

>> QUARTERLY HIGHLIGHTS

FY23 hydro generation forecast at 4,500GWh.

Retail connection growth steady

Forward electricity prices lift

>> COMMENTARY

Mercury's quarterly operating update now includes the impact of the Trustpower retail business resulting in higher mass market connections, volumes and prices versus the prior period.

Generation production across all fuel types lifted versus the prior comparable period (pcp), with Waikato catchment inflows trending at the 98th percentile for the quarter boosting hydro production by 502GWh to 1,455GWh. FY23 hydro generation is now forecast at 4,500GWh based on current storage and production year-to-date. Lake Taupo is 85% full. Hydro spill for the quarter was 289GWh as high Taupo lake levels were managed by increased releases from Taupo. Geothermal generation lifted to 688GWh versus 607GWh in the pcp due mostly to Kawerau turbine outage in July 2021. Total wind generation was 400GWh versus 233GWh in the pcp, reflecting a full quarter of production across all of Mercury's windfarms (ex-Tilt windfarms acquired on 3 August 2021 and Turitea North which achieved full operation in January 2022).

Spot prices retreated during the quarter and were around 50% lower than 1Q22 levels averaging \$70/MWh at Otahuhu (Auckland) and \$63/MWh at Benmore (central South Island) due to extremely wet conditions nationally (also 99th percentile). This reduced forward pricing for FY23, pulling Auckland futures prices back to \$155/MWh. However futures prices remain elevated in FY24-CY26 as high cost thermal generation lifts forward prices, averaging around \$190/MWh over FY24-FY25. National demand rose by 1% for the quarter, noting the pcp was adversely affected by Covid and lockdown in Auckland.

Sales to customers rose strongly versus the pcp with the inclusion of the Trustpower retail business lifting mass market sales to 1,325GWh for the quarter. Total connection growth across all products (electricity, gas, telco) lifted by 4,000 over the quarter with electricity customer connections stable at 574k. Sales to C&I (physical and financial) lifted by over 100GWh to 911GWh. Mass market yields were almost \$14/MWh higher mostly due to the inclusion of Trustpower retail customers. C&I yields (physical and financial) also rose by \$14/MWh to \$122/MWh, reflecting the strongly rising forward curve repricing contract renewals. Longer dated supply contracts with C&I customers have become more common to reduce the impact of medium-term energy costs. Other sell CFDs lifted very strongly (up almost 30%) to nearly \$130/MWh due to tactical selling into the futures market over Q1 to shore up prices for higher generation against a soft spot price environment.

>> OPERATING STATISTICS

OPERATING INFORMATION	Three months ended 30 September 2022		Three months ended 30 September 2021		
CONNECTION NUMBERS ('000s)					
Electricity connections (ICPs)		574		328	
Gas connections		96		46	
Telecommunication connections		119			
Mobile connections		14			
Customers with two or more products		179		46	
		VWAP ¹ \$/MWh	Volume GWh	VWAP	Volume
ELECTRICITY SALES					
Physical		2,866		2,076	
-----		1,932	132.84	1,301	
Mass Market	²	154.04	1,325	140.33	789
Commercial & Industrial	³	130.83	607	118.55	512
-----			91		62
Network Losses					
Physical Purchases	⁴	76.97	2,023	151.42	1,363
Financial		121.86	934	96.98	775

End User CfDs		105.40	304	89.39	293
Other Sell CfDs		129.79	630	100.54	482
Spot Settlement of CfDs		69.29		143.68	
Spot Customer Purchases		69.20	31	149.58	30
GAS SALES (\$/GJ, TJ)					
Gas purchases (\$/GJ, TJ)	⁵	19.21	778	14.32	395
TELCO SALES (\$/month/connection)	⁶	13.56	786	8.38	403
Telco costs (\$/month/connection)	⁶	80.50			
		56.06			
ELECTRICITY SUPPLY					
Physical		71.32	2,543	142.78	1,793

Hydro		77.23	1,455	157.18	953
Geothermal (consolidated)	⁷	64.31	688	120.17	607
Wind Spot		49.74	117	77.01	13
Wind PPA		66.94	283	66.00	220
Financial		96.80	873	137.11	453

Buy CfDs	⁸	96.80	873	137.11	453
Spot Settlement of CfDs		69.58		143.44	
Net Position	⁹		176		-112

¹ For electricity and gas, VWAP is the 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 Includes LPG

⁶ Includes mobile connections

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

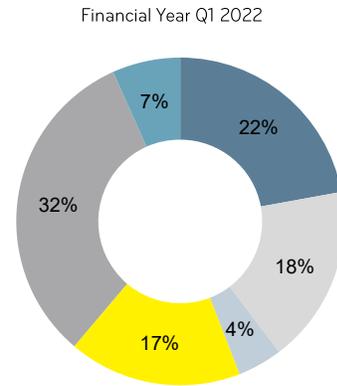
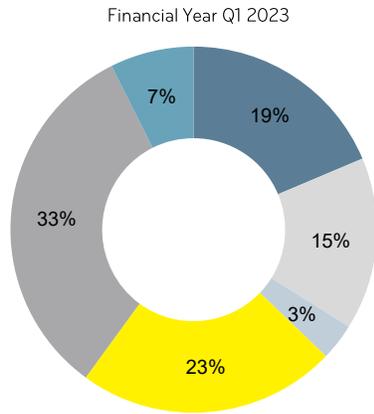
⁸ Includes Virtual Asset Swap volumes of 151 GWh for the 3 months ended 30 September 2022 and 151 GWh for the 3 months ended 30 September 2021. Also includes the Manawa CFD volumes relating to the Trustpower retail transaction since May 2022

⁹ Includes all physical and financial buys and sells except spot customer purchases and wind ppa

>> MARKET DATA

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

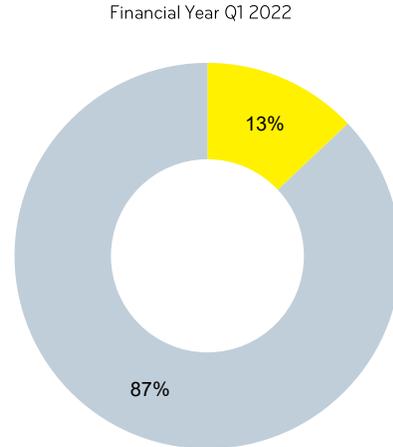
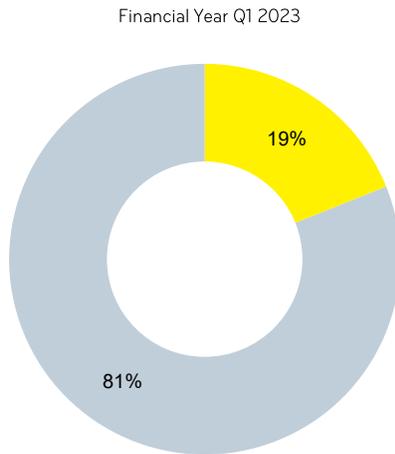
- CONTACT ENERGY
- GENESIS ENERGY
- MANAWA ENERGY
- MERCURY
- MERIDIAN ENERGY



Source: Electricity Authority

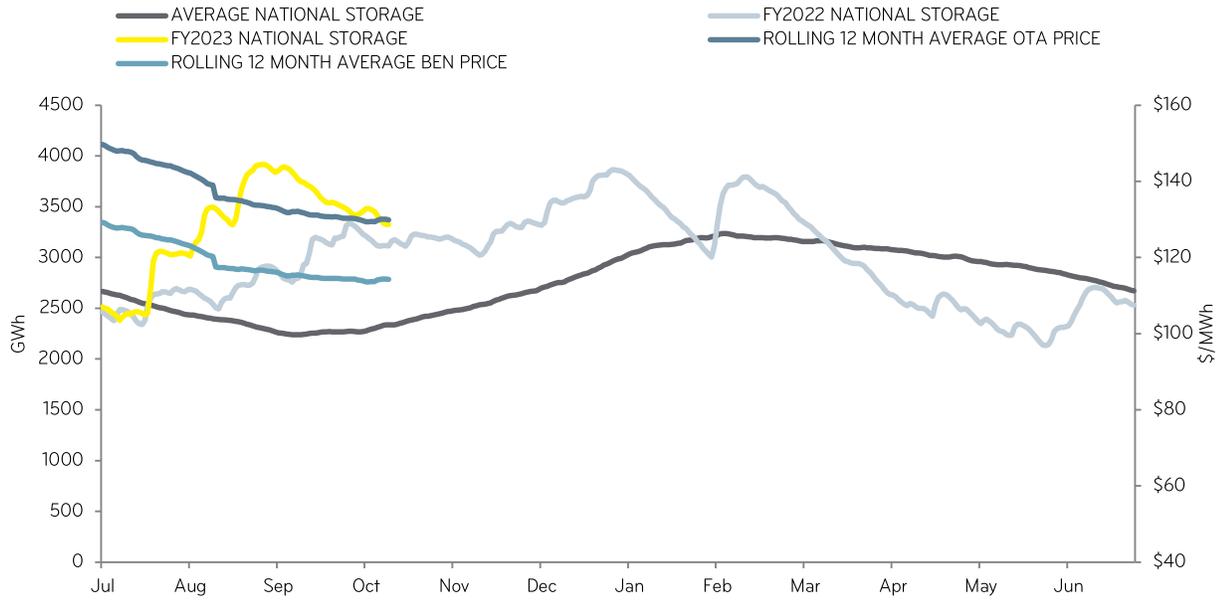
> SHARE OF ELECTRICITY SALES (GWh) FOR THE THREE MONTHS ENDED 30 SEPTEMBER (EXCLUDING CFDs)

- MERCURY
- OTHER

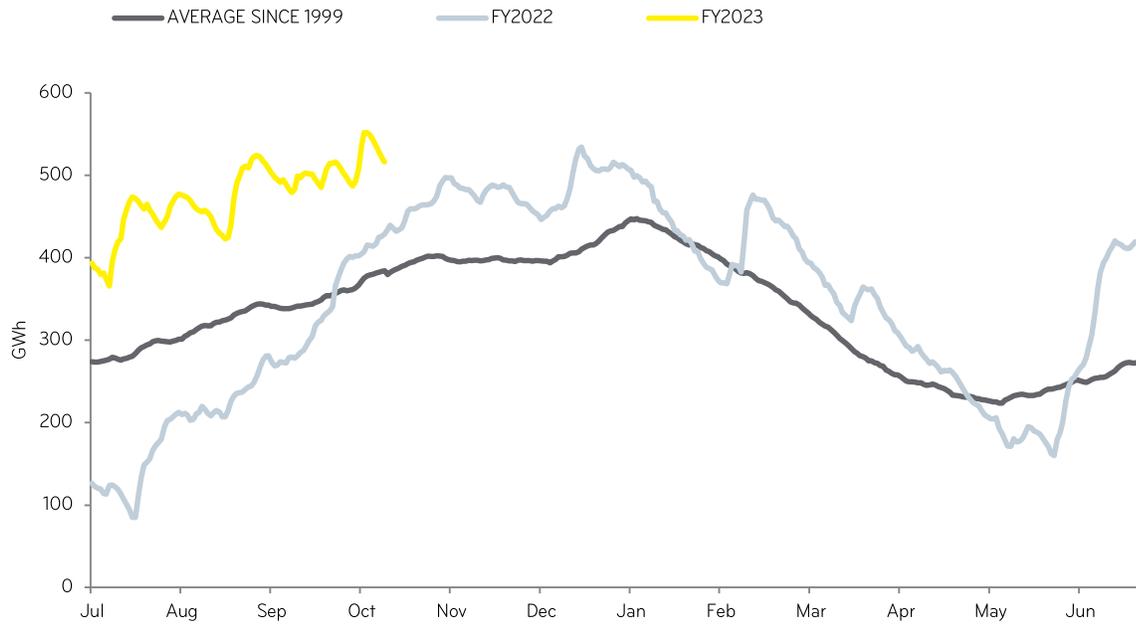


Source: Mercury Purchases and Transpower SCADA

> OTAHUHU WHOLESALE PRICE AND NATIONAL HYDRO STORAGE LEVELS

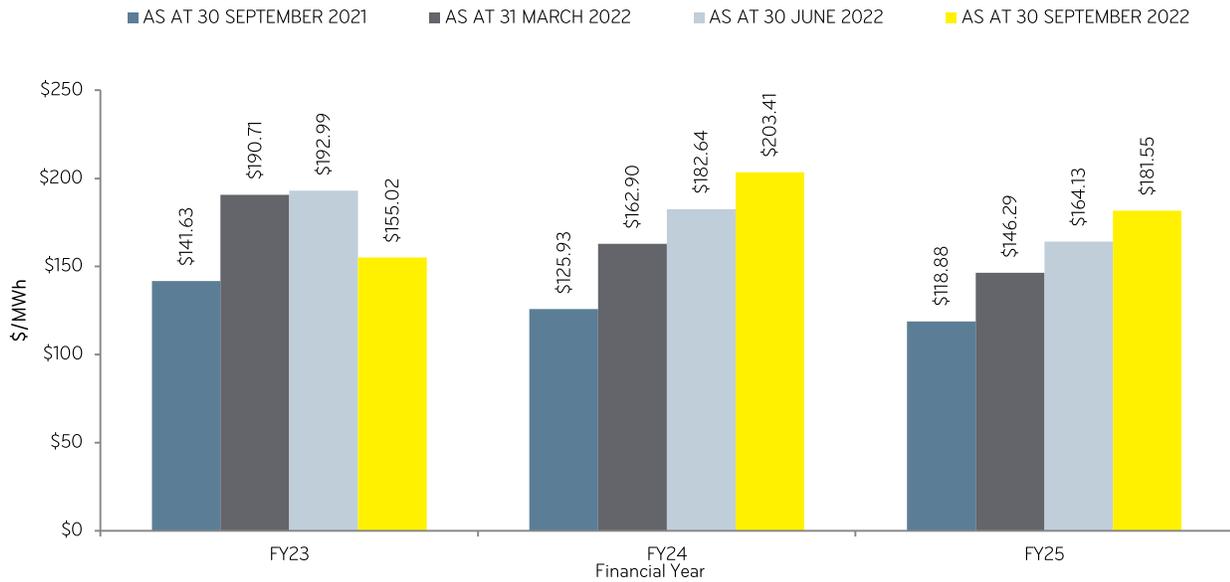


> TAUPO STORAGE

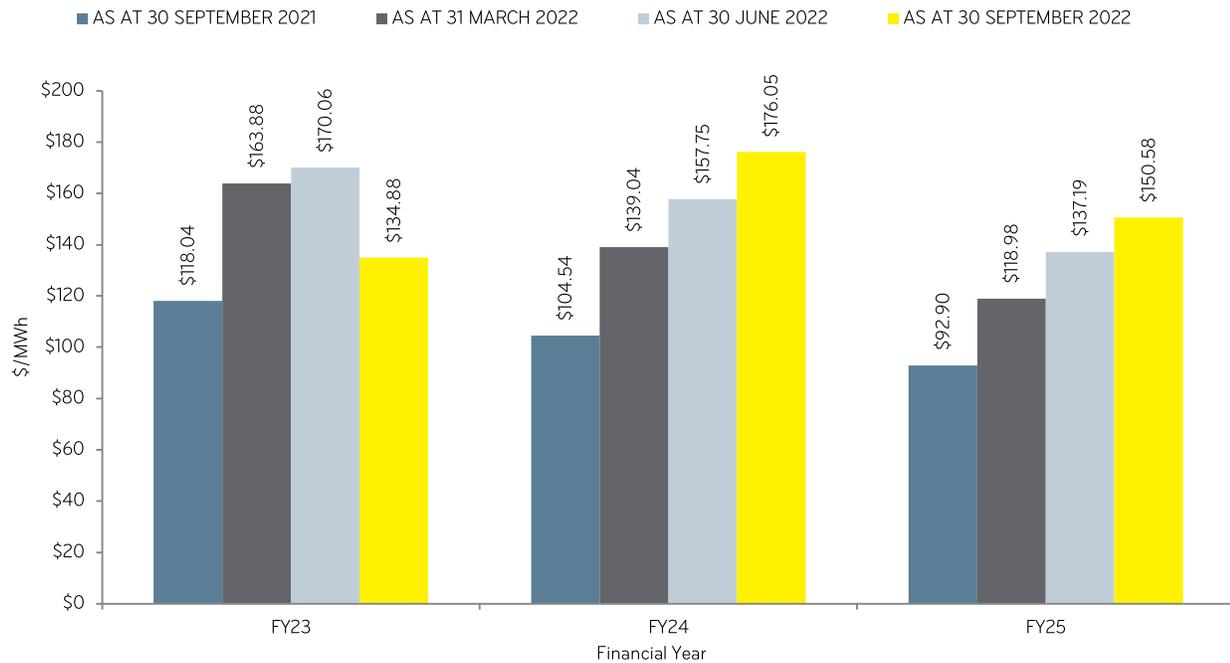


Source: NZX Hydro

> OTAHUHU ASX FUTURES SETTLEMENT PRICE

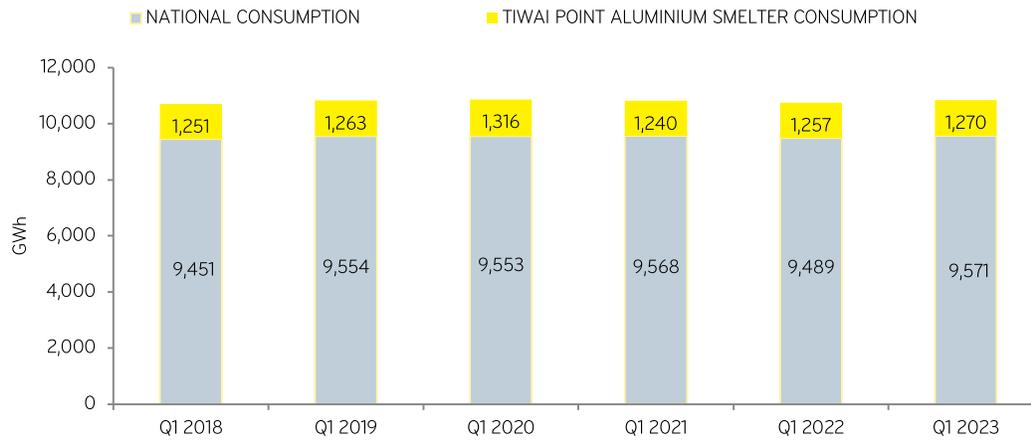


> BENMORE ASX FUTURES SETTLEMENT PRICE



Source: ASX

> NATIONAL CONSUMPTION (NON-TEMPERATURE ADJUSTED)



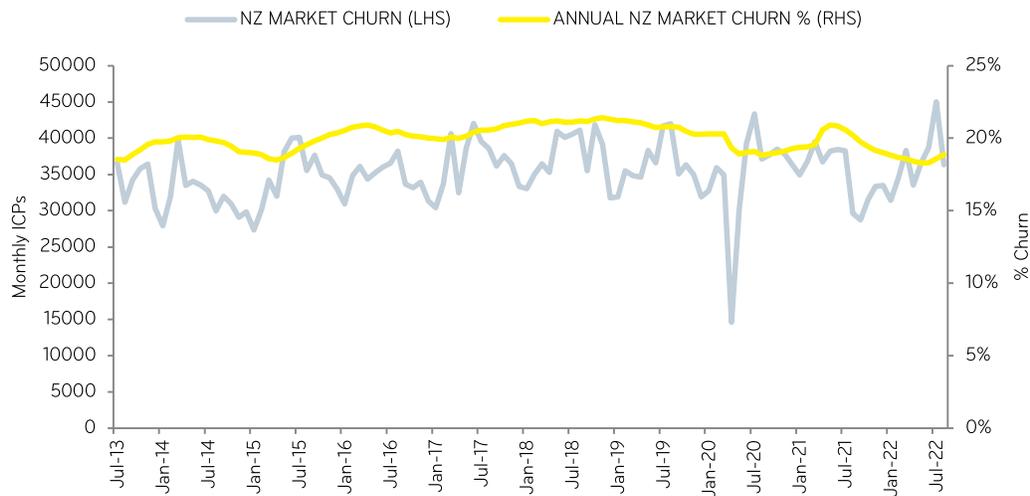
Source: Transpower Information Exchange

> AUCKLAND CLIMATE SUMMARY (°C)

2020	12.3	16.7	19.5	14.4
2019	12.1	16.3	20.2	14.1
Historical Average (since 1999)	11.9	16.2	19.5	14.2

Source: Met Service

> MONTHLY TOTAL CONSUMER RETAIL SWITCHING (ICPs)



Source: Electricity Authority