Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

15 August 2016

Full year results presentation

Please find attached the Company's full year results presentation for immediate release to the market.

The presentation will be delivered to an analyst and investor briefing which will commence at 10.15am (AEST). This briefing will be web-cast and accessible via the following link: http://edge.media-server.com/m/p/dfjtoy7w

Kind regards

Dominic D Smith
VP & Company Secretary

FY2016 Results

Lance Hockridge – MD & CEO
Keith Neate – EVP & CFO

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Year in review

Lance Hockridge - Managing Director & CEO

Group highlights – FY2016

Safety	› Zero LTIFR achieved for the year. All other safety, health and environment KPIs improved except TRIFR
Results	› Revenue down $322m (9%) to $3.5bn – includes impact of Redbank sale in FY2015 ($43m) and lower Freight ($180m) reflecting lower volumes and impact of CRT/TSC › Underlying EBIT down $99m (10%) to $871m – includes $20m QNI bad debt › Below Rail delivered record volumes and 5% increase in underlying EBIT › Statutory NPAT of $72m includes impact of $528m (pre-tax) of impairments › Final dividend 13.3cps, 70% franked, 100% payout of underlying NPAT
Operating Ratio **ROIC**	› 74.8% compares to 73.0% target › 8.6%, down 1.1ppts
Transformation	› $131m benefits delivered, increased confidence in achieving additional $250m by FY2018 ($380m total target) › Significant Operations restructure announced, with 300 FTE reduction expected
Cash Flow	› Free cash flow (FCF) increased 35% to $478m driven by capex reduction and improved capital allocation › Further improvement expected in FY2017 – lower capex and Moorebank sale
Shareholder Returns	› $830m of distributions for the year ($3.2bn since IPO) including $301m surplus capital returned through a share buy-back › 100% dividend payout ratio maintained on underlying earnings – full year dividend up 3% › Share buy-back has been stopped to manage near term balance sheet capacity for possible growth opportunities, noting that FCF is expected to increase significantly during the next few years as capex is reduced and additional transformation savings are realised

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Above Rail highlights

2H coal volumes stable and continued delivery of transformation benefits

Revenue	› Down 10% to $3.1bn › Coal above rail revenue down 3%. Excluding fuel (pass through) down 2% in line with volume decline › Freight down 20%, adjusting for lower TSC and CRT sale down 9% in line with volume decline › Iron Ore down 8%, consistent with 7% volume decline and lower fuel (pass through) revenue
Underlying EBIT	› Down $117m (21%) to $435m or $35m (6%) excluding impact of CRT, TSC and QR › Result includes $20m QNI bad debt › Stable earnings in Coal and Iron Ore, Freight loss-making with performance review underway
Transformation	› New regional Operations structure announced July 2016, 20% reduction in management roles › Operating metrics all tracking positively despite lower volumes, $123m benefits delivered in FY2016
Coal Volumes	› Decreased 2% to 206.8mt, with stable volumes in 2H FY2016 compared to 2HFY2015
Customers	› Coal customers position has improved due to ongoing cost reductions, benefits from supply chain efficiencies and stronger commodity prices › ~10% of coal customers (by volume) estimated to be operating at a negative cash margin (from ~26% in January 2016)

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NOTE: Above Rail is a combination of Commercial & Marketing and Operations representing all Above Rail commercial and operational relationships with customers across all commodities (prior Coal, Iron Ore and Freight businesses)

Below Rail highlights

Record volumes and UT4 final decision from QCA

Revenue	› Increased 6% to $1.2bn due to record volumes (225.9mt vs 217.4mt QCA forecast) and annual increase in UT4 tariffs
Underlying EBIT	› Increased $22m (5%) to $506m › $43m increase in depreciation from asset commissioning (WIRP) and rail renewals, operating costs flat › EBIT includes ~$19m over recovery driven by strong railings, to be adjusted in FY2018 through revenue cap
Operational Performance	› Record 225.9mt throughput, including monthly record for June 2016 despite closures in Newlands and Moura › Facilitating above rail operational improvements through targeted maintenance processes and technology investment › Performance to plan for the year improved 2.9ppts to 92.1% › Below rail cancellation impact improved 0.6ppts to 1.1% › System availability improved 2ppts to 86%
RAB	› $5.6bn[1] estimated value as at 30 June 2016 (excludes $260m deferred WIRP capex)
Regulation	› UT4 Final Decision delivered April 2016, $73m revenue true-up expected in FY2017 via tariff adjustment › UT5 draft submission due 9 September, industry engagement commenced › Submission to focus on appropriate revenue model (to reflect changing risk profile and ensure future efficiencies) and major policy outcomes (e.g. capex deferral)

1. Estimate excludes $0.4bn in assets operating under an Access Facilitation Deed (AFD) and is subject to QCA approval

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Transformation delivering sustainable value

Headline Benefits	› Transformation continues to deliver sustainable benefits to customers and shareholders › $131m generated in FY2016, ahead of target, $383m over last three years

Operations ($110m)	› Key driver is ongoing productivity and efficiency improvements from implementation of new Enterprise Agreements (EAs), including: (changes represent FY2016 vs FY2015)
	  › Overtime reduction for train crew (Queensland 23%, national 17%)
	  › Reduction in train crew cancellations (Queensland 5%, national 3%)
	  › 10% increase in annual leave taken
	  › New flexibility enabled removal of 22 train crew within three weeks of ceasing QNI operations
	› Improvements in maintenance through technology investments, outsourcing and facility consolidation
	  › Wayside condition monitoring (WCM) now active across entire CQCN system
	  › On train repair (OTR) now implemented in Jilalan, Callemondah and Hexham
	  › Long-term maintenance and supply agreement with Progress Rail outsourcing non-core activities
	  › 20% reduction in engineering and maintenance staff through targeted consolidation of sites

Centralised Support ($21m)	› Merger of functions reduced CEO direct reports from 7 to 5, further cost reductions to follow › Comprehensive re-design to align with Operations' regional model and market conditions › 16% reduction in FTEs in FY2016
Future Targets	› Quantification of initiatives continues to develop – 80% of FY2017 already identified and allocated › Confidence increased in achieving FY2016-2018 target of $380m

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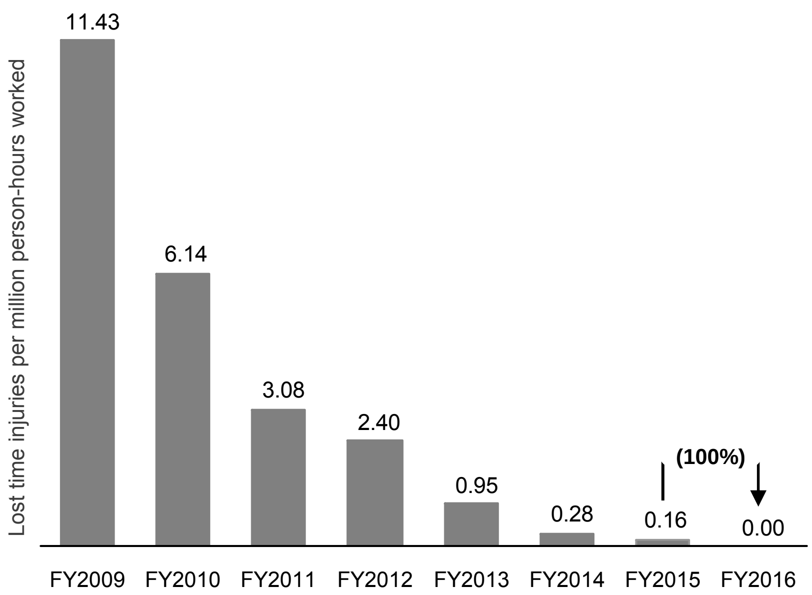
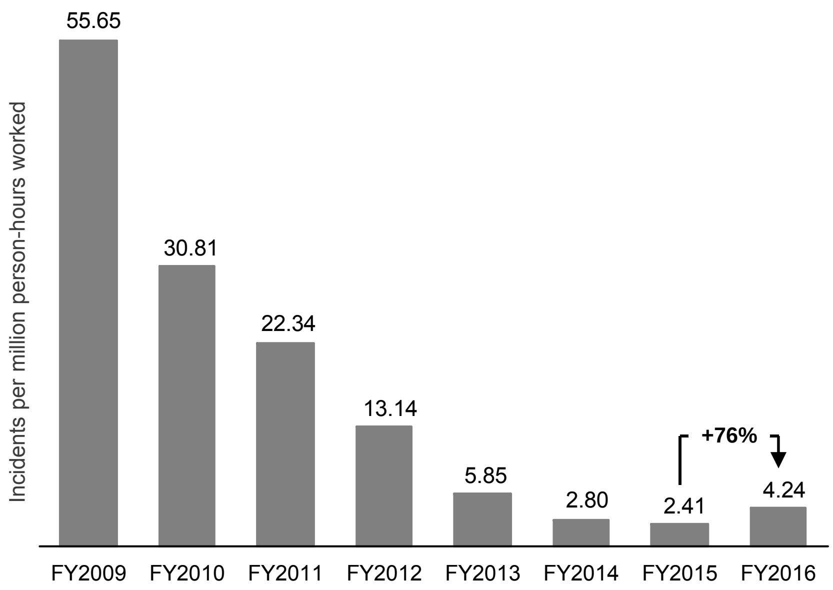
Safety performance, our target is ZEROHarm

Lost Time Injury Frequency Rate (LTIFR)[1]



Total Recordable Injury Frequency Rate (TRIFR)[1]



1. LTIFR & TRIFR includes employees only and does not include contractors

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Results analysis

Keith Neate – EVP & CFO

Group financial highlights

$m	FY2016	FY2015	Variance
Revenue	3,458	3,780	(9%)
EBIT – underlying[1]	871	970	(10%)
EBIT – statutory	343	970	(65%)
NPAT – underlying[1]	510	604	(16%)
NPAT – statutory	72	604	(88%)
EPS (cps) – underlying	24.4	28.4	(14%)
EPS (cps) – statutory	3.4	28.4	(88%)
DPS[2] (cps)	24.6	24.0	3%

› 4% above rail volume decline, lower asset sales and reduction in TSC payments

› Operating costs decreased 12% with $131m transformation benefits and $53m reduction in fuel price

› Underlying EBIT includes $24m in redundancy costs and $20 for QNI bas debt. Other items of note are disclosed on slide 36

› Depreciation increased 8% ($42m) mainly due to commissioning of WIRP and the impact of rail renewal capitalisation

› Statutory EBIT includes $528m of impairments

› Dividend up 3%, based on underlying NPAT

1. Refer following slide for details of FY2016 underlying adjustments
2. Difference between EPS of 24.4c and DPS of 24.6c is due to impact of weighted average shares in the EPS calculation. DPS uses actual share count at 30 June 2016

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Earnings reconciliation and significant items

Earnings reconciliation

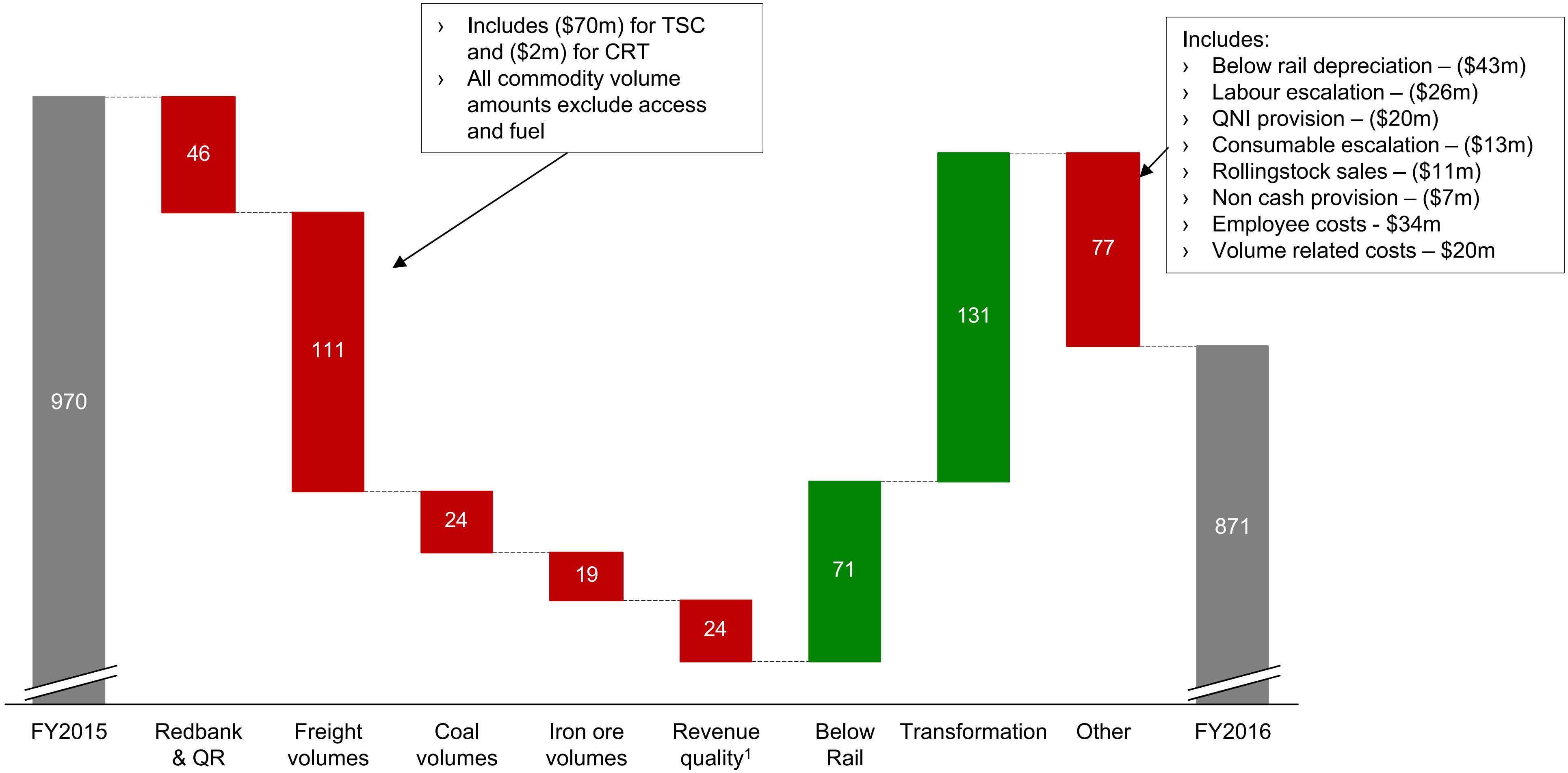
$m	FY2016	FY2016 2H	FY2016 1H	FY2015
Underlying EBIT	**871**	**468**	**403**	**970**
Significant items - impairment	**(528)**	**(102)**	**(426)**	**-**
Investment in Associate	(226)	(73)	(153)	-
Rollingstock	(177)	(29)	(148)	-
Strategic infrastructure and other minor projects	(125)	-	(125)	-
Statutory EBIT	**343**	**366**	**(23)**	**970**
Net finance costs	(150)	(80)	(70)	(135)
Statutory profit before tax	193	286	(93)	835
Income tax expense	(121)	(106)	(15)	(231)
Statutory NPAT	**72**	**180**	**(108)**	**604**

Significant items

Aquila Investment	
Non West Pilbara investment	135
West Pilbara investment	91
	226
Rollingstock[1]	177
Strategic projects	
WPIP costs	83
Galilee / other	42
	125
Total	**528**

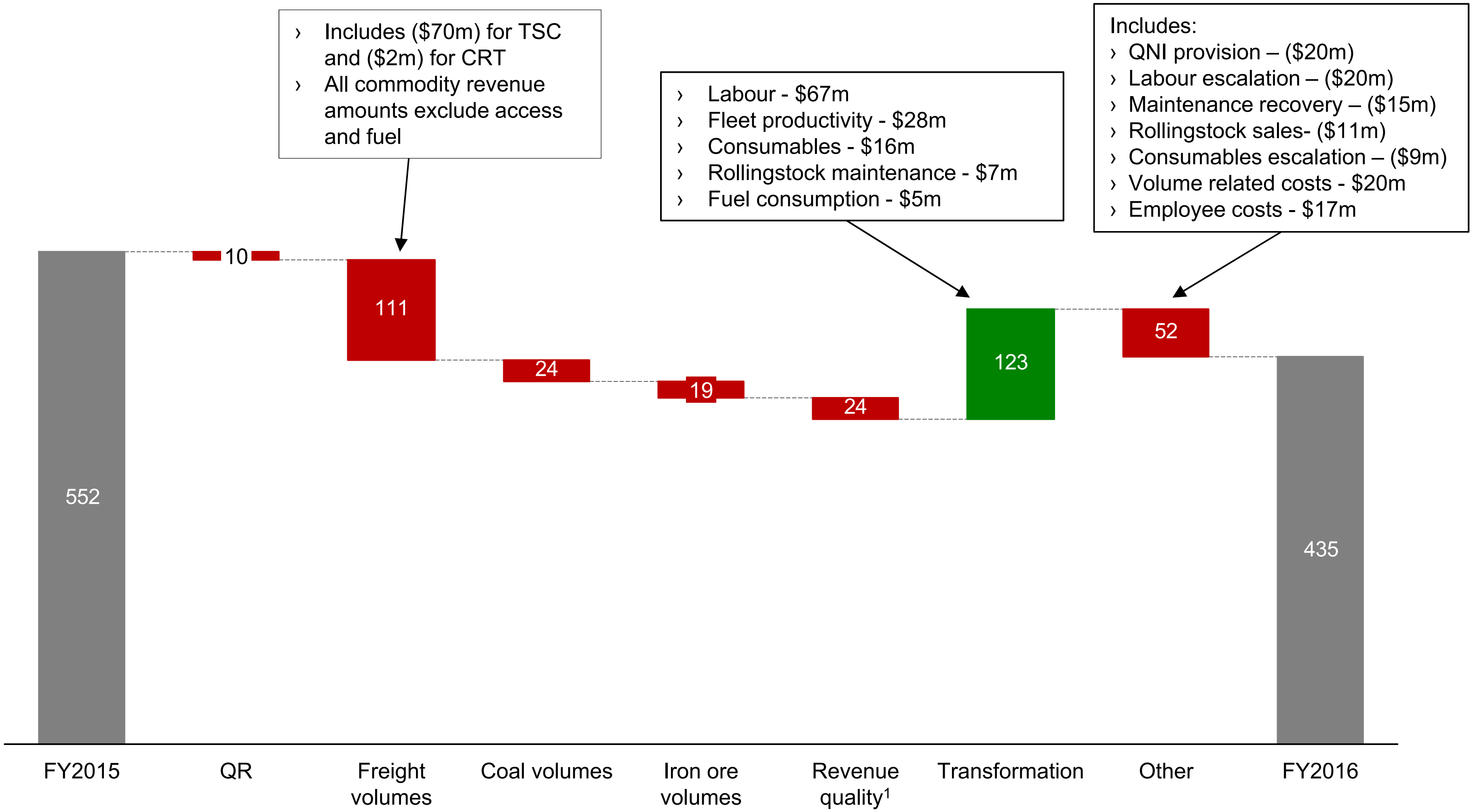
1. Surplus fleet and related inventory resulting from ongoing productivity and efficiency improvements

Underlying EBIT bridge – Group



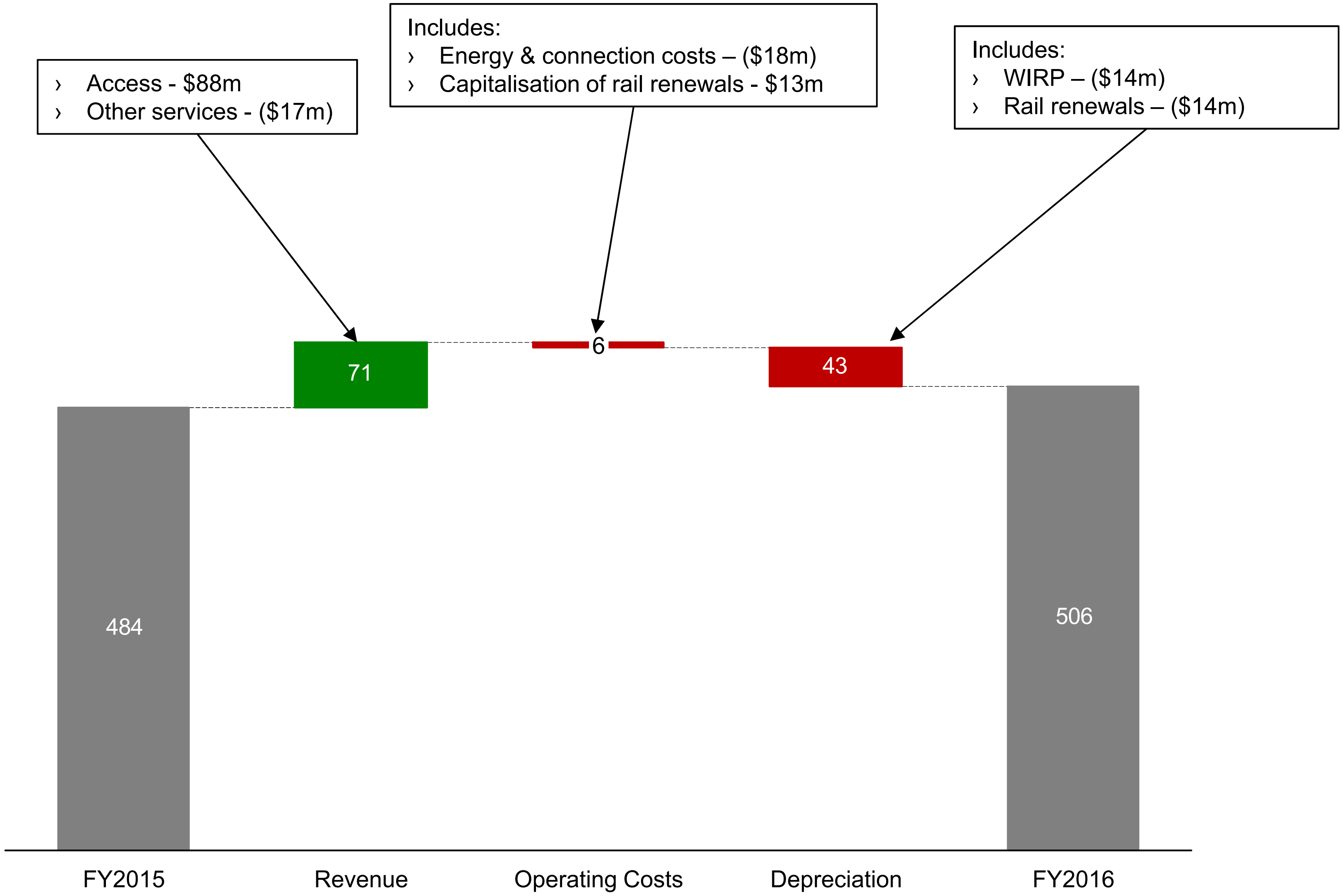
1. Revenue quality represents movement in average above rail rate per tonne net of fuel price and access

Underlying EBIT bridge – Above Rail



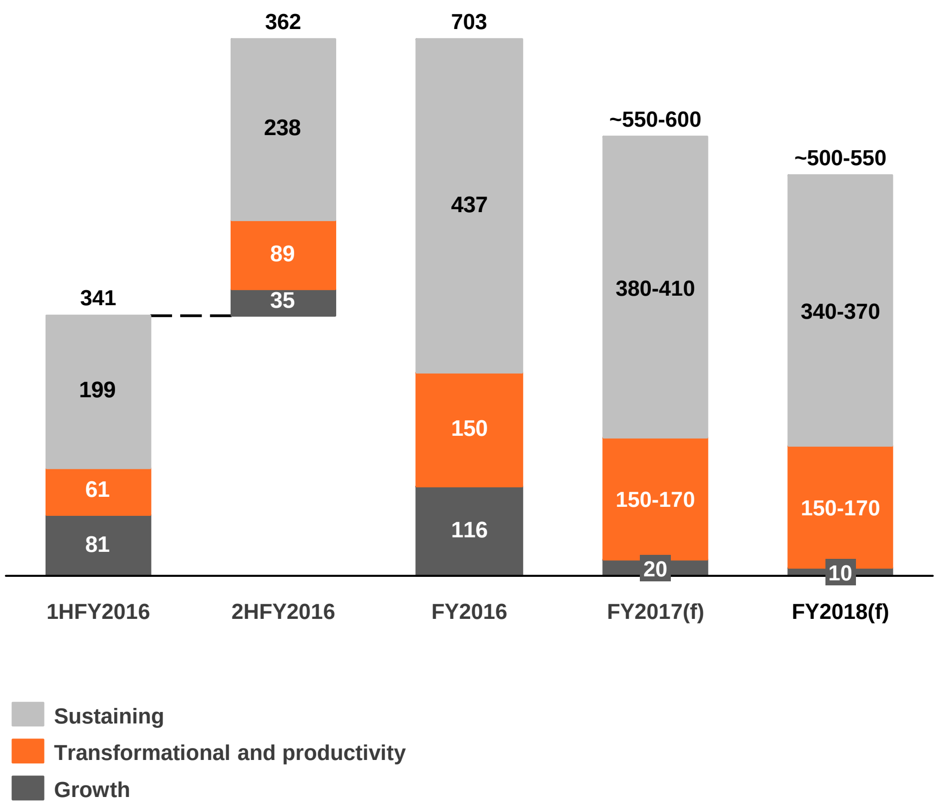
1. Revenue quality represents movement in average above rail rate per tonne net of fuel price and access

Underlying EBIT bridge – Below Rail



Further capex reductions forecast

Capital expenditure FY2016 – FY2018 ($m)[1]



- Further reductions in forecast capex spend over the next two years of $50-$150m, supporting Free Cash Flow (FCF) growth
- FY2016 spend included additional sustaining capital due to acceleration of Below Rail (resurfacing plant and rail renewals) and Above Rail (yard renewals) capital
- Transformation capital expectations have reduced following a review of requirements:
  - Improvements in wheel wear has deferred the requirement for a consolidated wheel shop
  - Deferral of wagon replacement strategy in Freight
- Long-term non-growth capex now $500-$550m

1. Includes capitalised interest but excludes strategic projects

Cash flow – significant free cash flow growth

$m	FY2016	FY2015
EBITDA - statutory	904	1,489
Working capital & other movements	(85)	7
Non-cash adjustments - impairment	528	-
Cash from operations	**1,347**	**1,496**
Interest received	2	9
Income taxes (paid) / received	(131)	11
Net cash inflows from operating activities	**1,218**	**1,516**
Net cash outflow from investing activities	**(740)**	**(1,161)**
Free Cash Flow (FCF)	*478*	*355*
Net proceeds from borrowings	442	103
Payment for share buyback and share based payments	(355)	(81)
Interest paid	(138)	(128)
Dividends paid to company shareholders	(529)	(396)
Net cash outflow from financing activities	**(580)**	**(502)**
Net (decrease) / increase in cash	**(102)**	**(147)**

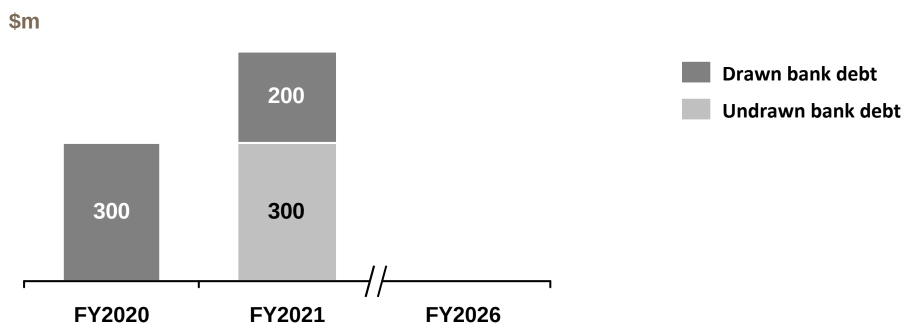
- FCF increased 35% to $478m
- Further improvements expected in FY2017 with capex reductions and Moorebank sale proceeds
- Lower net cash inflows from operations offset by reduction in net cash flow from investing – capex is down following completion of growth projects and efficiencies in capital allocation process
- Increase in tax paid reflects impact of FY2014 impairments on FY2015 tax
- $830m in distributions to shareholders – up 78% with 100% dividend payout maintained and $301m share buy-back

Funding update

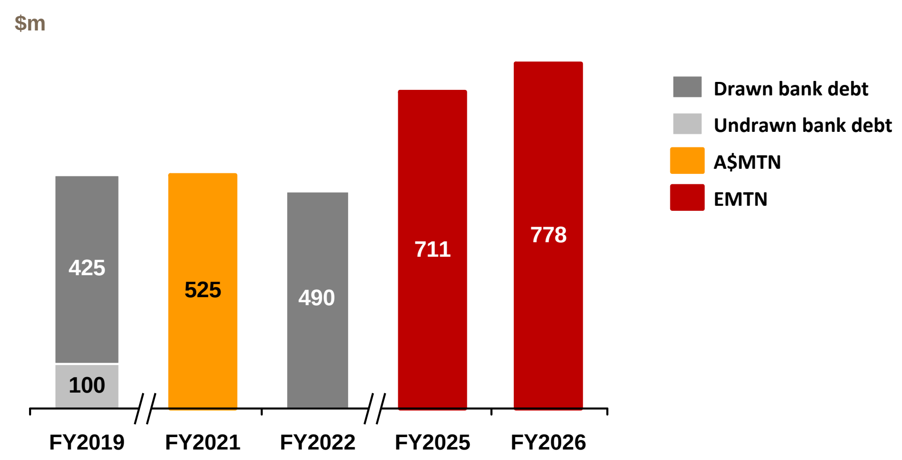
Further debt restructuring undertaken

- Network bank debt facilities of $490m repriced in December 2015 and maturity extended to FY2022
- Group bank debt facilities of $300m repriced in April 2016, maturity extended to FY2021 and tranche size increased to $500m
- Aurizon Network issued second bond in the European capital markets (10 year EUR 500m Medium Term Note) in May 2016. After swapping into A$, proceeds were used to partially repay bank debt
- Debt maturity profile average tenor increased to 5.8 years (FY2014 – 4.3 years)
- Interest cost on drawn debt decreased to 4.7% (FY2015 – 4.9%), expected to increase to 5.1% in FY2017 reflecting transition to longer term debt
- Approximately 64% of interest rate exposure is fixed to align with the Below Rail regulatory period
- Group gearing increased to 37.4% (FY2015 – 30.2%)
- Investment credit ratings at BBB+ (stable) / Baa1 (negative)
- Board committed to maintaining investment grade credit rating

Above Rail $0.5bn maturity profile



Below Rail $2.9bn[1] debt maturity profile



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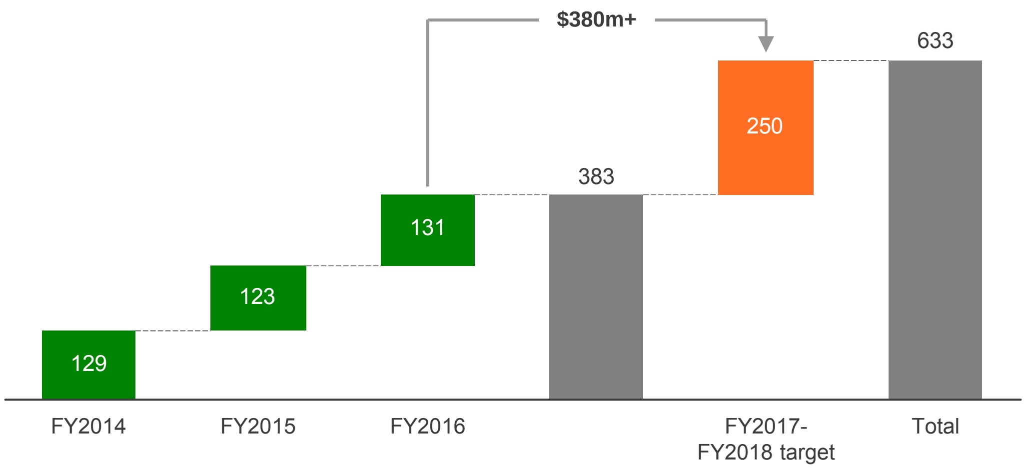
1. Excludes working capital facility

Business and customer update

Lance Hockridge – Managing Director & CEO

Transformation update

Consistent delivery of benefits



Operations Metrics	FY2016	FY2013	%
Net opex/ NTK ($/'000 NTK)	34.1	40.4	16%
Net opex / NTK (excluding access) ($/'000 NTK)	19.9	24.7	19%
Total tonnes hauled (m)	270.9	267.7	1%
Net tonne kilometres - NTK (bn)	71.6	67.0	7%
FTE (monthly average)	5,013	6,006	17%
Labour productivity (NTK / FTE)	14.3	11.2	28%
Loco productivity ('000 NTK / Active loco day)	375.7	263.1	43%
Active locos (as at 30 June)	508	697	27%
Loco availability	92%	89%	3ppts
National Payload (tonnes)	4,659	4,224	10%
Fuel consumption (l/d GTK)	3.10	3.44	10%

- Transformation remains Aurizon's core focus
- $383m in benefits delivered past three years
- A further $250m required over next two years to achieve FY2016-2018 target of $380m – confidence has increased
- Future benefits are shifting from assets-led to people-led (EAs a key enabler) and technology-enabled
- Recently announced initiatives include the following, delivering $70-$80m total annualised productivity benefits:
  - Operations new regional structure
  - Leveraging labour productivity improvements across train crew and maintenance workers
  - Outsourcing non-core maintenance activities with Progress Rail
  - Consolidation of corporate support functions and alignment to new Operations regional model

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Coal update

Markets

- Australian export volumes stable in FY2016 with increased seaborne market share
- Metallurgical coal:
  - 65% market share
  - Uneconomic US volumes continue to exit the market
  - Record Australian exports to India (#1 destination at 23%), other major markets Japan (22%) and China (20%)
- Thermal coal:
  - 23% market share
  - Reduction in US and Indonesia volumes
  - Record Australian exports to Japan (#1 destination at 41%) and South Korea (19%), other major markets China (15%) and Taiwan (10%)
- Australian coal supply continues to reduce Free-on-Board (FOB) costs through:
  - Ongoing reductions in production costs
  - Improvements in supply chain efficiencies including reductions in ship queues and demurrage costs

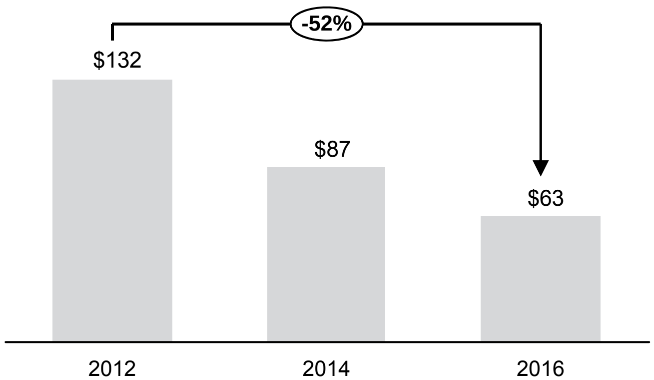
Customers

- Improved cost position for Aurizon customers, with ~10%[1] export volume estimated to be operating at a negative cash margin (from ~26% in January 2016)
  - Improvements in both realised price and operating costs have offset a weaker USD
  - More than half of this negative cash margin volume is with investment grade counterparties
  - Thermal coal spot price now consistent with contract
  - Metallurgical coal contract price increases reflect strong spot prices
- Full assessment of coal mine viability implies ~4% of contract volumes at higher risk (all have short mine/contract life)
- Customer credit ratings (by FY2016 volume):
  - Investment grade 62%, sub-investment grade 28%, private 10%
- Weighted average remaining contract life 10.5 years (Qld 10.6 years, NSW 10.2 years)
- No major contract renewals until FY2022
- New form contracts – 79% of FY2016 volumes, target 96% by FY2018
- Coal contract utilisation remains 92%

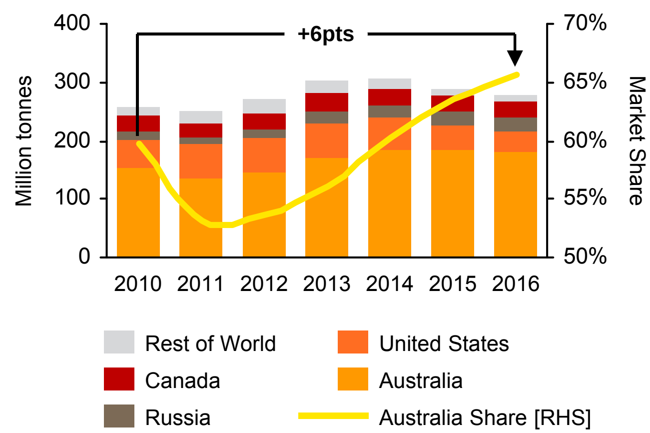
1. AUD/USD exchange rate of $0.76 and blended average of spot and contract prices in July 2016

Coal market update

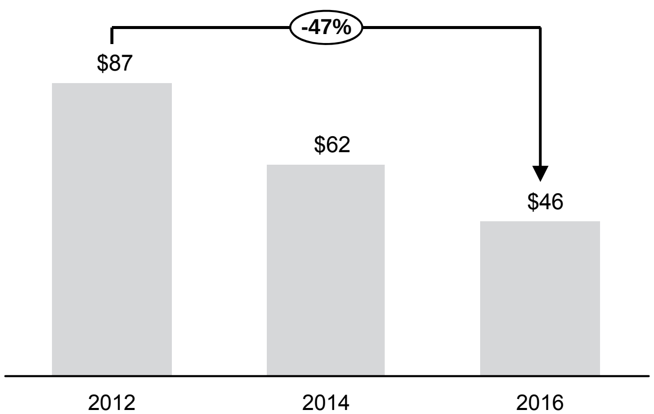
Australia Metallurgical Coal: Weighted Average Total Cash Costs (FOB, USD)



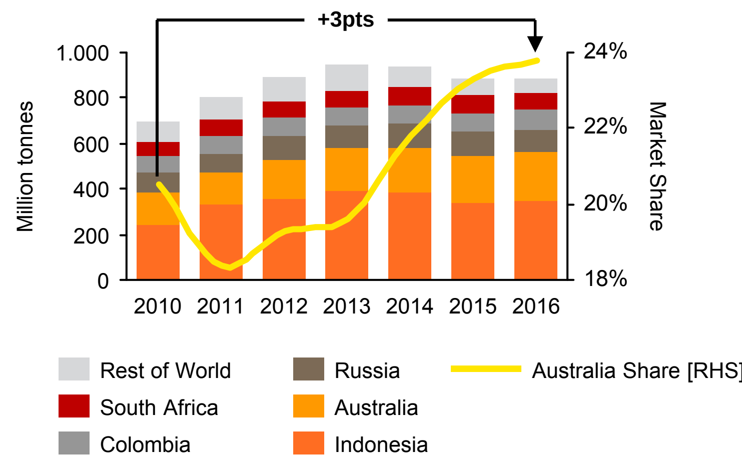
Metallurgical coal seaborne exports
Volume and market share, calendar years



Australia Thermal Coal (Energy Adjusted): Weighted Average Total Cash Costs (FOB, USD)



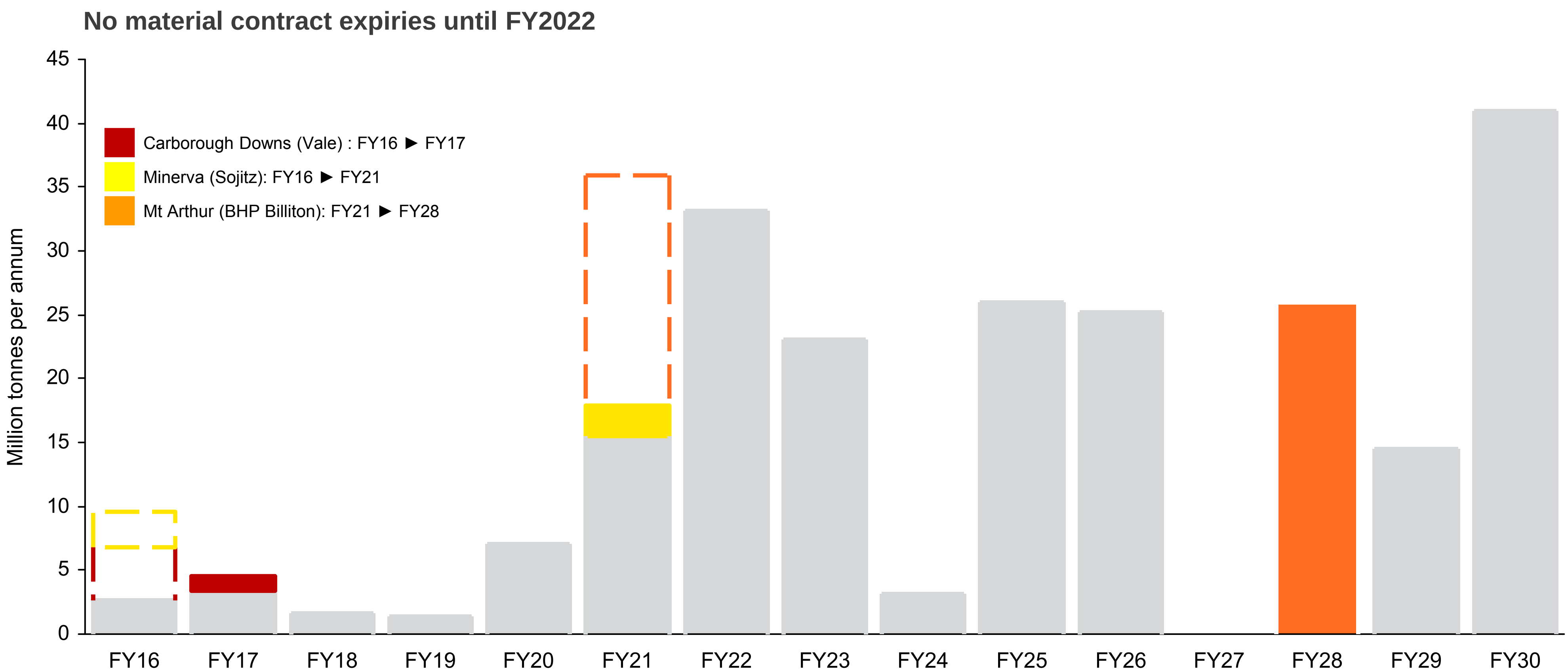
Thermal coal seaborne exports
Volume and market share, calendar years



Source: Wood Mackenzie Coal Costs Benchmarking (May 2016), Wood Mackenzie Coal Markets Tool (1H 2016)

Coal contract expiry

Aurizon Above Rail contract volume expiry by year (mtpa, as at July 2016)



Notes:

- *This represents the contracted tonnes as at July 2016*
- *Recent contractual changes indicated: Vale (Carborough Downs), Sojitz (Minerva) and BHP Billiton (Mt Arthur)*
- *Includes contracted tonnes where extensions are present such as BMA (Multiple Mines), Anglo (Dawson), Glencore (Newlands Collinsville) and New Hope (Multiple Mines)*
- *Immaterial variations to volume/term not announced to market*

Freight Performance Review

Context

- Freight recorded an EBIT loss for FY2016 despite lower cost base as revenues have fallen faster
- Over last two years:
  - Operating costs down 20% (benefits of transformation, impact of CRT sale and lower volumes)
  - Revenue down 28% (13% volume reduction, $85m TSC reduction, CRT sale)
- FY2016 EBIT also includes $20m QNI bad debt, however adjusted result still below EBIT and ROIC expectations

Performance review underway

- Review underway to determine options to achieve appropriate risk adjusted returns
  - Opportunities and strategies considered separately for Intermodal and Diversified Bulk Freight (DBF) given different products, markets and drivers
  - Intermodal
    - Value proposition to customers redefined with Enfield introduction (lead time and frequency)
    - Enfield opens new markets – IMEX shuttles and regional trains
    - Focus on train service profitability
  - DBF commodity mix and future growth opportunities to be assessed on categories and/or corridors (e.g. minerals, grains, livestock, North-West)
- Continue to progress the implementation of transformation initiatives to deliver lower costs and drive efficiencies

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Below rail regulation

UT5 strategy

CONTEXT

- Record volumes for four years in a row, with improved operational metrics
- RAB value now $5.6bn[1] with ~300mt capacity – as requested and endorsed by industry
- Maintenance regime underpins performance, benefitting the entire supply chain
- Stable regulatory regime is critical for all stakeholders to provide certainty and to ensure continued investment

ENGAGEMENT PLAN

- Engagement with stakeholders at all levels including Board
- Industry engagement has commenced

KEY FOCUS AREAS:

- Revenue
  - WACC must reflect risks allocated to Aurizon
  - WACC must reflect regulatory assumptions for BBB+/Baa1 rated entity given current state of capital markets
  - Maintenance allowance must ensure safety compliance and continue to support productivity improvements
  - Recovery of other allowances consistent with efficient costs as determined in UT4
- Policy
  - Capital deferred from UT4 to be included in the RAB
  - Continued engagement on moderating policy where Aurizon believes the QCA has acted beyond their powers
  - Asset stranding position improved in UT4, further refinements required
  - Other major policy items to be addressed as required in the future

1. Estimate excludes $0.4bn in assets operating under an Access Facilitation Deed (AFD) and is subject to QCA approval

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Outlook & summary

Lance Hockridge – Managing Director & CEO

Outlook & guidance

Challenging markets remain, volumes expected to be stable

- FY2017: Revenue $3.35 - $3.55bn, underlying EBIT $900-950m, key assumptions as follows:
  - Above Rail
    - Volumes of 255 – 275mt, including Coal 200 – 212mt
    - Stable pricing with exception of Iron Ore for customer Karara
  - Below Rail
    - EBIT (pre corporate overhead allocation) flat despite $73m one-off true-up from revenue under collection in FY2014 and FY2015
    - Step up in Maximum Allowable Revenue (MAR) (excluding true-up) offset by prior year adjustments[1]
    - $50-60m increase in depreciation (full year impact of WIRP commissioning and rail renewal capitalisation) and operating and energy costs due to inflation and higher electricity charges
  - Continued delivery of transformation benefits consistent with $380m+ enterprise target but excludes restructuring and redundancy costs, expected to be at least $100m
  - No major weather impacts

- FY2018 OR target remains 70% but achievement dependent on:
  - Above rail volume growth and delivery of transformation targets
  - UT5 outcome
  - Outcome of Freight performance review

1. Refer summary on slide 55

Aurizon fundamentals

ENTERPRISE

Improve returns

- effective allocation of capital to ensure optimum portfolio mix and achievement of future enterprise ROIC targets

Cash flow generation

- increased focus on capital spend, especially in lower growth environment

Distributions

- maintain dividend payout ratio in 70-100% range, subject to business and market conditions. Continue to return surplus capital to shareholders

ABOVE RAIL

- Long life assets supported by long duration (10+ years) contracts
- New form contracts deliver greater revenue and cash flow certainty through higher fixed charges (~70% of tariff)
- High quality customers with high quality mines

BELOW RAIL

- Defensive, regulated asset supporting major export industry with RAB of $5.6bn
- Low volume and commodity price risk with socialisation and revenue protection
- High quality customers with high quality mines

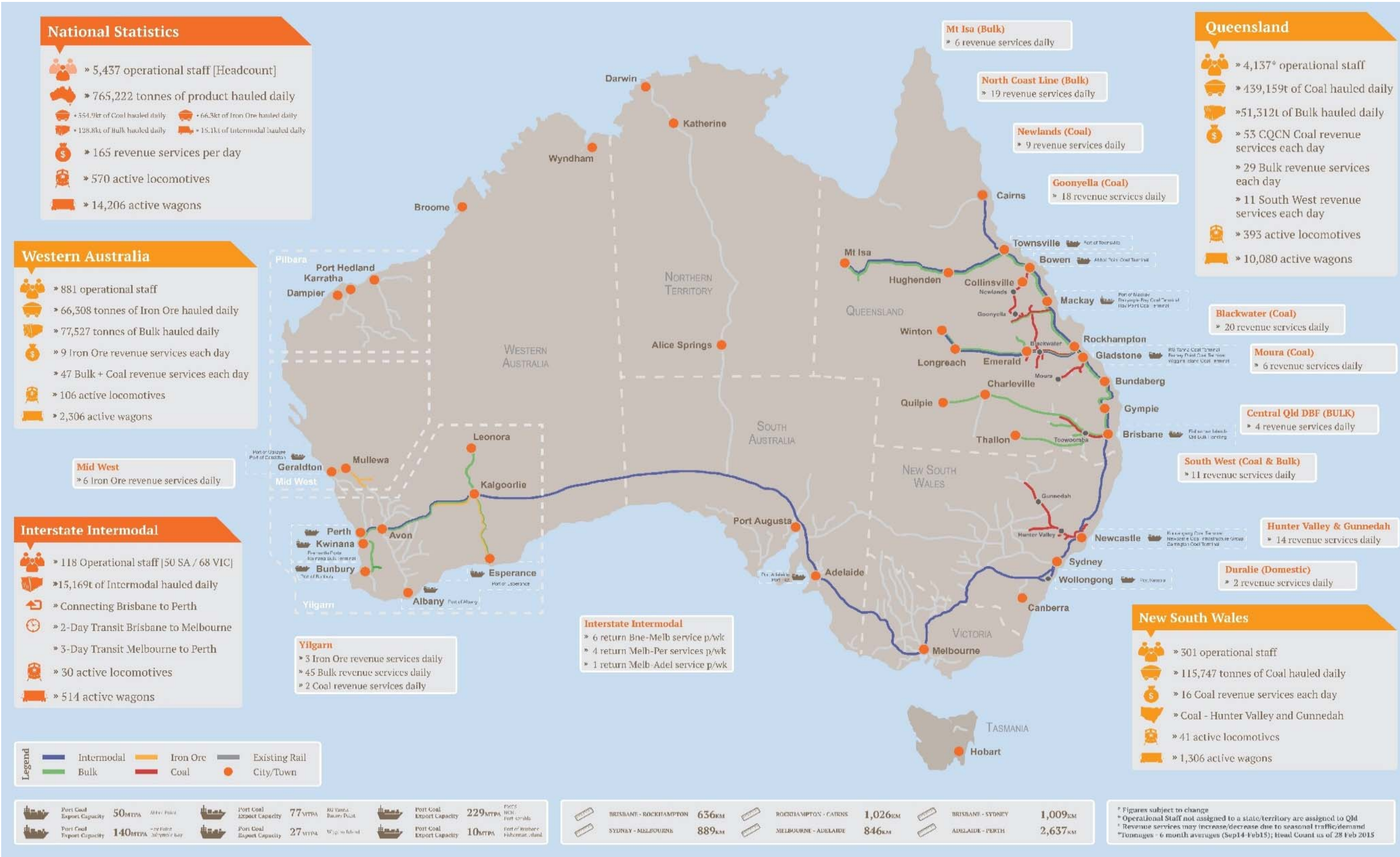
Transformation delivers value to supply chain, customers and shareholders through improved productivity, lower cost and increased capacity

Questions & Answers

FY2016 Results

Additional information

Aurizon Operations Snapshot



Aurizon's Blueprint sets the vision and roadmap for the future

OUR VISION

To be a world leading rail-based transport business that partners with customers for growth.

OUR MISSION

We are an Australian rail-based transport business with a global orientation that creates value sustainably for our customers, shareholders, employees and the communities in which we operate.

OUR STRATEGY

To develop and operate multi-customer, rail-based, integrated supply chains. Our priority is to strengthen and grow our current business across all freight markets through a relentless focus on our customers and by improving productivity. We will diversify our portfolio by leveraging our capabilities into new bulk and general freight opportunities as appropriate in domestic and international markets.

OUR VALUES

Safety
Safety of ourselves and others is our number one priority. Safety is at the core of everything we do as we commit to ***ZERO***HARM.

People
Diversity strengthens our capability. Our energy, courage, and passion motivate us to create extraordinary outcomes.

Integrity
We are honest, fair and conduct business with the highest ethical standards. We are respectful in all of our dealings.

Customer
Customers are at the heart of our business. We consistently deliver what we promise.

Excellence
We create value through collaboration and innovation. Our hallmarks are clear accountability, continuous improvement and disciplined execution.

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How we will deliver our strategy

To develop and operate multi-customer, rail-based, integrated supply chains

Customer Focus	Productivity Improvement	Growth Opportunities
Deliver great service	Drive safety, efficiency & disciplined execution	Bulk supply chains
Innovate commercial approaches	Facilitate supply chain coordination	General freight
Deepen relationships	Grow people, diversity & capabilities	In domestic markets / In international markets
	Optimise assets & capital	
	Implement enabling technologies	

Group Financial Information

Accounting Changes in FY2016

- Rail renewal is the replacement of a section of worn track due to fatigue defects. The new accounting policy is to capitalise and componentise all costs of rail renewal as separate identifiable assets as the rail renewal restores the rail profile, reduces wheel wear costs, optimises the wheel/rail interaction and most importantly extends the useful life of the track and hence maximises the value from the rail asset. This change in policy is aligned to change made by QCA under UT4
- The previous accounting policy was to expense the rail renewal as incurred. This new change in accounting policy was adopted on 1 July 2015 prospectively as the retrospective impact was immaterial. This change resulted in a $12m net reduction in operating costs however there is a lower regulatory revenue allocation of an equivalent amount

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Financial highlights – Underlying

$m	FY2016	FY2015	Variance
Revenue	3,458	3,780	(9%)
EBITDA	1,432	1,489	(4%)
EBIT	871	970	(10%)
NPAT	510	604	(16%)
EPS (cps)	24.4	28.4	(14%)
Final dividend (cps)	13.3	13.9	(4%)
ROIC	8.6%	9.7%	(1.1ppts)
Gearing	37.4%	30.2%	(7.2ppts)

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Material items for note

$m	FY2016	FY2015	Variance
Redundancy Expense	(24)	(36)	12
Reduction in long term and short term incentives reflecting Company performance	38	-	38
Employee shares gifted	(16)	-	(16)
Employee Costs	**(2)**	**(36)**	**(34)**
Land rehabilitation	(9)	(5)	(4)
Employee Provisions	3	6	(3)
Non Cash Provisions	**(6)**	**1**	**(7)**
QNI doubtful debt provision	(20)	-	(20)
Total net impact	**(28)**	**(36)**	**8**

- Table represents items that are included in Underlying EBIT
- This table is designed to assist investors to 'normalise' underlying earnings
- The movement in the land rehabilitation and employee provisions are non-cash adjustments and are impacted by the movement in bond rates

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Underlying EBIT by segment

$m	FY2016	FY2015	Variance
Below Rail (Network)	506	484	5%
Above Rail	435	552	(21%)
- Commercial & Marketing	2,878	3,079	(7%)
- Operations	(2,443)	(2,527)	3%
Other	(70)	(66)	(6%)
Group	**871**	**970**	**(10%)**

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Group operating highlights

	FY2016	FY2015	Variance
Revenue / NTK ($/'000 NTK)	48.3	52.2	(7%)
Labour Costs / Revenue	24.6%	25.7%	1.1ppts
NTK / FTE (MNTK)	11.4	10.5	9%
EBITDA Margin – Underlying	41.4%	39.4%	2.0ppts
Operating Ratio – Underlying	74.8%	74.3%	(0.5ppts)
NTK (bn)	71.6	72.4	(1%)
Tonnes (m)	270.9	281.2	(4%)
People (FTE)	6,287	6,869	8%

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Operations metrics

	Metric		FY2016	FY2015	Variance
Opex	Net operations Opex[1]/NTK ($/'000 NTK)		34.1	34.9	2%
	Net operations Opex/NTK (ex-access)[2]($/'000 NTK)		19.9	21.5	7%
Production	Net tonne kilometres (bn)		71.6	72.4	(1%)
	Tonnes (m)		270.9	281.2	(4%)
People	Full time equivalents (FTE)[3] (Ops)	Monthly	5,013	5,403	7%
	NTK/FTE[4]		14.3	13.4	7%
Fleet	NTK/Active loco	Daily	375.7	339.5	11%
	NTK/Active wagon	Daily	14.7	14.3	3%
Productivity & efficiency	National Payload (tonnes)[5]	Monthly	4,659	4,538	3%
	Velocity (km/hr)	Monthly	29.8	29.5	1%
	Fuel consumption (l/dGTK)		3.10	3.19	3%

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1. Operations underlying EBIT (i.e. expenditure net of revenue)
2. Excludes Access charges which are pass through costs and earnings neutral at Group level
3. Average monthly FTE
4. Annualised NTK using average monthly FTE
5. National Payload includes all services for Aurizon's Operations (including Coal, Bulk and Containerised Freight

Balance sheet summary

As at ($m)	30 June 2016	30 Jun 2015
Total current assets	844	934
Property, plant & equipment	9,719	9,900
Other non-current assets	305	502
Total assets	**10,868**	**11,336**
Other current liabilities	(732)	(845)
Total borrowings	(3,490)	(2,983)
Other non-current liabilities	(932)	(1,002)
Total liabilities	**(5,154)**	**(4,830)**
Net assets	**5,714**	**6,506**
Gearing (net debt/net debt + equity)	**37.4%**	**30.2%**

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Reconciliation of Borrowings

$m		Commentary
Total debt per slide 17 (cash basis)	3,429	
Add/(less):		
Short-term borrowings	6	› Short-term borrowing
Transaction costs capitalised	(17)	› Transaction costs directly attributable to borrowing is capitalised in accordance with AASB 9
Discounts on bonds	(15)	› Discounts on mid-term-notes capitalised in accordance with AASB 9
MTM adjustment on EMTN	87	› Fair value hedge MTM adjustment on EMTN in accordance with AASB 9
Total Liabilities (current + non-current) As per financial report	**3,490**	

Dividend history

	Payment Date	Amount per share (cents)	Franking	Payout Ratio
FY2016 Final[1]	26 September 2016	13.3	70%	100%
FY2016 Interim	29 March 2016	11.3	70%	100%
FY2016 Total dividend		**24.6**		
FY2015 Final	28 September 2015	13.9	30%	100%
FY2015 Interim	23 March 2015	10.1	0%	70%
FY2015 Total dividend		**24.0**		
FY2014 Final	22 September 2014	8.5	0%	70%
FY2014 Interim	28 March 2014	8.0	80%	65%
FY2014 Total dividend		**16.5**		
FY2013 Final	23 September 2013	8.2	90%	65%
FY2013 Interim	27 March 2013	4.1	70%	50%
FY2013 Total dividend		**12.3**		
FY2012 Final	28 September 2012	4.6	0%	50%
FY2012 Interim	30 April 2012	3.7	0%	50%
FY2012 Total dividend		**8.3**		
FY2011 Final	30 September 2011	3.7	0%	50%
FY2011 Total dividend		**3.7**		

1. The relevant final dividend dates are:
   - Ex-dividend date 29th August 2016
   - Record date 30th August 2016

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Function & Segment detail

Below Rail (Network) profit & loss - Underlying

$m	FY2016	FY2016		FY2015	Variance fav / (adv)
		2H	1H		
Tonnes (million)	225.9	111.9	114.0	225.7	-
Revenue - Access	1,136	576	560	1,048	8%
- Services/Other	43	22	21	60	(28%)
Total Revenue	**1,179**	**598**	**581**	**1,108**	**6%**
Operating costs	(415)	(204)	(211)	(409)	(1%)
EBITDA	**764**	**394**	**370**	**699**	**9%**
EBITDA margin	64.8%	65.9%	63.7%	63.1%	1.7ppts
Depreciation and amortisation	(258)	(133)	(125)	(215)	(20%)
EBIT	**506**	**261**	**245**	**484**	**5%**
Operating Ratio	57.1%	56.4%	57.8%	56.3%	(0.8ppts)

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Above Rail profit & loss - Underlying

$m	FY2016	FY2016		FY2015	Variance fav / (adv)
		2H	1H		
Revenue	**3,146**	**1,534**	**1,612**	**3,483**	**(10%)**
Track Access	(1,016)	(497)	(519)	(973)	(4%)
Employee Benefits	(739)	(340)	(399)	(834)	11%
Consumables	(501)	(239)	(262)	(633)	21%
Fuel	(120)	(49)	(71)	(184)	35%
Other	(37)	(14)	(23)	(7)	
Total operating expenses	**(2,413)**	**(1,139)**	**(1,274)**	**(2,631)**	**8%**
EBITDA	**733**	**395**	**338**	**852**	**(14%)**
Depreciation and amortisation	(298)	(145)	(153)	(300)	1%
EBIT	**435**	**250**	**185**	**552**	**(21%)**
Operating Ratio	86.2%	83.7%	88.5%	84.2%	(2.0ppts)

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Commercial & Marketing profit & loss - Underlying

$m	FY2016	FY2016		FY2015	Variance fav / (adv)
		2H	1H		
Total revenue	**2,931**	**1,421**	**1,510**	**3,151**	**(7%)**
Coal	1,881	931	950	1,894	(1%)
- Below Rail	734	361	373	707	4%
- Other	1,147	570	577	1,187	(3%)
Freight	739	342	397	919	(20%)
Iron Ore	311	148	163	338	(8%)
Operating costs	(49)	(10)	(39)	(67)	27%
EBITDA	**2,882**	**1,411**	**1,471**	**3,084**	**(7%)**
Depreciation and amortisation	(4)	(1)	(3)	(5)	20%
EBIT	**2,878**	**1,410**	**1,468**	**3,079**	**(7%)**

Operations profit & loss - Underlying

$m	FY2016	FY2016		FY2015	Variance fav / (adv)
		2H	1H		
Revenue	**215**	**113**	**102**	**332**	**(35%)**
Track Access	(1,016)	(497)	(519)	(973)	(4%)
Employee Benefits	(710)	(328)	(382)	(787)	10%
Consumables	(495)	(238)	(257)	(604)	18%
Energy & Fuel	(120)	(49)	(71)	(183)	34%
Other	(23)	(17)	(6)	(17)	(35%)
Total operating expenses	**(2,364)**	**(1,129)**	**(1,235)**	**(2,564)**	**8%**
EBITDA	**(2,149)**	**(1,016)**	**(1,133)**	**(2,232)**	**4%**
Depreciation and amortisation	(294)	(144)	(150)	(295)	0%
EBIT	**(2,443)**	**(1,160)**	**(1,283)**	**(2,527)**	**3%**
EBIT (ex access)	(1,427)	(663)	(764)	(1,554)	8%

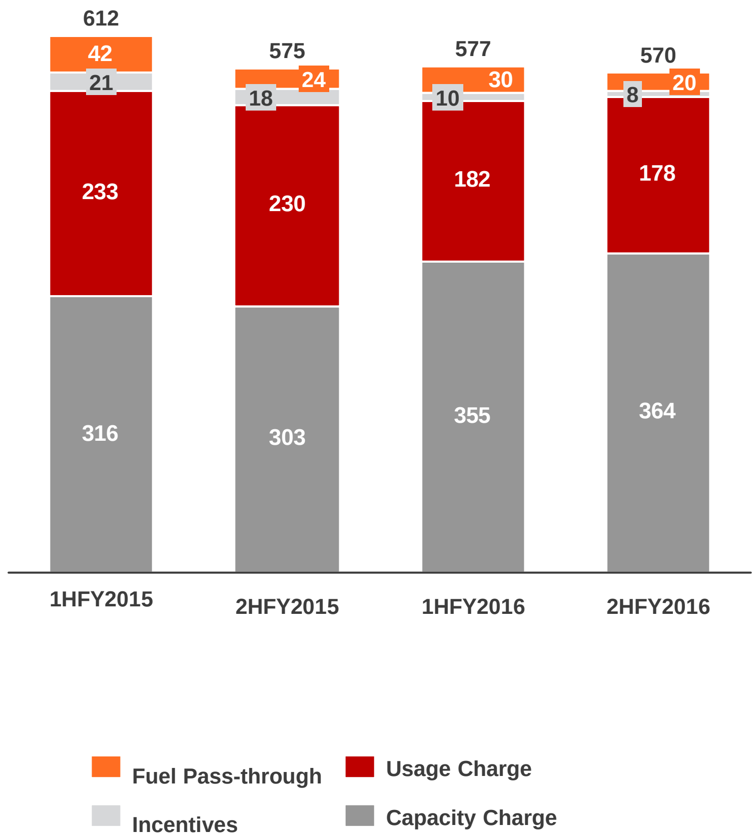
Other profit & loss - Underlying

$m	FY2016	FY2016		FY2015	Variance fav / (adv)
		2H	1H		
Revenue	**15**	**2**	**13**	**46**	**(67%)**
Employee Benefits	(35)	(16)	(19)	(54)	35%
Consumables	(35)	(16)	(19)	(25)	(40%)
Other	(10)	(10)	-	(29)	66%
Total operating expenses	**(80)**	**(42)**	**(38)**	**(108)**	**26%**
EBITDA	**(65)**	(40)	(25)	(62)	(5%)
Depreciation and amortisation	(5)	(3)	(2)	(4)	(25%)
EBIT	**(70)**	**(43)**	**(27)**	**(66)**	**(6%)**

Coal Above Rail revenue[1] composition

Core revenue remains stable despite volume decline

- Fixed revenue (capacity charge) has increased and variable revenue (usage charge) has decreased reflecting increase in new form volumes
- Fuel revenue represents the cost passed through to the customer, the reduction reflecting lower diesel fuel prices
- Incentives have reduced due to customers actively managing their contracts
- Capacity charge made up 63% of above rail revenue in FY2016 (from 52% in FY2015)

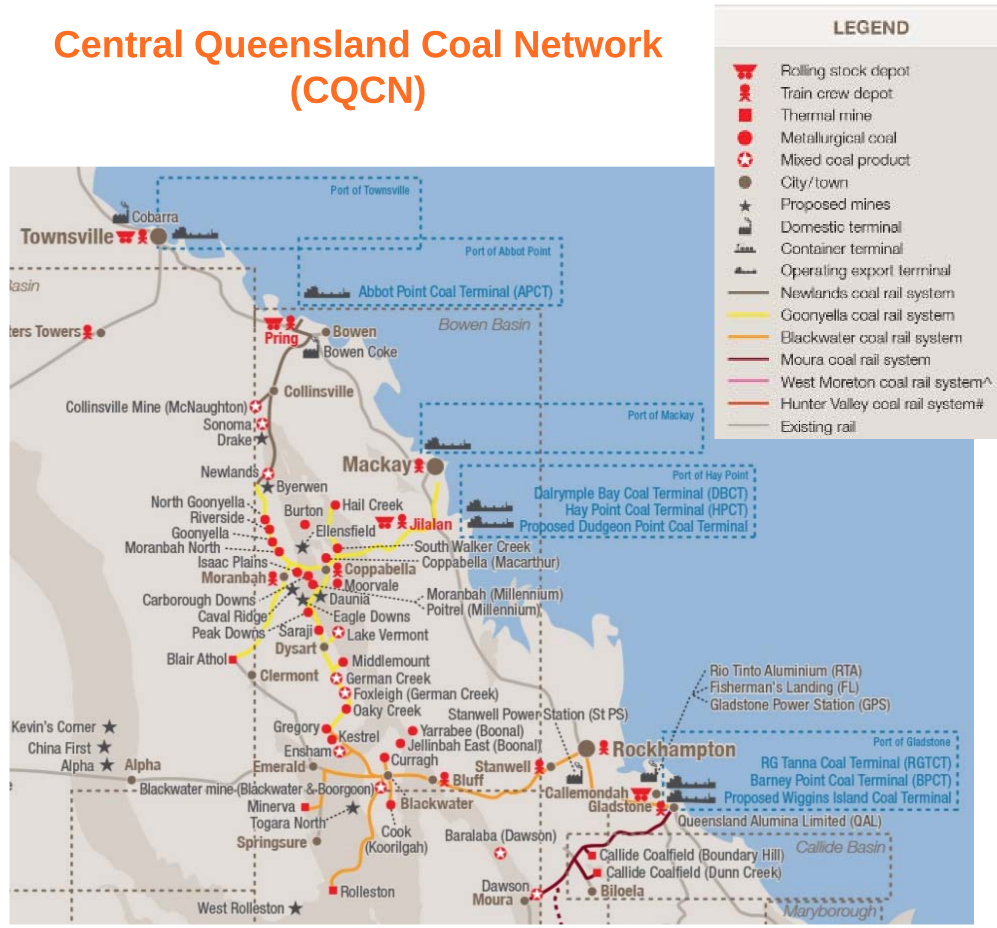


1. Excludes Below Rail access pass through revenue

Aurizon Network Overview

- The CQCN comprises 4 major coal systems and 1 connecting system link serving Queensland's Bowen Basin coal region: Newlands, Goonyella, Blackwater and Moura with GAPE the connecting system link
  - 2,670 kilometres network length of which 1,945 kilometres is electrified
  - Over 40 operating coal mines serviced
- Aurizon Network's operations are governed by 99 year lease arrangements with the State of Queensland
- Approximately 70 services per day delivering to six export coal terminals at three ports
- Open access network with 3 above rail coal operators – Aurizon Operations, Pacific National and BMA Rail
- It is estimated the value of the regulated Asset Base (RAB) will be $5.6bn[(1)] as at 30 June 2016

Central Queensland Coal Network (CQCN)



1. Estimate excludes $0.4bn in assets operating under an Access Facilitation Deed (AFD) and is subject to QCA approval

Below Rail (Network) volumes[1] (mt)

	FY2016	FY2016		FY2015	Variance fav / (adv)
		2H	1H		
Newlands	12.1	6.0	6.1	14.7	(18%)
Goonyella	121.5	61.7	59.8	119.6	2%
Blackwater	56.3	25.5	30.8	62.8	(10%)
Moura	11.9	5.4	6.5	12.3	(3%)
GAPE	16.0	8.1	7.9	15.4	4%
WIRP	8.1	5.2	2.9	0.9	
Total	**225.9**	**111.9**	**114.0**	**225.7**	**-**
Average haul length[2] (kms)	253	252	253	249	2%

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

Queensland FY2016 Take-or-Pay[1]

$m	Coal	Network[1]	Consolidated
Income			
Coal Customers	3.6	-	3.6
Network Customers	-	3.1	3.1
Expense			
Aurizon Network	(3.1)	-	(3.1)
Queensland Rail	(0.5)	-	(0.5)
Prior Year Adjustments	-	-	-
EBIT increase/(decrease)	**-**	**3.1**	**3.1**

- Moura was the only system to trigger Annual[1] Take or Pay in FY2016 for Aurizon Network
- In all other systems, actual GTK's exceeded system forecast GTK's adjusted for Network cause / force majeure GTK's

1. There was also a small (<$0.1m) Variable Take or Pay charge in the Blackwater System

Network revenue cap adjustments

Year	AT_{2-4} (diesel tariff) $m	AT_5 (electric tariff) $m	Total $m
2016[1]	(20.2)[2]	1.4	(18.8)[2]
2015	(29.0)[2]	(2.7)[2]	(31.7)[2]
2014	17.9	(9.8)[2]	8.1
2013	32.8	12.7	45.5
2012	3.2	13.4	16.6
2011	23.2	36.3	59.5

- Revenue cap is the difference by System between Aurizon's Total Actual Revenue (TAR) and System Allowable Revenue (SAR) and also includes rebates and energy cost variations. This is collected through a tariff adjustment two years later
- FY2013 Access Tariff AT_{2-4} includes $11.6m for GAPE
- All (except FY2016) Revenue Cap amounts included cost of capital adjustments aligned to the QCA Final Decision

Note: AT = Access Tariff Revenue Adjustment Amount

1. Estimate, submission not yet made to QCA
2. Return to access holders

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Reconciliation of MAR to reported access revenue

MAR to reported Access Revenue	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017[1] Estimate
Access Revenue (AT_1 to AT_5) (ex. GAPE)	794	787	924	918
Approved Adjustments to MAR				
Transitional tariff adjustment	(70)	-	-	-
Flood Claim recovery from 2013 Event	-	12	6	-
WIRP Smoothing[3]	-	-	(15)	5
Revenue Cap[2] (ex. GAPE and inclusive of capitalised interest)	17	34	8	(32)
UT4 MAR True-up	-	-	-	105
Adjusted MAR (ex. GAPE)	**741**	**833**	**923**	**996**
Total non-regulated Access Revenue (ex. GAPE)	5	11	12	15
Total GAPE Revenue (Regulatory + non-regulatory)	205	204	201	191
Total Access Revenue per Aurizon Statutory Accounts**	**951**	**1,048**	**1,136**	**1,202**

Net true-up $73m

****Actual access revenues reported in FY2017 may differ due to actual volumes not aligning to regulatory system forecast volumes and other adjustments****

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

1. FY2017 estimate excludes the impact of Take-or-Pay and volume volatility
2. FY2017 Revenue Cap is inclusive of a $6m adjustment to correct the Final Decision published FY2015 Revenue Cap amounts
3. FY2016 & FY2017 WIRP Smoothing reflects the ramp up of Regulatory Revenue in line with the Regulatory Volumes and the removal of revenue attributable to Cockatoo

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Movement in Network MAR FY2016-2017

	$m
MAR Step-up (FY2016 to FY2017)	11
WIRP Revenue Ramp-up FY2017	20
Uplift in MAR FY2016-FY2017	**31**
Flood Claim	(6)
Revenue Cap (FY14)	(8)
Revenue Over Recovery	(17)
One-off MAR Adjustments FY2016	**(31)**
Net Impact	**-**

› Excludes GAPE of ($2m)

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Coal haulage tonnages (mt) by system

	FY2016	FY2016		FY2015	Variance fav / (adv)
		2H	1H		
Queensland					
Newlands	20.9	10.4	10.5	22.2	(6%)
Goonyella	60.6	31.7	28.9	65.2	(7%)
Blackwater	62.2	29.9	32.3	61.0	2%
Moura	12.4	5.5	6.9	12.6	(2%)
West Moreton	6.9	3.5	3.4	7.3	(5%)
Total Qld	**163.0**	**81.0**	**82.0**	**168.3**	**(3%)**
New South Wales					
Hunter Valley	43.8	21.4	22.4	42.9	2%
Total Coal	**206.8**	**102.4**	**104.4**	**211.2**	**(2%)**

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Coal Take-or-Pay accrual

$m	FY2016	FY2016		FY2015
		2H	1H	
Take-or-Pay charge[1] (Expense)	3.6	3.6	-	(9.3)
Take-or-Pay passed through to customers (Revenue)	3.6	3.6	-	1.4
Adjustments[2] relating to earlier years	-	-	-	(0.7)
Net EBIT impact	**-**	**-**	**-**	**(8.6)**

1. Principally from Aurizon Network for the Moura system and Queensland Rail for the West Moreton system
2. Adjustments occur as the Take-or-Pay accruals are based on estimates, which are trued up in the following period

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Queensland Coal - Deficit Tonnage Charges (DTC)

$m	2H	1H	Full Year Charge	YoY Variance
2016	-	2	2	(2)
2015	3	1	4	(4)
2014	1	7	8	(29)
2013	4	33	37	8
2012	8	21	29	14
2011	10	5	15	-

› A form of protection for the Above Rail Coal business when actual tonnages are less than contracted

› DTC refers to the period in which the income was recognised in the P&L, not the period the haulage task occurred which is the previous financial year

› Usually seen in old form contracts

› Annual charge to the customer after the contract year has finished (i.e. contracts ending 30 June will have DTC levied in the first half of the subsequent financial year)

› Only levied if haulage is below a pre-determined level for at least five of the twelve months for the contract year

› Generally set at a low proportion of the haulage freight rate

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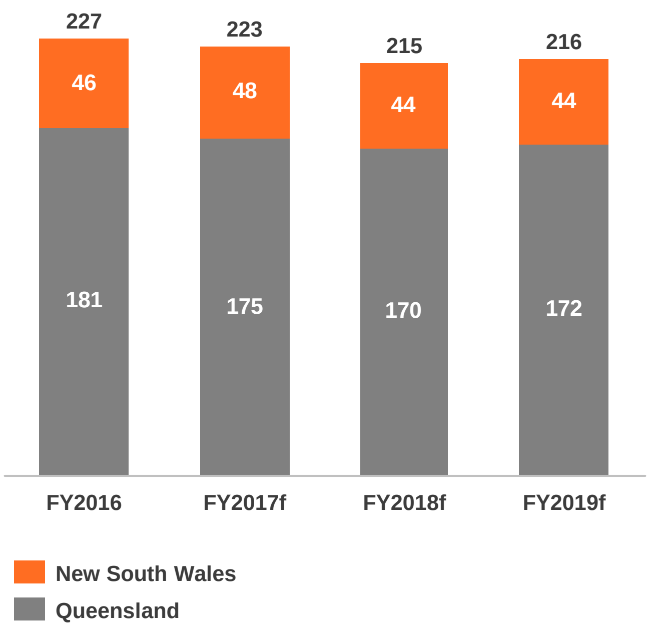
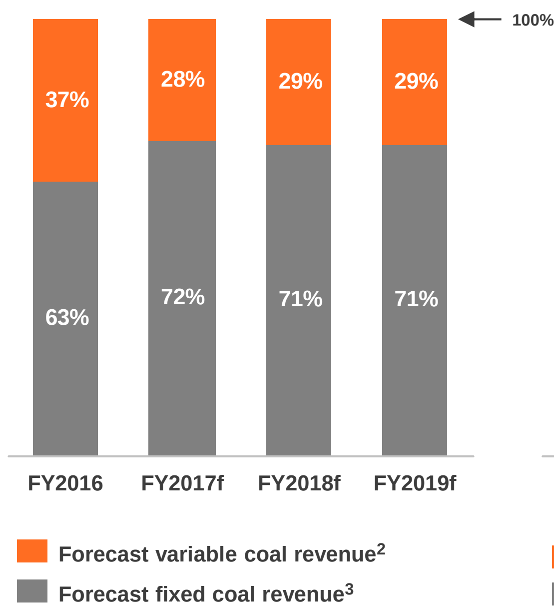
Above Rail Coal contractual outlook

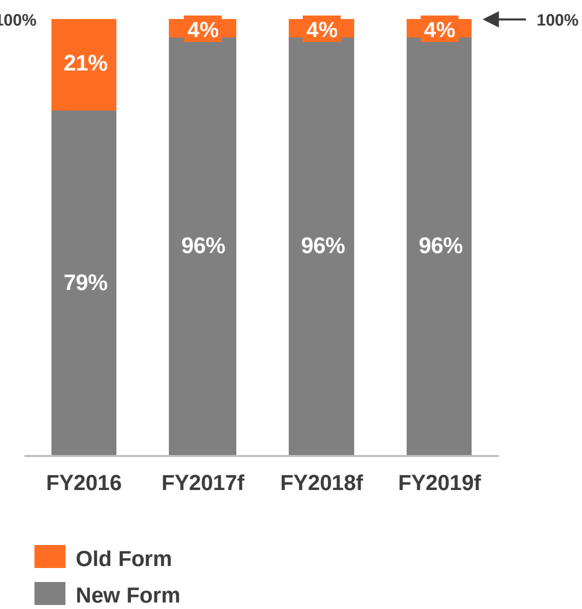
Aurizon's Annualised Above Rail Coal Contracted Volumes (mtpa)[1]



Coal Above Rail revenue breakdown



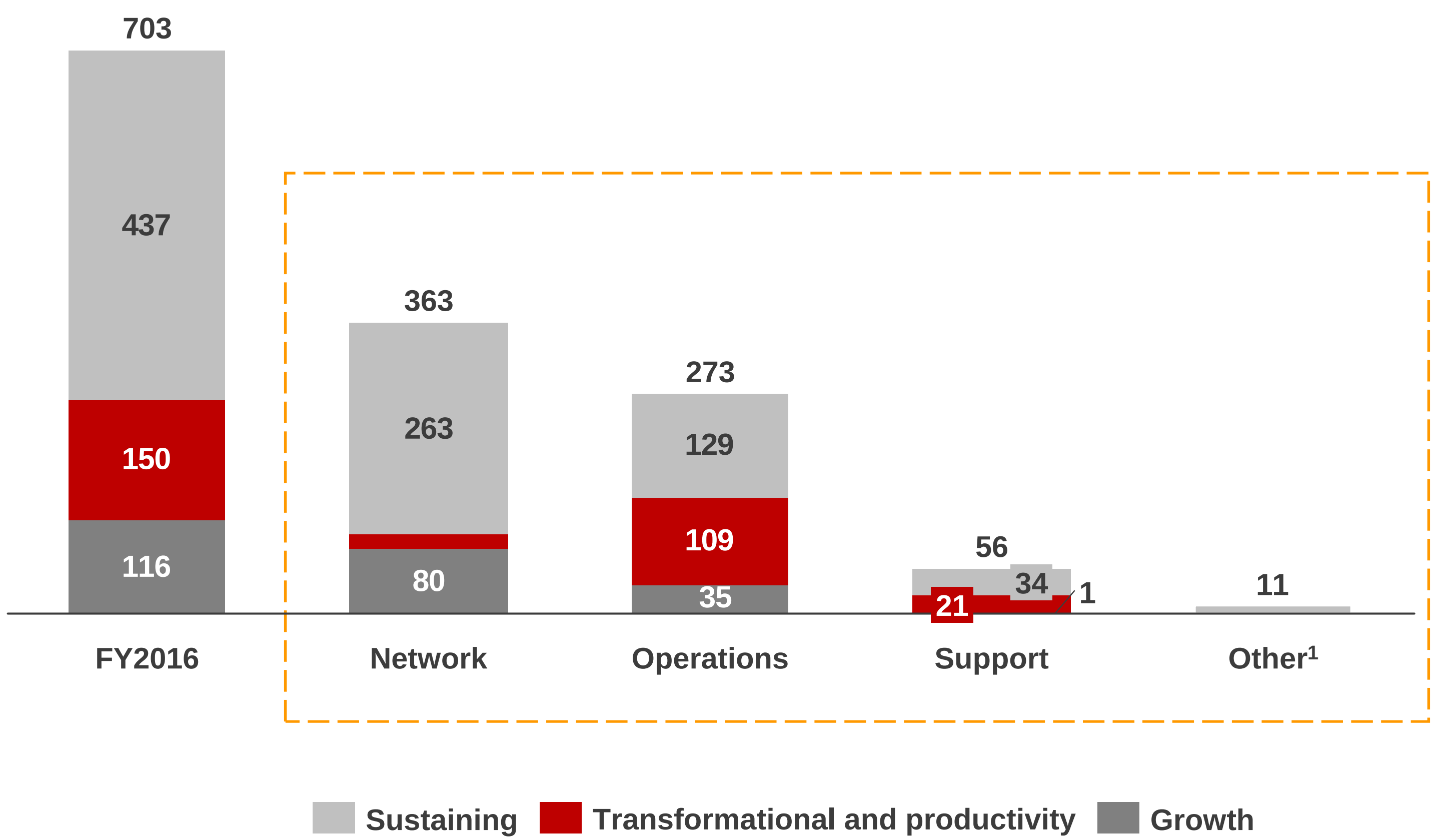
"Old Form" vs. "New Form" coal volumes[4]



1. This represents the contracted tonnes as at 30 June 2016. The existing Aurizon contracted tonnes includes nominations, options or other uncertain events that have the potential to cause variance in our "contracted" tonnes
2. Variable coal revenue = Above Rail Variable Usage Charges/tonne including performance bonuses, incentives and fuel charges
3. Fixed coal revenue = includes capacity charges and other revenue (i.e. deficit tonnage charges)
4. Old Form/New Form coal volumes are based on forecast volumes

Capital Expenditure

FY2016 group and functional capital expenditure ($m)



1. Capitalised interest

WIRP Fast Facts

- Wiggins Island Rail Project (WIRP) Stage 1 will facilitate transport of 27mtpa of coal to the new Wiggins Island Coal Export Terminal (WICET)
- 33% increase in export tonnage transported in the Blackwater and Moura systems (81mtpa to 108mtpa)
- $0.8bn[(1)] investment in new and upgraded infrastructure in the Blackwater and Moura systems
- The scope of works has been divided into 6 segments

Customer	Mine	Mtpa
Aquila	Eagle Downs	1.6
Bandanna[(2)]	Springsure Creek	4.0
Caledon	Cook	4.0
Cockatoo	Baralaba	3.0
New Hope Coal	Colton	0.5
Wesfarmers	Curragh	1.5
Yancoal	Yarrabee	1.5
Glencore	Rolleston	10.9
TOTAL STAGE 1[(3)]		27 Mtpa

1. Excludes capitalised interest of $0.1bn
2. Currently in Voluntary Administration
3. Source: WICET / Company Annual Reports / Aurizon Market Intelligence

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Major Operations projects

Coal - NSW	**Whitehaven New Rollingstock**	› Delivery of new rollingstock for the start-up of Whitehaven's Maules Creek mine › Tranche 1 – 3 new consists were commissioned and progressively introduced into service from December 2014 - March 2015 › Tranche 2 – 88 new wagons have been commissioned and were in service from March 2016 › Total spend to date is $94m of $280m[1] approved budget ($95m committed to date) › Future capital spend dependent on mine and contract ramp-up

Transformation	**Freight Management Transformation (FMT)**	› $100m (~$79m spend to date) investment in simplifying and standardising processes and systems, transforming the way Aurizon operates and delivers its services
		› Will replace 18 disparate legacy systems with a single integrated platform
		› Expected benefits include:
		    › Improved customer experience – comprehensive online customer portal, real time tracking
		    › Revenue growth – improved performance reporting provides support for 'new form' contract decisions and negotiations
		    › Improved asset utilisation through better scheduling & planning, powered by the integrated system managing supply and demand
		› Further transformation opportunities (FTE reductions) through new technology streamlining processes
		› Deployment through a staged approach commenced in December 2015 with a successful implementation of the customer ordering and billing solution for Freight, and continued with Coal implementation in May 2016
		› Remaining deployments implementing planning, execution and terminal and yard management will continue throughout CY2016

Note: Targets and approved amounts exclude capitalised interest

1. Budget and committed amount excludes depot and ancillaries budget of $21m

Intermodal Facilities

Stuart facility, Townsville	› $44m new facility that contributes to both Aurizon's real estate footprint consolidation and investment in the Freight business › Site includes a freight distribution centre, a modern container terminal and three new rail tracks specifically designed for Intermodal and Bulk operations. It is strategically placed with direct links to North Coast Rail Corridor, North West Rail Corridor and Stuart Bypass Road › Construction commenced in February 2016 with operations expected to commence in late 2016 › Key benefits will include multi skilling of the labour force, operational efficiencies, enabling of on train repair (OTR) within the yard and real estate footprint consolidation
Enfield, Sydney	› Intermodal operations in Sydney moved from Yennora to Enfield, following agreement with NSW Ports to operate the Enfield Intermodal Logistics Centre (ILC) in Western Sydney › 10 year lease arrangement provided a low capital and immediately available solution for the interstate business › Enfield location will reduce transit times in Sydney, support improved schedules and cycle times, and provide an opportunity to target improved volumes for both north-south and east-west interstate operations › Provides platform for growth into the import-export (IMEX) market and port shuttle services › Operations commenced at Enfield in May 2016

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Hexham facility operational

Hexham Train Support Facility Hunter Valley

- The Long Term Train Support Facility (LTTSF) at Hexham has been operational since July 2015
- This new world class facility provides Aurizon existing and future fleet maintenance and provisioning capability, driving improvements in operational efficiency and effectiveness
- The expansion is designed to meet previous commitments and enable growth, whilst aligning with the need to reduce operating costs
- Operational benefits of being able to manage operational tasks in house include:
    - Capacity increases through improved loco and wagon availability
    - Reduction in fuel and maintenance unit cost
    - Improvements in turn around time from operating a dedicated facility
- The final cost of the project was ~$173m, under the budget of $186m

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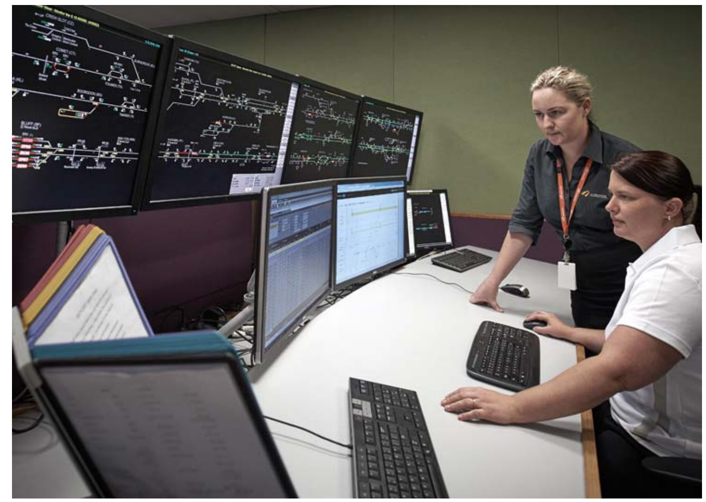
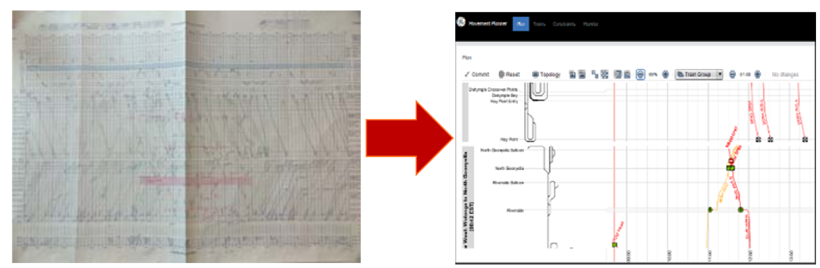
Network Control improvement project

Advanced Planning & Execution (APEX)

- Software solution to support faster, more responsive planning and scheduling of trains from two years out to ‘day of operations’
- APEX ‘day of operations’ represents a step change in technology for network controllers
  - Replacing manual processes with automation and standardisation of systems and processes
- Improvements are to be rolled out over three phases
  - Phase 1 commenced 30th January, 2016 – paper based systems being replaced with sophisticated, real time electronic train graphs that provide train controllers with a system wide view of train movements 12 hours into the future.
  - Further deployment, including Optimisation and automatic conflict resolution are to occur in CY2016 and CY2017
- Benefits
  - 856 additional network paths made available per year
  - 70-85% cheaper than installing additional track infrastructure to create the same capacity
  - Numerous operational efficiencies – decreased delays, increased velocity, improved data collection

Paper based scheduling transferring to system based





Definitions

Metric	Description
Access Revenue	Amount received for access to the Network infrastructure under the Access Agreement
Average haul length	NTK/Total tonnes
Contract utilisation	Total volumes hauled as a percentage of total volumes contracted
CQCN	Central Queensland Coal Network
dGTK	Diesel fuel used per Gross tonne kilometre. GTK is a unit of measure representing the movement over a distance of one kilometre of one tonne of vehicle and contents including the weight of the locomotive & wagons
DTC	Deficit Tonnage Charge. A form of protection for the Above Rail Coal business, whereby the Group is able to recover extra charges where the revenue receivable, based on tonnage hauled and agreed price, falls below minimum levels set in contractual arrangements with customers
Footplate hours	A measure of train crew productivity
Free cash flow	Net operating cash flows less net cash flow from investing activities. Interest payments have been classified as Financing and Investing Activities rather than Operating activities.
FTE	Full Time Equivalent - The number of unique employee positions filled by all Aurizon employees (excluding contractors/consultants) as at period end. The NTK/Employee metric for the half year is annualised for comparative purposes and uses period-end FTE
GAPE	Goonyella to Abbot Point Expansion
Gearing	Net debt/(net debt + equity)
Gross Contracted NTKs	Gross contracted tonnages multiplied by the loaded distances (calculated on a contract by contract basis)
Maintenance	Maintenance costs exclude flood repairs, mechanised ballast undercutting, derailment repairs and electric traction maintenance
MAR	Maximum Allowable Revenue that Aurizon Network Pty Ltd is entitled to earn from the provision of coal carrying train services in the CQCN
Mtpa	Million tonnes per annum
New Form contract	New form contracts provide substantial improvements in commercial terms including pricing (minimum weights and escalation), capacity charges, fuel and access pass through provisions as well as performance bonuses & penalties
NTK	Net Tonne Kilometre. NTK is a unit of measure representing the movement over a distance of one kilometre of one tonne of contents excluding the weight of the locomotive and wagons
Operating Ratio	1 – EBIT margin. Operating ratio calculated using underlying revenue which excludes interest income & significant items
Opex	Operating expense including depreciation and amortisation
Payload	The average weight of product hauled on behalf of Aurizon customers per service, calculated as total net tonnes hauled / total number of services
ROIC	Return on Invested Capital. Rolling 12-month underlying EBIT/(Net PP&E including assets under construction + Investments accounted for using the equity method + current assets less cash, less current liabilities + net intangibles)
ToP	Take-or-Pay. Contractual ToP provisions entitles Aurizon Network to recoup a portion of any lost revenue resulting from actual tonnages railed being less than the regulatory approved tonnage forecast
TSC	Transport Services Contract entered into between the Queensland State Government and Aurizon for the provision of regional freight and livestock services
Underlying	Underlying earnings is a non-statutory measure and is the primary reporting measure used by Management and the Group’s chief operating decision making bodies for the purpose of managing and determining financial performance of the business. Underlying results differ from the Group's statutory results. Underlying adjusts for significant/one-off items
Velocity	The average speed (km/h) of Aurizon train services (excluding yard dwell)
WACC	Weighted average cost of capital
WIRP	Wiggins Island Rail Project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