



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

26 February 2019

**Mercury NZ Limited (ASX/NZX:MCY) (ARBN 162 804 668) – HY2019 Results and Interim Report**

Attached are the following documents in relation to Mercury's financial results for the six months ended 31 December 2018.

- > 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 2019 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**



Mercury NZ Limited		
Results for announcement to the market		
Reporting Period	Six months to 31 December 2018	
Previous Reporting Period	Six months to 31 December 2017	
	Amount (000s)	Percentage change
Revenue from ordinary activities	\$NZ1,079,000	13.0%
Profit (loss) from ordinary activities after tax attributable to security holder	\$NZ104,000	-20.6%
Net profit (loss) attributable to security holders	\$NZ104,000	-20.6%
Interim/Final Dividend	Amount per security	Imputed amount per security
	\$NZ0.062	\$NZ0.0241111
Record Date	14 March 2019	
Dividend Payment Date	1 April 2019	
Comments:	A supplementary dividend of \$NZ0.010941 per share will be payable on the interim dividend to shareholders who are not resident in New Zealand	

## NEWS RELEASE

## Mercury earnings strong despite less water

**26 February 2019** – Mercury came close to matching last financial year's record first half performance despite less favourable hydro conditions in the Waikato catchment leading to lower hydro generation.

Chair, Joan Withers said that earnings (EBITDAF<sup>1</sup>) of \$302 million (\$304 million<sup>2</sup> HY2018) reflected strong execution across the entire business, underpinned by record spot market prices, a lift in net sales yields, a disciplined focus on costs and strong execution of the planned work programme.

Mercury will pay a fully-imputed interim dividend of 6.2 cents per share on 1 April 2019 to its nearly 85,000 owners, including the Crown. This represents 40% of the full-year ordinary dividend guidance of 15.5 cents per share, an increase of 2.6% on FY2018.

"The period once again saw strong, focused execution of the company's strategy. Mercury's people have excelled in many areas core to our business," Mrs Withers said.

### FINANCIAL RESULTS

EBITDAF for the period was boosted by movements in energy margin, where elevated wholesale price volatility and increased geothermal generation experienced during the period came close to compensating for the higher hydro generation output in the prior comparable period.

Net profit after tax for the period of \$104 million was down from \$131 million<sup>2</sup> (HY2018), negatively impacted by the change in fair value of financial instruments (reflecting higher futures prices). Underlying earnings were steady at \$114 million.

Stay-in-business capital expenditure of \$45 million (\$59 million HY2018) was focused on the advancement of refurbishment work at Whakamaru and Aratiatia hydro stations, IT enhancements and the progression of Mercury's Auckland office consolidation to Newmarket which brings together around 550 people from multiple locations.

At \$99 million for the period, operating expenditure was in line with HY2018.

	HY2019	HY2018
EBITDAF (\$m)	302	304
Net profit after tax (\$m)	104	131
Underlying earnings after tax (\$m)	114	114
Interim dividend (cents per share)	6.2	6.0

### HY2019 MILESTONES

Mercury Chief Executive Fraser Whineray said that the ongoing programme of investment in core assets, such as the refurbishment of Whakamaru and Aratiatia hydro stations contributed to the long-term sustainability of the business, while securing the country's renewable energy advantage. The programme is being further advanced, with a \$75 million modernisation project for Karapiro announced in January.

<sup>1</sup> EBITDAF = earnings, before interest expenses, taxes, depreciation, amortisation and the change in fair value of financial instruments.

<sup>2</sup> Adjusted from HY2018 reported figures (EBITDAF \$301 million; NPAT \$132 million) to align with International Financial Reporting Standards (IFRS) changes.

“We are now five of nine stations into a carefully prioritised programme of upgrades that secures Mercury’s ongoing operations for the long term, while delivering valuable capacity and efficiency improvements,” Mr Whineray said.

In the first quarter of the period, Mercury commissioned a grid-scale and grid-connected battery at its Penrose R&D centre, trialling automated trading of battery stored electricity. The trial discharged 285MWh back into the grid in the first quarter of operation.

## **DELIVERING CUSTOMER ADVOCACY**

Mercury also advanced the ease by which customers can interact with the business through the successful launch of its Mercury Go app, which has already achieved more than 30,000 downloads.

Mercury’s focus on customer value contributed to a reduction in customer numbers of 7,000 over the period but delivered a 4% lift in the net sales yield across the mass market segment. Mercury brand trader churn, where a customer changes retailer without moving house, at 7.4%, continues to be maintained at a rate lower than the market average (8.0%).

## **SPOT MARKET VOLATILITY**

Mr Whineray noted that the sector experienced significant spot market volatility in the period, driven by an unusual alignment of factors including multiple unplanned disruptions in New Zealand’s natural gas sector and low hydro inflows across the country.

“For context, however, the spot market still did not reach the Electricity Authority’s stress test scenario of \$250/MWh for a quarter. The Authority’s quarterly stress test is something that every electricity market participant’s board of directors is aware of, by design,” Mr Whineray said.

Importantly none of Mercury’s mass market customers were impacted by those spot market conditions.

Mr Whineray said there were still lessons, and opportunities for improvement in how the sector responds.

“We believe the electricity market would benefit from a much stronger disclosure regime from thermal generators concerning their fuel position and upstream gas and coal supplies, which would make it equivalent to the ability to monitor hydro positions (lake levels) which are available in real time.”

## **FY2019 GUIDANCE CONFIRMED**

Mercury’s FY2019 EBITDAF guidance remains at \$515 million with anticipated 4,150GWh of hydro generation, subject to any material events, significant one-off expenses or other unforeseeable circumstances including hydrological conditions.

FY2019 stay-in-business capital expenditure guidance remains at \$95 million.

The full year ordinary dividend guidance remains at 15.5 cents per share, up 2.6% on FY2018. This would represent the 11<sup>th</sup> consecutive year of ordinary dividend growth.

ENDS

### **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](http://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 **26 / 02 / 2019**

**Nature of event**  
Tick as appropriate

Bonus Issue <input type="checkbox"/>	If ticked, state whether: <input type="checkbox"/>	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"/>	Capital change <input type="checkbox"/>	Call <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"/>	

**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)	<b>\$0.062</b>	Source of Payment	<b>Income available for distribution</b>
Excluded income per security (only applicable to listed PIEs)	<b>not applicable</b>		
Currency	<b>New Zealand Dollars</b>	Supplementary dividend details - NZSX Listing Rule 7.12.7	Amount per security in dollars and cents <b>\$0.010941</b>
Total monies	<b>\$0.062</b>	Date Payable	<b>1 April, 2019</b>

**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	<b>\$0.004306</b>	Imputation Credits (Give details)	<b>\$0.024111</b>
Foreign Withholding Tax	\$ <input type="text"/>	FDP Credits (Give details)	<input type="text"/>

**Timing**

(Refer Appendix 8 in the NZSX Listing Rules)

**Record Date 5pm**

For calculation of entitlements -

**14 March, 2019****Application Date**

Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date.

**1 April, 2019****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/Security Holder number:



## DEAR SHAREHOLDER,

Mercury is pleased to share with you highlights of our results for the half year to 31 December 2018.

We invite you to view our 2019 Interim Report, along with Mercury's investor presentation and news release.

VIEW OUR  
2019 INTERIM REPORT

SEE OUR INVESTOR  
PRESENTATION & NEWS  
RELEASE

## Highlights of the six months to 31 December 2018

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### OPERATING EARNINGS (EBITDAF)



**\$302 million**

EBITDAF near HY2018 record (\$304 million<sup>1</sup>) despite less favourable hydrology.

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### NET PROFIT AFTER TAX



**\$104 million**

Negatively impacted by a non-cash change in the fair value of financial instruments (reflecting higher electricity futures price).

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### INTERIM ORDINARY DIVIDEND



**6.2 cents per share**

6.2 cents per share fully-imputed up 3.3%, to be paid on 1 April 2019.

It is my pleasure to report to you on our performance for the half year ended 31 December 2018.

The period once again saw strong, focused execution of the company's strategy.

Mercury achieved stable first half earnings (EBITDAF) of \$302 million, close to the record \$304 million in the prior comparable period.

This was despite hydro generation 246GWh less than HY2018 (2,694GWh) as a result of less favourable hydrological conditions in the second quarter of the year. Through the period, high geothermal reliability was maintained at 97% (95% HY2018).

Operating expenditure at \$99 million was in line with HY2018.

Stay-in-business capital expenditure of \$45 million (\$59 million HY2018) was directed to activities including asset management, IT enhancements and consolidating our Auckland locations into one primary, integrated space.

Mercury's FY2019 EBITDAF guidance is reaffirmed at \$515 million subject to any material events, significant one-off expenses or other unforeseeable circumstances including hydrological conditions. The guidance includes the forecast reduction to EBITDAF of \$10 million from the sale of Metrix (settlement assumed 1 March 2019; annualised impact \$28 million).

On behalf of the Board, I look forward to a second half of the year that builds on the platform that has been established, and reporting to you, our owners, again in August 2019.

Kind regards,

A handwritten signature in black ink, appearing to read 'Joan Withers', enclosed within a large, loopy oval shape.

Joan Withers | Chair, Mercury NZ Limited

<sup>1</sup>Adjusted from HY2018 reported EBITDAF of \$301 million to align with International Financial Reporting Standards (IFRS) changes.



# BACK OF THE FUTURE.

Click through to see Evie's electric makeover

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## DEAR BONDHOLDER,

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VIEW OUR  
2019 INTERIM REPORT

SEE OUR INVESTOR  
PRESENTATION & NEWS  
RELEASE

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### NET PROFIT AFTER TAX



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### S&P Credit Rating

**BBB+ re-affirmed in December 2018**

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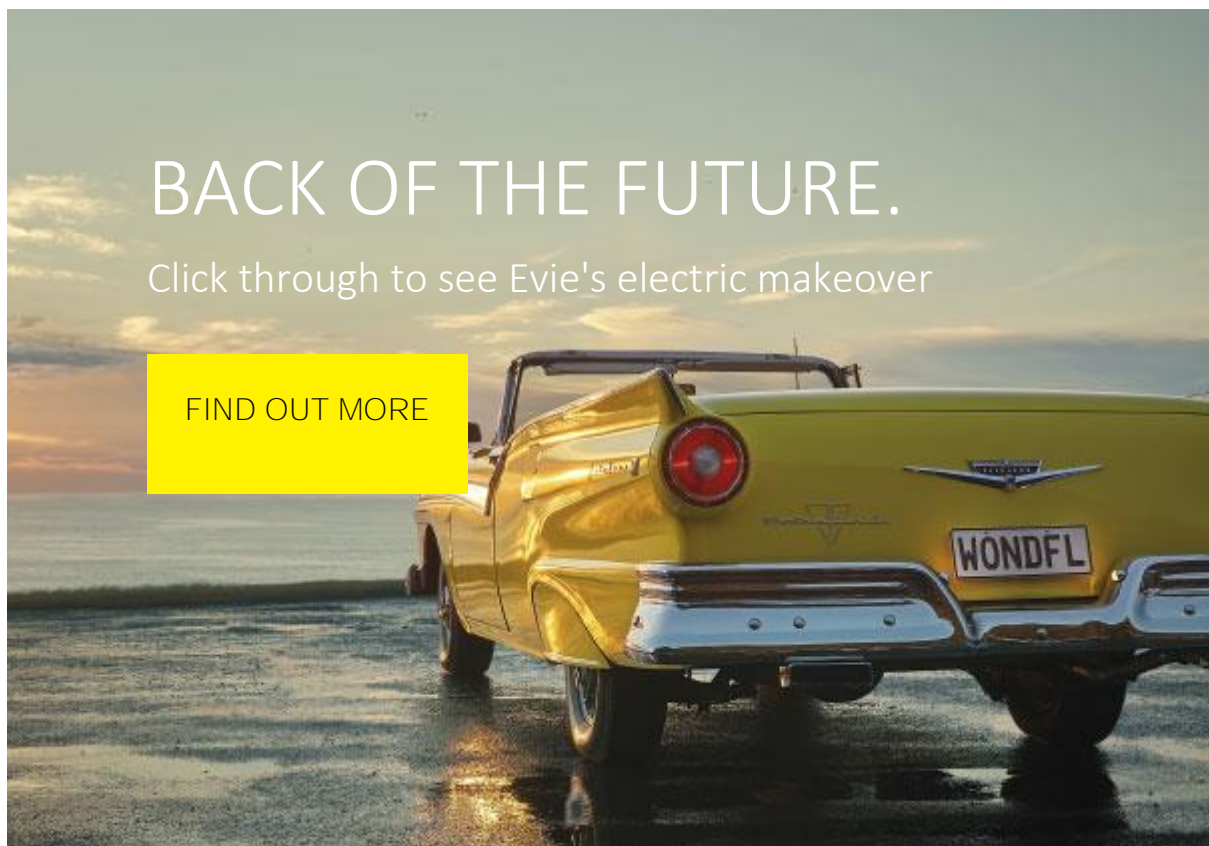
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Kind regards,



Joan Withers | Chair, Mercury NZ Limited

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