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NEWS RELEASE

# Mercury's growth trajectory continues, delivery of renewables underpins performance

HY24 Financial Results Summary

| | HY2024 | HY2023 | Change % |
|---|---|---|---|
| NET PROFIT AFTER TAX ($M) | 174 | 239 | -27% |
| EBITDAF ($M) | 434 | 451 | -4% |
| STAY-IN-BUSINESS CAPITAL EXPENDITURE ($M) | 60 | 31 | 94% |
| ELECTRICITY GENERATION (GWh) | 4,486 | 4,817 | -7% |
| INTERIM FULLY IMPUTED ORDINARY DIVIDEND (CENTS PER SHARE) – TO BE PAID ON 2 APRIL 2024 | 9.3 | 8.7 | 7% |

**20 February 2024 – Mercury progressed its growth ambitions during the period, with the delivery of more renewable generation underpinning business performance.**

"The renewable energy sector is undergoing transformational growth, and we are part of that change. The opportunity ahead of us is material – Aotearoa New Zealand's total energy consumption is expected to reach nearly 60% renewable by 2050, well up from the 20% we're currently at," said Mercury's Chief Executive Vince Hawksworth.

FINANCIAL OVERVIEW

Mercury's net profit after tax was $174 million for the half year, down $65 million on the prior comparable period due to higher depreciation, interest charges and net changes in fair value. Mercury reported EBITDAF of $434 million, $17 million down on the prior comparable period, a strong performance given the much higher hydro generation during HY23.

Earnings for the period were positively influenced by ongoing investment in renewable generation together with higher prices. Wind generation increased by over 40% to 1,109GWh, with the full contribution of generation from Turitea South and commissioning of Kaiwera Downs 1 wind farms.

Operational expenditure of $191 million was up $31 million reflecting increases in employee-related expenses and maintenance expenses mostly from wind contracts.

Stay-in-business capital expenditure for the period was $60 million (up $29 million). Growth capital expenditure was $70 million (up $26 million) and largely related to construction costs incurred for the addition of a fifth unit at our Ngā Tamariki geothermal station and completion of the Kaiwera Downs 1 wind farm near Gore. Net debt was $1,983 million, up $76 million primarily due to higher interest and tax paid combined with a lift in capital expenditure on new generation projects and geothermal drilling.

ENABLING ELECTRIFICATION THROUGH RENEWABLES DELIVERY

Mr Hawksworth said business activity over the period was focused on executing against Mercury's commitment of up to $1 billion investment over the financial year to generation development over the next three years. Two of the three major projects previously signalled are expected to meet this timeframe.

"Overall, we're pleased with progress to date. We committed $220 million in September to build a fifth generating unit at our Ngā Tamariki geothermal station, which will add another net 46MW. We're also at the advanced stages of approving the development of the 155MW Kaiwera Downs 2 wind farm," he said.

The third signalled project, Kaiwaikawe wind farm, is experiencing delays related to procurement and construction logistics which will likely delay construction commencement into FY25.

"In addition, we celebrated the opening of our 43MW Kaiwera Downs 1 wind farm in November, completed under budget and on schedule. This is testament to the capability of our team and contractors together with consistent, transparent engagement with the community," said Mr Hawksworth.

Following the period end, Mercury also issued a request for Expressions of Interest for an offtake agreement for 100MW of solar energy, commencing in 2026.

"We see this as an important step towards further diversification of our renewable energy portfolio, and a meaningful way to support the role independent generators play in New Zealand's energy market," said Mr Hawksworth.

UNLOCKING SYNERGIES FOR CUSTOMER VALUE

In December, the goal of bringing Mercury and Trustpower people, processes and systems together was achieved. This included migrating all Mercury mass market brand customers onto a single technology stack, a key step towards unlocking benefits from the acquisition of Trustpower's retail business in May 2022.

"This gives us a solid platform to deliver greater value for customers in terms of choice, enhanced experience, and the delivery of new and innovative solutions," said Mr Hawksworth.

The business remains on track to realise the integration synergies previously forecast, with the majority expected in FY25.

Even with those efficiencies, Mercury will lift electricity prices for most customers effective 1 April 2024 as costs to the retail business have increased. Mr Hawksworth said that the business would continue to offer targeted measures to support our customers most in need.

NAVIGATING THE TRANSITION

"Collective action and whole-of-system thinking will be critical to unlocking prosperity through the energy transition for every individual,' said incoming Mercury Chair Scott St John.

"Managing affordability will be a key challenge as the transition progresses, and Mercury will continue to work with the sector, community, Government and others on this," said Mr St John.

"We continue to have an open conversation about the impact of cumulative changes on affordability, including distribution and transmission investment, growth in intermittent renewables, New Zealand's Emissions Trading Scheme and near-term inflation, skilled worker shortages and supply chain issues," he said.

"We remain mindful of the role supportive policy will play in accelerating the electrification of New Zealand's economy in an inclusive way. We welcome the clarity on Onslow and continue to advocate for clarity on the role of gas, a clear consenting regime, demand-side policies and network and transmission investment," he said.

OTHER KEY OPERATIONAL ACTIVITIES

- Contributed to the proposed Sector and Government energy transition framework to enable a system-wide approach to the transition.
- Experienced delays to the geothermal drilling campaign. The contract with the drilling rig contractor was terminated and we are currently negotiating an alternative contractor to complete campaign.
- Embedded adaptive ways of working, including changes to organisational structure, to support better performance. Adaptive leadership and diverse emerging leaders programmes performed strongly.
- Progressed enhanced health, safety and wellbeing programme, with no recordable injuries for the half year (excluding offsite lost time injuries).
- Welcomed new Chair, Scott St John. Mercury extends its thanks to Prue Flacks for her substantial contribution over the last 13 years, particularly during her last four years as Chair.

INTERIM DIVIDEND

The Board has declared a fully imputed interim dividend of 9.3 cents per share, up almost 7% on the HY23 dividend. Full year dividend guidance is unchanged at 23.3 cents per share expected to be the 16th consecutive year of ordinary dividend growth. Mercury's Dividend Reinvestment Plan continues, with shareholders able to reinvest their dividends into Mercury shares with a 2% discount.

GUIDANCE

FY24 EBITDAF guidance has increased to $880 million from $835 million, mostly due to better pricing outcomes in our generation and wholesale segment. This assumes mean hydro generation (4,067GWh) and is subject to future hydrological volatility, wholesale market conditions and any material adverse events, significant one-off expenses or other unforeseeable circumstances.

**ENDS**

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**ABOUT MERCURY NZ LIMITED**

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

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