



Company Announcements Office
Exchange Centre
Level 6
20 Bridge Street
Sydney, NSW 2000 Australia

27 February 2018

Mercury NZ Limited (ASX/NZX:MCY) (ARBN 162 804 668) - HY2018 Results and Interim Report

Attached are the following documents in relation to Mercury's financial results for the six months ended 31 December 2017.

- > NZX Appendix 1
- > News Release
- > NZX Appendix 7 in relation to Mercury's interim dividend
- > Notices to shareholders (e-comms)
- > Notices to bondholders (e-comms)

Mercury's 2018 Interim Report and Financial Results presentation are being loaded separately on ASX online.

Dividend information filed on Appendix 3A.1 will follow.

Yours faithfully

Howard Thomas
Company Secretary



Level 3, 109 Carlton Gore Road, Newmarket 1023
PO Box 90399, Auckland 1142

New Zealand

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mercury.co.nz

Mercury (NZ) Limited		
Results for announcement to the market		
Reporting Period	Six months to 31 December 2017	
Previous Reporting Period	Six months to 31 December 2016	
	Amount (000s)	Percentage change
Revenue from ordinary activities	\$NZ 958,000	20.4%
Profit (loss) from ordinary activities after tax attributable to security holder	\$NZ 132,000	16.8%
Net profit (loss) attributable to security holders	\$NZ 132,000	16.8%
Interim/Final Dividend	Amount per security	Imputed amount per security
Interim Dividend	\$0.06	\$0.023333
Record Date	15 March 2018	
Dividend Payment Date	3 April 2018	
Comments:	A supplementary dividend of \$0.010588 per share will be payable on the interim dividend to shareholders who are not resident in New Zealand	



Record generation and earnings for Mercury in half year result

Summary

>> Record total generation of 4,107 GWh, up 9% on same period last year

>> Record operating earnings (EBITDAF) \$301 million, up 11.4%

>> Fully-imputed interim dividend 6.0 cents per share to be paid on 3 April 2018

27 February 2018 – Mercury has gained momentum in the half-year to 31 December with earnings (EBITDAF) rising to record levels.

Mercury's interim financial result was driven by favourable North Island rainfall supporting record hydro generation of 2,694 GWh up 14% from 2,367 GWh in the prior corresponding period.

Chair Joan Withers said that the conditions coincided with lower than average output from South Island hydro generators playing to Mercury's strategic locational advantage.

Financial Results

	HY2018	HY2017
EBITDAF (\$M)	301	270
NET PROFIT AFTER TAX (\$M)	132	113
UNDERLYING EARNINGS AFTER TAX (\$M)	114	94
INTERIM DIVIDEND (CENTS PER SHARE)	6.0	5.8

Stay-in-business capital expenditure increased to \$59 million in HY2018 from \$54 million in HY2017 due to completion of technology upgrade projects and execution of hydro and geothermal maintenance plans.

Operating costs were up \$4 million due to phasing of activity in the prior year. Full year operating costs are expected to be in line with FY2017, consistent with the prior four years.

Our customers

Customer growth continued through the period, up 1,000, attributable to Mercury's loyalty-focused customer strategy. In a highly competitive market, relative churn was maintained at a materially lower rate than the market average through attention to inspiring, rewarding and making things easy for customers.

Participation in the AirpointsTM rewards programme grew with around 150,000 of Mercury customers now enjoying rewards through membership of the programme as at 31 December 2017, up from nearly 100,000 at the same time a year ago.

Our people

Mercury recently received a number of accolades, including two premier marketing awards, and in January was named Best Enterprise Workplace (750+ employees) in the IBM Best Workplaces Awards.

"These things don't happen by accident. Instead it reflects the great work of Mercury's people, which I acknowledge on behalf of the Board," says Ms Withers.

Mercury is developing the capability of its people through a high performance teams programme.



Programme of work

Chief Executive, Fraser Whineray, said that a strong focus on execution in the half year was particularly pleasing.

As an example, Mercury's core SAP IT platform, which supports many customer interactions as well as behind-the-scenes processing, was upgraded in November with disruption kept to an absolute minimum, Mr Whineray said. Mercury also launched a refreshed e-bike marketing campaign during the half year to inspire New Zealanders to enjoy energy in more wonderful ways.

Investing in growth

Mercury continues to pursue growth. It has selected Tesla as the supplier for a grid-connected battery storage trial. Mercury's Research & Development Centre in Auckland was winner of the Most Innovative New Initiative Award by the Sustainable Electricity Association of New Zealand.

During the half year Mercury investigated the prospect of expanding its metering capabilities through an acquisition opportunity in Australia.

"While ultimately unsuccessful with the bid, the process helped refine our view of relevant businesses that could support growth. We will continue to explore other opportunities with a strong commercial lens," Mr Whineray said.

Outlook

Mr Whineray said Mercury was well positioned to build on the strong momentum.

"Electricity demand has been higher across all sectors except the industrial sector. Drier weather conditions in many areas of the country contributed to increased demand from both dairy processing and irrigation relative to the prior period. This demand growth is supported by population growth in key regions offsetting per-household consumption decreases.

"Mercury continues to invest in solar, battery storage and other customer-led home and transport technologies to ensure we continue to be at the forefront of offering choice to consumers," Mr Whineray said.

"The momentum established through our rebrand in FY2017, and the leadership and high performance work we are undertaking with our people, has been enhanced in this half year. This signals to me that we are in good shape to continue to deliver value."

FY2018 Guidance

Mercury's FY2018 EBITDAF guidance is \$530m subject to any material events, significant one-off expenses or other unforeseeable circumstances including hydrological conditions. FY2018 stay-in-business capital expenditure guidance remains at \$115 million.

The full year ordinary dividend guidance remains at 15.0 cents per share, a 2.7% increase on FY2017.

Dividend

Ms Withers said Mercury's 85,000 owners, including the Crown, would receive an interim fully-imputed dividend of 6.0 cents per share, an increase of 3.4%. This represents 40% of the full-year ordinary dividend guidance of 15.0 cents per share. The interim dividend will be paid on 3 April 2018.

For further information:

Media – Craig Dowling 0272 105 337

Investors – Tim Thompson 0275 173 470

ABOUT MERCURY NZ LIMITED

Mercury's mission is energy freedom. Our purpose is to inspire New Zealanders to enjoy energy in more wonderful ways and our goal is to be New Zealand's leading energy brand. We focus on our customers, our people, our partners and our country; maintain a long term view of sustainability; and promote wonderful choices. Mercury is energy made wonderful. Visit us at: www.mercury.co.nz



Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one
(Please provide any other relevant
details on additional pages)

1

Full name of Issuer **Mercury NZ Limited**

Name of officer authorised to make this notice **Howard Thomas, Company Secretary** Authority for event, e.g. Directors' resolution **Directors' resolution**

Contact phone number **+64 9 308 8200** Contact fax number **+64 9 308 8209** Date **27 / 02 / 2018**

Nature of event
Tick as appropriate

Bonus Issue <input type="checkbox"/>	If ticked, state whether: Taxable <input type="checkbox"/> / Non Taxable <input type="checkbox"/>	Conversion <input type="checkbox"/>	Interest <input type="checkbox"/>	Rights Issue Renounceable <input type="checkbox"/>
Rights Issue non-renounceable <input type="checkbox"/>	Dividend <input checked="" type="checkbox"/> If ticked, state whether: Interim <input checked="" type="checkbox"/>	Full Year <input type="checkbox"/>	Special <input type="checkbox"/>	DRP Applies <input type="checkbox"/>
Capital change <input type="checkbox"/>	Call <input type="checkbox"/>			

EXISTING securities affected by this

If more than one security is affected by the event, use a separate form.

Description of the class of securities **Mercury NZ Limited ordinary shares** ISIN **NZMRPE0001S2**
If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities ISIN
If unknown, contact NZX

Number of Securities to be issued following event Minimum Entitlement Ratio, e.g. 1 for 2 ☐ for ☐

Conversion, Maturity, Call Payable or Exercise Date Treatment of Fractions

Strike price per security for any issue in lieu or date Strike Price available. Tick if pari passu ☐ OR provide an explanation of the ranking

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income)	\$0.060	Source of Payment	Income available for distribution
Excluded income per security (only applicable to listed PIEs)	not applicable		
Currency	New Zealand Dollars	Supplementary dividend details - NZSX Listing Rule 7.12.7	Amount per security in dollars and cents \$0.010588
Total monies	\$0.060	Date Payable	3 April, 2018

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price	\$	Resident Withholding Tax	\$0.004167	Imputation Credits (Give details)	\$0.023333
		Foreign Withholding Tax	\$	FDP Credits (Give details)	

Timing

(Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm
For calculation of entitlements - **15 March, 2018**

Application Date
Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. **3 April, 2018**

Notice Date
Entitlement letters, call notices, conversion notices mailed

Allotment Date
For the issue of new securities. Must be within 5 business days of application closing date.

OFFICE USE ONLY

Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:





CSN/SecurityHolder number: #####

2018 Interim Results

DEAR SHAREHOLDER,

Mercury is pleased to share with you highlights of our results for the half year to 31 December 2017.

We invite you to view our 2018 Interim Report, along with Mercury's investor presentation and news release.

[VIEW OUR](#)
[2018 INTERIM REPORT](#)

[SEE OUR INVESTOR](#)
[PRESENTATION & NEWS RELEASE](#)

Highlights of the six months to 31 December 2017

OPERATING EARNINGS (EBITDAF)



11% lift to \$301 million

achieved through favourable hydrology and strong company execution

NET PROFIT AFTER TAX



up \$19 million to \$132 million

INTERIM ORDINARY DIVIDEND



**6.0 cents per share fully-imputed,
up 3.4%, to be paid on 3 April 2018**

FY2018 ordinary dividend guidance of 15.0 cents per share maintained

It is my pleasure to report to you on Mercury's performance for the half year ended 31 December 2017.

Mercury's earnings uplift to \$301 million from \$270 million in the prior corresponding period was driven by strong North Island water inflows leading to record generation of 4,107GWh, up from 3,770GWh. The conditions coincided with lower than average output from South Island hydro generators, playing to Mercury's strategic locational advantage.

A strong focus on execution in the half year was particularly pleasing as the business worked through a number of initiatives aimed at lifting performance.

Capital expenditure increased to \$59 million in HY2018 from \$54 million in HY2017 due to completion of technology upgrade projects and execution of geothermal maintenance plans. Through the period, high geothermal availability was maintained at 95%.

Customer growth continued through the period, up 1,000, attributable to Mercury's loyalty-focused customer strategy including offers such as earning Airpoints Dollars™.

Mercury's FY2018 EBITDAF guidance is \$530 million subject to any material events, significant one-off expenses or other unforeseeable circumstances including hydrological conditions.

On behalf of the Board, I look forward to a solid second half of the year that builds on the platform that has been established, and reporting to you, our owners, in August 2018.

Kind regards,

A handwritten signature in black ink, appearing to read 'Joan', with a large, loopy initial 'J'.

Joan Withers | Chair, Mercury NZ Limited

Our most recent and future Annual and Interim Reports are, or will be, available on our website www.mercury.co.nz/investors

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S&P CREDIT RATING

BBB+ re-affirmed in December 2017

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Joan Withers | Chair, Mercury NZ Limited

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