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NZX Announcement

For immediate release

NZ WINDFARMS LIMITED (NZX: NWF): SOLID FY22 RESULT AND PROGRESS ON REPOWERING CONSENTS

Overview

The company achieved its second-highest EBITDAF of $6.4m (2021: $5.1m) underpinned by solid operating performance in the year ending 30 June 2022, despite another low wind year.

Progress towards obtaining consents to repower of the company's Te Rere Hau wind farm centred on a successful referral application to the Ministry for the Environment to utilise the COVID-19 Recovery (Fast-track Consenting) Act 2020 (FTCA). The next step in this process is to submit a fast-track consent application to the Environmental Protection Authority (EPA). This is expected to occur later this year.

Highlights:

- **Second highest Net Electricity Revenue (incl realised loss on derivatives) of $10.7m** (2021: $9.7m)
- **+22% increase to Net Electricity Price GWAP[1] of $107.11 per MWh** (2021: 87.80 per MWh)
- **Second highest EBITDAF[2] of $6.4m** (2021: $5.1m)
- **Increase to Profit before tax of $7.2m** (2021: $0.5m)
- **+20.6% increase in Operating Cashflow[3] of $5.9m** (2021: $4.9m)
- **The Board agreed a final unimputed dividend of 0.25 cps** (2021: 0.45 cps) **to be paid on 22 September 2022.**
- **This brings the total unimputed divided for FY22 to 0.83 cps** (2021: 1.00 cps), consistent with the new dividend policy adopted last year to pay out quarterly dividends of between 70% to 100% of free cash.
- **Generation of 100.2 GWh** (2021: 110.5 GWh)
- **Average Mean Wind Speed of 9.1 m/s** (2021: 9.5 m/s)
- **Forward EBITDAF Guidance FY2023: In the range of $5.0m to $6.5m.**

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

[2] 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.

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

- **Successful fast-track resource consent referral.** The Minister for the Environment referred our Te Rere Hau repowering project allowing it to progress down the fast-track consent pathway. The next step is for the Company to finalise its consent application and submit it to the EPA later this year

Strategic and Repowering Update

The company's major achievement during the year was a successful referral application to the Ministry for the Environment to utilise the FTCA to seek consents for a potential repower of the Te Rere Hau wind farm.

The scale of investment required in the renewable energy sector is evident in both the Climate Change Commission's advice and the Government's Plans. NZ Windfarms is uniquely placed to contribute to this scale up.

Despite its modest size, NZ Windfarms has considerable operational experience in the New Zealand environment, not only in wind generation, but also supplying to the grid, and corporate support to renewables provision, including pricing strategies and revenue hedging.

Securing consents to potentially repower our Te Rere Hau wind farm will remain the primary focus in the year ahead as we finalise the consent application, expected to be submitted later this year.

Meanwhile, we are advancing strategic planning to consider the potential options if consents are granted. Alongside the repowering work we are starting to consider broader strategic options, including greenfield opportunities, as the country accelerates investment in renewable electricity generation to transition to a lower carbon economy.

FY22 Results: Revenue, Operating Expenditure and EBITDAF

Despite another unseasonably low wind year, the Company achieved a solid result during FY22:

- **Net electricity revenue** (incl realised derivatives) rose 10.7% to $10.7m (2021: $9.7m). Net Electricity Price (incl realised derivatives) was 22% higher than the previous year with Net GWAP of $107.11 per MWh (2021: $87.80). Operating Cashflow rose 20.6% to $5.9m (2021: $4.9m).

- **Generation** was down on last year at 100.2 GWh (2021: 110.5 GWh), prompting a downward revision of guidance at mid-year, as low wind conditions persisted, ending the year with generation 15% below forecast. Wind resource, represented by average mean wind speed, was 9.1 m/s (2021: 9.5 m/s).

- **Availability** was higher at 97.3% (2021: 95.6%), above our OEM benchmark of 95.0% and above the industry benchmark of 97.0% (2021: underperformed).

- **Pricing:** Revenue was supported by the company's Variable Volume Fixed Price Agreement (VVFPA) underpinned by buoyant electricity prices, especially during the latter part of the year.

- **Operating expenditure** (net of non-cash adjustments and derivatives) for FY22 was 3.4% below the prior year at $4.4m (2021: $4.6m). A lower wind year meant less wear and tear on the fleet. The company established an asset management plan during the financial year that takes a long-term view of infrastructure assets and considers both risk and return frameworks to deliver appropriate levels of service and to maintain certain asset condition levels. The Plan will be especially useful going forward as we seek to mitigate rising costs of maintenance as components of many types face steep price increases in the current inflationary environment. We carried out further non-destructive testing (NDT) on towers, foundations and blades, on a sampling basis, continuing the programme implemented last year.

- **Net interest costs** remained low leading to **NPAT** of $5.2m (2021: $0.3m).

- **EBITDAF:** The company achieved its second-highest EBITDAF of $6.4m (2021: $5.1m), 24.6% above the prior period. This was on the back of a solid operating performance in FY22, despite the low wind.

Bank Funding and Capital Structure

The company increased its debt facility with the Bank of New Zealand during the year and refinanced the entire amount to 8 April 2025. The terms are the same, except for slightly higher quarterly principal repayments of $0.30m (2021: $0.24m).

The company put the extra debt towards partially funding the purchase of 80 hectares of land that it had previously leased under a wind right agreement (+$0.6m in new debt) and also left an undrawn bank facility available to potentially cover a portion of the reconsenting costs (up to $1.4m).

Total bank debt at the end of FY22 decreased slightly to $8.3m (2021: $9.0m) despite the land purchase. Net debt is $6.6m (2021: $6.5m) and net debt to EBITDAF is 1.03 times (2021: 1.26 times). Net interest cost was $0.16m (2021: $0.13m). The inflationary environment is placing pressure on interest rates and these are being squeezed higher. The Company is in compliance with all its debt covenants.

Board and governance

The Board recruited independent director Philip Cory-Wright to join the Board of Directors. Reflecting the company's strategic focus, Philip was appointed to chair the Repowering Committee.

During the year the Board also reviewed and updated risk assessments and Board policies to better guide the company's governance; it increased its focus on client and investor needs; and completed a strategy day with directors, staff and advisors. More detail on governance initiatives can be found in the annual report, also published today.

Clean and renewable energy

We are fortunate to be operating in one of the world's leading wind generation locations. Our 92 turbines with a capacity of 46 MW produces enough electricity to power about 16,000 homes, or in excess of half the households in Palmerston North, using clean and renewable energy. Were the electricity we produce to be 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.

FY2023 EBITDAF Guidance

Looking forward, based on forecasts for FY2023, EBITDAF is estimated to be in the range[4] of $5.0m - $6.5m.

This is based on a higher confidence P75 annual production level of 108GWh. In prior years, guidance was based on a P50 annual production confidence level of 117GWh. While we cannot predict the wind, there is more conservatism with this revised approach to estimating forward generation. Shareholders can monitor year to date production data on the company's website.

The net electricity price for FY2023 is estimated at $98 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 P75 quarterly production and quarterly hedge ratios.

Pricing was previously 100% hedged. The Board has recently adopted an Electricity Price Hedging Policy, providing flexibility to hedge between a minimum hedge level and 100%, for the next 24 months. This enables a more proactive approach to managing price risk. The Company's estimated operating expenditure and principal and interest payments will determine the minimum hedge ratio to apply. The

[4] 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 an independent expert's determination of P75 generation adjusted for relevant factors. However, wind generation is inherently variable from one year to the next

Company is 100% hedged to 30 September 2022, and 50% hedged to 30 June 2023. We will progressively move to fill out the balance of the 24 month ahead period to align with the new policy.

We expect both capital costs and operating costs to continue to increase in the coming year as we move through this inflationary cycle, we increase investment in the consenting process, and evaluate a range of strategic options.

Outlook

A successful fast-track consent would create valuable strategic options. The Board will consider any such options very carefully to maximise value for shareholders. The company will continue to communicate with shareholders on these options once a consenting decision has been determined.

In addition to the potential repowering of Te Rere Hau, the company will continue to consider ways in which it can apply its assets, skills and expertise within the renewable energy sector to create value for shareholders and to contribute to the country's decarbonisation.

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

Thank you | Nga mihi nui

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.