Andrew Harding: Managing Director & Chief Executive Officer

Good morning and welcome to the interim results for the 2022 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.

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

Also 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 also available on our website.

At the end of the presentation, we will take your questions with the rest of the executive team.

Turning to safety performance.

SLIDE 3: SAFETY PERFORMANCE

I am pleased to report a continued improvement in our total recordable injury frequency rate, which encompasses all reportable injuries including restricted work injuries. Importantly there has also been a continued reduction in injury severity, as shown by the reduction in Lost Time Injuries.

We have also seen a significant improvement in Rail Process Safety (or RPS), down 24% compared to FY2021. This measure records derailments, signals passed at danger and rollingstock collisions, of which a large portion are low consequence yard events.

A fourth measure is included on this slide – Potential Serious Injury and Fatality Frequency Rate (or SIFRa+p). This measures the number of events that had the potential to cause, or did cause, a serious injury or fatality. The result is expressed per million hours worked.

I would underline that SIFR measures both potential and actual events. It reinforces our determination to focus on what matters and how we continue to work to identify and prevent serious injuries and fatalities.

In addition to maintaining focus on incidents with the potential for severe consequences, SIFR more comprehensively represents our evolving operating environment. Whereas RPS is limited to rail operations, SIFR covers all operations, including our expansion into additional parts of the supply chain such as port terminals.

No serious injuries were recorded in the first half, with the measure therefore consisting solely of events that had the potential to cause serious injuries.

Our focus remains on protecting our employees, our customers and the communities in which we operate.

Turning now to the work we are doing to effectively manage health and operational requirements during the pandemic.

SLIDE 4: COVID UPDATE

During the half, the business faced the same COVID-related challenges that most businesses in the country are facing, such as absenteeism, and most importantly, protecting the health of employees amid rising numbers in the community. Since mid-2020 we have embedded several strict protocols aligned with government and expert health advice.

With most borders reopening in December and the rapid increase in community infections nationally, we stepped up our efforts under the direction of the Aurizon Crisis Management Team. This group has guided our decision-making on how we best protect employees and how we run the business, based on expert advice from health and government authorities. I chair this group which includes key leaders and our own Chief Medical Officer.

Despite COVID-related challenges, our employees have shown great discipline in both their health and delivering for our customers, which is reflected in the financial results presented today.

As such, we saw limited operational impact to our business in the half, although we have seen lower demand for rail services as customers appear to be more affected. Border closures have limited the ability for train crew to relocate to demand centres, especially to Western Australia where we have been recruiting extensively for our grain operations.

As expected, Aurizon is now seeing some infections in our workforce which we are managing closely, both from a health and an operational perspective. Our absenteeism for COVID is currently running at lower than industry levels.

We do have some advantages in limiting exposure for our employees:

1. The vast majority of our services operate wholly within the states of Queensland, Western Australia and New South Wales and do not cross interstate borders;
2. More than 80 per cent of our employees work in regional areas of Australia which, to date, generally have been less impacted by outbreaks; and finally,
3. Our trains typically only have one or two crew members aboard.

As an essential service, we have been able to continue to operate the freight supply chains that are vital for our communities, farmers, manufacturers and the resources sector. Aurizon teams across the country have delivered safely and reliably for customers throughout the pandemic. Their dedication has helped keep our workplaces safe.

Now moving on to the performance overview.

SLIDE 6: 1HFY2022 RESULTS

The financial results for the last six months were solid despite lower above rail volumes. Group EBITDA was lower by $11m (or 1%) but a reminder that the corresponding period last year first recognised WIRP fees in Network, including $49m of historical fees. If we excluded those historical fees from the prior year numbers, EBITDA, NPAT and ROIC would have improved with EBITDA increasing 5%.

Despite lower volumes, both the Coal and Bulk business units recorded higher EBITDA results. The uplift in Bulk earnings was limited due to the costs associated with the recently commenced CBH grain contract in Western Australia. We expect volumes to ramp up this half given the record harvest.

Free cashflow increased 26% to $362m primarily due to lower tax and acquisitions in the corresponding period last year, and again provides evidence of the resilience of cash flow under various conditions.

An interim dividend of 10.5 cents per share (95% franked) has been declared, representing a payout ratio of 75% of underlying NPAT for the continuing operations. This is a decrease of 27%, to support the announced acquisition of One Rail given the commitment to current credit ratings.

Moving to an update on commodity markets.

SLIDE 7: COMMODITY MARKET UPDATE

After being heavily impacted by COVID-related disruptions during 2020, steel production recovered throughout 2021 resulting in record global production in the calendar year. A reminder that around three-quarters of global steel is produced using metallurgical coal and Australia is the largest export nation.

Although there has been some unloading of Australian coal in China in the December quarter, no export volume has left Australia since January 2021 with the ban still very much in force.

In 2021, our customers successfully replaced around 95% of the 74 million tonnes of coal that was exported to China in the prior year. This is supported by strong steel production in other nations, particularly in India, which saw record annual crude steel production in 2021.

Record high prices were reached for both hard coking coal and thermal coal during the past six months, currently trading at over $400 and $200 per tonne respectively. Clearly this is positive for industry margins and government royalties and taxes.

Turning to Bulk markets - a record grain export volume is expected for the 2021-2022 season, supported by favourable growing conditions last year. I will speak more about our increased grain haulage shortly given the increased share of our Bulk portfolio.

Finally, elevated prices across commodities such as copper, nickel and aluminium has translated through to capital expenditure, with the total 2021 calendar year result likely to be the highest since 2013, indicating confidence in developing future supply.

Turning to the business units.

SLIDE 8: BUSINESS UNIT HIGHLIGHTS

Although Coal volumes were down 3% due to lower demand for services in addition to derailments and protester activity, above rail revenue and earnings increased due to the haul mix and strong cost management.

During the period, the New Acland contract ended with the mine entering care and maintenance after twenty years of operation. In addition, the Moolarben contract in Hunter Valley ended in December.

We have commenced hauling under the new Anglo American agreement that we announced last year.

A new enterprise agreement was executed for New South Wales Coal. The term increased from three to four years with an annual uplift of 2.5%. The negotiations were open, respectful and collaborative, and undertaken in record time with no interruption to wages or customer service during the bargaining period.

The focus for the Coal business is on preserving returns and free cash flow through ongoing transformation and productivity of which, Project Precision is a key contributor. The project activities are transitioning to business-as-usual in the second half.

The Bulk business continues to perform strongly with revenue now contributing to one-third of non-Network revenue. The work of the Bulk team can be seen on this slide with major contracts either signed or commencing in the half. I call out the Tronox contract given this haul includes a modal shift from shipping to rail.

Bulk revenue increased by 7% due to the commencement of the CBH Grain contract in WA, in addition to stronger grain volumes in Queensland and New South Wales. This half also saw the contribution of APS Newcastle, having been acquired in December 2020. Partly offsetting this was the loss of BHP Nickel West from April 2021 and Mt Gibson iron ore volumes ending in December 2020.

Bulk EBITDA increased by 1% with operating costs increasing by 9%, primarily supporting the stand-up of operations ahead of the major CBH contract in the West.

Network volumes were 1% higher with the same factors impacting the Coal business unit limiting volume growth in the face of record coal prices. Network EBITDA decreased by 7% (or $27m) but as I noted earlier, the prior period included the recognition of WIRP fees for the first time including $49m of historical fees. Excluding this, Network EBITDA would have been 6% higher.

Although actual volumes are below the regulatory forecast which results in a revenue under-recovery, this was an improvement on last year’s under-recovery.

The QCA published the Independent Expert’s Initial Capacity Assessment Report (or ICAR) in November, identifying the annual deliverable network capacity of each coal system for the period FY2022 to FY2024. It was great to finally have this important report published.

Network responded to the ICAR on 12 November with its initial views on transitional arrangements that could be implemented to address capacity deficits. This response triggered an increase in Network's WACC from 5.9% to 6.3% although the QCA-approved tariffs had already incorporated this uplift.

In relation to capex associated with any supply chain deficits, as part of UT5, Aurizon has agreed to fund expansions to address any such deficits, up to a value of $300m.

Based on the ICAR, it is estimated that capital expenditure across all systems to be no more than $100m. The full scope of works is currently being reviewed in line with customer consultation and is largely dependent on whether customers wish to relinquish any access rights.

Turning back to Bulk.

SLIDE 9: INCREASED GRAIN HAULAGE

As noted earlier, grain is increasing its share of our Bulk portfolio due to the commencement of the CBH contract in Western Australia. In the period, we railed 1.3 million tonnes of grain in the state. The winter harvest has come to a close with a record 21 million tonnes received across a network of more than 100 grain sites.

Generally, 50-60% of the harvest is subsequently transported by rail, indicating that we expected a strong second half of the financial year in addition to some of this year's harvest continuing into the following financial year.

In addition to being the largest grain export state, Western Australia sees less fluctuations in volume due to favourable climate and crop yield. Second to Western Australia is South Australia, where One Rail operates.

And before I hand over to George, an update on the One Rail acquisition.

SLIDE 10: ONE RAIL ACQUISITION

In October, we announced the transformative acquisition of One Rail, that aligns with our strategy articulated at last year's Investor Day of building upon the very stable, cash-generative platform of our existing business, and drive towards our aspiration of doubling Bulk's earnings by 2030.

With this transaction:

- we extend our national footprint into South Australia and the Northern Territory;
- we deliver step-change increases in revenue and volumes in Bulk commodity markets (as shown on the right-hand slide of the slide); and
- we become the long-term lease-holder of an integrated supply chain.

The announced acquisition involves the whole of the One Rail business and the subsequent divestment of the One Rail coal operations which we are now calling East Coast Rail. George will speak more about the divestment process shortly.

At an enterprise-level, and upon completion of the transaction, Aurizon will see a significant shift in its portfolio mix and a lift in non-coal revenue, increasing by 8 points to 41%.

The transaction is entirely debt funded – we do not need to draw upon new equity – and therefore we can use our strong balance sheet as a platform for growth and invest in this quality business.

With the balance sheet being deployed to support this opportunity and our ongoing commitment to our current credit ratings, there will likely be an impact to dividend payments for the next one to two years, and today's dividend announcement reflects this.

Importantly we can retain our payout ratio range of 70-100% of NPAT and where we ultimately pay within that range will depend on the divestment option chosen.

Turning to a reminder of One Rail Bulk.

SLIDE 11: ONE RAIL BULK

The national significance of the One Rail infrastructure can be seen on the map in this slide with the line extended from Tarcoola to Darwin. Train services that continue south of Tarcoola join the ARTC-line that runs from Kalgoorlie to Port Augusta. Listeners will likely be aware that this ARTC-line was impacted by a significant rainfall event in late January, with flooding and damage to the track 100km to the east of Tarcoola in South Australia. The line is expected to open tomorrow after an extensive repair effort.

Consistent with the acquisition of the port terminals in Townsville and Newcastle, One Rail Bulk is strategically linked to important minerals provinces and also allows an expanded service offering to our customers.

Mineral deposits across South Australia and Northern Territory are supported by global trends including:

- Urbanisation and industrialisation in Asia driving demand for infrastructure;
- A focus on emissions from steel production which supports high-grade iron ore such as magnetite;
- A growing world population and changing diets driving demand for grains and fertiliser use; and
- the global energy transition through the development of wind turbines, electrical motors, batteries and solar panels.

Listed on the right-hand side of the slide are current One Rail Bulk customers and also a selection of projects that have advanced to receiving environmental approval and/or a mining lease being granted.

Of note, Elmore announced to the ASX in late January that first rail product of high-grade magnetite concentrate is expected within weeks once the network opens as indicated earlier. This project is located outside of Tennant Creek and will rail north to Darwin for subsequent export.

SLIDE 12: ONE RAIL BULK HIGHLIGHTS

The Bulk team is very excited with the opportunity and prospects that the acquisition of One Rail will bring to our operations.

On the right-hand side of the chart we have shown the EBITDA for CY2021 (based on unaudited financial results) along with the estimated synergies and projected growth to arrive at an estimated EBITDA of ~$100m in Aurizon's first full year of ownership expected to be FY2023.

But let me be very clear, we have not purchased this business to settle at an annual earnings contribution of $100m.

The Bulk team will be taking the proven track record with growing bulk and will continue across a larger footprint. A reminder that it was only five years ago that Aurizon's Bulk business consisted of 17 haulage contracts that collectively lost money. The change that the team have led Bulk through has resulted in a business that made $75m EBITDA in the half.

To recap, with this transaction:

- we extend our national footprint in a region rich with commodities of which the world needs more;
- we deliver a step-change in revenue and contribution for Bulk; and
- we become the long-term lease-holder of a nationally-significant, integrated supply chain, with direct port access.

Importantly, we also add another pillar to the stable Aurizon platform that we will build upon for decades to come.

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.

As Andrew said these results demonstrate the resilience of the business - despite above rail volumes being lower, free cashflow is up and earnings are higher than the prior period if the non-recurring WIRP fee from half one FY21 is excluded.

Turning to the table on this page. We can see that underlying EBITDA declined 1% to $727m although this was better than the 3% decline in above rail volumes. It’s worth noting that last year’s interim result included $49m of retrospective WIRP fees related to 2016-2020. If we exclude these retrospective fees from last year’s result, EBITDA would have increased 5%.

As you can see in the top row of the table, revenue increased 1% with Coal and Bulk higher. Operating costs increased 4%, due to higher fuel costs which are largely a pass-through to customers as well as start-up costs associated with new Bulk contracts. I will go into more detail on each of the business units shortly.

Depreciation increased 4%, again reflective of recent capital investments made to support new Bulk contracts.

Pleasingly, free cash flow generation continues to be very strong despite the slight reduction in EBITDA - with free cash flow of $362m representing an increase of 26%. This is driven by lower tax and interest payments, in addition to $63m of acquisitions being undertaken in the prior corresponding period. The lower tax is principally due to the disposal of the interest in Aquila last year.

In terms of the dividend at 10.5 cents per share, the decision has been made to lower the payout ratio to 75% of Net Profit After Tax. This reflects our confidence in the One Rail acquisition reaching completion in the coming months, and is aligned with our One Rail announcement in October where we stated that the dividend would be reduced to the lower end of the payout range for 1 to 2 years, assuming a demerger of East Coast Rail. While that demerger decision hasn’t been made, we feel this is a prudent approach in the interim. The dividend is to be franked at 95%, although I note this level of franking may not be maintained in future years.

Moving now to Coal.

SLIDE 15: COAL

EBITDA increased $12m or 4% to $286m – this is despite volumes reducing 3% to 98.7mt. While coal prices remain at record highs, a number of factors impacted customer volumes – principally the early on-set of wet weather and mine specific production issues. In addition, for Aurizon, the ramp down of the New Acland contract and the conclusion of the Stanwell contract in the prior year also contributed to the volume decline.

Despite this, above rail revenue increased 3% to $600m - with a greater mix of high yielding tonnes as certain customers increased railings to take advantage of the high coal price environment, as well as the benefit of CPI favourably impacting contract rates. Operating costs increased 2%, although this was mainly due to higher fuel prices which are passed through to customers through higher revenue. Traincrew and maintenance costs fell during the half as you can see from the bridge – this was driven by lower volumes, reduced headcount and efficiency programs. This reinforces the benefits that Ed, his team and the broader organisation are driving through disciplined cost management and the multi-year Asset Management and Project Precision transformation programs. It’s great to see it flow through to our cost line.

All these factors contributed to the increase in EBITDA which was a pleasing result despite the reduction in volumes railed.

As we look forward to the second half, we expect revenue yield to decline given the end of New Acland and Moolarben contracts and a return to a more typical customer mix. Volumes are expected to increase slightly from the first half and should be broadly consistent with the prior year.

Moving to Bulk.

SLIDE 16: BULK

It has been a half where the platform has been laid for the next phase of Bulk earnings growth – and we will see the benefits of that in future years.

In terms of this half, Bulk’s EBITDA grew 1% to $75m - with an increase in operating costs almost offsetting a 7% increase in revenue. The cost increases were due to new contracts commencing such as CBH grain in Western Australia, as well as the ramp up of our port services business in Newcastle and higher fuel prices. As Andrew highlighted, while grain revenue will increase throughout 2022, we saw in the first half the earlier ramp-up of costs to support that future revenue – this included a few million dollars of one-off costs for grain which are included in the operating cost line.

Despite the continued growth in services and revenues for Bulk, Clay and the Bulk team remain focused on the cost base and we continue to see benefits from transformation programs.

We have not broken out volumes and revenue quality on the bridge given the broad range of services the Bulk business now offers - including port services. Indeed you can see that volumes actually declined 6% due to lower iron ore tonnes, however revenue grew 7% driven by Aurizon’s new port services business and grain opportunities in Western Australia and in the eastern states.

As Andrew indicated it remains a busy time for the commercial team with some recent contract successes and a range of opportunities in the market. These recent contracts have created a step-change in the Bulk contract duration – with 60% of Bulk revenue now contracted beyond 3 years. This contractual certainty supports Aurizon’s capital investments and has also seen an increase in deprecation - as you can see in the table.

In fact, almost a quarter of all capex this half was for the Bulk business and all of the growth capex this year is expected to support Bulk.

Moving to Network.

SLIDE 17: NETWORK

Network EBITDA decreased $28m or 7% to $380m. This was due to the prior period including the benefit from the commencement of WIRP fees, including $49m relating to 2016-2020. If we exclude this $49m from last year's Network result, EBITDA would have increased 6%.

The impact of the non-recurrence of these retrospective fees was partly offset by a 1% increase in volumes and higher access tariffs due to a reduced regulatory volume forecast. As a reminder, access tariffs are set by the Maximum Allowable Revenue or MAR, and a forecast level of tonnes. With the FY22 regulatory forecast of 227mt being 5% lower than the FY21 forecast, access tariffs have increased as the MAR is also higher.

With volumes tracking below this regulatory forecast, there remains an under recovery of approximately $30m for the first half. It is too early to tell how much of this under recovery will be collected through take or pay in FY22 or two years later in FY24 through the revenue cap, however Network will recover the maximum allowable revenue per normal practice.

We have provided the usual reconciliation of movements in access revenue in the back of the slides to assist investors. Cost management by Pam and the Network team was solid for the half, with operating costs $9m below the regulatory allowance, of which Aurizon retains the majority of the benefits.

Turning to cashflow and capex.

SLIDE 18: CASHFLOW & CAPEX

Strong free cash flow performance has continued, with $362m of first half cashflow - a level not seen in almost three years. As indicated earlier, cash flow benefitted from a reduction in tax payable predominantly from the disposal of the stake in Aquila. While the Aquila sale was completed in FY21, the cash tax benefits of the sale flowed through in the following six month period.

Interest expense also fell, as although our rates are predominantly fixed we entered into new swaps after the UT5 deal and those swaps commenced this year. These were executed at lower rates than the previous swaps resulting in the effective interest rate coming down.

With half the year complete we can now provide full year guidance for group capex, inclusive of growth. Six months ago we guided to a sustaining capex range of $475-525m, but that range has been effectively lowered to $440-480m due to optimisation of rollingstock overhaul programs and deferral of some Network capital. In terms of growth capital, there was some uncertainty six months ago about the level and timing of new customer contracts. We can now say that we expect growth capex to be around $100m for the year – this includes new rolling stock and terminal investments to support CBH, Tronox and some other smaller Bulk growth opportunities. Therefore, the range for total capex is $540-580m.

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

SLIDE 19: FUNDING UPDATE

After a very busy FY21 that included three debt capital markets issuances, FY22 has so far been quiet on that front. However, the Treasury team has been occupied with the $2.35bn One Rail transaction which is to be fully debt funded through a combination of new and existing facilities. As I said in October, the new facilities are fully underwritten by our three Joint Lead Manager banking partners.

Since the announcement in October, the ratings agencies have confirmed Aurizon Operations current credit ratings and confirmed that ratings thresholds will be reduced to reflect an improved credit profile. This is significant and evidence of the support of this opportunity and growth in Bulk cash flows.

Also significant is the support Aurizon and East Coast Rail has received through the bank debt syndication process. This was over-subscribed, with Aurizon's banking group now increasing by 3 banks to 15, and East Coast Rail's banking group increasing by 5 banks to 8.

We remain focused on terming out our debt consistent with our strategy which we will focus on post the One Rail completion.

The table on the right shows the impact of the new fixed rate swaps I was referring to on the previous slide. The weighted average cost of debt was 3.4% this half and we expect it to hold around that level for this year and FY23 – beyond FY23 debt is floating due to the Network WACC reset, where interest costs will largely reflect the prevailing rate in June 2023.

SLIDE 20: ONE RAIL TRANSACTION UPDATE

Before handing back to Andrew I will provide an update on the One Rail transaction and a revisit of East Coast Rail, which will be divested via demerger or trade sale.

There were three main conditions precedent for the transaction to proceed with consent required from the Government of South Australia, the Australasian Railway corporation (or AARC) and the ACCC. The first two consents have been granted, with the ACCC process well underway.

The ACCC has commenced an informal merger clearance process with market inquiries including submissions from market participants. We have been providing the commission with additional information and the ACCC has indicated a provisional date of 10 March for a decision. Should this be favourable, the transaction is expected to close around April.

I gave an update on funding outcomes earlier, with the focus now turning to finalising documentation and a USPP issuance this quarter for East Coast Rail. An investment grade rating is targeted for East Coast Rail which we believe is very achievable given its strong cash flow profile which I will highlight shortly. For Aurizon Operations there is also the opportunity for a hybrid issuance later in the year as we look to open up this additional source of long term capital.

In terms of transaction costs, we've provided further detail on this page. We expect acquisition costs of around $50m, with a large portion being stamp duty and noting that these costs will be expensed and treated as significant. Borrowing costs of $25m will be capitalised and amortised. While we can now provide an initial estimate of separation and divestment costs, at $20m assuming a demerger.

And finally on the divestment of East Coast Rail. The analysis that we undertook and summarised in October assumed a divestment through a demerger and EPS accretion of ~10%. As well as immediate and longer term growth in One Rail Bulk earnings, this EPS accretion is also the result of East Coast Rail's cash

flows enabling the option of a strong distribution yield. We believe this will be of value to investors and underpin a potential demerger. Of course, in parallel with demerger preparations we continue to have discussions with select trade buyers and no decision has yet been made.

The next slide is a reminder of the quality of the East Coast Rail business.

SLIDE 21: EAST COAST RAIL

In October we talked about the qualities of this business including being underpinned by a long term rail haulage contract with Glencore until 2036 with minimum guaranteed volumes until 2034. We talked about the quality of the mines under this contract and that it is backed by a parent company guarantee with Glencore plc.

EBITDA for calendar year 21 came in at $137m. Margins are strong at around 60% and sustaining capex is around 5% of revenue. The growth in earnings in 2021 was from an increase in contracted volumes in both NSW and Queensland as you can see from the chart.

To put CY21 in context, it's worth noting two items:

- Firstly, the year was weather impacted – for example, volumes reduced by around 6% in the December half based on Aurizon's Hunter Valley volume impacts;
- Secondly, CY21 included one deployed consist in Queensland – a second Queensland consist for East Coast Rail will be delivered later in CY22

What these words and graphs should emphasise to you is a high quality business with strong cash flows underpinned by a long term take or pay contract. The capital structure we have put in place allow for these cash flows to be available for distribution to equity holders after servicing the $500m of debt should the East Coast Rail Board choose to do so in the future.

Finally, I'd like to say in summary that these interim results underscore what we spoke about at our Investor Day in Newcastle 9 months ago – Aurizon's long-dated contract and regulatory positions underpin strong and resilient free cashflows, including during periods of lower above rail volumes or higher inflation.

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

Andrew Harding: Managing Director & Chief Executive Officer

SLIDE 23: FY2022 OUTLOOK

Thanks George.

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

Our EBITDA guidance range is unchanged at $1.425 to $1.5 billion.

Group capex guidance is $540-$580m, this includes both sustaining and growth as George indicated earlier with all of the growth capex supporting the Bulk business.

We have listed our key assumptions by business unit:

- For Coal, volumes now expected to be broadly in-line with prior year with customer mix and cost management offsetting lower contracted rates;
- For Bulk, revenue and EBITDA is expected to be higher due to recent contract wins and port acquisitions; and
- For Network, the non-recurrence of retrospective WIRP fees and Maximum Allowable Revenue reduction due to capital recoveries

As per our normal practice, we do not assume any material disruptions to commodity supply chains such as adverse weather or COVID-19. And our guidance excludes any impact from One Rail.

SLIDE 24: 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.

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.

For Bulk with growing markets and new adjacencies, the focus is on revenue and earnings growth.

For Network the focus is on embedding UT5 to ensure long term regulatory certainty, reducing costs and enhancing the efficiency of the supply chain.

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.

While COVID-19, vaccinations and border restrictions have dominated the national conversation, I am immensely proud of the way Aurizon has managed the health challenges, avoided distractions, and got on with business.

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, please 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 are on a speaker phone, please pick up the handset to ask your question. Your first question comes from Jakob Cakarnis from Jarden Australia. Please go ahead.

Jakob Cakarnis: Morning guys, I might start with one for Ed. Just wondering whether or not just in the EBITDA performance that you've given in the first half of coal, whether you could break down that net revenue quality contribution of $17 million? I'm just interested in how much is from say spot markets coming back versus changes to customer contracts on nominations, please?

Andrew Harding: Okay, Ed, can I get you to start with that? And then I might get George.

Ed McKeiver: Yes, certainly. Thanks for the question. There's two reasons key for the revenue quality result. One is inflation, it was higher and it was flowing through into our contract, so the majority of which have quarterly escalations as we've spoken about before, so that was upside. And we also had a favourable mix during the half despite volumes being down. We had more high-yielding halls with some customers which chose to surge in the half to capitalise on a higher price environment.

Andrew Harding: Thanks Ed. George, did you want to add anything to that?

George Lippiatt: The only thing I'd say Jakob, to give you a sense is it's broadly proportional between those two elements. As Ed said, we're getting the benefit of CPI recess being higher in the first half. Thank you.

Jakob Cakarnis: Just to the second one just while I've got you George... Can you talk about the cash tax performance? Obviously you guys have utilised some of the accelerated depreciation, seems like that will be ongoing this year. Can you just talk to some of the longer-term implications that that might have on franking please?

George Lippiatt: Sure, I mean the big driver of cash tax being lower this half was more the Aquila transaction. So while that completed in FY 2021, the cash tax impact was in this half. In terms of go-forward and the temporary full expensing and the impact of franking, the benefit from temporary full expensing, I think will increase in the second half. Generally with franking, the less tax that we pay the lower our franking credit balance will be. And so that's something we'll have to look at. What I can't give you yet Jakob, is a forecast of what the temporary full expensing benefit will be to us. We look project by project and look at the government's criteria. But I do expect that to increase in the second half, which will mean we're paying less cash tax that may have lower franking credits. Hopefully that gives you a sense.

Jakob Cakarnis: Yeah. Thanks guys. Thanks for the questions.

Operator: Thank you. Your next question comes from Anthony Moulder from Jefferies. Please go ahead.

Anthony Moulder: Good morning, all. If I can start back on coal, just that operating costs we expected obviously that the revenue will switch around given the mix, but how permanent should we think about those cost savings that you've delivered in first of half of 22, please?

Andrew Harding: Ed, I might give you the chance to talk about that.

Ed McKeiver: Thanks, Andrew. And thanks for the question, Anthony. Look, if you're asking me whether you could double the cost savings for the second half, the answer is no. I'd expect modest cost reduction for the second half. We've, as George talked about existed, give you some colour, the 10 million dollar reduction in half on half operating costs you see in the bridge in slide 16, essentially driven by train current maintenance costs for some volume benefit flowing through. We got started prior to the first half on a number of transformation initiatives and also preparing ourselves

for the new financial year. So things like taking early action to right size labour ahead of contract exacerbations for New Acland, for Moolarben as we've spoken about, we saw a 10% lower train crew FTE in the half. So there's not more to come out there. A focus on controllable costs. So again, with the demand situation, there was some BAU overtime management, and some roster changes to adjust for more attendances with those lower train crew numbers, annual leave consumption was up 20% in the half. Again, that's not sustainable as we get necessarily into the second half. And some of the deployment model changes we've changed are also sort of one-offs. The maintenance costs are still work to do, but again, there's some great savings in the first half around wheel set consumption in CQCN. Some of that may continue, but there's still work to do.

Anthony Moulder: Right. Perfect. And while Ed is talking, can I ask about you've increased the contracted volumes through Queensland by 2 million? I think that's an out of years. Is that just a new, is that a contract that's just been expanded? I appreciate it's a net number, but just any change or how has the change come about for contracted volume please?

Ed McKeiver: Yeah, sure. I mean, it's really netted out in terms of combination of up and downward nominations by existing customers, predominantly, Anthony.

Anthony Moulder: Very good. If I could switch into bulk, please, obviously lower than expected growth in bulk, but did I hear George talk to some of the startup costs and bulk from CBH and port services were only a few million of the 17 million higher operating costs in the first half, please?

Andrew Harding: Yeah. Clay. Well, do you want to help with some detail on that?

Clay McDonald: Yeah, sure. Thanks, Andrew. I think if you have a look at the revenue and cost lines, obviously on the cost is what you're asking about. So the ramp up costs for Western Australia and also Queensland, bringing on FTO, bringing on rolling stock systems and facilities to support that grain. We also have the four year costs obviously associated with a rise in port services in Newcastle. There was another part of that question, Anthony, what was the second part?

Anthony Moulder: It was more to see as to how much of those kind of costs were part of the 17. And it's related perhaps that there was obviously some capex expense for CBH and the first half. Is there much more to spend on that or is that additional 56 of growth capex to be spent for new contracts please?

Clay McDonald: Well, I don't think we are breaking out the operating costs in specifically, but I can throw that one back to George, but on the cost side for the second half, and what you're going to see is there is some remaining CBH costs to come through. There is some trial startup costs that'll come through. You know, these probably won't be as material as they were in the first half, but you're going to see those in half two.

George Lippiatt: Anthony, George here, it was a few million in terms of one-off startup costs, which were opex. In terms of capex, the majority of CBH capex is spent, given we're starting to hit close to full run rate now in the month of January. So the second half

capex, as Clay said, is much more Tronox related and some port terminal investments that we are making for other customers.

Anthony Moulder: Very good. All right. Thank you.

Operator: Thank you. Your next question comes from Andre from UBS. Please, go ahead.

Andre Fromyhr: Good morning. Just another couple of questions about bulk, actually. You made a comment in the presentation about the revenue sort of being de linked a little bit from the above rail punish, partly because of things like port services, revenue. So wondering if you could shed a bit more light on the mix of your revenue, how much is because of haulage, how much is because of ports or how we should think about that sort of changing over the next couple of years.

Andrew Harding: Clay, do you want to try and talk to that please?

Clay McDonald: Yeah, I'm going to say predominantly still relates to haulage, although that mix is changing. So if you think about the port businesses, two port business now not related necessarily to haulage, you've got our Rio Tinto rail services business not related, and there's a bunch of those haulage businesses that we don't actually measure necessarily the volumes that being the hook and pull on the north coast line. So still a heavy waiting, but it's becoming sort of less of a clear metric as the diversification in both the portfolio and the supply chain services sort of starts to gain traction.

Andre Fromyhr: Okay, thanks. And just, I guess, taking a step back to the broader strategic ambition for this business. We've previously talked about doubling the bulk business by 2030. And then I think when you announced One Rail deal, you said that you'd be reviewing that target or coming back with an update on that ambition. It looks like today, you sort of just reiterated the doubling by 2030 statement. Is that sort of an active decision, that One Rail is just part of that increase and not incremental? Or how should we think about your longer term ambition now?

Andrew Harding: Yeah. Andre, it's Andrew. It's a process that we go through, our annual planning process. And part of the annual planning process is we generate a decade long plan of which of course the first year is the annual plan. That happens later in this half. And we go through that ultimately getting board approval for the annual plan. So it's just basically, this is too early to talk about it.

Andre Fromyhr: Okay. Thanks.

Operator: Thank you. Your next question comes from Matt Ryan from Barrenjoey, please go ahead.

Matt Ryan: Thank you. Just the question on the increased growth capex being allocated towards bulk. I'm just curious on what sort of criteria, what sort of threshold we should be thinking about moving forward as you sort of assess those opportunities and whether you deploy capital to them.

Andrew Harding: Matt, I know George is going to really enjoy talking about this I'll hand it over to George.

George Lippiatt: Matt, it hasn't changed. And the one thing I'd say is we have long-term ROIC targets around 10% or a bit higher than 10%. And so that's the sort of IRR hurdle that we look at. But of course, when you look at forward cash flows, you have to look at the quality of those cash flows, the quality of the counterparties, and ultimately the security that sits behind deploying that capital. Those are all things we look at. And if you look at the hundred million that we're spending in FY22, it's broadly attached to two long term contracts that we've executed, CBH and Tronox. Both of those markets in grain and mineral sands. We like long term, and we think they're good counterparty. So we are confident in getting an appropriate return on that capital.

Matt Ryan: So following on from that, I think over past year or two, we've spoken about a pretty deep pool of opportunity. So I imagine that you're seeing quite a few of them around that 10% hurdle. Maybe if you could comment on if that's correct, but also just, I guess how much need [inaudible].

Andrew Harding: Matt, we couldn't hear most of that question. The first sentence or two was fine, and then it just decayed dramatically. So have another go, please?

Matt Ryan: Yeah, sure. I was just curious on your appetite, I guess, to spend in this area. I think you'd be seeing quite a few opportunities, which sort of meet that 10% hurdle that you just spoke about. So I guess is that correct? And if so, I guess how you sort of thinking about which opportunities you want to pursue, is it sort of getting up to an exposure of size, or just pacing the rollout into bulk or just how you thinking about all that?

George Lippiatt: Yeah, it's certainly not about size and I can tell you, there are just as many things we said no to, as we said yes to, even in the half. So there are opportunities out there that meet or exceed our hurdle rates, but I can also tell you there's three or four that we've said no to over the last six months. And some of those have been in the public domain and they're very quick nos from us.

Matt Ryan: Okay. Thank you. And just the last question on the dividends. So what's the sort of trigger point that we should be thinking about in order to increase the payout back towards the higher end of your range. We're sort of aware of where the FFO to debt threshold sit with the rating agencies. Is it a case that you actually have to get there first before you were to increase the dividend? Or can you do it sort of in advance of that, knowing that you're going to get there at some point in the future?

Andrew Harding: Yeah. What we talked about, Matt, is that a reduction in for a one to two year period. And so we're still within the payout range. We've done what we said we're going to do. It should be no surprise. And if you think about what we've done now, it's starting the ticker on that or countdown on that one to two years.

Matt Ryan: Thank you.

Operator: Thank you. Your next question comes from Anthony Longo from JP Morgan. Please go ahead.

Anthony Longo: Yeah. Good morning, everyone. Thanks for taking my question. Just a quick one on capex. So I just wanted to, and apologies if I've missed it, but what's gone into that underlying capex reduction that you had from, or capex guidance reduction that you did issue in August?

Andrew Harding: George?

George Lippiatt: Yeah, it was two things, Anthony. One was in some of our overhauls, we're getting savings from doing some of the component change out work in CQ. The second is we've seen because of the wet weather, some deferral of network capex, which may flow into FY23. So those are the two drivers, but it's not material. And it's really at the margin. As I said in my speech, we're still expecting long run, sustaining capex to be around that 500 million dollar mark.

Anthony Longo: Okay, great. Thank you. And just again, following on from the question on bulk costs, and look, we did see some margin compression in the half. To what extent and appreciate there are new contracts that are coming through, but to what extent do we expect to return to margins that you did see last year? Is it something that might take 12 to 18 months to get to, or do you largely expect those upfront costs to be more than covered as those volumes really come back in the second half?

Andrew Harding: Clay, do you want to respond to that?

Clay McDonald: Yeah. Thanks Andrew. I think when you look at it, it's kind of 19 down to 17%. And so what we saw in this half was a change in the customer mix. So the closure of Mount Gibson, and we saw the increase in operating cost to stand up for CBH and Queensland grain businesses. So primarily they were the kind of key drivers. When you think about margin compression more broadly, it won't surprise anyone that's happening in all businesses and all sectors. And it is happening in the bulk market, consistent with that. So, what are we trying to do about it? We think about how you get scale and how you get aggregation opportunities, how you look at your capital spend for strategic infrastructure and assets that can both add value to yourself and your customer, and you've got to remain cost focused. So, we will continue to do that in bulk going forward, but primarily in the half out of the two drivers, it's the changing customer mix and the setup operating costs for grain.

Anthony Longo: That's great. Thanks very much. Appreciate your time.

Operator: Thank you. Your next question comes from Owen Birrell from RBC. Please, go ahead.

Owen Birrell: Good morning guys. Firstly, just wanted to question on the bulk side and really just sort of delving into that 10 year CBH contract that you've signed. It has obviously elongated the average contract term of your Bulk portfolio. I'm just wondering is the value per tonne or the returns on each of those hauls, is it higher or lower than the average for the grains Bulk portfolio? So, if this is an area of significant growth, are we going to see margin dilution or accretion across that Bulk portfolio?

Andrew Harding: George, I might get you to talk to that.

George Lippiatt: Yeah. Oh, and I won't get into specific customer contracts and their rates of return. But what I would say is that that is a contract that when we look over the full period of the contract and we look at seasonality of volumes and we model that seasonality, it hits our hurdle rates. So that's probably all I can say on that. As I said, I don't want to get into individual customer contracts and rates of return that we target on.

Owen Birrell: No, that's fine. That's just very clear. Thank you for that. I did notice looking at slide nine, I think you said you've hauled 1.3 million tonnes in the first half in that WA region. It looks like that's a little bit under, roughly half of the total WA volume. Just wondering if that is an opportunity for further growth or is the other half of the volume contracted fairly stuck, in terms of trucking or non rail.

Andrew Harding: Clay, can I get you to talk about that aspect of the business?

Clay McDonald: Yeah, sure. Thanks. Good question. I mean, when you think about that contract, we stood up in October. And so, you've really only got the three months of volume in there. So we had 10 consists deployed as part of that contract, we committed to 3 surge consists, and those surge consists are equipment and rollingstock that we had from previous contracts. Some of them in the east, some of them in the west, that we have brought back into operation to deal with the surge opportunity presented from CBH. So when you go back to the volumes and you think about, okay, they have 20, 21 million tonnes of harvested volumes this year, the target is, as Andrew mentioned in the presentation around 50%. But when you think about that, where's the growth opportunity road to rail, more efficient rail operations, and trying to grow that 50% to closer to that 60% so great opportunities using that surge fleet when we can deploy it and making our existing templates of CBH equipment more efficient.

Owen Birrell: Understood.

Andrew Harding: At a policy level, there is a deep desire to move more of the grain by rail than road, both at a community level and from a customer point of view.

Owen Birrell: I see that you've targeted the more stable grain markets, as you mentioned, WA and to a least degree South Australia. Is there any ambitions to expand into the Eastern state? That's really where we've seen the large amount of upside leverage in grain volumes over the last two years. Any opportunities that are presenting themselves there, or is it just too volatile for your return metrics?

Andrew Harding: Clay, do you want to talk about your thoughts on the East Coast grain?

Clay McDonald: Yeah. Great. Thanks. So we've grown the grain business nationally. So if you think about it, we've now got 3 consists operating in Queensland and 2 operating in New South Wales. And of course, we've got the 10 plus 3 in Western Australia and based on approvals from the ACCC and the acquisition going ahead, we will then be operating in the second largest grain market in Australia and South Australia. So when you think about those grain markets, we think about each geography and each market differently. And we look at, like you do in all sort of bulk contracts, you look at what's the problem, or what's the solution that needs to be offered in that particular market. And they're all a little bit different. WA is about scale and surge. New South Wales is about efficiency. And Queensland is about solving some of the port and

road / rail issues that we see. And so we approach those markets all differently.The east coast is around 18 million tonnes total, of which 12 million tonnes, this is on average, sort of 12 million tonnes is consumed domestically. And something like six to eight million tonnes just on average is then exported. So, yep. We're established in the largest export market in WA then we'll move into the South Australian market and we've got a different approach, more variable cost there, a lower capital approach to the east coast markets. Cause they're more variable and they've got less export volumes.

Andrew Harding: Just to add to Clay's response. We're using existing fleet in the east coast and converted coal equipment as well.

Owen Birrell: Can I just have administrative question, did the coal guidance that you provided for in line with the prior period? Can I just confirm that that was for the full year 22 and not just the second half?

Andrew Harding: That's for the full year.

Owen Birrell: Excellent. Thank you.

Operator: Thank you. Your next question comes from Cameron McDonald from E & P. Please, go ahead.

Cameron McDonald: Oh, good morning. A few questions for me, just going back to the call performance with the favourable customer mix. How much of that is from legacy priced contracts that have a high yield that customers haven't been yet repriced?

Andrew Harding: Ed, I'll let you talk to that, please?

Ed McKeiver: Yeah, thanks for the question, Cameron. Very little of it, actually. It actually relates to some customers that, without talking specifics, that we've negotiated in recent years. So, it's really more aligned with the surge mechanisms under their particular contracts, and them taking advantage of the high price environment.

Cameron McDonald: Okay. Thank you. Question for Pam, if I can, please. So, you've moved to a 6.3% WACC on Network, and you've effectively agreed a 10 year deal with the customers, outside of the regulatory process that was put in place by the QCA, so you've now extended that out. What mechanisms do you have to reopen that pricing? Or is there any mechanism within the agreed pricing structure to account for rising interest rates?

Andrew Harding: So look, before I get Pam to talk about it, I'll add some detail to it. The reality is the UT5 deal is a set deal for a set period of time and it's not one that gets re-opened. But what I will get Pam to do is talk about the reset that's coming up shortly, which will deal with the question that you're asking. Pam?

Pam Bains: Yep. Thank you, Andrew. Yeah. So Andrew's touched on the first key point, which is, it's set for 10 years, but from a WACC perspective, there is a reset on the 1st of July 2023 for certain parameters. And that includes risk rate, debt risk, premium and inflation. So, that will be when the interest rates are factored in.

Cameron McDonald: And so, when that gets set, is that a negotiation? Or how is that process going to be run?

Pam Bains: It's very mechanical, so the sort of mechanisms have been agreed in the undertaking as they have run historically. There'll be a similar-

Cameron McDonald: Okay. And that will then be set for the entire remaining period of UT5 or is there a subsequent reset later than that as well?

Pam Bains: No, that will then be reset through to 30 June 2027.

Cameron McDonald: Okay. Thank you. And just going back to the cash tax benefit from Aquila, it's great you've received a tax deduction, but how much did you actually lose on that transaction, please?

Andrew Harding: George, do you want to talk about it?

George Lippiatt: Yeah, I can. Cameron. I mean the cash tax benefit is about 70 million and that's 30% of the loss on sale. So, I think the investment was a bit more than 200 million.

Cameron McDonald: Yeah. That's what I thought. Okay, thank you.

Operator: Thank you. Your next question comes from Ian Myles from Macquarie. Please, go ahead.

Ian Myles: Good morning guys. Just the slight changes. Talking about coal. Can you maybe give us an idea, from what you are seeing, about whether the coal miners are capable of ramping up their production levels? Because we've seen record prices, yet, we really haven't seen any serious movement in tonnage across the systems.

Andrew Harding: Yeah, it's a great question. Ed, I might get you to start and I'll come in at the back end. Thank you.

Ed McKeiver: Yeah. Thank you, Andrew. And thanks, Ian, for the question. I think, absolutely, the answer is, yes. I mean, they have capacity. I mean, it's about choice. The hallmarks of the first half, was an extraordinary first half, as you're aware, in unseasonal wet weather, protestors, there was derailments and landslides. Our customers had some challenges with water in pits and their own labour availability issues actually, in some cases. So I think, some of them consider the current pricing environment a temporary situation, or they did. And so, they were more focused on cost management in the early half of the calendar year and got caught a bit flat footed with the pricing environment and are now taking actions, despite all that outdoor sport challenge, to move with the market. Is that helpful?

Ian Myles: So, does that mean you expect to see... It's obviously not in this half, but coming to FY23, that they're actually ramping new systems, they're going to increase the amount of overburden removals, and we should actually start seeing volumes getting back to the forecast levels of 2020, which the network businesses started forecasting.

Andrew Harding: You know, I might get Pam, sorry. I was going to ask you, you're running the network, you get deeper insight into the whole environment rather than Ed's more narrow view. Thanks.

Pam Bains: Sure. Thank you, Andrew. And thanks, Ian. I'll probably add three points to that. Firstly, across CQCN, in the first half, we railed 1% higher than the previous half. So, it wasn't a reduction if you look at the CQCN as a whole. However, we've also seen, as part of the engagement that we've been having with customers for the ICAR, only a small number of relinquishments in terms of the ICAR, we'll have firmer figures as we deliver the final report. And then, the last point I'd make is that we are also seeing a number of projects seeking additional capacity across the CQCN. I can't talk about the specific projects, but we are seeing uplift rather than a reduction.

Ian Myles: That's great. And Andrew, from a perspective of industry consolidation, are there any more concerns about that? And when contracts are coming together under bigger players, are they leveraging any more power against the likes of yourselves?

Andrew Harding: Look, you definitely see in the past, well, if you used the past as any guidance, when players aggregate volumes, two things happen. One is, they get up large volumes you've indicated. The second thing is they usually get to see two different contract terms and they try to get the best out of both of those when they move forward. That's probably the two aspects of consolidation, from a leverage point of view, that I think about.

Ian Myles: Okay. On the Iron Ore side, can you maybe give us a little bit of colour? Is One Rail exposed, because South Australia has a fair bit of Iron Ore and they've always talked about digging it out, but never have. Are they exposed to a better version of iron ore if hydrogen based solutions start to become more relevant to markets like Europe and North America?

Andrew Harding: The short answer is, yes. What I might do is get Clay to talk about some of his observations because he's getting closer to the business.

Clay McDonald: Yeah. Thanks, Ian. I think, if you think about the Iron Ore tenements, predominantly, in South Australia and some around Tennant Creek that we spoke of, there's one of those coming along in February. It is higher grade magnetite, generally. That obviously has its benefits when you're looking at the future use of Iron Ore. So, in saying that, the mines there are faster to come on and you've got to have the supply chain that's responsive to that, which One Rail, up to this point in time, has proved that it has.

Ian Myles: Okay. And one final question, just on One Rail…

Andrew Harding: George wants to add something.

Ian Myles: Yeah.

George Lippiatt: Yeah. Ian, just two points. I mean, the first one is, 44% of Australia's magnetite is in South Australia. The second point is, it's not just higher grade ore that's used with hydrogen based steel making. We've seen more recently in China, with its focus on

emissions, move to higher grade iron ore. So, it's also in this intervening step, before you consider hydrogen, where higher grade iron ore is favoured by steel makers.

Ian Myles: Okay. That's great. One final question, with the floods across South Australia, wiping out the train lines temporarily, is there any compensation or adjustment to the acquisition price of One Rail as a result of, what, they're probably going to have a poor second half earnings?

Andrew Harding: George, can I get your answer to that?

George Lippiatt: No, there's no change to the acquisition price. We don't get the benefit of any earnings before we buy the business, therefore there's no adjustment to the purchase price.

Ian Myles: Okay. Look, that's great. Thanks a lot, guys.

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

Rob Koh: Good morning. Just, I guess, a follow-up question to Ian's question on the storm impact to Adelaide to Tarcoola. I know it's early, but have you got any asset condition reports? Is that for your risk or would that, potentially, be adjusted in the sale price?

Andrew Harding: Rob, I'm pretty confident it's on ARTC track, so you'll have to ask the ARTC team for any condition reports and that sort of stuff, it's not on One Rail track.

Rob Koh: Okay. All right. That's good. That answers the question. Can I also ask on the de-merger if you're able to share what the cost base, for tax purposes, for East Coast Rail would be, because I presume that's a factor in your option to either do a trade sale or do the de-merger?

George Lippiatt: Yeah, it will factor in Rob. I can't give you that number right now because we're still working through that process. And that has implications, for example, on the amount of stamp duty that we might pay as part of the transaction, so I can't give you that now. Hopefully I can give you that in the near future.

Rob Koh: Yeah. Right. Okay. Thank you. And then just maybe a couple of quick questions for Ms. Bains, if possible. The proposed $100m capacity increase, or investment, that might be required because of the ICAR process, can you give us any sense of the timing of that capex, if it's going to go ahead?

Pam Bains: Yep. Thanks for the question, Rob. Well, 1st of March we'll issue the final report, and there'll be a period of discussion with the relevant supply chains, but I think you can assume the next two to four years, again, depending on the speed on which customers are looking for that capacity.

Rob Koh: Yeah. Okay. Cool. All right. And then final question, maybe a bit left field, but the Network accounts, are you anticipating any impact if the accounting standard for rate regulated activities gets passed?

Pam Bains: It will probably provide a little bit more stability in terms of earnings and the sort of movements that we see year on year, but nothing more than that.

Rob Koh: Okay. All right. That sounds good. Thanks. That's all for me.

Operator: Thank you. Once again, if you wish to ask a question, please press star one on your telephone. Your next question comes from Nathan Lead from Morgans. Please, go ahead.

Nathan Lead: Good day, guys. Thanks for your presentations. Just three questions, if I could. First up, look, I know you don't want to get into the customer specifics of the contracts to do with Bulk, but the $100m of capex you're spending, plus, I suppose, the little bit you spent during this half, could you give an idea, on aggregate, what sort of EBITDA uplift will come with that? I suppose, in some ways we're sort of thinking about an EBITDA multiple related to that capex, just to give us an idea of what sort of incremental earnings will come with the spend.

Andrew Harding: George, if I can get you to do a very general response to that question?

George Lippiatt: Yeah. Nathan, it's hard for me to get into it because it's really two main customer contracts and then a bunch of little customers as part of that $100 million, that's what we're spending it on. What I would say is the EBITDA uplift is not material for Aurizon, but it is material for Bulk.

Nathan Lead: Okay. All right. Fair enough. Second question, one for Ed, if I could? Just looking at the active fleet size, it's been shrinking. So maybe, if you could just talk through where that kit is going and why that's the case. And then I suppose, in that context, operating costs, access costs, I suppose, have actually been moving up. So, just why those two things are happening, please?

Andrew Harding: Yeah. Ed, if I could get you to, particularly on the shrinking fleet, talk about the positive aspects of the movement of that fleet as well? Thank you.

Ed McKeiver: Most definitely. In fact, I think they are all positive, Andrew. Thanks, Nathan, for the questions. Firstly, on the fleet, it starts with the strategy for the coal business, which is about focus on free cash flow and ROIC going forward, and tuning the business for cash. And so, we're really looking actively at opportunities to release capacity, to drive capital efficiency and, where we can, take out that capacity. We seek opportunities to cascade it to Bulk. So, during the period we've seen approximately six standard gauge locomotives move and some locomotives move in the narrow gauge area too, and we're looking at also repurposing coal wagons. And that's not necessarily because volumes have fallen, it's really because we're finding better ways to utilise our fleet. And we've had some contract cessations, of course. You know, a great example of the capacity releases is the work we're doing in Precision in CQCN.

On the second question, in relation to costs rising, I mean, the large part of the dissonance you see in access costs, costs for operating of course is driven by the fuel price. Now that's, essentially, that and CPI. But as we've talked about earlier, they're largely passed through to customers. So, we've seen commensurate uplifts in

the revenue charges for fuel and pass through those CPI costs on as well, albeit with a quarterly lag.

Nathan Lead: Okay. Shrinking the fleet, do you lose your ability to surge for your customers?

Ed McKeiver: No. Well, it's a balancing act, Nathan. We look at our customer nominations for the outlook. We also satisfy ourselves that we have the capacity on hand to meet obligation, including surge obligation. To give you a quick example, I mean, in the first half we've seen our productivity, our cycles per consist in the Blackwater system improved 15%. In our scheduling environment, where we were scheduling a year ago, 24 trains to do the average weekly order cycle, we're doing that with 22 now. And I can talk to that as a follow-on later. And so, we're actually using that capacity release and capital efficiency to cascade some fleet more actively.

Nathan Lead: Yep. Okay, great. And then, a final one, if I could, for Pam? Under the network agreement, the operating cost allowance, it's pretty much fixed now, and it's something that for Aurizon is not a pass through number, it's something that you can actually chase cost out. There seems to me, if I look at the numbers, the opex numbers are relatively flat over the last couple of years. Have you taken out all you can from that business, or is there still a reasonable chase target there, in terms of cost out?

Pam Bains: Hi, thank you for the question. George touched on the savings that we have made in relation to the regulatory allowance, approximately $9 million. And again, that's a variety of cost efficiencies across our train operations, asset management and support areas. However, the reason you're not seeing it in the P&L there are other costs that feed into the P&L, we've had higher insurance costs, the energy costs. Again, there's a timing difference before recovery and the same with the maintenance costs. Overall, there was also a saving in maintenance costs, which then gets passed through to customers. So, some of the timing does affect what you see in the P&L.

Nathan Lead: Okay. And should we expect improvements to further cost out coming over time? Or are we relatively stabilised now?

Pam Bains: I'd say, they won't be doubling and we'll continuously look at costing improvements. Obviously, the opex cost is smaller than the maintenance costs that we spend, but we'll be looking for opportunities to continuously improve on our costs.

Nathan Lead: Okay. Thank you.

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

Andrew Harding: Thank you to everyone for joining us on this call to hear about Aurizon's performance through the half. As I said in my speech, and I'll repeat it, is that I'm immensely proud of the way Aurizon has managed the health challenges, avoided distractions and got on with business. Thank you very much.

[END OF TRANSCRIPT]