Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
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BY ELECTRONIC LODGEMENT

11 February 2019

Half Year Financial Results Release

Please find attached release for announcement to the market.

Kind regards

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ASX Announcement

Date: 11 February 2019

Aurizon announces Half Year 2019 Financial Results

$m (continuing operations[1])	1HFY2019	1HFY2018	Variance
Revenue	1,455	1,565	(7%)
EBIT – Underlying & Statutory	406	485	(16%)
NPAT – Underlying & Statutory	227	282	(19%)
EPS – Underlying & Statutory (cps)	11.4	13.9	(18%)
DPS (cps)	11.4	14.0	(19%)

Aurizon today reported Underlying Earnings Before Interest and Tax (EBIT) of $406 million in its continuing operations for the half year ended 31 December 2018. This is 16% lower than the prior comparable period (1HFY2018) due to:

- Network: Aurizon has made the decision to book revenue based on the UT5 Final Decision, which was released in December 2018. This includes the acceleration of a $61 million regulatory true-up to refund revenue due to transitional tariffs being in place for FY2018, with half ($30 million) recognised in 1HFY2019.
- Bulk: as foreshadowed in 2018, there was an early closure of the Cliffs iron ore business in June 2018.
- Coal: volumes were impacted by supply chain constraints, weather events and protected industrial action. In addition, costs increased due to higher maintenance activities in bringing rollingstock back into service and in supporting future growth volumes.

Aurizon's Statutory Net Profit After Tax (NPAT) from continuing operations of $227 million decreased 19% from 1HFY2018, in line with the decline in EBIT.

The Board of Directors has declared an interim dividend payment of 11.4 cents per share (70% franked), which is 100% of Underlying NPAT for continuing operations. The dividend will be paid on 25 March 2019 to shareholders on the register at the record date of 26 February 2019.

Return On Invested Capital (ROIC) improved by 0.4ppt to 10% compared to the prior comparable period. Aurizon's Free Cash Flow from continuing operations increased from $345 million to $371 million, reflecting the one-off $66 million payment from Cliffs for early termination of its haulage contract.

Commentary from Managing Director & CEO, Andrew Harding

"As a result of continuous focus on safety priorities, Aurizon's Total Recordable Injury Frequency Rate (TRIFR) per million hours worked by employees and contractors has improved by 9% to 8.92 compared the prior comparable period.

Today's financial year results reflect the headwinds highlighted in August 2018 at our full year reporting, as well as the impacts from the regulator's Final Decision on the UT5 Access Undertaking, released in December 2018.

During the half, we have made progress on the Company's key priorities as we continue to deliver against our strategy.

In December, we received the regulator's Final Decision for the Central Queensland Coal **Network**'s access undertaking which included a 6% revenue uplift compared to the Draft Decision. This included increases in the maintenance allowance and the Weighted Average Cost of Capital. We continue to work with stakeholders and while discussions are ongoing no agreement has been reached.

We took another step in the divestment of **Intermodal** with the sale of Queensland Intermodal to Linfox in October 2018. The transfer of business was completed in January 2019. We are continuing to seek sale clearance for the Acacia Ridge terminal to Pacific National through Federal Court proceedings, scheduled to re-commence this week.

Our confidence in the outlook for Australia's coal export markets is driving a national growth plan in our **Coal** business. Since FY2017, we have invested $110 million of capital in New South Wales to support strong tonnage growth. We are investing a further $60 million in capital and operational expenditure in Queensland over the next two years to align with growth expectations.

The **Bulk** business is progressing with its turnaround plan; securing new contracts, delivering operational efficiencies and focusing on growth opportunities during the half. In October 2018, the Bulk business commenced a new three-year freighter service for Glencore in North Queensland and has secured its largest east coast contract with the new 10-year Linfox linehaul contract which started in February 2019.

Since September 2018, employees have voted positively for three new Enterprise Agreements covering Western Australian Operations, New South Wales Coal Operations and Aurizon Staff (Queensland). Bargaining has continued on the remaining agreements, with the Infrastructure Agreement currently out to vote with employees.

Ongoing operational efficiency improvements remain a key driver for our strategy. Over the half, we restructured corporate and support areas to provide more innovative, flexible and lower cost services to the business units. This is expected to deliver $20 million in cost reductions by FY2021."

Outlook

FY2019 Underlying EBIT guidance for Aurizon's non-Network businesses (excluding redundancy costs) remains between $390 - $430 million. This accounts for the weather-related events in North Queensland during January and February 2019 and the cessation of the Mt Gibson contract (end of mine life) in January 2019 but remains contingent on no other major weather impacts or changes to operating conditions occurring during 2HFY2019

Aurizon's FY2019 above rail coal haulage volumes remain within previously advised guidance of 215 – 225 million tonnes.

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[1] Due to the closure and sale of the Intermodal business, this has been treated as a discontinued operation.