Aurizon Holdings Limited

Appendix 4E

Preliminary Financial Report

For the year ended 30 June 2024 (FY2024)

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

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FY2024 IN REVIEW

Result Highlights (Underlying and statutory continuing operations)

($m)	FY2024	FY2023	Variance	Variance %
Total revenue	3,844	3,511	333	9%
EBITDA	1,624	1,428	196	14%
EBIT	917	762	155	20%
Significant items – acquisition costs	-	(49)	49	100%
EBIT Statutory	917	713	204	29%
NPAT	406	367	39	11%
NPAT Statutory	406	324	82	25%
Free cash flow (FCF)[1]	661	297	364	123%
Final dividend (cps)	7.3	8.0	(0.7)	(9%)
Total dividend (cps)	17.0	15.0	2.0	13%
Earnings per share (cps)	22.1	19.9	2.2	11%
Return on invested capital (ROIC)	8.9%	7.5%	1.4ppt	-
EBITDA margin	42.2%	40.7%	1.5ppt	-
Operating ratio (OR)	76.1%	78.3%	(2.2ppt)	-
Above Rail Tonnes (m)	255.6	253.2	2.4	1%
Gearing (net debt / (net debt + equity))	52.2%	53.7%	(1.5ppt)	-

Performance Overview

- EBITDA up $196m (14%) to $1,624m with:
  - Network up $117m (14%) driven by higher (allowable) regulated revenue and a volume over-recovery
  - Coal up $73m (16%) driven by higher volumes and yield (customer/corridor mix and CPI)
  - Bulk up $15m (7%) driven by minerals and iron ore volumes, offset by lower grain volumes, rail network impacts from weather and the cessation of a rail maintenance contract in the Pilbara
  - Other down $9m (17%) driven by the ramp-up to full schedule operations for Containerised Freight
- Final dividend declared of 7.3cps (60% franked), representing a payout ratio of 80% of underlying NPAT for 2HFY2024
- Announced an on-market buy-back of up to $150m

Outlook

Group underlying EBITDA for FY2025 is expected to increase and be in the range of $1,660m - $1,740m. Sustaining capital expenditure is expected to be $640m - $720m (including ~$80m of transformation capital) and growth capital expenditure is expected to be $125m - $175m.

Key assumptions:

- Network: EBITDA expected to be higher than FY2024 with an increase in the regulated revenue, partially offset by lower external construction works. No volume related over-recovery assumed
- Coal: EBITDA expected to be broadly consistent with FY2024, with higher volumes being offset by the normalisation (lower) of yield (due to customer/corridor mix) and higher traincrew and maintenance costs
- Bulk: EBITDA expected to be higher than FY2024 driven by volume growth in Bulk Central, more than offsetting an expected volume decline in Bulk West
- Other: Containerised Freight is expected to have a broadly neutral EBITDA contribution
- No significant disruptions to supply chains (such as major derailments or extreme/prolonged wet weather)

[1] Free Cash Flow (Continuing operations) defined as net cash flow from operating activities (less non-growth capex) and interest paid. It excludes growth capex (FY2024: $204m, FY2023: $203m), payments for acquisitions (FY2024: $nil, FY2023: $1,434m) and cash cost associated with acquisitions (FY2024: $nil, FY2023: $49m (pre-tax)).

CONSOLIDATED RESULTS

Underlying continuing operations unless otherwise stated

Financial Summary

($m)	FY2024	FY2023	Variance
Total revenue and other income	**3,844**	**3,511**	**9%**
Operating costs			
Employee benefits	(1,086)	(977)	(11%)
Energy and fuel	(391)	(438)	11%
External track access	(146)	(110)	(33%)
Consumables	(582)	(539)	(8%)
Other	(15)	(19)	21%
EBITDA	**1,624**	**1,428**	**14%**
Statutory EBITDA	1,624	1,379	18%
Depreciation and amortisation	(707)	(666)	(6%)
EBIT	**917**	**762**	**20%**
Statutory EBIT	917	713	29%
Net finance costs	(333)	(230)	(45%)
Income tax expense	**(178)**	**(165)**	**(8%)**
Statutory Income tax expense	(178)	(159)	(12%)
NPAT	**406**	**367**	**11%**
Statutory NPAT	406	324	25%
Statutory NPAT from discontinued operations	-	(48)	100%
NPAT (group) Statutory	**406**	**276**	**47%**
Earnings per share[2]	**22.1**	**19.9**	**11%**
Statutory	22.1	17.6	26%
Earnings per share[2] (continuing and discontinued operations)	**22.1**	**21.8**	**1%**
Statutory	22.1	15.0	47%
Return on invested capital (ROIC)[3]	8.9%	7.5%	1.4ppt
Net cash flow from operating activities	1,616	1,015	59%
Total dividend per share (cps)	17.0	15.0	13%
Gearing (net debt / (net debt + equity)) (group)	52.2%	53.7%	(1.5ppt)
Net debt / EBITDA[4]	3.0x	3.5x	0.5x
Net tangible assets per share ($) (group)	2.3	2.2	5%
People (FTE)	5,930	5,618	6%
Labour costs[5] / Revenue	28.1%	27.7%	(0.4ppt)

EBITDA by Segment

($m)	FY2024	FY2023	Variance
Coal	528	455	16%
Bulk	229	214	7%
Network	930	813	14%
Other	(63)	(54)	(17%)
Group (Continuing operations)	**1,624**	**1,428**	**14%**

[2] *Calculated on weighted average number of shares on issue – 1,841m for both FY2023 and FY2024*
[3] *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)*
[4] *Net debt is defined as borrowings (both current and noncurrent) less cash and cash equivalents. Net debt for Network and Operations is adjusted for funds drawn under the Intra Group Loan Agreement. Network – Net debt / EBITDA: 3.9x (FY2023 4.5x), Operations – Net debt / EBITDA: 1.8x (FY2023 2.3x)*
[5] *FY2024 excludes $5m in redundancy costs (FY2023 excludes $5m in redundancy costs)*

Group Performance Overview

Group EBITDA increased $196m or 14% with earnings growth across Coal, Bulk and Network. Higher (allowable) revenue and a volume over-recovery were the primary drivers for Network. Higher volumes and yield (customer/corridor mix and CPI) were the primary drivers for Coal. Bulk was supported by additional minerals and iron ore volumes, offset by lower grain volumes, rail network impacts from weather and the cessation of a rail maintenance contract in the Pilbara. Other EBITDA was lower primarily driven by the Containerised Freight ramp-up to full schedule, with costs installed ahead of revenue growth.

Operating costs increased by $137m or 7% due to increased volumes across all business units, the ramp-up of Containerised Freight (Other segment) and the additional contribution of Bulk Central during the period. This was partly offset by lower energy and fuel costs.

Depreciation increased $41m or 6% primarily due to capital expenditure in Bulk and Containerised Freight to support growth.
EBIT increased by $155m or 20%, contributing to a 1.4ppt increase in ROIC.

Reconciliation to Statutory Earnings

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

($m)	FY2024	FY2023
Underlying EBITDA – Continuing operations	**1,624**	**1,428**
Depreciation and amortisation	(707)	(666)
Underlying EBIT	**917**	**762**
Continuing operations significant items – acquisition costs	-	(49)
Statutory EBIT	**917**	**713**
Net finance costs	(333)	(230)
Statutory Profit before tax	**584**	**483**
Income tax expense	(178)	(159)
Statutory NPAT – Continuing operations	**406**	**324**
Continuing operations significant items, net of tax	-	43
Underlying NPAT – Continuing operations	**406**	**367**
Statutory NPAT – Discontinued operations	**-**	**(48)**
Discontinued operations significant items, net of tax	-	82
Underlying NPAT – Discontinued operations	**-**	**34**
Statutory NPAT – Continuing and discontinued operations	**406**	**276**
Underlying NPAT – Continuing and discontinued operations	**406**	**401**

Balance Sheet Summary

($m)	30 June 2024	30 June 2023
Other current assets	991	1,193
Property, plant and equipment (PP&E)	10,153	9,945
Other non-current assets	452	541
Total assets	**11,596**	**11,679**
Total borrowings	4,897	5,142
Other current liabilities	772	744
Other non-current liabilities	1,489	1,440
Total liabilities	**7,158**	**7,326**
Net assets	**4,438**	**4,353**
Gearing (net debt / (net debt + equity))	**52.2%**	**53.7%**
Gearing (net debt / (net debt + accumulated fair value adjustments[6] + equity))	**52.8%**	**54.4%**

Balance Sheet Movements

Current assets decreased by $202m largely due to:

- a decrease in trade and other receivables following receipt of the $125m deferred consideration from the sale of One Rail Australia Holdings Limited (ORAH) in February 2024 and minimal Network Take-or-Pay accruals
- a decrease in current tax receivable of $101m following the lodgement of the FY2023 Income Tax Return and receipt of the refund in February 2024
- A decrease in cash and cash equivalents of $43m
- Partly offset by an increase in derivative financial instruments of $85m related to the reclassification of cross-currency interest rate swaps maturing September 2024 associated with the Network EMTN 1 bond to current assets and an increase in inventory of $13m related to components to support growth.

Property, plant and equipment increased by $208m due to capital purchases of $914m, offset by depreciation of $679m. Other non-current assets decreased by $89m, predominately related to a $77m reduction in derivative financial instruments due to the reclassification of cross-currency interest rate swaps to current assets.

Total borrowings decreased by $245m due to the net repayments including transaction costs of $270m including debt drawn as part of the One Rail Australia acquisition and the maturity of a Medium-Term Note. This was partly offset by new debt issuances including bank debt facilities, Medium-Term Notes and private placement EMTN.

Other current liabilities increased by $28m due to an increase in trade and other payables of $54m, and an increase in provisions of $8m related to annual and long service leave. This was partly offset by a decrease in other liabilities of $34m including the amortisation of contract liabilities.

Other non-current liabilities increased by $49m largely related to a $48m increase in deferred tax liabilities due to accelerated fixed asset adjustments and minimal Network Take-or-Pay accruals. An increase in other non-current liabilities of $22m related to leases were offset by a favourable movement of $16m in derivative financial instruments and a $5m reduction in provisions.

Gearing (net debt / (net debt + equity)) was 52.2% as at 30 June 2024, an improvement of 1.5ppts due to the reduction in borrowings.

[6] *FY2024 accumulated fair value adjustment of $124m (FY2023: $140m)*

Cash Flow Summary

($m)	FY2024	FY2023
Statutory EBITDA (Continuing operations)	**1,624**	**1,379**
Working capital and other movements	1	(183)
Non-cash adjustments - asset impairments	1	13
Net cash inflow from Continuing operations	**1,626**	**1,209**
Interest received	8	3
Income taxes paid	(26)	(204)
Principal elements of lease receipts	8	7
Net cash inflow from operating activities from Continuing operations	**1,616**	**1,015**
Net operating cash flows from Discontinued operations	-	48
Net operating cash flows	**1,616**	**1,063**
Cash flows from investing activities		
Payments for PP&E and intangibles, net of interest paid on qualifying assets	(825)	(762)
Payments for business acquisitions and investment in joint venture	-	(1,434)
Distributions from joint ventures and proceeds from sale of PP&E	6	7
Net cash outflow from investing activities from Continuing operations	**(819)**	**(2,189)**
Net investing cash flows from Discontinued operations	125	(662)
Net investing cash flows	**(694)**	**(2,851)**
Cash flows from financing activities		
Net (repayment) / proceeds from borrowings	(258)	1,850
Payment of transaction costs related to borrowings	(12)	(15)
Payment for share buy-back, share-based payments and transaction costs	(4)	(7)
Interest paid	(340)	(210)
Dividends paid to Company shareholders	(326)	(329)
Principal elements of lease payments	(26)	(20)
Net cash (outflow) / inflow from financing activities from Continuing operations	**(966)**	**1,269**
Net financing cash flows from Discontinued operations	-	439
Net financing cash flows	**(966)**	**1,708**
Net increase / (decrease) in cash from Continuing operations	**(169)**	**95**
Net increase / (decrease) in cash from Discontinued operations	**125**	**(175)**
Free Cash Flow (FCF)[7] from Continuing operations	**661**	**297**

Cash Flow Movements

Net cash inflow from operating activities from continuing operations increased by $601m or 59% to $1,616m largely due to:

- an increase in EBITDA and a favourable working capital movement due to an increase in revenue and a reduction in trade and other receivables
- a reduction in income taxes paid as FY2024 includes the refund of $112m for the FY2023 Income Tax Return, $12m for prior year assessments and the One Rail Australia pre-acquisition tax return, partly offset by instalments of $151m.

Net cash outflow from investing activities from continuing operations decreased by $1,370m (63%) to $819m, due to the prior comparative period including the acquisition of One Rail Australia. Excluding the impact of acquisitions, the increase was $64m or 8% due to additional capital expenditure.

Cash flows from financing activities from continuing operations decreased by $2,235m (176%) to a net outflow of $966m due to the prior comparative period including a net inflow from the drawdown of debt for the acquisition of One Rail Australia, compared to a net repayment of debt in FY2024. Interest paid has also increased by $130m due to an increase in interest rates compared to the prior year.

[7] Free Cash Flow (Continuing operations) defined as net cash flow from operating activities (less non-growth capex) and interest paid. It excludes growth capex (FY2024: $204m, FY2023: $203m), payments for acquisitions (FY2024: $nil, FY2023: $1,434m) and cash cost associated with acquisitions (FY2024: $nil, FY2023: $49 (pre-tax)).

Funding

The Group continues to be committed to diversifying its debt investor base, lengthening tenor and smoothing its debt maturity profile.

Aurizon Network funding activity during FY2024:

- $150m bilateral bank debt facility ($100m revolving component) established in October 2023 across $50m 5-year, $50m 6-year, and $50m 7-year tenors with maturities in FY2029, FY2030 and FY2031
- $500m Syndicated Institutional Term Facility ($115m revolving component) established in December 2023 across $260m 5-year and $240m 6-year tenors with maturities in FY2029 and FY2030
- $350m AMTN issued in March 2024 for a tenor of 7.5-years, maturing in September 2031, with funds initially used to repay drawn bank debt, which have been subsequently re-drawn to support the repayment of the $425m June 2024 AMTN
- $68m private placement EMTN issued in May 2024 for a tenor of 10-years
- The number of lenders increased by 10 during the year to a total of 22, with four additional Japanese banks, three Taiwanese banks and three Indian banks

Aurizon Operations funding activity during FY2024:

- $503m United States Private Placement Notes (USPP) settled in July 2023 across tenors of 7, 10, 11 and 12 years, with funds used to repay a bridge facility established as part of the One Rail Acquisition
- Re-financed bilateral bank debt facilities in June 2023, of which $50m became effective July 2023
- Subsequent reduction in total bilateral bank debt capacity due to $65m bilateral facility maturity and repayment in November 2023

In respect of FY2024:

- Weighted average debt maturity tenor was 4.6 years as at 30 June 2024 (FY2023: 3.6 years)
- Group interest cost on drawn debt was 6.2% (FY2023: 4.1%)
- Available liquidity (undrawn facilities + cash) as at 30 June 2024 was $2,031m (FY2023: $1,244m)
- Network net debt/ EBITDA as at 30 June 2024 was 3.9 times (FY2023: 4.5 times)
- Operations net debt/ EBITDA as at 30 June 2024 was 1.8 times (FY2023: 2.3 times)
- Group gearing (net debt / (net debt + equity)) as at 30 June 2024 was 52.2% (FY2023: 53.7%)
- Aurizon Network's gearing (net debt / Regulatory Asset Base (excluding Access Facilitation Deeds)) as at 30 June 2024 was 64.4% (FY2023: 63.8%)
- Aurizon Operations' gearing (net debt / (net debt + equity)) as at 30 June 2024 was 25.9% (FY2023: 29.8%)
- Aurizon Operations' and Aurizon Network's credit ratings have each been maintained at BBB+/Baa1

Dividend

The Board has declared a final dividend for FY2024 of 7.3cps (60% franked) based on a payout ratio of 80% in respect of underlying NPAT from continuing operations.

The relevant final dividend dates are:

- 26 August 2024 – ex-dividend date
- 27 August 2024 – record date
- 25 September 2024 – payment date

Tax

Statutory income tax expense from continuing operations for FY2024 was $178m. The Group statutory effective tax rate was 30.5%, which is more than 30% due to certain non-deductible expenses and movement in employee share plans. The Group cash tax rate for continuing operations was 21.7%, which is less than 30% primarily due to accelerated fixed asset related adjustments. The underlying effective tax rate[8] for FY2025 is expected to be in the range of 29-31% and the underlying cash tax rate[9] is expected to be less than 25% for the 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 ORAH to Magnetic Rail Group Pty Ltd (Magnetic) on 17 February 2023 for consideration of $438m including completion adjustments. The total consideration includes $313m cash proceeds received on completion of the sale and $125m cash proceeds received on 16 February 2024. On completion of the sale, Magnetic assumed ORAH's existing borrowings of $474m.

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

SEGMENT PERFORMANCE

Coal

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

Financial Summary

($m)	FY2024	FY2023	Variance
Revenue			
Above Rail	1,266	1,175	8%
Track Access	460	350	31%
Other	17	6	183%
Total revenue	**1,743**	**1,531**	**14%**
Track Access costs	(474)	(400)	(19%)
Operating costs	(741)	(676)	(10%)
EBITDA	**528**	**455**	**16%**
Depreciation and amortisation	(213)	(204)	(4%)
EBIT	**315**	**251**	**25%**

Metrics

	FY2024	FY2023	Variance
Total tonnes hauled (m)	189.0	185.0	2%
CQCN	132.5	133.6	(1%)
NSW & SEQ	56.5	51.4	10%
Contract utilisation	83%	80%	3ppt
Total NTK (b)	43.4	42.2	3%
CQCN	33.1	33.0	-
NSW & SEQ	10.3	9.2	12%
Average haul length (km)	230	228	1%
Total revenue / NTK ($/'000 NTK)	40.2	36.3	11%
Above Rail Revenue / NTK ($/'000 NTK)	29.2	27.8	5%
Operating Ratio	81.9%	83.6%	(1.7ppt)
Opex / NTK ($/'000 NTK)	32.9	30.3	(9%)
Opex / NTK (excluding access costs) ($/'000 NTK)	22.0	20.9	(5%)
Locomotive productivity ('000 NTK / Active locomotive day)	373.7	373.2	-
Active locomotives (as at 30 June)	323	311	4%
Wagon productivity ('000 NTK / Active wagon day)	14.2	14.2	-
Active wagons (as at 30 June)	8,618	8,201	5%
Payload (tonnes)	7,494	7,859	(5%)

Coal Performance Overview

Coal EBITDA increased by $73m or 16% to $528m driven by higher yield and higher volumes.

Volumes increased 4.0mt or 2% to 189.0mt primarily driven by NSW and South-East Queensland (SEQ) partly offset by volume reductions in the Central Queensland Coal Network (CQCN).

- Across the CQCN, volumes decreased by 1.1mt (1%) to 132.5mt with an uplift in Blackwater and Moura offset by declines in both Goonyella and Newlands
- In NSW and SEQ, volumes increased by 5.1mt or 10% to 56.5mt due to commencement of new contracts for SIMEC mining, a recovery of Hunter Valley volumes from wet weather events in FY2023 and growth in SEQ volumes in addition to increased customer production.

Total Coal revenue increased by $212m or 14% to $1,743m largely due to the increase in volumes, increase in track access revenue (largely pass through in higher access costs) and higher revenue yield. Revenue yield improved due to CPI and customer mix partly offset by lower fuel revenue from lower prices.

Total operating costs increased by $139m (13%) to $1,215m largely due to higher access and traincrew costs partly offset by lower fuel costs. The major drivers of these movements are:

- Track access costs increased by $74m (19%) due to higher CQCN access tariffs.

- Other operating costs increased $65m (10%) to $741m due to higher traincrew and maintenance costs associated with volume growth along with the escalation of labour and materials partly offset by lower fuel costs due to lower prices

Depreciation increased by $9m (4%), resulting in an underlying EBIT of $315m, a 25% increase compared to the prior year.

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

Contract update (impacting FY2025)

- 10-year contract renewal for Ensham (Sungela) effective July 2024
- 10-year contract renewal for Yarrabee (Yancoal) effective July 2024
- Ceased haulage for New Wilkie (New Wilkie Energy) following on from entering voluntary administration

TrainGuard

TrainGuard is a platform utilising European Train Control System (ETCS) technology to support driver decision-making, particularly in relation to speed control and signal enforcement. TrainGuard supports safer and more efficient train operations with reduced rail process safety issues and improved train handling. TrainGuard technology is the pathway to expanding our driver-only operations in Central Queensland. The technology is deployed on all Alternating Current electric trainsets (and associated track infrastructure) in Blackwater (Callemondah to Bluff) with the first driver-only operational service having commenced in the first quarter of FY2024, and full ramp up of driver-only operations completed by the end of the first quarter. The deployment in the Goonyella System (Mainline) is now operational with the first services in the fourth quarter of FY2024 and driver-only operation ramp-up to commence in the first quarter of FY2025. The final Goonyella and Blackwater Branch line deployment phase is progressing to plan with the first operational service deployed with TrainGuard technology expected to commence in the fourth quarter of FY2025.

Bulk

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

Financial Summary

($m)	FY2024	FY2023	Variance
Revenue			
Freight Transport	1,060	1,035	2%
Other	36	28	29%
Total revenue and other income	**1,096**	**1,063**	**3%**
Operating costs	(867)	(849)	(2%)
EBITDA	**229**	**214**	**7%**
Depreciation and amortisation	(128)	(108)	(19%)
EBIT	**101**	**106**	**(5%)**
Total tonnes hauled (m)	66.6	68.2	(2%)
Operating Ratio	90.8%	90.0%	0.8ppt

Bulk Performance Overview

Bulk EBITDA increased by $15m or 7% to $229m driven by minerals and iron ore volumes, offset by lower grain volumes, rail network impacts from weather and cessation of a rail maintenance contract in the Pilbara (February 2024).

Revenue increased $33m or 3% to $1,096m, driven by:

- An additional month of Bulk Central trading (acquired 29 July 2022)
- Volume growth across minerals in QLD and iron ore in Western Australia (WA) and Central
- Insurance recoveries from significant derailment events that occurred in FY2023

This was partly offset by some customer specific production issues in QLD and lower grain volumes (in NSW, QLD and WA), significant weather events in 2HFY2024 and cessation of a rail maintenance contract in the Pilbara.

Operating costs increased $18m (2%) with:

- An additional month of Bulk Central trading (acquired 29 July 2022)
- Costs incurred to support contract growth

This was partly offset by the ongoing benefits from the Bulk Transformation program.

Depreciation increased $20m (19%) due to increased capital expenditure supporting growth and an additional month of Bulk Central trading.

Contract update (impacting FY2025)

- Minara – 10-year logistics contract (including transport, handling and terminal activities) effective July 2024 in WA
- Gold Valley – 10-year contract for rail haulage of iron ore (1.3mtpa) in WA, commencing in September 2024
- Aeris Resources – 3.5-year contract for the rail haulage of cement in NSW
- South 32 – 15-year contract extension (and rollingstock maintenance) for Worsley Alumina in WA
- Contract extensions: MMG (zinc and lead, QLD), Centrex (phosphate rock, QLD)
- Mineral Resources: Yilgarn Hub to transition to care and maintenance, with shipments ceasing by the end of 2024

Network

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

Financial Summary

($m)	FY2024	FY2023	Variance
Revenue			
Track Access	1,340	1,255	7%
Services and other	95	82	16%
Total revenue	**1,435**	**1,337**	**7%**
Energy and fuel	(160)	(215)	26%
Operating costs	(345)	(309)	(12%)
EBITDA	**930**	**813**	14%
Depreciation and amortisation	(353)	(351)	(1%)
EBIT	**577**	**462**	25%

Metrics

	FY2024	FY2023	Variance
Tonnes (m)	209.6	207.6	1%
NTK (b)	51.0	50.4	1%
Operating Ratio	59.8%	65.4%	5.6ppt
Maintenance / NTK ($/’000 NTK)	3.0	2.8	(7%)
Opex / NTK ($/’000 NTK)	16.8	17.4	3%
Cycle Velocity (km/hr)	21.9	21.5	2%
Usable Capacity[10]	80.3%	83.4%	(3.1ppt)
Average haul length (km)	244	243	-

Network Performance Overview

Network EBITDA increased $117m or 14% to $930m in FY2024, with increased revenue of $98m (7%) and decreased operating and energy and fuel costs of $19m (4%).

Regulatory access revenue has been accounted for based on actual railed tonnes using tariffs approved by the Queensland Competition Authority (QCA) on 26 May 2023 and the subsequent Electric Energy Charge approved on 21 June 2023, the QCA Levy variation approved on 24 August 2023 and the GAPE and Newlands Pricing DAAU approved on 22 February 2024.

Total access revenue increased by $85m (7%) with the main drivers being:

- Allowable Revenue increased by $101m, driven by the preliminary reset WACC of 8.18% in FY2024 compared to 6.30% in FY2023
- Increased volumes above the regulatory forecast resulted in an over-recovery of $19m (inclusive of a transfer fee of $4m) in FY2024 compared to an under-recovery of $21m (inclusive of $76m of Take-or-Pay) in FY2023
- Net favourable Revenue Cap (excluding GAPE) movements of $30m received in FY2024 relating to FY2021 and FY2022
- WIRP Fees were $19m lower due to a termination fee received in FY2023
- Electric Energy Charge (EC) was $62m lower in FY2024 due to the EC tariff reducing from $2.82 to $1.66 per EGTK’000.

Services and other revenue were $13m (16%) higher in FY2024 primarily due to higher external construction revenue.

Total operating costs decreased by $19m (4%) with the main drivers being:

- Energy charges decreased $55m (offset in Access Revenue) due to lower wholesale energy prices, partially offset by higher connection costs
- Other operating costs increased $36m primarily due to higher maintenance costs ($17m) and higher operating costs as a result of inflationary pressures and higher external construction costs associated with higher revenue.

Depreciation was in line with the prior year.

Network’s 2023-2024 Regulatory Asset Base (RAB) roll-forward is estimated to be $6.1bn[11] (including Access Facilitation Deeds (AFDs) of $0.3bn) as at 1 July 2024.

[10] Usable Capacity measures all the possible rail traffic pathways (including branch line and unload site capacity) available at a point in time on the network with consideration of all known supply chain and infrastructure constraints (such as maintenance schedules)
[11] Includes deferred capital

Regulation Update

Network continues to implement the 2017 Access Undertaking (UT5) which was approved by the QCA on 19 December 2019 and ceases on 30 June 2027. The status of key aspects of UT5 are summarised below.

Capacity Assessments

- The QCA published the Independent Expert's (IE) Initial Capacity Assessment Report (ICAR) on 1 November 2021 which identified Existing Capacity Deficits (ECD) within each Coal System
- On 16 November 2022, the QCA made an initial determination on Transitional Arrangements proposed by Network to be implemented, the most notable being the installation of remote-control signalling in the Newlands System which the IE subsequently assessed as being prudent and efficient and was commissioned in early July 2024
- The QCA published the IE's Annual Capacity Assessment Report 2024 (ACAR) on 16 July 2024. 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: ~ 102%
  - Blackwater System: ~108%
  - GAPE System: ~79%
  - Moura System: ~104%
  - Newlands System: ~88%
- Following its 21 April 2023 determination on the implementation of Transitional Arrangements, on 21 September 2023 the QCA published its decision on the remaining Transitional Arrangements to address ECDs identified in the ICAR. The QCA decided that the remaining Transitional Arrangements would benefit from further expansion studies to assess both the costs and potential benefits associated with the projects prior to deciding which Transitional Arrangements should be implemented.
- On 12 June 2024, Network shared the Newlands and GAPE Transitional Arrangement Concept Study findings and recommends a signalling investment of approximately $2m to reduce the ECD. The recommendation is subject to customer approval, following which a recommendation will be made to the IE to approve the efficiency and prudency of the investment, and is forecast for delivery in 2026.

UT5 Reset Values

- UT5 provided for certain components of allowable revenue and WACC (predominately risk-free rate, debt risk premium, inflation and the tax allowance) (together the Reset Values) to be reset on 1 July 2023 to take account of prevailing market conditions at that time. The reset process involved the establishment of:
  - Preliminary Reset Values in FY2023 which formed the basis of tariffs that applied in FY2024 and were approved by the QCA on 25 May 2023; and
  - Final Reset Values which were approved by the QCA on 19 October 2023.
- Allowable Revenues and Reference Tariffs for FY2024 were based on the QCA's approved preliminary WACC of 8.18%.
- On 19 October 2023, the QCA approved Network's Final Reset Values with a final reset WACC of 8.51% based on a risk-free rate of 3.87% and a debt risk premium of 2.48%.
- While the Final Reset Values took effect from 1 July 2023, FY2024 Allowable Revenues and Tariffs were not amended during the year to reflect the QCA's decision on the Final Reset Values. The difference between the Preliminary and Final Reset Allowable Revenues for FY2024 (1 July 2023 to 30 June 2024) will be reconciled through the usual Revenue Adjustment Amounts (Revenue Cap) process in two years' time and will be incorporated into FY2026 Reference Tariffs.

Infrastructure Rebates and GAPE Remote Control Signalling DAAU

- On 14 June 2024, Network submitted a DAAU which seeks to modify the FY2025 reference tariffs to:
  - Cease the deferral of the Goonyella to Newlands connection Remote Control Signalling (RCS) investment following the forecast completion of the Newlands RCS installation in July 2024 (value as at 1 July 2024 is $24m); and
  - Reduce the relevant System Allowable Revenue by applying discounts to Reference Tariffs for certain Access Holders in place of Infrastructure rebate payments associated with AFDs. This change is at the request of relevant access holders and results in no revenue impact to Network.
- The QCA published DAAU is currently subject to stakeholder consultation, following which a decision will be made by the QCA.

Operational Update

During FY2024:

- CQCN volumes increased by 1% to 209.6mt. Volumes in 2HFY2024 were impacted by planned and unplanned supply chain maintenance, increased supply chain cancellations and a serious traffic incident at Raglan in the Blackwater System.
- Access and competition for skilled labour and rising sub-contractor costs impacted maintenance and asset renewal expenditure
- Fair Work Australia approved the Aurizon Infrastructure Enterprise Agreement (QLD) which had been voted in favour of by employees in FY2023.
- Usable Capacity[12] decreased from 83.4% to 80.3% driven by Coal terminal outages and increased access requirements for Network maintenance and renewal activities.

[12] Usable Capacity measures all the possible rail traffic pathways (including branch line and unload site capacity) available at a point in time on the network with consideration of all known supply chain and infrastructure constraints (such as maintenance schedules)

- Cancellations due to the Network rail infrastructure increased from 2.3% to 2.9%.
- Cycle velocity increased from 21.5km/h to 21.9km/h.

Other

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

($m)	FY2024	FY2023	Variance
Total revenue and other income	**76**	**19**	**300%**
Operating costs	(139)	(73)	(90%)
EBITDA	**(63)**	**(54)**	**(17%)**
Depreciation and amortisation	(13)	(3)	(333%)
EBIT	**(76)**	**(57)**	**(33%)**

Other Performance Overview

EBITDA decreased by $9m (17%), primarily driven by the ramp-up to full schedule operations for Containerised Freight.

ADDITIONAL INFORMATION

Entities over which control was gained or lost during the period

None

Details of joint venture entities

		Ownership Interest (%)	
Entity	**Country of incorporation**	**30 Jun 2024**	**30 Jun 2023**
Joint Ventures			
Coal Network Capacity Co Pty Ltd	Australia	7	8
Ox Mountain Limited	United Kingdom	69	69
ARG Risk Management Limited	Bermuda	50	50
Integrated Logistics Company Pty Ltd	Australia	14	14

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

Safety, People, Environment and Risk

Refer to the annual report for a detailed summary