



Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

27 June 2018

Investor Presentation

Please find attached an ASX announcement including an Investor Presentation for release to the market.

The Investor Presentation will be delivered via webcast which will commence at 1.30 pm (AEST).

This presentation will be accessible via the Company's website:
<https://edge.media-server.com/m6/go/aurizon-investor-day>

Kind regards

A handwritten signature in black ink, appearing to read "D. Smith", is written over a faint horizontal line.

Dominic D Smith
Company Secretary

ASX Announcement

Date: 27 June 2018

Aurizon provides Strategy and Operations Update at Investor Day

Aurizon Holdings today released details of its new strategic framework to drive improved operational performance and shareholder value, as part of an Investor Day presentation in Sydney.

Strategy in Action has been informed by key activities during the last 18 months including:

- Completion of a three-year transformation target expected to deliver \$380 million (FY2016-2018), including benefits of an approximate 28% improvement in labour productivity
- Execution of a Freight Review including the decision to divest the Intermodal business and implement a turnaround plan for the Bulk business
- Renewal of the leadership team, reduced headcount and management layers
- An organisational restructure creating the Bulk, Coal and Network businesses, with full accountability for costs, revenue and business performance

Building on this work a range of initiatives to drive further improvement were outlined in detail today including:

- Coal train performance initiatives across the Central Queensland Coal Network which are targeted to deliver more than \$50 million in operating benefits by FY2021
- Further reduction and restructuring of corporate and support costs including reform in the Technical Services and Planning function expected to deliver cost reductions of \$20 million by FY2021
- Renegotiation of enterprise agreements during the next 12 months. Through this process Aurizon will be seeking changes that improve efficiency, competitiveness and responsiveness to market changes and customer needs

As part of the Investor Day presentation Aurizon confirmed FY2018 guidance for Earnings Before Interest and Tax (\$900–\$960 million) and above-rail coal volumes (210–220 million tonnes).

In FY2019 a number of matters are expected to impact earnings including:

- Regulatory uncertainty with continued delays to the finalisation of the Queensland Competition Authority Access Undertaking (UT5) for the Central Queensland Coal Network
- Regulatory uncertainty regarding Australian Competition and Consumer Commission approval of the sale of the Acacia Ridge Terminal and Intermodal Queensland (total consideration for the two transactions is \$220 million). If the transactions are not approved then the Intermodal Queensland business will be closed, with closure costs likely to be incurred in FY2019
- Cessation of Cliffs iron ore mine operations in June 2018, and the cessation of the Mt Gibson iron ore contract as expected in mid FY2019 with a combined EBIT impact in the order of \$50 million in FY2019
- Flat outlook in Coal with contracted volume growth and transformation benefits offset by one off increases in maintenance costs, costs for installing capacity for new volumes and volume impact of UT5 Draft Decision

Strategy in Action provides a platform at an enterprise and business unit level for Aurizon to help mitigate the challenges in FY2019 and drive above rail earnings growth in FY2020 and beyond.

MD&CEO commentary

“Aurizon is on course for a strong performance in FY2018, and despite some uncertainty regarding a number of one off challenges in FY2019 we expect to see above rail earnings growth into FY2020 with increased coal volumes and the benefits from the next wave of transformation initiatives,” Mr Andrew Harding said.

“Our new strategic framework outlined today will provide further momentum in driving value for our shareholders.’

“Our focus will be on developing a safety and performance culture that is agile, innovative and leverages technology and data to drive further productivity improvements.”

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AURIZON[®]

Investor Day 2018



27 June 2018

Disclaimer

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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

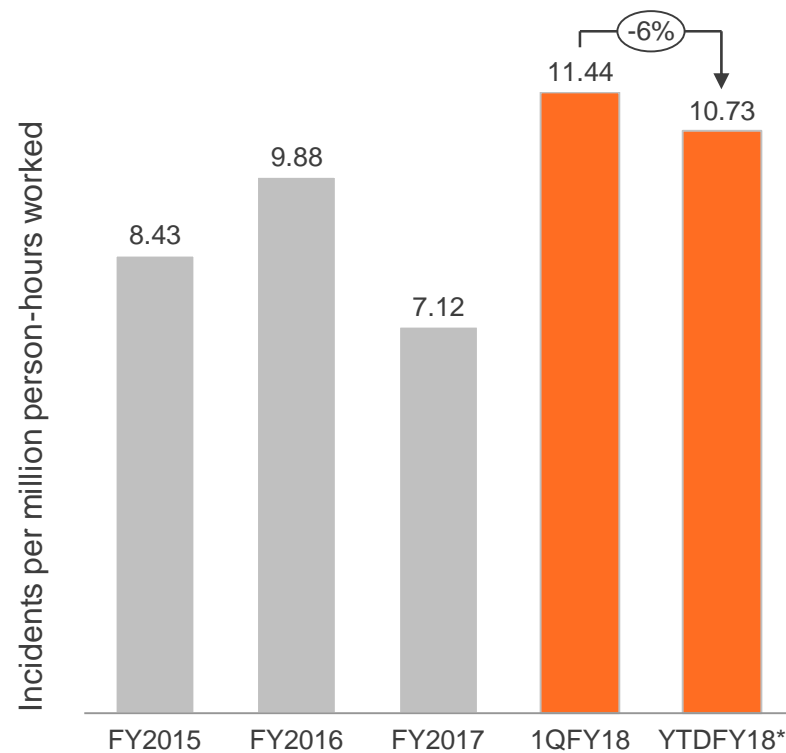


MICHAEL CARTER
Group Executive Technical
Services & Planning

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

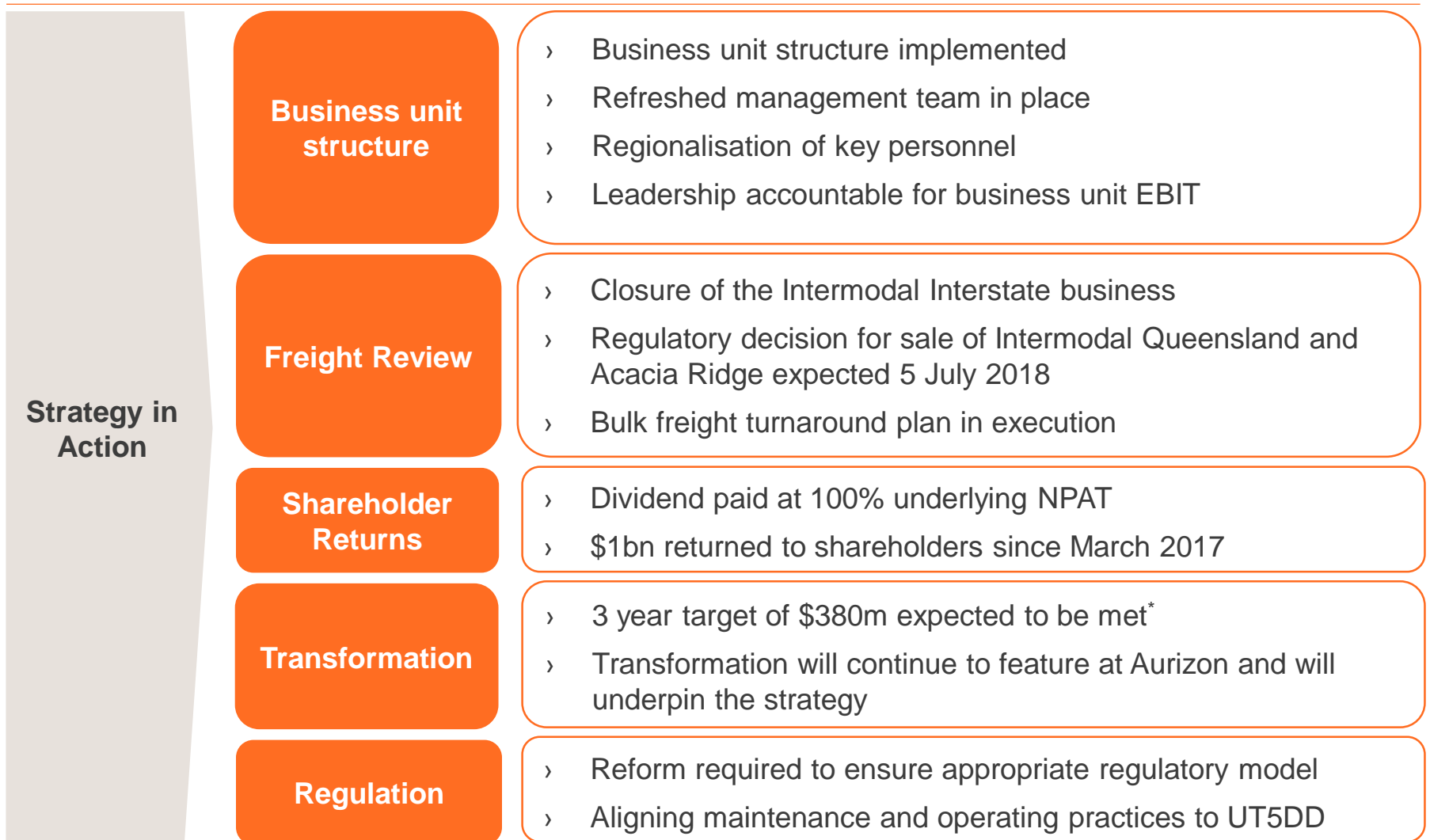


Internal Landscape

- 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



* 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 ----->

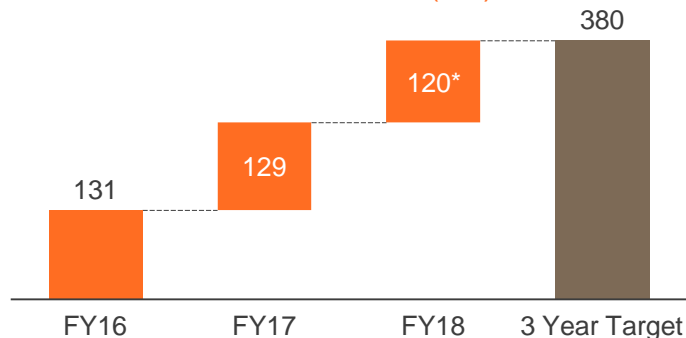
From transformation to continuous improvement

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)



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

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



OPTIMISE

Enterprise Agreement renegotiation update

Supporting sustainable business transformation in an environment of low wage growth


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




OPTIMISE

Precision railroading operations

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

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 |  | <ul style="list-style-type: none"> • Load time variability • Loading as per schedule • Departing on time |
| Network |  | <ul style="list-style-type: none"> • Network operating modes • Section run time review • Managing trains to schedule |
| Above Rail |  | <ul style="list-style-type: none"> • Yard planning optimisation • R'stock maintenance roster review • Driver variability study • Reducing dwell in yards |
| Port |  | <ul style="list-style-type: none"> • Unload times • Running to schedule |
| Enablers |  | <ul style="list-style-type: none"> • 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

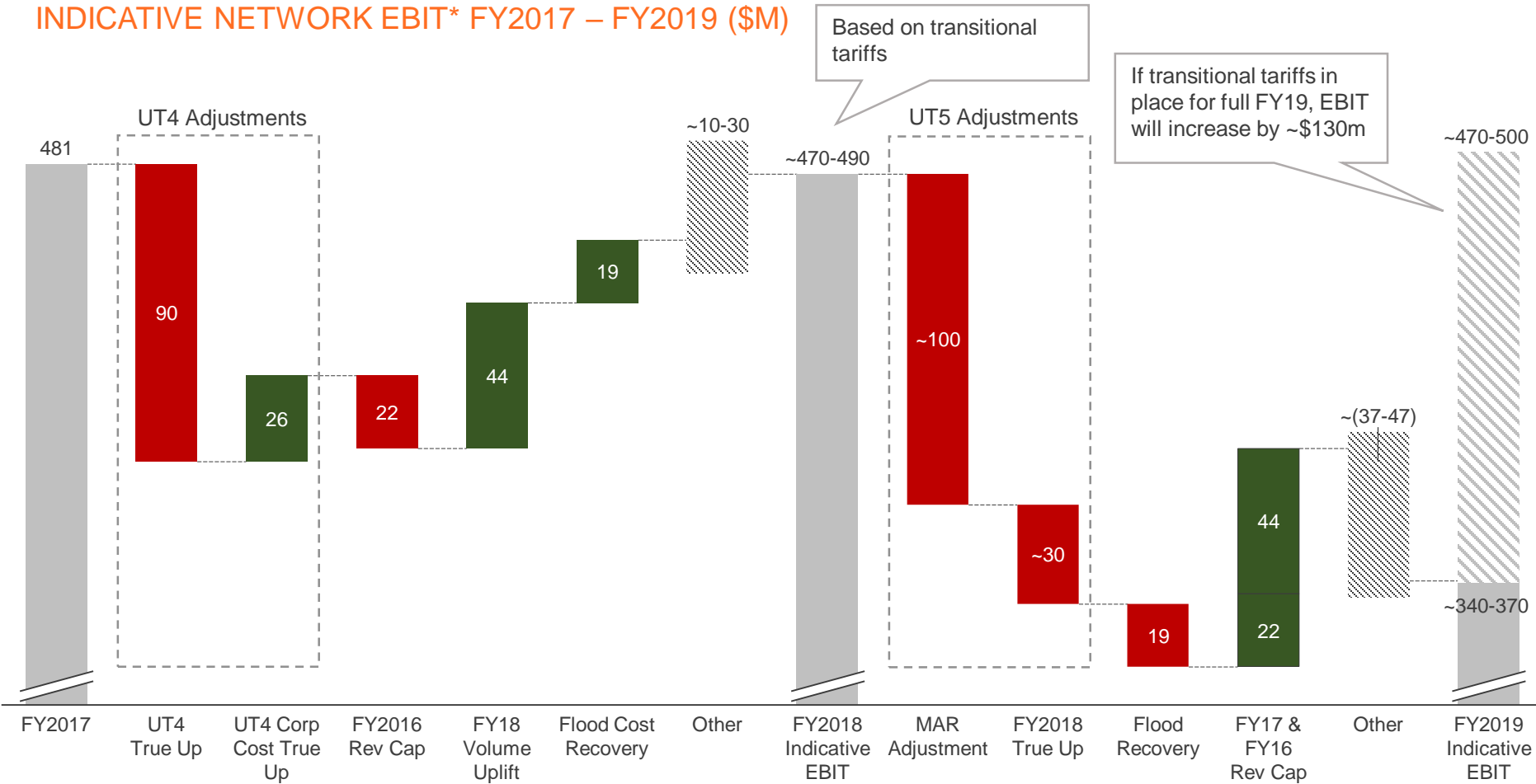
4

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

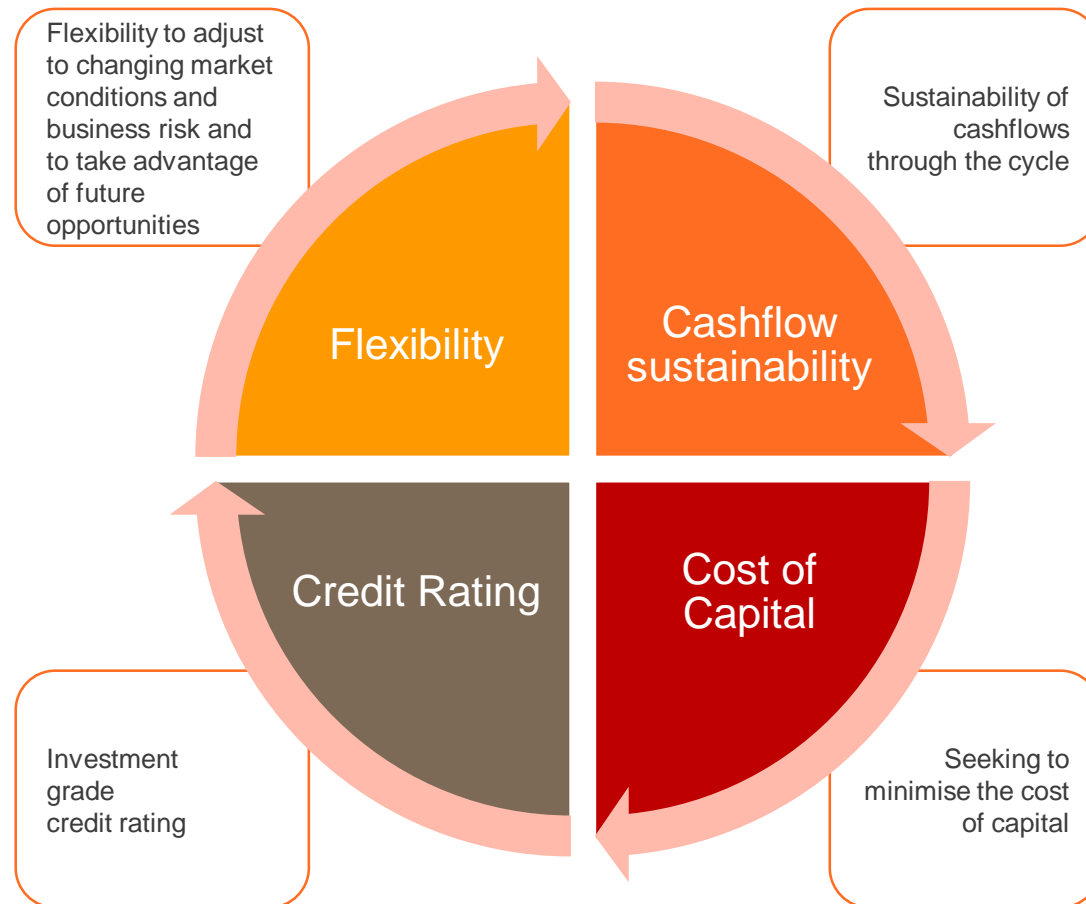
INDICATIVE NETWORK EBIT* FY2017 – FY2019 (\$M)



*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

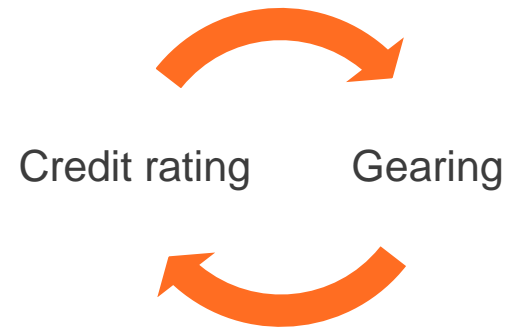
2

Dividends (payout range 70-100%)

3

Surplus capital
returned to
shareholders

Growth Capex
only where it
maximises
shareholder value



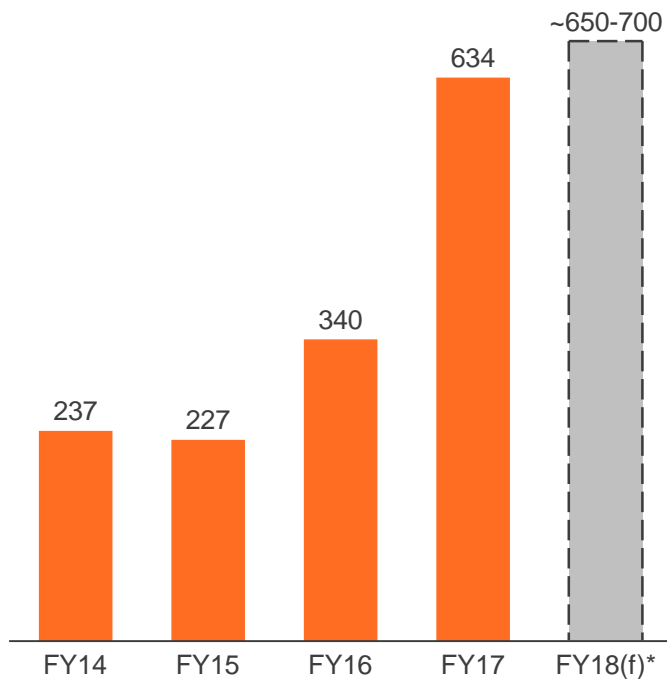
UT5 DRAFT DECISION IMPACT

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

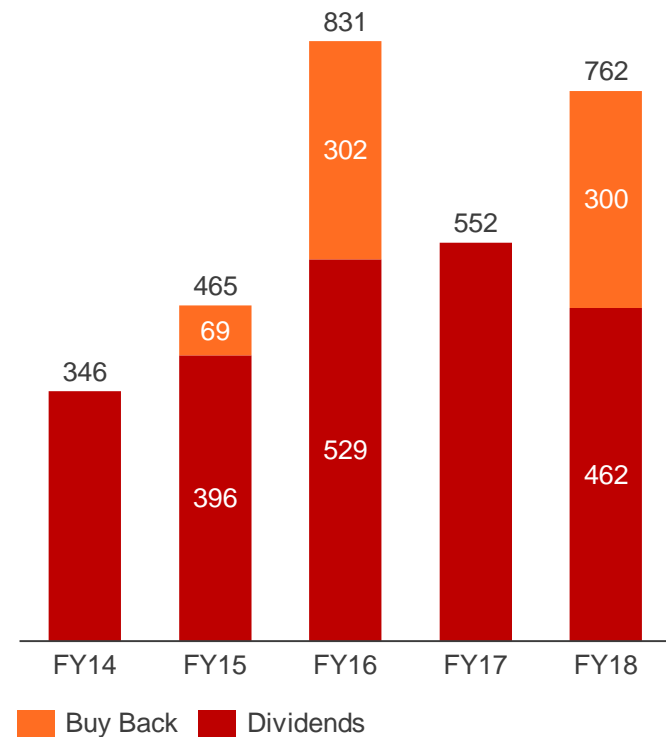
Strong cashflow generation

History of strong distributions paid to shareholders

FREE CASHFLOW (\$M)



DISTRIBUTIONS PAID TO SHAREHOLDERS (\$M)

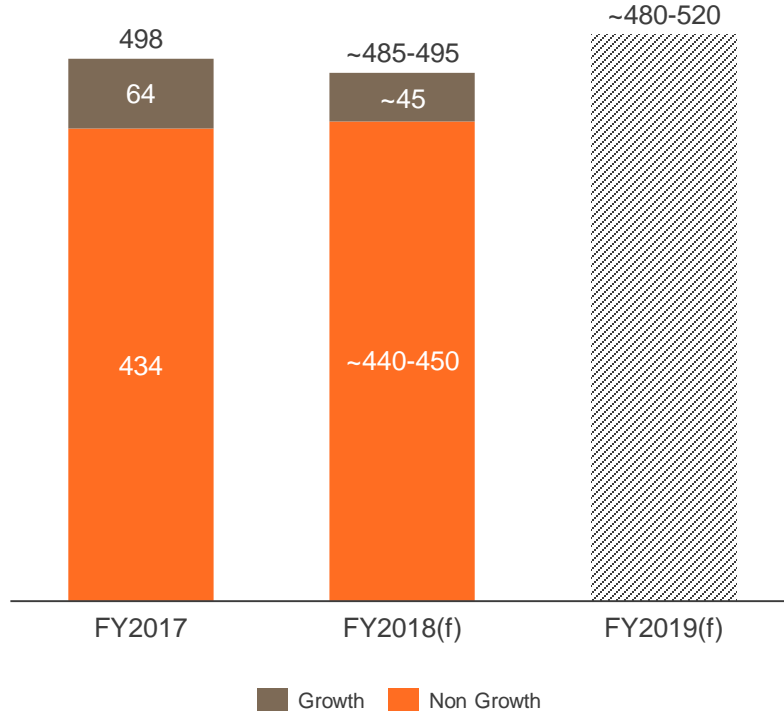


* FCF is cashflow from operating activities less cashflow from investing activities less interest and other financing costs.

Capital expenditure

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

CAPITAL EXPENDITURE¹ FY2017 – FY2019 (\$M)

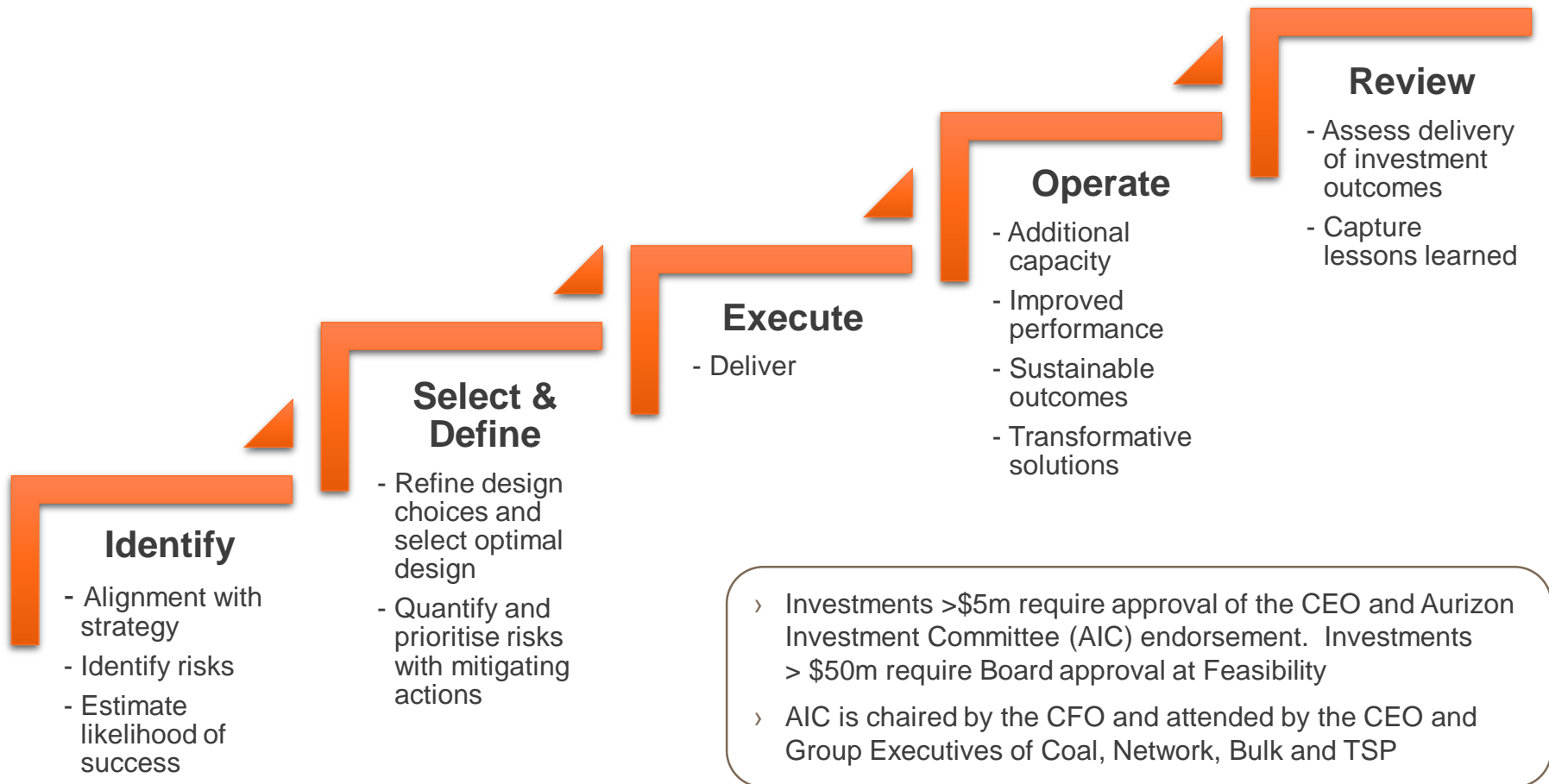


- › FY2018 capital expenditure expected to be under \$500m
- › Growth capital in FY2019 includes new coal wagons to support growth tonnes across CQCN and Hunter Valley
- › Non growth capital in FY2019 is forecast to increase against FY2018. Major drivers include:
 - › Decrease in Network capital following 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

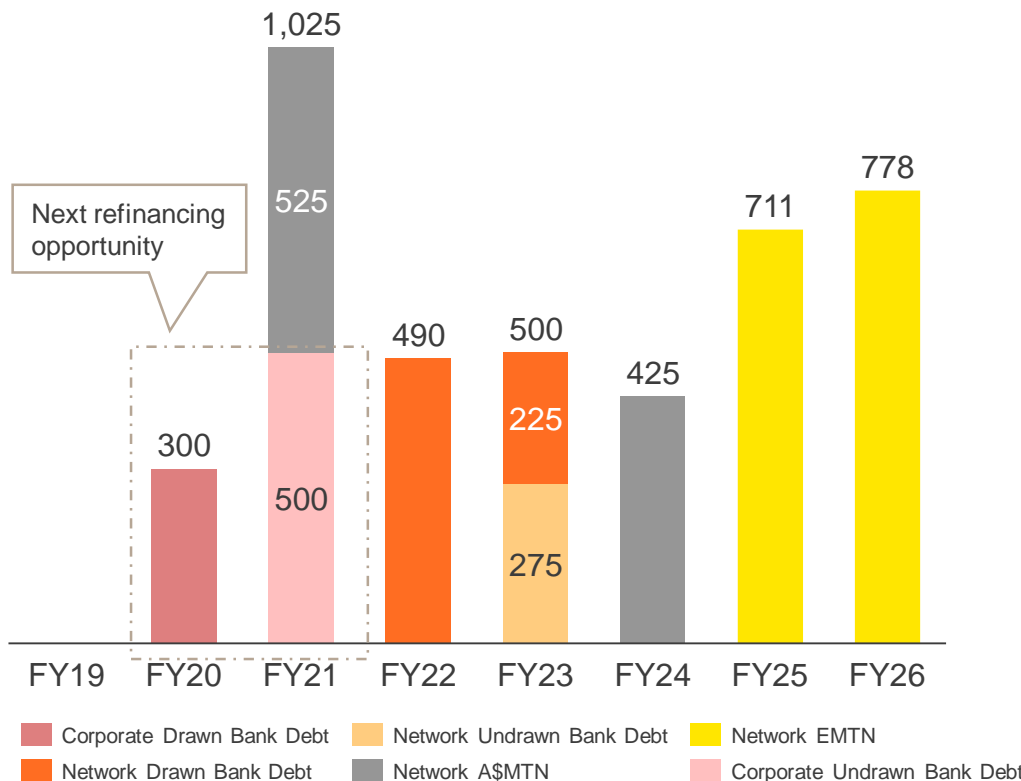
Aurizon has a disciplined approach to investment evaluation



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 PROFILE¹ \$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



- 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



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



- 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

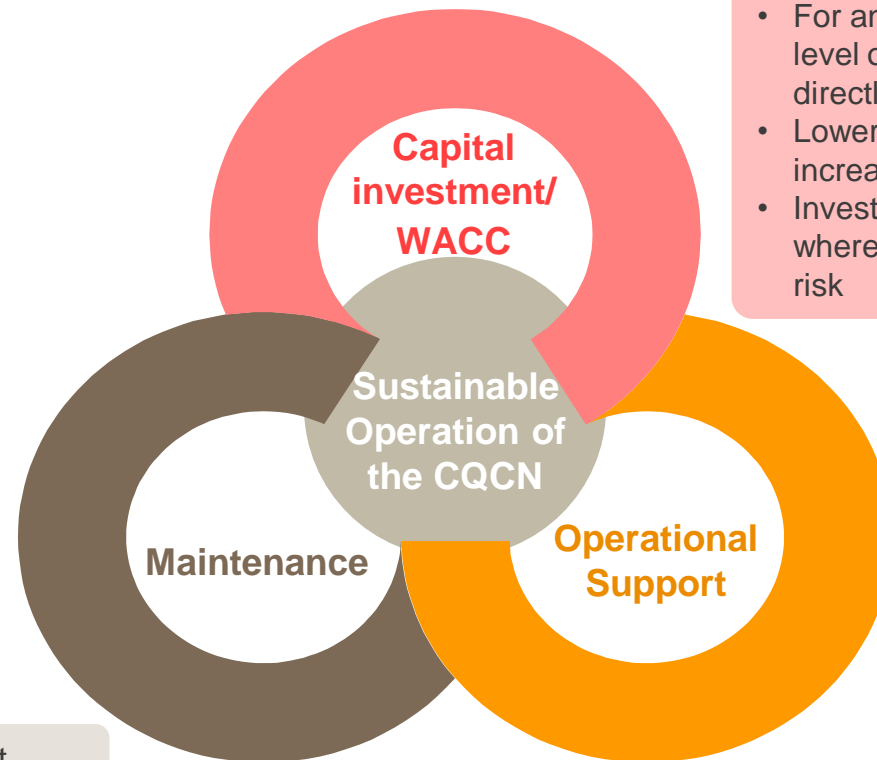
| | AURIZON NETWORK UT5 SUBMISSION | QCA DRAFT DECISION | AURIZON NETWORK'S RESPONSE TO DRAFT DECISION |
|---------------------------------|--------------------------------|--------------------|--|
| Total Adjusted MAR | 4,892 | 3,893 | 4,757 |
| WACC (post tax nominal vanilla) | 6.78% | 5.41% | 7.03% |
| 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

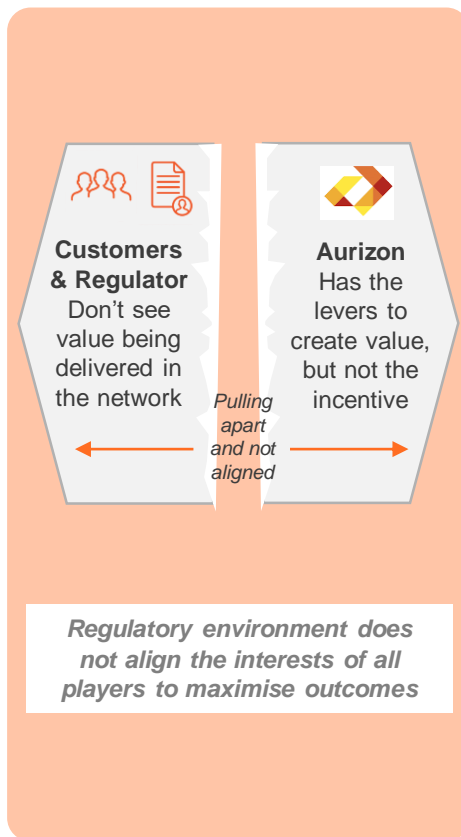
Capital Expenditure

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

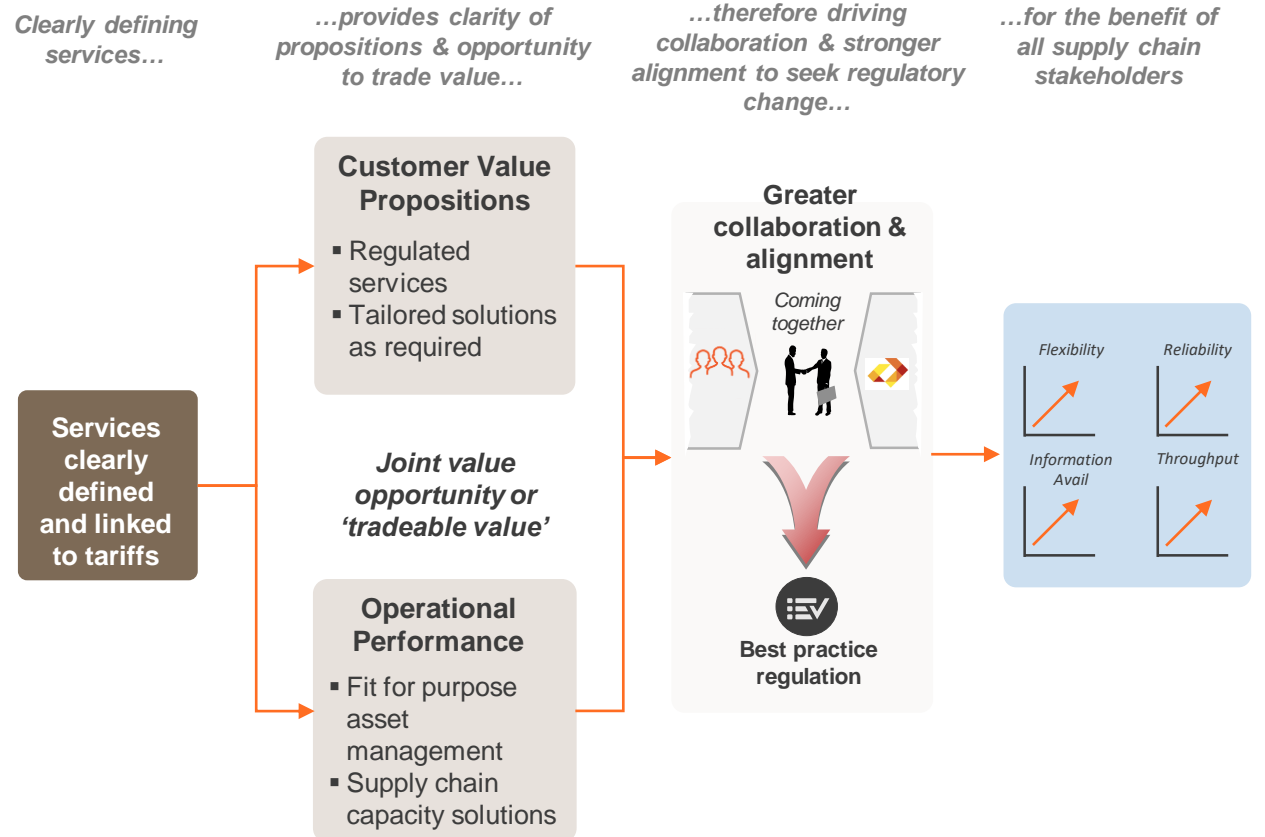
Network Strategy

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

THE PROBLEM TODAY



THE PATHWAY TO A SOLUTION



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

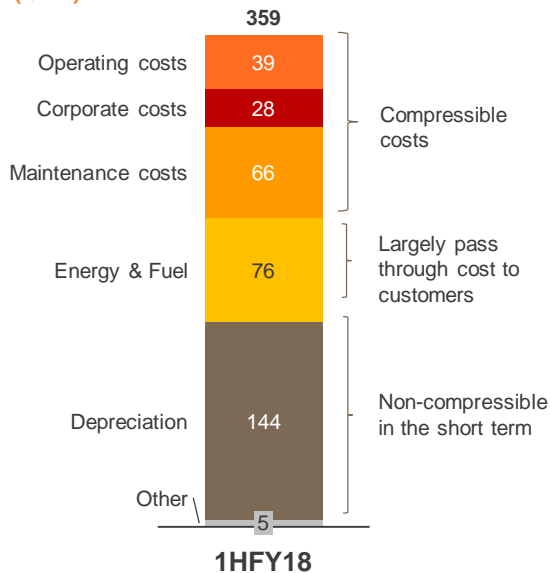
Transformation in Network

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

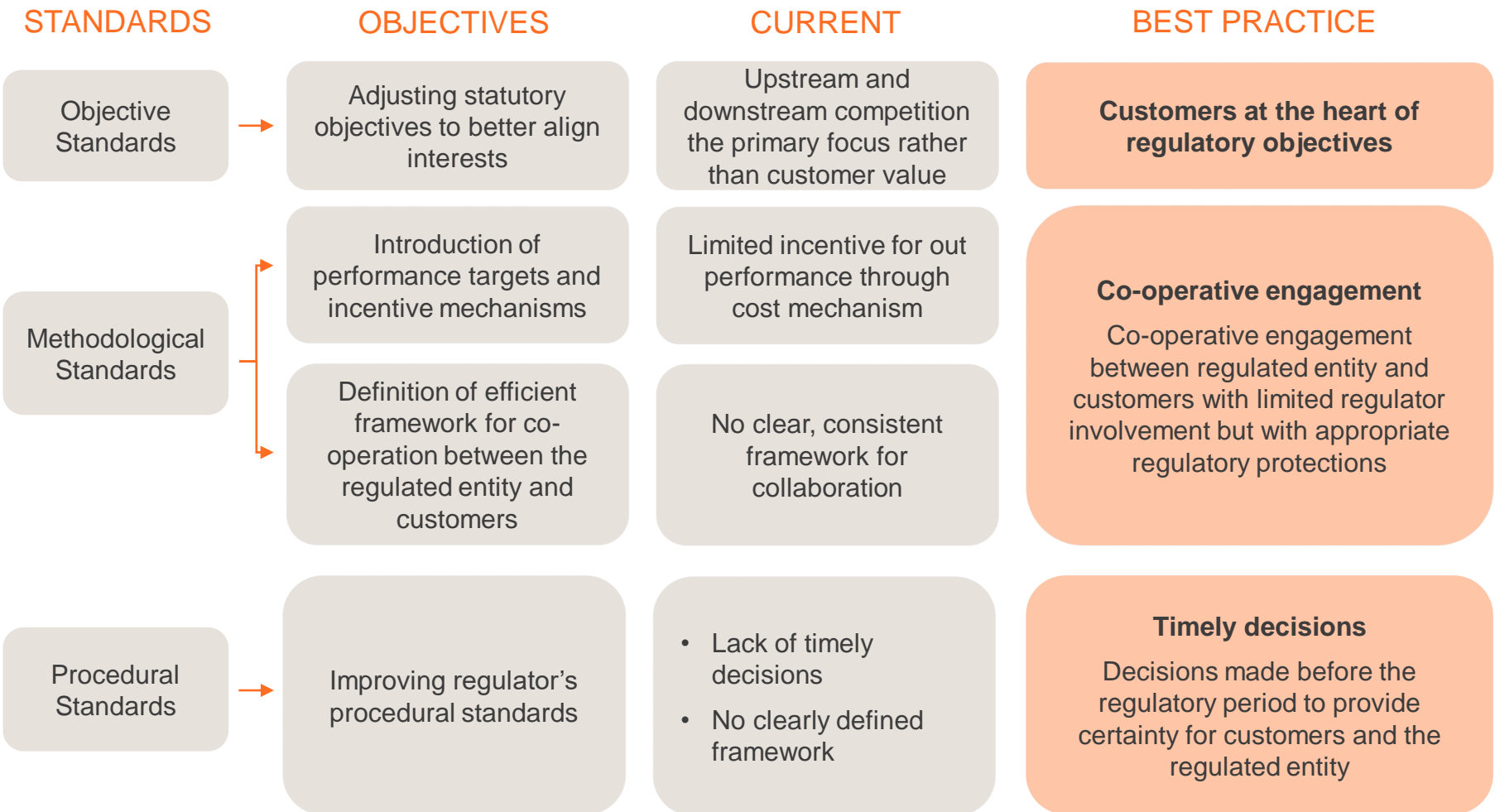
1. Maintenance costs exclude ballast undercutting costs which are capitalised for accounting purposes. Maintenance costs also include some depreciation relating to plant used in maintenance and capital activities.

Future of regulation

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



EXCEL



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



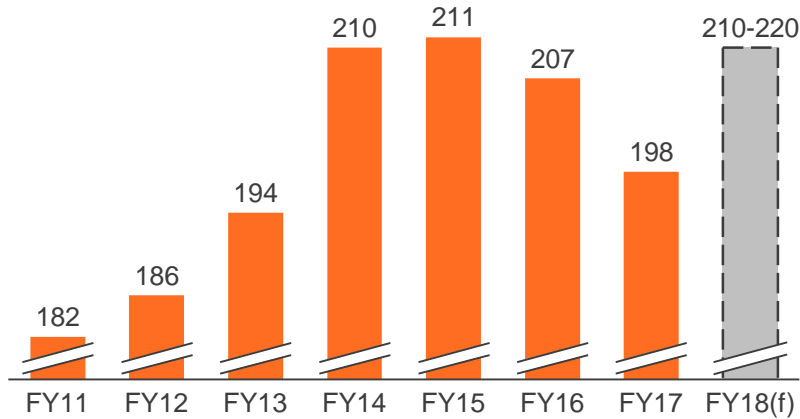
Coal

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

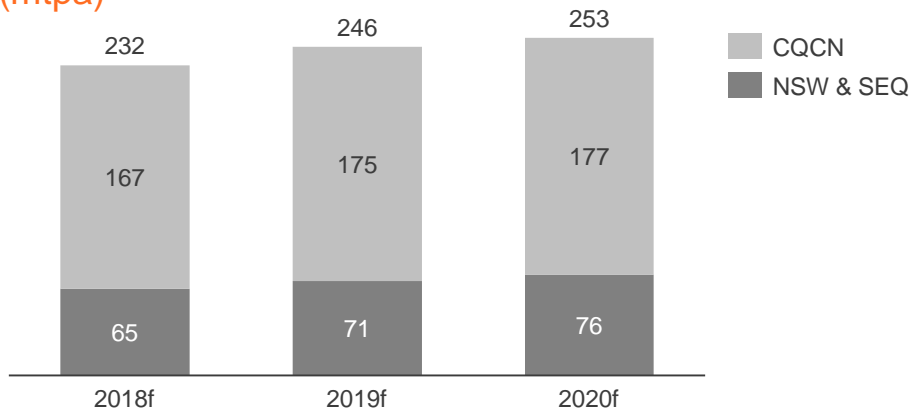
COAL VOLUMES (MTPA)



- › 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

ANNUALISED FORECAST CONTRACTED VOLUMES (mtpa)¹



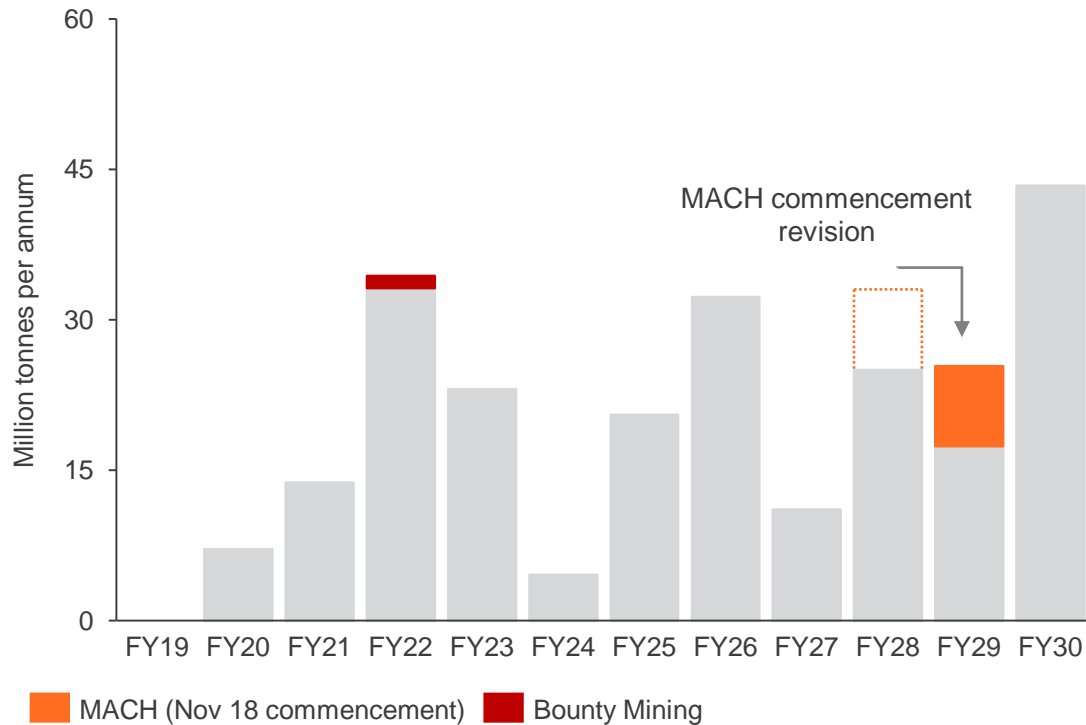
- › Capacity growth in Hunter Valley and CQCN to support growth tonnes
- › Investments in equipment capability paying dividends through improved reliability and delivery performance

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

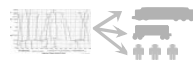
Enhancing execution capability

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

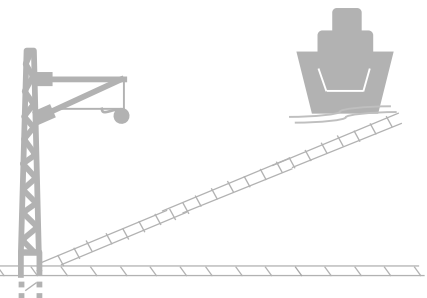


- Eliminate CQCN dwell, ~3.5 consists wasted in dwell in FY18 (precision railway operations)
- Increased payloads and longer trains moving faster
- Full deployment of distributed power trains across Hunter Valley

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

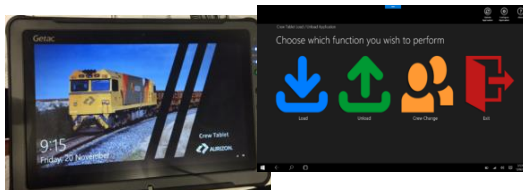
WEST MORETON SERVICE IMPROVEMENT

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



OPTIMISE

Fleet capability and performance

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

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

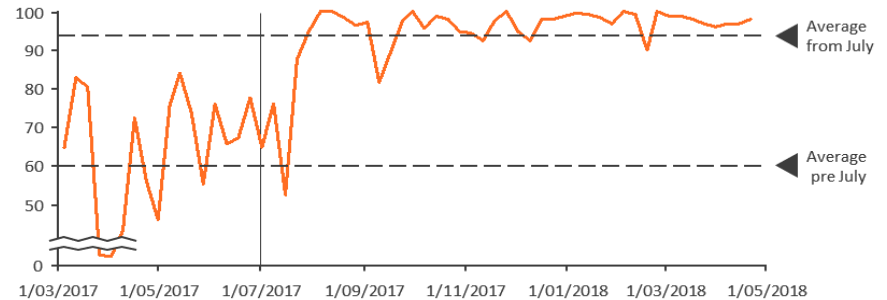
MULTI YEAR FLEET RELIABILITY PROGRAM

- › 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)

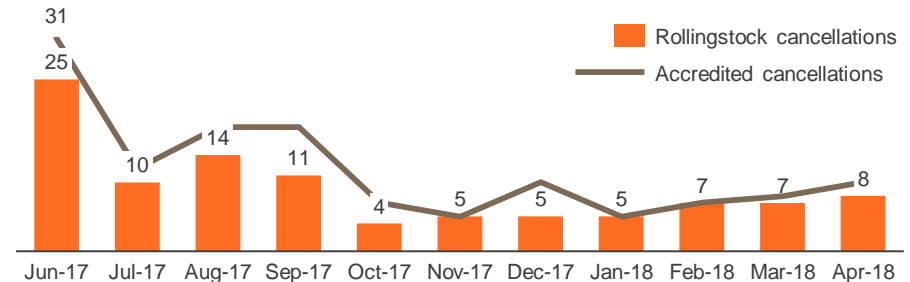
DISCIPLINED EXECUTION, IMPROVED RELIABILITY

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

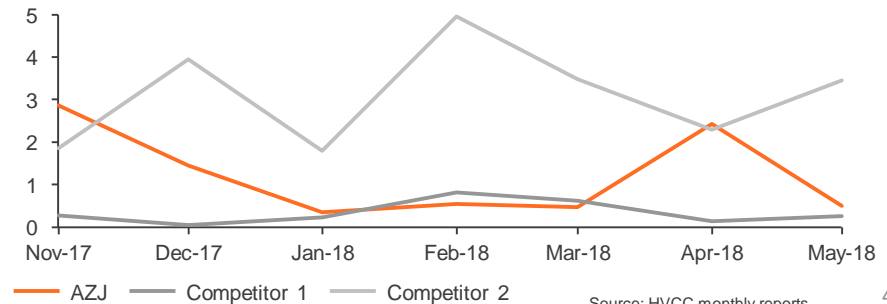
MAINTENANCE PLAN ATTAINMENT (GOONYELLA LOCOS)



GOONYELLA ROLLINGSTOCK CANCELLATIONS



HUNTER VALLEY ROLLINGSTOCK CANCELLATIONS



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 ETCS¹



- › 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



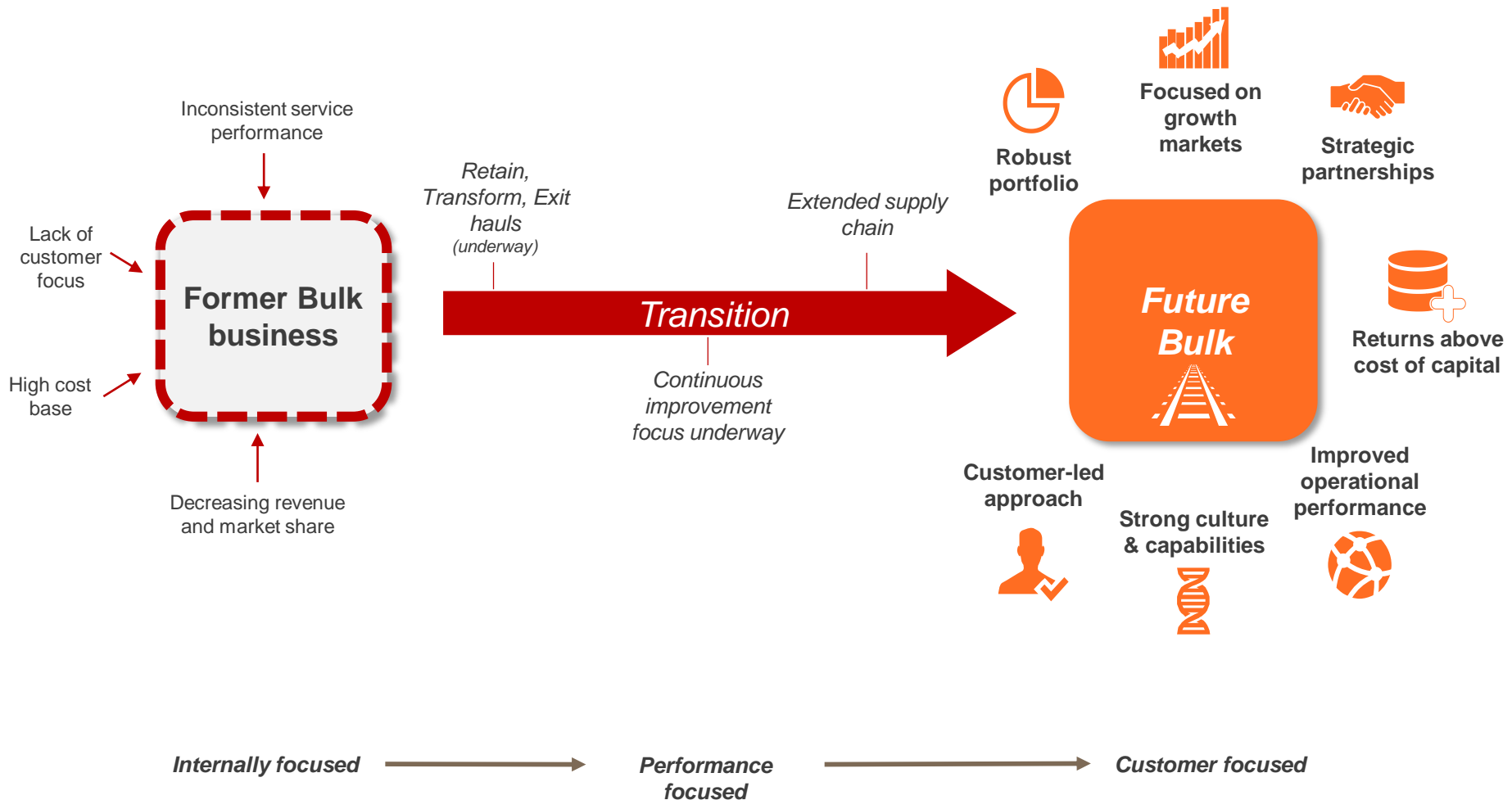
- › Locomotive and Operational Data Acquisition and Management (LODAM) is the next step on the journey to condition and predictive based maintenance
- › LODAM provides:
 - › Real time visibility of train handling
 - › Real time equipment performance monitoring
 - › Improved fleet performance, reliability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

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

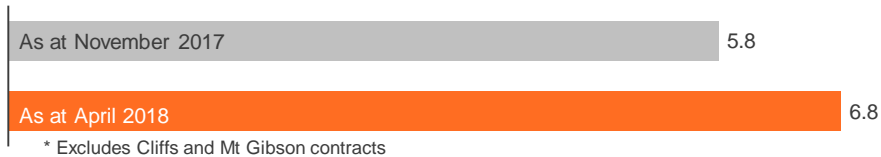


OPTIMISE

Update on the plan

Bulk is delivering on its plan to strengthen its haulage portfolio

AVERAGE TONNES WEIGHTED CONTRACT LIFE*



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

| | INITIAL REVIEW | 1HFY2018 | TODAY |
|---|----------------|--|---|
| 1 RETAIN | 5 | 8 | 9 |
| <ul style="list-style-type: none"> Benefit from ongoing transformation | | <p>Cement Australia MMG KAL Freighter</p> | <p>IPL Fertilizer & IPL Acid › 8 year extensions</p> |
| 2 TRANSFORM | 7 | 4 | 2 |
| <ul style="list-style-type: none"> Improve commercial returns Benefit from ongoing transformation | | | |
| 3 EXIT/LOSS | 5 | 1 | 2 |
| <ul style="list-style-type: none"> No pathway to improved returns/loss to competition | | | GrainCorp |
| 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



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

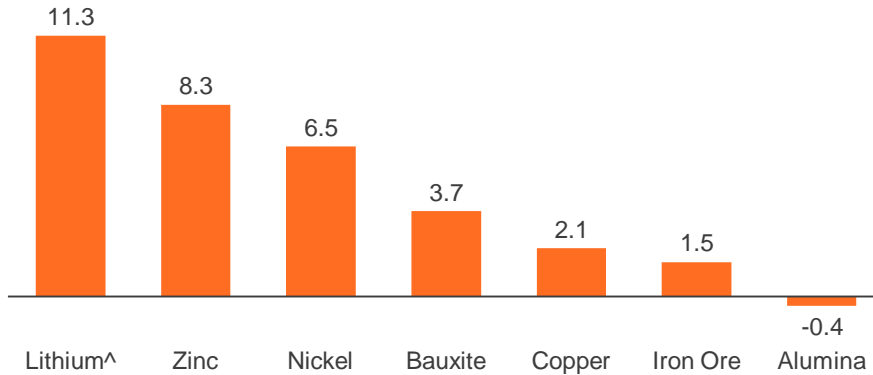
Bulk is focused on growth markets

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



EXCEL

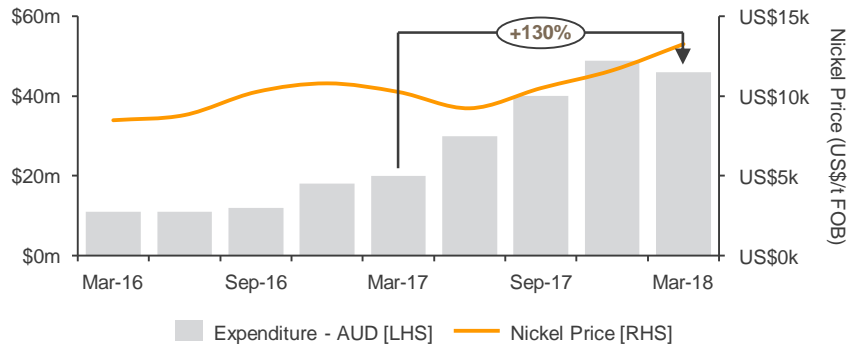
AUSTRALIAN EXPORT GROWTH: CAGR% (FY17- FY23)



- › 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

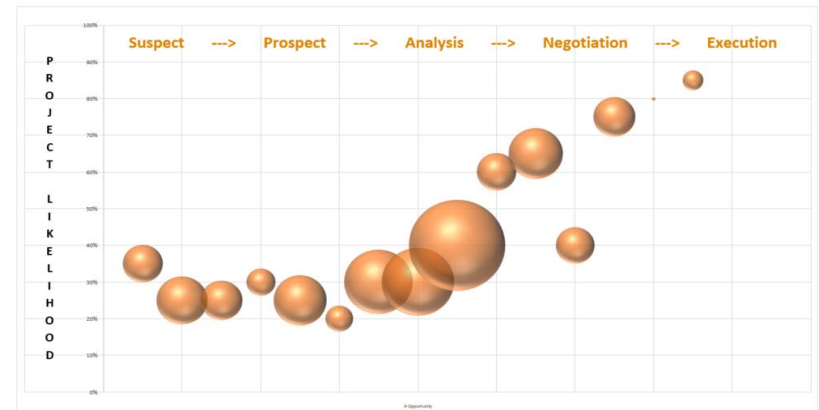
AUSTRALIAN EXPLORATION EXPENDITURE

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

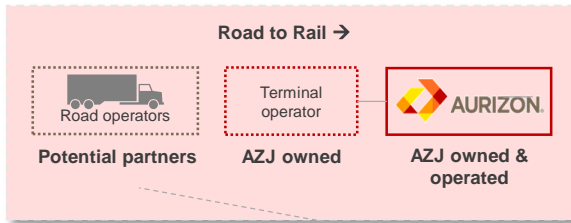
Building strategic partnerships will drive long term value

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

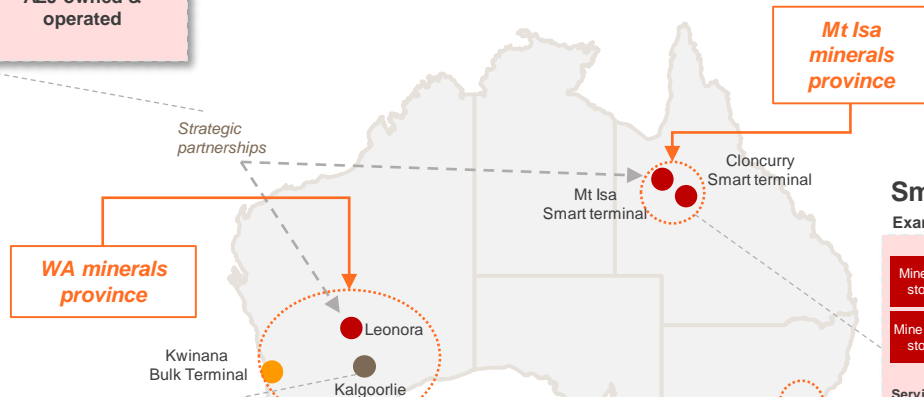


EXTEND

Strategic Partnerships

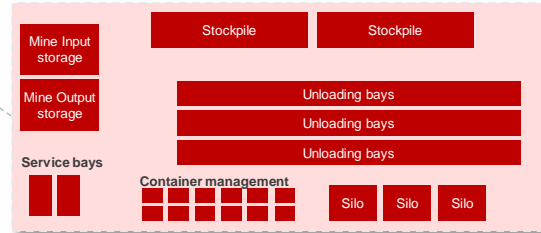


- Road is an important part of bulk supply chains
- Links to trucking solutions help to aggregate volumes at centralised hubs



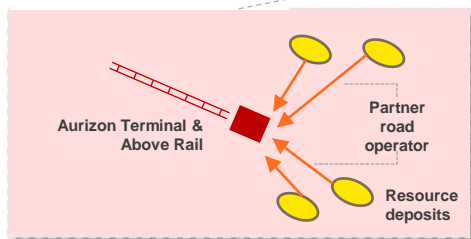
Smart Terminals

Example terminal layout



NSW quarry and construction market

Volume Aggregation



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

- 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

Summary and Q&A

Contact and further Information

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Manager Investor Relations
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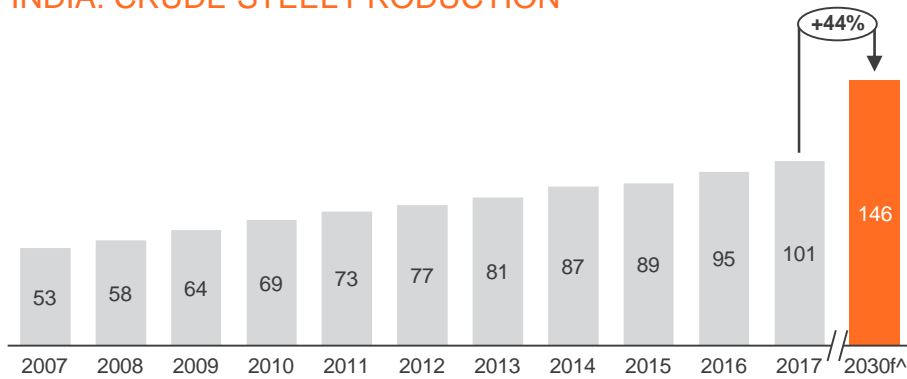


Coal market information

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

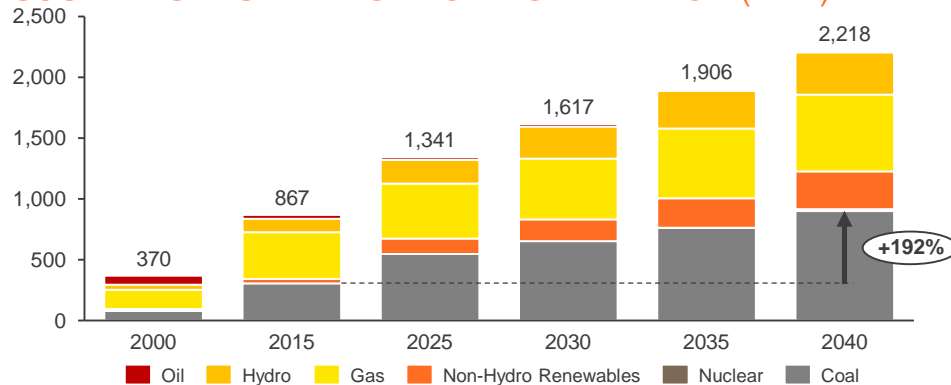


^Wood Mackenzie Global Coal Markets (2017 2H)

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

SOUTHEAST ASIA: ELECTRICITY GENERATION (TWh)



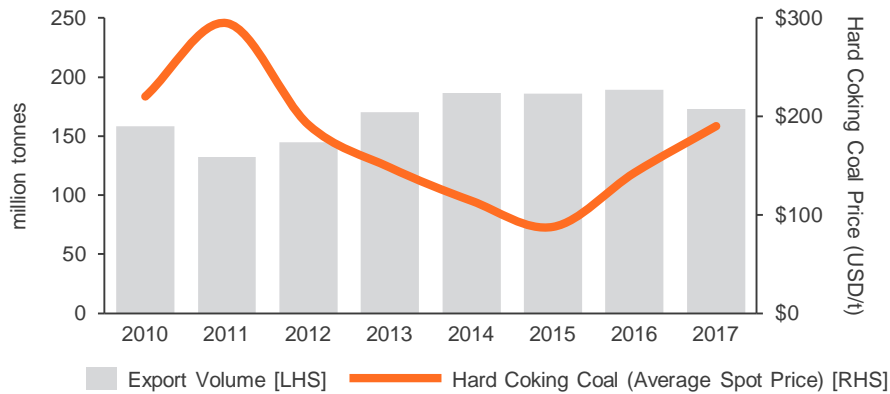
Thermal Coal

- > 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

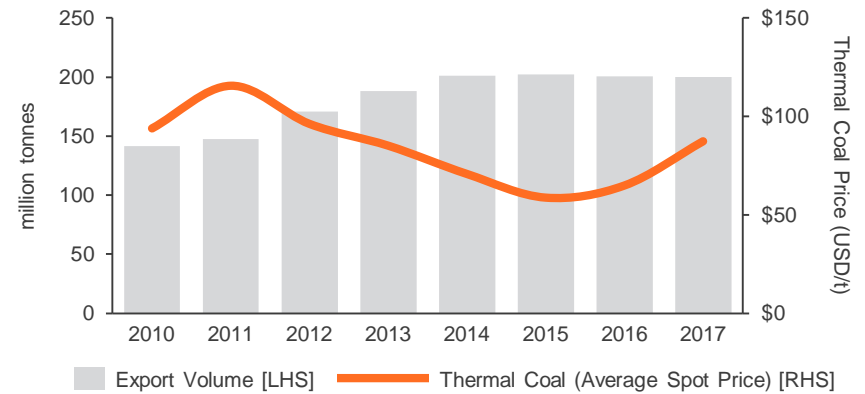
Source: India Crude Steel Production - World Steel (Steel Statistical Yearbook 2017), Wood Mackenzie Global Coal Markets (2017 2H), Southeast Asia Electricity Generation - International Energy Agency (World Energy Outlook 2017, New Policies Scenario).

Coal market: Australia

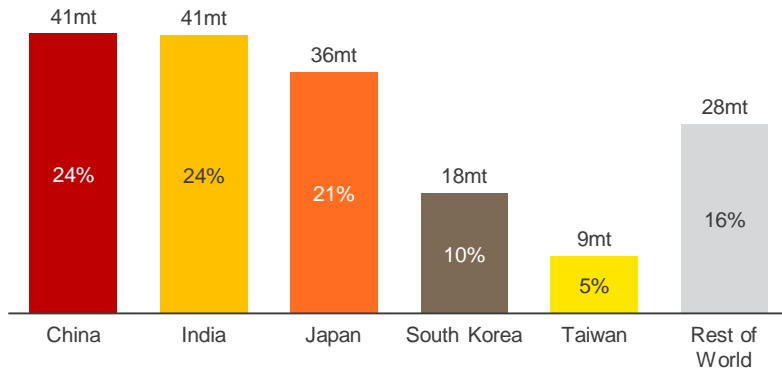
AUSTRALIA: METALLURGICAL COAL EXPORT



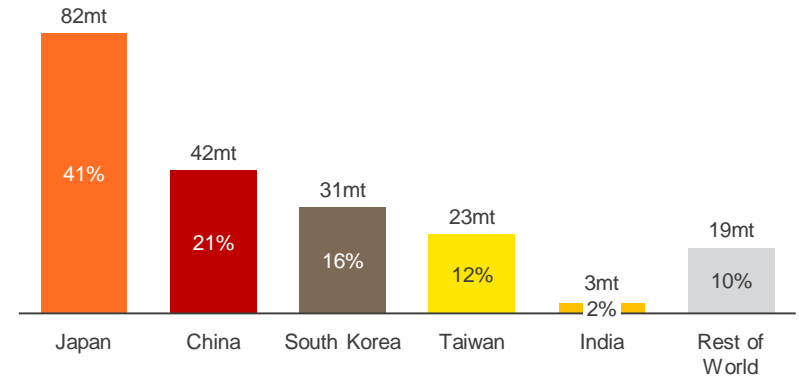
AUSTRALIA: THERMAL COAL EXPORT



AUSTRALIA: METALLURGICAL COAL EXPORT (CY2017)

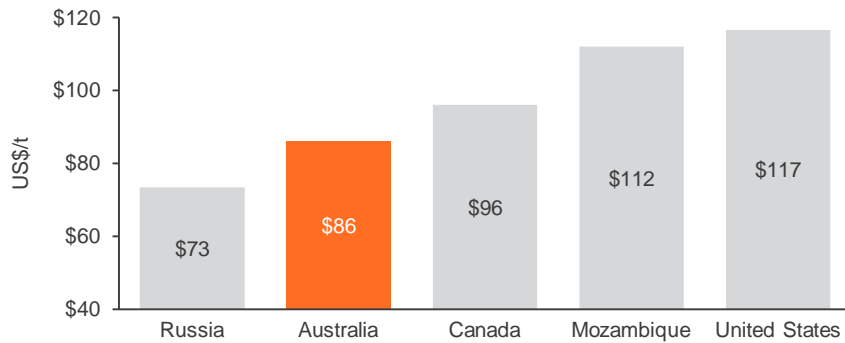


AUSTRALIA: THERMAL COAL EXPORT (CY2017)

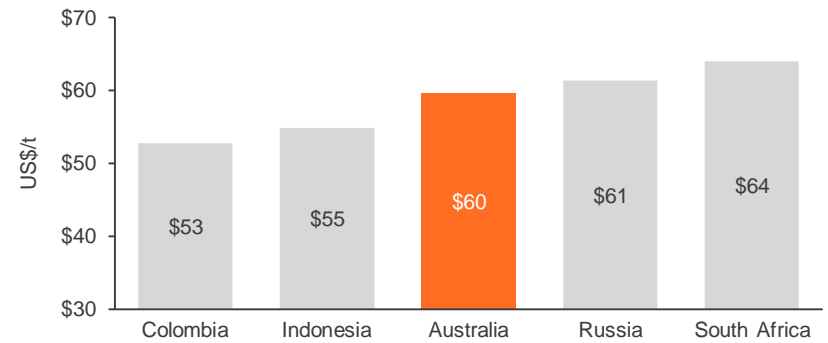


Australia coal competitiveness

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

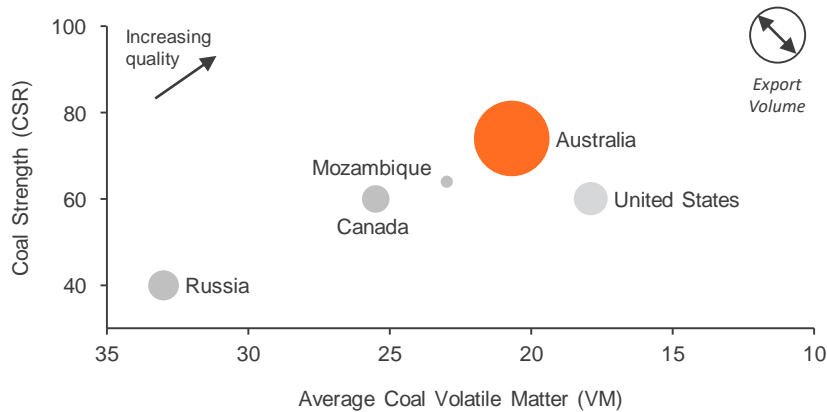


THERMAL COAL CASH COSTS (US\$/t, CFR JAPAN, 2018)

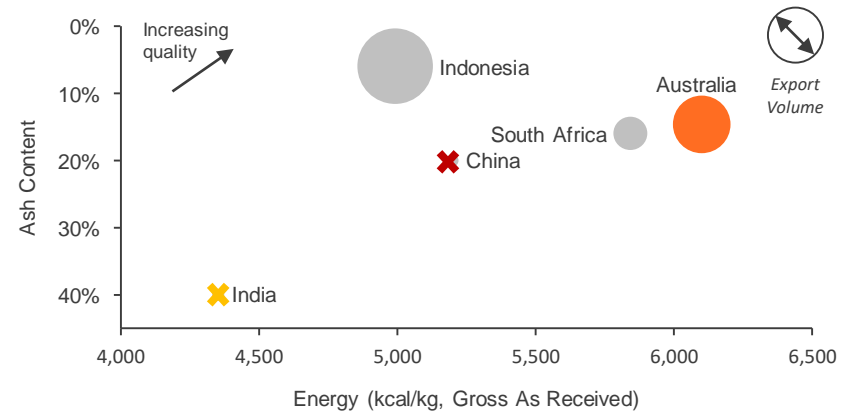


Note: Costs are energy adjusted

METALLURGICAL COAL QUALITY



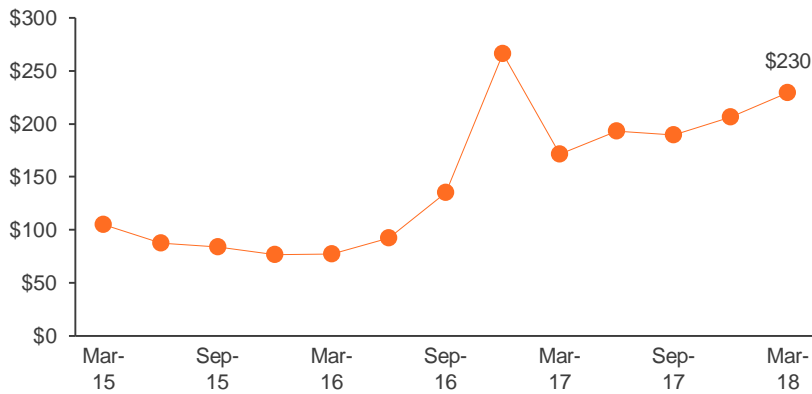
THERMAL COAL QUALITY



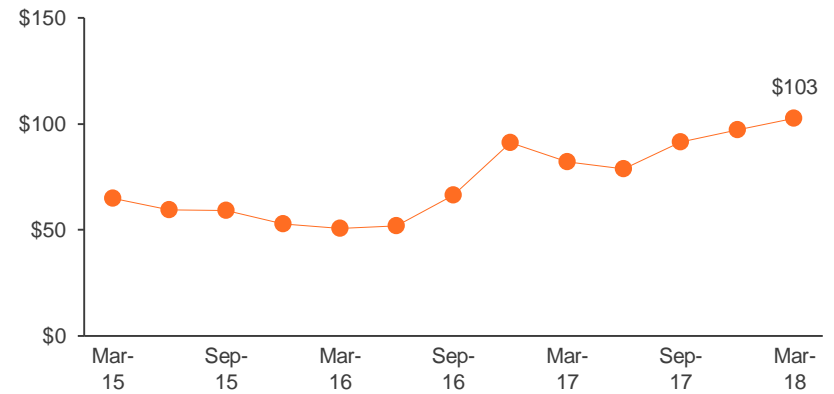
Cost Curves Source: Wood Mackenzie Coal Cost Curves (February 2018), Wood Mackenzie Global Coal Markets Tool (2017 2H), Sea freight export terminal assumptions: US – East Coast, Canada – West Coast, Australia - Hay Point (metallurgical) & Newcastle (Thermal), Russia - East. Metallurgical Coal Quality 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

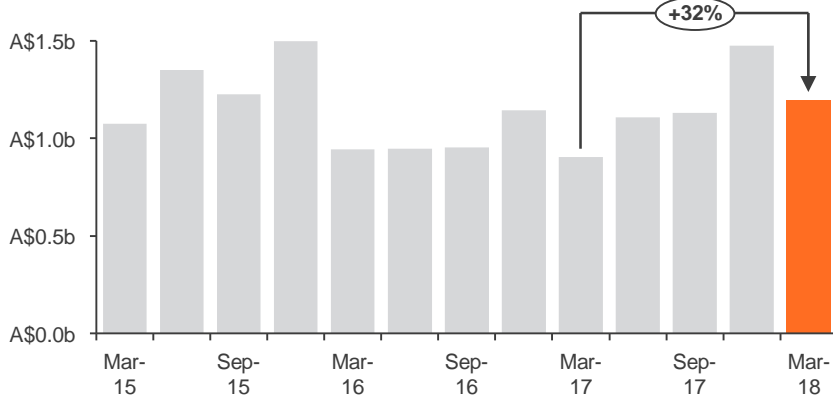
HARD COKING COAL SPOT PRICE (US\$/t FOB)



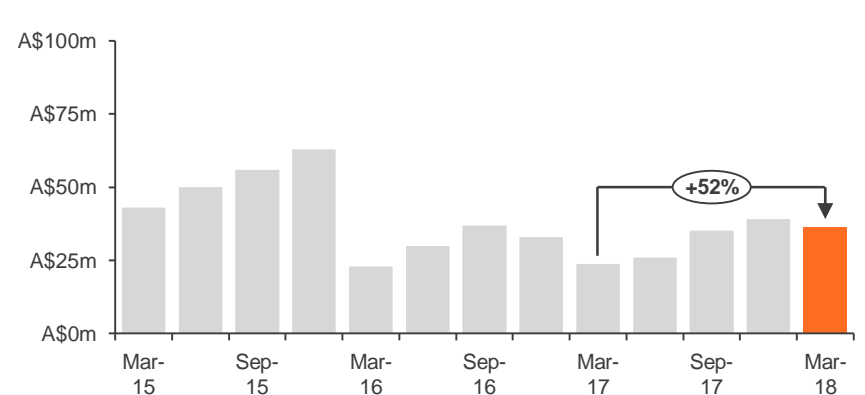
THERMAL COAL SPOT PRICE (US\$/t FOB)



COAL CAPITAL EXPENDITURE

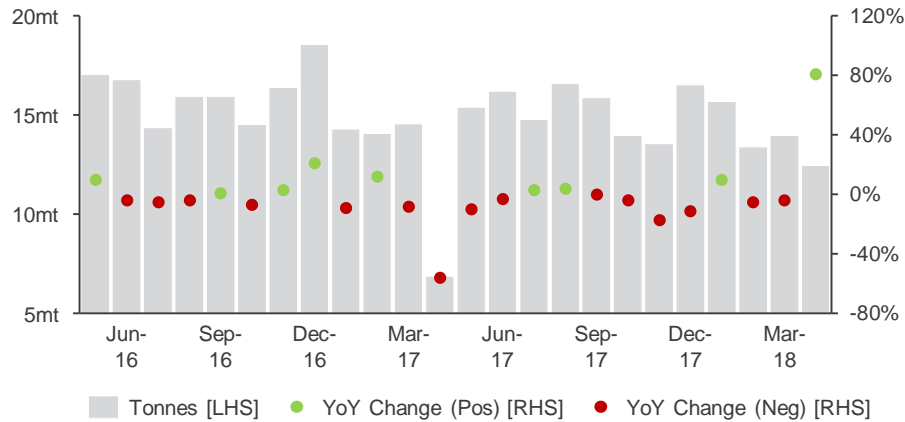


COAL EXPLORATION EXPENDITURE

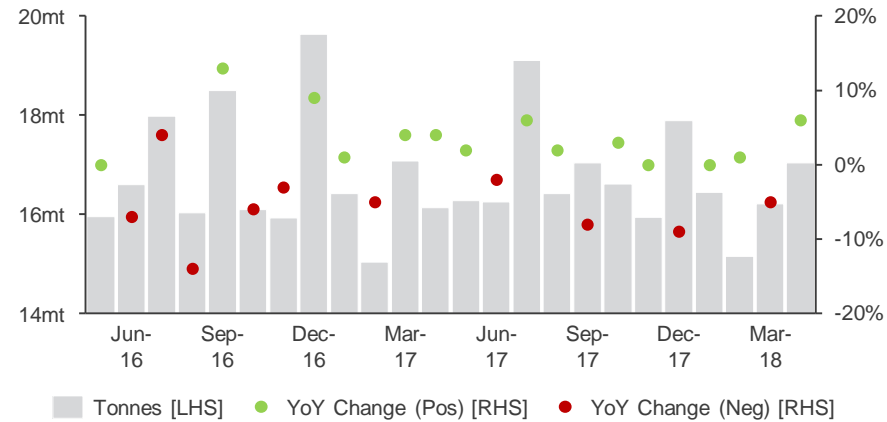


Coal trade

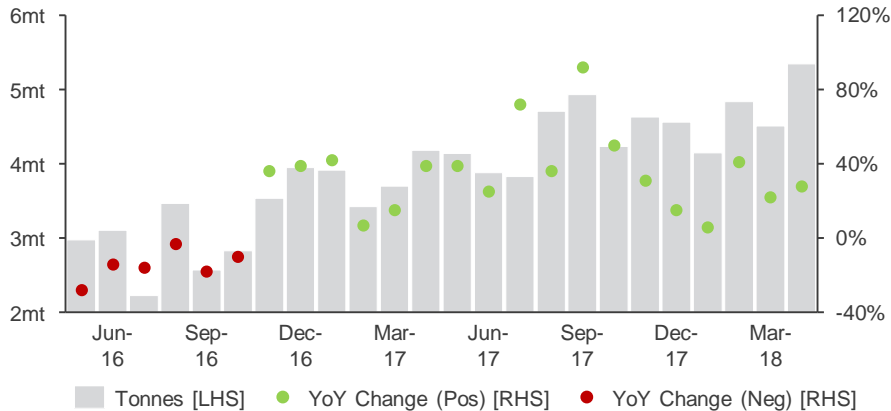
AUSTRALIA: METALLURGICAL COAL EXPORT



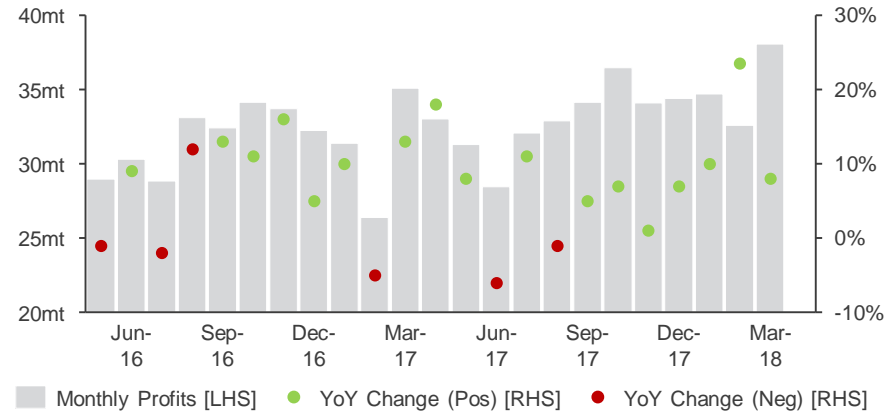
AUSTRALIA: THERMAL COAL EXPORT



UNITED STATES: METALLURGICAL COAL EXPORT



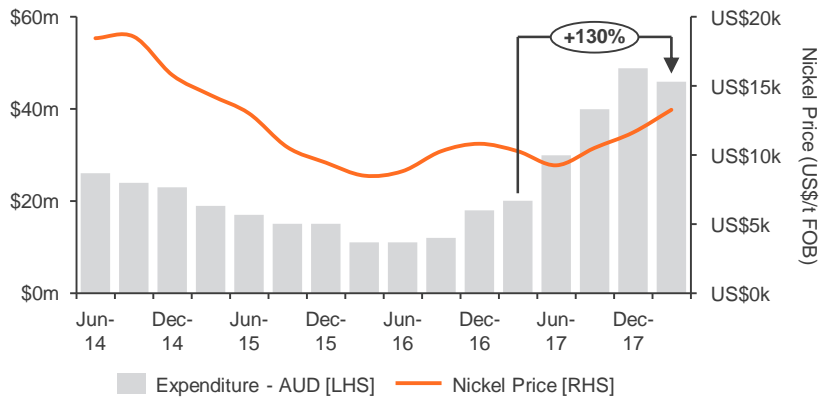
INDONESIA: ALL COAL TYPES EXPORT



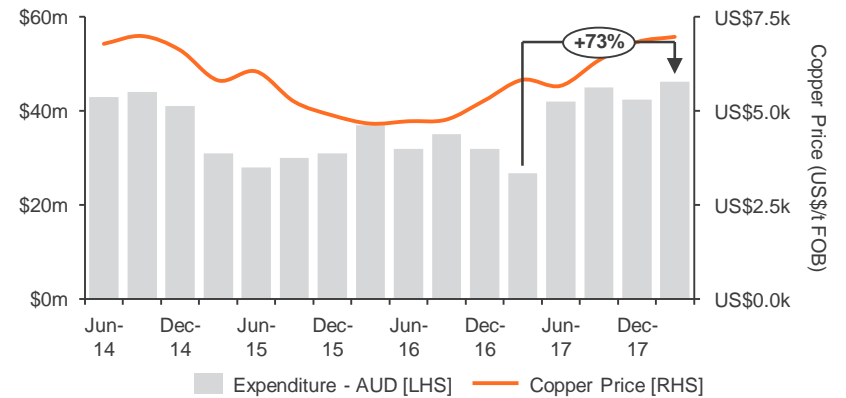
Bulk market information

Australia Exploration Expenditure

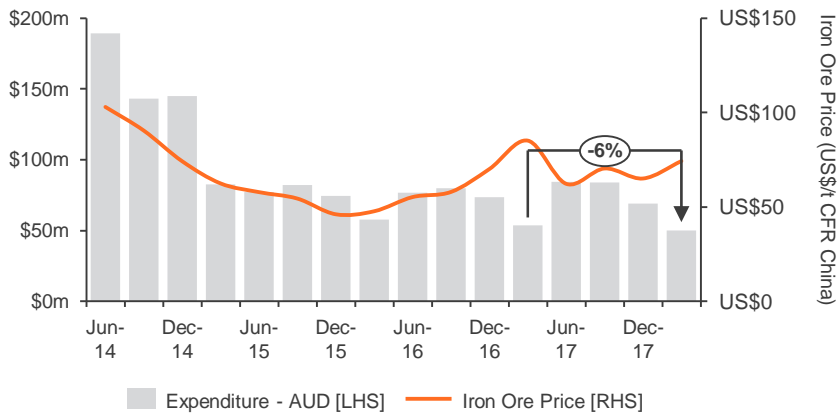
NICKEL & COBALT



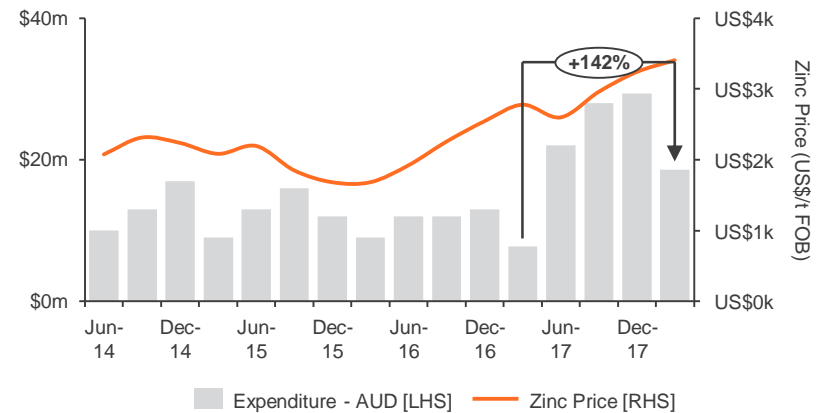
COPPER



IRON ORE



SILVER, LEAD & ZINC



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 |