



Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

18 October 2018

2018 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 horizontal line extending to the left.

Dominic D Smith
Company Secretary

Annual General Meeting Address
Tim Poole (Chairman) and Andrew Harding (MD&CEO)
Sofitel Brisbane Central, Thursday 18 October 2018

Chairman's Address

Slide: Delivering solid financial and operational performance in FY2018

Ladies and gentlemen

I am pleased to report to you on the solid financial and operational performance of our Company during the 2018 financial year.

As a result of transformation initiatives and improved earnings in our Coal and Bulk businesses, we increased our Underlying Earnings Before Interest and Tax by 6% to \$941 million and within guidance.

The Aurizon team has worked hard on transforming our business and I would like to congratulate them for exceeding the \$380 million three-year transformation target, with \$134 million of benefits delivered in the 2018 financial year.

These transformation benefits have taken costs permanently out of the business and improved our overall productivity.

Slide: Focusing on our core strengths

The simplified Business Unit structure we implemented in mid-2017 is starting to generate results.

Since 2017, the Coal business has secured 10% growth in contracted tonnages, adding new customers and supporting growth for existing customers.

Haulage volumes increased by 7% to 212.4 million tonnes in the 2018 financial year.

Last year we outlined a turnaround plan for our Bulk business. I am pleased to say that it is making progress, returning to profitability in the 2018 financial year.

The Bulk team's disciplined approach to lift efficiency, reduce costs and prioritise customer service delivered \$32 million in benefits.

In the Network business, 229.6 million tonnes of coal were carried across our Central Queensland Coal Network on the back of the continuing demand for high quality Queensland coal in Asia.

Turning to safety, it is disappointing that we saw a deterioration in performance in the 2018 financial year. This includes injuries to employees and operational incidents such as derailments.

One of the reasons performance deteriorated was the introduction of tougher injury metrics and reporting in July last year. This higher hurdle was necessary to drive and stretch our safety performance.

This was just the first step in a broader program of work in safety that is now well underway across the business. Andrew will speak in more detail on this program in his address.

Looking now to the current financial year, we are facing some challenges, and you may recall these were detailed in August in our 2018 financial year reporting.

In Bulk, the ending of two iron ore haulage contracts in Western Australia will impact our earnings by approximately \$50 million. However, we expect benefits from our turnaround plan to partly offset the lost earnings.

Slide: Seeking fairer regulatory outcomes

In our Network business, we continue to face regulatory challenges as we seek a fairer outcome from the Queensland Competition Authority in respect of the UT5 Access Undertaking.

In the absence of receiving a fair price for the risks we are required to accept, we will be constrained in investing in the Central Queensland Coal Network and delivering the level of performance our customers want so as to grow their businesses.

The Aurizon Board and Management are determined to achieve a fairer outcome in respect of UT5 and we are actively pursuing commercial, regulatory and legal solutions.

The other regulatory challenge has been the divestment of our loss-making Intermodal business. There are three parts to this.

The first, the Interstate Intermodal business, which covered our intermodal operations outside of Queensland, was closed with effect from 31 December last year.

The second part is the Queensland Intermodal business. Last week we announced that Aurizon has executed a sale agreement with Linfox to acquire our Queensland Intermodal business. As part of this transaction, we are pleased that Aurizon will provide rail linehaul services and some terminal services to Linfox pursuant to a 10-year arrangement.

We note that the Australian Competition and Consumer Commission has confirmed it will not oppose the sale to Linfox. The sale to Linfox is subject to the Federal Court lifting an injunction that currently compels Aurizon to continue to operate the Queensland Intermodal business until final orders of the Court. This will form part of the Federal Court Proceedings scheduled to commence on 19 November 2018.

We are looking forward to this matter being resolved as the agreement with Linfox will offer job security to more than 300 operational employees and continuity of service for our customers.

With respect to the third part of this divestment, we will continue to seek clearance of the sale of the Acacia Ridge terminal to Pacific National through the Federal Court proceedings.

Slide: Resetting the Company's strategy

Exiting the Intermodal market and focusing on Bulk, Coal and Network are central to the Company's revised strategy, which we released in June this year.

We will concentrate our efforts on what we do well. We will pursue business in growing and profitable markets. And we will leverage the talents of our employees to deliver strong customer and shareholder outcomes.

In re-setting the strategy, extensive analysis was undertaken on bulk commodity markets to understand future demand scenarios.

We expect there to be significant export growth in minerals markets and we will seek out opportunities that have scale, proximity and fit to our strategy and where we believe we can offer an efficient rail solution.

Slide: Delivering for growing coal markets

In our Coal business, we have started new railings in Queensland for QCoal, Baralaba and Bounty Mining, while in New South Wales, we expect to start railings for MACH Energy later this financial year.

We are expecting to see 2% compound annual growth in the export of Australian thermal and metallurgical coal over the next ten years, reflecting the strong demand for these products from Asia.

When we look at steel-making metallurgical coal, over the coming decades India is expected to be the single largest driver of seaborne demand. Australia supplies around 90% of India's imports, which is positive for our customers, the supply chain and the broader economy.

As a Company, we have always been transparent about our acceptance of climate change science and the physical and transition risks that could affect our business. We understand and support a sensible and measured transition to more renewable sources of energy.

I indicated earlier that we undertake thorough analysis to inform our outlook for the commodities that we haul. This includes assessing projections from external agencies such as the International Energy Agency.

More than 95% of Australian thermal coal is delivered to Asia, primarily to meet demand for the continued reliance of, and investment in, coal-fired energy generation.

We also note that the International Energy Agency's New Policies Scenario forecasts thermal coal generation in South-East Asia to increase by 113% to 655 terawatt hours by 2030.

Given the growing metallurgical and thermal coal needs of Asia, and the quality and cost-competitiveness of Australian coal, we are confident in the opportunity for our business to support the transportation of our customers' coal into seaborne markets for many years.

Slide: Sustaining strong regional communities

As a large Australian company with a predominantly regional footprint, we recognise the role we play in sustaining strong communities.

More than 75% of our 5,000 employees live and work in regional communities of Australia.

While we have our grassroots sponsorship programs such as our Community Giving Fund, we also contribute by providing employment opportunities, contracting local providers and suppliers.

At Board level we are committed to providing oversight and strategic direction to social, environmental and economic risks and to ensuring appropriate disclosure through our annual Sustainability Report.

If you haven't had the opportunity to do so yet, I encourage you to visit our website to read our 2018 Sustainability Report.

In November last year we welcomed Marcelo Bastos as a Director of Aurizon. Marcelo's operational focus and experience in the resources industry has added another dimension to Board discussions. You will hear from Marcelo shortly.

Today we are farewelling Karen Field as a Director of Aurizon. Karen joined the Board in April 2012. She has been the Chair of our Safety, Health and Environment Committee since May 2013 and overseen a significant improvement in our safety, health and environmental performance. Karen, on behalf of the Board, thank you for your outstanding contribution and we wish you the very best for the future.

Slide: Creating value for our key stakeholders

In closing, I would like to acknowledge the support of the communities where our employees live and work and where our trains travel each day.

Thank you to our long-term customers and to those who are new to Aurizon this year. We thank you for your support as we re-shape our Company and strategy to deliver better outcomes for your business.

And thank you to our shareholders. We are committed to managing your investment responsibly and effectively, and where possible, returning surplus capital to our shareholders.

This past financial year, we distributed \$762 million to shareholders through dividends and share buybacks, which demonstrates this commitment.

And finally, on behalf of the Board, I would like to thank our employees for their hard work and commitment. It has been a challenging year in many respects but change and renewal are important to our long-term success.

The momentum achieved in continuously improving business outcomes is reflected in the Company's solid financial results for 2018. For the 2019 financial year I confirm we are on track with the EBIT and tonnage guidance provided at our results presentation in August.

The Board remains confident the business is well-positioned to deliver on its strategy and continue to drive value for our customers and shareholders.

I will now hand over to Andrew Harding.

MD&CEO's Address

Slide: Improving performance and creating value

Thank you Tim and good afternoon.

The Chairman has provided an excellent summary of the 2018 financial year performance; major challenges for this financial year, and the outlook in our key markets.

I want to build on Tim's comments with examples of great work across the Company that is improving performance and creating value for you.

I will talk to three topics:

- progress for the first quarter of the 2019 financial year,
- the technology opportunity for your Company, and
- safety, inclusion and community at Aurizon.

We have started the quarter well, finalising bargaining on two Enterprise Agreements - the Staff Agreement in Queensland and the Coal Operations Agreement in New South Wales. And only last week, employees voted up the Western Australia Rail Operations Agreement.

These are modern, competitive agreements that cover approximately 1,400 of our employees. They provide the Company with the flexibility to be more responsive to market changes and reward employees for their contribution to productivity improvements.

We are aligning our enterprise agreements with the new Business Unit structure. Bargaining has commenced on the Coal Agreement, the Bulk Agreement, and the Infrastructure Agreement in Queensland.

Workplace Agreements should reflect the requirements of respective businesses and the need to be accountable for operational and financial performance.

Another positive was last week's announcement of the sale agreement with Linfox to acquire our Queensland Intermodal business, as outlined by the Chairman.

We have been clear in our rationale to exit the loss-making Intermodal business. It is a legacy business that we were unable to effectively compete in and it did not align with the Company's core strengths.

However, providing the rail linehaul services to Linfox fits our strategy and enables us to leverage our capability in bulk haulage.

The transaction is a great outcome in creating new business for Bulk, retaining jobs for employees and service continuity for customers.

Now to operational performance. Today we released our above-rail tonnages for the July to September quarter, which show a decrease of 8% compared to the corresponding period in 2017.

Tonnages in our Bulk business are down 19% compared to this time last year. This is largely due to Cliffs' early termination of its iron ore haulage contract in June 2018 following the sale of its mine to an operator with its own rollingstock fleet and complete exit of the Australian market.

In coal haulage, tonnages are down 5% against the prior period. This was as a result of some one-off impacts including industrial action and a major derailment caused by another operator's service in New South Wales, and ongoing supply chain constraints in Queensland.

Despite these setbacks, our above-rail coal volume guidance for the year remains at between 215 and 225 million tonnes, taking into account no major weather incidents or market changes.

Slide: Investing in technology

Going forward, our productivity initiatives will be largely led by technology improvements, supported by the skills of our people.

Technology investment will be at the forefront of our journey to be simpler, smarter and safer in delivering services for customers.

I am sponsoring a program of work called 'Precision Railroading', which is centred around three principles. The first is to plan with precision. The second is to deliver with discipline, and the third is to always look for ways to continuously improve while delivering safely.

The goal is to improve the on-time departures and arrivals and overall performance of our trains on the Central Queensland Coal Network. In doing this, we deliver greater value for our customers and the total supply chain.

To give perspective, in Central Queensland, each week we carry more than three million tonnes of coal on 400 train services from 40 plus mines to five export terminals on the coast.

There are many initiatives we are delivering under this multi-year project.

For example, we have deployed train scheduling technology that replaces manual systems. Scheduling the 400-odd trains each week used to take around two days, given the huge variability across the logistics task.

The new technology now assesses more than 300,000 train scheduling options within hours. It is done with a level of precision that delivers the absolute optimum in train scheduling and asset utilisation.

Other examples of technology being rolled out on our trains includes a system that transmits real-time information about the condition of the locomotive and the way the driver is handling the train.

It is not unlike the telematics we are increasingly seeing in our cars that promote safer, more efficient driving.

Remember that our coal trains weigh around 12,000 tonnes, so there are benefits in improved operational and safety performance. This data helps deliver fuel savings, a smaller carbon footprint and less wear-and-tear on rollingstock.

Slide: Expanding our industry-leading monitoring program

We are also expanding our industry-leading condition monitoring program, which improves the reliability and dramatically reduces the maintenance cost for locomotives and wagons.

We have six of these supersites deployed in Central Queensland and are now installing this technology in the Hunter Valley.

These trackside supersites capture more than 200,000 photographs on each train passing at normal operating speed.

It enables us to identify faults in real-time and to fix them before they become costly maintenance problems or safety issues for our employees.

This means a change in routine for our rollingstock maintainers. Instead of inspecting trains with torches at night-time and looking for potential issues, they now know about any issues in advance so that they can prepare to fix them rather than find them.

It also means we can extend our visual maintenance inspection schedules from 21 days to 42 days, which keeps trains safely in service longer.

These examples highlight that productivity, cost and safety improvements should go hand in hand when it comes to new technology.

Slide: Strengthening our safety culture and systems

We are absolutely committed to our core value of Safety. This core value does not change, regardless of our different priorities each day. Our safety culture has matured over the past decade and I see the commitment from employees to work safely and look out for their mates.

While performance has improved, it is not where it should be and we need to re-double our efforts towards our goal of ZEROHarm.

We have seen a disappointing deterioration in our safety statistics over the past 12 months, including some significant derailments. Our goal is to drive down the frequency, and ultimately eliminate these high-risk events.

We are implementing a long-term program to lift the bar on safety. It will improve capability of our leaders; strengthen safety culture; and ensure our systems and technology are simpler to use.

Rail safety isn't just important for our employees and contractors, but also for the people in the communities where we operate.

Slide: Participating in our communities

Our employees play a key role in raising awareness of safe behaviour around the rail corridor not only at work but also by presenting at schools and community events.

This is just one role our employees play in building better communities. They also participate in community activities such as events to raise awareness of domestic violence, mental health or providing career advice for young people.

Teams across our operations also get behind initiatives such as NAIDOC Week, Wear it Purple Day and RU OK? Day.

I am proud to lead a Company where employees, regardless of their role, are keen to contribute to a more inclusive and resilient community.

More inclusive workplaces are also more productive and profitable, and likely to have engaged employees who stay with the Company.

Slide: Committing to reconciliation

In the lead-up to this year's NAIDOC Week, we released our second Reconciliation Action Plan or our RAP. Our new RAP sets out our commitments to reconciliation for the next three years.

The priorities are building relationships in local communities, supporting local suppliers and career opportunities for our existing Aboriginal and Torres Strait Islander workforce.

We have made great progress in doubling the percentage of Aboriginal and Torres Strait Islander employees in our workforce from approximately 2.5% in 2012 to more than 5% today.

Slide: Contributing to our communities

With our operations spanning Queensland, New South Wales and Western Australia, we recognise the importance of contributing in the communities where we operate.

One of the ways we give back is through our Community Giving Fund - a cash grant program aimed at supporting not-for-profit community programs.

In the past financial year, we supported 42 very worthwhile projects and charities. Our current round is open for applications until next Friday and includes additional funding support for drought-affected communities.

The outcomes we have achieved in the past financial year could not have been possible without our talented and dedicated team of employees.

I would like to thank them for their contributions and for striving to reach our vision of being the first choice for bulk commodity transport solutions.

I also reiterate the Chairman's appreciation to our customers, our shareholders and to the communities where we operate for your ongoing support.

The changes we have made, and are continuing to make at Aurizon, are designed to support our strategy and ensure the ongoing success and sustainability of our business.

Thank you.



AURIZON[®]

Annual General
Meeting 2018

Chairman's Address

Delivering solid financial and operational performance in FY2018

UNDERLYING EARNINGS BEFORE INTEREST & TAX (EBIT)

\$941m  

BELOW RAIL COAL TONNAGES FOR THE CQCN

229.6 million tonnes  

ABOVE RAIL COAL TONNAGES (QLD AND NSW)

212.4 million tonnes  

FINAL-YEAR DIVIDEND

13.1c per share franked at 60%  

Focusing on our
core strengths



Seeking fairer regulatory outcomes



Resetting the Company's strategy

VISION

The first choice for bulk
commodity transport solutions

PURPOSE

Growing regional Australia by
delivering bulk commodities to the world

VALUES

Safety / People / Integrity / Customer / Excellence

Delivering for growing coal markets



Sustaining strong regional communities



Creating value for our key stakeholders



Managing Director & CEO Address

Improving performance and creating value



Investing in technology



Expanding our industry-leading
monitoring program



Strengthening our safety culture and systems



Participating in our communities



Committing to reconciliation



July 2018 — June 2021
Reconciliation Action Plan



Contributing to our communities





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