

Aurizon Holdings Limited

ABN 14 146 335 622

Interim Financial Report for the six months ended 31 December 2023

Interim Financial Report

for the six months ended 31 December 2023

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Directors' Report

The Directors present their report on the consolidated entity consisting of Aurizon Holdings Limited and its controlled entities ("the Company" or "the Group") for the six months ended 31 December 2023.

Directors

The following persons were Directors of the Company during the six months, or up to the date of this report:

T Poole
M Bastos
R Caplan
A Harding
S Lewis (retired 12 October 2023)
T Longstaff
S Ryan
L Strambi
S Tough (appointed 1 September 2023)

Principal activities

During the interim reporting period the principal activities of the Group consisted of:

- integrated heavy haul freight railway operator
- rail transporter of metallurgical and thermal coal from mine to both domestic and export markets
- rail and road transporter, port services provider and material handler of bulk commodities, iron ore, and containerised freight
- large-scale rail services activities

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

Coal

Transport of metallurgical and thermal coal from mines in Queensland and New South Wales to domestic customers and coal export terminals.

Bulk

Integrated supply chain services, including rail and road transportation, port services and material handling for a range of mining, metal, industrial and agricultural customers throughout Australia. Bulk also manages the Tarcoola-to-Darwin rail infrastructure, the intrastate rail freight network in South Australia and containerised freight services between Adelaide and Darwin.

Network

Manages the provision of access to the Central Queensland Coal Network (CQCN) rail infrastructure and operation and maintenance of the network.

Other

Includes other containerised freight, which is not considered a separate reportable segment, as well as other revenue and central costs not allocated such as Board, Managing Director & CEO, Company Secretary, strategy and investor relations.

Review of operations

A review of the Group's operations for the interim reporting period and the results of those operations are set out in the Operating and Financial Review as set out on pages 4 to 13 of this interim financial report.

Dividends

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

	Cents per Share	\$m
For the six months ended 31 December 2023		
Final dividend for 2023 (60% franked)	8.0	147
For the six months ended 31 December 2022		
Final dividend for 2022 (100% franked)	10.9	201

The Directors have declared a 60% franked interim dividend of 9.7 cents per ordinary share for the six months ended 31 December 2023. The Record Date for determining dividend entitlements for the dividend declared is 27 February 2024. The payment date is 27 March 2024.

Rounding of amounts

The amounts contained in this report and in the financial statements have been rounded to the nearest \$1,000,000 unless otherwise stated (where rounding is applicable) in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which the instrument applies.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

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



Tim Poole
Chairman

Brisbane
12 February 2024

OPERATING AND FINANCIAL REVIEW

CONSOLIDATED RESULTS (Underlying continuing operations unless stated)

The Group's financial performance is explained using measures that are not defined under IFRS and are therefore termed Non-IFRS measures. The Non-IFRS financial information contained within this Directors' Report and Notes to the Consolidated Financial Statements has not been audited in accordance with Australian Auditing Standards. The Non-IFRS measures used to monitor Group performance are EBITDA (Statutory and Underlying), EBITDA margin (Statutory and Underlying), EBIT (Statutory and Underlying), NPAT Underlying, Return on Invested Capital (ROIC), Net debt and Net gearing ratios. Each of these measures is discussed in more detail on page 41. Unless otherwise noted, the Operating and Financial Review information excludes discontinued operations.

1. Half on Half Comparison

Financial Summary

(\$m)		1HFY2024	1HFY2023	Variance
Total revenue		1,972	1,694	16%
Operating costs				
Employee benefits		(539)	(472)	(14%)
Energy and fuel		(198)	(236)	16%
External track access		(71)	(52)	(37%)
Consumables		(309)	(250)	(24%)
Other		(8)	(11)	27%
EBITDA		847	673	26%
	- statutory	847	626	35%
Depreciation and amortisation		(342)	(328)	(4%)
EBIT		505	345	46%
	- statutory	505	298	69%
Net finance costs		(164)	(102)	(61%)
Income tax expense		(104)	(74)	(41%)
	- statutory	(104)	(66)	(58%)
NPAT		237	169	40%
	- statutory	237	130	82%
Profit after tax from discontinued operations	- statutory	-	(46)	100%
NPAT (group)	- statutory	237	84	182%
Earnings per share¹		12.9	9.2	40%
	- statutory	12.9	7.1	82%
Earnings per share¹ (continuing and discontinued operations)		12.9	10.6	22%
	- statutory	12.9	4.6	180%
Return on invested capital (ROIC) ²		9.0%	8.5%	0.5ppt
Net cashflow from operating activities		743	421	76%
Interim dividend per share (cps)		9.7	7.0	39%
Gearing (net debt / (net debt + equity)) (group)		53.8%	55.0%	(1.2ppt)
Net tangible assets per share (\$) (group)		2.3	2.2	5%
People (FTE)		5,718	5,390	(6%)
Labour costs ³ / Revenue		27.2%	27.6%	(0.4ppt)

¹ Calculated on weighted average number of shares on issue – 1,841m

² ROIC is defined as underlying rolling twelve-month EBIT divided by the average invested capital. The average invested capital is calculated as the rolling twelve-month average of net assets (excluding cash, borrowings, tax, derivative financial assets and liabilities, and assets and liabilities held for sale)

³ 1HFY2024 excludes \$2m redundancy costs (1HFY2023 excludes \$4m redundancy costs)

EBITDA by Segment

(\$m)	1HFY2024	1HFY2023	Variance
Coal	283	230	23%
Bulk	112	100	12%
Network	486	363	34%
Other	(34)	(20)	(70%)
Group (Continuing operations)	847	673	26%

Group Performance Overview

Group EBITDA increased by \$174m (26%) with earnings growth across the Coal, Bulk and Network business units. Coal was supported by increased volumes and improved revenue yield. Volume recovery and new contracts supported Bulk EBITDA growth, offset by some customer specific production issues and lower grain volumes. The uplift in Network EBITDA was driven by an uplift in regulated revenue and volume recovery. The adverse move in Other EBITDA was primarily driven by the ramp-up of the full Containerised Freight schedule, with costs installed ahead of revenue growth.

Total operating costs increased by \$104m (10%) due to increased volumes across all business units, the ramp-up of Containerised Freight (Other segment) and the additional contribution of Bulk Central during the period. This was partly offset by lower energy and fuel costs.

Depreciation increased \$14m or 4% primarily due to capital expenditure in Bulk and Containerised Freight to support growth. EBIT increased by \$160m (46%), contributing to a 0.5ppt increase in ROIC.

Reconciliation to Statutory Earnings

Underlying earnings is a non-statutory measure and is the primary reporting measure used by management and the Group's chief operating decision-making bodies for managing and assessing the financial performance of the business. Underlying earnings is derived by adjusting statutory earnings for significant items as noted in the following table:

(\$m)	1HFY2024	1HFY2023
Underlying EBITDA – Continuing operations	847	673
Depreciation and amortisation	(342)	(328)
Underlying EBIT	505	345
Significant items – Acquisition costs	-	(47)
Statutory EBIT	505	298
Net finance costs	(164)	(102)
Statutory Profit before tax	341	196
Income tax expense	(104)	(66)
Statutory NPAT – Continuing operations	237	130
Continuing operations significant adjustments, net of tax	-	39
Underlying NPAT – Continuing operations	237	169
Statutory NPAT – Discontinued operations	-	(46)
Discontinued operations significant adjustments, net of tax	-	73
Underlying NPAT – Discontinued operations	-	27
Statutory NPAT – Continuing and discontinued operations	237	84
Underlying NPAT – Continuing and discontinued operations	237	196

Balance Sheet Summary

(\$m)	31 Dec. 2023	30 Jun. 2023
Property, plant and equipment (PP&E)	10,072	9,945
Other current assets	1,221	1,193
Other non-current assets	419	541
Total Assets	11,712	11,679
Total borrowings	5,165	5,142
Other current liabilities	706	744
Other non-current liabilities	1,450	1,440
Total Liabilities	7,321	7,326
Net Assets	4,391	4,353
Gearing (net debt / (net debt + equity))	53.8%	53.7%
Gearing (net debt / (net debt + accumulated fair value adjustments + equity))	54.2%	54.4%

Balance Sheet Movements

Current assets increased by \$28m largely due to:

- › An increase in current derivative financial instruments of \$81m due to the reclassification of Network EMTN 1 maturing September 2024; and
- › An increase in the current tax receivable of \$13m, to a total receivable value of \$117m

This was partly offset by a reduction in cash and cash equivalents of \$50m and trade and other receivables of \$42m.

Non-current assets increased by \$5m due to an increase in property, plant and equipment of \$127m, including capital additions of \$461m including right-of-use assets, partly offset by depreciation on property, plant and equipment of \$328m. This is offset by a decrease in non-current derivative financial instruments of \$111m due to the reclassification of Network EMTN 1 to current and a decrease in intangible assets of \$15m due to amortisation.

Current liabilities, excluding borrowings, decreased by \$38m largely due to:

- › A decrease in other liabilities of \$24m due to an unwinding of contract liabilities; and
- › A decrease in trade and other payables of \$9m due to a reduction in accruals, partly offset by an increase in trade creditors.

Total borrowings increased by \$23m due to fair value adjustments on the valuation of bonds, offset by net repayments of borrowings of \$31m.

Other non-current liabilities increased by \$10m, largely due to a \$35m increase in other non-current liabilities for new leases entered into during 1HFY2024, offset by a \$24m favourable valuation of derivative financial instruments.

Cash Flow Summary

(\$m)	1HFY2024	1HFY2023
Statutory EBITDA (Continuing operations)	847	626
Working capital and other movements	(11)	(100)
Non-cash adjustments - asset impairments	-	5
Net cash inflow from Continuing operations	836	531
Interest received	2	2
Income taxes paid	(99)	(116)
Principal elements of lease receipts	4	4
Net cash inflow from operating activities from Continuing operations	743	421
Net operating cash flow from Discontinued operations	-	37
Net operating cash flows	743	458
Cash flows from investing activities		
Payments for PP&E and intangibles, net of interest paid on qualifying assets	(427)	(413)
Payments for acquisitions of business, subsidiary and investment in joint venture	-	(1,404)
Distributions from joint ventures and proceeds from sale of PP&E	3	4
Net cash outflow from investing activities from Continuing operations	(424)	(1,813)
Net investing cash flow from Discontinued operations	-	(940)
Net investing cash flows	(424)	(2,753)
Cash flows from financing activities		
Net (repayment of)/proceeds from borrowings	(31)	2,131
Payment of transaction costs related to borrowings	(9)	(9)
Payments for share-based payments and transaction costs	(4)	(7)
Interest paid	(168)	(91)
Dividends paid to Company shareholders	(147)	(201)
Principal elements of lease payments	(11)	(10)
Net cash (outflow)/inflow from financing activities from Continuing operations	(370)	1,813
Net financing cash flow from Discontinued operations	-	468
Net financing cash flows	(370)	2,281
Net (decrease)/increase in cash from Continuing operations	(51)	421
Net (decrease)/increase in cash from Discontinued operations	-	(435)
Free Cash Flow (FCF)⁴ from Continuing operations	256	95

Cash Flow Movements

Net cash inflow from operating activities from continuing operations increased by \$322m (76%) to \$743m largely due to:

- › An increase in EBITDA and favourable working capital. This is due to an increase in revenue and a decrease in trade debtors
- › A reduction in income taxes paid. 1HFY2024 includes instalments of \$111m due to a higher instalment rate, partly offset by tax refunds of \$12m received from the ATO for prior year assessments and the One Rail Australia pre-acquisition tax return. The prior comparative period included instalments of \$58m and a tax payment in relation to the FY2022 Income Tax Return of \$58m

Net cash outflow from investing activities from continuing operations decreased by \$1,389m (77%) to \$424m, due to the prior comparative period including the acquisition of One Rail Australia of \$1,404m. Excluding the acquisition, the increase was \$15m or 4% due to additional capital expenditure.

Cash flows from financing activities from continuing operations decreased by \$2,183m (120%) to a net outflow of \$370m, due to the prior comparative period including a net inflow from the drawdown of debt for the acquisition of One Rail Australia. 1HFY2024 also includes higher interest paid due to an increase in interest rates and higher fixed interest rate swaps than the prior comparative period.

⁴ Free Cash Flow defined as net cash flow from operating activities less non-growth capex and interest paid. It excludes growth capex of \$105m (1HFY2023: \$135m), and acquisition of One Rail Australia (1HFY2023: \$1,404m) and cash costs associated with the acquisition (1HFY2023: \$39m).

Funding

The Group continues to be committed to diversifying its debt investor base and increasing average debt tenor.

Aurizon Network funding activity during 1HFY2024:

- › A\$500m Syndicated Institutional Term Facility (\$115m revolving component) across \$260m 5-year and \$240m 6-year tenors with maturities in FY2029 and FY2030
- › A\$150m bilateral bank debt (\$100m revolving component) across \$50m 5-year, \$50m 6-year, and \$50m 7-year tenors with maturities in FY2029, FY2030 and FY2031
- › The number of lenders increased by nine in the half to a total of 21, with four additional Japanese banks, three Taiwanese banks and two Indian banks.

Aurizon Operations funding activity during 1HFY2024:

- › A\$503m US Private Placement Notes settled in July 2023 across tenors of 7, 10, 11 and 12 years, with funds used to repay debt sourced as part of the One Rail Acquisition
- › Re-financed bilateral bank debt facilities in June 2023, of which \$50m became effective July 2023. Reduced total bilateral bank debt capacity through the repayment of a \$65m facility on maturity

In respect of 1HFY2024:

- › Weighted average debt maturity tenor was 4.3 years as at 31 December 2023 (after the Network bank debt re-financing), compared to 3.6 years in FY2023
- › Group interest cost on drawn debt was 6.1% (FY2023: 4.1%)
- › Available liquidity (undrawn facilities plus cash) as at 31 December 2023 was \$2,010m
- › Group gearing (net debt / (net debt + equity)) as at 31 December 2023 was 53.8% (FY2023: 53.7%)
- › Aurizon Network's gearing (net debt⁵ / Regulatory Asset Base (excluding Access Facilitation Deeds)) as at 31 December 2023 was 63.0% (FY2023: 63.8%). Aurizon Network's net debt / EBITDA⁶ as at 31 December 2023 was 3.8x (FY2023: 4.5x)
- › Aurizon Operations' gearing (net debt⁵ / (net debt + equity)) as at 31 December 2023 was 31.2% (FY2023: 29.8%). Aurizon Operations' net debt / EBITDA⁶ as at 31 December 2023 was 2.3x (FY2023: 2.3x)
- › Aurizon Operations' and Aurizon Network's credit ratings have each been maintained at BBB+/Baa1

Dividend

The Board has declared an interim dividend for 1HFY2024 of 9.7cps (60% franked) based on a payout ratio of 75% in respect of underlying NPAT from continuing operations.

The relevant interim dividend dates are:

- › 26 February 2024 – ex-dividend date
- › 27 February 2024 – record date
- › 27 March 2024 – payment date

Tax

Statutory income tax expense from continuing operations for 1HFY2024 was \$104m. The Group statutory effective tax rate⁷ was 30.5%, which is more than 30% due to certain non-deductible expenses and movements in employee share plans. The Group cash tax rate⁸ for continuing operations was 25% which is less than 30% primarily due to accelerated fixed asset related adjustments.

The underlying effective tax rate for FY2024 is expected to be in the range of 29-31% and the underlying cash tax rate is expected to be less than 25% for the short to medium term.

Aurizon publishes additional tax information in accordance with the voluntary Tax Transparency Code in its Sustainability Report. See the Sustainability section of the Aurizon website for further detail.

Discontinued Operations

The Group completed the sale of One Rail Australia Holdings Limited (ORAH) to Magnetic Rail Group Pty Ltd (Magnetic) on 17 February 2023 for consideration of \$438m including completion adjustments. The total consideration includes \$313m cash proceeds received on completion of the sale and \$125m cash proceeds receivable in February 2024. On completion of the sale, Magnetic assumed ORAH's existing borrowings of \$474m.

⁵ Net debt is defined as borrowings (both current and non-current) less cash and cash equivalents and excludes lease liabilities. Net debt is adjusted for funds drawn under the Intra Group Loan Agreement.

⁶ EBITDA is based on the 12-month rolling average

⁷ Underlying effective tax rate = income tax expense excluding the impact of significant items / underlying consolidated profit before tax

⁸ Underlying cash tax rate = cash tax payable excluding the impact of significant items / underlying consolidated profit before tax

BUSINESS UNIT REVIEW

Coal

Aurizon transports coal from mines in the Newlands, Goonyella, Blackwater, Moura and West Moreton systems in Queensland (QLD) and the Hunter Valley and Illawarra coal systems in New South Wales (NSW), to domestic customers and coal export terminals. Coal hauled is split approximately evenly between metallurgical coal and thermal coal, with demand linked to Asian steel production and energy generation, respectively.

Financial Summary

(\$m)	1HFY2024	1HFY2023	Variance
Revenue			
Above Rail	642	582	10%
Track Access	237	175	35%
Other	8	4	100%
Total revenue	887	761	17%
Track Access costs	(243)	(185)	(31%)
Operating costs	(361)	(346)	(4%)
EBITDA	283	230	23%
Depreciation and amortisation	(104)	(100)	(4%)
EBIT	179	130	38%

Metrics

	1HFY2024	1HFY2023	Variance
Total tonnes hauled (m)	94.0	90.5	4%
CQCN	66.3	66.9	(1%)
NSW & SEQ	27.7	23.6	17%
Contract utilisation	82%	78%	4.0ppt
Total NTK (b)	22.0	20.9	5%
CQCN	16.8	16.5	2%
NSW & SEQ	5.2	4.4	18%
Average haul length (km)	234	231	1%
Total revenue / NTK (\$/'000 NTK)	40.3	36.4	11%
Above Rail Revenue / NTK (\$/'000 NTK)	29.2	27.8	5%
Operating Ratio	79.8%	82.9%	3.1ppt
Opex / NTK (\$/'000 NTK)	32.2	30.2	(7%)
Opex / NTK (excluding access costs) (\$/'000 NTK)	21.1	21.3	1%
Locomotive productivity ('000 NTK / Active locomotive day)	377.0	369.3	2%
Active locomotives (as at 31 December)	321	310	4%
Wagon productivity ('000 NTK / Active wagon day)	14.3	14.0	2%
Active wagons (as at 31 December)	8,383	8,077	4%
Payload (tonnes)	7,540	7,889	(4%)

Coal Performance Overview

Coal EBITDA increased \$53m (23%) to \$283m with higher revenue resulting from increased volumes and improved revenue yield due to contract escalation and customer mix.

Volumes increased 3.5mt (4%) to 94.0mt with higher volumes in NSW and South-East Queensland (SEQ) partly offset by volume reductions in the Central Queensland Coal Network (CQCN).

- › Across the CQCN, volumes decreased by 0.6mt (1%) to 66.3mt with mine sequencing and unscheduled stoppages impacting some customer production. The Newlands mine also reached end of mine life in February 2023
- › In NSW and SEQ, volumes increased by 4.1mt (17%) to 27.7mt due to commencement of new contracts for SIMEC mining and growth in SEQ volumes in addition to increased customer production. This result was partly offset by lower AGL volumes relating to the Liddell Power Plant closure in April 2023

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Coal revenue increased by \$126m (17%) to \$887m largely due to the increase in volumes, increase in track access revenue (largely pass through in higher access costs) and higher revenue yield. Revenue yield improved due to CPI and customer mix partly offset by lower fuel revenue from lower prices (largely pass through).

Total operating costs increased \$73m (14%) to \$604m largely due to higher access and traincrew costs partly offset by lower fuel costs. The major drivers of these movements are:

- › Track access costs increased by \$58m (31%) due to higher CQCN access tariffs
- › Other operating costs increased \$15m (4%) primarily due to higher traincrew and maintenance costs partly offset by lower fuel costs due to lower prices. Excluding fuel, other operating costs increased \$23m (7%)

Depreciation increased \$4m (4%), resulting in an EBIT increase of 38% against the prior comparative period.

Operationally, key productivity metrics were generally higher against the prior comparative period due to increased volumes. Active locomotives increased with the volume growth in SEQ and Illawarra.

Contract update

- › Contract extension with QAL for the haulage of coal within the CQCN from 1 January 2024
- › 12-year haulage contract with New Hope commenced October 2023 from the New Acland Stage 3 mine in SEQ

TrainGuard

TrainGuard is a platform utilising ETCS (European Train Control System) technology to support driver decision-making, particularly in relation to speed control and signal enforcement. TrainGuard supports safer and more efficient train operations with reduced rail process safety issues and improved train handling. TrainGuard is also a pathway to expanding our driver-only operations in Central Queensland. The technology is deployed on all electric trainsets (and associated track infrastructure) in Blackwater (Callemondah to Bluff) with the first TrainGuard operational service commencing in December 2022 and the use of driver-only operation maximised since the start of Q2 FY2024. The deployment in the Goonyella System (Mainline) is nearing completion with the first operational service to commence at the end of Q3 FY2024 and driver-only operation ramp up to commence in FY2025.

TrainHealth

TrainHealth continues to provide Aurizon with capability to monitor performance of locomotives and train handling/utilisation in real-time. This initiative enables access to real time asset data that is being used to inform the health of the locomotive, enhance asset reliability and maintenance decisions for the fleet, in addition to providing greater visibility on driver variability and support business decisions for on-time running. CQCN Siemens Electric locomotive fleet and the EMD CQCN Diesel fleet have been completed. TrainHealth is operational on the NSW Coal GE locomotive fleet and is leveraging the technology solutions delivered in CQCN. The Bulk business unit in Western Australia (WA) is also leveraging the benefits of TrainHealth with the AC 6000 class equivalent fleet installation completed.

Bulk

Aurizon's Bulk business provides integrated supply chain services, including rail and road transportation, port services and material handling for a range of mining, metal, industrial and agricultural customers throughout Australia. Aurizon's Bulk business also manages the Tarcoola-to-Darwin rail infrastructure, the intrastate rail freight network in South Australia and containerised freight services between Adelaide and Darwin.

Financial Summary

(\$m)	1HFY2024	1HFY2023	Variance
Revenue			
Freight Transport	546	511	7%
Other	13	10	30%
Total revenue	559	521	7%
Operating costs	(447)	(421)	(6%)
EBITDA	112	100	12%
Depreciation and amortisation	(60)	(53)	(13%)
EBIT	52	47	11%
Total tonnes hauled (m)	34.1	33.6	1%
Operating Ratio	90.7%	91.0%	0.3ppt

Bulk Performance Overview

Bulk EBITDA increased \$12m (12%) to \$112m driven by volume recovery and new contracts, offset by some customer production issues and lower grain volumes. The entire period also included One Rail Australia (Bulk Central) following on from the acquisition on 29 July 2022.

Revenue increased by \$38m (7%) driven by increased iron ore volumes in WA and the additional contribution of Bulk Central during the period. This was partly offset by some customer specific production issues in QLD and lower grain volumes (primarily in NSW and QLD).

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Operating costs increased \$26m (6%) due to the additional contribution of Bulk Central during the period and costs incurred to support contract growth. This was partly offset by lower fuel prices and non-recurrence of derailment costs from the prior period.

Depreciation increased \$7m (13%) with increased capital expenditure supporting the growth in revenue and EBITDA. EBIT increased by 11%.

Volume growth from new contracts expected from 2HFY2024, primarily in Bulk Central with Northern Iron and Linecrest (both above and below rail contracts).

Contract update

The contract wins detailed below have a term less than 5 years in length:

- › Northern Iron – above and below rail contract for the haulage of iron ore in SA/NT
- › Linecrest – above and below rail contract for the haulage of iron ore in SA/NT
- › MRL – rail haulage contract extension for iron ore in WA
- › Ampol – rail haulage contract extension for fuel in WA
- › Mt Weld Mining (Lynas) – for the road haulage of sulphuric acid in WA
- › Glencore – rail haulage and terminal services contract extension for multiple commodities in QLD
- › Alcoa – bauxite rail haulage from Huntly to Kwinana (WA) to wind down in 2HFY2024 ahead of refinery production ceasing in 1HFY2025. Contract extension signed for Pinjarra and Wagerup caustic rail haulage
- › Pilbara rail maintenance contract (WA) to cease in February 2024

Network

Network refers to the business of Aurizon Network Pty Ltd (Network) which operates the 2,670km CQCN. The open access network is the largest coal rail network in Australia, connecting multiple customers from more than 40 mines to five export terminals located at three ports. The CQCN includes four major coal systems (Moura, Blackwater, Goonyella and Newlands) and a connecting link, the Goonyella to Abbot Point Expansion (GAPE).

Financial Summary

(\$m)	1HFY2024	1HFY2023	Variance
Revenue			
Track Access	694	583	19%
Services and other	64	31	106%
Total revenue	758	614	23%
Energy and fuel	(84)	(110)	24%
Other operating costs	(188)	(141)	(33%)
EBITDA	486	363	34%
Depreciation and amortisation	(174)	(173)	(1%)
EBIT	312	190	64%

Metrics

	1HFY2024	1HFY2023	Variance
Tonnes (m)	106.5	102.9	3%
NTK (b)	26.2	25.1	4%
Operating Ratio	58.8%	69.1%	10.3ppt
Maintenance / NTK (\$/'000 NTK)	3.0	2.7	(11%)
Opex / NTK (\$/'000 NTK)	17.0	16.9	(1%)
Cycle Velocity (km/hr)	22.3	21.0	6%
System Availability	81.3%	82.3%	(1.0ppt)
Average haul length (km)	246	244	1%

Network Performance Overview

Network EBITDA increased \$123m (34%) to \$486m in 1HFY2024, with increased revenue of \$144m (23%) offset by increased operating costs of \$21m (8%).

Regulatory access revenue has been accounted for based on actual railed volumes using tariffs approved by the Queensland Competition Authority (QCA) on 26 May 2023, the subsequent Electric Energy Charge (EC) update approved on 21 June 2023 and the QCA Levy variation approved on 24 August 2023.

Total access revenue increased by \$111m (19%) with the main drivers being:

- › Allowable revenue increased by \$124m, driven by the preliminary reset WACC of 8.18% in 1HFY2024 compared to 6.30% in 1HFY2023 \$45m and increased volumes delivering an additional \$27m in 1HFY2024 compared to prior period under recovery of \$52m;
- › Net favourable Revenue Cap (excluding GAPE) movements of \$15m received in 1HFY2024 relating to FY2021 and FY2022;
- › GAPE revenue was \$4m higher due to higher access charges compared to 1HFY2023, partially offset by the depreciating asset base;
- › Other Access Revenue was \$3m lower, driven by customer funded infrastructure rebates as a result of higher volumes and higher regulatory WACC; and
- › EC was \$29m lower in 1HFY2024 due to the EC tariff reducing from \$2.82 to \$1.66 per EGTK'000.

Services and other revenue was \$33m (106%) higher in 1HFY2024 primarily due to higher external construction revenue.

Total operating costs increased by \$21m (8%) with the main drivers being:

- › Electric traction charges decreased \$26m in 1HFY2024 (offset in Access Revenue) due to lower wholesale energy prices partially offset by higher connection costs
- › Other operating costs increased \$47m in 1HFY2024 primarily due to higher operating costs \$6m and higher maintenance costs (\$12m) as a result of inflationary pressures and higher external construction costs associated with higher revenue

Depreciation was in line with the prior comparative period.

Network's 2022-2023 Regulated Asset Base (RAB) roll-forward is estimated to be \$6.2bn⁹ (including access Facilitation Deeds of \$0.3bn).

Regulation Update

Network continues to implement the 2017 Access Undertaking (UT5) which was approved by the QCA on 19 December 2019. The status of key aspects of UT5 are summarised below.

Capacity Assessments

- › The QCA published the Independent Expert's (IE) Initial Capacity Assessment Report (ICAR) on 1 November 2021 which identified Existing Capacity Deficits (ECD) within each Coal System
- › On 16 November 2022, the QCA made an initial determination on Transitional Arrangements proposed by Network to be implemented, the most notable being the installation of remote-control signalling in the Newlands system which the IE subsequently assessed as being prudent and efficient
- › The QCA published the IE's Annual Capacity Assessment Report 2023 (ACAR) on 29 June 2023. The ACAR identified some differences between it and the findings in the ICAR in relation to the average annual deliverable network capacity of each coal system for the period FY2022-FY2024, when measured as a percentage of the current contracted capacity for each coal system, which are as follows:
 - Goonyella: ~98%
 - Blackwater: ~104%
 - GAPE: ~63%
 - Moura: ~99%
 - Newlands: ~70%
- › Following its 21 April 2023 determination on the implementation of Transitional Arrangements, on 21 September 2023 the QCA published its decision on the remaining Transitional Arrangements to address ECDs identified in the ICAR. The QCA decided that the remaining Transitional Arrangements would benefit from further expansion studies to assess both the costs and potential benefits associated with the projects prior to deciding which Transitional Arrangements should be implemented
- › Network is currently undertaking expansion studies for the Goonyella, Newlands and GAPE systems to identify the most efficient and effective solution for resolving the capacity deficits identified in the ICAR. The results from these studies will be presented to the IE with a recommendation on which expansions should proceed

UT5 Reset Values

- › UT5 provides for certain components of allowable revenue and WACC (predominately risk-free rate, debt risk premium, inflation and the tax allowance) (together the Reset Values) to be reset on 1 July 2023 to take account of prevailing market conditions at that time. The reset process involved the establishment of:
 - Preliminary Reset Values in FY2023 to form the basis of tariffs that will apply in FY2024, which were approved by the QCA on 25 May 2023
 - Final Reset Values which were approved by the QCA on 19 October 2023
- › Allowable Revenues and Reference Tariffs for FY2024 have been based on the QCA's approved preliminary WACC of 8.18% and opening FY2024 RAB Value of \$6.2bn⁹ (including Access Facilitation Deeds in respect of mine specific infrastructure of \$0.3bn)
- › On 19 October 2023, the QCA approved Network's Final Reset Values with a final reset WACC of 8.51% based on a risk-free rate of 3.87% and a debt risk premium of 2.48%

⁹ Includes deferred capital

Aurizon Holdings Limited
Directors' Report
Operating and Financial Review
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(continued)

- › While the Final Reset Values take effect from 1 July 2023, FY2024 Allowable Revenues and Tariffs will not be amended during the year to reflect the QCA's decision on the Final Reset Values. The difference between the Preliminary and Final Reset Allowable Revenues for FY2024 (1 July 2023 to 30 June 2024) will be reconciled through the FY2024 Revenue Adjustment Amounts (Revenue Cap) process in two years' time and will be incorporated into FY2026 Reference Tariffs

Operational Update

During 1HFY2024:

- › CQCN volumes increased by 3% to 106.5mt, driven by volume recovery, partly offset by mine sequencing and unscheduled stoppages impacting some customer production
- › Access and competition for skilled labour and rising sub-contractor costs impacted maintenance and asset renewal expenditure
- › Fair Work Australia approved the Aurizon Infrastructure Enterprise Agreement (QLD) which had been voted in favour of by employees in FY2023
- › Total system availability decreased from 82.3% to 81.3%
- › Cancellations due to the Network rail infrastructure increased from 1.8% to 2.2%
- › Cycle velocity increased from 21.0km/h to 22.3km/h

Other

Other includes other Containerised Freight, which is not considered a separate reportable segment, as well as other revenue and central costs not allocated such as the Board, Managing Director & CEO, Company Secretary, strategy and investor relations.

(\$m)	1HFY2024	1HFY2023	Variance
Total revenue	30	6	400%
Operating costs	(64)	(26)	(146%)
EBITDA	(34)	(20)	(70%)
Depreciation and amortisation	(4)	(2)	(100%)
EBIT	(38)	(22)	(73%)

Other Performance Overview

EBITDA decreased by \$14m (70%), primarily driven by the ramp-up of the full Containerised Freight schedule.

ADDITIONAL INFORMATION

Safety, People, Environment and Risk

Refer to the annual report and Sustainability Report for a detailed summary.

12 February 2024

Board of Directors
Aurizon Holdings Limited
900 Ann Street
Fortitude Valley, QLD 4006
Australia

Dear Board Members

Auditor's Independence Declaration to Aurizon Holdings Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Aurizon Holdings Limited.

As lead audit partner for the review of the interim financial report of Aurizon Holdings Limited for the half year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Matthew Donaldson
Partner
Chartered Accountants

Aurizon Holdings Limited
Condensed consolidated income statement
For the six months ended 31 December 2023

	Notes	31 December 2023 \$m	31 December 2022 \$m
Revenue from continuing operations	1	1,970	1,694
Other income		2	-
Total revenue and other income		1,972	1,694
Employee benefits expense		(539)	(472)
Energy and fuel		(198)	(236)
Track access		(71)	(52)
Consumables		(309)	(250)
Depreciation and amortisation		(342)	(328)
Other expenses		(9)	(59)
Share of net profit of investments accounted for using the equity method		1	1
Operating profit		505	298
Finance income		2	2
Finance expenses		(166)	(104)
Net finance costs		(164)	(102)
Profit before income tax		341	196
Income tax expense	2	(104)	(66)
Profit from continuing operations after tax for the six months		237	130
Loss from discontinued operations after tax		-	(46)
Profit for the six months attributable to owners of Aurizon Holdings Limited		237	84
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the owners of Aurizon Holdings Limited			
Basic earnings per share		12.9	7.1
Diluted earnings per share		12.9	7.1
Earnings per share for profit attributable to the owners of Aurizon Holdings Limited			
Basic earnings per share		12.9	4.6
Diluted earnings per share		12.9	4.6

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

Aurizon Holdings Limited
Condensed consolidated statement of comprehensive income
For the six months ended 31 December 2023

	31 December 2023	31 December 2022
	\$m	\$m
Profit for the six months	237	84
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of cash flow hedges	(74)	(24)
Income tax relating to changes in fair value of cash flow hedges	22	7
Exchange differences on translation of foreign operations	(1)	-
Other comprehensive income/(expense) for the six months, net of tax	(53)	(17)
Total comprehensive income for the six months attributable to the owners of Aurizon Holdings Limited	184	67

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

Aurizon Holdings Limited
Condensed consolidated balance sheet
As at 31 December 2023

	Notes	31 December 2023 \$m	30 June 2023 \$m
ASSETS			
Current assets			
Cash and cash equivalents		42	92
Trade and other receivables		686	728
Inventories		240	235
Derivative financial instruments	8	83	2
Current tax receivables		117	104
Other assets		53	32
Total current assets		<u>1,221</u>	<u>1,193</u>
Non-current assets			
Inventories		64	60
Trade and other receivables		10	-
Derivative financial instruments	8	8	119
Property, plant and equipment		10,072	9,945
Intangible assets		205	220
Other assets		76	86
Investments accounted for using the equity method		56	56
Total non-current assets		<u>10,491</u>	<u>10,486</u>
Total assets		<u>11,712</u>	<u>11,679</u>
LIABILITIES			
Current liabilities			
Trade and other payables		353	362
Borrowings	7	1,257	566
Derivative financial instruments	8	1	-
Provisions		281	287
Other liabilities		71	95
Total current liabilities		<u>1,963</u>	<u>1,310</u>
Non-current liabilities			
Borrowings	7	3,908	4,576
Derivative financial instruments	8	228	252
Deferred tax liabilities		934	940
Provisions		57	52
Other liabilities		231	196
Total non-current liabilities		<u>5,358</u>	<u>6,016</u>
Total liabilities		<u>7,321</u>	<u>7,326</u>
Net assets		<u>4,391</u>	<u>4,353</u>
EQUITY			
Contributed equity	6	3,674	3,674
Reserves		(32)	20
Retained earnings		749	659
Total equity		<u>4,391</u>	<u>4,353</u>

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

Aurizon Holdings Limited
Condensed consolidated statement of changes in equity
For the six months ended 31 December 2023

	Notes	Attributable to owners of Aurizon Holdings Limited			Total equity \$m
		Contributed equity \$m	Reserves \$m	Retained earnings \$m	
Balance at 1 July 2023		3,674	20	659	4,353
Profit for the six months		-	-	237	237
Other comprehensive income		-	(53)	-	(53)
Total comprehensive income/(expense) for the six months		-	(53)	237	184
Transactions with owners in their capacity as owners:					
Dividends paid	5	-	-	(147)	(147)
Share-based payments		-	1	-	1
		-	1	(147)	(146)
Balance at 31 December 2023		3,674	(32)	749	4,391
Balance at 1 July 2022		3,674	26	712	4,412
Profit for the six months		-	-	84	84
Other comprehensive income		-	(17)	-	(17)
Total comprehensive income/(expense) for the six months		-	(17)	84	67
Transactions with owners in their capacity as owners:					
Dividends paid	5	-	-	(201)	(201)
Share-based payments		-	(2)	-	(2)
		-	(2)	(201)	(203)
Balance at 31 December 2022		3,674	7	595	4,276

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

Aurizon Holdings Limited
Condensed consolidated statement of cash flows
For the six months ended 31 December 2023

	31 December 2023 \$m	31 December 2022 \$m
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	2,207	1,879
Payments to suppliers and employees (inclusive of GST)	(1,371)	(1,348)
Interest received	2	2
Income taxes paid	(99)	(116)
Principal elements of lease receipts	4	4
Net cash inflow from operating activities from continuing operations	743	421
Net cash inflow from operating activities from discontinued operations	-	37
Net cash inflow from operating activities	743	458
Cash flows from investing activities		
Payments for business acquisitions (net of cash acquired)	-	(1,404)
Payments for property, plant and equipment	(416)	(403)
Proceeds from sale of property, plant and equipment	3	3
Payments for intangibles	(10)	(8)
Interest paid on qualifying assets	(1)	(2)
Distributions from joint ventures	-	1
Net cash outflow from investing activities from continuing operations	(424)	(1,813)
Net cash outflow from investing activities from discontinued operations	-	(940)
Net cash outflow from investing activities	(424)	(2,753)
Cash flows from financing activities		
Proceeds from borrowings	938	2,131
Repayment of borrowings	(969)	-
Payments of transaction costs related to borrowings	(9)	(9)
Principal elements of lease payments	(11)	(10)
Interest paid	(168)	(91)
Payments for shares acquired for share-based payments	(4)	(7)
Dividends paid to Company's shareholders	(147)	(201)
Net cash (outflow)/inflow from financing activities from continuing operations	(370)	1,813
Net cash inflow from financing activities from discontinued operations	-	468
Net cash (outflow)/inflow from financing activities	(370)	2,281
Net (decrease)/increase in cash and cash equivalents from continuing operations	(51)	421
Net decrease in cash and cash equivalents from discontinued operations	-	(435)
Cash and cash equivalents at the beginning of the financial year	92	172
Effects of exchange rate changes on cash and cash equivalents	1	-
Cash and cash equivalents at end of interim reporting period	42	158
Cash and cash equivalents consists of:		
Cash and cash equivalents on the balance sheet	42	121
Restricted cash and cash equivalents included in assets of disposal group held for sale	-	37
Total cash and cash equivalents of the Group	42	158

About this report

Corporate information

Aurizon Holdings Limited (the Company) is a for-profit entity for the purpose of preparing this interim financial report and is domiciled in Australia. The consolidated interim financial report comprises the financial statements for the six months ended 31 December 2023 of the Company and its subsidiaries (collectively referred to as the Group or Aurizon).

This interim financial report:

- has been prepared on the going concern basis of accounting;
- has been prepared in accordance with the requirements of Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*;
- has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value;
- is presented in Australian dollars with all values rounded to the nearest \$1,000,000 unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*; and
- does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report of the Company for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The annual report for the year ended 30 June 2023 is accessible at www.aurizon.com.au.

Key events and transactions for the reporting period

(a) Debt financing

Aurizon Network Pty Ltd (Network)

During the period, the Group added additional capacity in unsecured bank debt facilities. In October 2023, the Group established \$150 million in unsecured bilateral bank debt facilities that mature 30 October 2028 (\$50 million), 30 October 2029 (\$50 million), and 30 October 2030 (\$50 million). In December 2023, the Group established a \$500 million Syndicated Institutional Term Facility including a \$115 million revolving facility maturing December 2028, a \$145 million term loan facility maturing December 2028 and a \$240 million term loan facility maturing December 2029. The additional capacity will replace borrowings due to mature in the next 12 months.

Aurizon Operations Limited (via a wholly owned subsidiary Aurizon Finance Pty Ltd)

On 26 July 2023, the Group successfully settled a US Private Placement (USPP) comprising of both USD and AUD tranches for ~A\$503 million equivalent (Finance USPP). The proceeds from the Finance USPP have been used to repay the A\$350 million bridge facility drawn to fund the acquisition of One Rail Australia. The Finance USPP includes a A\$50 million tranche maturing July 2033, a A\$50 million tranche maturing July 2034, a US\$133 million tranche maturing July 2030, a US\$70 million tranche maturing July 2033 and a US\$70 million tranche maturing July 2035. Cross-currency interest rate swaps covering the entire US\$273 million issued have been executed to swap USD fixed rate tranches to AUD floating rate debt.

In June 2023, the Group re-financed the bilateral bank debt facilities to a total capacity of \$605 million, of which \$50 million capacity was added on 3 July 2023. During the period, the capacity was reduced by \$65 million as a bilateral bank debt facility was repaid at maturity.

(b) Access revenue

2017 Access Undertaking (UT5)

The 2017 Access Undertaking (UT5) approved by the Queensland Competition Authority (QCA) on 19 December 2019 included a defined process for certain components of allowable revenue and the Weighted Average Cost of Capital (WACC), together the 'Reset Values', to be reset at 1 July 2023 (Preliminary Reset Values) and 1 July 2024 (Final Reset Values). On 25 May 2023, the QCA approved Preliminary Reset Values, including a WACC of 8.18% (applying a risk-free rate of 3.47% and a debt risk premium of 2.60%), which has been incorporated into reference tariffs for FY2024.

On 19 October 2023, the QCA approved the Final Reset Values, including a WACC of 8.51% (applying a risk-free rate of 3.87% and a debt risk premium of 2.48%), to be incorporated into the reference tariffs for the period 1 July 2024 to 30 June 2027 (the conclusion of the UT5 regulatory period). The difference between the Preliminary Reset Values of 8.18%, used for the FY2024 reference tariffs and the Final Reset Values of 8.51% will be reconciled through the FY2024 Revenue Adjustment Amount and reflected in reference tariffs for FY2026.

Key events and transactions for the reporting period (continued)

(c) Comparative Period

Key events and transactions affecting the performance of the Group in the comparative period are disclosed within the annual report for the year ended 30 June 2023.

Results for the six months

IN THIS SECTION

Results for the six months provides segment information and a breakdown of individual line items in the condensed consolidated income statement that the Directors consider most relevant.

1	Segment information	Page 23
2	Income tax	Page 26
3	Acquisition of businesses and subsidiaries	Page 26
4	Discontinued operations	Page 27

1 Segment information

The Group determines and presents operating segments on a business unit structure basis as this is how the results are reported internally and how the business is managed. The Managing Director & CEO and the Executive Committee (chief operating decision-makers) assess the performance of the Group based on underlying earnings before net interest, tax, depreciation and amortisation (EBITDA). Refer to page 41 for Non-IFRS Financial Information.

The following segment information has been presented for continuing operations only.

(a) Description of reportable segments

The following summary describes the operations of each reportable segment:

Network

This segment manages the provision of access to the CQCN rail infrastructure and operation and maintenance of the network.

Coal

This segment provides transport of metallurgical and thermal coal from mines in Queensland and New South Wales to domestic customers and coal export terminals.

Bulk

This segment provides integrated supply chain services, including rail and road transportation, port services and material handling for a range of mining, metal, industrial and agricultural customers throughout Australia. This segment also manages the Tarcoola-to-Darwin rail infrastructure, and the intrastate rail freight network in South Australia, and containerised freight services between Adelaide and Darwin.

Other

This segment includes other containerised freight, which is not considered a separate reportable segment, as well as other revenue and central costs not allocated such as Board, Managing Director & CEO, Company Secretary, strategy and investor relations.

1 Segment information (continued)

(b) Segment information

31 December 2023	Network \$m	Coal \$m	Bulk \$m	Other \$m	Total Continuing Operations \$m
External revenue					
Revenue from external customers					
Services revenue					
Track access	450	237	-	-	687
Freight transport ¹	-	642	537	22	1,201
Other services	43	-	3	-	46
Other revenue	16	8	6	6	36
Total revenue from external customers	509	887	546	28	1,970
Internal revenue					
Services revenue					
Track access	244	-	-	-	244
Freight transport	-	-	9	-	9
Other services	5	-	4	-	9
Total internal revenue	249	-	13	-	262
Total external and internal revenue²	758	887	559	28	2,232
Other income	-	-	-	2	2
Total revenue and other income	758	887	559	30	2,234
Internal elimination					(262)
Consolidated revenue and other income					1,972
Continuing EBITDA (Underlying)³	486	283	112	(34)	847
Depreciation and amortisation	(174)	(104)	(60)	(4)	(342)
Continuing EBIT (Underlying)³	312	179	52	(38)	505
Net finance costs					(164)
Profit before income tax from continuing operations					341

¹ As a result of the integrated bulk rail haulage and general freight assets in South Australia and the Northern Territory, freight transport revenue for Bulk includes track access as it is not separately invoiced to customers.

² The Group derives revenue from the provision of services over time.

³ Refer to page 41 for Non-IFRS Financial Information

1 Segment information (continued)

(b) Segment information (continued)

31 December 2022	Network \$m	Coal \$m	Bulk \$m	Other \$m	Total Continuing Operations \$m
External revenue					
Revenue from external customers					
Services revenue					
Track access	392	175	-	-	567
Freight transport ¹	-	582	502	1	1,085
Other services	9	-	2	-	11
Other revenue	17	4	5	5	31
Total revenue from external customers	<u>418</u>	<u>761</u>	<u>509</u>	<u>6</u>	<u>1,694</u>
Internal revenue					
Services revenue					
Track access	191	-	-	-	191
Freight transport	-	-	9	-	9
Other services	5	-	3	-	8
Total internal revenue	<u>196</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>208</u>
Total external and internal revenue ²	614	761	521	6	1,902
Other income	-	-	-	-	-
Total revenue and other income	<u>614</u>	<u>761</u>	<u>521</u>	<u>6</u>	<u>1,902</u>
Internal elimination					(208)
Consolidated revenue and other income					<u>1,694</u>
Continuing EBITDA (Underlying) ³	<u>363</u>	<u>230</u>	<u>100</u>	<u>(20)</u>	<u>673</u>
Depreciation and amortisation	<u>(173)</u>	<u>(100)</u>	<u>(53)</u>	<u>(2)</u>	<u>(328)</u>
Continuing EBIT (Underlying) ³	<u>190</u>	<u>130</u>	<u>47</u>	<u>(22)</u>	<u>345</u>
Significant items (note c)					(47)
EBIT ³					<u>298</u>
Net finance costs					(102)
Profit before income tax from continuing operations					<u>196</u>

¹ As a result of the integrated bulk rail haulage and general freight assets in South Australia and the Northern Territory, freight transport revenue for Bulk includes track access as it is not separately invoiced to customers.

² The Group derives revenue from the provision of services over time.

³ Refer to page 41 for Non-IFRS Financial Information

1 Segment information (continued)

(c) Significant items

The Group's underlying results differ from the statutory results. The exclusion of certain items permits a more appropriate and meaningful analysis of the Group's underlying performance on a comparative basis.

	31 December 2023	31 December 2022
	\$m	\$m
Acquisition costs for One Rail Australia	-	(47)
Total significant items (continuing operations)	-	(47)

Significant items is reconciled in the Non-IFRS Financial Information on page 41.

2 Income tax

Statutory income tax expense for the Group is \$104 million (31 December 2022: \$52 million) related to continuing operations (31 December 2022: continuing operations of \$66 million; discontinued operations of \$14 million). The statutory effective tax rate for the Group, including continuing and discontinued operations, for the six months ended 31 December 2023 is 30.5% (31 December 2022: 38.2%).

3 Acquisition of businesses and subsidiaries

(a) Prior six months period

(i) One Rail Australia acquisition

The acquisition of One Rail Australia completed on 29 July 2022. Details of the purchase consideration, net assets acquired and goodwill are as follows:

		\$m
Total purchase consideration (after working capital and completion adjustments)		2,404
	Fair value	\$m
Cash		50
Trade and other receivables		44
Inventories		31
Other assets		3
Property, plant and equipment		1,409
Assets held for sale		984
Trade and other payables		(18)
Borrowings		(5)
Provisions		(31)
Other current liabilities		(11)
Other non-current liabilities		(18)
Deferred tax liabilities		(23)
Liabilities directly associated with assets classified as held for sale		(34)
Fair value of net identifiable assets acquired		2,381
Add: Goodwill		23
Fair value of net assets acquired		2,404

3 Acquisition of businesses and subsidiaries (continued)

(a) Prior six months period (continued)

(i) One Rail Australia acquisition (continued)

Goodwill of \$23 million solely arises from the net deferred tax liability recognised on acquisition, in accordance with accounting standards. The net deferred tax liability arises on leased assets (comprising leasehold interests with below market rental payments) and the face value of the Term Loan Facility, offset by deferred tax assets associated with provisions. None of the goodwill is expected to be deductible for tax purposes.

The gross contractual amount due and fair value of trade receivables acquired was \$44 million.

Borrowings acquired included a \$50 million Term Loan Facility with The AustralAsia Railway Corporation in connection with the Tarcoola-to-Darwin Concession Deed issued at below market interest rates. The Term Loan Facility matures in 2054 at the expiry of the Concession Period. The fair value of the loan acquired was \$5 million.

Acquisition costs of \$47 million, including landholder duty, advisory fees and other costs were expensed to profit or loss during the prior comparable period and classified in other expenses. This amount was classified as a significant item in continuing operations.

Total cash paid of \$2,404 million included \$1,454 million for continuing operations and \$950 million for discontinued operations held for sale. Net cash outflow from investing activities for continuing operations was \$1,404 million, representing cash paid net of cash acquired of \$50 million.

4 Discontinued operations

(a) One Rail Australia Holdings Limited (ORAH)

The Group completed the sale of ORAH to Magnetic Rail Group Pty Ltd (Magnetic) on 17 February 2023 for consideration of \$438 million including completion adjustments. Total consideration includes \$313 million cash proceeds received on completion of the sale and \$125 million cash proceeds receivable in February 2024. On completion of the sale, Magnetic assumed ORAH's existing borrowings of \$474 million.

(b) Significant items

The Group's underlying results differ from the statutory results. The exclusion of certain items permits a more relevant analysis of the Group's underlying performance on a comparative basis.

	31 December 2023	31 December 2022
	\$m	\$m
Impairment of assets held for sale	-	(75)
Sale and divestment costs	-	(23)
Total significant items (discontinued operations)	-	(98)

The loss from discontinued operations after tax and significant items is reconciled in the Non-IFRS Financial Information on page 41.

Capital management

IN THIS SECTION

Capital management provides information about the capital management practices of the Group and shareholder returns for the six-month period and the Group's fair value disclosure for financial instruments.

5	Dividends	Page 29
6	Contributed equity	Page 29
7	Borrowings	Page 30
8	Financial instruments	Page 32

5 Dividends

	Cents per Share	\$m
Declared and paid during the period		
For the six months ended 31 December 2023		
Final dividend for 2023 (60% franked)	8.0	147
For the six months ended 31 December 2022		
Final dividend for 2022 (100% franked)	10.9	201
Proposed and unrecognised at period end		
For the six months ended 31 December 2023		
Interim dividend for 2024 (60% franked)	9.7	179
For the six months ended 31 December 2022		
Interim dividend for 2023 (100% franked)	7.0	128

6 Contributed equity

(a) Issued capital

	Number of shares '000	\$m
At 1 July 2022	1,840,704	207
At 31 December 2022	<u>1,840,704</u>	<u>207</u>
At 1 July 2023	1,840,704	207
At 31 December 2023	<u>1,840,704</u>	<u>207</u>

(b) Other contributed equity

	2023 \$m	2022 \$m
Balance at 1 July	3,467	3,467
Balance at 31 December	3,467	3,467

7 Borrowings

	31 December	30 June
	2023	2023
	\$m	\$m
Current - Unsecured		
Bank debt facilities	35	139
Medium-Term Notes	1,222	427
	1,257	566
Non-current - Unsecured		
Medium-Term Notes	1,863	2,600
US Private Placement Notes	810	305
Bank debt facilities	865	1,680
Syndicated Institutional Term Facility	385	-
Other borrowings	6	6
Capitalised borrowing costs	(21)	(15)
	3,908	4,576
Total borrowings	5,165	5,142

The Group's bank debt facilities and USPP contain financial covenants. The bank debt facilities, Medium-Term Notes, and USPP contain general undertakings including negative pledge clauses which restrict the amount of security that the Group can provide over assets in certain circumstances. The Group has complied with all required covenants and undertakings throughout the reporting period.

At balance date, the Group has a net current liability position of \$742 million due to the classification of Network's Australian dollar Medium-Term Note (AMTN 2) (notional amount of A\$425 million) maturing June 2024 and the Euro dominated Medium-Term Note (EMTN 1) (notional amount of A\$711 million) maturing September 2024 as current liabilities. The Network AMTN 2 and Network EMTN 1 capacity of \$1,136 million maturing will be replaced by undrawn Network bank debt of \$1,120 million and any other debt issuances over the next 12 month period.

7 Borrowings (continued)

Financing arrangements

The table below summarises the financing arrangements the Group had access to at the end of the period. The facilities are unsecured.

	Maturity	Utilised ¹		Facility limit	
		31 December		31 December	
		2023	30 June 2023	2023	30 June 2023
		\$m	\$m	\$m	\$m
Aurizon Finance Pty Ltd					
Working capital facility	Jun-24	47	62	125	125
Bilateral facility	Nov-23	-	65	-	65
Bilateral facility	Nov-25	-	-	75	75
Bilateral facility	Jul-26	170	195	465	415
Bridge loan facility	Jul-24	-	350	-	350
Revolver loan facility	Jul-25	-	25	400	400
Term loan facility	Jul-27	400	400	400	400
Finance AMTN 1	Mar-28	500	500	500	500
Finance USPP	Jul-30	196	-	196	-
Finance USPP	Jul-33	153	-	153	-
Finance USPP	Jul-34	50	-	50	-
Finance USPP	Jul-35	103	-	103	-
		1,619	1,597	2,467	2,330
Aurizon Network Pty Ltd					
Working capital facility	Jun-24	15	36	75	75
Bilateral facility	Jan-26	205	575	575	575
Bilateral facility	Jan-27	40	135	310	310
Bilateral facility	Jan-28	-	-	205	205
Bilateral facility	Oct-28	50	-	50	-
Bilateral facility	Oct-29	-	-	50	-
Bilateral facility	Oct-30	-	-	50	-
Revolver loan facility	Dec-28	-	-	115	-
Term loan facility	Dec-28	145	-	145	-
Term loan facility	Dec-29	240	-	240	-
Network AMTN 2	Jun-24	425	425	425	425
Network AMTN 3	Mar-30	82	82	82	82
Network AMTN 4	Sep-30	500	500	500	500
Network AMTN 5	Dec-31	75	75	75	75
Network AMTN 6	Dec-32	80	80	80	80
Network AMTN 7	Dec-34	20	20	20	20
Network EMTN 1	Sep-24	711	711	711	711
Network EMTN 2	Jun-26	778	778	778	778
Network USPP	Jun-33	184	184	184	184
Network USPP	Jun-35	122	122	122	122
		3,672	3,723	4,792	4,142
Total Group financing arrangements		5,291	5,320	7,259	6,472

¹ Amount utilised includes bank guarantees of \$27 million (30 June 2023: \$25 million) and excludes capitalised borrowing costs of \$21 million (30 June 2023: \$15 million), discounts on AMTNs and EMTNs of \$4 million (30 June 2023: \$5 million) and accumulated fair value adjustments on AMTNs, EMTNs and USPPs of \$81 million (30 June 2023: \$140 million). The facilities above exclude the Term Loan Facility with The AustralAsia Railway Corporation in connection with the Tarcoola-to-Darwin Concession Deed. The fair value of the Term Loan Facility is \$6 million (30 June 2023: \$6 million).

8 Financial instruments

(a) Fair values of financial instruments

The carrying amounts and fair values of the Group's financial instruments are materially the same, except for:

	31 December 2023 \$m	30 June 2023 \$m
Borrowings		
Carrying amount	5,165	5,142
Fair value	5,312	5,186

(b) Fair value measurements

The fair value of borrowings is estimated by discounting future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. The market interest rates were determined to be between 3.9% and 8.2% (30 June 2023: 4.8% and 7.1%) depending on the type of facility.

The Group measures the fair value of financial instruments using market observable data where possible. Fair values are categorised into three levels with each of these levels indicating the reliability of the inputs used in determining fair value. The levels of the fair value hierarchy are:

- Level 1: Quoted prices for an identical asset or liability in an active market
- Level 2: Directly or indirectly observable market data
- Level 3: Unobservable market data.

The fair value of forward exchange contracts are determined as the unrealised gain/(loss) with reference to market rates. The fair value of interest rate swaps is determined as the net present value of contracted cash flows. The existing exposure method, which estimates future cash flows to present value using credit adjusted discount factors after counterparty netting arrangements, has been adopted for both forward foreign exchange contracts and interest rate swaps.

The fair value of cross-currency interest rate swaps is determined as the net present value of contract cash flows. The future probable exposure method is applied to the estimated future cash flows to reflect the credit risk of the Group and relevant counterparties.

The Group's derivative financial instruments are classified as Level 2 (30 June 2023: Level 2). During the interim reporting period to 31 December 2023, there were no transfers between Level 1, Level 2 or Level 3 in the fair value hierarchy (30 June 2023: nil).

8 Financial instruments (continued)

(b) Fair value measurements (continued)

	31 December 2023 \$m	30 June 2023 \$m
Current assets		
Foreign exchange contracts	1	2
CCIRS - Network EMTN 1	82	-
	<u>83</u>	<u>2</u>
Non-current assets		
Interest rate swaps	7	41
Interest rate swaps - Finance USPP	1	-
CCIRS - Network EMTN 1	-	78
	<u>8</u>	<u>119</u>
Total derivative financial instrument assets	<u>91</u>	<u>121</u>
Current liabilities		
Foreign exchange contracts	1	-
Non-current liabilities		
Interest rate swaps	27	1
Interest rate swaps - Finance AMTN 1	48	63
Interest rate swaps - Network AMTN 3	10	12
Interest rate swaps - Network AMTN 4	86	104
Interest rate swaps - Network AMTN 5	11	13
Interest rate swaps - Network AMTN 6	1	3
Interest rate swaps - Network AMTN 7	-	1
Interest rate swaps - Network USPP	-	4
CCIRS - Network EMTN 2	27	39
CCIRS - Network USPP	7	5
CCIRS - Finance USPP	11	7
	<u>228</u>	<u>252</u>
Total derivative financial instrument liabilities	<u>229</u>	<u>252</u>

Other notes

IN THIS SECTION

Other notes provides information on other items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements, however are not considered critical in understanding the financial performance of the Group.

9	Summary of significant accounting policies	Page 35
10	Critical accounting estimates and judgements	Page 35

9 Summary of significant accounting policies

The accounting policies adopted in the preparation of this consolidated interim financial report are consistent with those of the previous financial year except for the adoption of new and amended standards as set out below. These policies have been consistently applied to both periods presented, unless otherwise stated.

(a) New and amended standards adopted by the Group

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

AASB 17 *Insurance Contracts* (AASB 17) became effective for the Group from 1 July 2023. The Group Insurance Program includes certain placements with a wholly owned captive insurance company, Iron Horse Insurance Company Pte Ltd (incorporated in the Republic of Singapore). The captive insurance company only underwrites the Group and its subsidiaries for property and liability insurance. As the Group does not have any contracts that meet the definition of an insurance contract under AASB 17, the new standard does not have a material impact on the Group.

10 Critical accounting estimates and judgements

The preparation of the interim financial report requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions of assets, liabilities, income and expense.

The areas involving a higher degree of judgement or complexity are consistent with those disclosed in the annual report for the year ended 30 June 2023.

Unrecognised items and events after reporting date

IN THIS SECTION

Unrecognised items provide information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial position and performance. This section also includes events occurring after the reporting date.

11	Commitments and contingencies	Page 37
12	Events occurring after the reporting period	Page 37

11 Commitments and contingencies

Issues relating to common law claims, product warranties and regulatory breaches are dealt with as they arise. There have been no material changes in contingent assets or liabilities since 30 June 2023.

At 31 December 2023, the Group has capital commitments contracted but not provided for in respect of the acquisition of property, plant and equipment of \$183 million (30 June 2023: \$232 million) which are due within one year, \$81 million (30 June 2023: \$64 million) which are due between one and five years and \$14 million (30 June 2023: \$14 million) which are due after five years.

12 Events occurring after the reporting period

No matter or circumstance, other than those matters disclosed in key events and transactions for the period, has occurred subsequent to the interim reporting period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, the state of affairs of the Group or economic entity in subsequent reporting periods.

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

In the opinion of the Directors of the Company:

- (a) the interim financial statements and notes set out on pages 15 to 37 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the six months ended on that date, and
- (b) there are reasonable grounds to believe that Aurizon Holdings Limited will be able to pay its debts as and when they become due and payable.



Tim Poole
Chairman

Brisbane
12 February 2024

Independent Auditor's Review Report to the Members of Aurizon Holdings Limited

Conclusion

We have reviewed the interim financial report of Aurizon Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated balance sheet as at 31 December 2023, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of material accounting policy information and other explanatory information, and the directors' declaration as set out on pages 20 to 38.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying interim financial report of the Group does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Interim Financial Report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and

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

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



DELOITTE TOUCHE TOHMATSU



Matthew Donaldson
Partner
Chartered Accountants

Brisbane, 12 February 2024

Non-IFRS Financial Information in 2023-24 Interim Financial Report

In addition to using profit as a measure of the Group and its segments' financial performance, Aurizon uses EBITDA (Statutory and Underlying), EBITDA margin (Statutory and Underlying), EBIT (Statutory and Underlying), NPAT Underlying, Return On Invested Capital (ROIC), Net debt and Net gearing ratio. These measurements are not defined under IFRS and are, therefore, termed 'Non-IFRS' measures.

EBITDA – Statutory is Group profit before net finance costs, tax, depreciation and amortisation, while EBIT – Statutory is defined as Group profit before net finance costs and tax. Underlying can differ from Statutory due to exclusion of significant items that permits a more appropriate and meaningful analysis of the underlying performance on a comparative basis. EBITDA margin is calculated by dividing underlying EBITDA by total revenue. These measures are considered to be useful measures of the Group's operating performance because they approximate the underlying operating cash flow by eliminating depreciation and amortisation.

NPAT– Underlying represents the underlying EBIT less finance costs, tax expense and the tax impact of significant items.

ROIC is defined as underlying rolling 12-month EBIT divided by average invested capital. Average invested capital is calculated as the rolling 12-month average of net assets (excluding cash, borrowings, tax, derivative financial assets and liabilities, and assets and liabilities held for sale). This measure is intended to ensure there is alignment between investment in infrastructure and superior returns for shareholders.

Net debt consists of borrowings (both current and non-current) less cash and cash equivalents. Net debt excludes lease liabilities. Net gearing ratio is defined as Net debt divided by Net debt plus Equity. Net debt and Net gearing ratio are measures of the Group's indebtedness and provides an indicator of the balance sheet strength. An alternative Net debt and Net gearing ratio are also disclosed to include derivative financial instruments used to hedge market risk on borrowings.

These above-mentioned measures are commonly used by management, investors and financial analysts to evaluate companies' performance.

A reconciliation of the Non-IFRS measures and specific items to the nearest measure prepared in accordance with IFRS is included in the table. The Non-IFRS financial information contained within this Directors' report and Notes to the Financial Statements have not been audited in accordance with Australian Auditing Standards.

	Six months ended 31 December 2023		Six months ended 31 December 2022	
	Continuing operations \$m	Discontinued operations \$m	Continuing operations \$m	Discontinued operations \$m
NPAT – Underlying	237	-	169	27
Significant items, net of tax	-	-	(39)	(73)
NPAT – Statutory	237	-	130	(46)
Income tax expense	104	-	66	(14)
Profit before income tax	341	-	196	(60)
Net finance costs	164	-	102	21
EBIT – Statutory	505	-	298	(39)
Add back significant items:				
- Acquisition costs	-	-	47	-
- Impairment of assets held for sale	-	-	-	75
- Sale and divestment costs	-	-	-	23
EBIT – Underlying	505	-	345	59
Depreciation and amortisation	342	-	328	-
EBITDA – Underlying	847	-	673	59
Average invested capital (continuing operations)	10,249		9,244	
ROIC (continuing operations)¹	9.0%		8.5%	

	31 December 2023 \$m	30 June 2023 \$m
Net Gearing Ratio		
Total borrowings	5,165	5,142
Less: cash and cash equivalents	(42)	(92)
Net debt	5,123	5,050
Total equity	4,391	4,353
Total capital	9,514	9,403
Net Gearing Ratio	53.8%	53.7%

	31 December 2023 \$m	30 June 2023 \$m
Alternative Net Gearing Ratio		
Net debt	5,123	5,050
Accumulated fair value adjustments	81	140
Alternative Net debt	5,204	5,190
Total equity	4,391	4,353
Total capital	9,595	9,543
Alternative Net Gearing Ratio	54.2%	54.4%

¹ ROIC is calculated on a rolling twelve-month underlying EBIT of \$922 million (H1 FY2024 \$505 million; H2 FY2023 \$417 million).