



2026

INTERIM FINANCIAL STATEMENTS



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Shape the future
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Independent auditor's review report

To the shareholders of Mercury NZ Limited

The Auditor-General is the auditor of Mercury NZ Limited and its subsidiaries (the Group). The Auditor-General has appointed me, Emma Winsloe, using the staff and resources of Ernst & Young, to carry out the review of the consolidated condensed interim financial statements (interim financial statements) of the Group on his behalf.

Conclusion

We have reviewed the interim financial statements of the Group on pages 4 to 19, which comprise the consolidated balance sheet as at 31 December 2025, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the six months ended on that date, and the notes, including a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2025, and its financial performance and cash flows for the six

months ended on that date, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* (NZ IAS 34) and International Accounting Standard 34: *Interim Financial Reporting* (IAS 34).

Basis for conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor's responsibilities for the review of the interim financial statements* section of our report.

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the interim financial statements review we carry out engagements in the areas of the financial statements audit, agreed-upon procedures and other assurance, which are compatible with those independence requirements.

Other than the review and these engagements, we have no relationship with or interests in the Group.

Directors' responsibilities for the interim financial statements

The Directors are responsible, on behalf of the Group, for the preparation and fair presentation of these interim financial statements in accordance with NZ IAS 34 and IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are also responsible for the publication of the interim financial statements, whether in printed or electronic form.

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34.

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Emma Winsloe
Ernst & Young
On behalf of the Auditor-General

Auckland, New Zealand
24 February 2026

GROUP FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2025

	Note	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M
Revenue	A1, A2	1,664	1,755	3,498
Expenses	A2	(1,126)	(1,458)	(2,917)
Depreciation and amortisation	B1, B2	(178)	(176)	(357)
Change in the fair value of financial instruments	E1	(262)	(173)	(148)
Change in the fair value of carbon units held for trading		(25)	17	11
Share of profit from associates and joint ventures	D1	2	4	13
Gain on disposal of carbon units		-	-	18
Interest income	C3	1	2	4
Interest expense	C3	(49)	(67)	(121)
Profit/(loss) before tax		27	(96)	1
Tax benefit/(expense)		(7)	29	-
Profit/(loss) for the period attributable to owners of the parent		20	(67)	1
Basic and diluted earnings/(loss) per share (cents)	C1	1.42	(4.80)	0.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2025

	Note	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M
Profit/(loss) for the period attributable to owners of the parent		20	(67)	1
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Change in asset revaluation reserve		-	-	323
Change in cash flow hedge reserve transferred to balance sheet		(5)	-	7
Share of movements in associates' and joint ventures' reserves	D1	33	5	(9)
Tax effect		-	1	(91)
Items that may be reclassified subsequently to profit or loss				
Change in cash flow hedge reserve		(18)	86	101
Tax effect		5	(21)	(23)
Other comprehensive income for the period, net of taxation		15	71	308
Total comprehensive income for the period attributable to owners of the parent		35	4	309

The accompanying notes form an integral part of these financial statements.



CONSOLIDATED BALANCE SHEET

As at 31 December 2025

	Note	Unaudited 31 Dec 2025 \$M	Unaudited 31 Dec 2024 \$M	Audited 30 Jun 2025 \$M
SHAREHOLDERS' EQUITY				
Issued capital		486	378	416
Treasury shares		-	(1)	-
Reserves		4,319	4,313	4,487
Total shareholders' equity		4,805	4,690	4,903
ASSETS				
Current assets				
Cash and cash equivalents		73	99	86
Trade and other receivables		402	440	498
Contract assets and costs		40	36	33
Inventories		97	134	126
Derivative financial instruments	E1	156	181	172
Taxation receivable		-	3	-
Total current assets		768	893	915
Non-current assets				
Property, plant and equipment	B1	8,817	8,267	8,715
Intangible assets	B2	101	127	102
Investment in and advances to associates and joint ventures	D1	119	75	95
Advances to associates	D2	4	4	4
Contract assets and costs		18	23	28
Derivative financial instruments	E1	61	133	99
Total non-current assets		9,120	8,629	9,043
Total assets		9,888	9,522	9,958

	Note	Unaudited 31 Dec 2025 \$M	Unaudited 31 Dec 2024 \$M	Audited 30 Jun 2025 \$M
LIABILITIES				
Current liabilities				
Payables and accruals		249	295	377
Provisions		20	1	-
Borrowings	C2	468	610	233
Derivative financial instruments	E1	208	188	234
Taxation payable		30	-	8
Total current liabilities		975	1,094	852
Non-current liabilities				
Provisions		74	85	89
Borrowings	C2	1,877	1,590	2,046
Derivative financial instruments	E1	558	418	364
Deferred tax		1,599	1,645	1,704
Total non-current liabilities		4,108	3,738	4,203
Total liabilities		5,083	4,832	5,055
Net assets		4,805	4,690	4,903

The financial statements were authorised on behalf of the Mercury NZ Limited Board of Directors on 24 February 2026.

SCOTT ST JOHN
CHAIR OF THE BOARD OF DIRECTORS

ROB HAMILTON
CHAIR OF THE AUDIT AND FINANCIAL
RISK COMMITTEE



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2025

	Note	Issued capital \$M	Retained earnings \$M	Asset revaluation reserve \$M	Cash flow hedge reserve \$M	Other reserves \$M	Total equity \$M
Balance as at 1 July 2024		378	369	4,334	(216)	(16)	4,849
Movement in cash flow hedge reserve, net of taxation	E1	-	-	-	66	-	66
Share of movements in associates' and joint ventures' reserves	D1	-	-	-	5	-	5
Other comprehensive income		-	-	-	71	-	71
Net profit/(loss) for the period		-	(67)	-	-	-	(67)
Total comprehensive income for the period		-	(67)	-	71	-	4
Dividend	C1	-	(195)	-	-	-	(195)
Distribution of treasury shares for dividend reinvestment programme	C1	-	18	-	-	14	32
Balance as at 31 December 2024 (Unaudited)		378	125	4,334	(145)	(2)	4,690
Balance as at 1 January 2025		378	125	4,334	(145)	(2)	4,690
Movement in asset revaluation reserve, net of taxation		-	-	232	-	-	232
Movement in cash flow hedge reserve, net of taxation		-	-	-	19	-	19
Share of movements in associates' and joint ventures' reserves	D1	-	-	-	(14)	-	(14)
Other comprehensive income		-	-	232	5	-	237
Net profit for the period		-	68	-	-	-	68
Total comprehensive income for the period		-	68	232	5	-	305
Dividend	C1	-	(135)	-	-	-	(135)
Issuance of new shares for dividend reinvestment programme		38	-	-	-	-	38
Issue of treasury shares for dividend reinvestment programme	C1	-	2	-	-	1	3
Other movements		-	-	-	-	2	2
Balance as at 30 June 2025 (Audited)		416	60	4,566	(140)	1	4,903
Balance as at 1 July 2025		416	60	4,566	(140)	1	4,903
Movement in cash flow hedge reserve, net of taxation	E1	-	-	-	(18)	-	(18)
Share of movements in associates' and joint ventures' reserves	D1	-	-	17	16	-	33
Other comprehensive income/(loss)		-	-	17	(2)	-	15
Net profit for the period		-	20	-	-	-	20
Total comprehensive income/(loss) for the period		-	20	17	(2)	-	35
Dividend	C1	-	(203)	-	-	-	(203)
Issuance of new shares for dividend reinvestment programme	C1	70	-	-	-	-	70
Other movements and rounding		-	-	-	(1)	1	-
Balance as at 31 December 2025 (Unaudited)		486	(123)	4,583	(143)	2	4,805

The 'Other reserves' category includes treasury shares, the foreign currency translation reserve and the share based payment reserve.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2025

	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	1,768	2,143	3,806
Payments to suppliers and related parties	(1,204)	(1,628)	(2,848)
Payments to employees	(83)	(87)	(169)
Interest received	1	2	4
Interest paid	(47)	(62)	(121)
Taxes paid	(84)	(140)	(189)
Net cash provided by operating activities	351	227	483
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of property, plant and equipment	(273)	(202)	(437)
Payments for acquisition of intangibles	(18)	(13)	(30)
Payments for investments in associates and joint ventures	-	-	(31)
Proceeds from sale of intangibles	-	-	33
Distributions received from/(advances paid to) associates and joint ventures	11	3	9
Net (lodgements)/return of prudential deposits	10	17	19
Net cash (used)/received in investing activities	(270)	(194)	(437)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	404	853	3,085
Repayment of borrowings	(356)	(660)	(2,816)
Principal repayment of lease liabilities	(9)	(8)	(17)
Dividends paid	(133)	(163)	(256)
Net cash used in financing activities	(94)	22	(4)
Net increase/(decrease) in cash and cash equivalents held	(13)	55	42
Cash and cash equivalents at the beginning of the period	86	44	44
Cash and cash equivalents at the end of the period	73	99	86
Cash and cash equivalents balance comprises:			
Cash held at bank at the end of the period	73	99	66
Term deposits held at the end of the period	-	-	20
Total cash and cash equivalents at the end of the period	73	99	86

The accompanying notes form an integral part of these financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2025

GENERAL INFORMATION

General information

The Group Consolidated Condensed Interim Financial Statements ("Group Financial Statements") are for Mercury NZ Limited ("the Company"), as the parent, and its subsidiaries and interests in joint arrangements ("the Group").

The Company is incorporated in New Zealand and registered under the Companies Act 1993. It is listed on the NZX Main Board and on the ASX, with foreign exempt listed status. It also has bonds quoted on the NZX debt market. The Company is an FMC reporting entity under the Financial Markets Conduct Act 2013.

The Company is a mixed ownership model company, majority owned by the New Zealand Government, and is bound by the requirements of the Public Finance Act 1989. The liabilities of the Group are not guaranteed in any way by the New Zealand Government or by any other shareholder.

Basis of preparation

The unaudited Group financial statements have been prepared:

- In accordance with the Financial Markets Conduct Act 2013, Generally Accepted Accounting Practice in New Zealand ("GAAP"), the New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting and International Accounting Standard 34 Interim Financial Reporting.
- On a historical cost basis, with the exception of certain fair value measurements.
- Using the same accounting policies for all reporting periods presented.
- With presentation in millions of New Zealand dollars, unless otherwise stated.
- Exclusive of GST, with the exception of payables and receivables that include GST invoiced.

These Group financial statements, including the accounting policies adopted, do not include all the information and disclosures required in the annual financial statements. Beyond those disclosed below, the Group financial statements have been prepared using the same accounting policies as, and should be read in conjunction with, the Group's annual financial statements for the year ended 30 June 2025.

Estimates and judgements

The preparation of financial statements requires judgements and estimates that impact the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The areas of significant estimates and judgements are as follows:

- Fair value of generation plant and equipment (refer to **note B1**).
- Valuation of derivative financial instruments (refer **note E1**).

Accounting standards, interpretations and amendments not yet effective

In May 2024, the External Reporting Board (XRB) introduced NZ IFRS 18 *Presentation and Disclosure in Financial Statements* (effective for reporting periods beginning on or after 1 January 2027). NZ IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures, and includes new requirements for the aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. This standard replaces NZ IAS 1 *Presentation of Financial Statements*. The Group has not yet assessed the impact of NZ IFRS 18.

Contracts Referencing Nature Dependent Electricity – *Amendments to NZ IFRS 9 and NZ IFRS 7* was issued in May 2025 by the XRB, effective for reporting periods beginning on or after 1 January 2026. These amendments introduce requirements addressing contracts referencing nature-dependent electricity. The amendments include clarifying the application of the 'own-use' requirements; permitting hedge accounting if these contracts are used as hedging instruments; and adding new disclosure requirements to enable investors to understand the effect of these contracts. The Group has not yet assessed the impact of these amendments.

There are no other accounting standards, that are not yet effective, that will have a material impact on the Group's financial statements.

A. FINANCIAL PERFORMANCE

NOTE A1. REVENUE

Mercury earns revenue from the following sources:

Revenue stream	Description and revenue recognition
Electricity generation, net of hedging	Revenue is received from: • Electricity generated and sold through the New Zealand electricity spot market and physical power purchase agreements (PPAs). Revenue is recognised at the time of generation and at the spot price or contract price. • Net settlement of hedged energy contracts sold or bought on the futures market, and to generators, retailers and commercial and industrial customers and recognised at the time of hedge settlement.
Electricity and gas sales to customers	• Electricity and gas sales to customers are recognised when the energy is supplied for customer consumption. • Acquisition incentives such as credits and appliances are offered to new customers and treated as individual performance obligations and a portion of the expected revenue over the life of the total contract is allocated to the performance obligation based on their standalone selling price and recognised immediately. Corresponding contract assets are recognised on the balance sheet and amortised to the income statement over the contract period as the future consideration is billed. Incremental costs to obtain and retain customers are recognised on the balance sheet as contract costs and amortised to the income statement on a straight-line basis over the expected average mass market customer tenure.
Telco revenue	Customers consume mobile and broadband services which are measured and billed according to monthly billing cycles and are recognised when the service has been provided. Acquisition incentives are treated the same as above.
Other income	Income is received from: • Insurance proceeds. Income is recognised at the time the insurance proceeds are virtually certain to be received. • External management fees. Revenue is recognised at the time the services have been delivered. • Sale of emission units sold to third parties. The sale is recognised at the point in time that the emission unit is confirmed as being transferred into the acquirer's emission unit account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2025

A. FINANCIAL PERFORMANCE

NOTE A2. SEGMENT REPORTING

Identification of reportable segments

The operating segments are identified by management based on the nature of the products and services provided. Discrete financial information about each of these operating segments is reported to the Chief Executive, being the chief operating decision-maker, on a monthly basis, who assesses the performance of the operating segments on a measure of EBITDAF.

EBITDAF is a non-GAAP measure that is used internally to assess the operating performance of the Group without the impact of non-cash and one-off or infrequent transactions. Segment EBITDAF represents earnings before net interest expense, tax expense, depreciation, amortisation, unrealised change in the fair value of financial instruments, gain/(loss) on disposal and impairments by each segment inclusive of an allocation of central operating revenue and costs. Operating segments are aggregated into reportable segments only if they share similar economic characteristics.

The segment report includes a Derivatives category within the Electricity margin. This represents the settlement (realised gains or losses) of both hedged and unhedged electricity swaps, as well as premiums related to electricity options.

Realised gains or losses (settlements) on unhedged electricity swaps are reported within Electricity margin for the purposes of EBITDAF, but are reported within the change in fair value of financial instruments in the income statement. Realised gains or losses (settlements) on hedged electricity swaps and premiums on electricity options are reported within Electricity margin for the purposes of EBITDAF, and within revenue or expenses as appropriate in the income statement. Unrealised gains or losses on both hedged and unhedged electricity swaps are not included in EBITDAF and are reported in either change in fair value of financial instruments in the income statement or in other comprehensive income. A reconciliation of EBITDAF to profit before tax can be found in the summary table of the note.

Identified segments

Generation/Wholesale

The generation/wholesale market segment encompasses activity associated with electricity production, electricity trading and generation development activities and the Company's share of associates' earnings in TPC Holdings Limited (refer to **note D1**). It includes revenue from the sale of electricity, to both commercial and industrial customers and the customer segment, net settlement of energy hedges and sale of trading emissions units to third parties. It also includes transfer revenue from the customer segment to the generation/wholesale segment for the purchase of electricity.

Customer

The customer market segment encompasses activity associated with the sale of electricity, gas, telecommunication products and services and other related products and services to mass market customers in New Zealand.

Other

This represents corporate support services which are not directly attributable to the generation/wholesale or customer segments and the Company's share of associates' earnings in EnergySource LLC, EnergySource Minerals LLC and Forest Partners Limited Partnership (refer to **note D1**).

Inter-segment

These are transactions between segments that represent transfer charges by the generation/wholesale segment to the customer segment for the purchase of electricity.

SEGMENT RESULTS

	Generation/ Wholesale \$M	Customer \$M	Other \$M	Inter-segment \$M	Total \$M
For the six months ended 31 December 2025 (Unaudited)					
Generation	429	-	-	-	429
Sales to customers	262	745	-	-	1,007
Inter-segment sales	371	-	-	(371)	-
Derivatives	23	-	-	-	23
Electricity purchases	(354)	(371)	-	371	(354)
Transmission and distribution	(80)	(318)	-	-	(398)
Metering	(3)	(30)	-	-	(33)
ELECTRICITY MARGIN	648	26	-	-	674
Gas Revenue	-	79	-	-	79
Gas purchases	-	(19)	-	-	(19)
Transmission and distribution	-	(26)	-	-	(26)
Metering	-	(6)	-	-	(6)
GAS MARGIN	-	28	-	-	28
Telco Revenue	-	109	-	-	109
Cost of sales	-	(74)	-	-	(74)
TELCO MARGIN	-	35	-	-	35
Other direct cost of sales	(7)	(24)	-	-	(31)
TRADING MARGIN	641	65	-	-	706
Other Income	13	1	-	-	14
Employee compensation and benefits	(31)	(42)	(11)	-	(84)
Maintenance expenses	(31)	(11)	-	-	(42)
Other expenses	(21)	(19)	(17)	-	(57)
Allocation of corporate overheads	(15)	(13)	28	-	-
Total operating expenses	(98)	(85)	-	-	(183)
Segment EBITDAF	556	(19)	-	-	537
Summary and reconciliation to net profit before tax					
Revenue	1,101	934	-	(371)	1,664
Expenses	(542)	(953)	-	371	(1,124)
Premiums for electricity options within derivatives (presented within expenses)	(2)	-	-	-	(2)
Realised gain/(loss) on unhedged electricity swaps (presented within change in fair value of financial instruments)	(3)	-	-	-	(3)
Share of profit/(loss) from associates and joint ventures	2	-	-	-	2
Segment EBITDAF	556	(19)	-	-	537
Change in fair value of carbon units held for trading					(25)
Unrealised gain/(loss) on unhedged derivatives and hedge ineffectiveness through income statement					(259)
Interest income					1
Interest expense					(49)
Depreciation and amortisation					(178)
Profit/(loss) before tax					27



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2025

NOTE A2. SEGMENT REPORTING (CONTINUED)

	Generation/ Wholesale \$M	Customer \$M	Other \$M	Inter-segment \$M	Total \$M
For the year ended 30 June 2025 (Audited)					
Generation	1,418	-	-	-	1,418
Sales to customers	493	1,336	-	-	1,829
Inter-segment sales	638	-	-	(638)	-
Derivatives	114	-	-	-	114
Electricity purchases	(1,452)	(638)	-	638	(1,452)
Transmission and distribution	(134)	(543)	-	-	(677)
Metering	(4)	(61)	-	-	(65)
ELECTRICITY MARGIN	1,073	94	-	-	1,167
Gas Revenue	-	122	-	-	122
Gas purchases	-	(47)	-	-	(47)
Transmission and distribution	-	(43)	-	-	(43)
Metering	-	(10)	-	-	(10)
GAS MARGIN	-	22	-	-	22
Telco Revenue	-	187	-	-	187
Cost of sales	-	(131)	-	-	(131)
TELCO MARGIN	-	56	-	-	56
Other direct cost of sales	(44)	(48)	-	-	(92)
TRADING MARGIN	1,029	124	-	-	1,153
Other Income	26	3	-	-	29
Employee compensation and benefits	(58)	(84)	(33)	-	(175)
Maintenance expenses	(74)	(22)	-	-	(96)
Other expenses	(48)	(38)	(39)	-	(125)
Allocation of corporate overheads	(38)	(34)	72	-	-
Total operating expenses	(218)	(178)	-	-	(396)
Segment EBITDAF	837	(51)	-	-	786

	Generation/ Wholesale \$M	Customer \$M	Other \$M	Inter-segment \$M	Total \$M
For the year ended 30 June 2025 (Audited)					
Summary and reconciliation to net profit before tax					
Revenue	2,488	1,648	-	(638)	3,498
Expenses	(1,852)	(1,699)	-	638	(2,913)
Premiums for electricity options within derivatives (presented within expenses)	(4)	-	-	-	(4)
Realised gain/(loss) on unhedged electricity swaps (presented within change in fair value of financial instruments)	192	-	-	-	192
Share of profit/(loss) from associates and joint ventures	13	-	-	-	13
Segment EBITDAF	837	(51)	-	-	786
Gain on disposal of carbon units					18
Change in fair value of carbon units held for trading					11
Unrealised gain/(loss) on unhedged derivatives and hedge ineffectiveness through income statement					(340)
Interest income					4
Interest expense					(121)
Depreciation and amortisation					(357)
Profit before tax					1



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2025

NOTE A2. SEGMENT REPORTING (CONTINUED)

	Generation/ Wholesale \$M	Customer \$M	Other \$M	Inter-segment \$M	Total \$M
For the six months ended 31 December 2024 (Unaudited)					
Generation	699	-	-	-	699
Sales to customers	229	685	-	-	914
Inter-segment sales	342	-	-	(342)	-
Derivatives	90	-	-	-	90
Electricity purchases	(720)	(342)	-	342	(720)
Transmission and distribution	(63)	(271)	-	-	(334)
Metering	(2)	(30)	-	-	(32)
ELECTRICITY MARGIN	575	42	-	-	617
Gas Revenue	-	65	-	-	65
Gas purchases	-	(31)	-	-	(31)
Transmission and distribution	-	(23)	-	-	(23)
Metering	-	(5)	-	-	(5)
GAS MARGIN	-	6	-	-	6
Telco Revenue	-	98	-	-	98
Cost of sales	-	(63)	-	-	(63)
TELCO MARGIN	-	35	-	-	35
Other direct cost of sales	(18)	(25)	-	-	(43)
TRADING MARGIN	557	58	-	-	615
Other income	8	2	-	-	10
Employee compensation and benefits	(36)	(44)	(11)	-	(91)
Maintenance expenses	(35)	(15)	-	-	(50)
Other expenses	(38)	(16)	(12)	-	(66)
Allocation of corporate overheads	(12)	(11)	23	-	-
Total operating expenses	(121)	(86)	-	-	(207)
Segment EBITDAF	444	(26)	-	-	418

	Generation/ Wholesale \$M	Customer \$M	Other \$M	Inter-segment \$M	Total \$M
For the six months ended 31 December 2024 (Unaudited)					
Summary and reconciliation to net profit before tax					
Revenue	1,247	850	-	(342)	1,755
Expenses	(924)	(876)	-	342	(1,458)
Realised gain/(loss) on unhedged electricity swaps (presented within change in fair value of financial instruments)	117	-	-	-	117
Share of profit/(loss) from associates and joint ventures	4	-	-	-	4
Segment EBITDAF	444	(26)	-	-	418
Change in fair value of carbon units held for trading					17
Unrealised gain/(loss) on unhedged derivatives and hedge ineffectiveness through income statement					(290)
Interest income					2
Interest expense					(67)
Depreciation and amortisation					(176)
Profit before tax					(96)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2025

B. OPERATING ASSETS

NOTE B1. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M
Opening net book value	8,715	8,222	8,222
Additions	267	205	492
Disposals	-	(2)	(4)
Gain on revaluation	-	-	323
Depreciation charge for the year	(165)	(158)	(318)
Closing net book value	8,817	8,267	8,715

Property, plant and equipment includes \$103m of right-of-use assets (30 June 2025: \$105m, 31 December 2024: \$97m).

ASSETS CARRYING VALUES

All assets, except generation plant and equipment, are recognised at cost less accumulated depreciation. Fixed assets, excluding land, are depreciated on a straight line basis over their expected useful lives.

Generation plant and equipment is originally recognised at cost and subsequently measured at fair value less accumulated depreciation. An independent valuation is completed annually to determine the fair value of these assets.

AREA OF KEY JUDGEMENT

Generation asset valuation

The key assumptions used in the independent valuation include the forecast of the future wholesale electricity price path, generation volumes, projected operational and capital expenditure and asset life assumptions and discount rates. In all cases there is an element of judgement required as valuations make use of unobservable inputs. The valuation also assumes the on-going operation of large industrial customers, no material changes to the wholesale market regulatory regime, hydro and geothermal fuel supply being sustained over the modelled horizon and no material changes to generation consent conditions.

Generation assets are classified as Level 3 in the fair value hierarchy due to the use of non-market observable inputs in the valuation.

Keeping all other valuation inputs constant, the valuation is most sensitive to future wholesale electricity price path and discount rate. A review of the key inputs used in the valuation of generation assets indicates that there has been no material change in the fair value of the generation assets as at 31 December 2025.

NOTE B2. INTANGIBLE ASSETS

	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M
Opening net book value	102	132	132
Additions	14	14	30
Disposals	-	-	(16)
Surrendered units	(2)	(1)	(5)
Amortisation for the year	(13)	(18)	(39)
Closing net book value	101	127	102



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2025

C. FUNDING

NOTE C1. SHARE CAPITAL AND DISTRIBUTIONS

	Unaudited 31 Dec 2025 Number of shares (M)	Unaudited 31 Dec 2024 Number of shares (M)	Audited 30 Jun 2025 Number of shares (M)
Ordinary shares on issue	1,417	1,400	1,407
Weighted average number of shares	1,412	1,397	1,400

All ordinary shares are fully paid, do not have a par value, have equal voting rights and share equally in dividends and any surplus on winding up.

The Group issued 10,427,857 new ordinary shares (30 June 2025: 6,952,650; 31 December 2024: nil) to provide shares to shareholders that elected to reinvest the net proceeds of cash dividends payable under the DRP.

As at 31 December 2025, the Group held no treasury shares (30 June 2025: nil, 31 December 2024: 1 million shares at \$1m).

		Unaudited 31 Dec 2025 \$M	Unaudited 31 Dec 2024 \$M	Audited 30 Jun 2025 \$M
	Cents per share			
Dividends declared and paid				
Final dividend for 2024	14.0	-	195	195
Interim dividend for 2025	9.6	-	-	135
Final dividend for 2025	14.4	203	-	-
		203	195	330

Dividends of \$203m were declared during the period (30 June 2025: \$330m; 31 December 2024: \$195m), however only \$133m was paid in cash to shareholders (30 June 2025: \$256m; 31 December 2024: \$163m). The remainder relates to amounts reinvested under the DRP.

	Unaudited 31 Dec 2025 \$M	Unaudited 31 Dec 2024 \$M	Audited 30 Jun 2025 \$M
Earnings per share			
Profit/(loss) for the year attributable to owners of the parent (\$M)	20	(67)	1
Weighted average ordinary shares	1,412	1,400	1,402
Less weighted average treasury shares	-	(3)	(2)
Weighted average ordinary shares for earnings per share (millions)	1,412	1,397	1,400
Basic and diluted earnings/(loss) per share (cents)	1.42	(4.80)	0.07

NOTE C2. BORROWINGS

	Borrowing currency denomination	Maturity	Coupon	Unaudited 6 Months 31 Dec 2025 \$M Carrying amount	Unaudited 6 Months 31 Dec 2024 \$M Carrying amount	Audited 12 Months 30 Jun 2025 \$M Carrying amount
Debt measured at amortised cost						
Bank facilities	NZD	Various	Floating	-	180	-
Commercial paper programme	NZD	< 3 months	Floating	235	328	129
Debt in fair value hedge relationships						
USPP - US\$45m	USD	Dec-2025	4.60%	-	79	73
Green retail bonds - MCY040	NZD	Sep-2026	2.16%	199	194	197
Green retail bonds - MCY030	NZD	Sep-2027	1.56%	198	190	194
Green retail bonds - MCY060	NZD	Jun-2028	5.64%	159	161	160
Green wholesale bonds	AUD	Nov-2028	2.92%	218	204	206
Green wholesale bonds	NZD	Oct-2030	1.92%	141	135	138
Green wholesale bonds	AUD	Mar-2031	5.25%	458	-	444
Capital bonds - MCY050	NZD	May-2052	5.73%	256	256	256
Capital bonds - MCY070	NZD	Jul-2054	6.42%	368	369	368
Lease liabilities				122	115	125
Deferred financing costs				(9)	(11)	(11)
Total carrying value of borrowings				2,345	2,200	2,279
Current				468	610	233
Non-current				1,877	1,590	2,046
				2,345	2,200	2,279

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Some borrowings are in fair value hedge relationships and have fair value adjustments to their carrying amounts, attributable to the risk being hedged through interest rate swaps (IRS) and cross currency IRS. Fair value is calculated using the discounted cash flow method, with applicable market yield curves adjusted for the Group's credit rating. Fair value adjustments as at 31 December 2025 totalled a \$29m increase to carrying amount (30 June 2025: \$10m increase; 31 December 2024: \$8m increase).

Current borrowings include all drawn bank facilities, borrowings with a contractual maturity of less than one year, borrowings due to mature in less than one year (MCY040), accrued interest (31 December 2025: \$20m; 30 June 2025 \$19m, 31 December 2024: \$13m) and current lease liabilities (31 December 2025: \$16m; 30 June 2025: \$13m; 31 December 2024: \$12m). Undrawn borrowing facilities at 31 December 2025 totalled \$465m, net of commercial paper on issue (30 June 2025: \$570m; 31 December 2024: \$240m).

Net debt as at 31 December 2025 totalled \$2,243m (30 June 2025: \$2,183m, 31 December 2024: \$2,093m). Net debt is calculated as total carrying value of borrowings (both current and non-current) less fair value adjustments and cash.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2025

NOTE C3. NET INTEREST EXPENSE

	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M
Interest expense on borrowings	55	67	124
Interest expense on lease liabilities	4	3	7
Unwind of discount on provisions	3	2	4
Less capitalised interest	(13)	(5)	(14)
Total interest expense	49	67	121
Interest income	(1)	(2)	(4)
Net interest expense	48	65	117

Interest costs related to the construction of new generation assets are capitalised. The average rate used to determine the amount of borrowing costs eligible for capitalisation as at 31 December 2025 was 4.75% (30 June 2025: 5.33%; 31 December 2024: 5.88%).

NOTE C4. COMMITMENTS AND CONTINGENCIES

	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M
Capital commitments	429	833	601

Capital commitments

Capital commitments include purchases of both property, plant and equipment (PP&E) and intangibles. PP&E commitments include contracts for construction of Kaiwera Downs Stage II and Kaiwaikawe wind farms, installation of an additional geothermal OEC unit at Ngā Tamariki, replacement of the three intake gates at the Karapiro Power Station, and improvement of the left abutment at Arapuni to mitigate water seepage. Intangible commitments are contracts to purchase New Zealand emissions trading scheme (NZ ETS) units. In the event the NZ ETS is terminated, the existing purchase agreements, which cover the two year period from the end of the reporting period, will also terminate.

Operating commitments

As part of its day-to-day operations, the Group enters various operating arrangements and commitments with third parties to support and enhance the Group's long-term licence to operate, provide access to land, and use of natural resources. These operating arrangements may be short-, medium-, or long-term in nature.

Contingencies

1. Kawerau Geothermal Outage Insurance Claim

On 7 June 2021, the Kawerau geothermal power station experienced an unplanned outage as a result of a mechanical failure. An outage was completed in June 2023 to install replacement equipment. The Group received an initial payment of \$26m recorded as income in 2022 and a second payment of \$16m in the 2025 financial year which was recognised as income in the 2024 financial year. The Group considers it reasonably likely to receive additional insurance proceeds in the 2026 financial year once the total loss to the Group as a result of the incident has been confirmed. This will be recognised as revenue when it is virtually certain to be received.

2. Claims relating to Geothermal Resources, Land, Fresh Water

The Group holds land and has interests in fresh water and geothermal resources that are subject to claims that have been brought against the Crown. The Group discloses these claims as contingent liabilities as the value, timing and likelihood of the claims being successful are all uncertain.

(a) Wai 2358 and associated cases

A claim by the New Zealand Māori Council relating to fresh water and geothermal resources was lodged in 2012 with the Waitangi Tribunal. The inquiry was divided into three stages. In earlier stages, the Tribunal concluded that Māori have residual (but as yet undefined) proprietary rights in fresh water and geothermal resources, and it will be for the Government to determine how any such rights and interests may best be addressed. Stage three will consider law reform, including what Māori rights and interests in geothermal resources are guaranteed and protected by the Treaty of Waitangi, whether current law in respect of geothermal resources is consistent with the principles of the Treaty of Waitangi and, if not, what recommendations should be made for the reform of the current law.

Relatedly, in 2012, individuals representing hapū affiliated with Ngāti Tūwharetoa filed a claim in the Tribunal asserting customary interests in certain geothermal resources, including the Mōkai, Rotokawa and Kawerau geothermal fields. Similar claims asserting customary rights in the Rotokawa and Ngā Tamariki geothermal fields were filed in the Tribunal in 2024, by entities associated with Ngāti Tahu - Ngāti Whāoa. The impact of these Waitangi Tribunal claims on the Group's operations, and consequently the amount of any claim or recourse the Group may have should that impact be adverse to the Group's interests, are unknown at this time.

(b) Pouākani Claims Trust No 2

In 2019, the Pouākani Claims Trust No 2 and a group of kaumātua filed a claim in the Māori Land Court seeking a declaration that certain parts of the Waikato riverbed on which Mercury operates hydro assets are Māori customary land, including the riverbed beneath the Whakamaru, Maraetai I and II and Waipapa dams and the related power stations. The claim has been amended to include interests in the water flowing over the riverbed. Mercury holds the fee simple or beneficial title to those parts of the Waikato riverbed beneath the Whakamaru, Maraetai I and II and Waipapa dams and the related power stations, and has received advice that if the outcome of the claim adversely affects the Group's title to, or ability to access or operate its hydro assets, Mercury may bring a claim seeking compensation against the Crown. The claim is currently subject to a judicial review challenge to the Māori Land Court's decision to decline Mercury's application to strike out parts of the claim. The applicants have also filed a related claim in the Waitangi Tribunal under the Treaty of Waitangi Act 1975, but have not yet taken any further steps in relation to that claim.

(c) Wai Mana Whenua High Court proceedings regarding water allocation rights

In 2025, the New Zealand Māori Council and a collective of Māori landowners, hapu and iwi known as Wai Mana Whenua issued proceedings against the Crown in the High Court seeking declarations concerning Māori interests in water and water allocation. Mercury is not a party to this litigation. The impact of these proceedings on the Group's operations, and consequently the amount of any claim or recourse the Group may have should that impact be adverse to the Group's interests, are unknown at this time.

3. Letters of Credit and Guarantees

From time to time the Group will issue letters of credit and guarantees to various suppliers in the normal course of business. However, there is no expectation that any outflow of resource relating to these letters of credit or guarantees will be required.

4. Other Contingent Assets or Liabilities

The Group has no other material contingent assets or liabilities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2025

D. GROUP STRUCTURE

NOTE D1. ASSOCIATES AND JOINT ARRANGEMENTS

The Group financial statements include the following:

Interest held						
Name of entity	Principal activity	Type	Unaudited 31 Dec 2025	Unaudited 31 Dec 2024	Audited 30 Jun 2025	Country
TPC Holdings Limited	Investment holding	Associate ¹	25.00%	25.00%	25.00%	New Zealand
Rotokawa	Steamfield operation	Joint operation	64.80%	64.80%	64.80%	New Zealand
Nga Awa Purua	Electricity generation	Joint operation	65.00%	65.00%	65.00%	New Zealand
EnergySource LLC	Investment holding	Joint venture ¹	20.86%	20.86%	20.86%	United States
EnergySource Minerals LLC	Mineral extraction	Joint venture ¹	10.17%	17.73%	11.37%	United States
Forest Partners Limited Partnership	Forestry management	Associate ¹	10.00%	-	10.00%	New Zealand

¹Associates and joint ventures are equity accounted under NZ IAS 28 *Investments in Associates and Joint Ventures*.

	Associates			Joint ventures		
	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M
Balance at the beginning of the period	89	63	63	6	6	6
Additional investment during the year	-	-	31	-	-	-
Share of earnings/(losses)	2	4	13	-	-	-
Share of movement in other comprehensive income and reserves	33	5	(9)	-	-	-
Distributions received during the year	(11)	(3)	(9)	-	-	-
Balance at the end of the period	113	69	89	6	6	6

NOTE D2. RELATED PARTY TRANSACTIONS

Majority shareholder

The majority shareholder of Mercury NZ Limited is the New Zealand Government. Transactions cover a variety of services including energy, postal, travel and tax with various other Government-owned entities.

Transactions with related parties

The Group entered into a number of contracts with other Crown-controlled entities to hedge against wholesale electricity price risk, the most significant being a contract for difference with Genesis Energy Limited for generation produced at the Waipipi wind farm. During the period, the Group also entered into the Strategic Energy Reserve – Huntly Firming Option with Genesis Energy Limited, Contact Energy Limited and Meridian Energy Limited, an arrangement designed to support security of supply. All entities in this arrangement, except Contact Energy Limited, are Crown-controlled entities.

Mercury NZ Limited also has investments in subsidiaries, associates and joint arrangements, all of which are considered related parties.

As these are consolidated financial statements, transactions between related parties within the Group have been eliminated. Consequently, only those transactions between entities which have some owners external to the Group have been reported below:

	Transaction value		
	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M
Associates			
Management fees and service agreements received	9	13	22
Energy contract settlements (paid)/received	(3)	14	17
Joint operations			
Management fees and service fees received and paid	13	15	30
Energy contract settlements (paid)/received	(8)	7	(15)

An advance to TPC Holdings Limited of \$4m (30 June 2025: \$4m; 31 December 2024: \$4m) is interest free and is repayable on demand subject to certain conditions being met.

The long-term advance to our Rotokawa joint operation partner of \$1m (30 June 2025: \$1m; 31 December 2024: \$2m) carries a floating interest rate. Repayments under the advance are linked to the level of receipts under the geothermal energy supply agreement. There is no fixed repayment date; the agreement will terminate on receipt of any outstanding balances.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2025

NOTE D2. RELATED PARTY TRANSACTIONS (CONTINUED)

	Transaction value		
	Unaudited 6 Months 31 Dec 2025 \$000	Unaudited 6 Months 31 Dec 2024 \$000	Audited 12 Months 30 Jun 2025 \$000
Key management personnel compensation (paid and payable) comprised:			
Directors' fees	603	539	1,164
Benefits for the Chief Executive and Chief Financial Officer:			
Salary and other short-term benefits	1,600	2,370	4,271
Share-based payments	69	142	284
	2,272	3,051	5,719

Other transactions with key management personnel

Key management personnel are those people with responsibility and authority for planning, directing and controlling the activities of the Group. Key management personnel for the Group are considered to be the Directors, the Chief Executive and the Chief Financial Officer.

The Chief Executive and the Chief Financial Officer provide directorship services to subsidiaries, associates and joint operations as part of their employment without receiving any additional remuneration.

The Group purchases directors and officers insurance for the benefit of key management personnel in relation to the services they provide to the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2025

E. RISK

NOTE E1. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses a range of derivative contracts in order to manage risk and hedge against cash flow and fair value volatility. It is the Group's policy to apply hedge accounting to reduce volatility in profit or loss, and where possible, derivatives are designated into hedging relationships under NZ IFRS 9 *Financial Instruments* as either cash flow or fair value hedges.

Interest rate and cross currency interest rate derivatives

Interest rate and cross currency swaps are used to manage interest rate risks. Interest rate swaps where we pay-fixed, and receive-floating interest rates are designated as cash flow hedges in a relationship with a portion of floating rate debt exposure. Interest rate swaps where we receive-fixed, and pay-floating interest rates are designated as fair value hedges in a relationship with the swap rate on fixed rate bonds. Cross currency swaps are designated as both fair value and cash flow hedge relationships with the USPP and Australian denominated green wholesale bonds (refer **note C2**) depending on the component of the debt being hedged: the risk free (swap) rate as a fair value hedge; and the credit margin as a cash flow hedge.

Foreign exchange derivatives

Foreign exchange forward contracts are designated as cash flow hedges in a relationship with forecast purchases of inventory and capital equipment, mainly for maintenance and construction of generation assets.

Electricity contracts

Where possible, electricity price derivatives are designated as cash flow hedges in a relationship with forecast electricity sales and purchases. Exceptions are swaps and options used for trading (electricity futures, options and financial transmission rights) as well as other contracts that have been deemed not eligible for hedge accounting due to price reset mechanisms, termination options or variable volume structures (e.g. wind and solar power purchase agreements).

The fair values of derivative financial instruments are summarised in the following table:

	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M
CURRENT ASSETS			
Electricity price derivative	129	139	143
Interest rate derivative	14	5	9
Cross currency interest rate derivative	7	21	20
Foreign exchange derivative	6	16	-
	156	181	172
CURRENT LIABILITIES			
Electricity price derivative	183	162	197
Interest rate derivative	24	22	23
Cross currency interest rate derivative	1	4	5
Foreign exchange derivative	-	-	9
	208	188	234
NON-CURRENT ASSETS			
Electricity price derivative	28	113	83
Interest rate derivative	14	20	16
Cross currency interest rate derivative	19	-	-
	61	133	99
NON-CURRENT LIABILITIES			
Electricity price derivative	531	370	326
Interest rate derivative	27	46	35
Cross currency interest rate derivative	-	2	3
	558	418	364

	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M
Change in fair value of financial instruments			
Realised gain/(loss) on unhedged electricity swaps	(3)	117	192
Unrealised gain/(loss) on unhedged derivatives and hedge ineffectiveness through income statement	(259)	(290)	(340)
Change in fair value of derivative financial instruments per income statement	(262)	(173)	(148)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2025

NOTE E1. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

AREA OF KEY JUDGEMENT

Fair value estimation

Valuation techniques

All fair value balances are assigned to a fair value hierarchy level as defined by NZ IFRS 13 *Fair Value Measurement*. No transfers occurred between hierarchy levels in the period ended 31 December 2025.

The following table provides a breakdown of the fair value of derivatives by the source of key valuation inputs:

Unaudited 31 December 2025	Quoted market price	Market observable inputs	Non-market observable inputs	Total
Valuation technique	Level 1 \$M	Level 2 \$M	Level 3 \$M	\$M
Financial assets				
Derivative instruments				
Electricity price derivatives	7	-	150	157
Interest rate derivatives	-	28	-	28
Cross currency interest rate derivatives	-	26	-	26
Foreign exchange rate derivatives	-	6	-	6
	7	60	150	217
Financial liabilities				
Derivative instruments				
Electricity price derivatives	93	-	621	714
Interest rate derivatives	-	51	-	51
Cross currency interest rate derivatives	-	1	-	1
Foreign exchange rate derivatives	-	-	-	-
	93	52	621	766
Net financial asset/(liability)	(86)	8	(471)	(549)

Unaudited 31 December 2024	Quoted market price	Market observable inputs	Non-market observable inputs	Total
Valuation technique	Level 1 \$M	Level 2 \$M	Level 3 \$M	\$M
Financial assets				
Derivative instruments				
Electricity price derivatives	13	-	239	252
Interest rate derivatives	-	25	-	25
Cross currency interest rate derivatives	-	21	-	21
Foreign exchange rate derivatives	-	16	-	16
	13	62	239	314
Financial liabilities				
Derivative instruments				
Electricity price derivatives	81	-	451	532
Interest rate derivatives	-	68	-	68
Cross currency interest rate derivatives	-	6	-	6
Foreign exchange rate derivatives	-	-	-	-
	81	74	451	606
Net financial asset/(liability)	(68)	(12)	(212)	(292)

Audited 30 June 2025	Quoted market price	Market observable inputs	Non-market observable inputs	Total
Valuation technique	Level 1 \$M	Level 2 \$M	Level 3 \$M	\$M
Financial assets				
Derivative instruments				
Electricity price derivatives	13	-	213	226
Interest rate derivatives	-	25	-	25
Cross currency interest rate derivatives	-	20	-	20
Foreign exchange rate derivatives	-	-	-	-
	13	45	213	271
Financial liabilities				
Derivative instruments				
Electricity price derivatives	97	-	426	523
Interest rate derivatives	-	58	-	58
Cross currency interest rate derivatives	-	8	-	8
Foreign exchange rate derivatives	-	9	-	9
	97	75	426	598
Net financial asset/(liability)	(84)	(30)	(213)	(327)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2025

NOTE E1. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Valuation of Level 1 financial instruments

Level 1 financial derivatives include ASX futures and financial transmission rights with fair values determined using quoted prices. These prices represent regularly occurring market transactions on an orderly basis.

Valuation of Level 2 financial instruments

The fair values of Level 2 derivatives are determined using discounted cash flow models. Listed below are the Level 2 derivatives and the key inputs to the valuation model.

Derivative	Valuation Input
Cross Currency Interest Rate Swaps (CCIRS)	Forward interest rate price curve and foreign exchange rate curve
Interest Rate Swaps	Forward interest rate curve
Foreign Exchange Contract	Forward foreign exchange rate curves

Valuation of Level 3 financial instruments

The Group uses various methods in estimating the fair value of an electricity financial derivative. Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument, there are two key inputs being used:

	Unaudited 6 Months 31 Dec 2025	Unaudited 6 Months 31 Dec 2024	Audited 12 Months 30 Jun 2025
Price path	\$109/MWh to \$189/MWh	\$98/MWh to \$177/MWh	\$100/MWh to \$182/MWh
Discount rate	2.6% to 14.7%	3.3% to 10.8%	3.2% to 12.1%

The wide range in discount factors are driven by entering into longer term derivative contracts. Forward electricity spot prices in the front end of the curve in HY26 were higher, driven by futures price, thus resulting in a higher maximum price of \$189/MWh in HY26 compared to \$182/MWh in FY25.

The selection of valuation inputs requires significant judgement, and therefore there is a range of reasonable assumptions in respect of these inputs that could be used in estimating the fair values of these derivatives. Maximum use is made of observable market data when selecting inputs and developing assumptions for the valuation technique.

Reconciliation of Level 3 unrealised fair value movements

The unrealised Level 3 fair value movements in the Group's Consolidated Income Statement are recognised within 'change in the fair value of financial instruments', along with realised gains/losses on financial instruments not in a hedging relationship.

	Financial instruments in a hedging relationship			Financial instruments not in a hedging relationship			Total		
	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M
Opening balance sheet position	(155)	(259)	(271)	(58)	223	236	(213)	(36)	(35)
New contracts	(68)	-	(3)	1	2	3	(67)	2	-
Matured contracts	(1)	49	102	(4)	5	-	(5)	54	102
Gains, losses, and ineffectiveness							-	-	-
Through the income statement	-	(10)	8	(224)	(257)	(297)	(224)	(267)	(289)
Through other comprehensive income	38	35	9	-	-	-	38	35	9
Closing balance sheet position	(186)	(185)	(155)	(285)	(27)	(58)	(471)	(212)	(213)

Sensitivity of Level 3 fair value measurements

The Group uses unobservable inputs to measure the fair value of Level 3 electricity derivatives. These inputs are most sensitive to changes in electricity forward prices. These electricity price derivatives are in a net liability position on the balance sheet. The Group has a net 'sell' exposure with fixed strike prices so that an increase in the forward price would likely result in a decrease in fair value and a decrease in the forward price would likely result in an increase in fair value.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2025

NOTE E1. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Deferred 'inception' gains/(losses) on Level 3 derivatives

There is a presumption that, when derivative contracts are entered into at an arm's length basis, the fair value at inception is nil, excluding any consideration paid or payable. The contract price of non exchange traded electricity derivative contracts are agreed on a bilateral basis, the pricing for which may differ from the prevailing derived market price curve (ASX futures and the Group's internal price curve) for a variety of reasons. In these circumstances, an inception adjustment is made to bring the initial fair value of the contract to zero at inception. This inception adjustment is amortised over the life of the contract by adjusting the future price path used to determine the fair value of the derivatives by a constant amount to return the initial fair value to zero.

The table below details the movements in inception value gains/(losses) included in the fair value of derivative financial assets and liabilities:

	Unaudited 6 Months 31 Dec 2025 \$M	Unaudited 6 Months 31 Dec 2024 \$M	Audited 12 Months 30 Jun 2025 \$M
Electricity price derivatives			
Opening deferred inception gains/(losses)	(17)	(1)	(1)
Deferred inception gains/(losses) on new hedges	(100)	8	4
Deferred inception(losses)/gains realised during the year	22	(11)	(20)
Closing inception gains/(losses)	(95)	(4)	(17)

F. OTHER

NOTE F1. SUBSEQUENT EVENTS AND OTHER MATTERS

The Board has approved a fully imputed interim dividend of 10.0 cents per share to be paid on 1 April 2026. For the interim dividend, the Group plans to continue with its dividend reinvestment plan, with a strike price to be determined by the average of daily volume weighted average sale price for a share, calculated on all price setting trades of shares that will take place through the NZX Main Board over a period of five trading days starting on 9 March 2026, less a 2% discount.

There are no other material events subsequent to balance date that would affect the fair presentation of these financial statements.



INFORMATION FOR SHAREHOLDERS

SHAREHOLDER ENQUIRIES

You can view your investment portfolio, change your address, supply your email, update your details or payment instructions online: www.investorcentre.com/nz. You will need your CSN and FIN to access this service.

Enquiries may be addressed to the Share Registrar (see Directory for contact details).

INVESTOR INFORMATION

Our website at mercury.co.nz is an excellent source of information about what's happening within the company.

Our Investor Centre allows you to view all regular investor communications, information on our latest operating and financial results, dividend payments, news and share price history.

ELECTRONIC SHAREHOLDER COMMUNICATION

It is quick and easy to make the change to receiving your reports electronically. This can be done either:

- Online at www.investorcentre.com/nz by using your CSN and FIN (when you log in for the first time). Select 'My Profile' and 'Communication Preferences' to update your details, or;
- By contacting Computershare Investor Services Limited (see Directory for contact details).

DIRECTORY

BOARD OF DIRECTORS

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Mark Binns
Rob Hamilton
Hannah Hamling
Adrian Littlewood
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EXECUTIVE LEADERSHIP TEAM

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Suraiya Phillimore-Smith
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Chief Operating Officer - Generation

Catherine Thompson
Chief Sustainability Officer

Tim Thompson
Executive GM Wholesale

Matt Tolcher
Executive GM Generation Development

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