
Turbine at Kaiwera Downs

MERCURY.

CAPITAL BOND OFFER

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24 JUNE 2024

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This presentation may contain projections or forward-looking statements regarding a variety of items. Such projections or forward-looking statements are based on current expectations, estimates and assumptions and are subject to a number of risks, and uncertainties, including material adverse events, significant one-off expenses and other unforeseeable circumstances, such as, without limitation, hydrological conditions. There is no assurance that results contemplated in any of these projections and forward-looking statements will be realised, nor is there any assurance that the expectations, estimates and assumptions underpinning those projections or forward-looking statements are reasonable. Actual results may differ materially from those projected in this presentation. No person is under any obligation to update this presentation at any time after its release or to provide you with further information about the Company.

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 on slide 33.

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IMPORTANT INFORMATION.

The offer ("Offer") of unsecured, subordinated, interest bearing capital bonds maturing on 11 July 2054 ("Capital 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 NZ$300 million unsecured, subordinated, interest bearing capital bonds with an interest rate of 3.60% per annum and a final maturity date of 11 July 2049, which are currently quoted on the NZX Debt Market under the ticker code MCY020 ("MCY020 Bonds"); and
- Mercury's NZ$250 million unsecured, subordinated, interest bearing capital bonds with an interest rate of 5.73% per annum and a final maturity date of 13 May 2052, which are currently quoted on the NZX Debt Market under the ticker code MCY050 ("MCY050 Bonds").

Accordingly, the Capital Bonds are the same class as the MCY020 Bonds and MCY050 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 MCY020 Bonds and MCY050 Bonds are the only debt securities of Mercury that are in the same class as the Capital Bonds and are currently quoted on the NZX Debt Market.

Investors should look to the market price of the MCY020 Bonds and MCY050 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).

Investors should carefully consider the features of the Capital Bonds which differ from the features of a standard senior bond. Those features include the ability of Mercury to defer interest, optional redemption rights for Mercury, a margin step-up and the subordinated nature of the Capital Bonds. An indicative terms sheet dated 24 June 2024 ("Terms Sheet") has been prepared in respect of the Offer. Investors should read the Terms Sheet carefully and seek financial advice before deciding to invest in the Capital Bonds. Investors should not purchase the Capital Bonds until they have read the Terms Sheet.

An application has been made to NZX for permission to quote the Capital Bonds on the NZX Debt Market and all the requirements of NZX relating to 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.

CONTENTS.

Maraetai 1 and 2

OFFER SUMMARY

OFFER SUMMARY.

Issuer	Mercury NZ Limited
Instrument	Unsecured, subordinated, redeemable, cumulative, interest bearing debt securities
Credit rating	Expected Issue Credit Rating: BB+ by S&P Global Ratings ("S&P") (Mercury has an Issuer Credit Rating of BBB+ (Stable))
Issue amount	Up to NZ$300m (plus oversubscriptions of up to NZ$50m)
Term	30 years (maturing 11 July 2054)
Reset Dates	11 July 2029 and every five years thereafter
Interest Rate[1]	Benchmark Rate plus the Margin, subject to the minimum Interest Rate
Bookbuild/Interest Rate set	27 June 2024
Use of proceeds	The proceeds of the Offer are intended to be used to refinance existing debt (including the MCY020 Bonds) and for general corporate purposes
Joint Lead Managers	BNZ, Craigs Investment Partners and Forsyth Barr

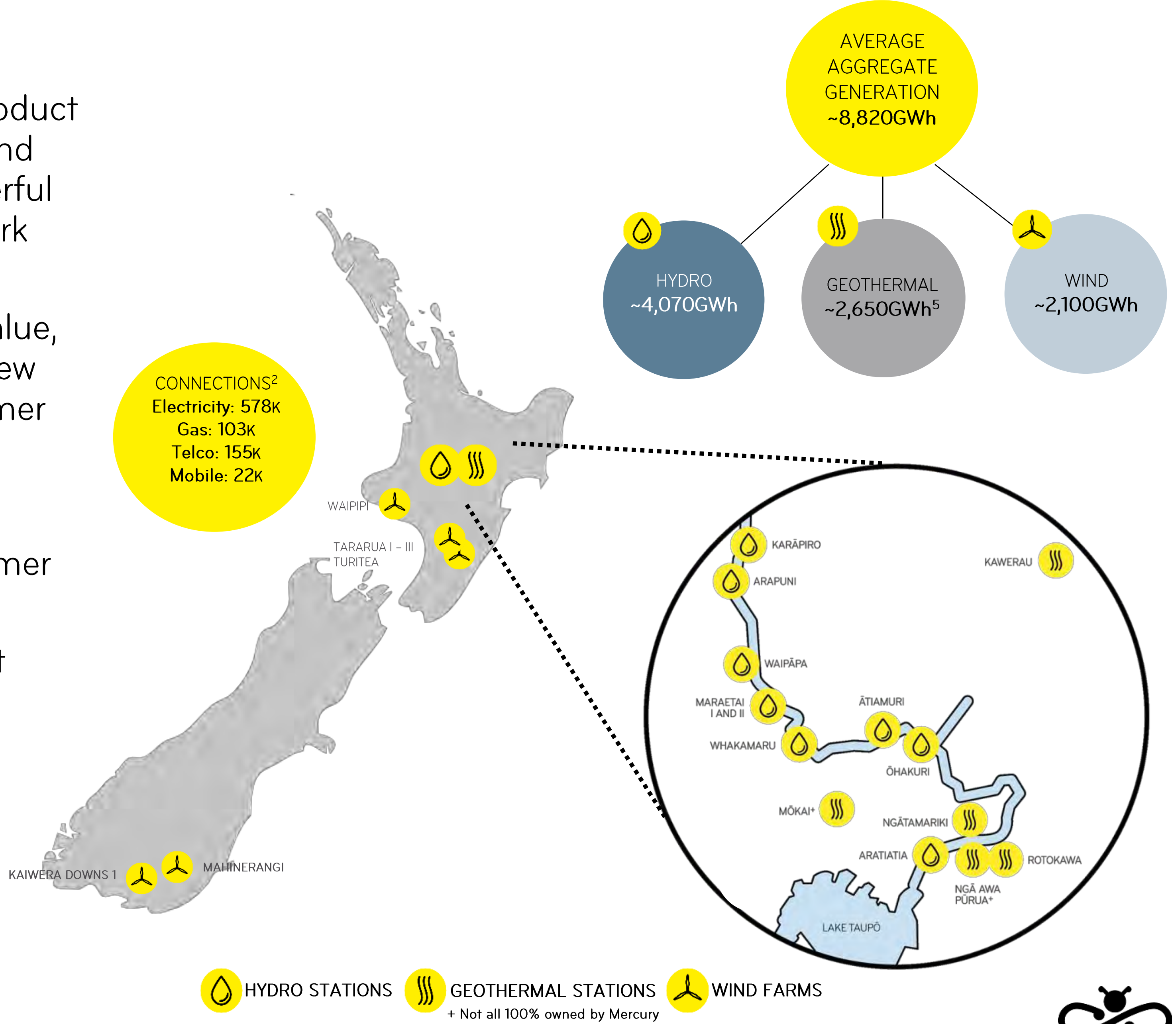
[1] To the First Reset Date, 11 July 2029

Maraetai 1 and 2

MERCURY OVERVIEW

MERCURY OVERVIEW.

- 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: 21%[1]
  - Electricity retail market share (by customer numbers): 25%[2]
- 51% owned by the New Zealand Government
- Ticker Codes: MCY.NZ / MCY.AX
- Market Capitalisation: NZ$9.3 billion[3]
- Issuer Credit Rating: BBB+/Stable (S&P)
- FY24 EBITDAF Guidance: **NZ$880 million[4]**



[1] For 12 months to 31 March 2024
[2] As at 31 March 2024
[3] As at 31 May 2024
[4] As per guidance update 20 February 2024, guidance remains subject to hydrological volatility, wholesale market conditions and any material adverse events, significant one-off expenses or other unforeseeable circumstances
[5] Excludes minority interest in Mōkai geothermal station; generation from Ngā Awa Pūrua geothermal station equity-weighted

COMPLEMENTARY PORTFOLIO OF ASSETS – HYDRO AND GEOTHERMAL.

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

Taupo Gates (1941)

Aratiatia (1964) 87MW 365GWh

Ōhakuri (1961) 112MW 405GWh

Ātiamuri (1958) 84MW 285GWh

Whakamaru (1956) 124MW 520GWh

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

Waipāpa (1961) 51MW 235GWh

Arapuni (1929) 198MW 865GWh

Karāpiro (1946) 101MW 515GWh

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

Rotokawa (2000) 34MW 286GWh

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

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

Kawerau (2008) 106MW 875GWh

Ngā Tamariki (2013) 85MW 731GWh

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

COMPLEMENTARY PORTFOLIO OF ASSETS – WIND & PROJECTS UNDER CONSTRUCTION.

WIND ASSETS: 594MW[1] – ~2,100GWh pa (mean wind)

Turitea North (2021) 119MW 470GWh

Mahinerangi (2011) 36MW 100GWh

Tararua (1999) 160MW 560GWh

Waipipi (2021) 133MW 455GWh

Turitea South (2023) 103MW 370GWh

Kaiwera Downs 1 (2023) 43MW 147GWh

- Kaiwera Downs stage one wind farm completed in Nov-23 on time and under budget
- Stage one is a ten turbine 43MW wind farm with annualised generation of 147GWh

[1] Total Maximum Continuous Rating

[2] Excludes capitalised interest and sunk costs

UNDER CONSTRUCTION: 201MW – ~915GWh pa

Ngā Tamariki OEC5 (2025) 46MW 390GWh

Kaiwera Downs 2 (2026) 155MW 525GWh

- Committed to construction of Kaiwera Downs wind farm expansion in Jun-24
- This expansion will bring the total capacity of the Kaiwera Downs wind farm to 198MW or 672GWh pa; New Zealand's second largest wind farm
- Forecast capital expenditure[2] of $486m brings Mercury's total FY24 commitment to new renewables to over $700m (with Ngā Tamariki OEC5 geothermal expansion announced Sep-23)
- A multi-contract delivery approach is being utilised, similar to the first stage wind farm

STRONG PIPELINE OF NEW RENEWABLE GENERATION.

Projects under construction: 46MW, 390GWh geothermal; 155MW, 525GWh wind

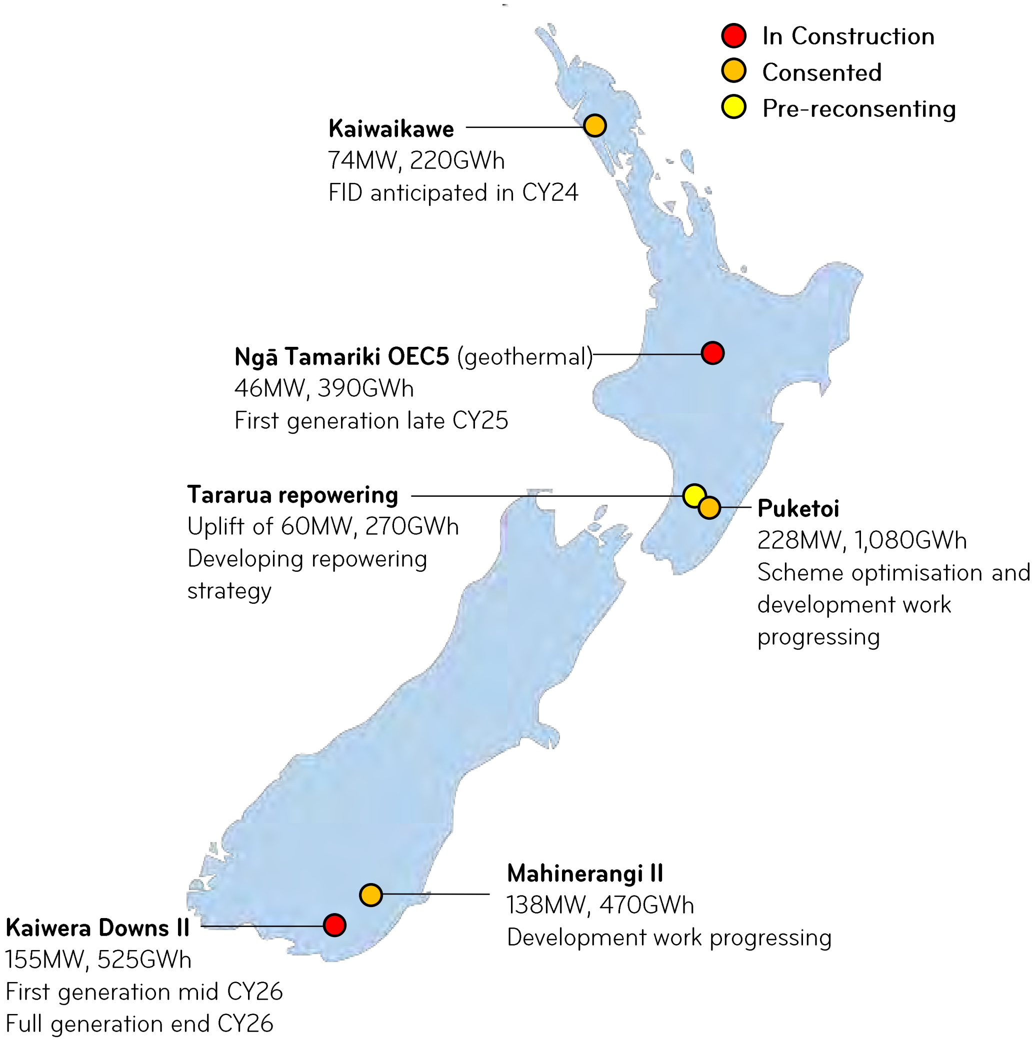
- Committed to a 390GWh Ngā Tamariki geothermal expansion in HY24 with first generation expected late calendar 2025
- Kaiwera Downs expansion construction underway in June 2024 with full generation expected by the end of CY26

Our consented projects: 440MW, 1,770GWh

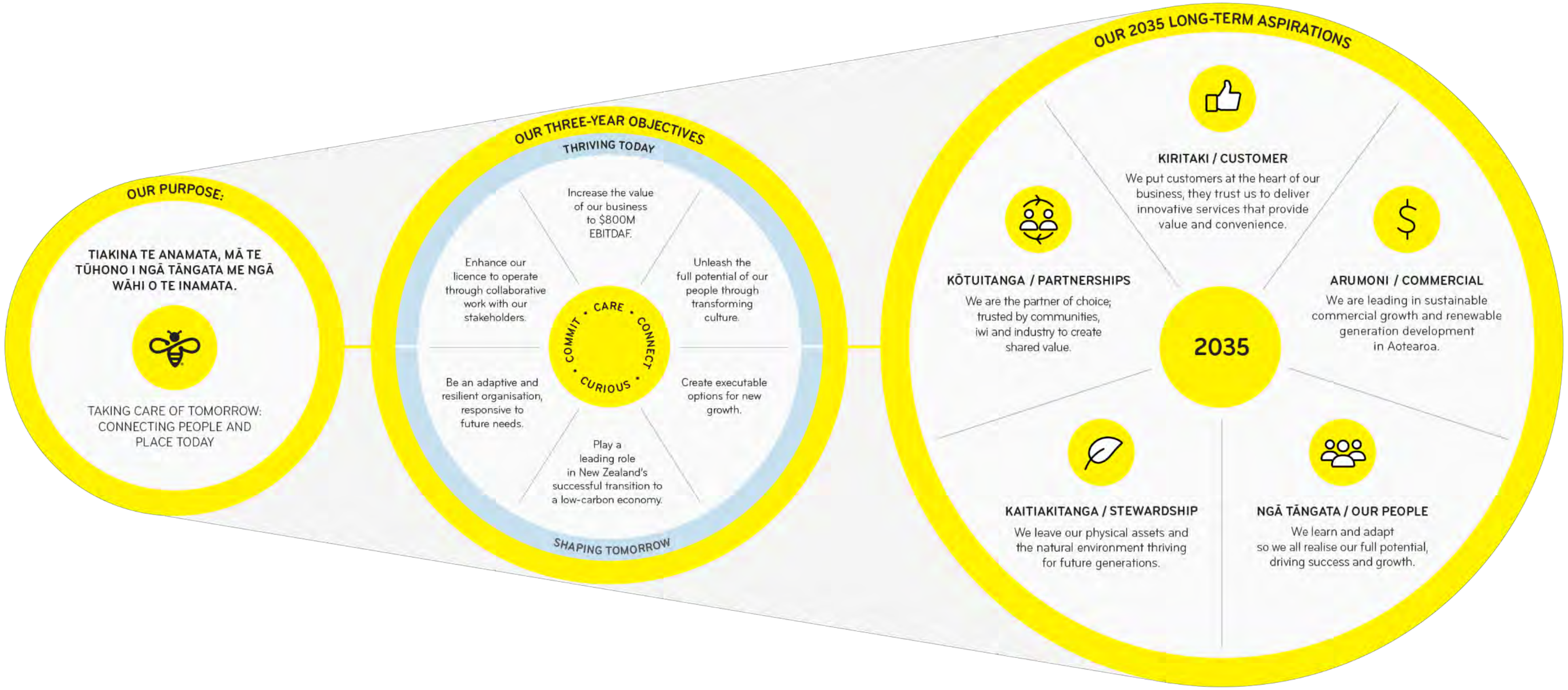
- Three consented on-shore wind farm projects. Progressing Kaiwaikawe and Puketoi wind farms through detailed investigations, constructability and optimisation work

Projects being secured, investigated: ~1,500MW

- Various projects in early-stage access, monitoring and feasibility assessment across wind, geothermal, battery energy storage systems (BESS) and solar



OUR STRATEGIC FRAMEWORK.



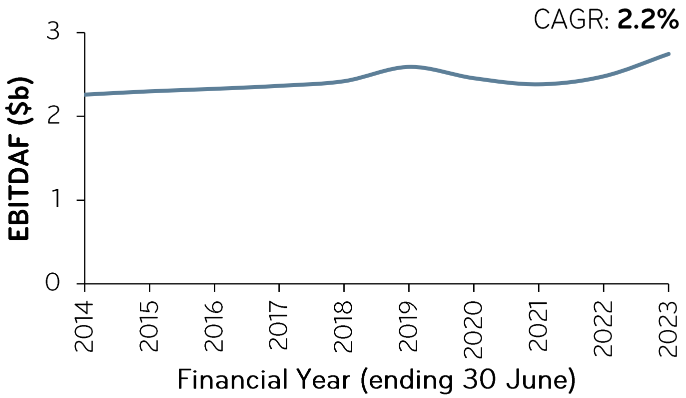
Key messages

- Our strategic framework maps why we exist, and what we will need to focus on over the near and longer term.
- We are currently reviewing our three-year objectives for FY25 to FY27

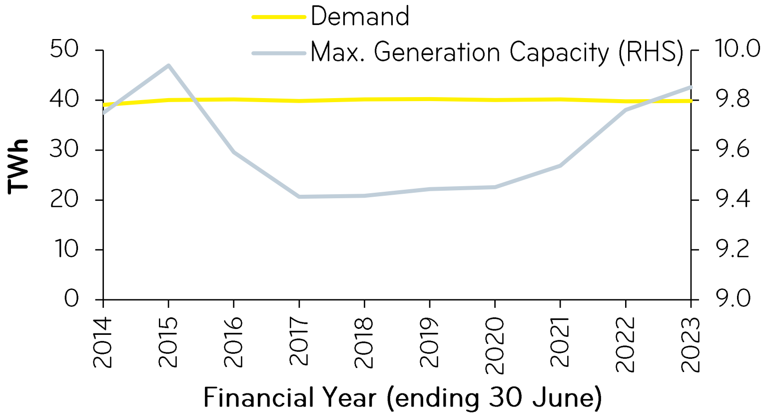
INDUSTRY BACKGROUND

LONG TERM INDUSTRY TRENDS.

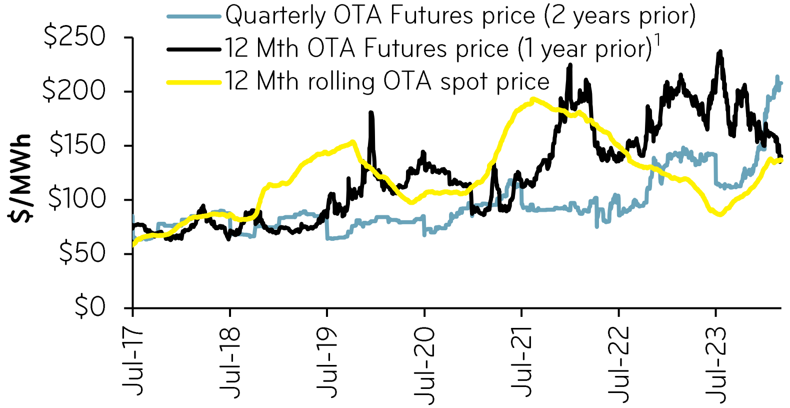
SECTOR EARNINGS



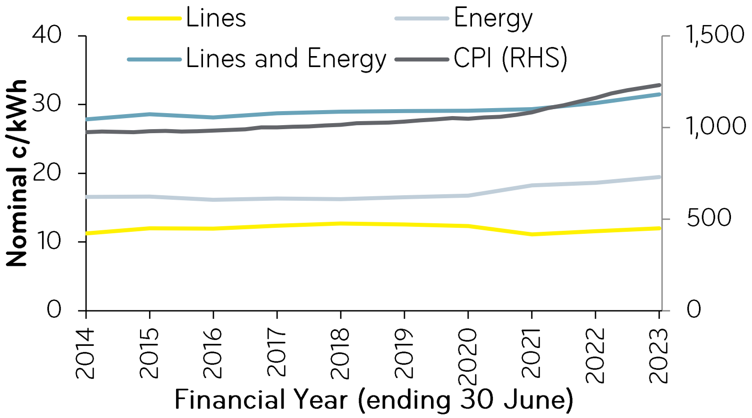
DEMAND AND GENERATION CAPACITY



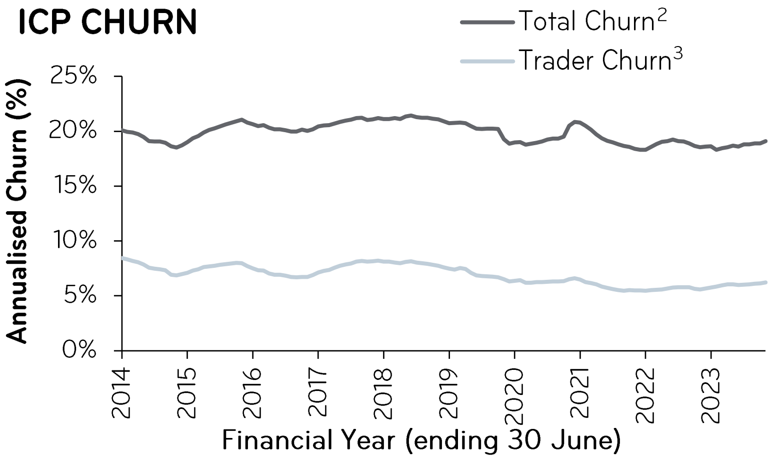
FUTURES VS SPOT PRICES



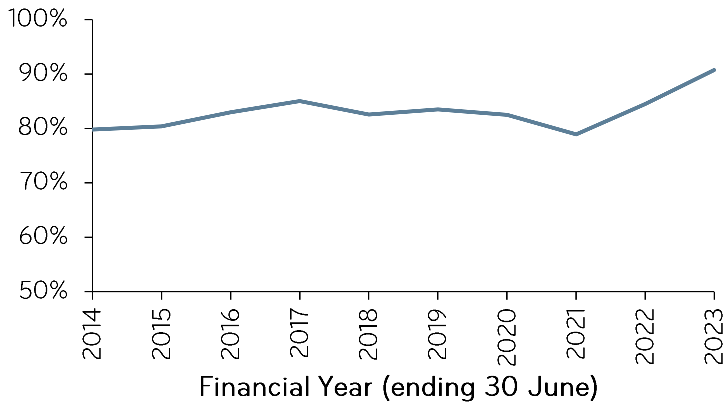
RESIDENTIAL PRICE



ICP CHURN



RENEWABLES PROPORTION



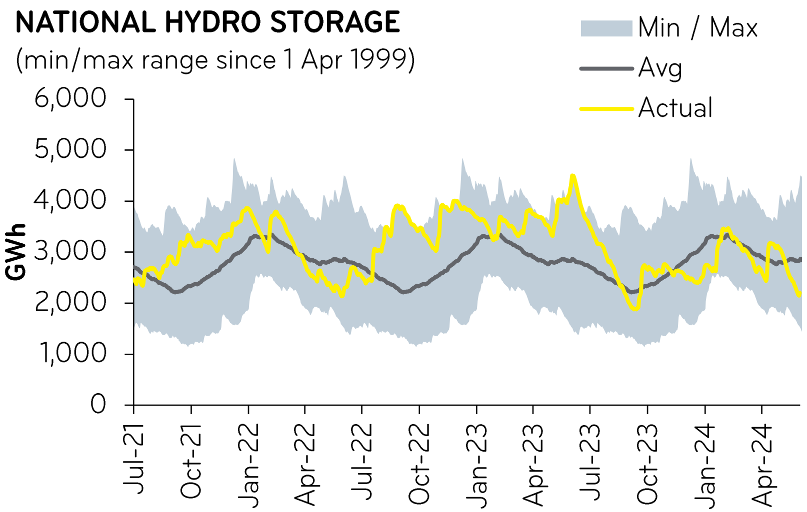
Source: Company reports, TPIX, MBIE, ASX, Pricing Manager (NZX), Electricity Authority, Stats NZ

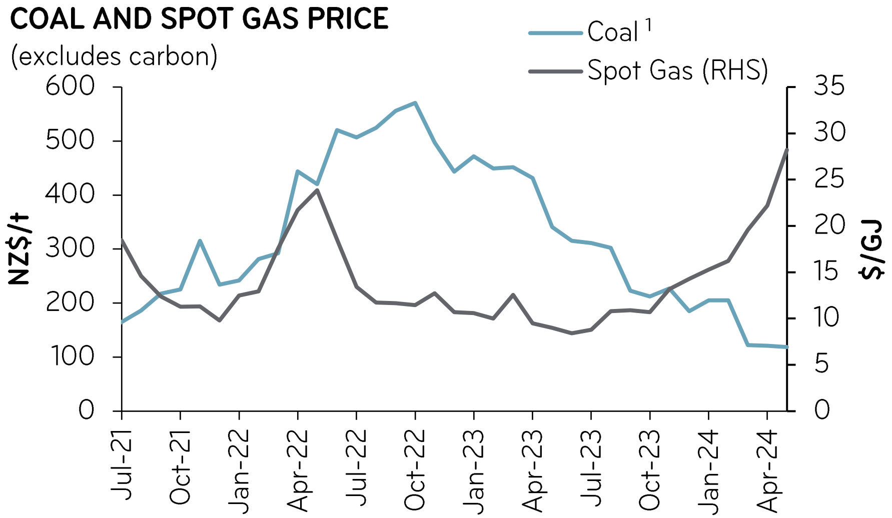
[1] Average futures price for the four quarters up to and including the current quarter as at 1 year prior to current date

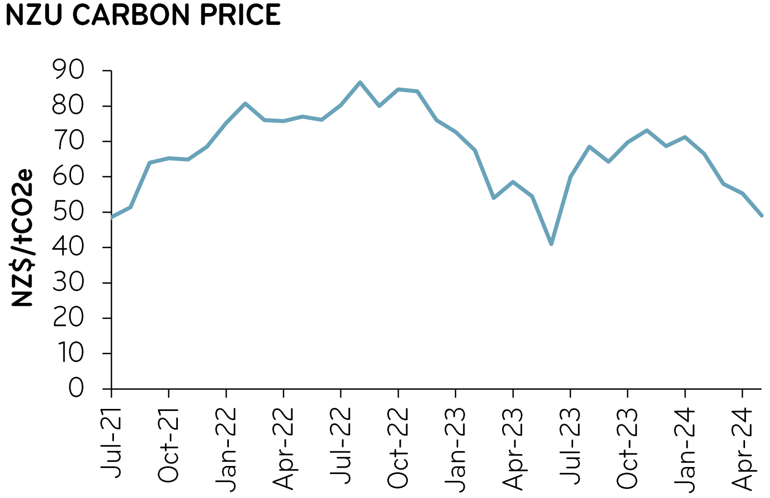
[2] Includes trader churn and premise churn – switches caused by customers moving house

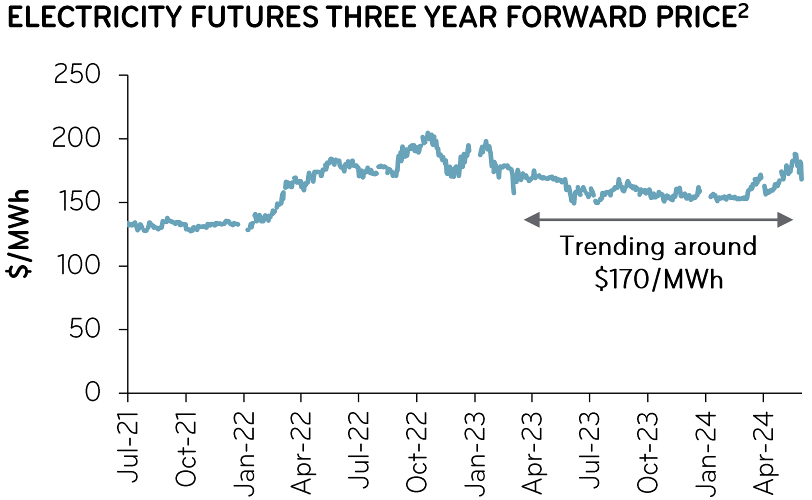
[3] Switches where a customer changes retailer without changing residence

ELECTRICITY FORWARD PRICE INFLUENCED BY THERMAL FUEL COSTS & CARBON PRICES.









- Rising three-year average futures prices not strongly influenced by hydrology when short-term impacts removed (excluding 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

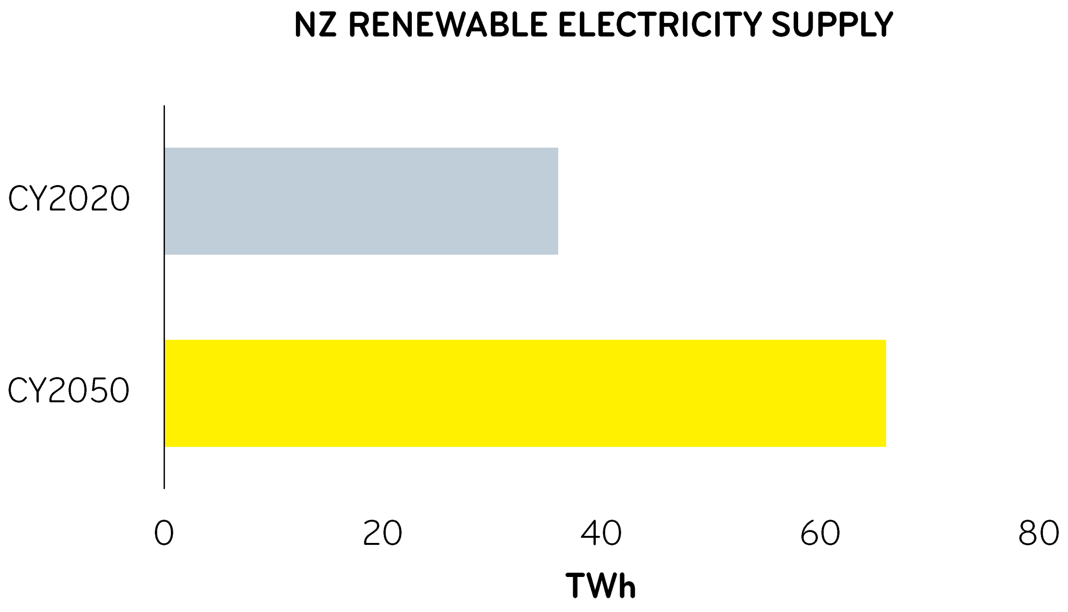
Source: Comit Hydro, Enerlytica, emsTradepoint, ASX, Mercury

[1] Combination of HBA Indonesian FOB Coal Price (note calculation methodology change in Mar-23) then Kalimantan FOB Coal Price from Apr-24

[2] Calculated on a two quarter ahead basis at Otahuhu, Auckland e.g. the July-21 price of $134/MWh represents the average futures settlement price for the period Jan-22 to Dec-24

NZ ELECTRIFICATION OPPORTUNITY IS SIGNIFICANT.

Renewable electricity supply to increase 30TWh by 2050



Key messages

- The 2050 energy transition will require a further 30TWh of renewable electricity in New Zealand, a significant uplift from the current base of 36TWh[1]
- Renewable electricity to account for 58% of New Zealand's total energy demand in 2050
- Global regulators are accelerating the energy transition, growing demand and boosting the need for investment
- Long-term electricity prices in New Zealand are supportive of new generation development

[1] Refer to the Boston Consulting Group Report 'Climate Change in New Zealand: The Future is Electric' published October 2022

MERCURY HIGHLIGHTS

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

- 915GWh of renewables under construction, 1,770GWh of wind consented, ~1,500MW wind/geothermal/solar/BESS[1] under investigation/in feasibility

Scale retail business

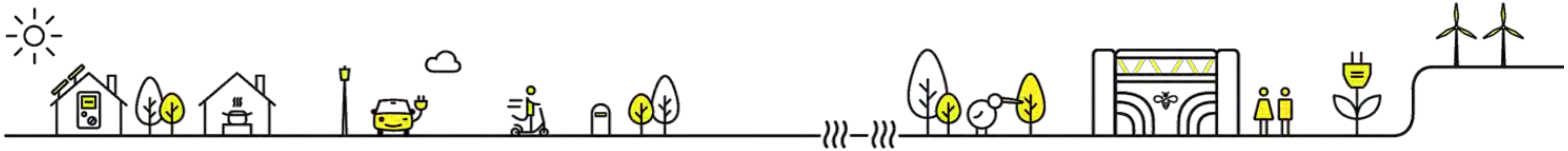
- Adding value for our customers in terms of convenience, cost efficiencies and delivery of innovative solutions

Adaptive and resilient culture

- A culture and way-of-working that embraces learning, challenges mindsets, lifts capability and celebrates curiosity

Long-term commercial partnerships

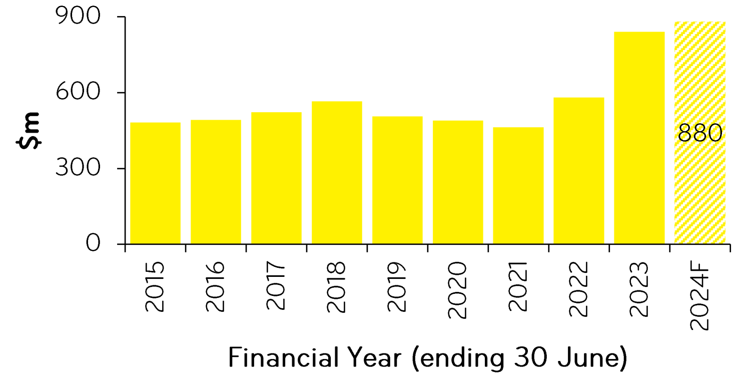
- With Māori landowners, iwi and other key stakeholders
- With long-term offtake partners



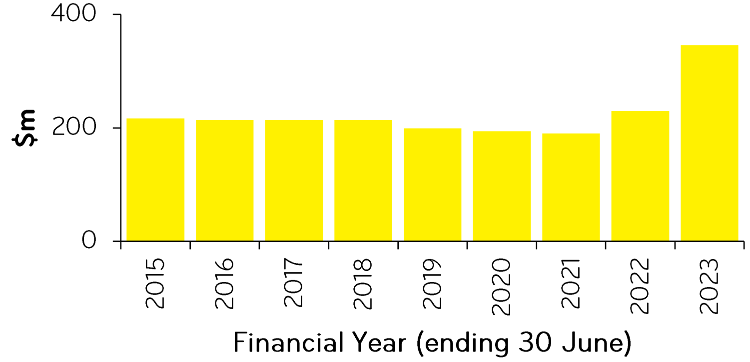
[1] BESS: Battery energy storage systems

MERCURY'S LONG TERM TRACK RECORD.

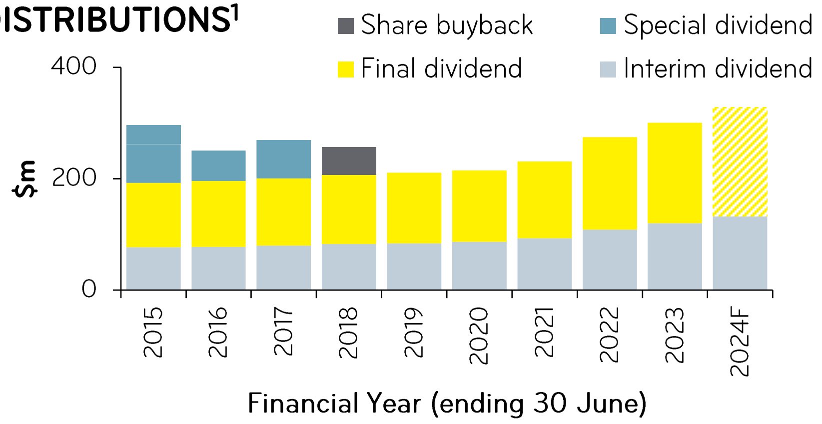
EBITDAF[1]



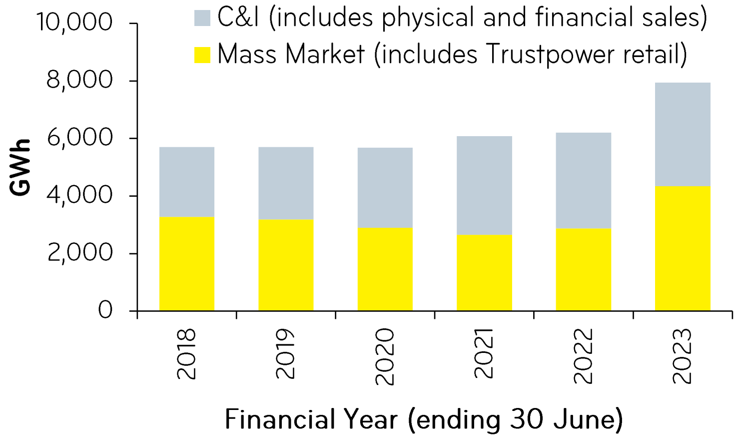
OPEX



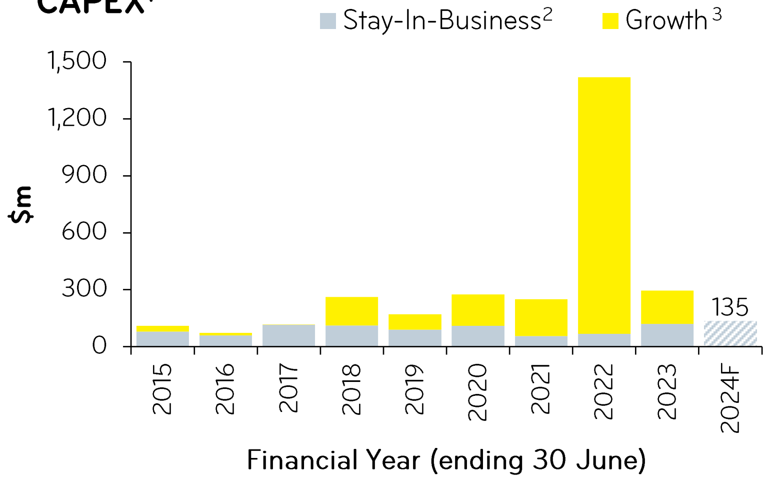
DISTRIBUTIONS[1]



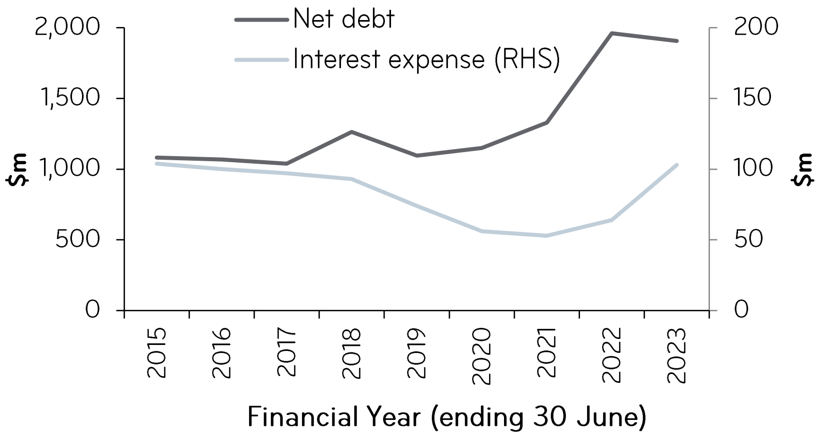
CUSTOMER SALES



CAPEX[1]

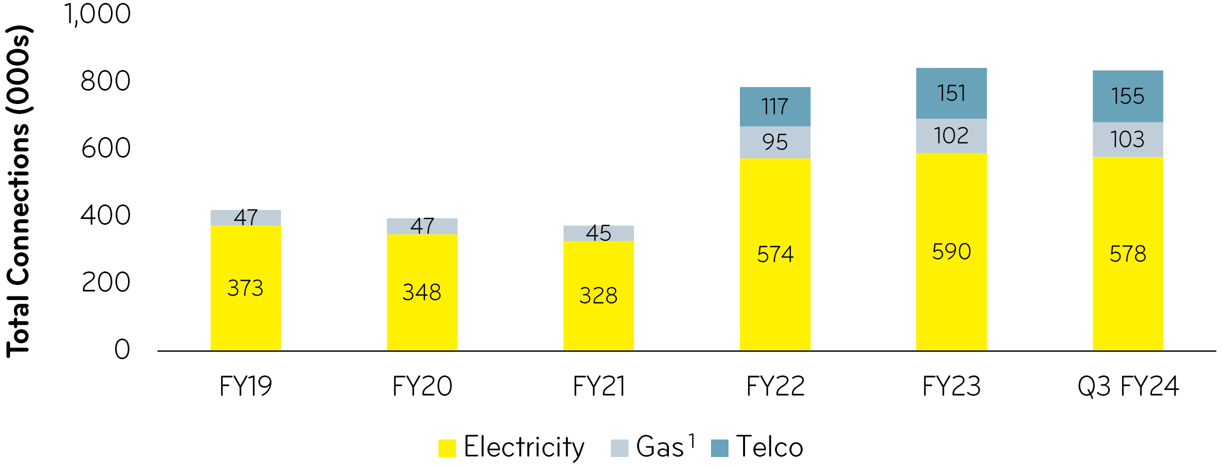


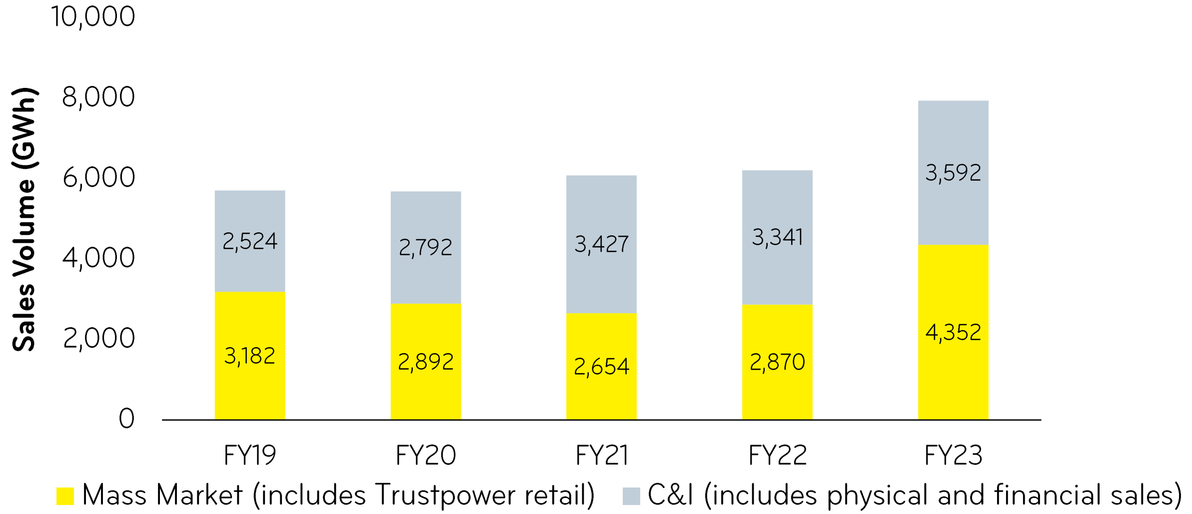
NET DEBT AND INTEREST COSTS[4]



[1] FY2024 figures for EBITDAF, Stay-In-Business ("SIB") Capital Expenditure ("CAPEX") and final dividend are based on guidance issued 20 February 2024
[2] SIB CAPEX is the capital expenditure incurred by the company to maintain its assets in good working order
[3] Growth CAPEX is the capital expenditure incurred by the company to create new assets and revenue. Mercury does not provide guidance on growth CAPEX
[4] Mercury has $550m of Capital Bonds on issue, which S&P treats as having intermediate equity content (50% equity credit in calculating its ratios)

PLATFORM FOR CONNECTION GROWTH THROUGH INTEGRATION.





- Retail integration has reshaped Mercury into a scaled multi-product utility retailer, creating a foundation for enhanced operating efficiencies and growth
- High forward curve pricing has seen strong contract renewal prices through HY24. C&I yields (including physical sales and end user CfDs) up $10/MWh relative to PCP as a result of contracts repricing due to a sustained higher electricity forward curve
- Sales yields in Mass Market segment was $6/MWh higher in HY24 relative to PCP. Increases primarily driven by relative price rises in addition to reductions in direct costs, through reduced retention and acquisition expenses

[1] Gas includes both reticulated gas and LPG

Karapiro Hydro Turbine

FINANCIAL OVERVIEW

STRONG BALANCE SHEET SUPPORTS RENEWABLE GENERATION GROWTH.

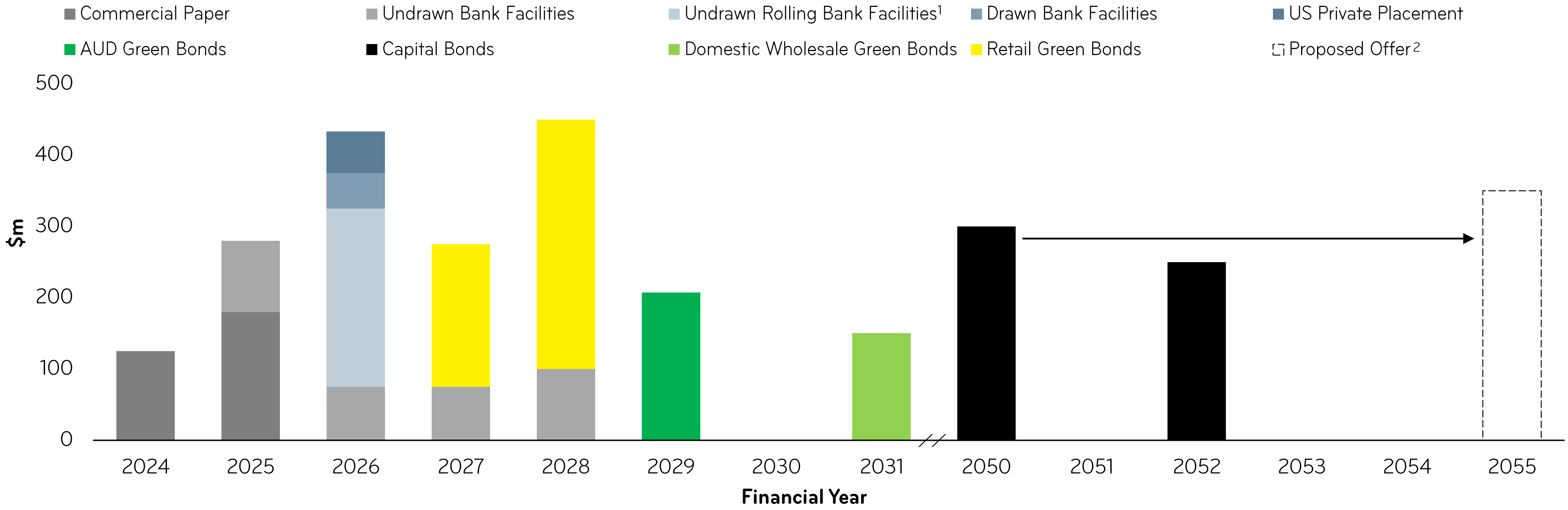
- Debt/EBITDAF[1] reduced to 2.0x for FY23 on lower net debt and an increase to EBITDAF with full year contributions from Turitea North, ex-Tilt Renewables assets and Trustpower retail
- S&P reaffirmed Mercury's credit rating of BBB+/stable in December 2023
  - Mercury targets Debt/EBITDAF between 2x-3x after adjusting for S&P treatment, consistent with our BBB+ rating
- Mercury commenced a Dividend Reinvestment Plan ("DRP") in FY22, which remains active

	31 Dec 2023	30 Jun 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Net Debt ($m)	1,983[2]	1,907	1,961	1,329	1,149	1,096
Debt/EBITDAF (x)[1]	2.0[3]	2.0	2.9	2.5	2.2	1.9
Issuer Credit Rating	BBB+/stable					
Ordinary Dividend	23.3cps[4]	21.8cps	20.0cps	17.0cps	15.8cps	15.5cps

[1] Adjusted for S&P treatment of Capital Bonds
[2] Includes lease liabilities balance and deferred financing costs as at 31 Dec 2023
[3] Based on $880m FY24 EBITDAF guidance issued 20 February 2024
[4] Based on FY24 ordinary dividend guidance issued 20 February 2024

DIVERSIFIED FUNDING PROFILE.

DEBT MATURITIES AS AT 31 MAY 2024



- Diversified funding sources: commercial paper, bank facilities, domestic wholesale bonds, retail bonds, AUD wholesale bonds, USPP and capital bonds
- Proceeds from the proposed Offer are intended to be used to refinance existing debt (including the MCY020 Bonds maturing in FY2050) and for general corporate purposes

[1] Requires 18 months' notice of termination from lender
[2] Assuming $350m total proceeds from the Offer

Ngā Tamariki geothermal station

KEY TERMS OF THE CAPITAL BONDS.

Instrument	Unsecured, subordinated, redeemable, cumulative, interest bearing debt securities
Ranking	The Capital Bonds will rank equally among themselves and will be subordinated to all other indebtedness of Mercury, other than indebtedness expressed to rank equally with, or subordinate to, the Capital Bonds The Capital Bonds will rank equally with the MCY050 Bonds
No guarantee	None of the Crown, any subsidiary of Mercury or any other person guarantees the Capital Bonds
Credit rating	Expected Issue Credit Rating: BB+ by S&P The expected Issue Credit Rating of the Capital Bonds is two notches below Mercury's stand-alone credit profile. One notch is deducted for subordination and a second notch because of the potential for interest payments to be deferred
Issue amount	Up to NZ$300m (plus up to NZ$50m of oversubscriptions at Mercury's discretion)
Term	30 years (maturing 11 July 2054)
Reset Dates	11 July 2029 and every 5 years thereafter. As part of a Successful Election Process, a different Reset Date may be adopted
Optional early redemption by Mercury	Each Reset Date, any Interest Payment Date after a Reset Date if a Successful Election Process has not been undertaken, a Tax Event, a Rating Agency Event or if there are less than 100m Capital Bonds on issue
Interest Rate	The Interest Rate and Margin for the first five-year period will be set following a bookbuild on 27 June 2024 as the Benchmark Rate plus the Margin, subject to a minimum Interest Rate. If not redeemed earlier, on each Reset Date, unless there has been a Successful Election Process, the Interest Rate for the next five-year period will reset to the Benchmark Rate on the applicable Reset Date plus the Margin plus the Step-up Margin (0.25%)
Deferral of interest	An interest payment can be deferred at any time for up to five years at the sole discretion of Mercury, with a distribution stopper in place while any Unpaid Interest remains outstanding Deferred interest is cumulative
Quotation[1]	It is expected the Capital Bonds will be quoted under the ticker code MCY070 on the NZX Debt Market

[1] Application has been made to NZX for permission to quote the Capital Bonds on the NZX Debt Market and all the requirements of NZX relating to 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

INTEREST PAYMENTS.

Interest Rate

- The Interest Rate until the First Reset Date will be the higher of:
    - Minimum Interest Rate; and
    - Benchmark Rate (on the Rate Set Date) plus the Margin
- Before each Reset Date, Mercury may propose, through an Election Process, that new terms and conditions (including new Interest Rate and Margin) would apply to the Capital Bonds from that Reset Date
- If no Successful Election Process occurs, the Interest Rate for the next five-year period resets to the sum of the Benchmark Rate on that Reset Date plus the Margin plus the Step-up Margin of 0.25% (if not already added to the Margin)

Deferral of Interest

- An interest payment may be deferred at Mercury's sole discretion for up to five years
- If deferred, an interest payment amount will itself accrue interest at the prevailing Interest Rate on the Capital Bonds (in aggregate, the "Unpaid Interest")
- If there is any Unpaid Interest outstanding, Mercury shall not:
    - Make any dividends, distributions or payments of interest on any shares or securities ranking pari passu with or below the Capital Bonds; or
    - Acquire, redeem or repay any share or other security ranking pari passu with or below the Capital Bonds

ISSUER REDEMPTION RIGHTS.

Mercury may redeem the Capital Bonds before the Maturity Date as per the conditions below

Early redemption

Mercury may redeem:

i. All or some of the Capital Bonds on any Reset Date;

ii. All or some of the Capital Bonds on any Interest Payment Date after a Reset Date if a Successful Election Process has not been undertaken in respect of that Reset Date;

iii. All (but not some only) of the Capital Bonds if there are less than 100m Capital Bonds on issue;

iv. All or some of the Capital Bonds if a Tax Event[1] occurs; or

v. All or some of the Capital Bonds if a Rating Agency Event[2] occurs

Redemption price

The Redemption Price will be:

- If redemption is as a result of (ii) or (v) occurring, then it will be the higher of:
  - The Issue Price plus Unpaid Interest plus accrued interest; and
  - The market value plus accrued interest
- Otherwise:
  - The Issue Price plus Unpaid Interest plus accrued interest
- If Mercury is redeeming Capital Bonds in part only then it can only do so to the extent that there will be at least 100m Capital Bonds outstanding after the partial redemption

[1] Receipt by Mercury of an opinion from a reputable legal counsel or tax adviser that as a result of an amendment, change or clarification of legislation, regulation, etc. the interest payments on the Capital Bonds would no longer be fully deductible for tax purposes

[2] Receipt by Mercury of notice from S&P that, as a result of a change of criteria, the Capital Bonds will no longer have the same equity content classification from S&P as it had immediately prior to the change in criteria, or Mercury ceases to hold a credit rating

KEY EARLY REDEMPTION DRIVERS.

2029

2034

Year 5 – Reset Date

- Potential Election Process or Mercury can call the Capital Bonds
- Step-up in Margin (0.25%) if no Successful Election Process
- Potential refinancing risk at year 10 if not called
- Call is at par (any subsequent issuer call between Reset Dates is at the higher of par and market, except if there are less than 100m Capital Bonds on issue or if a Tax Event occurs)

Year 10 – Reset Date

- S&P's equity content expected to reduce to minimal (0%)
- Treated as 100% debt by S&P
- Likely to be high cost debt with limited benefits
- Outcomes not consistent with rationale for issue

Mercury considers that instruments with ascribed equity content such as the Capital Bonds are an effective capital management tool and intends to maintain such instruments as a key feature of its capital structure going forward. If Mercury chooses to redeem the Capital Bonds early, current expectation is that equivalent replacement securities would be issued to fund that redemption

OFFER STRUCTURE AND KEY DATES.

Offer structure

- Bookbuild process
  - NZX firms, institutional investors, and certain other parties
  - No public pool

- Minimum applications
  - NZ$5,000 and multiples of NZ$1,000 thereafter

- Fees
  - Retail brokerage of 0.50%
  - Firm fee of 0.50%

Key dates

Offer opens	24 June 2024
Offer closes	11.00am, 27 June 2024
Bookbuild / Interest Rate set	27 June 2024
Issue Date	11 July 2024
Expected date of initial quotation and trading	12 July 2024
First Interest Payment Date	11 October 2024
First Reset Date	11 July 2029
Equity credit content expected to fall to minimal (0%)	11 July 2034
Maturity Date	11 July 2054

- If the bookbuild for the Offer is successful, Mercury will redeem the MCY020 Bonds on 11 July 2024
  - Custodial MCY020 bondholders who receive an allocation of Capital Bonds may be able to use a set-off option for settlement, and should contact their custodian for further details

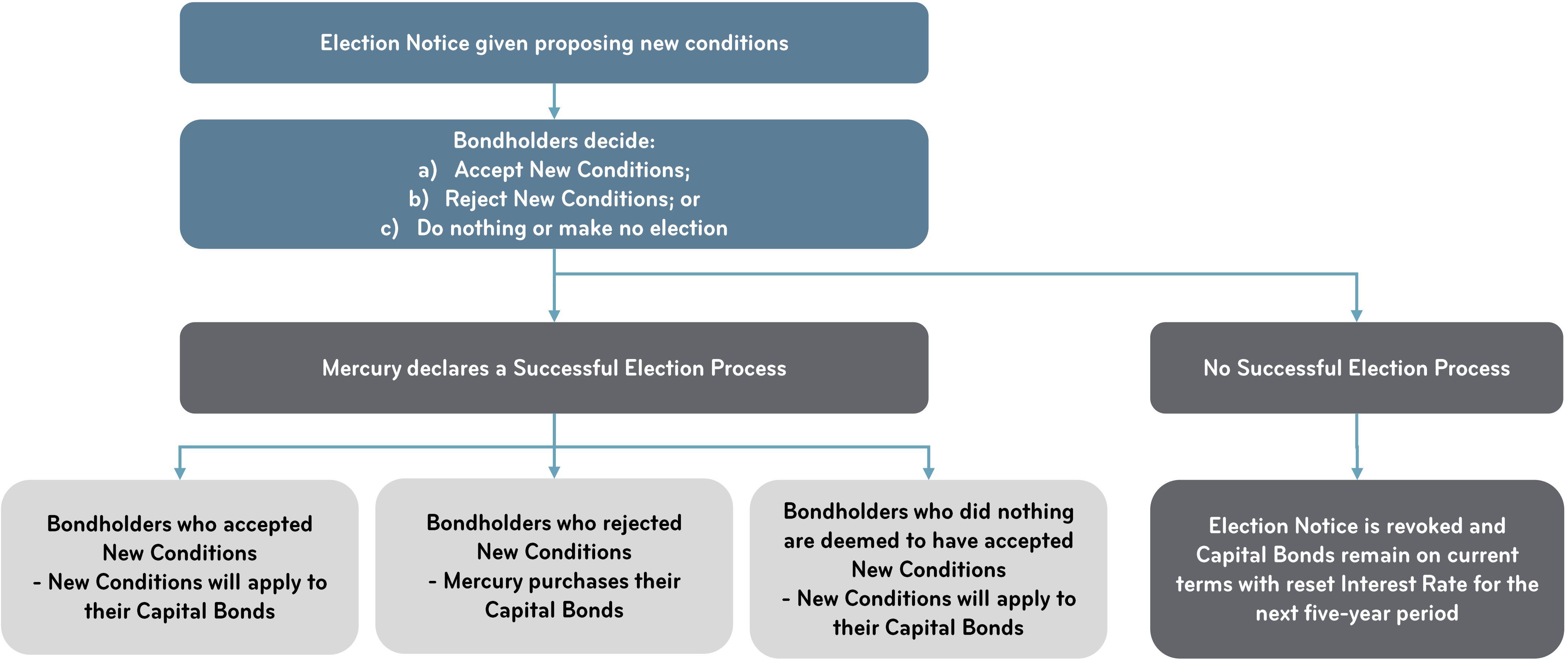
SUMMARY.

Key messages

- Mercury is well-positioned to respond to New Zealand's energy transition with electrification growing demand for renewable electricity
- Renewable generation portfolio includes three low-cost complementary fuel sources in peaking/firming hydro, baseload geothermal, and high-quality wind generation
- Successful delivery of new generation projects with a strong development pipeline
- Trustpower retail acquisition and integration to a single retail platform creating a foundation for enhanced operating efficiencies and growth
- Proven track record of returns - FY24 ordinary dividend guidance of 23.3cps represents the 16th consecutive year of ordinary dividend growth

Ngā Awa Pūrua cooling tower

ELECTION PROCESS – A REMINDER.



NON-GAAP MEASURES.

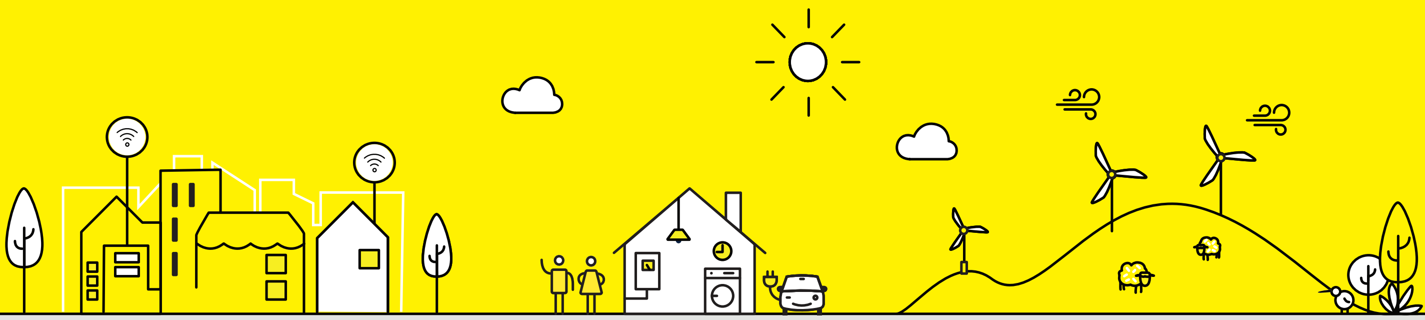
- EBITDAF (or Operating Earnings) is earnings before net interest expense, tax expense, depreciation, amortisation, change in the fair value of financial instruments, gain on sale and impairments
- Operating Expenditure represents employee compensation and benefits, maintenance expenses and other expenses
- 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


TM

Mercury

INDICATIVE TERMS SHEET.

CAPITAL BONDS 2024.



Arranger and Joint Lead Manager.

FORSYTH BARR

Joint Lead Managers.

bnz

CRAIGS INVESTMENT PARTNERS

INDICATIVE TERMS SHEET.

Dated 24 June 2024.

This indicative terms sheet (**"Terms Sheet"**) sets out the key terms of the offer (**"Offer"**) by Mercury NZ Limited (**"Mercury"**) of up to NZ$300 million (with the ability to accept oversubscriptions of up to an additional NZ$50 million at Mercury's discretion) of unsecured, subordinated, interest bearing capital bonds maturing on 11 July 2054 (**"Capital Bonds"**) under its master trust deed dated 4 April 2003 (as amended from time to time) (**"Master Trust Deed"**) as modified and supplemented by the supplemental trust deed dated 24 June 2024 (together, **"Trust Documents"**) entered into between Mercury and The New Zealand Guardian Trust Company Limited as supervisor (**"Supervisor"**). Unless the context otherwise requires, capitalised terms used in this Terms Sheet have the same meaning given to them in the Trust Documents.

Important Notice

The Offer of Capital Bonds by Mercury is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (**"FMCA"**).

The Offer contained in this Terms Sheet 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 NZ$300 million unsecured, subordinated, interest bearing capital bonds with an interest rate of 3.60% per annum and a final maturity date of 11 July 2049, which are currently quoted on the NZX Debt Market under the ticker code MCY020 (**"MCY020 Bonds"**); and
- Mercury's NZ$250 million unsecured, subordinated, interest bearing capital bonds with an interest rate of 5.73% per annum and a final maturity date of 13 May 2052, which are currently quoted on the NZX Debt Market under the ticker code MCY050 (**"MCY050 Bonds"**).

Accordingly, the Capital Bonds are the same class as the MCY020 Bonds and MCY050 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.

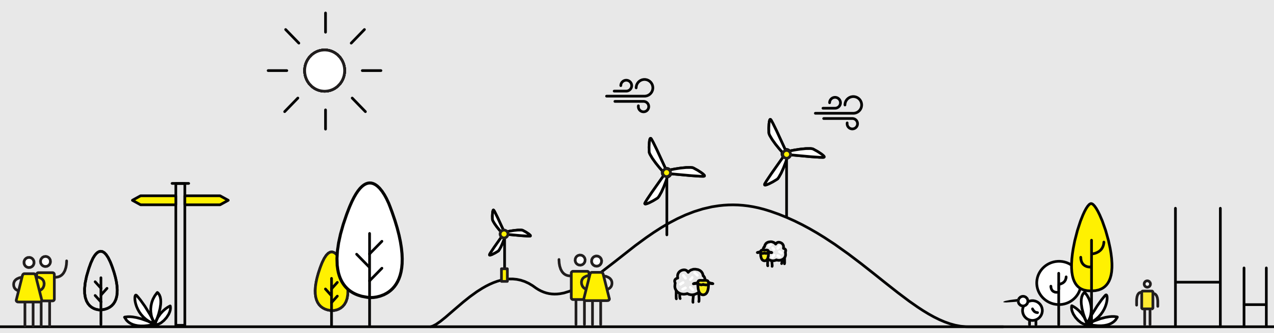
The MCY020 Bonds and MCY050 Bonds are the only debt securities of Mercury that are in the same class as the Capital Bonds and are currently quoted on the NZX Debt Market.

Investors should look to the market price of the MCY020 Bonds and MCY050 Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds. When comparing yield of different debt securities, it is important to consider all relevant factors (including rating (if any), maturity and other terms of the relevant debt securities).

Investors should carefully consider the features of the Capital Bonds which differ from the features of a standard senior bond. Those features include the ability of Mercury to defer interest, optional redemption rights for Mercury, a margin step-up and the subordinated nature of the Capital Bonds. Investors should read this Terms Sheet carefully (including the risks discussed on page 10) and seek financial advice before deciding to invest in the Capital Bonds.

Redemption of the MCY020 Bonds

The first reset date for the MCY020 Bonds is 11 July 2024 and Mercury has the right to redeem the MCY020 Bonds on that date. If the bookbuild process for the Offer is successful, Mercury will redeem the MCY020 Bonds by giving a redemption notice to holders of MCY020 Bonds (**"MCY020 Bondholders"**) on the Rate Set Date (27 June 2024).



Issuer

Mercury NZ Limited

Description

The Capital Bonds are unsecured, subordinated, redeemable, cumulative, interest bearing debt securities.

Ranking

The Capital Bonds will rank equally among themselves and will be subordinated to all other indebtedness of Mercury, other than indebtedness expressed to rank equally with, or subordinate to, the Capital Bonds. The Capital Bonds rank equally with the MCY050 Bonds.
See *Ranking on Liquidation* on page 6.

Purpose

The proceeds of the Offer are intended to be applied to the repayment of existing debt (including the MCY020 Bonds) and for general corporate purposes.

No guarantee

Mercury is the issuer and the sole obligor in respect of the Capital Bonds. None of the Crown, any subsidiary of Mercury or any other person guarantees the Capital Bonds.

Further indebtedness

Mercury may incur finance debt without the consent of holders of Capital Bonds (**"Bondholders"**).

Equity content

S&P Global Ratings is expected to assign "intermediate equity content" to the Capital Bonds. Where such equity credit content is assigned, S&P Global Ratings will consider that the Capital Bonds comprise 50% equity when calculating its financial ratios for Mercury.

The equity content is expected to fall to minimal (0%) on 11 July 2034.

Capital structure

Mercury believes that hybrid securities such as the Capital Bonds that are ascribed equity content are an effective capital management tool and intends to maintain such instruments as a key feature of its capital structure going forward.

Credit rating

	Issuer Credit Rating	Expected Issue Credit Rating
S&P Global Ratings	BBB+ (Stable)	BB+

Mercury's current Issuer Credit Rating includes a one-notch uplift from the company's stand-alone credit profile of 'bbb' reflecting the legislated majority ownership by the New Zealand government. The New Zealand government does not guarantee the Capital Bonds and is under no obligation to provide financial support to Mercury.

The expected Issue Credit Rating of the Capital Bonds is two notches below Mercury's stand-alone credit profile. One notch is deducted for the Capital Bonds being subordinated and a second notch because of the potential for interest payments to be deferred.

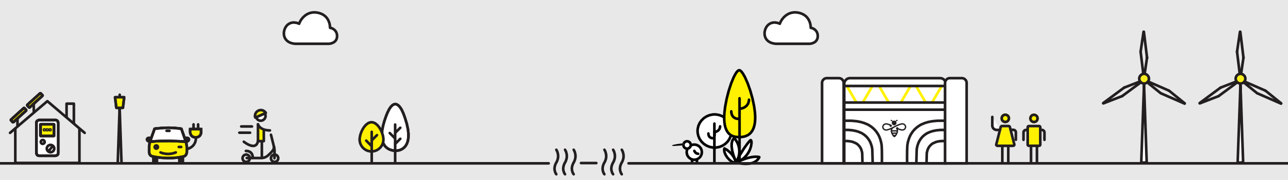
A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

A credit rating is not a recommendation by any rating organisation to buy, sell or hold Capital Bonds. The above Issuer Credit Rating is current as at the date of this Terms Sheet and any credit rating may be subject to suspension, revision or withdrawal at any time by S&P Global Ratings.

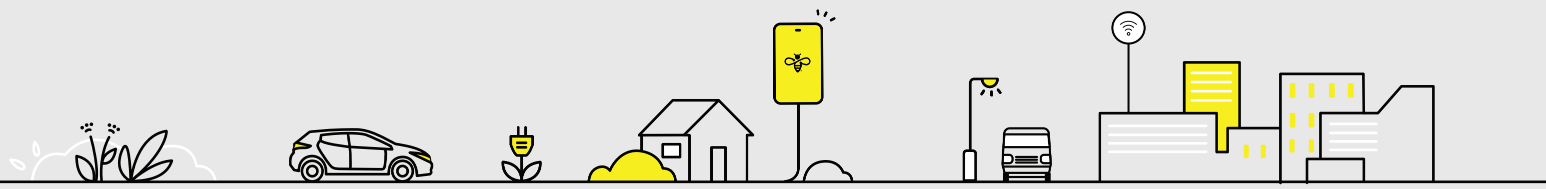
Offer

Mercury is offering up to NZ$300 million (with the ability to accept oversubscriptions of up to an additional NZ$50 million at Mercury's discretion) of Capital Bonds to New Zealand retail and certain institutional investors.

The Offer will be conducted on a firm allocation basis as described in more detail below under the headings *Who may apply for Capital Bonds* and *How to apply.*



Term	30 years (maturing 11 July 2054) unless redeemed earlier.
Redemption of MCY020 Bonds if the Offer is successful	Subject to the bookbuild for the Offer being successful, Mercury will issue a redemption notice in respect of the MCY020 Bonds on 27 June 2024 in order to redeem the MCY020 Bonds on 11 July 2024. Each MCY020 Bond will be redeemed at par ($1.00) plus all accrued but unpaid interest. MCY020 Bondholders who wish to participate in the Offer and invest in the new Capital Bonds should contact their usual financial adviser, one of the Joint Lead Managers or another Market Participant – see the sections below titled *Who may apply for Capital Bonds* and *How to apply* for further information. Custodial MCY020 Bondholders who receive an allocation may be able to use a set-off option for settlement, and should contact their custodian for further details.
Issue Price and Principal Amount	NZ$1.00 per Capital Bond.
Interest Rate from the Issue Date to the First Reset Date	The percentage per annum equal to the Benchmark Rate (determined on the Rate Set Date) plus the Margin, but subject to a minimum Interest Rate of 6.15% per annum for this period.
Benchmark Rate	The mid market NZD swap rate for a 5-year term, determined according to market convention on the Rate Set Date (commencing from the Issue Date) and at or around 11.00am New Zealand time on each Reset Date, in each case, with reference to Bloomberg page 'ICNZ4' (or any successor page) and expressed on a quarterly basis (rounded to two decimal places, if necessary, with 0.005 rounded up).
Margin	The indicative Margin range is 2.00% to 2.15% per annum for the Capital Bonds. The actual Margin for the Capital Bonds (which may be above or below the indicative Margin range mentioned above) will be set by Mercury (in consultation with the Joint Lead Managers) on the Rate Set Date following a bookbuild conducted by the Joint Lead Managers and will be announced by Mercury via NZX on the Rate Set Date.
Payment of interest	Interest will be payable on an Interest Payment Date to the Bondholder as at the Record Date immediately preceding the relevant Interest Payment Date.
Interest Payment Dates	Interest shall be paid quarterly in arrear on 11 January, 11 April, 11 July and 11 October of each year. Interest accrues on the Capital Bonds until (but excluding) the date on which they are redeemed. The first interest payment date is 11 October 2024. Interest may be deferred at the option of Mercury – see *Discretionary deferral of interest* below.
Record Date	In relation to payments of interest, the date which is 10 calendar days before the due date for the payment. In relation to an Election Process (as defined below), the date which is two Business Days prior to the date on which the applicable Election Notice (as defined below) is given. In either case, if that date is not a Business Day, the Record Date will be the preceding Business Day.
Reset Dates	The First Reset Date for the Capital Bonds is the date that is five years after the Issue Date (11 July 2029). Thereafter there is a further Reset Date every five years. As part of a Successful Election Process, a different Reset Date may be adopted.
Interest Rate after each Reset Date	The Interest Rate applying from each Reset Date up to but excluding the next Reset Date will be the percentage per annum equal to the then Benchmark Rate on that Reset Date plus the Margin, plus the Step-up Margin. If a Successful Election Process has been completed, the Interest Rate after each Reset Date will be as set out in the relevant Election Notice (as defined below).
Step-up Margin	0.25%



Discretionary deferral of interest	Mercury may defer payment of interest on the Capital Bonds at any time for up to five years at its sole discretion by notifying Bondholders. If an interest payment is not paid on its due date, notice of its deferral is deemed to be given. If deferred, an interest payment amount will itself accrue interest (compounding on each Interest Payment Date) at the prevailing Interest Rate on the Capital Bonds (in aggregate, the "**Unpaid Interest**"). Unpaid Interest is cumulative. See *Deferral of interest payments* under the "Risks" section on page 10.
Distribution stopper	Whilst there is any Unpaid Interest outstanding Mercury shall not: (i) make any dividends, distributions or payments of interest on any shares or securities ranking pari passu with or below the Capital Bonds; or (ii) acquire, redeem or repay any share or other security ranking pari passu with or below the Capital Bonds (or provide financial assistance for the acquisition of such shares or securities), (together, the **"Restrictions on Deferral"**).
Election Process	No earlier than six months and not later than 20 Business Days before any Reset Date, Mercury may give to each Bondholder a notice (**"Election Notice"**) specifying new terms and conditions (**"New Conditions"**) (including for example a new Margin) proposed to apply from the next Reset Date. Bondholders can elect to accept or reject the New Conditions. Bondholders who do not respond will be deemed to have accepted the New Conditions. If Mercury declares a Successful Election Process then it is obliged to purchase any Capital Bonds held by a Bondholder who has rejected the New Conditions. Mercury may choose to establish a resale facility (**"Resale Facility"**) to seek buyers for those Capital Bonds. If Mercury does not wish to purchase all Capital Bonds from those Bondholders that have rejected the New Conditions then Mercury must declare that the Election Process has failed, in which case the existing terms and conditions will continue to apply and all Capital Bonds will remain outstanding.
Optional early redemption by Mercury	Mercury may redeem: (i) all or some of the Capital Bonds on any Reset Date; (ii) all or some of the Capital Bonds on any Interest Payment Date after a Reset Date if a Successful Election Process has not been undertaken in respect of that Reset Date; (iii) all (but not some only) of the Capital Bonds if there are less than 100,000,000 Capital Bonds on issue; (iv) all or some of the Capital Bonds if a Tax Event (as defined below) occurs; or (v) all or some of the Capital Bonds if a Rating Agency Event (as defined below) occurs. The Redemption Price will be: (a) the Issue Price of the Capital Bonds plus Unpaid Interest plus any Interest Payment scheduled to be paid on the date of redemption; or (b) if the redemption occurs pursuant to paragraph (ii) or (v) immediately above, the higher of: (1) the amount calculated under paragraph (a) immediately above; and (2) the market value of the Capital Bonds together with accrued interest. If Mercury is redeeming Capital Bonds in part only then it can only do so to the extent that there will be at least 100,000,000 Capital Bonds outstanding after the partial redemption. Any partial redemption will be done on a proportionate basis and may include adjustments to take account of the effect on marketable parcels and other logistical considerations.
Tax Event	Receipt by Mercury of an opinion from a reputable legal counsel or tax adviser that as a result of an amendment, change or clarification of legislation, regulation, etc. the interest payments on the Capital Bonds would no longer be fully deductible for tax purposes.

Rating Agency Event	Receipt by Mercury of notice from S&P Global Ratings that, as a result of a change of criteria, the Capital Bonds will no longer have the same equity content classification from S&P Global Ratings as it had immediately prior to the change in criteria, or Mercury ceasing to hold a credit rating.
Events of Default	The following Events of Default will result in the Capital Bonds becoming immediately redeemable: (i) failure to pay any Unpaid Interest by the fifth anniversary of its original deferral; (ii) failure to comply with the Restrictions on Deferral; (iii) failure to pay amounts required to be paid on the redemption of the Capital Bonds; (iv) failure to pay amounts required to be paid in connection with a Successful Election Process; or (v) an insolvency event of Mercury occurs.
Ranking on liquidation	On a liquidation of Mercury amounts owing to Bondholders rank equally with all other unsecured, subordinated obligations of Mercury. The Capital Bonds rank behind Mercury's bank debt, senior bonds (including senior green bonds), commercial paper, US private placement notes and any amounts owing to unsubordinated general and trade creditors, as well as indebtedness preferred by law and secured indebtedness. The ranking of the Capital Bonds on a liquidation of Mercury is summarised in the diagram below.

	Ranking on liquidation	Type of liability/equity	Indicative amount[1]
Higher ranking / earlier priority	Liabilities that rank above the Capital Bonds	Liabilities preferred by law (for example, Inland Revenue for certain unpaid taxes), unsubordinated creditors (including banks and financial institutions that have lent money to Mercury, holders of Mercury's senior bonds (including senior green bonds), holders of Mercury's commercial paper, holders of Mercury's US private placement notes and unsubordinated trade and general creditors)	NZ$4,087 million[2]
	Liabilities that rank equally with the Capital Bonds	The Capital Bonds	NZ$350 million
		The MCY050 Bonds and any other subordinated obligations of Mercury	NZ$250 million
Lower ranking / later priority	Equity	Ordinary shares, reserves and retained earnings	NZ$4,800 million

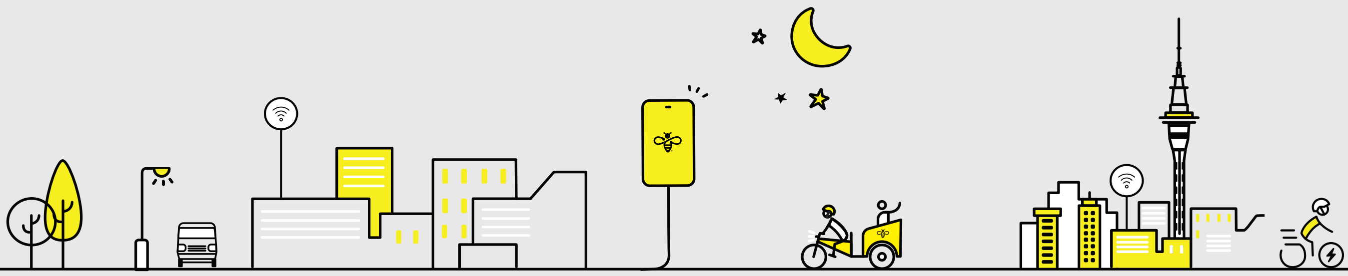
See notes on the next page.

Notes:

1. Amounts shown above are indicative based on the financial position of the Mercury consolidated group as at 31 December 2023. They are adjusted for the issue of the Capital Bonds, based on an issue size of NZ$350 million, and exclude the MCY020 Bonds which will be redeemed in full if the bookbuild for the Offer is successful. If a lower amount of Capital Bonds is issued, then a corresponding higher amount of additional unsubordinated bank debt is expected to remain outstanding. The actual amounts of liabilities and equity of Mercury at the point of its liquidation will be different to the indicative amounts set out in the diagram above. Amounts above are subject to rounding adjustments.

2. This represents the total liabilities of the Mercury consolidated group (other than the MCY020 Bonds and MCY050 Bonds) as at 31 December 2023, adjusted for the issue of Capital Bonds as described in note 1. It includes amounts corresponding to deferred tax (approximately NZ$1,722 million), derivative financial instruments (approximately NZ$494 million) and lease liabilities (approximately NZ$121 million) not all of which would be crystallised on liquidation. Such liabilities on liquidation may be materially different.

Minimum application amount and minimum holding	Minimum of NZ$5,000 with multiples of NZ$1,000 thereafter.
Transfer restrictions	As a Bondholder, you may only transfer Capital Bonds if the transfer is in respect of Capital Bonds having an aggregate Principal Amount that is an integral multiple of NZ$1,000. However, Mercury will not register any transfer of Capital Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Capital Bonds with an aggregate Principal Amount of less than NZ$5,000, unless the transferor would then hold no Capital Bonds.
NZX Debt Market quotation	It is a term of the Offer of the Capital Bonds that Mercury take any necessary steps to ensure that the Capital Bonds are quoted immediately following the Issue Date. Application has been made to NZX for permission to quote the Capital 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 this Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this Terms Sheet. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.
Expected date of initial quotation and trading on the NZX Debt Market	12 July 2024
NZX Debt Market ticker code	MCY070
ISIN	NZMCYDG007C9
Business Days	A day (other than a Saturday or Sunday) on which banks are generally open for business in Auckland and Wellington. If an Interest Payment Date, redemption date or the Maturity Date falls on a day that is not a Business Day, the due date for any payment to be made on that date will be the next following Business Day.
Governing law	New Zealand

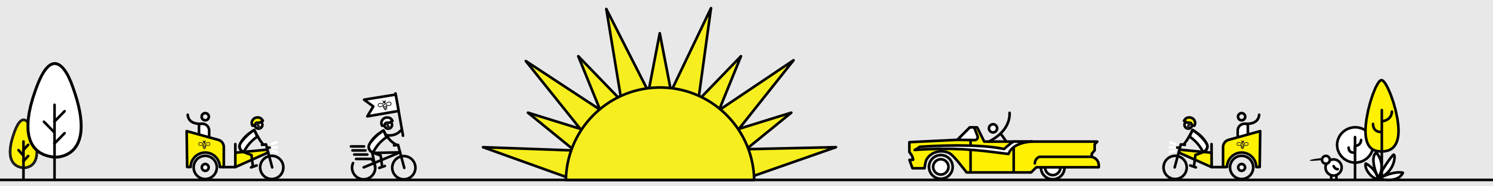


Who may apply for Capital Bonds	All of the Capital Bonds offered under the Offer (including any oversubscriptions) will be reserved for clients of the Joint Lead Managers, institutional investors and other Market Participants invited to participate in the bookbuild. There will be no public pool.
How to apply	Retail investors should contact any Joint Lead Manager, their usual financial adviser or any Market Participant for details on how they may acquire Capital Bonds. You can find a Market Participant by visiting www.nzx.com/investing/find-a-participant Any allotment of the Capital Bonds will be at Mercury's discretion, in consultation with the Joint Lead Managers. Mercury reserves the right to refuse all or any part of an application without giving any reason. Each investor's usual financial adviser will be able to advise them as to what arrangements will need to be put in place for the investors to trade the Capital Bonds including obtaining a common shareholder number (CSN), an authorisation code (FIN) and opening an account with a Market Participant as well as the costs and timeframes for putting such arrangements in place.
Registrar and Paying Agent	Computershare Investor Services Limited
Supervisor	The New Zealand Guardian Trust Company Limited
Arranger	Forsyth Barr Limited
Joint Lead Managers	Bank of New Zealand, Craigs Investment Partners Limited and Forsyth Barr Limited
Fees	Applicants are not required to pay brokerage or any charges to Mercury in relation to applications under the Offer. Mercury will pay retail brokerage of 0.50% and firm fees of 0.50% to Market Participants and approved financial intermediaries (as applicable).
Selling restrictions	The selling restrictions set out in Schedule 1 to this Terms Sheet apply to the Capital Bonds. The Capital Bonds must not be offered or sold other than in strict compliance with those selling restrictions. By subscribing for Capital Bonds, you indemnify Mercury, the Arranger, the Joint Lead Managers and the Supervisor in respect of any loss incurred as a result of you breaching the selling restrictions in Schedule 1.
Non-reliance	This Terms Sheet does not constitute a recommendation by the Arranger, the Joint Lead Managers, the Supervisor or any of their respective directors, officers, employees, agents or advisers to subscribe for, or purchase, any of the Capital Bonds. None of these parties or any of their respective directors, officers, employees, agents or advisers accept any liability whatsoever for any loss arising from this Terms Sheet or its contents or otherwise arising in connection with the Offer. The Arranger, the Joint Lead Managers and the Supervisor have not independently verified the information contained in this Terms Sheet. In accepting delivery of this Terms Sheet, you acknowledge that none of the Arranger, the Joint Lead Managers, the Supervisor nor their respective directors, officers, employees, agents or advisers gives any warranty or representation of accuracy or reliability and they take no responsibility for it. They have no liability for any errors or omissions (including for negligence) in this Terms Sheet, and you waive all claims in that regard.

KEY DATES.

Opening Date	Monday, 24 June 2024
Closing Date	11.00am, Thursday, 27 June 2024
Rate Set Date	Thursday, 27 June 2024. The initial Interest Rate and Margin for the Capital Bonds will be set and announced to the market on this date.
Issue Date / Allotment Date	11 July 2024
First Reset Date	11 July 2029
Maturity Date	11 July 2054

The dates set out in this Terms Sheet are indicative only and Mercury, in conjunction with the Joint Lead Managers, may change the dates set out in this Terms Sheet. Mercury has the right in its absolute discretion and without notice to close the Offer early, to extend the Closing Date or to choose not to proceed with the Offer. If the Closing Date is extended, subsequent dates may be extended accordingly.



RISKS.

An investment in the Capital Bonds is subject to the risks that:

(i) Mercury becomes insolvent and is unable to meet its obligations under the Capital Bonds; and/or

(ii) if the investor wishes to sell the Capital Bonds before maturity, the investor is unable to find a buyer or that the amount received is less than the principal amount paid for the Capital Bonds.

Investors should carefully consider the features of the Capital Bonds which differ from the features of a standard senior bond. Those features include the ability of Mercury to defer interest, optional early redemption rights for Mercury, a margin step-up, an election process and the subordinated nature of the Capital Bonds. Key risks concerning those features are set out in detail below.

This summary does not cover all of the risks of investing in the Capital Bonds. For example, whilst certain risks in relation to the Capital Bonds are set out in more detail below, those risks relating to Mercury, rather than the Capital Bonds themselves, are not set out below on the basis that information relating to Mercury and its operations is already disclosed to the market pursuant to Mercury's continuous disclosure obligations under the NZX Listing Rules. Also, the summary below sets out the risks in relation to the Capital Bonds that differ from risks in relation to standard senior bonds. It does not cover the risks that are common to both the Capital Bonds and standard senior bonds (such as risks around liquidity and your ability to sell the Capital Bonds at a given price, or at all).

Investors should carefully consider those risk factors (together with the other information in this Terms Sheet) before deciding to invest in the Capital Bonds.

The statement of risks in this Terms Sheet also does not take account of the personal circumstances, financial position or investment requirements of any investor. It is important, therefore, that before making any investment decision, investors give consideration to the suitability of an investment in the Capital Bonds in light of his or her individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues).

The interest rate for the Capital Bonds should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the Offer of Capital Bonds is fair.

You should speak to your usual financial adviser about the risks involved with an investment in the Capital Bonds.

DEFERRAL OF INTEREST PAYMENTS.

There is a risk that interest payments on the Capital Bonds will be deferred by Mercury for a period of up to five years, as described in the paragraph headed *Discretionary deferral of interest* on page 5.

Mercury has a broad discretion to defer the payment of interest on the Capital Bonds, and Bondholders will not have an immediate redemption right in those circumstances.

REDEMPTION PRIOR TO THE MATURITY DATE.

Although the Capital Bonds have a term of 30 years, Mercury may choose to redeem the Capital Bonds early in certain circumstances.

Mercury may elect to redeem the Capital Bonds in the circumstances outlined in the paragraph headed *Optional early redemption by Mercury* on page 5. While some of those redemption triggers may appear to be unlikely to occur, recent history suggests that such events can occur, and Mercury will have the right to redeem after five years and on each subsequent Reset Date.

If Mercury is entitled to redeem any of the Capital Bonds, the method and date by which Mercury elects or is required to do so may not accord with the preference of individual Bondholders. This may be disadvantageous in light of market conditions or a Bondholder's individual circumstances.

RANKING.

The Capital Bonds rank behind all of Mercury's unsubordinated obligations. In a liquidation of Mercury, the holders of the Capital Bonds would be paid only after all amounts owing by Mercury to its bankers, holders of senior bonds (including green senior bonds), commercial paper, holders of US private placement notes, and general and trade unsubordinated creditors, have been paid. After payment of those amounts, there may be insufficient funds available to the liquidator to repay all or any of the amounts owing on the Capital Bonds.

SUPERVISOR'S ENFORCEMENT RIGHTS.

Investors should be aware that even if the right to seek repayment of the Capital Bonds is exercised following the occurrence of an Event of Default, the Supervisor has very limited powers to enforce these rights given the subordinated nature of the Capital Bonds. For example, the Supervisor has no ability to appoint a receiver with a view to recovering amounts owing to Bondholders and is only entitled to file a conditional claim in the event of the liquidation of the Issuer requiring repayment of the Capital Bonds after all prior ranking indebtedness has been repaid in full.

OTHER INFORMATION.

Copies of the Trust Documents are available at Mercury's website at www.mercury.co.nz/MCY070

Any internet site addresses provided in this Terms Sheet are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Terms Sheet.

Investors should seek qualified independent financial and taxation advice before deciding to invest. In particular, you should consult your tax adviser in relation to your specific circumstances. Investors will also be personally responsible for ensuring compliance with relevant laws and regulations applicable to them (including any required registrations).

For further information regarding Mercury, visit www.nzx.com/companies/MCY

CONTACT DETAILS.

Issuer

Mercury NZ Limited
33 Broadway
Newmarket
Auckland 1023

Arranger and Joint Lead Manager

Forsyth Barr Limited
Level 23, Shortland & Fort
88 Shortland Street
Auckland 1010
0800 367 227

Joint Lead Managers

Bank of New Zealand
Level 6, Deloitte Centre
80 Queen Street
Auckland 1010
0800 284 017

Craigs Investment Partners Limited
Level 36, Vero Centre
48 Shortland Street
Auckland 1010
0800 226 263

Supervisor

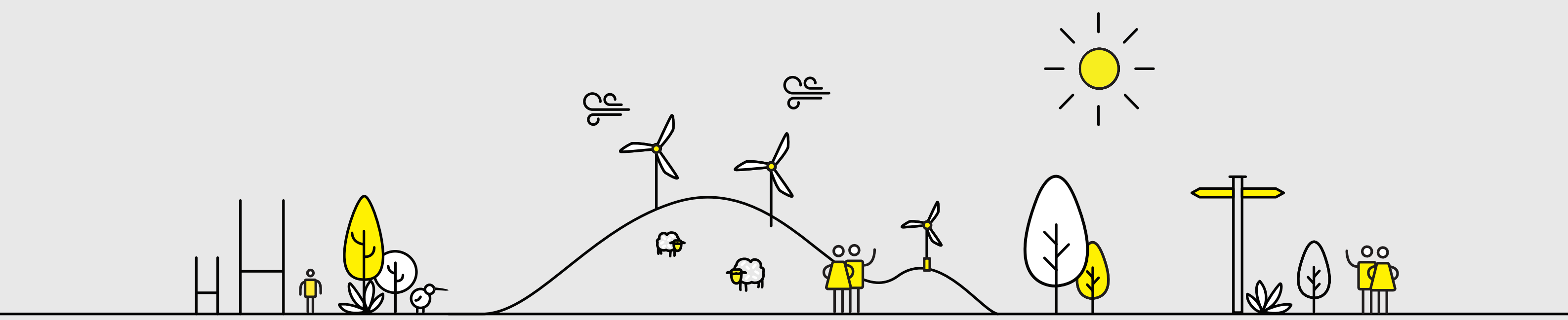
The New Zealand Guardian Trust Company Limited
Level 14, 191 Queen Street
Auckland 1010

Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622
Private Bag 92119
Auckland 1142

Legal advisers to Mercury

Chapman Tripp
Level 34, PwC Tower
15 Customs Street West
Auckland 1010



SCHEDULE 1 – SELLING RESTRICTIONS.

GENERAL.

The Capital Bonds may only be offered or sold in conformity with all applicable laws and regulations in New Zealand and in any other jurisdiction in which the Capital Bonds are offered or sold. Applicable offer restrictions are set out below for the United States, Australia, Hong Kong, Japan, Singapore and the United Kingdom.

No action has been or will be taken by Mercury which would permit an offer of Capital Bonds, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand).

No person may purchase, offer, sell, distribute or deliver Capital Bonds, or have in their possession, publish, deliver or distribute to any person, any offering material or any documents in connection with the Capital Bonds, in any jurisdiction other than in compliance with all applicable laws and the specific selling restrictions set out below.

By subscribing for Capital Bonds, you indemnify Mercury, the Arranger, the Joint Lead Managers, the Registrar and the Supervisor in respect of any loss incurred as a result of any breach by you of these selling restrictions.

UNITED STATES.

The Capital Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (**"Securities Act"**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**"Regulation S"**)) except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Capital Bonds will not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the completion of the distribution of all Capital Bonds of the tranche of which such Capital Bonds are part, as determined and certified by the Joint Lead Managers except in accordance with Rule 903 of Regulation S. Any Capital Bonds sold to any distributor, dealer or person receiving a selling concession, fee or other remuneration during the distribution compliance period require a confirmation or notice to the purchaser at or prior to the confirmation of the sale to substantially the following effect:

> "The Capital Bonds have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, the Capital Bonds may not be offered or sold within the United States, or to or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Capital Bonds and the closing date except in either case pursuant to a valid exemption from registration or in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S."

Until 40 days after the completion of the distribution of all Capital Bonds or the tranche of which those Capital Bonds are a part, an offer or sale of the Capital Bonds within the United States by any Joint Lead Manager or any dealer or other distributor (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Regulation S.

AUSTRALIA.

This Terms Sheet and the offer of Capital Bonds are only made available in Australia to persons to whom an offer of securities can be made without disclosure in accordance with applicable exemptions in sections 708(8) (sophisticated investors) or 708(11) (professional investors) of the Australian Corporations Act 2001 (the **"Corporations Act"**). This Terms Sheet is not a prospectus, product disclosure statement or any other formal "disclosure document" for the purposes of Australian law and is not required to, and does not, contain all the information which would be required in a "disclosure document" under Australian law. This Terms Sheet has not been and will not be lodged or registered with the Australian Securities & Investments Commission or the Australian Securities Exchange and Mercury is not subject to the continuous disclosure requirements that apply in Australia.

Prospective investors should not construe anything in this Terms Sheet as legal, business or tax advice nor as financial product advice for the purposes of Chapter 7 of the Corporations Act. Investors in Australia should be aware that the offer of Capital Bonds for resale in Australia within 12 months of their issue may, under section 707(3) of the Corporations Act, require disclosure to investors under Part 6D.2 if none of the exemptions in section 708 of the Corporations Act apply to the re-sale.

HONG KONG.

WARNING: This Terms Sheet has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **"SFO"**). No action has been taken in Hong Kong to authorise or register this Terms Sheet or to permit the distribution of this Terms Sheet or any documents issued in connection with it. Accordingly, the Capital Bonds have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Capital Bonds has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Capital Bonds that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Capital Bonds may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Terms Sheet have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Terms Sheet, you should obtain independent professional advice.

JAPAN.

The Capital Bonds have not been, and will not be, registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the **"FIEL"**) pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Capital Bonds may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Capital Bonds may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Capital Bonds is conditional upon the execution of an agreement to that effect.

SINGAPORE.

SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION: Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 (the **"SFA"**), Mercury has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Capital Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

This Terms Sheet and any other materials relating to the Capital Bonds have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Terms Sheet and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Capital Bonds, may not be issued, circulated or distributed, nor may the Capital Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the SFA, or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Terms Sheet has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this Terms Sheet immediately. You may not forward or circulate this Terms Sheet to any other person in Singapore.

Any offer is not made to you with a view to the Capital Bonds being subsequently offered for sale to any other party in Singapore. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Capital Bonds. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

UNITED KINGDOM.

Neither this Terms Sheet nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**"FSMA"**)) has been published or is intended to be published in respect of the Capital Bonds.

The Capital Bonds may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This Terms Sheet is issued on a confidential basis in the United Kingdom to "qualified investors" (as defined in Article 2(e) of the UK Prospectus Regulation). This Terms Sheet should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Capital Bonds has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Mercury.

In the United Kingdom, this Terms Sheet is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**"FPO"**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together **"relevant persons"**). The investments to which this Terms Sheet relates are available only to relevant persons. Any person who is not a relevant person should not act or rely on this Terms Sheet.