

Andrew Harding: Managing Director & Chief Executive Officer

Good morning and welcome to the full year results for the 2021 financial year.

We are based in Brisbane today therefore I acknowledge the Traditional Custodians of this land, the Turrbal and Jagera people, and pay my respects to the elders 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, rail systems and office buildings where Aurizon does business, was and always will be traditional Aboriginal land.

It is obviously a challenging time with the current COVID situation and our thoughts are with individuals and communities that are being impacted. We continue to maintain our COVID protocols to ensure the continued wellbeing of our team. Flexible and remote working will be an ongoing feature for many of our head office staff for some time.

This call is being made from our head office this morning and I am here with our CFO George Lippiatt.

Joining me on the call, but dialling in from outside of the office is:

- Ed McKeiver – Group Executive Coal
- Clay McDonald – Group Executive Bulk
- Pam Bains – Group Executive Network; and
- Gareth Long – Group Executive Corporate

We will shortly go through the presentation that we lodged with the ASX this morning which is available on our website. At the end we will take your questions with the rest of the executive team.

Mike Carter, who many of you know and has been with Aurizon and previously QR for more than 30 years, will be leaving Aurizon later this year after the consolidation of various functions as part of our corporate support area review. I thank Mike for his many years of contribution to the company. Mike is also on the line and will be happy to take any questions.

Now turning to safety performance.

SLIDE 3: SAFETY PERFORMANCE

Our results have been flat across the safety metrics of Total Recordable Injury Frequency Rate (TRIFR), Lost Time Injury Frequency Rate (LTIFR) and Rail Process Safety (RPS).

TRIFR has deteriorated 3% in comparison with last year's improvement of 10%. This deterioration has been the result of an increase in low-severity strain and sprain injuries. LTIFR has improved 8% year-on-year, which is a positive trend.

RPS, a measure designed by Aurizon to improve rail safety operations, including derailments, signals passed at danger and rollingstock collisions, has been flat in recent years. RPS deteriorated 8% in FY2021. This has been caused by an increase in low severity yard derailments.

During the year we continued the Safety Leadership program that equips operational leaders with skills to effectively lead our Safety Strategy and continually improve safety in their team.

We are also focussing on initiatives to accelerate safety improvement through targeting the main contributors to TRIFR and RPS, and a specific focus on identifying and learning from events that have the potential for Serious Injury and Fatality.

Turning to an overview of performance.

SLIDE 5: FOCUS OF EACH BUSINESS

Before we get into the results for the year, I wanted to take a moment to reflect on the recent investor day and some of the key takeaways. This slide shows that each Business Unit has a unique focus but they are all aligned to common enterprise objectives.

Aurizon has a unique place in critical supply chains across the nation. Our involvement in improving these supply chains will support long term demand for key commodities on global export markets. We will continue to deploy capital efficiently to support these supply chains, with a view to generating attractive growth and shareholder returns.

For Coal the focus is return on invested capital and free cash flow. With a contract book well set, this can be achieved through a continuous push on transformation and productivity. Capital will be spent carefully with some assets able to be deployed into or shared with Bulk to support their growth ambitions because of Coal's efficiency improvements.

For Bulk with growing markets and new adjacencies the focus is on revenue and earnings growth. This requires more capital such as the two Aurizon Port Services' businesses, but it can also take advantage of assets from Coal that can be cascaded to support these growth markets.

For Network the focus is on embedding UT5 to ensure long term regulatory certainty, reducing costs and enhancing the efficiency of the supply chain which will ultimately increase throughput for the entire industry.

SLIDE 6: STRATEGIC AIM

I just reminded you about the different focus areas of the business units. And that is because this focus enables Coal and Network to provide a resilient base which provides value to our shareholders and supports the growth ambitions of Bulk. Demand for bulk commodities is expected to grow strongly and Aurizon is well positioned to capture this growth as well as new markets such as bulk port terminals.

These new markets provide a much larger potential profit pool which underpins our aspiration to more than double Bulk's current EBIT to \$250m over the next ten years. This growth could result in the commodity mix changing within Aurizon. Consequently, if Aurizon is able to capitalise on this, revenue from thermal coal could be less than 20% of the above rail portfolio by 2030.

The detailed presentation including transcripts and the webcast is available on our website for those who missed it.

Now moving on to the financial results.

SLIDE 7: FY2021 HIGHLIGHTS

We are pleased with the results of \$903m underlying EBIT being at the top of the guidance range of \$870-910m. EBITDA of almost \$1.5 billion was up 1% and it is this measure that we will focus on going forward along with capex as they are a proxy for free cash flow.

The results reflect the continued growth in Bulk, which now accounts for 32% of Above Rail's revenue, and the commencement of WIRP fees in Network.

This offsets the impact from lower volumes in Network, and a 6% reduction in Coal volumes.

We expect coal volumes to improve this year with improved demand, strong commodity prices and seaborne markets now re-balanced to offset the impact of the ongoing trade situation with China.

Statutory NPAT was steady at \$607m and ROIC was down slightly at 10.7%, consistent with the slight decline in EBIT.

Free Cash Flow was up slightly to \$734m noting that this number includes the after tax proceeds from the sale of Acacia Ridge which completed in March.

And finally our record of strong shareholder distributions through dividends and buybacks has again been demonstrated this year. We completed our \$300m buyback, taking the total buybacks completed to \$1.3 billion since 2016. The final dividend of 14.4 cents is 5% higher than last year and is equal to the interim dividend which was our highest ever. It maintains our payout ratio of 100% for over six years, with the increase reflecting the benefit from buy-backs reducing the share count.

Moving to an update on commodity markets.

SLIDE 8: COMMODITY MARKET UPDATE

After being heavily impacted in the first half of 2020, steel production recovered during the remainder of year and into 2021 with production returning to pre-COVID levels as economic activity resumed in major export nations. The month of June was the 11th consecutive month of year-on-year growth in global crude steel production.

Based on crude steel production in the first six months of 2021, India is projected to set a new annual record for this calendar year. India is of course Australia's largest metallurgical coal export market representing one-third of volume in FY21.

Thermal coal electricity generation has also returned to pre-COVID levels with the International Energy Agency noting last month that after declining by 4.6% in 2020, global thermal coal electricity will increase by almost 5% in 2021.

In further data released by the IEA just last week, the Asia share of global coal trade has reached a record high representing 85% of the market. A reminder that this is a continent where nearly all Australian coal is destined. Southeast Asia now accounts for over 40 million tonnes of Australian export volume, doubling in just three years.

Despite the Chinese ban on Australian coal import volume continuing, our customers are successfully exporting to markets outside of China with export volume in the June quarter just 1% lower than the prior year, despite zero export volume to China. Although not seeing a resolution in the foreseeable future, evidence to date continues to show the resilience of Australian coal in the face of this challenge.

We have also shown here some indicators of bulk markets although this is a more challenging task to summarise on a slide given the diversity of the commodities and the multiple drivers of demand.

Given Asia is the major key destination of bulk commodities, PMI or Purchasing Managers' Index for manufacturing industry is a reasonable starting point. This index of course measures sentiment with a reading above 50 indicating expansion in the sector and below 50 indicating a contraction. As noted on the chart, we have now seen 12 consecutive months of expansion readings.

Beyond infrastructure development, commodities such as copper and nickel that are associated with battery storage and electric vehicles, are at a multi-year high.

From an Australian perspective, the most recent six-year supply projections from the Office of the Chief Economist shows annual compound growth of:

- 5.4% for Nickel;
- 3.5% for Zinc and Iron ore; and
- some 16% for Lithium.

This has translated through to confidence in capital expenditure in metal ore mining as shown on the slide. Annual capital expenditure was a six-year high in 2020 and in the latest quarterly data, March capex was over 20% higher than the same period of the prior year.

Turning to the Coal business

SLIDE 9: COAL UPDATE

The focus for Coal business is on preserving returns and free cash flow through ongoing transformation and productivity. This, along with Network, provides a stable base which supports growth ambitions elsewhere in the company.

The financial results of EBITDA down 13% to \$533m this year were mainly driven by a 6% decline in haulage volumes which we expect to recover and grow around 5% this year. On the contracting front we are pleased to announce that we have executed contract extensions for existing agreements for all our Queensland mines with Glencore. This is in addition to the new agreement with Anglo in Queensland across multiple mines we announced in June.

After these announcements our contracted tonnage position for FY22 is now forecast at 230 million tonnes which includes the end of New Acland later this year. Importantly when looking at our contracting chart, just 10% of volumes expire within the next four years, of which only around 70% is considered contestable.

Progress on the major operational efficiencies continues as we went through in detail at the Investor Day. Precision is an enterprise-wide program designed to improve throughput for our customers and capital productivity. We achieve this by reducing asset turnaround time which is a wider measure of capital productivity compared to measures such as system velocity.

Asset turnaround time captures the relationship between:

- throughput;
- the number of train sets deployed; and
- the average time it takes each train set to complete a cycle.

In its simplest form, our aim is to achieve faster train cycles to deliver more tonnes using less trains.

This year, Network worked in conjunction with all operators to test the application of these principles in an integrated planning process. This voluntary process enabled Network to assist operators in developing optimised weekly train plans in response to customer orders. The integrated planning approach removed contested access requests whereby two or more operators seek the same path on the Network. This integrated planning revealed that planned throughput improvements were able to be achieved when compared with conventional planning methods.

Also contributing to Precision was work done during the year to reduce the time trains spend in yards. This included streamlining of wagon maintenance into blocks which, combined with on-train repair work, reduced the number of shunting movements required.

A good example of the combined results of Precision initiatives occurred in Moura where we were able to reduce asset turnaround time by around 1.7 hours on a prior comparative period basis.

For ARAM, benefits can be seen in reductions in maintenance cost and capital. Component Change Out for example reduces overhaul costs by 10-15% for our 2800 Class locomotives for our Bulk business and has now commenced in our Coal depots.

And finally, with TrainGuard, there have been some delays in the roll out of this key program of work due to supplier issues as we have previously indicated. Pleasingly in Blackwater, all locomotive and network hardware installations have been completed while in Goonyella, installation has commenced on locomotives and rail infrastructure. This project provides safety benefits through enhancements to speed control and signal enforcement and also provides a pathway to expanding driver only operations in Central Queensland. In Blackwater It is scheduled for deployment in the first half of next calendar year.

Moving to Bulk.

SLIDE 10: BULK UPDATE

The Bulk business continues to perform strongly with EBIT of \$112m and EBITDA up 27% to \$140m. Bulk now represents 32% of revenue and 26% of EBIT for the Above Rail business and as we have previously said, we expect these numbers to increase in coming years.

We have commented before how busy the team has been and you will have seen our announcement regarding a ten-year agreement to haul grain for CBH. This comes off the back of a short-term deal we announced earlier this year and completes the return to hauling for this customer after ten years. We are very happy to be back in the WA grain market in what is shaping to be a strong harvest for the farmers.

Today we also announce a three-year extension of a contract with South32 for the haulage of alumina and associated inputs at their Worsley refinery south of Perth. This continues our long standing relationship with one of our largest customers in Western Australia.

We had previously advised of the two other major contract moves on the page and the team is working hard on converting more opportunities across all regions in which we operate.

When I gave the recap on the Investor Day I spoke about the long term aspiration of Bulk to more than double EBIT over ten years. Part of this journey is moving into other parts of the supply chain including Bulk port terminals and we are pleased with how Aurizon Port Services is tracking in both Townsville and Newcastle. These terminals are strategically linked to very important minerals provinces and provide an expanded service offering to our customers.

In addition to this diversification beyond rail haulage, the Bulk business is also diversified at a commodity level with no single commodity accounting for more than 28% of revenue.

Looking forward into FY22 we are pleased with the fundamental demand drivers for the Bulk business. In the agricultural sector WA, QLD and NSW have received good autumn rains that are widespread and have supported a significant winter planting. Iron Ore prices and demand remains strong and the minerals, metals and rare earths sector continue to see positive investment in exploration and project development off the back of increasing input requirements driven by the future economy. We expect these conditions to underpin another solid year for the bulk business.

Turning now to Network.

SLIDE 11: NETWORK UPDATE

EBITDA for Network was up 6% to \$849m with revenue from WIRP fees offsetting an under-recovery from lower volumes. \$60m of WIRP fees were recognised in FY21, with \$49m relating to prior years and \$11m being the approximate annual value of fees each year until 2035.

The appeal of the Expert Determination commenced last December with the outcome to determine the final amount of the fees payable by customers.

We indicated at the half that based on volumes to date, take or pay would trigger in some of the systems. The final volumes resulted in take or pay triggering across all major systems of \$88m, bringing forward the revenue recovery to this year. The revenue cap in two years is now expected to be minimal given this larger recovery this year and the delay to the Independent Expert report.

In terms of the that report, what is called the Initial Capacity Assessment Report, it remains our expectation that this will be delivered by the Independent Expert at the end of September.

Today's results demonstrate the effectiveness of the revenue protection mechanisms with take or pay offsetting a large part of the volume-driven under recovery this year. The chart on the left shows the history of access revenue compared to volumes. You can see that revenue has remained reasonably stable despite volumes moving, particularly in 2017 and this year due to take or pay and revenue caps. We think this is a good visual representation of Network's resilience and stability over time.

And before I hand over to George, an update on the progress of some other matters.

SLIDE 12: OTHER MATTERS

The sale of Acacia Ridge completed in March which was a great result after many years of uncertainty, likewise the commencement of WIRP fees. As I just said there remains an ongoing process with the appeal of the Expert Determination and we will keep you updated on that progress.

There remains no significant update on the legal proceedings against Genesee & Wyoming with the matter currently before the Court with no trial date set as yet.

And finally, a date has been set with the declaratory relief proceedings with the ATO of March next year. As a reminder this relates to the treatment of our share capital account balance from prior to the IPO.

And on that note I will hand over to George.

George Lippiatt: Chief Financial Officer & Group Executive Strategy

SLIDE 14: KEY FINANCIAL HIGHLIGHTS

Thank you Andrew, and good morning to everyone on the call.

It's my second time talking to you about Aurizon's Full Year results, and you'll notice Andrew and I are saying very similar things to what we did this time last year. That's because, as this first page shows, the results are consistent with last year – highlighting that the business has performed well enough to offset the demand impacts from COVID and China import bans.

It will be no surprise to listeners on today's call that free cash flow is a measure I often speak of when presenting. Not only Aurizon's ability to generate strong cash flows but importantly, the options available to deploy this cash, either through growth opportunities (primarily in our Bulk business) or returned to shareholders as we have consistently demonstrated.

With this emphasis on free cash flow, we are focusing more on EBITDA and capex given they are a proxy for free cash flow. This will also be used for guidance as Andrew will present shortly.

The flat EBITDA (and EBIT) performance was driven by a volume decline in Coal being offset by improved earnings in Bulk from revenue growth and Network, primarily due to the commencement of WIRP fee billing.

There was also an improvement in the Other segment with lower central costs and profit on sale of minor real estate assets.

Group revenue declined 1%, with revenue growth in Bulk driven by new contracts and in Network driven by recognising WIRP fees for the first time following the Supreme Court decision in September 2020. Coal revenue decreased by 9% driven by volume and lower track access revenue. I will provide more detail for each business unit shortly.

There was a flat result for both NPAT (and statutory NPAT) with the:

- FY20 result including the post-tax net gain of \$74m on the sale of Rail Grinding; while the
- FY21 result excludes the post-tax net gain of \$113m on the sale of Acacia Ridge.

Although both were asset disposals, Acacia Ridge was treated as discontinued whereas Rail Grinding was considered continuing. The reason for that, as you may remember, is that we announced the sale of Acacia Ridge almost three years ago whereas we started and completed the sale of Rail Grinding within a single year.

Given the difference in treatment, free cash flow from continuing operations is lower this year but this is because the proceeds from Rail Grinding are in the FY2020 results.

To assist in comparison, we have included free cash flow figures that include both continuing and discontinued which show a 1% increase in FY2021 to \$734m.

We continue to maintain our 100% dividend payout ratio, with a final dividend of 14.4 cents per share, up 5% despite the flat underlying NPAT. The dividend is franked at 70% and takes the full year dividend to a record 28.8 cents per share.

Moving now to Coal.

SLIDE 15: COAL

EBITDA decreased \$83m or 13% to \$533m, with volumes down 6% to 202mt, primarily driven by lower end market demand impacted by COVID-19 and the challenging trade environment with China.

Beyond volumes, revenue (and also EBITDA) was impacted by:

- Some access rights being transferred to end users;
- non-pass through of Network Take-or-Pay;
- and lower yields shown in Net Revenue Quality on the bridge

Lower volumes also resulted in lower operating costs related to fuel, traincrew and maintenance but there was an increase in depreciation and support costs following investment in capacity, technology and overhauls completed on rollingstock. As a result, operating costs (excluding fuel and access) were flat.

Operationally, key productivity metrics deteriorated with lower volumes and NTKs. However, average payloads and velocity have increased as a result of successful efficiency initiatives, including increasing train lengths in the Hunter Valley and Southeast Queensland, implementing improved driver methodologies and a reduction in empty wagons on the CQCN.

Moving to Bulk.

SLIDE 16: BULK

Bulk continues its strong performance with EBITDA growth of 27% to \$140m. Previously we spoke of Bulk achieving \$100m EBIT which Clay and his team were able to not only meet, but surpass. Bulk has shown it's pretty good at out-performing expectations and we hope that's a pattern that will repeat.

In the table, you can see a 23% reduction to access costs during the year. The driver of that is a Mt Isa corridor customer taking an access agreement in-house rather than held through Aurizon. Given the pass-through nature of access that also reduced revenue by a similar amount in FY21.

While the table shows revenue up 4%, putting aside access, revenue would have increased by 10%.

Turning to the bridge, and I still remember looking at a bridge for the Bulk business in 2017 that started and ended with a negative number. It's nice to reflect on that and see where we are now. As with previous reporting periods, the EBITDA bridge is straight forward, with volumes driving revenue growth and higher operating costs to support that revenue growth.

If we turn back to the table, you can see that depreciation increased year on year – it will continue to increase as we invest further capital into Bulk, both in absolute dollar terms and as a percentage of the overall Group. This allocation of capital is based on our confidence in retaining and attracting new Bulk customers, as well as our view that Australian Bulk commodity exports will grow at GDP plus rates.

In term of tonnes, Bulk's East Coast volumes were flat driven by stronger grain volumes in NSW and QLD, offset by lower livestock volumes. In the West, iron ore volumes were up by 3 million tonnes driven by the ramp up of Mineral Resources volumes partly offset by lower Mt Gibson volumes due to end of mine life.

We expect an uplift in Bulk volumes in FY22 due to the commencement of our long-term agreement with CBH, Australia's leading grain co-operative.

This year saw the initial contribution of both Aurizon Port Services' businesses, and we should see some incremental growth to EBITDA in the future as they ramp up.

In summary, another strong performance from Bulk.

Moving to Network

SLIDE 17: NETWORK

Network EBITDA increased \$51m or 6% to \$849m. This was due to the commencement of WIRP fees and operating cost improvements offsetting a revenue under-recovery due to an 8% reduction in volumes.

As Andrew demonstrated earlier, the regulatory model provides revenue protection in periods of lower volume. A quick reminder on how the two mechanisms operate:

- Take-or-Pay, or as it would be better called – early recovery - is a contractual measure that recovers revenue in the same year; while
- Revenue cap, or as it would be better called – delayed recovery - is the mechanism which recovers anything left after Take-or-Pay and other adjustments two years later.

As usual, a summary of these mechanisms, in addition to a forward-view of the Maximum Allowable Revenue (or MAR), is included in the Appendices.

Turning to the earnings bridge and you can see that Track access revenue increased by \$47m with historical WIRP fees and take-or-pay more than offsetting the volume-related under recovery. The tariffs approved by the QCA were based on a regulatory system forecast of 239.7mt while actual tonnes were 208.3mt. As such, and given the low level of Aurizon Network caused cancellations, \$88m of take-or-pay was booked across the Blackwater, Goonyella, Moura and Newlands systems.

At the half we indicated that take or pay would trigger in at least three systems and total around \$60m but it also triggered in Blackwater, increasing the amount of take or pay this year. This brings forward the recovery from FY23 and our revenue cap expectation excluding GAPE for that year is now close to zero given the repayment of WACC due mainly to the delay in the independent expert report.

In relation to the WIRP fee, looking forward we expect the annual amount to be around \$11m until 2035. The final amount will be subject to Aurizon's appeal of the Expert Determination and the finalisation of a cost variation factor related to WIRP project costs.

Other revenue, as shown in the bridge, decreased by \$11m due to lower external construction works and insurance recoveries.

Operating costs decreased by around \$15m due to:

- lower external construction costs associated with the lower revenue;
- reduced electric traction charges; and

- lower maintenance costs partially offset by expenditure incurred on the Precision railroading initiative.

Turning to cashflow

SLIDE 18: CASHFLOW & SHAREHOLDER RETURNS

Any page with free cashflow in the title is typically my favourite slide and this is no exception.

On the left we highlight the historical amounts we make from operating the business less the amount of money we spend to sustain the operations; what's left, free cash flow, is then available to either be distributed to shareholders or invested in further growing the business.

Following on from IPO in late-2010, you can see a period of heavy investment, while post 2016 Aurizon instigated greater focus on capital and efficiency to enable stronger cashflows. You can also see that coal volumes, shown by the orange line, aren't the key driver of free cashflow for Aurizon - and that should be reinforced as our Bulk business continues to grow.

Importantly, the black line, is very consistent from 2017 onwards. It is this stability in cash flows that has enabled shareholder returns, with over \$4 billion distributed since 2016 in the form of dividends and on-market buybacks.

Briefly to Capex. Capex totalled \$490m in FY21 which is \$37m lower than the prior year, and slightly lower than our full year guidance, mainly attributable to lower Network Asset Renewals.

Non-growth capital expenditure guidance for FY2022 is \$475m – \$525m. This figure excludes growth capital and any M&A activity.

FY2022 Growth capex is dependent on Bulk contracting outcomes where there are a few live opportunities. We will be able to provide more detail at the next result but expect this to be at least \$50m.

Long-term expectations for stay in business capex remain around \$500m per year, although this is constantly reviewed in conjunction with our long-term volume outlook.

SLIDE 19: CASHFLOW

Turning to the next slide and I know this chart on the left is partly a repeat from our investor day in June - but there are two important points it emphasises:

- Firstly, you can see the differential between historical free cashflow and dividends – this demonstrates that even at 100% payout of NPAT, we still have surplus cash flow to deploy within the business or return to shareholders.
- Secondly, while aggregate dividends have remained relatively constant, dividend per share has increased due to about 150 million shares being bought back and cancelled over the last two years. This year's record total dividend payment of 28.8 cents per share is 20% higher than two years ago.

As I have noted previously, we want Aurizon to be known as a company that is predictable, resilient, and is constantly striving to create value and reward shareholders with strong returns.

Last, but not least, to Funding

SLIDE 20: FUNDING UPDATE

During the year, the Treasury team executed three debt market capital issuances representing a combined \$1.075bn with 7-10 year terms and coupons of 2.9%-3.3%. This included an inaugural issuance for Aurizon Operations – a 7-year \$500m Aussie dollar note at a coupon of 3.0%.

The three FY21 issuances can be seen in the chart on the right-hand side where we continue to lengthen the tenor of debt facilities with no maturities until June 2023. We also have significant available liquidity, with over \$1 billion including undrawn working capital facilities.

As noted at the half, with interest rates coming down, we expect our interest costs to trend lower, albeit at a slower pace given we have high levels of fixed debt within Network to align to the regulatory re-set period at the end of FY23. The recent bonds will however help to bring average rates lower and with all debt floating beyond FY23, interest costs will come down again from that point assuming rates remain low.

And finally, can I say how pleasing it is to have taken you through these financial results for FY21. While a lot of external factors have had an impact on the markets where we operate, not much has changed for Aurizon financially. Our earnings have been stable, our cashflows are strong and we've lengthened our debt profile thanks to the continuing support of capital markets.

Thank you and I'll now hand back to Andrew.

Andrew Harding: Managing Director & Chief Executive Officer

SLIDE 22: FY2022 OUTLOOK

Thanks George.

Turning now to the financial outlook for the 2022 financial year.

With our focus on free cash flow, we have determined to provide guidance for both EBITDA and sustaining capex as a proxy for free cash flow.

Our EBITDA guidance range is \$1.425 to \$1.5 billion which compares to this year's \$1.482 billion, and our sustaining capex guidance is \$475-525 million. As George noted before, growth capex will be in addition to that and we can provide a firmer picture of that next year with some Bulk growth opportunities still to be decided.

We have listed our key assumptions by business unit as we believe that will be the most useful and effective way to help investors and analysts understand the major drivers. For Coal we assume EBITDA will be broadly flat with volume growth of around 5% and lower costs from transformation being offset by lower contracted rates. We are not providing a range of volumes given we don't believe there is a strong connection between that assumption and group earnings, but we do want to give an indication of volume direction. We will also no longer provide quarterly above rail volumes, but will continue to report volumes at each financial results.

Bulk is expected to grow with the full year benefit of recent contract wins and port acquisitions.

And Network is expected to be lower with the retrospective WIRP fees of \$49m not repeating and the MAR being lower mainly due to capital recoveries to reflect lower than forecast capex spend. Network volumes will be relevant to the timing of revenue recovery as we saw this year and we will update you on that early next year.

As per our normal practice, we do not assume any material disruptions to commodity supply chains such as adverse weather or COVID related restrictions.

SLIDE 23: KEY TAKEAWAYS

In conclusion, this slide summarises Aurizon's value creation record over the past few years and provides a platform for the future. All the activities shown here have set up each business unit and ultimately the group for the future by ensuring a resilient foundation.

This has resulted in stable cash flow which has delivered consistent distributions to our shareholders as evidenced by the chart on the right.

As noted earlier, Aurizon has a unique place in critical supply chains supporting Australian commodities in global export markets. We will continue to deploy capital efficiently to support these supply chains, with a view to generating attractive growth and shareholder returns.

For Coal the focus is return on invested capital and free cash flow. With a contract book well set, this can be achieved through a continuous push on transformation and productivity. Capital will be spent carefully with some assets able to be deployed into or shared with Bulk to support their growth ambitions because of Coal's efficiency improvements.

For Bulk with growing markets and new adjacencies the focus is on revenue and earnings growth. It will need more capital which has already begun such as the two Aurizon Port Services' businesses, but it can also take advantage of fleet from Coal that can be cascaded to support these growth markets.

For Network the focus is on embedding UT5 to ensure long term regulatory certainty, reducing costs and enhancing the efficiency of the supply chain which will ultimately increase throughput for the entire industry.

The result is a business with a stable and resilient core through Coal and Network which provides a platform for Bulk to achieve its growth aspirations.

We look forward to continuing the journey for Aurizon and to continue to create value for shareholders.

I now welcome your questions.

Questions and Answers

Operator: Thank you. If you wish to ask a question, you need to press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speaker phone, please pick up the handset to ask you a question. Your first question comes from Matt Ryan Barrenjoey. Please go ahead.

Matt Ryan: Hi, Andrew. Hi, George. Just with capital management, I think you just mentioned in your last slide that there's still some bulk growth opportunities that are yet to be decided, but can we assume from the lack of the buyback announcement today that that decision's got something to do with the OneRail process that's still ongoing?

Andrew Harding: Hi, Matt. Look, I think we will leave it at the level of that which we said, which is that there are a number of opportunities in front of Bulk. While those opportunities exist and the opportunity to add value through them may occur, we want to actually stay where we're currently at from a buy back point of view.

Matt Ryan: Okay, and I'm not sure whether Clay is on the line or not, but my understanding is that the deal that you did last week with CBH, only about 60% of the 14 million tonnes is on rail at the moment. So, just curious on whether it's going to be possible to move more of those tonnes to rail over time, and just any colour that you can talk about in regards to what you're going to be contributing to train sets. I understand that there's only something like three of the 13 train sets that need to come from Aurizon. So, just any colour there would be helpful.

Andrew Harding: You are there, Clay?

Clay McDonald: Yeah, yeah. Thanks, Andrew. Thanks, Matt. Listen, Matt, we're delighted to be working with CBH again, and for those that don't know much about CBH, they're Australia's largest grain exporter, with about 40% of the total grain market and an average deal around 14 and a half million tonnes. You're right about the road to rail split at the moment. It's about 60/40, but CBH is on the record as saying that they had been disappointed with the performance of their supply chain, particularly in the rail area, and looking for a counterparty that can perform more reliably and add value to their customers' product.

When you think about that, it's about the benefits and efficiency of moving more of their product to rail. So, we're very keen to do that. Obviously, it's got a symbiotic benefit in a cost improvement for CBH and their customers and a volume benefit for us. If you think about what we've tried to do here, I'll use this as the classic case of two years of hard work to achieve an overnight success with CBH, we've been working with them for some time on wagon leasing, fleet renewal work, and providing additional capacity in some of their regions.

And so, our RFP was all about utilising key land and locations to enhance their operational maintenance outcomes. But that Flexi fleet that you spoke of about, putting three additional fleets in, two narrow-gauge and one standard-gauge, to increase throughput in the key delivery windows for them. They had this key delivery window where their growers get a higher price for their product on the international

market. And they were very keen to see that window or volumes through that window increase. And so, we'll be targeting that with those three additional fleets.

Matt Ryan: Can I just ask on that, how unique is this opportunity whereby there is already train sets in place? Is this something that you think there's more of out there for you?

Clay McDonald: Do you mean more CBH style customers?

Matt Ryan: Yeah, or just the idea that they've already got something like 10 of their own train sets and that you're only having to contribute a few of your own.

Clay McDonald: Well, if you look across our portfolio, Matt, we do something similar with MRL. We've got hook and pull style contracts with Linfox. This style of type of contracts are not unusual in the bulk market. And so, whether you're operating and maintaining a customer's fleet and capital, or whether you're augmenting that with your own, you're always after what's the value proposition here for the customer. What makes your proposition

Clay McDonald: And in this case, it was those key land locations of Avon and Forrestfield and Albany, where we've got maintenance facilities and the ability to schedule trains from Avon down to the key port of Kwinana better than what was happening today, so we can stage them out of Avon to increase throughput on rail. Those sort of opportunities are around, probably not on the scale of CBH in the grain market. This is the largest grain producer in Australia by a long way.

Matt Ryan: Thank you.

Operator: Thank you. Your next question comes from Jakob Cakarnis from Jarden. Please go ahead.

Jakob Cakarnis: Morning guys. Can I just start off with maybe Ed and George in the coal business? Can you just describe the dynamic there of the non pass through of the take or pay in the period and what that relates to and whether that's something that we should expect moving forward.

Andrew Harding: I might get George to go first on that and then Ed can come in on the back end if needed.

George Lippiatt: Yeah. Jakob. So you can see that in the bridge under coal about \$10 million and it was booked in the second half, which is why you might notice that second half earnings in coal were a bit weaker than the first half. That relates to a small number of customer contracts, where we hold the take or pay risk. They are legacy contracts. They've been renewed since, but they are legacy contracts and it is a small number of them. Hopefully that gives you some colour.

Operator: Thank you.

Ed McKeiver: I don't have anything to add to the response.

- Jakob Cakarnis: For FY22, are we expecting that the relationship of the change between CapEx and the change between D&A keeps mis-sized in the sense that D&A or the change in D&A is going to be higher than the change in CapEx, just given the CapEx is going into bulk?
- George Lippiatt: Jakob, I think I missed the first part of your question, but I think generally it was about DA and CapEx, so let me answer that and tell me if there's anything else. So we saw depreciation amortisation increase by that 20 million from FY20 to '21. We expect it to go up again from '21 to '22. And in terms of CapEx, I think that'll largely be a function of growth CapEx in bulk. So we hope to give a bit more colour on that at the half year results. But generally speaking, you can expect DA to go up a little bit more year on year from '21 to '22.
- Jakob Cakarnis: Thanks guys.
- Operator: Thank you. Your next question comes from Anthony Moulder from Jefferies. Please go ahead.
- Anthony Moulder: Good morning all. If I can start on Coal, please. I think Andrew, you mentioned that 70% of those contracts that are renewing are contestable. How do you determine the contestability of those contracts, please?
- Andrew Harding: Ed, I might get you to answer that question. Thanks.
- Ed McKeiver: Yes. Thank you, Andrew. Thank you for your question, Anthony. The reason we're saying we believe 70% of them, is contestable, because the other 30% relate to options we have and nominations. In relation to the 70% contestable, we have a reasonable level of confidence around our ability to re-contract. We have a good track record and we have some balance of that customer focus and service, and also the mechanisms we have, have served us well, but we never threatened us about an incident. So, rest assured we're working on positioning ourselves for those contracts.
- Andrew Harding: Yeah. Anthony, I might just add that a significant amount of the volume relates to the New Hope operation, which is winding down. So by that very nature of it's not contestable. There is another operation that I can't name for contractual reasons. The customer references confidentiality on a repeated basis. It was a contract that we lost many years ago, but actually terminates in the near future.
- Anthony Moulder: Just related to that, the competitive dynamic on the coal market, obviously we've seen OneRail going into Queensland, I don't know whether or not that's part of the Hail Creek, one to 2 million tonnes coming out, but just as to what you're seeing from them and the level of competitiveness from Pacific National also please.
- Andrew Harding: Yeah, look, I've probably addressed this question many times over the years and I don't think it actually changes much Anthony. We're seeing very similar levels of competition in the market now for a number of years. Nothing much has changed from our point of view. As to exactly what OneRail's up to, we don't actually get a lot of insight into that, so I can't really speak to the detail of what they might be doing, particularly as it's at a competitor haul's operation.

Anthony Moulder: Okay. I thought I'd try again. The last question I had was around CapEx. Obviously maintenance CapEx seems to be fairly steadily around that same level. I appreciate there is growth CapEx and that's nice to see, growth CapEx. But appreciate that trains are getting longer. There are less assets required to haul the same tonnages effectively. When could we start to see that maintenance level of CapEx starting to come down?

Andrew Harding: There's a number of overlapping issues that you're looking at when you're looking at for CapEx for maintenance then. I've highlighted in my talking points, about the above rail asset management program. That is a program that is designed to cause significant reductions in the cost is done. And we've been seeing that program rolling out for some time now to good effect, and that will continue for a very long time.

So that's a tailwind of an improving ability to do maintenance and do it at improving cost. As far as the actual maintenance task itself, and I think you were just referring to rollingstock in your question, but it does also relate to Below Rail. It's a very mathematical thing the maintenance costs. The metal like wheels wear depending on the volume hauled, the distance travelled. So, it's not something that goes down if you do more work at a physical level, only if you're actually better at executing the cost of maintenance

So all that said, we will absolutely see improvements in our efficiency of asset management, and we have done quite spectacularly in the last year also. And we'll see that again for a number of years, but as the actual activity task goes up, that's not going to help our maintenance levels drop. It's actually quite intrinsically mathematically related, if that makes sense.

Anthony Moulder: Right. I'll leave it. Thank you.

Operator: Thank you. Your next question comes from Rob Koh from Morgan Stanley. Please go ahead.

Rob Koh: Thank you. I just want to ask some, I guess, treasury style questions. Can you give us an update on where you're seeing your debt headroom versus the rating metrics? I presume you're not changing your target ratings.

Andrew Harding: Rob, I'm going to hand this very quickly over to George.

George Lippiatt: Hi Rob. So we're still BBB+, BAA1 across network and operations. Our FFO to debt metrics in network are 13%. We're much closer to 20% than 13%. So when we look out range between 17 and 20, a bit of headroom there. And on operations, while it's the same rating, different FFO to debt metrics. So the FFO to debt threshold there is 50%. Noting my comments around capacity and balance sheet capacity, that's largely on the operations side as well. So compared with that 50% FFO to debt threshold, we're going to range between 70 to 100% when we look forward. That's obviously as we sit here today and depends on how we use that balance sheet capacity, but hopefully that gives you a sense.

Rob Koh: Okay, cool. Thank you. And then just seeing as, it seems you guys love treasury questions, I'll ask another one. The rate hedging strategy, did I hear correctly that

you're actually largely floating from FY23 and just the rationale behind that. That's a change in policy if I'm not incorrect, if I'm not mistaken.

George Lippiatt: Rob, it's a continuation. And the rationale for that is most of our debt sits in network at this point of time. And there is a whack reset in FY1 23 in network. So we're floating in terms of debt, beyond that, to hedge ourselves to that whack reset. If you look between now and FY23 our hedging, we're about 80 to 90% fixed between now and FY23.

Rob Koh: Yeah. Okay, cool. That makes a lot of sense. Thank you very much. That's it from me?

Operator: Thank you. Your next question comes from Justin Barratt from CLSA. Please go ahead.

Justin Barratt: Hi guys. Thanks again for your time this morning. Just one quick question for George. I think you highlighted or mentioned very quickly the impact on EBITDA margins from new contracts in bulk. Can you just maybe provide a little bit more detail? Could broader bulk margins, be a little bit compressed as you onboard these contracts and then expand as they are up and running?

George Lippiatt: Yeah, I mean, I might start that one and then maybe Clay can see if he wants to add anything. If you look, Justin, at the EBIT margin results for bulk, year on year, our EBIT margins have actually improved. So if you go back to FY20, our EBIT margins were around 15%. EBIT margins as we look at FY21 results are closer to 18% and that's EBIT divided by revenue, including access. In terms of the forward view, it'll really depend on where bulk is growing and whether that's growth through taking share off road or whether that's growing with our existing bulk commodity customers. So that's the view as we sit here today. I might see if Clay wants to add anything.

Clay McDonald: No, I think you're spot on George. It's a case by case basis. Obviously competition in some sectors and some corridors, there's more competition there than others. Sometimes, in a well-established contract, you have the ability to renew that contract on reasonable returns, others when you're trying to break into the market, et cetera. So no, I think that's a fair response.

Justin Barratt: Great. Thanks very much for your time guys.

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

Scott Ryall: Hi there. Thank you very much. George, I was hoping to follow up on Rob's question on the balance sheet capacity. Could you just specify exactly how much capacity you believe you've got left after the capital management activity you've done in the last couple of years?

George Lippiatt: Yeah Scott, it's got about 900 million of balance capacity. And that's obviously after the \$300 million buyback we did in FY21.

- Scott Ryall: Yep. Gotcha. Okay. Thank you. And then this is probably going to end up with Ed, but Andrew, maybe you want to start with it. The coal contracted volumes of 230 are down 5% from the year just gone. Is that mostly New Acland expiring?
- Andrew Harding: I might actually just give that straight to Ed.
- Ed McKeiver: Hi Scott. Yes, it is New Acland, but it's also the contract Andrew alluded to in New South Wales in the Hunter Valley system that we're not obliged to comment on. And also it was in the loss of Stanwell from December, eight months ago, which is not carrying forward as well, of course.
- Scott Ryall: Yep. Okay. And then just to follow on, on that, so your contracted volume's down 5% but your volumes, you're expecting up five, and I understand there's been some disruptions and things in the last 12 months obviously, but that would get you to a contract utilisation rate that you haven't seen since fiscal '18. I mean, obviously you're comfortable with it to talk about it, but what do you think is the driver behind getting back to strong contract utilisation rates please?
- Ed McKeiver: Thank you. I would actually think that getting back to those 90% contract utilisation rates are not particularly strong of the early nineties. As you know, we had 244 contracted moving to 230. We railed in the mid or low eighties of that. And historically we've had a good track record of delivering around those low nineties in the contract utilisation. So we're seeing now our customers have found new end markets, seaborne trade has rebalanced. We've seen a reasonable start to this financial year with July just closed, and some of our competitors jostling for capacity, certainly in the Queensland system. It's always difficult to predict where things are going to be, but gives me some certainty, and us some certainty around the 5% volume uplift to about 212.
- Scott Ryall: All right, great. And then my last one, probably is for Andrew. Could you just talk about the Independent Expert on Network and just clarify, obviously that's a process that's been delayed and I'm sure a source of frustration, you have confidence that the report will come by the end of September?
- Andrew Harding: Yes, Scott. I've got a lot of confidence in it but I will actually hand over to Pam, who lives and breathes this stuff and is very much ready for your question. Pam.
- Pam Bains: Thanks, Andrew and thanks, Scott. So yes, the current expectation has not changed as we've talked about at Investor Day. In terms of confidence levels, we've obviously very closely working with the Independent Expert. We know they're well-resourced and both internal staff and also consultants. The system operating parameters, which is a key input into that capacity model has been released to industry for consultation, and that's a key part of the process. So obviously the results can change from consultation, but we do understand that the independent expert is progressing well on the draught model and all the information that we've received from the independent experts indicates that they remain on track to deliver at the end of quarter one. And then obviously we have the 20 days to respond to that report.
- Scott Ryall: Okay, great. And just lastly, hope Mike Carter enjoys his time off. Thanks for the 10 plus years of interaction. That's all I wanted to say. Thank you.

- Andrew Harding: Thanks very much, Scott, on behalf of Mike, unless Mike wants to say something.
- Mike Carter: Thanks, Scott. Your questions have always been fantastic and I'm disappointed we didn't talk TrainGuard, but maybe someday we will again. It's been a great journey. Thank you.
- Scott Ryall: Thank you.
- Andrew Harding: I can't see his face, but it feels like there's a big smile on it. Yeah, let's stop there.
- Operator: Thank you. Your next question comes from Owen Birrell from RBC. Please go ahead.
- Owen Birrell: Hey guys. Thanks for taking my question. Just got a general question at the outset as to why the guidance was changed from EBIT guidance to EBITDA. And can you give us a bit of a sense on where D&A is likely to go into FY22?
- Andrew Harding: George, do you want to pick that one up?
- George Lippiatt: Sure, Owen. You might've seen at our June Investor Day, we're focusing much more on free cash flow going forward. So what we decided to do is to give guidance on both EBITDA and CapEx as a better proxy for free cash flows. So that's the driver for the change. In terms of the second part of your question around where DA is going, it increased 20 million from FY20 to 21. I'd expect it to increase a little bit more from '21 to '22, so starting to approach 600.
- Owen Birrell: Okay. And can I ask you, I guess, associated with that, are there any, I guess operating assets that you expect to move into leases over the next 12 months to obviously impact that EBITDA number?
- George Lippiatt: No, Owen, there aren't.
- Owen Birrell: Okay, thanks. Just a question on Network. The last couple of years, obviously there's been a bit of a structural change in the coal market, and I note that the realised tonnes have started to deviate from the forecast tonnes set out in the UT5, and so that's basically resulting in under recovery on a go forward basis. And I'm just wondering, is there any facility or when is the next time that regulated forecast tonnes reset? Is there a trigger for that to reset?
- Andrew Harding: Pam, do you want to take the question and maybe just cover a bit of the process by which the volumes are set?
- Pam Bains: Yep. Thank you. Thank you, Owen. Basically, the forecast volumes are only applicable for a year. So each year we reset those volumes. So the purpose of volumes is really to recover the agreed revenue for the year. So under over recoveries isn't into the future generally, it's subject to the volumes that you've agreed with the regulator. So they were very high for the year just gone, and obviously didn't anticipate the COVID impact. So the next year's volumes have been set at a lower level. So it's an annual process.

- Owen Birrell: They have been reset down. Okay. And just one for the Above Rail business, looking at the margins in Coal, they've gradually been slipping year over year as the lower yield started to come through. You've done a great job of reducing your operating costs to try and hold that line on the margins, but given where the yields are going over the next couple of years, how confident are you that you can continue to remove operating costs, to hold the line on the margins there?
- Andrew Harding: Ed, I'll let you pick that one up.
- Ed McKeiver: Oh yes. Thank you. Thanks. Andrew and thanks, Owen. Look, it's been the game for some years now, keeping ahead on the cost front to offset the rate pressure. As I outlined at the Investor Day earlier this year, the headroom, or the air cover that the secure contract book gives us now, really lets us focus on harvesting the investments we've made in technology.
- So the combination of TrainGuard and the turnaround time improvements, we're seeing through precision, along with the new approaches to cost reduction and efficiency in maintenance through the ARAM project, the combination of those things, gives me a high level of confidence about our ability to continue to take cost out of the business.
- We're seeing our employees also respond to their current operating context and high levels of annual leave. Our annual leave consumption was up 36% during the year. Our overtime was down 16% as our workforce also worked with us, I'm proud to say, to help pull in the costs, given the volatile market.
- Owen Birrell: Great. Can I just have this one final question? I did notice that in one of the small print, it said that you'd sold all the shares in Aquila. Just want to confirm that you've got no interest in Aquila anymore.
- Andrew Harding: I can confirm we have no interest in Aquila.
- Owen Birrell: Okay. Excellent.
- Operator: Thank you. Your next question comes from Cameron McDonald from Evans and Partners. Please go ahead.
- Cameron McDonald: Good afternoon, Andrew. Can I just go back to that last question about the rate pressure? And I think you guided that with a 5% volume up uplift and some cost out, you would end up with a flat coal EBITDA number for FY22. So that implies that the rate pressure is in excess at 5%, probably 6 or 7. So how do we think about that rate pressure through to FY23, if you've only got 7% of volume that's been contestable?
- Andrew Harding: Okay. George, I might get you to start on that and then Ed can add if he sees the need to.
- George Lippiatt: Sure. Cameron, so you're right. We're expecting broadly flat earnings in coal, despite volumes up by 5%. Bear in mind, a lot of the contracts that are now flowing through on lower rates, were assigned two, three years ago. There's a bit of a lag between when signing contracts and when they come through. When you start to look out two

or three years, that's more contracts that we're signing today. So we would expect to see beyond FY22, depending on where volumes go, an uptick in earnings in coal, as not only volumes come back, but the benefit of our transformation programs come through. So Above Rail Asset Management, Project Precision, they will start to take effect and realise cost savings beyond FY22. That should see those coal earnings increase off the current base.

Andrew Harding: Ed, you-

Ed McKeiver: I don't have anything to add.

Andrew Harding: I was going to say, he didn't leave you much left, did he?

Ed McKeiver: No.

Cameron McDonald: So do we imply from that, that from FY23 onwards that the rate pressure isn't as much as what we're currently seeing at the moment?

George Lippiatt: Yeah. It's a function of whether new capacity comes into the market. But if you look at where we sit today, we're not seeing a lot of new contracts over the next three or four years. And therefore we'd expect rates to be largely set for the next three or four years.

Ed McKeiver: Cameron, I was just going to add to that. I mean, the rates are always, it's interesting that it's not an average in terms of the rate pressure. Obviously some customers actually don't seek any rate. They're quite content as we read contract business, and they're looking for different flexibility or a different performance mechanisms and others, price is very important. So George is correct, there's multiple factors and it really will depend on whether competitors are prepared to reinvest as well. I think we're reaching an interesting inflexion point in the market and I don't see a lot of downward rate pressure in the next few years. Given the contestable contracts we have ahead of us in the next three to four year period.

Cameron McDonald: Okay, great. Thank you. Just a last question from me. In that Bulk market and you've identified that area as being potentially, having some opportunities with growth CapEx and obviously now no new announcement around a buyback. You've previously indicated that you would assess all growth opportunities against internal capital management and buying back your own stock. Is that still the framework that you will be assessing growth CapEx opportunities, particularly if it's in material amount of growth CapEx?

Andrew Harding: I can confirm that the way we've described the process in the past, is exactly the way we will actually conduct any evaluations that we currently have underway or would have in the future.

Cameron McDonald: That sets a pretty high bar for growth CapEx.

Andrew Harding: But it's the way we're going to do it.

Cameron McDonald: Okay, great. Thank you very much.

- Operator: Thank you. Your next question comes from Ian Myles from Macquarie. Please go ahead.
- Ian Myles: Hi guys. Sorry for probably labouring you. Just on that Coal side of the business, is the Glencore reset, sort of the last of the largest sets of contracts, which have now gone through repricing? So from sort of FY23 onwards, as we see further volume recovery, we should actually see the benefits of TrainGuard and your other initiatives starting to actually come through the bottom line?
- Andrew Harding: Ed, do you want to answer that?
- Ed McKeiver: Yeah. The short answer is yes, Ian. Yes. Although, without going into any of the terms of the Glencore reset or re-rollover of the contracts and extensions. Price was not the main factor with that particular contract and it often isn't with Glencore, they're much more focused on delivery performance.
- Ian Myles: Okay. That is fair to say. So from an operational point of view, are we now at a point that the Queensland and the New South Wales fleet in Coal is fully contracted? It may not be fully utilised, but you don't actually have capacity to contract more in without new capacity or bringing trains back from WA?
- Ed McKeiver: Yes, other than the... Sorry. Andrew, did you want to take that one?
- Andrew Harding: I was just going say, Ian, don't forget the work we're doing on Project Precision, that actually creates capacity from the existing fleet. But other than that, I'll leave it to Ed to finish.
- Ed McKeiver: I was going to say the same thing. Capacity release is the name of the game. Our aspiration is to improve the productivity of our assets, to the point where we release capacity rather than outlaid capital. And if we can't sell the business, then we cascade to Bulk.
- Ian Myles: That's great. And then BHP Nickel West, you've canned that contract and maybe I'm a bit ignorant. Can you just give us a bit of rundown, why that contract couldn't be extended, renewed or repriced, given that Bulk is actually a large part of your business? I guess the extension is, you talk about metals and other opportunities out there. Would you just sort of maybe colour where you're seeing some of those other opportunities in the lithium or metal space?
- Andrew Harding: Clay, I'll hand that one over to you.
- Clay McDonald: Thanks Ian. As we communicated before, that Nickel West contract was a significant reform contract for us and in the end, we just could not reach commercial terms with BHP. So we weren't willing and they weren't willing to, in the end come to an agreement and so we weren't able to reform that one.
- If you think about what we've done since then, that capacity on that impacted freighter has been back filled with new customers. Not all of it, but a significant amount of it. And additional labour or rollingstock that was utilised to support Nickel West has now found its way into supporting other customers on east-west

services. I think you see some growth there in the MRL iron ore numbers and we've rolled out some of the higher capacity wagons that we used for Nickel West and we've deployed those for other customers. So we've kind of reformed that without Nickel West.

In regards to sort of other opportunities, sort of the brownfield and greenfield growth pipeline in bulk remains really positive. And you recall from Investor Day, the slide with the 1,400 projects currently at various stages of development. So now we know that all of those won't come through, but the projection is a CAGR of around 3% of growth. So there's this really rich pipeline in sort of short-term, medium-term and longer-term opportunities that we're looking to prosecute. I think Andrew mentioned it in the fundamentals for next year look strong. We've had good, broad range for agri business and positive commodity prices underpinning the minerals and metals business next year.

Ian Myles: Okay. I'll just say, one final question on Nickel West. Did that actually go to rail or has it gone to truck, as an alternative?

Clay McDonald: Listen, I don't entirely know what the end result of their operational solution was. So you'll have to ask Nickel West that one.

Ian Myles: Okay. Thank you.

Operator: Thank you. Your next question comes from Sam Seow from Citi. Please go ahead.

Sam Seow: Morning all. Thanks for taking my questions. On Bulk, it looks like it's been a fairly strong environment with elevated demand for iron ore, based metals in ag. We just wanted to understand and get some more colour around that 10%. What you think was an uplift in volumes from existing customers, versus market share gains and contributions from acquisition?

Andrew Harding: You want to give a bit more colour on that breakdown?

Clay McDonald: Yeah, sure. So the year for us was driven by increased volumes or revenue from MRL, Rio, the Port Services business and some spot grain, but offset by Mount Gibson with the closure of the Extension Hill mine. That's the planned closure and some poor large stock volumes. Going forward, I think it's well-publicised. Mount Gibson are looking to reopen Shine, but the rest of the sort of volume increase year on year came and the revenue increase came primarily from those four customers.

Sam Seow: Sure. And I guess, also looking at the bulk transformations since FY17. I mean, revenues largely look flat. I mean, granted, we can't see access costs back that far, but it appears that 100 mill turn around and lower costs. I guess 50 mill reduction in D&A have been pretty key drivers. Just interested to know, I guess, if you need to accelerate your top line growth and if you need to kind of double market share targets. Then in terms of margin, passively think of cost in D&A, as I'm assuming you'll be reinvesting into the business to get that growth.

Clay McDonald: I would say, if George and Andrew have got us doubling the size of the business in the next 10 years. Yes, we've absolutely got to drive that top line growth. And if you think about our investment in the port services in Townsville and Newcastle, that's all part of that positioning to support long-term increasing revenue and long long-term growth. So we're confident about the market, we're confident about expanding in the market as a supply chain service. So moving out of just a core rail business, into port and then road that contributes to our business are expanding in that supply chain. We know that supply chain business, as far as the bulk market goes, is currently around 10 billion in revenue, moving to 13 billion in revenue. So we're looking to take a 20 to 25% market share in that particular market.

So yes, got to continue to drive the top line growth. On the cost side, since the turnaround, we've continued to be very focused on cost management and transformation. And I guess, it's best outlined by the fact that in the last four years, revenue is up 16%, but the real operating costs have reduced by 2%. So we continue to focus on that. There's always opportunities to do more there and that will be part of our DNA, that we embed in the business going forward. On depreciation, I think we're up 8 million this year from last year. So 20 to 28 and a lot of that increase in depreciation will depend on growth opportunities, but you'd expect if we're growing and we need more capital, that D&A will increase along. Anything else I've missed there, George?

George Lippiatt: No, it's a good summary Clay.

Sam Seow: Thanks guys.

Operator: Thank you. Your next question comes from Paul Butler from Credit Suisse. Please go ahead.

Paul Butler: Just one quick question. On slide 18, where you have that comparison of free cash flow versus the coal volumes. Does the free cash flow data on there include asset sales or is that excluded?

George Lippiatt: No, Paul. It includes both assets sales, but it also includes acquisitions during the year. So it includes both of those for FY21 and FY20.

Paul Butler: Okay. So if you took out the asset sales, wouldn't that free cash flow line look a bit more similar to what's happened to volumes or is that not the case?

George Lippiatt: It would be down a little bit in '21, but bear in mind it would also be down in '20, because of Rail Grinding that we sold in '20. Whereas the cash tax for Rail Grinding was actually paid in the '21 year, rather than the '20 year.

Paul Butler: Right. Okay. Very good. Thanks very much.

Operator: Thank you. Your next question comes from Nathan Lead from Morgans. Please go ahead.

Nathan Lead: Good day team. Thanks for your presentation, it's just three quick questions from me. The first one, I'm just interested in the profile for tax going forward. Obviously with the

government budget allowing for that immediate expensing a CapEx and just what that may look like in terms of the franking percentage for the dividends going forward.

George Lippiatt: I think Andrew is looking at me, Nathan, so I'll take that question. Look, I might start with the franking question. This dividend franked at 70%, it's been that for the last few years, expect that to be the case going forward. That's just driven by the difference between our cash tax rate and our accounting tax rate. In terms of the absolute quantum of tax, expect that to step down in '22 and '23. I won't put a quantum on that yet, because we're still working through what capital in our plan is going to be able to qualify for the instant asset write off. So it will step down, but I won't give you a number just yet.

Nathan Lead: Okay. Sounds good. Second question. I'm just interested that the comments you've made about the \$900 million of debt capacity. I'm just interested, are the rating agencies starting to talk about tightening up the metrics you require at the rating band, to do with, I suppose the growth in Bulk? Which I suppose is a whole lower quality earning stream than the Coal and Network. And then also, I suppose, thinking longer-term. I suppose you've presented those, some of the scenarios were a negative coal outlook scenarios at the Investor Day. What's your thinking with the debt capacity, when you're looking at those longer-term negative scenarios?

George Lippiatt: Nathan, the short answer is no. The rating agencies aren't having that discussion with us. And if anything, I think the scenarios that we showed in June are very helpful, because I think that they show that even in more extreme volume scenarios, our free cashflow at a group level is fairly stable.

Nathan Lead: Okay, great. And then another one, if I look at slide 53, the cohort contract expires. I'm just interested, I suppose there's an assumption there that we might think that you continue to roll those contracts, but is there a risk around the mining leases themselves being extended? And I suppose where this has come from is, I believe there's been some concern amongst the potential bidders for the Mount Arthur mine, about whether the mining leases would actually extend. Could you make a comment on that and whether there's any risk around significant expiries there?

Andrew Harding: Ed, I might get you to cover off on that one.

Ed McKeiver: Oh, yeah. Thank you, Andrew and thank you, Nathan. Look, there's always a risk and it's something we certainly model in our scenario analysis that George talked through it at Investor Day. That is the regulatory environment. I mean, it's a broader problem of course for the industry and what we typically see though, that some of our high quality counterparts like BHP, are adept at working through the policy and regulatory framework. So yes, it's a risk. We think it's a low one currently, but we watch it carefully.

Nathan Lead: Okay. Thanks guys.

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

- Scott Ryall: Hi, sorry. I forgot to ask, when I asked Pam about the Independent Expert before. What is the assumption for your guidance for this year? What's the assumption in terms of the step up in WACC, the timing at which that takes place, please?
- Andrew Harding: George, I might get you to cover that.
- George Lippiatt: Scott, the timing of the IE report won't make any difference to FY22, because the tariffs approved by the regulator are set at effectively 6.3%. What the timing will make a difference for, is the revenue cap calculation, which will be for FY24. So two years after '22. So that's in relation to guidance. I'm not sure, Pam, whether you wanted to add anything?
- Pam: No, you've covered it, George. Thank you.
- Scott Ryall: Okay. All right. Understood. Thank you. That's all I had.
- Operator: Thank you. There are no further questions at this time. I'll now hand back to Mr. Harding for closing remarks.
- Andrew Harding: Look, I would like to thank all of you for sitting through results with us. You can see the value creation record continuing even in a year that was fairly tough, from a COVID-19 point of view, and also the trade issues with China. Hopefully you can see how we're building through the Bulk business, and supported by the Network and the Coal businesses is a strong platform for the future. Thank you very much.

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