Welcome to KiwiRail’s 2011 Annual Public Meeting

The Presentation will begin at 10:30am promptly
Agenda

• 2010/2011 Overview
  ➢ John Spencer, Chairman

• Achievements and Outlook
  ➢ Jim Quinn, Chief Executive

• Questions and Answers
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

<table>
<thead>
<tr>
<th>KIWIRAIL GROUP</th>
<th>2010 ($m)</th>
<th>2011 ($m)</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING REVENUES</td>
<td>650.4</td>
<td>667.4</td>
<td>2.6%</td>
</tr>
<tr>
<td>OPERATING EXPENSES</td>
<td>572.6</td>
<td>567.1</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>77.8</td>
<td>100.3</td>
<td>28.9%</td>
</tr>
<tr>
<td>TAP CAPITAL EXPENDITURE</td>
<td>246.7</td>
<td>377.9</td>
<td>53.2%</td>
</tr>
<tr>
<td>METRO CAPITAL EXPENDITURE</td>
<td>324.8</td>
<td>283.1</td>
<td></td>
</tr>
<tr>
<td>TOTAL CAPITAL EXPENDITURE</td>
<td>571.5</td>
<td>661.0</td>
<td></td>
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</tbody>
</table>
## 2010/2011 Results

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

![Images of trains and ships](image)
2010/2011 Challenges

Canterbury Earthquakes
2010/2011 Challenges

Canterbury Earthquakes
2010/2011 Challenges

Flooding and Landslides
Investing In New Zealand

KiwiRail Group Spend Opex and Capex $1,245m

- Labour, $302
- Domestic Suppliers, $405
- Major Projects NZ Spend, $240
- Overseas Suppliers, $201
- Fuel, $97

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

- Auckland/Northland $143m
- Waikato/Bay of Plenty $73m
- Gisborne/Hawkes Bay $13m
- Wellington $167m
- Taranaki/Manawatu $84m
- Interislander $85m
- West Coast $18m
- Tasman/Marlborough/Canterbury $76m
- Otago/Southland $48m

KiwiRail
Balance Sheet Restructure

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

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.

“Catch up” Capital

EV of $1.1b post catch up period
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**

<table>
<thead>
<tr>
<th>Year</th>
<th>Forecast</th>
<th>TAP</th>
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</thead>
<tbody>
<tr>
<td>2011</td>
<td>660</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>737</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>820</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>873</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>924</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>980</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>1022</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>1069</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>1110</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>1146</td>
<td></td>
</tr>
</tbody>
</table>
Our Plan

TAP EBITDA & Capex

- Forecast EBITDA
- TAP EBITDA
- TAP Capex

Year: 2011 to 2020

$ Million

- 2011: 101
- 2012: 140
- 2013: 178
- 2014: 212
- 2015: 257
- 2016: 300
- 2017: 323
- 2018: 352
- 2019: 376
- 2020: 398
Progress

535 new container wagons purchased

New Matangi trains started on the Wellington network

20 new locomotives arrived ready to improve capacity for our customers

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

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