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ASX and Media Announcement

Focussed Strategy Continues to Deliver Growth – Underlying NPAT up 26%

Qube Holdings Limited (Qube) today announced another record result for the six months ended 31 December 2014.

Key highlights for the period include:

- Both operating divisions delivered revenue and earnings growth
- Statutory NPAT of $54.7 million ($57.4 million pre-amortisation)
- Underlying[1] NPAT up 26% to $53.1 million ($55.8 million pre-amortisation)
- Ongoing improvement in safety performance
- Completion of several strategic acquisitions and additional investment to deliver scale, enhance efficiencies and support continued long term growth
- Continued diversification within core activities
- Commercial terms agreed for a whole of precinct development of Moorebank
- High conversion of operating earnings to cashflow

	H1 - FY 15 ($m)	H1 - FY 14 ($m)	Change From Prior Corresponding Period (%)
Stautory Qube NPAT	54.7	41.2	32.8%
Statutory Revenue	727.0	581.5	25.0%
Statutory Diluted EPS	5.20	4.43	17.4%
Underlying Qube NPAT	53.1	42.1	26.1%
Underlying Revenue	715.9	581.4	23.1%
Underlying EBITDA	129.7	99.4	30.5%
Underlying EBITDA Margin	18.1%	17.1%	
Underlying Diluted EPS	5.05	4.53	11.5%
Underlying Diluted EPS Pre-Amortisation	5.31	4.77	11.3%
Interim Dividend Per Share	2.7	2.4	12.5%
LTIFR*	4.2	4.6**	

*Note: Lost time injury frequency rate (LTIFR) is the number of ocurences of injury for every million hours worked.

**Note: At 30 June 2014.

1 The underlying information excludes non-cash and non-recurring items in order to more accurately reflect the underlying financial performance of Qube. References to 'underlying' information are to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information has not been subject to audit or review. See Attachment 1 for further information.

Statutory revenue increased by 25.0% over the prior corresponding period to $727.0 million and profit after tax attributable to shareholders increased by 32.8% to $54.7 million. Diluted earnings per share were 5.20 cents, an increase of 17.4% over the prior corresponding period.

Underlying diluted earnings per share were 5.05 cents (5.31 cents pre-amortisation), an 11.5% increase on the prior corresponding period.

A reconciliation of the statutory profit before tax to the underlying profit after tax attributable to shareholders for the six months to 31 December 2014 is set out in Attachment 1.

Qube continued to undertake strategic investments and acquisitions to broaden and enhance its logistics capabilities and customer base, increase scale and provide additional diversification.

These record results were achieved despite continued challenging economic conditions, generally flat volumes and ongoing volatility in commodity prices. The ability of Qube to achieve growth in this environment reflects Qube's management expertise in delivering reliable, innovative and cost effective logistics solutions to its customer base as well as the benefit of Qube's acquisitions and investment to support its growth.

In addition to the pleasing financial performance, progress was made on the future development of Qube's majority owned strategic property at Moorebank. In December 2014, Qube announced that commercial terms had been agreed with the Moorebank Intermodal Company (MIC) for a whole of precinct development involving MIC's Moorebank land and Qube / Aurizon owned land.

This agreement, which is subject to necessary final approvals including Commonwealth approval, is expected to deliver the optimal outcome by maximising efficiencies across the logistics supply chain.

Qube's safety performance continued to improve with its Lost Time Injury Frequency Rate (LTIFR), decreasing from 4.6 Lost Time Injuries (LTIs) per million hours worked at 30 June 2014 to 4.2 LTIs at 31 December 2014, a 9% improvement.

The directors have determined to pay a fully franked interim dividend of 2.7 cents per share, a 12.5% increase on the prior corresponding period.

Releasing the results, Qube's Managing Director, Maurice James said, "The continued focus on implementing Qube's core strategy within its operating markets has enabled Qube to achieve another record result despite the continuing challenging economic environment.

"The operations are generating very strong cashflows which are supporting ongoing investment in growth initiatives and further diversification within Qube's existing markets and logistics activities.

"The longer term development of the Moorebank project is expected to be a transformational project for Qube that will deliver significant growth opportunities for Qube's existing logistics activities as well as create new attractive growth options through property and warehousing-related activities that complement the logistics operations at Moorebank" Mr James said.

Documentation for the legal and commercial agreements between Qube / Aurizon and MIC is expected to be finalised by the end of March 2015, after which final Commonwealth approval will be required.

Operational Review

Logistics Division

The Logistics division delivered a sound result with underlying revenue and EBITA increasing by 6% and 4% respectively over the prior corresponding period to $318.5 million and $32.2 million respectively. The business secured new contracts and contract extensions in the period that will also drive future organic growth.

The positive result was achieved in challenging economic conditions with flat container volumes and lower agri volumes due to adverse weather.

Qube completed the acquisition of CRT on 1 December 2014. This acquisition provides Qube with land and warehousing adjacent to a rail head at Altona which supports Qube’s strategy of providing integrated logistics solutions utilising road and rail solutions. It also provides substantial cost synergies by eliminating duplication of facilities and equipment, and also expands and diversifies Qube’s customer base.

Qube continued to invest significantly during the period with divisional capex of around $67 million. In addition to the CRT acquisition, Qube invested in developing its facilities including warehousing at Vic Dock and hardstand at Fremantle to deliver additional scale and provide its customer base with quality facilities that have substantial capacity for future growth.

The result was impacted by several non-recurring costs, most significant of which was incurred pre-Christmas due to operational inefficiencies caused by construction activities at the container stevedoring terminals at Port Botany. This resulted in additional costs to Qube’s rail and road operations in attempting to meet its customers’ service commitments.

Ports & Bulk Division

In the half year ended 31 December 2014, underlying revenue grew by 44% to $382.4 million from $265.1 million in the prior corresponding period, and underlying EBITA increased by 40% to $47.8 million from $34.2 million.

The strong financial results from the Ports & Bulk division in the period highlights the quality and diversified nature of the operations and reflects the value of the logistics services provided by Qube to its customer base. Qube’s strategy and strong customer focus have assisted in achieving growth despite reduced activities and volumes amongst some of Qube’s customers.

Qube secured several new contracts in the period through its ability to deliver innovative, cost effective logistics solutions for its customers. Qube continues to invest in technology, systems, equipment and facilities to deliver these outcomes. The result also benefitted from acquisitions made in the current and prior periods. Divisional capital expenditure in the six months to 31 December 2014 was approximately $98 million.

The port operations delivered growth in its oil and gas activities including an increased contribution from the Dampier Transfer Facility, increased volumes from the Chevron contract in Fremantle, and from Qube’s supply base activities in Darwin.

The port activities also benefitted from the acquisition of Australian Heavy Logistics (AHL) on 11 September 2014 which expanded the breadth of its logistics capabilities to include transport of heavy vehicles and equipment from the port to the customers’ facilities.

Additionally, Qube acquired the NZ company ISO Limited on 7 January 2015. ISO operates in seven ports throughout New Zealand as well as at Portland and other ports in Australia.

Its operations are focussed on the forest products industry, with operations structured across stevedoring, marshalling and transport activities. ISO provides potential revenue synergies by leveraging the respective customer bases of the two organisations in both New Zealand and Australia as well as providing geographic and product diversification.

The vehicle stevedoring result was below expectations due to lower vehicle imports and vehicle storage days reducing significantly, and project cargo volumes were mixed given the reduced level of mining development / activity.

The bulk operations continued to generate strong returns for Qube with pleasing results from both the terminal and bulk haulage activities. The results reflected organic growth from new customer wins, a full period's contribution from the Walmsley and Beaumont acquisitions that were completed in the second half of FY 14, as well as the Oztran acquisition that was completed on 1 July 2014.

The contribution from Qube Ports & Bulk's associate investments declined over the period with Qube's share of the underlying profit after tax of the associates decreasing to $5.9 million from around $7.0 million in the prior corresponding period. This mainly reflected a decline in motor vehicle imports and mining-related project cargo. Additionally, lower demand for domestically manufactured vehicles impacted the earnings from Prixcar's transport operations.

Strategic Assets Division

The underlying revenue and earnings from the rental of the Moorebank and Minto properties were relatively stable in the period.

However, underlying EBITA reduced by around 5% due to expenditure relating to the future development of the Moorebank site.

During the period, Qube achieved two important milestones towards the future development of Moorebank.

On 29 September 2014, MIPT (Qube 67% / Aurizon 33%) received Concept Plan approval from the New South Wales Government under the Environmental Planning and Assessment Act which was a key milestone to facilitate the development of the MIPT site. This approval, combined with MIPT's previously received Commonwealth Environment Protection and Biodiversity Conservation Act approval, provides much greater certainty for MIPT regarding the ability to develop warehousing and a rail terminal on the MIPT property.

As a result of this approval and general movements in market value for comparable properties, the value of MIPT's Moorebank land was revalued upwards at 31 December 2014, resulting in a fair value gain in Qube's statutory results of $11.0 million. This gain is non-cash and has been backed out of Qube's results for the purpose of determining underlying earnings.

On 5 December 2014, MIC announced that after a six-month negotiation, MIC and MIPT have reached agreement, subject to the satisfaction of certain conditions precedent and Commonwealth approval, to develop the Moorebank project as a whole of precinct development.

Qube has always believed that a whole of precinct development would provide the optimal outcome for a broad range of stakeholders as it supports the delivery of the most efficient overall logistics solution, maximises the available logistics and warehouse activities on-site, avoids duplication of key infrastructure and minimises the environmental impact of the development and operations.

The construction of the Quattro Grain facility at Port Kembla continued during the period in line with expectations. This facility is scheduled to be completed and operational by October 2015.

Funding

Qube's businesses delivered strong cashflow to support Qube's investment with a cash conversion ratio of around 99%.

In December 2014, Qube refinanced its existing syndicated debt facilities into a single larger $750 million five year facility expiring in December 2019. The new facility has improved pricing and terms reflecting Qube's strong credit profile, and provides Qube with substantial funding capacity, tenure and financial flexibility to pursue further growth.

At 31 December 2014, Qube's gross debt was around $489 million and net debt was around $408 million. Qube had available cash and undrawn debt facilities of around $374 million.

Qube's leverage ratio has increased from around 17% at 30 June 2014 to 23% at 31 December 2014 as it used debt to supplement operating cashflows to fund additional investment. Qube remains below the lower end of its target leverage ratio of 30-40% and remains comfortably in compliance with its financial covenants in its syndicated facility agreement.

Dividend

Qube is pleased to announce that it will pay a fully franked interim dividend of 2.7 cents per share in respect of the six months ended 31 December 2014, an increase of approximately 12.5% over the prior corresponding period. This reflects a payout ratio of around 53% of Qube's underlying earnings per share consistent with Qube's target payout ratio of 50-60% of underlying earnings per share.

The record date for the dividend is 10 March 2015 and the dividend will be paid on 7 April 2015. The dividend reinvestment plan will operate for this dividend and a discount of 2.5% will apply.

Summary and Outlook

Qube remains focussed on delivering its strategy of providing reliable, innovative and cost effective integrated logistics solutions for the import and export supply chains. Qube continues to invest in complementary acquisitions, facilities and equipment consistent with this strategy and its core markets in order to expand its service capabilities, build scale and deliver superior, cost effective logistics solutions to its customers.

The success of this strategy is reflected in the pleasing financial results in the six months ended 31 December 2014 despite a very challenging economic environment and declining commodity prices. Multiple organic and inorganic growth opportunities are being pursued across the group to support future growth.

Subject to no deterioration in economic conditions or commodity prices, Qube expects that both operating divisions will deliver revenue and earnings growth in FY 15 which will drive continued growth in underlying earnings per share in FY 15.

Further Enquiries:

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Attachment 1

Reconciliation of Statutory Results to Underlying Results

There were a small number of non-recurring and non-cash items included in the statutory results for the half year ended 31 December 2014 that do not reflect the underlying financial performance of Qube.

A reconciliation of the statutory results to the underlying results for the six months ended 31 December 2014 and the prior corresponding period is presented below:

Half Year Ended	Dec-14	Dec-13
	$'000	$'000
Revenue and other income	**726,956**	**581,518**
Fair value gain on investment property	(10,987)	-
Other underlying adjustments (net)	(99)	(147)
Underlying revenue	**715,870**	**581,371**
Net profit / (loss) before income tax	**82,534**	**59,550**
Share of profit of associates	(5,827)	(6,803)
Interest income	(928)	(672)
Interest expense	12,752	15,694
Fair value loss / (gain) on derivatives	1,336	(870)
Depreciation & amortisation	48,750	31,270
EBITDA	**138,617**	**98,169**
Cost of legacy incentive schemes	2,207	1,355
Fair value gain on investment property	(10,987)	-
Other adjustments (net)	(114)	(93)
Underlying EBITDA	**129,723**	**99,431**
Depreciation	(44,830)	(28,167)
Underlying EBITA	**84,893**	**71,264**
Amortisation	(3,920)	(3,103)
Underlying EBIT	**80,973**	**68,161**
Interest expense (net)	(11,824)	(15,022)
Syndicated debt facilities establishment fees written off	1,297	-
Underlying share of profit of associates	5,827	7,116
Underlying net profit before income tax	**76,273**	**60,255**
Underlying income tax expense	(21,134)	(15,942)
Underlying net profit for the half year	**55,139**	**44,313**
Non-controlling interests	(1,993)	(2,180)
Underlying net profit after tax attributable to members	**53,146**	**42,133**
Underlying diluted earnings per share (cents per share)	5.05c	4.53c

Underlying Information is determined as follows:

Underlying revenues and expenses are statutory revenues and expenses adjusted to exclude non-cash and non–recurring items such as fair value adjustments on investment properties, legacy incentive schemes, impairments and release of contingent consideration payable. Income tax expense is based on a prima-facie 30% tax charge on profit before tax and associates.

The table above has been extracted from note 2 of the financial statements but is un-audited.