
Turbine at Turitea

MERCURY.

RETAIL GREEN BOND OFFER

WILLIAM MEEK
Chief Financial Officer

GEOFF SMITS
Treasury Manager

6 June 2023

Mercury

ANZ

CRAIGS INVESTMENT PARTNERS

FORSYTH BARR

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IMPORTANT INFORMATION

The offer ("Offer") of unsecured, unsubordinated, 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"); and
- Mercury's $200,000,000 unsecured, unsubordinated, fixed rate green bonds with an interest rate of 2.16% per annum and a maturity date of 29 September 2026, which are currently quoted on the NZX Debt Market under the ticker code MCY040 ("MCY040 Bonds").

Accordingly, the Green Bonds are the same class as the MCY030 Bonds and MCY040 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 and MCY040 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 and MCY040 Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds. When comparing the yield of different debt securities, it is important to consider all relevant factors (including credit rating (if any), maturity and other terms of the relevant debt securities).

An indicative terms sheet dated 6 June 2023 ("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), and should seek financial advice before deciding to invest in the Green Bonds.

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 the Terms Sheet or 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	Expected Issue Credit Rating: BBB+ (Mercury has an Issuer Credit Rating of BBB+)
Issue Amount	Up to NZ$100m plus oversubscriptions of up to NZ$50m (at Mercury's discretion)
Term	5 years (maturing 19 June 2028)
Interest Rate	The Green Bonds will pay a fixed rate of interest from the Issue Date until the Maturity Date, and will be the sum of the Swap Rate on the Rate Set Date and the Issue Margin, but in any case will be no less than the Minimum Interest Rate of 5.40% per annum
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	ANZ Bank New Zealand Limited
Joint Lead Managers	ANZ Bank New Zealand Limited, Craigs Investment Partners Limited and Forsyth Barr Limited

[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

Turbines at Tararua

COUNTRY, INDUSTRY & MERCURY

MERCURY SNAPSHOT

> We are an electricity generator and multi-product utility retailer of electricity, gas, broadband and mobile services focused on delivering wonderful solutions for New Zealanders at home, at work and on the move

> New Zealand's second largest gentailer by value, New Zealand's largest wind generator and New Zealand's largest electricity retailer by customer market share

> > Generation market share: 22%[1]

> > Electricity retail market share (by customer numbers): 26%[2]

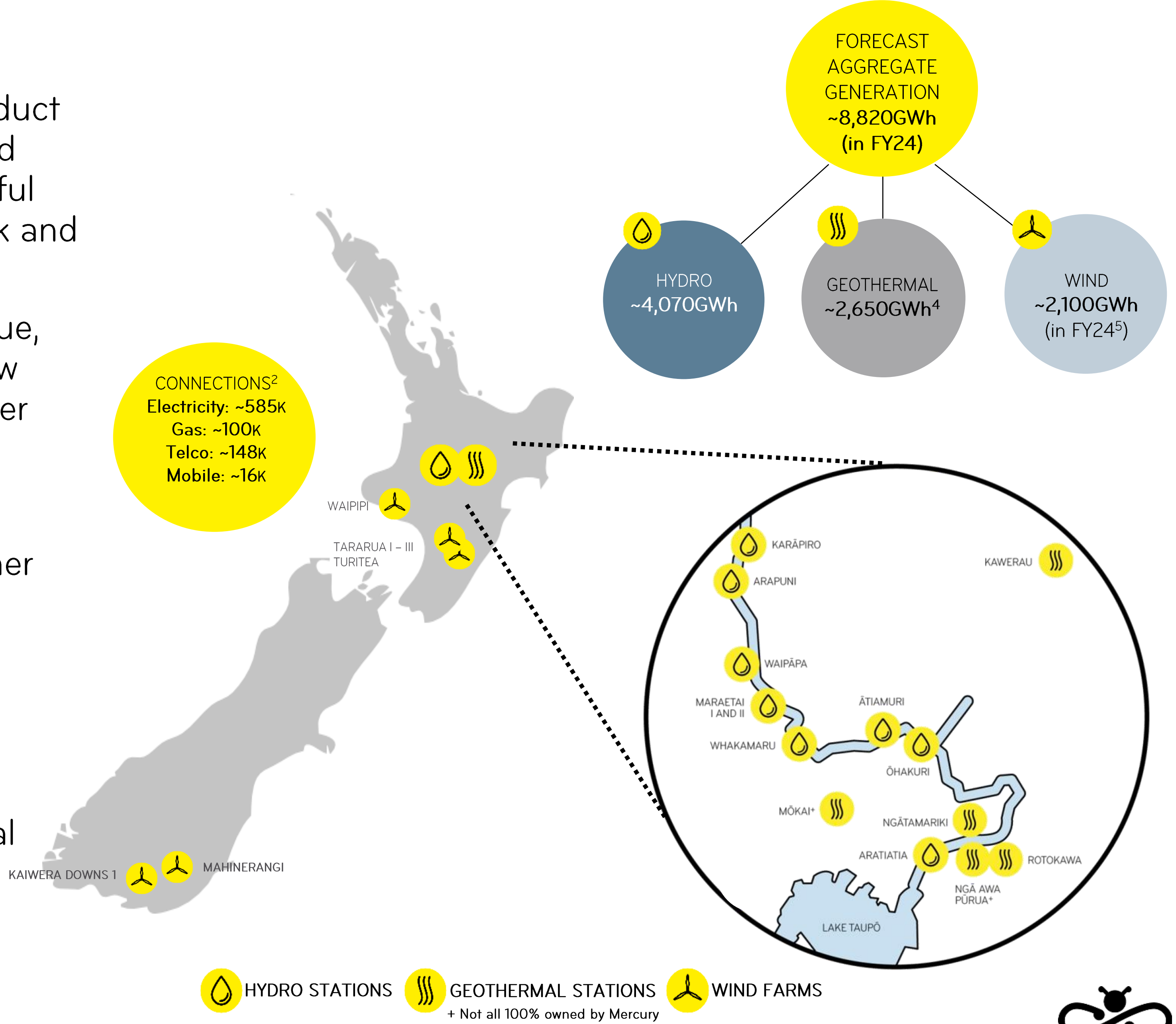
> 51% owned by the New Zealand Government

> Ticker Codes: MCY.NZ / MCY.AX

> Market Capitalisation: NZ$9.1 billion[3]

> Issuer Credit Rating: BBB+/Stable (S&P Global Ratings)

> FY23 EBITDAF Guidance: **NZ$795 million**



[1] For 12 months to 31 March 2023
[2] As at 31 March 2023
[3] As at 31 May 2023
[4] Excludes minority interest in Mōkai geothermal station
[5] Assumes 120GWh contribution from Kaiwera Downs 1

COMPLEMENTARY PORTFOLIO OF ASSETS – HYDRO, GEOTHERMAL & WIND

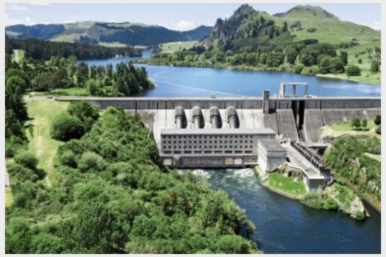
HYDRO ASSETS: 1,117MW[1] – ~4,070GWh pa (mean inflows)

Taupo Gates
(1941)

Aratiatia
87MW
365GWh
(1964)

Ōhakuri
112MW
405GWh
(1961)

Ātiamuri
84MW
285GWh
(1958)



Whakamaru
124MW
520GWh
(1956)

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

Waipāpa
51MW
235GWh
(1961)

Arapuni
198MW
865GWh
(1929)

Karāpiro
101MW
515GWh
(1946)

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

Rotokawa
34 MW
286GWh
(2000)

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

Ngātamariki
85MW
731GWh
(2013)

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

Kawerau
106MW
875GWh
(2008)

Geothermal assets that meet eligibility criteria under Mercury's Green Financing Framework. Refer to slide 21 for summary of eligibility criteria.

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

COMPLEMENTARY PORTFOLIO OF ASSETS – HYDRO, GEOTHERMAL & WIND

WIND ASSETS: 448MW[1] – ~1,585GWh pa (mean wind)

Turitea North 119MW 470GWh (2021)

Mahinerangi 36MW 100GWh (2011)

Tararua 160MW 560GWh (1999)

Waipipi 133MW 455GWh (2021)

UNDER CONSTRUCTION 146MW[1] – ~520 GWh pa (mean wind)

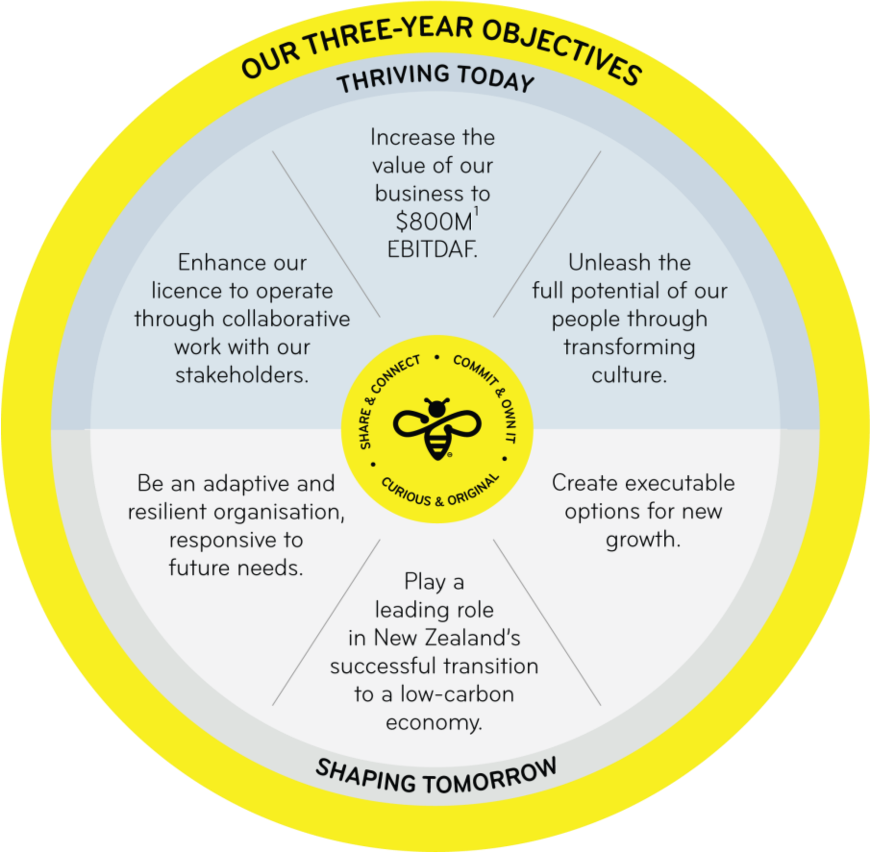
Turitea South 103MW 370GWh (2023)

Kaiwera Downs 1[2] 43MW 150GWh (2023)

Wind assets that meet eligibility criteria under Mercury's Green Financing Framework. Refer to slide 21 for summary of eligibility criteria.

[1] Total Maximum Continuous Rating
[2] Artist impression of Kaiwera Downs 1 (under construction)

OUR FY24 OBJECTIVES & 2030 GOALS



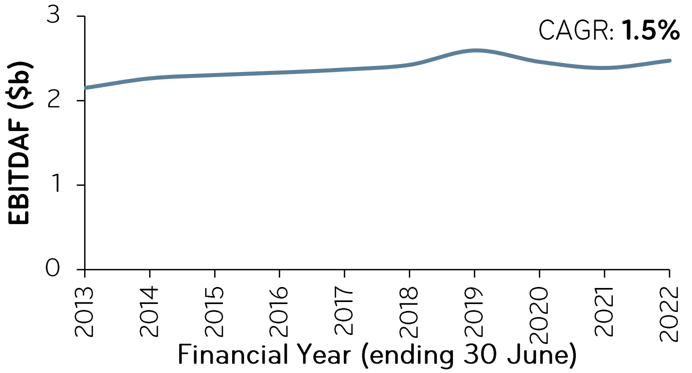
OUR 2030 LONG TERM GOALS ARE TO BE ...

CUSTOMER	New Zealand's leading energy brand
PARTNERSHIPS	Recognised as a leader within our industry, with our sector recognised as a positive contributor to New Zealand; and Mercury's access to fuel and energy storage enduring and enhanced
KAITIAKITANGA	Recognised as a leader in the ultra-long-term management of both physical and natural assets
PEOPLE	A zero harm organisation that has enabled our people to adapt to the changing nature of work to deliver the highest levels of performance and productivity
COMMERCIAL	Leading our sector in terms of financial performance and shareholder returns, earning at least our cost of capital

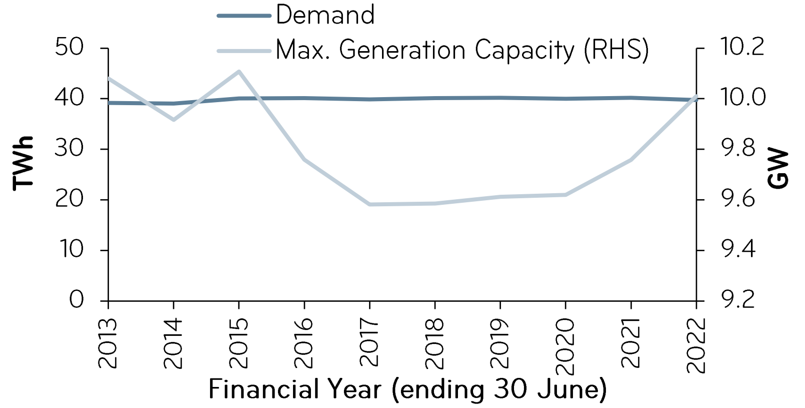
[1] We have lifted our three year earnings target, set in FY21, from $700m to $800m for FY24 following the acquisitions of Tilt Renewables' New Zealand operations and Trustpower retail in FY22

LONG TERM INDUSTRY TRENDS

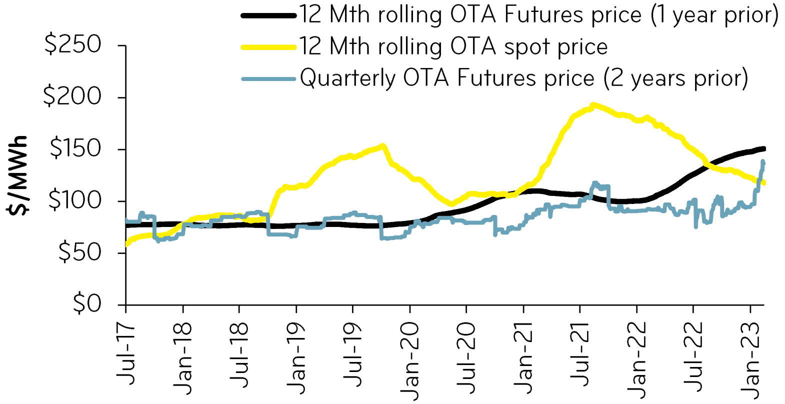
SECTOR EARNINGS



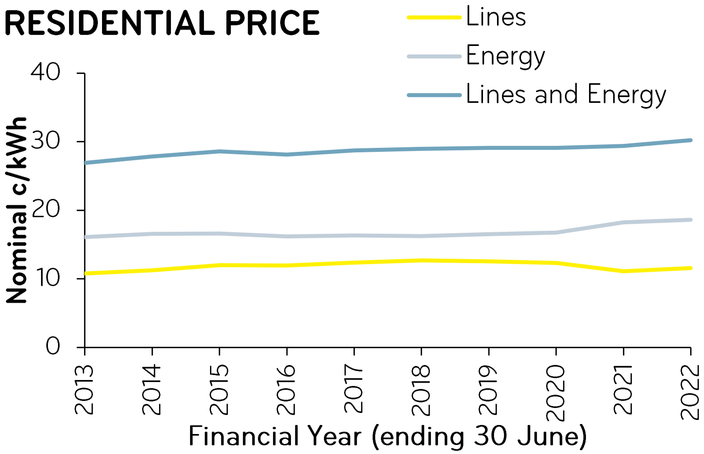
DEMAND AND GENERATION CAPACITY



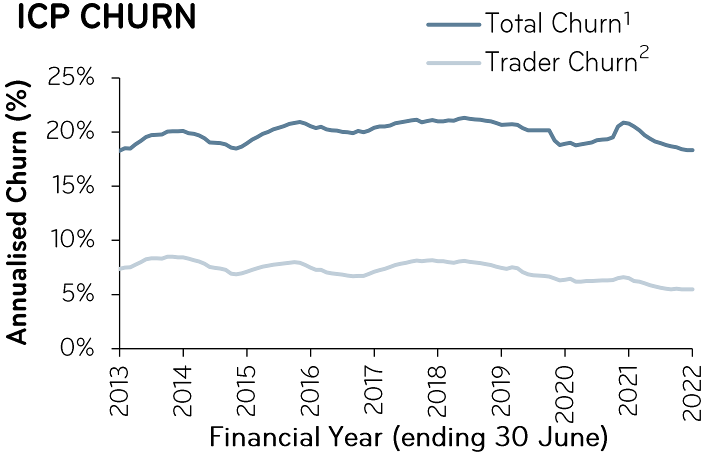
FUTURES VS SPOT PRICES



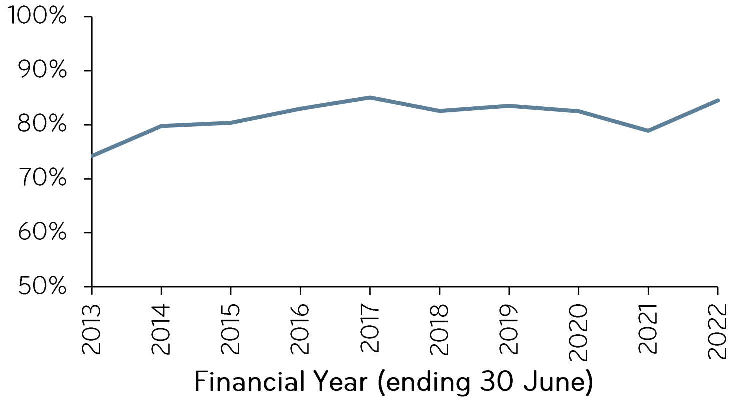
RESIDENTIAL PRICE



ICP CHURN



RENEWABLES PROPORTION



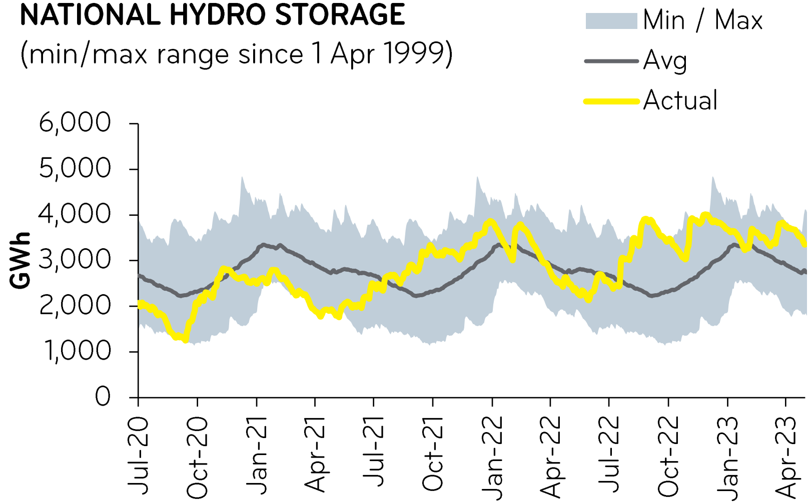
Source: Company reports, TPIX, MBIE, Pricing Manager (NZX), Electricity Authority

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

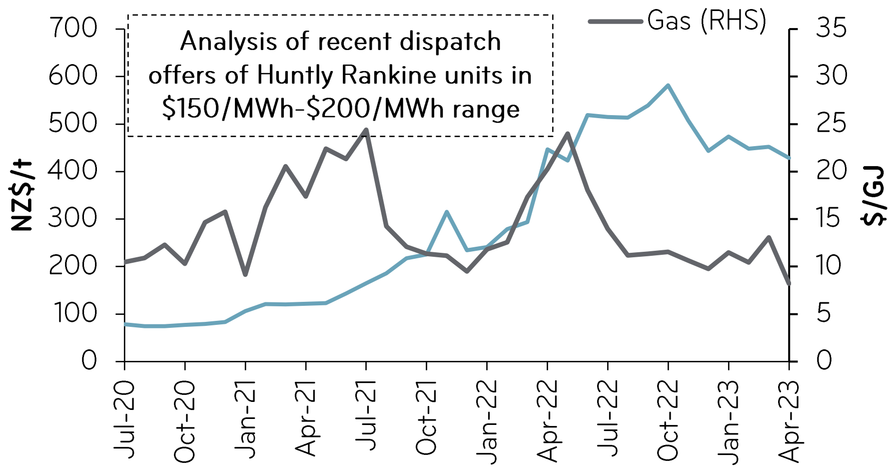
2 Switches where a customer changes retailer without changing residence

ELECTRICITY FORWARD PRICE INFLUENCED BY THERMAL FUEL COSTS & CARBON PRICES

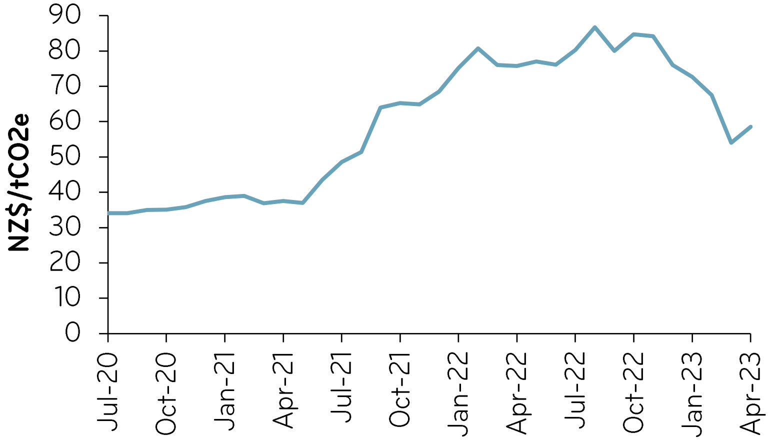
NATIONAL HYDRO STORAGE
(min/max range since 1 Apr 1999)



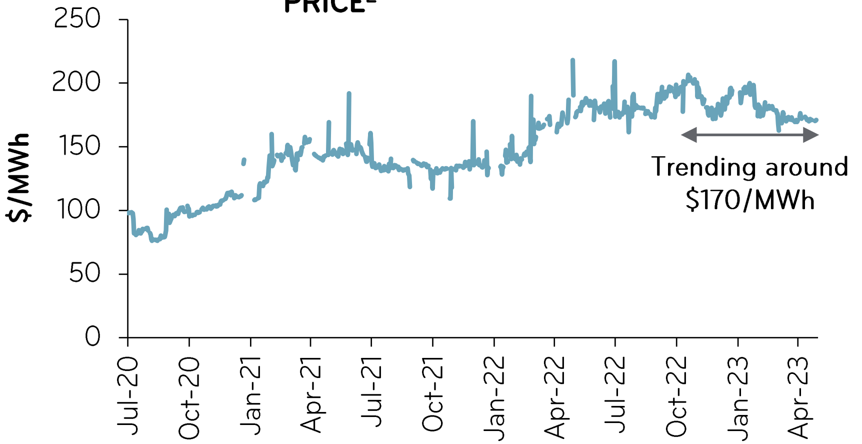
COAL AND GAS PRICE



NZU CARBON PRICE



ELECTRICITY FUTURES THREE YEAR FORWARD PRICE[2]



> Rising 3-year average futures prices not strongly influenced by hydrology when short-term impacts removed (exclude futures prices for first 6-months)

> Forward prices reflect market view of marginal generation costs through time and volatility; heavily influenced by likelihood of coal and gas generation setting price

> Forward prices are affected by renewable energy intermittency and how often the most expensive generation sources set prices, not the levelised cost of energy for new capacity

Source: Comit Hydro, Enerlytica, Gas Industry Company, Mercury
[1] HBA Indonesian FOB Coal Price
[2] Calculated on a two quarter ahead basis at Otahuhu, Auckland e.g. the July-20 price of $100/MWh represents the average futures price for the period Jan-21 to Dec-23

MERCURY'S COMPETITIVE ADVANTAGE

100% renewable generation

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

Superior asset location

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

Large renewable development potential

> 520GWh of wind under construction, 2,430GWh of wind consented, 310GWh of geothermal in consenting, >1,200MW wind/geothermal/solar/BESS[1] under investigation/in feasibility

Scale retail business

> Delivering utility products and services at pace with a focus on customer centric bundles and digitalisation

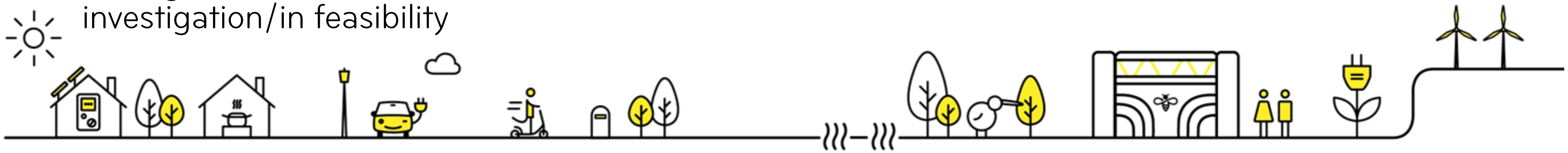
Succeeding culture

> A culture of learning and adapting that enables us to be a future ready organisation

Long-term commercial partnerships

> With Māori landowners, iwi and other key stakeholders

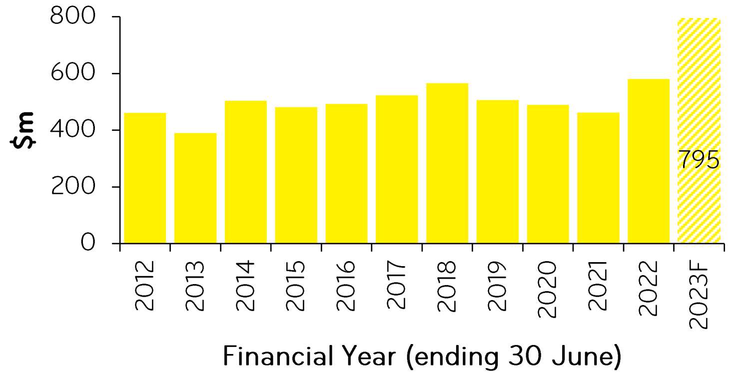
> With long-term offtake partners



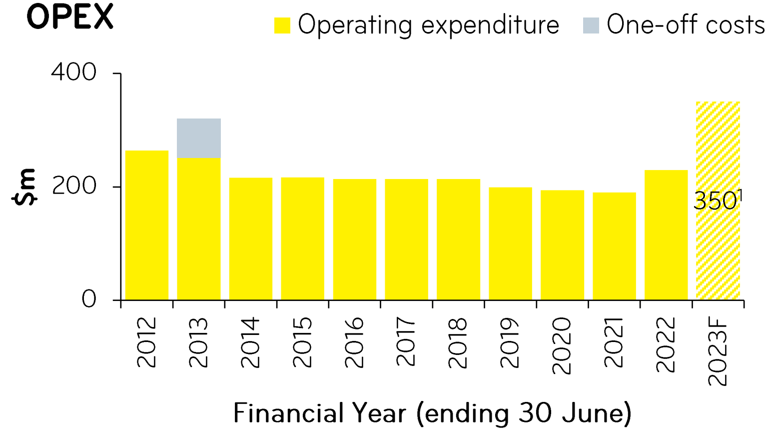
[1] BESS: Battery energy storage systems

MERCURY'S LONG TERM TRACK RECORD

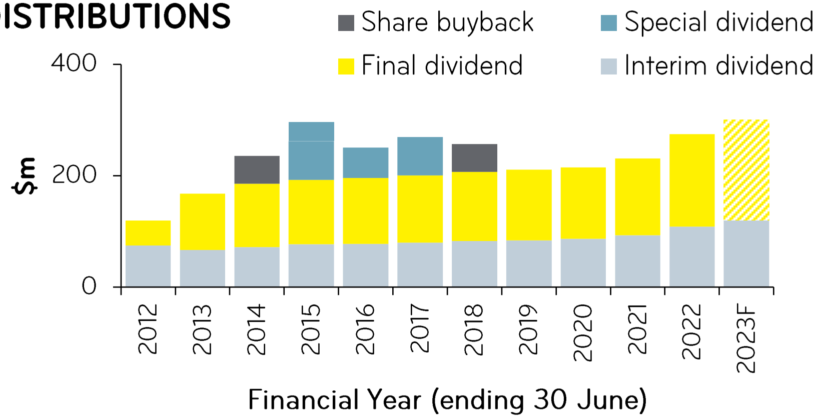
EBITDAF



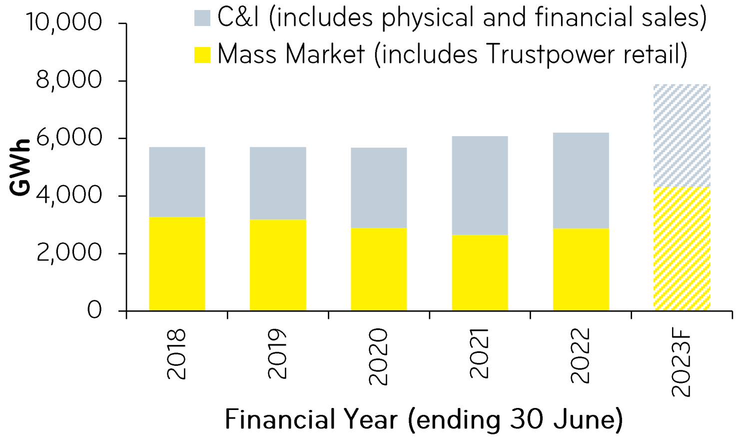
OPEX



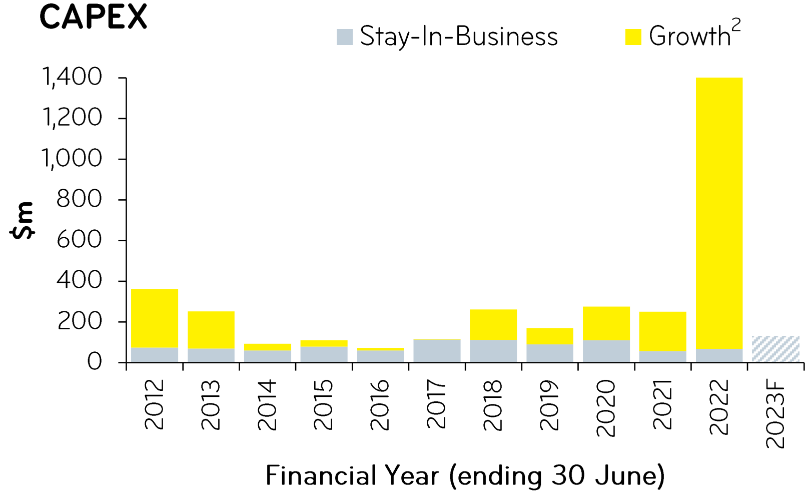
DISTRIBUTIONS



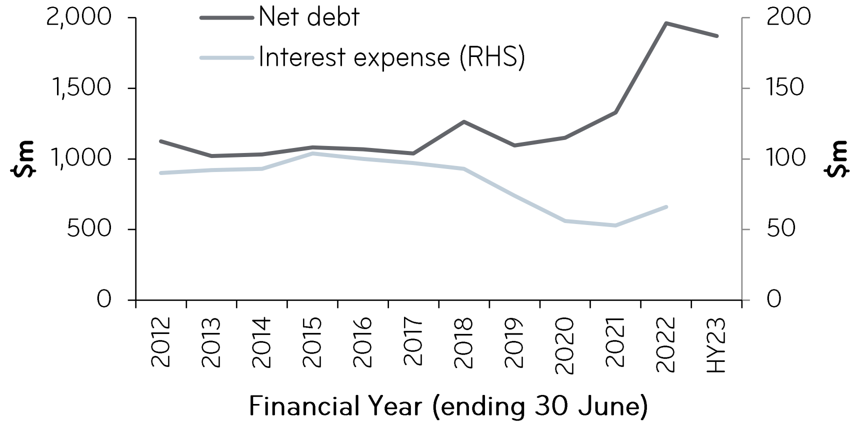
CUSTOMER SALES



CAPEX



NET DEBT AND INTEREST COSTS[3]

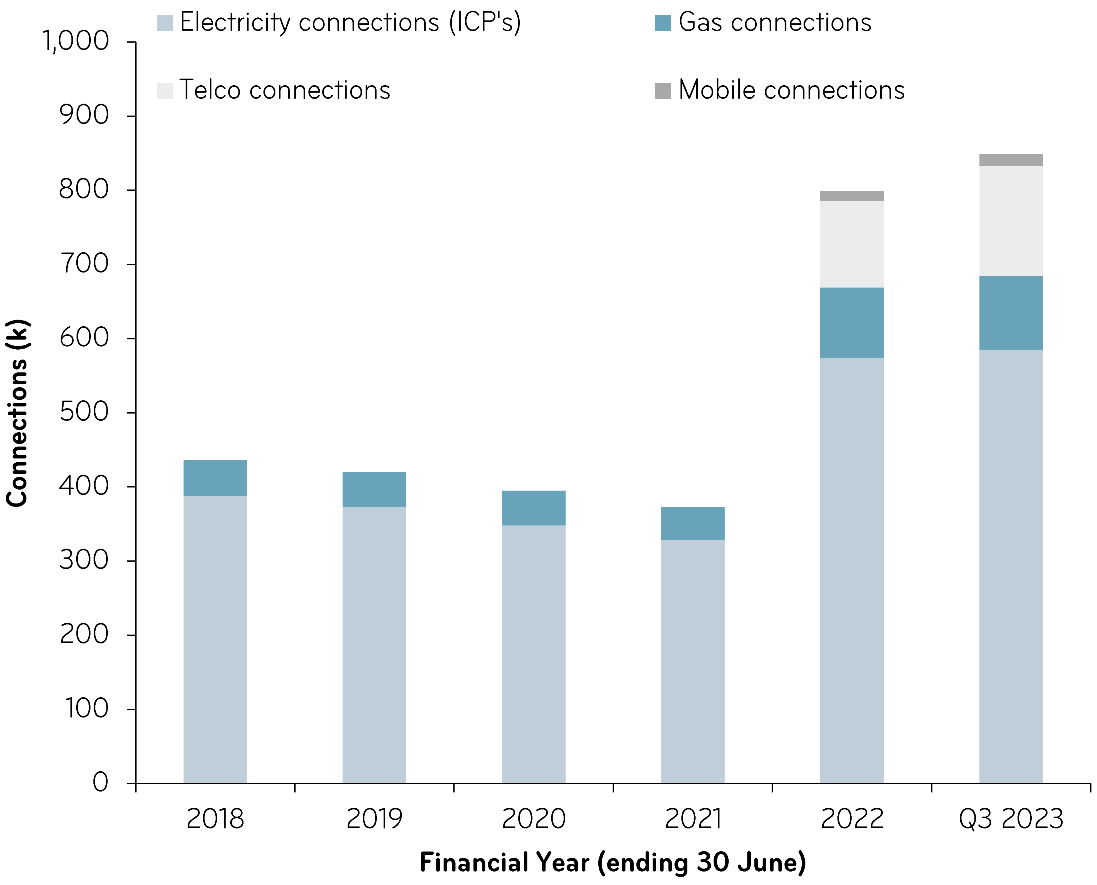


[1] Includes $35m of retail integration costs
[2] Mercury does not provide guidance on growth CAPEX
[3] FY23F figures not supplied as Mercury does not give market forecasts for interest costs. Mercury has $550m of Capital Bonds on issue, which S&P Global Ratings treats as having intermediate equity content (50% equity credit in calculating its ratios)

CONNECTIONS AND SALES LIFT FOLLOWING TRUSTPOWER RETAIL ACQUISITION

- Focus has been on bringing Trustpower and Mercury retail businesses together while also maintaining momentum
  - Moved rapidly to a single retail team operating across all brands
  - Transitioning the combined retail business to a common operating model (people, process and systems). Integration programme running ahead of schedule and preparing for mass market customer migration to Gentrack in second half of CY2023
  - Trustpower brand customers moving to Mercury brand mid CY2023
- Connection growth through 9 months to 31 March 2023 of more than 25k across all products and brands. NOW Broadband acquisition in December added 24k additional connections
- The retail mass market segment remains highly competitive despite low electricity connection margins versus futures prices
- Increased C&I sales to sell into elevated forward prices, customers continuing a trend towards longer-term contracts (5-10 years) to average down price impact

CONNECTIONS



STRONG PIPELINE OF NEW RENEWABLE GENERATION

Projects under construction - 146MW, 520GWh

> Turitea South all turbines expected to be operational by mid-CY23. Turitea North was commissioned in Jan-22. Expected project cost $450m[1]

> Kaiwera Downs Stage 1 wind farm progressing on time and budget. Expect all turbines operational by Oct-23. Expected project cost $115m[1]

Our consented projects - 636MW, 2,430GWh

> Four consented on-shore windfarm projects. Progressing Kaiwaikawe, Kaiwera Downs Stage 2 and Puketoi wind farms through detailed investigations, constructability and business cases with the goal of reaching FID in the next 6-18 months

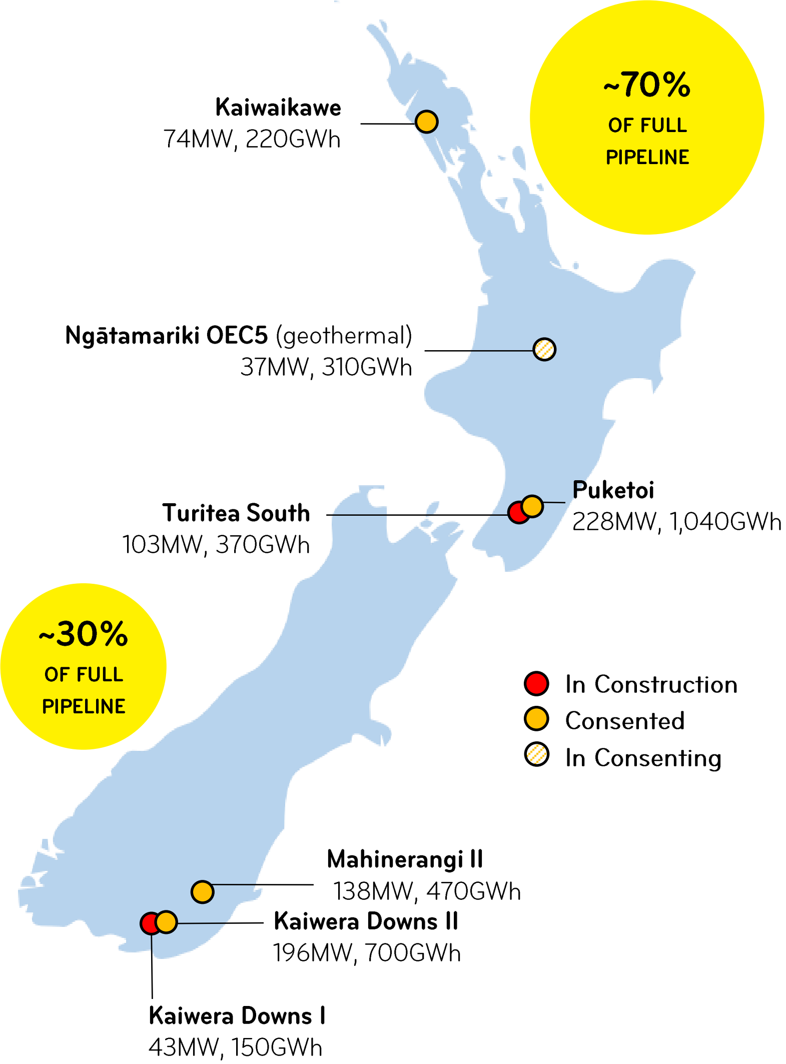
Projects in consenting - 37MW, 310GWh

> Plan to add 5th binary geothermal unit at existing Ngātamariki geothermal station. Currently in consenting process

Projects being secured, investigated - >1,200MW

> Various projects in early-stage access, monitoring and feasibility assessment across wind, geothermal, BESS and solar

PROJECTS UNDER CONSTRUCTION, CONSENTED OR IN CONSENTING



[1] Excludes capitalised interest

Turitea turbine blades

FINANCIAL OVERVIEW

STRONG BALANCE SHEET SUPPORTS RENEWABLE GENERATION GROWTH

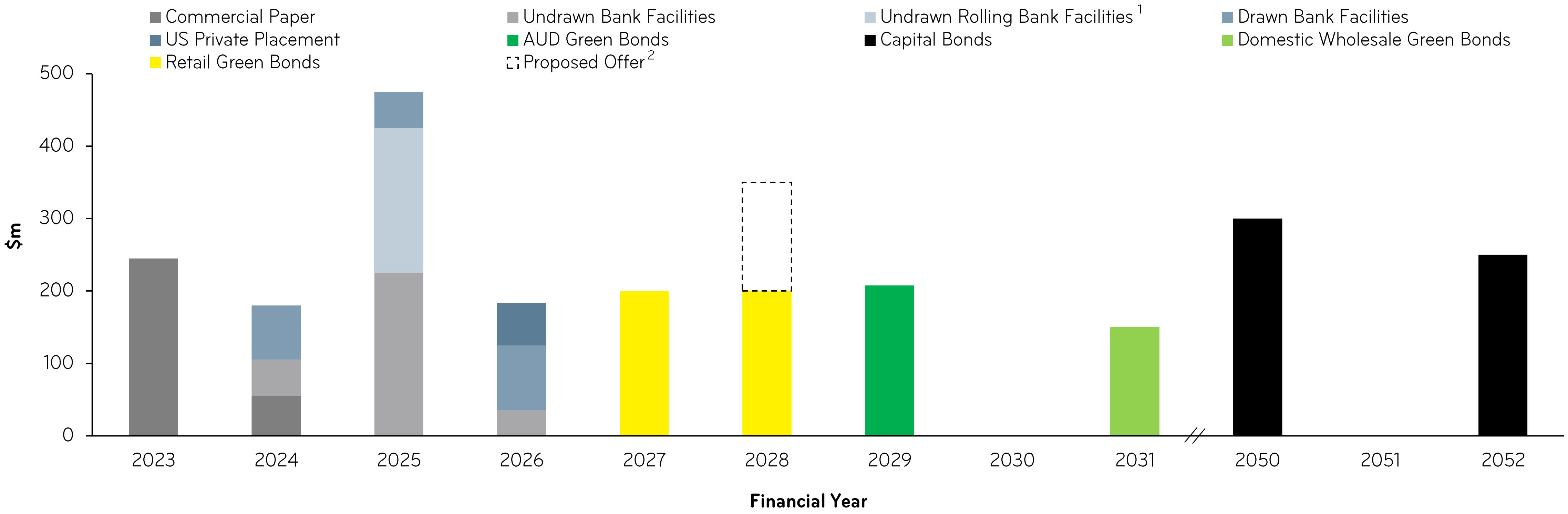
- Debt / EBITDAF peaked in FY22 and is expected to reduce to a forecast of ~2.1x[1] by the end of FY23 due to an increase in EBITDA with full year contributions from Turitea North, ex-Tilt wind farms and Trustpower Retail business
- S&P Global Ratings re-affirmed Mercury's credit rating of BBB+/stable in April 2023
  - Mercury targets Debt/EBITDAF between 2x-3x after adjusting for S&P Global Ratings treatment, consistent with our BBB+ rating
- Mercury commenced a Dividend Reinvestment Plan (DRP) in FY22, which remains active

	30 Jun 2023 F	30 June 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
Net Debt ($m)	~1,950[2]	1,961	1,329	1,149	1,096	1,264[3]
Debt/EBITDAF (x)[1]	2.1	2.7	2.5	2.0	1.9	1.9
Issuer Credit Rating	BBB+/stable					
Ordinary Dividend	21.8cps[4]	20.0cps	17.0cps	15.8cps	15.5cps	15.1cps

[1] Adjusted for S&P Global Ratings treatment of Capital Bonds
[2] Forecast as at 31 May 2023, includes lease liabilities balance and deferred financing costs as at 31 Dec 2022
[3] Restated to reflect changes in IFRS
[4] FY23 ordinary dividend guidance

DIVERSIFIED FUNDING PROFILE

DEBT MATURITIES AS AT 30 APRIL 2023



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

> Proceeds from the proposed Offer will be applied to refinance drawn bank facilities

[1] Requires 18 months' notice of termination from lender
[2] Assuming $150m total proceeds from the Offer

BOND CREDIT FEATURES

- S&P Global Ratings is expected to assign a BBB+ Issue Credit Rating to the Green Bonds

- Mercury, under the Master Trust Deed, agrees to ensure that Net Worth at any time will not be less than $500m
  - As at 31 December 2022, Mercury's Net Worth was $5,360m

- 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 and wind assets. Note that all of Mercury's third-party debt is currently held at the Mercury parent level
  - As at 31 December 2022, Mercury's Guaranteed Liabilities were $189m. This compares to total consolidated assets of Mercury and its subsidiaries of $9,634m, and total assets of Mercury's guaranteeing subsidiaries of $3,406m

Ngātamariki power station

GREEN BOND OFFER INFORMATION

GREEN FINANCING FRAMEWORK

Climate Bond Certified

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

> Mercury's Green Financing Framework outlines Mercury'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 Green Financing Framework, are aligned with the ICMA Green Bond Principles and have attained Climate Bonds Initiative Certification

Eligibility criteria

> Climate Bonds Initiative's criteria available for certification includes:

  > Geothermal electricity generation facilities with direct emissions of less than 100gCO2/kWh

  > On-shore wind energy generation facilities

> Criteria for hydropower facilities were published by Climate Bonds Initiative in 2021. With current headroom of eligible assets and a strong development pipeline of wind and geothermal projects, Mercury does not currently see value in seeking certification for hydropower assets

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	The Green Financing Framework provides for Mercury to publish annual use of proceeds reports and report on any changes to the Green Financing Framework 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 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

ELIGIBLE ASSET VALUES

Geothermal	Rating[1]	Book Value[2]
Rotokawa (plant)	34MW	$130m
Rotokawa JV[3] (steamfield)		$85m[4]
Ngā Awa Pūrua JV[3] (plant)	138MW	$401m[4]
Mōkai[3]	103MW	$68m[4]
Ngātamariki	85MW	$563m
Wind		
Kaiwera Downs 1 (under construction)	43MW	$17m[5]
Mahinerangi	36MW	$37m
Tararua	160MW	$377m
Turitea (North and South[6])	222MW	$553m[5]
Waipipi	133MW	$543m
TOTAL		**$2,773m**


Rotokawa


Mōkai


Ngā Awa Pūrua


Ngātamariki


Kaiwera Downs 1


Mahinerangi


Tararua


Turitea North


Turitea South


Waipipi

[1] Maximum Continuous Rating
[2] As at 31 December 2022. The eligible asset values referenced in the latest DNV GL Assurance Report were based on 30 June 2022 values. Generation plant and equipment is measured at fair value less accumulated depreciation.
[3] Not 100% owned by Mercury
[4] Equity ownership-weighted value
[5] Includes work in progress as at 31 December 2022, excludes capitalised interest
[6] Turitea South construction nearing completion, all turbines are now operational

KEY TERMS OF THE GREEN BONDS

Issuer	Mercury NZ Limited ("Mercury")
Instrument	Unsecured, unsubordinated, fixed rate green bonds ("Green Bonds")
Credit rating	Expected Issue Credit Rating: BBB+ (Mercury has an Issuer Credit Rating of BBB+)
Issue amount	Up to NZ$100m plus oversubscriptions of up to NZ$50m (at Mercury's discretion)
Term	5 years, maturing 19 June 2028 ("Maturity Date")
Interest Rate	The Green Bonds will pay a fixed rate of interest from the Issue Date until the Maturity Date, and will be the sum of the Swap Rate on the Rate Set Date and the Issue Margin, but in any case will be no less than the Minimum Interest Rate. The Interest Rate will be announced via the NZX following the bookbuild
Indicative Issue Margin	1.05% – 1.15% per annum
Minimum Interest Rate	5.40% 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 and banks (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 NZ$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 MCY060 has been reserved for the Green Bonds

KEY DATES

Opening Date	Tuesday 6 June 2023
Closing Date	Friday 9 June 2023 at 11.00am
Rate Set Date	Friday 9 June 2023
Issue Date and allotment date	Monday 19 June 2023
Expected quotation on NZX Debt Market	Tuesday 20 June 2023
Maturity Date	19 June 2028

Ngā Awa Pūrua cooling tower

APPENDIX

Certification

CLIMATE BONDS STANDARD CERTIFIED

This is to certify that the

Mercury Green Bond 2023

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
C.E.O., Climate Bonds Initiative

10 May 2023

NON-GAAP MEASURES

> EBITDAF (or Operating Earnings) is earnings before net interest expense, tax expense, depreciation, amortisation, change in the fair value of financial instruments, gain on sale and impairments

> Operating Expenditure represents employee compensation and benefits, maintenance expenses and other expenses

> Stay-In-Business (SIB) Capital Expenditure (CAPEX) is the capital expenditure incurred by the company to maintain its assets in good working order

> Growth Capital Expenditure is the capital expenditure incurred by the company to create new assets and revenue

> Free Cash Flow is net cash provided by operating activities less stay-in-business capital expenditure

> Gearing Ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (both current and non-current) less cash and cash equivalents. Total capital is calculated as shareholders' equity plus net debt

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