

>> QUARTERLY HIGHLIGHTS

3,900GWh

FY2021 HYDRO GENERATION FORECAST
INCREASED BY 200GWh

ELEVATED
PRICES
PERSIST

PRICES ELEVATED DUE TO
LOW SOUTH ISLAND INFLOWS AND
THERMAL FUEL CONSTRAINTS

TIWAI
SMELTER
CONTRACT
EXTENDED

CONTRACT SECURING
TIWAI SMELTER OPERATIONS
EXTENDED TO END OF 2024

>> COMMENTARY

HYDRO GENERATION FLAT, LAKE TAUPO STORAGE LIFTED PRIOR TO SEASONALLY LOW INFLOW PERIOD

Mercury's hydro generation for the quarter was flat versus the prior comparable period as Mercury lifted hydro storage leading into the historically dry January quarter. Storage in Lake Taupo increased during the quarter from 254GWh to 456GWh at the end of the quarter, 21GWh above average¹. Higher than expected inflows also saw Mercury's FY2021 hydro generation forecast increase by 200GWh to 3,900GWh.

Geothermal generation in FY2021-Q2 of 659GWh was 63GWh higher than the prior comparable period which was affected by several maintenance outages.

SPOT PRICES REMAIN ELEVATED DUE TO LOW SOUTH ISLAND INFLOWS AND THERMAL FUEL CONSTRAINTS

South Island hydrological inflows were below-average for the quarter resulting in decreasing national hydro storage, which ended the quarter 639GWh below average¹. This combined with thermal fuel constraints saw prices increase from \$102/MWh at Otahuhu and \$87/MWh at Benmore in FY2020-Q2 to \$117/MWh and \$103/MWh respectively in the most recent quarter.

FUTURES LIFT REFLECTS HYDROLOGY, THERMAL FUEL CONSTRAINTS AND TIWAI SMELTER CONTRACT EXTENSION

Dry hydrology and thermal fuel concerns saw the FY2021 futures price increase from \$122/MWh at Otahuhu and \$111/MWh at Benmore at the start of the quarter to \$136/MWh and \$121/MWh respectively. Longer-dated futures also increased with the FY2022 futures price lifting from \$100/MWh to \$119/MWh at Otahuhu and from \$85/MWh to \$101/MWh at Benmore.

Following the quarter, it was announced that the electricity contract behind the Tiwai Point aluminium smelter would be extended to the end of 2024, securing smelter operations. This saw a further lift in FY2022 futures prices which were \$130/MWh at Otahuhu and \$115/MWh at Benmore as at 20 January 2021.

SALES VOLUMES AND YIELDS LIFT AS MERCURY MAINTAINS FOCUS ON CUSTOMER VALUE

Physical sales volumes increased from 1,002GWh in FY2020-Q2 to 1,039GWh in the most recent quarter. Commercial and Industrial sales volumes increased by 94GWh to 433GWh but were partially offset by Mass Market sales volumes which decreased by 57GWh to 606GWh.

Mercury's focus on customer value saw sales yields in the Mass Market segment increase by 7.7% from \$129/MWh to \$139/MWh and in the Commercial and Industrial segment by 9.1% from \$79/MWh to \$86/MWh. Customer connections decreased by 6,000 to 336,000 across the quarter, 20,000 lower compared to the end of FY2020-Q2.

BROAD LIFT IN ADJUSTED DEMAND WITH WEAKER INDUSTRIAL SECTOR LOAD THE EXCEPTION

National demand increased by 0.3% on a temperature-adjusted basis (down -0.4% on an unadjusted basis) with positive contributions from the urban (+0.3%), rural (+0.1%), dairy (+0.2%), irrigation (+0.5%) and other (+0.2%) sectors. Industrial demand decreased (-1.0%) due to reduced load at the Tiwai Point aluminium smelter and other major industrial users.

¹ For quarters ended 31 December since 1999

>> OPERATING STATISTICS

OPERATING INFORMATION	Three months ended 31 December 2020		Three months ended 31 December 2019		Six months ended 31 December 2020		Six months ended 31 December 2019	
ELECTRICITY CUSTOMERS (’000s ICPs)	336		356					
North Island Customers	297		314					
South Island Customers	39		42					
Dual Fuel Customers	45		47					
	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)
ELECTRICITY SALES								
Physical	117.21	1,039	112.65	1,002	121.87	2,296	116.64	2,241
Mass Market ²	139.36	606	129.41	663	138.14	1,438	129.08	1,555
Commercial & Industrial ³	86.16	433	79.86	339	94.60	858	88.48	686
Network Losses		49		49		109		110
Physical Purchases ⁴	120.19	1,088	109.48	1,050	132.02	2,406	120.39	2,351
Financial ⁵	86.25	935	79.23	833	86.85	1,778	80.72	1,703
End User CfDs	86.70	377	78.55	313	87.08	753	78.71	636
Other Sell CfDs ⁶	85.94	558	79.64	520	86.68	1,025	81.91	1,067
Spot Settlement of CfDs	110.79		97.96		120.20		109.06	
Spot Customer Purchases	110.72	31	99.30	181	135.43	105	110.53	379
ELECTRICITY GENERATION								
Physical	114.49	1,589	103.50	1,524	126.39	3,320	114.41	3,428
Hydro	119.92	930	109.96	928	132.73	1,974	119.62	2,142
Geothermal (consolidated) ⁷	106.82	659	93.46	596	117.09	1,346	105.74	1,286
Financial	87.01	402	84.31	391	92.44	835	83.06	690
Buy CfDs ⁶	87.01	402	84.31	391	92.44	835	83.06	690
Spot Settlement of CfDs	108.33		93.97		118.45		103.67	
PORTFOLIO LWAP/GWAP ⁸	1.02		1.03		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 151 GWh for the 3 months ended 31 December 2020 and 151 GWh for the 3 months ended 31 December 2019 and of 302 GWh for the 6 months ended 31 December 2020 and 302 GWh for the 6 months ended 31 December 2019

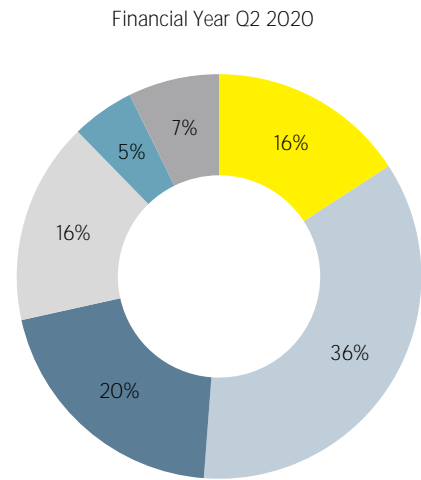
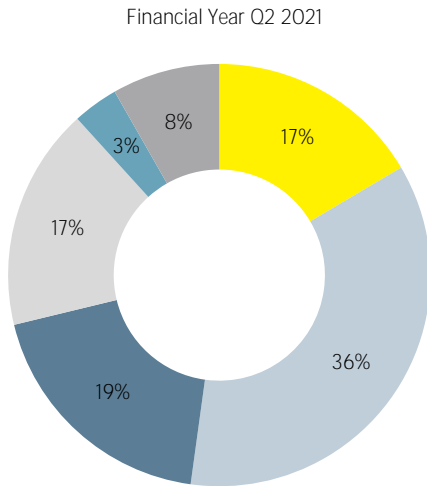
⁷ Includes Mercury’s 65% share of Nga Awa Purua generation

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 DECEMBER

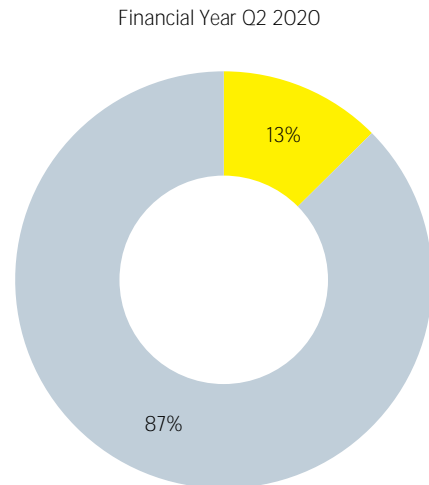
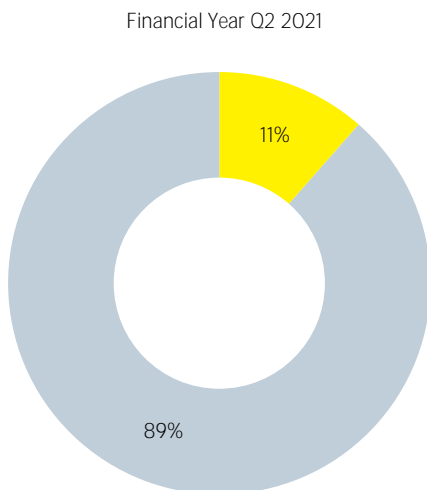
- MERCURY
- MERIDIAN ENERGY
- CONTACT ENERGY
- GENESIS ENERGY
- TRUSTPOWER / TILT
- OTHER



Source: Electricity Authority

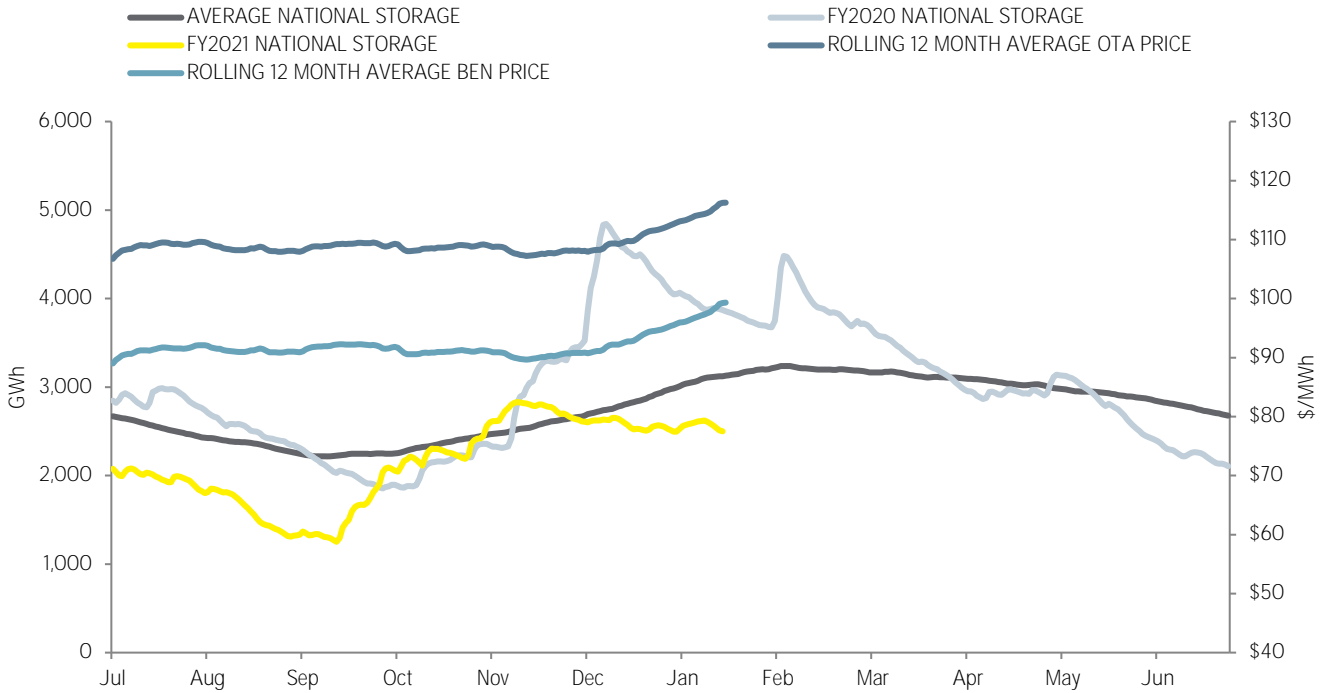
> SHARE OF ELECTRICITY SALES (GWh) FOR THE THREE MONTHS ENDED 31 DECEMBER (EXCLUDING CFDs)

- MERCURY
- OTHER



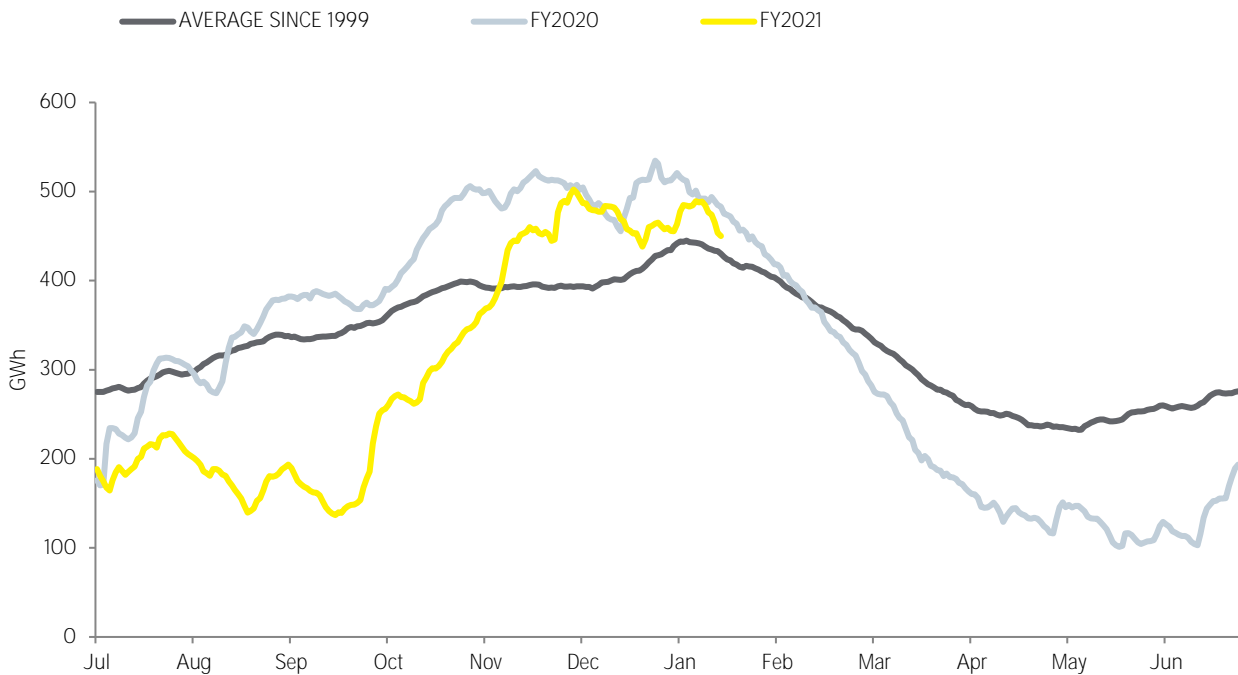
Source: Mercury Purchases and Transpower SCADA

> OTAHUHU WHOLESALE PRICE AND NATIONAL HYDRO STORAGE LEVELS



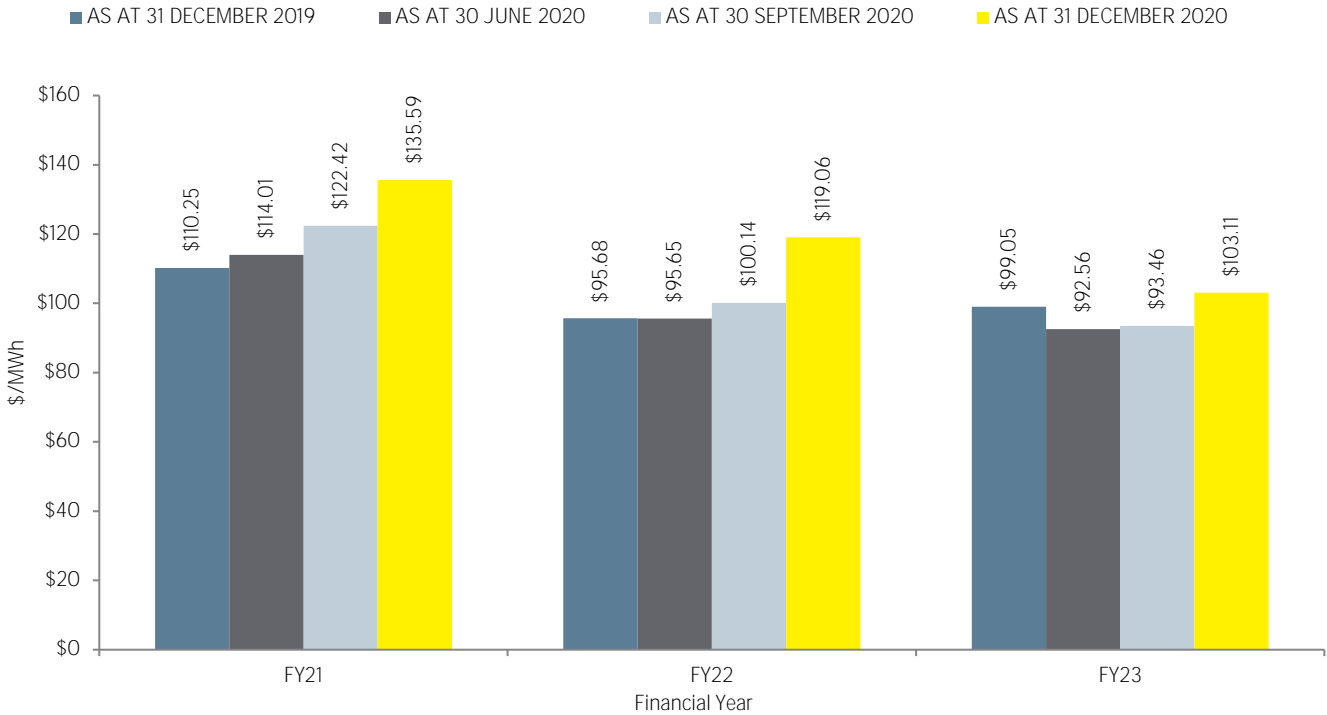
Source: NZX Hydro and NZEM Pricing Manager (NZX)

> TAUPO STORAGE



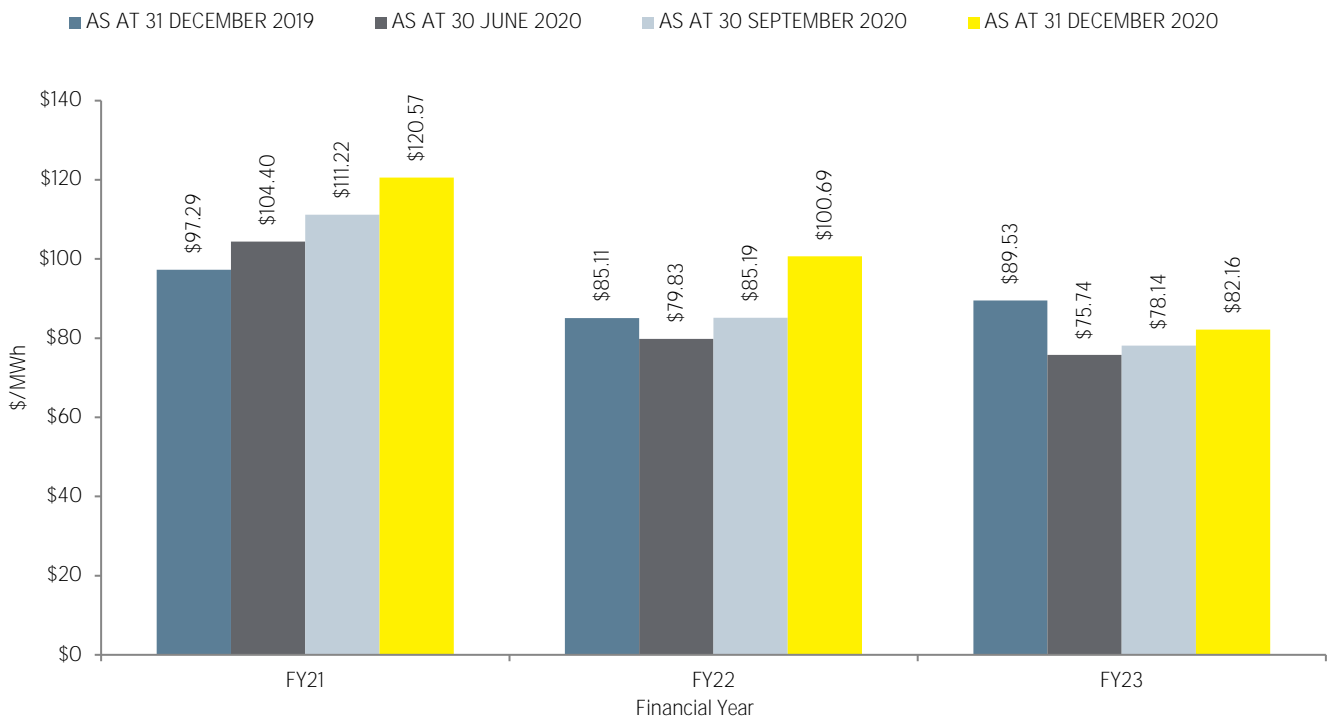
Source: NZX Hydro

> OTAHUHU ASX FUTURES SETTLEMENT PRICE



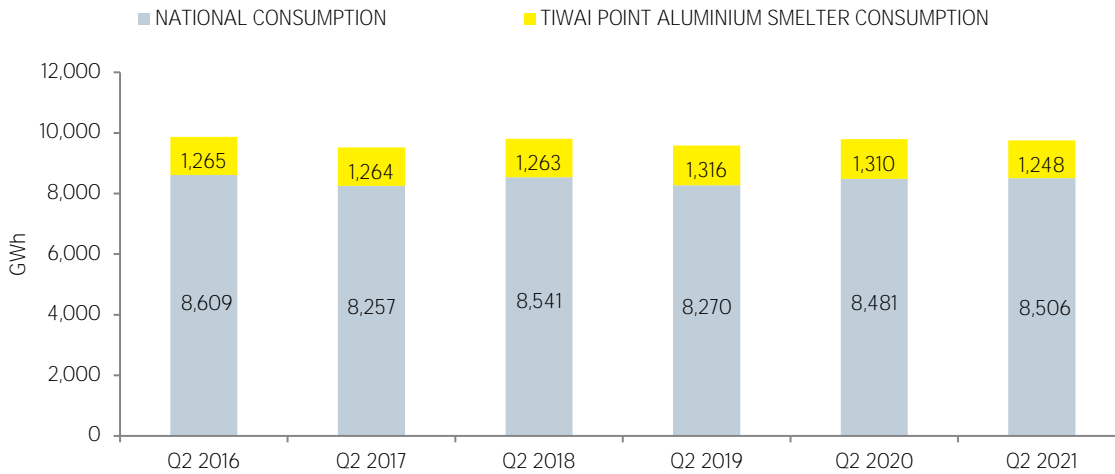
Source: ASX

> BENMORE ASX FUTURES SETTLEMENT PRICE



Source: ASX

> NATIONAL CONSUMPTION (NON-TEMPERATURE ADJUSTED)



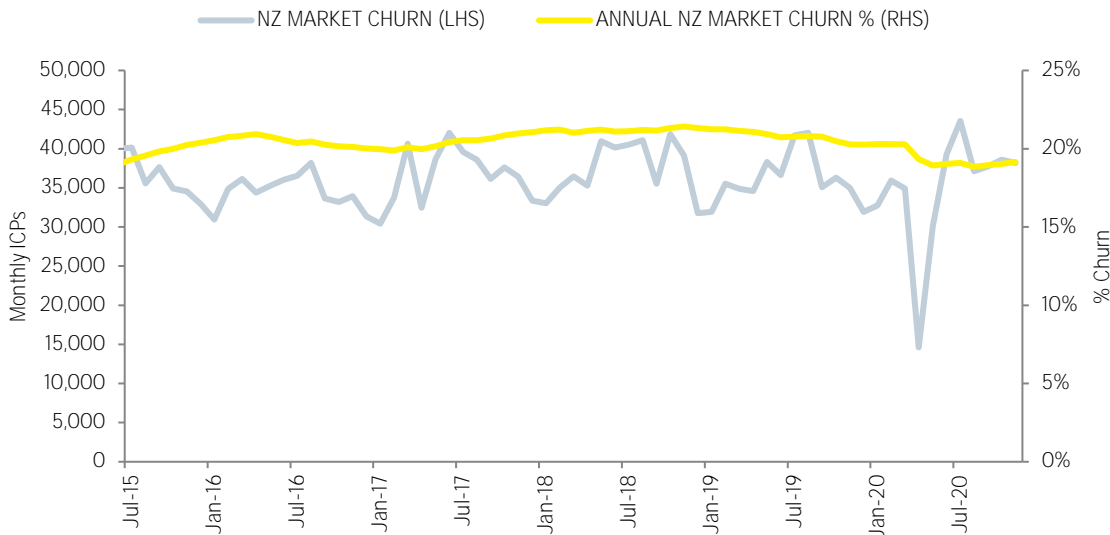
Source: Transpower Information Exchange

> AUCKLAND CLIMATE SUMMARY (°C)

FINANCIAL YEAR	Q1	Q2	Q3	Q4
2021	12.3	16.9	-	-
2020	12.3	16.7	19.5	14.4
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
Historical Average (since 1999)	11.9	16.1	19.4	14.2

Source: Met Service

> MONTHLY TOTAL CONSUMER RETAIL SWITCHING (ICPs)



Source: Electricity Authority