



Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

13 February 2017

Half Year Financial Results Release

Please find attached release for announcement to the market.

Kind regards

A handwritten signature in black ink, appearing to read "D. Smith", with a horizontal line underneath the first part of the signature.

Dominic D Smith
VP & Company Secretary

ASX Announcement

13 February 2017

Aurizon Half Year 2017 Financial Results

\$m	1H FY2017	1H FY2016	Variance
Revenue	1,781	1,758	1%
EBIT – Underlying ¹	488	403	21%
EBIT – Statutory	167	(23)	nm
NPAT – Underlying ²	279	237	18%
NPAT – Statutory	54	(108)	nm
EPS – Underlying (cps)	13.6	11.2	21%
EPS – Statutory (cps)	2.6	(5.1)	nm
DPS (cps)	13.6	11.3	20%

¹ Underlying EBIT excludes significant items of \$321m (1H FY2016 \$426m)

² Underlying NPAT excludes significant items of \$225m (1H FY2016 \$345m)

Aurizon today announced a 21% increase to Underlying Earnings Before Interest and Tax (EBIT) of \$488 million for the half year ended 31 December 2016, compared to the prior comparable period (1H FY2016 \$403 million).

The solid Underlying EBIT result was driven by continued transformation benefits of \$64 million and a revenue increase in the Below Rail business following finalisation of the Access Undertaking (UT4) in October 2016, which included a \$45 million 'true-up' payment for under-recovery in previous years (\$89 million in total for FY2017).

The Statutory Net Profit After Tax (NPAT) for the half year ended 31 December 2016 was \$54 million, compared to a Statutory loss after tax of \$108 million in 1H FY2016. The 1H FY2017 Statutory NPAT was impacted by \$257 million (pre-tax) of impairments and \$64 million (pre-tax) of redundancy costs.

Aurizon's total 1H FY2017 revenue was up 1% at \$1.8 billion, compared to the previous period. Return on Invested Capital (ROIC) was 9.6%.

The Board of Directors declared an interim dividend of 13.6 cents per share (70% franked), up 20% on the previous corresponding period (11.3 cps). The dividend will be paid on 27 March 2017 to shareholders on the register at the record date of 28 February 2017. The 100% payout ratio has been maintained based on Underlying NPAT.

Aurizon's Free Cash Flow (post interest paid) has strengthened to \$356 million, up from \$63 million in 1H FY2016, due to stronger earnings and lower capital expenditure. The Free Cash Flow includes the \$98 million proceeds from Aurizon's disposal of the Moorebank freight terminal development investment.

Aurizon's Total Recordable Injury Frequency Rate (TRIFR) improved 18% during 1H FY2017 with 2.47 injuries recorded for every one million hours worked.

Outlook

The Company has confirmed its previous guidance for FY2017 Underlying EBIT, which is expected to range between \$900-950 million. The forecast for total above rail volumes remains between 255-275 million tonnes, with the coal haulage forecast at 200-212 million tonnes.

The outlook is contingent on no material deterioration in the trading environment for customers and no major weather impacts.

Commentary from Managing Director & CEO Andrew Harding

“Today’s result demonstrates a solid performance in a strengthening commodities market, with our key financial and operational metrics trending positively. Our Network and Coal businesses are the strong performers and we remain on track to deliver the full year earnings and tonnage guidance previously provided to the market.

As the incoming CEO, I have been travelling around our operations, where I have seen great capability in our frontline teams. This capability provides Aurizon with a good platform to take the company to the next level of performance, which we will drive forward in the months ahead.

We have implemented a number of immediate changes to support Aurizon’s next phase of development and value creation for shareholders:

- Appointed our new CFO, Pam Bains, as we renew the executive leadership team.
- Terminated the large, complex Freight Management Transformation project.
- Enhanced the financial governance organisation-wide to prioritise and optimise spend on capital projects and consultants.
- Expanded the scope of the transformation program beyond cost reduction to also include capital allocation and revenue generation.
- Moved to execution phase for Diversified Bulk Freight as part of the broader freight review, where Aurizon will retain, transform or exit individual contracts based on their commercial return and sustainability.
- Restructured the Intermodal business as a standalone function with full profit and loss accountability, reporting to me, while we progress towards the conclusion of the freight review, expected mid-year.

I remain focused on continuing the momentum gained in the Company’s transformation program, which delivered \$64 million of benefits this half year. By expanding the scope to include our capital and revenue, I intend to deliver transformation benefits beyond FY2018.

Across the business, we are taking a very disciplined approach to managing costs and capital to drive value for our shareholders. While capital expenditure has reduced and the business is generating strong cashflows, I have a clear view we are able to achieve greater efficiencies, further cost reductions and productivity improvements, while maintaining our commitment to customers and to safety.

From an international perspective, we are seeing strong demand for quality Australian resources, including metallurgical and thermal coal, in a strengthened price environment. This is good news for our customers, for the industry and for Aurizon, and could present future volume and growth opportunities.”

For more information:

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