QUBE
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ASX and Media Announcement

Diversified Operations Deliver Solid Result in Challenging Market

Underlying EBITA up 9.9% and Underlying Qube NPAT lower by 1.7%

Qube Holdings Limited (Qube) today announced a solid result for the six months ended 31 December 2015, reflecting the resilience and diversity of Qube's operations.

Key highlights for the period include:

- Underlying[1] EBITA growth and margin improvement despite lower revenue
- Underlying[1] NPAT lower by 1.7% to $52.2 million ($55.4 million pre-amortisation)
- Very strong operating cashflow generation of $143.6 million
- Statutory NPAT of $49.0 million ($52.2 million pre-amortisation)
- Pleasing progress with Moorebank including early lease surrender agreement reached with tenant on favourable terms
- Qube progressing acquisition of Patrick container terminals – expected to deliver significant benefits to Qube shareholders
- Further improvement in safety performance
- Interim dividend maintained despite challenging environment

	H1 - FY 16 ($m)	**H1 - FY 15 ($m)**	**Change From Prior Corresponding Period (%)**
Statutory Revenue	689.5	727.0	(5.2%)
Statutory Qube NPAT	49.0	54.7	(10.4%)
Statutory Qube NPAT Pre-Amortisation	52.2	57.4	(9.1%)
Statutory Diluted EPS	4.6	5.2	(11.5%)
Underlying Revenue	689.5	715.9	(3.7%)
Underlying EBITA	93.3	84.9	9.9%
Underlying Qube NPAT	52.2	53.1	(1.7%)
Underlying Qube NPAT Pre-Amortisation	55.4	55.8	(0.7%)
Underlying Diluted EPS	4.9	5.1	(3.9%)
Underlying Diluted EPS Pre-Amortisation	5.2	5.3	(1.9%)
Interim Dividend Per Share	2.7	2.7	-
LTIFR*	1.9	3.2**	(40.6%)

* Note: Lost time injury frequency rate (LTIFR) is the number of Lost Time Injuries for every million hours worked.
** Note: At 30 June 2015.

1 The underlying information excludes certain 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.

Solid Financial Performance

Qube delivered a solid financial result for the six months to 31 December 2015 despite challenging conditions in several parts of the business. Underlying earnings (EBITA) increased to $93.3 million and underlying Qube NPAT pre-amortisation decreased by 0.7% to $55.4 million. These results were achieved despite underlying revenue being 3.7% lower at $689.5 million, and reflected the resilience of Qube's overall business as a result of its diversified activities.

Statutory profit after tax attributable to shareholders pre-amortisation was 9.1% lower at $52.2 million. The decline in statutory earnings mainly reflects the inclusion of $11.0 million of profit in the prior corresponding period from the revaluation of Qube's majority owned Moorebank property.

Releasing the results, Qube's Managing Director, Maurice James said, "We think the solid result achieved by Qube in the period, despite the continued volatile market conditions across the commodities and oil and gas sectors, reflects our focus on delivering value to our customer base and the benefits of the decision to diversify our operations."

Qube continued to improve its safety record with its Lost Time Injury Frequency Rate (LTIFR) decreasing by around 41% to 1.9 Lost Time Injuries (LTIs) per million hours worked.

Qube's cash conversion was again strong with operating cashflow pre-tax and interest of $143.6 million, representing around 104% of underlying EBITDA. This cashflow was used to support continued investment in growth initiatives with Qube investing approximately $97 million in the period (excluding the acquisition of Asciano shares).

The investment was predominantly on facilities and equipment to support existing and new business. Major items included the Darwin Marine Supply Base, warehouses underpinned by new fertiliser storage, stevedoring and logistics contracts, the investment in TQ Holdings and Quattro Grain, as well as equipment to support new contracts across a range of sectors and activities including forestry, bulk haulage and stevedoring.

Reflecting the strong operating cashflow generated during the period, the interim dividend has been maintained at 2.7 cents per share fully franked which is consistent with Qube's stated policy of paying out 50-60% of underlying earnings per share.

A reconciliation between statutory and underlying results is provided in Appendix 1.

Strong Financial Position

Qube's leverage ratio at 31 December 2015 of 42% was slightly above the company's stated target range of 30-40%. The higher leverage is due to the shareholding in Asciano being funded by debt. As a result, Qube's net debt at 31 December 2015 (being bank loans and finance lease liabilities less cash on hand) increased to approximately $1,054 million (June 2015: $519 million).

Qube had available cash and undrawn debt facilities of around $220 million (June 2015: $263 million) providing Qube with sufficient funding capacity to pursue further investment.

Post completion of an Asciano transaction, Qube expects its leverage ratio to return to within target levels and will continue to maintain a prudent capital structure.

Qube remains within its banking covenants with adequate headroom to the covenant thresholds.

Logistics Division

The Logistics division maintained its strong market position, securing new business through its reliable, value-added solutions. Earnings and margins grew despite lower revenue compared to the prior corresponding period as a result of lower volumes from its existing customer base.

The Logistics division reported underlying revenue of $313.5 million, a small decrease of 1.6% on the prior corresponding period. However, as a result of effective cost management, underlying earnings (EBITA) increased by 4.7% to $33.7 million and EBITA margins improved from 10% to 11%.

Existing customer contracts are being retained and renewed and organic growth in the customer base is being achieved. However, the average volume per customer is lower in comparison to last year reflecting the difficult economic environment and continued drought conditions in parts of the country.

Management has successfully offset the lower revenue through operational cost improvements and modifications made in some areas of the business. Additionally, the cost synergies from the CRT acquisition and other projects are ahead of expectations. This included the completion of the warehouse construction at Vic Dock and related relocation from Somerton that occurred in early July, as well as the completion of the new empty container park at Fremantle.

Ports & Bulk Division

Qube secured new contracts in the period across its business and retained its strong market position in key areas including automotive stevedoring, marshalling and stevedoring of forestry products, and bulk haulage. However, there was further weakness in commodity and oil and gas prices which resulted in reduced activity and volumes for some of Qube's customers and limited the number of new projects in the market.

As a result of these challenging conditions, and due to the full period impact of the four significant contract completions and amendments that occurred towards the end of FY 15, the Ports & Bulk division's revenue and earnings were lower than the prior corresponding period which is consistent with Qube's previous guidance.

Underlying revenue and EBITA were $338.8 million and $33.8 million, lower by around 11.4% and 29.3% respectively, compared to the prior corresponding period.

As a result of Qube's expectations for continued market weakness, management is implementing additional cost reduction initiatives that are expected to further reduce the divisional cost base with initial savings expected to commence in the final quarter of FY 16.

Strategic Assets Division

A highlight during the period was the progress made in relation to the development of Qube's strategic assets.

Qube, as manager of the Moorebank Industrial Property Trust (MIPT) (owned by Qube 67%, Aurizon 33%), successfully concluded the negotiations with the tenant at MIPT's Moorebank property for an early lease termination and vacation of the site which occurred in December 2015.

In addition to MIPT receiving a market lease surrender payment from the tenant, the vacation of the site enables Qube to start leasing the substantial existing warehousing on the site to tenants that suit the broader logistics model for the Moorebank precinct development. The level of inquiries has been strong and as a result, Qube is progressing with development approvals to enhance the quality and attractiveness of the existing warehousing with the expectation that it can finalise initial leases by the end of FY 16.

During the period, Qube also finalised the appointment of contractors to undertake certain development works on behalf of the Commonwealth Government established Moorebank Intermodal Company (MIC). These works form part of MIC's contribution towards the development of the Moorebank precinct into a major logistics hub. Qube is managing these works on behalf of MIC and will earn commercial management fees and potentially outperformance fees for this activity. Design works are well underway and construction is expected to commence in the last quarter of FY 16.

Financial close of the Moorebank project is expected to occur around June 2016 with both parties continuing to make sound progress towards satisfying the required conditions precedent to reaching financial close. MIC currently has its planning application before the NSW Planning Assessment Commission.

The division is continuing to earn lease revenue from its property at Minto.

The construction of the Quattro Grain facility (Qube 37.5%) was completed and storage of grain has commenced. A ship loader is expected to be delivered and the facility fully operational by March 2016 with revenue and earnings ramping up from that time.

Planning is progressing for the construction of the fuel terminal at Port Kembla by TQ Holdings (TQ), the 50/50 joint venture with TonenGeneral Sekiyu K.K. (Tonen) from Japan. TQ undertook a small acquisition during the period to expand its fuel distribution capacity as a complementary operation to the terminal ownership. TQ generated a small loss during the period reflecting stamp duty and other transaction costs associated with the investment and related acquisition.

Underlying revenue and EBITA increased by 147.3% and 179.6% respectively to $37.1 million and $31.6 million compared to the prior corresponding period, while the loss from Quattro Grain and TQ increased from $0.1 million to $0.6 million, reflecting the fact that these assets are still in the development phase.

Summary and Outlook

The diversified nature of Qube's operations enabled the company to generate solid earnings and good cashflow despite challenges in parts of the business as a result of the downturn in the resources and oil and gas sectors. All parts of the business maintained their strong competitive position and managed to secure new business without losing any significant customers. A renewed focus on costs, which is continuing in the second half of FY 16, helped margins and maintained Qube's competitive position.

Qube expects a continuation of recent conditions with strong volumes of vehicle imports and log exports benefitting the stevedoring activities. However near term demand for resources and oil and gas related activity is expected to remain subdued. Container volumes are expected to continue to grow at around GDP.

It was pleasing that the higher contribution from the Strategic Assets division was able to largely offset the lower contribution from the Ports & Bulk division. Qube's long term focus of owning and developing the assets within the Strategic Assets division is expected to be rewarded as these assets become operational and make an increasing contribution to earnings from FY 17 onwards as new income streams are generated from the Moorebank project, Quattro Grain and TQ Holdings.

Qube continues to develop innovative solutions that lower customers' costs while delivering an efficient, reliable logistics solution. Despite the challenging environment, Qube is continuing to invest in its facilities and equipment to drive scale and improve margins.

Qube's strategic locations and experienced management ensure that it remains very well placed to benefit from any improvement in conditions.

Qube's ability to deliver underlying earnings growth in FY 16 continues to be dependent on a range of factors including Qube's ability to secure new contracts, volumes from its existing customer base, and earnings contributions from Moorebank, Quattro Grain and TQ Holdings.

The successful conclusion of an Asciano transaction remains a key focus for management as this would be a unique opportunity to acquire a high quality and highly complementary business.

Update on Proposed Asciano Transaction

As recently announced, Qube is in discussions with Brookfield and its partners to submit a new proposal to acquire Asciano (New Proposal).

The discussions remain preliminary, indicative and non-binding at this stage, but the indicative terms contemplate Qube (50%) and Brookfield and members of the Brookfield consortium (or entities controlled by them) (50%) establishing a new joint venture entity to jointly own 100% of Asciano's leading container terminal business. Qube or its nominee will also be able to acquire the 50% of Australian Amalgamated Terminals (AAT) that it does not presently own.

The acquisition would greatly enhance the scale and quality of Qube's business and would enable the new joint venture and Qube to realise considerable synergies.

The New Proposal is subject to agreement of binding documentation with Asciano. Until and unless such documentation is agreed, the existing recommended proposal from the Qube Consortium remains on foot.

Further information on this transaction is contained in Qube's ASX releases on 28 January 2016, 8 February 2016 and 23 February 2016.

The statutory result includes around $2.8 million in due diligence related costs associated with the transaction and an additional $2.8 million interest expense associated with the financing of the purchase of Qube's shareholding in Asciano. These costs have not been included in Qube's underlying results in the interim results given the uncertain outcome of this transaction.

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 six months ended 31 December 2015 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 2015 and the prior comparable period is presented below:

	Dec 2015 $m	Dec 2014 $m
Revenue from external customers	**689.5**	**727.0**
Fair value adjustments	-	(11.0)
Other adjustments	-	(0.1)
Underlying revenue	**689.5**	**715.9**
Net profit before income tax	**77.2**	**82.5**
Share of profit of associates	(5.2)	(5.8)
Net finance cost	13.9	13.2
Depreciation and amortisation	49.9	48.7
EBITDA	**135.8**	**138.6**
Asciano Ports business acquisition related advisor costs	2.8	-
Legacy incentive schemes	-	2.2
Fair value gains	-	(11.0)
Other adjustments (net)	0.1	(0.1)
Underlying EBITDA	**138.7**	**129.7**
Depreciation	(45.4)	(44.8)
Underlying EBITA	**93.3**	**84.9**
Amortisation	(4.5)	(3.9)
Underlying EBIT	**88.8**	**81.0**
Net finance cost excluding derivatives	(14.8)	(11.9)
Asciano Ports business acquisition related finance costs	2.8	-
Underlying net finance cost	(12.0)	(11.9)
Syndicated debt facilities establishment fees written off	-	1.3
Underlying share of profit of associates	5.2	5.8
Underlying net profit before income tax	**82.0**	**76.2**
Underlying income tax expense	(23.1)	(21.1)
Underlying net profit for the half year	**58.9**	**55.1**
Non-controlling interests	(6.7)	(2.0)
Underlying net profit after income tax attributable to members	**52.2**	**53.1**
Underlying diluted earnings per share (cents per share)	4.9c	5.1c
Underlying diluted earnings per share pre-amortisation (cents per share)	5.2c	5.3c

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

Underlying information is determined as follows:

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

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.