Mercury

2025 INTERIM REPORT

CONTENTS

Ngā Tamariki Geothermal Station

CHAIR & CHIEF EXECUTIVE UPDATE

SCOTT ST JOHN, CHAIR & STEW HAMILTON, CHIEF EXECUTIVE

Scott St John, Chair.

Stew Hamilton, Chief Executive.

Kia ora and welcome to Mercury's six-month update to 31 December 2024.

Over the period we maintained our focus on delivering sustainable growth by investing in outcomes that help address the energy trilemma and build Aotearoa New Zealand's future prosperity.

This included our commitment to investing over $1 billion to new renewables in the past two years. Mercury now has three renewable projects under construction, which combined will add an additional 1,136 GWh per year for New Zealand, enough to power up to 142,000 houses.

This commitment comes at a critical time in New Zealand's low carbon energy transition.

SNAPSHOT

FOR SIX MONTHS TO 31 DECEMBER 2024

STEADY PERFORMANCE IN CHALLENGING CONDITIONS

- EBITDAF of $418 million largely reflects lower generation and increased operating expenses.
- A loss after tax of $67 million largely due to adverse non-cash movements of non-hedge accounted electricity derivatives.
- FY25 EBITDAF guidance remains at $820 million.

$1 BILLION COMMITTED TO NEW RENEWABLES IN TWO YEARS

- Kaiwaikawe Wind Farm confirmed, construction underway.
- Kaiwera Downs Wind Farm expansion tracking well.
- Ngā Tamariki Geothermal Station expansion tracking well.
- Significant maintenance and enhancement activity underway.

ENABLED CUSTOMER BENEFITS THROUGH ELECTRIFICATION

- Supported industrial electrification including major contracts with New Zealand Aluminium Smelters & Fonterra.
- Residential demand management trials completed.
- Customer care prioritised, zero disconnections due to hardship.
- Mass market customer numbers steady, positive growth of multi-product segment.

COLLABORATING WITH OTHERS

- Energy Transition Framework signed.
- Exploring Huntly Power Station options to enhance energy security.

↓ **$418M** EBITDAF

↓ **4,191GWh** TOTAL GENERATION

↑ **1,136GWh** RENEWABLES UNDER CONSTRUCTION

↑ **888K** TOTAL CUSTOMER CONNECTIONS

PURSUING GROWTH IN A COMPLEX ENVIRONMENT

The past six months have presented multi-faceted challenges for the sector and New Zealand as a whole.

Inflationary pressures, elevated interest rates and higher unemployment all contributed to a subdued economic outlook.

Amidst this backdrop, challenges related to the transition also came to the fore. Low national hydro storage and gas supply constraints tightened New Zealand's increasingly intermittent renewable electricity supply and caused significant volatility. A short period of record high spot electricity prices sent a strong price signal, before dropping to near record lows.

Action from sector participants, including demand response from industrials (primarily New Zealand Aluminium Smelters Ltd reducing electricity consumption and Methanex freeing up gas), helped maintain supply over the period. However, this has brought sharply into focus the key challenge of managing security of supply in an increasingly renewable energy system.

As a result, significant activity is now underway with a strong lens on competition as a means to improve affordability and security of supply. Mercury believes security of supply is the single biggest priority (which will in turn help address affordability). We support actions that enhance governance and market arrangements to encourage further investment in generation. It is clear there is no single solution, and collaboration across the sector is key.

Meanwhile, Resource Management reform was another key activity occurring over the period with potential to shape the sector in coming years. If executed well, it will be a fundamental enabler of our sector's ability to build more renewable infrastructure.

Looking ahead, the transition will be gradual, and we will continue to encounter challenges including those recently experienced. We are mindful of concerns as we go through this period and are keenly aware of the importance of bringing New Zealanders with us on this journey.

Despite near-term challenges, the long-term outlook for customers, Mercury and New Zealand is positive. Ongoing demand for renewable electricity in New Zealand is expected to grow, consistent with international trends towards electrification. There are broad gains to be made through the electrification of our economy and Mercury remains well positioned to both deliver on and benefit from these.

Aratiatia Hydro Station

STEADY PERFORMANCE IN CHALLENGING CONDITIONS

Financial performance was robust despite challenging conditions, with careful portfolio management helping to mitigate the full impact of these conditions.

Despite low hydro inflows over the last six months in the North Island, Lake Taupō was above normal levels by the end of the year due to a focus on rebuilding storage ahead of winter 2025.

Mercury reported EBITDAF[1] 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.

Inflows for the period at 15th percentile delivered hydro generation of 1,836 GWh (down from 2,072 GWh on the prior comparable period). Wind generation of 1,083 GWh (down 26 GWh on the prior comparable period) reflected lower than average wind. Planned maintenance outages at Ngā Awa Pūrua and Rotokawa stations have resulted in 33 GWh lower geothermal generation than prior comparable period at 1,272 GWh.

C&I yields were up 13% due to contract repricing at sustained higher electricity forward curve.

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).

Net debt was $2,093 million, up $140 million on the prior comparable period reflecting increased debt funding capital projects.

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.

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. Our Dividend Reinvestment Plan continues, with shareholders able to reinvest their dividends into Mercury shares at a 2% discount.

1 EBITDAF: Earnings before net interest expense, tax expense, depreciation and amortisation, and unrealised change in fair value of financial instruments and carbon.

DELIVERING MORE RENEWABLES

Over the period we were pleased to confirm our decision to build the $287 million Kaiwaikawe Wind Farm (77 MW, 221 GWh per year) in Northland with construction now underway.

Despite a wet spring, construction of the $486 million Kaiwera Downs Wind Farm expansion (155 MW, 525 GWh per year) remains on track to reach full generation by the end of the 2026 calendar year.

Progress continued on the $267 million Ngā Tamariki Geothermal Station expansion and associated geothermal drilling (46 MW, 390 GWh per year). Progress is tracking well, with first generation on track for late this calendar year.

Our focus on generation maintenance and enhancement also continued to net positive outcomes over the period.

Our multi-year hydro refurbishment programme is progressing well, with the $90 million Karāpiro Hydro Station upgrade on track for completion in August 2025.

This represents a 16.5 MW uplift to 112.5 MW for this station. Maraetai, Ātiamuri and Ōhakuri hydro stations are next in line, with contracts for their upgrades expected to be signed later in 2025. Meanwhile our $175 million geothermal drilling campaign continues to progress well, with two of the three wells planned this financial year successfully completed over the period, and the third completed after period end.

CONSTRUCTION UNDERWAY

KAIWAIKAWE WIND FARM

$287M (77MW, 221 GWh PA)

CONSTRUCTION UNDERWAY

KAIWERA DOWNS WIND FARM EXPANSION

$486M (155MW, 525 GWh PA)

CONSTRUCTION UNDERWAY

NGĀ TAMARIKI GEOTHERMAL STATION EXPANSION AND ASSOCIATED DRILLING

$267M (46MW, 390 GWh PA)

ENABLING CUSTOMER BENEFITS THROUGH ELECTRIFICATION

We continued to focus on supporting consumers to shift to and benefit from electrification.

New Zealand Aluminium Smelters is now our largest customer, with our 20-year contract commencing on 1 January 2025. This long-term agreement (657 GWh per year) is broadly equivalent to the annual output of the entire Kaiwera Downs Wind Farm, a material contribution to the aggregate 5,000 GWh per year of electricity needs for the smelter to produce low-carbon aluminium.

We are also pleased to have 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.

Over the period we worked towards enabling more residential consumers to participate in demand management. We successfully completed the second phase of our hot water control trial and are now working with metering and network companies to scale this offering. Progress was also made on our EV time-of-use charging trial, with valuable learnings captured to feed into the further development of any EV offerings.

Looking forward, encouraging consumers to participate in the transition through actions like demand management will be key. Shifting to pricing that better reflects underlying costs of electricity at particular times of the day is a medium-term focus for Mercury as we seek to empower and educate customers on shifting load and taking greater control of their electricity costs.

Meanwhile, our customer care programme continued to be a critical input into energy equity for Mercury customers. The foundations of this programme are based on close collaboration with other providers, direct support to customers and continually building our understanding of hardship.

Teams across Mercury have worked together to make significant inroads in this space, delivering tangible benefits to customers in hardship.

We are very pleased to report that there were no post-pay disconnections for non-payment due to hardship over the period, a significant benchmark of success for our customer care programme. This is a real testament to the hard work of our people, as well as the collaborative efforts taken with community which are delivering more sustainable outcomes.

We also provided hedges to social retailers at a rate that broadens out our care of consumers in hardship beyond our own customer base. Over the period we sold 31 GWh volume to Nau Mai Rā and Toast Electric, bringing total volume sold to 107 GWh since FY22, when our first contract with Nau Mai Rā commenced. Those transactions enable these two retailers to work towards their goal of eliminating energy hardship, an ambition we share. Combined, they are supporting over 9,000 customers.

Our overall mass market energy customer numbers remained steady over the period. We continued to focus on building and delivering value to our customers, particularly through the bundling of products.

Our customer base with two or more products increased by about 12,000 over the period to more than 200,000 customers, bringing the proportion of our multi-product customer base to 37.8%. Our broadband market share surpassed 10% of the fixed line market in New Zealand and we now have over 30,000 mobile customers.

Looking forward, energy prices (gas and electricity) for consumers are expected to increase across the board.

This April, Mercury's overall electricity bill increase for 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.

This is an important contribution to a resilient, safe and secure supply of electricity, however the flow on impacts for consumers and business must be acknowledged, particularly in the current climate. We will continue to target our support to those who need it most, while also working to provide greater choice and control over cost to consumers, like demand response programmes.

COLLABORATING WITH OTHERS

Much of our activity continued to centre around collaboration and co-operation with participants across the sector on fundamental transition issues including security of supply.

Good progress was made on the Energy Transition Framework, which was signed by all sector participants following period-end. Participants span transmission, lines, generation, retail and industry organisations and the framework will be launched to the public later in 2025.

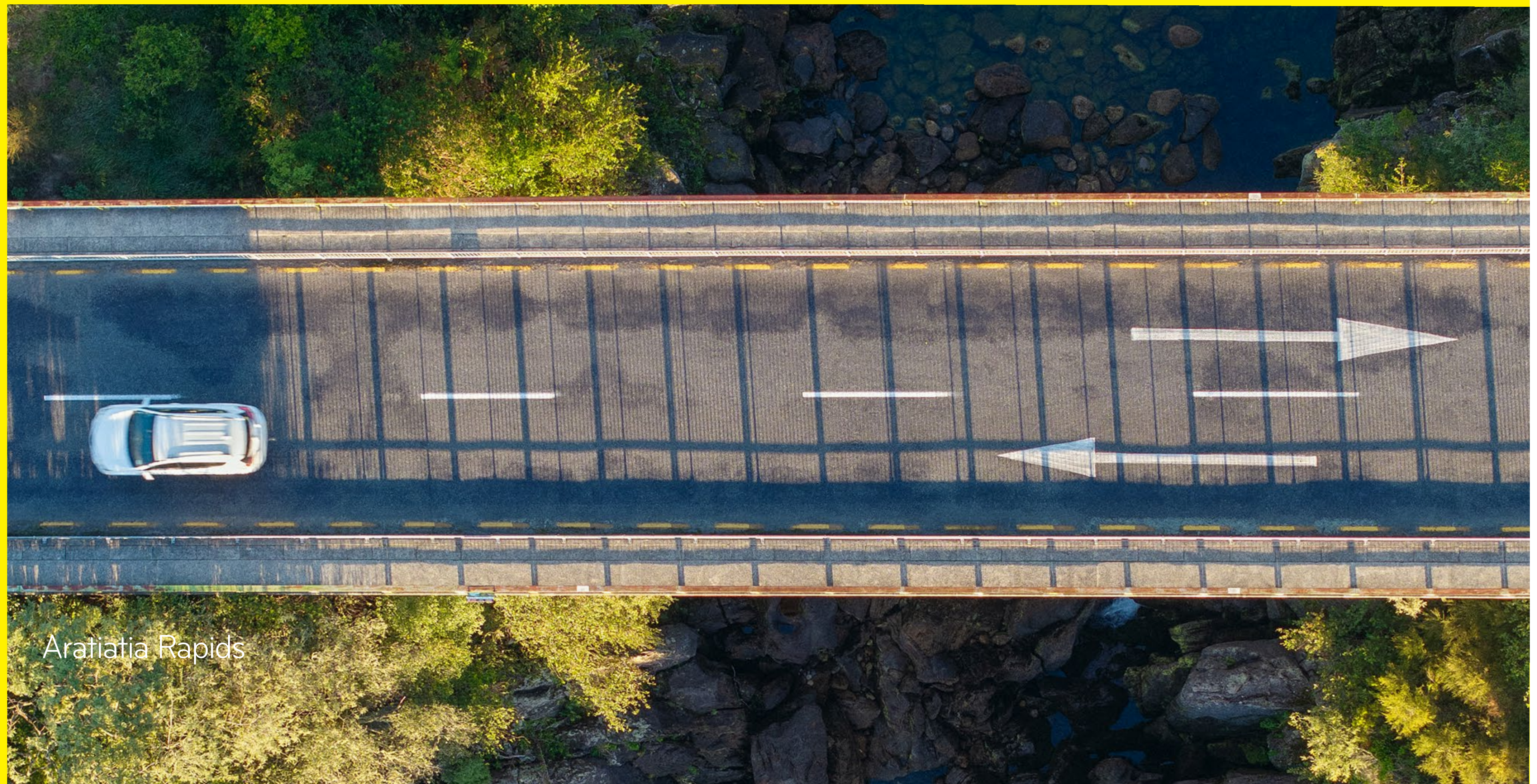
Six themes to be prioritised by the framework have been identified and agreed, which largely focus on the equity and security arms of the trilemma.

This milestone is significant and represents an unprecedented level of collaboration for the sector, reflecting the vital need for collective action for the transition to succeed.

We have also been working with Genesis and others to explore market options for the Huntly Power Station to help improve national security of supply. The commercial structure is being worked through, including key terms such as pricing and cost.

In addition to collaborating with the sector, we worked to build on the collective strength of our people. We launched our new Diversity, Equity, Inclusion and Belonging strategy over the period, which places inclusivity, equity, and belonging at the forefront, making us stronger and better as a business. Filling roles internally remains a key priority, providing growth opportunities for our people to learn and develop their skills.

We also continued to prioritise health, safety and wellbeing, with our aspiration to reach safety citizenship, the gold standard of safety culture, by December 2026. Our focus on rituals and routines, critical risks, safety data and safety leadership is key to achieving this goal. There have been four recordable incidents for the half year (excluding offsite injuries), while the 12-month rolling Total Recordable Injury Frequency Rate (TRIFR) for the 2024 calendar year was 0.64, up on the previous year due to an increase in recordable incidents. We have reflected on these incidents and have brought learnings from these into improving our health and safety processes.



Aratiatia Rapids

AN OPTIMISTIC OUTLOOK

This update marks my first as Chief Executive for Mercury and I am proud of what we have collectively achieved over the period, and more broadly. We are on a positive pathway of growth, and I am confident we'll continue to deliver value for our owners and our country.

Mercury has been part of the New Zealand landscape since the electricity sector's inception and is full of hardworking New Zealanders who are deeply invested in the future prosperity of this country.

Staying on the path of prosperity will require individuals, companies, markets and society at large to evolve constantly. We're keen to show up to these conversations as a constructive, pragmatic voice.

In order to do this, we will need to continue working to understand the multiple perspectives and experiences that shape change. My own earlier experience as the Chief Executive of New Zealand's largest buyer of electricity (New Zealand Aluminium Smelters) remains an important lens for me now, as Chief Executive of one of New Zealand's largest generators and retailers of electricity.

I believe the best solutions will come from the wisdom of many, and my mission is to harness this diversity of thought and bring forward the next generation of leaders, and the unique insights and perspectives that will help drive our sector and New Zealand forward.

I am optimistic that New Zealand is on track for a bright future, and we look forward to continuing to be a part of this journey, just as we have been an important part of the country's history.

Ngā mihi nui ki a koutou katoa.

SCOTT ST JOHN,
CHAIR

STEW HAMILTON,
CHIEF EXECUTIVE

OUR FINANCIALS

Turitea Wind Farm

CONTENTS

GROUP FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

Shape the future
with confidence

Independent auditor's review report

To the shareholders of Mercury NZ Limited

The Auditor-General is the auditor of Mercury NZ Limited and its subsidiaries (the Group). The Auditor-General has appointed me, Emma Winsloe, using the staff and resources of Ernst & Young, to carry out the review of the consolidated condensed interim financial statements (interim financial statements) of the Group on his behalf.

Conclusion

We have reviewed the interim financial statements of the Group on pages 12 to 26, which comprise the consolidated balance sheet as at 31 December 2024, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the six months ended on that date, and explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2024, and its financial performance and cash flows for the six months ended on that date, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* (NZ IAS 34) and International Accounting Standard 34: *Interim Financial Reporting* (IAS 34).

Basis for conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor's responsibilities for the review of the interim financial statements* section of our report.

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the interim financial statements review we carry out engagements in the areas of the financial statements audit, agreed-upon procedures and other assurance, which are compatible with those independence requirements. Other than the review and these engagements, we have no relationship with or interests in the Group.

Directors' responsibilities for the interim financial statements

The Directors are responsible, on behalf of the Group, for the preparation and fair presentation of these interim financial statements in accordance with NZ IAS 34 and IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are also responsible for the publication of the interim financial statements, whether in printed or electronic form.

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34.

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Emma Winsloe

Emma Winsloe
Ernst & Young
On behalf of the Auditor-General

Auckland, New Zealand
25 February 2025

FINANCIAL STATEMENTS.

CONSOLIDATED INCOME STATEMENT.

For the six months ended 31 December 2024

	Note	Unaudited 6 Months 31 Dec 2024 $M	Unaudited 6 Months 31 Dec 2023 $M	Audited 12 Months 30 Jun 2024 $M
Revenue	A2	1,755	1,605	3,424
Expenses	A2	(1,458)	(1,214)	(2,704)
Depreciation and amortisation	B1, B2	(176)	(178)	(350)
Change in the fair value of financial instruments	E1	(173)	65	172
Change in the fair value of carbon units held for trading		17	32	8
Share of profit/(loss) from associates and joint ventures	D1	4	(2)	(1)
Interest income	A2, C3	2	3	6
Interest expense	A2, C3	(67)	(66)	(140)
Profit/(loss) before tax		**(96)**	**245**	**415**
Tax (expense)/benefit		29	(71)	(125)
Profit/(loss) for the period attributable to owners of the parent		**(67)**	**174**	**290**
Basic and diluted earnings/(loss) per share (cents)	C1	**(4.80)**	**12.53**	**20.85**

The accompanying notes form an integral part of these Group financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

For the six months ended 31 December 2024

	Note	Unaudited 6 Months 31 Dec 2024 $M	Unaudited 6 Months 31 Dec 2023 $M	Audited 12 Months 30 Jun 2024 $M
Profit/(loss) for the period attributable to owners of the parent		(67)	174	290
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Change in asset revaluation reserve		-	-	138
Change in cash flow hedge reserve transferred to balance sheet		-	1	(2)
Share of movements in associates' and joint ventures' reserves	D1	5	(2)	(6)
Tax effect		1	-	(37)
Items that may be reclassified subsequently to profit or loss				
Change in cash flow hedge reserve		86	(108)	(180)
Tax effect		(21)	29	50
Other comprehensive income/(loss) for the period, net of taxation		**71**	**(81)**	**(37)**
Total comprehensive income/(loss) for the period attributable to owners of the parent		**4**	**93**	**253**

The accompanying notes form an integral part of these Group financial statements.

CONSOLIDATED BALANCE SHEET.

As at 31 December 2024

	Note	Unaudited 31 Dec 2024 $M	Unaudited 31 Dec 2023 $M	Audited 30 Jun 2024 $M
SHAREHOLDERS' EQUITY				
Issued capital		378	378	378
Treasury shares	C1	(1)	(23)	(15)
Reserves		4,313	4,445	4,486
Total shareholders' equity		**4,690**	**4,800**	**4,849**
ASSETS				
Current assets				
Cash		99	82	44
Trade and other receivables		440	505	638
Contract assets and costs		36	33	35
Inventories		134	145	120
Derivative financial instruments	E1	181	263	313
Taxation receivable		3	-	-
Total current assets		**893**	**1,028**	**1,150**
Non-current assets				
Property, plant and equipment	B1	8,267	8,080	8,222
Intangible assets	B2	127	127	132
Investment in and advances to associates and joint ventures	D1	75	74	69
Advances to joint operations	D2	4	3	4
Contract assets and costs		23	17	15
Derivative financial instruments	E1	133	189	203
Total non-current assets		**8,629**	**8,490**	**8,645**
Total assets		**9,522**	**9,518**	**9,795**

	Note	Unaudited 31 Dec 2024 $M	Unaudited 31 Dec 2023 $M	Audited 30 Jun 2024 $M
LIABILITIES				
Current liabilities				
Payables and accruals		295	367	462
Provisions		1	-	3
Borrowings	C2	610	453	383
Derivative financial instruments	E1	188	264	371
Taxation payable		-	29	73
Total current liabilities		**1,094**	**1,113**	**1,292**
Non-current liabilities				
Provisions		85	86	82
Derivative financial instruments	E1	418	230	296
Borrowings	C2	1,590	1,567	1,558
Deferred tax		1,645	1,722	1,718
Total non-current liabilities		**3,738**	**3,605**	**3,654**
Total liabilities		**4,832**	**4,718**	**4,946**
Net assets		**4,690**	**4,800**	**4,849**

For, and on behalf of, the Board of Directors, who authorised the issue of these Group financial statements on 25 February 2025.

SCOTT ST JOHN,
CHAIR OF THE BOARD OF DIRECTORS

JAMES MILLER,
CHAIR OF THE AUDIT AND FINANCIAL RISK COMMITTEE

The accompanying notes form an integral part of these Group financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.

For the six months ended 31 December 2024

	Note	Issued capital $M	Retained earnings $M	Asset revaluation reserve $M	Cash flow hedge reserve $M	Other reserves $M	Total equity $M
Balance as at 1 July 2023		378	364	4,235	(80)	(34)	4,863
Movement in cash flow hedge reserve, net of taxation		-	-	-	(79)	-	(79)
Share of movements in associates' and joint ventures' reserves	D1	-	-	-	(2)	-	(2)
Other comprehensive income/(loss)		**-**	**-**	**-**	**(81)**	**-**	**(81)**
Net profit/(loss) for the period		-	174	-	-	-	174
Total comprehensive income for the period		**-**	**174**	**-**	**(81)**	**-**	**93**
Dividend	C1	-	(182)	-	-	-	(182)
Issue of treasury shares for dividend reinvestment program	C1	-	15	-	-	11	26
Balance as at 31 December 2023		**378**	**371**	**4,235**	**(161)**	**(23)**	**4,800**
Balance as at 1 January 2024		378	371	4,235	(161)	(23)	4,800
Movement in asset revaluation reserve, net of taxation		-	-	99	-	-	99
Movement in cash flow hedge reserve, net of taxation		-	-	-	(51)	-	(51)
Share of movements in associates' and joint ventures' reserves	D1	-	-	-	(4)	-	(4)
Other comprehensive income/(loss)		**-**	**-**	**99**	**(55)**	**-**	**44**
Net profit/(loss) for the period		-	116	-	-	-	116
Total comprehensive income/(loss) for the period		**-**	**116**	**99**	**(55)**	**-**	**160**
Dividend	C1	-	(129)	-	-	-	(129)
Issue of treasury shares for dividend reinvestment program	C1	-	11	-	-	7	18
Balance as at 30 June 2024		**378**	**369**	**4,334**	**(216)**	**(16)**	**4,849**
Balance as at 1 July 2024		378	369	4,334	(216)	(16)	4,849
Movement in cash flow hedge reserve, net of taxation		-	-	-	66	-	66
Share of movements in associates' and joint ventures' reserves	D1	-	-	-	5	-	5
Other comprehensive income/(loss)		**-**	**-**	**-**	**71**	**-**	**71**
Net profit/(loss) for the period		-	(67)	-	-	-	(67)
Total comprehensive income/(loss) for the period		**-**	**(67)**	**-**	**71**	**-**	**4**
Dividend	C1	-	(195)	-	-	-	(195)
Issue of treasury shares for dividend reinvestment program	C1	-	18	-	-	14	32
Balance as at 31 December 2024		**378**	**125**	**4,334**	**(145)**	**(2)**	**4,690**

The 'Other reserves' category includes treasury shares, the foreign currency translation reserve and the share based payment reserve.

The accompanying notes form an integral part of these Group financial statements.

CONSOLIDATED CASH FLOW STATEMENT.

For the six months ended 31 December 2024

	Unaudited 6 Months 31 Dec 2024 $M	Unaudited 6 Months 31 Dec 2023 $M	Audited 12 Months 30 Jun 2024 $M
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	2,143	1,532	3,116
Payments to suppliers and related parties	(1,628)	(1,011)	(2,094)
Payments to employees	(87)	(85)	(165)
Interest received	2	3	6
Interest paid	(62)	(63)	(130)
Taxes paid	(140)	(93)	(121)
Net cash provided by operating activities	**227**	**283**	**612**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of property, plant and equipment	(202)	(132)	(295)
Payments for acquisition of intangibles	(13)	(14)	(39)
Distributions received from/(advances paid to) associates and joint ventures	3	2	4
Net (lodgements)/return of prudential deposits	17	(37)	(36)
Net cash (used)/received in investing activities	**(194)**	**(181)**	**(366)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	853	430	360
Repayment of borrowings	(660)	(359)	(356)
Principal repayment of lease liabilities	(8)	(9)	(13)
Dividends paid	(163)	(157)	(268)
Net cash (used)/received in financing activities	**22**	**(95)**	**(277)**
Net increase/(decrease) in cash held	55	7	(31)
Cash at the beginning of the period	44	75	75
Cash at the end of the period	**99**	**82**	**44**
Cash balance comprises:			
Cash held at bank at the end of the period	**99**	**82**	**44**

The accompanying notes form an integral part of these Group financial statements.

GENERAL INFORMATION

General information

The Group Consolidated Condensed Interim Financial Statements ("Group Financial Statements") are for Mercury NZ Limited ("the Company"), as the parent, and its subsidiaries, investments in associates and interests in joint arrangements ("the Group").

The Company is incorporated in New Zealand and registered under the Companies Act 1993. It is listed on the NZX Main Board and on the ASX, with foreign exempt listed status. It also has bonds quoted on the NZX debt market. Mercury NZ Limited is an FMC reporting entity under the Financial Markets Conduct Act 2013.

The Company is a mixed ownership model company, majority owned by the Government, and is bound by the requirements of the Public Finance Act 1989. The liabilities of the Group are not guaranteed in any way by the Government or by any other shareholder.

Basis of preparation

The unaudited Group financial statements have been prepared:

- in accordance with the Financial Markets Conduct Act 2013, Generally Accepted Accounting Practice in New Zealand ("GAAP"), the New Zealand Equivalent to International Reporting Standard 34 *Interim Financial Reporting* and International Accounting Standard 34 *Interim Financial Reporting.*
- on a historical cost basis, with the exception of certain fair value measurements.
- using the same accounting policies for all reporting periods presented.
- in millions of New Zealand dollars, unless otherwise stated.
- exclusive of GST, with the exception of payables and receivables that include GST invoiced.

These Group financial statements, including the accounting policies adopted, do not include all the information and disclosures required in the annual financial statements. Beyond those disclosed below, the Group financial statements have been prepared using the same accounting policies as, and should be read in conjunction with, the Group's annual financial statements for the year ended 30 June 2024.

Estimates and judgements

The preparation of financial statements requires judgements and estimates that impact the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The areas of significant estimates and judgements in the Group financial statements are as follows:

- Fair value of generation plant and equipment (refer note B1).
- Valuation of derivative financial instruments (refer note E1).

Accounting standards, interpretations and amendments not yet effective

In May 2024, the External Reporting Board (XRB) introduced NZ IFRS 18 *Presentation and Disclosure in Financial Statements* (effective for reporting periods beginning on or after 1 January 2027). NZ IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures, and includes new requirements for the aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. This standard replaces NZ IAS 1 *Presentation of Financial Statements*. The Group has not yet assessed the impact of NZ IFRS 18.

There are no other accounting standards that are not yet effective that will have a material impact on the Group's financial statements.

A. FINANCIAL PERFORMANCE

NOTE A1. REVENUE

Mercury earns revenue from the following sources:

Revenue stream	Description and revenue recognition
Electricity generation, net of hedging	Revenue is received from: - Electricity generated and sold through the New Zealand electricity spot market and physical power purchase agreements (PPAs). Revenue is recognised at the time of generation and at the spot price or contract price. - Net settlement of hedged energy contracts sold or bought on the futures market, and to generators, retailers and commercial and industrial customers and recognised at the time of hedge settlement.
Electricity and gas sales to customers	- Electricity and gas sales to customers are recognised when the energy is supplied for customer consumption. - Acquisition incentives such as credits and appliances are offered to new customers and treated as individual performance obligations and a portion of the expected revenue over the life of the total contract is allocated to the performance obligation based on their standalone selling price and recognised immediately. Corresponding contract assets are recognised on the balance sheet and amortised to the income statement over the contract period as the future consideration is billed. Incremental costs to obtain and retain customers are recognised on the balance sheet as contract costs and amortised to the income statement on a straight-line basis over the expected average mass market customer tenure.
Telco revenue	Customers consume mobile and broadband services which are measured and billed according to monthly billing cycles and are recognised when the service has been provided. Acquisition incentives are treated the same as above.
Other income	Income is received from: - Insurance proceeds. Income is recognised at the time the insurance proceeds are virtually certain to be received. - External management fees. Revenue is recognised at the time the services have been delivered. - Sale of emission units sold to third parties. The sale is recognised at the point in time that the emission unit is confirmed as being transferred into the acquirer's emission unit account.

A. FINANCIAL PERFORMANCE

NOTE A2. SEGMENT REPORTING

Identification of reportable segments

The operating segments are identified by management based on the nature of the products and services provided. Discrete financial information about each of these operating segments is reported to the Chief Executive, being the chief operating decision-maker, on a monthly basis, who assesses the performance of the operating segments on a measure of EBITDAF.

EBITDAF is a non-GAAP measure that is used internally to assess the operating performance of the Group without the impact of non-cash and one-off or infrequent transactions. Segment EBITDAF represents earnings before net interest expense, tax expense, depreciation, amortisation, unrealised change in the fair value of financial instruments, gain/(loss) on disposal and impairments by each segment inclusive of an allocation of central operating revenue and costs. Operating segments are aggregated into reportable segments only if they share similar economic characteristics.

The segment report below includes a Derivatives category within the Electricity margin. This represents the settlement (realised gains or losses) of both hedged and unhedged electricity swaps.

Realised gains or losses (settlements) on unhedged electricity swaps are reported within Electricity margin for the purposes of EBITDAF, but are reported within the change in fair value of financial instruments in the income statement. Realised gains or losses (settlements) on hedged electricity swaps are reported within Electricity margin for the purposes of EBITDAF, and within revenue or expenses as appropriate in the income statement. Unrealised gains or losses on both hedged and unhedged electricity swaps are not included in EBITDAF and are reported in either change in fair value of financial instruments in the income statement or in other comprehensive income. A reconciliation of EBITDAF to profit before tax can be found in the summary table of the note.

Identified segments

Generation/Wholesale

The generation/wholesale market segment encompasses activity associated with the electricity production, electricity trading, generation development activities and the Company's share of associates earnings in TPC Holdings Limited (see note D1). It includes revenue from the sale of electricity, to both commercial & industrial customers and the customer segment, net settlement of energy hedges and sale of trading emissions units to third parties. It also includes transfer revenue from customer to generation/wholesale for the purchase of electricity.

Customer

The customer market segment encompasses activity associated with sale of electricity, gas, telecommunication products/services and other related products and services to mass market customers in New Zealand.

Other categories

Other

This category includes corporate support services which are not directly attributable to the generation/wholesale or customer segments and the company's share of associates earnings in EnergySource LLC and EnergySource Minerals LLC.

Inter-segment

This category includes transactions between segments represent transfer charges by generation/wholesale to customer for the purchase of electricity.

SEGMENT RESULTS

Six months ended 31 December 2024 (Unaudited)	Generation/ Wholesale $M	Customer $M	Other $M	Inter-segment $M	Total $M
Generation	699	-	-	-	699
Sales to Customers	229	685	-	-	914
Inter-segment sales	342	-	-	(342)	-
Derivatives	90	-	-	-	90
Electricity purchases	(720)	(342)	-	342	(720)
Transmission and distribution	(63)	(271)	-	-	(334)
Metering	(2)	(30)	-	-	(32)
ELECTRICITY MARGIN	**575**	**42**	**-**	**-**	**617**
Gas Revenue	**-**	**65**	**-**	**-**	**65**
Gas purchases	-	(31)	-	-	(31)
Transmission and distribution	-	(23)	-	-	(23)
Metering	-	(5)	-	-	(5)
GAS MARGIN	**-**	**6**	**-**	**-**	**6**
Telco Revenue	**-**	**98**	**-**	**-**	**98**
Cost of sales	-	(63)	-	-	(63)
TELCO MARGIN	**-**	**35**	**-**	**-**	**35**
Other direct cost of sales	(18)	(25)	-	-	(43)
TRADING MARGIN	**557**	**58**	**-**	**-**	**615**
Other Income	**8**	**2**	**-**	**-**	**10**
Employee compensation and benefits	(36)	(44)	(11)	-	(91)
Maintenance expenses	(35)	(15)	-	-	(50)
Other expenses	(38)	(16)	(12)	-	(66)
Allocation of corporate overheads	(12)	(11)	23	-	-
Total operating expenses	**(121)**	**(86)**	**-**	**-**	**(207)**
Segment EBITDAF	**444**	**(26)**	**-**	**-**	**418**
Summary and reconciliation to net profit before tax					
Revenue	1,247	850	-	(342)	1,755
Expenses	(924)	(876)	-	342	(1,458)
Realised gain/(loss) on unhedged electricity swaps	117	-	-	-	117
Share of profit/(loss) from associates and joint ventures	4	-	-	-	4
Segment EBITDAF	**444**	**(26)**	**-**	**-**	**418**
Change in fair value of carbon units held for trading					17
Unrealised gain/(loss) on unhedged derivatives and hedge ineffectiveness through income statement					(290)
Interest income					2
Interest expense					(67)
Depreciation and amortisation					(176)
Profit/(loss) before tax					**(96)**

Twelve months ended 30 June 2024 (Audited)	Generation/ Wholesale $M	Customer $M	Other $M	Inter-segment $M	Total $M
Generation	1,435	-	-	-	1,435
Sales to Customers	464	1,291	-	-	1,755
Inter-segment sales	615	-	-	(615)	-
Derivatives	84	-	-	-	84
Electricity purchases	(1,347)	(615)	-	615	(1,347)
Transmission and distribution	(136)	(500)	-	-	(636)
Metering	(5)	(60)	-	-	(65)
ELECTRICITY MARGIN	**1,110**	**116**	**-**	**-**	**1,226**
Gas Revenue	**-**	**103**	**-**	**-**	**103**
Gas purchases	-	(38)	-	-	(38)
Transmission and distribution	-	(39)	-	-	(39)
Metering	-	(8)	-	-	(8)
GAS MARGIN	**-**	**18**	**-**	**-**	**18**
Telco Revenue	**-**	**170**	**-**	**-**	**170**
Cost of sales	-	(121)	-	-	(121)
TELCO MARGIN	**-**	**49**	**-**	**-**	**49**
Other direct cost of sales	(28)	(37)	-	-	(65)
TRADING MARGIN	**1,082**	**146**	**-**	**-**	**1,228**
Other Income	**32**	**4**	**(2)**	**-**	**34**
Employee compensation and benefits	(52)	(94)	(24)	-	(170)
Maintenance expenses	(67)	(20)	-	-	(87)
Other expenses	(51)	(49)	(28)	-	(128)
Allocation of corporate overheads	(23)	(29)	52	-	-
Total operating expenses	(193)	(192)	-	-	(385)
Segment EBITDAF	**921**	**(42)**	**(2)**	**-**	**877**
Summary and reconciliation to net profit before tax					
Revenue	2,471	1,568	-	(615)	3,424
Expenses	(1,709)	(1,610)	-	615	(2,704)
Realised gain/(loss) on unhedged electricity swaps	158	-	-	-	158
Share of profit/(loss) from associates and joint ventures	1	-	(2)	-	(1)
Segment EBITDAF	**921**	**(42)**	**(2)**	**-**	**877**
Change in fair value of carbon units held for trading					8
Unrealised gain/(loss) on unhedged derivatives and hedge ineffectiveness through income statement					14
Interest income					6
Interest expense					(140)
Depreciation and amortisation					(350)
Profit before tax					**415**

Six months ended 31 December 2023 (Unaudited)	Generation/ Wholesale $M	Customer $M	Other $M	Inter-segment $M	Total $M
Generation	573	-	-	-	573
Sales to Customers	226	669	-	-	895
Inter-segment sales	325	-	-	(325)	-
Derivatives	39	-	-	-	39
Electricity purchases	(534)	(325)	-	325	(534)
Transmission and distribution	(69)	(258)	-	-	(327)
Metering	(4)	(31)	-	-	(35)
ELECTRICITY MARGIN	**556**	**55**	**-**	**-**	**611**
Gas Revenue	**-**	**54**	**-**	**-**	**54**
Gas purchases	-	(17)	-	-	(17)
Transmission and distribution	-	(19)	-	-	(19)
Metering	-	(4)	-	-	(4)
GAS MARGIN	**-**	**14**	**-**	**-**	**14**
Telco Revenue	**-**	**85**	**-**	**-**	**85**
Cost of sales	-	(60)	-	-	(60)
TELCO MARGIN	**-**	**25**	**-**	**-**	**25**
Other direct cost of sales	(11)	(21)	-	-	(32)
TRADING MARGIN	**545**	**73**	**-**	**-**	**618**
Other income	**5**	**2**	**-**	**-**	**7**
Employee compensation and benefits	(29)	(47)	(11)	-	(87)
Maintenance expenses	(31)	(8)	-	-	(39)
Other expenses	(30)	(25)	(10)	-	(65)
Allocation of corporate overheads	(6)	(15)	21	-	-
Total operating expenses	**(96)**	**(95)**	**-**	**-**	**(191)**
Segment EBITDAF	**454**	**(20)**	**-**	**-**	**434**
Summary and reconciliation to net profit before tax					
Revenue	1,120	810	-	(325)	1,605
Expenses	(709)	(830)	-	325	(1,214)
Realised gain/(loss) on unhedged electricity swaps	45	-	-	-	45
Share of profit/(loss) from associates and joint ventures	(2)	-	-	-	(2)
Segment EBITDAF	**454**	**(20)**	**-**	**-**	**434**
Change in fair value of carbon units held for trading					32
Unrealised gain/(loss) on unhedged derivatives and hedge ineffectiveness through income statement					20
Interest income					3
Interest expense					(66)
Depreciation and amortisation					(178)
Profit before tax					**245**

B. OPERATING ASSETS

NOTE B1. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 6 Months 31 Dec 2024 $M	Unaudited 6 Months 31 Dec 2023 $M	Audited 12 Months 30 Jun 2024 $M
Opening net book value	8,222	8,099	8,099
Additions	205	134	293
Disposals	(2)	-	(2)
Gain on revaluation	-	-	137
Depreciation charge for the year	(158)	(153)	(305)
Closing net book value	**8,267**	**8,080**	**8,222**

Property, plant and equipment includes $97m of right-of-use assets (30 June 2024: $103m, 31 December 2023: $102m).

ASSETS CARRYING VALUES

All assets, except generation plant and equipment, are recognised at cost less accumulated depreciation. Fixed assets, excluding land, are depreciated on a straight line basis over their expected useful lives.

Generation plant and equipment is originally recognised at cost and subsequently measured at fair value less accumulated depreciation. An independent valuation is completed annually to determine the fair value of these assets.

Assets carried at fair value

All generation assets shown at valuation were revalued by an independent valuer, Pricewaterhouse Coopers, using a net present value methodology as at 30 June 2024.

AREA OF KEY JUDGEMENT

Generation asset valuation

The key assumptions used in the independent valuation include the forecast of the future wholesale electricity price path, generation volumes, projected operational and capital expenditure and asset life assumptions and discount rates. In all cases there is an element of judgement required as valuations make use of unobservable inputs. The valuation also assumes the on-going operation of large industrial customers, no material changes to the wholesale market regulatory regime, hydro and geothermal fuel supply being sustained over the modelled horizon and no material changes to generation consent conditions.

Generation assets are classified as Level 3 in the fair value hierarchy due to the use of non-market observable inputs in the valuation.

Keeping all other valuation inputs constant, the valuation is most sensitive to future wholesale electricity price path and discount rate. A review of the key inputs used in the valuation of generation assets as at 30 June 2024, indicates that there has been no material change in the fair value of the generation assets as at 31 December 2024.

NOTE B2. INTANGIBLE ASSETS

	Unaudited 6 Months 31 Dec 2024 $M	Unaudited 6 Months 31 Dec 2023 $M	Audited 12 Months 30 Jun 2024 $M
Opening net book value	132	138	138
Additions	14	17	46
Surrendered units	(1)	(2)	(7)
Amortisation for the year	(18)	(25)	(45)
Closing net book value	**127**	**127**	**132**

Intangible assets consist of software, acquired intangible assets (NOW customer list), rights (mainly land access rights), and carbon units held for settling emissions obligations. All intangible assets are deemed to have a finite useful life.

C. FUNDING

NOTE C1. SHARE CAPITAL AND DISTRIBUTIONS

The share capital of the Company is represented by 1,400,012,517 ordinary shares (30 June 2024: 1,400,012,517, 31 December 2023: 1,400,012,517) issued and fully paid. These shares do not have a par value, have equal voting rights and share equally in dividends and any surplus on winding up.

	Unaudited 31 Dec 2024 Number of shares (M)	Unaudited 31 Dec 2024 $M	Unaudited 31 Dec 2023 Number of shares (M)	Unaudited 31 Dec 2023 $M	Audited 30 Jun 2024 Number of shares (M)	Audited 30 Jun 2024 $M
Treasury shares						
Balance at the beginning of the period	6	15	13	34	13	34
Issue of treasury shares for dividend reinvestment program	(5)	(14)	(4)	(10)	(7)	(18)
Issue of treasury shares for long term incentive scheme	-	-	-	(1)	-	(1)
Balance at the end of the period	1	1	9	23	6	15

Treasury shares were issued during the six months ended 31 December 2024 for the following purposes:

- The dividend reinvestment programme (DRP) continued with the transfer of 5,351,842 shares (30 June 2024: 6,887,550, 31 December 2023: 4,059,057) to shareholders that elected to reinvest the net proceeds of cash dividends payable; and
- A total of 66,793 treasury shares worth $171,393 were issued for management long term incentive payments (30 June 2024: 375,302, 31 December 2023: 375,302).

	Cents per share	Unaudited 31 Dec 2024 $M	Unaudited 31 Dec 2023 $M	Audited 30 Jun 2024 $M
Dividends declared and paid				
Final dividend for 2023	13.1	-	182	182
Interim dividend for 2024	9.3	-	-	129
Final dividend for 2024	14.0	195	-	-
		195	182	311

	Unaudited 31 Dec 2024	Unaudited 31 Dec 2023	Audited 30 Jun 2024
Earnings per share			
Profit for the year attributable to owners of the parent ($m)	(67)	174	290
Weighted average ordinary shares	1,400	1,400	1,400
Less weighted average treasury shares	(3)	(11)	(9)
Weighted average ordinary shares for earnings per share (millions)	1,397	1,389	1,391
Basic and diluted earnings per share (cents)	(4.80)	12.53	20.85

NOTE C2. BORROWINGS

Debt measured at amortised cost	Borrowing Currency Denomination	Maturity	Coupon	Unaudited 6 Months 31 Dec 2024 $M Carrying amount	Unaudited 6 Months 31 Dec 2023 $M Carrying amount	Audited 12 Months 30 Jun 2024 $M Carrying amount
Bank facilities	NZD	Various	Floating	180	130	50
Commercial paper programme	NZD	< 3 months	Floating	328	298	307
Capital bonds - MCY020	NZD	Jul-2049	3.60%	-	302	302
Debt in fair value hedge relationships						
USPP - US$45m	USD	Dec-2025	4.60%	79	69	72
Green retail bonds - MCY040	NZD	Sep-2026	2.16%	194	185	186
Green retail bonds - MCY030	NZD	Sep-2027	1.56%	190	180	181
Green retail bonds - MCY060	NZD	Jun-2028	5.64%	161	173	157
Green wholesale bonds	AUD	Nov-2028	2.92%	204	195	197
Green wholesale bonds	NZD	Oct-2030	1.92%	135	129	127
Capital bonds - MCY050	NZD	May-2052	5.73%	256	250	248
Capital bonds - MCY070	NZD	Jul-2054	6.42%	369	-	-
Lease liabilities				115	121	121
Deferred financing costs				(11)	(12)	(7)
Total carrying value of borrowings				2,200	2,020	1,941
Current				610	453	383
Non-current				1,590	1,567	1,558
				2,200	2,020	1,941

Current borrowings include all drawn bank facilities, borrowings with a contractual maturity of less than one year, accrued interest (31 December 2024: $13m, 30 June 2024: $10m, 31 December 2023: $12m) and current lease liabilities (31 December 2024: $12m, 30 June 2024: $16m, 31 December 2023: $13m). Undrawn borrowing facilities at 31 December 2024 totalled $240m, net of commercial paper on issue (30 June 2024: $340m, 31 December 2023: $220m).

Fair value adjustment as at 31 December 2024 totalled $8m increase to carrying amount of borrowings (30 June 2024: $56m decrease, 31 December 2023: $45m decrease).

Net debt as at 31 December 2024 totalled $2,093m (30 June 2024: $1,953m, 31 December 2023: $1,983m). Net debt is calculated as total borrowings (both current and non-current) less fair value adjustments and cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

For the six months ended 31 December 2024

NOTE C3. NET INTEREST EXPENSE

	Unaudited 6 Months 31 Dec 2024	Unaudited 6 Months 31 Dec 2023	Audited 12 Months 30 Jun 2024
	$M	$M	$M
Interest expense on borrowings	67	65	135
Interest expense on lease liabilities	3	2	7
Unwind of discount on provisions	2	2	4
Less capitalised interest	(5)	(3)	(6)
Total interest expense	67	66	140
Interest income	(2)	(3)	(6)
Net interest expense	65	63	134

Interest costs related to the construction of new generation assets are capitalised. The average rate used to determine the amount of borrowing costs eligible for capitalisation as at 31 December 2024 was 5.88% (30 June 2024: 6.67%, 31 December 2023: 6.42%).

NOTE C4. COMMITMENTS AND CONTINGENCIES

	Unaudited 6 Months 31 Dec 2024	Unaudited 6 Months 31 Dec 2023	Audited 12 Months 30 Jun 2024
	$M	$M	$M
Capital commitments	833	322	717

Capital commitments

Capital commitments include purchases of both property, plant and equipment (PP&E) and intangibles. PP&E commitments include contracts for refurbishment of hydro generation assets at Karāpiro, Maraetai, and Waipapa, contracts for construction of an additional geothermal OEC unit at Ngā Tamariki, geothermal drilling campaigns at the Kawerau, Ngā Tamariki and Rotokawa fields and contracts for construction of Kaiwera Downs Stage II and Kaiwaikawe wind farms. Intangible commitments are contracts to purchase New Zealand emissions trading scheme (NZ ETS) units. In the event the NZ ETS is terminated the existing purchase agreements, which cover the three year period from the end of the reporting period, will also terminate.

Operating commitments

As part of its day-to-day operations, the Group enters various operating arrangements and commitments with third parties to support and enhance the Group's long-term licence to operate, provide access to land, and use of natural resources. These operating arrangements may be short-, medium-, or long-term in nature.

Contingencies

On 7 June 2021, the Kawerau geothermal power station experienced an unplanned outage as a result of a mechanical failure. An outage was completed in June 2023 to install replacement equipment. The Group received an initial payment of $26m recorded as income in 2022 and a second payment of $16m in the 2025 financial year which was recognised as income in the 2024 financial year. The Group expects to receive additional insurance proceeds in the 2026 financial year once the total loss to the Group as a result of the incident has been confirmed. This will be recognised as revenue when it is virtually certain to be received.

The Group holds land and has interests in fresh water and geothermal resources that are subject to claims that have been brought against the Crown. The Group discloses these claims as contingent liabilities as the value, timing and likelihood of the claims being successful are all uncertain.

The Pouākani Claims Trust No 2 and a group of kaumātua have filed a claim in the Māori Land Court seeking a declaration that certain parts of the Waikato riverbed on which Mercury operates hydro assets are Māori customary land, including the riverbed beneath the Whakamaru, Maraetai I and II and Waipapa dams and the related power stations. The claim has been amended to include interests in the water flowing over the riverbed. Mercury holds the fee simple or beneficial title to those parts of the Waikato riverbed beneath the Whakamaru, Maraetai I and II and Waipapa dams and the related power stations, and has received advice that if the outcome of the claim adversely affects the Group's title to, or ability to access or operate its hydro assets, Mercury may bring a claim seeking compensation against the Crown. The claim is currently subject to a judicial review challenge to the Māori Land Court's decision to decline Mercury's application to strike out parts of the claim. The applicants have also filed a related claim in the Waitangi Tribunal under the Treaty of Waitangi Act 1975, but have not yet taken any further steps in relation to that claim.

A claim by the New Zealand Māori Council relating to fresh water and geothermal resources was lodged in 2012 with the Waitangi Tribunal. The inquiry was divided into three stages. In earlier stages, the Tribunal concluded that Māori have residual (but as yet undefined) proprietary rights in fresh water and geothermal resources, and it will be for the Government to determine how any such rights and interests may best be addressed. Stage three will consider law reform, including what Māori rights and interests in geothermal resources are guaranteed and protected by the Treaty of Waitangi, whether current law in respect of geothermal resources is consistent with the principles of the Treaty of Waitangi and, if not, what recommendations should be made for the reform of the current law.

Relatedly, individuals representing hapū affiliated with Ngāti Tūwharetoa have filed a claim in the Tribunal asserting customary interests in certain geothermal resources, including the Mōkai, Rotokawa and Kawerau geothermal fields. Similar claims asserting customary rights in the Rotokawa and Ngā Tamariki geothermal fields have now been filed in the Tribunal by entities associated with Ngāti Tahu- Ngāti Whāoa. The impact of these claims on the Group's operations, and consequently the amount of any claim or recourse the Group may have should that impact be adverse to the Group's interests, are unknown at this time.

From time to time the Group will issue letters of credit and guarantees to various suppliers in the normal course of business. However, there is no expectation that any outflow of resource relating to these letters of credit or guarantees will be required.

The Group has no other material contingent assets or liabilities.

D. GROUP STRUCTURE

NOTE D1. ASSOCIATES AND JOINT ARRANGEMENTS

The Group financial statements include the following:

			Interest held			
Name of entity	Principal activity	Type	Unaudited 31 Dec 2024	Unaudited 31 Dec 2023	Audited 30 Jun 2024	Country
TPC Holdings Limited	Investment holding	Associate[1]	25.00%	25.00%	25.00%	New Zealand
Rotokawa	Steamfield operation	Joint operation	64.80%	64.80%	64.80%	New Zealand
Ngā Awa Pūrua	Electricity generation	Joint operation	65.00%	65.00%	65.00%	New Zealand
EnergySource LLC	Investment holding	Joint venture[1]	20.86%	20.86%	20.86%	United States
EnergySource Minerals LLC	Mineral extraction	Joint venture[1]	17.73%	17.73%	17.73%	United States

[1] Associates and joint ventures are equity accounted under NZ IAS 28 *Investments in Associates and Joint Ventures.*

	Associates:			Joint ventures:		
	Unaudited 6 Months 31 Dec 2024 $M	Unaudited 6 Months 31 Dec 2023 $M	Audited 12 Months 30 Jun 2024 $M	Unaudited 6 Months 31 Dec 2024 $M	Unaudited 6 Months 31 Dec 2023 $M	Audited 12 Months 30 Jun 2024 $M
Balance at the beginning of the period	**63**	**72**	**72**	**6**	**8**	**8**
Share of earnings/(losses)	4	(2)	1	-	-	(2)
Share of movement in other comprehensive income and reserves	5	(2)	(6)	-	-	-
Distributions received during the year	(3)	(2)	(4)	-	-	-
Balance at the end of the period	**69**	**66**	**63**	**6**	**8**	**6**

NOTE D2. RELATED PARTY TRANSACTIONS

Majority shareholder

The majority shareholder of Mercury NZ Limited is the Government. Transactions cover a variety of services including energy, postal, travel and tax.

Transactions with related parties

The Group entered into a number of contracts with other Crown-controlled entities to hedge against wholesale electricity price risk, the most significant being a contract for difference with Genesis Energy Limited for generation produced at the Waipipi wind farm.

Mercury NZ Limited also has investments in subsidiaries, associates and joint arrangements, all of which are considered related parties.

As these are consolidated financial statements, transactions between related parties within the Group have been eliminated. Consequently, only those transactions between entities which have some owners external to the Group have been reported below:

	Transaction value		
	Unaudited 6 Months 31 Dec 2024 $M	Unaudited 6 Months 31 Dec 2023 $M	Audited 12 Months 30 Jun 2024 $M
Associates			
• Management fees and service agreements received	13	13	26
• Energy contract settlements (paid)/received	14	9	31
Joint operations			
• Management fees and service fees received and paid	15	11	31
• Energy contract settlements (paid)/received	7	-	12

An advance to TPC Holdings Limited of $4m (30 June 2024: $4m, 31 December 2023: $4m) is interest free and is repayable on demand subject to certain conditions being met.

The long-term advance to our Rotokawa joint operation partner of $2m (30 June 2024: $3m, 31 December 2023: $3m) carries a floating interest rate. Repayments under the advance are linked to the level of receipts under the geothermal energy supply agreement. There is no fixed repayment date; the agreement will terminate on receipt of any outstanding balances.

No related party balances have been written off, forgiven, or any impairment charge booked.

NOTE D2. RELATED PARTY TRANSACTIONS (CONTINUED)

	Transaction value		
	Unaudited 6 Months 31 Dec 2024 $000	Unaudited 6 Months 31 Dec 2023 $000	Audited 12 Months 30 Jun 2024 $000
Key management personnel compensation (paid and payable) comprised:			
Directors' fees	539	579	1,102
Benefits for the Chief Executive and Senior Management:			
• Salary and other short-term benefits	4,444	4,084	7,444
• Termination benefits	-	312	312
• Share-based payments	363	428	779
	5,346	5,403	9,637

Other transactions with key management personnel

Key management personnel are those people with responsibility and authority for planning, directing and controlling the activities of the Group. Key management personnel for the Group are considered to be the Directors and Senior Management.

Some Directors also provide directorship services to other third party entities.

A number of key management personnel provide directorship services to subsidiaries, associates and joint operations as part of their employment without receiving any additional remuneration.

The Group purchases directors and officers insurance for the benefit of key management personnel in relation to the services they provide to the Group.

Kawerau Geothermal Station

E. RISK

NOTE E1. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses a range of derivative contracts in order to manage risk and hedge against cash flow and fair value volatility. It is the Group's policy to apply hedge accounting to reduce volatility in profit or loss, and where possible, derivatives are designated into hedging relationships under NZ IFRS 9 *Financial Instruments* as either cash flow or fair value hedges.

Interest rate and cross currency interest rate derivatives

Interest rate and cross currency swaps are used to manage interest rate risks. Interest rate swaps where we pay-fixed, and receive-floating interest rates are designated as cash flow hedges in a relationship with a portion of floating rate debt exposure. Interest rate swaps where we receive-fixed, pay-floating interest rate are designated as fair value hedges in a relationship with the swap rate on fixed rate bonds. Cross-currency swaps are designated as both fair value and cash flow hedge relationships with the USPP and Australian denominated green wholesale bond (refer note C2) depending on the component of the debt being hedged: the risk free (swap) rate as a fair value hedge; and the credit margin as cash flow hedge.

Foreign exchange derivatives

Foreign exchange forward contracts are designated as cash flow hedges in a relationship with forecast purchases of inventory and capital equipment, mainly for maintenance and construction of generation assets.

Electricity contracts

Where possible, electricity price derivatives are designated as cash flow hedges in a relationship with forecast electricity sales and purchases. Exceptions are swaps and options used for trading (electricity futures, options and financial transmission rights) as well as other contracts that have been deemed not eligible for hedge accounting due to price reset mechanisms, termination options or variable volume structures (e.g. wind and solar power purchase agreements).

The fair values of derivative financial instruments are summarised in the following table:

	Unaudited 6 Months 31 Dec 2024 $M	Unaudited 6 Months 31 Dec 2023 $M	Audited 12 Months 30 Jun 2024 $M
CURRENT ASSETS			
Electricity price derivative	139	256	308
Interest rate derivative	5	7	4
Cross currency interest rate derivative	21	-	-
Foreign exchange derivative	16	-	1
	181	263	313
CURRENT LIABILITIES			
Electricity price derivative	162	210	327
Interest rate derivative	22	38	36
Cross currency interest rate derivative	4	8	8
Foreign exchange derivative	-	8	-
	188	264	371
NON-CURRENT ASSETS			
Electricity price derivative	113	170	183
Interest rate derivative	20	7	6
Cross currency interest rate derivative	-	12	14
	133	189	203
NON-CURRENT LIABILITIES			
Electricity price derivative	370	161	235
Interest rate derivative	46	61	54
Cross currency interest rate derivative	2	8	7
	418	230	296

	Unaudited 6 Months 31 Dec 2024 $M	Unaudited 6 Months 31 Dec 2023 $M	Audited 12 Months 30 Jun 2024 $M
Change in fair value of financial instruments			
Realised gain/(loss) on unhedged electricity swaps	117	45	158
Unrealised gain/(loss) on unhedged derivatives and hedge ineffectiveness through income statement	(290)	20	14
Change in fair value of derivative financial instruments per income statement	(173)	65	172

NOTE E1. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

AREA OF KEY JUDGEMENT

FAIR VALUE ESTIMATION

Valuation techniques

All fair value balances are assigned to a fair value hierarchy level as defined by NZ IFRS 13 *Fair Value Measurement*. No transfers occurred between hierarchy levels in the period ended 31 December 2024.

The following table provides a breakdown of the fair value of derivatives by the source of key valuation inputs:

Unaudited 31 December 2024 Valuation technique	**Quoted market price Level 1**	**Market observable inputs Level 2**	**Non-market observable inputs Level 3**	**Total**
Financial assets	**$M**	**$M**	**$M**	**$M**
Derivative instruments				
• Electricity price derivatives	13	-	239	252
• Interest rate derivatives	-	25	-	25
• Cross currency interest rate derivatives	-	21	-	21
• Foreign exchange rate derivatives	-	16	-	16
	13	62	239	314
Financial liabilities				
Derivative instruments				
• Electricity price derivatives	81	-	451	532
• Interest rate derivatives	-	68	-	68
• Cross currency interest rate derivatives	-	6	-	6
• Foreign exchange rate derivatives	-	-	-	-
	81	74	451	606
Net financial asset/(liability)	**(68)**	**(12)**	**(212)**	**(292)**

Audited 30 June 2024 Valuation technique	**Quoted market price Level 1**	**Market observable inputs Level 2**	**Non-market observable inputs Level 3**	**Total**
Financial assets	**$M**	**$M**	**$M**	**$M**
Derivative instruments				
• Electricity price derivatives	36	-	455	491
• Interest rate derivatives	-	10	-	10
• Cross currency interest rate derivatives	-	14	-	14
• Foreign exchange rate derivatives	-	1	-	1
	36	25	455	516
Financial liabilities				
Derivative instruments				
• Electricity price derivatives	72	-	490	562
• Interest rate derivatives	-	90	-	90
• Cross currency interest rate derivatives	-	15	-	15
• Foreign exchange rate derivatives	-	-	-	-
	72	105	490	667
Net financial asset/(liability)	**(36)**	**(80)**	**(35)**	**(151)**

Unaudited 31 December 2023 Valuation technique	**Quoted market price Level 1**	**Market observable inputs Level 2**	**Non-market observable inputs Level 3**	**Total**
Financial assets	**$M**	**$M**	**$M**	**$M**
Derivative instruments				
• Electricity price derivatives	26	-	400	426
• Interest rate derivatives	-	14	-	14
• Cross currency interest rate derivatives	-	12	-	12
• Foreign exchange rate derivatives	-	-	-	-
	26	26	400	452
Financial liabilities				
Derivative instruments				
• Electricity price derivatives	51	-	320	371
• Interest rate derivatives	-	99	-	99
• Cross currency interest rate derivatives	-	16	-	16
• Foreign exchange rate derivatives	-	8	-	8
	51	123	320	494
Net financial asset/(liability)	**(25)**	**(97)**	**80**	**(42)**

NOTE E1. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Valuation of Level 1 financial instruments

Level 1 financial derivatives includes ASX futures and financial transmission rights with fair values determined using quoted prices. These prices represent regularly occurring market transactions on an orderly basis.

Valuation of Level 2 financial instruments

The fair values of Level 2 derivatives are determined using discounted cash flow models. Listed below are the Level 2 derivatives and the key inputs to the valuation model.

Derivative	Valuation Input
Cross Currency Interest Rate Swaps (CCIRS)	Forward interest rate price curve and foreign exchange rate curve
Interest Rate Swaps	Forward interest rate curve
Foreign Exchange Contract	Forward foreign exchange rate curves

Valuation of Level 3 financial instruments

The Group uses various methods in estimating the fair value of a financial instrument. Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument there are two key inputs being used:

	Unaudited 6 Months 31 Dec 2024	Unaudited 6 Months 31 Dec 2023	Audited 12 Months 30 Jun 2024
Price path	\$98/MWh to \$177/MWh	\$85/MWh to \$188/MWh	\$84/MWh to \$221/MWh
Discount rate	10.8% to 3.3%	10.3% to 3.5%	10.3% to 4.1%

The wide range in discount factors are driven by entering into longer term derivative contracts. Forward electricity spot price in the front end of the curve in HY25 were lower, driven by futures price, thus resulting in a lower maximum price of \$177/MWh in HY25 compared to \$221/MWh in FY24.

The selection of valuation inputs requires significant judgement, and therefore there is a range of reasonably possible assumptions in respect of these inputs that could be used in estimating the fair values of these derivatives. Maximum use is made of observable market data when selecting inputs and developing assumptions for the valuation technique.

Reconciliation of Level 3 unrealised fair value movements

The unrealised Level 3 fair value movements in the Group's Consolidated Income Statement are recognised within 'change in the fair value of financial instruments', along with realised gains/losses on financial instruments not in a hedging relationship.

	Fair value through other comprehensive income			Fair value through profit or loss		
	Unaudited 6 Months 31 Dec 2024	Unaudited 6 Months 31 Dec 2023	Audited 12 Months 30 Jun 2024	Unaudited 6 Months 31 Dec 2024	Unaudited 6 Months 31 Dec 2023	Audited 12 Months 30 Jun 2024
	\$M	\$M	\$M	\$M	\$M	\$M
Opening balance sheet position	(259)	(78)	(78)	223	211	211
New contracts	-	(4)	(48)	2	-	(4)
Matured contracts	49	(6)	(12)	5	(6)	(6)
Gains and losses						
Through the income statement	-	-	-	(267)	38	22
Through other comprehensive income	35	(76)	(120)	-	-	-
Closing balance sheet position	(175)	(164)	(259)	(37)	244	223

Sensitivity of Level 3 fair value measurements

The Group uses unobservable inputs to measure the fair value of Level 3 electricity derivatives. These inputs are most sensitive to changes in electricity forward prices. These electricity price derivatives are in a net liability position per the excel stat accounts on the balance sheet. The Group has a net exposure that if there was an increase in the forward price would likely result in an increase in fair value of the Consolidated Balance Sheet, and a decrease in the forward price would likely result in a decrease in fair value.

NOTE E1. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Deferred 'inception' gains/(losses) on Level 3 derivatives

There is a presumption that when derivative contracts are entered into at an arm's length basis that the fair value at inception is zero. The contract price of non exchange traded electricity derivative contracts are agreed on a bilateral basis, the pricing for which may differ from the prevailing derived market price curve for a variety of reasons. In these circumstances an inception adjustment is made to bring the initial fair value of the contract to zero at inception. This inception adjustment is amortised over the life of the contract by adjusting the future price path used to determine the fair value of the derivatives by a constant amount to return the initial fair value to zero.

The table below details the movements in inception value gains/(losses) included in the fair value of derivative financial assets and liabilities:

	Unaudited 6 Months 31 Dec 2024 $M	Unaudited 6 Months 31 Dec 2023 $M	Audited 12 Months 30 Jun 2024 $M
Electricity price derivatives			
Opening deferred inception gains/(losses)	(1)	39	39
Deferred inception gains/(losses) on new hedges	8	12	(23)
Deferred inception(losses)/gains realised during the year	(11)	(5)	(17)
Closing inception gains/(losses)	(4)	46	(1)

F. OTHER

NOTE F1. SUBSEQUENT EVENTS AND OTHER MATTERS

The Board of Directors has approved a fully imputed interim dividend of 9.6 cents per share to be paid on 1 April 2025. The Group plans to continue with its dividend reinvestment plan, with a strike price to be determined by the average of daily volume weighted average sale price for a share, calculated on all price setting trades of shares that took place through the NZX Main Board over a period of five trading days starting on 10 March 2025, less a 2% discount.

There are no other material events subsequent to balance date that would affect the fair presentation of these financial statements.

INFORMATION FOR SHAREHOLDERS.

Shareholder enquiries

You can view your investment portfolio, change your address, supply your email, update your details or payment instructions online: www.investorcentre.com/nz. You will need your CSN and FIN to access this service.

Enquiries may be addressed to the Share Registrar (see Directory for contact details).

Investor information

Our website at mercury.co.nz is an excellent source of information about what's happening within the company.

Our Investor Centre allows you to view all regular investor communications, information on our latest operating and financial results, dividend payments, news and share price history.

Electronic shareholder communication

It is quick and easy to make the change to receiving your reports electronically. This can be done either:

- Online at www.investorcentre.com/nz by using your CSN and FIN (when you log in for the first time). Select 'My Profile' and 'Communication Preferences' to update your details, or;
- By contacting Computershare Investor Services Limited (see Directory for contact details).

DIRECTORY.

Board of Directors

Scott St John, Chair
Mark Binns
Hannah Hamling
Adrian Littlewood
James Miller
Susan Peterson
Mike Taitoko
Lorraine Witten

Executive Leadership Team

Stewart Hamilton, Chief Executive
Lucie Drummond, Chief Sustainability Officer
Phil Gibson, Executive GM Strategic Affairs
William Meek, Chief Financial Officer
Craig Neustroski, Chief Operating Officer - Customer
Fiona Smith, Chief People Experience and Technology Officer
Tim Thompson, Executive GM Wholesale
Matt Tolcher, Executive GM Generation Development
Tomas Toomata, Acting Executive GM Generation

Company Secretary

Howard Thomas,
General Counsel and Company Secretary

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Bank of China
Bank of New Zealand
China Construction Bank
Commonwealth Bank of Australia
Industrial and Commercial Bank of China
MUFG Bank
Mizuho Bank
Westpac

Credit Rating (re-affirmed December 2024)

Long-term: BBB+
Outlook: Stable

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