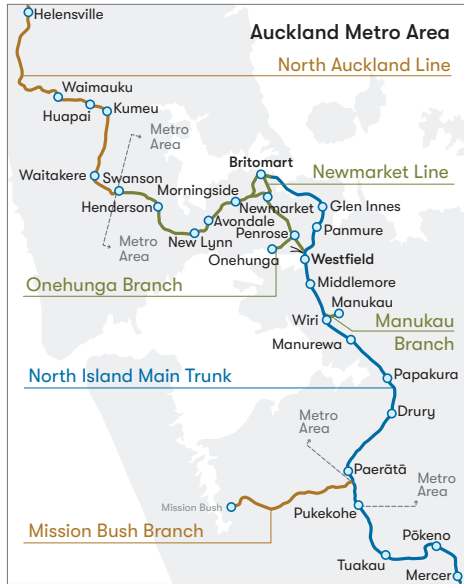


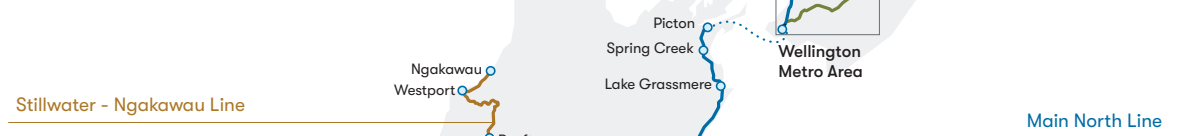


# STATEMENT OF CORPORATE INTENT 2027–2029

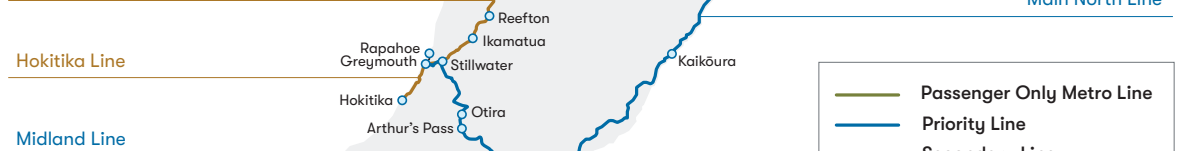




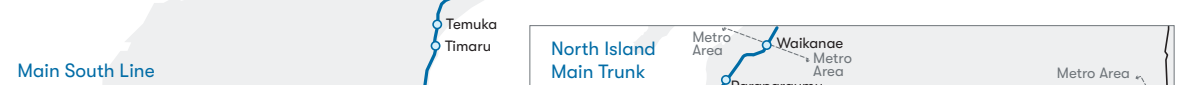
Marton - New Plymouth Line



Stillwater - Ngakawau Line



Hokitika Line



Main South Line



Bluff Line



- Passenger Only Metro Line
- Priority Line
- Secondary Line
- Tertiary Line
- Interislander Ferry Service
- Unused or Mothballed Lines

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# OVERVIEW OF THE BUSINESS

We operate an integrated services and infrastructure business

## VALUE

The total value of rail to New Zealand's economy is \$3.3 billion every year\*

An estimated 202 serious and minor injuries and 8 deaths on the road are avoided each year by using rail

## SUSTAINABILITY

Reduce heavy vehicle impact by around 1 million truck journeys per year

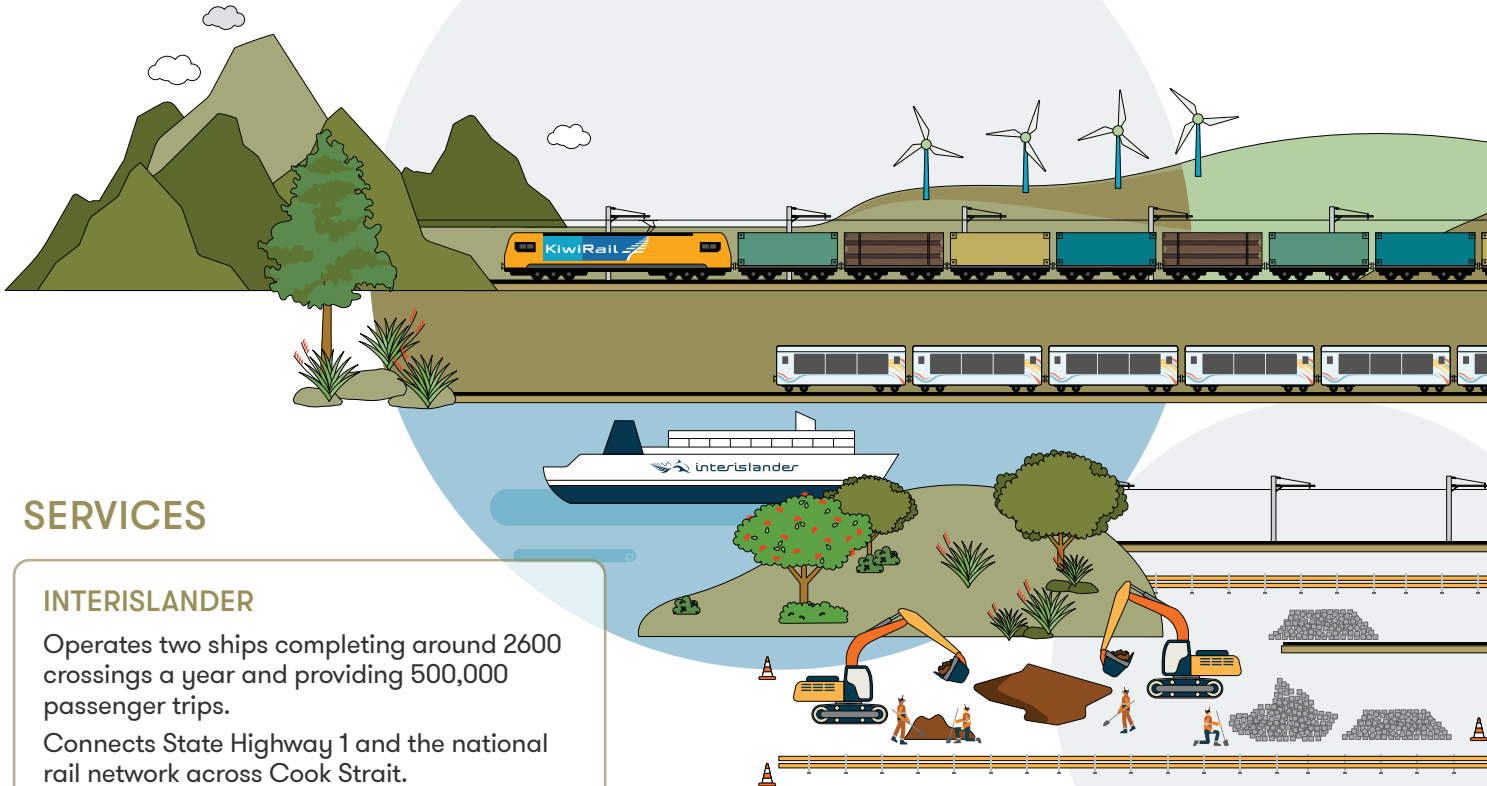
Every tonne of freight carried by rail delivers on average a 60% emissions saving over heavy vehicles

## COMMUNITY

Strong public support for a modern, efficient rail and ferry network

Public recognition of rail and ferries as critical infrastructure

Efficient movement of people and goods underpins the economy



## SERVICES

### INTERISLANDER

Operates two ships completing around 2600 crossings a year and providing 500,000 passenger trips.  
Connects State Highway 1 and the national rail network across Cook Strait.

### GREAT JOURNEYS NEW ZEALAND

Offers tourism experiences connecting Auckland, Wellington and Christchurch with regional New Zealand  
Operates, under contracts to their council owners, regional passenger services Te Huia and Capital Connection

### FREIGHT

1100 mainline freight movements per week  
Transports around 16 million tonnes of freight  
Transports around 24% of New Zealand's exports  
Connects more than 300 customers' freight supply chains  
One freight train can move as much freight as 40-45 trucks

## INFRASTRUCTURE

### METRO NETWORKS

Manages the metro networks supporting 24 million metro commuter trips each year

### TRACK

Operates and maintains 3800km of track

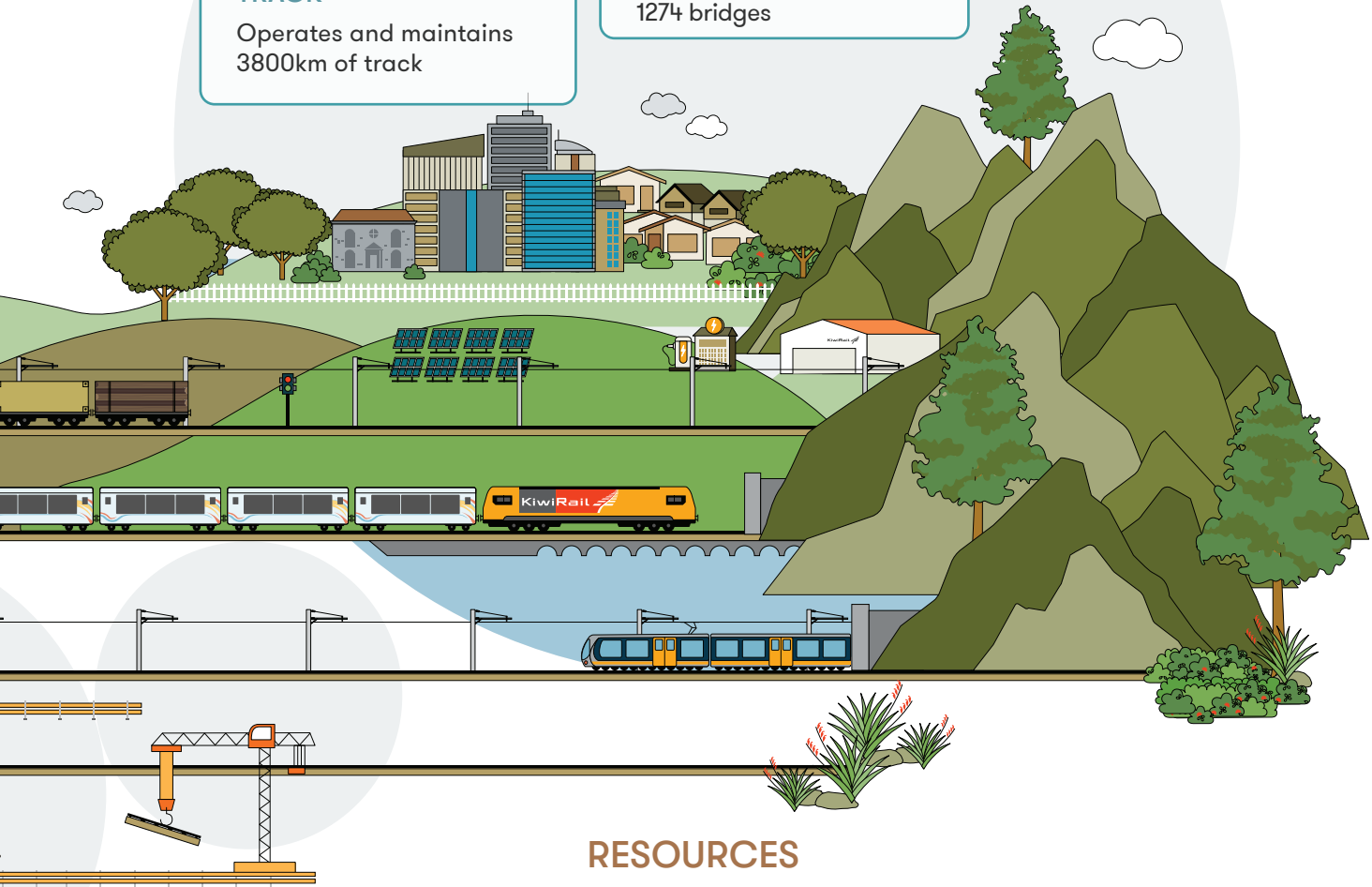
### INFRASTRUCTURE IN USE

2691 signals

1305 public level crossings

105 tunnels

1274 bridges



## RESOURCES

### PROPERTY

Manages a portfolio worth \$4.6 billion\*\* with more than 18,000 hectares of land leased from NZRC  
Owns more than 900 building and manages around 12,000 agreements

### ROLLING STOCK & FERRIES

4500 wagons

248 locomotives and shunts

2 ferries

### OUR TEAM

4500 employees

20% women

28% under 35 years old

\* Australasian Railway Association, The Benefit of Rail to New Zealand - EY 2024.

\*\* New Zealand Railways Corporation FY25 Annual Report

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## Objectives

Under the State-Owned Enterprises Act 1986, KiwiRail Holdings Limited (KiwiRail) is required to operate as a successful business and specifically to achieve the following objectives:

- To be as profitable and efficient as comparable businesses that are not owned by the Crown;
- To be a good employer;
- To exhibit a sense of social responsibility by having regard to the interests of the community in which it operates.

The nature and scope, purpose and core strategies of KiwiRail are defined within this context.

## Nature and scope of the business

We are an essential and valued part of New Zealand's freight and passenger transport systems. Our services contribute to efficient supply chains for our freight customers to connect to domestic and global markets, and to connect people to communities and tourism experiences.

We are the steward of the national rail network.

We're a national employer of around 4500, have a presence in communities across New Zealand, and our vision is to be our customers' first choice, as a trusted and sustainable partner to move freight and people. We're part of New Zealand's history, and its future.

We operate the services business (as per below) commercially and the infrastructure network business for all rail network users, including other rail service operators. The Services Business must become self-sustaining - generating sufficient cashflow to fund its capital expenditure on an ongoing basis.

We are accountable, through our Board, to Shareholding Ministers for our commercial performance, to the Minister of Transport for infrastructure delivery and transport outcomes, and to the New Zealand public as our ultimate owner.

## Services Business

Our core business is Freight and Property, providing:

- Rail and inter-island logistics services to freight markets
- Container terminal services
- Property management and development for rail operations, customer and third-party land use.

KiwiRail also own and operate two passenger brands: Great Journeys New Zealand (GJNZ) and Interislander, and provide operational services for council interregional passenger services:

- Interislander ferries connect domestic and international tourists and passengers by both foot and vehicle between the North and South Islands
- GJNZ offer rail tourism experiences connecting major cities with regional New Zealand
- Customer and operational delivery of Te Huia and Capital Connection on behalf of local councils.

We operate in a volatile global and domestic environment, characterised by commodity price fluctuations, geopolitical instability, fuel price volatility, labour market pressures, and increasingly complex supply chains. These factors directly influence customer demand, cost to serve, and the timing and risk profile of earnings delivery.

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## Infrastructure Network

### Infrastructure Network Business

We have an infrastructure division delivering train control operations for the national rail network, and asset management, infrastructure maintenance, renewals/upgrades, and improvements for rail freight, regional rail and tourism users outside of metro areas.

### Metro Network Business

We also have a metro infrastructure division servicing Auckland and Wellington. This provides asset management, infrastructure maintenance, renewals/upgrades, improvements and strategic transport planning and investment for metro passenger, regional rail, freight and tourism users in the metropolitan areas. It procures train control operations from the Infrastructure Network Business.

## Shared Services

The Services Business and the Infrastructure Businesses are both supported by shared services teams, including a specialist Safety, Health and Wellbeing team, finance, legal, people and culture, learning and development, ICT, enterprise asset management, capital project and asset delivery, policy and funding, sustainability, communications, security and integrity and strategy teams.

## What drives our Services Business

### Freight

Rail Freight provides freight services to its customers. We support import/export markets to and from coastal and inland ports, move intermodal container freight around New Zealand, carry bulk commodities serving major industries like forestry and dairy.

Our ferries carry freight across Cook Strait. Our ferries are a critical extension to State Highway 1 and the national rail network connecting the major islands of New Zealand.

KiwiRail as the operator of the Interislander is working closely with the Government and Ferry Holdings Ltd to support the procurement process and development of land-side infrastructure for two new rail-enabled ferries to ensure their smooth introduction into service in 2029. As part of allowing for the land-side preparation we have retired our rail-capable ferry, Aratere. Our focus is on ensuring the remaining two ships continue to provide safe and reliable service until the new ferries arrive.

### Property

Property manages a portfolio of more than 18,000 hectares of land, more than 900 buildings and around 12,000 agreements. We are focused on growing our property revenues through rail-enabled, fit-for-purpose developments and intermodal regional freight hubs. This will create efficient conduits for freight movement around the country and support regional economic development. We are building our masterplan to support rail.

We are seeking to extend the core lease on rail land by 100 years to incentivise investment, improve commercial performance and better align to the economic life of infrastructure.

### Passenger

GJNZ and Interislander provide iconic rail and ferry passenger journeys and offer end-to-end travel services, including multi-day tours, charters and short-break packages. We are motivated to provide a great experience for locals and international tourists alike.

GJNZ also operates the Te Huia and Capital Connection services on behalf of regional authorities.

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## What drives our Infrastructure Businesses

### Freight Network

We manage the operations, maintenance, and renewals of the national rail network and support delivery of improvement programmes across both mainline and yard track.

Our Infrastructure Network is funded through the National Land Transport Fund (NLTF) to deliver the Rail Network Investment Programme (RNIP). Other major rail transport investments are provided directly by the Government. Our focus is on lifting network resilience and reliability, supporting the efficient movement of freight and people.

### Metro Network

Our Metro Networks are funded through the NLTF and Track Access Charges from Auckland Transport and Greater Wellington Regional Council. Other major rail transport investments are provided directly by the Government. Our focus is on lifting network resilience and reliability measured by customer-facing KPIs of punctuality, reliability and completed trips.

The major upgrades in the metro networks will be delivered through this Business Unit from the start of FY27.

## Our strategy and focus

### Our purpose is Stronger Connections, Better New Zealand

#### *Hononga Whaikaha, Oranga mō Aotearoa.*

Since the first rail was laid in 1863, the railways have been key to New Zealand's development, helping to move people and goods around the motu. KiwiRail is carrying this legacy into the future, delivering connected transport services

for economic, social and environmental value to New Zealand.

### Our proud history provides the foundation for our bold ambition: To grow value by winning customer loyalty.

Rail supports productivity and business growth, reduces emissions, congestion and road deaths, and strengthens social and cultural connections between communities and regions. Rail is a key part of a multi-modal transport system for both freight and passengers in New Zealand, and a critical part of New Zealand's supply chain.

- We carry around 24 per cent of New Zealand's export volumes
- We deliver \$3.3 billion in economic value to New Zealand
- We transport around 500,000 passengers across the Cook Strait every year<sup>1</sup>, and support 24 million commuter journeys in Auckland and Wellington, with expectations this will rise significantly after the successful completion of the City Rail Link (CRL) in Auckland
- Moving freight by rail produces on average 60% less carbon emissions than heavy trucks.

We are positioning rail to play an even greater part, to help grow and decarbonise New Zealand's economy while contributing to containing road maintenance costs and avoiding additional congestion.

KiwiRail is changing the company for the future with the aim of delivering more reliable and competitive services for customers and capitalising on the significant investment that has been made in rail over recent years.

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1. Under our current two ferry fleet position, pending new ferries.

## Our Strategic Priorities

Our 5-year strategy has been rolled out to our organisation:

Purpose	<b>Stronger Connections, Better New Zealand</b>							
Vision	<b>To be our customers' first choice, as a trusted and sustainable partner to move freight &amp; people</b>							
Mission	We are an essential and valued part of New Zealand's freight and passenger transport systems. Our services contribute to efficient supply chains for our freight customers to connect to domestic and global markets, and people to communities.							
Our values								
Our Ambition	<b>Grow value by winning customer loyalty</b>							
Strategic priorities	FY26 Foundations for growth			FY26-27 Optimise, Partner and Invest		FY26-29 Scale new growth		
	Relentless safety, health & wellbeing	Reliable, value for money network	Productivity & reliability operational excellence	Right products, best customer service	Enable our people to be their best, one team	Simplify our business	Leaders in sustainability	
Goals	Safety Performance (HiPo) <b>&lt;22</b>	Benefits of Rail to network investment ratio <b>3.9</b>	Customer Service Delivery (DIFOT) <b>95%</b>	Freight Volume (NTK) <b>4.0bn</b>	Customer Net Promoter Score <b>+35</b>	Employee Engagement Score <b>≥76%</b>	Total cost/revenue (drive to 65) <b>65%</b>	Reduce Scope 1 & 2 GHG emissions <b>40%</b>

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At the heart of our strategy is a focus on providing the right products and best customer service at the lowest cost. Our rail network works best when it runs at scale. We are targeting growth to maximise the commercial and public benefits from the investment in rail.

## Delivering on our strategy

We will deliver through seven strategic priorities:

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<b>Relentless safety, health and wellbeing</b>	Our goal is to have zero injuries every day through a relentless focus on safety, health and wellbeing. We will achieve that by building on the successful Toitū Te Mauri Programme and continuously improving our systems and maturing our culture.
<b>Reliable, value for money network</b>	We will develop and deliver a value for money rail network investment programme that supports our customer-led growth strategy. We will deliver on our reliability targets and modernise and standardise working practices to further drive productivity and efficiency. We will also deliver a step change in metro infrastructure reliability to support patronage and economic growth.
<b>Productivity and reliability operational excellence</b>	We will achieve customer service targets, deliver productivity improvement and provide excellent customer experiences every day by developing and applying best practice standards, processes, procedures and technology. This will create capacity for future freight growth.
<b>Right products, best customer service</b>	KiwiRail's future is first and foremost customer-led. We will work in partnership with our customers to develop the products they want, meet their expectations every day and find mutual growth opportunities. We will grow volume and access to rail through innovation.
<b>Enable our people to be their best, one team</b>	We will create the conditions for engaged, capable and high-performing teams who feel valued, empowered and connected to our purpose.
<b>Simplify our business</b>	We will reduce complexity, review non-core services and streamline processes, equipment and business areas to increase productivity, and lift customer and employee experience, value and profit.
<b>Leaders in sustainability</b>	We are leaders in low-emission freight transport, and we will continue to decarbonise our operations to reach our net zero target.

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## Investment in KiwiRail

Our strategy is supported by a capital investment programme, funded by both KiwiRail and the Government. The investment in the Services Business is one-off, replacing aged assets like locomotives, wagons, and mechanical depots with reliable and efficient alternatives. This is to lift service reliability and underpins our offer to customers and our ability to grow and provide taxpayers with a return on their investment.

Our Infrastructure Businesses deliver work in alignment with the Government's transport priorities. This includes ongoing maintenance and renewals through the Rail Network Investment Programme, and specific major improvement projects in the metropolitan networks. Key milestones for our major capital upgrade programmes in this planning period are identified in our Key Performance Measures.

### Rolling Stock and Mechanical facilities

We are renewing our fleet of locomotives and wagons. The Government has committed \$1.6 billion to support this renewal programme all of which is committed and in contract. We will spend approximately \$0.5 billion across this three-year planning horizon. New locomotives and wagons are arriving and will continue to do so progressively across this Statement of Corporate Intent period, with the final tranche to arrive by 2028/29. Renewing the fleet will improve service reliability and reduce maintenance costs. It is essential for us to grow revenue, increase volumes on rail, and ultimately self-fund the next generation of rolling stock assets.

The investment in mechanical depots is now substantially complete with Hillside, Waltham and Woburn fully operational. The remaining works are spread across smaller centres.

## Rail Network Investment Programme

The RNIP supports the priorities in the Government Policy Statement on Land Transport (GPS) and provides value for money for New Zealand.

We are now near completion of the second year of the 2024-27 RNIP which was approved by the Minister of Transport. The investment outlined in the RNIP is \$1.36 billion for the Rail Network activity class and \$0.76 billion for the Public Transport Infrastructure and Investment Management activity classes.

The GPS 2024/25 – 2033/34 indicates that:

- Investments are focused on the busiest and most productive parts of the existing rail network to support efficient movement of freight. This complements the investment in New Zealand's state highway network to deliver a productive and efficient supply chain.
- Investments in metro passenger rail networks will also support the efficient movement of people in Auckland and Wellington.

A new draft GPS covering 2027/28-2036/37 is expected to be released by the Minister of Transport post the 2026 election. KiwiRail has commenced the development of the 2027-2030 RNIP (RNIP 3) which is focused on delivering value for money and driving efficiency through productivity, utilisation and optimisation. RNIP 3 will cover the same period as the GPS. The Crown appropriated \$1.08 billion in Budget 2026 to fund RNIP 3.

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## Major Transport Projects

We are the delivery agency for major rail transport projects, with investment in metro and national rail projects of up to \$2.1 billion (based on P95 project values):

### Auckland Metro Programme

- We have completed the Crown funded Papakura to Pukekohe Electrification, Wiri to Quay Park including third main, Western Power Feed, Drury Station, Paerata Station, the bulk of the Rail Network Rebuild and we are on target to complete stage 1 of the European Train Control System (ETCS) – level 1 installation on KiwiRail locomotives operating in Auckland by August 2026.
- We have worked closely with Link Alliance, City Rail Link Limited, Auckland Transport and Auckland One Rail to ensure there will be a clean opening of City Rail Link.
- Works still to complete post opening of City Rail Link include Ngakarua Station and residual Rail Network Rebuild in FY27 and Southern Power Feed, subject to RMA approvals in FY28.
- We intend to continue to deliver the residual long-term overdue renewals work programme (subject to ongoing funding) over a much longer time period to ensure the Auckland metro network is keeping pace with patronage and freight growth.

### Wellington Metro Programme

- During FY27-29 we will complete projects including strengthening the traction power supply, re-signaling the Wairarapa Line and preparing it and the North Island Main Trunk between Palmerston North and Waikanae in time for the arrival of the new trains purchased by Greater Wellington Regional Council.

### Northland Package

- A new Marsden Point Rail Link will be progressed in FY27 with a finalised design, cost and procurement recommendation to be put to Shareholding Ministers in late 2026. The rebuild of Whangarei to Kauri is complete, and the Kauri to Otiria segment has now been incorporated into the Marsden Point Rail Link scope and will be considered as part of the Marsden Point Rail Link decision.

### Other strategic network investments

- We will continue delivering the replacement of the train and traction control systems.
- We will be progressing investment cases with NZTA and Ministers including:
  - Upgrade of a section of the Auckland Networks signalling system to ETCS Level 1+
  - Introduction of ETCS to the Wellington Metro Network
  - Route protection and longer-term development options for the Southdown Avondale Corridor
  - Options for the electrification of rail between Auckland and Tauranga.

## Key Performance Measures by Strategic Priority (Definitions in Appendix 1)

KEY PERFORMANCE MEASURES	FY26 FORECAST	FY27 PLAN	FY28 PLAN	FY29 PLAN
<b>RELENTLESS SAFETY, HEALTH AND WELLBEING</b>				
High Potential Incident Reduction (Total 12-month rolling average)	New Measure 35 incidents	-20%	-15%	-10%
Lost Time Injury Reduction (Total 12-month rolling average)	New Measure 140 incidents	-20%	-20%	-15%
<b>ENABLE OUR PEOPLE TO BE THEIR BEST, ONE TEAM</b>				
Employee Engagement Score (EES) (%) <sup>2</sup>	76	76	77	78
Women in the Workforce (%)	New Measure 20	22	23	24
Under 35s in the Workforce (%) <sup>3</sup>	New Measure 28	29	30	30
<b>PRODUCTIVITY AND RELIABILITY OPERATIONAL EXCELLENCE, RIGHT PRODUCTS, BEST CUSTOMER SERVICE, SIMPLIFY OUR BUSINESS – SERVICES BUSINESS</b>				
Customer Service Delivery (DIFOT %) – Domestic Freight	90	95	95	95
Customer Net Promoter Score (CNPS) – Rail Freight (expressed as improvement from the FY24 baseline)	Up 45 points	Up 50 points	Up 55 points	Up 65 points
Rail Freight Net Tonne Kilometres carried (million)	3,399	3,475	3,683	3,829
Reliability – Ship services to advertised sailings (%)	98	97	97	97
Revenue (\$m)	818	820	824	859
Rail Freight revenue (\$m)	504	524	558	585
Interislander Freight and Passenger revenue (\$m)	134	125	125	128
Great Journeys of New Zealand and Commuter revenue (\$m)	59	63	65	68
Property revenue (\$m)	74	75	77	78
Operating surplus (\$m)	162	183	208	248
Operating ratio (Freight and Property) (%)	73	71	68	65
<b>LEADERS IN SUSTAINABILITY</b>				
Reduce scope 1 and 2 GHG emissions by 40% by 2035 through a focus on Rail Freight Carbon Intensity (grams of CO2e emissions per NTK)	27.0	26.7	25.7	25.4

2. New Employment Engagement Survey used for first time in March 2026.

3. Rebased FY25-FY28 Sustainability Strategy targets for significant shifts in KiwiRail workforce.

KEY PERFORMANCE MEASURES	FY26 FORECAST	FY27 PLAN	FY28 PLAN	FY29 PLAN
<b>RELIABLE, VALUE FOR MONEY NETWORK<sup>4</sup></b>				
Auckland Metro – Punctuality (%) KiwiRail’s contribution	New Measure 95	97	97.5	98
Wellington Metro – Punctuality (%) KiwiRail’s contribution	New Measure 95	95	94	93
TSRs within target(s) for Priority routes (%)	40	60	70	80
<b>CAPITAL INVESTMENT – ROLLING STOCK AND INFRASTRUCTURE</b>				
Delivery of major capital upgrade programmes	Delivery of FY26 milestones for: <ul style="list-style-type: none"> <li>National Network (3 of 6) Metro</li> <li>Network Auckland (5 of 6)</li> <li>Metro Network Wellington (2 of 2)</li> </ul>	Delivery of FY27 milestones for: <ul style="list-style-type: none"> <li>National Network (3)</li> <li>Metro Network Auckland (3)</li> <li>Metro Network Wellington (1)</li> </ul>	Delivery of FY28 milestones for: <ul style="list-style-type: none"> <li>National Network (2)</li> <li>Metro Network Auckland (4)</li> <li>Metro Network Wellington (2)</li> </ul>	Delivery of FY29 milestones for: <ul style="list-style-type: none"> <li>National Network (2)</li> <li>Metro Network Auckland (1)</li> <li>Metro Network Wellington (1)</li> </ul>

## Changes to Metrics

We replaced our Safety, Health and Wellbeing measures as we have moved away from using frequency rates in line with guidance from the NZ Business Leaders Forum and International research indicating frequency rates for HiPos and LTIs are not statistically valid. We have adopted Lost Time Injury rather than Total Recordable Injuries to focus on end-to-end case management and help people return to work sooner.

Metro punctuality measures have been adjusted to better reflect KiwiRail’s contribution to Metro punctuality performance. Only services where KiwiRail contributed to a late service are now included.

Two People Metrics (Women in the Workforce, Under 35s in the Workforce) are new for this iteration but have been included in the past. We have included these people metrics given the importance they play in our sustainable future workforce.

Following our cNPS and EES FY26 results significantly out-performing targets, we have re-set our performance expectations at a higher level for outer years.

## External influencing factors

The Iran conflict is affecting oil supply and fuel prices. This has a significant impact on our cost base - fuel is our second largest input after labour. Freight volumes also reflect overall economic activity, particularly for domestic customers, and we are seeing early impacts on global trade, including changes in port calls. We are seeing reduced forestry harvest programmes due to higher shipping and operating costs, and softer commitments from some domestic and retail customers, reflecting uncertainty and anticipated cost-of-living pressures. Our volume growth targets have been moderated for these factors.

4. FY28 and FY29 TSR performance reliant on baseline funding for RNIP3. Wellington performance set using lower-bound of funding range.

## State-Owned Enterprise Performance Measures (Definitions in Appendix 1)

	FY26 FORECAST	FY27 PLAN	FY28 PLAN	FY29 PLAN
<b>SHAREHOLDER RETURN MEASURES</b>				
Total shareholder return	n/a	n/a	n/a	n/a
Return on equity incl forecasted impairment (%)	(19)	(14)	(6)	(6)
<b>PROFITABILITY/EFFICIENCY MEASURES</b>				
Return on invested capital incl forecasted impairment (%)	(25)	(17)	(6)	(6)
Operating margin – Services business (%)	20	22	25	29
<b>LEVERAGE/SOLVENCY MEASURES</b>				
Shareholders' funds to total assets (%)	72	75	78	80
Leverage	-	-	-	-
Gearing ratio	-	-	-	-
Interest cover	-	-	-	-
<b>GROWTH MEASURES</b>				
Capital replacement	8.4	8.5	6.7	5.3
Revenue growth – Services business (%)	7	0	1	4
Earnings growth – Services business (%)	47	12	14	19

These measures exclude any potential CRL asset transfers.

The state-owned enterprise performance measures are the KiwiRail Group as a whole unless otherwise specified.

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## Required Information

### Accounting Policies

Detailed accounting policies are included in the most recent year-end financial statements which are contained in the most recent annual integrated report and can be found here: <https://www.kiwirail.co.nz/who-we-are/publications-and-resources/annual-reports/>

### Dividend Policy

We are focused on improving financial sustainability and reducing the need for taxpayer support in the medium to long term. However, a significant amount of investment will be required from the Shareholder for the period of this Statement of Corporate Intent. As such, KiwiRail does not expect to make any dividend payments over the period of this Statement of Corporate Intent.

### Information to be provided to Shareholding Ministers

We will provide Shareholding Ministers with:

- An Annual Report and Half Yearly Report in accordance with sections 15 and 16 of the State-Owned Enterprises Act 1986. These will include a statement of financial performance, a statement of financial position, a statement of cash flows, accompanying notes and other information necessary to permit an informed assessment of the Company's performance
- Continuous Disclosure reports required by Treasury's Commercial Performance Team
- Regular reporting to Treasury's Commercial Performance Team for performance monitoring
- Other information as requested by Ministers in accordance with section 18 of the State-Owned Enterprises Act 1986.

## Significance

We will not consult with Shareholding Ministers (unless consultation is otherwise specified by Shareholding Ministers as a condition of their approval of that funding or investment) on:

- Transactions in the course of expenditure of approved Crown funding or investment in KiwiRail; or
- Major transactions that have been approved by Shareholding Ministers in accordance with the Companies Act 1993.

Subject to the above exclusions, we will consult Shareholding Ministers before entering into a transaction that meets any of the criteria listed below:

- capital expenditure or equity investment with a transaction value greater than \$50 million; or
- substantial diversification or overseas expansion (including offshore investments); or
- expenditure on activities inconsistent with the nature and scope of the activities as set out in this Statement of Corporate Intent; or
- payment of any dividend or return of capital to the Crown;
- expenditure that otherwise meets a criterion for consultation specified by Shareholding Ministers in their letter of expectations.

### Procedures for Share Acquisition

We will consult with Shareholding Ministers on the subscription for, or sale of, shares in any company or equity interests in any other organisation which are material, involve a significant overseas equity investment, or are outside the scope of our core business.

We may need to acquire and hold shares or other securities in milk purchasing co-operatives or companies, on occasion and in connection with the purchase of farmland that is required for rail purposes. Such transactions are not considered material and will not be the subject of consultation.

## Compensation from the Crown

KiwiRail expects to receive compensation from the Crown as per section 7 of the State-Owned Enterprises Act 1986 for public policy work and projects undertaken by the company which have a public good element or purpose and would not be undertaken on purely commercial grounds.

## Commercial Valuation of the Crown's Investment

The commercial valuation has been prepared for the Group as at 30 June 2026 resulting in a negative value of \$526m. The negative valuation is driven by the inclusion of capital expenditure which is funded by the Government via equity (e.g. rolling stock and mechanical depot upgrades). The disclosure in the table below provides additional information regarding the impact this capital expenditure and the associated funding has on the valuation. For the purposes of the commercial valuation, cashflows associated with the Infrastructure network are excluded on the basis that they are funded via RNIP.

Key features of the current valuation include:

- The DCF methodology has been used to calculate the Net Present Value (NPV) of the KiwiRail Group.
- The DCF uses the future cash flows for FY29 set out in this SCI, with forward projections for years 4 to 20 that are aligned to KiwiRail's long-term operating forecasts and capital requirements.
- A terminal value of \$475m has been included. The growth assumption in the terminal value is 2%.
- The future cash flows have been discounted using a cost of capital of 8.15%.
- The current earnings projections do not result in the Group paying income tax for the foreseeable future.

- PwC have confirmed the mathematical accuracy of the calculation of the DCF valuation. PwC have not assessed the inputs to the valuation calculation.

The current valuation of negative \$526m compares with a negative value of \$573m in FY25.

The key components of the current valuation are set out below:

	30 June 2026 \$m	30 June 2025 \$m
<b>DCF Enterprise Value</b>	1,608	702
<b>PV of Government funded capex</b>	(2,134)	(1,275)
<b>DCF Equity Value</b>	(526)	(573)
<b>PV of Government committed funding</b>	2,134	1,275
<b>DCF Equity Value including Government committed funding</b>	1,608	702

## The Benefits of Rail in New Zealand

The commercial valuation does not include the wider economic benefits that rail provides to New Zealand (externalities). These externalities were considered in the 2024 Benefits of Rail report prepared by Ernst & Young (EY). This involved modelling what would happen if the rail network did not exist, for example, if rail freight and metro services were replaced by road transport.

The EY report estimated the total benefit of rail to New Zealand to be \$3.3 billion per annum from seven quantitative areas:

- Reduced travel time and congestion

- 
- Reduced air pollution
  - Reduced fuel use
  - Reduced greenhouse gas emissions
  - Reduced network maintenance and upgrades
  - Improved safety outcomes – reducing costs of serious injuries and death caused by crashes
  - Changes in GDP.

The value excludes indirect benefits from rail such as employment, tourism, connectivity, land use and resilience. Assessing these impacts would further increase the benefit of rail quantified above.

## Appendix 1: Performance Measure Definitions

High Potential Incident (HiPo) Reduction	The High Potential Incident reduction is measured as a 12-month rolling total. High Potential Incidents are incidents or high risk near misses that could, in other circumstances, have resulted in one or more fatalities or serious injuries. The measure includes both KiwiRail staff and contractors.
Lost Time Injury (LTI) Reduction	The Lost Time Injury reduction is measured as a 12-month rolling total. Lost Time Injuries are injuries where KiwiRail staff or contractors require time off work. The measure includes both KiwiRail staff and contractors.
Employee Engagement Score	A measure of how much an employee is committed to helping their organisation achieve its goals. It's demonstrated by how employees think, feel, and act, as well as the emotional connection employees, feel towards their organisation, their work, and their team. Composite score of three factors: Recommendation, Accomplishment, Motivation. Each of these items provides a score which, when combined, gives an overall metric of employee engagement.
Customer DIFOT	Percentage of Domestic freight delivered to customers in full and on time (excluding impact of external factors). Measured on a year-to-date basis.
Customer Net Promoter Score (NPS)	NPS is an annual measure calculated by subtracting the percentage of customers scored as detractors from the percentage of customers scored as promoters based on their response to a set of questions. This is expressed as improvement from KiwiRail's FY24 baseline. Measure relates to rail freight.
Ship services to advertised sailings	Number of sailings completed divided by number of sailings advertised to passengers and freight customers less cancellations due to weather.
Reduce scope 1 and 2 GHG emissions by 40% by 2035 through a focus on Rail Freight Carbon Intensity (grams of carbon dioxide equivalent emissions per net tonne kilometre)	For scope 1 and 2 carbon emissions (CO <sub>2</sub> e), KiwiRail measures our emissions performance on an absolute basis for the organisation, and on an intensity basis for rail freight and Interislander operations. Our absolute target is to reduce emissions by 40% by 2035 against a 2018/2019 base year and to be net zero carbon by 2050. The rail freight intensity measure includes carbon emissions from our diesel and electric mainline and shunt locomotive fleets. Net tonne kilometres includes third party container tare and excludes passenger and work trains.

Operating surplus	Net surplus (revenue minus expenditure) before foreign exchange, interest, taxation, depreciation, amortisation, impairment, grant income and fair value adjustments.
Operating ratio	(Services External Revenue minus Services operating surplus) divided by (Services External Revenue).
Punctuality – KiwiRail contribution	Measures the percentage of services arriving at key interchange stations and final destination within five minutes of the scheduled time. Measure is adjusted to exclude late services that were not wholly or partially attributable to KiwiRail.
Total shareholder return	(Closing commercial value less opening commercial value plus dividends paid less equity injected) divided by opening commercial value.
Return on equity	Net profit after tax divided by average equity.
Return on invested capital	EBIT divided by average invested capital.
Shareholders' funds to total assets	Closing equity divided by closing total assets.
Leverage	Net debt divided by operating surplus.
Gearing ratio	Total debt divided by (total debt plus equity).
Interest cover	EBIT divided by net interest expense.
Capital replacement	Capital expenditure divided by (depreciation plus amortisation expense).
Revenue growth	(Current year's revenue less previous year's revenue) divided by previous year's revenue.
Earnings growth	(Current year's operating surplus less previous year's operating surplus) divided by previous year's operating surplus.

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## Glossary

CRL	City Rail Link is a 3.5 kilometre-long double-tracked rail tunnel underneath Auckland's city centre, that connects Waitemata Station (Britomart) with Maungawhau Station (Mount Eden).
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
ETCS	European Train Control System is a train protection system designed to reduce collision risk between trains. Consists of on-board (in cab) equipment and trackside equipment.
GHG	Greenhouse Gas
GJNZ	Great Journeys New Zealand is one of KiwiRail's passenger brands that offers rail tourism experiences connecting major cities with regional New Zealand.
GPS	Government Policy Statement on Land Transport
NLTF	National Land Transport Fund
RNIP	Rail Network Investment Programme
TSRs	Temporary speed restrictions are placed on sections of track due to operational issues. They are reported in terms of minutes of potential delay due to the restriction.





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