

Disclosure statement:
 27 February 2024

Transpower announces half-year results

Results for announcement to the market		
Name of issuer	TRANSPower NEW ZEALAND LIMITED	
Reporting Period	6 months to 31 December 2024	
Previous Reporting Period	6 months to 31 December 2023	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$465,000	4% increase
Total Revenue	\$465,000	4% increase
Net profit/(loss) from continuing operations	\$68,000	6% increase
Total net profit/(loss)	\$68,000	6% increase

Results are based on unaudited financial statements.

A brief explanation of any of the figures above necessary to enable the figures to be understood:	<p>Transpower today releases its financial results for the six months ending December 31, 2023.</p> <ul style="list-style-type: none"> Operating revenue increased by 4% to \$465 million (2022: \$448 million). Operating expenses were \$186 million, a 12% increase from the previous period (2022: \$166 million), primarily due to higher maintenance costs from price increases, ongoing Cyclone Gabrielle remediation work and higher resourcing costs. Net profit after tax was \$68 million, a 6% increase from the previous period (2022: \$64 million), primarily due to lower dismantling costs. Capital expenditure was \$199 million, a 15% increase from the previous period (2022: \$173 million), in line with Transpower's approved capital programme. The Board has declared an interim dividend of 4 cents/share or \$44 million, representing 40% of the expected full-year dividend forecast in Transpower's 2023/24 Statement of Corporate Intent (SCI).
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	<p>Transpower Chair Dr Keith Turner said the Board is pleased with the stable first half results for the 2024 financial year both in terms of performance and returns to shareholders.</p> <p>“The company has maintained its financial performance despite ongoing supply chain disruptions, higher maintenance and resourcing costs, and the ongoing impacts of Cyclone Gabrielle.</p> <p>“Despite challenges, we are on track to achieve our targets set out in the SCI other than HVAC availability, which is predominantly related to cable fault repairs in Auckland.”</p> <p>Last December, the Commerce Commission released its 2023 Input Methodology decision, confirming Transpower’s regulated asset base will be inflation indexed from its fourth regulatory control period (RCP4). The Board notes that this decision will materially reduce the revenue that Transpower will derive over the next ten to fifteen years.</p> <p>“This decision comes at a time when the Board is considering the necessary funding for the level of investment required to accommodate increased electrification.”</p> <p>The final outcome of its submission to the Commerce Commission for funding for Transpower’s 2025 to 2030 work programme will not be known until closer to the end of 2024, but it is likely that the combination of reduced revenue and increased investment expectations from 2025 onwards will require consideration of the level of dividend that the company can sustain. For the current year, the Board has elected to declare an interim dividend in line with its SCI, given the stable half-year result.</p> <p>Transpower submitted its RCP4 proposal to the Commerce Commission in November 2023, setting out its vision for the national grid between 2025 and 2030.</p> <p>“We are forecasting capital expenditure of \$2.25 billion across 2025 to 2030, up 32% from our current five-year period. We are beginning a period of intensified work on the grid over the next 10 to 15 years to replace or upgrade existing assets for better resilience as they come to end-of-life, as well as additional work to harden the grid and increase its capacity to address new generation, load, and demand.”</p> <p>This work is critical to ensuring New Zealanders continue to have a safe and reliable national grid. It’s also an essential foundation for future enhancements to the grid to support electrification and Aotearoa’s transition to a net zero carbon future.</p> <p>“As we enter a period of strong electricity demand growth, we remain on track to ensure we continue to be a modern and efficient national grid operator, focused on empowering the energy future for New Zealand.”</p>
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Name of person authorised to make this announcement	Alison Andrew, Chief Executive
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Date of release through MAP	27 February 2024

Statement of Corporate Intent (SCI) Performance

Operational and financial performance results for Quarter 2 FY24 are shown in the table below. Transpower is on track to achieve 16 out of 17 SCI targets with the AP2 HVAC availability target forecast not to be achieved.

Performance	31 December	SCI / Plan
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	2023	2022	Target
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Safety and People

Number of fatalities or injuries causing permanent disability	0	0	0
Total recordable injury frequency rate (TRIFR) ⁽¹⁾	4.1	5.2	≤ 6
High potential incident frequency rate (HPIFR) ⁽¹⁾	2.3	2.7	≤ 3
Staff Engagement	On Track	On Track	Top 25% ⁽²⁾

Sustainability

Deliver climate change reporting according to Aotearoa New Zealand Climate Standards requirements for FY24	On Track	N/A	Meet Target
Deliver Year 4 milestones of sustainability strategy and annual ESG reporting ⁽³⁾	On Track	On Track	Meet Target

Service Performance ⁽⁴⁾

Grid interruptions:			
<ul style="list-style-type: none"> GP1 Achieve collars for occurrence (unplanned interruptions) 	6	6	≥ 4 out of 6
<ul style="list-style-type: none"> GP2 Achieve collars for average unplanned interruption duration 	5	5	≥ 4 out of 6
Grid availability:			
<ul style="list-style-type: none"> AP1 HVDC availability 	98.9%	99.8%	> 96.75%
<ul style="list-style-type: none"> AP2 HVAC availability 	98.2% ⁽⁵⁾	98.9%	> 98.6%
Achieve system operations target	No data yet	No data yet	Meet Target

Asset Health Measures

Power transformers	3.47%	2.96%	≤ 8.65%
Outdoor circuit breakers	0.15%	0.88%	≤ 7.63%

Financial Performance			
Free funds from operations (FFO) interest coverage	5.6	5.6	4.5
Free funds from operations / Debt	13.8%	13.3%	11.7%
Return on equity	7.1%	6.8%	5.3%
Return on capital employed	4.1%	3.6%	3.2%

Note:

- (1) Rolling 12-month average numbers.
- (2) Top 25% percentile score for energy & utilities sectors (yearly average).
- (3) Environmental, Social, and Corporate Governance (ESG) reporting framework.
- (4) Service Performance - Our SCI target across grid interruptions and grid availability have been set at the quality standards set by the Commerce Commission.
- (5) YTD AP2 has exceeded the target due to the inclusion of the Pakuranga - Whakamaru cable repair outage hours on advice of the Commerce Commission. Ohinewai bypass is in place, but Pakuranga - Whakamaru circuits unavailability is still considered for AP2 performance measurement.