



Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

15 February 2021

Appendix 4D

Please find attached for immediate release to the market a copy of the Company's Appendix 4D for the half year ended 31 December 2020.

Kind regards

A handwritten signature in black ink, appearing to read "D - Smith", with a horizontal line extending from the "D".

Dominic D Smith
Company Secretary



Aurizon Holdings Limited

Appendix 4D

Interim Financial Report

For the half-year ended 31 December 2020 (1HFY2021)

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

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1HFY2021 IN REVIEW**Result Highlights (Underlying and statutory continuing operations)**

(\$m)	1HFY2021	1HFY2020	Variance	2HFY2020
Total revenue	1,498.4	1,528.8	(2%)	1,535.8
EBITDA	738.3	731.2	1%	736.4
EBIT	454.2	455.6	-	453.4
Significant Items	-	105.4	-	-
EBIT Statutory	454.2	561.0	(19%)	453.4
NPAT	267.0	268.9	(1%)	262.5
NPAT Statutory	267.0	342.7	(22%)	262.4
Free cash flow (FCF)	288.1	464.8	(38%)	249.9
Interim dividend (cps)	14.4	13.7	5%	13.7
Earnings per share (cps)	14.1	13.6	4%	13.6
Return on invested capital (ROIC)	10.8%	10.5%	0.3ppt	10.9%
EBITDA margin	49.3%	47.8%	1.5ppt	47.9%
Operating ratio (OR)	69.7%	70.2%	0.5ppt	70.5%
Above Rail Tonnes (m)	128.1	129.9	(1%)	132.1
Above Rail opex / NTK (excluding access) (\$/'000 NTK)	20.7	20.8	-	21.0
Gearing (net debt / (net debt + equity))	47.8%	42.0%	(5.8ppt)	45.1%

Performance Overview

- › EBIT flat at \$454.2m with:
 - Bulk up \$16.8m (38%) with new volume growth and ongoing operational efficiencies
 - Network up \$9.1m (4%) with lower operating costs offsetting higher depreciation and slightly lower revenue
 - Coal down \$34.9m (17%) primarily due to lower revenue from a 4% decline in volumes and lower revenue quality
 - Other improved \$7.6m mainly due to lower redundancy costs
- › FCF declined 38% to \$288.1m due to the sale of the Rail Grinding business in the prior period which realised \$164.5m in net proceeds
- › Interim dividend 14.4cps, 70% franked, representing a payout ratio of 100% of underlying NPAT for the continuing operations, an increase of 5%
- › Commitment to returning surplus funds to shareholders with \$247.1m completed of \$300.0m on-market buy-back

Major items

- › Bulk – strong financial performance delivered through new contracts and ongoing operational efficiency improvements. Acquisition of ConPorts Pty Ltd (renamed Aurizon Port Services NSW Pty Ltd) in December 2020 providing shiploading services in Newcastle, a new market for Bulk
- › Network – following successful Queensland Court of Appeal decision, commencement of billing for the Wiggins Island Rail Project (WIRP) fees, with \$54.7m recognised including \$48.9m of historical fees
- › Issued a 10-year \$500.0m AMTN in September 2020 for Aurizon Network with proceeds used to repay a maturing bond and added \$175.0m of bank debt capacity for Aurizon Operations. Available liquidity is \$1,033.2m as at 31 December 2020

Outlook

Underlying EBIT guidance for FY2021 for Group now \$870m to \$910m. Key assumptions:

- › Coal – volumes revised to 200-210mt (from 210-220mt) based on current market conditions including challenging China trade environment
- › Network:
 - Central Queensland Coal Network (CQCN) volumes will be lower than QCA approved forecast of 239mt based on 1HFY2021 run-rate, resulting in revenue under recovery
 - Expected Take-or-Pay recoveries in FY2021 to reduce revenue cap in FY2023
 - Includes ~\$40m net retrospective WIRP fees (\$49m revenue less expected associated costs)
- › Redundancy costs included in guidance (reported in 'Other' segment)
- › No material disruptions to commodity supply chains (such as adverse weather and/or COVID-19)

HALF-YEAR ENDED: 31 DECEMBER 2020 (1HFY2021)

CONSOLIDATED RESULTS*Underlying continuing operations unless otherwise stated***Financial Summary**

(\$m)	1HFY2021	1HFY2020	Variance	2HFY2020
Total revenue	1,498.4	1,528.8	(2%)	1,535.8
Operating costs				
Employee benefits	(422.3)	(409.8)	(3%)	(381.8)
Energy and fuel	(91.8)	(121.5)	24%	(109.8)
Track access	(46.0)	(63.6)	28%	(43.6)
Consumables	(194.4)	(189.7)	(2%)	(251.0)
Other	(5.6)	(13.0)	57%	(13.2)
EBITDA	738.3	731.2	1%	736.4
Statutory EBITDA	738.3	836.6	(12%)	736.4
Depreciation and amortisation	(284.1)	(275.6)	(3%)	(283.0)
EBIT	454.2	455.6	-	453.4
Statutory EBIT	454.2	561.0	(19%)	453.4
Net finance costs	(73.3)	(71.4)	(3%)	(77.1)
Income tax expense	(113.9)	(115.3)	1%	(113.8)
Statutory Income tax expense	(113.9)	(146.9)	22%	(113.9)
NPAT	267.0	268.9	(1%)	262.5
Statutory NPAT	267.0	342.7	(22%)	262.4
Profit after tax from discontinued operations Statutory	5.2	7.1	(27%)	3.7
NPAT (group) Statutory	272.2	349.8	(22%)	266.1
Earnings per share¹	14.1	13.6	4%	13.6
Statutory	14.1	17.3	(18%)	13.7
Earnings per share¹ (continuing and discontinued operations)	14.4	13.9	4%	13.8
Statutory	14.4	17.7	(19%)	13.8
Return on invested capital (ROIC) ²	10.8%	10.5%	0.3ppt	10.9%
Operating Ratio	69.7%	70.2%	0.5ppt	70.5%
Net cashflow from operating activities	700.4	626.5	12%	611.0
Interim dividend per share (cps)	14.4	13.7	5%	13.7
Gearing (net debt / (net debt + equity)) (group)	47.8%	42.0%	(5.8ppt)	45.1%
Net tangible assets per share (\$) (group)	2.20	2.20	-	2.18
People (FTE)	4,840	4,645	(4%)	4,754
Labour costs ³ / Revenue	28.0%	26.1%	(1.9ppt)	26.6%
Above Rail Tonnes (m) ⁴	128.1	129.9	(1%)	132.1

¹ Calculated on weighted average number of shares on issue – 1,892m 1HFY2021 and 1,977m 1HFY2020² 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)³ 1HFY2021 excludes \$2.6m redundancy costs (1HFY2020 excludes \$11.3m redundancy costs)⁴ Includes both Coal and Bulk

HALF-YEAR ENDED: 31 DECEMBER 2020 (1HFY2021)

EBIT by Segment

(\$m)	1HFY2021	1HFY2020	Variance	2HFY2020
Coal	170.9	205.8	(17%)	204.8
Bulk	60.5	43.7	38%	46.2
Network	241.3	232.2	4%	236.6
Other	(18.5)	(26.1)	29%	(34.2)
Group (Continuing operations)	454.2	455.6	-	453.4

Group Performance Overview

EBIT was flat at \$454.2m with higher earnings in Bulk and Network being offset by a reduction in Coal. Bulk continued its EBIT growth from new volumes and revenue, while Network EBIT improved due to the commencement of WIRP fees more than offsetting weaker volumes, including \$48.9m relating to retrospective WIRP fees. The decline in Coal EBIT was due to a 4% reduction in volumes and lower revenue quality more than offsetting lower operating costs. Other EBIT loss reduced due to a reduction in redundancy costs compared to the prior year.

Group revenue decreased \$30.4m or 2% driven by lower volumes in Coal and Network and the impact of the sale of the Rail Grinding business in October 2019, partly offset by volume growth in Bulk.

Operating costs decreased \$37.5m or 5% principally due to lower external construction and electricity costs in Network and lower redundancy costs and the impact from the sale of Rail Grinding business in Other. Depreciation increased \$8.5m or 3% driven by higher volumes in Bulk and the acquisition of Aurizon Port Services in Townsville in March 2020.

ROIC improved 0.3ppts to 10.8% due to higher twelve-month rolling EBIT when compared to the previous twelve months, with invested capital increasing marginally.

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)	1HFY2021	1HFY2020	2HFY2020
Underlying EBIT (Continuing operations)	454.2	455.6	453.4
Significant items (Continuing operations)	-	105.4	-
Sale of Rail Grinding	-	105.4	-
Statutory EBIT (Continuing operations)	454.2	561.0	453.4
Net finance costs	(73.3)	(71.4)	(77.1)
Statutory PBT (Continuing operations)	380.9	489.6	376.3
Income tax expense	(113.9)	(146.9)	(113.9)
Statutory NPAT (Continuing operations)	267.0	342.7	262.4
EBIT (Discontinued operations)	7.1	7.5	5.2
Significant items (Discontinuing operations)	-	2.5	-
Intermodal closure benefit	-	2.5	-
Income tax expense (Discontinued operations)	(1.9)	(2.9)	(1.5)
Statutory NPAT	272.2	349.8	266.1

HALF-YEAR ENDED: 31 DECEMBER 2020 (1HFY2021)

Balance Sheet Summary

(\$m)	31 Dec. 2020	30 Jun. 2020	31 Dec. 2019
Assets classified as held for sale	67.2	65.1	74.7
Other current assets	518.8	650.2	607.8
Total current assets	586.0	715.3	682.5
Property, plant and equipment (PP&E)	8,526.0	8,537.1	8,499.3
Other non-current assets	499.1	519.6	437.6
Total non-current assets	9,025.1	9,056.7	8,936.9
Total Assets	9,611.1	9,772.0	9,619.4
Liabilities classified as held for sale	(0.8)	(0.7)	(0.7)
Other current liabilities	(688.4)	(814.1)	(697.6)
Total borrowings	(3,774.4)	(3,607.2)	(3,372.0)
Other non-current liabilities	(1,037.8)	(992.3)	(987.2)
Total Liabilities	(5,501.4)	(5,414.3)	(5,057.5)
Net Assets	4,109.7	4,357.7	4,561.9
Gearing (net debt / (net debt + equity)) (%)	47.8%	45.1%	42.0%

Balance Sheet Movements

Total current assets decreased by \$129.3m largely due to:

- › Reduction in cash and cash equivalents of \$21.3m
- › Reduction in trade and other receivables of \$130.0m due to the timing of customer receipts and lower Take-or-Pay accrual

These reductions in current assets were partly offset by:

- › Increase in other assets of \$15.0m due to timing of prepayments
- › Increase in current inventory of \$5.1m to support overhaul programs

Total non-current assets decreased by \$31.6m largely due to a \$60.8m unfavourable valuation of derivative financial instruments partly offset by an increase in investments accounting for using the equity method of \$21.8m due to the investment in Ox Mountain Limited.

Other current liabilities, excluding borrowings decreased by \$125.7m largely due to:

- › Reduction in trade and other payables of \$85.2m, including lower capital expenditure accruals
- › Reduction in current tax liabilities of \$38.8m
- › Reduction in derivative financial instruments of \$13.2m due to favourable interest rate movements

Total borrowings increased by \$167.2m due to the company's strategy to increase leverage in the above rail business in order to create a more efficient balance sheet structure.

Other non-current liabilities increased by \$45.5m largely due to a \$33.0m increase in net deferred tax liabilities.

Gearing (net debt/(debt + equity)) was 47.8% as at 31 December 2020, an increase of 2.7 percentage points with higher debt as noted above and lower equity from the ongoing share buy-back.

HALF-YEAR ENDED: 31 DECEMBER 2020 (1HFY2021)

Cash Flow Summary

(\$m)	1HFY2021	1HFY2020	2HFY2020
Statutory EBITDA (Continuing operations)	738.3	836.6	736.4
Working capital and other movements	72.7	(16.5)	(81.3)
Sale of Rail Grinding	-	(105.4)	-
Non-cash adjustments - asset impairments	-	-	5.7
Cash flows from operations	811.0	714.7	660.8
Interest received	3.3	1.6	1.2
Income taxes paid	(117.0)	(92.6)	(53.9)
Principal elements of lease receipts	3.1	2.8	2.9
Net cash inflow from operating activities from Continuing operations	700.4	626.5	611.0
Net operating cash flows from Discontinued operations	6.0	6.0	3.9
Net operating cash flows	706.4	632.5	614.9
Cash flows from investing activities			
Payments for PP&E and intangibles, net of interest paid on qualifying assets	(277.2)	(256.5)	(271.8)
Payment for acquisition of subsidiary and investment in joint venture	(63.3)	-	(24.5)
Proceeds from sale of business	-	164.5	-
Distributions from joint ventures and proceeds from sale of PP&E	9.8	4.7	11.1
Net cash (outflow) from investing activities from Continuing operations	(330.7)	(87.3)	(285.2)
Net investing cash flows from Discontinued operations	(2.0)	2.3	(1.9)
Net investing cash flows	(332.7)	(85.0)	(287.1)
Cash flows from financing activities			
Net proceeds from borrowings, net of transaction costs	208.5	36.7	174.5
Payment for share buy-back, share based payments and transaction costs	(251.6)	(216.3)	(187.3)
Interest paid	(81.6)	(74.4)	(76.7)
Dividends paid to Company shareholders	(262.3)	(246.8)	(267.0)
Principle elements of lease payments	(8.1)	(7.0)	(7.6)
Net cash (outflow) from financing activities from Continuing operations	(395.1)	(507.8)	(364.1)
Net financing cash flows from Discontinued operations	-	-	-
Net financing cash flows	(395.1)	(507.8)	(364.1)
Net (decrease) / increase in cash from Continuing operations	(25.4)	31.4	(37.5)
Net increase in cash from Discontinuing operations	4.0	8.3	2.0
Free Cash Flow (FCF)⁵ from Continuing operations	288.1	464.8	249.9
Free Cash Flow (FCF)⁵ from Discontinued operations	4.0	8.3	2.0

Cash Flow Movements

Net cash inflow from operating activities from continuing operations increased by \$73.9m (12%) to \$700.4m despite lower statutory EBITDA as the result of the sale of the Rail Grinding business in October 2019, more than offset by an increase in working capital movements of \$89.2m primarily due to lower trade and other receivables.

Net cash outflow from investing activities from continuing operations increased by \$243.4m (279%) to \$330.7m, largely due to \$164.5m proceeds from the sale of the Rail Grinding business in 1HFY2020, payments for the acquisition of ConPorts Pty Ltd (renamed Aurizon Port Services NSW Pty Ltd) and the investment in Ox Mountain Limited of \$63.3m in 1HFY2021 and a \$20.7m increase in payments for capital expenditure.

Net cash outflow from financing activities from continuing operations reduced by \$112.7m (22%) to \$395.1m due to an increase in net proceeds from borrowings of \$171.8m, partly offset by higher dividend payments of \$15.5m and the on-market share buy-back of \$34.2m.

⁵ FCF - Defined as net cash flow from operating activities less net cash outflow from investing activities less interest paid

Funding

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

During 1HFY2021, Aurizon Network:

- › Issued a 10-year, \$500.0m AMTN in September 2020, with a coupon of 2.9% per annum. Proceeds were used to repay an AMTN maturing in October 2020.
- › Cancelled \$50.0m from the existing \$850.0m bank debt bilateral facility maturing in June 2023.

During 1HFY2021, Aurizon Operations:

- › Added \$175.0m bank debt to the existing \$450.0m bilateral facility maturing in 2023 and 2025.

In respect of 1HFY2021:

- › Weighted average debt maturity tenor was 4.5 years. This was higher than 1HFY2020 (4.0 years) due mostly to replacing the existing AMTN maturing in October 2020 with the new 10-year AMTN noted above
- › Group interest cost on drawn debt was 4.3% (1HFY2020 4.5%)
- › Available liquidity (undrawn facilities plus cash) at 31 December 2020 was \$1,033.2m
- › Group gearing (net debt / (net debt + equity)) as at 31 December 2020 was 47.8% (1HFY2020 42.0%)
- › Network gearing (net debt / RAB (excluding Access Facilitation Deeds)) as at 31 December 2020 was 61.3% (1HFY2020 58.1%)
- › Operations gearing (net debt / (net debt + equity)) as at 31 December 2020 was 14.3% (1HFY2020 5.8%)
- › Aurizon Operations' and Aurizon Network's credit ratings have each been maintained at BBB+/Baa1.

Dividend

The Board has declared an interim dividend for FY2021 of 14.4cps (70% franked) based on a payout ratio of 100% in respect of underlying NPAT for continuing operations.

The relevant final dividend dates are:

- › 1 March 2021 – ex-dividend date
- › 2 March 2021 – record date
- › 31 March 2021 – payment date

Share buy-back

On 10 August 2020, Aurizon announced its intention to undertake an on-market share buy-back of up to \$300m during FY2021. During 1HFY2021, 60,022,650 shares at a total consideration of \$247.1m were bought back and subsequently cancelled.

Tax

Income tax expense for continuing operations for 1HFY2021 was \$113.9m and income tax expense for the Group for 1HFY2021 was \$115.8m. The Group effective tax rate for 1HFY2021 was 29.8%. The Group cash tax rate for 1HFY2021 was 21.5%, 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. See the Sustainability section of the Aurizon website for further detail.

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 28 July 2017 to sell its Acacia Ridge Intermodal Terminal for \$205.0m, of which a \$35.0m non-refundable amount was received in advance. The transaction was subject to approval by the Australian Competition & Consumer Commission (ACCC) and Foreign Investment Review Board. The ACCC refused to approve the transaction and commenced proceedings against Pacific National and Aurizon. Both the Federal Court and the Full Federal Court (on appeal) found that the transaction would not contravene section 50 of the Commonwealth's *Competition and Consumer Act (2010)*. The ACCC sought special leave to appeal to the High Court of Australia.

On 8 December 2020, the High Court of Australia refused to grant special leave, therefore confirming that the transaction would not contravene section 50 and can proceed. The Foreign Investment Review Board approved the transaction on 2 February 2021. The sale is expected to complete on 26 March 2021 with remaining proceeds of \$170.0m to be received.

BUSINESS UNIT REVIEW

Coal

Aurizon's Coal business provides a critical supply chain link for 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)	1HFY2021	1HFY2020	Variance	2HFY2020
Revenue				
Above Rail	584.3	628.5	(7%)	631.8
Track Access	230.0	258.9	(11%)	253.9
Other	1.1	1.2	(8%)	1.0
Total revenue	815.4	888.6	(8%)	886.7
Operating costs	(541.3)	(581.6)	7%	(577.3)
EBITDA	274.1	307.0	(11%)	309.4
Depreciation and amortisation	(103.2)	(101.2)	(2%)	(104.6)
EBIT	170.9	205.8	(17%)	204.8

Metrics

	1HFY2021	1HFY2020	Variance	2HFY2020
Total tonnes hauled (m)	101.8	106.3	(4%)	107.6
CQCN	71.2	74.3	(4%)	75.8
NSW & SEQ	30.6	32.0	(4%)	31.8
Contract utilisation	82%	86%	(4ppt)	87%
Total NTK (bn)	23.7	24.8	(4%)	25.2
CQCN	17.8	18.7	(5%)	19.1
NSW & SEQ	5.9	6.1	(3%)	6.1
Average haul length (km)	233	233	-	234
Total revenue / NTK (\$/'000 NTK)	34.4	35.8	(4%)	35.2
Above Rail Revenue / NTK (\$/'000 NTK)	24.7	25.3	(2%)	25.1
Operating Ratio (%)	79.0%	76.8%	(2.2ppt)	76.9%
Opex / NTK (\$/'000 NTK)	27.2	27.5	1%	27.1
Opex / NTK (excluding access costs) (\$/'000 NTK)	17.5	17.2	(2%)	17.1
Locomotive productivity ('000 NTK / Active locomotive day) ⁶	387.9	397.1	(3%)	414.0
Active locomotives (as at 31 December)	331	336	(1%)	332
Wagon productivity ('000 NTK / Active wagon day) ⁶	14.8	15.5	(5%)	15.9
Active wagons (as at 31 December)	8,707	8,570	2%	8,721
Payload (tonnes)	7,862	7,588	4%	7,765
Velocity (km/hr)	23.9	23.8	-	23.2
Fuel Consumption (l/d GTK)	2.85	2.84	-	2.88

⁶ Operational metrics have been restated in prior periods to reflect new reporting which utilises updated data sources and the changes are not material

Coal Performance Overview

Coal EBIT decreased \$34.9m (17%) to \$170.9m primarily due to lower volumes.

Volumes were 101.8mt (down 4.5mt or 4%) with volumes lower in both the Central Queensland Coal Network (CQCN) and NSW & South East Queensland (SEQ).

- › In CQCN, volumes decreased by 3.1mt (4%) to 71.2mt due to lower end market demand impacted by COVID-19 and a challenging trading environment with China, customer specific maintenance and production issues. This was partly offset by increased railings for the new Peabody contract and small increases for a number of other mines.
- › In NSW & SEQ, volumes decreased by 1.4mt (4%) to 30.6mt due to the ramp down of the New Acland mine as it approaches end of mine life and customer maintenance activities. This was partly offset by railings from the new BlueScope contract in the Illawarra.

Coal revenue decreased by \$73.2m (8%) to \$815.4m due to the 4.5mt reduction in volumes and lower fuel revenue resulting from a decrease in price. In addition, track access revenue decreased with the lower volumes and some access rights being transferred to end users. Above rail revenue per NTK decreased by 2% due to reduced average rate per tonne, impacted by lower fuel revenue (fuel price impact) and lower revenue quality.

Total operating costs (including depreciation) decreased \$38.3m (6%) to \$644.5m with lower track access costs and fuel costs partly offset by an increase in maintenance and depreciation. The major drivers of these movements are noted below:

- › Track access costs decreased by \$27.9m (11%) due to a reduction in volumes and some access rights being transferred to end users
- › Other operating costs decreased \$12.4m due lower fuel expenses which was partly offset by higher maintenance costs, including increased CQCN fleet in addition to CPI labour impacts. Traincrew costs remained broadly flat with lower overtime costs and increased annual leave in response to lower demand and lower FTE offset by CPI impacts
- › Depreciation increased \$2.0m relating to the additional installed fleet and overhauls of existing rollingstock

Operationally, key productivity metrics showed some deterioration in line with lower volumes and NTKs. However, average payloads 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 183mt of coal in 1HFY2021, down 10% against the prior year. Heavily impacted in the first half of the 2020 calendar year due to COVID-related disruptions, steel production recovered during the remainder of 2020 with production returning to pre-COVID levels as economic activity resumed in major export nations. Although a curtailment of aggregate coal import volume for China was projected in the second half of the calendar year, the prioritisation of non-Australian coal has provided a more challenging trade environment during the half.

Australia exported 86mt of metallurgical coal in 1HFY2021, down 6% against the prior year. India was Australia's largest metallurgical coal export market with export volume of 27mt (32% share), followed by Japan at 16mt (19% share) and China at 12mt (14% share). In the 2020 calendar year, China achieved record crude steel production of 1.05bt (+6% compared to the prior year), whilst steel production in India and Japan declined -11% and -16% respectively. The average hard coking coal price in 1HFY2021 fell by 26% (compared to the prior year) to US\$112/t. In the 2020 calendar year, metallurgical coal exports from the United States (second largest metallurgical coal export nation behind Australia) decreased 20% against the prior year.

Australia exported 97mt of thermal coal in 1HFY2021, down 12% against the prior year. Japan remained Australia's largest thermal coal export market with export volume of 37mt (38% share), followed by South Korea at 16mt (17% share) and Taiwan at 10mt (11% share). The average Newcastle benchmark thermal coal price in 1HFY2021 fell by 13% (compared to the prior year) to US\$59/t. In the eleven months to November, total coal exports (almost entirely thermal and lignite coal) from Indonesia (largest thermal coal export nation) decreased by 13% against the same period of the prior year.

Contract update

- › Stanwell – unsuccessful in retaining 3.2mtpa domestic contract (ended December 2020)
- › New Hope – 5.2mtpa contract for New Acland ends December 2021

Bulk

Aurizon's Bulk business provides integrated supply chain services, including rail and road transportation, port services and material handling for a range of mining, metal, industrial and agricultural customers throughout Queensland, New South Wales and Western Australia.

Financial Summary

(\$m)	1HFY2021	1HFY2020	Variance	2HFY2020
Revenue				
Freight Transport	310.0	284.4	9%	299.0
Other	11.5	12.9	(11%)	12.5
Total revenue	321.5	297.3	8%	311.5
Operating costs	(247.9)	(244.7)	(1%)	(254.0)
EBITDA	73.6	52.6	40%	57.5
Depreciation and amortisation	(13.1)	(8.9)	(47%)	(11.3)
EBIT	60.5	43.7	38%	46.2
Total tonnes hauled (m)	26.3	23.6	11%	24.5
Operating Ratio (%)	81.2%	85.3%	4.1ppt	85.2%

Bulk Performance Overview

Bulk EBIT increased \$16.8m (38%) to \$60.5m due to new volume growth commencing in 2HFY2020 and ongoing operational efficiencies. Revenue increased \$24.2m (8%) to \$321.5m with:

- › The commencement of the Rio Tinto contract for the operation and maintenance of Rio Tinto's ballast cleaning machine on its Western Australian Pilbara network in February 2020
- › The commencement of the Mineral Resources contract for the lease of rollingstock, provision of mainline crew and Esperance yard operations during 2HFY2020
- › The acquisition of Townsville Bulk Storage and Handling Pty Ltd (renamed Aurizon Port Services Pty Ltd) in March 2020
- › Marginal revenue yield improvement despite lower CPI results
- › Offsetting this was the transition of an access agreement to an end user arrangement (customer directly charged by the rail infrastructure provider) on the Mt Isa corridor during 2HFY2020 and lower average fuel prices compared to the prior period

In Bulk East, volumes increased by 0.1mt driven by stronger volumes on the Mt Isa corridor, offset by lower livestock volumes. In Bulk West, iron ore volumes were up 2.4mt driven by the commencement of Mineral Resources volumes into Esperance in 2HFY2020. Bulk West volumes increased by 0.2mt largely due to higher volumes for various South West customers.

Total costs (including depreciation) increased \$7.4m (3%) largely due to operating costs associated with the new volumes from Rio Tinto and Mineral Resources and the Aurizon Port Services acquisition in March 2020. This was partly offset by ongoing cost benefits from the Bulk turnaround program, lower average fuel prices compared to the prior year and lower access costs due to a customer transitioning to an end user agreement on the Mt Isa corridor during 2HFY2020.

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 Western Australia, New South Wales 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. In the September 2020 quarter, Australian metal ore mining capital expenditure increased by 24% on the prior year to A\$4.5bn, the twelfth consecutive quarter of year-on-year growth for the sector. Iron ore exploration increased by 8% (compared to the prior year) in the September 2020 quarter to A\$111m, copper exploration decreased by 35% to A\$76m and nickel (including cobalt) exploration expenditure decreased by 24% to A\$49m across the same period.

Contract update

- › Acquired 100% of the issued shares in ConPorts Pty Ltd (renamed Aurizon Port Services NSW Pty Ltd), a shiploading services provider in Newcastle. The acquisition includes long-term leases at the Port of Newcastle with shiploading facilities adjacent to rail lines
- › CBH – short-term contract for the haulage of grain into the Port of Geraldton
- › Minerals Resources – expansion of services (beyond Esperance) with additional iron ore services into Kwinana
- › BHP Nickel West – unsuccessful in recontracting the "Reform" contract. Railings to cease in March 2021

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)	1HFY2021	1HFY2020	Variance	2HFY2020
Revenue				
Track Access	568.6	564.7	1%	567.0
Services and other	24.4	31.2	(22%)	25.6
Total revenue	593.0	595.9	-	592.6
Operating costs	(185.3)	(201.2)	8%	(189.2)
EBITDA	407.7	394.7	3%	403.4
Depreciation and amortisation	(166.4)	(162.5)	(2%)	(166.8)
EBIT	241.3	232.2	4%	236.6

Metrics

	1HFY2021	1HFY2020	Variance	2HFY2020
Tonnes (m)	103.7	116.6	(11%)	110.3
NTK (bn)	26.0	29.0	(10%)	27.2
Operating Ratio (%)	59.3	61.0	1.7ppt	60.1
Maintenance / NTK (\$/'000 NTK)	2.3	2.2	(5%)	2.4
Opex / NTK (\$/'000 NTK)	13.5	12.5	(8%)	13.1
Cycle Velocity (km/hr)	22.9	23.9	(4%)	22.7
System Availability (%)	82.9	82.2	0.7ppt	84.5
Average haul length (km)	250.7	248.3	1%	247.2

Network Performance Overview

Network EBIT increased \$9.1m (4%) to \$241.3m, with lower revenue of \$2.9m (0.5%) and higher depreciation of \$3.9m (2%) offset by reduced operating costs of \$15.9m (8%).

Total Access Revenue increased \$3.9m (1%) despite an 11% decrease in volumes:

- › Allowable Revenue decreased by \$1.9m and the reduced volumes compared to the regulatory forecast resulted in an under-recovery of \$65.7m in 1HFY2021. This compares to an under-recovery of \$11.0m in 1HFY2020, an increase of \$54.7m.
- › Customer funded infrastructure rebates increased by \$3.7m due to a true-up adjustment in 1HFY2020, partially offset by the impact of lower volumes in the prior year.
- › However, these unfavourable movements were more than offset by:
 - › The recognition of Wiggins Island Rail Project (WIRP) Fees of \$54.7m, including \$48.9m of historical fees following the successful Queensland Court of Appeal decision in September 2020. No WIRP Fees were recognised in 1HFY2020;
 - › Favourable Revenue Cap movements of \$6.5m relating to FY2018 and FY2019;
 - › GAPE Revenue increased \$1.6m due to the inclusion of a Transfer Fee; and
 - › Other Access Revenue increased \$1.4m, primarily due to the commencement of billing of the Independent Expert Pass Through Costs. This is offset in expenses.

Other Revenue decreased \$6.8m primarily due to lower external construction works and insurance recoveries.

Operating costs decreased by \$15.9m (8%) from lower external construction costs associated with the lower revenue and reduced electric traction charges. In addition employee costs decreased driven by cost saving initiatives and a doubtful debt provision recognised in the prior corresponding period.

Depreciation increased \$3.9m (2%) due to increased levels of asset renewals and ballast undercutting.

Network's 2019-2020 Regulated Asset Base (RAB) roll-forward is estimated to be \$5.5bn (including all deferred capital but excluding Access Facilitation Deeds of \$0.4bn).

Regulation Update

Aurizon continues to progress the implementation of UT5 which was approved by the Queensland Competition Authority (QCA) on 19 December 2019. The status of key aspects of UT5 is as follows:

- › The Independent Expert (IE), Coal Network Capacity Co Pty Ltd, has commenced development of the Initial Capacity Assessment Report (ICAR) with the assistance of external consultants. Aurizon Network is engaging with the IE to ensure the ICAR is delivered in a timely manner, and this is currently expected to be delivered in the September 2021 quarter.
- › Whilst the IE continues to progress the ICAR, Network's weighted average cost of capital (WACC) remains at 5.9%. The further increase to 6.3% will be upon the completion of specific milestones by both the IE and Network (Report Date).

- › Current QCA approved reference tariffs continue to assume the 6.3% WACC from 1 March 2020. Future tariffs will be adjusted to reflect the actual Report Date.
- › The Performance Rebate mechanism is not applicable until the Report Date is reached. Transitional arrangements may be in effect depending on the outcomes of the ICAR and any resulting remedial requirements.

Network continues to engage with the Rail Industry Group (RIG) in relation to Maintenance and Renewals Strategies and Budgets ahead of the submission of the FY2022 Annual Review of Reference Tariffs on 28 February 2021.

The QCA approved Network's FY2020 Revenue Adjustment Amount submission on 17 December 2020 confirming a future net recovery from Access Holders of \$3.0m.

Operational Update

Network maintained strong operational performance during 1HFY2021 despite challenges presented by the COVID-19 pandemic.

- › The supply chain was impacted by reduced global demand which resulted in volumes in the CQCN declining by 11% to 103.7mt. Notwithstanding the reduced demand, all time haulage records were achieved in the GAPE system.
- › Total System Availability was 82.9%. As FY2021 utilises a new capacity model, it is noted that the System Availability measure is not directly comparable to prior years.
- › Cancellations due to the Network rail infrastructure decreased from 1.7% to 1.0% including the benefit from improved train scheduling practices aimed at minimising traffic congestion.
- › Cycle velocity declined marginally from 23.9km/h to 22.9km/h.

The RM902, Network's new ballast cleaning machine, remains in the commissioning phase following the identification of some design modification requirements and delays caused by COVID-19 related travel restrictions. It is expected that the machine will be fully operational in Q1FY2022.

Wiggins Island Rail Project (WIRP)

On 1 September 2020, the Queensland Court of Appeal affirmed the Supreme Court decision in Network's favour and the WIRP customers did not seek leave to appeal that decision. As a result, Network is able to charge customers non-regulatory WIRP fees with effect from March 2016 and commenced billing in November 2020.

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 partially reduced.

Aurizon Network lodged proceedings against the WIRP customers in the Supreme Court of Queensland on 18 December 2020 to appeal the Expert's Determination.

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)	1HFY2021	1HFY2020	Variance	2HFY2020
Total revenue	13.9	28.0	(50%)	12.7
Operating costs	(31.0)	(51.1)	39%	(46.6)
EBITDA	(17.1)	(23.1)	26%	(33.9)
Depreciation and amortisation	(1.4)	(3.0)	53%	(0.3)
EBIT	(18.5)	(26.1)	29%	(34.2)

Other Performance Overview

EBIT loss reduced by \$7.6m mainly due to lower redundancy costs (\$8.7m) partially offset by reduced earnings following the sale of the Rail Grinding business which completed in October 2019.

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

Aurizon continues the transformation process to a Precision Scheduled Railway in order to deliver better service to its customers and greater capital productivity to shareholders.

Modern Scheduling uses advanced commercial mathematical software to determine the optimal distribution of trains, and when combined with improved processes designed to work more collaboratively with all operators, enables the delivery of an Integrated Plan that determines the maximum number of train services across each system. In periods of high demand, this approach can result in additional services compared to conventional techniques. In periods of low demand, Modern Scheduling optimises the number of consists deployed in the system to maximise capital productivity while meeting customer demand. Already operating in Newlands, the Modern Scheduling initiative has resulted in an additional 2.35% of planned services compared with the application of conventional scheduling techniques. Implementation of Modern Scheduling across all corridors on the CQCN is expected to be completed in FY2021.

Improved adherence to schedule has been delivered in 1HFY2021 through the implementation of the Disciplined Train Operations initiative in Goonyella and Newlands with the following improvements compared with the FY2019 baseline⁷.

In Goonyella:

- › on time (or early) departure from origin improved from 90% to 98%
- › on time (or early) arrival at mine improved from 55% to 88%; and
- › on time (or early) arrival port improved from 54% to 75%

In Newlands:

- › on time (or early) departure from origin improved from 94% to 98%
- › on time (or early) arrival at mine improved from 63% to 82%; and
- › on time (or early) arrival port improved from 55% to 68%

Disciplined Train Operations is now fully implemented across CQCN.

In addition to Modern Scheduling and Disciplined Train Operations, a number of initiatives are taking place as part of Precision including the reduction of congestion at the Callemondah yard. Most significantly, Aurizon Operations is moving to a block maintenance regime for wagon maintenance and optimised provisioning that will significantly reduce the number of shunting movements required within the yard. With approximately 70% of the fleet converted to "maintenance blocks" to date, this initiative is on track for delivery by the end of February 2021.

Precision is working closely with the Aurizon Coal planning teams and Aurizon Network scheduling teams to identify opportunities to reduce fleet size for the short, medium and long term. By reducing the number of deployed capacity, the capital productivity of the remaining operational consists improves.

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 FY2020. Following this, the business decision to proceed with deployment of TrainGuard across Blackwater and Goonyella has been communicated to stakeholders. Preparations continue for TrainGuard's deployment on the Blackwater mainline (Callemondah to Bluff) which is now scheduled for 2HFY2022.

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 from 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.

⁷ Baseline is the prior financial year (FY2020), excluding closures

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, in addition to providing greater visibility on driver variability and support business decisions for on-time running. With installation completed for 97% of the CQCN Siemens electric locomotive fleet, installation across the CQCN Diesel fleet is expected to take place in calendar year 2021.

ADDITIONAL INFORMATION**Senior Management Changes**

Tina Thomas, Group Executive Corporate, retired from her role in October 2020, with the role not being replaced.

Risk

Aurizon promotes a risk-aware culture with an emphasis on frontline accountability for effective risk management. Aurizon's thinking is heavily informed by risk, from the framing of strategy through to informing decision-making. The Board approved Enterprise Risk Management Framework and Appetite, encompass consideration not only of risks related to operational, legal, financial, safety, health and environment but also strategy execution, climate change, reputational and culture and conduct-related risks, ensuring that Aurizon continues to consider and develop strategies to manage the full scope of risks faced by our business.

Risk reporting provided both to our Board and supporting Committees, facilitates the early identification and proactive management of emerging risks where the impacts and opportunities are continually evolving. Risk management procedures and templates deployed throughout the business, further integrate the assessment of safety and non-safety risks as well as supporting a consistent approach to the management of risks in a manner which is not only comprehensive but also 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 business optimisation and 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 non-achievement of budget, failure to maximise volumes within customer contracts and sub-optimal return on capital employed.

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 – leading to death or injury to our people from operating road vehicles;
- › Major Process Safety Incident - leading to death or injury to our people, significant operational disruption or loss of license to operate;
- › Illegal protest activity – safety risks to employees and other individuals, including protesters themselves, in circumstances where protesters illegally enter the rail corridor and danger zone to conduct blockades;
- › Cyber security incidents – arising from external penetration of Aurizon's corporate and operational systems;
- › Technology incidents – arising from failure of technical infrastructure impacting technology-dependent systems and operations; and
- › Adverse weather events resulting in impact to Aurizon's operations, assets or customers.

Pandemic – COVID-19

The global Coronavirus pandemic exposes Aurizon to two primary risks:

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

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 as a result of new entrants into 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.

Delays in the implementation of the UT5 obligation to publish an Initial Capacity Assessment Report will result 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 and risks that emerge over the medium to long term, where timing and magnitude are less certain. In developing our own scenario analysis, Aurizon assesses 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, net zero emission strategies and geopolitical risk may impact demand for Aurizon services.

Geopolitical Risk

Recent geopolitical developments, particularly in relation to Australia's trade relationship with China, have the potential to impact Australian coal exports to China. Prolonged uncertainty as to when Australian coal exports to China will resume will likely result in adverse financial impacts if volumes cannot be reallocated to other markets.

Extend Strategic Lever

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.

Transition Risks

- › Demand for thermal coal is subject to energy policy and fuel-mix decisions driven by energy costs, energy security, and regulation of greenhouse gas (GHG) emissions (including carbon pricing).
- › Demand for metallurgical coal is subject to factors such as economic development, steel-intensive growth, method of steel production (including emerging lower-carbon processes), import reliance, and regulation of GHG emissions (including carbon pricing).
- › Investor concern over climate-related risks may result in an inability for Aurizon's business, its customers and end users of coal to gain licences, funding or 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 2007*.

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).

Since 2017, Aurizon has incorporated recommendations from the Financial Stability Board's *Final Report: Recommendation of the Task Force on Climate-related Financial Disclosures* (TCFD), in the Company's annual Sustainability Report. In October 2020, Aurizon published its first Climate Strategy and Action Plan (CSAP), 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, including a target of net-zero operational emissions by 2050. The CSAP is built on three key pillars: *Manage Risk and Build Resilience*, *Deliver Decarbonisation* and *Create Carbon Abatement Opportunities*. Under the *Manage Risk and Build Resilience* pillar, Aurizon commits to continually assess and enhance climate change considerations in the way the Company manages its business and key assets. Aurizon will achieve this by continuing to assess and enhance its processes for managing climate-related risk and leveraging opportunities, including:

- › Continuing to use scenario analysis to consider transition risks over short, medium and long-term time horizons.
- › Continuing to enhance capability to assess physical risk to key assets and operations.
- › Embedding consideration of climate-related risk into risk frameworks and investment standards.

Progress towards Aurizon's CSAP initiatives will be made available through the annual Sustainability Report.

Modern Slavery Risk

Aurizon commits to supporting and respecting the protection of internationally proclaimed human rights, as set out in the Universal Declaration of Human Rights and the Ten Principles of the United Nations Global Compact. This closely aligns with the Aurizon Board's commitment to maintaining a high standard of corporate governance to promote responsible management and conduct within the Company. It is also supported by Aurizon's Values and Code of Conduct, and the Company's firm commitments to safety, lawful and ethical conduct, respect for others, and to responsibly consider the community and environment in decision-making and its operations.

Aurizon understands that modern slavery and human trafficking can occur in many forms. The Company is committed to operating responsibly and ensuring that robust standards and processes are in place to minimise and address modern slavery risks. Aurizon is also committed to providing transparency on its modern slavery risks and how they are being addressed.

In October 2020, Aurizon published its first Modern Slavery Statement, which addresses the Company's obligations contained in the *Modern Slavery Act 2018* (Cth). The purpose of the statement is to:

- › Describe the risk of modern slavery in Aurizon's operations and supply chains.
- › Explain actions taken to address those risks in FY2020.
- › Introduce the Company's continuous improvement framework, against which the effectiveness of its actions will be assessed, and future commitments outlined.

See the Sustainability section of the Aurizon website for further detail.

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 its 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 its 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 September 2020, Aurizon maintained a 'Leading' rating for the sixth consecutive year by the Australian Council of Superannuation Investors (ACSI) for Corporate Sustainability Reporting in Australia. Having received this rating for five or more consecutive years, Aurizon has again been considered a 'Leader' by ACSI.

Safety

At Aurizon we are committed to protecting ourselves, each other and our communities. 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). During the 1HFY2021, we have continued to embed an operational Critical Control Management (CCM) framework. CCM forms part of our enterprise approach to risk management. Combined with other safety, leadership and technical processes, it ensures we apply an effective and integrated approach.

In FY2021, we have 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 improved 4% against the prior year to 4.55. In the first half, RPS events have been predominantly in Yard environments and at interface points. Aurizon continues to progress a number of initiatives, including TrainGuard, TrainHealth and the rollout of next generation virtual reality technology, along with working with our customers on interface improvements, to strengthen RPS.

Half-year TRIFR was 12.38 injuries per million hours worked, which was a 25% deterioration against the prior period. This deterioration has been the result of an increase in low-severity strain and sprain injuries. These injuries are commonly caused by a high number of lower body strains and sprains while walking on uneven surfaces in the rail corridor, and an increase in upper body manual handling strains caused by lifting equipment, setting points, applying handbrakes and accessing/egressing locomotives. Aurizon is committed to a reduction in these types of injuries through undertaking a program using technology to review high risk body stressing tasks, to develop approaches to reduce risk exposure. Lost time injuries continue to show improvements, with a 30% decrease in the frequency of these type of injuries (LTIFR) against the prior period.

Environment

Aurizon's vision is to deliver environmental value through effective management of material environmental risks and improved enterprise environmental performance. This vision is driven by proactive and evidence-based management measures covering key environmental issues such as, climate change, rail noise and clean air.

In 1HFY2021 Aurizon implemented additional management measures in NSW aligned to the introduction of Environmental Protection Licences (EPLs) for rollingstock operators. These measures include annual compliance reporting, routine noise testing of locomotives following major engine overhauls, monthly reporting of community complaints, and completion of pollution studies. Aurizon maintains regular dialogue with the NSW Environment Protection Authority (EPA) in relation to EPL implementation and is a member of the NSW industry Rail Noise Reference Group, established to coordinate rail noise-related matters.

In relation to coal dust management, Aurizon continues to work collaboratively with supply chain partners to minimise coal dust emissions associated with Aurizon's coal haulage operations. For further detail in relation to coal dust management and monitoring processes, refer to Aurizon's annual Sustainability Report.

HALF-YEAR ENDED: 31 DECEMBER 2020 (1HFY2021)

As Aurizon Bulk expands its service offering beyond core rail capacity into port services, Aurizon's environmental risk profile has changed. Accordingly, Aurizon's management measures have been adapted to cater for additional activities (such as loading of bulk mineral concentrates) and compliance requirements following extensive due diligence.

In 1HFY2021, Aurizon had one notifiable environmental incident, a fertiliser service derailment on 30 December 2020. Remediation actions have been implemented as required and no ongoing environmental impacts are anticipated.

People

At Aurizon we strive for a culture where people live our values (Safety, People, Integrity, Customer and Excellence) and are engaged and enabled to do their best work. During the year we have continued to focus on our people through:

- › Our Safety and Performance Culture program which integrates culture-focused initiatives to prioritise and achieve sustainable cultural change
- › Progressing with our core leadership programs
- › Implementing a new enterprise-wide governance and compliance framework. This framework has delivered clear, simplified and streamlined business guidelines, now available to employees via an online portal

Entities over which control was gained or lost during the period

Aurizon Operations Limited acquired 100% of the issued shares in ConPorts Pty Ltd (renamed Aurizon Port Services NSW Pty Ltd), a shiploading services provider in Newcastle, for consideration of \$42.5m on 31 December 2020.

Details of associate and joint venture entities

Entity	Country of incorporation	Ownership Interest	
		31 Dec. 2020	31 Dec. 2019
Investment in associates			
Aquila Resources Limited	Australia	15	15
Joint Ventures			
Coal Network Capacity Co Pty Ltd	Australia	8	-
Ox Mountain Limited	United Kingdom	42	-
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)	1HFY2021	1HFY2020	Variance	2HFY2020
Total revenue	14.4	12.8	13%	12.2
Operating costs	(7.3)	(5.2)	(40%)	(6.9)
EBITDA – Underlying	7.1	7.6	(7%)	5.3
Depreciation and amortisation	-	(0.1)	100%	(0.1)
EBIT – Underlying	7.1	7.5	(5%)	5.2
Significant Items	-	2.5	(100%)	-
Income tax expense	(1.9)	(2.9)	34%	(1.5)
NPAT (Discontinued operations) – Statutory	5.2	7.1	(27%)	3.7

Intermodal Performance Overview

The EBIT position for Intermodal reduced 5% to \$7.1m.