

>> QUARTERLY HIGHLIGHTS

MOMENTUM

**STRONG MOMENTUM CONTINUES
FOLLOWING MERCURY RE-BRAND**

**LOW
CHURN**

**LOWEST CUSTOMER SWITCHING
RATE OF THE MAJOR RETAILERS**

4,250GWh

**HYDRO GENERATION FORECAST
MAINTAINED FOR FY17**

>> COMMENTARY

MOMENTUM CONTINUED FOLLOWING RE-BRAND

For the second consecutive quarter, Mercury's continued focus on rewarding customer loyalty resulted in the Company achieving the lowest switch rate (churn) amongst the major retailers. For the quarter ending 31 December 2016, Mercury's annualised churn was 15.9%, 3.3% below the market average of 19.2% based on publicly provided Electricity Authority data. This continued the strong momentum delivered following the Mercury re-brand in July 2016 and contributed to customer numbers increasing by 6,000 over the period.

During the quarter, more than 100,000 customers were rewarded with a Free Power Day and almost 100,000 customers also registered to benefit from the Company's new Airpoints partnership.

The average energy price to customers was down 4.4% to \$106.11/MWh relative to the same period last year. This reflects additional commercial and industrial sales contracted throughout the year at lower prices than achieved historically (contributing to a \$5.50 reduction in the VWAP of sales to business customers) and the timing of customer loyalty product offerings.

FY17 HYDRO FORECAST MAINTAINED

Total hydro generation increased 205GWh on the same period last year to 1,112GWh. This reflects inflows into the Taupo catchment being 28GWh above average and storage being 134GWh above average at the start of the period.

Based on the hydrological conditions observed throughout the quarter, Mercury continues to forecast midpoint FY2017 hydro generation at 4,250GWh.

LWAP/GWAP remained flat with the prior comparable period last year, at 1.03. This reflects a continuation of lower wholesale price volatility driven by above average national hydro generation. National hydro storage started 246GWh above average and remained above average throughout the quarter.

Reflecting the continued wet conditions, the locational wholesale price difference (basis) between Otahuhu and Benmore nodes was \$8.38/MWh (or 21%).

DEMAND IMPACTED BY HIGHER TEMPERATURES AND WET CONDITIONS

After adjusting for temperature, national demand was down 3.2% compared to the same quarter last year. The irrigation, dairy processing and industrial sectors contributed -1.6%, -0.7%, and -0.7% respectively to the decrease in total national demand.

The decrease in the agriculture sectors can be attributed to the wet conditions experienced during the last six months with significantly lower South Island irrigation requirements compared to last year along with reduced national milk collection.

Mercury will release its financial results for the six months ended 31 December 2016 on 21 February 2017.

>> OPERATING STATISTICS

OPERATING INFORMATION	Three months ended 31 December 2016		Three months ended 31 December 2015		Six months ended 31 December 2016		Six months ended 31 December 2015	
	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)
ELECTRICITY SALES								
FPV sales to customers	106.11	1,088	110.94	1,000	112.30	2,395	115.56	2,253
FPV sales to residential customers		554		554		1,302		1,340
FPV sales to business customers		534		446		1,093		913
FPV purchases from market		1,150		1,056		2,529		2,380
Spot customer purchases		231		233		454		520
Total NZEM Purchases	48.38	1,381	70.23	1,289	54.83	2,983	63.27	2,900
ELECTRICITY CUSTOMERS ('000)								
North Island Customers		346		344				
South Island Customers		41		36				
Dual Fuel Customers		43		41				
CONTRACTS FOR DIFFERENCE		Volume (GWh)		Volume (GWh)		Volume (GWh)		Volume (GWh)
Buy CfD		395		458		904		929
Sell CfD		905		893		1,801		1,919
End User CFD		346		353		673		746
Net Sell CfD ²		510		435		897		990
ELECTRICITY GENERATION								
Hydro	49.28	1,112	69.36	907	55.14	2,367	61.41	2,215
Gas	-	-	76.74	46	-	-	68.62	146
Geothermal (consolidated) ³	42.94	657	65.48	669	48.71	1,290	58.93	1,299
Geothermal (equity accounted) ⁴	44.97	58	66.27	59	49.77	113	59.40	118
Total	46.87	1,827	67.91	1,681	52.78	3,770	60.78	3,778
LWAP/GWAP		1.03		1.03		1.04		1.04
CARBON EMISSIONS ('000 TONNES CO₂E)		90		99		186		249
METRIX AMI METERS ('000)		399		389				

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

² Includes Virtual Asset Swap volumes in both Buy and Sell CfD volumes of 176 GWh for the 3 months ended 31 December 2016 and 176 GWh for the 3 months ended 31 December 2015 and of 352GWh for the 6 months ended 31 December 2016 and 352GWh for the 6 months ended 31 December 2015

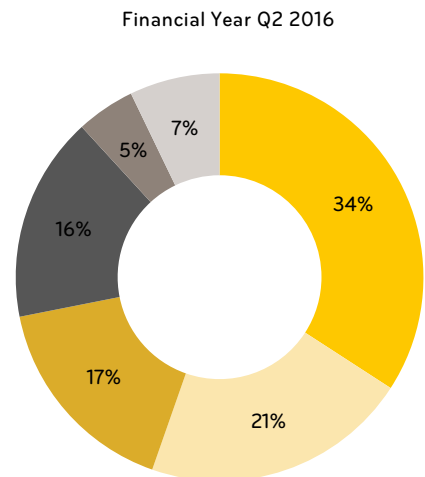
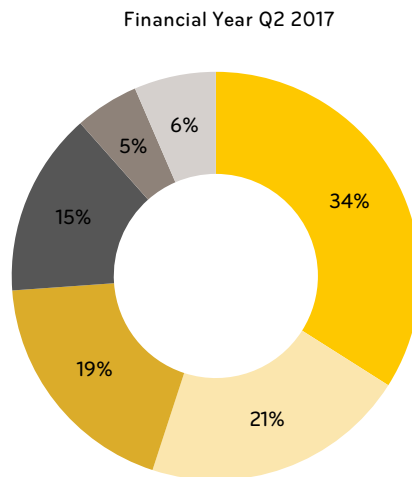
³ Includes Mercury's 65% share of Nga Awa Purua generation

⁴ Tuaropaki Power Company (Mokai) equity share

>> MARKET DATA

> ELECTRICITY GENERATION BY COMPANY FOR THE THREE MONTHS ENDED 31 DECEMBER

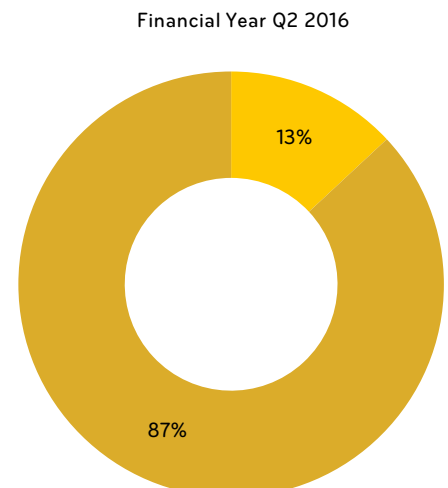
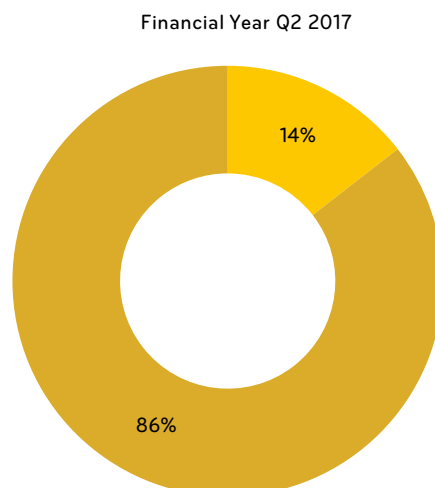
- MERIDIAN ENERGY
- CONTACT ENERGY
- MERCURY
- GENESIS ENERGY
- TRUSTPOWER/TILT
- OTHER



Source: Electricity Authority

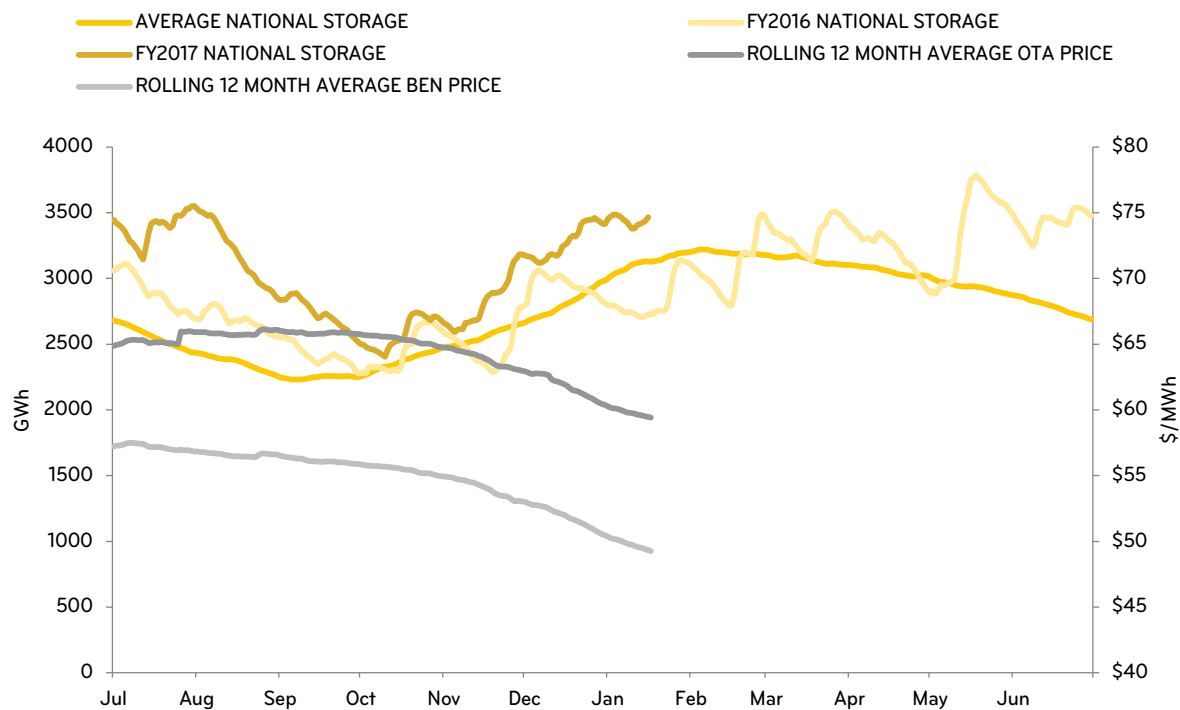
> SHARE OF ELECTRICITY SALES (GWh) FOR THE THREE MONTHS ENDED 31 DECEMBER

- MERCURY
- OTHER

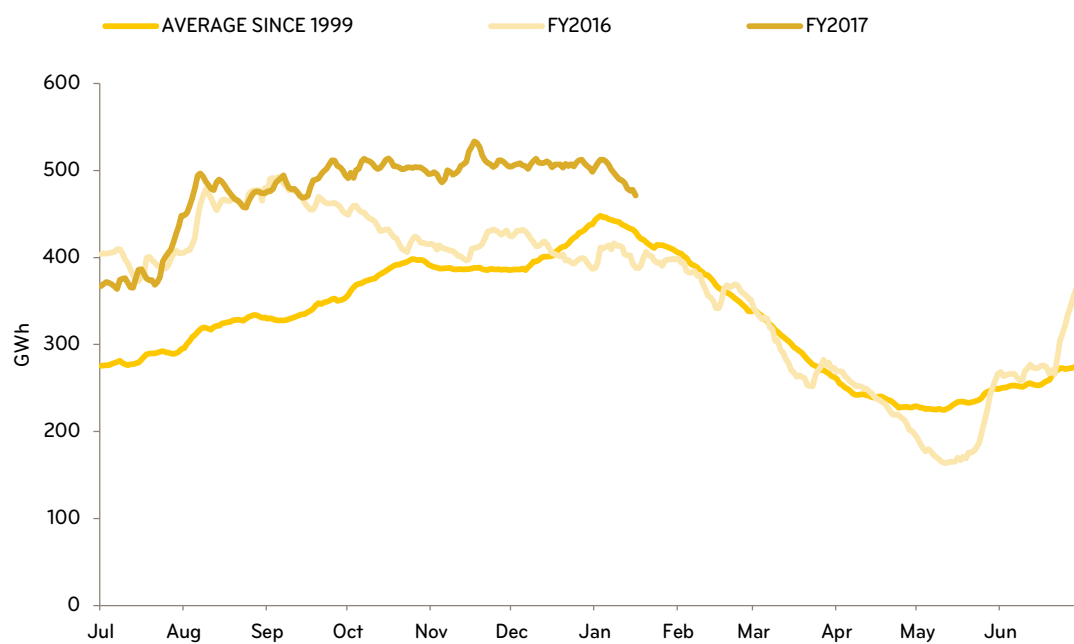


Source: Mercury Purchases and Transpower SCADA

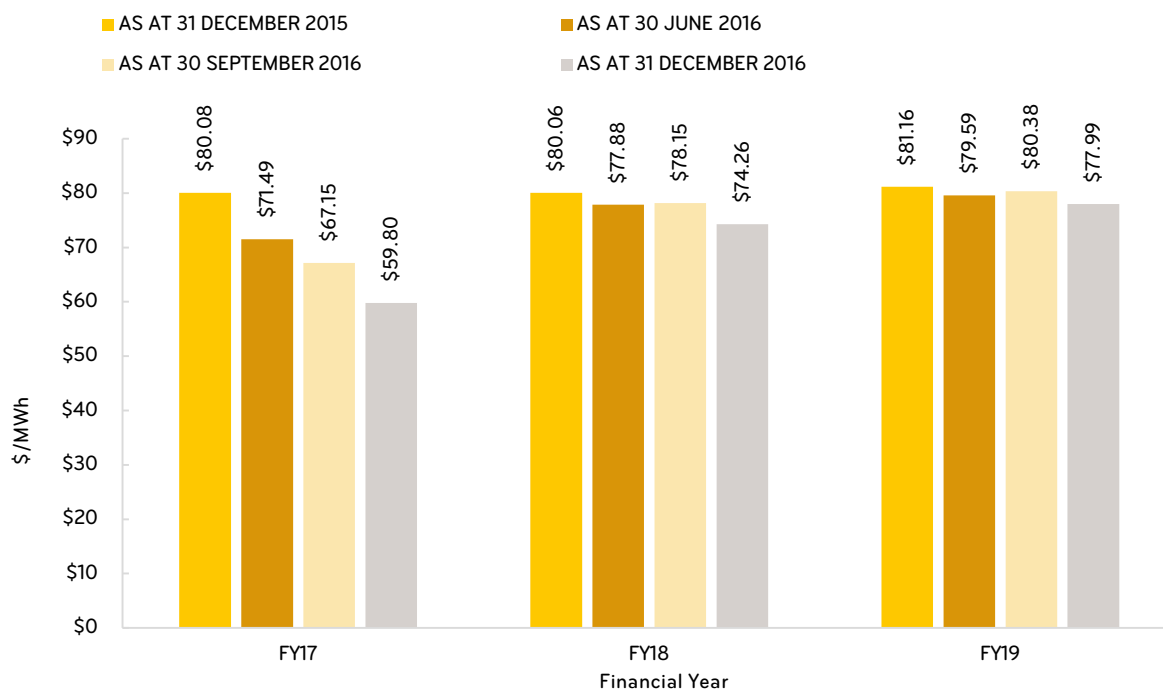
> OTAHUHU WHOLESALE PRICE AND NATIONAL HYDRO STORAGE LEVELS



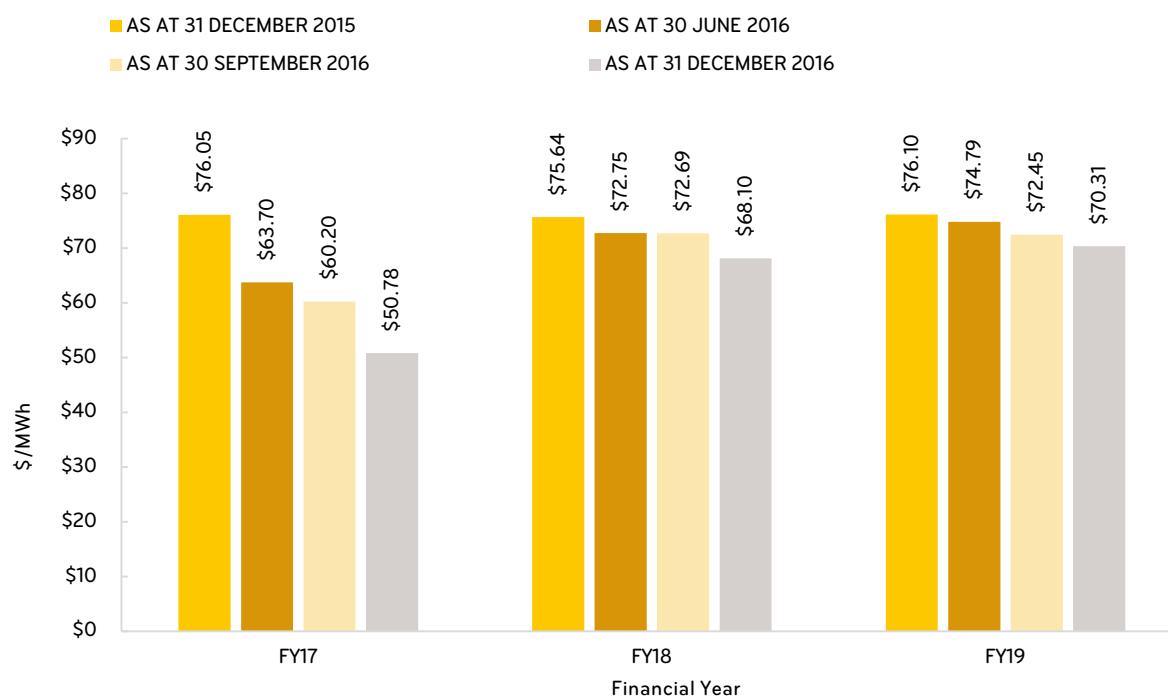
> TAUPO STORAGE



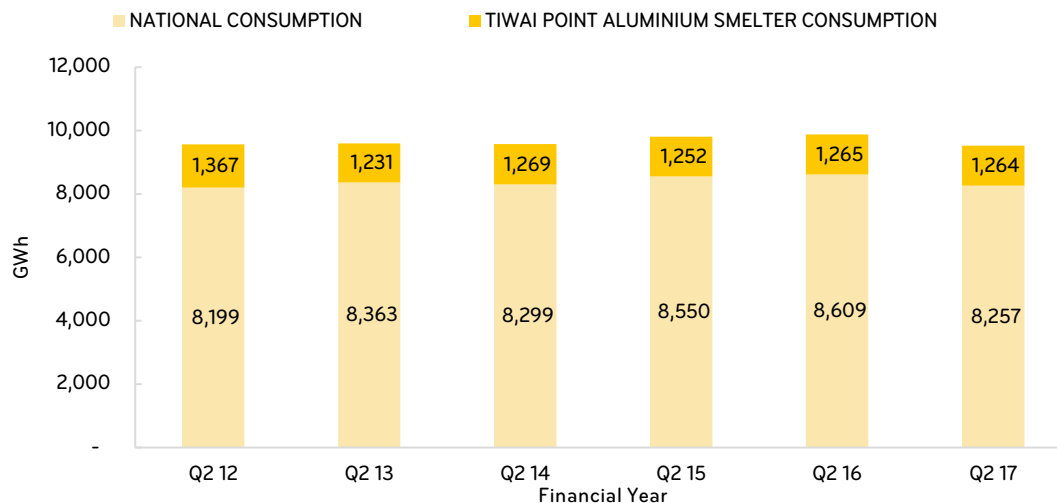
> OTAHUHU ASX FUTURES SETTLEMENT PRICE



> BENMORE ASX FUTURES SETTLEMENT PRICE



> NATIONAL CONSUMPTION (NON-TEMPERATURE ADJUSTED)



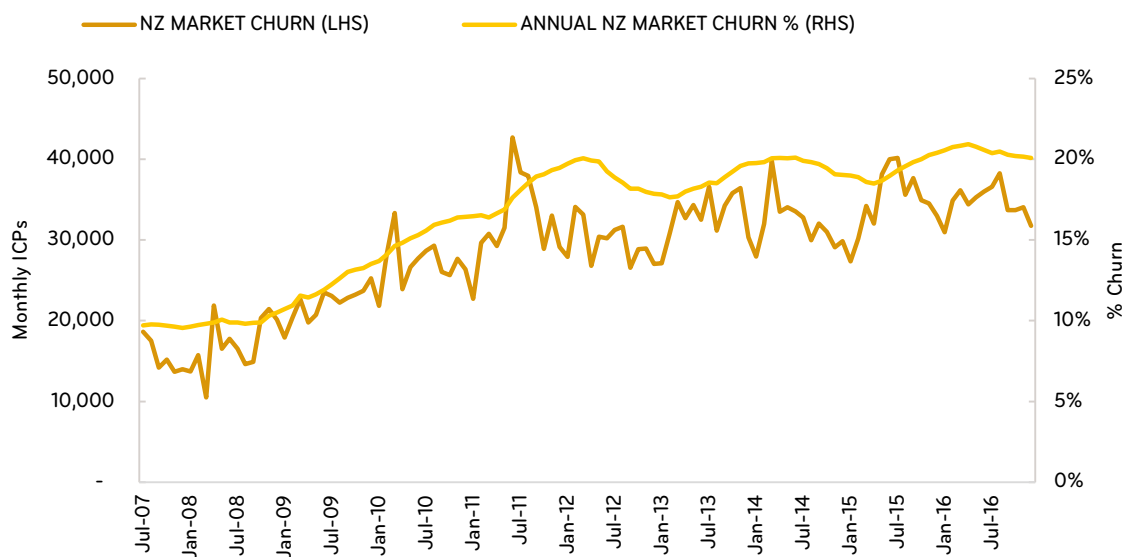
Source: Transpower Information Exchange

> NATIONAL CLIMATE SUMMARY (°C)

FINANCIAL YEAR	Q1	Q2	Q3	Q4
2017	12.1	16.1	-	-
2016	11.4	16.0	20.6	15.3
2015	11.9	15.9	19.9	14.3
2014	12.3	16.7	18.9	14.8
2013	12.3	16.5	19.6	14.4
Historical Average (since 1999)	11.9	16.1	19.4	14.2

Source: NIWA, Met Service

> MONTHLY TOTAL CONSUMER RETAIL SWITCHING (ICPs)



Source: Electricity Authority