



Interim Report

2025/26



FINANCIAL STATEMENTS

Six months ended 31 December 2025

Introduction

On behalf of the Board and Management, we are pleased to share Transpower New Zealand's financial results for the six months ending 31 December 2025.

Our first half results for the 2026 financial year were in line with expectations, both in terms of performance and returns to shareholders. Operating revenue increased by 16.2% to \$553 million (2024: \$476 million) primarily due to higher transmission revenue as a result of the higher Weighted Average Cost of Capital (WACC) for Regulatory Control Period 4 (RCP4) and an increase in new customer investment revenue. Operating expenses were \$222 million, a 15.6% increase from the previous period (2024: \$192 million). This was predominantly due to:

- a planned step change in project maintenance as part of the RCP4 maintenance programme
- unplanned maintenance caused by weather-related damage in the South Island
- the final uplift in our workforce to support our growing work programme.

Net profit after tax was \$74 million, a 15.6% increase (2024: \$64 million).

Capital expenditure was \$281 million, a 9% decrease from the previous period. This is largely due to both savings achieved on projects and the rephasing of some work to later in FY26 and beyond.

We are pleased with the results for the first half of the 2026 financial year both in terms of performance and returns to shareholders, and we are on track to deliver all the targets set out in the Statement of Corporate Intent (SCI) for FY26.

The Board has declared an interim dividend of \$20 million.

This interim report is the first full six-month period under the new regulatory period which began on 1 April 2025. Over RCP4 we have a significant programme of investment as we replace and refurbish parts of the grid that were built 50-70 years ago.

To ensure we can meet the future electricity needs of New Zealanders and enable our economy to grow, Transpower also has an ambitious programme of major capital projects to cater for increasing amounts of new generation and customer growth. Both this programme and our grid refurbishment programme are essential to ensure that the grid continues to enable growth to deliver the reliable electricity supply New Zealanders expect.



Tauranga substation - November 2025

We are working at pace to make progress on significant projects across the country from Northland to Queenstown. These projects, along with our programme of grid upgrades will increase capacity to enable new generation, connection and load.

As we work to connect more generation and load to the grid we currently have a record number of customer projects in delivery. At the same time in our role as system operator we are working closely with stakeholders to develop our System Operator Strategy to support the increasing complexity of the power system as New Zealand electrifies.

The Board, leadership team and all of Transpower continue to work hard to balance delivering value for our shareholder, the New Zealand Government, with investing in Aotearoa's long-term future.

Michele Embling
Chair

James Kilty
Chief Executive

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Statement of comprehensive income

For the six months ended 31 December 2025

Group (\$m)	Notes	2025 Unaudited	2024 Unaudited
Operating revenue	A1	553	476
Operating expenses	A2	(222)	(192)
Earnings before interest, tax, depreciation, amortisation, asset write-offs, impairment and changes in the fair value of financial instruments (EBITDAIF)		331	284
Depreciation, amortisation, asset write-offs, dismantling and impairment	B1	(157)	(149)
Interest revenue		11	6
Interest expense	C4	(95)	(59)
Net profit before tax and changes in the fair value of financial instruments		90	82
Gain in the fair value of financial instruments	D2	12	6
Net profit before tax		102	88
Income tax expense		(28)	(24)
Net profit		74	64
Attributable to:			
Non-controlling interest		-	-
Owners of the parent		74	64
Other comprehensive income / (expense)			
<i>Items that will not be reclassified to profit or loss</i>			
Net loss on credit spreads changes on own debt	D2	(9)	-
<i>Items that may be reclassified to profit or loss</i>			
Net loss on cash flow hedges	D2	(7)	(83)
Other comprehensive income / (expense)		(16)	(83)
Attributable to:			
Non-controlling interest		-	-
Owners of the parent		(16)	(83)
Total comprehensive income / (expense)		58	(19)
Attributable to:			
Non-controlling interest		-	-
Owners of the parent		58	(19)

These statements are to be read in conjunction with the accompanying notes.

Statement of financial position

As at 31 December 2025

Group (\$m)	Notes	2025 31 December Unaudited	2025 30 June Audited
Current assets			
Cash and cash equivalents		414	673
Investments		23	11
Trade receivables and other assets		134	108
Derivative financial instruments	D1	63	16
		634	808
Non-current assets			
Trade receivables and other assets		8	9
Derivative financial instruments	D1	360	254
NZPCL investment		100	91
Property, plant and equipment	B1	5,747	5,622
Intangible assets	B1	413	426
		6,628	6,402
Total assets		7,262	7,210
Current liabilities			
Trade and other payables		327	284
Tax payable		17	4
Deferred income		1	1
Derivative financial instruments	D1	50	29
Provisions		9	11
Borrowings	C3	803	894
Lease liabilities		9	9
		1,216	1,232
Non-current liabilities			
Deferred income		260	243
Derivative financial instruments	D1	19	32
Provisions		35	35
Borrowings	C3	3,316	3,240
NZPCL debt		100	92
Lease liabilities		75	80
Deferred tax		616	617
		4,421	4,339
Total liabilities		5,637	5,571

These statements are to be read in conjunction with the accompanying notes.

Group (\$m)	Notes	2025 31 December Unaudited	2025 30 June Audited
Equity			
Capital		1,200	1,200
Retained earnings		464	471
Cash flow hedge reserve		(38)	(31)
Non-controlling interest		(1)	(1)
Total equity		1,625	1,639
Total funds employed		7,262	7,210

The Board of Directors of Transpower New Zealand Limited authorised these financial statements for issue on 26 February 2026.

For, and on behalf of, the Board



Michele Embling
Chair



Kevin Palmer
Chair of Audit and Risk Committee

Statement of changes in equity

For the six months ended 31 December 2025

Group Unaudited (\$m)	Notes	Ordinary shares	Retained earnings	Cash flow hedge reserve	Owners of the Parent	Non controlling interest	Total
Equity at 1 July 2025		1,200	471	(31)	1,640	(1)	1,639
Net profit		-	74	-	74	-	74
Other comprehensive income / (expense)		-	(9)	(7)	(16)	-	(16)
Total comprehensive income / (expense)		-	65	(7)	58	-	58
Dividends paid	C2	-	(72)	-	(72)	-	(72)
Total equity at 31 December 2025		1,200	464	(38)	1,626	(1)	1,625
Equity at 1 July 2024		1,200	477	58	1,735	(1)	1,734
Net profit		-	64	-	64	-	64
Other comprehensive income / (expense)		-	-	(83)	(83)	-	(83)
Total comprehensive income / (expense)		-	64	(83)	(19)	-	(19)
Dividends paid	C2	-	(66)	-	(66)	-	(66)
Total equity at 31 December 2024		1,200	475	(25)	1,650	(1)	1,649

These statements are to be read in conjunction with the accompanying notes.

Cash flow statement

For the six months ended 31 December 2025

Group (\$m)	Notes	2025 Unaudited	2024 Unaudited
Receipts from customers		558	472
Interest received		11	6
Payments to suppliers and employees		(263)	(203)
Tax payments		(10)	(12)
Interest paid		(94)	(55)
Operating cash flows		202	208
Sale of property, plant and equipment		-	1
Sale of investments		20	26
Purchase of property, plant and equipment and intangibles		(281)	(338)
Purchase of investments		(32)	(27)
Investing cash flows		(293)	(338)
Proceeds from bonds, term debt and commercial paper		450	318
Net collateral received / (paid)		79	67
Dividends paid	C2	(72)	(66)
Payment of lease liabilities		(5)	(4)
Repayment of bonds, term debt and commercial papers		(621)	(148)
Financing cash flows		(169)	167
Net increase / (decrease) in cash flow		(259)	37
Cash at the beginning of the period		673	118
Cash at the end of the period		414	155
Cash comprises:			
Bank balances and on-call deposits		248	149
Restricted cash - bond and retention money		4	6
Short-term deposits with original maturity less than three months		162	-
Total cash		414	155

These statements are to be read in conjunction with the accompanying notes.

Cash flow statement reconciliation

A reconciliation of net profit to operating cash flows is provided below:

Group (\$m)	2025 Unaudited	2024 Unaudited
Net profit	74	64
Add / (deduct) non-cash items:		
(Gain) in the fair value of financial instruments	(12)	(6)
Depreciation, amortisation, asset write-offs and impairment	157	149
Deferred tax	4	13
Capitalised interest	(7)	(5)
Movements in working capital items:		
Increase in trade and other assets	(25)	(6)
Increase in trade and other payables, interest payable and deferred income	1	4
Increase / (decrease) in taxation payable	13	(1)
Decrease in provisions	(3)	(4)
Operating cash flows	202	208

These statements are to be read in conjunction with the accompanying notes.

About this report

Reporting entity

These interim financial statements are for Transpower New Zealand Limited (Transpower) and its subsidiaries (together, "the Group"). Transpower is a state-owned enterprise registered in New Zealand under the Companies Act 1993 and is a FMC reporting entity under the Financial Markets Conduct Act 2013.

The Group is the owner and operator of New Zealand's national electricity grid and its operations are not considered seasonal or cyclical in nature.

Transpower's interim financial statements for the six months ended 31 December 2025 provide a summary of Transpower's performance for the period and outline significant changes to information reported in the audited financial statements for the year ended 30 June 2025 (2025 Integrated Report). The interim financial statements should be read in conjunction with the 2025 Integrated Report.

Basis of preparation

Transpower's interim financial statements are prepared:

- in accordance with New Zealand generally accepted accounting practice (GAAP) and comply with New Zealand equivalents to International Financial Reporting Standards (IFRS) and IFRS as appropriate for profit-oriented entities;
- in accordance with the requirements of the Financial Markets Conduct Act 2013 and the State-Owned Enterprise Act 1986;
- on a going concern basis. The Group maintains sufficient liquidity through cash and deposits, committed bank facilities, and access to debt capital markets, to meet commitments as they fall due;
- in millions of New Zealand dollars (NZD), unless otherwise noted;
- on a historical cost basis, except for certain investments and financial instruments held at fair value;
- exclusive of GST, with the exception of receivables and payables; using the same accounting policies for all reporting periods presented.

Material accounting estimations and judgements

Accounting estimates and information about judgements that have had a material effect on the amounts recognised in the financial statements are disclosed in the following notes:

Note

- i. Property, plant and equipment and intangibles B1

New accounting standards

All mandatory amendments and interpretations have been adopted in the period. None have had a material impact on these financial statements.

New standards, interpretations and amendments not yet effective

The following standard has been issued by the New Zealand Accounting Standards Board, and is effective in future accounting periods:

NZ IFRS 18: Presentation and Disclosure in Financial Statements

The Group has elected not to early adopt this standard, which is effective from 1 July 2027. The standard is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

The Group is currently assessing the impact of this standard on its financial reporting.

Non-GAAP measures

Transpower use non-GAAP measures that are not in accordance with NZ IFRS. These non-GAAP measures provide useful information to users of the financial statements to assist in understanding financial performance. These measures are also used internally to evaluate performance and have been consistently applied.

Non-GAAP measures included in these financial statements are:

EBITDAIF - Earnings before interest, tax, depreciation, amortisation, asset write-offs, impairment and changes in the fair value of financial instruments EBITDAIF adds back interest, depreciation, amortisation, asset write-offs and impairment to earnings before tax and changes in the fair value of financial instruments..

Net tangible assets per share - The net tangible asset calculation divides tangible assets, being total equity less intangible assets, by the total number of shares on issue.

A. Financial performance

A1. Operating revenue

For the six months ended 31 December 2025

Group (\$m)	2025 Unaudited	2024 Unaudited
Transmission revenue		
Interconnection	390	371
Connection	76	62
EV charge / (rebate)	22	(12)
Other regulated transmission	1	3
Customer investment contracts	23	15
Undergrounding and transmission realignment	2	2
Other transmission	5	4
Total transmission revenue	519	445
Other revenue		
System operator	28	25
Other	6	6
Total other revenue	34	31
Total operating revenue	553	476

Description

Transmission revenue is regulated and set by the Commerce Commission (the Commission). It consists of charges for the transmission of electricity from the point of generation to the point of supply, being high voltage alternating current (HVAC) interconnection, connection and high voltage direct current (HVDC).

Customer investment contracts are entered into with customers to build grid connection assets.

Undergrounding and transmission realignment contracts are entered into with third parties to underground and/or realign certain transmission line assets.

System operator income relates to payments received to operate the electricity market.

A2. Operating expenses

For the six months ended 31 December 2025

Group (\$m)	2025 Unaudited	2024 Unaudited
Grid maintenance		
Substations maintenance - HVAC	31	24
Substations and cables maintenance - HVDC	7	7
Lines maintenance - HVAC	30	24
Lines maintenance - HVDC	4	2
Transmission-related rates	4	4
Other	4	4
	80	65
IST maintenance and operations		
Support and maintenance	10	10
Outsourced services	11	9
Licences	9	8
Other IST	1	1
	31	28
Other operating expenses		
Investigations	16	16
Ancillary service costs	2	3
Employee benefits	94	84
Capitalised salary costs	(23)	(20)
Salary transferred to investigations	(5)	(5)
Contractors and consultants	8	4
Industry levies	6	6
Insurance	4	5
Travel and vehicle costs	2	2
Other business support costs	7	4
	111	99
Total operating expenses	222	192

Description

Grid maintenance includes inspection, servicing and repair costs. Other grid maintenance expenses include maintenance support, communication systems costs and training for service providers and third parties.

Information Service Technology (IST) maintenance and operations expenses include system and software support, configuration and customisation of cloud-based service arrangements, software license fees and service lease charges.

Investigations include work conducted prior to the commencement of a capital project, updates to maintenance standards and demand-response costs.

Other business support costs include lease expenses relating to short-term leases and low-value assets, legal fees, office equipment and communications.

A3. Auditor's remuneration

For the six months ended 31 December 2025

Fees paid to Transpower's auditor (Ernst & Young) were \$590,000 (31 December 2024: \$588,000).

Group (\$000)	2025 Unaudited	2024 Unaudited
Audit and review of the statutory financial statements		
Year-end audit	286	284
Review of the half year financial statements	68	66
	354	350
Audit or review related services required by legislation to be provided by the auditors		
Independent assurance of Trust deed requirements ¹	8	8
Independent review of greenhouse gas emissions inventory	28	45
Reasonable assurance engagement on Risk Reinsurance Limited (RRL) annual solvency return	20	15
Annual regulatory disclosure assurance engagement	174	167
	230	235
Other services		
Acquisition of remuneration benchmarking reports ²	6	3
	6	3
Total auditor's remuneration	590	588

1. Trust deed requirements include fees to review Directors' certificates in relation to debt held against one trust deed.

2. The provision of the remuneration benchmarking reports, which provide market-based sector information and no specific recommendations to Transpower, is not considered to impact on auditor independence.

A4. Segment performance

For the six months ended 31 December 2025

The Group's segments are:

- **Transmission** - the transmission of electricity from the point of generation to the point of connection.
- **System operator** - operates the electricity market to dispatch generation to ensure the short-term security of the New Zealand electricity system.
- **Other** - includes RRL, which provides insurance services for the group, as well as revenue from energy market services and fibre lease services.

External revenue is derived from New Zealand customers and assets based in New Zealand. The Group has no other reportable segments.

Group Unaudited (\$m)	Transmission		System Operator		Other		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
External revenue	519	445	28	25	6	6	553	476
Capital expenditure	252	305	8	4	-	-	260	309

B. Assets

B1. Property, plant and equipment and intangible assets

Property, plant and equipment

Group (\$m)	31 December 2025 Unaudited	30 June 2025 Audited
Opening net book value	5,622	5,324
Additions	245	566
Reclassification	19	-
Adjustments to existing right-of-use assets	-	-
Disposals	(3)	(6)
Depreciation	(136)	(262)
(Impairment) / reversal	-	-
Closing net book value	5,747	5,622

The above includes lease assets, which primarily relate to the lease of fibre optic cables for Transpower's communication network and property leases for office buildings and IT data centres.

Intangibles

Group (\$m)	31 December 2025 Unaudited	30 June 2025 Audited
Opening net book value	426	407
Additions	21	51
Reclassification	(19)	-
Amortisation	(15)	(32)
(Impairment) / reversal	-	-
Closing net book value	413	426

Depreciation, amortisation, write-offs and dismantling

For the six months ended 31 December 2025

Group (\$m)	2025 Unaudited	2024 Unaudited
Depreciation	136	128
Amortisation	15	17
Impairment / (reversal)	-	-
Net loss on disposal	3	2
Dismantling expense	3	2
	157	149

Capital Commitments

At 31 December 2025, Transpower has \$340 million of property, plant and equipment commitments (30 June 2025: \$296 million), of which \$322 million is due within one year of balance date.

C. Funding

C1. Net tangible assets per share

Group (\$m)	31 December 2025 Unaudited	31 December 2024 Unaudited
Net assets / (equity)	1,625	1,649
Less intangible assets	(413)	(412)
Total net tangible assets	1,212	1,237
Net tangible assets per share (\$)	1.01	1.03

Net tangible assets per share is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS.

C2. Dividends

For the six months ended 31 December 2025

Dividends declared and paid

Group (\$m)	2025 Unaudited		2024 Unaudited	
	(\$m)	cents per share	(\$m)	cents per share
Final dividend paid	72	6	66	6
Interim dividend declared	20	2	48	4

On 26 February 2026, the Directors approved the payment of an interim dividend of \$20 million. The dividend will be partially imputed and is expected to be paid on 20 March 2026.

C3. Borrowings

Facilities

The Group has three borrowings programmes. Under these programmes, the aggregate principal amount outstanding may not exceed the following:

Group (\$m)	Issuance currency	Foreign currency equivalent	NZ\$m	Utilised NZ\$m
Domestic medium term note programme	NZD	-	No set limit	1,075
Domestic commercial paper programme	NZD	500	500	-
Australian medium term note programme	AUD	1,000	1,159	840

As at 31 December 2025, the Group has committed standby facilities split into two tranches of NZ\$250m and \$350m, maturing 31 December 2026 and 31 December 2027 respectively. These facilities have been undrawn since inception.

Green Financing

Transpower's Green Finance Programme ("The Programme") supports Transpower's commitment to achieve a net-zero carbon transmission grid. Transpower has achieved a Programmatic Certification with the Climate Bonds Standard.

The Programme covers both existing and future issuances of Transpower's borrowings instruments, the proceeds of which are allocated to finance or refinance Eligible Green Assets - Transpower's transmission lines and substations, key enabling infrastructure in supporting the increasing take up of renewable generation in New Zealand.

The following instruments, excluding the Domestic Commercial Paper, are all certified as Green Financing Instruments under the Programme.

Group (\$m)	Issuance	Maturity	Coupon (%)	31 December 2025 Unaudited	30 June 2025 Audited
Domestic Commercial Paper					
NZ Issue	NZ\$175	26-Aug-25	4.27	-	174
Domestic Bank Term Debt					
NZ Issue	NZ\$225	28-Jun-27	BKBM + 0.4	226	-
Domestic Bonds					
Bonds 2025	NZ\$450m	4-Sep-25	1.74	-	451
Bonds 2026	NZ\$150m	8-Apr-26	1.52	150	148
Bonds 2026	NZ\$200m	8-Sep-26	2.05	200	198
Bonds 2026	NZ\$200m	14-Sep-26	BKBM + 0.37	200	201
Bonds 2027	NZ\$200m	16-Sep-27	4.63	208	207
Bonds 2028	NZ\$100m	15-Mar-28	5.89	107	107
Bonds 2028	NZ\$125m	31-Jul-28	BKBM+0.52	126	-
Bonds 2030	NZ\$100m	31-Jul-30	4.22	103	-
Australian Medium Term Notes					
AUD MTN 2028	AU\$200	29-Nov-28	4.98	234	223
AUD MTN 2030	AU\$300	30-Jun-30	5.23	355	338
AUD MTN 2032	AU\$270	12-Mar-32	5.00	316	302
Swiss Bonds					
CHF MTN 2027	CHF125	16-Dec-27	0.02	272	256
CHF MTN 2029	CHF160	16-Mar-29	0.04	345	326
CHF MTN 2030	CHF120	4-Feb-30	0.82	266	252
CHF MTN 2031	CHF150	21-Mar-31	1.35	342	323
CHF MTN 2033	CHF130	4-Feb-33	1.01	288	273
US Private Placement					
USPP 2026	US\$75	28-Jun-26	2.81	130	121
USPP 2026	US\$70	13-Oct-26	3.83	123	115
USPP 2028	US\$75	28-Jun-28	2.91	128	119
Carrying value of borrowings				4,119	4,134
<i>Comprising</i>					
Current				803	894
Non-current				3,316	3,240

Description

Debt is reported at fair value and therefore reflects value movements due to interest rate and exchange rate fluctuations. These valuations are considered level two in the fair value hierarchy and are unchanged from 30 June 2025.

Changes in borrowings	31 December 2025 Unaudited	30 June 2025 Audited
As at 1 July	4,134	3,254
Net cash borrowed / (repaid)	(170)	655
Non-cash change in fair value adjustment through P&L	142	229
Non-cash change in fair value adjustment through OCI	12	(1)
Other	1	(3)
Closing carrying value	4,119	4,134

C4. Interest expense

For the six months ended 31 December 2025

Group (\$m)	2025 Unaudited	2024 Unaudited
Interest expense and associated fees	93	56
Capitalised interest	(7)	(5)
Lease interest	2	2
Imputed interest	7	6
	95	59

Description

Capitalised interest is based on Transpower's forecast weighted average cost of borrowing, being 4.7% for the six months to December 2025 (six months to December 2024: 3.3%).

Imputed interest arises on deferred income and the unwinding of the discount of future cash flows related to provisions.

D. Financial instruments used to manage risk

D1. Derivative financial instruments

Transpower groups its derivative financial instruments into two categories:

Group (\$m)	31 December 2025 Unaudited		30 June 2025 Audited	
	Asset	Liabilities	Asset	Liabilities
Borrowings related derivatives				
Interest rate swaps (portfolio) - cash flow hedge accounted	-	(62)	-	(46)
Interest rate swaps (portfolio)	14	(3)	12	(11)
Cross-currency interest rate swaps	405	-	254	-
Purchasing related derivatives and hedge commitment				
Foreign exchange forward contracts	4	-	2	(2)
Commitment on fair value hedges	-	(4)	2	(2)
Total derivatives and hedge commitment	423	(69)	270	(61)
<i>Comprising:</i>				
Current	63	(50)	16	(29)
Non-current	360	(19)	254	(32)

The interest rate swaps (portfolio) have an average contracted fixed interest rate of 3.89% (30 June 2025: 3.73%).

D2. Impact of derivatives on the income statement and equity

For the six months ended 31 December 2025

The tables below provide a breakdown of the change in fair value of financial instruments recognised in the statement of comprehensive income, credit spread on borrowings and a reconciliation of movements in the cash flow hedge reserve:

Group (\$m)	2025 Unaudited	2024 Unaudited
Change in fair value of financial instruments:		
Hedged foreign currency purchase commitment	4	5
Foreign exchange forward contracts	(4)	(5)
Fair value hedges - gain / (loss)	-	-
Borrowings	(141)	(163)
Cross-currency interest rate swaps	145	127
Interest rate swaps	8	42
Derivatives not designated as hedges - gain / (loss)	12	6
Total change in fair value of financial instruments in the income statement	12	6

Credit risk components in other comprehensive income

Group (\$m)	2025 Unaudited	2024 Unaudited
Credit spread on debt		
Foreign debt	(15)	1
NZD debt	3	(1)
Gross fair value gain / (loss)	(12)	-
less income tax benefit / (expense)	3	-
Total change in fair value of financial instruments in other comprehensive income	(9)	-

Reconciliation of movements in the cash flow hedge reserve

As at 1 July	(31)	58
Effective gain / (loss) on cash flow hedges recognised directly in the cash flow hedge reserve account	(10)	(115)
Income tax benefit / (expense)	3	32
Net gain / (loss) on cash flow hedges	(7)	(83)
As at 31 December	(38)	(25)

E. Other disclosures

E1. Related parties

For the six months ended 31 December 2025

Government-related transactions

As a state-owned enterprise, Transpower transacts with other government-related entities. Significant transactions and balances (greater than \$15 million) are as follows:

Group (\$m)	2025 Unaudited	2024 Unaudited
Meridian Energy Limited - revenue	40	34
Electricity Authority - revenue	29	23
	69	57

Meridian Energy Limited (Meridian) is a majority state owned company and is an electricity generator and retailer. Meridian pays Transpower primarily for electricity transmission.

The Electricity Authority is an independent Crown entity responsible for regulating the New Zealand electricity market. The Electricity Authority pays Transpower a contracted fee for its role as system operator.

Transpower also settles its income tax and indirect tax obligations with Inland Revenue.

Some Directors of the company may be Directors or officers of other companies or organisations with which Transpower may transact.

E2. Contingencies

(i) Guarantees

New Zealand Power Caymans Limited (NZPCL)

In November 2009, the Group partially terminated the 2003 cross-border lease in respect of the majority of the HVAC transmission assets in the South Island. As a result of the partial termination, Transpower has consolidated a special-purpose vehicle, NZPCL.

NZPCL has a USD deposit with a financial institution and a USD loan from another financial institution. The cash flows from the deposit and loan offset. No consideration was transferred. The loan to NZPCL is guaranteed by Transpower.

The substance of the transaction is such that Transpower would be responsible for any shortfall between the value of the asset and the liability, rather than the non-controlling interest. The likelihood of losses in respect of these matters is considered to be remote.

Borrowings

Transpower has given a negative pledge covenant to debt holders of Transpower's domestic bonds and bank debt through trust deed arrangements and to holders of Swiss bonds, United States Private Placement and Australian Medium Term notes through respective debt documents. The terms are such that, while any debt issued remains outstanding, Transpower will not, subject to certain exceptions, create or permit to exist, any charge or lien over any of its assets.

Capacity Reservation Agreement (CRA)

In December 2024, the Group entered into a Capacity Reservation Agreement with Prysmian Powerlink S.r.l. for the manufacture and installation of submarine HVDC cables in 2032. The CRA reserves the cable manufacturing, the ship required for transport, and the experts to install the cable. The CRA also required Transpower to provide a financial guarantee, to support future cash payments under specific circumstances. The possibility of such an outflow occurring under the CRA is considered unlikely.

(ii) Economic Value (EV) account

Transpower operates its revenue-setting methodology within an EV framework that analyses economic gains and losses between those attributable to shareholders and those attributable to customers. Under the Commission regulations, Transpower is required to pass onto, or claim back from customers, the customer balance at the end of RCP2 (31 March 2020). This balance was spread evenly over the 5 years of RCP3. The Commission set the annual undiscounted amount to be returned by Transpower to its customers in RCP3 at \$18 million based on the forecast closing balance at end of RCP2, which over-returns the actual customer balance by \$7 million (discounted). That over-return will be recovered from customers during RCP4.

The closing EV account balance represents the total amount that will be recovered from (positive) or returned to (negative) customers. The balance will be evenly recovered or returned, as applicable, in each year of the following regulatory period.

The table below provides the movements in EV account balance for the disclosure year ended 30 June 2025, as shown in the published regulatory disclosure of the annual compliance statement 2024-2025. The 2025-2026 statement will be published in October 2026.

Group (\$m)

Opening EV account balance (1 July 2024)	106
Interest on opening balance	4
Returned / (recovered) during the year	18
To be recovered from / (paid to) customers in RCP4	(12)
Closing EV account balance (30 June 2025)	116

(iii) Environmental hazards

Transpower has a programme of identifying, mitigating and removing environmental hazards such as asbestos at its sites. The cost of mitigating and/or removing identified hazards will vary, depending on the particular circumstances at the site. Where a reasonable estimate of the cost of mitigating or removal of a hazard can be made, a provision has been established.

(iv) Various lawsuits, claims and investigations

Various other lawsuits, claims and investigations have been brought or are pending against the Group. The Directors of Transpower consider that such claims are addressed in the normal course of business and are only provided for when there is clear evidence that the Group has a present obligation. At this stage, the Directors cannot reasonably estimate the adverse effect (if any) on the Group if any of the foregoing claims are ultimately resolved against the Group's interests.

On 26 November 2025, a representative class action was filed in the High Court against Transpower in relation to the fall of Tower 130 in June 2024. At this stage, the Directors do not believe that the Group has a present obligation. No reasonable estimate can be made at 31 December 2025 of the financial impact of this claim for the Group.

E3. Subsequent events

Other than dividends declared on 26 February 2026 (refer to note C2), there are no other subsequent events.





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