



Interim Results FY2011

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Highlights



Solid first half performance

Smooth transition to privatisation with transformation gaining traction

A continued focus on revenue quality uplift and growth opportunities

Long term growth underpinned by global demand for coal and iron ore

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

Smooth transition to privatisation with transformation gaining traction



- ▶ Smooth transition from Government ownership to ASX listed entity

- ▶ Safety performance continues to improve
 - ▶ 41% improvement in LTIFR for calendar year 2010
 - ▶ LTIFR now 4.2

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

A continued focus on revenue quality uplift & growth opportunities



- ▶ Revenue quality uplift in new & renegotiated coal contracts in coal

- ▶ Coal contracts announced in HY11
 - ▶ Jellinbah Resources – up to 5.1mta to the Port of Gladstone
 - ▶ Peabody Energy – up to 9mta to DBCT

- ▶ Coal contracts announced since 31 December 2010
 - ▶ Anglo American – 2.7mta over 3 years to DBCT
 - ▶ Jellinbah Resources – up to 6mta over 10 years to Abbot Point

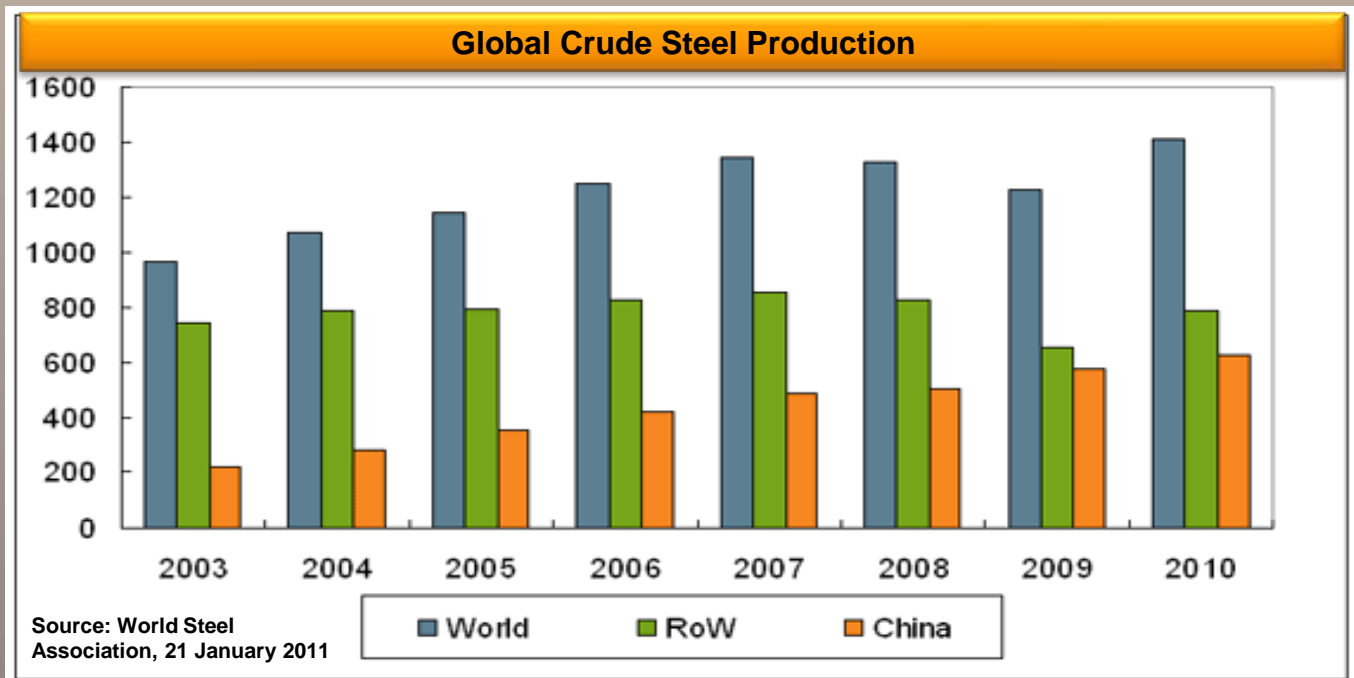
- ▶ Iron ore heads of agreement with Mineral Resources announced

- ▶ GAPE X50, Blackwater Electrification and Hunter Valley Rollingstock capital projects remain on schedule and will underpin future growth

Coal and iron ore global growth trajectory continues



- World crude steel output increased by 15% in 2010
 - Global demand for Australian coal is expected to maintain current growth levels
 - Demand for Australia's iron ore resources is expected to follow a similar growth trajectory to coal
- The temporary coal shortages have placed upward pressure on prices



Effective organisation wide response to impacts of extreme weather



- ▶ Flood Recovery Task Force established
- ▶ All QR National's CQCN systems operational
- ▶ Assets were fully protected during the weather events
- ▶ QR National is positioned well to service customers as volumes pick up
- ▶ Maintenance programs have been brought forward to maximise our ability for higher railings in Q4
- ▶ QR National's repair costs for CQCN system were not material
- ▶ QRN Network's lost revenue and repair costs expected to be recovered in future years



Financial Overview



Solid EBITDA improvement with uplift in revenue quality



EBITDA improvement over FY10

- ▶ HY11 EBITDA of \$446m up 17% on HY10
- ▶ Improvements in Freight and Network Services
- ▶ Coal earnings generally in line with prior periods despite record rainfall

Revenue quality uplift

- ▶ Revenue quality producing higher returns under new market based contracts
- ▶ One off impact of weather on volumes for FY11

Cash benefits

- ▶ UT3 catch up payment received in the first half
- ▶ Underlying net operating cash flows of \$162m in the first half
- ▶ Nil cash tax payable in FY11

Strong balance sheet to support growth

- ▶ \$3bn facility to fund growth projects - \$2.7bn undrawn as at 31 December
- ▶ Investment grade credit rating maintained

Financial Summary

Underlying Results



	HY10A	HY11A	Variance
Revenue	1,482	1,748	↑ 18%
EBITDA	381	446	↑ 17%
EBIT	173	226	↑ 31%
NPAT	N/A⁽¹⁾	71⁽²⁾	↑ 1%
EPS (cps)	N/A⁽¹⁾	2.89	↑ 1%

(1) Refer p96 Offer Document, last paragraph, income tax expense NOT disclosed as not meaningful or appropriate and therefore cannot include NPAT

(2) HY11 underlying NPAT includes interest on QTC debt (not included in FY11 proforma in the Offer Document ref p107)

Continued investment of operating cash flows to fund future growth



Underlying cash flow statement

HY11

Operating activities

EBITDA	446
Other changes in working capital	(79)
Interest paid	(207)
Other non-cash items	2
Net cash inflow/(outflow) from operating activities	162
Payments made to acquire assets	(699)
Free cash (out) flow	(537)

Balance sheet

HY11

Working capital	(94)
Property, plant and equipment	7,887
Net debt	(295)
Other	(586)
Net assets	6,912

Comments

- Investment of operating cash flows to fund future growth
- Capital investments of \$699m during the first half including GAPE \$208m and above rail Coal \$288m
- Receipt of UT3 receivable in the first half
- Interest costs include the payment of establishment fees and interest cost under previous Government ownership structure

Committed capital projects on schedule



GAPE X50

- ▶ Project at halfway point. All major milestones achieved on scope and budget

Blackwater Electrification

- ▶ Largest electrical upgrade on the coal network since 1980s
- ▶ Projects remain on schedule for commissioning in the latter half of 2012

Hunter Valley Coal

- ▶ Expansion in NSW is progressing well with investments of over \$360 million in rollingstock to support its NSW contracts
- ▶ Eleven consists are now operational

WA Iron Ore

- ▶ Locomotives and wagons have been ordered for new iron ore projects

System expansions

- ▶ Scoping and design work underway pending mine and port commitments

Summary

- ▶ Total capital spend in HY11 of \$699 million
- ▶ Full financial year capital spend likely to be below plan largely due to changes in the timing of uncommitted projects

Operating metric comparison



QR National Group Operating metric	HY10A	HY11A
Revenue / NTK (A\$/000 NTK)	44.6	53.5
Labour Costs / Revenue	32%	32%
NTK/employee (MNTK)	7.0 ⁽³⁾	6.9
Opex ⁽¹⁾ / NTK (A\$/000 NTK)	39.4	46.6
EBITDA Margin	26%	26%
Operating Ratio ⁽²⁾	88%	87%

- (1) Opex defined as operating expense including depreciation and amortisation
 (2) Operating ratio defined as (1 - EBIT margin)
 (3) HY10A employee numbers have been based on 30 June 2010 headcount
 (4) Track maintenance excludes ballast undercutting, derailments repairs, weather event repairs and electric traction maintenance

Divisions	Operating metric	HY10A	HY11A
Coal	Revenue / NTK (A\$/000 NTK)	36.5	39.5
	Opex ⁽¹⁾ / NTK (A\$/000 NTK)	30.4	35.1
	EBITDA Margin	27%	23%
	Operating Ratio ⁽²⁾	83%	89%
Freight	Revenue / NTK (A\$/000 NTK)	61.2	68.5
	Opex ⁽¹⁾ / NTK (A\$/000 NTK)	65.9	67.0
	EBITDA Margin	(2%)	6%
	Operating Ratio ⁽²⁾	108%	98%
Network Services	Access Revenue / NTK (A\$/000 NTK)	14.5	16.0
	Maintenance \$ /'000 NTK ⁽⁴⁾	2.62	2.51
	NTK / Track km (000's)	10,204	10,049
	EBITDA Margin	40%	38%



Business Review



QR National Network Services Profit & Loss



	HY10A	HY11A	Key drivers
Tonnages (million)	94.8	93.4	<ul style="list-style-type: none"> ▶ First half revenue and EBITDA up on prior comparative period ▶ Network revenues in line with UT3 expectations taking account of volumes ▶ Pre IPO restructure of Network business to incorporate Services ▶ Increased activity in Rollingstock Services business ▶ New Services contracts with Queensland Rail
NTK (billion)	23.0	22.7	
Revenue	529	643	
<i>Growth %</i>	-	21%	
EBITDA	213	246	
<i>Margin %</i>	40%	38%	
EBIT	134	169	
<i>Margin %</i>	25%	26%	
Capital Expenditure	184	304	

QR National Coal Profit & Loss



	HY10A	HY11A	Key drivers
Tonnages (million)	103.1	99.6	<ul style="list-style-type: none"> ▶ Above rail revenue uplift from new performance based contracts ▶ NSW growth expansion tonnes ▶ Unseasonal wet weather in Q2 resulting in reduced tonnages ▶ Forward investment in capacity to underpin growth
NTK (billion)	23.7	22.6	
Revenue	866	895	
<i>Growth %</i>	-	3%	
EBITDA	230	203	
<i>Margin %</i>	27%	23%	
EBIT	144	101	
<i>Margin %</i>	17%	11%	
Capital Expenditure	349	284	

QR National Freight Profit & Loss



	HY10A	HY11A	Key drivers
Tonnages (million)	32.8	32.7	
NTK (billion)	9.5	10.0	
Revenue	582	686	
<i>Growth %</i>	-	18%	
EBITDA	(14)	43	<ul style="list-style-type: none"> ▶ TSC for regional services ▶ Intermodal contracts secured ▶ Growth in Iron Ore ▶ Reduction in grain volumes ▶ Cost and efficiency focus
<i>Margin %</i>	(2%)	6%	
EBIT	(44)	15	
<i>Margin %</i>	(8%)	2%	
Capital Expenditure	50	90	



Transformation Program



QR National's transformation is gaining traction



Enterprise wide projects

Key results

World class safety

- ▶ 41% reduction in LTIFR over calendar year 2010 – now 4.2
- ▶ Safety Interactions progressing toward target at 6,000 per month
- ▶ Established Safety, Health and Environment communities of competency

Strong and empowered leadership

- ▶ Significant change in the Executive & Management Leadership Teams
- ▶ New organisational values launched February 2011
- ▶ Front line supervisor training rolled out to 660 staff – completed February 11

Commercial excellence

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

World class capital productivity

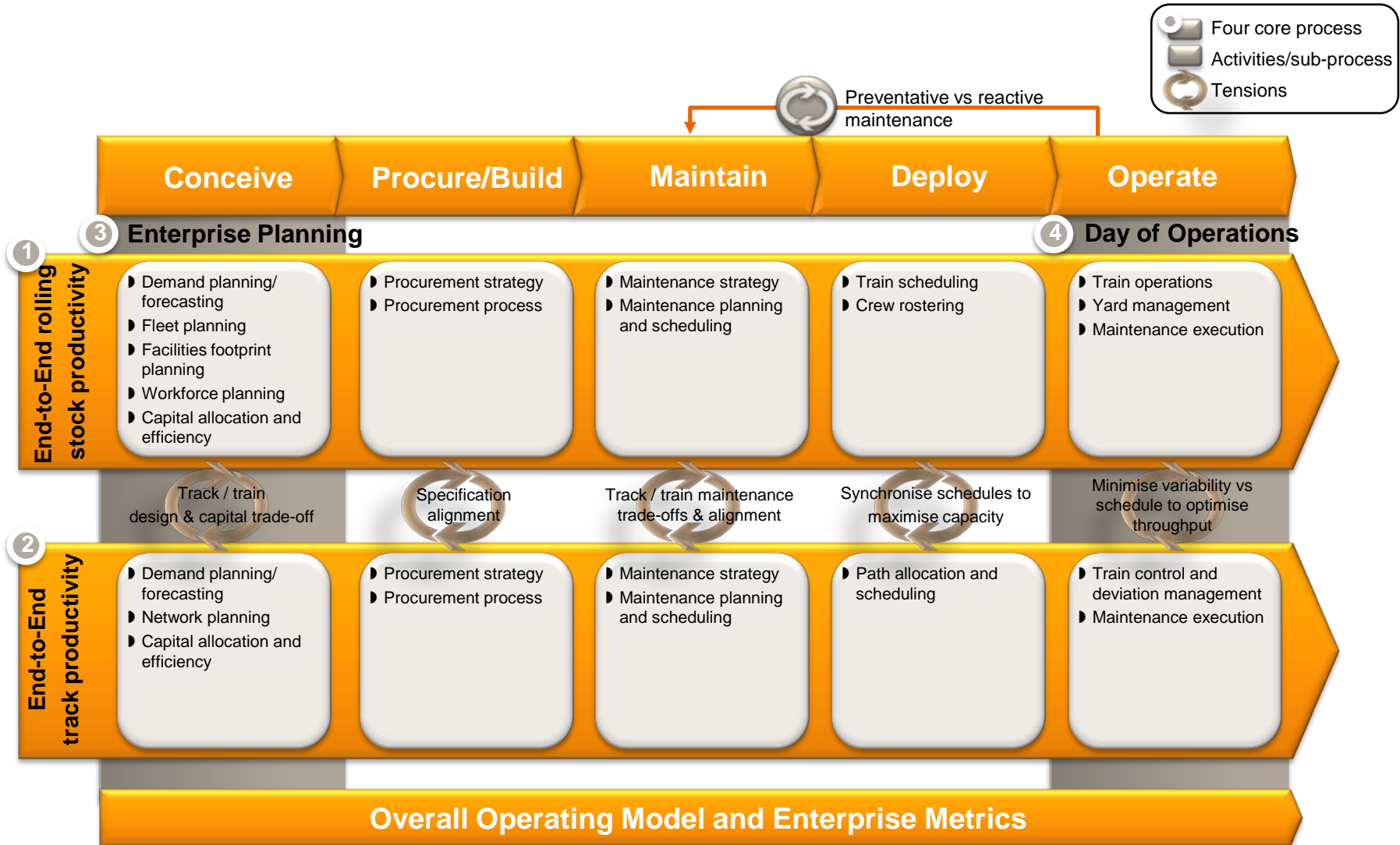
- ▶ Capital management disciplines and processes embedded
- ▶ Cost optimisation process established for significant capital projects
- ▶ Established Rail Fleet Planning community of competency

Procurement excellence

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

End to end maintenance

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





Outlook

► Financial

- Volume impact from floods now expected to be 25 million tonnes for the remainder of FY11

► Queensland Coal

- Underlying EBIT for FY11 to be in the range of \$380 million to \$410 million (Statutory EBIT \$280 million to \$310 million)

► Global demand

- Readiness for customers to return to normal volumes in 4Q FY11 after floods and cyclone
- Global demand for Australian coal is expected to maintain current growth trajectory

► Growth

- Coal shortages resulting from floods will place upward pressure on prices

► Programs

- Growth in Mid West Iron Ore is expected to continue – underpinning QR National's growth & diversification
- Existing projects on time and budget and new projects expected to advance in 2H FY11
- Continued focus on delivering safety improvements, corporate wide reform and cost reductions through transformation program



Questions



Additional Slides

FY10 vs FY11 Half Year Profit & Loss



	HY10 Underlying Result	HY10 Significant Items	HY10 Actual	HY11 Underlying Result	HY11 Significant Items	HY11 Actual
Revenue	1,482.1	1.1	1,483.2	1,747.5	0.0	1,747.5
Consumables ⁽¹⁾	(612.5)	0.0	(612.5)	(731.8)	0.0	(731.8)
Employee benefits expense	(475.0)	0.0	(475.0)	(565.1)	(57.2)	(622.3)
Other expenses	(13.9)	(245.9)	(259.8)	(5.0)	(37.8)	(42.8)
EBITDA	380.7	(244.8)	136.0	445.6	(95.0)	350.6
EBIT	172.6	(244.8)	(72.2)	226.4	(95.0)	131.4
Net finance cost	(111.1)	0.0	(111.1)	(125.6)	0.0	(125.6)
Tax expense	7.9	43.1	51.0	(30.3)	302.1	271.8
NPAT	69.5	(201.8)	(132.3)	70.5	207.1	277.5
EPS (cps)	2.85	(8.27)	(5.42)	2.89	8.49	11.37
<i>EBIT breakdown by Division</i>						
<i>QRN Network Services</i>	<i>134.1</i>	<i>0.0</i>	<i>134.1</i>	<i>168.8</i>	<i>(1.8)</i>	<i>167.0</i>
<i>QRN Coal</i>	<i>143.7</i>	<i>0.0</i>	<i>143.7</i>	<i>100.9</i>	<i>0.0</i>	<i>100.9</i>
<i>QRN Freight</i>	<i>(44.4)</i>	<i>(195.5)</i>	<i>(239.9)</i>	<i>14.5</i>	<i>0.0</i>	<i>14.5</i>
<i>Corporate</i>	<i>(60.9)</i>	<i>(49.2)</i>	<i>(110.1)</i>	<i>(57.9)</i>	<i>(93.2)</i>	<i>(151.1)</i>

1. Consumables expenditure includes fuel costs, access costs payable to third parties, and expenditure of general repairs and maintenance and administrative supplies

NB: A\$m unless otherwise stated, underlying earnings from continuing operations

Update on Voluntary Redundancy Program



- ▶ Consultation with employees & unions commenced on Monday 7 February
- ▶ 3,500 employees are in the scope of the proposed VR program
- ▶ Purpose of the VR scheme is to reduce numbers to enable QR National to be more competitive
- ▶ In particular, the scheme targets corporate units & the corporate functions within each business area
- ▶ Other areas of focus include Operational Excellence; QRN's Rollingstock Services in Redbank, Rockhampton & Townsville; and selected parts of QRN's Freight business
- ▶ Expressions of interest expected to occur March 4-25, with program finalised in quarter four
- ▶ Employees and unions have been advised that restructure process likely to follow the VR program

Investing in our People and their Communities



- ▶ Increased in-take of apprentices, trainees and graduates from 75 per year to 300 per year within the next three years.
- ▶ Flood & cyclone recovery relief efforts in local community (volunteers)
- ▶ Development for corporate community investment programs
- ▶ Supporting communities with local employment – no adoption of “fly in fly out” resourcing