

>> QUARTERLY HIGHLIGHTS

**STRONG
HYDRO
GENERATION**

HYDRO GENERATION 1,446GWh
AT 84TH PERCENTILE;
255GWh ABOVE AVERAGE

**COMPETITIVE
RETAIL
MARKET**

MARKET CHURN AT 21.1%
MERCURY BRAND CHURN AT 16.8%

4,200 GWh

NO CHANGE TO HYDRO
GENERATION FORECAST

>> COMMENTARY

GENERATION ABOVE-AVERAGE; HYDRO GWAP IMPROVES WITH INCREASED HYDRO FLEXIBILITY

Mercury's strong starting storage position enabled hydro generation of 1,446GWh during the quarter. This fell from record quarterly generation in the prior comparable period but remained at the 84th percentile¹, contributing to total generation of 2,179GWh including stable geothermal output.

Mercury's LWAP/GWAP ratio moved favourably to 1.07 versus 1.09 in the same quarter last year as the timing of inflows enabled Mercury to utilise its hydro asset flexibility, shown through the increase in the relative value of our hydro generation with hydro GWAP/TWAP being 1.09 versus 1.07.

Average wholesale prices for the quarter were \$87/MWh at Otahuhu and \$77/MWh at Benmore, decreasing by \$6/MWh and \$19/MWh respectively from Q1-FY2018 (which was affected by dry hydrological conditions). Prices increased over the quarter as national hydro storage declined from 103% to 85% of average. Wholesale market conditions were further impacted by an ongoing Pohokura gas outage commencing in September which is expected to last till late November.

Short-term futures prices responded strongly to the changes in wholesale market conditions with the FY2019 Otahuhu price lifting more than \$14/MWh from \$73.91/MWh at the start of the quarter to \$88.17/MWh by the end of the quarter (with a further increase to \$141.38/MWh as at 15 October 2018). Longer-term futures prices remained largely unchanged despite the tightening supply and demand dynamic and the increased volatility observed in wholesale prices.

SUSTAINED HIGH COMPETITION INCREASES CHURN

Strong competition, especially in the North Island, resulted in Mercury's customer numbers across all brands decreasing by 2,000 to 386,000 at the end of the quarter. As at 30 September 2018, Mercury group churn increased to 20.0%² which remains below market churn at 21.1%²; churn for the Mercury brand also increased to 16.8%² (from 14.7%² as at 30 September 2017). Mercury churn levels for the quarter were impacted by the transfer of customers from Tiny Mighty Power to the main Mercury brand (which will also impact churn in the following quarter).

Mass Market electricity sales VWAP was higher at \$127.04/MWh. IFRS changes relating to the treatment of customer credit acquisition costs have reduced this yield by \$1.41/MWh compared to the previous standard with the Commercial & Industrial segment VWAP being unaffected.

URBAN AND RURAL SECTORS LEAD UNDERLYING DEMAND GROWTH

National demand continues to grow despite warmer than average temperatures, increasing by 1.4% on a temperature-adjusted basis (+1.1% on an unadjusted basis) versus the prior comparable period. This increase was primarily driven by the urban (+0.5%) and rural (+0.5%) sectors with the dairy sector (+0.2%) also contributing.

¹ For quarters ended 30 September since 1999

² 12-monthly rolling average

>> OPERATING STATISTICS

Statistics have been modified to separately disclose Mass Market and C&I sales segments with restatement of prior years on page 7

OPERATING INFORMATION	Three months ended 30 September 2018		Three months ended 30 September 2017	
	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)
ELECTRICITY SALES				
Mass Market ²	127.04	955	123.53	975
Commercial & Industrial	82.76		84.14	
FPV ³		297		302
End User CfD		291		316
FPV purchases from market		1,316		1,349
Spot customer purchases		225		244
Total NZEM Purchases	91.53	1,541	99.01	1,593
ELECTRICITY CUSTOMERS (‘000)		386		393
North Island Customers		343		349
South Island Customers		43		44
Dual Fuel Customers		48		46
CONTRACTS FOR DIFFERENCE		Volume (GWh)		Volume (GWh)
Net Sell CfD ⁴		664		697
ELECTRICITY GENERATION	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)
Hydro	89.07	1,446	93.40	1,522
Geothermal (consolidated) ⁵	79.59	678	85.83	689
Geothermal (equity accounted) ⁶	80.51	55	92.57	47
Total	85.90	2,179	91.07	2,258
LWAP/GWAP		1.07		1.09
CARBON EMISSIONS (‘000 TONNES CO₂)		93		102
METRIX AMI METERS (‘000)		415		406

¹ VWAP is volume weighted average energy-only price sold to customers after lines, metering and fees. Mass Market VWAP is higher than C&I due to the additional cost to serve, losses, location and usage profile associated with the Mass Market segment

² Mass market includes residential segments and non time-of-use commercial customers

³ Fixed-price, variable-volume (FPV) sales to time-of-use commercial customers

⁴ Includes Virtual Asset Swap volumes in both Buy and Sell CfD volumes of 151 GWh for the 3 months ended 30 September 2018 and 176 GWh for the 3 months ended 30 September 2017. Includes End User CfD volumes.

⁵ Includes Mercury's 65% share of Nga Awa Purua generation

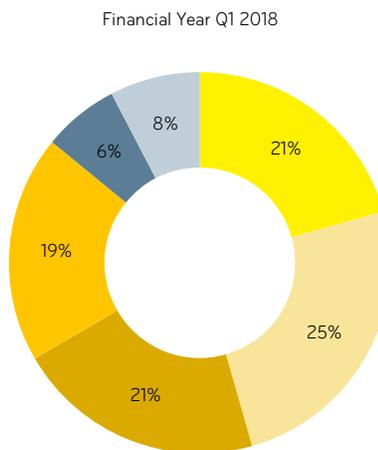
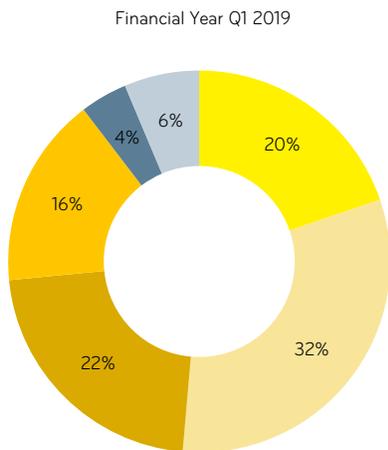
⁶ Tuaropaki Power Company (Mokai) equity share

⁷ Includes carbon emissions from Mercury gas sales, wholly owned geothermals and proportionate emissions from the Mokai and Nga Awa Purua stations

>> MARKET DATA

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

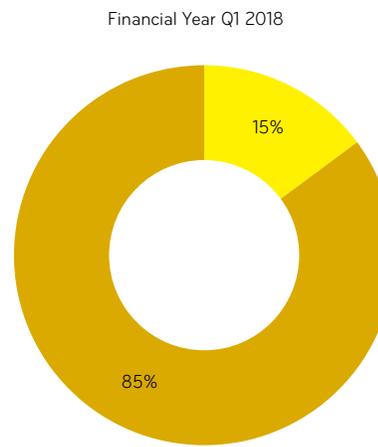
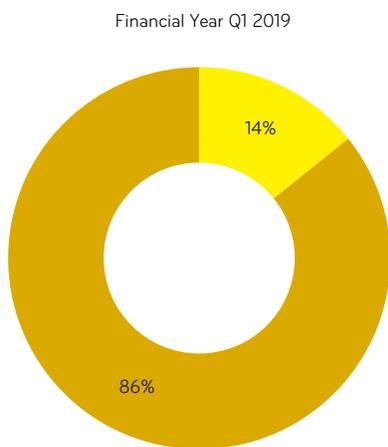
- MERCURY
- MERIDIAN ENERGY
- CONTACT ENERGY
- GENESIS ENERGY
- TRUSTPOWER / TILT
- OTHER



Source: Electricity Authority

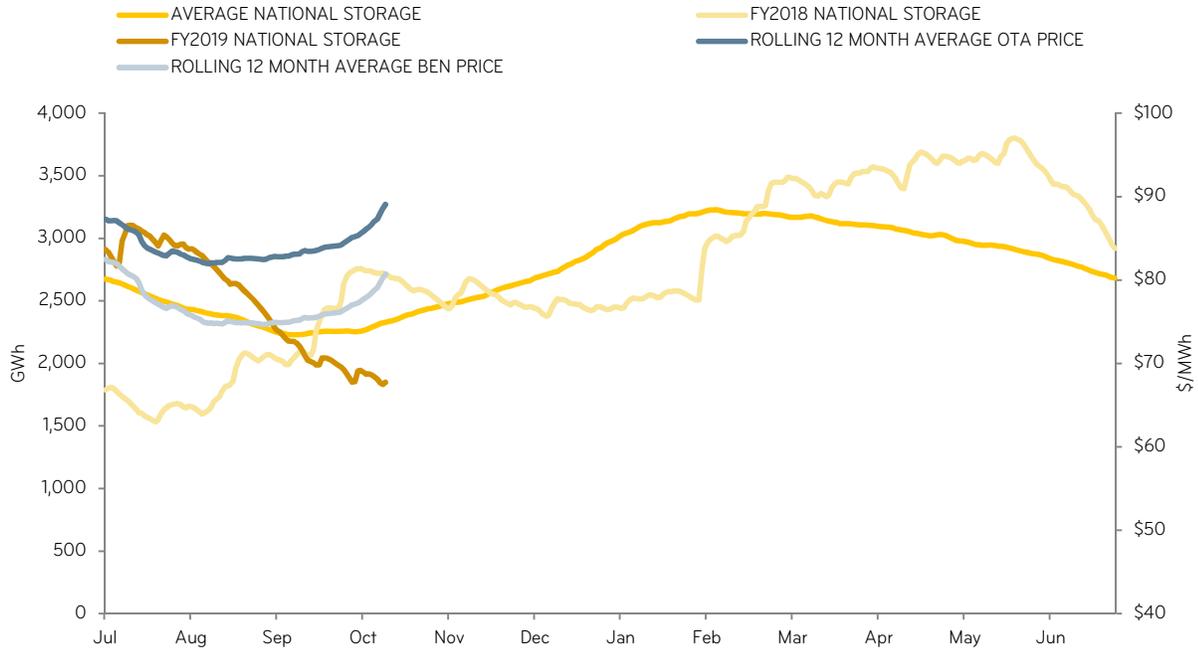
> SHARE OF ELECTRICITY SALES (GWh) FOR THE THREE MONTHS ENDED 30 SEPTEMBER (EXCLUDING CFDs)

- MERCURY
- OTHER



Source: Mercury Purchases and Transpower SCADA

> OTAHUHU WHOLESALE PRICE AND NATIONAL HYDRO STORAGE LEVELS



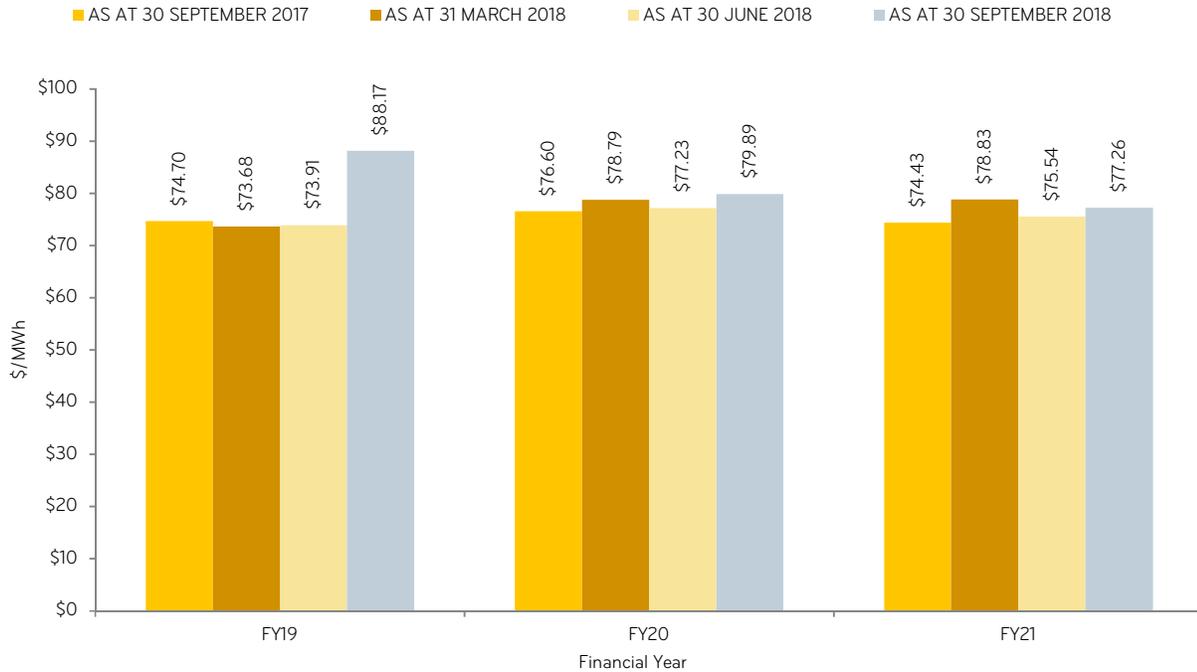
Source: NZX Hydro and NZEM Pricing Manager (NZX)

> TAUPO STORAGE



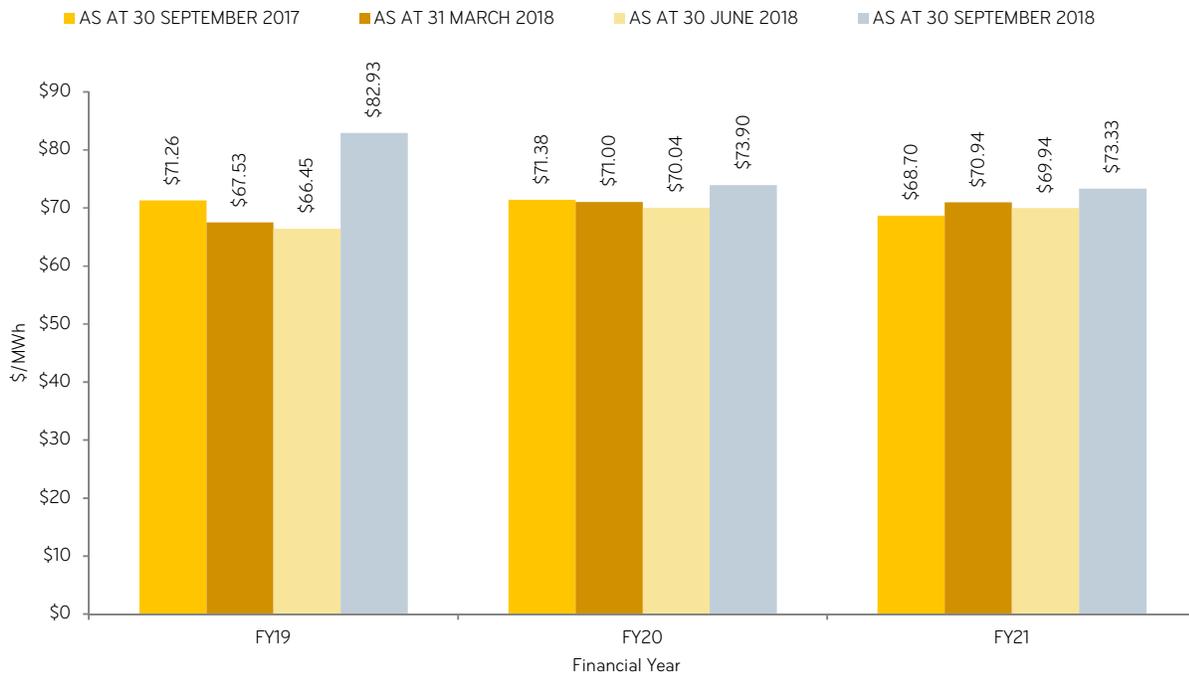
Source: NZX Hydro

> OTAHUHU ASX FUTURES SETTLEMENT PRICE



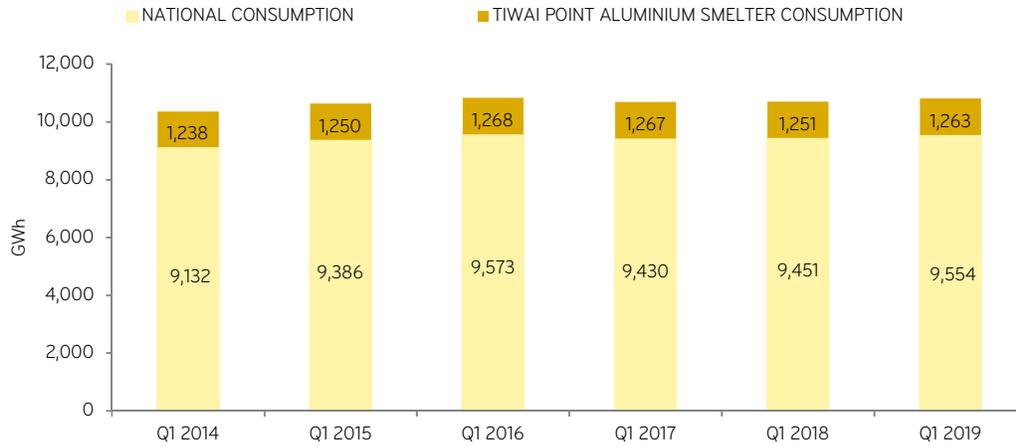
Source: ASX

> BENMORE ASX FUTURES SETTLEMENT PRICE



Source: ASX

> NATIONAL CONSUMPTION (NON-TEMPERATURE ADJUSTED)



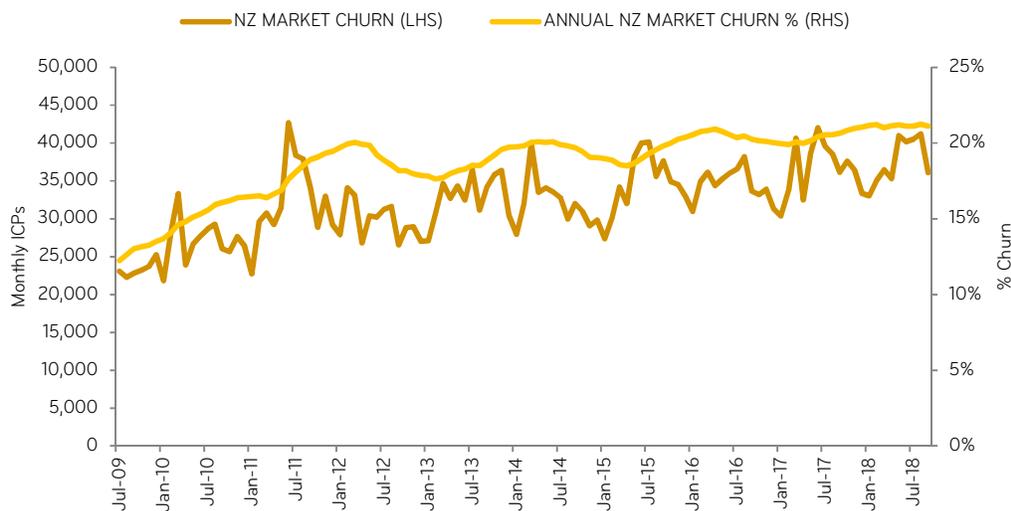
Source: Transpower Information Exchange

> AUCKLAND CLIMATE SUMMARY (°C)

FINANCIAL YEAR	Q1	Q2	Q3	Q4
2019	12.1	-	-	-
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
Historical Average (since 1999)	11.9	16.2	19.3	14.2

Source: Met Service

> MONTHLY TOTAL CONSUMER RETAIL SWITCHING (ICPs)



Source: Electricity Authority

>> TWO YEAR HISTORY OF OPERATING STATISTICS

Statistics are presented in the same form as those on page 2

OPERATING INFORMATION	Three months ended 30 September 2018		Three months ended 30 June 2018		Three months ended 31 March 2018		Three months ended 31 December 2017		Three months ended 30 September 2017		Three months ended 30 June 2017		Three months ended 31 March 2017		Three months ended 31 December 2016		Three months ended 30 September 2016	
	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)
ELECTRICITY SALES																		
Mass Market	127.04	955	127.61	855	125.44	689	120.35	759	123.53	975	124.49	851	121.34	711	117.18	773	122.04	973
Commercial & Industrial	82.76		84.67		80.27		72.79		84.14		86.25		78.94		74.54		87.82	
FPV		297		289		310		299		302		325		325		316		333
End User CfD		291		288		296		325		316		331		324		346		326
FPV purchases from market		1,316		1,207		1,055		1,118		1,349		1,241		1,094		1,150		1,380
Spot customer purchases		225		209		211		227		244		226		218		231		224
Total NZEM Purchases	91.53	1,541	83.48	1,416	87.92	1,266	94.93	1,345	99.01	1,593	80.23	1,467	53.70	1,312	48.38	1,381	60.38	1,604
ELECTRICITY CUSTOMERS ('000)		386		388		391		393		393		392		390		387		381
North Island Customers		343		345		348		350		349		349		348		346		341
South Island Customers		43		43		43		43		44		43		42		41		40
Dual Fuel Customers		48		48		48		47		46		45		44		43		42
CONTRACTS FOR DIFFERENCE		Volume (GWh)		Volume (GWh)		Volume (GWh)		Volume (GWh)		Volume (GWh)		Volume (GWh)		Volume (GWh)		Volume (GWh)		Volume (GWh)
Net Sell CfD		664		516		401		496		697		639		423		510		387
ELECTRICITY GENERATION																		
Hydro	89.07	1,446	84.42	1,218	87.34	1,035	91.34	1,172	93.40	1,522	72.50	1,402	55.21	954	49.28	1,112	60.32	1,256
Geothermal (consolidated)	79.59	678	71.76	656	75.39	591	87.09	627	85.83	689	68.02	668	49.41	628	42.94	657	54.69	634
Geothermal (equity accounted)	80.51	55	74.40	52	78.21	45	89.30	49	92.57	47	68.98	55	50.30	54	44.97	58	54.79	55
Total	85.90	2,179	79.84	1,926	82.87	1,671	89.84	1,848	91.07	2,258	71.00	2,125	52.82	1,636	46.87	1,827	58.32	1,945
LWAP/GWAP		1.07		1.05		1.08		1.06		1.09		1.13		1.02		1.03		1.04
CARBON EMISSIONS ('000 TONNES CO2)		93		85		68		86		102		93		80		90		96
METRIX AMI METERS ('000)		415		413		410		408		406		403		401		399		398