

>> QUARTERLY HIGHLIGHTS

**SALES FOCUS
MAINTAINED**

**SALES PORTFOLIO REFLECTS
CONTINUED FOCUS ON
CUSTOMER VALUE**

**PORTFOLIO
POSITIONING**

**LWAP/GWAP DECREASES AS
ISLAND PRICE SEPARATION
REDUCES PURCHASE COSTS**

3,800 GWh

**HYDRO GENERATION FORECAST
DOWN 100GWh DUE TO
LOW INFLOWS**

>> COMMENTARY

MERCURY TRANSITIONS TO OPERATING UNDER LOCKDOWN; COVID-19 IMPACTS PROJECT WORKS, DEMAND

Mercury's robust business continuity planning enabled a smooth transition to operating under the COVID-19 lockdown. The safety and wellbeing of our people continues to be a priority with almost all office-based staff now working from home. Work at the Turitea Wind Farm and geothermal drilling is on hold pending the easing of restrictions. The lockdown is impacting electricity demand which decreased by 15% in the two weeks from 26 March 2020 versus the same period last year.

HIGH STORAGE POSITION ENABLES INCREASED HYDRO GENERATION DESPITE LOW INFLOWS

Mercury's high Taupo storage position at the start of the period enabled increased hydro generation despite significantly below-average inflows. Hydro generation of 839GWh was 77GWh higher than the prior comparable period, despite Waikato catchment inflows at the 2nd percentile¹, with geothermal generation slightly lower at 658GWh in the quarter versus 660GWh in FY2019-Q3. Due to low inflows over the quarter, Mercury's mid-point FY2020 hydro forecast has been reduced by 100GWh to 3,800GWh.

HIGH SOUTH ISLAND STORAGE MODERATES SPOT PRICES DESPITE HVDC OUTAGE; ISLAND PRICE SEPARATION WIDENS

Spot prices decreased compared to FY2019-Q3 as high national storage at the start of the quarter was supplemented by 93rd percentile¹ South Island inflows in February, maintaining national hydro storage well above average across the quarter and mitigating the effect of HVDC and thermal fuel supply outages. Prices decreased from record highs in FY2019-Q3, going from \$162/MWh at Otahuhu and \$145/MWh at Benmore to \$82/MWh and \$52/MWh respectively. Mercury's portfolio of North Island generation was able to benefit from price separation between the North and South Islands (basis) resulting in the LWAP/GWAP ratio decreasing favourably to 1.00 from 1.04 in the prior comparable period.

Futures prices decreased significantly in the quarter reflecting the impact of the COVID-19 lockdown with prices for FY2021 decreasing from \$123/MWh to \$96/MWh at Otahuhu and from \$96/MWh to \$79/MWh at Benmore. FY2022 futures also decreased in the quarter by \$2/MWh at Otahuhu (from \$96/MWh to \$94/MWh) and by \$15/MWh (from \$85/MWh to \$70/MWh) at Benmore with a significant increase in basis spread likely driven by the pending Rio Tinto review of continued operations at the Tiwai aluminium smelter.

SALES PORTFOLIO PERFORMANCE REFLECTS CONTINUED FOCUS ON CUSTOMER VALUE

Mercury's continued focus on customer value resulted in the Commercial & Industrial average sales yield (including both physical and financial sales) increasing by 12.7%, from \$82/MWh in the same quarter in FY2019 to \$92/MWh in the current quarter. Sales volumes in the channel also increased by 82GWh from 657GWh in FY2019-Q3 to 739GWh in FY2020-Q3. Other CFD volumes and yields were up reflecting increased trading activity.

The yield on Mass Market sales also increased by 2.8% from \$125/MWh in FY2019-Q3 to \$129/MWh in the most recent quarter. Mercury's portfolio management strategy, which included the exit of Farm Source contracts, resulted in sales volumes in the Mass Market channel decreasing by 77GWh from 679GWh in FY2019-Q3 to 602GWh in FY2020-Q3.

¹ For quarters ended 31 March since 1927

>> OPERATING STATISTICS

OPERATING INFORMATION	Three months ended 31 March 2020		Three months ended 31 March 2019		Nine months ended 31 March 2020		Nine months ended 31 March 2019	
ELECTRICITY CUSTOMERS (’000s ICPs)	353		379					
North Island Customers	311		335					
South Island Customers	42		44					
Dual Fuel Customers	47		48					
	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)
ELECTRICITY SALES								
Physical	116.15	1,011	111.73	1,029	116.49	3,252	114.08	3,348
Mass Market ²	128.54	602	125.02	679	128.93	2,157	126.31	2,382
Commercial & Industrial ³	97.92	409	85.94	350	92.00	1,095	83.90	966
Network Losses		49		52		158		171
Physical Purchases ⁴	88.28	1,059	170.71	1,081	110.42	3,411	155.07	3,519
Financial ⁵	91.25	868	77.27	651	84.27	2,570	79.13	2,368
End User CfDs	84.83	330	76.84	307	80.80	965	74.88	894
Other Sell CfDs ⁶	95.18	538	77.65	344	86.36	1,605	81.70	1,474
Spot Settlement of CfDs	78.10		154.83		98.61		141.74	
Spot Customer Purchases	77.94	184	159.19	188	99.88	563	144.55	600
ELECTRICITY GENERATION								
Physical	86.99	1,497	160.83	1,422	106.08	4,926	144.76	5,227
Hydro	94.98	839	168.82	762	112.68	2,982	147.40	3,210
Geothermal (consolidated) ⁷	76.80	658	151.69	660	95.95	1,944	140.59	2,017
Financial ⁵	84.18	324	99.31	460	83.42	1,014	94.13	1,125
Buy CfDs ⁶	84.18	324	99.31	460	83.42	1,014	94.13	1,125
Spot Settlement of CfDs	66.76		153.30		91.87		146.92	
PORTFOLIO LWAP/GWAP ⁸		1.00		1.04		1.02		1.03

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 Excludes spot customer purchases

⁵ Excludes FTR and trading ASX positions (including positions held to maturity which were previously disclosed in CfD volumes)

⁶ Includes Virtual Asset Swap volumes of 149 GWh for the 3 months ended 31 March 2020 and 148 GWh for the 3 months ended 31 March 2019 and of 451 GWh for the 9 months ended 31 March 2020 and 450 GWh for the 9 months ended 31 March 2019

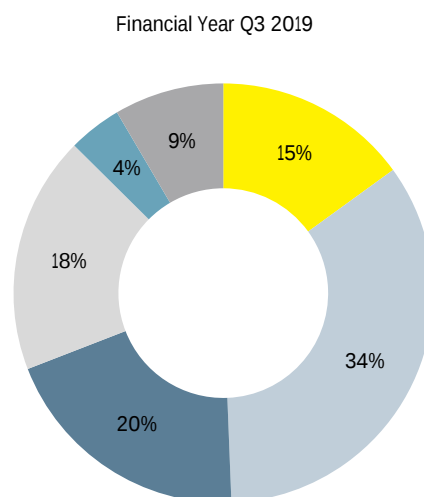
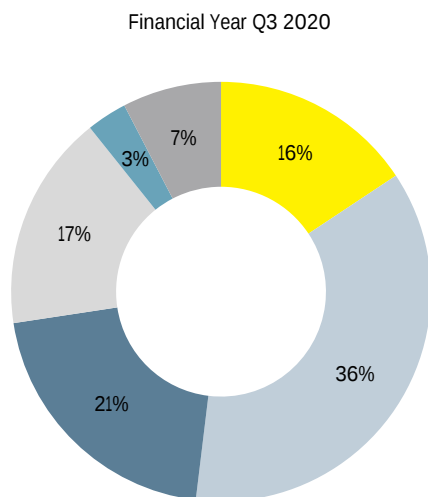
⁷ Includes Mercury's 65% share of Nga Awa Purua generation

⁸ Includes all physical and financial buys and sells except spot customer purchases

>> MARKET DATA

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

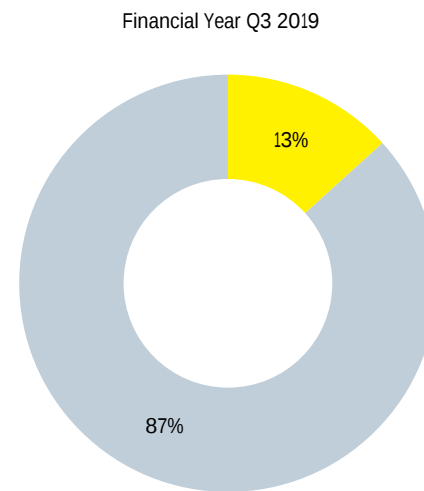
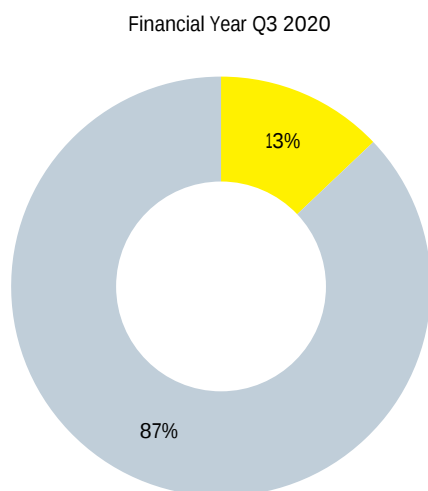
■ MERCURY
 ■ MERIDIAN ENERGY
 ■ CONTACT ENERGY
 ■ GENESIS ENERGY
 ■ TRUSTPOWER / TILT
 ■ OTHER



Source: Electricity Authority

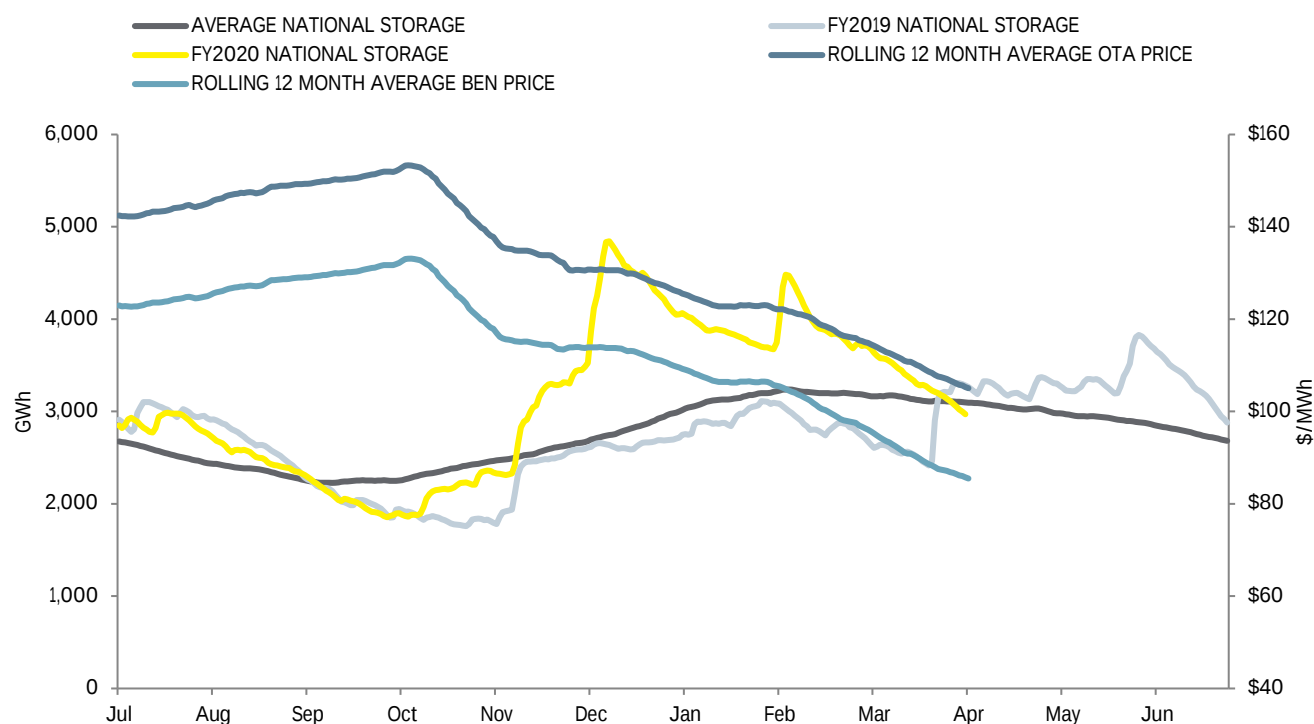
> SHARE OF ELECTRICITY SALES (GWh) FOR THE THREE MONTHS ENDED 31 MARCH (EXCLUDING CFDs)

■ MERCURY
 ■ OTHER



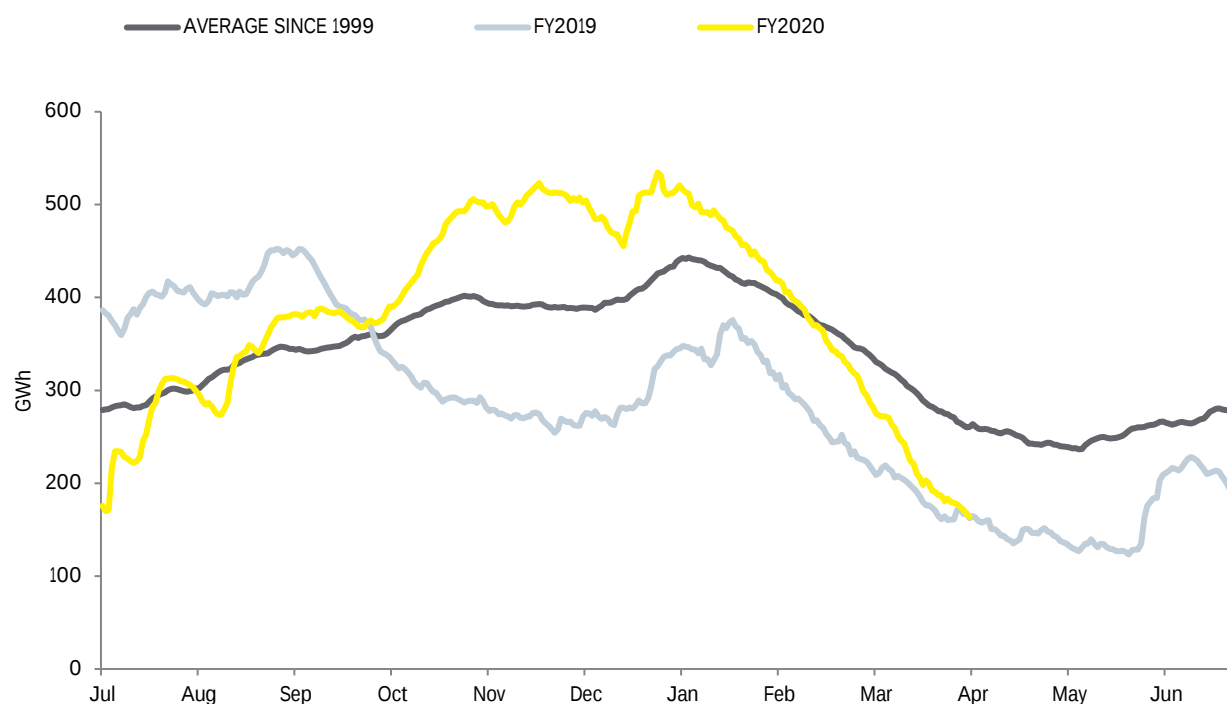
Source: Mercury Purchases and Transpower SCADA

> OTAHUHU WHOLESALE PRICE AND NATIONAL HYDRO STORAGE LEVELS



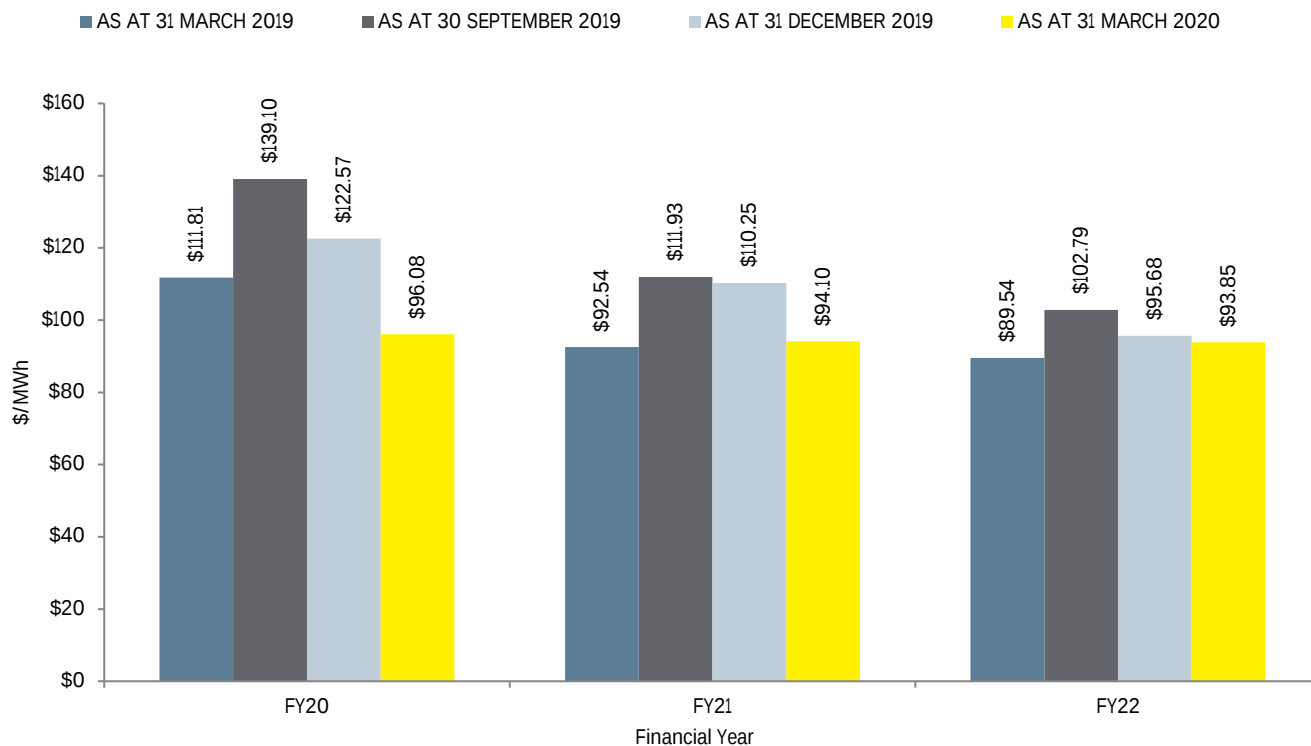
Source: NZX Hydro and NZEM Pricing Manager (NZX)

> TAUPO STORAGE



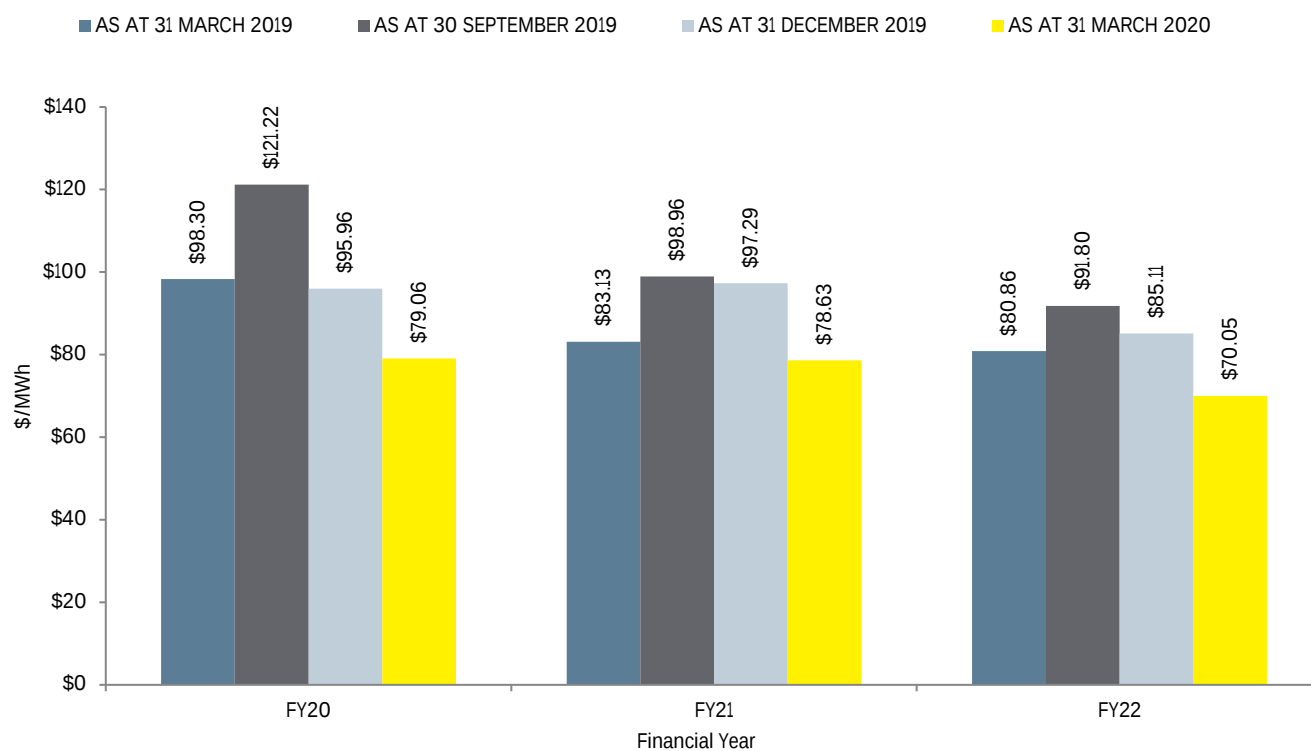
Source: NZX Hydro

> OTAHHU ASX FUTURES SETTLEMENT PRICE



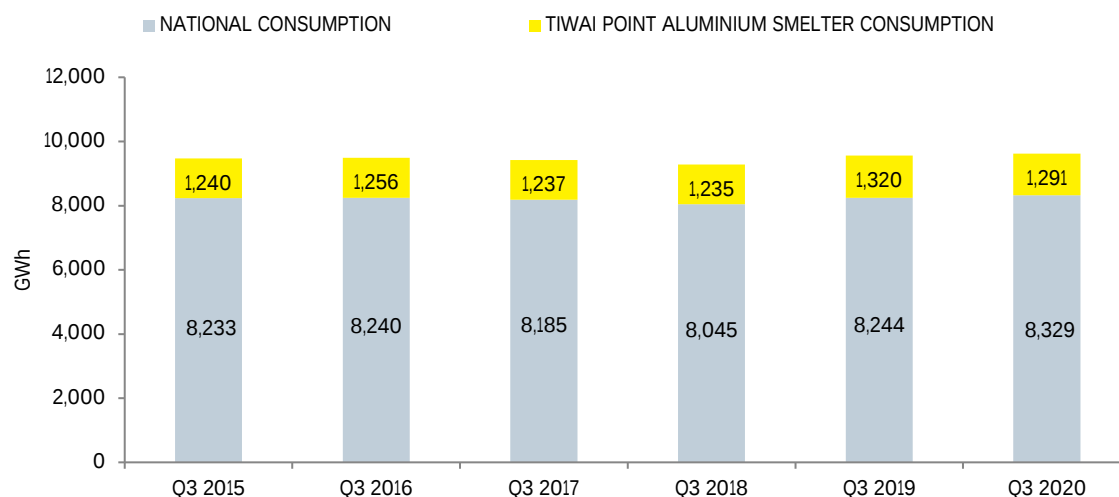
Source: ASX

> BENMORE ASX FUTURES SETTLEMENT PRICE



Source: ASX

> NATIONAL CONSUMPTION (NON-TEMPERATURE ADJUSTED)



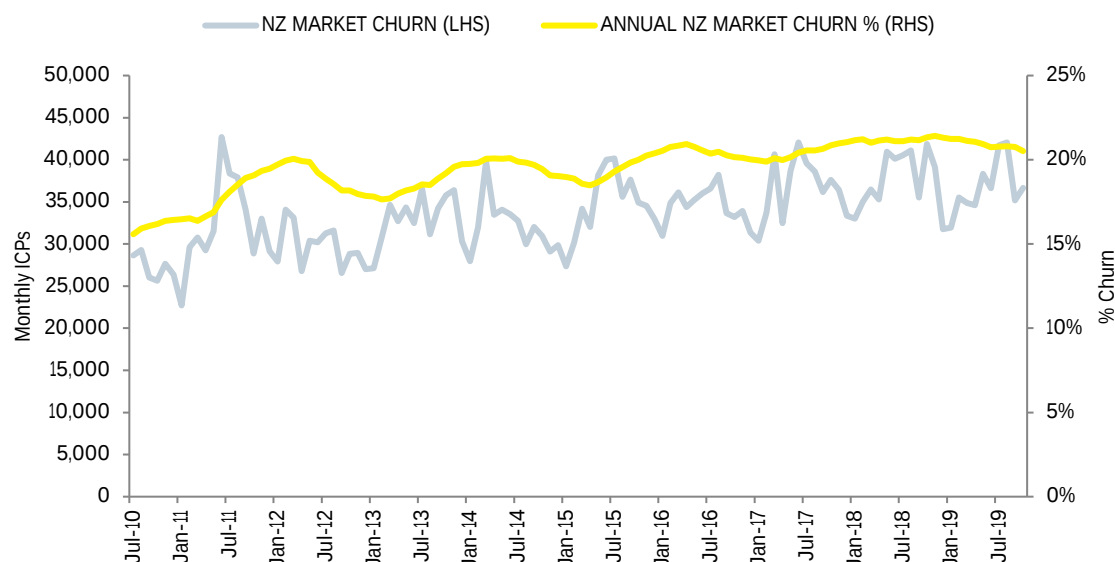
Source: Transpower Information Exchange

> AUCKLAND CLIMATE SUMMARY (°C)

FINANCIAL YEAR	Q1	Q2	Q3	Q4
2020	12.3	16.7	19.5	-
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
Historical Average (since 1999)	11.9	16.1	19.4	14.2

Source: Met Service

> MONTHLY TOTAL CONSUMER RETAIL SWITCHING (ICPs)



Source: Electricity Authority