

NZX Announcement

1 May 2019

For immediate release

March Quarter (1 January 2019 to 31 March 2019), FINANCIAL YEAR TO 30 JUNE 2019

NZ Windfarms Limited ("NWF") is pleased to disclose operating statistics for the March quarter.

Total electricity sales of \$3.765m was recorded for the quarter, which when combined with realized hedging losses of \$3.042m, resulted in a net reported revenue of \$723,000. Electricity sales are considerably higher than the same period last year due to particularly high spot prices. The majority of realized hedging losses were caused by a transaction during the period which realized losses of \$2.782m for hedges in relation to the Jun-19 and Sep-19 quarters. As part of that transaction NWF will receive a corresponding benefit which will be reported in the Jun-19 and Sep-19 quarters. Further discussion of the hedging transaction is included in following sections.

Electricity sales and realised hedging gains		Current Quarter		Year-to-Date	
		Actual	Last Year	Actual	Last Year
Electricity sales	\$000	3,765	1,385	10,136	5,554
Gains / (losses) realised on delivered hedges ⁽¹⁾	\$000	(260)	127	(924)	252
Gains / (losses) realised on hedge transactions ⁽²⁾	\$000	(2,782)	-	(4,280)	(200)
Total gains / (losses) realised on hedges	\$000	(3,042)	127	(5,204)	52
Net electricity sales and realised hedging gains	\$000	723	1,512	4,931	5,606

(1) Relates to volumes of electricity hedged and delivered during the period.

(2) Relates to volumes of electricity hedged and not delivered during the period (but realised by way of entering or exiting hedge contracts), which would otherwise have been delivered in future periods.

1. Generation Operations

Wind conditions were in line with historical averages for the quarter and the windfarm volume output was in line with expectations. The wholesale electricity price received for output was higher than expected due to dry hydrology conditions across New Zealand combined with gas supply constraints throughout much of the quarter. The following table and charts provide price and volume summaries for the quarter, and comparison with historic data.

Generation Operations		Current Quarter		Year-to-Date	
		Actual	Last Year	Actual	Last Year
Time-weighted average price at Otahuhu (TWAP ⁽¹⁾ , OTA ⁽²⁾)	\$/MWh	161.83	84.69	151.48	89.84
Time-weighted average price at TWC (TWAP, TWC ⁽³⁾)	\$/MWh	151.76	80.33	141.17	85.03
Location factor (TWC / OTA)	%	93.8%	94.9%	93.2%	94.6%
Generation volume	MWh	28,294	20,631	81,227	73,012
Generation-weighted average price (GWAP ⁽⁴⁾)	\$/MWh	133.06	67.13	124.78	76.06
GWAP / TWAP (TWC)	%	87.7%	83.6%	88.4%	89.5%
GWAP / TWAP (OTA)	%	82.2%	79.3%	82.4%	84.7%
Electricity sales	\$000	3,765	1,385	10,136	5,554

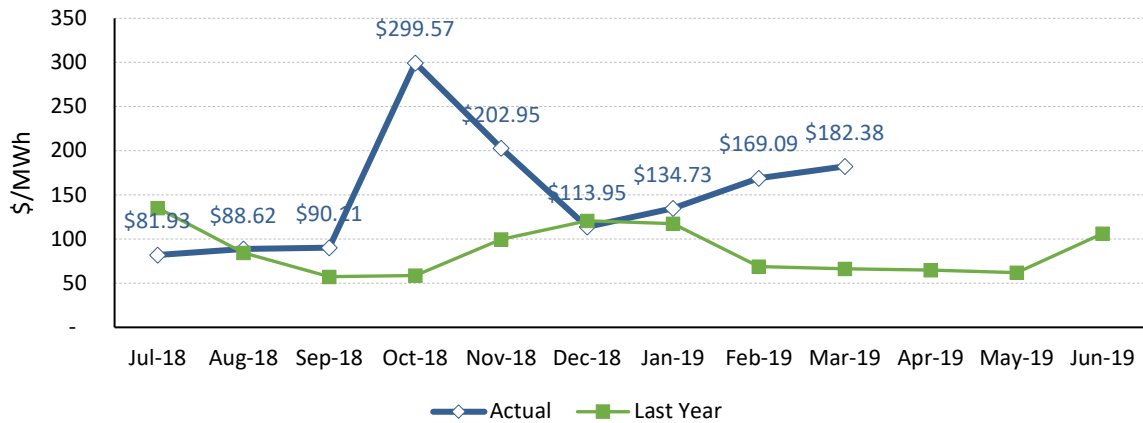
(1) TWAP: time-weighted average price, the simple time-weighted average of all half-hourly prices during a period

(2) OTA: The Otahuhu grid exit point, OTA2201, a commonly quoted location of electricity prices

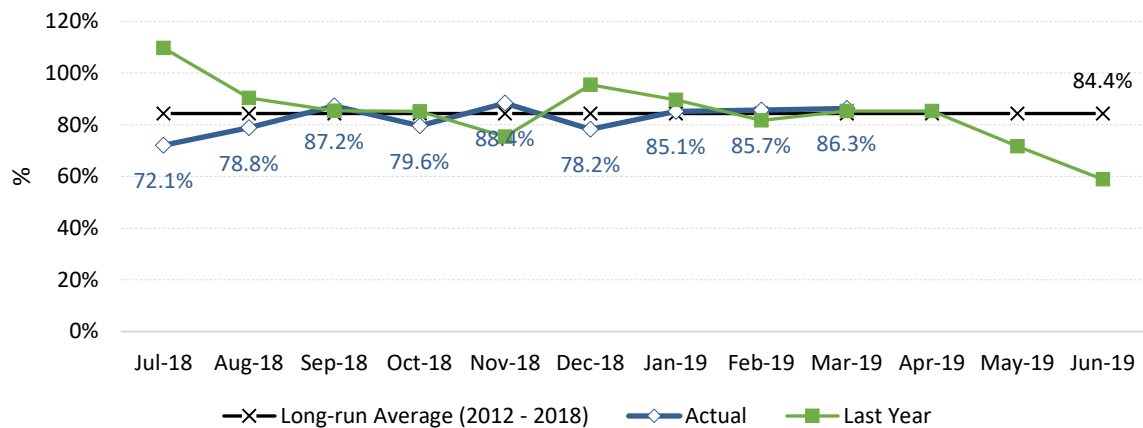
(3) TWC: The Taranaki Wind Central grid injection point, TWC2201, the location of pricing for NWF's electricity sales

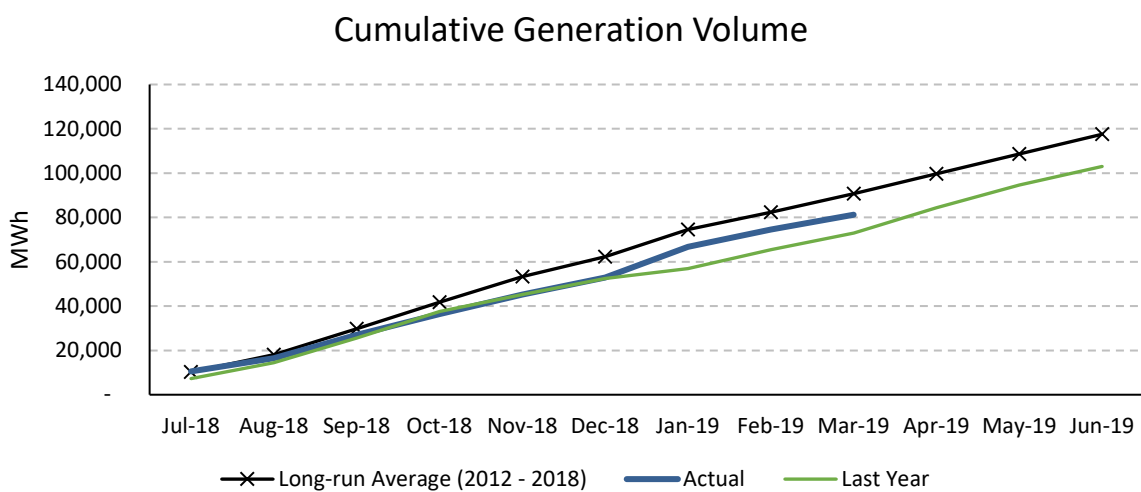
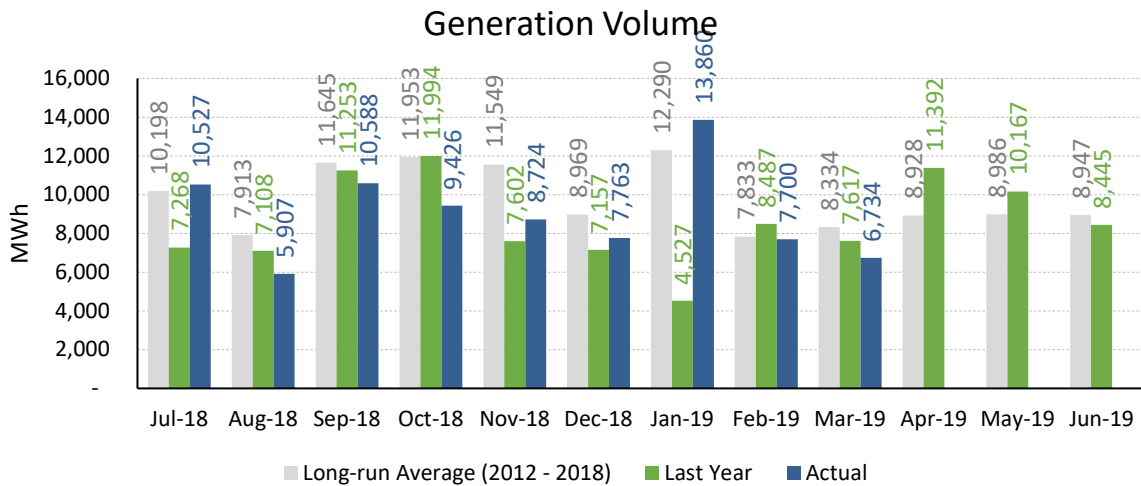
(4) GWAP: generation weighted average price, the generation weighted average price of all half-hourly prices during a period. The effective average price achieved by NWF for its generation volumes at TWC

Time-Weighted Average Price (OTA)



GWAP / TWAP (OTA)





2. Hedging Operations

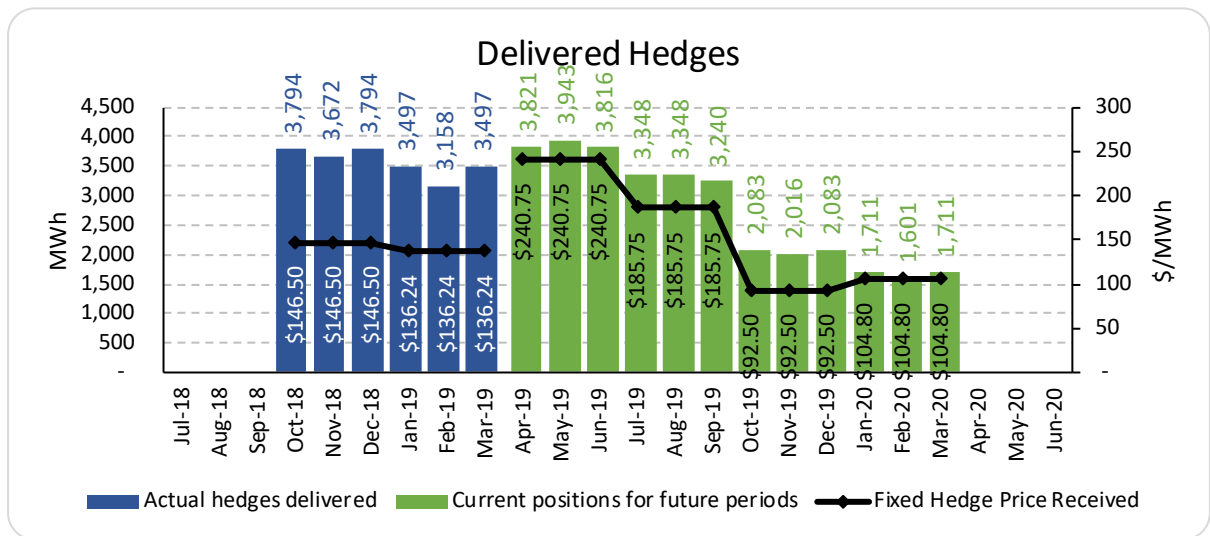
NWF incurred a loss of \$260,000 on hedges delivered during the period. This was a result of a hedged volume of 10,152MWh during the quarter and actual spot prices being slightly above the average fixed hedge price of \$136.24/MWh.

At the start of the March quarter, NWF held a number of futures contracts through the ASX relating to the Jun-19 and Sep-19 quarter. An important feature of trading ASX futures requires posting of cash margins which includes a percentage of the payment required under each instrument (initial margin) and a sum equivalent to the mark-to-market value of each instrument (variation margin). Cash margins are required to be posted on a daily basis.

Early in the quarter, ASX increased the initial margin requirements for futures instruments. During March, the traded prices rose rapidly and required the company to post increasing initial and variation margins with the ASX. The sharp rises in futures prices, and potential for the required cash margins to exceed NWF's available cash balances, led the company to a decision to exit its ASX hedges and enter into bilateral hedge contracts with industry counterparties for the same volumes. These bilateral contracts do not require cash margins to be posted, so limit NWF's exposure to a shortfall of cash in the event that futures prices continue to rise.

The effect of the bilateral hedges transaction was to realise a loss of \$2.782m on the ASX contracts exited. While this has a negative effect on earnings in the current quarter, the pricing of the new bilateral hedge contracts reflect the futures market at the time of the transaction. Accordingly, NWF's expected hedging gains realized in the Jun-19 and Sep-19 quarter are now greater than before the transaction, by a similar amount to the loss realized in the March quarter.

Hedging Operations		Current Quarter		Year-to-Date	
		Actual	Last Year	Actual	Last Year
Delivered hedge volume	MWh	10,152	10,584	21,413	16,546
Volume weighted average fixed hedge price received	\$/MWh	136.24	96.70	141.64	102.87
Volume weighted average floating hedge price paid	\$/MWh	161.83	84.69	184.81	87.60
Gains / losses realised on delivered hedges	\$/MWh	(25.59)	12.01	(43.17)	15.26
Gains / (losses) realised on delivered hedges	\$000	(260)	127	(924)	252
Gains / (losses) realised on hedge transactions	\$000	(2,782)	-	(4,280)	(200)
Total gains / (losses) realised on hedges	\$000	(3,042)	127	(5,204)	52



Hedge Contracts Exited							
Instrument	Exit Date	Capacity	Volume	Fixed Price	Exit Price	Gain / (loss)	Gain / (loss)
	date	MW	MWh	\$/MWh	\$/MWh	\$/MWh	\$000
Current Quarter							
ASX contracts (Jun-19 qtr)	19-Mar-19	5.3	11,575.2	85.52	245.00	(159.48)	(1,846)
ASX contracts (Sep-19 qtr)	21-Mar-19	4.5	9,936.0	95.80	190.00	(94.20)	(936)
Total							(2,782)
Year-to-Date							
ASX contracts (Dec-18 qtr)	9-Oct-18	5.1	11,260.8	65.05	150.00	(84.95)	(957)
ASX contracts (Mar-19 qtr)	9-Oct-18	3.9	8,424.0	75.79	140.00	(64.21)	(541)
ASX contracts (Jun-19 qtr)	19-Mar-19	5.3	11,575.2	85.52	245.00	(159.48)	(1,846)
ASX contracts (Sep-19 qtr)	21-Mar-19	4.5	9,936.0	95.80	190.00	(94.20)	(936)
Total							(4,280)

Year to Date Financial Performance

Unaudited year to date EBITDAF for the 9 months to 31 March is \$1.901m. This includes a realized loss on hedges exited of \$2.782m, of which \$1.846m relates to instruments which would have otherwise been delivered in the last quarter of this financial year. The new hedges entered into for the last quarter of this financial year are at \$240/MWh, which should contribute positively to earnings in that quarter.

ENDS

For further enquiries contact:

Rob Foster
Interim Chief Executive Officer
Ph +64 (21) 306 734