AURIZON®

Investor Day 2018

27 June 2018

Disclaimer

NO RELIANCE ON THIS DOCUMENT

This document was prepared by Aurizon Holdings Limited (ACN 146 335 622) (referred to as "Aurizon" which includes its related bodies corporate (including Aurizon Operations Limited). Whilst Aurizon has endeavored to ensure the accuracy of the information contained in this document at the date of publication, it may contain information that has not been independently verified. Aurizon makes no representation or warranty as to the accuracy, completeness or reliability of any of the information contained in this document. Aurizon owes you no duty, whether in contract or tort or under statute or otherwise, with respect to or in connection with this document, or any part thereof, including any implied representations or otherwise that may arise from this document. Any reliance is entirely at your own risk.

DOCUMENT IS A SUMMARY ONLY

This document contains information in a summary form only and does not purport to be complete and is qualified in its entirety by, and should be read in conjunction with, all of the information which Aurizon files with the Australian Securities Exchange. Any information or opinions expressed in this document are subject to change without notice. Aurizon is not under any obligation to update or keep current the information contained within this document. Information contained in this document may have changed since its date of publication.

NO INVESTMENT ADVICE

This document is not intended to be, and should not be considered to be, investment advice by Aurizon nor a recommendation to invest in Aurizon. The information provided in this document has been prepared for general informational purposes only without taking into account the recipient's investment objectives, financial circumstances, taxation position or particular needs. Each recipient to whom this document is made available must make its own independent assessment of Aurizon after making such investigations and taking such advice as it deems necessary. If the recipient is in any doubts about any of the information contained in this document, the recipient should obtain independent professional advice.

NO OFFER OF SECURITIES

Nothing in this presentation should be construed as a recommendation of or an offer to sell or a solicitation of or subscription or invitation of an offer to buy or sell securities in Aurizon in any jurisdiction (including in the United States), nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. This document is not a prospectus and it has not been reviewed or authorized by any regulatory authority in any jurisdiction. This document does not constitute an advertisement, invitation or document which contains an invitation to the public in any jurisdiction to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities in Aurizon.

FORWARD-LOOKING STATEMENTS

This document may include forward-looking statements which are not historical facts. Forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of Aurizon. These statements are not guarantees or predictions of future performance, and involve both known and unknown risks, uncertainties and other factors, many of which are beyond Aurizon's control. As a result, actual results or developments may differ materially from those expressed in the forward-looking statements contained in this document. Aurizon is not under any obligation to update these forward-looking statements to reflect events or circumstances that arise after publication. Past performance is not an indication of future performance.

NO LIABILITY

To the maximum extent permitted by law in each relevant jurisdiction, Aurizon and its directors, officers, employees, agents, contractors, advisers and any other person associated with the preparation of this document, each expressly disclaims any liability, including without limitation any liability arising from fault or negligence, for any errors or misstatements in, or omissions from, this document or any direct, indirect or consequential loss howsoever arising from the use or reliance upon the whole or any part of this document or otherwise arising in connection with it.

Overview & Strategy

Andrew Harding
Managing Director & CEO

Agenda

OVERVIEW & STRATEGY

Andrew Harding – Managing Director & CEO

CFO UPDATE

Pam Bains – CFO & Group Executive Strategy

AFTERNOON BREAK

NETWORK UPDATE

Michael Riches – Group Executive Network

COAL UPDATE

Ed McKeiver – Group Executive Coal

BULK UPDATE

Clay McDonald – Group Executive Bulk

EXECUTIVE TEAM Q&A

Our executive team

ANDREW HARDING
Managing Director &
Chief Executive Officer

PAM BAINS
Chief Financial Officer &
Group Executive Strategy

MICHAEL RICHES
Group Executive Network

ED McKEIVER
Group Executive Coal

CLAY McDONALD
Group Executive Bulk

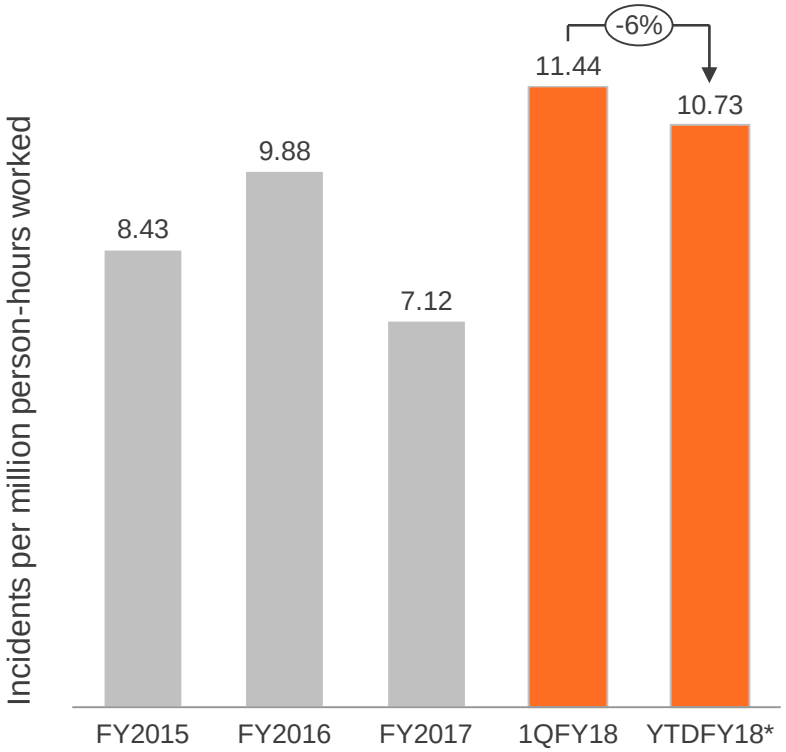
TINA THOMAS
Group Executive Corporate

MICHAEL CARTER
Group Executive Technical
Services & Planning

Safety performance

Aurizon is on a journey to reset the safety culture

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)[1]



1. TRIFR includes employees and contractors
* For the 11 month period ended 31 May 2018

CEO context

Despite strong coal markets, we are facing a number of challenges in the external landscape. The challenges are well understood and being addressed in a structured and coordinated way

External Landscape

- Strong coal markets – annual volume growth of ~2% over the next 10 years
- Competitive above rail market putting some pressure on prices
- Challenging regulatory environment
- Technology enabling business transformation

Internal Landscape

- Ongoing cost base transformation and capital optimisation
- Embedding the business unit structure
- Continue to improve asset utilisation and precision operations
- Exiting Intermodal and reforming Bulk

Strategy in action

Work to date has been focused on the key actions to prepare the business for the next phase of performance improvement and growth

Strategy in Action

Business unit structure	› Business unit structure implemented › Refreshed management team in place › Regionalisation of key personnel › Leadership accountable for business unit EBIT
Freight Review	› Closure of the Intermodal Interstate business › Regulatory decision for sale of Intermodal Queensland and Acacia Ridge expected 5 July 2018 › Bulk freight turnaround plan in execution
Shareholder Returns	› Dividend paid at 100% underlying NPAT › $1bn returned to shareholders since March 2017
Transformation	› 3 year target of $380m expected to be met* › Transformation will continue to feature at Aurizon and will underpin the strategy
Regulation	› Reform required to ensure appropriate regulatory model › Aligning maintenance and operating practices to UT5DD

* Includes the benefit of removing Intermodal losses

Aurizon's vision, purpose and values

We are focussed on our customers and recognise the important role we play in both regional Australia and global supply chains

OUR VISION

The first choice for bulk commodity transport solutions

OUR PURPOSE

Growing regional Australia by delivering bulk commodities to the world

How will we know our vision has been achieved?

- #1 in the market
- Strongest renewals and new business growth
- Increasing Australian share of seaborne coal and other bulk trade

OUR VALUES

SAFETY | PEOPLE | INTEGRITY | CUSTOMER | EXCELLENCE

Strategic levers required to fulfil Aurizon's vision

Execution against our three strategic levers is aimed at driving differentiation, competitive advantage and sustainable performance

STRATEGIC LEVERS		OUTCOME
OPTIMISE	• Delivering a cost effective and customer aligned model • Moving decisions closer to our operations and customers • Delivering a portfolio of value adding businesses • Allocating capital rigorously and efficiently	Accelerate cost competitiveness of Aurizon
EXCEL	• Labour and asset productivity through technology • Regulatory reform • Developing a safety & performance culture that is agile and innovative	Achieve regulatory reform, secure contract wins and gain competitive advantage through asset efficiency
EXTEND	• Improving the competitiveness of supply chains we operate • Leveraging expertise to adjacent assets and activities • Bulk commodity supply chain manager of choice	Position Aurizon for growth, value creation and the next phase of Enterprise evolution

Evolving credibility, capability and differentiation

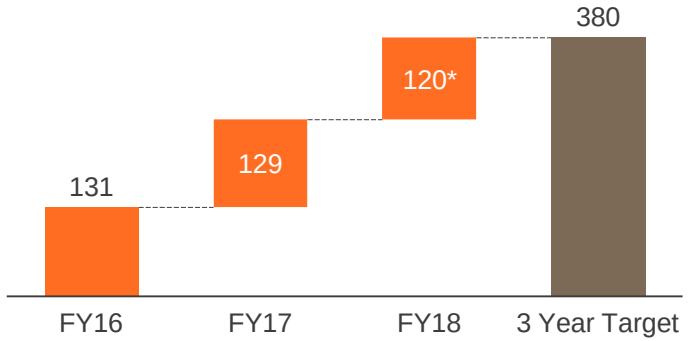
From transformation to continuous improvement

Transformation continues to be at the core of creating sustainable value within the organisation

FY2016 TO FY2018

- Aurizon expects to reach its 3 year transformation target of $380m
- Focus over the last 3 years has been around:
  - Labour productivity
  - Integrated Operating Plan (IOP) which focussed on driving assets harder and faster in the above rail operations
  - Footprint consolidation
  - Exit of Intermodal

TRANSFORMATION BENEFITS ($M)



THE FUTURE

- Transformation will underpin value creation for Aurizon over the next 5 years and is central to the optimise and excel levers
- There is a well defined pipeline of initiatives
- Key initiatives in the next wave of transformation include:

Central Areas – focus on overhead reduction

- TSP restructure (lower FTEs, repointing functions to business units and footprint consolidation)

Operations – focus on continuous improvement of the operations, including Network

- EA renegotiation
- Supply chain optimisation
- Leveraging technology for maintenance and labour productivity

* Expected FY2018 benefits, includes the benefit of removing Intermodal losses

AURIZON

Enterprise Agreement renegotiation update

Supporting sustainable business transformation in an environment of low wage growth

OPTIMISE

EXTERNAL LANDSCAPE

- Current wage growth is subdued
  - Latest Wage Price Index data shows private sector wages growing at 1.9%
  - Private sector EAs are providing average increases of 2.6%
- Competitors have concluded bargaining in recent months, providing wage increases of 2.0%-2.5%

AURIZON LANDSCAPE

- ~80% of Aurizon FTEs are covered by an EA
- Existing EAs provided a generous 4%pa wage increase
- Bargaining for all 7 EAs has either commenced or concluded in FY2018
- Successfully concluded bargaining for WA Rollingstock Maintenance EA in January 2018 – wage uplift of 1.0%, 1.5%, 1.75% and 1.75%pa over life of agreement

WHAT DOES SUCCESS LOOK LIKE

- Flexible, simple and responsive EAs
- EAs that enable each business unit to achieve its objectives
- Wage and conditions better aligned to the market
- Enhanced ability to match labour to demand

AURIZON

Precision railroading operations

Leveraging the integrated model aims to better serve our customers through improved discipline across our operating plans

OPTIMISE

OBJECTIVES

Enhance service predictability
- Better on time performance & reduced cancellations

Reduce costs across the supply chain
- Eliminate wasted effort & resources

Improve safety & reliability of our operations

HOW?

Mine

- **Load time** variability
- Loading **as per schedule**
- Departing **on time**

Network

- Network **operating modes**
- **Section run time** review
- **Managing trains** to schedule

Above Rail

- **Yard planning** optimisation
- R'stock **maintenance roster** review
- **Driver variability** study
- **Reducing dwell** in yards

Port

- **Unload** times
- **Running** to schedule

Enablers

- **Integrated planning** review
- **Leadership** development
- **Real time** reporting
- Staff **engagement**

Targeted to deliver >$50m benefits by FY2021

Earnings update

The implementation of the strategy will improve long-term Above Rail earnings and ROIC, Network remains uncertain due to UT5

FY2018

- Strong EBIT result with earnings in line with guidance
- OR expected to be ~70%
- Coal volumes within guidance range of 210 – 220mt

Future Earnings

- Network - earnings uncertain due to UT5. ~$130m potential range of EBIT outcomes for FY2019 from transitional tariffs at the high end to UT5DD at the lower end (including partial true up from FY2018)
- Above Rail – FY19 headwinds from one offs in Coal and iron ore contracts ceasing in Bulk. EBIT growth from FY2020 due to higher coal volumes, execution of Bulk turnaround plan and ongoing benefits from transformation

CFO Update

Pam Bains
CFO & Group Executive Strategy

CFO context

FY2019 will be a period of consolidation leading to improved Above Rail earnings in FY2020 through Coal volume growth and benefits flowing from the next wave of transformation

1

Strong performance in FY2018

- Group EBIT within guidance range ($900-960m)
- Transformation targets expected to be met ($380m over three years)
- OR expected to be ~70%
- Capital spend expected to be lower than $500m

2

Recent contract success in both the Coal and Bulk business units

3

Earnings headwinds expected in FY2019

- Network – potential UT5 revenue reduction, including partial true up from FY2018 (maximum ~$130m based on UT5DD)
- Bulk – cessation of iron ore contracts (~$50m)
- Coal – flat outlook with contracted volume growth and transformation benefits offset by one off increase in maintenance costs and costs for installing capacity for new volumes and volume impact of UT5DD

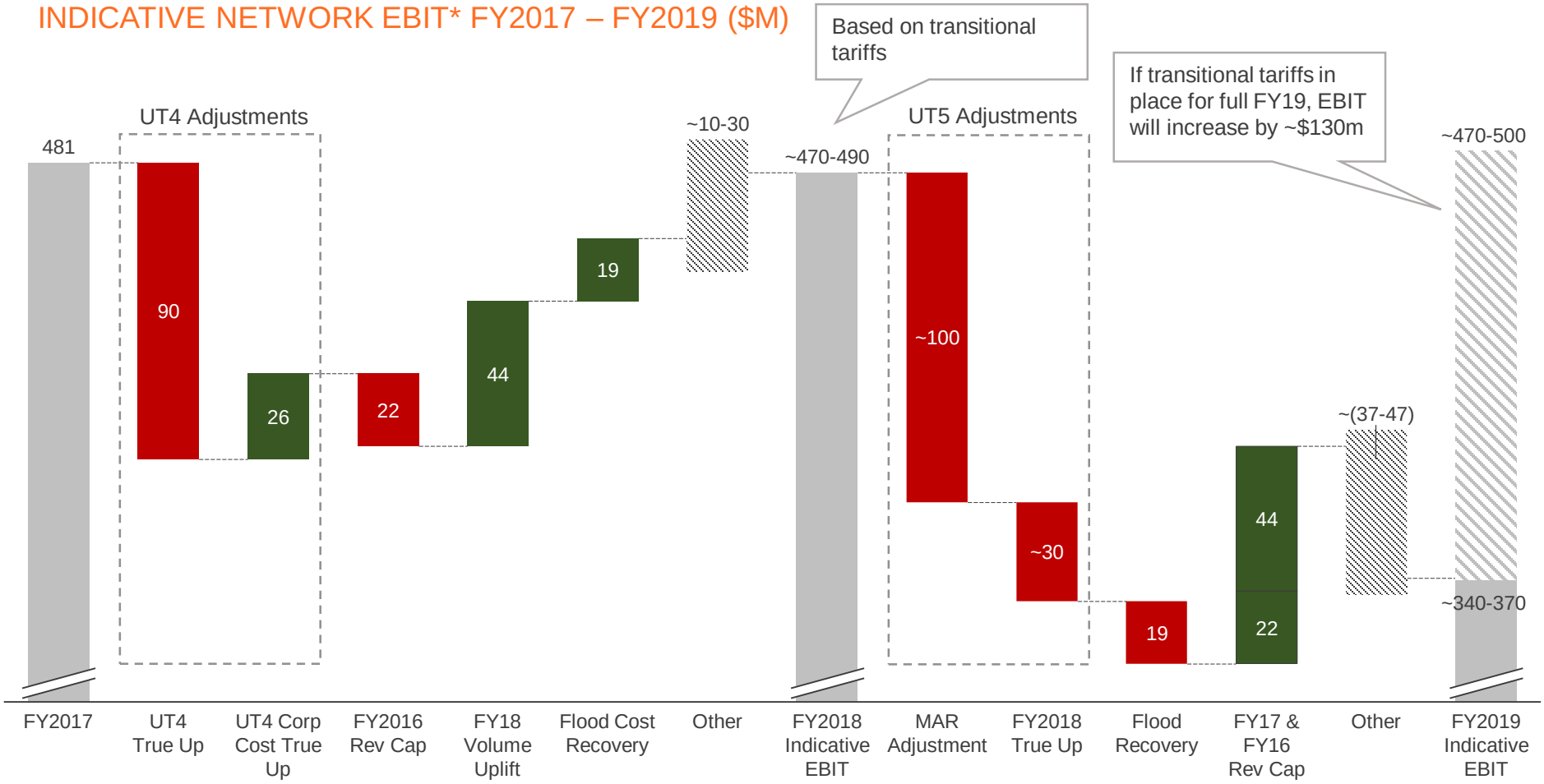
4

Above Rail EBIT growth in FY2020 due to higher coal volumes and transformation driving value across the business

Network EBIT Bridge

Worst case scenario assumes final UT5 decision equals the UT5 draft decision

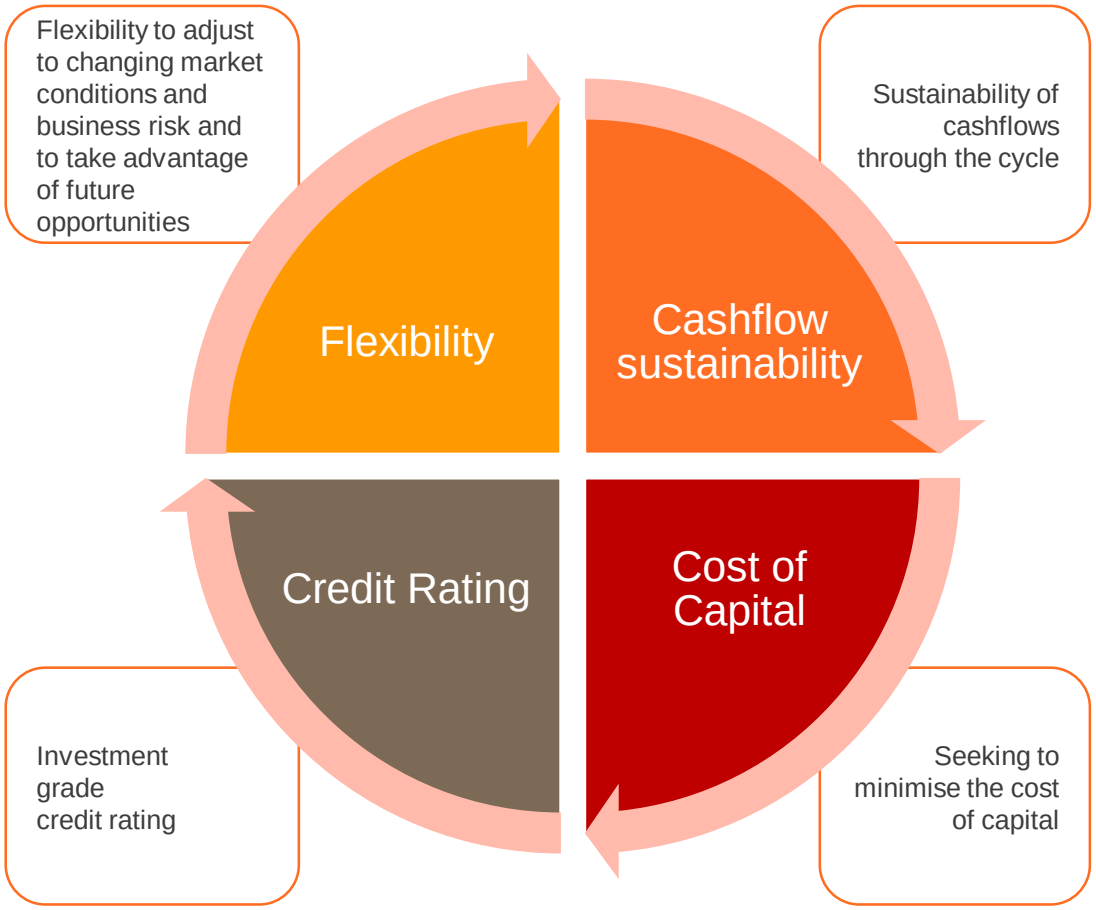
INDICATIVE NETWORK EBIT* FY2017 – FY2019 ($M)



*Based on TT volumes of 244mt for FY19

Capital structure objectives

Optimal capital structure to enable balance of shareholder returns and investment



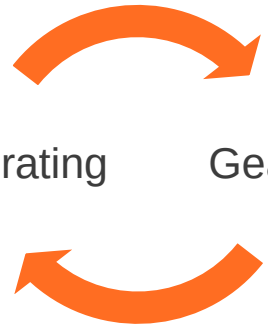
Capital allocation strategy

Aurizon's capital allocation strategy remains unchanged however the UT5 draft decision potentially impacts the credit rating and therefore gearing

PRIORITISATION OF CAPITAL

1. Non Growth Capital
2. Dividends (payout range 70-100%)
3. Surplus capital returned to shareholders

   Growth Capex *only where* it maximises shareholder value



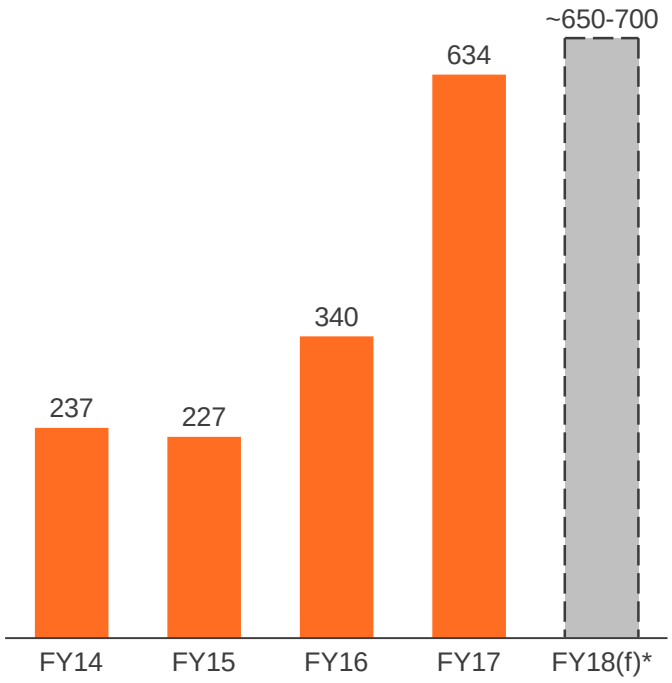
UT5 DRAFT DECISION IMPACT

1. UT5DD does not support Moody's Baa1 credit metrics for Network (Holdings – no change)
2. Moody's downgrade could result in additional funding capacity however funding costs increase marginally
3. S&P metrics (BBB+) satisfied due to lower thresholds and differing view on coal risk
4. Credit ratings and gearing will be reviewed once the UT5 final decision is released

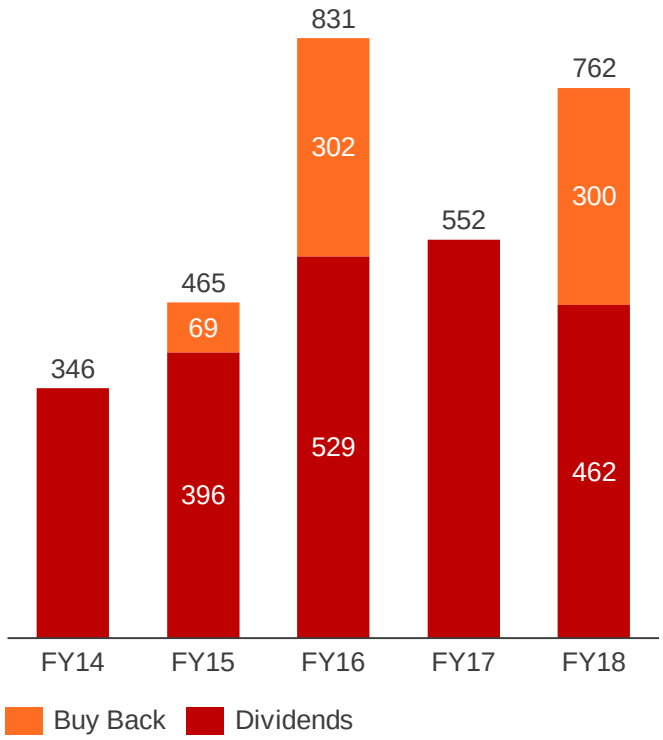
Strong cashflow generation

History of strong distributions paid to shareholders

FREE CASHFLOW ($M)



DISTRIBUTIONS PAID TO SHAREHOLDERS ($M)

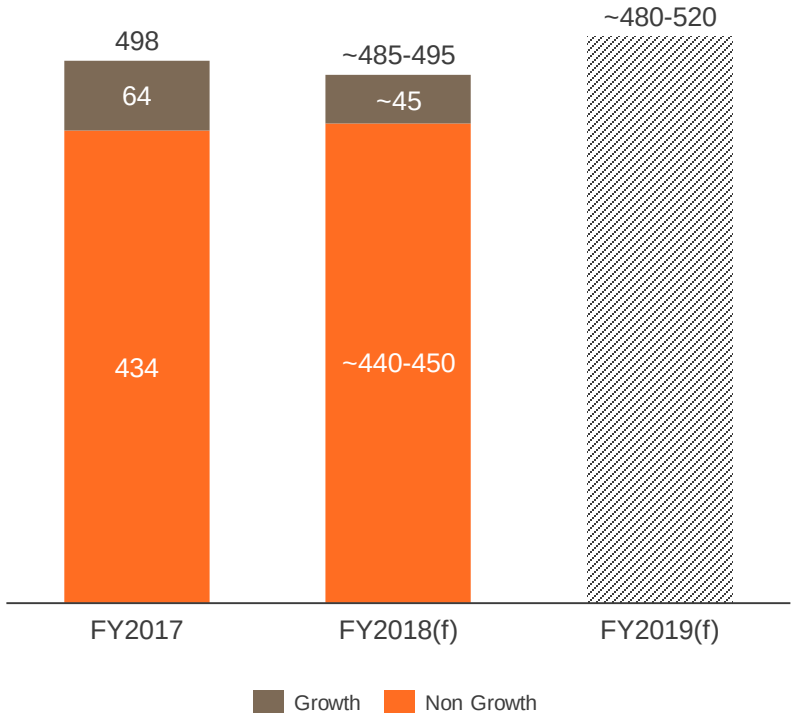


* FCF is cashflow from operating activities less cashflow from investing activities less interest and other financing costs.

Capital expenditure

FY2019 capital expenditure mix changes with Network decrease offset by increases in Above Rail

CAPITAL EXPENDITURE[1] FY2017 – FY2019 ($M)



- FY2018 capital expenditure expected to be under $500m
- Growth capital in FY2019 includes new coal wagons to support growth tonnes across CQCN and Hunter Valley
- Non growth capital in FY2019 is forecast to increase against FY2018. Major drivers include:
  - Decrease in Network capital following review of non critical capital, offset by
  - Increased capital for Coal
    - Ramp up of rollingstock overhauls, including bringing rollingstock back into service to support growth
    - Technology projects
    - Jilalan wagon shop upgrade
    - Deferrals from prior year
  - Potential capital for replacement rail grinder to support ARTC, 12 year contract renewal (~$20m in FY19)

1. Excludes Intermodal
2. Includes capitalised interest and net of lease incentive payments

Capital approval process

Aurizon has a disciplined approach to investment evaluation

Identify

- Alignment with strategy
- Identify risks
- Estimate likelihood of success

Select & Define

- Refine design choices and select optimal design
- Quantify and prioritise risks with mitigating actions

Execute

- Deliver

Operate

- Additional capacity
- Improved performance
- Sustainable outcomes
- Transformative solutions

Review

- Assess delivery of investment outcomes
- Capture lessons learned

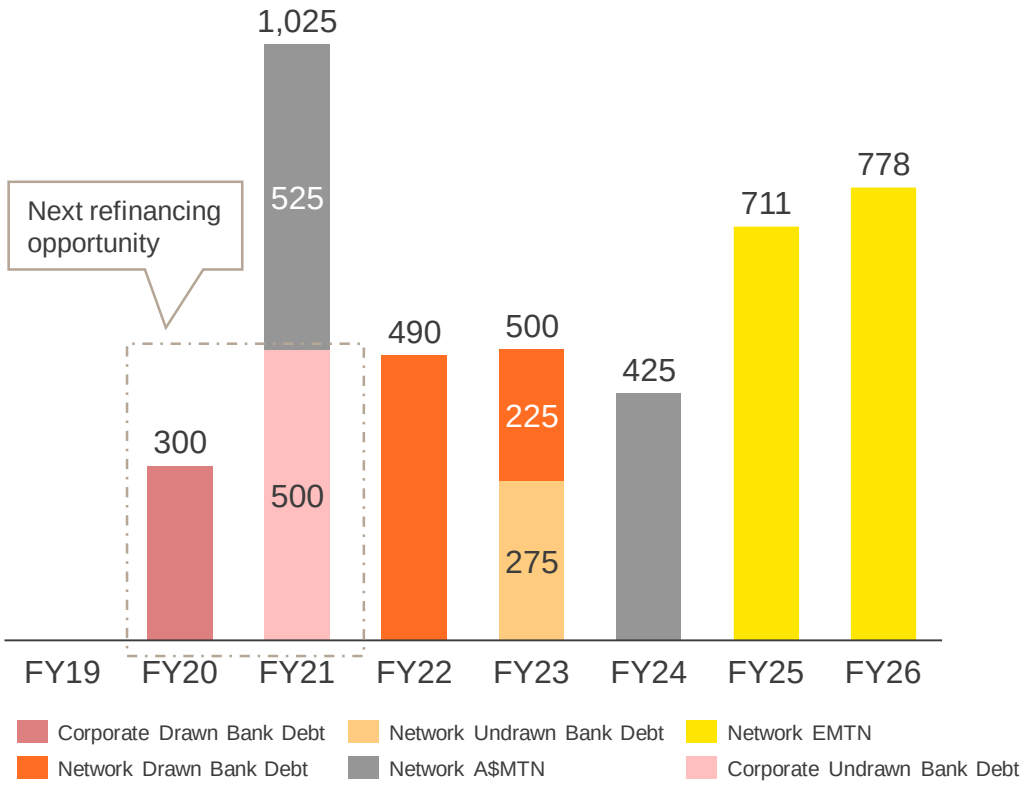
› Investments >$5m require approval of the CEO and Aurizon Investment Committee (AIC) endorsement. Investments > $50m require Board approval at Feasibility

› AIC is chaired by the CFO and attended by the CEO and Group Executives of Coal, Network, Bulk and TSP

Interest rate and financing risk

Strategy remains to refinance in advance of debt maturities, diversify funding sources and extend tenor. Interest rates are hedged to match regulatory undertakings

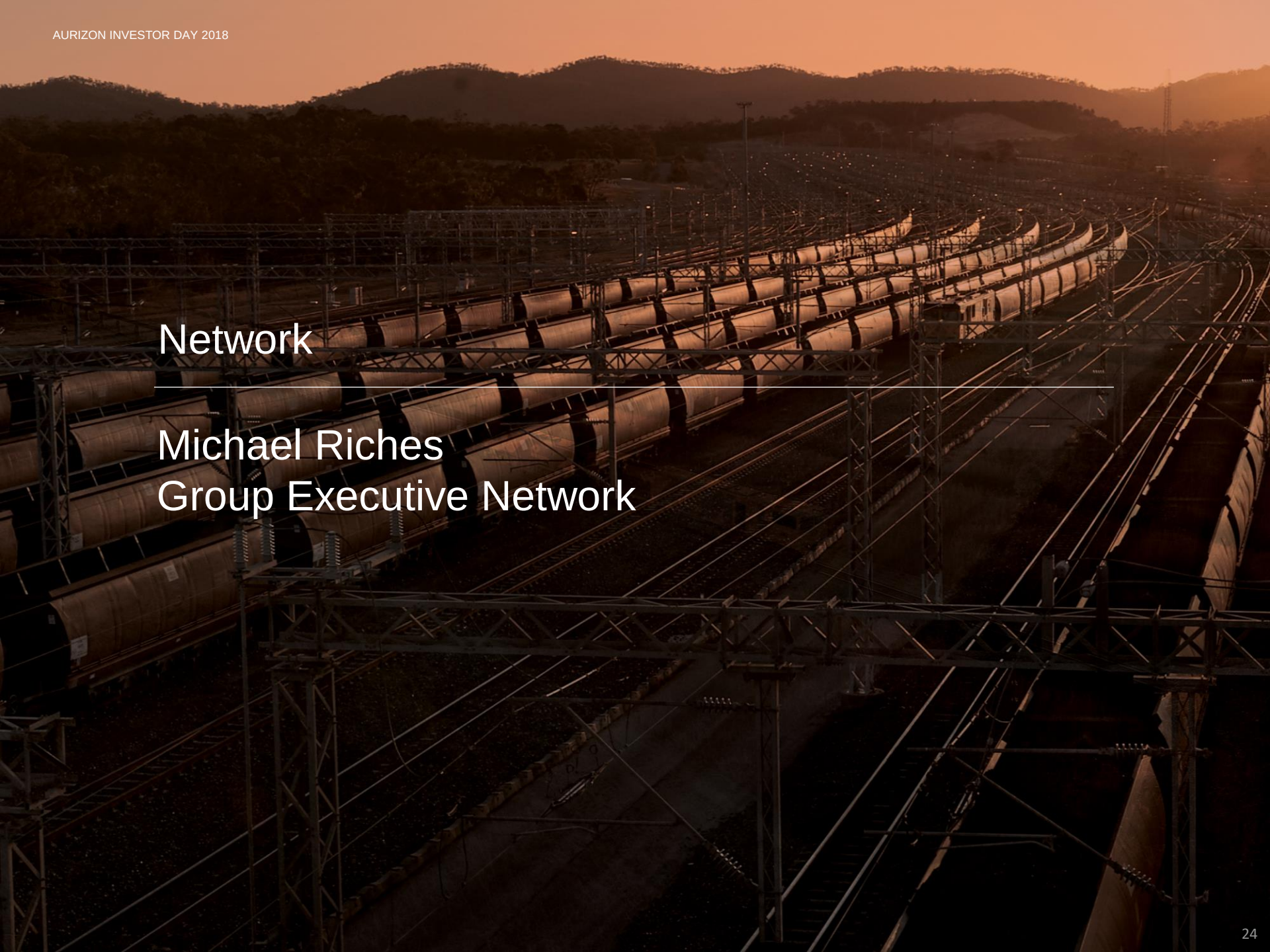
CURRENT FUNDING SOURCES AND DEBT MATURITY PROFILE[1] $M



INTEREST RATE HEDGING PROFILE

- Aurizon's cost of debt is not materially exposed to increases in interest rates over the next 3 years
- Aurizon's debt is ~84% hedged for FY18-20. This reduces in FY2021 when $525m of fixed rate debt matures
- From FY2022 debt is currently unhedged, with the risk being offset by the future UT6 debt allowance
- While market conditions contribute to the strategy, the hedging objective is biased towards creating certainty

1. As at 31 May 2018



Network

Michael Riches
Group Executive Network

UT5 strategy

Aurizon is exploring multiple pathways to resolve UT5

Regulatory

- March 2018 submitted response to the UT5 draft decision
- June 2018 submitted response to QCA Maintenance consultation paper - Maintenance cannot be considered in isolation, and is inextricably linked to the investment in the CQCN assets and the manner in which the CQCN is operated

Commercial

- Proposals put forward to customers and QCA around potential commercial resolution on terms acceptable to all stakeholders including WACC and maintenance practices

Legal

- Judicial Review of the UT5 draft decision lodged with the Supreme Court of Queensland
- Option remains to submit a Judicial Review of the final decision

Network context - UT5 draft decision recap

QCA's UT5 draft decision risks value erosion across the CQCN coal supply chain

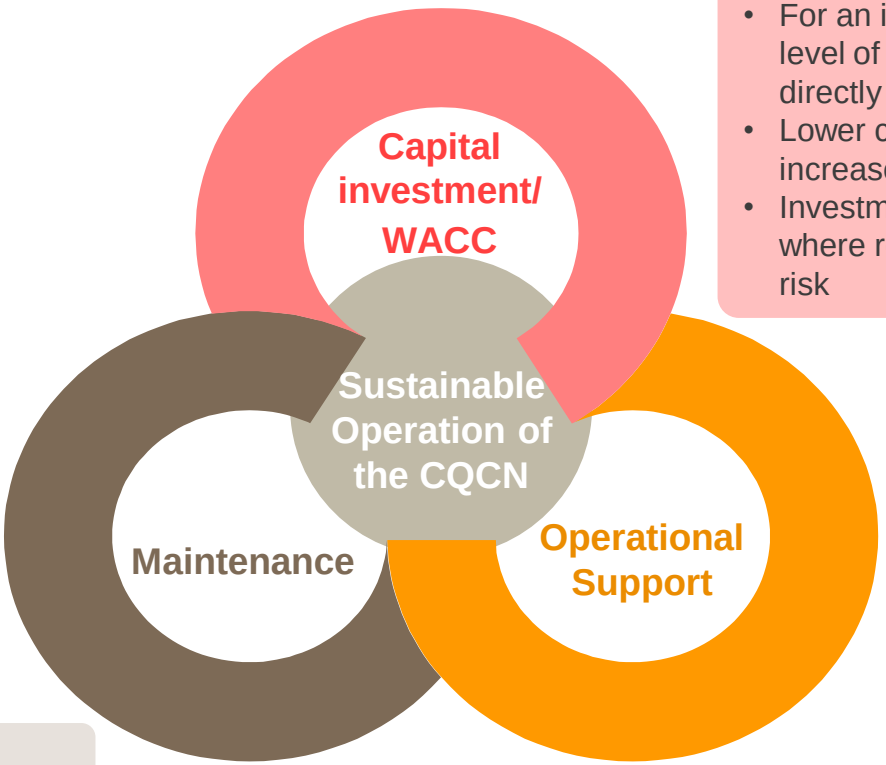
	AURIZON NETWORK UT5 SUBMISSION	QCA DRAFT DECISION	AURIZON NETWORK'S RESPONSE TO DRAFT DECISION
Total Adjusted MAR	4,892	3,893	4,757
WACC (post tax nominal vanilla)	6.78%	5.41%	7.03%
Inflation	1.22%	2.37%	2.30%
WACC (post tax real vanilla)	5.49%	2.97%	4.62%
Blended tariff ($/net tonne)	$5.36	$3.86	$4.90

AURIZON'S RESPONSE TO THE DRAFT DECISION

- Aurizon has taken steps to align maintenance and operating practices with the draft decision given retrospectivity to July 2017
- March 2018 Aurizon submitted its response to the draft decision – revised MAR $4.76bn. Submission addressed the fundamental errors and miscalculations made in the draft, especially in relation to maintenance
- Non safety capital expenditure has been reviewed
- April 2018 Aurizon lodged an application with the Supreme Court of Qld for a Judicial Review of the draft decision on the basis of apprehended bias of the QCA Chairman Professor Roy Green. Aurizon seeks a number of orders from the Court, including that the draft decision be set aside
- Customer and other stakeholder engagement continues

Risk, capital and maintenance

Operation of the CQCN to deliver optimal value to all stakeholders requires the appropriate balance of investment, maintenance and operational support



- For an infrastructure asset, the level of capital investment is directly related to its reliability
- Lower capex generally will result in increased maintenance
- Investment is incentivised only where return is commensurate with risk

- Where reduced investment results in increased maintenance, these activities will consume more resources in order to preserve reliability

Operational response to the UT5 draft decision

The retrospectivity of UT5 to 1 July 2017 requires a change to align our operating and maintenance practices and risk tolerance to those assumed in the draft decision

EXAMPLES OF RECENT CHANGES

Adherence to the plan

- No deviation from the plan (excluding emergencies)
- Where trains are not running to plan, planned maintenance activities will continue as scheduled and take priority

Overlength train trials

- 124 wagon Newlands and 120 wagon Blackwater trials have ceased
- Overlength trains require a high level of flexibility in the system which cannot be facilitated in the new environment

Track defects

- Generally our practice will now focus on permanent rather than temporary rectification work, for example:
  - Rail breaks
  - Ballast and formation defects

Capital Expenditure

- Reviewing capital expenditure to align with the risk tolerance assumed in the draft decision WACC and the delivery of a safe and reliable network

Network Strategy

Getting closer to our customers will drive improved performance, better alignment of asset condition and management of long term requirements

THE PROBLEM TODAY

Customers & Regulator
Don't see value being delivered in the network

Aurizon
Has the levers to create value, but not the incentive

Pulling apart and not aligned

Regulatory environment does not align the interests of all players to maximise outcomes

THE PATHWAY TO A SOLUTION

Clearly defining services…

…provides clarity of propositions & opportunity to trade value…

…therefore driving collaboration & stronger alignment to seek regulatory change…

…for the benefit of all supply chain stakeholders

Services clearly defined and linked to tariffs

Customer Value Propositions
- Regulated services
- Tailored solutions as required

Joint value opportunity or 'tradeable value'

Operational Performance
- Fit for purpose asset management
- Supply chain capacity solutions

Greater collaboration & alignment

Coming together

Best practice regulation

Flexibility
Reliability
Information Avail
Throughput

Network strategic levers

Priorities are focused on the development of a fit for purpose network that creates value and facilitates changing the regulatory environment for the benefit of all

OPTIMISE

UT5 solution | Fit for purpose operations | Capability

1. Alignment of resources to the UT5 draft decision
2. Supply chain productivity
3. Network cost efficiencies

EXCEL

Customer solutions | Regulatory framework

1. Regulatory reform
2. Tailored asset and capacity management
3. Build system and people capability

EXTEND

Existing customers | Adjacencies | New markets

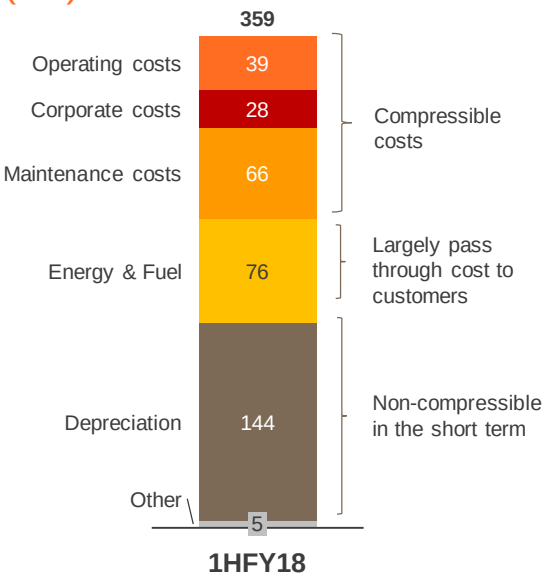
1. Opportunistic expansion of CQCN
2. Supply chain alignment
3. Growth outside CQCN

Transformation in Network

Progress has been made in transforming the cost base which drives value for the whole supply chain

OPTIMISE

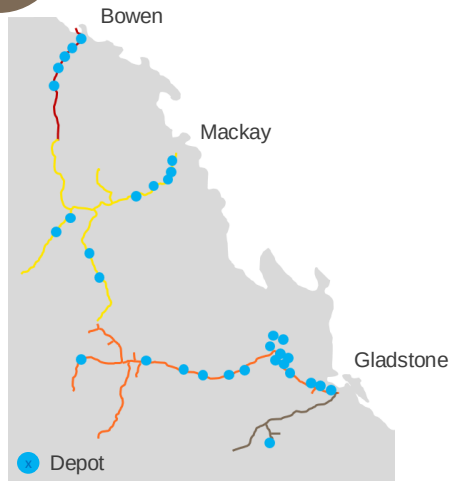
NETWORK OPERATING COSTS ($M)[1]



› ~40% of total Network operating cost base is compressible, with the remainder being largely pass through costs (i.e. energy and fuel) or costs that are non compressible in the short term due to their nature (i.e. depreciation)

TRANSFORMATION INITIATIVES

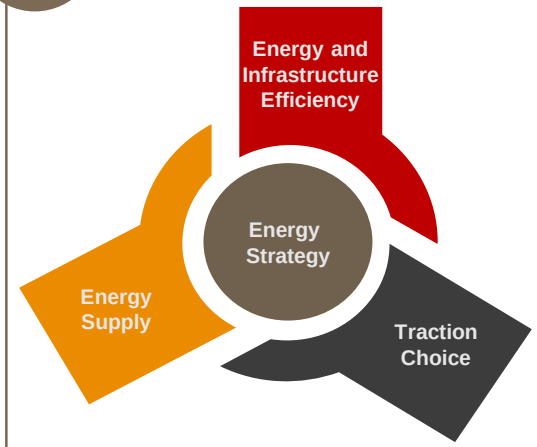
Footprint consolidation



› In FY2019 Network will significantly reduce its current footprint of 32 sites

› Expected to reduce real estate costs and increase operational efficiencies

Energy



› Infrastructure and procurement optimisation

› Regulatory measures (e.g. AT5 DAAU)

› Improving competitiveness of electric traction

1. Maintenance costs exclude ballast undercutting costs which are capitalised for accounting purposes. Maintenance costs also include some depreciation relating to plant used in maintenance and capital activities.

AURIZON

Future of regulation

Moving to best practice regulation will improve regulatory outcomes aligned with our business operating model

EXCEL

STANDARDS	OBJECTIVES	CURRENT	BEST PRACTICE
Objective Standards	Adjusting statutory objectives to better align interests	Upstream and downstream competition the primary focus rather than customer value	**Customers at the heart of regulatory objectives**
Methodological Standards	Introduction of performance targets and incentive mechanisms	Limited incentive for out performance through cost mechanism	**Co-operative engagement** Co-operative engagement between regulated entity and customers with limited regulator involvement but with appropriate regulatory protections
	Definition of efficient framework for co-operation between the regulated entity and customers	No clear, consistent framework for collaboration	
Procedural Standards	Improving regulator's procedural standards	• Lack of timely decisions • No clearly defined framework	**Timely decisions** Decisions made before the regulatory period to provide certainty for customers and the regulated entity

AURIZON

Supply chain capability

The opportunity to create value for the whole of supply chain will be underwritten by regulatory reform

EXTEND

Network Today

Supply chain value

- Alignment of supply chain contracted capacity
- Collaboration for major outages and incident response

Below rail capacity management

Supply chain participants act separately

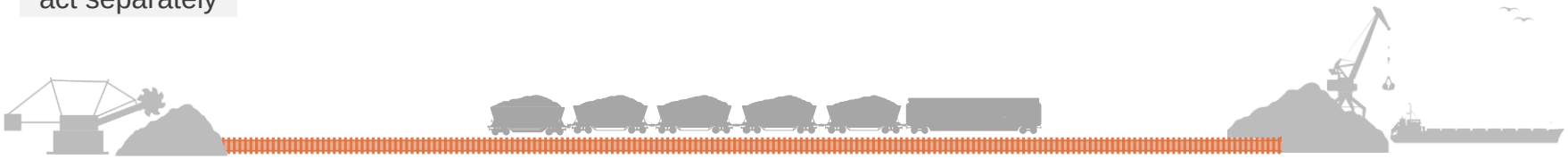
Supply chain alignment

Increased collaboration

Network Tomorrow

Supply chain value

- Optimisation of capital expenditure and increased availability and utilisation of infrastructure
  - Integrated planning
  - Managing variability
  - Performance analysis
  - Capacity and product offers



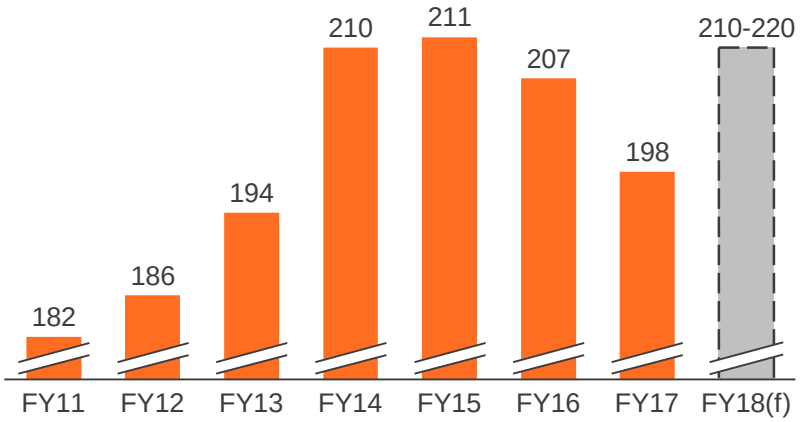
Coal

Ed McKeiver
Group Executive Coal

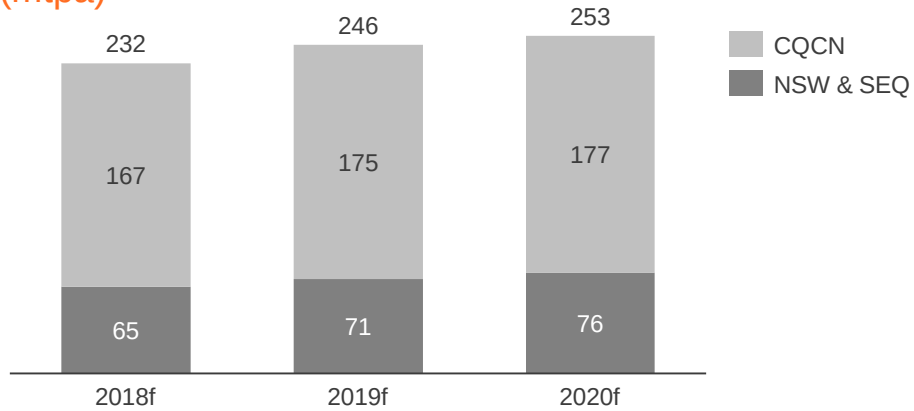
Coal context

Coal has secured 10% growth in contracted volumes since 2017 with the integrated business unit model driving better business outcomes to deliver for our customers

COAL VOLUMES (MTPA)



ANNUALISED FORECAST CONTRACTED VOLUMES (mtpa)[1]



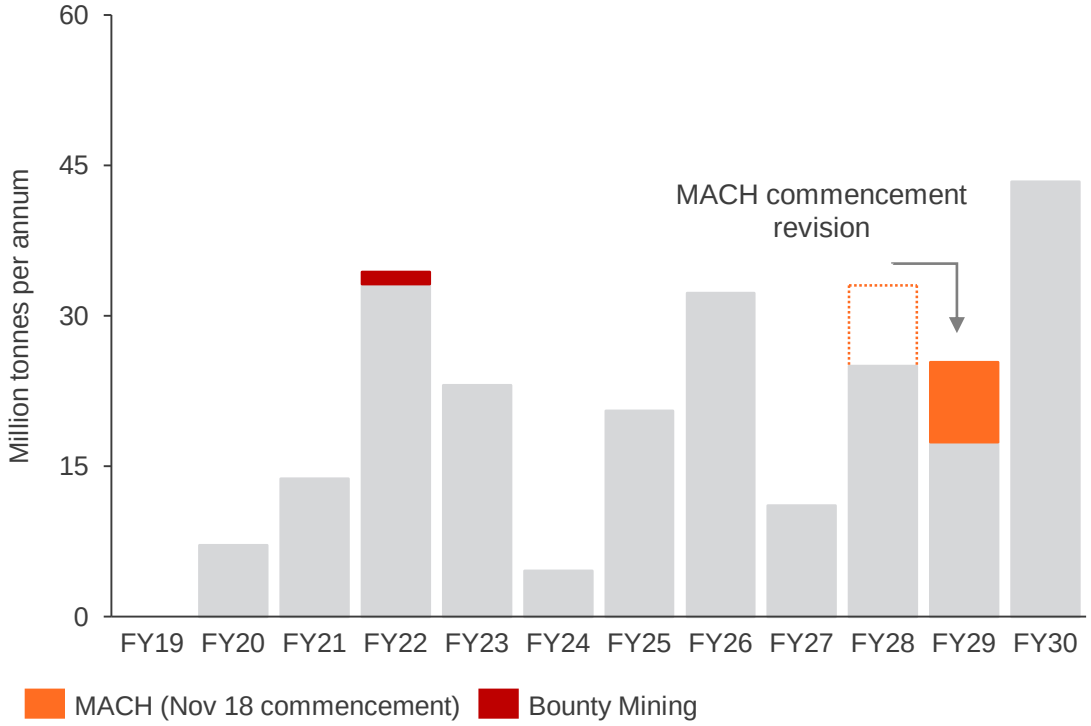
- Established new Business Unit in Mackay
- Growth in contracted volumes
  - MACH Energy
  - QCoal
  - Baralaba
  - Bounty Mining (newly secured)
- New tonnages secured through responding to customer's expectations around delivery performance and flexibility
- Capacity growth in Hunter Valley and CQCN to support growth tonnes
- Investments in equipment capability paying dividends through improved reliability and delivery performance

1. This represents the forecast contracted tonnes at 31 May 2018 and includes nominations, options or other uncertain events that have the potential to cause variance in our 'contracted' tonnes

Coal contract outlook

The investment being made during FY2018 and into FY2019 will allow Coal to preserve and grow value

COAL CONTRACT VOLUME EXPIRY BY YEAR (MTPA)



- Market is competitive
- Weighted average remaining contract length of 9.2 years
- Ongoing transformation essential to improve competitiveness and service
- Relentless focus on operating discipline and reliability to drive delivery performance
- Targeted multi-year investments will drive future competitive advantage and growth

Notes:

- *This represents the maximum contracted tonnes as at 31 May 2018. 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*

Coal strategic levers

Priorities are focussed on the Optimise and Excel levers to improve cost competitiveness, asset utilisation and delivery performance

OPTIMISE

Portfolio	Cost	Asset Utilisation

1. Improve integrated planning and scheduling
2. Progress fleet reliability program
3. Improve asset productivity and service delivery

EXCEL

Precision operations	Customer engagement	Asset utilisation

1. Labour productivity through technology investments
2. Enable further maintenance improvements through predictive technology enhancements
3. Uplift leadership capability

EXTEND

Existing customers	Adjacencies	Supply chain management

1. Industry leading operating discipline
2. Target ROIC accretive growth

AURIZON

Enhancing execution capability

Coal has an integrated approach to operational transformation that continues to deliver improved performance and profitability

OPTIMISE

INTEGRATED PLANNING & SCHEDULING

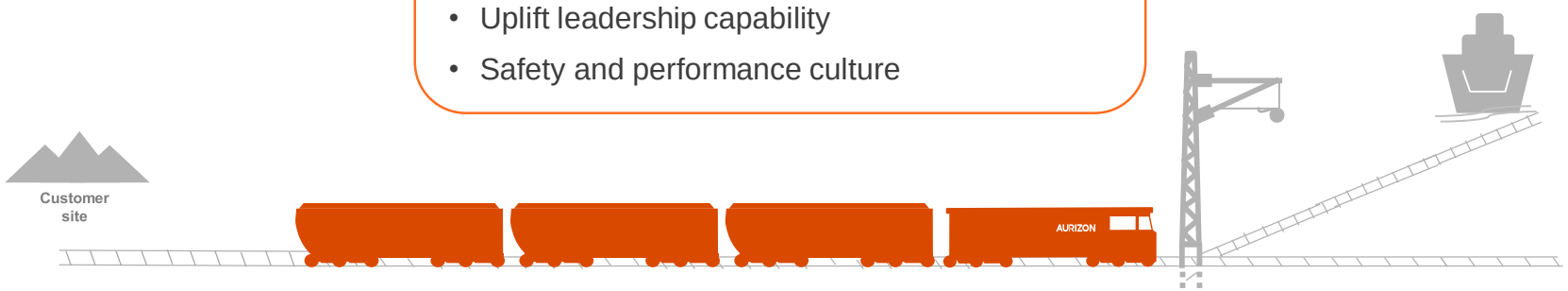
- Build-out Coal's integrated resource and demand planning hub in Mackay
- Rollout of scheduling and planning optimiser tool
- Invest in state of the art rostering and time management technology

ASSET PRODUCTIVITY

- Eliminate CQCN dwell, ~3.5 consists wasted in dwell in FY18 (precision railway operations)
- Increased payloads and longer trains moving faster
- Full deployment of distributed power trains across Hunter Valley

ENGAGED & RESPONSIVE PEOPLE

- Renegotiate EAs
- Review deployment models
- Uplift leadership capability
- Safety and performance culture



Case studies

Examples of how improved execution capability is delivering value

OPTIMISE

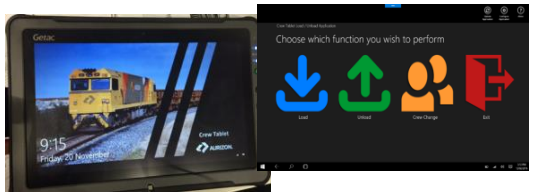
WEST MORETON SERVICE IMPROVEMENT

Across the West Moreton corridor a number of value creating initiatives have been put in place around:

- Asset and labour productivity
- Service delivery
- Leadership
- Footprint consolidation
- Technology

Value created:

- ✓ **70%** improvement in on time performance since July 2017
- ✓ **22%** reduction in unplanned leave (Q1 to Q3 Toowoomba and Fisherman Island)
- ✓ **$2.2m** transformation benefit YTD



NSW OPERATIONS IMPROVEMENT

FY2018 transformation initiatives implemented in our Hunter Valley, Gunnedah and Ulan operations

- Labour deployment review
- Roster review and practices
- Distributed power consists reducing fuel efficiency and maintenance costs
- Central systems leveraged

Value created:

- ✓ Additional volumes hauled with existing crew
- ✓ Improved train handling and delivery performance
- ✓ Reduced overtime and allowance spend
- ✓ **$9m** transformation benefit YTD

AUTOMATED SCHEDULING OPTIMISATION

Coal has implemented a schedule optimisation package that is being used in Goonyella and currently being rolled out across Central Queensland

- Optimises the weekly train schedule to maximise train services given a specific set of supply chain conditions
- Minimal investment - early results have demonstrated 5 to 10 additional weekly services can be scheduled
- Develops an optimised schedule in minutes, providing multiple scenarios for consideration by planners and solves for the best schedule

Order fulfilment	Asset Utilisation	Load point utilisation

Fleet capability and performance

One off maintenance investment in FY2019 and fleet reliability program delivers capability today and supports future volume growth

OPTIMISE

ACTIVITY DRIVERS

- Sweating assets for growth, includes restoring older rollingstock to active service
- Increased haulage volumes
- Midlife overhauls
- Integrating maintenance planning and execution with move to business unit model
- Optimising standards and practices

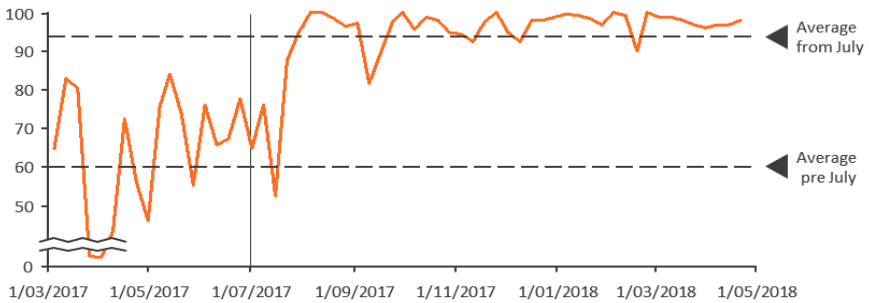
MULTI YEAR FLEET RELIABILITY PROGRAM

- Midlife overhauls 106t & 120t wagons
- Overhaul diesel and electric locomotives
- Life extension program 3551 class electric fleet
- Light axle load re-life program (West Moreton)

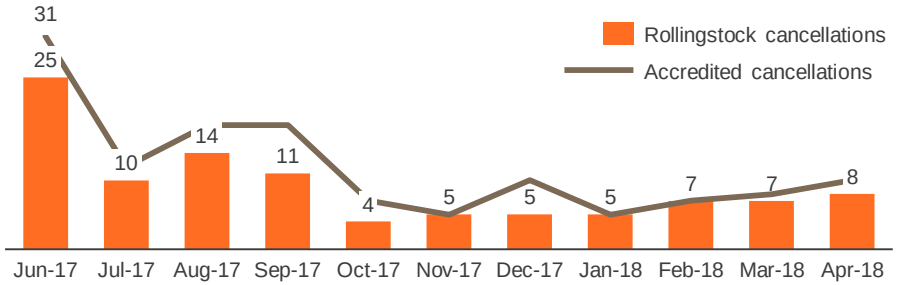
DISCIPLINED EXECUTION, IMPROVED RELIABILITY

- Underlying performance improved
- Early replacement of identified defects
- Achieving reliability rates better than Class 1 Railways for Hunter Valley

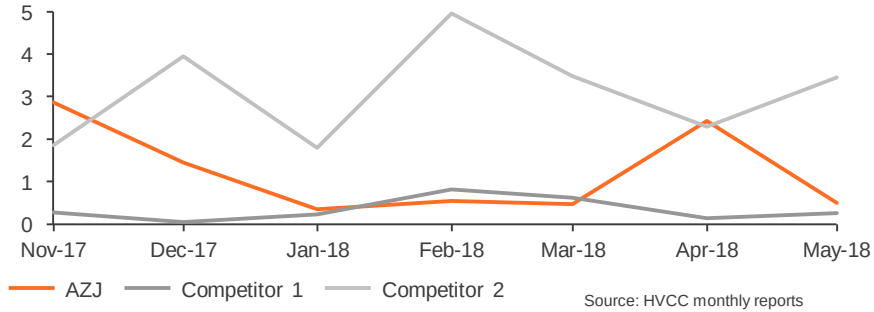
MAINTENANCE PLAN ATTAINMENT (GOONYELLA LOCOS)



GOONYELLA ROLLINGSTOCK CANCELLATIONS



HUNTER VALLEY ROLLINGSTOCK CANCELLATIONS



Source: HVCC monthly reports

AURIZON

Technology delivering value

Coal will differentiate itself over the medium term by implementing scale-driven technological solutions – while continuing to deliver on the primary task

EXCEL

Expanding the predictive maintenance capability

- Wayside condition monitoring (WCM) is operational with 6 sites in CQCN
- WCM has significantly improved the safe operations of trains with no impact to services
- Expansion into Hunter Valley with 7th super site during FY2019
- Further enhancements are being deployed e.g. iTrigger and Treadview

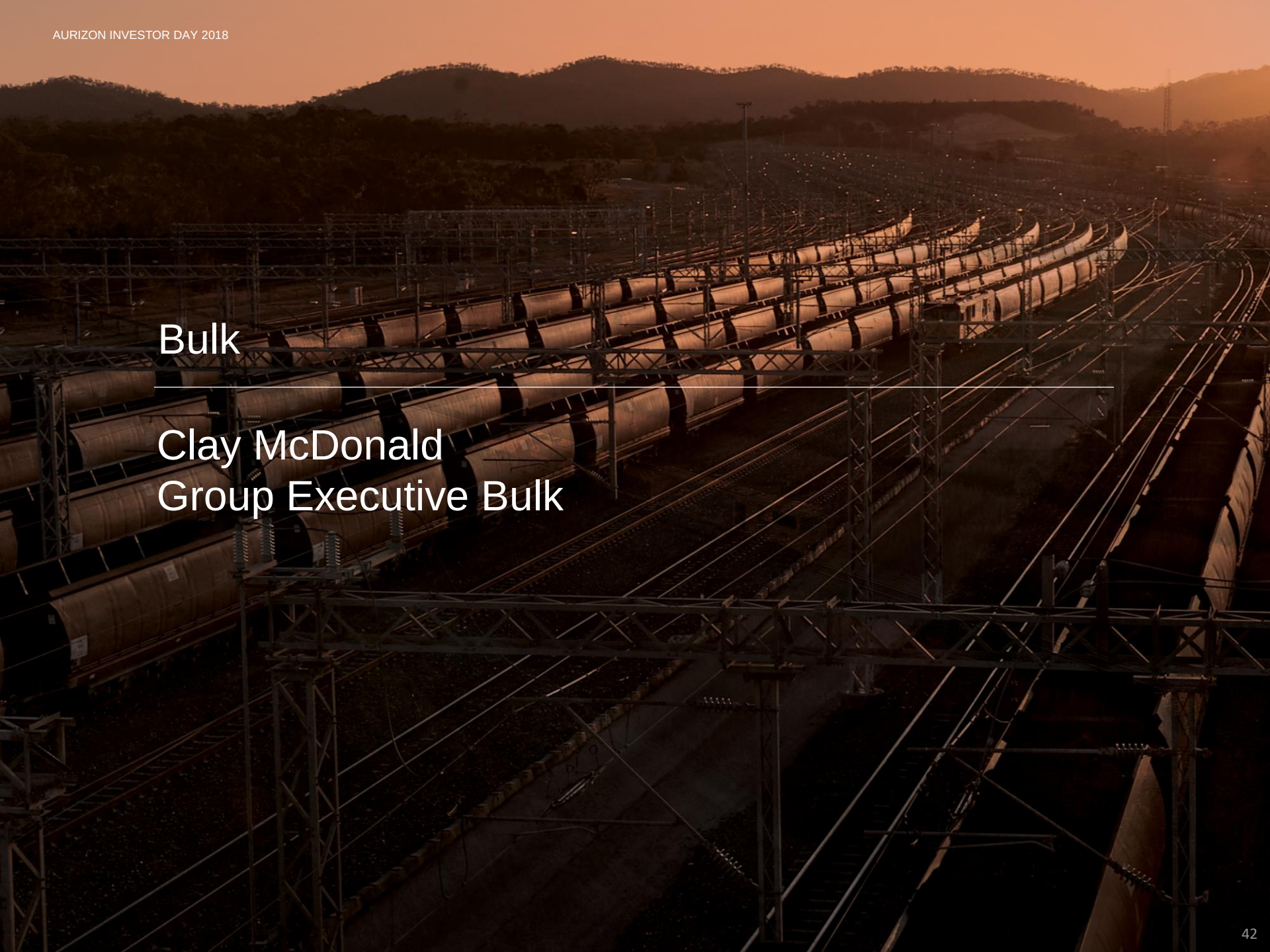
Productivity improvement through ETCS[1]

- ETCS technology is a first step towards active train control supporting driver decision making
- FY19 investment of capital ~$20M to trial technology with the potential to unlock significant value
- Technology is well developed and utilised in railways in Europe
- Provides a unique proposition – sustainably restructuring the cost base while driving an increased operating discipline

Asset & crew performance monitoring

- Locomotive and Operational Data Acquisition and Management (LODAM) is the next step on the journey to condition and predictive based maintenance
- LODAM provides:
  - Real time visibility of train handling
  - Real time equipment performance monitoring
  - Improved fleet performance, reliability and energy consumption
  - In cab monitoring

1. European Train Control System

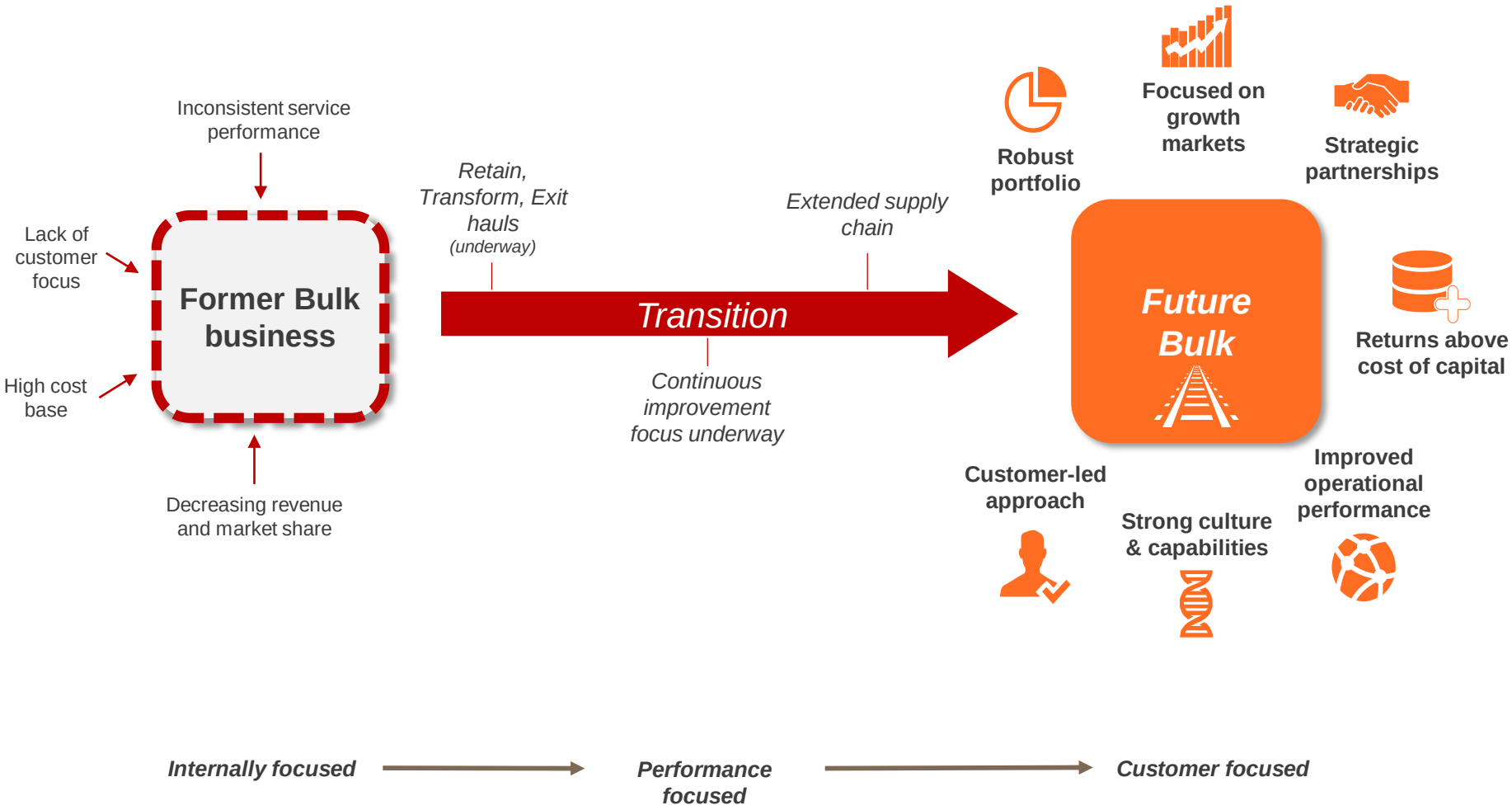


Bulk

Clay McDonald
Group Executive Bulk

Bulk context

Moving from the former business to 'Future Bulk' will involve a challenging transition period but there is a clear end goal in place



Bulk strategic levers

The plan to optimise the business is in execution. Focus now turns to the Excel and Extend levers to drive the turnaround plan

OPTIMISE

Portfolio	Cost	Service delivery

1. Cost reduction in delivery
2. Aligning portfolio as per Freight Review
3. Stabilise service delivery and increase performance focus

EXCEL

Precision operations	Customer engagement	Asset utilisation

1. Deeper understanding of customers and markets
2. Driving continuous improvement & delivery performance
3. Early involvement in supply chain design

EXTEND

Existing customers	Adjacencies	Supply chain management

1. Identifying strategic partnerships
2. Preparing for additional supply chain services
3. Executing prioritised growth plans

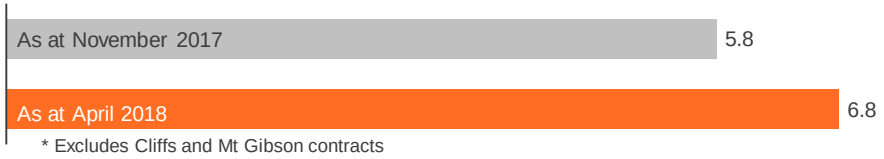
AURIZON

Update on the plan

Bulk is delivering on its plan to strengthen its haulage portfolio

OPTIMISE

AVERAGE TONNES WEIGHTED CONTRACT LIFE*



* Excludes Cliffs and Mt Gibson contracts

17 hauls were part of the initial freight review and excluded the 3 iron ore contracts. With cessation of Cliffs and Mt Gibson, Bulk will be operating 1 iron ore contract from mid FY2019

	INITIAL REVIEW	1HFY2018		TODAY
1 RETAIN	5	8		9
• Benefit from ongoing transformation		**Cement Australia** **MMG** **KAL Freighter**	**IPL Fertilizer & IPL Acid** › 8 year extensions	
2 TRANSFORM	7	4		2
• Improve commercial returns • Benefit from ongoing transformation				
3 EXIT/LOSS	5	1	**GrainCorp**	2
• No pathway to improved returns/loss to competition				
TOTAL HAULS	**17**	**13**		**13**

Case study – Customer led approach (IPL)

Bulk was able to deliver an innovative service design solution to IPL that underpinned the successful negotiation of a new contract which creates value for both Aurizon and IPL

Incitec Pivot

IPL is a key customer on the Mt Isa corridor for the Bulk business

OPTIMISE – *Turnaround project*

- Set up cross-functional team from Bulk and TSP to identify issues and present data-driven approach to performance improvement
- Implemented improvement initiatives to reduce operational delays and cancellations
- 56% improvement in Aurizon cancellations YTD versus FY17

The new deal

› New contract commencing January 2020
› Haulage of fertilizer and acid (long(LH) & short haul(SH))

EXCEL – *Re-contracting opportunity*

- Bulk delivered a customer focused solution incorporating IPL's key objectives of manufacturing flexibility, continuous improvement and cost competitiveness, whilst reducing total consist numbers from 7 to 5 with the introduction of a combo Fertilizer and LH Acid train. Other benefits include:
  - Reduction in crew hours and maintenance
  - Reduction in train paths
  - Removal of dwell through improved velocity and fleet utilisation (previously 41 hrs/week)
  - No new capital investment (excluding normal overhaul activity)
  - Reduced load and unload times
  - More frequent delivery of product
  - Below rail access held by IPL

 # Services/week *(# consists)*

	Current	New
Fertilizer	7 *(3C)*	8 combo *(3C)*
LH Acid	4 *(2C)*	
SH Acid	14 *(2C)*	16 *(2C +swing)*
Total Consists	***7***	***5***

Case study – Improved operational performance (Forrestfield bypass)

A small capital investment has unlocked value through improved performance and delivery

ORIGINAL OPERATION

- Kalgoorlie Freighter operates a daily service
- Service involved shunting of wagons and locomotives at Forrestfield, with an average terminal time of 2 hours per day

OPTIMISE *(Forrestfield Bypass project)*

- Capital spend of $3.9m included:
  - Track extension in Kwinana (allowing train length up to 1,800m)
  - Recommission provisioning facility
- Consolidation of Forrestfield and Kwinana driver depots

VALUE GENERATED

- Direct overnight service between Kwinana (processing hub and port) to Kalgoorlie (minerals province)
- Improved on-time performance by 7%
- Removed shunting of Freighter services at Forrestfield, reducing cycle time by 8%
- Increased freight consolidation resulting in a 20% reduction in train starts, despite +14% increase in volumes
- FTE reduction, lowering payroll costs by $2m annually

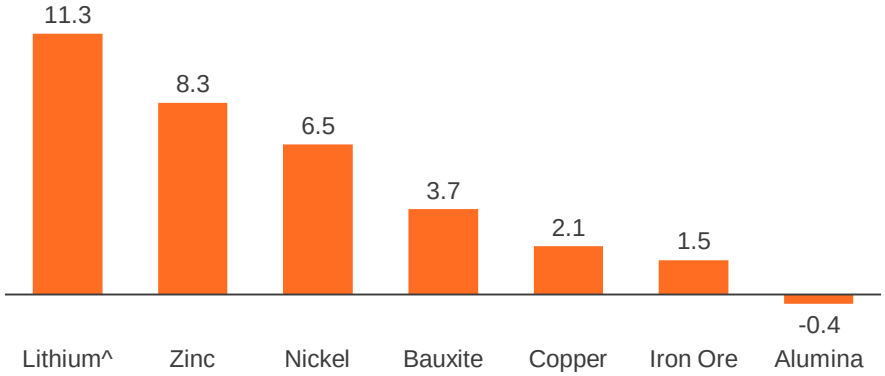
AURIZON

Bulk is focused on growth markets

Aligned to growing commodity markets, Bulk has a well developed pipeline of opportunities

EXCEL

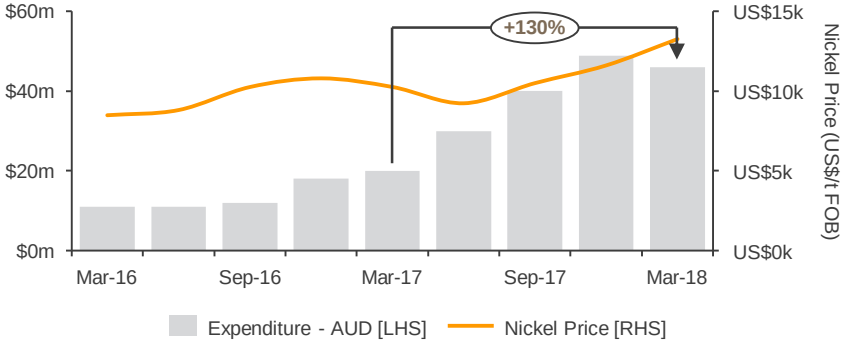
AUSTRALIAN EXPORT GROWTH: CAGR% (FY17- FY23)



- Growth in electric vehicle and battery markets are expected to support demand for commodities such as lithium, cobalt, nickel and copper
- China to drive growth in seaborne bauxite exports. Chinese domestic supply remains challenged by environmental compliance and lower quality ore

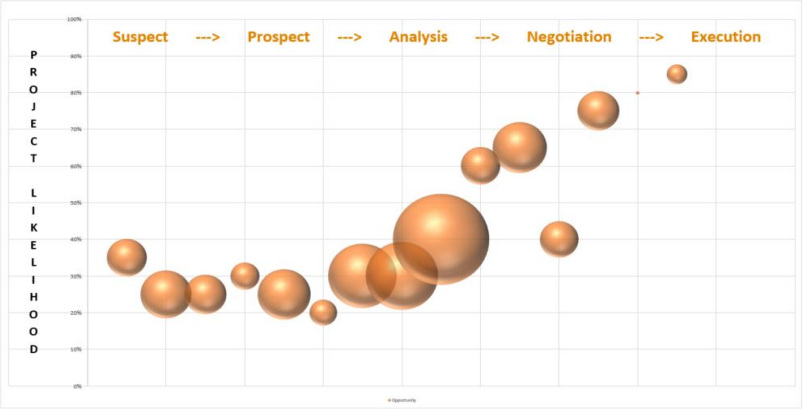
AUSTRALIAN EXPLORATION EXPENDITURE

Nickel & Cobalt



Other commodities growth in exploration expenditure: Copper:+73%yr | Zinc-Lead-Silver: +142%

BULK BUSINESS DEVELOPMENT PIPELINE



Source: Australian export growth chart: Office of the Chief Economist (Resource Quarterly Mar-18), Morgan Stanley report (Global Insight: Lithium – 26 February 2018). Exploration expenditure – Australian Bureau of Statistics, Historical price – UBS (Commodities Daily). Note: ^Australian lithium export growth benchmarked against global lithium consumption forecast

Building strategic partnerships will drive long term value

Established presence in key mineral provinces, Bulk will position itself as a supply chain manager

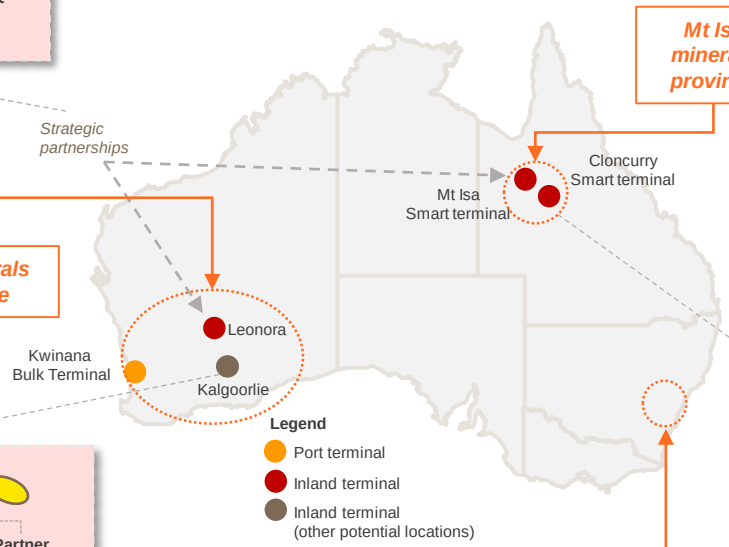
EXTEND

Strategic Partnerships

Road to Rail →

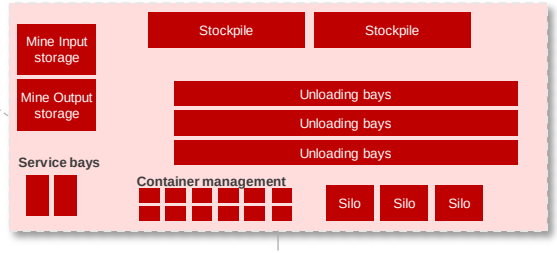
Road operators	Terminal operator	AURIZON
Potential partners	**AZJ owned**	**AZJ owned & operated**

- Road is an important part of bulk supply chains
- Links to trucking solutions help to aggregate volumes at centralised hubs



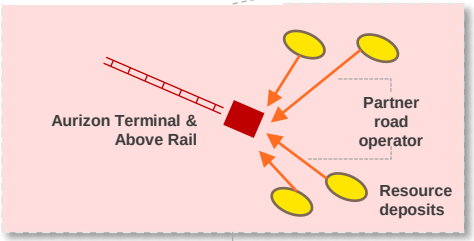
Smart Terminals

Example terminal layout

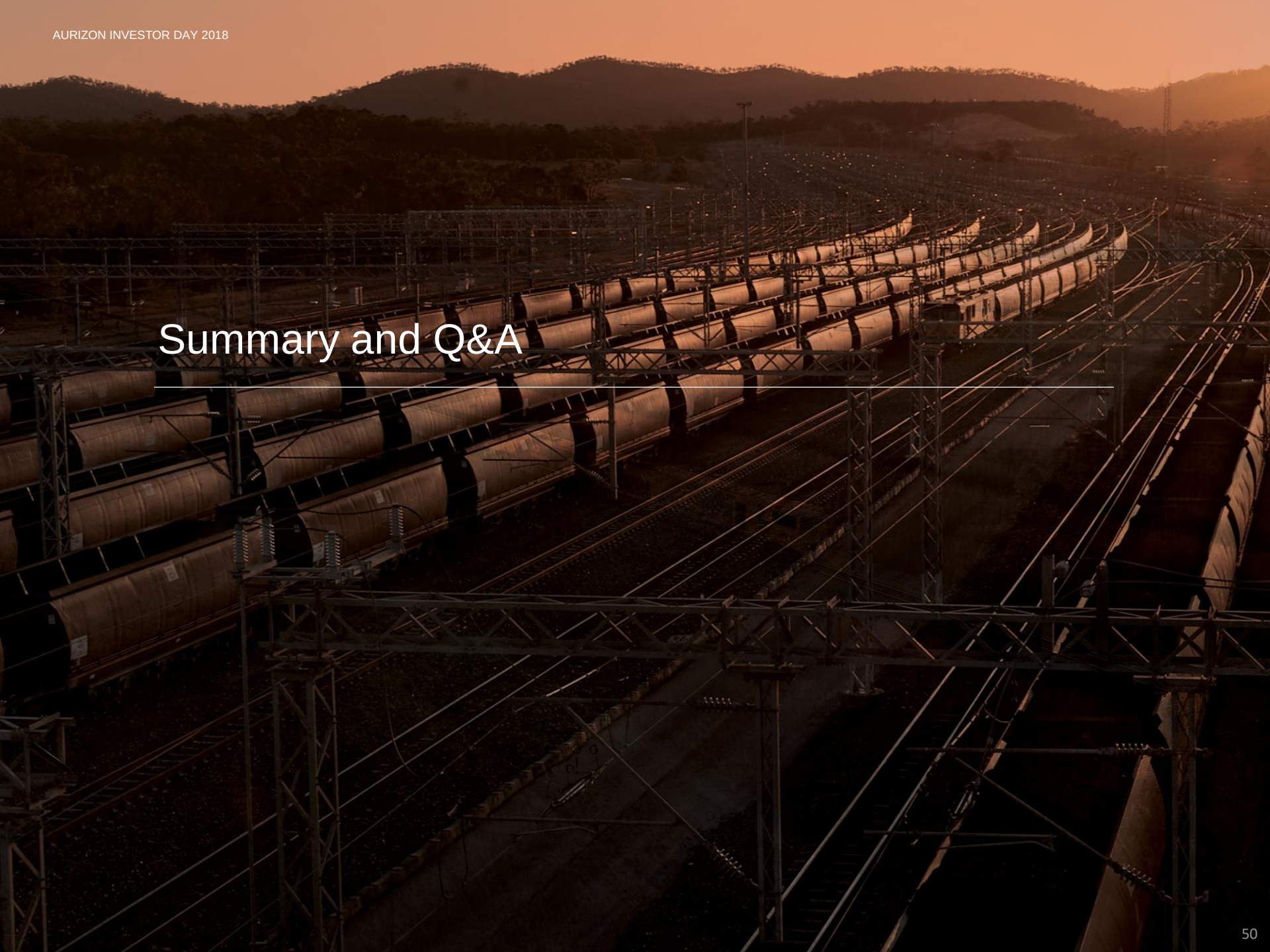


- Terminals will have 'value add' components such as blending, loading, unloading, storage, co-location, bagging and packaging etc.
- Low capex solutions
- Reduced level of complexity and cost at production site

Volume Aggregation



- Bulk can provide unique propositions to customers with our footprint and infrastructure (Road partnership + Terminals)



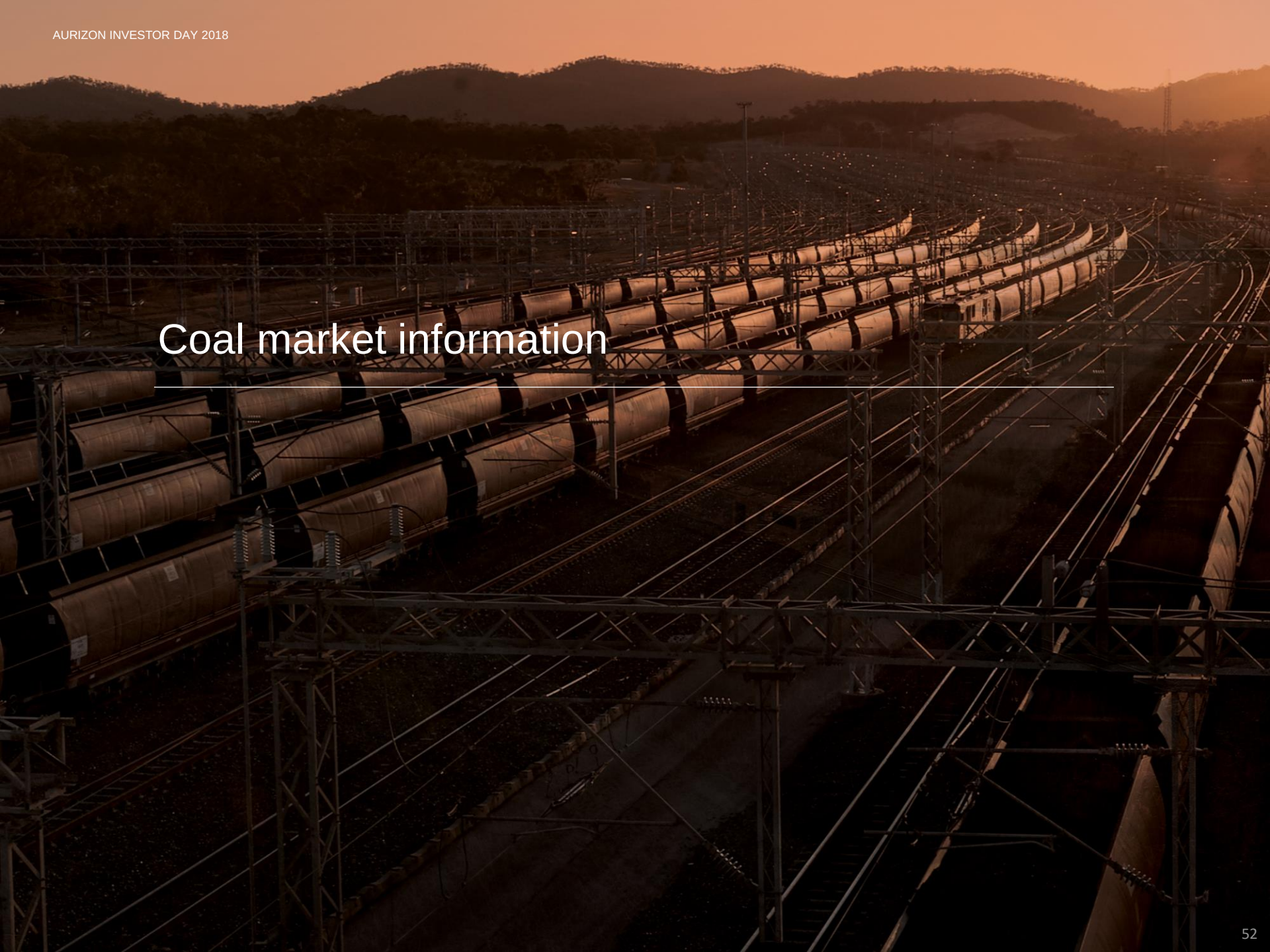
Summary and Q&A

Contact and further Information

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

Kath Clapham
Manager Investor Relations
+61 7 3019 9044

AURIZON®

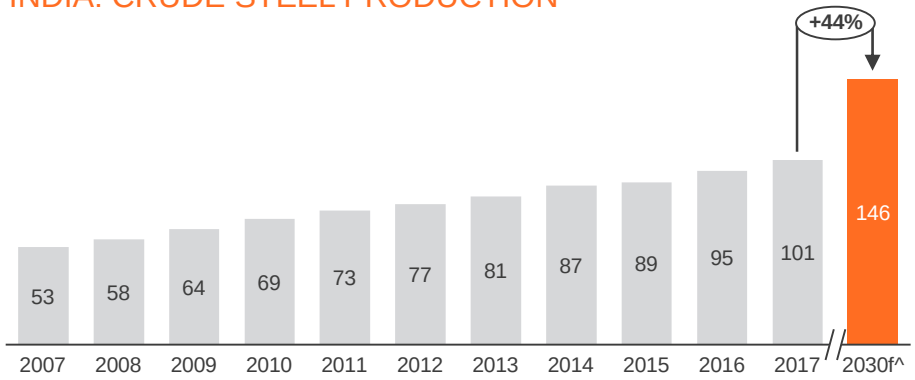


Coal market information

Australian export coal demand

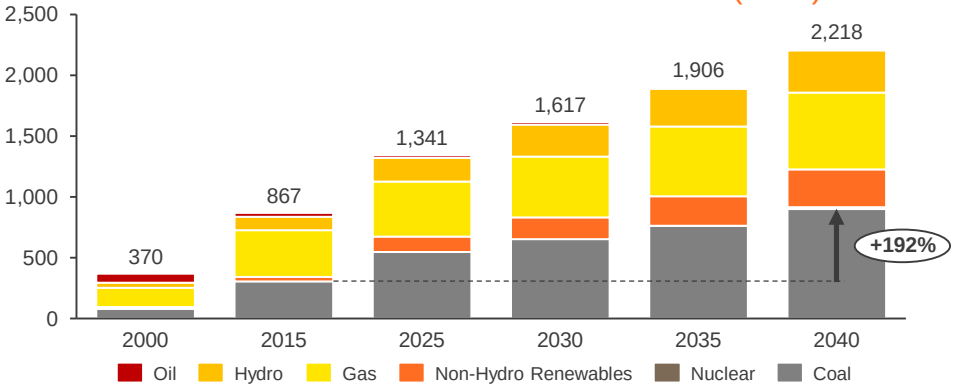
The fundamentals of metallurgical and thermal coal remain strong, driven by steel and energy demand growth in Asia, supporting growth in Australian exports of ~2% pa over the next decade

INDIA: CRUDE STEEL PRODUCTION



^Wood Mackenzie Global Coal Markets (2017 2H)

SOUTHEAST ASIA: ELECTRICITY GENERATION (TWh)



Source: India Crude Steel Production - World Steel (Steel Statistical Yearbook 2017), Wood Mackenzie Global Coal Markets (2017 2H). Southeast Asia Electricity Generation - International Energy Agency (World Energy Outlook 2017, New Policies Scenario).

Metallurgical Coal

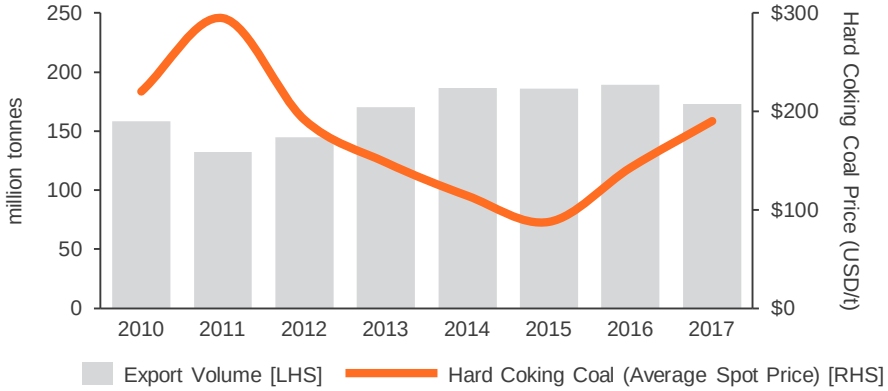
- Steel production drives demand
- India reached over 100 million tonnes of crude steel production for the first time in 2017 and is expected to be the largest export market for Australian metallurgical coal in FY18
- Investment in infrastructure and manufacturing in India will continue to drive demand for steel and therefore metallurgical coal

Thermal Coal

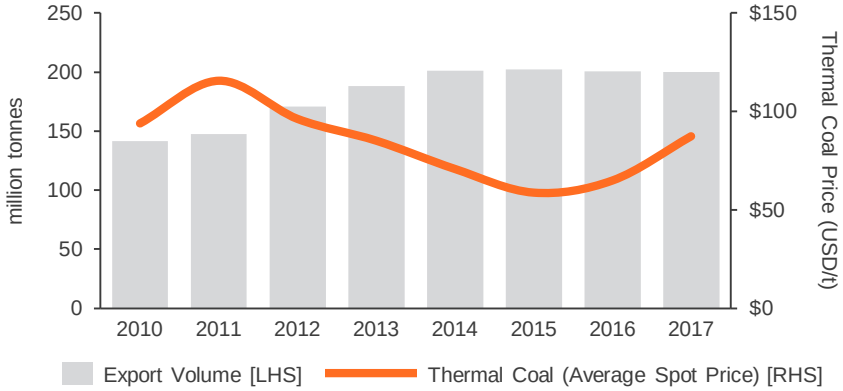
- Energy generation drives demand
- Over 95% of Australian thermal coal exports are destined for Asia. It is this region that continues to add energy generation capacity.
- The International Energy Agency estimates Southeast Asia's coal-fired electricity generation to increase by 192% between 2015 to 2040
- It is recognised that renewable energy will increase in the energy mix over the long term however, thermal coal will remain and is expected to grow in absolute terms, in key export nations such as Australia

Coal market: Australia

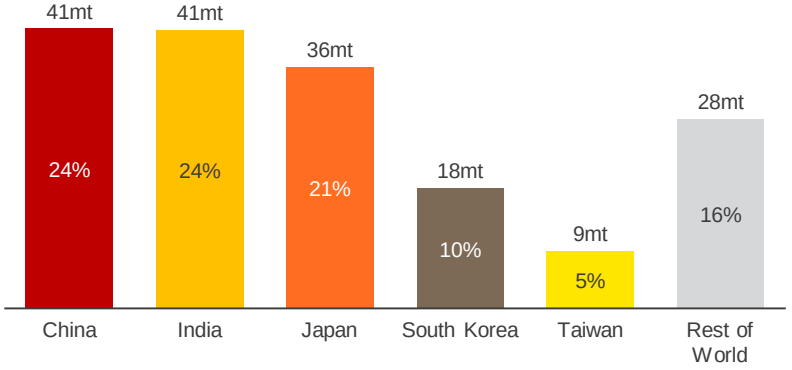
AUSTRALIA: METALLURGICAL COAL EXPORT



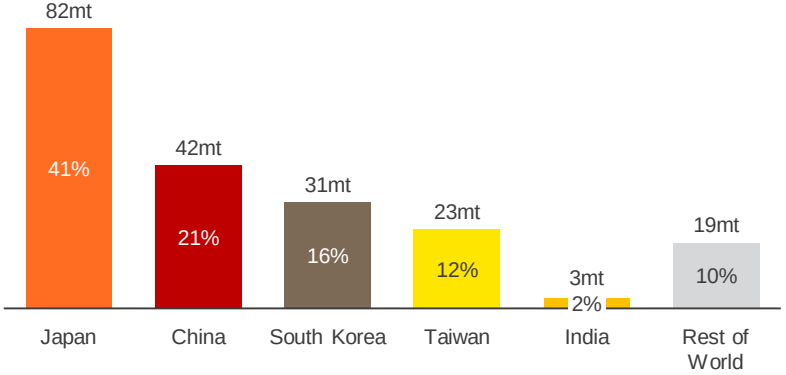
AUSTRALIA: THERMAL COAL EXPORT



AUSTRALIA: METALLURGICAL COAL EXPORT (CY2017)



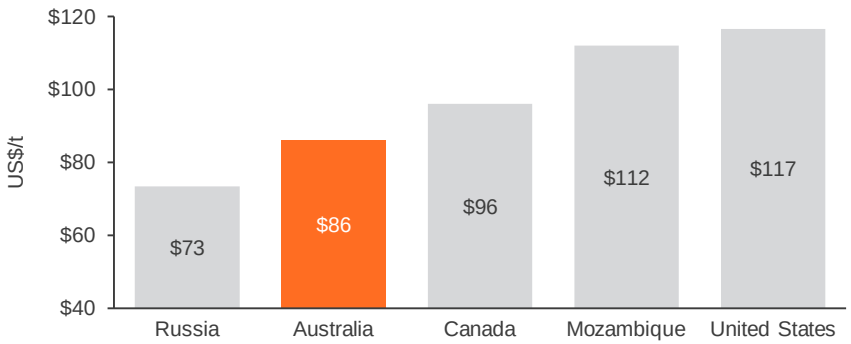
AUSTRALIA: THERMAL COAL EXPORT (CY2017)



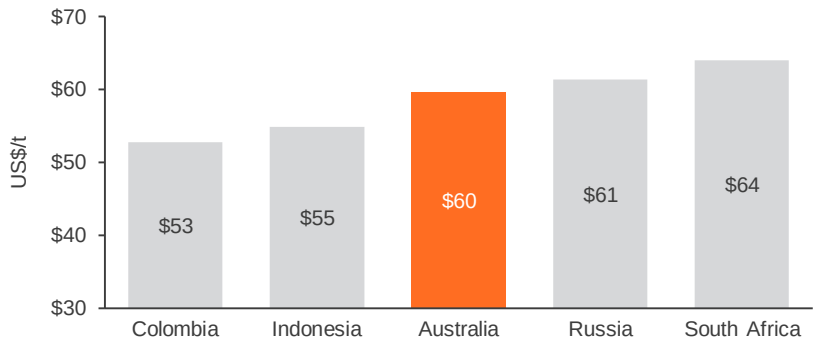
Source: Australian Bureau of Statistics, Platts, Intercontinental Exchange. Hard Coking Coal price refers to Peak Downs Region product. Thermal Coal price refers to Newcastle 6,300 Gross As Received product.

Australia coal competitiveness

METALLURGICAL COAL CASH COSTS (US$/t, CFR INDIA, 2018)

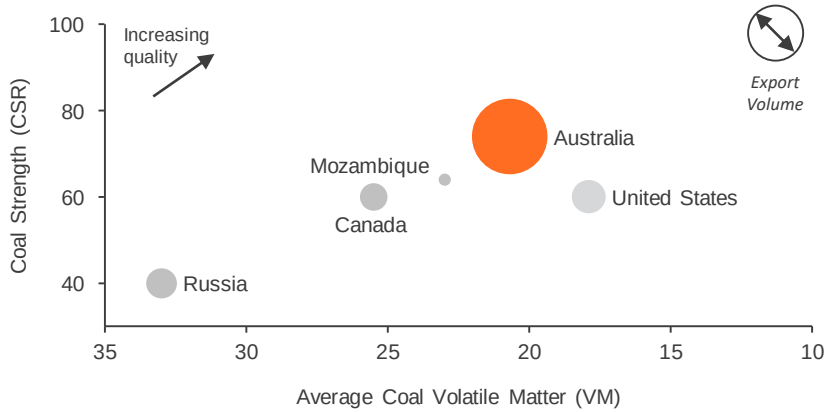


THERMAL COAL CASH COSTS (US$/t, CFR JAPAN, 2018)

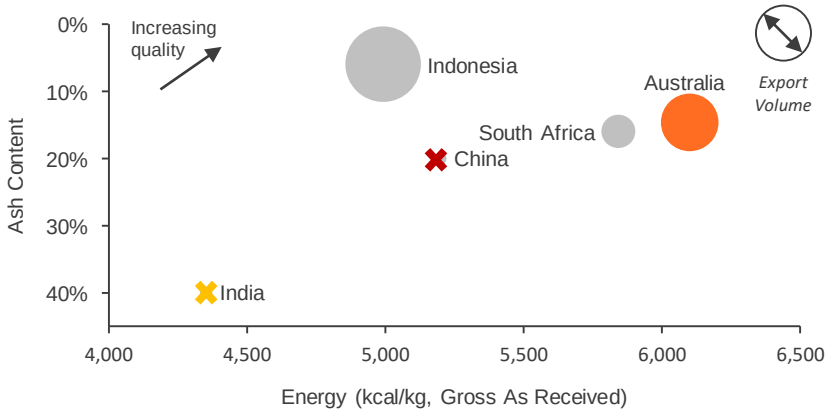


Note: Costs are energy adjusted

METALLURGICAL COAL QUALITY



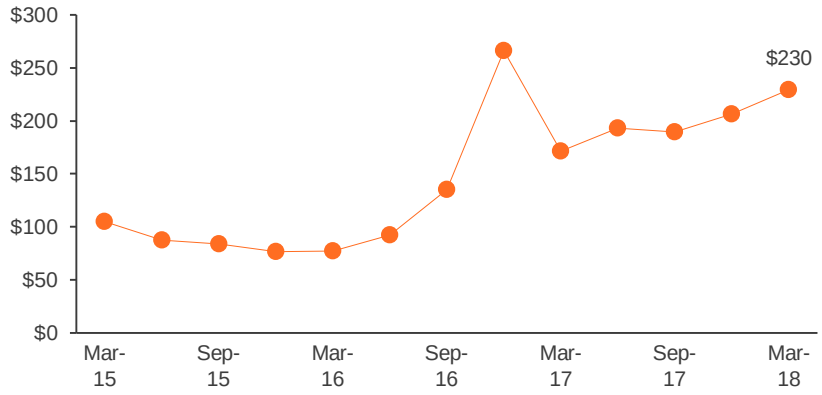
THERMAL COAL QUALITY



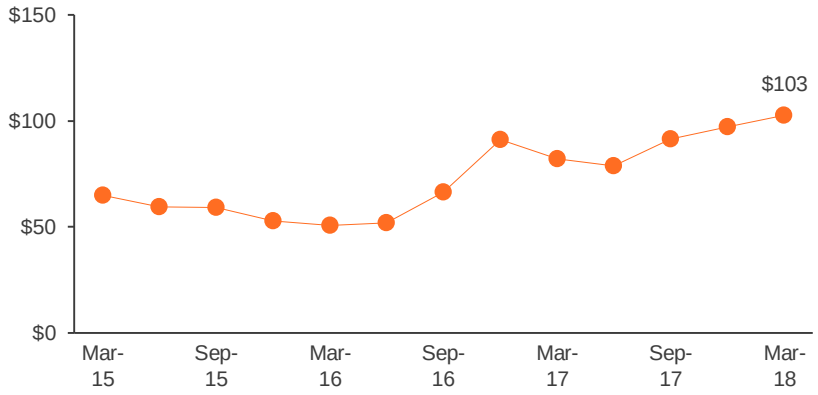
Cost Curves Source: Wood Mackenzie Coal Cost Curves (February 2018), Wood Mackenzie Global Coal Markets Tool (2017 2H), Sea freight export terminal assumptions: US – East Coast, Canada – West Coast, Australia - Hay Point (metallurgical) & Newcastle (Thermal), Russia - East. Metallurgical Coal Quality Sources: Wood Mackenzie Global Coal Markets Tool (2017 2H). Thermal Coal Quality Sources: Wood Mackenzie Coal Cost Curves (2018, February 2018 data), Wood Mackenzie Coal Supply Data Tool (Q1 2018), India Ministry of Coal Provisional Coal Statistics 2016-17, IEA Coal Medium-Term Market Report 2016, Indonesia Coal Mining Association, Richards Bay benchmark specifications (Platts)

Coal Price | Coal Capital & Exploration Expenditure

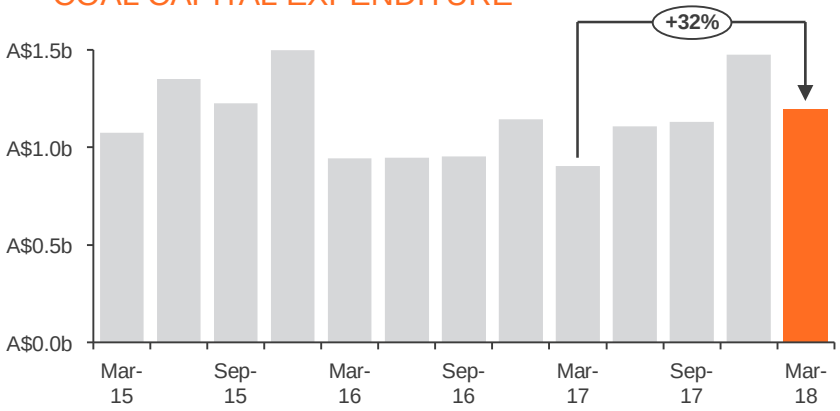
HARD COKING COAL SPOT PRICE (US$/t FOB)



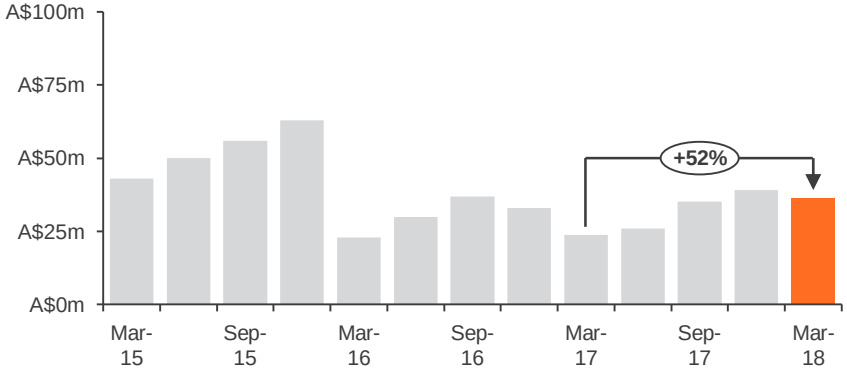
THERMAL COAL SPOT PRICE (US$/t FOB)



COAL CAPITAL EXPENDITURE



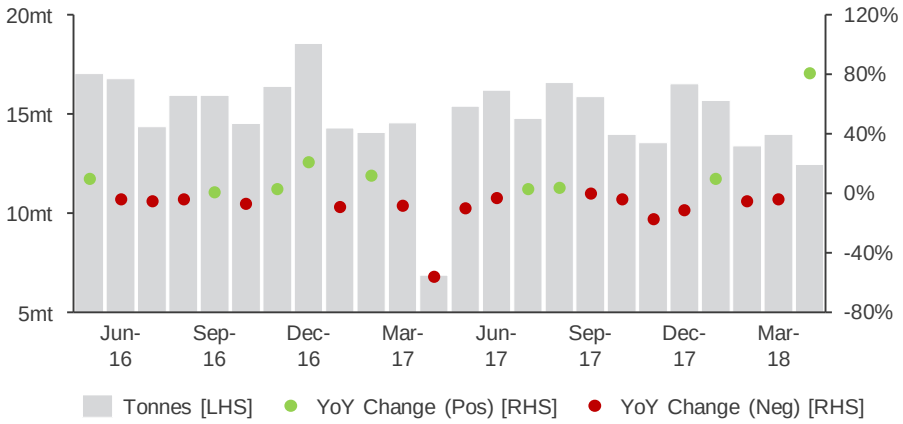
COAL EXPLORATION EXPENDITURE



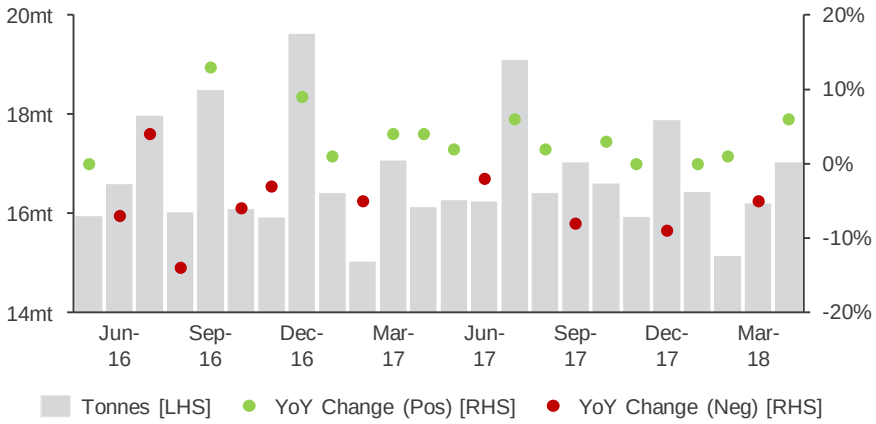
Source: Spot prices – Platts, Intercontinental Exchange. Hard Coking Coal price refers to Peak Downs Region product. Thermal Coal price refers to Newcastle 6,300 Gross As Received product., Coal Capital & Exploration expenditure – Australian Bureau of Statistics

Coal trade

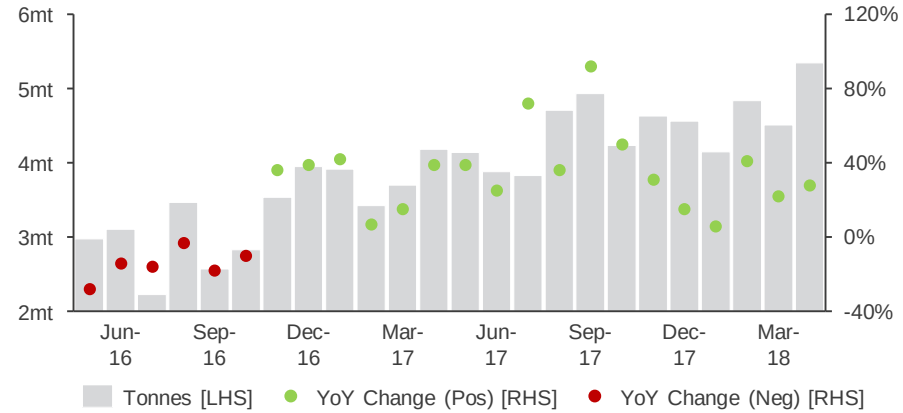
AUSTRALIA: METALLURGICAL COAL EXPORT



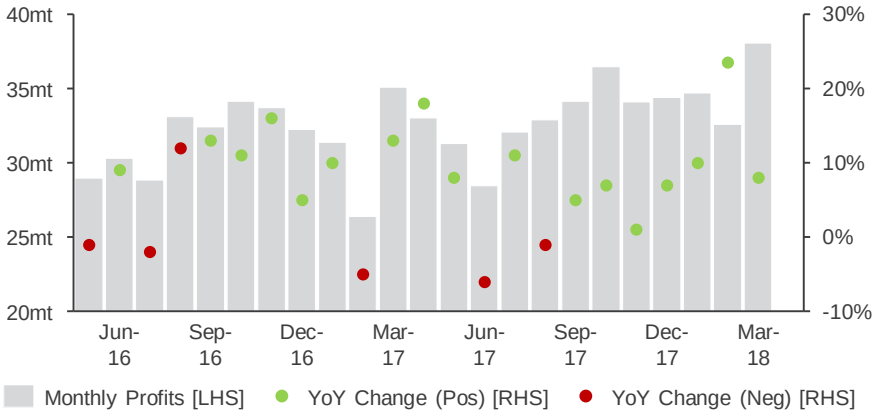
AUSTRALIA: THERMAL COAL EXPORT



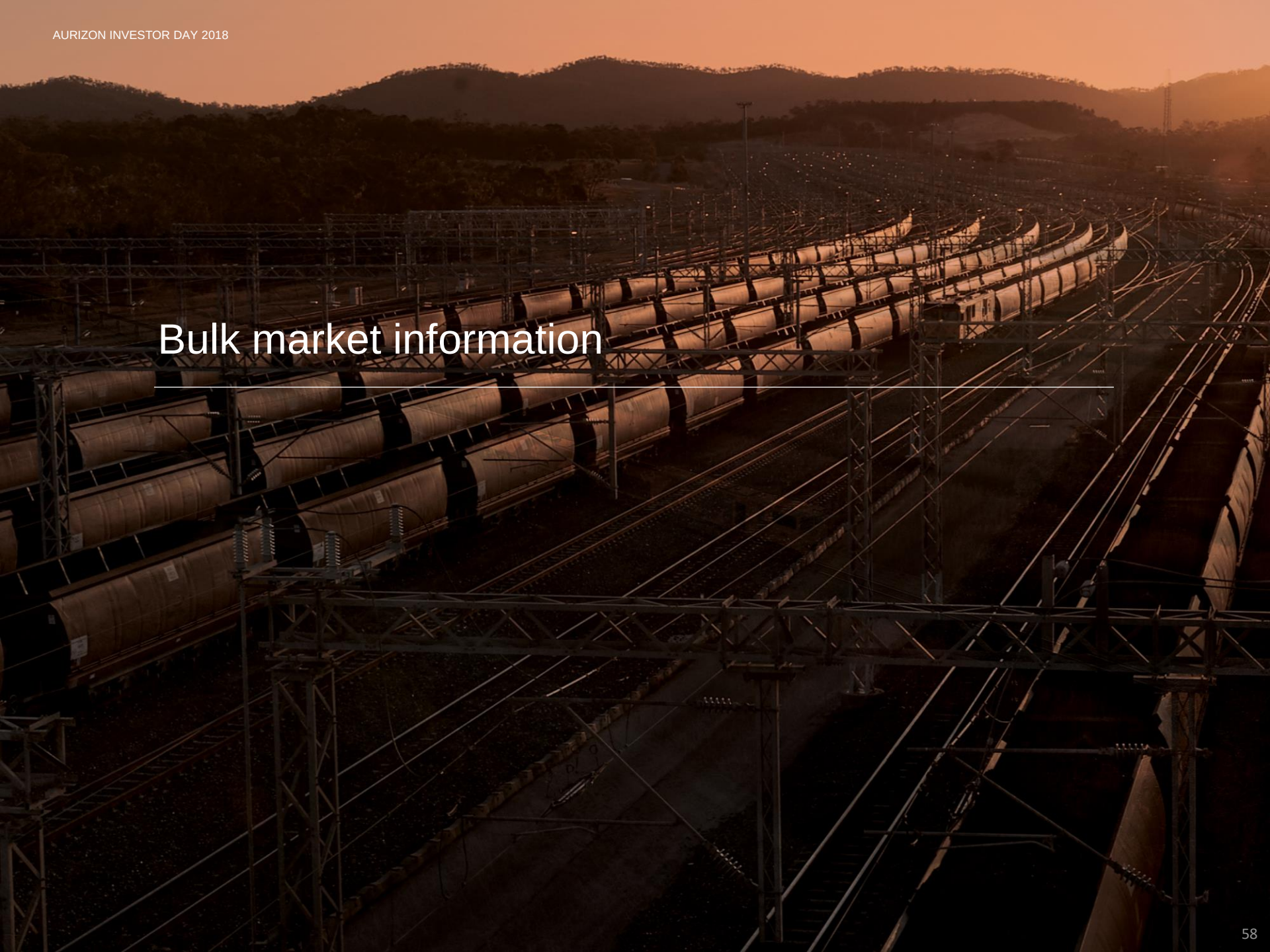
UNITED STATES: METALLURGICAL COAL EXPORT



INDONESIA: ALL COAL TYPES EXPORT



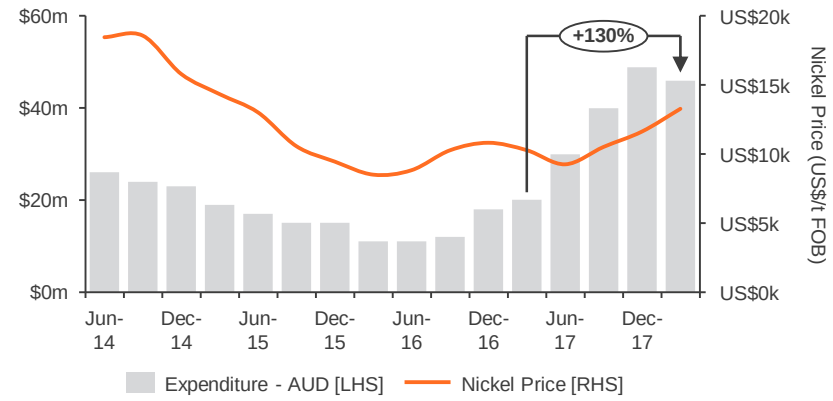
Source: Australian Bureau of Statistics, United States Import and Export Merchandise Trade Statistics, CEIC, Indonesian Apr-18 coal exports data not yet available



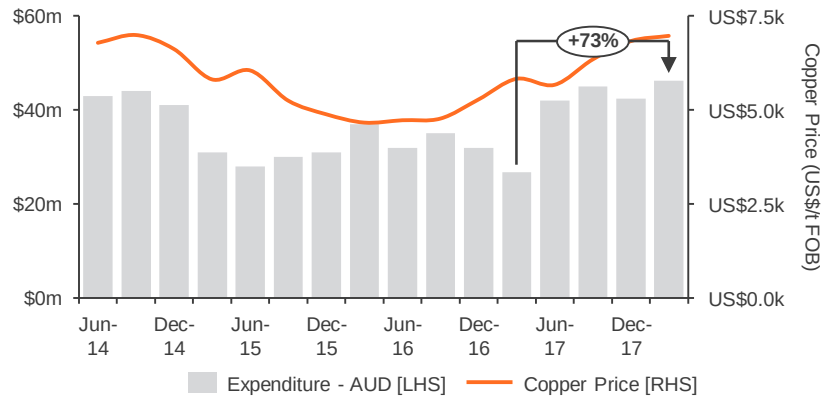
Bulk market information

Australia Exploration Expenditure

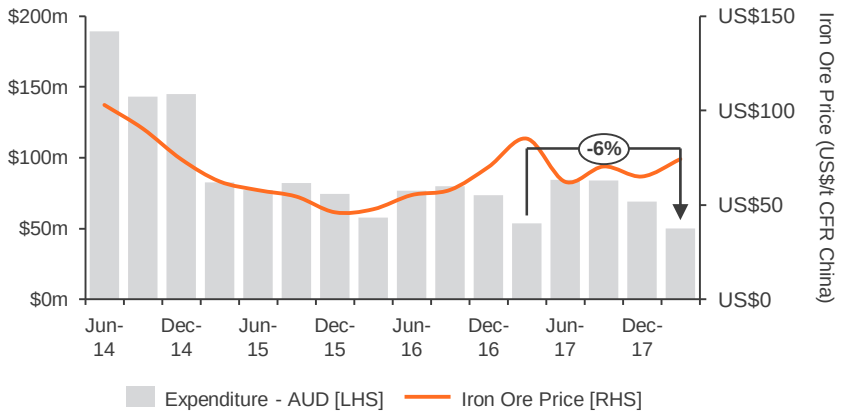
NICKEL & COBALT



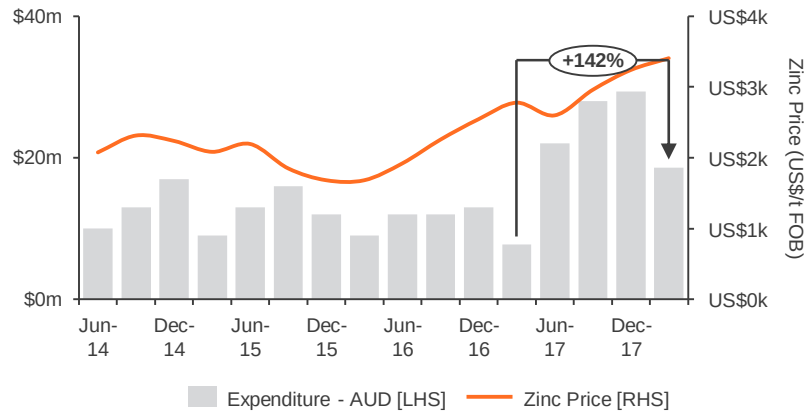
COPPER



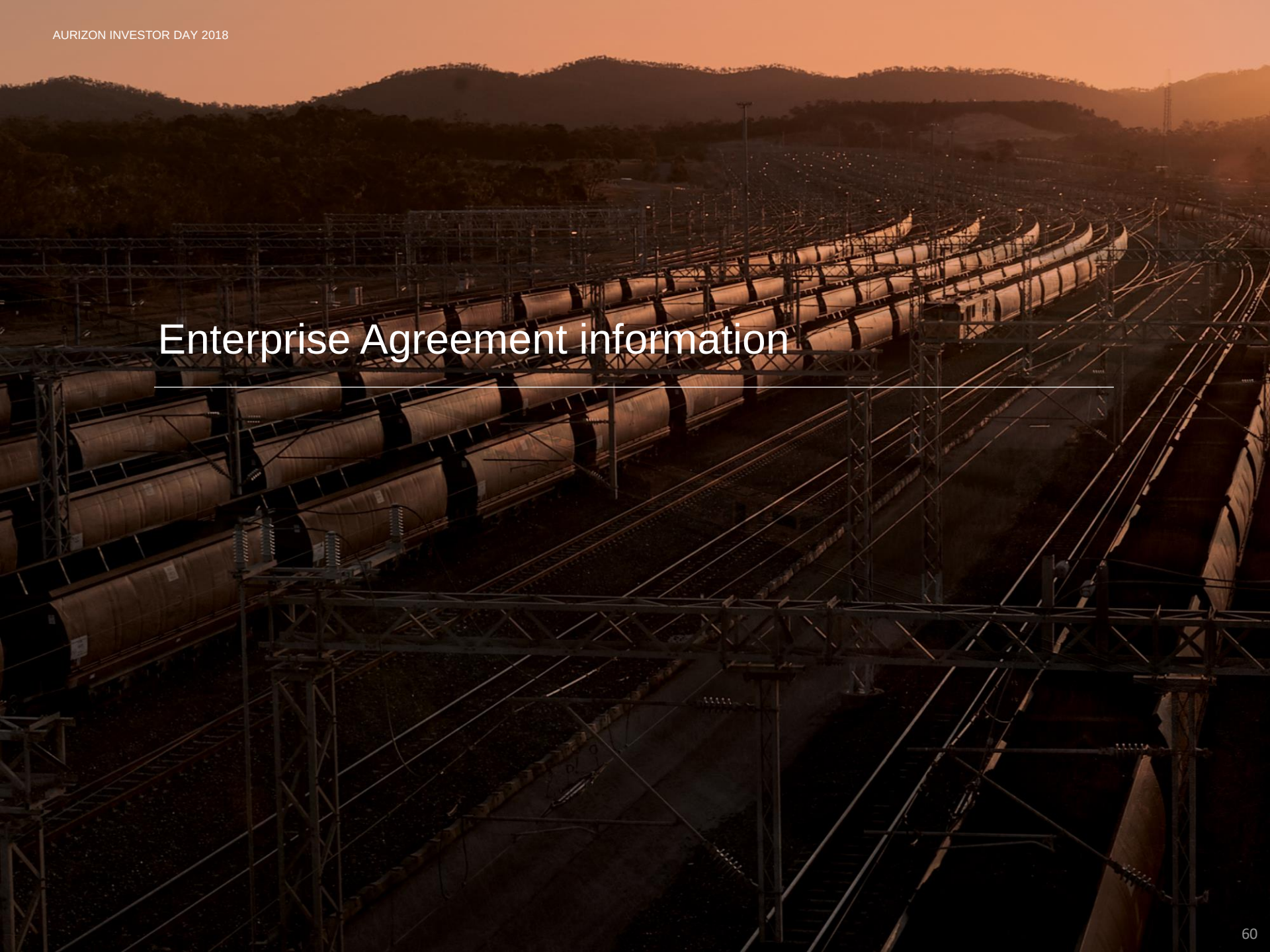
IRON ORE



SILVER, LEAD & ZINC



Source: Exploration expenditure – Australian Bureau of Statistics, Historical prices – Platts (SBB Steel Markets Daily), UBS (Commodities Daily).



Enterprise Agreement information

Summary of Enterprise Agreements

ENTERPRISE AGREEMENT	# OF EMPLOYEES COVERED (approx.)	EXPIRY DATE	STATUS OF BARGAINING
WA Rollingstock Maintenance EA	100	10 May 2017	Complete
Queensland Staff EA	700	28 January 2018	Ongoing
NSW Coal EA	300	31 March 2018	Ongoing
WA Rail Operations EA	400	30 June 2018	Ongoing
Queensland Construction & Maintenance EA	900	28 August 2018	To commence July 2018
Queensland Train Crew EA	1,400	10 September 2018	To commence July 2018