NEW ZEALAND RAILWAYS CORPORATION

Results for announcement to the market – 1 March, 2009

Reporting Period: 6 months to 31 December 2009

Previous Reporting Period: 6 months to 31 December 2008

	Amount (000s)	Percentage change
Revenue from ordinary activities	NZ$ 559,482	44.1 %
Profit from ordinary activities after tax	NZ$ 125,637	39.4 %
Interim Dividend	-	-
Dividend Payment Date	N/A	

Commentary

Revenue From Ordinary Activities

The significant percentage revenue change for the comparative period is explained by two key factors.

Firstly, KiwiRail was formed through the purchase of the Toll Freight and Passenger businesses on 1 October 2008. The business was further expanded in March 2009 with the acquisition of the Mechanical Services division from United Group.

Revenue from operating activities for the six months to December 2008 only includes revenues of the Freight and Passenger businesses for three months whereas they were included for the full six months to December 2009. This has resulted in a $70m (or 32%) revenue improvement over the comparative period.

Secondly, KiwiRail is required to report capital grants from the Government as operating revenue. The major metropolitan rail projects (DART in Auckland and WRRP in Wellington) have progressed significantly this financial year and as such, reported income from these activities has increased by $94.7m (or 57%) over the previous reporting period.

The Statement of Corporate Intent projected revenues of $1,245.3m for the financial year to June 2010. Based on latest forecasts this has been revised down by $73.3m to $1,172.0m (or 6%). This reduction is based on lower capital grant receipts of $45.0m and lower revenues of $28.3m through the economic down turn and fuel price changes.

Profit from Ordinary Activities After Tax

Similar to the revenue commentary above, the profit for the comparative reporting periods has been impacted by the business acquisitions and grant revenues changes.

The 39.4% increase is the result of a $94m increase in capital grant incomes offset by $59m in reduced revenues and increased costs. The revenue reduction has been driven by the volume downturn from the poor economic environment (approximately $15m) and increased costs, mainly from depreciation expense with the higher assets bases from purchases and the network revaluation undertaken as part of the KiwiRail formation.

The Statement of Corporate Intent reported a net profit projection of $348.4m for the full year. KiwiRail has revised this to $305.1m for the full year through reduced capital grant income reflecting progress on the metropolitan rail projects. At an EBITDA level KiwiRail is forecasting to remain in line with the SCI target of $59m.

Dividend Payment

Consistent with the SCI, KiwiRail will not pay a dividend in 2010.

Looking Forward

Over the next six months KiwiRail is looking to drive increased revenue and manage operating and capital expenditure. The Statement of Corporate Intent full year EBITDA target of $59.6 million (including Wellington Metro operation revenue) is still our objective despite continued uncertain trading conditions.