Aurizon Network
Debt investor presentation

October 2013

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Agenda

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Introduction and overview

About Aurizon Network

- Aurizon Network (**Network**) controls, manages, operates and maintains the fixed rail infrastructure "below rail" assets on the Central Queensland Coal Network (**CQCN**)
  - Regulated Asset Base (**RAB**) of A$4.4 billion[1]
  - Rated Baa1/BBB+ (stable/stable)
- Network also delivers rail infrastructure to the major mines in the Central Queensland coal regions and is the largest coal export rail network in Australia
- The CQCN is regulated by the Queensland Competition Authority (**QCA**) and provides open access to all accredited rail operators. The Regulatory Access Regime provides a revenue protection mechanism from volume and patronage risk
- Network is a subsidiary of Aurizon Holdings
  - Australia's largest rail freight company (by tonnes hauled)
  - Listed in the S&P/ASX 50 index
  - Market capitalisation of A$10 billion[2]
  - State of Queensland ownership interest of 7.96%[3];
  - Also rated Baa1/BBB+ (stable/stable)

1. As at June 30, 2013, the estimated value of our RAB, excluding assets subject to access facilitation deeds
2. As at September 30, 2013
3. As at August 29, 2013

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Below rail infrastructure

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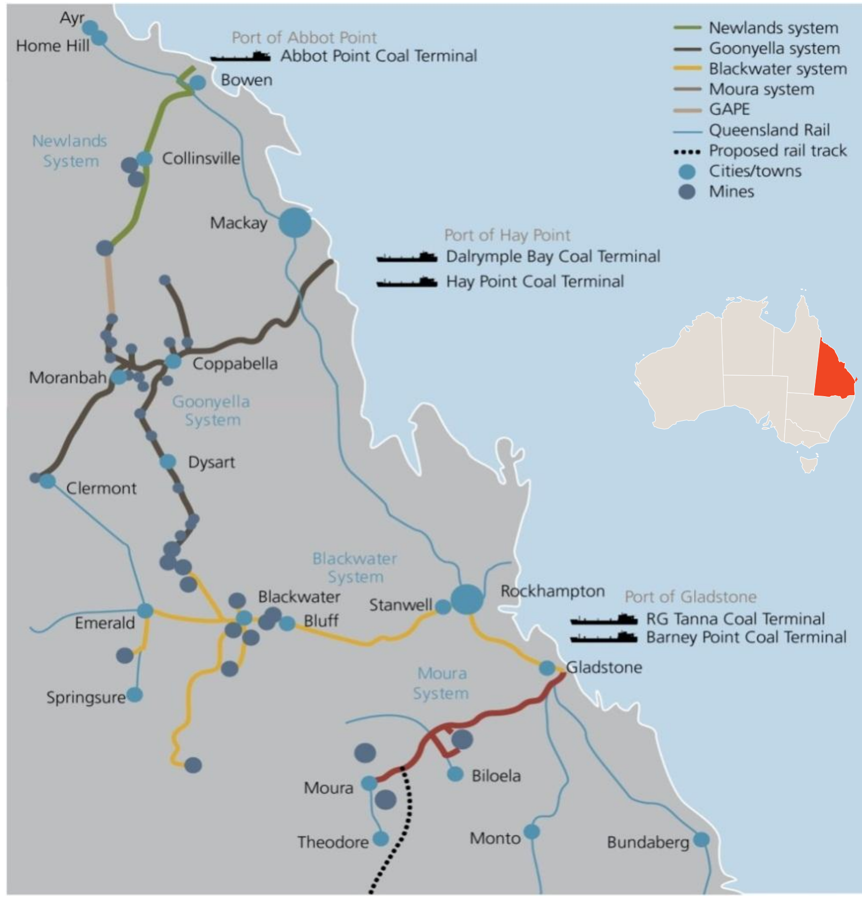
About the CQCN

- The CQCN comprises 4 major coal systems serving Queensland's Bowen Basin coal region: Newlands, Goonyella, Blackwater and Moura and GAPE, a connecting system link
  - 2,667 kilometres network length
  - 44 operating coal mines serviced[1]
- Network's operations are governed by 99 year lease arrangements with the State of Queensland

Key statistics[2]

FY13 Contracted Tonnages	249.9mt
Coal Mines Serviced (2013)[3]	44
Coal Export Terminals	5
Coal Domestic Terminals	5
Export Coal (FY12)	95%
Port Capacity (2013)	257mtpa
Network Length	2,667km
Electrified Track Length	1,866km



1. Includes an estimate of mines that are expected to be linked to the CQCN by the end of 2013
2. Based on Aurizon management estimates as at June 30, 2013

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Company history

2010 | 2012 | 2013

QR Limited

Aurizon Holdings

- **Baa1 / BBB+**
- **Market cap: A$10bn[1]**
- **State of Queensland interest of 7.96%[2]**

Aurizon Network

- **Baa1 / BBB+**
- **RAB: A$4.4bn[3]**

2010 restructure
- Separation of Queensland Rail from QR Limited
- State of Queensland interest of 100%

2010 IPO
- QR National listed on ASX
- State of Queensland interest of 34%

2012 name change
- "QR National" renamed "Aurizon"

2013 New Capital Structure and Reorganisation
- New long term capital structure implemented, with standalone debt facilities put in place for both Aurizon Holdings and Network

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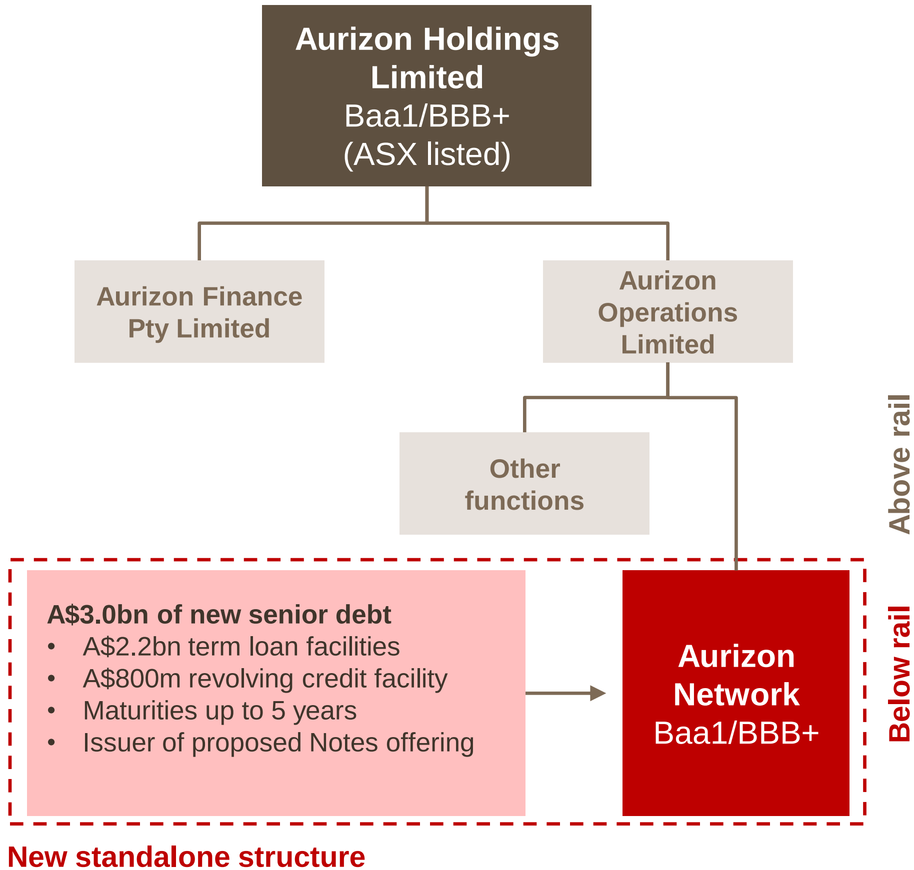
1. As at September 30, 2013
2. As at August 29, 2013
3. As at June 30, 2013, the estimated value of our RAB, excluding assets subject to access facilitation deeds

New capital structure

- In June 2013, Aurizon Holdings implemented a new long term capital structure
- Standalone debt facilities were established at the Network level, supported by the below rail regulated infrastructure assets
- Network's gearing level is broadly consistent with the regulator's assumption of 55% Debt to RAB
- Network has obtained credit ratings from Moody's (Baa1 stable) and S&P (BBB+ stable), and is considering the Notes offering to diversify its funding sources
- The new capital structure provides financial flexibility to Aurizon Holdings and Network, including the ability to introduce a minority equity interest in Network in the future
- Following the refinancing, Aurizon Holdings and Network continue to provide integrated rail solutions to customers

Group overview



Summary of A$MTN programme

Issuer	Aurizon Network Pty Limited (Network)
Ranking	Senior, unsecured, ranking equally with bank debt
Debt ratings	Moody's — Baa1 (stable outlook) S&P — BBB+ (stable outlook)
Programme	Australian Dollar Medium Term Note Programme
Governing law	Australian
Dealers	ANZ, BofAML, UBS

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Network's strategy and key strengths

Network's strategy

1. **Cooperative framework with the Aurizon Holdings Group**
   – The Aurizon Holdings Group is vertically integrated, with Network providing access to the regulated below rail heavy haul infrastructure to supply unregulated above rail services
2. **Commitment to the long term expansion and growth of the CQCN**
   – CQCN capacity is currently fully contracted
   – Midway through expansion program to add 76Mtpa of capacity from FY11 base, lifting total system capacity to approximately 310Mtpa by FY15
3. **Maintaining prudent capital management and ratings commitment**
   – Gearing levels broadly consistent with the QCA's assumption of 55% Debt to RAB
   – Continue to diversify funding sources
   – Commitment to strong investment grade credit ratings
4. **Optimising CQCN capacity and transforming asset management strategy**
   – Enable access holders to run more trains within each coal system
   – Employ strategies consistent with practices employed by international railroads
5. **Engage with all stakeholders to improve regulatory outcomes**
   – Continue to build on regulatory capabilities and engage with customers to better understand and respond to their needs
6. **Continued focus on safety performance**
   – Aurizon Holdings Group is committed to "zero harm" in our workplace

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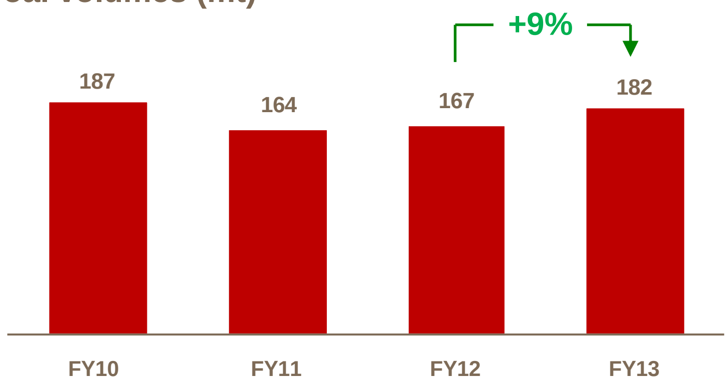
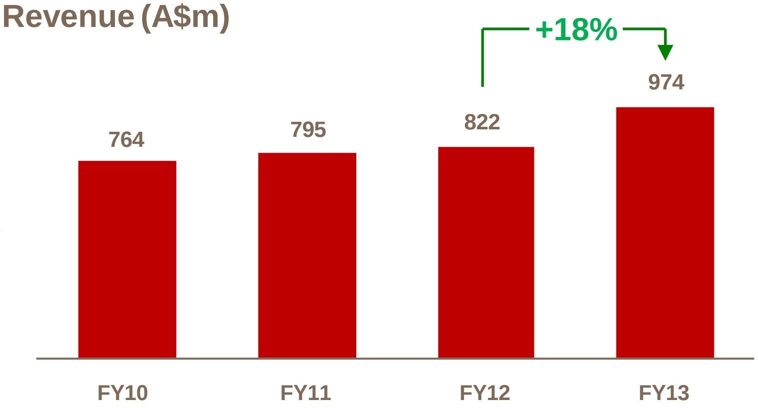
Regulated revenues

Coal volumes (mt)

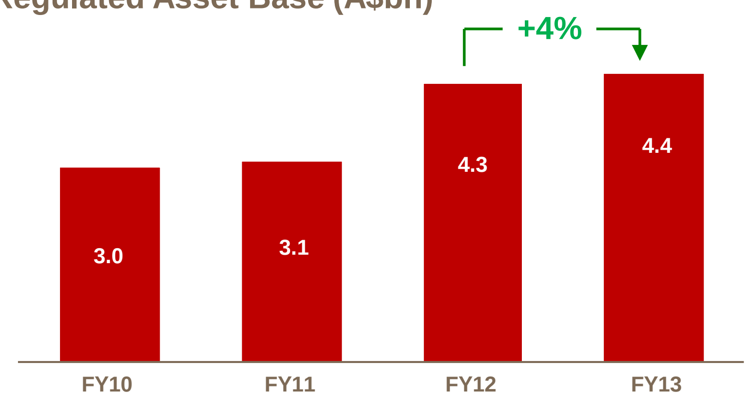


Revenue protection mechanisms mitigates revenue risk if volumes are below forecast

Revenue (A$m)



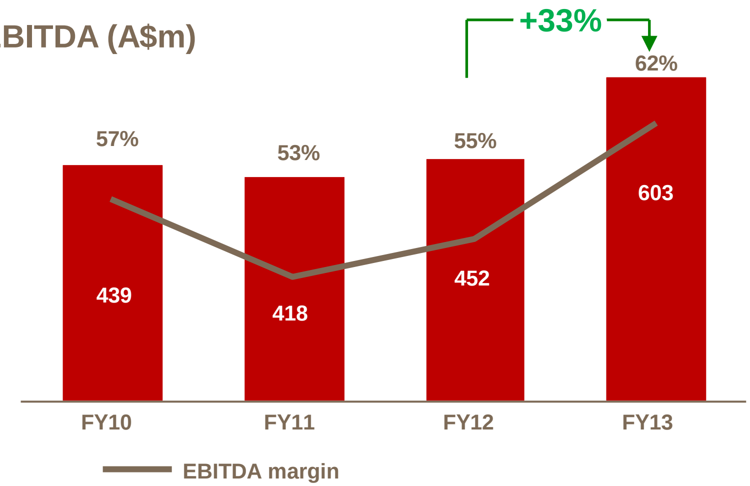
Regulated Asset Base (A$bn)[1]



Stable growth in RAB drives stable growth in revenue and EBITDA

Recently completed GAPE project has delivered growth over last 12 months

EBITDA (A$m)



1. Management estimates and excludes assets subject to access facilitation deeds. Subject to QCA approval

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Revenue protection mechanisms

Under the regulatory regime, Network is permitted to earn the Maximum Allowable Revenue (MAR). This revenue is protected from volume and patronage risk as set out below

1. **Contractual "Take or Pay" provisions**
   - Entitles Network to recoup a portion of any lost revenue resulting from actual tonnages railed being less than the regulatory approved tonnage forecast
2. **Revenue cap mechanism**
   - In the event that the ‘take-or-pay’ mechanism does not recover the total shortfall in a given year, the remaining shortfall revenue will be recovered 2 years later (on a NPV neutral basis)
   - For example, Network recovered A$49.2m in FY13 under the revenue cap mechanism following the impacts of the 2011 Queensland floods
   - This mechanism also works in reverse, such that any revenue collected in excess of the MAR must be returned 2 years later
3. **Patronage risk**
   - Patronage risk in each CQCN system is reduced, such that if a certain mine is no longer in operation, Network will continue to receive the same amount of allowable revenue from the remaining mines that haul coal over the relevant system

Maximum Allowable Revenue ("Building Blocks" approach)

RAB X **WACC** = **Return on Assets**

Opex

Maintenance

Depreciation

Tax

Substantial portion of revenue protected & independent of tonnes hauled (limits patronage and volume risk)

Revenue cap		**AT1**	Incremental maintenance volume exposed
Revenue cap	Take or Pay	**AT2**	Incremental capacity
Revenue cap	Take or Pay	**AT3**	Recovers the cost of investment in and operation of the network
Revenue cap	Take or Pay	**AT4**	Recovers the cost of investment in and operation of the network
Revenue cap		**AT5**	Electric access charge
		EC	Electricity energy charge

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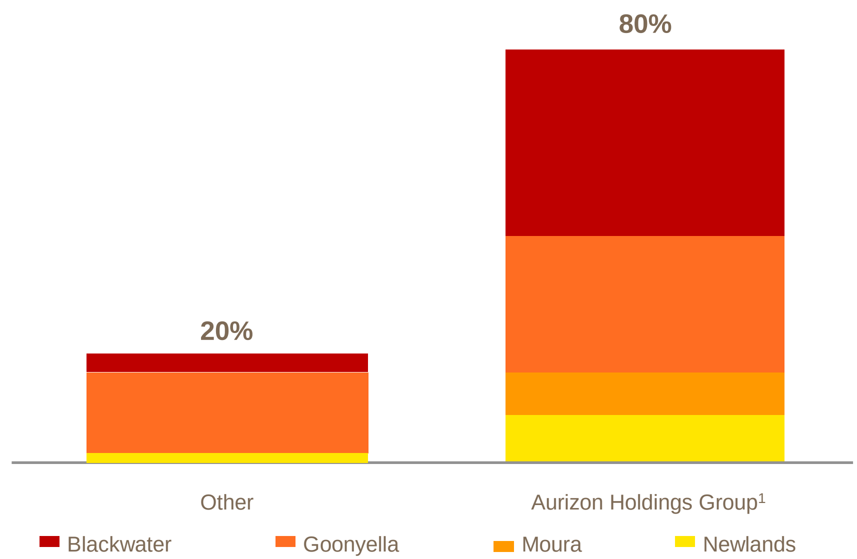
Strong customer relationships

- The CQCN delivers rail infrastructure to over 40 operating coal mines in the Bowen Basin coal region
- The mines are operated by a diversified group of coal miners including:
  - Anglo American
  - BHP Billiton Mitsubishi Alliance
  - Glencore Xstrata
  - Peabody Energy Corporation
  - Rio Tinto
  - Vale
- In FY12, ~84% of our regulated coal access revenue was derived from access agreements with Aurizon Operations, while ~14% was derived from Pacific National (a subsidiary of Asciano)
- In FY13, Aurizon Operations secured a mix of new and renewal contracts with terms of 10 years or more, representing coal volumes of c.120mtpa (up to 65mtpa with BHP Billiton Mitsubishi Alliance and up to 12mtpa with Rio Tinto)

FY13 contract volumes (split by customer group)

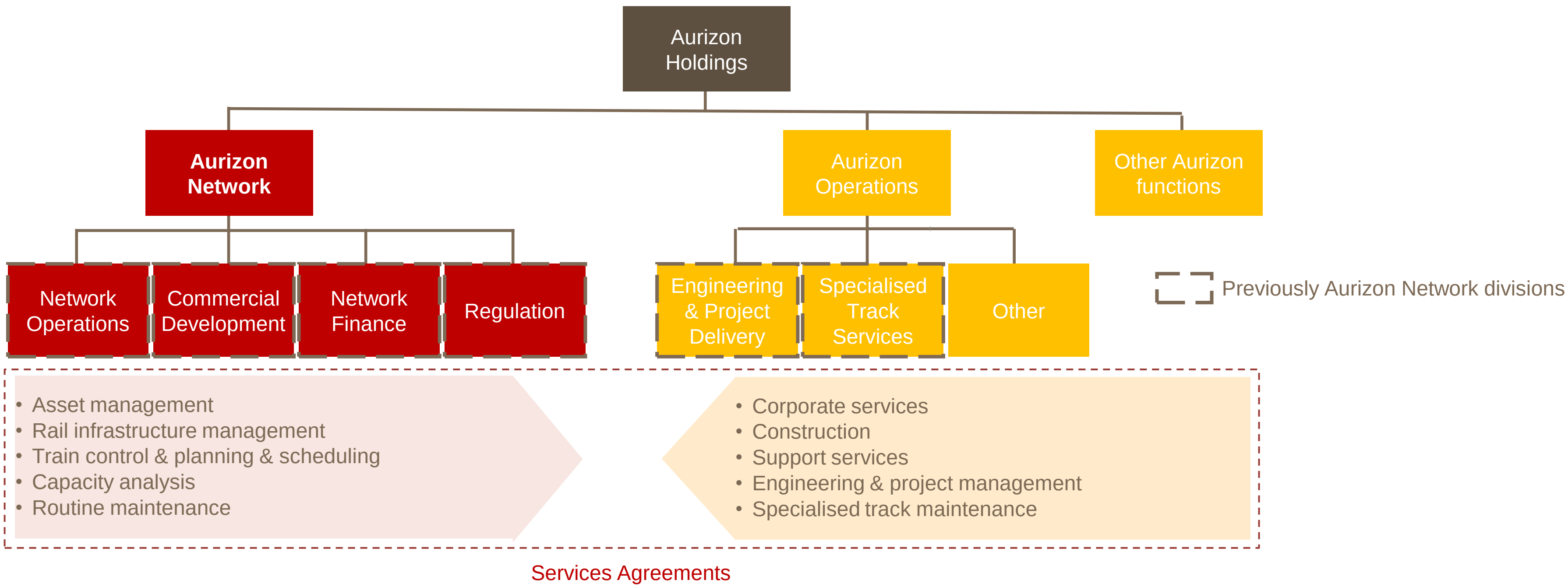


1. Includes direct contractual relationships

Fully integrated offering to customers

We are part of a vertically integrated rail service provider

- Network has entered into a number of agreements with Aurizon Operations, to facilitate access to skills and capabilities amongst the group
- The agreements allow Network to fulfil its regulatory obligations and the group's growth objectives



Note: chart does not show legal entities and is only illustrative of the organisational model

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Network capacity expansion

- CQCN capacity is currently fully contracted
- Going forward, we anticipate that growth projects, involving coal basins not linked to the CQCN today, will be developed and funded by Aurizon Holdings
- Any decision to fund growth projects by Network will be made in line with our strategy to maintain strong investment grade credit ratings
- Currently transforming our asset maintenance strategy to improve reliability and availability consistent with international practices

Goonyella to Abbot Point Expansion (GAPE)

- A$1.0bn project, railings commenced in December 2011
- Above regulated returns
- Full ramp up expected by FY16

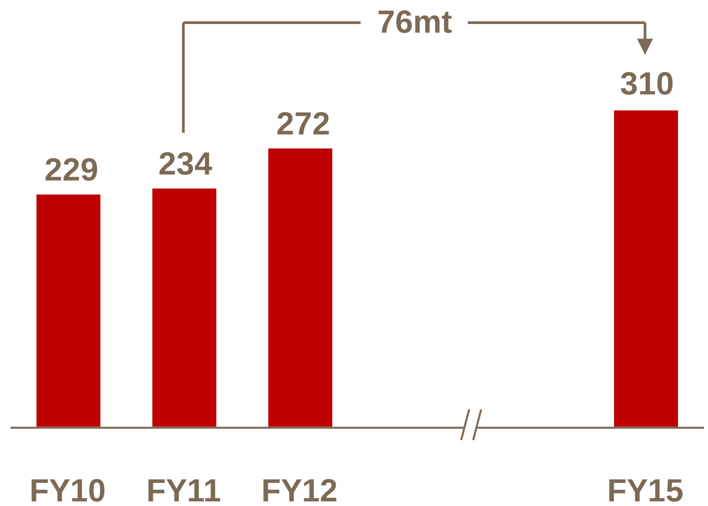
Wiggins Island Rail Project (WIRP) Stage I

- A$910m project, expected to be completed by FY15
- Above regulated returns
- Full ramp up expected by FY18

Goonyella System Expansion (GSE)

- A$185m project, expected to be completed by June 2014 (total project cost is expected to be reduced).
- Regulated returns

CQCN capacity under construction (mtpa)



Additional capacity expected by FY15 from FY11	
GAPE	+33mtpa
WIRP	+27mtpa
Goonyella System Expansion	+11mtpa
Blackwater enhancements	+5 mtpa
Total	**+76mtpa**

Source: Management estimates

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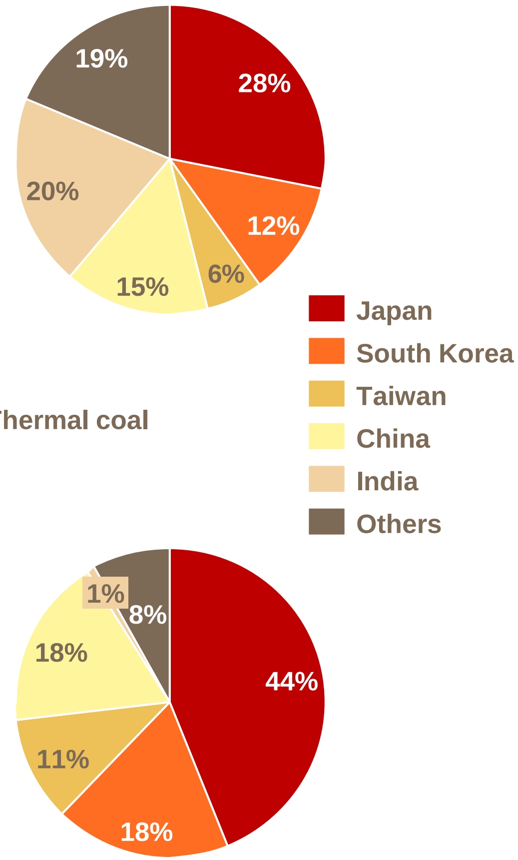
Australian coal industry

Australian coal industry overview

Australia's coal export destinations FY2012[3]

Metallurgical coal

Thermal coal



Australia is the fourth largest producer of coal in the world, and is the largest seaborne exporter of metallurgical coal. Rail infrastructure is essential to the coal industry as it is the primary mode of transport between coal mines and export ports

Overview

- Australia is the world's fourth largest producer of coal behind China, the United States and India[1]
- Australia is the largest seaborne exporter of metallurgical coal and second largest exporter of thermal coal[1]
  - Australia exported 301mt of coal in FY2012, estimated at 80-85% of marketable production[2]
- In FY2012, 82% of Australia's metallurgical coal and 92% of thermal coal was exported to five countries (Japan, South Korea, Taiwan, China and India)[3]
  - Japan remains Australia's largest export market[3], although the industry landscape is rapidly changing
  - China and India are expected to emerge as major consumers of Australia's coal exports while demand from traditional markets such as Japan, Taiwan and South Korea is expected to remain stable[4]

1. World Coal Association, 2011
2. Australian Bureau of Statistics, FY2012; Wood Mackenzie, November 2011
3. Australian Bureau of Statistics, FY2012
4. Bureau of Resources and Energy Economics, 'Resources and Energy Quarterly', June 2012

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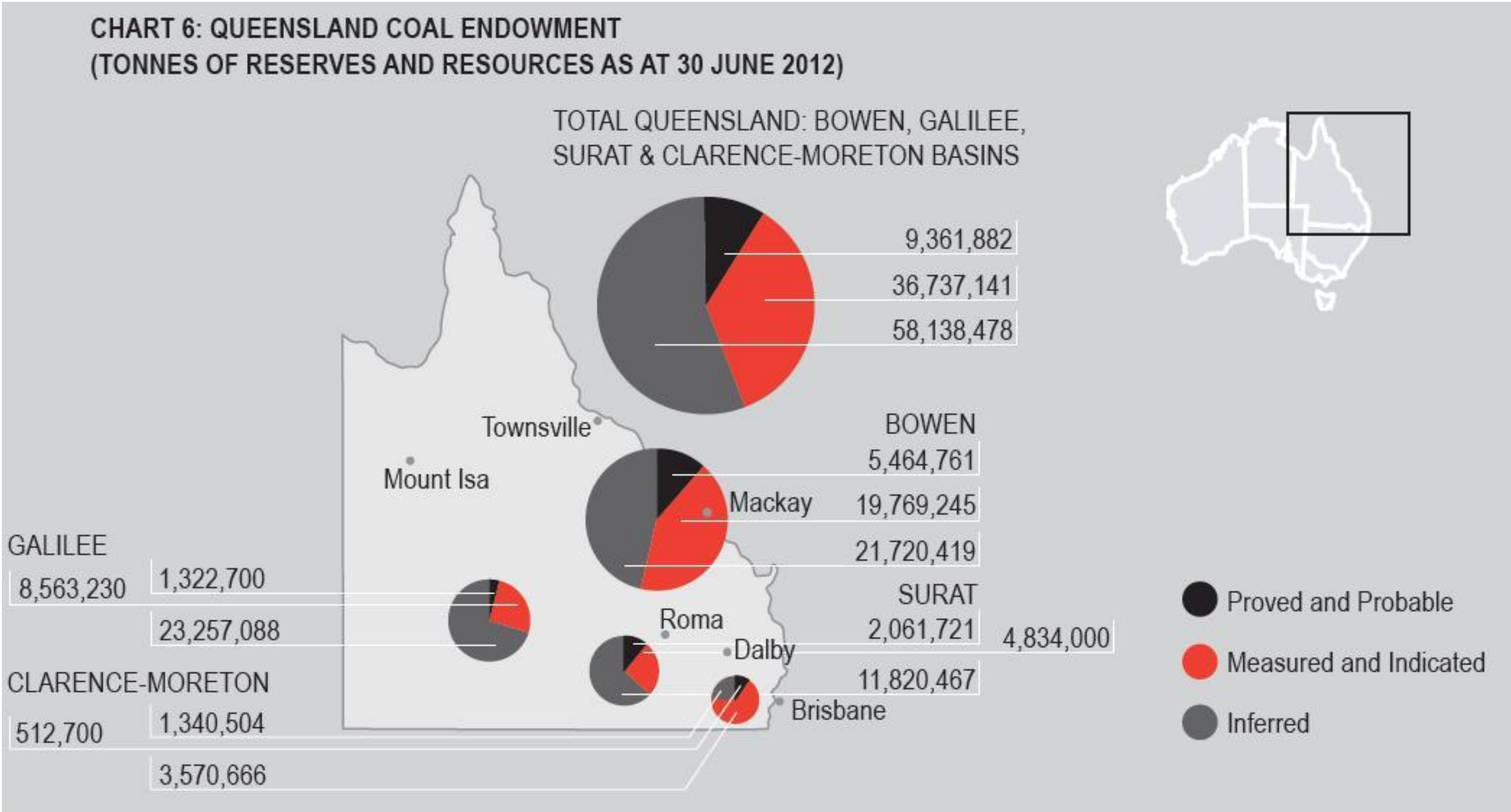
Queensland coal reserves

The Queensland coal industry is the largest in Australia, with more than 46bt of coal resources, including 25bt located in the Bowen Basin region serviced by the CQCN



Source: Queensland Exploration Council

Well positioned to compete for long term coal demand

- Australia is a high quality producer of metallurgical and thermal coal
- The Queensland coal industry is involved predominantly in the export of high quality metallurgical coal, almost entirely from the Bowen Basin
  - The coal mines that the CQCN services have historically been globally cost competitive
  - ~80% of mines surveyed are within the 1st and 3rd quartiles of the global cost curve[1]
- The Queensland coal industry is well positioned to compete for long term demand for coal from the Asian region, driven by:
  - significant reserves
  - high quality coal resources
  - demand fundamentals remaining strong
  - ongoing development of export infrastructure
  - proximity to end markets in the Asian region
- Network believes that these factors support long term demand for access to the CQCN
  - In FY13 Aurizon Operations secured a mix of new and renewal contracts with terms of 10 years or more, representing coal volumes of c.120mtpa (up to 65mtpa with BHP Billiton Mitsubishi Alliance and up to 12mtpa with Rio Tinto)

1. 2013 Queensland Resources Council survey

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Regulation

Current regulatory framework

- The CQCN operates under a stable and well established regulatory regime
  - The CQCN is regulated by the QCA and provides open access to all accredited rail operators

- The form of regulation is a conventional revenue cap
  - Network can earn a set return on its asset base over the regulatory period
  - WACC x RAB plus other adjustments
  - Network's revenue is independent of tonnes hauled on the network (limited volume risk)

- The core of the current Access Undertaking (**AU**) goes back to the initial AU from 2004 (**UT1**)
  - The AU has evolved since this time, as has the coal market and customer priorities and expectations
  - Some aspects remain unchanged from the original AU and some aspects are quite different

- The current AU, referred to as **UT3,** expired on June 30, 2013
  - It has been Network management practice to give a voluntary AU every 4 years
  - On April 30, 2013, Network submitted a new voluntary AU to the QCA for approval (**UT4**)

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QCA's approach to regulation

The QCA takes a three step approach for determining the reference tariffs charged by Network to CQCN users

Step 1

- RAB is approved by the QCA on a Depreciated Optimal Replacement Cost basis
  - The approved RAB is rolled forward annually with adjustments for consumer price index escalation, depreciation based on asset life, new capital expenditure proposed and asset disposals

Step 2

- 'Building block' approach adopted to determine the CQCN's notional revenue requirement
  - Capital costs—WACC return on capital, and depreciation
  - Non capital costs—expenses relating to operating costs, tax and maintenance

Step 3

- Reference tariffs determined, taking into consideration forecast volumes
  - Split between 6 reference tariffs reflecting the various cost recovery components
  - Future tariffs will be adjusted should actual volumes differ from forecast volumes

BUILDING BLOCKS

WACC (Return on Capital) + **Depreciation (Return of Capital)** + **Opex** + **Maintenance** + **Tax** = **Network's Maximum Allowable Revenue (MAR)**

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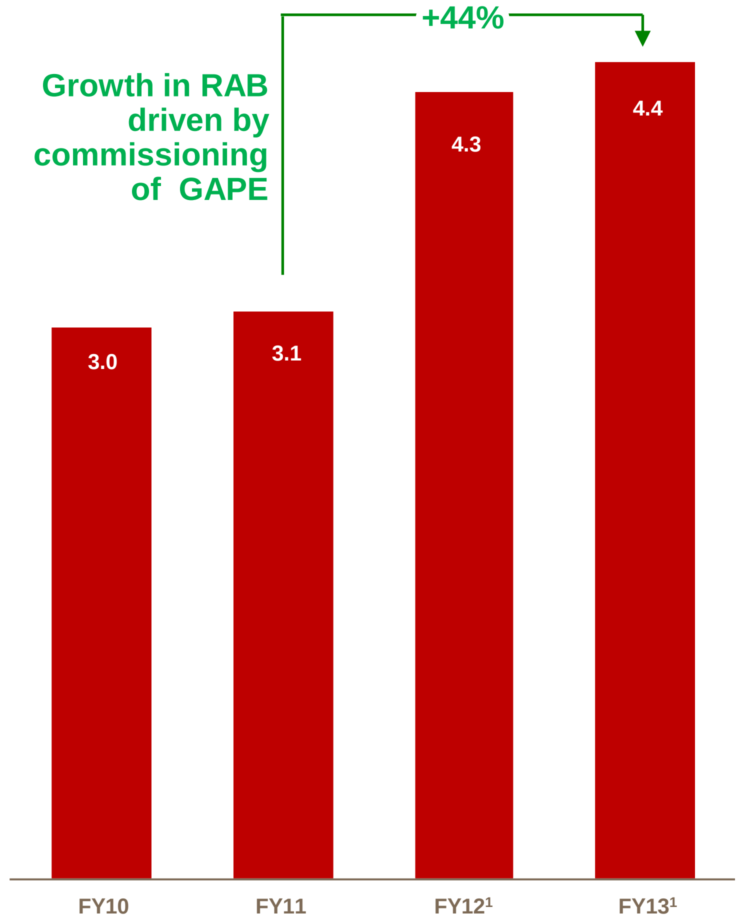
Growth in Network's RAB

- QCA determines Aurizon Network's access pricing based on the estimated value of the RAB
- RAB value of A$3.1bn as at June 30, 2011 (approved by the QCA)
- Value of the RAB determined by:
  - Opening balance
  - add inflation
  - add capex
  - less depreciation
- Management estimates the value of the RAB to be A$4.4bn (excluding assets subject to access facilitation deeds) as at June 30, 2013
  - Note this has not been submitted for QCA approval

RAB (A$bn)



1. Subject to QCA approval

Recent UT4 submission

- Network submitted its UT4[1] submission on April 30, 2013
- Key elements of UT3 have been retained in UT4, to ensure continuity and stakeholder confidence in the regulatory regime
- Changes proposed include:
  - Removal of the mandatory investment threshold for Network to fund projects up to A$300 million
  - Amendment to certain tariffs to promote efficient investment and use of the CQCN
  - Modifications to the operation of the maintenance cost component of the revenue cap mechanism
- The submission also covers our proposed calculation of MAR over the UT4 period
  - Proposed reduction in WACC from 9.96% p.a. to 8.18% p.a., reflecting changes in financial market conditions including historically low risk free rates
  - Proposed change in Gamma (the value ascribed to imputation credits)
  - Proposed change in depreciation to reflect life of mine associated with mines on the CQCN
  - Operating Expenses and Maintenance allowances to reflect plan submitted by Network
- A draft amending AU was approved by the QCA on May 31, 2013 and provides for transitional reference tariffs until approval of UT4

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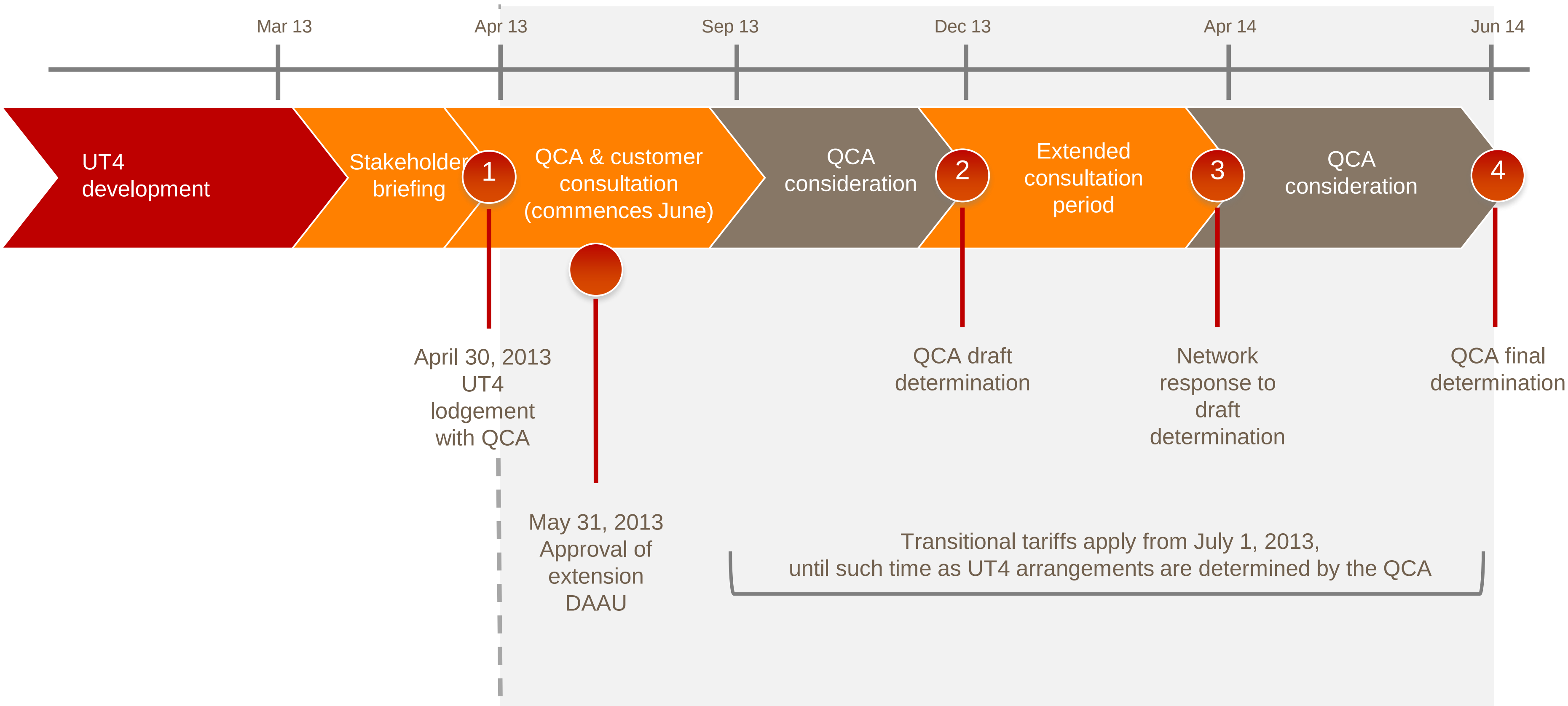
1. UT4 means Aurizon Network's proposed new voluntary access undertaking, which was submitted to the QCA for approval on April 30, 2013

Indicative timeline for UT4

We currently expect UT4 to be confirmed by the QCA by June 2014



Dates are indicative only and subject to change

Financials and capital management

Financials and operating metrics

Historic financials (A$ millions)	FY10	FY11	FY12	FY13	FY13 vs FY12
Total assets	3,343	3,838	4,392	5,033	14.6%
Regulated Asset Base	3,004	3,089	4,286	4,447	3.8%
Revenue	764.1	795.0	821.5	973.5	18.5%
EBITDA	438.6	418.4	452.2	603.4	33.4%
Tonnes (m)	186.5	164.0	166.7	182.3	9.4%
NTK (bn)	45.4	40.0	41.2	44.7	8.5%
Access revenue/NTK (A$/000 NTK)	14.8	17.4	18.1	20.6	13.8%
Maintenance/NTK (A$/000 NTK)	2.4	2.5	2.6	2.5	(3.8)%

Historically, Network's financial results have been consolidated into audited accounts of Aurizon Holdings. Summary financials and operating metrics are not comparable with information previously filed by Aurizon Holdings

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Capitalisation and credit metrics

Strong balance sheet, with gearing levels broadly consistent with the QCA's assumption of 55% Debt to RAB

Capitalisation

(A$m)	Jun-12 (Pro-Forma)	Dec-12 (Pro-Forma)	Jun-13
Cash	0.2	0.2	22.7
Debt	2,200	2,200	2,197
Equity	1,763	1,763	1,820

Credit metrics

(A$m)	Jun-12 (Pro-Forma)	Dec-12 (Pro-Forma)	Jun-13
Debt / RAB	51%	51%	49%
Debt / EBITDA	4.9x[1]	4.0x[2]	3.7x

1. EBITDA equated to $452.2m for the twelve months to 31-Jun-12
2. EBITDA equated to $552.9m for the twelve months to 31-Dec-12

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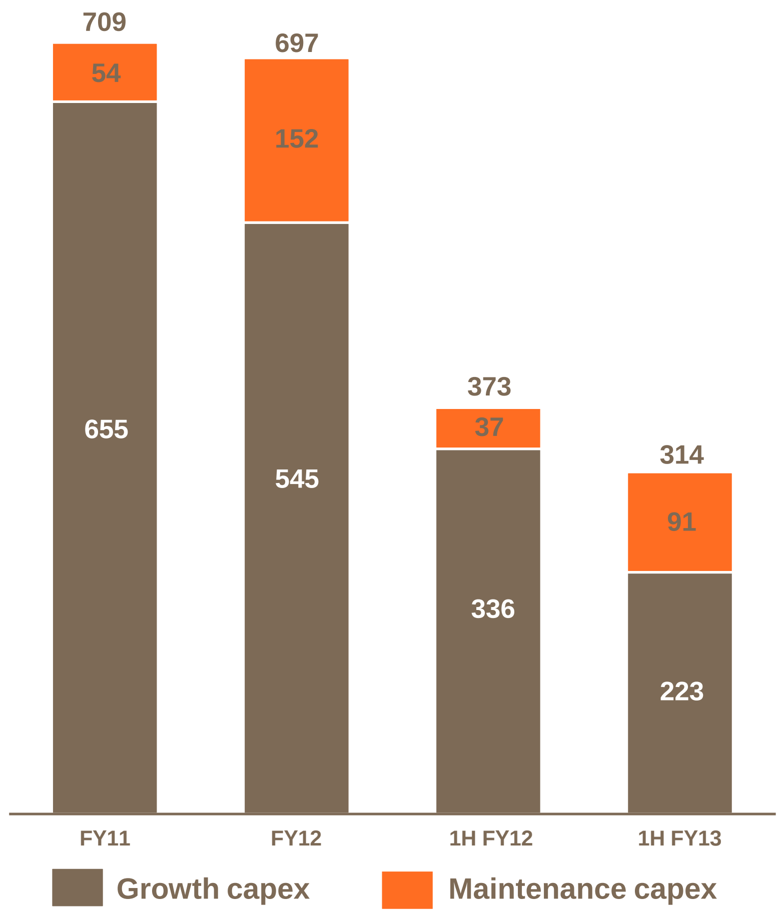
Capital expenditure

- Capex spend related predominantly to GAPE and Blackwater electrification projects through FY11 to FY13
- Major growth projects currently in progress are WIRP Stage I and Goonyella System Expansion
- Funding for growth projects, whether at the Network or Aurizon Holdings level, will be decided on a project by project basis, dependent on:
  - the relationship of the project to the CQCN
  - the quantum of funding required
  - the risk profile of the project
- Going forward, we anticipate that growth projects, involving coal basins not linked to the CQCN today, will be developed and funded by Aurizon Holdings
- Any decision to fund growth projects at the Network level will be made in line with our strategy to prudently manage capital and maintain strong investment grade credit ratings

Historic growth vs. maintenance capex (A$m)



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Funding and capital management

- Network has obtained credit ratings from Moody's (Baa1 stable) and S&P (BBB+ stable), which are identical to the ratings of Aurizon Holdings
- Network is committed to maintaining strong investment grade credit ratings going forward
- Gearing levels are broadly consistent with the QCA's assumption of 55% Debt to RAB following use of growth capex facility
- A$3.0bn of debt facilities at Network comprising:
  - A$2.2bn term loan facilities (fully drawn)
  - A$800m revolving credit facility
  - Maturities up to 5 years
- The proposed Notes offering will diversify Network's funding sources and lengthen tenor
  - Net proceeds will reduce the size of the term loan facilities
- Our current committed growth capex includes the current WIRP Stage I, Goonyella System Expansion and Rolleston Electrification projects
  - growth capex projects will be funded using drawings on the A$800m revolving credit facility
  - maintenance capex will be funded through surplus cash from operations

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Summary

1 Regulated revenues within a stable and well-established regulatory regime

- Access charges represented 94.6% and 90.6% of revenue for FY13 and FY12 respectively

2 Revenue protection mechanisms limit our exposure to patronage and volume risk

- Under the regulatory regime, we benefit from contractual take or pay provisions and a revenue cap mechanism

3 Long term lease arrangements supported by the Queensland coal mining sector

- 99 year lease arrangements with the State of Queensland
- High quality metallurgical and thermal coal supported by significant reserves in close proximity to Asian export markets

4 Long term customer relationships with the two main above rail operators servicing well-established miners

- Users of the CQCN include Anglo American, BHP Billiton Mitsubishi Alliance, Glencore Xstrata, Peabody Energy Corporation, Rio Tinto and Vale

5 Network is part of a vertically integrated rail service provider

- Long term service agreements with Aurizon Holdings, Australia's largest rail freight company

6 Strong balance sheet and financial flexibility

- Prudent capital structure with a commitment to a long term sustainable financial profile
- Has credit ratings from Moody's (Baa1 stable) and S&P (BBB+ stable) and is committed to maintaining strong investment grade credit ratings going forward

7 Experienced Board and management team

- Multi-sector (domestically and internationally), multi-disciplinary experience, with a track record of successfully executing major coal rail network expansion projects for Network

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