[START OF TRANSCRIPT]

Andrew Harding: Managing Director & Chief Executive Officer

Good morning and welcome to the results for financial year 2020 for Aurizon. We are based in Brisbane today, therefore I acknowledge the Traditional Custodians of this land, the Turrbbal and Jagera people, and pay my respects to the elders both past, present and future for they hold the memories, the traditions, the culture and hopes of Aboriginal Australia. We must always remember that under the ballast, sleepers and rail systems where Aurizon does business, was and always will be traditional Aboriginal land.

You will notice on the front page of the pack our locomotive with indigenous artwork. The locomotive is a 2700 class that operates on the West Moreton Coal System into the Port of Brisbane. It's the artwork of one of our employees, Laurie Anno, a Kalkadoon man of Aboriginal and Torres Strait Islander heritage. One of our commitments in our Reconciliation Action Plan is about community connection and respect on behalf of the 6% of our workforce that identify as Aboriginal and Torres Strait islander. I am joined by George Lippiatt, our new CFO, who will introduce himself in a minute and we will go through the presentation that we lodged with the ASX this morning which is available on our web site.

At the end we will take your questions with the rest of the executive team who are in the room with me here in Brisbane. Just to remind you, the team is: Ed McKeiver Group Executive Coal, Clay McDonald Group Executive Bulk, Pam Bains Group Executive Network, Mike Carter Group Executive Technical Services and Planning, and Tina Thomas Group Executive Corporate.

Now turning to safety performance. At Aurizon, we always start with safety. As we noted at the half year results, one of our employees was killed in a road accident in December. Hans Ah Chee was a highly-respected train driver working in our Coal business and based at Sarina in Central Queensland. This incident brought added focus to motor vehicle road safety, including a review of our control environment for this risk. Workplace Health & Safety Queensland has advised it has considered all issues relating to the accident and is not investigating the matter any further.

With respect to the two safety measures we use in the business - Total Recordable Injury Frequency Rate (TRIFR) and Rail Process Safety (RPS) – they have remained broadly consistent with the results that were reported at the half. The FY2020 TRIFR was 9.92 injuries per million hours worked, which is a 10% improvement against the prior year. RPS, which measures operational safety including derailments, signals passed at danger and rollingstock collisions, deteriorated 8% in FY2020 to 4.74 incidents per million train kilometres travelled.

We are continuing to invest in technology, processes and people to deliver further safety and productivity benefits. In May, we made the decision to proceed with TrainGuard project on our electric locomotives operating on the Blackwater and Goonyella systems of the Central Queensland Coal Network. Equipment is installed on-board locomotives which continuously supervises train speed and signals through associated trackside equipment. By preventing over-speed events and Signals Passed at Danger, TrainGuard will support improved safety outcomes for our people and continued delivery performance for our customers. TrainGuard also supports the potential for expanded Driver Only Operations in the Coal business.

It is estimated that we will complete Blackwater Mainline installation in 2021, Goonyella mainline in FY2022, and the balance of Blackwater and Goonyella corridors in early FY2023. While it is important to note that over the past decade there has been long-term improvement in Aurizon's safety performance and culture, we remain absolutely focussed on driving further significant improvements. Safety remains Aurizon's core value, and we are determined to focus our resources and investment on managing what matters, and identify and learn from events that have the potential for serious injury and fatality.

Last year I reported on the extensive work we have commenced to enhance safety including systems, leadership and culture. In FY2021, we are moving to the next phase of this work and building on the improvements and successful initiatives that have been delivered over the past year.

Before we talk about financial results, I want to talk about COVID-19 and what the experience has been at Aurizon and how we see it impacting the market we operate in. Early in the year, the Crisis Management Team was stood up and led my myself. This group continues to meet on a weekly basis.

In addition to increased staff awareness on personal hygiene and enhanced cleaning protocols, early decisions by the Crisis Management Team included revised workplace protocols for business continuity including separation of business-critical teams such as deployment, Critical Train Control and payroll, bring forward of inventory procurement should supply chains be disrupted, and the cancellation of all non-essential travel and training. At an operational level, revised rosters and schedules were rolled out in addition to the development of labour contingency plans. A practical example is crew sign-on now taking place outside of a number of depots.

At a corporate level, our move to a flexible working space a couple of years ago meant that our IT infrastructure was already set-up for remote working enabling the shut-down of our Brisbane office with little impact. Although the office has reopened, capacity is currently targeted at 25%, with the majority of the employees continuing to work remotely. We remain well-placed should additional restrictions be implemented by governments in response to the pandemic.

Although the volume impact was not significant for our railings during the year, the underlying demand for metallurgical coal has been disrupted by the curtailment of steel capacity in key export nations, particularly in the June quarter. Crude steel production in India and Japan was -42% and -31% in the quarter, reducing demand for raw materials. To date, Australian metallurgical coal export volume has been resilient in the face of this economic disruption with competing metallurgical coal supply nations primarily impacted. This has been witnessed in past periods of low prices where Australia's share of the seaborne market grew in response to low prices. We have started to see this emerge in the June quarter as higher cost competing supply exits the market. Despite the strength of Australian supply in terms of quality and cost-effectiveness, a continued reduction in steel production in addition to China import restrictions is expected to result in a softer first half for Australian export volume.

The long term fundamentals of coal demand remain with steel production linked to economic growth, particularly in Asia where almost all Australian coal is destined. For our Bulk customers, strong iron ore demand has offset the small impact of COVID-19.

The company delivered a solid result in the middle of our EBIT guidance range. This is especially pleasing this year as it shows the strength of the Aurizon business and the resilience of our people to be able to operate through this period of uncertainty. Underlying EBIT increased 10% to $909 million, reflecting the positive impact of the finalisation of the UT5 Undertaking for Network, and the improved performance in our Bulk business.

In Coal, volumes were flat but there was a strong final quarter despite some volatility in customer orders. There were specific customer production issues earlier in the year, particularly in CQCN, including Peabody's North Goonyella mine being closed longer than expected and BMA prioritising maintenance over production. This was offset by increased railings in New South Wales for MACH Energy as they ramp up production. The flat volume performance has resulted in EBIT being marginally lower when compared to the prior year. Network volumes were 2% lower due to a number of customer production issues as noted earlier in addition to the stoppage at Anglo's Grosvenor mine.

Statutory NPAT was up 28%, reflecting the improvement in underlying EBIT, and the pre-tax gain on sale of $105 million for the Rail Grinding business. Free cash flow was down slightly despite the proceeds from Rail Grinding due to some adverse working capital movements which George will provide more details on shortly. ROIC improved 1.2 percentage points to 10.9%

We are also continuing our strong dividend payout with the Board declaring a final dividend of 13.7 cents per share, an increase of 10%. This takes the full year dividend to 27.4 cents per share, an increase of 15% and marks the fifth year of maintaining a payout ratio of 100% of underlying NPAT for the continuing operations. And finally on capital management we completed a $400m buyback in FY20 and today we are announcing a further $300 million buyback to be completed in FY21. This, combined with our strong history of dividends, reinforces our commitment to return surplus capital to shareholders and demonstrates the strength of the balance sheet.

Moving to Coal. The re-contracting process has progressed well for the Coal business and we have substantially de-risked the near-term contract book with only 13% of contracted volumes expiring in the next 3 years. 58% of the coal contract book has a duration of greater than 7 years, an increase of 9 percentage points against FY19. The new Peabody contract I announced at half year commenced in July and is an extension of existing mines and the addition of new mines in Queensland resulting in Aurizon being Peabody's national hauler. We will also begin hauling more coal for Peabody in the Illawarra region early in calendar year 2021. We have also commenced railings for Bluescope with coal hauled to the Port Kembla steel works. With this contract, we are the only rail operator with services to every coal export terminal on the east coast of Australia.

COVID-19 and the low coal price environment has resulted in some volatility in customer ordering patterns, although the June quarter was a solid performance ahead of the end of financial year with record railings in NSW for June. As I mentioned earlier, we expect some volume softness in the first half with coal demand being lower due to COVID-19. Our volume outlook for FY21 is flat, despite the growth in contracted tonnes over the past two years reflecting this first half softness. With contract rates coming down as we have previously noted due to the competitive market, this flat volume expectation is likely to mean lower revenues in FY21. This is expected to improve in FY22 driven by volumes and increased contract utilisation. Despite these near term impacts, the overall demand picture for Coal remains solid with a range still expected of 1 to 2% volume growth per year for ten years, driven by infrastructure development and energy demand in Asia.

As always there remains a substantial program of work designed to improve productivity and lower costs. Project Precision involves many initiatives designed to reduce turnaround time which increases throughput and improves capital productivity. We spoke about the schedule adherence trial in Blackwater which as we expected, was more challenging than Moura. However, this has been successfully implemented with improvements realised in key operating metrics such as on time arrival to the mine and port. Schedule adherence is planned for Goonyella later this year. Last month, the Callemondah yard in the Blackwater system has begun implementation of more initiatives including: new provisioning processes, the introduction of block maintenance; and a reduction in crew change time. There are many initiatives outside of Precision such as longer trains in the Hunter Valley driving a 2% increase in payloads, the introduction of distributed power has enabled four locomotives to now haul 96 wagons, an increase of 12 wagons.

The commissioning of the Jilalan Wagon maintenance facility is expected this month with this facility consolidating all wagon overhauls for the 106 tonne wagon fleet in Queensland. This will reduce the time to overhaul and improve maintenance costs and safety performance. These initiatives plus future ones like TrainGuard are critical for the Coal business in order to provide a differentiated service to our customers and mitigate the revenue impact of lower contracted rates.

Moving to Bulk. The Bulk business has had a strong year and the success of the turnaround program can be seen in these results. All divisions within the Bulk business are now profitable and they have set up a great platform for growth although do not expect them to double EBIT every year. Although I wouldn't mind being wrong on that prediction like I was six months ago when I said don't double $44m EBIT, as you would expect the forecast growth rates will slow with the earnings base now above our original expectations. The growth results in the Bulk business having a more diverse revenue base by product, providing a more balanced platform for the future.

Bulk continues to focus on leveraging its strategically located land and facilities, utilising available capacity and flexibly deploying its assets and people. This is how they have been successful in securing new contracts such as with Mineral Resources. This contract commenced during the year and has been operating very well given strong demand for iron ore. Mineral Resources has been operating the mine above the headline production level that the previous owner did, so the ramp up has proceeded faster than expected. We have also secured an extension to long term customer South 32 for their Cannington operation in north Queensland. This will take the contract to end of mine life, and comes on the back of their recent strong production numbers that exceeded FY20 guidance.

Efficiency improvements remain a key part of the Bulk strategy and we have highlighted a few examples here. We are now running some combined fertiliser and acid services for IPL which reduces the number of train starts to serve the contract. The larger task for Linfox has enabled us to deliver crewing synergies. This has been done through roster optimisation and by consolidating depots in Townsville, Rockhampton and Mackay. In both examples, this has enabled improved revenue and costs. Bulk has also expanded its product offering with the $25m acquisition in March of Townsville Bulk Handling and Storage which has been renamed Aurizon Port Services or APS. This business has a long term lease over assets at Townsville Port that are adjacent to rail lines already owned by Aurizon. Therefore, we now provide storage and stevedoring services for a range of customers that transferred with the acquisition. Long term this will also provide the opportunity to increase rail utilisation through aggregation and help grow earnings for this business. APS increases Bulk's strategic footprint of land and facilities in the growing North Queensland minerals province. These sorts of opportunities are attractive to Bulk given the fragmentation in the market and the benefits to the industry from converting volumes from road to rail.

Turning now to Network. A solid result for Network in line with expectations, reflecting the UT5 Undertaking which was approved earlier this year. The focus has been on the implementation of the undertaking which is in place until the end of FY27, providing long term certainty for all stakeholders. We have highlighted the performance of Network under some of the key areas of the undertaking to demonstrate how it has worked in practice given the approval of the consolidated agreement. Although early days we believe it has been a successful start and demonstrates the collaborative nature of the undertaking. Processes have been established such as the Rail Industry Group whereby maintenance and capital is agreed collaboratively for the following year. The cost performance in FY20 demonstrates how the undertaking works in practice with benefits for both Aurizon and customers. On operating costs, we have spent $12m less than the allowance which is a financial benefit that is retained by Aurizon. You will recall that these benefits are available for the length of the Undertaking with the clear incentive for Network to be as efficient as possible without impacting customer service. The Network team is working on further cost-out opportunities which we will update in future presentations.

For maintenance costs we have spent around $4m less than the allowance. This benefit will be passed through to customers through the revenue cap mechanism in two years' time as per the agreement. Maintenance and capital programs are agreed with customers in advance, so if spend is lower, the customers will benefit as demonstrated here. The maintenance costs and capital have been agreed with customers for FY21, so this true-up process will be repeated each year. You will recall that the trigger for

the step up in the WACC to 6.3% was the report date which is when the independent expert's initial capacity assessment is handed down and we respond. This was expected by now, however the process to establish the Independent Expert has taken longer than anticipated. The Chair and the CEO have been appointed, however the report date is now expected in the second half of FY21. The tariffs for FY20 did assume a higher WACC from 1 March therefore the delay means an adjustment of $8m to customers. This together with the adjustment for maintenance and other rebates will mean that there will only be a small revenue cap, up to about $3m, for recovery in FY22.

The impact from COVID-19 on coal volumes in FY21 also applies to Network as the tariffs were based on a forecast of 239 million tonnes that was approved earlier in the year. Therefore, a revenue under recovery is likely, but this is a timing issue only with recovery two years later. We have factored this in to the guidance as I will go through at the end of the presentation.

And before I hand over to George, an update on the progress of some additional items of business. The sale of Acacia Ridge had positive news in the half with the appeal decision in our favour in May, however the ACCC has now sought leave to appeal to the High Court. We are hoping for a decision on the Special Leave application before the end of this calendar year. You can see from our results that Acacia Ridge made $12.7m EBIT this year, which is shown as earnings from discontinued operations. So, the business continues to generate positive earnings and cash flow while we wait for the court process to play out. On Wiggins Island, the favourable decision for Aurizon was appealed by the customers and was heard in March so we await a decision. Given the uncertainty, no WIRP fee has been recognised to date.

And finally, last year we commenced proceedings seeking damages and declarations for the breach of long-standing contractual rights regarding the sale of Australian assets of Genesee & Wyoming. This matter is currently before the Court with no trial date set as yet. And now I will hand over to George

George Lippiatt: Chief Financial Officer & Group Executive Strategy

Thank you Andrew, and good morning to everyone on the call. Given it's my first time speaking as CFO, I thought I'd give a brief introduction. I've been at Aurizon for seven years and most recently was Head of Strategy & Corporate Development. In that role, I led the Freight Review in 2016, resulting in our decision to retain the Bulk business and the exit the Intermodal business. I also led the Vertical Integration Review, resulting in the announcement 12 months ago that we would retain our above and below rail business structure. In the CFO role, I am continuing the focus on two deliverables. Business Efficiency and Capital Allocation.

On business efficiency, this involves helping to drive our major programs including precision and asset maintenance, as well as other transformation outcomes. On capital allocation, my focus is on prioritising capital for those areas of the business we believe will grow longer term, and where there is surplus capital returning it efficiently to shareholders.

Turning now to results. As usual, the results I will cover today are based on continuing operations, meaning they exclude the financial performance of the Acacia Ridge terminal. FY20 has been a solid performance in a year characterised by uncertainty due to COVID-19. The resilience of our business model and the response by both Aurizon and our customers, meant that we did not amend or remove guidance in the face of this global health crisis. An EBIT performance in the middle of the $880 to $930 million guidance range is testament to that. The 10% improvement in underlying EBIT, to 909 million, was driven by the positive benefits of the UT5 undertaking, and the strong performance of the Bulk business with new contract wins and a continued focus on costs. Revenue growth reflects the stronger performance in Network and Bulk

with the higher operating costs and depreciation reflecting the investment in new contract growth for Bulk and future volume growth for Coal.

I will run through the individual business unit results shortly, noting that performance in the second half was consistent with the first half. The statutory EBIT result includes the benefit of the $105m gain on sale of Rail Grinding. While the proceeds from the sale are a positive for free cash flow, this was offset by some adverse working capital movements as Andrew indicated earlier. The first was the receipt of the Cliffs termination payment in the prior year and the second was the cash payment of the UT5 true up in FY20. Including the free cash flow from discontinued operations results in free cash flow being marginally higher for the year. We continue to maintain our 100% dividend payout ratio, with a final dividend of 13.7 cents per share, an increase of 10% consistent with the growth in underlying earnings. This brings the total dividend per share to 27.4 cents. Franking is set at 70% a level that can be maintained for the next few years.

Moving now to Coal. EBIT decreased $4m to $411m, with coal volumes flat against the prior period at 213.9 million tonnes. Volumes were in-line with our revised assumption of 210 to 220 million tonnes from February but lower than our original expectation at the start of the financial year. Contracted volumes as at 30 June 2020 increased to 248 million tonnes due to the success the Coal business had in recent years in retaining and winning new business. Therefore, costs such as additional traincrew and reinstating rollingstock to operating condition have been incurred to support these contracted volumes as you can see on the waterfall with operating costs up $15m and depreciation up $11m. But contract utilisation has fallen due to a combination of customer specific production issues as highlighted in the first half and some volatile trading conditions in the second half. This has resulted in a flat volume performance with revenue quality improving due to fixed capacity charge and CPI benefits. As Andrew has highlighted, we are expecting a flat volume performance in FY21 with a softer first half due to COVID related demand impacts. This is expected to impact revenue due to lower contracted rates. Low inflation rates will also impact Coal in FY21 with contract escalation not matching some costs such as labour, due to fixed EA increases. Revenue is expected to improve in FY22 driven by volumes increasing from FY21.

Moving to Bulk. I have to say that the Bulk result is something we're all very proud of. Only 3 years ago this business was losing $14m. But now I'm pleased to say that Bulk's underlying EBIT improved by $53m to $90m due to higher revenue from volume growth from new business and existing customers. The strong performance of the Bulk business means that sustaining capital for Bulk East is no longer expensed to the P&L, providing a benefit of $11m. There was also an increase in depreciation of $3m which is why you see 8m on the bridge. Capex is expected to increase to support the growth profile of Bulk albeit within the overall group expectations which I'll touch on shortly. In Bulk East, the revenue growth came from a full year of the Linfox and Glencore contracts, the new APS business and improved rates and railings for other customers. In the West, the main drivers of revenue were the new Rio Tinto and Mineral Resources contracts. Mount Gibson continues to rail due to the strong iron ore price although we anticipate this to end sometime in the first half of this financial year, due to end of stockpiled material. Revenue quality in Bulk benefited from some minor contract variations, the expiry of a rate relief arrangement for an Iron Ore customer during 2nd half FY19 and CPI benefits. The increase in operating costs reflects the new contracts, partly offset by ongoing operational efficiency benefits.

Looking forward for Bulk, we do expect earnings to grow although not at the same rate as this year. Growth is expected from a full year run rate for new contracts such as Mineral Resources and Rio Tinto. Partly offsetting this will be the end of the Mt Gibson contract, the full year impact of the end of the GrainCorp contract, and an increase in depreciation from higher levels of capex. This places the Bulk business in a strong position with further growth opportunities available and the ability to leverage the recent acquisition of APS.

Moving to Network. Network EBIT increased $69m or 17% to $469m due to higher revenues from the UT5 undertaking despite volumes being 2% lower. Access revenue has been booked based on railed tonnes and tariffs from the UT5 combination DAAU. This assumed a Report Date of 1 March, and therefore a WACC increase to 6.3% on this date. It also assumed volumes of 240 million tonnes and therefore the actual performance of 227 has resulted in a revenue under recovery which will be recovered through the revenue cap process in two years' time. However, the delay in the independent expert report, the reduced maintenance spend which is passed through to customers in addition to other expected adjustments means that the revenue cap in FY22 will only be small, up to $3m.

Turning to the EBIT bridge. Track access revenue has increased by $61m and we have provided a detailed breakdown of this amount in the appendix. This table summarises MAR movements, volume under and over recoveries, revenue caps and rebates. But the summary is that the MAR is higher than the prior year due to the finalisation of all revenue allowances including the WACC increasing from 5.7%. Other revenue increased $9m, principally related to higher external construction works. Other operating costs were $7m lower with consumables, overhead savings and lower employee costs. As noted by Andrew, operating and maintenance costs came in under the UT5 allowance. The benefit from lower operating costs is retained by Aurizon while the benefit from lower maintenance costs is passed through to the customers. Depreciation increased $8m, due to increased levels of ballast and asset renewals. We also show in the appendix the forward view of the MAR with updated numbers. This has been completed on a consistent basis as before so it assumes a report date has already occurred and therefore the WACC is 6.3% for FY21 and beyond. As the report date is not expected until later this financial year, each month of delay is worth $2m in revenue.

This waterfall also assumes no volume variance or other adjustments and therefore no revenue cap. As Andrew said, for FY21 the tariffs are based on volumes of 239 million tonnes, which is unlikely due to COVID-19, resulting in a revenue cap two years later. Therefore our guidance assumes a volume related revenue under recovery but it’s important to reinforce this is a timing impact only with a revenue cap benefit in FY23. Incorporated into the final revenue cap number will be other adjustments like there are this year including WACC and maintenance if required. I appreciate there are many moving parts and adjustments to consider and therefore we will always update these charts and information to give you as much detail as possible to get an accurate picture of revenue movements.

Turning to cashflow. This is by far my favourite slide in this pack and the one I was most looking forward to covering. We talked earlier about the resilience and stability of the business and these charts demonstrate just that. Free cash flow has been steady the past four years and has exceeded dividends which have been paid out at 100% of NPAT. This free cash flow has enabled further distributions in the form of buybacks with $1bn completed over the past five years including $400m in FY20. And we are continuing the commitment to shareholder distributions with our announcement today of a further $300m of on-market share buybacks. This is the first step in deploying the $1.2bn of additional funding capacity that was released from the corporate restructure last year. Consistent with our capital allocation hierarchy, we will deploy surplus funds to shareholders when growth options don't achieve requisite returns, which should provide investors comfort about our commitment to strong shareholder distributions. We also maintain our commitment to the current credit ratings at BBB+ BAA1, reinforcing the strength of the balance sheet. Capex totalled $527m which was in-line with guidance. We spent $37m on growth capital which was mainly coal wagons supporting additional contracted volumes. Some capital on these wagons remains to be spent in FY21 given a delay in delivery but we expect these to be received later this year. Our total spend of $527m excludes the cost of the APS acquisition which was $25m.

We will also be spending some capital for Bulk rollingstock supporting their growth ambitions over the next few years. At this stage we have not included any assumption for capex that may be required for Network’s

response to the Initial Capacity Assessment. This will be determined once the report is handed down and as a reminder this could be a once off commitment of up to $300m. Long-term expectations for stay in business capex remains around $500m per year.

In June we completed the re-financing of Network's bank facilities when we cancelled existing syndicated facilities and replaced them with bi-laterals with maturities ranging from 2023 to 2025. We also increased the capacity by $420m to $1.3bn to allow for the upcoming bond maturity of $525m as shown on the chart. This was necessary as the Aussie dollar bond market was effectively closed to corporate issuers at the time we were looking to issue. As the intention was always to refinance the bank facilities at that time, we decided to increase the capacity to compensate for the lack of capital market availability. Corporate activity has emerged since June so we will re-visit this after results as our strategy remains to term out debt in the capital markets. We have flexibility in timing as extending the maturity of the bank facilities means that we do not have any re-financing commitments after October until June 2023.

In terms of interest, the Group's cost on drawn debt is 4.5% and 95% of the debt is fixed until the end of FY21 in line with the original UT5 final decision. We have also hedged 91% of floating debt a further two years due to the extension of the WACC re-set out to FY23 from the new UT5 undertaking. This will bring overall interest costs down as these hedges were put in place in a lower interest rate environment.

So in summary, I'm pleased to be able to talk through my first result as CFO and for it to be a solid performance, consistent with guidance provided 12 months ago. This, combined with a strong balance sheet position, means we can pay out a dividend at the top of the range and pursue further capital management as we've announced today. Thank you and I'll now hand back to Andrew

Andrew Harding: Managing Director & Chief Executive Officer

Thanks George, turning now to the financial outlook for the 2021 financial year. We are expecting a range of EBIT of 830-880m with the key assumptions as follows. As I noted earlier, COVID-19 is expected to impact coal demand and this will lead to some volume softness in the first half, particularly for met coal. The volume assumption indicates fairly flat volumes for the year. This volume softness will also impact the timing of Network revenues. This year's tariffs are based on an approved volume forecast of 239 million tonnes, which is 5% higher than this year's actual volumes. This is unlikely to be achieved given the impact of COVID-19 on coal demand. Therefore, Network is expected to have an under-recovery of revenue which in turn impacts EBIT. Flat volumes in FY2021 implies a revenue under-recovery of about $50m, any shortfall will form part of the revenue cap in FY2023 partly offset by other adjustments including WACC. As per our normal practice, we do not assume any material disruptions to commodity supply chains such as adverse weather. And finally, a summary of key takeaways.

This slide summarises the journey of Aurizon over the past few years and how everything we do is to enable the delivery of shareholder value. The items in orange are a work in progress and some of them, especially the ongoing improvement in operational efficiencies that will never stop. A substantial pipeline of initiatives remains and hopefully the information you have received today reinforces the importance of this work. The balance sheet is in strong shape and we have continued our commitment to shareholder distributions with another dividend payment today at the top of the range. In addition, we completed a $400m buy-back during the year and we are announcing today a further $300m buy-back in FY21. The above rail contract book has been substantially de-risked this year for both Coal and Bulk providing greater volume and revenue certainty for longer. We have included Bulk's growth ambitions here for the first time given the strong performance this year and the new business we have acquired in APS. Bulk's success so far has given it the right to grow and this capital investment will also provide opportunities to our existing customers. Further opportunities like this will also be explored in the future.

And on Network it has been a successful year with the approval and implementation of UT5, which provides a long term certainty for all stakeholders, albeit with the WACC uplift delayed. There have been benefits realised already for the supply chain and our focus remains on delivering further opportunities. I now welcome your questions.

Questions and Answers

Operator: Thank you. If you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, press star 2. If you are on a speaker phone please pick up the handset to ask your question. Your first question comes from Matt Ryan from UBS Investment Bank

Matt Ryan: Hi Andrew, hi George. The first question is on the flat coal haulage guidance, obviously this is a pretty fluid situation but hoping you can give us some colour on how much transparency that you've got with the production outlook of your customers?

Andrew: OK Matt, thanks for the question. Ed I might just get you to talk through a little bit as much as you can safely do, and give some colour on that.

Ed: Thanks Andrew, good morning Matt. We obviously engage with our customers regularly and we keep track off forward orders in a monthly, in a 3 monthly and an annual basis. One of the themes we are seeing is our customers themselves don't know, and some of them have got long term contracts in place and are estimating delivery of their full budgets. Others are announcing, or sometimes announce surprises and sometimes we find out about those in media releases as well. Broadly, though we factored in all of that into our market guidance for the year 210 to 220 million tonnes, those ups and downs.

Andrew: And I think it might be worth George joining that up with work on estimating impact flowing back from the end customers.

George: Thanks Andrew and thanks for the question Matt. So as well as what Ed's described, we also look at our customers' customers, and in particular on the demand side what's happening in China, India and Japan. What we have seen in China is for FY20 they ran at steel production at 4% above the prior year. That was offset though by India which was down about 13% on the prior financial year. We see India coming back very much in the second half of the year. So that's on the demand side. The other thing we watch is competing supply. It's pretty complex market and therefore we have to watch a number of indicators, and what we have seen so far is that Australian production and exports have been much more resilient, certainly compared with the US where we saw production and exports down over 20%. So that gives you some colour on what we watch week to week.

Matt Ryan: So I guess going on from that there's a comment about soft first half volumes, which sort of implies a stronger second half, that's the first point to clarify, but the additional question would be, are you assuming a better second half based on an improvement to things like steel production etc, or are you assuming a better second half because of what your customers are telling you?

Andrew: George I might get you to elaborate more on that and clarify the different parts.

George: Yes, the short answer to your question Matt is yes, we are assuming a stronger second half than first half based on steel production coming back on-line and if you look at one of the charts Andrew showed on India steel production, we have already seen it improve from April to June so that's a good sign. So the short answer to your question is yes we see steel production improving second half compared with first. We also see ourselves picking up some market share throughout FY20 which will help also.

Matt Ryan: Thank you, and last question on your cost base, costs have historically been pretty fixed I think in the coal haulage business but is there anything that you are doing at the moment to improve that situation given you are seeing lower volumes at the moment?

Andrew: So Matt I'll obviously hand that over to Ed in a second but I thought I'd just by the way starting saying the going in thinking for our guidance for the financial year is to view the performance from the end customers of the demands coming through from the end customers to be temporary in nature. This is to reflect the COVID-19 impact to be temporary in nature to the steel making business, in addition to thermal. So we also need then to be ready for the bounce back. To be ready for the bounce back means that because of the long time it takes to bring on board staff, you can't just make a dramatic temporary reduction and then a dramatic restart moments later. It actually has to be something where you are ready for the bounce back so our plan assumes that we are ready for the bounce back. Ed do you want to add anything to that?

Ed: Yeah certainly, thankyou Andrew. So in the context of Andrew's answer, we're keen to preserve our capacity because we do believe there'll be a bounce back, and so we're looking at near-term cost levers. The leaders are limited but we're doing what we can. Redeployment of people to corridors where we have excess demand or more demand than the capacity including encouraging people to go to Western Australia for the bulk growth contracts. Overtime curtailment and also directing more annual leave than we'd otherwise do. The other the other major expense we have is in the maintenance area. I mean in that regard we're looking at we're doing a review of our maintenance strategy in terms of periodicity of maintenance activity and/or suspension if we've got rolling stock stowed and we're seeing benefits from things like our condition monitoring process now being able to, that we that was installed during the year, savings starting to play through. So there are fixed costs we can't control like the enterprise agreements that are not indexed to CPI so we still have those costs those costs in front of us this year.

Andrew: Thanks Ed.

Matt Ryan: Thank you

Operator: Your next question comes from Anthony Moulder with Jefferies, please go ahead.

Anthony Moulder: Good morning all, if I can stay with Ed for a minute. Ed you've delivered very good increases in market share through the Goonyella system in the second half of fiscal 20, appreciate that some of that could have been as a consequence of the Anglo accident. But can you talk through the reasons why you believe you won the contracts that you did and also what's the expected, what contracts you have from competitors that are likely coming up for renewal over the next one to two years please?

Ed: Certainly, Anthony thanks for the question. I mean in relation to what the track record of contract re-contracting success we've had in recent years, fundamentally our strategy is based on delivery performance leadership and doing that in a way that provides value to the customer. So price is an important factor but other things, we listen to each of the customers when we're in a negotiation , utilisation, fixed variable charges, mechanisms for nominations, all of those things factor into value for the customer and for us and we seem to get there at our hurdle rates more often than not. The second part of the question related to contracts coming up in the near term. It's pretty slim pickings I think in the near term based on our recontracting success in the Hunter Valley, Blackwater, Goonyella, our major systems and also given the context of COVID So we're looking, we're probably more in a defensive posture over the next year or two in looking, for the small volumes of 13% or so that do off, looking to retain those where we can.

Anthony Moulder: All right thank you. George and Pam if I could ask a question on the independent expert on obviously a delay to the timing of that report to the end of this fiscal year. Obviously a component

of that was the potential to spend through up to $300m of CAPEX how are you viewing that in the context of completing or going forward with another $300m worth of buyback with the potential that that independent expert could give you a CAPEX spend of an equal amount in 12 months' time?

Andrew: Pam why don't we get you to talk about the independent expert and where we're adding a bit more colour on that process and then George if you could just pick up the how that may possibly follow through to buyback thinking?

Pam: Thank you Andrew. Yeah so from an independent expert perspective just to give you some colour on where we are with the process, Andrew talked about the Chairman, Phil is on board. We have set up the company which is called Coal Network Capacity Company and we have the CEO also appointed, Craig Doyle but he doesn't start until mid-August, which partly explains why there's been a delay. Once we have both of them on board, from the whole industry perspective, we'll work towards looking to deliver that report as soon as possible. Both parties have been incentivised given that we have a performance-based rebate which also kicks in at the same time as the WACC uplift. So in terms of the capital, the capital will not be required until we've firstly responded to that report. So the independent expert will deliver the report and then we have to respond in terms of what might be required in terms of dealing with a deficit and obviously until that report's available we don't know what that deficit is. In terms of the buyback I'll let George comment on that.

George: Thanks Pam. Thanks for your question Anthony. So I think we announced 12 months ago $1.2 billion of additional funding capacity this $300 million of buyback that we're announcing today represents roughly 25% of that and in terms of our thinking, the independent expert report and timing has been factored into it and so we have the position of waiting to see what that independent expert report says and if we need to spend that $300 million then obviously that will take up some of that $1.2 billion of additional funding capacity. That's one of the reasons that we've only announced a $300 million buyback today, we want to add debt progressively rather than doing it all in one go.

Andrew: And that is not inconsistent with the thinking that we had when we first announced the entire concept of taking our time to deal with the capacity that we had, and the fact that nothing was going to happen in the year that we made the announcement or in any short order, because we wanted to take on it being very cautious of how we move forward year on year.

Anthony Moulder: And related to that the money coming from Acacia Ridge is no indicative of the time stage forthcoming?

Andrew: George I might just get you to talk about Acacia Ridge thinking?

George: Yeah, so in terms of that Anthony, as we mentioned when the ACCC announced their intention to seek leave to appeal we're hopeful for a decision on that leave before Christmas and so if we're successful or if the ACCC is unsuccessful then we would be able to proceed with that transaction and get the remainder of the proceeds.

Anthony Moulder: And lastly if I could for Clay on Bulk. this move into Port services is interesting. I wondered if that's particular to Townsville or whether or not it's something that you will look at elsewhere for Bulk but also other parts of the business Andrew?

Clay: Yeah thanks, we're really pleased with the acquisition of TBSH, you know it's a great follow-on for our business, very complimentary to the rail services that we have up in North Queensland. In regard to further opportunities I guess if you think about the strategy that Bulk has been pursuing for some time, the extend strategy on utilising better our strategic land and locations and integrating further into our customer supply

chains, you know, we'll keep looking for those types of assets that bolt on really neatly and complement our core rail business.

Andrew: Anthony I wouldn't read anything that Bulk's doing as action that we may or may not take in the greater business. This activity is specific to Bulk.

Anthony Moulder: Understood, thank you very much.

Operator: So our next question comes from Anthony Longo with CLSA, please go ahead.

Anthony Longo: Good morning Andrew, good morning George. Just a quick one from me looking at contracted volumes and coal, I guess what I'm trying to get a sense of is to, what's the current take or pay proportion of your contract across the book and perhaps how that's changed over the past couple years So I guess what I'm trying to understand is, are you starting to get more pressure from your customers on that front to maybe potentially share in that additional volume risk given the price and demanding environment look?

Andrew: Look, Ed why don't I get you to give some insight into how any of those discussions have played out?

Ed: Yeah certainly thank you Andrew and thank you Anthony. Yes certainly, contextually most of the contracts we also have been re-contracting in recent years were signed and signed up in a time of less competition. So there were, as we've seen competition increase there's definitely a change a change in the market. I mean, so broadly if you go back a couple of years we were in the 60-70% of our contracted volumes were fixed charges, nowadays it's directionally reducing but it's still in the 50-60% percent zone as a portfolio.

Anthony Longo: That's helpful. The second one I just wanted to get a sense of, so you made the comment earlier was increased competition as you have flagged at the previous results but I'm trying to get an understanding as to longer term demand for coal seems to be resilient based on what you've said in the presentation so that one to two percent volume growth but just trying to get a sense of given that competition how should we ultimately be thinking about translation to top line revenue growth in that environment?

Ed: I'll take that one. So thanks Anthony. Translation to top line revenue, well it certainly, for the same reasons that I've just explained there is certainly downward pressure on contract rates, that's been happening and consistent with what we've said over the last couple of years so therefore by managing the contract book and lifting our volumes, our longer term contract volumes, we think offset that. At the same time work on both near and longer-term transformation opportunities to protect our EBIT, so that's the trend.

Anthony Longo: Yeah, not a problem, that's helpful a final one from me. Just looking at Bulk that was obviously there's a great result. I'm just want to get a sense as to, so you did touch on the earnings diversity that you're now seeing in that segment so when we look at this business now going forward, is this now the base level earnings that you do expect on a going forward basis with some growth?

Andrew: Clay can I get you to talk about your expectations?

Clay: Yeah I think, I mean Andrew and George both covered it this morning but you know, what you'll see next or this financial year that we're in, you'll see the upside of the Rio and the MRL contracts coming through full year which is a positive for us. Offset against that you'll see the Grain Corp and the Mt Gibson

tonnes come out. This year very much focused on four major re-contracting tasks that we have with existing customers, three in the West and one in the East so a lot of focus there on re-contracting, reforming, retaining those contracts going forward so all in all on the balance, you'll see growth in Bulk but again, not at the rate that you saw from FY19 and FY20.

Anthony Longo: No problem, thanks very much.

Operator: So our next question comes from Paul Butler with Credit Suisse. Please go ahead.

Paul Butler: Good morning. I just wanted to clarify the timing of the WACC uplift to 6.3%, does that occur once the independent report comes out or is it based on when Aurizon responds to that?

Andrew: Pam, can you just clarify the exact steps?

Pam: Yep, it's the latter Paul. It's when we respond to the report and just a reminder the WACC kicked in on 1st of March and when the tariffs were uplifted so we are getting the WACC in our numbers and as Andrew and George talked about, there will be an adjustment in the revenue cap once that report response has been given from that date.

Paul Butler: And can you just clarify or give us some more colour on why we've had the delay now, cause this looks like it's sort of 12 months of delay and what's the risks we should be keeping in mind in terms of you know whether it's delayed further?

Pam: So as I mentioned earlier Paul, there's been a delay partly the recruitment process and getting the legal entity set up and then once we've set the entity up we've, the Chairman has been appointed. The CEO, Craig doesn't actually start till mid-august unfortunately a three-month notice period so there were some delays in the recruitment process identifying the right people and then from there they will need to recruit a small team of technical and commercial experts and he will start that process of recruitment as soon as he's on board, and so, but what we have been doing is working behind the scenes pulling together all the information and to ensure that we minimise any further delays but ultimately the timing will depend on the independent expert and the process they go through. It is a key piece of work and we need to ensure that it is accurate because it is underpinning the long-term central Queensland Coal Network and can result in incorrect investment if they get it wrong so we want a quality output and but we're doing everything we can to ensure that progresses.

Paul Butler: And because I understand a lot of work's already been done on this but how do you get comfortable that the team that's going to get recruited to, you know, to complete this and sign off on it, is going to be comfortable with whatever the work that's already been done?

Pam: That would be a matter for the independent expert, that's the role they have and the purpose it was set up and the board members will need to ensure that happens.

Andrew: And so who are the board members?

Pam: So we have four board members that are Aurizon Network including myself and then there are four board members representing industry so our customers.

Paul Butler: Okay and can I just ask about the, you you're targeting $50 million of benefit from the precision railroading project and I understood from your comments Andrew that the roll out in Blackwater has been successful but required a bit more work . Can you sort of give us a bit more colour on you know whether that 50 million is still the right number that you can get to?

Andrew: Yeah thank you very much for the question. Pam I might get you to just talk through how as the person managing the precision project how that's rolling out in a little bit more detail?

Pam: Yep, so in terms of, thank you Andrew. In terms of project precision it involves numerous initiatives so from a network perspective and as we improve turnaround time on the network that benefits every operator on the network so from our perspective, we have started improvements in the Blackwater system and will look to incrementally drive initiatives across the other systems and from a network perspective that includes discipline train operations, the way we plan our maintenance and run trains and improving speed restrictions so there's, as you'd imagine there's a lot that goes into it from just network but then how we improve our load out times and also how the operators are working the system. As you might recall we've previously mentioned those savings are based on revenue in addition to the cost savings so it will be volume dependent as you increase capacity as well.

Andrew: So probably just to add something to that. The activities will get done but there is that estimation that's volume that may be available at the time and that volume has to be there but the activities that Pam is actually managing around project precision get done. Translate is based on a volume so you've got to have the volume uplift required to actually get a reasonable quantity that benefit.

Paul Butler: Okay and just to clarify because I didn't realise that you were you were leading that initiative. Did the benefits flow through to the network business or to the coal business or both?

Pam: It flows through all operators so Aurizon's operations to the Pacific National any other operators on the Network.

Andrew: So, Network gets nothing out of doing it. They do most of the work or a fair chunk of the work and the benefit flows to the above rail operators.

Pam: We have the ability to improve the supply chain which is where Network's role is.

Andrew: The original thinking that we talked about when I first announced Project Precision is, that was recognised as having the largest market share, we get a significant quantity of that but it is you know there are benefits that flow through to the competitor of above rail businesses.

Paul Butler: Okay and just one final one if I may? With your acquisition of the Townsville Bulk Storage and Handling, I mean you've made the comment that that made sense because it's very integral to the Bulk business but I'm just wondering if you can give us a sense of what's the quantum of other opportunities out there. Does this one make sense because you've got a high density of operations, you know to and from Townsville and are there a lot of other locations around the country where this could be attractive or is it quite specific to a few number of locations?

Andrew: So Clay I'll obviously hand the answer to that to you just make sure we don't over promise at all.

Clay: Yeah thanks. I think when we think about the Bulk strategy and the extend strategy into providing additional supply chain services so we look first of all you know what are the key corridors and commodities that we really like and we try and then look at the services we provide in those key corridors and to those commodities and then say well how do we extend those services to those customers? To give you indicatively Paul you know if you think about that Mt Isa corridor right, so out of 100% of spend for that, for our customers out there, above rail is about 40% so if you take below rails 30% that is 70%. So there's 30% of logistics spend there that that we're trying to target in those key corridors. So the best way to answer this is look at the key corridors we're operating, look at the supply chains there and the commodities we like and then we'll be looking for opportunities around them.

Paul Butler: Thank you very much.

Operator: So our next question comes from Owen Birrell with Goldman Sachs, please go ahead.

Owen Birrell: Hi guys, a couple of questions from me. Firstly just looking at the Network outlook. You're talking about sort of $50m lower revenue to be captured next year, I'm just wondering if you give us a sense of what EBIT margin we can attribute to this revenue to get a sense on what impact they've had to your earnings guidance? That's the first question.

Andrew: Pam can I get you to cover that?

Pam: Yes, I can cover that. The $50 million is only a sensitivity just so that you're aware and the volumes, and we used a range, volumes that we railed this year 227 million tonnes and the volumes the regulator has approved, of 239 million tonnes so if you take that difference that gives you a sort of a sensitivity to work to. In our guidance we haven't assumed the $50 million we've obviously made a decision based on what we think, based on what we're hearing from our customers, and then the other point to note is that $50 million, you would always have to adjust for other movements such as the WACC date that is finally delivered, maintenance to under spend from any savings we achieve CPI a capital adjustment so hopefully that clarifies your question.

Owen Birrell: So just to confirm the FY21 EBIT guidance of $830 to $880 million doesn't include, doesn't assume an under recovery next year?

Pam: It assumes an under recovery but what we're not saying is what that under recovery is because we've assumed that the purpose of the $50 million is just a sensitivity so you understand how much if you assumed flat volumes.

Owen Birrell: Well I guess what I'm trying to work out is, in two years' time when you get that back, what is the earnings impact in two years' time that you get back?

Pam: Yeah and that's I guess the sensitivity was just assumed flat volumes, we can work out what we think our customers are going to rail and there's always a judgment call as to what other operators would rail which then dictates the volumes that you rail on the network.

Andrew: George, can you add anything that you think is necessary from a Finance point of view on that?

George: Yeah sure Owen I mean the FY23 revenue cap will likely be lower than the $50 million because it needs to be adjusted because at the moment we're charging at 6.3% and the independent expert report hasn't been delivered yet so there will be at least a $12 million reduction to that $50 million in the example that we set out in the outlook.

Owen Birrell: OK, and just to confirm that the under recovery in FY20 of $23 million, that that will be recovered in FY22 and is there any sensitivities around that that we should be aware of?

Pam: Yep, so the FY22 revenue cap and that $23 million is the shortfall in volumes of $13 million against the regulator's forecast of 240 million tonnes for FY20 so that's the key component but against that Andrew and George have touched on, we have maintenance savings so that would be reduced as benefits going back to our customers the $8 million of WACC which was assumed in FY20 would have to be adjusted and then there are other adjustments like CPI inflation and hence we said that the revenue cap is likely to be less than $3 million, around that number.

Owen Birrell: So that's the revenue recovery?

Pam: Yes but again subject to QCA approval so we've just guided so you, it's not $23 million, it's a lower figure.

Owen Birrell: That's fine. Just a quick question on the Coal outlook, have you included any assumptions around Carmichael volumes in both the Below Rail and the Above Rail volume assumptions?

Andrew: Ed do you want to talk to Above Rail?

Ed: Yes yeah sure. Owen from an above rail perspective we're not aware of a tender in the marketplace for the Carmichael volume so we're not we're not currently engaged in a conversation with Adani regarding their volumes.

Andrew: Pam did you want to make any comment about Below Rail?

Pam: Nothing other than we would do what we're legally required to do in terms of access to any miner on the system.

Andrew: And Owen if you want any update on the access requesting that you need to talk to Adani

Owen Birrell: Sure, no that’s fine. I have one last question if I may? Just on the outlook for the Bulk business, clearly new contracts present a huge growth opportunity within that business but obviously very hard for us to forecast. I'm just wondering Clay if you can give us a sense of you know, what is the available opportunity over the next one to two years, are you aware of any other contracts that are coming to you that we can sort of look out for?

Clay: So we've given a pretty good sort of summary of what we'll face in FY21 you know beyond that I think we've always talked about the bulk market being around a 1.5 billion dollar market growing at around 3% and so you know there's opportunities that come up and other opportunities that you think are going to present themselves don't so depending on commodity and price etc and project viabilities but I think that the guidance that we've provided this morning's pretty good. There's nothing material on the radar for us for FY21 it's about re-contracting those four key contracts that we've got today, holding them and reforming them.

George: Just clarify when Clay says 1.5 billion that's revenue not earnings.

Clay: Yes.

George: And so the only other thing I'd add to that is that we've now got our bulk business in a position where it's earning EBIT margins consistent with what we believe is in the market. So that should give you a sense for the limitations around future growth. We're also putting more capital into Bulk which therefore over time you'll see depreciation increase too.

Owen Birrell: Okay, that's great thank you very much guys.

Operator: So our next question comes from Ian Myles with Macquarie, please go ahead.

Ian Myles: Hey guys just a couple quick ones then because a lot of questions have been asked just on Bulk to continue that scene for a second. Firstly you mentioned the four contracts being renegotiated this year, do you see those as being relatively mispriced against, are they one of the ones you need to improve or are they okay?

Clay: Two are reform Ian, we've talked about these over the last couple of years. One's in the east and one's in the west and two are really you know retained contracts for us.

Ian Myles: Okay that's fine. On Mt Isa, I think it was pretty much flooded last year and the line was shut for three or four months I'm just wondering how much of the kick back in that second half is actually due to the line coming back and you be able to provide services versus the just the organic growth?

Clay: Yeah I think what you'll see from the previous comparable period it's not material, most of it is coming through from that full year of Glencore and the APS earnings coming through, we've had it since March at business so that is sort of the most material impacts on those numbers.

Ian Myles: Okay, on the coal side, last half we had lots of conversations about OneRail and their new train set up in the Goonyella I'm just going, we're now six months on what you may have seen on that and I guess how's the spot market changed in that market given volumes are sort of diminishing does that have a greater size effect on the coal business?

Ed: Thanks Ian for the question. As a matter of policy as you know we don't typically talk about competitors and you know I my MO is to focus on our you know what I can control what we can control, our delivery performance and strike the right value with our customers. I've not noticed, we've not noticed any impact in the spot market that's discernible.

Ian Myles: Is the spot market actually that significant now given volumes are all sort of falling below contract?

Ed: No more than normal, no more than normal Ian. Particularly in the current price environment.

Ian Myles: Okay and one final question, with the sustained business CAPEX at half a billion dollars it's been pretty stubborn at that high level maybe that's the wrong word to say, stubborn. Is there scope for you to actually sort of look at that unless you bring it down to a newer level, if we are in a lower growth environment?

Andrew: So Ian, I think when you think about a half billion dollars it's not the capital that Ed spends I mean half of that is maintaining 2700 kilometres of track from a Network point of view so then you're only looking at half of that and when you look at those sort of numbers they are very comparable across industry benchmarks.

Ian Myles: Okay so you suggest you pretty much, it's sort of stuck at half a billion, you'll just have to leave it at that level?

Andrew: I think half a billion has been a good assumption for a number of years and I would use that as a ballpark going forward. You know there's numbers in there that of transformation and that sort of stuff but you know half billion's the number.

Ian Myles: Okay final question..

Andrew: Ian, I'll just say sorry I've just forgotten, it's actually not, the number is not a stubborn number it's the CEO is a stubborn person, that's kind of why

Ian Myles: One final question, just on the tenders for the coal volumes at which you've been winning and the likes, I appreciate they've stepped down from the heavy years of 2007 to 2010 but you're seeing them normalise out at sort of a similar sort of rate and I appreciate all of them are different but at a similar rate across the new level so we're not declining further?

Ed: Directionally yes but there's still pressure, markets downward rate pressure, I don't think it's going to subside anytime soon and it's so, because you only get one or two data points a year, it is difficult to forecast accurately.

Ian Myles: Okay that's great, thank you guys.

Operator: Your next question comes from Cameron McDonald with Evans and Partners. Please go ahead.

Cameron McDonald: Good morning, just a clarification on the outlook you've said that redundancy costs are included in that outlook number, what sort of estimate should we be thinking about the redundancies is it similar to the last few years of sub $20m.

Andrew: I might get you to cover the redundancy question? Yeah so they are included in the outlook Cameron, they're above the line and I'd suggest they're not going to be dissimilar to last year .

Cameron McDonald: Okay that's great thank you. I think early on, you were talking about the coal contract structure and that Above Rail EBIT was likely to be down because of the fact that you were incurring contracted costs such as EBA increases that you couldn't pass through to customers, what's, you know is that going to be an ongoing trend or when are you actually able to then reset your cost base and pass that through in new contract structure?

Andrew: Ed, I might just get you to cover as much as you can?

Ed: Thanks Cameron. Yes in FY21 we have installed the capacity, we've been building it over the last year or two as we've been, as we've been building the contract book and we certainly expected that volume to show up during the course of FY20 initially and then and certainly then into FY21. With the COVID outlook and the soft first half and the range we've given, we're still in the situation where we've got capacity installed and we look through FY21 to FY22 where we believe we'll see that the volume starting to flow and the revenues along with it.

George: The only thing I will add Cameron is that we've actually got a breakdown on page 40 of the pack around EA's and when they roll off so that should give you some sense around the end point for those current EA's. The only other thing I'd say is fuel is passed through so we don't get the benefit of fuel prices lowering when it comes to CPI.

Cameron McDonald: I'm assuming that EBA's don't go backwards though so if you can't pass them through now they're not going to give you a reduction in the rate you know once they renegotiate. And my final question just on that comment about you know the expected volume, the 210 to 220 million tonnes, I mean if I look back over the last six or seven years you've actually averaged you know around about the 210 million tonnes, it's been you know to pick up on an earlier comment it's been remarkably stubborn at those sorts of levels, I mean even the midpoint would be a record volume haulage task for you and certainly at the top end would be you know the 220 you've never done anything like that so what like I'm just a bit confused and concerned that in the current environment that we've never seen before with significant slowdown you know globally in terms of manufacturing, what gives you more comfort that the second half is going to be as presumably as strong as you've ever seen?

Andrew: George it might be worth just reminding people about the end market sort of activity.

George: Yeah sure, happy to and thanks for your question Cameron. I mean what we've seen in China in particular in terms of steel production is record steel production through FY20 we see no catalyst for that to change. What we've said is the weakness in the first half is more driven by India and Japan which have

been lower but there are signs that their steel production is coming back in particular India. The only other thing I'd say then is we've made investments over the last year or two which give us additional capacity to move more volume in Coal. So the investments in wagons in the CQCN and also the investment in wagons in New South Wales and moving into modal rolling stock into New South Wales so we have more capacity than we have had before.

Andrew: Ed, did you want to add anything to that?

Ed: Yes I'll just, the piece I'll add is about the growth contracts we've signed up essentially. The difference the key difference between FY20 and FY21 is the national Peabody contract that we've signed up which has gone live in July in Goonyella but also growth into the Illawarra which, I'm excited about and it's new for us. We started railing down there for BlueScope Steel in April and the inbound coal where we've got Metropolitan volumes to export due in the second half and so that's largely, given the capacity and it is dependent on end demand of course as George has explained I mean that gives us the confidence around the upper range, the mid to upper range.

Cameron McDonald: Okay great thank you.

Operator: So our next question comes from Jake Cakarnis with Citi. Please go ahead.

Jake Cakarnis: Morning guys. Just quickly with George, I'll start with you mate. We've got a CAPEX guidance for FY21 at 500 to 560 million can you just shed a bit of light into how that will be spread between the year's first half, second half and just give us a sense of potentially how much is related to some of the rolling stock investment in the Bulk business versus what you need to do further in the coal business as well?

George: Yeah so my touch on the first part of your question Jake, so the timing, it typically there's a bit more capital spend in second half than the first. I don't see any reason for it to be different in FY21. In terms of the mix of where we're spending capital, you might see coal come down a little bit and bulk come up a bit but the increase in Bulk will be similar to what we saw going from FY19 to FY20 to FY20 to FY21. So I think it increased about $10 million from FY19 to FY20 should expect something similar for FY20 to FY21.

Jake Cakarnis: Okay thanks for that and then just the second one for Ed. I know that there was some commentary that you're not seeing it yet in terms of competition in the spot market but how should we think about it with potentially weaker volumes coming out from some of the customer announcements in New South Wales. Do you think that further competition the spot market in Queensland could put further pressure on rates and returns there and then I guess the second part of that how are you guys thinking about the re-gearing of the Opco balance sheet just in light of potentially more competitive pressure but also a change in the market since you announced the re-gearing of that structure I guess?

Ed: I might take the first part of it and then rather the second one to George.

Ed: So I mean most, so I think just to rephrase the question Jake it's in a soft demand environment with capacity of floods you know, is the spot business a risk to our earnings I mean, by and large the vast majority of our income is generated under as you know take or pay contracts and many of our contracts, not all of them, but the majority have terms in them which guarantee us certain volumes and in some cases even exclusivity and that's part of the value exchange or value with our customers. So really you know you're more exposed if you have a particular customer that has an exposure to the end markets you know thermal in China for example or you know that's got the potential to have more impact on your income or railings with a particular customer than the spot market does.

Andrew: Thanks Ed. George.

George: Yeah Jake I mean I think Ed's answers to the first question gives me a lot of confidence in the second which is that there's no real change to our plan around the $1.2 billion of extra funding capacity. Most of it as you outlined in operations and so no real change. We continue to look at that and add debt progressively.

Jake Cakarnis: Sure and will there be an envelope potentially George to review that if there is a sustained deterioration or are you guys steadfastly pushing ahead with the $1.2b because that's what you've committed to the market?

George: The other thing we've committed to Jake is the triple b plus rating so that's the primary commitment we make and the credit metrics that flow from that so, so long as our forward forecasts for free cash flow doesn't change and hasn't changed as part of the last year or so that we've seen, then we would continue to add debt progressively.

Jake Cakarnis: Okay thanks guys.

Operator: So our next question comes from Rob Koh with Morgan Stanley. Please go ahead.

Rob Koh: Good morning, just going right back to the first question about the volume outlook for the second half you've kind of commented in your coal outlook statement about the risk of China import restrictions I'm just wondering if you can share your insights there and what you're assuming?

Andrew: Yeah George, can I get you to cover that?

George: Yeah happy to, I mean I think that the China import cap of 300 million tonnes has been in place for a while now. China's running ahead of where it was last year in terms of imports, what we have seen though particularly in the last couple of months is China is starting to pull back on lignite so lower quality coal imports and tending to keep up imports of higher quality met coal and thermal coal so that's something that we're watching every month. At the moment there's good signs that China's prioritising higher quality coal but as we outlined and Andrew outlined in his speech earlier, that's something we're watching.

Rob Koh: Okay that's clear thank you. If I then try to think about kind of normalizing OPEX it would it be fair to say that that FY20s OPEX performance includes very little impact for all the additional activities you undertook for COVID-19, is that fair ?

George: Yeah I mean the additional costs OPEX costs around COVID19 were very small in material less than five million dollars so things like hygiene supplies, additional contracting for services for cleaning and they were largely offset Rob by savings in lower travel spend.

Rob Koh: Yeah okay that's good. A worthy activity of course but good to hear. Just I guess broadly on the COVID-19 impact, at the start of the year we did actually see some kind of supply chain disruptions as well I presume that's a bit normalised but just wondering if you can talk about the consumables in the supply chain things like the wheels, stuff like that, have you made some initiatives to diversify supply?

Andrew: I might have Mike Carter who has responsibility for the procurement area, just to talk through a little bit of colour in that space Mike?

Mike: Rob like many companies we've been watching the supply chains very carefully and early in the year we thought we might have some exposures but over time what we've found is all supply chains have been able to keep up in terms of our parts in relation to wheels we have a dual supply strategy both international

and domestic and that has stood the test of the last four or five months. We continue to watch it and one of the things we're doing on an ongoing basis is reviewing the resilience of all of the key supply chains to make sure that we've got options as we go forward. We don't see it as a material risk for the company on the go forward at this stage.

Rob Koh: Yeah great, thank you so much. Alright just last question, I guess just in the context of thinking about the pace and the sizing of the of the buyback programs and you've been clear about the court cases and the growth CAPEX for this year which are clearly the higher priorities, for the $300 million capacity investment potential in network should we be still thinking that should be about 55 percent geared as on a CAPEX basis?

George: Yeah so I mean I think I wouldn't assume any material changes to Network gearing Rob.

Rob Koh: Yeah okay great that's clear. Thank you very much that's all for me.

Operator: Your next question comes from Scott Ryall with Rimor Equity Research. Please go ahead.

Scott Ryall: Thank you very much hopefully I won't be too long. Could I just ask who is responsible for the independent expert process?

Andrew: Pam, can I get you to talk through more detail on the independent expert?

Pam: The independent expert process, I guess the independent expert is responsible for ensuring the report is delivered but then there is a board that sit there that I mentioned earlier, four members of the Network business and then four from industry so they're responsible for ensuring the report gets delivered.

Scott Ryall: But I mean in terms of the delays Pam that you've seen so far, I would have thought that it's in your interest to push ahead as quickly as possible but maybe you could suggest that the coal companies don't have the same interests, so I'm just wondering what actually pushes the process forward and gets it done because obviously there's a reasonable amount of value for you guys there and getting the WACC increased, you know I'm just trying to figure out in terms, what actually will make it happen?

Pam: Scott, both our customers industry and ourselves are both incentivised because if you recall upon completion we'll obviously get access to the increase in WACC from 5.9% to 6.3% but industry also get access to a performance-based rebate regime and that rebate regime kicks in at the same time, so that's various benefits for both parties to ensure that happens. Industry were keen to have the capacity review and because it could increase it could highlight some areas where there is a deficit and we have committed to spending up to the $300 million to allow that capacity shortfall to be rectified. So there's interest on both parts.

Scott Ryall: Okay all right and then I suspect the rest of my questions are for Ed who's been pretty busy today. Could I ask Ed, I'm just going to go back to your last two years and each half year you've delivered with roughly flat volumes about 2% Above Rail revenue growth so I'm ignoring track access revenue and the access costs here so each half year you've done about two percent growth then last year in just looking at your operating costs they were up you know eight to nine percent. In the first half they were up three percent, in the second half they were down slightly. I'm sure you got some fuel price impact although looking at your consolidated numbers the fuel change for the second half wasn't massive, can I you know just in terms of the earlier questions you've been getting on volume growth, so is the second half FY20 results from an operating cost point of view about as good as you can do while you're still carrying the expectation of growth going forward? I take Andrew's points earlier on you've got to have the cost base

there if you believe the growth is coming so is this about as good as you can do actually getting a slight decline in operating costs while you're waiting for those volumes to come through?

Ed: Thanks Scott, are you talking about in FY21 or more longer term?

Scott Ryall: Near-term while you know you've painted a picture of flat volumes for fiscal 21 so just you know near term and then I guess my follow-on question from that is if you then you know approach a contract utilisation of 90% plus on the contracted volumes that you've got and you're able to deliver some of that growth, I guess my main question then is how much operational leverage can we expect to see and I don't expect you to quantify that but you know how much of your cost based then is fixed because you've carried all this cost for two years?

Ed: In terms of the cost increase year to year, I actually have a second half, you must be factoring in access costs to that OPEX cost are you for a nine percent year on year increase because my notes show I'm on a three percent from FY19, weaker costs from FY19 into FY20, and the second half was about one percent favourable to the first half you know in net of access..

Scott Ryall: Yes that’s consistent. The 9% was in FY19 on FY18.

Ed: Yeah thank you. The short answer is, I think we can do better to your question but it's limited. We keep in mind we had a very strong fourth quarter and so we had everything running in anger and we had a very strong June particularly so now we've seen now we've started to get in the first quarter of FT21, we're starting to see more volatility in demand and they’re the levers I spoke about early in relation to overtime management, annual leave, redeployment of people and assets and looking at our maintenance strategies where we may find ourselves surplus. So it's limited, there are fixed cost increases like EA’s I mentioned earlier we're going to have to bear those so I think there is some downside in the near term. Longer term of course our transformation agenda is really geared at resetting our OPEX base and that's when we see things flow through like the TrainGuard and technology and some other key investments we're doing and not to mention Precision and the quicker the faster turnaround times.

Andrew: Scott, a very simple question to your quite complex answer to your quite complex question is I think he'll do a little bit better, he said better but I'd say a little bit better

Scott Ryall: In FY21?

Andrew: Yes.

Scott Ryall: And then beyond as the, once you start seeing the volume growth in FY22 as you're expecting are we, is that the same time, I guess what I'm wondering then is how much you've cost is fixed and is there still downside as you transform the cost base or are we going to see margins pretty similar to what we're seeing now?

Ed: We should see some, to Andrew’s point, some marginal downside of improvement and you know directionally as the technology projects, as the technology investments we are making, flow through.

Scott Ryall: Okay alright that's all I had thank you.

Operator: Your next question comes from Nathan Lead with Morgan's Financial. Please go ahead.

Nathan Lead: G'day guys, hopefully I'll be quick here for you. Just three very quick ones, first up I've just noticed that the contracted coal contracts there declined from 250 million tonnes to about 246 but you've

added Peabody and BlueScope so maybe if you just talk through what's happened there with the decline yeah that's the first question.

Andrew: Ed can I give that to you?

Ed: Yeah. Mostly those declines are roll-offs and nominations, downward nominations in our existing contracts you know there is one of our contracts, one of our contracts in CQCN is coming to an end, that's the Minerva contract for Sojitz but other than that I won't say when, it's in the nearer term .

Nathan Lead: Okay our second question, you know the low coal prices we're seeing at the moment is there any sort of concerns you've got when you look across your coal contract book for just I suppose what’s the right way to put it, like you know, customer survival through this period?

Ed: Nothing significant or material Nathan. We're contracted with good quality counterparts with good assets.

Nathan Lead: And Pam just on Network, you talked about having a $12 million beat against the regulatory OPEX assumption, what are you thinking going forwards in terms of just how much of a beat you can achieve over two to three years?

Pam: Thanks Nathan. In terms of cost savings, we achieved cost savings across our OPEX, maintenance and CAPEX in FY20 and Andrew and George touched on them and we don't provide targets as you know and we'll continue to look for opportunities as we have and we've proven that in the past across the transformation we've done across the group and so obviously Opex savings benefit us but lower maintenance and capital savings benefit our customers which you have also seen as well.

Operator: There are no further questions at this time. I'll now hand back for closing remarks.

Andrew: Thank you very much for spending the time with us this morning as we went through the prior year's performance and talk a little bit about what we see in the coming year. It is a year of uncertainty but I think what you've seen from our performance in the last financial year we are an extremely resilient business and able to weather any and all of the potential outcomes that you could reasonably consider that could occur. So thank you very much.

[END OF TRANSCRIPT]