



Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

18 October 2016

2016 Annual General Meeting Addresses

Please find attached the addresses by the Company's Chairman Mr Tim Poole and Managing Director & Chief Executive Officer Mr Lance E Hockridge, to be presented at today's Annual General Meeting commencing at 9.00am (Brisbane time).

Kind regards

A handwritten signature in black ink, appearing to read "D. Smith", with a horizontal line underneath.

Dominic D Smith
VP & Company Secretary

Annual General Meeting Address
Tim Poole (Chairman) and Lance Hockridge (MD&CEO)
Sofitel Brisbane Central, Tuesday 18 October 2016

Good morning ladies and gentlemen.

OPENING

On behalf of the Board I am pleased to welcome you to the sixth AGM of Aurizon Holdings Limited.

In keeping with Aurizon's commitment to reconciliation and respect, I acknowledge the Turrbal and Jagera people as the traditional owners of the land where we gather and recognise that this land has always been under their custodianship. I pay my respect to elders past and present and to emerging community leaders. I also extend respect to all Aboriginal and Torres Strait Islander people here today.

FY16 PERFORMANCE

The 2016 financial year was challenging for Aurizon. Market conditions in the resources and freight sectors were tough for our customers and this resulted in flat or lower volumes across our businesses.

In this difficult external environment, the development plans the Company had been advancing in Western Australia and Queensland were wound back. The asset impairments that partly flowed from these decisions were disappointing and were largely the reason for a decline in statutory net profit. We are committed to improving our approach to capital allocation when considering future growth opportunities.

The stand out performance for the year came from our Network business. Tonnages transported across our rail network in central Queensland were 225.9 million tonnes, marginally above the prior year and another record for the system. Total revenue for Network was up 6% and EBIT up 5% compared to the prior year. The regulated network is a very valuable Australian infrastructure asset and is a key component of Aurizon's value proposition to investors.

Total coal volumes in our above rail haulage operations in Queensland and New South Wales were down 2% on the prior year to 206.8 million tonnes. Revenue in above-rail coal declined 1% compared to the prior period. We budgeted for better, but in a difficult market this was a reasonable result.

Our freight business remains challenged, with volumes of 40.4 million tonnes, 9% lower than the prior year. During the past two years, revenue in the freight business has declined 28% though balanced somewhat with a 20% reduction in operating costs. With some divisions loss making and others not earning an appropriate return on invested capital, this is not an acceptable position. As a result, we are conducting a detailed review of our intermodal and diversified bulk freight businesses, with the clear objective of improving performance from these segments of our Company. The outcome of this review may also have implications for the carrying value of the assets in the intermodal and diversified bulk freight businesses.

Given a subdued market outlook, business transformation remains absolutely fundamental to the Company. Transformation initiatives are making your Company more efficient, reducing the cost base, and making us even more competitive in the marketplace.

In this transformation space, we continue to build momentum. We took another \$131 million out of our cost base last year, and remain on track to achieve the \$380 million three-year transformation target by mid-2018. Major restructuring projects are at various stages of implementation right across the organisation, together with the continued introduction of new technology and systems.

CAPITAL MANAGEMENT

The Board is focussed on effective capital management, and in the 2016 financial year, Aurizon returned \$830 million to shareholders through dividends and a share buyback. The full-year dividend of 24.6 cents per share represented a 100% dividend payout ratio on underlying earnings, up slightly on dividends paid in the prior year.

As announced at our full year results, the Board has determined to cease the share buyback while we manage near term balance sheet capacity with potential growth opportunities.

The Board expects the Company to be in a strong position to deliver solid shareholder returns as free cash flow increases significantly over the coming years, with capital expenditure reducing and savings realised from ongoing transformation activities.

CEO SUCCESSION

Moving now to our recent news of CEO succession. On 1 December this year we will welcome Andrew Harding to the role of Aurizon's Managing Director and Chief Executive Officer.

Andrew joins Aurizon with a wealth of experience in the resource industry after more than 24 years at Rio Tinto, most recently as Chief Executive of Iron Ore.

Andrew has experience in managing highly complex businesses, he has a thorough understanding of the issues facing our customers and he has managed logistics operations in a mining environment. The Board is delighted to have attracted someone of Andrew's calibre to lead Aurizon.

LANCE HOCKRIDGE

On behalf of the Board and shareholders, I would like to take this opportunity to pay tribute to Lance Hockridge for his outstanding leadership as Managing Director and Chief Executive Officer for the past nine years.

Lance's leadership has been central to Aurizon's transformation from a government owned railway to a successful top 50 ASX listed Company. Aurizon has achieved new levels of operational and commercial performance as well as taking major steps on cultural change.

One of Lance's true legacies will be Aurizon's safety transformation. His personal commitment is unwavering and he has been relentless in driving very significant improvements in safety performance. Aurizon has not had a lost time injury in two years – that achievement alone is a testament to the work that's been done.

Lance has also championed Aurizon's commitment to diversity and inclusion. This has seen him recognised internationally for the programs Aurizon is implementing, which are gaining real traction and hard-fought cultural change across a traditionally male-dominated workforce.

I know Lance is focussed on the work at hand through to his departure in December. However, as this is will be his last AGM, I wanted to put on record with shareholders the Board's appreciation of his efforts and wish him all the best for the future.

BOARD RENEWAL

Rejuvenating and diversifying Aurizon's Board has been a key focus over the past year. I believe the Board is now well structured to deal with the challenges and opportunities in front of us.

I acknowledge long-serving Directors' Gene Tilbrook and John Atkin who retired since last year's AGM. I thank them for their significant contribution in steering Aurizon through the listing on the ASX and a period of great change.

Earlier this year we welcomed new Directors Michael Fraser and Kate Vidgen. Michael has more than 30 years' experience in the Australian energy industry and has taken on the role of Chairman of the Aurizon Network Board. Kate's career to date has been in investment banking and principal investing spanning infrastructure, energy and resources industries.

Similar to last year's AGM, I will shortly be inviting all Directors nominated for election or re-election to address you directly to outline their credentials. The Board's view is that shareholders should have the opportunity to hear first-hand the knowledge and experience each Director brings to the Aurizon Board.

OUTLOOK

Looking forward to the 2017 financial year, we are cautiously optimistic notwithstanding the low-growth environment. The Company is strongly positioned with stable and long-term contractual arrangements with significant and largely investment grade customers.

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We also note recent improvements in commodity prices, particularly metallurgical coal, which is likely to deliver an increase in customer profitability and improved confidence generally in the resources sector. There's still a way to go before we could call this a recovery, but the signs are positive.

Aurizon's view is that we will continue to see strong demand for high-quality Australian coal, both thermal and metallurgical, from Asia and the Indian sub-continent. This is supported by external and internal analysis, and is covered extensively in our latest Sustainability Report, copies of which are available on tables outside today.

We readily acknowledge that markets remain tough and the competition for new business is fierce.

Our focus remains on transformation and driving greater productivity in both our above and below rail businesses. This work will take many shapes, including the continued introduction of new innovation and technology. We will also be actioning the recommendations arising from the review of our intermodal and diversified bulk businesses.

The outcome of the next Access Undertaking — called UT5 — for the regulation of the Central Queensland Coal Network is significant for the Company. We are working hard on the submission that is due to the regulator at the end of November. This includes enhancements to the UT4 outcome to seek to ensure we earn an acceptable return on the capital we have invested in network capacity and we are adequately compensated for the risks we are required to accept.

In August we gave guidance for the 2017 financial year for an increase in underlying EBIT to between \$900 and \$950 million. We also advised that: above rail volumes are expected to remain flat in the range of 255 and 275 million tonnes; above rail coal haulage is forecast between 200 and 212 million tonnes; and below rail volumes across the CQCN are anticipated to be flat. This guidance remains appropriate based on trading to date and our current expectations for the remainder of the 2017 financial year.

CLOSING

In closing this morning, I would like to acknowledge Aurizon's leadership team and the dedicated employees at the front line. Each of our employees, regardless of what they do, play a vital role in delivering for our customers. Our team is operating in a changing, highly competitive environment. The commitment and hard work I see first-hand by our employees is outstanding.

I also acknowledge the enduring support of our customers. We highly value your business and aim to provide you an efficient, reliable and safe service each and every day.

Also to the communities in which we operate and the community representatives at local, state and federal level. We are fortunate to have such engaged stakeholders willing to share valued feedback on Aurizon's progress.

Finally, my thanks to you, our shareholders for your continued support and interest in our business. The Board appreciates your views and your feedback, and we look forward to having a chance to catch up with you individually after today's formal proceedings.

I now invite Lance to address us in his final AGM presentation as Aurizon's MD&CEO.

Slide: MD & CEO's Address

WELCOME

Thank you Tim for your kind words, and good morning ladies and gentlemen.

The Chairman has just detailed our Company financial performance in FY16 and a look forward to the challenges and opportunities ahead.

In my address this morning, I will speak more on our transformation, including customer outcomes, safety performance, sustainability and diversity.

Slide: Transformation

TRANSFORMATION, PERFORMANCE & PRODUCTIVITY

In terms of transformation, the pace of change has continued.

The Chairman confirmed we're on track with our three-year target of \$380 million of benefits by FY18. If achieved, this would mean that in a space of five years we have taken more than \$630 million out of our cost base.

Transformation is fundamentally about doing more with less; doing it smarter with new technology and process; and, finding better ways to work with customers. Many ideas are simple but tough to execute. Others have multiple benefits in productivity and safety.

Initiatives like longer trains with bigger payloads; trackside technology that is rapidly driving down maintenance costs for our fleet; or drones that inspect overhead power systems on the 27 hundred kilometre coal network.

In the five years to June 2016, we can see productivity gains in these simple measures. We are delivering 11% more tonnes with 37% fewer locomotives, 19% less wagons and 3,000 fewer employees.

Slide: Delivering for our Customers

CUSTOMER OUTCOMES

We've done a lot of work over the past year to refine our customer value proposition, including extensive engagement with customers to gain feedback. Coupled with the productivity and efficiency gains, this has positioned us well to secure new work or to renew and extend existing contracts.

We won a range of new coal, intermodal and diversified bulk freight contracts with high-quality customers during the year. These included BHP Billiton, Anglo American, Wollongong Coal, Syntech Resources, Wilmar, and Mitsui.

We know however, there is opportunity to do more and as Tim mentioned in his address, we are reviewing under-performing areas of the freight business.

In May, we relocated our Sydney freight operations from Yennora to Enfield. This site has direct access to the north-south interstate railway and a dedicated rail link to Port Botany. It is a turnkey site secured under long-term lease arrangements. Soon thereafter we sold out our equity stake in the future Moorebank freight development for almost \$100 million.

In North Queensland, we are completing construction of a new Intermodal Facility in Townsville for an investment of \$40 million. Again, this is a strategically located piece of infrastructure that we see as key to commercial success in that market. It has also allowed us to exit inner-city Townsville and put this large land parcel on the market.

Slide: Safety

SAFETY

Moving now to safety, our core value and the number one priority in everything we do. Our turnaround in safety performance during my time at Aurizon has been gratifying and a great testament to the ability of employees to embrace change.

In FY16, we achieved a Lost Time Injury Frequency Rate (LTIFR) of zero for the first time in the railway's 150 year history. This contrasts to the appalling rate when I arrived at the Company in 2007, when we recorded 117 injuries that were severe enough to prevent our employee turning up to their next rostered shift.

Last week, as Tim also noted, we recorded two years without a Lost Time Injury. While our employees and the leadership team should be very proud of this achievement, we understand the fragility of safety and the need for constant vigilance, each and every day.

Slide: Delivering for the Long Haul – FY2016 Sustainability Report

SUSTAINABILITY

Last week, we released our third sustainability report. There's some copies outside otherwise it's available on our website.

This year's report focuses on the resilience of our Company, our customers and the communities we operate in, and analyses in detail the ongoing demand for the commodities we haul.

What I trust it gives shareholders is a level of detail and context on the resilience of this Company and the underlying strength of the markets in which we operate. This includes a detailed analysis of future coal demand.

It points out, for example, that in FY16 metallurgical coal underpinned 73% of our network revenues and 51% of our coal-related rail haulage revenues. Metallurgical coal, of course, is used for making steel and there's no ready substitute for coal in this process.

Sustainability initiatives will lead to us discovering smarter ways of doing business, developing more commercial solutions for customers and ultimately delivering greater value for you, the owners of our business.

Slide: Diversity

DIVERSITY

At Aurizon we believe that building a more diverse and inclusive workforce is critical to us achieving our financial and strategic objectives. It's clearly also the right thing to do. This includes diversity of gender, ethnicity, sexual orientation, and of course, diversity of thought.

It is not an easy task diversifying a predominantly male, blue-collar workforce. This demographic is generally reflected in the Australian rail industry. In 2010, shortly after our IPO, women made up 12% of our workforce. Our efforts to turn this around have at times being greeted by cynicism and active resistance.

Slowly we are starting to achieve tangible results. We have a range of specific programs in place as well as initiatives to drive cultural change across our workforce.

Aurizon is becoming known as an employer of choice, where all people are valued for their talents.

Aurizon's female participation now stands at more than 18%, as at the end of September, so there's some good momentum. Still, there's clearly a lot of work ahead before Aurizon can claim to be a truly diverse and inclusive Company.

CEO SUCCESSION

As I near the end of my remarks this morning I would like to welcome and acknowledge the appointment of Andrew Harding as my successor. Andrew will have the support of exceptionally talented employees and leadership team, and a high-calibre Board.

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CLOSING

In this, my sixth and final AGM address to shareholders, a few brief reflections then.

I am very proud of the Company we are today and excited for what the future holds for Aurizon.

When I first joined in 2007 - long before the arduous task of privatisation and public listing – it was a very different place. Across all dimensions – safety, customers, commercial and operational performance– we had a lot to do and a lot to learn.

In a few short years, the changes are stark. We're leaner, more resilient and more productive. Customer service has improved immeasurably. Many aspects of our safety performance are world leading.

But what hasn't changed – in fact, it is at the heart of our transformation – is the incredible talent, the capability and sense of belief of our people. To genuinely embrace change; new technology and innovation; to refocus on creating value for customers and for shareholders.

It's not been all smooth sailing. With change, comes disruption, the end of old work practices and unfortunately some job loss. Our footprint is smaller, yet our labour and assets productivity grows.

Renewal is fundamental to Aurizon's continued organisational growth, cultural change and commercial success. More than one third of our employees are new to the Company since the 2010 float. In leadership ranks it's more pronounced. More than 80% of the top 35 leadership roles in the Company have been changed out in that time.

New recruits have brought new ideas, new perspective. They have built on the bedrock of railway knowledge and capability formed over more than 150 years.

It is this ongoing transformation that lies at the core of our future success. Now is the time to refocus and redouble our efforts to ensure Aurizon is well positioned for the inevitable recovery of market conditions.

I would like to thank our employees across the country for their ongoing hard work and determination in transforming Aurizon into the great Company it is today.

Thank you also to my leadership team who have been instrumental in the significant reform we've achieved since IPO.

To our customers and shareholders, thank you for your ongoing loyalty and support.

Finally to the Board, thank you for the opportunity to lead this great Company over the past decade and for your enduring support. It has been the greatest honour and privilege.

I will now hand back to Tim.

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Managing Director & CEO's Address

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Transformation

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Since IPO, we are delivering 11% more tonnes with 37% fewer locomotives & 19% less wagons.

Delivering for our customers



During FY2016, we secured contracts with a range of new & existing customers.

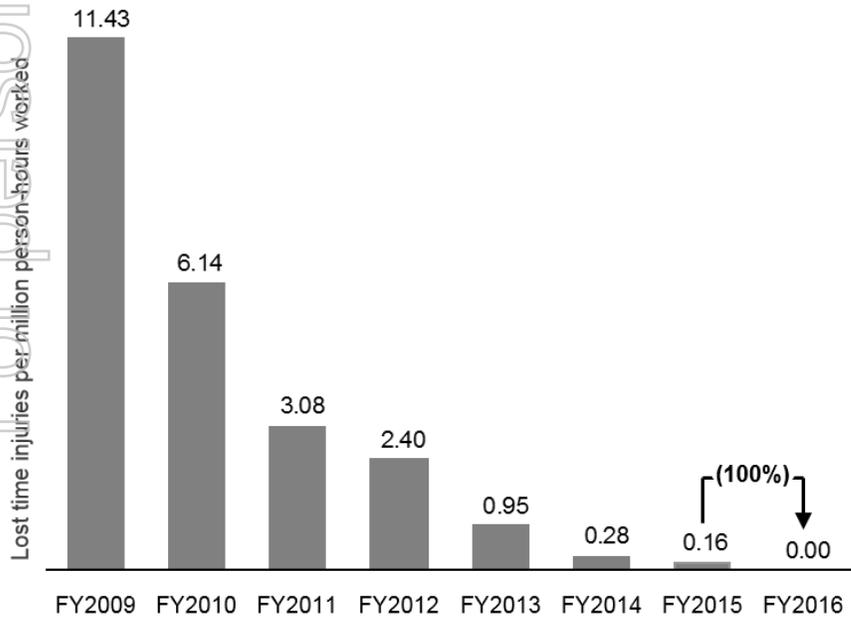
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Safety

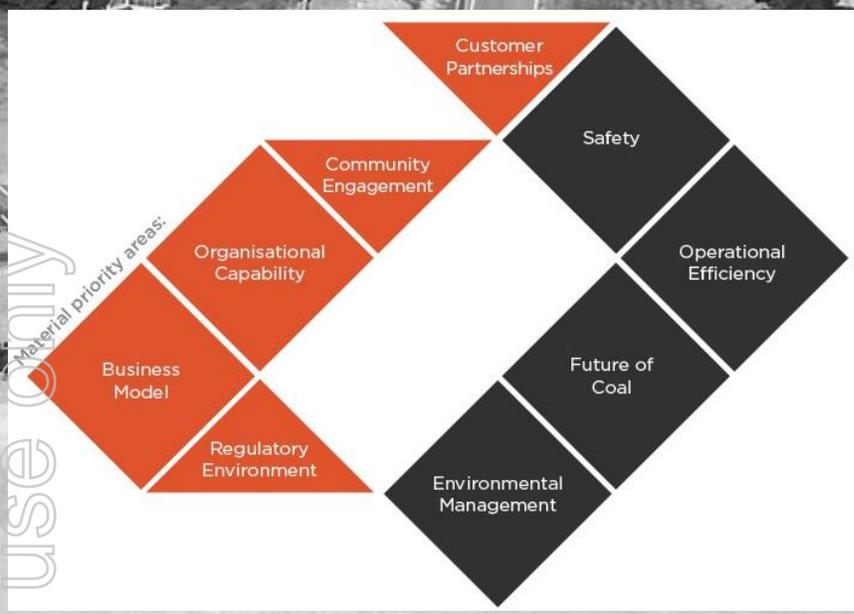


Two years LTI free

Lost Time Injury Frequency Rate (LTIFR)¹



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Delivering for the Long Haul

FY2016 Sustainability Report



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Diversity



Target – 30% females by end 2019



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