ASX Announcement

Date: 14 August 2017

Aurizon announces FY2017 financial results

- **Underlying Earnings Before Interest and Tax (EBIT) of $836 million reflecting Cyclone Debbie impacts and under-performance in Bulk and Intermodal**
- **Statutory Net Loss After Tax of $188 million reflecting previously announced asset impairments and transformation costs**
- **Final dividend of 8.9 cents per share, 100% of Underlying Net Profit After Tax (NPAT)**
- **Up to $300 million on-market buyback**
- **Intermodal exit and refocus on core heavy haulage and rail infrastructure businesses**

$million	FY2017	FY2016	Variance
Revenue	3,452	3,458	0%
EBIT – Underlying	836	871	(4%)
EBIT – Statutory	(91)	343	nm
NPAT – Underlying	461	510	(10%)
NPAT – Statutory	(188)	72	nm
EPS - Underlying	22.5	24.4	(8%)
EPS – Statutory (cps)	(9.2)	3.5	nm
DPS – Final (cps)	8.9	13.3	(33%)
DPS – Total (cps)	22.5	24.6	(9%)

Aurizon today reported a 4% decline in Underlying EBIT to $836 million for the year ended 30 June 2017 (FY2016: $871 million) reflecting the impact of Cyclone Debbie and continued losses in Bulk and Intermodal.

The Statutory Net Loss After Tax of $188 million reflecting previously-announced asset impairments and redundancy costs associated with the ongoing transformation program.

Aurizon today also announced the exit of the Intermodal business as an outcome of its Freight Review (refer separate ASX announcement).

Aurizon's simplified portfolio of Network, Coal and Bulk will leverage heavy haulage and rail infrastructure capabilities to deliver shareholder value. This will be achieved through a continuation of the transformation program and driving accountability for performance and profitability through the new business unit structure, effective 1 July 2017.

Aurizon today also announced an on-market share buyback of up to $300 million (refer separate ASX announcement) to be implemented during the next 12 months, with the Company entering a phase of lower capital expenditure and higher free cash flow generation.

The Board of Directors declared a final dividend of 8.9 cents per share, paying out 100% of underlying NPAT, which will be 50% franked. This takes the full year dividend to 22.5 cents per share, down 9% on FY2016 (24.6 cents per share). The dividend will be paid on 25 September 2017 to shareholders on the register at 29 August 2017.

Aurizon's Free Cash Flow (post interest paid) increased 86% to $634 million due to increased cash from operations, reduction in capital expenditure and asset sales. Capital expenditure for FY2017 was $532 million, 24% lower than FY2016. Return On Invested Capital (ROIC) in FY2017 was stable at 8.7%.

Aurizon's Total Recordable Injury Frequency Rate improved by 37%, recording 2.69 incidents per million person-hours worked, compared to 4.24 incidents for the prior year.

Aurizon delivered $129 million in transformation benefits in FY2017, with $94 million sourced from the Company's Operations function through ongoing labour and fleet productivity. At a corporate level, reducing management positions, along with continued reductions in discretionary and consultancy spend, contributed $35 million in benefits.

Commentary from Aurizon Managing Director & CEO Andrew Harding

"Today's results and announcements underline our determination to return to the fundamental strengths of our core business and to ensure we unlock value and return it to shareholders.

In our refined portfolio, we will leverage Aurizon's operational and commercial capability in heavy haulage operations and rail infrastructure. With a simpler structure, greater management accountability, and taking leaders and decision making to regional areas we will improve our business and deliver better customer outcomes.

My first nine months with Aurizon have confirmed the underlying value of our core business and the opportunity for genuine, sustained transformation. Yet I believe we're falling short of shareholder and customer expectations. The right decisions, disciplined execution and sustained improvements are required.

Intermodal has been under-performing with significant losses on a modest customer base for many years; it's a legacy business long overdue for review. While it's a difficult decision for affected employees, exiting will allow the Company to concentrate on core, profitable parts of our portfolio.

Coal haulage tonnes in New South Wales, for example, increased 9% during FY2017 as we supported customer growth. We have the opportunity to cascade rollingstock, recycle capital and redeploy traincrew from Intermodal into this expanding and profitable business.

During FY2017, we also executed or extended coal haulage for a number of new contracts and renewals, including AGL Macquarie in New South Wales. Collectively this adds up to 15 million tonnes per annum of contracted coal tonnes to our coal haulage business.

The Central Queensland Coal Network is a valuable infrastructure asset and continues to perform strongly. We will continue initiatives to improve supply chain efficiency for the collective benefit of coal customers, as well as working hard to receive appropriate regulatory returns for the investment and risk profile of this asset."

Outlook

The provision of earnings guidance for FY2018 is challenging due to the unknown UT5 outcome. Aurizon currently expects an increase in Underlying EBIT to between $900 – 960 million (excluding Intermodal) for FY2018, underpinned by the new business structure, increased accountability and the delivery of ongoing transformation benefits.

Key assumptions include: transitional tariffs being in place for FY2018 pending finalisation of the next regulatory undertaking for the below-rail Network business (UT5); and no major weather impacts to operations.

Aurizon forecasts above rail coal haulage for FY2018 in the range of 215 – 225 mtpa based on current market conditions.

For more information:

Investors:

Chris Vagg
+61 409 406 128

Media:

Mark Hairsine
+61 418 877 574