

Aurizon Operations Limited

ABN 47 564 947 264

Interim Financial Report for the six months ended 31 December 2024

Aurizon Operations Limited

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Interim Financial Report - 31 December 2024

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Aurizon Operations Limited is a Company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Aurizon Operations Limited
Level 8
900 Ann Street
Fortitude Valley QLD 4006

Aurizon Operations Limited
Condensed consolidated income statement
For the six months ended 31 December 2024

	Notes	31 December 2024 \$m	31 December 2023 \$m
Revenue from continuing operations	1	1,533.1	1,472.1
Other income		56.4	2.2
Total revenue and other income		<u>1,589.5</u>	<u>1,474.3</u>
Employee benefits expense		(488.6)	(444.8)
Energy and fuel		(112.8)	(117.1)
Track access		(331.8)	(311.7)
Consumables		(269.8)	(231.3)
Depreciation and amortisation		(181.8)	(173.2)
Other expenses		(25.6)	(4.4)
Share of net profit of investments accounted for using the equity method		0.1	0.7
Operating profit		<u>179.2</u>	<u>192.5</u>
Finance income		5.0	2.7
Finance expenses		(48.5)	(55.9)
Net finance costs		<u>(43.5)</u>	<u>(53.2)</u>
Profit before income tax		135.7	139.3
Income tax expense		(36.1)	(41.8)
Profit after tax for the six months		<u>99.6</u>	<u>97.5</u>
Profit for the six months attributable to the owners of Aurizon Operations Limited		<u>99.6</u>	<u>97.5</u>

The above condensed consolidated income statement should be read in conjunction with the accompanying notes.

Aurizon Operations Limited
Condensed consolidated statement of comprehensive income
For the six months ended 31 December 2024

	31 December	31 December
	2024	2023
	\$m	\$m
Profit for the six months	99.6	97.5
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of cash flow hedges	(6.9)	(30.9)
Income tax relating to changes in the fair value of cash flow hedges	2.1	9.3
Exchange differences on translation of foreign operations	3.4	(1.2)
Other comprehensive income/(expense) for the six months, net of tax	(1.4)	(22.8)
Total comprehensive income for the six months attributable to the owners of Aurizon Operations Limited	98.2	74.7

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Aurizon Operations Limited
Condensed consolidated balance sheet
As at 31 December 2024

		31 December 2024 \$m	30 June 2024 \$m
Notes			
ASSETS			
Current assets			
Cash and cash equivalents		37.9	44.0
Trade and other receivables	3	593.7	537.8
Inventories		215.6	182.2
Derivative financial instruments	6	0.7	0.1
Other assets		61.2	83.4
Total current assets		909.1	847.5
Non-current assets			
Trade and other receivables	3	10.0	7.8
Inventories		41.5	53.1
Derivative financial instruments	6	35.4	23.0
Property, plant and equipment		4,920.4	4,912.8
Intangible assets		148.1	151.0
Other assets		83.1	81.0
Investments accounted for using the equity method		60.2	56.7
Total non-current assets		5,298.7	5,285.4
Total assets		6,207.8	6,132.9
LIABILITIES			
Current liabilities			
Trade and other payables		266.4	333.6
Borrowings	5	58.0	86.0
Derivative financial instruments	6	-	0.2
Current tax liabilities		0.3	0.6
Provisions		234.6	242.6
Other liabilities		40.0	36.3
Total current liabilities		599.3	699.3
Non-current liabilities			
Borrowings	5	1,336.1	1,274.3
Derivative financial instruments	6	38.9	62.1
Deferred tax liabilities		296.7	261.3
Provisions		49.6	43.2
Other liabilities		180.8	170.5
Total non-current liabilities		1,902.1	1,811.4
Total liabilities		2,501.4	2,510.7
Net assets		3,706.4	3,622.2
EQUITY			
Contributed equity		3,275.5	3,268.3
Reserves		11.9	13.3
Retained earnings		419.0	340.6
Total equity		3,706.4	3,622.2

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Aurizon Operations Limited
Condensed consolidated statement of changes in equity
For the six months ended 31 December 2024

	Notes	Attributable to owners of Aurizon Operations Limited			Total equity \$m
		Contributed equity \$m	Reserves \$m	Retained earnings \$m	
Balance at 1 July 2024		3,268.3	13.3	340.6	3,622.2
Profit for the six months		-	-	99.6	99.6
Other comprehensive income		-	(1.4)	-	(1.4)
Total comprehensive income/(expense) for the six months		-	(1.4)	99.6	98.2
Transactions with owners in their capacity as owners:					
Dividends paid	4	-	-	(21.2)	(21.2)
Capital contribution from the parent		4.6	-	-	4.6
Capital contribution from the parent for share-based payments		2.6	-	-	2.6
		7.2	-	(21.2)	(14.0)
Balance at 31 December 2024		3,275.5	11.9	419.0	3,706.4
Balance at 30 June 2023		3,141.1	18.8	245.3	3,405.2
Adjustment on adoption of AASB 17		-	-	(0.6)	(0.6)
Restated balance at 1 July 2023		3,141.1	18.8	244.7	3,404.6
Profit for the six months		-	-	97.5	97.5
Other comprehensive income		-	(22.8)	-	(22.8)
Total comprehensive income/(expense) for the six months		-	(22.8)	97.5	74.7
Transactions with owners in their capacity as owners:					
Dividends paid	4	-	-	(33.4)	(33.4)
Capital contribution from the parent for share-based payments		0.5	-	-	0.5
		0.5	-	(33.4)	(32.9)
Balance at 31 December 2023		3,141.6	(4.0)	308.8	3,446.4

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Aurizon Operations Limited
Condensed consolidated statement of cash flows
For the six months ended 31 December 2024

	31 December	31 December
	2024	2023
	\$m	\$m
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	1,699.3	1,581.9
Payments to suppliers and employees (inclusive of GST)	(1,444.6)	(1,303.4)
Interest received	3.5	2.4
Income tax paid	40.1	(58.2)
Principal elements of lease receipts	3.2	3.8
Other income received	55.0	-
Net cash inflow from operating activities	356.5	226.5
Cash flows from investing activities		
Payments for business acquisitions (net of cash acquired)	(25.0)	-
Payments for property, plant and equipment	(163.4)	(214.4)
Proceeds from sale of property, plant and equipment	4.5	3.0
Payments for intangibles	(5.6)	(9.9)
Payment to related parties under the Intra Group Loan Agreement	(19.5)	-
Interest paid on qualifying assets	(0.4)	(1.1)
Net cash outflow from investing activities	(209.4)	(222.4)
Cash flows from financing activities		
Proceeds from external borrowings	20.0	503.2
Repayment of external borrowings	(28.0)	(483.0)
Payments of transaction costs related to borrowings	-	(3.4)
Proceeds from related parties under the Intra Group Loan Agreement	-	56.0
Return of capital to parent for share based payments	(0.9)	(3.1)
Principal elements of lease payments	(15.2)	(11.5)
Interest paid	(50.3)	(53.7)
Dividends paid to Company's shareholder	(21.2)	(33.4)
Capital distribution to parent	4.6	-
Payments for related parties	(62.0)	-
Net cash outflow from financing activities	(153.0)	(28.9)
Net decrease in cash and cash equivalents	(5.9)	(24.8)
Cash and cash equivalents at the beginning of the financial year	44.0	62.3
Effects of exchange rate changes on cash and cash equivalents	(0.2)	0.7
Cash and cash equivalents at end of interim reporting period	37.9	38.2

About this report

Corporate information

Aurizon Operations Limited (the Company) is a for-profit entity for the purpose of preparing this interim financial report and is a company limited by shares, incorporated and domiciled in Australia. The consolidated interim financial report comprises the financial statements for the six months ended 31 December 2024 of the Company and its subsidiaries (collectively referred to as the Group or Aurizon Operations). Aurizon Operations Limited is a subsidiary of Aurizon Holdings Limited. Aurizon Holdings Limited and its subsidiary entities are referred to as the Aurizon Group.

The interim financial report:

- has been prepared on the going concern basis of accounting;
- has been prepared in accordance with the requirements of Accounting Standard *AASB 134 Interim Financial Reporting*;
- has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value;
- is presented in Australian dollars with all values rounded to the nearest \$100,000 unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*; and
- does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial report is to be read in conjunction with the annual financial report of the Company for the year ended 30 June 2024. The annual financial report for the year ended 30 June 2024 is accessible at www.aurizon.com.au.

Key events and transactions for the reporting period

(a) Debt financing

During the period, the Group reduced the Finance Syndicated Revolver Loan Facility by \$250.0 million to \$150.0 million following a review of near-term liquidity requirements.

The Company executed an Intra Group Loan Agreement with Aurizon Network Pty Ltd on 22 August 2024. The Company may be advanced or loaned, subject to certain conditions, up to \$100.0 million at floating rates over the loan term maturing 22 August 2033. At 31 December 2024, the Company had advanced \$73.0 million under the Intra Group Loan Agreement.

Iron Horse Insurance Company Pte Ltd (a wholly-owned subsidiary of the Company) executed an Intra Group Loan Agreement with Aurizon Network Pty Ltd (a related party) on 16 July 2024. Under the arrangement Iron Horse Insurance Company Pte Ltd is able to advance, subject to certain conditions, up to \$150.0 million at floating interest rate over the loan term maturing 16 July 2033. No amounts were advanced at 31 December 2024.

(b) Business acquisition

On 6 December 2024, the Group acquired 100% of the issued shares in Flinders Logistics Pty Ltd for consideration of \$25.7 million. Flinders Logistics Pty Ltd supplies stevedoring, logistics and warehousing services to importers and exporters of bulk commodities at Berths 18 – 20 and Berth 29 at Port Adelaide and Port Pirie (South Australia) and cargo handling services at Port Pirie (South Australia) through its wholly owned subsidiary, Pirie Bulk Pty Ltd. Following the acquisition, the companies have been renamed Aurizon Port Services (SA) Pty Ltd and Aurizon Pirie Logistics Pty Ltd respectively. Refer to note 2 for further information.

(c) Comparative period

Key events and transactions affecting the performance of the Group in the comparative period are disclosed within the annual financial report for the year ended 30 June 2024.

Results for the six months

IN THIS SECTION

Results for the six months provides segment information and a breakdown of individual line items in the condensed consolidated income statement that the Directors consider most relevant.

1	Segment information	Page 9
2	Business acquisition	Page 12

1 Segment information

(a) Description of reportable segments

The Group determines and presents operating segments on a business unit structure basis as this is how the results are reported internally and how the business is managed. The Managing Director & CEO and the Executive Committee (chief operating decision-makers) assess the performance of the Group based on underlying earnings before net interest, tax, depreciation and amortisation (EBITDA).

The following summary describes the operations of each reportable segment:

Coal

This segment provides transport of metallurgical and thermal coal from mines in Queensland and New South Wales to domestic customers and coal export terminals.

Bulk

This segment 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. This segment also manages the Tarcoola-to-Darwin below rail infrastructure, and the intrastate rail freight network in South Australia, and containerised freight services between Adelaide and Darwin.

Other

This segment includes other Containerised Freight related to the National Interstate services, 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.

1 Segment information (continued)

(b) Segment information

31 December 2024	Coal \$m	Bulk \$m	Other \$m	Total Continuing Operations \$m
External revenue				
Revenue from external customers				
Services revenue				
Track access	245.2	-	-	245.2
Freight transport	659.3	550.0	55.0	1,264.3
Other services	-	5.9	-	5.9
Other revenue	8.8	3.6	5.3	17.7
Total revenue from external customers¹	913.3	559.5	60.3	1,533.1
Internal revenue				
Services revenue				
Other services	-	0.3	-	0.3
Total internal revenue	-	0.3	-	0.3
Total external and internal revenue	913.3	559.8	60.3	1,533.4
Other income	-	-	19.6	19.6
Total revenue and other income	913.3	559.8	79.9	1,553.0
Internal elimination				(0.3)
Consolidated revenue and other income (Underlying)				1,552.7
Significant items (note c)				36.8
Consolidated revenue and other income				1,589.5
Continuing EBITDA (Underlying)	264.3	83.7	(23.8)	324.2
Depreciation and amortisation	(103.3)	(64.2)	(14.3)	(181.8)
Continuing EBIT (Underlying)	161.0	19.5	(38.1)	142.4
Significant items (note c)				36.8
EBIT				179.2
Net finance costs				(43.5)
Profit before income tax from continuing operations				135.7

¹ Includes \$11.1 million of related party revenue.

1 Segment information (continued)

(b) Segment information (continued)

31 December 2023	Coal \$m	Bulk \$m	Other \$m	Total Continuing Operations \$m
External revenue				
Revenue from external customers				
Services revenue				
Track access	236.9	-	-	236.9
Freight transport	642.0	545.6	22.4	1,210.0
Other services	-	6.5	-	6.5
Other revenue	8.1	5.8	4.8	18.7
Total revenue from external customers ¹	<u>887.0</u>	<u>557.9</u>	<u>27.2</u>	<u>1,472.1</u>
Internal revenue				
Services revenue				
Other services	-	0.4	-	0.4
Total internal revenue	<u>-</u>	<u>0.4</u>	<u>-</u>	<u>0.4</u>
Total external and internal revenue	887.0	558.3	27.2	1,472.5
Other income	-	0.2	2.0	2.2
Total revenue and other income				<u>1,474.7</u>
Internal elimination				<u>(0.4)</u>
Consolidated revenue and other income				<u>1,474.3</u>
Continuing EBITDA (Underlying)	282.9	112.5	(29.7)	365.7
Depreciation and amortisation	(103.6)	(60.5)	(9.1)	(173.2)
Continuing EBIT (Underlying)	<u>179.3</u>	<u>52.0</u>	<u>(38.8)</u>	<u>192.5</u>
Net finance costs				<u>(53.2)</u>
Profit before income tax from continuing operations				<u>139.3</u>

¹ Includes \$11.7 million of related party revenue.

(c) Significant items

The Group's underlying results differ from the statutory results. The exclusion of certain items permits a more appropriate and meaningful analysis of the Group's underlying performance on a comparative basis.

	31 December 2024	31 December 2023
	\$m	\$m
Proceeds from settlement of legal matters	<u>36.8</u>	-
Total significant items (continuing operations)	<u>36.8</u>	-

Other income includes proceeds from the settlement of legal matters. \$36.8 million, representing the majority of the proceeds, has been classified as a significant item being the amount net of total costs incurred by the Group in relation to the matters.

2 Business acquisition

(a) Current six months period

(i) Flinders Logistics Pty Ltd

On 6 December 2024, the Group acquired 100% of the issued shares in Flinders Logistics Pty Ltd for consideration of \$25.7 million. Flinders Logistics Pty Ltd supplies stevedoring, logistics and warehousing services to importers and exporters of bulk commodities at Berths 18 – 20 and Berth 29 at Port Adelaide and Port Pirie (South Australia) and cargo handling services at Port Pirie (South Australia) through its wholly owned subsidiary, Pirie Bulk Pty Ltd. Following the acquisition, the companies have been renamed Aurizon Port Services (SA) Pty Ltd and Aurizon Pirie Logistics Pty Ltd respectively. The provisional business combination accounting is conditional on finalisation of completion statement adjustments.

Details of the purchase consideration, the provisional net assets acquired and goodwill are as follows:

	\$m
Purchase consideration	25.7
	Fair value
	\$m
Total assets	37.5
Total liabilities	<u>(19.2)</u>
Provisional net identifiable assets acquired	18.3
Add: Provisional goodwill	<u>7.4</u>
Provisional net assets acquired	25.7

The goodwill is attributable to future customer growth and has been allocated to the Bulk cash-generating unit. None of the goodwill is expected to be deductible for tax purposes.

Acquisition costs were expensed to profit of loss. The net cash outflow from investing activities for the business acquisition was \$25.0 million, representing cash paid of \$25.7 million net of cash acquired of \$0.7 million.

Operating assets and liabilities

IN THIS SECTION

Operating assets and liabilities provides information about the working capital of the Group and major balance sheet items.

3 Trade and other receivables

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3 Trade and other receivables

	31 December	30 June
	2024	2024
	\$m	\$m
Current		
Trade receivables	386.4	372.3
Related party receivables	77.6	20.1
Provision for impairment of receivables	(23.3)	(6.8)
Net trade receivables	440.7	385.6
Loans receivable from related parties	73.0	53.5
Other receivables ¹	80.0	98.7
	593.7	537.8
Non-current		
Trade receivables	10.0	-
Other receivables	-	7.8
	10.0	7.8

¹ Other receivables includes revenue for services performed but not yet invoiced under contracts.

As at 31 December 2024, trade receivables of \$104.3 million (30 June 2024: \$39.5 million) were past due date.

Capital management

IN THIS SECTION

Capital management provides information about the capital management practices of the Group and shareholder returns for the six-month period and the Group's fair value disclosure for financial instruments.

4	Dividends	Page 16
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6	Financial instruments	Page 17

4 Dividends

	\$m
Declared and paid during the period	
For the six months ended 31 December 2024	
Final dividend for 2024 (unfranked)	21.2
For the six months ended 31 December 2023	
Final dividend for 2023 (unfranked)	33.4
Proposed and unrecognised at period end	
For the six months ended 31 December 2024	
Interim dividend for 2025 (unfranked)	24.3
For the six months ended 31 December 2023	
Interim dividend for 2024 (unfranked)	38.1

5 Borrowings

	31 December	30 June
	2024	2024
	\$m	\$m
Current - Unsecured		
Bank debt facilities	58.0	86.0
	58.0	86.0
Non-current - Unsecured		
Medium-Term Notes	459.6	446.9
US Private Placement Notes	526.0	498.7
Bank debt facilities	350.0	330.0
Other borrowings	6.4	6.2
Capitalised borrowing costs	(5.9)	(7.5)
	1,336.1	1,274.3
Total borrowings	1,394.1	1,360.3

The Group's bank debt facilities and US Private Placement Notes (USPP) contain financial covenants. The bank debt facilities, Medium-Term Notes and USPP contain general undertakings including negative pledge clauses which restrict the amount of security that the Group can provide over assets in certain circumstances. The Group has complied with all required covenants and undertakings throughout the reporting period.

The Group may also draw upon funds from Aurizon Network Pty Ltd (related party) pursuant to the Intra Group Loan Agreement.

5 Borrowings (continued)

Financing arrangements

The table below summarises the financing arrangements the Group had access to at the end of the period. The facilities are unsecured.

Refer to key events and transactions for the reporting period for further information on the Group's debt financing activities.

	Maturity	Utilised ¹		Facility limit	
		31 December		31 December	
		2024	30 June 2024	2024	30 June 2024
		\$m	\$m	\$m	\$m
Working capital facility	Jun-25	87.1	115.0	125.0	125.0
Bilateral facility	Nov-25	-	-	75.0	75.0
Bilateral facility	Jul-26	150.0	130.0	465.0	465.0
Revolver loan facility	Jul-25	-	-	150.0	400.0
Term loan facility	Jul-27	200.0	200.0	200.0	200.0
AMTN 1	Mar-28	500.0	500.0	500.0	500.0
USPP	Jul-30	196.5	196.5	196.5	196.5
USPP	Jul-33	153.4	153.4	153.4	153.4
USPP	Jul-34	50.0	50.0	50.0	50.0
USPP	Jul-35	103.4	103.4	103.4	103.4
Total Group financing arrangements		1,440.4	1,448.3	2,018.3	2,268.3

¹ Amount utilised includes bank guarantees of \$29.1 million (30 June 2024: \$29.0 million) and excludes capitalised borrowing cost of \$5.9 million (30 June 2024: \$7.5 million), discounts on Medium-Term Notes of \$1.2 million (30 June 2024: \$1.4 million) and accumulated fair value adjustments on Medium-Term Notes of \$16.4 million (30 June 2024: \$56.3 million). The facilities above exclude the value of the Term Loan Facility with the AustralAsia Railway Corporation in connection with the Tarcoola-to-Darwin Concession Deed. The fair value of the Term Loan Facility is \$6.4 million (30 June 2024: \$6.2 million).

6 Financial instruments

(a) Fair value measurements

The carrying amount of cash and cash equivalents and non-interest bearing financial assets and liabilities approximates the fair value. The fair value of borrowings carried at amortised cost is \$1,722.2 million (30 June 2024: \$1,204.9 million).

The fair value of borrowings is estimated by discounting future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. The market interest rates were determined to be between 5.2% and 8.1% (30 June 2024: 5.0% to 8.2%) depending on the type of facility.

The Group measures the fair value of financial instruments using market observable data where possible. Fair values are categorised into three levels with each of these levels indicating the reliability of the inputs used in determining fair value. The levels of the fair value hierarchy are:

Level 1: Quoted prices for an identical asset or liability in an active market

Level 2: Directly or indirectly observable market data

Level 3: Unobservable market data.

The fair value of forward exchange contracts are determined as the unrealised gains/(loss) with reference to market rates. The fair value of interest rate swaps is determined as the net present value of contracted cash flows. The existing exposure method, which estimates future cash flows to present value using credit adjusted discount factors after counterparty netting arrangements, has been adopted for both forward foreign exchange contracts and interest rate swaps.

The Group's derivative financial instruments are classified as Level 2 (30 June 2024: Level 2). During the interim reporting period to 31 December 2024, there were no transfers between Level 1, Level 2 or Level 3 in the fair value hierarchy (30 June 2024: nil).

6 Financial instruments (continued)

	31 December 2024 \$m	30 June 2024 \$m
Current assets		
Foreign exchange contracts	0.7	0.1
Non-current assets		
Interest rate swaps	10.9	23.0
Cross-currency interest rate swaps	24.5	-
	35.4	23.0
Total derivative financial instrument assets	36.1	23.1
Current liabilities		
Foreign exchange contracts	-	0.2
Non-current liabilities		
Interest rate swaps	38.9	51.8
Cross-currency interest rate swaps	-	10.3
	38.9	62.1
Total derivative financial instrument liabilities	38.9	62.3

Other notes

IN THIS SECTION

Other notes provides information on other items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements, however are not considered critical in understanding the financial performance of the Group.

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8	Summary of significant accounting policies	Page 20
9	Critical accounting estimates and judgements	Page 20

7 Related party transactions

Related parties include other entities in the Aurizon Group and Key Management Personnel. There were no Key Management Personnel related party transactions during the half year ended 31 December 2024 (31 December 2023: \$nil). The following transactions occurred and balances are recognised with other entities in the Aurizon Group.

(a) Transactions with related parties

	31 December 2024 \$'000	31 December 2023 \$'000
Trade and other receivables from related parties	77,633	20,779
Trade and other payables to related parties	42,422	41,345
Tax loan receivable from parent entity	14,925	171,734
Loans payable to related parties	-	56,000
Loans receivable from related parties	73,000	-
Services revenue received from related parties	11,168	11,637
Expenses paid to related parties	252,362	246,493
Expenses reimbursed from related parties	31,468	31,217
Interest revenue received from related parties	1,256	398

Expenses reimbursed from related parties in the Aurizon Group include maintenance, facilities charges and general corporate overheads. Details of the terms and conditions of transactions with related parties are disclosed in the annual financial report for the year ended 30 June 2024.

8 Summary of significant accounting policies

The accounting policies adopted in the preparation of this consolidated interim financial report are consistent with those of the previous financial year except for the adoption of new and amended standards as set out below. These policies have been consistently applied to both periods presented, unless otherwise stated.

(a) New and amended standards adopted by the Group

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

9 Critical accounting estimates and judgements

The preparation of the interim financial report requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions of assets, liabilities, income and expense.

The areas involving a higher degree of judgement or complexity are consistent with those disclosed in the annual financial report for the year ended 30 June 2024 except as outlined below.

9 Critical accounting estimates and judgements (continued)

Impairment test for goodwill

The Bulk CGU 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. Bulk also manages the Tarcoola-to-Darwin rail infrastructure, the intrastate rail freight network in South Australia, and containerised freight services between Adelaide and Darwin. The Bulk CGU is allocated goodwill of \$57.0m (30 June 2024: \$49.6m).

The Bulk CGU has a carrying amount of \$2,209.4 million (30 June 2024: \$2,142.6 million) and primarily includes infrastructure, rollingstock, other property, plant and equipment, goodwill and working capital. The recoverable amount of the Bulk CGU has been determined based on a fair value less costs of disposal calculation. The estimate uses a 10-year cash flow projection based on a pipeline of known opportunities in the first four years and estimated volume growth rates between nil and 3.4% per annum in the latter six years, an estimated cost of carbon for an ACCU, a long-term growth rate of 2.5% and a post-tax discount rate of 8.4%.

The recoverable amount of the CGU supports the carrying amount, therefore no impairment or impairment reversal has been recognised. The recoverable amount of the Bulk CGU is sensitive to changes in discount rate, current contractual arrangements, transformation initiatives and future growth opportunities. Should contracts with customers not be renewed, or customers cease to operate before the expected end-of-mine life, it may lead to a future material impairment of the Bulk CGU. Additionally, if the timing of future growth opportunities is delayed, or forecast growth in volumes or transformation initiatives are not achieved, it may lead to a future material impairment of the Bulk CGU.

Unrecognised items and events after reporting date

IN THIS SECTION

Unrecognised items provide information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial position and performance. This section also includes events occurring after the reporting date.

10	Commitments and contingencies	Page 23
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10 Commitments and contingencies

Issues relating to common law claims, product warranties and regulatory breaches are dealt with as they arise. There have been no material changes in contingent assets or liabilities since 30 June 2024.

At 31 December 2024, the Group has capital commitments contracted but not provided for in respect of the acquisition of property, plant and equipment of \$109.8 million (30 June 2024: \$88.6 million) which are due within one year and \$2.3 million (30 June 2024: \$8.6 million) which are due between one and five years and \$14.3 million (30 June 2024: \$14.3 million) which are due after five years.

11 Events occurring after the reporting period

No matter or circumstance, other than those matters disclosed in key events and transactions for the period, has occurred subsequent to the interim reporting period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, the state of affairs of the Group or economic entity in subsequent reporting periods.

In accordance with a resolution of the Directors of the Company, I state that:

In the opinion of the Directors of the Company:

- (a) the interim financial statements and notes set out on pages 2 to 23:
 - (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting*; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2024 and of its performance for the six months ended on that date, and
- (b) there are reasonable grounds to believe that Aurizon Operations Limited will be able to pay its debts as and when they become due and payable.



A Harding
Director

Brisbane
17 February 2025

Independent Auditor's Review Report to the members of Aurizon Operations Limited

Conclusion

We have reviewed the interim financial report of Aurizon Operations Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated balance sheet as at 31 December 2024, and consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes to the financial statements, including material accounting policy information and other explanatory information, and the declaration of the directors as set out on pages 2 to 24.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial report of the Group does not present fairly, in all material respects, the financial position of the Group as at 31 December 2024, and its financial performance and its cash flows for the half-year ended on that date, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors Responsibilities for the Interim Financial Report

The directors of the Company are responsible for the preparation of the interim financial report in accordance with the Accounting Standard AASB 134 *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that makes us believe that the interim financial report does not present fairly, in all material respects, the financial position of the Group as at 31 December 2024 and of its financial performance and its cash flows for the half-year ended on that date, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



DELOITTE TOUCHE TOHMATSU



Matthew Donaldson
Partner
Chartered Accountants

Brisbane, 17 February 2025

Non-IFRS Financial Information related to the FY2025 Interim Financial Report

In addition to using profit as a measure of the Group and its segments' financial performance, Aurizon uses EBITDA (Statutory and Underlying), EBITDA margin (Statutory and Underlying), EBIT (Statutory and Underlying), NPAT Underlying. These measurements are not defined under IFRS and are, therefore, termed 'Non-IFRS' measures.

EBITDA – Statutory is Group profit before net finance costs, tax, depreciation and amortisation, while EBIT – Statutory is defined as Group profit before net finance costs and tax. Underlying can differ from Statutory due to exclusion of significant items that permits a more appropriate and meaningful analysis of the underlying performance on a comparative basis. EBITDA margin is calculated by dividing underlying EBITDA by total revenue. These measures are considered to be useful measures of the Group's operating performance because they approximate the underlying operating cash flow by eliminating depreciation and amortisation.

NPAT– Underlying represents the underlying EBIT less finance costs, tax expense and the tax impact of significant items.

A reconciliation of the Non-IFRS measures and specific items to the nearest measure prepared in accordance with IFRS is included in the table. The Non-IFRS financial information contained within this Directors' report and Notes to the Financial Statements have not been audited in accordance with Australian Auditing Standards.

	Six months ended 31 December 2024	Six months ended 31 December 2023
NPAT – Underlying	71.2	97.5
Significant items, net of tax	28.4	-
NPAT – Statutory	99.6	97.5
Income tax expense	36.1	41.8
Profit before income tax	135.7	139.3
Net finance costs	43.5	53.2
EBIT - Statutory	179.2	192.5
Add back significant items:		
- Proceeds from settlement of legal matters	(36.8)	-
EBIT – Underlying	142.4	192.5
Depreciation and amortisation	181.8	173.2
EBITDA - Underlying	324.2	365.7