

1H FY2020 Results

Andrew Harding – Managing Director & CEO

Pam Bains – CFO & Group Executive Strategy



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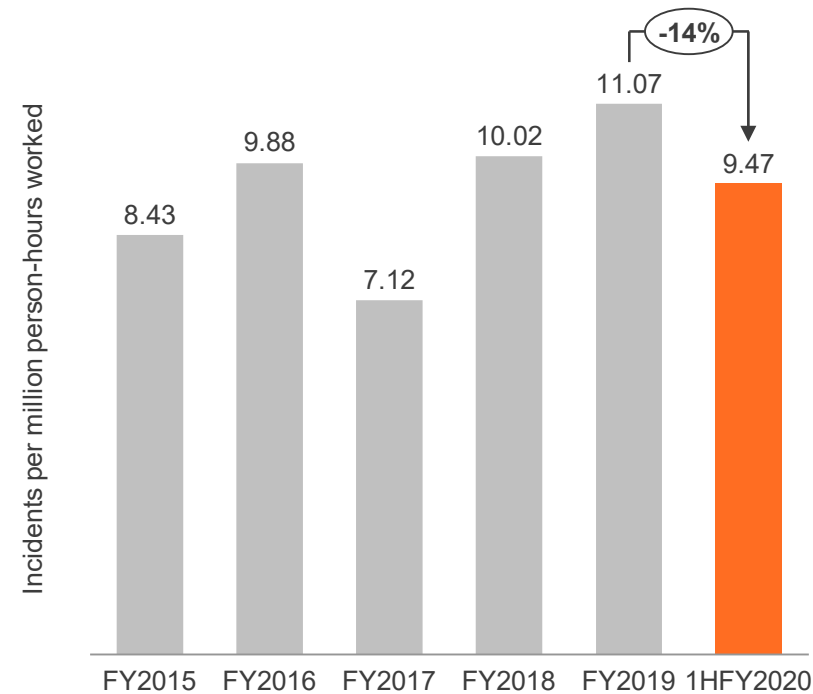
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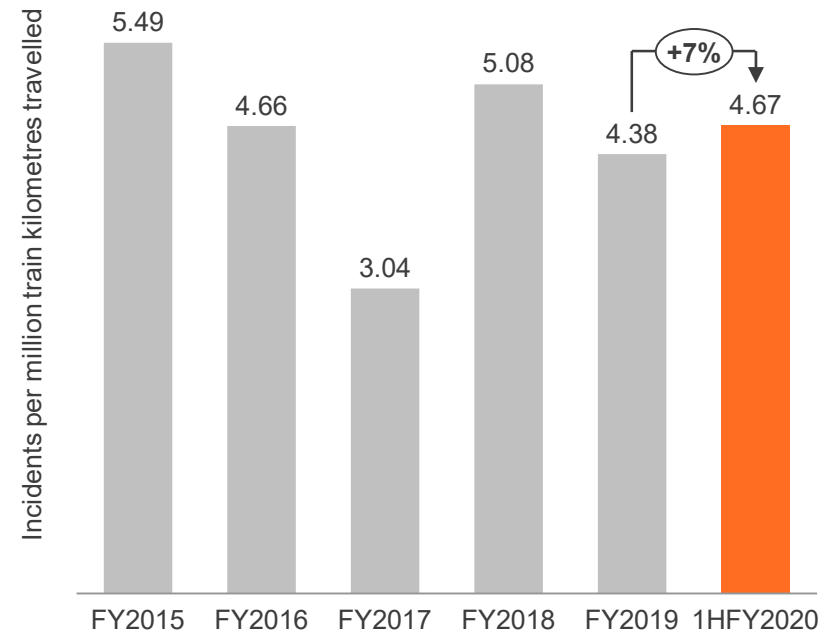
Safety performance

Tragic road accident in Queensland in December 2019 resulted in a fatality. Aurizon continues its focus on safety

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)¹



RAIL PROCESS SAFETY



1. TRIFR includes employees and contractors

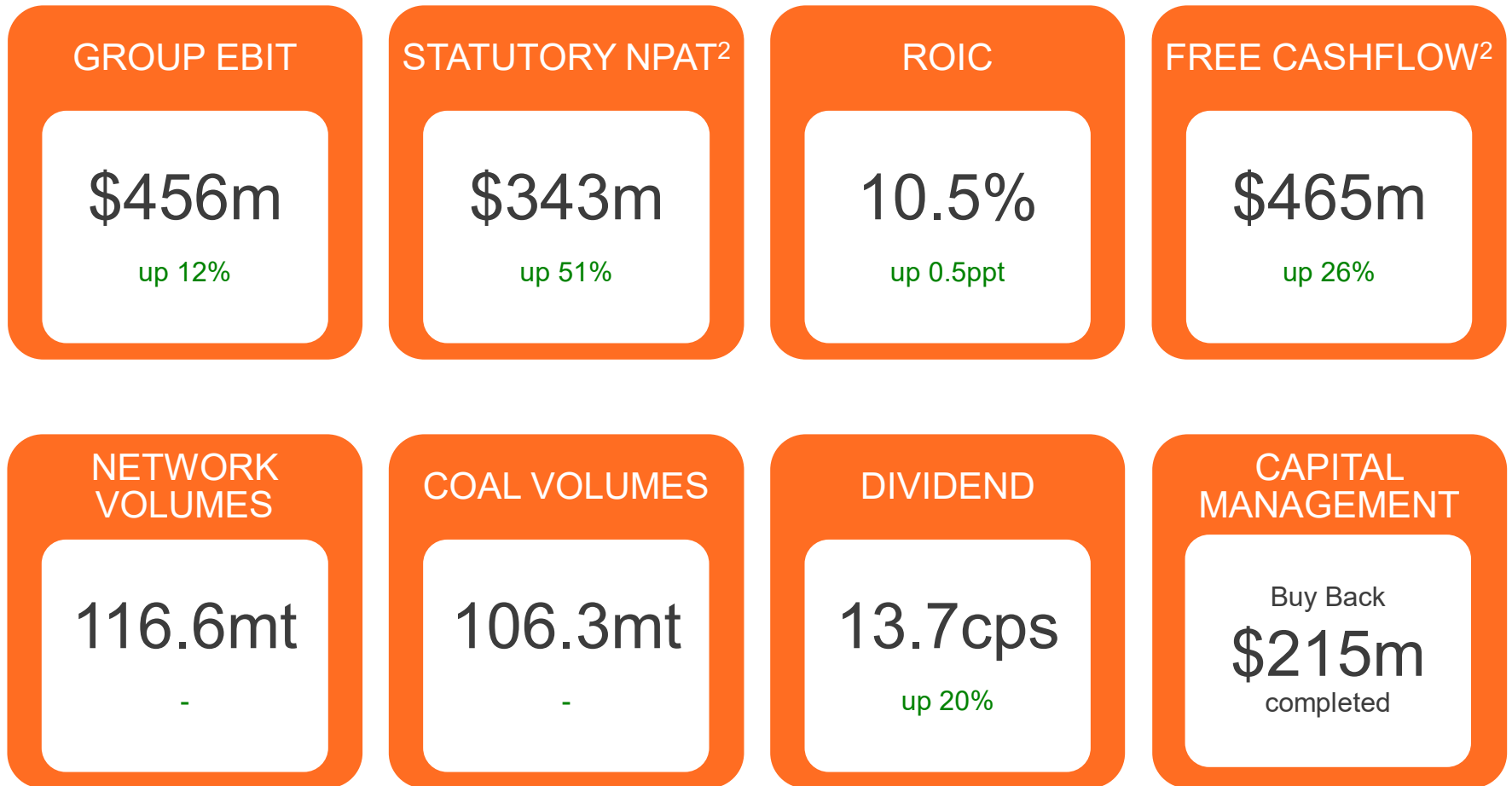
Performance overview

Andrew Harding
Managing Director & CEO



1HFY2020 highlights¹

Solid results confirm EBIT guidance for FY2020. On market buy back increased by \$100m to \$400m



1. Compared to 1HFY2019
 2. Statutory NPAT includes \$105.4m net gain on sale of Rail Grinding. Free cashflow includes net proceeds of \$164.5m for Rail Grinding sale

Coal update

Coal has secured key contract extensions delivering on its strategy of de-risking and extending the contract book

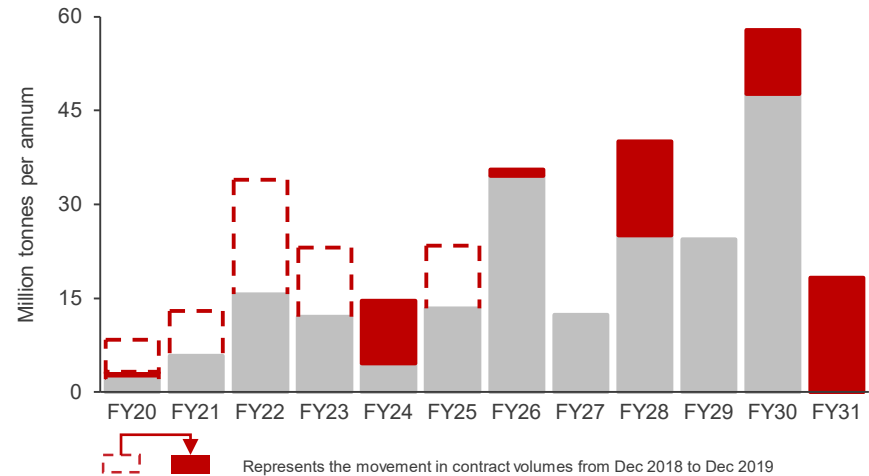
CUSTOMER UPDATE

- › **Peabody** – extension of all existing volumes and the addition of new business in CQCN and NSW
- › **Coronado** – contract variation with additional volumes and term extension for Curragh mine
- › **Bounty** – in Voluntary Administration, railings ceased from Cook mine in Blackwater
- › Competitive market limits above rail revenue growth
- › Contract volume > 7 years duration up 11ppt to 60%

MARKET OUTLOOK

- › 1HFY20 volumes impacted by weaker coal price and customer maintenance activities
- › FY20 tonnage outlook reduced to 210 – 220mt
- › Fundamental demand drivers remain and support Australian Coal export growth of 1-2% pa over the next decade

COAL CONTRACT VOLUME EXPIRY BY YEAR 1H19 v 1H20¹



OPERATIONAL EFFICIENCIES

- › Hunter Valley condition monitoring super site installed
- › QLD Coal EA approved by FWC²
- › Precision Railroading - Blackwater implementation underway
- › Improved payloads through longer trains in NSW/SEQ

1. Represents maximum contracted tonnages. Incorporates contract extension options, where applicable and includes immaterial variations to volume/term not announced to market
 2. Fair Work Commission

Bulk update

Ahead of expectations with strong performance driven by new contracts and operational efficiencies

CUSTOMER UPDATE

- › **Mineral Resources** – three year contract for rollingstock leasing, crewing and yard operations
- › **Rio Tinto** - four year contract for operation and maintenance of ballast cleaning machine in Pilbara
- › **IPL** – new form contract on improved terms commenced January 2020
- › **Graincorp** – Queensland contract expired November 2019

OPERATIONAL EFFICIENCY IMPROVEMENTS

- › Business improvement focus - 59% reduction in cancellations resulting in record Bauxite exports for Alcoa
- › Flexible maintenance delivery model deployed in Bulk East
- › QLD Bulk EA approved by FWC in January 2020. Wage uplifts between 1.5% and 2.5%

BULK BUSINESS CHARACTERISTICS



Multiple commodities

> 10 products hauled



Diverse Fleet

Fleet tailored to specific commodities and operations



Service Offering

Extended supply chain service offering



Contract portfolio

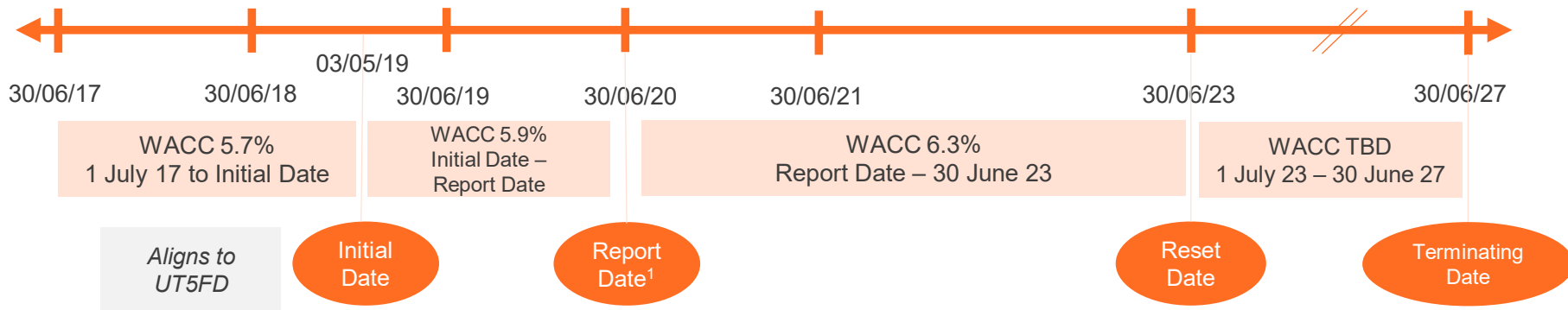
Weighted towards short term contracts

A key component to Bulk’s turnaround success has been leveraging its strategically positioned footprint, facilities and available assets to secure growth contracts

Network update

QCA approved UT5 Undertaking delivers significant regulatory reform and a range of benefits for entire coal supply chain

INDICATIVE UT5 TIMELINE



KEY ELEMENTS OF DEAL

- › Extended term of 10 years from 1 July 2017 to 30 June 2027
- › Ability for operating cost efficiencies to be retained by Network
- › Improved return which better reflects the risks of owning and operating the CQCN
- › Rebate mechanism to customers if Network performs below target levels

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 capital budgets have been submitted to industry

1. Best estimate of milestone date – subject to change

Other matters

Progress of other major items

COMPLETE

SALE OF RAIL GRINDING BUSINESS

- › Sale completed 31 October 2019 – net proceeds received \$165m
- › \$105m gain on sale accounted for in 1HFY2020

IN PROGRESS

SALE OF ACACIA RIDGE TERMINAL (ART)

- › 15 May 2019 – Federal Court of Australia rejected ACCC’s allegations that the sale agreement between AZJ and PN contravened competition law
- › 27 June 2019 – appeal lodged by ACCC
- › 18 July 2019 – AZJ and PN filed notices of cross appeal. Appeal date set for February 2020

WIGGINS ISLAND RAIL PROJECT (WIRP)

- › 27 June 2019 – Supreme Court of Queensland confirmed Network’s ability to charge above regulatory fees disputed by customers under WIRP Deeds. Customers have lodged an appeal. Court date set for March 2020
- › Customers initiated other disputes in relation to the WIRP fee, which were subject to expert determination (ED) – ED issued June 2019 and found WIRP fee should be partially reduced. Network determining options for appeal
- › No WIRP fee revenue has been recognised to date

LEGAL PROCEEDINGS AGAINST G&W¹

- › 17 September 2019 – AZJ commenced proceedings against G&W seeking damages and declarations for a breach of long standing contractual rights held by AZJ concerning G&W’s Australian assets
- › Matter is currently before the Supreme Court of New South Wales

1. G&W – Genesee & Wyoming Inc

1HFY2020 Financial Performance

Pam Bains
CFO & Group Executive Strategy



Key financial highlights¹

EBIT improvement reflects the approval of the UT5 Undertaking and the improved performance in Bulk

\$m	1HFY2020	1HFY2019	Variance
Revenue	1,529	1,455	5%
Operating Costs	(797)	(783)	(2%)
Depreciation & Amortisation	(276)	(266)	(4%)
EBIT – underlying	456	406	12%
EBIT – statutory	561	406	38%
Operating Ratio (%)	70.2%	72.1%	1.9ppt
NPAT – underlying	269	227	19%
NPAT – statutory	343	227	51%
EPS (cps) – underlying	13.6	11.4	19%
EPS (cps) – statutory	17.3	11.4	52%
ROIC (%)	10.5%	10.0%	0.5ppt
Interim dividend per share	13.7	11.4	20%
Free Cash Flow	465	369	26%

- › **Revenue** reflects the approved UT5 Undertaking in Network and new contracts in Bulk
- › **Operating costs** impacted by higher labour costs, largely in Bulk to support Linfox contract
- › **Statutory EBIT** includes \$105m net gain on sale of Rail Grinding business
- › **Dividend** based on 100% payout ratio of underlying continuing NPAT
- › **Free cash flow** benefited from the proceeds of sale from Rail Grinding business

1. Continuing operations
 Note – AASB16 has been adopted from 1 July 2019. This has improved continuing EBIT by \$0.9m for the six months to 31 December 2019

Coal

EBIT result impacted by lower than expected volumes

\$m	1HFY2020	1HFY2019	Variance
Above rail	629	617	2%
Track access	259	271	(4%)
Other	1	-	nm
Revenue	889	888	-
Access costs	(257)	(268)	4%
Operating costs	(325)	(315)	(3%)
Depreciation	(101)	(95)	(6%)
EBIT	206	210	(2%)
Tonnes (m)	106.3	106.5	-
NTKs (bn)	24.8	25.1	(1%)

Revenue

- › Volumes flat – down 3% in CQCN impacted by customer production issues, NSW & SEQ up 6% with new contract tonnes
- › Revenue quality improvement includes lower contract utilisation

Costs

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

COAL EBIT PERFORMANCE



Bulk

Turnaround ahead of plan

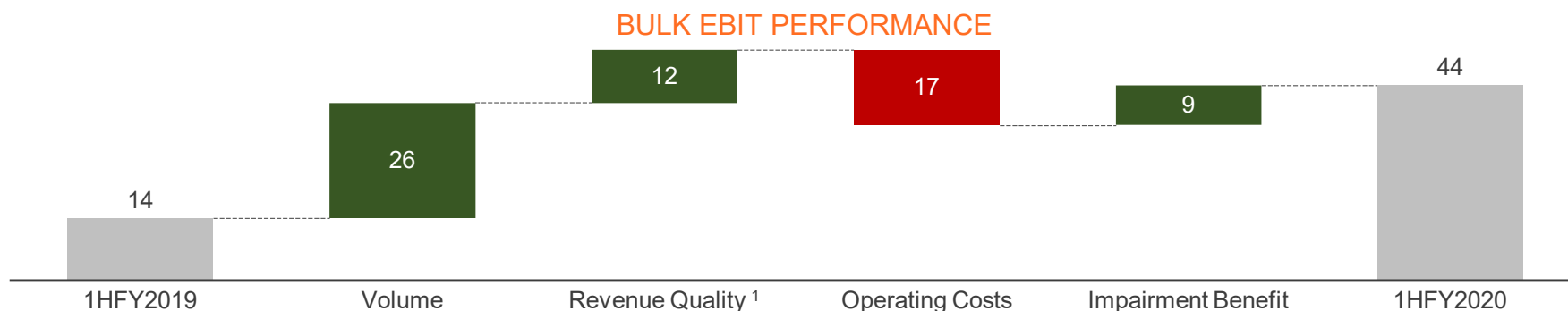
\$m	1HFY2020	1HFY2019	Variance
Revenue	297	260	14%
Access costs	(65)	(63)	(3%)
Operating costs	(179)	(165)	(8%)
Impairment costs	-	(9)	nm
Depreciation	(9)	(9)	-
EBIT	44	14	214%
Tonnes (m)	23.6	23.6	-

Revenue

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

Costs

- › Higher operating costs from new contracts offset in part by operational efficiencies
- › Impairment benefit – sustaining capex for Bulk East no longer impaired from 1HFY2020 given earnings outlook



1. Revenue quality and operating costs are net of fuel price and access

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%

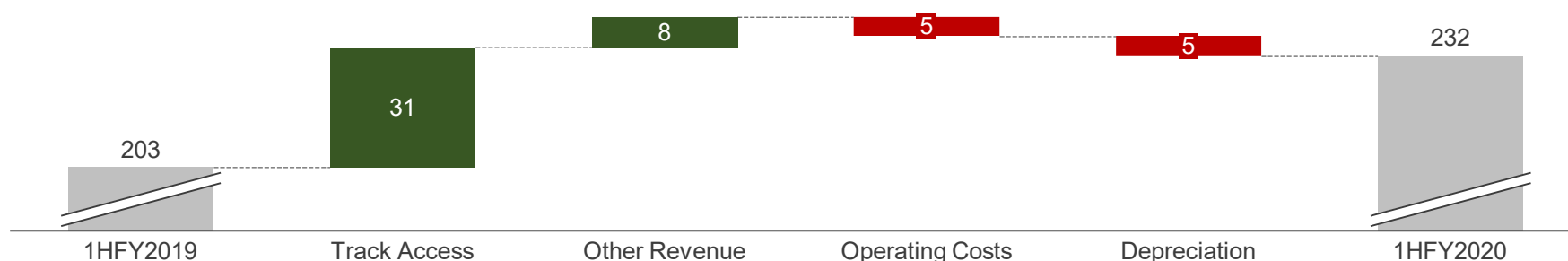
Revenue

- › 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

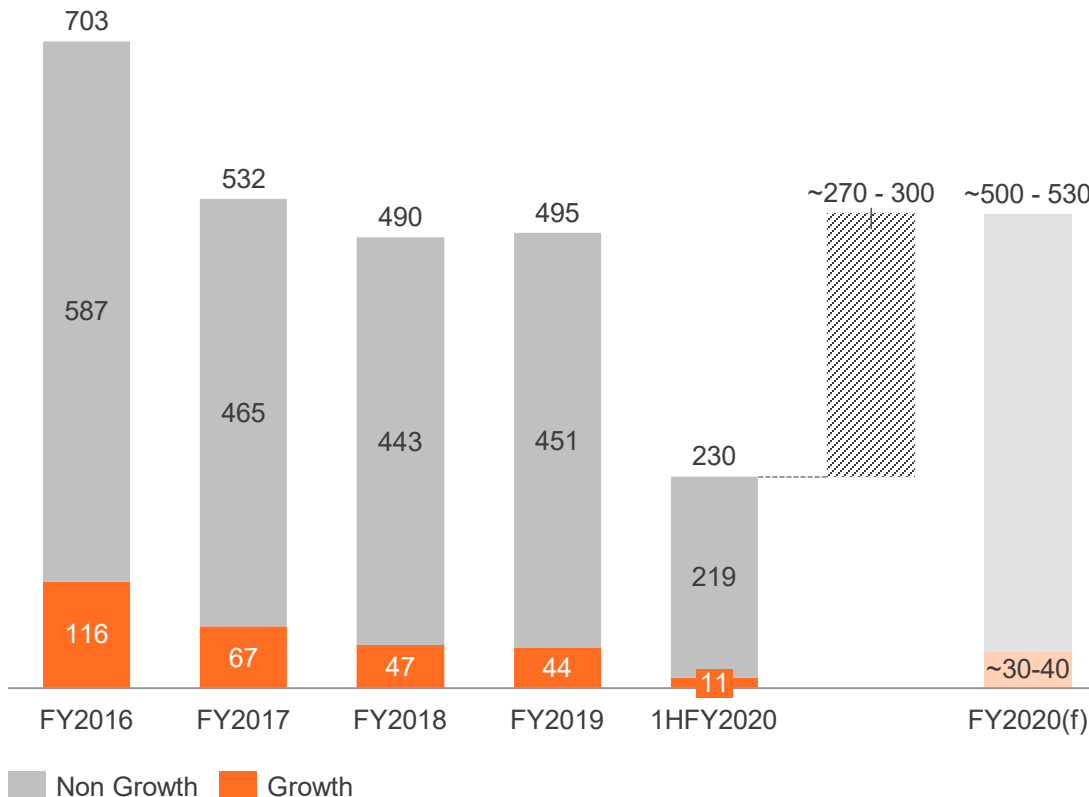
NETWORK EBIT PERFORMANCE



Capital expenditure

Capital expenditure forecast for FY2020 reduced to \$500m - \$530m due to timing of growth projects

CAPITAL EXPENDITURE¹ FY2016 – FY2020(f) (\$M)



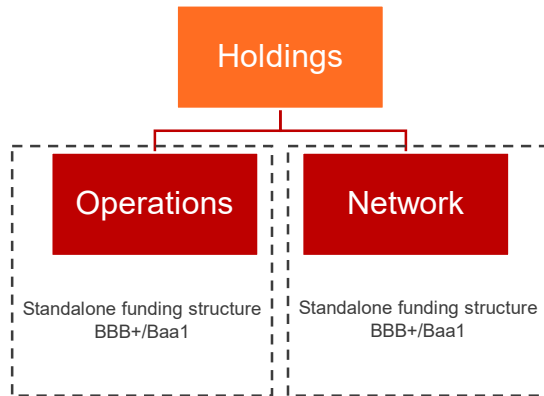
- › Growth capital in 1HFY2020 includes new rollingstock in CQCN and infrastructure upgrades
- › Capital in 2HFY2020 forecast to increase as a result of:
 - › Timing of payments for new rollingstock
 - › Facility projects
- › Long term non-growth capital expectations remain ~\$500m

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

Legal and capital structure review

Standalone funding structures established for Operations and Network with independent gearing levels, consistent with their different business risk profiles

NEW LEGAL STRUCTURE IMPLEMENTED



- › Legal structure is simplified and consistent with business units and external reporting
- › Credit rating for Operations has been established at BBB+/Baa1
- › Revocation of existing Deed of Cross Guarantee and establishment of new Deed of Cross Guarantee for the consolidated Operations Group in late February 2020

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

Funding update

Near term focus is the refinance of the \$525m AMTN Network bond maturing in October 2020

FY2020 FUNDING ACTIVITY

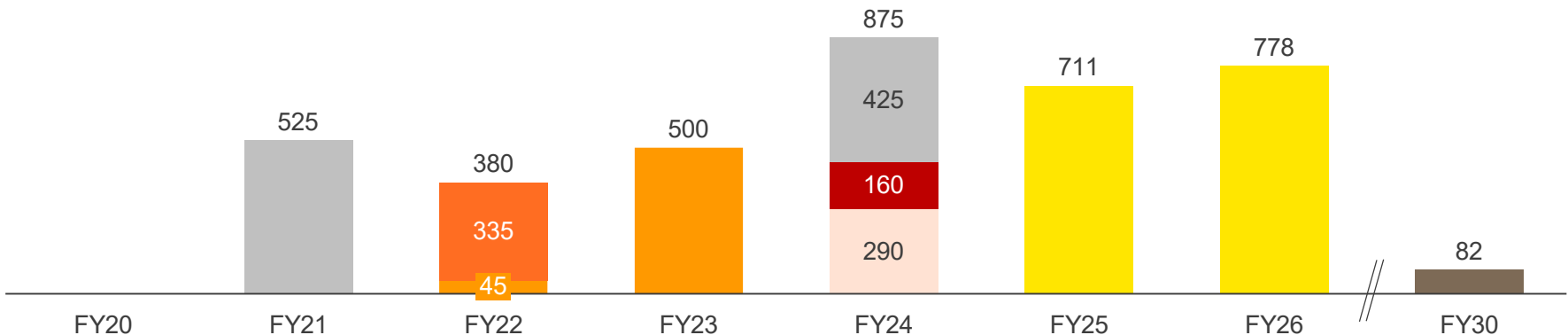
- Network issued 10.5 year, \$82m \$A private placement during 1HFY2020 – coupon 2.9%

INTEREST RATES

- Group debt is 94% fixed until end of FY2021 – hedging was completed in line with UT5FD
- FY2022 and FY2023 hedging is ongoing (currently 60%) with objective to align with the QCA's approval of UT5 Undertaking

KEY DEBT METRICS	1HFY2020	1HFY2019
Weighted average maturity ¹	4.0 years	4.8 years
Group interest cost on drawn debt	4.5%	4.5%
Group Gearing ²	42.0%	42.4%
Network Gearing ³ (incl AFDs ⁴)	54.4%	56.4%
Operations & Network Credit Ratings (S&P/Moody's)	BBB+/Baa1	BBB+/Baa1

MATURITY PROFILE (\$M)

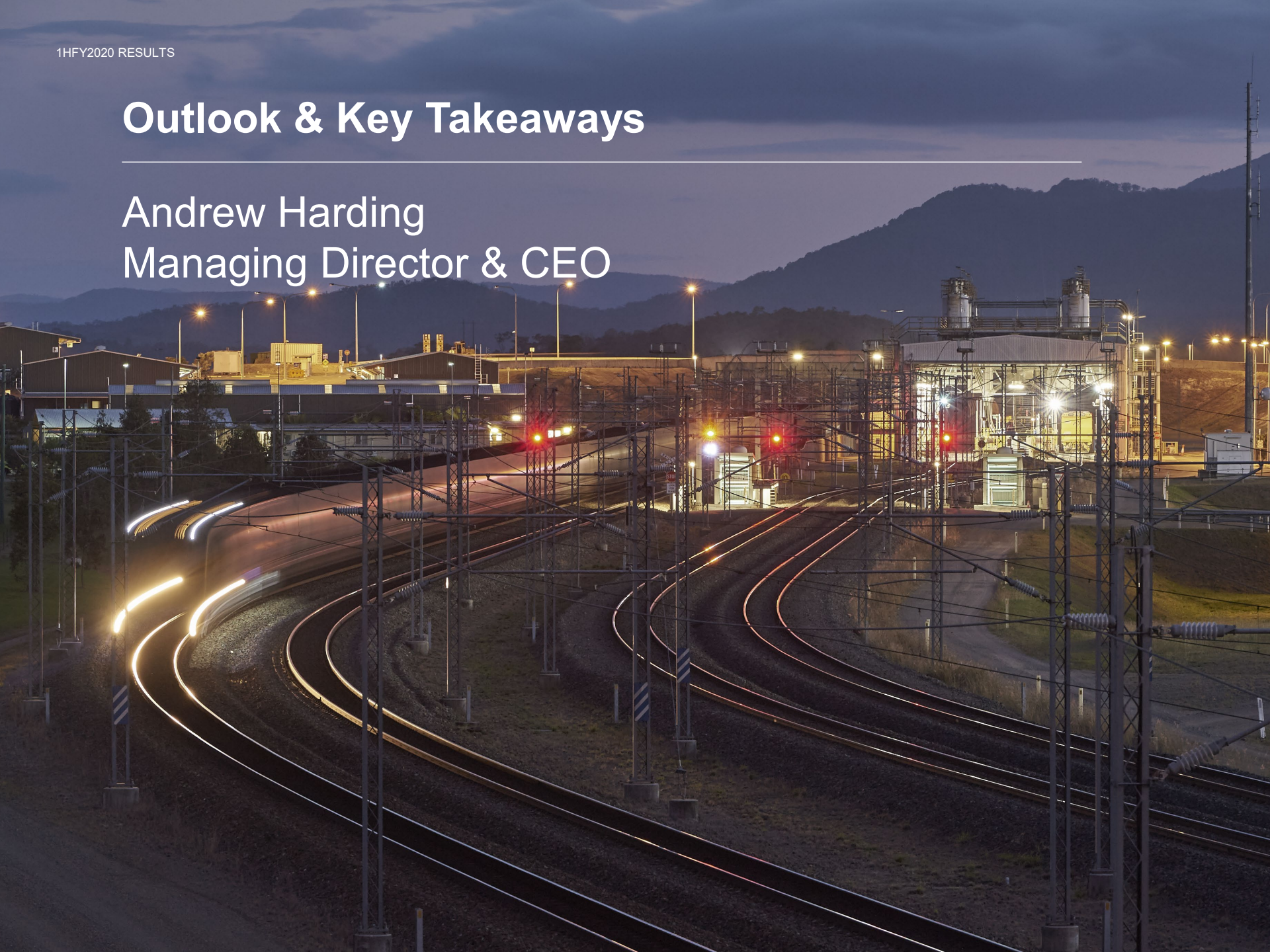


1. Calculated on drawn debt, excluding working capital facility
 2. Group Gearing – net debt/net debt plus equity
 3. Network Gearing - net debt/RAB
 4. Access Facilitation Deed

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

Outlook & Key Takeaways

Andrew Harding
Managing Director & CEO



FY2020 outlook

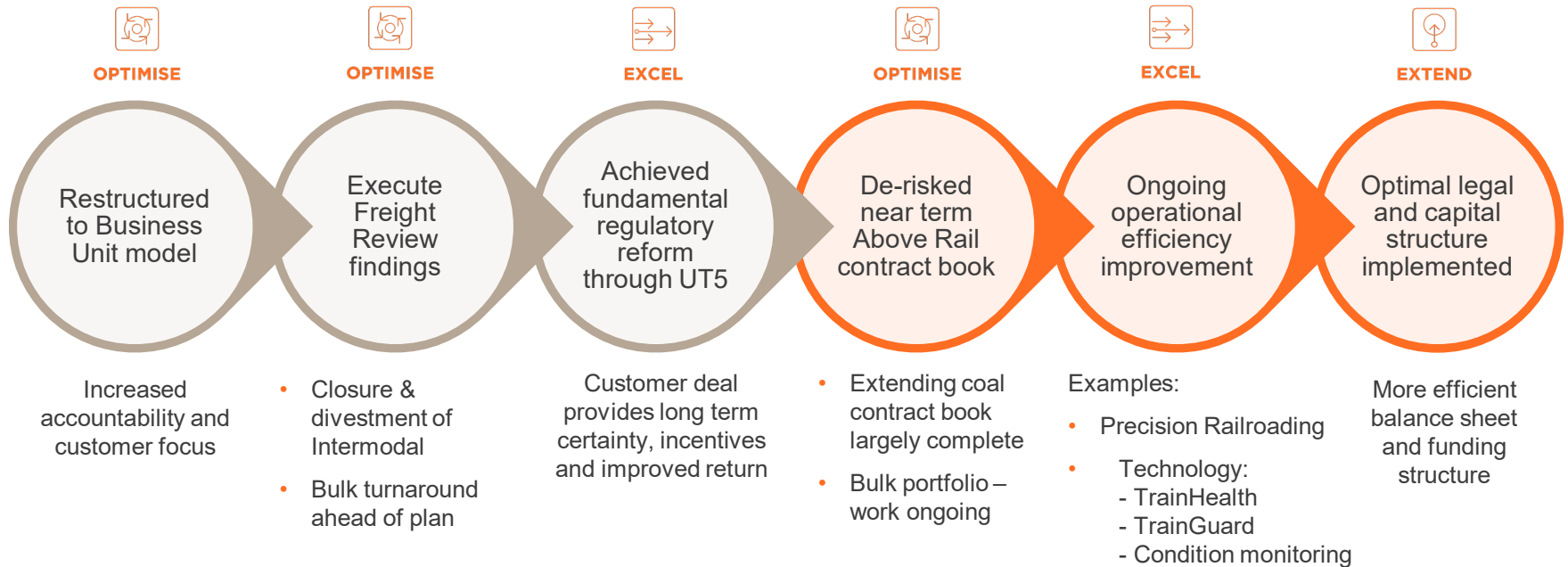
Group EBIT guidance remains \$880m – \$930m

KEY ASSUMPTIONS

- › Network - Uplift in WACC from 5.9% to 6.3% assumed mid CY2020
- › Above Rail Coal volumes 210 - 220mt
- › Operational efficiency improvements remain a key driver in the business
- › Redundancy costs included in guidance (reported in “Other” segment)
- › No material impacts from adverse weather or emerging coronavirus situation

Strategy delivers results

Aurizon’s strategy enables the delivery of shareholder value



Delivered through an integrated structure



Maximising shareholder returns

- › Maintained 100% payout ratio for five years
- › Capital management opportunities where surplus capital available

Contact and further information

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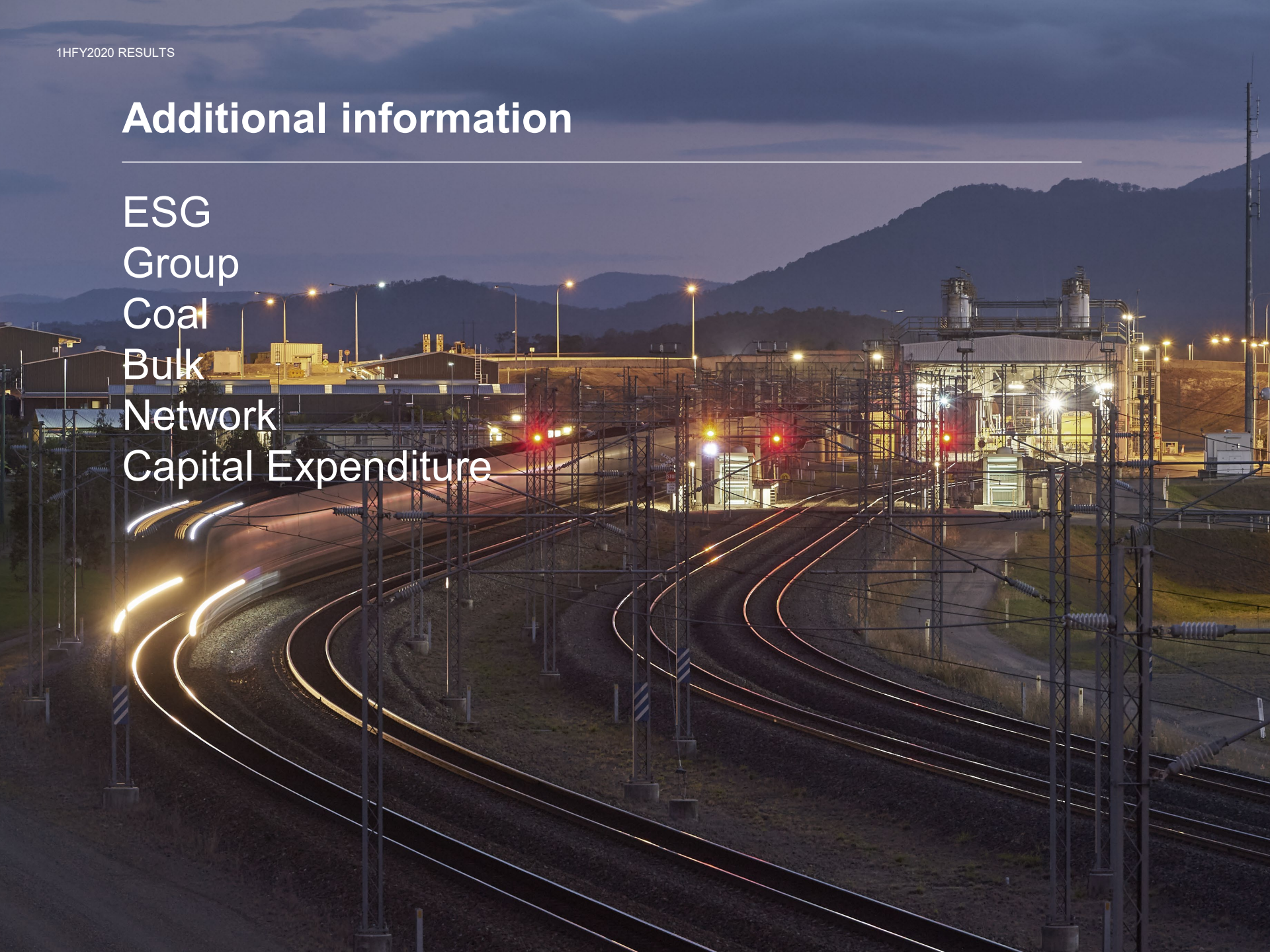
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US OTC: AZNNY



Additional information

ESG
Group
Coal
Bulk
Network
Capital Expenditure



Additional information

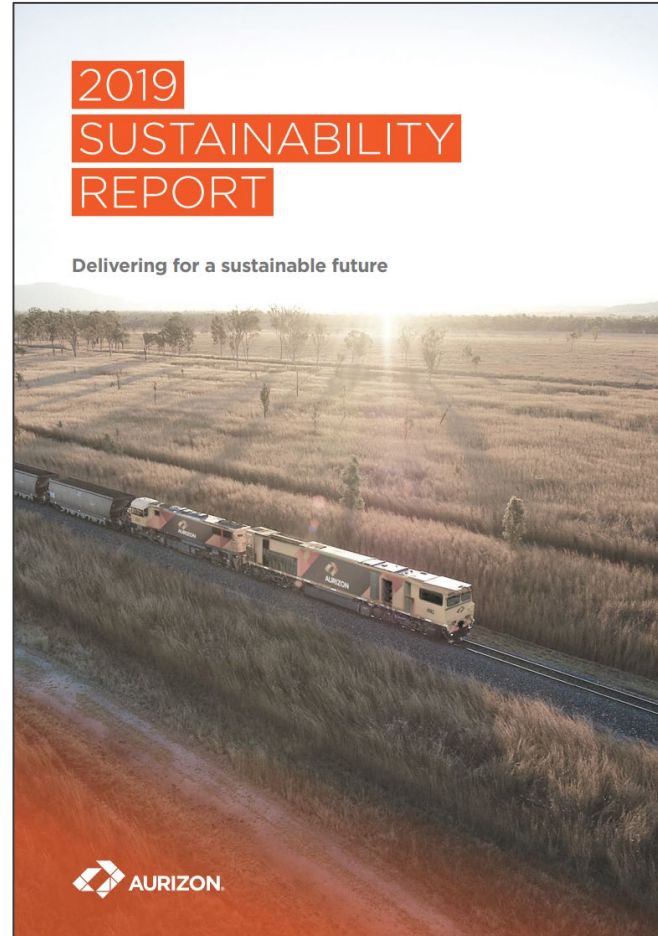
ESG



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**



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 supported through our Community **charities** Giving Fund

\$1.2 billion spent with suppliers



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



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



ESG rating of AA as at February 2019



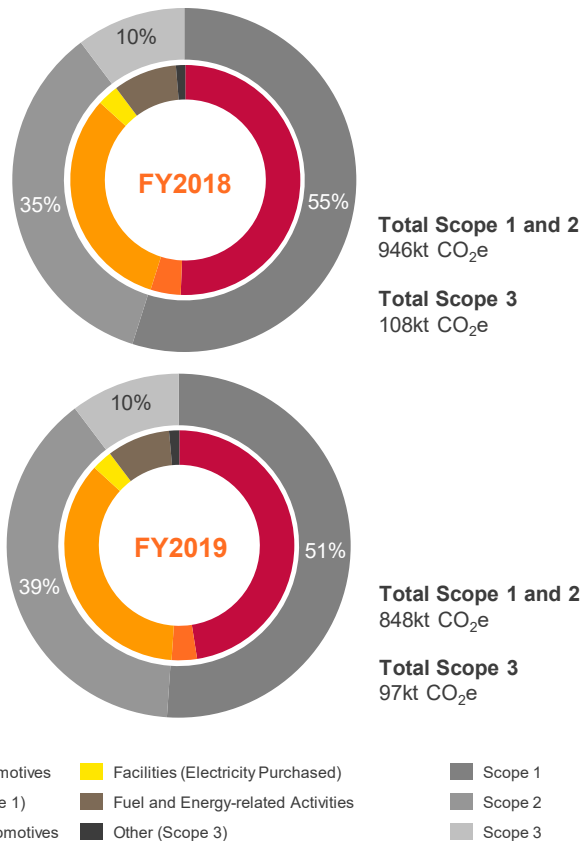
SUSTAINALYTICS
ESG rating of "Average Performer" as at March 2019



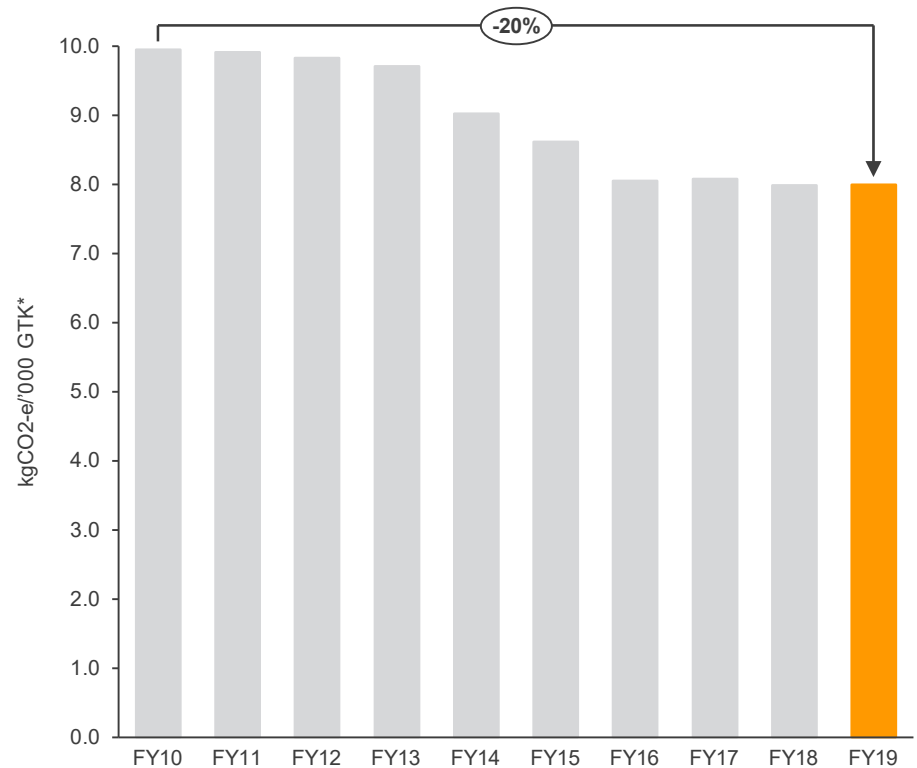
Environment

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

AURIZON'S GREENHOUSE GAS PROFILE



AURIZON'S LOCOMOTIVE EMISSIONS INTENSITY PERFORMANCE



*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.

Additional information

ESG – Future of Coal



Australian Export Coal Demand

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

METALLURGICAL COAL

- › Metallurgical coal (or coking coal) is primarily used to produce steel, an integral link with economic development.
- › Crude steel production occurs primarily via the blast furnace-basic oxygen furnace (BF-BOF) route, which accounted for 71% of global crude steel production in 2018¹.
- › India achieved another record result in 2019 with production of 111 million tonnes² and is the largest export market for Australian metallurgical coal³
- › The *Office of Chief Economist* projects crude steel production growth in India of 5.4% per annum (from 2018), reaching 156mt in 2024⁴
- › India coking coal import dependence was 90% for FY2019⁵

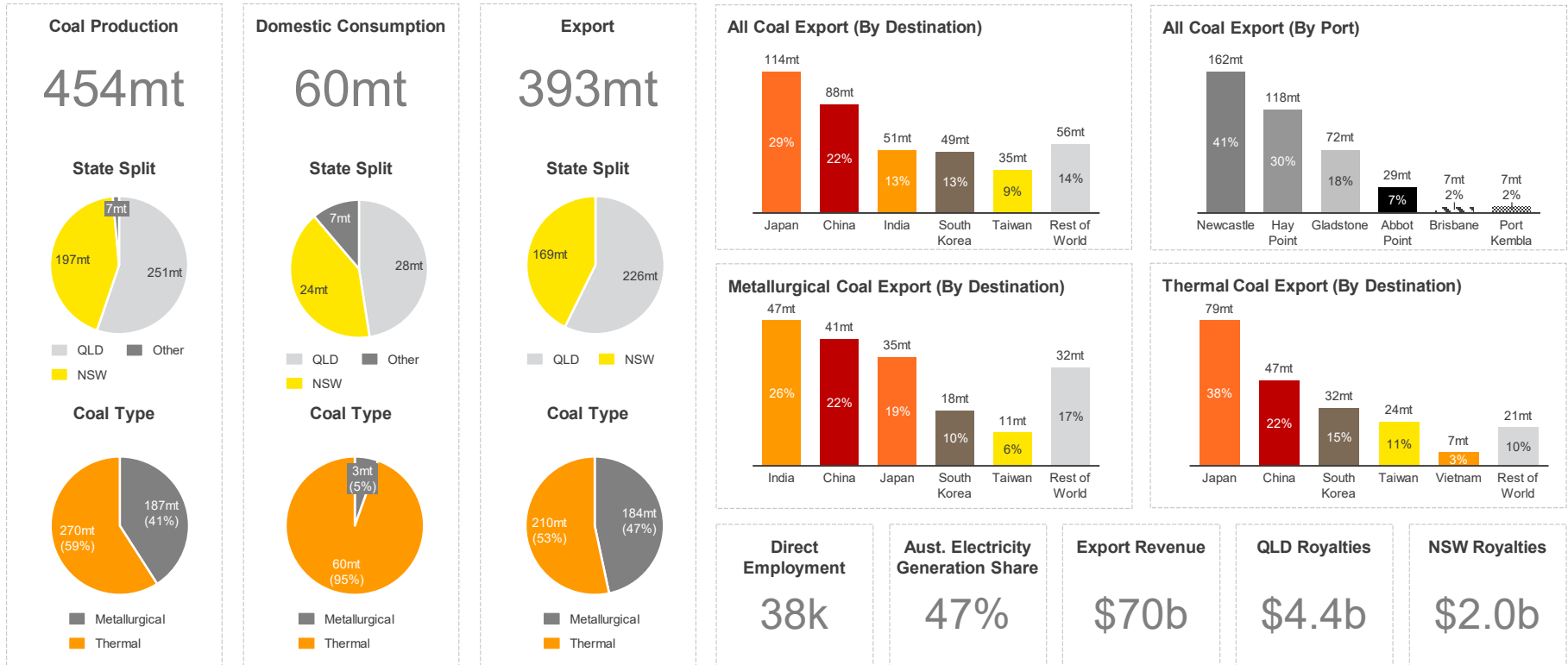
THERMAL COAL

- › 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 construction⁷
- › The International Energy Agency (IEA) projects a 123% growth in coal-fired energy generation in Southeast Asia between 2018 and 2040⁸
- › Vietnam is now Australia's fifth largest thermal coal trading partner (by volume) with record export volume of 7.2 million tonnes in FY2019⁶
- › 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

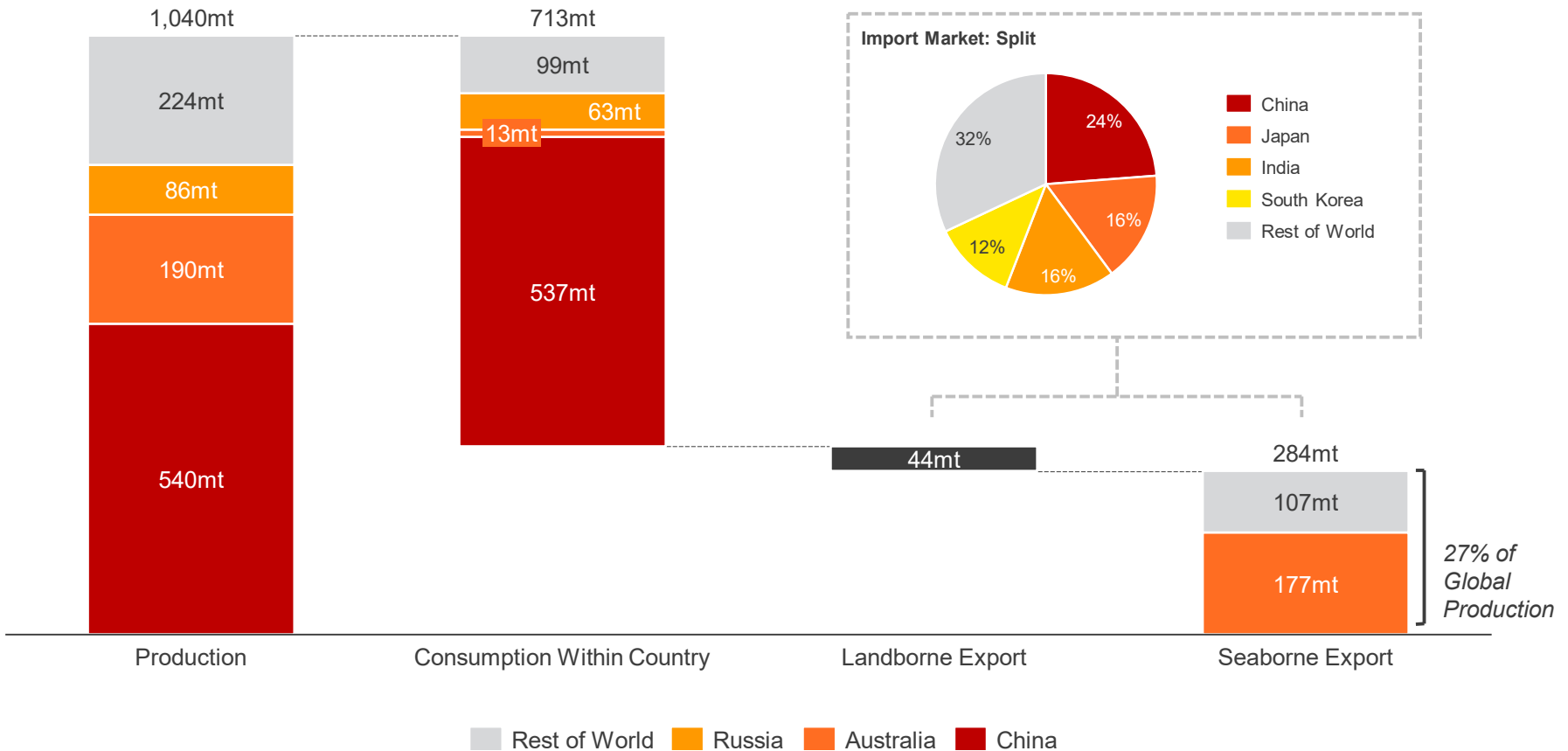


Note: Due to different sources, the sum of individual elements may not equal the corresponding national figure. **Sources - Coal Production:** Volume (saleable coal), state split and coal type sourced from Office of Chief Economist (OCE) Resources and Energy Quarterly December 2019. **Domestic Consumption:** 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.

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

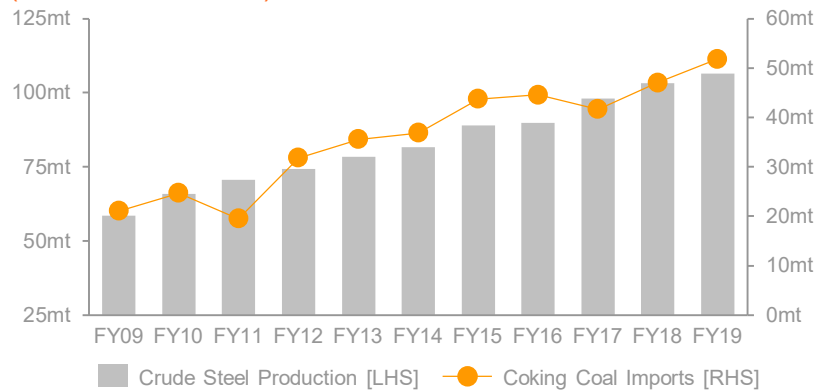


Notes/Sources: International Energy Agency (IEA) World Coal Information 2018. Production includes both primary extraction in addition to recovered product from slurries, middlings and coal dust. Consumption Within Country is defined as production less exports. Landborne is defined as total trade (exports)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

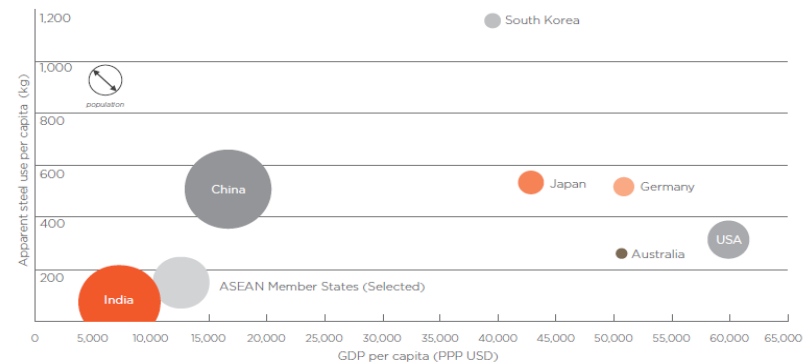
Future of Coal – Metallurgical Coal

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

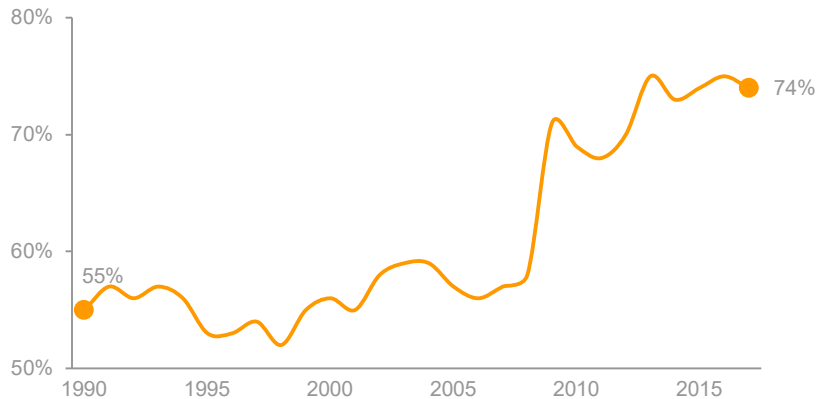
INDIA: CRUDE STEEL PRODUCTION AND COKING (METALLURGICAL) COAL REQUIREMENTS¹



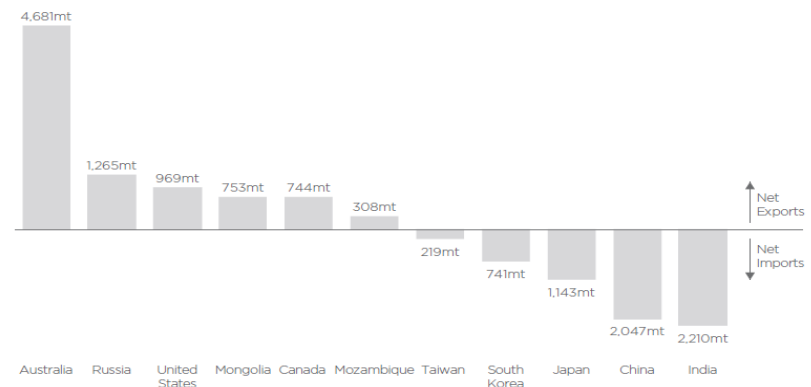
APPARENT (CRUDE STEEL EQUIVALENT) STEEL USE PER CAPITA VS. GDP PER CAPITA BY KEY COUNTRIES²



ASIA: PROPORTION OF GLOBAL METALLURGICAL COAL IMPORT VOLUME³



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

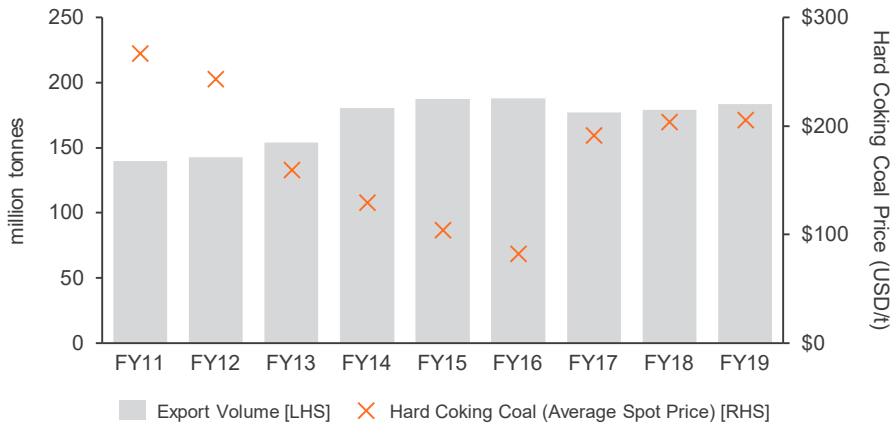


Notes/Sources: 1. India Ministry of Coal, Coal Directory of India (multiple years), Provisional Coal Statistics (2018-19). Note: India financial year (April to March). 2. GDP (Purchasing Power Parity) – International Monetary Fund, World Economic Outlook April 2019 (2017 data); Population – International 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).

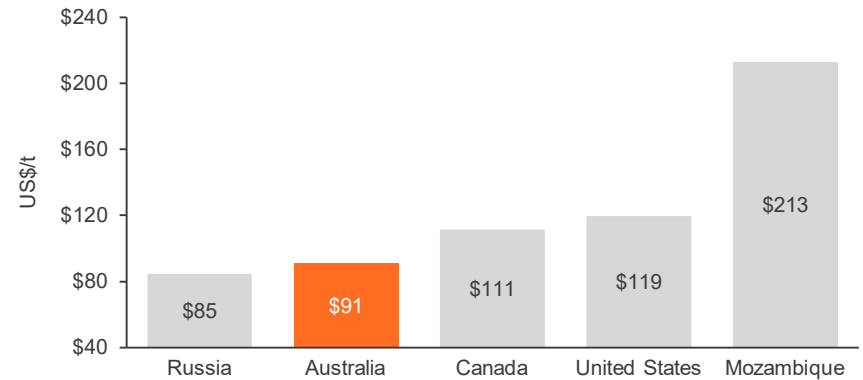
Metallurgical Coal Market | Australia

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

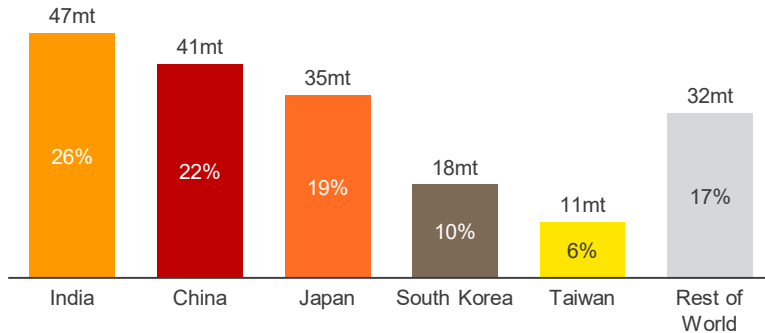
AUSTRALIA: METALLURGICAL COAL EXPORT²



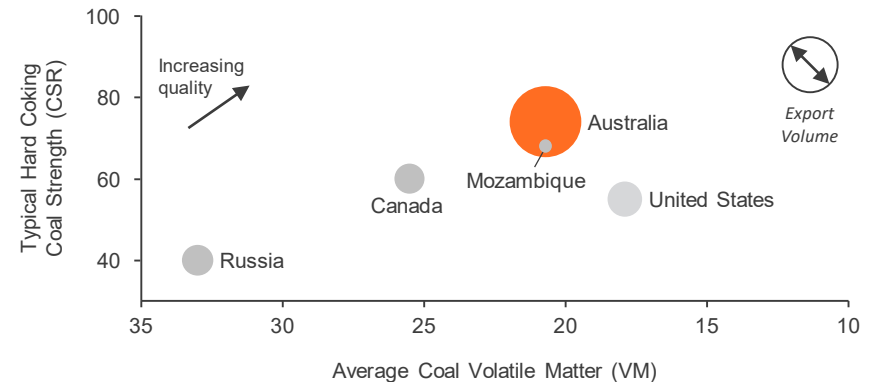
METALLURGICAL COAL CASH COSTS (US\$/t, CFR INDIA, 2019)³



AUSTRALIA: FY2019 METALLURGICAL COAL EXPORT (BY DESTINATION)⁴



METALLURGICAL COAL QUALITY⁵

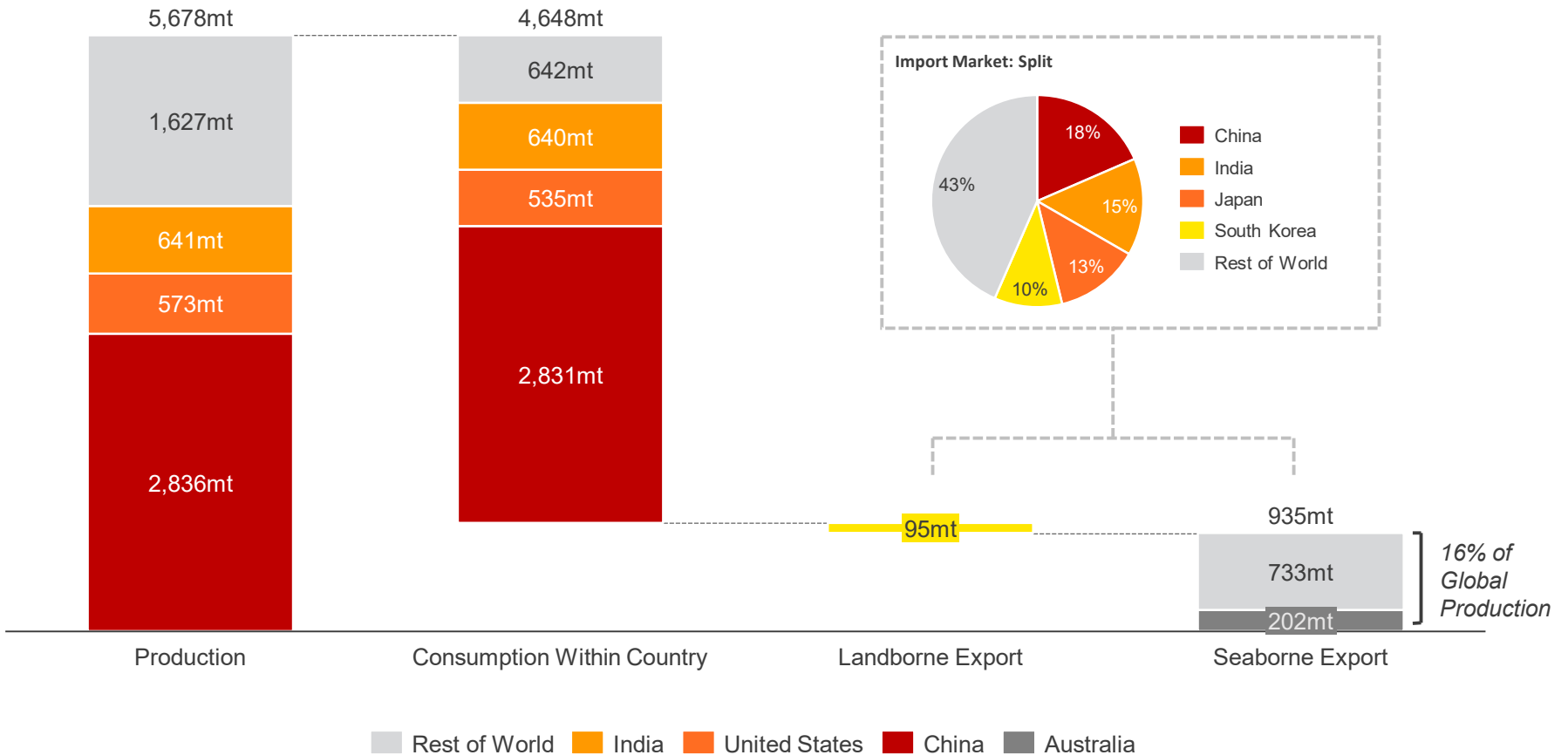


Notes/Sources: 1. Measured and indicated resources as at September 2018, raw coal in situ basis (Coking and PCI) for Queensland (only), Queensland Coal Inventory Report (December 2018). 2. Export Volume – Australian Bureau of Statistics (Customised Report). Hard Coking Coal Price – Platts (Peak Downs Region product). 3. Wood Mackenzie Coal Cost Curves (Data: 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. 4. Australian Bureau of Statistics (Customised Report). 5. 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

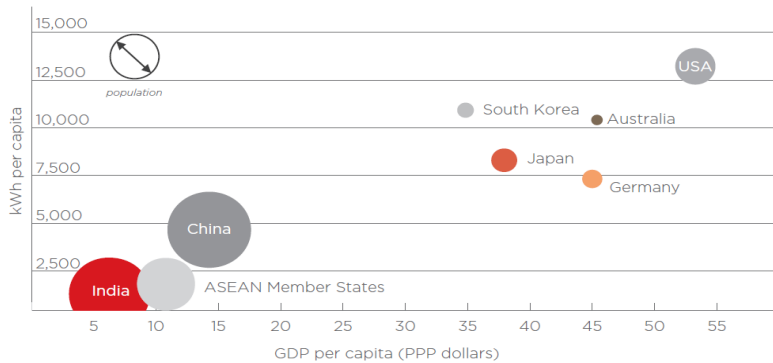


Notes/Sources: International Energy Agency (IEA) World Coal Information 2018. Steam Coal includes all anthracite and bituminous coals not considered coking coal and also includes sub-bituminous coal. Production includes both primary extraction in addition to recovered product from slurries, middlings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

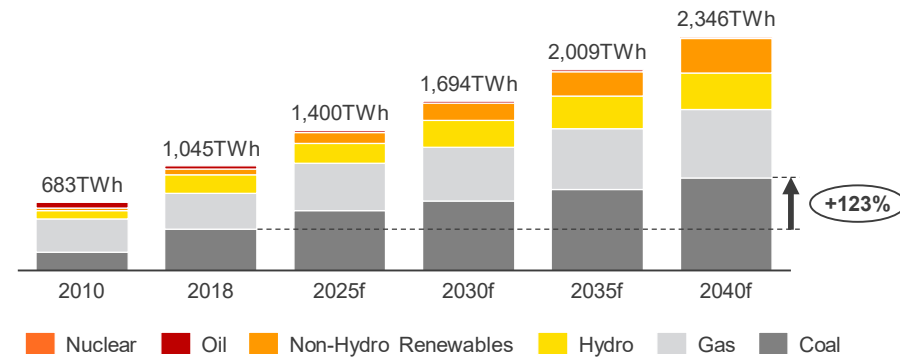
Future of Coal – Thermal Coal

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

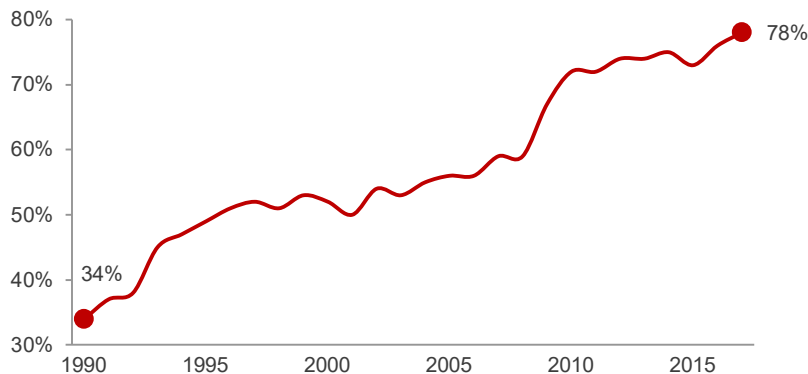
PER CAPITA ELECTRICITY CONSUMPTION VS. PER CAPITA INCOME, BY KEY COUNTRIES¹



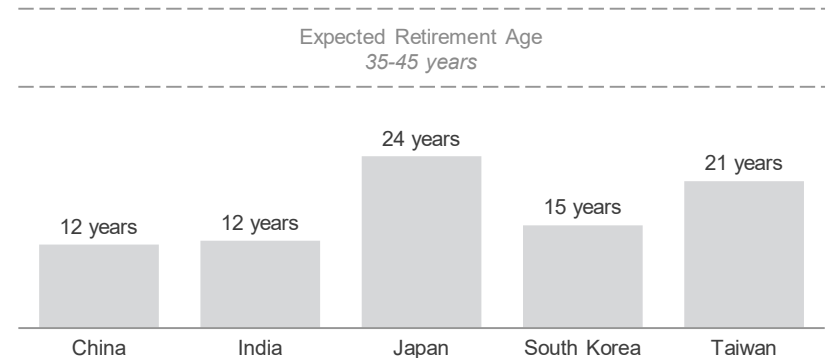
INTERNATIONAL ENERGY (IEA) OUTLOOK (STATED POLICIES SCENARIO) FOR ELECTRICITY GENERATION IN SOUTH-EAST ASIA, BY SOURCE (TWh)²



ASIA: PROPORTION OF GLOBAL THERMAL COAL IMPORT VOLUME³



AVERAGE AGE OF COAL-FIRED ELECTRICITY CAPACITY⁴



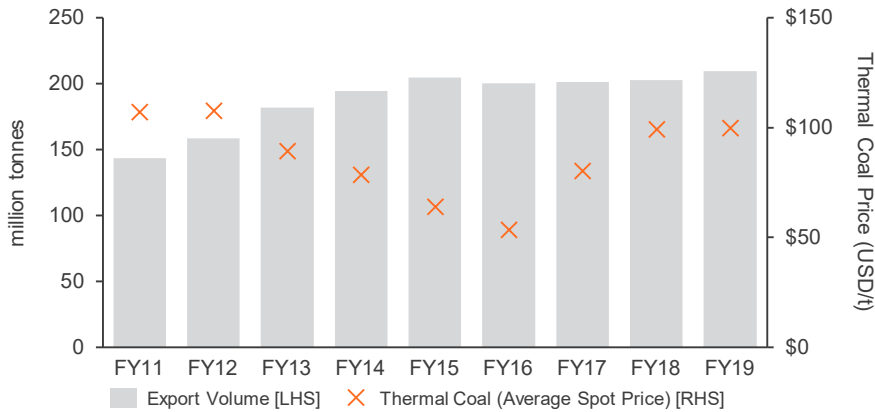
Top Five Global Steam (Thermal) Coal Import Nations (By Volume, In Descending Order)

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.

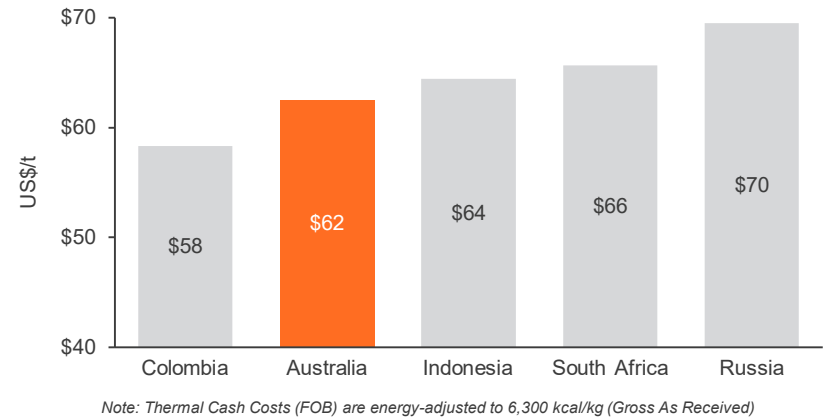
Thermal Coal Market | Australia

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

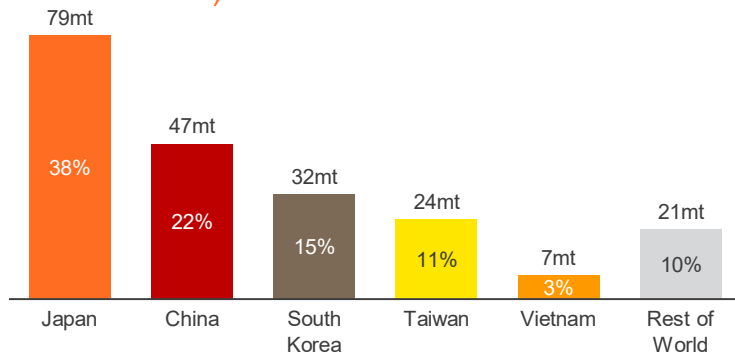
AUSTRALIA: THERMAL COAL EXPORT¹



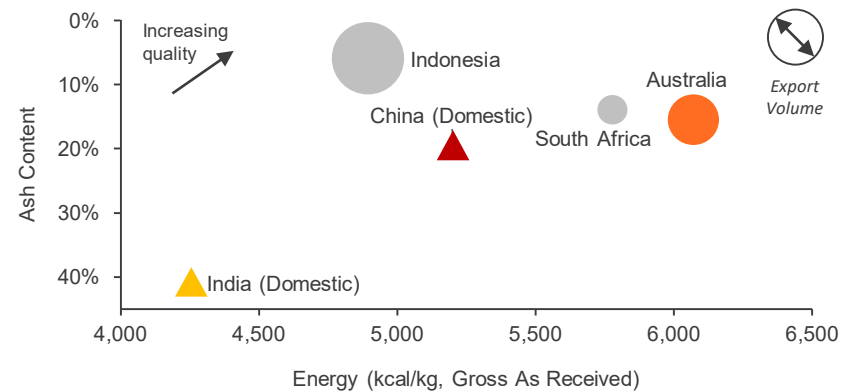
THERMAL COAL CASH COSTS (US\$/t, CFR JAPAN, 2019)²



AUSTRALIA: FY2019 THERMAL COAL EXPORT (BY DESTINATION)³



THERMAL COAL QUALITY⁴



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).

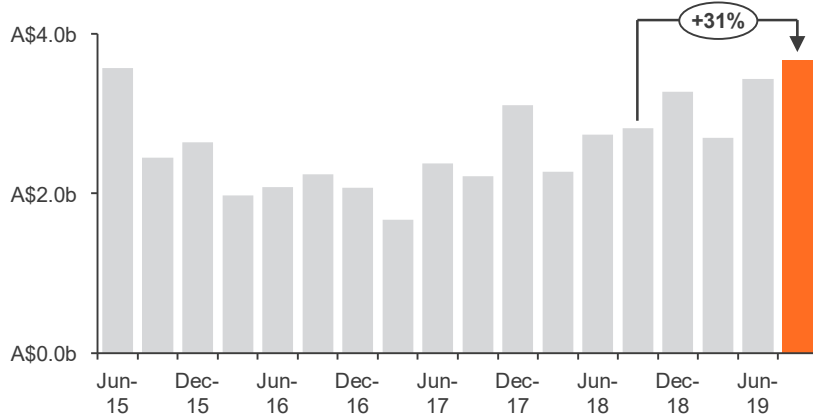
Additional information

ESG - Bulk

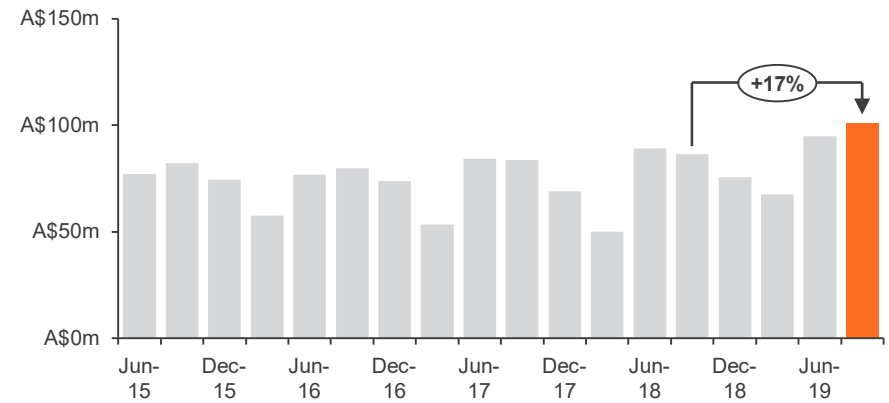


Bulk – Australia Capital & Exploration Expenditure

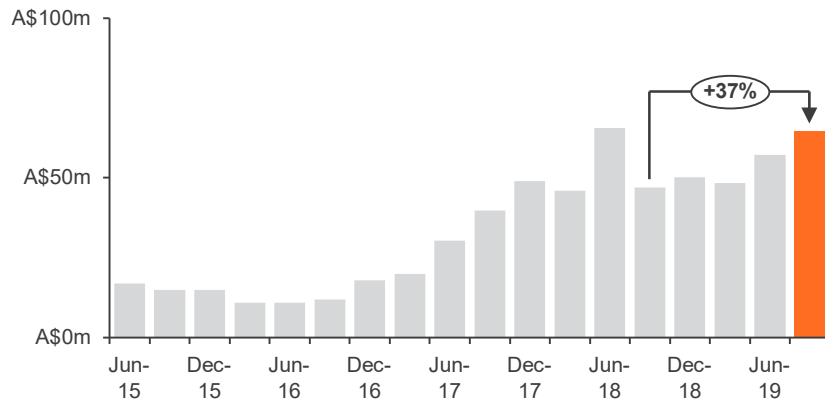
CAPITAL EXPENDITURE: METAL ORE MINING¹



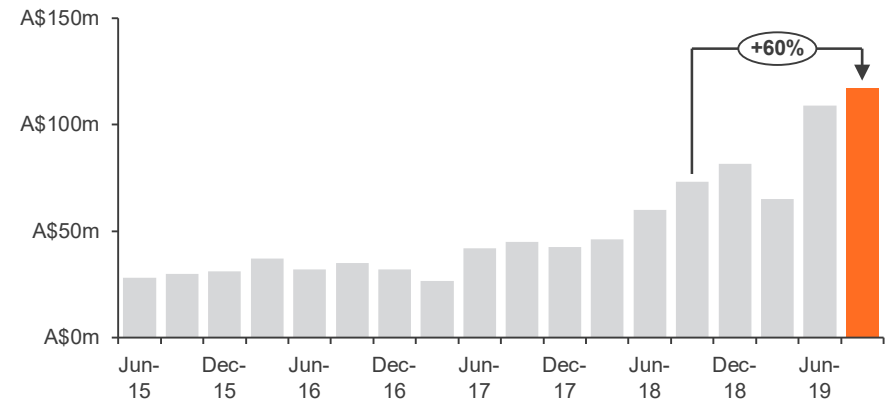
EXPLORATION EXPENDITURE: IRON ORE



EXPLORATION EXPENDITURE: NICKEL & COBALT



EXPLORATION EXPENDITURE: COPPER



Notes/Sources: Australian Bureau of Statistics, Note: ¹Metal Ore Mining includes: Iron ore, Bauxite, Copper, Gold, Mineral Sand, Nickel, Silver, Lead, and Zinc.

Bulk commodities: Global & Australia

Global & Australia supply growth (CAGR 2019-2024)

(Selected commodities)



Notes/Sources: Lithium, Nickel, Bauxite, Iron ore, Alumina, Zinc: Office of the Chief Economist (Resources & Energy Quarterly March 2019), Potash and phosphate (Phosphate is represented by Phosphoric Acid): Food & Agriculture Organization of the United Nations – World fertilizer trends and outlook to 2022 (growth represents world supply between 2016-2022). Source data not available: Global – bauxite, iron ore & alumina, Australia – potash & phosphate.

Additional information

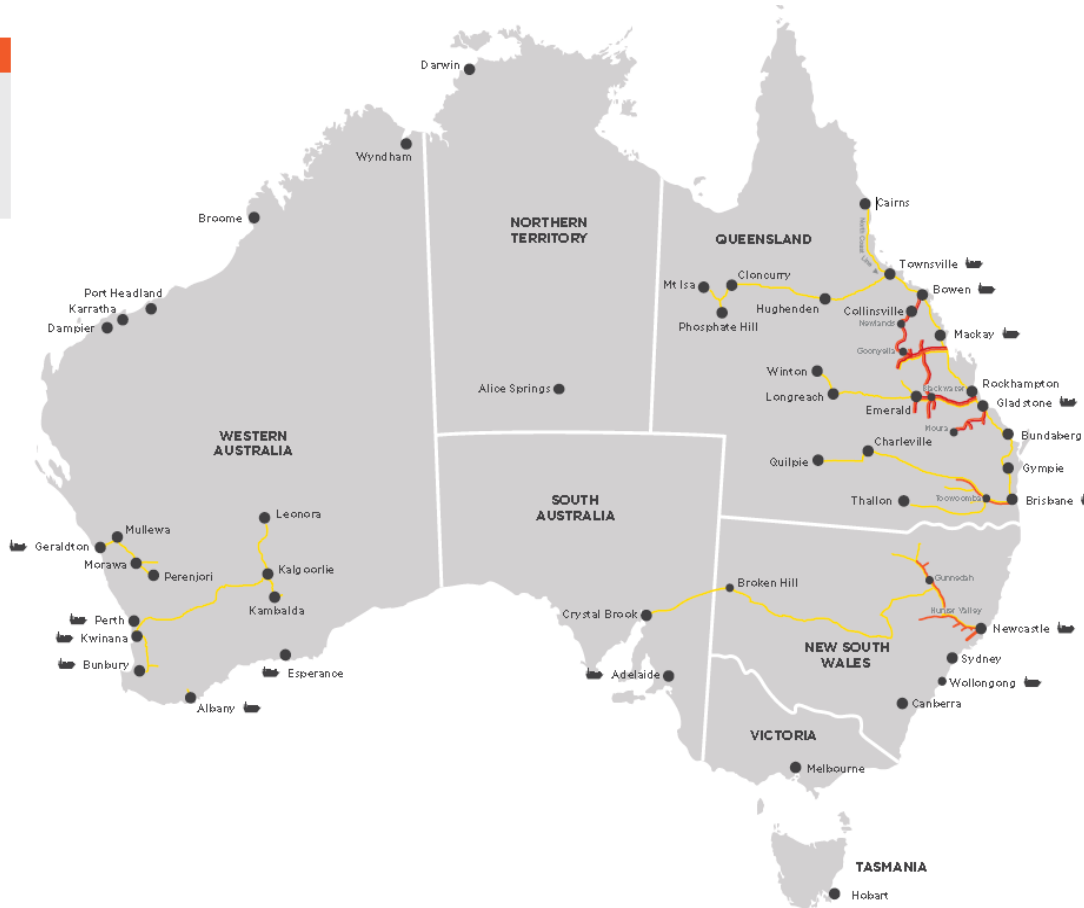
Group



Aurizon's rail haulage operations

Legend

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



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

 Accelerate cost competitiveness of Aurizon
OPTIMISE

 Achieve regulatory reform and competitive advantage through asset efficiency
EXCEL

 Position Aurizon for growth
EXTEND

VALUES

SAFETY

PEOPLE

INTEGRITY

CUSTOMER

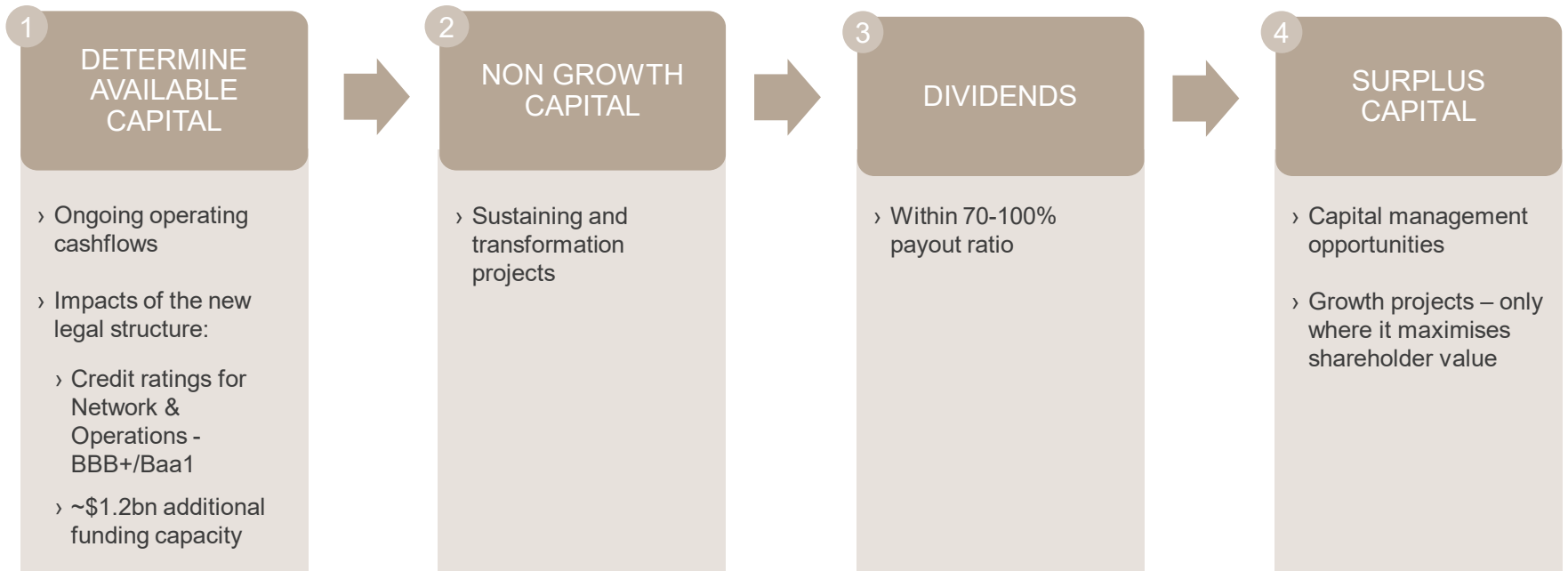
EXCELLENCE

Enterprise Agreements

				Headline Increases				
EA	# Staff Covered (approx.)	Term (years)	Expiry Date	Year 1	Year 2	Year 3	Year 4	Comments
WA Rollingstock Maintenance	100	4	10 May 2021	1.0%	1.5%	1.75%	1.75%	Complete
WA Rail Operations	420	4	30 June 2022	1.5%	2.0%	2.0%	2.25%	Complete
NSW Coal	310	3	10 Nov 2021	2.5%	2.5%	2.5%		Complete
QLD Staff	920	4	30 Jan 2023	2.1%	2.1%	2.25%	2.25%	Complete
QLD Infrastructure	550	4	27 May 2023	2.1%	2.1%	2.25%	2.25%	Complete
QLD Coal • Traincrew & transport operators • Maintenance	1280	3	11 Nov 2022	2.5%	2.3%	2.25%		Complete
			11 Nov 2022	2.0%	2.0%	2.0%		
QLD Bulk • Traincrew & transport operators • Maintenance	370	3	24 Jan 2023	2.5%	2.3%	2.25%		Complete
			24 Jan 2023	1.5%	2.0%	2.0%		

Prioritisation of capital

CAPITAL ALLOCATION HIERARCHY

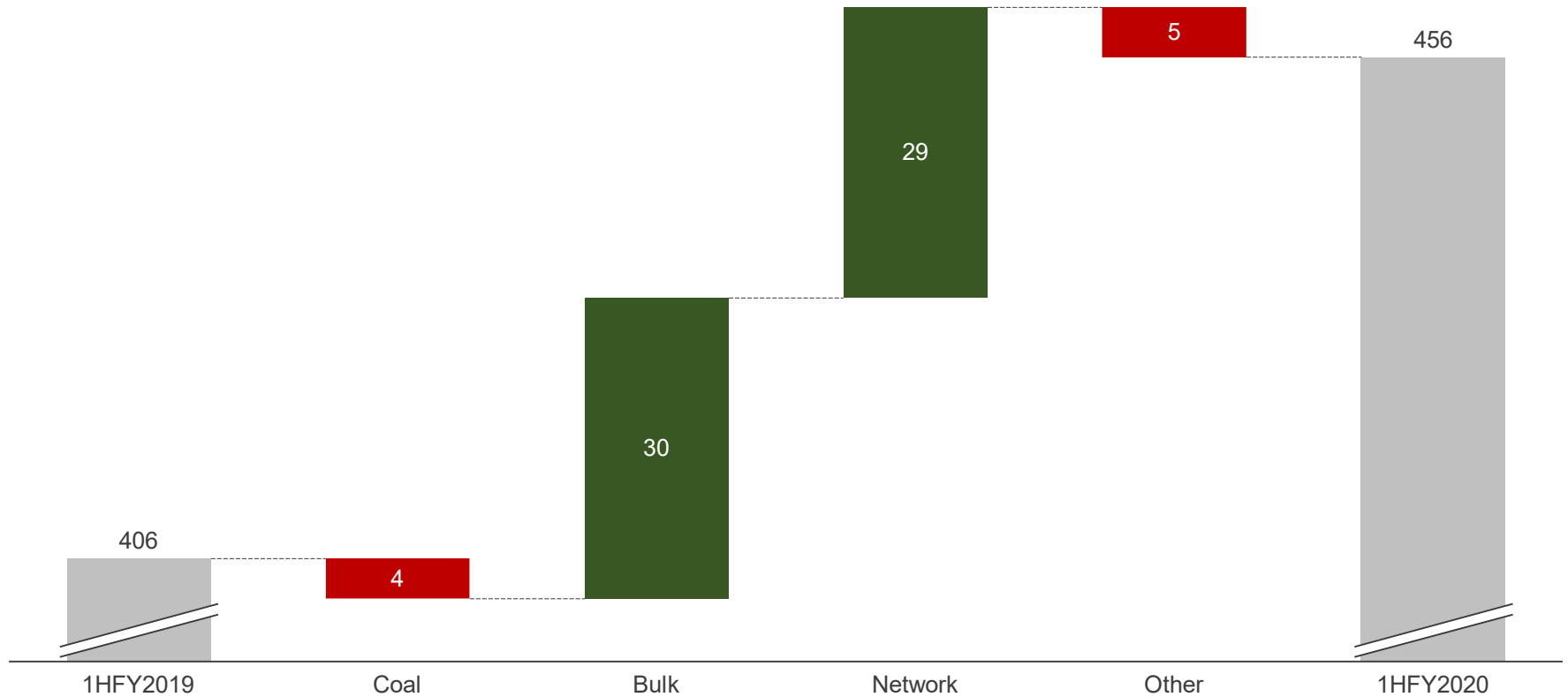


Capital management options influenced by low franking account balance

Financial highlights¹ (underlying)

\$m	1HFY2020	1HFY2019	Variance	2HFY2019
Revenue	1,528.8	1,455.4	5%	1,452.2
Operating costs	(797.6)	(783.7)	(2%)	(752.3)
EBITDA	731.2	671.7	9%	699.9
EBIT	455.6	406.0	12%	423.0
NPAT	268.9	226.9	19%	246.4
EPS (cps)	13.6	11.4	19%	12.4
Interim dividend (cps)	13.7	11.4	20%	12.4
ROIC	10.5%	10.0%	0.5ppt	9.7%
Gearing	42.0%	42.4%	0.4ppt	41.7%

Underlying group EBIT bridge (\$m)



EBIT by business unit (underlying)

\$m	1HFY2020	1HFY2019	Variance	2HFY2019
Coal	205.8	210.3	(2%)	204.8
Bulk	43.7	14.2	208%	23.1
Network	232.2	202.9	14%	197.4
Other	(26.1)	(21.4)	(22%)	(2.3)
EBIT¹	455.6	406.0	12%	423.0

Group operating highlights¹

\$m	1HFY2020	1HFY2019	Variance	2HFY2019
Labour Costs ² / Revenue	26.1%	25.5%	(0.6ppt)	26.5%
EBITDA Margin – Underlying	47.8%	46.2%	1.6ppt	48.2%
Operating Ratio – Underlying	70.2%	72.1%	1.9ppt	70.9%
Tonnes (m)	129.9	130.1	-	128.8
People (FTE)	4,645	4,560	(2%)	4,728

1. Continuing operations
2. Excludes redundancy costs

Other profit & loss (underlying)

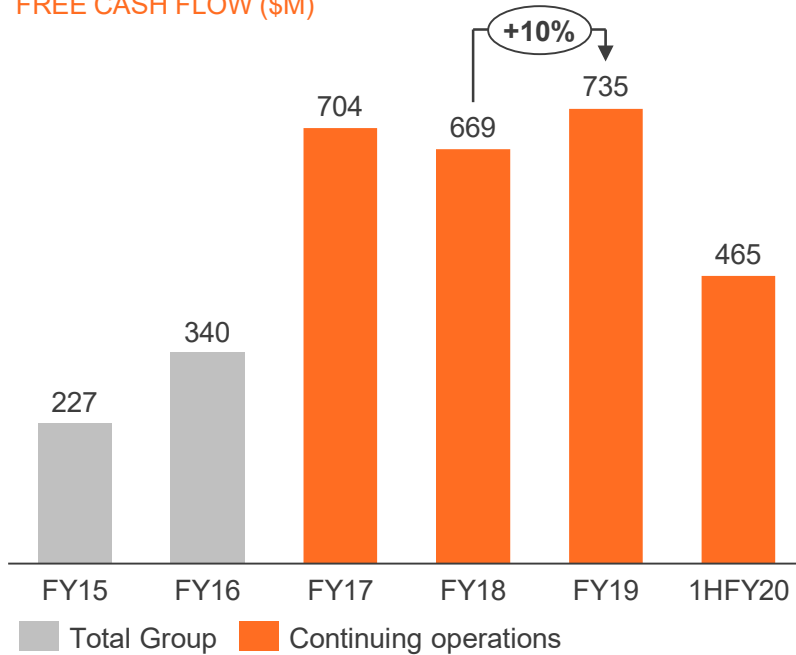
\$m	1HFY2020	1HFY2019	Variance	2HFY2019
Revenue	28.0	40.9	(32%)	41.3
Total operating expenses	(51.1)	(57.6)	11%	(38.5)
EBITDA	(23.1)	(16.7)	(38%)	2.8
Depreciation and amortisation	(3.0)	(4.7)	36%	(5.1)
EBIT	(26.1)	(21.4)	(22%)	(2.3)

Quarterly tonnes – December quarter 2019

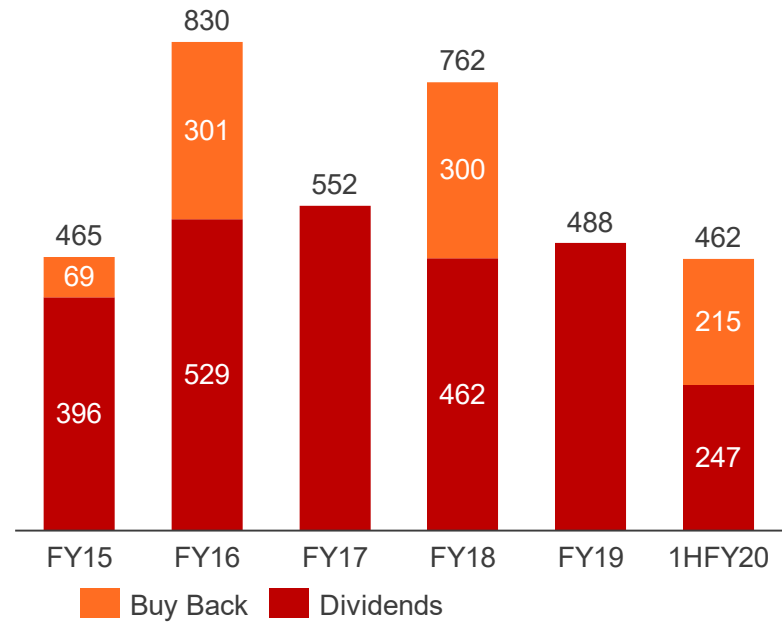
	Quarter Ending					Quarter Dec-19 vs. Dec-18	Year Financial to date		Variance
	Dec-18	Mar-19	Jun-19	Sept-19	Dec-19	%	Dec-19	Dec-18	%
Coal volumes (mt)									
CQCN	38.4	36.4	39.5	36.6	37.7	(2%)	74.3	76.4	(3%)
NSW & SEQ	15.9	15.3	16.6	16.2	15.8	(1%)	32.0	30.1	6%
Total	54.3	51.7	56.1	52.8	53.5	(1%)	106.3	106.5	-
Coal NTK (bn)									
CQCN	9.5	9.1	10.0	9.2	9.5	-	18.7	19.2	(3%)
NSW & SEQ	3.2	3.1	3.2	3.2	2.9	(9%)	6.1	5.9	3%
Total	12.7	12.2	13.2	12.4	12.4	(2%)	24.8	25.1	(1%)
Bulk volumes (mt)	12.1	10.3	10.7	11.6	12.0	(1%)	23.6	23.6	-
Above Rail Volumes (mt)	66.4	62.0	66.8	64.4	65.5	(1%)	129.9	130.1	-

Cashflow and shareholder returns

FREE CASH FLOW (\$M)



SHAREHOLDER RETURNS (\$M)



- > 1HFY20 FCF benefited from the receipt of sale proceeds from the Rail Grinding business

- > Interim dividend 13.7cps declared at 100% payout of NPAT
- > 100% payout ratio maintained since 2HFY15

Balance sheet summary

\$m	31 December 2019	30 June 2019
Assets classified as held for sale ¹	74.7	108.4
Other current assets	607.8	631.2
Property, plant & equipment	8,499.3	8,536.3
Other non-current assets	437.6	425.2
Total assets	9,619.4	9,701.1
Liabilities classified as held for sale	(0.7)	(3.8)
Other current liabilities	(697.6)	(795.7)
Total borrowings	(3,372.0)	(3,369.8)
Other non-current liabilities	(987.2)	(854.4)
Total liabilities	(5,057.5)	(5,023.7)
Net assets	4,561.9	4,677.4
Gearing - net debt / (net debt + equity)	42.0%	41.7%

1. Assets related to discontinued operations at 30 June 2019 - \$42.9m and 31 December 2019 - \$41.6m

Reconciliation of borrowings

	\$m	Commentary
Total debt including working capital facility	3,184.8	› Non-current debt on a Cash basis
<i>Reconciliation to Financial Statements</i>		
Add/(less):		
Capitalised transaction costs	(7.9)	› Transaction costs directly attributable to borrowings are capitalised to the balance sheet and amortised to the income statement in accordance with AASB 9, e.g. refinancing costs
Discounts on bonds	(8.9)	› Discounts on mid-term-notes capitalised to the balance sheet and unwound to the income statement in accordance with AASB 9
MTM adjustment on bonds	204.0	› Fair value hedge MTM adjustment on bonds in accordance with AASB 9
Total adjustments	187.2	
Total borrowings per financial report	3,372.0	› Current and non-current borrowings

Significant Items

\$m	1HFY2020	1HFY2019	Variance	2HFY2019
Continuing operations – Gain on sale of Rail Grinding	105.4	-	-	-
Discontinued operation - Intermodal	2.5	(10.3)	nm	(1.1)

Redundancy cost information

Year	Redundancy costs included in underlying EBIT (\$m)	Redundancy costs classified as Significant items (\$m)
FY2015	36	-
FY2016	24	-
FY2017	5	116
FY2018	17	(10)
FY2019	21	(1)
1HFY2020	11	-

- › Redundancy costs since IPO have been included in underlying EBIT as well as classified as a significant item
- › Aurizon classifies redundancy costs as significant in the notes to the financial statements, 4E, 4D and investor presentations when the amounts are considered material
- › Redundancy costs are presented for total Group (Continuing and Discontinued operations)

Dividend history

	Payment Date	Amount per share (cents)	Franking	Payout Ratio
FY2020 Final				
FY2020 Interim	23 March 2020	13.7	70%	100% ¹
FY2020 Total Dividend				
FY2019 Final	23 September 2019	12.4	70%	100% ¹
FY2019 Interim	25 March 2019	11.4	70%	100% ¹
FY2019 Total Dividend		23.8		
FY2018 Final	24 September 2018	13.1	60%	100% ¹
FY2018 Interim	26 March 2018	14.0	50%	100% ¹
FY2018 Total Dividend		27.1		
FY2017 Final	25 September 2017	8.9	50%	100%
FY2017 Interim	27 March 2017	13.6	70%	100%
FY2017 Total dividend		22.5		
FY2016 Final	26 September 2016	13.3	70%	100%
FY2016 Interim	29 March 2016	11.3	70%	100%
FY2016 Total dividend		24.6		
FY2015 Final	28 September 2015	13.9	30%	100%
FY2015 Interim	23 March 2015	10.1	0%	70%
FY2015 Total dividend		24.0		

The relevant final dividend dates are:

- › Ex-dividend date 24 February 2020
- › Record date 25 February 2020

1. Payout ratio on underlying NPAT for continuing operations

Adoption of new accounting standards

The Group adopted AASB 16 from 1 July 2019

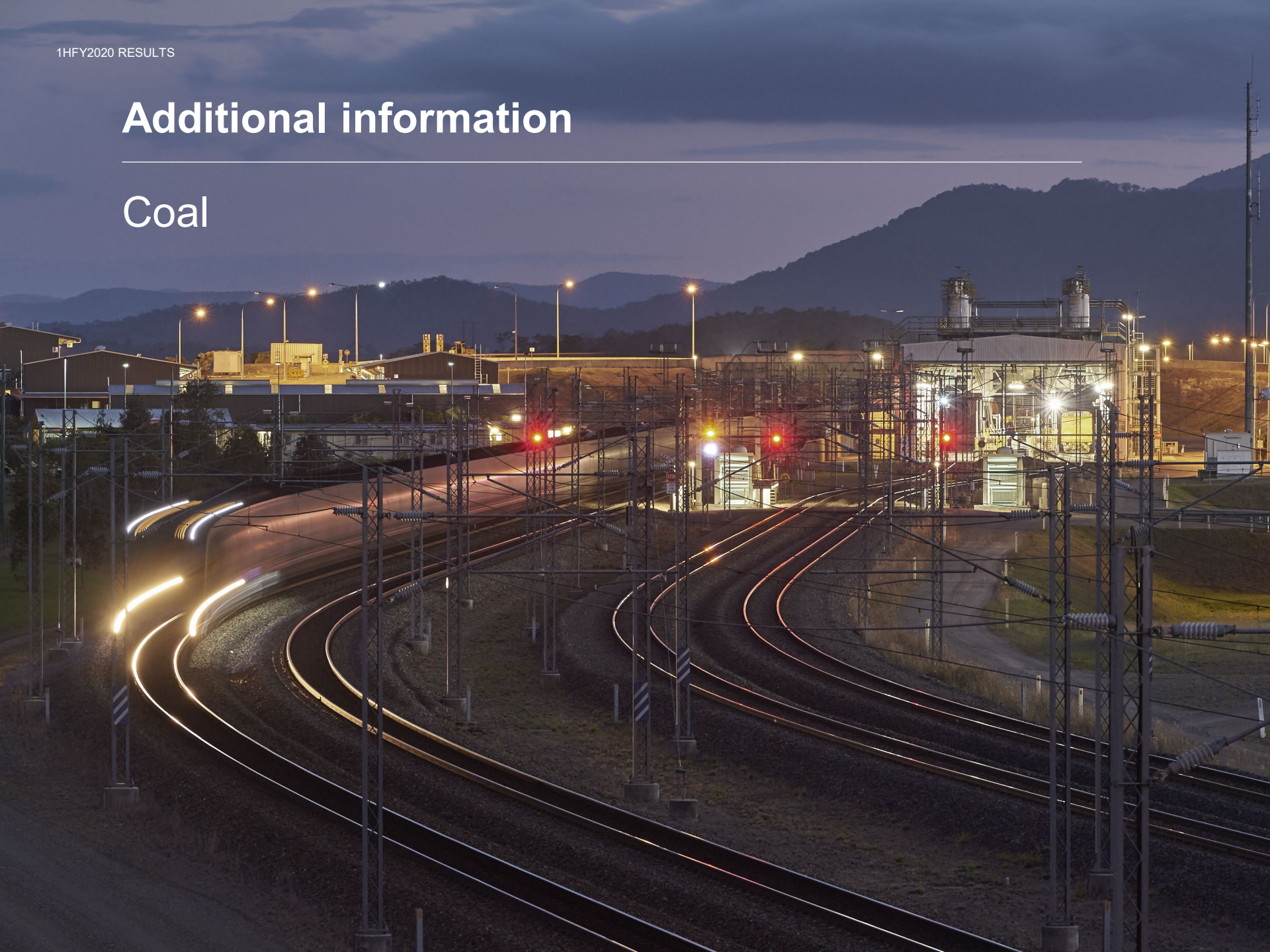
- › The adoption of AASB 16 results in almost all previously recognised operating leases being recognised on the balance sheet. Under the new standard an asset (right to use the leased item) and a finance liability to pay rentals are recognised
- › The Group has elected to apply the Modified Retrospective Approach when transitioning to the new standard. The Group was not required to restate comparative information
- › With the introduction of the new lease accounting standard Aurizon has reviewed the current ROIC calculation and simplified the definition of invested capital which has been applied from FY2019
- › As a result of adopting the standard from 1 July 2019, continuing EBIT has improved. Impact for the six months to 31 December 2019 was \$0.9m

IMPACT ON BALANCE SHEET

ASSETS	\$m
Current Assets	
Other assets	4.9
Non Current assets	
Property, plant & equipment	53.3
Other assets	41.1
Total Assets	99.3
LIABILITIES	
Current liabilities	
Provisions	0.1
Other liabilities	(9.8)
Non Current liabilities	
Provisions	2.3
Other liabilities	(90.3)
Total Liabilities	(97.7)
Net Assets	1.6
EQUITY	
Retained earnings	1.6

Additional information

Coal

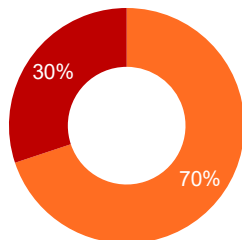


Coal snapshot

As at 31 December 2019



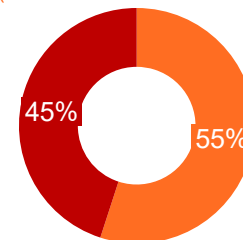
TONNES



- CQCN
- NSW/SEQ

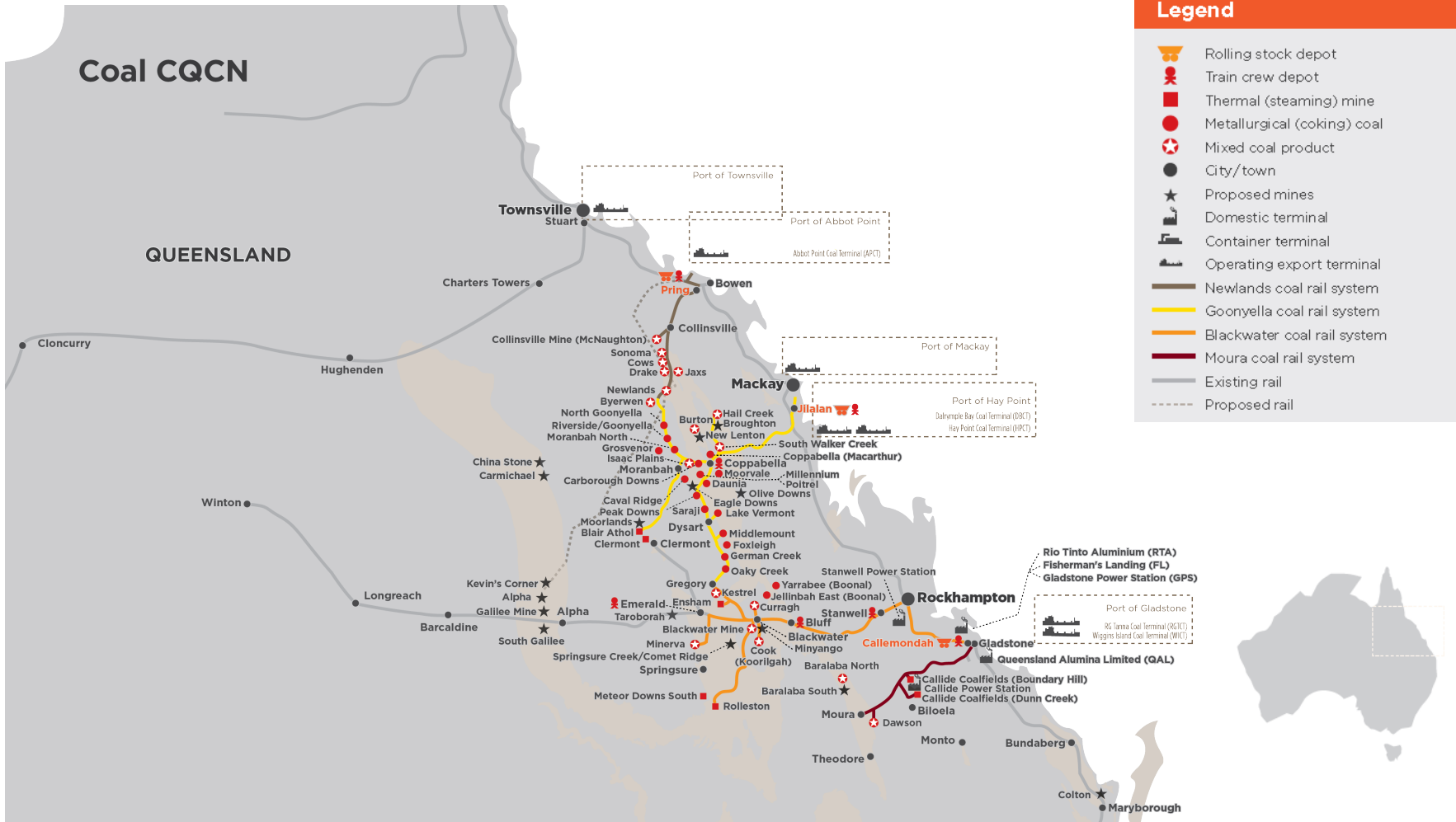
HAULAGE BREAKDOWN

(estimate as at 30 June 2019)



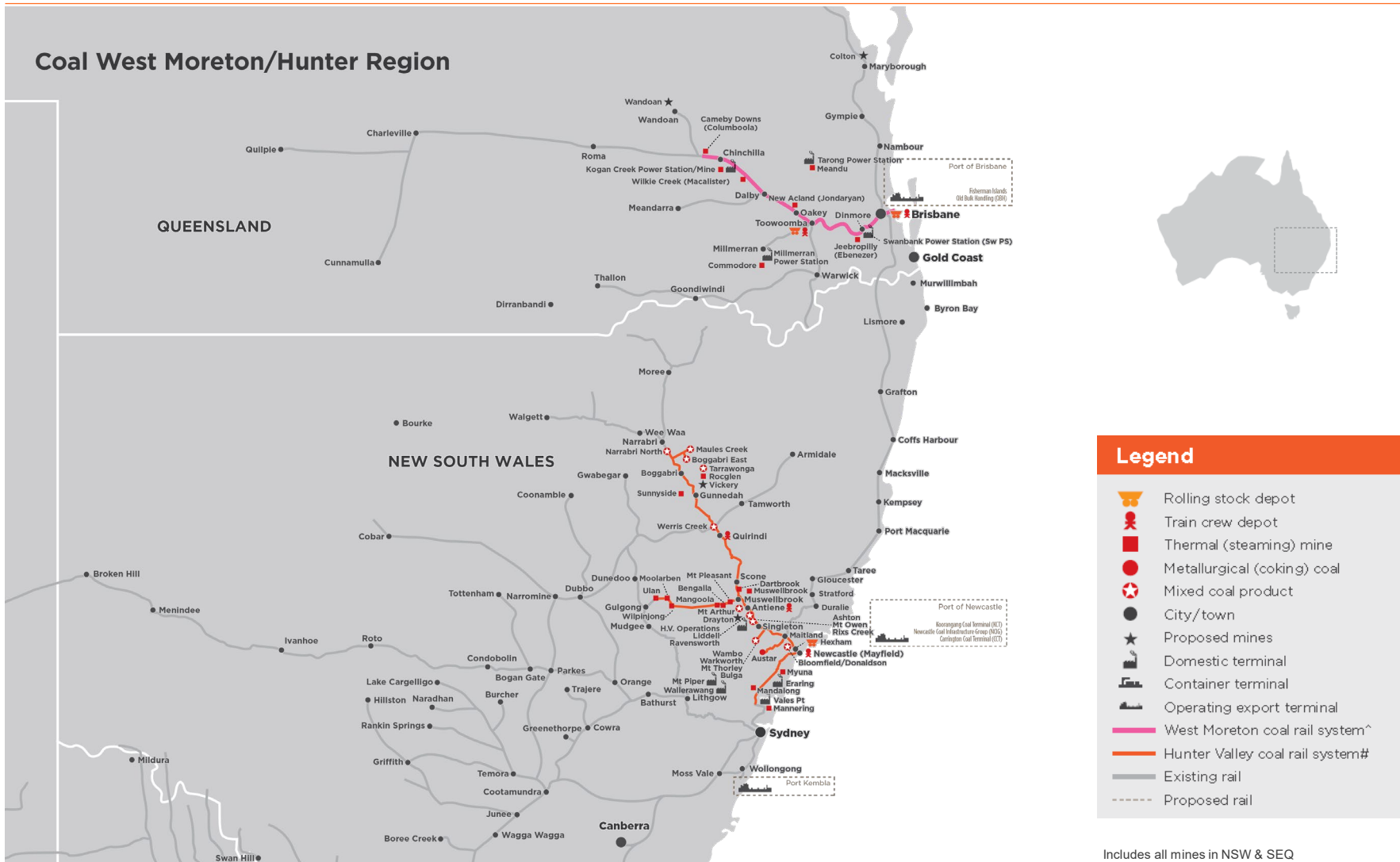
- Thermal Coal
- Metallurgical Coal

Coal operations - CQCEN



Includes all mines in the CQCEN

Coal operations – NSW & South East Queensland (SEQ)



Coal profit and loss (underlying)

\$m	1HFY2020	1HFY2019	Variance	2HFY2019
Tonnes (m)	106.3	106.5	-	107.8
Above Rail	628.5	616.7	2%	619.5
Track Access	258.9	270.5	(4%)	217.2
Other	1.2	0.3	300%	0.6
Total Revenue	888.6	887.5	-	837.3
Operating Expenses	(581.6)	(582.4)	-	(532.6)
EBITDA	307.0	305.1	1%	304.7
Depreciation and amortisation	(101.2)	(94.8)	(7%)	(99.9)
EBIT	205.8	210.3	(2%)	204.8
Operating Ratio	76.8%	76.3%	(0.5ppt)	75.5%
Operating Ratio (excluding access revenue)	67.3%	65.9%	(1.4ppt)	67.0%

Coal financial and operating metrics

	1HFY2020	1HFY2019	Variance	2HFY2019
Tonnes (m)	106.3	106.5	-	107.8
NTKs (bn)	24.8	25.1	(1%)	25.4
Above Rail Revenue /NTK (\$/'000 NTK)	25.3	24.6	3%	24.4
Opex (excl access)/NTK (\$/'000 NTK)	17.2	16.3	(6%)	16.9
Locomotive Productivity (000's NTK / Active loco days) ¹	401.7	421.8	(5%)	419.8
Wagon Productivity (000's NTK / Active wagon days) ¹	15.6	15.9	(2%)	16.2
Payload (tonnes) ¹	7,588	7,460	2%	7,542
Velocity (km/hr) ¹	23.8	22.8	4%	23.1
Fuel Consumption (l/d GTK) ¹	2.84	2.84	-	2.80
Contract Utilisation	86%	89%	(3.0ppt)	91%

1. Operational metrics have been restated in prior periods to reflect new reporting which utilises updated data sources

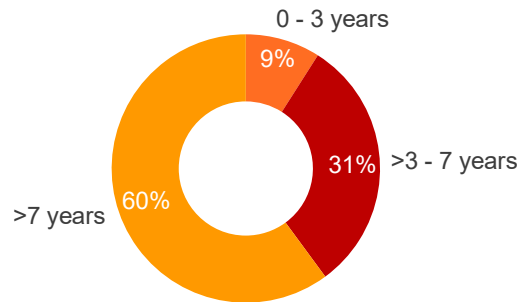
Coal haulage tonnes (mt) by system

	1HFY2020	1HFY2019	Variance	2HFY2019
CQCN				
Newlands	10.5	9.9	6%	8.9
Goonyella	29.1	30.4	(4%)	30.6
Blackwater	28.4	29.1	(2%)	29.8
Moura	6.3	7.0	(10%)	6.6
Total CQCN	74.3	76.4	(3%)	75.9
NSW & SEQ				
West Moreton	3.2	3.8	(16%)	3.6
Hunter Valley	28.8	26.3	10%	28.3
Total NSW & SEQ	32.0	30.1	6%	31.9
Total Coal	106.3	106.5	-	107.8

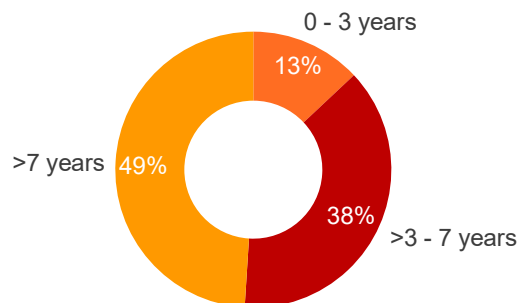
Coal contract portfolio

COAL CONTRACT PORTFOLIO EXPIRY PROFILE¹

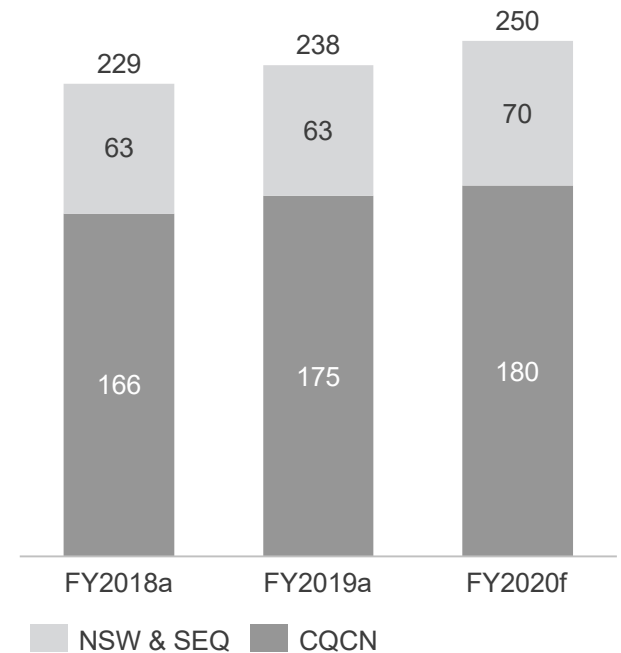
AS AT 31 DECEMBER 2019



AS AT 30 JUNE 2019



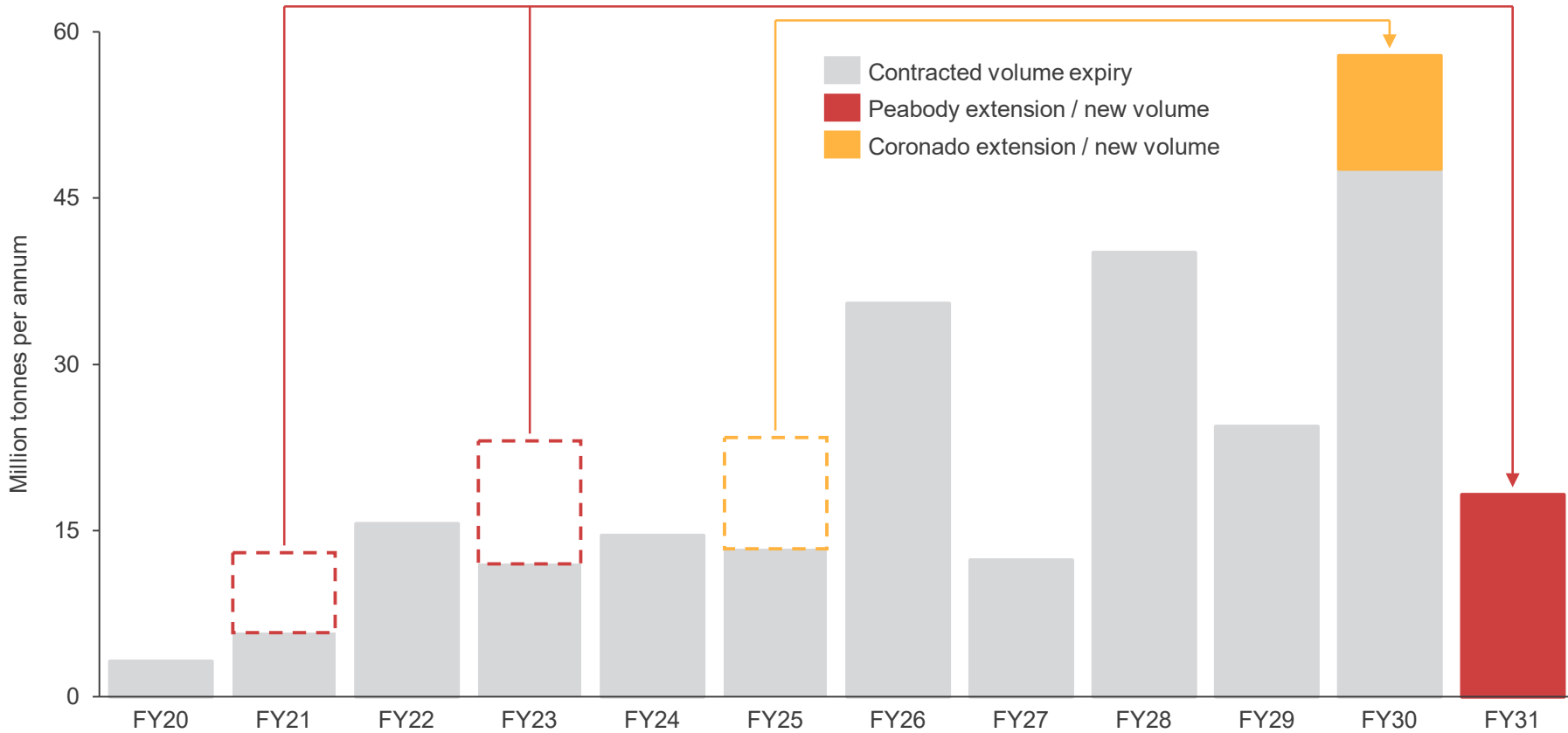
FORECAST COAL CONTRACTED VOLUMES (MTPA)¹



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.

Additional information

Bulk

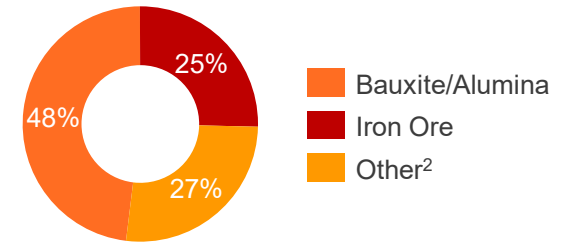


Bulk snapshot

As at 31 December 2019

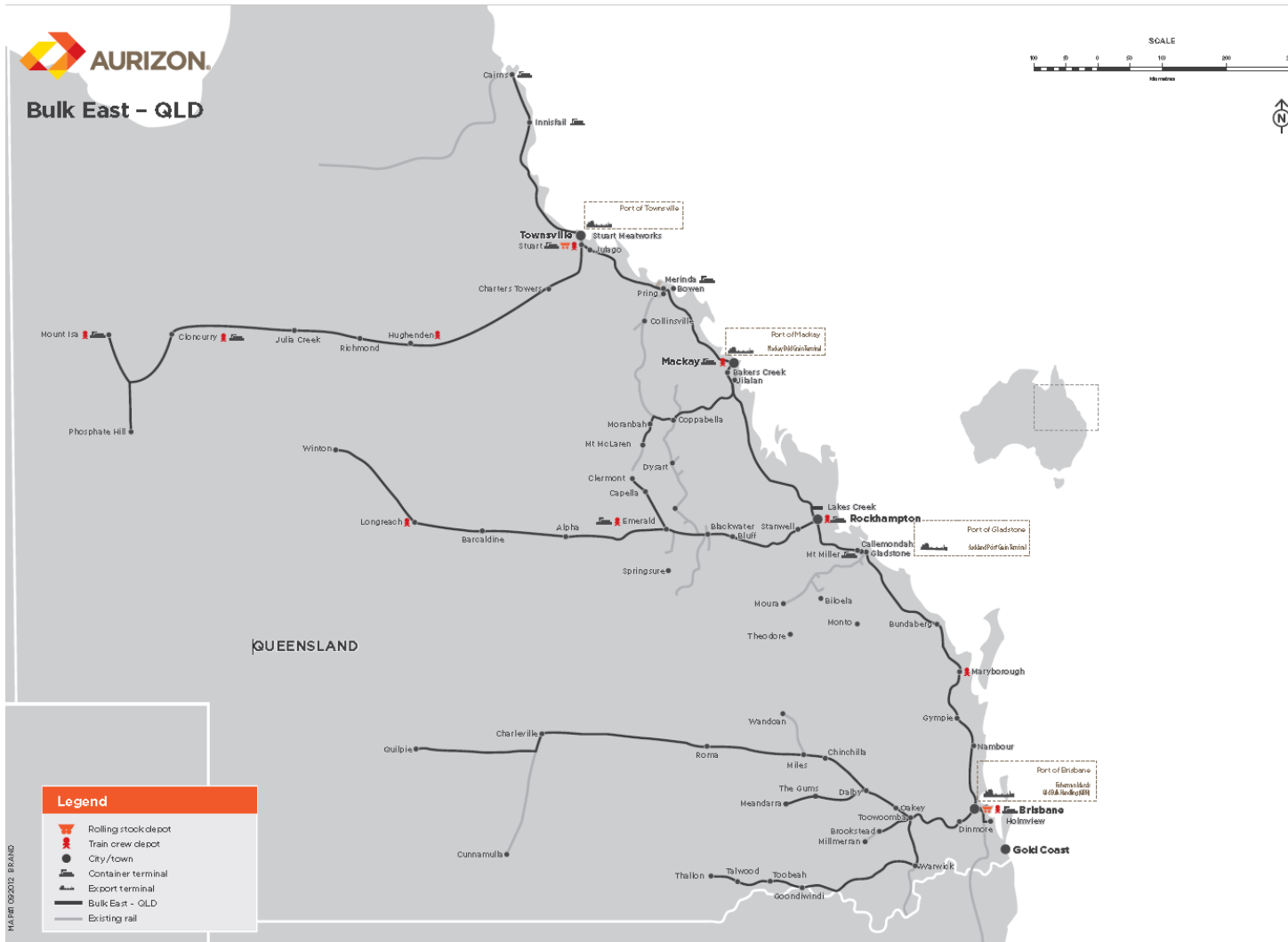


HAULAGE BREAKDOWN¹



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

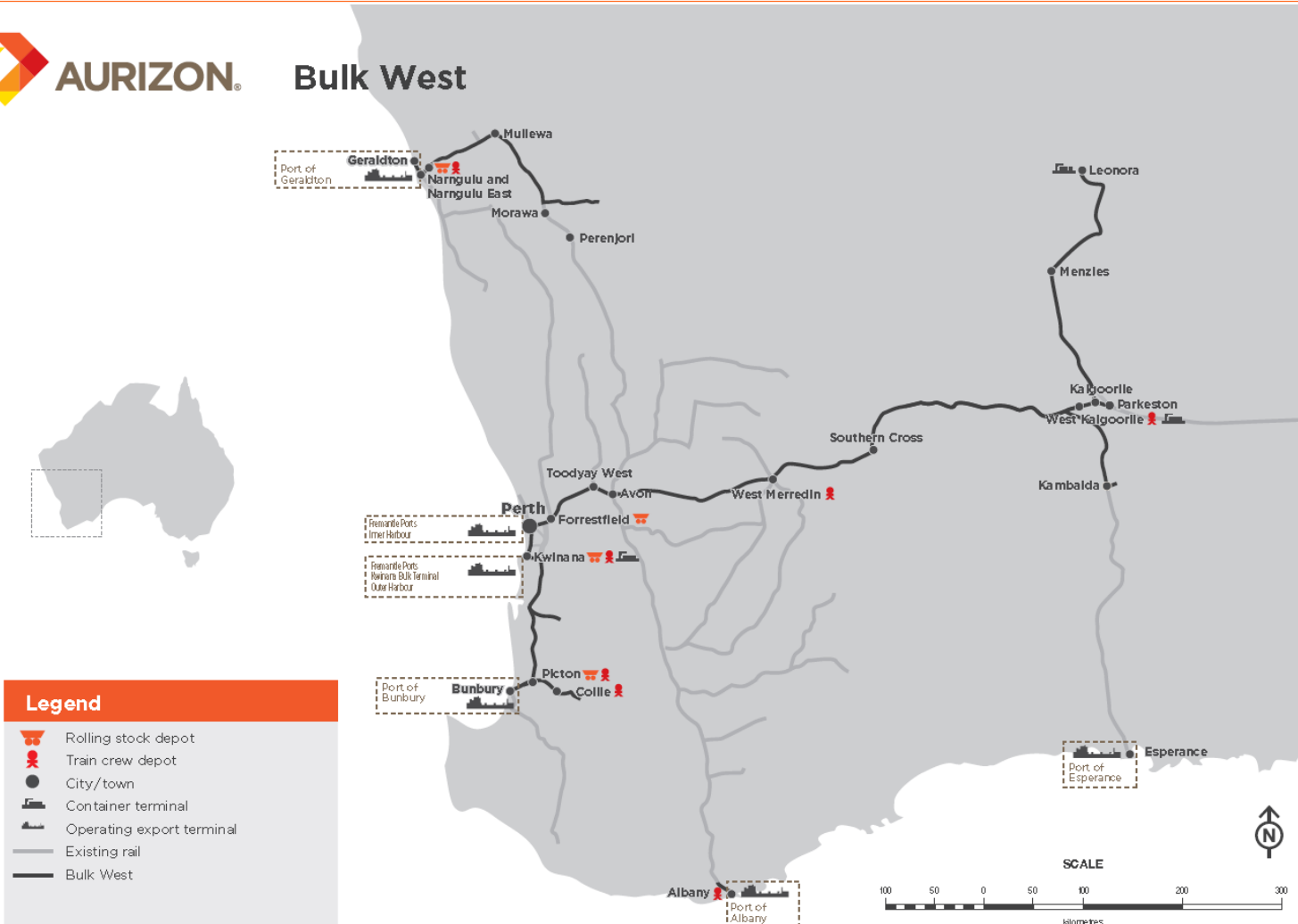
Bulk operations – Queensland



Bulk operations – Western Australia



Bulk West



Bulk profit & loss (underlying)

\$m	1HFY2020	1HFY2019	Variance	2HFY2019
Tonnes (m)	23.6	23.6	-	21.0
Total Revenue	297.3	259.5	15%	242.2
Total operating expenses	(244.7)	(236.8)	(3%)	(210.4)
EBITDA	52.6	22.7	132%	31.8
Depreciation and amortisation	(8.9)	(8.5)	(5%)	(8.7)
EBIT	43.7	14.2	208%	23.1
Operating Ratio	85.3%	94.5%	9.2ppt	90.5%

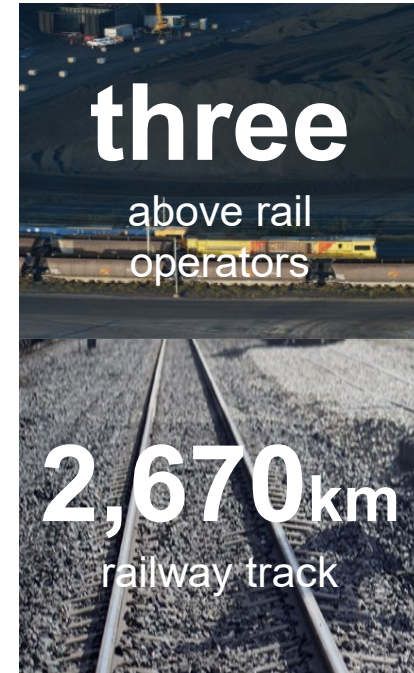
Additional information

Network

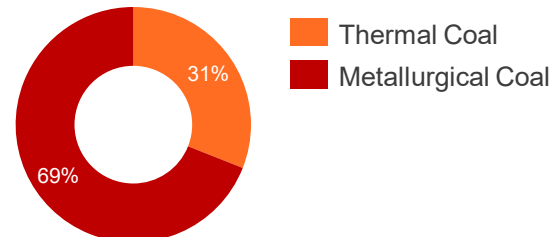


Network snapshot

As at 31 December 2019



HAULAGE BREAKDOWN² 1HFY2020
(estimate as at 30 June 2019)

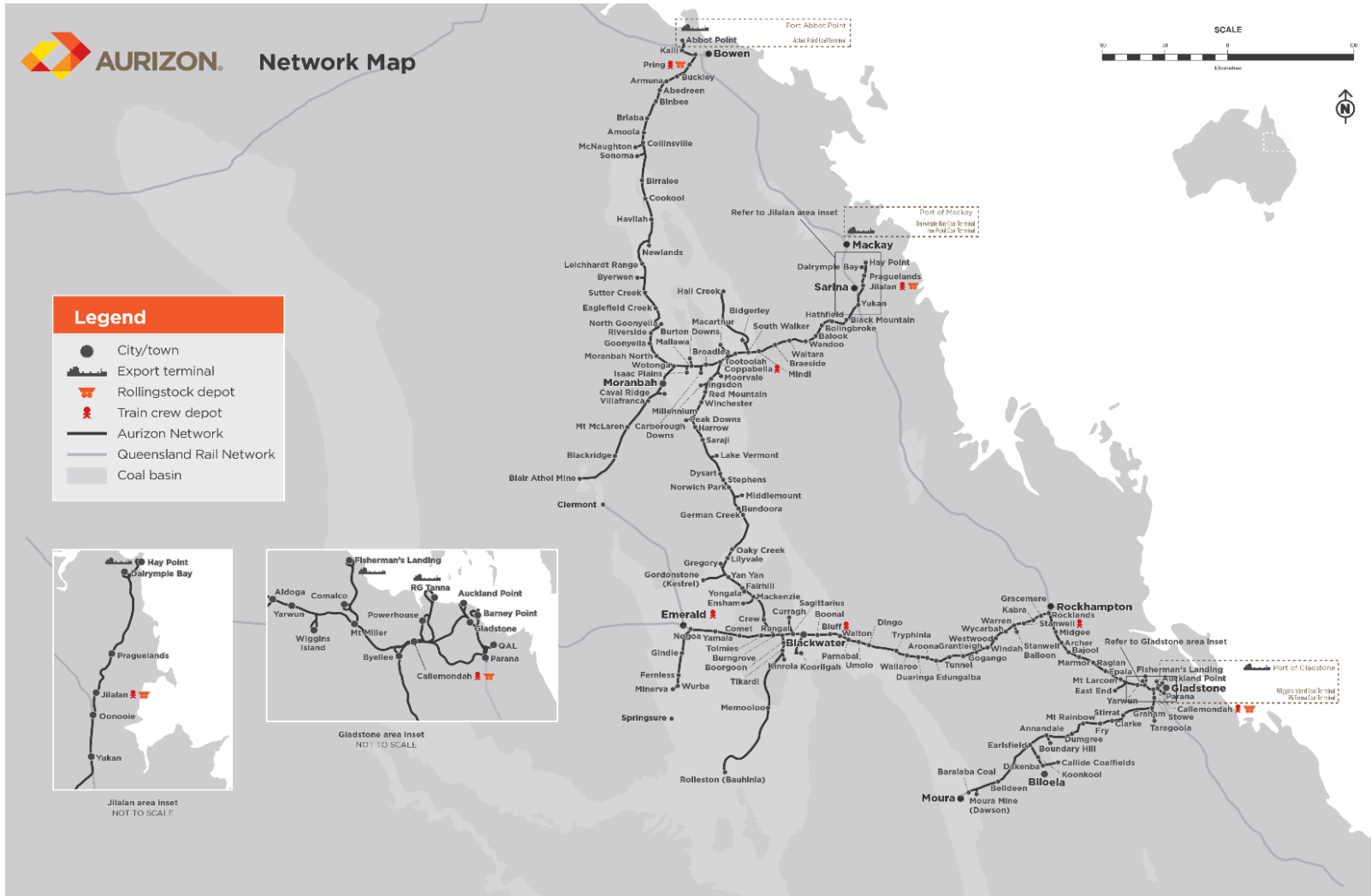


1. Estimate at 1 July 2019 - Roll forward value based on UT5 Undertaking (excludes \$0.4bn in assets operating under an AFD)

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

Central Queensland Coal Network (CQCEN)

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



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 financial and operating metrics

	1HFY2020	1HFY2019	Variance	2HFY2019
Tonnes (m)	116.6	116.5	-	116.2
NTK (bn)	29.0	28.8	1%	29.1
Operating Ratio	61.0%	63.6%	2.6ppt	64.8%
Maintenance/NTK (\$/000 NTK)	2.2	2.2	-	2.4
Opex/NTK (\$/000 NTK)	12.5	12.3	(2%)	12.5
Cycle Velocity (km/hr)	23.9	22.9	4%	23.3
System Availability	82.2%	81.1%	1.1ppt	86.6%
Average Haul Length (km)	248.3	247.5	-	250.1

Network volumes

	1HFY2020	1HFY2019	Variance	2HFY2019
Newlands	7.2	6.5	11%	6.1
Goonyella	61.3	62.6	(2%)	61.9
Blackwater/WIRP	32.3	31.8	2%	33.1
Moura	6.2	7.0	(11%)	6.6
GAPE	9.6	8.6	12%	8.5
Total	116.6	116.5	-	116.2
Average haul length ² (kms)	248.3	247.5	-	250.1

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

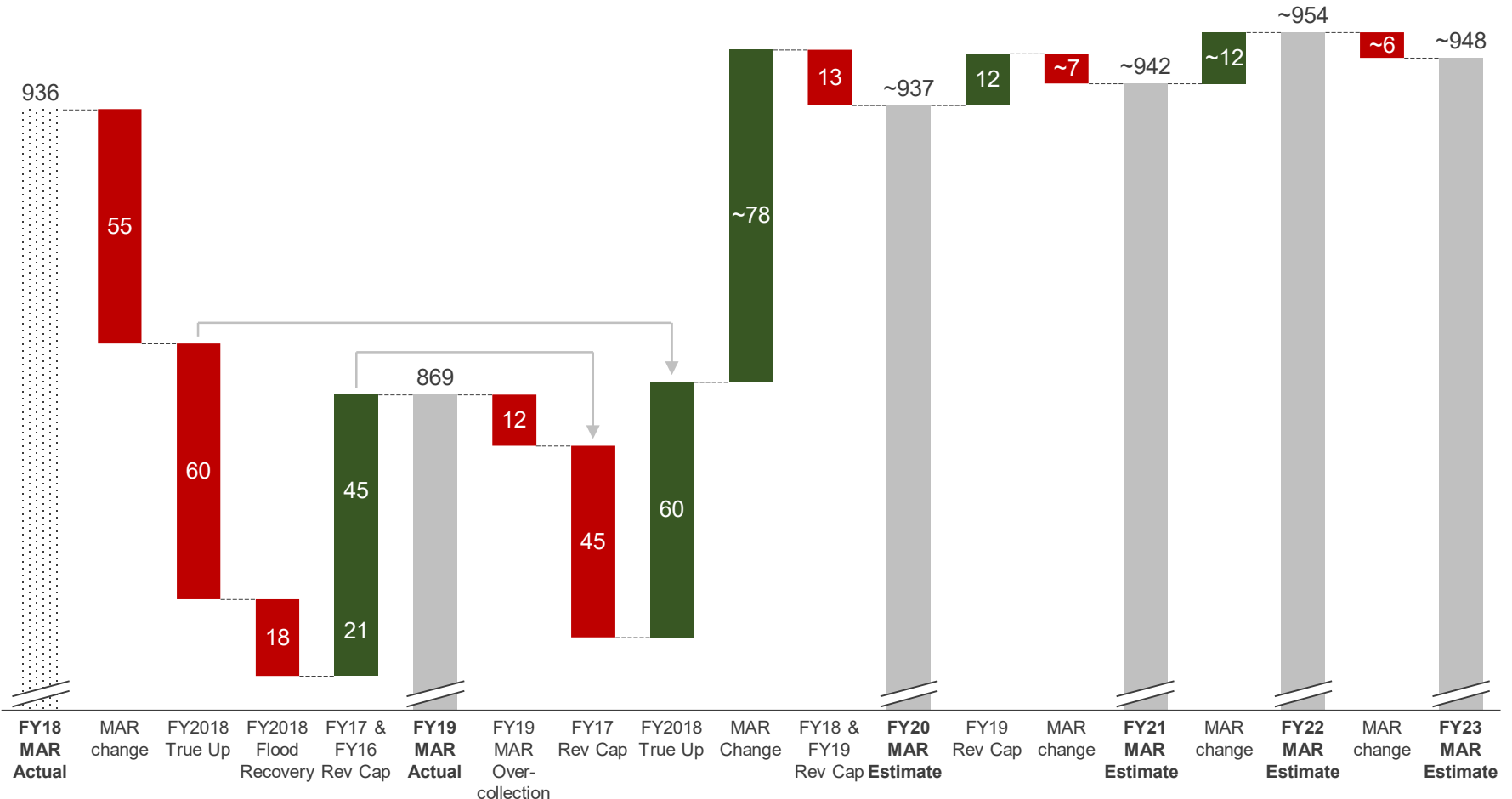
Network – 1HFY2020 Access Revenue movement

	\$m	\$m
Increase in MAR from 1HFY2019 to 1HFY2020		31.5
Reversal of FY2018 UT5FD True-Up from 1HFY2019		30.4
Rebates (primarily recovery of UT5 True-Up, rebates previously paid on Transitional Tariffs)		11.1
Volume under-recovery for 1HFY2020		(11.0)
Revenue Cap Movements:		
FY2019 Revenue Cap (Payment to Access Holders)	(6.1)	
FY2018 Revenue Cap (Payment to Access Holders)	(0.4)	
FY2017 Revenue Cap (Reversal of 1HFY2019 impact, recovery from Access Holders)	(22.3)	(28.8)
Lower Electric Charge (EC) revenue (note corresponding lower EC expense)		(2.8)
Other Access Revenue		0.2
Movement in 1HFY2020 Access Revenue		30.6

Network adjusted MAR bridge – Approved UT5 Undertaking

Indicative Network adjusted MAR (Ex GAPE) for FY2019 to FY2023 based on the revised terms of the UT5 Undertaking

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 to MAR for each month Report Date is delayed is ~\$2m per month, representing a 40 basis point uplift in WACC

Network revenue adjustment amounts (revenue cap)

Financial Year	AT ₂₋₄ (diesel tariff) \$m	AT ₅ (electric tariff) \$m	Total \$m
2019 ^{1,2}	(9.9)	(2.7)	(12.6)
2018	(6.2)	5.5	(0.7)
2017 ²	30.1	13.9	44.0
2016 ²	(26.5)	3.1	(23.4)

- › Revenue adjustment amounts (RAA) are the difference by system between Aurizon's Total Actual AT₂₋₅ Revenue and Allowable AT₂₋₅ Revenue
- › The RAA amounts are collected or repaid through a tariff adjustment two years later
- › RAA also includes adjustments for maintenance and consumer price index (MCI/CPI), rebates, energy connection costs and other costs recoverable in accordance with Schedule F of the Access Undertaking.

Note: AT = Access Tariff Revenue Adjustment Amount and that negative amounts represents a return to Access Holders.

1. This has been included for repayment to access holders in FY2020 in the unapproved DAAU submitted to the QCA on 20 December 2019 and includes a costs of capital adjustment
2. FY2016 AT₂₋₄ includes \$2.0 return for GAPE, FY2017 AT₂₋₄ includes \$0.5m return for GAPE and FY2019 AT₂₋₄ includes \$0.4m return for GAPE

Reconciliation of billed MAR to reported access revenue

\$m	FY2020 Estimate*	FY2019 Actual	FY2018 Actual
Billed Access Revenue (AT ₁ to AT ₅) (ex. GAPE)	950	885	940
<u>Approved Adjustments to MAR</u>			
Flood Claim recoveries ¹	-	-	18
Revenue Cap (ex. GAPE and inclusive of capitalised interest) ²	(13)	44	(22)
UT5 MAR True-up	-	(60)	-
Regulated Access Revenue (ex. GAPE)	937	869	936
Total non-regulated Access Revenue (ex. GAPE)	33	16	38
Total GAPE Revenue (Regulatory + non-regulatory)	181	185	193
Total Access Revenue per Aurizon Statutory Accounts	1,151	1,070	1,167

* FY2020 information is based on the UT5 Undertaking allowable revenue incorporating the unapproved Volume Reset DAAU which was submitted to the QCA on 20 December 2019. Actual revenue may differ due to actual railed tonnes.

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

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

2. FY2020 Revenue Cap includes both the FY2018 and FY2019 net returns to Access Holders.

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 20 December 2019 and will be incorporated into allowable revenues and reference tariffs in FY2021
- › The approximate 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

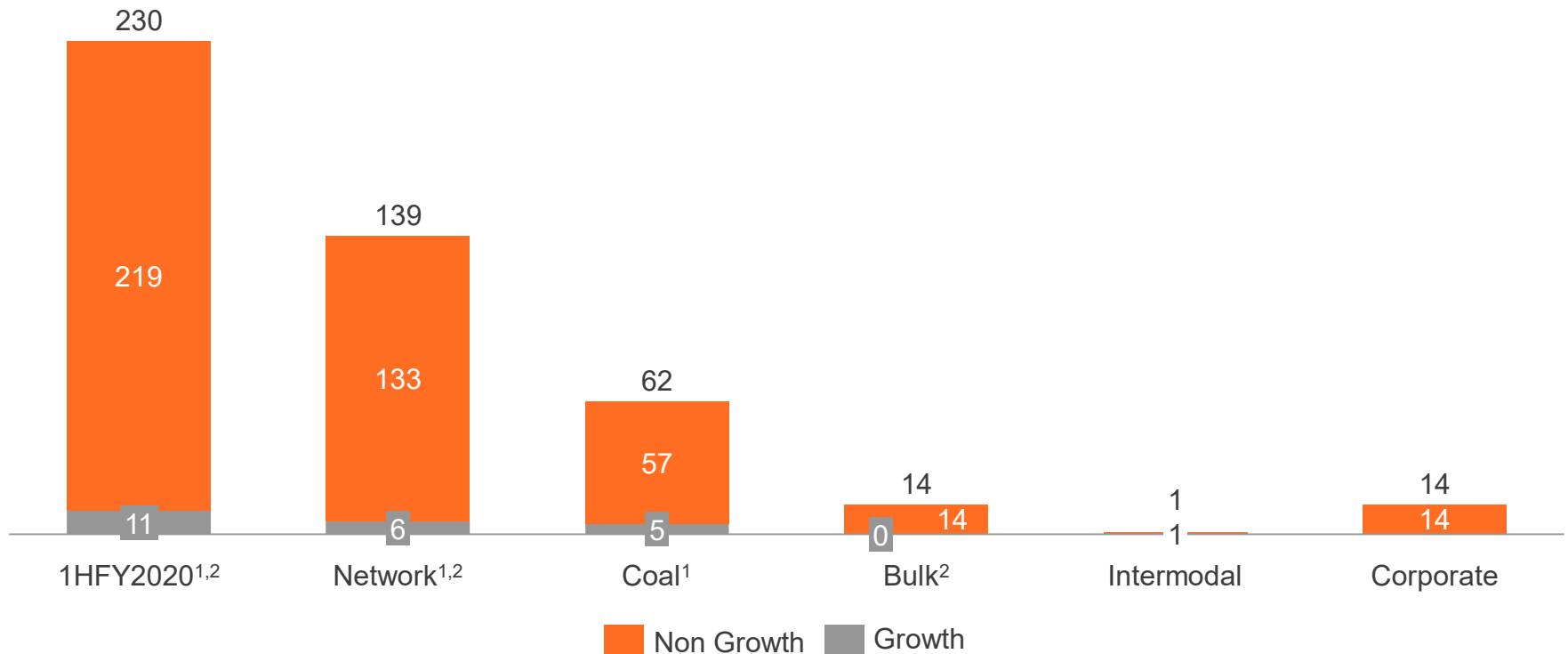
This represents the value of assets that are not included in the pricing RAB. The approximate value at 1 July 2019 is \$0.2bn

Additional information

Capital Expenditure



1HFY2020 Group and business unit capital expenditure (\$m)



1. Includes capitalised interest
 2. Net of externally funded payments

Glossary

Metric	Description
Access Revenue	Amounts received by Aurizon Network for access to the Network infrastructure under all Access Agreements
AFD	Access Facilitation Deed
Average haul length	NTK/Total tonnes
Contract utilisation	Total volumes hauled as a percentage of total volumes contracted
CQCN	Central Queensland Coal Network
dGTK	Diesel fuel used per Gross tonne kilometre. GTK is a unit of measure representing the movement over a distance of one kilometre of one tonne of vehicle and contents including the weight of the locomotive & wagons
ESG	Environment, Social & Governance
Footplate hours	A measure of train crew productivity
Free cash flow (FCF)	Net operating cash flows less net cash flow from investing activities less interest paid
FTE	Full Time Equivalent - The number of unique employee positions filled by all Aurizon employees (excluding contractors/consultants) as at period end. The NTK/Employee metric for the half year is annualised for comparative purposes and uses period-end FTE
FWC	Fair Work Commission
GAPE	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)
GTKs	Gross Tonne Kilometers
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 Kilometer. NTK is a unit of measure representing the movement over a distance of one kilometre of one tonne of contents excluding the weight of the locomotive and wagons
Operating Ratio	1 – EBIT margin. Operating ratio calculated using underlying revenue which excludes interest income & significant items
Opex	Operating expense including depreciation and amortisation
Payload	The average weight of product hauled on behalf of Aurizon customers per service, calculated as total net tonnes hauled / total number of services
PIA	Protected Industrial Action
QCA	Queensland Competition Authority
Report Date	Date on which the later of the following events occur: <ul style="list-style-type: none"> - Independent Expert provides Initial Capacity Assessment Report (ICAR) - Aurizon notifies relevant parties of proposed options to address Existing Capacity Deficits identified in the ICAR Where the ICAR does not identify any Existing Capacity Deficits the Report Date is the date on which the Independent Expert approves the ICAR
ROIC	ROIC is defined as underlying rolling twelve-month EBIT divided by the average invested capital. The average invested capital is calculated as the rolling twelve-month average of net assets (excluding cash, borrowings, tax, derivative financial assets and liabilities)
TCFD	Task Force on Climate related Financial Disclosures
ToP	Take-or-Pay. Contractual ToP provisions entitles Aurizon Network to recoup a portion of any lost revenue resulting from actual tonnages railed being less than the regulatory approved tonnage forecast
Underlying	Underlying earnings is a non-statutory measure and is the primary reporting measure used by Management and the Group's chief operating decision making bodies for the purpose of managing and determining financial performance of the business. Underlying results differ from the Group's statutory results. Underlying adjusts for significant/one-off items
Velocity	The average speed (km/h) of Aurizon train services (excluding yard dwell)
WACC	Weighted average cost of capital
WIRP	Wiggins Island Rail Project

