

27 February 2026

**Hon Eric Abetz MP**  
Treasurer  
15 Murray Street  
HOBART TAS 7000

**Hon Guy Barnett MP**  
Acting Minister for Energy and Renewables  
4 Salamanca Place  
HOBART TAS 7000

Dear Treasurer and Minister,

**HYDRO TASMANIA HALF-YEAR REPORT AND PERFORMANCE AGAINST THE STATEMENT OF CORPORATE INTENT**

Please find attached Hydro Tasmania's Half-Year Report for the six months ending 31 December 2025.

Included in the half-year report is Hydro Tasmania's performance against the Statement of Corporate Intent for the same period.

Yours sincerely,



Tim Peters  
Executive GM Finance



# Hydro-Electric Corporation

## Half-Year Report

### 1. *Commentary on performance, operating environment and major outcomes for the half-year and material variations against budget*

#### **Summary**

Hydro Tasmania faced a particular convergence of issues in the first half of FY2026 that have materially impacted its financial performance. These included low starting storages following two of the driest years on record, and a major change by APA to Basslink's operation from 1 July 2025. Unexpected outages also contributed.

We progressed an extensive capital works program to maximise capacity from existing assets. This includes works at Gordon and Poatina, the two largest power stations in the portfolio. This program is timed to realise commercial opportunities and mitigate risks Hydro Tasmania and the State from the construction of Marinus Link and the prior closure of Victoria's Yallourn power station.

To the same end, we sought proposals from wind and solar developers to enter power purchase agreements with Hydro Tasmania.

We also extended our supply agreement with Bell Bay Aluminium by 12 months to allow time for long-term agreements to be reached with governments and Hydro Tasmania.

We further developed the Tarraleah and Cethana projects to enable key decisions to be made in 2026/27, and reduced and focused the budgets for both projects to minimise debt increases.

Tasmania's supply reliability was high due largely to Hydro Tasmania, despite increased planned and unplanned outages.

We continued to prioritise the safety of our employees, with injury rates remaining low and within the set targets.

During the reporting period, the Australian Energy Regulator reversed a draft decision on Basslink which makes regulated operation from 1 July 2026 likely. High yields during the period also increased our storages. These two factors are likely to improve the revenue outlook for FY2027. However earnings for the last six months of FY2026 will remain depressed by the constrained operation of Basslink.

#### **Yield & storages**

Yield for the first half of the financial year was 6,539 GWh. This was 1,059 GWh above budget due to high inflows from September to December, which offset a very dry August. For comparison, this is roughly the yield for the full FY2025 (6,640 GWh) and above the yield for the full FY2024 (6,194GWh).

This marked a significant turnaround in our storage position, despite starting the year behind target (targets were set before the end of FY2025, which was extremely dry). Storages closed in December at 53.2%, 8.2% above budget.

Contributing to this result was the active strategy to build storages at Lake Gordon, which was at 59.8% at the end of December, the highest level since 2013. High storages at Lake Gordon create a "head effect", adding additional megawatts of capacity for the same volume of water. This strong storage position will provide both a buffer against any future dry conditions, as well as the option to generate into high market prices.

#### **Market conditions**

Hydro Tasmania faced unusually difficult market conditions throughout the first half of the financial year. This included APA's operation of Basslink as a merchant interconnector which

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has resulted in the utilisation of the link being lower than recent years. This arise from an unexpected adverse regulatory decision on APA's application to convert Basslink to a regulated link. Although that position was reversed, the period of uncertainty delayed regulation past the expiry of the Network Services Agreement between Hydro Tasmania and APA which was intended to provide a stable transition with no merchant operation.

Hydro Tasmania's existing long-duration storage, firming and essential system services are expected to increase in value in the transition up to and beyond the opening of Marinus Link Stage 1.

The decision to proceed with Marinus in August 2025 will increase certainty of our long-term access to the National Electricity Market (NEM), which in turn will deliver additional resilience during dry conditions, and unlock greater revenue returns through trading.

### **Financial performance**

Profit before fair value movements and revaluations was \$7.8m as of 31 December, well behind the \$42.8m budgeted. This is a direct result of the impact of constrained interconnection due to the delayed transition to regulation, with secondary impacts arising from the low starting storage position and an unexpected outage at Reece power station. The use of the Combined Cycle Gas Turbine at Tamar Valley Power Station in August also impacted profits.

Hydro Tasmania has adopted a range of forecast outcomes for the balance of the financial year. This includes continued behind-budget performance, as well as a recovery to budget under certain conditions. This range arises from the high level of uncertainty created by Basslink operating as a merchant link.

As of 31 December, net debt was \$39m (or 3.5%) higher than budgeted due to the lower wholesale margins and higher payments to suppliers. Net debt is expected to remain below our current core borrowing limit of \$1.20bn for the remainder of FY26. Updated Likely End of Year (LEOY) figures including additional generation revenue, forecasts net debt peaking at \$1.15bn in March 2026.

Capital expenditure was below budget due to rescheduled work on major projects at Tarraleah and Cethana and delayed milestones with some asset refurbishments. Capital expenditure is expected to be on budget by the end of the financial year.

### **Capacity, supply & asset performance**

There were no capacity or supply issues in Tasmania and Hydro Tasmania maintained strong system reliability.

Generation across the half year has been lower than budgeted at 3,695 GWh, with energy stored and export price opportunities limited in the first 6 months as a result of Basslink's merchant operation.

Portfolio availability was below target at 72.81%. This is largely due to planned outages at Gordon and Poatina, as well as some opportunistic maintenance during periods of mild weather and demand.

An unplanned outage at Reece Power Station following a transformer fire also had an extended impact on portfolio availability. The Tamar Valley Power Station provided additional system resilience during the outage.

Other major upgrade works were progressed at Lemonthyme, as well as at Edgar Dam, where around 20 local businesses are involved in the project. In October, Hydro Tasmania completed

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a \$18m transition to a new Generation Management system, replacing a 25-year-old system that had reached end of life.

### **Major Projects**

Hydro Tasmania advanced the technical, commercial, environmental and social work required to support Final Investment Decisions for its proposed major projects – the Tarraleah scheme redevelopment and Cethana pumped hydro. Approvals at local, State and Commonwealth level are progressing for both projects. Development expenditure was slowed through deferral and focused on the highest priority activities.

The Commonwealth environmental approvals are well advanced, with updated EPBC referrals for both projects now submitted. Hydro Tasmania is also preparing Environmental Impact Statements for both projects and accompanying Development Applications. Procurement preparation ramped up for the Tarraleah redevelopment. Stage 1 will commence with Requests for Proposal for the project's construction and power station specialist equipment supply. This is the first part of a staged procurement process and will provide more confidence in what it will take to construct the project and what it will cost to build. This is critical work ahead of a Final Investment Decision. The project will also require environmental and planning approvals as well as approvals by the Tasmanian Parliament.

### **Large energy users and generators**

In November, Hydro Tasmania signed a 12-month extension of Rio Tinto Aluminium Bell Bay's power agreement, extending the end date to 31 December 2026. It will continue to negotiate in good faith for a longer-term power deal through the remainder of CY2026. Hydro Tasmania also continues to engage with other major industrial customers around their power requirements.

In December, Hydro Tasmania sought proposals for new wind and solar developments. It is looking to sign a commercial offtake agreement with a project (or projects) that can deliver up to 1500 GWh annually and be operational by around 2030.

The process is part of efforts to identify commercial opportunities for offtake agreements with new renewable developments in the State.

### **People & safety**

Hydro Tasmania continued its focus on safety, with a total recordable injury frequency rate (TRIFR) at the target of 2.50.

A new three-year Hydro Tasmania Enterprise Agreement covering around 690 employees was signed following a successful vote in September.

Hydro Tasmania recorded one regulatory breach. This related to a Momentum Energy breach and penalty notices issued by the Essential Services Commission.

### **1. Results against key performance targets**

Progress toward achievement of the key performance targets identified in the Statement of Corporate Intent is provided in the following table:

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Key performance indicators	Full year target 25/26	Target for quarter ended 31 December 2025	Results as at 31 December 2025
<b>Financial indicators</b>			
Results before fair value movements and revaluations	\$72.9m	\$42.8m	\$7.8m
Net debt (excluding leases)	\$1,089m	\$1,057m	\$1,096m
Return on equity	2.8%	1.2%	0.2%
<b>Tarraleah Redevelopment</b>	Key milestones achieved: RFP released	All milestones achieved	On track for RFP release in February 2026.
<b>Cethana Pumped Hydro Project</b>	Key milestones achieved: Commercialisation model established	All milestones achieved	On Track, with no milestones due this quarter.
<b>Operating expenditure efficiency target</b>	Operating expenditure (excluding retail, AETV and exceptional items) of \$194.2m	\$97.0m	\$98.1m
<b>Momentum Energy earnings before interest &amp; tax (EBIT)</b>	Momentum Energy EBIT equal to or greater than budget \$16.1m	\$9.8m	\$10.2m
<b>Non-financial indicators</b>			
<b>Total recordable injury frequency rate (TRIFR)</b>	<2.50	<2.50	The TRIFR as at 31 Dec 25 was 2.50
<b>Portfolio availability</b>	Availability target of 80.0% achieved	Availability target of 80.0% achieved	The portfolio availability as at 31 Dec 25 was 72.81%

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Key performance indicators	Full year target 25/26	Target for quarter ended 31 December 2025	Results as at 31 December 2025
<b>Regulatory compliance obligations</b>	Zero breaches resulting in enforced regulatory undertakings or penalty notices.	Zero breaches resulting in enforced regulatory undertakings or penalty notices.	1 breach recorded in the September Quarter with 20 penalty notices applied. Zero breaches resulting in enforced regulatory undertakings or penalty notices for the December quarter.
<b>Storage levels</b>	Consistent with High Reliability Level	Consistent with High Reliability Level	Storages finished the quarter at 53.2%, above the High Reliability Level of 31.8%.
<b>Returns to Government</b>			
<b>Ordinary dividend</b>	\$4.7m	\$4.7m	\$4.7m
<b>Total other returns to Government</b>	\$18.4m	\$11.5m	\$12.1m
<b>Total returns to Government</b>	\$23.1m	\$16.2m	\$16.8m

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### Statement of Comprehensive Income

for the six months ended 31 December 2025

	Six months ended 31 December 2025			Year ended 30 June 2026	Six months ended 31 December 2024
	Actual \$'000	Budget \$'000	Variance \$'000	Budget \$'000	Actual \$'000
Revenue	847,271	826,610	20,661	1,748,942	815,914
Operating expenses	(725,732)	(663,500)	(62,232)	(1,422,595)	(687,238)
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>121,539</b>	<b>163,110</b>	<b>(41,571)</b>	<b>326,347</b>	<b>128,676</b>
Depreciation and amortisation	(75,036)	(77,619)	2,583	(164,524)	(69,238)
<b>Earnings before interest and tax</b>	<b>46,503</b>	<b>85,491</b>	<b>(38,988)</b>	<b>161,823</b>	<b>59,438</b>
Net financing expenses	(43,276)	(46,114)	2,838	(94,203)	(35,621)
Share of joint venture profit/(loss)	4,533	3,404	1,129	5,297	3,086
<b>Profit before fair value and tax</b>	<b>7,760</b>	<b>42,781</b>	<b>(35,021)</b>	<b>72,917</b>	<b>26,904</b>
Net fair value gains/(losses)	(13,923)	-	(13,923)	-	12,031
<b>Profit/(loss) before tax</b>	<b>(6,163)</b>	<b>42,781</b>	<b>(48,944)</b>	<b>72,917</b>	<b>38,935</b>
Income tax expense/(benefit)	1,849	(12,834)	14,683	(21,875)	(11,680)
<b>Profit/(loss) after tax</b>	<b>(4,314)</b>	<b>29,947</b>	<b>(34,261)</b>	<b>51,042</b>	<b>27,254</b>

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### Balance Sheet

as at 31 December 2025

	Six months ended 31 December 2025			Year ended 30 June 2026	Six months ended 31 December 2024
	Actual \$'000	Budget \$'000	Variance \$'000	Budget \$'000	Actual \$'000
<b>Current assets</b>					
Cash on hand	9,416	5,447	3,969	24,198	9,621
Receivables	285,748	318,391	(32,643)	470,874	308,581
Inventories	11,804	10,971	833	10,971	10,309
Tax assets	-	-	-	-	-
Financial assets	202,902	153,734	49,168	153,734	326,058
Other assets	27,072	25,576	1,496	25,576	29,960
<b>Total current assets</b>	<b>536,942</b>	<b>514,119</b>	<b>22,823</b>	<b>685,353</b>	<b>684,530</b>
<b>Non-current assets</b>					
Investments	68,945	70,191	(1,246)	68,709	76,613
Property, plant and equipment	4,890,974	4,904,786	(13,812)	4,952,316	4,156,355
Intangibles	40,139	45,902	(5,763)	44,506	53,124
Financial assets	38,011	38,011	-	38,011	136,507
Other assets	12,900	7,244	5,656	7,244	4,136
Goodwill	16,396	16,396	-	16,396	16,396
<b>Total non-current assets</b>	<b>5,067,365</b>	<b>5,082,530</b>	<b>(15,165)</b>	<b>5,127,182</b>	<b>4,443,130</b>
<b>TOTAL ASSETS</b>	<b>5,604,307</b>	<b>5,596,649</b>	<b>7,658</b>	<b>5,812,535</b>	<b>5,127,660</b>
<b>Current liabilities</b>					
Payables	167,255	204,487	37,232	342,596	204,487
Interest-bearing liabilities	160,755	158,298	(2,457)	206,000	88,745
Provisions	165,283	147,186	(18,097)	156,226	141,991
Financial liabilities	261,585	248,098	(13,487)	248,098	463,337
Other liabilities	4,947	6,123	1,176	6,123	9,585
<b>Total current liabilities</b>	<b>759,825</b>	<b>764,192</b>	<b>4,367</b>	<b>959,043</b>	<b>908,145</b>
<b>Non-current liabilities</b>					
Interest bearing liabilities	961,450	911,448	(50,003)	911,448	904,565
Deferred tax	656,359	656,359	-	656,359	481,146
Provisions	395,360	394,653	(707)	394,653	372,841
Financial liabilities	239,513	239,512	-	239,512	267,438
<b>Total non-current liabilities</b>	<b>2,252,682</b>	<b>2,201,972</b>	<b>(50,710)</b>	<b>2,201,972</b>	<b>2,025,990</b>
<b>TOTAL LIABILITIES</b>	<b>3,012,507</b>	<b>2,966,164</b>	<b>(46,341)</b>	<b>3,161,015</b>	<b>2,934,136</b>
<b>NET ASSETS</b>	<b>2,591,800</b>	<b>2,630,485</b>	<b>(38,685)</b>	<b>2,651,520</b>	<b>2,193,524</b>
<b>EQUITY</b>					
Contributed equity	707,206	707,206	-	707,206	688,006
Reserves	57,033	57,248	(215)	57,248	(31,348)
Retained profits	1,827,561	1,866,031	(38,470)	1,887,066	1,536,866
<b>TOTAL EQUITY</b>	<b>2,591,800</b>	<b>2,630,485</b>	<b>(38,685)</b>	<b>2,651,520</b>	<b>2,193,524</b>

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## Half-Year Report

### Cash Flow Statement

for the six months ended 31 December 2025

	Six months ended 31 December 2025			Year ended 30 June 2026	Six months ended 31 December 2024
	Actual \$'000	Budget \$'000	Variance \$'000	Budget \$'000	Actual \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Inflows</b>					
Receipts from customers	915,080	940,823	(25,744)	1,796,005	940,823
Grants and subsidies received	2,097	-	2,097	-	-
Interest received	752	-	752	-	1,863
<b>Outflows</b>					
Payments to suppliers and employees	(870,520)	(797,883)	(72,637)	(1,497,743)	(831,884)
Interest paid	(17,607)	(47,710)	30,103	(95,420)	(11,759)
Government guarantee fee	(4,299)	(5,158)	859	(12,000)	(3,330)
Income Tax Equivalent Paid	(1,539)	-	(1,539)	-	(23,297)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>23,964</b>	<b>90,072</b>	<b>(66,108)</b>	<b>190,842</b>	<b>72,416</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Inflows</b>					
Proceeds from sale of property, plant and equipment	403	-	403	-	189
Proceeds from sale of intangibles	-	-	-	-	81
Proceeds from financial derivatives	-	-	-	-	861
Dividends from joint venture	2,375	-	2,375	3,375	1,500
<b>Outflows</b>					
Payments for financial derivatives	(6,934)	-	(6,934)	-	-
Payments for property, plant and equipment	(98,926)	(123,387)	24,461	(241,269)	(123,803)
Payments for intangibles	(6,607)	(13,374)	6,767	(28,570)	(10,820)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(109,689)</b>	<b>(136,761)</b>	<b>27,072</b>	<b>(266,464)</b>	<b>(131,993)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Inflows</b>					
Proceeds from Tascorp loans	382,207	25,000	357,207	75,000	585,804
Equity Contributions Received	19,200	19,200	-	19,200	-
<b>Outflows</b>					
Repayment of Tascorp loans	(314,205)	-	(314,205)	-	(407,542)
Repayment of finance lease	(2,340)	(2,316)	(25)	(4,632)	(2,353)
Dividends paid	(4,700)	(4,727)	27	(4,727)	(122,000)
<b>NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>	<b>80,162</b>	<b>37,157</b>	<b>43,005</b>	<b>84,841</b>	<b>53,909</b>
<b>NET (DECREASE)/INCREASE IN CASH</b>	<b>(5,563)</b>	<b>(9,532)</b>	<b>3,969</b>	<b>9,219</b>	<b>(5,669)</b>
Cash at the beginning of the period	14,979	14,979	-	14,979	15,291
<b>CASH AT END OF THE PERIOD</b>	<b>9,416</b>	<b>5,447</b>	<b>3,969</b>	<b>24,198</b>	<b>9,621</b>

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## Half-Year Report

### Capital Expenditure

for the six months ended 31 December 2025

	Six months ended 31 December 2025			Year ended 30 June 2026	Six months ended 31 December 2024
	Actual \$'000	Budget \$'000	Variance \$'000	Budget \$'000	Actual \$'000
<b>Capital expenditure</b>					
Hydro generation assets	62,761	84,105	21,343	170,377	52,582
Information and systems	8,479	12,664	4,186	23,566	6,979
Fleet	3,458	2,872	(586)	6,000	2,225
Major projects	23,507	29,189	5,682	54,770	33,260
Other assets	7,662	7,941	279	15,169	5,712
<b>Total capital expenditure</b>	<b>105,867</b>	<b>136,771</b>	<b>30,904</b>	<b>269,882</b>	<b>100,758</b>

### Segment Reporting

for the six months ended 31 December 2025

	Hydro Tasmania \$'000	AETV \$'000	Momentum Energy \$'000	Consolidated \$'000
Revenue	288,186	59,145	499,940	847,271
Expenditure	(273,481)	(76,118)	(489,912)	(839,511)
<b>Segment profit/(loss) before tax</b>	<b>14,705</b>	<b>(16,973)</b>	<b>10,028</b>	<b>7,760</b>
Total assets	5,380,124	18,612	205,571	5,604,307
Total liabilities	2,572,122	359,848	80,537	3,012,507