Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

10 August 2020

Appendix 4E

Please find attached announcement for release to the market a copy of the Company's Appendix 4E for the financial year ended 30 June 2020.

Kind regards

Dominic D Smith
Company Secretary

T +61 7 3019 9000 | F +61 7 3019 0720 | CompanySecretary@aurizon.com.au
Level 8, 900 Ann Street, Fortitude Valley QLD 4006 Australia | GPO Box 456 Brisbane QLD 4001 Australia

Aurizon Holdings Limited

Appendix 4E

Preliminary Financial Report

For the year ended 30 June 2020 (FY2020)

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

For further information please contact:

Investors: Chris Vagg, Head of Investor Relations & Group Treasurer
T +61 7 3019 9030 | M +61 409 406 128

Media: Mark Hairsine, Manager Media & Communications
T +61 7 3019 5708 | M +61 418 877 574

Table of Contents

FY2020 IN REVIEW

Result Highlights (Underlying and statutory continuing operations)

($m)	FY2020	FY2019	Variance
Total revenue	3,064.6	2,907.6	5%
EBITDA	1,467.6	1,371.6	7%
EBIT	909.0	829.0	10%
EBIT Statutory	1,014.4	829.0	22%
NPAT	531.4	473.3	12%
NPAT Statutory	605.1	473.3	28%
Free cash flow (FCF)	714.7	734.4	(3%)
Final dividend (cps)	13.7	12.4	10%
Total dividend (cps)	27.4	23.8	15%
Earnings per share (cps)	27.2	23.8	14%
Return on invested capital (ROIC)	10.9%	9.7%	1.2ppt
EBITDA margin (%)	47.9%	47.2%	0.7ppt
Operating ratio (OR) (%)	70.3%	71.5%	1.2ppt
Above Rail Tonnes (m)	262.0	258.9	1%
Above Rail opex / NTK (excluding access) ($/'000 NTK)	20.9	20.3	(3%)
Gearing (net debt / net debt)+ equity) (%)	45.1%	41.7%	(3.4ppt)

Performance Overview

› EBIT up 10% to $909.0m with:
  – Bulk up $52.6m (141%) with higher revenue through new contracts and benefits from ongoing efficiency improvements
  – Network up $68.5m (17%) with higher revenue from the implemented UT5 Undertaking and non-recurrence of the FY2018 true-up that impacted FY2019
  – Coal down $4.5m (1%) with higher depreciation and operating costs associated with installing additional capacity to deliver contracted volume growth
  – Other down $36.6m impacted by the sale of the Rail Grinding business in October 2019 and the recovery of a $20.3m doubtful debt in FY2019

› FCF declined 3% to $714.7m due to the impact of the Cliffs termination payment in FY2019 and FY2018 true-up adjustment paid in FY2020 more than offsetting an improvement in cash flows from investing activities (sale of Rail Grinding) and higher Group earnings

› Final dividend 13.7cps, 70% franked, representing a payout ratio of 100% of underlying NPAT for the continuing operations, an increase of 10%

› Commitment to returning surplus funds to shareholder with completion of a $400.0m on market share buy-back and further $300.0m targeted for FY2021

Major items

› Bulk – strong financial performance delivered through new contracts and ongoing operational efficiency improvements. Acquisition of Townsville Bulk Storage and Handling (renamed Aurizon Port Services) in March 2020 expands capability and offering to customers

› Network – UT5 Undertaking approved during the year providing greater certainty and improved returns

› Coal – secured contract extensions with major customers during the year and now operates in all coal systems across the east coast of Australia

› Completed the refinancing of Network's bank debt facilities in June 2020, increasing the capacity to $1.3bn with maturities from June 2023 – June 2025, of which $525m is to cover the upcoming bond maturity.

Outlook

Underlying EBIT guidance for FY2021 for Group $830m to $880m. Key assumptions:

› Coal – flat volumes of 210-220mt based on current view of COVID-19 impact on coal demand

› Network:
  – Tariffs based on QCA approved volume forecast of 239mt – 5% higher than FY2020 actual volumes
  – CQCN volumes expected to be lower than 239mt due to COVID-19's impact on coal demand, resulting in revenue under-recovery
  – Flat volumes implies a revenue under-recovery of ~$50m[1] – any shortfall will form part of the revenue cap in FY2023 partly offset by other adjustments including WACC

› Operational efficiency improvements remain a key driver in the business

› Redundancy costs included in guidance (reported in 'Other' segment)

› No material disruptions to commodity supply chains (such as adverse weather and/or COVID-19)

[1] *Based on 227mt applied to $941m MAR (excluding GAPE)*

CONSOLIDATED RESULTS

Underlying continuing operations unless otherwise stated

Financial Summary

($m)	FY2020	FY2019	Variance
Total revenue	**3,064.6**	**2,907.6**	**5%**
Operating costs			
Employee benefits	(791.6)	(778.6)	(2%)
Energy and fuel	(231.3)	(233.9)	1%
Track access	(107.2)	(101.0)	(6%)
Consumables	(440.7)	(397.8)	(11%)
Other	(26.2)	(24.7)	(6%)
EBITDA	**1,467.6**	**1,371.6**	**7%**
Statutory EBITDA	1,573.0	1,371.6	15%
Depreciation and amortisation	(558.6)	(542.6)	(3%)
EBIT	**909.0**	**829.0**	**10%**
Statutory EBIT	1,014.4	829.0	22%
Net finance costs	(148.5)	(147.1)	(1%)
Income tax (expense)	**(229.1)**	**(208.6)**	**(10%)**
Statutory Income tax (expense)	(260.8)	(208.6)	(25%)
NPAT	**531.4**	**473.3**	**12%**
Statutory NPAT	605.1	473.3	28%
Profit after tax from discontinued operations Statutory	10.8	3.2	238%
NPAT (group) Statutory	**615.9**	**476.5**	**29%**
Earnings per share[2]	**27.2**	**23.8**	**14%**
Statutory	31.0	23.8	30%
Earnings per share[2] (continuing and discontinuing operations)	**27.7**	**24.0**	**15%**
Statutory	31.5	23.9	32%
Return on invested capital (ROIC)[3]	10.9%	9.7%	1.2ppt
Operating Ratio	70.3%	71.5%	1.2ppt
Net cashflow from operating activities	1,237.5	1,316.1	(6%)
Final dividend per share (cps)	13.7	12.4	10%
Gearing (net debt / net debt + equity) (%) (group)	45.1%	41.7%	(3.4ppt)
Net tangible assets per share ($) (group)	2.2	2.3	(4%)
People (FTE)	4,883	4,728	(3%)
Labour costs[4] / Revenue	26.4%	26.0%	(0.4ppt)
Above Rail Tonnes (m)[5]	262.0	258.9	1%

[2] *Calculated on weighted average number of shares on issue – 1,953m FY2020 and 1,990m FY2019*
[3] *ROIC is defined as underlying rolling twelve-month EBIT divided by the average invested capital. The average invested capital is calculated as the rolling twelve-month average of net assets (excluding cash, borrowings, tax, derivative financial assets and liabilities)*
[4] *FY2020 excludes $16.0m redundancy costs (FY2019 excludes $21.4m redundancy costs)*
[5] *Includes both Coal and Bulk*

EBIT by Segment

($m)	FY2020	FY2019	Variance
Coal	410.6	415.1	(1%)
Bulk	89.9	37.3	141%
Network	468.8	400.3	17%
Other	(60.3)	(23.7)	(154%)
Group (Continuing operations)	**909.0**	**829.0**	**10%**

Group Performance Overview

EBIT improved $80.0m or 10% due to higher earnings in Network from the UT5 Undertaking and volume growth (principally new contracts) in Bulk. Earnings in Coal were marginally lower with higher costs incurred to support an increase in contracted volumes. The decline in Other EBIT is principally due to the completion of the sale of the Rail Grinding business in October 2019 and a $20.3m doubtful debt recovery in FY2019.

Group revenue improved $157.0m or 5% with higher revenue in all business units with new contract growth for Bulk, greater revenue yield in Coal and higher revenue from the UT5 Undertaking in Network, partly offset by the impact from the sale of the Rail Grinding business.

Operating costs increased $61.0m or 4% principally due to additional costs in the Bulk business associated with the increased volumes and revenues.

The net impact on EBIT of adopting AASB 16 Leases was $1.4m.

ROIC has improved 1.2ppts to 10.9% reflecting the increased EBIT during FY2020.

Reconciliation to Statutory Earnings

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

($m)	FY2020	FY2019
Underlying EBIT (Continuing operations)	**909.0**	**829.0**
Significant items (Continuing operations)	**105.4**	**-**
Sale of Rail Grinding	105.4	-
Statutory EBIT (Continuing operations)	1,014.4	829.0
Net finance costs	(148.5)	(147.1)
Statutory PBT (Continuing operations)	865.9	681.9
Income tax expense	(260.8)	(208.6)
Statutory NPAT (Continuing operations)	**605.1**	**473.3**
EBIT (Discontinued operations)	12.7	6.7
Significant items (Discontinuing operations)	**2.5**	**(11.4)**
Asset impairments	-	(25.1)
Intermodal closure benefit	2.5	13.2
Redundancy benefit	-	0.5
Net finance benefit (Discontinued operations)	-	0.1
Income tax (expense) / benefit (Discontinued operations)	(4.4)	7.8
Statutory NPAT	**615.9**	**476.5**

Significant items in the continuing operations during FY2020 were $105.4m and relate to the net gain on sale of the Rail Grinding business.

Significant items for the discontinued operations totalled $2.5m, including gain on the sale of surplus assets.

Balance Sheet Summary

($m)	30 June 2020	30 June 2019
Assets classified as held for sale	65.1	108.4
Other current assets	650.2	631.2
Total current assets	**715.3**	**739.6**
Property, plant and equipment (PP&E)	8,537.1	8,536.3
Other non-current assets	519.6	425.2
Total non-current assets	**9,056.7**	**8,961.5**
Total Assets	**9,772.0**	**9,701.1**
Liabilities classified as held for sale	(0.7)	(3.8)
Other current liabilities	(814.1)	(795.7)
Total borrowings	(3,607.2)	(3,369.8)
Other non-current liabilities	(992.3)	(854.4)
Total Liabilities	**5,414.3**	**5,023.7**
Net Assets	**4,357.7**	**4,677.4**
Gearing (net debt / net debt + equity) (%)	**45.1%**	**41.7%**

Balance Sheet Movements

Total current assets decreased by $24.3m largely due to:

- Net reduction of $43.3m in assets classified as held for sale predominately due to the completion of the Rail Grinding business sale
- Reduction in trade and other receivables of $21.7m due to the timing of customer receipts and lower Take-or-Pay accrual

These reductions in current assets were partly offset by:

- Increase in current inventory of $28.6m to support overhaul and maintenance programs and additional requirements due to COVID-19
- Increase in other assets of $8.6m predominately due to the adoption of AASB 16
- Increase in cash and cash equivalents of $4.1m

Total non-current assets increased by $95.2m largely due to a $24.1m favourable valuation of derivative financial instruments, an increase in other assets of $61.9m as a result of the adoption of AASB 16 and an increase in contract asset balances.

Total current liabilities, excluding borrowings increased by $15.1m largely due to:

- Increase in current tax liabilities of $42.5m
- Unfavourable valuation of derivative financial instruments (and a portion reclassified from non-current) of $35.1m due to the reduction in interest rates
- Increase in other liabilities of $26.2m due to an increase in contract liability balances and adoption of AASB 16

These increases in current liabilities were partly offset by a reduction of $83.6m in trade and other payables mainly due to the settlement of an $81.3m over-collection of access revenue in FY2019.

Total borrowings increased by $237.4m, including $82.0m proceeds from issuance of an Australian Dollar Medium Term Note, net proceeds from bank debt facilities of $134.0m and $18.7m unfavourable revaluation of Euro Medium Term Notes. The first Australian Dollar Medium Term Note matures in October 2020 and as a result has been reclassified to current borrowings.

Other non-current liabilities increased by $137.9m largely due to a $71.0m increase in net deferred tax liabilities and $67.9m increase in other liabilities predominately due to the adoption of AASB 16.

Gearing (net debt/debt plus equity) was 45.1% as at 30 June 2020.

Cash Flow Summary

($m)	FY2020	FY2019
Statutory EBITDA (Continuing operations)	**1,573.0**	**1,371.6**
Working capital and other movements	(203.2)	61.6
Non-cash adjustments - asset impairments	5.7	24.9
Cash inflows from Continuing operations	**1,375.5**	**1,458.1**
Interest received	2.8	2.9
Income taxes paid	(146.5)	(145.3)
Principal elements of lease receipts	5.7	-
Net cash inflow from operating activities from Continuing operations	**1,237.5**	**1,315.7**
Net operating cashflows from Discontinued operations	9.9	(25.4)
Net operating cash flows	**1,247.4**	**1,290.3**
Cash flows from investing activities		
Proceeds from sale of business	165.3	-
Payments for acquisitions of subsidiary, net of cash acquired	(24.5)	-
Proceeds from associate and sale of property, plant and equipment (PP&E)	15.8	13.7
Payments for PP&E and intangibles	(528.3)	(444.5)
Net cash (outflow) from investing activities from Continuing operations	**(371.7)**	**(430.8)**
Net investing cashflows from Discontinued operations	0.4	11.1
Net investing cashflows	**(371.3)**	**(419.7)**
Net proceeds / (repayments) from borrowings	211.2	(253.4)
Payment for share buy-back and share based payments	(403.6)	(0.6)
Interest paid	(151.1)	(150.5)
Proceeds from settlement of derivatives	-	11.5
Dividends paid to Company shareholders	(513.8)	(487.6)
Finance lease payments	(14.6)	-
Net cash (outflow) from financing activities from Continuing operations	**(871.9)**	**(880.6)**
Net financing cashflows from Discontinued operations	-	-
Net financing cashflows	**(871.9)**	**(880.6)**
Net (decrease) / increase in cash from Continuing operations	**(6.1)**	**4.3**
Net increase / (decrease) in cash from Discontinued operations	**10.3**	**(14.3)**
Free Cash Flow (FCF)[6] from Continuing operations	**714.7**	**734.4**
Free Cash Flow (FCF)[6] from Discontinued operations	**10.3**	**(14.3)**

Cash Flow Movements

Net cash inflow from operating activities from continuing operations decreased by $78.2m (6%) to $1,237.5m. This was largely due to the receipt of the Cliffs termination payment in FY2019 and the FY2018 UT5 true-up adjustment that was paid to customers in FY2020. These working capital items offset the improved earnings of the Group.

Net cash outflow from investing activities from continuing operations decreased by $59.1m (14%) to $371.7m, largely due to $164.5m proceeds from the sale of the Rail Grinding business which completed on 31 October 2019. This was partly offset by a $24.5m payment for the acquisition of Townsville Bulk Storage and Handling (renamed Aurizon Port Services) in March 2020 and a $83.8m increase in payments for capital expenditure.

Net cash outflow from financing activities from continuing operations reduced by $8.7m (1%) to $871.9m with the higher dividend payments and the on-market share buy-back largely offset by an increase of net proceeds from borrowing of $464.6m.

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

Funding

The Group's improved legal and capital structure was implemented in FY2020 which results in a more efficient balance sheet and funding structure. Aurizon Operations' and Aurizon Network's credit ratings have each been maintained at BBB+/Baa1. The Aurizon Holdings' credit rating was withdrawn during the period.

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

During FY2020 Aurizon Network:

- Issued a 10.5 year, $82.0m A$ Private Placement
- Cancelled existing Network bank debt syndicated facilities maturing in July 2021 and October 2022 and replaced them with bilateral bank debt facilities totalling $1.3b with maturity extended to June 2023, 2024 and 2025

In respect of FY2020:

- Weighted average debt maturity tenor was 3.8 years. This was lower than FY2019 (4.3 years) due to the debt portfolio's duration reducing by 12 months, partly offset by the extinguishment and replacement of Network bank debt facilities noted above
- Group interest cost on drawn debt was 4.5% (FY2019 4.5%)
- Available liquidity (undrawn facilities plus cash) as at 30 June 2020 was $1,165m, with $525m to be used for the upcoming bond maturity
- Group gearing (net debt / (net debt + equity)) as at 30 June 2020 was 45.1% (FY2019 41.7%)
- Network gearing (net debt / Regulated Asset Base (excluding Access Facilitation Deeds)) as at 30 June 2020 was 56.0% (FY2019 58.7%)
- Operations gearing (net debt / (net debt + equity)) as at 30 June 2020 was 10.2% (FY2019 0.7%)

Dividend

The Board has declared a final dividend for FY2020 of 13.7cps (70% franked) based on a payout ratio of 100% in respect of underlying NPAT for continuing operations.

The relevant final dividend dates are:

- 24 August 2020 – ex-dividend date
- 25 August 2020 – record date
- 21 September 2020 – payment date

Share buy-back

On 12 August 2019, Aurizon announced its intention to undertake an on-market share buy-back of up to $300.0m during FY2020. This was subsequently increased on 10 February 2020 to $400.0m, confirming Aurizon's commitment to returning surplus capital to shareholders.

During the year, 75,485,000 shares at a total consideration of $400.0m were bought back and subsequently cancelled.

Tax

For FY2020 continuing operations, the underlying income tax expense was $229.1m and the statutory income tax expense was $260.8m. Statutory income tax expense for the Group (both continuing and discontinued) for FY2020 was $265.2m. The Group underlying and statutory effective tax rate[7] for FY2020 was 30.1% which is greater than 30% due to the derecognition of the deferred tax asset in respect of net capital losses. The Group underlying cash tax rate[8] for FY2020 was 21.3%, which is less than 30% primarily due to accelerated fixed asset related adjustments.

The underlying effective tax rate for FY2021 is expected to be in the range of 29-31% and the underlying cash tax rate is expected to be less than 25% for the short to medium term.

Aurizon publishes additional tax information in accordance with the voluntary Tax Transparency Code in its sustainability report. Please refer to www.aurizon.com.au/sustainability for a copy of Aurizon's sustainability report (including tax transparency disclosures).

Discontinued Operations

On 14 August 2017 Aurizon announced the intention to exit the Intermodal business through a combination of closure and sale.

Aurizon signed a binding agreement with Pacific National on 29 July 2017 to sell its Acacia Ridge Intermodal Terminal for $205.0m, of which a $35.0m non-refundable amount was received in advance. This transaction is subject to approval by the ACCC and Foreign Investment Review Board.

On 6 May 2020, the Full Federal Court unanimously dismissed an appeal by the ACCC that the sale of the Acacia Ridge Intermodal Terminal to Pacific National contravened section 50 of the Commonwealth's *Competition and Consumer Act (2010)*. On 26 June 2020, the ACCC sought special leave to the High Court to appeal the decision of the Full Federal Court.

It is anticipated that the special leave application decision will be received before the end of calendar year 2020. The Group remains committed to exiting the Acacia Ridge Intermodal Terminal and on this basis has continued to classify the Acacia Ridge Intermodal Terminal as held for sale and a discontinued operation as at 30 June 2020.

The Queensland Intermodal business was sold to Linfox on 31 January 2019.

---

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

BUSINESS UNIT REVIEW

Coal

Aurizon's Coal business provides a critical supply chain link for the majority of Australia's coal producers. The coal transport operation connects mines in the Newlands, Goonyella, Blackwater, Moura and West Moreton systems in Queensland and the Hunter Valley and Illawarra coal systems, in New South Wales with domestic customers and coal export terminals.

Financial Summary

($m)	FY2020	FY2019	Variance
Revenue			
Above Rail	1,260.3	1,236.2	2%
Track Access	512.8	487.7	5%
Other	2.2	0.9	144%
Total revenue	**1,775.3**	**1,724.8**	**3%**
Operating costs	(1,158.9)	(1,115.0)	(4%)
EBITDA	**616.4**	**609.8**	**1%**
Depreciation and amortisation	(205.8)	(194.7)	(6%)
EBIT	**410.6**	**415.1**	**(1%)**

Metrics

	FY2020	FY2019	Variance
Total tonnes hauled (m)	213.9	214.3	(0%)
CQCN	150.1	152.3	(1%)
NSW & SEQ	63.8	62.0	3%
Contract utilisation	86%	90%	(4.0ppt)
Total NTK (bn)	50.0	50.5	(1%)
CQCN	37.8	38.3	(1%)
NSW & SEQ	12.2	12.2	-
Average haul length (km)	234	236	(1%)
Total revenue / NTK ($/'000 NTK)	35.5	34.2	4%
Above Rail Revenue / NTK ($/'000 NTK)	25.2	24.5	3%
Operating Ratio (%)	76.9%	75.9%	(1.0ppt)
Opex / NTK ($/'000 NTK)	27.3	25.9	(5%)
Opex / NTK (excluding access costs) ($/'000 NTK)	17.1	16.6	(3%)
Locomotive productivity ('000 NTK / Active locomotive day)[9]	405.5	416.0	(3%)
Active locomotives (as at 30 June)[9]	332	337	(1%)
Wagon productivity ('000 NTK / Active wagon day)[9]	15.7	16.0	(2%)
Active wagons (as at 30 June)[9]	8,721	8,732	(0%)
Payload (tonnes)[9]	7,676	7,501	2%
Velocity (km/hr)[9]	23.5	22.9	3%
Fuel Consumption (l/d GTK)[9]	2.86	2.82	(1%)

[9] *Operational metrics have been restated in prior periods to reflect new reporting which utilises updated data sources*

Coal Performance Overview

Coal EBIT decreased $4.5m (1%) to $410.6m with higher depreciation and operating costs associated with installing additional capacity, technology improvements and CPI impacts, partly offset by revenue quality improvements.

Volumes were 213.9mt (-0.4mt; 0%) which was broadly in line with the prior year.

- Across the CQCN, volumes decreased by 2.2mt (1%) to 150.1mt largely due to customer specific maintenance and production issues including which more than offset recovery from the one-off supply chain impacts experienced in FY2019
- In NSW and South-East Queensland (SEQ), volumes increased by 1.8mt (3%) to 63.8mt with higher volumes from MACH Energy partly offset by production issues experienced by other key customers

Coal revenue increased by $50.5m (3%) to $1,775.3m, with higher above rail revenue yield (including CPI impacts) and track access revenue following an increase in CQCN access tariffs from the finalisation of UT5, partly offset by prior year Take-or-Pay recovery.

Total operating costs (including depreciation) increased $55.0m (4%) to $1,364.7m with higher track access costs and an increase in other operating costs and depreciation. The major drivers of these movements are noted below:

- Track access costs increased by $35.0m (7%) due to the increase in the CQCN access tariffs
- Other operating costs increased $8.9m due to increased traincrew and maintenance costs to meet expected volume growth and wages and consumables escalation, including the commencement of new Enterprise Agreements. These costs were partly offset by lower fuel expenses and ongoing efficiency benefits
- Depreciation increased $11.1m relating to the additional installed fleet, overhauls of existing rollingstock and technology modernisation investments

Operationally, key productivity metrics showed some deterioration given lower than expected NTKs. However, average payloads and velocity have increased as a result of successful efficiency initiatives, including increasing consist lengths in the Hunter Valley and SEQ and implementing improved driver methodologies.

Market update

Australia exported 176mt of metallurgical coal in FY2020, down 4% against the prior year. China was Australia's largest metallurgical coal export market with export volume of 50mt (28% share), followed by India at 40mt (22% share) and Japan at 32mt (18% share). Although not impacting crude steel production in China, increasing by 2% in the six months to June, steel capacity in both India and Japan was curtailed as a result of COVID-19 with production reducing by -24% and -17% respectively over the same period. The average hard coking coal price in FY2020 fell by 30% (compared to the prior year) to US$145/t. In the 12 months to June, metallurgical coal exports from the United States (the second largest metallurgical coal export nation behind Australia) decreased by 20%.

Australia exported a record 213mt of thermal coal in FY2020, up 1% against the prior year. Japan remained Australia's largest thermal coal export market with export volume of 74mt (35% share), followed by China at 52mt (24% share) and South Korea at 32mt (15% share). This was a record result for China and also Vietnam, with the export volume for the latter at 13mt (+78%). The average Newcastle benchmark thermal coal price in FY2020 fell by 35% (compared to the prior year) to US$65/t. In the 12 months to May, total coal exports (almost entirely thermal coal) from Indonesia (the largest thermal coal export nation) decreased by 2% against the same period of the prior year.

Contract update

- Bluescope – commenced railings in April 2020 installing Aurizon into the Illawarra region
- Peabody – commenced railings in July across CQCN and NSW under new contracts

Bulk

Aurizon's Bulk business supports a range of customers nationally for bulk materials and commodities, agricultural products and mining and industrial inputs.

Financial Summary

($m)	FY2020	FY2019	Variance
Revenue			
Freight Transport	583.4	474.6	23%
Other	25.4	27.1	(6%)
Total revenue	**608.8**	**501.7**	**21%**
Operating costs	(498.7)	(447.2)	(12%)
EBITDA	**110.1**	**54.5**	**102%**
Depreciation and amortisation	(20.2)	(17.2)	(17%)
EBIT	**89.9**	**37.3**	**141%**
Total tonnes hauled (m)	48.1	44.6	8%
Operating Ratio (%)	85.2%	92.6%	7.4ppt

Bulk Performance Overview

EBIT increased $52.6m (141%) to $89.9m due to new volume growth, increased revenue quality and ongoing operational efficiencies. The result demonstrates the strong progress made on the Bulk turnaround program. All divisions within the Bulk business are now profitable. The result was also supported by the decision to not expense sustaining capital spend in Bulk East from July 2019 based on a more sustainable earnings outlook.

Revenue increased $107.1m (21%) to $608.8m due to:

- The full year impact of the Linfox agreement (no volumes are recorded against this contract as it is a hook and pull agreement and invoiced on a per service basis)
- The full year impact of the Glencore Freighter service on the Mt Isa corridor along with increased concentrate volumes
- The commencement of the Rio Tinto contract for the operation and maintenance of Rio's ballast cleaning machine on its Western Australian (WA) Pilbara network in February 2020
- The commencement of the Mineral Resource contract for the lease of rollingstock, provision of mainline crew and Esperance yard operations during 2H FY2020
- The acquisition of Townsville Bulk Storage and Handling (renamed Aurizon Port Services) from Flinders Ports in March 2020
- Higher revenue yield through some minor contract variations, CPI mechanisms and the expiry of a short-term rate relief arrangement for an Iron Ore customer in late FY2019

In Bulk East, volumes increased by 0.9mt with the commencement of the Glencore Freighter service in October 2018 and the significant flooding event in 2H FY2019 in North Queensland. Overall train services increased 42% driven by the Linfox contract which commenced in February 2019.

In WA, iron ore volumes were up 2.0mt driven by the commencement of Mineral Resources volumes into Esperance in 2H FY2020. Bulk West volumes increased by 0.5mt largely due to higher volumes for the South West customers.

Total costs (including depreciation) increased $54.5m (12%) largely due to operating costs associated with the new volumes, Aurizon Port Services and the full year run rate for the Linfox contract. This was partly offset by ongoing cost benefits from the Bulk turnaround program, lower average fuel prices compared to the prior year and not expensing Bulk East sustaining capital spend from July 2019.

Market update

Aurizon's Bulk business includes haulage of a range of bulk commodities such as iron ore, bauxite, alumina, base metals, grain and livestock across WA and Queensland. In addition to commodities required to build infrastructure, exposure to growth markets of fertilisers and batteries will unlock future opportunities. In terms of batteries, the global uptake of electric vehicles is expected to drive demand for commodities such as nickel, cobalt, copper and lithium. This is supported by increased exploration expenditure in Australia – for the nine months ended 31 March 2020, copper exploration expenditure increased by 54% (compared to the same period of the prior year) and nickel (including cobalt) exploration expenditure rose by 11%, across the same period.

Contract update

- South32 Cannington - executed an 11 year contract extension out to 2032 for services on the Mt Isa corridor
- Aurizon Port Services - acquired Townsville Bulk Storage and Handling to extend supply chain services for Bulk customers in North Queensland
- Incitec Pivot Ltd – new contract commenced in January 2020 for the haulage of acid and fertiliser on the Mt Isa corridor
- BGC - new contract commenced in June 2020 hauling cement products on the Kalgoorlie Freighter

Network

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

Financial Summary

($m)	FY2020	FY2019	Variance
Revenue			
Track Access	1,131.7	1,070.3	6%
Services and other	56.8	47.4	20%
Total revenue	**1,188.5**	**1,117.7**	**6%**
Operating costs	(390.4)	(396.5)	2%
EBITDA	**798.1**	**721.2**	**11%**
Depreciation and amortisation	(329.3)	(320.9)	(3%)
EBIT	**468.8**	**400.3**	**17%**

Metrics

	FY2020	FY2019	Variance
Tonnes (m)	226.9	232.7	(2%)
NTK (bn)	56.2	57.9	(3%)
Operating Ratio (%)	60.6%	64.2%	3.6ppt
Maintenance / NTK ($/'000 NTK)	2.3	2.3	-
Opex / NTK ($/'000 NTK)	12.8	12.4	(3%)
Cycle Velocity (km/hr)	23.3	23.1	1%
System Availability (%)	83.3%	83.8%	(0.5ppt)
Average haul length (km)	248	249	(0%)

Network Performance Overview

EBIT improved $68.5m (17%) to $468.8m in FY2020, with increased revenue of $70.8m (6%) and reduced operating costs of $6.1m (2%) partially offset by higher depreciation of $8.4m (3%).

Regulatory access revenue has been accounted for based on actual railed tonnes using tariffs approved by the QCA on 21 February 2020. Actual net tonnes were 226.9mt compared to the regulatory system forecast of 240.0mt.

Total Access Revenue increased $61.4m (6%), benefitting from:

› Increased regulatory allowable revenue of $76.6m including the impact of the UT5 Undertaking;
› The non-recurrence of the FY2018 true-up that impacted FY2019 revenue, totalling $60.1m; and
› Lower customer funded infrastructure rebates, which were $17.8m favourable compared to FY2019 due to a combination of lower volumes and a true-up adjustment following the finalisation of the UT5 Undertaking as rebates had previously been paid on a transitional tariff basis.

This was partially offset by:

› A volume related under-recovery of allowable revenue in FY2020 of $22.6m compared to an over-recovery of $11.8m in FY2019
› Unfavourable Revenue Cap movements of $57.5m, being a repayment in FY2020 of both $0.8m in relation to FY2018 and $12.2m in relation to FY2019 compared to a recovery of $44.5m in FY2019; and
› GAPE revenue was $2.7m lower.

Access Revenue included the recognition of $25.6m Take-or-Pay in relation to the Goonyella and Moura systems.

Services and other revenue increased $9.4m (20%) mainly due to additional external construction works revenue ($9.1m) partially offset in expenses.

Operating costs decreased by $6.1m (2%) from a reduction in consumables due to lower professional services spend (primarily relating to UT5 and the WIRP dispute), overhead savings and lower employee costs from cost saving initiatives which more than offset CPI impacts.

Depreciation increased $8.4m (3%) due to increased levels of asset renewals and ballast undercutting.

Network's 2018-2019 Regulated Asset Base (RAB) roll-forward is estimated to be $5.5bn (including all deferred capital but excluding Access Facilitation Deeds of $0.4bn).

Although the volume related under recovery was $22.6m for the year, the revenue cap is expected to be minimal given offsets from lower maintenance costs and adjustments for rebates and WACC.

Regulation Update

› On 19 December 2019, the Queensland Competition Authority (QCA) approved the 2017 Access Undertaking (UT5) with support from customers representing more than 90% of railed tonnes in the CQCN
› Aurizon continues to progress the implementation of UT5. The status of key aspects of UT5 is as follows:
  − The term of UT5 is extended to 10 years (1 July 2017 to 30 June 2027)
  − The appointment of an Independent Expert (IE) to complete initial and ongoing capacity assessments and to undertake reporting requirements
    o The IE was incorporated on 20 April 2020, as the Coal Network Capacity Co Pty Ltd
    o The IE is in the process of setting up for operation with the Chair and the Chief Executive Officer appointed
    o Network and its customers are continuing to progress the development of the Initial Capacity Assessment Report while the IE is being established with the assistance of external consultants
  − Network's weighted average cost of capital (WACC) increased from 5.7% to 5.9% on 3 May 2019, with a further increase to 6.3% upon the completion of specific milestones by both the IE and Network (Report Date). QCA approved reference tariffs assume the commencement of the WACC uplift to 6.3% from 1 March 2020. Future tariffs may be adjusted to reflect the actual Report Date
  − The Performance Rebate mechanism is not applicable for FY2020. The rebate will come into effect once Network provides its response to the Initial Capacity Assessment Report. Transitional arrangements may be in effect depending on the outcomes of the Initial Capacity Assessment Report and any resulting remedial requirements
› Network obtained Rail Industry Group (RIG) approval of both the FY2021 Maintenance Strategy and Budget and the FY2021 Renewals Strategy and Budget on 14 February 2020

- On 21 February 2020, the QCA approved the consolidated Draft Amending Access Undertaking (DAAU) which brought together the outcomes from the customer supported UT5 and the Volume Reset DAAU into one operational Access Undertaking. Key points from this approval included:
  - Reset FY2020 forecast volumes for the CQCN from 248.2 to 240.0mt
  - Reduce the FY2020 variable maintenance allowance to reflect the lower volumes
  - Reduce the forecast electrical infrastructure charges (AT5) to reflect lower charges from Transmission Network Service Providers
  - Bring-forward the FY2019 Revenue cap adjustment from FY2021 to a payment in FY2020
- The QCA approved Network's FY2021 reference tariff submission on 28 May 2020 and brought together the following elements, which are ultimately reflected in the Access tariffs effective from 1 July 2020:
  - Revised FY2021 coal volume forecasts for the CQCN from 249.2 to 239.2mt
  - Updated maintenance indicator for each coal system to reflect the RIG-approved Maintenance Strategy and Budget
  - Updated capital indicator for each coal system to reflect the RIG-approved Renewals Strategy and Budget
  - A true-up of the revenues associated with the approved FY2018 capital expenditure against the Capital Indicator

Operational Update

Network maintained strong operational performance during FY2020 despite challenges presented by bushfires, wet weather and the COVID19 pandemic.

- The supply chain delivered the third highest volumes on record in the CQCN of 226.9mt with new monthly CQCN records achieved in July and December. Volumes during FY2020 were impacted by isolated customer demand and production issues along with additional reactive maintenance requirements particularly during the second half of FY20
- Total System Availability declined marginally from 83.8% to 83.3%
- Cancellations due to the Network rail infrastructure increased from 1.8% to 2.5% partly reflecting additional reactive maintenance requirements, primarily in Blackwater and Goonyella
- Cycle velocity improved from 23.1km/h to 23.3km/h

The RM902, Network's new ballast cleaning machine remains in the commissioning phase following the identification of some design modification requirements. It is now expected that the machine will be fully operational in the second half of FY21.

Wiggins Island Rail Project (WIRP)

- During FY2020 legal proceedings continued in relation to the notices received by Network in September 2015 from WIRP customers purporting to exercise a right under their WIRP Deeds to reduce their financial exposure in respect of payment of the non-regulated WIRP fee. On 27 June 2019, the Supreme Court of Queensland ruled in Network's favour. Customers appealed that decision and that appeal was heard in the Queensland Court of Appeal between 10-12 March 2020. A decision of the Queensland Court of Appeal is expected to be delivered during 1HFY2021
- The WIRP customers also initiated other disputes under their respective WIRP Deeds, which were the subject of an expert determination in February 2019. The Expert's Determination was issued on 4 June 2019 and found that the WIRP Fee should be reduced. These disputes relate to the same component of WIRP revenue as the Supreme Court proceedings and will not impact recovery of the regulated access charge component of WIRP capital expenditure. Network is determining options for appeal of this outcome
- Due to the ongoing dispute, no revenue in respect of the WIRP fee has been recognised in FY2020

Other

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

($m)	FY2020	FY2019	Variance
Total revenue	**40.7**	**82.2**	**(50%)**
Operating costs	(97.7)	(96.1)	(2%)
EBITDA	**(57.0)**	**(13.9)**	**(310%)**
Depreciation and amortisation	(3.3)	(9.8)	66%
EBIT	**(60.3)**	**(23.7)**	**(154%)**

Other Performance Overview

EBIT decreased by $36.6m (154%) mainly due to reduced earnings following the sale of the Rail Grinding business which completed in October 2019 and the recovery of a $20.3m doubtful debt in FY2019.

OPERATIONAL EFFICIENCY IMPROVEMENT UPDATE

As part of Aurizon's Strategy In Action, particularly the Optimise and Excel levers, Aurizon continues to focus on operational efficiency to continuously improve its operational performance, asset efficiency and cost competitiveness. Through the Optimise and Excel levers, Aurizon is making targeted investments in technology on the journey to continuous improvement. Outlined below are the major initiatives being pursued in the business.

Precision Railroading Operations

Precision Scheduled Railroading (Precision) ultimately delivers better value for Aurizon's customers and shareholders.

Partnerships across the supply chain are critical to facilitating a step-change in system throughput using a disciplined and evidence-based approach to scheduling, execution and continuous improvement. The focus of Precision in FY2020 has been twofold:

- Improve system performance in Blackwater through the implementation of the Schedule Adherence operating mode. Schedule Adherence brings further discipline to train operations and creates a stable baseline from which to drive operational improvements. By Q4 FY2020, the Schedule Adherence process had been implemented with a high degree of consistency within the business and resulted in the following improvements compared with the FY2019 baseline[10]:
  - On-time arrival to mine improved from 47% to 86%
  - On-time arrival to port improved from 16% to 60%
  - A 20% reduction in service cancellations to Network and Operator causes
- Establish the Precision master plan, comprised of five key workstreams which are driving operational improvements:
  - Fleet Performance
  - Network Performance
  - Day of Operations Optimisation
  - Modern Planning & Scheduling
  - Resource Performance

These workstreams have identified numerous process and operational changes in both the Coal and Network business units. The primary objective of these workstreams is to reduce train turnaround time which in turn creates options for Aurizon to deliver additional throughput and/or reduce the rollingstock capital requirements of Aurizon Operations. The Precision project team is working closely with relevant stakeholders to implement these changes throughout FY2021.

TrainGuard

TrainGuard is a platform utilising ETCS (European Train Control System) technology to support driver decision making, particularly in relation to speed control and signal enforcement. TrainGuard will support safer and more efficient train operations with reduced rail process safety issues and improved train handling. TrainGuard is also a pathway to expanding our driver only operations in Central Queensland. Operational demonstration of TrainGuard was completed as planned in Q4 FY2020. Following this, the business decision to proceed with deployment of TrainGuard across Blackwater and Goonyella has been communicated to stakeholders. TrainGuard's next phase is deployment on the Blackwater mainline (Callemondah to Bluff) in calendar year 2021.

Asset Maintenance

A project plan and multi-year project has been established and a dedicated project team stood up to work in close collaboration with the business stakeholders.

The program of work is broken down into five distinct but complementary work streams:

- Governance and Management
- Maintenance Program
- Supply Chain and Vendor Management
- Planning Processes
- Shop floor and work procedures

All workstreams are being advanced in parallel with initial work standardisation, depot efficiency and supply chain processes indicating positive early results to solidify our maintenance capability. Preparation work to transform the maintenance program and move towards condition based and predictive maintenance is underway with a rollout in our key fleets during FY2021. The outcome of the program will ensure the optimal amount of the right maintenance, completed on time. Benefits include: reduction in the maintenance cost base, enhanced turnaround time in depots and increased fleet reliability, availability and optimising the investment in the rollingstock assets. The program is complimentary to Project Precision and will leverage from other technology investments to maximise benefits and performance.

TrainHealth

TrainHealth provides Aurizon with capability to monitor performance of locomotives and train handling/utilisation in real time. This initiative enables access to real time asset data that is being used to inform the health of the locomotive, enhance asset reliability and maintenance decisions for the fleet, provide greater visibility on driver variability and support business decisions for on-time running. TrainHealth is initially being installed across the Siemens electric locomotive fleet in the CQCN, with installation expected to be completed by December 2020. Approximately half of the Siemens fleet has been fitted to date.

---

[10] *Baseline is the 12 week period (to 1 December 2018) immediately preceding Schedule Adherence*

ADDITIONAL INFORMATION

Senior Management Changes

Pam Bains, CFO & Group Executive Strategy was appointed to the role of Group Executive Network in March 2020 following the resignation of Michael Riches in December 2019. George Lippiatt, Head of Strategy and Corporate Development was appointed to the role of CFO & Group Executive Strategy in June 2020.

Risk

Aurizon promotes a risk-aware culture with an emphasis on frontline accountability for effective risk management. The consideration of risk features heavily in Aurizon's thinking, from the framing of strategy through to informing decision-making. In 2020, Aurizon updated the Board approved Enterprise Risk Management Framework and Appetite to encompass culture and conduct-related risks, among others. This latest update ensures that Aurizon continues to consider and develop strategies to manage the full scope of risks.

Enhancements have also been made to the risk reporting provided both to our Board and supporting Committees, to better facilitate the early identification and proactive management of emerging risks where the impacts and opportunities are continually evolving. Risk management procedures and templates have recently been refreshed and deployed throughout the business to further integrate the assessment of safety and non-safety risks. The latest updates support a consistent approach to the management of risks in a manner which is simple and user friendly.

Risks to the delivery of strategy have been categorised into the three strategic levers of Optimise, Excel and Extend.

Optimise Strategic Lever

Delivery of Optimise Initiatives

Aurizon maintains a pipeline of efficiency initiatives that are expected to deliver a cost effective and customer aligned model. Failure to be the lowest cost or highest service provider may occur due to a lack of definition in the target state or unsuccessful implementation of the associated action plans. Impacts of non-delivery include not achieving budget and failure to maximise volumes within customer contracts.

Operational Agility

A lack of operational agility would result in Aurizon's inability to flex operations and support an alignment between costs and revenue. If operational agility is not achieved it may result in missed revenue during market upturns due to a lag in accessing the required resources, or static costs during downturns eroding financial performance.

Business Interruption

Aurizon may experience business interruption and consequential financial impact from a range of circumstances including, but not limited to:

- Road Vehicle Incident - death or injuries to our people from operating road vehicles
- Process Safety Incident - major process safety event leading to death or injuries to our people, significant distraction or loss of license to operate
- Illegal protest activity - safety risks to employees and individuals due to anti-coal protesters illegally entering the rail corridor and danger zone to conduct blockades
- Cyber security incidents from external penetration of Aurizon's corporate and operational systems
- Technology incidents – failure of technical infrastructure impacting technology-dependent systems and operations
- Adverse weather events could impact Aurizon's operations, assets or customers

Pandemic – COVID-19

The global Coronavirus pandemic exposes Aurizon to two primary risks:

- Reduced demand – due to export markets requiring less of the commodities we haul, Aurizon's profitability would reduce.
- Service delivery – employee health issues limiting our ability to provide services to customers. This risk extends to other supply chain participants such as mines and ports, and their ability to provide continuity of service.

Acacia Ridge Intermodal Terminal sale transaction

There is a risk that the Acacia Ridge Intermodal Terminal sale transaction as described on page 8 of this report will be prevented from completing and Aurizon incurs orders for costs.

Excel Strategic Lever

Competition in Current Markets

Aurizon may face competition from parties willing to compete at reduced margins and / or accept lower returns and greater risk positions than Aurizon. This may potentially negatively impact Aurizon's competitiveness. Most of Aurizon's significant customer contracts are secured on long-dated terms, however failure to win or retain customer contracts at acceptable rates will be a risk to future financial performance. Increased competition may be experienced from new entrants to Aurizon's core markets in both above and below rail and includes existing customers in-sourcing Aurizon's services. Competitors may also deploy technology or innovation more rapidly than Aurizon.

General Regulatory Risk

Aurizon's operations and financial performance are subject to legislative and regulatory oversight. Unfavourable changes may be experienced with respect to access regimes, safety accreditation, taxation, carbon reduction, environmental and industrial (including occupational health and safety) regulation, government policy, and approval processes. Implementation of these changes may have a material adverse impact on project investment, Aurizon's profitability and business in general, as well as Aurizon's customers.

Implementation of the UT5 obligation to publish an Initial Capacity Assessment Report could be delayed, resulting in an adverse financial outcome.

Aurizon is also exposed to the risk of material regulatory breaches resulting in the loss of operating licences and financial penalties. In the event of a loss of licence, critical business operations may not be supplied to customers, impacting profitability and reputation. Counterparty Risk

Aurizon's earnings are concentrated in commodity markets across a relatively small number of customers and may be impacted by deterioration in counterparty credit quality, mine sale to a lower tier party, mine profitability, contract renewals, supply chain disruptions and / or macro-industry issues.

General Economic Conditions

Aurizon develops its own position regarding future coal demand through our Strategy in Uncertainty framework which includes scenario analysis. This process considers both short-term impacts as well as risks that emerge over the medium to long term, where the timing and magnitude are less certain. In developing our own scenario analysis we assess global seaborne demand for metallurgical coal and thermal coal, driven primarily by steel production and energy generation respectively. Based on this addressable market, Australian supply is assessed considering the risks and opportunities for both current and future coal production. Given our customers' exposure (almost entirely) to export markets, trade and geopolitical risk may impact demand for Aurizon services.

Extend Strategic Lever

WIRP Non-Regulated Revenue Dispute

Given the decision of the Supreme Court has been appealed by the customers, there is potential the entire amount of the WIRP non-regulated fee as described in the Network Section of this report is determined by the Court of Appeal to not be payable by the WIRP customers.

Climate Change Risk

Aurizon acknowledges that climate change is affecting a wide range of industries around the world, resulting in financial implications. Transition risks, related to energy policy, regulation, technology and market shifts (that are necessary to achieve the transition to a low-carbon economy) will affect the demand for the commodities that Aurizon hauls. Physical risks related to extreme weather events will also continue to affect Aurizon through supply chain disruptions.

The long-term implications of climate change may impact Aurizon on several fronts. For example:

Transition Risks

- Demand for thermal coal is subject to energy policy and fuel-mix decisions driven by energy costs, energy security, and regulation of GHG emissions (including carbon pricing).
- Demand for metallurgical coal is subject to factors such as economic development, steel intensive growth, alternate methods of steel production, import reliance and regulation of GHG emissions (including carbon pricing).
- Investor concern over climate-related risks may result in an inability for Aurizon, its customers and end-users of coal to gain licences, funding and insurance for coal mining, transport and coal-fired generation and/or steel production capacity.
- Carbon liability under the Safeguard Mechanism Rule and potential penalties for inappropriate carbon reporting under the National Greenhouse and Energy Reporting (NGER) Act.

Physical Risks

- Current and future disruption arising from increased severity and/or frequency of extreme weather events (higher temperatures, strong winds, flooding and associated erosion, bushfires and others).

Climate change risks and opportunities are disclosed annually in Aurizon's Sustainability Report. This year will be the fourth reporting period in which Aurizon incorporates recommendations from the Financial Stability Board's Final Report: Recommendation of the Task Force on Climate-related Financial Disclosures (TCFD). In addition, in 2020 Aurizon will publish a Climate Strategy and Action Plan, outlining the Company's position on climate change, underpinned by long-term strategies and associated actions to mitigate climate risk and take advantage of climate-related opportunities.

Sustainability

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

In addition to the above disclosures, Aurizon takes a direct approach to reporting Environmental, Social and Governance (ESG) disclosures to stakeholders with the publication of our annual Sustainability Report. This Report is prepared with reference to the Global Reporting Initiative's (GRI) standards to provide investors with comparable information relating to ESG performance. Aurizon strives to ensure that our Sustainability Report reflects significant ESG priorities that may influence strategic decision-making. As such, the Company continuously assesses the material issues that affect its business, stakeholders, and operating environment.

In August 2019, Aurizon maintained a 'Leading' rating for the fifth consecutive year by the Australian Council of Superannuation Investors (ACSI) for Corporate Sustainability Reporting in Australia. Having received this rating for four or more consecutive years, Aurizon has again been considered a 'Leader' by ACSI, along with 45 other ASX200 companies.

In addition to our annual Sustainability Report (to be published in October), in 2020 we will publish a Climate Strategy and Action Plan that will communicate our plans to decarbonise our operations and provide direction for the Company's long-term climate change strategy.

Safety

At Aurizon safety is a core value and we are committed to protecting ourselves, each other and our communities. Throughout FY2020, we retained two primary safety metrics to measure safety outcomes across the enterprise being Total Recordable Injury Frequency Rate (TRIFR) and Rail Process Safety (RPS).

Rail Process Safety, which measures operational safety including derailments, signals passed at danger and rollingstock collisions deteriorated 8% against the prior year to 4.74. Aurizon continues to progress a number of initiatives, including TrainGuard, to strengthen Rail Process Safety. FY2020 TRIFR was 9.92 injuries per million hours worked, which was a 10% improvement against the prior year.

We are determined to focus on managing what matters, with a specific focus on identifying and learning from events that have the potential for Serious Injury and Fatality (SIF).

Environment

Aurizon's vision is to deliver environmental value through effective management of material environmental risks and improved enterprise environmental performance.

Aurizon continues to focus on efforts to improve visibility and transparency related to key and emerging environmental issues such as climate change, rail noise and clean air.

In July 2019, the NSW government introduced legislation requiring Rolling Stock Operators (RSOs) to apply for mandatory Environment Protection Licences (EPL) by January 2020. The EPLs, set to be finalised in August 2020, are significant as they establish acceptable thresholds for locomotive diesel emissions and rail noise. Aurizon was first aware of the potential for this requirement in 2014 and, since this time, has led extensive consultation with the NSW Environment Protection Authority (EPA). The EPA recognised the past efforts of RSOs, led by Aurizon, in developing the 2018 Rail Industry and Standards Board (RISSB) Code of Practice (CoP) on the Management of Locomotive Diesel Emissions. This acknowledgement ultimately led to the EPA setting the CoP requirements as conditions of the EPLs. Aurizon's deep experience in rollingstock engineering enabled effective input to the EPA's approach to EPL implementation.

In September 2019, the Federal Department of Environment and Energy advised off-road diesel transport, including rail freight, was exempt from the introduction of national standards for the regulation of off-road engines. This decision gave due recognition to actions the rail freight industry, led by Aurizon, has taken to manage emissions by introducing CoP.

In FY2020, Aurizon had six notifiable environmental incidents. Remediation actions have been implemented as required and no ongoing environmental impacts are anticipated.

People

At Aurizon our values (Safety, People, Integrity, Customer and Excellence) guide our people's work in delivering bulk commodities to the world. During the year we have continued to focus on developing the capability of our people through:

- Leadership programs designed to embed a safe and high performing culture and engage and enable employees
- Further improve our people, processes and systems through cascading performance succession systems through the organisation and further embedding a quality performance management cycle
- Continuing to promote diversity and inclusion through actively reducing the gender pay gap, meeting workforce representation targets and implementing an online Culture Awareness learning experience

Entities over which control was gained or lost during the period

Aurizon Operations Limited acquired 100% of the issued shares in Flinders TBSH Pty Ltd, a bulk transport, handling and stevedoring services provider in North Queensland, for consideration of $24.8 million on 20 March 2020. The company was renamed Aurizon Port Services Pty Ltd.

Details of associate and joint venture entities

		Ownership Interest	
Entity	**Country of incorporation**	**30 June 2020**	**30 June 2019**
Investment in associates			
Aquila Resources Limited	Australia	15	15
Joint Ventures			
Coal Network Capacity Co Pty Ltd	Australia	8	-
Chun Wo/CRGL	Hong Kong	17	17
ARG Risk Management Limited	Bermuda	50	50
Integrated Logistics Company Pty Ltd	Australia	14	14
ACN 169 052 288	Australia	15	15

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

APPENDIX

Intermodal – Discontinued Operations

($m)	FY2020	FY2019	Variance
Total revenue	**25.0**	**111.0**	**(77%)**
Operating costs	(12.1)	(104.1)	88%
EBITDA – Underlying	**12.9**	**6.9**	**87%**
Depreciation and amortisation	(0.2)	(0.2)	-
EBIT – Underlying	**12.7**	**6.7**	**90%**
Significant Items	2.5	(11.4)	122%
Net finance benefit	0.0	0.1	(100%)
Income tax (expense)/benefit	(4.4)	7.8	(156%)
NPAT (Discontinued operations) – Statutory	**10.8**	**3.2**	**238%**

Intermodal Performance Overview

The EBIT position for Intermodal improved $6.0m to $12.7m with the sale of Queensland Intermodal in the prior period.