



KiwiRail Holdings Limited

Results for announcement to the market – 29 February, 2016

Reporting Period: 6 months to 31 December 2015

Previous Reporting Period: 6 months to 31 December 2014

| | UNAUDITED | UNAUDITED | Percentage change |
|--|------------------|------------------|-------------------|
| | 31 December 2015 | 31 December 2014 | |
| | (NZ\$million) | (NZ\$million) | |

| | | | |
|--------------------------|-------------|-------------|----------------|
| Operating revenues | 346.4 | 366.6 | (5.5%) |
| Operating expenses | (319.1) | (331.5) | 3.7% |
| Operating surplus | 27.3 | 35.1 | (22.2%) |

| | | | |
|---|---------------|--------------|---------------|
| Depreciation and amortisation | (30.9) | (30.7) | (0.7%) |
| Net finance costs and foreign exchange gains and losses | (12.8) | (11.4) | (12.3%) |
| Movement in value of investment properties | 0.1 | 0.2 | (50%) |
| Share in net income from joint venture | 0.1 | 0.0 | 100% |
| Taxation (expense)/credit | 0.0 | 0.0 | - |
| Net profit/(loss) after taxation | (16.2) | (6.8) | (138%) |

| | | | |
|--|-------------|-------------|---------------|
| Operating surplus (excluding significant items) | 33.0 | 35.1 | (6.0%) |
|--|-------------|-------------|---------------|

| | | | |
|-----------------------------|-----|---|--|
| Final Dividend ¹ | - | - | |
| Dividend Payment Date | N/A | | |

¹ Consistent with the Statement of Corporate Intent, KiwiRail will not pay a dividend.

KiwiRail today announced an operating surplus² of \$27m for the six months ended 31 December 2015 compared to \$35m achieved in the same period the previous year. The result included significant items totaling \$6m relating primarily to restructuring costs. The underlying operating surplus was \$33m, only slightly below the equivalent period last year.

The company also released its most recent environmental impact figures, saying the freight carried by rail in the six months to 31 December represented a reduced heavy vehicle impact of 545,000 trips and an additional 106,000 tonnes of CO₂ emissions had it been carried on New Zealand's roads.

Chairman John Spencer said KiwiRail's Board, Executive and staff were focused on service reliability, productivity improvements and strategies to lift the company's performance. "These strategies include standardising our assets, investing in our people and simplifying our business. I can see a real commitment in the company to implementing the changes that are required to achieve better results for our customers, and for our shareholders."

Chief Executive Peter Reidy says the company is also focused on its long term growth strategy in shaping inland intermodal freight hubs which will enable KiwiRail to aggregate export freight to these sites and distribute to ports via road and rail. Inland port rail-enabled hubs are developing across NZ (Rolleston, Whanganui, Longburn, Horitui) and are examples of strong strategic relationships with Ports and customers. This is also reflected in the strong performance of the import/export market with revenue up \$4m.

In addition to this growth strategy, Peter Reidy said KiwiRail was focused on productivity initiatives. This included staff reductions of 200 in the first six months of this financial year, and fuel saving initiatives. The reductions were among a range of necessary decisions that would in the longer term save \$20 - \$30m each year.

"Another important focus for us is the safety of our staff, contractors and public. We are therefore pleased with an improvement of 26 per cent in our Total Recordable Injury Frequency Rate," Mr Reidy says.

"While we are making good progress in many areas, revenues were down by \$20m in the first half of the financial year due primarily to challenging market and weather conditions for two of our bulk freight commodities – coal and milk. This was partially offset by strong passenger growth in Interislander and Scenic Journeys (6 per cent and 8 per cent respectively) and productivity initiatives noted above.

"We are working hard on re-shaping the business to enable us to deliver on our financial and sustainability targets. This will enable us to grow intermodal freight strategies with our customers and New Zealand Transport Agency to bring integrated transport benefits to enable export and tourism growth for New Zealand."

Mr Spencer said KiwiRail expects its underlying full-year results to be within the forecast range.

² Net operating surplus represents earnings before depreciation, amortisation and impairment