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NZX Announcement

For immediate release

NZ WINDFARMS LIMITED (NZX: NWF): Strong Half-Year EBITDAF Performance and Progress made to Transition to a Renewable Energy Developer and Owner

Operational Metrics:

- Strong financial performance for the half year driven by higher spot and hedged electricity prices coinciding with improved wind generation.
- H1 Generation: **59.6 GWh** (pcp:56.0 GWh)
- H1 Average Wind Speed: **9.8 m/s** (pcp:9.5 m/s)
- H1 Availability: **96.9%** (pcp: 93.6%)
- H1 Net GWAP: **$106.49 per MWh** (pcp: $88.67 per MWh)
- H1 Net Electricity Revenue[1]: **$6.3m** (pcp: $5.0m)
- H1 EBITDAF[2]: **$3.6m** (pcp: $2.5m)
- H1 NPAT[3]: -**$3.1m** (pcp: $1.8m)
- H1 Operating cash flow[4]: **$1.2m** (pcp: $2.8m)
- FY2024 EBITDAF guidance upgraded to **$4.5m to $5.5m**
- Dividend payments remain paused. (pcp: paused)
- H1 Lost time injuries (LTI): **Zero** (pcp: Zero)

Key highlights:

- Partnership with Meridian Energy Ltd to deliver New Zealand's first wind farm repowering project.
- Placement to Meridian Energy Ltd raising $6.7m followed by a $5.1m underwritten pro-rata renounceable rights issue both undertaken at a strike price of $0.1550 per share.
- Meridian Energy Ltd is now a substantial shareholder (19.99%).
- Shareholder consent for the Repower transaction was secured following a successful Special Shareholders Meeting.
- Portion of capital raise proceeds utilised to repay bank debt in full.
- Surplus proceeds placed on deposit for operational needs and strategic growth opportunities.
- Aokautere Extension Project Fast-Track Consent application is awaiting the appointment of an Expert Consenting Panel. A consenting decision is now expected before financial year end.
- Formation of new General Partnership (GP) / Limited Partnership (LP) entities to facilitate capital raise and deliver repower project.
- Transfer of non-core assets (New grid connection application, new transmission corridor and site access agreements) to Te Rere Hau Project LP (one of the new LP entities).
- New revenue stream established from the sale of Renewable Energy Certificates (REC), allowing clients to offset carbon emissions associated with their electricity consumption.

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[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 derivatives that have been transacted or closed within the period that replicate future hedging positions are excluded. In NWF's case, EBITDAF excludes electricity derivatives 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 (Loss) Profit after tax. This is referred to as total comprehensive income and profit (loss) after tax in the financial statements.

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

Financial and Operational Performance

Elevated electricity prices contributed to an upgrade to FY2024 EBITDAF guidance. Net GWAP $106.49 per MWh (pcp: $88.67 per MWh) was higher than expected, caused by weak national hydro inflows, outages on key electricity generation units around the country and lower gas production. Wind generation met expectations. These factors combined to boost the Company's net electricity revenue of $6.3m (pcp: $5.0m) and EBITDAF of $3.6m (pcp: $2.5m).

EBITDAF Reconciliation	**$m**
EBITDA	-1.11
plus loss on unrealised derivatives	+3.23
plus Non-Consenting Development Costs	+1.51
plus Consultancy Costs - Development Opportunities	+0.04
less REC rev	-0.10
plus REC expenses	+0.01
less Gain on disposal of PPE	-0.02
EBITDAF	**3.57**

NPAT of -$3.1m (pcp: $1.8m) was lower mainly as a result of unrealised derivative losses of $3.2m (pcp: gain $2.5m) and the recognition of non-consenting development costs and costs related to development opportunities of $1.6m combined (pcp: zero). These items are excluded from EBITDAF calculations. The mark to market derivative losses were as a result of elevated spot electricity prices and the negative impact this has on unrealised Variable Volume Fixed Price Agreement (VVFPA) derivative valuations. VVFPA positions are utilised to manage electricity price risk and are designed to cover the Company's operating expenses and debt service payments.

Average wind speed was higher compared to last period 9.8 m/s (pcp:9.5 m/s) and availability improved to 96.9% (pcp: 93.6%). This led to higher half year production of 59.6 GWh (pcp: 56.0 GWh).

New revenue of $0.1m (pcp: zero) from the sale of Renewable Energy Certificates (REC) was recorded for the first time, and is not factored into EBITDAF calculations at present. Management will continue to foster this emerging revenue stream.

Operating and capital costs were higher compared to the prior period, reflecting persistent inflationary pressures. Nonetheless, signs of lower levels of inflation are beginning to emerge.

Repowering Te Rere Hau Wind Farm and Strategic Growth

The Company made a series of major announcements during the period which are summarised in the key highlights section above, via an NZX announcement on 26 October 2023, in the pro rata renounceable rights offer document released on 7 November 2023 and in the notice of meeting for the Special Shareholders Meeting held on 20 December 2023.

The Company in conjunction with Meridian Energy is making satisfactory progress towards the critical work programmes to deliver the outputs required for the TRH Repowering Final Investment Decision (FID) in April 2025.

We are pleased with the progress we have made on these crucial initiatives, which creates a remarkable opportunity for long-term growth. Directors believe that the realisation of this repowering project will provide a platform for future growth into other renewable energy development opportunities.

Pursuing long term growth through repowering the wind farm and exploring strategic growth opportunities beyond Te Rere Hau creates short-term cashflow challenges. These have been substantially mitigated through completion of a successful capital raise and partnering with Meridian Energy, which has committed to funding repower development expenditure up to FID which will be recognised as committed capital to the project. The Company is transitioning from a renewable energy generation business to a renewable energy developer and owner requiring a revision to our Dividend Policy.

Repayment of Bank Debt

During the period the Company repaid all outstanding bank debt. Debt service payments will no longer be necessary. Management will review the Company's future bank funding requirements. Surplus capital raise proceeds have been placed on deposit, earmarked for operational needs and strategic growth opportunities.

Upgraded FY2024 EBITDAF Guidance and Dividend Policy Review

As a result of higher than expected spot electricity pricing through December and November and the Company's year to date generation as at 26 February 2024, the Board now expects **FY2024 EBITDAF to be higher** moving from $3.0m to $4.5m to **$4.5m to $5.5m.**

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.

The Board continues to review the Company's Dividend Policy as it assesses future capital requirements to transition from managing a single wind farm to developing a broader range of renewable energy projects.

With the Repower Project's cost projected to be between $500m and $600m and expectations of project financing covering 65% to 75% of that amount, NZ Windfarms anticipates the need to raise additional equity of approximately $40m to $75m. Additionally, the company is exploring new development opportunities beyond Te Rere Hau.

Given these factors, and despite an improved FY2024 EBITDAF forecast, complete bank debt repayment, and funds from a recent placement and rights issue, the potential variability and scale of future capital needs are presently guiding the Board's decision-making process. The possibility of distributing dividends now, only to potentially seek further capital from shareholders later (should a positive Final Investment Decision occur), is deemed not in the best interest of enhancing shareholder value. **Therefore, dividend distributions will continue to be suspended.**

Board Membership

Neal Barclay became a non-independent director on 20 December 2023. Neal currently serves as the Chief Executive of Meridian Energy Ltd. We extend a warm welcome to Neal and greatly appreciate the extensive electricity market expertise he brings to our Board. The constitution allows for a minimum of three and a maximum of eight directors.

Outlook

There is uncertainty surrounding future demand responses. This includes the Tiwai Point Aluminium smelter. In addition, longer-term challenges such as the extensive pipeline of new generation projects could impact future electricity prices and the viability of these projects.

A change in Government led to the cessation of the Onslow pumped hydro project, confirming scepticism about its feasibility. It is clearer that dry year risk and peak demand will be managed in the future by gas and coal fired generation and demand response from major energy users, as more wind and solar generation is added to the electricity system.

Furthermore, the Coalition Government has repealed the Natural and Built Environment Act 2023 (NBEA) and the Spatial Planning Act 2023, opting instead to restore the Resource Management Act with modifications aimed at implementing a fast-track consenting process for renewable energy projects, which promises to expedite approval times and reduce costs.

As we move into the second half of the financial year, the Board remains dedicated to three key objectives: 1) optimising the safe operations and profitability of the Te Rere Hau wind farm, 2) advancing repower work programmes in conjunction with Meridian Energy to meet FID in April 2025, and 3) investigating further renewable energy development opportunities. This strategy aims to transition the Company towards becoming a renewable energy developer and owner and create future strategic growth opportunities.

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

I look forward to updating shareholders as the year progresses.

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.