

The Orion Group - unaudited interim review

Three months to 30 June 2024

We are pleased to present this report providing you with an overview of our recent activities and progress against our FY25 SOI targets.

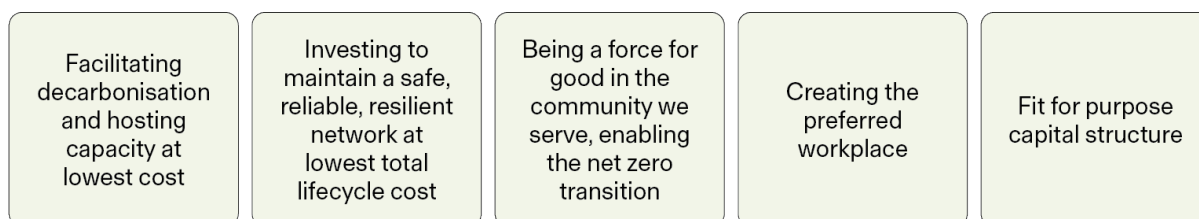
We remain focussed on the Commerce Commission's reset of our prices, which takes effect on 1 April 2025. We are currently investigating our expenditure pathway for the upcoming Default Price-quality Path 4 (DPP4), to understand whether it will allow us to do what we need to over the next ten years. Based on the draft DPP4 decision released in June, we believe there is a significant expenditure gap between the DPP4 allowances and what we will need to spend to fulfil our Group Strategy.

As a result, we are exploring whether we apply to the Commission for a Customised Price-quality Path (CPP) to set our regulated allowances to a level that allows us to meet our customers' needs, legislative requirements and maintain good industry practice. This work is a key objective for FY25 and beyond.

Another key project for Orion in FY25 and beyond is the implementation of our Integrated Asset Management (IAM) programme. IAM is significant because it will fundamentally touch all our major processes across The Orion Group and positively impact our organisation by enhancing our ability to scale, innovate and generate. It will enable us to predict when to undertake the right task, at the right time — which will enhance efficiency. Ultimately, it gives us confidence in our ability to deliver.

Progress on our FY25 projects and initiatives

The balance of this report focuses on the five areas set out in our FY25 Statement of Intent and specific projects or initiatives:



Progress against our SOI measures is shown in the attached dashboard. We are on track against most measures and have commented in the attached dashboard on any we may not be able to achieve. We will continue to report against these measures each quarter. Our approved Statement of Intent provides a background on each measure and explains why they are important to us and our community.

Facilitating decarbonisation and hosting capacity at lowest cost

Maximising flexibility

KPI: 400kW flexibility in Lincoln trial

SOI target: 400kW

Our partnership with electricity retailer Ecotricity to deliver an energy flexibility solution for the Lincoln area is now live. Following a successful launch in June, the trial period of the project will run through to September, delivering 100kW of demand response this year, growing to 500kW next winter.

Orion's network region is growing, with Lincoln seeing large scale residential growth, which is raising the demand for electricity in the area. Traditionally that growth in demand would require more electricity network to be built to cater for a peak of a short duration. However, by utilising batteries in the community, Orion is looking to reduce network demand at key times.

Investing to maintain a safe, reliable, resilient network at lowest total lifecycle cost

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KPI: Replacement of oil filled 66kV cables from Halswell to Hoon Hay

SOI target: started

The Bromley to Milton cable upgrade has now been completed, following the recent completion of the new Milton zone substation. This project is part of our wider programme of work to replace our old oil-filled cable network, further increasing our resilience in the event of a natural disaster. The next programme of work in the project is the section of cable between Halswell and Hoon Hay zone substations. This has gone out to tender and we are aiming to begin construction work in early 2025.

Being a force for good in the community we serve, enabling the net zero transition

Being a force for good in the community we serve, enabling the net zero transition

KPI: Group operational carbon emissions

SOI target: 2,456 tCO₂e

We are pleased to report we are tracking below our YTD target for our Group operational carbon emissions, although we currently believe we will be materially in line with our target at year end. This is primarily due to less air travel in Quarter 1, along with a reduction in diesel use associated with fleet optimisation work at Connetics and fewer kilometres travelled by some of our heavy vehicles.

Creating the preferred workplace

Future skills and capability development

KPI: Engagement score

SOI target: >66% positive

We continue to make progress on our programme of work to support our ambitions of being a preferred workplace by prioritising and supporting professional and personal growth. Recent initiatives include coaching cohorts designed for neurodiverse employees, just-in-time learning resources to enhance goal-setting skills, including developing core behaviours and development planning, complemented by the launch of biweekly leadership insights aimed at developing leadership capabilities throughout across Orion.

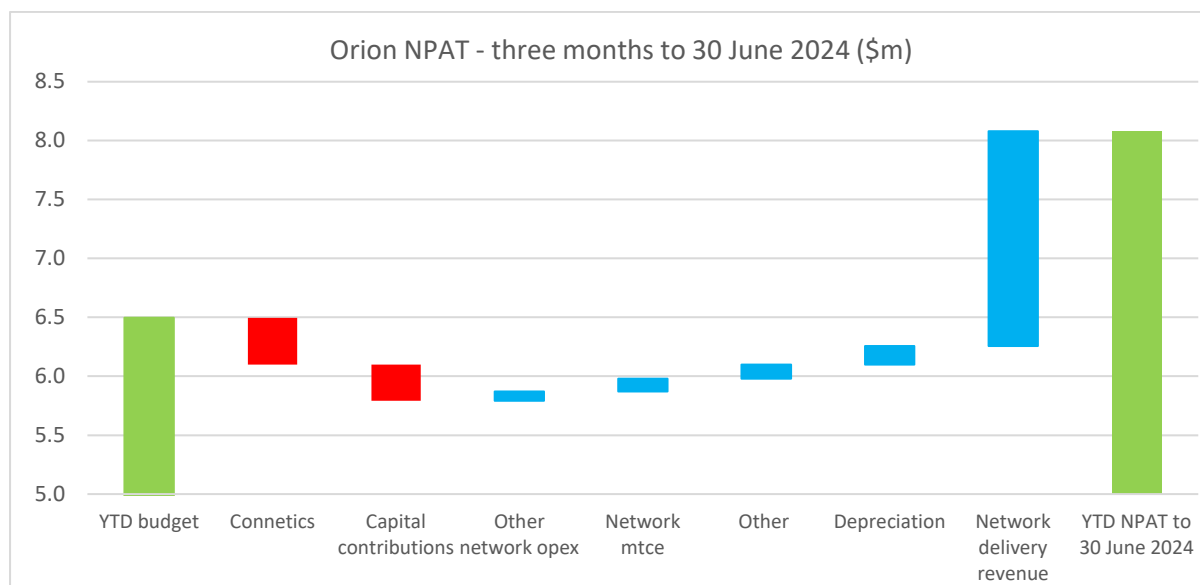
Fit for purpose capital structure

Financial performance

We paid our shareholders an interim dividend of \$12.5m in June.

Our net profit after tax (NPAT) for the first three months of the financial year was \$8.1m, \$1.6m above our budget for the period.

This favourable result was primarily due to above-budget delivery revenue, with May's volumes considerably above budget.



We will review our forecast FY25 net profit after tax (SOI target of target of \$16.5m) over the next few months and report any change in our forecast next quarter.

For and on behalf of the board:

Paul Munro

Chair

9 August 2024

Orion New Zealand Limited

Statement of comprehensive income

Three months to 30 June 2024

	YTD Actual \$000	YTD Budget \$000	Variance fav/(unfav) \$000	%	12 Month budget \$000
Network delivery revenue	68,650	66,630	2,020	3	257,779
LESS transmission costs	14,654	15,166	511	3	60,662
Gross margin	53,996	51,465	2,531	5	197,117
Sundry revenue	1,818	2,520	(702)	(28)	10,081
Network opex	23,476	23,505	29	0	96,842
Subvention payment	-	-	-	-	-
Depreciation & impairment expense	15,636	15,856	220	1	63,425
Network profit before tax	16,702	14,624	2,078	14	46,931
Deferred tax expense	204	305	101	(33)	1,214
Deferred tax expense - building depreciation	-	-	-	-	-
Income tax expense	4,458	3,819	(639)	(17)	12,036
Network profit after tax	12,039	10,499	1,540	15	33,681
Add other income - post tax					
Connetics profit (equity-accounted)	471	869	(398)	(46)	3,476
Change in fair value of hedges - net of deferred tax	-	-	-	-	-
Less other expenses - post tax					
Interest expense	4,636	4,801	165	3	20,362
Capitalised interest	(402)	(126)	276	218	(504)
Eliminate internal Connetics profit on capex	197	197	-	-	788
Profit after tax	8,079	6,497	1,583	24	16,511
Plus / (less) other comprehensive income / (loss)					
Movement in fair value of hedges - net of def tax	(1,689)	(2,189)	500	23	(8,754)
Total comprehensive income	6,389	4,308	2,082	48	7,757

Statement of changes in equity

Three months to 30 June 2024

	YTD Actual \$000	YTD Budget \$000	Variance fav/(unfav) \$000	12 Month budget \$000
Opening balance - 1 April 2024	875,933	826,610	49,323	826,610
Total comprehensive income	6,389	4,308	2,081	7,757
Dividends paid	(12,500)	(12,500)	-	(25,000)
Closing balance	869,822	818,418	51,404	809,367

Statement of financial position

As at 30 June 2024

	Actual June 24 \$000	Budget Mar 25 \$000
Accounts receivable	33,059	26,462
Connetics	40,681	38,881
Carbon credits (NZUs and VERs)	2,471	4,081
Interest rate swaps	11,424	2,597
Special project	-	-
Property plant and equipment	1,695,036	1,694,232
Total assets	1,782,672	1,766,253
Accounts payable & accruals	46,824	40,091
Interest rate swaps	-	-
Transpower finance lease	7,731	7,510
Bank and USPP debt	595,559	672,335
Deferred tax	262,735	236,950
Shareholders' equity	869,822	809,367
Total liabilities and equity	1,782,672	1,766,253

Orion New Zealand Ltd

Summary of performance against statement of intent targets

three months to:

30 June 2024

On track

Uncertain

Will not be achieved

Annual performance to be assessed at year-end



SOI targets for FY25

FY25

Tracking

Comments

All targets are to 31 March 2025 unless stated otherwise

Financial

Profit after tax (\$m) (including capital contributions)	16.5		We will reforecast these financial measures at the half year
Profit after tax (\$m) (excluding capital contributions)	12.0		
Earnings before interest, tax, depreciation and amortisation (\$m)	114		
Dividends (\$m)	25.0		
Supplementary performance measures			
Total Shareholder Return (%)	5.3%		
Return on equity (PAT / Average Equity) (%)	1.9%		
Debt over earnings before interest, tax, depreciation and amortisation (times)	5.9x		
Debt over RAB (%)	40%		

Network reliability

SAIDI -- planned	39.68		
SAIDI -- unplanned	84.71		
SAIDI -- total minutes per customer	124.39		
SAIFI -- planned	0.15		
SAIFI -- unplanned	1.03		
SAIFI -- total number of interruptions per customer	1.18		

Resilience of our rural and urban network

Hoon Hay zone sub station upgrade and replacement of oil filled 66kV cables from Milton to Hoon Hay	Started		
Replacement of oil filled 66kV cables from Halswell to Hoon Hay	Started		

Integrated view of our assets and processes

Integrated asset management programme deliverable	Business case complete		Did not achieve business case for June. Have agreed to an August meeting for Orion and a July meeting for Connetics. If approved at both then it will not impact timeline.
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Customer experience of our network

Overall performance - customers are satisfied with Orion as a lines company	8.3/10		
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Health, safety and wellbeing

Events that did or could have resulted in serious injury to employees (notified events)	≤4		
Events that did or could have resulted in serious injury to service providers (notified events)	≤4		
Events that did or could have resulted in serious injury to the public, excluding car versus pole incidents	≤1		





Facilitating decarbonisation and hosting capacity at lowest cost

Network Transformation			
RAB/Maximum System Coincident Demand.	≤ Lower Quartile		
Number of installed monitors on transformers over 200kVa	200		
Accuracy of operational/day ahead load forecast used for network peak demand management	≥85%		
400kW flexibility in Lincoln trial	400kW		Closely monitoring and working in partnership with providers

Being a force for good in the communities we serve enabling the net zero transition - *communities and environment*

Collaborative local energy planning			
Key stakeholder agreement that Orion is considered a trusted core partner in the development of collaborative climate/energy strategies and plans (on a scale of 1-10)	6/10		
Empowering our customers and communities			
Our customers agree that Orion is prepared for a very different future for electricity	42%		
Reducing the environmental impact of our operations			
Group operational carbon emissions (tCO2e)	2,456		
Planting of native forest in partnership with Wairewa Rūnanga	45,000 seedlings planted		

Creating the preferred workplace - *people*

Engagement Score	> 66% positive		
Voluntary Turnover	8- 14%		Currently 7%, we expect turnover to remain low for FY25
Orion			
Improve gender balance at all levels (people leaders and staff)	34:40:26 (female: male: any gender)		
Reduce gender pay gap	< 14.9%		
Connetics			
Reduce gender pay gap	Publish gender pay gap	