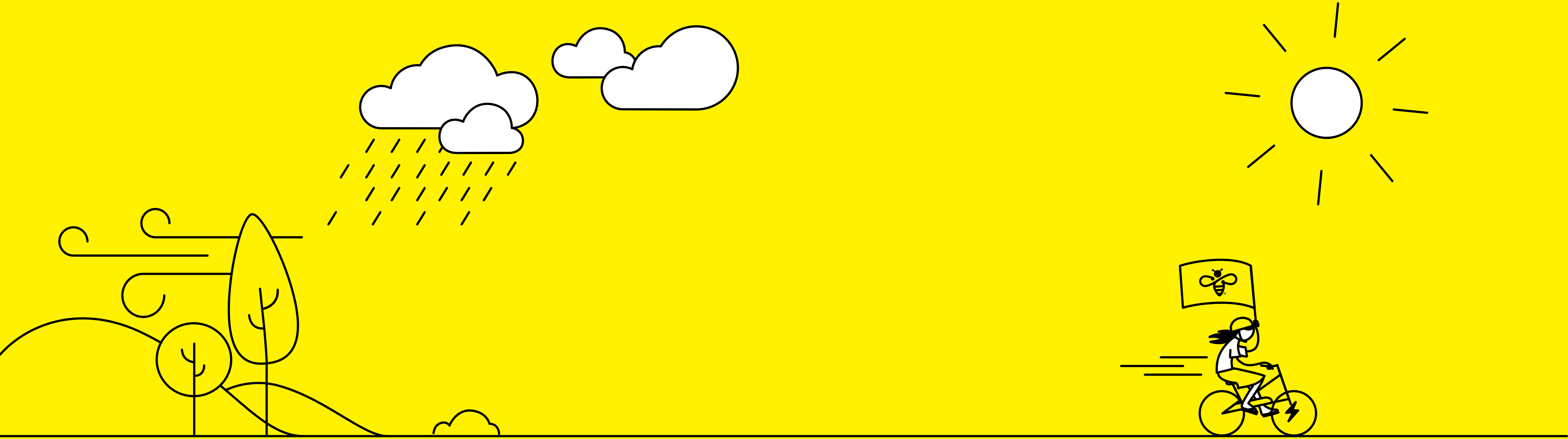
MERCURY NZ LIMITED



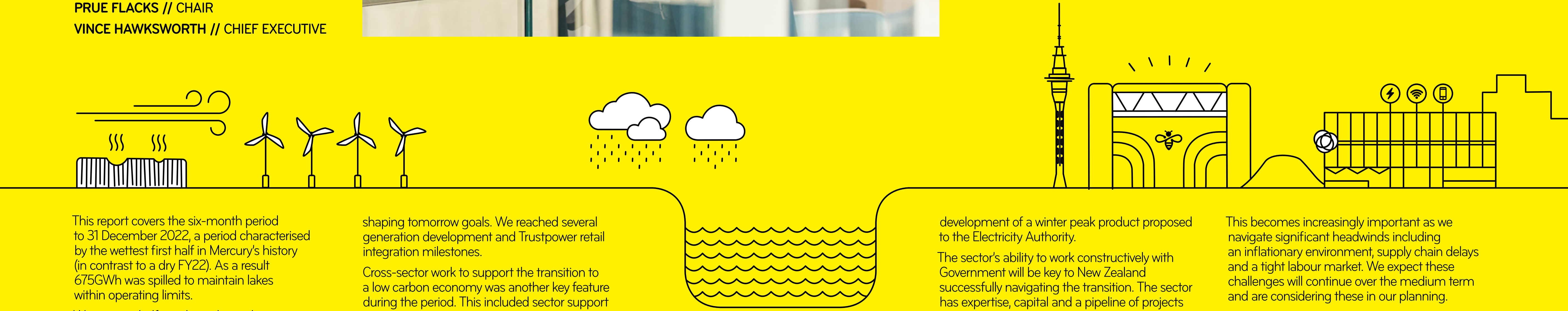
2023 INTERIM REPORT.

Mercury

CHAIR & CHIEF EXECUTIVE UPDATE.

PRUE FLACKS // CHAIR
VINCE HAWKSWORTH // CHIEF EXECUTIVE

CONTENTS.



This report covers the six-month period to 31 December 2022, a period characterised by the wettest first half in Mercury's history (in contrast to a dry FY22). As a result 675GWh was spilled to maintain lakes within operating limits.

We are now halfway through our three-year objectives to FY24 and are pleased with the progress made towards our thriving today and shaping tomorrow goals. We reached several generation development and Trustpower retail integration milestones.

Cross-sector work to support the transition to a low carbon economy was another key feature during the period. This included sector support of an independent report by the Boston Consulting Group to provide a whole-of-system decarbonisation roadmap and inputs into the development of a winter peak product proposed to the Electricity Authority.

The sector's ability to work constructively with Government will be key to New Zealand successfully navigating the transition. The sector has expertise, capital and a pipeline of projects ready to be deployed. We are actively seeking greater engagement from Government so that a more collaborative approach can be taken.

This becomes increasingly important as we navigate significant headwinds including an inflationary environment, supply chain delays and a tight labour market. We expect these challenges will continue over the medium term and are considering these in our planning.

FINANCIAL OVERVIEW

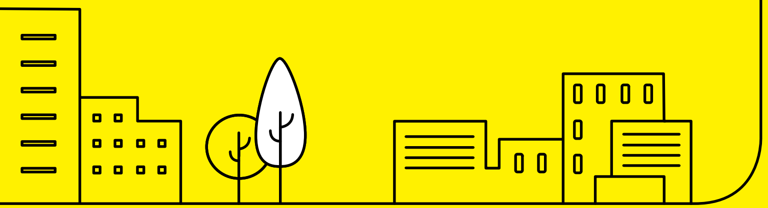
Operating earnings (EBITDAF[1]) were up $209 million to $451 million for the period, with a significant increase in hydro generation of 852GWh, and increased wind generation of 201GWh positively contributing to this result.

Operational expenditure was also up $54 million on prior comparable period, and stay-in-business capital expenditure for the period was $31 million (up $11 million), reflecting increased scale and activity across the business.

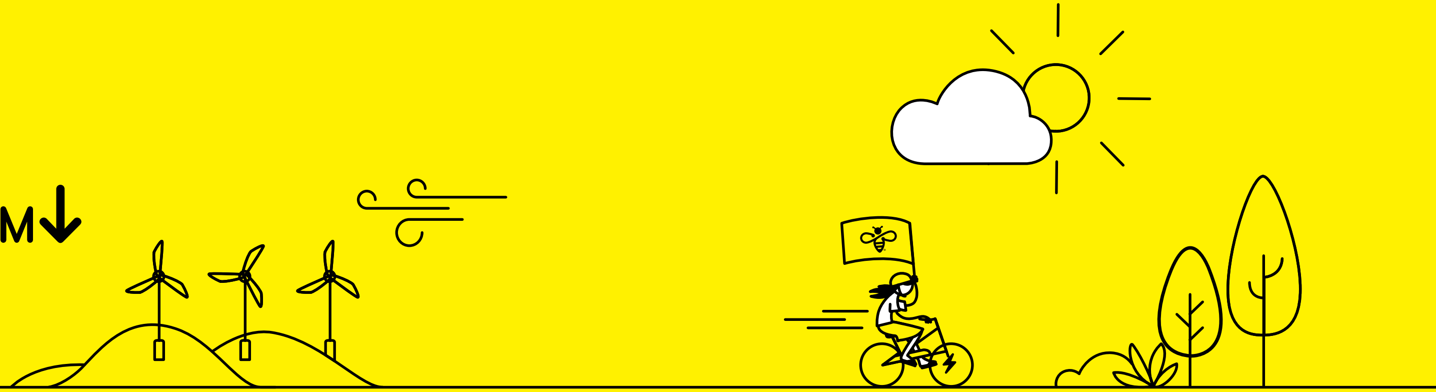
Net profit was down $197 million to $230 million, with the previous year's results capturing the one-off net gain made on the sale of our Tilt Renewables shareholding.

Mercury's full year EBITDAF guidance remains at $795m. This reflects a lift in the FY23 hydro production forecast to 4,900GWh (from 4,700GWh), with additional hydro mostly generated at a time of low spot electricity prices and the active management of Lake Taupō within consented operating limits.

In addition, Trustpower retail integration costs have been brought forward into FY23 with the project running ahead of schedule.



“WE ARE NOW HALFWAY THROUGH OUR THREE-YEAR OBJECTIVES TO FY24 AND ARE PLEASED WITH THE PROGRESS MADE.



$451M↑
EBITDAF

$230M↓
NET PROFIT

8.7CPS↑
INTERIM DIVIDEND DECLARED

$160M↑
OPERATING EXPENDITURE

INTERIM DIVIDEND

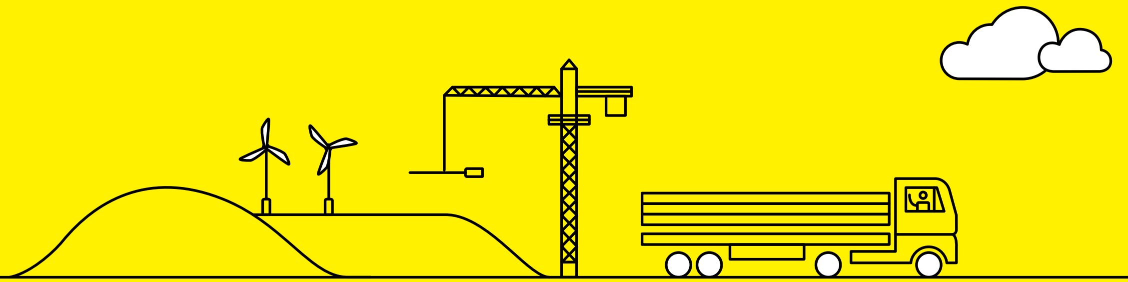
Your Board has declared a fully imputed interim dividend of 8.7 cents per share, representing a 9% increase on HY22 dividend. We have extended our Dividend Reinvestment Plan to allow our shareholders to reinvest their returns into Mercury. The dividend will be paid on 3 April 2023.

2,735GWh↑
HYDRO GENERATION

2022
WETTEST FIRST HALF ON RECORD

1 EBITDAF: Earnings before net interest expense, tax expense, depreciation and amortisation, change in the fair value of financial instruments, gain on sale and impairments.

SHAPING TOMORROW.



EXECUTING OUR GENERATION PIPELINE

Delivery of our renewable generation pipeline remains a core focus for our business and the first half of the year saw tangible progress.

Commissioning for the 103MW Turitea South wind farm will begin in April. Construction, which commenced in August 2019, has taken longer than expected due to construction challenges. Mercury is confident that the project is on-track to be fully operational by mid-CY2023 with a forecast project cost of $450m (excluding capitalised interest).

In September we announced the construction of Stage 1 of the Kaiwera Downs wind farm (43MW), expected to cost $115m excluding capitalised interest. Construction started in October 2022, and we expect all turbines operational by October 2023.

We are experiencing some delays in progressing the Kaiwaikawe wind farm to construction phase, reflecting the complex nature of this project. Underlying causes include delays in the consenting process, the pace at which we can contract with landowners for the transmission line route and the complexity of the connection within an embedded network.

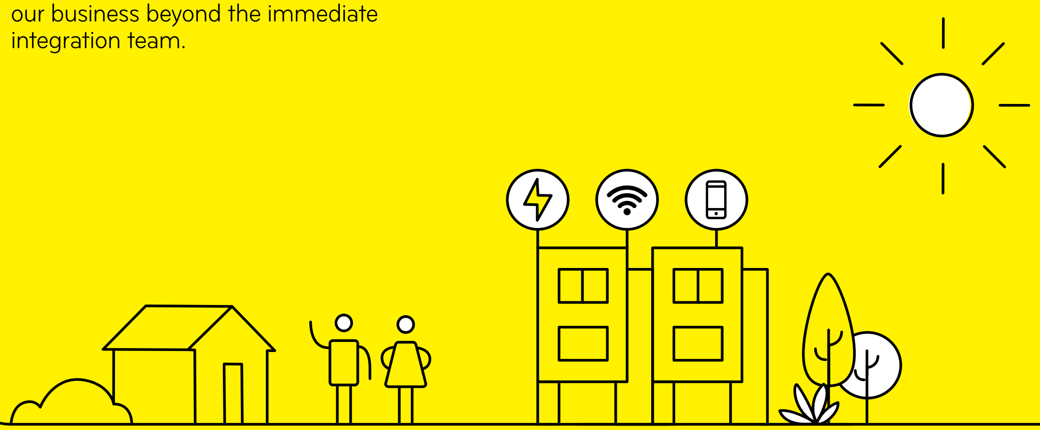
We are advancing several other wind farm projects through prospecting, feasibility, consenting, constructability and business case phases, and our adaptive development model positions us well to respond to investment opportunities.

Consent for the expansion of an additional unit at Ngā Tamariki geothermal power station has been lodged, and we are currently in the process of engaging with our iwi partners. The carbon reinjection trial on one of the four units at this site continues to progress well, with about 8,000 tonnes of CO2e now successfully reinjected. We are currently assessing expansion to other units at Ngā Tamariki, as well as researching options for technology development at our Kawerau geothermal power station.

PROGRESSING THE TRUSTPOWER INTEGRATION

We are pleased with the progress being made on the integration of Trustpower's retail business. A highly experienced integration team has been established, and the team are focused on moving the combined retail business onto a common operating model (people, process and systems) as efficiently as possible. We are now starting to see benefits from synergies associated with bringing these two businesses together.

The programme is likely to run across a two-year time horizon and our people are central to its ongoing success. In order to manage retention and engagement risks we have incorporated long-term workforce planning into the project and are widening the net in terms of the capability within our business beyond the immediate integration team.



THRIVING TODAY.

BUILDING ON HEALTH & SAFETY

We continue to build the maturity of our approach to health, safety and wellbeing by lifting our sights beyond policies and procedures to supporting the growth in capability of our people and systems. This will enable us to build a stronger culture across all parts of Mercury and drive better health, safety, wellbeing and engagement outcomes.

We have implemented a suite of initiatives to facilitate this including extending training to employees in a psychologically-based safety process (Zero Incident Process) designed to connect the outcomes of safety with personal behaviours and empower and promote safer behaviours through learning and sharing. In addition we are piloting an approach to better bring lifesaving controls into regular work routines and more effectively integrating Health and Safety leadership into major projects.

Our TRIFR (Total Reportable Incident Frequency Rate) for the half year was 0.58. The 12 month rolling TRIFR was 0.62 which is consistent with TRIFR for the prior two years.

In early FY22, WorkSafe laid charges against Mercury alleging breaches of health and safety legislation arising from a July 2021 'water hammer' event which resulted in a loss of containment of steam. Mercury continues to co-operate with WorkSafe and consider its response to the charges.

ENHANCING AND MAINTAINING OUR ASSETS

Progress on the $75 million, six-year upgrade to the Karāpiro hydro station continued over the period – the fifth of a nine-station investment programme spanning almost two decades. We are engaging closely with the community to minimise the impact of this work.

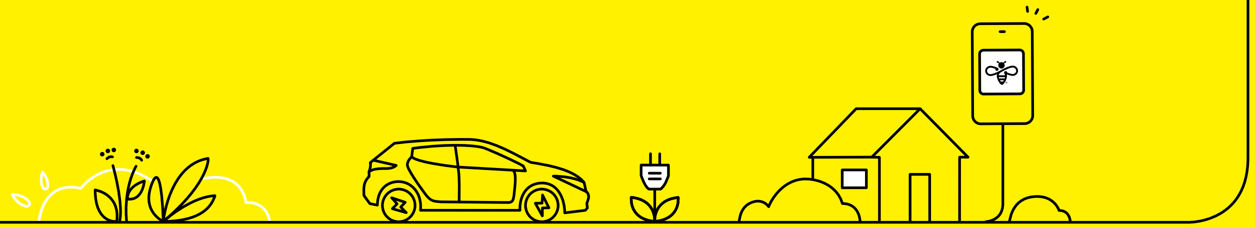
We are also preparing to implement a permanent repair on the Kawerau geothermal power station this June, following the 44-day unplanned outage during June and July 2021.

SERVING OUR CUSTOMERS

We acknowledge the cost of living pressure many New Zealand families are facing and are taking action to support our customers.

This includes delivering a comprehensive programme of customer care, with a growing number of customers expected to experience hardship at some point in time. We are working with the sector, other essential service providers and the community to create a more joined up approach to supporting consumers in hardship, in line with feedback from communities.

We are piloting a scheme which secures access to basic needs like food, water and electricity and another which caps energy bills for customers. In addition, we are participating in multiple cross-sector support schemes with our peers and co-designing research with the community to help us better understand how the industry can best support vulnerable consumers.



Mercury has worked hard to balance commercial outcomes with customer needs. Like all businesses, we are facing cost pressures and recognise inflation impacts on our customers as well. We have capped our annual price change in recognition of the cost pressures many families will face in the near term.

Our post-pay disconnection trends remain low across our brands. Customer churn over the period across all brands was 17%, and it is pleasing to see connection numbers growing, with a net gain of 14,000 connections over the period to 813,000 connections.

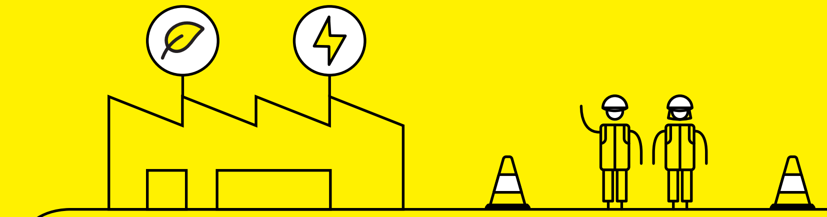
Following on from the Commerce Commission filing seven charges against Mercury for incorrectly applying early termination fees to about 2,000 customers, we have now entered guilty pleas in respect of six of the charges. We are extremely disappointed that this incident has occurred and have taken action to remediate where appropriate. We have also made changes to our processes to address this.

BUILDING CAPABILITY

We have evolved our Thrive programme (building a continuous improvement mindset) to integrate this further into our core as we look to make 'thriving' an ongoing mindset. This will see us moving towards a more adaptive operating model and adopting new ways of working.

Building capability remains another key area of focus for Mercury, reflecting a broader trend across the energy sector as activity ramps up for the low carbon transition. This includes ensuring we have policies in place that foster an inclusive environment for all employees.

Over the period we also continued to focus on fair remuneration, with salary changes prioritising lower salaries and gender pay gaps.



IN CLOSING

There has been much discussion about the challenges New Zealanders will navigate over the coming months. We are mindful of our role as a major employer, service provider and generator of electricity and the responsibility that entails.

We thank all of our people and our owners, who are fundamental to our ongoing success. We look forward to continuing to deliver for New Zealand in the second half of the year.

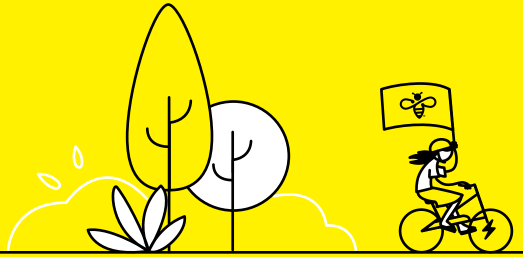
Ngā mihi nui ki a koutou katoa.

PRUE FLACKS // CHAIR

VINCE HAWKSWORTH // CHIEF EXECUTIVE

OUR FINANCIALS.

LET'S GET INTO THE NUMBERS.



INDEPENDENT AUDITOR'S REVIEW REPORT.

TO THE SHAREHOLDERS OF MERCURY NZ LIMITED

The Auditor-General is the auditor of Mercury NZ Limited ('the Company'). The Auditor-General has appointed me, Lloyd Bunyan, using the staff and resources of Ernst & Young, to carry out the review of the consolidated interim financial statements of the Group (comprising the Company, its subsidiaries and other controlled entities) on his behalf.

CONCLUSION

We have reviewed the consolidated interim financial statements of the Group on pages 8 to 18, which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended on that date, and the notes, including a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements of the Group do not present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated 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* and International Accounting Standard 34: *Interim Financial Reporting*.

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 audit we have carried out engagements in the areas of agreed upon procedures, pre-assurance reviews and other limited assurance reporting engagements, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Directors are responsible, on behalf of the Group, for the preparation and fair presentation of these consolidated interim financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the consolidated 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 consolidated interim financial statements, whether in printed or electronic form.

AUDITOR'S RESPONSIBILITY FOR THE REVIEW OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Our responsibility is to express a conclusion on the consolidated 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 consolidated interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

A review of the consolidated 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 do 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 consolidated interim financial statements.

LLOYD BUNYAN
ERNST & YOUNG
ON BEHALF OF THE AUDITOR-GENERAL

AUCKLAND, NEW ZEALAND
21 FEBRUARY 2023

FINANCIAL STATEMENTS.

INCOME STATEMENT.

For the six months ended 31 December 2022

	Note	Unaudited 6 Months 31 Dec 2022 $M	Unaudited 6 Months 31 Dec 2021 $M	Audited 12 Months 30 Jun 2022 $M
Total revenue	2	1,299	873	2,188
Total expenses	2	(848)	(631)	(1,607)
EBITDAF[1]		451	242	581
Depreciation and amortisation		(161)	(138)	(293)
Change in the fair value of financial instruments	2	52	7	(82)
Gain/(loss) on disposal	2	11	365	366
Net interest expense	2	(47)	(26)	(62)
Profit before tax		306	450	510
Tax expense		(76)	(23)	(41)
Profit for the period attributable to owners of the parent		230	427	469
Basic and diluted earnings per share (cents)		16.9	31.4	34.3

1. EBITDAF: Earnings before net interest expense, tax expense, depreciation and amortisation, change in the fair value of financial instruments, gain/(loss) on disposal and impairments.

STATEMENT OF COMPREHENSIVE INCOME.

For the six months ended 31 December 2022

	Unaudited 6 Months 31 Dec 2022 $M	Unaudited 6 Months 31 Dec 2021 $M	Audited 12 Months 30 Jun 2022 $M
Profit for the period attributable to owners of the parent	230	427	469
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Change in asset revaluation reserve	–	–	298
Change in cash flow hedge reserve transferred to balance sheet	–	–	(1)
Share of movements in associates' and joint ventures' reserves	(1)	–	1
Tax effect	–	–	(83)
Items that may be reclassified subsequently to profit or loss			
Change in cash flow hedge reserve	(52)	202	59
Cash flow hedge reserve reclassified to profit or loss	–	–	–
Transfer of share of associate's reserves to profit or loss upon disposal of investment in associate	–	(21)	(21)
Share of movements in associates' and joint ventures' reserves	5	7	–
Tax effect	15	(57)	(16)
Other comprehensive income/(loss) for the period, net of taxation	(33)	131	237
Total comprehensive income for the period attributable to owners of the parent	197	558	706

BALANCE SHEET.

As at 31 December 2022

	Note	Unaudited 31 Dec 2022 $M	Unaudited 31 Dec 2021 $M	Audited 30 Jun 2022 $M
SHAREHOLDERS' EQUITY				
Issued capital		378	378	378
Treasury shares		(38)	(100)	(50)
Reserves		4,466	4,327	4,424
Total shareholders' equity		4,806	4,605	4,752
ASSETS				
Current assets				
Cash and cash equivalents		53	48	65
Receivables		394	250	489
Contract assets		28	2	20
Inventories		121	65	94
Taxation receivable		–	2	–
Derivative financial instruments		340	73	328
Total current assets		936	440	996
Non-current assets				
Property, plant and equipment	6	7,979	7,813	8,080
Intangible assets		156	81	123
Investment and advances to associates and joint ventures	7	70	91	73
Advances to joint operations		3	5	4
Receivables		3	3	3
Contract assets		12	–	10
Derivative financial instruments		475	64	371
Total non-current assets		8,698	8,057	8,664
Total assets		9,634	8,497	9,660

	Note	Unaudited 31 Dec 2022 $M	Unaudited 31 Dec 2021 $M	Audited 30 Jun 2022 $M
LIABILITIES				
Current liabilities				
Payables and accruals		303	175	400
Borrowings	8	462	487	561
Derivative financial instruments		323	149	292
Taxation payable		38	–	14
Total current liabilities		1,126	811	1,267
Non-current liabilities				
Payables and accruals		19	7	12
Provisions		83	88	81
Derivative financial instruments		499	209	400
Borrowings	8	1,352	1,178	1,395
Deferred tax		1,749	1,599	1,753
Total non-current liabilities		3,702	3,081	3,641
Total liabilities		4,828	3,892	4,908
Net assets		4,806	4,605	4,752

For and on behalf of the Board of Directors who authorised the issue of the Consolidated Interim Financial Statements on 21 February 2023.

PRUE FLACKS // CHAIR OF THE BOARD OF DIRECTORS

JAMES MILLER // CHAIR OF THE RISK ASSURANCE AND AUDIT COMMITTEE

STATEMENT OF CHANGES IN EQUITY.

For the six months ended 31 December 2022

	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 2021		378	214	3,959	(268)	(97)	4,186
Recycling of share of associate's reserves to retained earnings upon disposal of investment in associate		–	22	(21)	–	(1)	–
Transfer of share of associate's reserves to profit or loss upon disposal of investment in associate		–	–	–	(20)	(1)	(21)
Change in cash flow hedge reserve		–	–	–	145	–	145
Movements in associates' and joint ventures' reserves		–	–	–	7	–	7
Other comprehensive income/(loss)		–	22	(21)	132	(2)	131
Net profit for the period		–	427	–	–	–	427
Total comprehensive income/(loss)		–	449	(21)	132	(2)	558
Dividend		–	(139)	–	–	–	(139)
Balance as at 31 December 2021 (unaudited)		378	524	3,938	(136)	(99)	4,605
Balance as at 1 January 2022		378	524	3,938	(136)	(99)	4,605
Recycling of share of associate's reserves to retained earnings upon disposal of investment in associate		–	1	–	–	(1)	–
Transfer of share of associate's reserves to profit or loss upon disposal of investment in associate		–	–	–	–	–	–
Movement in asset revaluation reserve, net of taxation		–	–	215	–	–	215
Movement in cash flow hedge reserve, net of taxation		–	–	–	(123)	–	(123)
Share of movements in associates' and joint ventures' reserves		–	–	–	14	–	14
Other comprehensive income/(loss)		–	1	215	(109)	(1)	106
Net profit for the period		–	42	–	–	–	42
Total comprehensive income/(loss)		–	43	215	(109)	(1)	148
Dividend		–	(109)	–	–	–	(109)
Disposal of treasury shares	4	–	58	–	–	50	108
Balance as at 30 June 2022 (audited)		378	516	4,153	(245)	(50)	4,752
Balance as at 1 July 2022		378	516	4,153	(245)	(50)	4,752
Recycling of share of associate's reserves to retained earnings upon disposal of investment in associate		–	–	–	–	–	–
Transfer of share of associate's reserves to profit or loss upon disposal of investment in associate		–	–	–	–	–	–
Movement in asset revaluation reserve, net of taxation		–	–	–	–	–	–
Movement in cash flow hedge reserve, net of taxation		–	–	–	(37)	–	(37)
Share of movements in associates' and joint ventures' reserves		–	–	(1)	5	–	4
Other comprehensive income/(loss)		–	–	(1)	(32)	–	(33)
Net profit for the period		–	230	–	–	–	230
Total comprehensive income/(loss)		–	230	(1)	(32)	–	197
Dividend		–	(166)	–	–	–	(166)
Disposal of treasury shares	4	–	11	–	–	12	23
Balance as at 31 December 2022 (unaudited)		378	591	4,152	(277)	(38)	4,806

CASH FLOW STATEMENT.

For the six months ended 31 December 2022

	Note	Unaudited 6 Months 31 Dec 2022 $M	Unaudited 6 Months 31 Dec 2021 $M	Audited 12 Months 30 Jun 2022 $M
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		1,332	951	2,011
Payments to suppliers and employees		(898)	(751)	(1,526)
Interest received		2	–	2
Interest paid		(45)	(28)	(61)
Taxes paid		(46)	(40)	(74)
Net cash provided by operating activities		345	132	352
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(75)	(70)	(114)
Purchase of intangibles		(15)	(6)	(25)
Net receipts from and advances repaid to associates and joint ventures		3	7	10
Proceeds from disposal of Tilt		–	603	603
Purchase of Tilt New Zealand		–	(631)	–
Purchase of NOW New Zealand	1	(17)	–	–
Proceeds from receivables recognised on acquisition		–	72	124
Payments associated with business combinations, net of cash acquired		–	–	(1,099)
(Lodgements)/return of prudential deposits		(5)	(13)	(33)
Net cash used in investing activities		(109)	(38)	(534)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings		115	482	777
Repayment of borrowings		(214)	(548)	(548)
Principal repayment of lease liabilities		(6)	(4)	(6)
Net proceeds from disposal of treasury shares		–	–	93
Dividends paid	4	(143)	(139)	(232)
Net cash (used in)/received in financing activities		(248)	(209)	84
Net increase/(decrease) in cash and cash equivalents held		(12)	(115)	(98)
Cash and cash equivalents at the beginning of the period		65	163	163
Cash and cash equivalents at the end of the period		53	48	65
Cash balance comprises:				
Cash balance at the end of the period		53	48	65

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

For the six months ended 31 December 2022

NOTE 1. ACCOUNTING POLICIES

(1) REPORTING ENTITY

Mercury NZ Limited ("the Company") is incorporated in New Zealand, registered under the Companies Act 1993, an FMC reporting entity under the Financial Markets Conduct Act 2013, and is listed on the NZX Main Board and on the ASX, with foreign exempt listed status.

The consolidated interim financial statements ("Group financial statements") are for Mercury NZ Limited Group ("the Group"). The Group financial statements comprise the Company and its subsidiaries, including its investments in associates and interests in joint arrangements.

The majority shareholder of Mercury NZ Limited is His Majesty the King in Right of New Zealand ("the Government"), providing it with potential influence over the Group. The liabilities of the Group are not guaranteed in any way by the Government or by any other shareholder.

(2) BASIS OF PREPARATION

The Group unaudited financial statements have been prepared in accordance with the New Zealand equivalent to International Accounting Standard 34 *Interim Financial Reporting* ("NZ IAS 34"). In complying with NZ IAS 34, these statements comply with International Accounting Standard 34 *Interim Financial Reporting*.

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. Key areas of significant estimates and judgements include fair value of generation plant and equipment and valuation of financial instruments. The Group has considered the impact of macro-economic conditions including rising interest rates and inflation and is comfortable that these values are materially correct.

Where applicable, presentation for comparatives have been changed to comply with the accounting presentation adopted in the current year to ensure consistency with the current year classification. Refer to Note 2 following a change in the presentation of reportable segments.

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 2022.

Non-GAAP measures: The Group refers to EBITDAF (a non-GAAP financial measure) within these financial statements and accompanying notes. The use of non-GAAP measures are intended to supplement GAAP measures and they are not a substitute. EBITDAF is earnings before net interest expense, tax expense, depreciation and amortisation, change in the fair value of financial instruments, gain/(loss) on disposal and impairments.

Acquisition of Trustpower Limited's Retail Business ("Trustpower transaction")

In the previous reporting period the Group completed its acquisition of Trustpower Limited's retail business and disclosed a provisional purchase price allocation. The Group has now completed its purchase price allocation in accordance with NZ IFRS3 Business Combinations. The fair value allocated to the asset and liability classes upon acquisition are disclosed below. The final allocation differs from the provisional purchase price allocation by $1 million as a result of a reduction in the receivables balance acquired and a corresponding reduction in the acquisition consideration amount.

Acquisition consideration – by way of cash ($M)	**469**
	Fair value allocated on 1 May 2022 ($M)
Derivative financial instruments	488
Intangible assets	32
Property, plant and equipment	19
Right-of-use assets	22
Lease liabilities	(22)
Contract assets	28
Inventories	3
Receivables	49
Payables and accruals	(3)
Deferred tax liabilities	(146)
Net assets acquired	**470**

The Group has previously recognised and disclosed a bargain purchase gain of $1 million in relation to the transaction.

Acquisition of remaining shares in NOW New Zealand Limited

In the 2021 financial year Mercury had acquired a 48% interest in NOW New Zealand ("NOW"). On 15 December 2022, the Group acquired the remaining 52% of shares in NOW for $16.7m, valuing the entire investment at $32.4m. The Group has prepared a provisional purchase price allocation in accordance with NZ IFRS 3 Business Combinations. The provisional fair value allocated to the asset and liability classes upon acquisition are disclosed below.

	Fair value allocated on 15 December 2022 ($M)
Customer assets	31
Property, plant and equipment	4
Receivables	5
Payables and accruals	(10)
Borrowings	(2)
Deferred tax liabilities	(5)
Goodwill	9
Net assets acquired	**32**

Goodwill

The Group expects to recognise $9m goodwill from the transaction. However, at the time the financial statements were approved for issue, the Group had not yet completed the accounting for the acquisition. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as valuations have not been finalised.

NOTE 2. 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 on a monthly basis to the Chief Executive, being the chief operating decision-maker, who assesses the performance of the operating segments on a measure of EBITDAF. Segment EBITDAF represents earnings before net interest expense, tax expense, depreciation, amortisation, 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 presentation of segment EBITDAF has been split out in more detail than previous disclosures to provide more transparency on the revenue of products and services provided by the Group.

TYPES OF PRODUCTS AND SERVICES

Generation/Wholesale

The generation/wholesale market segment encompasses activity associated with electricity production, electricity trading, generation development activities and the Group's share of associates earnings. It also includes revenue from the sale of electricity to both commercial & industrial customers and the retail segment.

Retail

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

Other

Represents corporate support services which are not directly attributable to the generation/wholesale or retail segments.

Inter-segment

Transactions between segments represent transfer charges by generation/wholesale to retail for the purchase of electricity.

SEGMENT RESULTS

Six months ended 31 December 2022 (Unaudited)	Generation/ Wholesale $M	Retail $M	Other $M	Inter–segment $M	Total $M
Generation	297	–	–	–	297
Sales to Customers	210	621	–	–	831
Inter-segment sales	271	–	–	(271)	–
Derivatives settlement	54	–	–	–	54
Electricity Revenue	**832**	**621**	**–**	**(271)**	**1,182**
Purchases	(248)	(271)	–	271	(248)
Transmission & distribution	(56)	(238)	–	–	(294)
Metering	(2)	(31)	–	–	(33)
ELECTRICITY MARGIN	**526**	**81**	**–**	**–**	**607**
Gas Revenue	**–**	**46**	**–**	**–**	**46**
Purchases	–	(17)	–	–	(17)
Transmission & distribution	–	(17)	–	–	(17)
Metering	–	(4)	–	–	(4)
GAS MARGIN	**–**	**8**	**–**	**–**	**8**
Telco Revenue	**–**	**65**	**–**	**–**	**65**
Cost of sales	–	(46)	–	–	(46)
TELCO MARGIN	**–**	**19**	**–**	**–**	**19**
Earnings of associates	–	–	(1)	–	(1)
Other revenue	5	2	–	–	7
Other direct cost of sales	(14)	(15)	–	–	(29)
Direct costs of other revenue	–	–	–	–	–
TOTAL MARGIN	**517**	**95**	**(1)**	**–**	**611**
Employee compensation and benefits	(21)	(39)	(11)	–	(71)
Maintenance expenses	(22)	(8)	(1)	–	(31)
Other expenses	(20)	(20)	(18)	–	(58)
Allocation of corporate overheads	(13)	(17)	30	–	-
Total operating expenses	(76)	(84)	–	–	(160)
Segment EBITDAF	**441**	**11**	**(1)**	**–**	**451**
Summary					
Total Revenue	837	734	(1)	(271)	1,299
Total Cost of sales	(320)	(639)	–	271	(688)
Total Margin	517	95	(1)	–	611
Total Operating expenses	(76)	(84)	–	–	(160)
Segment EBITDAF	**441**	**11**	**(1)**	**–**	**451**
Net interest expense					(47)
Gain / (loss) on disposal					11
Depreciation and amortisation					(161)
Change in the fair value of financial instruments					52
Profit before tax					**306**

NOTE 2. SEGMENT REPORTING (CONTINUED)

Twelve months ended 30 June 2022 (Audited)	Generation/ Wholesale $M	Retail $M	Other $M	Inter–segment $M	Total $M
Generation	1,041	–	–	–	1,041
Sales to Customers	377	748	–	–	1,125
Inter-segment sales	300	–	–	(300)	–
Derivatives settlements	(86)	–	–	–	(86)
Electricity Revenue	**1,632**	**748**	**–**	**(300)**	**2,080**
Purchases	(851)	(300)	–	300	(851)
Transmission & distribution	(101)	(288)	–	–	(389)
Metering	(4)	(39)	–	–	(43)
ELECTRICITY MARGIN	**676**	**121**	**–**	**–**	**797**
Gas Revenue	**–**	**46**	**–**	**–**	**46**
Purchases	–	(13)	–	–	(13)
Transmission & distribution	–	(19)	–	–	(19)
Metering	–	(5)	–	–	(5)
GAS MARGIN	**–**	**9**	**–**	**–**	**9**
Telco Revenue	**–**	**21**	**–**	**–**	**21**
Cost of sales	–	(17)	–	–	(17)
TELCO MARGIN	**–**	**4**	**–**	**–**	**4**
Earnings of associates	3	–	(7)	–	(4)
Other revenue	38	2	5	–	45
Other direct cost of sales	(30)	(10)	–	–	(40)
Direct costs of other revenue	–	–	–	–	–
TOTAL MARGIN	**687**	**126**	**(2)**	**–**	**811**
Employee compensation and benefits	(41)	(37)	(16)	–	(94)
Maintenance expenses	(41)	(10)	–	–	(51)
Other expenses	(43)	(30)	(12)	–	(85)
Allocation of corporate overheads	(14)	(14)	28	–	–
Total operating expenses	(139)	(91)	–	–	(230)
Segment EBITDAF	**548**	**35**	**(2)**	**–**	**581**
Summary					
Total Revenue	1,673	817	(2)	(300)	2,188
Total Cost of sales	(986)	(691)	–	300	(1,377)
Total Margin	687	126	(2)	–	811
Total Operating expenses	(139)	(91)	–	–	(230)
Segment EBITDAF	**548**	**35**	**(2)**	**–**	**581**
Net interest expense					(62)
Gain / (loss) on disposal					366
Depreciation and amortisation					(293)
Change in the fair value of financial instruments					(82)
Profit before tax					**510**

Six months ended 31 December 2021 (Unaudited)	Generation/ Wholesale $M	Retail $M	Other $M	Inter–segment $M	Total $M
Generation	378	–	–	–	378
Sales to Customers	170	345	–	–	515
Inter-segment sales	143	–	–	(143)	–
Derivatives settlements	(51)	–	–	–	(51)
Electricity Revenue	**640**	**345**	**–**	**(143)**	**842**
Purchases	(287)	(143)	–	143	(287)
Transmission & distribution	(48)	(132)	–	–	(180)
Metering	(2)	(18)	–	–	(20)
ELECTRICITY MARGIN	**303**	**52**	**–**	**–**	**355**
Gas Revenue	**–**	**21**	**–**	**–**	**21**
Purchases	–	(5)	–	–	(5)
Transmission & distribution	–	(9)	–	–	(9)
Metering	–	(3)	–	–	(3)
GAS MARGIN	**–**	**4**	**–**	**–**	**4**
Telco Revenue	**–**	**–**	**–**	**–**	**–**
Cost of sales	–	–	–	–	–
TELCO MARGIN	**–**	**–**	**–**	**–**	**–**
Earnings of associates	2	(2)	–	–	–
Other revenue	6	3	–	–	9
Other direct cost of sales	(16)	(4)	–	–	(20)
Direct costs of other revenue	–	–	–	–	–
TOTAL MARGIN	**295**	**53**	**–**	**–**	**348**
Employee compensation and benefits	(20)	(15)	(8)	–	(43)
Maintenance expenses	(20)	(3)	–	–	(23)
Other expenses	(19)	(22)	1	–	(40)
Allocation of corporate overheads	(4)	(3)	7	–	–
Total operating expenses	(63)	(43)	–	–	(106)
Segment EBITDAF	**232**	**10**	**–**	**–**	**242**
Summary					
Total Revenue	648	367	–	(143)	872
Total Cost of sales	(353)	(314)	–	143	(524)
Total Margin	295	53	–	–	348
Total Operating expenses	(63)	(43)	–	–	(106)
Segment EBITDAF	**232**	**10**	**–**	**–**	**242**
Net interest expense					(26)
Gain / (loss) on disposal					365
Depreciation and amortisation					(138)
Change in the fair value of financial instruments					7
Profit before tax					**450**

NOTE 3. NON GAAP MEASURE – UNDERLYING EARNINGS

Underlying earnings after tax is presented to enable stakeholders to make an assessment and comparison of earnings after removing one-off and/or infrequently occurring events, impairments, any change in the fair value of derivative financial instruments and gain/(loss) on disposal, all net of tax expense. Changes in the fair value of financial instruments are excluded from underlying earnings in order to align their impact when they mature with the underlying hedged items.

	Unaudited 6 Months 31 Dec 2022 $M	Unaudited 6 Months 31 Dec 2021 $M	Audited 12 Months 30 Jun 2022 $M
PROFIT FOR THE PERIOD	230	427	469
Change in the fair value of financial instruments	(52)	(7)	82
Fixed asset loss on disposal	–	2	–
Kawerau insurance receipts	–	–	(26)
Close-out of electricity swap	–	50	–
Sale of share in Tilt Renewables Limited	–	(367)	(367)
Gain on existing NOW Broadband investment	(11)	–	–
Adjustments before tax expense	(63)	(323)	(311)
Tax expense	15	(16)	(12)
Adjustments after tax expense	(48)	(339)	(323)
Underlying earnings after tax	182	89	146

Tax has been applied on all taxable adjustments at 28%.

NOTE 4. SHARE CAPITAL AND DISTRIBUTION

The share capital of the Company is represented by 1,400,012,517 ordinary shares (30 June 2022: 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 2022 Number of shares (M)	Unaudited 31 Dec 2022 $M	Unaudited 31 Dec 2021 Number of shares (M)	Unaudited 31 Dec 2021 $M	Audited 30 Jun 2022 Number of shares (M)	Audited 30 Jun 2022 $M
Treasury shares						
Balance at the beginning of the period	19	50	39	100	39	100
Disposal of treasure shares	(5)	(12)	–	–	(20)	(50)
Balance at the beginning and end of the period	14	38	39	100	19	50

In February 2022, the Company announced a Dividend Reinvestment Plan ("DRP") that applied to the 2022 final dividend. The DRP resulted in the transfer of 3,949,542 treasury shares to shareholders that elected to reinvest the net proceeds of cash dividend paid.

	Cents per share	Unaudited 6 Months 31 Dec 2022 $M	Unaudited 6 Months 31 Dec 2021 $M	Audited 12 Months 30 Jun 2022 $M
Dividends declared and paid				
Final dividend for 2021	10.2	–	139	139
Interim dividend for 2022	8.0	–	–	109
Final dividend for 2022	12.0	166	–	–
		166	139	248

NOTE 5. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise cash and cash equivalents, trade receivables and accruals (not prepayments), advances, payables and accruals, borrowings and derivative financial instruments. Further information on the identified risks can be found in note 13 of the Group's annual financial statements for the year ended 30 June 2022.

Fair Values

The carrying amount of financial assets and liabilities recorded in the financial statements approximates their fair values as at 31 December 2022 except for those detailed in the table below. Fair values are based on quoted market prices and inputs for each bond issue. Refer to Note 8 for carrying amounts of borrowings.

	Unaudited 6 Months 31 Dec 2022 $M	Unaudited 6 Months 31 Dec 2021 $M	Audited 12 Months 30 Jun 2022 $M
Fixed Rate Wholesale Bond	26	26	26
Fixed Rate Wholesale Green Bond	112	130	115
Fixed Rate Retail Bond	342	376	349
Capital Bonds	530	305	542
US Private Placement (USPP)	70	118	122
Australian Medium Term Note (AMTN)	184	214	192

Valuation techniques

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets;
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – the fair value is estimated using inputs that are not based on observable market data.

NOTE 5. FINANCIAL INSTRUMENTS (CONTINUED)

	Unaudited 6 Months 31 Dec 2022 $M	Unaudited 6 Months 31 Dec 2021 $M	Audited 12 Months 30 Jun 2022 $M
Financial Assets			
Level 1	57	33	48
Level 2	43	39	59
Level 3	715	66	592
Total	815	138	699
Financial Liabilities			
Level 1	58	31	46
Level 2	168	102	148
Level 3	616	225	498
Total	842	358	692

Valuation Process of Level 3 Financial Instruments

Level 3 financial instruments included non-traded electricity contracts which are valued using a discounted cashflow methodology incorporating a combination of ASX market prices for first three years and Management's internal view of forward prices which range from a minimum of $76/MWh and a maximum of $214/MWh.

RECONCILIATION OF LEVEL 3 FAIR VALUE MOVEMENTS	Fair value through other comprehensive income			Fair value through profit or loss		
	Unaudited 6 Months 31 Dec 2022 $M	Unaudited 6 Months 31 Dec 2021 $M	Audited 12 Months 30 Jun 2022 $M	Unaudited 6 Months 31 Dec 2022 $M	Unaudited 6 Months 31 Dec 2021 $M	Audited 12 Months 30 Jun 2022 $M
Opening balance	(257)	(284)	(284)	351	25	25
Acquired contracts	–	–	–	–	–	345
New contracts	(9)	(54)	(76)	(1)	(7)	(12)
Matured contracts	18	10	30	4	5	6
Gains and losses						
Through the income statement	–	–	–	48	(3)	(13)
Through other comprehensive income	(55)	149	73	–	–	–
Closing balance	(303)	(179)	(257)	402	20	351

Deferred 'inception' gains/(losses)

There is an assumption that when derivative contracts are entered into on an arm's length basis, fair value at inception would be zero. Where the contract price of non exchange traded electricity derivative contracts and Power Purchase Agreement (PPA) differ from the prevailing derived market price curve, 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 2022 $M	Unaudited 6 Months 31 Dec 2021 $M	Audited 12 Months 30 Jun 2022 $M
Opening balance	26	27	27
New hedges	21	(79)	10
Existing hedges realised during the period	–	(3)	(11)
Closing balance	47	(55)	26

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 6 Months 31 Dec 2022 $M	Unaudited 6 Months 31 Dec 2021 $M	Audited 12 Months 30 Jun 2022 $M
Opening net book value	8,080	6,828	6,828
Additions in relation to the acquisition of Tilt New Zealand assets	–	1,048	1,042
Additions in relation to the acquisition of Trustpower retail business	–	–	41
Additions in relation to the acquisition of NOW New Zealand assets	4	–	–
Additions	41	69	154
Disposals	–	(3)	(7)
Net revaluation movement	–	–	293
Depreciation charge for the period	(146)	(129)	(271)
Closing net book value	7,979	7,813	8,080

Property, plant and equipment includes $92 million of right-of-use assets (31 December 2021: $53 million, 30 June 2022: $97 million).

NOTE 7. INVESTMENT AND ADVANCES TO ASSOCIATES AND JOINT ARRANGEMENTS (JOINT VENTURES AND JOINT OPERATIONS)

Investments include:

			Interest held			
Name of entity	**Principal activity**	**Type**	**Unaudited 31 Dec 2022**	**Unaudited 31 Dec 2021**	**Audited 30 Jun 2022**	**Country**
TPC Holdings Limited	Investment holding	Associate	25.00%	25.00%	25.00%	New Zealand
NOW New Zealand Limited	Internet Service Provider	Associate	0.00%	48.46%	48.46%	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	20.86%	20.86%	20.86%	United States
EnergySource Minerals LLC	Mineral extraction	Joint venture	18.41%	20.26%	18.99%	United States

In December 2022 the Group acquired the remaining 51.54% shareholding in NOW New Zealand Limited. In accordance NZ IFRS 3 - Business Combinations, the Group's existing stake was remeasured to fair value resulting in a gain of $11m reported in the Income Statement with the entire investment subsequently being reclassified as a wholly owned subsidiary.

	Associates			Joint ventures		
	Unaudited 6 Months 31 Dec 2022 $M	**Unaudited 6 Months 31 Dec 2021 $M**	**Audited 12 Months 30 Jun 2022 $M**	**Unaudited 6 Months 31 Dec 2022 $M**	**Unaudited 6 Months 31 Dec 2021 $M**	**Audited 12 Months 30 Jun 2022 $M**
Balance at the beginning of the period	67	77	77	6	9	9
Additions during the period	–	–	–	3	–	–
Share of earnings	(1)	–	(2)	–	–	(3)
Share of movement in other comprehensive income	5	7	(2)	–	–	–
Distributions received during the period	(3)	(2)	(6)	(3)	–	–
Reclassification to subsidiary during the year	(16)	–	–	–	–	–
Fair value revaluation during the year	11	–	–	–	–	–
Balance at the end of the period	63	82	67	6	9	6

NOTE 8. BORROWINGS

	Borrowing Currency Denomination	**Maturity**	**Coupon**	**Unaudited 6 Months 31 Dec 2022 $M**	**Unaudited 6 Months 31 Dec 2021 $M**	**Audited 12 Months 30 Jun 2022 $M**
Bank facilities	NZD	Various	Floating	130	160	226
Commercial paper programme	NZD	< 3 months	Floating	288	275	255
USPP – US$30m	USD	Dec-2022	4.35%	–	39	39
Wholesale bonds	NZD	Mar-2023	5.79%	25	26	25
USPP – US$45m	USD	Dec-2025	4.60%	59	59	59
Green retail bonds (MCY040)	NZD	Sept-2026	2.16%	201	201	201
Green retail bonds (MCY030)	NZD	Sept-2027	1.56%	201	201	201
Green wholesale bonds	AUD	Nov-2028	2.92%	208	208	208
Green wholesale bonds	NZD	Oct-2030	1.92%	148	146	147
Capital Bonds (MCY020)	NZD	Jul-2049	3.60%	302	302	302
Capital Bonds (MCY050)	NZD	May-2052	5.73%	252	–	252
Lease liabilities	NZD			117	77	120
Deferred financing costs				(8)	(6)	(9)
Fair value adjustments				(109)	(23)	(70)
Carrying value of loans				1,814	1,665	1,956
Current				462	487	561
Non-current				1,352	1,178	1,395
				1,814	1,665	1,956

The Group has $725 million of committed and unsecured bank loan facilities as at 31 December 2022 (30 June 2022: $750m).

NOTE 9. RELATED PARTY TRANSACTIONS

Majority shareholder

The majority shareholder of Mercury NZ Limited is the Crown, providing it with potential influence over the Group. Transactions cover a variety of services including trading 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 virtual asset swap with Meridian Energy Limited which has a remaining life of 3 years and a contract for difference with Genesis Energy Limited for generation produced at the Waipipi wind farm.

Mercury NZ Limited 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 2022 $M	Unaudited 6 Months 31 Dec 2021 $M	Audited 12 Months 30 Jun 2022 $M
Associates			
• Management fees and service agreements received	10	5	13
• Energy contract settlements received/(paid)	(3)	5	21
• Service agreements (paid)/received	(3)	1	4
Joint operations			
• Management fees and service agreements received/(paid)	10	7	18
• Energy contract settlements received/(paid)	1	1	10

An advance to TPC Holdings Limited of $4 million (30 June 2022: $4 million) is interest free and repayable on demand subject to certain conditions being met.

The long-term advance to our Rotokawa Joint Venture partner of $4 million (30 June 2022: $4 million) 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 payment of any outstanding balances.

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

	Transaction value		
	Unaudited 6 Months 31 Dec 2022 $000	Unaudited 6 Months 31 Dec 2021 $000	Audited 12 Months 30 Jun 2022 $000
Key management personnel compensation (paid and payable) comprised:			
• Directors' fees	577	530	1,030
• Benefits for the Chief Executive and Senior Management:			
Salary and other short-term benefits	3,673	3,170	6,564
Share-based payments	416	281	561
	4,666	3,981	8,155

Increase in Director's fees is due to the addition of two new directors in the current financial year.

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.

A number of Directors provide directorship services to other third party entities.

A number of key management personnel provide directorship services to subsidiaries and other third party entities 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.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Commitments	Unaudited 6 Months 31 Dec 2022 $M	Unaudited 6 Months 31 Dec 2021 $M	Audited 12 Months 30 Jun 2022 $M
Capital	327	195	245

Capital commitments include purchases of both property, plant and equipment (PP&E) and intangibles. PP&E commitments include contracts for construction of wind generation assets at Turitea and Kaiwera Downs and refurbishment of hydro generation assets at Karapiro. Intangible commitments are contracts to purchase New Zealand emissions trading scheme (NZ ETS) units. In the event the NZ ETS is terminated the existing forward purchase agreements, which cover the five year period from the end of the reporting period, will also terminate.

Contingencies

The Group holds land and has interests in fresh water and geothermal resources that are subject to claims that have been brought against the Government.

The Pouakani Claims Trust No 2 and a group of kaumatua have filed a claim in the Māori Land Court seeking a declaration that certain parts of the Waikato riverbed are Māori customary land, including the riverbed beneath the Whakamaru, Maraetai I and II and Waipapa dams. 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 Waikato riverbed beneath the Whakamaru, Maraetai I and II and Waipapa dams and has received advice that the applicants are unlikely to succeed with a claim to customary title in that land. Mercury sought orders striking out the claim in relation to the parts of the riverbed to which Mercury holds fee simple or beneficial title, and water. The Court recently dismissed Mercury's strike out application, on the basis that the matters Mercury raised should be dealt with at trial. Mercury has challenged this decision by issuing a judicial review claim. The applicants have also filed a related claim in the Waitangi Tribunal pursuant to the Treaty of Waitangi Act 1975, but have not yet taken any further steps in relation to that claim. The applicants recently launched a third judicial review proceeding in the High Court seeking to place s 27A State-owned Enterprises Act 1986 memorials on the record of title of certain Mercury operating easements. The judicial review claim is yet to be heard.

The Group holds land at Maraetai, Waikato that was subject to a remedies hearing brought against the Government in the Waitangi Tribunal. The remedies hearing related to an application seeking binding recommendations for the resumption of land at Pouakani, including the Group's land at Maraetai. Until recently, this claim was the subject of litigation. However, that litigation ended in December 2022, when Parliament enacted legislation that brought the claim concerning Mercury's land at Maraetai to an end without any resumption of Mercury's land.

A separate claim by the New Zealand Māori Council relating to fresh water and geothermal resources was lodged in 2012 with the Waitangi Tribunal. 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. The Tribunal has recently indicated its intention to progress to stage three of that inquiry, albeit the scope of stage three is still being considered in light of the Government's draft Natural and Built Environments Bill. The impact of this claim on the Group's operations is 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 as a consequence.

The Group has no other material contingent assets or liabilities.

NOTE 11. SUBSEQUENT EVENTS

The Board of Directors has approved an interim dividend of 8.7 cents per share to be paid on 3 April 2023 and has announced a dividend reinvestment plan.

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 numbers 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 numbers (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

Prue Flacks, Chair
Dennis Barnes*
Hannah Hamling
Andy Lark**
James Miller
Susan Peterson
Scott St John
Patrick Strange
Mike Taitoko
Lorraine Witten

Executive Management Team

Vince Hawksworth,
Chief Executive

Lucie Drummond,
General Manager Sustainability

Phil Gibson,
General Manager Portfolio

Stewart Hamilton,
General Manager Generation

Julia Jack***,
Chief Marketing Officer

William Meek,
Chief Financial Officer

Craig Neustroski,
General Manager Commercial Operations

Fiona Smith,
General Manager Customer Operations

Marlene Strawson,
General Manager People & Performance

Company Secretary

Howard Thomas,
General Counsel and Company Secretary

Investor Relations & Sustainability Enquiries

William Meek,
Chief Financial Officer

Phone: +64 27 517 3470
Email: investor@mercury.co.nz

Registered Office in New Zealand

Mercury NZ Limited
33 Broadway, Newmarket, Auckland 1023
P O Box 90399
Auckland 1142
New Zealand

Registered Office in Australia

c/– TMF Corporate Services
(Australia) Pty Limited
Suite 1, Level 11, 66 Goulburn Street,
Sydney, NSW 2000

Phone: +61 2 8988 5800

Legal Advisors

Chapman Tripp
Level 34
PwC Tower at Commercial Bay
15 Customs Street West
Auckland 1010
PO Box 2206, Auckland 1140

Phone: +64 9 357 9000

Bankers

ANZ Bank
ASB Bank
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 November 2021)

Long-term: BBB+
Outlook: Stable

Share Registrar – New Zealand

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna,
Auckland 0622
Private Bag 92119
Victoria Street West
Auckland 1142, New Zealand

Phone: +64 9 488 8777
Email: enquiry@computershare.co.nz
Web: www.investorcentre.com/nz

Share Registrar – Australia

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street, Abbotsford,
VIC 3067, GPO Box 3329, Melbourne,
VIC 3001, Australia

Phone: 1 800 501 366 (within Australia)
Phone: +61 3 9415 4083 (outside Australia)
Email: enquiry@computershare.co.nz

* Mercury has announced that as a result of taking up a full time executive appointment in Australia, Dennis Barnes will step down from the Board at a date to be determined.

** Andy Lark retired from the Mercury Board on 22 September 2022.

*** Julia Jack has resigned from Mercury effective before end April 2023.

Mercury