AMTN Investor Update

Pam Bains – CFO & Group Executive Strategy
Chris Vagg – Head of Investor Relations & Group Treasurer

AURIZON™

February 2020

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Contents

Aurizon Holdings Limited is referred to in the document as ‘Aurizon Holdings’, ‘Aurizon’ and ‘AZJ’
Aurizon Operations Limited is referred to in the document as ‘Aurizon Operations Limited’, ‘Aurizon Operations’, ‘Operations’ and ‘AZJ Operations’
Aurizon Network Pty Ltd is referred to in the document as ‘Aurizon Network Pty Ltd’, ‘Aurizon Network’ and ‘Network’

Biographies

Pam Bains
CFO & Group Executive Strategy

Pam has over 20 years' experience in finance and commercial roles working in the UK, India and Australia

After completing a Bachelor of Economics and Finance and qualifying as a Chartered Accountant with Arthur Andersen (UK), Pam gained experience across a number of sectors including financial services (GE Capital - Global Consumer Finance), retail & distribution (Next plc) and telecommunications (Teléfonica O2)

Pam joined Aurizon in 2010, playing a critical role during Aurizon Holdings' initial public offering and listing on the ASX. After three years as Vice President Network Finance, providing insight through business partnering, strategic and financial planning and external stakeholder engagement, she was appointed Executive Vice President & Chief Financial Office in December 2016

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 eight years, Chris has been in Investor Relations 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

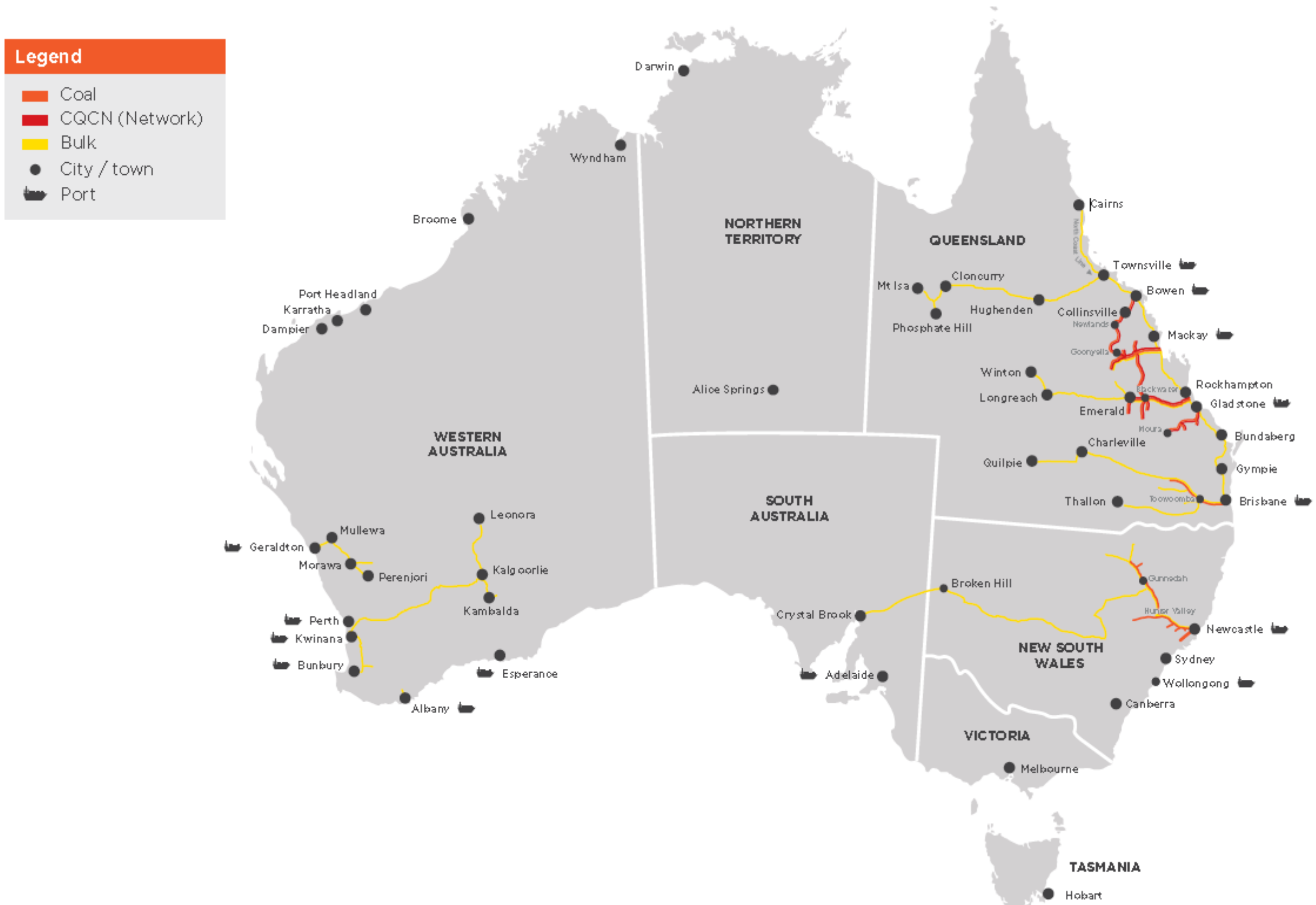
Since July 2017, Chris has assumed responsibility for Aurizon's treasury and insurance functions

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

Overview of Aurizon Holdings

AURIZON

Aurizon’s rail haulage operations



KEY OPERATIONAL STATISTICS

COMMODITIES
Coal, iron ore 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

VISION

The first choice for bulk commodity transport solutions

PURPOSE

Growing regional Australia by delivering bulk commodities to the world

STRATEGIC LEVERS

OPTIMISE – Accelerate cost competitiveness of Aurizon

EXCEL – Achieve regulatory reform and competitive advantage through asset efficiency

EXTEND – Position Aurizon for growth

VALUES

SAFETY | PEOPLE | INTEGRITY | CUSTOMER | EXCELLENCE

AURIZON

Prioritisation of capital

CAPITAL ALLOCATION HIERARCHY

1 DETERMINE AVAILABLE CAPITAL

- Ongoing operating cashflows
- Commitment to maintain Network & Operations credit ratings - BBB+/Baa1

2 NON GROWTH CAPITAL

- Sustaining and transformation projects

3 DIVIDENDS

- Within 70-100% payout ratio

4 SURPLUS CAPITAL

- Capital management opportunities
- Growth projects – only where it maximises shareholder value

Capital management options influenced by low franking account balance

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)

- Services 40+ mines across NSW and Queensland
- Exports to markets including Japan, China, South Korea, India and Taiwan

- Transports iron ore, minerals, other commodities and agricultural products across both the east and west coast

BELOW RAIL (NETWORK)

- Regulated business managing 2,670km open access rail network connecting 40+ mines to 5 export terminals across 3 ports in Queensland

SNAPSHOT AS AT 31 DECEMBER 2019

Coal:
- EBIT - $206m
- 106m tonnes hauled
- 336 active locomotives
- 8,570 active wagons

Bulk:
- EBIT - $44m
- 24m tonnes hauled
- 167 active locomotives
- 2,464 active wagons

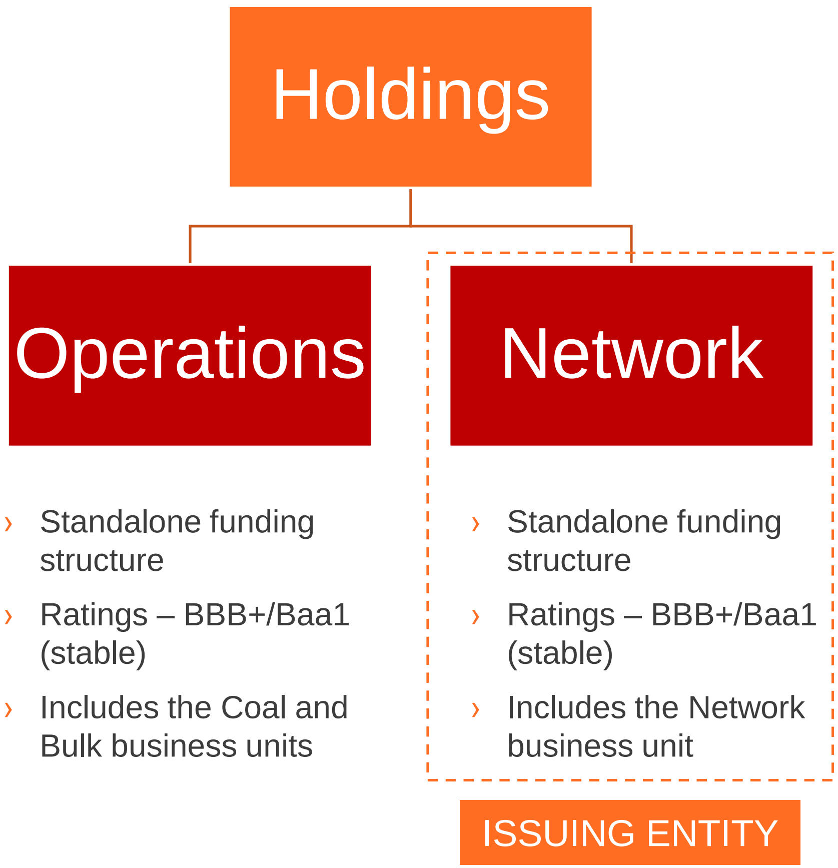
Network:
- EBIT - $232m
- 117m tonnes railed
- 3 above rail operators
- Regulated asset base[1] $5.6bn

ISSUING ENTITY

1. As at 1 July 2019 – roll forward value based on UT5 Undertaking (excl $0.4b in assets operating under Access Facilitation Deeds (AFDs))

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

FY2019 was 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 was released in October 2019**

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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

FTSE4Good

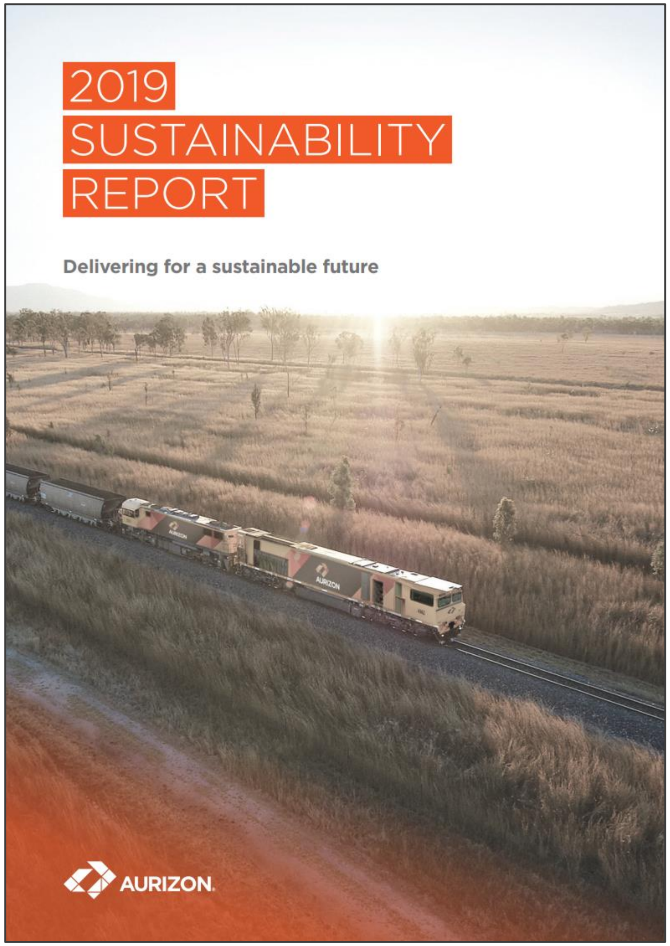
Aurizon Holdings remains a member of the FTSE4Good Index following the June 2019 index review

MSCI

ESG rating of AA as at February 2019

SUSTAINALYTICS

ESG rating of "Average Performer" as at March 2019



OUR FY2019 SUSTAINABILITY HIGHLIGHTS

259 million tonnes of commodities hauled

80% of our employees work across regional locations in Australia

21% of our workforce is female, up from 12.4% in 2012

5.6% of our workforce is Aboriginal or Torres Strait Islander, up from 2.5% in 2012

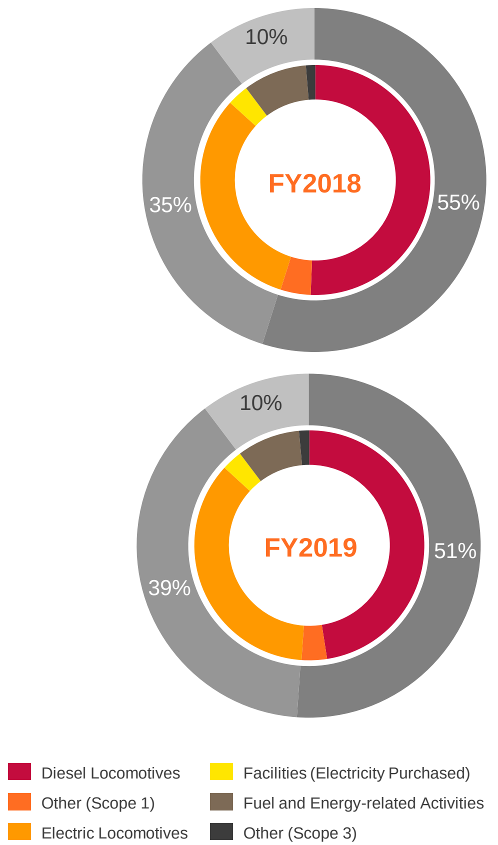
54 charities supported through our Community Giving Fund

$1.2 billion spent with suppliers

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



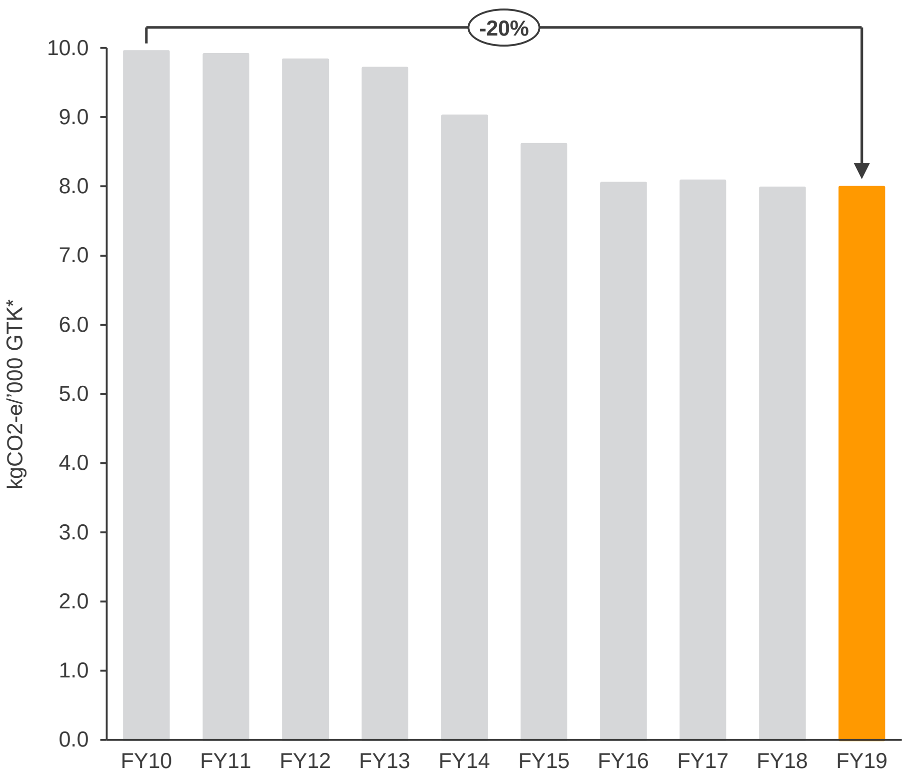
Total Scope 1 and 2
946kt CO_2e

Total Scope 3
108kt CO_2e

Total Scope 1 and 2
848kt CO_2e

Total Scope 3
97kt CO_2e

AURIZON'S LOCOMOTIVE EMISSIONS INTENSITY PERFORMANCE



**GTK = Gross Tonne Kilometres.*

***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

AURIZON

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 71% of global crude steel production in 2018[1]
- India achieved another record result in 2019 with production of 111 million tonnes[2] and is the largest export market for Australian metallurgical coal[3]
- The *Office of Chief Economist* projects crude steel production growth in India of 5.4% per annum (from 2018), reaching 156mt in 2024[4]
- India coking coal import dependence was 90% for FY2019[5]

THERMAL COAL

- Energy generation drives demand
- Almost all Australian thermal coal export volume is destined for Asia (FY2019: 98%)[6]
- For Southeast Asia (ex-Indonesia), 2.5GW of coal-fired capacity came online in 2019 with a further 11GW considered under construction[7]
- The International Energy Agency (IEA) projects a 123% growth in coal-fired energy generation in Southeast Asia between 2018 and 2040[8]
- Vietnam is now Australia's fifth largest thermal coal trading partner (by volume) with record export volume of 7.2 million tonnes in FY2019[6]
- Record annual Australian thermal coal export volume in FY2019 (210 million tonnes)[6]

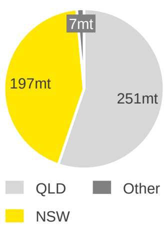
Notes/Sources:
1. World Steel Association, World Steel in Figures 2019
2. World Steel Association, Statistics
3. Largest export market (each financial year) FY2016-FY2019, Australian Bureau of Statistics (Customised report)
4. Office of Chief Economist, Resources and Energy Quarterly (March 2019)
5. India Ministry of Coal, Provisional Coal Statistics (2018-19). Note: India financial year (April to March). Domestic washed coal (only) included in the import reliance calculation
6. Australian Bureau of Statistics (Customised report)
7. Platts UDI Electric Power Plants Database (September 2019), Indonesia excluded given domestic coal availability
8. International Energy Agency, World Energy Outlook 2019

Australia FY2019 coal supply summary

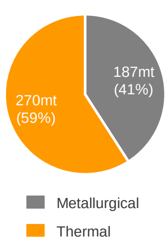
Coal Production

454mt

State Split



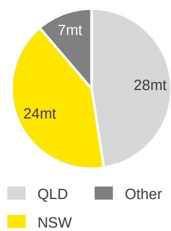
Coal Type



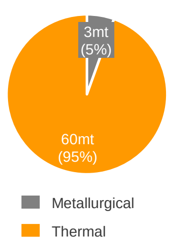
Domestic Consumption

60mt

State Split



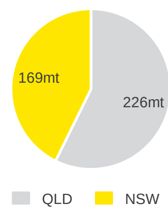
Coal Type



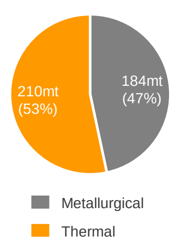
Export

393mt

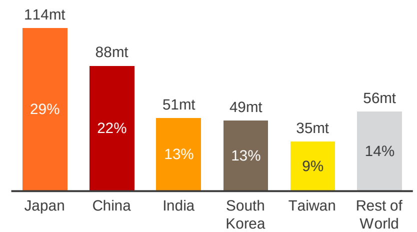
State Split



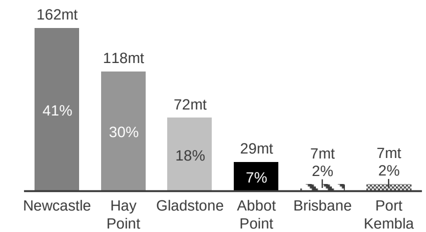
Coal Type



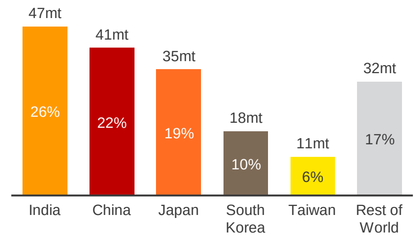
All Coal Export (By Destination)



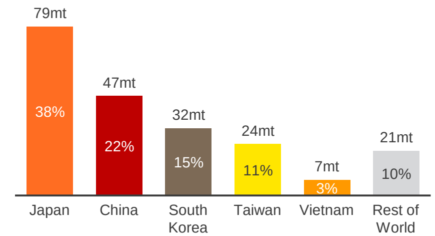
All Coal Export (By Port)



Metallurgical Coal Export (By Destination)



Thermal Coal Export (By Destination)



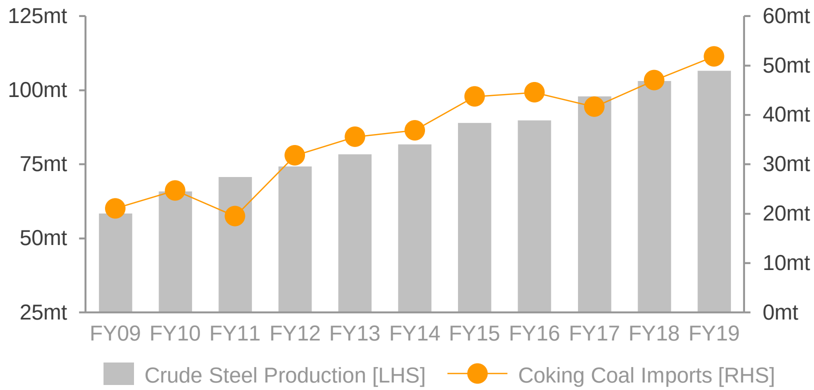
Direct Employment	Aust. Electricity Generation Share	Export Revenue	QLD Royalties	NSW Royalties
38k	47%	$70b	$4.4b	$2.0b

***Note:** Due to different sources, the sum of individual elements may not equal the corresponding national figure. **Sources - Coal Production:** Volume (saleable coal), state split and coal type sourced from Office of Chief Economist (OCE) Resources and Energy Quarterly December 2019. **Domestic Consumption:** National consumption calculated using production (OCE) less exports (OCE). State consumption calculated using state production (OCE) less state export volume (Port/Terminal Reporting). **Export:** National export volume and coal type sourced from OCE. Export state split sourced from port/terminal reporting. **All Coal Export (By Destination):** Includes anthracite volume, sourced from Australian Bureau of Statistics Customised Report (ABS). **All Coal Export (By Port):** Sourced from respective port/terminal reporting. Hay Point includes both Hay Point Coal Terminal and Dalrymple Bay Coal Terminal. **Metallurgical/Thermal Export (By Destination):** Sourced from ABS. **Employment:** ABS Labour Account Australia, year ended 30 June 2019. **Australian Electricity Generation Share:** Data for FY18 (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.*

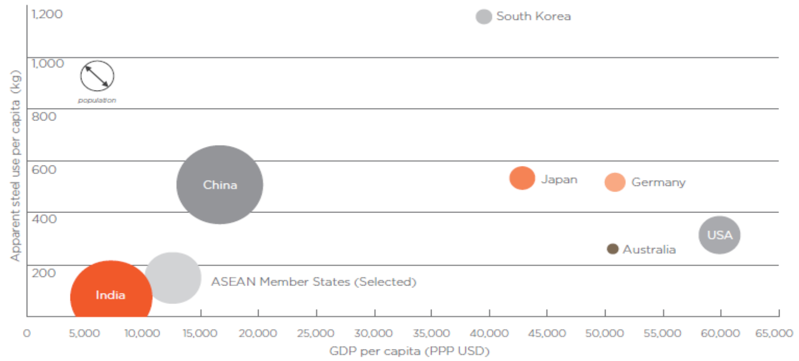
Future of coal – metallurgical coal

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

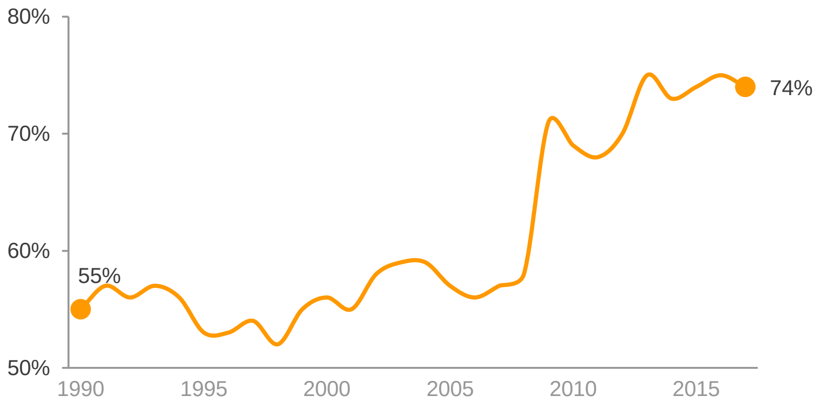
INDIA: CRUDE STEEL PRODUCTION AND COKING (METALLURGICAL) COAL REQUIREMENTS[1]



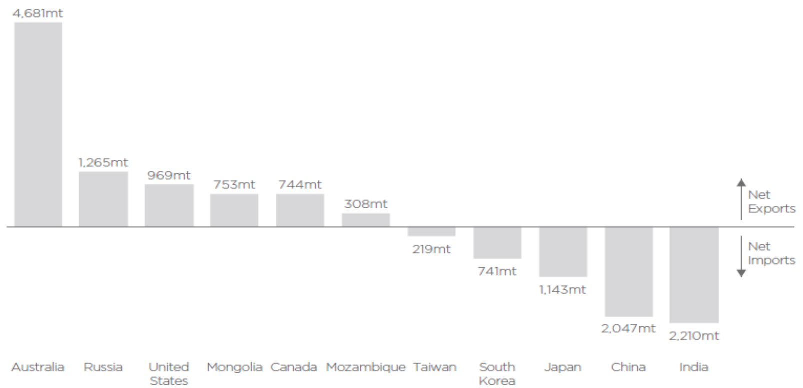
APPARENT (CRUDE STEEL EQUIVALENT) STEEL USE PER CAPITA VS. GDP PER CAPITA BY KEY COUNTRIES[2]



ASIA: PROPORTION OF GLOBAL METALLURGICAL COAL IMPORT VOLUME[3]



AGGREGATE METALLURGICAL COAL TRADE BALANCE BY MAJOR COUNTRIES (2018-2040)[4]



Notes/Sources: *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 Monetary Fund, World Economic Outlook April 2019 (2017 data); Population – International Monetary Fund World Economic Outlook April 2019 (2017 data); Apparent Steel Usage – World Steel Association (2017 data). ASEAN member states (Selected, based on data availability): Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam. 3. International Energy Agency, Coal Information 2018. 4. Wood Mackenzie Global Coal Markets Tool (2019 1H).*

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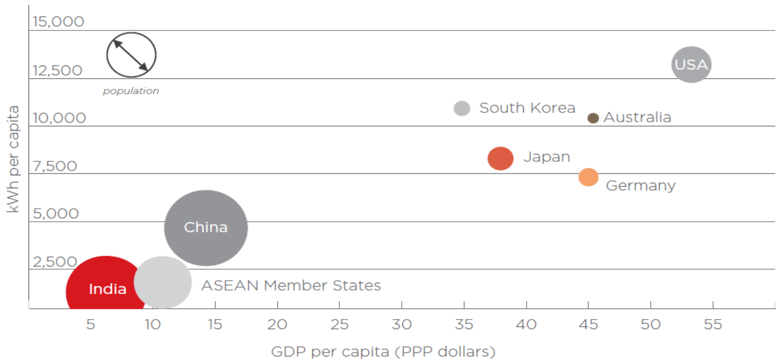
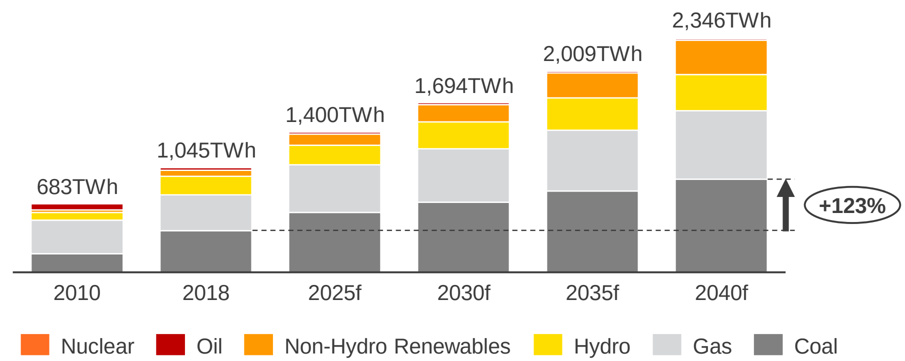
Future of coal – thermal coal

98% 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

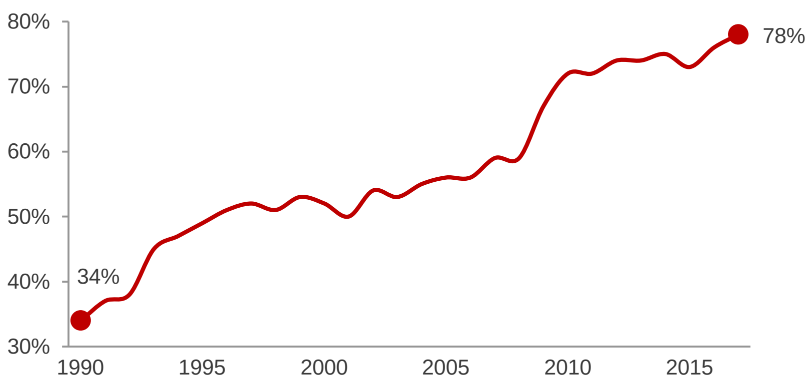
PER CAPITA ELECTRICITY CONSUMPTION VS. PER CAPITA INCOME, BY KEY COUNTRIES[1]



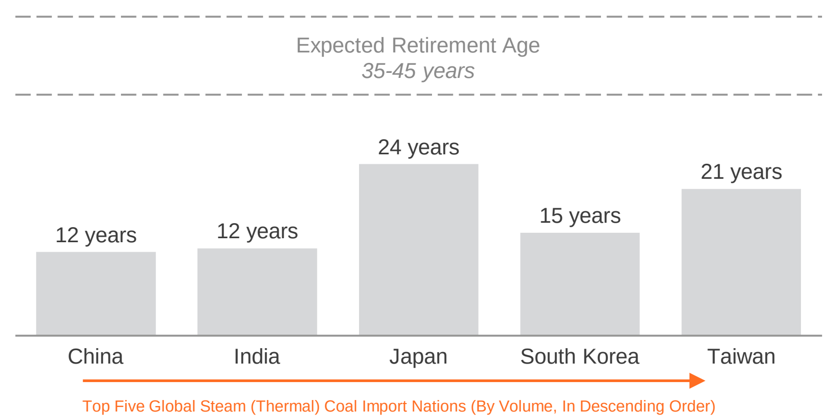
INTERNATIONAL ENERGY (IEA) OUTLOOK (STATED POLICIES SCENARIO) FOR ELECRICITY GENERATION IN SOUTH-EAST ASIA, BY SOURCE (TWh)[2]



ASIA: PROPORTION OF GLOBAL THERMAL COAL IMPORT VOLUME[3]



AVERAGE AGE OF COAL-FIRED ELECTRICITY CAPACITY[4]

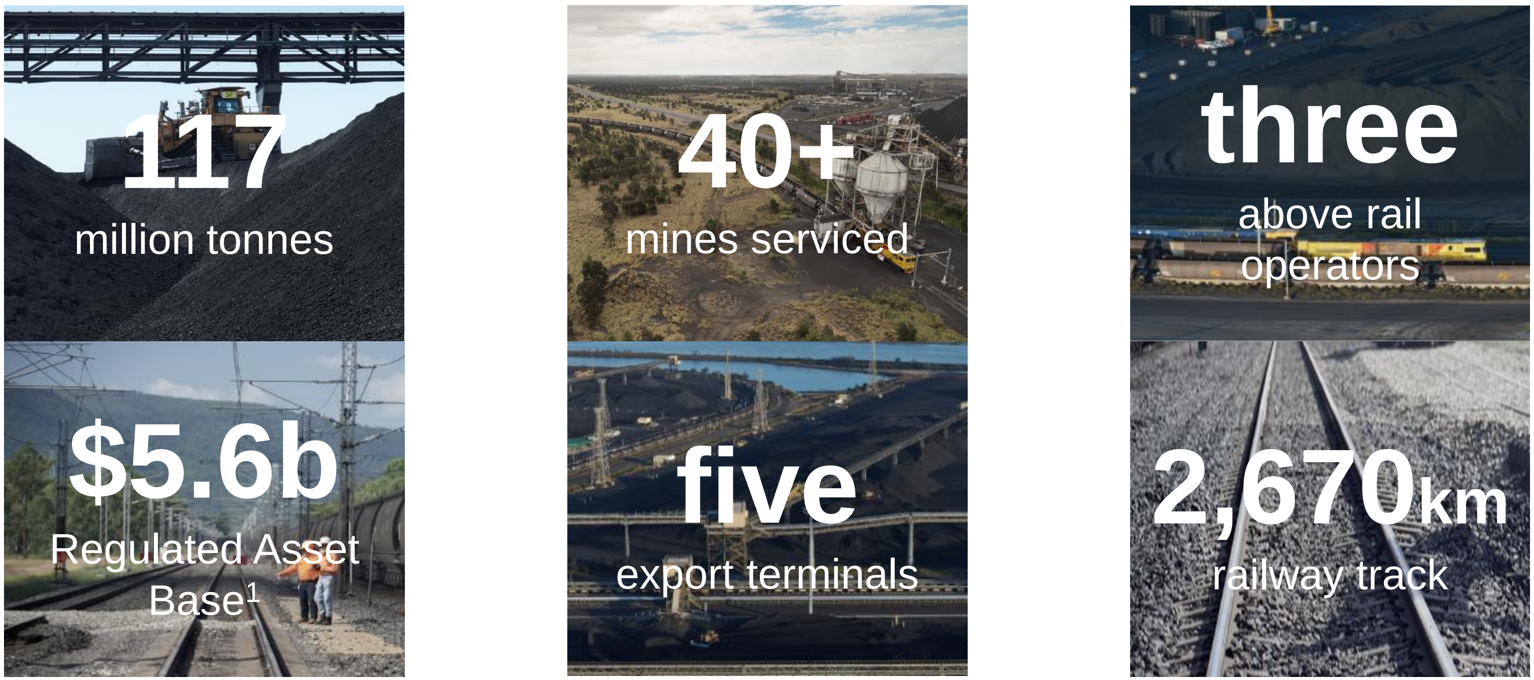


Notes/Sources: *1. GDP (Purchasing Power Parity) – International Monetary Fund World Economic Outlook April 2019 (2016 data), Population - International Monetary Fund World Economic Outlook April 2019 (2016 data), Electricity Consumption (KWh) – United States Energy Information Administration (2016 electricity consumption 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 2018 4. UDI Electric Power Plants Database (September 2019), capacity weighted.*

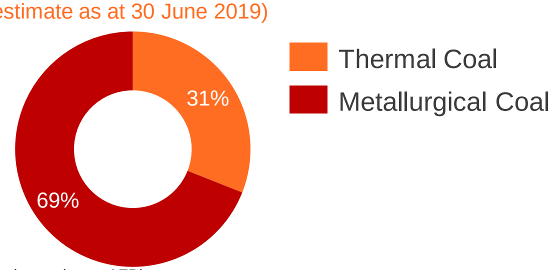
Overview of Aurizon Network

Network snapshot

As at 31 December 2019



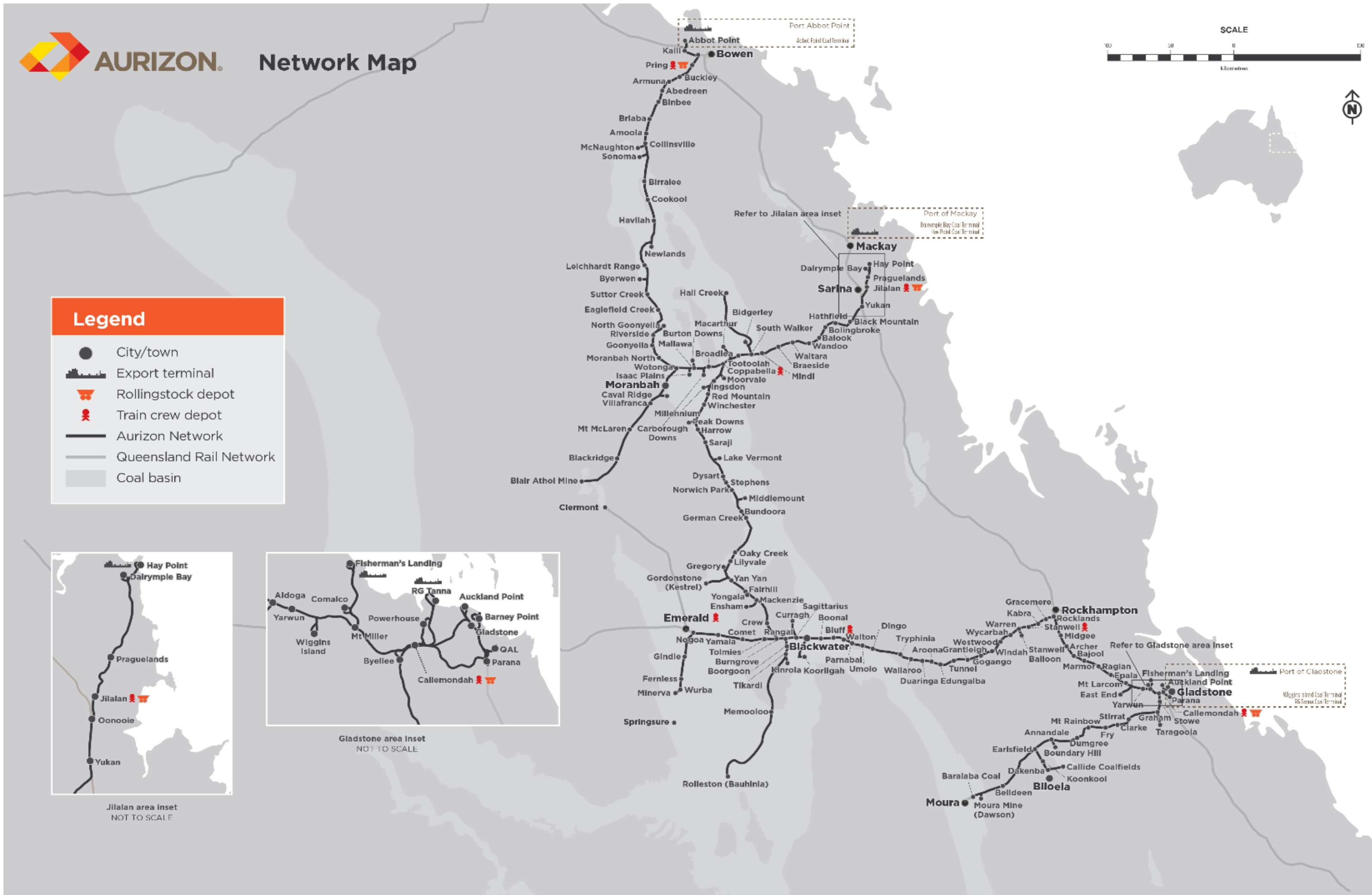
HAULAGE BREAKDOWN[2]
(estimate as at 30 June 2019)



1. Roll forward value confirmed in the UT5 Undertaking on 19 December 2019 (excludes $0.4bn in assets operating under an AFD)
2. Estimate – based on AZJ analysis, represents coal hauled on the CQCN by all operators

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

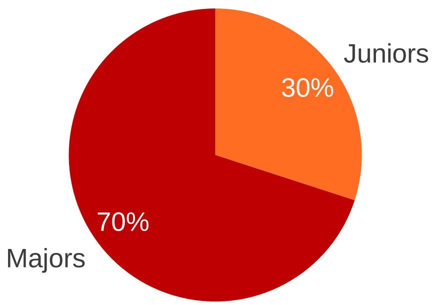
Summary of key investment highlights

- CQCN services well established haulage customers and high quality mines, predominately operated by investment grade miners
- CQCN links to significant coal resources
- Regulated revenues within a stable regulatory regime
- Strong financial position and credit ratings stability

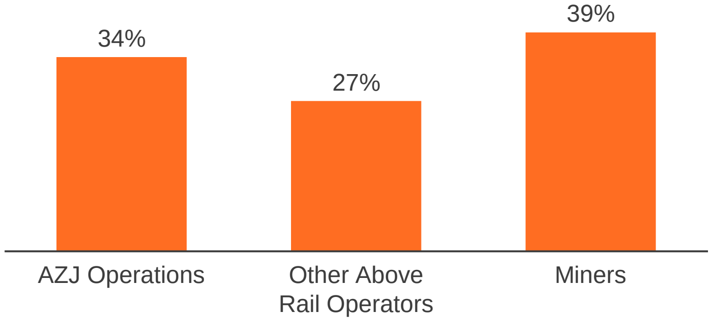
CQCN services well established haulage customers and miners

Network services a diversified group of mining customers that are predominately large global companies with 74% investment grade[1]

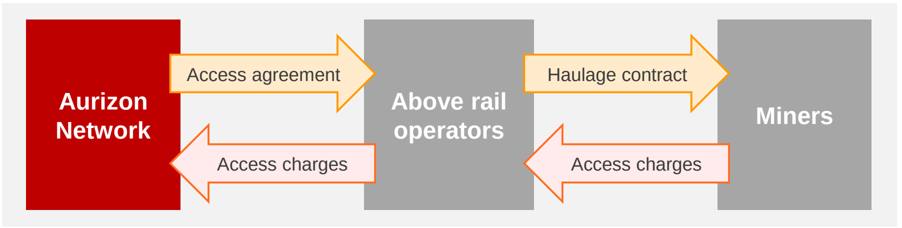
FY19 SPLIT OF MINERS SERVICED BY CQCN[2]



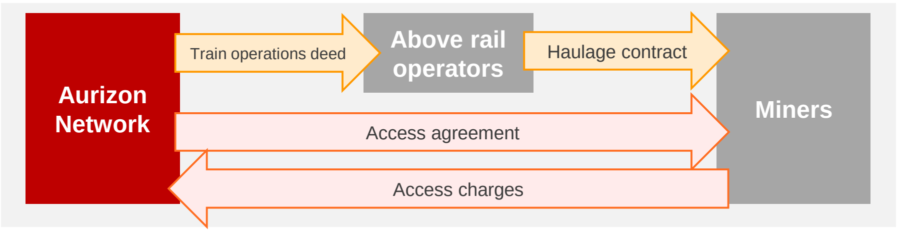
1H20 RAILED VOLUME SPLIT BY ACCESS HOLDER



WHERE ACCESS IS HELD BY ABOVE RAIL OPERATOR



WHERE ACCESS IS HELD BY MINER



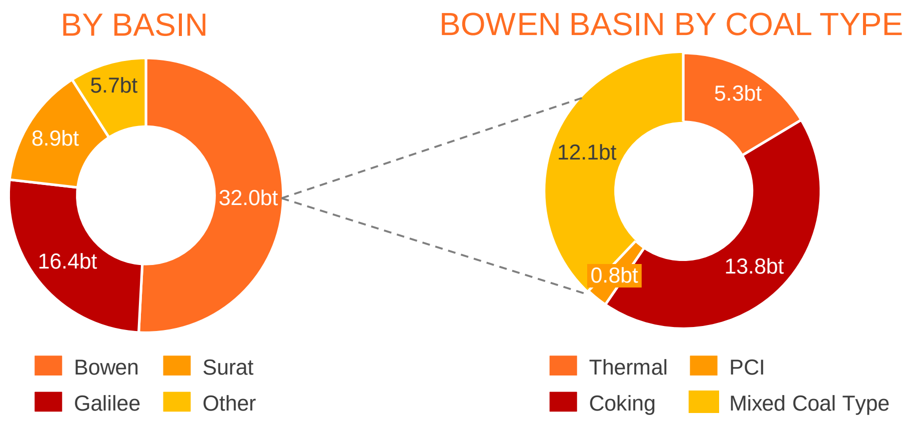
- Network's largest customers are Aurizon Operations and Pacific National, both investment grade counterparties with well established haulage operations
- Mining customers include BMA, Glencore, Idemitsu, Jellinbah, Yancoal and Anglo
- Recent trend with miners contracting directly for access with Network – 27ppt increase from FY16
- Network undertakes a review of credit worthiness of access holders and obtains appropriate security

1. % split based on net tonnes for FY2019. Sub-investment grade 12% and not rated 14%
2. % split based on net tonnes. Major miners includes BMA, Glencore, Anglo American, Peabody

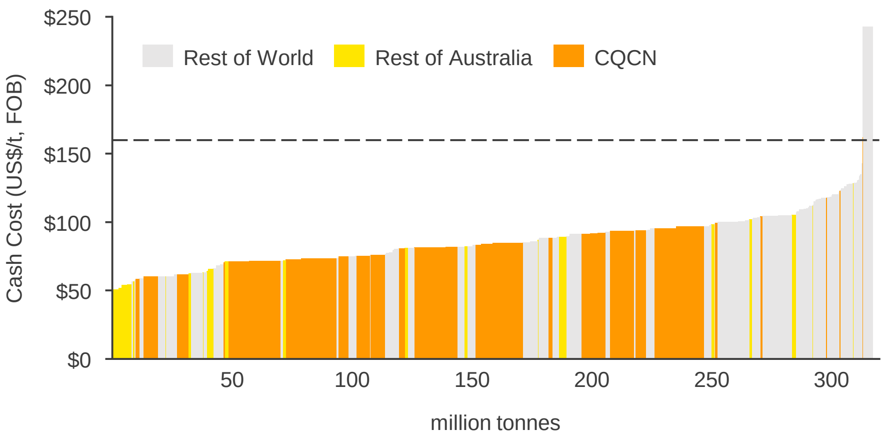
CQCN infrastructure links to significant coal resources

Underpinned by a 99 year lease from the Queensland Government, CQCN holds a unique position given its proximity to 13.8bt of coking coal resources

QLD: TOTAL ESTIMATED COAL RESOURCES



2019 GLOBAL METALLURGICAL SEABORNE COST CURVE



- 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, around two-thirds of CQCN volume is considered metallurgical coal, supported by 13.8bt 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

Notes/Sources

Measured and indicated resources as at September 2018. Estimated Coal Resource (by Basin and Coal Type by Bowen Basin). Queensland Coal Inventory Report (December 2018). Mixed coal type includes a combination of Coking coal, PCI and Thermal coal types not individually separated. FOB = Free On Board. Wood Mackenzie Margin Curve 2019 (Dataset: November 2019).

AURIZON

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

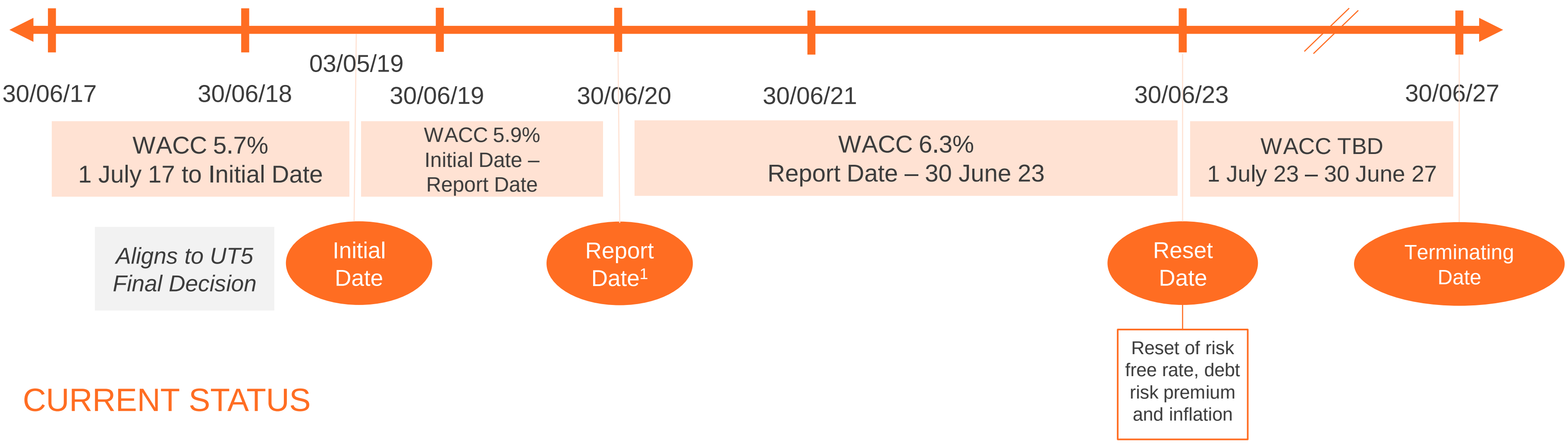
Incorporates performance and rebate mechanisms that incentivise Network performance

AURIZON

Regulated revenues within a stable regulatory regime

Next major milestone for the UT5 Undertaking is the Report Date which will see the WACC increase from 5.9% to 6.3%

INDICATIVE UT5 TIMELINE



CURRENT STATUS

- QCA approved the revised access undertaking in December 2019
- Independent Expert’s report expected in mid CY2020
- WACC now 5.9%, backdated to the Initial Date (3 May 2019). Steps up to 6.3% at the Report Date
- FY2021 maintenance and renewals strategies and budgets for each coal system in the CQCN were approved by industry on 14 February 2020

1. Best estimate of milestone date – subject to change

AURIZON

Strong financial position and credit ratings stability

Board is committed to Baa1/BBB+ credit ratings. These credit ratings have been held since establishment in 2013. Gearing currently at 58.1%[1]

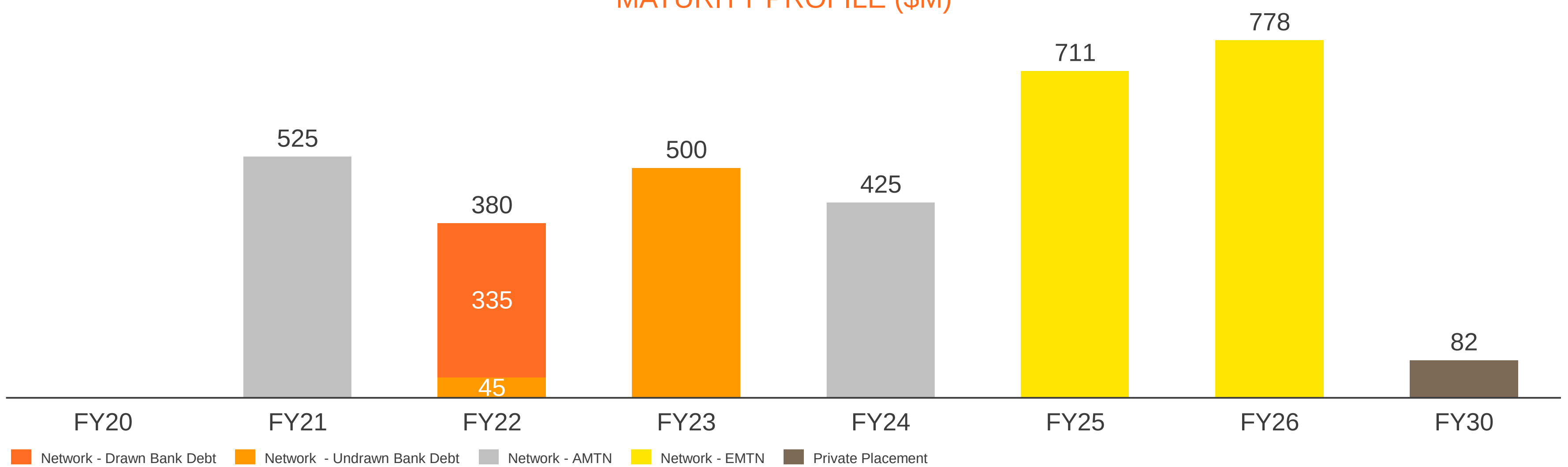
INTEREST RATES

- Network debt is 94% fixed until end of FY2021 – hedging was completed in line with UT5FD
- FY2022 and FY2023 hedging is ongoing (74% as at 18/02/20) with objective to align with the QCA's approved UT5 Undertaking

FY2020 FUNDING ACTIVITY

- Network issued 10.5 year, $82m AMTN private placement during 1HFY2020 – yield 2.9%
- Refinance of $525m AMTN maturing in October 2020

MATURITY PROFILE ($M)



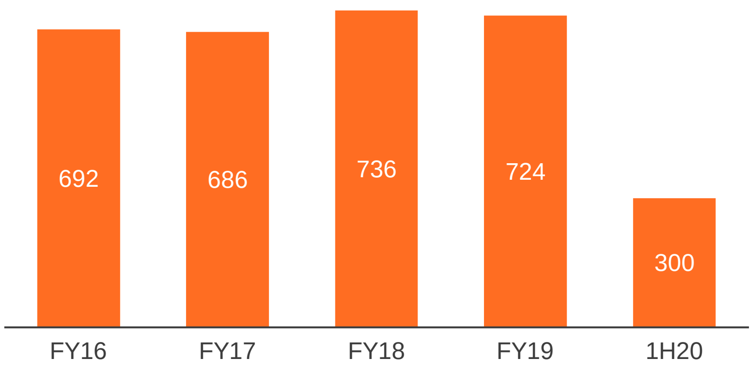
1. Net Debt / RAB (excluding AFDs). As at 31 December 2019

AURIZON

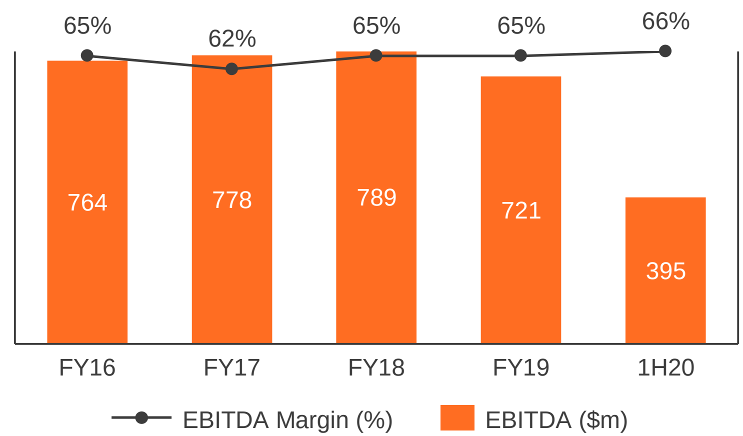
Strong financial position and credit ratings stability

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

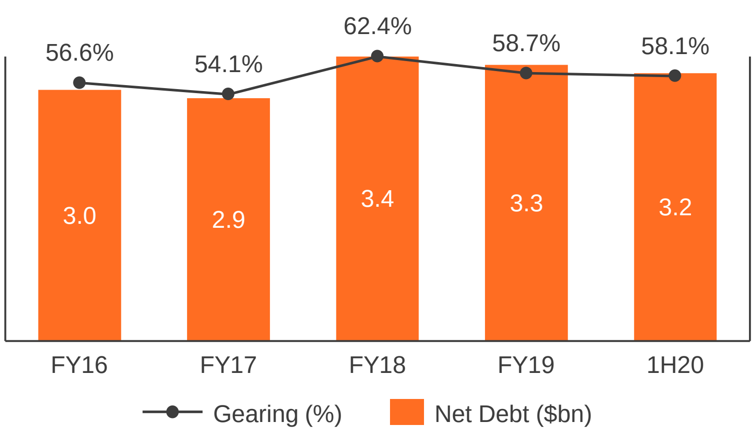
NET CASHFLOW FROM OPERATIONS ($m)



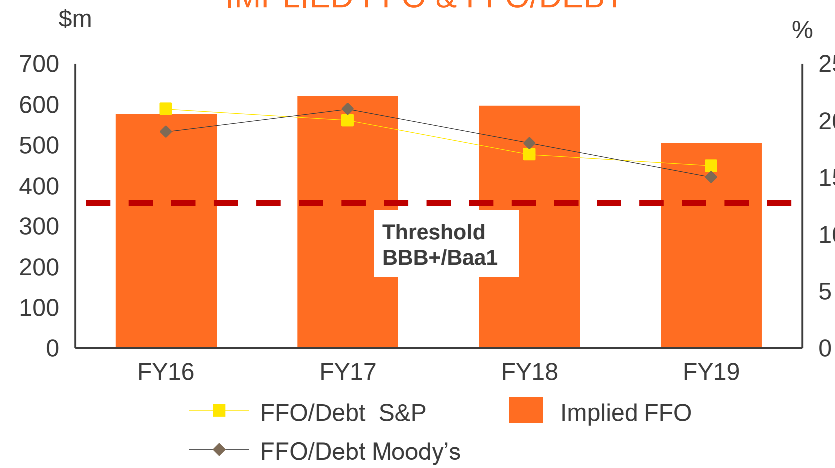
EBITDA[1] & EBITDA MARGIN



NET DEBT & GEARING[2]



IMPLIED FFO & FFO/DEBT

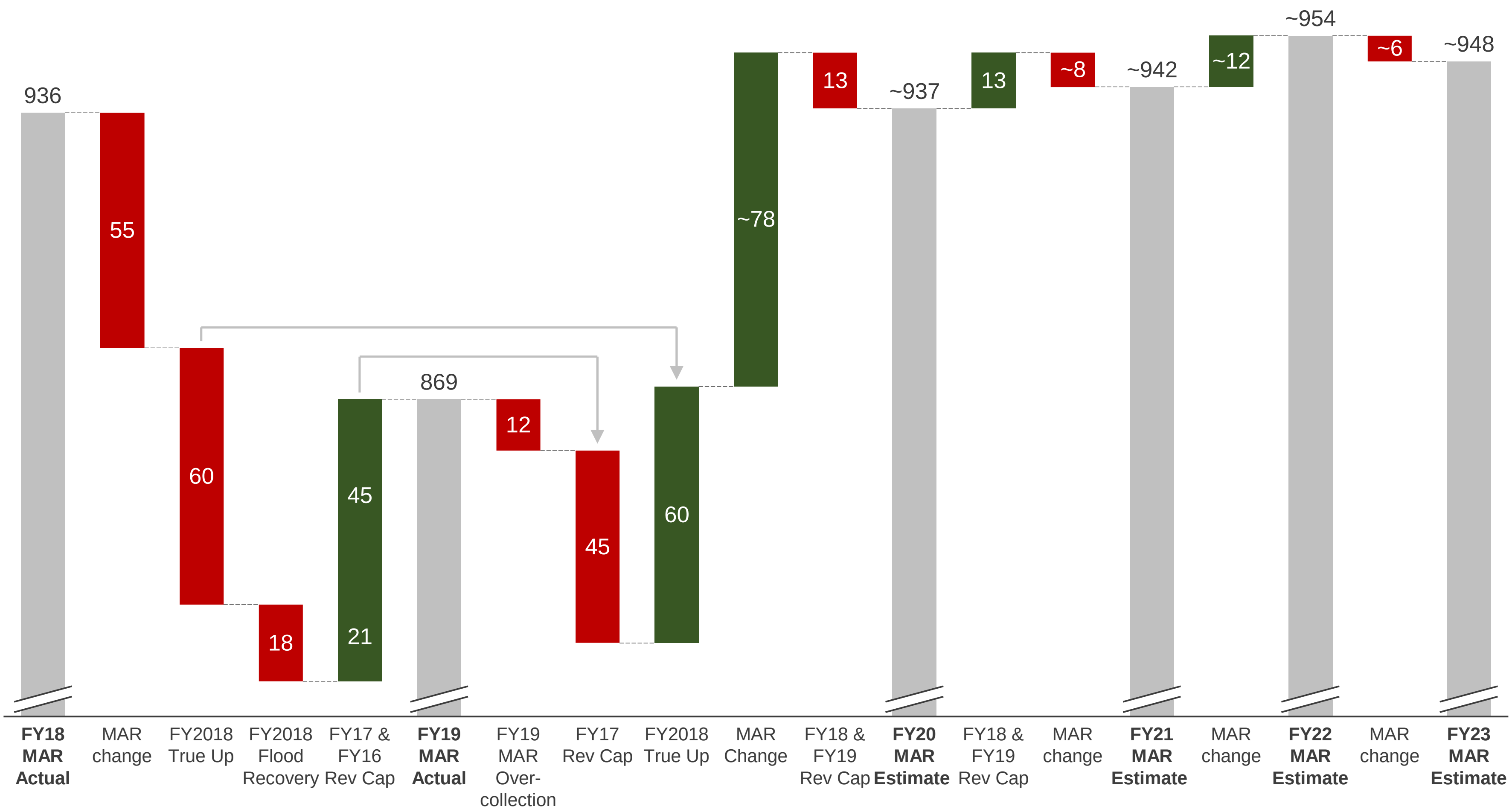


1. Underlying EBITDA
2. Net debt = Total borrowings less cash and cash equivalents. Gearing is Net Debt / RAB (excluding AFDs)

Strong financial position and credit ratings stability

The UT5 Undertaking provides longer term revenue certainty

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

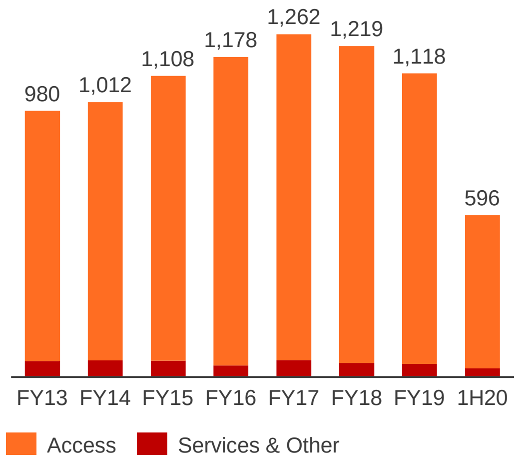


- Excludes GAPE, assumes no reduction in revenue due to Network non-performance and no volume variance from FY2020 onwards
- Assumes a Report Date of March 2020. Impact on MAR for each month Report Date is delayed is ~$2m per month, representing a 40 basis point uplift in WACC

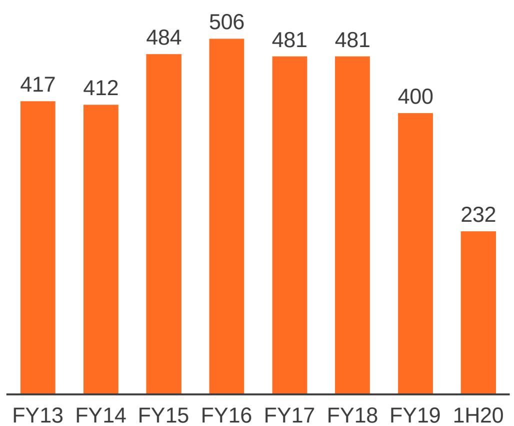
Strong financial position and credit ratings stability

Network financial metrics

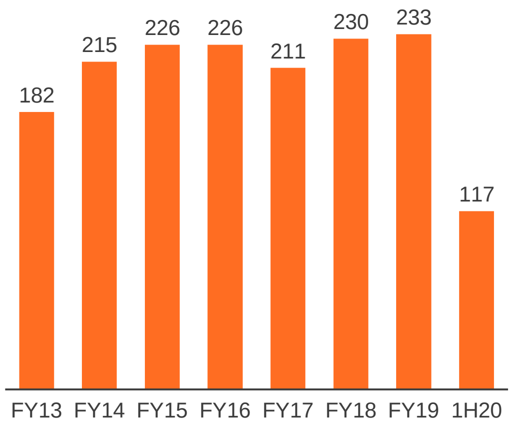
REVENUE ($m)



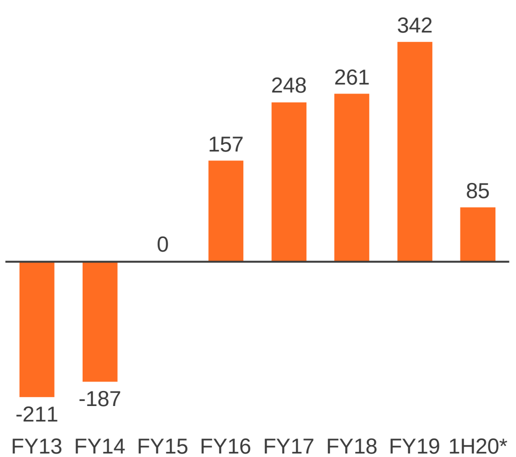
EBIT ($m)



VOLUMES (mt)

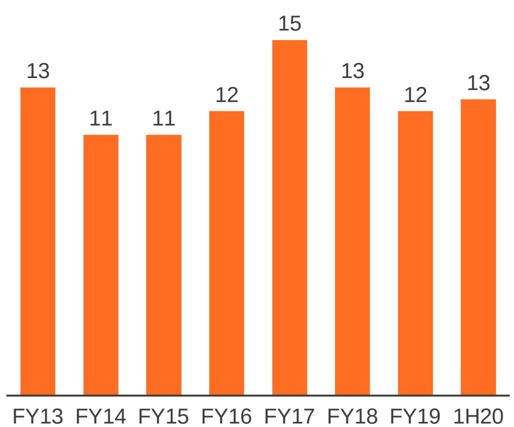


FREE CASH FLOW ($m)

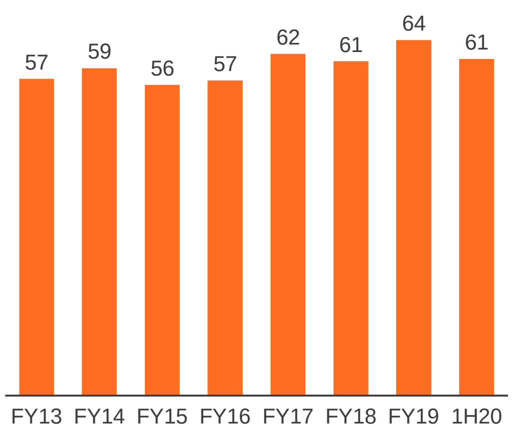


* 1H20 FCF impacted by FY18 UT5 Final Decision true up

OPEX / NTK ($/000 NTK)



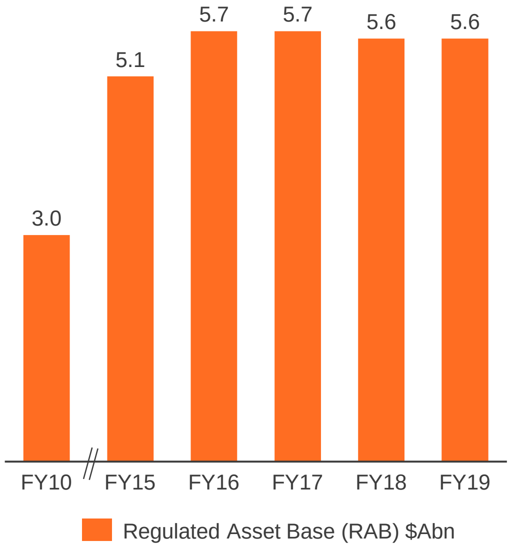
OPERATING RATIO (%)



Strong financial position and credit ratings stability

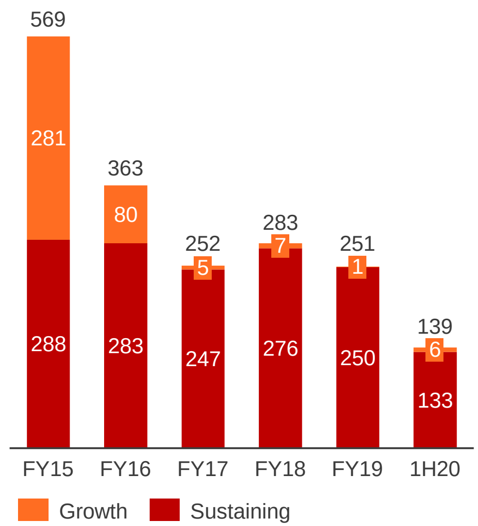
Network RAB, capex and depreciation profile

RAB ROLL FORWARD ($bn)



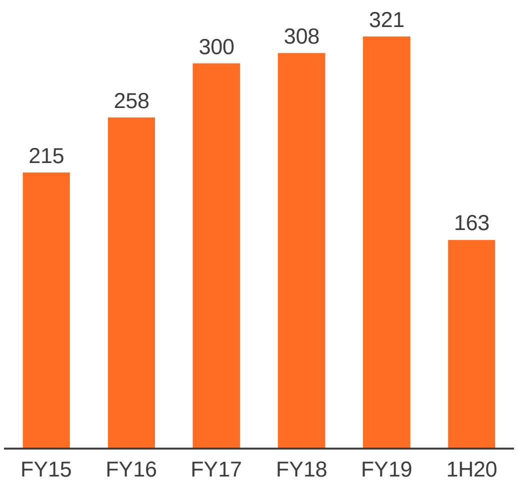
- RAB Rollforward at 1 July 2019 confirmed in QCA approved UT5 Undertaking in December 2019
- Excludes assets operating under an Access Facilitation Deed (AFD) ~$0.4bn

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

Questions

Contact and further information

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Head of Investor Relations & Group Treasurer
+61 7 3019 9030

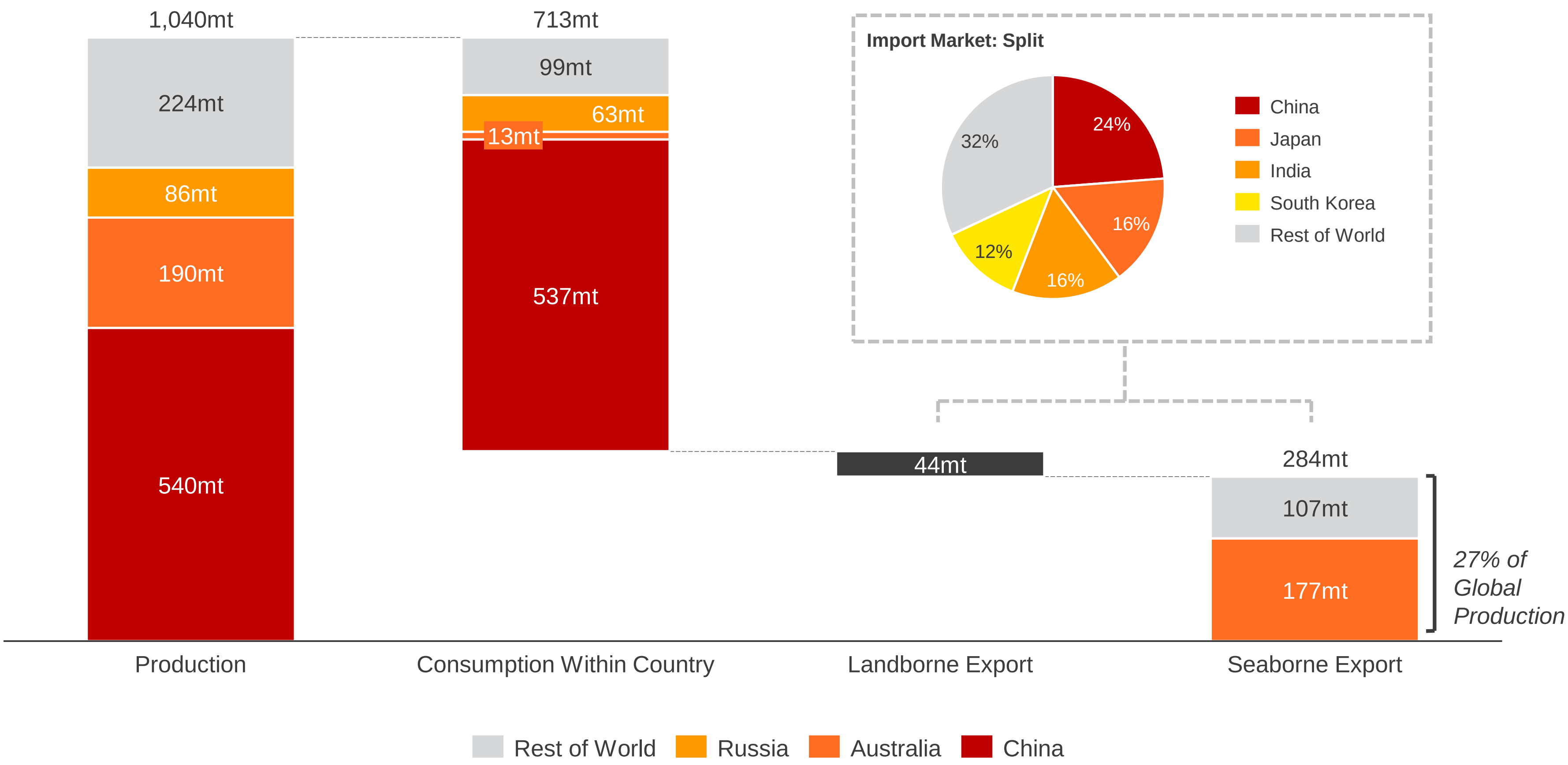
Additional information

Future of Coal

Global coking (metallurgical) coal landscape

Around one-quarter of global metallurgical coal demand is met through seaborne trade with Australia commanding over 60% of this market

2017, million tonnes



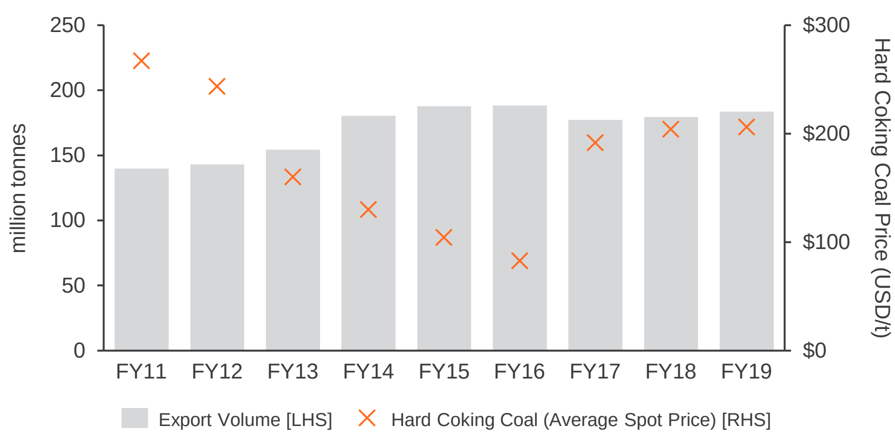
Notes/Sources: *International Energy Agency (IEA) World Coal Information 2018.* ***Production*** *includes both primary extraction in addition to recovered product from slurries, middlings and coal dust.* ***Consumption Within Country*** *is defined as production less exports.* ***Landborne*** *is defined as total trade (exports) less seaborne exports. No energy-adjustment has been applied.*

AURIZON

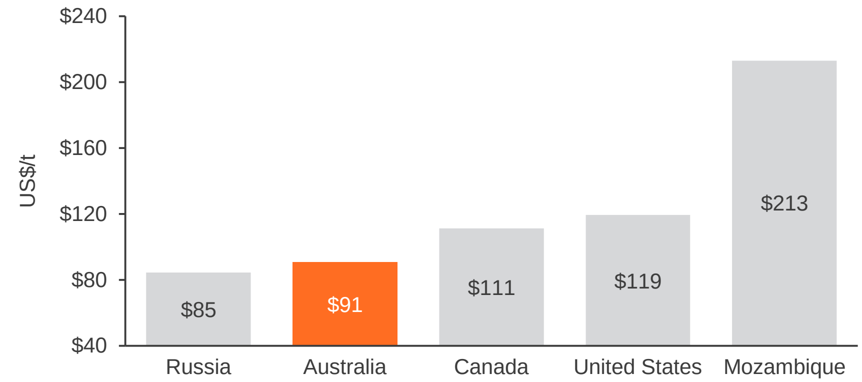
Metallurgical coal market | Australia

Driven by quality, cost-competitiveness and proximity to Asian markets, Australia holds a unique position in the seaborne market

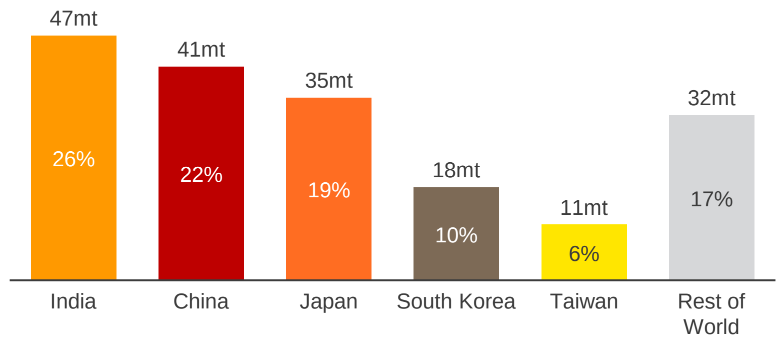
AUSTRALIA: METALLURGICAL COAL EXPORT[1]



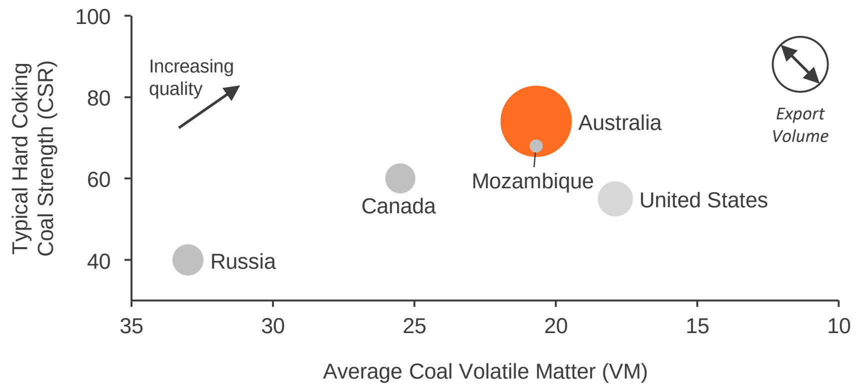
METALLURGICAL COAL CASH COSTS (US$/t, CFR INDIA, 2019)[2]



AUSTRALIA: FY2019 METALLURGICAL COAL EXPORT (BY DESTINATION)[3]



METALLURGICAL COAL QUALITY[4]

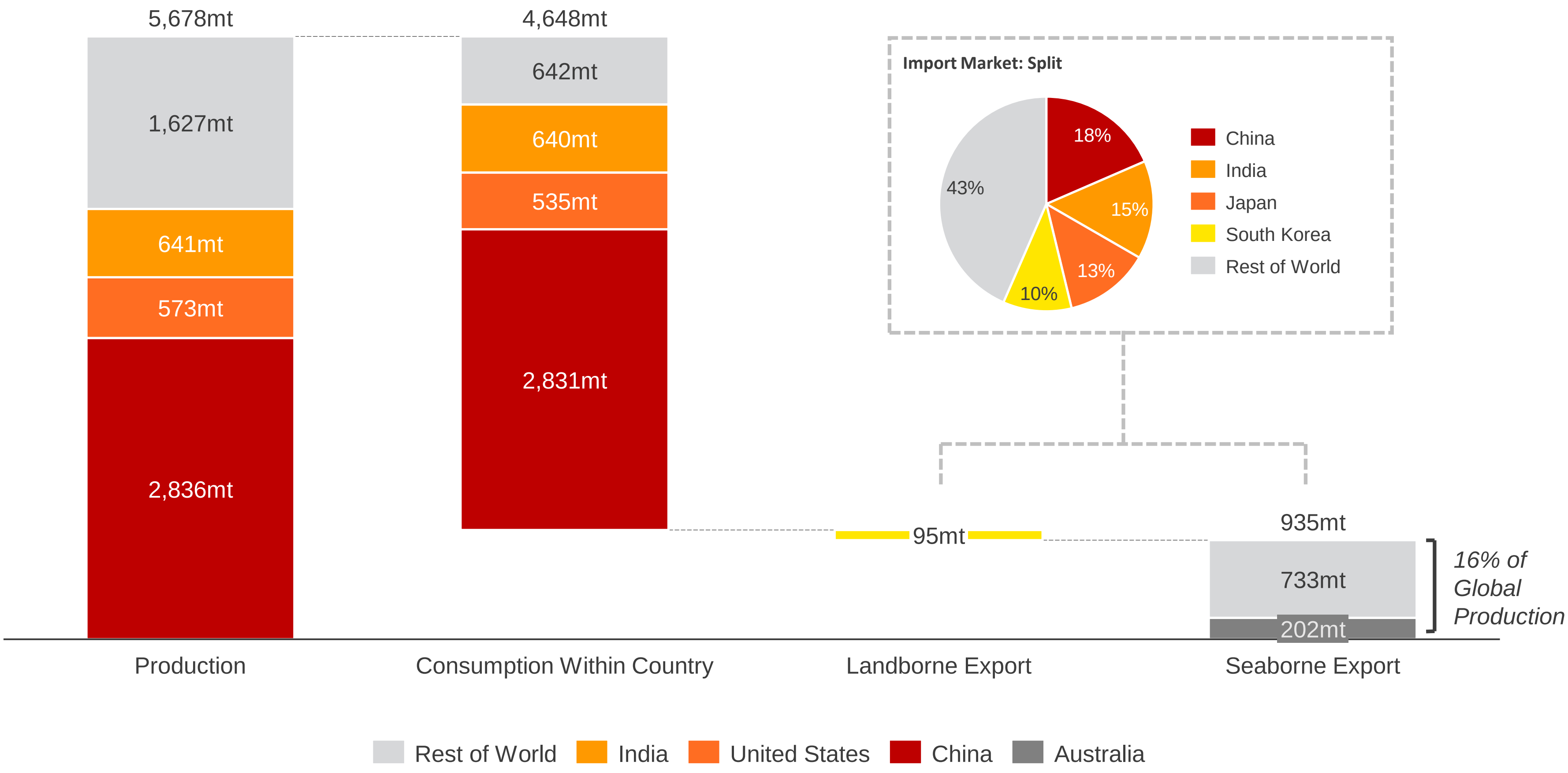


Notes/Sources: *1. Export Volume – Australian Bureau of Statistics (Customised Report). Hard Coking Coal Price – Platts (Peak Downs Region product). 2. Wood Mackenzie Coal Cost Curves (Data: November 2019, Reference Year: 2019), Wood Mackenzie Global Coal Markets Tool (Data: 2019 2H, Reference Year: 2019), Sea freight export terminal assumptions: US – East Coast, Canada – West Coast, Australia – Hay Point (Metallurgical), Russia - East. 3. Australian Bureau of Statistics (Customised Report). 4. Wood Mackenzie Global Coal Markets Tool (2019 2H), Wood Mackenzie Coal Cost Curves (Data: November 2019, Reference Year: 2019), AME Research.*

Global steam (thermal) coal landscape

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

2017, million tonnes



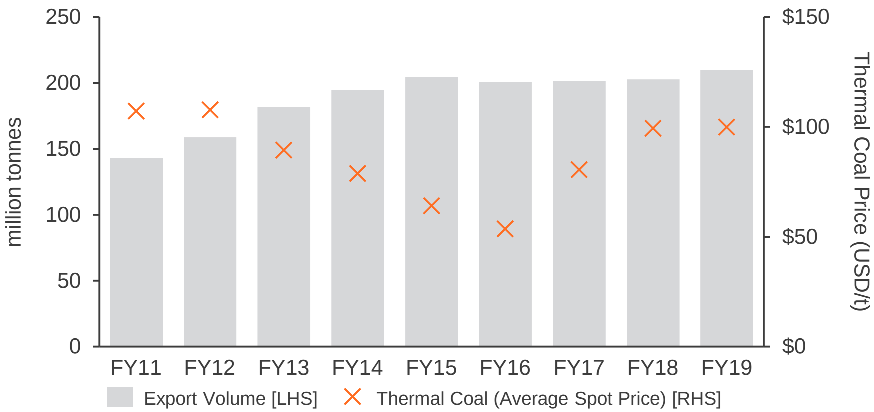
Notes/Sources: *International Energy Agency (IEA) World Coal Information 2018.* ***Steam Coal*** *includes all anthracite and bituminous coals not considered coking coal and also includes sub-bituminous coal.* ***Production*** *includes both primary extraction in addition to recovered product from slurries, 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 has been applied.*

AURIZON

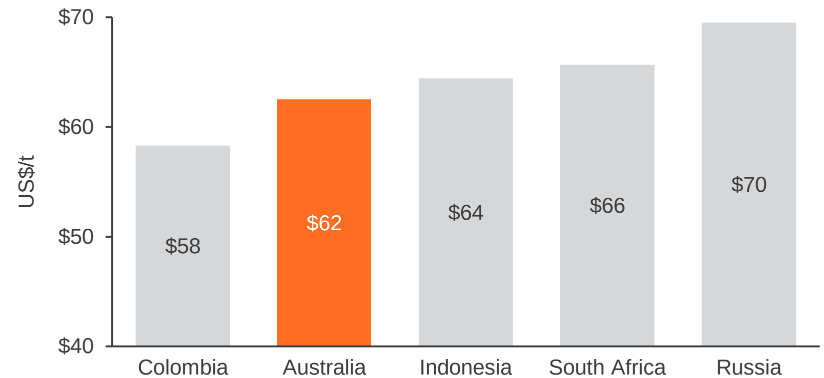
Thermal coal market | Australia

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

AUSTRALIA: THERMAL COAL EXPORT[1]

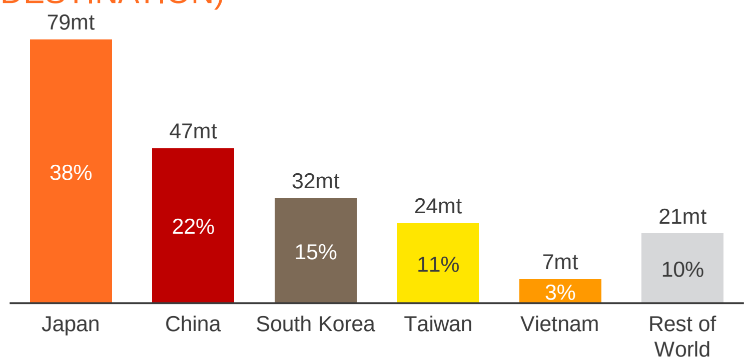


THERMAL COAL CASH COSTS (US$/t, CFR JAPAN, 2019)[2]

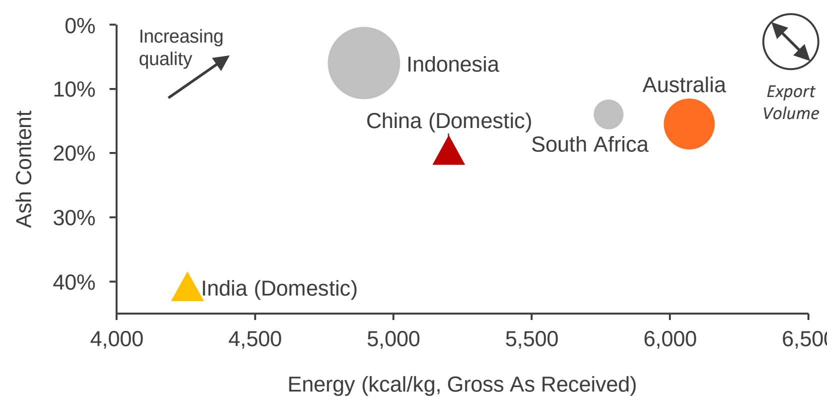


Note: Thermal Cash Costs (FOB) are energy-adjusted to 6,300 kcal/kg (Gross As Received)

AUSTRALIA: FY2019 THERMAL COAL EXPORT (BY DESTINATION)[3]



THERMAL COAL QUALITY[4]

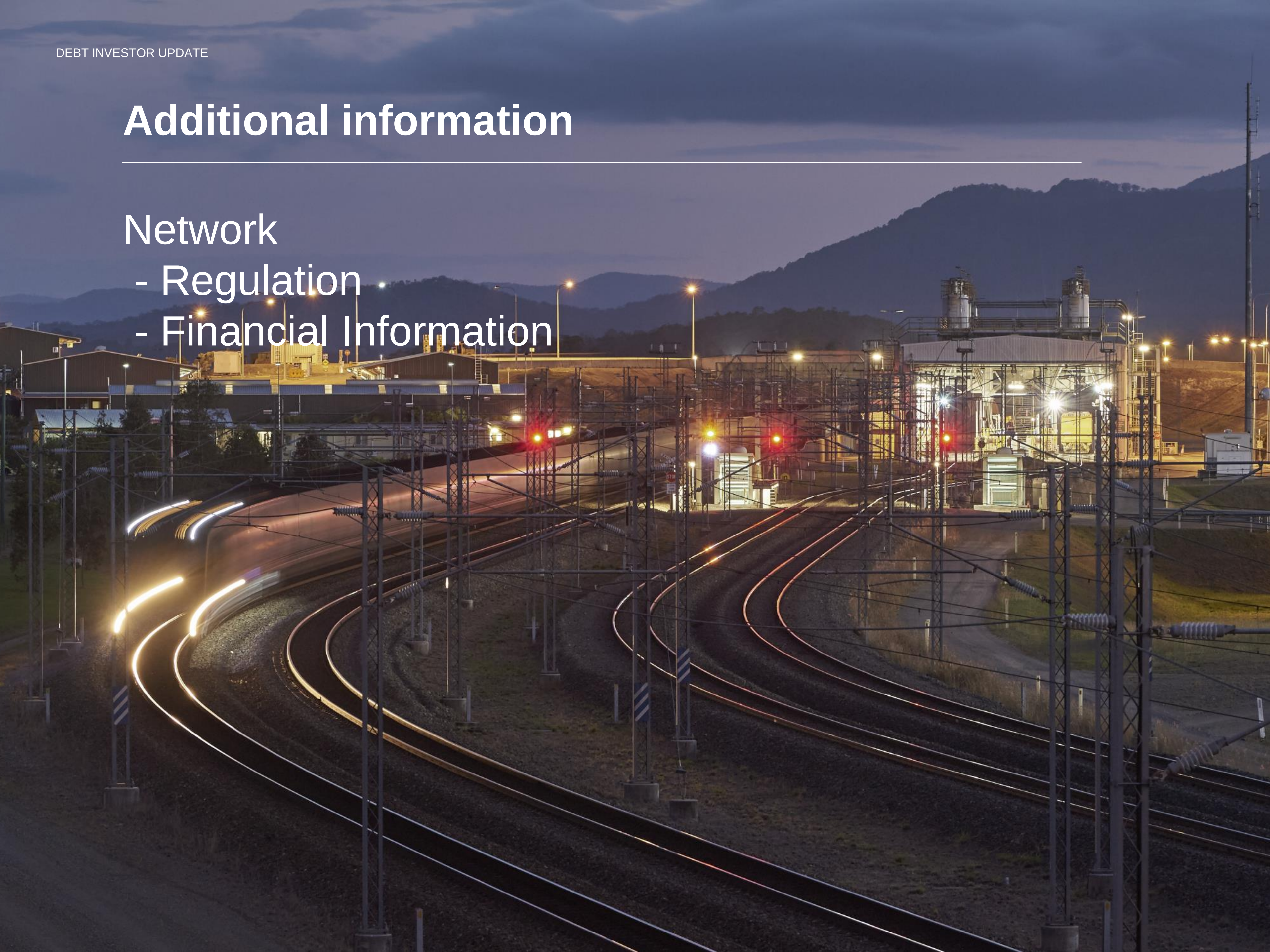


Notes/Sources: *1 & 3 .Export Volume (and country split) - Australian Bureau of Statistics, Customised Report. Thermal Coal Price - Intercontinental Exchange (Newcastle 6,300 kcal/kg Gross As Received product). 2. Wood Mackenzie Coal Cost Curves (Data: November 2019, Reference Year: 2019), Wood Mackenzie Global Coal Markets Tool (Data: 2019 2H, Reference Year: 2019), Sea freight export terminal assumptions: Australia – Newcastle (Thermal), Russia - East. 4. Wood Mackenzie Coal Cost Curves (Data: November 2019, Reference Year: 2019), Wood Mackenzie Coal Supply Data Tool (Q4 2019, Reference Year: 2019), India Ministry of Coal Provisional Coal Statistics 2018-19, IEA Coal Medium-Term Market Report 2016, Indonesia Coal Mining Association, Richards Bay benchmark specifications (Platts).*

Additional information

Network

- Regulation
- Financial Information



AURIZON

UT5 Undertaking - What's included in each building block

BUILDING BLOCK	DETAILS
Return on capital (WACC)	› 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	› 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 indictor under transitional arrangements from FY2020 › Maintenance costs are pass through and approved annually by customers through consultation for FY2021 onwards
Return of capital (Depreciation)	› 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	› 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	› Tax allowance calculated on same basis as UT5 Final Decision

AURIZON

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

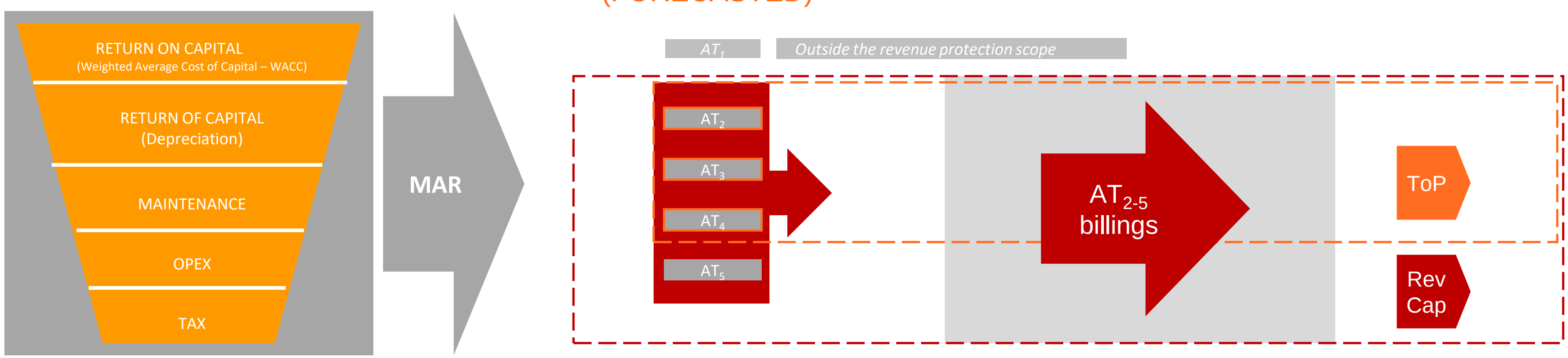
- Will pre-approve Maintenance strategies and budgets in the event agreement is not reached between Network and customers[1]
- Will approve capital expenditure on a post-expenditure review basis for efficiency and prudency where Network and customers do not reach agreement[1]
- Can review the effectiveness 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 | REGULATORY REVENUE (FORECASTED) | TOTAL ACTUAL REVENUE | PROTECTION TESTS



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

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

- 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

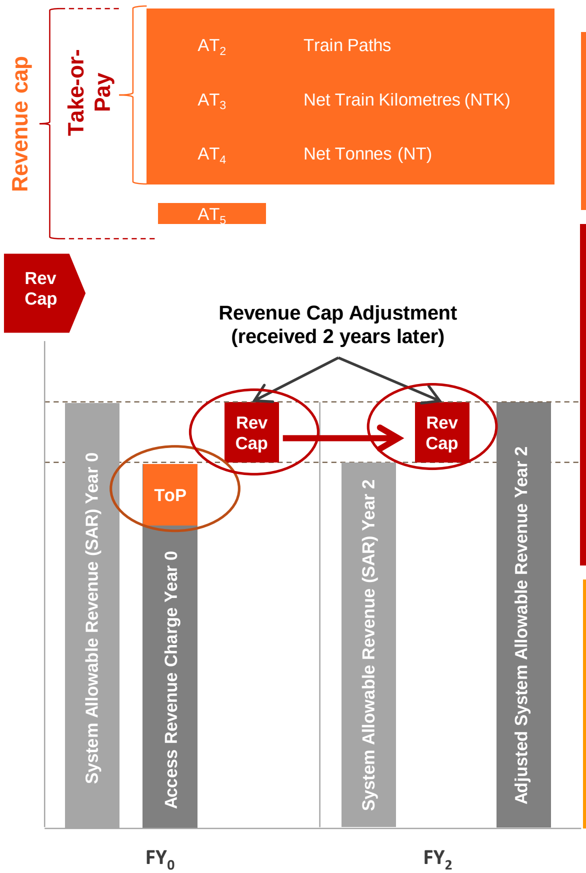
AURIZON

Revenue protection mechanisms

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

ToP

- Protection mechanisms come into effect when revenue shortfalls occur due to actual tonnage railed being less than regulatory approved tonnages forecasts



TAKE OR PAY MECHANISMS

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

REVENUE CAP MECHANISM

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

SOCIALISATION OF COUNTERPARTY RISK

- Patronage risk occurs when certain mines are no longer in operation
- Under the QCA regime, Network will continue to earn its aggregate regulated revenue from the remaining mines that continue to use the system

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. The impact was not accounted for in the UT5 Final Decision but has been incorporated into allowable revenues and reference tariffs during FY2020
- The FY2018 RAB Rollforward was approved on 19 December 2019 and will be incorporated into allowable revenues and reference tariffs in FY2021
- The value of the RAB Rollforward at 1 July 2019 is $5.6bn. 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
- The approximate value of the Pricing RAB at 1 July 2019 is $5.4bn. 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

Network

EBIT performance reflects the uplift in revenue from the approved UT5 Undertaking

$m	1HFY2020	1HFY2019	Variance
Track Access	565	534	6%
Services & Other	31	23	35%
Revenue	**596**	**557**	**7%**
Energy & Fuel	(54)	(52)	(4%)
Other Operating Costs	(147)	(144)	(2%)
Depreciation	(163)	(158)	(3%)
EBIT	**232**	**203**	**14%**
Tonnes (m)	116.6	116.5	-
NTKs (bn)	29.0	28.8	1%

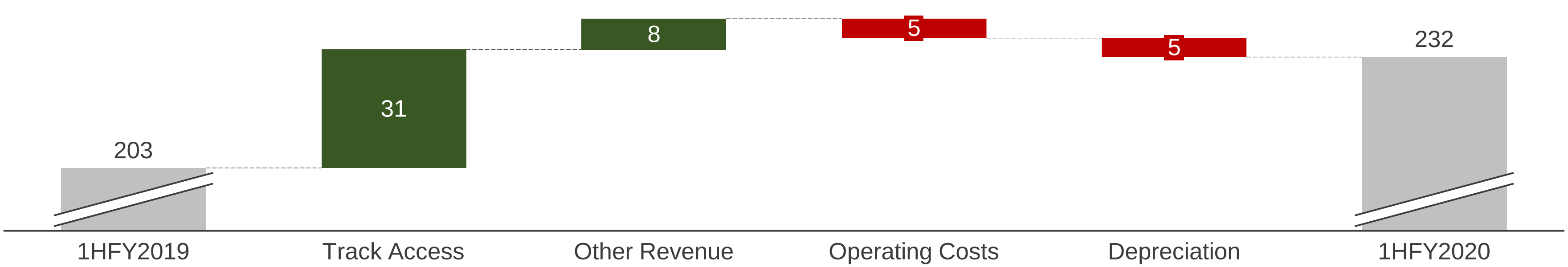
Revenue

- Increase in track access revenue principally as a result of the UT5 Undertaking
- Other revenue relates to higher external construction works

Costs

- Increase in Other Operating Costs from wage escalation partly offset by reductions in consumables and other expenses
- Depreciation increase from asset renewal and ballast undercutting

NETWORK EBIT PERFORMANCE



AURIZON

Network - Profit & loss (underlying)

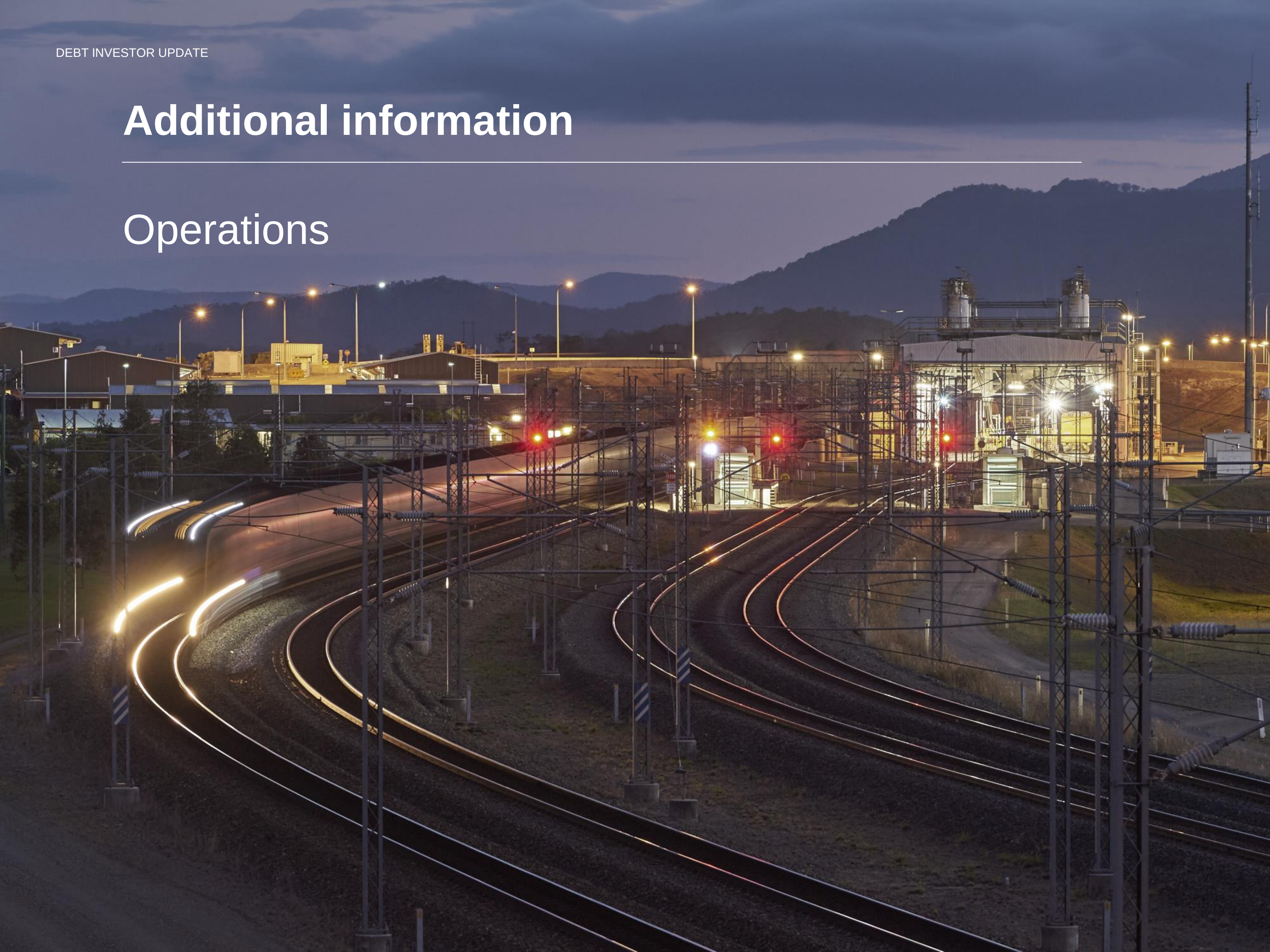
$m	1HFY2020	1HFY2019	Variance	2HFY2019
Tonnes (m)	116.6	116.5	-	116.2
Access Revenue	564.7	534.1	6%	536.2
Services and other	31.2	23.3	34%	24.1
Total Revenue	**595.9**	**557.4**	**7%**	**560.3**
Operating costs	(201.2)	(196.8)	(2%)	(199.7)
EBITDA	**394.7**	**360.6**	**9%**	**360.6**
Depreciation and amortisation	(162.5)	(157.7)	(3%)	(163.2)
EBIT	**232.2**	**202.9**	**14%**	**197.4**
Operating Ratio	61.0%	63.6%	2.6ppt	64.8%

Network - Balance sheet summary

$m	31 December 2019	30 June 2019
Total current assets	211.5	251.7
Property, plant & equipment	5,324.5	5,347.8
Other non-current assets	262.6	305.3
Total assets	**5,798.6**	**5,904.8**
Total borrowings	3,187.8	3,299.9
Other current liabilities	239.8	336.2
Other non-current liabilities	843.6	846.7
Total liabilities	**4,271.2**	**4,482.8**
Net assets	**1,527.4**	**1,422.0**
Gearing - net debt / RAB (excluding AFDs)	**58.1%**	**58.7%**

Additional information

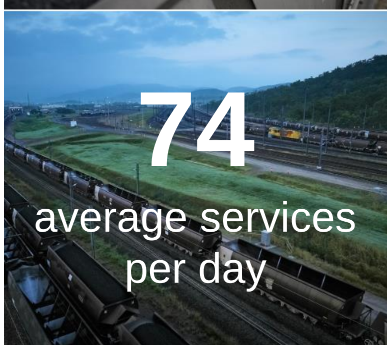
Operations

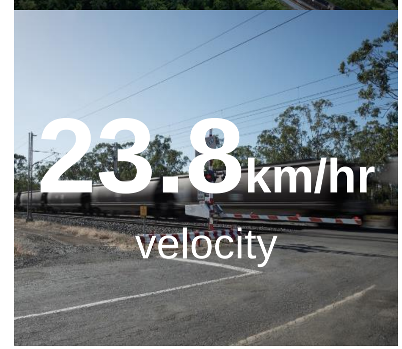


AURIZON

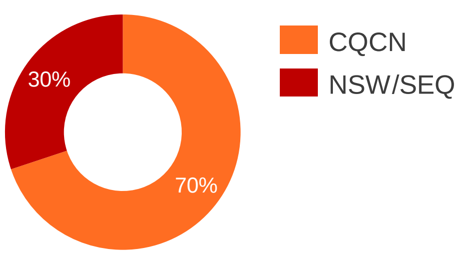
Coal snapshot

As at 31 December 2019



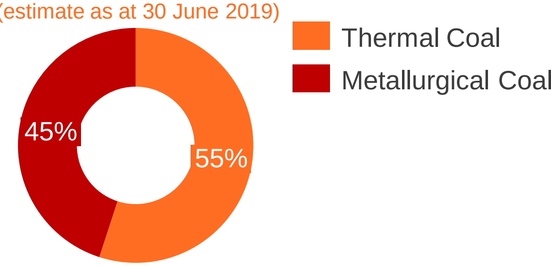


TONNES



HAULAGE BREAKDOWN

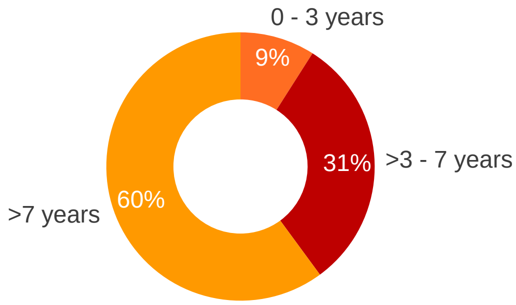
(estimate as at 30 June 2019)



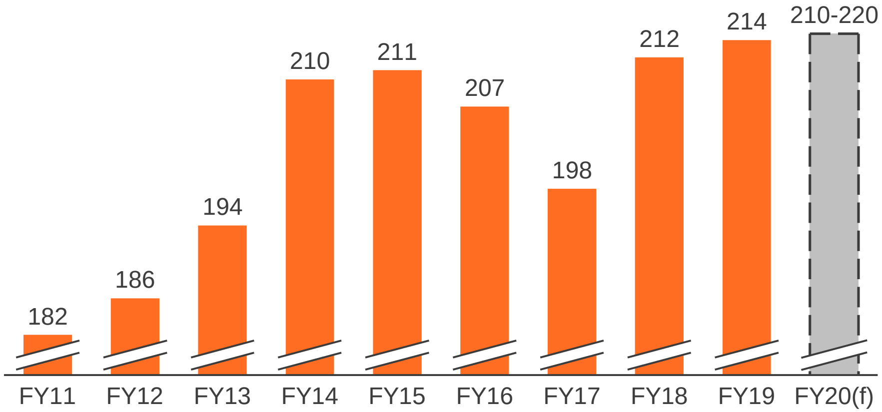
Coal contract portfolio

COAL CONTRACT PORTFOLIO EXPIRY PROFILE[1]

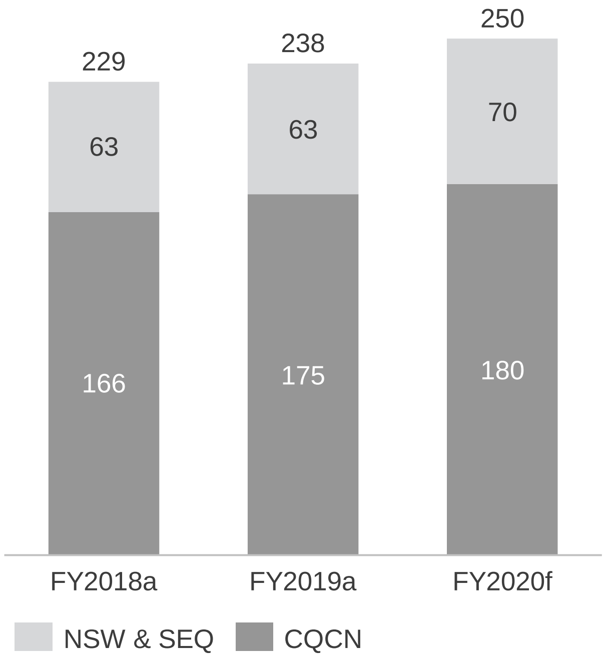
AS AT 31 DECEMBER 2019



COAL VOLUMES (MTPA)



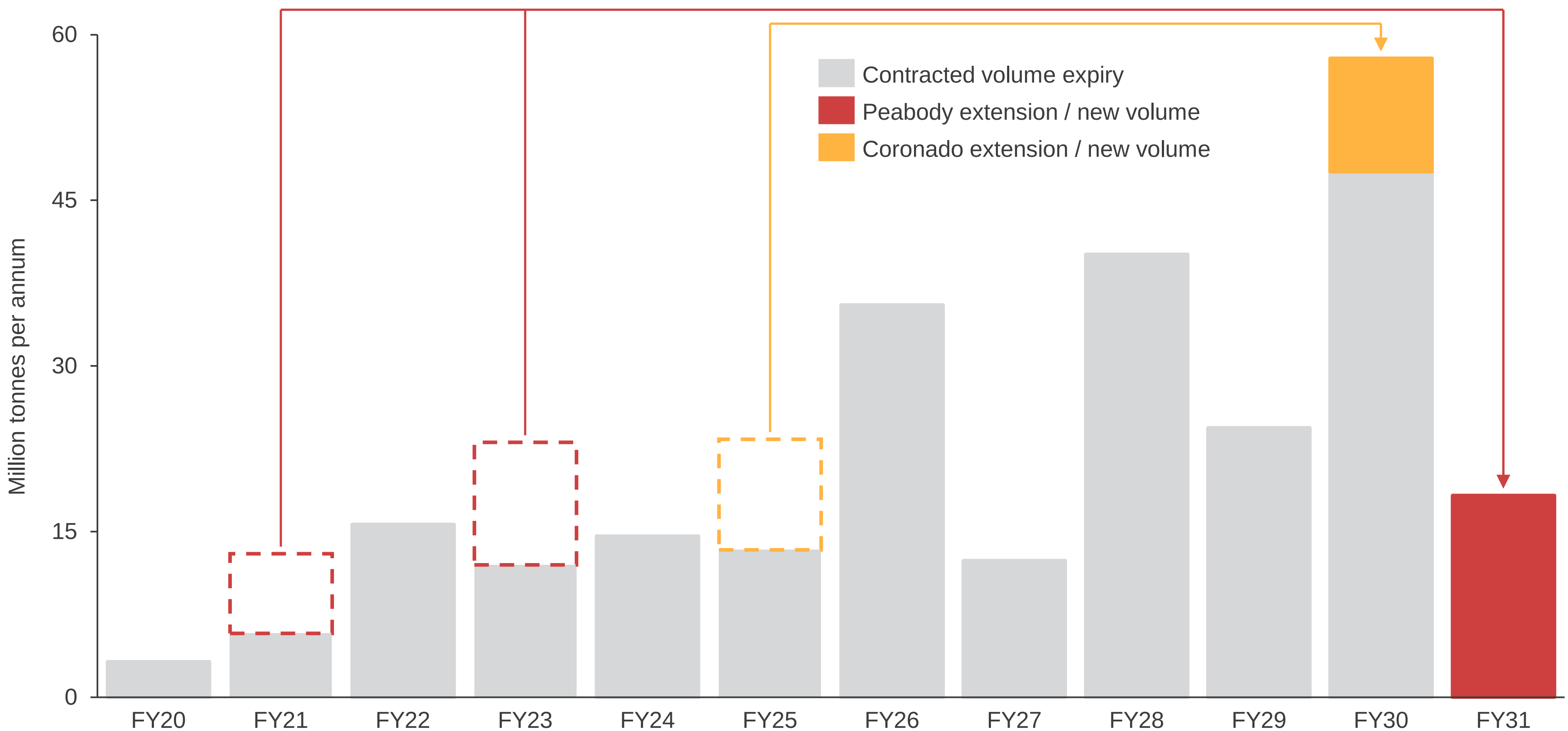
FORECAST COAL CONTRACTED VOLUMES (MTPA)[1]



1. This represents the contracted tonnes as at 31 December 2019 and includes nominations, options and other uncertain events that have the potential to cause variance in AZJ contracted tonnes.

Coal contract portfolio

AURIZON COAL CONTRACT VOLUME EXPIRY BY YEAR (MTPA – AS AT 31 DECEMBER 2019)

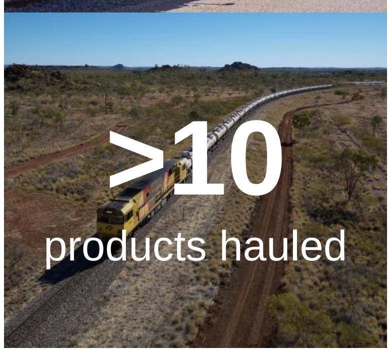


Notes:

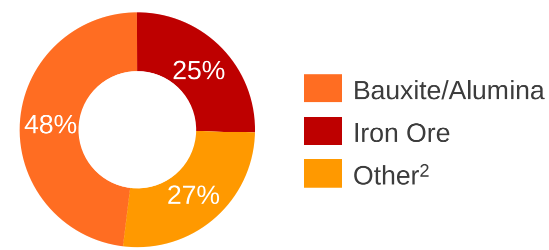
- This represents the maximum contracted tonnes as at 31 December 2019. Announced contract tonnages may not necessarily align with current contract tonnages.
- Incorporates contract extension options where applicable.
- Includes immaterial variations to volume/term not announced to market.

Bulk snapshot

As at 31 December 2019



HAULAGE BREAKDOWN[1]

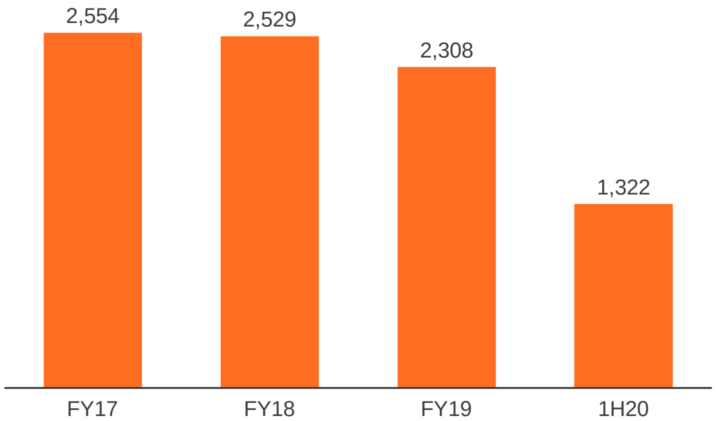


1. Incorporates hauls that report tonnes, does not include Linfox and other hauls that operate on a per service basis
2. Includes limestone, chemicals (caustic and sulphuric acid), fuel, fertilizer and agriculture

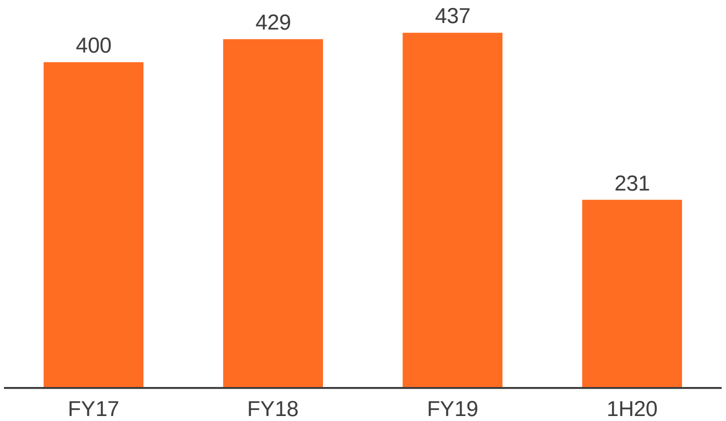
Aurizon Operations Limited Consolidated Operating Group[1]

Proforma – Key financial information

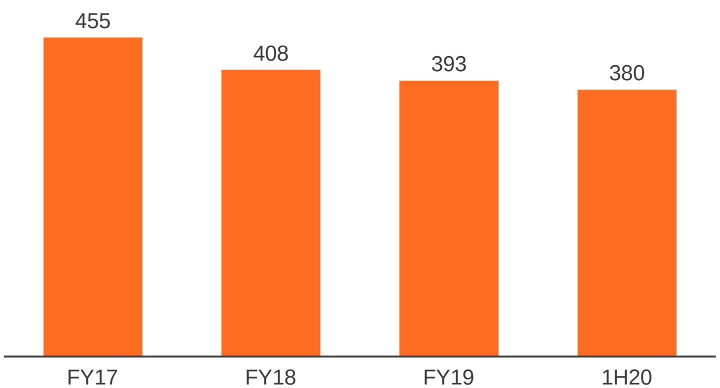
UNDERLYING REVENUE[2] ($m)



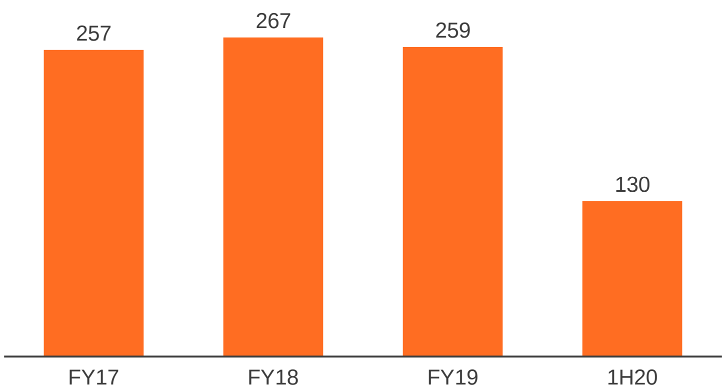
UNDERLYING EBIT[2] ($m)



FREE CASH FLOW ($m)



VOLUMES[3] (mt)



1. Excludes Aurizon Network Pty Ltd and includes Aurizon Finance Pty Ltd
2. Excludes any payment of dividends from Aurizon Network Pty Ltd to Aurizon Operations Limited
3. Volumes represent the aggregate of the Bulk and Coal business units

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
CQCN	Central Queensland Coal Network
ESG	Environmental, Social & Governance
Free cash flow (FCF)	Net operating cash flows less net cash flow from investing activities less interest paid
GAPE	Goonyella to Abbot Point Expansion
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
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
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
UT5 Undertaking	Aurizon Network's revised UT5 Draft Amending Access Undertaking (DAAU) that was approved by the QCA on 19 December 2019
WACC	Weighted average cost of capital


AURIZON