# ASX Announcement

**Date:** 13 August 2018

## Aurizon announces FY2018 financial results

- **Underlying EBIT from continuing operations increased by 6% to $941 million**
- **Achieved three-year transformation target of $380 million**
- **Declared final dividend of 13.1 cents per share**

| $million (continuing operations)[1] | FY2018 | FY2017 | Variance |
|---|---|---|---|
| Revenue | 3,112.7 | 3,142.5 | (1%) |
| EBIT – Underlying | 940.6 | 884.2 | 6% |
| EBIT – Statutory | 966.3 | 124.4 | 677% |
| NPAT – Underlying | 542.1 | 494.7 | 10% |
| NPAT – Statutory | 560.1 | (37.2) | nm |
| EPS – Underlying (cps) | 26.9 | 24.1 | 12% |
| EPS – Statutory (cps) | 27.8 | (1.8) | nm |
| ROIC – Underlying (%) | 10.9% | 9.3% | 1.6ppt |
| DPS – Final (cps) | 13.1 | 8.9 | 47% |
| DPS – Total (cps) | 27.1 | 22.5 | 20% |

Aurizon today reported a 6% increase in Underlying Earnings Before Interest and Tax (EBIT) to $941 million for the year ended 30 June 2018 (FY2017 $884 million), reflecting increased coal volumes and transformation outcomes achieved during the year.

Aurizon recorded a $560 million Statutory Net Profit After Tax (NPAT), up from the Net Loss After Tax of $37 million in FY2017, which was largely due to the one-off significant impairments incurred in FY2017.

The Board of Directors declared a final dividend of 13.1 cents per share, a 47% increase compared to the final dividend last year and represents 100% of underlying NPAT for continuing operations. The final dividend will be 60% franked. This takes the full year dividend to 27.1 cents per share, up 20% on FY2017 (22.5 cents per share)[2].

Aurizon completed its $300 million share buyback during the second half of the financial year.

Total group capital expenditure for FY2018 was $490 million, 8% lower than FY2017. Return On Invested Capital in FY2018 improved by 1.6ppt to 10.9%, and the Operating Ratio was 69.8% from continuing operations.

Aurizon achieved its three-year transformation target by delivering $133.6 million in transformation outcomes during FY2018, to deliver $393.6 million in total since July 2015. This includes the removal of Intermodal's FY2017 losses, which principally relate to Intermodal Interstate.

[1] As announced on 15 December 2017, Aurizon is now reporting its financial information to reflect the business structure implemented on 1 July 2017. Due to the planned divestment and closure of the Intermodal business, this has been treated as a discontinued operation.
[2] To be paid on 24 September 2018 to shareholders on the register at 28 August 2018.

Following revised injury definitions introduced in July 2017, Aurizon saw a disappointing deterioration in its Total Recordable Injury Frequency Rate (TRIFR) during 1HFY2018 to 10.33 incidents per one million hours worked. While there was some improvement in 2HFY2018 further focus is required across the Company. Changing injury definitions is the first step in a broader program of work to drive further improvement in safety performance.

## Commentary from Aurizon Managing Director & CEO Andrew Harding

"Despite major regulatory challenges, Aurizon delivered a solid performance in FY2018. Underlying EBIT was up 6%, we achieved the $380 million three-year transformation target, and delivered record coal volumes for customers.

We have demonstrated our commitment to returning capital to shareholders, and since March 2017 we have distributed more than $1 billion to shareholders through dividends and share buybacks.

The Coal business has seen a 7% increase in haulage volumes to 212.4 million tonnes in total across Queensland and New South Wales operations compared to FY2017. This reflects the prior year impact from Cyclone Debbie, the start of new contracts and the high levels of customer demand given the continued strength in coal prices.

The Bulk business made progress in the first year of its turnaround plan, with transformation activities delivering $32 million in benefits, and together with depreciation savings from the prior year impairments, this resulted in a $65 million improvement in Underlying EBIT.

In the Network business, 229.6 million tonnes of coal were carried across our Central Queensland Coal Network in FY2018 on the back of continuing strong Asian demand for Queensland coal.

We estimate tonnages would have been 7-8 million tonnes higher if Aurizon Network did not have to re-align its maintenance and operating practices (from February 2018) to the Queensland Competition Authority's flawed UT5 Draft Decision. Unfortunately for all Queensland coal supply chain stakeholders, this has been a foregone economic opportunity and one that could have been avoided. We remain absolutely committed to trying to reach a fairer and commercially appropriate outcome and are continuing efforts through the full range of regulatory, commercial and legal avenues."

## Outlook

Providing earnings guidance for FY2019 is challenging due to the unknown outcome for the UT5 Access Undertaking and transitional tariffs only being in place, at this stage, through to December 2018. The range of outcomes for Network EBIT could be $130 million when comparing the Draft Decision to transitional tariffs. Therefore, Aurizon is only providing guidance for its above rail business for FY2019, which comprises the Coal and Bulk businesses as well as the 'Other' segment.

Based on no major weather impacts or changes to operating conditions, Aurizon currently expects FY2019 Underlying EBIT for its above rail businesses to be in the range of $390 – 430 million (excluding redundancy costs) compared to $460 million this year. The decrease is largely due to an estimated $50 million impact from two iron ore haulage contracts finishing in Western Australia.

Based on current market conditions, Aurizon forecasts FY2019 above rail coal haulage to be in the range of 215-225 million tonnes per annum.

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