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ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

19 August 2013

BY ELECTRONIC LODGEMENT

Aurizon – Full year profit result announcement

Please find attached announcement for immediate release to the market.

Yours faithfully

Dominic D Smith
SVP & Company Secretary

ASX Announcement

AURIZON

19 August 2013

Continued reform and growth drive strong full-year profit result

Financial Summary FY13

- Underlying Earnings Before Interest and Tax (EBIT) up 29% to $754 million ($584m, FY12)
- Statutory EBIT up 16% to $685 million ($593m, FY12)
- Underlying Net Profit After Tax (NPAT) increased 16% to $487 million ($420m, FY12)
- Statutory NPAT up by 1% to $447 million (FY12, $441m), after payments of $96 million in respect of a Voluntary Redundancy Program.
- Final dividend of 8.2 cents per share, franked at 90%, to be paid on 23 September 2013, representing an increase in payout ratio from 50% to 65%. The Board has also revised the Company's dividend guidance from a payout ratio of 50% to a range of 60-70%.
- 3.6 ppt improvement in Operating Ratio from 83.4% to 79.8% (EBIT margin lifts from 16.6% to 20.2%)
- 1.3 ppt improvement in Return on Invested Capital (ROIC) from 6.7% to 8.0%

Transformation and performance highlights for FY13

- Major improvements in safety (60% and 54% decrease in LTIFR and in MTIFR respectively) are approaching world class performance levels, reflecting genuine cultural change and improved operating discipline.
- Secured several high-volume coal haulage contracts totalling circa 120 million tonnes per annum including the BM Alliance Coal Operations (BMA) and BHP Billiton Mitsui Coal (BMC) contract which was the largest contestable coal haulage contract in Australia in a decade.
- Delivered transformation benefits of $96 million, including a Voluntary Redundancy (VR) Program which saw 960 employees accept VR in FY13 with 921 employees leaving the business by 30 June.
- The rapid ramp-up of iron ore haulage in Western Australia with tonnages increasing by 82% and Underlying EBIT by 203% compared to FY12.
- Completed a major refinancing program, including stand alone debt facilities at both Aurizon level and Aurizon Network, with the ability to further diversify funding sources.
- Completed $1.1 billion of share buy-backs during the year.
- Delivered $981 million in capital investment of which $622 million was on growth projects, including the Wiggins Island Rail Project (Qld) and Hay Point Expansion (Qld)
- Appointment of Mike Franczak (EVP Operations), Alex Kummant (EVP Enterprise Strategy) and Keith Neate (EVP and CFO) to the leadership team.

Aurizon has reported a 29% increase in Underlying Earnings Before Interest and Tax (EBIT) of $754 million for the full-year ended 30 June 2013 ($584m, FY12), amid a range of challenging operating and economic conditions.

The improvement in Underlying EBIT was largely due to an increase in iron ore volumes in Western Australia; continued access revenue growth from Goonyella to Abbot Point Expansion; coal revenue quality with continued conversion to new-form contracts; and, transformation benefits.

The Company remains on track to achieve its 75% operating ratio target by FY15, with 3.6 ppt improvement in operating ratio to 79.8% from 83.4% in FY12. There was a 1.3ppt improvement in Return on Invested Capital (ROIC) from 6.7% to 8.0%.

In 2012-13 coal haulage volumes of 193.7 million tonnes were up 4% (185.6 mt, FY12), with increases of 3% and 12% respectively for Queensland and New South Wales. Volumes were impacted by flood-related interruptions in Queensland, a major derailment and industrial disputation at mines.

The Board has revised the Company's dividend guidance from a payout ratio of 50% to a range of 60-70%.

The Directors declared a 90% franked final dividend of 8.2 cents per share, which will be paid on 23 September 2013 to shareholders on the register at the record date of 6 September 2013 (FY12, 4.6 cents per share unfranked). This represents an increase in the payout ratio from 50% to 65%.

Commentary from MD&CEO Lance Hockridge:

"Achieving a 29% increase in Underlying EBIT is a strong result for the Company in an increasingly difficult economic environment and in a year that again was impacted heavily by floods in Queensland.

Our scorecard since IPO highlights the traction we're getting with commercial and operational transformation. In three years, Aurizon has increased Underlying EBIT by more than two-and-a-half-times from $289m in FY10 to $754m in FY13. Year on year improvements have been achieved despite coal haulage tonnages actually reducing over that period largely because of floods.

The Company secured a suite of high-volume coal haulage contracts totalling circa 120 million tonnes per annum during the year, which will form the baseload of coal volumes well into the next decade. We're pleased that our improving customer service performance has been rewarded by new contracts and contract renewals.

In 2012-13, we've delivered a transformation benefit of $96 million as we lifted the intensity of work in cutting costs, driving productivity and lifting revenue quality.

The Coal, Iron Ore and Network businesses performed well during the year in a tough environment. Iron Ore was the standout performer in terms of increased tonnage and profitability which is a satisfying result after the sustained focus and recent investment in Western Australia.

The Freight business was impacted by the cessation of the CBH grain contract in Western Australia and continued soft market conditions. As detailed at the July Investor Day, the Freight business has now been integrated into the functional model and a strategy implemented for its renewal and improved profitability.

The capital spend of $981 million in FY13 reflects our confidence in sustained growth in the resources sector. Major expenditure was undertaken on the Wiggins Island Rail Project and the Hay Point Expansion.

We made substantial progress during 2012-13 in transforming the financial and functional structure of the Company. During the year, we completed share buy-backs from the Queensland Government and on market; finalised a new debt structure for Aurizon and Aurizon Network; and completed implementation of the functional restructure along with outstanding executive appointments.

I am particularly pleased with the vastly improved safety levels of the Company which are now at or approaching world class performance in a number of areas. I not only acknowledge the leadership focus that continues to drive this improvement but also the outstanding efforts each day from employees who are at the core of the cultural shifts we are seeing.

Outlook

Last month at our Investor Day, we detailed the roadmap of reform and growth for Aurizon, centred on achieving the 75% operating ratio target in respect of FY15. This included more than $230 million of additional benefits that will be delivered by cost reductions and productivity gains in the next two years to June 2015.

Aurizon remains confident in sustained and long-term growth in the resources sector, though at more moderate levels. Our current expectations are for coal haulage volumes to increase around 5% to a range of approximately 200 – 205 million tonnes for FY14. Iron ore volumes are expected to increase towards the contracted level of 30 million tonnes in FY14.

Aurizon is in a strong position as we start the next stage of transformation. We're a far more agile, resilient and customer-focussed business than we were three years ago at IPO. Our operational and financial metrics are tracking strongly and we're securing further high-return growth opportunities to enhance longer-term earnings.

I would like to commend employees for their efforts in achieving these major improvements for the Company in a highly competitive and ever changing environment. These efforts are delivering major benefits to our customers, creating value for our shareholders and taking us toward genuine world class performance."

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