Debt Investor Update FY2016 Results

Pam Bains – VP Network Finance (Network CFO)
David Collins – VP Finance & Group Treasurer

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Agenda

Full year in review – Aurizon Group	› David Collins
Full year in review – Aurizon Network	› Pam Bains
Regulation	› Pam Bains
Funding and Capital Management	› David Collins
Outlook and summary	› David Collins

Full year in review :

Aurizon Group

David Collins – VP Finance & Group Treasurer

About Aurizon

Aurizon (ASX: AZJ) is Australia's largest rail freight operator and a top 50 ASX company. Aurizon has four major product lines for customers: Coal, Iron Ore, Freight and Network.

Above Rail

› Aurizon transports more than 250 million tonnes of Australian commodities, connecting miners, primary producers, and industry with international and domestic markets.

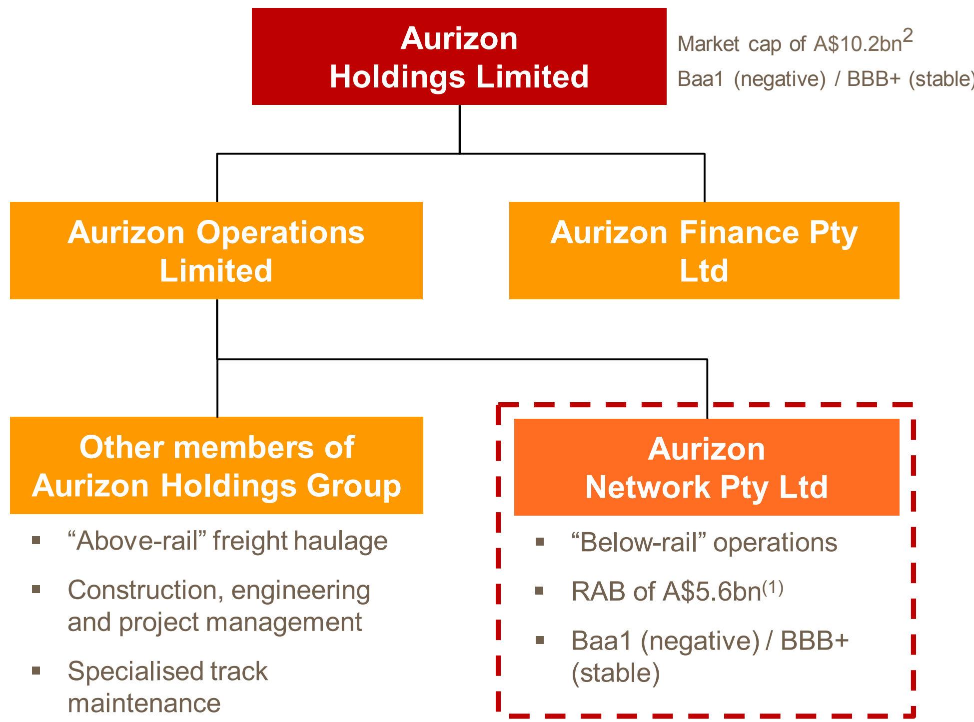
Below Rail (Network)

› Aurizon Network controls, manages, operates and maintains the fixed rail infrastructure "below rail" assets of the Central Queensland Coal Network (CQCN)
  - › Regulated Asset Base (RAB) of A$5.6 billion[1]
  - › Rated Baa1 (negative) / BBB+ (stable)
  - › The CQCN is Australia's largest export coal rail network and is the vital rail link between Queensland's coal mines and the various ports used to export coal

› The CQCN is a natural monopoly infrastructure asset regulated by the Queensland Competition Authority (QCA)

› Aurizon Network's regulated revenue is protected through a combination of contractual and regulatory mechanisms which limit counterparty and volume risk

Aurizon Holdings legal structure



1. FY2016 Projection based on QCA's Final UT4 Decision April 2016 and subject to QCA Approval. Excludes assets operating under an Access Facilitation Deed (AFD) of $0.4bn
2. As at 12 August 2016

- - - - Issuer under the A$ MTN Debt Issuance Programme dated October 4, 2013 and the EMTN Issuance Programme dated September 2, 2014

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Group highlights – FY2016

Safety	› Zero LTIFR achieved for the year. All other safety, health and environment KPIs improved except TRIFR
Results	› Revenue down $322m (9%) to $3.5bn – includes impact of Redbank sale in FY2015 ($43m) and lower Freight ($180m) reflecting lower volumes and impact of CRT/TSC › Underlying EBIT down $99m (10%) to $871m – includes $20m QNI bad debt › Below Rail delivered record volumes and 5% increase in underlying EBIT › Statutory NPAT of $72m includes impact of $528m (pre-tax) of impairments › Final dividend 13.3cps, 70% franked, 100% payout of underlying NPAT
Operating Ratio **ROIC**	› 74.8% compares to 73.0% target › 8.6%, down 1.1ppts
Transformation	› $131m benefits delivered, increased confidence in achieving additional $250m by FY2018 ($380m total target) › Significant Operations restructure announced, with 300 FTE reduction expected
Cash Flow	› Free cash flow (FCF) increased 35% to $478m driven by capex reduction and improved capital allocation › Further improvement expected in FY2017 – lower capex and Moorebank sale
Funding and Capital Management	› Moody's re-affirmed Network and the Group's Baa1 rating with a negative outlook › S&P BBB+ rating maintained with stable outlook › Average debt tenor increased due to the issuance of the 2026 500m EMTN and repayment of bank debt › Share buy-back has been stopped to manage near term balance sheet capacity and provide support for credit ratings › FCF is expected to increase significantly during the next few years as capex is reduced and additional transformation savings are realised › Further reductions in forecast capex spend over the next two years of $50-$150m. Long-term non-growth capex now $500-$550m › Ongoing dividend range maintained at 70-100% of NPAT

Group financial highlights

$m	FY2016	FY2015	Variance
Revenue	3,458	3,780	(9%)
EBIT – underlying[1]	871	970	(10%)
EBIT – statutory	343	970	(65%)
NPAT – underlying[1]	510	604	(16%)
NPAT – statutory	72	604	(88%)
EPS (cps) – underlying	24.4	28.4	(14%)
EPS (cps) – statutory	3.4	28.4	(88%)
DPS[2] (cps)	24.6	24.0	3%

- 4% above rail volume decline, lower asset sales and reduction in TSC payments
- Operating costs decreased 12% with $131m transformation benefits and $53m reduction in fuel price
- Underlying EBIT includes $24m in redundancy costs and $20 for QNI bas debt. Other items of note are disclosed on slide 36
- Depreciation increased 8% ($42m) mainly due to commissioning of WIRP and the impact of rail renewal capitalisation
- Statutory EBIT includes $528m of impairments
- Dividend up 3%, based on underlying NPAT

1. Refer following slide for details of FY2016 underlying adjustments
2. Difference between EPS of 24.4c and DPS of 24.6c is due to impact of weighted average shares in the EPS calculation. DPS uses actual share count at 30 June 2016

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Coal update

Markets

- Australian export volumes stable in FY2016 with increased seaborne market share
- Metallurgical coal:
  - 65% market share
  - Uneconomic US volumes continue to exit the market
  - Record Australian exports to India (#1 destination at 23%), other major markets Japan (22%) and China (20%)
- Thermal coal:
  - 23% market share
  - Reduction in US and Indonesia volumes
  - Record Australian exports to Japan (#1 destination at 41%) and South Korea (19%), other major markets China (15%) and Taiwan (10%)
- Australian coal supply continues to reduce Free-on-Board (FOB) costs through:
  - Ongoing reductions in production costs
  - Improvements in supply chain efficiencies including reductions in ship queues and demurrage costs

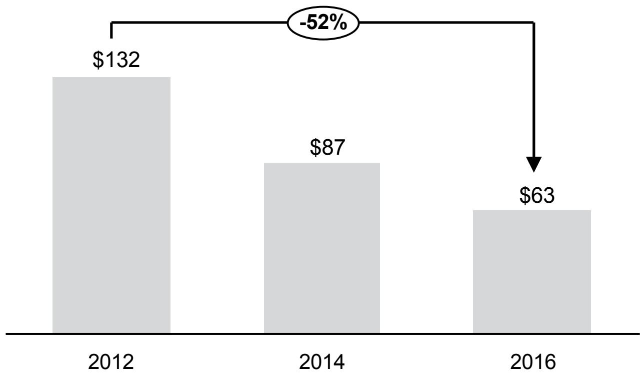
Customers

- Improved cost position for Aurizon customers, with ~10%[1] export volume estimated to be operating at a negative cash margin (from ~26% in January 2016)
  - Improvements in both realised price and operating costs have offset a weaker USD
  - More than half of this negative cash margin volume is with investment grade counterparties
  - Thermal coal spot price now consistent with contract
  - Metallurgical coal contract price increases reflect strong spot prices
- Full assessment of coal mine viability implies ~4% of contract volumes at higher risk (all have short mine/contract life)
- Customer credit ratings (by FY2016 volume):
  - Investment grade 62%, sub-investment grade 28%, private 10%
- Weighted average remaining contract life 10.5 years (Qld 10.6 years, NSW 10.2 years)
- No major contract renewals until FY2022
- New form contracts – 79% of FY2016 volumes, target 96% by FY2018
- Coal contract utilisation remains 92%

1. AUD/USD exchange rate of $0.76 and blended average of spot and contract prices in July 2016

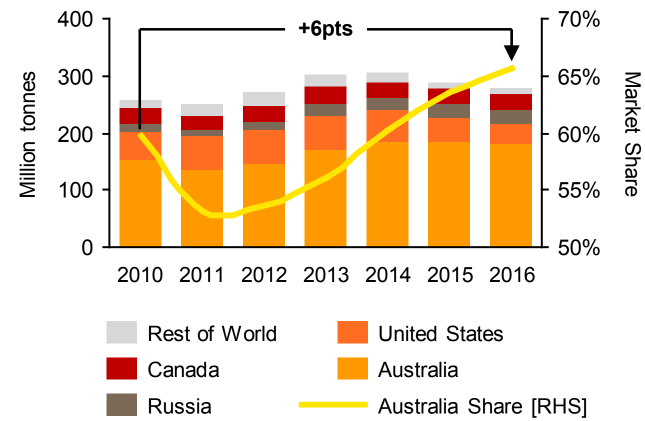
Coal market update

Australia Metallurgical Coal: Weighted Average Total Cash Costs (FOB, USD)

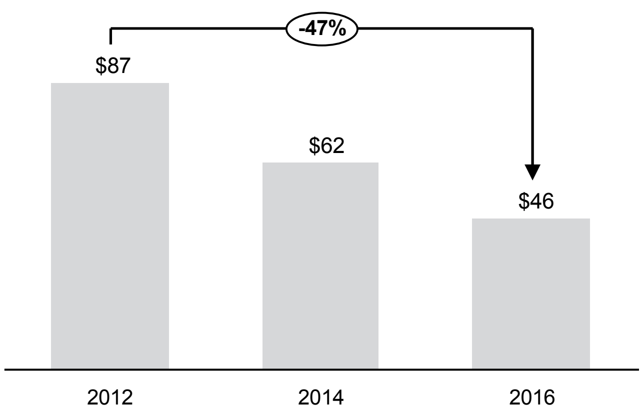


Metallurgical coal seaborne exports

Volume and market share, calendar years

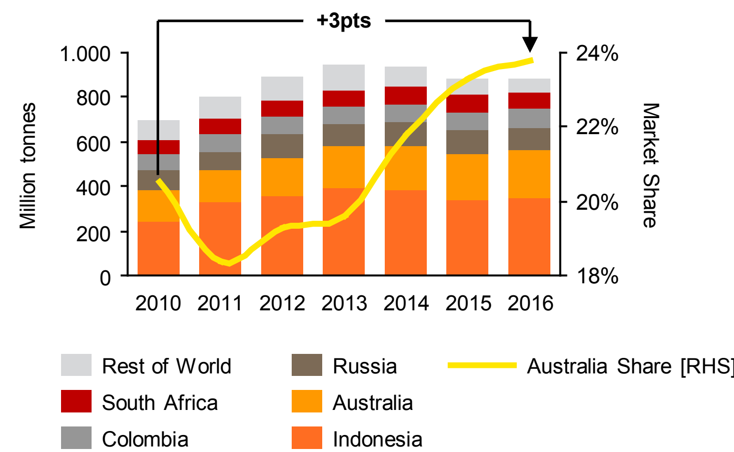


Australia Thermal Coal (Energy Adjusted): Weighted Average Total Cash Costs (FOB, USD)



Thermal coal seaborne exports

Volume and market share, calendar years



Source: Wood Mackenzie Coal Costs Benchmarking (May 2016), Wood Mackenzie Coal Markets Tool (1H 2016)

Transformation delivering sustainable value

Headline Benefits	› Transformation continues to deliver sustainable benefits to customers and shareholders › $131m generated in FY2016, ahead of target, $383m over last three years

Operations ($110m)	› Key driver is ongoing productivity and efficiency improvements from implementation of new Enterprise Agreements (EAs), including: (changes represent FY2016 vs FY2015)
	  › Overtime reduction for train crew (Queensland 23%, national 17%)
	  › Reduction in train crew cancellations (Queensland 5%, national 3%)
	  › 10% increase in annual leave taken
	  › New flexibility enabled removal of 22 train crew within three weeks of ceasing QNI operations
	› Improvements in maintenance through technology investments, outsourcing and facility consolidation
	  › Wayside condition monitoring (WCM) now active across entire CQCN system
	  › On train repair (OTR) now implemented in Jilalan, Callemondah and Hexham
	  › Long-term maintenance and supply agreement with Progress Rail outsourcing non-core activities
	  › 20% reduction in engineering and maintenance staff through targeted consolidation of sites

Centralised Support ($21m)	› Merger of functions reduced CEO direct reports from 7 to 5, further cost reductions to follow › Comprehensive re-design to align with Operations' regional model and market conditions › 16% reduction in FTEs in FY2016
Future Targets	› Quantification of initiatives continues to develop – 80% of FY2017 already identified and allocated › Confidence increased in achieving FY2016-2018 target of $380m

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Full year in review :

Aurizon Network

Pam Bains – VP Network Finance

Below Rail highlights

Record volumes and UT4 final decision from QCA

Revenue	› Increased 6% to $1.2bn due to record volumes (225.9mt vs 217.4mt QCA forecast) and annual increase in UT4 tariffs
Underlying EBIT	› Increased $22m (5%) to $506m › $43m increase in depreciation from asset commissioning (WIRP) and rail renewals, operating costs flat › EBIT includes ~$19m over recovery driven by strong railings, to be adjusted in FY2018 through revenue cap

Operational Performance	› Record 225.9mt throughput, including monthly record for June 2016 despite closures in Newlands and Moura
	› Facilitating above rail operational improvements through targeted maintenance processes and technology investment
	  › Performance to plan for the year improved 2.9ppts to 92.1%
	  › Below rail cancellation impact improved 0.6ppts to 1.1%
	  › System availability improved 2ppts to 86%

RAB	› $5.6bn[1] estimated value as at 30 June 2016 (excludes $260m deferred WIRP capex)
Regulation	› UT4 Final Decision delivered April 2016, $73m revenue true-up expected in FY2017 via tariff adjustment › UT5 draft submission due 9 September, industry engagement commenced › Submission to focus on appropriate revenue model (to reflect changing risk profile and ensure future efficiencies) and major policy outcomes (e.g. capex deferral)

1. Estimate excludes $0.4bn in assets operating under an Access Facilitation Deed (AFD) and is subject to QCA approval

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Below Rail (Network) profit & loss - Underlying

$m	FY2016	FY2016		FY2015	Variance fav / (adv)
		2H	1H		
Tonnes (million)	225.9	111.9	114.0	225.7	-
Revenue - Access	1,136	576	560	1,048	8%
- Services/Other	43	22	21	60	(28%)
Total Revenue	**1,179**	**598**	**581**	**1,108**	**6%**
Operating costs	(415)	(204)	(211)	(409)	(1%)
EBITDA	**764**	**394**	**370**	**699**	**9%**
EBITDA margin	64.8%	65.9%	63.7%	63.1%	1.7ppts
Depreciation and amortisation	(258)	(133)	(125)	(215)	(20%)
EBIT	**506**	**261**	**245**	**484**	**5%**
Operating Ratio	57.1%	56.4%	57.8%	56.3%	(0.8ppts)

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Below Rail (Network) volumes[1] (mt)

	FY2016	FY2016		FY2015	Variance fav / (adv)
		2H	1H		
Newlands	12.1	6.0	6.1	14.7	(18%)
Goonyella	121.5	61.7	59.8	119.6	2%
Blackwater	56.3	25.5	30.8	62.8	(10%)
Moura	11.9	5.4	6.5	12.3	(3%)
GAPE	16.0	8.1	7.9	15.4	4%
WIRP	8.1	5.2	2.9	0.9	
Total	**225.9**	**111.9**	**114.0**	**225.7**	**-**
Average haul length[2] (kms)	253	252	253	249	2%

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1. Table represents coal tonnes hauled on the CQCN by all operators
2. Defined as NTK/Net Tonnes

Aurizon Network Balance Sheet

As at ($m)	30 June 2016	30 June 2015
Total current assets	289	376
Property, plant & equipment	5,432	5,360
Other non-current assets	157	75
Total assets	**5,878**	**5,811**
Other current liabilities	(305)	(266)
Total borrowings	(3,003)	(2,938)
Other non-current liabilities	(788)	(794)
Total liabilities	**(4,086)**	**(3,998)**
Net assets	**1,792**	**1,813**
Gearing (net debt/net debt + equity)	**62.6%**	**60.9%**

Commentary

- Decrease in total current assets primarily due to a $113m decrease in cash holdings, which were higher at the FY15 year end to ensure that liquidity metrics were maintained, partially offset by a $31m increase in receivables primarily attributable to the accrual of the FY16 adjustment charge
- Increase in PP&E due to significant program of capital works undertaken during the fiscal year
- Increase in Other Non-Current Assets due to mark to market movements of derivative financial instruments and increase in intangible assets from investment in new IT Systems
- Increase in Other current liabilities primarily due to interest rate swaps maturing in FY17 from non-current liabilities
- Borrowings increased due to the revaluation of the Eurobonds
- Book Gearing increased 1.7% due to growth capex being funded from borrowings

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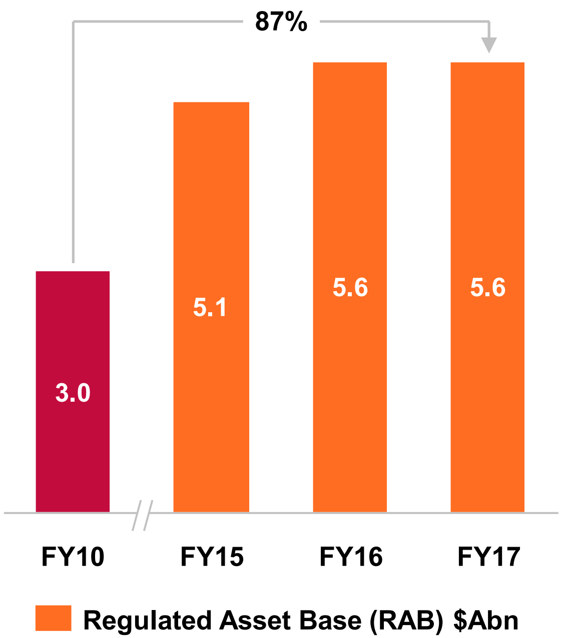
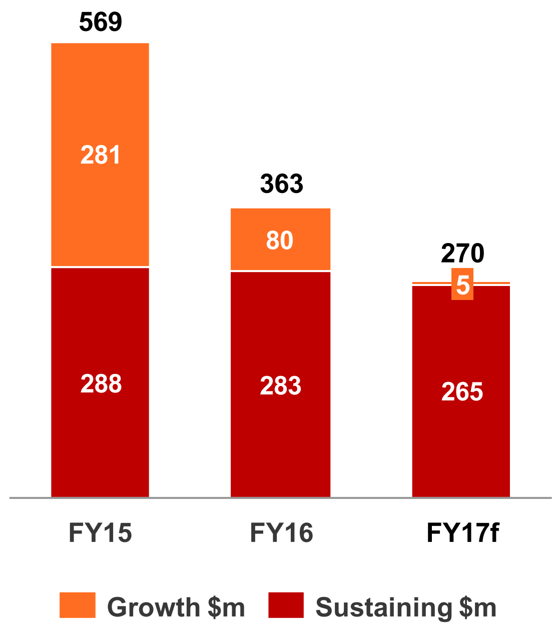
Network RAB, capex & depreciation profile

RAB roll forward



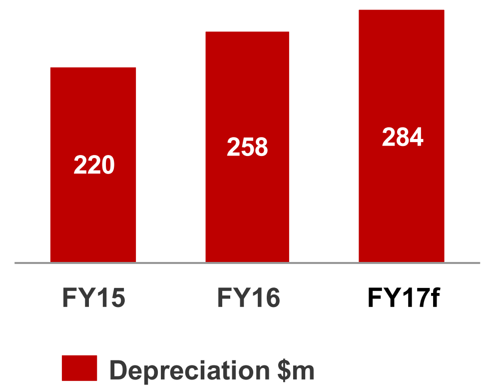
- RAB Roll-forward, indicative (closing balance) projection based on QCA Final Decision, April 2016. Excludes assets operating under an Access Facilitation Deed (AFD) of $0.4bn and ~$260m WIRP capex and FY16 & FY17 are subject to QCA approval

Capex



- FY2016 and FY2017 forecast capital expenditure broadly consistent with QCA Capital Indicator
- Network sustaining capex is expected to be in the range of $250 - $300m (4% - 5% of RAB)

Accounting depreciation



- Increase reflects conclusion of WIRP and capitalisation of rail renewals – includes all WIRP capex (no deferral for accounting purposes)
- Actual depreciation will depend on timing and quantum of actual capex incurred
- Long-term to approximate sustaining capex

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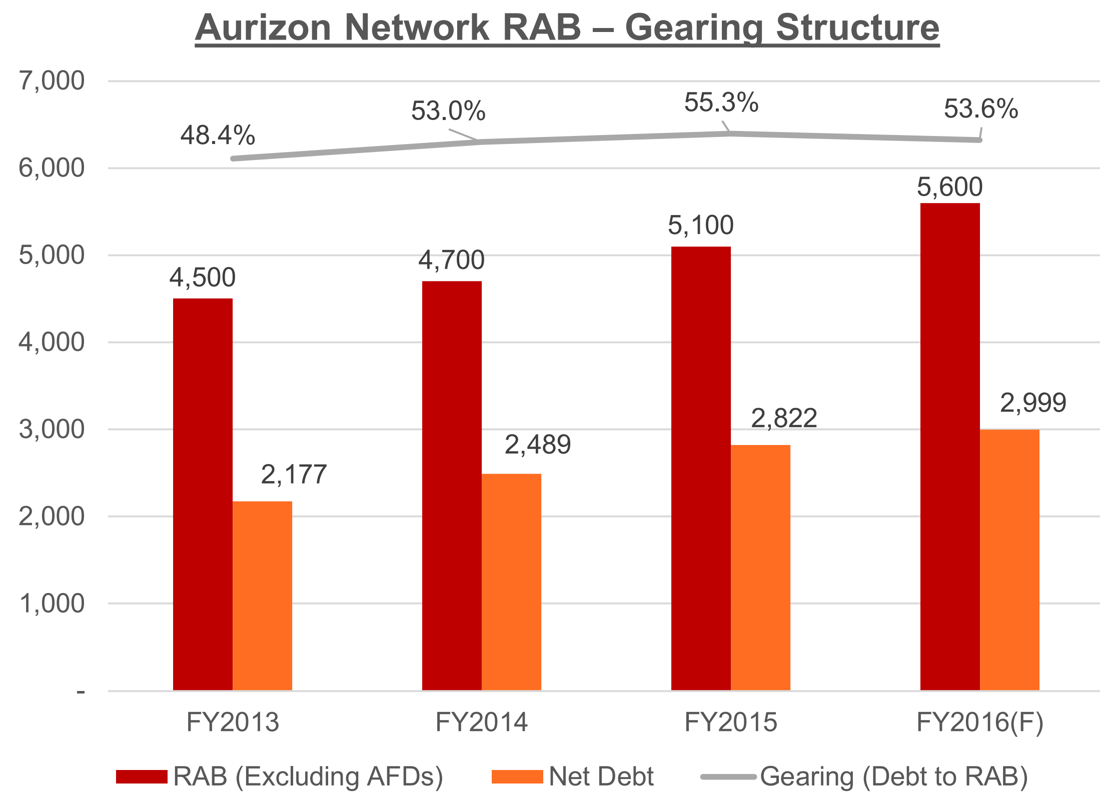
Aurizon Network: Capital Structure



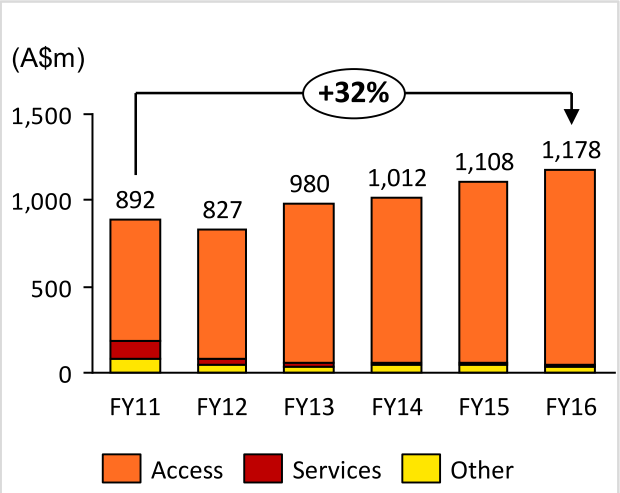
NOTE: The RAB Depicted in the Graph is a projection of the RAB based on the QCA's Final UT4 Decision (April 2016), excluding Mine Specific Infrastructure on which Aurizon Network does not earn an economic return. FY16 RAB subject to QCA approval.

Commentary

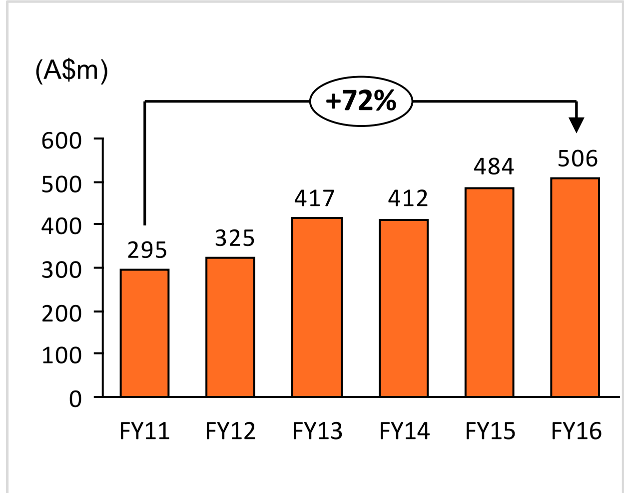
- All material growth projects were completed by December 2015
- Aurizon Network's Net Debt position in the medium term is expected to remain flat given no further grow projects
- Sustaining Capex is completely funded through operating cashflows
- Once all growth capex has been rolled into the RAB gearing will remain slightly below the regulatory assumed gearing level of 55%
- Borrowings increased to fund the major growth projects comprising:
  - The WIRP Project
  - The Rolleston Electrification
  - Goonyella System Expansion

Aurizon Network: Key Financial Metrics

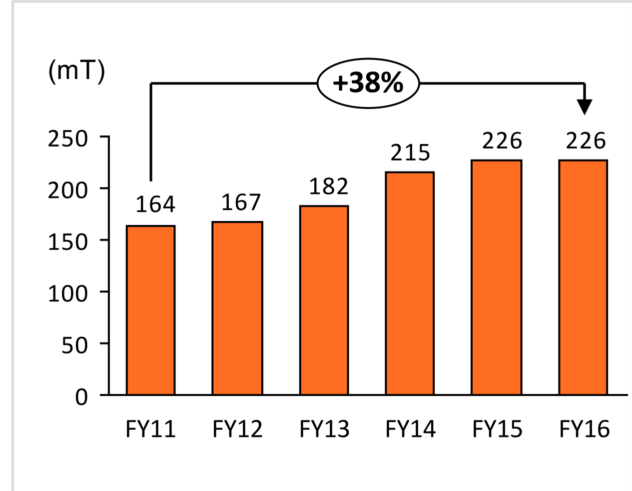
Revenue



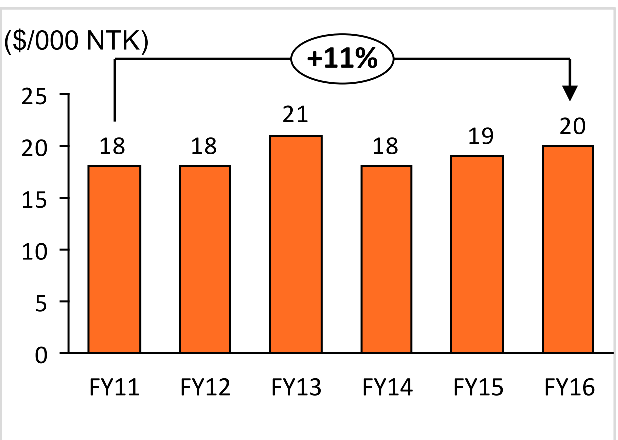
EBIT



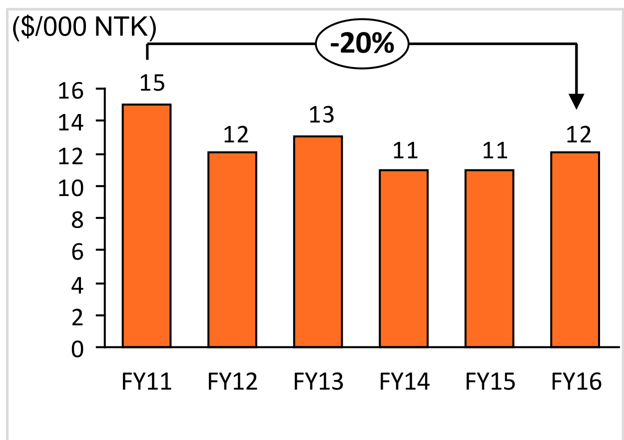
Volumes



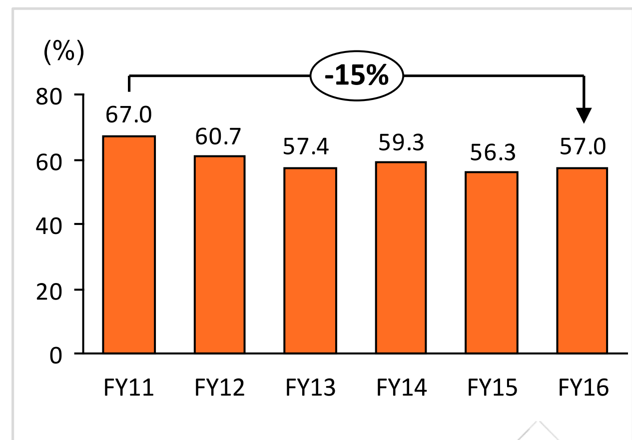
Access Revenue / NTK



Opex / NTK



Operating Ratio



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Source: http://www.aurizon.com.au/investors/overview/ Historical Financials to 30 June 2016

Regulation

Pam Bains – VP Network Finance

Final Decision – summary of key outcomes

Maximum Allowable Revenue (MAR)	› Overall maximum revenue of $3.925 billion over the period of the Undertaking › Weighted Average Cost of Capital (WACC) - 7.17%
True-up recovery process	› The Final UT4 Decision highlights a net under recovery of Regulatory Revenue to date (representing the difference between transitional revenues and the final Allowable revenue) › Aurizon Network (Aurizon) is working with the QCA to validate the quantum of the under recovery and the mechanism to recover this revenue on an NPV neutral basis › For the purposes of this presentation, Aurizon assumes a quantum of $73m net of Revenue Cap relating to FY2015 revenue to be recovered in FY2017
Wiggins Island Rail Project (WIRP)	› The QCA has continued to apply a revenue deferral for WIRP customers who are not expected to rail during the FY2014 - FY2017 regulatory period › The QCA has recognised the ability for Aurizon to seek QCA approval to reduce the scope of the revenue deferral as WIRP volumes increase › The deferral amount is Net Present Value (NPV) neutral › WIRP revenues remain socialised within the two existing System Allowable Revenues – the Blackwater and Moura systems
Asset Stranding	› The QCA believes each situation should be considered on a case by case basis › The QCA believes Aurizon is best placed to mitigate stranding risk › As in UT3, QCA can optimise however under UT4 they must first consider any alternate proposal and consult with Aurizon › Optimisation is a last resort and socialisation is an alternative › Optimisation reversed where conditions improve › Security under standard access agreement increased to six months (from three months under UT3)

UT4 finalisation

Process

- In light of the current economic climate and in order to provide certainty for the industry and our shareholders, Aurizon will move forward with the QCA's UT4 final decision, notwithstanding our ultimate intent to pursue the fundamental differences we have with the decision
- After consultation with the QCA and Industry stakeholders Aurizon Network lodged its UT4 Complying Access Undertaking for QCA approval on 7 July 2016. QCA requested interested stakeholders provide submissions on Aurizon Network's UT4 Complying Access Undertaking by 29 July 2016
- Aurizon Network submitted a Draft Amending Access Undertaking (DAAU) in April 2016 to extend UT3 to the earlier of UT4 finalization or 30 September 2016. Following consultation with stakeholders the DAAU was approved by the QCA on 27 June 2016

Other matters beyond finalisation

- Post UT4 approval, a range of individual matters needs to be implemented and managed under UT4. These matters include:
  - Standard User Funding Agreement – To be submitted to the QCA for approval within three months of QCA approval of Aurizon Network's Complying UT4 Access Undertaking
  - Condition Based Assessment – No later than six months prior to the end of the Undertaking
- Aurizon Network has developed an implementation plan to be executed once QCA approval of Aurizon Network's UT4 Complying Access Undertaking is received

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Below rail regulation

UT5 strategy

CONTEXT

- Record volumes for four years in a row, with improved operational metrics
- RAB value now $5.6bn[1] with ~300mt capacity – as requested and endorsed by industry
- Maintenance regime underpins performance, benefitting the entire supply chain
- Stable regulatory regime is critical for all stakeholders to provide certainty and to ensure continued investment

ENGAGEMENT PLAN

- Engagement with stakeholders at all levels including Board
- Industry engagement has commenced

KEY FOCUS AREAS:

- Revenue
  - WACC must reflect risks allocated to Aurizon
  - WACC must reflect regulatory assumptions for BBB+/Baa1 rated entity given current state of capital markets
  - Maintenance allowance must ensure safety compliance and continue to support productivity improvements
  - Recovery of other allowances consistent with efficient costs as determined in UT4
- Policy
  - Capital deferred from UT4 to be included in the RAB
  - Continued engagement on moderating policy where Aurizon believes the QCA has acted beyond their powers
  - Asset stranding position improved in UT4, further refinements required
  - Other major policy items to be addressed as required in the future

1. Estimate excludes $0.4bn in assets operating under an Access Facilitation Deed (AFD) and is subject to QCA approval

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Funding and Capital Management

David Collins – VP Finance & Group Treasurer

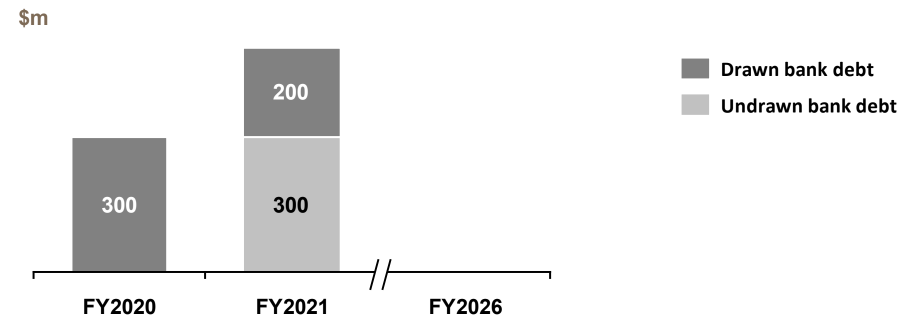
Pam Bains – VP Network Finance

Funding update

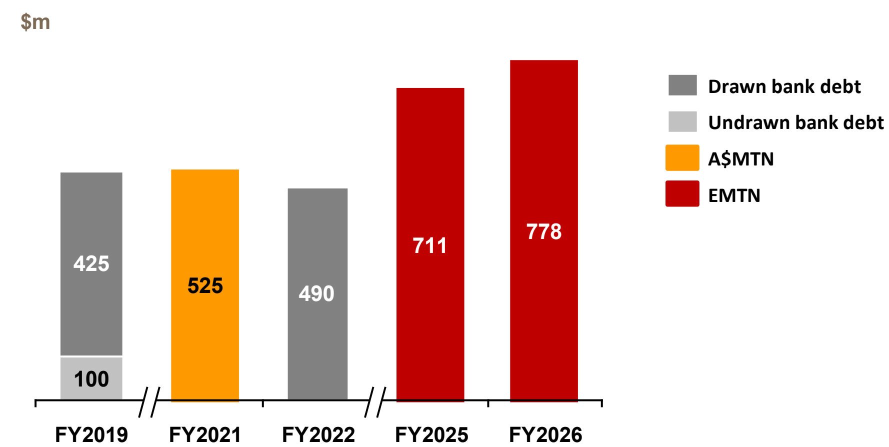
Further debt restructuring undertaken

- Network bank debt facilities of $490m repriced in December 2015 and maturity extended to FY2022
- Group bank debt facilities of $300m repriced in April 2016, maturity extended to FY2021 and tranche size increased to $500m
- Aurizon Network issued second bond in the European capital markets (10 year EUR 500m Medium Term Note) in May 2016. After swapping into A$, proceeds were used to partially repay bank debt
- Debt maturity profile average tenor increased to 5.8 years (FY2014 – 4.3 years)
- Interest cost on drawn debt decreased to 4.7% (FY2015 – 4.9%), expected to increase to 5.1% in FY2017 reflecting transition to longer term debt
- Approximately 64% of interest rate exposure is fixed to align with the Below Rail regulatory period
- Group gearing increased to 37.4% (FY2015 – 30.2%)
- Investment credit ratings at BBB+ (stable) / Baa1 (negative)
- Board committed to maintaining investment grade credit rating

Above Rail $0.5bn maturity profile



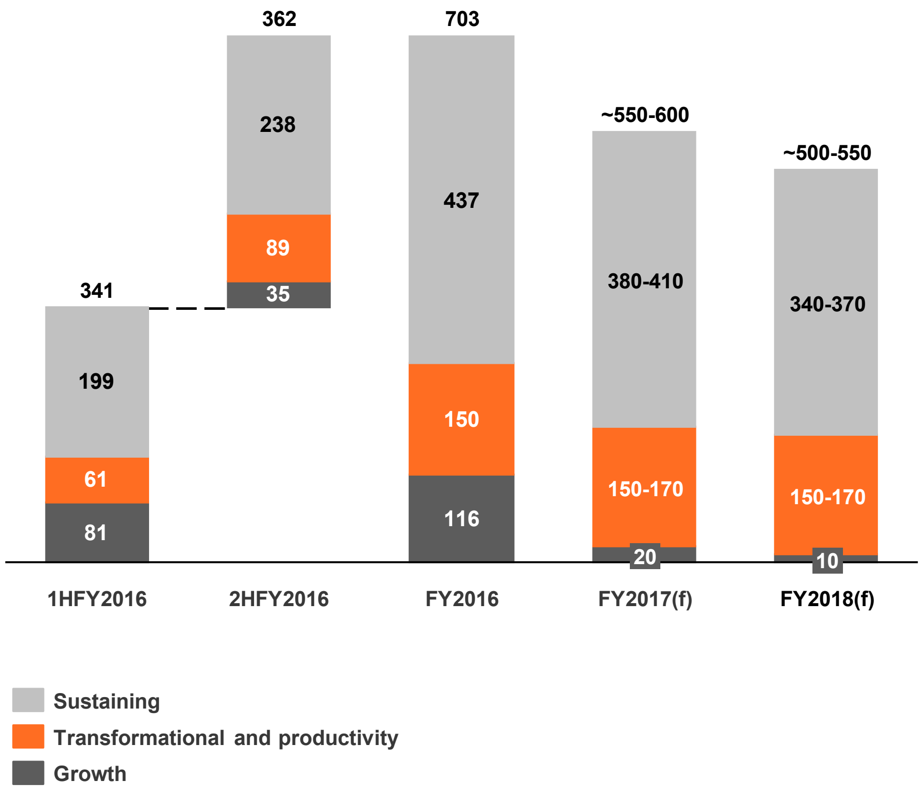
Below Rail $2.9bn[1] debt maturity profile



1. Excludes working capital facility

Further capex reductions forecast

Capital expenditure FY2016 – FY2018 ($m)[1]



- Further reductions in forecast capex spend over the next two years of $50-$150m, supporting Free Cash Flow (FCF) growth
- FY2016 spend included additional sustaining capital due to acceleration of Below Rail (resurfacing plant and rail renewals) and Above Rail (yard renewals) capital
- Transformation capital expectations have reduced following a review of requirements:
  - Improvements in wheel wear has deferred the requirement for a consolidated wheel shop
  - Deferral of wagon replacement strategy in Freight
- Long-term non-growth capex now $500-$550m

1. Includes capitalised interest but excludes strategic projects

Group – free cash flow growth

$m	FY2016	FY2015
EBITDA - statutory	904	1,489
Working capital & other movements	(85)	7
Non-cash adjustments - impairment	528	-
Cash from operations	**1,347**	**1,496**
Interest received	2	9
Income taxes (paid) / received	(131)	11
Net cash inflows from operating activities	**1,218**	**1,516**
Net cash outflow from investing activities	**(740)**	**(1,161)**
Free Cash Flow (FCF)	*478*	*355*
Net proceeds from borrowings	442	103
Payment for share buyback and share based payments	(355)	(81)
Interest paid	(138)	(128)
Dividends paid to company shareholders	(529)	(396)
Net cash outflow from financing activities	**(580)**	**(502)**
Net (decrease) / increase in cash	**(102)**	**(147)**

- FCF increased 35% to $478m
- Further improvements expected in FY2017 with capex reductions and Moorebank sale proceeds
- Lower net cash inflows from operations offset by reduction in net cash flow from investing – capex is down following completion of growth projects and efficiencies in capital allocation process
- Increase in tax paid reflects impact of FY2014 impairments on FY2015 tax
- $830m in distributions to shareholders – up 78% with 100% dividend payout maintained and $301m share buy-back

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Network – free cash flow growth

$m	FY2016	FY2015
EBITDA - statutory	756	700
Working capital & other movements	(21)	(2)
Non-cash adjustments - impairment	8	-
Cash from operations	**743**	**698**
Interest received	2	1
Income taxes (paid) / received	(53)	7
Net cash inflows from operating activities	**692**	**706**
Net cash outflow from investing activities	**(405)**	**(586)**
Free Cash Flow (FCF)	*287*	*120*
Net proceeds from borrowings	1	372
Capital distribution to Parent	(0)	(2)
Interest paid	(130)	(120)
Finance lease payments	(2)	(2)
Dividends paid to company shareholders	(269)	(253)
Net cash outflow from financing activities	**(400)**	**(4)**
Net (decrease) / increase in cash	**(113)**	**115**

- FCF increased 139% to $287m
- Further improvements expected in FY2017 as growth capex has ceased with only sustaining capex forecast over the medium term
- Higher cash inflows from operations driven by higher regulatory access revenues
- Increase in tax paid reflects impact of FY2014 impairments on FY2015 tax

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Outlook & summary

David Collins – VP Finance & Group Treasurer

Outlook & guidance

Challenging markets remain, volumes expected to be stable

- FY2017: Revenue $3.35 - $3.55bn, underlying EBIT $900-950m, key assumptions as follows:
  - Above Rail
    - Volumes of 255 – 275mt, including Coal 200 – 212mt
    - Stable pricing with exception of Iron Ore for customer Karara
  - Below Rail
    - EBIT (pre corporate overhead allocation) flat despite $73m one-off true-up from revenue under collection in FY2014 and FY2015
    - Step up in Maximum Allowable Revenue (MAR) (excluding true-up) offset by prior year adjustments[1]
    - $50-60m increase in depreciation (full year impact of WIRP commissioning and rail renewal capitalisation) and operating and energy costs due to inflation and higher electricity charges
  - Continued delivery of transformation benefits consistent with $380m+ enterprise target but excludes restructuring and redundancy costs, expected to be at least $100m
  - No major weather impacts

- FY2018 OR target remains 70% but achievement dependent on:
  - Above rail volume growth and delivery of transformation targets
  - UT5 outcome
  - Outcome of Freight performance review

1. Refer summary on slide 55

Aurizon fundamentals

ENTERPRISE

Improve returns

- effective allocation of capital to ensure optimum portfolio mix and achievement of future enterprise ROIC targets

Cash flow generation

- increased focus on capital spend, especially in lower growth environment

Distributions

- maintain dividend payout ratio in 70-100% range, subject to business and market conditions. Continue to return surplus capital to shareholders

ABOVE RAIL

- Long life assets supported by long duration (10+ years) contracts
- New form contracts deliver greater revenue and cash flow certainty through higher fixed charges (~70% of tariff)
- High quality customers with high quality mines

BELOW RAIL

- Defensive, regulated asset supporting major export industry with RAB of $5.6bn
- Low volume and commodity price risk with socialisation and revenue protection
- High quality customers with high quality mines

Transformation delivers value to supply chain, customers and shareholders through improved productivity, lower cost and increased capacity

Questions & Answers

Definitions

Metric	Description
Access Revenue	Amount received for access to the Network infrastructure under the Access Agreement
Average haul length	NTK/Total tonnes
Contract utilisation	Total volumes hauled as a percentage of total volumes contracted
CQCN	Central Queensland Coal Network
dGTK	Diesel fuel used per Gross tonne kilometre. GTK is a unit of measure representing the movement over a distance of one kilometre of one tonne of vehicle and contents including the weight of the locomotive & wagons
DTC	Deficit Tonnage Charge. A form of protection for the Above Rail Coal business, whereby the Group is able to recover extra charges where the revenue receivable, based on tonnage hauled and agreed price, falls below minimum levels set in contractual arrangements with customers
Footplate hours	A measure of train crew productivity
Free cash flow	Net operating cash flows less net cash flow from investing activities. Interest payments have been classified as Financing and Investing Activities rather than Operating activities.
FTE	Full Time Equivalent - The number of unique employee positions filled by all Aurizon employees (excluding contractors/consultants) as at period end. The NTK/Employee metric for the half year is annualised for comparative purposes and uses period-end FTE
GAPE	Goonyella to Abbot Point Expansion
Gearing	Net debt/(net debt + equity)
Gross Contracted NTKs	Gross contracted tonnages multiplied by the loaded distances (calculated on a contract by contract basis)
Maintenance	Maintenance costs exclude flood repairs, mechanised ballast undercutting, derailment repairs and electric traction maintenance
MAR	Maximum Allowable Revenue that Aurizon Network Pty Ltd is entitled to earn from the provision of coal carrying train services in the CQCN
Mtpa	Million tonnes per annum
New Form contract	New form contracts provide substantial improvements in commercial terms including pricing (minimum weights and escalation), capacity charges, fuel and access pass through provisions as well as performance bonuses & penalties
NTK	Net Tonne Kilometre. NTK is a unit of measure representing the movement over a distance of one kilometre of one tonne of contents excluding the weight of the locomotive and wagons
Operating Ratio	1 – EBIT margin. Operating ratio calculated using underlying revenue which excludes interest income & significant items
Opex	Operating expense including depreciation and amortisation
Payload	The average weight of product hauled on behalf of Aurizon customers per service, calculated as total net tonnes hauled / total number of services
ROIC	Return on Invested Capital. Rolling 12-month underlying EBIT/(Net PP&E including assets under construction + Investments accounted for using the equity method + current assets less cash, less current liabilities + net intangibles)
ToP	Take-or-Pay. Contractual ToP provisions entitles Aurizon Network to recoup a portion of any lost revenue resulting from actual tonnages railed being less than the regulatory approved tonnage forecast
TSC	Transport Services Contract entered into between the Queensland State Government and Aurizon for the provision of regional freight and livestock services
Underlying	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 the purpose of managing and determining financial performance of the business. Underlying results differ from the Group's statutory results. Underlying adjusts for significant/one-off items
Velocity	The average speed (km/h) of Aurizon train services (excluding yard dwell)
WACC	Weighted average cost of capital
WIRP	Wiggins Island Rail Project

Appendix

QCA Final UT4 Decision: MAR

Maximum Allowable Revenue (MAR) $m	FY2014	FY2015	FY2016	FY2017	Total UT4
Return on capital (WACC)[1]	346	347	415	420	**1,567**
Return of capital (Depreciation)	280	290	353	364	**1,288**
Inflation	(154)	(73)	(144)	(145)	**(515)**
Maintenance expenditure	194	208	196	207	**805**
Operating expenditure	188	192	212	213	**806**
Tax and Value of imputation credits	25	40	38	41	**144**
Total (unsmoothed) MAR	**879**	**1,004**	**1,070**	**1,100**	**4,055**
UT3 Capex carryover account adjustments	(30)	(32)	(33)	(34)	**(129)**
(Adjusted) Total MAR	**849**	**972**	**1,037**	**1,066**	**3,925**

Source: Table 8, Aurizon Network 2014 Access Undertaking — Volume IV—Maximum Allowable Revenue April 2016

Note:

› Table 8 of Aurizon Network 2014 Access Undertaking — Volume IV—Maximum Allowable Revenue April 2016 effectively overstates Aurizon's raw MAR in FY2016 and FY2017 by a total of ~$12m. The QCA deferred revenue relating to WIRP Moura (Cockatoo) by adjusting System Allowable Revenue but this was not reflected in the published MAR within Table 8

› Tables throughout the presentation may not add due to rounding

› This is a raw MAR, as published by the QCA and excludes Revenue Cap, true-up of prior year revenue and flood recovery

› The UT3 capital expenditure carryover adjustments relate to revenue differences derived from approved UT3 capital expenditure against the UT3 capital indicator (forecast capital spend). Any differences are adjusted in the subsequent regulatory period i.e. UT4

1. Includes $12m of working capital allowance

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QCA Final UT4 Decision: Volumes

System Volumes	FY2014a	FY2015a	FY2016f	FY2017f	Total UT4
Blackwater[1]	65.0	63.7	66.2	67.8	**262.7**
Goonyella	112.5	119.6	112.1	115.6	**459.8**
Moura[1]	12.4	12.3	13.0	12.0	**49.7**
Newlands	12.0	14.7	10.9	9.0	**46.6**
GAPE	12.5	15.3	15.3	17.0	**60.1**
CQCN Total	**214.5**	**225.7**	**217.4**	**221.5**	**879.1**

Source: Table 17, Aurizon Network 2014 Access Undertaking — Volume IV - Maximum Allowable Revenue April 2016

WIRP[1]	0.0	0.9	10.3	14.3	**25.5**

- FY2014 and FY2015 represent actual volumes railed
- FY2016 and FY2017 volumes are QCA regulatory forecast volumes not Aurizon forecast volumes
- Aurizon expects to exceed the FY2016 forecast railings in some systems, which will result in a net over-recovery. This will be refunded as part of the revenue cap process in FY2018
- Volumes represent railings by all Access Holders

1. WIRP Volumes are included in the Blackwater and Moura system volumes as applicable

Final Decision UT4 vs. UT3 MAR

Maximum Allowable Revenue (MAR) $m	UT4 FY14 – FY17	UT3 FY10 – FY13	Variance	Mix of UT4 MAR (%)	Mix of UT3 MAR (%)
Return on capital (WACC)[1]	1,527	1,599	(72)	38%	52%
Return of capital (Depreciation)	1,288	698	590	32%	23%
Inflation	(515)	(401)	(114)	(13%)	(13%)
Maintenance expenditure	805	647	158	20%	21%
Operating expenditure	806	443	363	20%	14%
Tax and Value of imputation credits	144	95	49	4%	3%
Total (unsmoothed) MAR	**4,054**	**3,081**	**973**	**100%**	**100%**
UT3 Capex carryover account adjustments[2]	(129)	-	(129)		
(Adjusted) Total MAR	**3,925**	**3,081**	**844**		
Variance to UT3 Allowance (%)	27%				

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1. UT3 Vanilla WACC – 9.96%; UT4 Vanilla WACC – 7.17%

Reconciliation of MAR to reported access revenue

MAR to reported Access Revenue	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017[1] Estimate
Access Revenue (AT_1 to AT_5) (ex. GAPE)	794	787	924	918
Approved Adjustments to MAR				
Transitional tariff adjustment	(70)	-	-	-
Flood Claim recovery from 2013 Event	-	12	6	-
WIRP Smoothing[3]	-	-	(15)	5
Revenue Cap[2] (ex. GAPE and inclusive of capitalised interest)	17	34	8	(32)
UT4 MAR True-up	-	-	-	105
Adjusted MAR (ex. GAPE)	**741**	**833**	**923**	**996**
Total non-regulated Access Revenue (ex. GAPE)	5	11	12	15
Total GAPE Revenue (Regulatory + non-regulatory)	205	204	201	191
Total Access Revenue per Aurizon Statutory Accounts**	**951**	**1,048**	**1,136**	**1,202**

Net true-up $73m

****Actual access revenues reported in FY2017 may differ due to actual volumes not aligning to regulatory system forecast volumes and other adjustments****

Note: Access Revenue excludes other revenue which primarily consists of Access Facilitation Charges (AFC) paid by customers to Aurizon and other services revenue

1. FY2017 estimate excludes the impact of Take-or-Pay and volume volatility
2. FY2017 Revenue Cap is inclusive of a $6m adjustment to correct the Final Decision published FY2015 Revenue Cap amounts
3. FY2016 & FY2017 WIRP Smoothing reflects the ramp up of Regulatory Revenue in line with the Regulatory Volumes and the removal of revenue attributable to Cockatoo

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WIRP regulatory revenue profile

$m	FY2014 Actual	FY2015 Actual	FY2016 Forecast	FY2017 Forecast
Regulatory volumes (mt)	-	-	10.4	14.3
Estimated WIRP Capex for pricing ($m) - forecast	-	-	~640	~640
Revenue ($m) – forecast (MAR equivalent)	-	-	~50	~70

****Aurizon estimate only. There is no "WIRP" revenue separately disclosed by the QCA as it is within the Blackwater and Moura SAR****

- The QCA has continued to apply a revenue deferral for WIRP customers who are not expected to rail during the FY2014 - FY2017 regulatory period
- The QCA has recognised the ability for Aurizon Network to seek QCA approval for a recovery mechanism for the revenue deferral as WIRP volumes increase
- The deferral amount is Net Present Value (NPV) neutral per the QCA
- The revenue deferral has been achieved through deferring the inclusion of ~$260m[1] in WIRP Capex for pricing purposes, which aligns with the non-railing customers share of the WIRP Capex
- QCA has smoothed FY2016 & FY2017 WIRP Revenues to align with their volume ramp up profile resulting in ~$10m being moved from FY2016 into FY2017. In addition, a total of ~$12m was deducted from the Moura SAR for Cockatoo across FY2016 and FY2017
- WIRP revenues remain socialised within the two existing System Allowable Revenues – the Blackwater and Moura systems
- The QCA expects all WIRP customers (aside from Baralaba and Rolleston) to pay the existing Blackwater System tariff
  - Baralaba and Rolleston customers will pay a system premium in addition to the system tariff

Customer	Mine	B/Rail mtpa	Railing in UT4
Aquila	Eagle Downs	1.6	✘
Bandanna	Springsure Creek	4.0	✘
Caledon	Cook	4.0	✓
Cockatoo	Baralaba	3.0	✘
Northern Energy	Colton	0.5	✘
Wesfarmers	Curragh	1.5	✓
Yancoal	Yarrabee	1.5	✓
Glencore	Rolleston	10.9	✓
Net Tonnes[2]		**27.0**	

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1. Aurizon Network estimate of WIRP Capex deferral
2. Source: Company's respective Annual Reports

Regulatory Revenue Protection

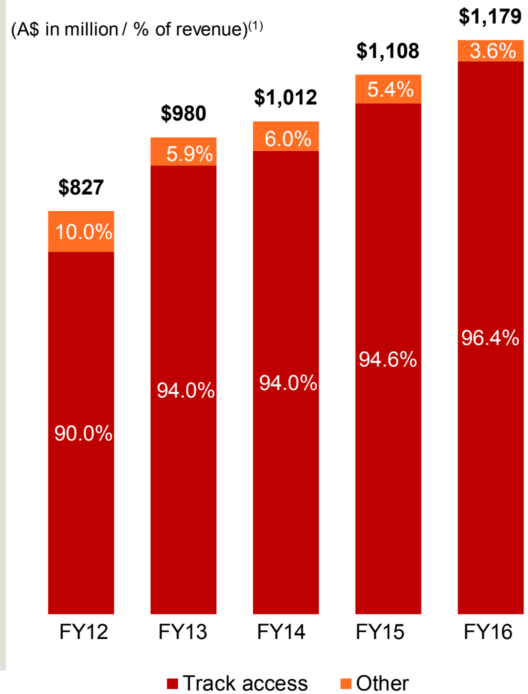
Regulated revenues within a stable and well-established regulatory regime

1 Well established regulatory regime

- The provision of transportation services by rail on the CQCN is regulated by the Queensland Competition Authority
- The CQCN is a vital part of the Central Queensland coal supply chain
- The form of regulation is a conventional revenue cap

2 Stable regulated revenue base

- Over 90% of Aurizon Network revenue is from track access payments
- Access revenue growth and contribution have remained stable over time



3 Well developed building block approach to revenue determination

1. ■ RAB is approved by the QCA on a Depreciated Optimal Replacement Cost basis
2. ■ "Building block" approach adopted to determine the CQCN's maximum allowable revenue
3. ■ Reference tariffs determined, taking into consideration forecast volumes and under and over recovery in prior periods

BUILDING BLOCKS

WACC (return on capital)
+
Depreciation net of inflation (return of capital)
+
Opex
+
Maintenance
+
Gamma adjusted tax
=
Aurizon Network's maximum allowable revenue

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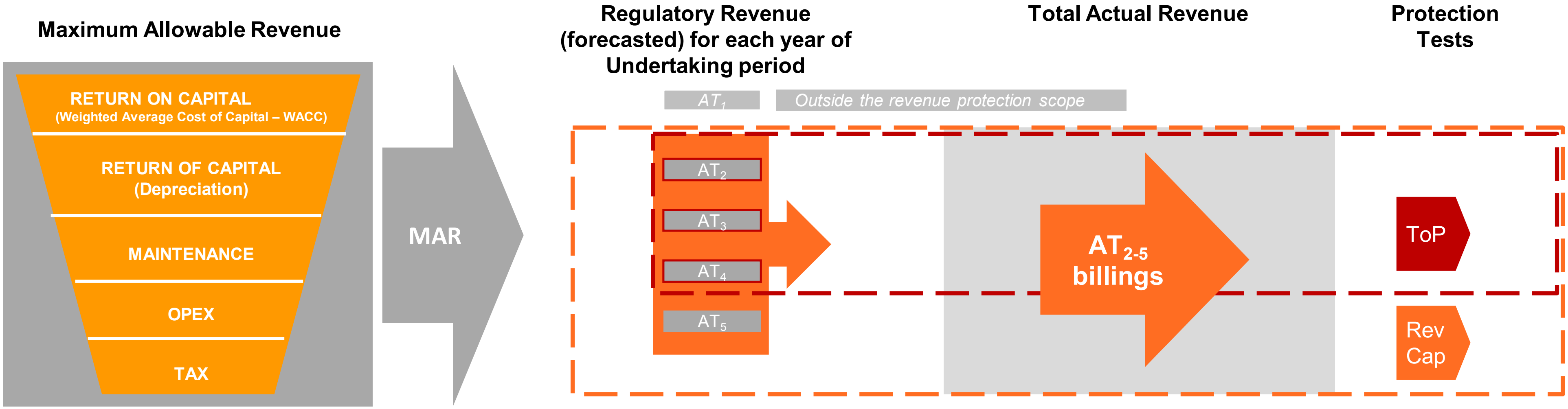
1. ASX market announcement, Aurizon Network – Segment note reinstatement January 13, 2014

The CQCN regulatory framework provides revenue protection through a building block approach



These building blocks represent Capital and operational costs that Aurizon Network can recover for CQCN access

The QCA approves the Maximum Allowable Revenue (MAR) that can be earned by Aurizon Network.

Revenue for each year determined by individual system, based on regulatory approved forecasted volumes

These five different reference tariffs reflecting different recovery categories

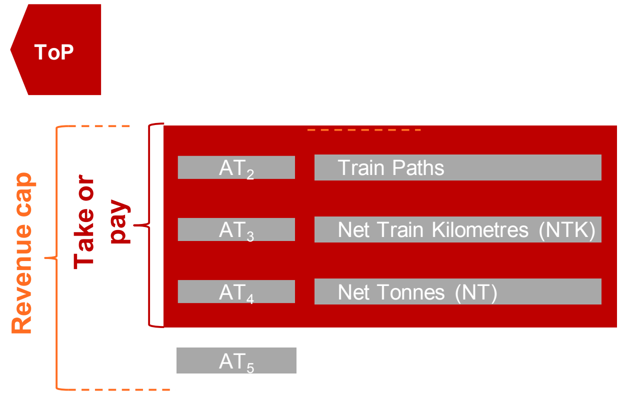
Total Actual Revenue (TAR)

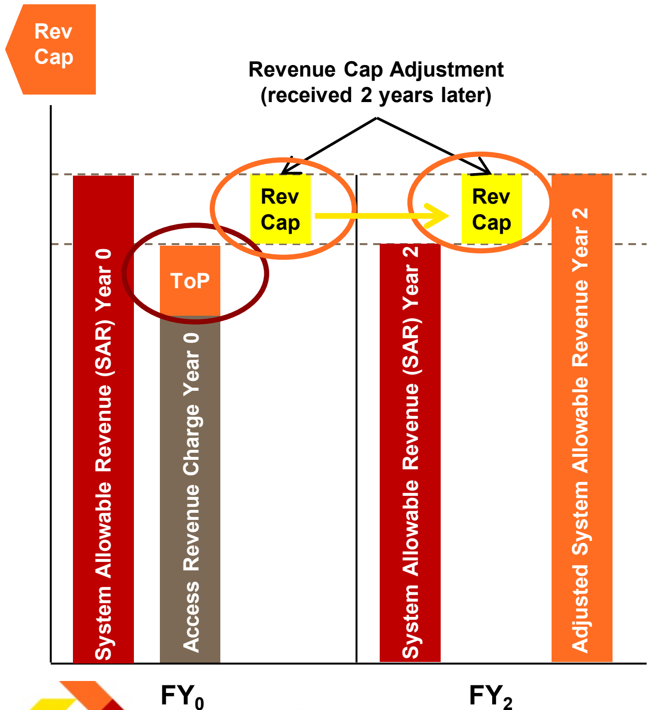
Total Actual Revenue for revenue protection calculation purposes = System Allowable Revenue (SAR) (including ToP if triggered) adjusted for rebates, cross system traffic and transfer/relinquishment fees

› Aurizon Network's regulated revenue is protected through a combination of contractual and regulatory mechanisms that are included in the Access Undertaking and access agreements

› These mechanisms come into effect when revenue shortfalls occur due to actual tonnage railed being less than regulatory approved tonnage forecasts

… with Take-or-Pay protection should revenues fall short (with a revenue cap)





1 Take-or-pay mechanisms

- Primary revenue protection mechanism available to Aurizon Network
- Allows Aurizon Network to recover revenue shortfall directly from the access holder

2 Revenue cap mechanism

- Comes into effect in the event take or pay mechanisms do not recover a revenue shortfall
- Revenue cap mechanism allows for remaining shortfall to be recovered two years later through a WACC adjusted tariff
- In the event that total allowable revenue collected exceeds the Maximum Allowable Revenue **(MAR),** the revenue cap mechanism will return the surplus revenue two years later through an adjusted tariff

3 Socialisation of counterparty risk

- Counterparty risk occurs when certain mines are no longer in operation
- If a counterparty fails, the total allowable revenue will be shared among the remaining users and so Aurizon Network will continue to earn its aggregate regulated revenue

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