



STATEMENT OF CORPORATE INTENT

2026–2028



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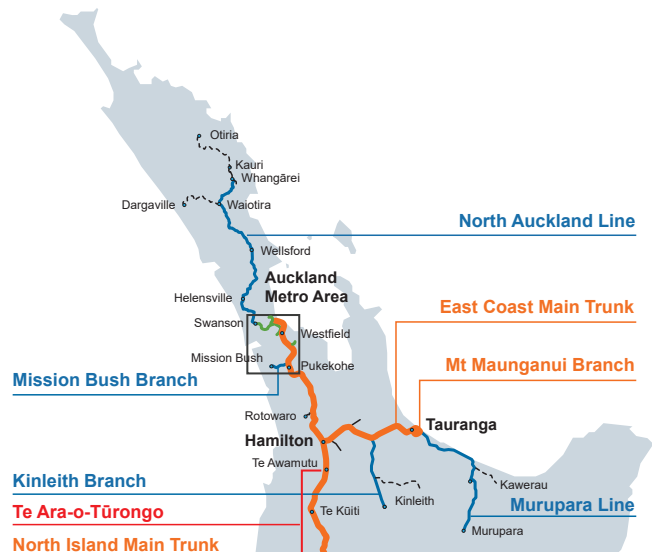
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The New Zealand rail network



Marton - New Plymouth Line

Stillwater - Ngakawau Line

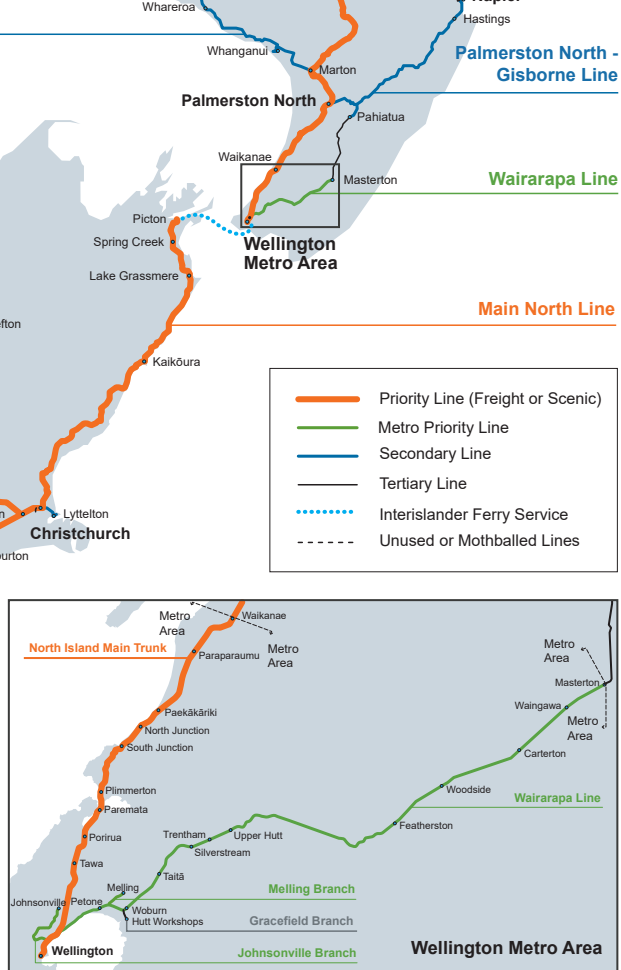
Hokitika Line

Midland Line

Main South Line

Ohai Line

Bluff Line



- Priority Line (Freight or Scenic)
- Metro Priority Line
- Secondary Line
- Tertiary Line
- Interislander Ferry Service
- Unused or Mothballed Lines



Overview of the Business



Value

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

An estimated 210 minor injuries, serious injuries & deaths on the road are avoided each year using rail*



Sustainability

Reduce heavy vehicle impact by more than 1 million truck journeys per year

Every tonne of freight carried by rail delivers on average, a 70% 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

Freight

Move around 15 million tonnes of freight

Transports around 23% of New Zealand's exports

Connect more than 300 customers' freight supply chains

To move the freight on a standard train takes about 54 trucks



Great Journeys New Zealand

Offers tourism experiences connecting Auckland, Wellington and Christchurch with regional New Zealand

Operates regional passenger services – Te Huia and Capital Connection



Interislander

Operates three ships making 3400 sailings per year, providing around 600,000 passenger trips.

Connects State Highway 1 across Cook Strait

The fleet will reduce to two ferries once Aratere retires by September 2025



Property

Manage a portfolio worth \$4.3 billion** with more

than 18,000 hectares of land leased from NZRC

Own more than 900 buildings

Manage 10,000+ leases, licences and grants



INFRASTRUCTURE



Metro networks

Manages the metro networks supporting more than 25 million metro commuter trips each year increasing when CRL opens in Auckland



Track

Operate and maintain 3800km of track



Infrastructure

3096 signals

1444 public level crossings

105 tunnels

1367 bridges

RESOURCES



Property

(see Services)



Rolling stock and ferries

4500 wagons

241 locomotives and shunts

3 ferries (2 ferries by September 2025)



Our team

4600 employees

19% women in the workforce

30% under 35 years old

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

** New Zealand Railways Corporation FY24 Annual Report

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; and
- 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 people to communities and tourism experiences.

We are the steward of the national rail network.

We're a national employer of 4600, 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 business for all rail network users. 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 (Above Rail)

- Rail Freight – Container terminal services and rail logistics services to freight markets
- Interislander – Ferry services to rail and road freight markets, and for tourist and domestic passengers and their vehicles
- Scenic and Commuter – Passenger services for public transport and tourism markets
- Property – Management and development for rail operations and third-party land use.

Infrastructure Network (Below Rail)

- An infrastructure division delivering asset management, infrastructure renewals/ upgrades, signalling, train control operations and improvements in the rail network for all users.

The Services Business and Infrastructure Network are both supported by shared services, including a specialist Safety, Health and Wellbeing team, finance, legal, human resources, ICT, policy and funding, sustainability, communications, security & integrity and strategy teams.

What drives our Business Units

Rail Freight

Rail Freight provides freight logistics services to its customers offering them a natural advantage through economies of weight and scale in long-distance services and a low-emissions transportation mode. We support import/export markets to and from coastal and inland ports, move intermodal container freight around New Zealand, carry bulk commodities and serve major industries like forestry and dairy.

Interislander

Interislander carries freight and passengers across Cook Strait 365 days a year, subject to weather. Our ferries are a critical extension to State Highway 1 and rail's main lines, connecting the major islands of New Zealand and providing an important service for New Zealand's supply chains. We pride ourselves on our on-board service for passengers, providing a great experience for the New Zealanders and international guests who travel with us.

Scenic and Commuter

Scenic provides rail tourism services that need to be financially viable in their own right. Operating as Great Journeys of New Zealand, we are motivated to provide a great experience on rail for locals and international tourists alike. We operate the TranzAlpine, Coastal Pacific and Northern Explorer, and offer end-to-end travel services, including multi-day tours, charters and short break packages.

Commuter operates the Te Huia and Capital Connection services which are funded by NZTA Waka Kotahi and regional authorities, supplemented by passenger fares. KiwiRail will review these non-core services as existing contracts expire.

Property

Property manages a portfolio of more than 18,000 hectares of land, more than 900 buildings and more than 10,000 leases, licences, and grants. 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 seeking to extend the core lease on rail land by 100 years to incentivise investment, improve commercial performance and better align to the long economic lives of the infrastructure we are building and build a masterplan to support rail.

Infrastructure Network

We manage the operations, maintenance, and renewals of the national and metropolitan 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 and completing major upgrades in the Auckland and Wellington metro networks.

Programme Delivery

Programme Delivery is responsible for the major project portfolio for both the Services Business and the Infrastructure Network, which receives specific project funding from the Government, including:

Services Business

- Rolling Stock – procuring replacement mainline locomotives, shunt locomotives and wagons
- Mechanical Depots – rebuilding depots and workshops.

Infrastructure Network

- Auckland Metro – upgrading the Auckland Metro network and supporting the City Rail Link project
- Wellington Metro – upgrading the Wellington Metro network
- Northland – potentially building the rail connection to Marsden Point and reopening the Kauri to Otiria Line.
- Control Systems – replacing the network control software.

Inter-island Ferries

- Following the Government's decision in March to procure brand-new rail-enabled Interislander ferries, due to enter service in 2029, KiwiRail has committed to working with the Government and Ferry Holdings Ltd to support the procurement process and to ensure the smooth introduction of the new ferries. Two new, identical ships will improve Interislander's efficiency by reducing ongoing maintenance costs and allow KiwiRail to use a single standardised asset management, training and operational approach.

Our strategy and focus

Our purpose is Stronger Connections, Better New Zealand

Hononga Whaikaha, Oranga mō Aotearoa.

Our people, our customers, our stakeholders and our shareholders want us connected to:

- Our customers and the future needs of their businesses
- The communities we serve and in which we operate
- Each other, for a better New Zealand.

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 23 per cent of New Zealand's export volumes and 32 per cent of the largest port's container volumes
- We deliver \$3.3 billion in economic value to New Zealand
- We transport around 600,000 passengers across the Cook Strait every year, and support 25 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.

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 has commenced transforming 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.

Our Strategic Priorities

Our 5-year strategy is designed over three horizons:



At the heart of our strategy is a focus on providing the right products and best customer service at lowest cost. Our rail network works best when it runs at scale. Increasing volumes on rail will deliver value to all our stakeholders: customers, employees, partners, shareholders, and the New Zealand public.

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:

Relentless safety, health and wellbeing	Our goal is to have zero injuries every day through a relentless focus on safety, health and wellbeing. We will achieve that by maturing our culture and strengthening our systems leveraging the Toitū Te Mauri Programme
Reliable, value for money network	We will deliver on our reliability targets, prioritise network investment and modernise working practices to maximise economic values and returns.
Lowest cost, operational excellence	Develop and apply best practice standards, process and procedures at lowest cost to achieve customer service delivery targets every day.

Right products, best customer service

KiwiRail's transformation 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.

Enable our people to be their best, one team

We will create the conditions for engaged, capable and high-performing teams who feel valued, empowered and connected to our customer-led purpose. We will produce an environment where everyone understands their role, has the skills they need, and works together.

Simplify our business

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.

Leaders in sustainability

We are leaders in low-emission freight transport, and we will continue to decarbonise our operations to reach our net zero target.

Investment in KiwiRail

Our strategy is supported by a capital investment programme, funded by both KiwiRail and the Government.

The investment for 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 the taxpayer with a return on their investment.

The Infrastructure Network delivers 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 capital

investment programme in this planning period are identified in our Key Performance Indicators.

Rolling Stock

We are renewing our fleet of locomotives and wagons. The Government has committed \$1.7 billion to support this renewal programme, and we will spend \$0.5 billion across this three-year planning horizon. The new assets will arrive 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.

Mechanical Depots

We have nearly completed the consolidation and upgrade of our mechanical depots across

New Zealand (including building a new Waltham facility), to support the safe work of our maintenance crews and improve the efficiency of our operations. The Government has committed \$207 million to support this activity, with completion planned for 2025/26.

The Government has also provided \$105 million to rebuild the Hillside Workshops in Dunedin and assemble up to 1500 wagons in the new workshops between 2024 and 2027 (through an \$85 million funding agreement with shareholders and \$20 million from Kānoa). This has created around 50 assembly jobs and apprenticeships.

Electric Fleet Refurbishment

We are refurbishing some of the Electric Fleet locomotives. The Government provided \$35 million for this purpose. The refurbishment is scheduled to be completed during this Statement of Corporate Intent period. It will extend the economic life of the fleet and help to reduce operating costs and carbon emissions.

Rail Network Investment Programme

The RNIP supports the priorities in the Government Policy Statement on Land Transport (GPS).

We are now near completion of the first year of the 2024-27 RNIP which was approved by the Minister of Transport on 10 December 2024 and covers 2024/25 to 2026/27. Following the recent Crown Budget, a variation to the RNIP has been prepared and is awaiting Ministerial approval. The investment outlined in the RNIP variation 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 in rail should be focused on the busiest and most productive parts of the

existing national rail network to support the overall objective of economic growth and productivity

- Investments in metro rail networks will also support the efficient movement of people in Auckland and Wellington.

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):

- Papakura to Pukekohe (P2P) Electrification – \$451 million to electrify 19km between Papakura and Pukekohe, including installation of overhead equipment, a new traction power feed and signalling upgrades. Construction is complete and passenger services commenced operation early 2025. The Southern power feed is expected to be delivered in 2027/28.
- Wiri to Quay Park (W2QP) – \$329 million to provide a third rail line to ease the bottleneck between Wiri and Westfield, increase capacity around Westfield Junction and improve rail access to the Ports of Auckland and Quay Park. The project has been delivered in multiple packages over 2024 and 2025. Final completion is mid-2025.
- Drury Rail Stations – \$471 million to construct three new passenger rail stations at Drury Central, Drury West and Paerata and the associated bus interchange, park and ride facilities and connector roads. Expected construction completion in mid-2026.
- Wellington Metro Upgrade Programme – \$257 million to enable a safe and reliable increase in the frequency of train services at Wellington Railway Station and for infrastructure upgrades to the Wairarapa Line to increase capacity and support a planned increase in the frequency of passenger

services. Wellington Railway Station was completed in mid-2025, Wairarapa Line at the start of calendar 2027.

- Northland Package – the Government announced its \$692 million Northland Package in June 2021 for rail works and SH1 roading improvements. The rail components are:
 - A new Marsden Point Rail Link – currently going through a detailed design and value engineering assessment, which is expected to be completed by the end of 2025.
 - Whangārei and Otiria rail upgrades to 18-tonne axle load and system improvements. Whangārei to Kauri is complete, the Kauri to Otiria segment is paused and will be reconsidered as part of the Marsden Point Rail Link decision.

Auckland Metro Growth, Remediation and City Rail Link Readiness

As noted, work is complete on Papakura to Pukekohe electrification, substantially complete on Wiri to Quay Park and underway on Papakura to Pukekohe Southern power feed and Drury Stations projects.

We will also continue delivering the Rail Network Growth Impact Management programme (which includes the staged Rail Network Rebuild) and to deliver overdue renewals works to ensure the Auckland metro network is keeping pace with patronage and freight growth. Progress towards City Rail Link readiness is continuing with construction of a new substation to the west nearing completion.

We are rolling out European Train Control System (ETCS) – level 1 on KiwiRail locomotives operating in Auckland by August 2026, and we are also investigating the implementation of ETCS level 2 for Auckland subject to funding.

Wellington Metro Growth and Remediation

In addition to the major transport projects described above, we will continue with tunnel, track and bridges renewals particularly on the Wairarapa Line, and commence work to upgrade substations.

Following Budget 2024 decisions, works on overdue renewals are in progress and we are continuing to work closely with Greater Wellington Regional Council on scoping the network activities to support the introduction of new regional trains in a similar manner to the successful introduction of the current Matangi trains.

We are also investigating replacing the current signalling system and moving to ETCS.

North Island Weather Events Recovery

Cyclone Gabrielle had a significant effect on the rail network. While remediation work is largely completed on the East Coast Main Trunk, North Island Main Trunk, North Auckland Line and other lines, reinstatement work is ongoing to address extensive damage on the Palmerston North to Gisborne Line.

Electrification

We are nearing completion on an electrification business case. This will look in detail at how best to electrify more North Island rail lines – such as the Golden Triangle, which carries around half of all rail freight in New Zealand. The business case will inform future investment decisions for decarbonising the transport system and continuing to lift the emissions credentials of rail freight and passenger services.

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

KEY PERFORMANCE MEASURES	FY25 FORECAST	FY26 PLAN	FY27 PLAN	FY28 PLAN
RELENTLESS SAFETY, HEALTH AND WELLBEING				
High Potential Incidents and Near Misses Frequency Rate – HiPoFR	4.9	3.1	2.5	2.0
Number of Critical Risk Control Verifications per month, (12 month rolling average – 12MAV)	245	294	353	430
Number of Leader Safety Interactions per month (12 MAV)	245	294	353	430
Total Recordable Injury Frequency Rate – TRIFR	21.7	15.0	12.0	9.6
ENABLE OUR PEOPLE TO BE THEIR BEST, ONE TEAM				
Employee Engagement Score (%)	NA	65	67	70
LOWEST COST, OPERATIONAL EXCELLENCE, RIGHT PRODUCTS, BEST CUSTOMER SERVICE, SIMPLIFY OUR BUSINESS – SERVICES BUSINESS				
Customer Service Delivery (DIFOT %)	86	90	95	95
Customer Net Promoter Score – Freight (expressed as a movement from prior year baseline)	+5	+10	+15	+20
Rail Freight Net Tonne Kilometres (NTK) carried (million)	3,244	3,451	3,800	3,986
Reliability – Ship services to advertised sailings (%)	98	98	98	97
Revenue (\$m)	774	758	808	848
Rail Freight revenue (\$m)	456	468	513	544
Interislander Freight and Passenger revenue (\$m)	149	127	128	129
Great Journeys of New Zealand and Commuter revenue (\$m)	55	60	67	72
Property revenue (\$m)	70	75	76	79
Operating surplus (\$m)	110	160	198	217
Operating ratio (Freight & Property) (%)	79	71	65	65

KEY PERFORMANCE MEASURES	FY25 FORECAST	FY26 PLAN	FY27 PLAN	FY28 PLAN
LEADERS IN SUSTAINABILITY				
Reduce scope 1 & 2 GHG emissions by 40% by 2035 through a focus on Rail Freight Carbon Intensity (grams of carbon dioxide equivalent emissions per NTK)	25.1	23.9	23.4	22.6
RELIABLE, VALUE FOR MONEY NETWORK				
Auckland Metro – Punctuality (%)	92	93	94	95
Wellington Metro – Punctuality (%)	92	95	95	95
TSRs within target(s) for Priority routes (%)	40	40	40	50
CAPITAL INVESTMENT – ROLLING STOCK AND INFRASTRUCTURE				
Delivery of major capital upgrade programmes	Delivery of FY25 milestones for: <ul style="list-style-type: none"> National Network (3 of 6) Metro Network Auckland (2 of 3) Metro Network Wellington (2 of 2) 	Delivery of FY26 milestones for: <ul style="list-style-type: none"> National Network (6) Metro Network Auckland (6) Metro Network Wellington (2) 	Delivery of FY27 milestones for: <ul style="list-style-type: none"> National Network (2) Metro Network Auckland (2) Metro Network Wellington (1) 	Delivery of FY28 milestones for: <ul style="list-style-type: none"> National Network (3) Metro Network Auckland (3) Metro Network Wellington (3)

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

	FY25 FORECAST	FY26 PLAN	FY27 PLAN	FY28 PLAN
SHAREHOLDER RETURN MEASURES				
Total shareholder return	n/a	n/a	n/a	n/a
Return on equity (%)	6	5	(4)	(4)

	FY25 FORECAST	FY26 PLAN	FY27 PLAN	FY28 PLAN
PROFITABILITY / EFFICIENCY MEASURES				
Return on invested capital (%)	7	5	(4)	(4)
Operating margin – Services business (%)	13	21	25	26
LEVERAGE / SOLVENCY MEASURES				
Shareholders' funds to total assets (%)	72	78	82	83
Leverage	-	-	-	-
Gearing ratio	-	-	-	-
Interest cover	-	-	-	-
GROWTH MEASURES				
Capital replacement	9.0	9.0	8.7	6.4
Revenue growth – Services business (%)	-	(2)	7	5
Earnings growth – Services business (%)	5	45	24	10

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

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 2025 resulting in a negative value of \$573m. 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 used to calculate the Net Present Value (NPV) of the KiwiRail Group.
- The DCF uses the future cash flows for FY26 to FY28 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 \$343m 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 8.5%.
- The current earnings projections do not

result in the Group paying income tax for the foreseeable future.

- PwC has confirmed the mathematical accuracy of the calculation of the DCF valuation prior to approval of the DCF value by the Board. PwC did not assess the inputs to the valuation calculation.

The current valuation of negative \$573m compares with a negative value of \$986m in FY24. The key reason for the change is an increase in forecast cash flows because of one year less of equity funded capital expenditure.

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

	30 June 2025 \$m	30 June 2024 \$m
DCF Enterprise Value	702	672
PV of Government funded capex	(1,275)	(1,658)
DCF Equity Value	(573)	(986)
PV of Government committed funding	1,275	1,658
DCF Equity Value including Government committed funding	702	672

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 value 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 value of rail quantified above.

Appendix 1: Performance Measure Definitions

HiPoFR	<p>The High Potential Frequency Rate is the total number of incidents or high risk near misses that could, in other circumstances, have resulted in one or more fatalities or serious injuries, per million hours worked within an organisation.</p> <p>To calculate the HiPoFR, the number of incidents or high risk near misses in a 12-month period is divided by the number of hours worked by all staff and contractors, in the same 12-month period and multiplied by one million.</p>
Critical Control Verifications	<p>Assessments conducted to ensure that our SHE Critical Risk Critical Controls are effectively implemented and functioning as intended to mitigate risks (12 month rolling average)</p>
Safety Interactions	<p>The number of planned and targeted interactions per month which have occurred focused on improving risk awareness, personal ownership for safety, and encouraging people to think about the consequences of their actions and to recognise and encourage positive behaviours (12 month rolling average)</p>
TRIFR	<p>The Total Recordable Injury Frequency Rate is the total number of injuries (all TRIs) requiring medical treatment, per million hours worked within an organisation.</p> <p>To calculate the TRIFR, the number of recordable injuries in a 12-month period is divided by the number of hours worked by all staff in the same 12-month period and multiplied by one million.</p>
Employee Engagement Score	<p>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.</p> <p>Composite score of three factors: Recommendation, Accomplishment, Motivation.</p> <p>Each of these items provides a score which, when combined, gives an overall metric of employee engagement.</p>
Customer DIFOT	<p>Percentage of freight delivered to customers in full and on time (excluding impact of external factors)</p>

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 a movement from prior year baseline.
Ship services to advertised sailings	Number of sailings completed divided by number of sailings advertised to the public less cancellations due to weather
Reduce scope 1 & 2 GHG emissions by 40% by 2035 through a focus on Rail Freight Carbon Intensity (grams of carbon dioxide equivalent emissions per NTK)	For scope 1 and 2 carbon emissions (CO ₂ 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.
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	Measures the percentage of services arriving at key interchange stations and final destination within five minutes of the scheduled time.
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

Glossary

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
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.

