

>> QUARTERLY HIGHLIGHTS

**BRAND
LAUNCH**

**SUCCESSFUL LAUNCH OF THE
NEW MERCURY BRAND IN JULY**

**LOW
CHURN**

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

4,250GWh

**HYDRO GENERATION
FORECAST UP 100GWh FOR
FY2017 ON HIGHER INFLOWS**

>> COMMENTARY

CUSTOMER NUMBERS LIFT AND CHURN REDUCES WITH BRAND LAUNCH

Following the well-received launch of the new Mercury brand in July, customer gains reached a four-year high in August with a net increase of more than 5,000 for the three months ended 30 September. Overall customer numbers at 30 September 2016 were flat compared to the same time last year.

While customer switching rates across the industry continued at near-record levels, Mercury's focus on rewarding loyalty has resulted in high customer engagement around campaigns such as Free Power Days with almost 100,000 taken up during the period. Such loyalty initiatives contributed to the company's switching rate (churn) for the quarter being 1.0% lower than the average of 5.4% for all other major retailers.

As guided with the release of Mercury's FY2016 results, the average energy price to customers was down 1.5% to \$117.46/MWh reflecting the continued roll-off of higher priced commercial contracts.

FAVOURABLE HYDRO CONDITIONS; LIFT IN EXPECTED ANNUAL HYDRO GENERATION

Similar to the same time last year, hydrological conditions have been favourable in the Waikato catchment with Taupo storage ending the quarter at 140%. Total hydro generation was above average for the quarter at 1,256GWh, though 52GWh lower than the prior year.

LWAP/GWAP was 1.04, slightly favourable to the prior comparable period of 1.05. This ratio continues to reflect above average hydro generation in the market and the consequential dampening of wholesale price volatility.

Due to the favourable hydrological conditions experienced throughout the quarter, Mercury has updated its mid-point FY2017 hydro generation forecast to 4,250GWh (up 100GWh on earlier guidance).

INDUSTRIAL DOWN, OTHER SEGMENT GROWTH CONTINUES

The closure of several industrial users of electricity within the last twelve months has extended a decade long trend of falling demand from this segment. However, growth continues across all other segments driven by strong underlying fundamentals, such as GDP growth and record net migration. After adjusting for temperature, national demand was down 0.2% but up 0.8% across all segments excluding industrial.

>> OPERATING STATISTICS

OPERATING INFORMATION	Three months ended 30 September 2016		Three months ended 30 September 2015	
	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)
ELECTRICITY SALES				
FPVV sales to customers	117.46	1,307	119.24	1,253
FPVV sales to residential customers		748		786
FPVV sales to business customers		559		467
FPVV purchases from market		1,380		1,323
Spot customer purchases		224		287
Total NZEM Purchases	60.38	1,604	57.70	1,610
ELECTRICITY CUSTOMERS ('000)		381		381
North Island Customers		341		346
South Island Customers		40		35
Dual Fuel Customers		42		42
CONTRACTS FOR DIFFERENCE		Volume (GWh)		Volume (GWh)
Buy CfD		509		471
Sell CfD		896		1,026
End User CFD		326		392
Net Sell CfD ²		387		555
ELECTRICITY GENERATION	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)
Hydro	60.32	1,256	55.91	1,308
Gas	-	-	64.93	101
Geothermal (consolidated) ³	54.69	634	51.99	631
Geothermal (equity accounted) ⁴	54.79	55	52.53	59
Total	58.33	1,945	55.07	2,099
LWAP/GWAP		1.04		1.05
GAS PURCHASES	\$/GJ	PJ	\$/GJ	PJ
Retail purchases ⁵	6.34	0.38	9.22	0.42
Generation purchases	-	-	7.63	1.16
CARBON EMISSIONS ('000 TONNES CO ₂ E)		96		151
METRIX AMI METERS ('000)		398		393

¹ VWAP is volume weighed average energy only price sold to FPVV 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 30 September 2016 and 176 GWh for the 3 months ended 30 September 2015

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

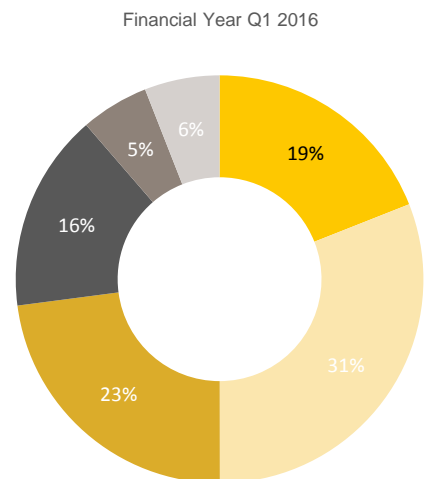
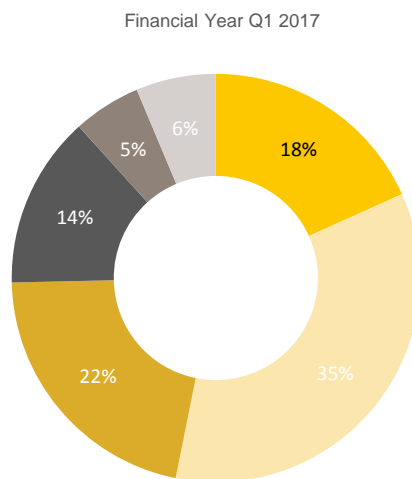
⁴ Tuaropaki Power Company (Mokai) equity share

⁵ Price exclude fixed transmission charges

>> MARKET DATA

> ELECTRICITY GENERATION BY COMPANY FOR THE THREE MONTHS ENDED 30 SEPTEMBER

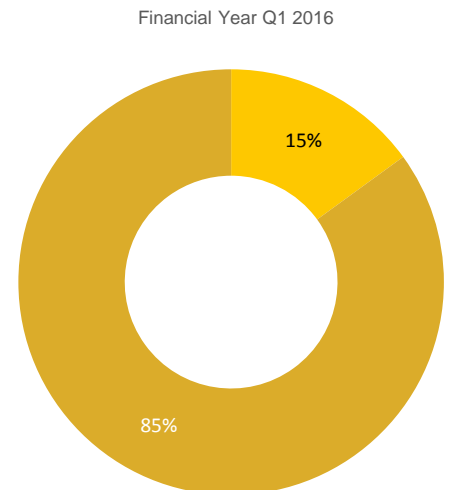
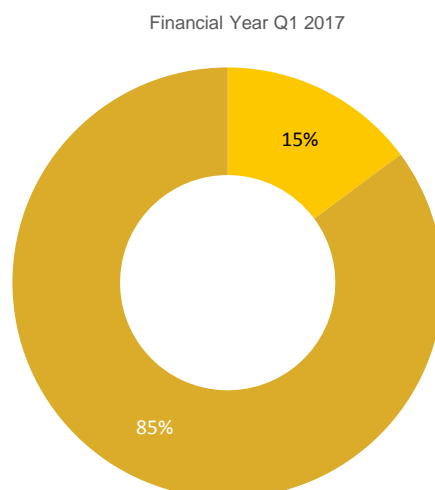
- MERCURY
- MERIDIAN ENERGY
- CONTACT ENERGY
- GENESIS ENERGY
- TRUSTPOWER
- OTHER



Source: Electricity Authority

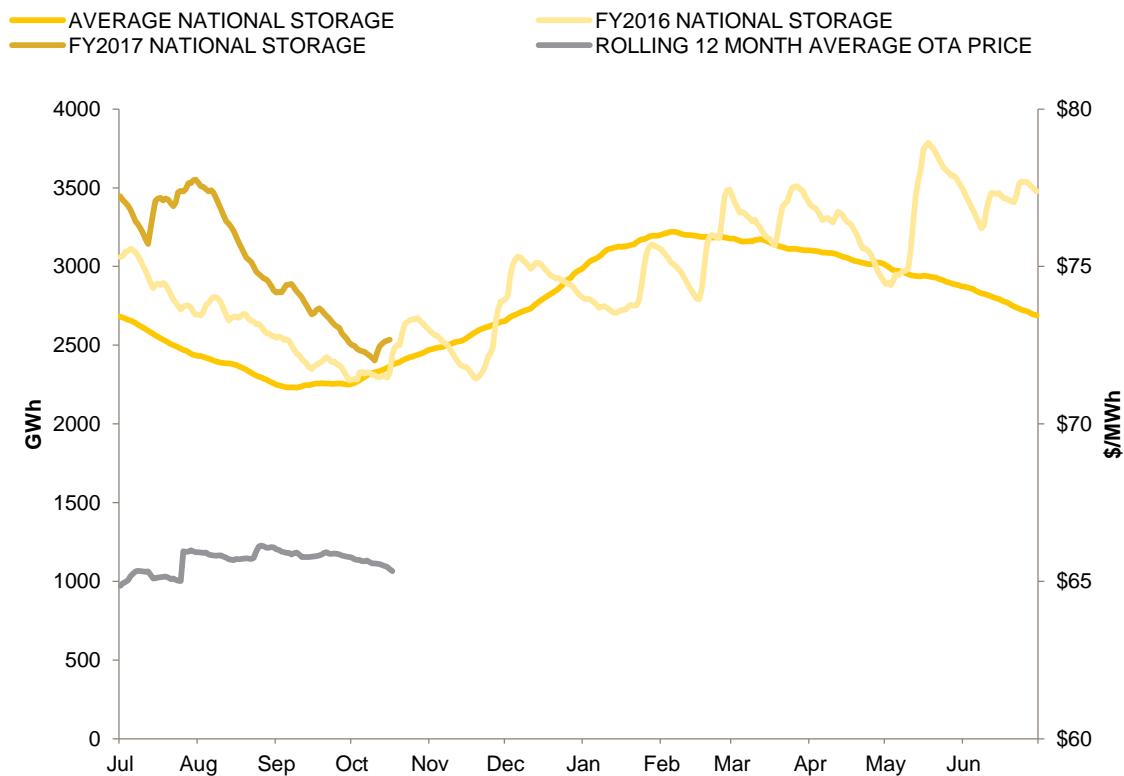
> SHARE OF ELECTRICITY SALES (GWh) FOR THE THREE MONTHS ENDED 30 SEPTEMBER

- MERCURY
- OTHER

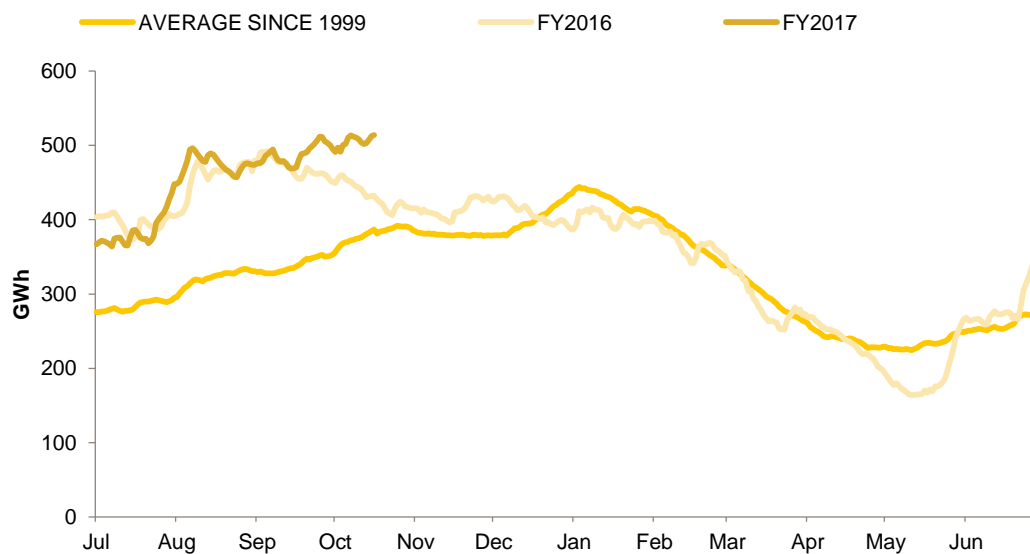


Source: Mercury Purchases and Transpower SCADA

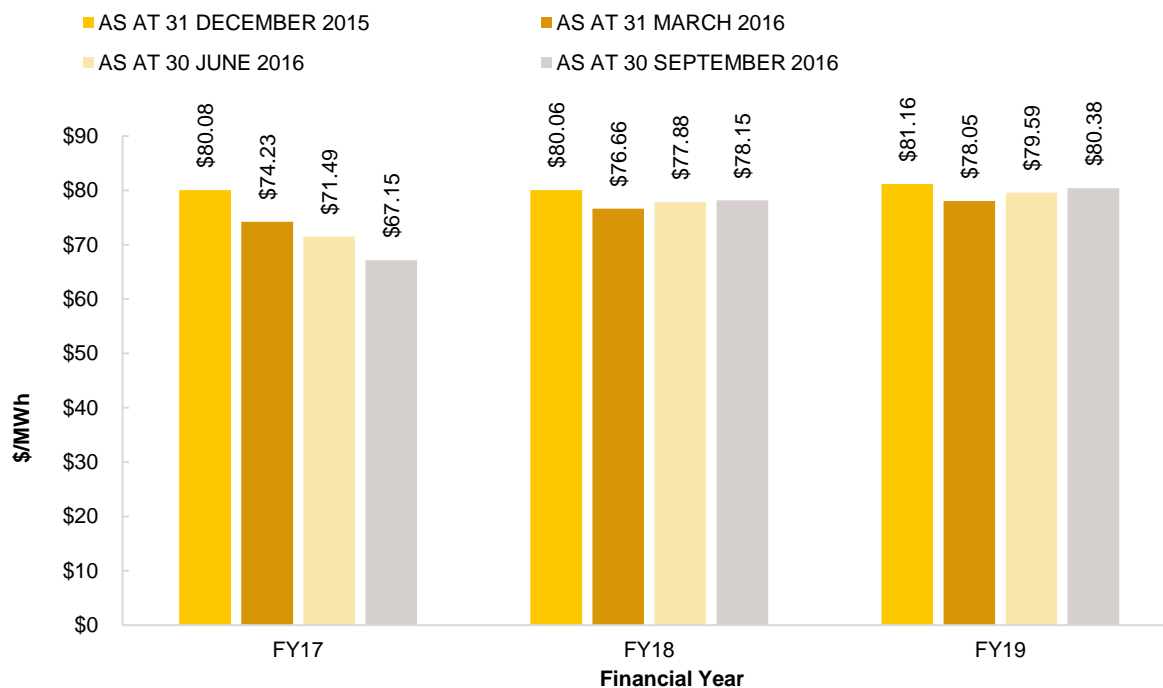
> OTAHUHU WHOLESALE PRICE AND NATIONAL HYDRO STORAGE LEVELS



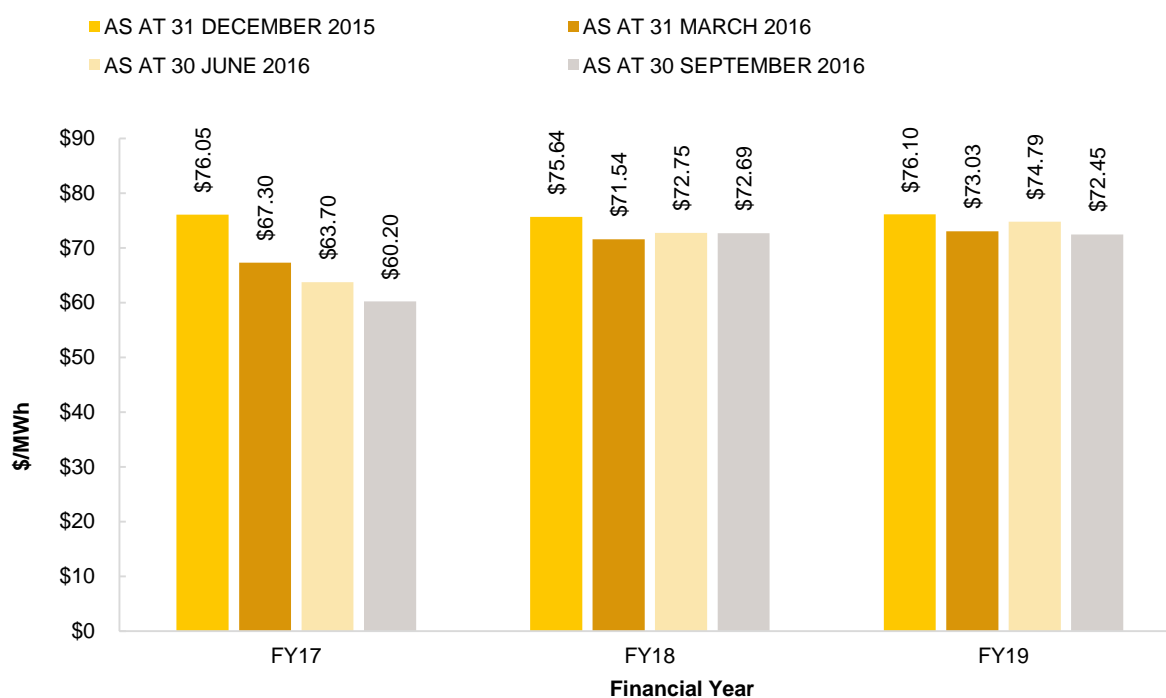
> TAUPO STORAGE



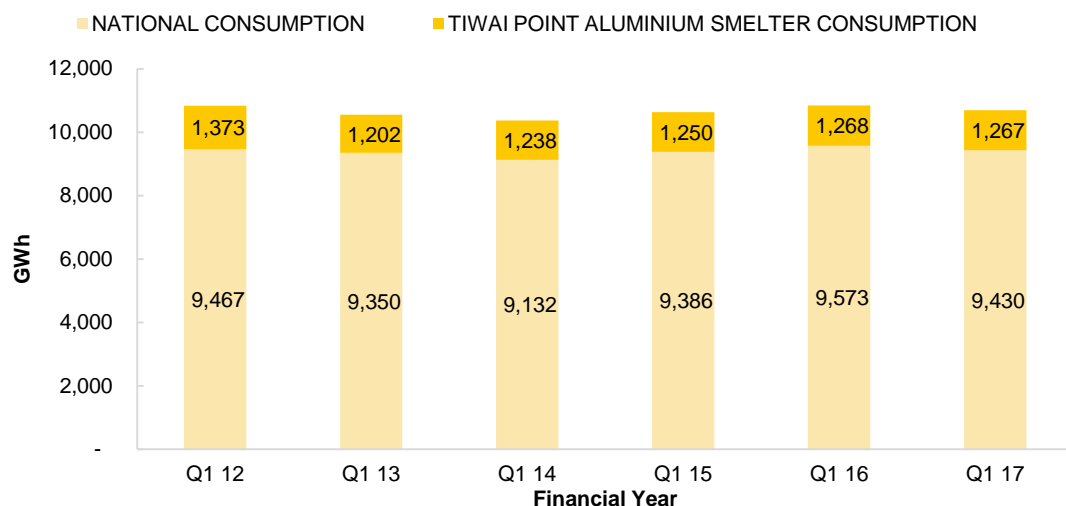
> OTAHUHU ASX FUTURES SETTLEMENT PRICE



> BENMORE ASX FUTURES SETTLEMENT PRICE



> NATIONAL CONSUMPTION (NON-TEMPERATURE ADJUSTED)



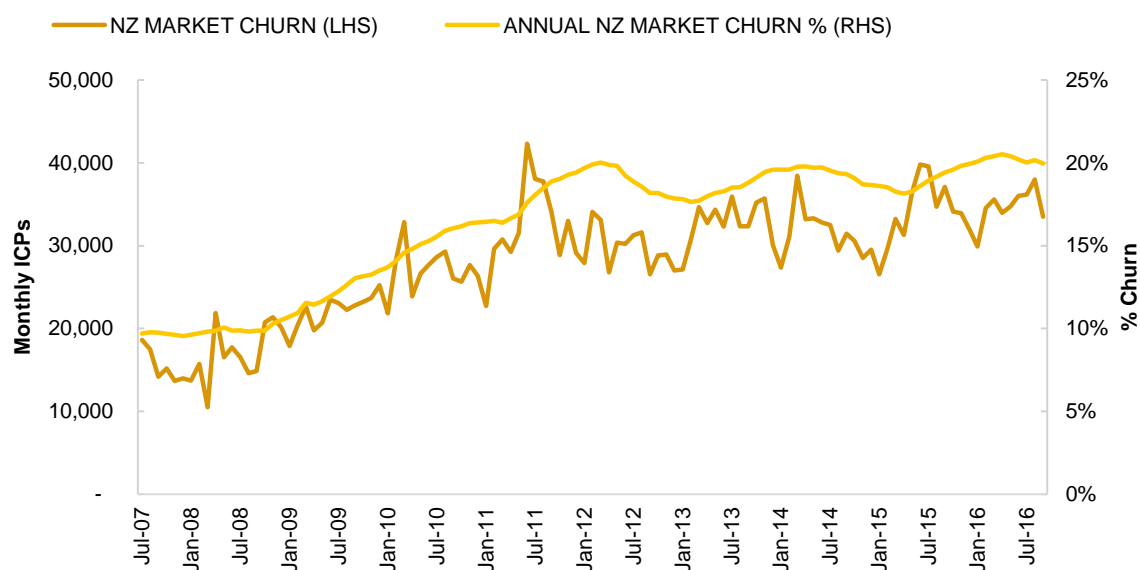
Source: Transpower Information Exchange

> NATIONAL CLIMATE SUMMARY (°C)

FINANCIAL YEAR	Q1	Q2	Q3	Q4
2017	12.1	-	-	-
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