

Andrew Harding: Managing Director & Chief Executive Officer

Good morning and welcome to the first half 2026 Results.

We are in Brisbane today therefore I acknowledge the Traditional Custodians of this land, the Turrbal and Jagera people, and pay my respects to the elders past, present and future for they hold the memories, the traditions, the culture and hopes of Aboriginal Australia. We must always remember that under the ballast, sleepers, rail systems and office buildings where Aurizon does business, was and always will be traditional Aboriginal land.

I am joined on the call by Gareth Long, Acting CFO & Group Executive Strategy, and the rest of the management team.

This morning, we announced the appointment of Ian Wells as CFO and Group Executive Strategy, commencing in April. Ian is an experienced global finance leader across the resources and infrastructure sectors, most recently at FMG including five years as Group CFO. His expertise will be instrumental as we continue to optimise our portfolio, allocate capital with discipline and invest in long-term growth. I look forward to welcoming Ian to Aurizon in April.

Gareth Long, who has been Acting CFO and Group Executive Strategy, will transition to the role of Group Executive Enterprise Services, leading functions including Asset Management, Procurement, Technology, People and Safety.

Turning to Safety.

SLIDE 3: SAFETY PERFORMANCE

Our focus at Aurizon is protecting our employees, customers and the communities in which we operate.

It was pleasing to see a step-down in the Actual and Potential Serious Injury and Fatality Frequency Rate when compared to the second half last year. However, the Total Recordable Injury Frequency Rate deteriorated slightly, driven by lower severity injuries. Efforts have been stepped-up in response to this movement with safety intervention activities enacted where required.

Level crossings continue to be a safety issue for the rail industry. Just last week, the Australian Transport Safety Bureau published their investigation into a collision between a passenger train and a truck near Alice Springs. Despite advance road warnings, a stop sign and the sounding of the train's horn, the truck continued at the level crossing, resulting in a collision with the truck driver sustaining serious injuries.

We have updated our community engagement program, reframing the importance of waiting at a level crossing as an act of responsibility for the people that matter most. Billboards have been rolled out at target locations and will also be used across social media.

Collectively, we must step up efforts and investment to improve safety at level crossings. This includes the rail and road industries, all levels of government, enforcement and road safety agencies, and the general community.

Turning to the results.

SLIDE 5: 1HFY2026 RESULTS

Today we present a strong set of results and more importantly, represents the continued execution of strategy, that is:

- disciplined Coal and Network business units, specifically noting increased reliability in the Central Queensland Coal Network;
- Bulk and Containerised Freight growth, including lower cancellation of services; and
- strong shareholder returns driven by capital efficiency.

Underlying EBITDA increased by 9%, supported by solid contributions from Network, Bulk and Coal.

Revenue growth was driven by regulatory revenue and higher volumes, while disciplined cost control including the successful execution of last year's \$60 million cost-out program further strengthened our position.

This performance has flowed through to underlying NPAT, Free Cash Flow and importantly to Earnings Per Share, up 20% with the impact of the buy-back program being seen.

Reflecting the stability and resilience of the business, and with the expectation of lower growth capital, we increased the dividend payout ratio to 90%.

Further increasing shareholder returns, today we announced an extension of the buy-back program by 100 million dollars. This follows the completion of around 85% of the original 150-million-dollar buyback announced in August.

Turning to the business units.

SLIDE 6: BUSINESS UNITS

Although volumes were flat, Network earnings increased by 4% driven by higher regulatory revenue. Importantly, a customer-supported submission on a new 10-year undertaking was lodged to the regulator in December. The agreement brings certainty to all Network stakeholders and from an Aurizon perspective, increases revenue across the undertaking period.

Coal earnings benefited from a 1% volume uplift, improved yield and disciplined cost management, delivering a 6% reduction in unit costs.

Two coal contracts have been extended to FY2028 and FY2034 respectively, pushing out the contract book as shown in the appendix.

You may recall that we will have available capacity in the Hunter Valley once a contract comes to a close in June. As noted at August results, we have three options regarding the deployment of this capacity:

- pursuing tender opportunities;
- maintaining spot fleet capacity; and/or
- reappointing the assets to Bulk.

Each of these options remain available at this time.

Bulk earnings increased to a record first-half result of \$117 million, up 39% on the prior period. The uplift was driven by higher volumes and the non-recurrence of prior-year impacts, particularly the provision for doubtful debts.

Volume growth was supported by:

- increased base metals haulage, including BHP Copper South Australia;
- new iron ore customers; and
- additional grain haulage due to lower cancellations in the context of a record harvest in Western Australia.

Earnings for the Other segment, including Containerised Freight, declined by \$11 million, entirely due to the prior period including legal settlement proceeds of \$18m.

National Interstate TEU volumes increased almost 30%, with capacity utilisation of 69% across the half. While near the 70% break-even utilisation, as published at establishment of Containerised Freight, EBITDA break-even has not yet been achieved due to:

- additional costs due to increased freight frequencies and third-party network outages — most notably the Cross River Rail disruptions in Southeast Queensland; and
- the mix of freight carried.

To mitigate rail disruptions in Southeast Queensland, we entered a three-year agreement with SCT Logistics in November to haul Aurizon freight into and out of Brisbane from their southern-side terminal. This resolves local access challenges, improves customer frequency options and frees Aurizon capacity for redeployment.

In Western Australia, the Kewdale terminal is expected to become operational in the first half of FY2027, improving efficiency and performance for our east–west services.

We continue working with NYK on supporting the import and distribution of motor vehicles through land-bridging. These discussions are now at CEO-level, and I was in Tokyo in January to progress. I look forward to updating the market in due course.

SLIDE 7: UT5+ NETWORK UNDERTAKING: HIGHLIGHTS

Late last year, we submitted a draft 10-year undertaking to the Queensland Competition Authority to apply from July 2027 to 2037, known as UT5+.

The proposal was developed through months of constructive negotiation with the submission supported by customers. Importantly, it was lodged some 18-months prior to the current undertaking expiring which is an amazing feat. Those with a longer corporate memory will recall how different this outcome is compared to the submission of the original UT5 undertaking.

In addition to providing all users and Aurizon Network with long-term certainty, the agreement brings customer benefits such as:

- A new throughput-linked incentive payment;
- Five-year rolling access agreements;
- A Network-led Continuous Improvement Group;
- Retention of collaborative maintenance processes; and

- Customer oversight of major procurement contracts.

For Aurizon, UT5+ delivers an average annual revenue uplift of \$45 million, flowing entirely to EBIT. The uplift is driven by updated WACC parameters, the introduction of a Throughput Payment, and changes to depreciation that bring forward cashflows.

The initial WACC will be set between January and April 2027, based on prevailing market parameters.

The undertaking is subject to QCA's usual process, and we expect to see progress through this calendar year.

SLIDE 8: DELIVERY AGAINST OBJECTIVES

Beyond securing long-term earnings certainty for Network, it has been a year of delivery, driving value for shareholders.

Following the June announcement and October commencement, we now provide integrated logistics — rail, road and port — for BHP's South Australia Copper operations. This represents 1.3 million tonnes per annum and total revenue of \$1.5 billion in revenue over 10 years. This is the largest known road-to-rail conversion in Australia and was made possible by our strategic investments in One Rail, Flinders Logistics and the Gillman terminal. South Australia is a growing copper province and presents a great opportunity for Aurizon.

Moving to the cost-side, we delivered the previously announced \$60 million in annualised cost savings — exceeding the original \$50 million target. These savings can be seen in today's results with flat operating costs despite a 4% increase in revenue and against a high inflation environment.

Having the right assets in the right regions is key for Aurizon's continued success. We have had a long presence in the Yilgarn region of Western Australia, hauling iron ore for export at Esperance. Although impacted by the decision by Mineral Resources to cease operations at the end of 2024, the very same fleet of locomotives and provisioning sheds are back in use in the haulage of iron ore for two new customers in the region. The historical iron ore volume hauled by MRL has now been fully replaced by other customers.

Finally, to capital management, we have completed 425 million dollars of on-market buy-backs in the past 18 months at an average price of \$3.36, including 125 million dollars so far this financial year. The cancellation of 126 million shares has increased Earnings Per Share by 7.4%. Today we further increased shareholder returns with a step-up in the dividend payout ratio and a 100-million-dollar extension of the buy-back.

These achievements reflect my priorities: delivering growth, maintaining a competitive cost base and executing disciplined capital management.

SLIDE 9: NETWORK OWNERSHIP STRUCTURE REVIEW

Finally, I want to address the Network Ownership Structure Review. The review has now concluded with a decision to retain Aurizon's existing integrated model in Central Queensland.

The Group's portfolio composition is reviewed regularly, including an assessment of the integrated Above and Below Rail model in Central Queensland. The outcome of the review was last published externally in 2019 and found that the benefits of integration of above and below rail outweighed the benefits of

separation at the time. I commissioned a new comprehensive review last year, considering the same assessment criteria as the previous review, with a particular focus on shareholder value.

The Review assessed a broad range of whole of business and minority structure options for Network, including monetisation and demerger scenarios, noting that a transaction would be pursued if it delivered shareholder value.

An investment bank was appointed to assist in running a comprehensive market sounding process for potential alternatives. Each alternative was evaluated across numerous valuation benchmarks, and discussions were held with more than a dozen institutional investors. Retail brokers were also consulted to investigate investor appetite and valuation metrics. The Review and recommendations were independently assessed by Flagstaff.

SLIDE 10: NETWORK OWNERSHIP STRUCTURE REVIEW

The Review confirmed Aurizon's view that the Central Queensland coal Network is a highly attractive and unique set of assets, connecting the globally significant premium coking coal basin to export markets. Supported by regulatory settings, Network's value under Aurizon's integrated model is derived from several factors:

- stable earnings and cash flows via supportive regulatory frameworks, including revenue and inflation protection;
- accelerated depreciation, primarily returning invested capital across a rolling 20-year period;
- supporting our strong investment grade credit rating; and
- has underpinned \$6 billion of shareholder returns over the past decade.

We also see value in the operational alignment of the integrated model. The operational over-performance of Network, which is monitored using a suite of inter-related measures, benefits throughput for all above rail operators. This is calculated to benefit Aurizon by up to \$75 million per annum. A standalone entity may not achieve this level of alignment with above rail operators.

In addition to lost synergies, there is also the creation of dis-synergies, depending on the structure of the change in ownership. In a demerger, this is calculated at \$30-\$40 million per annum, primarily consisting of the duplication of corporate functions.

Beyond any transaction costs, such as tax considerations, the loss of \$100 million per annum is significant and therefore was incorporated when assessing value to shareholders. This is particularly the case for ownership structures where the value outcome is not certain.

We received numerous expressions of interest from well-credentialed investors, which validated the quality of Network. However, the proposed valuations did not meet the threshold required to create meaningful shareholder value compared to the tangible benefits being captured by Aurizon under the integrated model, while introducing significant additional uncertainties, complexities and risk. Therefore, we have determined that retaining 100% ownership of Network remains the option that best delivers long term value for Aurizon shareholders at the present time. The review is now concluded.

Turning back to the results and to Gareth.

Gareth Long**SLIDE 12: KEY FINANCIAL RESULTS**

Thank you Andrew.

Today, we present a strong set of results, with the Coal, Bulk and Network business units each contributing to the uplift in earnings.

A step up in shareholder returns has been delivered with an increase in the dividend payout ratio to 90% and a \$100 million buy-back extension.

Turning to the table.

Revenue increased by 4% driven by Network regulatory revenue, and stronger volumes from both Coal and Bulk. Coal also benefited from stronger yield which I will return to shortly.

Despite an uplift in revenue and a higher inflation environment, total operating costs were flat against the prior corresponding half. This was largely driven by the \$60m cost-out program undertaken last year.

Net Finance Costs were broadly in line with the second half last year, but 10% higher when compared to the first half, due to the hybrid issuance undertaken in May 2025.

Underlying free cash flow of \$335m was 41% higher than the prior corresponding period.

A higher cash tax rate was recorded for the half at 32%, largely driven by timing differences including Take or Pay. We expect these timing differences to unwind in the second half which will see our cash tax rate fall to below 30% at year end.

A dividend of 12.5 cents per share has been declared, 90% franked, representing a higher payout ratio of 90% of underlying Net Profit After Tax. This is in addition to the \$100m extension of the current buyback, taking the total FY26 buyback to up to \$250m. This follows the completion of the \$300m buyback last year, demonstrating our strong cashflow generation and disciplined capital management.

Statutory EBITDA is \$3m lower than the underlying result due to the impact of the following:

There was a \$4m over-recovery in Network track access revenue. As previously announced, this is the first year of recognising the regulatory allowable revenue in underlying earnings, regardless of volumes. Although deducted from underlying earnings, a positive timing adjustment of \$4m is captured in statutory earnings.

This was offset by two significant items:

- One million of transformation costs which represents the remaining redundancy cost from the cost-out program undertaken last year; and
- Six million for Technology upgrade costs. Aurizon has commenced an upgrade of its enterprise resource planning system. This is a migration from a legacy system, and we expect total implementation costs to be in the range of \$90m-\$100m to be spent over FY2026-FY2028 financial years. This will be treated as a significant item. FY2026 costs are expected to be approximately \$25m, including \$6m in the first half.

The variance from these timing differences and significant items at the statutory NPAT line is negative \$2m.

Moving now to Network.

SLIDE 13: NETWORK

Network EBITDA increased \$21m or 4% to \$516m. This was driven by higher access revenue. Volumes were flat compared to the prior corresponding period at 109.8mt.

In the bridge on the right, you can see access revenue was \$26m higher driven by an uplift in allowable revenue, due to higher return on and of capital, and due to an increase in the maintenance allowance. Note these figures are net of energy costs which are passed through to Network customers.

Operating costs increased by \$2m due to higher maintenance costs.

As I noted earlier, an over-recovery of \$4m in track Access Revenue was collected in the first half of FY26 with an equivalent timing adjustment reduction recognised in the underlying result.

This year is the first of two transition years with the updated approach to underlying revenue recognition for Network. That is, we recognise the full Maximum Allowable Revenue or MAR, including prior years' revenue cap. Next year, FY2027, will be the last transition year and includes \$50m of revenue cap from an under-recovery from FY25.

From FY28, the MAR will be booked, less any revenue cap, given it will have already been recognised in the respective year.

As usual, in the appendix we include a full MAR table, including the revenue cap adjustment I just spoke of, in addition to the impact of the long-foreshadowed end of GAPE from FY28. The table also includes preliminary values for UT5+ from FY28.

Moving to Coal.

SLIDE 14: COAL

Coal volume increased by 1% to 101 million tonnes with revenue increasing by 3%. We also saw a reduction of 4% in operating costs, which resulted in an up lift in earnings of 13%.

In the EBITDA waterfall chart on the right, you can see the benefit of the additional tonnes hauled, equating to \$9m net of the costs of hauling the additional volume.

Inside the dotted area we show the yield increase of \$10m.

You may recall in August last year, we provided full year guidance for Coal including the expectation of lower yield. That is, the benefits of price indexation were expected to be negated by an unfavourable customer mix on a rate per tonne basis.

As can be seen in the chart, the customer mix impact on yield was limited, resulting in the overall positive yield.

Operating costs decreased by \$15 million, supported by the rollout of TrainGuard, in addition to benefitting from favourable maintenance scheduling.

We do expect second half earnings to be lower. This is due to:

- the anticipated customer mix having a negative impact on yield; and
- higher operating costs, driven by both the projected haulage and the reversal of the favourable maintenance scheduling mentioned earlier

Moving now on to Bulk.

SLIDE 15: BULK

Bulk earnings increased to \$117 million, an uplift of 39%. The result was driven by an increase in volume and the non-recurrence of prior year impacts, primarily the provision for doubtful debts booked during the period.

Bulk revenue was up 6% at \$595 million, driven by base metals, grain and new Iron Ore customers, non-recurrence of the July 2024 derailment in WA partially offset by lower iron ore volumes in South Australia and the Northern Territory.

Operating Costs were flat at \$478 million. However, when excluding fuel and access costs which are largely a pass-through, operating costs were up \$21 million. This mainly reflects additional costs associated with volume growth. Excluding doubtful debt provisions, operating costs increased by 3%.

Looking ahead, Bulk earnings in the second half are expected to be broadly in line with the first half. Potential upside from the ramp-up of contracts that commenced in the first half (including BHP Copper and the new iron ore haulage) is expected to be largely offset by weather impacts and third-party track closures experienced in January, as well as further third-party track closures in Queensland anticipated later in the financial year.

While Containerised Freight doesn't have a dedicated slide in today's presentation, as it's not reported as a separate business unit, it's worth calling out the continued momentum we saw during the half. Volumes increased by 23% compared with the second half last year. However, despite this volume growth, higher operating costs were incurred, primarily to mitigate the impacts of the Cross River Rail project in Southeast Queensland. With the previously announced SCT contracted solution in place, we expect a stronger second half.

Now moving to Gearing and funding

SLIDE 16: GEARING AND FUNDING UPDATE

As shown in the chart, the work undertaken during the half has further lengthened, smoothed and diversified the funding profile. Aurizon's credit profile continues to remain attractive to bank and debt investors, with Network's recent refinancing and upsizing of its institutional loan facilities being just under 2 times oversubscribed despite a reduction of the existing margins. As a result of this refinancing, Aurizon's banking group has expanded by 3 lenders to 26 banks across its facilities.

Also, within the chart you will note an upcoming maturity in FY26 being our \$778 million Network Euro Medium Term Note which will be repaid using available committed undrawn bank facilities. Noting we have a total of \$1.35 billion of undrawn facilities for Network.

Further detail on our funding activities can be found in the Debt slide in the appendix of this presentation, as well as in Appendix 4D.

Looking at some of the other metrics on the page I note the Group gearing was 55.5% compared to 56.2% in FY25.

The funding strategy remains unchanged, that is to ensure we access multiple pools of capital and lengthen the debt maturity profile to align with Aurizon's long duration assets.

Importantly, we maintain a commitment to strong investment grade ratings, with Aurizon Operations' and Aurizon Network's credit ratings both at BBB+/Baa1. This commitment is supported by group net debt/EBITDA which now stands at 3.1x.

Moving to Capital allocation

SLIDE 17: CAPITAL ALLOCATION

Strong free cash flow generation and lower capital expenditure have underpinned higher shareholder returns through dividends and buy-backs during the half.

As shown in the chart on the left, total half year capex was \$327 million, down 5% on the prior period. Non-Growth capex was \$247 million, representing a 17% reduction and reflects lower Bulk transformation spend as terminals such as Gillman came online and the timing of asset renewal expenditure within Network compared to the prior period. As a reminder, around 70% of total non-growth capital is invested in the Network business, which directly feeds into the regulated asset base.

As reflected in the chart, total growth capex for the half was \$80m, \$36m higher than the previous half largely due to the capital requirements for Bulk for the new BHP contract and Containerised Freight for the Kewdale freight terminal in Perth.

As Andrew will discuss shortly, growth capex guidance is unchanged, while non-growth including transformation capital guidance has been reduced to \$580–\$600 million, which is broadly in line with last year and largely reflects timing differences.

Long-term expectations for non-growth capex remain around \$550 -\$600 million per year, although this is constantly reviewed in conjunction with our long-term volume outlook.

Turning to the right-hand side of the slide, the proportion of forecast capital allocated to shareholders in FY26 is expected to be broadly in line with last year and consistent with levels seen between FY16 and FY21.

Dividends have benefited from the increase in the payout ratio to 90% of underlying NPAT. In line with our capital management framework, we are able to maintain our strong investment grade credit ratings and deliver capital back to shareholders, while at the same time focussing on earnings growth.

In closing, it is encouraging to see revenue growth across our Coal, Bulk and Network business units, with all three contributing to the uplift in first half earnings.

Looking ahead, Aurizon's strong cash flow generation, underpinned by regulatory revenue, contracted revenue and capex profile, positions the company to enhance shareholder returns while continuing to invest prudently in the long-term sustainability of the business.

Thank you and I'll now hand back to Andrew

Andrew Harding: Managing Director & Chief Executive Officer**SLIDE 19: OUTLOOK**

Thanks Gareth. Turning to the outlook

Group underlying EBITDA has been maintained at 1.68 to 1.75 billion dollars. Due to the uplift in the payout ratio, we have increased the expectations for full year dividends to 22 to 23 cents per share, up from 19 to 20 cents per share.

Non-growth capex is now expected to be \$580m to \$600m, including \$30m of transformation capital. This was previously \$610m to \$660m, including transformation capital.

Growth capex has been maintained at \$100m to \$150m.

Network earnings are expected to be higher than FY2025 with an increase in the regulatory revenue, partly offset by increased direct costs.

Coal earnings are expected to be higher than FY2025 driven by volumes and flat unit costs, partly offset by lower yield due to customer/corridor mix. Although a positive yield impact in the first half, the full year yield is expected to be lower when compared with FY2025.

Bulk earnings are expected to be higher than FY2025 driven by the non-recurrence of provisions and increased grain volumes.

Other EBITDA is expected to be higher than FY2025 with improved Containerised Freight contribution offsetting the non-recurrence of the settlement of legal matters in FY2025

No significant disruptions to supply chains and customers such as major derailments, extreme/prolonged wet weather

SLIDE 20: PROGRESS AGAINST STRATEGIC AIMs

Finally, this slide summarised progress against the strategic aims that we set at our most recent investor day.

The strength of our Network and Coal business can be seen in today's results, and the submission of UT5+ provides commercial and operational certainty through to mid-2037.

Today's Bulk result is a record first half. Having the right assets in the right regions sets the business unit up for growth, including the commencement of the BHP copper contract in South Australia, the largest known road-to-rail conversion in Australia.

Containerised Freight volume continues to grow, and with network stability after the SCT agreement, filling capacity to drive earnings is the priority. Land-bridging is progressing and I look forward to updating the market in due course.

Today I presented a strong set of results that demonstrates the continued execution of our strategy:

- disciplined Coal and Network business units, specifically noting increased reliability in the Central Queensland Coal Network;

- Bulk and Containerised Freight growth, including lower cancellation of services; and
- strong shareholder returns driven by capital efficiency.

I'm excited about the opportunity ahead of us and most importantly, continuing to deliver against our strategy.

Thank you and I will hand over to the operator for questions.

Questions and Answers

Operator:

Thank you. If you would like to ask a question, please press star one on your telephone and wait for your name to be announced. If you would like to cancel your request, please press star two. If you are on a speakerphone, please pick up the handset to ask your question.

Your first question today comes from Anthony Moulder from Jefferies. Please go ahead.

Anthony Moulder:

Good morning, all. If I can start on Coal, the contract loss in the Hunter Valley that's for FY27 previously, I think you've said that there are contracts coming up for renewal through the Hunter that you could win to effectively replace a large proportion of that volume. I appreciate cascading some of the equipment to Bulk was also an option. But can you just give us an update as to how you're thinking about contract wins in the Hunter Valley for that replacement volume, please?

Andrew Harding:

Yes, sure, Anthony. I might get Ed to talk about that because he's obviously very focused on it.

Ed McKeiver:

Thank you, Andrew. Thank you, Anthony. Yes, very focused on it. I can't talk about specific customers or contracts as you'd understand. What I can say is, we're in discussions with several Hunter Valley customers regarding our available capacity. We're also processing FY27 ramp-up nominations from other customers in the Hunter Valley. So we're still in the planning processes.

As Andrew mentioned, we're actively pursuing some tender opportunities at the moment and also weighing the option of whether we keep spot capacity installed to chase volumes that our customers can't deliver or surge with our existing customers. Beyond those options, we've got -- we've always got the potential to redeploy assets, people to Bulk, which we've got a track record for doing so back and forth. And so all I can say at this point in time is that these three options remain open to us and as we work to finalise the fleet allocation for '27.

Anthony Moulder:

Still a work in progress effectively. But I guess likelihood is that you keep that installed capacity on the expectation that you will either convert that to spot tonnes or win volumes over the next couple of years. It sounds like nothing imminent from a contract perspective?

Andrew Harding:

Anthony, I think you've monitored this long enough to appreciate that when you actually announce a contract win or a contract loss, it wasn't the result of a bunch of work that was done the day before you made the announcement. There's usually a good period of time leading up to such changes and such announcements. So we're in that process.

There's opportunities which have to be carefully outlined as -- for obvious reasons, as Ed has done. And I think your comment of work in progress, it's still a work in progress, and we remain quietly confident of where we can get to. I can't really talk about it much more.

Anthony Moulder: Very good. If I can move on to the sustainability of the lower maintenance capex, it sounds like some of that's more a timing issue. Is that how we should think about the maintenance capex spend? And then obviously, if you can comment more on the further projects that will require that sort of \$100 million to \$150 million of growth capex going forward. It seems like you're coming to the end of that investment phase for growth capex. Is that a fair expectation for beyond '26, I guess?

Andrew Harding: So I'll deal with the capex component, but I might just get Ed to talk a little bit about the maintenance changes.

Ed McKeiver: Was that in relation to the coal?

Andrew Harding: I'm sorry, I assume it was coal you're asking about, Anthony, did I miss -- you talking in general?

Anthony Moulder: Yes, Group.

Andrew Harding: Group. I'll get Gareth to talk about group.

Gareth Long: Anthony, yes. So in terms of that reduction in sustaining capex. So at the bottom end reduction of around \$30 million. It's predominantly driven by changes to scope, how we're thinking about better execution of some of that work and some of it is timing-related.

Remembering around 70% of that sustaining capital sits within the Network business, so there are plenty of projects and pieces of work still to be done and indeed in Ed's business around some of our traction engines. So you know, as we said in the script, long-term sustaining capex still in that \$550 million to \$600 million.

Anthony Moulder: I just had one final question and that was around Containerised Freight. Looks like it continues obviously to get tougher. Appreciate that a lot of that difference in this year's, this half's result is as a consequence of the Cross-River Rail. But confidence in that business obviously not only getting to break-even, but to a point in which you are returning a return on the invested capital in that Containerised Freight business above WACC?

Andrew Harding: Yep, and I might get George to talk about that now that he's had more than six months experience operating that part of the business, he can talk about it in some detail.

George Lippiatt: Thanks, Andrew. Hi, Anthony. Yeah, there were three things that impacted Containerised Freight in the first half, Anthony. The first was Cross River Rail closures. That effectively meant we had extra cost in the business because we were paying for SCT to perform that hook-and-pull and we were holding onto train crew on the East Coast. We now have certainty with SCT arrangement for three years so we are not holding that same level of installed cost.

The second one was track closures, which were high in particular in September, that impacted the Containerised Freight business. And then as Andrew said, a lower

yield, particularly with us doing more East Coast services with SCT, and we also saw TGE's volumes increase.

That's probably the encouraging part about the first six months, is the first six months of FY2026 we did see volumes improve by 29%. Actually TGE's volumes were up 16% and then non-TGE volumes up four-fold from the prior corresponding period. So that's the positive.

In terms of FY2027 and the catalysts that get us to break-even, the first one is having that certainty around how we mitigate Cross River Rail closures. Cross River Rail meant that we couldn't get our services into Brisbane 25% of the year. So you can imagine that was a significant impost when you're selling a service that's based on reliability to your customers.

The second one is Kewdale coming online. You know, everyone sees the capital that we're spending on that, but that will be a step change for ourselves and our customers in terms of efficiency. We go from operating out of Forrestfield where we have three 300-meter tracks to a terminal that'll have two 1,800-meter tracks.

Improved freight availability for customers, better efficiency in terms of shunting for us. Those will be two step changes in FY2027 and then we'll look to build from there.

Anthony Moulder: Very good. Thank you.

Operator: Thank you. Your next question comes from Matt Ryan from Barrenjoey. Please go ahead.

Matt Ryan: Thank you. I just had a question about the increased dividend payout ratio. I'm assuming the Board doesn't want to move that ratio around too much unless it has to. So just trying to get some colour on, I guess, the sustainability of that number into the second half and beyond.

And I think a little bit earlier, you mentioned that one of the drivers was lower capital costs moving forward. So maybe if you could just talk a little bit more about that and whether that just relates to growth projects that may or may not happen?

Andrew Harding: Yes, Matt. So look, I mean I can reflect the Board's interest and desire not to change payout ratios on a regular basis. I can absolutely speak for myself that the pain associated, and rightly so with lowering a payout ratio is very notable. There's a little bit occasionally joy with increasing a payout ratio, but the pain is it's asymmetric, I suppose. So it's something indelibly printed on my mind.

So when you -- when we do look forward, and indeed, I can speak personally here as well is that when you are looking forward, you're looking forward to ratios that have a low risk of actually having to be changed down over time. So you're looking at all the things that could impact the business, and then actually you're being cautious as well when you're picking that because of the asymmetric experience when you actually take it down.

And I understand that because that's money flowing to investors. So hopefully, that gives you some sense of the approach that we do take to the adjustment to the payout ratio. And indeed, to the second part of your question around the lower capex, you've followed the business for enough years now.

When we talked about some of the capex that we were indeed in spending in advance and that did not have contractual backing sort of like intimately, we -- which

included such -- we include such things as the building of the Kewdale Terminal in Western Australia and as George said that's coming to completion in the not-too-distant future.

So you're seeing those things finishing. And then you're seeing although more growth capital being spent on things that have got a contractual backing like the BHP Copper South Australia arrangement, which is a 10-year deal, but it does include the building of the Pimba terminal.

And so there's capex that's associated with the construction of that. It includes some other equipment that we assemble for taking containers on and off the trains and so forth. So you can expect us not -- I think there's still growth -- plenty of growth opportunities available, contract backed opportunities. So you can expect us to spend capital associated with that, going forward. Does that help add the colour that you're after?

Matt Ryan:

Yes, for sure. And just maybe one follow-up to do with that. So there obviously seems to be a lot of inflation in things like train kits and presumably a lot of the other things that you have to spend on. So just thinking about this guidance that Gareth, just -- or colour, I should say, around the \$550 million to \$600 million being the long-term target. What are the things that you guys are doing in order to offset those inflationary pressures through your capex line at the moment?

Andrew Harding:

Yes. So look, there's -- I'd say, a bunch of different issues. So I mean, if you think -- if you go and think actually non-financially and thinking operationally, we do spend after every one of our capex -- any capex expenditure of note. We go back through and we look at what we could have learned from how we conducted that, both at an operational construction level, and we take learnings forward.

You've seen one of the responses that we're doing, for example, that we go through -- the business is looking at multiyear arrangements where that allows us to actually generate more buying -- more certainty for a supplier group and they bid tighter for that sort of potential work. And that's in areas like in the Network where you're seeing capex expenditure, which has got -- which is the same type of expenditure, but it's executed over multiple years and those sort of things.

So putting pressure on scope performance and actually the contractual bidding side of it and then looking at the actual execution that we do. We've changed the way we do maintenance of the rolling stock fleet from a large-scale taking out locomotives and they go out for a year, and we do a massive overhaul, and we do that every -- less frequently than a decade. But when you're doing -- when you have a large fleet, you're doing quite a few in every year.

And we've progressed over recent times and still in the progression, actually, there's still one way to finalise this, where you're going to component level change out. So we're actually reducing the impact of those larger scale programs. And indeed, the component level change out, we can fit more of that into the operational duty cycle at the depots. So we're actually seeing benefits and improvements at that level.

But to your point, there are pressures, and there are pressures in things that are actually difficult to control, like the increase in IT equipment brought about by the rapid build-out in AI hardware, I suppose. And so that leads to escalation in prices, which are actually quite large. So you see those sort of things on the negative side of the ledger, but we are doing a lot on the positive side of the ledger as well.

Matt Ryan: Thank you. Appreciate it.

Operator: Thank you. Your next question comes from Jakob Cakarnis from Jarden Australia. Please go ahead.

Jakob Cakarnis: Hi Andrew, Hi Gareth. I just wanted to focus on the other segment just quickly, please. I know that, you've said that you anticipate it would get better in the second half. But maybe, George, could you just break down for me year-on-year relative to the first half of '25, how much of what looks to be about \$11 million delta at the EBITDA line is from those disruptions versus the yield? I appreciate that you've stepped out that there's three sources of that change. But could you just give me a sense of how much was one-off versus the pricing contribution, please?

Andrew Harding: George, I'll -- do your best to satisfy question.

George Lippiatt: Sure. Jakob, I mean, the first thing I'd say about the other segment is you've got to remember that there was \$18 million as a benefit that we booked in underlying earnings in the prior corresponding period to do with the legal settlement.

So the first thing you've got to do is back that out of the prior corresponding period. Then you get to an understanding, hopefully, that you can see the CF business was broadly flat versus the PCP in terms of EBITDA contribution. It was though still a negative contribution.

In terms of the one-offs, both the costs on the East Coast and the track disruptions, they were probably two-thirds of the impact we saw from what we expected. The other was the yield. So certainly, the bigger contributor was the track disruptions, and the extra costs that we were carrying in the first half.

Jakob Cakarnis: Okay. That's helpful. Thank you. Thanks for breaking it down. And then just one for Ed, if I could, please. There's a big re-contracting period by the looks of Slide 26 in FY '28. Could you just let us know if there's any one particular customer that's sitting in there? And I guess, more generally, some commentary, please, on competition in CQCN and just what you're seeing there from other competitors in the space and maybe how you're seeing their capacity settings, please?

Andrew Harding: And indeed, just we don't like talking too much about competitors.

Ed McKeiver: Certainly.

Ed McKeiver: Yes, certainly. As Andrew has alluded to, re-contracting activity is commercially sensitive and always confidential. So I can't comment on individual customers or contracts. What I can say is very alert to managing the contract pipeline. And we are currently engaged in multiple tenders. It's been a very busy few months. And I can also say, we've not lost any contracts this financial year. So I'm confident about our ability to manage the pipeline. And there are -- and we're still processing really the nominations going forward.

In relation to the question more generally about competition, I mean, the Coal market remains resilient. We compete aggressively, as I've said before, to retain business, protect earnings. It's difficult to predict what rates will do. We've not seen a material change in competition or structural capacity. So we're continuing to play to our strengths, which is a focus on performance and listening to our customers around their preferred risk positions.

Jakob Cakarnis: Sorry if I tripped on something there, guys, but I didn't ask for a specific comment on a customer. I was just asking on that Slide 26 for FY28, is there a particular exposure that's in there that would be an outsized part of that contracting volume expiring? Yes, I'm just keen, if there's one particular customer sitting there at size, please?

Ed McKeiver: There are multiple customers within there, Jakob. So I really don't want to go into any more information on the public call.

Jakob Cakarnis: Thank you. Thanks, guys.

Operator: Thank you. Your next question comes from Andre Fromyhr from UBS. Please go ahead.

Andre Fromyhr: Thank you. Good morning. Just staying in the Coal business, I want to talk a bit about the momentum into second half. I know in the guidance commentary, you pointed to sort of the positive yield effects reversing and then unit costs ending the year flat. So my interpretation of that is we're going to get quite a different margin experience first half versus second half.

So how should we think about which of those is more representative of normal conditions or should we be sort of looking through the full year to think about what's normal as we look beyond FY26?

Andrew Harding: Ed, do you want to take that?

Ed McKeiver: Yes, certainly. I'll probably start by saying we're really pleased. I'm really pleased with the strong delivery for customers and shareholders in the first half, especially the Hunter Valley, Blackwater and West Moreton Systems, where we experienced demand stronger than planned.

The way you should be thinking about it, earnings were strong. We had higher -- this is a volume business. We had higher volumes, higher yield than anticipated and lower unit costs, so higher NTKs and lower costs. And you'll remember at the August -- at the full year results, I guided to or committed to keeping costs flat in nominal terms for FY26 compared to FY25.

And so the first half cost favourability was a positive surprise. And on the back -- it came on the back of three things the TrainGuard benefits flowing through, the Coal's contribution and share of the aforementioned enterprise cost-out program and also some maintenance sequencing, which was driven by really the timing and for example, lower wheel exchanges in the first half, which we expect to flow into the second half.

When you think about the second half, I'd just reiterate, we had -- the yield benefit that we saw in the first half, we had expected that the yield to be negative in the first half. It was accretive. You never know until the half runs exactly what customers are going to rail what volumes under what contract. So that was favourable.

That said, we do expect that to unwind in the second half and the second half yield to be negative and thinking through the full year to be more reflective of our August guidance comments. So I'd reiterate we expect cost to be flat in nominal terms across the year. I'm still committed to that, noting there's some second half headwinds, some changes in customer mix and the expenditure on maintenance that we didn't see in the first half.

Andre Fromyhr:

Okay. And there's another part of the outlook commentary that just as always, suggests that the guidance is based on no significant disruptions, including from extreme wet weather. What have we seen so far in the wet season? I understand that there's still plenty of time to go. But are we tracking sort of above or below that sort of normal weather experience?

Andrew Harding:

So you had a cyclone, Koji hit Queensland. It was a big cyclone in the scale of cyclones. They're all different in the amount of water that falls and where the water falls and those sort of things, but it was a reasonable experience and obviously impacting people's lives.

But from a business point of view, it wasn't one that you'd go. That was an easy one that hit. If I just stick to commentary about Queensland to give you an idea, we did see and I made comment -- raised the comment, we did see resiliency in the network improve.

We have been spending money on improving the resiliency in the network. You've probably heard me talk about simple to imagine or articulate issues like better drainage to get the water to move faster and indeed not pool near the track, which causes formation failures over time, which leads to speed restrictions and/or higher maintenance and those sort of things.

So we've actually seen after working at that for a number of years now, we've actually seen it through one cyclone and been positively impressed by what the work led to. I do go back to my opening statement is I'm not going to -- I'm not trying to take nature on and say that we can resist all cyclones, but it's likely based on the data and the experience that the network is more resilient than it has been.

We will continue to spend that money with customer support. And indeed, they are supporting it because the benefits are tangible. So that's the Network business at a very high level. If you go to the Bulk business, the Mount Isa to Townsville line was out for the month of January.

And so that's not -- it's been out for longer and it's been out for shorter, but there's definitely not evidence of an improvement in resiliency that we're seeing in the CQCN. So that's a drag on George's business. It's been -- it's a regular drag on the business through the wet season.

If I was to stand back and look at how volumes impact on -- are impacted by wet weather, it's our experience through that -- through the wet weather to this point in time or the wet part of the year through to this point in time, despite fairly normal heavy weather, the business has performed better. But once you get into the individual componentry, it gets more complicated, Andre. Hopefully, that helps a bit.

Andre Fromyhr:

Sure. Thanks. I just got one more question relating to the enterprise resource planning system investment. This is like 90 million to 100 million, pretty decent sized investment over three years. Just curious, are we expecting any productivity gains or, I don't know, revenue opportunities off the back of this investment? And is there a reason that it's not like a capital project?

Andrew Harding:

I'll get Gareth to talk about the reason for it not being a capital project, but I volunteered myself to run the project as Chair of the activity, because I do take it seriously. And I don't need to tell you or anyone listening that these projects have some chance of going awry, if you look at the number that work compared to the number that don't work or at least meet budget time and cost and deliverables.

So it's one that's got a lot of focus. The reason I go through all that palaver at the beginning of introducing the answer is that, we've actually chosen an approach to the ERP, replacement or upgrade, which is more akin to minimising risk. That's the emphasis.

So we're not changing it all. We're only changing a few of the, I'm going to say, component modules to it, for example, payroll, procurement and the base financial underpinning of the system. There's many more things we could have changed in the pursuit of what you said, increased productivity and the like. But I would rather break this into two components, which is to get the first part done, which keeps the business operating with the lowest risk to failing, time failing on costs.

There is obviously, because you're moving into a cloud-based system, which has built an AI functionality, there will be an upgrade -- well, this is an entire industry hoping there will be an upgrade because of AI functionality. There will be an upgrade in productivity and the like. We aren't counting on it. And I indeed only working at getting it through at the lowest risk that I can.

After we do that, and we put those changes behind us, we will move through other parts of the functionality and -- but we'll do it on the basis of the large -- a fair chunk of change management having been done, people familiar with the system and then we'll add further components as we go over a longer time scale. Hopefully, that gives you an idea of what I'm trying to do.

Andre Fromyhr: Thank you.

Andrew Harding: Sorry, Gareth, you needed to answer some questions.

Gareth Long: Hi, Andre, that's the reason why it's expensed as opposed to capitalised is because it's software as a service.

Andre Fromyhr: Got it. Thank you.

Operator: Thank you. Your next question comes from Justin Barratt from CLSA. Please go ahead.

Justin Barratt: Hi, guys. Thanks for the opportunity. Just wanted to ask about that sort of first half, second half split in terms of the yield. I was just wondering if you could go into that a little bit more detail, please.

But equally, in addition to that, I guess this is the second year in a row now where there's been, I guess, a bit of a disconnect between yields in the first half and the second half with the first half being quite strong and the second half being a little bit weaker.

I just wanted to see, is there anything structural there that we should be aware of that's driving that change? And I guess, therefore, sort of expect that kind of differential to continue into FY27 and beyond?

Andrew Harding: Yes. So look, I might do it rather than getting into all the detail with Ed, which probably won't help anyway. The thing with yield is it reflects the fact that we have contracts with customers that have different fixed component charges versus variable tonnage movement charges.

And depending on who rails, well, the difference occurs between the planning and actual for us, depending on which customer says they're going to rail, what volume in what period and whether they do or not. So in a sense, when you're seeing a repetition of some sort of biased outcome.

It's the customer saying what they're going to rail and then maybe not delivering exactly as they would. There's also customers really do in the last couple of months of the year, you can see a general race in the financial -- towards the end of the financial year to get as much tonnes as they can when they take stock of where they got to after the wet season starts to wind down.

That's part of the drivers for the variability. It is very hard for us to take the customers' nominations and ignore them, not very hard. It's -- we can't ignore their nominations. So we take them as for what they say they're going to do, and we budget accordingly.

Justin Barratt: Yes. Fantastic. And then look, I mean, I know you got this question a little bit back in August, but we've seen the benefits of the cost out program that you sort of ran, I guess, throughout FY25 in this half. I just wanted to, I guess, double check in again and just sort of say, look, again, is there, I guess, more opportunity for cost out going forward?

Andrew Harding: Yes. Well, let's get Gareth to talk. He's moving into a new role, which will have a reasonable focus on improvement. So Gareth, do you want to talk about some?

Gareth Long: Sure. So yes, I mean, we're pleased that we've seen the delivery of that \$60 million continuing to flow through FY26, Justin. In terms of further programs, we haven't got any program in execution at the moment, but it won't surprise you to hear that we continue to focus not just on the cost, but also the productivity and the utilisation of our assets, facilities and how we do our business. So that will continue to be an enduring feature of how Aurizon conducts its business.

Justin Barratt: All right. Thank you.

Operator: Thank you. Your next question comes from Cameron McDonald from E&P. Please go ahead.

Cameron McDonald: Good morning. Just want to get some detail around the provision reduction and the write-back. You've said you've had some recoveries in Bulk. Can we get some detail around that, please?

Andrew Harding: Gareth, can you provide some detail, please?

Gareth Long: Hi, Cameron, so yes, you'll note within the accounts, you'll have seen a half-on-half improvement in impairment for doubtful debts to the amount of \$7 million. That is, yes, a good approximation for sums that we've managed to recover.

Cameron McDonald: Okay. So -- and that -- is there any expectation that you'll recover any more -- like what's the outlook for some of those increased provisions from last year?

Gareth Long: Yes. So listen, I mean, we continue to work and pursue all legal and commercial avenues, Cameron. I wouldn't expect there to be a material addition to that recovery. But as I say, we continue to work with all parties.

Cameron McDonald: Okay. Andrew, can I just sort of ask a more strategic question. If I look at the annual report from last year, the LTI for non-coal EBITDA growth is now 283% to 326% growth.

That's up from \$131 million to \$157 million minimum maximum the year before. That seems like an extraordinary growth rate, but also just trying to get a sense of how achievable you actually think that is given not only the current delivery to date. But secondly, the reduction in sort of what has been non-growth capex -- or sorry, growth capex that -- so can you achieve that without putting more capital in?

Andrew Harding: Great question. And I'm going to get George to talk about the deliverability of the future. The thing -- the point that I would make is that from a strategic point of view, we've been assembling assets and business activity that allows us to get into new contracts that we were unable to get into before and access a broader profit pool.

So an example of that, which I've used a lot, but I'll use it again, is the BHP Copper South Australia contract, where we assembled 3 businesses, which is not the sole purpose of buying the One Rail business by any means, but we had the One Rail business. We bought the Flinders Logistics business to get the terminal access. And you put those together so that you actually can then provide the full service offering, which we knew the customer was chasing.

So there's numerous opportunities that expand out of that particular -- in that particular area and that particular assemblage of businesses. And then you can -- we're doing similar things I should say, with the nature of bulk is, it is similar in that there's rail activity and there's port activity, but they're all different as well.

We're doing similar style of things across the country. So what I might do is get -- just hand to George, so you can -- and the only other point I'd make is we recently only achieved putting in that -- for that particular case, we only just managed to put those assets together to enable that activity to take place, which is, to your point, some of the reason around the delay in delivery. George?

George Lippiatt: Sure. Thanks, Andrew. Hi Cameron, I'll start with containerised freight because it's a similar theme. You have to spend capital in advance of then getting the benefits from it. When we said we were going to stand up Containerised Freight, we said it would be about \$425 million of capital.

Now what we've spent to date, including the most recent half is about \$300 million to \$320 million of capital. A lot of the balance is that Kewdale terminal that we touched on before. That will unlock efficiency. But that's Containerised Freight. We don't have a lot more capital to spend. Now it is about getting the trains full, targeting the right service frequency and getting the right yield and cost base around that business.

When it comes to Bulk, I think I said in August, the most important customer we have is our existing customer base. So what do I mean by that? As Andrew said, we've got a great footprint. We've got 5 port terminals. We've got 2,500 kilometres of track infrastructure, got over 200 locomotives that we can draw on across the business.

And so when I look at growing the Bulk business, there are 4 levers that I look at. The first is the customers that railed in the first half that haven't yet had a full year of railings. AG River, Yilgarn and BHP Copper. We started in the first half of FY26, but you're yet to see a full year of railings for them.

The second driver is cancellations and waste in the supply chain. We've reduced cancellations by 2% compared to the prior corresponding period, but they're still too high. And when you've got a business that doesn't have high take-or-pay, when you don't run a train, you're still maintaining it, you still got the crew, but you're not getting the revenue. So that is a big value lever for us.

The third value lever is our existing customers and them growing. BHP Copper want to grow their copper output, that will see commensurate growth in their inputs as well, which we move for them. CBH over in WA have a 30 million tonnes by 2030 strategy. So those 2 customers, just those 2 want to grow significantly. And then you have to look at growth, Cameron, which will come from new projects coming online.

So then you are talking about the Arafura's in the Central Corridor. You're talking about the Ammaroo's, the Verdant's, those will come with capital. But my point is the first 3 levers that I mentioned are fairly capital light because we've already got the assets in place. The fourth lever where we see new projects is where there would be more capital. But that, as Andrew said, will be contract backed.

Cameron McDonald: And then just finally, any sort of commentary around what's happening around Phosphate Hill and Glencore around Mount Isa?

Andrew Harding: Well, I won't specifically comment on those particular customers. We don't do that, and that wouldn't be appropriate. We do watch -- we are involved, and we do watch it carefully.

Cameron McDonald: Yeah. Thank you.

Operator: Thank you. Your next question comes from Tom Peyton from RBC Capital Markets. Please go ahead. Pardon me. Your next question is from Rob Koh from Morgan Stanley. Please go ahead.

Rob Koh: Good morning. Congratulations on the result. May I just ask a couple of questions about the Network review, which you've given us the decision on now? Just wondering, if you could share if there was anything material you learned in terms of potential tax consequences or financing synergies?

Andrew Harding: I learned enough that I'm not going to answer those questions on a public call, Rob. We're definitely not going to answer those questions on a public call, sorry.

Rob Koh: That's okay. Respect. Okay. My next question is on Coal, maybe for Ed. But just wondering if you could give us any colour on how EBAs are going. From memory, I think you have some Queensland train crew and maintenance EBAs up this year.

Ed McKeiver: Yes. Thank you for the question, Rob. You're correct. We are currently negotiating both enterprise agreements actually in New South Wales and Queensland. And the New South Wales one expired in November and the Queensland one expires in March. It's going well overall.

We've been at the bargaining table in New South Wales for over six months and for a couple of months in relation to the Queensland agreement. This is the fourth time in the last 16 years that I've overseen the renewal of these agreements.

I'm confident that, we're going to resolve negotiations in due course. And of course, we're keeping our customers well informed and remain committed to meeting their

needs. There's -- the tone of these negotiations is always different. And I characterise these ones as constructive.

We are engaged with our employees and their representatives. And as always, we're trying to strike the balance between claims that are commercially sustainable with productivity improvements necessary to preserve the viability and performance of the business over time.

Rob Koh:

Good. Sounds good and wish you well with it. Maybe a final question. I note you've got an incoming new CFO and group executive strategy with a bit of FMG experience. And I understand that FMG is taking delivery of some battery electric trains. Just wondering if you could give us any update on your own future fleet and I think you're going to be trailing some battery electric trains later this year, if that's right?

Andrew Harding:

I was wondering where you were going with that. We're not getting. Rob, I thought you were going to suggest we get into mining, and I was going to have to leap on the denial of that. No. So battery -- we have 2 battery electric activities going on in the very near term. A battery electric loco, which to remind people, is a project where we're taking a diesel electric loco out of the field.

In the normal course of business, we've been taking them out to do maintenance activity to them. We're taking this one out instead of replacing it with a diesel engine, we're replacing it essentially with a battery electric engine. It is far, battery electric drive. It is far more complicated than what I just said and engineers would be horrified with the simplicity of it.

But that work has been progressing for some time. We will see that battery electric loco operating in Western Australia, actually, I think we've said publicly now in the next financial year, I think, is the time frame for that.

The second bit of battery electric work we're doing -- and sorry, the reason we're trailing that as an approach is it's damn expensive to buy brand-new electric locomotives when your diesel ones are perfectly good. So that's very hard economics to leap over if it's possible. So we're looking at how we can actually manage the transition of a diesel fleet over a very long time, and that's a lead project in that activity.

The second one we're doing is the battery electric tender. And that is a -- if you -- the way to imagine it would be the first wagon behind the lead locomotives is actually instead of being a wagon that carries a product like ore or grain or something, it's a wagon that's actually full of batteries. And it can act as either an extender to a battery electric loco or it indeed converts a diesel locomotive into a hybrid system.

So -- and that is being done with -- built in Queensland, and that will be about a year before it's in operation and operating for one of our customers is pretty excited to give it a trial. So those things -- those 2 activities, variations on the current -- trying to -- I'm not saying repurpose, but move the current fleet in an economic way from high fossil fuel load to a lower fossil fuel load in the future.

And both of those are underway, and we'll start to see outcomes like in the next 12 to 24 months. They'll be operating in real mining environments or real haulage for mine, sorry, environments. They'll be doing real tasks and it will be pretty interesting to see how they perform and delighted to have the customer support we've got to actually execute against it.

Rob Koh: Great, many thanks.

Operator: Thank you. Your next question comes from Tom Peyton from RBC Capital Markets. Please go ahead.

Tom Peyton: Hi team and Andrew and note to Ian - congratulations on the appointment. A number of questions already today, so I'll keep it short. Firstly, on the timeline and pacing of the \$100 million buyback, if you can offer some colour around that. And secondly, increased grain volumes for Bulk. Just wondering if you can speak to the sort of regional splits around that at all? Thanks.

Andrew Harding: George. Do you want to do the grain first and then I'll do the buyback after?

George Lippiatt: Sure. Yes. Thanks, Andrew. Thanks for the question, Tom. If you look at our grain exposure, we are in Western Australia, South Australia, which is good because they tend to be fairly stable grain markets if you look historically. Western Australia, we haul for CBH. They've just closed a harvest at 24 million tonnes, which congratulations to them and their growers. That's a record.

Most of that grain, we will haul in the second half of FY26. And the reason for that is that the harvest really occurs from, call it, October through to January. So, a lot of that grain is still in front of us. We're busy moving it in WA. About 50% to 55% of the total harvest tends to go on rail in WA, the balance on road.

In terms of our other exposure, that's South Australia, where South Australia has just closed a harvest of about 8 million tonnes. So, closer to an average harvest compared to a weaker one the year before. The majority of grain tends to go on road in South Australia. We do the balance for Bunge, used to be Viterra, and similar to WA, the majority of that grain that we will move for Bunge will go via the second half of FY26 rather than the first half.

Andrew Harding: And then to buyback and timing and a little bit more colour on that. I'd just point to our history, pretty proud of the fact when we say we're going to do a buyback, we actually do the buyback. And I want to keep that tradition running for obvious reasons.

I did announce this \$100 million as an extension to the current buyback, and we have yet to finish the current buyback. I believe it's about \$25 million remaining on the current buyback.

So given that, that's a buyback that's to be completed by the end of the financial year, we'll be pushing pretty hard on that buyback to get it done in that period of time.

It's not all obviously about the execution within the time, you've also got to pay attention to how you're executing it and make sure you stick within the rules and not trying to be as predictable as you could be in your approach. So hopefully, that gives you some colour as to what we're trying to execute with that extension.

Tom Peyton: Right. Thanks, guys.

Operator: Thank you. Your next question comes from Ian Myles from Macquarie. Please go ahead.

Ian Myles: Hi, guys. I'll try to be brief. If we go back to the dividend, can you maybe just give a bit colour? You made the comment that your long-term capex spend for maintenance is not really changing. Your guidance for FY25,26 hasn't changed at the EBITDA level, but you have actually lifted the dividend. I'm just trying to understand what's changing there to then lift that payout ratio because as you say, you don't want to take it back down again?

Andrew Harding: Yes. Again, remember Ian what I said when I answered the question earlier on changing the payout ratio. One of the things you want to look at when you're looking at lifting it, that's an easy experience, lowering it is the opposite by times 10.

So, very cautious to make sure that we can do what we can do for the longer term. Obviously, there's always things that could change in the future could change your mind, but you really want to go into it with a view that it's something that you don't want to lower unnecessarily.

So, we've got a lot more information. We're 6 months further on than the last time we talked. We've seen some improvements in the business. We've introduced a new operational contract with BHP. We've managed to make some changes, improvements to the containerised freight business.

We're seeing an underlying improvement in other customers and indeed the main customer for containerised freight and there's many other things. So, when you add all that together, it actually says that we can progress with a higher payout ratio with increased sort of reliability, so to speak.

Ian Myles: Okay. And just on the Bulk side, your statement at FY25 had a view that iron ore was a detractor from potentially the growth. You sort of removed that part in your commentary. And I was just intrigued, is that suggesting that you've actually replaced the earnings side of it or just the volumes?

Andrew Harding: Do you want to talk about that, George?

George Lippiatt: I'll talk about it as best I can, Ian, without touching on individual customers and earnings contributions.

Ian Myles: You can talk in totality.

George Lippiatt: Yes. No, I will try. If you look at what happened when Cliffs shut down, that mine got restarted by MinRes. MinRes shutdown, which was going to be a drag certainly on the first half of FY26. We've now fully replaced that volume.

If you look at Yilgarn Iron, and you look at Gold Valley's volumes at full run rate, that replaces the MinRes volume. We didn't have certainty on the Yilgarn volume when we made that statement. So, that's one thing that's changed for the positive.

And also in the central corridor, we've had lower iron ore volumes from One Steel, but we have had AG River startup near Tennant Creek and start railing at the back end of the first half of FY26. So yes, some declines, but also we've seen replacement.

And it just reinforces what Andrew said that, if you have the right assets in terms of locomotives and hopper wagons for iron ore as well as that track infrastructure in the central corridor, you can provide an avenue for iron ore mines to come back online quickly.

Ian Myles: Okay. And on the Coal side, you've obviously got the Hunter Valley volumes potentially moving. When do you start thinking about changing maintenance schedules around that equipment if you can't recontract or the timing of re-contracting is different to the day you lose the other contract?

Andrew Harding: Ed, do you want to take that one?

Ed McKeiver: Yes, sure. Hi, Ian. Well, the way I'm thinking about it is, first of all, we are sold out for FY26. So, we're not changing the maintenance schedules ahead of finalising this year. We're doing the planning processes now, Ian, around our customer nominations for FY27, tender outcomes, cost base assumptions, which is normal this time of the year.

And so, we know on a consist basis what periodicity we need to maintain them at, what capital we have to provide for. And we're pretty adept at turning that off and on as we need to.

Ian Myles: Okay, well, that's great. Thanks, guys.

Operator: Thank you. Your next question comes from Scott Ryall from Rimor Equity Research. Please go ahead.

Scott Ryall: Hi, there. Thank you very much. One question following up on Rob's question and your answer on the use of batteries in trains, Andrew. Most of your mining customers are struggling with this transition themselves and a lot of them have talked about lower carbon liquid fuels. What are you doing in that sense? What's the latest in terms of what you're willing to look at? I know there's not much supply, but in terms of looking at the options.

Andrew Harding: Yes. Look, we're involved in pretty much all the discussions that occur around the drop-in fuels. The same issue exists when you're doing the work for the battery technology - none of it's cheap. And the drop-in fuels are expensive. And to your point, can you get them?

And if there is volume, it's probably going to, at least as far as I can tell at the moment, more than likely be biased to the aviation industry in the early part of the take-up. So, we are doing work. We understand the engineering.

The new equipment we have can easily run the drop-in fuels and without any changes. So, we're in a position where we could make use of the idea or the opportunity if it comes along. It's a very big price difference when you're just comparing it to straight diesel. And you've got to have a customer base that's motivated or willing to pay for it.

Scott Ryall: Yes. Understood. All right. My second question it's just on the updated Network undertaking. Congratulations. Your big legacy, I think, in terms of Aurizon move towards those long-term contracts with your customers.

In terms of the comments, so I'm just trying to contextualise in terms of the comments that were made around capex going forward and the discussion pack that you put out just prior to Christmas when you announced it, which showed a flat RAB going forward or flat to so slightly down in nominal terms. Do you think there is a world in which over the course of the next 10 years that you would see any sharper declines in the RAB than what is forecast there?

Andrew Harding: So look, I'd be reasonably confident that you'll see flat, slightly down and very unlikely that you'll see sharper declines. Part of the thing that people don't think about is you're always trying to manage for the operational efficiency of the train sets on the network.

And so you're dealing with managing against congestion, you're managing against the mining, the locus of intensity of mining in particular areas moving to different corridors and in different parts of different corridors because you're talking over the long-term.

So it's more than, likely that you'll see flat than anything else as a result of those changes that occur over time to the network as you're continually trying to keep it optimised because people don't want slower train trips even into the future as much as they don't want them now.

Scott Ryall: Okay. All right. Thank you. That's all I have.

Operator: Thank you. Your next question comes from Nathan Lead from Morgans. Please go ahead.

Nathan Lead: Good day gents. Thanks for your presentation today. Just one question on Coal and just a couple on capital management, if you don't mind. So just on Coal, just the guidance there that Ed was talking about, the cost being flat. Just to confirm that's on a dollars per NTK basis? Or is it absolute dollars?

Ed McKeiver: No, it's on a dollars per NTK basis.

Nathan Lead: Yes. Okay. Just wanted to confirm that, thanks. Second, just a couple in terms of capital management. So, Andrew, very much heard your comments there about wanting to sustain that higher payout ratio. What's your thinking in terms of the sustainability of the franking rate going forward?

Andrew Harding: It was always going to be you, Nathan, that was going to ask me that question. So, thank you for not disappointing me.

Nathan Lead: You are welcome.

Andrew Harding: I'll get Gareth to come in if there's anything that needs to be added to it. Look, if you looked at when we had 100% payout ratio, we had a franking at around 70%. Again, we've looked forward, and we don't want to make strong representations about the actual franking itself.

But setting a 90% payout ratio, you're thinking about not lowering it in the future. Franking credit, again, depends on a number of moving pieces, particularly in a business like Aurizon's, which has got large infrastructure and you've got those accelerated fixed assets versus your tax cash rate.

So, it's not something you'd see moving readily, and it's something that we're happy about, but I'm not going to sit here and actually make too many bold statements about the future. I'll leave the bold statement to Gareth in his last minutes as the CFO.

Gareth Long: Yes. Thank you, Andrew. Hey, Nathan. So, as Andrew said, we don't generally give franking credit guidance. However, what I would say is second half, I would expect to maintain that 90% franking.

And as you know, the nature of our business being heavy infrastructure, generally speaking, our cash tax rate will be less than 30%. So, you can infer from that what that would mean for a franking position. So yes, hopefully, that answers your question, Nathan.

Nathan Lead: Excellent. And just another one on capital management. I hear what you're saying, Andrew, about saying you're going to do a buyback and actually completing it. But the share price is up a lot if we look back, sort of I suppose, to middle of last year. Where in your mind does a buyback become uneconomic?

Andrew Harding: Right. I know you know I'm not going to answer that question, Nathan. What I can tell you is when we look at extending the buyback and we look at a tradition that I want to maintain of keep completing buybacks, I was working on being able to achieve both of those.

Nathan Lead: Okay, thank you.

Operator: There are no further questions at this time. That does conclude our conference for today. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]