
Turbine at Kaiwera Downs

MERCURY.

CAPITAL BOND OFFER

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GEOFF SMITS
Treasury Manager

24 JUNE 2024

Mercury

bnz

CRAIGS INVESTMENT PARTNERS

FORSYTH BARR

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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, and uncertainties, including material adverse events, significant one-off expenses and other unforeseeable circumstances, such as, without limitation, hydrological conditions. There is no assurance that results contemplated in any of these projections and forward-looking statements will be realised, nor is there any assurance that the expectations, estimates and assumptions underpinning those projections or forward-looking statements are reasonable. 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 or to provide you with further information about the Company.

A number of non-GAAP financial measures are used in this 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, which are available at www.mercury.co.nz. These measures are discussed in further detail in the Appendix on slide 33.

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IMPORTANT INFORMATION.

The offer ("Offer") of unsecured, subordinated, interest bearing capital bonds maturing on 11 July 2054 ("Capital Bonds") by Mercury described in this presentation is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conducts Act 2013 ("FMCA").

The Offer is an offer of debt securities that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as:

- Mercury's NZ$300 million unsecured, subordinated, interest bearing capital bonds with an interest rate of 3.60% per annum and a final maturity date of 11 July 2049, which are currently quoted on the NZX Debt Market under the ticker code MCY020 ("MCY020 Bonds"); and
- Mercury's NZ$250 million unsecured, subordinated, interest bearing capital bonds with an interest rate of 5.73% per annum and a final maturity date of 13 May 2052, which are currently quoted on the NZX Debt Market under the ticker code MCY050 ("MCY050 Bonds").

Accordingly, the Capital Bonds are the same class as the MCY020 Bonds and MCY050 Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

Mercury is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited ("NZX") for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/MCY.

The MCY020 Bonds and MCY050 Bonds are the only debt securities of Mercury that are in the same class as the Capital Bonds and are currently quoted on the NZX Debt Market.

Investors should look to the market price of the MCY020 Bonds and MCY050 Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds. When comparing the yield of different debt securities, it is important to consider all relevant factors (including credit rating (if any), maturity and other terms of the relevant debt securities).

Investors should carefully consider the features of the Capital Bonds which differ from the features of a standard senior bond. Those features include the ability of Mercury to defer interest, optional redemption rights for Mercury, a margin step-up and the subordinated nature of the Capital Bonds. An indicative terms sheet dated 24 June 2024 ("Terms Sheet") has been prepared in respect of the Offer. Investors should read the Terms Sheet carefully and seek financial advice before deciding to invest in the Capital Bonds. Investors should not purchase the Capital Bonds until they have read the Terms Sheet.

An application has been made to NZX for permission to quote the Capital Bonds on the NZX Debt Market and all the requirements of NZX relating to that can be complied with on or before the distribution of the Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in the Terms Sheet or this presentation. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.

CONTENTS.

Maraetai 1 and 2

OFFER SUMMARY

OFFER SUMMARY.

Issuer	Mercury NZ Limited
Instrument	Unsecured, subordinated, redeemable, cumulative, interest bearing debt securities
Credit rating	Expected Issue Credit Rating: BB+ by S&P Global Ratings ("S&P") (Mercury has an Issuer Credit Rating of BBB+ (Stable))
Issue amount	Up to NZ$300m (plus oversubscriptions of up to NZ$50m)
Term	30 years (maturing 11 July 2054)
Reset Dates	11 July 2029 and every five years thereafter
Interest Rate[1]	Benchmark Rate plus the Margin, subject to the minimum Interest Rate
Bookbuild/Interest Rate set	27 June 2024
Use of proceeds	The proceeds of the Offer are intended to be used to refinance existing debt (including the MCY020 Bonds) and for general corporate purposes
Joint Lead Managers	BNZ, Craigs Investment Partners and Forsyth Barr

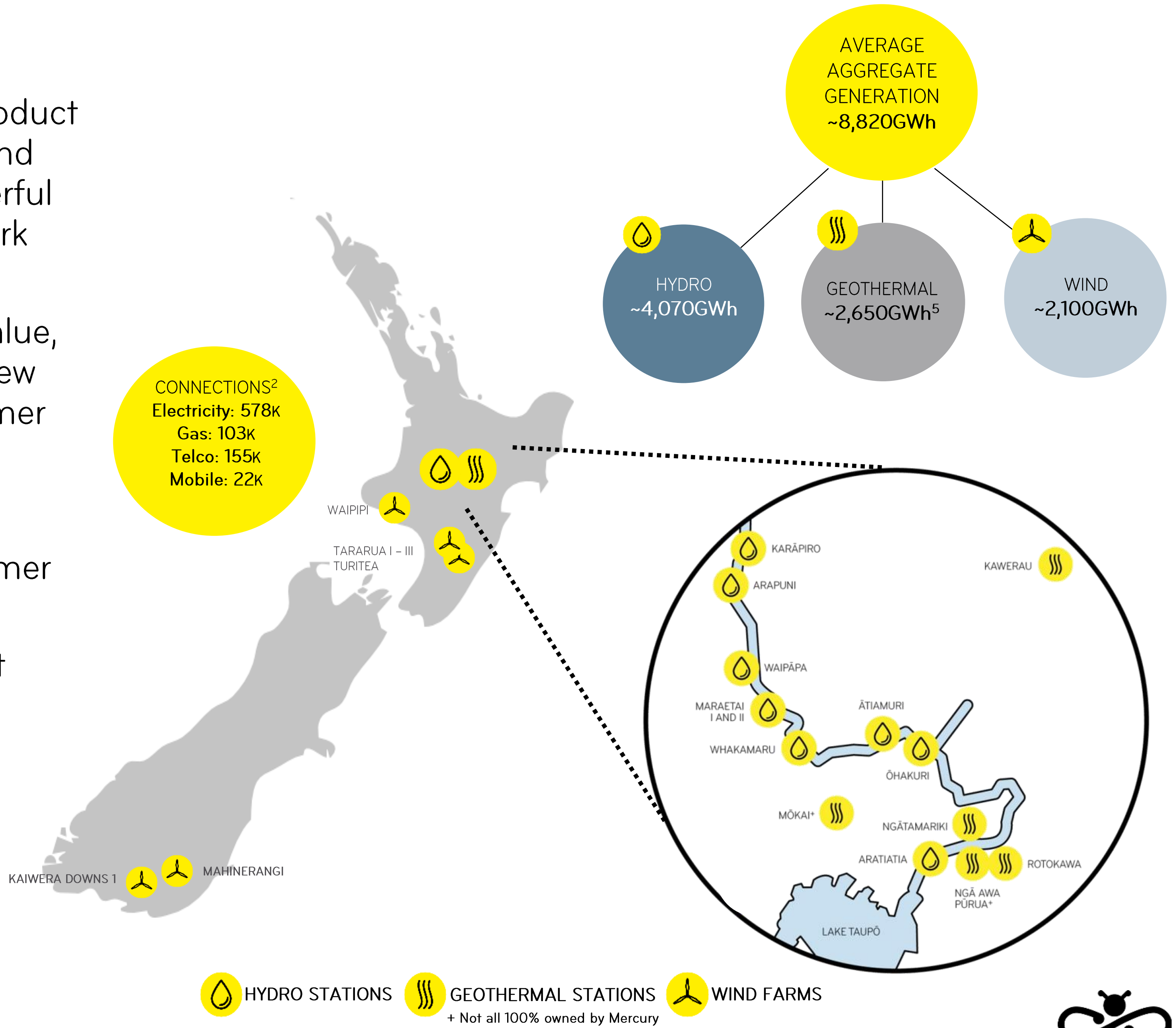
[1] To the First Reset Date, 11 July 2029

Maraetai 1 and 2

MERCURY OVERVIEW

MERCURY OVERVIEW.

- We are an electricity generator and multi-product utility retailer of electricity, gas, broadband and mobile services focused on delivering wonderful solutions for New Zealanders at home, at work and on the move
- New Zealand's second largest gentailer by value, New Zealand's largest wind generator and New Zealand's largest electricity retailer by customer market share
    - Generation market share: 21%[1]
    - Electricity retail market share (by customer numbers): 25%[2]
- 51% owned by the New Zealand Government
- Ticker Codes: MCY.NZ / MCY.AX
- Market Capitalisation: NZ$9.3 billion[3]
- Issuer Credit Rating: BBB+/Stable (S&P)
- FY24 EBITDAF Guidance: **NZ$880 million[4]**



[1] For 12 months to 31 March 2024
[2] As at 31 March 2024
[3] As at 31 May 2024
[4] As per guidance update 20 February 2024, guidance remains subject to hydrological volatility, wholesale market conditions and any material adverse events, significant one-off expenses or other unforeseeable circumstances
[5] Excludes minority interest in Mōkai geothermal station; generation from Ngā Awa Pūrua geothermal station equity-weighted

COMPLEMENTARY PORTFOLIO OF ASSETS – HYDRO AND GEOTHERMAL.

HYDRO ASSETS: 1,117MW[1] – ~4,070GWh pa (mean inflows)

Taupo Gates (1941)

Aratiatia (1964) 87MW 365GWh

Ōhakuri (1961) 112MW 405GWh

Ātiamuri (1958) 84MW 285GWh

Whakamaru (1956) 124MW 520GWh

Maraetai I & II (1952 & 1970) 360MW 880GWh

Waipāpa (1961) 51MW 235GWh

Arapuni (1929) 198MW 865GWh

Karāpiro (1946) 101MW 515GWh

GEOTHERMAL ASSETS: 466MW[1] – ~2,870GWh pa

Rotokawa (2000) 34MW 286GWh

Mōkai[2] (2000) 103MW 222GWh
(Mercury owned 25%)

Ngā Awa Pūrua[2] (2010) 138MW 754GWh
(Mercury owned 65%)

Kawerau (2008) 106MW 875GWh

Ngā Tamariki (2013) 85MW 731GWh

[1] Total Maximum Continuous Rating
[2] Not 100% owned by Mercury

COMPLEMENTARY PORTFOLIO OF ASSETS – WIND & PROJECTS UNDER CONSTRUCTION.

WIND ASSETS: 594MW[1] – ~2,100GWh pa (mean wind)

Turitea North (2021) 119MW 470GWh

Mahinerangi (2011) 36MW 100GWh

Tararua (1999) 160MW 560GWh

Waipipi (2021) 133MW 455GWh

Turitea South (2023) 103MW 370GWh

Kaiwera Downs 1 (2023) 43MW 147GWh

- Kaiwera Downs stage one wind farm completed in Nov-23 on time and under budget
- Stage one is a ten turbine 43MW wind farm with annualised generation of 147GWh

[1] Total Maximum Continuous Rating
[2] Excludes capitalised interest and sunk costs

UNDER CONSTRUCTION: 201MW – ~915GWh pa

Ngā Tamariki OEC5 (2025) 46MW 390GWh

Kaiwera Downs 2 (2026) 155MW 525GWh

- Committed to construction of Kaiwera Downs wind farm expansion in Jun-24
- This expansion will bring the total capacity of the Kaiwera Downs wind farm to 198MW or 672GWh pa; New Zealand's second largest wind farm
- Forecast capital expenditure[2] of $486m brings Mercury's total FY24 commitment to new renewables to over $700m (with Ngā Tamariki OEC5 geothermal expansion announced Sep-23)
- A multi-contract delivery approach is being utilised, similar to the first stage wind farm

STRONG PIPELINE OF NEW RENEWABLE GENERATION.

Projects under construction: 46MW, 390GWh geothermal; 155MW, 525GWh wind

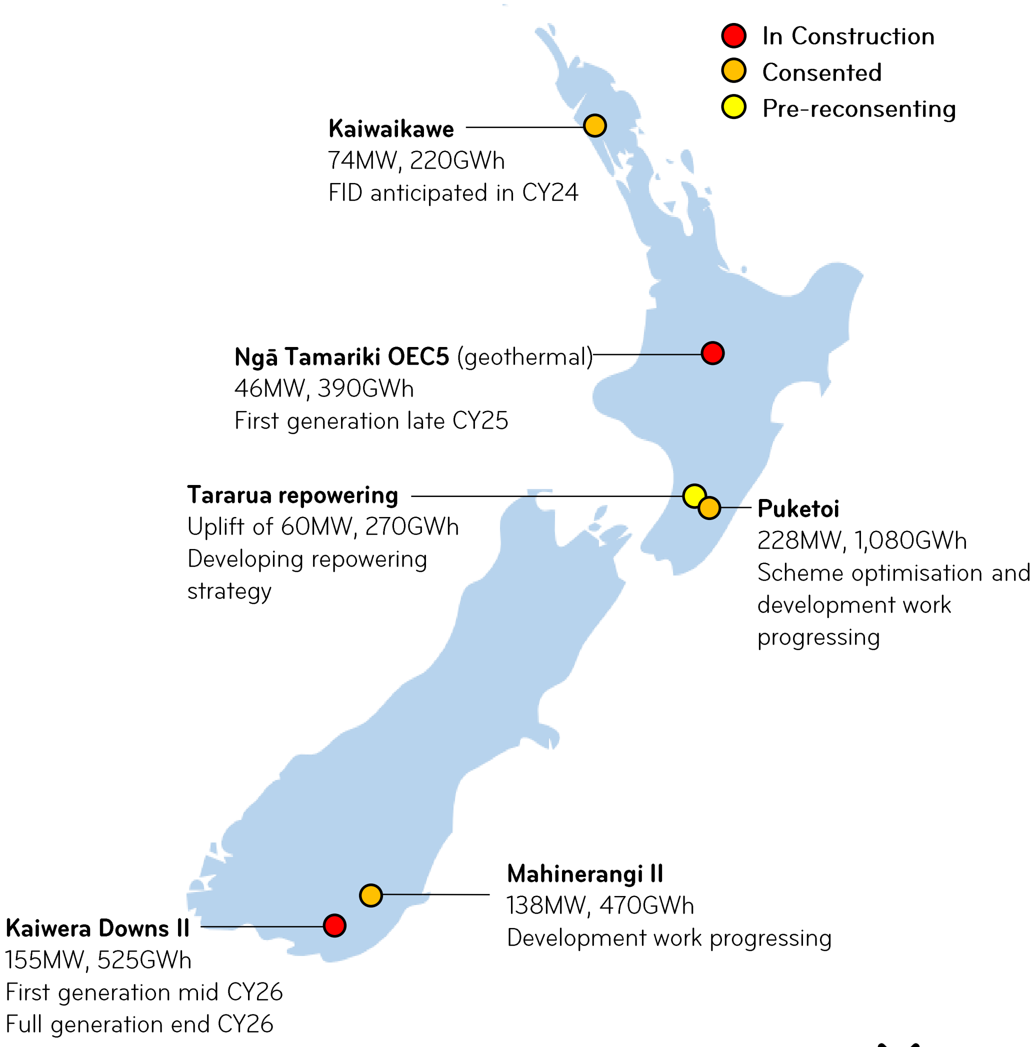
- Committed to a 390GWh Ngā Tamariki geothermal expansion in HY24 with first generation expected late calendar 2025
- Kaiwera Downs expansion construction underway in June 2024 with full generation expected by the end of CY26

Our consented projects: 440MW, 1,770GWh

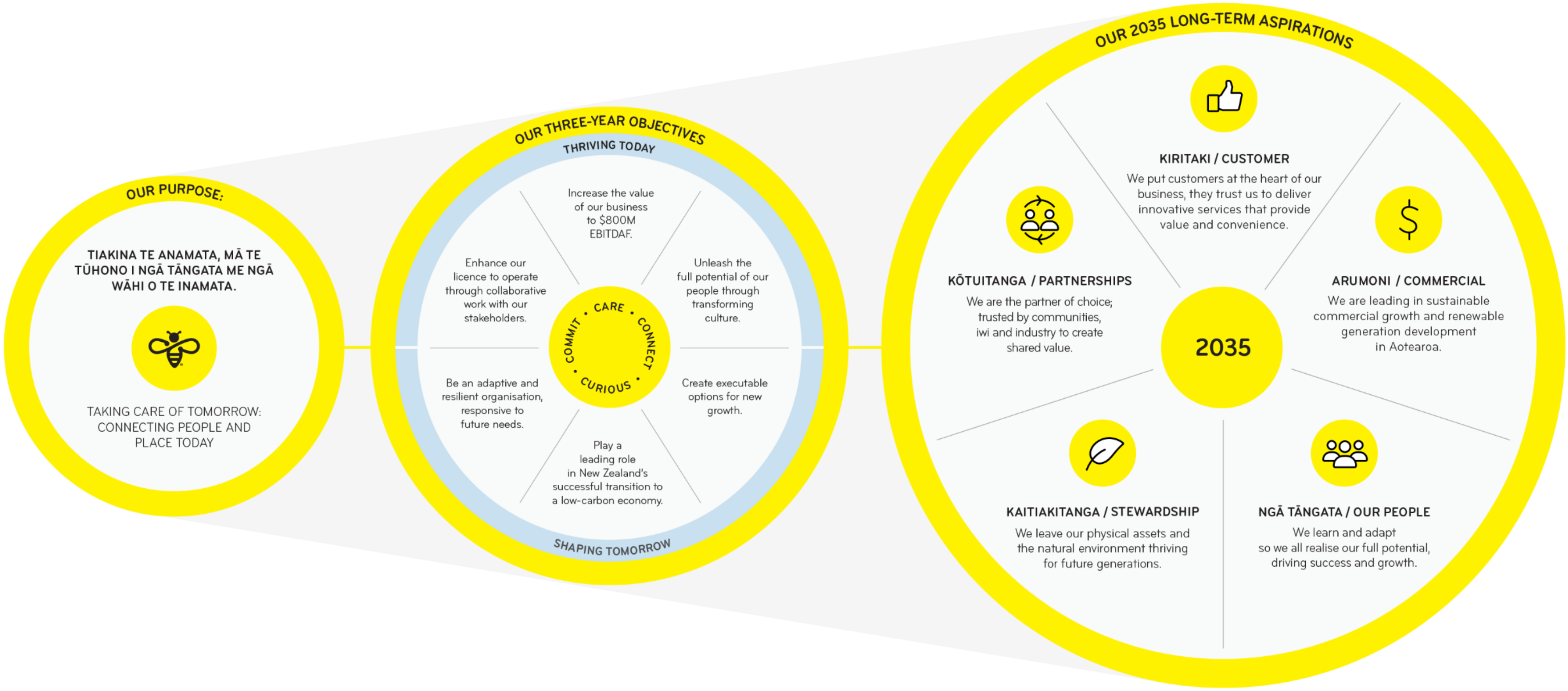
- Three consented on-shore wind farm projects. Progressing Kaiwaikawe and Puketoi wind farms through detailed investigations, constructability and optimisation work

Projects being secured, investigated: ~1,500MW

- Various projects in early-stage access, monitoring and feasibility assessment across wind, geothermal, battery energy storage systems (BESS) and solar



OUR STRATEGIC FRAMEWORK.



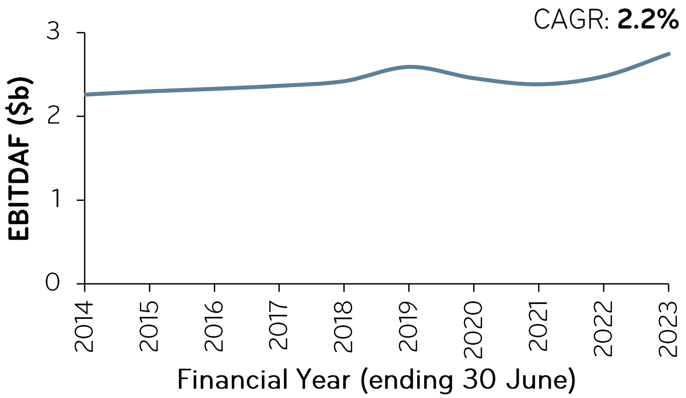
Key messages

- Our strategic framework maps why we exist, and what we will need to focus on over the near and longer term.
- We are currently reviewing our three-year objectives for FY25 to FY27

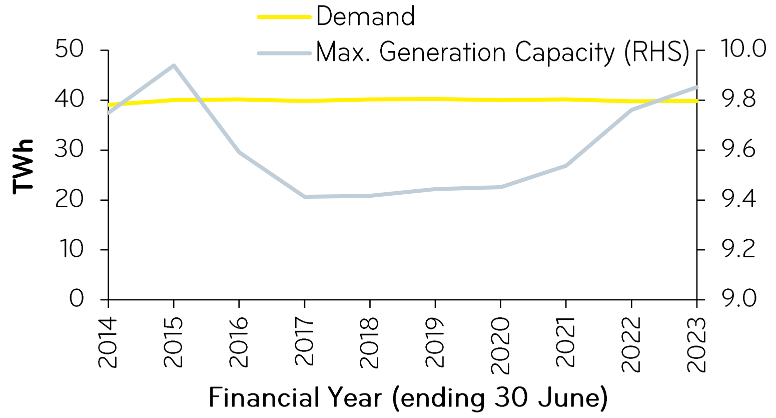
INDUSTRY BACKGROUND

LONG TERM INDUSTRY TRENDS.

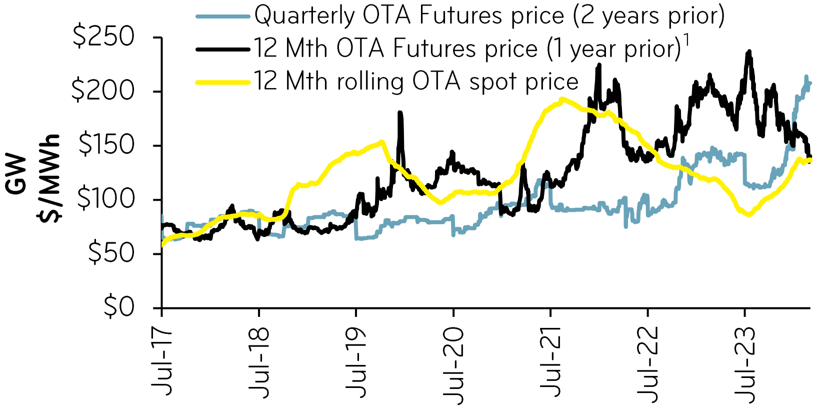
SECTOR EARNINGS



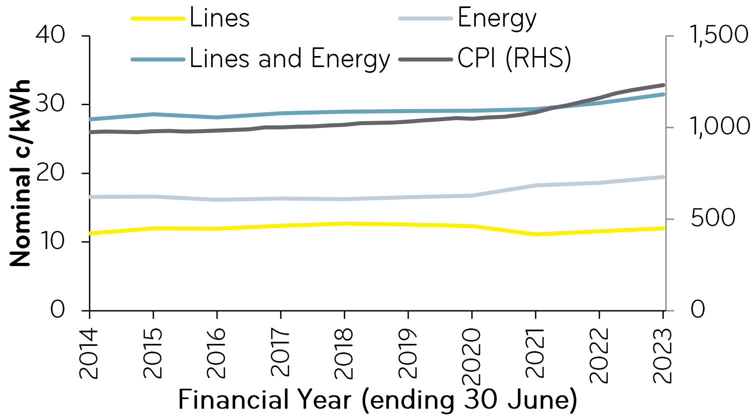
DEMAND AND GENERATION CAPACITY



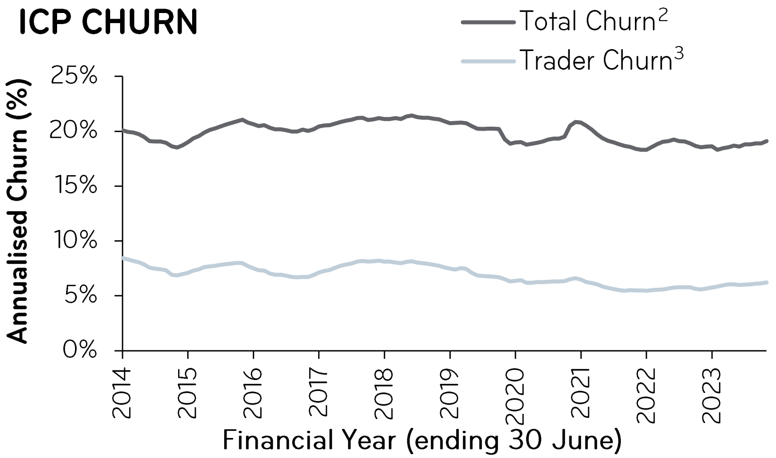
FUTURES VS SPOT PRICES



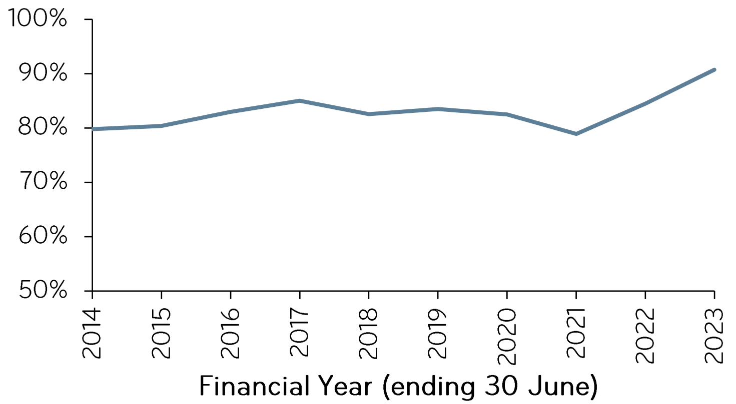
RESIDENTIAL PRICE



ICP CHURN



RENEWABLES PROPORTION



Source: Company reports, TPIX, MBIE, ASX, Pricing Manager (NZX), Electricity Authority, Stats NZ

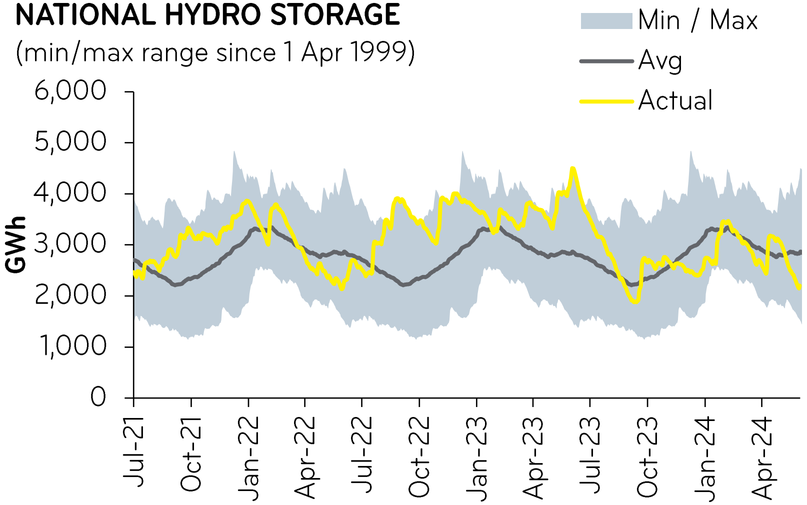
[1] Average futures price for the four quarters up to and including the current quarter as at 1 year prior to current date

[2] Includes trader churn and premise churn – switches caused by customers moving house

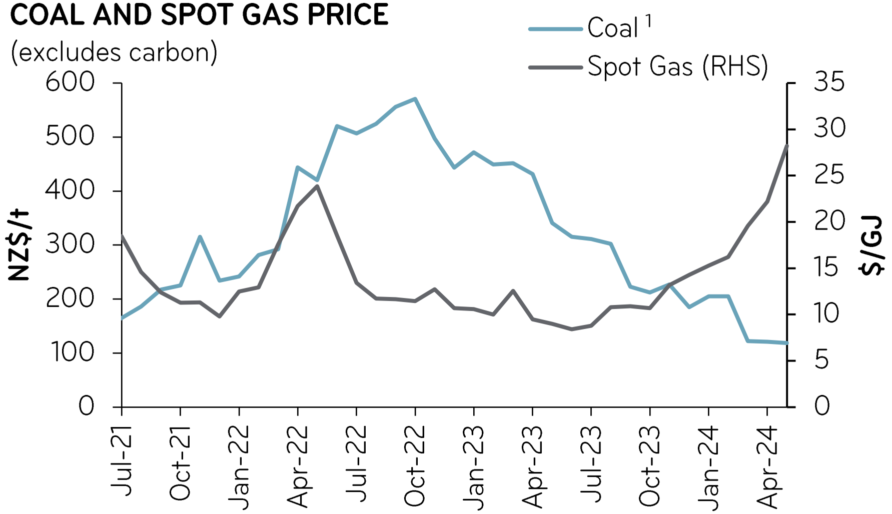
[3] Switches where a customer changes retailer without changing residence

ELECTRICITY FORWARD PRICE INFLUENCED BY THERMAL FUEL COSTS & CARBON PRICES.

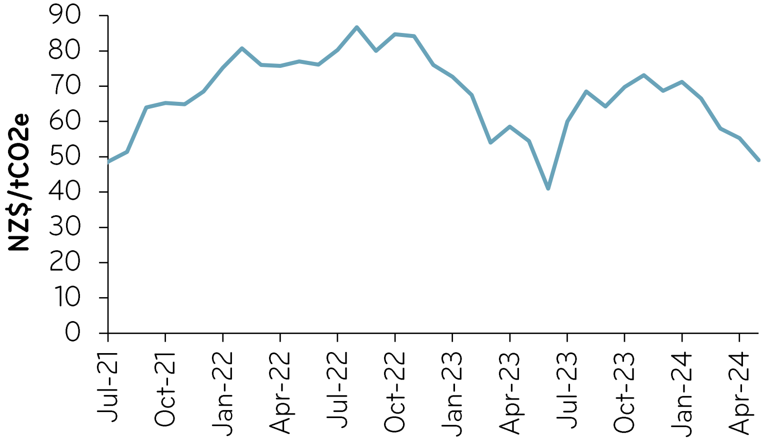
NATIONAL HYDRO STORAGE
(min/max range since 1 Apr 1999)



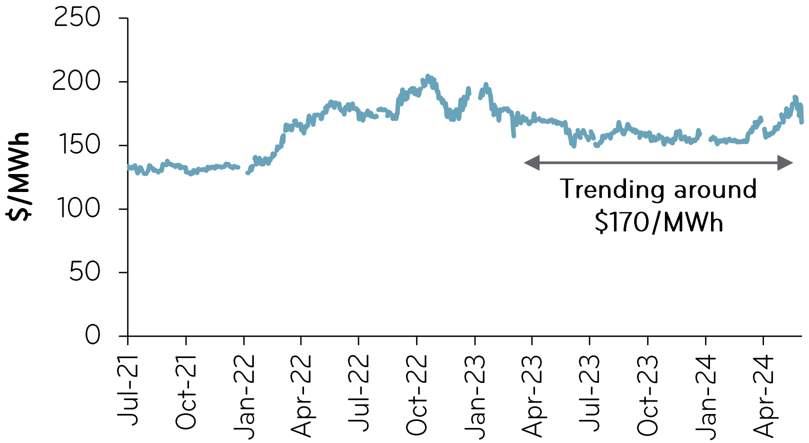
COAL AND SPOT GAS PRICE
(excludes carbon)



NZU CARBON PRICE



ELECTRICITY FUTURES THREE YEAR FORWARD PRICE[2]



- Rising three-year average futures prices not strongly influenced by hydrology when short-term impacts removed (excluding futures prices for first 6 months)
- Forward prices reflect market view of marginal generation costs through time and volatility; heavily influenced by likelihood of coal and gas generation setting price
- Forward prices are affected by renewable energy intermittency and how often the most expensive generation sources set prices, not the levelised cost of energy for new capacity

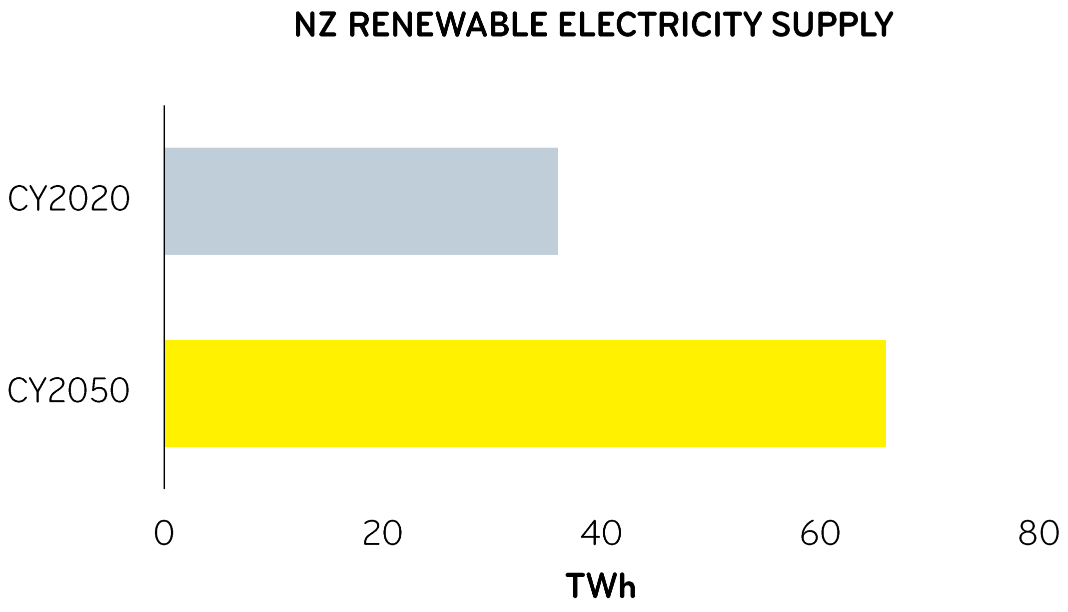
Source: Comit Hydro, Enerlytica, emsTradepoint, ASX, Mercury

[1] Combination of HBA Indonesian FOB Coal Price (note calculation methodology change in Mar-23) then Kalimantan FOB Coal Price from Apr-24

[2] Calculated on a two quarter ahead basis at Otahuhu, Auckland e.g. the July-21 price of $134/MWh represents the average futures settlement price for the period Jan-22 to Dec-24

NZ ELECTRIFICATION OPPORTUNITY IS SIGNIFICANT.

Renewable electricity supply to increase 30TWh by 2050



Key messages

- The 2050 energy transition will require a further 30TWh of renewable electricity in New Zealand, a significant uplift from the current base of 36TWh[1]
- Renewable electricity to account for 58% of New Zealand's total energy demand in 2050
- Global regulators are accelerating the energy transition, growing demand and boosting the need for investment
- Long-term electricity prices in New Zealand are supportive of new generation development

[1] Refer to the Boston Consulting Group Report 'Climate Change in New Zealand: The Future is Electric' published October 2022

MERCURY HIGHLIGHTS

MERCURY'S COMPETITIVE ADVANTAGE.

100% renewable generation

- Three low-cost complementary fuel sources in peaking/firming hydro, baseload geothermal, and high-quality wind generation

Superior asset location

- Predominantly North Island located generation near major load centres; hydro system inflows aligned with winter peak demand

Large renewable development potential

- 915GWh of renewables under construction, 1,770GWh of wind consented, ~1,500MW wind/geothermal/solar/BESS[1] under investigation/in feasibility

Scale retail business

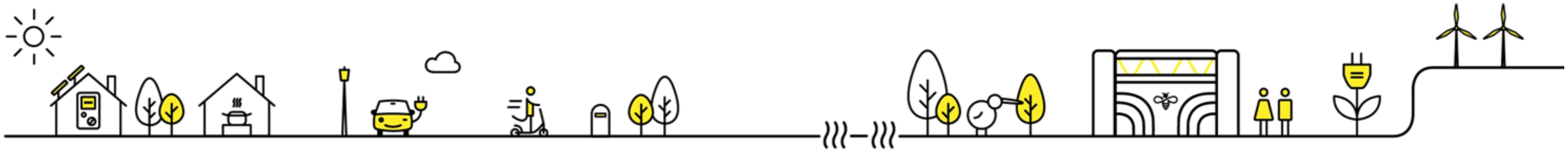
- Adding value for our customers in terms of convenience, cost efficiencies and delivery of innovative solutions

Adaptive and resilient culture

- A culture and way-of-working that embraces learning, challenges mindsets, lifts capability and celebrates curiosity

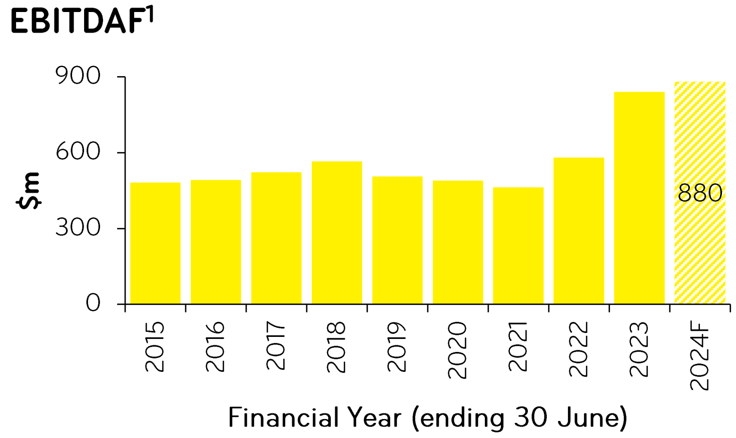
Long-term commercial partnerships

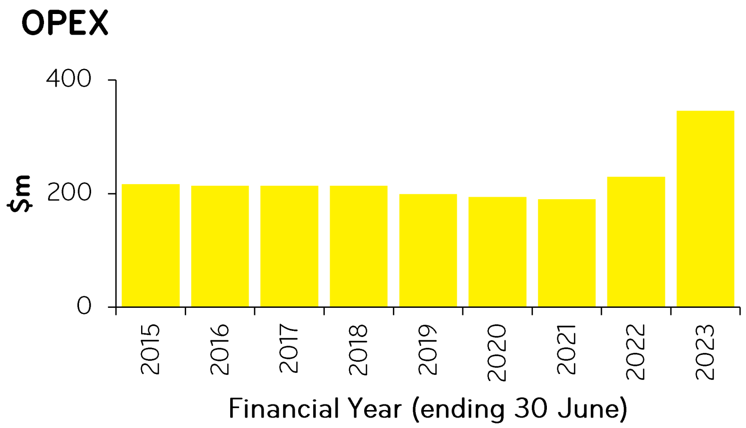
- With Māori landowners, iwi and other key stakeholders
- With long-term offtake partners

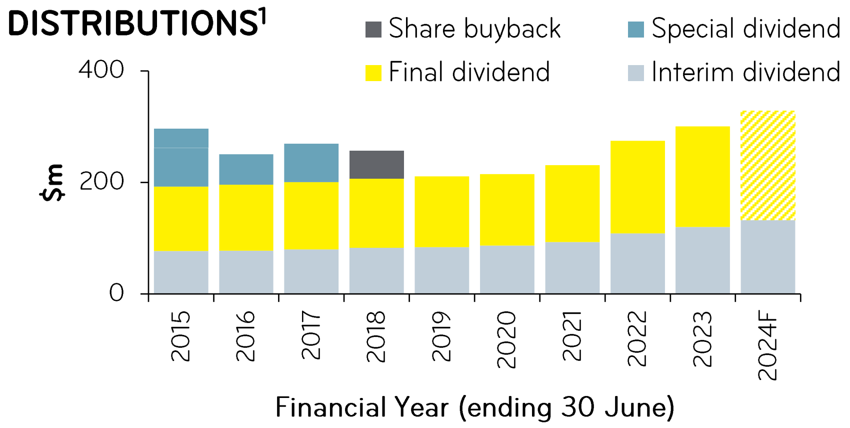


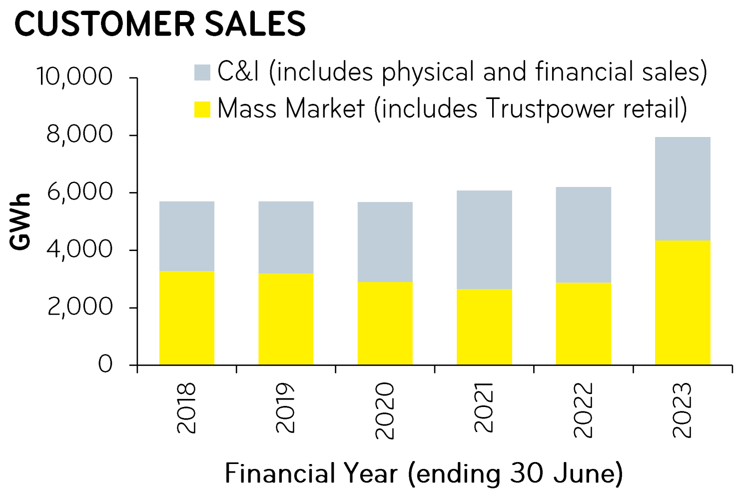
[1] BESS: Battery energy storage systems

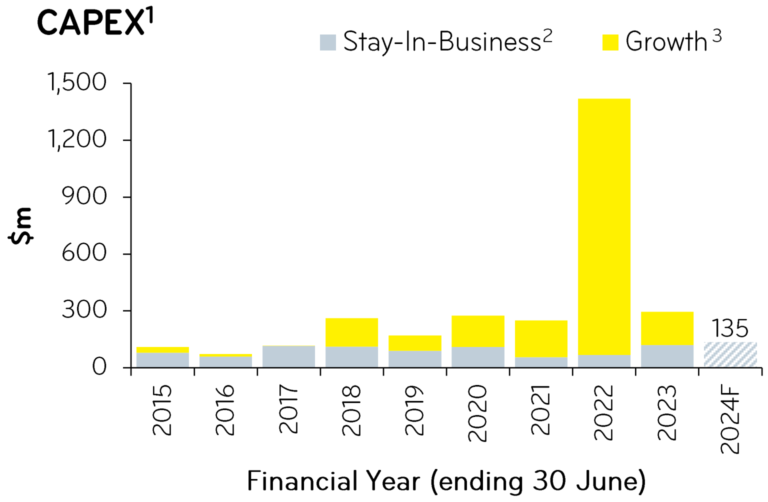
MERCURY'S LONG TERM TRACK RECORD.

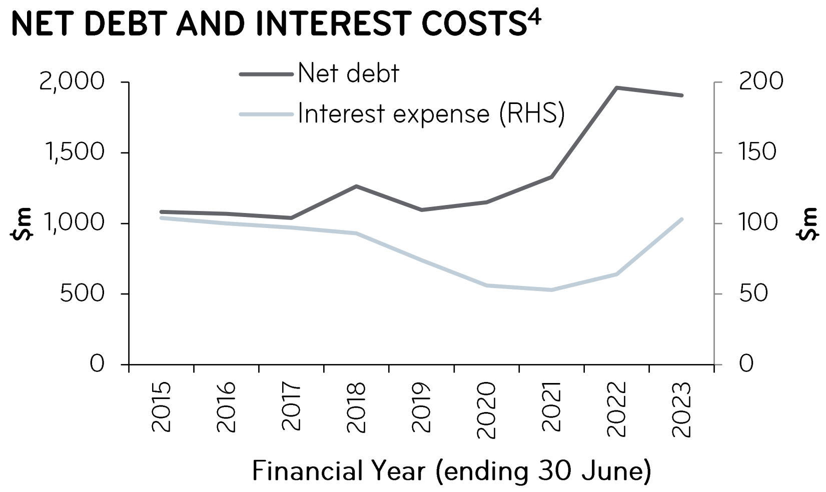






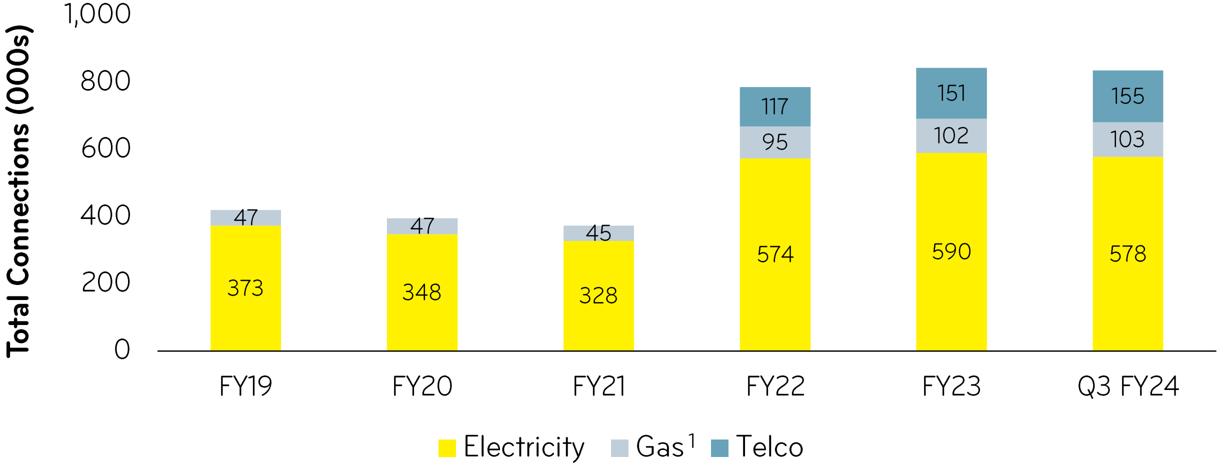


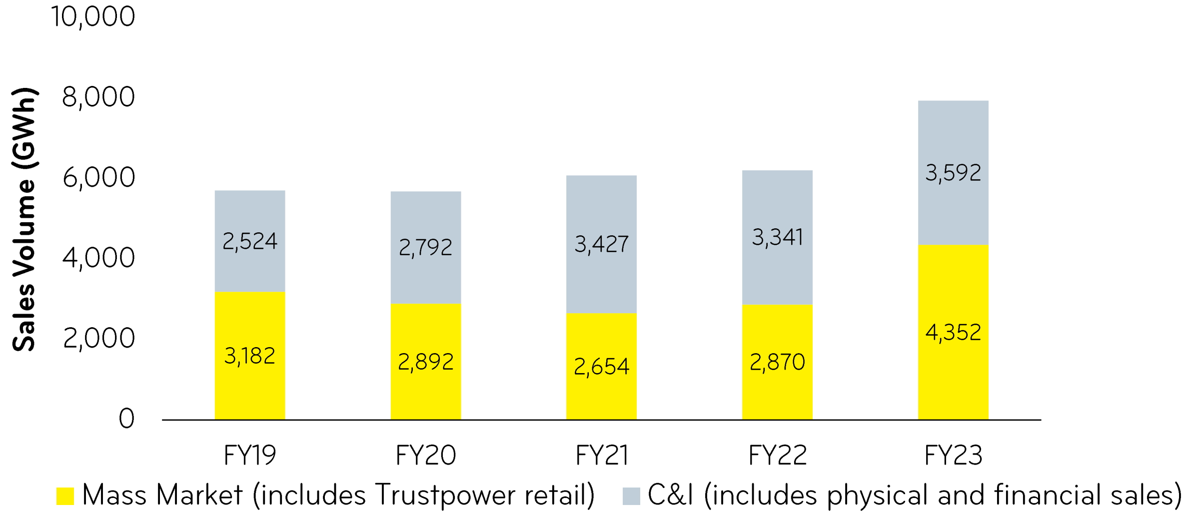




[1] FY2024 figures for EBITDAF, Stay-In-Business ("SIB") Capital Expenditure ("CAPEX") and final dividend are based on guidance issued 20 February 2024
[2] SIB CAPEX is the capital expenditure incurred by the company to maintain its assets in good working order
[3] Growth CAPEX is the capital expenditure incurred by the company to create new assets and revenue. Mercury does not provide guidance on growth CAPEX
[4] Mercury has $550m of Capital Bonds on issue, which S&P treats as having intermediate equity content (50% equity credit in calculating its ratios)

PLATFORM FOR CONNECTION GROWTH THROUGH INTEGRATION.





- Retail integration has reshaped Mercury into a scaled multi-product utility retailer, creating a foundation for enhanced operating efficiencies and growth
- High forward curve pricing has seen strong contract renewal prices through HY24. C&I yields (including physical sales and end user CfDs) up $10/MWh relative to PCP as a result of contracts repricing due to a sustained higher electricity forward curve
- Sales yields in Mass Market segment was $6/MWh higher in HY24 relative to PCP. Increases primarily driven by relative price rises in addition to reductions in direct costs, through reduced retention and acquisition expenses

[1] Gas includes both reticulated gas and LPG


Karapiro Hydro Turbine

FINANCIAL OVERVIEW

STRONG BALANCE SHEET SUPPORTS RENEWABLE GENERATION GROWTH.

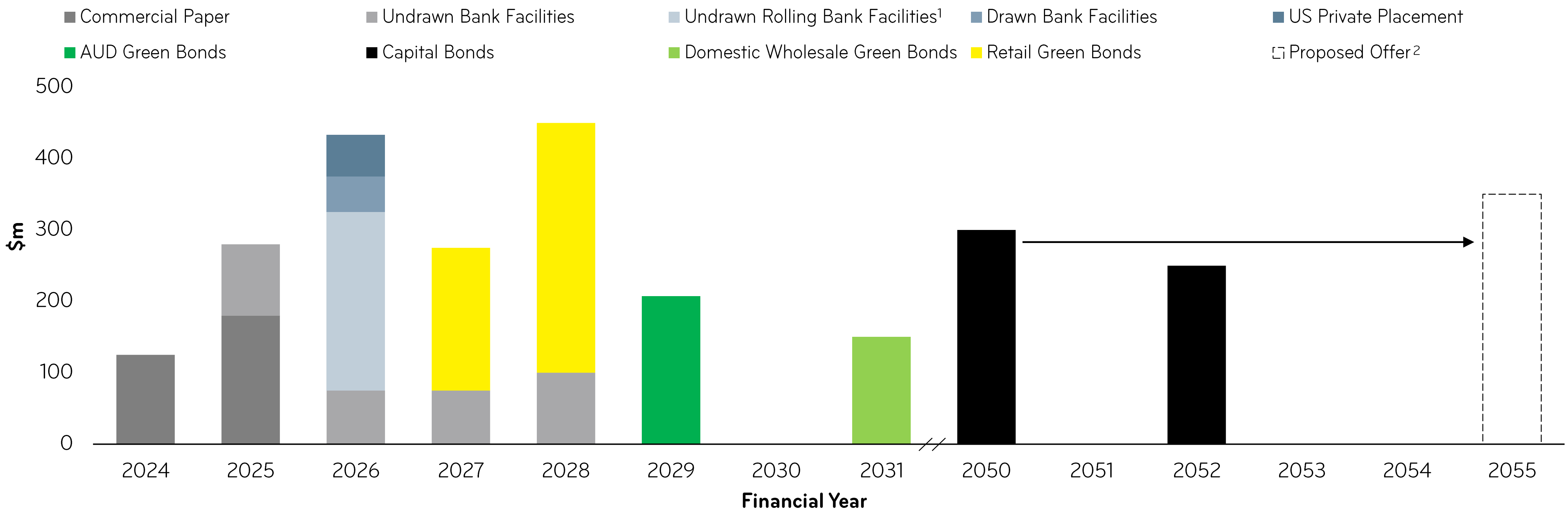
- Debt/EBITDAF[1] reduced to 2.0x for FY23 on lower net debt and an increase to EBITDAF with full year contributions from Turitea North, ex-Tilt Renewables assets and Trustpower retail
- S&P reaffirmed Mercury's credit rating of BBB+/stable in December 2023
  - Mercury targets Debt/EBITDAF between 2x-3x after adjusting for S&P treatment, consistent with our BBB+ rating
- Mercury commenced a Dividend Reinvestment Plan ("DRP") in FY22, which remains active

	31 Dec 2023	30 Jun 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Net Debt ($m)	1,983[2]	1,907	1,961	1,329	1,149	1,096
Debt/EBITDAF (x)[1]	2.0[3]	2.0	2.9	2.5	2.2	1.9
Issuer Credit Rating	BBB+/stable					
Ordinary Dividend	23.3cps[4]	21.8cps	20.0cps	17.0cps	15.8cps	15.5cps

[1] Adjusted for S&P treatment of Capital Bonds
[2] Includes lease liabilities balance and deferred financing costs as at 31 Dec 2023
[3] Based on $880m FY24 EBITDAF guidance issued 20 February 2024
[4] Based on FY24 ordinary dividend guidance issued 20 February 2024

DIVERSIFIED FUNDING PROFILE.

DEBT MATURITIES AS AT 31 MAY 2024



- Diversified funding sources: commercial paper, bank facilities, domestic wholesale bonds, retail bonds, AUD wholesale bonds, USPP and capital bonds
- Proceeds from the proposed Offer are intended to be used to refinance existing debt (including the MCY020 Bonds maturing in FY2050) and for general corporate purposes

[1] Requires 18 months' notice of termination from lender
[2] Assuming $350m total proceeds from the Offer

Ngā Tamariki geothermal station

KEY TERMS OF THE CAPITAL BONDS.

Instrument	Unsecured, subordinated, redeemable, cumulative, interest bearing debt securities
Ranking	The Capital Bonds will rank equally among themselves and will be subordinated to all other indebtedness of Mercury, other than indebtedness expressed to rank equally with, or subordinate to, the Capital Bonds The Capital Bonds will rank equally with the MCY050 Bonds
No guarantee	None of the Crown, any subsidiary of Mercury or any other person guarantees the Capital Bonds
Credit rating	Expected Issue Credit Rating: BB+ by S&P The expected Issue Credit Rating of the Capital Bonds is two notches below Mercury's stand-alone credit profile. One notch is deducted for subordination and a second notch because of the potential for interest payments to be deferred
Issue amount	Up to NZ$300m (plus up to NZ$50m of oversubscriptions at Mercury's discretion)
Term	30 years (maturing 11 July 2054)
Reset Dates	11 July 2029 and every 5 years thereafter. As part of a Successful Election Process, a different Reset Date may be adopted
Optional early redemption by Mercury	Each Reset Date, any Interest Payment Date after a Reset Date if a Successful Election Process has not been undertaken, a Tax Event, a Rating Agency Event or if there are less than 100m Capital Bonds on issue
Interest Rate	The Interest Rate and Margin for the first five-year period will be set following a bookbuild on 27 June 2024 as the Benchmark Rate plus the Margin, subject to a minimum Interest Rate. If not redeemed earlier, on each Reset Date, unless there has been a Successful Election Process, the Interest Rate for the next five-year period will reset to the Benchmark Rate on the applicable Reset Date plus the Margin plus the Step-up Margin (0.25%)
Deferral of interest	An interest payment can be deferred at any time for up to five years at the sole discretion of Mercury, with a distribution stopper in place while any Unpaid Interest remains outstanding Deferred interest is cumulative
Quotation[1]	It is expected the Capital Bonds will be quoted under the ticker code MCY070 on the NZX Debt Market

[1] Application has been made to NZX for permission to quote the Capital Bonds on the NZX Debt Market and all the requirements of NZX relating to that can be complied with on or before the distribution of the Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in the Terms Sheet or this presentation. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA

INTEREST PAYMENTS.

Interest Rate

- The Interest Rate until the First Reset Date will be the higher of:
    - Minimum Interest Rate; and
    - Benchmark Rate (on the Rate Set Date) plus the Margin
- Before each Reset Date, Mercury may propose, through an Election Process, that new terms and conditions (including new Interest Rate and Margin) would apply to the Capital Bonds from that Reset Date
- If no Successful Election Process occurs, the Interest Rate for the next five-year period resets to the sum of the Benchmark Rate on that Reset Date plus the Margin plus the Step-up Margin of 0.25% (if not already added to the Margin)

Deferral of Interest

- An interest payment may be deferred at Mercury's sole discretion for up to five years
- If deferred, an interest payment amount will itself accrue interest at the prevailing Interest Rate on the Capital Bonds (in aggregate, the "Unpaid Interest")
- If there is any Unpaid Interest outstanding, Mercury shall not:
    - Make any dividends, distributions or payments of interest on any shares or securities ranking pari passu with or below the Capital Bonds; or
    - Acquire, redeem or repay any share or other security ranking pari passu with or below the Capital Bonds

ISSUER REDEMPTION RIGHTS.

Mercury may redeem the Capital Bonds before the Maturity Date as per the conditions below

Early redemption

Mercury may redeem:

i. All or some of the Capital Bonds on any Reset Date;

ii. All or some of the Capital Bonds on any Interest Payment Date after a Reset Date if a Successful Election Process has not been undertaken in respect of that Reset Date;

iii. All (but not some only) of the Capital Bonds if there are less than 100m Capital Bonds on issue;

iv. All or some of the Capital Bonds if a Tax Event[1] occurs; or

v. All or some of the Capital Bonds if a Rating Agency Event[2] occurs

Redemption price

The Redemption Price will be:

- If redemption is as a result of (ii) or (v) occurring, then it will be the higher of:
  - The Issue Price plus Unpaid Interest plus accrued interest; and
  - The market value plus accrued interest
- Otherwise:
  - The Issue Price plus Unpaid Interest plus accrued interest
- If Mercury is redeeming Capital Bonds in part only then it can only do so to the extent that there will be at least 100m Capital Bonds outstanding after the partial redemption

[1] Receipt by Mercury of an opinion from a reputable legal counsel or tax adviser that as a result of an amendment, change or clarification of legislation, regulation, etc. the interest payments on the Capital Bonds would no longer be fully deductible for tax purposes

[2] Receipt by Mercury of notice from S&P that, as a result of a change of criteria, the Capital Bonds will no longer have the same equity content classification from S&P as it had immediately prior to the change in criteria, or Mercury ceases to hold a credit rating

KEY EARLY REDEMPTION DRIVERS.

2029

2034

Year 5 – Reset Date

- Potential Election Process or Mercury can call the Capital Bonds
- Step–up in Margin (0.25%) if no Successful Election Process
- Potential refinancing risk at year 10 if not called
- Call is at par (any subsequent issuer call between Reset Dates is at the higher of par and market, except if there are less than 100m Capital Bonds on issue or if a Tax Event occurs)

Year 10 – Reset Date

- S&P's equity content expected to reduce to minimal (0%)
- Treated as 100% debt by S&P
- Likely to be high cost debt with limited benefits
- Outcomes not consistent with rationale for issue

Mercury considers that instruments with ascribed equity content such as the Capital Bonds are an effective capital management tool and intends to maintain such instruments as a key feature of its capital structure going forward. If Mercury chooses to redeem the Capital Bonds early, current expectation is that equivalent replacement securities would be issued to fund that redemption

OFFER STRUCTURE AND KEY DATES.

Offer structure

- Bookbuild process
  - NZX firms, institutional investors, and certain other parties
  - No public pool

- Minimum applications
  - NZ$5,000 and multiples of NZ$1,000 thereafter

- Fees
  - Retail brokerage of 0.50%
  - Firm fee of 0.50%

Key dates

Offer opens	24 June 2024
Offer closes	11.00am, 27 June 2024
Bookbuild / Interest Rate set	27 June 2024
Issue Date	11 July 2024
Expected date of initial quotation and trading	12 July 2024
First Interest Payment Date	11 October 2024
First Reset Date	11 July 2029
Equity credit content expected to fall to minimal (0%)	11 July 2034
Maturity Date	11 July 2054

- If the bookbuild for the Offer is successful, Mercury will redeem the MCY020 Bonds on 11 July 2024
  - Custodial MCY020 bondholders who receive an allocation of Capital Bonds may be able to use a set-off option for settlement, and should contact their custodian for further details

SUMMARY.

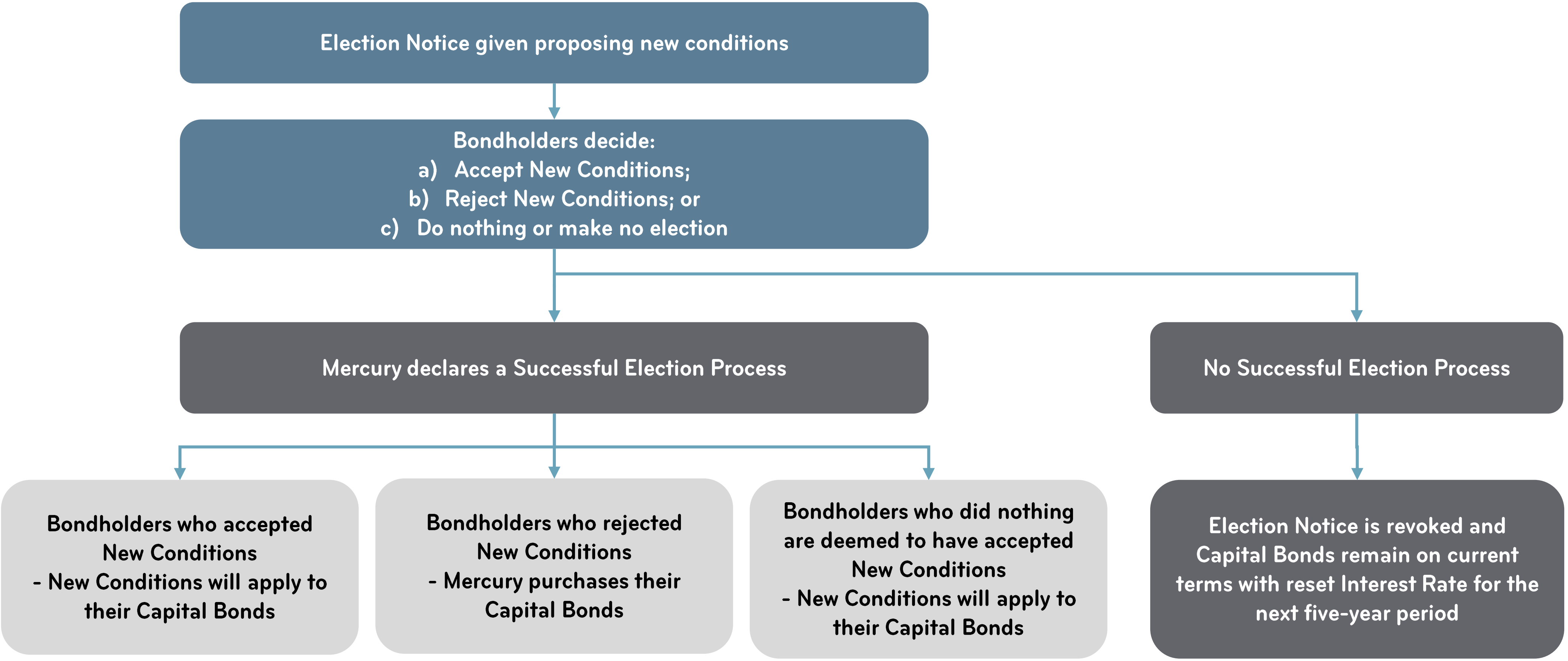
Key messages

- Mercury is well-positioned to respond to New Zealand's energy transition with electrification growing demand for renewable electricity
- Renewable generation portfolio includes three low-cost complementary fuel sources in peaking/firming hydro, baseload geothermal, and high-quality wind generation
- Successful delivery of new generation projects with a strong development pipeline
- Trustpower retail acquisition and integration to a single retail platform creating a foundation for enhanced operating efficiencies and growth
- Proven track record of returns - FY24 ordinary dividend guidance of 23.3cps represents the 16th consecutive year of ordinary dividend growth

Ngā Awa Pūrua cooling tower

APPENDIX

ELECTION PROCESS – A REMINDER.



NON-GAAP MEASURES.

- EBITDAF (or Operating Earnings) is earnings before net interest expense, tax expense, depreciation, amortisation, change in the fair value of financial instruments, gain on sale and impairments
- Operating Expenditure represents employee compensation and benefits, maintenance expenses and other expenses
- Stay-In-Business ("SIB") Capital Expenditure ("CAPEX") is the capital expenditure incurred by the company to maintain its assets in good working order
- Growth Capital Expenditure is the capital expenditure incurred by the company to create new assets and revenue
- Free Cash Flow is net cash provided by operating activities less stay-in-business capital expenditure
- Gearing Ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (both current and non-current) less cash and cash equivalents. Total capital is calculated as shareholders' equity plus net debt

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