

August 2020

Debt Investor Update



Locomotive artwork by Aurizon employee Laurie Anno



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Biographies



George Lippiatt
CFO & Group Executive
Strategy

George was appointed Chief Financial Officer and Group Executive Strategy in June 2020. Prior to this George held the position of Head of Strategy and Corporate Development.

He has been with Aurizon for seven years in a number of roles, most recently as Head of Strategy and Corporate Development. In this position he has played a key role in a number of major strategic reviews, transactions, structural changes and transformation programs.

George has fifteen years' experience in corporate finance, strategy and sustainability and prior to joining Aurizon gained extensive infrastructure and finance experience at KPMG and Suncorp Bank.

George holds a Bachelor of Commerce, is a Chartered Financial Analyst (CFA) Charterholder and a Certified Practising Accountant (CPA).



Chris Vagg
Head of Investor Relations
& Group Treasurer

Chris has more than 20 years' experience in the finance industry in both Australia and the United Kingdom.

For nine years, Chris has been in the Investor Relations team at Aurizon, building capability within the function since the Company listed on the ASX in November 2010.

During this time Chris has played a critical role in engaging with the investment community and articulating Aurizon's investment proposition.

Since July 2017, Chris has assumed responsibility for Aurizon's treasury and insurance functions.

Prior to his appointment at Aurizon, Chris worked for seven years as a sell side analyst for Citi in London and Sydney after commencing his career as a chartered accountant.

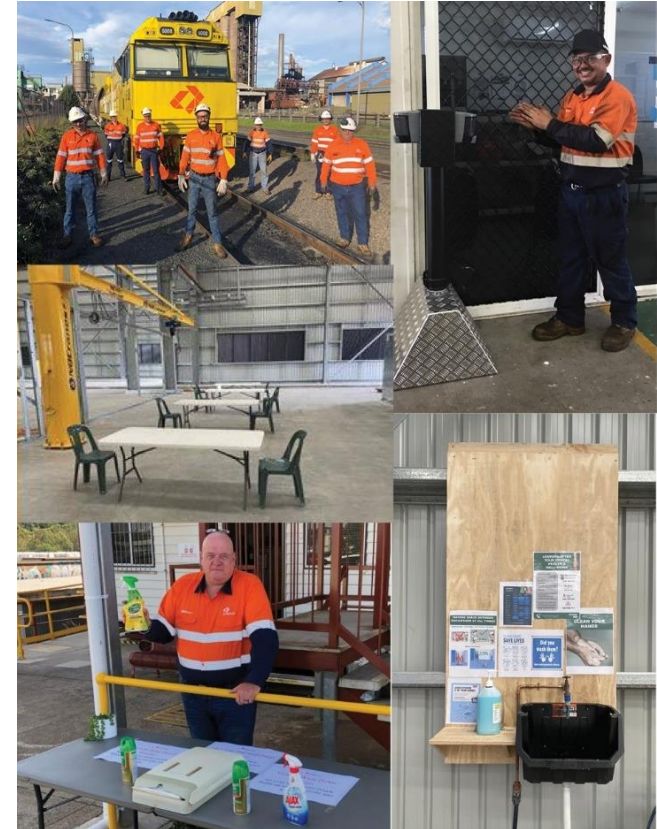


COVID-19 Update

COVID-19: Aurizon Update

Measures were taken to minimise impact to employees and ensure resilience of operations

- › Crisis Management Team stood up and led by CEO
- › Increased staff awareness and education on personal hygiene and cleaning protocols
- › Implemented workplace protocols to assist business continuity including separation
- › Revised rosters, schedules and labour contingency plans
- › Transition to work from home arrangements for non-operational employees
- › All non-essential travel and training cancelled
- › Contingency planning to ensure continuity of procurement and supplier services
- › A COVID-19 leave entitlement of 10 days paid leave to support impacted employees
- › Coronavirus hotline (24/7) established for Aurizon employees

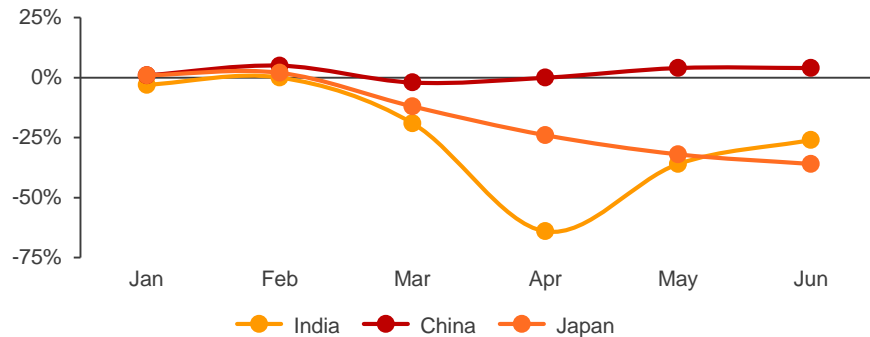


COVID-19: Market Update

Although volume impact was not significant in FY2020, recessionary conditions expected to impact steel demand in FY2021

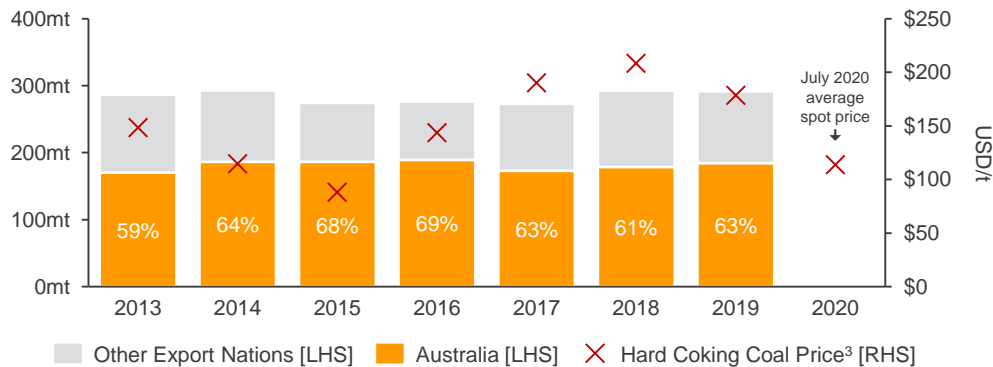
CRUDE STEEL PRODUCTION: KEY NATIONS¹

Year-on-year change



METALLURGICAL COAL EXPORT FROM MAJOR SUPPLY NATIONS²

Export volume, Australia share, average hard coking coal price



- › **China:** Crude steel production in China maintained. World Steel Association (WSA) projects a 1% increase⁴ in China Steel demand in 2020
- › **India:** Crude steel production -42% in June quarter¹. WSA projects a 18% decline⁴ in India steel demand in 2020
- › **Japan:** Crude steel production -31% in the June quarter¹. Japan's METI projects a 28% reduction⁵ in crude steel production in September quarter
- › Quality and cost competitiveness of Australian supply has limited the impact to date (2H metallurgical export volume -9%⁶)
- › United States metallurgical coal export volume -26%⁷ in the six months to June
- › Australia historically gains market share in low price environment
- › Limited impact on thermal coal volume (Australian Export volume in 2H flat⁶) although risk of China import restrictions in the remainder of 2020
- › Small impact on some Bulk customers to date offset by strong iron ore demand

1. World Steel Association
 2. Major supply nations: Australia, United States, Canada, Russia. Source: ABS 2020 (customised report), Global Trade Atlas
 3. Peak Downs Region. Source: Platts
 4. World Steel Association: worldsteel Short Range Outlook (4 June 2020)
 5. Ministry of Economy, Trade and Industry (METI): Steel Demand Prospects for the Second Quarter of FY2020 (8 July 2020)
 6. ABS 2020 (customised report)
 7. Global Trade Atlas

FY2021 outlook

Group EBIT guidance \$830m – \$880m

KEY ASSUMPTIONS

› Coal

- Flat volumes of 210-220mt (compared to 214mt in FY2020) based on current view of COVID-19 impact on coal demand

› Network

- Tariffs based on QCA approved volume forecast of 239mt – 5% higher than FY2020 actual volumes (227mt)
- CQCN volumes expected to be lower than 239mt due to COVID-19's impact on coal demand, resulting in revenue under-recovery
- Flat volumes implies a revenue under-recovery of ~\$50m¹ – any shortfall will form part of the revenue cap in FY2023 partly offset by other adjustments including WACC

- › Operational efficiency improvements remain a key driver in the business
- › Redundancy costs included in guidance (reported in 'Other' segment)
- › No material disruptions to commodity supply chains (such as adverse weather and/or COVID-19)

1. Based on 227mt applied to \$941m MAR (excluding GAPE)

An aerial photograph showing a complex industrial and transport area. A multi-lane highway with an overpass carries several red semi-trailers. Below the highway, a railway track features a yellow and black locomotive pulling a long train of white freight cars. The surrounding landscape is filled with various industrial buildings, some with signs like "Metal Working Services" and "BRIDGESTONE". The background shows a clear blue sky and distant mountains.

Overview of Aurizon Holdings

Aurizon is Australia's largest integrated freight rail network

Above Rail consists of the Coal and Bulk business units, Below Rail consists of Network

ABOVE RAIL (AURIZON OPERATIONS)



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 export terminals.

EBIT: \$411m

Tonnes Hauled: 214m

Active Locomotives: 332

Active Wagons: 8,721



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

EBIT: \$90m

Tonnes Hauled: 48m

Active Locomotives: 174

Active Wagons: 3,176

BELOW RAIL (NETWORK)



Network refers to the operation of the 2,670km Central Queensland Coal Network. The open access network connects over 40 mines to five export terminals. The CQCN includes four major coal systems and a connecting link (the Goonyella to Abbot Point Expansion – GAPE).

EBIT: \$469m

Tonnes Railed: 227m

Above Rail Operators: 4

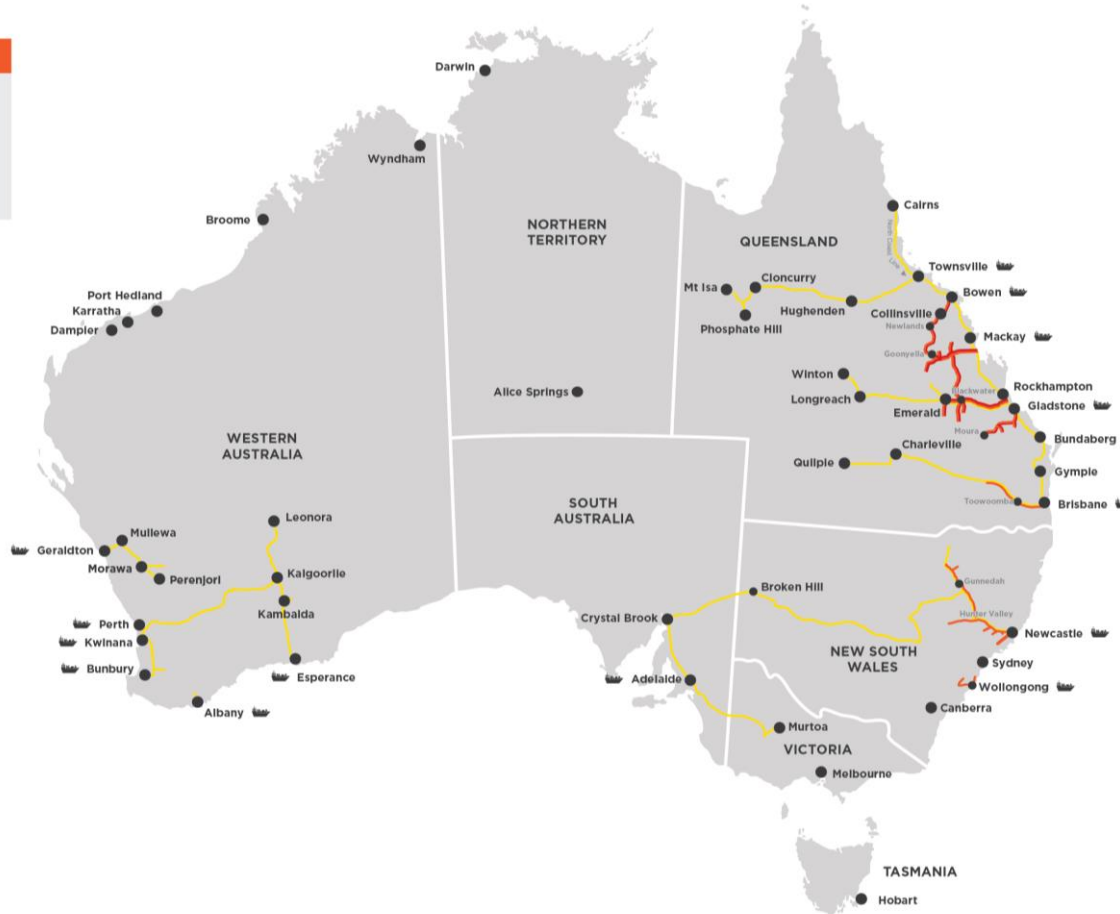
Regulated asset base¹: \$5.5bn

ISSUING ENTITY

Aurizon's rail haulage operations

Legend

- █ Coal
- █ CQCN (Network)
- █ Bulk
- City / town
- 🚢 Port



KEY OPERATIONAL STATISTICS

COMMODITIES

Coal and bulk freight

ROLLINGSTOCK

~500 active locomotives

OPERATIONAL FOOTPRINT

~40 operational sites

PEOPLE

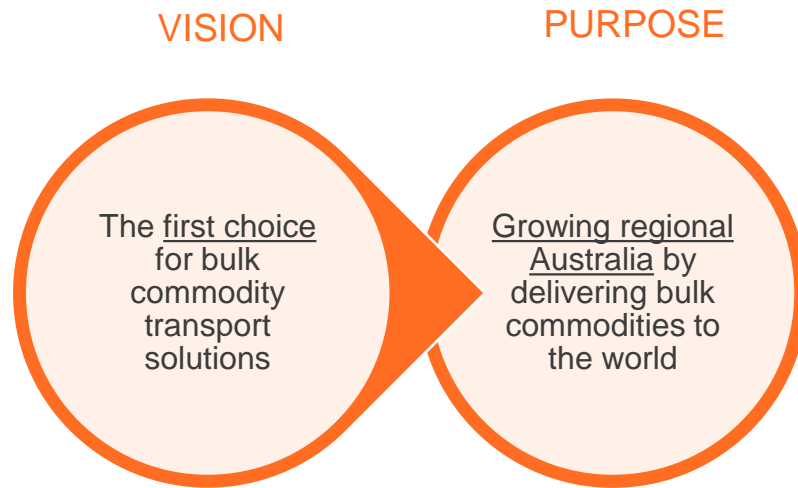
More than 4,600 full-time employees

WAGONS

11,000+ active wagons

Aurizon's vision, purpose, values and strategic levers

Execution against the three strategic levers is aimed at driving differentiation, competitive advantage and sustainable performance



Our values



SAFETY



PEOPLE



INTEGRITY






CUSTOMER



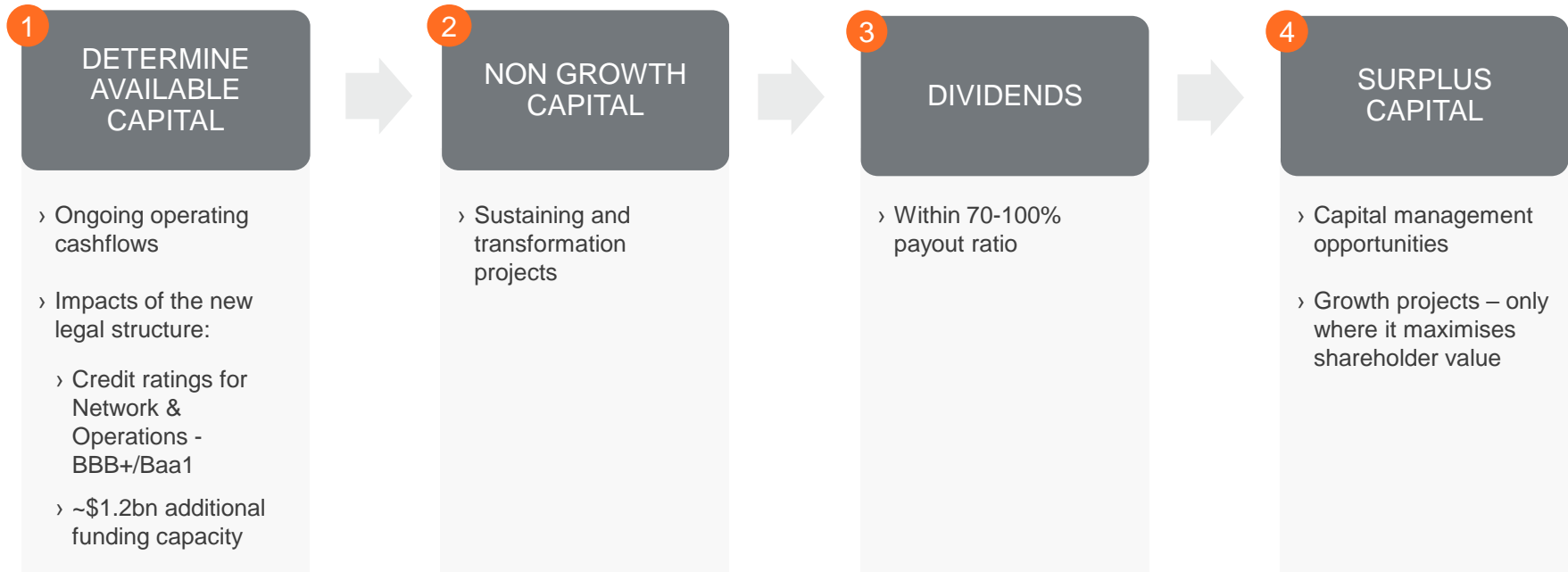
EXCELLENCE

STRATEGIC LEVERS

- 
OPTIMISE Accelerate cost competitiveness of Aurizon
- 
EXCEL Achieve regulatory reform and competitive advantage through asset efficiency
- 
EXTEND Position Aurizon for growth

Prioritisation of capital

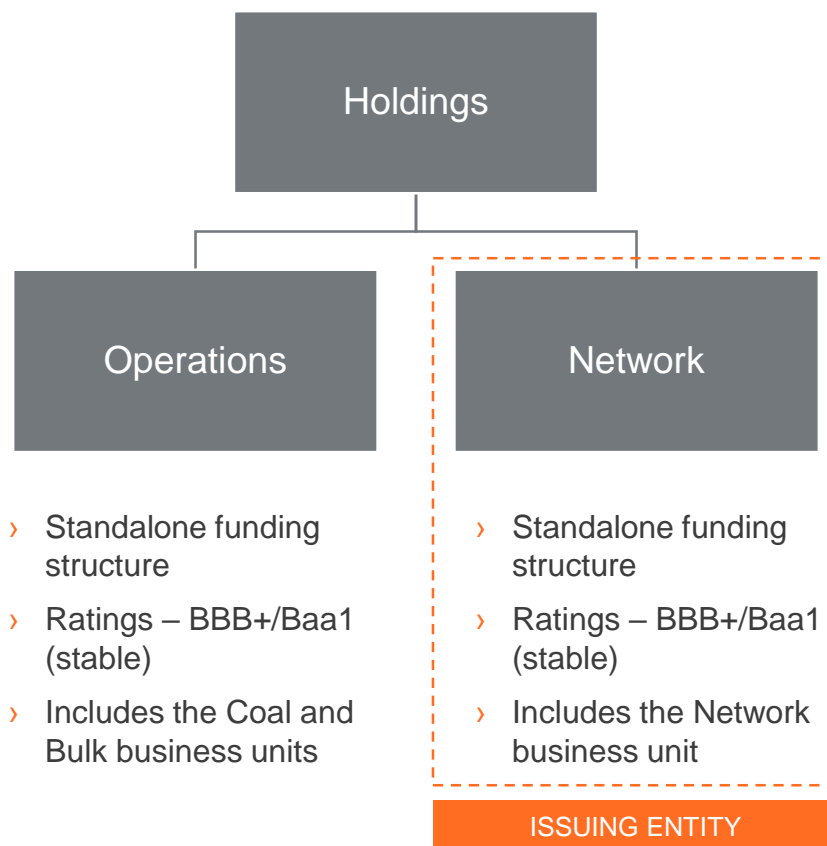
CAPITAL ALLOCATION HIERARCHY



Capital management options influenced by low franking and share capital account balance

Legal and capital structure

Aurizon has standalone funding structures for Operations and Network with independent gearing levels, consistent with their different business risk profiles



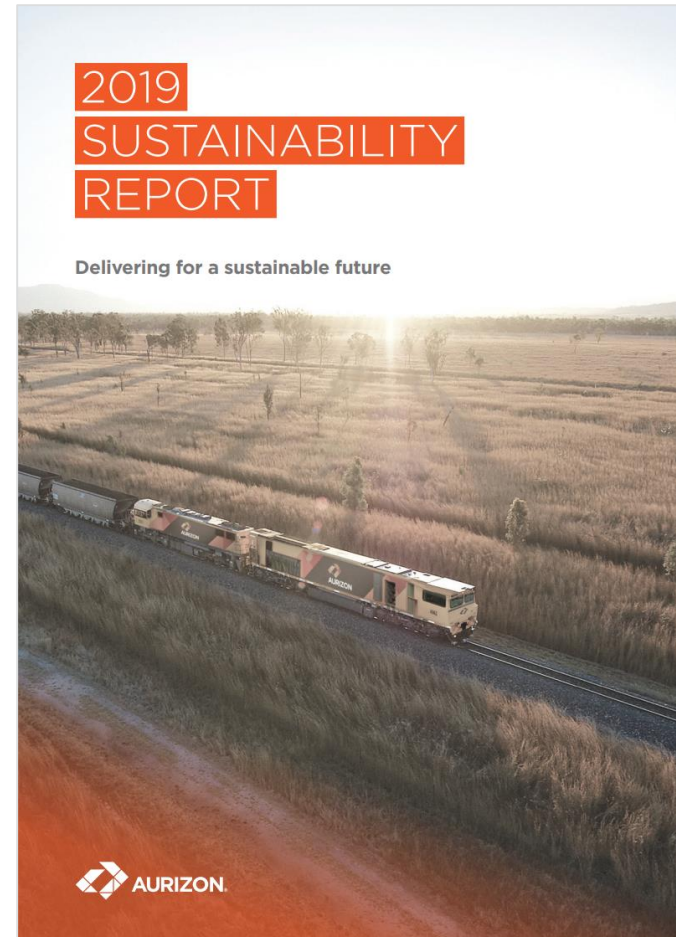


ESG

Sustainability

FY2020 will be the fourth 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 year¹
- › As at June 2020, Aurizon participates in FTSE4Good Index Series, MSCI ESG Ratings and Sustainalytics
- › **Aurizon’s FY2020 Sustainability Report will be released in October 2020**



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



ESG rating of AA as at March 2020



FTSE4Good

Aurizon Holdings remains a member of the FTSE4Good Index following the June 2020 index review



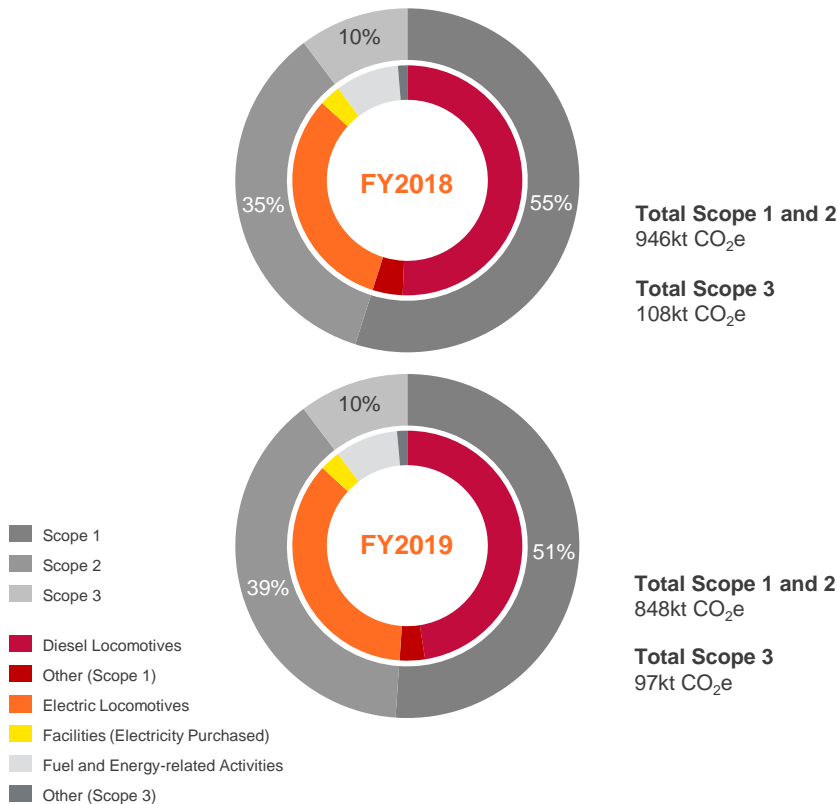
ESG rating of "Medium Risk" as at April 2020

1. Australian Council of Superannuation Investor (ACSI), ESG Reporting by the ASX200

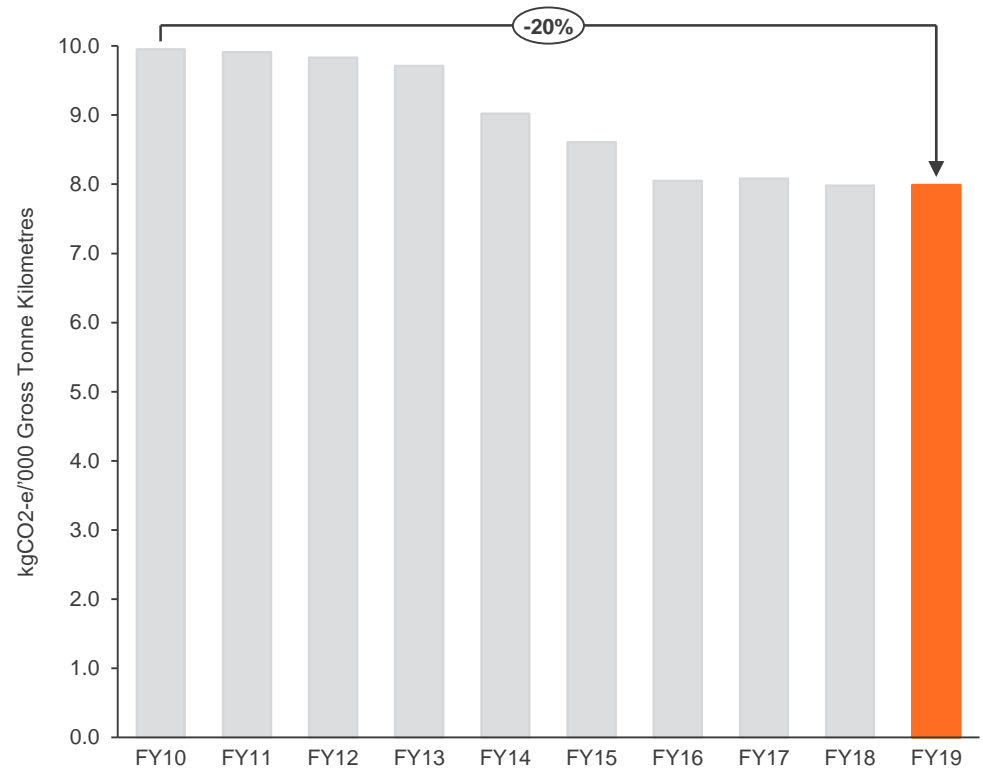
Environment

Aurizon continues to focus on cutting diesel and greenhouse gas emissions as part of our efforts to maintain Australia’s excellent air quality standards and manage our carbon footprint

AURIZON’S GREENHOUSE GAS PROFILE



AURIZON’S LOCOMOTIVE EMISSIONS INTENSITY PERFORMANCE



FY2020 emissions data will be released with the Sustainability Report in October

Note: Aurizon’s Scope 1 and 2 emissions are reported in accordance with the National Greenhouse and Energy Reporting legislation. Aurizon’s identification of relevant Scope 3 emissions activity sources is informed by the GHG Protocol Corporate Value Chain (Scope 3) Standard and includes: purchased goods and services (paper purchased and water consumption), capital goods, fuel and energy-related activities (including consumption and upstream transportation and distribution), waste generated in operations, business travel (air and ground-based travel and accommodation), employee commuting, and upstream leased assets. The reporting boundary for Scope 3 emissions data for the FY2019 period includes the categories listed above and has received limited assurance from Deloitte, with remaining activity sources excluded due to current data availability. Scope 3 emissions from employee commuting, which represent ~4% of the total reported Scope 3 emissions, have been excluded from the limited assurance over this dataset, however will be considered for inclusion in future reporting period once the methodology for calculation has been strengthened/formalised. A breakdown of Aurizon’s emissions is provided in the 2019 Sustainability Report.

Future of Coal

Australian Export Coal Demand

The fundamentals of Australian metallurgical and thermal coal remain strong, driven by steel and energy demand in Asia, supporting coal export growth of 1-2%pa over the next decade

METALLURGICAL COAL

- › Metallurgical coal (or coking coal) is primarily used to produce steel, an integral link with economic development
- › Crude steel production occurs primarily via the blast furnace-basic oxygen furnace (BF-BOF) route, which accounted for 1.3 billion tonnes of crude steel production (72% of total global crude steel production) in 2019¹
- › India achieved another record result in 2019 with crude steel production of 111 million tonnes² and is the second largest export market for Australian metallurgical coal (behind China)³
- › The *Office of Chief Economist* projects crude steel production growth in India of 5.4% per annum (from 2019), reaching 153mt in 2025⁴
- › India coking coal import dependence was 90% for FY2019⁵

THERMAL COAL

- › Thermal coal is primarily used as a heat source for energy generation, holding a 38% share of global generation in 2018⁶. Thermal coal is also used as a source of energy in cement production, where around 200 kilograms of coal is required to produce one tonne of cement⁷.
- › Almost all Australian thermal coal export volume is destined for Asia (FY2020: 99%)³
- › For Southeast Asia (ex-Indonesia), over 10GW of coal-fired capacity has come online since 2017 with a further 13GW considered under construction⁸
- › The International Energy Agency (IEA) projects a 123% growth in coal-fired energy generation in Southeast Asia between 2018 and 2040⁹
- › Vietnam is now Australia's fifth largest thermal coal trading partner (by volume) with record export volume of 12.8 million tonnes in FY2020³
- › Record annual Australian thermal coal export volume in FY2020 (213 million tonnes)³

1. World Steel Association, *World Steel in Figures 2020*

2. World Steel Association, *Statistics*

3. Australian Bureau of Statistics 2020 (*Customised report*)

4. Office of Chief Economist, *Resources and Energy Quarterly* (March 2020)

5. India Ministry of Coal, *Provisional Coal Statistics (2018-19)*. India financial year (April to March). Domestic washed coal (only) included in calculation

6. International Energy Agency, *World Energy Outlook (2019)*

7. World Coal Association, *Basic Coal Facts*

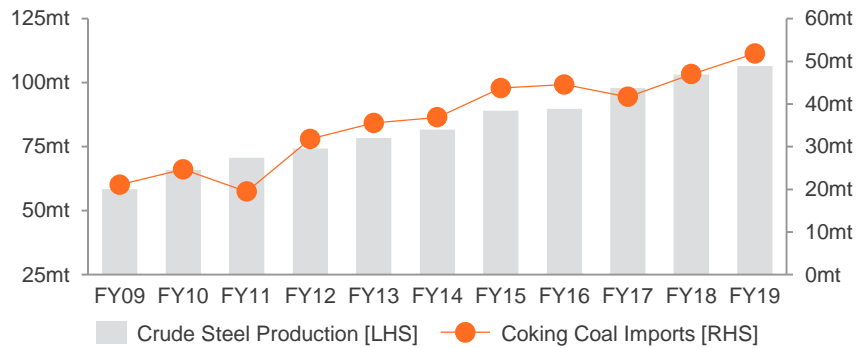
8. Platts UDI Electric Power Plants Database (March 2020). Indonesia excluded given domestic coal availability

9. International Energy Agency, *World Energy Outlook 2019*

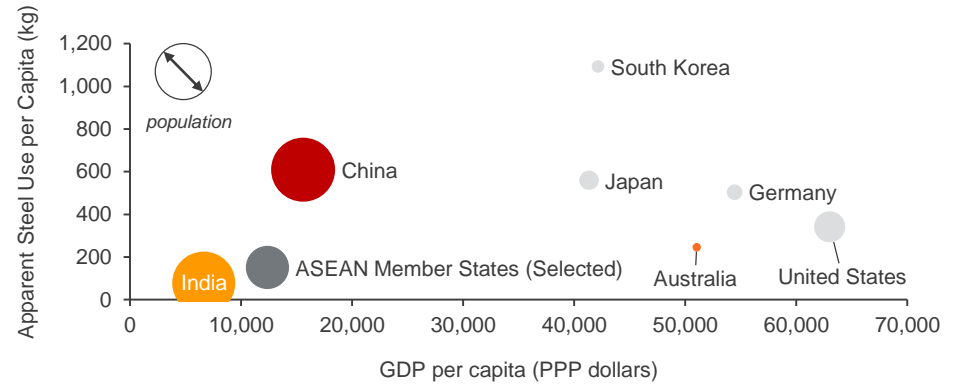
Future of Coal | Metallurgical Coal

Driven by urbanisation and infrastructure development, the opportunity remains for India and South East Asian nations to increase steel usage

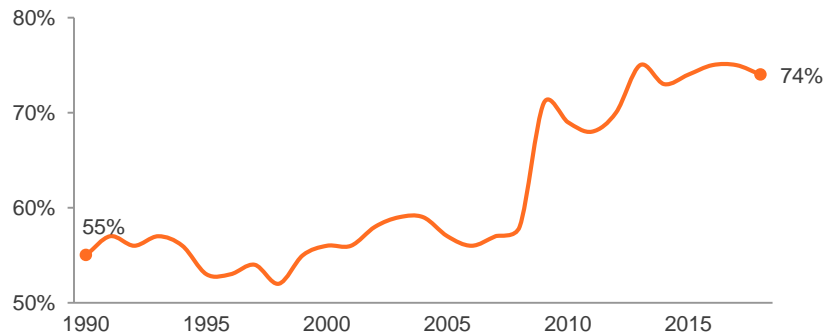
INDIA: CRUDE STEEL PRODUCTION AND COKING (METALLURGICAL) COAL REQUIREMENTS¹



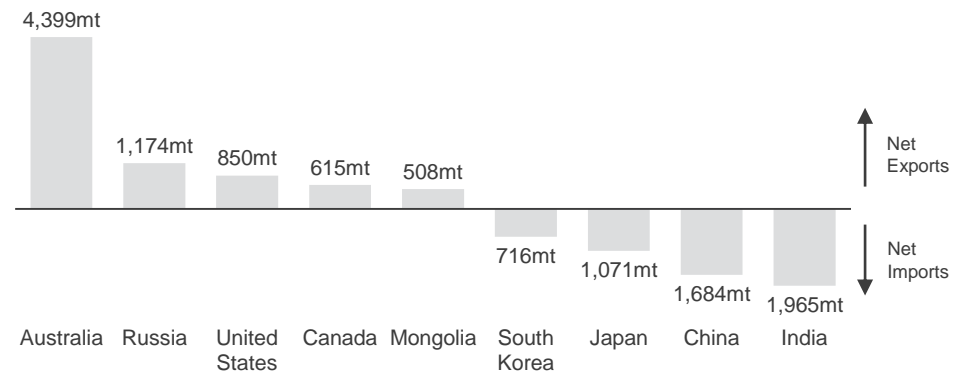
APPARENT STEEL USE (CRUDE STEEL EQUIVALENT) PER CAPITA VS. GDP PER CAPITA BY KEY COUNTRIES²



ASIA: PROPORTION OF GLOBAL METALLURGICAL COAL IMPORT VOLUME³



AGGREGATE METALLURGICAL COAL TRADE BALANCE BY MAJOR COUNTRIES (2020-2040)⁴

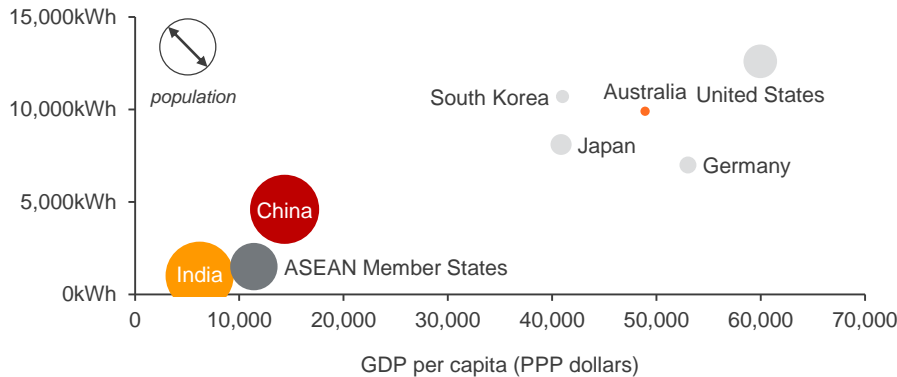


1. India Ministry of Coal, Coal Directory of India (multiple years), Provisional Coal Statistics (2018-19). Note: India financial year (April to March).
 2. GDP (Purchasing Power Parity; international dollars) – World Bank (2018 data), Population - World Bank (2018 data), Apparent Steel Usage & Apparent Steel Use per Capita – World Steel Association (2018 data). ASEAN Member States (Selected, based on data availability): Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam.
 3. International Energy Agency, Coal Information 2020.
 4. Wood Mackenzie Global Coal Markets Tool (2020 1H).

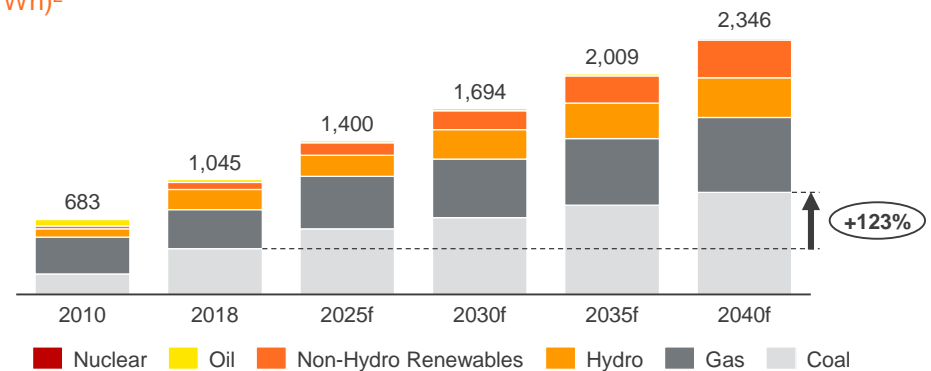
Future of Coal | Thermal Coal

99% of Australian exports are destined for Asia. It is this region (rather than global consumption) that is projected to use coal-fired generation assets for a prolonged period

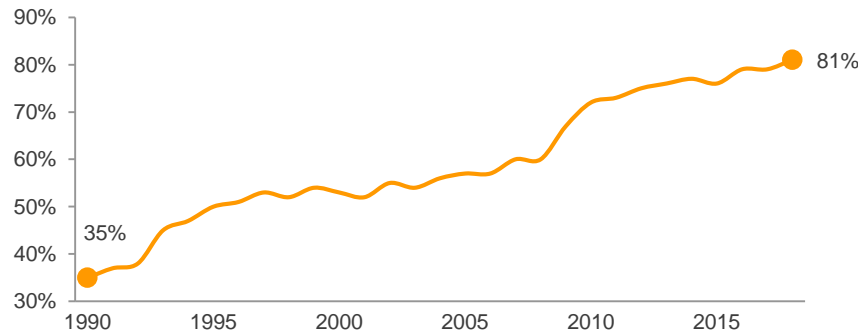
PER CAPITA ELECTRICITY CONSUMPTION VS. GDP PER CAPITA BY KEY COUNTRIES¹



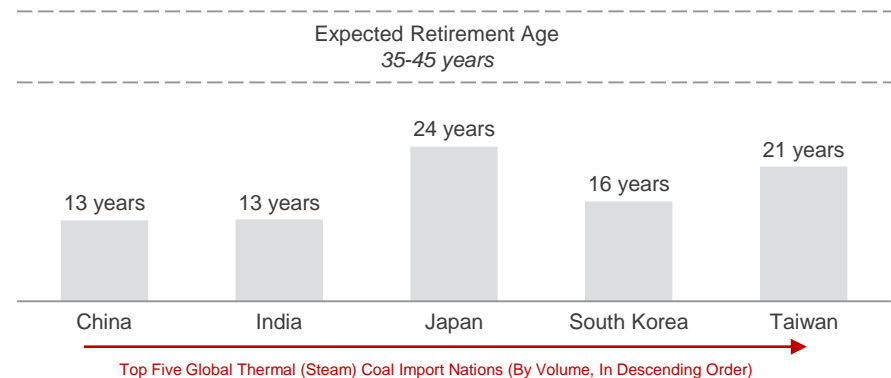
IEA WORLD ENERGY OUTLOOK (STATED POLICIES SCENARIO) FOR ELECTRICITY GENERATION IN SOUTH-EAST ASIA, BY SOURCE (TWh)²



ASIA: PROPORTION OF GLOBAL THERMAL COAL IMPORT VOLUME³

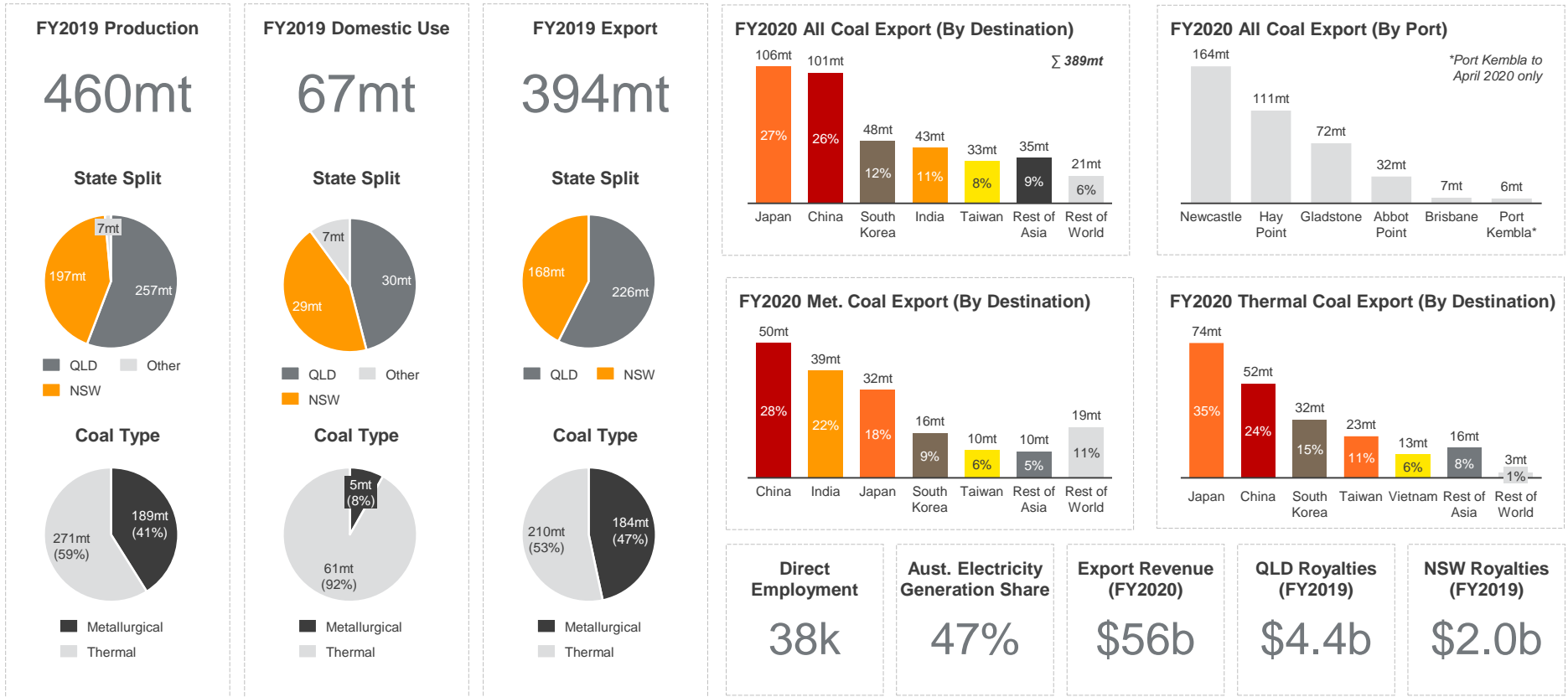


AVERAGE AGE OF COAL-FIRED ELECTRICITY CAPACITY⁴



1. GDP (Purchasing Power Parity; international dollars) – World Bank (2017 data), Population - World Bank (2017 data), Electricity Consumption (KWh) – International Energy Agency (2017 electricity consumption per capita data). ASEAN Member States: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam.
 2. International Energy Agency, World Energy Outlook 2019
 3. International Energy Agency, Coal Information 2020
 4. UDI Electric Power Plants Database (March 2020), capacity weighted.

Australian Coal Summary



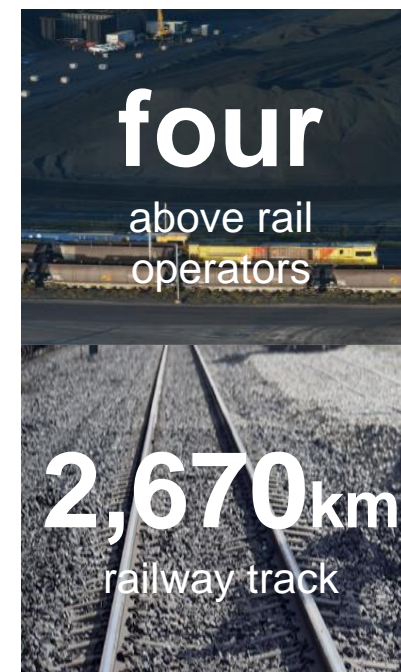
Note: Due to different sources and rounding, the sum of individual elements may not equal the corresponding aggregate figure. Sources – FY2019 Production: Volume (saleable coal), state split and coal type sourced from Office of Chief Economist (OCE) Resources and Energy Quarterly June 2020. FY2019 Domestic Use: National consumption calculated using production (OCE) less exports (OCE). State consumption calculated using state production (OCE) less state export volume (Port/Terminal Reporting). FY2019 Export: National export volume and coal type sourced from OCE. Export state split sourced from port/terminal reporting. FY2020 All Coal Export (By Destination): Includes anthracite volume, sourced from Australian Bureau of Statistics 2020 (customised report). FY2020 All Coal Export (By Port): Sourced from respective port/terminal reporting. Hay Point includes both Hay Point Coal Terminal and Dalrymple Bay Coal Terminal. FY2020 Metallurgical/Thermal Export (By Destination): Sourced from ABS. Employment: ABS Labour Account Australia, year ended 30 June 2019. Australian Electricity Generation Share: Data for FY2018 (GWh, black coal only), sourced from Department of the Environment & Energy, Australian Energy Update 2019. Export Revenue: Sourced from ABS. QLD Royalties: Sourced from QLD Treasury Mid-Year Fiscal & Economic Review 2019-20. NSW Royalties: Sourced from NSW Department of Planning & Environment.

A photograph of a railway yard at dusk or dawn. A yellow locomotive with the number 3738 is pulling a long train of brown hopper cars. The tracks curve through the scene, and a complex network of overhead power lines and metal support structures spans the background. Several workers in orange safety gear are visible near the train. The sky is a mix of blue and orange, suggesting the time is either early morning or late evening.

Aurizon Network: Overview

Network snapshot

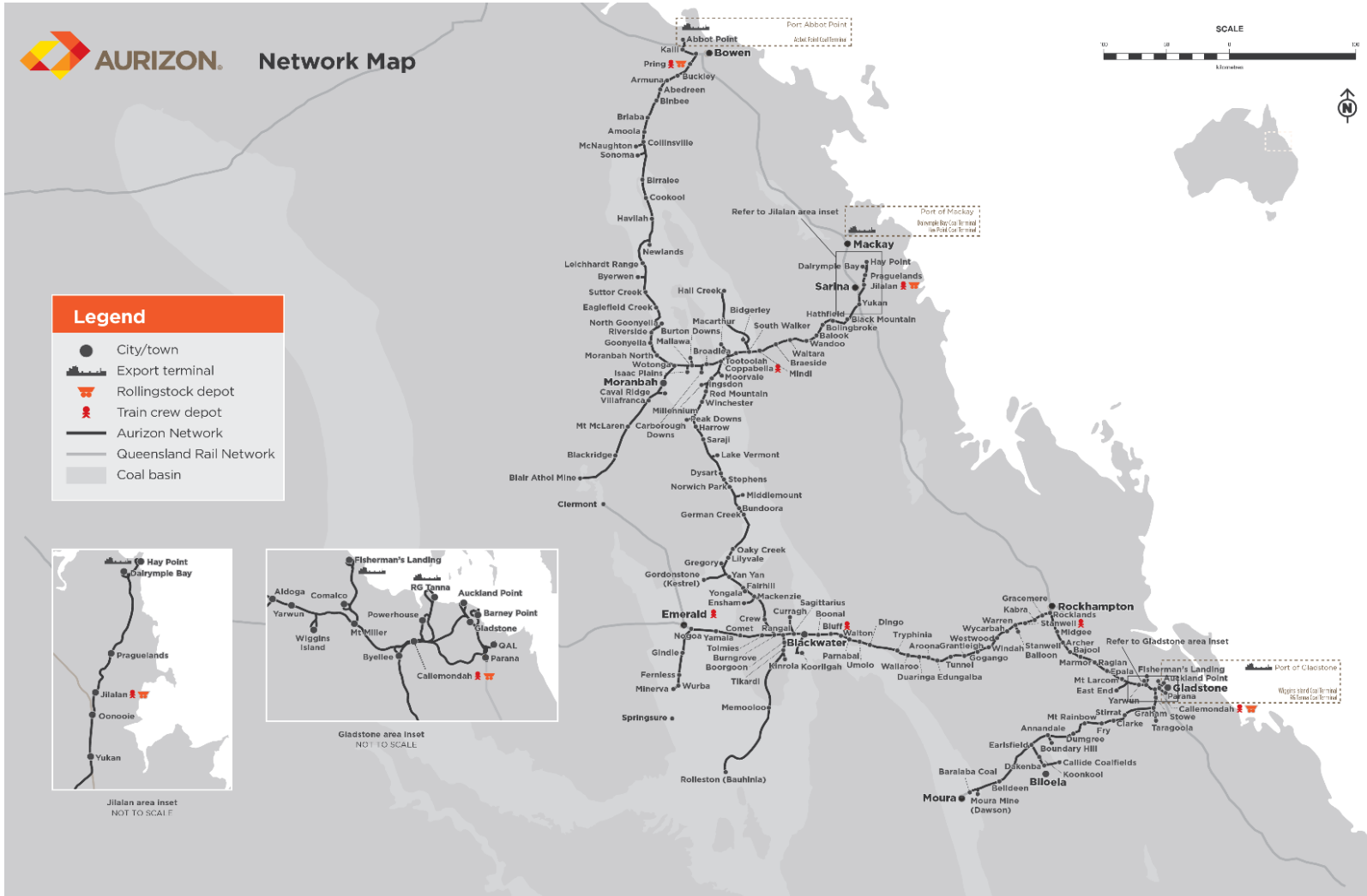
As at 30 June 2020




1. Estimated split (all rail operators) metallurgical coal (69%), thermal coal (31%)
2. Estimate at 1 July 2020 - Roll forward value based on UT5 Undertaking (excludes \$0.4bn in assets operating under an AFD)

Central Queensland Coal Network (CQCN)

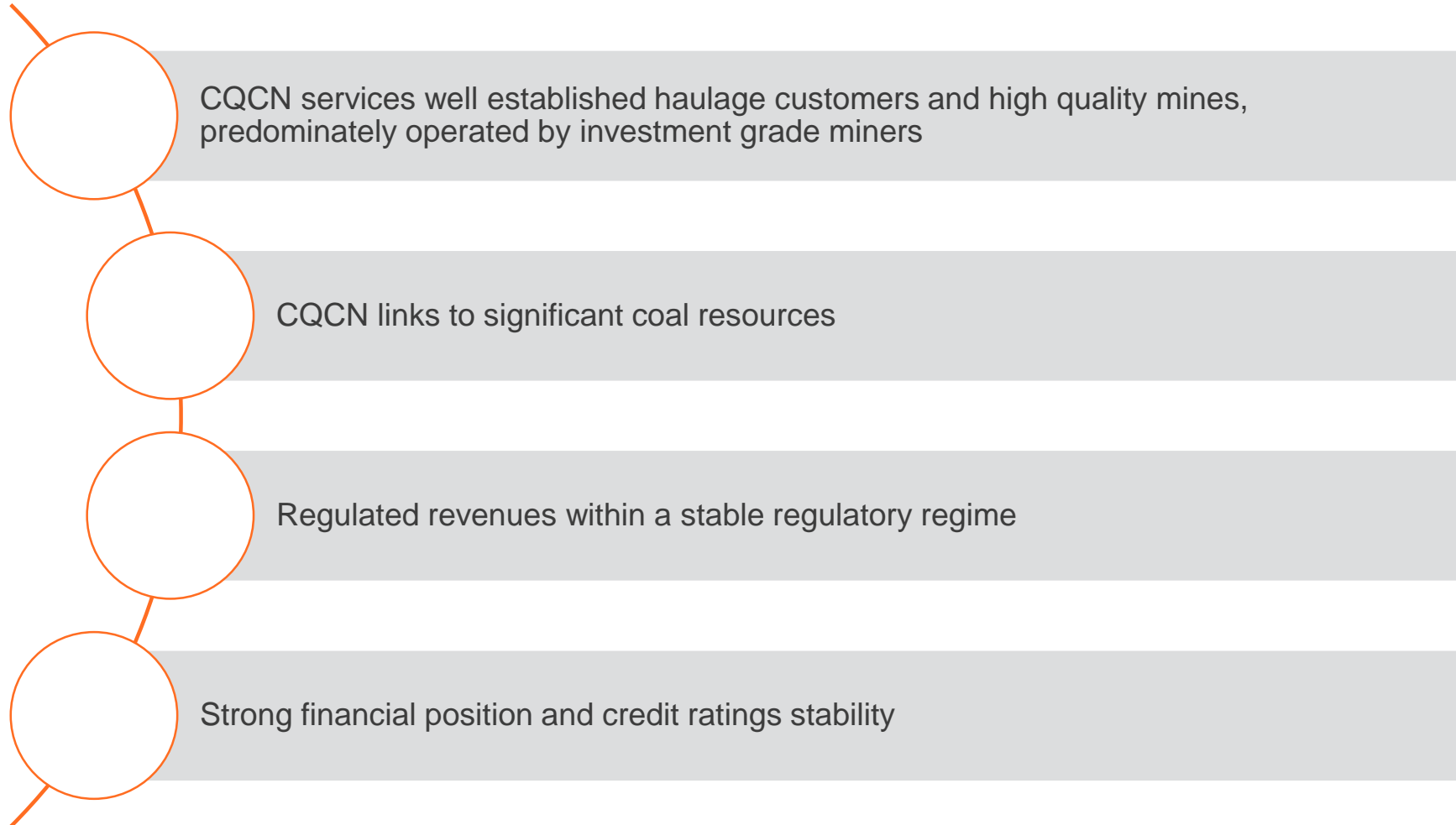
CQCN comprises four major coal systems and one connecting system link (GAPE) servicing Queensland's Bowen Basin coal region





Aurizon Network: Investment Highlights

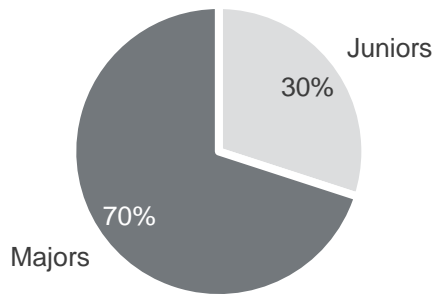
Summary of key investment highlights



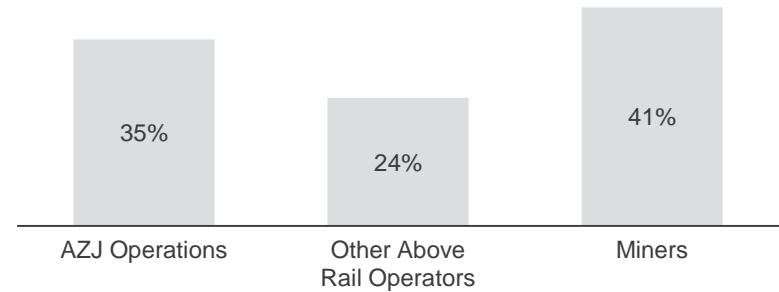
CQCN services well established haulage customers and miners

Network services a diversified group of mining customers that are predominately large global companies with 74% investment grade¹

FY20 SPLIT OF MINERS SERVICED BY CQCN²

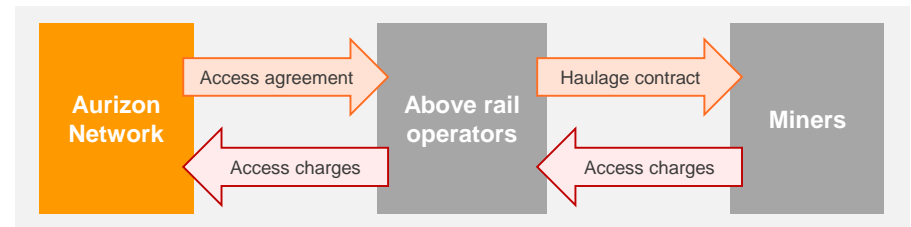


FY20 RAILED VOLUME SPLIT BY ACCESS HOLDER

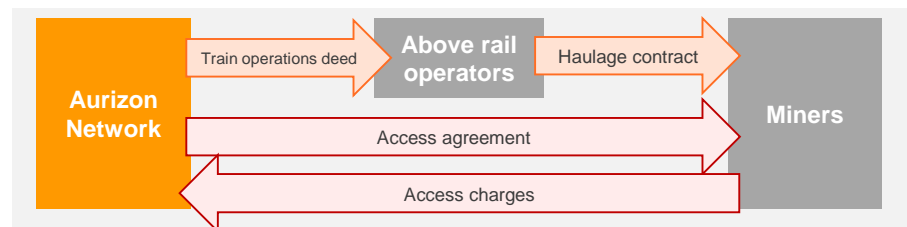


- › Network’s largest customers are Aurizon Operations and Pacific National, both investment grade counterparties with well established haulage operations
- › Mining customers include BMA, Glencore, Idemitsu, Jellinbah, Yancoal and Anglo
- › Recent trend with miners contracting directly for access with Network – 29ppt increase from FY16
- › Network undertakes a review of credit worthiness of access holders and obtains appropriate security

WHERE ACCESS IS HELD BY ABOVE RAIL OPERATOR



WHERE ACCESS IS HELD BY MINER

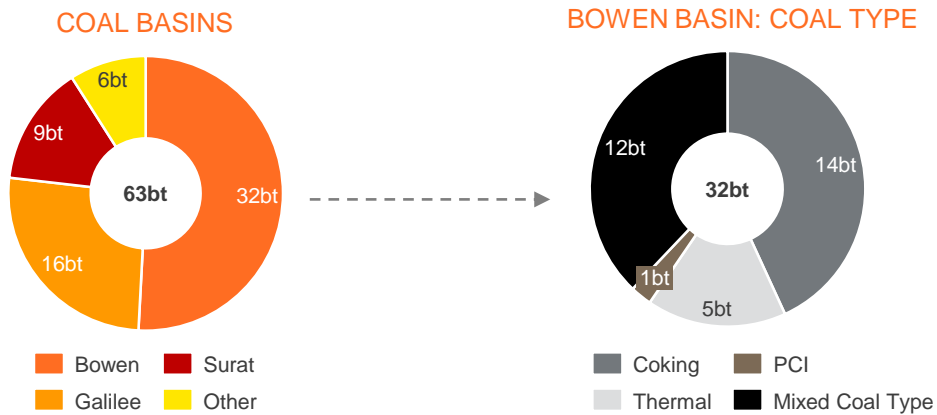


1. % split based on net tonnes for FY2020. Sub-investment grade 12% and not rated 14%
 2. % split based on net tonnes. Major miners includes BMA, Glencore, Anglo American, Peabody

CQCN infrastructure links to significant coal resources

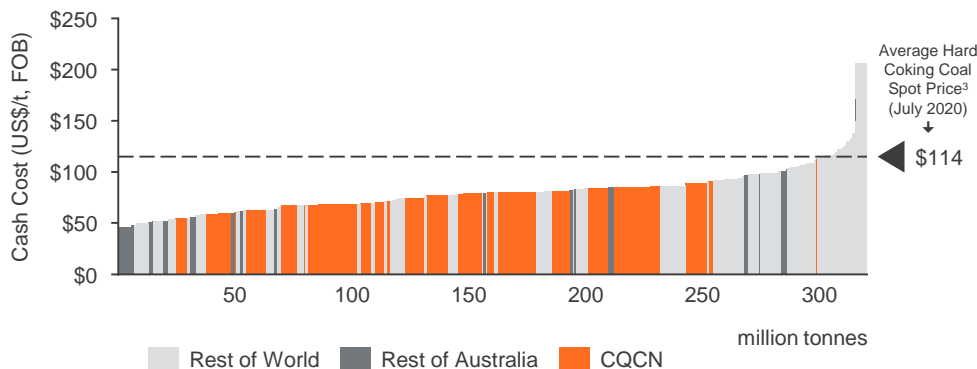
Underpinned by a 99 year lease from the Queensland Government, CQCN holds a unique position given its proximity to 14 billion tonnes of coking coal resources

QLD: TOTAL ESTIMATED COAL RESOURCES¹



- › A 99 year lease arrangement is in place with the Queensland Government to control, manage and maintain the CQCN which commenced in July 2010
- › The term of the initial lease can be extended for rolling periods of 99 years following 20 years notice given by Network
- › CQCN is the only viable rail option to transport coal from mines to export ports in Queensland
- › Services over 40 operating coal mines in the Bowen Basin
- › Supporting the metallurgical coal-rich Bowen Basin, over two-thirds of CQCN volume is considered metallurgical coal, supported by 14 billion tonnes of coking coal resources
- › Driven by quality, cost competitiveness and proximity to Asian markets, mines in the CQCN hold a unique position in the metallurgical coal seaborne market
- › There is currently no commercial-scale substitute for metallurgical coal in steel making

2020 GLOBAL METALLURGICAL SEABORNE COST CURVE²



1. Measured and indicated resources as at September 2018. Estimated Coal Resource (By Coal Type) includes mix product proportioned by component. Queensland Government: Queensland Coal Inventory Report (December 2018)
 2. Notes/Sources: FOB = Free On Board. Wood Mackenzie Coal Cost Curve 2020 (Dataset: May 2020).
 3. Platts, Hard Coking Coal (Peak Downs Region)

Regulated revenues within a stable regulatory regime

In December 2019 the QCA approved the UT5 Undertaking that will deliver a range of material benefits to Network and its customers and provide greater long term certainty for the industry

Long Term Certainty

10 year undertaking term (2017-2027)

Network Capacity

Independent review to be undertaken to confirm the capacity of the network, with mechanisms in place to remedy any deficits

Improved Return

Return better reflects the risks of owning and operating the CQCN

Transparency

Customers have influence on maintenance and capital strategies and the ability to agree budgets

Efficiency Benefits

Operating cost efficiencies to be retained by Network

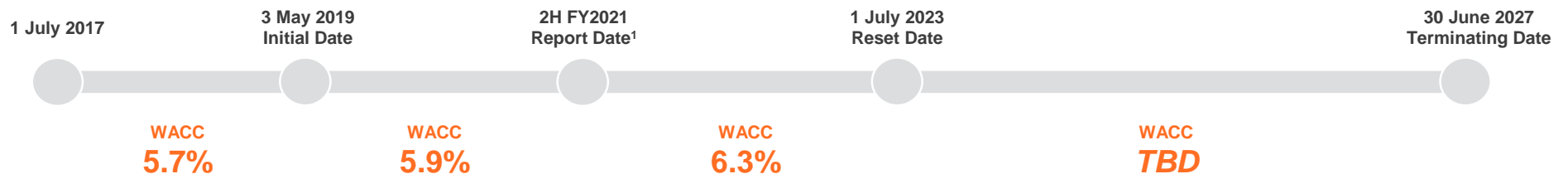
Performance

Incorporates performance and rebate mechanisms that incentivise Network performance

UT5 timeline

Estimate as at August 2020

INDICATIVE UT5 TIMELINE



Initial Date

- › The date on which the DAAU was submitted to QCA for approval

Report Date

Date on which the later of the following events occur:

- › Independent Expert provides Initial Capacity Assessment Report (ICAR); and
- › Aurizon notifies relevant parties of proposed options to address Existing Capacity Deficits identified in ICAR.
- › Where ICAR does not identify any Existing Capacity Deficits the Report Date is the date on which the Independent Expert provides the ICAR

Reset Date

- › Reset of risk free rate, debt risk premium and inflation

Strong financial position and credit ratings stability

Recent Network bank debt re-financing allows for upcoming bond maturity, providing options for future funding requirements

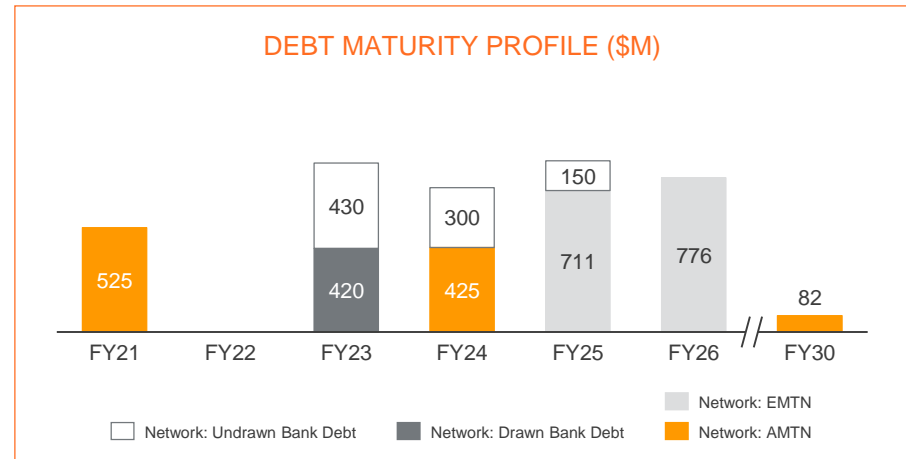
FY2020 FUNDING ACTIVITY

- › Network replaced \$880m syndicated facilities with bilateral facilities totalling \$1.3bn (3/4/5 year tenors)
- › Additional capacity secured ahead of A\$MTN maturity

INTEREST RATES

- › Group debt is ~95% fixed until end of FY2021 aligned with original UT5 Final Decision
- › Extension of WACC re-set to FY2023 provided opportunity for additional hedging (91%) resulting in lower interest costs
- › Future debt levels will determine additional hedging requirements

KEY DEBT METRICS	FY2020	FY2019
Weighted average maturity ¹	3.8 years	4.3 years
Network interest cost on drawn debt	4.62%	4.7%
Network Gearing ² (incl AFDs ³)	56.0%	58.7%
Network Credit Ratings (S&P/Moody's)	BBB+/Baa1	BBB+/Baa1

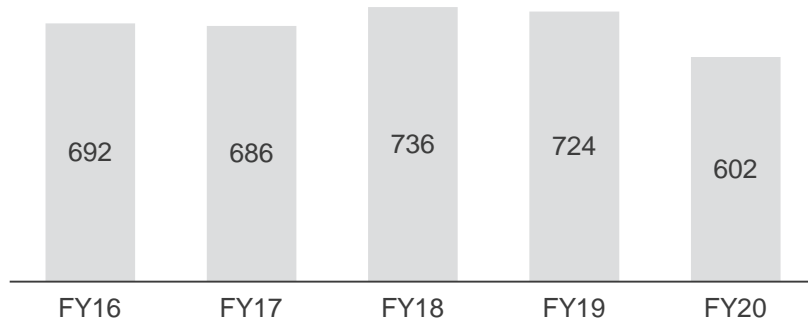


1. Calculated on total facilities, excluding working capital facility
 2. Network Gearing - net debt/RAB
 3. Access Facilitation Deed

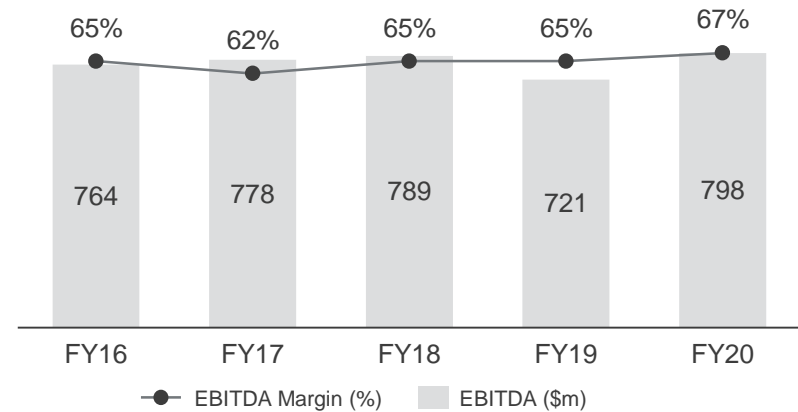
Strong financial position and credit ratings stability

Network has stable operating cash flows and EBITDA through the cycle, with debt levels managed in line with credit rating thresholds and regulatory assumptions

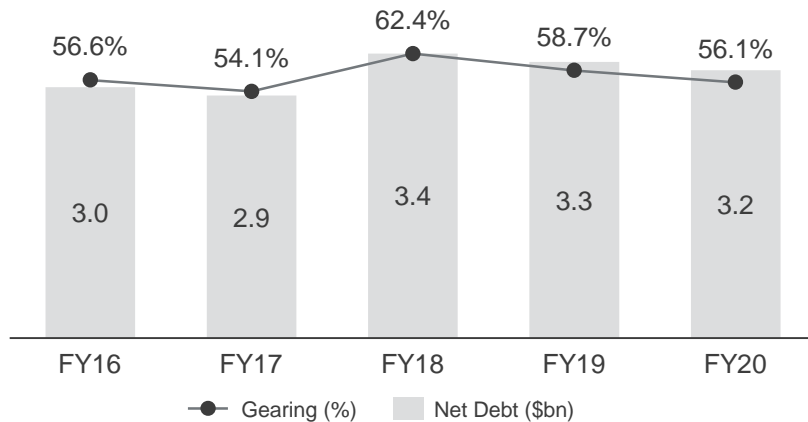
NET CASHFLOW FROM OPERATIONS (\$m)



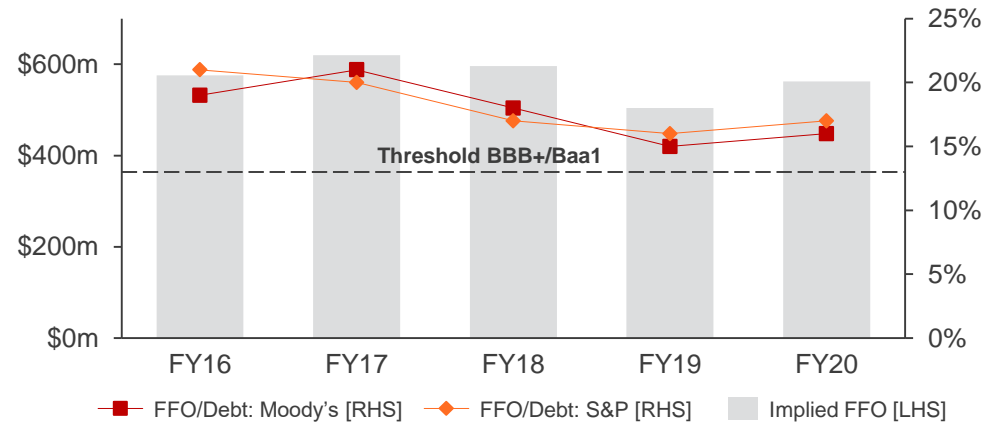
EBITDA¹ & EBITDA MARGIN



NET DEBT & GEARING²



IMPLIED FFO & FFO/DEBT

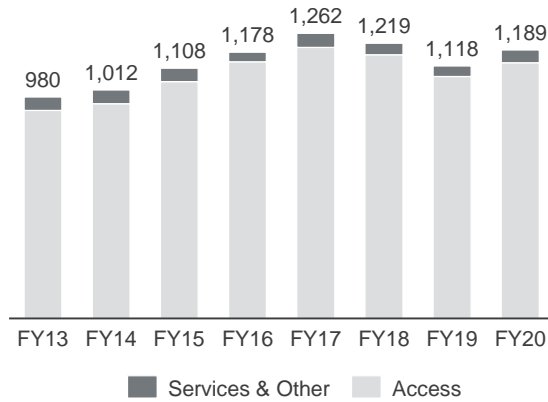


1. Underlying EBITDA
 2. Net debt = Total borrowings less cash and cash equivalents. Gearing is Net Debt / RAB (excluding AFDs)

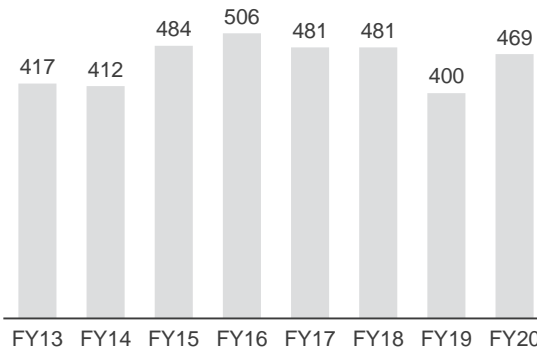
Strong financial position and credit ratings stability

Network financial metrics

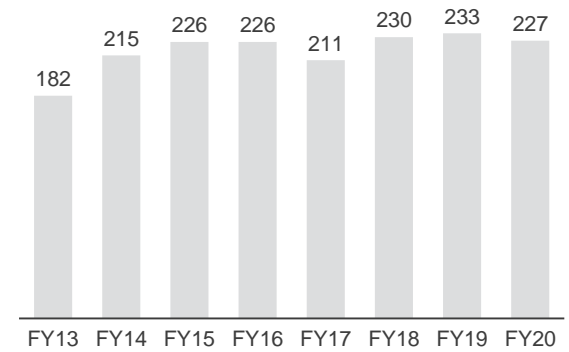
REVENUE (\$m)



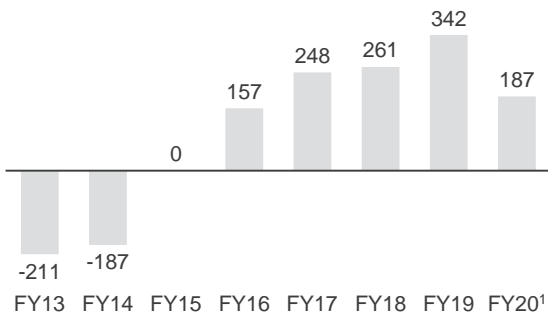
EBIT (\$m)



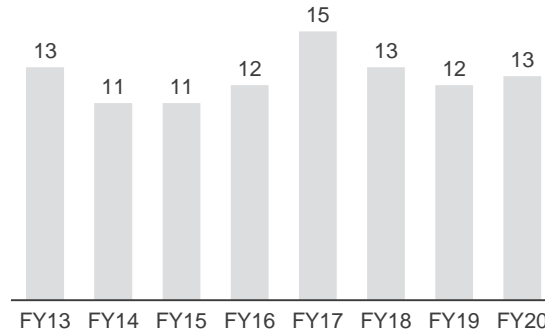
VOLUMES (mt)



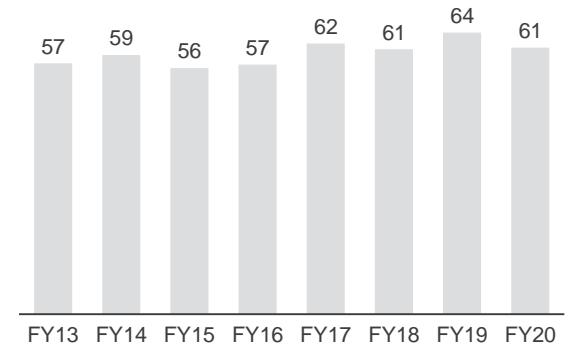
FREE CASH FLOW (\$m)



OPEX / NTK (\$/000 NTK)



OPERATING RATIO (%)

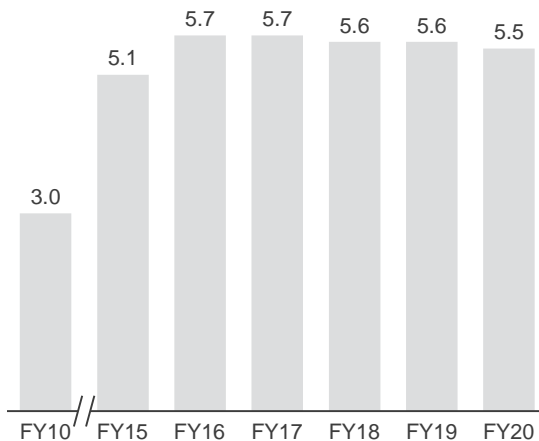


1. FY20 FCF impacted by FY18 UT5 Final Decision true up

Strong financial position and credit ratings stability

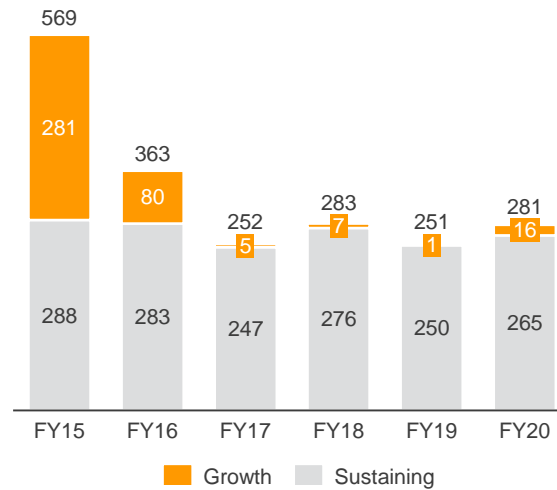
Network RAB, capex and depreciation profile

REGULATED ASSET BASE:
ROLL FORWARD (\$bn)



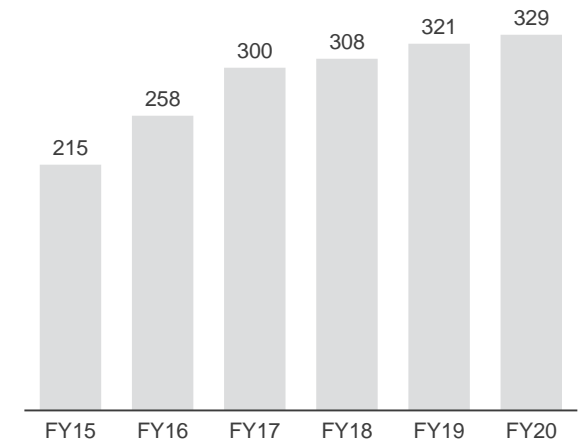
- › The approximate value of the RAB rollforward at 1 July 2020 is \$5.5bn
- › Excludes assets operating under an Access Facilitation Deed (AFD) ~\$0.4bn

CAPEX (\$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
- › Under UT5 Undertaking if a capacity deficit is identified, Network may remedy this by a one off capital investment of up to \$300m, which will be included in the RAB to earn additional revenue

ACCOUNTING DEPRECIATION (\$m)



- › Increase reflects increased asset renewals and ballast undercutting
- › Depreciation from FY2017 onwards is for Network segment and includes share of corporate assets

Contact and further information

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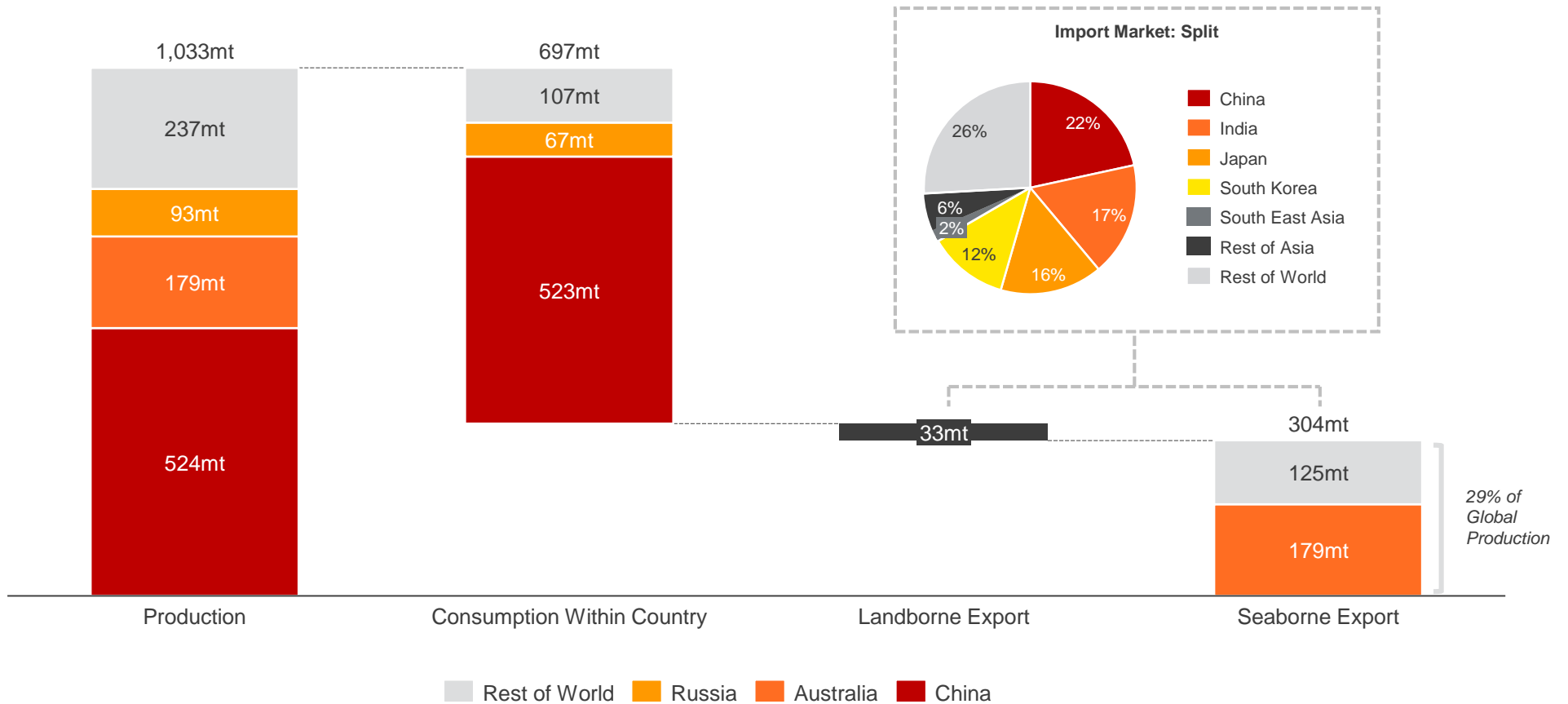


Additional Information: Future of Coal

Global Metallurgical (Coking) Coal Landscape

Almost 30% of global metallurgical coal demand is met through seaborne trade with Australia commanding around 60% of this market

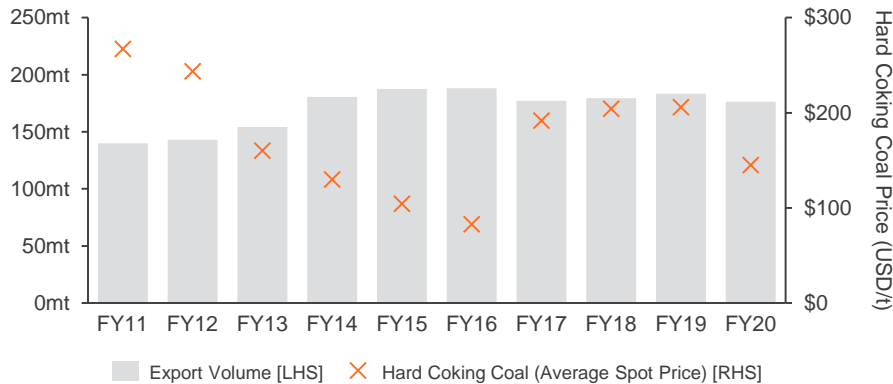
2018, million tonnes



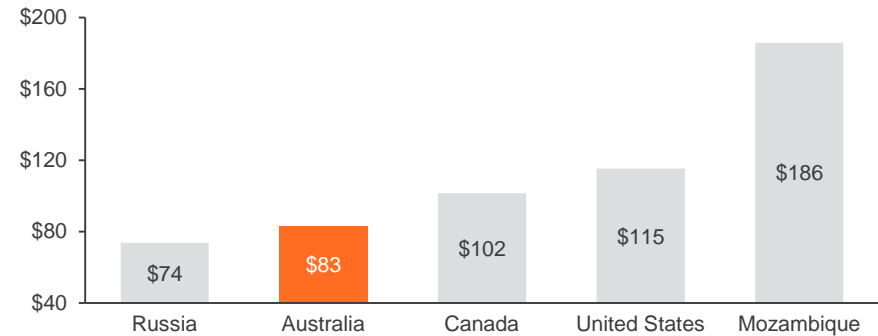
Metallurgical Coal Market | Australia

Driven by quality, cost-competitiveness and proximity to Asian markets, Australia holds a unique position in the seaborne market. A further 25 billion tonnes¹ of resources can be drawn upon

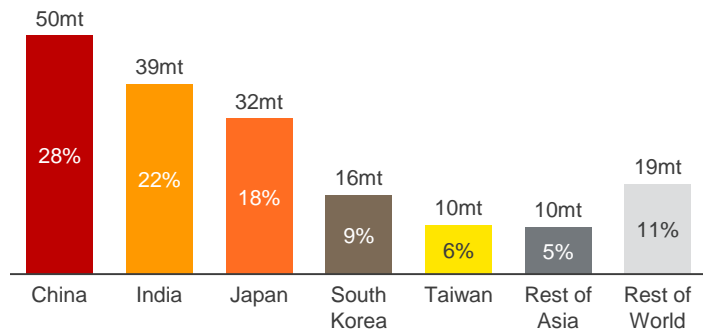
AUSTRALIA: METALLURGICAL COAL EXPORT VOLUME AND PRICE²



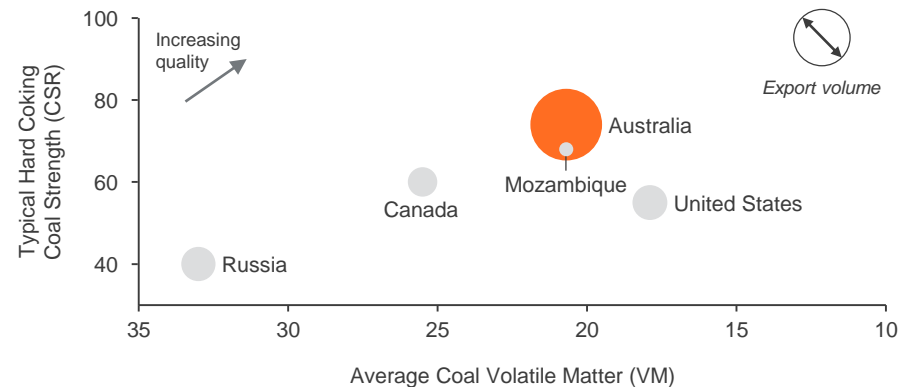
METALLURGICAL COAL CASH COSTS (US\$/t, CFR INDIA, 2020)³



AUSTRALIA: FY2020 METALLURGICAL COAL EXPORT (BY DESTINATION)⁴



METALLURGICAL COAL QUALITY⁵

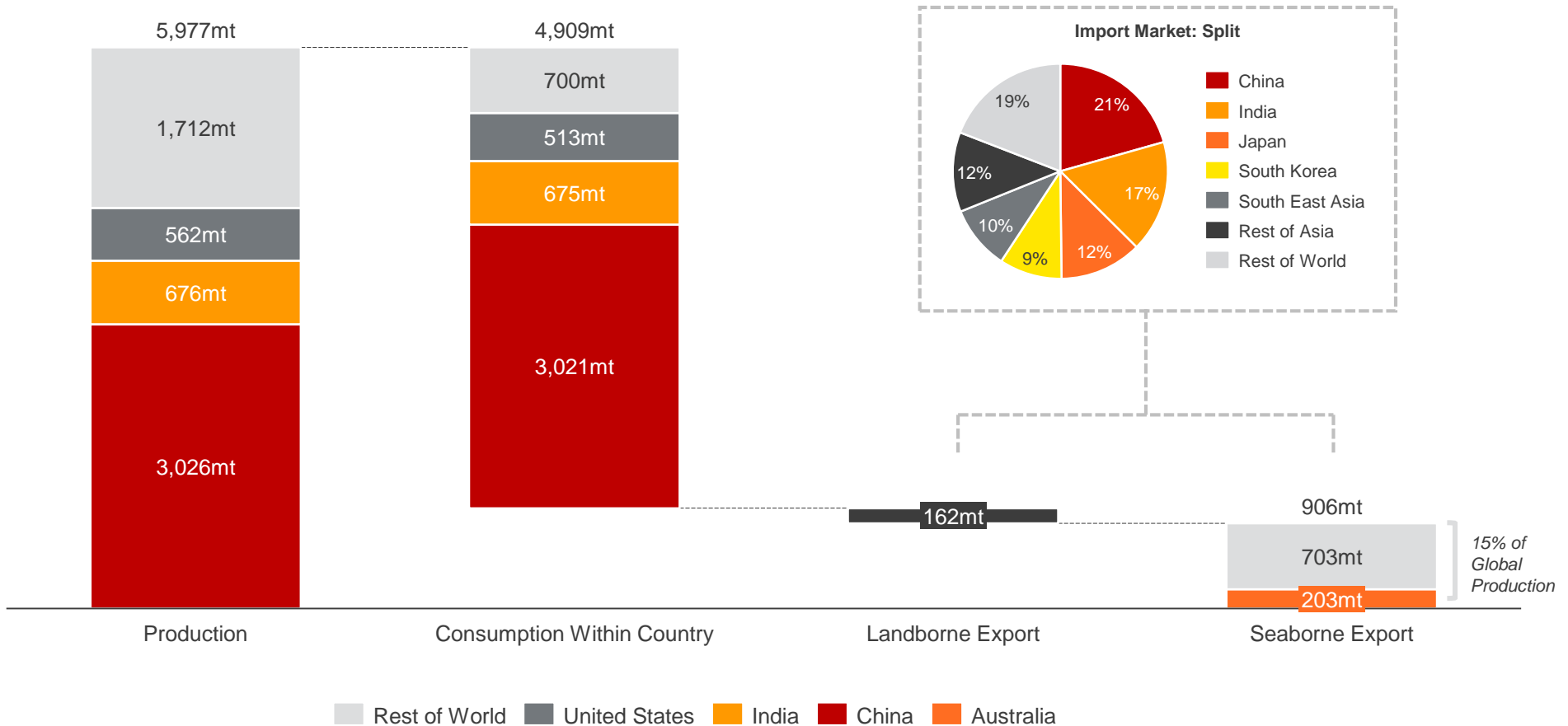


1. Measured and indicated resources as at September 2018, raw coal in situ basis (Coking and PCI) for Queensland (only), Queensland Coal Inventory Report (December 2018).
 2. Export Volume – Australian Bureau of Statistics (Customised Report), Hard Coking Coal Price – Platts (Peak Downs Region product).
 3. Wood Mackenzie Coal Cost Curves (Data: May 2020, Reference Year: 2020), Wood Mackenzie Global Coal Markets Tool (Data: 2020 1H, Reference Year: 2020), Sea freight export terminal assumptions: US – East Coast, Canada – West Coast, Australia – Hay Point (Metallurgical), Russia - East.
 4. Australian Bureau of Statistics 2020 (Customised Report)
 5. Wood Mackenzie Global Coal Markets Tool (2020 1H), Wood Mackenzie Coal Cost Curves (Data May 2020, Reference Year: 2020), AME Research.

Global Thermal (Steam) Coal Landscape

Over 80% of global thermal coal demand is produced and consumed within country. Australia holds around 20% of the seaborne market that is dominated by Asian demand

2018, million tonnes

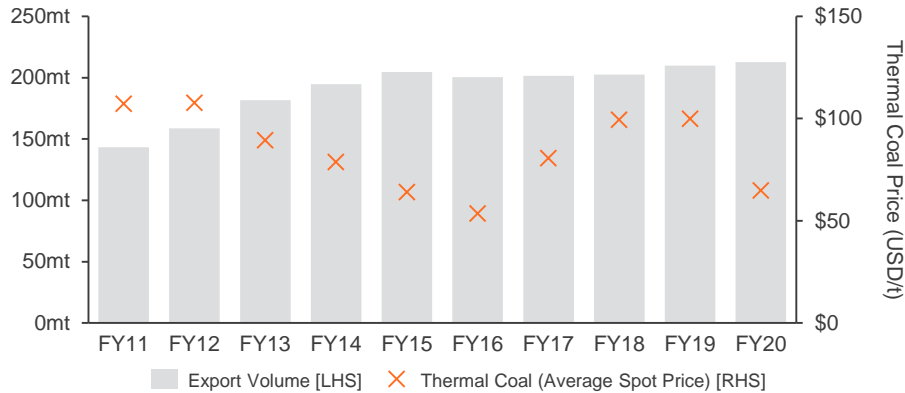


Source: International Energy Agency (IEA) Coal Information 2019 (Report), Coal Information 2020 (data). Steam Coal includes all anthracite and bituminous coals not considered coking coal and also includes sub-bituminous coal. Production includes both primary extraction in addition to recovered product from slurries, middlings and coal dust. Consumption Within Country is defined as production less exports. Landborne is defined as total trade (exports) less seaborne exports. No energy-adjustment applied

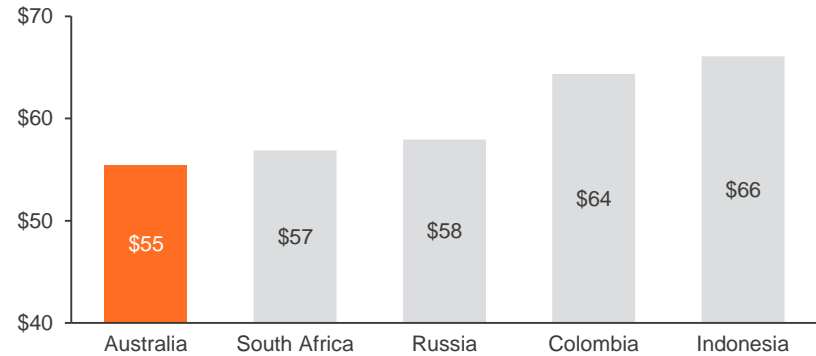
Thermal Coal Market | Australia

Australia's thermal coal competitiveness is driven by coal quality characteristics and geographic proximity to Asia

AUSTRALIA: THERMAL COAL EXPORT VOLUME AND PRICE¹

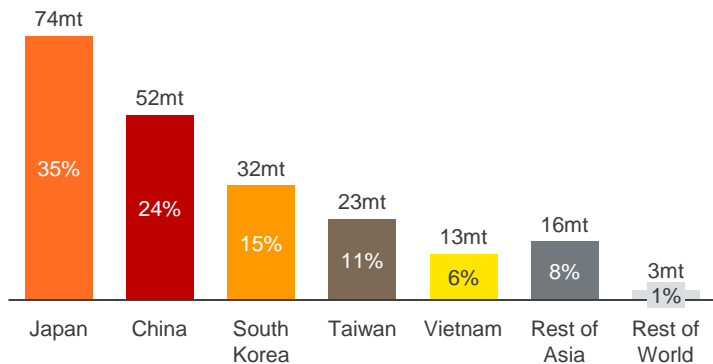


THERMAL COAL CASH COSTS (US\$/t, CFR JAPAN, 2020)²

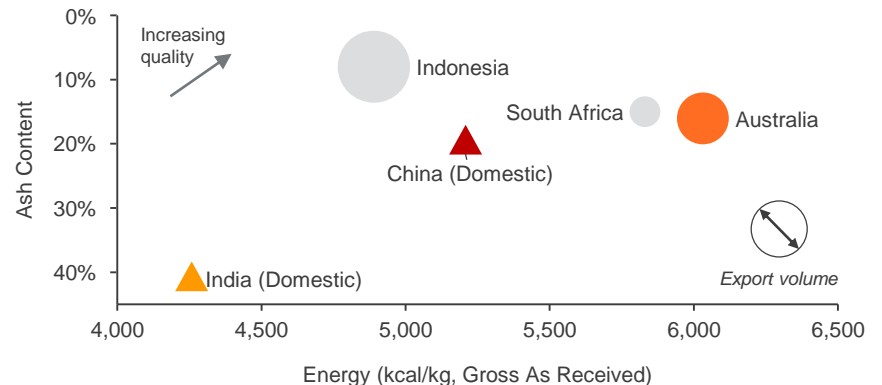


Note: Thermal Cash Costs (FOB) are energy-adjusted to 6,300 kcal/kg (Gross As Received)

AUSTRALIA: FY2020 THERMAL COAL EXPORT (BY DESTINATION)³



THERMAL COAL QUALITY⁴



Notes/Sources: 1 & 3. Export Volume (and country split) - Australian Bureau of Statistics 2020 (Customised Report). Thermal Coal Price - Intercontinental Exchange (Newcastle 6,300 kcal/kg Gross As Received product). Rest of Asia: India & ASEAN Member States (excl. Vietnam – shown separately) 2. Wood Mackenzie Coal Cost Curves (Data: May 2020, Reference Year: 2020), Wood Mackenzie Global Coal Markets Tool (Data: 2020 1H, Reference Year: 2020), Sea freight export terminal assumptions: Australia – Newcastle (Thermal), Russia - East. 4. Wood Mackenzie Coal Cost Curves (Data: May 2020, Reference Year: 2020), Wood Mackenzie Coal Supply Data Tool (Q2 2020, Reference Year: 2020), India Ministry of Coal Provisional Coal Statistics 2018-19, IEA Coal Medium-Term Market Report 2016, Argus - Argus Coal Daily International, Methodology and Specification Guide (April 2020).



Additional Information: Network Regulation and Financial Information

UT5 Undertaking – Building Blocks

BUILDING BLOCK	DETAIL
Return on capital (WACC)	<ul style="list-style-type: none"> › 5.70% from 1 July 2017 to 2 May 2019 › 5.90% from 3 May 2019 to Report Date (expected mid CY2020) › 6.30% from Report Date to 30 June 2023 › WACC reset at 1 July 2023 (reset of risk free rate, debt risk premium and inflation rate)
Maintenance	<ul style="list-style-type: none"> › Comprises direct costs – those relating to maintenance activities performed on the CQCN and indirect costs – including the return Network recovers on its investment in maintenance assets (e.g. resurfacing plant) and a return on inventory held for maintenance purposes › Note ballast undercutting is being reclassified to the capital indicator under transitional arrangements from FY2020 › Maintenance costs are pass through and approved annually by customers through consultation for FY2021 onwards
Return of capital (Depreciation)	<ul style="list-style-type: none"> › RAB roll forward as per UT5 Final Decision › FY2021 onward – capital is determined on an annual basis in consultation with customers › Reset of inflation to occur at 1 July 2023, applying same methodology as UT5 Final Decision › Methodology for calculating depreciation remains unchanged with the exception of asset life reset. Asset life reset will occur at 1 July 2023, under the UT5 Final Decision this would have occurred 1 July 2021

UT5 Undertaking - What's included in each building block

BUILDING BLOCK	DETAILS
Operating expenditure	<ul style="list-style-type: none"> › Includes all costs associated with train control, planning, infrastructure management and business development. It also includes corporate overheads for the operation of the business, along with insurance, transmission and connection costs and other operating costs › From FY2022 operating expenditure allowance uses FY2021 as base, with an uplift applied where CPI increases above 2.37% › Any efficiency savings achieved in relation to operating expenditure will be retained by Aurizon over the life of the UT5 Undertaking › Exception is transmission and connection costs which are pass through to customers
Tax	<ul style="list-style-type: none"> › Tax allowance calculated on same basis as UT5 Final Decision

UT5 Undertaking - Rebate mechanism

Rebate will be payable to customers where Network performs below target levels

REBATE MECHANISM

- › A customer will be entitled to a rebate from Network where it has received less than its annual contracted capacity, as assessed by the Independent Expert, as a result of Network's performance below target levels
- › Targets to commence after the Initial Capacity Assessment has been completed and will align with the operating parameter assumptions applied in the Initial Capacity Assessment
- › Will only include matters that are within Network's control – i.e. excludes issues related to Above Rail, port, mine, weather and other force majeure related events
- › Exposure to a customer under the rebate mechanism is limited to access charges they would have paid for the contracted paths not delivered as a result of Network's performance below target levels

REVIEW OF MECHANISM

- › In January 2023, if requested by an End User, the QCA will review whether the rebate mechanism has been effective – measured against the defined Rebate Objectives
- › If QCA determines the objectives have not been met in a material way then the QCA may recommend changes to the UT5 Undertaking to ensure the Rebate Objectives are achieved
- › If Network does not agree with the QCA's recommendation, Network and customers will seek to agree appropriate modifications to the mechanism. Failing that, the WACC will be reduced by 30 basis points and the rebate mechanism will be removed from the UT5 Undertaking

UT5 Undertaking - QCA role

The QCA has an ongoing role under the UT5 Undertaking

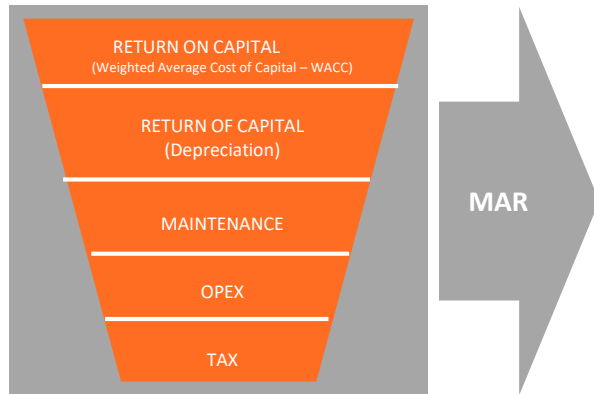
- › Will pre-approve Maintenance strategies and budgets in the event agreement is not reached between Network and customers¹
- › Will approve capital expenditure on a post-expenditure review basis for efficiency and prudence where Network and customers do not reach agreement¹
- › Can review the effectiveness of the rebate mechanism at June 2023
- › Four years after Approval Date the QCA must review the appointment of the Independent Expert and may elect to appoint a new Independent Expert in its absolute discretion
- › Approve the reset of the WACC parameters on 30 June 2023 based on the agreed methodology
- › The QCA has greater audit rights (for example an Independent Observer to be appointed to the Network Board who reports to the QCA every six months)
- › All other responsibilities that the QCA had under the access undertaking remain

1. Not necessary for FY21 given the Rail Industry Group has approved maintenance and renewals strategies and budgets on 14 February 2020

The regulatory framework

The framework provides revenue protection through a building block approach

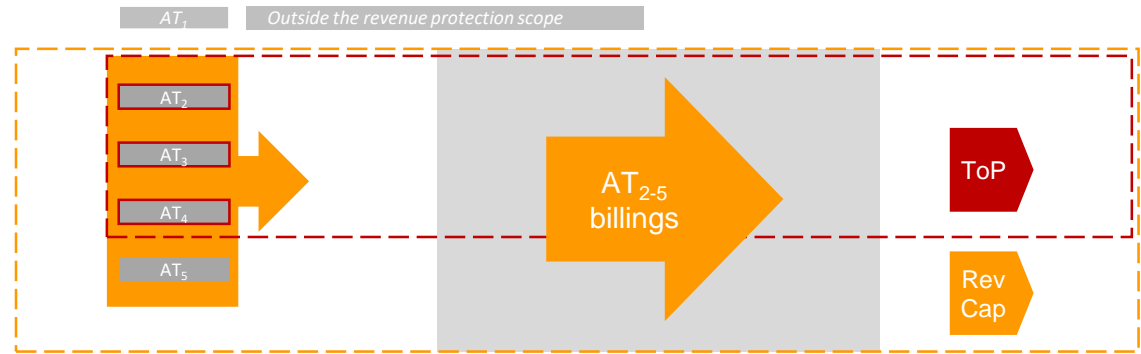
MAXIMUM ALLOWABLE REVENUE



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

The QCA approves the MAR that can be earned by Network

REGULATORY REVENUE (FORECASTED)



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

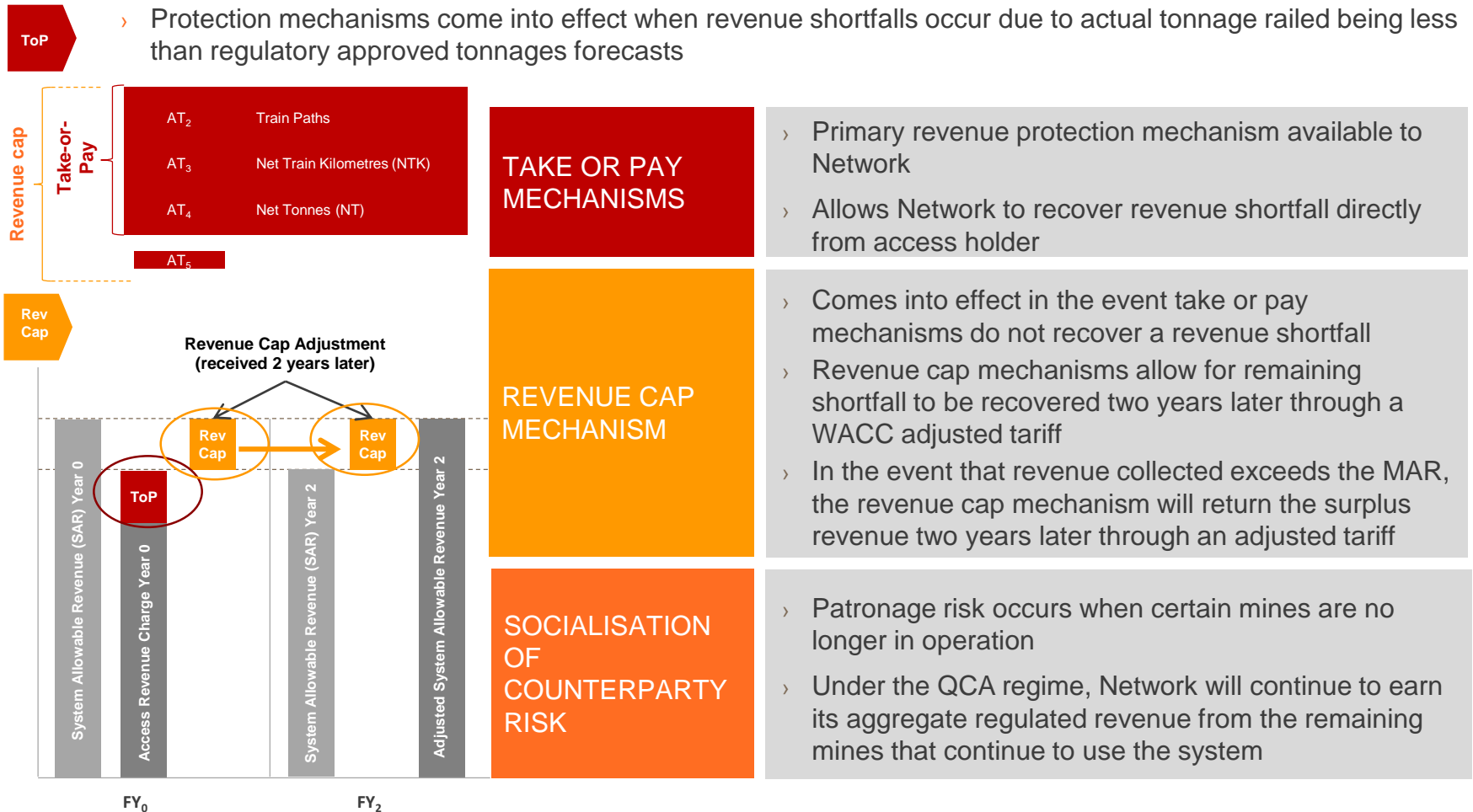
Total Actual Revenue (TAR)
 Total Actual Revenue for revenue protection calculation purposes = System Allowable Revenue (SAR) (including ToP if triggered) adjusted for rebates, cross system traffic and transfer/relinquishment fees

PROTECTION TESTS

- › Network’s regulated revenue is protected through a combination of contractual and regulatory mechanisms that are included in the UT5 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

Revenue protection mechanisms

Regulated revenue is protected through a combination of mechanism within the regulatory framework



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 FY2019 RAB rollforward was approved by the QCA on 3 July 2020 and will be incorporated into allowable revenues and reference tariffs in FY2022
- › The approximate value of the RAB rollforward at 1 July 2020 is \$5.5bn. This excludes \$0.4bn of Access Facilitation Deeds (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 and any inflation adjustments
- › The approximate value of the Pricing RAB at 1 July 2020 is \$5.4bn. This excludes \$0.4bn of AFDs

Network financial and operating metrics

\$m	FY2020	FY2019	Variance
Track Access	1,132	1,070	6%
Services & Other	57	48	19%
Revenue	1,189	1,118	6%
Energy & Fuel	(109)	(109)	-
Other Operating Costs	(282)	(288)	2%
Depreciation	(329)	(321)	(2%)
EBIT	469	400	17%
Operating Ratio	60.6%	64.2%	3.6ppt
Tonnes (m)	226.9	232.7	(2%)
NTKs (bn)	56.2	57.9	(3%)
Cycle Velocity (km/hr)	23.3	23.1	1%
Average Haul Length (km)	248	249	(0%)

Network - Balance sheet summary

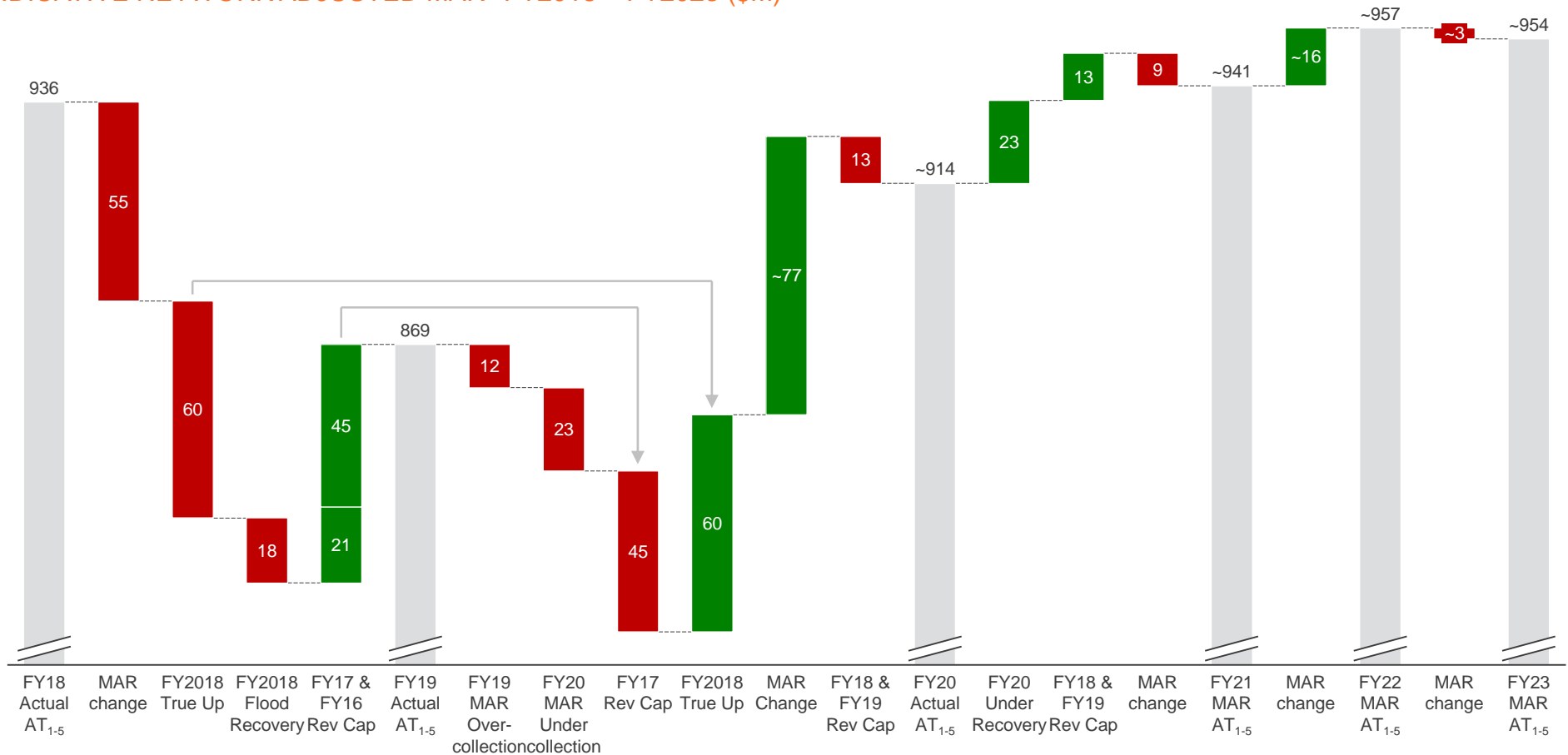
\$m	30 June 2020	30 June 2019
Total current assets	254	252
Property, plant & equipment	5,301	5,348
Other non-current assets	330	305
Total assets	5,885	5,905
Total borrowings	3,253	3,300
Other current liabilities	286	336
Other non-current liabilities	835	847
Total liabilities	4,374	4,483
Net assets	1,511	1,422
Gearing - net debt / RAB (excluding AFDs)	56.0%	58.7%

Network – Cash flow summary

\$m	FY2020	FY2019
Net cash inflow from operating activities	602	724
Proceeds from sale of assets	10	-
Payments for PPE and intangibles	(283)	(235)
Interest paid on qualifying assets	(2)	(3)
Net cash (outflow) from investing activities	(275)	(238)
Proceeds of borrowings	502	31
Repayment of borrowings	(485)	(290)
Loans from related parties	(85)	85
Interest paid and transaction costs for new borrowings	(145)	(145)
Proceeds from settlement of derivatives	-	12
Dividends paid to shareholders	(110)	(179)
Net cash (outflow) from financing activities	(323)	(486)
Net increase in cash	3	-
<i>Free cash flow</i>	187	342

Network adjusted MAR bridge – Approved UT5 Undertaking

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



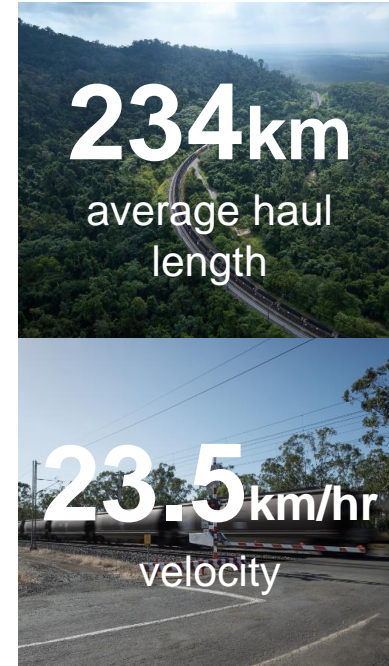
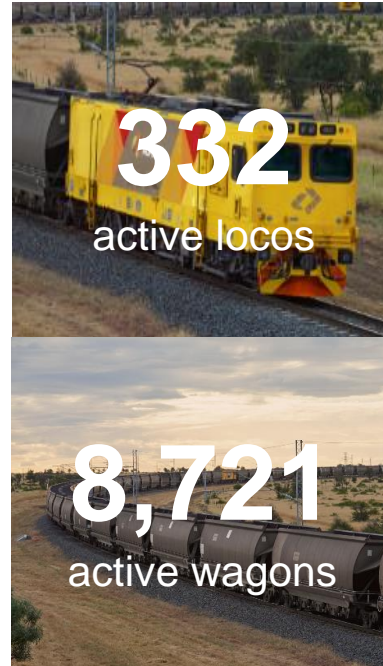
Amounts exclude GAPE and assumes no reduction in revenue due to Network non-performance. Amount also exclude Capital Reconciliation adjustments and volume variances from FY2021 onwards. Approved FY2020 and FY2021 MAR assumed a Report Date of March 2020. Impact to MAR for each month Report Date is delayed is ~\$2m per month, representing a 40 basis point uplift in WACC, returned to Access Holders via Revenue Adjustment Amounts. Due to rounding, the sum of components may not equal the corresponding total



Additional information: Operations

Coal snapshot

As at 30 June 2020



1. Estimated coal type split FY2020: metallurgical coal (42%), thermal coal (58%)

Coal

EBIT result reflects costs installed for contracted volume growth

\$m	FY2020	FY2019	Variance
Above rail	1,260	1,236	2%
Track access	513	488	5%
Other	2	1	100%
Total Revenue	1,775	1,725	3%
Access costs	(507)	(472)	(7%)
Operating costs	(651)	(643)	(1%)
Depreciation	(206)	(195)	(6%)
EBIT	411	415	(1%)
Tonnes (m)	213.9	214.3	(0%)
NTKs (bn)	50.0	50.5	(1%)

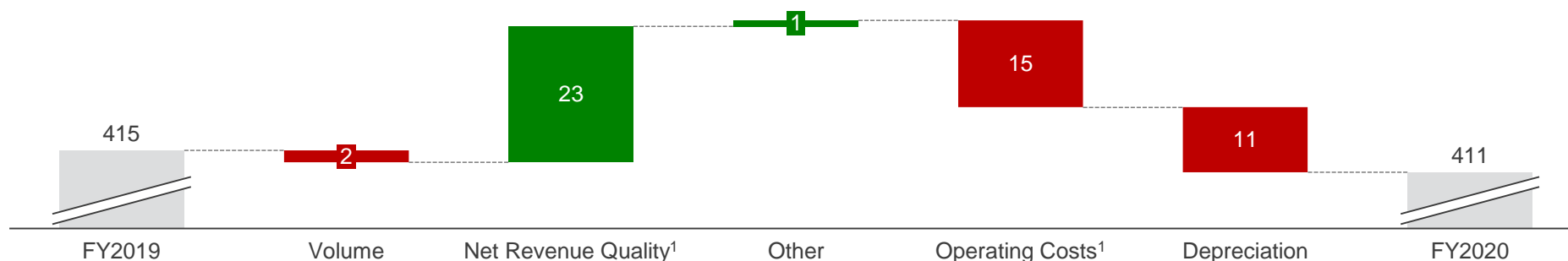
Revenue

- › Volumes flat – down 1% in CQCN impacted by customer production issues, NSW & SEQ up 3% with new contract tonnes
- › Revenue quality improvement due to a higher proportion of fixed charges and CPI impacts

Costs

- › Higher costs impacted by CPI and costs to install increased capacity
- › Depreciation increase following investment in capacity, technology and overhauls completed on rollingstock

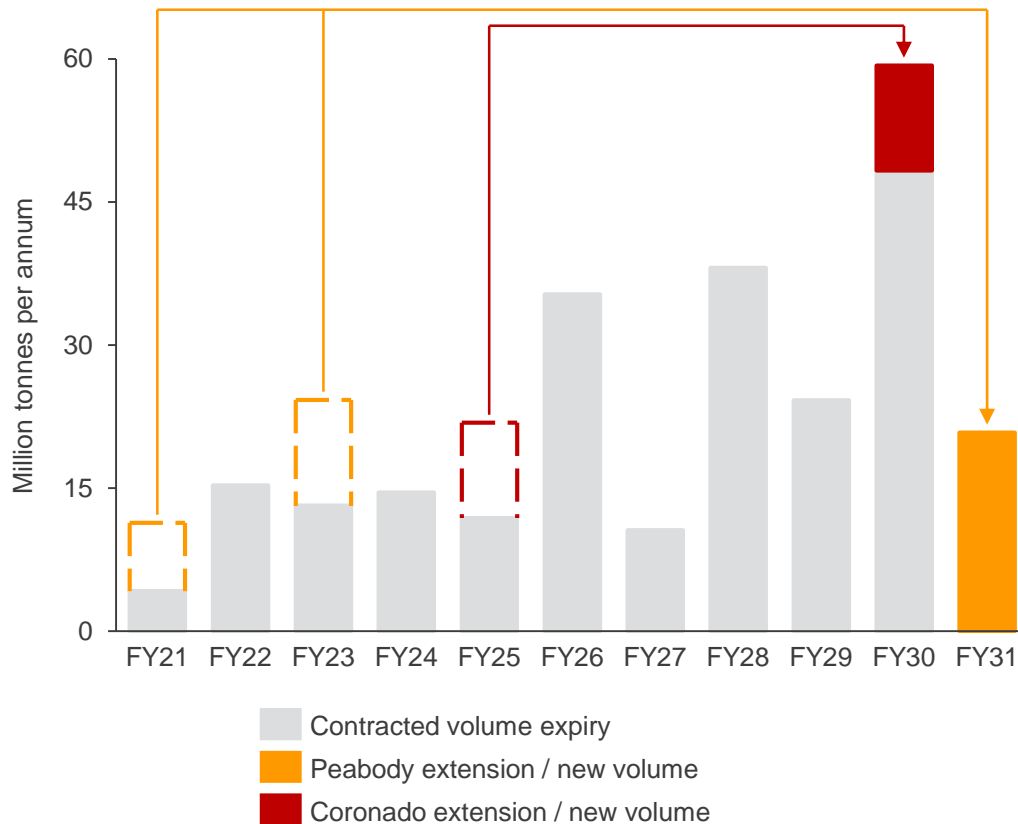
COAL EBIT PERFORMANCE (\$M)



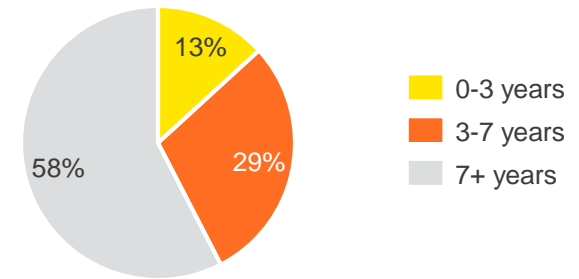
1. Revenue quality is net of fuel price and access which have been excluded from operating costs

Coal contract portfolio

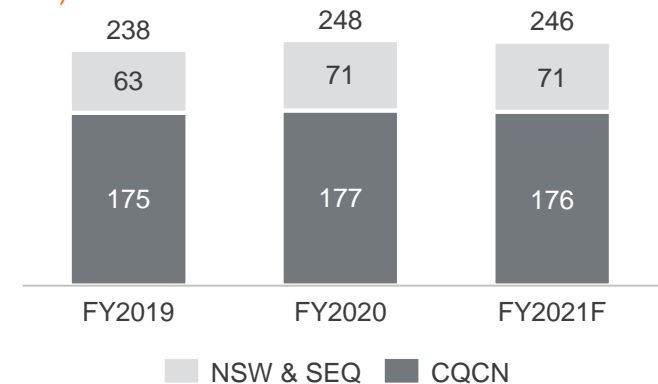
AURIZON COAL CONTRACT VOLUME EXPIRY BY YEAR¹
AS AT 30 JUNE 2020



COAL CONTRACT PORTFOLIO EXPIRY¹
AS AT 30 JUNE 2020



FORECAST COAL CONTRACTED VOLUMES²
(MTPA)



1. Announced contract tonnages may not necessarily align with current contract tonnages. Incorporates contract extension options where applicable. Includes immaterial variations to volume/term not announced to market.
 2. This represents the contracted tonnes as at 30 June 2020 and includes nominations, options and other uncertain events that have the potential to cause variance in AZJ contracted tonnes.

Coal update

Priority is the continuation of operational efficiency improvements supporting contracted volume growth. FY2021 revenue expected to be impacted by flat volumes

CUSTOMER UPDATE

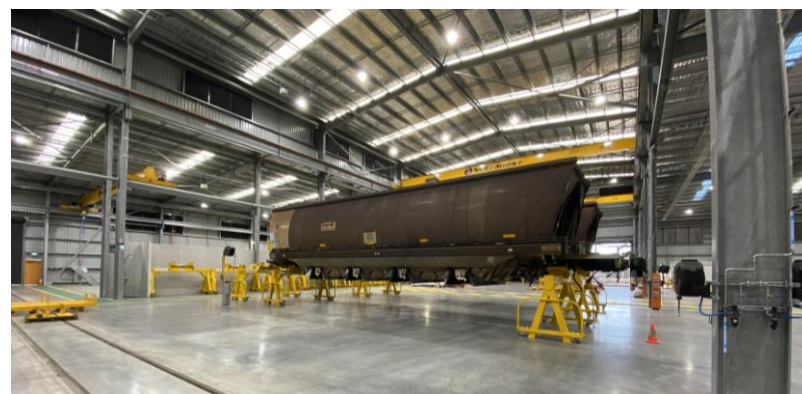
- › **Peabody** – commenced railings in July across CQCN and NSW under new contracts
- › **Coronado** – contract variation with additional volumes and term extension for Curragh mine
- › **Bluescope** – commenced railings in April for domestic haul to Port Kembla
- › Some volatility in customer order profile
- › 58% of customer volumes contracted >7 years

MARKET

- › June quarter strong ahead of year end
- › Soft first half expected for coal export volume driven by the impact of COVID-19 on global steel production
- › FY2021 tonnage outlook 210-220mt
- › Fundamental demand drivers remain and support Australian Coal export growth of 1-2% pa over the next decade

OPERATIONAL EFFICIENCIES

- › Precision – schedule adherence implemented in Blackwater, planned for Goonyella late CY2020
- › Precision – Callemondah yard (Blackwater) initiatives to further reduce turnaround time
- › Payloads – 2% improvement from longer trains in NSW/SEQ
- › Maintenance – commissioning of Jilalan wagon overhaul facility expected August 2020 improving overhaul cost and safety outcomes



Bulk snapshot

As at 30 June 2020



Bulk

Revenue growth driving strong EBIT performance

\$m	FY2020	FY2019	Variance
Revenue	609	502	21%
Access costs	(111)	(104)	(7%)
Operating costs	(388)	(333)	(17%)
Impairment costs	-	(11)	100%
Depreciation	(20)	(17)	(18%)
EBIT	90	37	143%
Tonnes (m)	48.1	44.6	8%

Revenue

- › Revenue higher through new contract growth and improved revenue quality

Costs

- › Higher operating costs from new contracts offset in part by operational efficiencies
- › Other – sustaining capex for Bulk East no longer impaired from FY2020 given earnings outlook

BULK EBIT PERFORMANCE (\$M)



1. Revenue quality is net of fuel price and access which have been excluded from operating costs

Bulk update

Strong performance continues with new contracts and operational efficiencies. Aurizon Port Services expands product offering in North Queensland

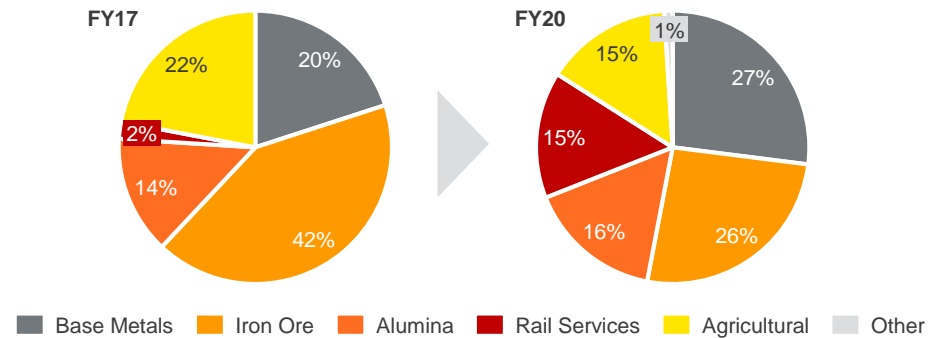
CUSTOMER UPDATE

- > **South32 Cannington** – 11 year contract extension to 2032
- > **Mineral Resources** – ramp up due to strong iron ore demand
- > **Rio Tinto** – successful commencement of four year contract for operation and maintenance of ballast cleaning machine in Pilbara
- > **BGC** – new contract commenced June 2020 hauling cement products on the Kalgoorlie freighter

OPERATIONAL EFFICIENCY IMPROVEMENTS

- > IPL combination train from January 2020 – reduces train starts through consolidation of products
- > Operational synergies from full year of Linfox agreement including reduction in footprint and roster optimisation

REVENUE BY COMMODITY¹



NEW BUSINESS: AURIZON PORT SERVICES

- > **Acquisition** – TBSH² acquired for \$25m in March 2020, rebranded as Aurizon Port Services (APS)
- > **Rationale** – complements Bulk by providing storage and stevedoring services at Townsville Port with land and assets adjacent to Aurizon owned rail lines



1. Base metals includes associated mining inputs (and rare earths). Rail services includes hook and pull contracts. Revenue is net of Access.
 2. Townsville Bulk Storage and Handling

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
ESG	Environment, Social & Governance
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	Gooniyella 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)
GTKs	Gross Tonne Kilometres
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
ROIC	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)
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

