Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

13 February 2017

Half Year Results Analyst Presentation

Please find attached for immediate release to the market, the Half Year Results analyst presentation.

The presentation will be delivered via webcast which will commence at 9.15am Brisbane time (AEST)/10.15am Sydney time (AEDT). This briefing will be accessible via the Company's website:
http://edge.media-server.com/m/p/kv3e65qo

Kind regards

Dominic D Smith
VP & Company Secretary

T +61 7 3019 9000 | F +61 7 3019 0720 | CompanySecretary@aurizon.com.au
Level 17, 175 Eagle St Brisbane QLD 4000 Australia | GPO Box 456 Brisbane QLD 4001 Australia

1HFY2017 Results

Andrew Harding – MD & CEO
Pam Bains – EVP & CFO

13th February 2017

Important notice

No Reliance on this document

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

Document is a summary only

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

No investment advice

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

Confidential information

The material contained in this presentation and any accompanying oral briefing is confidential. This presentation may not be given by the recipient to any third party, nor may it be used by any such third party who may receive it. The recipient acknowledges that some of the confidential information this presentation and any accompanying oral briefing may be "inside information" within the meaning of Part 7.10, Division 3 of the Corporations Act and similar legislation in other jurisdictions. Prospective investors must not deal, or cause another person to deal, in any shares or other securities of Aurizon contrary to Part 7.10, Division 3 of the Corporations Act or any similar legislation in any other jurisdiction. No action has been taken to permit the public distribution of the information contained in this presentation and the accompanying oral briefing in any jurisdiction and the information should not be distributed to any person or entity in any jurisdiction or country where such distribution would be contrary to applicable law.

No offer of securities

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

Forward-looking statements

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

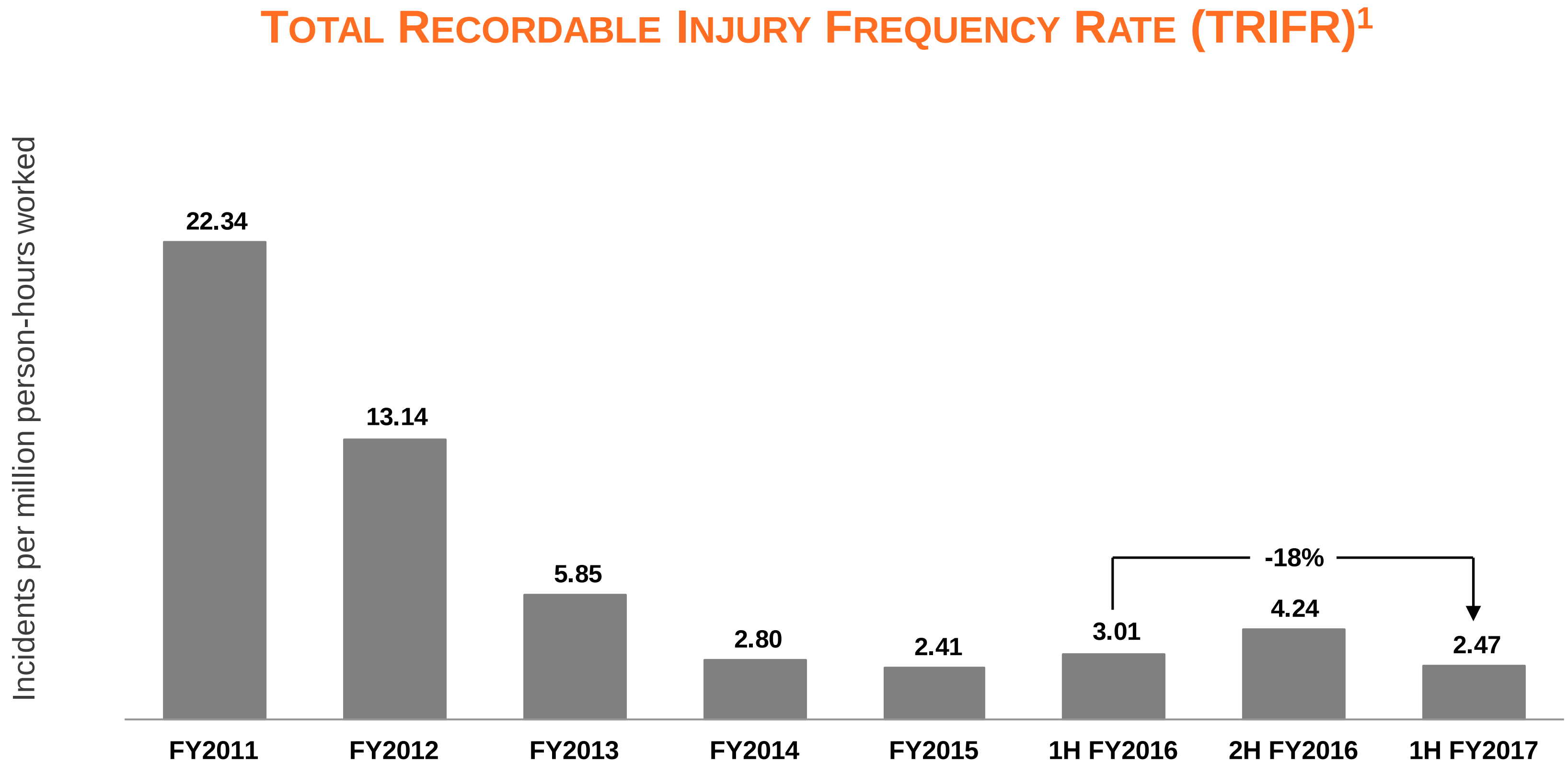
No liability

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

Half year in review

Andrew Harding - Managing Director & CEO

Operating safely remains a core value



1. TRIFR includes employees only and does not include contractors, and represents a 12-month rolling rate

Solid performance as commodity markets strengthen

FINANCIAL RESULTS	› Revenue up 1% to $1.8bn - increase in Below Rail partly offset by volume driven decrease in Above Rail › Underlying EBIT up 21% to $488m, driven by transformation benefits in Above Rail and impact of finalisation of UT4 in Below Rail › Statutory NPAT of $54m reflects the impact of impairments and transformation costs › ROIC 9.6%
TRANSFORMATION	› $64m of benefits delivered, $195m since 1 July 2015; on track to achieve $380m three-year target › Transformation scope to expand to improve long-term ROIC
CASH FLOW	› Free cash flow (FCF) increased to $356m with stronger cash earnings and lower capital expenditure
SHAREHOLDER RETURNS	› Interim dividend 13.6cps, 70% franked, 100% payout of underlying NPAT

AURIZON

Above Rail business benefits from transformation outcomes; Freight / Intermodal drags

REVENUE	› Coal Above Rail up 2% with revenue quality offsetting marginal volume decline › Freight down 8%, consistent with volumes › Iron Ore down 15%, with volumes down 9% and impact of customer rate relief
UNDERLYING EBIT	› Increased $34m (18%) to $219m with strong Coal earnings due to transformation benefits
TRANSFORMATION	› Labour and fleet productivity major transformation drivers behind $61m benefits delivered (of $64m enterprise total) › Key events include implementation of regional operating structure and locomotive heavy maintenance outsourcing › Separate Intermodal business to accelerate reform options
VOLUMES	› Coal decreased 1% to 103.5mt due to the expiry of two contracts, FY2017 expectations unchanged at 200-212mt › Mt Gibson iron ore production expected to be extended with new development at Iron Hill mine
CUSTOMERS	› All coal and iron ore customers estimated to be profitable due to stronger prices, improving industry health › Sustained elevated coal prices may present future volume and growth opportunities

AURIZON™

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 result benefits from UT4 finalisation

REVENUE	› Increased 15% to $671m due to true-up from under recovery of UT4 revenue from prior years
UNDERLYING EBIT	› Increased $50m (20%) to $295m due to higher revenue
OPERATIONAL PERFORMANCE	› Improving asset management leads to 20% reduction in system closure hours (planning and scheduling maintenance programs) › Performance to plan down 1.2ppts to 91.5% from previous record high (17% increase in services cancelled, mainly mine related)
RAB	› Estimated $5.8bn[1] value start of UT5
REGULATION	› UT4 finished October 2016, $89m true-up in FY2017 › UT5 draft submitted November 2016, industry comments due 17 February 2017 › Key issue remains appropriate return given level of risk

AURIZON

1. Estimate as at 30 June 2017 – includes deferred capital but excludes $0.4bn in assets operating under Access Facilitation Deeds (AFD). Estimate subject to QCA Approval of RAB roll-forward and approval of the FY2016 and FY2017 Capital Claims

Transformation continues to deliver real improvements

HEADLINE BENEFITS	› $64m generated in 1HFY2017
OPERATIONS ($52M)	› Labour productivity (NTK / FTE) improved 13%: › Continued benefits from new Enterprise Agreements (EA) including introduction of flexible crewing › Removal of management layer and implementation of new regional operational model › Further improvements from operational technology, process improvement and daily rostering consolidation › Fleet productivity[1] continued to improve, locomotives +5% and wagons +1%, despite flat velocity › National payloads +2% - over length Goonyella trains and additional WA volumes › Commencement of non-core heavy maintenance outsourcing deal with Progress Rail
CENTRALISED SUPPORT ($12M)	› Outsourcing of property maintenance facilities › Rationalising the supplier base through the procurement process
FUTURE STATE	› On target for $380m FY2016 - FY2018 commitment › Transformation scope to expand

AURIZON™

1. Defined as ‘000 NTK per active locomotive and active wagon day

Results analysis

Pam Bains – EVP & CFO

Group financial highlights

$m	1HFY2017	1HFY2016	Variance
Revenue	1,781	1,758	1%
Operating costs	(1,006)	(1,075)	6%
Depreciation & amortisation	(287)	(280)	(3%)
EBIT – underlying[1]	488	403	21%
EBIT – statutory	167	(23)	-
Operating Ratio (%)	72.6	77.1	4.5ppt
NPAT – underlying[1]	279	237	18%
NPAT – statutory	54	(108)	-
EPS (cps) – underlying	13.6	11.2	21%
EPS (cps) – statutory	2.6	(5.1)	-
DPS (cps)	13.6	11.3	20%

- Revenue growth includes timing differences in Network to reflect UT4 finalisation and bank guarantee for Bandanna
- Operating costs decrease reflects $64m in transformation benefits and $36m reduction in access charges
- Depreciation increase reflects Below Rail increase due to rail renewals and ballast undercutting partially offset by a decrease in Above Rail depreciation
- Pre-tax statutory results include $321m in redundancy costs and impairments
- Dividend based on 100% payout ratio

1. Refer following slide for details of underlying adjustments

AURIZON

Earnings reconciliation and significant items

EARNINGS RECONCILIATION

$m	1H FY2017	1H FY2016	FY2016
Underlying EBIT	**488**	**403**	**871**
Significant items			
Impairments	(257)	(426)	(528)
Redundancy costs	(64)		
Statutory EBIT	**167**	**(23)**	**343**
Net finance costs	(92)	(70)	(150)
Statutory profit before tax	75	(93)	193
Income tax expense	(21)	(15)	(121)
Statutory NPAT	**54**	**(108)**	**72**

SIGNIFICANT ITEMS – IMPAIRMENTS

	$m
Intermodal	(162)
FMT[1] project	(64)
Freight review contract costs	(10)
Other assets	(21)
	(257)

AURIZON

1. Freight Management Transformation

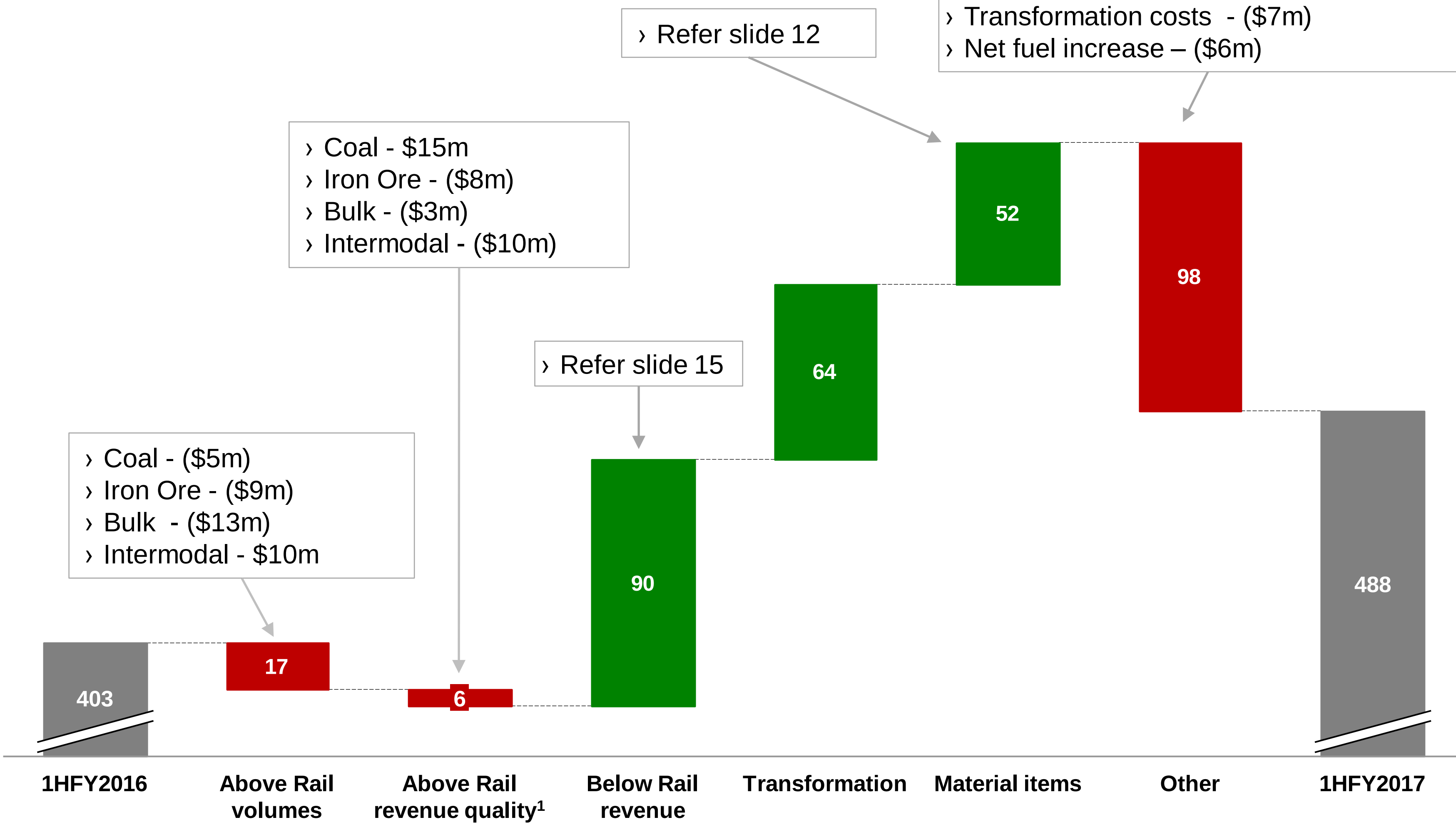
Material items for note

$m	1H FY2017	1H FY2016	Variance
Redundancy Expense	(3)	(16)	13
Long term and short term incentives	(29)	(25)	(4)
Employee shares gifted	-	(16)	16
Employee Costs	**(32)**	**(57)**	**25**
Land rehabilitation	7	(3)	10
Employee Provisions	6	7	(1)
Non Cash Provisions	**13**	**4**	**9**
QNI doubtful debt provision	-	(18)	18
Total net impact	**(19)**	**(71)**	**52**

- Table represents items that are included in Underlying EBIT
- This table is designed to assist investors to 'normalise' underlying earnings
- Redundancy costs in 1HFY2017 of $64m have been treated as a significant item due to their size – this is consistent with treatment in FY2013 and FY2014. $3m of redundancy costs are not transformation related and have been included in underlying EBIT
- The movement in the land rehabilitation and employee provisions are half year-end non-cash adjustments and are impacted by the movement in discount rates

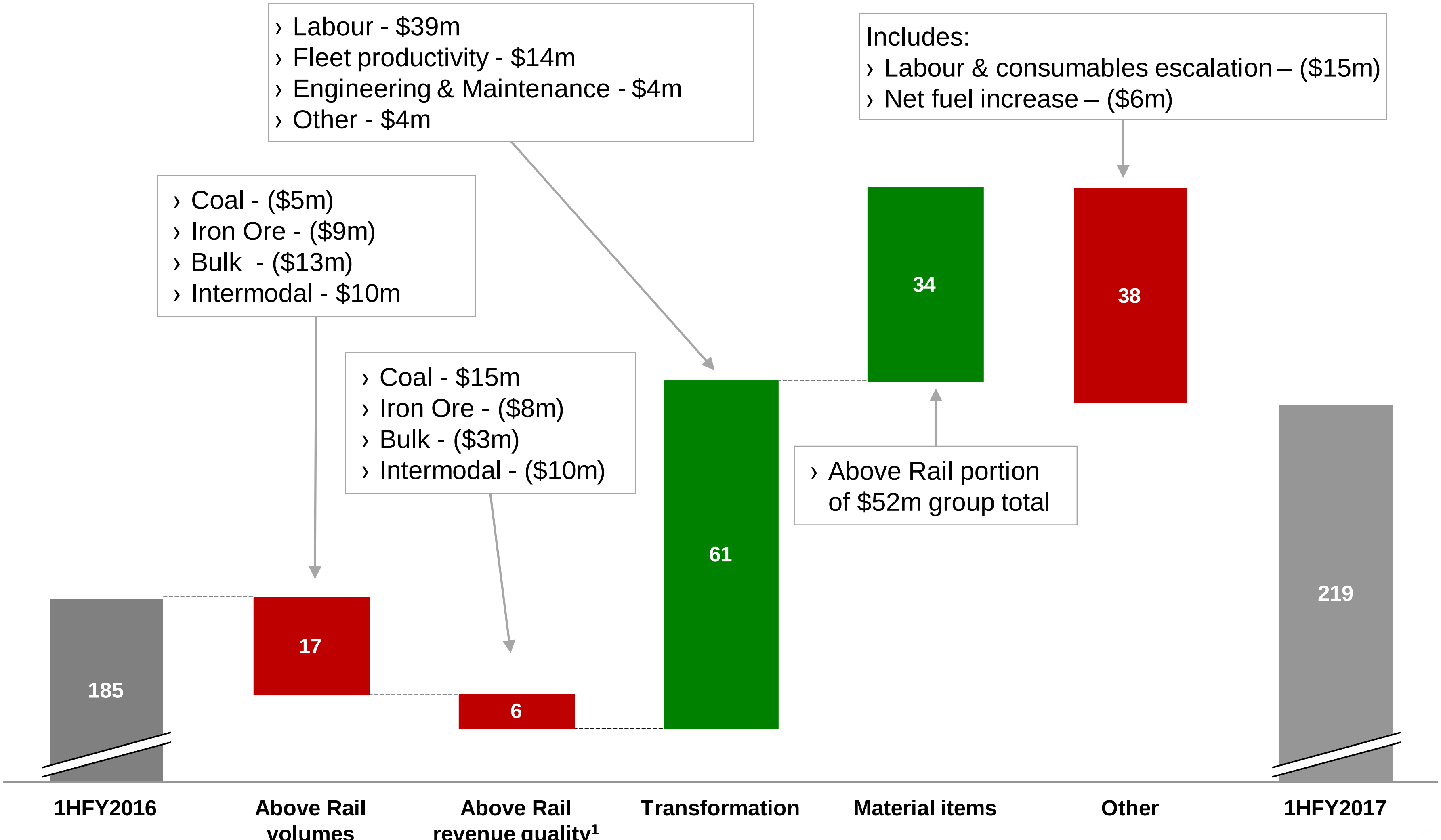
Underlying EBIT bridge – Group

Includes:
- Below Rail depreciation & energy - ($27m)
- Labour & consumables escalation - ($17m)
- Asset impairments – ($9m)
- Asset sales - ($8m)
- Transformation costs - ($7m)
- Net fuel increase – ($6m)



1. Revenue quality is net of fuel price and access

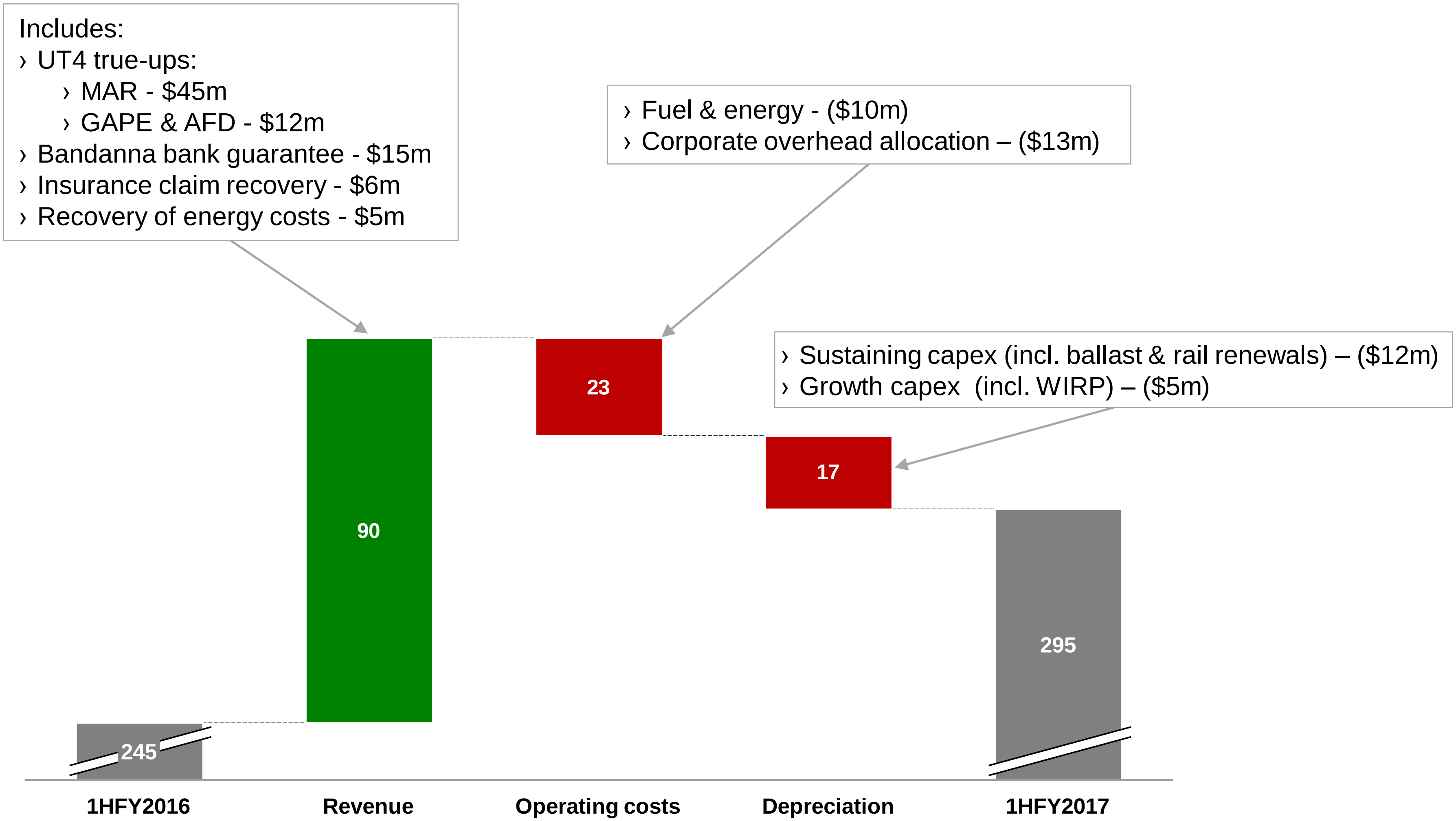
Underlying EBIT bridge – Above Rail



AURIZON

1. Revenue quality is net of fuel price and access

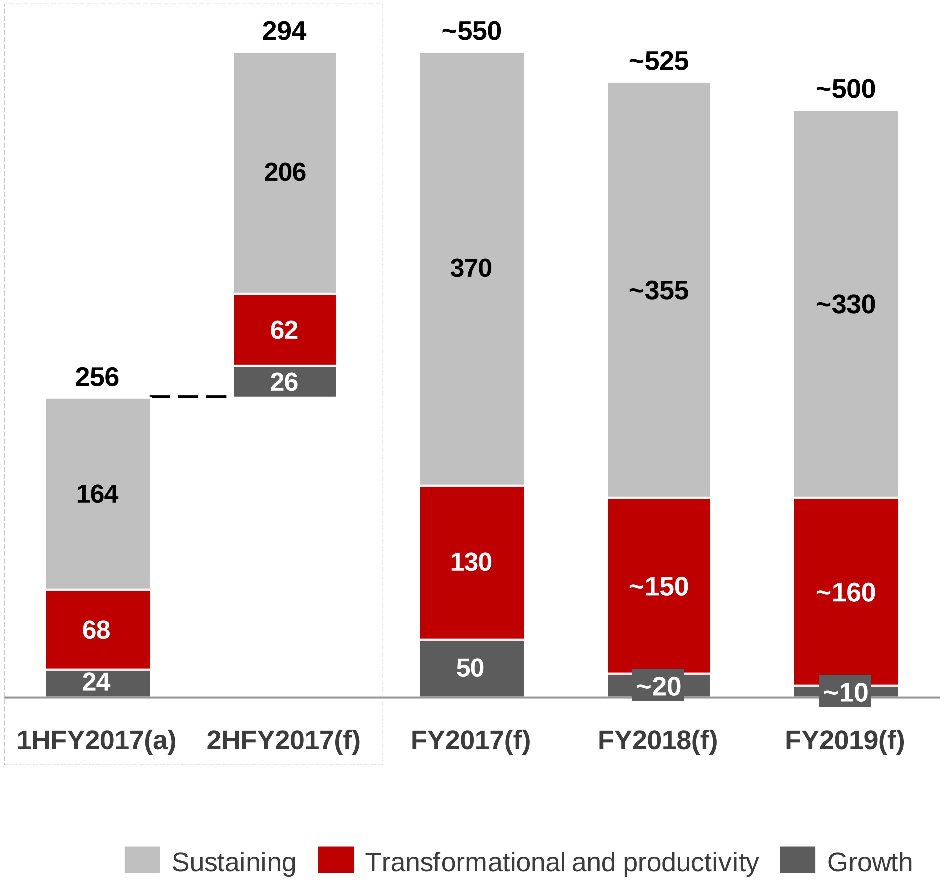
Underlying EBIT bridge – Below Rail



AURIZON

Capital spend continues to reduce

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



- FY2017 capex forecast down $50m ✓
- Growth capital in 1HFY2017 fully committed ✓
- Transformation capital for 1HFY2017 has focussed on operational technology programs including:
  - Wayside condition monitoring (WCM) and On Train Repair (OTR)
  - Driver Advisory System (DAS)
  - Network Asset Management System (NAMS)
  - Advanced Planning and Execution (APEX) software

AURIZON

1. Includes capitalised interest but excludes strategic projects

Strong FCF generation helped by Moorebank

$m	1H FY2017	1H FY2016
EBITDA - statutory	454	257
Working capital & other movements	33	(47)
Non-cash adjustments - impairment	266	426
Cash from operations	**753**	**636**
Interest received	2	1
Income taxes paid	(130)	(115)
Net cash inflows from operating activities	**625**	**522**
Net cash outflow from investing activities	**(182)**	**(396)**
Net (repayments) / proceeds from borrowings	(31)	388
Payment for share buyback and share based payments	(7)	(168)
Interest paid	(87)	(63)
Dividends paid to company shareholders	(273)	(295)
Net cash outflow from financing activities	**(398)**	**(138)**
Net increase / (decrease) in cash	**45**	**(12)**
Free Cash Flow (FCF)[1]	***356***	***63***

- Strong growth in FCF due to stronger earnings and lower capex
- FCF exceeded dividend payments
- Result includes $98m proceeds from disposal of Moorebank investment

AURIZON

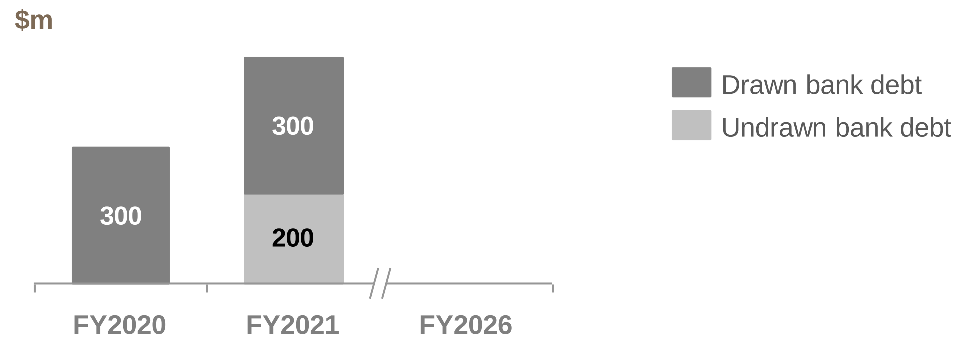
1. Defined as net cash inflow from operating activities less net cash outflow from investing activities less interest paid

Funding update

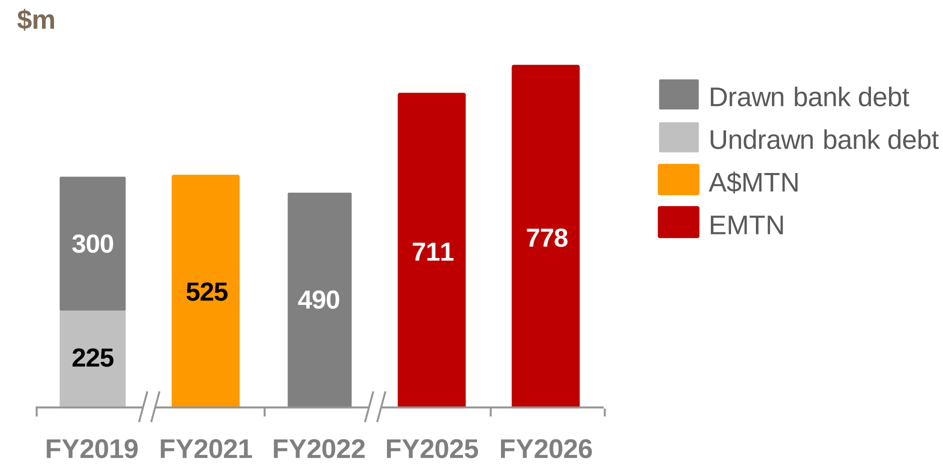
CURRENT RATINGS ARE APPROPRIATE

- Board supports current credit ratings in light of market outlook (Moody's Baa1 (negative), S&P BBB+ (stable))
- Strategy remains to diversify funding sources and extend tenor
- Debt maturity tenor stable at 5.3 years
- Interest cost on drawn debt increased 40bps to 5.1% due to impact from longer term debt
- Approximately 76% of interest rate exposure is fixed or hedged to align with regulatory undertaking
- Group gearing now 37.1% (from 37.4% at 30 June 2016)

ABOVE RAIL $0.6BN MATURITY PROFILE



BELOW RAIL $2.8BN[1] DEBT MATURITY PROFILE



1. Excludes working capital facility

Business and customer update

Andrew Harding – Managing Director & CEO

Initial focus areas to grow value and returns

STRATEGY

1

TRANSFORMATION

- Refer slide 21
- Delivers value at all stages of the cycle
- Technology and innovation will be key drivers

2

CAPITAL ALLOCATION

- Growth capital to be benchmarked against capital returns

3

FREIGHT REVIEW

- Refer slide 22
- All business activities must earn appropriate return on capital
- Work well underway, decisions expected by mid-year

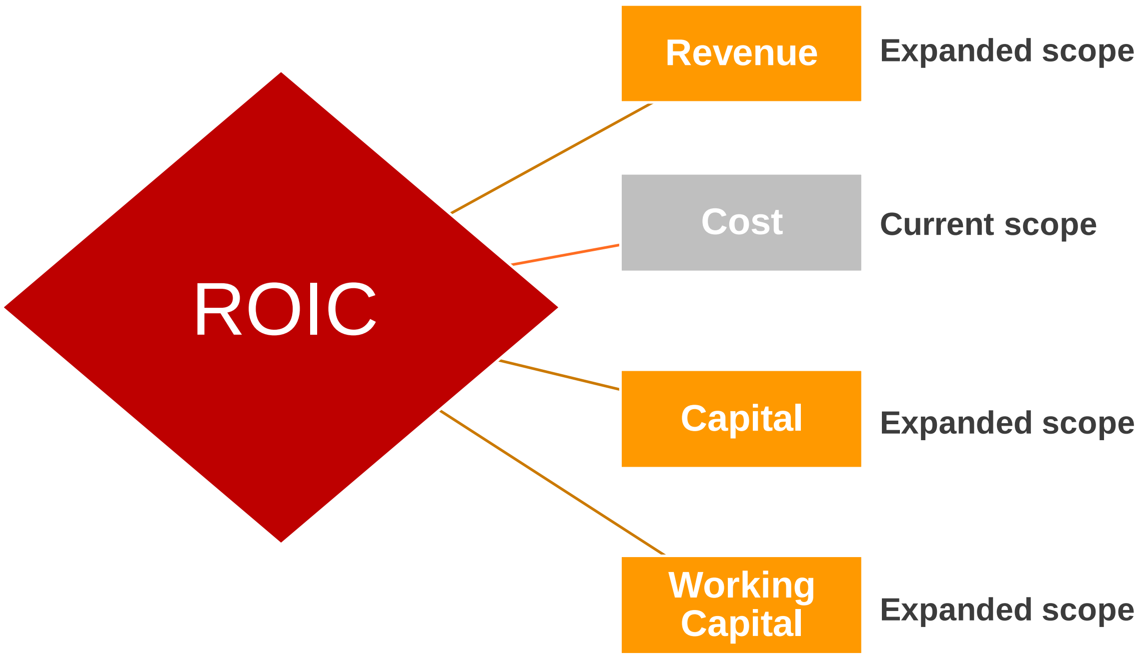
4

UT5

- Need to ensure appropriate return given risk level
- Continue collaborative approach

STRUCTURE

Transformation scope to broaden



- Good progress so far with more available, but harder to get
- Strengthened governance and reporting
  - Facilitates idea generation and implementation
  - Ensures accountability of initiatives and delivery of financial benefits
- Broaden transformation scope over time to include revenue and capital (including working capital)
  - All aligned to improve group ROIC
- Early decisions include:
  - Significantly lowering capital delegation limits to prioritise and optimise capital spending
  - All major consultancy spend requires CEO/CFO approval
- Financial targets remain at $380m for FY2016 - FY2018

AURIZON

Freight review update – Bulk in execution, Intermodal work continues with early restructure decision

BULK

- Detailed analysis of each Bulk haul to understand key financial data including haul margins and returns
- Data reveals mixed performance depending on service type (unit versus manifest trains), commodity types and contract age. Three decisions emerge:
  - Retain – hauls either already achieving target returns or reform options available to achieve targets
  - Transform – hauls can be reformed but will require some third party decisions
  - Exit – hauls fail to achieve acceptable returns regardless of management action
- Now in execution phase, timing of exit decisions impacted by individual contracts
- Mt Isa freighter service termination already implemented

INTERMODAL

- Detailed analysis of markets and competitive dynamics of Intermodal and IMEX underway
- Review of current performance has determined the need to restructure the Intermodal business as a standalone function with full P&L accountability, reporting directly to the CEO, effective January 2017
- Separation to increase focus on improvements in customer service, operational and financial performance
- Further work required including consideration of all available options
- Conclusion expected by mid-year

Improvements in key operating markets, too early to call volume impact

	COAL	IRON ORE

MARKETS	› Strong prices driven by supply restricting policy in China
	› Near term volume upside more apparent with mines operating at low utilisation
	› Met coal – Australian exports increased to 67% market share in 2016
	› Thermal coal – share dropped marginally to 22% due to expected increase in Indonesian exports
		› Price support driven by:
		  › Increase in Chinese crude steel production
		  › Demand for higher grade ores
		› Additional future supply likely to put some pressure on prices long term

CUSTOMERS	› All customers estimated at positive cash margins › New form contracts now 96% of volumes › Weighted average contract life 10.1 years › Recent moves include AGL win and Whitehaven increase › Sustained elevated coal prices may present future volume and growth opportunities	› All customers estimated at positive cash margins › Weighted average contract life 8.1 years after executing an extension with Karara › Mt Gibson production expected to be extended to align with December 2018 contract end following announcement of approval for Iron Hill mine

AURIZON

UT5 submitted with emphasis on correcting risk / return

UT4 (FY2014-FY2017)

- Finalised and implemented 11 October 2016
- $89m true-up to be recognised in FY2017

UT5 (FY2018-FY2021)

- Proposed revenue
  - Maximum Allowable Revenue (MAR) $4.9bn including 6.78% WACC and $5.8bn[1] RAB value
  - Recovery of majority of deferred capital spend (from UT4) on WIRP
  - Inflation methodology to be consistent for asset base and depreciation and reflect lower forecast CPI
  - Maintenance cost approach reflects supply chain criticality, expected increase in volumes and the asset's condition
- Proposed WACC and policy settings
  - WACC approach reflects the increase in risk for Network compared to previous QCA decisions
  - Continue to collaborate with stakeholders to achieve optimal outcomes for industry
  - Other major policy items to be addressed as required in the future

1. Estimate as at 30 June 2017 - excludes $0.4bn in assets operating under Access Facilitation Deeds (AFD). Estimate subject to QCA Approval of RAB roll-forward and approval of the FY2016 and FY2017 Capital Claims

Capital allocation reworked to clearly highlight buy-back benchmark

Operating
Cash flow
&
Net borrowings

Sustaining
&
Transformational
Capital

Dividends
70-100%
Payout ratio

Surplus capital
Returns
e.g. Buy-backs

Growth capital

- FCF expected to grow further in FY2018 driven by transformation and continuing focus on reducing capital expenditure
- Future capital returns to be considered mid-year following group strategy and capital management review

AURIZON

Outlook & summary

Andrew Harding – Managing Director & CEO

FY2017 guidance range unchanged

FY2017

- Revenue $3.35 - $3.55bn
- Underlying EBIT $900 - 950m, assumptions:
  - Above Rail
    - Moderate growth from prior year – transformation and stronger coal offset weaker Freight
    - Volumes of 255 – 275mt, including Coal 200 - 212mt
  - Below Rail
    - EBIT expectations increased – UT4 true-up at higher end of range, additional $10m energy recovery (year earlier than expected) and GAPE and AFD true-up
  - Group
    - 1H results include benefit of non-recurring items from prior year
    - Excludes transformation related restructuring and redundancy costs (at least $100m)
    - No major weather impacts

FY2018

- Achievement of 70% OR target remains dependent on:
  - Delivery of $380m transformation target
  - Above rail volume growth
  - UT5
  - Outcome of freight review

AURIZON

Aurizon fundamentals on a page

ENTERPRISE

IMPROVE RETURNS

- Effective allocation of capital to ensure optimum portfolio mix and achievement of future enterprise ROIC targets
- Growth capital to be benchmarked against share buy-backs

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

ABOVE RAIL

- Core business characteristics:
  - 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 $5.8bn

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

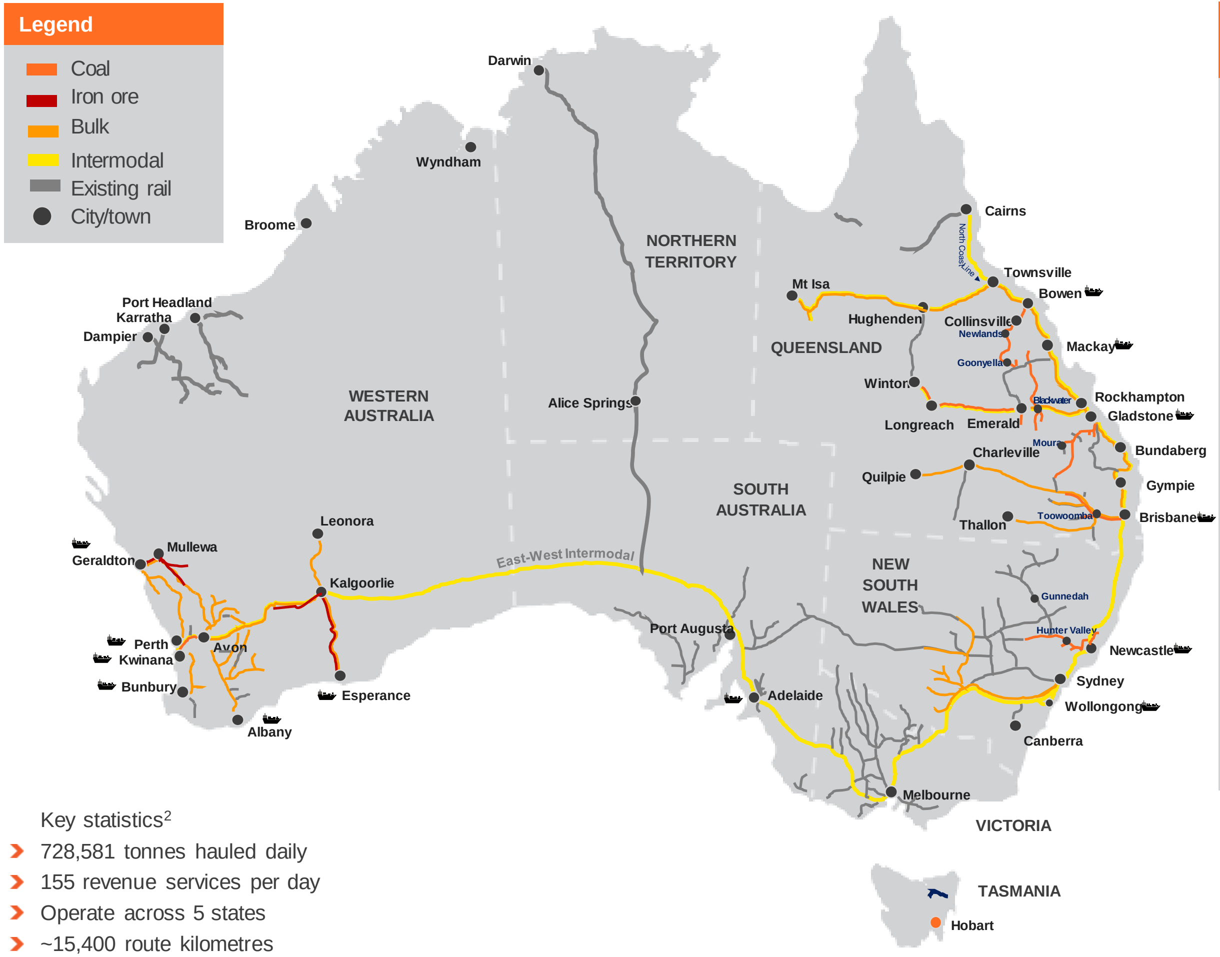
AURIZON

Questions & Answers

1HFY2017 Results

Additional information

Aurizon's rail haulage operations are Australia-wide



Key statistics[2]

- 728,581 tonnes hauled daily
- 155 revenue services per day
- Operate across 5 states
- ~15,400 route kilometres
  - [1.] Excluding Footprint
  - [2.] Key statistics as at June 2016, except for route kilometres which is as at June 2014

Key operational statistics[1]

COMMODITIES
Coal, iron ore, bulk freight and intermodal

PEOPLE
More than 5,000 operational full-time employees

ROLLING STOCK
Over 500 active locomotives

WAGONS
Over 13,000 active wagons

OPERATIONAL FOOTPRINT
215 operations sites

AURIZON

Group Financial Information

Financial highlights (underlying)

$m	1H		Variance
	FY2017	FY2016	
Revenue	1,781	1,758	1%
EBITDA	775	683	13%
EBIT	488	403	21%
NPAT	279	237	18%
EPS (cps)	13.6	11.2	21%
Interim dividend (cps)	13.6	11.3	20%
ROIC	9.6%	8.8%	0.8ppt
Gearing	37.1%	35.4%	(1.7ppt)

AURIZON

EBIT by segment (underlying)

$m	1H		Variance
	FY2017	FY2016	
Below Rail (Network)	295	245	20%
Above Rail	219	185	18%
- Commercial & Marketing	1,377	1,468	(6%)
- Operations	(1,158)	(1,283)	10%
Other	(26)	(27)	4%
Group	**488**	**403**	**21%**

Group operating highlights

	1H		Variance
	FY2017	FY2016	
Revenue / NTK ($/'000 NTK)	49.2	48.2	2%
Labour Costs / Revenue	24.8%	25.5%	0.7ppt
NTK / FTE (MNTK)	12.6	11.3	12%
EBITDA Margin – Underlying	43.5%	38.9%	4.6ppt
Operating Ratio – Underlying	72.6%	77.1%	4.5ppt
NTK (bn)	36.2	36.5	(1%)
Tonnes (m)	135.4	138.9	(3%)
People (FTE)	5,746	6,455	11%

AURIZON™

Operations metrics

	Metric	1HFY2017	1HFY2016	Variance
Opex	Net opex[1] / NTK ($/'000 NTK)	32.0	35.2	9%
	Net opex / NTK (excluding access[2]) ($/'000 NTK)	19.7	20.9	6%
Production	Total tonnes hauled (m)	135.4	138.9	(3%)
	Net tonne kilometres - NTK (bn)	36.2	36.5	(1%)
People	Full Time Equivalents (FTE)[3]	4,523	5,104	11%
	Labour productivity (NTK / FTE)[4]	16.0	14.2	13%
Fleet	Loco productivity ('000 NTK / Active loco day)	387.7	370.7	5%
	Wagon productivity ('000 NTK / Active wagon day)	14.8	14.6	1%
Productivity & efficiency	National Payload (tonnes)[5]	4,611	4,538	2%
	Velocity (km/hr)	29.6	29.7	0%
	Fuel consumption (l/d GTK)	3.12	3.13	0%

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 Intermodal)

AURIZON

Balance sheet summary

As at ($m)	31 Dec 2016	30 Jun 2016
Total current assets	756	844
Property, plant & equipment	9,454	9,719
Other non-current assets	257	305
Total assets	**10,467**	**10,868**
Other current liabilities	(596)	(732)
Total borrowings	(3,388)	(3,490)
Other non-current liabilities	(940)	(932)
Total liabilities	**(4,924)**	**(5,154)**
Net assets	**5,543**	**5,714**
Gearing - net debt / (net debt + equity)	**37.1%**	**37.4%**

AURIZON™

Reconciliation of borrowings

$m		Commentary
Total debt per slide 18	3,404	› Non-current debt on a Cash basis
Reconciliation to Financial Statements		
Add/(less):		
Capitalised transaction costs	(13)	› Transaction costs directly attributable to borrowings are capitalised to the balance sheet and amortised to the income statement in accordance with AASB 9, e.g. refinancing costs
Discounts on bonds	(14)	› Discounts on mid-term-notes capitalised to the balance sheet and unwound to the income statement in accordance with AASB 9
MTM adjustment on EMTN	11	› Fair value hedge MTM adjustment on EMTN in accordance with AASB 9
Total adjustments	(16)	
Total borrowings per financial report	**3,388**	› Current and non-current borrowings

AURIZON™

FY2011 – FY2017 redundancy costs breakdown

Year	Redundancy costs included in underlying EBIT ($m)	Redundancy costs classified as Significant items ($m)
FY2011	2	63
FY2012	15	-
FY2013	-	96
FY2014	-	69
FY2015	36	-
FY2016	24	-
1HFY2017	3	64

- Redundancy costs since IPO have been included in underlying EBIT as well as classified as a significant item
- Aurizon classifies redundancy costs as significant in the notes to the financial statements, 4E, 4D and investor presentations when the amounts are considered material

Dividend history

	Payment Date	Amount per share (cents)	Franking	Payout Ratio
FY2017 Interim	27 March 2017	13.6	70%	100%
FY2017 Total dividend		**tbd**		
FY2016 Final	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**		

The relevant interim dividend dates are:

- Ex-dividend date 27 February 2017
- Record date 28 February 2017

Function & Segment detail

Below Rail profit & loss (underlying)

$m	1H		Variance fav / (adv)	2H
	FY2017	FY2016		FY2016
Tonnes (million)	112.9	114.0	(1%)	111.9
Revenue - Access	629	560	12%	576
- Services/Other	42	21	100%	22
Total Revenue	**671**	**581**	15%	**598**
Operating costs	(234)	(211)	(11%)	(204)
EBITDA	**437**	**370**	18%	**394**
EBITDA margin	65.1%	63.7%	1.4ppt	65.9%
Depreciation and amortisation	(142)	(125)	(14%)	(133)
EBIT	**295**	**245**	20%	**261**
Operating Ratio	56.0%	57.8%	1.8ppt	56.4%

AURIZON

Above Rail profit & loss (underlying)

$m	1H		Variance fav / (adv)	2H
	FY2017	FY2016		FY2016
Revenue	**1,495**	**1,612**	(7%)	**1,534**
Track Access	(445)	(519)	14%	(497)
Employee Benefits	(364)	(399)	9%	(340)
Consumables	(246)	(262)	6%	(239)
Fuel	(61)	(71)	14%	(49)
Other	(18)	(23)	22%	(14)
Total operating expenses	**(1,134)**	**(1,274)**	11%	**(1,139)**
EBITDA	**361**	**338**	7%	**395**
Depreciation and amortisation	(142)	(153)	7%	(145)
EBIT	**219**	**185**	18%	**250**
Operating Ratio	85.4%	88.5%	3.1ppt	83.7%

AURIZON™

Commercial & Marketing profit & loss (underlying)

$m	1H		Variance fav / (adv)	2H
	FY2017	FY2016		FY2016
Total revenue	**1,394**	**1,510**	(8%)	**1,421**
Coal	891	950	(6%)	931
- Above rail	586	577	2%	570
- Track access	305	373	(18%)	361
Freight	364	397	(8%)	342
Iron Ore	139	163	(15%)	148
Operating costs	(15)	(39)	62%	(10)
EBITDA	**1,379**	**1,471**	(6%)	**1,411**
Depreciation and amortisation	(2)	(3)	33%	(1)
EBIT	**1,377**	**1,468**	(6%)	**1,410**

AURIZON

Operations profit & loss (underlying)

$m	1H		Variance fav / (adv)	2H
	FY2017	FY2016		FY2016
Revenue	**101**	**102**	(1%)	**113**
Track Access	(445)	(519)	14%	(497)
Employee Benefits	(352)	(382)	8%	(328)
Consumables	(241)	(257)	6%	(238)
Energy & Fuel	(61)	(71)	14%	(49)
Other	(20)	(6)	-	(17)
Total operating expenses	**(1,119)**	**(1,235)**	9%	**(1,129)**
EBITDA	**(1,018)**	**(1,133)**	10%	**(1,016)**
Depreciation and amortisation	(140)	(150)	7%	(144)
EBIT	**(1,158)**	**(1,283)**	10%	**(1,160)**
EBIT (ex access)	(713)	(764)	7%	(663)

Other profit & loss (underlying)

$m	1H		Variance fav / (adv)	2H
	FY2017	FY2016		FY2016
Revenue	**2**	**13**	(85%)	**2**
Employee Benefits	(18)	(19)	5%	(16)
Consumables[1]	(4)	(19)	79%	(16)
Other	(3)	-	-	(10)
Total operating expenses	**(25)**	**(38)**	34%	**(42)**
EBITDA	**(23)**	**(25)**	8%	**(40)**
Depreciation and amortisation	(3)	(2)	(50%)	(3)
EBIT	**(26)**	**(27)**	4%	**(43)**

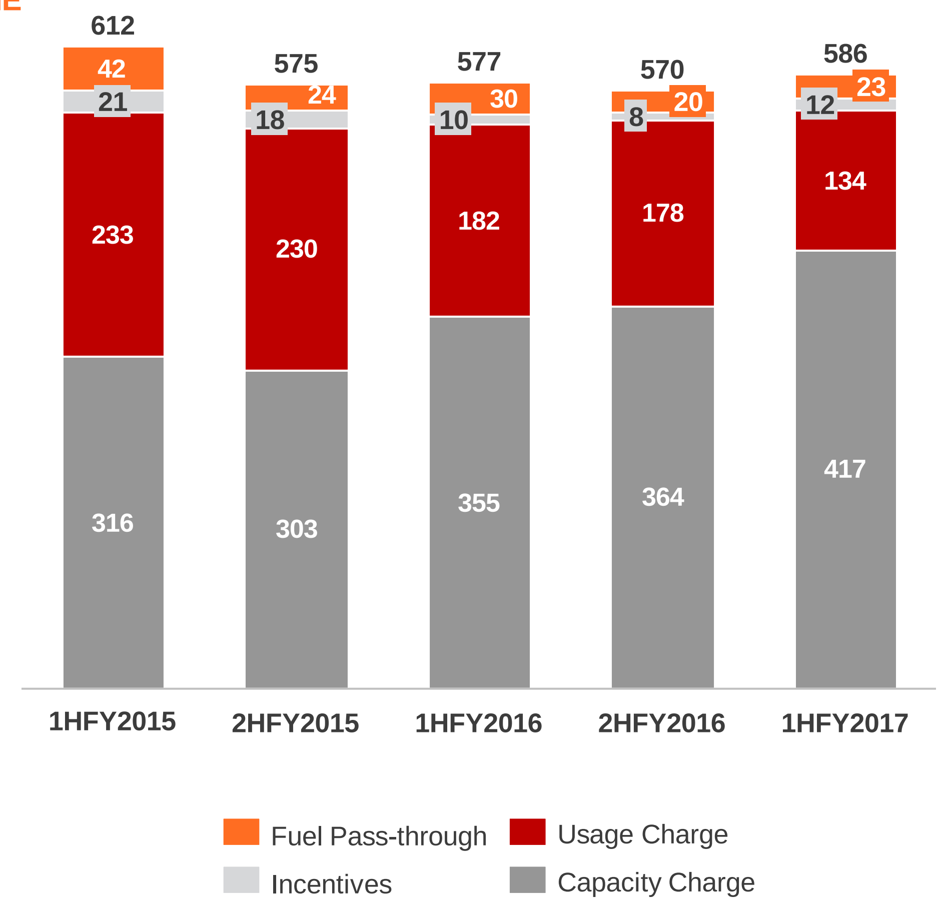
AURIZON

1. Includes $13m one-off overhead recovery from Aurizon Network to reflect the final UT4 decision in relation to the corporate cost allocation FY2014 and FY2015 true-up

Coal Above Rail revenue composition

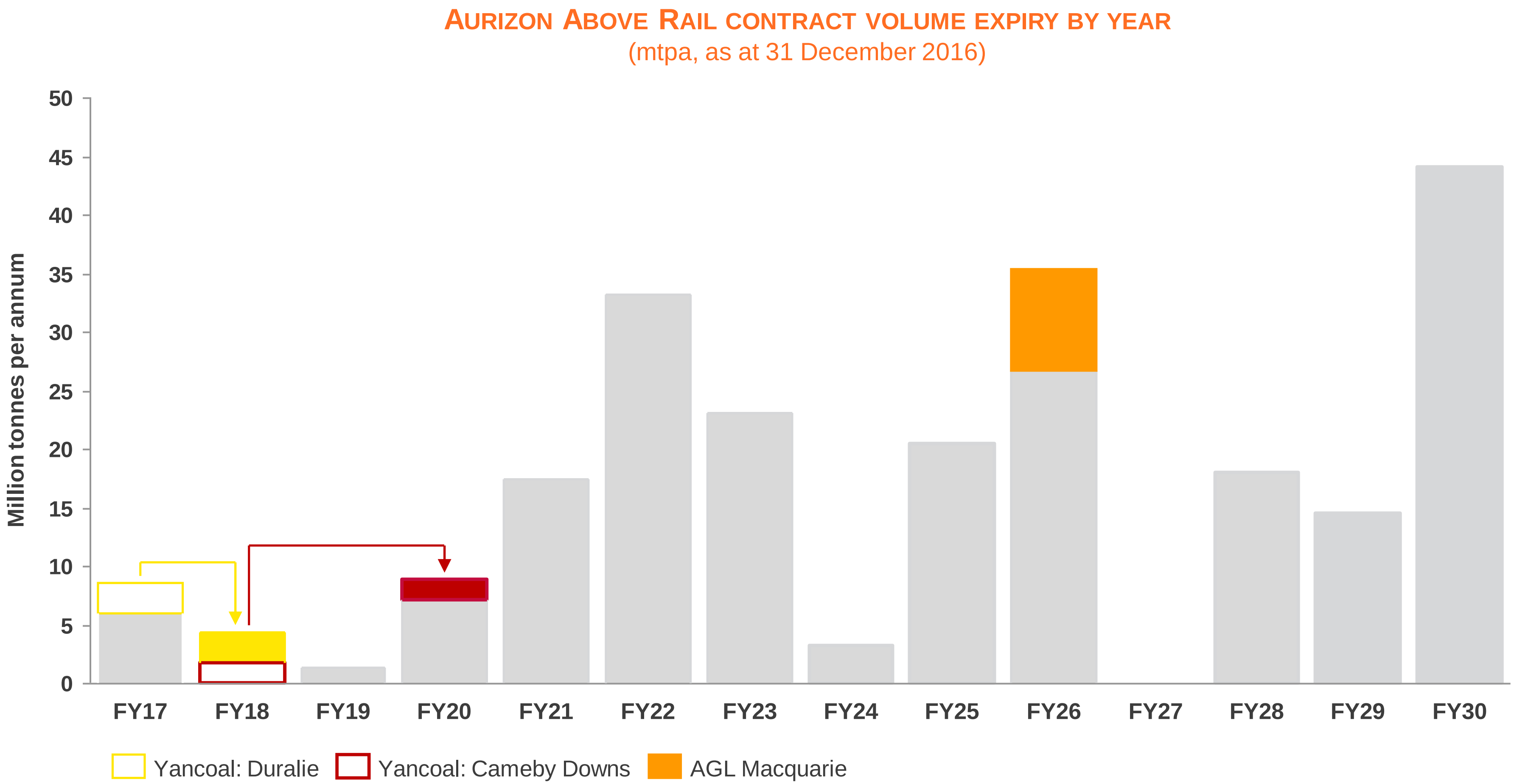
CORE REVENUE[1] REMAINS STABLE DESPITE VOLUME DECLINE

- 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 72% of above rail revenue in 1HFY2017 (from 63% in FY2016)



1. Excludes Below Rail access pass through revenue

Coal contract expiry

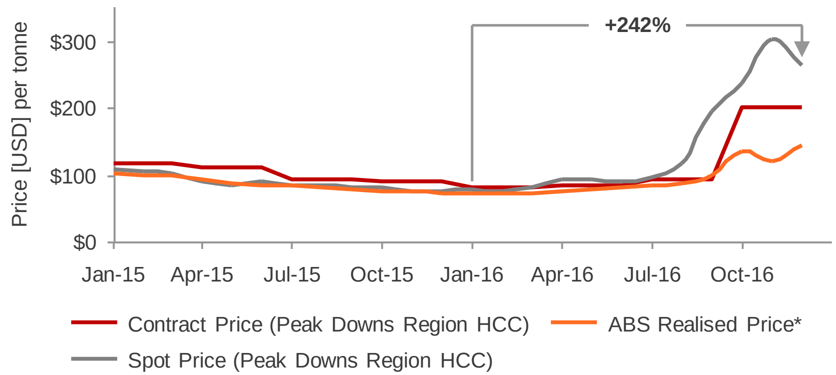


Notes:

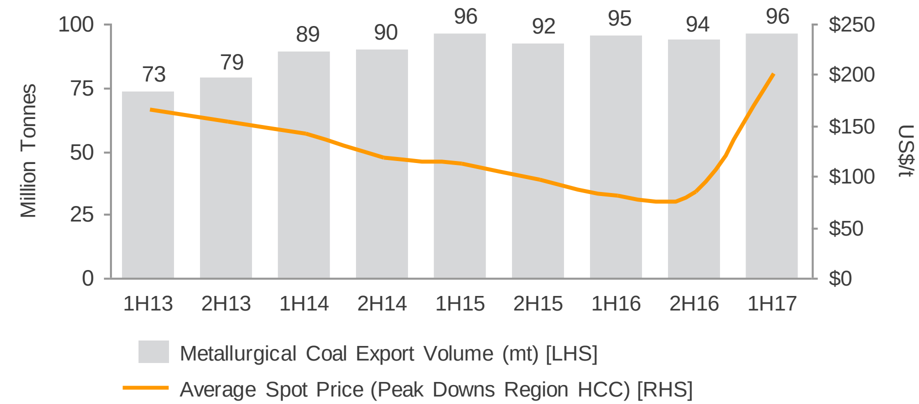
- This represents the contracted tonnes as at 31 Dec 2016. Announced contract tonnages may not necessarily align with current contract tonnages
- Cockatoo Coal contract (3.5mtpa) excluded since Cockatoo Coal went into Voluntary Administration and a Deed of Company Arrangement (DOCA) has been executed
- Includes contracted tonnes where extensions are present such as BMA (Multiple Mines), Anglo (Dawson), Glencore (Newlands Collinsville) and New Hope (Multiple Mines)
- Includes immaterial variations to volume/term not announced to market

Coal market update: Market Fundamentals

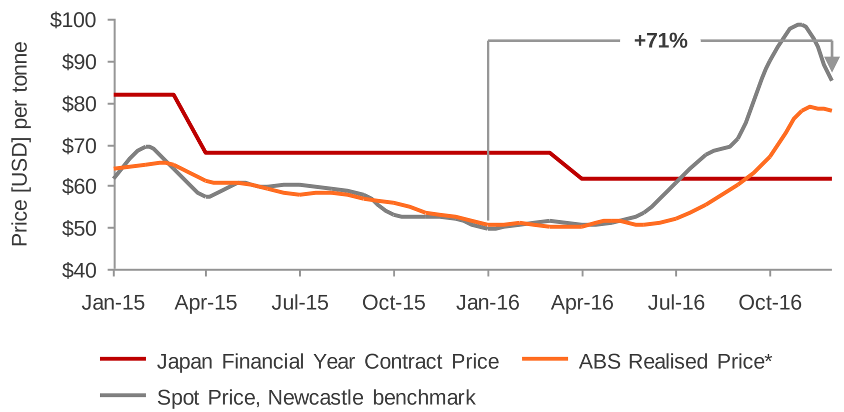
METALLURGICAL COAL: CONTRACT, SPOT AND REALISED PRICE (USD)
Month Average (January 2015 to December 2016)



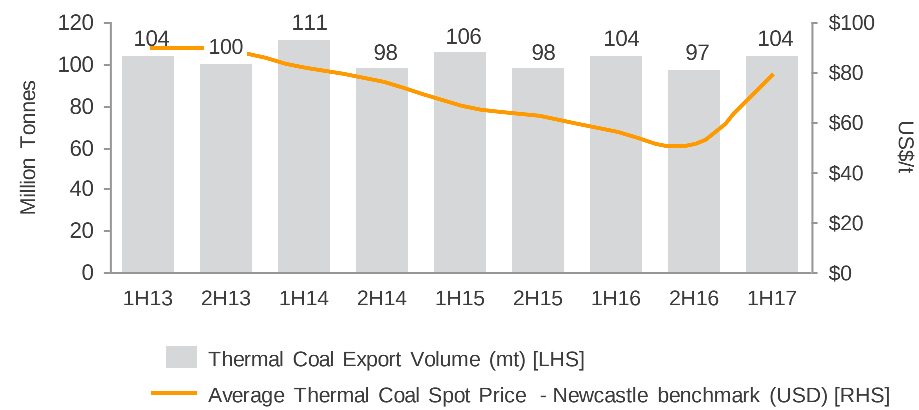
METALLURGICAL COAL: SPOT PRICE AND AUSTRALIA EXPORT VOLUME



THERMAL COAL: CONTRACT, SPOT AND REALISED PRICE (USD)
Month Average (January 2015 to December 2016)



THERMAL COAL: SPOT PRICE RELATIVE TO AUSTRALIA EXPORT VOLUME

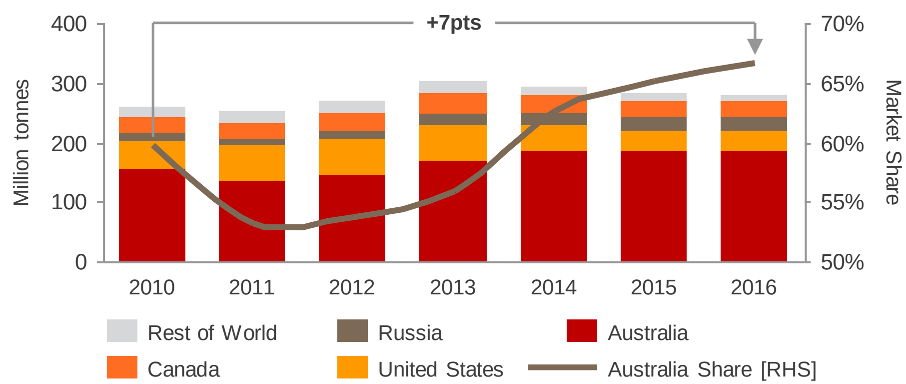


* Based on Australian Bureau of Statistics data reported in AUD and converted to USD using monthly average exchange rate
Source: Australia Bureau of Statistics, Platts

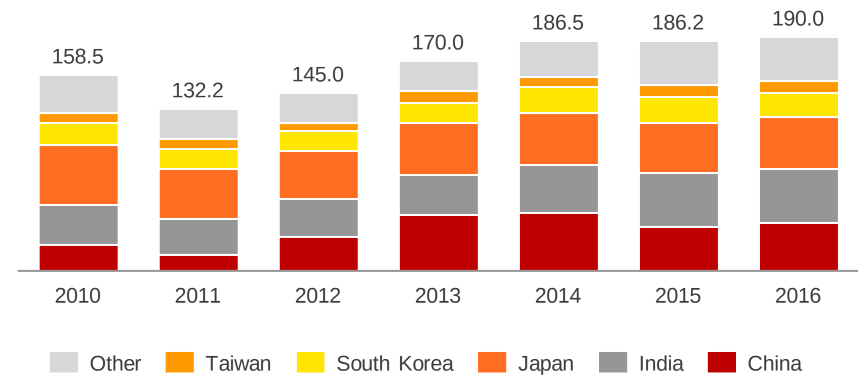
AURIZON

Coal market update: Australia

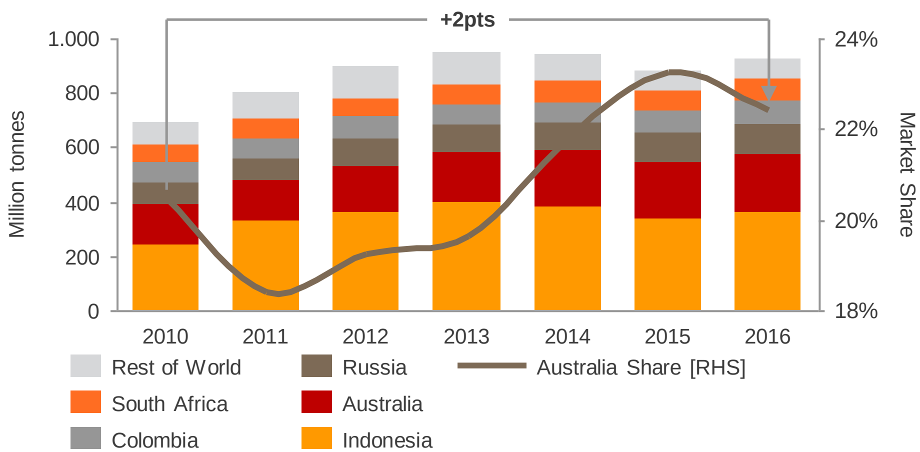
METALLURGICAL COAL SEABORNE EXPORTS
Volume and market share, calendar years



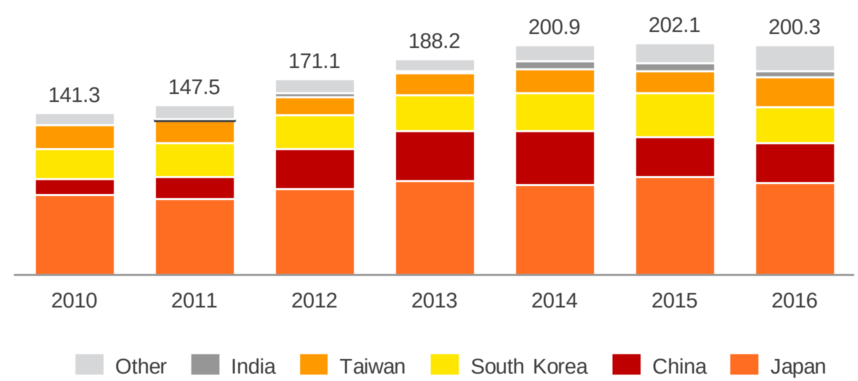
AUSTRALIA METALLURGICAL COAL EXPORTS BY DESTINATION
Calendar years (million tonnes)



THERMAL COAL SEABORNE EXPORTS
Volume and market share, calendar years

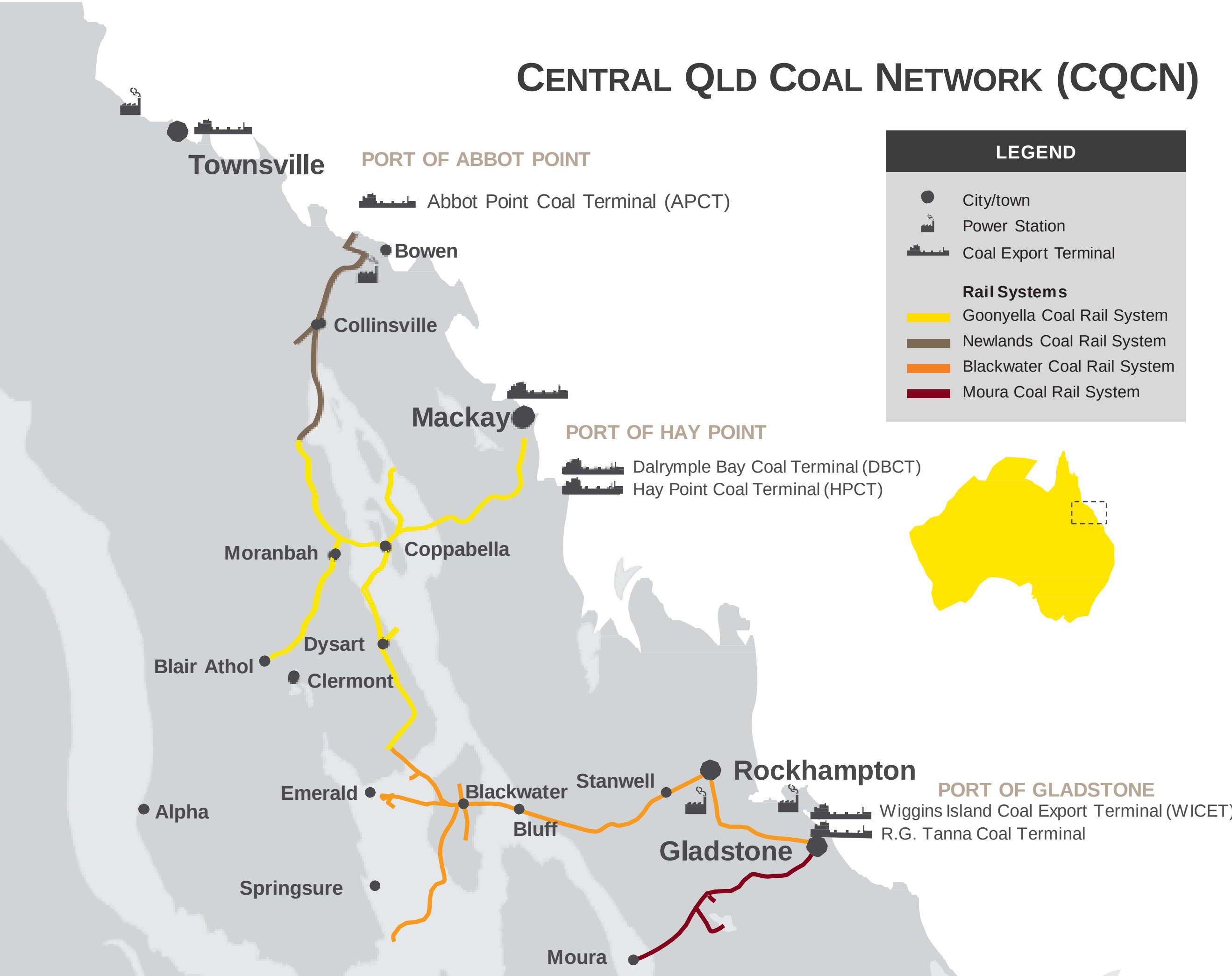


AUSTRALIA THERMAL COAL EXPORTS BY DESTINATION
Calendar years (million tonnes)



Source: Wood Mackenzie Coal Markets Tool (2H 2016), Australia Bureau of Statistics

Below Rail snapshot



KEY NETWORK FACTS	
40 + operating coal mines serviced	
Open access network with 3 above rail coal operators – Aurizon Operations, Pacific National and BMA Rail	
70 services per day	
+225mt coal moved each year	
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	
5 export terminals at 3 ports	
1 control centre	
Track	2,670 km
Electrified track	2,000 km
It is estimated the value of the regulated Asset Base (RAB) will be $5.8bn[1] as at 30 June 2017	

1. Estimate as at 30 June 2017 - excludes $0.4bn in assets operating under an Access Facilitation Deed (AFD). Estimate subject to QCA Approval of RAB roll-forward and approval of the FY2016 and FY2017 Capital Claims

Below Rail volumes[1] (mt)

	1H		Variance fav / (adv)	2H
	FY2017	FY2016		FY2016
Newlands	6.2	6.1	2%	6.0
Goonyella	61.4	59.8	3%	61.7
Blackwater[2]	27.5	30.8	(11%)	25.5
Moura	6.2	6.5	(5%)	5.4
GAPE	6.7	7.9	(15%)	8.1
WIRP	4.9	2.9	69%	5.2
Total	**112.9**	**114.0**	(1%)	**111.9**
Average haul length[3] (kms)	251	253	(1%)	252

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

Network revenue cap adjustments

Year	AT_{2-4} (diesel tariff) $m	AT_5 (electric tariff) $m	Total $m
2016[1,3]	(23.3)[2]	2.7	(20.6)[2]
2015	(29.0)[2]	(2.7)[2]	(31.7)[2]
2014	17.9	(9.8)[2]	8.1
2013[3]	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
- All (except FY2016) revenue cap amounts include cost of capital adjustments aligned to the QCA Final Decision

Note: AT = Access Tariff Revenue Adjustment Amount

1. Submission made to QCA but not approved
2. Return to access holders
3. FY2013 AT_{2-4} includes $11.6m recovery for GAPE, FY2016 AT_{2-4} includes $1.7m return for GAPE

AURIZON™

Reconciliation of MAR to reported access revenue

MAR to reported access revenue	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017[1,3] Estimate
Access Revenue (AT_1 to AT_5) (ex. GAPE)	794	787	924	932
Approved Adjustments to MAR				
Transitional tariff adjustment	(70)	-	-	-
Flood Claim recovery from 2013 Event	-	12	6	-
WIRP Smoothing[2]	-	-	(15)	5
Revenue Cap (ex. GAPE and inclusive of capitalised interest)	17	34	8	(32)
UT4 MAR True-up	-	-	-	121
Regulated Access Revenue (ex. GAPE)	**741**	**833**	**923**	**1,026**
Total non-regulated Access Revenue (ex. GAPE)	5	11	12	19
Total GAPE Revenue (Regulatory + non-regulatory)	205	204	201	202
Total Access Revenue* per Aurizon Statutory Accounts	**951**	**1,048**	**1,136**	**1,247**

Net true-up $89m

* **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. FY2016 & FY2017 WIRP Smoothing reflects the ramp up of Regulatory Revenue in line with the Regulatory Volumes and the removal of revenue attributable to WIRP Moura
3. FY2017 estimate increased primarily from increase MAR (ex GAPE) from increased Connection Cost Allowance, +$17m UT4 MAR True-up and +$11m from UT4 True-up of GAPE Deed

AURIZON

Above Rail volumes (mt)

	1H		Variance fav / (adv)	2H
	FY2017	FY2016		FY2016
Coal	103.5	104.4	(1%)	102.4
Iron Ore	11.4	12.5	(9%)	11.2
Freight	20.5	22.0	(7%)	18.4
Bulk	18.9	20.4	(25%)	17.2
Intermodal	1.6	1.6	-	1.2
Total	**135.4**	**138.9**	**(3%)**	**132.0**
Intermodal TEUs ('000s)	212.2	192.9	10%	179.7

› Refer slide 56 for Coal system detail

AURIZON

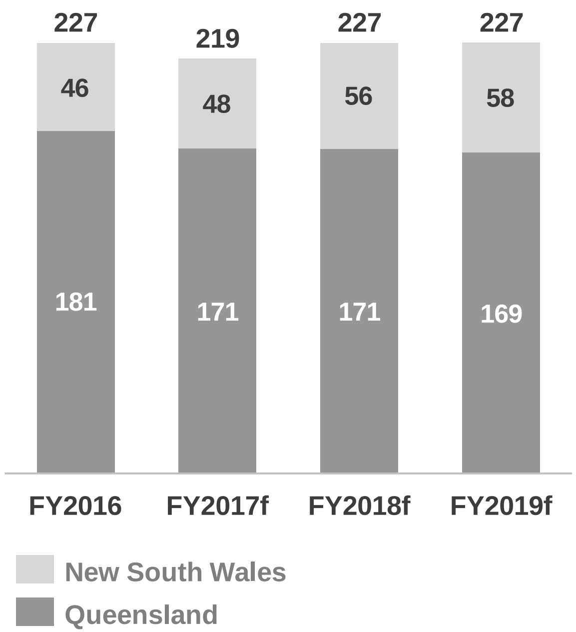
Coal haulage tonnages (mt) by system

	1H		Variance fav / (adv)	2H
	FY2017	FY2016		FY2016
Queensland				
Newlands	9.4	10.5	(10%)	10.4
Goonyella	30.0	28.9	4%	31.7
Blackwater	31.1	32.3	(4%)	29.9
Moura	6.1	6.9	(12%)	5.5
West Moreton	3.3	3.4	(3%)	3.5
Total Qld	**79.9**	**82.0**	(3%)	**81.0**
New South Wales				
Hunter Valley	23.6	22.4	5%	21.4
Total Coal	**103.5**	**104.4**	(1%)	**102.4**

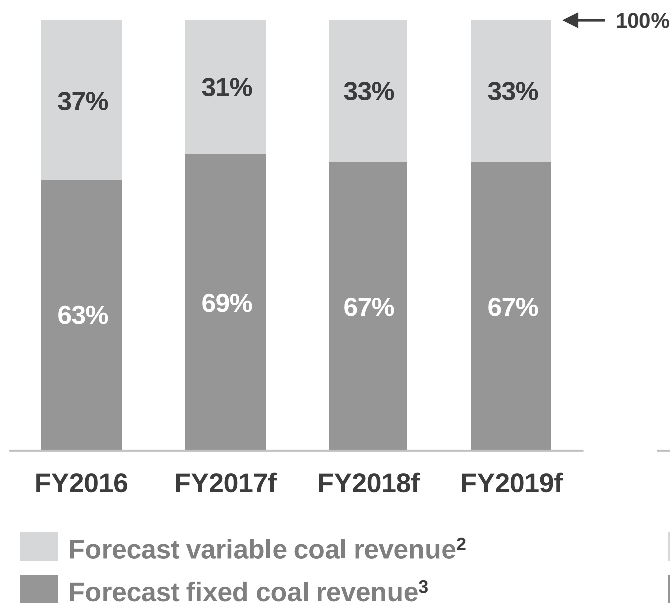
AURIZON

Above Rail Coal contractual outlook

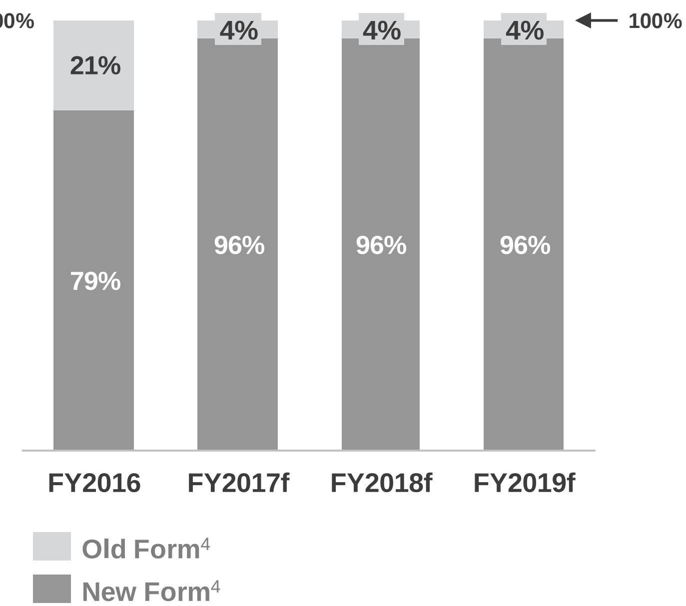
Aurizon's Annualised Above Rail Coal Contracted Volumes (mtpa)[1]



Coal Above Rail revenue breakdown



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

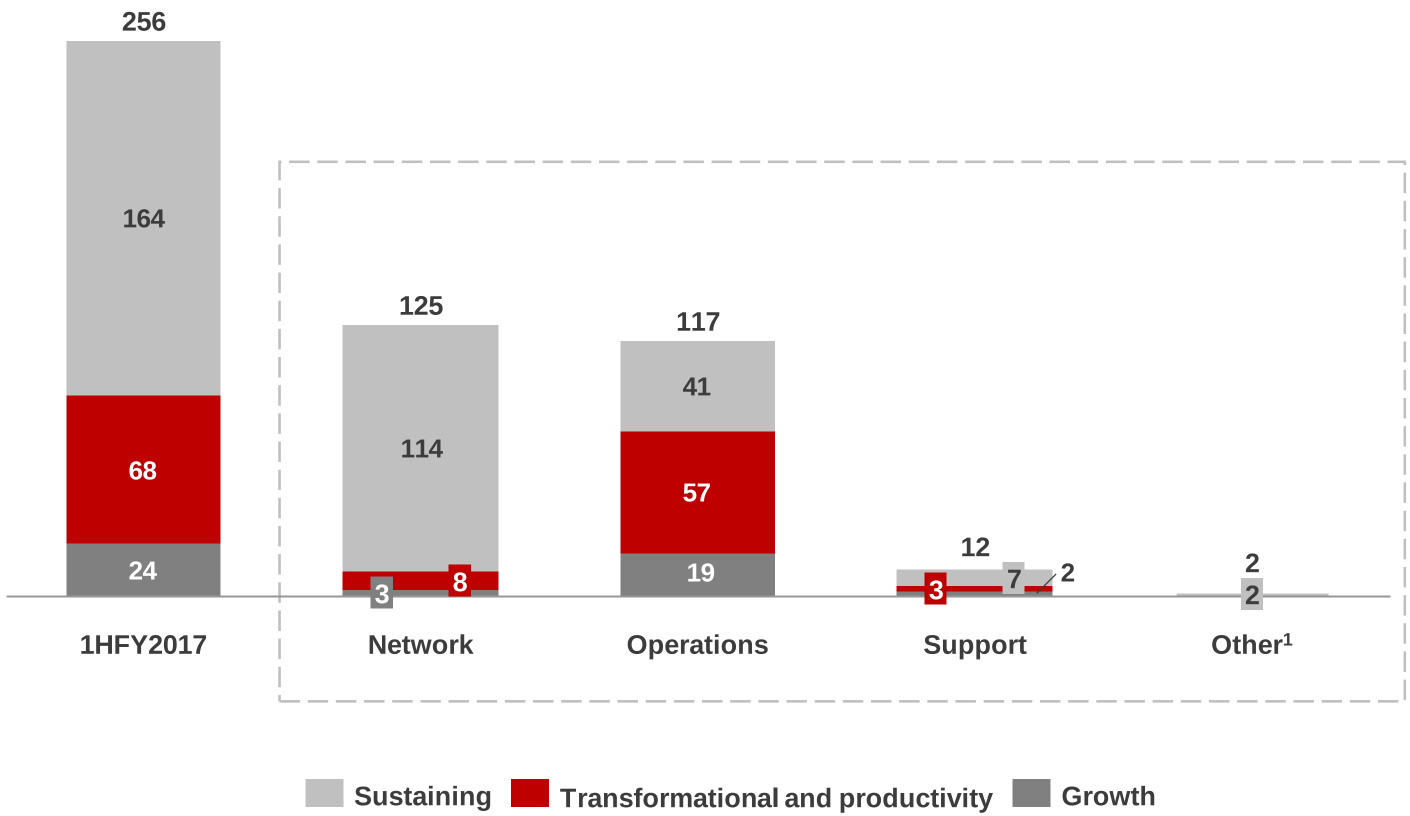


1. This represents the contracted tonnes as at 31 December 2016. The existing Aurizon contracted tonnes includes nominations, options or other uncertain events that have the potential to cause variance in our "contracted" tonnes
2. Variable coal revenue = Above Rail Variable Usage Charges/tonne including 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

AURIZON

Capital Expenditure

1HFY2017 group and functional capital expenditure ($m)



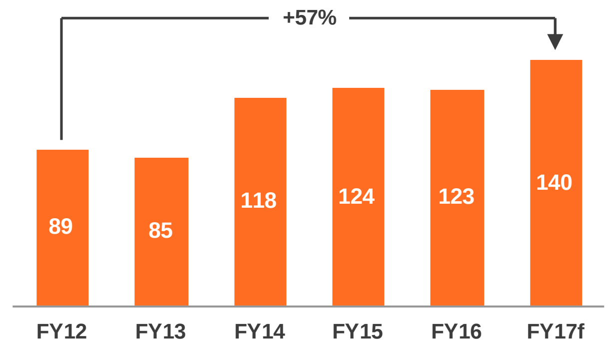
1. Capitalised interest

Ballast undercutting – a critical supply chain efficiency driver

Ballast Undercutting Machine in Operation

New Spoil Management Wagons

Undercutting scope (kms)



Ballast

- Ballast supports the sleepers; and dampens & spreads the train load to the underlying formation
- Ballast also provides a drainage layer to keep moisture from pooling on the formation, whereby water seeps between the stones or evaporates, keeping the formation dry; extending the life of the formation
- The ballast layer also provides a means to recorrect the track alignment, whereby pot holes can be removed by packing sleepers with ballast using resurfacing machines as well as adjust horizontal alignment

Undercutting

- Excavation of fouled and eroded ballast from beneath the sleepers by a dedicated ballast cleaning consist
- Fresh, rescreened or recycled ballast is added to the track and then resurfaced to restore the track to the correct height and ballast depth
- Scope has been increasing over time to reflect the requirements of the network and the increased tonnage being delivered
- Scope has been optimised by using Ground Penetrating Radar (GPR) to more accurately determine the most essential areas for undercutting

Transformation Benefits

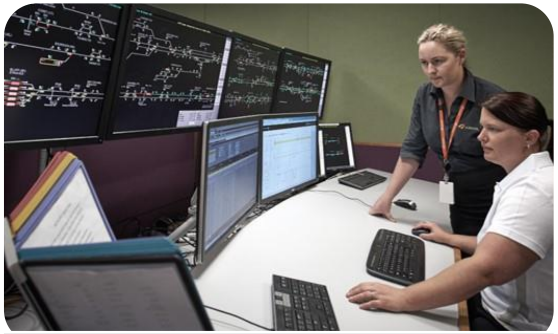
Efficiencies in the ballast undercutting program have been achieved across the program through a number of initiatives:

- Increased screening and reclamation of Spoiled Ballast – greater recycling, resulting in improved sustainability
- A more effective resourcing model that combines the skills of Operators and Trade Maintainers
- Reduced material costs from revised ballast procurement contracts
- Increased scope enabled by more efficient Mechanised Undercutting Machinery and 24 new spoil wagons
- Overall, unit costs have decreased by over 20% since FY12

AURIZON

Network Control improvement project

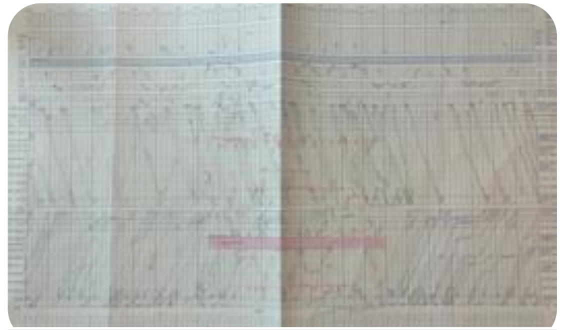
Rockhampton Control Centre



APEX

- APEX - Advanced Planning & Execution
- Software solution to support faster, more responsive planning and scheduling of trains from two years out to 'Day of Operations'
- APEX represents a step change in technology for network schedulers and controllers by introducing automation, optimisation and standardisation of systems and processes
- Improvements are being rolled out over multiple phases – see Innovation

Train Control Diagram – paper based (pre July 2016)



INNOVATION

MOVEMENT PLANNER (FOUNDATION)

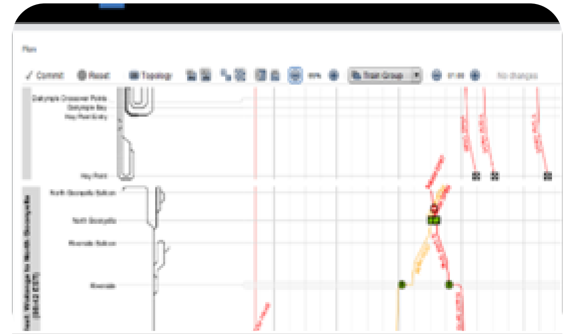
- Paper Train Control Diagram replaced with real time electronic train graphs that provide train controllers with a system-wide view of train movements 12 hours into the future – Completed July 2016
- Partnering with GE to implement to adapt and implement for several US Class1 railways

ADVANCED PLANNING & SCHEDULING (FOUNDATION)

- Replace multiple existing tools into single system, provide scenario planning, and integrate with Movement Planner – Go Live planned in second half of CY2017

Further deployments in CY2018 & 2019

Interactive Train Graph – electronic (post July 2016)



TRANSFORMATION BENEFITS

KEY BENEFITS

- Improved On Time Port Arrivals
- Increased Network Velocity
- More economical means of increasing network capacity compared to investing in track infrastructure
- Other operational efficiencies including:
  - Improved safety
  - Decreased Delays
  - Improved Scheduled Adherence, etc.

AURIZON

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 less interest paid
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

AURIZON™


AURIZON®