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

NEWS RELEASE

Robust performance in challenging conditions

25 February 2025 – Careful portfolio management helped mitigate the full impact of dry weather and reduced generation for Mercury over the period.

HY25 FINANCIAL RESULTS SUMMARY

	HY2025	HY2024	Change %
EBITDAF ($M)	418	434	(4)%
NET PROFIT AFTER TAX ($M)	(67)	174	(139)%
STAY-IN-BUSINESS CAPITAL EXPENDITURE ($M)	73	60	22%
ELECTRICITY GENERATION (GWh)	4,191	4,486	(7)%
INTERIM FULLY IMPUTED ORDINARY DIVIDEND (CENTS PER SHARE) – TO BE PAID ON 1 APRIL 2025	9.6	9.3	3%

KEY INFORMATION

> Challenging conditions: Low hydro inflows contributed to reduced generation, impacting earnings.
> Significant investment in renewables: 46% of HY25 earnings reinvested into new and existing assets; $1 billion currently committed to new renewables.
> Prioritising security of supply: in addition to taking direct action, contributing to whole-of-system solutions.

“Despite challenging operational conditions, we’ve continued to pursue growth in new renewables and importantly, support security of supply,” said Mercury Chair Scott St John.

“We’ve seen good progress on our commitment to investing over $1 billion in new renewables, with three renewable projects under construction – enough to power up to 142,000 houses with renewable energy,” said Mr St John.

FINANCIAL OVERVIEW

Lake Taupō was above normal levels by the end of the calendar year, despite low hydro inflows, due to a focus on rebuilding storage ahead of winter 2025.

Mercury reported EBITDAF over the period of $418 million ($16 million down on the prior comparable period) largely reflecting lower generation and increased operating expenses, offset by increased sales yields. Net profit after tax was a loss of $67 million for the period ($241 million lower than the prior comparable period), largely due to adverse non-cash movements of non-hedge accounted electricity derivatives.

Operational expenditure tracked up to $207 million ($16 million up on the prior comparable period) reflecting continued investment in generation maintenance.

Meanwhile, stay-in-business capital expenditure for the period was $73 million (up $13 million on the prior comparable period) and growth capital expenditure was $139 million (up $69 million on the prior comparable period). This largely related to construction costs for new generation projects (fifth unit at Ngā Tamariki geothermal station, Kaiwera Downs stage 2 and Kaiwaikawe wind farms).

“Nearly 50% of our first half earnings have been reinvested in new and existing renewable assets,” said Mr St John.

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NAVIGATING COMPLEXITY THROUGH THE TRANSITION

Mr St John said the period was marked by significant challenges for both New Zealand and the sector, including inflationary and cost of living pressures.

Energy transition challenges also emerged with low national hydro storage and gas supply constraints tightening New Zealand's increasingly intermittent renewable supply. This led to increased price volatility, with flow on impacts for a small number of industrial consumers that did not have fixed price contracts.

"Collaboration from sector participants was key to helping manage this tight period, including demand response from industrials. Discussions to explore market options for the Huntly Power Station will be one of the important measures we take into the future to help improve security of supply.

"Mercury and others in the sector are firmly focussed on security of supply as the number one priority that will drive further traction on the energy transition. In addition to actions the sector is taking, we believe it should be a key focus of regulatory processes currently underway."

DELIVERING MORE RENEWABLES

Mercury's Chief Executive, Stew Hamilton, said Mercury had progressed work over the period to build more renewables.

"There is an enormous level of activity underway to support New Zealand's electrification and further improve security of supply, including construction of more renewables. I'm incredibly proud of the hard work our team are putting in, with three new builds currently on the go," he said.

This included the $287 million Kaiwaikawe Wind Farm (77 MW), confirmed over the period and with construction now underway. Additionally, the $486 million Kaiwera Downs Wind Farm expansion (155 MW) is on track to reach full generation by the end of the 2026 calendar year and the $267 million Ngā Tamariki Geothermal Station expansion and associated geothermal drilling (46 MW) is expected to deliver first generation late this calendar year.

Generation maintenance and enhancement also continued to deliver positive outcomes with the $90 million Karāpiro Hydro Station upgrade (representing a 16.5 MW uplift) on track for completion in August 2025. As part of the $175 million geothermal drilling campaign, two of the three planned wells were completed over the period and the third finished after period end.

ENABLING CUSTOMER BENEFITS THROUGH ELECTRIFICATION

A continued focus on supporting consumers to shift to and benefit from electrification shaped much of Mercury's customer-focussed activity over the period.

Following period end, New Zealand Aluminium Smelters became Mercury's largest customer, with the commencement of a 20-year contract (657 GWh pa) broadly equivalent to the annual output of the entire Kaiwera Downs Wind Farm. Mercury also agreed a long-term contract with Fonterra to support the electrification of their Edgecumbe and Waitoa operations.

"In addition to large industrials, households will play an increasingly important role supporting the supply and demand balance in New Zealand's electricity system, and we're encouraging customers to participate in the transition."

Over the period, the second phase of a hot water control trial was completed and work is now underway to scale this offering. Progress was also made on EV time-of-use charging trial.

Mercury's customer care programme continued to be a critical input into energy equity, with strong inroads made. This included continuing to provide hedges to social retailers at rates that enable them to deliver on their goal of eliminating energy hardship, with 31 GWh volume sold to Nau Mai Rā and Toast Electric over the period.

"We also did not make any post-pay disconnections for people unable to pay due to hardship. The team are making great progress, but there's plenty more opportunities to build on this and we'll keep working hard in this space," said Mr Hamilton.

Looking forward, energy prices (gas and electricity) for consumers are expected to increase across the board. From April, the overall electricity bill increase for Mercury residential customers will be approximately 9.7% on average. This primarily reflects increases in lines and transmission charges due to rising costs and the level of investment in infrastructure required, in line with the Commerce Commission's price path reset for the next five-year period. It also reflects the rise in the cost of wholesale electricity and other costs.

"While ensuring resilient, safe, and secure electricity is paramount, we recognise that the impacts will be felt to varying degrees with our customers. We are committed to directing our support to those who need it most."

OTHER KEY OPERATIONAL ACTIVITIES

> Energy Transition Framework signed by all sector participants following period-end.

- Steady energy customer numbers, including 200,000 customers with two or more products.
- Welcomed new Chief Executive, Stew Hamilton following a comprehensive search process.

INTERIM DIVIDEND

The Board has declared a fully imputed interim dividend of 9.6 cents per share, up 3% on the 1HY24 interim dividend. Full year dividend guidance is unchanged at 24.0 cents per share, expected to be the 17th consecutive year of ordinary dividend growth. Mercury's Dividend Reinvestment Plan continues, with shareholders able to reinvest their dividends into Mercury shares at a 2% discount.

GUIDANCE

FY25 EBITDAF guidance remains at $820 million. Guidance may change and remains subject to any material events, significant one-off expenses or other unforeseen circumstances including changes to hydrological conditions.

ENDS

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ABOUT MERCURY NZ LIMITED

Mercury generates electricity from 100% renewable sources: hydro, geothermal and wind. We are also a retailer of electricity, gas, broadband and mobile services. We're listed on the New Zealand Stock Exchange and the Australian Stock Exchange with the ticker symbol 'MCY', with foreign exempt listed status. The New Zealand Government holds a legislated minimum 51% shareholding in the Company.

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