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28 February 2020

NZX Announcement

For immediate release

NZ WINDFARMS LIMITED (NWF): HALF YEAR RESULTS FOR THE PERIOD ENDING 31 DECEMBER 2019

Key Metrics

- **Record Total Revenue: $7.0m** (2018: $6.4m)
- **Record EBITDAF[1]: $5.1m** (2018: $2.0m)
- **NPAT[2]: $0.58m** (2018: -$0.02m)
- **Generation: 67.7 GWh** (2018: 53.2 GWh)
- **Net GWP[3]: $103.50 per MWh** (2018: 78.33 per MWh)
- **Operating Cashflow[4]: $4.7m** (2018: $2.4m)
- **Debt repayment: $0.47m** (2018: $0.47m)
- **H1 Average Mean Wind Speed: 10.0 m/s** (2018: 9.3 m/s)
- **Dividend - 30 Sep 2019: 0.40 cps (unimputed)** (pcp: none)
- **Dividend - 31 Dec 2019: 0.70 cps (unimputed)** (pcp: none) (announced today)

Highlights for the half year

The Company has set new first half year records for revenue $7.0m (2018: $6.4m), and EBITDAF of $5.1m (2018: $2.0m).

Record revenue was driven by a combination of high wholesale and hedge price levels throughout the period and excellent generation conditions (H1 Average Mean Wind Speed: 10.0 m/s (2018: 9.3 m/s)) resulting in half year production of 67.7 GWh (2018: 53.2 GWh).

Costs were largely kept under control versus the prior period leading to record EBITDAF of $5.1m (2018: $2.0m). Interest costs are down reflecting historically low interest rates and the diminishing loan balance. This led to NPAT of $0.58m (2018: -$0.02m)

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1 EBITDAF - Earnings before interest, tax, depreciation, amortisation and financial instruments. EBITDAF is a non-GAAP financial measure. Any hedges that have been transacted or closed within the period that replicate future hedging positions are excluded. In NWF's case, EBITDAF excludes electricity hedges that relate to transactions that fall outside of the reporting period. The Company utilises EBITDAF internally to evaluate profit and loss that relates to the financial period.

2 NPAT = Net profit after tax. This is referred to as total comprehensive income and profit (loss) after tax in the financial statements.

3 Net GWP = Net generation weighted price = (electricity sales + gain on realised derivatives – loss on realised derivatives) / generation

4 Operating cashflow is referred to as net cash inflow (outflow) from operating activities in the financial statements.

During the half year period NWF commenced hedging price risk under a variable volume fixed price agreement (VVFPA). This improves the Company's risk profile and simplifies hedging operations.

Operational Performance

A disciplined focus on capital expenditure and operations has resulted in the continuation of strong operating and financial performance.

The increased wind resource over the last six month period has resulted in good generation conditions, but additional run hours creates more faults, additional maintenance (some involving long lead time replacement components) and relatively fewer weather windows to carry out crane lifting and high access rope or platform operations. This has led to a slight decrease in availability for the period to 96.8% vs industry benchmark of 97.0%.

We continue to work with neighbours to optimise our voluntary curtailment effectiveness.

Capital Expenditure

The turbine platform and infrastructure is robust and enhanced component life is slowly being realised as a result of continuous improvement regimes.

We continue to manage our direct relationships with suppliers, with a focus on carrying lower inventory levels, reducing lead times on some component refurbishments, and minimising turbine maintenance costs.

Bank Funding

Subsequent to the reporting period, the Board refinanced the Company's lending for three years on improved terms with BNZ. This will lower the Company's cost of debt, improve its WACC, and continue to optimise its capital structure.

Net debt is $6.3m (2018: $7.3m) and net debt to H1 EBITDAF is 1.25 times (2018: 3.59 times).

Distributions

Over the past year, the Board has taken steps to transform the Company into a stable income producing asset for its shareholders. While this process is not complete, it is progressing positively.

Today the Board is pleased to announce a 0.70 cps unimputed dividend to be paid 19 March 2020. Details are included in the accompanying distribution notice.

The Board has paid a 0.40 cps unimputed dividend for the 30 September 2019 quarter (2018: nil).

This brings the total unimputed dividends paid related to the half year reporting period to 1.10 cps (2018: nil).

FY2020 EBITDAF Guidance

The Board previously announced an EBITDA[5] guidance range for the full year ending 30 June 2020.

To clarify, the actual metric should be EBITDAF, which strips out the impact of fair value movement in financial instruments that fall outside the reporting period. As an example, any unrealised marked to market gains or losses in financial instruments that are not related to the reporting period are excluded.

The revised guidance statement is for EBITDAF of between $7.0m and $7.5m for the full year ending 30 June 2020. Note the guidance range has been narrowed and focussed to the top end of the prior range. EBITDAF for the half year ended 31 December 2019 is $5.1m (2018: $2.0m).

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[5] EBITDA (non GAAP measure) is referred to as profit before interest, impairment, amortisation, depreciation and tax in the financial statements.

Guidance is provided on the information that the Board has available to it at this time and is subject to variation due to climatic and other factors outside of NWF’s control.

Clean and renewable energy

The Company has 92 turbines with a capacity of 46 MW producing enough clean energy to power about 16,000 homes. In comparison, to generate the same amount of energy, a gas-fired power plant would emit roughly 64,000 tonnes of carbon dioxide, the same as an additional 23,000 cars on the road.

Outlook

The second half of the financial year has commenced with a continuation of excellent generation conditions. All second half generation has been hedged to a fixed price. History shows there is seasonality in the wind resource with more generation in the first half of the financial year than the second half.

The Board will continue to maintain high health and safety standards and continue to seek value enhancing strategies for shareholders.

Warren Koia
Chief Executive

About NZ Windfarms Limited

NZ Windfarms Ltd is a long term specialist wind farm owner and operator, with its revenue coming from the sale of sustainably generated electricity from its Te Rere Hau wind farm.

The Te Rere Hau wind farm is located on North Range Road in the Tararua Ranges outside of Palmerston North. The wind farm has 92 turbines with a capacity of 46 MW producing enough clean energy to power about 16,000 homes. In comparison to generate the same amount of energy, a gas-fired power plant would emit roughly 64,000 tonnes of carbon dioxide, the same as an additional 23,000 cars on the road

NZ Windfarms Ltd (NWF) is a public company listed on the NZ Stock Exchange. Up to date share trading information can be obtained from the NZX website.