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NZX announcement

For immediate release

NZ WINDFARMS LIMITED (NWF): HALF YEAR RESULTS FOR THE PERIOD ENDING 31 DECEMBER 2020 (HY21)

Key Metrics

- Total Revenue: HY21 **$6.9m** (HY20 $7.0m)
- Electricity Revenue (Including realised hedges): HY21 **$5.4m** (HY20 $7.0m)
- EBITDAF[1]: HY21 **$3.2m** (HY20 $5.0m)
- NPAT[2]: HY21 **$0.32m** (HY20 $0.51m)
- Generation: HY21 **64.9GWh** (HY20 67.7GWh)
- Net GWP[3]: HY21 **$83.09** per MWh (HY20 $103.50 per MWh)
- Operating cashflow[4]: HY21 **$3.1m** (HY20 $4.7m)
- Debt repayment: HY21 **$0.47m** (HY20 $0.47m)
- H1 Average Mean Wind Speed: HY21 **10.2 m/s** (HY20 10.0 m/s)
- Dividend – paid 22 Sept 2020: **0.70 cps** unimputed final FY20 dividend
- Dividend – paid 31 Dec 2020: **0.40 cps** unimputed dividend
- Dividend (announced today) paid 9 Apr 2021: **0.15 cps** unimputed interim dividend

Highlights for the half year and affirmed guidance

NZ Windfarms Limited's (NZX: NWF) has met expectations for the half year and affirms guidance for the full year. Financial performance has been solid for the half year with EBITDAF of $3.2m (HY20 $5.0m) but down on the record set in the prior period.

The net electricity price received including the effect of realised hedging was $83.09 MWh. Again this was down on the record set during the prior period $103.50 MWh. Half year electricity generation was 64.9 GWh's down on the prior period 67.7GWh's but ahead of budgeted generation for the period.

Please refer to the investor presentation for the half year period which provides historic context to the financial and operational results. The half year revenue (including realised hedges), half year net electricity price, and half hear EBITDAF, are the second highest in the Company's operating history.

The half year performance continues to reflect effective cost control, capital management and electricity price hedging through the company's variable volume fixed price agreement (VVFPA). Management also successfully worked through the COVID-19 lockdowns and were beneficiaries of above average generation conditions.

During the period the company successfully completed its second VVFPA. The VVFPA is for 100% of the company's production from 1 January 2021 to 31 December 2021. Terms for the agreement were

[1] EBITDAF - Earnings before interest, tax, depreciation, amortisation and fair value adjustments. 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 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.

agreed 19 October 2020, and commercial terms and documentation was executed 1 December 2020. As with the previous VVFPA this provides improved certainty around future revenue.

Clean and renewable energy

The company operates 92 turbines with a capacity of 46 MW, producing enough clean energy to power around 16,000 homes. This supports Aotearoa/New Zealand's climate change commitments and sustainability goals. As a comparison, to generate the same amount of energy as NWF's wind turbines, a gas-fired power station would emit roughly 64,000 tonnes of carbon dioxide, equivalent to 23,000 cars on the road.

Operational Performance

A continued focus on a disciplined approach to capital expenditure and cost management was a feature of the period.

The company continues to achieve continuous improvement across all areas of its operations, resulting in incremental gains in operating performance, especially with respect to supply chain management for maintenance and equipment replacement.

Availability remained at a good level during the period at 95.3% slightly above the OEM benchmark of 95.0%.

The company faced minimal disruption from COVID-19, due to not only an efficient response to lockdown operating conditions, but also a relatively quick bounce-back in the market following lockdown slowdowns.

Distributions

During the period under review, the company paid out its final unimputed divided for FY20 of 0.70 cps on 22 September 2020.

Having held a cash buffer at financial year end until the latest VVFPA was finalised, the Board freed up this cash for a 0.40 cps unimputed dividend to shareholders, paid on 31 December 2020.

A formal dividend policy is being developed which, in tandem with our VVFPA, will provided greater surety in terms of outlook, EBITDAF guidance and future yield. The Board expects to announce its dividend policy later this year.

FY2021 EBITDAF guidance

The company remains on track to meet its 1 December 2020 guidance, following the execution of our VVFPA, of FY21 EBITDAF within a range of $5.7m to $6.3m.

Operating conditions over the last three months have been broadly on budget and as anticipated at the time of guidance, meaning there is no change to FY21 EBITDAF guidance at this time.

Strategic planning

Detailed work is being undertaken to determine the remaining operational lifespan of the company's main assets (WF500 turbines, transmission and electrical reticulation assets and roadways) and to what extent life extensions may be possible.

Although current turbine end of life is at the end of this decade – and there are options to extend turbine life – the company is beginning work to scope strategic planning for the coming years that will assess the optimal time to repower the fleet.

New technology options, including potentially fewer, larger turbines, with more generation potential, lower cash costs, and favourable cost of capital, may mean that an earlier investment option provides a higher return opportunity for the company. A repower option will be assessed against life extension options of the current WF500 turbine fleet. This work is on-going and may be some time before any feasibility studies are complete and conclusions can be drawn.

Board changes

During the period we farewelled Director Phil Lennon from the Board, following his retirement. The company is grateful for Phil's service to the Board and his contributions to governance and strategic matters.

Recently the Board announced that Christine Spring will join the Board from 1 March 2021 to fill the casual vacancy left by Phil Lennon. Christine is a professional director and civil engineer and currently sits on the Boards of Auckland International Airport, Unison (Hawkes Bay Lines Company), Western Sydney International Airport, and she is Chair of Isthmus Group Ltd. I would like to welcome Christine onto the Board and congratulate her on her appointment.

Outlook

Our second half has begun on budget and broadly within expectation. Our VVFPA means that future revenue becomes more predictable, and we will continue to work on continuous improvement across our operations to improve efficiency and maintain margins.

With the completion of the company's second VVFPA, the company is advancing its strategy of becoming a reliable and transparent yield generator for our shareholders and other stakeholders and we are investigating repowering options that could occur before the end of the decade.

Recent announcements about the medium-term future of Tiwai point is pleasing as it firms medium term aggregate electricity demand, it enables industry to construct transmission infrastructure north and it allows stakeholders to consider viable alternatives for the Tiwai site and any surplus renewable electricity. We also recognise recent Government renewable energy policy commitments and endorse those.

We note that the ASX forward electricity price curve has lifted significantly and firmed across tenures. NWF is currently unhedged beyond 31 December 2021.

For further information, contact:

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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.