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## PRESENTATION

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**John Knowles** - ***Aurizon Holdings Limited - SVP Investor Relations***

Good morning ladies and gentlemen and welcome to Aurizon's FY13 results presentation. I'd like to call on Lance Hockridge, the Managing Director, to start the presentation. Thanks Lance.

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**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

Thank you John. Good morning everybody. Welcome to you all, both a number of familiar faces in the audience and those joining electronically as we review our results for FY13. This of course comes on top of the presentation that we made just a few weeks ago, the investor presentation about the Roadmap to 75%, as we described it. So hopefully this is continuing to demonstrate the level of performance, the level of consistency, the execution capability, but of course the things that we've got in mind that are going to continue to deliver for the owners of the business as we reflect on FY13, but as we go forward as well.

So again, welcome to you all. We'll step through this pretty briefly as you've had the chance, I think, to at least be able to get a quick look through the presentation, make some highlights between Keith and myself and then make sure that there's plenty of time for your questions.

If we start then on page 4 and think about the highlights, the key highlights for FY13, of course we start as always with safety. The core value in our organisation, but as I've expressed so many times, also the representation of change, also the representation of execution capability, of the drive for and momentum around improvement generally in our organisation. Off what was already a substantial improvement, we have seen another really very significant outcome, as you can see in terms of those numbers that we publish; a 60% improvement in lost time injury frequency rate for the year, a 54% improvement in the medically treated injury frequency rate. I can tell you though that beyond those numbers, all of the other statistics -- so for example our SPAD rate, our derailment rate -- all of the leading indicators in the business continue to demonstrate this same kind of momentum for improvement.

We believe that in many areas of our business now we are either at or approaching world class in safety. That's not a reason of course to relax, to sit back, to reflect. Rather it is about, as I say, the very embodiment of the kind of execution capability and momentum that we have. We will continue to drive safety until we've genuinely reached that world class level and our goal of zero. Equally, it's representative of the kind of change, the transformation generally, that we're driving through our company and organisation, so really excellent outcomes with respect to safety.

From an earnings point of view, Keith will go through in a few minutes in some detail around our earnings, but the highlights are despite the challenges in the year -- and of course I refer in particular to the impact of substantial flooding in Queensland in the early part of this calendar year, along with some operational issues; the derailment in our own case, some of the industrial relations issues that our customers had in the earlier part of the financial year, generally speaking the economic conditions in which we're operating -- notwithstanding all of that, which by the by we believe added up to, as we'll come back to in a little while, about a 5 million tonne impact through the year. As you can see, our underlying EBIT is up 29% for the year and underlying NPAT up 16%. We'll come back to that in a moment.

Again, reflecting on that presentation that we made in this room just a few weeks ago, we can now indicate the extent to which we continue the momentum with respect to operating ratio improvement. You can see year-on-year a 3.6 percentage point improvement from 83.4% to now being in the 70%s, 79.8%. Again, for the sake of good order, let me just reaffirm that for the purposes of measurement for remuneration outcomes, we continue to measure without the change that we made during the year in relation to diesel fuel rebate. On that basis, the number would have been 80.3%. But as reported, another substantial improvement [and confirmation] of why we remain confident about our ability to be able to deliver and outperform on the 75% by 2015.

Very significantly today we've made announcements with respect to our dividend policy. Firstly, the Board, as you know, having previously indicated a 50% payout, is now talking a range going forward of 60% to 70% and with a final dividend that we announced today of AUD0.082, 90% franked, that represents a 65% payout. All together then, for FY13, as you can see, a AUD0.123 per share payout, up 48% on FY12.

We've spoken before about the impact of the contracting and recontracting in the business, with some 120 million tonnes of contracts in the year and we'll talk a little more about that in a moment. Similarly though, whilst we're very focused on the transformation and the momentum of the execution capability that I'm talking about, we've not lost sight of the imperative around growth. Again, we'll talk a little more about that.

So then just briefly, I've spoken to the safety performance, but these charts represent not just, of course, a change in the last financial year, but the change that we've been able to lead now year-on-year in the improvement in our safety performance, which again is representative of the overall quality and momentum of improvement in our business.

Flicking through then to the financial highlights for the year, I won't go through this in detail as Keith will pause to talk about a range of these issues in a moment, but in particular I draw your attention to some of the commentary on the right hand side of chart number 6, the extent to which our improvement in earnings, for example, is driven by the uplift in GAPE volumes, the improvement in our Iron Ore business, about which a little more in minute or two.

Our total coal volumes, as you can see, were up 4% for the year, notwithstanding the impacts -- the flood, the derailment, industrial relations impacts -- that I spoke about a little while ago, which in total impact was of, in terms of expense, AUD11 million, or as I say, 5 million tonnes in lost volume for the year. We can also indicate that whilst we haven't finalised the number, we believe there is about AUD21 million recoverable in FY15 under the revenue cap arrangements in Network. Again, we'll talk a little more about the individual businesses when Keith comes to talk in a moment. Return is something -- return on invested capital, I'll come back to as well in a minute or two.

If we shift away then from the financial highlights to the operating highlights, here is the scorecard that we continue to put in front of you that embodies a wide range of the changes that we're continuing to implement in the business. May I anticipate a question from you with respect though at the outset the first line, the revenue per NTK line, which looks flat, because it is flat; but what that does is disguise a particular impact. One major customer of ours with a legacy contract had a very large volume growth, which has disproportionately impacted on that number. Without that impact from that particular customer, I can tell you that our revenue per NTK would have increased 3% across the year.

The other numbers there I think are relatively self-explanatory. You can see though the impact -- the continuing positive impact of the VR changes in our business, particularly in this year, in this FY13 year, VR2 as we describe it, will have seen in total some 960 people leave the business, 921 of them have left during the course of FY13, at a cost of AUD96 million, but an annual benefit, as you can see from the data, of AUD80 million, AUD85 million a year.

Again, though, these changes are not simply as it were one-off changes, or single year changes. And chart eight goes to the continuing momentum, the continuing change over a significant period of time that is represented by the transformation and the growth in this business, particularly as we look to the chart at the top left of this page and reflect on how flat volumes, coal volumes, have been as we know essentially on the back of those two major flooding impacts over the last few years. Nonetheless, you see the consistency year-on-year of the improvement of the quality of the returns and the growth in this business. That of course is the momentum that we continue to look to and drive for out of the business as we do move on this journey to world class.

And so representing some of that a little bit differently on the next chart, you can see there the extent to which on the one hand we have been able to drive the improvement in the operating ratio in the business since the IPO. Equally though, this is a chart to make the point that as important is operating ratio, equally we are focused on returns in the business and here you can see that we have quadrupled the returns out of the business over that same period of time, again with the kind of initiatives, the kind of momentum that we're describing today, that's very much an outcome that we will continue to improve, just as we continue to improve the operating ratio performance in the business.

A little more though about operating ratio and that Drive to 75 -- and a little by way of update from that session that we held a few weeks ago. We are operating on a wide range of fronts as you would appreciate from the nature of the presentation and the discussions that we had with you on that day. We are considering a range of options around divestiture of non-core businesses in a number of our segments. That work is underway. We're not in a position for I guess obviously commercial reasons to talk about what that is at the moment, but I can assure you that at the right time we will be able to talk with greater specificity about what those things mean.

Today we have announced a significant change, in fact a range of significant changes in the leadership of Aurizon. In particular, we have announced that both Ken Lucy and Greg Robinson will be leaving the Company over the coming months. This is, to be perfectly frank about it, part of the transformation of the Company. It is about being focused, it is about having the right resource at the right time focused on the right things, and at the number of direct reports that I had, for good reason, through the kind of change and recruitment process that we've been going through, now though is the time for us to be that much more focused.

We really do pay tribute, particularly on one hand to Ken for his work around the incubated businesses, for his work around the Iron Ore business, the benefits of which you can see in this presentation today, and to Greg on the other hand who, as you saw at that presentation a few weeks ago, has been very much the author of the construct of the road map to 75%. On the back of those departures we've announced that Mike Carter will transition out of the Network business to lead the strategy and business development function, and Alex will transition out of strategy into the network function. In Operations Mike Franczak, who's here as well, is continuing across those range of initiatives that we described to you last month. We will of course continue to update you as we continue to put all of those things in place.

A lot of the effort, as you know, has been however around the centralised, both overhead and support functions in the business. Even in the few weeks since that presentation we've done an enormous amount of work. Whilst we're not in a position to talk to the specifics of that, I can for example tell you that as early as Wednesday of this week we will commence consultation with a range of employees who are going to be impacted by the flow-on effects of the changes that have come as a result of that review of our support functions. We make the point here about the timing of the benefits and give you a little bit better sense of how that splits between the current financial year and FY15 and certainly we would expect, with the benefit of a few months under our belt, to be able to talk with greater specificity at the AGM about our progress.

As we think then about the other issues that have so much impacted on the transformation and upon the quality of earnings that we are seeing with our Company, we continue to see the benefit of the re-contracting, that 120 million tonnes that Paul and his team have delivered during FY13. Keith will talk a little more about some of the details of this, but on this chart number 11 you can see the extent to which we have been able to increase the proportion of fixed protection in our contracts on the back of the change from those legacy to new form contracts.

Perhaps even starker is the import of the messaging on the next slide, on slide 12, which is if you will a before and after of the impact of the extent to which we have been able to recontract in the business. So on the left hand side you see the chart that showed our coal volume portfolio in January of last calendar year and the after of course is on the right hand side of this chart where you can see the extent to which we have recontracted, the extent to which we are protected from a revenue point of view, all on the back of these new form contracts.

If I can talk briefly then about network regulatory update. Clearly the big issue, the leading issue, as it will be during the course of the remainder of this financial year, is the negotiation of UT4. Mike has been able to give you briefings about our submission, which as you recall went in on the 30th of April of this year. We are, as you would imagine, continuing to work through, in the way that Mike described at the investor day, the negotiations and the interactions both with the regulator and with our customers. Those interactions are much more than ad hoc, there is now a formal program of work, there is a formal program of interaction both with our customers and with the regulator. We do however continue to believe that it will take the majority of this financial year for us to be able to work our way through the outcomes of UT4 and therefore we will continue to keep you updated about progress in that regard.

There are other significant things though, as you know, in the regulatory space, in the network space. The electric traction undertaking as you can see is out for comment, which is due just in a week or so. Probably most significantly though has been the extent of progress that we've been able to make around SUFA, the Standard User Funding Agreement. We submitted the revised agreement on the 22nd of last month. It's worth drawing out a comment on this chart that the QRC, the Queensland Resource Council, has acknowledged that there is agreement on the substantive first order issues represented by that submission. It has been, as you know, a lengthy process but we're pleased with the progress and we, like others, look forward to the submissions which are due by the end of August.

Before I hand over to Keith then, just one or two more words about the flood and the derailment impact. As you can see from this chart number 14, the Blackwater system was closed for 12 days and Moura for 19 days, so quite a different impact than was the case with the 2011 floods which were much more all of system impact.

As you know, we had for example very light impact in the Goonyella system on this occasion but heavy impact elsewhere. You can see there, total costs we estimate at AUD15 million of which AUD8 million was expensed, AUD7 million capitalised. A Review Event seeking the full recovery of those amounts has and will continue to be submitted to the QCA for their review. The Epala derailment in the earlier part of this year which closed that line for seven days, as I mentioned a little earlier cost us, after insurance recoveries, some AUD3 million. So again a five million tonne impact was our estimated impact as a result of those things, together with a revenue impact of the order of AUD45 million based on those average rates.

With those high level comments then, I'll invite Keith to talk a little more detail to the financials and then I'll come back and talk a little more with respect to strategy.

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**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Thank you Lance and good morning everybody. As you've probably noticed with the pack that was issued this morning, the 4E, the presentation, there's been a significant step up again as we discussed at the half year in terms of the level and quantity of disclosure. Just to confirm, the Annual Report will be issued later on this morning, around lunchtime. There's a lot of information in all of that and as a consequence I'm not proposing to go through the detail on all of these slides but will highlight key points on each one.

In terms of the underlying performance for the Group, I guess it highlights the journey that we're on at the moment. We're a high fixed cost capital intensive business that is looking both to grow the top line but also to transform its cost base. What struck me as I looked at those numbers, for a AUD230 million increase in revenue we've delivered a AUD170 million increase in the EBIT line. That's a 75% incremental margin.

The other key that comes out of this for me is the first half second half performance in the FY13 numbers, and what you can see there is all the key performance indicators in the second half of the year have stepped up. NPAT is up 19%, EPS 31%, ROIC is up 50 basis points and gearing is down 110 basis points. What does that deliver? It's an operating ratio that's gone from 83.4% in FY12 to 81% in the first half of the year, and it's now down to 78.6% in the second half of the year, so clear evidence and demonstration of the journey that we're on.

This is more for information than discussion. It's a quick reconciliation between the underlying EBIT that we present and the statutory reporting that you'll see in the Annual Report. Two key drivers, the VRP program, cost of AUD96 million, total cash cost AUD138 million including the accrued liabilities in the balance sheets, and the stamp duty which was a recovery of stamp duty paid back in 2006 on the acquisition of ARG, which was refunded on successful application earlier on this year to the Court of WA.

In terms of the EBIT improvements in the year, the keys drivers here again support the drive we're on in terms of transformation of the cost base of the business and the drive for growth projects that are high returning. What you can see in the volume growth numbers, all of which are detailed in the 4E, is the volume growth is driven by an AUD87 million increase year-on-year in the GAPE revenue, AUD80 million for Iron Ore and AUD25 million for Coal. The Freight business has gone backwards by AUD37 million following the loss of two key or one key contract CBH and a reduction in TSC.

In terms of revenue quality, the key drivers here are revenue cap of AUD59 million in the Network business and a AUD34 million turnaround in the take-or-pay cost for the Coal business. Again both key drivers. In terms of the transformation benefits and the costs I'll talk about those in a moment. The only other point I'd raise here is in respect of the costs base. Wages and CPI increases around AUD82 million year-on-year and the depreciation, a full year impact of the Iron Ore business and of the GAPE, which ran to about AUD33 million.

Turning to the transformation benefits in the year. VRP is the key driver ,AUD66 million benefits in FY13. The full year impact will be in the order of AUD85 million so there's a further AUD20-odd million to come in FY14. The other points are pretty self-explanatory, but I would add in terms of procurement savings what's not shown here is a further AUD12 million saving that we've seen in the electricity costs which is a pass back through to our customers. I think Lance has already updated you on progress since the investor day but as he says in terms of the corporate costs base there will be consultations commencing in the next couple of weeks with the objective that functions will be fully reviewed within the next month to six weeks.

Capital management. Again a theme at the half year, a focus on improving capital management, a focus on making it clear what our priorities were and a very disciplined approach towards allocation of capital. What we have here is a summary of the priorities that the business is driving towards and on the right hand side is the outcomes that we've achieved in the last 12 months. I won't go through the results, because they're all covered elsewhere in the presentation and they're all fairly straightforward. Suffice to say there is significant and continuing focus on capital management and on capital allocation across the business.

Lance will talk later on this morning around the investment criteria that we've put in place in terms of all of our future investments, the underline for all of it is a disciplined approach to capital allocation with the objective of maximising long term shareholder returns. Whilst we see ourselves as a growth business we recognise that capital is not only scarce it's expensive. If a long term pipeline indeed if the near Horizon pipeline for growth projects is not there then we will obviously look to returning capital to the shareholders. I think you'll see that's happened this year both in terms of the increased dividend payout, the 48% increase year-on-year plus the share buyback of AUD1.1 billion, driving a TSR in the year of around 25%.

Turning to the balance sheet. It's a work in progress but it's fundamentally very strong. During the course of this year as Lance has mentioned we will be looking at disposal of some non-core businesses, whether it's appropriate for us to retain them. Secondly as discussed in more detail at the investor day Mike Franczak will be completing the development of the integrated operating plan and the implementation which will have an impact obviously on fleet facilities, inventories and the such like. When that implementation is complete we will be able to assess the full impact. The key movement in the balance sheet obviously a reduction of appropriate AUD1 billion in net assets reflects the debt funding of the share buyback.

Turning to CapEx, not a lot to say here really. AUD981 million spend this year split AUD620-odd million in terms of growth and you're aware of the key committed projects there and AUD360-odd million in sustaining the profile for FY14 will be very similar -- AUD600 million in respect of growth projects focused around WIRP, Hexham, Rolleston and Whitehaven and around AUD400 million for sustaining CapEx. The sustaining CapEx is slightly up on our long term profile this year and it reflects the acquisition -- or the replacement rather -- of some network maintenance equipment for the [STS] fleet.

I won't go through the debt refinancing -- I think we've gone through this one before and everyone's aware of the details here. The only point I would make is at the end of 30 June we have AUD1.4 billion of liquidity in place so it's clear that all of our committed CapEx projects are at this stage fully funded.

Turning to cash flow. Again the highlight here is to look at the free cash flow excluding the VRP. You'll see that we have free cash flow in the order of AUD290 million this year. Last year, the equivalent number was negative AUD108 million. So we've seen a roughly AUD400 million turnaround in free cash flow from the business. I think based on our current CapEx profile in the growth projects, we're committed to I would expect to see those numbers increase over the next few years.

The next two slides set out some structural changes to the business, all of which have been discussed previously, so there's nothing new here. The only point I'll make on this slide is that we will be reissuing restated numbers so that it's clear the impact these have on the business particularly in terms of the movement of the two divisions across to the operations group as part of the debt refinancing and obviously the Iron Ore and Intermodal businesses -- the Iron Ore business rather being separately disclosed.

Accounting changes. Again all pretty self-explanatory here. The only one I will mention of any significance is the PP&E note -- Note 15. There's been a reclass -- first off we have combined leased and owned assets into the single asset type classification and secondly as part of the refinancing, we undertook a detailed review and reclassification of the split of infrastructure costs between owned and leased to more properly reflect the nature of the network leased infrastructure. And there's been a AUD1.8 billion reclassification of that number. No impact on operating ratios or any other metrics.

Stepping through to the segment results. This is simply a snapshot of the segment performance. We'll go through the detail of each segment in a moment, but again highlights the strong performance of three of core functions; Network, Coal and Iron Ore between them delivering a AUD220 million uplift in EBIT, which is a 35% improvement year-over-year. The Freight business we'll talk about in a moment remains a work in progress.

So turning to Network. Great performance overall operating ratios up 60%, a 27% increase in EBIT year-over-year. The key highlight from this slide though is the first half/second half split and as you can see EBIT has actually gone backwards in the second half of the year. This is not a structural issue, it's not a reflection of the nature of the business, it is the fact that at the 31st of December there was an anticipation that take-or-pay would trigger in all corridors in the CQCN. As it eventuated and as you're fully aware we had a very strong railing in the fourth quarter with a consequence that only Moura and Newlands actually triggered.

So you've seen a AUD31 million reversal of that take-or-pay accrual in the second half of the year. Combine that with the increased costs that we incurred for the flood and derailment and some increase in traction costs as the electric traction increased and you have a AUD21 million increase in costs. This was partially offset by a small increase in volumes but the net result as you can see was a AUD28 million reduction in EBIT over half but still a very strong 27% improvement year-over-year, as the business goes forward.

In terms of the Network metrics, I think pretty much covered this one off. You can see the GAPE ramp up coming up there a 14% increase in the access revenue for NTK and just worth noting that the GAPE project continues to grow to its full size, 33 million tonnes contracted over the next couple of years, which ultimately will deliver an EBITDA in the order of AUD170 million to AUD190 million. I think it's also worth noting here that the Network business achieved its second best ever annual tonnage profile and that is despite the floods in the early part of the year demonstrating the improving operational performance and integrity of the network.

Coal profit and loss. Again a very strong improvement both year-on-year and half-on-half; both halves reflecting the same improvement but the second half stronger. Year-on-year an increase of AUD63 million; AUD13 million of that came from revenue quality which we'll talk about in a moment. Lance has already mentioned the impact of the legacy customer -- a AUD34 million turnaround in our take-or-pay exposure as the volumes have increased our exposure to non-pass through take-or-pay has reduced by AUD34 million in the second half of the year and a AUD25 million increase in volume returns, in terms of the AUD8 million increase in volume over the year. In terms of the second half performance over first half, again key driver here is the take-or-pay impact that we saw reversing.

One last point on this slide is the impact of the new form contracts I think we mentioned this at the half year -- contracted volumes under the new form contracts now run at 40%. The Above Rail revenue is actually 59% and the operating performance contribution from those new form contracts is 75% of the Coal number. That is at an operating profit level so it's before allocation of some of the overheads.

In terms of the Coal metrics I think we've already spoken here about the impact of the legacy contract one key customer -- key legacy contract customer had a 15% increase in volumes year-over-year which has impacted the Above Rail revenue for NTK. If you exclude that customer it's actually a 3.2% increase. A second consequence of the new form contracts here though that I shall just highlight is with 45% of this year's revenue now fixed for the Above Rail business, clearly the consequence of that is that as volumes increase the Above Rail revenue for NTK decreases. It's just one to bear in mind in terms of your metrics going forward and we will be issuing some supplementary statistics at the half year that will highlight where the value is coming from.

Turning to the Iron Ore business a great performance from the Iron Ore business here as expected. It's ramped up almost to full volume now 24.7 million tonnes out of the currently contracted 30-odd million tonnes and what we've seen here again AUD160 million increase in revenue has driven an AUD80 million increase in EBITDA an incremental return of 50% reflecting again the high fixed cost nature of the business as we drive the volumes through. These results do include two one-offs of around AUD9 million EBIT impact, a AUD7 million take-or-pay from one customer as the volumes ramped up, they were a little bit slow based on contract and some penalty costs incurred as a result of late delivery of some equipment. That AUD9 million will actually be replaced by volumes in the following year, so we're not expecting any change in the overall performance of the Iron Ore business; if anything, a marginal increase.

The only point to note on the metrics, OpEx per NTK has gone up marginally in the year, simply a consequence of the shorter haul, as the KML and MGM mines ramp up volumes, it's gone from 492 kilometres to 417 kilometres, or 15% reduction.

Lastly, turning to the Freight business. I think what is clear from this slide and the following one is the impact of lost volumes on a fixed cost business. We have seen the expiry of the CBH contract, where we have actually replaced some grain volumes, but not to compensate for the loss of CBH and we've seen some large TSC payments. The TSC payment is split into two components; AUD14 million is the year-on-year reduction in the additional payment we received and if you recall last year, we had two years recognised last year, so this is just one year's recognition this year. The second component of that is a AUD17 million reduction in the base services, but obviously we have taken the cost base out to reflect some of that reduction as well.

What's encouraging, again turning to the first half/second half performance, what's encouraging here is the early signs of recovery in this business from a fairly low base admittedly, but the second half performance is already demonstrating a very, very tight focus on cost in this business. We've seen an OpEx pre NTK decrease of 6% in the second half of the year and I think the transition as this business moves into the core [CNM] and operational businesses, you'll see a more focused approach on the revenue line and obviously an integration of the operational performance to further drive the cost base.

In terms of the revenue side of things, AUD50 million worth of new contracts have been signed during the latter part of 2013 and they will come through in '14 and there is a AUD60 million pipeline under negotiation at the moment. Hopefully sometime in the near future we'll be able to provide more detail around that, when we're in position to make the announcement.

With that, I'll pass back to Lance.

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**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

Thanks Keith. So dealing then briefly with some high level strategy issues and some comments in that area and again, not to take the time to repeat a number of the observations that we made at investor day, but rather to underline and draw out some key points here.

Firstly, as we think about our strategy, we're really driving shareholder value in two major ways. Overwhelmingly, as hopefully we were able to discuss with you a few weeks ago, in the first instance through the transformation of the business, that is the principle focus of what we're about, that is where, as I say, the overwhelming bulk of the resource in the company is directed, to the achievement of the 75% by 2015, but again, seeing that as a mile post and no more than a mile post toward the achievement of world class outputs and performance from this business.

Secondly though, we do continue to see the opportunity for growth, notwithstanding this is a more subdued environment, economic environment that our customers are clearly in large measure doing it tough, that is not to say that there is no growth opportunity and we'll talk a little more about that.

That roadmap to 75%, of course, is all important, but given the presentation that we made only a few weeks ago and some of the update today, I don't propose to spend great time on the detail of that, other than to reiterate that we are working flat out on those changes. Whether it's in Mike's area around the discipline of the operating plan, whether it is in the corporate and support area, we are, even with the benefit of the work that we've done over the last few weeks, more confident, more confident both with respect to the achievement of that AUD230 million of cost and productivity benefit that we highlighted to you and in turn the achievement of the 75% operating ratio.

If we turn, though, to some of the major committed growth projects and to give you a little snapshot around progress in these areas, the largest of course is the continuing work on the Wiggins Island rail project, which, as you know, commenced construction last year. You can see there the amount of money that we've spent. We acknowledge that the port is considerably behind time, some nine months of construction delay, as we understand it, at the moment. Nonetheless, there's a tremendous amount of work that has been done on the rail part of this business and we certainly expect to be fully commissioned during the course of calendar '15.

With respect to the Hay Point upgrade, the 11 million tonnes of additional capacity into the BMA facility at Hay Point, again good news. We can advise you today that as a result of some scope changes, given some of the work that we, as we've gone through the delivery of this project with our customer no longer believe are necessary, together with the kind of capital execution efficiency that is, I believe, a hallmark of what we're able to do, we've been able to reduce the capital cost of that project by some AUD50 million, whilst in no way diminishing the efficiency or the capability of the project. Certainly we expect first railings again during the course of next calendar year.

A couple of other projects, firstly the transport facility in the Hunter Valley which, as you know, we announced last year. At that time we were talking about a three-stage development. With the ramp up in our tonnes, with the work that we've done around capital efficiency, we have decided to do all of that as a single stage project. We are in the advanced stages of obtaining our environmental consents for all of that and we would expect to commission that facility again next calendar year.

With respect to Whitehaven, the detail is there, but we are certainly continuing to work both with our customer, Whitehaven and with the below rail provider, ARTC, around the provision of the service to Maules Creek. Even ahead of that time, though, I draw to your attention the last dot point there, that as of this month, we've begun hauling tonnes on an interim basis for Whitehaven.

Turning then beyond that which is committed to that about which we continue to develop and to think about, firstly a reminder about what is -- what are, rather, our investment criterion in this growth part of our business. It is across these three areas and Alex has spoken about this on a number of occasions, but just a snapshot to reinforce some of these messages as we think about these opportunities. Firstly, of course, we think about the degree of alignment and fit to our overall enterprise strategy to our objectives and to our capabilities.

Secondly, it is, of course, about return; the risk versus reward profile, the internal hurdles and the timeframes that we have as we analyse and assess these kinds of projects. It is about risk, the strategic risk, the operational risk, the financial risk, legal, regulatory, those things there, but also of course the counterparty risks, especially in the kind of end market environment in which we're operating today. All of that simply to say that we are focused on growth, but it is not growth for its own sake. As we turn to think about some of the strategic growth opportunities which, as you know, we're working on and others that behind the scenes we continue to develop, then these are the kinds of filters through which we see those opportunities.

This next page, page 42 then, talks to the major strategic growth opportunities which continue to be under active development in the Company. Most of this you're well aware of, so I won't spend great time on it, but by way of reminder in Queensland, in Coal, firstly with respect to the Bowen Basin, the APEX development, the fourth terminal at Abbot Point where, as you know, with our colleagues at Lend Lease we have preferred proponent status from the Queensland Government. We continue to work through that opportunity.

You'll recall that earlier this year we signed a non-binding Term Sheet with GVK Hancock which could lead to the acquisition of a 51% interest in their rail and port interests in Queensland. We continue to work our way through the due diligence process. We continue to negotiate with GVK Hancock around fine-tuning, if you will, what the shape of such an agreement would look like. It will, in my view, still be some weeks, if not longer yet, before we're in a position to be able to talk more definitively about outcomes in that space.

As between those two projects though, I do pause to make this observation. It is the case that the prize, from our point of view in the first instance, is the port capacity at Abbot Point. When we understand what the nature of the North Bowen Basin coal development looks like, compare that with what the existing contractual arrangements are, especially for rail, but equally for port, then in the first instance we see that the most prospective development is North Bowen Basin tonnes through increased capacity at the port of Abbot Point.

Moving on, we continue to develop with our colleagues Glencore and ATEC the Surat Basin Railway and I think we all understand the nature of that ongoing development. Our other big area of course is in Western Australia where we continue to develop the prospect of East Pilbara independent rail; dedicated greenfield, open access, multi-user rail. Again, this is not something which is going to happen in five minutes, but we continue to be optimistic about the future of the ore business generally and we all, as we've discussed many times, I certainly believe in the extent to which the pressure for access for these tonnes, both rail and port, underline the prospectivity of such a venture.

You're aware during the course of the year that we completed the tripartite study with our friends at Atlas and Brockman. You're aware that we have signed the exclusivity agreement with Brockman. We continue to talk to other players in that space, more of this when we're able, and we continue to develop the arrangements that would underpin such a development with the West Australian state government from whom we continue to get very active support.

Finally then, let's spend just a moment or two thinking about the outlook. I've spoken many times about, this is clearly a subdued growth environment. But it is not a zero growth environment and in my view it is worth just reiterating very briefly albeit that we certainly don't profess to be China experts. But some of -- as Mike Smith was saying the other day -- in my view, some of the commentary around China is overdone with respect to the degree of bearishness, if there is such a word. And this chart just talks to the continued absolute growth in GDP in China. And in particular I draw your attention to the third dot point on the right, that even in an environment in which Chinese GDP growth is coming back from the highs that we've seen in recent year, nonetheless that growth of course as we all know is off a much greater absolute number and so the stark reminder is that even if the Chinese economy were only to grow at 7% per annum, by 2022 it will have doubled compared to the 2012 number.

Similarly with respect to India, I have the good fortune to be in India for a number of days just a couple of weeks ago, and continue to be reminded about, for all of the difficulties the underlying strength of the growth numbers in that part of the world. Again it reflects back to those investment criteria, again it is the case that we will have a purposeful, sober and fussed view about growth.

In the more immediate term though, finally, what of 2014? And you would have seen in our papers today our current expectation is that we will see another solid year of growth, not spectacular but solid. So in the Coal space we expect to see around about 5% uplift to the order of 200 million tonnes to 205 million tonnes throughput, compared to that 193.7 million tonnes in FY13. Similarly in the Iron Ore business, we have around about 30 million tonnes under contract, and we expect that from the 24.7 million tonnes in FY13, that those tones will grow toward those contracted numbers. We also advise that in this space, from the end of this quarter we will release quarterly our updates around coal haulage numbers both in Queensland and New South Wales and the iron ore throughput numbers.

In summary then. Another year which in our view has continued reform and growth, driving strong underlying results for our business. We've equally focused though on the future. The AUD230 million, part of our roadmap AUD275 million becomes ever more in execution mode. On the back of all of that, we not only remain confident, but we are more confident than ever of our ability to be able to execute and our ability to be able to deliver at and beyond 75% in 2015, again as we head toward world class performance. We have announced a major shift today in dividend payout ratio. Given all of the circumstances of the improving performance of the business on the one hand, the opportunity for growth and the operating environment in which we work.

We have the leadership team that I believe underpins the kind of execution capability that we've been describing. it is the case that there is always opportunity to do more and to do better and so today we have announced some changes in the leadership team, and that will flow through to the announcements that we will make across the efficiency in our corporate, support, and operating areas in the days ahead. Equally though, we continue to work and develop those growth opportunities about which I've spoken. Ultimately of course it is about delivering for our customers. The people who at the end of the day pay the bills for us. Paul and his team have done an exceptional job in delivering on the certainty with respect to the top line of this Company for the foreseeable future, in the way that we've described. Our collective job now is to be able to execute against that promise in exactly the way that our customers would want, and we certainly acknowledge and thank them for their business.

Ultimately our ability to be able to execute though is a function of the capability of every one of the employees and those that work with us at Aurizon. It's been an outstanding year from a safety point of view, from an operating improvement point of view, from the point of view of yet again coping with the challenges that have been thrown at us and certainly as I close here and invite your questions I very much acknowledge and thank our employees for what has been as I say another outstanding year of achievement on their behalf.

So Keith and I now are happy to take your questions.

## QUESTION AND ANSWER

**Matthew Spence** - ***Merrill Lynch - Analyst***

Hi Keith, Hi Lance, Matt Spence of Merrill's. Keith can I just get you to talk to slide 61 if possible? It looks like there's about AUD60 million or so that's come out of the Coal Haulage business costs in FY13, but about half of that seems to have come from this take-or-pay arrangement on slide 61. Does this relationship hold going forward, the relationship between higher volumes and lower --

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Sorry, the pack I've got is not split --

**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

Not numbered.

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

-- not numbered all the way through, so sorry, mate --

**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

Here we are.

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Thank you.

**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

Slide 1.

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Slide 61? That's around take-or-pay. That's not the cost base of the business, that's the take-or-pay. What we've seen here, Matt is that with the increase in volumes the take-or-pay around the legacy customer that we've seen that significant step up in volumes this year. That take-or-pay that is not passed through by the Coal business has been avoided. So we've seen a significant AUD34 million improvement in that year-on-year.

**Matthew Spence** - ***Merrill Lynch - Analyst***

Okay and it doesn't hit the cost base, it's more revenue line, is it?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Well, there's two components. There's AUD20 million has come through on the revenue line and obviously the cost is AUD54 million down, driven by the fact that the cost has not come through from the Below Rail business.

**Matthew Spence** - ***Merrill Lynch - Analyst***

Yes and this relationship holds going forward? So you're as sensitive to volumes going forward?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Only for those legacy contracts where there is a take-or-pay issue, yes and obviously as you can see in the earlier slide on the new form contracts and as they ramp up that take-or-pay exposure will disappear.

**Matthew Spence** - ***Merrill Lynch - Analyst***

Okay, thanks and just one last question if I can, you mentioned the corporate review that will take place the next four to six weeks --

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

No, the corporate review is well underway no. Yes.

**Matthew Spence** - ***Merrill Lynch - Analyst***

Yes and the outcome of that, is that a voluntary redundancy outcome or is that something that you can implement after the next EBA?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Well, we have a combination of both EA staff and contract staff in the corporate staff, so it will be a combination. The consultation process will commence for a number of functions in the very near future but all of them will be in that process within the next four to six weeks.

**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

Just to be clear, Matt in other words we're not waiting for implementation and it's not contingent on the EA. As we observed we start consultation in some areas as early as Wednesday. Generally that's a two week type process, so we're effectively getting into execution mode exactly in the sort of time frame that Keith refers to.

**Scott Ryall** - ***CLSA - Analyst***

Hi, thank you. Scott Ryall from CLSA. Could you just, Lance, maybe speak to the rational of the job swap between Mike and Alex and just talk to the skill bases that you expect them to give to the role and comment on whether this is part of normal management succession planning or is it that you genuinely see that there's some great opportunity to utilize the skill bases of both of them there?

**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

I'd like to think, Scott that it's both actually. It is undeniably part of the normal succession planning development processes in the Company but equally it is about taking advantage of the skill base that both of these gentlemen bring. In Mike's case as the announcement today there's 25 years of experience, predominantly of course in this Company and its predecessors but equally overseas in London and in Alex's case a range of experience, including in the rail industry in both UP and Amtrak, in marking, in understanding and bringing a different perspective around a number of the kind of issues that we're going to be facing in the Network business.

So as I say in summary, Scott, I think it really is both but continues to be directed toward elevating the overall capability and capacity of the corporation.

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**Scott Ryall** - ***CLSA - Analyst***

I don't want to read too much into it but I'll do it anyway, is there anything we read into Mike's skill base being used in strategy and business development in terms of the likelihood of building new network assets?

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**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

No, not that directly. Equally I don't rule it out the other way either, Scott but it's not for that purpose if you will.

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**Scott Ryall** - ***CLSA - Analyst***

Then I think on page 4 of your appendix 4E you've given a very helpful disclosure on the step up in underlying EBIT and I just wanted to pose something to you. Obviously the EBIT margin or operating ratio improvements have been very strong since IPL and prior and I just wanted to get your thoughts on the fact that the transformation initiatives delivered AUD96 million but your underlying cost escalation roughly matched that give or take a bit and really the bulk of the EBIT growth came from volume growth and new business.

Is that really what we should be thinking about going forward as well? Is the transformation really to keep your cost base flat which as Keith said for fixed costs, high capital utilisation business is a pretty good result but really where you get the earnings growth is on volume growth?

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**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

Keith might like to add to this as well. I guess at a high level we said at the outset that the transformation benefit at a minimum has to do what you've just described but I don't see that it's restricted to that and if we reflect back on a number of the things that we were talking about at the investor day it really goes to that next phase of development. If we go back to the observation or the question, for example, around the EA, the extent to which that will unlock for us the opportunity of greater productivity, of greater cost efficiency in the business it's why we've been as transparent as we have around the AUD230 million and what that's going to deliver for us.

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**Scott Ryall** - ***CLSA - Analyst***

Wiggins Island timing, you've mentioned in the disclosure that you're looking at potentially delaying to line up with the port. When do you guys actually start getting paid for that? What's the trigger?

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**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

Mike?

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**Michael Carter** - ***Aurizon Holdings Limited - EVP Strategy & Business Development***

They're regulatory asset based, Lance. Some of that has come in as it is built, in particular the duplications, the infrastructure -- sorry, some will come in as it is built, some of the duplications components of it and put into the regulatory asset base. The fees associated with the project and some of the port end will be lined up to the port activity. So it's a high bred in many respects, Scott.

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**Scott Ryall** - ***CLSA - Analyst***

The bulk of that, is the new infrastructure for the step up in volumes, right?

**Michael Carter** - ***Aurizon Holdings Limited - EVP Strategy & Business Development***

Yes, that's correct in terms of a bigger portion of the capital spend. Yes.

**Scott Ryall** - ***CLSA - Analyst***

Just to clarify, that starts getting paid when the port opens, effectively when they start shipping?

**Michael Carter** - ***Aurizon Holdings Limited - EVP Strategy & Business Development***

That's right and any substantive delay in terms of the regulatory underpinnings is NP neutral and allowed for with the revenue stream when it turns up.

**Scott Ryall** - ***CLSA - Analyst***

All right, thanks. I'm going to ask one final one, just because I seem to have stolen the microphone. The non-core assets, you mentioned there was a step up by about AUD20 million in non-core assets on the balance sheet. Is that reflective of the quantum of non-core assets? As we talking about property and things like this that are superfluous to needs? You obviously might book a profit on sale so it might actually bring in more than AUD20 million but is that the sort of quantum we're thinking about?

**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

That's part of it, Scott but I guess without wanting to go into areas that we're not ready to go into as yet, there is in fact some stuff that goes beyond that. Maybe Ian and then we can go to some of the callers.

**Unidentified Participant**

A couple of questions. Your target of 75% cost ratio, you mentioned AUD90 million of cost saves in 2014. I just want to make sure, should we make it an additive that the additional AUD20 million which is still coming through from the VR2 program is on top of that, so you should be achieving AUD110 million this year? Or are you inclusive of AUD90 million as a run rate for FY14?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

There's probably a bit of an overlap between the two, but there's some uplift there, yes.

**Unidentified Participant**

Okay. The second one is when we look at that 75% program and you go through your slides and they're great, freight comes out at the back end and you've got AUD1 billion of revenue, AUD1 billion of costs and there's no way on earth that I can imagine you're going to get 25% margin in that business. What is the appropriate long term target for that style of business in this overall Group because it would seem to be the delta of actually you achieving your 75% overall margin?

**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

I might quibble with some of the latter formulation, as I think my colleagues would certainly say that we'll get there but the point of your question is well made. We see it though as opportunity and exactly where that number winds up is something that we've got to work our way through but the Intermodal business as you know is, if I can use the term, more of a cornflakes business in that sense and so it would be unrealistic to think that you're going to achieve 25% margins out of a cornflakes business but it is of course then the flip of that has to be the turn in the business and that's very much why we've done what we've done, around the recalibration of the management with Hans now reporting to Paul and putting the operations in BAU. It doesn't take a lot of margin improvement on the Intermodal side, providing you get the turns in the way that I've described self-evidently to be able to drive the sort of outcomes that we're looking for.

The broad part of the Freight business is sort of in between, in other words the Intermodal at one extreme and the big bulk at the other. You can see we've been quite open about the impact of the loss of CBH and I'll be candid with you, that's something of a wake-up call for us around the things that we need to do in order to firstly focus in the same way that we have in the big bulk areas around the nature of contracting in those businesses but equally around the sort of work that we're doing about improving the operational efficiency but again the outcome to your question I would suggest is again somewhere in between in terms of the EBIT margins in that business.

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

I think the other thing to note, Ian is whilst we drive for 75% operating ratio is a key focus for the business, ROIC is an equally important focus for us in terms of deploying capital. And I think we'll see as Mike proceeds through with the integrated operating plan, a realignment of fleet and equipment, which will drive an enhanced return out of the Intermodal business because of its very nature and of the Bulk business where we currently achieve some fairly healthy ROICs.

**Unidentified Participant**

That's a good segue-way into my final question. Your CapEx you're putting out AUD1 billion, now I think in the last three years you've beaten your CapEx expectations by a good 15%-20% so should we multiply that AUD1 billion by 8.85 to get out what you really will spend?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

I'd have to say one would hope after three years practice at it we can get slightly better this year, in terms of actual delivery to forecast. So --

**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

Thank you for that insightful question, can we turn to the telephone line and Scott Kelly from Morgan Stanley.

**Scott Kelly** - ***Morgan Stanley - Analyst***

Good morning, I've got a couple of questions. First relating to GAPE, the GAPE revenues in the first half were around AUD50 million, they're AUD87 million it seems for the full year. I guess if I have a look for the draft access undertakings smooth revenue should be closer to AUD110 million, so I thought that asset was ramping up so I'm just trying to work out what happened in second half?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

The AUD87 million is the year-on-year increase Scott. The full year revenue is in line with the number you've just mentioned.

**Scott Kelly** - ***Morgan Stanley - Analyst***

So it's about AUD107 million in total I think, FY12 -- AUD20 million, okay. Okay, secondly I just want to check what your definition of revenue quality is, because if you look at revenue per NTK it's obviously flat and I take on board the comments that you said previously but, in the notes in the 4E -- which are very helpful -- you show that you've got AUD47 million benefit from coal quality and that's offset by the AUD30 million of take-or-pay. I can see the revenue quality in the waterfall chart and I just -- I guess I'm, if my understanding is correct I'm just wondering whether take-or-pay expense comes through on that waterfall chart?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

In terms of the revenue quality?

**Scott Kelly** - ***Morgan Stanley - Analyst***

Yes.

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Yes it does. The revenue quality number of AUD78 million is made up of AUD62 million for the Network business, AUD47 million for the Coal business which is split AUD13 million between the rate increase and AUD34 million for the take-or-pay improvement. And then an offset of AUD31 million for the Freight business, where the revenue shortfall for TSC has been put. That comes back to the AUD78 million.

**Scott Kelly** - ***Morgan Stanley - Analyst***

Okay, so the definition therefore of Coal revenue quality is the improvement on the new commercial term contracts compared to the legacy contracts in the prior year? Is that basically right?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Yes, broadly. The AUD13 million is definitely that and the take-or-pay obviously is the issue we have each year with the legacy contracts.

**Scott Kelly** - ***Morgan Stanley - Analyst***

Yes, okay. And finally, I guess with respect to the non-core assets, I guess you're separating Iron Ore and Freight last I was just wondering if you can make any comment with respect to those two? On the presentation whether I should be reading anything for that or not?

**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

No, not in the way that you pose the question, not at all. The sole reason for the separation was because of the scale of the Iron Ore business and the transparency that we both want and are required to show for that business. So you should not see any implications beyond the obvious.

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

A business unit that generates more than 10% of the Group's combined EBIT needs to be disclosed separately, that's an accounting standard requirement.

**Scott Kelly** - ***Morgan Stanley - Analyst***

Okay alright, thank you very much.

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Can we turn to Simon Mitchell.

**Simon Mitchell** - ***J.P. Morgan - Analyst***

Good morning. I just wanted to follow up on an earlier question regarding the Coal division in the second half, clearly a very strong margin outcome. And just note the commentary in the 4E around a net improvement in EBIT of AUD25 million from the first half to the second half, as a result of that take-or-pay issue. I take it that that -- that's your results in a sort of write back to a provision during the second half and we need to think about that when we forecast forward? Or are we to assume that the second half number is actually achievable on a go forward basis?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

The issue with take-or-pay Simon is always it relates to volumes that come through. So as the volumes move up and down for legacy customers, some of those contracts have passed through. A significant number don't. If you look at the support pack, there's a slide in there which actually highlights out the difference in terms of the revenue that we receive and the revenue that we can pass through. From that you can see the AUD34 million adjustment falling out for the full year.

**Simon Mitchell** - ***J.P. Morgan - Analyst***

Therefore the second half margin and operating cost metrics in your view, are reliable going forward from the second half?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Yes, to a greater or lesser extent. There's obviously some minor one-offs in there but generally yes.

**Simon Mitchell** - ***J.P. Morgan - Analyst***

Sure, okay. And just a question on the 75% operating ratio target, thinking back to your presentation day, you were talking to a targeted 10% annual improvement in operating costs per NTK. What do you think the run rate was on that measure in the second half?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Sorry can you say that again Simon, I'm--

**Simon Mitchell** - ***J.P. Morgan - Analyst***

In the presentation from the margin target day, there was a talk of a targeted 10% annual improvement in operating costs per NTK, and that I assume applies to just the operating business, so if you strip out Network it -- what was that number during the second half?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

In terms of the Group, hang on -- it would be -- sorry it should be on the operating results. Somewhere at the front you'll see the operating, OpEx costs for NTK has gone down from AUD45.4 million to AUD43 million that includes the Network business so we can strip the number out and give you the answer. I don't have it off the top off my head.

**Simon Mitchell** - ***J.P. Morgan - Analyst***

I just thought it would be something you'd be looking in to. The reason I ask is that there's clearly a few adjustments that were made to sort of normalise that number and I just thought that was a number you'd have. That's alright, we can take it offline.

**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

Thanks Simon. Anthony Moulder.

**Anthony Moulder** - ***Citibank - Analyst***

Good morning all. Just a couple of questions and they relate to the growth profile that you talked to for FY14 coal haulage volumes effectively. Given during this period you'll lose I think the Rio Tinto Hail Creek volumes, that's annual impact of AUD8.5 million, not all of which will leave your network or your contracted volumes in FY -- well this half, but I wondered as to whether or not you can break down how you get the extra, anywhere from six to 11 million tonnes for FY14, given that kind of a headwind in Rio Tinto. Also, if I look at one of your regulatory filings on FY14 tonnages for the CQCN, it's only suggesting something like a 3.7 million tonnes increase in volumes across that network.

**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

I guess there's a limit to which we'd want to be held with great prescription, but maybe what would help is if we indicate to you that in the June quarter just past, we've had the second strongest quarter on record and we moved 52.8 million tonnes in that quarter. Now I caution not to race to the bank in terms of extrapolating, but having extrapolated, you can get a sense, I think, Anthony of where we're coming from.

**Anthony Moulder** - ***Citibank - Analyst***

Okay.

**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

Beyond that, though, let me also say that in terms of the work, it comes on the back of the sort of work that we do with our customers around their forward projections, with our understanding of the market generally with our broader macroeconomic research, so there are a wide range of factors. It is more than just, as it were, the wet thumb in the breeze.

**Anthony Moulder** - ***Citibank - Analyst***

Understood. Secondly, if I can talk to or ask regarding revenue for NTK pricing or changes in the first half, I think there was quite a difference between the two systems; Queensland up 5%, Hunter Valley down 6.5%. Can you comment on where those respective levels were for the full year please?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

I think if you recall the discussions at the half year, Anthony, there was the impact of ARTC direct billing which has fallen away. It's now direct billed everything, so the movements will impact on the revenue for NTK. In terms of the (technical difficulty) for the current year, I'll have to come back to you. I don't have those numbers in front of me.

**Anthony Moulder** - ***Citibank - Analyst***

Okay, perfect, thank you.

**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

Thanks Anthony. Cameron McDonald.

**Cameron McDonald** - ***Deutsche Bank - Analyst***

Good morning guys. Just a couple of questions relating to the cost review, just looking at the run rate of the unallocated corporate costs, AUD62 million down to AUD48 million in the second half, is that AUD48 million more of the run rate we should be expecting to see going forward? And is that in addition to the AUD90 million of the Drive to 75 program?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

No, what the second half reflects, if you check the footnote, is proceeds on disposal of some assets is included in there. So that's what you're seeing in the second half in terms of the drop to AUD48 million.

**Cameron McDonald** - ***Deutsche Bank - Analyst***

Okay, so that's [not the] run rate?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

No.

**Cameron McDonald** - ***Deutsche Bank - Analyst***

Then the --

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

The run rate obviously is a consequence of the corporate review we're currently doing, will reduce by AUD100 million over the next two years.

**Cameron McDonald** - ***Deutsche Bank - Analyst***

Yes, okay. Then the second question, just on the flood and derailment impact. The AUD11 million of costs that you spoke about -- but you've also highlighted AUD45 million of revenue -- is the AUD45 million lost revenue in addition to the AUD11 million of costs? So presumably you would have actually also lost additional EBIT, given the loss of that revenue?

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Yes, absolutely. What we've tried to highlight there, the AUD11 million is the direct cost that we incurred in repairing the network following the flood. The AUD45 million is simply an indicator of the kind of revenue that we -- the opportunity costs of that lost revenue, five million tonnes. At that time of the year our forecast for the full year was in the same order as we've actually achieved. So recovering that lost five million tonnes, there may have been a marginal recovery, but the probability is the majority of it didn't eventuate. So clearly there was an opportunity cost there to the bottom line of the business.

**Cameron McDonald** - ***Deutsche Bank - Analyst***

Yes, so at some point we could say that you haven't actually avoided many costs in that process, so there's going to be a margin impact on that AUD45 million which also would have driven a higher result had you actually hauled that extra five million tonnes.

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Absolutely and again, it reflects the fixed cost nature of the business. As we talked at the investor day, one of the key drivers over the next couple of years will be to drive more variable costs into our business and reduce the level of fixed cost so that we are able to respond far more effectively from a profitability perspective to such incidents, because they're always going to occur, we can't avoid them.

**Cameron McDonald** *- Deutsche Bank - Analyst*

Okay, great. Thanks.

**Lance Hockridge** *- Aurizon Holdings Limited - Managing Director and CEO*

Thanks Cameron. Winston Chong.

**Operator**

Mr. Chong, your line is live.

**Lance Hockridge** *- Aurizon Holdings Limited - Managing Director and CEO*

Sorry Winston, obviously had lunch. Andrew Gibson?

**Andrew Gibson** *- Goldman Sachs - Analyst*

Hi Andrew.

**Lance Hockridge** *- Aurizon Holdings Limited - Managing Director and CEO*

Hello.

**Andrew Gibson** *- Goldman Sachs - Analyst*

I'm chiming in for Winston, yes, he has gone to lunch. No, only kidding, he is on the phone. Okay, just one question actually on CapEx. The guidance of a circa AUD200 million reduction looks like AUD50-odd million relating to Hay Point, can you just talk through the other items there?

**Keith Neate** *- Aurizon Holdings Limited - EVP and CFO*

In terms of what, breaking down the cost on each one?

**Andrew Gibson** *- Goldman Sachs - Analyst*

Well roughly just the key driver in the reduction in CapEx guidance for '14.

**Keith Neate** *- Aurizon Holdings Limited - EVP and CFO*

The reduction from FY13?

**Andrew Gibson** - ***Goldman Sachs - Analyst***

Reduction on prior items.

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Lance has mentioned one or two things in the committed projects. We've reviewed the Hexham facility, for example and we've moved away from a three-phase development to a single-phase development and that's driven some cost savings. There's some other examples in there as well.

Look when we put the estimates together for CapEx, it is always with a contingency in there of as we get closer and closer to commencement of those projects, or engagement within the projects, we're able to identify and drive further cost savings. I wouldn't have the detail to go project by project in terms of the change in outlook.

**Andrew Gibson** - ***Goldman Sachs - Analyst***

No, that's fine. Okay, thanks.

**Lance Hockridge** - ***Aurizon Holdings Limited - Managing Director and CEO***

I think that's all the questions from the line. Are there any last questions here in the room in Sydney? If not, then thank you very much for your time this morning and we'll see some of you at least, I guess, again a little later in the afternoon. But again, thanks everybody.

**Keith Neate** - ***Aurizon Holdings Limited - EVP and CFO***

Thank you.