FY2014 Results Presentation

Lance Hockridge – Managing Director & CEO
Keith Neate – EVP & CFO
Mike Franczak – EVP Operations

18 August 2014

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Year in review

Lance Hockridge – Managing Director & CEO

Key headlines

Safety

- 71% improvement in LTIFR, 0.28 now at World Class performance
- 49% improvement in MTIFR

Earnings

- Statutory EBIT down 32% - includes transformation related asset impairment ($190m), other asset impairments ($127m) and voluntary redundancy costs ($69m)
- Underlying EBIT up 13% - driven by strong volume growth, transformation benefits

Operating Ratio

- 77.7%, 2.1ppt improvement from FY2013 at 79.8%
- Transformation target lifted to a range of $250m - $300m ($230m^{+} previously)
- Management focus remains on 75% Operating Ratio target for FY2015

Dividends

- Final dividend declared 8.5cps (payout of 70%/unfranked)
- Total FY2014 dividend 16.5cps, up 34% on FY2013

Growth

- Iron Ore – Joint bid for Aquila Resources successful. Focus now on the development of the West Pilbara Infrastructure Project (WPIP)

Enterprise Agreements

- NSW – new 4 year agreement commenced 1st April 2014
- QLD – Aurizon's application to Fair Work Commission to terminate all current EAs referred to the Full Bench, with hearing scheduled for November 2014

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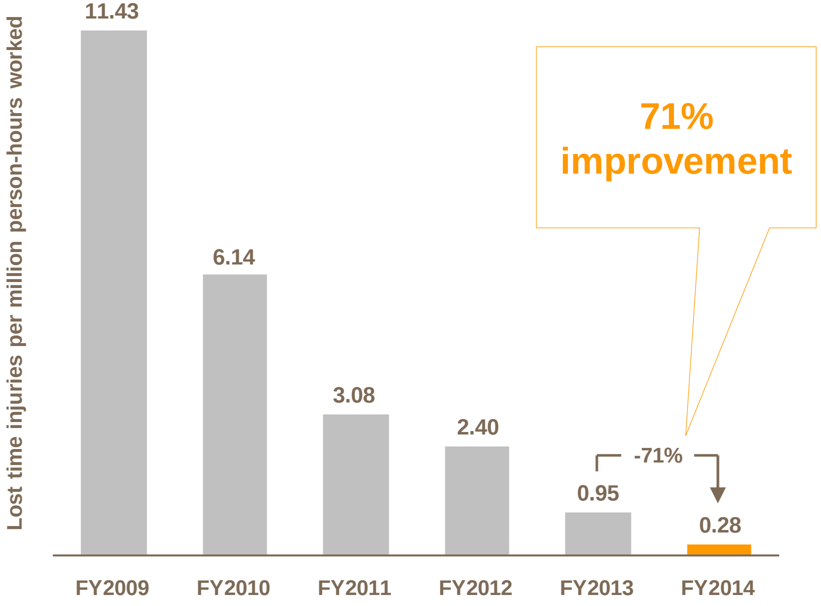
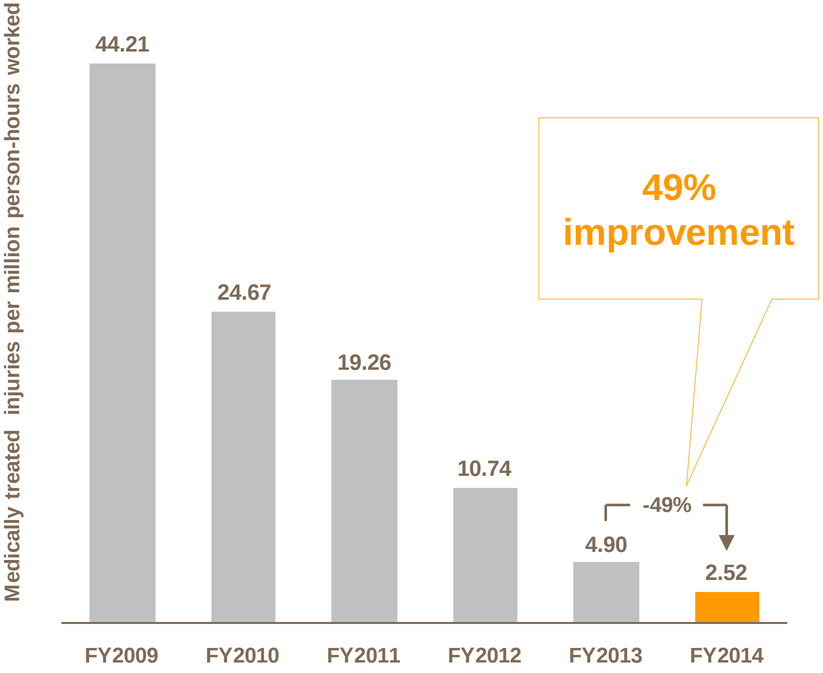
Safety performance, our target is ZEROHARM

Lost Time Injury Frequency Rate (LTIFR)[1]



71% improvement

Medically Treated Injury Frequency Rate (MTIFR)[1]



49% improvement

[1] LTIFR & MTIFR includes employees only and does not include contractors

Statutory earnings impacted by significant items

$m	FY2014	FY2014		FY2013
		2H	1H	
Total Revenue	3,832	1,867	1,965	3,766
Statutory EBITDA	965	513	452	1,182
Statutory EBIT	**465**	**264**	**201**	**685**
Significant items				
Transformation-related asset impairments	190	43	147	
Other asset impairments	127	77	50	
Voluntary redundancy program	69	44	25	96
Stamp duty	-	-	-	(27)
Underlying EBIT[1]	**851**	**428**	**423**	**754**
Net finance costs	(112)	(59)	(53)	(103)
Underlying profit before tax	**739**	**369**	**370**	**651**
Underlying Income tax expense	(216)	(109)	(107)	(164)
Underlying NPAT	**523**	**260**	**263**	**487**
Statutory NPAT	**253**	**146**	**107**	**447**

- For details of the Significant items, refer to slide 14

Note:

[1] 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 and is derived as noted in the table above

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Financial highlights – Underlying

$m	FY2014	FY2013	Variance
Total revenue	3,832	3,766	2%
EBITDA	1,351	1,251	8%
EBIT	851	754	13%
NPAT	523	487	7%
EPS[1] (cps)	24.5	21.6	13%
Final dividend (cps)	8.5	8.2	4%
ROIC	8.8%	8.0%	0.8ppt
Gearing	28.4%	26.7%	(1.7ppt)

13% improvement in underlying EBIT & EPS

- Coal volume up 9% driven by higher demand in both Queensland and Hunter Valley
- Iron Ore volume up 21%, at full contractual capacity
- Transformation benefits $129m
- Network has not benefited from record tonnes due to fixed revenue environment under transitional tariffs. $70m over collection not recorded in underlying EBIT
- Dividend payout ratio increased to 70%, based on underlying NPAT to exclude significant items
- Total dividend 16.5cps vs. 12.3cps in FY2013

Note: Please refer to slide 67 for definitions/glossary

[1] EPS calculated on weighted average number of shares on issue 2,137,284,503 in FY2014 and 2,257,248,177 in FY2013

Operating highlights

	FY2014	FY2014		FY2013	FY2014 vs. FY2013 Variance
		2H	1H		
Revenue / NTK ($/000 NTK)	51.7	52.2	51.3	55.8	(7%)
Labour Costs / Revenue	27.1%	27.2%	26.9%	29.0%	1.9ppt
NTK / Employee (FTE) (MNTK)	9.8	9.5	10.1	8.5	15%
Opex / NTK ($/000 NTK)	40.2	40.2	40.2	44.5	10%
EBITDA Margin – Underlying	35.3%	36.3%	34.4%	33.5%	1.8ppt
Operating Ratio – Underlying	77.7%	77.0%	78.4%	79.8%	2.1ppt
NTK (bn)	73.9	35.7	38.2	67.0	10%
Tonnes (m)	286.6	137.2	149.4	267.7	7%
People (FTE)	7,524	7,524	7,601	7,851	4%

Opex / NTK improved 10%

- Revenue / NTK decrease driven by lower Network revenue due to capped transitional tariffs for CQCN
- Coal above rail revenue / NTK in line with FY2013
- Voluntary redundancy - 410 employees impacted during FY2014, with provision for closure of Redbank & Townsville
- Integrated Operating Plan delivering strong NTK growth more efficiently
  - ○ NTK/Employee up 15%
  - ○ Average Coal payloads increased 3%

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Note: Including diesel fuel rebate as revenue for purposes of determining remuneration targets, Operating Ratio would be 78.2%

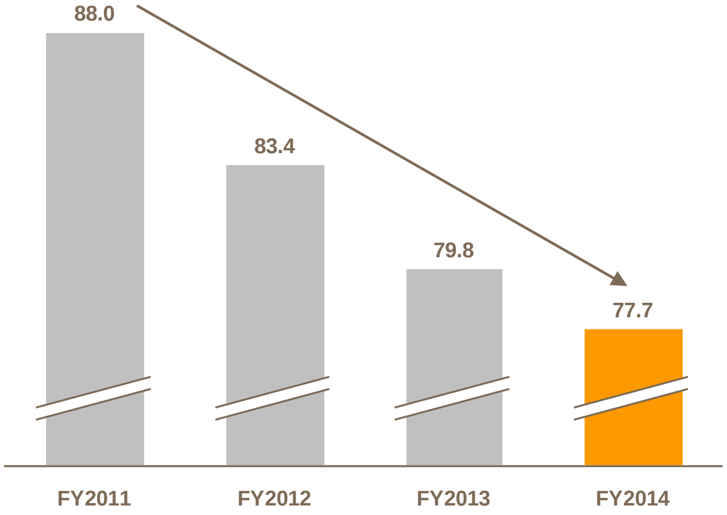
On track to deliver 75% operating ratio in FY2015

FY2014 achieved $129m in transformation benefits against a target of $90m

- **Operations benefits - $96m**
  - $42m reduction in labour
  - $29m in fleet productivity
  - $13m in fuel productivity
  - $12m improved safety performance
- **Centralised support benefits - $33m**
  - $15m reduction in labour costs
  - $11m reduction in professional services/discretionary spend
  - $7m reduction in other costs
- **Net costs to deliver of $55m:**
  - VRP[1] - $37m
  - Non-VRP costs - $18m

Aurizon has increased its cost reduction and productivity improvements target to a range of $250m - $300m (vs. $230m⁺ previously) in order to achieve the 75% Operating Ratio target for FY2015

2.1ppt improvement vs. FY2013



[1] Note that a further $32m of VRP costs has been included in FY2014 to account for expected additional redundancies associated with the progressive closure of the Redbank and Townsville workshops as announced during the year

Results analysis

Keith Neate - EVP & CFO

FY2014 vs. FY2013 underlying EBIT bridge

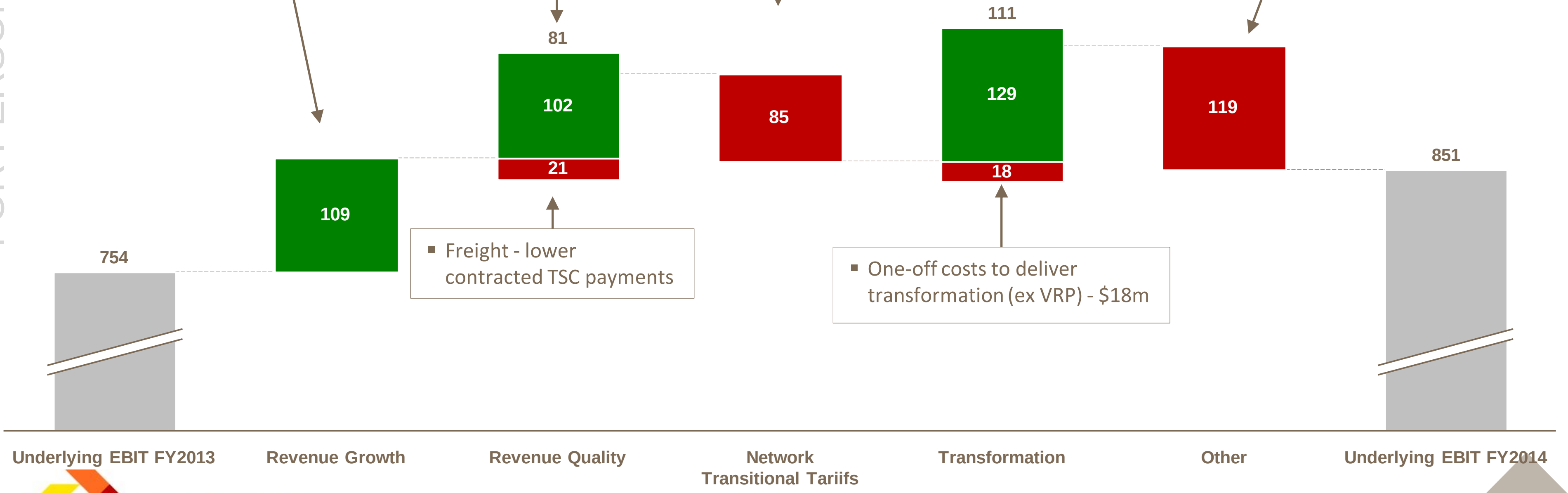
- GAPE contracted tonnes ramp-up - $98m
- Volume growth:
  - Intermodal - $37m
  - Iron Ore - $17m
  - Coal - $10m
  - Bulk - ($53m)
- All movements are net of access and fuel

- Decrease in access revenue (ex. GAPE) - ($60m) due to transitional tariff cap
- Increase in maintenance costs to improve network efficiency to support increased volumes - ($25m)

- Incremental volume related costs (ex access and fuel) for Coal, Intermodal & Iron Ore - ($39m)
- Increase in underlying fuel price - ($20m)
- Non-cash costs adjustments - ($19m)
- Escalation of employee benefits and rates - ($17m)
- Increase in centralised strategic project costs - ($12m)
- Escalation operating costs (ex fuel and access) - ($11m)

- Revenue Quality:
  - Coal - $98m net of:
    - ToP impact ($8m)
    - DTC impact($29m)
  - Iron Ore - $4m

- Operations initiatives - $96m
- Centralised support costs - $33m



- Freight - lower contracted TSC payments

- One-off costs to deliver transformation (ex VRP) - $18m

For Definitions/glossary please refer slide 67

Underlying EBIT by segment

$m	FY2014	FY2014		FY2013[1]	Variance
		2H	1H		
Network	412	195	217	417	(1%)
Coal	400	213	187	320	25%
Iron ore	103	53	50	97	6%
Freight	34	14	20	23	48%
Unallocated[2]	(98)	(47)	(51)	(103)	5%
Group	**851**	**428**	**423**	**754**	**13%**

Key drivers of Group performance:

- Network - capped transitional revenue for CQCN with increased network maintenance costs to support record volume throughput
- Coal - volumes up 9%, operational productivity improvement
- Iron Ore - contract utilisation at 100%, noting contracted tonnages will reduce from 30mtpa to 23mtpa from FY2015
- Freight – transformation driving operating cost reductions more than offsetting volume decline

[1] Historical financials have been re-stated to reflect the internal restructure of Aurizon Network – refer ASX release 13 January 2014

[2] Unallocated includes costs which cannot be directly allocated to the business functions or distinguished between each of the segments and as such are reported as 'Unallocated' e.g. Finance, Strategy, Business Development, Human Resources and Enterprise Service costs

Key FY2014 segment earnings drivers

Network

- Record volume throughput over the CQCN of 214.5mt, an increase of 32mt (18%) on FY2013
- Underpinning performance was a significant enhancement in network reliability:
  - 33% reduction in delays
  - 47% reduction in Network caused cancellations
- CQCN regulated access revenue (ex. GAPE) declined due to capped transitional tariffs
- GAPE contracted volume ramp-up
- Operating cost increase due to record volumes

Coal

- 9% QLD and 7% NSW volume growth
- NTK's up 13% reflecting 4% longer average haul length, driven by GAPE and Whitehaven volumes
- Yield flat reflecting customer and contract mix, haul length, and increased contract utilisation
- Revenue / GCNTK increased 15%
- Integrated Operating Plan efficiencies of $41m, with 6% reduction on total operating expense, equivalent to 16% reduction per NTK

Iron Ore

- 21% increase in volumes hauled and 18% increase in NTK's
- Revenue growth of 6% reflects impact of take-or-pay in 2013 – consistent with revenue / NTK down 11%
- Opex / NTK improved 11%, reflecting full asset utilisation, and despite 2% reduction in average haul length

Freight

- Volumes decreased by 6%
  - Bulk down 9%
  - Intermodal up 17%
- 2H FY2014 Bulk revenue and volumes impacted by lower QLD grain volumes, unscheduled customer plant shut down, impact of Indonesian Govt. Nickel export ban
- Transport Services Contract (TSC) revenues down $21m
- Significant start-up costs incurred to service new customer contracts in Intermodal
- Implementation of Integrated Operating Plan initiatives has delivered $55m in transformation benefits

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Please refer to slides 37 – 52 for additional information

Significant items for FY2014

Asset Class	($m) Pre-Tax	
Transformation-related asset impairments:		
Rollingstock	170	▪ Integrated Operating Plan identified 200 locomotives and almost 2,800 wagons as surplus ▪ 76 locos and 2,387 wagons sold during the year, with further disposals to follow ▪ Sustainable benefit expected to average ~$20m pa over next 5 years
Non-core Freight assets	20	▪ Statutory year end review of the carrying value of cash generating units, certain non-core Freight assets impaired
	190	
Other asset impairments:		
Strategic Projects	73	▪ Abbot Point T4 Expansion: principally due to progress with GVK Hancock on their Galilee corridor and potential development of T3 ▪ East Pilbara Independent Railway: project considered less probable in the short to medium-term given focus on the West Pilbara Infrastructure Project ▪ Surat Basin JV: termination of the joint venture in February 2014
Assets Under Construction[1]	54	▪ Dudgeon Point Coal Terminal Expansions and Wiggins Island Rail Project - Phase 2 now considered longer-term projects based on customer demand ▪ Other minor projects
	127	
Voluntary Redundancy Program (VRP)	**69**	▪ FY2014 VRP - 410 employees accepted: 246 Operations, 159 Support and 5 Network Ops

[1] The Assets Under Construction amounts to be written off exclude those components of the projects that have been specifically underwritten by customers. Further, the amounts written off are underwritten by the regulatory revenue mechanism, and as such, recovery will be sought through the normal regulatory process, notwithstanding the immediate accounting treatment

Cash flow summary

$m	FY2014	FY2013
EBITDA - statutory	965	1,182
Working Capital & Other movement	341	(133)
Cash from operations	**1,306**	**1,049**
Net finance costs	(114)	(112)
Income taxes paid	(124)	(31)
Net operating cash flows	**1,068**	**906**
Net cash (outflow) from investing activities	**(830)**	**(891)**
Free cash flow	**238**	**15**
Net proceeds from borrowings	342	1,306
Payment for share buyback and share based payments	(24)	(1,112)
Dividends paid to Company shareholders	(346)	(200)
Net cash (outflow) from financing activities	**(28)**	**(6)**
Net increase in cash	**210**	**9**
Closing cash position	**318**	**108**

Free cash flow up $223m on FY2013

- Non-cash impairments of $317m
- Tax paid increased due to higher taxable profits
- Capex principally WIRP, Hay Point and Rolleston Electrification
- Net borrowings to fund acquisition of Aquila with Baosteel and Network capital expenditure programs
- Increase in dividend payout ratio to 65% for FY2014 dividends paid (Note: FY2014 Final dividend payout ratio increased to 70%)

Disciplined capital management remains a core focus

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Strong balance sheet

As at ($m)	30 June 2014	30 June 2013
Total current assets	1,336	933
Property, plant & equipment	9,441	9,460
Other non-current assets	172	126
Total assets	**10,949**	**10,519**
Other current liabilities	(853)	(782)
Total borrowings	(2,841)	(2,479)
Other non-current liabilities	(882)	(762)
Total liabilities	**(4,576)**	**(4,023)**
Net assets	**6,373**	**6,496**
Gearing **(net debt/net debt + equity)**	**28.4%**	**26.7%**

- Increase in total current assets due to $210m increase in cash and cash equivalents and $88m increase in assets held for sale
- Increase in borrowings to fund acquisition of Aquila with Baosteel and Network capital expenditure programs
- Liquidity at 30 June 2014 of $939m (undrawn facility + cash)
- Interest cost on drawn debt reduced 30bps to 4.8% following refinancing during the year
- Intention to refinance debt of $1,500m in FY2015 (due to mature in June 2016)
- No change to stable credit rating BBB+/Baa1 at both Group and Network

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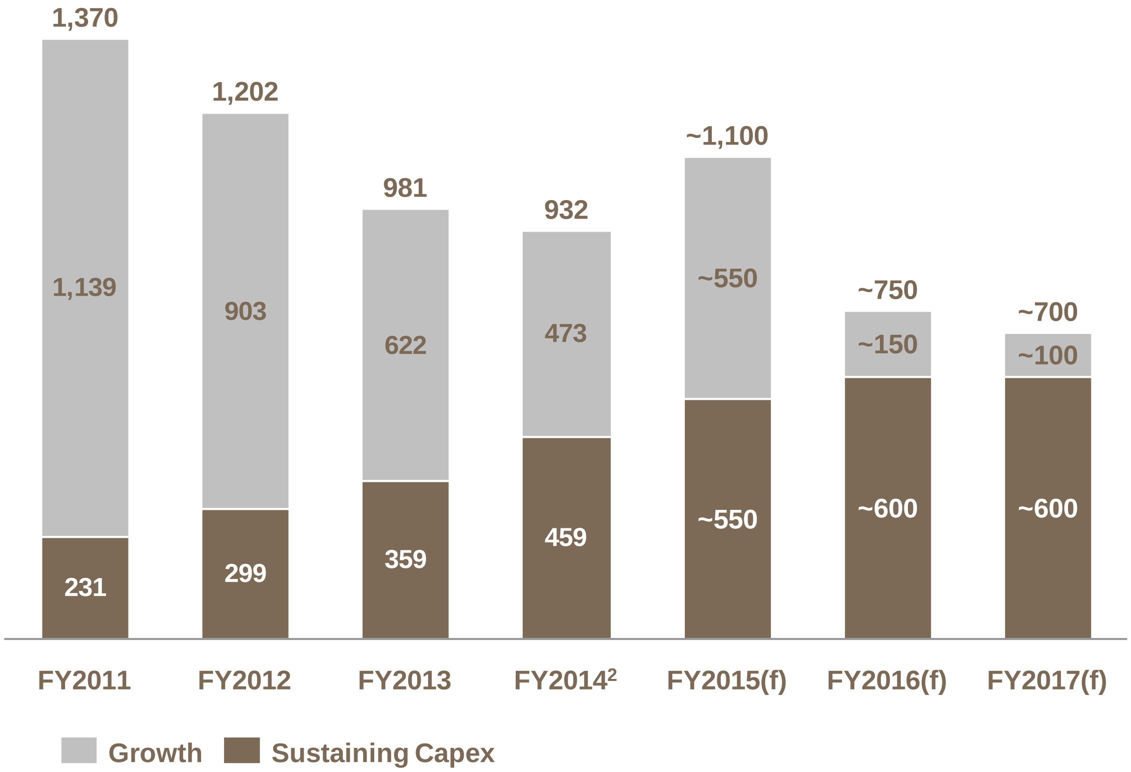
Committed capital expenditure profile

Committed growth vs. sustaining capex[1] ($m)



- Growth Capex includes WIRP, Rolleston Electrification, Hexham and Whitehaven rollingstock
- FY2014 sustaining capex:
  - additional spend for coal wagon and locomotive overhauls identified as part of the Rollingstock Master Plan
  - acquisition of new, high capacity rail grinding and ballast cleaning equipment deployed in Network
- FY2015-FY2017 forecast sustaining capex has increased from $350m to $600m per annum due to planned investment in:
  - transformational technology solutions including both information and operating technology systems to deliver long-term transformation benefits
  - on-going investment in high capacity Network track maintenance equipment and upgrade of rollingstock fleet as part of the delivery of the IOP as flagged in the December 2013 Investor Briefing
- In the longer-term, sustaining capex expected to approximate depreciation

1. Includes capitalised interest (FY2014: $34m, FY2013: $22m)
2. Please refer to slide 57 for a breakdown of capital expenditure by segment

Operations – “Drive to 75”

Mike Franczak – EVP Operations

Significant improvement in core operational performance

Operations delivered a 9% improvement in operating expenses (c/NTK)[2] vs. FY2013

	Metric	Basis	FY2014	FY2013	FY2014 vs. FY2013 Variance	2H FY2014	2H FY2013	2H FY2014 vs. 2H FY2013 Variance
Production	Net tonne kilometres (bn)	Annual	73.9	67.0	10.3%	35.7	33.5	6.6%
	Tonnes (m)	Annual	286.6	267.7	7.1%	137.2	133.9	2.5%
People	Full time equivalents (FTE)[3] (Ops)	Monthly	5,666	6,006	5.7%	5,590	5,848	4.4%
	NTK/Employee (FTE)[1,3]	Annual	13.04	11.19	16.5%	12.76	11.44	11.6%
Fleet	NTK/Active loco	Monthly	9.59	8.02	19.6%	9.55	8.16	17.0%
	NTK/Active wagon	Monthly	0.41	0.35	17.1%	0.40	0.35	14.3%
Productivity & efficiency	Average Payload Coal (tonnes)	Monthly	7,920	7,711	2.7%	7,917	7,769	1.9%
	Turnaround time – CQCN (hrs)	Monthly	25.43	27.23	6.6%	25.50	27.69	7.9%
	Fuel consumption[4] (l/dGTK)	Annual	3.27	3.44	5.1%	3.23	3.40	4.9%

1. The NTK/Employee metric is annualised for operational purposes and uses monthly average FTE
2. Operations costs base includes Coal, Iron Ore and Freight and Intermodal road solutions costs (unless otherwise noted) but excludes Access and Electricity costs
3. FTE figures are restated due to the restructure of Intermodal line haul and Intermodal solutions into Operations
4. FY2013 and 2H FY2013 numbers are restated for correction in intercompany fuel transfers between Bulk West and Intermodal. Note: Variances are calculated on actual and not rounded figures

Blackwater opportunity cost saving of $34m through the delivery of increased volumes on a flat cost base

Operational Performance

	FY2013	FY2014
Volumes (MTPA)	50.5	62.0
	=	=
Consists	28	28
Train crew	380	370
Network Paths[1]	12,708	14,748
	✖	✖
Increase velocity Turnaround Time	36hrs	31hrs
	✖	✖
Maximise train Payloads - wagons	93 wagons/consist[2]	97 wagons/consist[2]

IOP

Transformation

Improvement

- 23% mtpa increase
- Increase tonnes supported by same number of consists and train crew
- 15% Improvement in turnaround time

  41 more train cycles available in FY2014
- 4% improvement in consist payload

  275 less train trips required in FY2014

Drivers

Turn around Time (TAT)

- Improved pathing during WIRP closures increased services in Blackwater
- Implement initiatives to reduce the level of dwell e.g. remove all unplanned allowance in Callemondah yard
- Run daily Engine room meeting to improve day of operations performance and incident management

Payloads

- Increased train length of Minerva consists
- Increase payload
  - ○ Diesels converted 98 to 100 wagon
  - ○ ACs converted 92 to 102 wagons

Operational Efficiencies

Labour Productivity
~$15m[3]
100 less FTE required based on FY2013 performance

Fleet Productivity
~$19m[4]
6 less consists required based on FY2013 performance

Energy Efficiency
6% kWh
lower Electricity usage compared to FY2013

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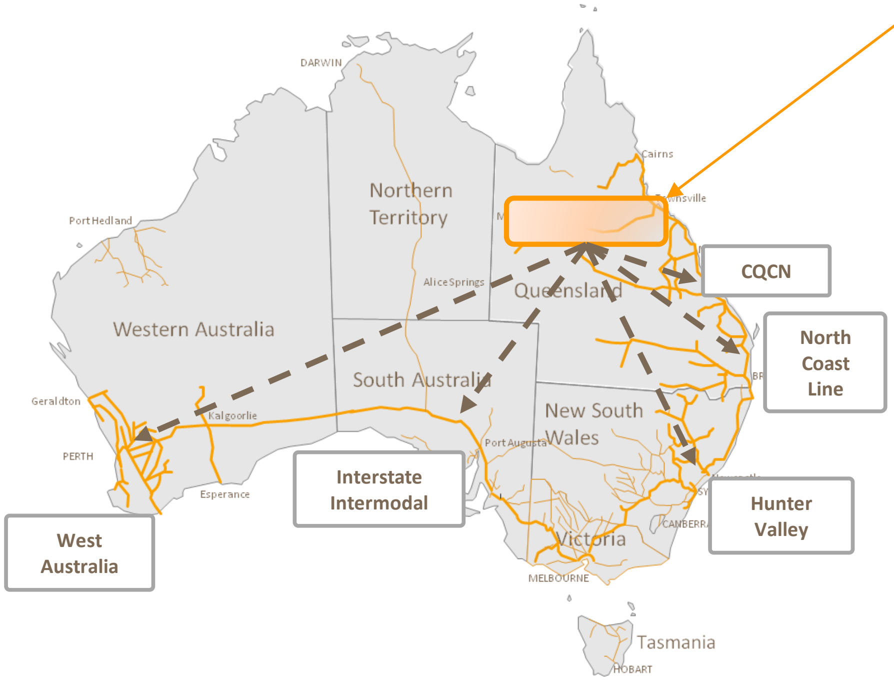
1. Above Rail actual paths utilised (provided by Aurizon Network) – 1 return service = 2 paths
2. Average wagons per consist in the year
3. Assuming there is a flexible workforce available to meet demand
4. Assuming consist and path availability to deliver 62mtpa based on FY2013 performance

Transformation programs underpin operational improvements

Transformational programs

- **Integrated Operating Plan (IOP)**
- Longer / denser trains
- Energy consumption
- Rollingstock maintenance
- Operations technology

THE FULL CASCADE OF THE IOP IS UNDERWAY ACROSS THE NATION


DARWIN
Northern Territory
Cairns
Townsville
Port Hedland
Alice Springs
Queensland
CQCN
Western Australia
South Australia
North Coast Line
Geraldton
Kalgoorlie
PERTH
Esperance
Port Augusta
New South Wales
Interstate Intermodal
CANBERRA
Hunter Valley
West Australia
Victoria
MELBOURNE
Tasmania
HOBART

North West corridor re-design

November 2013
IOP kick-off

New Operating Plan developed

Exit non-core business

Cascade 4000 class locomotives

Implement new crew strategy

Align rollingstock maintenance to new fleet

Exit surplus depots

May 2014
Full re-design implemented

The NW Corridor redesign will provide annualised savings of $6m on a revenue base of ~$110m achieved through depot rationalisation, improved fleet productivity and consolidation of pathing requirements

Delivered $96m transformation in FY2014. Target revised from $\$130\text{m}^{+}$ to a range of $160m-$200m

Category	July 2013 target	FY2014 benefits delivered	FY2015 Focus	Revised target range for FY2014/15
Labour	$50-$70m	$42m	Improvement in labour costs by focusing on productivity and ingraining a “continuous improvement” culture through operational performance and integrated operations	$60-$70m
Fleet Rationalisation	$30-$50m	$29m	Ongoing rationalisation and standardisation of fleet through running longer denser trains, and improved TAT and reliability, resulting in the cascade of assets to replace old inefficient fleet. Minimising leasing costs through increased asset utilisation	$55-$65m
Fuel and Energy	$25-$35m	$13m	Rollout of fuel technologies such as DAS and AESS, continuous driver engagement and implementation of regenerative braking resulting, together with the impact of replacement of older fleet providing improved fuel consumption	$25-$35m
Other	-	$12m	Improvements in consumable spend through better pricing, reduced requirements and improved safety performance	$20-$30m
Total targeted savings	**$\$130\text{m}^{+}$**	**$96m**		**$160m-$200m**

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Further opportunities to improve operational performance

FOOTPRINT
INTERMODAL
PEOPLE
FMT[1]
ACCESS

FOOTPRINT

- Further rationalisation of the facilities footprint
- Driving improvements in materials and labour costs

INTERMODAL

- Minimising leasing costs of assets through increased utilisation
- Continuing service improvement with an internal and external focus

PEOPLE

- Ingraining a “continuous improvement” culture across Aurizon
- Enhancing rules qualification of our front line staff

FMT[1]

- Providing end-to-end visibility across the supply chain process
- Enabling a step change in productivity for FY15 and beyond

ACCESS

- Extracting more value by challenging the way we work with our network suppliers and partners

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[1] FMT = Freight Management Transformation

Other – business update

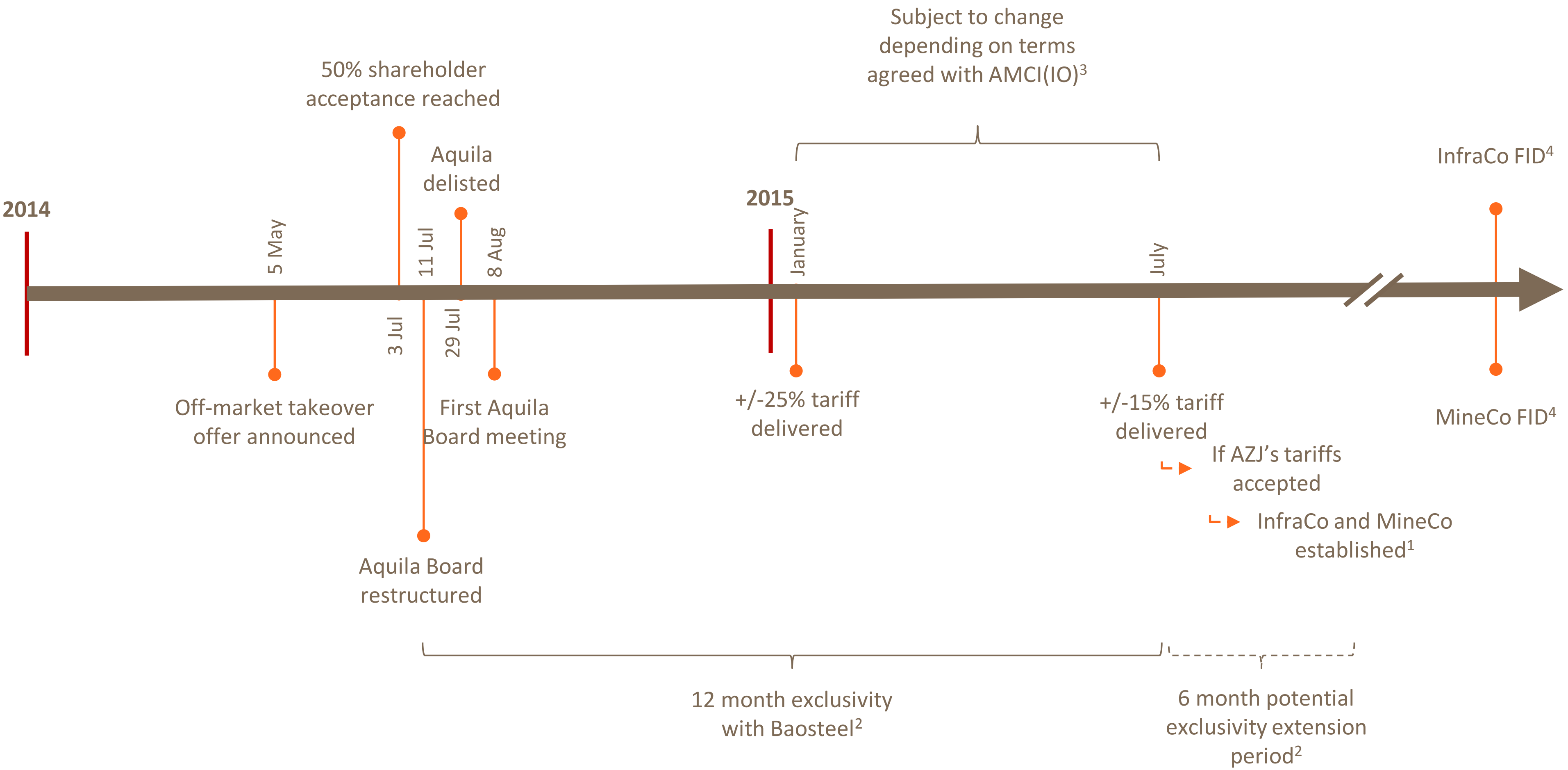
Lance Hockridge – MD & CEO

Strategic Projects – West Pilbara Infrastructure Project

- Aurizon and Baosteel have effected an off-market takeover of Aquila Resources (delisted on 29th July)
- Strategic intent of Aurizon's investment in Aquila is to facilitate development of rail and port infrastructure for the West Pilbara Infrastructure Project ("WPIP")
- Strong strategic rationale for Aurizon participating alongside leading steel producers to unlock the mine assets in the West Pilbara province and to provide world-class multi-user infrastructure with the potential to unlock other presently stranded West Pilbara iron ore projects
- Aurizon's agreements with Baosteel, including an Infrastructure Framework Agreement, provide a minimum 12 month period of exclusivity during which Aurizon will review the existing infrastructure studies, develop infrastructure tariffs and, if these tariffs are accepted by the Australian Premium Iron Joint Venture (APIJV) participants, negotiate the agreements necessary to restructure the APIJV into a mine vehicle and an infrastructure vehicle
- Aurizon's immediate priority is to negotiate the terms on which AMCI(IO)[1] and/or its owners, as participants in the APIJV, become a party to similar agreements that set out the pathway by which Aurizon can secure the rights to develop the West Pilbara Infrastructure
- While these terms are being negotiated, a confidentiality agreement allows Aurizon access to APIJV information, including existing feasibility studies, for due diligence purposes
- Any infrastructure development will be subject to (among other things) a Final Investment Decision by Aurizon and will only occur following detailed planning and feasibility studies, concurrent development of West Pilbara Iron Ore Project (WPIOP) mines and entry into appropriate take or pay contracts to support the tonnage profile for viable rail and port infrastructure
- It is Aurizon's intention, following the successful development of the WPIP rail and port infrastructure, to divest its shareholding in Aquila

1. AMCI (IO) – American Metals & Coal International Inc. (51%) and POSCO (49%)

Aquila Resources and West Pilbara Infrastructure Project timeline



Subject to change depending on terms agreed with AMCI(IO)[3]
50% shareholder acceptance reached
Aquila delisted
InfraCo FID[4]
2014
2015
5 May
11 Jul
8 Aug
January
July
3 Jul
29 Jul
Off-market takeover offer announced
First Aquila Board meeting
+/-25% tariff delivered
+/-15% tariff delivered
MineCo FID[4]
If AZJ's tariffs accepted
InfraCo and MineCo established[1]
Aquila Board restructured
12 month exclusivity with Baosteel[2]
6 month potential exclusivity extension period[2]

Note: All future dates subject to change with agreement from all parties

1. Dependent on acceptance of the tariff by the APIJV participants and negotiation of relevant agreements
2. Timeframes as per the Infrastructure Framework Agreement between Baosteel and Aurizon
3. AMCI (IO) – American Metals & Coal International Inc. (51%) and POSCO (49%)
4. FID = Final Investment Decision

Strategic Projects - other

Galilee Basin (Coal)

- Aurizon progressing with GVK Hancock to acquire 51% interest in Hancock Coal, which holds the Abbot Point T3 (Port Project) and Galilee Basin (Rail Project)
- Aim is to form a JV with the objective of progressing the development of a multi-user rail network and a new coal terminal at the existing Abbot Point Port
- Strategic rationale to unlock the Galilee Basin's coal reserves and support the next phase of coal growth in the Bowen Basin; consistent with Aurizon's strategy to operate, develop and integrate bulk supply chains across Australia
- Finalisation of definitive documents deferred to align with completion, which is expected to occur in early CY2015

Moorebank (Intermodal)

- The Sydney Intermodal Terminal Alliance (SIMTA) consortium, comprising Qube (67% interest) and Aurizon (33% interest), have proposed to co-develop the strategic rail and port infrastructure at Moorebank in South Western Sydney
- SIMTA has been granted six month exclusivity (ending November 2014) to complete negotiations direct with the Commonwealth Government owned Moorebank Intermodal Company regarding development and operation of the Moorebank Intermodal Terminal in South Western Sydney
- The project has potential to materially enhance the competitive environment for customers by helping unlock the transport gridlock of Australia's largest city and deliver strategic and critical export infrastructure for the nation

Freight development plan

Greater integration and collaboration across the enterprise to deliver customer service excellence, disciplined operations driving cost efficiencies and productivity gains

Strategy

- Replicate business model successfully implemented in the Coal business to drive improved service, productivity and revenue quality
- Continue to improve capability in the Agricultural and Minerals/Metals markets
- Work with key stakeholders within the supply chain to divert freight from road to rail
- Develop strategic Freight hubs to debottleneck supply chains including Moorebank, Acacia Ridge and Townsville
- Divest non-core assets
- Key transformational programs
  - Integrated Operating Plan (IOP)
    - Improved asset productivity & efficiency
    - Optimising scheduled operations and improving reliability through operations technology
  - Continued engagement and partnering with our customers
  - Commercial arrangements through new form performance based contracts

FY2014 Achievements

- Integration of intermodal freight into the Aurizon Operations function (no longer an incubated business)
- IOP successfully implemented in North-West Corridor (Mt Isa line). Focus continuing on Western Australia, the North Coast Line, Central West Queensland, South West Queensland and interstate Intermodal
- Continued reviews around crew rostering, right sizing, positioning of train crew requirements and regional depot closures
- Key customer new form contract renewals in both Freight and Intermodal businesses in FY2014 with robust FY2015 revenue pipeline
- Closure of Hughenden & Kalgoorlie maintenance depots through consolidation of rollingstock maintenance work
- Consolidation of Queensland planning and control functions
- Transformation plans have delivered $55m in benefits
- Post year-end divestment of logistics subsidiary CRT Group to Qube Logistics (Aust) Pty Limited as deemed a non-core asset

Other matters

Enterprise Agreements update

Queensland

- Aurizon's main efforts have been directed toward negotiating for replacement Enterprise Agreements that are fair, competitive and commercially sustainable
- Aurizon applied to Fair Work Commission (FWC) on 12th May 2014 under s.225 of the Fair Work Act to terminate all of the current 14 EAs
- The applications to terminate have been referred to a Full Bench of the FWC and the matter will be heard in Brisbane, commencing 5 November 2014
- If successful, Aurizon employee conditions will be regulated by the relevant industry awards and the employee's individual contracts
- Aurizon has provided a series of undertakings to maintain a number of the current terms and conditions including pay and allowances

New South Wales

- New four year agreement commenced 1st April 2014

Western Australia

- In Western Australia bargaining has commenced for AWR Rail Operations and Rollingstock Maintenance agreements

Network Regulation update

- There has been a substantial amount of engagement with key stakeholders on all key matters including SUFA and UT4
- Aurizon network withdrew and resubmitted its UT4 submission on 11 August 2014 in order to reflect this engagement
- Draft revenue decision to be published in September 2014
- Draft pricing and policy decision due in December 2014
- Final decision expected to be finalised and take affect by June 2015 (tariffs backdated to 1 July 2013)
- FY2015 transitional Reference Tariffs - recover a total Maximum Allowable Revenue (MAR) of $777m;
  - includes FY2013 revenue cap (including interest) of ~$36m
  - excludes Electric Charge (EC) and rebates
  - forecast volumes of 193.7mt
  - both MAR and volumes are exclusive of GAPE which has different contractual obligations

Outlook & summary

Lance Hockridge – MD & CEO

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FY2015 Outlook

- Based on current market conditions, our volume outlook in respect of FY2015 is:
  - Coal – haulage volumes in a range of 210-220mt
  - Iron Ore – decrease in contracted volumes from 30mt in FY2014 to ~23mt in FY2015 as previously disclosed
  - Freight – modest increase in bulk and intermodal volumes of ~4% in FY2015
- However, FY2015 earnings could be impacted by any one or more of the following events:
  - Industrial action
  - Failure to reach satisfactory outcome on UT4 in FY2015
  - Materially worse cyclone/wet season than FY2014
- Accordingly, Aurizon has increased its transformation target to \$250m-\$300m (vs. \$230m+ previously) in order to achieve the 75% Operating Ratio target

Summary

- Strong underlying result driven by:
  - Volume growth and delivering sustainable value from the transformation program
- Disciplined capital management continues with dividend payout ratio increasing from 65% to 70%
- 75% Operating Ratio for FY2015 remains the key objective for Management
- Enterprise Agreements renegotiations
  - Queensland agreements remain outstanding, however, we will continue to transform and restructure our business regardless
- Growth focus now on development of West Pilbara Infrastructure Project
- Expect medium/long-term demand for Australia's higher quality coal and/or iron ore to be strong to support:
  - China's transition from "construction" to higher quality value-add "consumer" steel products
  - Expected drive in electricity demand (China and India)

Questions & Answers

FY2014 Supporting information

18 August 2014

2014 Full Year Results additional information

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Accounting Changes

Comparison to FY2013 Financial Statements

- Network Segment has been adjusted to reflect the internal restructure of Aurizon Network that occurred on 1 July 2013 (linked to the refinancing of the syndicated debt facilities that occurred on 27 June 2013)
  - Two divisions (previously included within the Network segment) were transferred to Aurizon Operations: Specialised Track Services (STS) and Engineering & Project Delivery (E&PD)
  - The comparative segment note disclosures (HY2012/FY2012) and (HY2013/FY2013) for the Aurizon Network segment have been restated in accordance with the accounting standards to exclude these two divisions
- An adjustment was made to reclassify Enterprise Real Estate costs as a cost transfer from the central support function and not classified as internal other revenue to be consistent with all other internal cost transfers. This has no impact on Group Revenue, Group EBIT or the Group Operating Ratio as eliminated on consolidation
- Refer ASX Announcement 13 January 2014

Planned reporting changes from FY2015

- The Group re-organisation to a functional structure was completed during the year and it resulted in a change of the operating segments of the business
- The operating segments of the Group from FY2015 will be as follows: Commercial & Marketing, Network, Operations and Centralised Support Services
- Restated historical operating segment notes will be provided in advance of the release of the 1H FY2015 results
- FY2015 is a transitional year and both the current and new version of the operating segments will be provided

Network profit & loss - Underlying

$m	FY2014	FY2014		FY2013	FY14 vs. FY13 Variance
		2H	1H		
Tonnes (million)	214.5	106.9	107.6	182.3	18%
Revenue - Access	951	461	490	921	3%
- Services	17	9	8	26	(35%)
- Other	44	21	23	33	33%
Total Revenue	**1,012**	**491**	**521**	**980**	**3%**
Operating costs	(402)	(196)	(206)	(375)	(7%)
EBITDA	610	295	**315**	605	1%
EBITDA margin	60.3%	60.1%	60.5%	61.7%	(1.4ppt)
Depreciation and amortisation	(198)	(100)	(98)	(188)	(5%)
EBIT	**412**	**195**	**217**	**417**	**(1%)**
Operating Ratio - Underlying	**59.3%**	**60.3%**	**58.3%**	**57.4%**	**(1.9ppt)**

- Revenue growth impacted by capped transitional tariffs ($60m)
- GAPE revenue growth of $98m

- Opex increased due to record volumes, no revenue recovery until UT4 decided (currently expected by June 2015)

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Network metrics

		FY2014			FY14 vs. FY13 Variance
	FY2014	2H	1H	FY2013[2]	
EBIT – Underlying ($m)	412	195	217	417	(1%)
Tonnes (m)	214.5	106.9	107.6	182.3	18%
NTK (bn)	54.2	27.0	27.2	44.7	21%
Access revenue / NTK ($/000 NTK)	17.5	17.1	18.0	20.6	(15%)
Maintenance[1] / NTK ($/000 NTK)	2.5	2.5	2.5	2.5	-
Opex / NTK ($/000 NTK)	11.1	11.0	11.2	12.6	12%
Operating Ratio - Underlying	59.3%	60.3%	58.3%	57.4%	(1.9ppt)

- Record volume throughput over the CQCN totalling 214.5mt, an increase of 32mt (18%) on FY2013
- Maintenance spend per NTK remained constant in nominal terms despite record volume throughput
- $70m over collection of revenue will be returned to the customers in 1H FY2015; Network not able to recognise all of the revenue associated with the 18% volume growth
- 21% increase in NTKs, with average haul length increasing 3% from 245kms to 253kms

1. Maintenance costs exclude flood repairs, mechanised ballast undercutting, derailment repairs and electric traction maintenance
2. Historical financials have been re-stated to reflect the internal restructure of Aurizon Network – refer ASX release 13 January 2014

Queensland FY2014 Take-or-Pay[1] - Network and Coal

$m	Coal	Network	Consolidated
Income			
Coal Customers	13.1		13.1
Coal Customers - prior year adjustment	2.2		2.2
Network Customers[2]		60.7	60.7
Prior Year Adjustments		(0.6)	(0.6)
Expense			
Aurizon Network	(13.1)		(13.1)
Queensland Rail	(11.9)[3]		(11.9)
Prior Year Adjustments	(2.2)		(2.2)
EBIT increase/(decrease)	**(11.9)**	**60.1**	**48.2**

- Revenue Protection mechanisms exist where volumes hauled are less than regulatory volumes used to set reference tariffs
- Where actual Network revenues earned are less than the levels used in setting the relevant Reference Tariff, the shortfall is predominantly recovered either through Take-or-Pay charges or the Revenue Cap mechanism
- Take-or-Pay charges are levied on the access holders, with charges based on contracted train service entitlements set out in the Access Agreements
- New form contracts enable the above rail operator to pass this charge through to the customer
- The weaker contractual protection under "Old Form" contracts exposes Aurizon's above rail business in situations where Take-or-Pay charges levied by Aurizon Network cannot be passed through to the end customer

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[1] Take-or-Pay charge is levied by Aurizon Network to above rail operators (Aurizon and Pacific National) and GAPE access holders
[2] Generally, GAPE access entitlements are contracted directly with the GAPE access holders NOT the above rail operator i.e. Aurizon Network charges the miners directly for GAPE access tariffs
[3] Peabody – Wilkie Creek mine closure, no Take-or-Pay pass through

Network revenue cap adjustments

Year	AT_{2-4} (diesel tariff) $m	AT_5 (electric tariff) $m	Total $m
2014[1]	15.4	(8.4)[3]	7.0
2013[2]	34.6	13.4	48.0
2012	3.3	13.5	16.8
2011	23.2	36.3	59.5

- A further revenue protection mechanism is the revenue cap adjustment. Actual Network revenue is compared to the regulatory determination, and under/over recoveries are adjusted in the Reference Tariffs in the second financial year subsequent
- Take-or-Pay charges, where applicable are included within Total Actual Revenue under the Revenue Cap Mechanism
- The FY2014 revenue difference to the System Allowable Revenue will be repaid via an Adjustment Charge mechanism in FY2015 rather than via the Revenue Cap process. Adjustment charges will apply for Goonyella and Blackwater where railings were above the Regulatory Forecast. All other Systems capped after Take-or-Pay to their respective System Allowable Revenue
- As a result, FY2014 (indicative) Revenue Cap recovery relates to rebate volume and energy cost variations only
- FY2013 represents final amounts including GAPE ($10.0m) and costs of capital adjustment

Note: AT = Access Tariff Revenue Adjustment Amount

[1] Indicative revenue cap recovery (excludes cost of capital adjustment)

[2] FY2013 represents final amounts including GAPE ($10.0m) and costs of capital adjustment

[3] Return to access holders

Central Queensland Coal Network volumes (mt)

	FY2014	FY2014		FY2013
		2H	1H	
Newlands	12.0	5.9	6.1	14.5
Goonyella	114.4	57.1	57.3	97.6
Blackwater	63.1	31.4	31.7	54.9
Moura	12.5	6.2	6.3	10.8
GAPE	12.5	6.4	6.1	4.5
Total	**214.5**	**106.9**	**107.6**	**182.3**
Average haul length (kms)	253	253	253	245

1. Note: table represents tonnes hauled on the CQCN by all operators
2. Total does not add due to rounding

Coal profit & loss - Underlying

$m		FY2014	FY2014		FY2013	FY14 vs. FY13 Variance
			2H	1H		
Revenue	- Above Rail	1,211	614	597	1,079	12%
	- Below Rail	649	289	360	776	(16%)
	- Other	4	3	1	8	(50%)
Total Revenue		**1,864**	**906**	**958**	**1,863**	**-**
Operating costs		(1,291)	(608)	(683)	(1,369)	6%
EBITDA		**573**	**298**	**275**	**494**	**16%**
EBITDA margin		30.7%	32.9%	28.7%	26.5%	4.2ppt
Depreciation and amortisation		(173)	(85)	(88)	(174)	1%
EBIT		**400**	**213**	**187**	**320**	**25%**
Operating Ratio - underlying		78.5%	76.5%	80.5%	82.8%	4.3ppt

- Above rail revenue increased $132m driven by the strong volumes
- Below rail access revenue (and the corresponding operating cost) decreased $127m reflecting the lower transitional tariffs, and increases in customers paying Access Tariffs direct to Network
- $41m in transformation benefits principally lower labour, fuel efficiency and maintenance costs

Coal metrics

		FY2014	FY2014		FY2013	FY14 vs. FY13 Variance
			2H	1H		
EBIT – Underlying ($m)		400	213	187	320	25%
Tonnes hauled (m)	- QLD	169.9	81.3	88.6	155.8	9%
	- NSW	40.5	19.4	21.1	37.9	7%
	- Total	**210.4**	**100.7**	**109.7**	**193.7**	**9%**
NTK (bn)	- QLD	42.8	20.7	22.1	37.8	13%
	- NSW	6.4	3.0	3.4	5.8	10%
	- Total	**49.2**	**23.7**	**25.5**	**43.6**	**13%**
Opex / NTK ($/000 NTK)		29.8	29.2	30.2	35.4	16%
Operating Ratio - Underlying		78.5%	76.5%	80.5%	82.8%	4.3ppt

- Total NTK growth of 13% was greater than the 9% increase in volumes due to increased GAPE volumes and the commencement of Whitehaven volumes, both of which have a longer than average haul length
- Revenue / GCNTK increased 15% reflecting above rail revenue growth on a marginally smaller contracted NTK base
- 6% reduction in operating costs resulted in a 16% decrease in operating costs per NTK with lower access costs and transformation benefits partly offset by incremental operating costs relating to higher volumes

Coal metrics (continued)

	FY2014	FY2014		FY2013	FY14 vs. FY13 Variance
		2H	1H		
Above Rail Revenue / NTK ($/000 NTK)	24.6	25.9	23.4	24.7	-
Below Rail Revenue / NTK ($/000 NTK)	13.2	12.2	14.1	17.8	(26%)
Total Revenue / NTK ($/000 NTK)	37.9	38.2	37.6	42.7	(11%)
Volumes under New Form Contracts	53%	53%	52%	42%	11ppt
Above Rail Revenue / Gross Contracted NTK	22.5	23.1	21.9	19.6	15%
Contract utilisation	91%	88%	93%	80%	11ppt
Average haul length (Km)	233	235	232	225	4%

- Above Rail Revenue / NTK in line with prior year:
  - $29m decrease in DTC - refer slide 47
  - Volume mix - ~50% of volume growth from lower yielding legacy contract
  - Average haul length increased 4% to 233km, generally earning lower revenue per NTK
- Contract utilisation increased 11ppts to 91% contributing to the 9% volume growth

Coal haulage tonnages (mt) by system

	FY2014	FY2014		FY2013	FY14 vs. FY13 Variance
		2H	1H		
Queensland					
Newlands	16.4	8.2	8.2	17.0	(4%)
Goonyella	70.8	32.2	38.6	68.6	3%
Blackwater	62.0	31.3	30.7	50.5	23%
Moura	12.6	6.1	6.5	10.9	16%
West Moreton	8.1	3.5	4.6	8.8	(8%)
Total Qld	**169.9**	**81.3**	**88.6**	**155.8**	**9%**
New South Wales					
Hunter Valley	40.5	19.4	21.1	37.9	7%
Total Coal	**210.4**	**100.7**	**109.7**	**193.7**	**9%**

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Coal Take-or-Pay accrual

$m		FY2014		
	FY2014	2H	1H	FY2013
Take-or-Pay charge[1] (Expense)	(25.0)	(20.0)	(5.0)	(16.0)
Take-or-Pay passed through to customers (Revenue)	15.3	9.4	5.9	13.9
Adjustments[2] relating to earlier years	(2.2)	-	(2.2)	(1.8)
Net EBIT impact	**(11.9)**	**(10.6)**	**(1.3)**	**(3.9)**

- Net EBIT impact from non-pass through of ToP $8m worse that FY2013 due to Peabody's Wilkie Creek mine closure

[1] Principally from Aurizon Network, however some relates to QR for the West-Moreton system

[2] Adjustments occur as the Take-or-Pay accruals are based on estimates, which are trued up in the following period

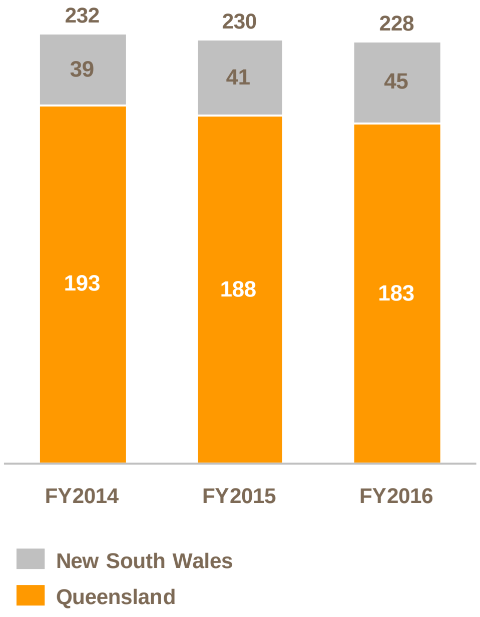
Queensland Coal - Deficit Tonnage Charges (DTC)

DTC ($m)	2H	1H	Full Year Charge	YoY Variance
2014	1	7	8	(29)
2013	4	33	37	8
2012	8	21	29	14
2011	10	5	15	

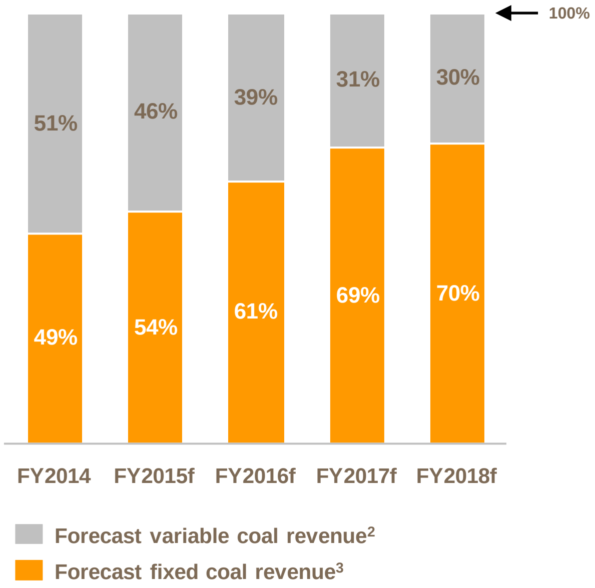
- A form of protection for the above rail coal business when actual tonnages are less than contracted
- DTC refers to the period in which the income was recognised in the P&L, not the period the haulage task occurred which is the previous financial year
- Usually seen in old form or “legacy” contracts
- Annual charge to the customer after the contract year has finished (i.e. contracts ending 30 June will have DTC levied in the first half of the subsequent financial year)
- Only levied if haulage is below a pre-determined level for at least five of the twelve months for the contract year
- Generally set at a low proportion of the haulage freight rate

Above Rail Coal contractual outlook

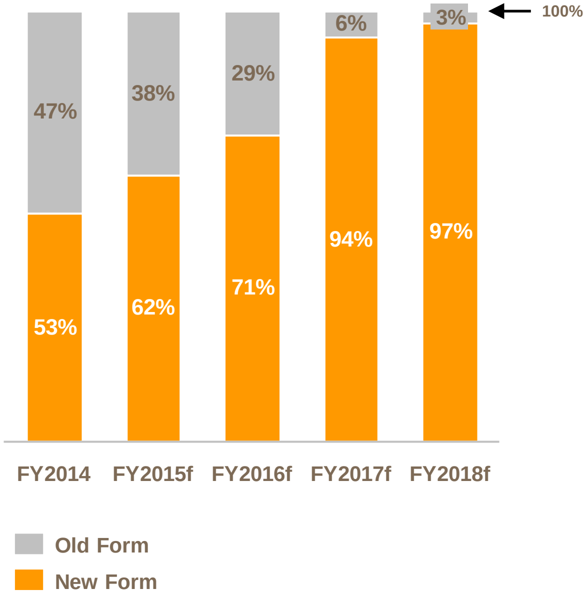
Aurizon's Annualised Above Rail Coal Contracted Volumes (mtpa)[1]



Coal above rail revenue breakdown



"Old Form" vs. "New Form" coal volumes[4]



1. This represents the contracted tonnes as at 1 August 2014. The existing Aurizon contracted tonnes include nominations, options or other uncertainty that have the potential to cause variance in our "contracted" tonnes
2. Variable Coal revenue = Above Rail Variable Usage Charges/tonne including performance bonuses, incentives and fuel charges
3. Fixed coal revenue = includes capacity charges and other revenue (i.e. deficit tonnage charges)
4. Old Form/New Form coal volumes are based on forecast contracted volumes

Iron Ore profit & loss - Underlying

$m	FY2014	FY2014		FY2013	FY14 vs. FY13 Variance
		2H	1H		
Revenue	378	188	190	357	6%
Operating costs	(239)	(119)	(120)	(223)	(7%)
EBITDA	139	69	70	134	4%
EBITDA margin	36.8%	36.7%	36.8%	37.5%	(0.7ppt)
Depreciation expense	(36)	(16)	(20)	(37)	3%
EBIT	103	53	50	97	6%
Operating Ratio - Underlying	72.8%	71.8%	73.7%	72.8%	-

- Revenue growth not as strong as volume growth due to the impact of capacity charges arising in FY2013 for volumes contracted but not railed
- Cost increases due to the 21% volume growth

Iron Ore metrics

		FY2014			
	FY2014	2H	1H	FY2013	FY14 vs. FY13 Variance
EBIT – Underlying ($m)	103	53	50	97	6%
Tonnes hauled (m)	29.9	14.9	15.0	24.7	21%
Contract Utilisation[2]	100%	100%	100%	82%	18ppt
NTK (bn)	12.2	6.1	6.1	10.3	18%
Revenue / NTK ($/000 NTK)	31.0	30.8	31.1	34.7	(11%)
Opex / NTK ($/000 NTK)	22.5	22.1	23.0	25.2	11%
Operating Ratio - Underlying	72.8%	71.8%	73.7%	72.8%	-
Average haul length (Km)	408	409	407	417	(2%)

- Capacity charge income in FY2013 contributed to the reduction in revenue / NTK of 11%
- Operating performance continued to improve with Opex / NTK decreasing 11%, due to the operational efficiencies gained as contractual capacity hit 100%

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Freight profit & loss – Underlying

(Freight includes Bulk and Intermodal businesses)

($m)	FY2014	FY2014		FY2013	FY14 vs. FY13 Variance
		2H	1H		
Revenue	1,029	479	550	1,082	(5%)
Operating costs	(941)	(440)	(501)	(1,002)	6%
EBITDA	88	39	49	80	10%
EBITDA margin	8.6%	8.1%	8.9%	7.4%	1.2ppt
Depreciation and amortisation	(54)	(25)	(29)	(57)	5%
EBIT	34	14	20	23	48%
Operating Ratio - Underlying	96.7%	97.1%	96.4%	97.9%	1.2ppt

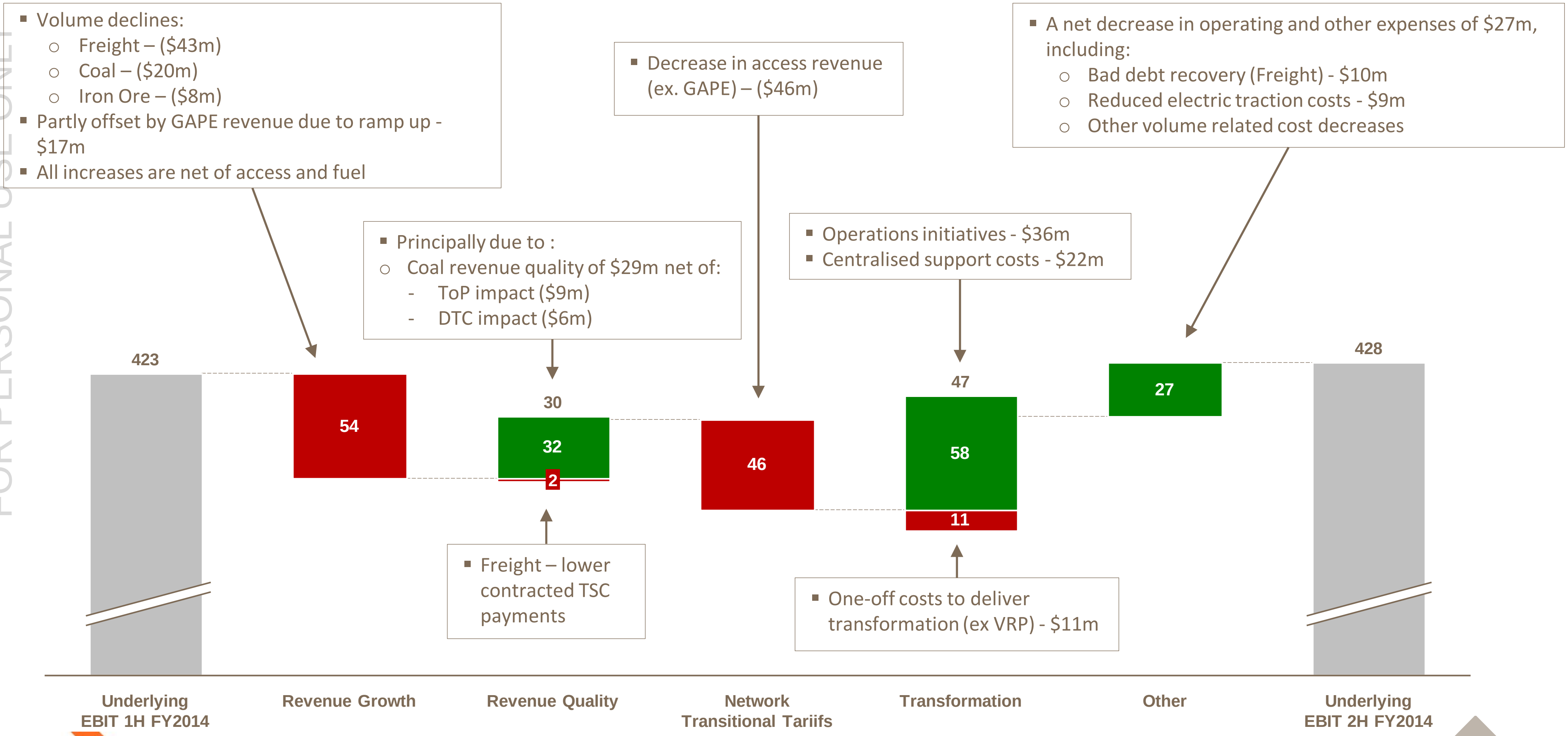
- 5% revenue decrease driven by 6% volume decline, noting:
  1. $77m decrease in Bulk revenues from 9% volume decline
  2. $21m decrease in Transport Services Contract revenue from reduced services from 1 Jan 2013
  3. $42m (17%) increase in Intermodal revenues, from new contracts and increased volumes
- More than offset by $61m (6%) decrease in operating costs principally:
  - $55m in transformation benefits, principally lower labour, fuel efficiency and maintenance costs

Freight metrics

		FY2014			FY14 vs. FY13 Variance
	FY2014	2H	1H	FY2013	
EBIT – Underlying ($m)	34	14	20	23	48%
Tonnes hauled (m)	46.3	21.7	24.6	49.3	(6%)
NTK (bn)	12.5	5.9	6.6	13.2	(5%)
Revenue / NTK ($/000 NTK)	82.3	81.2	83.3	82.0	-
Opex / NTK ($/000 NTK)	79.6	78.8	80.3	80.2	1%
Operating Ratio - Underlying	96.7%	97.1%	96.4%	97.9%	1.2ppt

- Freight volumes decreased 6% due to:
  - Bulk volumes down 9% - lower QLD grain volumes, unscheduled customer plant shut down, impact of Indonesian Govt. Nickel export ban
  - Intermodal volumes up 17% due to new contracts commencing with Coles and Woolworths
- Improvement of 1% in Opex / NTK and 1.2ppt Operating Ratio reflects lower cost base from transformation benefits

2H FY2014 vs. 1H FY2014 Underlying EBIT bridge



- Volume declines:
  - Freight – ($43m)
  - Coal – ($20m)
  - Iron Ore – ($8m)
- Partly offset by GAPE revenue due to ramp up - $17m
- All increases are net of access and fuel

- Principally due to :
  - Coal revenue quality of $29m net of:
    - ToP impact ($9m)
    - DTC impact ($6m)

- Freight – lower contracted TSC payments

- Decrease in access revenue (ex. GAPE) – ($46m)

- Operations initiatives - $36m
- Centralised support costs - $22m

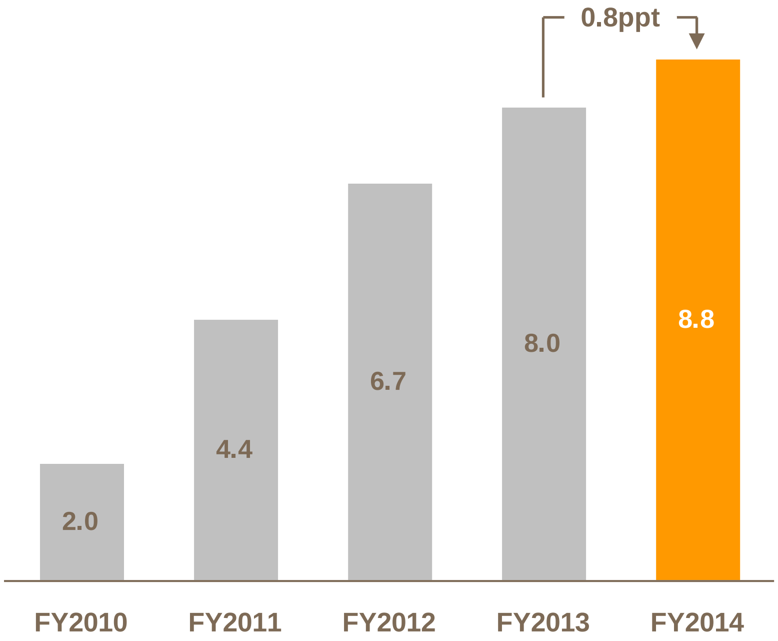
- One-off costs to deliver transformation (ex VRP) - $11m

- A net decrease in operating and other expenses of $27m, including:
  - Bad debt recovery (Freight) - $10m
  - Reduced electric traction costs - $9m
  - Other volume related cost decreases

423
54
30
32
2
46
47
58
11
27
428
Underlying EBIT 1H FY2014
Revenue Growth
Revenue Quality
Network Transitional Tariifs
Transformation
Other
Underlying EBIT 2H FY2014

Continued improvement in Return on Invested Capital

Return on Invested Capital (ROIC)[1]



[1] Underlying

Dividend history

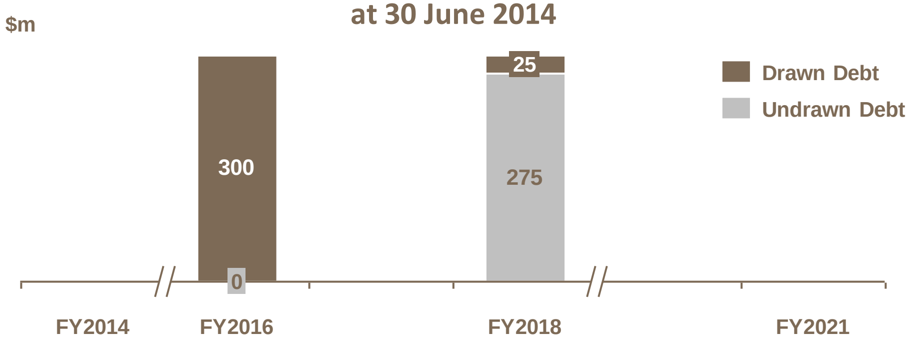
	Payment Date	Amount per share (cents)	Franking
FY2014 Final[1]	22 September 2014	8.5	0%
FY2014 Interim	28 March 2014	8.0	80%
FY2014 Total dividend		16.5	
FY2013 Final	23 September 2013	8.2	90%
FY2013 Interim	27 March 2013	4.1	70%
FY2013 Total dividend		12.3	
FY2012 Final	28 September 2012	4.6	0%
FY2012 Interim	30 April 2012	3.7	0%
FY2012 Total dividend		8.3	
FY2011 Final	30 September 2011	3.7	0%
FY2011 Total dividend		3.7	

[1] The relevant final dividend dates are:
- 29 August 2014: ex-dividend date
- 2 September 2014: record date
- 22 September 2014: payment date

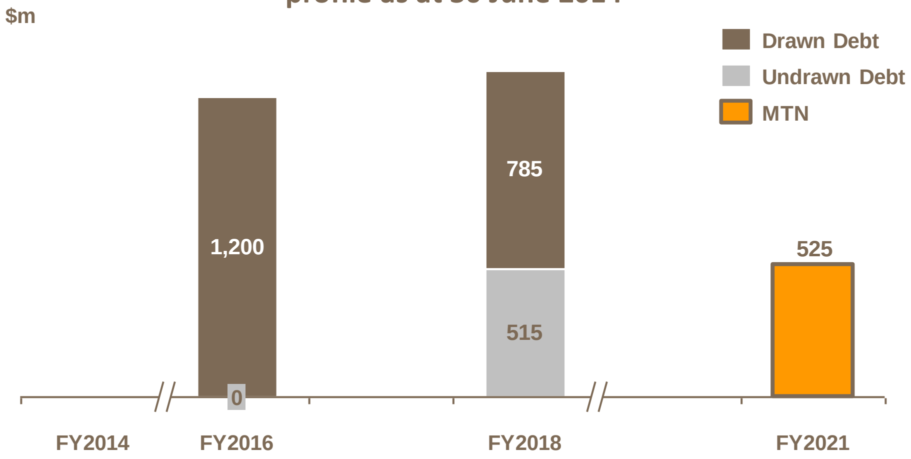
Debt summary

- **Credit ratings unchanged at BBB+/Baa1**
- **Stable debt maturity profile with an average tenor of 3.5 years (FY2013 - 3.6 years)**
- Liquidity at 30 June 2014 $0.94bn (undrawn facility + cash)
- Aurizon Network debut issuance in the domestic capital markets (7 year A$525 million Medium Term Note) in October 2013
  - coupon of 5.75% per annum
  - proceeds used to repay bank debt
- Interest cost on drawn debt reduced to 4.8% (FY2013 - 5.1%) due to reduced margins from refinancing program in 1H FY2014
- Intention to refinance $1,500m debt (due in June 2016) in FY2015
- Group gearing increased to 28.4% (FY2013 - 26.7%) due to higher debt levels

Aurizon Group $0.325bn maturity profile as at 30 June 2014

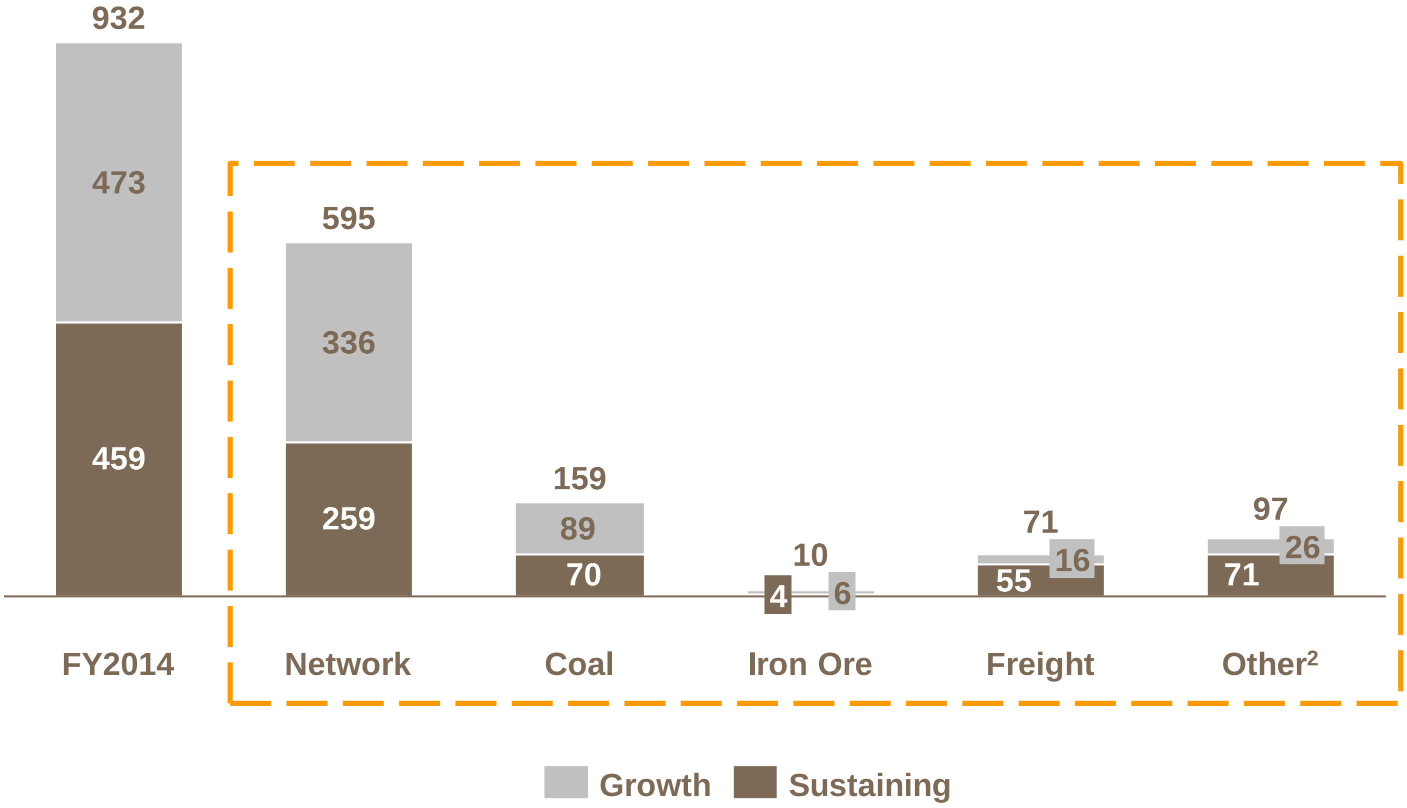


Aurizon Network $2.510bn debt maturity profile as at 30 June 2014



Group and segment capital expenditure ($m)

FY2014 capex and segment breakdown[1]



[1] FY2014 excludes $120m strategic projects asset impairment (growth capex)

[2] 'Other' sustaining breakdown includes Capitalised Interest ($34m), Support ($21m) – e.g. Facilities Management, IT Hardware & Software, Operations ($16m) - non product-specific, e.g. Rollingstock Maintenance and Specialised Track Services equipment. Capitalised interest excludes $6m write-downs relating to strategic projects asset impairment

Major committed Network growth projects

Network - QLD	**Wiggins Island Rail Project (WIRP)**	▪ WIRP is the staged development of new rail lines and upgrading of existing lines to service the new Wiggins Island Coal Export Terminal at the Port of Gladstone ▪ Commenced: FY2012 ▪ Spend to date: $523m of $858m expected total costs ▪ Further details on following slide
	Hay Point Rail Expansion	▪ Expansion to the Goonyella System to enhance system capacity from 129mtpa to 140mtpa to align with the Hay Point Coal Terminal expansion operated by the BHP Billiton Mitsubishi Alliance ▪ All Aurizon works relating to the Wotonga Feeder Station were completed in June 2014 and is now awaiting connection from Powerlink which is expected before the completion of the Hay Point Coal Terminal expansion ▪ Timing of the completion of the Hay Point Coal Terminal expansion has slipped with first shipment anticipated around September 2015 ▪ Commenced: late 2011 ▪ Spend to date: $121m (close to final with little additional costs to come). Project on time and under budget
	Rolleston Electrification	▪ Scope of work includes 5km of additional electrification (Kinrola line), 107km of electrification (Rolleston Line), Feeder Station and associated power systems infrastructure. Purpose is to harness the operational efficiency and cost benefits by enabling new high capacity electric trains to operate ▪ Commenced: July 2013 with completion and commissioning expected by December 2014 ▪ Total cost of the completed project is expected to be $163m

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Note: Targets and approved amounts exclude capitalised interest

Wiggins Island Rail Project (WIRP)

- WIRP is designed to link mines in the Southern Bowen Basin with the new Wiggins Island Coal Export Terminal (WICET) at the Port of Gladstone increasing total capacity of the Blackwater and Moura systems by 27mtpa, or approx. 30% at full production
- All key variations which were pending at the time of the execution of the WIRP Deed were finalised during FY2014. As part of this process the project's target milestone dates were reset to align with the delayed WICET commissioning date
- The rail works required for first coal shipments will be commissioned progressively to align with WICET commencing their operations by end of March 2015
- The remaining rail works to match the ramp up profile will be completed by December 2015
- WIRP Fee and ramp-up of regulated earnings to commence in FY2016
- The total capital spend for WIRP is estimated to be $858m[1] (including Moura West works) – below original budget
- Subject to QCA approval the WIRP capital expenditure claim will be submitted for inclusion in the Regulated Asset Base in FY2016

[1] Excludes capitalised interest

Major committed Coal growth projects

Coal - NSW	**Hexham Train Support Facility Hunter Valley**	▪ Stage one of the Hexham Train Support Facility (TSF) will service Aurizon's growing Hunter Valley coal freight business and alleviate capacity pressures in the coal supply chain ▪ The TSF will provide for statutory and routine maintenance inspections as well as provisioning with fuel, water and other supplies ▪ Construction commenced: FY2014 ▪ Manageable delays in commissioning expected due to delays in environmental approvals and latent conditions on site. Commissioning originally expected November 2014, however expected to be delayed by up to 6 months ▪ Spend to date: $70m of total expected $150m, which will also increase as a result of delays and latent conditions
	Whitehaven	▪ The Whitehaven Implementation Project has secured all necessary rail infrastructure provider approvals that will allow operation of the standard Hunter Valley locomotive class, ensuring continuation of the homogeneous fleet strategy ▪ New locomotive and wagon production remains on schedule with first rollingstock arriving in November 2014 ▪ Whitehaven short term haulage agreement continues to provide ongoing driver training for the long term contract whilst generating profitable revenue ▪ Spend to date: $80m of total expected $280m investment in locomotives and wagons

Note: Targets and approved amounts exclude capitalised interest

Network Regulation update

Network Regulation	Transitional Tariffs	▪ In June 2014, a "Transitional Tariffs" Draft Amending Access Undertaking (DAAU) was approved by the QCA to further extend UT3 to the earlier of 30 June 2015 and the QCA's final determination on UT4, and to apply transitional Reference Tariffs for FY2015 ▪ The transitional Reference Tariffs recover a total Maximum Allowable Revenue (MAR) for FY2015 of $777m, inclusive of the FY2013 revenue cap (including interest) of circa $36m, but excluding Electric Charge (EC) and rebates, with forecast volumes of 193.7mt. Both the MAR and volumes are exclusive of the GAPE which has different contractual obligations
	SUFA[1]	▪ The QCA provided a position paper highlighting what could be changed in order to deliver an effective SUFA outcome and all stakeholders have been offered an opportunity to comment and provide feedback to the QCA ▪ The QCA will consider all feedback and is expected to issue a draft decision in September 2014 ▪ Following stakeholder submissions on the draft decision the QCA will issue a final decision expected in February 2015 ▪ The outcome of this decision will be encapsulated in the final UT4 agreement

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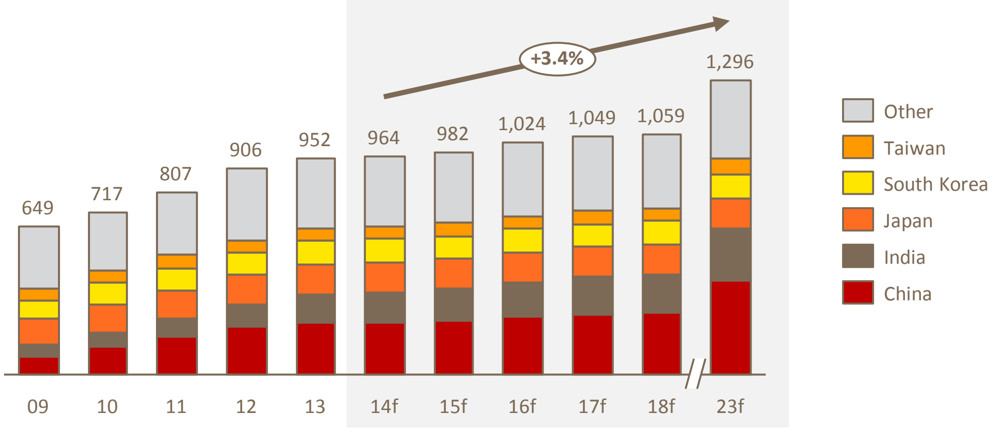
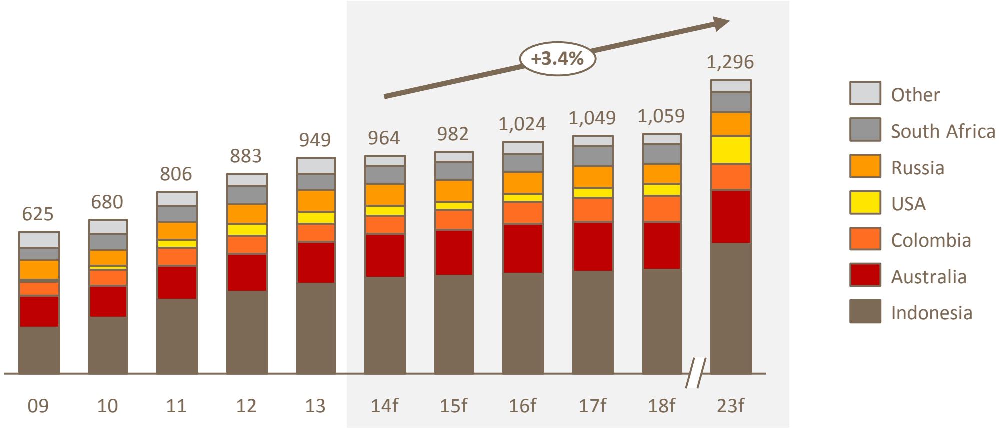
[1] SUFA – Standard User Funding Agreement would provide customers with an alternative funding mechanism for CQCN expansions

Demand for seaborne thermal coal is expected to grow at 3.4% per annum through to 2023

Thermal Seaborne Export Demand By Country (mt)



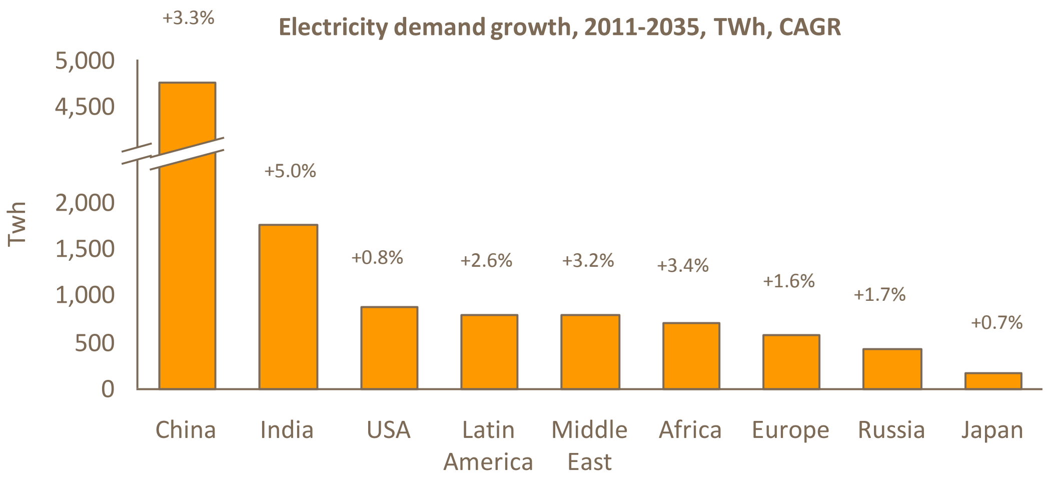
Thermal Export Supply By Country (mt)

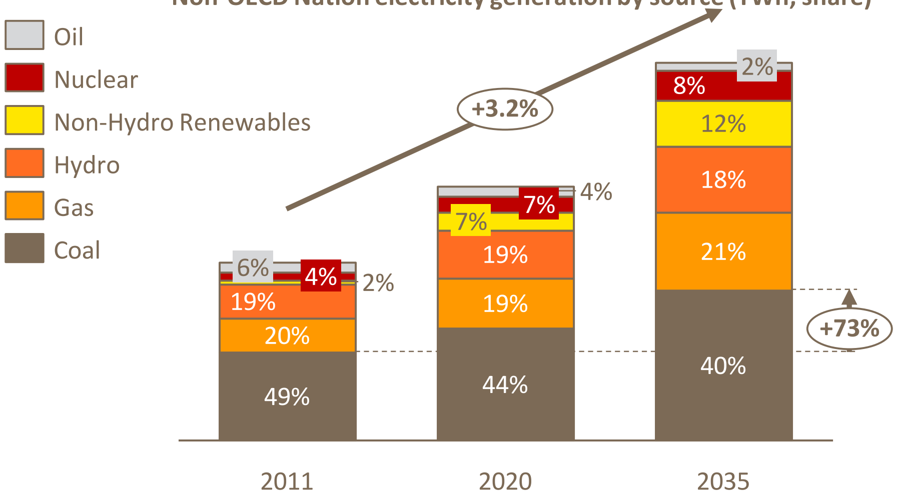


- In 2014, subdued demand from China's power sector and high inventories through the supply chain have contributed to lower prices and constrained growth in seaborne trade
- Nonetheless, the Australian industry has successfully reduced costs and raised productivity in order to ride out the challenging market conditions, and has increased its share of the seaborne market to 20% in 2014
- Demand is forecast to recover in the medium-term as new power capacity is added in India and China. This will drive a price recovery, with Australia well positioned to further expand its share of the seaborne market. Australia is forecast to be supplying a quarter of the thermal seaborne market by 2030
- Whitehaven Coal's Maules Creek project (under construction) will drive short-term supply growth with new basins such as Galilee and Surat providing further expansion opportunities

*Source: Wood Mackenzie July 2014, ABS; *GAR = Gross As Received*

China and India will drive absolute electricity demand with thermal coal remaining the dominant fuel source


Electricity demand growth, 2011-2035, TWh, CAGR


Non-OECD Nation electricity generation by source (TWh, share)

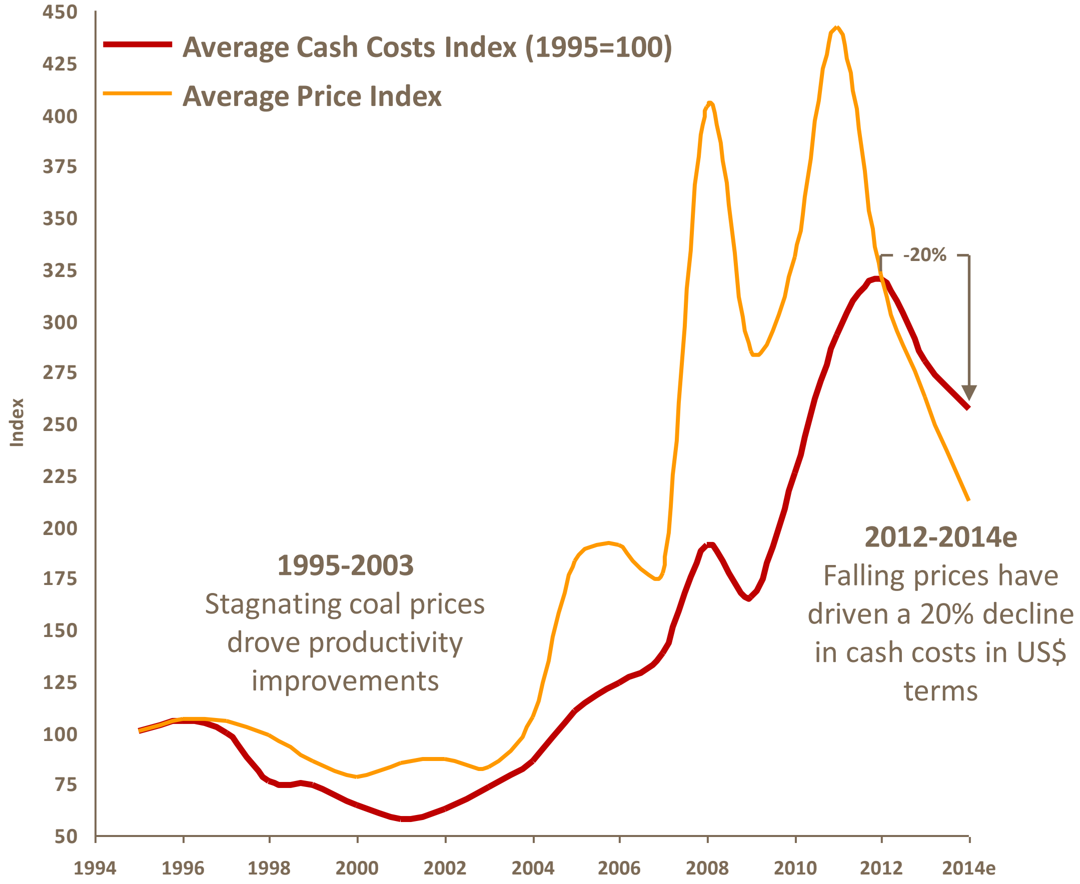
Projected growth to 2035 in coal power generation capacity in Non-OECD nations suggests that one new thermal power plant is required to come on-line *every five days* to meet demand

- Globally, the International Energy Agency projects that world electricity demand will grow by 2.2% per year from 2011-2035
- The Pacific Basin will account for a major proportion of this growth, led by China (36% of growth) and India (13%)
- Although the *share* of coal electricity generation in non-OECD nations is expected to decline to 2035, coal will remain the *dominant fuel source* for power generation, its use (TWh) growing by 73% from 2011-2035
- Renewable energy is projected to grow both in share and capacity in non-OECD nations. In the case of non-hydro renewables this is occurring from a low base (2% share in 2011)

Data: IEA World Energy Outlook 2013, New Policies Scenario, Aurizon Market Intelligence Unit
TWh = terawatt hours, Power Station growth based on an additional 913GW of capacity requirement between 2011-2035, power plant unit capacity assumed at 500MW

Reversing earlier cost escalation, increased volumes and cost cutting have reduced unit costs in Australian coal supply

Coal price movements influence operating costs



1995-2003
Stagnating coal prices drove productivity improvements

2012-2014e
Falling prices have driven a 20% decline in cash costs in US$ terms

Data: Wood Mackenzie Australia's coal cost trends for the past 20 years, April 2014; Wood Mackenzie Australia Coal Supply Summary, June 2014; Aurizon Market Intelligence Unit; Price index based on average spot thermal and metallurgical coal prices, weighted by export volume, Cost data in USD

- During the period 2009-2012, a high coal price environment resulted in a cost escalation of 93% driven by wage inflation and lower productivity
- 2013 saw the first reduction in operating costs since a modest fall in response to the 2009 financial crisis, partly as a result of miners maximising production to offset the price decline
- Miners have continued to drive through efficiency gains in 2014 and cash costs are estimated to have declined 20% from the 2012 peak – although they remain 14% above 2010 levels

> *"In 2013, the company made structural cost improvements in Australia by completing several owner-operator conversions and improving productivity at the PCI mines, resulting in a 25 percent and 20 percent cost improvement at the respective operations"*
>
> **Peabody Q4 2013 Quarterly production results, January 30 2014**

BHP Billiton

Metallurgical coal unit cash costs[2]
(index, FY08 = 100)

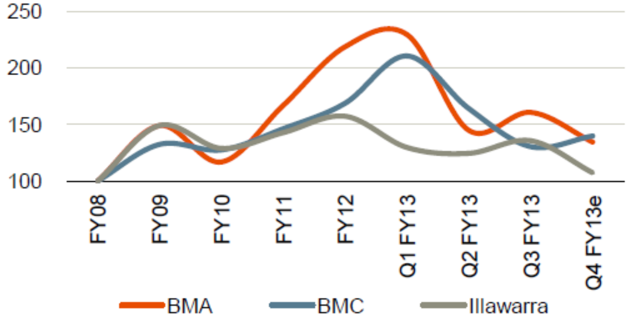
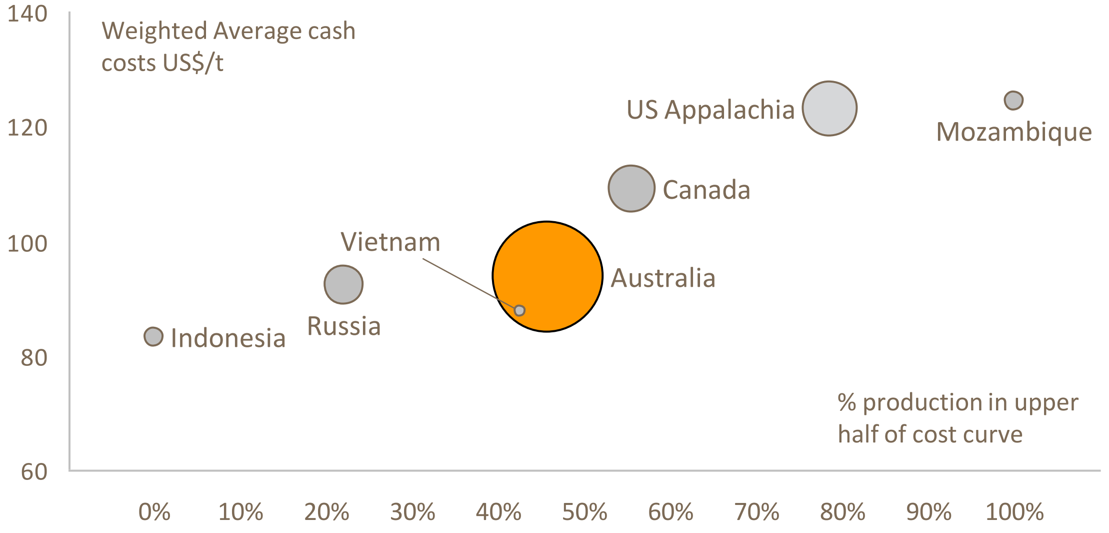
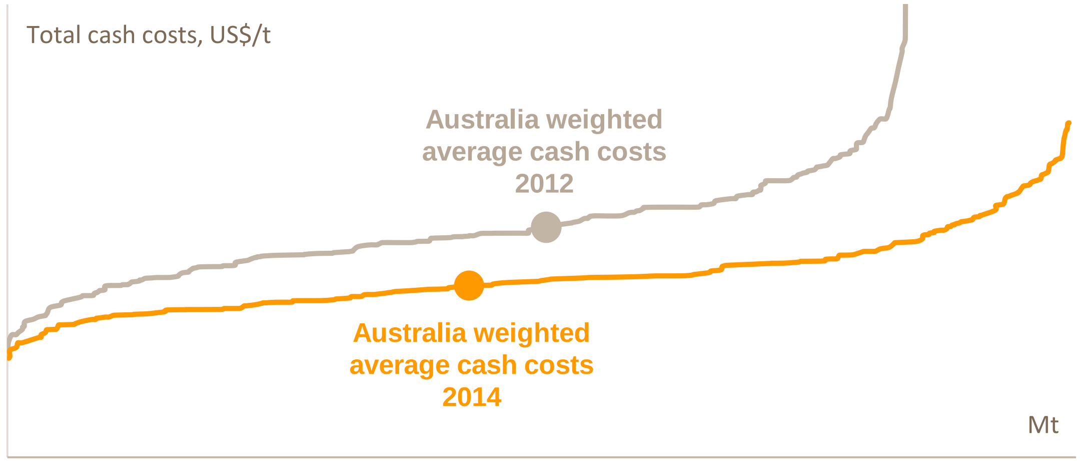


Chart: BHP Billiton, Coal Briefing, May 2013
Note 2: A$ per tonne FOB costs - cash production costs plus shiploading, demurrage, royalties and marketing and selling costs.

Australia remains the dominant seaborne metallurgical coal supplier with cost position improving



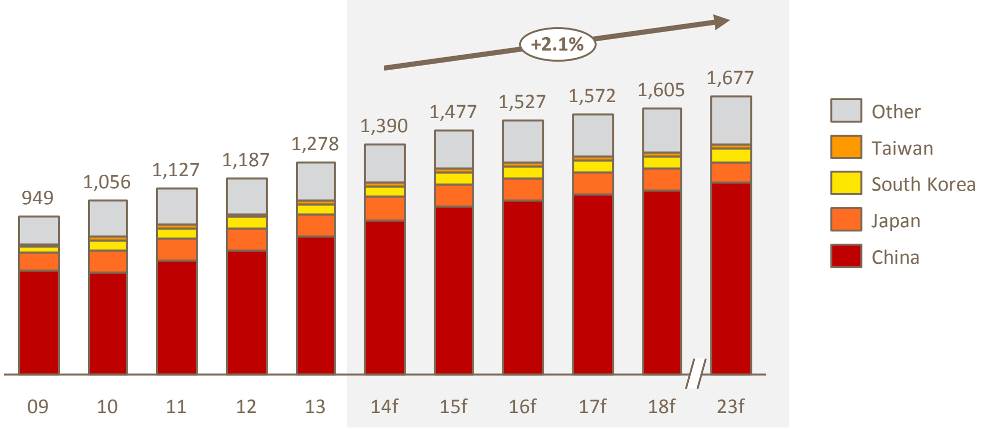


- Metallurgical coal costs have shifted lower over the past two years, and Australia's position on the seaborne curve has improved from around the 61st percentile in 2012 to the 41st percentile in 2014
- July 2014 metallurgical coal prices are deep into the fourth quartile of the cost curve. Around 20% of global production (63Mt) has total cash costs in excess of spot prices
- Supply from the Appalachian basin in the USA is some of the highest cost in the world, with around 80% of production in the top half of the cost curve. This has been reflected in the multiple cuts to US supply with 16mt withdrawn from the seaborne market in 2013-2014

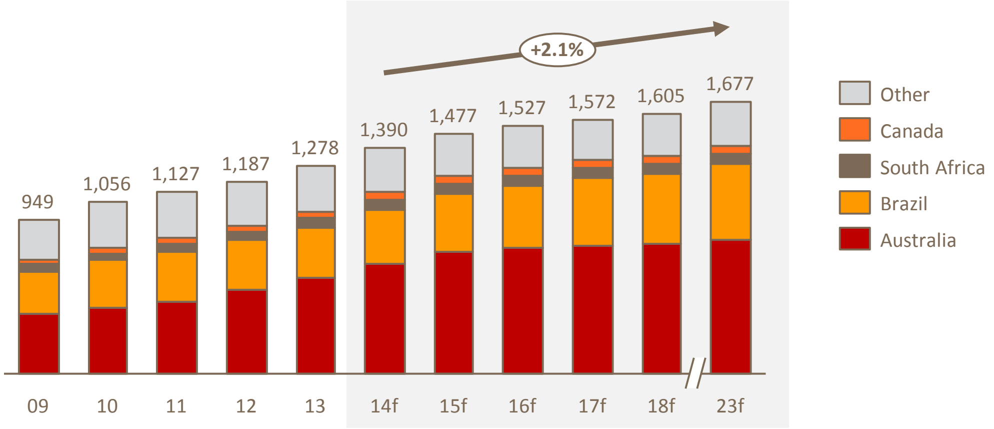
Data: Wood Mackenzie Coal Costs Benchmarking Tool, May 2014, Wood Mackenzie Global metallurgical coal short-term outlook July 2014

Chinese domestic iron ore production is expected to be displaced Australian supply expansions

Iron Ore Export Demand By Country (mt)



Iron Ore Seaborne Export Supply By Country (mt)



- Rapid increase in Australia's exports of Iron Ore exports, including 24%/yr growth in FY14, has underpinned substantial additional supply into the seaborne market, leading to Iron Ore price declining relative to the levels seen in recent years
- Incremental low-cost seaborne supply is expected to displace high-cost Chinese domestic iron ore supply which dominates the highest quartile of the global cost curve
- The Australian led supply expansions and corresponding price pressure has had a material effect on the Chinese domestic production. It is expected that approximately 140mt of high cost domestic production will be displaced during CY14 & CY15
- Medium-to-long term seaborne demand outlook for Iron Ore is underpinned by the expectation of further growth in Chinese steel production, albeit tending toward more moderate growth rates relative to the past decade
- Projections of China's crude steel output reaching 1 billion tonnes per annum next decade (up from 780Mt in 2013), would require an additional 300Mtpa of Iron Ore, expected to be met primarily by imports

Source: Wood Mackenzie July 2014 (supply adjusted by AZJ for trade imbalances), ABS

Definitions

Metric	Description
Access Revenue	Amount received for access to the Network infrastructure under the Access Agreement
Average haul length	NTK/Total tonnes
Contract utilisation	Total volumes hauled as a percentage of total volumes contracted
CQCN	Central Queensland Coal Network
dGTK	Diesel fuel used per Gross tonne kilometre. GTK is a unit of measure representing the movement over a distance of one kilometre of one tonne of vehicle and contents including the weight of the locomotive & wagons
DTC	Deficit Tonnage Charge. A form of protection for the above rail coal business, whereby the Group is able to recover extra charges where the revenue receivable, based on tonnage hauled and agreed price, falls below minimum levels set in contractual arrangements with customers
Footplate hours	A measure of train crew productivity
Free cash flow	Net operating cash flows less net cash flow from investing activities
FTE	Full Time Equivalent - The number of unique employee positions filled by all Aurizon employees (excluding contractors/consultants) as at period end. The NTK/Employee metric for the half year is annualised for comparative purposes and uses period-end FTE
GAPE	Goonyella to Abbot Point Expansion
Gearing	Net debt/(net debt + equity)
Gross Contracted NTKs	Gross contracted tonnages multiplied by the loaded distances (calculated on a contract by contract basis)
Maintenance	Maintenance costs exclude flood repairs, mechanised ballast undercutting, derailment repairs and electric traction maintenance
MAR	Maximum Allowable Revenue that Aurizon Network Pty Ltd is entitled to earn from the provision of coal carrying train services in the CQCN
Mtpa	Million tonnes per annum
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
ROIC	Return on Invested Capital. Rolling 12-month underlying EBIT/(Net working capital + Net PP&E + AUC + Gross Intangible Assets)
ToP	Take-or-Pay. Contractual ToP provisions entitles Aurizon Network to recoup a portion of any lost revenue resulting from actual tonnages railed being less than the regulatory approved tonnage forecast
TSC	Transport Services Contract entered into between the Queensland State Government and Aurizon for the provision of regional freight and livestock services
Turnaround time	The average hours between when a train departs its origin empty to its next departure time
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
VRP	Voluntary redundancy program
WACC	Weighted average cost of capital
WIRP	Wiggins Island Rail Project

FY2014 Results Presentation

Lance Hockridge – Managing Director & CEO
Keith Neate – EVP & CFO
Mike Franczak – EVP Operations

18 August 2014

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