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ASX Limited
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QR National – 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
QR National

Dominic D Smith
SVP & Company Secretary



Annual General Meeting Address
John B Prescott AC (Chairman QR National)
Brisbane Convention and Exhibition Centre, Wednesday, 21 November 2012

Ladies and Gentlemen, at last year's AGM, I spoke of the tremendous progress achieved in our Company's first year of publicly listed life.

This was, of course, amid considerable challenges, 12 months on, I'm pleased to report that QR National continues to take big leaps forward in the execution of our growth and transformation strategy.

This is particularly satisfying because difficult operating conditions have persisted with coal haulage volumes being 47 million tonnes below the forecast 233 million tonnes due to weaker global demand, some continuing impacts of the floods on the mines and industrial relations actions in some mines.

We've been determined to grow shareholder wealth by focusing on those things within our control.

Essentially there are four areas:

- The development of our management structure and people;
- Those aspects of our operations that we are able to manage
- Our capital works; and
- Our capital structure.

Our management and our people have driven our performance in all these areas.

And recently we've made some excellent new appointments that our CEO Lance Hockridge will cover in his address.

Cost control, efficiency and productivity measures have been priorities – as has been the completion of our capital expenditure projects on time and on budget crucial to delivering the growth our customers are seeking.

As we move on, we are a more resilient organisation with better commercial capability.

We're more responsive and agile.

And most importantly, we're a safer place to work. In our view this is the ultimate test of a well-run business.

The Company's safety performance has improved significantly and consistently over recent years. Every one of our employees understands that safety is our unequivocal priority. But just one injury means we aren't fulfilling our ZERO harm philosophy. There's still substantial work ahead of us to entrench an uncompromising safety culture in all our workplaces.



Our mandate is clear to reshape QR National into an efficiently managed and commercial organisation. An organisation that delivers exceptional outcomes for all stakeholders – for customers, shareholders, employees, communities and the economy.

Our CEO Lance Hockridge will take you through some of our most important initiatives and performances in his presentation.

[SLIDE: Financial performance]

We reported a substantial rise in Underlying Earnings Before Interest and Tax from \$383 million to \$584 million for the year, earned on revenues of \$3.6 billion. Net profit after tax increased from \$361 million in the prior year to \$441 million.

We speak often about the Company's transformation; nowhere is this borne out more than in the EBIT chart on this slide.

[SLIDE: Dividends / Shareholders Returns]

The EBIT of \$584 million in 2012 is a far cry from the pre-privatisation EBIT of \$41 million recorded in 2008.

Shareholders have seen the benefit through dividends and an appreciation in the share price. QR National's shares outperformed the broader ASX 200 index by close to 9 per cent in the 2011-12 financial year.

Since IPO, QR National management has created about \$2 billion in shareholder value, and initial retail investors have benefited from a 42% total shareholder return to 30 June 2012.

We had a strong operating cash flow of \$924 million for the year. This enabled the Board to declare a final unfranked dividend of 4.6 cents per share: paid to shareholders on 28 September. When added to the interim ordinary dividend of 3.7 cents per share paid in April 2012, the total ordinary dividend for the year rose by 124 per cent over the prior year to 8.3 cents per share.

The Director's current intention remains, as detailed in the Share Offer document, to pay dividends at a payout ratio of 50% of net profit after tax subject to Director's assessment of circumstances at the time.

Remuneration

There has been some recent commentary on certain aspects of the Company's executive remuneration for financial year 2012.

Let me deal with the issues one by one so we can understand clearly that the changes made are not merely accounting adjustments that give our executives a "free kick". They are the result of management's work to improve performance, to have more commercial discipline in the business and to adopt best industry practice.

Contrary to what you may read in the media, these are not simply end of year adjustments. Quite frankly, they're what we expect management to do to enhance shareholder value.

First, capitalising mechanised ballast undercutting in our Network business is entirely consistent with industry best practice, and this change was specifically foreshadowed at the half-year results. We're doing what we said from the outset in standardising accounting treatments against other listed railroads so that benchmarking is transparent and comparable. This provided \$15 million in benefit in 2012.

Second, we have not changed the depreciation policy; rather we have revised the estimated useful life of the rolling stock fleet, this was not simply an end of year adjustment but made possible by intense work to improve the reliability, mix and availability of our big rolling stock fleet. It reduced depreciation expense by \$36m in 2012.

Each of these initiatives will provide ongoing financial benefit to Shareholders.

And we have absorbed and completely offset a number of unbudgeted costs and other detrimental impacts beyond those associated with lower coal volumes – not least for some unplanned voluntary redundancies and other restructuring costs in 2012.

These costs went negatively to the bottom line in 2012 but have continuing benefits.

Going forward, as mentioned in both the Remuneration Report and the Notice of Meeting, we have added new criteria for the award of short and long term incentives.

In the short term scheme and in response to what a number of investors have suggested, by including return on invested capital as a qualifying criteria.

And also by lowering payments for lessor performance and increasing them for better outcomes. And, in the long term incentive scheme, by including Operating Ratio as a key component management is incentivised to achieve in 5 years from the IPO the performance level it took the Class 1 Railroads in North America 20 years to reach.

[SLIDE: Share Buy Back / Capital Management]

I turn now to other matters.

At our full year results in August, the Company announced an on-market share buy-back program. In the ensuing weeks, we bought back 14.5 million shares at a cost of around \$50 million.

On 8 October, our largest shareholder Queensland Treasury Holdings Pty Ltd (QTH) announced that it would sell \$1.5 billion of stock, roughly half of its 34% shareholding.

This included a \$500 million placement of shares on behalf of the Government with cornerstone investors, and a proposed \$1 billion buyback by QR National. That selective share buy-back is the subject of approval by shareholders at the EGM following this meeting.

Your Directors unanimously recommend the Selective Share Buy-back.

The report of the independent expert that you have, has determined the transaction to be fair and reasonable to all non-QTH shareholders.

It helps to improve certainty for investors and deliver a more diverse register typical of a top 50 listed company.

The buy-back will be funded by existing debt facilities. This will increase the Company's 2012 Adjusted Gearing from 13.7% to 25.6%.

The resulting capital structure will be more efficient, and it's expected to deliver Earnings Per Share accretion and improved returns on equity for shareholders from this financial year.

Assuming shareholders approve this transaction, the Board remains confident the Company has retained a sufficiently prudent capital position with adequate funding capability to execute our growth strategy and with no refinancing requirements until the end of 2014.

Ladies and Gentlemen, your Board and Management will consider further initiatives in respect of our capital structure and the makeup of our debt. To improve the efficiency of the balance sheet while retaining the flexibility to fund capital investment.

[SLIDE: Name Change]

Today shareholders will also have the opportunity to vote on a new company name – Aurizon Holdings Limited.

The name QR National was an appropriate choice for the Company during the structural separation from Queensland Rail and the privatisation process.

However, many customers, shareholders and other stakeholders continue to be confused between our company and Queensland Rail. Confused about the services we provide where we operate and who owns the Company.

While our origins will always be in Queensland, it's important to have a name that better represents who we are today and aspire to be in the future.

In our view, Aurizon encapsulates these qualities. It reflects the national scope of our operations along with the enormous growth opportunities we see on the horizon.

[SLIDE: Community / Sustainability]

Another central plank in our efforts to achieve world-class performance is sustainability. We are committed to safe, environmentally sound and socially responsible operations.

As a company we are very serious about our role in the community, and we continue to support a social investment portfolio aligned to our business interests.

It gives priority to our employees and customers in three broad areas: health and well-being, community safety and education.

During the year the QR National Community Giving Fund distributed grants ranging from \$1,000 to \$20,000 to more than 53 charities across the nation. We also continued long-term relationships with organisations such as the Salvation Army, Australian Red Cross and St Vincent De Paul for the provision of in-kind freight support.

And in February QR National announced a three-year national partnership with the Heart Foundation. Our mission is to raise awareness of Australia's number one disease and to prevent the number of cardiovascular related deaths across the nation.

In May this year our work in these areas was recognised; we were the proud recipient of the 2012 Charities Aid Foundation Community Award. This is the type of achievement that gives us confidence in the work we are doing to support the communities where we operate.

The Board and Management

Since our last meeting, there have been a number of changes to the QR National Board of Directors.

Mr Allan Davies resigned from the Board due to other professional commitments. And we lost Mr Peter Kenny who very sadly passed away in October 2011.

Both Directors had served on our Board since prior to listing and helped guide us through a period of great change. I place on record our gratitude to Allan and Peter for their service.

We have strengthened the Board through two new members. In April, we announced the appointments of Mrs Karen Field and Mr John Cooper.

Karen has more than 30 years experience in the mining industry in Australia and overseas and has a strong background in human resources and project management.

John has more than 35 years experience in the construction and engineering and the mining, oil and gas and property sectors in Australia and overseas.

I welcome Karen and John to the Board and to their first QR National AGM.

Last month, our longstanding CFO Deb O'Toole announced she would be leaving the Company. Lance will say more about Deb but I want to acknowledge the outstanding contribution she has made to our Company over the past five years, and most particularly her work through the IPO and QR National's transition to publicly listed life.

[SLIDE: Outlook]

Moving into the new financial year and beyond, your Company remains confident about the future.

The medium to long-term outlook for the markets we serve is robust. This is despite the short-term economic uncertainties and cyclical volatility affecting global markets.

We remain mindful of the commentary around a slowdown in growth in China and the flow-on to the Australian resources sector. Clearly, tougher trading conditions are being felt by our customers and flowing on to our business in terms of softer coal volumes.

But we're confident the level of investment that has taken place in Australian resources over recent years has paved the way for a new phase of the boom – one which is underpinned by strong and sustained growth in export volumes rather than high commodity prices.

QR National is well positioned in this new environment. Our balance sheet is strong, and we remain focused on positioning the business to be an efficient and competitive supplier for our customers and to capitalise on any profitable growth opportunities that arise.

This is an exciting and dynamic time for QR National, as we seize on the many opportunities to create value for shareholders. We're implementing the right strategy and with the right team to deliver improved results over coming years.

Acknowledgements

Before I invite Lance to speak to you, I'd like to acknowledge the contribution that he and his executive team have made over the past year.

As a Board we are appreciative of how the Company's large, diverse and dedicated workforce has brought about the very significant transformation during 2012: And this has only been possible due to their determination, resilience, innovation and adaptability.

Finally, to you our shareholders, a big thanks for your continued support. You can be assured that, at every level, the Company is firmly focused on the creation of value on your behalf.

I'd now like to invite your CEO to present a more detailed review of performance for the year and outlook.



Annual General Meeting Address
Lance E Hockridge (Managing Director & CEO QR National)
Brisbane Convention and Exhibition Centre, Wednesday, 21 November 2012

Ladies and gentleman, I'm delighted to be here to address you at QR National's second AGM.

I begin by supporting the Chairman's comments about the significant progress made over the past 12 months.

It has been an extraordinarily busy time as we deliver on the two enduring themes of transformation and growth.

Of course, tomorrow marks the second anniversary of our listing and how different a company we are now in so many dimensions.

Privatisation and publicly-listed life has been the catalyst for change.

It has breathed new life into an ageing organisation with a century and a half of history.

The changes at QR National go way beyond financial and operational results to those attributes worthy of genuine aspiration, like excellence in safety, employee engagement and community investment.

Our story is very much about cultural transformation and the quality of the people in the Company.

Where the skills and energy of employees underpin a high-performance culture. And where innovation and commitment to customer service excellence thrives.

This is the organisation we are creating; a proud Australian company set to achieve benchmark performance at a global level.

[SLIDE: Year in Review]

I'll cover three topics today:

- Firstly, a reflection on our financial and operating performance for the year.
- Secondly, to the strong growth profile of this Company.
- And finally, the roadmap for our Company's future.

[SLIDE: Robust FY Result Despite Flat Coal Volumes]

John took you through this slide so I won't revisit all the detail.

We all know the broader market challenges, however QR National has been demonstrably delivering changes that are within our control and leveraging the substantial benefits of transformation.

Profits have improved significantly over the five years despite flat coal volumes.

These key metrics are a powerful illustration of the Company's journey, particularly the EBIT chart.

[SLIDE: Safety Performance]

Safety is at the very heart of our transformation.

Management's focus every day is to ensure operations are safe and injury-free.

Equally our employees understand that safety is everybody's responsibility.

Safety performance has improved markedly over recent years, as shown by our leading safety metrics.

LTIFR is down 22% over the past year and 79% down in three years.

It is no coincidence that improvements in safety performance have gone hand in hand with improvements to the Company's profitability and driving cultural change.

[SLIDE: Key Group Operating Metrics]

Our key metrics all continue to head in the right direction.

There's intense work continuing on:

- Cost containment
- Productivity efficiencies
- Improved revenue quality, and
- Capital and operational discipline

Together these transformation initiatives delivered \$121 million in benefits last financial year.

We continue to model the Company on the high performing Class 1 North American railways who have average operating ratios in the mid to high 60s.

QR National was at 91 a time of the float, and we were at 84 at the end of the last financial year.

We have set a target of 75 by 2015 on the way to achieving those Class 1 ratios.

This target is at the heart of our Roadmap for the Future which I will cover later.

[SLIDE: Growth]

Turning now to growth.

[SLIDE: Execution Capability Successfully Delivered Major Growth Projects in FY12]

Here's a summary of the major growth projects we delivered during financial year 2012.



This is a story of execution capability – meeting our commitments to customers and delivering on schedule and on budget.

It is not speculative growth but rather has been delivered in close collaboration with our customers to meet their needs and timeframes and is all fully contracted.

We continue to diversify our business, both in terms of products and geography. It is building a strong platform for future tonnage and revenue growth.

[SLIDE: More than 70MTPA of Committed Extra Capacity]

We continue to expand the Central Queensland Coal Network so we can capture sustained growth in Queensland coal.

A one-third increase in the capacity is well underway.

The Goonyella to Abbot Point project was completed in FY2012, and Hay Point and Wiggins Island rail expansions are in progress.

All up, this extra 70 plus million tonnes will take total system capacity to more than 300 million tonnes by 2015.

I would highlight the inherent value of this established, high-quality infrastructure asset.

This is especially so in a tough operating environment where customers are seeking cost containment and to maximise output with existing assets.

Working with our customers, we can benefit in many ways:

- Firstly, there's real opportunity to work with customers to extract every extra tonne possible from existing supply chains.
- Further, heavy-haul railways are scalable by constructing new tracks and passing loops along existing corridors. For example, the corridor to Abbot Point which has current capacity for 50 million tonnes can be upgraded to more than 200 million tonnes.
- Finally, with new projects such as those in the emerging Galilee, they can be served by shorter and less costly connections to the existing network. In a volatile market where large capital raising is tough, our lower-cost solution has distinct advantages.

[SLIDE: Goonyella to Abbot Point Completion]

Let me show you a few images of work completed and in progress for these major growth projects.

The Goonyella to Abbot Point Expansion project as I mentioned, was completed in June 2012.

It's one of the few \$1 billion plus infrastructure projects in the resources and infrastructure sector in recent years to be delivered on time and on budget.

[SLIDE: Wiggins Island Rail Project]

The Wiggins Island Rail Project is well underway.

It is fully contracted and will inject an additional 27 million tonnes of capacity for customers in the southern end of the Bowen Basin.

[SLIDE: Hunter Valley Expansion]

The Hunter Valley coal business has grown rapidly in recent years to deliver a consistent, high quality service for our customers.

We're commencing community consultation in coming weeks on our \$100 million train provision and maintenance facility at Hexham to support future growth.

[SLIDE: New Esperance Facility]

In Esperance we've invested \$125 million in facilities and rollingstock.

I returned last night from W.A after the official opening of the new facility which supports growth for Cliffs and other customers.

We're operating trains into this depot with the highest payload of the entire fleet, including coal here on the east coast.

[SLIDE: New Geraldton Facility]

Here's another example of our investment in Western Australia, showing construction of the new facility at Narngulu near Geraldton

This facility was delivered in less than 18 months from concept to completion.

Again, this is to facilitate growth of our WA iron ore business.

[SLIDE: Capital Committed to Growth]

Looking to the future, QR National has taken a measured and conservative approach to strategic growth plans and committed investment.

Commentary tends to polarise the outlook as either "boom or bust", however we prefer more realistic analysis that recognises the underlying drivers of the Asian Century.

We believe that while we will continue to see headwinds in the short term, the fundamentals of global resource demand remain unchanged, that growth is long-term and sustainable, and that Australian resources can remain competitive.

[SLIDE: Prospective Growth Projects]

These are our Company's key focus areas for future growth.



Our core competency is building and operating multi-user rail infrastructure for resource exports, as well as heavy-haulage services on existing networks.

These are the areas where the mining developments are occurring and planned for thermal and coking coal and iron ore:

- The Bowen Basin and the emerging Surat and Galilee Basins in Queensland
- The Hunter Valley in New South Wales
- The Mid West and Yilgarn in Western Australia
- The Pilbara in W.A.

[SLIDE: Roadmap for the Future]

Let me now take you through the Roadmap for the Future.

The focus remains on those twin pillars of transformation and growth.

We've made a good start but now more than ever we need to step it up a notch in pursuit of world-class performance.

[SLIDE: On Track for 75% Operating Ratio by 2015]

I have spoken about achieving an operating ratio of 75 or better within five years of the IPO.

There are three key elements - revenue quality, volume growth and cost efficiency.

First, to revenue quality, where customer and commercial capability are at the forefront.

This is part of the cultural journey I described earlier.

Where we're responsive, agile and work closely with customers to meet their needs.

Where new-form contracts reward performance and rightly punish non-performance.

The second element of growth I've spoken to already today. Here I would reinforce the opportunity for QR National with sustained resources growth in the Asian Century.

Our strong market position and infrastructure expertise will support partnering with our customers to take advantage of the best opportunities.

Finally, to cost efficiency and the underlying benefits of transformation.

During the year we moved to a functional model which is similar to the operating structure of the Class 1s.

This has allowed us to rebuild and re-organise the Company. It's aimed at reducing costs, improving efficiency and delivering enhanced customer service.

All the more important to deliver substantial improvement in results during subdued demand periods.

Since year end we have announced a second round of voluntary redundancies following the one in 2012, which I will discuss further in a minute.

We continue to recruit in frontline, growth areas of the business and also with new graduates, trainees and apprentices.

[SLIDE: The Right Structure and the Right Team]

Since year end we've announced changes to the management team.

Sadly, our Chief Financial Officer Deb O'Toole has announced that she is stepping down from her current role, effective after today's AGM.

I can't overstate the important role Deb has played in the company's transformation over the past five years. She has been central to the success of the privatisation, the IPO, and the delivery of our Offer Document targets.

On behalf of the Company I would like to thank Deb for her contribution.

We have also announced the appointment of the EVP Operations, which I'll discuss shortly.

Over the transition period the Operations role was led by one of our most experienced executives, Lindsay Cooper.

I would like to thank Lindsay for his outstanding contribution in this capacity and in many other senior roles over the past 40 years with the Company.

Lindsay will remain associated with the company to take advantage of skills and mentoring.

[SLIDE: New Appointments and Capability]

We've recently announced the appointment of two new executives with extensive global experience in leading North American railways.

Mike Franczak has been appointed EVP Operations. Mike has a proven track record leading Operations at Canadian Pacific - one of the world's largest railroads.

His expertise will be invaluable as we continue to transform our operations and bring operating metrics in line with Class 1 Railways.

Alex Kummant has been appointed to lead the newly-created Strategy function, which has been split from the Strategy and Business Development function led by Ken Lewsey.

A dedicated strategy function will be enormously valuable given the wide ranging opportunities before us.

We have also announced that Keith Neate will act in the CFO position while we undertake a global search for Deb's replacement.

Keith has a wealth of industry experience in industry including eight years as CFO at Virgin Blue. He knows our organisation well, so I'm very confident the transition will be a seamless one.

All told I am delighted that right across the executive management group we have a team with the experience and global credentials to underpin the continuing leadership and transformation of our Company.

[SLIDE: Our People Our Future]

While the right leadership team is fundamental, our people capability covers the breadth of our Company and extends to the far corners of the nation.

At more than 100 sites from Cairns to Kalgoorlie, our employees are making a difference.

They are engaged, committed and focussed on the things that matter.

I thank our employees for their contribution over the year and to our continued success, particularly at a time of unprecedented change in the Company.

We are also actively supporting the communities in which our people live and work.

Our Community Investment Program is delivering a range of funding and activities in the key areas of safety, health and well-being and education.

[SLIDE: First Quarter Performance and Outlook]

Let me move to current trading conditions and first quarter performance.

For the first four months of FY13 to the end of October, coal haulage tonnages are 1% lower than the prior comparable period. Queensland tonnages are down 4% and NSW is up 15%.

However, the month of October had significantly stronger coal tonnages flowing through which was pleasing. This underlines the variability of railings from month to month.

Overall total freight volumes were up 2% for year to date to 31 October including substantial increases in iron ore volumes – up 75% on the prior comparable period.

In terms of outlook, we expect the softer demand environment to continue over the near-term.

With variable railings over the first four months and the wet season approaching, it is difficult to provide certainty on full year coal haulage volumes to 30 June 2013.

Our best estimate advised in August in the range of 195-205mt has not changed, however experience to date suggests it is likely to be towards the lower end of that range.



The voluntary redundancy program we announced in August has been more successful than anticipated, with more than 820 people leaving the business rather than the 750 previously advised.

In total, on a like for like basis this means about 1600 people will have left the business since privatisation.

With respect to upcoming rail haulage contract tender processes, both new contracts and renewals which are currently underway, we note that these are expected to be completed during this financial year.

In the medium to long-term we continue to be optimistic about the markets we serve and our position is supported by our measured approach.

Despite short-term headwinds, the fundamental drivers of Asian demand remain unchanged.

[SLIDE: A Railroad for the 21st Century]

Let me talk briefly about another legacy issue with the name “QR National”
Frankly, that name is about our past not our future.

In daily dealing with customers and other stakeholders, it is enormously confusing.

Aurizon befits the company of the future which I have been describing to you today.

Ladies and gentlemen, let me close where I began, on the extraordinary changes happening in our Company.

Privatisation and publicly-listed life has been the catalyst for transformation.

It has been the trigger to accelerate and execute on the reform that’s really needed.

All the required levers are there – there’s no excuses, no reason for delay.

Now is the time to seize the opportunity in creating an Australian Company of genuine world-class quality.

