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ASX Market Announcements  
ASX Limited  
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13 November 2013

## **BY ELECTRONIC LODGEMENT**

### **Aurizon – 2013 Annual General Meeting Addresses**

Please find **attached** the addresses by the Company's Chairman Mr John B Prescott AC and Managing Director & Chief Executive Officer Mr Lance E Hockridge, to be presented at today's Annual General Meeting commencing at 10.00am (Brisbane time).

Yours faithfully



**Dominic D Smith**  
SVP & Company Secretary



**Annual General Meeting Address**  
**John B Prescott AC (Chairman)**  
**Brisbane Convention and Exhibition Centre, Wednesday 13 November 2013**

Slide: Chairman's Address

Slide: Disclaimer

Good morning ladies and gentlemen. It is my pleasure, on behalf of your Directors, to welcome you to the Company's third Annual General Meeting and first AGM as Aurizon Holdings Limited.

Today we are proud to reflect on the considerable progress the Company has made and the significant shareholder value we have delivered to you over the last 12 months.

Aurizon continues its transformation towards a world class company.

Before I proceed to the financial results, I would like to make brief mention of a few of the activities your Board undertook this year. We believe these are at the core of the attributes that will help determine the Company's success.

Slide: The Board's efforts

As we do each year, we reviewed our governance practices and the functioning of the various Board Committees to ensure we are meeting the appropriate standards. This involves striking the right balance in challenging, supporting and motivating management.

We also continued our reviews of the Board's own performance and that of our Directors.

As part of this we reviewed our succession arrangements. This is to ensure we have a process to enable smooth transition and continuity of stewardship at both Board and senior management levels.

The composition of the Board itself was evaluated and, whilst we have a diverse and talented Board, we felt it would be prudent to enhance certain specific skill sets.

This is what is behind the appointment of Mr Pat Zito that we announced last night. Mr Zito has extensive financial as well as operational experience at senior executive and board levels domestically and internationally. We are very pleased he has agreed to join us.



We took steps to refine and embed the functional organisation model we put in place last year. In doing so we appointed some very strong and widely experienced executives to ensure we get the results we want.

In marketing, we supported and encouraged management in winning new and renewed contracts. These are mutually rewarding in giving customers better service and the Company better returns. This is truly significant.

We have reviewed our risk management arrangements and reinforced the plans we have for mitigating potential issues.

We continued our regular reviews and deep analysis of management's performance in each area.

We have similarly reviewed our growth initiatives and aspirations.

I believe these efforts are at the very heart of what your Board should be doing.

Moreover, as a Board, we have enjoyed robust and respectful debate. I would like to acknowledge and thank my fellow Directors for their unwavering commitment and support in what has been a year of much activity and considerable achievement.

### Slide: Financial performance

I turn now to the financial results for financial year 2012/2013.

These results highlight the strong and sustained improvement in the financial performance of the Company since the float in 2010.

Year on year, improvements have seen Underlying Earnings Before Interest and Tax increase from \$289m in FY2010 to \$754m in FY2013.

In FY2013, Underlying EBIT increased 29% over the prior year, on revenues that were up 7% to \$3.77b.

Along with this strong financial performance shareholders received significant returns in the past year.



## Slide: Shareholder Value

In August 2013, the Board revised dividend guidance from a payout ratio of 50% to a range of 60-70% of Net Profit After Tax. The payout ratio for the FY2013 Final Dividend was increased to 65%.

In September the Company paid a 90% franked final dividend of 8.2 cents per share, giving a full-year dividend for FY2013 of 12.3 cents per share. This represents an increase of 48% over the prior year.

The Company has delivered these strong results and created greater shareholder value in the face of significant challenges: challenges such as subdued demand for resources and flood-related impacts on coal tonnages.

From IPO to 30 June 2013, the Board and management have created almost \$3b in shareholder value.

Aurizon's Total Shareholder Returns for the year were 25.26%, outperforming the S&P/ASX 200 index by 3.66%.

Retail investors have benefited from a 28.7% increase in share price in the last 12 months and a 92% share price increase since listing.

## Slide: Transformation

We continue an aggressive reform agenda to achieve better customer interfaces and high professional standards through productivity improvements, cost reduction and cultural change.

And by cultural change I mean the adoption of attitudes throughout the Company that are constructively focussed on driving benefits for all our stakeholders, be they shareholders, customers, communities, employees or others who rely on what we do.

Difficult but necessary changes are required to better position us for continued growth and success. Right from the outset, we started at the top of the Company. And more recently we have reduced two executive positions and further management and voluntary redundancy programs are under way.



At the heart of this is our safety effort. The Board is particularly pleased that all major safety targets were achieved during the year, with marked improvements across all key safety metrics.

I commend the efforts of all employees to improve safety and the continued safety leadership of management.

### Slide: Remuneration

The Board is very aware of shareholder interest in executive remuneration. We have sought shareholder interactions in this area and to respond appropriately.

The Board believes our remuneration practices are operating effectively and are aligned to shareholder interests.

However, cognisant of current market trends, the Board has determined there will be no increase in fixed pay for the Company's top 80 managers for FY2014.

And we have made some other changes:

- First, going forward a portion of any short term incentives will be awarded as shares and deferred for one year with "clawback" provisions in the event of material financial misstatement.
- Second, we have increased from 33% to 50% the proportion of any Long Term Incentive Awards dependent on the achievement of our Operating Ratio targets which we believe are the best proxy for our overall performance. And we have made these targets more aggressive beyond 2015.
- We believe the Operating Ratio target of 73% for FY2016 to be very challenging.
- Third, we have adopted a policy of being more reluctant to adjust targets in management's favour for one off events, whilst at the same time retaining discretion to ensure the efficacy of incentive plans.
- Consistent with this we excluded the impact of the share buy-back from the EPS performance hurdle for the LTI in 2013.
- We have also adjusted downwards the benefit of transformation targets actually achieved for the STI, wanting to see these demonstrated over a longer time frame.



- And for the New Year we adjusted upwards (i.e. made more difficult), the minimum EBIT target to be achieved for a threshold payment of STI.

Further details are in the Remuneration Report and the Notice of Meeting which was sent to shareholders in September.

Ladies and gentlemen, the Board's aim is to closely align management performance and shareholder value. We believe this is being achieved, and that management is being rewarded appropriately in a competitive market.

Whatever views you may have on specific aspects of our remuneration arrangements should be tested against the overall outcomes achieved for shareholders.

I will be happy to answer questions when the meeting considers the remuneration report later.

#### Slide: Capital management

The past year has seen several important capital management initiatives. These have diversified the shareholder base and provided a platform for the long-term capital structure for the Company.

First, the net effect of institutional placements to investors by Queensland Treasury Holdings, together with the \$1b buyback by Aurizon, was a reduction of the Queensland Government's shareholding from 34% to 8.9% and increases in both the number and proportion of stock held by other shareholders.

Second, in May we completed a review of the long-term capital structure of the Company and in June, a major refinancing program that created standalone debt facilities at both Aurizon Holdings Limited and Aurizon Network Pty Ltd.

Third, last month we entered the Australian Medium Term Note market with the successful issue of \$525m for 7 years, thus extending our debt maturity profile.

#### Slide: Outlook

Ladies and Gentlemen, we remain confident about the future.



If I cut to the chase, we are still seeing strong volumes in coal and iron ore and we believe the fundamentals for our participation in these markets in the medium and longer terms are strong.

We are not benefiting, however, from several of the new contracts we have written in the past year, as they are yet to take effect. And we recognise that a number of our customers are experiencing weaker demand and softer prices. This in turn does have an impact on us and there is a need for caution.

Whatever the market outcomes, the transformation programs I have outlined are substantial and will make us stronger going forward, turning us into a commercially-focussed, high-performing organisation.

**Slide: Thank you**

### **Acknowledgements**

On behalf of the Board, thank you, our shareholders, for your continued support in 2013.

Thank you also to our customers. The Company is absolutely focussed on improving performance and creating value for all of you.

As a Board, we greatly appreciate the hard work of Aurizon's dedicated workforce in delivering significant results during a time of material change.

And I would like to acknowledge the contribution of Lance and his executive team in leading the business so effectively over the past year.

I would now like to invite Lance to present his address to the meeting.



# Chairman's Address



# Important Notice

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# The Board's efforts and appointment of new Director

## Annual Review

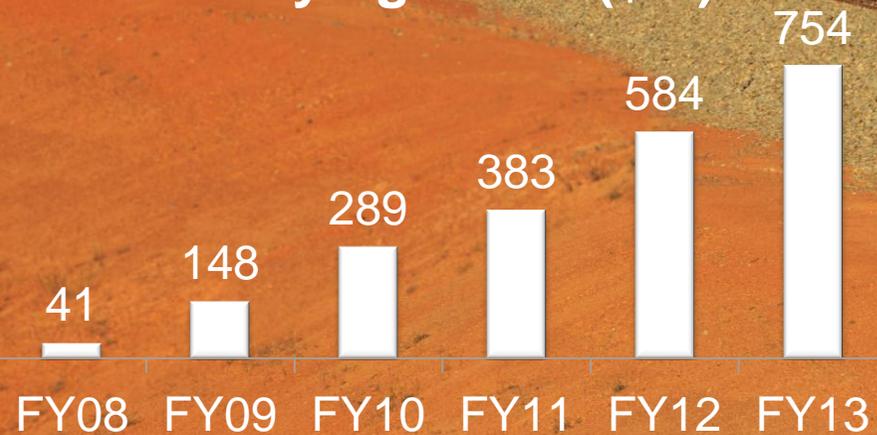
- Governance practices
- Succession arrangements
- Functional model
- Risk management
- Growth initiatives



Mr Pat Zito

# Financial Results

## Underlying EBIT\* (\$m)



\*Underlying EBIT is earnings before interest and tax



# Shareholder Value

Share price performance since listing



# Transformation



# Key remuneration enhancements for FY2014

- Fixed pay freeze for Management
- STIA deferral & Claw-back
- Operating ratio 50% of LTIA. EPS & TSR each 25%
- No adjustment to performance targets

# Capital Management

Diversifying the shareholder base and platform for long-term capital structure.

- reduction of Queensland Government's shareholding
- review of long-term capital structure
- standalone debt facilities for Aurizon Group and Aurizon Network
- Australian Medium Term Note market with successful issue of \$525m for 7 years

# Outlook



# Thank you



**Annual General Meeting Address**  
**Lance E Hockridge (Managing Director & CEO)**  
**Brisbane Convention and Exhibition Centre, Wednesday 13 November 2013**

**Slide: MD & CEO Address**

Ladies and gentleman, I'm delighted to be here and begin by supporting the Chairman's comments about the significant progress in financial year 2013.

Aurizon's people are working hard to drive efficiency and productivity, cut costs and lift customer focus.

Sustained reform has improved our financial and operational performance and our safety record.

**Slide: Safety Awards**

Let me turn to safety first, which is fundamental to employees as well as our aspirations to be world-class.

We have made excellent progress. In the past five years, for example, we've reduced the Lost Time Injury Frequency Rate by 92 per cent.

This improvement means we have prevented more than 700 potential injuries to employees over those five years.

We have picked up some industry safety awards in recent weeks, a deserved tribute to employees for their work.

**Slide: Transformation**

In July we announced a target of a further \$230 million of cost reductions and productivity gains through to 2015.

We've made a good start.



All head office and support areas have been reviewed to lower costs and reduce headcount, with most changes expected to be complete by the end of this calendar year.

This includes reductions to my executive team as part of a broader rationalisation of management.

I am also pleased to announce today finalisation of recruitment to the vacant role of Executive Vice President, Commercial & Marketing.

Mauro Neves is an outstanding global executive with deep experience in the resources sector and supply chain logistics. His most recent role was Global Coal Director at Vale. We welcome him to our Company.

As outlined at our Investor Day in July, a key transformation initiative is the finalisation of an Integrated Operating Plan that matches the rollingstock fleet with train operations.

This work is nearing completion and we anticipate being able to provide an update to the market on this next month, as part of a progress report on transformation initiatives.

### Slide: Growth and Major Projects

While acknowledging the volatility of global markets and restructuring in the mining sector, Aurizon is a strong believer in the Australian resource story.

Growth rates for coal and iron ore may have slowed percentage wise, however in absolute terms demand is solid and sustainable.

We are prudently investing through the commodity cycle to ensure the Company is positioned for the rewards that long-term growth will bring.

We are midway through a \$2 billion upgrade to the Central Queensland Coal Network that's adding more than 70 million tonnes of additional capacity.

### Slide: WIRP Construction

The largest of these, the Wiggins Island Rail Project, has taken shape over the past 12 months as we track to commissioning in 2015.



### Slide: Hexham

In recent weeks, we have received approval for the Hexham Train Support Facility which is critical for our continued growth for our Hunter Valley coal business.

We are also pursuing long-term strategic growth by better integrating rail and port operations in bulk supply chains.

Longer-term prospects in the Pilbara and the Galilee remain active. They are not projects for the next five minutes but the merits of building efficient, cost-effective networks for world-class reserves are sound.

### Slide: Outlook

Last month, we released the first quarter haulage tonnes for coal and iron ore.

Coal tonnages in Queensland and New South Wales were 15 per cent higher than the prior comparable period, although the earnings impact is moderated because much of the volume uplift is under lower performing legacy contracts.

Iron ore railings for the quarter were up 57 per cent against the prior period which is in line with forecast.

Despite the strong performance, coal haulage guidance for FY2014 remains at 200-205 million tonnes due to the end of a contract on 31 October, and potential disruptions from the oncoming wet season.

We also note that trading conditions continue to be challenging for intermodal and the diversified bulk businesses given the current domestic economy.



Slide: Thank You

### **Acknowledgements**

My thanks firstly to our employees for their strong contribution at this time of unprecedented change.

In recognition of their efforts and to align performance with shareholder interests, I have announced today an Employee Share Plan that provides each employee with \$1,000 worth of shares.

My leadership team is acknowledged for driving the pace of change and ensuring we execute on commitments we make to shareholders and to customers.

Thanks also go to our customers and partners. We are focussed on achieving world-class customer service and on delivering on our promises.

And, most importantly, thanks to our shareholders for your enduring support. We are working hard to deliver on the tremendous potential and the strong shareholder returns available from this great Company.



# Managing Director & CEO Address



# Safety performance fundamental to world-class aspirations



Chartered Institute of Logistics and Transport awards

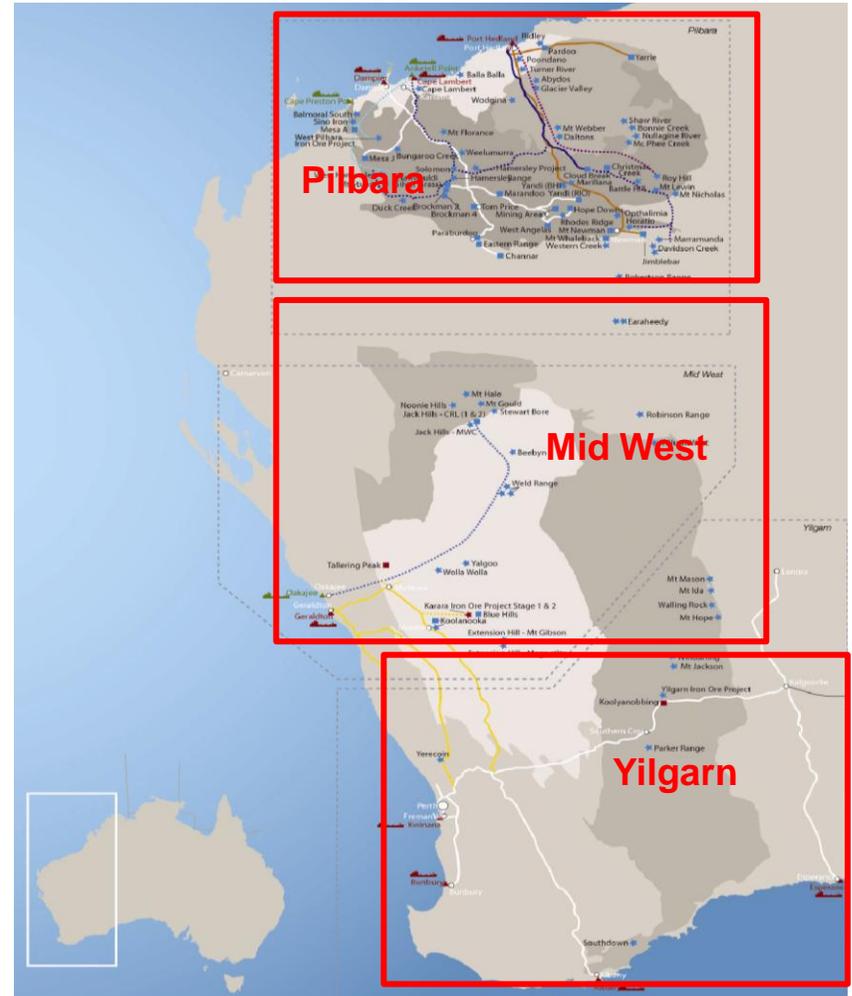
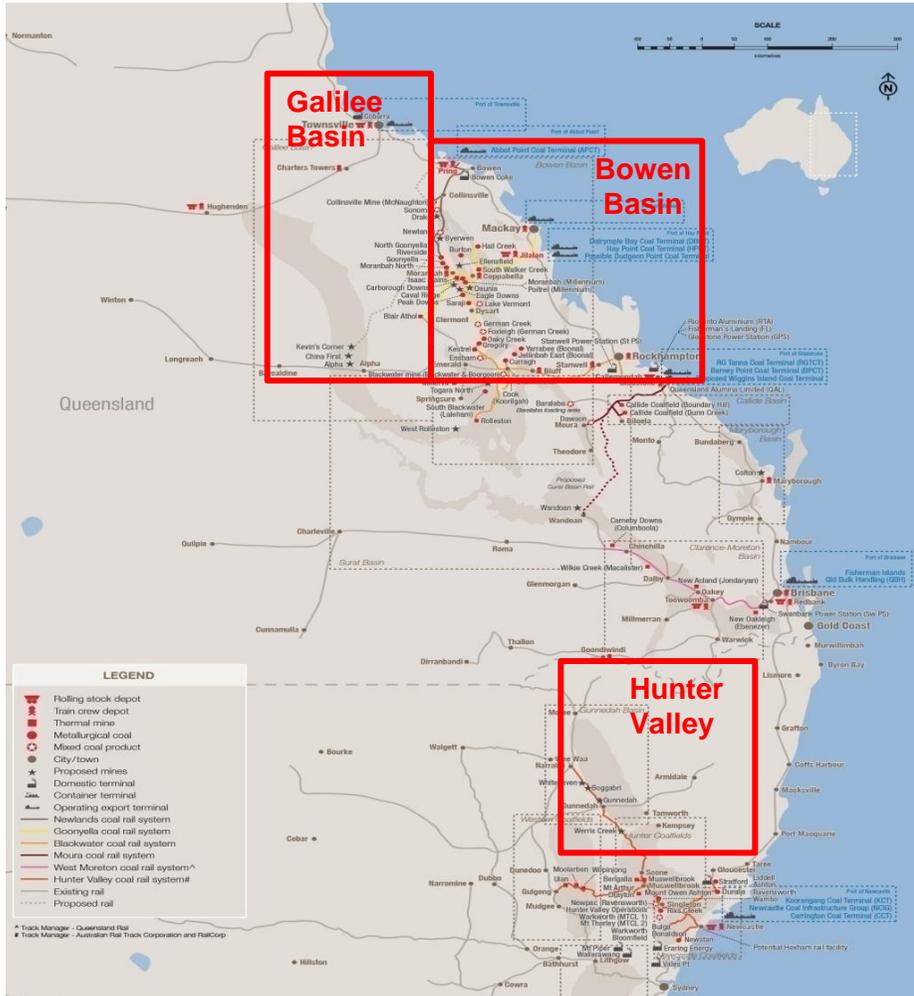


National Safety Council of Australia awards

# Transformation



# Sustained demand for Australian resources and growth opportunities for Aurizon



# Wiggins Island Rail Project Construction



# Hexham Train Support Facility

Approved by NSW Government Oct 2013

\$100 million+ investment in growth

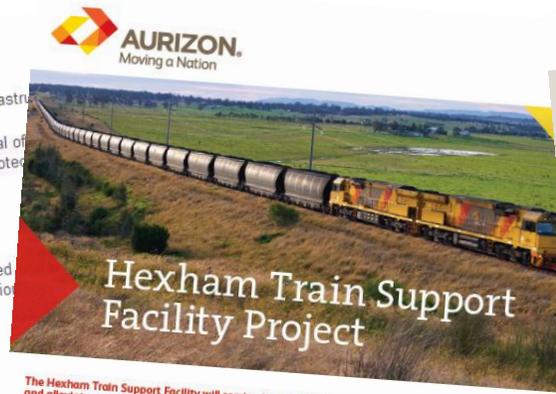
## Environmental Assessment (EA)

An Environmental Assessment has been submitted to the Department of Planning and Infrastructure.

Approximately 50 hectares of the 255 hectares will be allocated for proposed environmental of Situated next to the Hexham Wetlands, key environmental habitats are proposed to be protected and restored under a conservation agreement.

## Engaging with the Hexham Community

A community information session was held on 24 November 2012 in Hexham and provided an opportunity for community members to provide feedback and ask the project team questions about the proposed project.



The Hexham Train Support Facility will service Aurizon's growing Hunter Valley coal freight business and alleviate capacity pressures in the coal supply chain.

### About the project

Aurizon owns 255 hectares of industrial land located at Hexham in the Hunter Valley of New South Wales and proposes to redevelop approximately 30 hectares of the site to construct a Train Support Facility (TSF). The TSF will provide for the relocation of fuelling, provisioning and inspection activities currently located at Kooragang Island and Carrington.

Estimated at a capital cost of approximately \$100 million, the project is significant to the local and regional economies supporting the efficient and competitive delivery of coal for export.

The TSF will incorporate provisions for:

- » operational management of Aurizon trains
- » statutory and routine maintenance inspections of Aurizon trains
- » locomotives and wagons to be attached/detached to Aurizon trains
- » locomotives to be provisioned with fuel, water and other supplies
- » locomotives and wagons to be serviced and temporarily stored.

The TSF is consistent with the Australian Rail Track Corporation (ARTC) strategy of continuous improvement associated within the Hunter Valley Corridor Capacity Strategy.

### Benefits of the Train Support Facility Project

- » Significantly reduce activities associated with Aurizon's shunting and provisioning in and around Carrington and Kooragang Island.
- » More effective use of the existing infrastructure in the supply chain.
- » More efficient coal loading operations.
- » Create short-term and long-term employment opportunities.

Fact Sheet

## Hexham Train Support Facility Project



### Hexham TSF fast facts

A TSF provide trains with fuel, water and other supplies, servicing, inspection activities and storage.

Location:	Markland Road, Hexham NSW
Project site size:	30 hectares
Estimated capital cost:	\$100 million (Stage 1 only)
Completion dates:	Stage 1 – July 2014 Stage 2 – July 2016
Status:	Environmental approvals submission

\*The facts stated above are based on initial estimates only and are subject to change and remain a part of the EA process.

### Safety

Aurizon has a ZEROHARM policy. The safety of staff, contractors and the community is critical to all its rail operations, including all work undertaken as part of the Hexham Train Support Facility Project.

### About us

- » Australia's largest rail freight operator and rail transporter of coal from mine to port for export markets.
- » Listed on the Australian Stock Exchange in November 2010.
- » Operations in Queensland, New South Wales, Victoria, South Australia and Western Australia.
- » On average, hauls more than 500,000 tonnes of coal per day.
- » Employs approximately 9,000 people with the majority living in regional communities in which Aurizon operates.
- » Operating in the Hunter Valley region since 2005 and continues to be committed to the growth of its coal freight operations in the region.

# Outlook



# Thank you

