



QR National - a story of transformation, reform and growth

Macquarie 12th Annual Australia Conference

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A new era for Australia's largest rail freight business

2



Creating value through business transformation and reform

3



Leveraged to the resources sector and generational growth

1



A new era for Australia's largest rail freight business

2



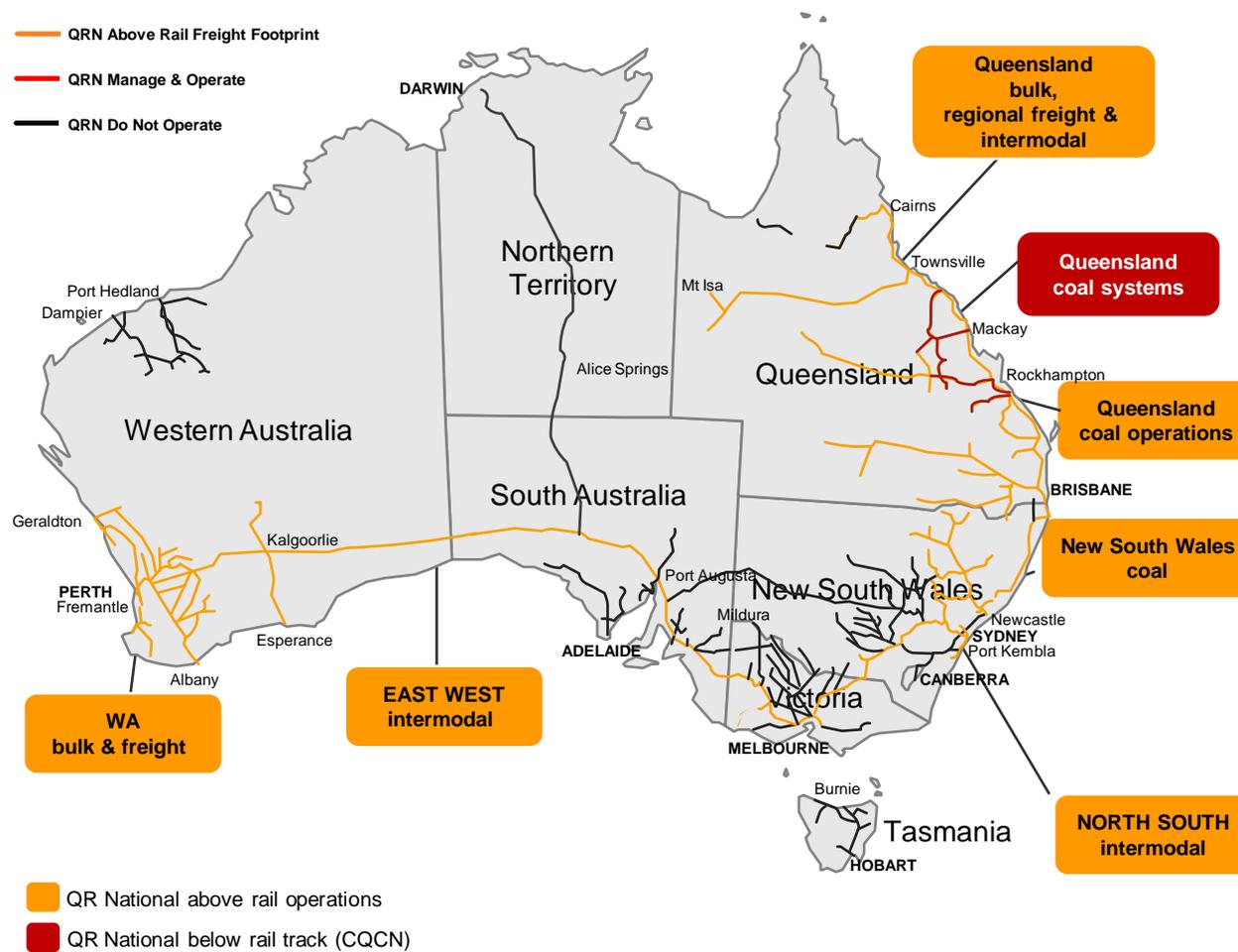
Creating value through business transformation and reform

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Leveraged to the resources sector and generational growth

Australia's largest rail freight business



QR National's Business Profile FY10A pro forma

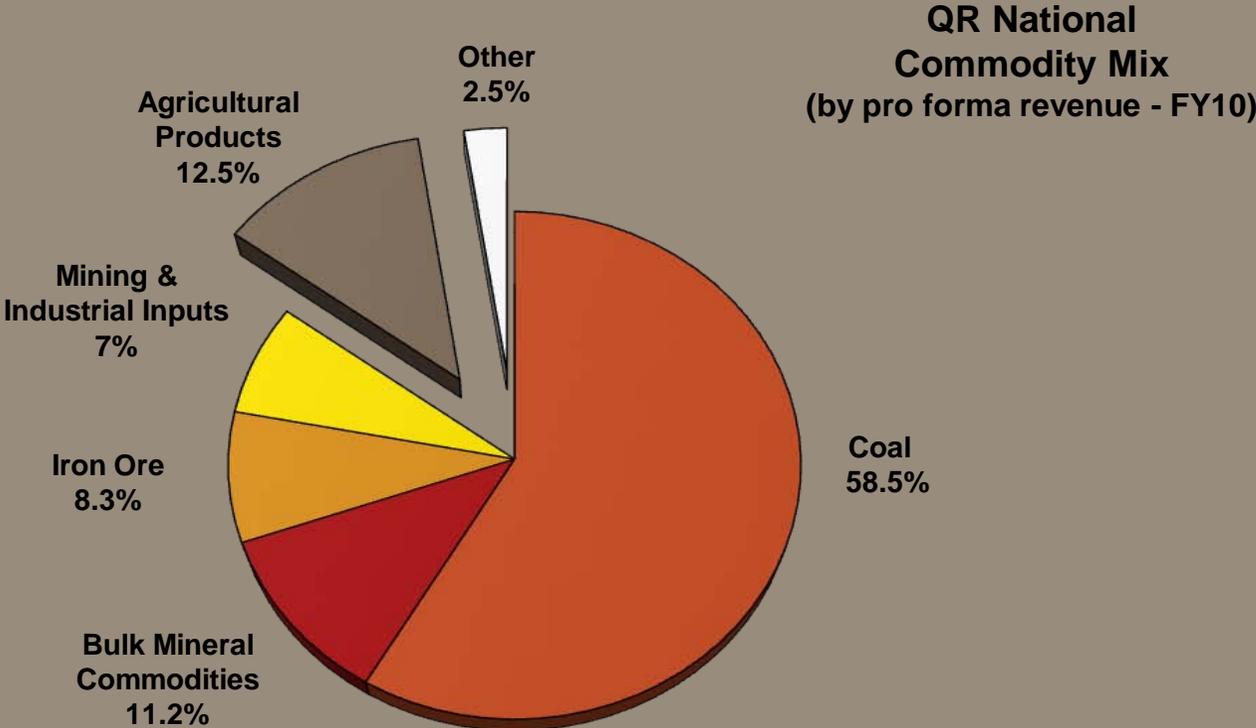
| | |
|----------------------------|---------|
| Revenue (A\$ billion) | 2.9 |
| EBITDA (A\$ million) | 621 |
| Fixed Assets (A\$ billion) | 7.5 |
| Tonnes | 263mt |
| Locomotives | ~700 |
| Wagons | ~16,000 |
| Employees | 9,390 |
| Track managed | 2,300km |

Source: QR Ltd management analysis, 2010; QR National draft pro forma financial statements

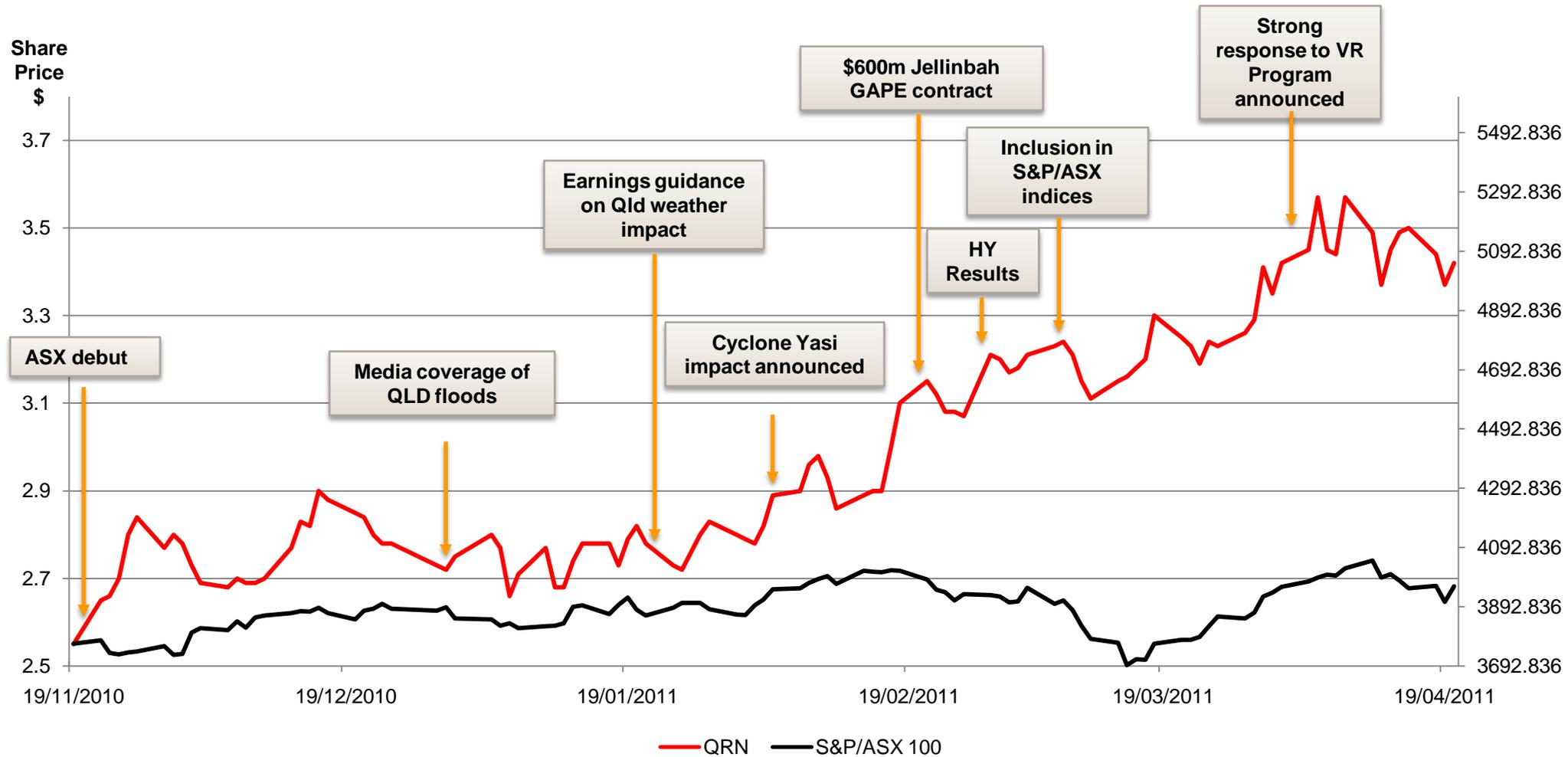
Exposed to booming Australian resources



85% revenue derived from Australian resources



Australia's largest IPO in over a decade

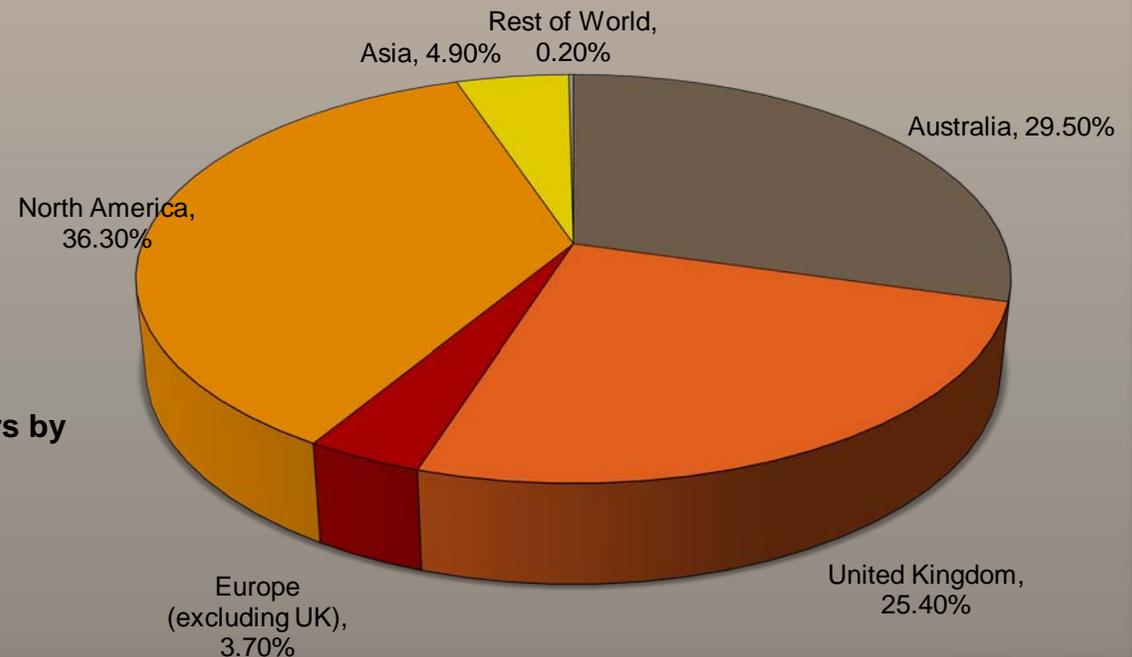


An IPO with global investment interest



- ▶ Listed on ASX in Nov 2010 as a top 50 company with a market cap of \$6.4b
- ▶ Qld Government retain 33.7% shareholding
- ▶ March inclusion in the S&P/ASX 100 and S&P/ASX 200 indices
- ▶ Market capitalisation of ~\$8b as at early May

Institutional shareholders by location (March 2011)



Life as an ASX listed company has brought new opportunities



What has changed

- ▶ Will help to drive improved commercial outcomes
- ▶ Greater freedom to advance our transformation program
- ▶ Greater scope to pursue investment opportunities outside Queensland
- ▶ More options available to us in funding our capital program
- ▶ Greater scope to incentivise and reward employees for performance
- ▶ Greater ability to drive real and sustainable cultural change

Improved outcomes

- ▶ A primary focus on commercial returns and not market share
- ▶ A commercial focus on relationships with customers and improvement in operational performance
- ▶ Close the performance gaps with our global peers and execute our transformation program
- ▶ Maintain a focus on capital management and disciplines including prioritisation and allocation of capital and asset utilisation
- ▶ Facilitate a stable industrial relations environment
- ▶ Embed the concept of growing shareholder value throughout the organisation

- ▶ Smooth transition from Government ownership to ASX listed entity

- ▶ Safety performance continues to improve
 - ▶ 41% improvement in LTIFR for calendar year 2010
 - ▶ LTIFR at March 3.7 (per million hours worked)

- ▶ Transformation initiatives are gaining traction
 - ▶ Operating model
 - ▶ Commercial excellence
 - ▶ Capital productivity
 - ▶ Addressing administrative overheads

- ▶ Underlying EBITDA of \$446 million up 17%
- ▶ Underlying EBIT of \$226 million up 31%
- ▶ Statutory profit of \$278 million up >100%
- ▶ Coal volumes of 99.6mt are broadly in line with HY10 despite record rainfall in Q2

- ▶ Revenue quality uplift in new & renegotiated coal contracts in Coal
- ▶ Coal contracts announced in HY11
 - ▶ Jellinbah Resources – up to 5.1mta to the Port of Gladstone
 - ▶ Peabody Energy – up to 9mta to DBCT
- ▶ Coal contracts announced since 31 December 2010
 - ▶ Anglo American – 2.7mta over 3 years to DBCT
 - ▶ Jellinbah Resources – up to 6mta over 10 years to Abbot Point
- ▶ Iron ore heads of agreement with Mineral Resources announced
- ▶ Goonyella to Abbot Point Expansion, Blackwater Electrification and Hunter Valley Rollingstock capital projects remain on schedule and will underpin future growth

Rapid recovery from record flooding

- ▶ All QR National systems operational
- ▶ West Moreton system re-opened on 28 March 2011
- ▶ Work to recover infrastructure completed within days of floods receding
- ▶ Flood Recovery Taskforce co-ordinates recovery & maximises system-wide railings
- ▶ Maintenance brought forward, anticipating strong Q4 railings
- ▶ Infrastructure damage limited to \$4m; no damage to rolling stock



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Leveraged to the resources sector and generational growth

Creating value through internal reform and business growth



Internal Reform

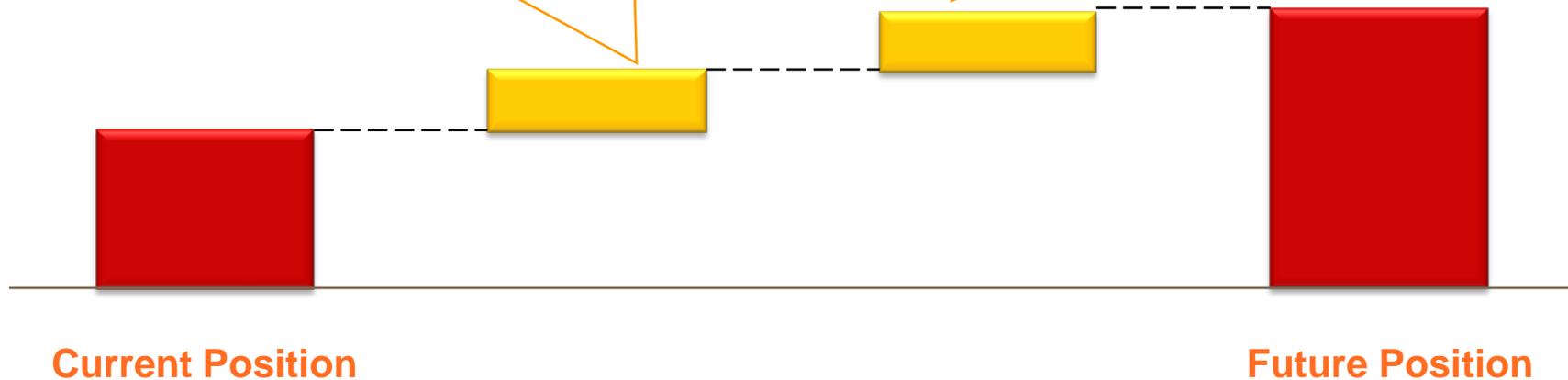
Improvements through Efficiency Programs & Integrated Operating Model in:

- ▶ Capital productivity
- ▶ Labour productivity
- ▶ End-to-end efficiency improvements
- ▶ Cost savings through improved asset management and utilisation

Business Growth

New Volume / Value through:

- ▶ Retaining our leadership position and leveraging the continued growth in the Coal market
- ▶ A strong focus on improving revenue quality
- ▶ Establishing and growing substantial positions in Iron Ore, Bulk Commodities and Intermodal Markets
- ▶ Strategically pursuing new growth opportunities



Source: QR National Strategy Program, 2010
Note: Table not drawn to scale and is illustrative only

Transformation gaining traction



Enterprise wide projects

Key results

World class safety

- ▶ 41% reduction in LTIFR over calendar year 2010 – now 3.7 (per million hours worked)
- ▶ Safety Interactions progressing toward target at 6,000 per month
- ▶ Established Safety, Health and Environment communities of competency

Strong and empowered leadership

- ▶ Significant change in the Executive & Management Leadership Teams
- ▶ New organisational values launched February 2011
- ▶ Front line supervisor training rolled out to 660 staff – completed February 2011

Commercial excellence

- ▶ EBIT uplift from all new or renegotiated contracts achieved
- ▶ Dedicated customer relationship management
- ▶ Operating model projects established in Blackwater, Moura and Goonyella systems and payload improvements are being realised

World class capital productivity

- ▶ Capital management disciplines and processes embedded
- ▶ Cost optimisation process established for significant capital projects
- ▶ Established Rail Fleet Planning community of competency

Procurement excellence

- ▶ Procurement OPEX savings realised in FY11
- ▶ Centralised procurement coordination structure in place
- ▶ Improved procurement capability – recruitment and training

End to end maintenance

- ▶ Established Asset Reliability community of competency
- ▶ Rollingstock maintenance practices review completed
- ▶ Reliability Centred Maintenance program driving improvements in reliability and availability of locomotives

Voluntary Redundancy Program



- ▶ Voluntary Redundancy program announced in February 2011
- ▶ 3,500 employees in scope including head office, administration and shared services to ensure alignment of costs and productivity to benchmark levels
- ▶ Part of cultural change towards performance based organisation
- ▶ 920 employee expressions of interest received – 600 accepted
- ▶ Majority departed late April with remaining employees to depart by end of financial year
- ▶ Foreshadowed proposed future restructure with further redundancies
- ▶ Overall employment number in frontline operations underpinned by robust business growth

Business growth will underpin future employment



- ▶ Positioning the company for long term growth and sustainable success
- ▶ We need a highly skilled workforce to deliver on our growth plans
- ▶ Requires an ongoing commitment to recruit the right people and continue to develop the skills of our workforce
- ▶ We have plans to treble the intake of apprentices, trainees and graduates over coming years
- ▶ The GAPE project is a prime example:
 - ▶ More than 700 jobs being created during construction phase
 - ▶ The project will create sustained regional employment
 - ▶ GAPE will effectively double throughput of Abbot Point to 50mta
 - ▶ GAPE will deliver a step change in QR National's earnings from 2012

- ▶ We serve 22 major customers in the coal markets in Queensland and New South Wales
- ▶ And many hundreds of customers in our Freight businesses
- ▶ We are committed to improving our service delivery in all markets
- ▶ Significant improvements in service performance have been achieved over the past two years
- ▶ We recognise that we still have work to do to improve our customer service
- ▶ A transition to performance based contracts is helping to drive better service outcomes

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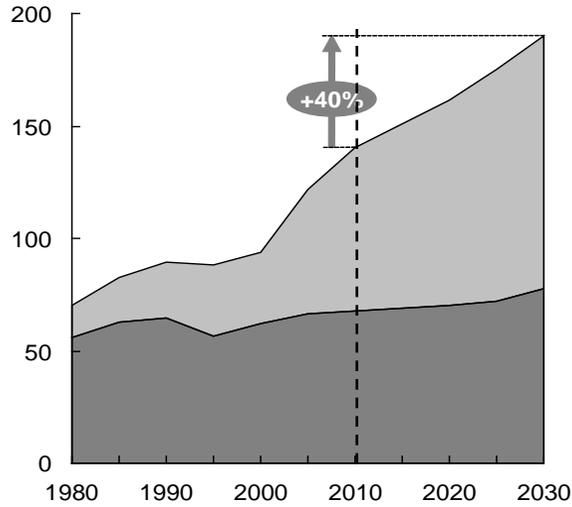


Leveraged to the resources sector and generational growth

Highly leveraged to global growth sectors

Coal

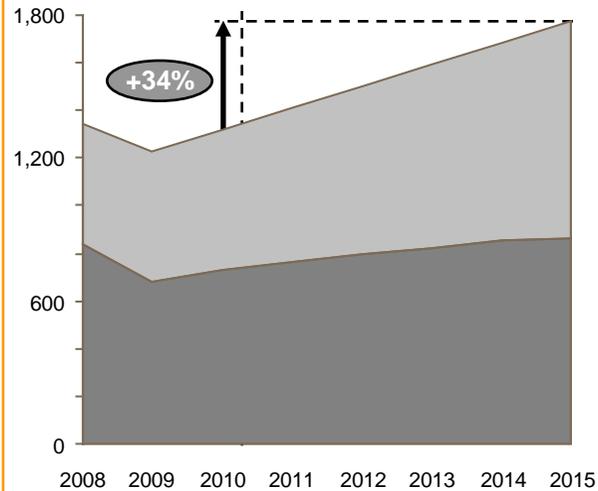
Global thermal/metallurgical coal consumption
Quadrillion BTU



- China and India
- Rest of world

Iron ore

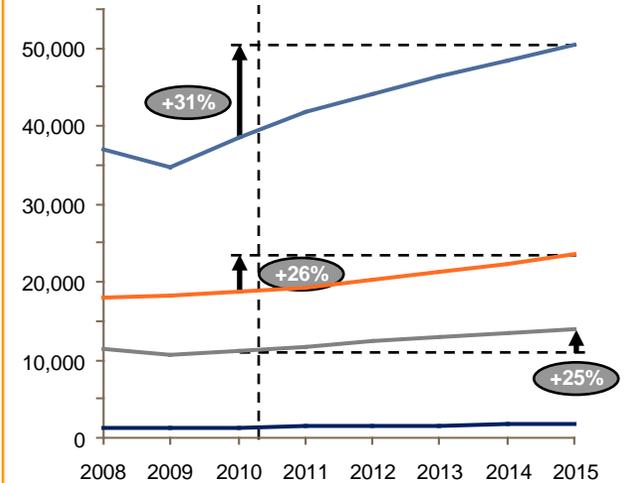
Global crude steel consumption
Million Tonnes



- China and India
- Rest of world

Other major commodities

Global other bulk commodities consumption Kilo Tonnes

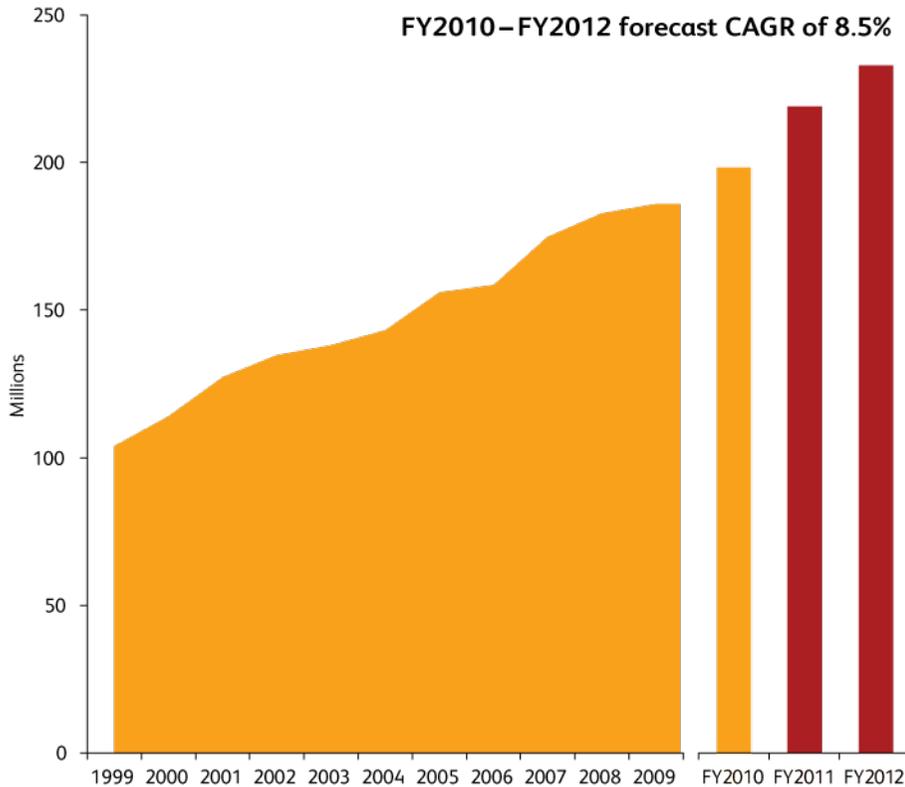


- Aluminium
- Copper
- Zinc
- Nickel

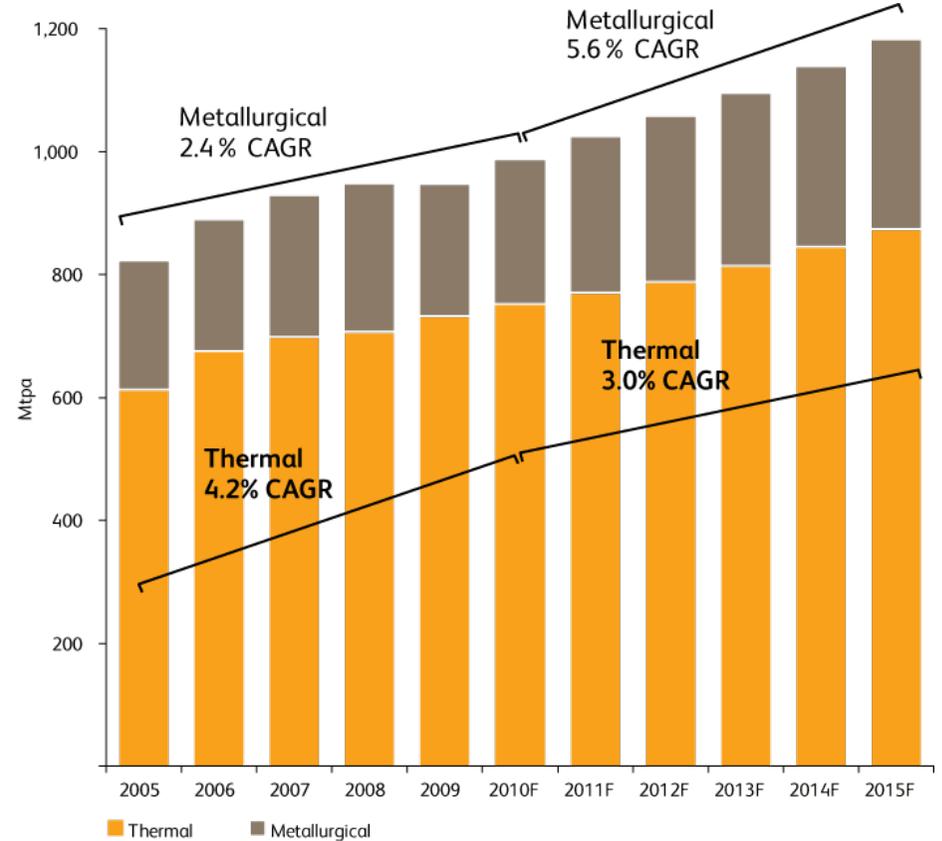
Strong demand growth in global coal markets



QRN's track record of coal haulage growth



Global coal import demand – 2005 to 2015

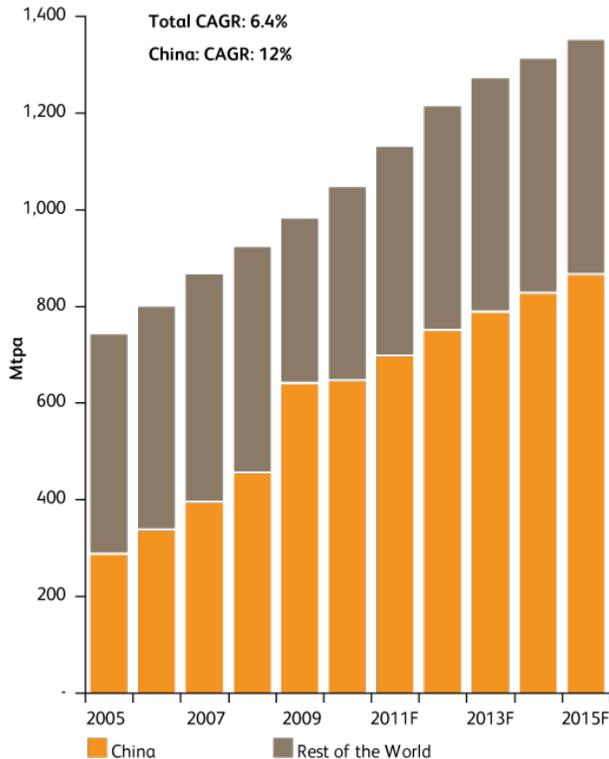


Note: Above data is calendar year data
Source: Australian Commodities, ABARE, March 2010

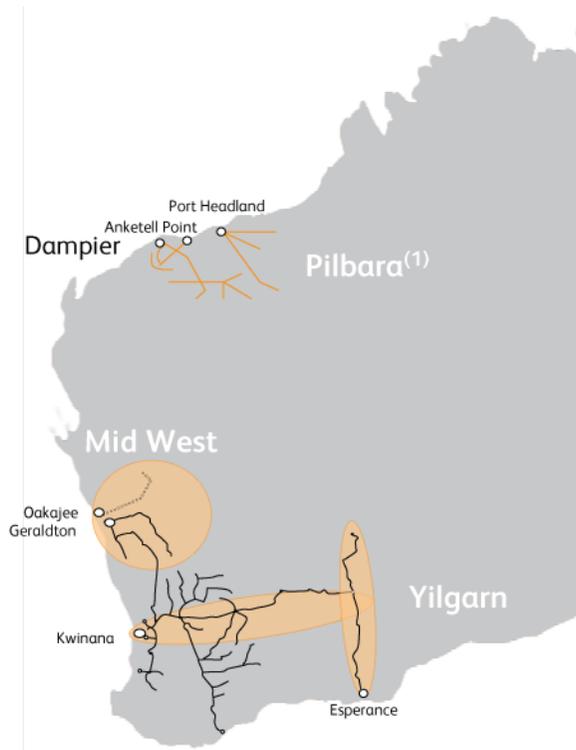
Source: Australian Commodities, ABARE, March 2010. The above data is calendar year data

Positioned for growing iron ore demand

Global iron ore imports – 2005 to 2015



Growth opportunities



Iron Ore

- ▶ Iron ore demand is a key driver of expected future growth
- ▶ Heads of agreement for 14mtpa with two key customers in the Mid West contestable iron ore markets in Western Australia
- ▶ Planned expansions of existing iron ore contracts well advanced
- ▶ New locomotives ordered

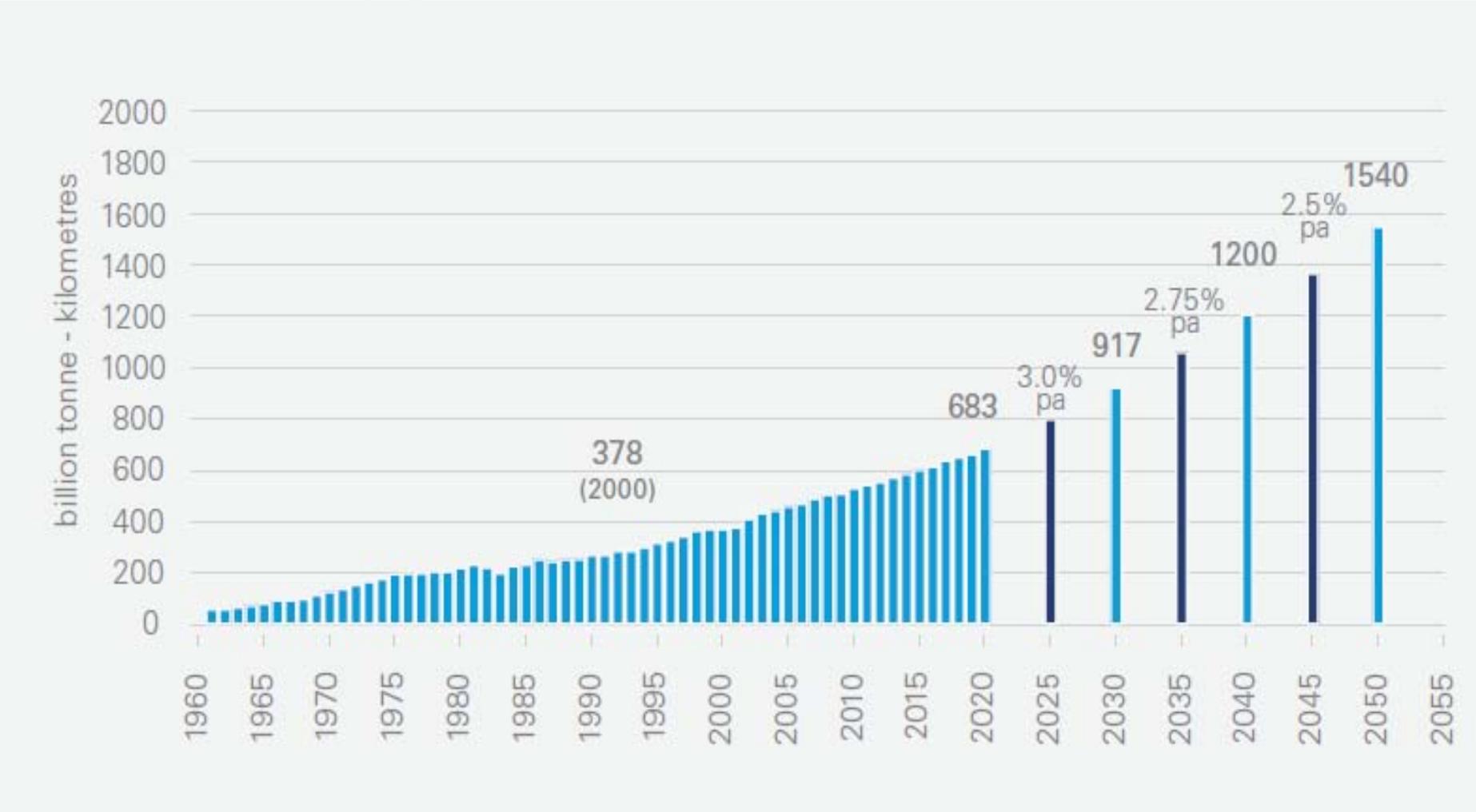
Source: Australian Commodities, ABARE, March 2010
The above data is calendar year data

(1) Currently not contestable

Australia's freight task expected to double over next 20 years



Australia's domestic freight growth, 1961 - 2050



SOURCE: IBIS World (2008)

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Questions

