Aurizon Holdings Limited

Appendix 4D
Results for announcement to the market on 10 February 2020
For the six-month period ended 31 December 2019 (1HFY2020)
Previous corresponding period (pcp) for the six-month period ended 31 December 2018 (1HFY2019)

Table of Contents

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

For further information please contact:

Investors: Chris Vagg, Head of Investor Relations & Group Treasurer
T +61 7 3019 9030 / M +61 409 406 128

Kath Clapham, Investor Relations Manager
T +61 7 3019 9044 / M +61 428 150 495

Media: Mark Hairsine, Manager Media & Communications
T +61 7 3019 5708 / M +61 418 877 574

1HFY2020 IN REVIEW

Result Highlights (Underlying and statutory continuing operations)

($m)	1HFY2020	1HFY2019	Variance %
Total revenue	1,528.8	1,455.4	5%
EBITDA	731.2	671.7	9%
EBIT	455.6	406.0	12%
Significant Items – Gain on sale of Rail Grinding	105.4	-	-
EBIT - statutory	561.0	406.0	38%
NPAT	268.9	226.9	19%
Free cash flow (FCF)	464.8	369.1	26%
Interim dividend (cps)	13.7	11.4	20%
Earnings per share (cps)	13.6	11.4	19%
Return on invested capital (ROIC)	10.5%	10.0%	0.5ppt
EBITDA margin (%)	47.8%	46.2%	1.6ppt
Operating ratio (OR) (%)	70.2%	72.1%	1.9ppt
Above Rail Tonnes (m)	129.9	130.1	-
Gearing (net debt / net debt + equity) (%)	42.0%	42.4%	0.4ppt

- EBIT up 12% to $455.6m with:
  - Bulk up $29.5m (208%) with higher revenue through new contracts and ongoing operational efficiency improvements
  - Network up $29.3m (14%) with higher revenue from the QCA approved UT5 Undertaking
  - Coal down $4.5m (2%) with higher costs from CPI impacts, increased depreciation and installed capacity ahead of expected volume growth
  - Other down $4.7m (22%) impacted by the sale of the Rail Grinding business in October 2019
- FCF improved 26% to $464.8m due to the receipt of $164.5m net sales proceeds for the Rail Grinding business
- Interim dividend of 13.7cps, 70% franked (representing a 100% payout of Underlying NPAT for the Continuing Operations), an increase of 20% against the prior period, in line with higher earnings
- On market buy-back increased by $100.0m to $400.0m. $215.1m completed to date

Major items

- Network – UT5 Undertaking approved by the QCA on 19 December 2019 that provides greater certainty and improved returns
- Bulk - strong performance and ahead of expectations delivered through new contracts and ongoing operational efficiency improvements
- Coal - secured major contract extensions with Peabody and Coronado during 1HFY2020
- Implemented new legal and capital structure providing approximately $1.2bn in additional funding capacity which will be progressively drawn down over time
- Finalisation of Coal and Bulk's Enterprise Agreements (EA), with all seven agreements now complete

Outlook

- Underlying EBIT guidance for FY2020 for Group confirmed at $880m to $930m. Key assumptions:
  - Above Rail Coal volumes 210mt to 220mt – a reduction from 220mt to 230mt
  - Operational efficiency improvements remain a key driver
  - Redundancy costs included in guidance
  - No material impacts from adverse weather or emerging coronavirus situation

Appendix 4D
Results for announcement to the market on 10 February 2020
For the six-month period ended 31 December 2019 (1HFY2020)
Previous corresponding period (pcp) for the six-month period ended 31 December 2018 (1HFY2019)

CONSOLIDATED RESULTS (Underlying continuing operations unless stated)

1. Half on Half Comparison

Financial Summary

($m)		1HFY2020	1HFY2019	Variance %	2HFY2019
Total revenue		**1,528.8**	**1,455.4**	**5%**	**1,452.2**
Operating costs					
Employee benefits expense		(409.8)	(385.7)	(6%)	(392.9)
Energy and fuel		(121.5)	(118.2)	(3%)	(115.7)
Track access		(63.6)	(61.4)	(4%)	(39.6)
Consumables		(189.7)	(192.9)	2%	(204.9)
Other		(13.0)	(25.5)	49%	0.8
EBITDA		**731.2**	**671.7**	**9%**	**699.9**
	- statutory	836.6	671.7	25%	699.9
Depreciation and amortisation		(275.6)	(265.7)	(4%)	(276.9)
EBIT		**455.6**	**406.0**	**12%**	**423.0**
	- statutory	561.0	406.0	38%	423.0
Net finance costs		(71.4)	(80.9)	12%	(66.2)
Income tax (expense)		**(115.3)**	**(98.2)**	**(17%)**	**(110.4)**
	- statutory	(146.9)	(98.2)	(50%)	(110.4)
NPAT		**268.9**	**226.9**	**19%**	**246.4**
	- statutory	342.7	226.9	51%	246.4
Profit/(Loss) after tax from discontinued operations	- statutory	7.1	(3.4)	nm	6.6
NPAT (group)	**- statutory**	**349.8**	**223.5**	**57%**	**253.0**
Earnings per share[1]		**13.6**	**11.4**	**19%**	**12.4**
	- statutory	17.3	11.4	52%	12.4
Earnings per share[1] **(group)**		**13.9**	**11.6**	**20%**	**12.4**
	- statutory	17.7	11.2	58%	12.7
Return on invested capital (ROIC)[2]		10.5%	10.0%	0.5ppt	9.7%
Return on invested capital (ROIC)[2] (Continuing & Discontinued)		10.6%	10.1%	0.5ppt	9.7%
Operating ratio		70.2%	72.1%	1.9ppt	70.9%
Net cashflow from operating activities		626.5	658.0	(5%)	658.1
Interim dividend per share (cps)		13.7	11.4	20%	12.4
Gearing (net debt / net debt + equity) (%) (group)		42.0%	42.4%	0.4ppt	41.7%
Net tangible assets per share ($) (group)		2.2	2.3	(4%)	2.3
People (FTE)		4,645	4,560	(2%)	4,728
Labour costs[3] / Revenue		26.1%	25.5%	(0.6ppt)	26.5%
Above Rail Tonnes (m)[4]		129.9	130.1	-	128.8

EBIT by Segment

($m)	1HFY2020	1HFY2019	Variance %	2HFY2019
Coal	205.8	210.3	(2%)	204.8
Bulk	43.7	14.2	208%	23.1
Network	232.2	202.9	14%	197.4
Other	(26.1)	(21.4)	(22%)	(2.3)
Group (Continuing operations)	**455.6**	**406.0**	**12%**	**423.0**

[1] Calculated on weighted average number of shares on issue – 1,977m 1HFY2020 and 1,990m 1HFY2019
[2] ROIC is defined as underlying rolling twelve-month EBIT divided by the average invested capital. The average invested capital is calculated as the rolling twelve-month average of net assets (excluding cash, borrowings, tax, derivative financial assets and liabilities)
[3] 1HFY2020 excludes $11.3m redundancy costs (1HFY2019 excludes $13.9m redundancy costs)
[4] Above Rail includes both Coal and Bulk

Group Performance Overview

EBIT improved $49.6m or 12% due to improved earnings in Network primarily from the QCA approved UT5 Undertaking and new contract growth in Bulk. Earnings in Coal decreased with higher operating costs due to CPI impacts and costs for installing capacity ahead of expected volume growth. The deterioration in Other EBIT is principally due to the completion of sale of the Rail Grinding business in October 2019.

Group revenue improved $73.4m or 5% with higher revenue from the UT5 Undertaking and new contract growth in Bulk, partly offset by the sale of the Rail Grinding business.

Operating costs increased $13.9m or 2% predominately due to increased labour costs from CPI impacts and additional FTEs within Bulk to support the Linfox contract.

The net impact on EBIT of adopting AASB 16 Leases was $0.9m.

ROIC has improved 0.5ppts to 10.5% reflecting the improved earnings during 1HFY2020.

Reconciliation to Statutory Earnings

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

($m)	1HFY2020	1HFY2019	2HFY2019
Underlying EBIT (Continuing operations)	**455.6**	**406.0**	**423.0**
Significant items (Continuing operations)	**105.4**	-	-
Net gain on sale of Rail Grinding	105.4	-	-
Statutory EBIT (Continuing operations)	**561.0**	**406.0**	**423.0**
Net finance costs	(71.4)	(80.9)	(66.2)
Statutory PBT (Continuing operations)	**489.6**	**325.1**	**356.8**
Income tax expense	(146.9)	(98.2)	(110.4)
Statutory NPAT (Continuing operations)	**342.7**	**226.9**	**246.4**
Underlying EBIT (Discontinued operations)	7.5	5.5	1.2
Significant items (Discontinued operations)	**2.5**	**(10.3)**	**(1.1)**
Intermodal	2.5	(10.3)	(1.1)
Net finance cost (Discontinued operations)	-	-	0.1
Income tax (expense)/benefit (Discontinued operations)	(2.9)	1.4	6.4
Statutory NPAT	**349.8**	**223.5**	**253.0**

Significant items in the Continuing Operations during 1HFY2020 were $105.4m and relate to the net gain on sale of the Rail Grinding business.

Significant items for the Discontinued Operations totalled $2.5m, including gain on the sale of surplus assets.

2. Other Financial Information

Balance Sheet Summary

($m)	31 December 2019	30 June 2019	31 December 2018
Assets classified as held for sale	74.7	108.4	60.6
Other current assets	607.8	631.2	586.0
Total current assets	**682.5**	**739.6**	**646.6**
Property, plant & equipment (PP&E)	8,499.3	8,536.3	8,621.2
Other non-current assets	437.6	425.2	363.0
Total non-current assets	**8,936.9**	**8,961.5**	**8,984.2**
Total Assets	**9,619.4**	**9,701.1**	**9,630.8**
Liabilities classified as held for sale	(0.7)	(3.8)	(4.9)
Other current liabilities	(697.6)	(795.7)	(639.9)
Total borrowings	(3,372.0)	(3,369.8)	(3,461.9)
Other non-current liabilities	(987.2)	(854.4)	(836.2)
Total Liabilities	**(5,057.5)**	**(5,023.7)**	**(4,942.9)**
Net Assets	**4,561.9**	**4,677.4**	**4,687.9**
Gearing (net debt/net debt plus equity) (%)	**42.0%**	**41.7%**	**42.4%**

Balance Sheet Movements

Total current assets decreased by $57.1m largely due to:

- Reduction in trade and other receivables of $111.1m due to timing of receipt of customer balances and lower Take-or-Pay accrual
- Net reduction in assets classified as held for sale of $33.7m predominately due to completion of sale of the rail grinding business

These reductions in current assets were partly offset by:

- Increase in cash and cash equivalents of $40.1m
- Increase in current inventory of $31.5m due to the timing of rail received in Network and procurement of inventory to support overhaul programs
- Increase in other assets of $16.5m, including $4.9m as a result of adoption of AASB 16 and timing of prepaid insurance

Total non-current assets reduced by $24.6m largely due to a $41.7m decrease in derivative financial instruments (unfavourable valuation), $37.0m decrease in property, plant and equipment, partly offset by $55.8m increase in other assets predominately due to the adoption of AASB 16.

Total current liabilities, excluding borrowings, decreased $101.2m largely due to $94.9m reduction in trade and other payables mainly due to settlement of $81.3m over collection of access revenue in FY2019, $38.0m reduction in employee benefits provisions, partly offset by $27.0m increase in other liabilities including $9.8m as a result of adopting AASB16.

Total borrowings increased by $2.2m including, $82.0m proceeds from issuance of Australian Dollar Medium Term Note partly offset by $45.0m net repayment of bank debt facilities and $36.0m revaluation (favourable) of Euro Medium Term Notes. AMTN 1 matures in October 2020 and as a result has been reclassified to current borrowings.

Other non-current liabilities increased by $132.8m largely due to $49.8m increase in net deferred tax liabilities and $78.4m increase in other liabilities predominately due to the adoption of AASB 16.

Gearing (net debt/debt plus equity) was 42.0% as at 31 December 2019.

Cash Flow Summary

($m)	1HFY2020	1HFY2019	2HFY2019
Statutory EBITDA (Continuing operations)	**836.6**	**671.7**	**699.9**
Working capital and other movements	(121.9)	117.2	(55.2)
Non-cash adjustments - asset impairments	-	8.5	16.4
Cash flows from Continuing operations	**714.7**	**797.4**	**661.1**
Interest received	1.6	1.2	1.7
Income taxes paid	(92.6)	(140.6)	(4.7)
Principal elements of lease receipts	2.8	-	-
Net cash inflow from operating activities from Continuing operations	**626.5**	**658.0**	**658.1**
Net operating cashflows from Discontinued operations	6.0	(19.3)	(6.1)
Net operating cash flows	**632.5**	**638.7**	**652.0**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment (PP&E) and associate	4.7	7.6	6.1
Payments for PP&E and intangibles	(256.5)	(220.4)	(224.1)
Proceeds from sale of business	164.5	-	-
Net cash (outflow) from investing activities from Continuing operations	**(87.3)**	**(212.8)**	**(218.0)**
Net investing cashflows from Discontinued operations	2.3	(1.3)	12.4
Net investing cashflows	**(85.0)**	**(214.1)**	**(205.6)**
Cash flows from financing activities			
Net proceeds / (repayments) from borrowings	36.7	(107.4)	(146.0)
Payment for share buy-back and share based payments	(216.3)	(0.6)	-
Interest paid	(74.4)	(76.1)	(74.4)
Proceeds from settlement of derivatives	-	-	11.5
Dividends paid to Company shareholders	(246.8)	(260.7)	(226.9)
Finance Lease payments	(7.0)	-	-
Net cash (outflow) from financing activities from Continuing operations	**(507.8)**	**(444.8)**	**(435.8)**
Net financing cashflows from Discontinued operations	-	-	-
Net financing cashflows	**(507.8)**	**(444.8)**	**(435.8)**
Net increase / (decrease) in cash from Continuing operations	**31.4**	**0.4**	**4.3**
Net increase / (decrease) in cash from Discontinued operations	**8.3**	**(20.6)**	**6.3**
Free Cash Flow (FCF)[5] from Continuing operations	***464.8***	***369.1***	***365.7***
Free Cash Flow (FCF)[5] from Discontinued operations	***8.3***	***(20.6)***	***6.3***

Cash Flow Movements

Net cash inflow from operating activities from continuing operations decreased by $31.5m (5%) to $626.5m. This was largely due to a $82.7m reduction in cash flows from continuing operations due to receipt of the Cliffs termination payment in 1HFY2019 and the FY2018 UT5 true up adjustment in 1HFY2020. This was partly offset by $48.0m reduction in income taxes paid. 1HFY2019 included a significant final tax payment for FY2018 due to the Acacia Ridge Terminal transaction, which was refunded in 2HFY2019 as the transaction remains subject to the ACCC appeal through the Federal Court of Australia.

Net cash outflow from investing activities from continuing operations decreased by $125.5m (59%) to $87.3m, largely due to proceeds from sale of the rail grinding business which completed on 31 October 2019, partly offset by $36.1m increase in cash payments for capital expenditure.

Net cash outflow from financing activities from continuing operations increased by $63.0m (14%) to $507.8m predominately due to $213.1m cash paid for on market buy-back of ordinary shares, partly offset by $144.1m net increase in proceeds from borrowings.

[5] FCF - Defined as net cash flow from operating activities less net cash outflow from investing activities less interest paid

Funding

The improved legal and capital structure was implemented in 1HFY2020 which results in a more efficient balance sheet and funding structure. Aurizon Operations' and Aurizon Network's credit rating has been confirmed at BBB+/Baa1. The Aurizon Holdings' credit rating was withdrawn during the period.

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

During 1HFY2020 Aurizon Network:

› Issued a 10.5 year, $82.0m A$ Private Placement.
› Cancelled $110.0m from the existing $490.0m bank debt syndicated facility expiring July 2021

In respect of 1HFY2020:

› Weighted average debt maturity tenor decreased from 4.8 years (1HFY2019) to 4.0 years over the 12 month period
› Group interest cost on drawn debt was 4.5% (1HFY2019 4.5%)
› Available liquidity (undrawn facilities plus cash) at 31 December 2019 was $959m
› Group gearing (net debt / (net debt + equity)) as at 31 December 2019 was 42.0% (1HFY2019 42.4%)
› Network gearing (net debt / RAB (incl AFDs)) as at 31 December 2019 was 54.4% (1HFY2019 56.4%)

Dividend

The Board has declared an interim dividend for 1HFY2020 of 13.7cps (70% franked) based on a payout ratio of 100% in respect of underlying NPAT for continuing operations.

The relevant interim dividend dates are:

› 24 February 2020 – ex-dividend date
› 25 February 2020 – record date
› 23 March 2020 – payment date

Share buy-back

On 12 August 2019, Aurizon announced its intention to undertake an on-market share buy-back of up to $300.0m during FY2020. This has been increased on 10 February 2020 by $100.0m to $400.0m, confirming Aurizon's commitment to returning surplus capital to shareholders.

As at 31 December 2019, 37,162,710 shares at a total consideration of $215.1m had been bought back and subsequently cancelled.

Tax

Underlying income tax expense for continuing operations for 1HFY2020 was $115.3m. Underlying income tax expense for the Group for 1HYFY2020 was $117.3m. The Group underlying and statutory effective tax rate[6] for 1HFY2020 was 30.0%. The Group underlying cash tax rate[7] for 1HFY2020 was 15.5%, which is less than 30% primarily due to accelerated fixed asset related adjustments.

The underlying effective tax rate for FY2020 is expected to be in the range of 29-31% and the underlying cash tax rate is expected to be less than 25% for the short to medium term.

Aurizon publishes additional tax information in accordance with the voluntary Tax Transparency Code in its sustainability report. Please refer to www.aurizon.com.au/sustainability/overview for a copy of Aurizon's sustainability report (including tax transparency disclosures).

Discontinued Operations

On 14 August 2017 Aurizon announced the intention to exit the Intermodal business through a combination of closure and sale. The Intermodal business includes the Acacia Ridge Intermodal Terminal, Queensland Intermodal and Interstate Intermodal. The Intermodal business is disclosed as a discontinued operation.

Acacia Ridge Intermodal Terminal

Aurizon signed a binding agreement with Pacific National (PN) on 28 July 2017 to sell its Acacia Ridge Intermodal terminal for $205.0m, of which a $35.0m non-refundable deposit was received in advance. This transaction is subject to approval by the Australian Competition and Consumer Commission (ACCC) and Foreign Investment Review Board (FIRB).

The ACCC opposed the sale on 19 July 2018 and commenced proceedings against Aurizon and PN in the Federal Court. On 15 May 2019, the Federal Court rejected the allegations by the ACCC that the proposed sale contravened sections 45 and 50 of the *Competition and Consumer Act (2010)*. On 27 June 2019 the ACCC sought to appeal the Federal Court's decision in relation to the contravention of section 50 of the Act (but not the Federal Court's decision in relation to section 45). On 18 July 2019, Aurizon and PN filed notices of cross appeal. The appeal and cross appeal will be heard by the Full Federal Court in February 2020.

[6] Underlying effective tax rate = income tax expense excluding the impact of significant items / underlying consolidated profit before tax
[7] Underlying cash tax rate = cash tax payable excluding the impact of significant items / underlying consolidated profit before tax

Queensland Intermodal

The Queensland Intermodal business was sold to Linfox on 31 January 2019.

Interstate Intermodal

The Interstate Intermodal business ceased operations on 23 December 2017.

BUSINESS UNIT REVIEW

Coal

Aurizon's coal business provides a critical link in Australia's major coal supply chain systems for the majority of Australia's coal producers. The coal transport operation links domestic customers and coal export terminals to mines in the Newlands, Goonyella, Blackwater, Moura and West Moreton systems in Queensland and the Hunter Valley. This includes the Ulan and Gunnedah coal systems, in New South Wales.

($m)	1HFY2020	1HFY2019	Variance %	2HFY2019
Revenue				
Above Rail	628.5	616.7	2%	619.5
Track Access	258.9	270.5	(4%)	217.2
Other	1.2	0.3	300%	0.6
Total revenue	**888.6**	**887.5**	**-**	**837.3**
Operating costs	(581.6)	(582.4)	-	(532.6)
EBITDA	**307.0**	**305.1**	**1%**	**304.7**
Depreciation and amortisation	(101.2)	(94.8)	(7%)	(99.9)
EBIT	**205.8**	**210.3**	**(2%)**	**204.8**

Metrics

	1HFY2020	1HFY2019	Variance %	2HFY2019
Total tonnes hauled (m)	106.3	106.5	-	107.8
CQCN	74.3	76.4	(3%)	75.9
NSW & SEQ	32.0	30.1	6%	31.9
Contract utilisation	86%	89%	(3ppt)	91%
Total NTK (bn)	24.8	25.1	(1%)	25.4
CQCN	18.7	19.2	(3%)	19.1
NSW & SEQ	6.1	5.9	3%	6.3
Average haul length (km)	233	236	(1%)	236
Total revenue / NTK ($/'000 NTK)	35.8	35.4	1%	33.0
Above Rail Revenue / NTK ($/'000 NTK)	25.3	24.6	3%	24.4
Operating Ratio (%)	76.8%	76.3%	(0.5ppt)	75.5%
Opex / NTK ($/'000 NTK)	27.5	27.0	(2%)	24.9
Opex / NTK (excluding access costs) ($/'000 NTK)	17.2	16.3	(6%)	16.9
Locomotive productivity ('000 NTK / Active locomotive day)[8]	401.7	421.8	(5%)	419.8
Active locomotives (as at 31 December)[8]	336	328	2%	337
Wagon productivity ('000 NTK / Active wagon day)[8]	15.6	15.9	(2%)	16.2
Active wagons (as at 31 December)[8]	8,570	8,664	(1%)	8,732
Payload (tonnes)[8]	7,588	7,460	2%	7,542
Velocity (km/hr)[8]	23.8	22.8	4%	23.1
Fuel Consumption (l/d GTK)[8]	2.84	2.84	-	2.80

Coal Performance Overview

EBIT decreased $4.5m (2%) to $205.8m, with coal volumes flat against the prior period at 106.3mt, which was lower than expected. Coal made investments in train crew and maintenance to support expected volume growth during 1HFY2020. With volumes, and therefore revenue not increasing as expected, earnings have reduced but this impact was partly mitigated through commercial terms in haulage contracts.

[8] Operational metrics have been restated in prior periods to reflect new reporting which utilises updated data sources

- Across the Central Queensland Coal Network (CQCN), volumes fell by 2.1mt (3%) to 74.3mt largely due to customer specific maintenance and production issues including BMA and Peabody which more than offset recovery from the one-off supply chain impacts experienced in 1HFY2019
- In NSW and South-East Queensland (SEQ), volumes increased by 1.9mt (6%) to 32.0mt with higher volumes from MACH Energy partly offset by production issues experienced by other key customers including BHP and Whitehaven. The prior year result was also impacted by a derailment at Newdell in September 2018 and protected industrial action during August 2018 (NSW) and December 2018 (SEQ)

Coal revenue increased by $1.1m to $888.6m, with higher above rail revenue yield mostly offset by lower track access revenues following a reduction in CQCN access tariffs.

Total operating costs (including depreciation) increased $5.6m (1%) to $682.8m with lower track access costs being offset by an increase in other operating costs and depreciation. The major drivers of these movements are noted below:

- Track access costs reduced by $11.1m (4%) due to the abovementioned reduction in the CQCN access tariffs
- Other operating costs increased $10.3m due to wages and consumables escalation, including the commencement of new Enterprise Agreements, and increased traincrew and maintenance costs to meet expected volume growth. These costs were partly offset by lower fuel expenses
- Depreciation increased $6.4m relating to the additional installed fleet, overhauls of existing rollingstock and technology modernisation investments

Operationally, key productivity metrics showed some deterioration given lower than expected volumes. However, average payloads and velocity have increased as a result of successful efficiency initiatives including increasing consist lengths in the Hunter Valley and South East Queensland and implementing improved driver methodologies.

Market update

Australia exported 90mt of metallurgical coal in 1HFY2020, flat against the prior year. China was Australia's largest metallurgical coal export market with export volume of 23mt (26% share), followed closely by India at 22mt (24% share) and Japan at 17mt (19% share). Despite reported extended customs clearance times, export volume to China increased +1% against 1HFY2019. In the 2019 calendar year, both China and India achieved record crude steel production of 996mt (+8% compared to the prior year) and 111mt (+2% compared to the prior year) respectively. The average hard coking coal price in 1HFY2020 fell -26% (compared to the prior year) to US$152/t as a result of slower crude steel production growth in India and reduced steel margins in China. In the 2019 calendar year, metallurgical coal exports from the United States (second largest metallurgical coal export nation behind Australia) decreased -11% against the same period of the prior year.

Australia exported 110mt of thermal coal in 1HFY2020, +2% against the prior year. Japan remained as Australia’s largest thermal coal export market with export volume of 38mt (35% share), followed by China at 26mt (23% share) and South Korea at 19mt (18% share). Contributing to export growth was Vietnam, with export volume of 6mt (5% share) in 1HFY2020, an increase of +143% compared to the same period of the prior year. Lower gas prices in Europe continued in the half, driving some power generation substitution from coal to gas resulting in Atlantic coal producers redirecting exports into Asian markets. The average Newcastle benchmark thermal coal price in 1HFY2020 was US$68/t (-39% compared to the prior year). In the 12 months to November, total coal exports (almost entirely thermal coal) from Indonesia (largest thermal coal export nation) increased by +7% against the same period of the prior year.

Contract update

- Coronado – contract extension with additional volumes
- Peabody – extension of all existing volumes and the addition of new business in CQCN and NSW
- Bounty – the Directors of various Bounty companies (including Aurizon’s customer Bounty Cook Pty Limited), placed the companies into Voluntary Administration on 17 December 2019. The Cook Colliery Mine was placed into Care and Maintenance as of 8 January 2020

Bulk

Aurizon's Bulk business supports a range of customers nationally for bulk materials and commodities, agricultural products and mining and industrial inputs.

($m)	1HFY2020	1HFY2019	Variance %	2HFY2019
Revenue				
Freight Transport	284.4	244.3	16%	230.3
Other	12.9	15.2	(15%)	11.9
Total revenue	**297.3**	**259.5**	**15%**	**242.2**
Operating costs	(244.7)	(236.8)	(3%)	(210.4)
EBITDA	**52.6**	**22.7**	**132%**	**31.8**
Depreciation and amortisation	(8.9)	(8.5)	(5%)	(8.7)
EBIT	**43.7**	**14.2**	**208%**	**23.1**
Total tonnes hauled (m)	23.6	23.6	-	21.0
Operating Ratio (%)	85.3%	94.5%	9.2ppt	90.5%

Bulk Financial Performance Overview

EBIT increased $29.5m (208%) to $43.7m predominately due to new volume growth, increased revenue quality and ongoing operational efficiencies. The result demonstrates the strong progress made on the Bulk turnaround program. The Bulk business excluding Iron Ore is now EBIT positive. The result was also supported by the decision to not expense sustaining capital spend in Bulk East from July 2019 based on a sustainable earnings outlook for this business.

Revenue increased $37.8m (15%) to $297.3m on flat volumes due to:

- The commencement of the Linfox agreement in February 2019 (no volumes are recorded against this contract as it is a hook and pull agreement and invoiced on a per service basis)
- The commencement of the Glencore Freighter service on the Mt Isa corridor in October 2018
- Higher revenue yield through some minor contract variations, CPI mechanisms and the expiry of a short-term rate relief arrangement for an Iron Ore customer in late FY2019

In Bulk East, volumes increased with the commencement of the Glencore Freighter service in October 2018, however this was offset by some customer plant maintenance closures. Overall train services increased 63% driven by the Linfox contract commencing February 2019.

In Western Australia (WA), Iron Ore volumes were down 0.4mt driven by lower railings from Mt Gibson. Bulk has been railing spot volumes from Mt Gibson since May 2019, post the cessation of the haulage contract in January 2019, with this volume expected until June 2020. Bulk West volumes increased by 0.4mt largely due to higher bauxite volumes.

Total costs (including depreciation) increased $8.3m (3%) largely due to the commencement of the Linfox agreement. This was partly offset by ongoing cost benefits from the Bulk turnaround program, lower average fuel prices compared to the prior year and not expensing Bulk East sustaining capital spend from July 2019.

Market update

Aurizon's Bulk business includes haulage of a range of bulk commodities such as iron ore, base metals, minerals, grain and livestock across Western Australia and Queensland. In addition to commodities required to build infrastructure, exposure to growth markets of fertilisers and batteries will unlock future opportunities. In terms of batteries, the global uptake of electric vehicles is expected to drive demand for commodities such as nickel, copper and lithium. This is supported by increased exploration expenditure in Australia, with copper exploration increasing by 60% (compared to the prior year) in the September 2019 quarter to A$117m and nickel (including cobalt) exploration expenditure rising 37% to A$64m, across the same period.

Contract update

- Mineral Resource Limited – executed a 3-year contract for the lease of rollingstock, provision of mainline crew and Esperance yard operations
- Rio Tinto Limited (Rio) - executed a 4-year contract for the operation and maintenance of Rio's ballast cleaning machine on its Pilbara WA network
- CHS Broadbent – export grain haulage agreement expanded to support domestic grain movements from South Australia and Victoria load points to Moree New South Wales (2,000km)
- Incitec Pivot Ltd – new contract commenced January 2020 for the haulage of acid and fertiliser on the Mt Isa corridor
- Graincorp - As previously advised this contract expired in November 2019

Network

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

Financial Summary

($m)	1HFY2020	1HFY2019	Variance %	2HFY2019
Revenue				
Track Access	564.7	534.1	6%	536.2
Services and other	31.2	23.3	34%	24.1
Total revenue	**595.9**	**557.4**	**7%**	**560.3**
Operating costs	(201.2)	(196.8)	(2%)	(199.7)
EBITDA	**394.7**	**360.6**	**9%**	**360.6**
Depreciation and amortisation	(162.5)	(157.7)	(3%)	(163.2)
EBIT	**232.2**	**202.9**	**14%**	**197.4**

Metrics

	1HFY2020	1HFY2019	Variance %	2HFY2019
Tonnes (m)	116.6	116.5	-	116.2
NTK (bn)	29.0	28.8	1%	29.1
Operating Ratio (%)	61.0%	63.6%	2.6ppt	64.8%
Maintenance / NTK ($/'000 NTK)	2.2	2.2	-	2.4
Opex / NTK ($/'000 NTK)	12.5	12.3	(2%)	12.5
Cycle Velocity (km/hr)	23.9	22.9	4%	23.3
System Availability (%)	82.2%	81.1%	1.1ppt	86.6%
Average haul length (km)	248.3	247.5	-	250.1

Network Financial Performance Overview

EBIT improved $29.3m (14%) to $232.2m in 1HFY2020, with increased revenue of $38.5m (7%) principally due to the QCA's approval of Network's Revised UT5 Draft Amending Access Undertaking (DAAU) on 19 December 2019 (UT5 Undertaking), partially offset by increased depreciation $4.8m (3%) and operating costs of $4.4m (2%).

Regulatory access revenue has been accounted for based on actual railed tonnes using tariffs that reflect the Consolidated DAAU, which incorporates the 2019 Volume Reset DAAU and the UT5 Undertaking. Total Access Revenue increased $30.6m (6%), benefiting from increased regulatory access revenue of $31.5m. The FY2018 true-up included in FY2019 was not repeated in FY2020, totalling $30.4m. This was partially offset by a volume under-recovery in 1HFY2020 of $11.0m and unfavourable Revenue Cap movements of $28.8m being a repayment of $0.4m and $6.1m for FY2018 and FY2019 respectively in 1HFY2020 compared to a recovery of $22.3m in 1HFY2019.

Rebates were favourable $11.1m in 1HFY2020 primarily due to a true-up adjustment following the finalisation of the UT5 Undertaking, where rebates had been previously been paid on a transitional tariff basis. Electric Charge (EC) revenue was $2.8m lower than prior period, offset by lower consumption expense.

Services and other revenue increased $7.9m (34%) mainly due to external construction works revenue ($4.5m) and insurance recovery revenue ($1.3m).

Operating costs increased by $4.4m (2%) largely due to increased labour costs with CPI impacts and higher energy and fuel costs, excluding EC expense. This was partly offset by a decrease in consumables and other expenses mainly due to a reduction in professional services spend (primarily relating to UT5 and the WIRP dispute).

Depreciation increased $4.8m (3%) due to increased levels of asset renewals, ballast undercutting and higher corporate depreciation allocations.

The Regulated Asset Base (RAB) roll-forward value at 1 July 2019, confirmed in the QCA final decision (19 December 2019) on Network's 2017-18 RAB Roll-forward is $5.6bn (including all deferred capital but excluding AFDs of $0.4bn).

Regulation Update

- On 3 May 2019, Network submitted its UT5 Undertaking, seeking to amend the version of UT5 which was approved by the Queensland Competition Authority on 21 February 2019 (UT5)
- The QCA subsequently approved the UT5 Undertaking on 19 December 2019

- The UT5 Undertaking was submitted with support from more than 90% of Network's customers by contract tonnage. Key points of the UT5 Undertaking include:
  - Extending the term of UT5 to 10 years (1 July 2017 to 30 June 2027)
  - A weighted average cost of capital (WACC) of 5.9% from 3 May 2019, increasing to 6.3% on completion of specific milestones (subject to a reset of market parameters on 1 July 2023)
  - Greater involvement of customers through processes to annually pre-agree future maintenance and capital expenditure
  - The appointment of an independent expert to complete initial and ongoing capacity assessments and undertake reporting requirements
  - Funding commitments from Network for growth-based capital expenditure, including a potential $300m in capital to rectify any capacity deficit identified in the independent expert's initial capacity assessment report and an annual $30m for expansions that benefit more than one mining customer. These amounts will be included in the RAB for pricing purposes
  - A rebate mechanism payable to customers where Network performs below target levels
- All other elements of the MAR including Depreciation, Operational Costs, Maintenance Costs and Taxation will remain consistent with the existing allowances approved by the QCA in February 2019
- On 25 October 2019, Network submitted the UT5 Volume Reset DAAU. As only an approved undertaking can be amended, it used the 19 February 2019 approved UT5 as the base to amend. The Volume Reset DAAU sought to amend the following:
  - Reset FY2020 forecast volumes from 248.2 million tonnes to 240.0 million within the CQCN. The reduction in tonnes was only applied to Blackwater and Goonyella systems
  - Reduce the FY2020 variable maintenance allowance to reflect the lower volumes
  - Reduce the forecast electrical infrastructure charges (AT5) to reflect lower Transmission Network Service Providers charges and
  - Bring-forward the FY2019 Revenue cap adjustment from FY2021 to payment in FY2020
- On 20 December 2019, the QCA released a Preliminary Position Paper outlining that it 'proposes to accept' the UT5 Volume Reset DAAU
- On 20 December 2019, Network submitted the UT5 Consolidated DAAU seeking to combine both the outcome from the UT5 Undertaking and the UT5 Volume Reset DAAU. This is a necessary step to create one complete Access Undertaking and allow Network to commence billing the appropriate tariffs
- The QCA published the Consolidated DAAU on 23 January 2020, requesting submissions from interested stakeholders by 10 February 2020

Operational Update

During 1HFY2020 Network operational performance remained strong. Highlights include:

- The supply chain delivered a record equalling first half period with volumes in the CQCN of 116.6mt. New monthly CQCN records were achieved in July and December of 19.7mt and 20.8mt respectively
- Total System Availability improved from 81.1% to 82.2%
- Cancellations due to the Network rail infrastructure remained at 1.8%
- Cycle velocity improved 4% from 22.9km/h to 23.9km/h
- Following successful implementation of schedule adherence in the Moura system towards the end of FY2019, the focus during 1HFY2020 has been on the trial and implementation of schedule adherence in the Blackwater system. The results to date, compared to the equivalent period in FY2019, have delivered:
  - An average reduction in turnaround time of 1.2 hours per service
  - An increase in average weekly tonnage throughput of 30,000 tonnes
  - On-time arrival to mine improved from 47% to 68%
  - On-time arrival to port improved from 16% to 55%
- In 3QFY2020 Network is working with operators to improve the current scheduling process. By realigning maintenance constraints to unlock capacity and optimising the weekly Intermediate Train Plan to avoid pathing contests between operators, system throughput is expected to increase.

Operational efficiency improvements delivered:

- The RM902, Network's new ballast cleaning machine is presently in its commissioning phase and is scheduled to be fully operational in 2HFY2020
- Progress continues on the Advanced Planning and Scheduling System (APS), which modernises the train ordering process and includes the APS scheduling module and design. Go live of Release 2 occurred on 27 July 2019 and the design of Release 3 and 4 were largely completed in 1HFY2020

Wiggins Island Rail Project (WIRP)

- During 1HFY2020 legal proceedings continued in relation to the notices received by Network in September 2015 from WIRP customers purporting to exercise a right under their WIRP Deeds to reduce their financial exposure in respect of payment of the non-regulated WIRP fee. On 27 June 2019, the Supreme Court of Queensland ruled in Network's favour. Customers are appealing the decision which is due to be heard in the Queensland Court of Appeal in March 2020
- The customers also initiated other disputes under their respective WIRP Deeds, which were the subject of an expert determination in February 2019. Those disputes relate to various matters on the completion of the WIRP construction works. The Expert's Determination was issued on 4 June 2019 and found that the WIRP Fee should be reduced. These disputes relate

to the same component of WIRP revenue as the Supreme Court proceedings and will not impact recovery of the regulated access charge component of WIRP capital expenditure. Network is determining options for appeal of this outcome
- Due to the ongoing dispute, no revenue in respect of the WIRP fee has been recognised in 1HFY2020

Other

Other includes the provision of maintenance services (e.g. rail grinding) to internal and external customers and central costs not allocated such as the Board, Managing Director & CEO, Investor Relations, Strategy and Company Secretariat.

($m)	1HFY2020	1HFY2019	Variance %	2HFY2019
Total revenue	**28.0**	**40.9**	**(32%)**	**41.3**
Operating costs	(51.1)	(57.6)	11%	(38.5)
EBITDA	**(23.1)**	**(16.7)**	**(38%)**	**2.8**
Depreciation and amortisation	(3.0)	(4.7)	36%	(5.1)
EBIT	**(26.1)**	**(21.4)**	**(22%)**	**(2.3)**

Other Financial Performance Overview

EBIT decreased by $4.7m (22%) mainly due to reduced earnings from the sale of the Rail Grinding business which completed in October 2019.

OPERATIONAL EFFICIENCY IMPROVEMENT UPDATE

As part of Aurizon's Strategy In Action, particularly the Optimise and Excel levers, Aurizon continues to focus on operational efficiency to continuously improve its operational performance, asset efficiency and cost competitiveness. Through the Optimise and Excel levers, Aurizon is making targeted investments in technology on the journey to continuous improvement. Outlined below are the major initiatives being pursued in the business:

Precision Railroading Operations

The objective of Precision Railroading (Precision) is to deliver better value for customers. Partnerships across the supply chain are critical to facilitate a step-change in system throughput using a disciplined and evidence-based approach to scheduling, execution and continuous improvement.

The focus of Precision in 1HFY2020 has been on improving the operational discipline in the Blackwater system through the implementation of the Schedule Adherence operating mode. There has been an improvement in key metrics since Schedule Adherence commenced in Blackwater compared to the prior period. Key improvements are:

- 4% reduction in turnaround time
- 2% improvement in tonnes moved
- 45% improvement in the number of services reaching the mine on time

Schedule Adherence is the foundation from which further operational improvements can be made. The focus of the Precision in 2HFY2020 in Blackwater and Moura will include a modernisation of scheduling practices, a greater focus on train driver engagement and performance, and elimination of the root causes of deviations to schedule. The project will also work with customers to build on the momentum achieved to date by rolling out applicable learnings and improvements in the Goonyella and Newlands systems.

Train Guard

Train Guard is a platform utilising ETCS (European Train Control System) technology to support driver decision making particularly in relation to speed control and signal enforcement in Central Queensland. This technology will support safer and more efficient train operations with reduced rail process safety issues and improved control and train handling. This technology is also a pathway to expanding our driver only operations in Central Queensland. Trials are currently underway with an operational demonstration to take place in 4QFY2020. Initial installation of 3 locomotives is complete and further equipment installation is currently underway.

TrainHealth

TrainHealth provides Aurizon with capability to comprehensively monitor performance of locomotives and train use in real time. This initiative will enable access to comprehensive asset data that will inform the health of the locomotive, enhance asset reliability and maintenance decisions for the fleet, provide greater visibility on driver behaviour and support business decisions for on-time running. TrainHealth is initially being installed across the Siemens electric locomotive fleet in the CQCN. Installation commenced in August 2019 and will continue through 2HFY2020.

Asset Maintenance

As part of an enterprise review of rollingstock maintenance Aurizon has developed a comprehensive plan that underpins a fundamental repositioning in the way it approaches rollingstock maintenance, on the journey through condition-based maintenance to predictive maintenance.

Whilst Aurizon has had huge success in applying technology to condition-based maintenance, especially in the CQCN, the current plan covers all aspects of rollingstock across both Coal and Bulk. The plan includes each of the asset management initiatives and will be executed over a multi-year period in three major phases:

- Solidify the foundation
- Improve the maintenance maturity
- Increase the competitiveness of the business

The plan leverages the previous investments in technologies and will greatly enable success on this journey.

ADDITIONAL INFORMATION

Senior Management Changes

In December 2019, Michael Riches, Group Executive Network resigned. Jason Livingston, Head of Network Asset Management, is currently acting in the Group Executive Network role. Pam Bains, CFO and Group Executive Strategy has been appointed to the position effective from 9 March 2020.

George Lippiatt, Head of Strategy and Corporate Development, will act in the role of CFO and Group Executive Strategy from 9 March 2020.

Risk

Aurizon promotes a risk-aware culture with an emphasis on frontline accountability for effective risk management. The consideration of risk features heavily in Aurizon's thinking, from the framing of strategy through to informing decision making.

Risks to the delivery of strategy have been categorised into the three strategic levers of Optimise (accelerate the competitiveness of Aurizon), Excel (achieve regulatory reform, secure contract wins and gain competitive advantage through asset efficiency) and Extend (position Aurizon for growth, value creation and the next phase of Enterprise evolution).

Optimise Strategic Lever

- Delivery of Optimise Initiatives

Aurizon maintains a pipeline of efficiency initiatives that are expected to deliver a cost effective and customer aligned model. Failure to be the lowest cost or highest service provider may occur due to a lack of definition in the target state or unsuccessful implementation of the associated action plans. Impacts of non-delivery include not achieving budget and failure to maximise volumes within customer contracts.

- Operational Agility

A lack of operational agility would result in Aurizon's inability to flex operations and support an alignment between costs and revenue. If operational agility is not achieved it may result in missed revenue during market upturns due to a lag in accessing the required resources, or static costs during downturns eroding financial performance.

- Business Interruption

Aurizon may experience business interruption and consequential financial impact from a range of circumstances including, but not limited to:

  - Road Vehicle Incident - death or injuries to our people from operating road vehicles
  - Process Safety Incident - major process safety event leading to death or injuries to our people, significant distraction or loss of license to operate
  - Illegal protest activity - safety risks to employees and individuals due to anti-coal protesters illegally entering the rail corridor and danger zone to conduct blockades
  - Cyber security incidents in relation to Aurizon's corporate and operational systems
  - Adverse weather events could impact Aurizon's operations, assets or customers

Excel Strategic Lever

- Competition in Current Markets

Aurizon may face competition from parties willing to compete at reduced margins and / or accept lower returns and greater risk positions than Aurizon. This may potentially negatively impact Aurizon's competitiveness. Most of Aurizon's significant customer contracts are secured on long-dated terms, however failure to win or retain customer contracts at acceptable rates will be a risk to future financial performance. Increased competition may be experienced from new entrants to Aurizon's core markets in both above and below rail and includes existing customers in-sourcing Aurizon's services. Competitors may also deploy technology or innovation more rapidly than Aurizon.

- 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, carbon reduction, 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 profitability and business in general, as well as Aurizon's customers.

Aurizon is also exposed to the risk of material regulatory breaches resulting in the loss of operating licences and financial penalties. In the event of a loss of licence, critical business operations may not be supplied to customers, impacting profitability and reputation.

› Adverse Basin or Corridor Economics and General Economic Conditions

Aurizon's earnings are concentrated in commodity markets across a relatively small number of customers and may be impacted by deterioration in counterparty credit quality, mine sale to a lower tier party, mine profitability, contract renewals, supply chain disruptions and / or macro-industry issues.

Aurizon develops its own position about the future of coal through our Strategy in Uncertainty framework, which includes scenario analysis, taking climate-related transition risks into consideration. This process considers short-term impacts as well as risks that emerge over the medium to long term, where the timing and magnitude is less certain. Our management team and Board are directly engaged in identifying the scenarios for consideration, as well as developing plans and initiatives to position the organisation to mitigate risks and take advantage of opportunities. This strategic process is repeated every six months to ensure that Aurizon's strategic priorities are continually updated to proactively respond to emerging market dynamics and opportunities.

In 2019, multiple scenarios were developed and considered by Aurizon's Board, including projections that limited Australian thermal coal export growth as a result of an earlier shut down of global coal-fired power generation fleet, lower economic growth (and import reliance), and limited investment in new Australian coal production as a result of regulatory challenges. Under all these scenarios, Australia's coal exports, and therefore Aurizon's coal-related customers and business, are expected to be resilient over the next decade. Longer-term modelling beyond this period unsurprisingly leads to a much more diverse range of scenario outcomes. These scenarios are used to inform portfolio considerations and strategic decisions for Aurizon.

Extend Strategic Lever

› WIRP Non-Regulated Revenue Dispute

Given the decision of the Supreme Court has been appealed by the customers, there is potential the entire amount of the WIRP non-regulated fee as described on page 12 of this report is determined by the Court of Appeal to not be payable by the WIRP customers.

› Climate Change Risk

The long-term implications of climate change may impact Aurizon on several fronts. For example:

Transition Risks

- Demand for thermal coal is subject to energy policy and fuel-mix decisions driven by energy costs, energy security, and regulation of GHG emissions (including carbon pricing)
- Demand for metallurgical coal is subject to factors such as economic development, steel-intensive growth, method of steel production (including emerging lower carbon processes), import reliance, and regulation of GHG emissions (including carbon pricing)
- Investor concern over climate-related risks may result in an inability for Aurizon, our customers and end users of coal to gain licences, funding or insurance for coal mining, transport, and coal-fired generation and/or steel production capacity
- Carbon liability under the Safeguard Mechanism Rule and potential penalties for inappropriate carbon reporting under the *National Greenhouse and Energy Reporting (NGER) Act*

Physical Risks

- Current and future disruption arising from increased severity and/or frequency of extreme weather events (higher temperatures, strong winds, flooding and associated erosion, bushfires and others)

Climate change risks and opportunities are disclosed annually in Aurizon's sustainability report.

Sustainability

Aurizon's Sustainability Report details how Aurizon takes account of environmental, social and governance (ESG) considerations related to its operations. In October 2019, Aurizon released its sixth Sustainability Report. In August 2019, Aurizon maintained a 'Leading' rating for the fifth consecutive year from the Australian Council of Superannuation Investors (ACSI) for corporate sustainability reporting in Australia. Having received this rating for four or more consecutive years, Aurizon has again been considered a 'Leader' by ACSI, along with 45 other ASX200 companies.

The 2019 Sustainability Report was the third reporting period in which Aurizon has incorporated recommendations from the Financial Stability Board's (FSB) Final Report: Recommendation of the Task Force on Climate-related Financial Disclosures (TCFD), released in June 2017. Aurizon acknowledges that climate change is affecting a wide range of industries around the world, resulting in financial implications. Transition risks, related to energy policy, regulation, technology and market shifts (that are necessary to achieve the transition to a low-carbon economy) will affect the demand for the commodities that Aurizon hauls. Physical risks related to extreme weather events will also continue to affect Aurizon through supply chain disruptions. Our primary channel for engaging with stakeholders on all ESG matters, including our climate-related disclosures, is through the publication of our Sustainability Report, which is updated and issued annually.

A summary of Aurizon's performance regarding safety, environment and people is outlined below.

› Safety

In December 2019 tragically, there was a fatality of one of our Traincrew involved in a motor vehicle accident west of Mackay. This incident is under investigation by Queensland Police. Workplace Health and Safety Queensland advised it has considered all issues relating to the accident and is not investigating the matter any further. Aurizon continues to put considerable focus and resource into the management of road safety.

Aurizon continues to progress two key programs of work in FY2020 to help improve safety, namely Seamless Safety and HOWED.

- Seamless Safety is a strategic safety initiative that is changing Aurizon's safety culture from centrally controlled compliance to frontline empowerment. With a particular focus on Leadership Capability & Safety Risk Management, comprehensive programs are being run across the business to build leadership capability to make risk-based judgements to inform safety decision making
- The HOWED project is an enterprise-wide governance initiative that is simplifying Aurizon's document set, including the Safety Management System, and making content more readily available and easier for frontline user consumption

In addition to the initiatives above, Aurizon continues to heavily invest in technology as a means of risk mitigation. This includes technology in locomotive cabs, trackside monitoring equipment, train control systems and the use of mobile applications as a way of gathering more meaningful insight into where Aurizon should focus its resources.

In 1HFY2020, we have seen a 14% improvement in Total Recordable Injury Frequency Rate (TRIFR), and a minor deterioration (7%) in Rail Process Safety (RPS). For TRIFR, while the rate of occurrence has not shown significant improvement in recent trending, it is pleasing to note that incident severity is reducing. TRIFR for 1HFY2020 is predominantly muscle strains and sprains, which whilst important to address, are less concerning than our main focus of Serious Injury and Fatality prevention.

The significant contributor to RPS is low speed Yard Derailments where rollingstock has traversed derailing devices. Whilst these incidents are undesirable, and Aurizon is working to eliminate them, the actual safety consequence is normally small.

› Environment

As a rail operator, Aurizon acknowledges there are several ways it is responsible for helping local communities maintain a sustainable environment. Aurizon aims to effectively manage material environmental risks and continually improves enterprise environmental performance. Focus continues on efforts to measure and report on key risks linked to emerging environmental issues such as, clean air and climate change. For example, following on from Aurizon's key role in the development of the Code of Practice for Management of Locomotive Exhaust Emissions (effective from December 2018), focus now turns to implementing the standard across the locomotive fleet. This forms part of the broader drive to reduce diesel emissions, including associated carbon footprint.

In 1HFY2020 Aurizon had one notifiable environmental incident. Remediation actions have been implemented. No ongoing environmental impacts are anticipated.

› People

At Aurizon our values (Safety, People, Integrity, Customer and Excellence) guide our people's work in delivering bulk commodities to the world. During the year we have continued to focus on developing the capability of our people through:

- Leadership programs designed to promote accountability and engage and enable employees
- Further improve our people, processes and systems through cascading performance succession systems through the organisation
- Review and implement a new HR system framework for HR policies to create easier access to key policies, tools and documents providing clearer accountability and greater flexibility

For more detailed information on Aurizon's people, please refer to the Sustainability Report
www.aurizon.com.au/sustainability/overview

On Enterprise Agreements (EA), Aurizon has now received approval from the Fair Work Commission for all seven EAs, with the Coal EA QLD receiving approval in 1HFY2020 and the Bulk EA QLD receiving approval in January 2020.

Entities over which control was gained or lost during the period

None

Details of associate and joint venture entities

Entity	Country of incorporation	Ownership Interest	
		31 December 2019 %	31 December 2018 %
Investment in associates			
Aquila Resources Limited	Australia	15	15
Joint Ventures			
Chun Wo/CRGL	Hong Kong	17	17
ARG Risk Management Limited	Bermuda	50	50
Integrated Logistics Company Pty Ltd	Australia	14	14
ACN 169 052 288	Australia	15	15

The profit contribution from any one of these associate or joint venture entities is not material to the Group's profit.

APPENDIX

Intermodal – Discontinued Operations

($m)	1HFY2020	1HFY2019	Variance %	2HFY2019
Total revenue	**12.8**	**87.5**	**(85%)**	**23.5**
Operating Costs	(5.2)	(81.9)	94%	(22.2)
EBITDA	**7.6**	**5.6**	**36%**	**1.3**
Depreciation and amortisation	(0.1)	(0.1)	-	(0.1)
EBIT	**7.5**	**5.5**	**36%**	**1.2**
Significant Items	2.5	(10.3)	nm	(1.1)
Net Finance Cost	-	-	-	0.1
Income tax (expense)/benefit	(2.9)	1.4	nm	6.4
NPAT (Discontinued operations)	**7.1**	**(3.4)**	**nm**	**6.6**
Total TEUs ('000s)	-	79.1	nm	10.7

Performance Overview

The EBIT position for Intermodal of $7.5m for 1HFY2020 relates to the operations of the Acacia Ridge Intermodal Terminal only post the completion of the sale of the Queensland Intermodal business in January 2019.

Significant items for the discontinued operation totalled $2.5m, including a gain on sale of surplus assets.