

24 November 2016

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Chairman's Address 2016 AGM

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2016 was a year of extraordinary achievement for Qube as the company's vision of transforming Australia's logistics chains took several very important steps forward.

The highlight of 2016 was our successful joint acquisition of Patrick Terminals which we regard as Australia's lowest cost and most efficient container stevedoring operation.

This acquisition, in a joint venture with Brookfield Infrastructure Partners was completed in August following a lengthy, complex and competitive process lasting the majority of FY 16.

The Patrick investment will be an important component of Qube's long term earnings and extend the company's supply chain capabilities to national container ports enhancing our ability to deliver efficient logistics solutions to our customers.

The other key milestone achieved was concept plan approval for the Moorebank Intermodal project in South Western Sydney which has seen works commence on the site. After many years of planning, development of this vital national infrastructure project is now underway.

In addition, the development project will now be fully owned by Qube following the decision by Aurizon to sell its 33% interest in the freehold land and Moorebank development project.

It was particularly pleasing that these milestones were achieved while the two operating divisions Qube Logistics and Qube Ports & Bulk were still able to deliver a sound financial performance in the face of challenging trading conditions.

Other highlights for the period (including agreements negotiated during the period but finalised post financial year end) include:

- The agreement to acquire the remaining 50% of Australian Amalgamated Terminals (AAT) (subject to ACCC approval which could be given in the morning of the AGM).
- Completion of a \$494 million entitlement offer to existing shareholders and a \$306 million placement to the Canada Pension Plan Investment Board (CPPIB) to support the investment in Patrick.
- Establishing new debt facilities within Patrick which are non-recourse to Qube, and increasing Qube's debt facilities on more favourable terms.
- Raising \$305 million through the issue of Qube Notes.

Turning to the Financial Result.

Qube's underlying net profit after tax attributable to shareholders decreased by approximately 18% to \$86.5 million and underlying earnings per share decreased by 22% to 7.6 cents. Underlying earnings per share pre-amortisation was 8.2 cents.

Underlying revenue and EBITDA both fell by around 8% to \$1.3 billion and \$246.3 million respectively.

Statutory revenue decreased by around 9% to approximately \$1.3 billion and profit after tax attributable to shareholders fell by around 5% to \$82.0 million. Statutory diluted earnings per share were 7.2 cents, a 10% decline on the prior year.

The reduced earnings were largely attributable to the Ports & Bulk division with the FY 16 earnings reflecting the full year impact of the cessation or restructuring of four major contracts that occurred in the second half of FY 15.

A contributor to the decline in earnings per share was the dilutionary impact of the entitlement offer completed in April 2016 to fund the Patrick acquisition. The earnings from the Patrick acquisition will only be recognised by Qube from 18 August 2016.

Qube's cash conversion was again strong with operating cashflow pre-tax and interest of \$244.1 million, representing around 99% of underlying EBITDA.

Dividend

The fully franked final dividend of 2.8 cents per share maintained the full year dividend at 5.5 cents per share. Whilst this is above Qube's target payout ratio of 50-60% of underlying earnings per share, the Board believes it is appropriate taking into account Qube's strong cashflow, positive long term outlook and the dilutionary impact that the capital raising for the Patrick acquisition had on Qube's FY 16 earnings per share.

Qube will continue to target a payout ratio of 50-60% of underlying earnings per share taking into account the cashflow generated by the businesses and other relevant considerations including Qube's earnings outlook and capital expenditure requirements.

Summary

The 2016 financial year was a transformational year for Qube with the transactions negotiated or completed during the financial year significantly enhancing the quality of Qube's business and long term earnings.

The acquisition of Patrick and the agreement for Qube to increase its ownership of the Moorebank project to 100% provides Qube with ownership of high quality infrastructure assets that complement Qube's existing operations.

Qube's existing businesses demonstrated the benefits of Qube's diversified activities, strong market positions and strategic locations by delivering reasonable financial results and strong cashflow despite challenging economic conditions.

Looking ahead, in FY 17, Qube expects earnings growth in both its operating divisions although the extent of growth will be dependent on the broader economic conditions and activity levels and commodity pricing in Qube's key markets. Maurice will have more to say on that in a moment.

Chairman and Board

Before asking Maurice to comment on the operations and current trading conditions, it is probably an appropriate juncture to mention that I will be standing down as your Chairman during the course of this year and will not seek re-election at next year's AGM.

The board has endorsed Allan Davies as Chairman elect, a decision of which, I am fully supportive. Allan and I will work through a transitional program, which is expected to be complete by around June of 2017.

I'm also a director of Patrick and the board has asked me to continue in that role for a more extended period as we bed down that acquisition.

I could not be more proud of the achievements of the Qube management team and it has been an enormous privilege to be part of the progress of this business.

Maurice and his team have not only reclaimed the original vision we developed of an integrated and efficient import / export logistics chain, they have put in place the final significant pieces of that chain with the Moorebank project and the acquisition of the interest in Patrick.

This seems an appropriate moment in Qube's development for a change of Chairman to Allan who has been with the team as an executive at Patrick and as a Qube director since its formation. Allan has strong implementation experience and the commitment, time and energy to assist Maurice in the period ahead.

I have the utmost confidence that the team at Qube, many of whom I have worked with for the past 25 years, will bring our vision to a reality that will impress and reward all our shareholders.

It has been a delight to be part of this team and I will follow the progress with great interest. I will miss the intellectual exhilaration but hopefully will retain the friendship of my colleagues.

I would also like to thank the directors and shareholders for their confidence and support through the years. It has been my privilege to be involved in such a fine company.

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Qube Holdings Limited Annual General Meeting 24 November 2016



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References to 'underlying' information is 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.

Chairman's Address

2016 – Qube’s Vision Becoming Reality



Transforming Logistics Supply Chains



FY 16 – A Transformational Year



Enhancing Quality of Qube's Activities

- Increased exposure to infrastructure type assets and operations through agreements to acquire:
 1. Patrick Terminals (Qube – 50%)
 2. Aurizon's 33% Moorebank interest (Qube – 100%)
 3. Remaining 50% of AAT (subject to ACCC approval) (Qube – 100%)

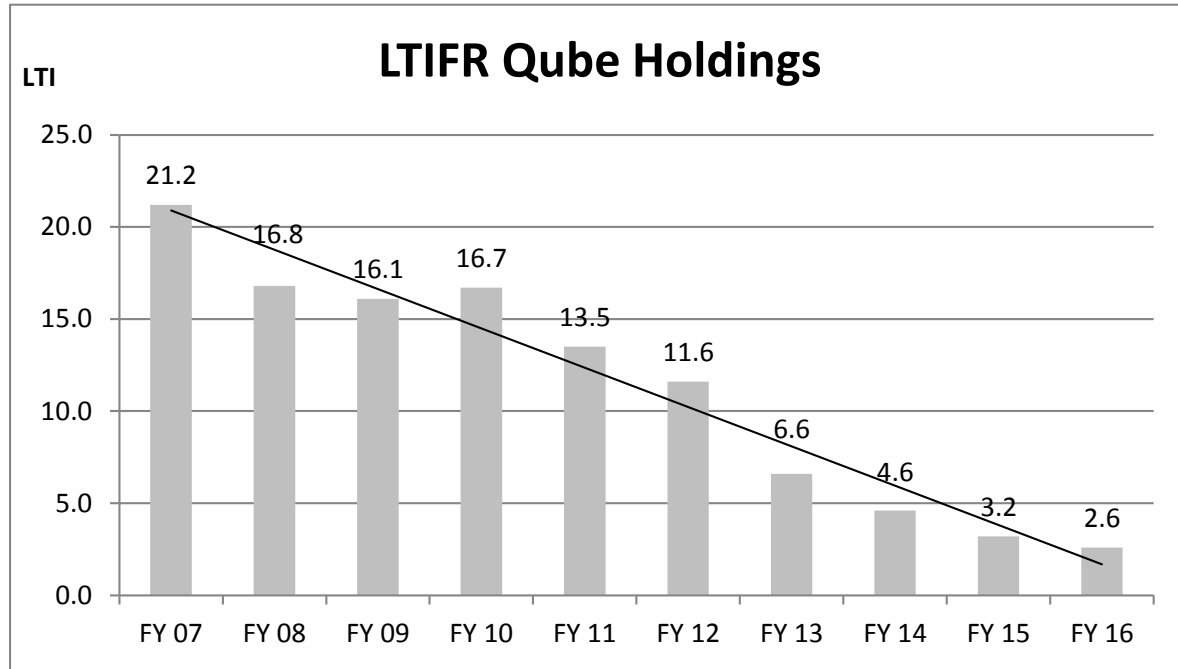
Delivered Reasonable Financial Performance

- Underlying NPAT of \$86.5 million (\$92.8 million pre-amortisation)
- Statutory NPAT of \$82.0 million (\$88.3 million pre-amortisation)
- Strong cashflow generation and margins maintained through efficiencies and cost focus
- Outcome reflects a challenging operating environment and the full year impact of prior year contract cessation / restructuring which was partially mitigated by the diversification of Qube's business

Streamlined Business Operations

- Restructured the senior management team to position Qube to more effectively deliver on the value enhancing opportunities across the group
- Reduced the cost and asset base of the operating divisions to maximise earnings and ensure competitiveness going forward in the challenging environment

Continued Focus on Safety



- Continued to improve safety record
- 19% improvement in LTIFR from FY 15 to FY 16
- 88% improvement in LTIFR since Qube's establishment in 2007

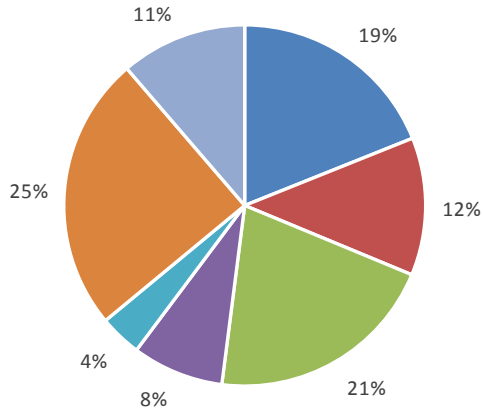
LTIFR – Lost Time Injury Frequency Rate

Diversified Operations

Indicative FY 16 Revenue Segmentation by Product

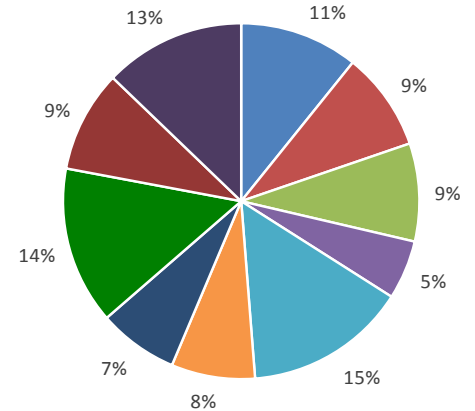
Logistics

- Container Handling & Terminal Services
- Retail / Imports
- Agri
- Food Processing
- Mining / Energy
- Manufacturing
- Other (incl Freight Forwarders & Project Work)



Ports & Bulk

- Iron Ore
- Concentrates
- Mineral Sands
- Coal
- Bulk Scrap and Other
- Vehicles / Machinery / Boats / WHSS
- Oil & Gas
- Forest Products
- Ancillary Services
- Other



Moorebank



Moorebank Update

Current Activities

- 5 leases / licences signed to date for existing warehousing with income commencing from July 2016 and ramping up
- Ongoing discussions with multiple tenants for new warehousing
- Managing the design works for the Rail Link from the SSFL to Moorebank on behalf of MIC

Financial Close Status

- Commonwealth Department of Environment approval received
- Awaiting SSD approval for the IMEX Terminal works and rail link (currently expected in Q2 FY 17)
- Financial close expected to occur shortly after SSD approval

Priority Activities Post Financial Close

- Commence construction of Rail Link (MIC funded)
- Commence construction of IMEX Rail Terminal – Stage 1 (Qube funded)
- Enter into agreements for leases (and broader logistics activities) with tenants for new warehousing

FY 17 Earnings

- Modest income from leasing existing warehousing and managing design works for MIC
- Earnings from management of capital works on behalf of MIC to increase once financial close has occurred (therefore income delayed compared to previous expectations)
- Small overall earnings contribution expected in FY 17 with contribution increasing in the medium term

Patrick



Patrick Update

The Business that was Acquired

- Completed acquisition on 18 August 2016
- Initial assessment has confirmed Qube's view that Patrick is the most efficient operator with the best sites
- Significant opportunities for cost synergies
- FY 16 EBITDA of \$215 million includes \$13 million of one-off items, resulting in an underlying FY 16 EBITDA of \$202 million

Performance Since New Ownership

- Solid progress with synergy targets, with benefits to flow to earnings from FY 18
- 4 year EA has been negotiated and agreed with the Maritime Union of Australia
- Trading environment remains highly competitive, placing pressure on rates and volumes
- Loss of A3 contract from November 2016 to impact FY 17 results

Favourable Medium to Long Term Outlook

- Expect previously advised synergy benefits of \$25 to 40 million will be achieved over first 2-3 years
- Expect to fully transition from Asciano shared service centre by June 2017
- Patrick, being the most efficient operator, combined with Qube's complementary logistics operations and the Moorebank development, should support a strong market position and deliver attractive financial returns over the medium to long term

FY 17 Outlook

Operating Divisions

- Underlying earnings growth expected in both operating divisions
- Reflects contribution from FY 16 contract wins, FY 17 organic growth and cost initiatives
- Additional earnings expected in FY 17 from acquisition of remaining 50% of AAT (from completion)

Strategic Assets

- Minimal earnings contribution from Moorebank, Quattro and TQ expected in FY 17
- Contribution expected to increase in the medium term

Corporate and Interest

- Expect underlying FY 17 Corporate EBIT to be a profit of \$6 to \$8 million (including a pre-tax profit, net of related costs, of around \$22 million on the sale of Qube's pre-bid Asciano shareholding)
- Interest costs to reflect Subordinated Note issue and acquisitions (Patrick, Aurizon's Moorebank interest, AAT)

Patrick

- Around 10 month contribution from Patrick from completion
- Limited short term underlying earnings growth due to competitive market conditions and loss of A3 contract
- Synergy benefits to flow to earnings from FY 18


Qube

- Expect increased underlying earnings (NPATA*) in FY 17
- Operating environment and sentiment improving but remains competitive

Summary




Focussed vision and strategy



Targeting markets with attractive characteristics



Diversified operations (service, geography, product, customer)



Experienced management team



Network of strategic assets to provide competitive advantage



Well positioned to deliver long term earnings growth

Questions

