

24 July 2019

NZX Announcement

For immediate release

NZ WINDFARMS LTD (NWF) ANNOUNCES ON-MARKET BUYBACK, RECORD UNAUDITED EARNINGS FOR 2019, AND EARNINGS GUIDANCE FOR 2020

IMPORTANT NOTICE

THIS ANNOUNCEMENT SHOULD BE READ IN CONJUNCTION WITH A SEPARATE ANNOUNCEMENT REGARDING AN ON-MARKET BUYBACK DATED 24 JULY 2019

MARKET UPDATE

NWF is pleased to announce that following the close of the financial year ended 30 June 2019 and strong financial performance that:

- Non-GAAP EBITDAF¹ for Full Year ending 30 June 2019 is expected to be \$5.0m. This figure represents operational earnings for the year including adjustments for hedging operations relating to forward periods. EBITDA(GAAP) for Full Year 2019 is expected to be circa \$4.7m, an increase of 19% over pcp. These numbers are subject to finalisation and external audit.
- NWF intends to buy back up to 5.0% of its ordinary shares via an on-market buyback. The Company has set price parameters to govern the buyback that it will not disclose due to commercial sensitivity. (Please see separate announcement for terms and details of the buyback).
- NWF also intends to announce a full year dividend at its full year result in late August of between 0.5 to 1.0 cents per share. It is probable that there will be no imputation credits attached to this dividend.

GUIDANCE

- EBITDA guidance for Full Year ending 30 June 2020 is for a range of \$6.5m to \$7.5m, which would be an increase of between 38% and 59% over the year just finished. This guidance is issued on the basis of historical production volumes (applied to today's turbine fleet) and the forward ASX NZ Electricity Futures price curve for the next 12 months. Both the electricity price curve and NWF's electricity production can be volatile due to a range of factors outside of NWF's control, including weather. NWF has some hedging in place for this period near the current prices for the curve.
- The Board notes that this guidance is provided on the information that the Board has available to it at this time and is subject to variation due to climatic and economic factors outside of NWF's control. The Company will report against this guidance from time to time if the Board considers that there is a material deviation from it during the course of the current financial year

¹ Non-GAAP EBITDAF excludes moves in the fair value of financial instruments, in NWF's case electricity hedges, that relate to hedges that fall outside of the reported period. This includes any hedges that have been transacted or closed within the period that replicate future hedging positions.

Other points of significance to shareholders are that:

- NWF has continued to pay down a loan that part financed the purchase of the transmission line from Powerco in late 2017. In the last financial year the loan's principal was paid down by approximately \$1.0m and debt (after deducting cash) now represents less than 1.7 times Full Year 2019 EBITDA. Principal repayments of the loan will continue to be made during this current financial year.
- NWF also paid an unimputed dividend of 0.5 cents per share in mid-June 2019. The total dividend for the financial year ended 30 June 2019 is anticipated to be between 1.0 and 1.5 cents per share.

STRATEGIC REVIEW

NWF announced in October 2018 that it had engaged First NZ Capital (now Jarden) to conduct a strategic review. As part of that review, NWF decided to gauge the market's interest as to the possibility of a sale of its assets. Interest was shown by a number of parties. Whilst several parties expressed interest, indications of value did not match the Director's expectations nor the Company's current strong operating and financial performance.

Given the Company's improving performance the Director's believe that the Company's focus should be continuing to generate strong earnings and maximising cash returns to shareholders.

The full audited annual result, and Annual Report for the financial year ended 30 June 2019 will be released to the market in late August.

For more 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 electricity to power approximately 20,000 households a year.

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.