

>> QUARTERLY HIGHLIGHTS

HYDRO GENERATION AT MEAN

ANNUAL GENERATION 6,902GWh;
HYDRO GENERATION AT
MEAN OF 4,006GWh

SUSTAINED SPOT PRICE LIFT

THERMAL FUEL CONSTRAINTS
ELEVATE SPOT PRICES;
QUARTERLY PRICES AT 90th PERCENTILE;
ANNUAL PRICES AT RECORD

VALUE FOCUS

REDUCED ACQUISITION ACTIVITY
AS RETAIL MARGINS NARROW

>> COMMENTARY

THERMAL FUEL UNCERTAINTY GAINS PROMINENCE AS DRIVER OF SPOT MARKET PRICES

Quarterly spot prices were elevated at the 90th percentile¹ as thermal fuel constraints, including maintenance outages on the Pohokura gas field, offset above-average national hydro inflows. Average spot prices for the final quarter of FY2019 were \$116/MWh at Otahuhu and \$95/MWh at Benmore leading to FY2019 spot prices reaching record levels of \$143/MWh at Otahuhu and \$123/MWh at Benmore.

The market's view of future thermal availability also affected the long-term outlook of wholesale market prices as the Otahuhu futures price remained at historically high levels, increasing to \$114/MWh for FY2020 and to \$99/MWh for FY2021 during the quarter.

HYDRO GENERATION RETURNS TO AVERAGE FOLLOWING DRY H2; HYDRO PEAKING ABILITY INCREASES GENERATION VALUE

Mercury's hydro generation was 796GWh in the most recent quarter, a decrease of 422GWh from near-record levels in the prior comparable quarter as Waikato catchment inflows were below average at the 14th percentile² (207GWh below average) in Q4-FY2019. Despite below average inflows in the quarter, Mercury was able to finish the year strongly by utilising the peaking capability of the Waikato Hydro Scheme to benefit from spot price volatility. This resulted in the LWAP/GWAP ratio decreasing favourably from 1.05 in Q4-FY2018 to 0.99 in Q4-FY2019.

Hydrological conditions were unusually dry in the latter half of the financial year with Waikato catchment inflows only reaching the 4th percentile³ (477GWh below average) resulting in annual hydro generation falling from 4,947 in FY2018 to 4,006GWh in FY2019, close to the long-run mean of approximately 4,000GWh. This was achieved in spite of low inflows by drawing on Lake Taupo storage which decreased from 139% of average (or 107GWh above average) at the start of FY2019 to 65% of average (or 98GWh below average) at the end of FY2019.

Mercury's geothermal generation increased by 23GWh to 731GWh in Q4-FY2019 from 708GWh in the prior comparable period, which had more planned maintenance outages, and contributed to FY2019 geothermal generation of 2,896GWh; the highest annual geothermal generation for the company.

MERCURY FOCUSES ON VALUE AS REDUCED ACQUISITION ACTIVITY LEADS TO DECLINE IN CUSTOMER NUMBERS

Mercury's focus on value and existing customers resulted in reduced acquisition activity as retail margins narrowed with the continued rise in the electricity futures curve. Mercury acquired ~4,000 fewer customers in Q4-FY2019 compared to Q4-FY2018 with the proportion of Mercury brand customers acquired on discounted rates falling from 55% in Q4-FY2018 to 27% in Q4-FY2019. This contributed to customer numbers across all brands decreasing by 6,000 across the quarter to 373,000.

The volume-weighted average price received for Mass Market sales in the current quarter was flat year-on-year at \$128/MWh as Mercury did not increase residential prices in FY2019. Market churn decreased from 21.1%⁴ as at 31 March 2019 to 20.5%⁴ as at 30 June 2019 with Mercury group churn also falling from 20.0%⁴ to 19.6%⁴ over the same period.

DEMAND DOWN LED BY URBAN AND DAIRY SECTORS; INDUSTRIAL DEMAND INCREASES DESPITE SIGNS OF PRICE SENSITIVITY

National demand decreased by 1.2% in Q4-FY2019 after adjusting for temperature (1.4% on an unadjusted basis) versus Q4-FY2018 due to a decline in urban sector demand (-0.9%) and decreased dairy sector (-0.5%) demand, reflecting reduced milk production compared to the same period last year. These declines were partially offset by increased industrial sector demand (+0.4%) which was driven by increased Tiwai load. Non-Tiwai industrial demand decreased by 0.2%, possibly due to spot-exposed users responding to high spot prices. Demand was flat in the irrigation (+0.0%), rural (-0.1%) and other (-0.1%) sectors.

¹ For quarters ended 30 June since 1999

² For quarters ended 30 June since 1927

³ For 6-monthly periods ended 30 June since 1927

⁴ 12-monthly rolling average

>> OPERATING STATISTICS

OPERATING INFORMATION	Three months ended 30 June 2019		Three months ended 30 June 2018		Twelve months ended 30 June 2019		Twelve months ended 30 June 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	128.19	800	127.61	855	126.78	3,182	124.26	3,278
Commercial & Industrial	85.92		84.67		81.24		80.37	
FPVV ³		353		289		1,318		1,200
End User CfD		313		288		1,206		1,226
FPVV purchases from market		1,211		1,207		4,730		4,729
Spot customer purchases		180		209		780		891
Total NZEM Purchases	116.49	1,391	83.48	1,416	144.19	5,510	91.62	5,620
ELECTRICITY CUSTOMERS ('000)								
North Island Customers		373		388				
South Island Customers		330		345				
Dual Fuel Customers		43		43				
		47		48				
CONTRACTS FOR DIFFERENCE		Volume (GWh)		Volume (GWh)		Volume (GWh)		Volume (GWh)
Net Sell CfD ⁴		299		516		1,624		2,109
ELECTRICITY GENERATION	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)
Hydro	124.89	796	84.42	1,218	142.93	4,006	89.43	4,947
Geothermal (consolidated) ⁵	108.62	679	71.76	656	132.54	2,697	80.13	2,564
Geothermal (equity accounted) ⁶	110.21	52	74.40	52	122.89	199	83.50	193
Total	117.15	1,527	79.84	1,926	138.29	6,902	86.19	7,704
LWAP/GWAP		0.99		1.05		1.04		1.06
CARBON EMISSIONS ('000 TONNES CO2) ⁷		83		85		330		341

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 End User CfD volumes. Includes Virtual Asset Swap volumes in both Buy and Sell CfD volumes of 149 GWh for the 3 months ended 30 June 2019; 149 GWh for the 3 months ended 30 June 2018; of 599 GWh for the 12 months ended 30 June 2019; and 650 GWh for the 12 months ended 30 June 2018

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

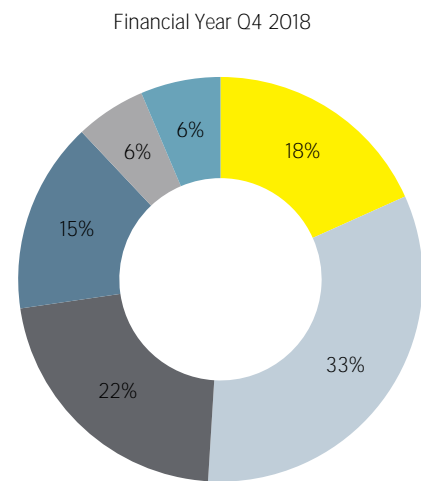
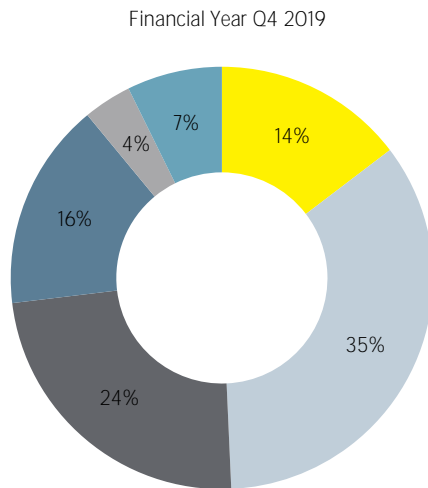
⁶ Tuaropaki Power Company (Mokai) equity share

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 JUNE

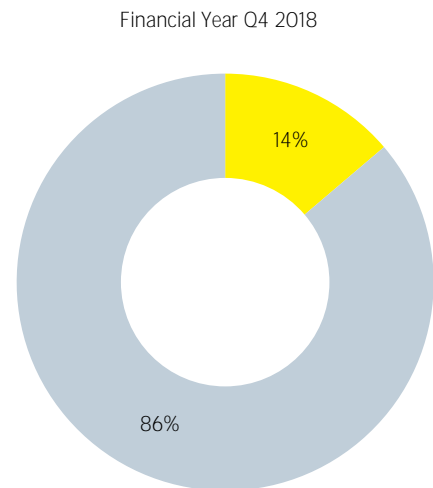
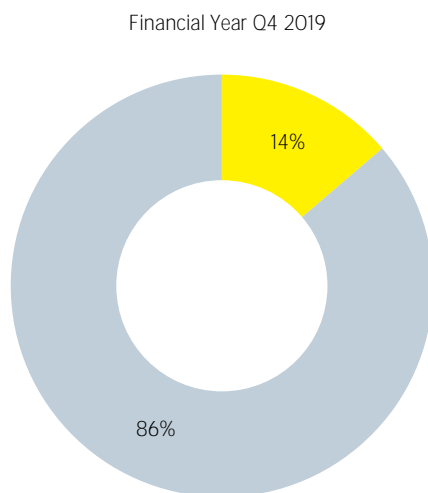
■ MERCURY
 ■ MERIDIAN ENERGY
 ■ CONTACT ENERGY
 ■ GENESIS ENERGY
 ■ TRUSTPOWER / TILT
 ■ OTHER



Source: Electricity Authority

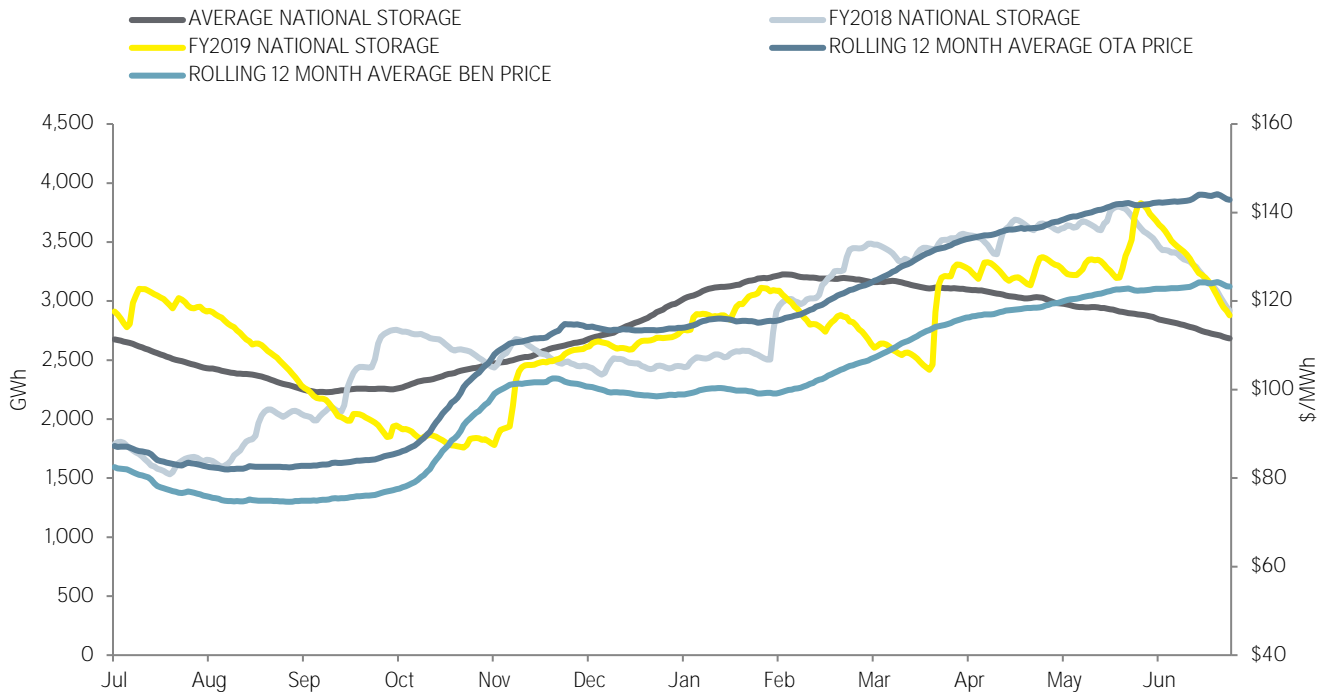
> SHARE OF ELECTRICITY SALES (GWh) FOR THE THREE MONTHS ENDED 30 JUNE (EXCLUDING CFDs)

■ MERCURY
 ■ OTHER



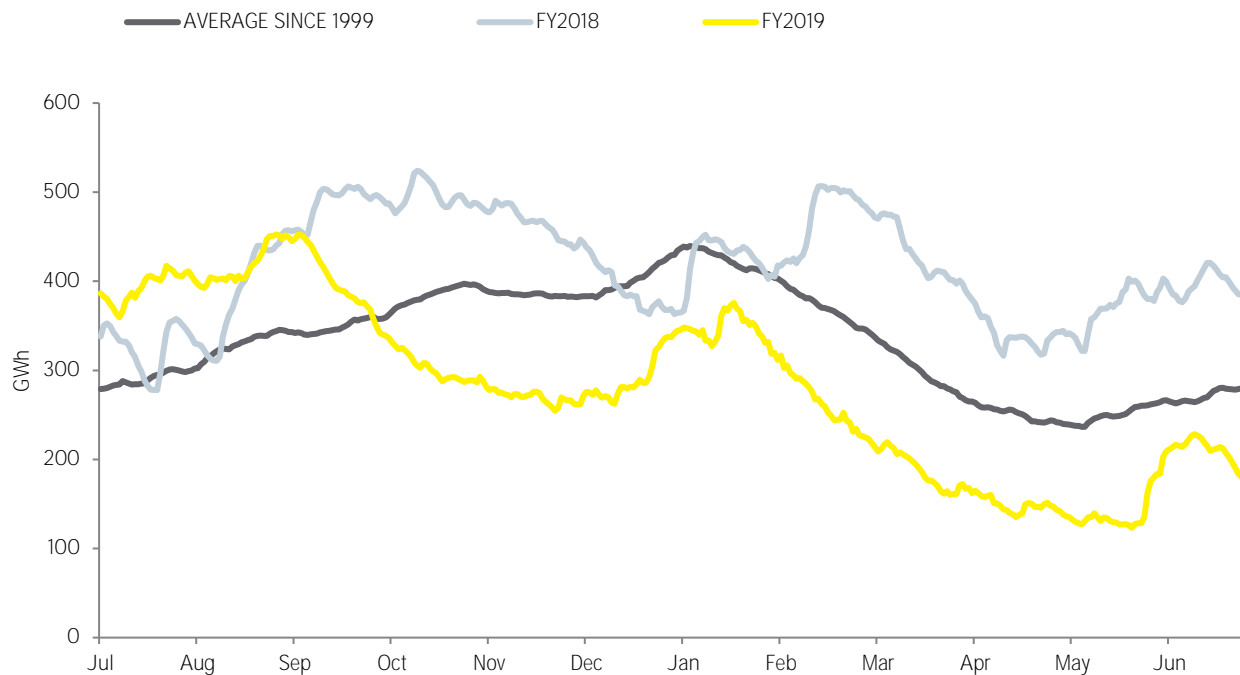
Source: Mercury Purchases and Transpower SCADA

> OTAHUHU WHOLESALE PRICE AND NATIONAL HYDRO STORAGE LEVELS



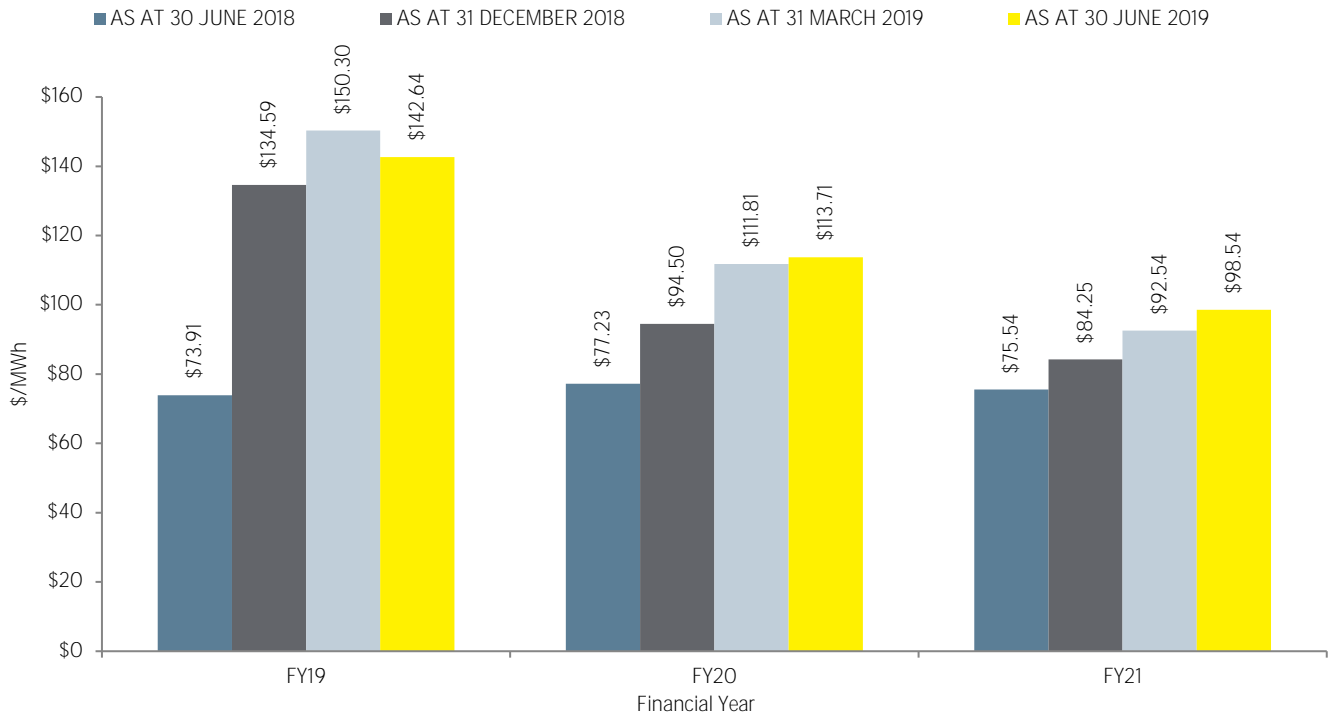
Source: NZX Hydro and NZEM Pricing Manager (NZX)

> TAUPO STORAGE



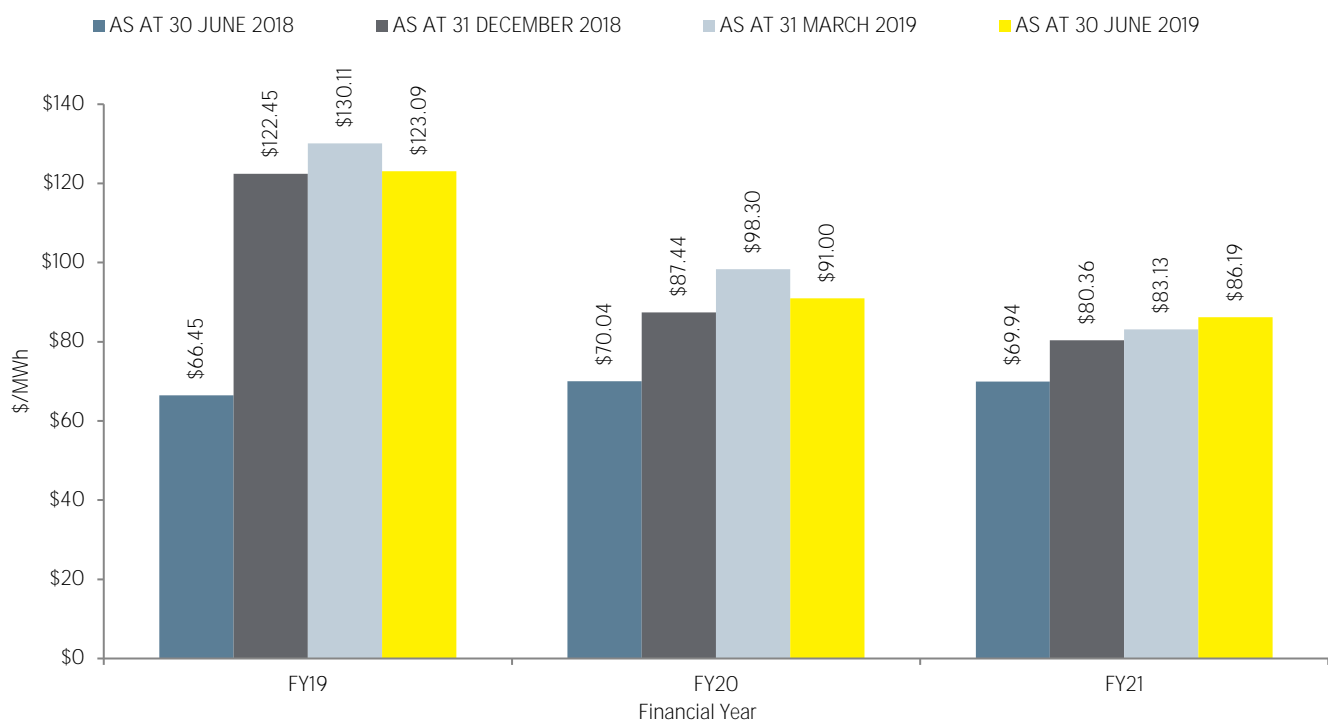
Source: NZX Hydro

> OTAHUHU ASX FUTURES SETTLEMENT PRICE



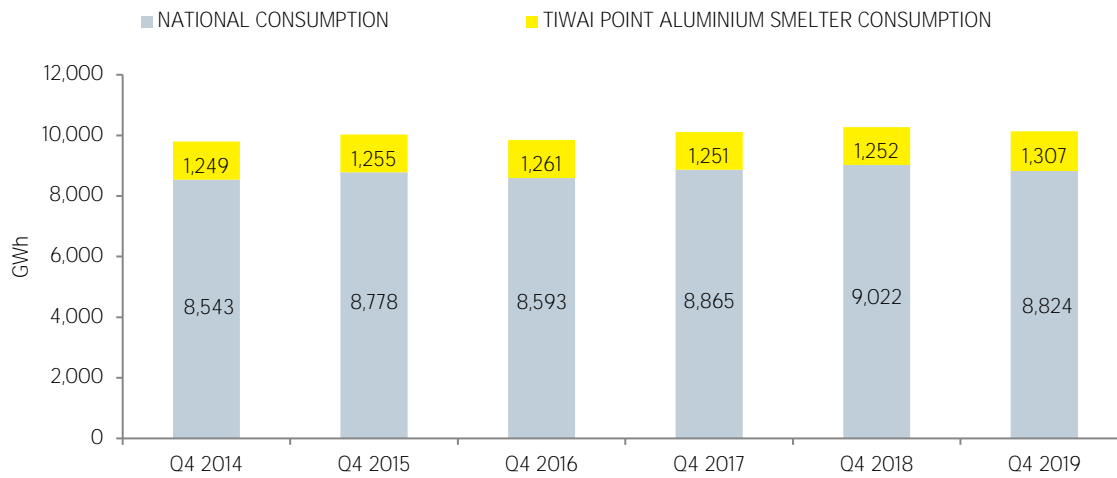
Source: ASX

> BENMORE ASX FUTURES SETTLEMENT PRICE



Source: ASX

> NATIONAL CONSUMPTION (NON-TEMPERATURE ADJUSTED)



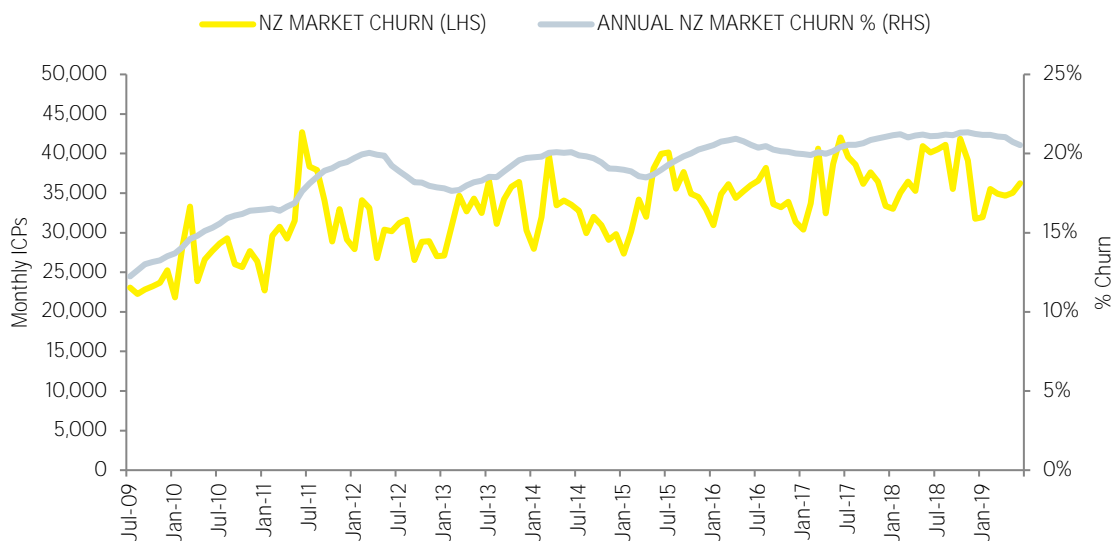
Source: Transpower Information Exchange

> AUCKLAND CLIMATE SUMMARY (°C)

FINANCIAL YEAR	Q1	Q2	Q3	Q4
2019	12.1	16.3	20.2	14.1
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