



STOCK EXCHANGE LISTINGS: NZX (MCY) / ASX (MCY)

## NEWS RELEASE

### Mercury NZ Limited announces indicative margin range for green bond offer

**31 August 2020** - Further to the announcement by Mercury NZ Limited (Mercury) of an offer of up to \$150 million (plus with the ability to accept up to \$50 million in oversubscriptions) of 7 year unsecured, unsubordinated fixed rate green bonds (Green Bonds), Mercury has announced that the indicative margin range for the Green Bonds is 1.25% to 1.45% per annum over the underlying swap rate.

The interest rate for the Green Bonds will be set following a bookbuild process, which is expected to be completed on Friday 4 September 2020, and announced via NZX shortly thereafter.

The offer opens today and is expected to close on Friday 4 September 2020, with the Green Bonds expected to be issued on Monday 14 September 2020.

The Green Bonds have been rated BBB+ by S&P Global Ratings.

There is no public pool for the offer, with all of the Green Bonds being reserved for clients of the Joint Lead Managers, NZX participants and other approved financial intermediaries.

Full details of the offer are contained in the Product Disclosure Statement (PDS). The PDS is available through [www.mercury.co.nz/green-bonds](http://www.mercury.co.nz/green-bonds) or by contacting a Joint Lead Manager or your usual financial adviser, and must be obtained by investors before they decide to acquire any Green Bonds.

Copies of the indicative terms sheet and investor presentation have been provided to NZX with this announcement.

**Arranger, Green Bond Co-ordinator and Joint Lead Manager**



0800 269 476

**Joint Lead Managers**



0800 284 017



0800 226 263



0800 367 227



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**[mercury.co.nz](http://mercury.co.nz)**

**ENDS**

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General Counsel and Company Secretary  
Mercury NZ Limited

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**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)



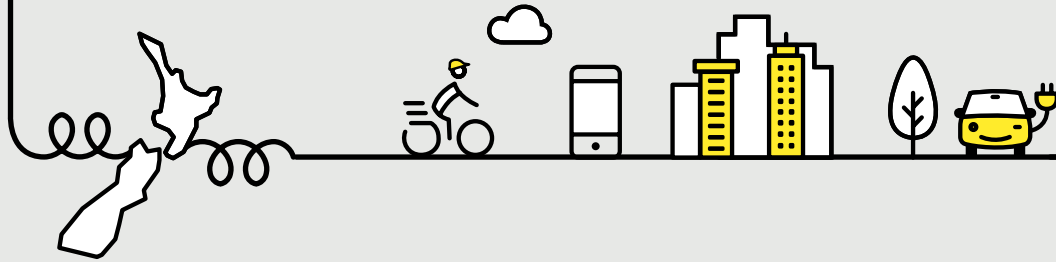


# INDICATIVE TERMS SHEET.

FIXED RATE  
GREEN BONDS.

31 AUGUST 2020.





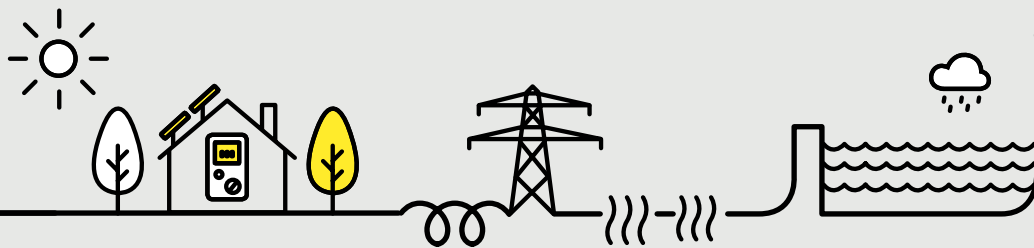
# INDICATIVE TERMS SHEET.

Indicative Terms Sheet for an offer of up to \$150,000,000 unsecured, unsubordinated fixed rate green bonds (plus up to \$50,000,000 oversubscriptions) due Tuesday 14 September 2027

Dated 31 August 2020

The product disclosure statement (PDS) for the Green Bonds, which contains full details of the offer, is available at [www.mercury.co.nz/green-bonds](http://www.mercury.co.nz/green-bonds) or can be obtained from the Joint Lead Managers or your usual financial adviser. Investors must obtain a copy of the PDS before they apply for Green Bonds.

<b>Issuer</b>	Mercury NZ Limited (Mercury)		
<b>Description of Green Bonds</b>	Unsecured, unsubordinated fixed rate green bonds (Green Bonds).		
<b>Term</b>	7 years, maturing Tuesday 14 September 2027.		
<b>Offer Amount</b>	Up to \$150,000,000 (with the ability to accept oversubscriptions of up to an additional \$50,000,000 at Mercury's discretion).		
<b>Credit Ratings</b>		Issuer Credit Rating	Credit Rating for Green Bonds
	S&P Global Ratings	BBB+ (stable)	BBB+
<p>Mercury's current Issuer Credit Rating includes a one-notch uplift from the company's stand-alone credit profile of 'bbb', reflecting the legislated majority ownership by the Crown. The Crown does not guarantee the Green Bonds and is under no obligation to provide financial support to Mercury.</p> <p>A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.</p> <p>A credit rating is not a recommendation by any rating organisation to buy, sell or hold Green Bonds. The above credit ratings are current as at the date of this Terms Sheet and may be subject to suspension, revision or withdrawal at any time by S&amp;P Global Ratings.</p>			
<b>The Green Bond Principles and Climate Bonds Standard</b>	<p>Mercury has developed and adopted the Green Financing Framework to ensure that, as at the date of the PDS, its processes for identifying Eligible Projects and managing the use of the proceeds of the Green Bonds are consistent with the Green Bond Principles published by the International Capital Market Association and the Climate Bonds Standard.</p> <p>If Mercury fails to comply with the Green Financing Framework or related matters or if the Green Bonds cease to satisfy the Green Bond Principles or Climate Bonds Standard:</p> <ul style="list-style-type: none"> <li>• no Event of Default or any other breach will occur in relation to the Green Bonds; and</li> <li>• neither you nor Mercury have any right for the Green Bonds to be repaid early.</li> </ul> <p>This means there is no legal obligation on Mercury to comply with the Green Financing Framework, the Green Bond Principles or the Climate Bonds Standard on an ongoing basis. See the PDS for further information.</p>		



<b>Purpose</b>	The proceeds of this offer are intended to be earmarked to finance or refinance new or existing projects and expenditures relating to Eligible Projects in accordance with Mercury's Green Financing Framework. In particular, as at the date of this Terms Sheet Mercury expects to apply the net proceeds of the offer to refinance existing debt, and to track an amount equal to the net proceeds within its systems, earmarked to Eligible Projects, primarily the construction of the Turitea wind farm.
<b>Issue Price</b>	\$1.00 per Green Bond, being the Principal Amount of each Green Bond.
<b>Interest Rate</b>	<p>The Green Bonds will pay a fixed rate of interest from the Issue Date until the Maturity Date.</p> <p>The Interest Rate will be determined by Mercury in conjunction with the Joint Lead Managers on the Rate Set Date (Friday 4 September 2020) and will be the sum of the Swap Rate on the Rate Set Date and the Issue Margin.</p> <p>The Interest Rate will be announced via NZX on the Rate Set Date.</p>
<b>Issue Margin</b>	The Issue Margin (which may be above or below the indicative Issue Margin range) will be determined by Mercury in conjunction with the Joint Lead Managers following a bookbuild on the Rate Set Date.
<b>Indicative Issue Margin Range</b>	1.25% to 1.45% per annum.
<b>Swap Rate</b>	The mid-market rate for an interest rate swap of a term matching the period from the Issue Date to the Maturity Date as calculated by the Arranger in conjunction with Mercury, according to market convention, with reference to Bloomberg page ICNZ4 (or any successor page) on the Rate Set Date (rounded to 2 decimal places, if necessary, with 0.005 rounded up).
<b>Interest Payments</b>	Semi-annual in arrear in equal amounts on 14 March and 14 September in each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date, with the First Interest Payment Date being 14 March 2021. As the First Interest Payment Date is a Sunday, interest is payable on Monday 15 March 2021 instead.
<b>Record Date</b>	5.00pm on the date that is 10 calendar days before the relevant scheduled Interest Payment Date (prior to any adjustment to the Interest Payment Date to fall on a Business Day). If the record date falls on a day which is not a Business Day, the record date will be the immediately preceding Business Day.

<b>Financial Covenant</b>	Mercury agrees to ensure that Net Worth (being total assets less total liabilities of Mercury and its subsidiaries, on a consolidated basis, calculated in accordance with the Master Trust Deed) at any time will not be less than \$500 million.
<b>Guarantee</b>	Mercury is the issuer and the sole obligor in respect of the Green Bonds. None of the Crown, any subsidiary of Mercury or any other person guarantees the Green Bonds.
<b>Ranking</b>	<p>On a liquidation of Mercury, the Green Bonds will rank as unsecured and unsubordinated obligations of Mercury and will rank:</p> <ul style="list-style-type: none"> <li>• below any secured liabilities and liabilities which are preferred by law;</li> <li>• equally with liabilities owed to Mercury's USPP noteholders, banks and certain financial institutions that have lent money to Mercury, however (unlike Bondholders) those creditors have the benefit of guarantees from certain subsidiaries of Mercury so may also claim directly against those subsidiaries;</li> <li>• equally with (and will be repaid at the same time and pro rata with) all other unsecured and unsubordinated liabilities of Mercury, such as those owing to other Bondholders; and</li> <li>• ahead of Mercury's subordinated liabilities (including capital bonds) and shareholders.</li> </ul>
<b>Security</b>	The Green Bonds are not secured.
<b>No Public Pool</b>	There is no public pool for the Green Bonds. All Green Bonds (including any oversubscriptions) will be reserved for subscription by clients of the Joint Lead Managers, NZX Firms and other approved financial intermediaries invited to participate in the bookbuild.
<b>ISIN</b>	NZMCYDG003C8
<b>Quotation</b>	<p>Application has been made to NZX for permission to quote the Green Bonds on the NZX Debt Market and all the requirements of NZX relating to that quotation that can be complied with on or before the date of distribution of the PDS have been duly complied with. However, the Green Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in the PDS. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.</p> <p>NZX ticker code MCY030 has been reserved for the Green Bonds.</p>
<b>Minimum application amount</b>	\$5,000 and multiples of \$1,000 thereafter.
<b>Arranger &amp; Green Bond Co-ordinator</b>	ANZ Bank New Zealand Limited (ANZ)
<b>Joint Lead Managers</b>	ANZ, Bank of New Zealand, Craigs Investment Partners Limited and Forsyth Barr Limited
<b>Bond Supervisor</b>	The New Zealand Guardian Trust Company Limited
<b>Securities Registrar</b>	Computershare Investor Services Limited



<b>Governing Law</b>	New Zealand
<b>Further payments, fees or charges</b>	<p>Taxes may be deducted from interest payments on the Green Bonds.</p> <p>You are not required to pay brokerage or any other fees or charges to Mercury to purchase the Green Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Green Bonds. Please contact your financial adviser for further information on any brokerage fees.</p>
<b>Selling Restrictions</b>	<p>The Green Bonds may only be offered or sold in conformity with all applicable laws and regulations in New Zealand and in any other jurisdiction in which the Green Bonds are offered, sold or delivered. Specific selling restrictions as of the date of the PDS are set out in Schedule 2 to this Terms Sheet for the United States, Australia, Hong Kong, Japan, Singapore, the United Kingdom, and Switzerland.</p> <p>No action has been or will be taken by Mercury which would permit an offer of Green Bonds, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand).</p> <p>No person may purchase, offer, sell, distribute or deliver Green Bonds, or have in their possession, publish, deliver or distribute to any person, any offering material or any documents in connection with the Green Bonds, in any jurisdiction other than in compliance with all applicable laws and regulations and the specific selling restrictions set out in Schedule 2 to this Terms Sheet.</p> <p>By subscribing for Green Bonds, you indemnify Mercury, the Arranger, the Joint Lead Managers, the Registrar and the Bond Supervisor in respect of any loss incurred as a result of you breaching these selling restrictions.</p>

#### Important Dates

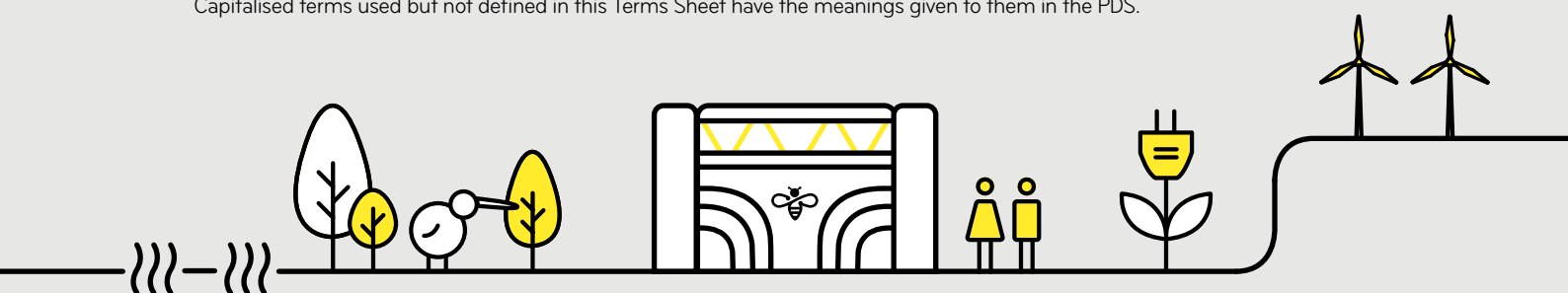
Opening Date	Monday 31 August 2020
Closing Date	Friday 4 September 2020 at 12.00pm
Rate Set Date	Friday 4 September 2020
Issue Date and allotment date	Monday 14 September 2020
Expected quotation on NZX Debt Market	Tuesday 15 September 2020

The timetable is indicative only and subject to change. Mercury may, in its absolute discretion and without notice, vary the timetable (including by opening or closing the offer early, accepting late applications and extending the Closing Date).

If the Closing Date is extended, the Rate Set Date, the Issue Date, the expected date of initial quotation and trading of the Green Bonds on the NZX Debt Market, the Interest Payment Dates and the Maturity Date may also be extended. Any such changes will not affect the validity of any applications received.

Mercury reserves the right to cancel the offer and the issue of the Green Bonds, in which case any application monies received will be refunded (without interest) as soon as practicable and in any event within 5 Business Days of the cancellation.

Capitalised terms used but not defined in this Terms Sheet have the meanings given to them in the PDS.



## SCHEDULE 1

### CBI DISCLAIMER

The certification of the Green Bonds as Climate Bonds by the Climate Bonds Initiative is based solely on the Climate Bond Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Green Bonds or any Eligible Project, including but not limited to the Terms Sheet, the transaction documents, Mercury or the management of Mercury.

The certification of the Green Bonds as Climate Bonds by the Climate Bonds Initiative was addressed solely to the board of directors of Mercury and is not a recommendation to any person to purchase, hold or sell the Green Bonds and such certification does not address the market price or suitability of the Green Bonds for a particular investor. The certification also does not address the merits of the decision by Mercury or any third party to participate in any Eligible Project and does not express and should not be deemed to be an expression of an opinion as to Mercury or any aspect of any Eligible Project (including but not limited to the financial viability of any Eligible Project) other than with respect to conformance with the Climate Bond Standard.

In issuing or monitoring, as applicable, the certification, the Climate Bonds Initiative has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the Climate Bonds Initiative. The Climate Bonds Initiative does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any Eligible Project or Mercury. In addition, the Climate Bonds Initiative does not assume any obligation to conduct (and it has not conducted) any physical inspection of any Eligible Project. The certification may only be used with the Green Bonds and may not be used for any other purpose without the Climate Bonds Initiative's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Green Bonds and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the Climate Bonds Initiative's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.



## SCHEDULE 2

### SELLING RESTRICTIONS

#### GENERAL

The Green Bonds may only be offered or sold in conformity with all applicable laws and regulations in New Zealand and in any other jurisdiction in which the Green Bonds are offered, sold or delivered. Specific selling restrictions as of the date of this Terms Sheet are set out below for the United States, Australia, Hong Kong, Japan, Singapore, the United Kingdom and Switzerland.

No action has been or will be taken by Mercury which would permit an offer of Green Bonds, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand).

No person may purchase, offer, sell, distribute or deliver Green Bonds, or have in their possession, publish, deliver or distribute to any person, any offering material or any documents in connection with the Green Bonds, in any jurisdiction other than in compliance with all applicable laws and regulations and the specific selling restrictions set out below. Only the Joint Lead Managers may distribute the PDS and this Terms Sheet outside New Zealand and only in compliance with the specific selling restrictions set out below. In particular, the PDS and this Terms Sheet may not be distributed to any person in the United States and the Green Bonds may not be offered or sold, directly or indirectly, to any person in the United States.

By subscribing for Green Bonds, you indemnify Mercury, the Arranger, the Joint Lead Managers, the Securities Registrar and the Bond Supervisor in respect of any loss incurred as a result of you breaching these selling restrictions.

#### UNITED STATES

The Green Bonds have not been, and will not be, registered under the Securities Act of 1933, as amended (**Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Green Bonds will not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the completion of the distribution of all Green Bonds, as determined and certified by the Joint Lead Managers except in accordance with Rule 903 of Regulation S. Any Green Bonds sold to any distributor, dealer or person receiving a selling concession, fee or other remuneration during the distribution compliance period require a confirmation or notice to the purchaser at or

prior to the confirmation of the sale to substantially the following effect:

"The Green Bonds covered hereby have not been registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, or to or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Green Bonds and the closing date except in either case pursuant to a valid exemption from registration in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S."

Until 40 days after the completion of the distribution of all Green Bonds, an offer or sale of the Green Bonds within the United States by any Joint Lead Manager or any dealer or other distributor (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Regulation S.

#### AUSTRALIA

The PDS, this Terms Sheet and the offer of Green Bonds are only made available in Australia to persons to whom an offer of securities can be made without disclosure in accordance with applicable exemptions in sections 708(8) (sophisticated investors) or 708(11) (professional investors) of the Australian Corporations Act 2001 (the **Corporations Act**). The PDS and this Terms Sheet are not a prospectus, product disclosure statement or any other formal "disclosure document" for the purposes of Australian law and is not required to, and does not, contain all the information which would be required in a "disclosure document" under Australian law. The PDS and this Terms Sheet have not been and will not be lodged or registered with the Australian Securities & Investments Commission or the Australian Securities Exchange and the issuer is not subject to the continuous disclosure requirements that apply in Australia.

Prospective investors should not construe anything in the PDS or this Terms Sheet as legal, business or tax advice nor as financial product advice for the purposes of Chapter 7 of the Corporations Act. Investors in Australia should be aware that the offer of Green Bonds for resale in Australia within 12 months of their issue may, under section 707(3) of the Corporations Act, require disclosure to investors under Part 6D.2 if none of the exemptions in section 708 of the Corporations Act apply to the re-sale.



## HONG KONG

**WARNING:** The PDS and this Terms Sheet have not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register the PDS or this Terms Sheet or to permit the distribution of the PDS or this Terms Sheet or any documents issued in connection with them. Accordingly, the Green Bonds have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Green Bonds has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Green Bonds that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Green Bonds may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of the PDS and this Terms Sheet have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of the PDS or this Terms Sheet, you should obtain independent professional advice.

## JAPAN

The Green Bonds have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the **FIEL**) pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Green Bonds may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Green Bonds may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Green Bonds is conditional upon the execution of an agreement to that effect.

## SINGAPORE

### SINGAPORE SECURITIES AND FUTURES

**ACT PRODUCT CLASSIFICATION:** Solely for the purposes of sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**), Mercury has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Green Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

The PDS, this Terms Sheet and any other materials relating to the Green Bonds have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, the PDS, this Terms Sheet and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Green Bonds, may not be issued, circulated or distributed, nor may the Green Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the SFA, or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Terms Sheet has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this Terms Sheet immediately. You may not forward or circulate this Terms Sheet to any other person in Singapore.

Any offer is not made to you with a view to the Green Bonds being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Green Bonds. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## UNITED KINGDOM

None of the PDS, this Terms Sheet or any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Green Bonds.

The Green Bonds may not be offered or sold in the United Kingdom by means of the PDS, this Terms Sheet or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This Terms Sheet is issued

on a confidential basis in the United Kingdom to "qualified investors" (within the meaning of Article 2(e) of the Prospectus Regulation (2017/1129/EU), replacing section 86(7) of the FSMA). This Terms Sheet may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Green Bonds has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Mercury.

In the United Kingdom, this Terms Sheet is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together **relevant persons**). The investment to which this Terms Sheet relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on the PDS or this Terms Sheet.

## SWITZERLAND

The Green Bonds may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. None of the PDS, this Terms Sheet or any other offering or marketing material relating to the Green Bonds constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act (**FinSA**) or the listing rules of any stock exchange or regulated trading facility in Switzerland.

No offering or marketing material relating to the Green Bonds has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, the PDS and this Terms Sheet will not be filed with, and the offer of Green Bonds will not be supervised by, the Swiss Financial Market Supervisory Authority.

None of the PDS, this Terms Sheet or any other offering or marketing material relating to the Green Bonds may be publicly distributed or otherwise made publicly available in Switzerland. The Green Bonds will only be offered to investors who qualify as "professional clients" (as defined in the FinSA). This Terms Sheet is personal to the recipient and not for general circulation in Switzerland.

Energy made  
Wonderful

Mercury 

# MERCURY.

## RETAIL GREEN BOND OFFER

VINCE HAWKSWORTH  
Chief Executive

31 August 2020

WILLIAM MEEK  
Chief Financial Officer

GEOFF SMITS  
Acting Treasurer



# DISCLAIMER

This presentation has been prepared by Mercury NZ Limited ("Company" or "Mercury") for informational purposes. This disclaimer applies to this document and the verbal or written comments of any person presenting it.

Information in this presentation has been prepared by the Company with due care and attention, however its accuracy, correctness and completeness cannot be guaranteed. None of ANZ Bank New Zealand Limited, Bank of New Zealand, Craigs Investment Partners Limited or Forsyth Barr Limited ("Joint Lead Managers"), The New Zealand Guardian Trust Company Limited ("Supervisor") or any of their respective directors, officers, employees, affiliates or agents have independently verified the information contained in this presentation. To the maximum extent permitted by law, none of the Company, the Joint Lead Managers, the Supervisor, their respective directors, officers, employees, shareholders, affiliates, agents or any other person shall have any responsibility or liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it. None of the Joint Lead Managers nor any of their respective directors, officers, employees and agents authorised or caused the issue of, or made any statement in, any part of this presentation; or make any representation, recommendation or warranty, express or implied regarding the origin, validity, accuracy, adequacy, reasonableness or completeness of, or any errors or omissions in, any information, statement or opinion contained in this presentation (except to the extent such liability is found by a court to arise under the Financial Markets Conduct Act 2013 or cannot be disclaimed as a matter of law). This presentation may contain projections or forward-looking statements regarding a variety of items. Such projections or forward-looking statements are based on current expectations, estimates and assumptions and are subject to a number of risks, and uncertainties, including material adverse events, significant one-off expenses and other unforeseeable circumstances, such as, without limitation, hydrological conditions. There is no assurance that results contemplated in any of these projections and forward-looking statements will be realised, nor is there any assurance that the expectations, estimates and assumptions underpinning those projections or forward-looking statements are reasonable. Actual results may differ materially from those projected in this presentation. No person is under any obligation to update this presentation at any time after its release or to provide you with further information about the Company.

A number of non-GAAP financial measures are used in this presentation. You should not consider any of these in isolation from, or as a substitute for, the information provided in the audited consolidated financial statements, which are available at [www.mercury.co.nz](http://www.mercury.co.nz). These measures are discussed in further detail in the Appendix – slide 28.

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation by any person. Nothing in this presentation constitutes legal, financial, tax or other advice. The distribution of this presentation, and the offer or sale of the Green Bonds, may be restricted by law in certain jurisdictions. Persons who receive this presentation outside New Zealand must inform themselves and observe all such restrictions. Nothing in this presentation is to be construed as authorising its distribution, or the offer or sale of any securities, in any jurisdiction except in accordance with applicable law. No securities referred to in this presentation may be offered or sold directly or indirectly, and neither this presentation nor any other offering material may be distributed or published, in any jurisdiction except with the prior consent of the Company and in conformity with all applicable law.



# IMPORTANT INFORMATION

The offer ("Offer") of unsecured, unsubordinated fixed rate green bonds ("Green Bonds") by Mercury described in this presentation is made in reliance upon the simplified disclosure provisions in regulation 49G of the Financial Markets Conduct Regulations 2014.

Mercury is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited ("NZX") for the purpose of that information being made available to participants in the market and that information can be found by visiting [www.nzx.com/companies/MCY](http://www.nzx.com/companies/MCY).

A product disclosure statement ("PDS") has been prepared in respect of the Offer and is available at [www.mercury.co.nz/green-bonds](http://www.mercury.co.nz/green-bonds), and information relating to Mercury and the Green Bonds are available on the Disclose Register at <https://disclose-register.companiesoffice.govt.nz>. Investors should not purchase the Green Bonds until they have read the PDS. Investors should consider the risks that are associated with an investment in the Green Bonds, particularly with regard to their personal circumstances (including financial and tax issues).

Application has been made to NZX for permission to quote the Green Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of distribution of the Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this presentation. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013.

Capitalised terms used but not defined in this presentation have the meanings given to them in the PDS.



# OFFER HIGHLIGHTS

<b>Issuer</b>	Mercury NZ Limited ("Mercury")
<b>Instrument</b>	Unsecured, unsubordinated fixed rate green bonds ("Green Bonds")
<b>Credit Rating</b>	Issue Credit Rating: BBB+ (Mercury has an Issuer Credit Rating of BBB+)
<b>Issue Amount</b>	Up to NZ\$150m plus oversubscriptions of up to NZ\$50m (at Mercury's discretion)
<b>Term</b>	7 years (maturing 14 September 2027)
<b>Interest Rate</b>	The Green Bonds will pay a fixed rate of interest from the Issue Date until the Maturity Date
<b>Use of proceeds</b>	The proceeds of the Offer are intended to be earmarked to finance or refinance new or existing projects and expenditures relating to Eligible Projects. In particular, as at the date of this presentation, Mercury expects to apply the net proceeds of the Offer to refinance existing debt, and to track an amount equal to the net proceeds within its systems, earmarked to Eligible Projects, primarily the construction of the Turitea wind farm
<b>Arranger and Green Bonds Co-Ordinator</b>	ANZ Bank New Zealand Limited
<b>Joint Lead Managers</b>	ANZ Bank New Zealand Limited, Bank of New Zealand, Craigs Investment Partners Limited and Forsyth Barr Limited





# COUNTRY, INDUSTRY & MERCURY



## Stable regulatory framework

- > Underpinned by strong industry performance on Reliability, Renewability and Pricing (the electricity 'trifecta')
- > New Zealand has >80% renewable generation
- > Electricity recognised as a key enabler for New Zealand's low-carbon economy



## Focus on our customers

- > Focus on rewarding our existing customers in a competitive retail market
- > Making it easy with increased digitisation and self-service



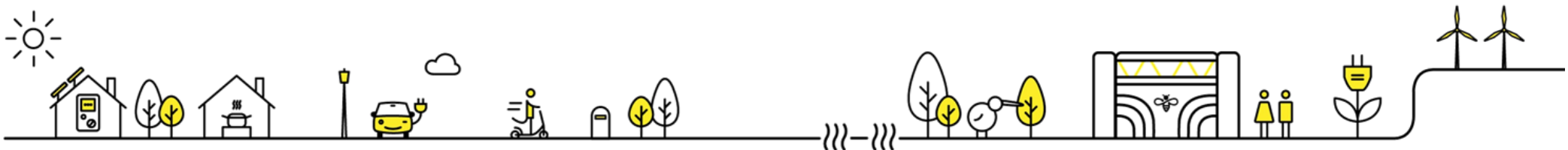
## 100% renewable generation

- > Low cost hydro and geothermal generation delivering strong and stable cash flows
- > Turitea, New Zealand's largest wind farm, under construction
- > Northern section completion expected in Q2 CY2021, southern section completion in late CY2021



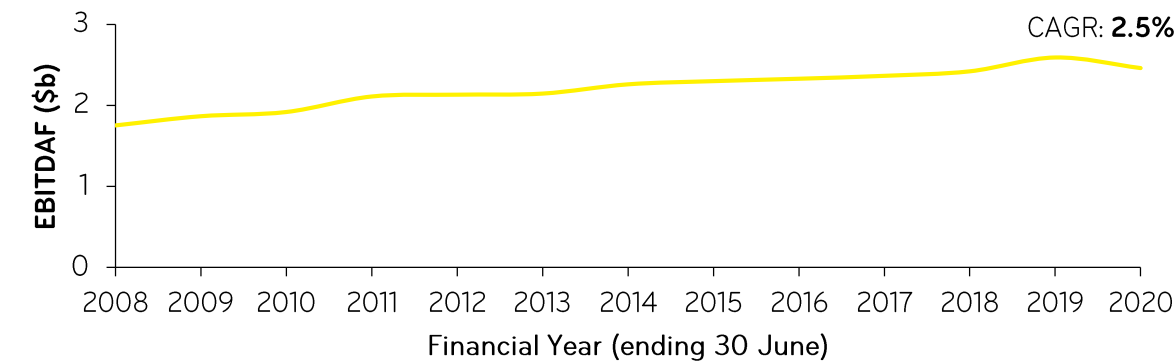
## Integrated generator & retailer

- > Complementary generation sources contribute both flexibility and reliability with sales to customers providing a natural hedge against wholesale price volatility

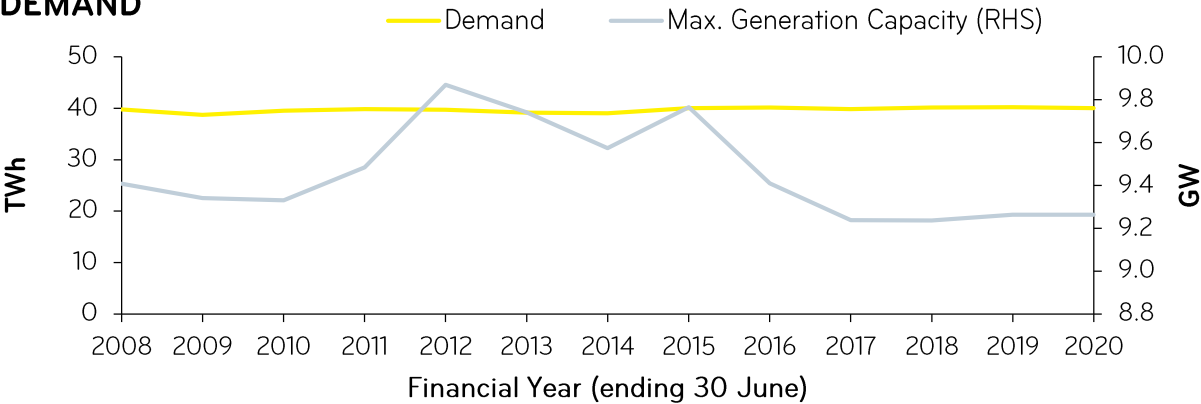


# LONG-TERM INDUSTRY TRENDS

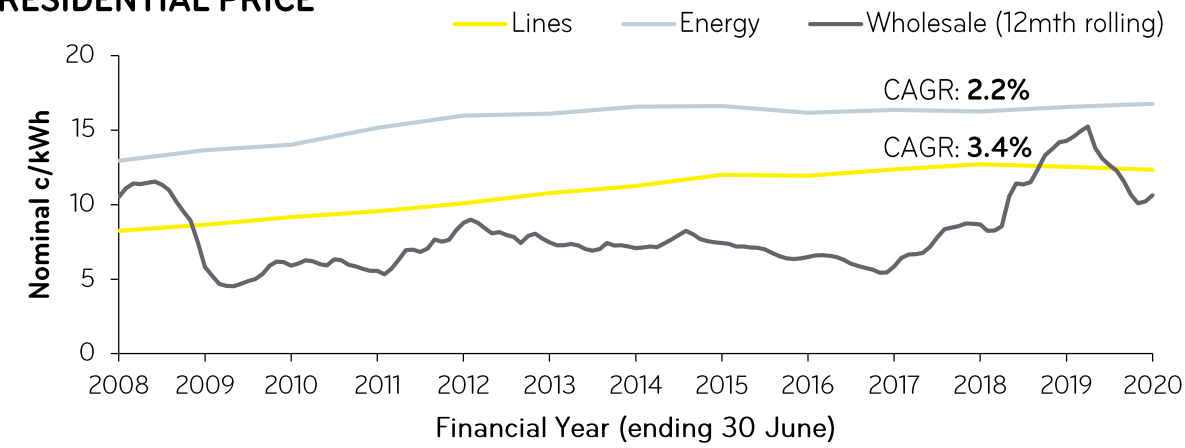
## SECTOR EARNINGS



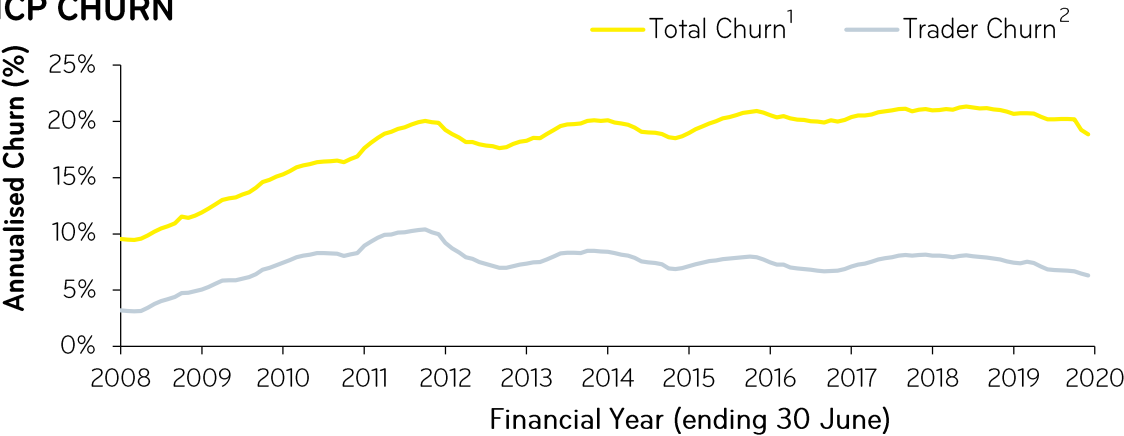
## DEMAND



## RESIDENTIAL PRICE



## ICP CHURN



Source: Company reports, TPIX, MBIE, Pricing Manager (NZX), Electricity Authority

<sup>1</sup> Includes trader churn and premise churn – switches caused by customers moving house

<sup>2</sup> Switches where a customer changes retailer without changing house



# MERCURY AT A GLANCE

- > Vertically integrated 100% renewable North Island generator and national retailer of electricity
- > New Zealand's second largest gentailer<sup>1</sup>
- > Generation market share of 15%
- > 51% owned by the New Zealand Government

## KEY INFORMATION<sup>2</sup>

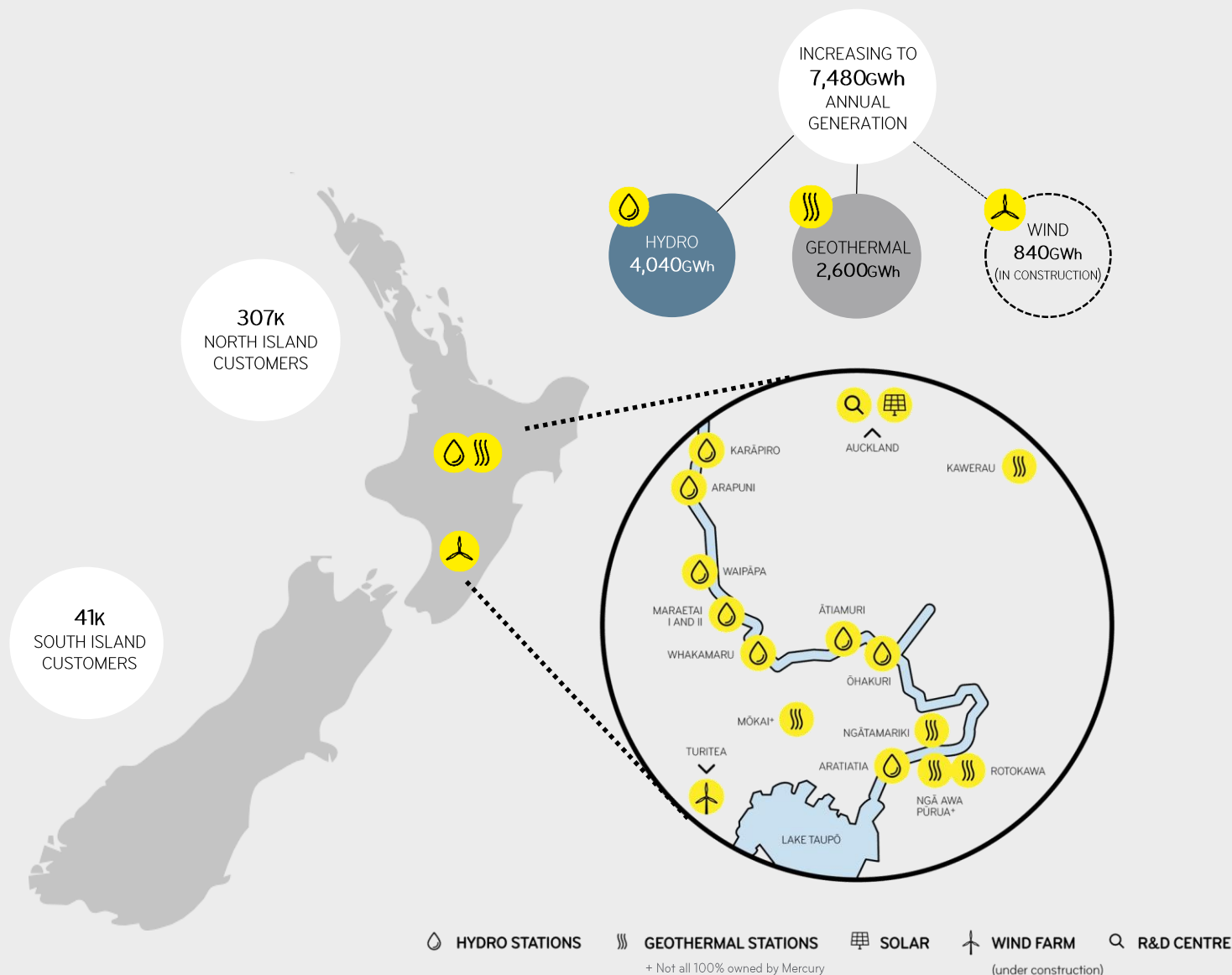
Ticker Codes: **MCY.NZ / MCY.AX**

Market Capitalisation: **NZ\$7.2 billion**

Enterprise Value: **NZ\$8.4 billion<sup>3</sup>**

Credit Rating: **BBB+/Stable (S&P Global)**

EBITDAF (FY2020): **NZ\$494 million**



<sup>1</sup> By market capitalisation

<sup>2</sup> As at 27 August 2020

<sup>3</sup> Based on sum of market capitalisation and net debt

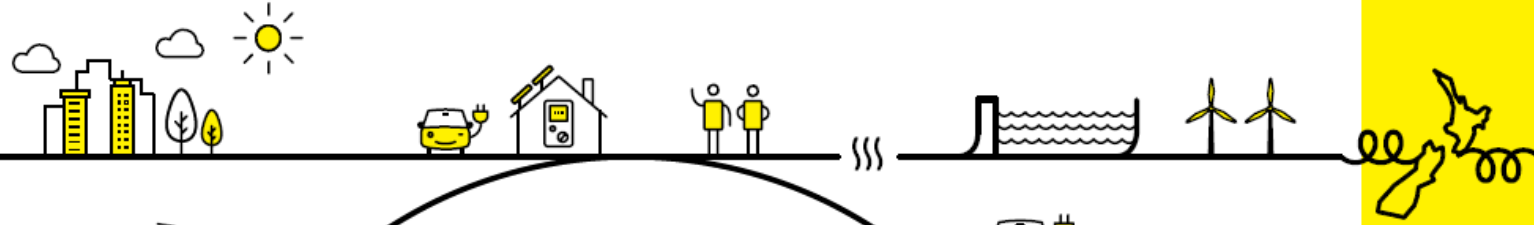


# OUR DIRECTION

OUR PURPOSE



TO INSPIRE  
NEW  
ZEALANDERS  
TO ENJOY  
ENERGY IN  
MORE  
WONDERFUL  
WAYS

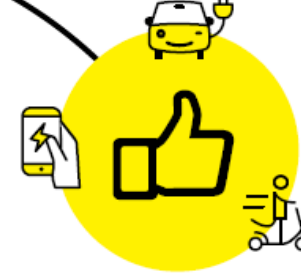


OUR MISSION

ENERGY  
FREEDOM



**COMMERCIAL**  
ACHIEVING OUR COMMERCIAL GOALS  
THROUGH SUSTAINABLE GROWTH.



**CUSTOMER**  
INSPIRING, REWARDING AND MAKING  
IT EASIER FOR OUR CUSTOMERS.



**PEOPLE**  
ENABLING OUR PEOPLE TO  
PERFORM TOGETHER IN A  
CHANGING ENVIRONMENT AND  
KEEP EACH OTHER SAFE.



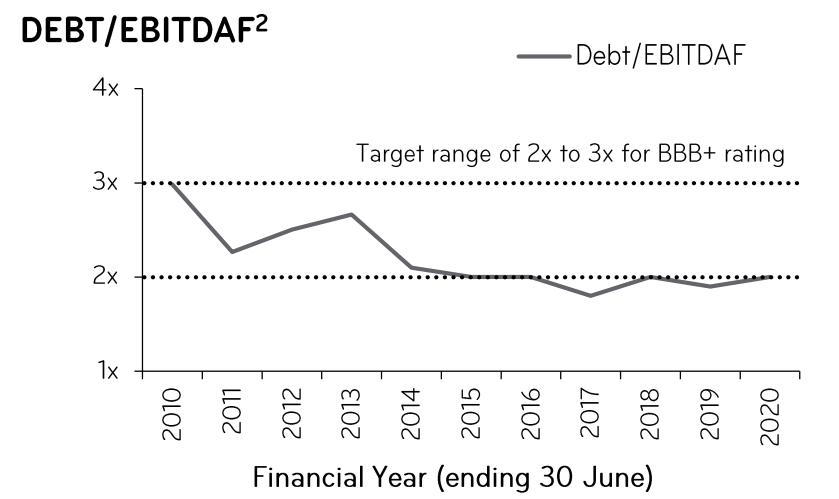
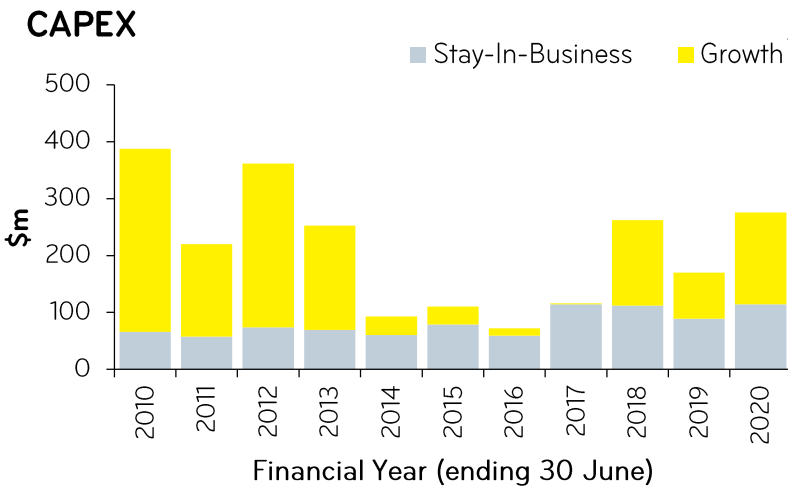
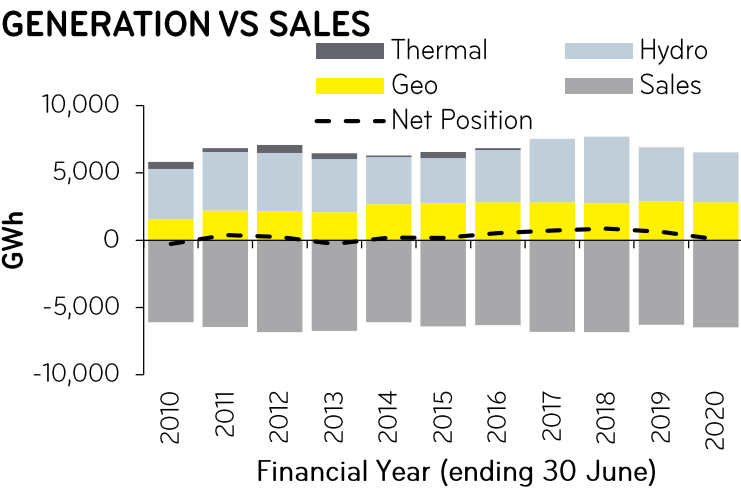
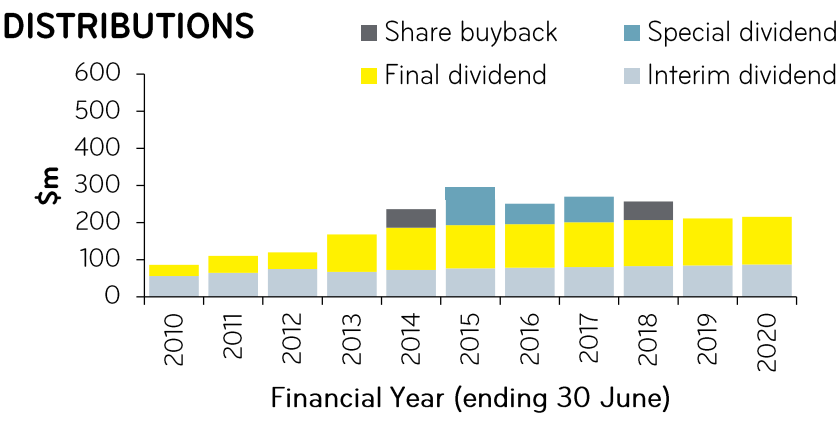
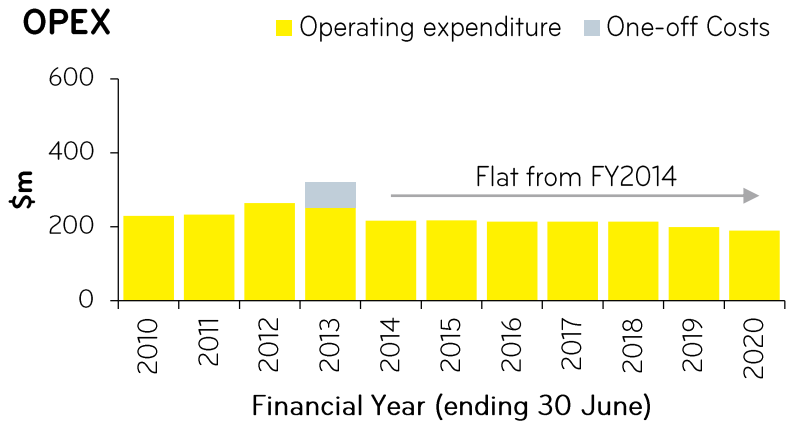
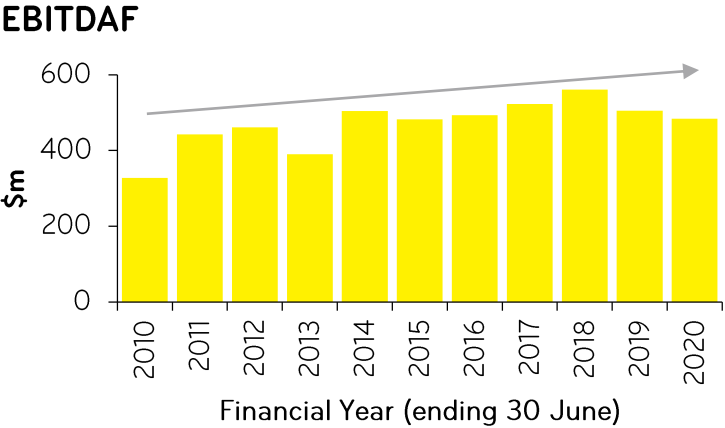
**PARTNERSHIPS**  
PROVIDING GREATER OPPORTUNITIES  
FOR NEW ZEALAND, OUR INDUSTRY, OUR  
PARTNERS AND OUR BUSINESS THROUGH  
LONG-TERM COLLABORATION.



**KAITIAKITANGA**  
LONG-TERM SUSTAINABILITY OF  
NATURAL RESOURCES AND ASSETS.



# MERCURY'S LONG TERM TRACK RECORD



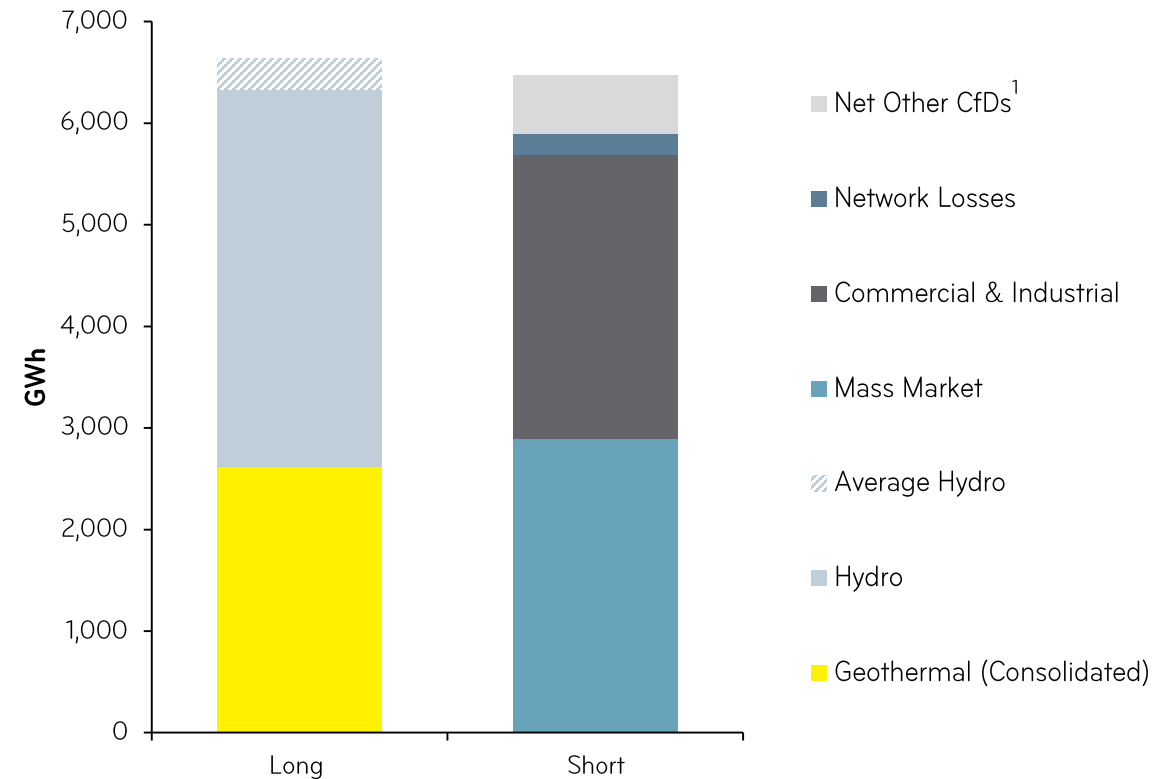
10 <sup>1</sup> FY2019 growth capex includes Tilt Renewables capital contribution  
<sup>2</sup> Adjusted for S&P Global treatment of Capital Bonds



# PORTFOLIO APPROACH TO RISK MANAGEMENT

- > Mercury operates an integrated electricity portfolio with electricity sales to customers providing a natural price hedge to generation
- > Average net long position with movement year-on-year due to hydrology, plant availability and values of sales
- > Two complementary low-cost fuel sources
  - > Flexible hydro generation from the largest group of peaking stations in the North Island
  - > Geothermal provides baseload generation not dependent on weather
- > Diversified sales portfolio including sales to Mass Market, Commercial & Industrial customers and derivatives
- > Turitea wind farm under construction, with full output expected in late CY2021

## FY2020 NET POSITION BREAKDOWN



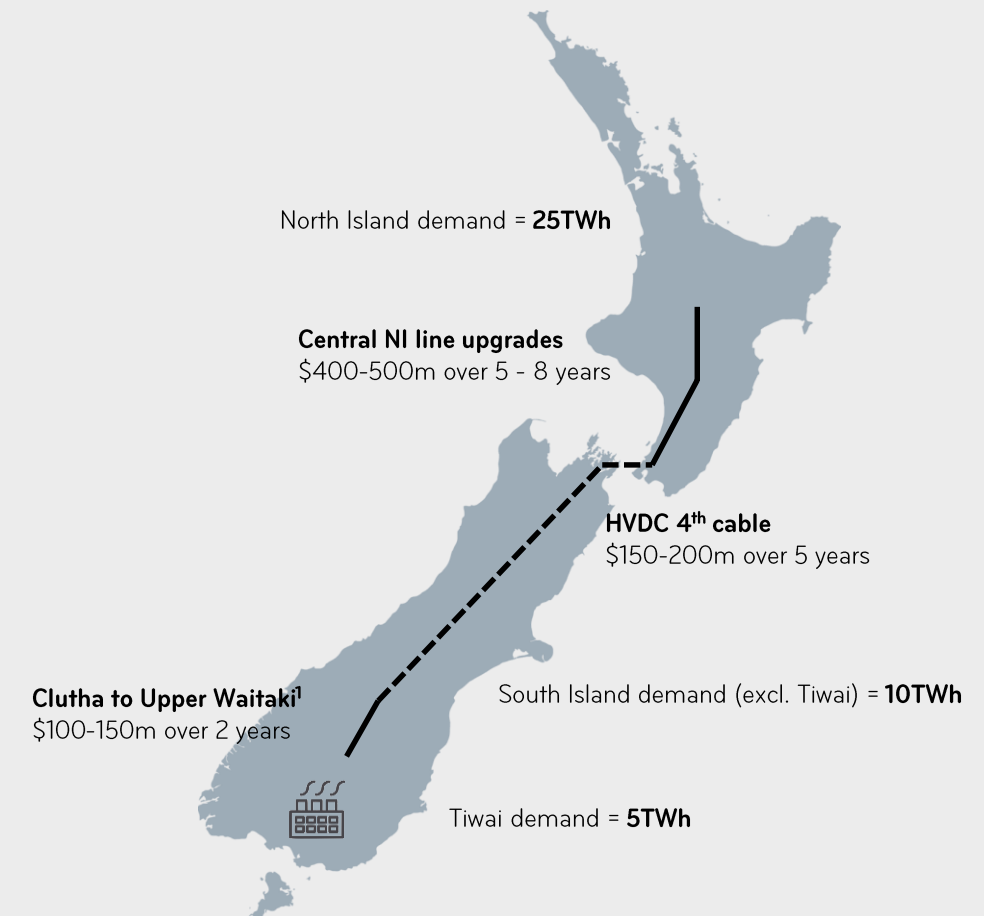
<sup>1</sup> Contract-For-Difference



# TIWAI POINT ALUMINIUM SMELTER EXIT

- > In July 2020, Rio Tinto gave notice that the contract relating to New Zealand Aluminium Smelters (NZAS) would be terminated on 31 August 2021
- > The Tiwai Point aluminium smelter consumes ~13% of New Zealand's electricity demand
  - > North Island thermal operators considering thermal station closure and assessing generation portfolios
- > Major transmission upgrades required to enable South Island generation to be shifted to North Island
  - > \$650-850m investment required over 5-8 years
- > Mercury's asset advantages include:
  - > 100% low variable-cost renewable generation
  - > 100% North Island generation portfolio, free of major transmission constraints and close to major load centres
  - > A major supplier of NI reserves which support high north HVDC transfer

## TRANSMISSION UPGRADES



Source: Transpower

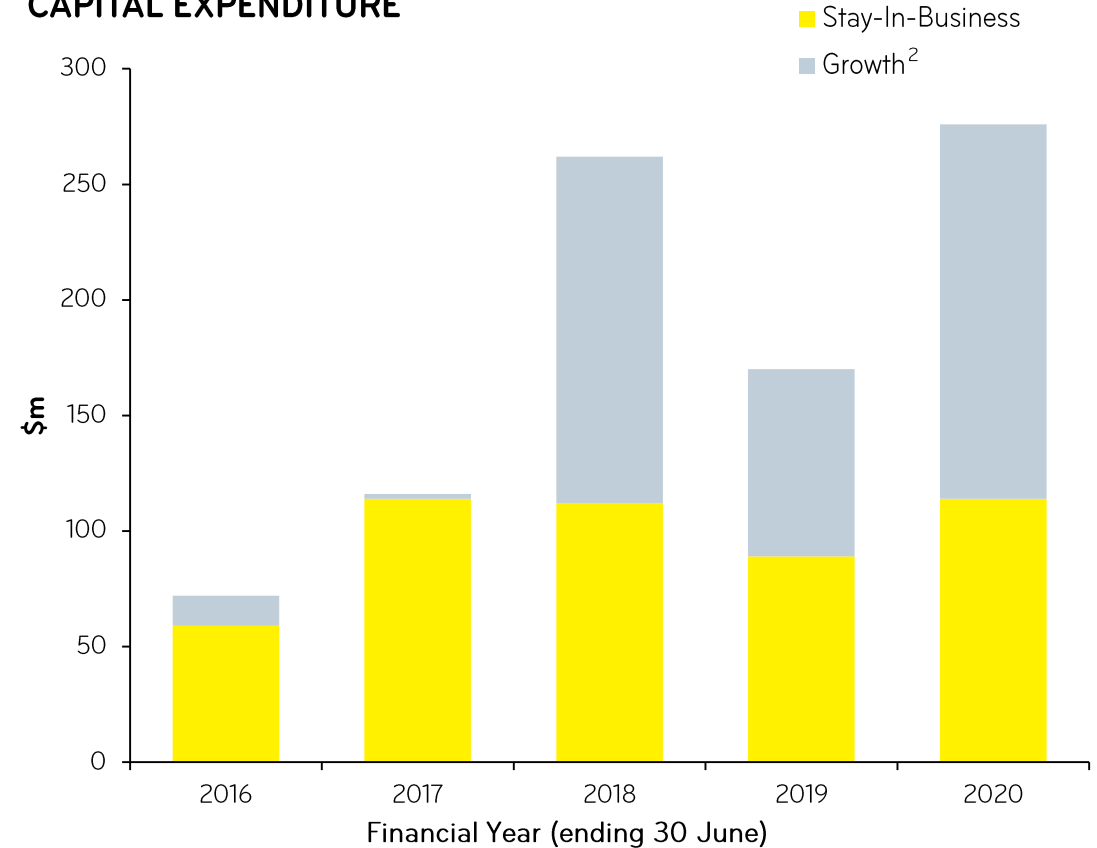




# CAPITAL EXPENDITURE

- > Stay-in-business capital expenditure higher in recent years due to:
  - > Ongoing hydro refurbishment programme delivering significant life extension and capacity and efficiency gains
  - > SAP technology platform upgrades enabling increased functionality and flexibility to meet customer needs
  - > Geothermal make-up well drilling at Kawerau and Rotokawa
- > Growth capex includes:
  - > Acquiring a 19.99% stake in Tilt Renewables as a strong platform for gaining exposure to Australia's accelerating renewables transition (\$144m in FY2018)
  - > Additional capital contributions to Tilt Renewables for 334MW Dundonnell wind farm in Victoria (\$55m in FY2019; total investment of \$199m)
    - > Received Tilt capital return of \$55m in July 2020
  - > Financial commitment to Turitea wind farm, the first large-scale generation development in New Zealand since 2014 (\$464m<sup>1</sup> over FY2019-2022)

## CAPITAL EXPENDITURE



# TURITEA WIND FARM

PALMERSTON NORTH

**NORTH**

119MW / 470GWh  
Committed  
\$256m

**TURITEA  
WIND FARM**

PAHIATUA

**SOUTH**

103MW / 370GWh  
Committed  
\$208m

**PUKETOI  
WIND FARM**

53 turbines consented

- National Grid
- Committed 220kV Transmission
- - - Consented future 220kV Transmission
- Turbine Zone



10KM



# TURITEA WIND FARM

Green Bond proceeds are intended to be primarily earmarked to financing and refinancing the construction costs of the Turitea wind farm as an Eligible Project

## Wind farm works

- > Wind farm (excluding transmission and connection) covered by a fixed price EPC contract with Vestas
- > Transmission build is a design and build contract with Electrix
- > Site works for the northern 33 turbines behind contracted program due to contractor delivery across design and construction
- > Site shut down throughout COVID-19 Alert Level 4 lockdown
  - > Procurement largely unaffected by COVID-19
- > Expecting completion of the northern 33 turbines in Q2 CY2021 and southern 27 turbines in late CY2021
- > Project times remain subject to contract performance and further COVID-19 restrictions



Turbine blades at New Plymouth



Transmission poles



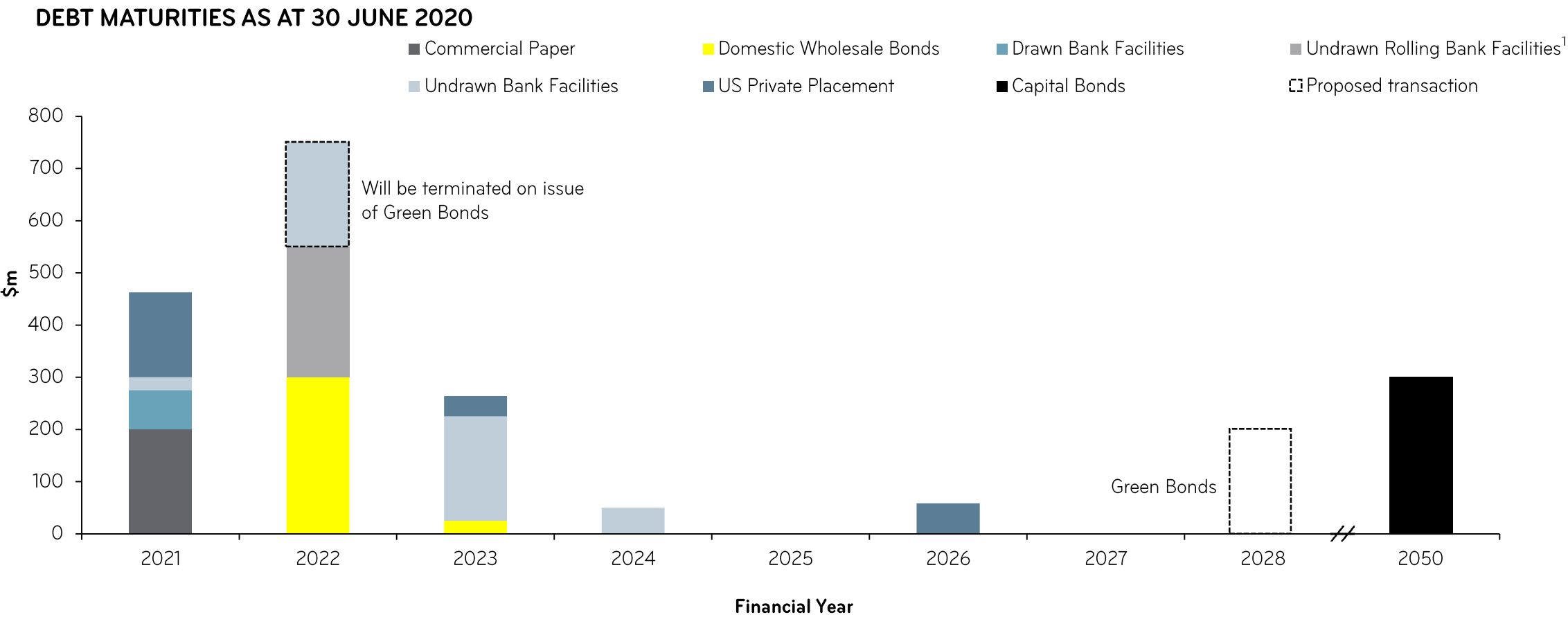
# STABLE CAPITAL STRUCTURE

- > Mercury's dividend policy is to make distributions with a pay-out ratio of 70-85% of Free Cash Flow on average through time subject to:
  - > Consideration of the Company's working capital requirements and medium-term asset investment programme;
  - > Maintaining a sustainable financial structure for the Company, recognising the Company's targeted long-term credit rating of BBB+ assigned by S&P Global<sup>1</sup>; and
  - > The risks from predicted short and medium-term economic, market and hydrological conditions, and estimated financial performance
- > S&P re-affirmed Mercury's credit rating of BBB+/stable in December 2019
  - > One-notch upgrade from stand-alone credit profile of 'bbb', reflecting legislated majority Crown ownership
- > Debt / EBITDAF<sup>2</sup> 2.0x at 30 June 2020

	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
Net debt (\$m)	1,149	1,096	1,264 <sup>3</sup>	1,038	1,068
Gearing ratio (%)	23.5	23.7	27.7 <sup>3</sup>	23.9	24.4
Debt/EBITDAF (x) <sup>2</sup>	2.0	1.9	1.9	1.8	2.0
Issuer Credit Rating	BBB+/stable	BBB+/stable	BBB+/stable	BBB+/stable	BBB+/stable
Ordinary dividend	15.8cps	15.5cps	15.1cps	14.6cps	14.3cps



# DIVERSIFIED FUNDING PROFILE



- > Diversified funding sources: commercial paper, bank facilities, domestic wholesale bonds, USPP and capital bonds
- > Proceeds from the Offer will be applied to repay drawn bank facilities and the Dec 2020 US Private Placement maturity

<sup>1</sup> Requires 18 months notice of termination from lender



## BOND CREDIT FEATURES

- > Mercury, under the Master Trust Deed, agrees to ensure that Net Worth at any time will not be less than \$500m
- > S&P Global has assigned a BBB+ issue rating to the Green Bonds
- > Mercury has Guaranteed Liabilities that are unsecured and would rank equally with the Green Bonds in a liquidation of Mercury as issuer. However, (unlike Bondholders) creditors of Guaranteed Liabilities have the benefit of guarantees from certain subsidiaries of Mercury so may also claim directly against those subsidiaries
  - > Mercury holds some assets in operating subsidiaries, including Mercury's geothermal assets and the Turitea wind farm. Note that all of Mercury's third party debt is held at the Mercury parent level
  - > As at 30 June 2020, Mercury's Guaranteed Liabilities were \$636m. This compares to total consolidated assets of Mercury and its subsidiaries of \$6,885m, and total assets of Mercury's guaranteeing subsidiaries of \$1,928m.





# GREEN FINANCING FRAMEWORK



## Use of proceeds

- > The proceeds of the Offer are intended to be earmarked to finance or refinance new or existing projects and expenditures relating to renewable energy and other Eligible Projects. Mercury expects to track an amount equal to the net proceeds within its systems, earmarked to Eligible Projects, primarily the construction costs of the Turitea wind farm
- > The Framework outlines the issuer's process relating to use of proceeds, project evaluation and selection, management of proceeds, reporting and assurance. Eligible Projects fall within the eligible categories as outlined in the Framework, are aligned with the ICMA Green Bond Principles and have attained Climate Bonds Initiative Certification

Mercury's Green Financing Framework is available at [www.mercury.co.nz/green-bonds](http://www.mercury.co.nz/green-bonds)



# GREEN FINANCING FRAMEWORK



<b>External review</b>	Mercury's Green Financing Framework has been independently reviewed by DNV GL Business Assurance Australia against the Climate Bonds Standard Version 3.0 and the ICMA Green Bond Principles. DNV GL have provided a pre-issuance limited assurance conclusion which is publicly available at <a href="http://www.mercury.co.nz/green-bonds">www.mercury.co.nz/green-bonds</a> .
<b>CBI certification</b>	The Climate Bonds Standard Board approved pre-issuance certification of the proposed Bond on 8 July 2020. Certification comes into effect once the Green Bonds are issued and is verified annually for the term of the Green Bonds via the annual assurance process.
<b>Monitoring and compliance</b>	<p>The Green Financing Framework provides for Mercury to publish annual use of proceeds reports and report on any changes to the Green Financing Framework.</p> <p>The Green Financing Framework provides for Mercury to report on the environmental impacts (where possible and relevant) resulting from Eligible Projects as part of its annual reporting.</p> <p>Note that lack of compliance with the Green Financing Framework or the CBI standards is not an event of default in relation to the Green Bonds.</p>



## ELIGIBLE ASSET VALUES

Geothermal	MCR <sup>1</sup>	Book Value <sup>2</sup>
Rotokawa Generation (plant)	35MW	\$106m
Rotokawa JV <sup>3</sup> (steamfield)		\$111m <sup>4</sup>
Ngā Awa Pūrua JV <sup>3</sup> (plant)	138MW	\$345m <sup>4</sup>
Mōkai <sup>3</sup>	112MW	\$72m <sup>4</sup>
Ngātamariki	82MW	\$512m
Wind		
Turitea (under construction)	222MW	\$464m <sup>5</sup>
Tilt Renewables (19.96% shareholding)		\$263m
	<b>TOTAL</b>	<b>\$1,873m</b>



Rotokawa

Mokai



Nga Awa Purua

Ngatamariki



Turitea  
(under construction)



<sup>1</sup> Maximum Continuous Rating

<sup>2</sup> As at 30 June 2020

<sup>3</sup> Not 100% owned by Mercury

<sup>4</sup> Equity ownership-weighted value

<sup>5</sup> Expected spend, excludes capitalised interest



# KEY TERMS OF THE GREEN BOND

<b>Issuer</b>	Mercury NZ Limited ("Mercury")
<b>Instrument</b>	Unsecured, unsubordinated fixed rate green bonds ("Green Bonds")
<b>Credit rating</b>	Issue Credit Rating: BBB+ (Mercury has an Issuer Credit Rating of BBB+)
<b>Issue amount</b>	Up to NZ\$150m plus oversubscriptions of up to NZ\$50m (at Mercury's discretion)
<b>Term</b>	7 years (maturing 14 September 2027)
<b>Interest Rate</b>	The Green Bonds will pay a fixed rate of interest from the Issue Date until the Maturity Date. The Interest Rate will be announced via the NZX following the bookbuild
<b>Indicative Issue Margin</b>	1.25% - 1.45% per annum
<b>Interest payments</b>	Semi-annual in arrear
<b>No guarantee</b>	Mercury is the issuer and the sole obligor in respect of the Green Bonds. None of the Crown, any subsidiary of Mercury or any other person guarantees the Green Bonds
<b>Financial covenant</b>	Mercury agrees to ensure that Net Worth (being total assets less total liabilities of Mercury and its subsidiaries, on a consolidated basis, calculated in accordance with the Master Trust Deed) at any time will not be less than \$500m
<b>No benefit of guarantee</b>	Bondholders will not have the benefit of the guarantee in the Negative Pledge Deed or the USPP Note Purchase Agreement as described in the PDS and will not be able to claim directly against the relevant guaranteeing subsidiaries of Mercury
<b>Minimum application amount</b>	NZ\$5,000 and in multiples of NZ\$1,000 thereafter
<b>Quotation</b>	Mercury intends to quote the Green Bonds on the NZX Debt Market. NZX ticker code MCY030 has been reserved for the Green Bonds

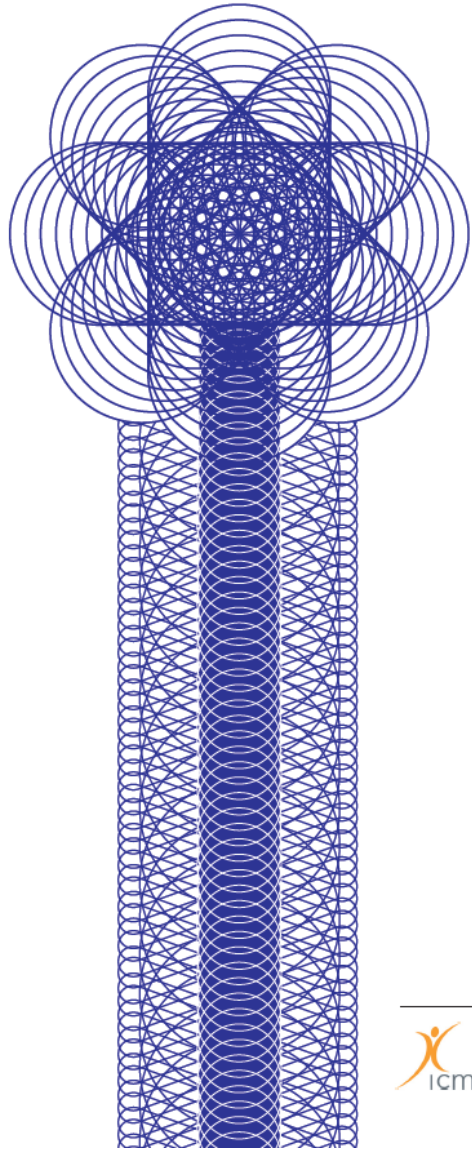


## KEY DATES

<b>Opening Date</b>	Monday 31 August 2020
<b>Closing Date</b>	Friday 4 September 2020 at 12.00pm
<b>Rate Set Date</b>	Friday 4 September 2020
<b>Issue Date and allotment date</b>	Monday 14 September 2020
<b>Expected quotation on NZX Debt Market</b>	Tuesday 15 September 2020
<b>Maturity Date</b>	Tuesday 14 September 2027







Climate  
Bond  
Certified

# *Certification*

This is to certify that the

*Mercury NZ Limited 2020 Green Bond*

---

Issued by

*Mercury NZ Limited*

---

Has met the criteria for certification by the Climate Bonds Standard Board on behalf of the  
Climate Bonds Initiative

SEAN KIDNEY  
CEO, Climate Bonds Initiative

*8 July 2020*

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CALSTRS

IIGCC



Investor Network on  
CLIMATE RISK



Investor Group on  
Climate Change  
Australia/New Zealand



Climate Bonds



## NON-GAAP MEASURES

- > EBITDAF (or Operating Earnings) is earnings before net interest expense, tax expense, depreciation, amortisation, , change in the fair value of financial instruments, gain on sale and impairments
- > Operating Expenditure (or Operating Costs) represents employee compensation and benefits, maintenance expenses and other expenses
- > Free Cash Flow is net cash provided by operating activities less stay-in-business capital expenditure
- > Stay-In-Business (SIB) Capital Expenditure (or Reinvestment Capital Expenditure) is the capital expenditure incurred by the company to maintain its assets in good working order
- > Growth Capital Expenditure is the capital expenditure incurred by the company to create new assets and revenue
- > Gearing Ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (both current and non-current) less cash and cash equivalents. Total capital is calculated as shareholders' equity plus net debt





FOR FURTHER INFORMATION > **WILLIAM MEEK** | CHIEF FINANCIAL OFFICER T. +64 275 173 470 E. [INVESTOR@MERCURY.CO.NZ](mailto:INVESTOR@MERCURY.CO.NZ)