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NZX Announcement

For immediate release

NZ WINDFARMS LIMITED (NZX: NWF): TRH REPOWER CONSENT SECURED AMID CHALLENGING FY23 MARKET CONDITIONS

Overview

The main highlight of the year was the successful attainment of a fast-track resource consent, paving the way for potentially repowering the Te Rere Hau wind farm with up to 30 new, larger, three-bladed wind turbines. Repowering the Te Rere Hau wind farm could position it as an onshore wind farm with an estimated capacity factor between 48% to 51% (compared to our current fleet capacity factor of ~25%). Average annual energy production could increase substantially from 100 to 120 GWh to between 530 GWh and 570 GWh. The Company is currently advancing confidential commercial negotiations for the repower.

Additionally, we have identified an opportunity for further expansion of the repowered wind farm with nine additional turbines through the Aokautere Extension project. This could add up to an additional 170 GWh to the production potential of the repowered wind farm (i.e. up to 740 GWh in total). This project has been successfully referred to the fast-track consenting pathway, and we are currently progressing the resource consent application. Our intention is to submit the second fast-track consent application by the end of October 2023, with a consenting decision possible in Q1 2024. If successful, this will be incorporated into the repower.

We have secured land rights to build an alternative higher capacity grid connection option. We are in advanced discussions with Transpower on the grid connection requirements.

Operational performance declined compared to the prior period, as a result of difficult market conditions marked by lower than usual wind conditions, volatile and depressed spot electricity prices, and stubbornly high inflation. Our VVFPA (Variable Volume Fixed Price Agreement) programme was instrumental in partially shielding the Company from the full impact of these market conditions.

Highlights:

- **Successful TRH Repower fast-track resource consent delivered.** The Company secured fast-track consents to potentially repower the Te Rere Hau wind farm with 30 new-larger-three bladed turbines. The Company is currently advancing confidential commercial negotiations for the repower. While the consent for repowering represents an important step, final decisions on funding structures have yet to be made and will be reached in consultation with shareholders. Repowering the Te Rere Hau wind farm could position it as an onshore wind farm with an estimated capacity factor between 48% to 51% (compared to our current fleet capacity factor of ~25%). Average annual energy production could increase substantially from 100 to 120 GWh to between 530 GWh and 570 GWh.

- **Successful fast-track resource consent referral – Aokautere Extension Project.** We have identified an opportunity for further expansion of the repowered wind farm with nine additional turbines through the Aokautere Extension project. This could add up to an additional 170 GWh to the production potential of the repowered wind farm (i.e. up to 740 GWh in total). The Aokautere Extension offers economies of scale during planning, construction, and operational phases. This project has been successfully referred to the fast-track consenting pathway, and we are currently progressing the resource consent application. Our intention is to submit this fast-track consent application by the end of October 2023, with a consenting decision possible in Q1 2024. If successful, this consent will be incorporated into the repower.

- **9.9% decrease to Net Electricity Revenue[1] (incl realised derivatives) of $9.7m** (2022: $10.7m)
- **8.0% decrease to Net Electricity Price GWAP[2] of $98.51 per MWh** (2022: $107.11 per MWh)
- **37.0% decrease to Operating Cashflow of $3.7m (2022: $5.9m)**
- **27.5% decrease in EBITDAF[3] of $4.6m** (2022: $6.4m) and within guidance range.
- **Impairment** (required by NZ IFRS) of -$7.8m (2022: +$2.8m impairment reversal)
- **200% decrease in Profit Before Tax (EBT) of -$7.2m** (2022: $7.2m) (this includes the impact of the $7.8m impairment)
- **203% decrease in Net Profit After Tax (NPAT) of -$5.3m** (2022: $5.2m)
- **Total (unimputed) dividends of 0.05 cps** (2022: 0.83 cps)
- **Dividends paused to fund strategic growth workstreams** (see later discussion)
- **Generation of 98.2 GWh** (2022: 100.2 GWh)
- **Average Mean Wind Speed of 9.0 m/s** (2022: 9.1 m/s)
- **Forward EBITDAF Guidance FY2024: In the range of $3.0m to $4.5m.**

Strategic and Repowering Update

This year has been significant for the Company in enhancing future shareholder value. We have progressed our strategy, unlocking growth potential through successfully gaining consents for repowering Te Rere Hau.

Repowering the Te Rere Hau wind farm could position it as an onshore wind farm with an estimated capacity factor between 48% to 51% (compared to our current fleet capacity factor of ~25%). Average annual energy production could increase substantially from 100 to 120 GWh to between 530 GWh and 570 GWh.

The Company is currently advancing confidential commercial negotiations for the repower. While the consent for repowering represents an important step, final decisions on funding structures have yet to be made and will be reached in consultation with shareholders.

We have identified an opportunity for further expansion of the repowered wind farm with nine additional turbines through the Aokautere Extension project. This could add up to an additional 170 GWh to the production potential of the repowered wind farm (i.e. up to 740 GWh in total). The Aokautere Extension offers economies of scale during planning, construction, and operational phases.

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[1] Net electricity revenue – electricity sales plus realised gain/(loss) on derivatives.

[2] Net GWAP = Net generation weighted average price = (electricity sales + gain on realised derivatives – loss on realised derivatives) / generation

[3] EBITDAF - Earnings before interest, tax, depreciation, amortisation, and fair value adjustments. EBITDAF is a non-GAAP measurement. The Company utilises EBITDAF to provide shareholders with a view of underlying operational earnings on a like-for-like basis over time. EBITDAF is a common measure utilised by listed companies. Please note NZ Windfarms definition may be different to others in the market.

this will be incorporated into the repower. More information is available on our website www.nzwindfarms.co.nz/extension

Our partnerships with mana whenua, customers, suppliers, consultants, contractors, and local communities continues to be a key feature of our operation. These valuable existing partnerships enabled early-stage discussions for our consenting and planning of our expansion, including beyond our existing portfolio of assets.

Funding our consent applications and developing our commercial partnerships represents a period of investment by the Company to secure future returns to create value for shareholders. For this period, we are transitioning from a historical focus on dividends to investing for growth. For this reason, the Board decided to pause dividends.

FY23 Results: Revenue, TRH Operating Expenditure and EBITDAF

The year was notable for record hydro inflows. This resulted in more hydro generation and very little thermal generation compared to the prior period and this led to lower spot wholesale pricing. In addition, the entire country had lower wind flows for the year impacting wind generation across the industry including Te Rere Hau wind farm.

Despite lower than usual wind conditions, volatile and depressed spot wholesale electricity prices, and stubbornly high inflation, our operational performance has benefited from our VVFPA (Variable Volume Fixed Price Agreement) programme which partially shielded the Company from the full impact of these market conditions.

As intended, our VVFPA programme partially shielded revenues as average annual spot electricity prices $55.96 MWh (2022: $107.65 MWh) were extremely volatile and depressed during the year. In December 2022, the Company recorded its lowest average monthly spot price on record at $6.26 per MWh.

- **Net electricity revenue** (incl realised derivatives) decreased 9.9% to $9.7m (2022: $10.7m).
- **Generation** was down on last year at 98.2 GWh (2022: 100.2 GWh). Wind resource, represented by average mean wind speed, was 9.0 m/s (2022: 9.1 m/s). A series of **Transpower outages** amounting to five days during the year, reduced generation potential by an estimated 1.1 GWh (2022: no Transpower outages).
- **Availability** was lower at 95.5% (2022: 97.3%), which is above our OEM benchmark of 95.0% but below the industry benchmark of 97.0% (2022: outperformed). The drop in availability reflected tight labour market conditions and supply chain disruptions in the first half of the financial year. These factors have now returned to normal.
- **Pricing:** Net Electricity Price GWAP at $98.51 MWh (2022: 107.11 MWh) and generation of 98.2GWh (2022: 100.2GWh) were both down on last year, prompting a downward revision to EBITDAF guidance at mid-year to $4.1m to $5.2m.
- **FY23 EBITDAF** was within the revised EBITDAF guidance range of $4.6m (2022: $6.4m).
- **TRH Operating expenditure**[4] increased 14.2% to $5.1m (2022: $4.4m). Notwithstanding tight cost discipline the Company was not immune to the material inflationary environment.
- **Operating Cash flow** decreased 37.0% to $3.7m (2022: $5.9m).
- **NPAT** of -$5.3m (2022: $5.2m) was impacted by a non-cash impairment of $7.8m (2022: +$2.8m impairment reversal)

[4] TRH Operating Expenditure = Total Operating Expenses – impairments – loss on property, plant and equipment – loss on derivatives – repowering consultation expenses (non-recurring expenses)

Bank Funding and Capital Structure

Near the end of the financial year the Company negotiated a change to its lending agreement to a cash offset facility (similar to a revolving credit facility). This allows the Company to apply surplus cash to decrease net interest payments and thus improve interest coverage ratio headroom as interest rates increase. The balance of commercial terms are the same.

We fixed 50% of our forecasted interest rate exposure for 1 year commencing in July 2023 at 7.77% pa, which is higher than the recently concluded favourable 2.66% pa swap obtained in 2020 when interest rates were lower. The remaining exposure is on a floating rate.

Total bank debt at the end of FY23 decreased to $7.6m (2022: $8.3m) with $0.9m headroom available on the facility to draw down if required. Net debt is $6.0m (2022: $6.6m) and net debt to EBITDAF is 1.29 times (2022: 1.03 times).

The Company remains compliant with all its debt covenants (2022: Compliant).

Board and governance

Mark Evans, retired from the Board of Directors on 29 September 2022 after the Annual Shareholders Meeting. The Board acknowledges Mark's valuable contribution to the Company's governance. Following his retirement, the Board now comprises four members. The constitution provides for the board to have a minimum of three and a maximum of eight directors.

Clean and renewable energy

We are fortunate to operate in one of the world's leading wind generation locations. The Company's 91 turbines with a capacity of 45.5 MW produces enough electricity to power about 16,000 homes, or more than half the households in Palmerston North, using clean and renewable energy. If this electricity supply was generated by a gas-fired power plant, it would emit roughly 64,000 tonnes of carbon dioxide, equivalent to an additional 23,000 cars on the road.

Company Purpose and Values

During the year the Company established its Purpose and Values through a collaborative process, involving inputs and perspectives from all levels of the organisation and external stakeholders. The Company's Purpose and Values will serve as guiding principles for decision-making and will set the tone for the Company's future operations.

Purpose: Empowering Sustainable Communities.

Values: Honesty, Integrity, Trust, Innovation, Manākitanga and Enjoyment.

FY2024 EBITDAF Guidance

Based on our forecasts for FY24, we estimate our EBITDAF to be in the range of $3.0m - $4.5m.

The FY24 EBITDAF guidance range is based on an annual production level of 106 GWh, which is a higher confidence estimate based on a blend of annual averages and an independent determination of P75 Annual Energy Production (AEP). This is more conservative than the P50 AEP of 116.2GWh (91 x WF500 turbines) adopted for impairment testing purposes (refer to note 15 of the audited financial statements for the basis of this input). Shareholders can monitor actual unaudited financial year to date production data on the company's website www.nzwindfarms.co.nz

The Company's Electricity Price Hedging Policy provides the flexibility to hedge between a minimum hedge level and 100%, for the next 24 months, enabling a more proactive approach to managing electricity price risk. The Company's estimated operating expenditure and principal and interest payments will determine the minimum hedge ratio to apply.

The Company is 67% hedged for FY2024 and 41% hedged for FY2025. We will progressively move to fill out the balance of the 24-month ahead period as market conditions allow.

The net electricity price for FY2024 is estimated at $92.50 per MWh. This is a blended price of VVFPA prices and estimated electricity spot prices based on ASX futures prices and adjusted for location and intermittency factors and weighted by monthly production estimates and hedge ratios.

Short term forward electricity prices reflect the relatively full hydro lake levels at present. Medium to long term forward electricity prices have remained elevated likely as a result of higher inputs into thermal generation and market pricing indicating the likelihood of Tiwai point aluminium smelter operations continuing beyond the current electricity contract end date.

EBITDAF guidance is provided on the basis of information available at this time, and may be subject to variations, including climatic and other conditions outside the Company's control. Forward electricity generation is based on a mix of recent annual averages and an independent expert's determination of P75 generation adjusted for relevant factors. However, wind generation is inherently variable from one year to the next.

Outlook

The Company is focused on four key workstreams this year. Firstly, to continue to sustainably operate the existing fleet of turbines and continue to meet EBITDAF guidance expectations. Secondly, to agree commercial terms with a preferred partner and then present these to shareholders for consultation. Thirdly, to successfully obtain consent for the Aokautere Extension Project. Lastly, continue to pursue strategic growth opportunities beyond the Te Rere Hau wind farm.

As a company at the forefront of ESG investment in New Zealand, we are well positioned to take advantage of the very significant changes ahead for the country's energy sector, founded on increased electrification, using renewable generation. We are the first wind farm consented to re-power, and will be at the forefront of utilising next generation wind technologies in this country. Our willingness to invest in the future is bolstered by the strong tailwinds propelling our business. The time to act, and to move quickly, is now.

For further information, contact Warren Koia, Chief Executive, by phone on 06 280 2773, or by email at info@nzwindfarms.co.nz.

Thank you

Craig H. Stobo
Chair

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 91 turbines with a capacity of 45.5 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.