

Aurizon Network - FY2019 Results

Debt Investor Update



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Agenda

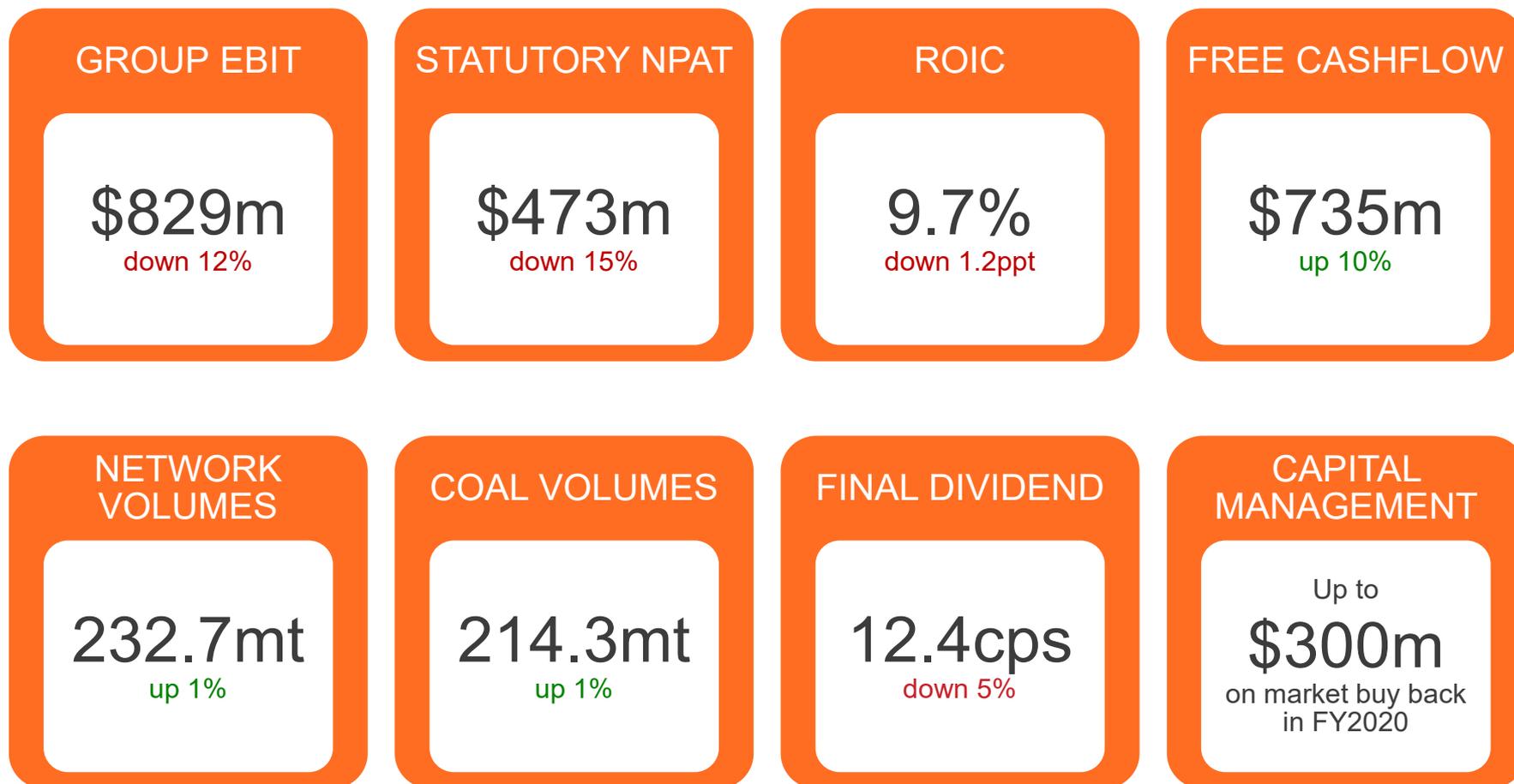
- 1 FY2019 Performance Overview – Aurizon Group
- 2 Integration Review
 - Legal and capital structure review
- 3 FY2019 Performance Overview – Aurizon Network
- 4 Funding and capital management
- 5 Q&A

FY2019 Financial Performance – Aurizon Group



FY2019 highlights

Non Network EBIT (ex redundancy) \$450m above top end of guidance, includes \$20m doubtful debt recovery



Key financial highlights¹

Results reflect reduced earnings in Network from the UT5 Final Decision, including the acceleration of the total FY2018 true up into FY2019

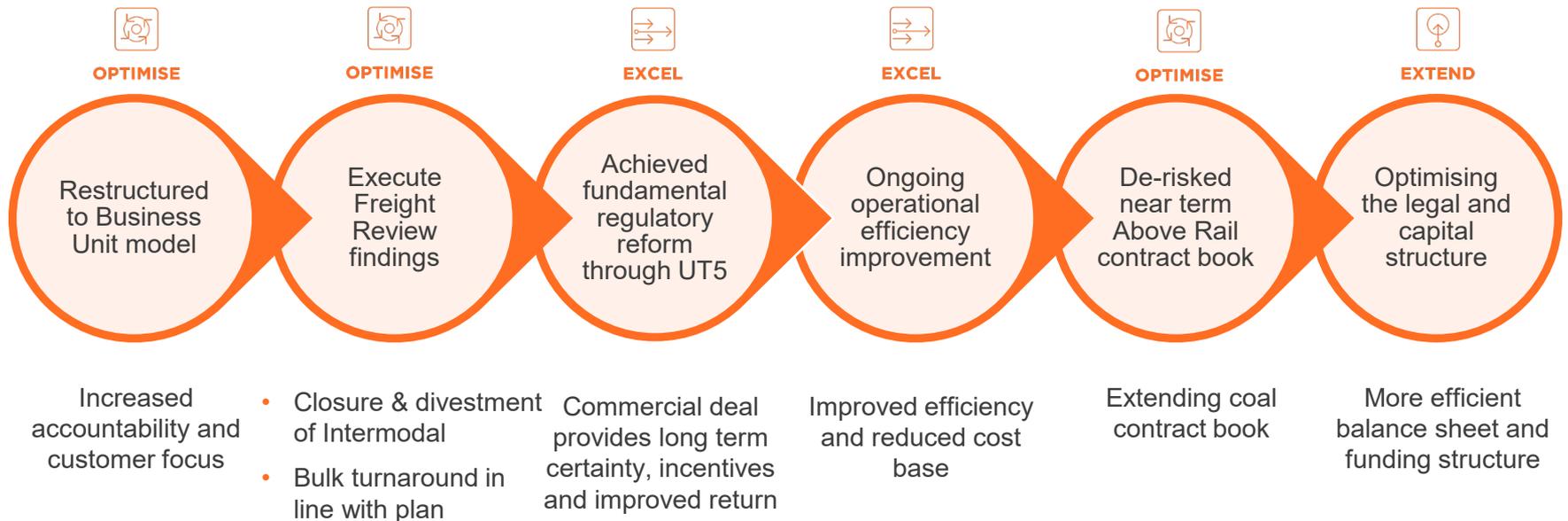
\$m	FY2019	FY2018	Variance
Revenue	2,908	3,113	(7%)
Operating Costs	(1,536)	(1,646)	7%
Depreciation & Amortisation	(543)	(526)	(3%)
EBIT – underlying	829	941	(12%)
EBIT – statutory ²	829	966	(14%)
Operating Ratio (%)	71.5%	69.8%	(1.7ppt)
NPAT – underlying	473	542	(13%)
NPAT – statutory ²	473	560	(15%)
EPS (cps) – underlying	23.8	26.9	(12%)
EPS (cps) – statutory ²	23.8	27.8	(14%)
ROIC (%)	9.7%	10.9%	(1.2ppt)
Final dividend per share	12.4	13.1	(5%)
Free Cash Flow	735	669	10%

- › **Revenue** reflects the UT5FD, including the acceleration of the total FY2018 true up, in FY2019. Revenue is also impacted by lower volumes in Bulk with the Cliffs cessation
- › **Operating costs** benefited from reduced access costs
- › **Free cash flow** benefited from the termination payment from Cliffs
- › **Dividend** based on 100% payout ratio of underlying continuing NPAT

1. Continuing operations
 2. Significant items in FY2018 of \$26m and includes Cliffs contract termination \$35m, Bulk East impairment (\$32m) and redundancy benefit \$23m.

Achievements to date

Execution of the strategy over the last two years has generated long term value for Aurizon shareholders



Delivered through an integrated structure



Improved shareholder returns

- › Maintained 100% payout ratio for four years
- › Future capital management opportunities

FY2020 outlook

Group EBIT guidance \$880m – \$930m

KEY ASSUMPTIONS

- › QCA approves UT5 customer deal during 1HFY2020 and an uplift in WACC from 5.9% to 6.3% assumed 2HFY2020
- › Above Rail Coal volumes of 220 - 230mt
- › Operational efficiency improvements remain a key driver in the business. Redundancy costs included in guidance
- › Excludes the Rail Grinding business
- › No major weather or industrial relations impacts

Integration Review



Integration review

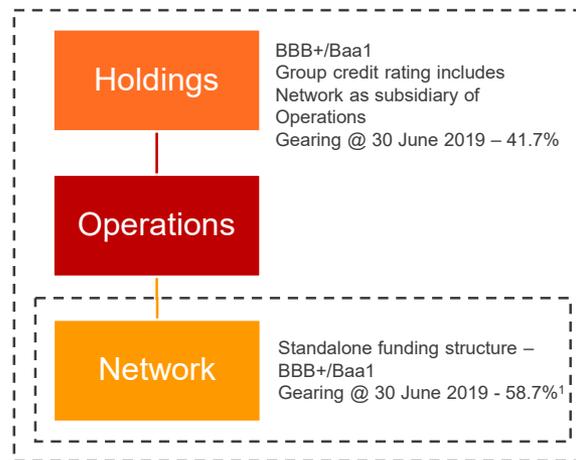
In June 2018 Aurizon announced it would review the benefits of remaining vertically integrated. The review concluded that the benefits of remaining vertically integrated outweigh separation at this time

CRITERIA	INTEGRATION BENEFITS	SEPARATION BENEFITS
 <div data-bbox="233 486 542 594" style="background-color: #c00000; color: white; padding: 10px; border-radius: 10px; display: inline-block;">STAKEHOLDERS</div>	<ul style="list-style-type: none"> ✓ • Customer preference (by contracted volume) is weighted towards remaining integrated 	<ul style="list-style-type: none"> • Provides choice of pure-play exposure for investors
 <div data-bbox="233 668 542 775" style="background-color: #f4a460; color: white; padding: 10px; border-radius: 10px; display: inline-block;">SYNERGIES / DIS-SYNERGIES</div>	<ul style="list-style-type: none"> ✓ • Better execution of operational improvements • Reduced corporate overhead duplication, albeit minimal 	
 <div data-bbox="233 858 542 965" style="background-color: #808080; color: white; padding: 10px; border-radius: 10px; display: inline-block;">GROWTH OPTIONS</div>	<ul style="list-style-type: none"> ✓ • Focus on ongoing business improvement • Strategically invest in core business • Presents long term opportunity for growth 	<ul style="list-style-type: none"> • Potential short term opportunity for growth
 <div data-bbox="233 1048 542 1155" style="background-color: #f4a460; color: white; padding: 10px; border-radius: 10px; display: inline-block;">CAPITAL STRUCTURE</div>	<ul style="list-style-type: none"> ✓ • Aurizon will amend its capital structure independent of vertical integration 	<ul style="list-style-type: none"> ✓
 <div data-bbox="233 1238 542 1338" style="background-color: #444; color: white; padding: 10px; border-radius: 10px; display: inline-block;">VALUATION</div>	<ul style="list-style-type: none"> ✓ • Current share price implies discount to fair value has narrowed 	<ul style="list-style-type: none"> ✓

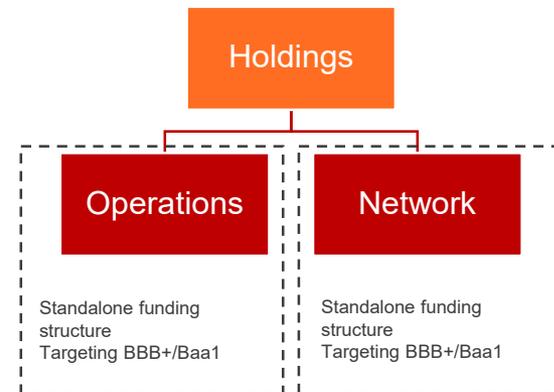
Legal and capital structure review

The objective of the review was to optimise the capital structure of the Group through a reorganisation of the legal entities under Holdings

CURRENT LEGAL STRUCTURE



PROPOSED LEGAL STRUCTURE



IMPLICATIONS OF PROPOSED LEGAL STRUCTURE

- › Legal structure is simplified and consistent with business units and external reporting
- › Enables standalone funding structures for Above Rail (Operations) and Below Rail (Network) and establishes independent gearing levels consistent with their different business risk profiles
- › Establishment of new credit rating for Operations and removal of Holdings' rating. Both Operations and Network targeting BBB+/Baa1 credit ratings

Provides additional funding capacity of ~\$1.2bn – debt to be added progressively over time

Implementation steps

Required to effect the share transfer of Network and establish independence from Operations

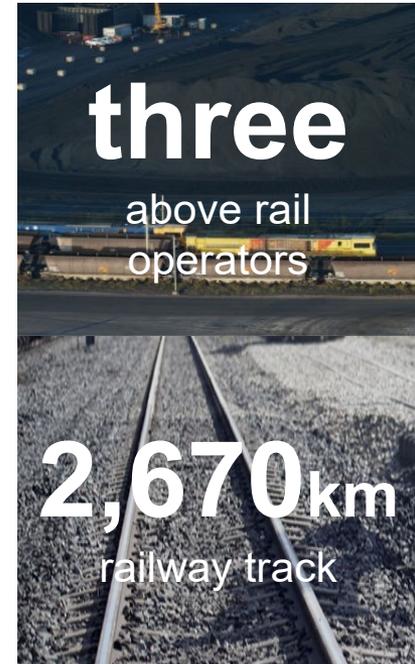
- › Duty relief - Office of State Revenue (OSR) in Queensland (COMPLETED)
 - › An application for duty relief on the proposed restructure has been approved by the OSR relating to the transfer of shares and assets (estimated value \$300m)
 - › Under the Queensland duty regime, for the relief to apply Aurizon Holdings, Aurizon Operations and Aurizon Network will need to remain members of the same corporate group for 3 years from the date the transfer occurs
- › Credit ratings (COMPLETED)
 - › Credit rating agencies have been engaged on the proposed restructure and the requirement to establish a credit rating for Operations
- › Financing & other third party consents (COMPLETED)
 - › Including the necessary consents from financiers to amend the Group's current financing arrangements
- › Convertible Note (CN) issued by Network to Operations (COMPLETED)
 - › Early conversion of the CN into shares in Network held by Operations
- › Deed of Cross Guarantee
 - › Revoke the existing Deed of Cross Guarantee (COMPLETED)
 - › Establish a new Deed of Cross Guarantee for the consolidated Operations Group

FY2019 Financial Performance – Aurizon Network

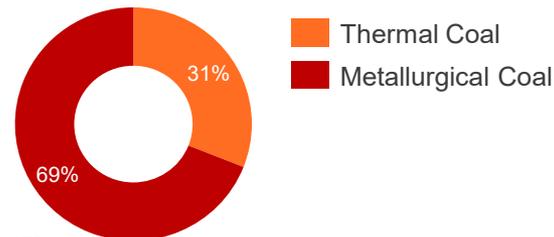


Network snapshot

As at 30 June 2019



HAULAGE BREAKDOWN² FY2019
(estimate)



1. Estimate at 1 July 2019 - Roll forward value based on UT5FD (excludes \$0.4bn in assets operating under an AFD)

2. Estimate – based on AZJ analysis, represents coal hauled on the CQCN by all operators

Network profit & loss

EBIT performance reflects the UT5FD, including \$60m impact of the true up from FY2018. RAB rollover estimated value \$5.7bn¹

\$m	FY2019	FY2018	Variance
Track Access	1,070	1,167	(8%)
Services & Other	48	52	(8%)
Revenue	1,118	1,219	(8%)
Energy & Fuel	(109)	(143)	24%
Other Operating Costs	(288)	(287)	-
Depreciation	(321)	(308)	(4%)
EBIT	400	481	(17%)
Tonnes (m)	232.7	229.6	1%
NTKs (bn)	57.9	56.9	2%

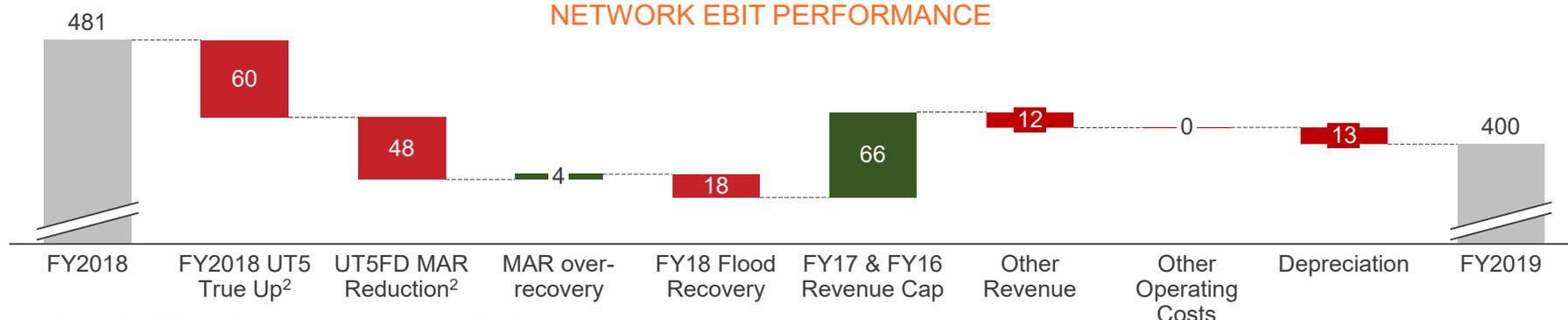
Revenue

- › \$60m recognised in relation to FY2018 UT5FD true up
- › FY2016 and FY2017 revenue cap adjustment \$66m
- › Other revenue mainly includes GAPE revenue adjustments and impact of prior year bank guarantee

Costs

- › Decrease in Energy & Fuel costs from lower prices and discounts, offset in revenue
- › Depreciation increase from asset renewals and ballast undercutting

NETWORK EBIT PERFORMANCE



1. Based on the UT5FD, including all deferred capital but excluding AFDs of \$0.4bn
 2. Excludes GAPE and net of Energy & Fuel costs

Network Cash flow – free cash flow growth

\$m	FY2019	FY2018
EBITDA - statutory	700	776
Working capital & other movements	77	6
Non-cash adjustments - impairment		-
Cash from operations	777	782
Interest received	-	-
Income taxes (paid) / received	(53)	(46)
Net cash inflows from operating activities	724	736
Net cash outflow from investing activities	(238)	(332)
Interest paid	(145)	(143)
Free Cash Flow (FCF)	341	261
Net proceeds/(repayments) from borrowings	(259)	316
Payment of transaction costs relating to borrowings		(4)
Proceeds from settlement of derivatives	12	-
Loans from (to) related parties	85	-
Dividends paid to company shareholders	(179)	(592)
Net cash outflow from financing activities	(486)	(423)
Net (decrease) / increase in cash	-	(19)

- › Free Cash Flow has increased in FY19 mainly due to lower capital expenditure
- › Working capital improvement includes receipt of annual GAPE fees, Take or Pay and the UT5 true up payment to customers to be paid 1HF2020
- › During FY19 lower dividend payments were made and \$290m of external borrowings repaid

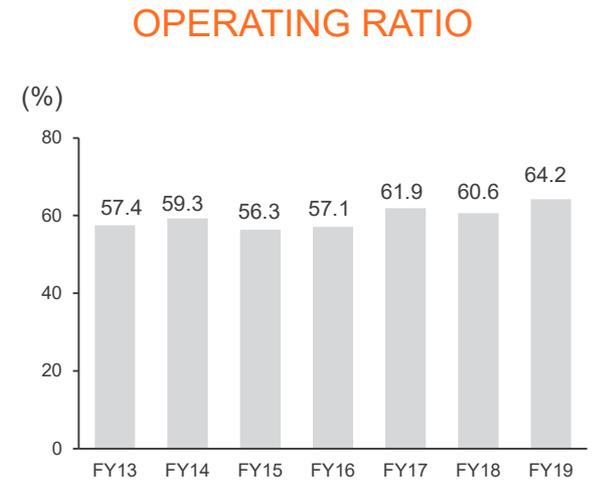
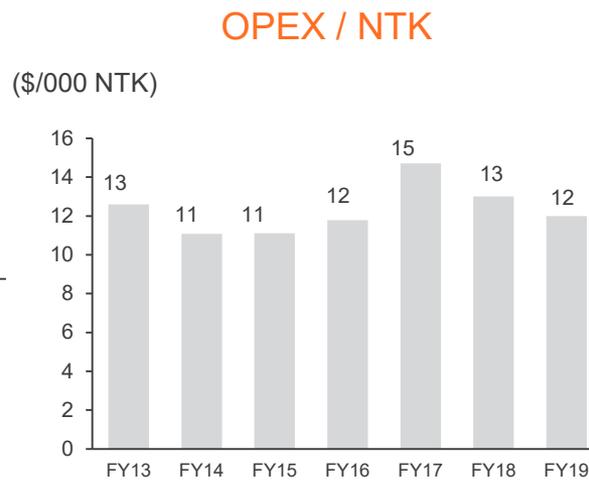
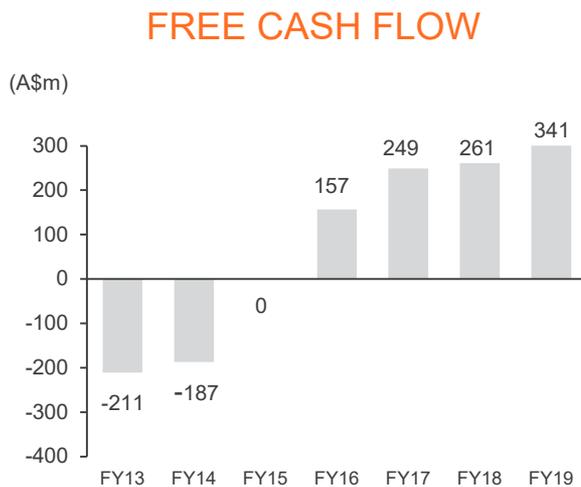
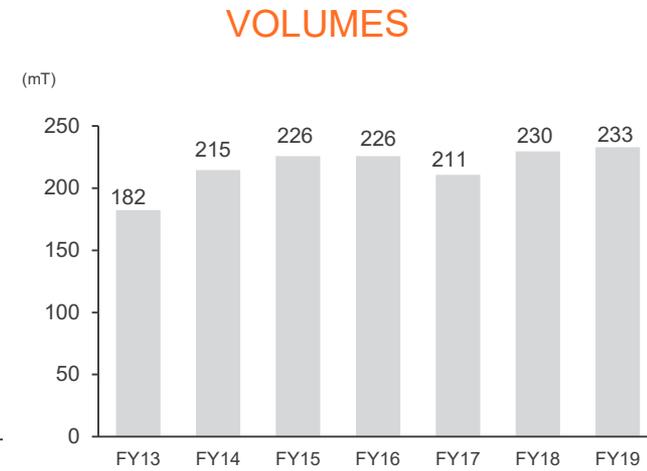
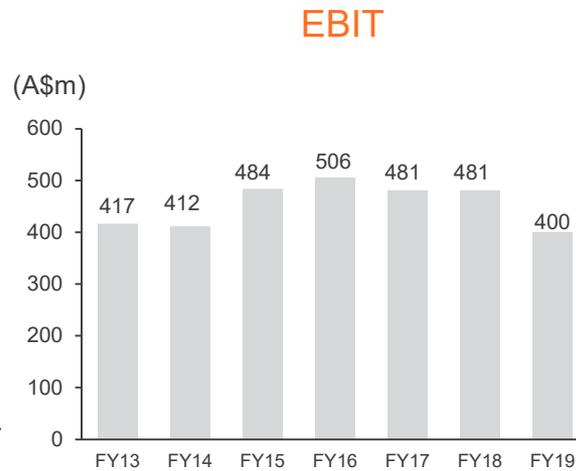
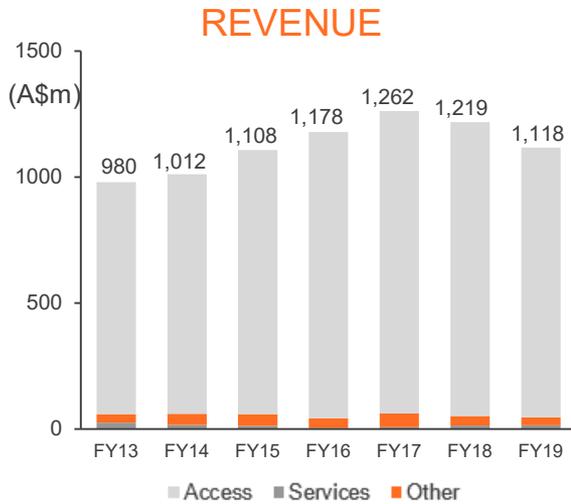
Network balance sheet

As at \$m	30 Jun 2019	30 Jun 2018
Total current assets	252	259
Property, plant & equipment	5,348	5,408
Other non-current assets	305	211
Total assets	5,905	5,878
Other current liabilities	(336)	(220)
Total borrowings	(3,300)	(3,353)
Other non-current liabilities	(847)	(846)
Total liabilities	(4,483)	(4,419)
Net assets	1,422	1,459
Gearing (net debt/net debt + equity)	69.9%	69.7%
Gearing (net debt/RAB excluding AFDs¹)	58.7%	62.4%

- › Total current assets have decreased largely due to decrease lower billed access revenue and Take or Pay.
- › PP&E decrease \$60m due to depreciation for the period exceeding new capital expenditure.
- › Other non-current assets has increased largely from \$88m revaluation of derivative assets.
- › Borrowings decreased due to the \$259m net repayment of bank debt offset by (\$118m) mark-to-market revaluation of bonds, (\$85m) intercompany loan and (\$3m) reduction in capitalised borrowing costs.
- › Other current liabilities has increased largely due to ~\$93m (including GAPE) impact of the UT5 true up payment to be made to customers 1HFY2020.
- › Book Gearing largely unchanged primarily due to higher repayments of external bank debt offset by lower cash dividends paid.

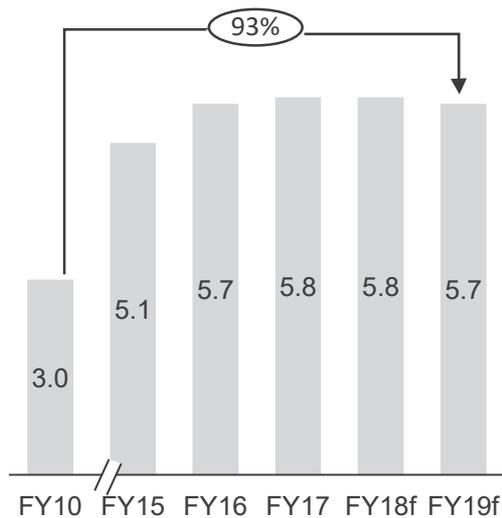
1. Access Facilitation Deed

Network Key Financial Metrics



Network RAB, CAPEX and Depreciation profile

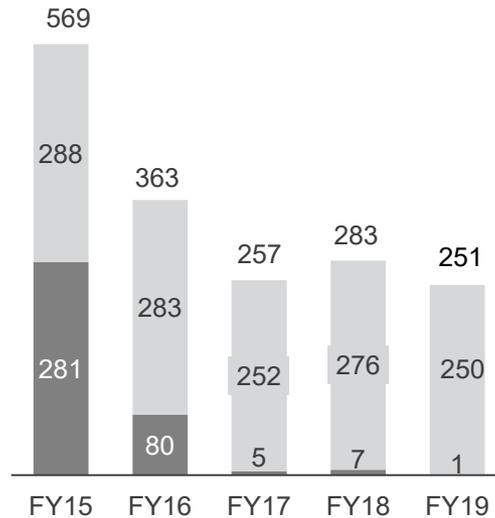
RAB ROLL FORWARD



■ Regulated Asset Base (RAB) \$Abn

- › RAB Roll-forward, indicative (closing balance) projection based on Aurizon Network’s submitted UT5 RAB. Excludes assets operating under an Access Facilitation Deed (AFD) of c. \$0.4bn and is subject to QCA approval of the FY18 capital claim.

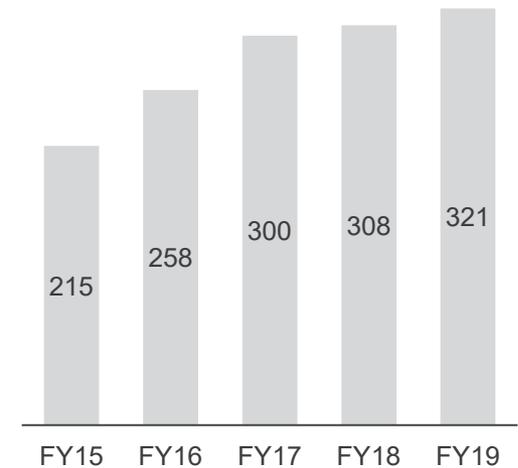
CAPEX



■ Growth \$m ■ Sustaining \$m

- › Network sustaining capex is expected to be in the range of \$240 - \$300m (4% - 5% of RAB)
- › Capex includes capitalised interest and is net of externally funded payments

ACCOUNTING DEPRECIATION



■ Depreciation \$m

- › Increase reflects increased asset renewals and ballast undercutting
- › Long-term to approximate sustaining capex
- › Depreciation from FY17 onwards is for Network segment and includes share of corporate assets.

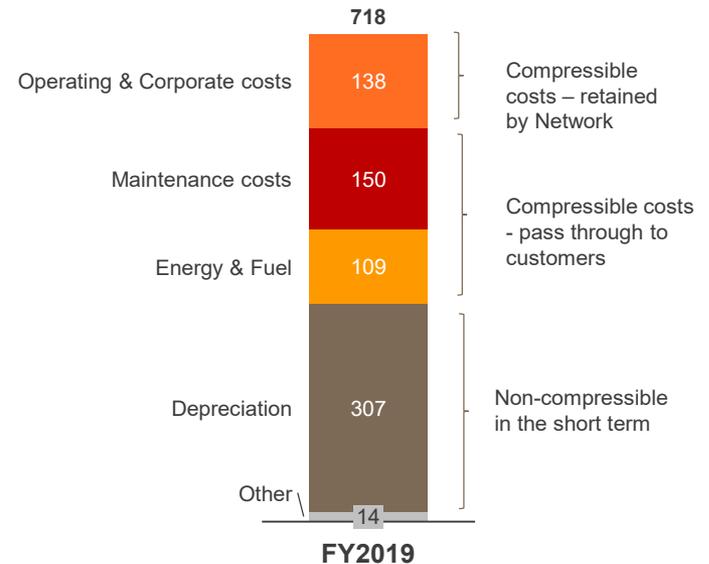
UT5 customer agreement

Through constructive engagement with our customers, Network has submitted a customer DAAU that delivers significant regulatory reform and a range of benefits for both Network and customers

BENEFITS FROM THE DAAU

LONG TERM CERTAINTY	<ul style="list-style-type: none"> • 10 year undertaking term (FY2018 to FY2027)
IMPROVED RETURN	<ul style="list-style-type: none"> • Return of 6.3%¹ - better reflects the risks of owning and operating the CQCN
EFFICIENCY BENEFITS	<ul style="list-style-type: none"> • Operating cost efficiencies to be retained by Network
NETWORK CAPACITY	<ul style="list-style-type: none"> • Independent review to be undertaken to confirm capacity. Mechanisms in place to remedy any deficits
TRANSPARENCY	<ul style="list-style-type: none"> • Customers have influence on maintenance and capital strategies and the ability to agree budgets
PERFORMANCE	<ul style="list-style-type: none"> • Incorporates performance and rebate mechanisms to incentivise Network performance

NETWORK OPERATING COSTS (\$M)²



- › Under the customer DAAU Network is focused on operational efficiencies for:
 - › Maintenance costs - pass through to customers
 - › Operating and corporate costs - retained by Network for the term of the DAAU

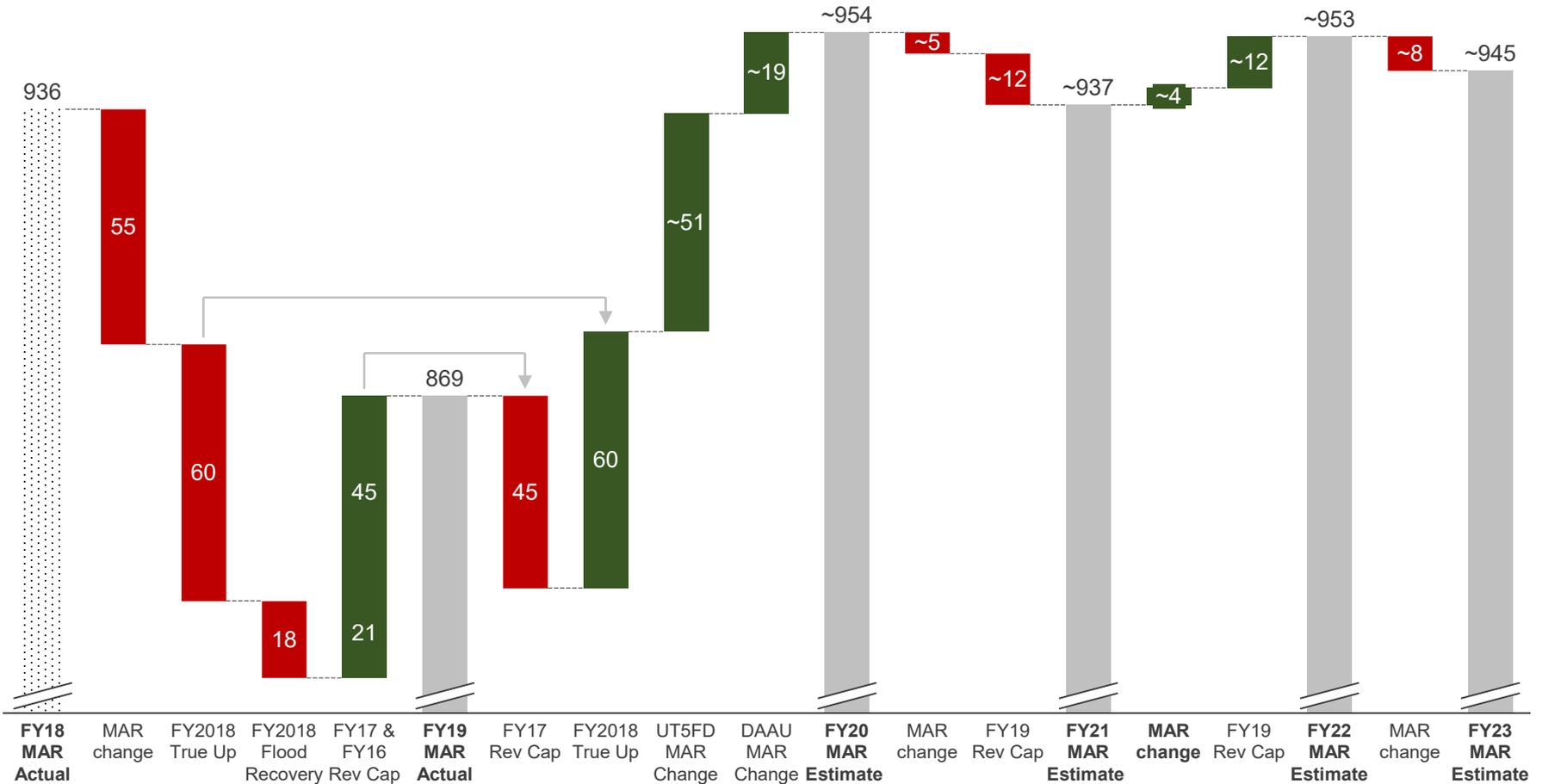
1. 6.3% WACC from Report Date. Reset of Risk Free Rate and Debt Risk Premium at July 2023

2. Maintenance costs exclude ballast undercutting costs which are capitalised for accounting purposes. Maintenance costs also include some depreciation relating to plant used in maintenance and capital activities

Network adjusted MAR bridge - Customer DAAU

Indicative Network adjusted MAR (Ex GAPE) for FY2019 to FY2023 based on the revised terms of the Customer DAAU

INDICATIVE NETWORK ADJUSTED MAR* FY2018 – FY2023 (\$M)

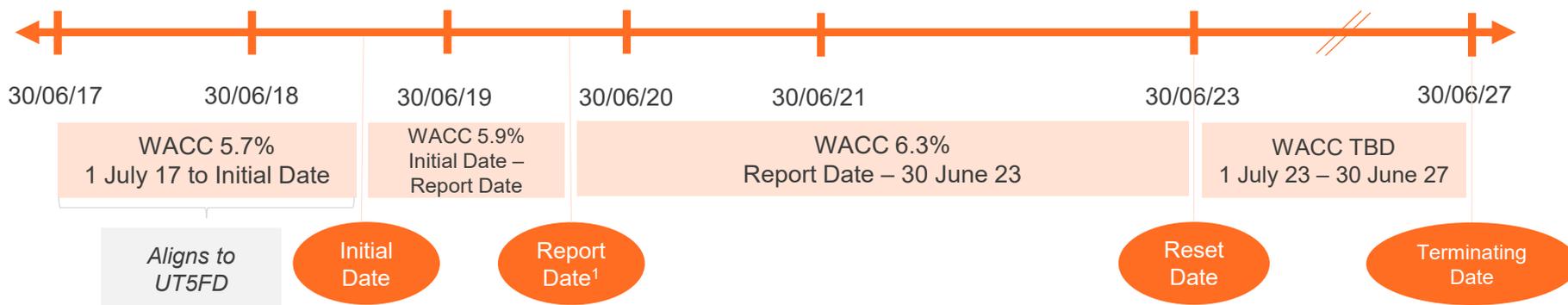


- Excludes GAPE, assumes no reduction in revenue due to Network non-performance and no volume variance from FY2019 onwards
- Assumes a Report Date of March 2020

UT5 Customer DAAU

Under the DAAU there is a step up in WACC subject to achievement of predefined milestones. Certain variable components of WACC will be reset on 1 July 2023 to take account of prevailing market conditions at that time

INDICATIVE WACC TIMELINE¹



MILESTONE

DETAILS

Initial Date	3 May 2019 - being the date on which the DAAU is submitted to QCA for approval
Report Date	<p>Date on which the later of the following events occur:</p> <ul style="list-style-type: none"> › IE provides Initial Capacity Assessment Report (ICAR); and › Aurizon notifies relevant parties of proposed options to address Existing Capacity Deficits identified in ICAR. <p>Where ICAR does not identify any Existing Capacity Deficits the Report Date is the date on which the IE provides the ICAR</p>
Reset Date	1 July 2023 (Reset of risk free rate, debt risk premium and inflation – methodology agreed)

1. Best estimate of the milestone date – subject to change

Note – While the UT5FD will apply until the DAAU is approved, once it is approved the WACC will be adjusted retrospectively as per the indicative timeline detailed above

Funding and Capital Management



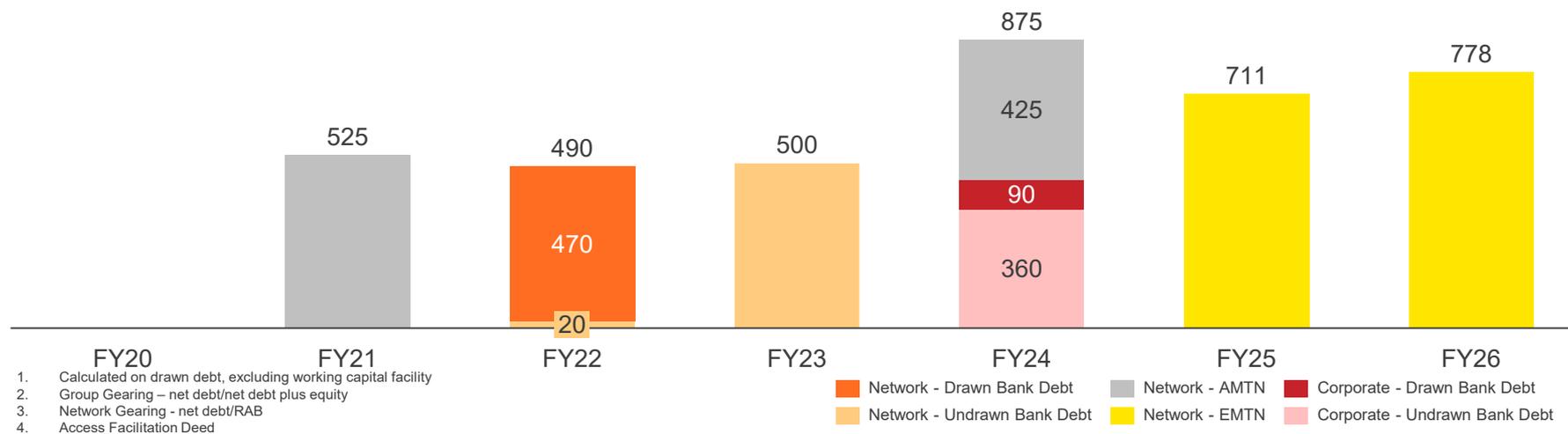
Funding update

FY2019 FUNDING ACTIVITY

- › Aurizon Finance cancelled existing bank debt syndicated facilities and replaced with bilateral facilities totalling \$450m, with maturity extended to November 2023

KEY DEBT METRICS	FY2019	FY2018
Weighted average maturity ¹	4.3 years	4.7 years
Group interest cost on drawn debt	4.5%	4.5%
Group Gearing ²	41.7%	42.3%
Network Gearing ³ (incl AFDs ⁴)	58.7%	62.4%
Credit Rating (S&P/Moody's)	BBB+/Baa1	BBB+/Baa1

MATURITY PROFILE (\$M)

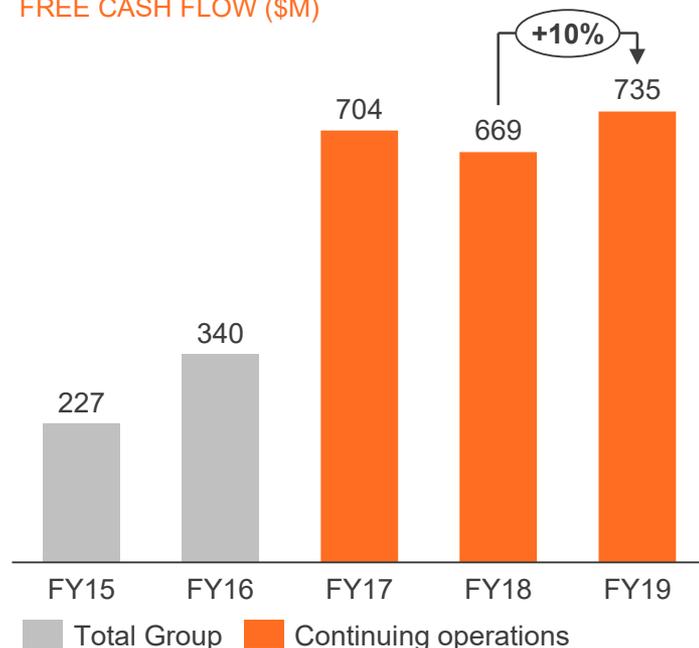


1. Calculated on drawn debt, excluding working capital facility
 2. Group Gearing – net debt/net debt plus equity
 3. Network Gearing – net debt/RAB
 4. Access Facilitation Deed

■ Network - Drawn Bank Debt
 ■ Network - AMTN
 ■ Corporate - Drawn Bank Debt
■ Network - Undrawn Bank Debt
 ■ Network - EMTN
 ■ Corporate - Undrawn Bank Debt

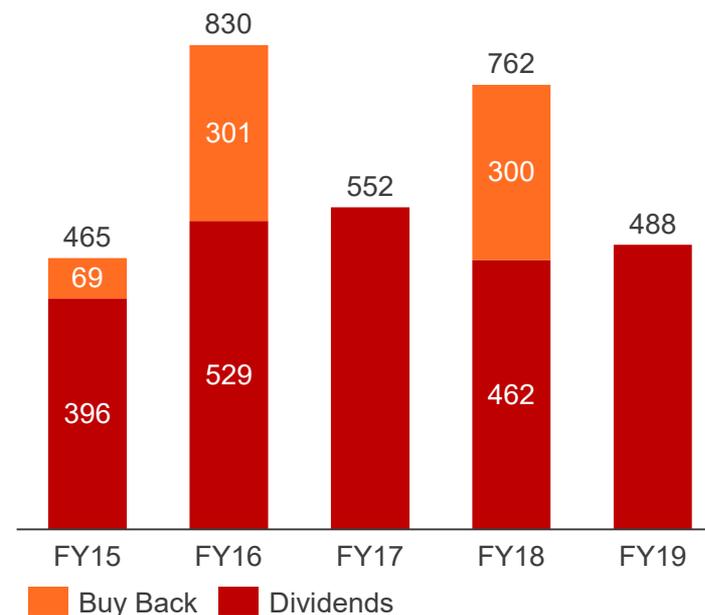
Cashflow and shareholder returns

FREE CASH FLOW (\$M)



- > FCF benefited from the receipt of the Cliffs termination payment
- > Impact of UT5 true up in 1HFY2020 through payment to customers - ~\$93m including GAPE

SHAREHOLDER RETURNS (\$M)

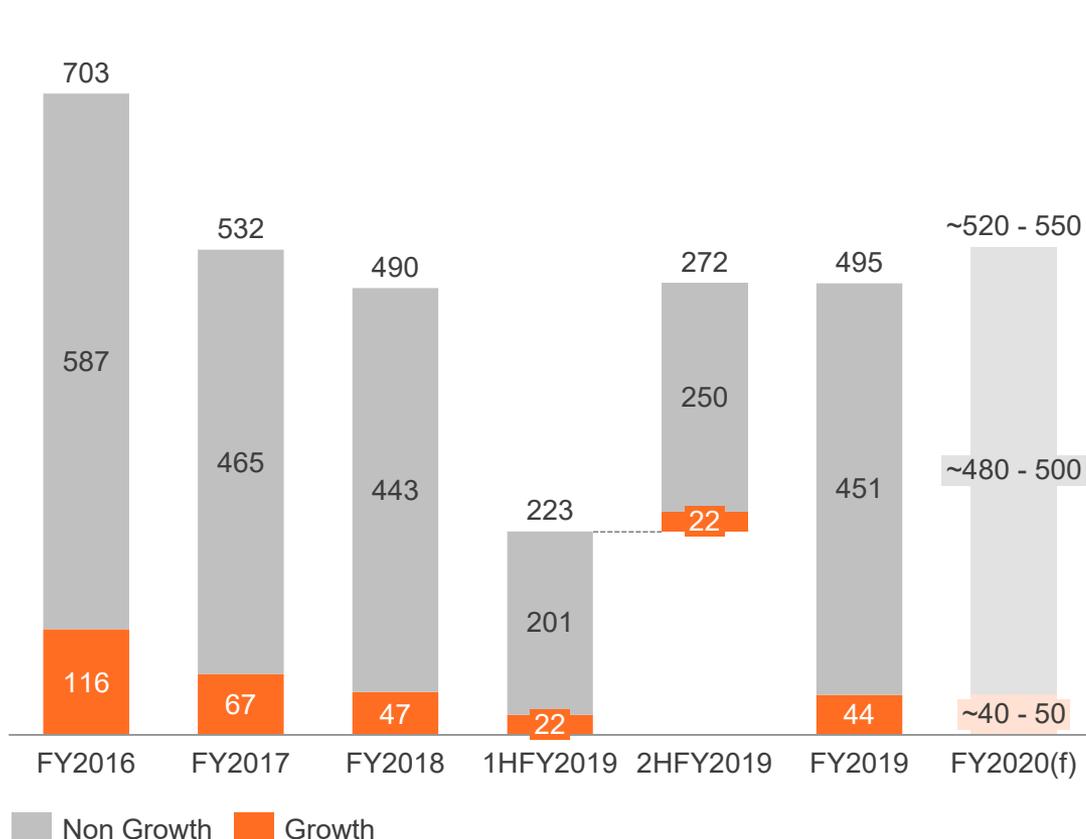


- > Final dividend 12.4cps declared at 100% payout of NPAT. 5% lower than prior year due to lower NPAT, impacted by UT5 true up
- > 100% payout ratio maintained since 2HFY2015

Capital expenditure

Capital result in line with guidance for FY2019. Non-growth capex forecast in line with long-term expectations

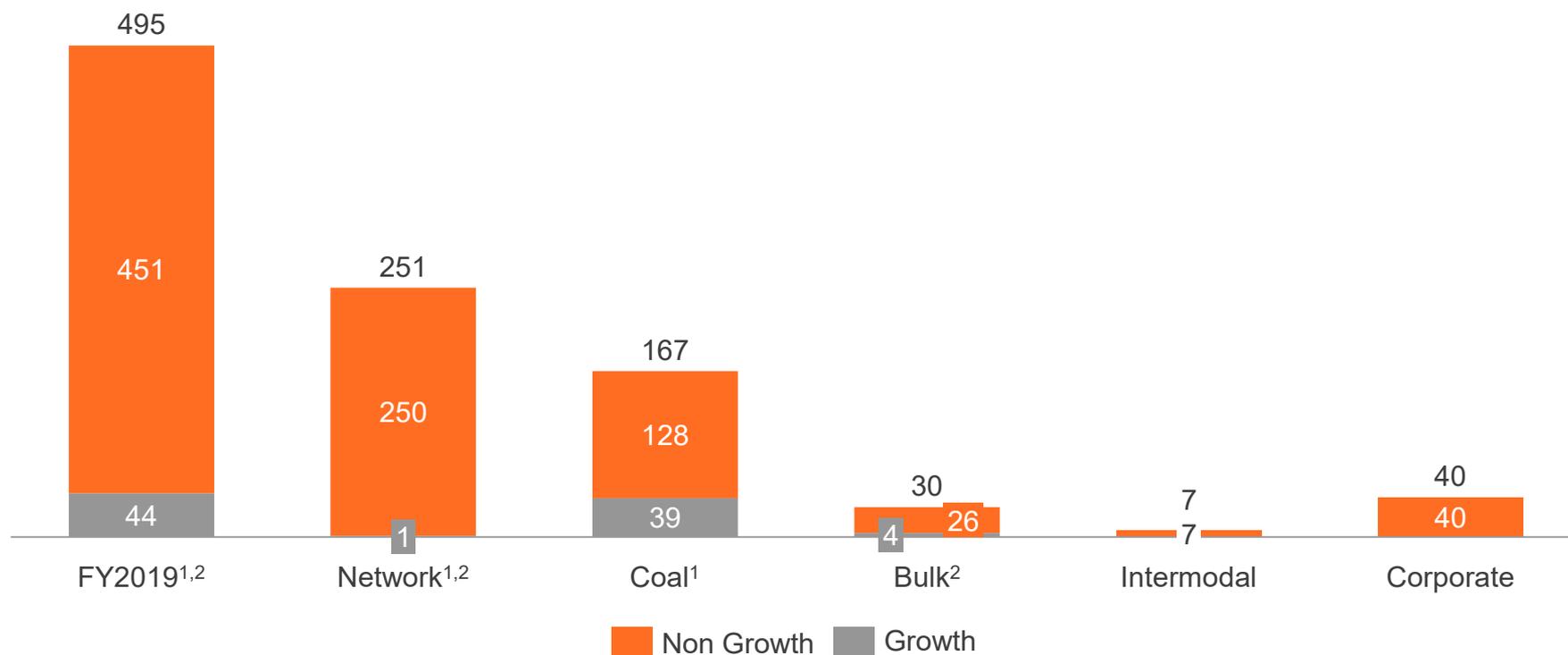
CAPITAL EXPENDITURE¹ FY2016 – FY2020 (\$M)



- › FY2019 capex in line with guidance at \$495m (guidance \$480m - \$520m)
- › Capital expenditure guidance for FY2020 \$520m - \$550m
- › FY2020 Growth capex mainly relates to wagons for CQCN
- › Non growth capital in FY2020 forecast to increase against FY2019 as a result of:
 - › Rollingstock overhauls
 - › Facility projects
 - › Network renewals

1. Total Group capital expenditure net of lease incentive payments and externally funded projects and includes capitalised interest

FY2019 group and business unit capital expenditure (\$m)

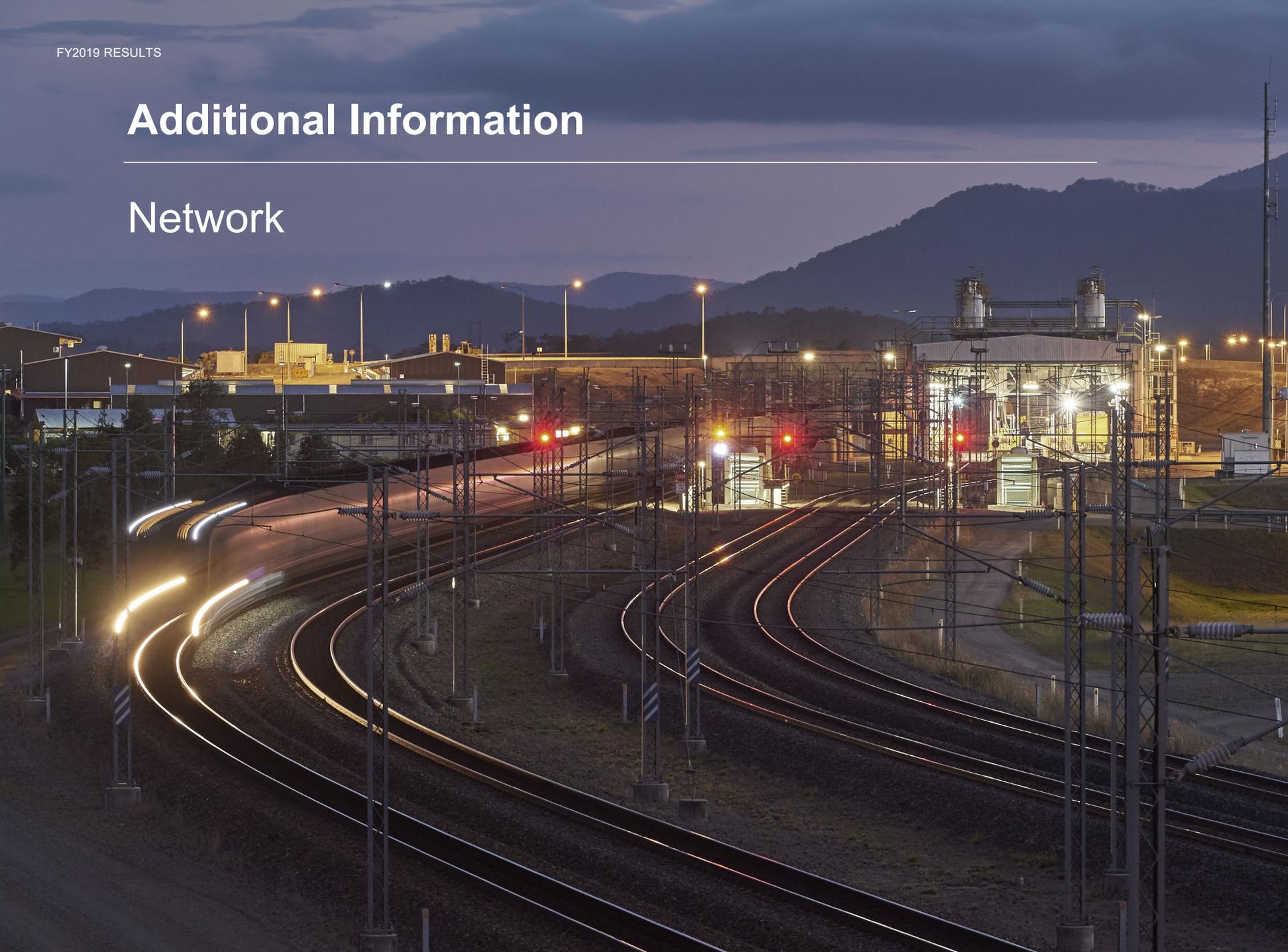


1. Includes capitalised interest

2. Net of externally funded payments

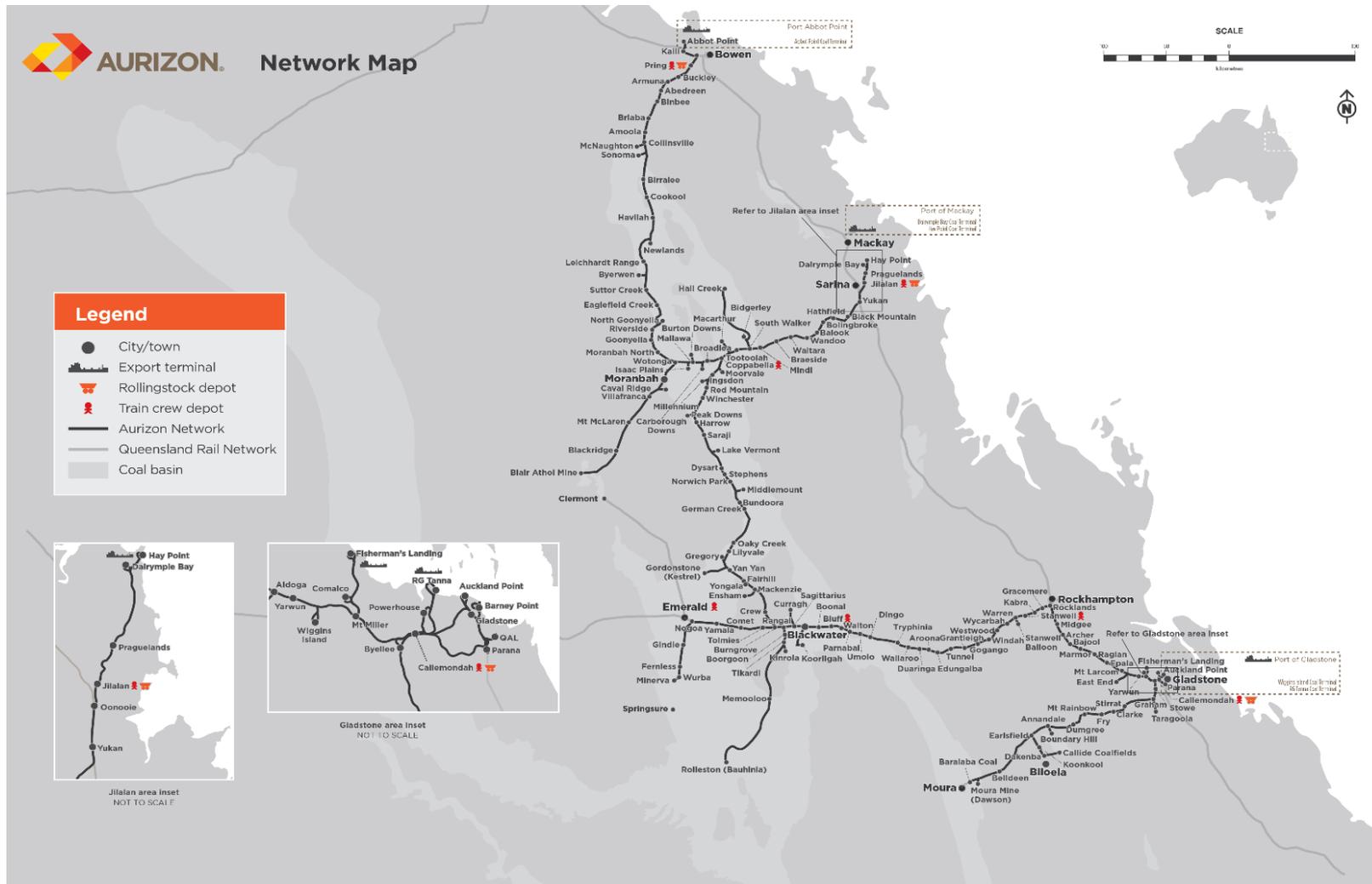
Additional Information

Network



Central Queensland Coal Network (CQCEN)

CQCEN comprises four major coal systems and one connecting system link (GAPE) servicing Queensland's Bowen Basin coal region



Network volumes

	FY2019	FY2018	Variance
Newlands	12.6	13.1	(4%)
Goonyella	124.5	126.5	(2%)
Blackwater/WIRP	64.9	62.7	4%
Moura	13.6	11.1	23%
GAPE	17.1	16.2	6%
Total	232.7	229.6	1%
Average haul length ² (kms)	248.8	247.7	-

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

Network revenue adjustment amounts (revenue cap)

Financial Year	AT ₂₋₄ (diesel tariff) \$m	AT ₅ (electric tariff) \$m	Total \$m
2019 ¹	~(9) ²	~(3) ²	~(12) ²
2018	(6.2) ²	5.5	(0.7) ²
2017 ³	30.7	14.0	44.1
2016 ³	(26.5) ²	3.1	(23.4) ²

- › Revenue adjustment amounts (RAA) are the difference by system between Aurizon’s Total Actual AT₂₋₅ Revenue and Allowable AT₂₋₅ Revenue
- › The RAA amounts are collected or repaid through a tariff adjustment two years later
- › All (except FY2019) revenue adjustment amounts include cost of capital adjustments
- › RAA also includes adjustments for maintenance and consumer price index (MCI/CPI), rebates, energy connection costs and other costs recoverable in accordance with Schedule F of the Access Undertaking. Note for FY2019 these have not been included and will be incorporated in the revenue adjustment amount submission to the QCA in September 2019

Note: AT = Access Tariff Revenue Adjustment Amount

1. Estimated, excludes cost of capital adjustment and only includes AT2-5 adjustments. This has not been submitted to the QCA

2. Return to access holders

3. FY2016 AT₂₋₄ includes \$2.0 return for GAPE, FY2017 AT₂₋₄ includes \$0.5m return for GAPE

Reconciliation of billed MAR to reported access revenue

\$m	FY2019 Actual	FY2018 Actual
Billed Access Revenue (AT ₁ to AT ₅) (ex. GAPE)	885	940
<u>Approved Adjustments to MAR</u>		
Flood Claim recoveries ¹	-	18
Revenue Cap (ex. GAPE and inclusive of capitalised interest)	44	(22)
UT5 MAR True-up	(60)	-
Regulated Access Revenue (ex. GAPE)	869	936
Total non-regulated Access Revenue (ex. GAPE)	16	38
Total GAPE Revenue (Regulatory + non-regulatory)	185	193
Total Access Revenue per Aurizon Statutory Accounts	1,070	1,167

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

1. FY2018 includes amounts of \$2.2m approved in respect of the FY2016 event and \$16.2m (excluding the GAPE amount of \$1.2m) approved for inclusion in the transitional allowance revenue for FY2018 emanating from the FY2017 Cyclone Debbie event

Network financial and operating metrics

	FY2019	FY2018	Variance
Tonnes (m)	232.7	229.6	1%
NTK (bn)	57.9	56.9	2%
Operating Ratio	64.2%	60.6%	(3.6ppt)
Maintenance/NTK (\$/’000 NTK)	2.3	2.2	(5%)
Opex/NTK (\$/’000 NTK)	12.4	13.0	5%
Cycle Velocity (km/hr)	23.1	23.5	(2%)
System Availability	83.8%	82.0%	1.8ppt
Average Haul Length (km)	248.8	247.7	-

Additional Information

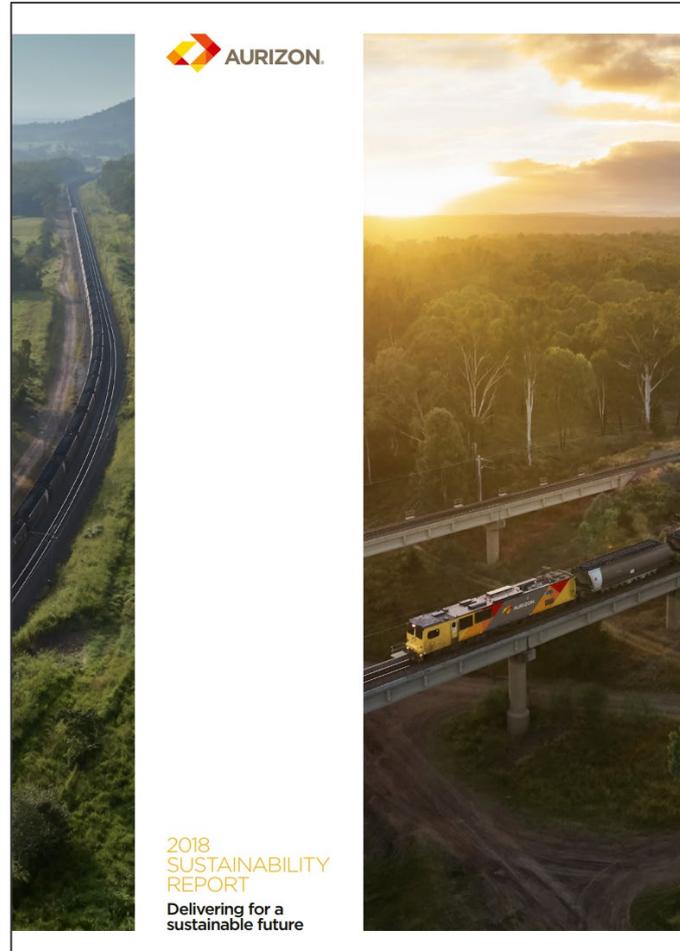
Coal Market



Sustainability

2019 will be the third year of TCFD disclosure for Aurizon

- › Aurizon takes a direct approach to reporting environmental, social and governance (ESG) disclosures with the publication of the annual Sustainability Report
- › In August 2019, Australian Council of Superannuation Investors (ACSI) rated Aurizon’s ESG disclosures as *Leading* for the fifth consecutive year
- › As at June 2019, Aurizon participates in FTSE4Good Index Series, MSCI ESG Ratings and Sustainalytics
- › Aurizon’s FY2018 response to climate-related risks was highlighted as an example of disclosure practice in the TCFD’s *2019 Status Report*
- › **Aurizon’s FY2019 Sustainability Report is scheduled for release in October 2019**



OUR FY2018 SUSTAINABILITY HIGHLIGHTS

\$762 million

was returned to our shareholders through dividends and share buybacks

\$1.3 billion

estimated spend in the economy

21%

of our workforce is female, up from 11.6% in 2011

6%

reduction in operational GHG emissions (Scope 1 and 2) since FY2017

267 million tonnes

of commodities hauled*

-75%

of our people now work in regional locations across Australia

*Excludes intermodal.



We report against the Task Force on Climate-related Financial Disclosures (TCFD) as recommended by the Financial Stability Board (FSB)



FTSE4Good

Aurizon Holdings remains a member of the FTSE4Good Index following the June 2019 index review



ESG rating of AA as at February 2019.



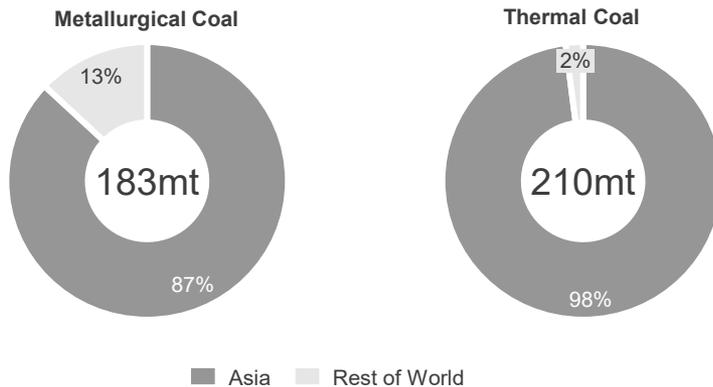
SUSTAINALYTICS

ESG rating of "Average Performer" as at March 2019

Future of Coal

Australian export coal is dependent on the global traded market, driven by regional demand in Asia and preference for higher quality coal

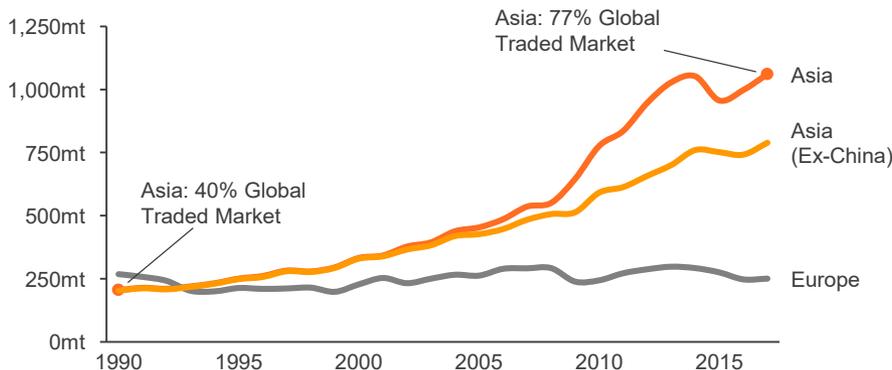
AUSTRALIA COAL EXPORT VOLUME SPLIT: FY2019¹



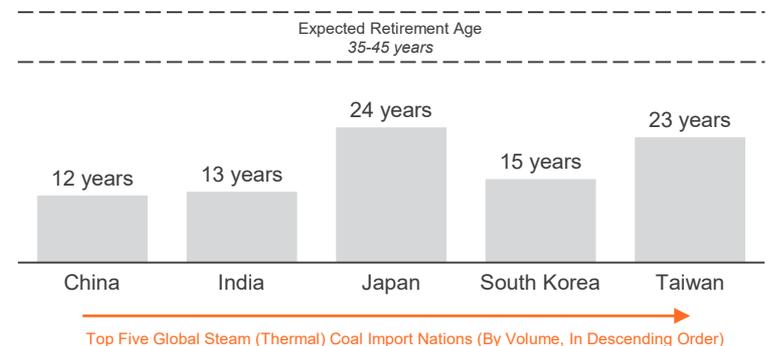
INDIA: COKING (METALLURGICAL) COAL REQUIREMENTS³



COAL IMPORT VOLUME: SELECT REGIONS²

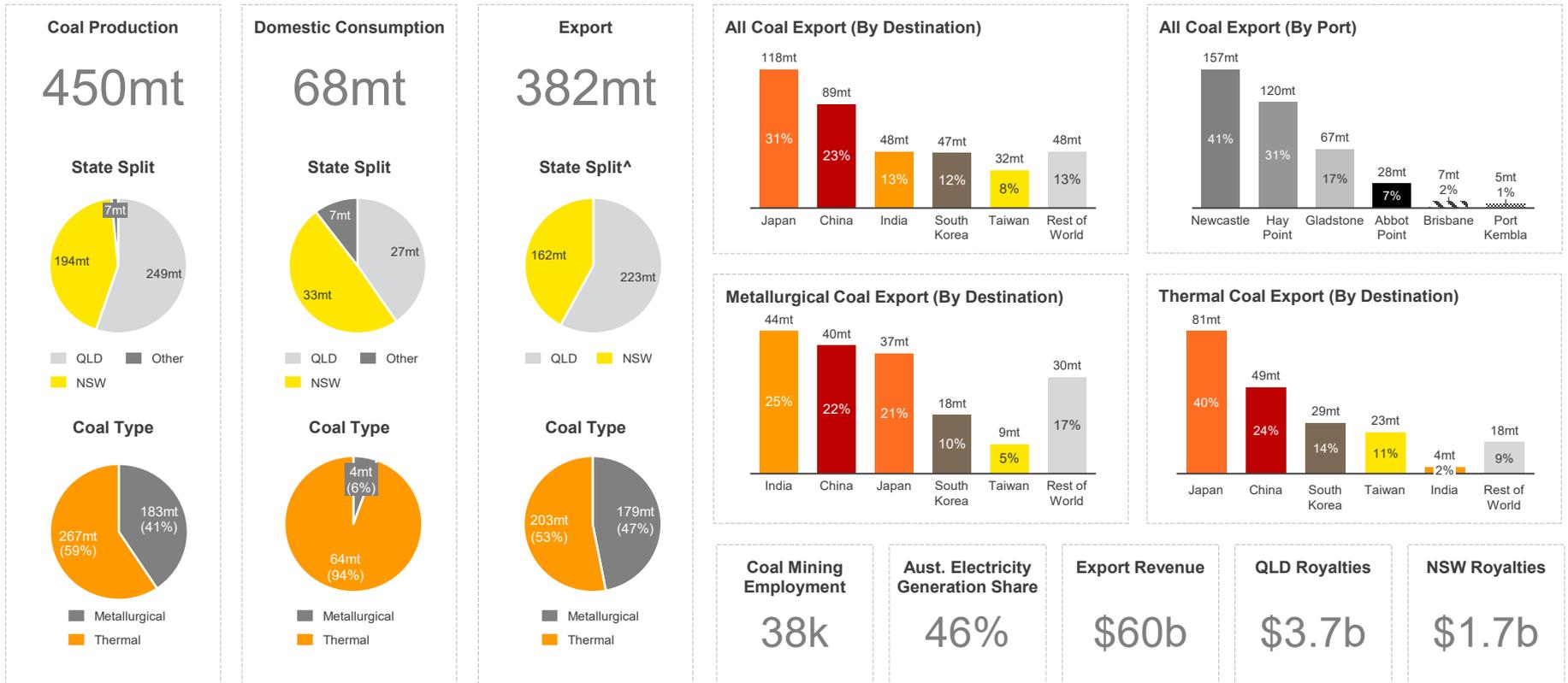


AVERAGE AGE OF COAL-FIRED ELECTRICITY CAPACITY⁴



Sources: 1. Australian Bureau of Statistics, 2. International Energy Agency, World Coal Information 2018, 3. India Ministry of Coal, Coal Directory of India (multiple years), Provisional Coal Statistics (2017-18). Note: India financial year (April to March). Domestic coking coal production includes washed coal (only), 4. Platts UDI Electric Power Plants Database (March 2019).
Notes: mt = million tonnes

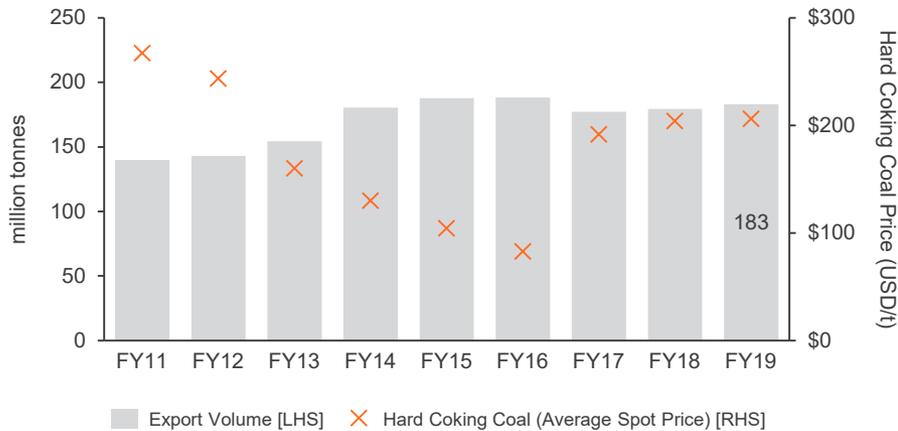
Australia FY2018 Coal Supply Summary



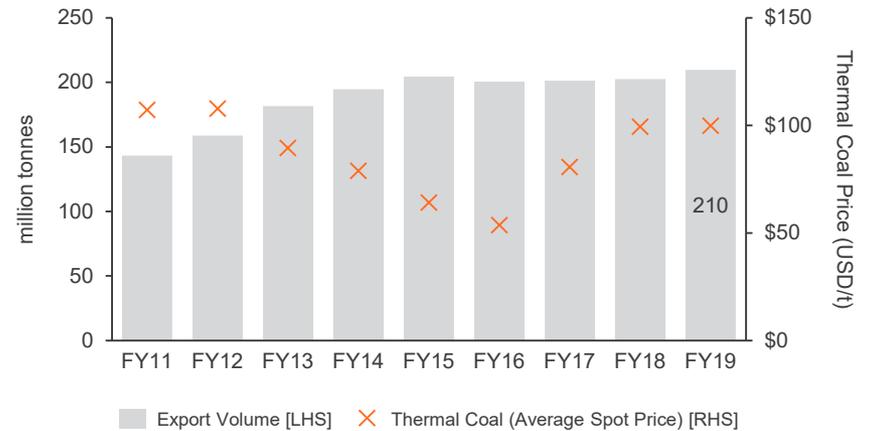
^Due to different sources, the sum of state export volume may not equal the national total. Sources - Coal Production: Volume (saleable coal), state split and coal type sourced from Office of Chief Economist (OCE) Resources and Energy Quarterly June 2019. Domestic Consumption: Volume calculated using production (OCE) less exports (OCE). Export Volume and coal type sourced from OCE. Export state split percentage sourced from port/terminal reporting and applied to OCE volume. All Coal Export (By Destination): Includes anthracite volume, sourced from Australian Bureau of Statistics (ABS) Customised Report. All Coal Export (By Port): Sourced from respective port/terminal reporting. Metallurgical/Thermal Export (By Destination): Sourced from ABS, Customised Report. Employment: ABS Labour Account Australia, year ended 30 June 2018. Australian Electricity Generation Share: Data for FY17 (GWh, black coal only), sourced from Department of the Environment & Energy, Australian Energy Update 2018. Export Revenue: Sourced from ABS, Customised Report. QLD Royalties: Sourced from QLD Treasury Mid-Year Fiscal & Economic Review 2018-19. NSW Royalties: Sourced from NSW Department of Planning & Environment.

Coal Market | Australia

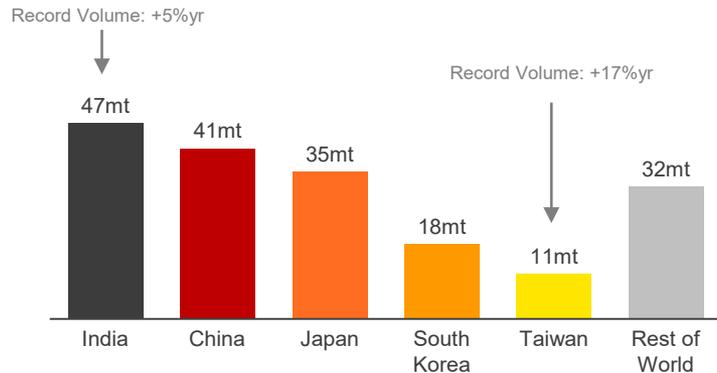
AUSTRALIA: METALLURGICAL COAL EXPORT



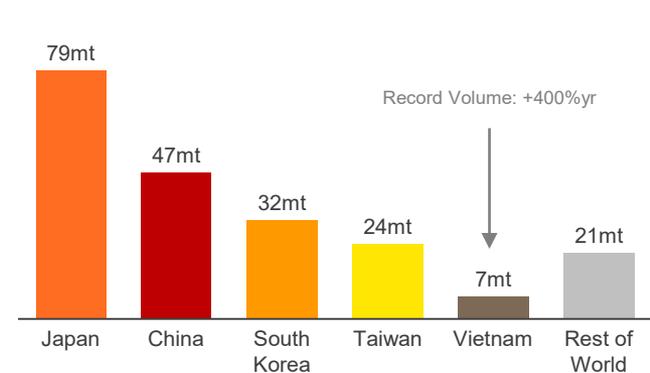
AUSTRALIA: THERMAL COAL EXPORT



AUSTRALIA: METALLURGICAL COAL EXPORT (FY2019)



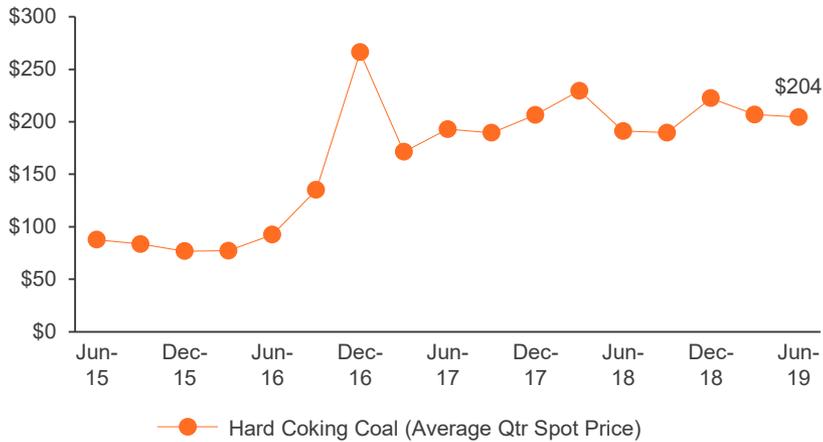
AUSTRALIA: THERMAL COAL EXPORT (FY2019)



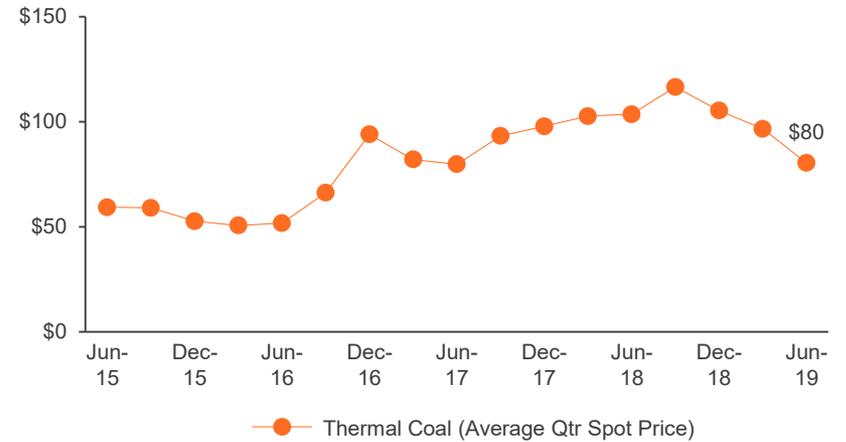
Sources/Notes: Export Volume (and country split) - Australian Bureau of Statistics, Customised Report. Hard Coking Coal Price - Platts (Peak Downs Region product). Thermal Coal Price - Intercontinental Exchange (Newcastle 6,300 kcal/kg Gross As Received product).

Coal Price | Coal Capital & Exploration Expenditure

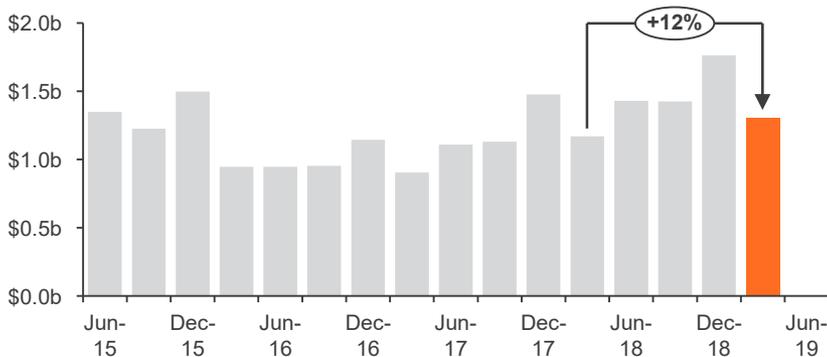
HARD COKING COAL SPOT PRICE (US\$/t FOB)



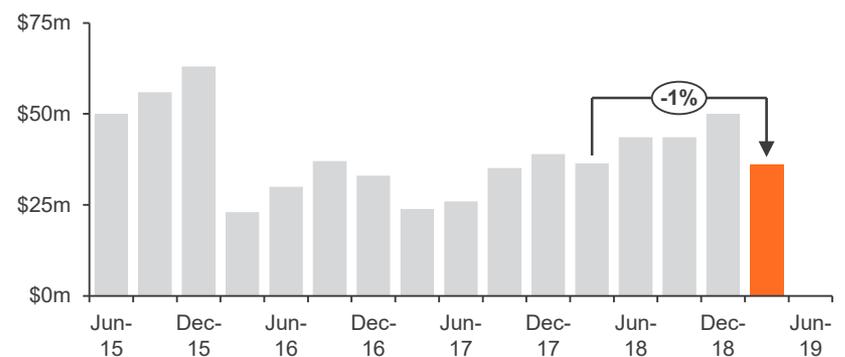
THERMAL COAL SPOT PRICE (US\$/t FOB)



COAL CAPITAL EXPENDITURE (AUD)



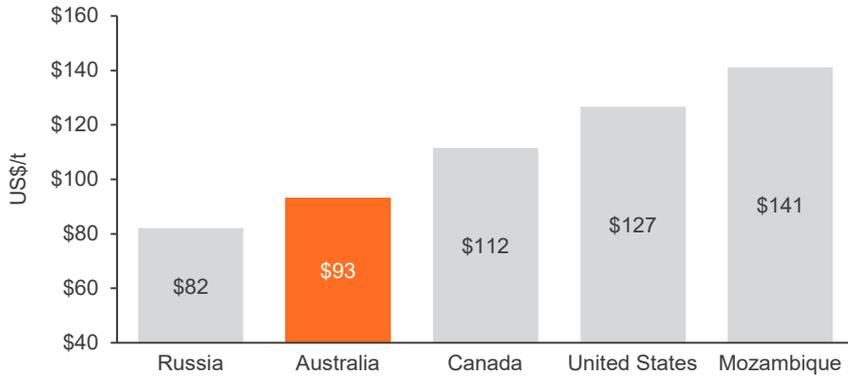
COAL EXPLORATION EXPENDITURE (AUD)



Sources/Notes: Hard Coking Coal Price – Platts (Peak Downs Region product). Thermal Coal Price - Intercontinental Exchange (Newcastle 6,300 kcal/kg Gross As Received product). Coal Capital & Exploration Expenditure: Australian Bureau of Statistics. FOB = Free On Board

Australia coal competitiveness

METALLURGICAL COAL CASH COSTS (US\$/t, CFR INDIA, 2019)

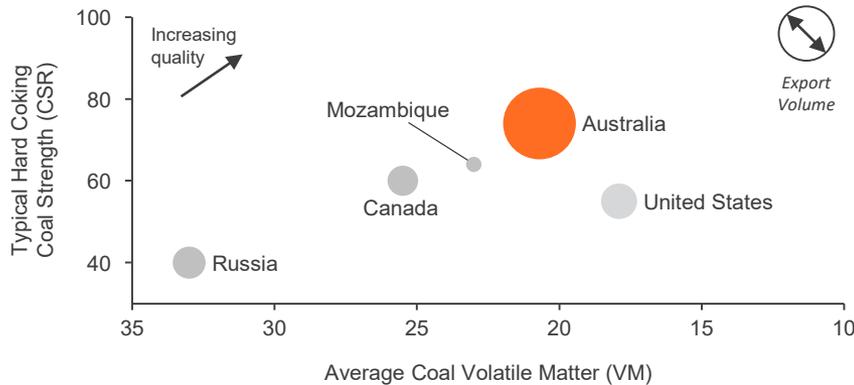


THERMAL COAL CASH COSTS (US\$/t, CFR JAPAN, 2019)

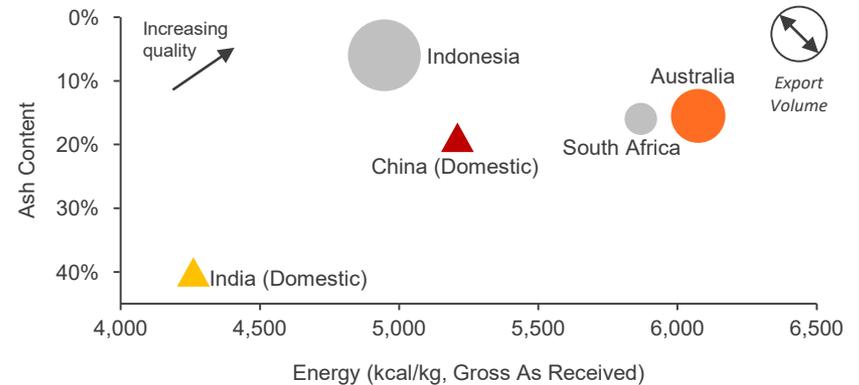


Note: Thermal Cash Costs (FOB) are energy-adjusted to 6,300 kcal/kg (Gross As Received)

METALLURGICAL COAL QUALITY



THERMAL COAL QUALITY

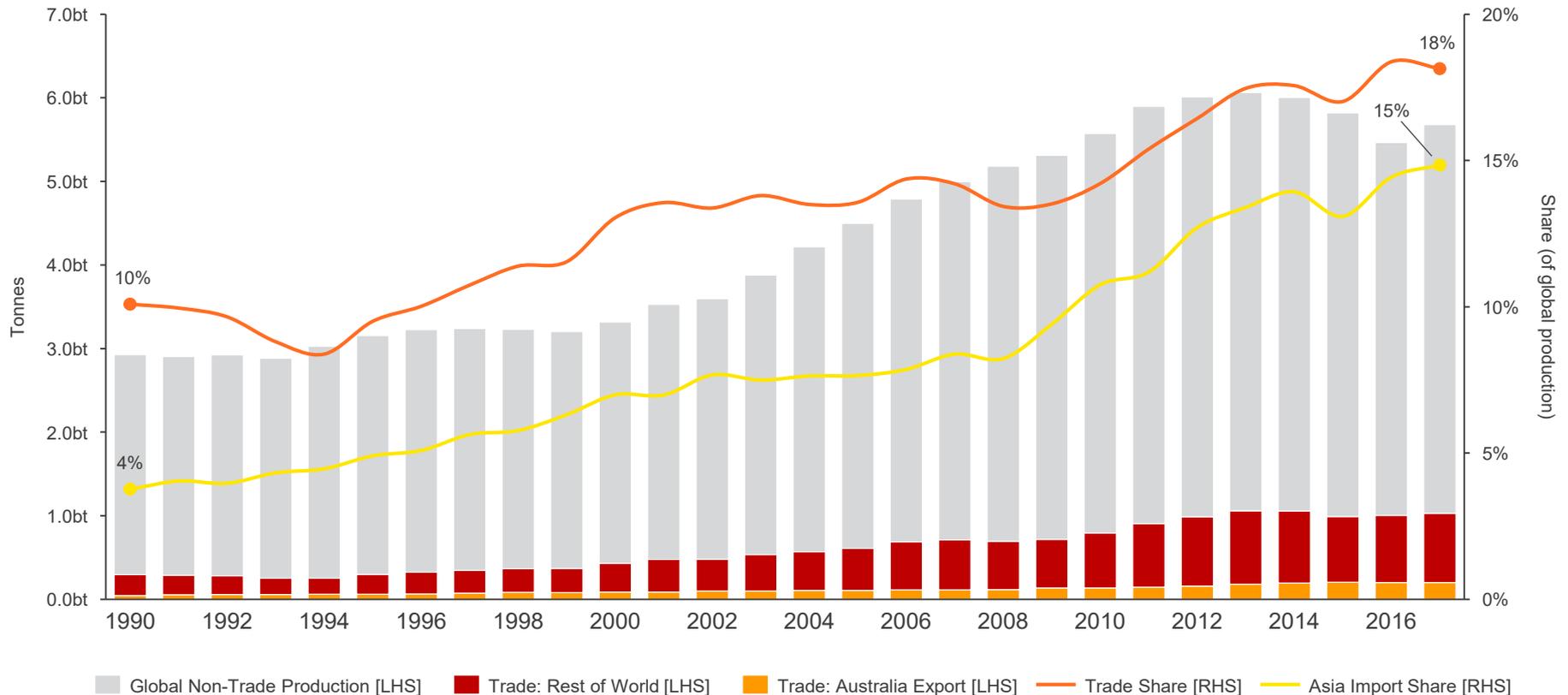


Sources/Notes: **Cash Costs:** Wood Mackenzie Coal Cost Curves (Data: May 2019, Reference Year: 2019), Wood Mackenzie Global Coal Markets Tool (Data: 2019 1H, Reference Year: 2019), Sea freight export terminal assumptions: US – East Coast, Canada – West Coast, Australia – Hay Point (Metallurgical) & Newcastle (Thermal), Russia - East. **Metallurgical Coal Quality:** Wood Mackenzie Global Coal Markets Tool (2019 1H). **Thermal Coal Quality:** Wood Mackenzie Coal Cost Curves (Data: May 2019, Reference Year: 2019), Wood Mackenzie Coal Supply Data Tool (Q1 2019, Reference Year: 2019), India Ministry of Coal Provisional Coal Statistics 2017-18, IEA Coal Medium-Term Market Report 2016, Indonesia Coal Mining Association, Richards Bay benchmark specifications (Platts).

Global Steam (Thermal) Coal

Trade (as a share of global production) has nearly doubled over the past three decades with Asian imports accounting for 15% of global production

GLOBAL STEAM COAL (Production, Australia Export Volume, Trade Share (of global production), Asia Import Share (of global production))



Source: International Energy Agency Coal Information (2018). Steaming coal consists of anthracite, bituminous and sub-bituminous (and excludes coking and lignite). Trade includes both landborne and seaborne

Additional Information

Regulation



Regulated asset base (RAB)

Network maintains a record of the value of its existing assets for regulatory pricing called the RAB

ROLLFORWARD RAB

- › This represents the value of Network assets for regulatory purposes
- › Each year Network rolls forward the RAB adjusting for indexation, depreciation, disposals, transfers and the addition of approved capex
- › The FY2016 and FY2017 Rollforward RABs were approved by the QCA on 29 May 2019. Accordingly, the full impact of the rollforwards was not accounted for in the UT5 Final Decision. The impact will be incorporated into allowable revenues and reference tariffs during FY2020
- › The approximate value of the RAB rollforward at 1 July 2019 is \$5.7bn. This excludes \$0.4bn of AFDs

PRICING RAB

- › This is the RAB value that is used to calculate the return on capital in the undertaking and determine Reference Tariffs for coal carrying Train Services
- › The Pricing RAB is the Rollforward RAB less any assets that have been allocated for utilisation by non-coal traffic or deferred as part of a regulatory undertaking. For example, UT5 ceased the deferral of WIRP capital expenditure which totaled ~\$260m
- › The approximate value of the Pricing RAB at 1 July 2019 is \$5.5bn. This excludes \$0.4bn of AFDs

DEFERRED ASSETS

This represents the value of assets that are not included in the pricing RAB. The approximate value at 1 July 2019 is \$0.2bn

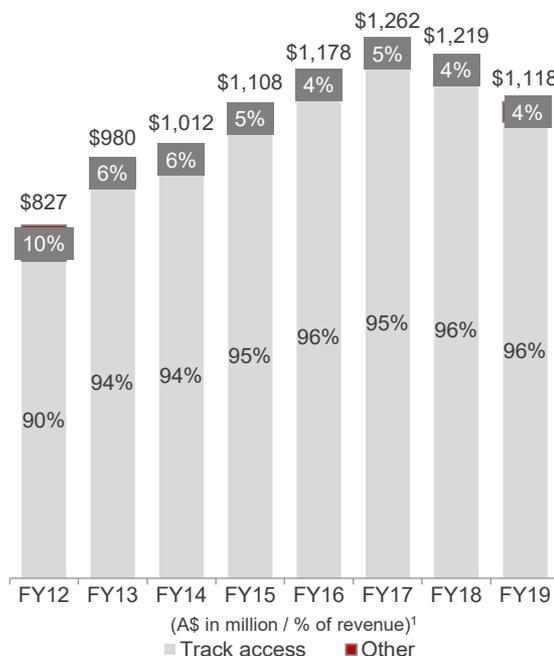
Regulated Revenues within a stable & well-established Regulatory Regime

WELL ESTABLISHED REGULATORY REGIME

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

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



WELL DEVELOPED BUILDING BLOCK APPROACH TO REVENUE DETERMINATION

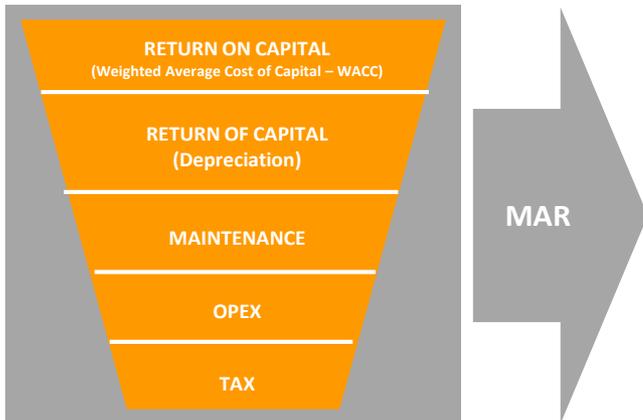
- › RAB is approved by the QCA on a Depreciated Optimal Replacement Cost (DORC) basis
- › “Building block” approach adopted to determine the CQCN’s maximum allowable revenue
- › Reference tariffs determined, taking into consideration forecast volumes and under and over recovery in prior periods



¹ FY12 and FY13 re-stated to reflect the internal restructure of Aurizon Network – refer ASX release 13 January 2014

The CQCN Regulatory Framework Provide Revenue Protection Through a Building Block Approach

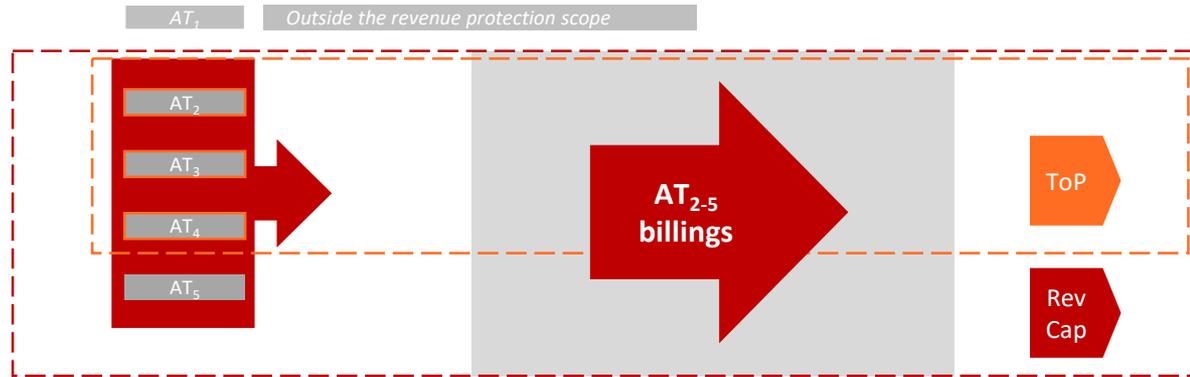
MAXIMUM ALLOWABLE REVENUE



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.

REGULATORY REVENUE (FORECASTED) FOR EACH YEAR OF UNDERTAKING PERIOD



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

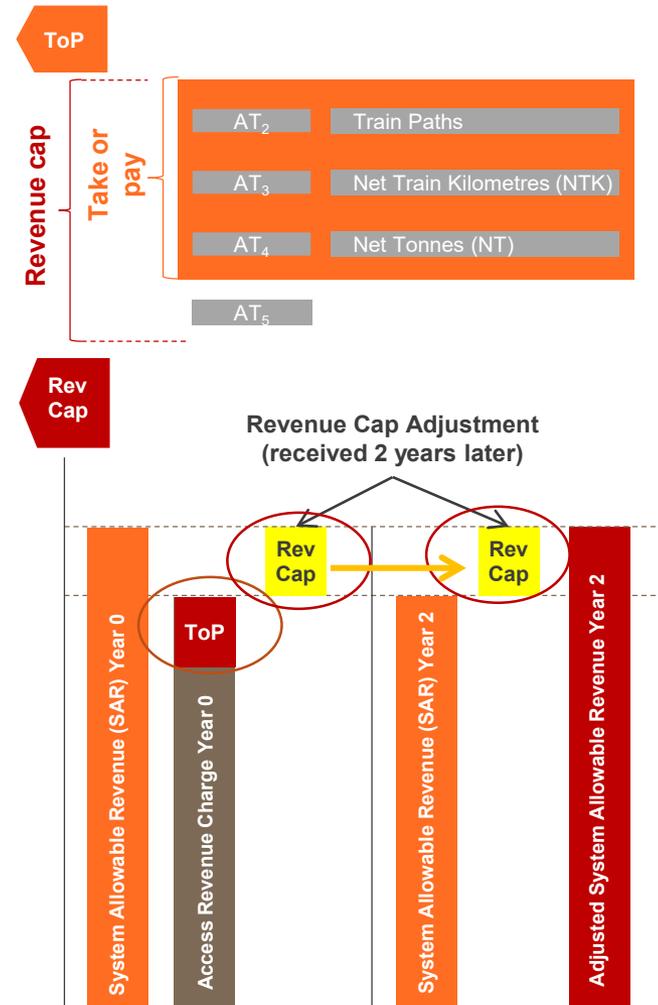
These five different reference tariffs reflecting different recovery categories

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 within each system, therefore Aurizon Network will continue to earn its aggregate regulated revenue

Glossary

Metric	Description
Access Revenue	Amounts received by Aurizon Network for access to the Network infrastructure under all Access Agreements
AFD	Access Facilitation Deed
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
Footplate hours	A measure of train crew productivity
Free cash flow (FCF)	Net operating cash flows less net cash flow from investing activities less interest paid
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
FWC	Fair Work Commission
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 costs associated with traction, telecommunication, ballast and undercutting, rail renewals, flood repairs and derailments
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
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
PIA	Protected Industrial Action
QCA	Queensland Competition Authority
Report Date	Date on which the later of the following events occur: - Independent Expert provides Initial Capacity Assessment Report (ICAR) - Aurizon notifies relevant parties of proposed options to address Existing Capacity Deficits identified in the ICAR Where the ICAR does not identify any Existing Capacity Deficits the Report Date is the date on which the Independent Expert approves the ICAR
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)
TCFD	Task Force on Climate related Financial Disclosures
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
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

