Aurizon Holdings Limited

Appendix 4D

Interim Financial Report

For the half-year year ended 31 December 2023 (1HFY2024)

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

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1HFY2024 IN REVIEW

Result Highlights (Underlying and statutory continuing operations)

$m	1HFY2024	1HFY2023	Variance %	Variance
Total revenue	1,972	1,694	16%	278
EBITDA	847	673	26%	174
EBIT	505	345	46%	160
Significant items – acquisition costs	-	(47)	100%	47
EBIT Statutory	505	298	69%	207
NPAT	237	169	40%	68
NPAT Statutory	237	130	82%	107
Free cash flow (FCF)[1]	256	95	169%	161
Interim dividend (cps)	9.7	7.0	39%	2.7
Earnings per share (cps)	12.9	9.2	40%	3.7
Return on invested capital (ROIC)	9.0%	8.5%	0.5ppt	-
EBITDA margin	43.0%	39.7%	3.3ppt	-
Operating ratio	74.4%	79.6%	5.2ppt	-
Above Rail Tonnes (m)	128.1	124.1	3%	4.0
Gearing (net debt / (net debt + equity))	53.8%	55.0%	1.2ppt	-

Performance Overview

› EBITDA up $174m (26%) to $847m with:
  – Coal up $53m (23%) driven by a volume recovery, new contracts and favourable yield
  – Network up $123m (34%) driven by a volume recovery and an uplift in the Maximum Allowable Revenue
  – Bulk up $12m (12%) driven by a volume recovery and new contracts, offset by some customer production issues and lower grain volumes
  – Other down $14m (70%) driven by the ramp-up of the full Containerised Freight schedule

› Interim dividend declared of 9.7cps (60% franked) represents a payout ratio of 75% of underlying NPAT

Outlook

Group underlying EBITDA for FY2024 has been maintained at a range of $1,590m - $1,680m. Sustaining capex expected to be $600m - $660m (including ~$40m of transformational project capital) and growth capex expected to be $250m - $300m. Key assumptions:

› Network: revenue and EBITDA expected to be higher than FY2023 driven by an increase in the (regulated) Maximum Allowable Revenue. Volumes are now assumed to be ahead of the approved regulatory forecast (207.8mt)

› Coal: revenue and EBITDA expected to be higher than FY2023 driven by volumes and revenue yield improvement. Compared to 1HFY2024, a lower revenue yield is expected in 2HFY2024 due to the anticipated corridor/customer mix

› Bulk: revenue and EBITDA expected to be higher than FY2023 driven by volumes and the full year inclusion of Bulk Central (and full realisation of targeted synergies)

› Other: Although the ramp-up schedule (including costs) remains on-track, Containerised Freight is expected to be an immaterial negative EBITDA contribution in FY2024 driven by softer freight market conditions (volumes)

› Beyond the impact on supply chains in Queensland and Northern Territory in January/February from Tropical Cyclone Kirrily (including heavy rainfall thereafter), no further significant disruptions to supply chains are assumed (such as major derailments or extreme/prolonged wet weather)

[1] *Free Cash Flow defined as net cash flow from operating activities less non-growth capex and interest paid. It excludes growth capex of $105m (1HFY2023: $135m), and acquisition of One Rail Australia (1HFY2023: $1,404m) and cash costs associated with the acquisition (1HFY2023: $39m).*

CONSOLIDATED RESULTS

Underlying continuing operations unless otherwise stated

Financial Summary

$m	1HFY2024	1HFY2023	Variance	2HFY2023
Total revenue and other income	**1,972**	**1,694**	**16%**	**1,817**
Operating costs				
Employee benefits	(539)	(472)	(14%)	(505)
Energy and fuel	(198)	(236)	16%	(202)
External track access	(71)	(52)	(37%)	(58)
Consumables	(309)	(250)	(24%)	(289)
Other	(8)	(11)	27%	(8)
EBITDA	**847**	**673**	**26%**	**755**
Statutory EBITDA	847	626	35%	753
Depreciation and amortisation	(342)	(328)	(4%)	(338)
EBIT	**505**	**345**	**46%**	**417**
Statutory EBIT	505	298	69%	415
Net finance costs	(164)	(102)	(61%)	(128)
Income tax expense	**(104)**	**(74)**	**(41%)**	**(91)**
Statutory Income tax expense	(104)	(66)	(58%)	(93)
NPAT	**237**	**169**	**40%**	**198**
Statutory NPAT	237	130	82%	194
Statutory NPAT from discontinued operations	-	(46)	100%	(2)
NPAT (group) Statutory	**237**	**84**	**182%**	**192**
Earnings per share[2]	**12.9**	**9.2**	**40%**	**10.8**
Statutory	12.9	7.1	82%	10.5
Earnings per share[2] (continuing and discontinued operations)	**12.9**	**10.6**	**22%**	**11.1**
Statutory	12.9	4.6	180%	10.4
Return on invested capital (ROIC)[3]	9.0%	8.5%	0.5ppt	7.5%
Net cash flow from operating activities	743	421	76%	594
Interim dividend per share (cps)	9.7	7.0	39%	8.0
Gearing (net debt / (net debt + equity)) (%) (group)	53.8%	55.0%	(1.2ppt)	53.7%
Net tangible assets per share ($) (group)	2.3	2.2	5%	2.2
People (FTE)	5,718	5,390	(6%)	5,618
Labour costs[4] / Revenue	27.2%	27.6%	(0.4ppt)	27.7%

EBITDA by Segment

$m	1HFY2024	1HFY2023	Variance	2HFY2023
Coal	283	230	23%	225
Bulk	112	100	12%	114
Network	486	363	34%	450
Other	(34)	(20)	(70%)	(34)
Group (Continuing operations)	**847**	**673**	**26%**	**755**

[2] *Calculated on weighted average number of shares on issue – 1,841m*
[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, and assets and liabilities held for sale)*
[4] *1HFY2024 excludes $2m redundancy costs (1HFY2023 excludes $4m redundancy costs)*

Group Performance Overview

Group EBITDA increased by $174m (26%) with earnings growth across the Coal, Bulk and Network business units. Coal was supported by increased volumes and improved revenue yield. Volume recovery and new contracts supported Bulk EBITDA growth, offset by some customer specific production issues and lower grain volumes. The uplift in Network EBITDA was driven by an uplift in regulated revenue and volume recovery. The adverse move in Other EBITDA was primarily driven by the ramp-up of the full Containerised Freight schedule, with costs installed ahead of revenue growth.

Total operating costs increased by $104m (10%) 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 $14m or 4% primarily due to capital expenditure in Bulk and Containerised Freight to support growth.
EBIT increased by $160m (46%), contributing to a 0.5ppt 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)	1HFY2024	1HFY2023	2HFY2023
Underlying EBITDA – Continuing operations	**847**	**673**	**755**
Depreciation and amortisation	(342)	(328)	(338)
Underlying EBIT	**505**	**345**	**417**
Continuing operations significant items – acquisition costs	-	(47)	(2)
Statutory EBIT	**505**	**298**	**415**
Net finance costs	(164)	(102)	(128)
Statutory Profit before tax	**341**	**196**	**287**
Income tax expense	(104)	(66)	(93)
Statutory NPAT – Continuing operations	**237**	**130**	**194**
Continuing operations significant items, net of tax	-	39	4
Underlying NPAT – Continuing operations	**237**	**169**	**198**
Statutory NPAT – Discontinued operations	**-**	**(46)**	**(2)**
Discontinued operations significant items, net of tax	-	73	9
Underlying NPAT – Discontinued operations	**-**	**27**	**7**
Statutory NPAT – Continuing and discontinued operations	**237**	**84**	**192**
Underlying NPAT – Continuing and discontinued operations	**237**	**196**	**205**

Balance Sheet Summary

($m)	31 Dec. 2023	30 Jun. 2023	31 Dec. 2022
Assets classified as held for sale	-	-	962
Property, plant and equipment (PP&E)	10,072	9,945	9,910
Other current assets	1,221	1,193	923
Other non-current assets	419	541	411
Total Assets	**11,712**	**11,679**	**12,206**
Liabilities directly associated with assets classified as held for sale	-	-	527
Total borrowings	5,165	5,142	5,341
Other current liabilities	706	744	673
Other non-current liabilities	1,450	1,440	1,389
Total Liabilities	**7,321**	**7,326**	**7,930**
Net Assets	**4,391**	**4,353**	**4,276**
Gearing (net debt / (net debt + equity))	**53.8%**	**53.7%**	**55.0%**
Gearing (net debt / (net debt + accumulated fair value adjustments + equity))	**54.2%**	**54.4%**	**53.9%**

Balance Sheet Movements

Current assets increased by $28m largely due to:

› An increase in current derivative financial instruments of $81m due to the reclassification of Network EMTN 1 maturing September 2024; and

› An increase in the current tax receivable of $13m, to a total receivable value of $117m

This was partly offset by a reduction in cash and cash equivalents of $50m and trade and other receivables of $42m.

Non-current assets increased by $5m due to an increase in property, plant and equipment of $127m, including capital additions of $461m including right-of-use assets, partly offset by depreciation on property, plant and equipment of $328m. This is offset by a decrease in non-current derivative financial instruments of $111m due to the reclassification of Network EMTN 1 to current and a decrease in intangible assets of $15m due to amortisation.

Current liabilities, excluding borrowings, decreased by $38m largely due to:

› A decrease in other liabilities of $24m due to an unwinding of contract liabilities; and

› A decrease in trade and other payables of $9m due to a reduction in accruals, partly offset by an increase in trade creditors.

Total borrowings increased by $23m due to fair value adjustments on the valuation of bonds, offset by net repayments of borrowings of $31m.

Other non-current liabilities increased by $10m, largely due to a $35m increase in other non-current liabilities for new leases entered into during 1HFY2024, offset by a $24m favourable valuation of derivative financial instruments.

Cash Flow Summary

($m)	1HFY2024	1HFY2023	2HFY2023
Statutory EBITDA (Continuing operations)	**847**	**626**	**753**
Working capital and other movements	(11)	(100)	(83)
Non-cash adjustments - asset impairments	-	5	8
Net cash inflow from Continuing operations	**836**	**531**	**678**
Interest received	2	2	1
Income taxes paid	(99)	(116)	(88)
Principal elements of lease receipts	4	4	3
Net cash inflow from operating activities from Continuing operations	**743**	**421**	**594**
Net operating cash flow from Discontinued operations	-	37	11
Net operating cash flows	**743**	**458**	**605**
Cash flows from investing activities			
Payments for PP&E and intangibles, net of interest paid on qualifying assets	(427)	(413)	(349)
Payments for acquisitions of business, subsidiary and investment in joint venture	-	(1,404)	(30)
Distributions from joint ventures and proceeds from sale of PP&E	3	4	3
Net cash outflow from investing activities from Continuing operations	**(424)**	**(1,813)**	**(376)**
Net investing cash flow from Discontinued operations	-	(940)	278
Net investing cash flows	**(424)**	**(2,753)**	**(98)**
Cash flows from financing activities			
Net (repayment of)/proceeds from borrowings	(31)	2,131	(281)
Payment of transaction costs related to borrowings	(9)	(9)	(6)
Payments for share-based payments and transaction costs	(4)	(7)	-
Interest paid	(168)	(91)	(119)
Dividends paid to Company shareholders	(147)	(201)	(128)
Principal elements of lease payments	(11)	(10)	(10)
Net cash (outflow)/inflow from financing activities from Continuing operations	**(370)**	**1,813**	**(544)**
Net financing cash flow from Discontinued operations	-	468	(29)
Net financing cash flows	**(370)**	**2,281**	**(573)**
Net (decrease)/increase in cash from Continuing operations	(51)	**421**	**(326)**
Net (decrease)/increase in cash from Discontinued operations	-	**(435)**	**260**
Free Cash Flow (FCF)[5] from Continuing operations	**256**	**95**	**202**

Cash Flow Movements

Net cash inflow from operating activities from continuing operations increased by $322m (76%) to $743m largely due to:

- An increase in EBITDA and favourable working capital. This is due to an increase in revenue and a decrease in trade debtors
- A reduction in income taxes paid. 1HFY2024 includes instalments of $111m due to a higher instalment rate, partly offset by tax refunds of $12m received from the ATO for prior year assessments and the One Rail Australia pre-acquisition tax return. The prior comparative period included instalments of $58m and a tax payment in relation to the FY2022 Income Tax Return of $58m

Net cash outflow from investing activities from continuing operations decreased by $1,389m (77%) to $424m, due to the prior comparative period including the acquisition of One Rail Australia of $1,404m. Excluding the acquisition, the increase was $15m or 4% due to additional capital expenditure.

Cash flows from financing activities from continuing operations decreased by $2,183m (120%) to a net outflow of $370m, due to the prior comparative period including a net inflow from the drawdown of debt for the acquisition of One Rail Australia. 1HFY2024 also includes higher interest paid due to an increase in interest rates and higher fixed interest rate swaps than the prior comparative period.

[5] *Free Cash Flow defined as net cash flow from operating activities less non-growth capex and interest paid. It excludes growth capex of $105m (1HFY2023: $135m), and acquisition of One Rail Australia (1HFY2023: $1,404m) and cash costs associated with the acquisition (1HFY2023: $39m).*

Funding

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

Aurizon Network funding activity during 1HFY2024:

- A$500m Syndicated Institutional Term Facility ($115m revolving component) across $260m 5-year and $240m 6-year tenors with maturities in FY2029 and FY2030
- A$150m bilateral bank debt ($100m revolving component) across $50m 5-year, $50m 6-year, and $50m 7-year tenors with maturities in FY2029, FY2030 and FY2031
- The number of lenders increased by nine in the half to a total of 21, with four additional Japanese banks, three Taiwanese banks and two Indian banks.

Aurizon Operations funding activity during 1HFY2024:

- A$503m US Private Placement Notes settled in July 2023 across tenors of 7, 10, 11 and 12 years, with funds used to repay debt sourced as part of the One Rail Acquisition
- Re-financed bilateral bank debt facilities in June 2023, of which $50m became effective July 2023. Reduced total bilateral bank debt capacity through the repayment of a $65m facility on maturity

In respect of 1HFY2024:

- Weighted average debt maturity tenor was 4.3 years as at 31 December 2023 (after the Network bank debt re-financing), compared to 3.6 years in FY2023
- Group interest cost on drawn debt was 6.1% (FY2023: 4.1%)
- Available liquidity (undrawn facilities plus cash) as at 31 December 2023 was $2,010m
- Group gearing (net debt / (net debt + equity)) as at 31 December 2023 was 53.8% (FY2023: 53.7%)
- Aurizon Network's gearing (net debt[6] / Regulatory Asset Base (excluding Access Facilitation Deeds)) as at 31 December 2023 was 63.0% (FY2023: 63.8%). Aurizon Network's net debt / EBITDA[7] as at 31 December 2023 was 3.8x (FY2023: 4.5x)
- Aurizon Operations' gearing (net debt[6] / (net debt + equity)) as at 31 December 2023 was 31.2% (FY2023: 29.8%). Aurizon Operations' net debt / EBITDA[7] as at 31 December 2023 was 2.3x (FY2023: 2.3x)
- Aurizon Operations' and Aurizon Network's credit ratings have each been maintained at BBB+/Baa1

Dividend

The Board has declared an interim dividend for 1HFY2024 of 9.7cps (60% franked) based on a payout ratio of 75% in respect of underlying NPAT from continuing operations.

The relevant interim dividend dates are:

- 26 February 2024 – ex-dividend date
- 27 February 2024 – record date
- 27 March 2024 – payment date

Tax

Statutory income tax expense from continuing operations for 1HFY2024 was $104m. The Group statutory effective tax rate[8] was 30.5%, which is more than 30% due to certain non-deductible expenses and movements in employee share plans. The Group cash tax rate[9] for continuing operations was 25% which is less than 30% primarily due to accelerated fixed asset related adjustments.

The underlying effective tax rate for FY2024 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. See the Sustainability section of the Aurizon website for further detail.

Discontinued Operations

The Group completed the sale of One Rail Australia Holdings Limited (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 receivable in February 2024. On completion of the sale, Magnetic assumed ORAH's existing borrowings of $474m.

[6] Net debt is defined as borrowings (both current and non-current) less cash and cash equivalents and excludes lease liabilities. Net debt is adjusted for funds drawn under the Intra Group Loan Agreement.
[7] EBITDA is based on the 12-month rolling average
[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 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)	1HFY2024	1HFY2023	Variance	2HFY2023
Revenue				
Above Rail	642	582	10%	593
Track Access	237	175	35%	175
Other	8	4	100%	2
Total revenue	**887**	**761**	**17%**	**770**
Track Access costs	(243)	(185)	(31%)	(215)
Operating costs	(361)	(346)	(4%)	(330)
EBITDA	**283**	**230**	**23%**	**225**
Depreciation and amortisation	(104)	(100)	(4%)	(104)
EBIT	**179**	**130**	**38%**	**121**

Metrics

	1HFY2024	1HFY2023	Variance	2HFY2023
Total tonnes hauled (m)	94.0	90.5	4%	94.5
CQCN	66.3	66.9	(1%)	66.7
NSW & SEQ	27.7	23.6	17%	27.8
Contract utilisation	82%	78%	4.0ppt	82%
Total NTK (b)	22.0	20.9	5%	21.3
CQCN	16.8	16.5	2%	16.5
NSW & SEQ	5.2	4.4	18%	4.8
Average haul length (km)	234	231	1%	225
Total revenue / NTK ($/'000 NTK)	40.3	36.4	11%	36.2
Above Rail Revenue / NTK ($/'000 NTK)	29.2	27.8	5%	27.8
Operating Ratio	79.8%	82.9%	3.1ppt	84.3%
Opex / NTK ($/'000 NTK)	32.2	30.2	(7%)	30.5
Opex / NTK (excluding access costs) ($/'000 NTK)	21.1	21.3	1%	20.4
Locomotive productivity ('000 NTK / Active locomotive day)	377.0	369.3	2%	377.1
Active locomotives (as at 31 December)	321	310	4%	311
Wagon productivity ('000 NTK / Active wagon day)	14.3	14.0	2%	14.5
Active wagons (as at 31 December)	8,383	8,077	4%	8,201
Payload (tonnes)	7,540	7,889	(4%)	7,834

Coal Performance Overview

Coal EBITDA increased $53m (23%) to $283m with higher revenue resulting from increased volumes and improved revenue yield due to contract escalation and customer mix.

Volumes increased 3.5mt (4%) to 94.0mt with higher volumes in NSW and South-East Queensland (SEQ) partly offset by volume reductions in the Central Queensland Coal Network (CQCN).

- Across the CQCN, volumes decreased by 0.6mt (1%) to 66.3mt with mine sequencing and unscheduled stoppages impacting some customer production. The Newlands mine also reached end of mine life in February 2023
- In NSW and SEQ, volumes increased by 4.1mt (17%) to 27.7mt due to commencement of new contracts for SIMEC mining and growth in SEQ volumes in addition to increased customer production. This result was partly offset by lower AGL volumes relating to the Liddell Power Plant closure in April 2023

Coal revenue increased by $126m (17%) to $887m 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 (largely pass through).

Note: Previous corresponding period (pcp) for the year ended 31 December 2022 (1HFY2023)

Total operating costs increased $73m (14%) to $604m 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 $58m (31%) due to higher CQCN access tariffs
› Other operating costs increased $15m (4%) primarily due to higher traincrew and maintenance costs partly offset by lower fuel costs due to lower prices. Excluding fuel, other operating costs increased $23m (7%)

Depreciation increased $4m (4%), resulting in an EBIT increase of 38% against the prior comparative period.

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

Contract update

› Contract extension with QAL for the haulage of coal within the CQCN from 1 January 2024
› 12-year haulage contract with New Hope commenced October 2023 from the New Acland Stage 3 mine in SEQ

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 supports 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. The technology is deployed on all electric trainsets (and associated track infrastructure) in Blackwater (Callemondah to Bluff) with the first TrainGuard operational service commencing in December 2022 and the use of driver-only operation maximised since the start of Q2 FY2024. The deployment in the Goonyella System (Mainline) is nearing completion with the first operational service to commence at the end of Q3 FY2024 and driver-only operation ramp up to commence in FY2025.

TrainHealth

TrainHealth continues to provide 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. CQCN Siemens Electric locomotive fleet and the EMD CQCN Diesel fleet have been completed. TrainHealth is operational on the NSW Coal GE locomotive fleet and is leveraging the technology solutions delivered in CQCN. The Bulk business unit in Western Australia (WA) is also leveraging the benefits of TrainHealth with the AC 6000 class equivalent fleet installation completed.

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	1HFY2024	1HFY2023	Variance	2HFY2023
Revenue				
Freight Transport	546	511	7%	524
Other	13	10	30%	18
Total revenue	**559**	**521**	**7%**	**542**
Operating costs	(447)	(421)	(6%)	(428)
EBITDA	**112**	**100**	**12%**	**114**
Depreciation and amortisation	(60)	(53)	(13%)	(55)
EBIT	**52**	**47**	**11%**	**59**
Total tonnes hauled (m)	34.1	33.6	1%	34.6
Operating Ratio	90.7%	91.0%	0.3ppt	89.1%

Bulk Performance Overview

Bulk EBITDA increased $12m (12%) to $112m driven by volume recovery and new contracts, offset by some customer production issues and lower grain volumes. The entire period also included One Rail Australia (Bulk Central) following on from the acquisition on 29 July 2022.

Revenue increased by $38m (7%) driven by increased iron ore volumes in WA and the additional contribution of Bulk Central during the period. This was partly offset by some customer specific production issues in QLD and lower grain volumes (primarily in NSW and QLD).

Operating costs increased $26m (6%) due to the additional contribution of Bulk Central during the period and costs incurred to support contract growth. This was partly offset by lower fuel prices and non-recurrence of derailment costs from the prior period.

Depreciation increased $7m (13%) with increased capital expenditure supporting the growth in revenue and EBITDA. EBIT increased by 11%.

Volume growth from new contracts expected from 2HFY2024, primarily in Bulk Central with Northern Iron and Linecrest (both above and below rail contracts).

Contract update

The contract wins detailed below have a term less than 5 years in length:

- Northern Iron – above and below rail contract for the haulage of iron ore in SA/NT
- Linecrest – above and below rail contract for the haulage of iron ore in SA/NT
- MRL – rail haulage contract extension for iron ore in WA
- Ampol – rail haulage contract extension for fuel in WA
- Mt Weld Mining (Lynas) – for the road haulage of sulphuric acid in WA
- Glencore – rail haulage and terminal services contract extension for multiple commodities in QLD
- Alcoa – bauxite rail haulage from Huntly to Kwinana (WA) to wind down in 2HFY2024 ahead of refinery production ceasing in 1HFY2025. Contract extension signed for Pinjarra and Wagerup caustic rail haulage
- Pilbara rail maintenance contract (WA) to cease in February 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	1HFY2024	1HFY2023	Variance	2HFY2023
Revenue				
Track Access	694	583	19%	672
Services and other	64	31	106%	51
Total revenue	**758**	**614**	**23%**	**723**
Energy and fuel	(84)	(110)	24%	(105)
Other operating costs	(188)	(141)	(33%)	(168)
EBITDA	**486**	**363**	**34%**	**450**
Depreciation and amortisation	(174)	(173)	(1%)	(178)
EBIT	**312**	**190**	**64%**	**272**

Metrics

	1HFY2024	1HFY2023	Variance	2HFY2023
Tonnes (m)	106.5	102.9	3%	104.7
NTK (b)	26.2	25.1	4%	25.3
Operating Ratio	58.8%	69.1%	10.3ppt	62.4%
Maintenance / NTK ($/'000 NTK)	3.0	2.7	(11%)	2.9
Opex / NTK ($/'000 NTK)	17.0	16.9	(1%)	17.8
Cycle Velocity (km/hr)	22.3	21.0	6%	21.5
System Availability	81.3%	82.3%	(1.0ppt)	84.5%
Average haul length (km)	246	244	1%	241

Network Performance Overview

Network EBITDA increased $123m (34%) to $486m in 1HFY2024, with increased revenue of $144m (23%) offset by increased operating costs of $21m (8%).

Regulatory access revenue has been accounted for based on actual railed volumes using tariffs approved by the Queensland Competition Authority (QCA) on 26 May 2023, the subsequent Electric Energy Charge (EC) update approved on 21 June 2023 and the QCA Levy variation approved on 24 August 2023.

Total access revenue increased by $111m (19%) with the main drivers being:

- Allowable revenue increased by $124m, driven by the preliminary reset WACC of 8.18% in 1HFY2024 compared to 6.30% in 1HFY2023 $45m and increased volumes delivering an additional $27m in 1HFY2024 compared to prior period under recovery of $52m;
- Net favourable Revenue Cap (excluding GAPE) movements of $15m received in 1HFY2024 relating to FY2021 and FY2022;
- GAPE revenue was $4m higher due to higher access charges compared to 1HFY2023, partially offset by the depreciating asset base;
- Other Access Revenue was $3m lower, driven by customer funded infrastructure rebates as a result of higher volumes and higher regulatory WACC; and
- EC was $29m lower in 1HFY2024 due to the EC tariff reducing from $2.82 to $1.66 per EGTK'000.

Services and other revenue was $33m (106%) higher in 1HFY2024 primarily due to higher external construction revenue.

Total operating costs increased by $21m (8%) with the main drivers being:

- Electric traction charges decreased $26m in 1HFY2024 (offset in Access Revenue) due to lower wholesale energy prices partially offset by higher connection costs
- Other operating costs increased $47m in 1HFY2024 primarily due to higher operating costs $6m and higher maintenance costs ($12m) as a result of inflationary pressures and higher external construction costs associated with higher revenue

Depreciation was in line with the prior comparative period.

Network's 2022-2023 Regulated Asset Base (RAB) roll-forward is estimated to be $6.2bn[10] (including access Facilitation Deeds of $0.3bn).

Regulation Update

Network continues to implement the 2017 Access Undertaking (UT5) which was approved by the QCA on 19 December 2019. 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
- The QCA published the IE's Annual Capacity Assessment Report 2023 (ACAR) on 29 June 2023. 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: ~98%
  - Blackwater: ~104%
  - GAPE: ~63%
  - Moura: ~99%
  - Newlands: ~70%
- 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
- Network is currently undertaking expansion studies for the Goonyella, Newlands and GAPE systems to identify the most efficient and effective solution for resolving the capacity deficits identified in the ICAR. The results from these studies will be presented to the IE with a recommendation on which expansions should proceed

UT5 Reset Values

- UT5 provides 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 to form the basis of tariffs that will apply in FY2024, which were approved by the QCA on 25 May 2023
  - Final Reset Values which were approved by the QCA on 19 October 2023
- Allowable Revenues and Reference Tariffs for FY2024 have been based on the QCA's approved preliminary WACC of 8.18% and opening FY2024 RAB Value of $6.2bn[10] (including Access Facilitation Deeds in respect of mine specific infrastructure of $0.3bn)
- 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 take effect from 1 July 2023, FY2024 Allowable Revenues and Tariffs will not be 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 FY2024 Revenue Adjustment Amounts (Revenue Cap) process in two years' time and will be incorporated into FY2026 Reference Tariffs

Operational Update

During 1HFY2024:

- CQCN volumes increased by 3% to 106.5mt, driven by volume recovery, partly offset by mine sequencing and unscheduled stoppages impacting some customer production
- 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
- Total system availability decreased from 82.3% to 81.3%
- Cancellations due to the Network rail infrastructure increased from 1.8% to 2.2%
- Cycle velocity increased from 21.0km/h to 22.3km/h

[10] *Includes deferred capital*

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)	1HFY2024	1HFY2023	Variance	2HFY2023
Total revenue	**30**	**6**	**400%**	**13**
Operating costs	(64)	(26)	(146%)	(47)
EBITDA	**(34)**	**(20)**	**(70%)**	**(34)**
Depreciation and amortisation	(4)	(2)	(100%)	(1)
EBIT	**(38)**	**(22)**	**(73%)**	**(35)**

Other Performance Overview

EBITDA decreased by $14m (70%), primarily driven by the ramp-up of the full Containerised Freight schedule.

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	31 Dec. 2023	31 Dec. 2022
Joint Ventures			
Coal Network Capacity Co Pty Ltd	Australia	7	8
Ox Mountain Limited	United Kingdom	69	42
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 joint venture entities is not material to the Group's profit.

Safety, People, Environment and Risk

Refer to the annual report and Sustainability Report for a detailed summary