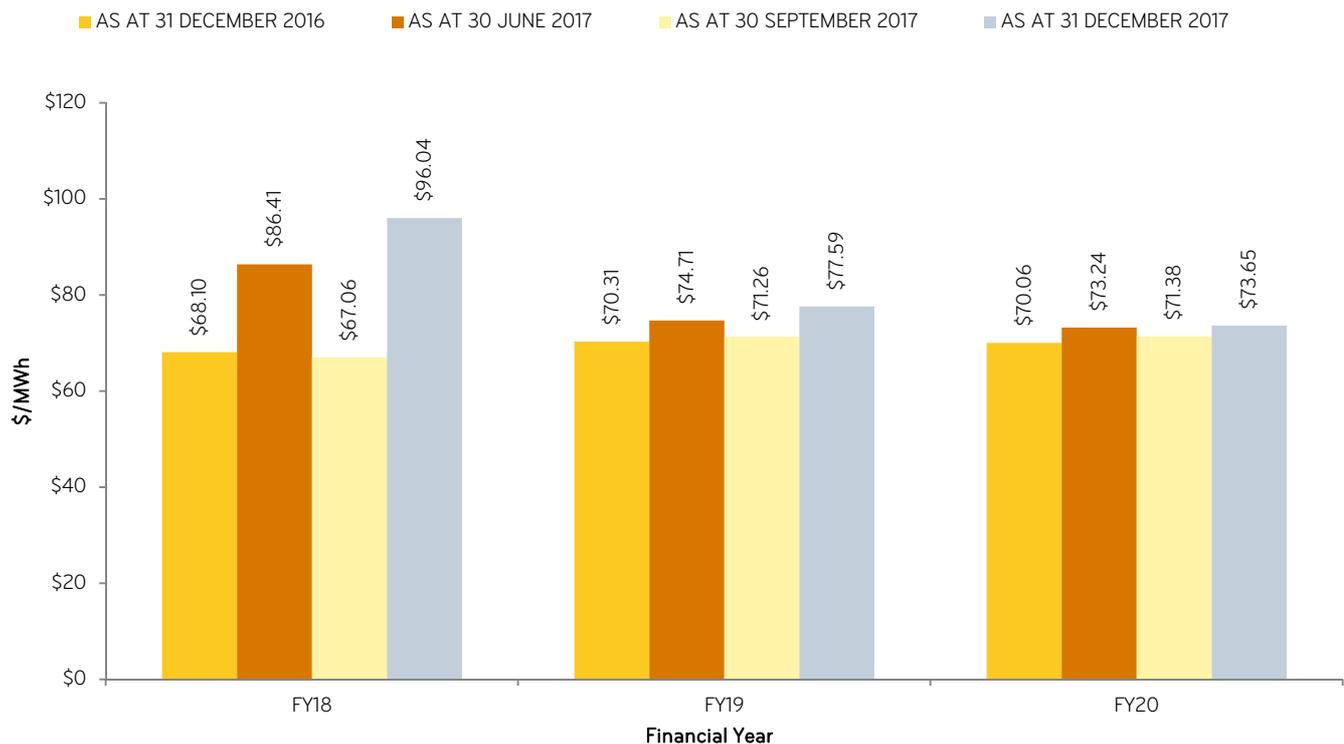
> TAUPO STORAGE



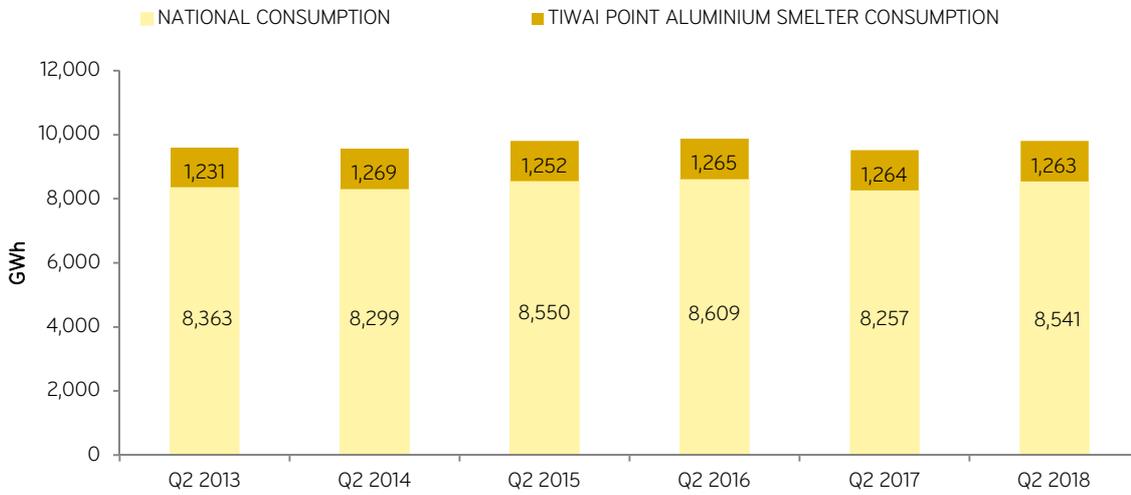
> OTAHUHU ASX FUTURES SETTLEMENT PRICE



> BENMORE ASX FUTURES SETTLEMENT PRICE



> NATIONAL CONSUMPTION (NON-TEMPERATURE ADJUSTED)



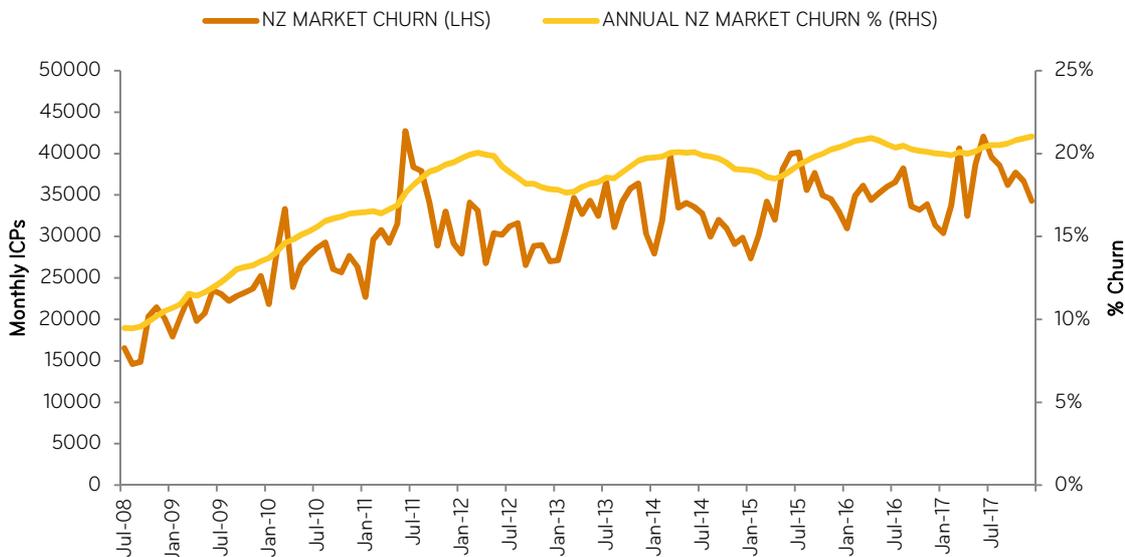
Source: Transpower Information Exchange

> AUCKLAND CLIMATE SUMMARY ( °C)

FINANCIAL YEAR	Q1	Q2	Q3	Q4
2018	12.3	17.2	-	-
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