

>> QUARTERLY HIGHLIGHTS

RECORD
SPOT
PRICES

RECORD SPOT PRICES DUE TO
LOW HYDRO STORAGE AND
THERMAL GENERATION CONSTRAINTS

DEMAND
UP 3%

NATIONAL DEMAND UP 3% FROM
INCREASES IN IRRIGATION AND
INDUSTRIAL SECTORS

4,000 GWh
HYDRO

FY2019 HYDRO GENERATION
FORECAST DOWN 150GWh
TO LONG-RUN AVERAGE

>> COMMENTARY

SUSTAINED DRY HYDROLOGICAL CONDITIONS AND THERMAL GENERATION CONSTRAINTS LED TO RECORD SPOT PRICES

Record spot prices were observed over the quarter as the market responded to limited thermal fuel and plant availability and national hydro storage tracking below-average until the last week of March. Average spot prices for the quarter increased versus the prior comparable period by \$77/MWh to \$162/MWh at Otahuhu and by \$67/MWh to \$145/MWh at Benmore.

HYDRO GENERATION DECREASE PARTIALLY OFFSET BY IMPROVED GEOTHERMAL AVAILABILITY

Waikato catchment inflows were 9th percentile¹ (or 270GWh below average) in the most recent quarter leading to hydro generation decreasing by 273GWh from 1,035GWh in Q3-FY2018 to 762GWh in Q3-FY2019. Mercury's full year hydro generation forecast has been reduced by 150GWh to 4,000GWh, the long-run annual average.

Mercury made the most of limited hydro generation as the hydro GWAP/TWAP ratio increased to 1.10 in Q3-FY2019 from 1.08 in the prior comparable period. This, combined with steady geothermal generation, led to the LWAP/GWAP ratio decreasing from 1.06 in Q3-FY2018 to 1.05 in Q3-FY2019.

Mercury's geothermal generation for the quarter was 710GWh, an increase of 74GWh compared to the same period in FY2018 due to planned maintenance outages conducted in that period. These outages enabled Mercury's geothermal fleet to provide reliable baseload generation at 98% availability versus 91% in the same period last year.

FUTURES PRICES INCREASE ON THERMAL FUEL UNCERTAINTY; LONGER-TERM PRICES MODERATED BY NEW DEVELOPMENT

Ongoing uncertainty regarding thermal fuel and plant availability flowed through to the futures market with the Otahuhu futures price for FY2019 increasing by \$15/MWh during the quarter to \$150/MWh and for FY2020 by \$17/MWh to \$112/MWh. New generation development, heralded by Mercury's Turitea wind farm announcement, moderated the lift in longer-term futures prices with the Otahuhu FY2021 price rising by \$8/MWh to \$93/MWh over the quarter.

MERCURY CONTINUES TO PURSUE VALUE IN RETAIL MARKET

The volume-weighted average price received for Mass Market sales was flat year-on-year at \$125/MWh as VWAP in Q3-FY2018 was elevated due to a one-off wash-up of lines charges. Mercury's continued focus on customer value has seen the Mass Market VWAP for the nine months to 31 March 2019 increase by \$3.2/MWh or 2.6% compared to the same period in FY2018.

Market churn fell for the first time in four quarters, decreasing from 21.3%² at the end of Q2-FY2019 to 20.7%² as at 31 March 2019. Mercury group churn also fell from 20.3%² to 19.7%² over the same period.

DRY CONDITIONS INCREASE IRRIGATION AND RURAL DEMAND; TIWAI POTLINE DRIVES INDUSTRIAL DEMAND HIGHER

Temperature-adjusted national demand increased by 3.0% (3.1% on an unadjusted basis) versus the prior comparable period, mainly due to significant increases in irrigation load (+1.4%) and in the rural (+0.9%) and dairy (+0.2%) sectors which also include some irrigation demand. Industrial sector demand (+0.8%) also increased following the first full quarter of operations for NZAS 4th potline which increased average Tiwai demand from 572MW in the quarter ended 31 March 2018 to 610MW in the latest quarter; excluding Tiwai, industrial sector demand decreased by 1.0%. These increases were slightly offset by a decrease (-0.3%) in urban sector demand.

¹ For quarters ended 31 March since 1927

² 12-monthly rolling average

>> OPERATING STATISTICS

OPERATING INFORMATION	Three months ended 31 March 2019		Three months ended 31 March 2018		Nine months ended 31 March 2019		Nine months ended 31 March 2018	
	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)
ELECTRICITY SALES								
Mass Market ²	125.02	679	125.44	689	126.31	2,382	123.08	2,423
Commercial & Industrial	81.68		80.27		79.57		79.02	
FPVV ³		350		310		966		911
End User CfD		307		296		894		938
FPV purchases from market		1,081		1,055		3,519		3,522
Spot customer purchases		188		211		600		681
Total NZEM Purchases	169.00	1,269	87.92	1,266	153.54	4,119	94.36	4,203
ELECTRICITY CUSTOMERS ('000)								
North Island Customers		379		391				
South Island Customers		335		348				
Dual Fuel Customers		44		43				
		48		48				
CONTRACTS FOR DIFFERENCE		Volume (GWh)		Volume (GWh)		Volume (GWh)		Volume (GWh)
Net Sell CfD ⁴		228		401		1,325		1,593
ELECTRICITY GENERATION								
Hydro	168.82	762	87.34	1,035	147.40	3,210	91.07	3,729
Geothermal (consolidated) ⁵	151.69	660	75.39	591	140.59	2,017	83.01	1,908
Geothermal (equity accounted) ⁶	153.01	50	78.21	45	127.40	147	86.83	141
Total	160.61	1,472	82.87	1,671	144.31	5,374	88.31	5,778
LWAP/GWAP		1.05		1.06		1.06		1.07
CARBON EMISSIONS ('000 TONNES CO2) ⁷		70		68		247		256

¹ VWAP is volume weighted average energy-only price sold to customers after lines, metering and fees

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

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

⁴ Includes Virtual Asset Swap volumes in both Buy and Sell CfD volumes of 148 GWh for the 3 months ended 31 March 2019 and 148 GWh for the 3 months ended 31 March 2018 and of 450 GWh for the 9 months ended 31 March 2019 and 500 GWh for the 9 months ended 31 March 2018. Includes End User CfD volumes

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

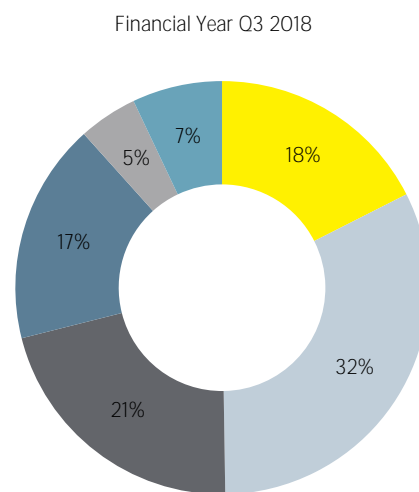
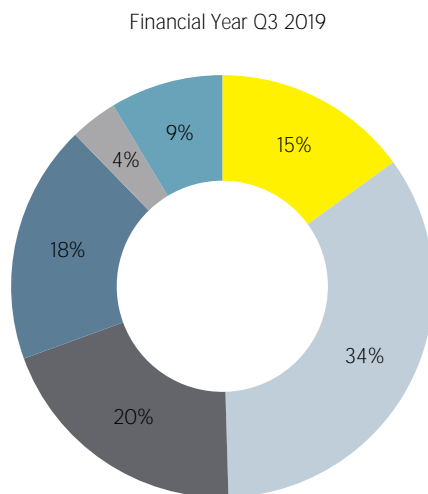
⁶ Tuaropaki Power Company (Mokai) equity share

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 31 MARCH

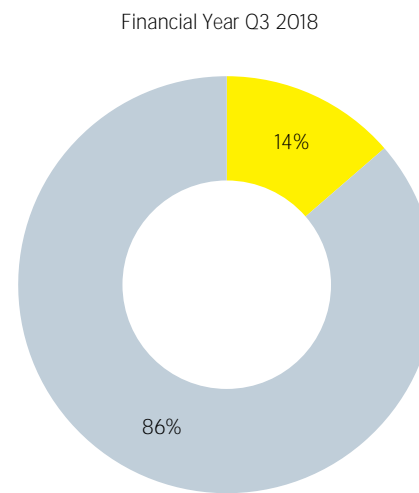
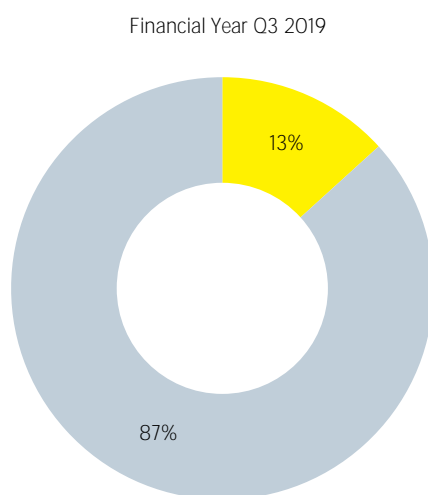
■ MERCURY
 ■ MERIDIAN ENERGY
 ■ CONTACT ENERGY
 ■ GENESIS ENERGY
 ■ TRUSTPOWER / TILT
 ■ OTHER



Source: Electricity Authority

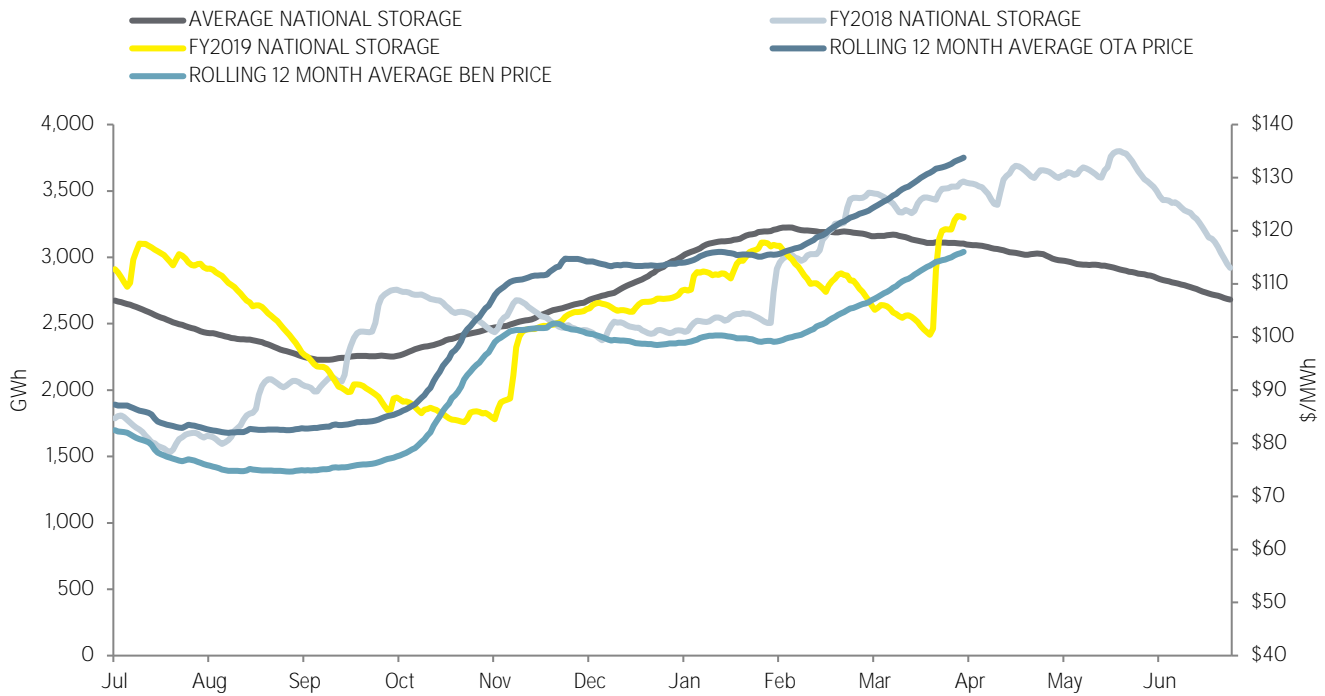
> SHARE OF ELECTRICITY SALES (GWh) FOR THE THREE MONTHS ENDED 31 MARCH (EXCLUDING CFDs)

■ MERCURY
 ■ OTHER



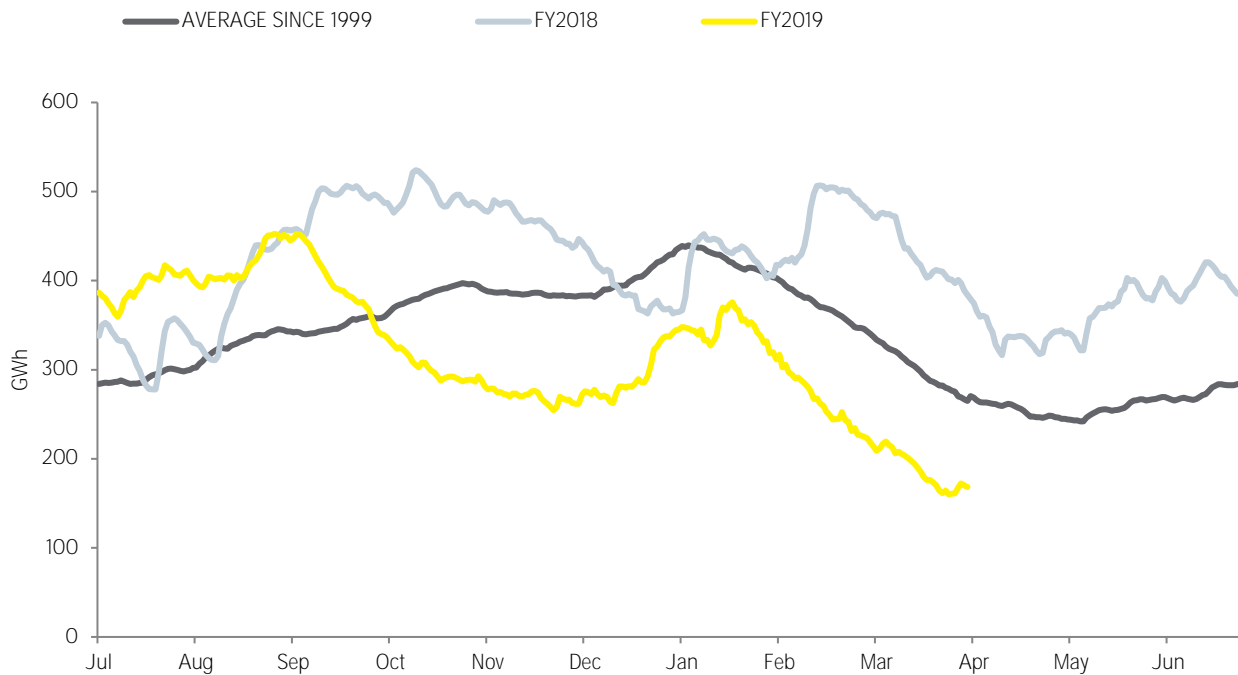
Source: Mercury Purchases and Transpower SCADA

> OTAHUHU WHOLESALE PRICE AND NATIONAL HYDRO STORAGE LEVELS



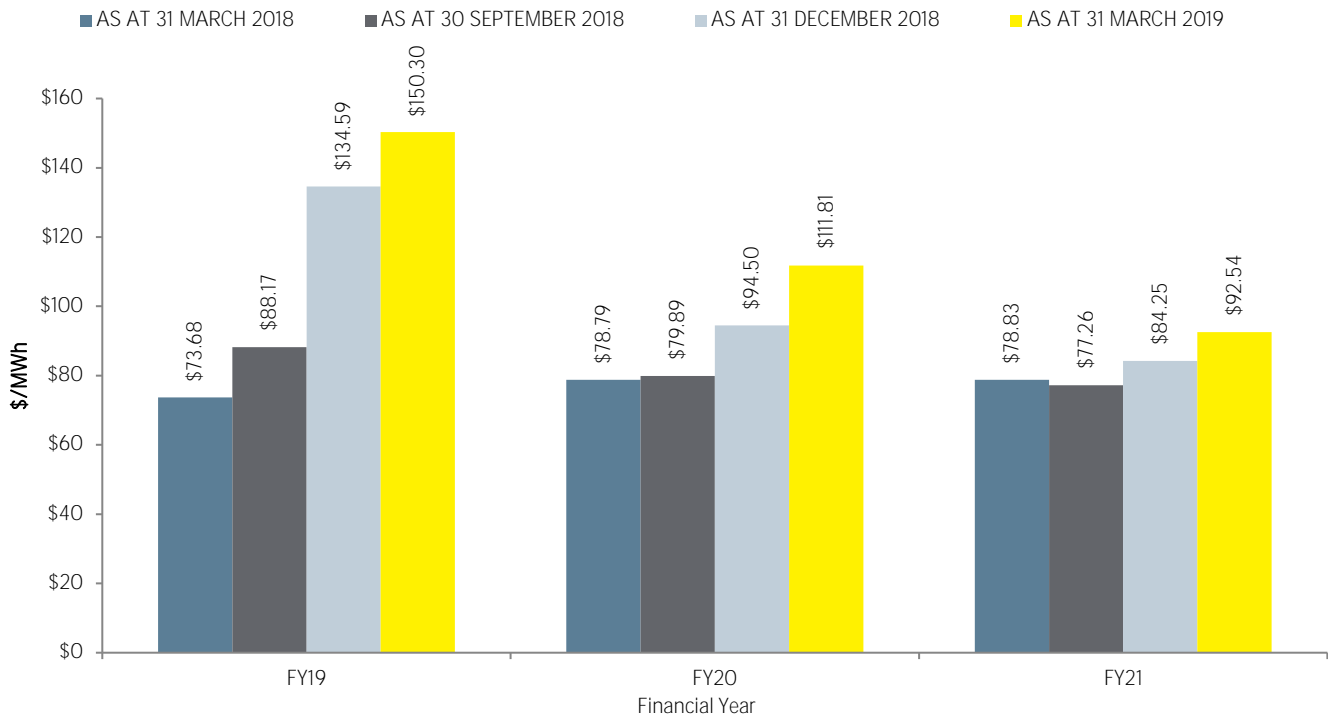
Source: NZX Hydro and NZEM Pricing Manager (NZX)

> TAUPO STORAGE



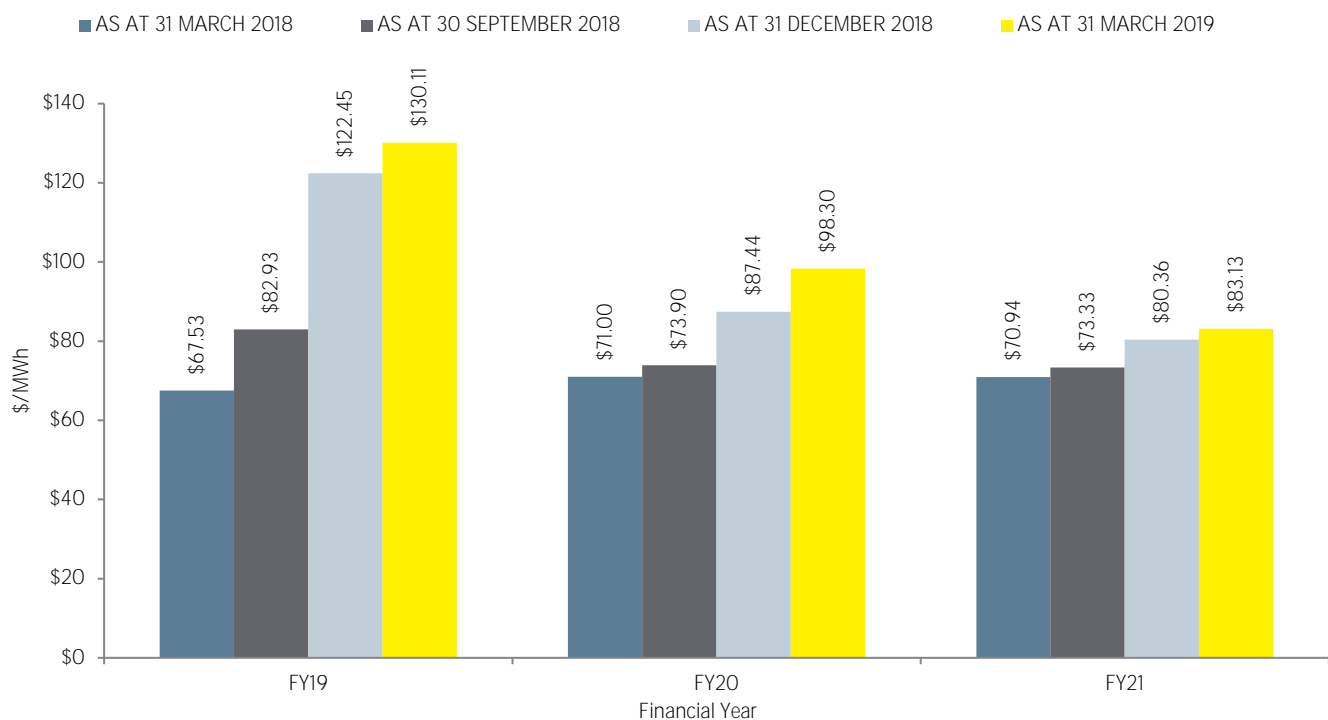
Source: NZX Hydro

> OTAHUHU ASX FUTURES SETTLEMENT PRICE



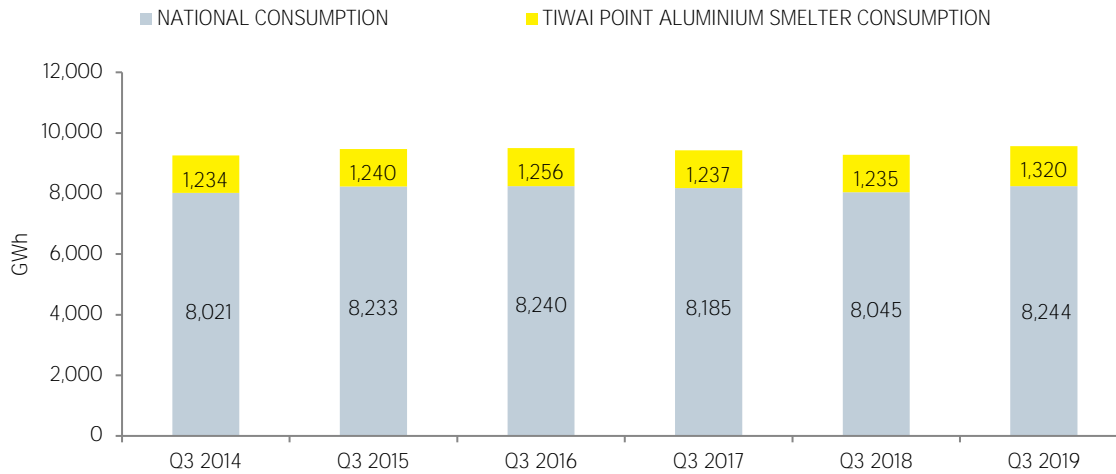
Source: ASX

> BENMORE ASX FUTURES SETTLEMENT PRICE



Source: ASX

> NATIONAL CONSUMPTION (NON-TEMPERATURE ADJUSTED)



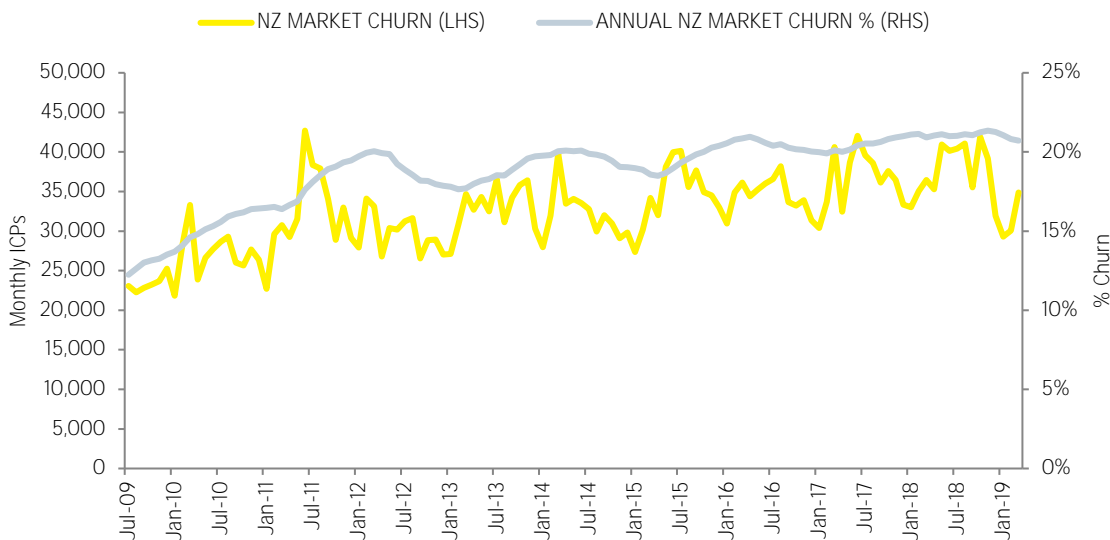
Source: Transpower Information Exchange

> AUCKLAND CLIMATE SUMMARY (°C)

FINANCIAL YEAR	Q1	Q2	Q3	Q4
2019	12.1	16.3	20.2	-
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