



# Welcome to KiwiRail's 2011 Annual Public Meeting

The Presentation will begin at 10:30am promptly



# Agenda

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- **2010/2011 Overview**
  - **John Spencer, Chairman**
- **Achievements and Outlook**
  - **Jim Quinn, Chief Executive**
- **Questions and Answers**



# Company Overview



**Logistics**

**KiwiRail Freight  
Interislander**

**Shipping**

**Interislander**

**Tourism Experiences**

**Tranz Scenic:** Overlander, TranzAlpine, Coastal Pacific  
**Interislander**

**Public Transport**

**Tranz Metro**

**Infrastructure**

**Construction - Maintenance**

**Mechanical**

**Manufacture – Maintenance - Refurbishment**

# Company Overview

Each week, train control manages the movement of:

- 900 freight trains
- 52 inter-city passenger trains
- 2,200 suburban passenger services in Wellington
- 1,900 suburban passenger services in Auckland

Annually Interislander manages 5,500 sailings carrying:

- 785,000 passengers
- 53,000 rail wagons
- 73,000 trucks
- 210,000 cars

**Assets:**

- 4,100 staff
- 4,000 kms track and 1,656 bridges
- 18,000 hectares of land managed
- 175 mainline locomotives and 4,264 freight wagons
- Two owned and one leased ferry





# 2010/2011 Results

KIWIRAIL GROUP	2010 (\$m)	2011 (\$m)	Increase
OPERATING REVENUES	650.4	667.4	2.6%
OPERATING EXPENSES	572.6	567.1	
EBITDA	77.8	100.3	28.9%
TAP CAPITAL EXPENDITURE	246.7	377.9	53.2%
METRO CAPITAL EXPENDITURE	324.8	283.1	
TOTAL CAPITAL EXPENDITURE	571.5	661.0	



# 2010/2011 Results

MEASURE	Freight	Interislander	Passenger	Mechanical	Network	Corporate	GROUP
<b>EXTERNAL REVENUE</b>	396.7	122.9	87.0	9.0	20.0	31.8	<b>667.4</b>
<b>EBITDA</b>	117.7	19.2	10.5	(2.2)	(58.2)	13.3	<b>100.3</b>
<b>GRANTS</b>	-	-	-	-	332.1	12.5	<b>344.6</b>
<b>EBIT</b>	86.9	12.8	4.5	(4.7)	46.6	15.7	<b>161.8</b>
<b>TOTAL ASSETS</b>	523.2	106.4	51.8	59.2	12,589.3	240.2	<b>13,570.1</b>



# 2010/2011 Challenges

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## Canterbury Earthquakes





# 2010/2011 Challenges

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## Canterbury Earthquakes





# 2010/2011 Challenges

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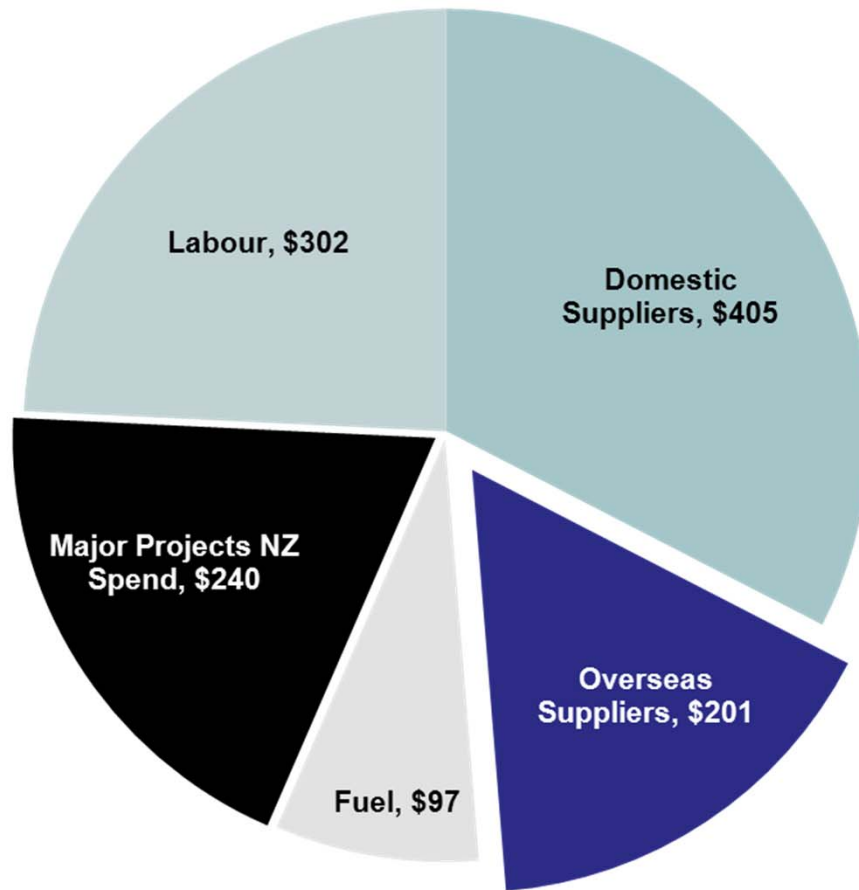
## Flooding and Landslides



# Investing In New Zealand

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## KiwiRail Group Spend Opex and Capex \$1,245m

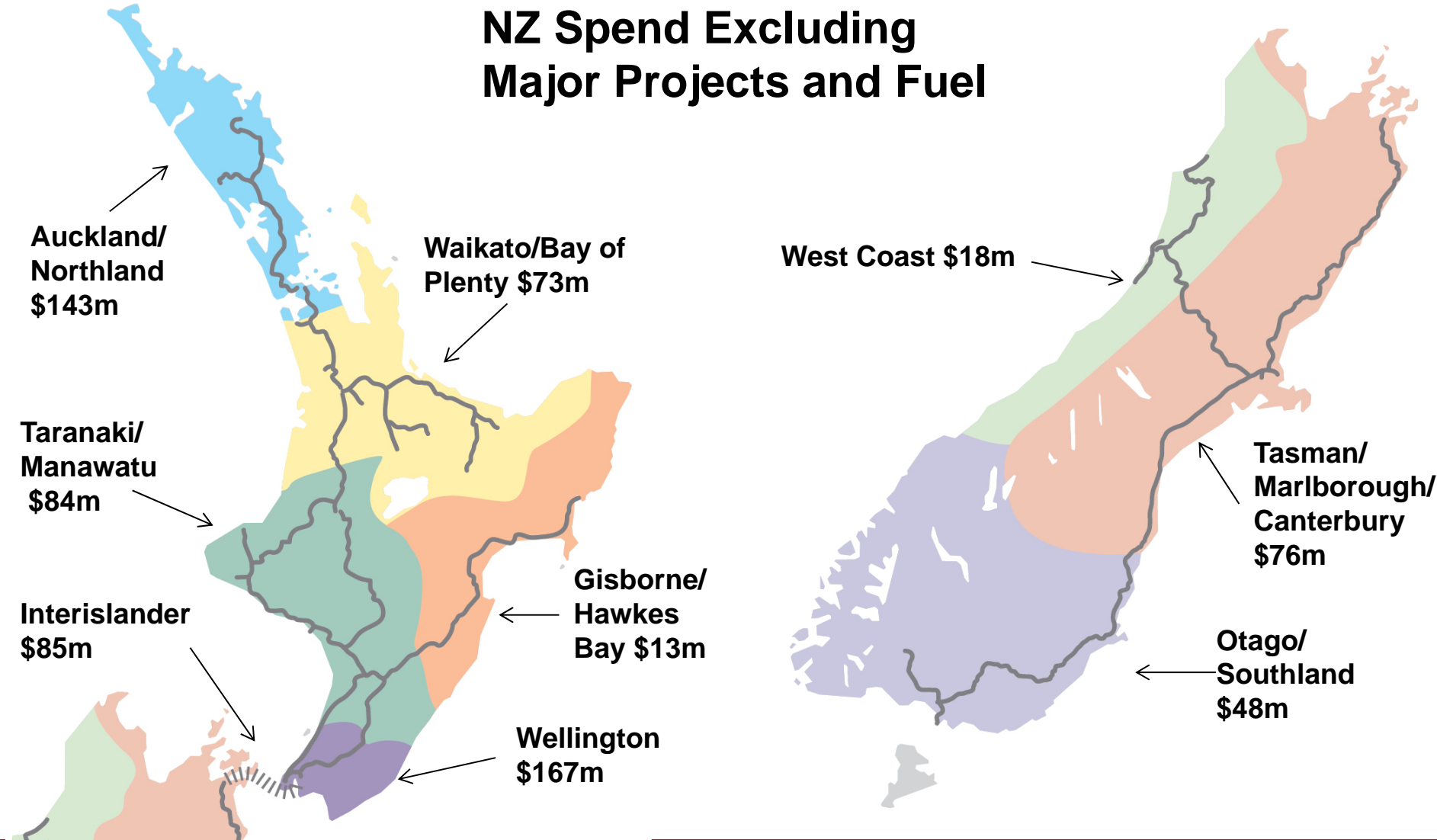


Total NZ Spend Excl  
Major Projects & Fuel  
\$707m

Total NZ Sourced and  
Funded Spend  
\$1,044m

# Investing In New Zealand

## NZ Spend Excluding Major Projects and Fuel





# Balance Sheet Restructure

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## Creating a Commercial Balance Sheet

- As a commercial business, we need a commercial Balance Sheet
- Currently, \$12.9b of assets based on the replacement cost of those assets - an appropriate value method for a public benefit entity but not a commercially focused business
- As a profit oriented business, we need our assets to reflect their productive value
- Over the past 12 months, in discussion with our shareholder, we have recommended a revision of our balance sheet to better reflect the commercial value of our assets
- Our commercial assets include rolling stock, rail infrastructure, Interislander ferries, passenger carriages and commercial property.



# Balance Sheet Restructure

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## The proposed outcome:

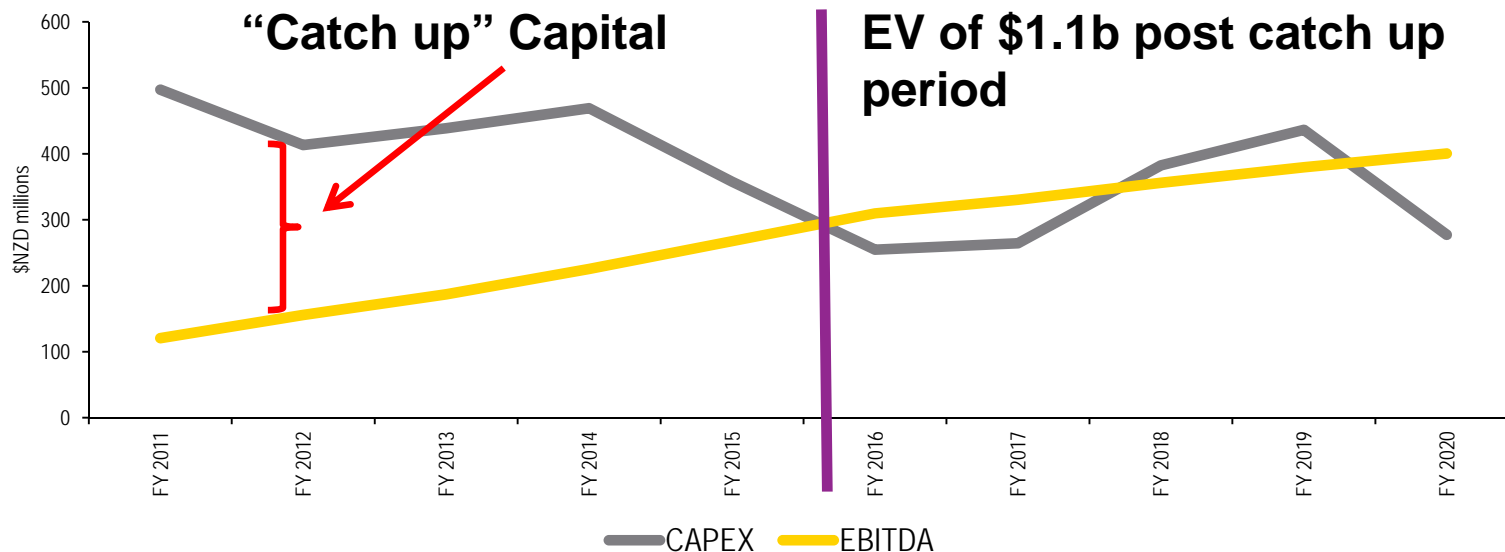
- Two entities:
  - NZRC (Statutory Entity), accounted for as a public benefit entity (PBE), will hold rail corridor land (currently valued at around \$5b)
  - KiwiRail Ltd (SOE), accounted for as a profit oriented entity (POE), will hold the rolling stock, ferry assets, commercial properties and the rail infrastructure
- This proposal would see the commercial assets valued at around \$1b – a write-down of approximately \$6b
- A corridor use agreement will exist between NZRC and KiwiRail Ltd
- Both entities expected to have a common Board
- We are working constructively with Crown officials, and effecting this by start of 2012 financial year is dependent on addressing technical issue such as legal structures and tax.



# Balance Sheet Restructure

## Carrying Value to reflect cash flow value over time

- While the first 5-7 years of the plan is cash negative, delivery of the plan will see the DCF's post Year 5 begin to reflect the expected Balance Sheet values.







# Annual Public Meeting

**Jim Quinn, Chief Executive**



# Our Plan

## *“Backbone of integrated transport networks”*

### Goal –

*“To deliver New Zealand a self-sustaining, appropriately invested rail and ferry infrastructure in ten years”*

What

- ✓ **Invest** in network, rolling stock and ferries to improve reliability, capacity and transit times
- ✓ With reliable assets and a **customer** lead focus, drive **volume, yield** and operational **productivity**
- ✓ The first three years of this plan lays **the platform** for a sustainable KiwiRail

Through

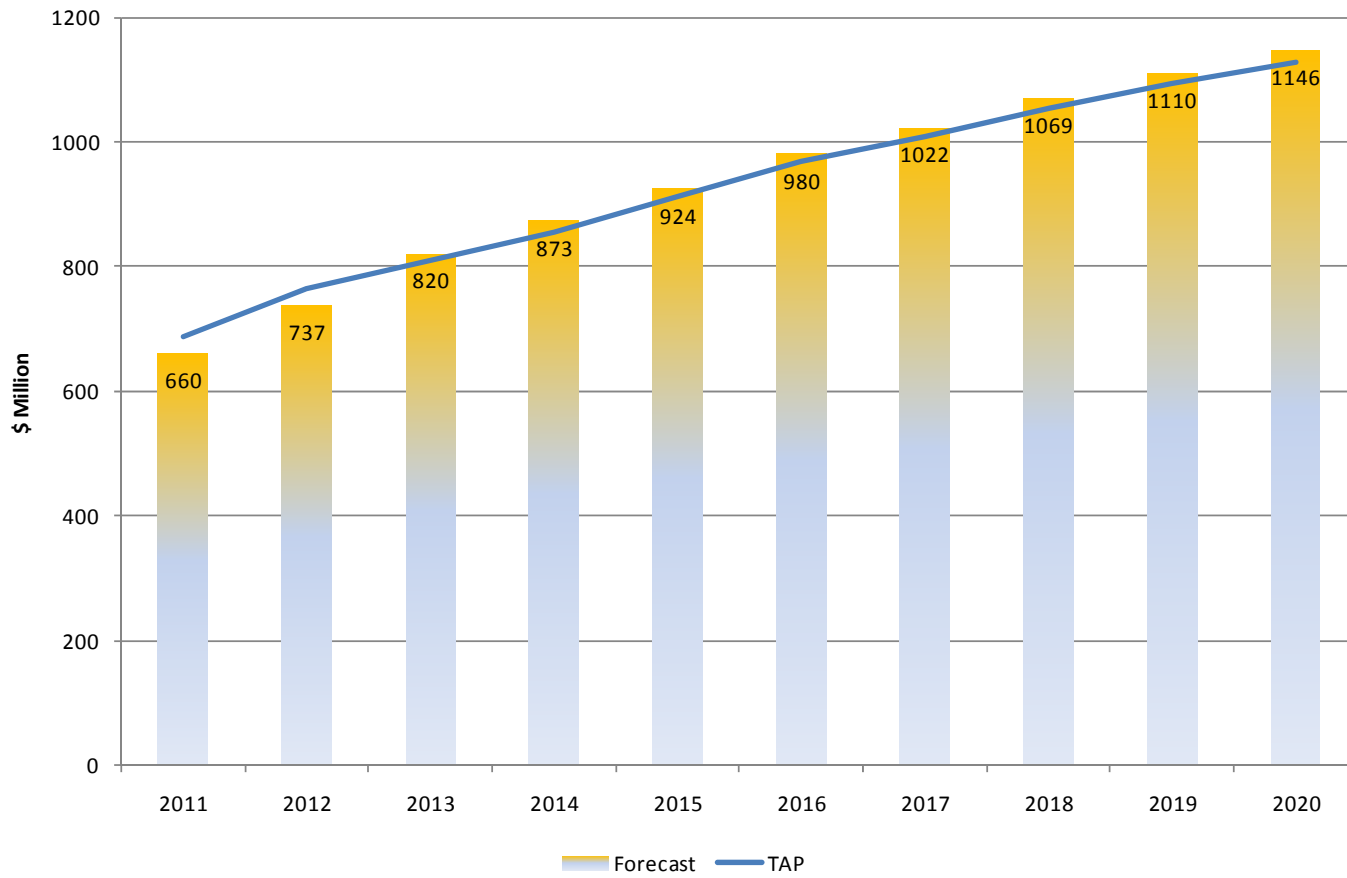
- ✓ **Integrated**, cross functional business plans
- ✓ The establishment of **dedicated** project teams for critical projects (eg Auckland-Wellington, freight pricing, system implementation)
- ✓ **Targeted KPI** metrics with regular reporting and monitoring
- ✓ Engagement with our **people** to own and deliver the plan



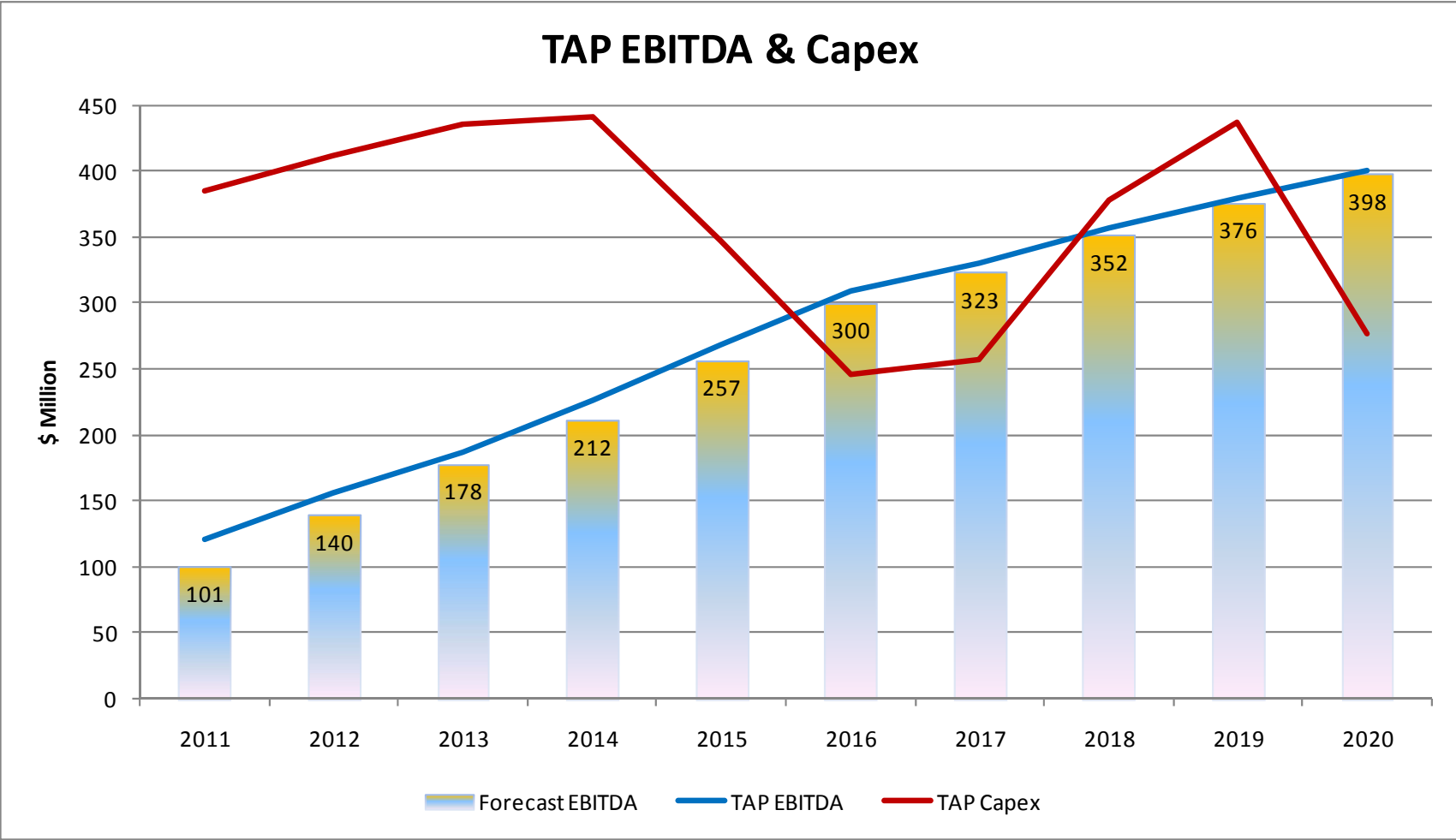


# Our Plan

## External Revenue



# Our Plan



# Progress

535

new container  
wagons purchased



20

new locomotives  
arrived ready to  
improve capacity for  
our customers



New Matangi trains  
started on the  
Wellington network



Aratere stretch project  
increased freight volume by

30%

and passenger capacity by almost

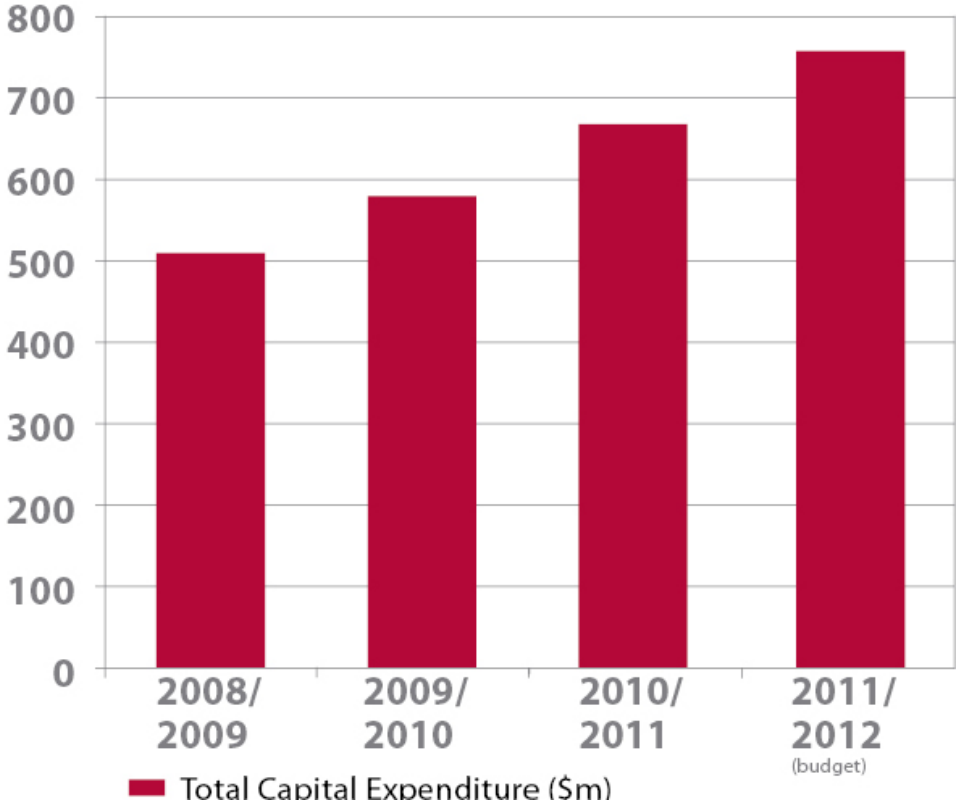
100%





# Progress

## Total Capital Expenditure (\$m)



Improved track reliability with a

# 10%

reduction in speed restrictions and

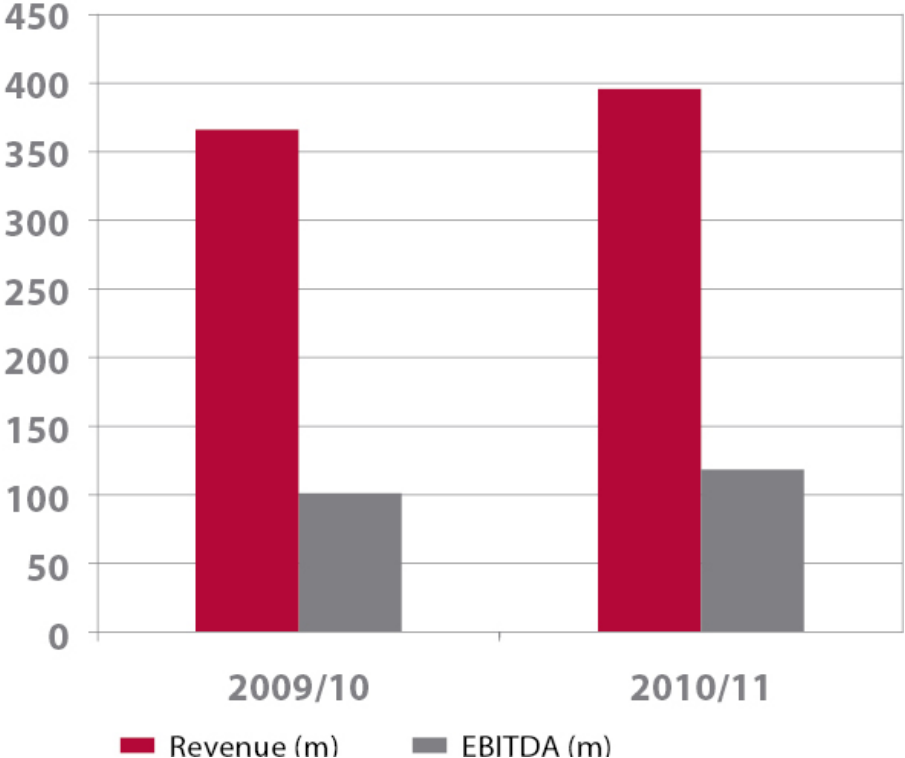
# 41%

decrease in derailments, a 10-year low.



# Progress

## Freight Revenue and EBITDA\*



Freight revenue increased to almost

# \$400 million.

Import/Export freight increased revenue by

# 13%



# Outlook

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## First quarter:

- Freight revenue increase of 13%
- Freight EBITDA increase of 31%
- Interislander revenue increase of 7%
- Group revenue slightly ahead of budget

## Looking ahead:

- Further premium freight services
- New TranzScenic carriages
- Bedding in Aratere
- Delivery of more rolling stock







## Backbone of integrated transport networks

