



Aurizon Holdings Limited

Appendix 4E

Preliminary Financial Report

For the year ended 30 June 2022 (FY2022)

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

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FY2022 IN REVIEW**Result Highlights (Underlying and statutory continuing operations)**

(\$m)	FY2022	FY2021	Variance
Total revenue	3,075.3	3,019.3	2%
EBITDA	1,467.6	1,482.2	(1%)
EBIT	875.3	903.1	(3%)
Adjustments	(14.2)	8.2	(273%)
EBIT Statutory	861.1	911.3	(6%)
NPAT	524.9	533.2	(2%)
NPAT Statutory	513.0	606.7	(15%)
Free cash flow (FCF)	663.6	588.6	13%
Final dividend (cps)	10.9	14.4	(24%)
Total dividend (cps)	21.4	28.8	(26%)
Earnings per share (cps)	28.5	28.5	-
Return on invested capital (ROIC)	10.3%	10.7%	(0.4ppt)
EBITDA margin (%)	47.7%	49.1%	(1.4ppt)
Operating ratio (OR) (%)	71.5%	70.1%	(1.4ppt)
Above Rail Tonnes (m)	244.8	253.2	(3%)
Above Rail opex / NTK (excluding access) (\$/'000 NTK)	23.8	21.2	(12%)
Gearing (net debt / (net debt + equity)) (%)	40.9%	45.6%	4.7ppt

Performance Overview

- › EBITDA down 1% to \$1,467.6m with:
 - Network down \$47.5m (6%) driven by lower WIRP fees and the impact of the risk-free rate reset on GAPE revenues
 - Bulk down \$9.8m (7%) due to the end of contracts for Mt Gibson and Queensland livestock and \$10m worth of one-off factors such as stand-up costs associated with new contracts, weather and an extended shut by a major customer which more than offset 7% revenue growth
 - Coal up \$7.9m (1%) despite a 4% reduction in volume, driven by higher revenue quality and cost management
 - Other improved by \$34.8m (87%) due to asset sales including the Rockhampton workshops and the benefit to provisions from higher discount rates.
- › Free cash flow increased 13% to \$663.6m driven by lower cash taxes, the sale of Rockhampton workshops and receipt of FY2021 Network Take-or-Pay in the first quarter of FY2022
- › Final dividend declared of 10.9cps (100% franked) represents a payout ratio of 75% of underlying NPAT for the continuing operations

One Rail Acquisition

Following approval from the Australian Competition and Consumer Commission (ACCC) on 14 July 2022, the acquisition of One Rail completed on 29 July 2022. The focus for Aurizon is the integration of the bulk operations and the divestment of East Coast Rail. This divestment will be undertaken either through a demerger or trade sale, whichever creates greater shareholder value.

Outlook

Underlying group EBITDA guidance for FY2023 of \$1,470m to \$1,550m and non-growth capital expenditure of \$500m-\$550m. This guidance includes the impact from wet weather in July and 11 months contribution from One Rail Bulk with key assumptions as follows:

- › Coal – volume expected to increase but EBITDA to be lower due to revenue yield reduction
- › Bulk – revenue and EBITDA growth from increased volumes and services and the inclusion of One Rail Bulk
- › Network – flat EBITDA assuming volumes align to regulatory forecast, with higher FY2023 MAR offset by non-recurrence of catch-up of historical WIRP fees
- › No material disruptions to commodity supply chains (such as extreme or prolonged wet weather and/or significant impacts from COVID-19 related disruptions)
- › East Coast Rail is excluded from guidance as it will be classified as a discontinued operation held for sale from acquisition and no dividend will be paid during Aurizon Holdings ownership.

CONSOLIDATED RESULTS

Underlying continuing operations unless otherwise stated

Financial Summary

(\$m)	FY2022	FY2021	Variance
Total revenue	3,075.3	3,019.3	2%
Operating costs			
Employee benefits	(853.4)	(840.7)	(2%)
Energy and fuel	(255.2)	(191.4)	(33%)
Track access	(77.7)	(81.1)	4%
Consumables	(418.9)	(411.7)	(2%)
Other	(2.5)	(12.2)	80%
EBITDA	1,467.6	1,482.2	(1%)
Statutory EBITDA	1,453.4	1,490.4	(2%)
Depreciation and amortisation	(592.3)	(579.1)	(2%)
EBIT	875.3	903.1	(3%)
Statutory EBIT	861.1	911.3	(6%)
Net finance costs	(125.0)	(145.3)	14%
Income tax expense	(225.4)	(224.6)	-
Statutory Income tax expense	(223.1)	(159.3)	(40%)
NPAT	524.9	533.2	(2%)
Statutory NPAT	513.0	606.7	(15%)
Statutory NPAT from discontinued operations	-	123.6	(100%)
NPAT (group) Statutory	513.0	730.3	(30%)
Earnings per share¹	28.5	28.5	-
Statutory	27.9	32.5	(14%)
Earnings per share¹ (continuing and discontinued operations)	28.5	29.1	(2%)
Statutory	27.9	39.1	(29%)
Return on invested capital (ROIC) ²	10.3%	10.7%	(0.4ppt)
Net cash flow from operating activities	1,320.1	1,277.0	3%
Total dividend per share (cps)	21.4	28.8	(26%)
Gearing (net debt / (net debt + equity)) (%) (group)	40.9%	45.6%	4.7ppt
Net tangible assets per share (\$) (group)	2.3	2.3	-
People (FTE)	4,917	4,825	(2%)
Labour costs ³ / Revenue	27.3%	27.2%	(0.1ppt)
Above Rail Tonnes (m) ⁴	244.8	253.2	(3%)

EBITDA by Segment

(\$m)	FY2022	FY2021	Variance
Coal	541.2	533.3	1%
Bulk	130.1	139.9	(7%)
Network	801.3	848.8	(6%)
Other	(5.0)	(39.8)	87%
Group (Continuing operations)	1,467.6	1,482.2	(1%)

¹ Calculated on weighted average number of shares on issue – 1,841m FY2022 and 1,869m FY2021

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 FY2022 excludes \$12.7m redundancy costs (FY2021 excludes \$13.9m redundancy costs)

⁴ Includes both Coal and Bulk

YEAR ENDED: 30 JUNE 2022 (FY2022)

Group Performance Overview

Group EBITDA decreased \$14.6m or 1% driven by reduced WIRP fees for Network (noting that FY2021 included higher historical fees), in addition to the impact of a risk-free-rate reset in June 2021 for GAPE fees. Bulk EBITDA also declined mainly due to lower iron ore volumes, ~\$10m one-off items including weather, start-up costs and the impact from a major customer shut-down which more than offset new customer growth, some of which were not operational for the full financial year. These declines more than offset growth in EBITDA for Coal which was driven by higher revenue yield and cost management. The improvement in Other EBITDA is principally due to asset sales and the positive impact of higher discount rates on some balance sheet provisions.

Revenue increased 2% with Bulk and Coal growth (including the impact of higher fuel prices) more than offsetting lower revenue in Network.

Operating costs increased \$70.6m or 5% with increases in all business units due to increased volumes and one-off costs in Bulk and higher fuel and energy costs (largely pass-through costs) more than offsetting transformation benefits.

Depreciation increased \$13.2m or 2% primarily due to capital expenditure in Bulk to support growth and increased ballast and rail renewals in Network. With the increase in depreciation, EBIT declined \$27.8m or 3%.

ROIC was 0.4ppts lower to 10.3% due to the decreased EBIT and slightly higher invested capital.

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)	FY2022	FY2021
Continuing operations		
Underlying EBITDA	1,467.6	1,482.2
Depreciation and amortisation	(592.3)	(579.1)
Underlying EBIT	875.3	903.1
Significant items	(14.2)	8.2
Transaction costs incurred for ORA	(14.2)	-
Net gain on sale of shares in Aquila	-	8.2
Statutory EBIT	861.1	911.3
Net finance costs	(125.0)	(145.3)
Statutory Profit before tax	736.1	766.0
Income tax expense	(223.1)	(159.3)
Statutory NPAT – Continuing operations	513.0	606.7
Significant items, net of tax ⁵	(11.9)	5.7
Significant items – Aquila income tax benefit	-	67.8
Underlying NPAT – Continuing operations	524.9	533.2
Discontinued operations		
Underlying EBIT	-	14.9
Significant items	-	161.1
Net gain on sale of Acacia Ridge Intermodal Terminal	-	161.1
Income tax expense	-	(52.4)
Statutory NPAT – Discontinued operations	-	123.6
Significant items, net of tax	-	112.8
Underlying NPAT – Discontinued operations	-	10.8
Statutory NPAT – Continuing and discontinued operations	513.0	730.3
Underlying NPAT – Continuing and discontinued operations	524.9	544.0

⁵ Transaction costs incurred for ORA includes amounts which are not deductible in calculating taxable income

YEAR ENDED: 30 JUNE 2022 (FY2022)

Balance Sheet Summary

(\$m)	30 June 2022	30 June 2021
Assets classified as held for sale	0.1	5.0
Other current assets	860.1	806.9
Total current assets	860.2	811.9
Property, plant and equipment (PP&E)	8,406.8	8,445.3
Other non-current assets	408.5	507.4
Total non-current assets	8,815.3	8,952.7
Total assets	9,675.5	9,764.6
Total borrowings	3,220.8	3,738.0
Other current liabilities	711.8	658.2
Other non-current liabilities	1,330.6	1,093.8
Total liabilities	5,263.2	5,490.0
Net assets	4,412.3	4,274.6
Gearing (net debt / (net debt + equity)) (%)	40.9%	45.6%
Gearing (net debt / (net debt + accumulated fair value adjustments + equity)) (%)	42.5%	44.6%

Balance Sheet Movements

Total current assets increased by \$48.3m largely due to:

- › Increase in cash and cash equivalents of \$23.3m
- › Increase in inventories of \$35.8m to support maintenance and renewal programs
- › Increase in derivative financial instruments due to favourable movement in interest rate swaps

This was partly offset by a reduction of \$49.7m in trade and other receivables predominately due to a lower Take-or-Pay accrual and a reduction in trade debtors.

Total non-current assets decreased by \$137.4m largely due to a \$87.1m unfavourable movement on derivative financial instruments and a decrease of \$52.6m in the carrying value of property, plant and equipment and intangible assets.

Total current liabilities, excluding borrowings increased by \$53.6m largely due to:

- › Increase in current tax liabilities of \$68.6m, primarily due to FY2021 being in a current tax asset position because of transactions and events that occurred in that reporting period
- › Increase in trade and other payables of \$24.8m due to an increase in capital accruals

This was partly offset by a reduction of \$39.2m in provisions and other liabilities predominately due to lower employee benefits provisions and revenue recognised for contract liabilities.

Total borrowings decreased by \$517.2m predominately due to a net repayment of bank debt facilities of \$164.0m and a net fair value adjustment of \$359.8m on Medium-Term notes subject to fair value hedges.

Other non-current liabilities increased by \$236.8m largely due to a \$199.6m unfavourable movement on fair value hedges and a \$91.6m increase in net deferred tax liabilities due to accelerated fixed asset adjustments.

Gearing (net debt / (net debt + equity)) was 40.9% as at 30 June 2022.

YEAR ENDED: 30 JUNE 2022 (FY2022)

Cash Flow Summary

(\$m)	FY2022	FY2021
Statutory EBITDA (Continuing operations)	1,453.4	1,490.4
Working capital and other movements	(72.4)	(43.4)
Transaction costs incurred for ORA	14.2	-
Net gain on sale of shares in Aquila	-	(8.2)
Non-cash adjustments - asset impairments	2.1	3.1
Net cash inflow from Continuing operations	1,397.3	1,441.9
Interest received	1.7	4.2
Income taxes paid	(86.0)	(175.6)
Principal elements of lease receipts	7.1	6.5
Net cash inflow from operating activities from Continuing operations	1,320.1	1,277.0
Net operating cash flows from Discontinued operations	-	(23.0)
Net operating cash flows	1,320.1	1,254.0
Cash flows from investing activities		
Payments for PP&E and intangibles, net of interest paid on qualifying assets	(551.0)	(518.5)
Payments for business acquisitions and investment in joint venture	(16.9)	(63.5)
Proceeds from shares held in associate	-	10.0
Distributions from investments and proceeds from sale of PP&E	39.5	38.9
Net cash outflow from investing activities from Continuing operations	(528.4)	(533.1)
Net investing cash flows from Discontinued operations	-	168.8
Net investing cash flows	(528.4)	(364.3)
Cash flows from financing activities		
Net (repayment)/proceeds from borrowings, net of transaction costs	(164.1)	236.2
Payment for share buy-back, share-based payments and transaction costs	-	(306.0)
Interest paid	(128.1)	(155.3)
Dividends paid to Company shareholders	(458.3)	(528.8)
Principal elements of lease payments	(17.3)	(16.4)
Net cash outflow from financing activities from Continuing operations	(767.8)	(770.3)
Net financing cash flows from Discontinued operations	-	-
Net financing cash flows	(767.8)	(770.3)
Net increase / (decrease) in cash from Continuing operations	23.9	(26.4)
Net increase in cash from Discontinued operations	-	145.8
Free Cash Flow (FCF)⁶ from Continuing operations	663.6	588.6
Free Cash Flow (FCF)⁶ from Discontinued operations	-	145.8

Cash Flow Movements

Net cash inflow from operating activities from continuing operations increased by \$43.1m (3%) to \$1,320.1m primarily due to lower income taxes paid in FY2022 because of an income tax benefit recognised on disposal of the shares held in Aquila Resources Limited in FY2021. Network Take-or-Pay revenue of \$77.5m from the prior year also contributed to cash inflows given this revenue was collected in FY2022. This was partly offset by a reduction in EBITDA and working capital which was mainly due to an increase in inventory and reduction in provisions.

Net cash outflow from investing activities from continuing operations decreased by \$4.7m (1%) to \$528.4m, due to less acquisitions than in FY2021 partly offset by an increase in payments for property, plant and equipment and intangibles.

Net cash outflow from financing activities from continuing operations reduced by \$2.5m to \$767.8m.

Free cash flow from continuing operations increased \$75.0m or 13%.

⁶ FCF - Defined as net cash flow from operating activities less net cash outflow from investing activities less interest paid

Funding

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

During FY2022 there were no adjustments to the funding mix for the Aurizon Group with significant increases in funding occurring after balance date with the completion of the acquisition of One Rail. With this One Rail debt now drawn to enable the acquisition, the focus for FY2023 will be on terming this debt out in capital markets.

In respect of FY2022:

- › Weighted average debt maturity tenor was 3.4 years as at 30 June 2022 which compares to 4.4 years in FY2021
- › Group interest cost on drawn debt was 3.4% (FY2021: 4.1%)
- › Available liquidity (undrawn facilities + cash) as at 30 June 2022 was \$1,622.1m (FY2021: \$1,618.2m)
- › Group gearing (net debt / (net debt + equity)) as at 30 June 2022 was 40.9% (FY2021: 45.6%)
- › Aurizon Network's gearing (net debt / Regulatory Asset Base (excluding Access Facilitation Deeds)) as at 30 June 2022 was 53.7% (FY2021: 60.8%)
- › Aurizon Operations' gearing (net debt / (net debt + equity)) as at 30 June 2022 was 5.6% (FY2021: 10.5%)
- › Aurizon Operations' and Aurizon Network's credit ratings have each been maintained at BBB+/Baa1
- › Aurizon Operations expanded the number of lenders by three to 15 banks

Dividend

The Board has declared a final dividend for FY2022 of 10.9cps (100% franked) based on a payout ratio of 75% in respect of underlying NPAT from continuing operations.

The relevant final dividend dates are:

- › 22 August 2022 – ex-dividend date
- › 23 August 2022 – record date
- › 21 September 2022 – payment date

Tax

Underlying income tax expense for FY2022 was \$225.3m and the underlying effective tax rate⁷ was 30%. Statutory income tax expense was similar at \$223.1m, resulting in a statutory effective tax rate of 30.3%.

The FY2022 underlying cash tax rate⁸ was 22.2%, which is less than 30% primarily due to accelerated fixed asset related adjustments.

Excluding the impact from One Rail earnings, the underlying effective tax rate for FY2023 is expected to be in the range of 29-31% and the underlying cash tax rate is expected to be less than 28% for the short to medium term.

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

Discontinued Operations

The Group completed the sale of the Acacia Ridge Intermodal Terminal to Pacific National on 26 March 2021.

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

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

YEAR ENDED: 30 JUNE 2022 (FY2022)

BUSINESS UNIT REVIEW**Coal**

Aurizon's Coal business provides a critical service to Australia's \$110bn⁹ export coal industry, the nation's second largest source of export revenue in FY2022. Aurizon hauls around half of Australia's export coal volume. Coal hauled is split approximately evenly between metallurgical coal and thermal coal, with demand linked to Asian steel production and energy generation, respectively.

Aurizon transports coal from mines in the Newlands, Goonyella, Blackwater, Moura and West Moreton systems in Queensland (QLD) and the Hunter Valley and Illawarra coal systems in New South Wales (NSW), to domestic customers and coal export terminals.

Financial Summary

(\$m)	FY2022	FY2021	Variance
Revenue			
Above Rail ¹⁰	1,195.1	1,179.9	1%
Track Access ¹⁰	359.7	428.8	(16%)
Other	4.7	3.4	38%
Total revenue	1,559.5	1,612.1	(3%)
Track Access costs	(376.2)	(451.0)	17%
Operating costs	(642.1)	(627.8)	(2%)
EBITDA	541.2	533.3	1%
Depreciation and amortisation	(208.7)	(208.7)	-
EBIT	332.5	324.6	2%

Metrics

	FY2022	FY2021	Variance
Total tonnes hauled (m)	194.0	202.1	(4%)
CQCN	141.1	143.7	(2%)
NSW & SEQ	52.9	58.4	(9%)
Contract utilisation	84%	83%	1ppt
Total NTK (bn)	45.2	47.1	(4%)
CQCN	35.3	35.8	(1%)
NSW & SEQ	9.9	11.3	(12%)
Average haul length (km)	233	233	-
Total revenue / NTK (\$/'000 NTK)	34.5	34.2	1%
Above Rail Revenue / NTK (\$/'000 NTK) ¹⁰	26.4	25.1	5%
Operating Ratio (%)	78.7%	79.9%	1.2ppt
Opex / NTK (\$/'000 NTK)	27.1	27.3	1%
Opex / NTK (excluding access costs) (\$/'000 NTK)	18.8	17.8	(6%)
Locomotive productivity ('000 NTK / Active locomotive day)	389.1	390.5	-
Active locomotives (as at 30 June)	314	329	(5%)
Wagon productivity ('000 NTK / Active wagon day)	14.7	14.9	(1%)
Active wagons (as at 30 June)	8,285	8,723	(5%)
Payload (tonnes)	7,938	7,887	1%

Coal Performance Overview

Coal EBITDA increased \$7.9m (1%) to \$541.2m primarily due to higher above rail revenue relating to improved revenue quality and fuel revenue in addition to lower track access, traincrew and maintenance costs. This was partly offset by lower volumes, lower track access revenue and higher fuel costs.

Volumes decreased 8.1mt or 4% to 194.0mt with reductions across NSW, South-East Queensland (SEQ) and the Central Queensland Coal Network (CQCN).

- › In NSW and SEQ, volumes decreased by 5.5mt (9%) to 52.9mt due to the cessation of the New Acland and Moolarben contracts, weather impacts, customer maintenance and production issues and COVID-19 impacts. This was partly offset by higher railings in the Illawarra corridor.
- › Across the CQCN, volumes decreased by 2.6mt (2%) to 141.1mt due to customer production which saw mines impacted by weather and labour challenges as a result of COVID-19.

⁹ Australian Bureau of Statistics (FY2022)

¹⁰ \$16.3 million has been reclassified from access revenue to above rail revenue for FY2021 for consistency with current year presentation

YEAR ENDED: 30 JUNE 2022 (FY2022)

Coal revenue decreased by \$52.6m (3%) to \$1,559.5m with an 8.1mt reduction in volumes and lower track access revenue partly offset by improved revenue quality, including CPI favourably impacting contract rates, and higher fuel revenue (price related). Track access revenue decreased with additional volumes moving to end user agreements, lower overall volumes, contract expiry and prior year Take-or-Pay impacts. Above rail revenue per NTK increased by 5% due to CPI benefits, higher fuel revenue and customer mix changes towards higher yielding customers against PCP.

Total operating costs decreased \$60.5m (6%) to \$1,018.3m with lower track access, traincrew and maintenance costs partly offset by higher fuel costs. The major drivers of these movements are:

- › Track access costs decreased by \$74.8m (17%) due to additional volume moving to end user agreements, lower overall volumes, prior year Take-or-Pay expense and expiry of contracts.
- › Other operating costs increased \$14.3m (2%) largely due to higher fuel partly offset by lower traincrew and maintenance costs. Traincrew costs reduced due to lower FTE's relating to the end-of-contract impacts, partly offset by increased CPI and higher overtime and leave impacts due to COVID-19. Maintenance costs declined with lower active locomotives and wagons due to lower volumes and transformation activities, partly offset by CPI impacts.

Depreciation remained flat, resulting in a 2% increase to EBIT against a 1% increase in EBITDA.

Operationally, key productivity metrics deteriorated against PCP with lower volumes and NTKs. Active locomotives decreased with contracted volume reduction and transfers to Bulk to support growth opportunities. Average payloads increased due to change in volume mix relating to lower SEQ volumes which have a lower payload.

Market update

Australia exported 359mt of coal in FY2022, down 1% against the prior year as volumes were impacted by adverse weather and COVID-19 related labour constraints.

Australia exported 162mt of metallurgical coal in FY2022, down 5% against the prior year. India remained Australia's largest metallurgical coal export market with export volume of 49mt (30% share), followed by Japan at 38mt (24% share) and South Korea at 24mt (15% share). In FY2022, Global crude steel production decreased 5% against the prior year, whilst India and Japan's crude steel output increased 8% and 6% respectively. The average hard coking coal (Premium Low Vol) price in FY2022 increased by 222% (compared to the prior year) to US\$391/t primarily driven by supply constraints. At 29 July 2022, the hard coking coal (Premium Low Vol) price was US\$191/t.

Australia exported 197mt of thermal coal in FY2022, up 2% against the prior year. Japan remained Australia's largest thermal coal export market with export volume of 86mt (44% share), followed by South Korea at 36mt (18% share) and Taiwan at 27mt (14% share). The average Newcastle benchmark thermal coal price in FY2022 increased by 216% (compared to the prior year) to US\$246/t. At 29 July 2022, the thermal coal price was US\$404/t.

Contract update

- › Stanmore – Aurizon remains the primary Goonyella system hauler for South Walker Creek and Poirrel mines following on from Stanmore's acquisition of the BHP Mitsui Coal assets
- › Pembroke – Aurizon has secured a long-term haulage agreement with Pembroke Resources, expected to commence haulage late CY2023 at the new Olive Downs Complex located in the Goonyella system
- › Baralaba – Aurizon has secured a 5-year extension to the haulage agreement with Baralaba Coal in the Moura System
- › New Hope – New Acland contract ended December 2021 (end of mine life)
- › Yancoal – Moolarben contract ended December 2021

YEAR ENDED: 30 JUNE 2022 (FY2022)

Bulk

Aurizon's Bulk business provides integrated supply chain services, including rail and road transportation, port services and material handling for a range of mining, metal, industrial and agricultural customers. Following on from the acquisition of One Rail Australia in July 2022, the Bulk business also includes the integrated rail business with 2,460km of track infrastructure in South Australia and Northern Territory.

Financial Summary

(\$m)	FY2022	FY2021	Variance
Revenue			
Freight Transport	673.0	612.2	10%
Other	18.2	22.6	(19%)
Total revenue	691.2	634.8	9%
Operating costs	(561.1)	(494.9)	(13%)
EBITDA	130.1	139.9	(7%)
Depreciation and amortisation	(36.7)	(27.9)	(32%)
EBIT	93.4	112.0	(17%)
Total tonnes hauled (m)	50.8	51.1	(1%)
Operating Ratio (%)	86.5%	82.4%	(4.1ppt)

Bulk Performance Overview

Bulk EBITDA decreased \$9.8m (7%) to \$130.1m due to lower iron ore volumes, significant one-off items in FY2022 offset by growth in new contract wins. Revenue increased \$56.4m (9%) to \$691.2m with:

- › The commencement of the CBH Grain contract in Western Australia (WA) in 1HFY2022
- › Stronger grain volumes in both QLD and NSW compared to PCP
- › The commencement of a long-term haulage contract with Tronox in 2HFY2022
- › The acquisition of ConPorts Pty Ltd (renamed Aurizon Port Services NSW Pty Ltd) on 31 December 2020
- › Higher fuel prices in FY2022 compared to the PCP
- › Marginal revenue yield improvements including CPI increases

Partly offsetting this was lower iron ore volumes and the loss of the QLD livestock contract in 2HFY2022 and BHP Nickel West in 2HFY2021. In addition, there was a major scheduled planned maintenance closure for IPL on the Mt Isa Line in 2HFY2022.

In Bulk East, volumes increased by 0.3mt driven by stronger grain volumes in NSW and QLD, partly offset by lower livestock volumes. In Bulk West, iron ore volume was down 3.2mt driven by the cessation of Mt Gibson volumes in December 2020 and lower MRL volumes into Esperance. Non-iron ore Bulk West volumes increased by 2.6mt due to the ramp up of CBH grain volumes partly offset by lower BHP Nickel West volumes and Alcoa volumes due to the ceasing of export bauxite.

Operating costs increased \$66.2m (13%) with:

- › Increased costs to support contract wins predominately in grain (including ramp up costs for both traincrew, rollingstock and facilities)
- › The acquisition of ConPorts Pty Ltd (renamed Aurizon Port Services NSW Pty Ltd) on 31 December 2020
- › Significantly higher fuel prices in FY2022 compared to PCP
- › A major derailment on the North Coast Line in QLD in 2HFY2022;
- › Partly offset by ongoing cost benefits from the Bulk transformation program and lower costs from the loss of BHP Nickel West

Depreciation increased \$8.8m or 32% with increased capital expenditure supporting the growth in the Bulk business. Therefore, EBIT decreased 17% compared to a 7% decrease in EBITDA.

Market update

Demand for bulk commodities is projected to continue to be driven by infrastructure development in addition to opportunities from new economy markets and increasing global food consumption.

- › During the March 2022 quarter, the Australian Bureau of Statistics reported that nickel (including cobalt) exploration expenditure in Australia rose by 37% (compared to the same period of the prior year) and copper exploration expenditure increased by 12% across the same period. Australian metal ore mining capital expenditure increased in the March 2022 quarter by 10% against the PCP to A\$4.9b, the 18th consecutive quarter of year-on-year growth for the sector.
- › In June 2022, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) has projected Australian export volume for major crops of wheat, barley and canola, with a record combined total of 39.6mt for the 2021-22 season. Strong volumes are expected to continue into the 2022-23 season, with the ABARES forecasting 35.3mt, the fourth highest year on record.

Contract update

- › CBH – 10-year¹¹ grain haulage contract commenced October 2021
- › Alcoa – five-year contract extension for alumina and associated inputs
- › Lynas – five-year contract for WA operations including new facility currently under construction

¹¹ The performance-based agreement has an initial term of six-years, with options to extend to 10 years

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- › Tronox – five plus five-year term executed for the transport of mineral sands concentrate from Broken Hill region
- › Queensland Government (Department of Transport and Main Roads) – loss of Livestock contract in QLD from December 2021

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, the Goonyella to Abbot Point Expansion (GAPE).

Financial Summary

(\$m)	FY2022	FY2021	Variance
Revenue			
Track Access	1,133.7	1,178.9	(4%)
Services and other	59.2	46.0	29%
Total revenue	1,192.9	1,224.9	(3%)
Operating costs	(391.6)	(376.1)	(4%)
EBITDA	801.3	848.8	(6%)
Depreciation and amortisation	(344.8)	(339.7)	(2%)
EBIT	456.5	509.1	(10%)

Metrics

	FY2022	FY2021	Variance
Tonnes (m)	206.5	208.3	(1%)
NTK (bn)	51.9	52.4	(1%)
Operating Ratio (%)	61.7%	58.4%	(3.3ppt)
Maintenance / NTK (\$/'000 NTK)	2.6	2.4	(8%)
Opex / NTK (\$/'000 NTK)	14.2	13.7	(4%)
Cycle Velocity (km/hr)	22.8	23.0	(1%)
System Availability (%)	82.6%	84.1%	(1.5ppt)
Average haul length (km)	251	252	-

Network Performance Overview

Network EBITDA declined \$47.5m (6%) to \$801.3m in FY2022, with decreased revenue of \$32.0m (3%) and increased operating costs of \$15.5m (4%).

Regulatory access revenue has been accounted for based on actual railed volumes using tariffs approved by the Queensland Competition Authority (QCA) on 22 June 2021. Actual net tonnes were 206.5mt compared to the regulatory system forecast of 226.9mt. Total Access Revenue in FY2022 reduced by \$45.2m (4%) compared to FY2021:

- › Allowable Revenue was lower by \$11.2m in FY2022 primarily due to capital underspends in FY2019 and FY2020
- › Reduced volumes compared to the regulatory forecast resulted in an under-recovery (excluding GAPE) after Take-or-Pay of \$39.0m in FY2022 (Access Revenue in FY2022 included the recognition of \$32.8m Take-or-Pay revenue). This compares to an under-recovery of \$34.6m (including \$88.2m of Take-or-Pay) in FY2021
- › Network settled all disputes with WIRP customers under their respective WIRP Deeds in July 2022. WIRP fees of \$47.0m, including \$30.3m of historical fees relating to FY2016 – FY2021, have been recognised in FY2022 (FY2021: \$60.3m, including \$48.9m of historical fees)
- › GAPE revenue was \$20.0m lower primarily due to the risk-free rate reset in June 2021 and the inclusion of a Transfer Fee in FY2021
- › The above movements were partly offset by higher Other Access revenue of \$3.7m

Services and other revenue were \$13.2m (29%) higher in FY2022. This was primarily due to higher construction revenue in FY2022 and is partly offset in higher operating costs.

Operating costs increased by \$15.5m (4%) primarily due to higher construction costs associated with the higher revenue, increased electric traction charges and higher maintenance costs.

Depreciation increased \$5.1m (2%) primarily due to ongoing rail renewal, plant and ballast undercutting investment.

The Regulatory Asset Base (RAB) roll-forward is estimated to be \$5.4bn¹² (excluding Access Facilitation Deeds of \$0.3bn) as at 1 July 2022.

¹² Includes deferred capital

Regulation Update

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

- › The QCA published the Independent Expert's (IE) Initial Capacity Assessment Report (ICAR) on 1 November 2021. The ICAR identified that the average annual deliverable network capacity of each coal system in the CQCN for the period FY2022 – FY2024, when measured as a percentage of the current contracted capacity for each coal system, is estimated as follows:
 - Goonyella: ~93%
 - Blackwater System: ~96%
 - GAPE System: ~64%
 - Moura System: ~93%
 - Newlands System: ~66%
- › On 12 November 2021, Network provided the Chair of the Rail Industry Group (RIG) and the QCA its preliminary response to the ICAR, which set out the proposed options to address the capacity deficits identified in each coal system by the Independent Expert in the ICAR.
- › Consistent with the definition of the term 'Report Date' in UT5, this notification to the Chair of the RIG on 12 November 2021, triggered an increase in Network's Weighted Average Cost of Capital (WACC) from 5.9% to 6.3%. The QCA-approved reference tariffs assumed 6.3% WACC from 1 March 2020. As a result of the delay in the ICAR, there has been an over-collection of access charges (the difference between 5.9% and 6.3%) in FY2022 of \$9.3m. This will be included in the FY2022 revenue adjustment amount and recovered in the FY2024 tariffs.
- › On 14 March 2022, Network provided its detailed report in response to the ICAR to the QCA and the Chair of the RIG, outlining a program of works to rectify the relevant coal systems' capacity deficits. Network's response also included a proposal to allow for both Network and the IE to recommend that a further expansion study be completed where there are one or more alternative expansions that could assist in resolving the relevant capacity deficit. As the current approved form of UT5 does not allow for such further studies, Network submitted a Draft Amending Access Undertaking (DAAU) on 8 June 2022 for QCA approval.
- › The QCA published the IE's Annual Capacity Assessment Report 2022 (ACAR) on 23 June 2022. The ACAR identified some differences between it and the findings in the ICAR in relation to the average annual deliverable network capacity of each coal system for the period FY2022 – FY2024, when measured as a percentage of the current contracted capacity for each coal system, which are as follows:
 - Goonyella System has improved by ~ 2% to ~ 93 – 95%;
 - Blackwater System has improved by ~ 2-4% and is forecast to be at ~100% in FY2026;
 - GAPE System is slightly lower for FY2023 and FY2024 then at similar levels for other years;
 - Moura System has improved by ~ 7% to ~99%; and
 - Newlands System is lower in FY2023 compared to the ICAR however similar for other years.
- › As required under UT5, on 17 June 2022, the IE made a recommendation to the QCA on which of the Transitional Arrangements identified in Network's Detailed Report would most effectively and efficiently resolve the deficits identified in the ICAR, following which the QCA will make a decision. The QCA has not made such a determination yet and therefore the impact of any such determination has not been assessed.
- › The Performance Rebate mechanism in UT5 came into effect on 12 November 2021. The Performance Rebate is payable if an End User does not receive its contracted Train Service Entitlement for the period 12 November 2021 until 30 June 2022 due to a performance breach by Network as determined by the IE under UT5, with certain permitted exclusions. Any transitional arrangements that are implemented to rectify an Existing Capacity Deficit will be taken into consideration in the calculation of the Performance Rebate. The FY2022 Performance Rebate is currently being considered by the IE.
- › On 8 June 2022, Network submitted to the QCA a DAAU to adjust the Electric Energy Charge (EC) under UT5 for FY2023. Due to the significant increase and forecast volatility in the wholesale electricity rates, it was necessary to submit the DAAU to adjust the EC tariff from \$1.11 to \$2.82 per eGTK. A QCA decision on the DAAU is expected in Q1 FY2023. Recognising the current price volatility in the electricity market, Aurizon Network has made a commitment to review and if required, submit a further update to the FY2023 EC Tariff and other regulatory inputs including coal volumes to the QCA no later than Q4 of FY2023 via a further DAAU.
- › UT5 provides for certain variable components of WACC (predominately risk-free rate, debt risk premium, inflation and the tax allowance) (Reset Values) to be reset on 1 July 2023 to take account of prevailing market conditions at that time. The two-stage process will involve preliminary Reset Values submitted to the QCA for consultation in July 2022 which will inform FY2024 tariffs and final Reset Values agreed in July 2023 which will apply from 1 July 2024. Any variation between final Reset Values and preliminary Reset Values will be included in FY2026 Revenue Adjustment Amounts.

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Operational Update

Network maintained strong operational performance during FY2022:

- › CQCN volumes declined by 1% to 206.5mt. The volume reductions were largely attributable to wet weather, mine specific maintenance and production issues as well as COVID-19 related restrictions and disruptions
- › Total System Availability was 82.6% compared to 84.1% in the PCP
- › Cancellations due to the Network rail infrastructure increased from 1.6%. to 2.1%
- › Cycle velocity declined marginally from 23.0km/h to 22.8km/h

Wiggins Island Rail Project (WIRP)

Network settled all disputes with WIRP customers under their respective WIRP Deeds in July 2022. WIRP fees of \$47.0m, including \$30.3m of historical fees relating to FY2016-FY2021, have been recognised in FY2022 (FY2021: \$60.3m, including \$48.9m of historical fees).

Other

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

(\$m)	FY2022	FY2021	Variance
Total revenue	45.1	32.4	39%
Operating costs	(50.1)	(72.2)	31%
EBITDA	(5.0)	(39.8)	87%
Depreciation and amortisation	(2.1)	(2.8)	25%
EBIT	(7.1)	(42.6)	83%

Other Performance Overview

EBITDA improved by \$34.8m (87%) mainly due to asset sales including the sale of the Rockhampton workshops and the benefit to provisions from an increase in discount rates.

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. Project Precision is transitioned to business as usual in FY2022 with accountability now embedded in the Network Planning and Scheduling function.

Outlined below are the major initiatives currently being pursued in the business.

Automated Track Inspection System (ATIS)

The ATIS initiative seeks to measure track and overhead line alignment via locomotive-mounted equipment using lasers to achieve precise measurements at line speed. ATIS is a collection of systems including a Track Geometry Measurement System (TGMS), a Wire Geometry Measurement System (WGMS) and a Pantograph Collision Detection System (PCDS). Network currently uses a track-recording car to obtain these measurements, with the service provided by a third party which consumes train paths that would otherwise be used by revenue train services.

It is intended that ATIS will enable an increase in the timeliness of data allowing a move to a condition-based track resurfacing scope, tracking of defects and the ability to trend degradation to predict future fail points or intervention triggers. Other benefits of ATIS may include reduced cost and improved access by removing the requirement to utilise the track-recording car.

During FY2022 Network successfully trialled and completed verification reporting of the WGMS and PCDS systems confirming that overhead wire alignment information can also be captured via automated means.

Following the successful trials and support from our customers, the ATIS initiative will be implemented across the CQCN in FY2023.

TrainGuard

TrainGuard is a platform utilising ETCS (European Train Control System) technology to support driver decision-making, particularly in relation to speed control and signal enforcement. TrainGuard will support safer and more efficient train operations with reduced rail process safety issues and improved train handling. TrainGuard is also a pathway to expanding our driver-only operations in Central Queensland. Site integration testing of TrainGuard was successfully completed in July 2022. The project is scheduled to deploy the technology on the Blackwater mainline (Callemondah to Bluff) in FY2023 with work in the Goonyella system to follow.

Asset Maintenance

Above Rail Asset Management (ARAM) is a multi-year transformation project and has progressed with the dedicated project team for a third year working in close collaboration with various business stakeholders. The program of work has matured Aurizon supply chain and vendor management processes, standardised planning processes across the business, improved depot work execution efficiency and is now transitioning Aurizon's major rollingstock fleets from simple time based to more mature condition-based maintenance strategies.

FY2022 has seen the successful implementation of more mature maintenance strategies across three of four major rollingstock fleets and will allow the business to continue on the maintenance maturity journey. These strategies contributed to maintenance cost reductions in the Coal business in FY2022. The project drew to a close at the end of FY2022 and sustainable business-as-usual (BAU) plans have been

put in place. The value created will continue into future years, delivering sustained and further optimisation of the maintenance life cycle for Aurizon's rollingstock.

TrainHealth

TrainHealth provides Aurizon with capability to monitor performance of locomotives and train handling/utilisation in real-time. This initiative enables access to real time asset data that is being used to inform the health of the locomotive, enhance asset reliability and maintenance decisions for the fleet, in addition to providing greater visibility on driver variability and support business decisions for on-time running. With installation completed for the CQCN Siemens electric locomotive fleet, installation across the CQCN diesel is scheduled for completion during FY2023.

ADDITIONAL INFORMATION

Sustainability

Aurizon keeps stakeholders informed of our corporate governance and financial performance via announcements to the Australian Securities Exchange (ASX) and our website. Investors can access copies of announcements to the ASX, notices of meetings, annual reports, policies, investor presentations, webcasts, and transcripts of those presentations on our website.

In addition to the above disclosures, we take a direct approach to reporting environmental, social and governance (ESG) disclosures to our stakeholders with the publication of our annual Sustainability Report.

We recognise that our climate change disclosures are one of the key areas of interest to stakeholders. Since 2017, we have aligned our climate-related disclosures to the Task Force on Climate-related Financial Disclosures (TCFD) as recommended by the Financial Stability Board. This framework enables consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.

In June 2022, we received a 'Comprehensive' rating, the highest rating for an eighth consecutive year by the Australian Council of Superannuation Investors (ACSI) for corporate sustainability reporting in Australia.

Safety

At Aurizon, we are committed to protecting ourselves, each other, and our communities. We are determined to focus on managing what matters, with a specific focus on identifying and learning from events that have the potential for Serious Injury and Fatality (SIF).

In FY2022, the primary safety metrics to measure safety performance across the enterprise were Total Recordable Injury Frequency Rate (TRIFR) and Rail Process Safety (RPS).

Importantly, none of our people were seriously or fatally injured while at work.

TRIFR was 8.41 injuries per million hours worked, which was a 18% improvement against the prior comparative period. Several injury prevention and management initiatives to reduce the frequency of low severity injuries were implemented in FY2022. There is ongoing support to embed Telehealth and proactive intervention strategies to ensure our people are provided support whenever it is needed.

Rail Process Safety, which measures operational rail safety, including derailments, signals passed at danger, and rollingstock collisions (expressed per million train kilometres) improved by 17% against the prior comparative period to 4.24. Aurizon continues to progress several strategic initiatives, including a community of practice focused on improving yard safety interfaces to reduce the number of yard incidents. RPS as a consolidated frequency rate measure will no longer be reported internally or externally after FY2022. Instead, the sub-component parts will continue to be managed and monitored by management and operational leaders.

In FY2023, Aurizon is changing its key operational safety metrics as foreshadowed in our half year results by removing RPS and replacing it with SIF Rate, including both actual and potential events (SIF_(a+p)). The measure change is important for Aurizon as it recognises our significant growth journey and operational diversification. While SIF actual and potential events have been internally reported, in FY2023 we will now be monitoring the rate of SIF actual and potential events across our operation, per million hours worked. Unlike RPS, SIF_(a+p) captures our full breadth of activities across ports, terminals, road transport, and broader infrastructure activities. As such, it will help direct our efforts to preventing serious injury events across all of Aurizon's operations.

During FY2022, we have continued to embed our Safety Strategy through nine key priorities focused on building and implementing simple systems and processes, understanding and controlling safety hazards and risks, and building leadership capability with a strong in-field presence.

Environment

We recognise that we are responsible for helping our local communities and supply chains to deliver environmental value through effective management of environmental risks and improved enterprise environmental performance. We employ proactive and evidence-based management measures covering key environmental issues such as, climate change, resource use and clean air.

In FY2022, Aurizon contributed to the development of Rail Industry Safety and Standards Board's (RISSB) Train Horn Use Code of Practice (CoP). The CoP seeks to minimise horn use impacts on the community whilst maintaining safe operations, through standardisation of network rules and improved driver awareness.

Aurizon continues to work collaboratively with supply chain partners to minimise coal dust emissions associated with Aurizon's coal haulage operations. Data from the CQCN opacity monitoring stations indicated FY2022 continues to yield low rates of coal dust loss from tops of wagons well below the long-term average. For further detail in relation to coal dust management and monitoring processes, refer to Aurizon's annual Sustainability Report.

Aurizon successfully transitioned its Safeguard Mechanism Facilities (covering Scope 1 GHG emissions associated with rail activities in QLD and WA) from reported safeguard baselines to production-adjusted safeguard baselines. To date, Aurizon has not been required to

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purchase or retire Australian Carbon Credit Units (ACCUs) to meet its obligations under the safeguard mechanism. This has been achieved through effective management of its scope 1 emissions intensity to remain below baselines.

In FY2022, Aurizon launched its Cultural Heritage Governance Framework (CHGF). Leading the CHGF is a Commitment Statement which is *to minimise our impact on Indigenous and non-indigenous cultural heritage through a framework founded on knowledge, understanding and respect*. The CHGF provides an implementation framework, specifying jurisdictional requirements, articulating responsibilities, accountabilities, and providing direction to bespoke guidelines and procedures. The CHGF is supported by a *Cultural Heritage Awareness* learning package available to all Aurizon employees.

In FY2022:

- › Aurizon did not incur any fines, penalties or prosecutions arising from environmental or cultural heritage related incidents; and
- › Aurizon had three notifiable environmental incidents. Remedial actions were implemented as required and no ongoing material environmental impacts are anticipated.

People

At Aurizon, our people are our greatest asset. We have over 5,000 employees, with more than 85% living and working in regional Australia, including more than 20% of our senior management. Our Aurizon values (Safety, People, Integrity, Customer and Excellence) guide our people's work, in delivering bulk commodities to the world, and are underpinned by a workplace culture of connection to enable great outcomes.

Through our commitment to safe and efficient delivery for our customers, we are building our workforce for the future. Strong leadership, culture and values-aligned people practices lay the foundation to achieve this. During the year we progressed key initiatives, including:

- › The embedding of our three core Leadership programs designed to embed a safe and high performing culture where our people live our values and are engaged and enabled to do their best work.
- › Supporting development at all levels, with targeted capability programs and a new, self-paced learning platform.
- › Further improvements to our people, processes and systems with a focus on our annual performance, talent and succession process facilitating the development of our internal talent pool. This engages and retains valued employees, and their knowledge, while reducing external recruitment costs and ensures we maintain our focus on our current and future capability requirements.
- › Continuing to strive towards creating an inclusive culture by embedding flexible work practices, creating awareness and driving action for inclusion through employee representative groups (across gender, Aboriginal and Torres Strait Islander and LGBTQIA+ inclusion), meeting workforce representation targets and actively reducing the gender pay gap.

Entities over which control was gained or lost during the period

The Group acquired 100% of the issued shares in South Maitland Railways Pty Ltd on 1 March 2022.

Details of joint venture entities

Entity	Country of incorporation	Ownership Interest	
		30 June 2022	30 June 2021
Joint Ventures			
Coal Network Capacity Co Pty Ltd	Australia	8	8
Ox Mountain Limited	United Kingdom	42	42
Chun Wo/CRGL	Hong Kong	-	17
ARG Risk Management Limited	Bermuda	50	50
Integrated Logistics Company Pty Ltd	Australia	14	14
ACN 169 052 288	Australia	15	15

The Chun Wo/CRGL joint venture ceased operations in March 2022. The profit contribution from any one of these joint venture entities is not material to the Group's profit.

Risk

Refer to the annual report for a detailed summary of risk.

APPENDIX

Intermodal – Discontinued Operations

(\$m)	FY2022	FY2021	Variance
Total revenue	-	21.6	nm
Operating costs	-	(6.7)	nm
EBITDA – Underlying	-	14.9	nm
Depreciation and amortisation	-	-	nm
EBIT – Underlying	-	14.9	nm
Significant items	-	161.1	nm
Income tax expense	-	(52.4)	nm
NPAT (Discontinued operations) – Statutory	-	123.6	nm

Internodal Performance Overview

The Group completed the sale of the Acacia Ridge Intermodal Terminal to Pacific National on 26 March 2021.