

28 February 2022

NZX announcement

For immediate release

NZ WINDFARMS LIMITED (NWF): HALF YEAR RESULTS FOR THE PERIOD ENDING 31 DECEMBER 2021

Key highlights:

- Craig Stobo appointed Chairman, bringing considerable governance and capital markets experience.
- Fast-track resource consent referral submitted to Ministry for the Environment. A successful submission would allow the repower to progress along a fast-track consent pathway. A decision is pending.
- Net Electricity Revenue¹: **\$5.1m** (pcp: \$5.4m)
- EBITDAF²: **\$2.9m** (pcp: \$3.2m)
- NPAT³: **\$4.4m** (pcp: \$0.3m)
- Generation: **56.1 GWh** (pcp: 64.9 GWh)
- Net GWAP⁴: **\$91.13 per MWh** (pcp: \$83.09 per MWh)
- Operating cash flow⁵: **\$2.7m** (pcp: \$3.1m)
- Debt refinanced and increased for another three years.
- Increased debt will support unconditional adjacent land purchase and resource consent costs.
- Lost time injuries (LTI): 1 x LTI (pcp: zero)
- H1 Average Wind Speed: **9.5 m/s** (pcp: 10.2 m/s)
- **Q2 FY22 Dividend (announced today)** to be paid 4 April 2022: **0.23 cps** unimputed (pcp: 0.15 cps)

Highlights for the half year

The Board and management is delighted to welcome Mr Craig Stobo as independent chairman. He will contribute considerable corporate governance and capital markets experience and has a wide range of networks that will add significant value to the current operation and the repowering programme.

Chairman Craig Stobo says, "I'm delighted to join the NZ Windfarms Board at a time when there is an opportunity to amplify its vital contribution to New Zealand's energy supply and climate change goals. The highlight for me for this reporting period was to make good progress on consenting and planning for the repower of our wind farm".

As announced in December 2021, the Company has made an application to the Ministry for the Environment to refer the repowering of the Te Rere Hau wind farm to the Fast-Track consenting process. The period for comments from local authorities and relevant Ministers closed earlier this month

¹ Net Electricity Revenue = electricity sales + gain on realised derivatives – loss on realised derivatives

² 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 relates 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.

³ NPAT = Net Profit after tax. This is referred to as total comprehensive income and profit (loss) after tax in the financial statements.

⁴ Net GWAP = Net generation weighted average price = (electricity sales + gain on realised derivatives – loss on realised derivatives) / generation.

⁵ Operating cashflow is referred to as net cash inflow (outflow) from operating activities in the financial statements.

and NZ Windfarms has provided further information. The Company will update the market once a decision has been received.

The company has achieved a solid financial performance for the half year with net electricity revenue of \$5.1m (pcp: \$5.4m) and EBITDAF of \$2.9m (pcp: \$3.2m).

The company continued to benefit from variable volume fixed price agreements (VVFPA) \$91.13 per MWh, with price up on the comparable period last year \$83.09 per MWh. However, half year production was down on last year at 56.1 GWh (pcp: 64.9 GWh).

Operating and capital expenditure

Chief Executive Warren Koia says, “this is a solid result considering average wind speeds were much lower than anticipated. Our progress on consenting to repower the Te Rere Hau wind farm did impact cash flow and therefore our dividends for this period, but this is a prudent investment into the Company’s future”.

Costs were tightly managed including an ongoing focus on managing impacts of the COVID-19 pandemic, both in New Zealand and throughout our international equipment supply chain.

One off consenting costs impacted cash flow and therefore dividend levels for this period, but good progress has been made on our repowering programme. BNZ has increased our debt facility to fund a portion of these costs. If the company chooses to draw down on this facility, it will enable the Company to spread the cash flow impact over several years.

The consenting costs are capitalised, which is consistent with the treatment of existing consents. This explains the difference between higher EBITDAF levels (consenting costs are excluded from this calculation) but lower free cash flow and thus dividend levels.

One Lost Time Injury (LTI) was the result of an employee’s hand being crushed by a pitch rod (large and heavy steel rod) during stowage. Medical care was administered resulting in minor injuries. Waiting for an x-ray appointment during COVID-19 lock downs created the lost time statistic. This LTI did not require WorkSafe involvement.

Capital expenditure on the existing asset base was well managed. Lower generation typically leads to lower key component replacements and higher availability (97.5% compared to the OEM benchmark of 95.0%).

Strategy

BNZ has refinanced existing bank funding facilities for another three years and has increased the debt facility to support the unconditional purchase of an adjacent land block that is currently leased by the Company under a wind right agreement until settlement on 8 April 2022. The increased debt facility will also enable us to fund a portion of the resource consent costs.

Development options have been executed on neighbouring farm blocks to create an option to extend the Te Rere Hau wind farm footprint as part of the repower programme. The new development areas will link the current wind farm and the Pahiatua track road.

Dividends

A Q2 dividend of 0.23 cps (pcp: 0.15 cps) was announced today. The Company’s dividend policy adopted last year provides for dividends of 70% to 100% of free cash flow.

Board changes

In October 2021, the former chairman, John Southworth, retired from the Board of Directors. The Company acknowledges John’s considerable contribution to the development of the business, and thanks him for his efforts. We are grateful to Christine Spring for stepping into the role of interim Chair until our new Chairman, Craig Stobo, took up the role on 1 February 2022.

FY22 EBITDAF guidance

Lower average wind speeds so far this financial year have resulted in a revision of FY22 EBITDAF expectations. Based on actual generation to date (to 27 Feb 2022), and historic averages, the revised full year generation is expected to be nearer to 106 GWh. (FY21: 110.5 GWh). This generation impact is partially offset by a higher fixed price for electricity in the second half of FY22, due to the VVFP.

Considering the generation to date and the higher fixed prices in the second half, **FY22 EBITDAF is now expected to be in the range of \$6.5m to \$7.5m**. We note that the revised range is higher than \$5.1m full year EBITDAF in FY21.

Guidance is provided on the basis of information available to the Board at this time and is subject to variations such as climatic and other factors. Forward electricity generation estimates are based on historical production volumes adjusted for relevant factors including wind speed volatility. Guidance will be updated prior to financial year end or sooner if a material event occurs.

Outlook

The company's financial outlook is tracking well relative to last year in terms of EBITDAF. Operationally, we will continue to focus on all aspects of the business. Our primary strategic focus in the second half will continue to be consenting and developing plans for the repowering of Te Rere Hau. We look forward to sharing more on these plans with the market in the coming months.

Nga mihi | Thank you

Craig Stobo
Chairman

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, or in excess of half the households in Palmerston North. 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.