Dominic D Smith
Senior Vice President & Company Secretary

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20 February 2013

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

Aurizon – Half Year Report

Please find attached for immediate release a copy of the Company's Half Year Report for the period ended 31 December 2012.

In accordance with the relief from dual lodgement of financial statements under ASIC Class Order 98/104, the Half Year Report will not be lodged separately with ASIC.

Yours faithfully
Aurizon

Dominic D Smith
SVP & Company Secretary

Aurizon Holdings Limited

ABN 14 146 335 622

Interim Financial Report
for the six months ended 31 December 2012

Aurizon Holdings Limited ABN 14 146 335 622
Interim Financial Report - 31 December 2012

Contents

Aurizon Holdings Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Aurizon Holdings Limited
Level 17
175 Eagle Street
BRISBANE QLD 4000

Directors' report

The directors present their report on the consolidated entity consisting of Aurizon Holdings Limited and its controlled entities ("the company" or "the group") for the six months ended 31 December 2012.

Directors
The following persons were directors of the Company during the whole of the six months and up to the date of this report:

J B Prescott AC
L E Hockridge
J Atkin
R R Caplan
G T John AO
A J P Staines
G T Tilbrook
K L Field
J D Cooper

Principal activities
During the six months the principal activities of the Group consisted of:

- integrated heavy haul freight railway operator
- rail transporter of coal from mine to port for export markets
- bulk, general and containerised freight
- large-scale rail services activities

Coal
Transport of coal from mines in Queensland and New South Wales to end customers and ports.

Freight
Transport of iron ore, other bulk mineral commodities; agricultural products; mining and industrial inputs throughout Queensland and Western Australia. Transport of general freight and containerised freight throughout Australia.

Network
Provision of access to, and operation and management of the Queensland coal network. Provision of design, construction, overhaul, maintenance and management services to the group.

Review of operations
The profit from ordinary activities after income tax of the Group for the six months ended 31 December 2012 is $175.7 million (31 December 2011: $196.0 million).

The reported profit does not reflect the underlying results due to the impact of significant items as outlined in note 3(c).

	31 December 2012 $m	31 December 2011 (1) $m
Earnings before interest and tax ("EBIT") after adjusting for significant items	**356.1**	261.0
Adjustment for Voluntary Redundancy Program (refer note 3(c))	**(87.8)**	-
Adjustment for Stamp duty expenses (refer note 3(c))	**-**	8.8
Earnings before interest and tax ("EBIT")	**268.3**	269.8

(1) Refer to note 1a(v) for explanations of retrospective adjustment recognised as a result of a change in accounting policy.

Review of operations (continued)

A summary of consolidated revenue and underlying EBIT for the six months by business segment is set out below. The chief operating decision maker and the executive leadership team assesses the performance of the operating segments based on underlying earnings before interest and tax.

	Segment revenues and other income		**Segment underlying EBIT**	
	31 December 2012 $m	31 December 2011 $m	**31 December 2012 $m**	31 December 2011 [1] $m
Coal	**929.2**	921.2	**142.4**	139.0
Freight	**734.5**	649.9	**49.8**	28.5
Network	**533.2**	445.8	**226.0**	161.5
Unallocated /intersegment eliminations	**(318.9)**	(299.9)	**(62.1)**	(68.0)
Total Group revenue/underlying EBIT	**1,878.0**	1,717.0	**356.1**	261.0

(1) Refer to note 1a(v) for explanations of retrospective adjustment recognised as a result of a change in accounting policy.

Comments on the operations and the results of those operations are set out below:

Coal

Improved revenue quality from the conversion of legacy contracts to new form contracts contributed to an increase in revenue from $921.2 million for the six months ended 31 December 2011 to $929.2 million, despite a small decrease in haulage volumes.

While Queensland coal tonnages decreased 3 percent on the previous corresponding period, this was largely offset by a 15 percent increase in New South Wales coal volumes, with a net reduction of 0.2 million tonnes to 97.3 million tonnes. Coal railings in Queensland reduced mainly due to the expiry of customer contracts.

Underlying EBIT increased by 2 percent from $139.0 million for the six months ended 31 December 2011 to $142.4 million. Improved revenue quality and receipt of increased deficit tonnage charges have been partly offset by higher labour rates and fuel charges, albeit mitigated by lower head count and savings in depreciation.

Freight

An 89 per cent increase in iron ore volumes in Western Australia contributed to increased revenues for the six months ended 31 December 2012 which grew by 13 per cent from $649.9 million to $734.5 million. The growth in iron ore together with the ongoing Transport Services Contract with the Queensland Government for the provision of general freight and livestock services offset lower volumes hauled in the national bulk and intermodal businesses. This decline in other freight volumes was due to lower grain volumes in Western Australia (expiry of CBH grain contract) and lower demand in Queensland, offset by new bulk contracts in Western Australia.

Underlying EBIT was $49.8 million, an increase of 75 per cent from $28.5 million in the previous corresponding period. This was driven by the growth in the iron ore business which delivered a result of $45m while the remainder of the Freight business recorded a result of $5m, a $24 million reduction on the prior period principally reflecting the loss of the CBH contract.

Network

Revenues for the six months ended 31 December 2012 increased by 20 per cent from $445.8 million to $533.2 million driven primarily by higher regulated access revenues, recovery of FY11 revenues through the revenue cap mechanism and the continued ramp up of Goonyella to Abbot Point Expansion (GAPE) operations.

Review of Operations (continued)

Network (continued)

Underlying EBIT was $226.0 million, an increase of 40 per cent from $161.5 million in the previous corresponding period. Recovery of FY11 revenue cap income and revenues from GAPE were partly offset by higher depreciation charges on GAPE infrastructure. Total operating costs increased by $7m due to the CPI impact on labour costs and changes in the timing of maintenance resurfacing expenditure.

Share Buy-back

On 23 August 2012 the company announced its intention to undertake an on-market buy-back, a program initially intended to run for 12 months. After acquiring 14,531,059 shares at a total consideration of $54.1 million, the on-market buy-back was suspended with the announcement of a $1,000 million selective off-market buy back from Queensland Treasury Holdings on 8 October 2012. The selective buy back was approved by shareholders at an Extraordinary General Meeting and subsequently completed on 26 November 2012, and represented approximately 11.9% of its issued share capital.

Dividends

Dividends paid to members during the six months were as follows:

	31 December 2012 $m	31 December 2011 $m
Final dividend for the year ended 30 June 2012 of 4.6 cents per share, paid September 2012 (unfranked)	**112.2**	-
Final dividend for the year ended 30 June 2011 of 3.7 cents per share, paid September 2011 (unfranked)	**-**	90.3
	112.2	90.3

The directors have declared a 70% franked interim dividend of 4.1 cents per ordinary share for the six months ended 31 December 2012. The Conduit Foreign Income component of the dividend is nil. The Record Date for determining dividend entitlements for the dividend declared is 8 March 2013. The payment date is 27 March 2013. No dividend reinvestment plan is operational for the interim dividend payment.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and Interim Financial Report. Amounts in the Directors' report and Interim Financial Report have been rounded off to the nearest hundred thousand dollars in accordance with that Class Order.

This Directors' report is made in accordance with a resolution of directors.

J B Prescott AC
Chairman

20 February 2013

Auditor's Independence Declaration

As lead auditor for the review of Aurizon Holdings Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Aurizon Holdings Limited and the entities it controlled during the period.

John Yeoman
Partner
PricewaterhouseCoopers

Brisbane
20 February 2013

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	Notes	**31 December 2012 $m**	31 December 2011 [1] $m
Revenue	4	**1,877.5**	1,715.8
Other income		**0.5**	1.2
		1,878.0	1,717.0
Consumables		**(683.4)**	(652.9)
Employee benefits expense		**(655.3)**	(558.0)
Depreciation and amortisation expense		**(246.1)**	(223.9)
Other expenses		**(27.6)**	(12.4)
Share of profit/(loss) from associates		**2.7**	-
Operating profit		**268.3**	269.8
Finance income		**1.2**	1.5
Finance expenses		**(43.2)**	(16.2)
Net finance costs		**(42.0)**	(14.7)
Profit before income tax		**226.3**	255.1
Income tax (expense)/benefit	5	**(50.6)**	(59.1)
Profit for the six months		**175.7**	196.0

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings per share	10	**7.4**	8.0

The above consolidated income statement should be read in conjunction with the accompanying notes.

(1) Refer to note 1a(v) for explanations of retrospective adjustment recognised as a result of a change in accounting policy.

Aurizon Holdings Limited
Consolidated statement of comprehensive income
For the six months ended 31 December 2012

	31 December 2012 $m	31 December 2011 [(1)] $m
Profit for the six months	**175.7**	196.0
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges recognised in equity	**0.7**	0.1
Gain on revaluation of other financial assets	**-**	0.3
Changes in the fair value of cash flow hedges recognised in the income statement	**-**	1.9
Income tax relating to components of other comprehensive income	**(0.2)**	(0.7)
Other comprehensive income for the six months, net of tax	**0.5**	1.6
Total comprehensive income for the six months	**176.2**	197.6
Total comprehensive income for the six months is attributable to:		
Owners of Aurizon Holdings Limited	**176.2**	197.6

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

(1) Refer to note 1a(v) for explanations of retrospective adjustment recognised as a result of a change in accounting policy.

Aurizon Holdings Limited
Consolidated balance sheet
As at 31 December 2012

	Notes	31 December 2012 $m	30 June 2012 $m
ASSETS			
Current assets			
Cash and cash equivalents		**16.2**	98.8
Trade and other receivables		**610.5**	548.1
Inventories		**200.2**	215.8
Derivative financial instruments		**-**	0.1
Other assets		**17.8**	8.0
Assets classified as held for sale		**9.7**	8.7
Total current assets		**854.4**	879.5
Non-current assets			
Inventories		**21.5**	8.7
Property, plant and equipment		**9,281.2**	9,037.2
Intangible assets		**13.0**	16.6
Investments accounted for using the equity method		**79.3**	78.0
Other assets		**3.5**	0.5
Total non-current assets		**9,398.5**	9,141.0
Total assets		**10,252.9**	10,020.5
LIABILITIES			
Current liabilities			
Derivative financial instruments		**3.8**	1.3
Trade and other payables		**347.1**	349.6
Provisions		**341.1**	371.4
Other liabilities		**34.4**	37.5
Current tax liabilities		**39.8**	7.9
Total current liabilities		**766.2**	767.7
Non-current liabilities			
Derivative financial instruments		**0.1**	2.0
Provisions		**88.3**	81.3
Borrowings	6	**2,439.5**	1,201.6
Deferred tax liabilities		**363.2**	363.5
Other liabilities		**291.2**	310.2
Total non-current liabilities		**3,182.3**	1,958.6
Total liabilities		**3,948.5**	2,726.3
Net assets		**6,304.4**	7,294.2
EQUITY			
Contributed equity	7	**5,066.3**	6,119.1
Reserves		**(2.5)**	(2.0)
Retained earnings		**1,240.6**	1,177.1
Total equity		**6,304.4**	7,294.2

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Aurizon Holdings Limited
Consolidated statement of changes in equity
For the six months ended 31 December 2012

	Notes	Attributable to owners of Aurizon Holdings Limited Contributed equity $m	Reserves $m	Retained earnings $m	(1) Total equity $m
Balance at 1 July 2011		6,111.9	(2.3)	916.8	7,026.4
Profit for the year		-	-	196.0	196.0
Other comprehensive income		-	1.6	-	1.6
Total comprehensive income for the six months		**-**	**1.6**	**196.0**	**197.6**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	8	-	-	(90.3)	(90.3)
Share-based payments		2.7	-	-	2.7
		2.7	-	(90.3)	(87.6)
Balance at 31 December 2011		**6,114.6**	**(0.7)**	**1,022.5**	**7,136.4**
Balance at 1 July 2012		6,119.1	(2.0)	1,177.1	7,294.2
Profit for the year		-	-	175.7	175.7
Other comprehensive income		-	(0.5)	-	(0.5)
Total comprehensive income for the six months		**-**	**(0.5)**	**175.7**	**175.2**
Transactions with owners in their capacity as owners:					
Buy-back of ordinary shares	7	(1,054.1)	-	-	(1,054.1)
Dividends provided for or paid	8	-	-	(112.2)	(112.2)
Share-based payments		1.3	-	-	1.3
		(1,052.8)	-	(112.2)	(1,165.0)
Balance at 31 December 2012		**5,066.3**	**(2.5)**	**1,240.6**	**6,304.4**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

(1) Refer to note 1a(v) for explanations of retrospective adjustment recognised as a result of a change in accounting policy.

	31 December 2012 $m	31 December 2011 [1] $m
Cash flows from operating activities		
Receipts from customers	**1,980.6**	1,932.5
Payments to suppliers and employees	**(1,597.1)**	(1,423.2)
Interest paid	**(40.3)**	(34.6)
Interest received	**1.3**	1.5
Income taxes paid	**(17.0)**	-
Net cash inflow from operating activities	**327.5**	476.2
Cash flows from investing activities		
Payments for property, plant and equipment	**(499.2)**	(626.7)
Payments for investment in associates	**(1.3)**	-
Proceeds from sale of property, plant and equipment	**26.0**	12.4
Associate distributions received	**2.7**	-
Net cash outflow from investing activities	**(471.8)**	(614.3)
Cash flows from financing activities		
Proceeds from borrowings	**1,235.0**	145.0
Payments for Share Buy-Back	**(1,049.8)**	-
Payments for shares acquired for Share based payments	**(5.1)**	-
Share Buy-Back transaction costs	**(6.2)**	-
Dividends paid to Company's shareholders	**(112.2)**	(90.3)
Net cash inflow from financing activities	**61.7**	54.7
Net (decrease)/increase in cash and cash equivalents	**(82.6)**	(83.4)
Cash and cash equivalents at the beginning of the financial year	**98.8**	116.7
Cash and cash equivalents at end of six months	**16.2**	33.3
Cash and cash equivalents	**16.2**	33.4
Less: Trust monies	**-**	(0.1)
Cash and cash equivalents in the cash flow statement	**16.2**	33.3

Given the short-term nature of the drawdowns and repayments, cash flows in relation to the Syndicated Debt Facility (effective from November 2010) are presented on a net basis in the cash flows from financing activities.

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

(1) Refer to note 1a(v) for explanations of retrospective adjustment recognised as a result of a change in accounting policy.

1 Summary of significant accounting policies

The financial statements of Aurizon Holdings Limited ("the Company") for the six months ended 31 December 2012 are for the consolidated entity consisting of the Company and its subsidiaries (together referred to as "the Group" or "Aurizon"). The financial statements are presented in Australian currency.

(a) Basis of preparation

This condensed consolidated interim financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this financial report is to be read in conjunction with the annual report of the Company for the year ended 30 June 2012 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The annual report for the year ended 30 June 2012 is accessible at www.aurizon.com.au.

The principal accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, except as modified as required for the adoption of new accounting standards. These policies have been consistently applied to both periods presented, unless otherwise stated. Where necessary, comparative information has been restated to conform with changes in presentation in the current year.

(i) New and amended standards adopted by the Group
The Group has adopted a number of Australian Accounting Standards and Interpretations that are mandatory for annual reporting periods beginning on or after 1 July 2012. The adoption of these standards did not have any impact on the current period or any previous period and is not likely to affect future periods.

(ii) Early adoption of standards
The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

(iii) Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and assets and liabilities (including derivative instruments) at fair value.

(iv) Rounding of amounts
The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars, unless otherwise indicated.

(v) Voluntary change in accounting policy
The prior period comparative financial statements have been restated based on a voluntary change in accounting policy relating to mechanised Ballast undercutting applied in the 2012 financial year. The impact of the change in accounting policy was an increase of $9.6 million in profit before tax and $6.7 million to net profit after tax for the six months ended 31 December 2011. For further information refer to note 1 (q) of the Financial Report for the year ended 30 June 2012.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

2 Critical accounting estimates and judgements (continued)

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) Take or Pay

During the period, actual tonnages have been below the regulatory forecast. As a result, significant estimates have been made in forecasting annual tonnages to determine the amount of annual net take or pay the Group is entitled to receive in respect of the period in accordance with the Access Undertaking agreements.

(b) Strategic infrastructure projects

During the period, work continued on various significant infrastructure projects in relation to above and below rail development. For the six months ended 31 December 2012, $22.0 million of costs were capitalised, which brings the total capitalised costs for these projects to $64.3 million. Management's judgement has been applied to the extent to which capitalisation of these projects is appropriate. The application of this judgement will be re-assessed throughout the life of the projects.

3 Segment information

(a) Operating segments

The following summary describes the operations in each of the Group's reportable segments:

Coal
Transport of coal from mines in Queensland and New South Wales to end customers and ports.

Freight
Transport of bulk mineral commodities (including iron ore), agricultural products, mining and industrial inputs and general freight throughout Queensland, New South Wales and Western Australia, and containerised freight throughout Australia.

Network
Provision of access to, and operation and management of the Central Queensland coal network. Provision of design, construction, overhaul, maintenance and management services to the group.

Unallocated
Items of revenue and expense of a corporate nature, ineffective hedging gains and losses, and minor operations within the Group including provision of overhaul and maintenance services to external customers.

Interest expense for the entire Group is not allocated to specific segments but rather recorded as a corporate expense. With the exception of property, plant and equipment, asset and liability positions of the Group are only reviewed at the consolidated level.

There have been changes in the way segment information is reported as a result of the group’s transition to a functional organisational structure, similar to that of the Class 1 railroads of North America. The new functional structure has resulted in lower intersegment revenue being allocated across the group’s reportable segments. Additionally the provision of overhaul and maintenance services to external customers previously reported in the Network segment is now reported in the Unallocated segment. The segment information for the prior corresponding period has been restated based on the above changes.

3 Segment information (continued)

(b) Segment information

31 December 2012	Coal $m	Freight $m	Network $m	Unallocated $m	Total $m
Segment revenue					
Revenue from external customers					
Services revenue					
Track access	381.8	1.7	109.6	-	493.1
Freight transport	542.7	625.2	-	-	1,167.9
Other services	-	83.7	40.1	-	123.8
Other revenue	3.9	18.8	18.9	51.1	92.7
Total revenue from external customers	**928.4**	**729.4**	**168.6**	**51.1**	**1,877.5**
Intersegment revenue	0.7	4.9	366.4	49.5	421.5
Other income	0.1	0.2	(1.8)	2.0	0.5
Total segment revenue and other income	**929.2**	**734.5**	**533.2**	**102.6**	**2,299.5**
Intersegment elimination					(421.5)
Consolidated revenue and other income					**1,878.0**
Segment result					
Underlying EBITDA	**228.4**	**94.1**	**325.9**	**(46.2)**	**602.2**
Depreciation and amortisation	(86.0)	(44.3)	(99.9)	(15.9)	(246.1)
Underlying EBIT	**142.4**	**49.8**	**226.0**	**(62.1)**	**356.1**
Significant adjustments (note 3(c))					(87.8)
EBIT					**268.3**
Net finance costs					(42.0)
Profit before income tax					**226.3**
Income tax (expense)/benefit					(50.6)
Profit for the year					**175.7**

31 December 2011	Coal $m	Freight $m	Network $m	Unallocated $m	Total $m
Segment revenue					
Revenue from external customers					
Services revenue					
Track access	382.0	1.4	43.7	-	427.1
Freight transport	535.7	532.9	-	-	1,068.6
Other services	-	72.2	51.2	-	123.4
Other revenue	1.2	30.8	10.0	54.7	96.7
Total revenue from external customers	**918.9**	**637.3**	**104.9**	**54.7**	**1,715.8**
Intersegment revenue	1.8	8.4	340.8	42.7	393.7
Other income	0.5	4.2	0.1	(3.6)	1.2
Total segment revenue and other income	**921.2**	**649.9**	**445.8**	**93.8**	**2,110.7**
Intersegment elimination					(393.7)
Consolidated revenue and other income					**1,717.0**
Segment result					
Underlying EBITDA	**229.6**	**62.0**	**246.3**	**(53.0)**	**484.9**
Depreciation and amortisation	(90.6)	(33.5)	(84.8)	(15.0)	(223.9)
Underlying EBIT	**139.0**	**28.5**	**161.5**	**(68.0)**	**261.0**

3 Segment information (continued)

(b) Segment information (continued)

Significant adjustments (note 3(c))	8.8
EBIT	**269.8**
Net finance costs	(14.7)
Profit before income tax	**255.1**
Income tax (expense)/benefit	(59.1)
Profit for the year	**196.0**

(c) Significant adjustments

Profit before income tax includes the following significant items. The exclusion of these items permits analysis of the Group's underlying performance on a comparative basis. The Group's underlying result differs from the statutory result.

	31 December 2012 $m	31 December 2011 $m
Expenses		
Stamp duty	**-**	(8.8)
Voluntary redundancies	**87.8**	-
	87.8	(8.8)

31 December 2012

- A major voluntary redundancy program at a cost of $87.8 million was carried out during the period. To 31 December 2012, 814 employees have accepted a redundancy payment and a further 61 employees who have accepted voluntary redundancy are expected to leave the group before 30 June 2013.

31 December 2011

- New South Wales (NSW) stamp duty was triggered on 21 September 2010 with the interposing of QR National Limited as part of the pre IPO restructuring. At the time of interposing there were some uncertainties regarding whether NSW stamp duty should be payable in respect of only the land held by the Group in NSW or both the land and other assets (i.e. Rollingstock) held in NSW. An application was lodged with the NSW Office of State Revenue ("OSR") that stamp duty was only payable on the land, however at the time of IPO, a provision of $11.0 million was raised on the assumption that OSR may impose stamp duty on both land and rollingstock. After review the OSR confirmed that stamp duty was only payable in respect of the land ($2.2 million). Accordingly, the remaining provision of $8.8 million has been released back to the income statement.

4 Revenue

	31 December 2012 $m	31 December 2011 $m
Services revenue		
Track access	**493.1**	427.1
Freight transport	**1,167.9**	1,068.6
Other services	**123.8**	123.4
Other revenue	**92.7**	96.7
	1,877.5	1,715.8

5 Income tax expense

(a) Income tax expense

	31 December 2012 $m	(1) 31 December 2011 $m
Current tax	**41.8**	-
Deferred tax	**20.4**	68.9
Deferred tax base reset on consolidation and privatisation	**-**	(7.8)
Adjustment for current tax of previous periods	**(11.6)**	(2.0)
	50.6	59.1
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Increase) decrease in deferred tax assets	**(15.8)**	39.8
(Decrease) increase in deferred tax liabilities	**34.1**	29.1
Net deferred tax debited directly to equity	**2.1**	-
	20.4	68.9

(1) Refer to note 1a(v) for explanations of retrospective adjustment recognised as a result of a change in accounting policy.

5 Income tax expense (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	31 December 2012 $m	31 December 2011 [(1)] $m
Profit before income tax expense	**226.3**	255.1
Tax at the Australian tax rate of 30% (31 December 2011: 30%)	**67.9**	76.5
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	**-**	(0.1)
Stamp duty on business restructure/acquisition of subsidiary	**-**	(2.7)
Research and development	**(2.5)**	(2.5)
Non-assessable income	**(3.4)**	(2.3)
Other	**0.2**	-
	62.2	68.9
Deferred tax base reset on consolidation and privatisation	**-**	(7.8)
Adjustment for current tax of previous periods	**(11.6)**	(2.0)
Income tax expense	**50.6**	59.1

(1) Refer to note 1a(v) for explanations of retrospective adjustment recognised as a result of a change in accounting policy.

6 Borrowings

	31 December 2012 $m	30 June 2012 $m
Non-current - Unsecured		
Syndicated debt facility	**2,455.0**	1,220.0
Capitalised borrowing costs	**(15.5)**	(18.4)
Total unsecured non-current borrowings	**2,439.5**	1,201.6

During the six months ended 31 December 2012, the Group extended the maturity of the $1,425 million tranche of the total $3,000 million Syndicated Debt Facility. The tranche maturity has been extended from December 2013 to December 2014 with the balance of the facility maturing in December 2015. The margin for this tranche is 1.6% (previously 1.75%).

The Syndicated Debt Facility imposes certain covenants on the Group to ensure that certain financial ratios are met, and restricts the amount of security that the Group and its subsidiaries can provide over their assets in certain circumstances.

7 Contributed equity

	Notes	**31 December 2012 Shares '000**	30 June 2012 Shares '000	**31 December 2012 $m**	30 June 2012 $m
Issued capital					
Fully paid	7(a)	**2,137,285**	2,440,000	**1,508.3**	1,711.7

	31 December 2012 $m	30 June 2012 $m
Other contributed equity		
Selective Share Buy-Back	**(796.6)**	-
On-Market Share Buy-Back	**(54.1)**	-
Share-based payments	**11.4**	10.1
Capital contributions from the State on retirement of borrowings	**4,388.3**	4,388.3
Capital contribution from the State for employee gift shares	**9.0**	9.0
	3,558.0	4,407.4
	5,066.3	6,119.1

(a) Movements in ordinary share capital

Date	**Details**	**Number of shares**	**$m**
1 July 2011	Opening balance	2,440,000,000	1,711.7
31 December 2011	Balance	2,440,000,000	1,711.7
1 July 2012	Opening balance	2,440,000,000	1,711.7
23 November 2012	On-Market Share Buy-Back	(14,531,059)	-
26 November 2012	Selective Share Buy-Back	(288,184,438)	(203.4)
31 December 2012	Balance	2,137,284,503	1,508.3

Since the commencement of the on-market buy-back program on 23 August 2012 Aurizon Holdings Limited acquired 14,531,059 shares. The on-market share buy back program was completed on 23 November 2012, at a total cost of $54.1 million funded from other contributed equity, following the approval of the Selective Share buy-back.

On 26 November 2012 Aurizon Holdings Limited completed the Selective Share Buy-back of 288,184,438 ordinary shares from Queensland Treasury Holdings Pty Ltd for $1,000 million, apportioned between other contributed equity $796.6 million and $203.4 million share capital.

8 Dividends

(a) Ordinary shares

	31 December 2012 $m	31 December 2011 $m
Final dividend for the year ended 30 June 2012 of 4.6 cents per share, paid September 2012 (unfranked)	**112.2**	-
Final dividend for the year ended 30 June 2011 of 3.7 cents per share, paid September 2011 (unfranked)	**-**	90.3
	112.2	90.3

(b) Dividends not recognised at the end of the reporting period

	31 December 2012 $m	31 December 2011 $m
Since 31 December 2012, the directors have recommended the payment of a 70% franked interim dividend of 4.1 cents per fully paid ordinary share (31 December 2011: 3.7 cents). The aggregate amount of the proposed dividend expected to be paid on 27 March 2013 out of retained earnings, but not recognised as a liability at 31 December 2012.	**87.6**	90.3

9 Contingencies

Issues relating to common law claims and product warranties are dealt with as they arise. A number of common law claims are pending against the Group. Provisions are taken up for some of these exposures based on management's determination.

There have been no material changes in contingent assets or liabilities since 30 June 2012. The Group has received $33.2 million in deficit tonnage charges during the period relating to the year ended 30 June 2012 that were previously recognised as a contingent asset. The Group has a contingent asset of $4.0 million in respect of deficit tonnage charges relating to contracts with a period ended 31 December 2012.

10 Earnings per share

(a) Basic and diluted earnings per share

	31 December 2012 Cents	31 December 2011 Cents [1]
Profit from continuing operations attributable to the ordinary equity holders of the Company	**7.4**	8.0

(b) Weighted average number of shares used as denominator

	31 December 2012 Number '000	31 December 2011 Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**2,375,256**	2,440,000

(1) Refer to note 1a(v) for explanations of retrospective adjustment recognised as a result of a change in accounting policy.

11 Net Tangible Assets per share

	31 December 2012	31 December 2011
Net tangible asset (per share)	**2.94**	2.92

Net tangible assets per share is calculated by dividing total equity attributable to the owners of Aurizon Holdings limited, less goodwill and intangible assets, by the number of shares on issue at period end. As at 31 December 2012 based on 2,137.3 million shares (31 December 2011: 2,440.0 million shares).

12 Events occurring after the reporting period

Subsequent to half year end the Blackwater and Moura coal systems in Aurizon's Central Queensland Coal Network have been impacted by heavy rain and flooding associated with ex Tropical Cyclone Oswald. The Blackwater system was closed for 12 days and the Moura system was closed for 26 days. The Group continues to assess the volume and financial impact from this event and is working closely with customers to recover tonnages.

In accordance with a resolution of the directors of the Company, I state that:

In the opinion of the directors of the Company:

(a) the financial statements and notes set out on pages 6 to 19 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

J B Prescott AC
Chairman

20 February 2013

Independent auditor's review report to the members of Aurizon Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Aurizon Holdings Limited, which comprises the balance sheet as at 31 December 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Aurizon Holdings Limited Group (the consolidated entity). The consolidated entity comprises both Aurizon Holdings Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aurizon Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
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T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aurizon Holdings Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

John Yeoman
Partner

Brisbane
20 February 2013

Aurizon Holdings Limited

Appendix 4D
Results for announcement to the Market on 20 February 2013
For the six months ended 31 December 2012
Previous corresponding period (pcp) six months ended 31 December 2011

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Appendix 4D

Aurizon Holdings Limited

Results for announcement to the Market
For the six months ended 31 December 2012

Six months ended 31 December ($m)	2011[1]	2012	Variance
Total Revenue	$1,717m	$1,878m	$161m / 9%
Underlying EBIT[2]	$261m	$356m	$95m / 36%
Statutory EBIT	$270m	$268m	($2m) / (1%)
Underlying NPAT	$175m	$222m	$47m / 27%
Statutory NPAT	$196m	$176m	($20m) / (10%)
Interim Dividend	3.7c	4.1c	11%
Earnings per share[3]	7.2cps / 8.0cps	9.4cps / 7.4cps	31% / (8%)
Coal Volumes (mt)	97.5	97.3	(0.2mt) / (0.2%)
Operating Ratio	85%	81%	4ppt

Notes:
1) Comparative results for the six months ended 31 December 2011 have been adjusted to reflect a change in accounting policy. Refer note 1 (a) (v) of the 2013 Interim Financial Report
2) Please refer to page 6 for a reconciliation of statutory to underlying EBIT
3) Shows underlying / statutory Earnings Per Share calculated on average number of shares on issue, i.e. 2,375,255,921 vs. 2,440,000,000 in pcp

Highlights

- Revenue growth of 9% to $1.9bn, despite flat coal volumes
- Operating Ratio 81%, improvement of 4ppts on pcp. Business reform program continues in line with plan to achieve target ratio of 75% by FY2015
- Underlying EBIT $356m, up 36% on revenue growth of 9%, reflecting
  - continued growth of iron ore volumes and margins
  - ramp up of Goonyella to Abbot Point Expansion (GAPE) operations, including take or pay
  - improved revenue quality as coal contracts continue to convert to more commercial new form (41% compared to 38% 30 June 2012), with more to come
  - business reform gains of $28m, with phase II program commencing shortly
- Significant contract wins in period including
  - Whitehaven – up to 16mtpa new, commencing July 2014
  - Rio Tinto – up to 12mtpa renewal, commencing July 2013
  - Freight – Graincorp (up to 1mtpa) & MMG (up to 0.48mtpa) commencing 2012 & 2015
- Statutory NPAT $176m, down $20m due to the voluntary redundancy cost
- Coal volumes 97.3mt flat compared to pcp - Queensland volumes 78.4mt down 3% on pcp whilst NSW volumes 18.9mt up 15% on pcp
- Interim dividend declared of 4.1cps (70% franked), up 11% on pcp. The record date for entitlement to the interim dividend is 8th March 2013 and payment date 27th March 2013.
- Capital management – completed $1bn share buyback

FY2013 outlook

- Taking into account the impact of the recent flood and derailment, of a loss of coal throughput of around 4mt with the potential for some recovery of coal tonnes lost, we expect our FY13 coal volumes to be in the range of 192 – 195mt. We will continue to work with our customers with the objective of all parties recovering lost tonnages, noting the average weekly coal railings in the 13 weeks prior to the floods was 3.94mt.

CONSOLIDATED RESULTS

Financial Summary

Six months ended 31 December ($m)		2011[1]	2012	Variance
Total revenue		1,717	1,878	9%
EBITDA	- Statutory	494	514	4%
	- Underlying[2]	485	602	24%
EBIT	- Statutory	270	268	-1%
	- Underlying[2]	261	356	36%
NPAT	- Statutory	196	176	-10%
	- Underlying[2]	175	222	27%
Earnings Per Share[3]	- Statutory	8.0cps	7.4cps	-8%
	- Underlying	7.2cps	9.4cps	31%
ROIC[4]		4.8%	7.5%	2.7ppt
Operating ratio		85%	81%	4ppt
Cash flow from operating activities		476	328	-31%
Interim Dividend per share		3.7	4.1	11%
Gearing (net debt/net debt + equity)		11%	28%	17ppt
Net tangible assets per share ($)		2.92	2.94	1%

Other Operating Metrics

Six months ended 31 December ($m)	2011[1]	2012	Variance
Revenue / NTK ($/000 NTK)	53.8	56.0	4%
Labour costs / Revenue	32%	30%	2ppt
NTK / employee (MNTK)	7.0	8.4	20%
Opex / NTK ($/000 NTK)	45.6	45.4	0%

Underlying EBIT by segment

Six months ended 31 December ($m)	2011[1]	2012	Variance
Coal	139	142	2%
Network	161	226	40%
Freight	29	50	72%
Unallocated[5]	(68)	(62)	9%
Group	**261**	**356**	**36%**

(1) Comparative results for the six months ended 31 December 2011 have been adjusted to reflect a change in accounting policy. Refer note 1 (a) (v) of the 2013 Interim Financial Report

(2) Please refer page 6 for a reconciliation between statutory and underlying earnings

(3) Earnings per share calculated on average number of shares on issue of 2,375,255,921vs 2,440,000,000 in pcp.

(4) ROIC is defined as 12 month rolling underlying EBIT divided by net working capital plus net PP&E plus AUC plus Gross Intangible Assets

(5) Items of revenue and expense of a corporate nature, ineffective hedging gains and losses, and minor operations within the Group including provision of overhaul and maintenance services to external customers.

Highlights

Total group revenue increased $161m, or 9% to $1.9bn, on an increase of 3% in tonnes hauled to 133.8mt, and an increase of 5% in Net Tonne Kilometres (NTKs). NTK's grew faster than volumes, highlighting the change in mix with iron ore hauls being generally longer than coal.

The $161m increase in total revenue reflects:

- 89% increase in iron ore volumes to 10.6mt, whilst coal volumes remained flat at 97.3mt, reflecting slower global demand, increased market volatility and the impact of wider industrial action in the local resources sector;
- An increase in regulated access revenues for the Central Queensland Coal Network (CQCN), due to CPI linked tariff increases and revenue cap recoveries from the 2011 floods;
- The ramp up of the Goonyella to Abbot Point Expansion (GAPE) operation, commissioned in December 2011, including take or pay recoveries where actual railings are less than contract, offset by;
- Lower bulk volumes in Western Australia (expiration of Consolidated Bulk Handling (CBH) grain contract) and Queensland (lower bulk haulage demand).

Underlying EBIT was up 36%, or $95m, to $356m, driven by revenue quality and continued cost savings.

Revenue/NTK improved 4%, although the benefit from new form coal contracted volumes, increasing 3% to 41%, was partially offset by the change in mix noted above.

The group's operating ratio improved 4ppts to 81% highlighting the benefits from the continuing business reform program. During the first half FY2013, this program was principally focussed on the functional restructure and Voluntary Redundancy Program (VRP), and in this regard it delivered cost savings of $18m.

The VRP was accepted by 875 employees, with 814 people leaving in the period, and a further 61 scheduled to depart by 30 June 2013, at a total cost of $88m. After including annual and long service leave obligations the cash cost was $116m. A further $12m in cash costs is expected to be paid by 30 June 2013.

The full benefit of the program won't be recognised until FY2014 due to the 61 people yet to depart the business. The sustainable benefit is expected to be in the order of $80m annually.

In addition, $10m of coal revenue quality was realised bringing the total sustainable business reform benefits to $28m for the period. Additional initiatives undertaken during the half included rationalising our real estate portfolio, increasing average train payloads and increasing productive hours for train drivers per shift (footplate utilisation). The financial benefits of these initiatives will be delivered in later periods.

Phase II of the business reform program will launch later this year, and is aimed at a range of further initiatives which will be discussed at an Investor Briefing prior to the FY2013 results.

Whilst this program has delivered benefits of $28m, the operating cost/NTK has remained flat due to:

- Higher labour costs following average CPI increase of 3.5%;
- Higher depreciation charges reflecting the growth in below rail infrastructure (GAPE commissioning); and
- The ramp up of iron ore rollingstock to meet scheduled contract growth.

Headcount has reduced by 1,004 since 30 June 2012 to 7,965 primarily due to the VRP. Headcount as at 30 June 2013 is expected to increase by up to 300 reflecting the current intake of trainees, apprentices and graduates, together with ramp up for new business including Whitehaven.

Financing costs were $42m, up $27m on the prior period, due to the debt funded $1.0b share buy-back undertaken in November 2012, and capital expenditure of $499m. The effective interest rate on drawn debt was approximately 5.3% for the period, compared to 6.5% for the pcp.

Tax expense reduced 15% to $50m, reflecting an effective tax rate of 22.4% for the six months compared to 23.2% for the prior period. The company made its first tax cash payment of $17m in December 2012. The effective tax rate for the full year is forecast to be in the range of 25-27%, and the cash tax rate is expected to be in the 18-20% range.

The Board of directors determined on the 20th February 2013 that a 70% franked interim dividend of 4.1 cents per share will be paid on 27th March 2013. The record date for entitlement to dividend is 8th March 2013. No part of the dividend declared by the Company to shareholders will be "conduit foreign income" as Aurizon has derived no material, non-taxable foreign income since IPO. Note 8 of the half year report sets out the dividends paid and declared during the period.

The company's Enterprise Agreements expire late CY 2013 (between October and December). An update will be provided at the full year results presentations in August.

Reconciliation to Statutory Earnings

Underlying earnings is a non-statutory measure and is the primary reporting measure used by Management and the Group's chief operating decision making bodies for the purposes of managing and assessing financial performance of the business. Underlying earnings is derived by adjusting statutory earnings for significant items (principally stamp duty in FY12 and Voluntary Redundancy Program in FY13) as noted in the following table:

Six months ended 31 December ($m)	**2011**	**2012**
Underlying EBIT	**261**	**356**
Significant items		
Voluntary redundancy program(1)	-	(88)
Stamp Duty(2)	9	-
Statutory EBIT	**270**	**268**
Interest Expense	(15)	(42)
Statutory PBT	**255**	**226**
Taxation Expense	(59)	(50)
Statutory NPAT	**196**	**176**

(1) A voluntary redundancy program at a cost of $87.8 million was undertaken during the period. At 31 December 2012, 814 employees have accepted voluntary redundancy and a further 61 employees have accepted voluntary redundancy and are expected to leave the group before 30 June 2013.

(2) New South Wales (NSW) stamp duty was triggered on 21 September 2010 with the interposing of QR National Limited as part of the pre IPO restructuring. At the time of interposing there were some uncertainties regarding whether NSW stamp duty should be payable in respect of only the land held by the Group in NSW or both the land and other assets (i.e. Rollingstock) held in NSW. An application was lodged with the NSW Office of State Revenue ("OSR") that stamp duty was only payable on the land, however at the time of IPO, a provision of $11.0 million was raised on the assumption that OSR may impose stamp

duty on both land and rollingstock. After review the OSR confirmed that stamp duty was only payable in respect of the land ($2.2 million). Accordingly, the remaining provision of $8.8 million has been released back to the income statement

Cash Flow

Six months ended 31 December ($m)	2011	2012
Cash flows from operating activities		
Cash from operations	509	384
Net interest paid	(33)	(39)
Income taxes paid	-	(17)
Net operating cash flows	**476**	**328**
Cash flows from investing activities		
Proceeds from sale of PPE	13	26
Payments for PPE	(627)	(499)
Net payments for investment in associates	-	1
Net cash (outflow) from investing activities	**(614)**	**(472)**
Cash flows from financing activities		
Net proceeds from borrowings	145	1,235
Payment for share buyback and share based payments	-	(1,061)
Dividends paid to Company shareholders	(90)	(112)
Net cash inflow from financing activities	**55**	**62**
Net (decrease) increase in cash	**(83)**	**(83)**

Operating cash flow decreased $148m, reflecting $116m cash cost of the voluntary redundancy program, an increase in Network take or pay due to GAPE earnings (income not received until next financial year) and the company's first income tax payment.

Capital expenditure in the period was lower at $499m reflecting greater development in the pcp in particular the GAPE project. Net proceeds from borrowings in the period of $1.235bn were used principally to fund the share buy back in November.

Balance Sheet

As at 31 December 2012 gearing (net debt / net debt plus equity) increased to 28% compared to 13% as at 30 June 2012, reflecting the debt funding of the share buy back as noted above. This level of gearing maintains the BBB+/Baa1 credit rating.

During the period the Company extended the maturity of the $1.425bn tranche (Facility A) of the Syndicated Debt Facility. The tranche maturity was extended from December 2013 to December 2014, with the remaining balance of the maturity expiring in December 2015. The margin for this tranche was reduced from 1.75% to 1.6%.

As at 31 December 2012 the Company had liquidity of $561m, comprising undrawn debt of $545m and cash of $16m.

SEGMENT REVIEW

Coal

This segment comprises above rail operations in the following locations:

- Central Queensland Coal Network – Newlands, Goonyella, Blackwater and Moura;
- West Moreton system in Queensland; and
- Hunter Valley and surrounding coal systems in NSW.

Financial Summary

Six months ended 31 December ($m)	2011	2012	Variance
Total revenue	**921**	**929**	**1%**
Operating costs (excluding depreciation & amortisation)	(691)	(701)	-1%
EBITDA	230	228	-1%
EBITDA margin	25%	25%	0ppt
Depreciation and amortisation expense	(91)	(86)	5%
Underlying EBIT	**139**	**142**	**2%**
Operating ratio	**85%**	**85%**	**0ppt**

Operating Metrics

Six months ended 31 December	2011	2012	Variance
Tonnes hauled (million)			
- Queensland	81.0	78.4	-3%
- NSW	16.5	18.9	15%
Total	**97.5**	**97.3**	**0%**
NTK (billion)			
- Queensland	19.5	19.0	-3%
- NSW	2.5	2.9	16%
Total	**22.0**	**21.9**	**0%**
Revenue/NTK ($/000 NTK)	41.9	42.4	1%
Opex/NTK ($/000 NTK)	35.6	35.9	-1%

Highlights

Total Coal revenue increased $8m, or 1% to $929m. This was despite coal volumes remaining flat due to slower global demand, increased market volatility and the impact of wider industrial action in the local resources sector. Queensland volumes fell 3% to 78.4mt, mostly due to the expiration of the Anglo contract in Goonyella in January 2012 and lower production on the Moura system. NSW volumes increased 15% to 18.9mt, driven by improved mine productivity under existing haulage contracts.

The $8m, or 1% increase in total revenue reflects:

- Improved revenue quality from the conversion of legacy contracts to new form – increased from 38% at June 2012 to 41%; and
- Higher Deficit Tonnage charges resulting from the calculation and finalisation of amounts due for the year ended 30 June 2012.

The $10m, or 1% increase in operating costs reflects:

- Impact of CPI on labour costs; and
- Higher fuel costs due to the reduction in the diesel fuel rebate, most of which is pass through.

These increases were partly offset by savings made as a result of the voluntary redundancy program.

Depreciation and amortisation expense decreased by $5m (5%), which is due to the extension of the useful lives of the wagon fleet in the second half of the June 2012 year.

Underlying EBIT was up 2%, or $3m, to $142m, as a result of the revenue, operating cost and depreciation drivers noted above.

Operating ratio remained constant at 85%, which reflects slow volume growth and only partial realisation of the labour savings from the voluntary redundancy program in the first half.

Revenue/NTK improved by 1%, reflecting the improvement in revenue quality from the impact of new form contracts.

Operating costs/NTK increased by 1% despite flat NTK's, which was due to the increases in operating costs noted above, partly offset by the reduction in depreciation and amortisation.

Network

This segment comprises:

- The Central Queensland Coal Network (CQCN), which comprises 2,670 kilometres of track network within Queensland Bowen Basin.
- The Goonyella to Abbot Point Expansion (GAPE) – linking the Goonyella system to the Newlands system and the Abbot Point Coal Export Terminal via the "Northern Missing Link".
- Major projects under construction include the Wiggins Island Rail Project (WIRP) and the Hay Point expansion.
- Provision of design, construction, overhaul and maintenance services.

Financial Summary

Six months ended 31 December ($m)	2011[(1)]	2012	Variance
Revenue			
- Access	365	470	29%
- Services	71	52	-27%
- Other	10	11	10%
Total Revenue	**446**	**533**	**20%**
Operating costs (excluding depreciation & amortisation)	(200)	(207)	-4%
EBITDA	246	326	33%
EBITDA margin	55%	61%	6ppt
Depreciation and amortisation expense	(85)	(100)	-18%
Underlying EBIT ($m)	**161**	**226**	**40%**
Operating ratio	**64%**	**58%**	**6ppt**

(1) Comparative results for the six months ended 31 December 2011 have been adjusted to reflect a change in accounting policy. Refer note 1 (a) (v) of the 2013 Interim Financial Report

Operating Metrics

Six months ended 31 December	2011	2012	Variance
Tonnes (million)	86.8	90.0	4%
NTK (billion)	21.3	22.1	4%
Access revenue/NTK ($/000 NTK)	17.1	21.3	25%
Maintenance/NTK ($/000 NTK)	2.4	2.6	-8%

Highlights

Total Network revenue increased $87m, or 20% to $533m, on an increase of 4% in tonnes hauled to 90.0mt, and an increase of 4% in NTK's. The increased volumes reflect the continuing ramp up of the GAPE system, partly offset by the ongoing effects of the 2011 floods.

The $87m increase in total revenue reflects:

- An increase in regulated access revenues for the Central Queensland Coal Network (CQCN), due to CPI linked tariff increases and revenue cap recoveries from the 2011 floods of $49m (plus interest), spread over the full financial year; and
- The ramp up of the Goonyella to Abbot Point Expansion (GAPE) operation, commissioned in December 2011, including take or pay recoveries where actual railings are less than contract.

The $19m, or 27% reduction in services revenue, reflects lower external infrastructure services, due to the timing of project completions.

Operating costs increased by $7m (4%), which was due to the CPI impact on labour costs and changes in the timing of maintenance resurfacing expenditure, partly offset by savings from the voluntary redundancy program.

Depreciation and amortisation expense increased by $15m (18%), reflecting a full six months depreciation on the GAPE system.

Underlying EBIT was up 40%, or $65m, to $226m, which was due to:

- Revenue increases of 20%, as detailed above; and
- Lower operating costs, due to savings from the voluntary redundancy program.

Operating ratio improved by 6ppt's from 64% to 58%, due to the 20% growth in revenue, partly offset by the 4% increase in operating costs.

Access revenue/NTK improved 25%, due to the 29% growth in access revenue, partly offset by the 4% increase in NTK's.

Maintenance/NTK increased by 8%, which was due to increased resurfacing costs. Wet weather prevented the completion of normal volumes of resurfacing in 1H FY12 resulting in a lower comparative maintenance spend. This has since normalised in 2H FY12 and 1H FY13. The increase in maintenance was partly offset by the 4% increase in NTK's.

Regulatory Update

The following matters are currently in progress:

- Aurizon's draft access undertaking for UT4, expected to be submitted by the end of FY2013
- Standard User Funding Agreement framework was submitted to QCA in December 2012
- Aurizon's Electric Traction Services Draft Amending Access Undertaking was formally withdrawn in January 2013 in support of QCA-led industry workshops, which are committed to developing a sustainable alternative.

Freight

The Freight business comprises:

- Iron Ore - above rail iron ore haulage in Western Australia
- Other including Bulk - above rail bulk minerals, agricultural products, mining inputs and livestock, and Intermodal - national rail line haul, road logistics and terminal services

Financial Summary

Six months ended 31 December ($m)	2011	2012	Variance
Revenue			
- Iron ore	69	168	143%
- Other	581	567	- 2%
Total Revenue	**650**	**735**	**13%**
Operating costs	(588)	(641)	-9%
EBITDA	62	94	52%
EBITDA margin	10%	13%	3ppts
Depreciation and amortisation	(33)	(44)	-33%
Underlying EBIT			
- Iron ore	0	45	>100%
- Other	29	5	- 83%
Total	**29**	**50**	**72%**
Operating ratio	**96%**	**93%**	**3ppts**

Operating metrics

Six months ended 31 December	2011	2012	Variance
Tonnages hauled (million)			
- Iron ore	5.6	10.6	89%
- Other	27.3	25.9	- 5%
Total	**32.9**	**36.5**	**11%**
NTK (billion)			
- Iron ore	2.6	4.8	85%
- Other	7.3	6.8	- 7%
Total	**9.9**	**11.6**	**17%**
Revenue/NTK ($/000 NTK)	65.6	63.4	- 3%
Opex/NTK ($/000 NTK)	62.7	59.0	6%

Highlights

Freight revenue for the six months ended 31 December 2012 increased $85m or 13% on an 11% increase in tonnes hauled and a 17% increase in NTK's, reflecting the change in haul mix as the iron ore business continues to grow.

Iron Ore volumes increased 89% (5mt) reflecting the planned ramp up of production at the Karara mine, and drove an increase of 143% in revenue of $99m to a six month total of $168m. Contracted volumes are expected to grow further to 30mt by FY2015.

Other freight volumes fell 5% (1.4mt) due to lower bulk volumes in Western Australia (expiry of CBH grain contract partly offset by new bulk contracts) and Queensland (various customer issues impacted bulk haulage demand). Revenue fell 2% to $567m reflecting the volume decrease above which was partly offset by additional payments from the Transport Services Contract of $8.2m ($0m in 1H FY12).

Revenue/NTK grew for both operations, with Iron Ore up 32% to $35.0/'000 NTK, and Other up 4.5% to $83.3/'000 NTK. The change in haul mix, however, saw overall revenue/NTK fall 3% to $63.4/'000 NTK.

On the cost front, operating expenses/NTK continued to improve, down 6%, further reflecting the change in haul mix as the more profitable Iron Ore operation increased its share of the total freight business. The higher margins achieved in the Iron Ore business reflect the successful "customer engagement" approach in setting up the WA operation. Aurizon has focused on segmenting, targeting and tailoring services through a business incubation model to match the demands of the niche Iron Ore market.

Underlying EBIT performance was mixed, with the Iron Ore operation performing strongly to deliver an increase of $45m, whilst the remainder of the freight operation recorded a result of $5m. This represents a decrease of $24m vs. 1H FY12 driven by the lower bulk volumes in Queensland and Western Australia. The expiration of the CBH contract will impact 2H FY13 results as there will be no revenue earned for that period.

The freight business operating ratio improved 3ppts to 93%. The operating ratio for the Iron Ore business was 73%, compared to 100% for the pcp, whilst the remainder of the freight business recorded a deterioration in ratio from 95% to 99% for the six months, highlighting the impact of lower volumes on the high fixed cost bulk operation.

OTHER

Entities over which control was gained or lost during the period

- Aurizon International Pty Ltd was incorporated on 13 December 2012

Details of associate and joint venture entities

Entity	Country of incorporation	Aurizon's interest as at 31 December	
		2011	**2012**
CHCQ	China – Hong Kong	15%	15%
Chun Wo/CRGL	China – Hong Kong	17%	17%
KMQR Sdn Bhd	Malaysia	30%	30%
ARG Risk Management Pty Ltd	Australia	50%	50%
Surat Basin Rail Joint Venture	Australia	33.3%	33.3%
Moorebank Industrial Property Trust	Australia	15%	33%

Note: The profit contribution from any one of these associate or joint venture entities is not material to the Group's profit or the profit for the previous corresponding period.