



Results for announcement to the market – 26 August 2016

Reporting Period: 12 months to 30 June 2016

Previous Reporting Period: 12 months to 30 June 2015

- 33% reduction in injury frequency rate
- 11% growth in Import/Export freight revenue
- 10% growth in tourism revenue
- Operating surplus, before \$10m significant items, \$86m
- \$27m savings from productivity initiatives
- 9% improvement in operating cashflow

Chairman John Spencer today announced a strong financial and operational result for KiwiRail for the year ended 30 June 2016, despite difficult market conditions. “Bulk milk and coal revenues were down by \$18m this year due to market demand and weather conditions. It’s been a year of significant change for the company as we’ve focused on reshaping the business and reducing future reliance on government funding. Excluding restructuring costs, KiwiRail achieved an operating surplus of \$86m, and delivered on its budgeted commitment to the shareholder.”

Mr Spencer also reflected on areas where the company is experiencing strong market growth. “We’ve achieved continued growth in the import/export freight sector of 11%. The tourism market was also strong, resulting in 10% growth in our Interislander and Scenic Journeys passenger services.”

Chief Executive Peter Reidy reinforced the company’s focus on delivering on financial, operational and safety targets. “The Board and management are fully committed to lifting the company’s performance. Over the year we have made considerable progress delivering our strategy of simplifying our business, standardising our assets and investing in our people. We delivered \$27m savings from productivity initiatives over the last year, reflecting the strong commitment across the organisation to implementing the changes that are required to achieve better results for our customers and shareholders.”

The safety of staff, contractors and the public continues to be paramount for the company, with the continued focus on a zero harm environment delivering a 33% reduction in the injury frequency rate over the last 12 months.

KiwiRail has also made real in-roads into the development of its High Performance High Engagement strategy with employees. “We are fully committed to working together with our union partners to lift the company’s performance for our customers.”

Mr Reidy highlighted the significant role of KiwiRail in enabling the NZ export agenda through the provision of transport supply chain services connecting customers to the global marketplace. “We transport 25% of NZ’s exports and work closely with our customers to help them drive competitiveness in their markets. During the year, we have invested in inland freight hubs, road bridging and intermodal wagon units to improve the flexibility of logistics operations and better support our customers.” Working alongside NZTA, KiwiRail is focused on improving land transport resilience and optimising road and rail corridor planning and investment. Mr Reidy highlighted that “both agencies are now working together to take a connected approach to planning and development in order to maximise the efficient movement of freight and optimise the value of public investment in the land transport system in NZ.”

KiwiRail has also released its most recent environmental impact figures, saying the freight carried by rail in the year represented a reduced heavy vehicle impact of 1.1 million trips and a reduced impact of 208,000 tonnes of CO2 emissions and reduced fuel impact of 77 million litres for NZ.

Chairman John Spencer reflected on a positive year for the company, “The multi-year transformation we embarked on is already delivering benefits for New Zealand. I would like to thank our customers, stakeholders and staff for their ongoing commitment in demonstrating the value of rail for New Zealand.”

	30 June 2016 NZ\$m	30 June 2015 NZ\$m	Percentage Change
Operating revenues	694.0	720.6	(3.7%)
Operating expenses	(618.1)	(630.1)	1.9%
Operating surplus	75.9	90.5	(16.1%)
Capital grants	32.9	44.6	(26.2%)
Impairment	(216.3)	(224.7)	3.7%
Depreciation and amortisation	(67.5)	(68.8)	1.9%
Net finance costs and foreign exchange gains and losses	(19.3)	(10.6)	(82.1%)
Movement in value of investment properties	(0.1)	1.7	(105.9%)
Share in net income from joint venture	0.4	-	100%
Other income	-	0.8	(100%)
Taxation (expense)/credit	-	-	-
Net profit/(loss) after taxation	(194.0)¹	(166.5)	(16.5%)

Operating surplus (excluding significant items)	85.5	90.5	(5.5%)
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Final Dividend	-	-	-
	N/A		

Operating Performance

Overall revenue for the year ended 30 June 2016 is \$27m lower than the prior year, predominantly due to a fall in bulk freight revenue of \$21m. Revenue by business unit follows:

	30 June 2016 NZ\$m	30 June 2015 NZ\$m	Percentage Change
Freight	389.8	433.7	(10.1%)
Interislander	127.6	127.3	0.2%
Tranz Metro	59.7	53.7	11.2%
Scenic Journeys	29.7	24.8	19.8%
Property & Corporate	44.5	43.2	3.0%
Infrastructure & Asset Management	42.7	37.9	12.7%
Total Operating Revenue	694.0	720.6	(3.7%)

Comparison with Statement of Corporate Intent (SCI)

We achieved an underlying operating surplus of \$86m, slightly above our SCI target of \$85m.

Operating revenues were \$9m down on our SCI targets, reflecting the impact of challenging commodities markets across all Freight sectors. This was offset by strong performance across the passenger sector, with both Interislander and Scenic revenues boosted by a buoyant tourism market.

Operating costs (excluding significant items predominantly related to restructuring activity) were \$10m below SCI target.

Consistent with the Statement of Corporate Intent, KiwiRail will not pay a dividend for the year ended 30 June 2016.

ⁱ The net loss for the year of \$194m reflects the impairment of KiwiRail's rail assets. As the rail network does not generate sufficient cashflows to cover the level of required investment, a large proportion of the accounting value must be written off each year