

Company Announcements Office
Exchange Centre
Level 6
20 Bridge Street
Sydney, NSW 2000
AUSTRALIA

23 August 2016

Dear Sir/Madam

Mercury NZ Limited – 2016 Full Year Results

Attached are the following documents in relation to Mercury NZ Limited's full year results for the year ended 30 June 2016.

- > NZX Appendix 1
- > News Release
- > 2016 Full Year Results presentation
- > NZX Appendix 7 – ordinary dividend
- > NZX Appendix 7 – special dividend

Mercury's 2016 Annual Report is being loaded separately on ASX online.

Dividend information filed on Appendix 3A.1 will follow.

Yours sincerely



Tony Nagel
Company Secretary

Appendix 1 – Full year results

Stock Exchange listings NZX (MCY) ASX (MCY)

Results for announcement to the market		
1. Full year reporting periods		
Reporting Period	12 months to 30 June 2016	
Previous Reporting Period	12 months to 30 June 2015	
	NZD Amount (\$M)	Percentage change
Revenue from ordinary activities	1,564	-6.8%
Profit from ordinary activities after tax attributable to security holders	160	+240.4%
Net profit attributable to security holders	160	+240.4%
Earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments, impairments and equity accounted earnings (EBITDAF)	493	+2.3%
Underlying earnings after tax ¹	152	+4.8%
	NZD Amount	Percentage change
Basic and diluted earnings per share (weighted average number of shares)	\$0.1163	+240.1%
Net tangible assets per share (excluding treasury shares)	\$2.36	-0.7%
	Amount per security	Imputed amount per security
Final Dividend	\$0.086	\$0.033444 ²
Record Date	14 September 2016	
Dividend Payment Date	30 September 2016	

Special Dividend	Amount per security	Imputed amount per security
Special Dividend	\$0.040	\$0.00 ³
Record Date	14 September 2016	
Dividend Payment Date	30 September 2016	
Comments:	<ol style="list-style-type: none"> Underlying earnings after tax excludes one-off and/or infrequently occurring events (exceeding \$10 million of net profit before tax). This is a non-GAAP measure. A supplementary dividend of \$0.015176 per share will be payable on the final dividend to shareholders who are not resident in New Zealand. As the special dividend is not imputed, no supplementary dividend will be payable. 	
2. Control of entities gained or lost during the period		
Name	Date control lost	
MRP Fin-Co Germany Limited	In voluntary liquidation at 30 June 2016. Removed from register on 26 July 2016.	
MRP Fin-Co Peru Limited	In voluntary liquidation at 30 June 2016. Removed from register on 26 July 2016.	
MRP Fin-Co Chile Limited	In voluntary liquidation at 30 June 2016. Removed from register on 26 July 2016.	
MRP Holdings-Germany Limited	In voluntary liquidation as at balance date.	
MRP Holdings-Peru Limited	In voluntary liquidation as at balance date.	
MRP Holdings-Chile Limited	In voluntary liquidation as at balance date.	
MRP Energia Chile Limitada	In voluntary liquidation as at balance date. Dissolved 15 July 2016.	
ECNZ International Limited	Liquidated and removed from register on 21 June 2016.	
PT ECNZ Services Indonesia	Vested to Crown on 21 June 2016 under section 324 Companies Act 1993.	
MRP Peru S.R.L	Liquidated 24 September 2015.	
MRP Peru Holdings LLC	Dissolved 22 December 2015.	
Mighty River Power (US) LLC	Dissolved 30 June 2016.	



3. Dividends	See section 1 above and NZX Appendix 7 attached.
4. Dividend or distribution reinvestment plans	None.
5. Associates and joint venture entities	Refer to Annual Consolidated Financial Statements for year ended 30 June 2016.
6. Accounting Standards	Refer to Annual Consolidated Financial Statements for year ended 30 June 2016.
7. Audit	This report is derived from the audited Annual Consolidated Financial Statements. EY has provided an Audit Report on the Financial Statements, copy attached.

Attachments:

- News release
- Results presentation
- Annual Report and Audited Financial Statements for the year ended 30 June 2016
- NZX Appendix 7 – ordinary dividend
- NZX Appendix 7 – special dividend





STOCK EXCHANGE LISTINGS: NZX (MCY) / ASX (MCY)

NEWS RELEASE

Mercury EBITDAF up 2.3% to \$493m on renewables advantage

>> Special dividend lifts Mercury distributions to \$252 million

23 August 2016 – Mercury has reported a 2.3% lift in operating earnings (EBITDAF) to \$493 million for FY2016, the first financial results reported under the company's new brand.

More than 90,000 Mercury owners, including the Crown, will receive a final fully-imputed ordinary dividend of 8.6 cents per share (8 cents net of Resident Withholding Tax¹). This brings the full year fully-imputed ordinary dividend to a total of 14.3 cents per share, in line with guidance. The company has also declared an unimputed special dividend of 4 cents per share.

Chair, Joan Withers, says the unimputed special dividend of 4 cents per share (2.68 cents net of Resident Withholding Tax¹) reflects the proceeds from non-core land sales and the current limited requirement for growth capital. Both dividends are payable on 30 September 2016.

"This level of distribution represents both 100% of Free Cash Flow and the proceeds from land sales completed over the past two years, continuing a strong focus on active capital management," she says. "We are pleased to be returning \$252 million to our shareholders for the full year, underscoring the strength of our company in a period of significant change and progress for the business, including our rebranding to Mercury at the end of July." Mrs Withers says it is Mercury's intention to continue to fully-impute ordinary dividends.

Chief Executive, Fraser Whineray, says a clear highlight through the financial year was refocusing the business behind a single new Mercury brand: "We now have all of our collective energy and strategy in alignment. We have had a great response and engagement from customers around our new brand and related initiatives since the launch."

He says the overall picture of the New Zealand electricity market remains healthy, with steady demand growth over the past two years and a well-balanced market with significant thermal generation retired in 2015. This includes the closure of Mercury's Southdown station in Auckland, meaning the company's electricity generation is now 100% renewable.

"We have a stable and well-functioning regulatory environment that is delivering high levels of energy security, unprecedented choice for customers and a renewable electricity supply that is 80% and rising. This is an extremely positive context, creating opportunities for us around advancing technology and renewable energy with the right regulatory conditions."

Financial Results

	FY2016	FY2015
EBITDAF (\$M)	493	482
NET PROFIT AFTER TAX (\$M)	160	47
UNDERLYING EARNINGS AFTER TAX (\$M)	152	145
ORDINARY DIVIDEND (CENTS PER SHARE)	14.3	14.0
SPECIAL DIVIDEND (CENTS PER SHARE)	4.0	7.5



While Mercury's hydro generation was below average due to low inflows, operating earnings for the year were up \$11 million. Geothermal generation was up 2% to a record 2,830GWh and hydro up 16% to 3,866GWh. Reduced volatility in the wholesale market led to subdued average pricing with a greater impact on generation prices (GWAP) relative to electricity purchase costs (LWAP).

Mr Whineray says Mercury's increase in commercial sales lifted overall volumes in the final quarter of the financial year. This contributed to a 4% fall in the average energy price to customers as new commercial contracts replaced higher-priced contracts signed between FY2011 and FY2013.

The company's revenue from third-party metering and energy data services increased with additional meters deployed, reaching 396,000 in FY2016. Mercury recognised \$13 million from the disposal of land, including parcels around the site of the former Marsden Point power station to the Office of Treaty Settlements. This largely concludes Mercury's non-core land sales programme.

Operating costs were flat year-on-year and included prudent investment in the Mercury rebrand.

Net profit after tax increased \$113 million to \$160 million due to impairments in the prior period and Mercury's improved EBITDAF in FY2016. Underlying earnings after tax increased by \$7 million or 4.8% to \$152 million, reflecting improved operating earnings.

Mr Whineray says capital expenditure remains largely focused around the ongoing hydro reinvestment programme to improve the operational efficiency and long-term reliability of these key stations on the Waikato River, geothermal well-drilling to sustain performance, and the further roll-out of smart meters by Metrix.

FY2017 Guidance

With the moderate level of earnings variability from year to year due to hydrological conditions, Mercury has adopted a single 'point-estimate' for EBITDAF guidance from FY2017.

Mrs Withers says the aim is to communicate expected business outcomes more clearly to investors. EBITDAF guidance updates will be provided at least twice-yearly at the Annual Shareholders' Meeting and Interim Results. Quarterly Operational Updates will include mid-point estimates for full-year hydro generation.

EBITDAF guidance for the year ending 30 June 2017 is \$490 million, subject to any material events, significant one-off expenses or other unforeseeable circumstances including hydrological conditions. Ordinary dividend guidance has been issued at 14.6 cents per share, up 2% on FY2016.

For further information:

Media – David Glendining 0272 105 337

Investors – Tim Thompson 0275 173 470

ABOUT MERCURY NZ LIMITED

At Mercury we're thinking boldly about the possibilities with energy and inspiring New Zealanders with our clean, green electricity and ideas – making energy wonderful. Renewable energy from Mercury's hydro and geothermal stations will power a brighter future for our customers and country.

Visit us at: www.mercury.co.nz

¹ Assuming a tax rate of 33%, applicable to New Zealand residents only.



Financial Results

Year ended 30 June 2016

FRASER WHINERAY

Chief Executive

23 August 2016

WILLIAM MEEK

Chief Financial Officer



DISCLAIMER

The information in this presentation has been prepared by Mercury NZ Limited (formerly known as Mighty River Power Limited) with due care and attention. However, neither the company nor any of its directors, employees, shareholders nor any other person shall have any liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it.

This presentation may contain projections or forward-looking statements regarding a variety of items. Such projections or forward-looking statements are based on current expectations, estimates and assumptions and are subject to a number of risks, uncertainties and assumptions. There is no assurance that results contemplated in any projections and forward-looking statements in this presentation will be realised. Actual results may differ materially from those projected in this presentation. No person is under any obligation to update this presentation at any time after its release to you or to provide you with further information about Mercury NZ Limited.

A number of non-GAAP financial measures are used in this presentation, which are outlined in the appendix of the presentation. You should not consider any of these in isolation from, or as a substitute for, the information provided in the audited consolidated financial statements for the twelve months ended 30 June 2016, which are available at www.mercury.co.nz.

Forward-looking statements are subject to any material adverse events, significant one-off expenses or other unforeseeable circumstances including hydrological conditions.

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation. Nothing in this presentation constitutes legal, financial, tax or other advice.



AGENDA

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4 BUSINESS & STRATEGY



ONE BRAND

- > On 29 July the company came together under one brand, Mercury
- > The change is another significant strategic step forward for the company, allowing all of our energy and focus to be behind a single brand for the first time
- > Mercury brings together the company's near century-long heritage with our customer-driven innovation
- > The new Mercury brand will allow us to focus on what matters most; inspiring and rewarding our customers and owners

The Mercury bee

- > Symbolises all the wonderful things we want to be and do for New Zealanders
- > Bees are the ultimate symbol of life-giving energy. They are optimistic, energetic and are quietly busy making the world a better place
- > Like our bee, renewable energy is natural and essential to the planet, promoting well-being and real sustainability for future generations



Auckland, New Zealand 29 July 2016





OUR PURPOSE

Inspiring New Zealanders to enjoy energy in more wonderful ways

Inspiring New Zealanders

We want to inspire New Zealanders by delivering value, innovation and outstanding experiences

To enjoy energy

We want our customers to enjoy what energy does for them and choose Mercury because we make a positive difference in their lives

In more wonderful ways

We will bring new technology and ideas to create wonderful experiences for our customers in a uniquely New Zealand context



OUR GOAL

To be New Zealand's leading energy brand



OUR STRATEGY

Mercury will create long term value for our owners by:

①

Delivering customer advocacy

Outstanding customer experience

Leading digital offerings

Culture-driven innovation

②

Leveraging core strengths

Operational efficiency

Astute portfolio management

Efficient capital allocation

③

Delivering sustainable growth

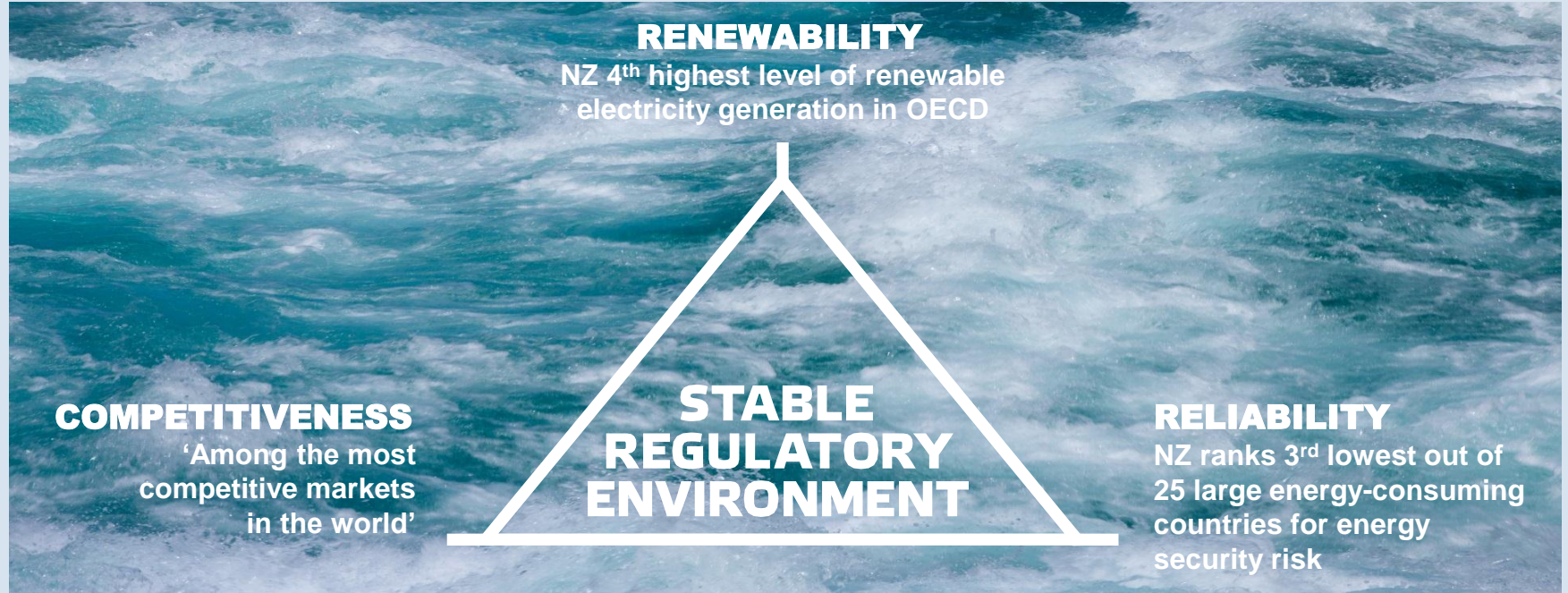
Executing relevant strategic opportunities

Being ready for domestic growth

Embracing emerging technologies



NEW ZEALAND'S COMPETITIVE ADVANTAGE IN ELECTRICITY



Source: Accenture, Ministry of Business, Innovation & Employment, United States Chamber of Commerce



MERCURY'S COMPETITIVE ADVANTAGE



100% renewable generation with two low-cost complementary fuel sources in base-load geothermal and peaking hydro



North Island generation is uniquely located close to major load centres and not dependent on HVDC



Waikato Hydro System is the largest series of peaking stations in the North Island



Rain-fed North Island hydro catchment with inflows correlated with winter peak demand (unlike South Island)



Building a track record of customer-led innovation and rewarding loyalty



Long-term commercial partnerships with Maori landowners and strong relationships with iwi and other key stakeholders





9 FY2016 HIGHLIGHTS



HIGHLIGHTS

Coming together under one brand,

MERCURY

Bringing together our heritage and our customer-driven innovation



BETTER SUPPLY & DEMAND BALANCE

not currently translating to more volatile wholesale prices due to above average inflows and short term fuel management

EBITDAF

^ **\$11m**

to \$493m, reflecting increased generation though lower wholesale market volatility and commercial pricing

MOVED TO 100% RENEWABLE GENERATION

with complementary base-load geothermal and peaking hydro generation, as well as in-house solar capability

ACTIVE CAPITAL MANAGEMENT

Fully-imputed ordinary dividend of 14.3cps and a non-imputed special dividend of 4.0cps declared

FY2017 EBITDAF guidance of

\$490M

FY2017 normal dividend guidance

^ **2% to 14.6CPS**



DELIVERABLES & OUTCOMES

DELIVERABLES

- ✓ No high severity incidents
- ✓ Single new Mercury brand
- ✓ Successful transition of information systems to new brand
- ✓ Leadership changes to deliver greater product and service innovation to customers
- ✓ Continued customer product innovation using smart meters e.g. 'Free Power Days'
- ✓ In house solar installation capability with acquisition of solar business
- ✓ Nga Awa Purua turbine replaced
- ✓ Closure of Southdown gas-fired power station
- ✓ Site works completed as part of Chile geothermal exit
- ✓ Continued focus on capital management with a 4.0cps special dividend declared

INDUSTRY OUTCOMES

- ✓ "Most likely outcome for NZAS is to contract for 572MW"
[18-May-2015](#)
- ✓ "Market will resolve emerging security of supply concerns post 2019"
[21-Oct-2015](#)
- ✓ "Positive signs for continued demand growth"
[21-Oct-2015](#)
- ✗ "Wholesale price volatility likely to increase due to recent reductions in contracted fuel supply and plant closures"
[23-Feb-16](#)

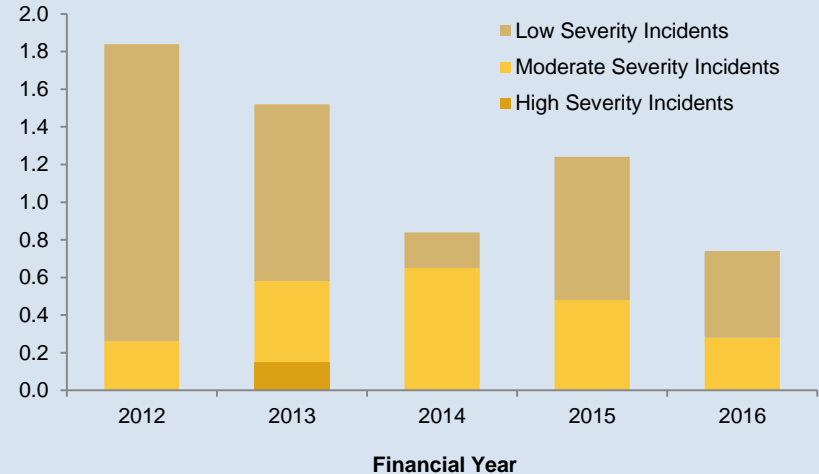


HEALTH & SAFETY

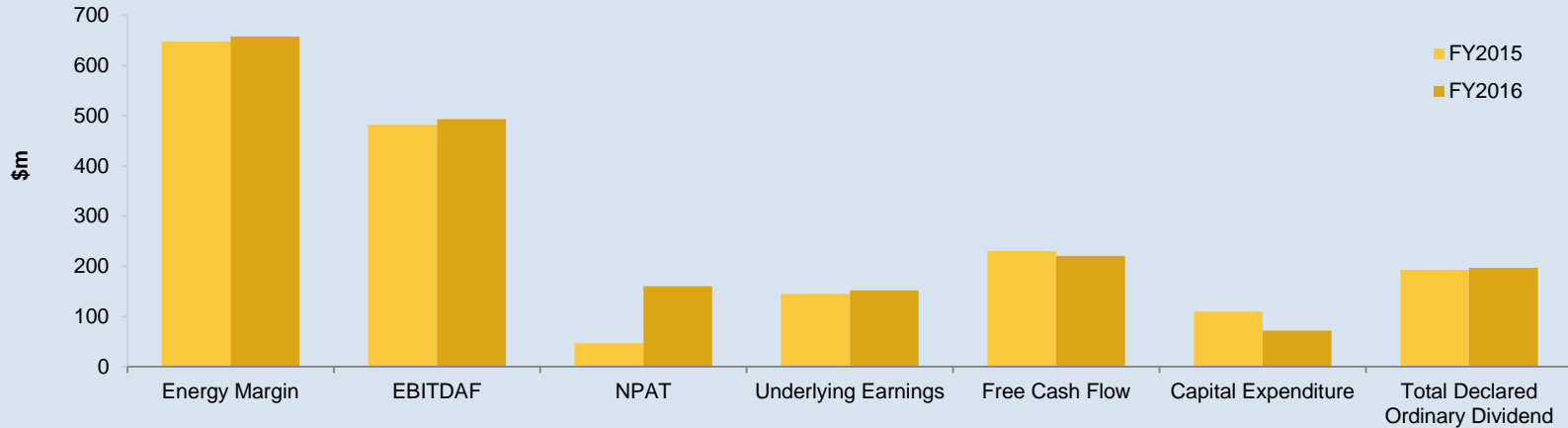
- > Zero harm is our goal
- > FY2016 demonstrates continued improvement in achieving our goal
 - > no high severity incidents involving employees, contractors or visitors on Mercury controlled sites
 - > reduction of lost time (moderate severity) incidents from 5 to 3
 - > continued high engagement survey rating reflecting commitment to the health and safety of Mercury's people
- > Continuous process development
 - > Bow-tie methodology used to map process safety risks beyond regulatory requirements
 - > mobile app used across the company for reporting of health and safety incidents
 - > new online learning management system launched
- > Collaboration to improve industry-wide safety with initiatives such as StayLive

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)

(per 200,000 hours; includes onsite employees and contractors)



FY2016 vs. FY2015

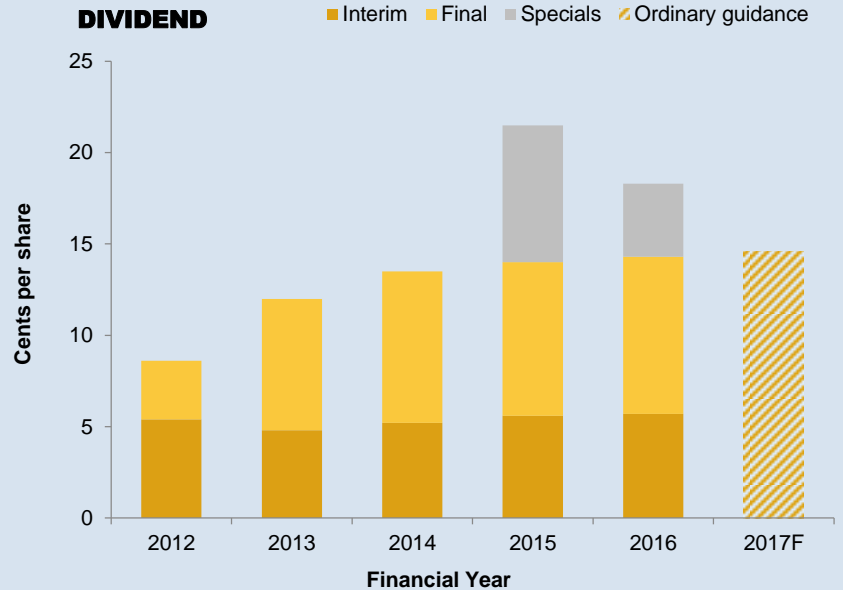


- > Energy Margin, EBITDAF and Underlying Earnings up reflecting higher generation partially offset by lower relative generation prices (GWAP) and the continued roll-off of higher priced commercial contracts put in place through FY2013
- > Net Profit up reflecting lower non-cash impairments relating to the decision to exit international geothermal development and the decommissioning of Southdown in the prior period
- > Free cash flow down reflecting a short-term prepayment of tax offset by lower stay-in-business capital expenditure



DIVIDENDS

- > Focus remains on appropriate capital management
- > Fully imputed ordinary final dividend of 8.6cps
 - > Ordinary dividend for FY2016 up 2% to 14.3cps, in line with guidance
 - > Full year ordinary dividend consistent with Dividend Policy to pay out 70-85% of normalised Free Cash Flow on average through time
- > Non-imputed special dividend of 4.0cps
 - > Increasing total distributions to 100% of Free Cash Flow; and
 - > Distributing proceeds from land sales within FY2015 and FY2016
- > FY2017 ordinary dividend guidance is an increase of 2% to 14.6cps, the sixth year of consecutive ordinary dividend growth





15 MARKET DYNAMICS



INTERPRETING MARKET DYNAMICS

DYNAMIC: DEMAND GROWTH AND THERMAL RATIONALISATION

FUNDAMENTALS: SUPPLY AND DEMAND BETTER BALANCED



EXPECTED MARKET RESPONSE

- > Increased wholesale price volatility
- > Futures price increase
- > Commercial and Industrial (C&I) pricing increase
- > Retail margin reduction in the absence of energy price increases



OBSERVED MARKET RESPONSE

- > Futures pricing flat
- > Customer churn remains at high levels
- > Growing number of new entrant retailers

MITIGATING FACTORS

- > Benign wholesale prices due to generally above average inflows into South Island catchments and short-term management of thermal fuel positions
- > NZAS closure uncertainty



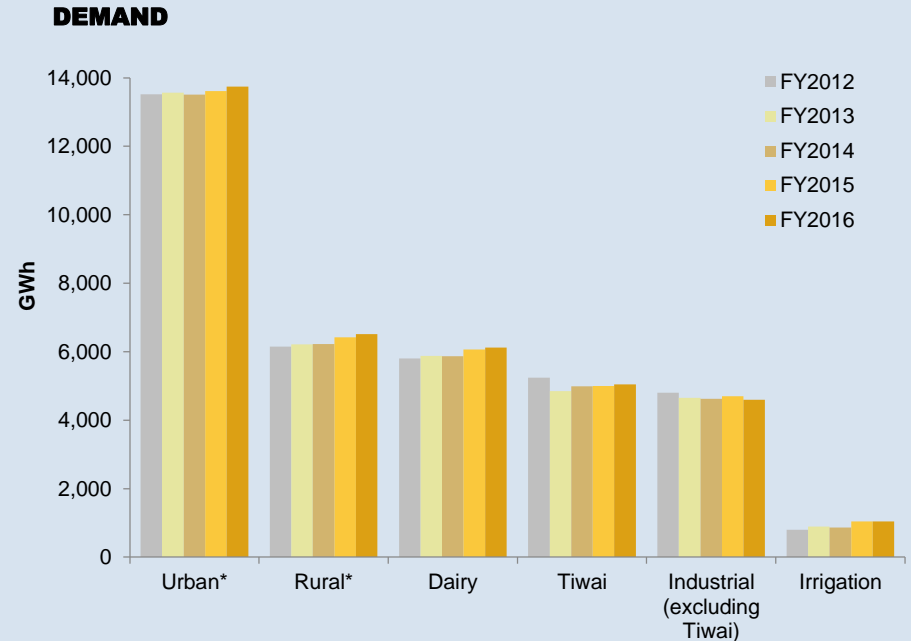
DEMAND

- > Highest demand on record and increases over the past two financial years relative to pcpc
 - > up 0.3% in FY2016, 0.6% after normalising for temperature
- > Despite normalised demand in Q4 FY2016 being flat relative to pcpc, the fundamentals underpinning demand growth remain positive
 - > High net migration and growth in GDP per capita

FY2016 DEMAND GROWTH BY SECTOR¹

Sector	GWh	%
Urban*	+130	0.8%
Rural*	+98	1.5%
Dairy processing	+57	0.9%
Irrigation	+1	0.1%
Industrial	-44	-0.5%

(Industrial includes Pacific Steel mill closure in 1HY2016)



* normalised for temperature

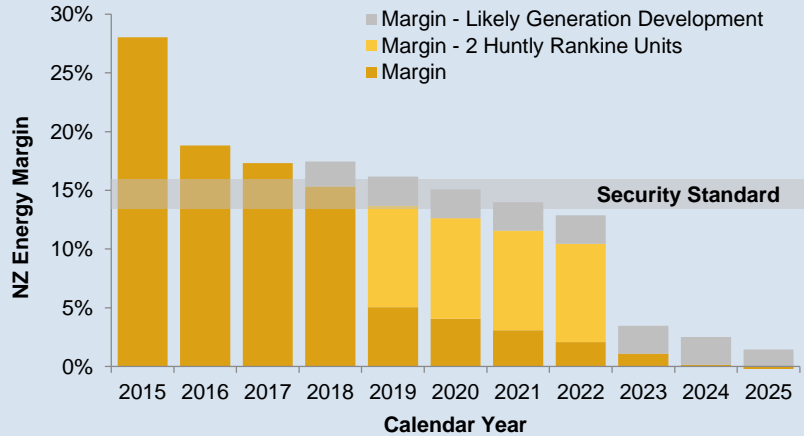
¹ Sector allocations revised in August 2016



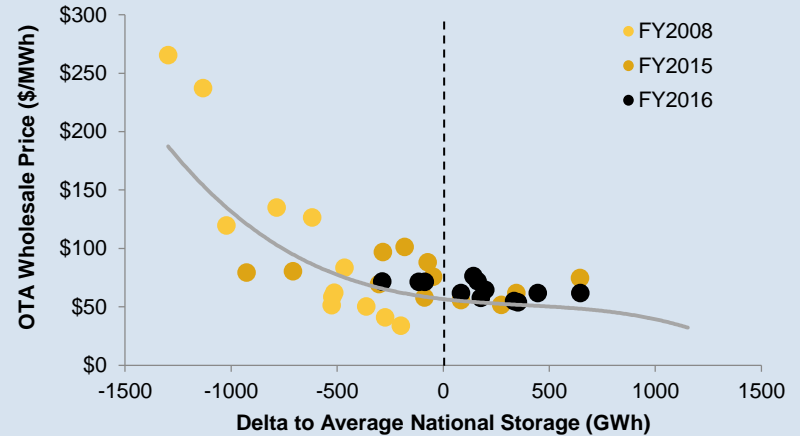
SUPPLY

- > Rationalisation of thermal capacity within FY2016 has resulted in supply and demand being better balanced
- > Short term supply drivers have limited how this has translated through to wholesale prices
 - > 75th percentile South Island inflows for FY2016 (1,400GWh above average)
 - > Genesis' coal stockpile has reduced to 408kT (circa 840GWh) as at 30 June 2016 relative to 721kT 12 months earlier

NZ ENERGY MARGIN



MONTHLY HYDRO STORAGE AND PRICE

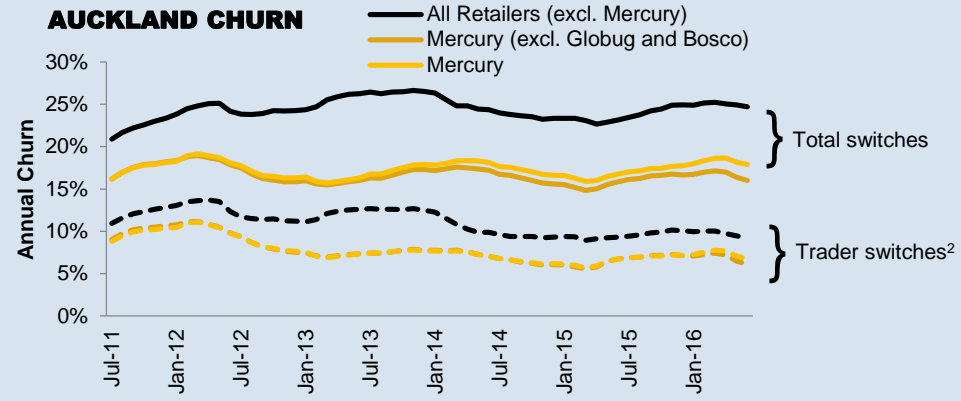
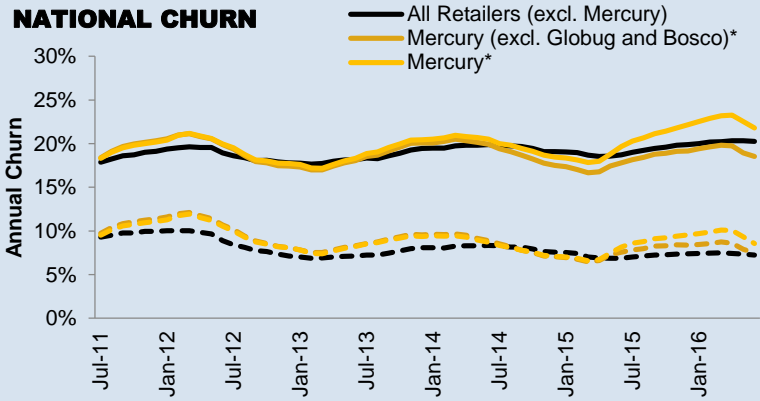


Source: Transpower, Mercury



CUSTOMER

- > Industry retail energy prices fell through FY2016, reflecting strong competition
 - > MBIE 'Residential sales-based electricity cost' reduced (-2.5% energy and -0.4% lines) for 12 months to 31 March 2016¹
- > Churn remains high relative to international benchmarks
 - > Major centres (such as Auckland) observing slightly higher churn due to customer density
 - > Historic incumbencies (such as Mercury in Auckland) showing churn advantage
 - > Churn rates of niche brands (such as Globug and Bosco) higher reflecting behaviours of customer bases



*Step up in Mercury trader churn from May 2015 partially related to consolidation of niche brands (i.e. switching between Mercury brands)

Source: Electricity Authority

¹ Sales-based costs are after discount costs which reflect actual uptake of prompt payment discounts, dual fuel discounts, and incentive discounts for attracting or retaining a customer

² A trader switch is where a customer changes retailer without changing house

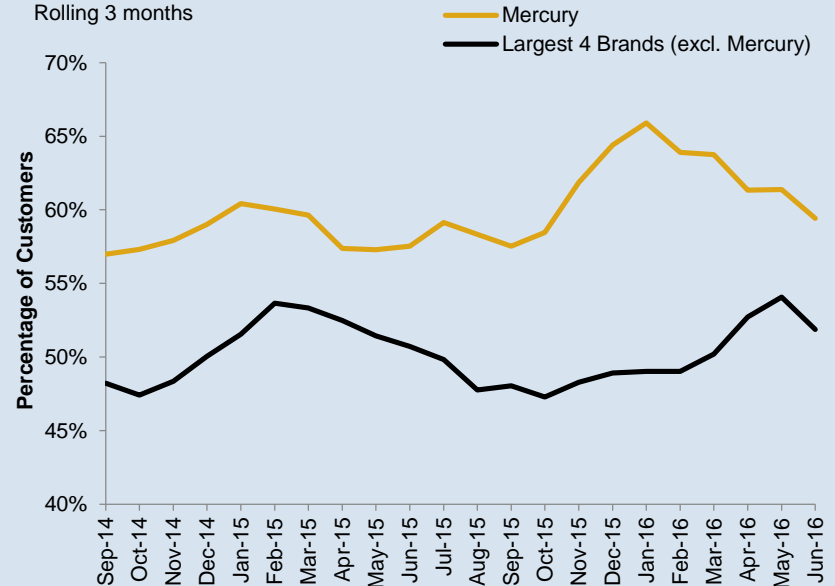


CUSTOMER

- > Rewarding loyalty leading to increased customer satisfaction
 - > Free Power Day – a loyalty product which helps customers appreciate the value of electricity
 - > Airpoints – Mercury has partnered with Air New Zealand to enable customers to earn Airpoints dollars from later this year
 - > 42% of Mercury residential customers on fixed-price contracts with customers taking up a two-year offer in preference to an energy price increase in 2016
 - > Through FY2016 61% of Mercury customers responded as highly satisfied in the Company's regular survey – the highest of the five large retailers
- > On-going focus on increasing depth of customer relationships through innovative propositions
 - > The acquisition of in-house solar capability through the purchase of What Power Crisis (WPC) adds to innovative customer solutions available – GLOBUG, Good Energy Monitor (GEM) and fixed-price contracts
 - > Enabling customers to utilise electricity as a transport fuel – EV fuel package and customer discounts for e-bikes

CUSTOMERS HIGHLY SATISFIED*

Rolling 3 months

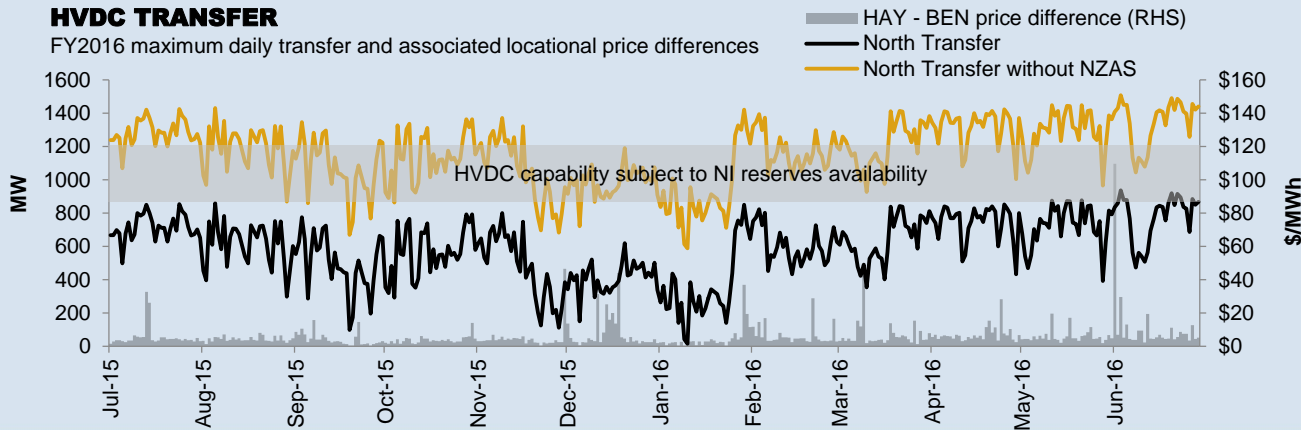


*Based on Mercury's monthly survey



NEW ZEALAND'S ALUMINIUM SMELTER (NZAS)

- > Mercury best placed in the event of NZAS closure
 - > 100% renewable North Island generation with flexible hydro capacity which is a primary provider of reserves to the market
- > Thermal rationalisation in the North Island likely when NZAS closes
 - > Industry has demonstrated ability to quickly respond to changes in supply and demand
- > Second order material impacts of closure due to HVDC capability include: (1) price separation between North and South Islands, (2) South Island hydro dispatch and spill, (3) beneficiaries of HVDC under proposed TPM



FY2016 average transfer:
>340MW north

FY2016 average transfer without NZAS:
>850MW north



REGULATION

- > Government and opposition parties constructively engaged in policy development
- > Electricity Authority (EA) has released second issues paper on Transmission Pricing Methodology (TPM) with proposal to move to a two part charge (Area-of-Benefit and Residual) with implementation likely beyond 2019
 - > Additional Mercury charges indicatively assessed by EA at ~\$5m/annum (broadly in line with 2015 proposal)
 - > Transpower is proposing alternatives to the EA's TPM which could have differential impacts from those assessed in the recent proposal
 - > Trustpower plans to seek a High Court review of the EA consultation process on its proposed changes
- > Significant regulatory focus on reforms to distribution pricing in response to emerging technology

Water

- > Government has established a technical advisory group to advise on water allocation approaches to address Maori rights and interests.
- > Consultation in progress on the national water quality standards
- > Waikato Regional Council consulting with stakeholders regarding long-term water management in the Waikato region

Climate

- > Carbon pricing has increased 250% through FY2016 to circa \$18 per tonne
- > Carbon cost expected to increase with the removal of the transitional 2-for-1 surrender obligations under the NZ ETS
- > Government announced policy package to promote the adoption of EVs - target 64,000 vehicles by 2021





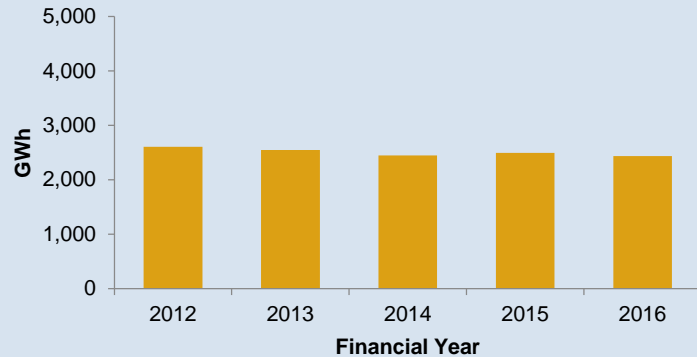
23 OPERATIONAL SUMMARY



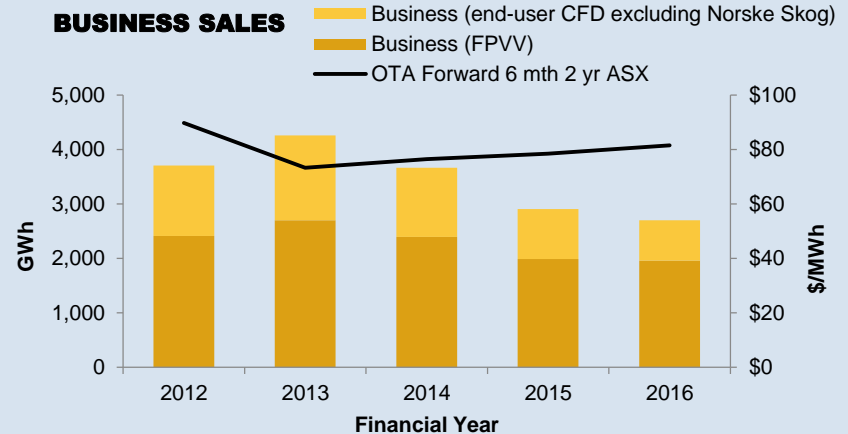
ELECTRICITY SALES

- > Residential sales down 59GWh
- > Business (FPVV) and Industrial (CFD) sales down 205GWh due to multi-year portfolio decisions to maximise value
- > Average FPVV price down 2.0% to \$114.83 as high priced Business and Industrial sales contracts secured between FY2011 and FY2013 mature and are partially replaced at current market prices
- > Unlikely that ASX prices fully reflect changes in supply and demand through FY2016

RESIDENTIAL SALES (FPVV)

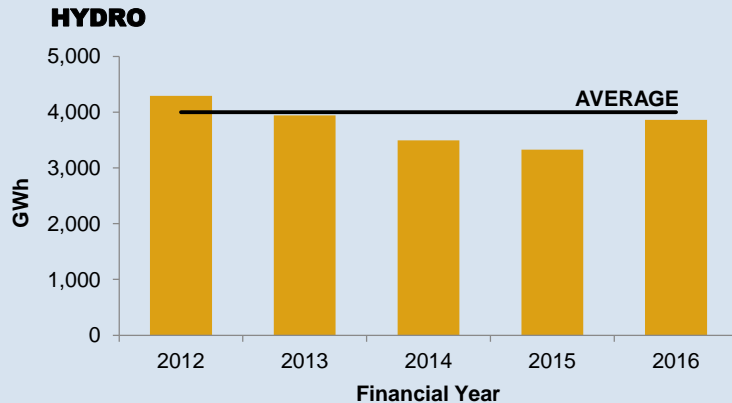


BUSINESS SALES



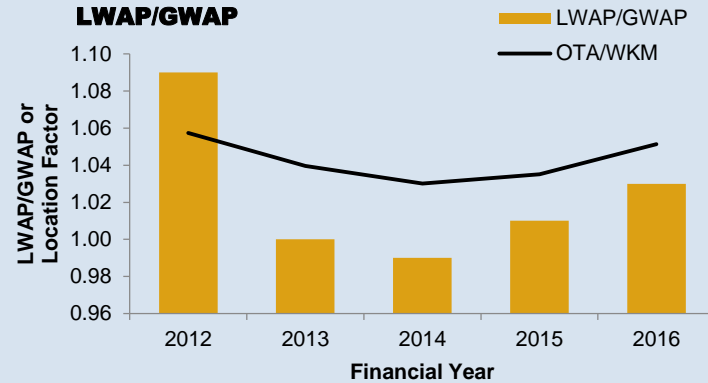
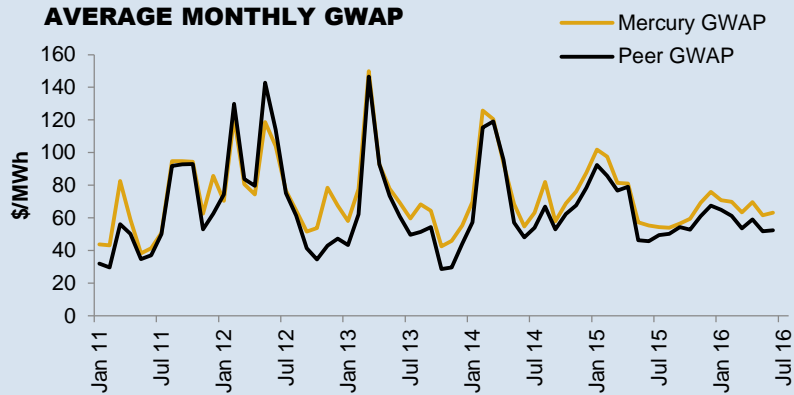
ELECTRICITY GENERATION

- > Generation 279 GWh higher than FY2015
 - > Geothermal generation was the highest ever, up 58GWh (2%) and reflecting 95.5% availability across all stations and successful replacement of the Nga Awa Purua turbine
 - > Hydro generation was 539GWh (16%) higher than FY2015 however remains below the annual average of 4,000GWh due to inflows being 34th percentile for the year
 - > Thermal generation was down 318GWh as Southdown was closed in December 2015
- > Mercury's generation portfolio is now 100% renewable with the closure of Southdown



LWAP/GWAP

- > LWAP/GWAP unfavourably higher to 1.03
 - > Low wholesale price volatility impacted both prices received for generation (GWAP) and electricity purchase prices (LWAP)
 - > Location factors between generation (reference WKM) and purchase (reference OTA) widened due to thermal plant closures in the Auckland region and changes made by Transpower in 2015 to how transmission losses are modelled for wholesale pricing
- > GWAP continues to be favourable to peers reflecting the flexibility and location of Mercury's North Island renewable generation portfolio

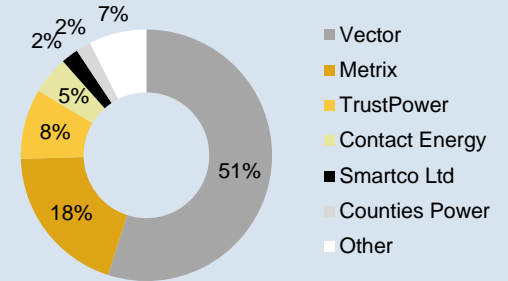


METRIX

- > Smart meter deployment has enabled customer-led product development
 - > Broadly utilised by retailers with products such as Mercury's Free Power Days, GEM and GLOBUG
- > Metrix 2nd largest NZ meter data and services provider with 436k meters owned or under management¹
 - > Market consolidated and initial meter upgrade largely complete or contracted
- > On-going focus on improving customer service
 - > Customer satisfaction survey initiated for measuring performance
 - > Platform stability and efficiency enhancements successfully executed, including the implementation of service request management capability
- > Growth from new connections and product development
 - > Auckland Unitary Plan indicating demand of 131k new houses over next 7 years
 - > New data-driven products and services to existing customers

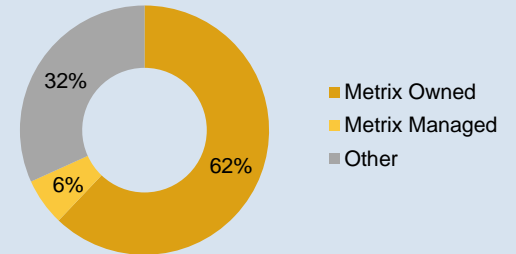
NATIONAL MARKET SHARE

June 2016



GREATER AUCKLAND MARKET SHARE²

June 2016



¹ 396k meters are owned by Metrix

² Includes Vector and Counties networks





FINANCIAL HIGHLIGHTS

\$493m

EBITDAF, up \$11m, reflecting increased generation but lower wholesale market volatility and commercial pricing

\$160m

NPAT, up \$113m, reflecting non-cash impairments recognised in prior year

2.0x

Debt/EBITDAF, reflecting BBB+ credit rating and headroom for growth

\$221m

Free Cash Flow, reflecting below long-term stay-in-business capex and a short-term tax prepayment

14.3CPS

Fully-imputed full-year ordinary dividend declared, per guidance

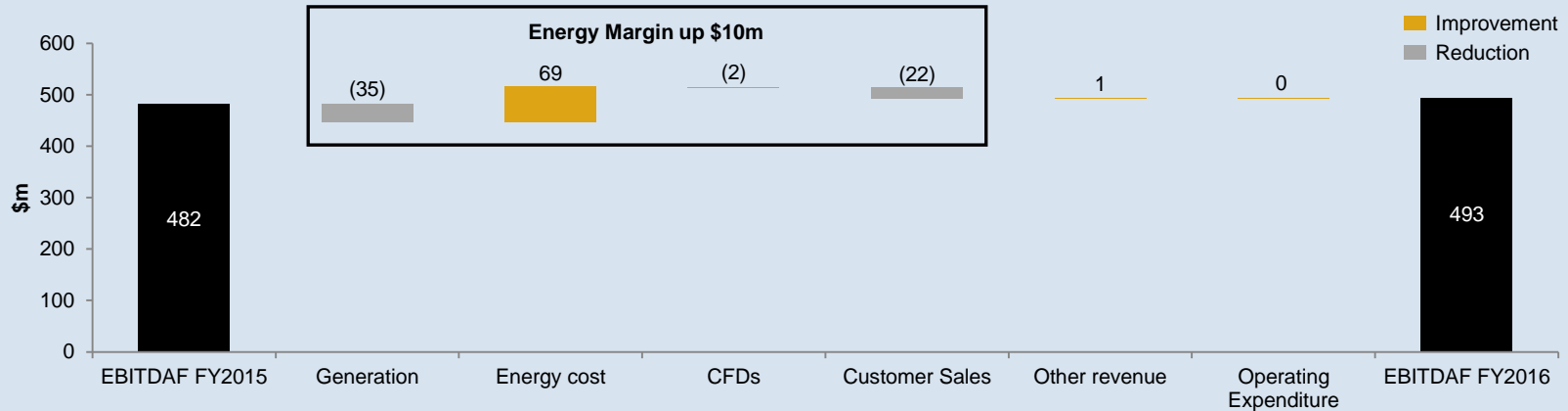
4.0CPS

Non-imputed special dividend declared with a continued focus on appropriate capital management



EBITDAF (FY2016 vs. FY2015)

- > Energy margin up \$11m
 - > 279GWh more generation offset by lower relative generation prices (LWAP/GWAP)
 - > Lower commercial pricing as higher priced sales contracted through FY2013 mature
- > Operating expenditure flat but remains \$28m below FY2013 levels

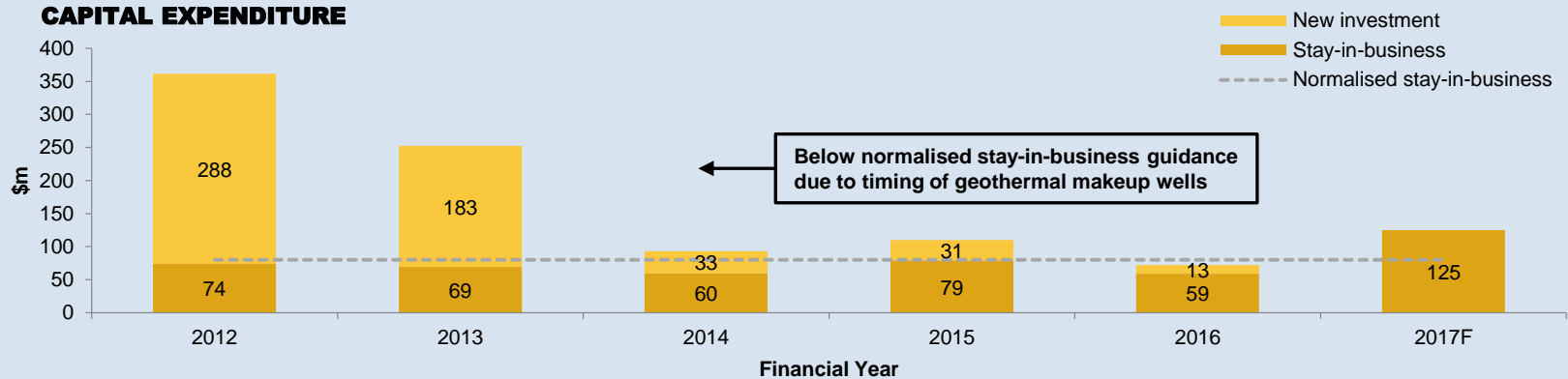


*Energy cost excludes gas generation purchases and volume impacts of end user sales, which are included within generation and customer sales respectively



CAPITAL EXPENDITURE

- > Capital expenditure of \$72m¹ (FY2015: \$110m²)
 - > New investment of \$13m (FY2015: \$31m), primarily relating to smart meter deployment
 - > Stay-in-business of \$59m (FY2015: \$79m), below medium-term guidance of \$80m
- > FY2017 guidance of \$125m for stay-in-business and for minimal growth capital expenditure
 - > Stay-in-business includes the drilling of four wells as part of a co-ordinated drilling campaign across multiple reservoirs (circa \$55m) and the continuation of the hydro refurbishment programme
 - > Stay-in-business consistent with medium-term guidance (FY2013 to FY2017f average circa \$80m)

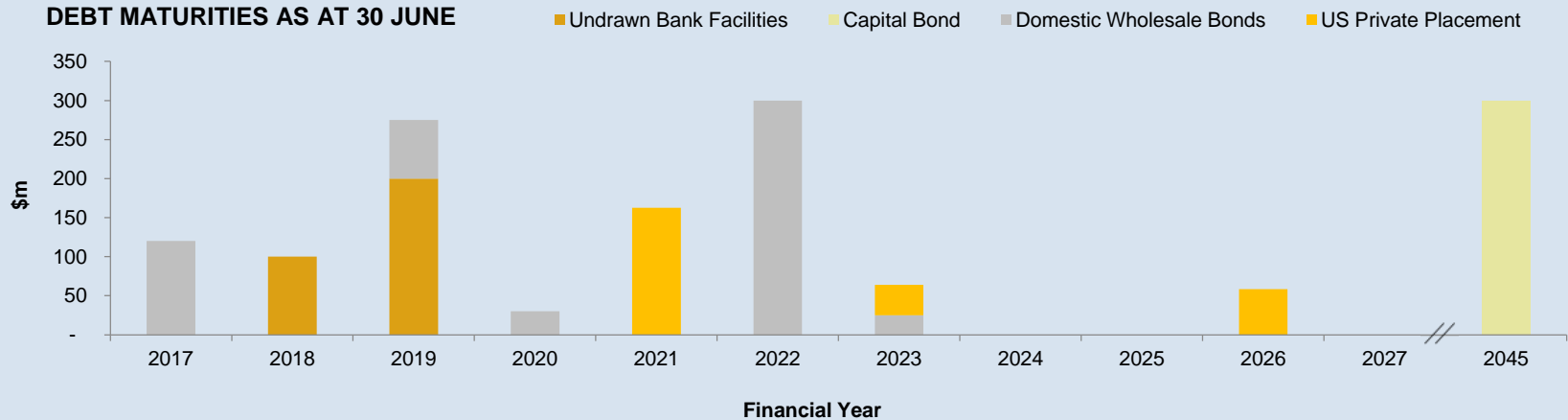


¹Excludes \$18m in FY2016 relating to remediation capital expenditure in Chile

²Excludes \$13m in FY2015 related to the exercise of the Germany geothermal option included in PPE



FUNDING PROFILE



- > The average debt maturity profile for committed facilities was 8.9 years at 30 June 2016
- > Interest costs elevated due to interest rate hedges put in place in 2008 during the company's domestic geothermal investment programme. These hedges roll off progressively from the end of FY2018 with an estimated \$20m annual cash flow benefit in FY2019



CAPITAL STRUCTURE

- > bbb stand alone rating is key reference point for dividend policy and a sustainable capital structure
 - > S&P re-affirmed Mighty River Power's credit rating of BBB+/stable on 23 December 2015
 - > One-notch upgrade given majority Crown ownership
 - > Key ratio for stand alone S&P credit rating bbb requires Debt / EBITDAF between 2.0x and 2.8x
- > Capital management continues to be reviewed
 - > Debt/EBITDAF 2.0x at 30 June 2016
 - > Gearing will be maintained reflecting majority Government ownership

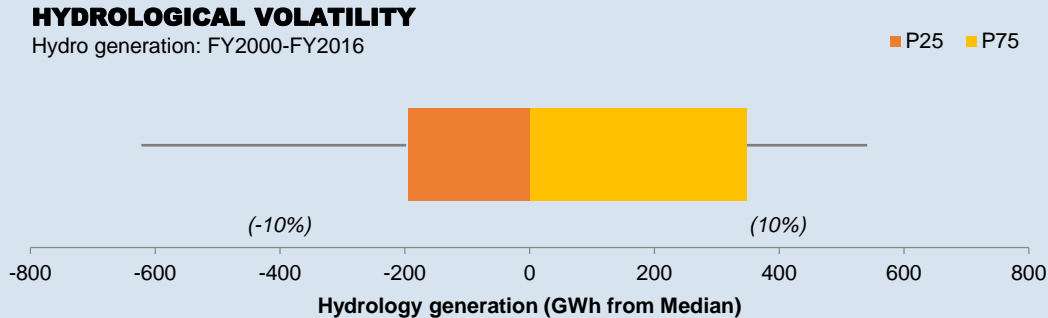
	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Net debt (\$m)	1,068	1,082	1,031	1,028	1,116
Gearing ratio (%)	24.4	24.5	24.3	24.4	27.0
Debt/EBITDAF (x)	2.0 ¹	2.0 ¹	2.1	2.7	2.6

¹ Adjusted for S&P treatment of subordinated debt



GUIDANCE APPROACH

- > Mercury will provide point-estimate EBITDAF guidance for the current financial year going forward
 - > To be complemented by updates to expected full-year hydro generation with quarterly operational statistics
- > The prior guidance range inferred a lower level of earnings volatility than is possible with underlying hydrology fluctuations
 - > The range was principally intended to deal with non-hydrological volatility, however;
 - > Changes in hydro generation expectations have driven all prior guidance revisions



FY2017 GUIDANCE

- > FY2017 EBITDAF guidance is \$490m subject to any material events, significant one-off expenses or other unforeseeable circumstances including hydrological conditions
- > The FY2017 EBITDAF guidance assumes:
 - > 4,150GWh of hydro production (+\$20m relative to FY2016);
 - > The continued roll-off of higher priced commercial contracts put in place through FY2013 (-\$8m relative to FY2016);
 - > Advancing the RK29 well repair into FY2017 as part of the co-ordinated multi-reservoir drilling campaign (-\$5m)¹;
 - > No further material land sales (-\$13m relative to FY2016); and
 - > No crystallisation of the Group's non-cash FX translation reserve loss, which will occur on the completion of the Chile divestments (approx. \$10m)
- > FY2017 ordinary dividend guidance is up 2% to 14.6cps, the sixth year of consecutive ordinary dividend growth
- > FY2017 stay-in-business capital expenditure guidance is \$125m

¹ Operating expenditure is expected to be broadly flat to FY2016 with the repair of RK29 offsetting cost savings relating to Southdown decommission and the exit of international geothermal development





INDUSTRY MILESTONES

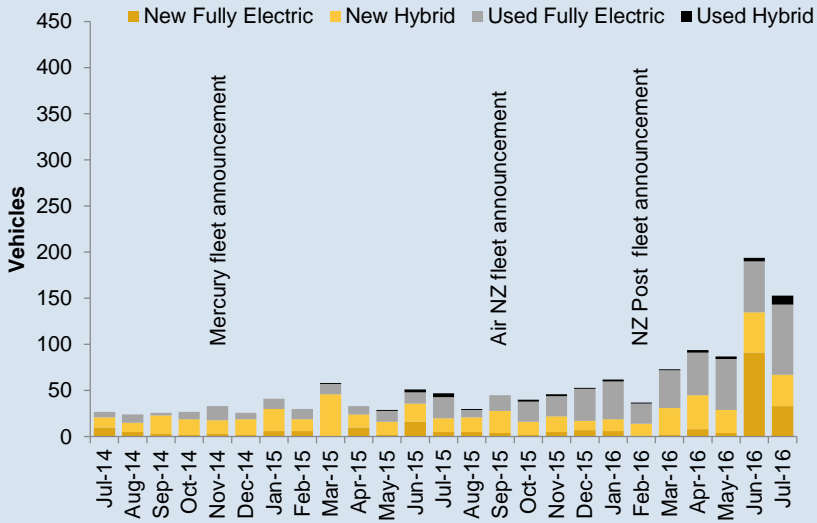
FY2013	FY2014	FY2015	FY2016	FY2017+
<ul style="list-style-type: none"> > Mercury dual listed on NZX/ASX 	<ul style="list-style-type: none"> > Genesis IPO > Meridian IPO 	<ul style="list-style-type: none"> > National party re-elected in general election 	<ul style="list-style-type: none"> > Origin Energy sells majority stake in Contact > EA's Final Transmission Pricing Methodology consultation document released 	<ul style="list-style-type: none"> > Trustpower demerger > Transpower consultation of TPM implementation > Emissions Trading Scheme review > Water allocation and quality standards review
	<ul style="list-style-type: none"> > 3rd year of electricity demand decline 	<ul style="list-style-type: none"> > Return of electricity demand growth 	<ul style="list-style-type: none"> > NZAS contract with Meridian renegotiated (backed by other participants) > Second consecutive year of demand growth 	<ul style="list-style-type: none"> > NZAS 1st option to reduce Meridian contract to 400MW not called (29 July 2016) > NZAS next option to terminate Meridian contract with 12 months notice (from 1 January 2017)
		<ul style="list-style-type: none"> > Mercury decommissions steam turbine at Southdown 	<ul style="list-style-type: none"> > Mercury closes 140MW Southdown OCGT > Contact closes 400MW Otahuhu CCGT > Genesis terminates coal contract with Solid Energy > Genesis commits to Huntly Rankine units remaining open through 2022 	



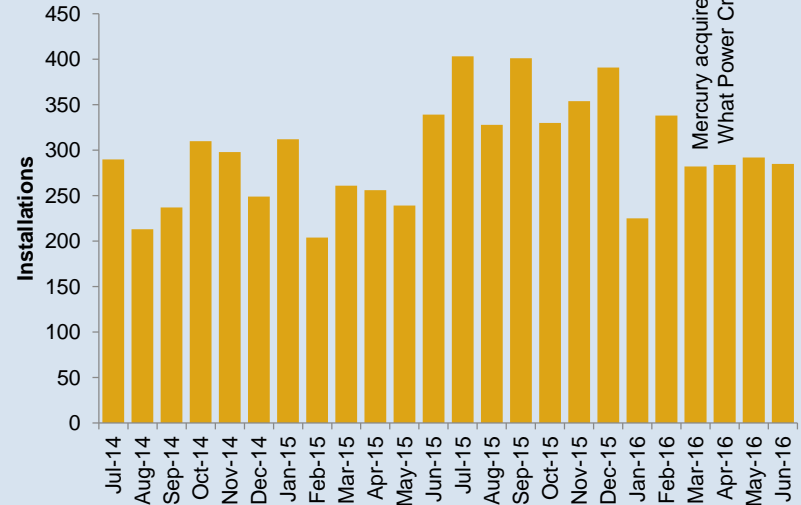
EV & PV TRENDS

- > EV uptake has doubled to 808 vehicles per annum through FY2016
- > 0.5% of electricity connections have PV at 30 June 2016

ELECTRIC VEHICLE REGISTRATION



PHOTOVOLTAIC INSTALLATIONS



Source: Ministry of Transport, Electricity Authority



OPERATING INFORMATION

	Year ended 30 June 2016		Year ended 30 June 2015	
Electricity Sales	VWAP ¹ (\$/MWh)	Volume (GWh)	VWAP ¹ (\$/MWh)	Volume (GWh)
FPVV sales to customers	114.83	4,397	117.21	4,486
Residential customers		2,438		2,497
Commercial customers		1,959		1,989
FPVV purchases from market		4,643		4,717
Spot customer purchases		950		1,388
Total NZEM purchases	65.41	5,593	76.26	6,104
Electricity Customers (000)		376		382
North Island customers		339		348
South Island customers		37		34
Dual Fuel customers		41		40
Metrix AMI Meters (000)		396		388

¹ VWAP is volume weighted average energy-only price sold to FPVV customers after lines, metering and fees



OPERATING INFORMATION

	Year ended 30 June 2016		Year ended 30 June 2015	
Electricity Generation	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)
Hydro	64.84	3,866	77.82	3,327
Gas (all 1HY2016)	68.64	146	84.58	464 ⁴
Geothermal (consolidated) ¹	60.84	2,596	70.63	2,545
Geothermal (equity accounted) ²	61.44	234	71.94	227
Total	63.29	6,842	75.30	6,563
LWAP/GWAP		1.03		1.01
	VWAP (\$/MWh)	Volume (GWh)	VWAP (\$/MWh)	Volume (GWh)
Gas Purchases	\$/GJ	PJ	\$/GJ	PJ
Retail purchases ³	8.07	1.01	9.22	1.08
Generation purchases (all 1HY2016)	6.21	1.70	5.90	4.72
Carbon Emissions ('000 tonnes)		428		647

¹ Includes Mighty River Power's 65% share of Nga Awa Purua generation

² Tuaropaki Power Company (Mokai) equity share

³ Prices include fixed transmission charges



CONTRACTS FOR DIFFERENCE

	Year ended 30 June 2016	Year ended 30 June 2015
Net Contracts for Difference (Sell)/Buy GWh		
Sell - End User	(1,448)	(1,623)
Sell - VAS ¹	(701)	(699)
Sell - Inter-generator & ASX	(1,259)	(1,061)
Sell CFD	(3,408)	(3,384)
Buy CFD	1,741	1,697
CFD	(1,667)	(1,686)
Energy Margin contribution (\$m)	27	22

¹ VAS included on both buy and sell side CFDs



BALANCE SHEET

\$m	As at 30 June 2016	As at 30 June 2015
SHAREHOLDERS' EQUITY		
Total shareholders' equity	3,315	3,337
ASSETS		
Current assets	313	287
Non-current assets	5,772	5,743
Held for sale	0	28
Total assets	6,085	6,058
LIABILITIES		
Current liabilities	310	198
Non-current liabilities	2,460	2,518
Held for sale	0	5
Total liabilities	2,770	2,721
TOTAL NET ASSETS	3,315	3,337



NON-GAAP MEASURE: ENERGY MARGIN

- > Energy Margin provides a measure that, unlike sales or total revenue, accounts for the variability of the wholesale spot market and the broadly offsetting impact of wholesale prices on the cost of retail electricity purchases

\$m	Year ended 30 June 2016	Year ended 30 June 2015
Sales	1,512	1,627
Less: lines charges	(419)	(422)
Less: energy costs	(384)	(507)
Less: other direct cost of sales, excluding third-party metering	(28)	(26)
Less: third party metering	(23)	(24)
Energy Margin	658	648



NON-GAAP MEASURE: FREE CASH FLOW

> Free Cash Flow is a measure that the Company uses to evaluate the levels of cash available for debt repayments, growth capital expenditure and dividends

\$m	Year ended 30 June 2016	Year ended 30 June 2015
Net cash provided by operating activities	280	309
Less: Stay-in-business capital expenditure (including accrued costs)	(59)	(79)
Free Cash Flow	221	230



NON-GAAP MEASURE: EBITDAF, UNDERLYING EARNINGS AND NET DEBT

- > EBITDAF is reported in the financial statements and is a measure that allows comparison across the electricity industry
- > Underlying Earnings is reported in the financial statements and in contrast to net profit, the exclusion of certain items enables a comparison of the underlying performance across time periods
- > Net Debt is reported in the financial statements and is a measure commonly used by investors





Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10. For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one
(Please provide any other relevant details on additional pages)

1

Full name of Issuer: **Mercury NZ Limited (formerly Mighty River Power Limited)**

Name of officer authorised to make this notice: **Tony Nagel, GM Corporate Affairs** Authority for event, e.g. Directors' resolution: **Directors' resolution**

Contact phone number: **+64 9 308 8200** Contact fax number: **+64 9 308 8209** Date: **23 / 08 / 2016**

Nature of event Tick as appropriate

Bonus Issue If ticked, state whether: Taxable / Non Taxable Conversion Interest Rights Issue Renounceable

Rights Issue Capital Change Call Dividend If ticked, state whether: Interim Full Year Special DRP Applies

EXISTING securities affected by this *If more than one security is affected by the event, use a separate form.*

Description of the class of securities: **Mercury NZ Limited ordinary shares** ISIN: **NZMRPE0001S2**
If unknown, contact NZX

Details of securities issued pursuant to this event *If more than one class of security is to be issued, use a separate form for each class.*

Description of the class of securities: ISIN:
If unknown, contact NZX

Number of Securities to be issued following event: Minimum Entitlement: Ratio, e.g. ① for ② for

Conversion, Maturity, Call Payable or Exercise Date: Treatment of Fractions:

Strike price per security for any issue in lieu or date Strike Price available: Tick if pari passu OR provide an explanation of the ranking:

Monies Associated with Event *Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.*

In dollars and cents

Amount per security (does not include any excluded income): **\$0.08600** Source of Payment: **Income available for distribution**

Excluded income per security (only applicable to listed PIEs): **not applicable**

Currency: **New Zealand Dollars** Supplementary dividend details - NZSX Listing Rule 7.12.7: **\$0.015176**

Total monies: **\$118,342,570** Date Payable: **30 September 2016**

Taxation *Amount per Security in Dollars and cents to six decimal places*

In the case of a taxable bonus issue state strike price: \$ Resident Withholding Tax: **\$0.005972** Imputation Credits (Give details): **\$0.033444**

Foreign Withholding Tax: \$ FWP Credits (Give details):

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm For calculation of entitlements - **14 September 2016**

Application Date Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week. **30 September 2016**

Notice Date Entitlement letters, call notices, conversion notices mailed:

Allotment Date For the issue of new securities. Must be within 5 business days of application closing date.

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:
Security Code:



Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10. For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

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Nature of event
Tick as appropriate

Bonus Issue If ticked, state whether: Taxable / Non Taxable Conversion Interest Rights Issue Renounceable

Rights Issue Capital Call Dividend If ticked, state whether: Interim Full Year Special DRP Applies

non-renounceable change

EXISTING securities affected by this *If more than one security is affected by the event, use a separate form.*

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If unknown, contact NZX

Details of securities issued pursuant to this event *If more than one class of security is to be issued, use a separate form for each class.*

Description of the class of securities: ISIN:
If unknown, contact NZX

Number of Securities to be issued following event: Minimum Entitlement: Ratio, e.g. ① for ② for

Conversion, Maturity, Call Payable or Exercise Date: Treatment of Fractions:

Strike price per security for any issue in lieu or date Strike Price available: Tick if pari passu OR provide an explanation of the ranking:

Monies Associated with Event *Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.*

In dollars and cents

Amount per security (does not include any excluded income): **\$0.04000** Source of Payment: **Income available for distribution**

Excluded income per security (only applicable to listed PIEs): **not applicable**

Currency: **New Zealand Dollars** Supplementary dividend details - NZSX Listing Rule 7.12.7: **\$0.000000**

Total monies: **\$55,043,056** Date Payable: **30 September 2016**

Taxation *Amount per Security in Dollars and cents to six decimal places*

In the case of a taxable bonus issue state strike price: \$

Resident Withholding Tax: **\$0.013200** Imputation Credits (Give details): **\$0.000000**

Foreign Withholding Tax: **\$0.006000** FWP Credits (Give details):

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm For calculation of entitlements - **14 September 2016**

Application Date Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week. **30 September 2016**

Notice Date Entitlement letters, call notices, conversion notices mailed:

Allotment Date For the issue of new securities. Must be within 5 business days of application closing date.

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:
Security Code:

