

**TRANSPower**

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**Disclosure statement**

27 February 2023

**Transpower announces Half-year Result**

Results for announcement to the market		
Name of issuer	TRANSPower NEW ZEALAND LIMITED	
Reporting Period	6 months to 31 December 2022	
Previous Reporting Period	6 months to 31 December 2021	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$447,800	1.0% increase
Total Revenue	\$447,800	1.0% increase
Net profit/(loss) from continuing operations	\$63,900	(23.5) % decrease
Total net profit/(loss)	\$63,900	(23.5) % decrease

<p>A brief explanation of any of the figures above necessary to enable the figures to be understood</p>	<p>Transpower today released its financial results for the six months ending 31 December 2022, which are set out below.</p> <p>However, subsequent to the reporting period, the North Island of New Zealand experienced widespread devastation when Cyclone Gabrielle made landfall on 12 February. Due to significant and extensive damage to Transpower assets, power was lost to the Hawkes Bay and Gisborne regions and the company declared a grid emergency. Restoring power to affected regions has been an immediate priority and Transpower has accordingly deferred some less-urgent work and regular maintenance. The company is in the early stage of modelling financial impacts. While costs are expected to be significant, insurance is held for the affected assets.</p> <ul style="list-style-type: none"> <li>• Operating revenue increased by 1.0% to \$447.8 million (2021: \$443.4 million).</li> <li>• Operating expenses were \$166.4 million, a 9.7% increase from the previous period (2021: \$151.7 million), primarily due to increased investigation costs in preparation for a step up in capital expenditure, and higher resourcing costs.</li> <li>• Net profit after tax was \$63.9 million, a 23.5% decrease from the previous period (2021: \$83.5 million), primarily due to higher operating expenses and higher dismantling costs.</li> <li>• Capital expenditure was \$172.7 million, a 19.8% increase from the previous period (2021: \$144.1 million) and in line with Transpower's approved capital programme.</li> <li>• An interim dividend of 4 cents/share or \$48 million has been declared, representing 40% of the expected full-year dividend forecast in Transpower's 2022/23 Statement of Corporate Intent (SCI).</li> </ul> <p>While the resourcing impacts of COVID-19 are still being felt across the industry, along with continuing supply-chain disruption, Transpower has maintained strong relationships with suppliers and service providers to ensure maintenance and capital programmes remain firmly on track.</p> <p>Increases in operating expenses show the financial implications of an uncertain labour market in New Zealand, yet in spite of these challenges we are currently on track to achieve all our SCI targets.</p> <p>The bedding in of Transpower's new grid services contracts has been central to safeguarding secure workforce capability. The company is well placed to deliver the substantial volume of work that will be necessary to support customers' needs in the coming years.</p>
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	<p>The new grid service contracts have ensured Transpower has the right partners to help physically maintain the grid and meet the rapid infrastructure growth that will be required to enable Aotearoa New Zealand's transition to net zero carbon.</p> <p>Transpower recently met a key operational milestone with the submission of its first Major Capex Proposal to the Commerce Commission under its Net Zero Grid Pathways programme. The proposed \$393m investment will enable three projects that are designed to enhance and maximise the existing grid backbone to support an electrified economy.</p> <p>As a consequence of Cyclone Gabrielle we have shifted our immediate focus to reconnecting disconnected customers and addressing the significant remediation issues. Alongside this we will continue to work collaboratively with all our stakeholders so we can meet the challenges involved in empowering Aotearoa New Zealand's energy future, as laid out in our key document <i>Whakamana i Te Mauri Hiko</i>.</p>
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Authority for this announcement	
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Date of release through MAP	27 February 2023

## Statement of Corporate Intent (SCI) Performance

Operational and financial performance results for Quarter 2 FY23 are shown in the table below. Transpower is on track to achieve all of its 17 SCI targets.

Q2 Performance	31 December		SCI / Plan
	2022	2021	Target

Safety and People			
Number of fatalities or injuries causing permanent disability	0	0	0
Total recordable injury frequency rate (TRIFR) <sup>5</sup>	5.2	5.6	≤ 6
High potential incident frequency rate (HPIFR) <sup>5</sup>	2.7	1.9	≤ 3
Staff Engagement	On Track	On Track	Top 25% <sup>1</sup>

Sustainability			
Deliver Year 3 milestones according to the TCFD framework <sup>2</sup>	On Track	On Track	Meet Target
Deliver Year 3 milestones of sustainability strategy and annual ESG reporting <sup>3</sup>	On Track	On Track	Meet Target

Service Performance <sup>4</sup>			
Grid interruptions:			
<ul style="list-style-type: none"> <li>GP1 Achieve collars for occurrence (unplanned interruptions)</li> </ul>	6	6	≥ 4 out of 6
<ul style="list-style-type: none"> <li>GP2 Achieve collars for average unplanned interruption duration</li> </ul>	5	6	≥ 4 out of 6
Grid availability:			
<ul style="list-style-type: none"> <li>AP1 HVDC availability</li> </ul>	99.82%	97.44%	> 96.75%
<ul style="list-style-type: none"> <li>AP2 HVAC availability</li> </ul>	98.94%	97.82%	> 98.6%
Achieve system operations target	No data yet	No data yet	Meet Target

Asset Health Measures			
Power transformers	2.96%	2.46%	≤ 5.37%
Outdoor circuit breakers	0.88%	1.09%	≤ 5.65%

Financial Performance			
Free funds from operations (FFO) interest coverage	5.6	6.4	5.2
Free funds from operations / Debt	13.3%	14.9%	13.9%
Return on equity	6.8%	8.4%	6.1%
Return on capital employed	3.6%	3.9%	3.5%

Note:

- <sup>1</sup> Top 25% percentile score for energy & utilities sectors (yearly average).
- <sup>2</sup> Task Force on Climate related Financial Disclosures ('TCFD') framework.
- <sup>3</sup> Environmental, Social, and Corporate Governance (ESG) reporting framework.
- <sup>4</sup> Service Performance - Our SCI target across grid interruptions and grid availability have been set at the quality standards set by the Commerce Commission.
- <sup>5</sup> Rolling 12-month average numbers.