Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

17 August 2015

Aurizon – Appendix 4E

Please find attached announcement for immediate release to the market a copy of the Company's Appendix 4E for the financial year ended 30 June 2015.

Kind regards

Dominic D Smith
VP & Company Secretary

Aurizon Holdings Limited

Appendix 4E

Results for announcement to the market on 17 August 2015
For the year ended 30 June 2015
Previous corresponding period (pcp) year ended 30 June 2014

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This document should be read in conjunction with the Annual Report, including any disclaimer.

As announced via ASX release on 2 December 2014, for the FY2015 period onwards, Aurizon has revised the format of its segment note to better reflect the Functional model that has been implemented within the business. Further details on these segments are shown in the Segment Review on page 12. For FY2015 financial reports, Aurizon will provide segment information in both the revised and historical format for comparison purposes.

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Appendix 4E

Results for announcement to the market on 17 August 2015
For the year ended 30 June 2015
Previous corresponding period (pcp) year ended 30 June 2014

FY2015 IN REVIEW

Financial Headlines

($m)		FY2015	FY2014	Variance %
Total revenue		3,780	3,822	(1%)
EBIT – statutory		970	465	109%
Adjustments	- Voluntary Redundancy Program (VRP)	-	69	-
	- Asset impairments	-	317	-
EBIT – underlying		970	851	14%
NPAT – statutory		604	253	139%
NPAT – underlying		604	523	15%
Final dividend (cps)		13.9	8.5	64%
Interim dividend (cps)		10.1	8.0	26%
Total dividend (cps)		24.0	16.5	45%
Earnings per share – underlying (cps)		28.4	24.5	16%
Return on invested capital (ROIC)		9.7%	8.8%	0.9ppt
EBITDA margin – underlying (%)		39.4%	35.3%	4.1ppt
EBIT margin – underlying (%)		25.7%	22.3%	3.4ppt
Operating ratio (OR) – underlying (%)		74.3%	77.7%	3.4ppt
Coal volumes (mt)		211.2	210.4	-
Iron Ore volumes (mt)		25.6	29.9	(14%)
Freight volumes (mt)		46.0	46.3	(1%)
Net operations opex / NTK ($/'000 NTK)		34.9	35.2	1%
Gearing (net debt / net debt + equity)		30.2%	28.4%	(1.8ppt)
People (FTE)		6,869	7,524	9%

Highlights

- Underlying EBIT up 14% or $119m largely due to:
  - Transformation benefits of $123m
  - Network earnings growth of $72m due to record volumes, partly offset by:
    - VRP costs of $36m
    - Net impact of lower above rail volumes of $25m (mainly Iron Ore)
    - Non-cash impairment relating to Galilee Basin greenfield expansion project costs of $15m
- Statutory EBIT up 109% due to impact of asset impairments ($317m) and VRP costs ($69m) in FY2014
- ROIC improved 0.9ppts to 9.7%
- Dividend payout ratio range lifted to 70-100% of NPAT
- Final FY2015 dividend 13.9 cents (based on 100% payout ratio), up 64% - 30% franked
- Total FY2015 dividend 24.0 cents, up 45%
- Significant achievement in restructuring enterprise agreements, benefits to flow in future years

Operating Ratio (OR) Update

- 74.3%, ahead of 75% target despite volumes being significantly lower than forecast at IPO
- New 70% target for FY2018, additional details to be provided at our Investor Day on 7th October 2015

FY2016 Outlook

- Above rail volume outlook based on current market conditions is flat vs. FY2015
  - Coal – 210-220mt vs. 211.2mt
  - Iron Ore – 24mt vs. 25.6mt
  - Freight – 45mt vs. 46.0mt
- Network access revenue assumed to be consistent with UT4 draft revenue decision
- FY2016 revenue also impacted by approximately $200m including:
  - Estimated reduction in Transport Services Contract (TSC) revenue from 1 July 2015
  - Expiry of Queensland Rail passenger fleet maintenance contract on 30 June 2015
  - Disposal of CRT business (effective 1 December 2014)
- OR target remains 73% driven by continued improvement through productivity initiatives and incremental cost out performance

Appendix 4E

Results for announcement to the market on 17 August 2015
For the year ended 30 June 2015
Previous corresponding period (pcp) year ended 30 June 2014

CONSOLIDATED RESULTS

1. Annual Comparison

Financial Summary

($m)		FY2015	FY2014	Variance %
Total revenue		**3,780**	**3,822**	**(1%)**
Operating costs		**(2,291)**	**(2,472)**	**7%**
Employee benefits expense		(1,009)	(1,035)	3%
Energy and fuel		(291)	(383)	24%
Track access		(328)	(328)	0%
Consumables		(614)	(679)	10%
Other expenses		(49)	(47)	(4%)
EBITDA	**- underlying**	**1,489**	**1,350**	**10%**
	- statutory	1,489	964	54%
Depreciation and amortisation expense		(519)	(499)	(4%)
EBIT	**- underlying**	**970**	**851**	**14%**
	- statutory	970	465	109%
Net finance costs		(135)	(112)	(21%)
Income tax expense	- underlying	(231)	(216)	(7%)
NPAT	**- underlying**	**604**	**523**	**15%**
	- statutory	604	253	139%
Earnings per share (1)	**- underlying**	**28.4**	**24.5**	**16%**
	- statutory	28.4	11.8	141%
Return on invested capital (ROIC)(2)		9.7%	8.8%	0.9ppt
Operating ratio		**74.3%**	**77.7%**	**3.4ppt**
Cash flow from operating activities		1,516	1,191	27%
Final dividend per share (cps)		13.9	8.5	64%
Gearing (net debt / net debt + equity)		30.2%	28.4%	(1.8ppt)
Net tangible assets per share ($)		3.0	3.0	-

Other Operating Metrics

	FY2015	FY2014	Variance %
Revenue / NTK ($/'000 NTK)	52.2	51.7	1%
Labour costs / Revenue (3)	25.7%	27.1%	1.4ppt
NTK / FTE (MNTK)	10.5	9.8	7%
Operations net opex / NTK ($/'000 NTK)	34.9	35.2	1%
NTK (bn)	72.4	73.9	(2%)
Tonnes (m)	282.8	286.6	(1%)

Underlying EBIT by Segment

($m)	FY2015	FY2014	Variance %
Network	484	412	17%
Commercial & Marketing	3,079	3,134	(2%)
Operations	(2,527)	(2,599)	3%
Corporate Overhead	(66)	(96)	31%
Group	**970**	**851**	**14%**

Notes:

(1) Calculated on weighted average number of shares on issue – 2,129m in FY2015 and 2,137m in FY2014
(2) ROIC is defined as underlying rolling twelve month EBIT divided by the average invested capital. The average invested capital is calculated by taking the rolling twelve months average of net property, plant and equipment including assets under construction plus investments accounted for using the equity method plus current assets less cash, less current liabilities plus net intangibles
(3) Excludes $36m of VRP costs in FY2015 (and $69m in FY2014)

Variance Analysis – Annual

Underlying EBIT increased $119m or 14% to $970m, principally due to a $72m increase in Network earnings together with a reduction in operating costs from the ongoing transformation program and a $36m net benefit from the sale of the Redbank maintenance facility. This was partly offset by $36m in VRP costs and a $15m non-cash impairment relating to Galilee Basin greenfield expansion project costs. VRP costs and non-cash impairments were treated as significant items in the comparative year. The company realised sustainable transformation benefits of $123m in the period, with $20m of one-off costs (excluding VRP) to deliver these benefits. Underlying EBIT was also adversely affected by a 1% reduction in overall volumes.

With no underlying adjustments in FY2015, statutory EBIT was also $970m with the 109% growth reflecting the improved earnings together with the impact of $386m ($69m in VRP costs and $317m in asset impairments) of underlying adjustments in the pcp.

Network EBIT increased 17% or $72m due to access revenue being uncapped in FY2015, whereas it was capped in FY2014. Volumes (excluding Goonyella to Abbot Point Expansion - GAPE) were 9% higher than the regulatory forecast with total system volumes of 225.7mt, representing a new annual record.

Commercial & Marketing revenues decreased 4% due to a 1% decline in overall volumes and lower pass through fuel revenue:

- Coal volumes were flat principally due to the loss of the German Creek contract ending 30 November 2014, the ramp-up of a third operator in the Central Queensland Coal Network (CQCN) and the impact of severe weather events in NSW and Queensland in 2HFY2015, offset by the ramp-up in GAPE volumes and Whitehaven in NSW
- Iron Ore volumes declined 14% as previously advised due to the end of two customer contracts
- Freight volumes declined 1% with the disposal of CRT and weaker Intermodal volumes partly offset by 3% growth in Bulk

Additional information on the increase in underlying EBIT is below:

- A net increase of $96m in Network revenue reflecting the increase in transitional tariffs (indexation) applied to record uncapped volumes and commencement of Wiggins Island Rail Project (WIRP) railings. As noted previously, access revenues were not capped in FY201
- A net decrease of $25m from lower volumes (net of access and fuel):
  - $33m decrease in Iron Ore revenue due to a 14% reduction in volumes
  - $5m decrease in Bulk revenue due to customer mix; partly offset by
  - $10m increase in Intermodal revenue despite a 6% reduction in volumes, due to customer mix
  - $3m increase in Coal revenue on flat volumes
- A net increase of $3m in revenue quality as follows:
  - $10m benefit from Coal revenue despite a $25m decrease in performance bonuses due to flat volume environment
  - $8m benefit in Freight reflecting improved pricing, partly offset by a
  - $15m decrease in payments due to a reduction in contracted services under the TSC
- A net $15m negative impact from notable items:
  - $36m of VRP costs
  - $15m non-cash impairment relating to Galilee Basin greenfield expansion project costs
  - $3m loss on sale of CRT; partly offset by
  - $36m net benefit on sale of the Redbank maintenance facility
  - $3m benefit from non-cash provision adjustments due to changes in bond yields
- A net benefit of $103m from transformation initiatives (refer to section 4 for additional detail):
  - $99m from Operations including labour and fleet productivity improvements, rollingstock maintenance transformation, consumables savings and improved fuel efficiency
  - $24m from Support including reductions in labour, professional services, lease costs and travel; partly offset by
  - $20m one-off costs to deliver transformation (excluding VRP costs)
- A net increase of $43m in operating costs and other expenses including:
  - $20m increase in depreciation due to additional capital spend and part commissioning of WIRP in March 2015
  - $15m due to escalation in volume related consumables (excluding fuel and access charges)
  - $14m due to escalation of employee benefits and rate increases relating to contract employees, staff awards and other non-Queensland based awards
  - $9m increase in costs associated with the derailment at Broadlea in the Goonyella system in December 2014; partly offset by:
  - $9m decrease in volume related operating costs (excluding fuel and access charges) in Iron Ore
  - $7m increase in share of net profit from Moorebank

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 the purpose of managing and assessing financial performance of the business. Underlying earnings is derived by adjusting statutory earnings for significant items as noted in the following table:

($m)	FY2015	FY2014
Underlying EBIT	**970**	**851**
Significant Items		
Voluntary Redundancy Program (VRP)	-	(69)
Transformation related asset impairments	-	(190)
Other impairments	-	(127)
Statutory EBIT	**970**	**465**
Net finance costs	(135)	(112)
Statutory PBT	**835**	**353**
Taxation expense	(231)	(100)
Statutory NPAT	**604**	**253**

2. Other Financial Information

Cash Flow Summary [(1)]

($m)	FY2015	FY2014
Statutory EBITDA	1,489	964
Working capital and other movement	7	342
Cash from operations	**1,496**	**1,306**
Interest received	9	9
Income taxes refunded / (paid)	11	(124)
Net cash inflow from operating activities	**1,516**	**1,191**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment (PP&E)	170	37
Payments for PP&E & intangibles	(1,083)	(871)
Interest paid on qualifying assets	(28)	(34)
Net (payments for) / distributions from investment in associates	(220)	4
Net cash (outflow) from investing activities	**(1,161)**	**(864)**
Cash flows from financing activities		
Net proceeds from borrowings	103	343
Payment for share buy-back and share based payments	(81)	(24)
Interest paid	(128)	(90)
Dividends paid to Company shareholders	(396)	(346)
Net cash (outflow) from financing activities	**(502)**	**(117)**
Net increase / (decrease) in cash	**(147)**	**210**

Notes:

(1) Cash flow summary has changed from prior periods with interest paid on qualifying assets now classified as an investing activity and interest paid now classified as a financing activity. Both were previously classified as an operating activity

Cash Flow Movements

Net cash inflow from operating activities increased by $325m (27%) to $1,516m largely due to:

> $190m (15%) growth in cash from operations due to $525m (54%) increase in statutory EBITDA

> > partly offset by $317m reduction in non-cash impairments and $37m reduction in net benefit on asset sales which is included in proceeds on asset sales in investing activities

> $135m reduction in income taxes paid primarily due to lower tax payable as a result of the treatment of impairments in FY2014 and a $28m refund (received in FY2015) relating to an adjustment to Aurizon's tax depreciation charge. Since IPO, Aurizon's tax depreciation charge for a portion of its property, plant and equipment (PP&E) was conservative as it was based on an announced but un-enacted change in the tax law. This position was reversed following the Federal Government announcement in December 2013 that the previously announced change in tax law would not proceed.

Net cash outflow from investing activities increased by $297m (34%) to $1,161m, largely due to:

> $187m increase in capital expenditure for WIRP, Hexham, Whitehaven, Rolleston electrification and Network sustaining capital

> $225m acquisition (inclusive of transaction costs) of Aurizon's share of Aquila completed in July 2014 partly offset by proceeds of asset sales including the sale of Redbank, rollingstock and CRT

Net cash outflow from financing activities increased by $385m to $502m due to:

> $69m invested in the on-market share buy-back of 15.3m shares

> Increase in dividend payments

> Increase in interest paid reflecting increased borrowings

Balance Sheet Summary

($m)	30 June 2015	30 June 2014
Total current assets	934	1,314
Property, plant & equipment	9,900	9,441
Other non-current assets	502	193
Total Assets	**11,336**	**10,948**
Total current liabilities	(845)	(852)
Total borrowings	(2,983)	(2,841)
Other non-current liabilities	(1,002)	(882)
Total Liabilities	**(4,830)**	**(4,575)**
Net Assets	**6,506**	**6,373**
Gearing (net debt / net debt plus equity)	**30.2%**	**28.4%**

Balance Sheet Movements

Total current assets have decreased by $380m largely due to:

> Reduction in cash and cash equivalents of $147m after the acquisition of Aquila in July 2014

> Reduction in trade and other receivables of $60m

> Reduction in assets classified as held for sale of $90m, following the disposal of Redbank, CRT and rollingstock in the year

> Reduction in inventories of $26m due to improvements in inventory control

Total non-current assets have increased by $768m largely due to:

> $459m net increase in property, plant and equipment reflecting capital spend on major projects including WIRP, Rolleston electrification and Hexham

> $235m increase in investments principally relating to acquisition of minority interest in Aquila ($225m) in July 2014

Dividend

> The Board has increased Aurizon's dividend payout ratio range to 70-100% of NPAT
> In respect of the current year, and taking into account the forecast reduction in capex, continued improvements in operating performance, and investment decisions regarding strategic growth projects not expected until late CY2016, the Board has declared a final dividend of 13.9 cents (30% franked) based on a payout ratio of 100%
> Based on current expectations, the interim FY2016 dividend will be franked between 30%-60%

The relevant final dividend dates are:

> 28 August 2015 - ex-dividend date
> 1 September 2015- record date
> 28 September 2015 – payment date

Share Buy-back

On 11 November 2014, Aurizon announced an opportunistic on-market buy-back of up to 5% of its issued share capital, a maximum of 107 million shares, over a 12 month period. Additional details are as follows:

> Commenced 27 November 2014
> 15.3 million shares were bought back and subsequently cancelled in FY2015, at a total cost of $69m
> Impact of buy-back will be excluded from calculation of EPS for remuneration purposes

Funding

During the period the Group further diversified funding sources with a debut issuance in the European debt capital markets. Aurizon Network issued a 10 year Euro 500m EMTN in September 2014 with coupon of 2.0% per annum. When swapped back into Australian dollars, this equates to a floating rate of 183 basis points over the Australian 90-day bank bill swap rate. The proceeds were used to repay existing bank debt maturing in 2016. Remaining bank debt facilities were re-priced and extended during the period. Other points to note about funding include:

> Strong cash flow resulted in repayment of Group level revolving debt facilities, with all long-term debt currently held in Aurizon Network
> Debt maturity profile average tenor increased to 4.3 years (FY2014 - 3.5 years)
> Liquidity at 30 June 2015 $1bn (undrawn facility + cash + working capital)
> Credit ratings unchanged at BBB+/Baa1
> Interest cost on drawn debt was flat at 4.9%
> Group gearing increased to 30.2% (FY2014 – 28.4%)

Tax

Income tax expense for FY2015 was $231m, representing an effective tax rate of 27.7%. The cash tax rate for FY2015 was 13.5%, which is less than 30% primarily due to IPO related tax adjustments and accelerated fixed asset related adjustments, including accelerated tax depreciation and capitalised deductible expenditure e.g. interest during construction and tax deductible repair and maintenance costs.

The effective tax rate for FY2016 is expected to be in the range of 28-30% and the cash tax rate is expected to be in the range of 18-23%.

3. Half Year Comparison

Financial Summary

($m)		2HFY2015	1HFY2015	Variance %
Total revenue		**1,815**	**1,965**	**(8%)**
Operating costs		**(1,065)**	**(1,226)**	**13%**
Employee benefits expense		(470)	(539)	13%
Energy and fuel		(128)	(163)	21%
Track access		(156)	(172)	9%
Consumables		(287)	(327)	12%
Other expenses		(24)	(25)	4%
EBITDA	**- underlying**	**750**	**739**	**1%**
	- statutory	750	739	1%
Depreciation and amortisation expense		(266)	(253)	(5%)
EBIT	**- underlying**	**484**	**486**	-
	- statutory	484	486	-
Net finance costs		(67)	(68)	1%
Income tax expense	- underlying	(121)	(110)	(10%)
NPAT	**- underlying**	**296**	**308**	**(4%)**
	- statutory	296	308	(4%)
Earnings per share (1)	**- underlying**	13.9	14.4	(3%)
	- statutory	13.9	14.4	(3%)
Return on invested capital (ROIC)		9.7%	9.4%	0.3ppt
Operating ratio		**73.3%**	**75.3%**	**2.0ppt**
Cash flow from operating activities		830	686	21%
Final / interim dividend per share (cps)		13.9	10.1	38%
Gearing (net debt / net debt + equity)		30.2%	30.7%	0.5ppt

Other Operating Metrics

	2HFY2015	1HFY2015	Variance %
Revenue / NTK ($/'000 NTK)	51.7	52.7	(2%)
Labour costs / Revenue(2)	24.6%	26.8%	2.2ppt
NTK / FTE (MNTK)	10.2	10.7	(5%)
Operations net opex / NTK ($/'000 NTK)	34.3	35.4	3%
NTK (bn)	35.1	37.3	(6%)
Tonnes (m)	136.0	146.8	(7%)

Underlying EBIT by Segment

	2HFY2015	1HFY2015	Variance %
Network	266	218	22%
Commercial & Marketing	1,484	1,595	(7%)
Operations	(1,205)	(1,322)	9%
Corporate Overhead	(61)	(5)	> (100%)
Group	**484**	**486**	-

Notes:
(1) Calculated on weighted average number of shares on issue – 2,136m in 1HFY2015 and 2,123m in 2HFY2015
(2) Excludes $13m of VRP costs in 1HFY2015 and $23m 2HFY2015

Variance Analysis – Half on Half

Underlying EBIT decreased $2m to $484m due to:

- A net increase of $48m from Network revenue largely due to:
  - $33m increase in GAPE revenue driven by timing of accruals for take-or-pay and fees
  - $8m increase in underlying access revenue due to the receipt of $12m of the 2013 flood claim offsetting the lower revenues from the reduction in volumes. An additional $6m will be collected in FY2016
  - $6m access revenue from WIRP which commenced railing in March 2015

- A net decrease of $80m from lower volumes (net of access and fuel) due to seasonality and severe weather impacts:
  - $28m decrease in Coal revenue due to 6% lower volumes
  - $24m decrease in Bulk revenue due to a 10% decrease in volumes
  - $16m decrease in Intermodal revenue due to 18% reduction in volumes (excluding CRT)
  - $12m decrease in Iron Ore revenue due to a 2% reduction in volumes

- A $57m negative impact from notable items:
  - $44m reduction in asset sales, with Redbank sold during 1HFY2015, and additional leasing costs in 2HFY2015
  - $15m non-cash impairment to Galilee Basin greenfield project costs
  - $10m impact from VRP costs; partly offset by
  - $9m benefit from non-cash provision adjustments due to changes in bond yields
  - $3m loss on sale of CRT incurred in 1HFY2015

- A net benefit of $47m from transformation initiatives (refer to section 4 for additional detail):
  - $40m from Operations including labour and fleet productivity improvements, rollingstock maintenance transformation, consumables savings and improved fuel efficiency
  - $17m from Support including labour, professional services, lease costs and travel; partly offset by
  - $10m one-off costs to deliver transformation (excluding VRP)

- A net decrease in operating costs and other expenses of $40m including:
  - $21m decrease in labour costs reflecting the finalisation of EAs and employee provisions at year-end
  - $13m reduction in consumables (excluding fuel and access charges) reflecting the lower volumes mainly in Bulk and Iron Ore
  - $5m lower cost of a major derailment at Broadlea in the Goonyella system in December 2014
  - $5m increase in share of net profit from Moorebank; partly offset by
  - $13m increase in depreciation due to additional capital spend including part commissioning of WIRP

4. Operating Ratio Update

FY2015

Aurizon delivered on its target to achieve a 75% OR (25% EBIT margin) in respect of FY2015 despite above rail volumes being well below IPO estimates.

The OR for FY2015 was 74.3%, a 1.0ppt improvement from 1HFY2015 (75.3%) and a 3.4ppt improvement from FY2014 (77.7%).

Supporting the achievement of the 74.3% OR was the generation of $252m of sustainable cost out and productivity improvements between 1 July 2013 and 30 June 2015:

> Operations delivered $195m in transformation against a FY2015 target range of $160m-$200m
> Support delivered $57m in transformation, with $43m required to meet the FY2016 target of $100m

FY2015 delivered $123m in transformation benefits, with a net cost to deliver $56m ($36m VRP; $20m non-VRP).

- Operations – $99m
  - $42m in labour productivity – reflects a 5% reduction in average FTEs, productivity improvements driven by rostering changes and removal of deployment inefficiencies in turn reducing overtime and allowances, progressive depot consolidation for maintenance and Intermodal operations
  - $25m in fleet productivity – ongoing rationalisation and standardisation of fleet through running longer denser trains, and improved turnaround time and reliability, resulting in the cascade of assets to replace old inefficient fleet and minimising leasing costs through increased asset utilisation
  - $17m in rollingstock transformation reflecting revised maintenance schedules, reduction in wheel consumption and technology enhancements including on train repair and condition monitoring
  - $9m in other initiatives including lower consumable spend through better procurement, reduced requirements and improved safety performance
  - $6m in fuel and energy - due to a 2% improvement in fuel consumption rates, driven by improvements in gross train weights, rationalisation of older, less fuel efficient fleet and enablement of fuel technology solutions

- Support – $24m
  - $15m reduction in professional services, lease costs, travel and other discretionary spend resulting from centralisation of activities, consolidation and rationalisation of the property portfolio, prioritisation for support of services and projects including improved utilisation of internal resources
  - $9m improvement in labour productivity following functional reviews addressing support activity effectiveness and efficiency which enabled a net reduction of FTE's

Corporate support cost review

Solid progress has been made on the structural reform of the corporate support functions, with a further $12m reduction achieved in 2HFY2015 ($24m for FY2015), bringing the cumulative savings since 1 July 2013 to $57m. Savings are accelerating in FY2016, with the following activities already commenced to achieve the targeted saving of $100m by FY2016:

- Reduction in layers and increases in spans of control across support functions
- Centralisation of administrative and support resources
- Ongoing consolidation and rationalisation of the property portfolio
- Implementation of alternative service delivery models, including outsourcing
- Right sizing of remuneration levels
- Process and resourcing efficiencies driven through investment in technology

Consultation on restructuring has already commenced in Human Resources, Enterprise Real Estate and Safety Health and Environment with other areas to follow.

FY2016-FY2018

Having achieved the 75% OR target for FY2015, Aurizon is seeking to leverage the strength of its safety, operational and commercial transformation into the next phase of its journey to drive shareholder value. Aurizon's OR targets for the next three years are as follows: FY2016 – 73.0%, FY2017 - 71.5% and FY2018 - 70.0%. Aurizon's ROIC target is a minimum average of 10.5% over the same period.

Aurizon Blueprint

Building off the achievements since IPO, Aurizon has evolved its long-term strategic direction. The "Aurizon Blueprint" articulates our refreshed Vision, Mission, Strategy and Values.

Aurizon's vision is to be a world leading rail-based transport business that partners with customers for growth. As a company we aspire to be recognised for our exceptional capabilities and performance within our industry.

Aurizon's mission defines our purpose as a business and highlights our focus on delivering sustainable value for all of our stakeholders. Aurizon achieves this by applying a long-term focus and balanced approach to our decision-making. Aurizon is Australia's largest rail-freight company and has played a defining role in the development of the Australian rail industry. Aurizon's mission is to combine this strong legacy and proven track record with a global orientation to bring new opportunities, ideas and innovation into the markets that we serve.

Aurizon's values of safety, people, integrity, customer and excellence express what we stand for and guide how we will achieve our vision, live our mission and execute our strategy.

Aurizon's Strategy

Aurizon's strategy is to develop and operate multi-customer, rail-based, integrated supply chains. This strategy leverages capability in the development of rail-based infrastructure and operation of sophisticated rail-based supply chains for multiple customers transporting a range of freight types.

Aurizon's foremost priority is to strengthen and grow our current business across all freight markets. Substantial progress has been made since our IPO in 2010 and we will continue the momentum of our safety, operational and commercial transformation into a world leading rail-based company.

Aurizon's strategy focuses Aurizon on three key themes to drive value creation: customer focus, productivity improvement and growth opportunities.

> Customer Focus

  Helping Aurizon's customers prosper and grow is a priority and is essential if Aurizon is to do the same. Aurizon is driving changes throughout our business to enhance the customer experience and consistently deliver on what we promise. By collaborating with our customers, and taking an 'integrated supply chain' mindset, we will create win-win outcomes for our customers and Aurizon.

  Aurizon's key priorities under customer focus are:

  > Delivering great service
  > Innovating commercial approaches
  > Deepening relationships

> Productivity Improvement

  Aurizon's productivity improvement drive is about doing more with less. Aurizon takes a national approach to our operations and is redesigning and standardising our practices to ensure a safe and efficient operation that delivers consistent and optimal outcomes across the supply chain. This is supported by people and technology investments that will enable higher levels of asset productivity and supply chain performance.

  Aurizon's key priorities under productivity improvement are:

  > Embedding safe, efficient & effective processes
  > Driving disciplined execution
  > Optimising assets and capital
  > Implementing enabling technologies
  > Growing people, diversity & capabilities
  > Facilitating supply chain coordination

> Growth Opportunities

  Aurizon will continue to pursue growth opportunities which are consistent with, or adjacent to, today's business to enable long-term, sustainable growth in shareholder returns.

  Aurizon is aiming to diversify our portfolio by leveraging our capabilities into new bulk and general freight opportunities.

  Over the past five years, Aurizon has had success in transferring its capabilities and diversifying its portfolio into new markets. For example, we have launched greenfield start-ups in NSW Hunter Valley Coal and WA Iron Ore and have also completed acquisitions such as WA Diversified Bulk Freight.

  Aurizon is seeking to build on this success through the disciplined pursuit of existing growth opportunities and the identification, evaluation and execution of new opportunities where our capabilities and services, either alone or in partnership, can create value. Examples of these include the West Pilbara Iron Ore Project, Moorebank and the Galilee Basin Rail and Abbot Point Port Project.

SEGMENT REVIEW

Network

Aurizon Network operates the 2,670km Central Queensland Coal Network (CQCN). The open access network is the largest coal rail network in Australia and one of the country's most complex, connecting multiple customers from more than 50 mines to three ports. The CQCN includes four major coal systems the Moura, Blackwater, Goonyella and Newlands.

Network Financial Summary

($m) Year on Year	FY2015	FY2014	Variance %
Total revenue	**1,108**	**1,012**	**9%**
Access	1,048	951	10%
Services/Other	60	61	(2%)
Operating costs	**(409)**	**(402)**	**(2%)**
Employee benefits expense	(121)	(125)	3%
Energy and fuel	(107)	(111)	4%
Consumables	(165)	(148)	(11%)
Other expenses	(16)	(18)	11%
EBITDA	**699**	**610**	**15%**
EBITDA margin	63.1%	60.3%	2.8ppt
Depreciation and amortisation expense	(215)	(198)	(9%)
Underlying EBIT	**484**	**412**	**17%**
Operating ratio	**56.3%**	**59.3%**	**3.0ppt**
($m) Half on Half	**2HFY2015**	**1HFY2015**	**Variance %**
Total revenue	578	530	9%
Access	547	501	9%
Services/Other	31	29	7%
Operating costs	**(203)**	**(206)**	**1%**
Employee benefits expense	(55)	(66)	17%
Energy and fuel	(56)	(51)	(10%)
Consumables	(85)	(80)	(6%)
Other expenses	(7)	(9)	22%
EBITDA	**375**	**324**	**16%**
EBITDA margin	64.9%	61.1%	3.8ppt
Depreciation and amortisation expense	(109)	(106)	(3%)
Underlying EBIT	**266**	**218**	**22%**
Operating ratio	**54.0%**	**58.9%**	**4.9ppt**

Network Operating Metrics

Year on Year	FY2015	FY2014	Variance %
Tonnes (m)	225.7	214.5	5%
NTK (bn)	56.2	54.2	4%
Access revenue / NTK ($/'000 NTK)	18.6	17.5	6%
Maintenance / NTK ($/'000 NTK)	2.5	2.5	-
Opex / NTK ($/'000 NTK)	11.1	11.1	-
Half on Half	**2HFY2015**	**1HFY2015**	**Variance %**
Tonnes (m)	111.0	114.7	(3%)
NTK (bn)	27.8	28.4	(2%)
Access revenue / NTK ($/'000 NTK)	19.7	17.6	12%
Maintenance / NTK ($/'000 NTK)	2.6	2.4	(8%)
Opex / NTK ($/'000 NTK)	11.2	11.0	(2%)

Network Performance Overview

Underlying EBIT increased $72m to $484m, driven by an increase of $96m in total revenues partially offset by a $24m increase in depreciation and operating expenditure.

As Access Undertaking 2013 (UT4) was not finalised during FY2015, transitional tariffs remained in place for the entire year and were the basis on which access revenue was recognised.

In addition, access revenue was not capped in FY2015 unlike FY2014, therefore revenue growth of 9% exceeded volume growth of 5%. This resulted in a 6% increase in access per NTK. Transitional revenue earned during FY2015 was broadly consistent with the QCA's Draft UT4 MAR decision, as transitional tariffs were applied to actual volumes (refer Network operational update for further details).

The Network business established new performance records in FY2015, including record railings across the CQCN of 225.7mt, a 5% increase, whilst setting a number of operational and performance records:

- Reliability benchmarks set in FY2014 were maintained whilst successful execution of efficiency initiatives underpinned the delivery of a 4% increase in NTKs, including:
  - FY2015 CQCN volumes increased 11mt (5%) with average payloads increasing 1.7% with longer trains delivering an additional ~3mt or 30% of volume growth. A 20% reduction in closure hours was also a key enabler for the delivery of an additional ~8mt or 70% of volume growth
  - Network delays improved 3% to 20.7 from 21.3 (measured as Below Rail delays excluding crossings greater than 15 minutes per train service)
  - Network caused cancellations as a percentage of completed services reduced 5ppt from FY2014
  - New CQCN railing records were set in 11 of the 12 months
- Successfully deployed the first stage of the mechanised fleet upgrade programme comprising two high production tampers and regulators and 24 ballast spoil wagons
- Commissioned the first stage of the Wiggins Island Rail Project (WIRP) on time and under budget, enabling first export coal to be shipped through the Wiggins Island Coal Export Terminal (WICET) on 20 May 2015
- Rolleston branch line electrification commissioned in December 2014 with first railings on 15 December 2014

Network Variance Analysis – Annual

The $72m increase in underlying EBIT was attributable to:

- A net increase in revenue of $96m principally due to:
  - $89m increase in underlying access revenue:
    - The transitional MAR (excluding GAPE) agreed for FY2014 was rolled forward into FY2015, adjusted for CPI and Revenue Cap, resulting in a $38m uplift to the FY2015 MAR to $777m
    - FY2015 Network revenues were uncapped i.e. the transitional tariff was applied to actual volumes railed which exceeded the volume forecast of 193.7mt (ex. GAPE). The FY2014 MAR revenue was capped and based on forecast volumes of 186mt (excluding GAPE) with a resulting $70m over collection due to higher railings returned to customers at the end of FY2014.
  - $12m of revenue relating to the 2013 flood claim of $18m. The remaining $6m will be collected in FY2016
  - $6m access revenue from WIRP which commenced railing in May 2015, at the approved transitional Blackwater and Moura tariffs; partly offset by
  - $10m reduction in Electric Charge (EC) revenue due to a stepped reduction in the EC rate resulting from the removal of the carbon tax
- A net increase in operating costs of $7m (2%), despite a 5% increase in volumes due to tighter cost control and lower traction costs
- A net increase in depreciation of $17m mainly relating to ballast, asset renewals, completion and commissioning of various WIRP segments (Rocklands to Stanwell duplication, Dingo to Bluff and Balloon Loop) and the Rolleston electrification

Network Variance Analysis – Half on Half

- The $48m increase in underlying EBIT was largely due to an increase in revenue including:
  - $33m increase in GAPE revenue driven by timing of accruals for take-or-pay and fees due to under railings versus contract
  - $8m increase in underlying access revenue despite lower volumes (excluding GAPE) in 2HFY2015 due to $12m of revenue relating to 2013 flood claim
  - $6m access revenue from WIRP which commenced railing in May 2015
- A net decrease in operating costs of $3m was offset by a net increase in depreciation of $3m mainly due to completion and commissioning of WIRP Segments and the Rolleston electrification

Network Operational Update

- Access Undertaking 2013 (UT4)
  - The Queensland Competition Authority (QCA) has split its draft decision with respect to UT4 into two parts:
    - Draft Decision on MAR released on 30 September 2014; and
    - Draft Decision on UT4 Policy and Pricing Matters released on 30 January 2015
  - To enable the continuation of existing 2010 Access Undertaking (UT3) until finalisation of UT4, Aurizon Network on 23 March 2015 submitted a third extension Draft Amending Access Undertaking (DAAU) to the QCA for approval. Subsequent addendums were provided to this DAAU on 15 April 2015 and 11 May 2015, following the announcement by the QCA on 4 May 2015 of a delay to the issuance of a final UT4 decision to October 2015
  - The DAAU proposed to extend the terminating date for UT3 to the earlier of 29 February 2016 or the date on which the undertaking is withdrawn in accordance with the QCA Act

- Transitional Tariff arrangements
  - In June 2014, a 'Transitional Tariffs' DAAU was approved by the QCA to further extend UT3 to the earlier of 30 June 2015 and the QCA's final decision on UT4, and to apply transitional reference tariffs for FY2015
  - The transitional reference tariffs recover a total MAR for FY2015 of $777m, inclusive of the FY2013 revenue cap (including WACC) of circa $35m, but excluding EC and rebates, with forecast volumes of 193.7mt. Both the MAR and volumes are exclusive of the GAPE which operates under different contractual obligations
  - On 10 June 2015, the QCA approved the March 2015 DAAU, which set the FY2016 transitional tariffs to align with the QCA's Draft UT4 MAR decision and finalised the FY2015 transitional tariffs, System Volume Forecasts and System Allowable Revenues (SAR). The true-up of the FY2014 and FY2015 MAR between the actual FY2014 and FY2015 revenue is to be determined by the QCA in its final UT4 decision expected in FY2016
  - The DAAU approved in June 2015 also confirmed an increase of $12m to the FY2015 allowable revenue (and tariffs) for Blackwater ($9m) and Moura ($3m) relating to the 2013 Flood event. The remaining $6m is to be recovered in FY2016

- Standard User Funding Agreements (SUFA)
  - The SUFA framework provides customers with an alternative mechanism for funding the expansion and growth of the CQCN, should Aurizon Network elect not to fund such an expansion
  - The QCA issued its draft decision on 31 October 2014 and requested parties provide submissions on the matters raised by 16 January 2015
  - Aurizon Network lodged a submission in response to the draft decision to the QCA by the due date
  - The QCA expects to have issued a final SUFA decision in August 2015 with inclusion of the applicable provisions in the final UT4 Access Undertaking

> Growth
    > Wiggins Island Rail Project (WIRP)
        > WIRP links the mines in the Southern Bowen Basin with the new WICET at the Port of Gladstone and increases the total capacity of the Moura and Blackwater systems by 27mtpa, or approximately 30%
        > The rail works required for the first coal shipments were commissioned progressively to align to the commencement of WICET's operations and were completed in March 2015
        > The WIRP fee (those earnings above the regulated fee) and ramp-up of regulated earnings will commence in FY2016, and are based on the total cost of the project of $818m (excluding capitalised interest and $13m of Wiggins Island Balloon Loop electrification and Callemondah Feeder Station costs)
        > On 31 July 2015 the QCA issued a Supplementary Draft Pricing Decision for WIRP Reference Tariffs. The QCA proposes WIRP Moura and Blackwater revenues be socialised within their existing systems with the Moura and Rolleston WIRP traffic being subject to a system premium, and all other WIRP traffic paying the respective system tariff. The QCA proposes that WIRP regulatory revenues ramp up in line with the WIRP customer access contracts. The final outcome on WIRP pricing will be decided as part of the UT4 final decision
    > Hay Point Terminal Expansion
        > Construction of the Goonyella system expansion to support the Hay Point Coal Terminal upgrade (a further 11mtpa, lifting the Goonyella system capacity to 140mtpa) has been completed
        > Commissioning of this infrastructure was reliant on the commissioning of the Wotonga Feeder Station which was completed in June 2014 and was connected to the Powerlink Network in July 2015
        > The Hay Point Coal Terminal expansion is expected to be commissioned in September 2015
        > The project was delivered under budget at $121m
    > Rolleston Electrification Project
        > Electrification of the existing 107km Rolleston spur line commenced in July 2013 and was completed in December 2014, at a total cost of $150m
        > First electric railings commenced on 15 December 2014

Commercial & Marketing

The Commercial & Marketing function is the key interface between customers and Aurizon, responsible for the management of Coal, Freight and Iron Ore customer relationships. Also included was the incubated CRT Industrials business until that business was divested on 1 December 2014.

Commercial & Marketing Summary

($m) Year on Year	FY2015	FY2014	Variance %
Total revenue	3,151	3,271	(4%)
Coal	1,894	1,864	2%
Above Rail	1,187	1,215	(2%)
Below Rail (1)	707	649	9%
Freight	919	1,029	(11%)
Iron Ore	338	378	(11%)
Operating Costs	**(67)**	**(126)**	**47%**
Employee benefits expense	(47)	(60)	22%
Energy and fuel	(1)	(4)	75%
Consumables	(29)	(63)	54%
Other expenses	10	1	> 100%
EBITDA	**3,084**	**3,145**	**(2%)**
Depreciation and amortisation expense	(5)	(11)	55%
Underlying EBIT	**3,079**	**3,134**	**(2%)**
($m) Half on Half	**2HFY2015**	**1HFY2015**	**Variance %**
Total revenue	**1,497**	**1,654**	**(9%)**
Coal	924	970	(5%)
Above Rail	575	612	(6%)
Below Rail (1)	349	358	(3%)
Freight	410	509	(19%)
Iron Ore	163	175	(7%)
Operating Costs	**(9)**	**(58)**	**84%**
Employee benefits expense	(17)	(30)	43%
Energy and fuel	2	(3)	167%
Consumables	(3)	(26)	88%
Other expenses	9	1	> 100%
EBITDA	**1,488**	**1,596**	**(7%)**
Depreciation and amortisation expense	(4)	(1)	> (100%)
Underlying EBIT	**1,484**	**1,595**	**(7%)**

Notes

1) An amount equivalent to below rail revenue is included in Operations' costs, reflecting the pass through nature of access tariffs

Commercial & Marketing Operating Metrics

Year on Year	FY2015	FY2014	Variance %
Coal			
Total tonnes hauled (m)	211.2	210.4	0%
Queensland	168.3	169.9	(1%)
NSW	42.9	40.5	6%
% Volumes under new form contracts	64%	53%	11.0ppt
Contract utilisation	92%	91%	1.0ppt
Total NTK (bn)	49.1	49.2	-
Queensland	42.0	42.8	(2%)
NSW	7.1	6.4	11%
Total revenue / NTK ($/'000 NTK)	38.6	37.9	2%
Above rail revenue / NTK ($/'000 NTK)	24.2	24.7	(2%)
Below rail revenue / NTK ($/'000 NTK)	14.4	13.2	9%
Above rail revenue / GCNTK ($/'000 NTK)	21.7	22.5	(4%)
Freight			
Total tonnes hauled (m)	46.0	46.3	(1%)
Total NTK (bn)	12.9	12.5	3%
Total revenue / NTK ($/'000 NTK)	71.2	82.3	(13%)
Iron Ore			
Total tonnes hauled (m)	25.6	29.9	(14%)
Contract utilisation	106%	100%	6.0ppt
Total NTK (bn)	10.4	12.2	(15%)
Total revenue / NTK ($/'000 NTK)	32.5	31.0	5%
Half on Half	**2HFY2015**	**1HFY2015**	**Variance %**
Coal			
Total tonnes hauled (m)	102.2	109.0	(6%)
Queensland	80.6	87.7	(8%)
NSW	21.6	21.3	1%
% Volumes under new form contracts	65%	63%	2.0ppt
Contract utilisation	90%	94%	(4.0ppt)
Total NTK (bn)	23.9	25.2	(5%)
Queensland	20.2	21.8	(7%)
NSW	3.7	3.4	9%
Total revenue / NTK ($/'000 NTK)	38.7	38.5	1%
Above rail revenue / NTK ($/'000 NTK)	24.1	24.2	-
Below rail revenue / NTK ($/'000 NTK)	14.6	14.2	3%
Above rail revenue / GCNTK ($/'000 NTK)	20.8	22.5	(8%)
Freight			
Total tonnes hauled (m)	21.1	24.9	(15%)
Total NTK (bn)	6.1	6.8	(10%)
Total revenue / NTK ($/'000 NTK)	67.2	74.9	(10%)
Iron Ore			
Total tonnes hauled (m)	12.7	12.9	(2%)
Contract utilisation	107%	105%	2.0ppt
Total NTK (bn)	5.1	5.3	(4%)
Total revenue / NTK ($/'000 NTK)	32.0	33.0	(3%)

Commercial & Marketing Performance Overview

Underlying EBIT decreased 2% to $3,079m from $3,134m due to a $120m (4%) decrease in revenue partly offset by $65m reduction in operating costs and depreciation.

Coal volumes were marginally up 0.8mt to 211.2mt, with Queensland volumes down 1% at 168.3mt reflecting the closure of Peabody's Wilkie Creek mine, the end of Rio Tinto's Hail Creek contract in the prior year and Cyclone Marcia in February 2015. NSW volumes were 6% higher at 42.9mt reflecting the ramp-up of the Whitehaven contract which commenced 1 March 2015 partly offset by severe weather in April 2015. Coal volumes hauled under new form contracts increased 11ppts to 64% with contract utilisation increasing 1ppt to 92%.

While total Coal revenues increased, above rail revenue decreased due to a $25m reduction in annual performance bonuses reflecting the flat volume environment as well as a $27m reduction in pass through fuel revenues due to the fall in diesel prices, with above rail revenue / NTK decreasing 2% and above rail revenue / GCNTK decreasing 4%. Below rail revenue increased 9% due to increased access revenue from uncapped Network revenues and higher transitional tariffs, resulting in below rail revenue / NTK increasing 9%.

Freight volumes declined 1% (0.3mt) to 46.0mt with Bulk up 3% and Intermodal down 6% (excluding CRT). Bulk volumes increased due to improvements in nickel (impact of Indonesian embargo in pcp), fertiliser, alumina, grain and sugar volumes partly offset by the expiry of two Queensland contracts. Intermodal tonnages were impacted by the severe weather in NSW which closed the North-South rail line for 18 days in April and May, as well as continuing soft market conditions impacting the broader market.

Iron Ore volumes decreased 14% due to the end of the Mineral Resources 4mtpa and Mt Gibson's Tallering Peak 3mpta contracts as previously advised.

Partly offsetting the lower revenue was a reduction in operating costs of $59m (47%) and depreciation of $6m (55%) largely due to the disposal of CRT.

Commercial & Marketing Variance Analysis – Annual

The $55m (2%) decrease in underlying EBIT can be attributed to:

> Coal revenue increased by $30m (2%) despite flat volumes.

  > Below rail revenue increased $58m (9%) due to uncapped Network revenue (revenue was capped in FY2014) together with indexation of transitional tariffs, partly offset by lower take-or-pay pass through revenue

  > Above rail revenue decreased $28m (2%) principally reflecting:

    > $27m reduction in pass through fuel revenue

    > $25m reduction in annual performance bonuses; partly offset by

    > $24m increase from escalation of freight rates ($18m) and marginal volume growth ($6m)

> Freight revenue declined by $110m (11%) due to:

  > $68m decrease in CRT revenue to $38m following the disposal of the business on 1 December 2014

  > $32m decrease in pass through fuel revenue

  > $15m decrease in TSC revenue reflecting lower contracted services; partly offset by

  > $5m increase in Intermodal revenue due to changes in customer and product mix more than offsetting the 6% decline in volumes

> Iron Ore revenue declined by $40m (11%) due to the 14% volume decrease noted above and reduced pass through fuel revenue

> Operating costs and depreciation reduced by $65m (47%) principally reflecting the disposal of CRT in December 2014

Commercial & Marketing Variance Analysis – Half on Half

The $111m (7%) decrease in underlying EBIT can be attributed to:

> Coal revenue decreased by $46m (5%) due to:
  > Above rail revenue decreased $37m (6%) consistent with a 6% decline in volumes and lower pass through fuel revenue, partly offset by rate escalation
  > Below rail revenue decreased $9m (3%) reflecting lower access revenue due to volume reduction, partly offset by $12m flood recovery access revenue relating to the 2013 floods

> Freight revenue declined by $99m (19%) largely due to:
  > $39m decrease in Bulk revenue reflecting reduced volumes from seasonality
  > $38m decrease in CRT revenue following its disposal on 1 Dec 2014
  > $15m decrease in Intermodal revenue driven by lower volumes from seasonality
  > $9m decrease in pass through fuel revenue

> Iron Ore revenue declined by $12m (7%) due to the 2% volume decrease

> Operating costs and depreciation reduced by $46m (78%) principally reflecting the disposal of CRT in December 2014

Customer update

The current environment continues to be challenging for our customers across most commodities due to depressed commodity prices. Aurizon has worked diligently with customers throughout the year, employing a range of logistical and commercial strategies in response to the market conditions.

Coal

Aurizon's contracts

> 96% of contracts expected to be new form by FY2018 (based on forecast contracted volumes)

> Weighted average remaining contract length as at 30 June 2015 was 7.5 years (QLD 7.3 years, NSW 7.9 years)

> FY2015 Above Rail revenue – 53% fixed: 47% variable

Major developments for FY2015:

> Reached agreement with Anglo American and Mitsui to renew the haulage agreement for the Dawson and Callide mines on the Moura corridor, effective 1 July 2015. This involved a 10 year agreement for significant coal volumes, on a performance-based, new form contract

> Executed a long-term, performance-based contract with Caledon Coal, for up to 4mtpa from the Cook mine to WICET on the Blackwater corridor. The new form agreement is for 11 years through to June 2026, and replaces the previous 0.5mtpa agreement

> Yancoal's Yarrabee mine converted to a new form contract on 1 July 2014. Volumes increased to 3.2mt for a term of 10 years and are contracted to include haulage to the WICET once complete

> Haulage for Whitehaven's Maules Creek mine commenced 1 January 2015 under an existing spot contract. The long-term haulage contract commenced 1 March 2015 at 6.4mtpa, and Whitehaven has nominated an increased annual tonnage from 6.4mtpa to 7.2mtpa commencing 1 April 2016

> The Anglo American German Creek 2mtpa contract ended on 30 November 2014 and was not renewed

> The new long-term performance-based contract with BMA/BMC commenced on 1 July 2015 for its Blackwater corridor mines, representing approximately a third of the BMA/BMC portfolio volumes. Goonyella corridor mines commence under the new agreement on 1 July 2016. This new form contract replaces the previous 2005/06 legacy agreement, providing a flexible, performance-based contract for BMA/BMC for up to 12 years

Freight

Aurizon's Freight business includes haulage of Bulk commodities in Queensland (East) and Western Australia (West) and Intermodal containerised freight and logistical solutions across Australia.

Bulk

Bulk accounts for 88% of Freight railings with Alumina, Bauxite, Nickel and Sugar making up over half of the bulk commodities railed in Queensland (QLD) and Western Australia (WA).

The volume environment remains challenging in the medium-term due to competition from road and lower commodity prices. A number of key customer contracts expired during the year and were not renewed primarily due to unviable operations at current commodity prices including Glencore Bulk concentrates, Cement Australia in QLD and Griffin Coal and Rosslyn Hill (lead carbonate) in WA.

Given this, a key focus for Bulk has been on improving revenue quality, by transforming legacy agreements to new form commercial arrangements. Aurizon remains on target for 80% of volumes to be under new form contracts by FY2017 with examples of contracts converted during the year detailed below. In addition to improving revenue quality, Aurizon remains focused on cost control, improving operational efficiencies and exploring new revenue opportunities.

FY2015 legacy agreements transformed to New Form:

- Queensland Nickel import (10 years)
- BHPB Cannington (7 years)
- Cement Australia Mt Isa (3 years) with option to extend by 1 year
- Murrin Operations Pty Ltd (Minara) – sulphur, ammonia, nickel (10 years)

FY2015 new agreements and renewals:

- Queensland Nickel Glen Geddes domestic - 1 year with opportunity for an additional 12 months – 1.3mt
- The General Freight Transport Services Contract (TSC) which was due to expire on 30 June 2015 is currently operating under a short-term extension. Aurizon is in the process of negotiating extended commercial arrangements for both the General Freight and Livestock services. FY2016 TSC Revenue is expected to reduce by approximately $65m (60%)

Intermodal

Growth in the Australian economy remained below average throughout FY2015 which has translated into challenging conditions in the domestic containerised freight market. While growth in some categories of Australian retailing such as household durable goods has improved, volume growth in Australian food retailing and North Queensland construction remains particularly subdued.

Aurizon continued to focus on unique segments of the market by targeting beneficial freight owners (BFO) who require direct collaboration with rail provider. BFO customers now account for 68% of volumes.

Aurizon is seeing above trend growth in the Melbourne to Brisbane corridor driven by a new service offering implemented in October 2014 and supported by materially improved reliability. The new scheduling has increased capacity by up to ~14%, with growth continuing into FY2016 with the signing of some key customers converting from road to rail. Ongoing fleet upgrades will further enhance capacity management, reduce lease costs and maximise reliability of services. Aurizon will continue to focus on this corridor during FY2016 with the aim of implementing a seamless Melbourne to Cairns (East Coast) supply chain.

Iron Ore

Iron Ore railings account for 9% of Aurizon's total railings, operating solely in Western Australia. The US$ iron ore spot price fell 37% in FY2015 creating a challenging environment for Aurizon's customers. However, a 19% decline in the A$ against the US$ in FY2015 has somewhat reduced the impact.

Total volumes in FY2015 were 25.6mt with average contract utilisation at 105% and a weighted average contract life of 6.5 years at 30 June 2015. Significant commodity price reductions in FY2015 has created a challenging operating environment for our customers and Aurizon is having some active discussions regarding near-term contract adjustments offset by long-term security including future exclusivity and extended tenures.

Operations

The Operations function is responsible for the national delivery of all coal and freight haulage services. This includes yard operations, fleet maintenance, operations engineering and technology, program delivery and safety, health and environment. Operations also deliver below rail engineering, project management and maintenance services to the Network business as well as external customers. Operations is comprised of six divisions that leverage Aurizon's key operational capabilities, including Operations Planning, Engineering and Maintenance, Service Delivery Coal Markets, Service Delivery Freight, Program Delivery and Safety, Health and Environment.

Operations Summary

($m) Year on Year	FY2015	FY2014	Variance %
Total revenue	**332**	**336**	**(1%)**
Total operating costs	**(2,564)**	**(2,648)**	**3%**
Employee benefits expense	(787)	(790)	0%
Energy and fuel	(183)	(268)	32%
Track access	(973)	(916)	(6%)
Consumables	(604)	(641)	6%
Other expenses	(17)	(33)	48%
EBITDA	**(2,232)**	**(2,312)**	**3%**
Depreciation and amortisation expense	(295)	(287)	(3%)
Underlying EBIT	**(2,527)**	**(2,599)**	**3%**
Underlying EBIT (excluding access)	**(1,554)**	**(1,683)**	**8%**
($m) Half on Half	**2HFY2015**	**1HFY2015**	**Variance %**
Total revenue	**156**	**176**	**(11%)**
Total operating costs	**(1,210)**	**(1,354)**	**11%**
Employee benefits expense	(374)	(413)	9%
Energy and fuel	(74)	(109)	32%
Track access	(476)	(497)	4%
Consumables	(279)	(325)	14%
Other expenses	(7)	(10)	30%
EBITDA	**(1,054)**	**(1,178)**	**11%**
Depreciation and amortisation expense	(151)	(144)	(5%)
Underlying EBIT	**(1,205)**	**(1,322)**	**9%**
Underlying EBIT (excluding access)	**(729)**	**(825)**	**12%**

Operations Operating Metrics

Year on Year	FY2015	FY2014	Variance %
Net opex[(1)] / NTK ($/'000 NTK)	34.9	35.2	1%
Net opex[(2)] / NTK (excluding access) ($/'000 NTK)	21.5	22.8	6%
Total tonnes hauled (m)	282.8	286.6	(1%)
Net tonne kilometres - NTK (bn)	72.4	73.9	(2%)
FTE (monthly average)	5,403	5,666	5%
NTK / FTE	13.4	13.0	3%
NTK / Active loco	10.33	9.59	8%
Active locos (as at 30 June)	567	597	5%
NTK / Active wagon	0.43	0.41	5%
Active wagons (as at 30 June)	13,960	14,264	2%
Average payload coal (tonnes)	8,188	7,920	3%
Turnaround time[(3)] – CQCN (hrs)	25.10	25.43	1%
Fuel consumption (l/d GTK)	3.19	3.27	2%

Notes
(1) Net opex / NTK is calculated as Operations Underlying EBIT / NTK (i.e. this metric represents operational expenditure net of revenue). Net expenditure is used to measure above rail productivity, as Operations revenue includes intercompany revenue for services provided (and therefore costs incurred) for Network. In addition, Operations also incurs expenditure in generating revenue on commercial rollingstock and infrastructure maintenance contracts
(2) Net opex / NTK (excluding access) excludes track access costs in order to measure productivity net of access costs which are generally passed through to above rail customers (and shown in Commercial & Marketing revenue)
(3) As average turnaround time can be influenced by the mix of hauls and min/port combinations, in FY2016 Aurizon will transition to report velocity (train speed)

Half on Half	2HFY2015	1HFY2015	Variance %

Net Opex(1) / NTK ($'000 NTK)	34.3	35.4	3%
Net Opex(2) / NTK (ex access) ($'000 NTK)	20.8	22.1	6%
Total Tonnes Hauled (m)	136.0	146.8	(7%)
Net Tonne Kilometres (bn)	35.1	37.3	(6%)
FTE (monthly average)	5,368	5,435	1%
NTK / FTE	13.1	13.7	(4%)
NTK / Active loco	10.2	10.5	(3%)
Active locos (31 December 2014/30 June 2015)	567	592	4%
NTK / Active wagon	0.42	0.43	(2%)
Active wagons (31 December 2014/30 June 2015)	13,960	13,731	(2%)
Average Payload Coal (tonnes)	8,261	8,121	2%
Turnaround Time – CQCN (hrs)(3)	25.4	24.7	(3%)
Fuel Consumption (l/d GTK)	3.16	3.22	2%

Operations Performance Overview

Underlying EBIT improved 3% in FY2015, as a result of productivity improvements driven by the ongoing transformation program and by lower pass through diesel fuel costs, partly offset by an increase in track access costs.

Operations delivered total volumes of 282.8mt in FY2015, a decrease of 1% on the prior year. Volumes were impacted by:

> Lower Iron Ore volumes as expected due to the end of two customer contracts
> Lower Coal volumes in the Goonyella system with the operational ramp-up of a third above rail operator
> Severe weather event in NSW and Cyclone Marcia in QLD affecting Coal and Freight volumes

Annual transformation benefits totalling $99m were delivered during the period with key components being labour productivity ($42m), fleet productivity ($25m), rollingstock transformation ($17m), consumables savings ($9m) and fuel efficiency ($6m). In addition, a further $16m of transformation benefits were realised in Support and allocated to operations through labour productivity ($6m) and consumables savings ($10m).

Half on half transformation benefits totalling $42m were delivered during the period with key components being labour productivity ($15m), fleet productivity ($2m), rollingstock transformation ($15m), consumables savings ($7m) and fuel efficiency ($3m). Support transformation benefits allocated to Operations were consistent half on half.

Operations Variance Analysis – Annual

The $72m or 3% improvement in underlying EBIT was largely due to:

> A net decrease in revenue of $4m, due to reduced volume of Queensland Rail rollingstock maintenance works (including Townsville workshop contract ceasing 30 June 2014), offset by profits on disposal of excess rollingstock
> Overall operating costs (excluding track access but including depreciation) reduced by $133m:
  > Employee Benefits Expense - decreased $3m largely driven by transformational savings of $48m (inclusive of Support transformation allocations) including FTE reduction, overtime and contractor reductions offset by VRP costs of $30m, wage escalation and lower performance pay in pcp of $13m
  > Energy and fuel – $85m reduction driven by $70m benefit from lower diesel fuel prices, $9m from lower volumes, and transformation initiatives delivering a 2.3% improvement in fuel efficiency (l/DGTK), saving $6m
  > Consumables and other expenses – majority of the $53m savings were realised through transformation programs ($61m) including rollingstock maintenance transformation and fleet productivity benefits partly offset by cost escalation
  > Depreciation – higher depreciation of $8m driven by new capital investment including the new Whitehaven fleet as well as bulk wagon overhauls
> Track access – the $57m (6%) increase reflects the impact of uncapped Network revenues in FY2015, whereas revenues were capped in FY2014. This resulted in coal customers paying access costs for every tonne railed in FY2015, unlike FY2014 where access costs above the capped level were refunded (refer Commercial & Marketing commentary)

Operations Variance Analysis – Half on Half

The $117m, or 9% improvement in underlying EBIT was largely due to:

> A net decrease in revenue of $20m is attributable to excess rollingstock sold in 1HFY2015 and lower internal Program Delivery revenue from Network as projects mature
> Overall operating costs (excluding track access but including depreciation) reduced by $116m
  > Employee Benefits Expense – improvement of $39m, reflecting resolution of EAs and employee provisions at year-end of $23m, transformation benefits of $15m (reduced FTEs, overtime and improved safety outcomes)
  > Energy and fuel – reduction of $35m was derived from $32m in price and volume savings and transformation improvements of $3m
  > Consumables and other expenses – majority of the $49m savings were realised through transformation programs of $24m and $20m in lower costs in line with reduction in internal services to Network
  > Depreciation – increase of $7m driven by new capital investment including Whitehaven rollingstock and overhauls completed of bulk wagon fleet
> Track access - $21m, or 4% lower, in line with the 7% reduction in volumes railed

Operational Update

People

> Aurizon achieved significant milestones in reform across the Industrial Relations landscape after two years of negotiations. This breakthrough will enable the next phase of the continuous improvement journey to continue

> FTE reduced 5% from FY2014 to 5,403. Employee productivity (NTK/Employee) improved 3% driven by the reduction in FTEs from the following initiatives:

- Ongoing organisational structural reform in technical, office, support and project-based roles focused on alignment of accountabilities, conversion of contractors to FTEs, and continued focus on driving productivity improvements
- Reduction in 191 maintenance employees associated with the partial closure of the Redbank and Townsville workshops resulting from the termination of the Queensland Rail contracts
- National scale advantages leveraged through relocation of employees on temporary and permanent basis (WA and Toowoomba) into Coal, reducing recruitment and training requirements

Fleet productivity

FY2015 saw on-going increases in locomotive and wagon productivity of 8% and 5% respectively driven through improvements in train design. Benefits realised include reduction in dwell time and train starts, fleet standardisation, improvement in availability and reliability, increased train lengths, densities and velocities, exit of rollingstock leases and further disposals of surplus fleet.

Energy and fuel efficiency

Uplift in fuel efficiency of 2% against FY2014 was realised, driven by improved train design in WA, Intermodal and CQCN as well as driver behaviour. Continued operational improvements have also been made through rollout of new technology and use of higher grade fuel. The Driver Advisory System (DAS) continues to be rolled out in CQCN as well as a progressive rollout of trip optimiser technology from FY2016. Electricity consumption intensity improved 6% in FY2015 driven by regenerative braking technology initiatives introduced in the Blackwater and Goonyella corridors.

Engineering and Maintenance

Transformation continued with ongoing focus on safe, reliable, low cost operations. A strong systematic approach to maintenance, together with integrated planning and execution has resulted in locomotive and wagon availability improving 2% and 3% to 92% and 94% respectively.

Consolidation of the maintenance footprint has continued in line with the reduction of non-core external services carried out at the heavy maintenance facilities:

> The contract for the maintenance of the Queensland Rail (QR) passenger fleet expired on 30 June 2015. Accordingly, these services have now ceased, with an estimated revenue impact of $60m in FY2016. External maintenance services to QR in the form of scheduled maintenance and compliance certifications will continue at Redbank as contracted until 31 December 2016

> The Redbank locomotive and wheel shop for Aurizon's locomotive fleet will continue to operate until 30 June 2017 when the facility will then close. Work under the QR contract in Townsville ceased on 30 June 2014, with only the wheel shop remaining open in Townsville during FY2015

> The restructure of both the Redbank and Townsville shops resulted in a reduction of 191 employees in FY2015 through voluntary redundancies and attrition, with an additional 80 employees leaving in early FY2016

Wayside condition monitoring technology allows the electronic inspection for assessing rollingstock condition and is an enabler for future transformation of the maintenance business. Key benefits include the removal of reliability examinations and physical inspection tasks, with a focus on large and consistent fleets. Regulatory approval was received enabling timing of physical reliability examinations to increase from 21 to 42 days in the Goonyella system following the successful installation of equipment at supersites in Blackwater and Goonyella during 2HFY2015.

Condition monitoring has enabled a number of other initiatives including the on-train repair (OTR) program. OTR will deliver the infrastructure and systems required to safely and sustainably deliver unit train maintenance, reducing requirements to break trains and shunt. On-train wheel change processes are now in operation within Jilalan in the wagon yard. Key benefits include running components to full life, eliminating unscheduled maintenance and utilising reliability examinations to perform maintenance tasks.

Operations Capital Programs

Aurizon Operations continue to focus on growth and transformational projects. Significant project updates are as follows:

> The construction of the Hexham Train Support Facility (TSF) was completed on time and budget of $186 million. Operational benefits are being delivered through dedicated provisioning facilities and on-site maintenance allowing for increased capacity, decreased operational cost and improved turn-around times. The site is a key enabler in allowing Aurizon to meet its commitments to Whitehaven's Maules Creek mine

> The Whitehaven Implementation Project has focused on the delivery and testing of new rollingstock for the start-up of Whitehaven's Maules Creek mine. Three new consists were commissioned and progressively introduced into service in 2HFY2015. The second tranche of investment in 88 new wagons has been ordered and is anticipated to be in service in 2HFY2016. Future investment is contingent on mine and contract ramp-up

> The Freight Management Transformation (FMT) involves upgrading core business applications and re-engineering our processes to drive step change improvements through optimising scheduling, billings, yard operations and train operations at a total capital cost of $100 million. FMT is due to go-live with the first of three national deployments in late CY2015. Financial benefits will be realised through improved operating methodology and improved billings systems which are aligned to operating requirements

Other

Other includes miscellaneous activities such as non-rollingstock asset sales and corporate overheads that have not been allocated to Network, Commercial & Marketing and Operations. The percentage of support costs allocated to these functions in FY2015 was 70% (FY2014 69%).

Other Summary

($m) Year on Year	FY2015	FY2014	Variance %
Total revenue	**46**	**17**	**171%**
Operating costs	**(108)**	**(110)**	**2%**
Employee benefits expense	(54)	(60)	10%
Consumables	(25)	(46)	46%
Other expenses	(29)	(4)	> (100%)
EBITDA	**(62)**	**(93)**	**33%**
Depreciation and amortisation expense	(4)	(3)	(33%)
Underlying EBIT	**(66)**	**(96)**	**31%**
($m) Half on Half	**2HFY2015**	**1HFY2015**	**Variance %**
Total revenue	**(1)**	**47**	**(102%)**
Operating costs	**(58)**	**(50)**	**(16%)**
Employee benefits expense	(24)	(30)	20%
Consumables	(15)	(10)	(50%)
Other expenses	(19)	(10)	(90%)
EBITDA	**(59)**	**(3)**	**> (100%)**
Depreciation and amortisation expense	(2)	(2)	0%
Underlying EBIT	**(61)**	**(5)**	**> (100%)**

Other Metrics

Year on Year	FY2015	FY2014	Variance %
FTE	528	671	21%
Operating costs / Revenue	3.0%	3.0%	0.0ppt
Half on Half	**2HFY2015**	**1HFY2015**	**Variance %**
FTE	528	591	11%
Operating costs / Revenue	3.3%	2.6%	(0.7ppt)

Variance Analysis – Annual

Underlying EBIT improved $30m (31%) to ($66m) due to:

> A net increase in revenue of $29m comprising the net benefit from asset sales including the Redbank maintenance facility and CRT

> A net decrease in operating costs and depreciation of $1m principally due to $11m relating to lower project costs and tighter discretionary spend and $8m in transformation benefits

> Offset by $15m non-cash impairment relating to the Galilee Basin Greenfield expansion project costs and $3m increase in VRP costs

Variance Analysis – Half on Half

Underlying EBIT decreased $56m (>100%) to ($61m) due to:

> A net decrease in revenue of $48m principally due to reduction in benefits from asset sales in 2HFY2015 and a reduction of rental income

> A net increase in operating costs of $8m principally comprising $15m non-cash impairment relating to the Galilee Basin Greenfield expansion project costs; partly offset by $4m in by favourable land rehabilitation adjustment in 2HFY2015 and lower other costs in support functions

OTHER ACTIVITIES

Senior Management Changes

> Dr Jennifer Purdie commenced in the role of EVP Enterprise Services on 1 August 2015. Jennifer will have responsibility for Information Technology, Group Legal and General Counsel, Office of the Company Secretary, National Policy and Safety, Health and Environment

Risk

Aurizon operates a mature system of risk management that is focussed on delivering objectives and is aligned to international standards. Aurizon's Board is actively engaged in setting the tone and direction of risk management, with a clear articulation of risk appetite aligned to the company strategy and risk management practices that support consistent delivery of expected outcomes. Aurizon has full confidence in the management of Aurizon's key risks and acknowledge that internal and external factors can influence financial results.

The most significant factors relating to future financial performance are set out in the following commentary.

> Product Demand, Commodity Prices and General Economic Conditions

  Aurizon's customers in core markets are reliant on demand from large export markets such as China, Japan, South Korea and India. Fluctuations in demand in turn impact commodity prices, product volumes and investment in growth projects. Whilst Aurizon has confidence in the long term prospects for the key commodities of coal and iron ore, in the short term Aurizon's core markets may not deliver the same levels of growth that have been experienced in the recent past.

> Major Growth Projects

  Aurizon's involvement in significant projects in the West Pilbara and Galilee Basin, if proceeding to execution, will involve large-scale capital investment. We retain optionality regarding final investment decisions on these projects and will only proceed once satisfied on key commercial terms such as financial viability, execution risk and funding options. Capitalised costs may be impaired should projects not proceed.

> Regulatory Risk of the Access Undertaking (UT4)

  Aurizon is continuing to work with the QCA and industry stakeholders to secure acceptable regulatory outcomes for the CQCN in accordance with the processes set out in the relevant legislation. Not attaining appropriate pricing and policy regulatory settings may negatively impact revenue, operational complexity, capital investment and administrative overhead.

> Adverse Weather Events

  Aurizon's business is exposed to extreme weather events in core markets that, if experienced, could have a material impact on customers, supply chains and Aurizon's operational performance. Each of these factors in turn may impact Aurizon's financial performance. Weather can also have an impact on bulk haulage volumes for agricultural commodities such as grain, sugar and fertiliser.

> Competitor Activity and Customer Contracts

  Aurizon's competitors may adopt irrational pricing when bidding for contestable contracts, new competitors may emerge or Aurizon's competitive position may become weakened over time. Aurizon's most significant customer contracts are secured on long-dated terms however failure to win or retain customer contracts will always be a risk to future financial performance.

> General Regulatory Risk

  Aurizon's operations and financial performance are subject to legislative and regulatory oversight. Unfavourable changes may be experienced with respect to access regimes, safety accreditation, taxation, environmental and industrial (including occupational health and safety) regulation, government policy and approval processes. These changes may have a material adverse impact on project investment, Aurizon's business in general and Aurizon's customers.

> Asset Impairment

  Aurizon's assets are subject to impairment testing each year. With a large portfolio of fixed assets, there is the potential that if we were to experience reduced haulage volumes, some assets may become impaired.

> Concentration of Key Customers and Markets

  Aurizon's earnings are concentrated in coal and iron ore markets across a relatively small number of customers. Issues relating to contract renewals, supply chains disruptions or macro-industry issues may have a material adverse impact on Aurizon's financial performance.

Enterprise Agreement (EA) update

During the year, Aurizon made significant progress towards negotiating replacement enterprise agreements that are fair, competitive and commercially sustainable. The 14 Queensland legacy agreements that cover ~4,500 staff represented by six unions expired in December 2013 and Aurizon has been bargaining with unions since April 2013.

> The Staff Enterprise Agreement covering ~1400 non-operational and some supervisory employees was approved by the Fair Work Commission and implemented on 28 January 2015
> The proposed Construction and Maintenance (C&M) EA covering ~1,500 employees received a positive vote by employees on 15 July 2015
> The proposed Train Crew and Transport Operations (TC&TO) EA covering ~1,700 received a positive vote by employees on 27 July 2015

These two outstanding agreements have been subsequently lodged with the FWC and will be in force seven days after approval.

Sustainability

Aurizon is committed to building a long-term sustainable business that delivers lasting value for its shareholders, customers, employees and communities. In November 2014, Aurizon released its inaugural Sustainability Report relating to FY2014. Please refer to http://www.aurizon.com.au/sustainability for a detailed analysis of material sustainability priorities.

Aurizon's FY2015 Sustainability Report will be released in November 2015. Central to the reporting process is the process the Global Reporting Initiatives (GRI) describes as 'identifying material aspects', being those issues that reflect the organisation's significant economic, environmental and social impacts or issues that substantively influence assessments and decisions of stakeholders.

For consistency with prior reporting, a brief summary of Aurizon's performance in connection with Safety, Environmental Management and Organisational Capability is outlined below.

> Safety

Aurizon's commitment to safety has ensured another year of significant improvement in our performance. Lost Time Injury Frequency Rate (LTIFR) improved 43% to 0.16 and Total Reportable Injury Frequency Rate (TRIFR) improved 14% to 2.41. Between 30 June 2010 and 30 June 2015, Aurizon has now achieved a 97% reduction in LTIFR and a 92% reduction in TRIFR. These results demonstrate that Aurizon is a world-leading organisation where safety is the core value and intrinsic in our decision making processes.

FY2015 will always be remembered for the terrible incident at Stanwell in which two of our colleagues and a contractor were killed in what was a most tragic road accident. The accident irrevocably affected the lives of family, colleagues and friends, and at an organisational level, such a tragedy reinforces Aurizon's commitment to safety - all injuries can be prevented. As a result of Stanwell, our first obligation was to redouble our efforts to avoid any repeat and to continue the journey of safety improvement that we've pursued in recent years. Aurizon is working with Queensland Police, the Department of Transport & Main Roads and industry partners to improve rail corridor safety by upgrading level crossings and working with communities and school children.

Aurizon remains committed to ZEROHarm. Key enabling initiatives include: refinement of critical training, further process re-engineering, operational technology solutions and yard terminal optimisation.

> FY2015 key enterprise milestones include:
> > A Total Reportable Injury free year in each of the Service Delivery Bulk North, Rollingstock Maintenance Heavy Maintenance and Network Operations Maintenance South operational businesses
> > A Lost Time Injury free year in eleven other operational businesses

> Environmental Management

Aurizon has continued to focus on improving environmental performance. To achieve this, Aurizon focuses on environmental reporting, governance of environmental matters and environmental issues relating to major projects.

In order to facilitate the governance of environmental matters, Aurizon's Environment Community of Competence continues to govern the management of key environmental issues such as coal dust, noise and diesel emissions.

> Organisational Capability

In FY2015, diversity was embedded as part of Aurizon's refreshed Enterprise values sending a strong message on the importance of diversity to Aurizon's workforce. A particular focus is gender diversity with an Enterprise target to increase the number of female employees across the company to 30% from a base of 14.2% within five years. As at 30 June 2015, the percentage of female employees across the company was 15.3%.

The measurable objectives for gender diversity, agreed by the Aurizon Board for FY2015, (along with the FY2015 outcomes) are:

> > At least one female Director at all times (2 out 9 or 22%)
> > Minimum of 27% females in the Management Leadership Team (27%)
> > Minimum of 35% of females in middle management roles (32%)
> > Minimum of 33% females of trainees, apprentices and graduates (52%)

Aurizon is committed to growing its indigenous employee population which sits at 3.3% as at 30 June 2015. As a signatory to the Australian Employment Covenant, Aurizon is expanding opportunities for indigenous employment with 48 new indigenous recruits employed in FY2015.

More information on Organisational Capability at Aurizon will be included in Aurizon's FY2015 Sustainability Report.

Entities over which control was gained during the period

Entity		Date
Aurizon Moorebank Investment Pty Ltd	ACN 605 704 309	7th May 2015
Aurizon Moorebank Terminals Operations Hold Trust	ABN 38 550 352 217	11th May 2015
Aurizon Moorebank Terminals Assets Hold Trust	ABN 46 379 106 594	11th May 2015
Aurizon Moorebank Intermodal Hold Trust	ABN 84 699 675 508	11th May 2015
Aurizon Moorebank Warehouse Hold Trust	ABN 42 632 571 215	11th May 2015
Aurizon Moorebank Warehouse Lot Hold Trust	ABN 61 512 768 147	11th May 2015
Aurizon Moorebank Terminals Operations Trust	ABN 27 609 845 361	11th May 2015
Aurizon Moorebank Terminals Assets Trust	ABN 16 606 319 932	11th May 2015
Aurizon Moorebank Intermodal Trust	ABN 95 823 294 549	11th May 2015
Aurizon Moorebank Warehouse Trust	ABN 74 903 710 294	11th May 2015

The profit contribution from these entities is not material to the Group's profit.

Entities over which control was lost during the period

Entity	Date
CRT Group Pty Ltd	1st December 2014
QLM Pty Ltd	14th January 2015

The profit contribution from these entities is not material to the Group's profit or the profit from the previous corresponding period.

HISTORICAL SEGMENT REVIEW

The below data is presented in the segment format previously used by Aurizon to allow comparison with prior year data. From FY2016 onwards, data will only be presented in the functional format. The composition of the Network function is unchanged from prior periods and therefore is not disclosed below (see page 12).

Underlying EBIT by Segment

($m) Year on Year	FY2015	FY2014	Variance %
Network	484	412	17%
Coal	435	400	9%
Iron Ore	82	103	(20%)
Freight	37	34	9%
Unallocated	(68)	(98)	31%
Group	**970**	**851**	**14%**
($m) Half on Half	**2HFY2015**	**1HFY2015**	**Variance %**
Network	266	218	22%
Coal	231	204	13%
Iron Ore	36	46	(22%)
Freight	14	23	(39%)
Unallocated	(63)	(5)	> (100%)
Group	**484**	**486**	**0%**

Coal

($m) Year on Year	FY2015	FY2014	Variance %
Total Revenue	**1,894**	**1,864**	**2%**
- Above Rail	1,187	1,215	(2%)
- Below Rail	707	649	9%
Operating Costs	(1,286)	(1,291)	0%
EBITDA	608	573	6%
EBITDA Margin	32.1%	30.7%	1.4ppt
Depreciation and amortisation expense	(173)	(173)	0%
Underlying EBIT	**435**	**400**	**9%**
Underlying operating ratio	**77.0%**	**78.5%**	**1.5ppt**

Coal Variance Analysis – Annual

Underlying EBIT increased $35m (9%) principally reflecting:

> A net increase in revenue of $30m as previously discussed in the Commercial & Marketing section

> A net decrease in operating costs of $5m largely due to transformation savings of $45m (less $10m of associated costs) and lower pass through fuel costs $29m; partly offset by $46m increase in access costs and incremental maintenance costs and cost escalation

Coal Variance Analysis – Half on Half

($m) Half on Half	2HFY2015	1HFY2015	Variance %
Total Revenue	924	970	(5%)
- Above Rail	575	612	(6%)
- Below Rail	349	358	(3%)
Operating Costs	(605)	(681)	11%
EBITDA	319	289	10%
EBITDA Margin	34.5%	29.8%	4.7ppt
Depreciation and amortisation expense	(88)	(85)	(4%)
Underlying EBIT	**231**	**204**	**13%**
Underlying operating ratio	**75.0%**	**79.0%**	**4ppt**

Underlying EBIT increased $27m (13%) principally reflecting:

> A net decrease in revenue of $46m as previously discussed in the Commercial & Marketing section
> A net decrease in operating costs of $76m largely due to transformation savings of $22m (less associated costs of $7m), lower volume related costs $25m, lower access costs of $15m and lower pass through fuel costs of $11m

Iron Ore

($m) Year on Year	FY2015	FY2014	Variance %
Total Revenue	338	378	-11%
Operating Costs	(218)	(239)	9%
EBITDA	120	139	(14%)
EBITDA Margin	35.5%	36.8%	(1.3ppt)
Depreciation and amortisation expense	(38)	(36)	(6%)
Underlying EBIT	**82**	**103**	**(20%)**
Underlying operating ratio	**75.7%**	**72.8%**	**(2.9ppt)**

Iron Ore Variance Analysis – Annual

Underlying EBIT decreased $21m (20%) principally reflecting:

> A net decrease in revenue of $40m as previously discussed in the Commercial & Marketing section
> A net decrease in operating costs of $21m largely due to transformation savings of $11m (less $2m of associated costs), lower pass through fuel costs of $11m, lower volume related costs of $12m, partly offset by higher access costs and cost escalation

($m) Half on Half	2HFY2015	1HFY2015	Variance %
Total Revenue	163	175	(7%)
Operating Costs	(108)	(110)	2%
EBITDA	55	65	(15%)
EBITDA Margin	33.7%	37.1%	(3.4ppt)
Depreciation and amortisation expense	(19)	(19)	0%
Underlying EBIT	**36**	**46**	**(22%)**
Underlying operating ratio	**77.9%**	**73.7%**	**(4.2ppt)**

Iron Ore Variance Analysis – Half on Half

Underlying EBIT decreased $10m (22%) principally reflecting a net decrease in revenue of $12m as previously discussed in the Commercial & Marketing section

Freight

($m) Year on Year	FY2015	FY2014	Variance %
Total Revenue	919	1,029	(11%)
Operating Costs	(829)	(941)	12%
EBITDA	90	88	2%
EBITDA Margin	9.8%	8.6%	1.2ppt
Depreciation and amortisation expense	(53)	(54)	2%
Underlying EBIT	**37**	**34**	**9%**
Underlying operating ratio	**96.0%**	**96.7%**	**0.7ppt**

Freight Variance Analysis – Annual

Underlying EBIT decreased $3m (9%) principally reflecting:

> A net decrease in revenue of $110m as previously discussed in the Commercial & Marketing section
> A net decrease in operating costs of $112m largely due to cost reductions of $66m related to the sale of CRT effective 1 December 2014, transformation saving of $56m (less $25m of associated costs), lower pass through fuel costs of $32m, higher Moorebank share of profits of $7m, partly offset by incremental costs associated with higher NTKs and cost escalation

($m) Half on Half	2HFY2015	1HFY2015	Variance %
Total Revenue	410	509	(19%)
Operating Costs	(368)	(461)	20%
EBITDA	42	48	(13%)
EBITDA Margin	10.2%	9.4%	0.8ppt
Depreciation and amortisation expense	(28)	(25)	(12%)
Underlying EBIT	**14**	**23**	**(39%)**
Underlying operating ratio	**96.6%**	**95.5%**	**(1.1ppt)**

Freight Variance Analysis – Half on Half

Underlying EBIT decreased $9m (39%) principally reflecting:

> A net decrease in revenue of $99m as previously discussed in the Commercial & Marketing section
> A net decrease in operating costs of $93m largely due to cost reductions of $37m related to the sale of CRT effective 1 December 2014, transformation savings of $18m (less associated costs of $4m), $12m reduction in incremental costs associated with the reduction in volumes, $8m in lower pass through fuel costs, $8m reduction in access costs and higher Moorebank share of profits of $10m