



Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

18 October 2017

2017 Annual General Meeting Addresses

Please find attached the addresses by the Company's Chairman Mr Tim Poole and Managing Director & Chief Executive Officer Mr Andrew Harding, to be presented at today's Annual General Meeting commencing at 2.00pm (Brisbane time).

Kind regards

A handwritten signature in black ink, appearing to read "D. Smith", with a stylized flourish at the end.

Dominic D Smith
Company Secretary

Annual General Meeting Address
Tim Poole (Chairman) and Andrew Harding (MD&CEO)
Sofitel Brisbane Central, Wednesday 18 October 2017

Good afternoon ladies and gentlemen.

OPENING

I would like to start by acknowledging the traditional owners of this land and pay my respects to the elders both past, present and future.

I also extend my respect to all Aboriginal and Torres Strait Islander people here today.

This was, is and will always be the traditional lands of the Turrbal and Jagera people.

SLIDE – CHALLENGING YEAR FOR AURIZON

The past financial year was challenging for Aurizon.

We suffered major operational and financial impacts from Cyclone Debbie and saw continued poor performance in our Bulk and Intermodal businesses.

While Cyclone Debbie impacted our underlying EBIT results by \$89 million, we expect to recover approximately \$69 million of lost revenue through the regulatory process over the next two years.

The under-performance of the Intermodal and Bulk businesses resulted in significant impairments and required us to make some tough, but necessary decisions.

SLIDE – MAKING TOUGH BUT NECESSARY DECISIONS

One of these was our decision to exit our Intermodal business.

The harsh reality is that we cannot continue to sustain losses of more than \$50 million a year, when there is no clear pathway to profitability, the market is very competitive, our business is positioned poorly and it requires significant capital investment.

The process for the sale of the Queensland intermodal business and the sale of the Acacia Ridge Terminal is continuing and is subject to regulatory approval. All operational employees will transfer with the businesses to the new owners.

We are on track to close the interstate part of the intermodal business by the end of the calendar year. We understand the impacts of this closure on our affected employees, and are redeploying and retraining those employees where possible.

The under-performance in our Bulk business during the past financial year is clearly disappointing, but we remain committed to a business that sits well within our core capabilities. Under new

leadership and a more focused business structure, we have a clear plan to return to profitability, however it will take time.

A positive start to this turnaround is our new seven-year contract, starting next month, with Minerals and Metals Group Limited in North West Queensland. Aurizon will haul 470,000 tonnes of zinc concentrate each year from Cloncurry to the Port of Townsville.

SLIDE – PERFORMING SOLIDLY IN NETWORK AND COAL

Turning to other parts of our business Network and Coal both performed solidly despite the cyclone impacting our operations.

The Board was particularly impressed by the recovery effort from our employees which demonstrated our strength as a world-class rail network operator.

In financial year 2017, revenue in the Network business increased by 7% to \$1.3 billion. And only two months after the cyclone, in June this year, we achieved an all-time monthly record, carrying 20.5 million tonnes of coal on our network. In the first quarter this financial year, we have carried 59.3 million tonnes of coal on our Network, which is the highest quarterly result ever.

In our above rail coal haulage business, tonnages in Queensland were impacted by the cyclone, but we still saw an increase in our total coal revenue.

Today, we released our above rail volumes for the September quarter. We recorded a 7% increase from the same period last year.

SLIDE – GROWING OUR COAL BUSINESS IN THE HUNTER VALLEY

Our coal haulage in the Hunter Valley in New South Wales continues to provide solid growth with a 9% increase from the previous year. In July, we started rail services with AGL Macquarie which will increase our tonnages in the Hunter Valley by 9 million tonnes per annum.

The tonnages released today show our September quarter volumes in New South Wales were 15% higher than the same time last year, reflecting the start of our haulage for AGL and some expansion in volumes for Whitehaven.

In summary, the 2018 financial year has started well with volumes tracking in accordance with our expectations. Our FY2018 guidance for above rail coal haulage remains at 215 to 225 million tonnes and our FY2018 EBIT guidance remains at \$900 to \$960 million.

Globally, market conditions for coal improved over the year as commodity prices improved. This is good news for our customers and for the many industry participants that service them, including Aurizon.

SLIDE – GENERATING 65% OF AURIZON'S REVENUE

Approximately 65% of our revenue relates to coal, with more than two-thirds of Australia's coal exports using our rail network or is carried on our trains.

But it's not just big business for us and our customers. It's big business to all Australians. Coal has helped sustain the longest period of economic growth in the nation's history, and is our second largest export industry, valued at more than \$50 billion last year and employing more than 30,000 Australians.

And of course, the coal industry pays its fair share of tax and royalties, which benefits all Australians by helping to fund community services and infrastructure such as hospitals, schools and roads.

Despite its significant contribution to the nation and to our quality of life, the role of coal to Australia's economy has been substantially under-valued.

From our perspective, it is important to bring evidence-based data to this discussion.

As a supply chain partner for the coal industry, our aim is to develop a sustainable business that delivers economic and community benefit.

We are a company that exists in the real world where we all require reliable and cost-effective energy for our households and businesses, and steel for our buildings, white goods, and cars.

SLIDE – TRANSPORTING METALLURGICAL COAL FOR AUSTRALIA, THE WORLD'S LARGEST EXPORTER

Australia is the largest exporter of metallurgical coal in the world, and it accounts for around 70% of coal transported across our Central Queensland Coal Network.

Metallurgical or coking coal is used to make steel, and there is no current, viable substitute. Demand for Australia's high-quality metallurgical coal continues in Asia and the Indian sub-continent, spurred by economic growth and urbanisation.

India, not China, is the largest importer of Australian metallurgical coal, importing 106 million tonnes in 2016.

The Federal Government's Office of the Chief Economist this month released the Resources and Energy Quarterly. The report indicates that India's metallurgical coal demand is projected to increase six-fold to more than 600 million tonnes by 2035. Even if only a fraction of this forecast demand eventuates, it will still be a great outcome for our customers, the Australian economy and all industry stakeholders, including Aurizon.

SLIDE – DOMINATING GLOBAL POWER GENERATION

I will now move away from metallurgical coal to thermal coal. The coal that is the key input into coal-fired electricity and the one that occupies the most air time in the energy policy debate.

Aurizon has been very transparent about its acceptance of climate change science and supports the Paris Accord targets to limit global warming to two degrees.

As a company, we accept the world is transitioning to renewable energy sources and that we all have a role to play in reducing our carbon footprint.

According to the World Bank, more than one billion additional people will gain access to electricity by 2040, and an additional two billion will double their current levels of per capita consumption. Most of this growth will be on our doorstep in Asia and offers huge trade opportunities for Australia.

No one can stop this growth in energy demand: these are people rightly aspiring to essential services and electricity that Australians have enjoyed for decades.

The challenge is how to provide reliable and affordable energy, and how to achieve a sensible transition to renewable energy in coming decades.

In this context, growth in thermal coal demand in percentage terms has slowed. However, thermal coal in absolute terms continues to dominate global power generation, accounting for more than 40%.

Leading provider of information on commodity markets, S&P Global Platts reports that 370 advanced-technology coal fired power stations are currently under construction in Asia alone, with hundreds more planned. Their data indicates 145 of the power stations being built right now are in China and 108 in India.

Where coal-fired generation continues to expand, it is important that the highest quality coal is used to reduce emissions. The coal Aurizon hauls has higher energy and lower ash content than most other sources of seaborne thermal coal.

This coal, combined with using ultra super critical technology, can reduce greenhouse gas emissions by up to 50% compared to sub-critical technology using lower quality coal.

Australia's high-quality thermal coal contributes to one-third of Aurizon's revenue and based on current and future demand will continue to be part of the global energy mix for decades to come.

On a related note, the development of Queensland's Galilee Basin is an important growth opportunity for Australia's coal industry and one which Aurizon supports.

For many years, Aurizon has advocated the provision of open-access railway infrastructure for miners and rail operators in the Galilee.

We have not questioned the merits of development, nor the benefits of this coal in meeting global energy needs.

The question for us is why duplicate infrastructure when there's already an existing railway that can be utilised?

And why would Australian taxpayers contemplate contributing up to a \$1 billion in loans for the duplication of infrastructure?

The proposal that Aurizon has put forward is to construct a 190 kilometre spur line into our existing network.

It would cost at least \$1 billion less to construct than the 380 kilometres of entirely new rail infrastructure under the Adani proposal.

Building greenfield infrastructure when a world-class, expandable network sits adjacent is absurd and simply does not make sense.

Aurizon is a locally based company with a long history and demonstrated capability in heavy haulage rail operations and rail infrastructure development in Queensland.

Duplicating infrastructure might be excusable should the existing network be failing the industry. But the reality is the Central Queensland Coal Network is performing very well. It is safer, more efficient and has more capacity than at any time in its 50-year history.

Since FY2011 – the time of our listing on the ASX - coal volumes across the network have increased by more than 25% to 210 million tonnes in FY2017.

We have built and upgraded more than \$2 billion in rail infrastructure to support Queensland's strong and vibrant coal industry. All funded commercially, and built on time and on budget.

SLIDE – OPERATING IN HIGHLY COMPETITIVE MARKETS

Three highly-competitive rail haulage operators use this open-access network, providing customers with choice and security of supply.

Contrast this to pre-privatisation days, when Queensland taxpayers were effectively underwriting the expansion of coal infrastructure in Queensland, and, funding coal trains in New South Wales and grain trains in Western Australia.

And I can assure you, the government-owned freight business was not using the funding or running the operations efficiently. Large investments were yielding very slim dividends for government. Customer service and safety performance was poor.

All the evidence points to below-par performance by government-owned businesses in competitive markets. And yet, many in the community and government have seemingly lost any appetite for such change.

Each time, a company like Aurizon makes significant change to its business – the conversation swings back to the perils of privatisation. There is a misguided view that if only Aurizon was still owned by government, business would be booming and no jobs would be lost.

Aurizon's decision in June to close the Rockhampton workshops, affecting 180 employees, reignited this discussion.

We do understand the strength of community sentiment. We acknowledge the impact on our employees, their families, and the Rockhampton community. It was another tough decision for the Company this year.

But here was a facility built in another era, more than a century ago, that has been superseded by new technology and maintenance practices. Our competitors have no need for this type of facility.

Aurizon must continually improve, to better serve its customers and to compete effectively in highly contested markets.

Our customers do have choice in which company's trains carry their products.

Contracts readily change, based on service, safety and price.

For Aurizon, it is a case of improve or perish.

It does not matter who owns the business but rather how it performs.

SLIDE – DELIVERING MORE WITH LESS AND WITH A HIGHER SAFETY PERFORMANCE

Across all metrics, Aurizon is a now far safer, leaner and more productive company than seven years ago. We are delivering more tonnes with fewer trains; labour productivity has almost doubled, and safety performance has improved ten-fold.

And yet we must get better, year after year. We simply can't stand still while competitors modernise and adapt.

We have retained strong market share because of the transformational changes we have made since privatisation.

In my view, that could never have been achieved in government hands, unless taxpayers were prepared to commit billions more in subsidising inefficiency at the expense of funds for essential services such as health and education.

Aurizon is committed to creating a strong business and a sustainable future that creates certainty for our employees, our customers, our communities, and our shareholders.

SLIDE – CREATING CERTAINTY FOR EMPLOYEES, CUSTOMER, COMMUNITIES AND SHAREHOLDERS

Sometimes this means making tough decisions but decisions that are necessary if we are to remain in business in the long term.

In closing today, I would like to acknowledge our new Managing Director and CEO, Andrew Harding and his renewed senior leadership team.

While it has been a challenging start, the Board is confident that in the coming years we will see great improvements as the Company focuses on its core strengths.

To our employees across the organisation, we recognise that we operate in markets that constantly change and that are highly competitive.

On behalf of the Board, I thank you for your patience and dedication as we have worked through significant change this year.

Without our customers we would not have a business, so I acknowledge and thank our long-term partners, and also our customers who are new to our operations. We look forward to continuing to provide you with safe, efficient and reliable services.

To the communities where we operate, you are an integral part of our business. With more than 70% of our workforce located in regional areas, your community is our community too.

And finally, on behalf of the Board, thank you to our shareholders for your continued support in our business.

I will now hand over to Andrew Harding to give his first AGM presentation as Aurizon's Managing Director and CEO.

SLIDE – MD&CEO ADDRESS

WELCOME

Thank you Tim and good afternoon ladies and gentlemen.

I am pleased to be here today at my first Annual General Meeting for Aurizon.

As the Chairman indicated, it's been a challenging time over the past year, and I thank you for your continued support as we turn those challenges into opportunities for the future.

This afternoon, I want to share with you some of the changes we have made since I started, so that we can return to the fundamental strengths of our core business and unlock value for you, our shareholders.

SAFETY

SLIDE – REPORTING OUR SAFETY PERFORMANCE

When I first arrived at Aurizon, I was impressed by the Company's commitment to safety and the improvements that had been made over recent years.

Safety remains core to our business. While our safety performance has been generally better than our Class 1 railroad peers in North America, we want to set the bar higher. Starting this year, we have changed the way we record and report our total recordable injuries.

Reporting will be in line with internationally recognised standards and practices, and we will benchmark ourselves against leading organisations outside the rail sector, such as mining.

While it will be harder for us to improve our metrics, it will help continue to drive and stretch our safety performance, which is the core of everything we do.

CHANGES TO BUSINESS

Since starting in December, it was clear to me that the Company had great strengths in its core businesses and the opportunity for genuine and sustained transformation.

Yet, I believe we were falling short of shareholder and customer expectations.

I was confident that with some right decisions and disciplined execution, we could create sustained improvements and unlock value for shareholders.

I shared my vision and thoughts with the Board, and with their support, we undertook several changes.

SLIDE – FOCUSING ON CORE STRENGTHS

From the first of July, we implemented a new organisational structure designed along the core areas of the business – Network, Coal, Bulk and Intermodal as well as central support and planning functions.

The new Business Unit structure is supported by a renewed executive leadership team who have greater accountability for our core businesses, and I have very high expectations of them.

These are leaders who bring deep commercial and operational experience to the executive team, together with fresh perspective. A blend of talent promoted from within the Company, and others recruited externally for their specific industry expertise.

With a simpler structure, stronger accountability, and taking leaders and decision making to regional areas, we will improve our business and deliver better customer outcomes.

The Chairman spoke to the outcomes from the year-long Freight Review, which will see us exit our Intermodal business. It was a legacy business, negatively impacting shareholder value and long overdue for review.

While it's a very difficult decision for affected employees, exiting will allow the Company to concentrate on core, profitable parts of our portfolio.

We are cascading rollingstock, recycling capital and redeploying traincrew from Intermodal into our growing Hunter Valley Coal business. Already, we are transferring one set of locomotives to our Coal business that are no longer required in Intermodal.

SLIDE – TURNING AROUND OUR BULK BUSINESS

Our Bulk business is on a turn-around plan, which realistically will take three years. As part of the Freight Review, we conducted a line-by-line review of each of our Bulk contracts.

The decision was made to either retain the contract if it was commercially viable, transform the contract if it showed promise of better returns, or exit it if the contract offered no possible reform. As an example, we have exited haulage contracts with Wilmar Sugar and Glencore in North Queensland because they were not commercially viable for Aurizon.

Under the leadership of Group Executive Clay McDonald, the Bulk business is divided into four regions with general managers in each region to enhance accountability and increase the focus on improved customer service and commercial delivery.

TRANSFORMATION

SLIDE – DELIVERING BENEFITS THROUGH TRANSFORMATION

Now turning to transformation, we have continued to see improvements in our transformation program with \$129 million of benefits delivered in FY2017.

These benefits were achieved through ongoing labour and fleet productivity in our operations, including the reduction of approximately 140 management positions as we removed a management layer. At a corporate level, we also reduced management positions and continued to reduce discretionary and consultancy spend.

To prioritise and optimise spend on capital projects and consultants, we have enhanced the financial governance organisation-wide.

We remain on track to achieve our \$380 million three-year target in FY2018, noting that the Intermodal divestment will in itself remove more than \$50 million of losses.

We have also expanded the scope of the transformation program to include capital allocation, revenue generation and the Network business, so we maintain momentum with transformation beyond FY2018.

Transformation doesn't end there of course. This Company will pursue continuous improvement year after year, across all dimensions of operational and financial performance, customer service and safety.

SUSTAINABILITY

SLIDE – BUILDING A SUSTAINABLE BUSINESS

We have a proud history of changing to meet the needs of our customers, and we are confident in the capability and flexibility of our people to take us to the next level of performance.

We are committed to building a sustainable business. A business that is future focused, and allows us to be better prepared for disruptive trends and unforeseen events.

Our preparedness and response to Cyclone Debbie earlier this year demonstrated the resilience of our Network business and we worked with supply chain stakeholders to ensure the best recovery possible.

To support quicker recovery times and to further enhance our resilience, we are applying the learnings from Cyclone Debbie to continuously improve our information, planning and customer communication systems during extreme weather events.

We are also rolling out more remote weather and track monitoring stations to provide real time weather and track conditions.

Like the companies we haul for, we operate in a competitive environment. With coal contributing to 65% of our revenue, our success is linked to the continued demand and competitiveness of Australian coal, which the Chairman spoke about in his address.

To support our strategic planning and to ensure we are future proofing our business, we undertake thorough scenario analysis that informs our long-term outlook for seaborne coal demand. Our Sustainability Report, which was released last week looks at various scenarios including those related to climate change, and discusses how they would impact Aurizon's resilience.

If you haven't had the chance to read our Sustainability Report yet, I encourage you to do so. I am proud that we have proactively led the way on our sustainability reporting with the objective of increasing transparency to our key stakeholders and shareholders.

COMMUNITY

SLIDE – SUPPORTING OUR LOCAL COMMUNITIES

As our business continues to change and adapt to the competitive markets in which we operate, we remain a significant employer in regional communities. In fact more than 70% of our workforce live in regional and remote areas.

As a company, we aim to build sustainable positive relationships and legacies in the communities where we operate and where our people live and work.

Our biggest footprint is in regional Queensland, where we employ more than 3,000 people who support our above rail operations and the running of the Central Queensland Coal Network.

In preparing our 2017 Sustainability Report, we wanted to better understand how we were contributing to regional Queensland, so we commissioned Ernst & Young to update their 2015 report on 'Economic Contribution Analysis', which provided us with some key insights.

The analysis showed that we contribute more than 6,100 direct and indirect jobs and more than \$2 billion of output for Queensland's regional economy. A not insignificant contribution.

In light of the decision to close the Rockhampton maintenance workshops, we also asked Ernst & Young to focus our impact on the Rockhampton region over the period from 2015 to 2019.

Their analysis took into account historical and planned changes in our operations and showed that in the 2019 financial year, Aurizon will still contribute more than \$400 million to the Rockhampton economy each year.

We believe in our people being close to our operations and our customers, and we have started a process of relocating roles from Brisbane and other metropolitan areas to be closer to our frontline operations.

In addition, our Coal and Bulk group executives have also relocated to regional areas – Mackay and Perth – to enhance the focus and accountability of their respective businesses. This is already having a positive impact across our employees, our customers and our communities.

We also support local community groups through our Community Giving Fund, which is a cash grant program for charities and not-for-profit community groups.

Since its inception in 2011, we have proudly supported more than 280 worthwhile projects for charities and not-for-profits in the communities where we operate.

To know that we are helping deliver positive outcomes in the areas of Community Safety, Health and Wellbeing, Education and the Environment is important to all of us at Aurizon.

In April, we also introduced a special round of the Community Giving Fund to help communities that were devastated by Cyclone Debbie to rebuild and recover.

LOOKING AHEAD

SLIDE – RECOGNISING AURIZON'S POTENTIAL

While it's been a challenging start, it's not been without opportunities. I accepted this role knowing that there was untapped potential in Aurizon, and that we would have the opportunity to make some tough and swift decisions to take its performance to the next level.

I have also made my commitment very clear, that we would seek opportunities to return capital to shareholders. As part of this, we announced an on-market share buyback of up to \$300 million in August, which would be implemented over the next 12 months. To date we have bought back more than \$140 million of shares.

In looking at commodity markets going forward, the uplift in commodity prices this year has been very good news for our customers.

As our Chairman discussed in his address, the demand for high-quality Australian commodities will help support our business in to the future and we remain committed and focused on getting our customers' products to export safely and reliably.

CLOSING

SLIDE – DRIVING BETTER OUTCOMES

In closing today, I would like to thank the Chairman and the Board for their support over the past 10 months. I appreciate the sound counsel they have provided as changes have been made and implemented.

I would like to thank my leadership team. I appreciate the work they have done to support the major reforms of the business. With greater accountability, I am confident that they will drive better outcomes for their customers, our employees and you, our shareholders.

I particularly would like to thank all our employees across the country for their ongoing hard work and commitment. Our people are fundamental to the strength and resilience of the business.

As I've travelled around our operations, I have been impressed by the quality of our employees and their energy and enthusiasm to improve the business. I acknowledge the significant changes they've experienced this year, and their continuing commitment to deliver for our customers, each and every day.

And finally to our customers and shareholders, I thank you for your ongoing loyalty to the company and your support.

I am looking forward to leading Aurizon into its next phase, delivering for our customers and generating improved returns for our shareholders.

I will now hand back to Tim.



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Chairman's Address



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Challenging year for Aurizon



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Making tough, but necessary decisions



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Performing solidly in Network and Coal

Growing our Coal business in the Hunter Valley



Generating 65% of Aurizon's revenue

Transporting metallurgical coal for Australia, the world's largest exporter

Dominating global power generation



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Operating in highly competitive markets

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Delivering more with
less and with a higher
safety performance



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Creating certainty for employees, customers, communities and shareholders.



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Managing Director & CEO Address



Reporting our safety performance





Focusing on core
strengths

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Turning around our Bulk business





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Delivering benefits through transformation

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Building a sustainable business

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Supporting our local communities





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Recognising Aurizon's potential



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Driving better outcomes



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