

MERCURY.

RETAIL GREEN BOND OFFER

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Chief Financial Officer

15 March 2021

GEOFF SMITS
Senior Treasury Dealer



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A number of non-GAAP financial measures are used in this presentation. You should not consider any of these in isolation from, or as a substitute for, the information provided in the audited consolidated financial statements, which are available at www.mercury.co.nz. These measures are discussed in further detail in the Appendix slide 25.

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation by any person. Nothing in this presentation constitutes legal, financial, tax or other advice. The distribution of this presentation, and the offer or sale of the Green Bonds, may be restricted by law in certain jurisdictions. Persons who receive this presentation outside New Zealand must inform themselves and observe all such restrictions. Nothing in this presentation is to be construed as authorising its distribution, or the offer or sale of any securities, in any jurisdiction except in accordance with applicable law. No securities referred to in this presentation may be offered or sold directly or indirectly, and neither this presentation nor any other offering material may be distributed or published, in any jurisdiction except with the prior consent of the Company and in conformity with all applicable law.



IMPORTANT INFORMATION

The offer ("Offer") of fixed rate unsubordinated unsecured fixed rate green bonds ("Green Bonds") by Mercury described in this presentation is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conducts Act 2013 ("FMCA").

The Offer is an offer of debt securities that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Mercury's \$200,000,000 unsecured, unsubordinated, fixed rate green bonds with an interest rate of 1.56% per annum and a maturity date of 14 September 2027, which are currently quoted on the NZX Debt Market under the ticker code MCY030 ("MCY030 Bonds").

Accordingly, the Green Bonds are the same class as the MCY030 Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

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

The MCY030 Bonds are the only debt securities of Mercury that are in the same class as the Green Bonds and are currently quoted on the NZX Debt Market.

Investors should look to the market price of the MCY030 Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

A terms sheet dated 15 March 2021 ("Terms Sheet") has been prepared in respect of the Offer. Investors should not purchase the Green Bonds until they have read the Terms Sheet. Investors should consider the risks that are associated with an investment in the Green Bonds, particularly with regard to their personal circumstances (including financial and tax issues).

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

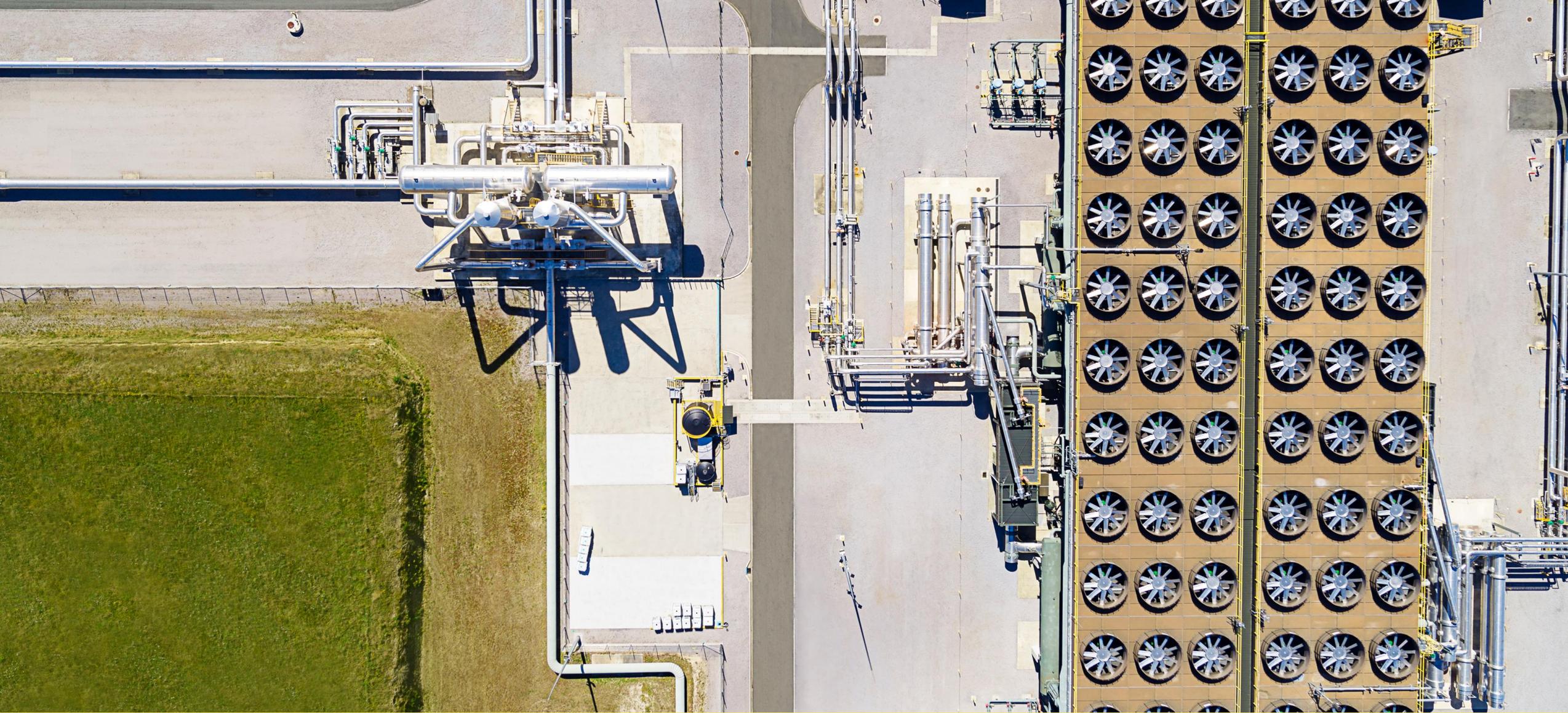


OFFER HIGHLIGHTS

Issuer	Mercury NZ Limited ("Mercury")
Instrument	Unsecured, unsubordinated fixed rate green bonds ("Green Bonds")
Credit Rating	Issue Credit Rating: BBB+ (Mercury has an Issuer Credit Rating of BBB+)
Issue Amount	Up to NZ\$200m plus oversubscriptions of up to NZ\$50m (at Mercury's discretion)
Term	5.5 years (maturing 29 September 2026)
Interest Rate	The Green Bonds will pay a fixed rate of interest from the Issue Date until the Maturity Date
Use of proceeds	The proceeds of the Offer are intended to be earmarked to finance or refinance new or existing projects and expenditures relating to Eligible Projects ¹ . As at the date of this presentation, Mercury expects to apply the net proceeds of the Offer to refinance existing debt, and to track an amount equal to the net proceeds within its systems, earmarked to Eligible Projects
Arranger and Green Bond Co-Ordinator	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) ("Westpac")
Joint Lead Managers	ANZ Bank New Zealand Limited, Craigs Investment Partners Limited, Forsyth Barr Limited and Westpac

4 ¹ Eligible Projects, identified in accordance with Mercury's Green Financing Framework, includes new or existing projects and expenditures relating to renewable energy, energy efficiency and electrification, and clean transportation





COUNTRY, INDUSTRY & MERCURY



Stable regulatory framework

- > Underpinned by strong industry performance on Reliability, Renewability and Pricing (the electricity 'trifecta')
- > New Zealand has >80% renewable generation
- > Electricity recognised as a key enabler for New Zealand's low-carbon economy



Focus on our customers

- > Focus on rewarding our existing customers in a competitive retail market
- > Making it easy with increased digitalisation and self-service



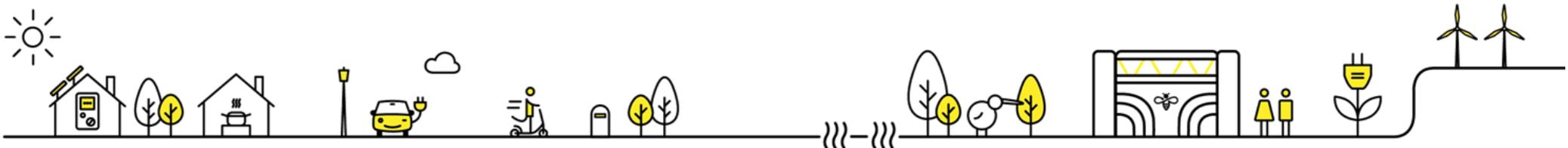
100% renewable generation

- > Low cost hydro and geothermal generation delivering strong and stable cash flows
- > Turitea, New Zealand's largest wind farm, under construction



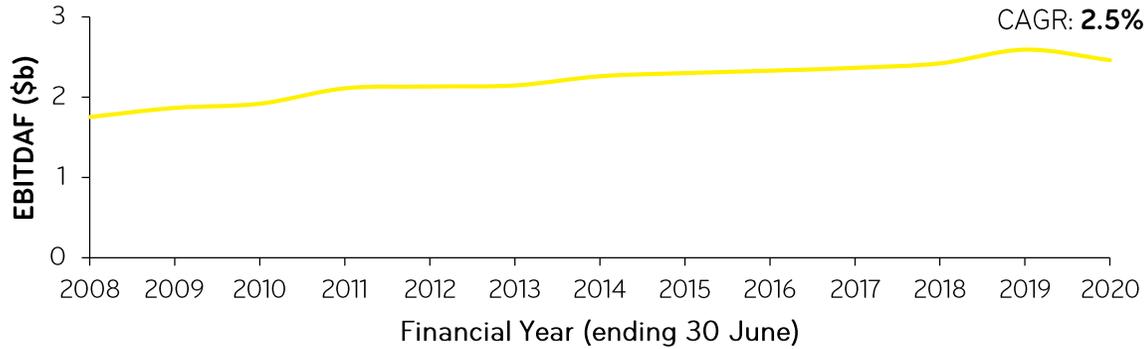
Integrated generator & retailer

- > Complementary generation sources contribute both flexibility and reliability with sales to customers providing a natural hedge against wholesale price volatility

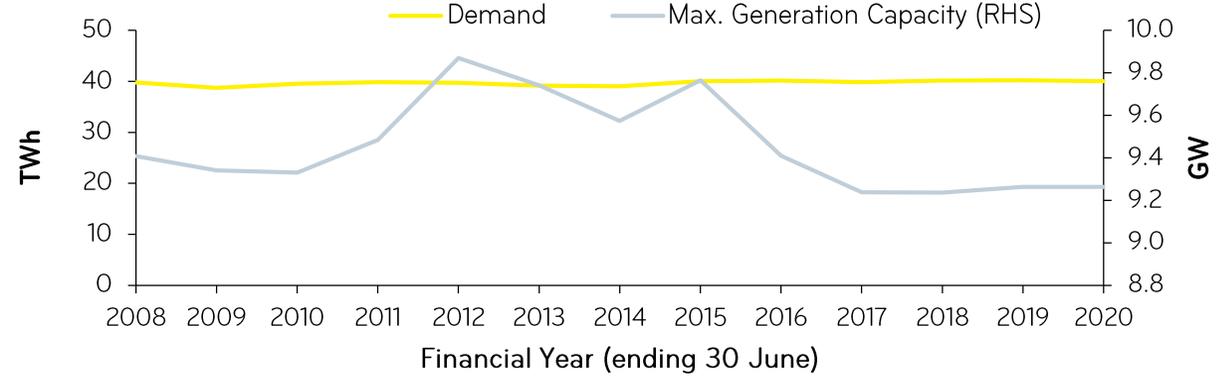


LONG-TERM INDUSTRY TRENDS

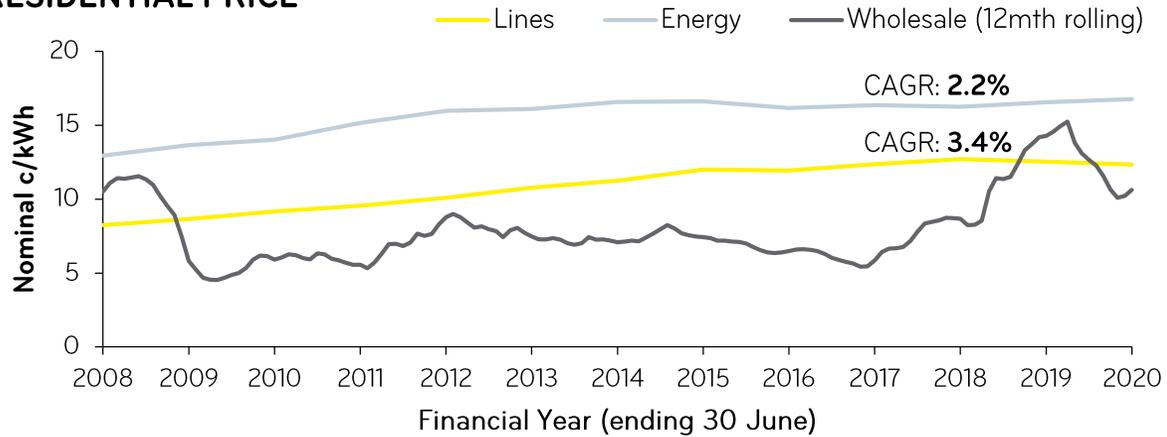
SECTOR EARNINGS



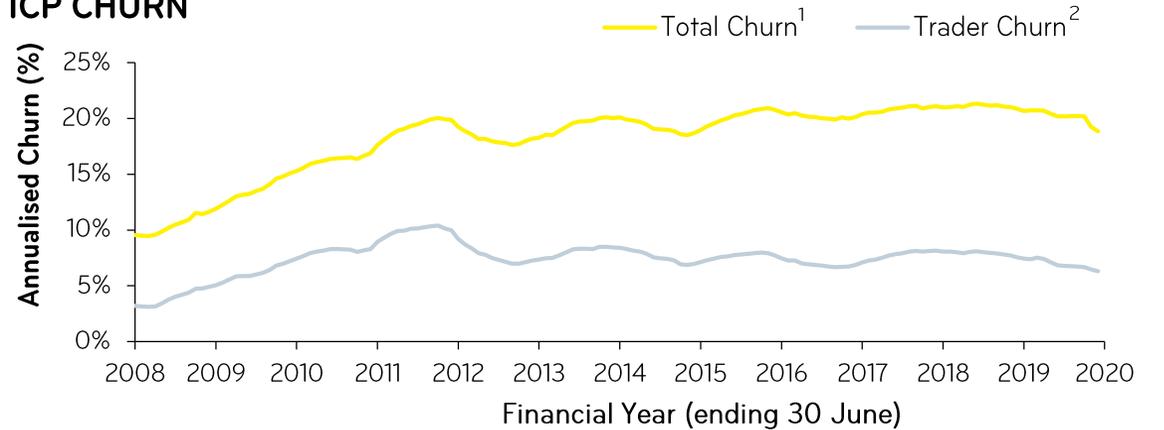
DEMAND AND GENERATION CAPACITY



RESIDENTIAL PRICE



ICP CHURN



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

¹ Includes trader churn and premise churn – switches caused by customers moving house

² Switches where a customer changes retailer without changing house



MERCURY AT A GLANCE

- > Vertically integrated 100% renewable North Island generator and national retailer of electricity
- > New Zealand's second largest generator¹
- > Generation market share of 15%²
- > 51% owned by the New Zealand Government

KEY INFORMATION

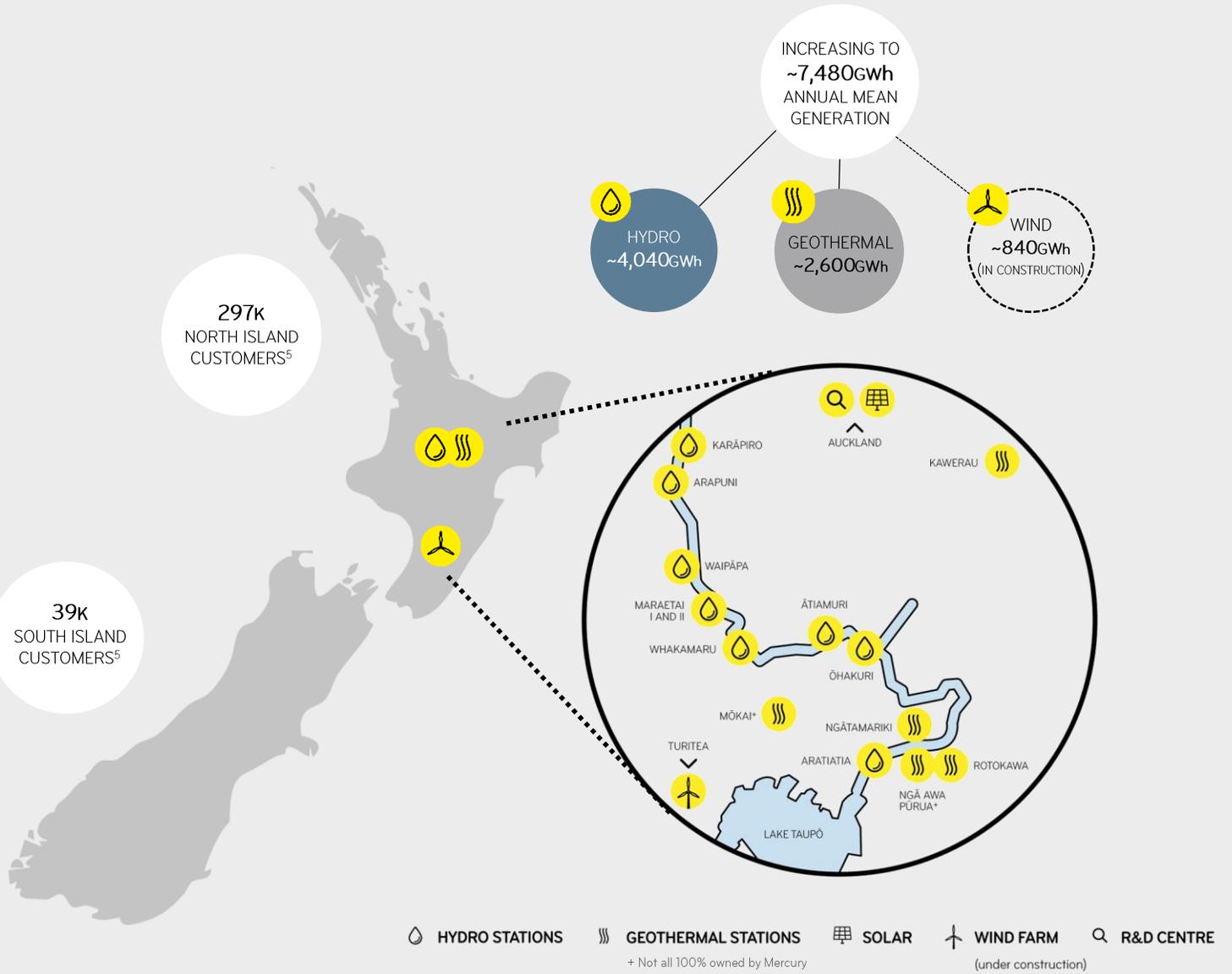
Ticker Codes: **MCY.NZ / MCY.AX**

Market Capitalisation: **NZ\$8.3 billion³**

Enterprise Value: **NZ\$9.4 billion⁴**

Credit Rating: **BBB+/Stable (S&P Global)**

EBITDAF (FY2020): **NZ\$494 million**



¹ By market capitalisation

² Based on equity-weighted generation volumes in the 12 months to 31 December 2020

³ As at 10 March 2021

⁴ Based on sum of market capitalisation and net debt

⁵ As at 31 December 2020

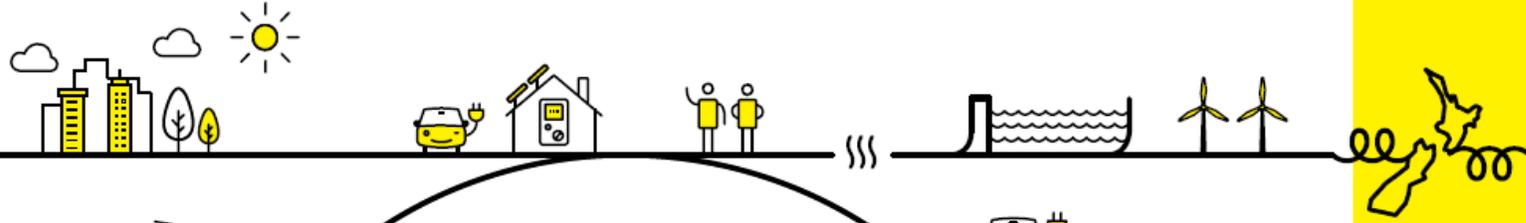


OUR DIRECTION

OUR PURPOSE

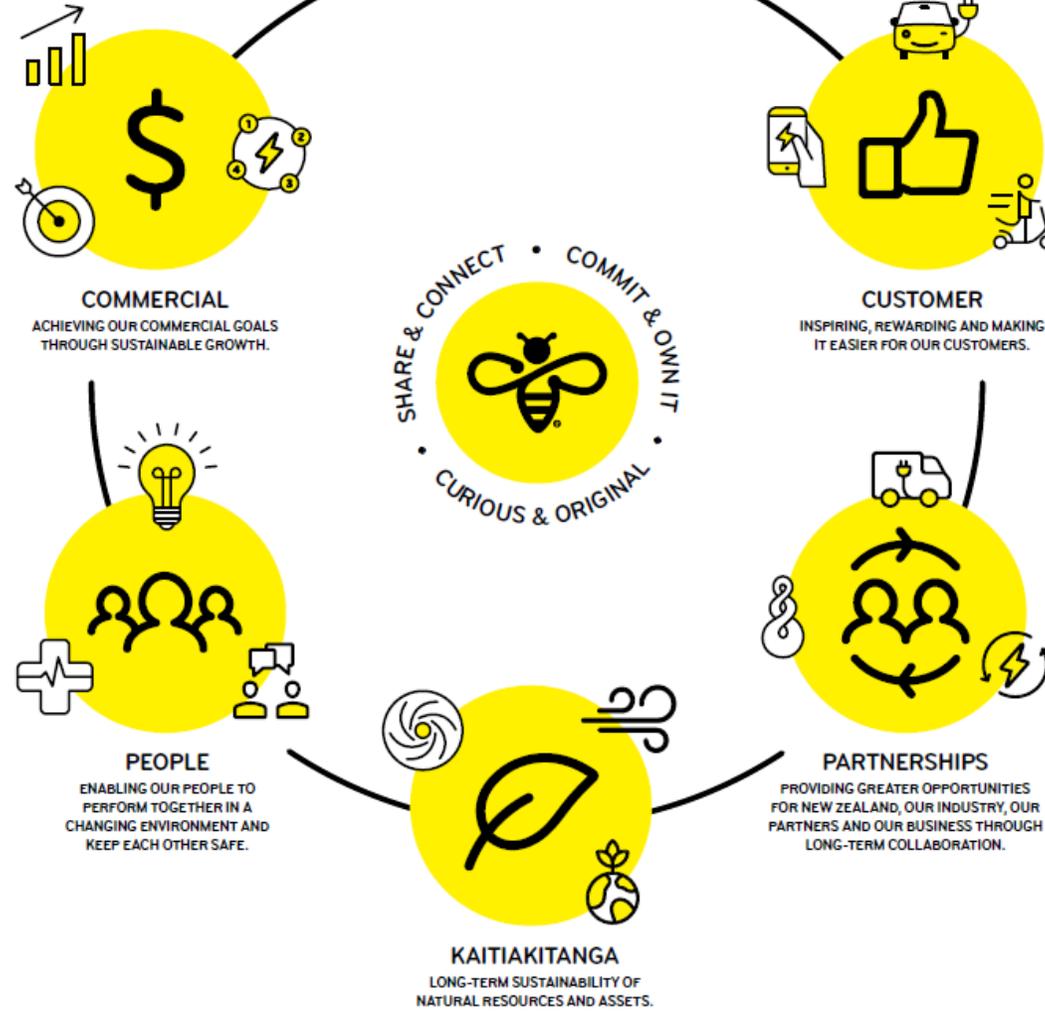


TO INSPIRE
NEW
ZEALANDERS
TO ENJOY
ENERGY IN
MORE
WONDERFUL
WAYS



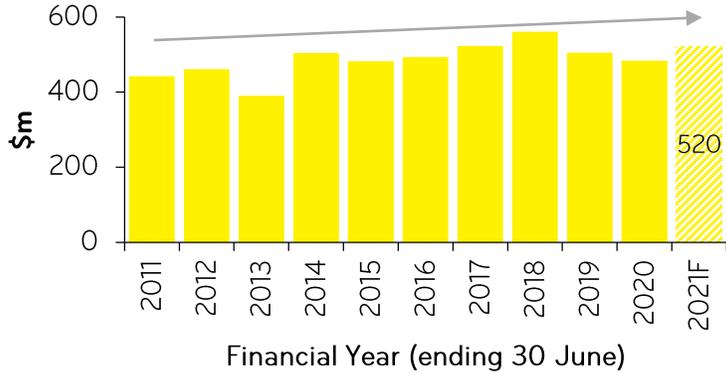
OUR MISSION

ENERGY
FREEDOM

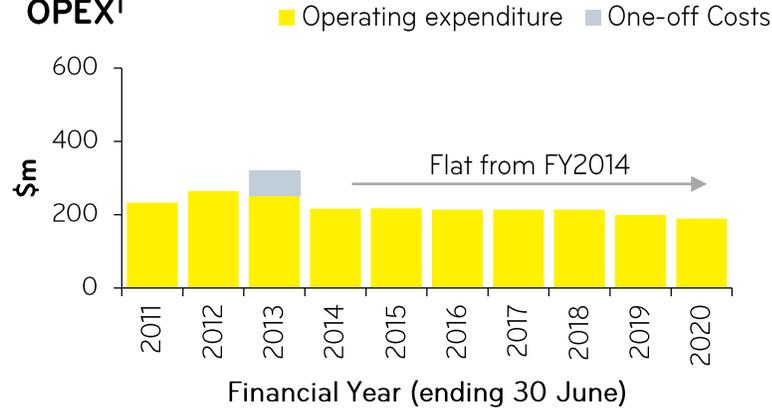


MERCURY'S LONG TERM TRACK RECORD

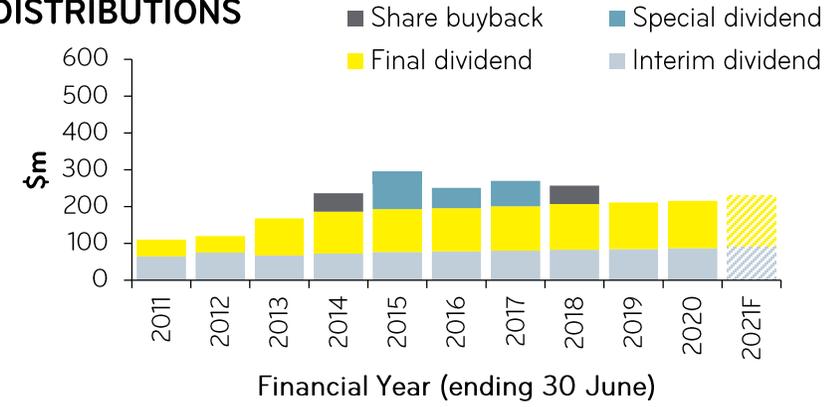
EBITDAF



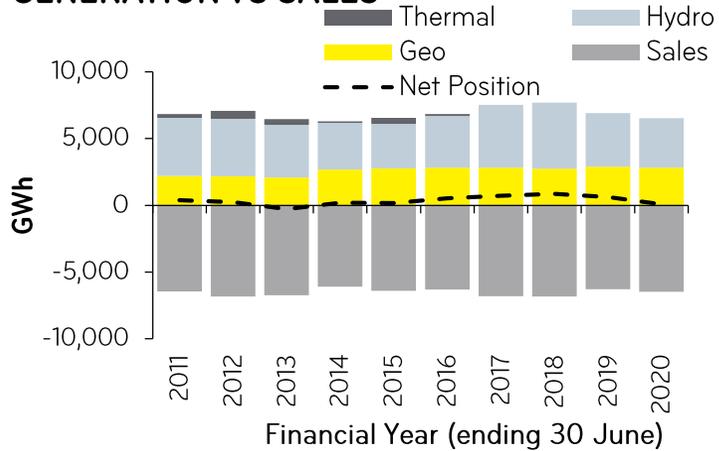
OPEX¹



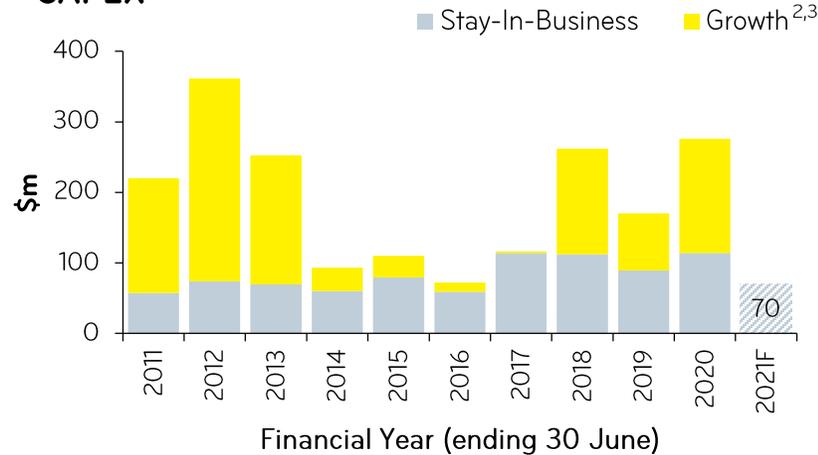
DISTRIBUTIONS



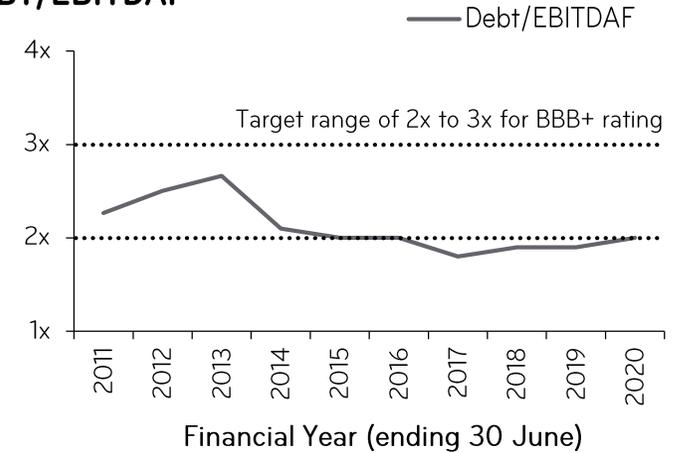
GENERATION VS SALES¹



CAPEX



DEBT/EBITDAF^{1,4}



¹ FY2021 forecast figures not available as Mercury does not give guidance for Opex, Generation and Sales and Debt/EBITDAF

² FY2019 growth capex includes Tilt Renewables capital contribution

³ FY2021 growth capex forecast not available as Mercury does not give guidance for growth capex

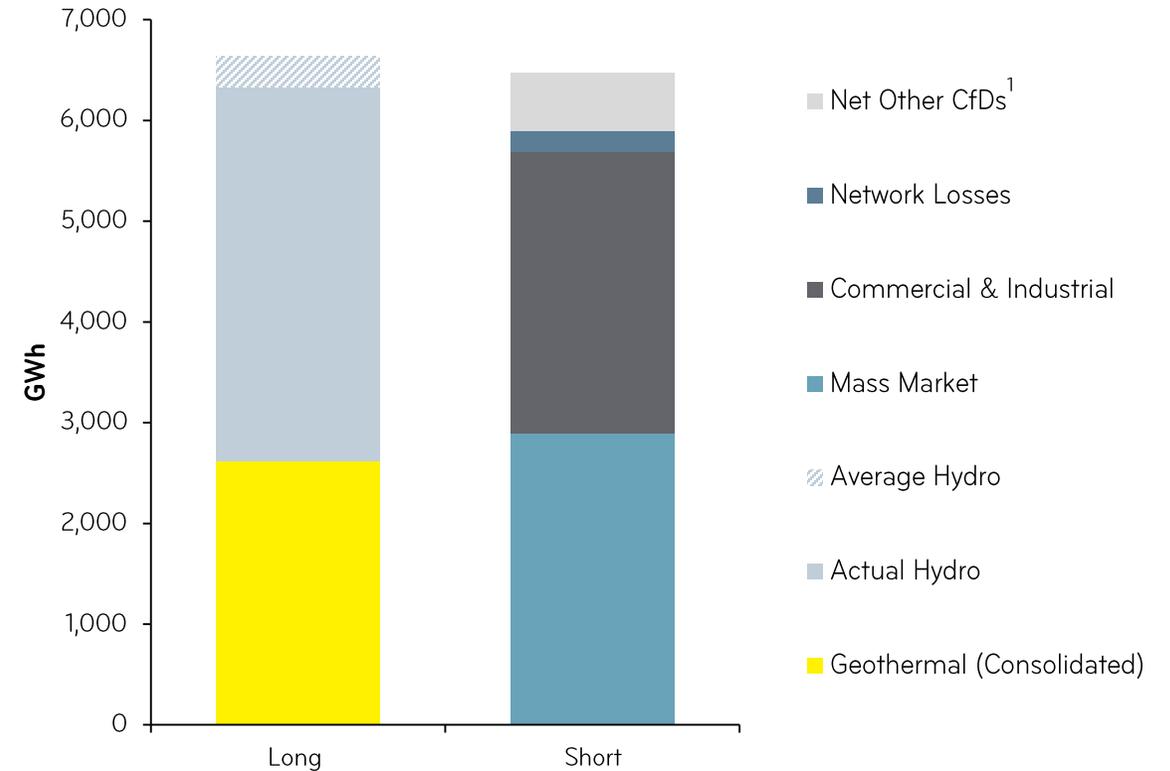
⁴ Adjusted for S&P Global treatment of Capital Bonds



PORTFOLIO APPROACH TO RISK MANAGEMENT

- > Mercury operates an integrated electricity portfolio with electricity sales to customers providing a natural price hedge to generation
- > Average net long position with movement year-on-year due to hydrology, plant availability and values of sales
- > Two complementary low-cost fuel sources
 - > Flexible hydro generation from the largest group of peaking stations in the North Island
 - > Geothermal provides baseload generation not dependent on weather
- > Diversified sales portfolio including sales to Mass Market, Commercial & Industrial customers and derivatives

FY2020 NET POSITION BREAKDOWN



¹ Contract-For-Difference

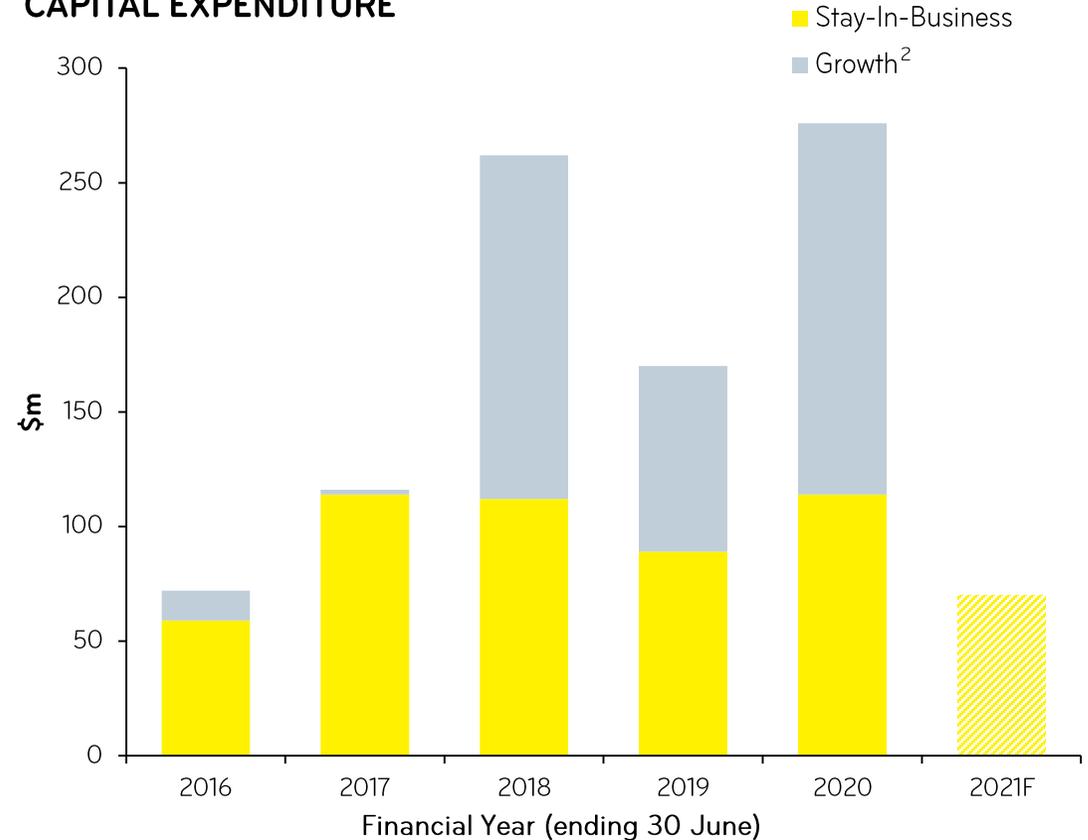




CAPITAL EXPENDITURE

- > Stay-in-business capital expenditure higher in recent years due to:
 - > Ongoing hydro refurbishment programme delivering significant life extension, capacity and efficiency gains
 - > SAP technology platform upgrades enabling increased functionality and flexibility to meet customer needs
 - > Geothermal make-up well drilling at Kawerau and Rotokawa
- > Growth capex includes:
 - > Acquiring a 19.99% stake in Tilt Renewables (\$144m in FY2018)
 - > Additional capital contributions to Tilt Renewables for 336MW Dundonnell wind farm in Victoria (\$55m in FY2019; total investment of \$199m)
 - > Financial commitment to Turitea wind farm, the first large-scale generation development in New Zealand since 2014 (\$464m¹)

CAPITAL EXPENDITURE



¹ Excludes capitalised interest

² FY2018 figure includes Tilt Renewables 19.99% shareholding acquisition, FY2019 figure includes Tilt Renewables capital contribution, FY2021 growth capex forecast not available as Mercury does not give guidance for growth capex



STABLE CAPITAL STRUCTURE

- > Mercury's dividend policy is to make distributions with a pay-out ratio of 70-85% of Free Cash Flow on average through time subject to:
 - > Consideration of the Company's working capital requirements and medium-term asset investment programme;
 - > Maintaining a sustainable financial structure for the Company, recognising the Company's targeted long-term credit rating of BBB+ assigned by S&P Global¹; and
 - > The risks from predicted short and medium-term economic, market and hydrological conditions, and estimated financial performance
- > S&P Global re-affirmed Mercury's credit rating of BBB+/stable in November 2020
 - > One-notch upgrade from stand-alone credit profile of 'bbb', reflecting legislated majority Crown ownership
- > Debt / EBITDAF² 2.1x at 31 December 2020

	31 Dec 2020	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
Net debt (\$m)	1,241	1,149	1,096	1,264 ⁵	1,038	1,068
Gearing ratio (%)	25.2	23.5	23.7	27.7 ⁵	23.9	24.4
Debt/EBITDAF (x) ²	2.1 ³	2.0	1.9	1.9	1.8	2.0
Issuer Credit Rating	BBB+/stable	BBB+/stable	BBB+/stable	BBB+/stable	BBB+/stable	BBB+/stable
Ordinary dividend	17.0cps ⁴	15.8cps	15.5cps	15.1cps	14.6cps	14.3cps

¹ Or equivalent from another recognised credit rating agency

² Adjusted for S&P Global treatment of Capital Bonds

³ Based on EBITDAF for 12 months ended 31 Dec 2020

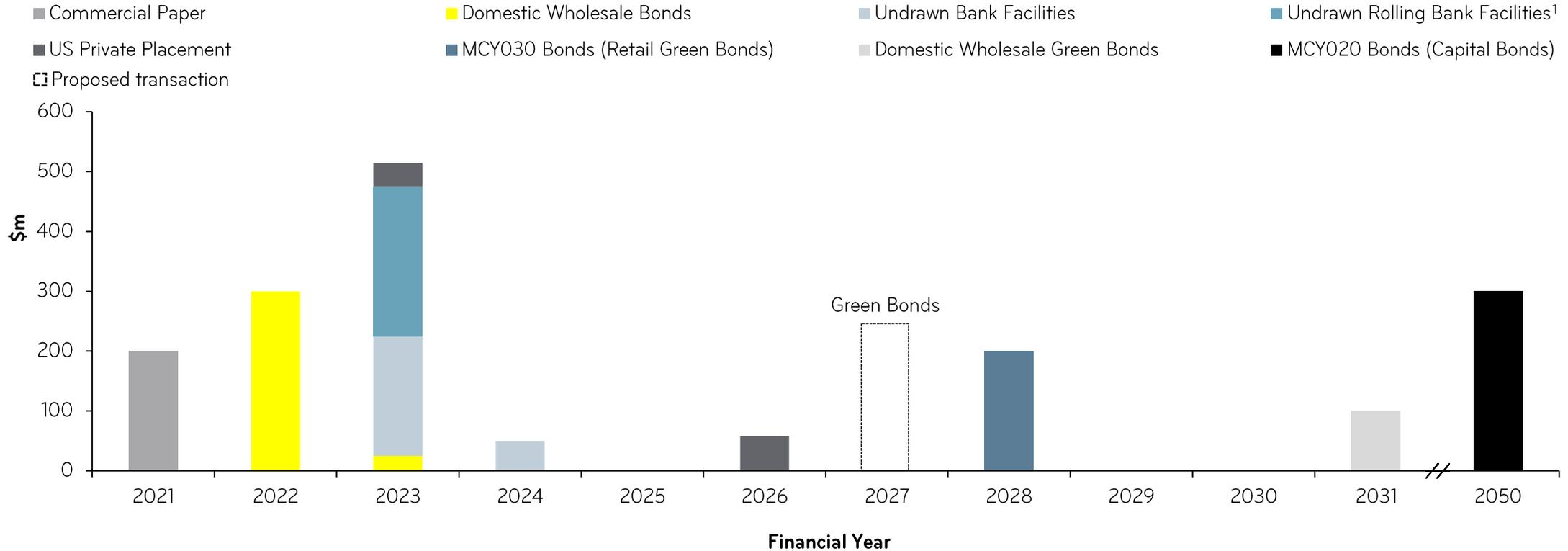
⁴ Based on FY2021 ordinary dividend guidance

⁵ Restated to reflect changes in IFRS



DIVERSIFIED FUNDING PROFILE

DEBT MATURITIES AS AT 10 MARCH 2021



> Diversified funding sources: commercial paper, bank facilities, domestic wholesale bonds, domestic senior retail bonds, USPP and capital bonds

> Proceeds from the Offer will be applied to repay \$300m of floating rate notes maturing in September 2021



BOND CREDIT FEATURES

- > Mercury, under the Master Trust Deed, agrees to ensure that Net Worth at any time will not be less than \$500m
- > S&P Global has assigned a BBB+ issue rating to the Green Bonds
- > Mercury has Guaranteed Liabilities that are unsecured and would rank equally with the Green Bonds in a liquidation of Mercury as issuer. However, (unlike Bondholders) creditors of Guaranteed Liabilities have the benefit of guarantees from certain subsidiaries of Mercury so may also claim directly against those subsidiaries
 - > Mercury holds some assets in operating subsidiaries, including Mercury's geothermal assets and the Turitea wind farm. Note that all of Mercury's third-party debt is held at the Mercury parent level
 - > As at 31 December 2020, Mercury's Guaranteed Liabilities were \$443m. This compares to total consolidated assets of Mercury and its subsidiaries of \$6,787m, and total assets of Mercury's guaranteeing subsidiaries of \$1,975m





GREEN FINANCING FRAMEWORK



Use of proceeds

- > The proceeds of the Offer are intended to be earmarked to finance or refinance new or existing projects and expenditures relating to renewable energy and other Eligible Projects. Mercury expects to track an amount equal to the net proceeds within its systems, earmarked to Eligible Projects
- > The Framework outlines the issuer's process relating to use of proceeds, project evaluation and selection, management of proceeds, reporting and assurance. Eligible Projects fall within the eligible categories as outlined in the Framework, are aligned with the ICMA Green Bond Principles and have attained Climate Bonds Initiative Certification

Mercury's Green Financing Framework is available at www.mercury.co.nz/green-bonds



GREEN FINANCING FRAMEWORK



External review	Mercury's Green Financing Framework has been independently reviewed by DNV GL Business Assurance Australia against the Climate Bonds Standard Version 3.0 and the ICMA Green Bond Principles. DNV GL's limited assurance conclusions are publicly available at www.mercury.co.nz/green-bonds
CBI certification	Mercury has obtained programmatic certification of its green bonds from CBI. Programmatic certification requires Mercury to obtain independent annual verification of all issuances under Mercury's green bond programme for the duration of the programme. Mercury has also obtained specific CBI pre-issuance certification of the Green Bonds to be issued under the Offer
Monitoring and compliance	<p>The Green Financing Framework provides for Mercury to publish annual use of proceeds reports and report on any changes to the Green Financing Framework</p> <p>The Green Financing Framework provides for Mercury to report on the environmental impacts (where possible and relevant) resulting from Eligible Projects as part of its annual reporting</p> <p>Note that lack of compliance with the Green Financing Framework or the CBI standards is not an event of default in relation to the Green Bonds</p>



ELIGIBLE ASSET VALUES

Geothermal	Rating ¹	Book Value ²
Rotokawa Generation (plant)	35MW	\$103m
Rotokawa JV ³ (steamfield)		\$108m ⁴
Ngā Awa Pūrua JV ³ (plant)	138MW	\$337m ⁴
Mōkai ³	112MW	\$68m ⁴
Ngātamariki	82MW	\$498m
Wind		
Turitea (under construction)	222MW	\$464m ⁵
Tilt Renewables (19.92% shareholding)		\$480m ⁶
	TOTAL	\$2,058m



Rotokawa



Mokai



Nga Awa Purua



Ngātamariki



Turitea
(under construction)



¹ Net Available Capacity for geothermal, Maximum Continuous Rating for wind

² As at 31 December 2020

³ Not 100% owned by Mercury

⁴ Equity ownership-weighted value

⁵ Expected spend at completion, excludes capitalised interest

⁶ Based on TLT market capitalisation as at 10 March 2021



KEY TERMS OF THE GREEN BOND

Issuer	Mercury NZ Limited ("Mercury")
Instrument	Unsecured, unsubordinated fixed rate green bonds ("Green Bonds")
Credit rating	Issue Credit Rating: BBB+ (Mercury has an Issuer Credit Rating of BBB+)
Issue amount	Up to NZ\$200m plus oversubscriptions of up to NZ\$50m (at Mercury's discretion)
Term	5.5 years (maturing 29 September 2026)
Interest Rate	The Green Bonds will pay a fixed rate of interest from the Issue Date until the Maturity Date. The Interest Rate will be announced via the NZX following the bookbuild
Indicative Issue Margin	0.85% - 1.00% per annum
Interest payments	Semi-annual in arrear
No guarantee	Mercury is the issuer and the sole obligor in respect of the Green Bonds. None of the Crown, any subsidiary of Mercury or any other person guarantees the Green Bonds Mercury has some guaranteed liabilities to USPP noteholders, banks and certain financial institutions (Guaranteed Liabilities). The Guaranteed Liabilities are unsecured but (unlike Bondholders) those creditors have the benefit of guarantees from certain subsidiaries of Mercury so may also claim directly against those subsidiaries.
Financial covenant	Mercury agrees to ensure that Net Worth (being total assets less total liabilities of Mercury and its subsidiaries, on a consolidated basis, calculated in accordance with the Master Trust Deed) at any time will not be less than \$500m
Minimum application amount	NZ\$5,000 and in multiples of NZ\$1,000 thereafter
Quotation	Mercury intends to quote the Green Bonds on the NZX Debt Market. NZX ticker code MCY040 has been reserved for the Green Bonds

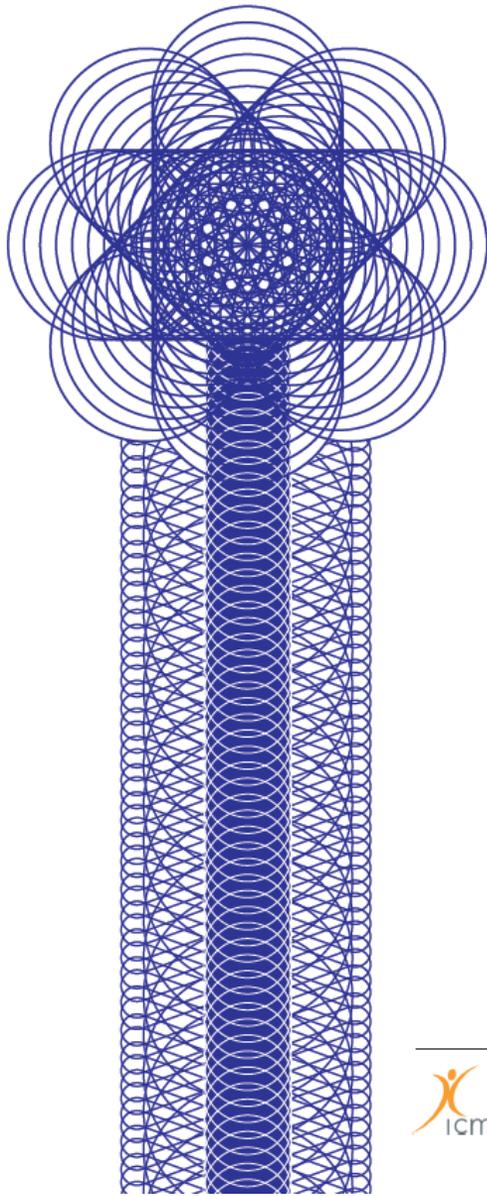


KEY DATES

Opening Date	Monday 15 March 2021
Closing Date	Friday 19 March 2021 at 12.00pm
Rate Set Date	Friday 19 March 2021
Issue Date and allotment date	Monday 29 March 2021
Expected quotation on NZX Debt Market	Tuesday 30 March 2021
Maturity Date	29 September 2026







Certification



This is to certify that the

Mercury NZ Limited 2021 Green Bond

Issued by

Mercury NZ Limited

Has met the criteria for certification by the Climate Bonds Standard Board on behalf of the Climate Bonds Initiative

SEAN KIDNEY
CEO, Climate Bonds Initiative

22 February 2021



CALSTRS

IIGCC



Investor Network on CLIMATE RISK



Investor Group on Climate Change
Aotearoa New Zealand



Climate Bonds



NON-GAAP MEASURES

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





FOR FURTHER INFORMATION > **TIM THOMPSON** | HEAD OF TREASURY & INVESTOR RELATIONS T. +64 275 173 470 E. INVESTOR@MERCURY.CO.NZ