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ASX Market Announcements
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BY ELECTRONIC LODGEMENT

Aurizon – Appendix 4E

Please find attached for immediate release to the market a copy of the Company's Appendix 4E for the financial year ended 30 June 2013.

Yours faithfully



Dominic D Smith
SVP & Company Secretary



Aurizon Holdings Limited

Appendix 4E

Results for announcement to the Market on 19 August 2013

For the year ended 30 June 2013

Previous corresponding period (pcp) twelve months ended 30 June 2012



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Aurizon Holdings Limited
Results for announcement to the Market
For the year ended 30 June 2013

FY2013 IN REVIEW

Financial Headlines

(\$m)		FY2013	FY2012	Variance %
Total Revenue		3,766	3,536	7%
EBIT	- Statutory	685	593	16%
	- Underlying ⁽¹⁾	754	584	29%
NPAT	- Statutory	447	441	1%
	- Underlying	487	420	16%
Final Dividend (cps) ⁽²⁾		8.2	4.6	78%
Total Dividend (cps)		12.3	8.3	48%
Earnings per share ⁽³⁾	- Statutory	19.8	18.1	9.4%
	- Underlying	21.6	17.2	26%
Operating Ratio ⁽⁴⁾⁽⁵⁾ (%)		79.8%	83.4%	3.6ppt
Underlying EBITDA margin ⁽⁵⁾ (%)		33.5%	29.7%	3.8ppt
Underlying EBIT margin ⁽⁵⁾ (%)		20.2%	16.6%	3.6ppt
Coal Volumes (mt)		193.7	185.6	4%
Iron Ore Volumes (mt)		24.7	13.6	82%
Gearing (net debt / net debt + equity)		26.7%	13.1%	(13.6ppt)
People		7,969	8,969	(11%)

Notes:

- (1) Please refer to page 4 for a reconciliation of statutory to underlying EBIT
- (2) The amount of Conduit Foreign Income for the dividend is nil
- (3) Earnings per share calculated on weighted average number of shares on issue of 2,257,248,177 vs. 2,440,000,000 in FY2012
- (4) Revenue restated to reflect reclassification of diesel fuel rebate i.e. previously classified as Other Income and now as a recovery of fuel expense (Note: Will be included as revenue for FY2015 and FY2016 operating ratio remuneration targets)
- (5) Operating ratio and EBITDA and EBIT margins calculated using underlying revenue which excludes interest income and stamp duty refunds (\$3,736m in FY2013 and \$3,525m in FY2012)

Highlights in FY2013

- Statutory EBIT up 16% to \$685m
- Underlying EBIT up 29% to \$754m, largely due to:
 - Ramp up of contracted tonnes in the Goonyella to Abbot Point Expansion (GAPE)
 - Significant increase in iron ore volumes, with operating ratio improving 11ppts to 72.8%
 - Improved revenue quality with 18% increase in coal tonnes hauled under new form contracts
 - Transformation benefits delivered in year of \$96m.
- FY2013 coal volumes of 193.7mt were within guidance and 4% up on FY2012. Queensland volumes were up 3% to 155.8mt whilst NSW volumes increased 12% to 37.9mt
- The Board has changed it's dividend guidance and increased the payout ratio from 50% to a range of 60 - 70%
- Final dividend payout ratio increased from 50% to 65% i.e. from 4.6cps to 8.2cps (90% franked). Record Date is 6 September 2013 and Payment Date is 23 September 2013
- Secured several coal haulage contracts in FY2013, totalling circa 120mtpa
- Continued significant improvements in safety approaching world class performance with 0.95 LTIFR and 4.90 MTIFR
- Completed major \$3.6bn refinancing including stand alone debt facilities to both Aurizon Group and Network
- Network access undertaking (UT4) proposal submitted to Queensland Competition Authority (QCA) on 30 April 2013
- Completed \$1.1bn share buy-back in November 2012 with Queensland Government shareholding reduced to 8.9%
- During FY2013 Aurizon commenced negotiations of 18 of its 19 Enterprise Agreements covering approximately 88% of the workforce

FY2014, including Outlook

- On 18 July 2013, held an investor day to highlight initiatives to achieve target 75% Operating Ratio (25% EBIT Margin) in respect of FY2015. The target cost reduction / productivity improvement is \$230m+ over two years
- Today, MD & CEO announced changes to his executive leadership team as part of the transformation program:
 - Ken Lewsey (EVP Business Development) and Greg Robinson (EVP Business Sustainability) will be leaving Aurizon
 - Michael Carter will move from EVP Network to Strategy and Business Development. Alex Kummant will move from Strategy to EVP Network, with the transition to occur over the coming months.
- Our current expectations for FY2014 are for an increase:
 - of approximately 5% in coal haulage volumes to a range of 200-205mt (vs. 193.7mt in FY2013)
 - in Iron Ore volumes towards the contracted level of 30mt (vs. 24.7mt in FY2013).

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For the year ended 30 June 2013

CONSOLIDATED RESULTS

1. Annual Comparison

Financial Summary

\$m		FY2013	FY2012	Variance
Total revenue		3,766	3,536	7%
EBITDA	- Statutory	1,182	1,057	12%
	- Underlying ⁽¹⁾	1,251	1,048	19%
EBIT	- Statutory	685	593	16%
	- Underlying ⁽¹⁾	754	584	29%
NPAT	- Statutory	447	441	1%
	- Underlying ⁽¹⁾	487	420	16%
Earnings Per Share ⁽²⁾	- Statutory	19.8cps	18.1 cps	9.4%
	- Underlying	21.6cps	17.2 cps	26%
ROIC ⁽³⁾		8.0%	6.7%	1.3ppt
Operating ratio		79.8%	83.4%	3.6ppt
Cash flow from operating activities		906	924	(2%)
Final Dividend per share (cps)		8.2	4.6	78%
Gearing (net debt / net debt + equity)		26.7%	13.1%	(13.6ppt)
Net tangible assets per share (\$)		3.0	3.0	0%

Other Operating Metrics

	FY2013	FY2012	Variance
Revenue / NTK (\$/000 NTK)	55.8	56.0	0%
Labour costs / Revenue	29.0%	32.0%	3.0ppt
NTK / employee (MNTK)	8.4	7.0	20%
Opex / NTK (\$/000 NTK)	44.5	46.7	5%
NTK (bn)	67.0	62.9	7%

Underlying EBIT by Segment

\$m	FY2013	FY2012	Variance
Network	424	334	27%
Coal	320	257	25%
Iron Ore	97	32	203%
Freight	23	68	(66%)
Unallocated ⁽⁴⁾⁽⁵⁾	(110)	(107)	(3%)
Group	754	584	29%

(1) Please refer page 4 for a reconciliation between statutory and underlying earnings

(2) Earnings per share calculated on weighted average number of shares on issue of 2,257,248,177 vs 2,440,000,000 in pcps

(3) ROIC is defined as 12 month underlying EBIT divided by net working capital plus net PP&E plus AUC plus Gross Intangible Assets

(4) Items of revenue and expense of a corporate nature, ineffective hedging gains and losses, and discontinued operations within the Group including provision of overhaul and maintenance services to external customers

(5) Note that some numbers in this document may not match the financial statements due to rounding

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Variance Analysis - Annual

Underlying EBIT increased \$170m or 29% from FY2012 to FY2013, largely due to:

- A net increase of \$155m from volume growth and new business:
 - \$87m increase in the GAPE EBITDA due to the ramp up in contracted tonnes
 - \$80m increase in Iron Ore EBITDA due to a significant increase in volumes as mine capacity ramps up
 - \$25m increase in Coal EBITDA due to an additional 8mt hauled
 - \$37m decrease in Freight EBITDA due principally to the loss of the Consolidated Bulk Handling (CBH) grain contract in October 2012.
- A net increase of \$78m in revenue quality as follows:
 - \$62m benefit from Network representing the increase in the Maximum Allowable Revenue (MAR) and the FY2011 revenue cap recovery partly offset by increased traction costs associated with higher electric volume
 - \$47m benefit from Coal revenue quality from improved rate (\$13m) and lower net Take or Pay expense (\$34m)
 - \$31m decrease in Freight earnings principally from lower payments for the Transport Services Contract (TSC) in Queensland.
- A net benefit of \$96m from transformation initiatives as follows:
 - \$66m benefit from the Voluntary Redundancy Program (VRP) that was announced June 2012. 960 people accepted a voluntary redundancy with 921 people having left by 30 June 2013. We estimate the VRP will generate an annual benefit of \$85 - \$90m
 - \$12m benefit from the consolidation of the Brisbane office portfolio and other procurement improvements
 - \$11m in lower Intermodal and maintenance consumable expenses
 - \$7m benefit from longer trains and increased payloads implemented in the Hunter Valley and Newlands. This is principally due to savings in fuel and train crews.
- A net increase in operating and other expenses of \$119m including:
 - \$43m increase in employee benefits due to escalation (Note: \$66m benefit from the VRP is before inflation)
 - \$39m in cost escalation across all other operating costs excluding employee benefits
 - \$33m increase in depreciation expense, principally from Network (full year inclusion of GAPE) and Iron Ore
- Costs of transformation of \$29m as follows:
 - \$16m in costs associated with delivering transformation initiatives (not including VRP)
 - \$13m in net costs associated with the closure of the Redbank wagon workshop during 1H FY2013
- \$11m in Network repair costs (net of insurance and capitalised expenses) relating to the flood and derailment events of early CY2013.

Reconciliation to Statutory Earnings

Underlying earnings is a non-statutory measure and is the primary reporting measure used by Management and the Group's chief operating decision making bodies for the purposes of managing and assessing financial performance of the business. Underlying earnings is derived by adjusting statutory earnings for significant items as noted in the following table:

(\$m)	2HFY2013	1HFY2013	FY2013	FY2012
Underlying EBIT	398	356	754	584
<i>Significant items</i>				
Voluntary Redundancy Program ⁽¹⁾	(8)	(88)	(96)	-
Stamp Duty ⁽²⁾	27		27	9
Statutory EBIT	417	268	685	593
Net Finance Costs ⁽³⁾	(61)	(42)	(103)	(39)
Statutory PBT	356	226	582	554
Taxation Expense	(85)	(50)	(135)	(113)
Statutory NPAT	271	176	447	441

(1) A voluntary redundancy program was undertaken during the period which resulted in 960 employees accepting the offer at a cost of \$96m. 921 employees had left the business by 30 June 2013

(2) Stamp duty was paid in 2006 in relation to acquisition of Australian Railroad Group, recovered in FY2013 on successful appeal to Supreme Court of WA

(3) Increase in FY2013 net financing costs is largely due to increased borrowings to fund share buy-back in November 2012

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2. Other Financial Information

Cash Flow

\$m	FY2013	FY2012
Statutory EBITDA	1,182	1,057
Working capital movement	(57)	(73)
Other	(76)	18
Cash from operations	1,049	1,002
Net finance costs	(112)	(78)
Income taxes paid	(31)	0
Net operating cash flows	906	924
Cash flows from investing activities		
Proceeds from sale of PPE	49	46
Payments for PPE	(944)	(1,156)
Net (payments for) / distributions from investment in associates	4	(41)
Net cash (outflow) from investing activities	(891)	(1,151)
Cash flows from financing activities		
Net proceeds from borrowings	1,306	390
Payment for share buy-back and share based payments	(1,112)	0
Dividends paid to Company shareholders	(200)	(181)
Net cash (outflow) / inflow from financing activities	(6)	209
Net increase / (decrease) in cash	9	(18)

- Net operating cash flows decreased from \$924m to \$906m, largely due to:
 - Statutory EBITDA of \$1,182m which includes \$96m in VRP costs⁽¹⁾ and \$27m in stamp duty refund
 - Working capital cash outflow of \$57m comprised of:
 - Increase in trade receivables (cash outflow) of \$32m, reflecting higher revenue / billings in Q4 FY2013
 - Decrease in trade & other payables (cash outflow) of \$29m, driven mainly by lower headcount and the timing of pay runs
 - Decrease in current inventories (cash inflow) of \$4m.
 - Other operating cash outflows of \$76m principally comprised of \$28m in non cash amortisation of prepaid access facilitation charge revenue, \$18m reduction in other provisions and \$10m increase in non current inventories
 - Net finance costs of \$112m, reflecting increase in borrowings
 - Tax paid of \$31m, reflecting Aurizon moving into a tax payable position during 2013.
- Net cash outflows from investing activities decreased from \$1,151m to \$891m, largely due to:
 - Proceeds from the sale of rollingstock and surplus property of \$49m
 - Capital expenditure of \$944m during the period, predominantly on the Wiggins Island and Hay Point projects. As the GAPE project was commissioned in FY2012, there was minimal spend in FY2013, resulting in lower expenditure compared to FY2012.
- Net cash outflows from financing activities decreased from \$209m inflow to a \$6m outflow, largely due to:
 - Net proceeds on borrowings of \$1,306m principally to fund the share buy-back
 - Share buy-back and share based payments of \$1,112m
 - Dividends paid to shareholders of \$200m.

(1) Note that total VRP cash cost for the year was \$138m when including associated annual and long service leave entitlement pay outs

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Balance Sheet

As at (\$m)	30 June 2013	31 December 2012	30 June 2012
Total current assets	933	854	880
Property, plant & equipment	9,473	9,281	9,037
Other non-current assets	113	118	104
Total Assets	10,519	10,253	10,021
Total current liabilities	(791)	(766)	(768)
Total borrowings	(2,479)	(2,440)	(1,202)
Other non-current liabilities	(753)	(743)	(757)
Total Liabilities	(4,023)	(3,949)	(2,727)
Net Assets	6,496	6,304	7,294
Gearing (net debt / net debt plus equity)	26.7%	27.8%	13.1%

- Total current assets have increased by \$53m since 30 June 2012 largely due to:
 - Increase in trade and other receivables of \$32m, due to higher revenue
 - Increase in other current assets of \$21m, due mainly to an increase in assets held for sale, reflecting the pursuit of transformation initiatives.
- Total non current assets have increased by \$445m largely due to:
 - Increase in property, plant & equipment of \$436m, representing capital spend of \$981m (major projects include Wiggins Island Rail Project and the Hay Point Expansion), offset by depreciation of \$496m.
- Total current liabilities have increased by \$23m largely due to:
 - Reduction in trade & other payables of \$29m, due to reduced labour accruals arising from lower headcount and timing of pay runs
 - Reduction in provisions of \$12m, due to lower headcount and active leave management
 - Increase in other current liabilities of \$67m, which mostly relates to an increase in Aurizon's income tax liability of \$60m.
- Total non current liabilities have increased by \$1,273m largely due to:
 - Increase in non current borrowings of \$1,277m, principally due to funding of the share buy-back
 - Increase in net deferred tax liabilities of \$45m
 - Decrease in other non current liabilities of \$49m, due mainly to the amortisation of Access Facilitation Deeds within the Network business.

Dividend

The Board has changed the company's dividend guidance, with the dividend pay-out ratio increasing from 50% to a range of 60 - 70%.

Funding

Gearing (net debt / net debt plus equity) increased from 13% to 27% year on year, principally due to the funding of the share buy-back completed in November 2012. The credit rating remains stable at BBB+/Baa1.

Interest cost on drawn debt reduced to 5.1% for FY2013 (from 6.1% in FY2012).

The company recently completed a major refinancing program, with the \$3.6bn syndicated facility providing stand alone debt facilities at both Aurizon Group (through its finance vehicle Aurizon Finance Pty Ltd) and Aurizon Network Pty Ltd (a wholly owned subsidiary), creating a transparent and sustainable financial structure with debt placed appropriately against the regulated Central Queensland Coal Network and the ability to further diversify funding sources.

Tax

Income tax expense for FY2013 was \$135.4m, reflecting an effective tax rate of 23.3%. The cash tax rate for FY2013 was 15%. The income tax rate for FY2014 is expected to be in the range of 28%-30%.

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3. Half Year Comparison

\$m		2HFY2013	1HFY2013	Variance 2H13 vs. 1H13
Total revenue		1,887	1,879	0%
EBITDA	- Statutory	668	514	30%
	- Underlying ⁽¹⁾	649	602	8%
EBIT	- Statutory	417	268	56%
	- Underlying ⁽¹⁾	398	356	12%
NPAT	- Statutory	271	176	54%
	- Underlying ⁽¹⁾	265	222	19%
Earnings Per Share ⁽²⁾	- Statutory	12.7	7.4	72%
	- Underlying	12.4	9.4	32%
ROIC ⁽³⁾		8.0%	7.5%	0.5ppt
Operating ratio		78.6%	81.0%	2.4ppt
Gearing (net debt / net debt + equity)		26.7%	27.8%	1.1ppt
Net tangible assets per share (\$)		3.0	2.9	3%

Other Operating Metrics

	2HFY2013	1HFY2013	Variance 2H13 vs. 1H13
Revenue / NTK (\$/000 NTK)	55.5	56.0	(1%)
Labour costs / Revenue	28.0%	30.0%	2.0ppt
NTK / employee (MNTK)	8.4	8.4	0%
Opex / NTK (\$/000 NTK)	43.6	45.4	4%
NTK (bn)	33.5	33.5	0%

Underlying EBIT by segment

\$m	2HFY2013	1HFY2013	Variance 2H13 vs. 1H13
Network	198	226	(12%)
Coal	178	142	25%
Iron Ore	52	45	16%
Freight	18	5	260%
Unallocated ⁽⁴⁾	(48)	(62)	23%
Group	398	356	12%

(1) Please refer page 4 for a reconciliation between statutory and underlying earnings

(2) Earnings per share calculated on weighted average number of shares on issue of 2,137,284,503 in 2H FY2013 and 2,375,255,921 in 1H FY2013

(3) ROIC is defined as 12 month underlying EBIT divided by net working capital plus net PP&E plus AUC plus Gross Intangible Assets

(4) Items of revenue and expense of a corporate nature, ineffective hedging gains and losses, and discontinued operations within the Group including provision of overhaul and maintenance services to external customers

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SEGMENT REVIEW

Network

Aurizon Network operates the 2,670 kilometre Central Queensland Coal Network (CQCN). The open access network is the largest coal rail network in Australia and one of the country's most complex, connecting multiple customers from more than 50 mines to four ports. The CQCN includes four major coal systems the Moura, Blackwater, Goonyella and Newlands.

Network Financial Summary

\$m	FY2013	FY2012	Variance
Total Revenue	1,058	920	15%
– Access	921	744	24%
– Services	90	126	(29%)
– Other	47	50	(6%)
Operating costs	(435)	(401)	(8%)
EBITDA	623	519	20%
EBITDA margin	58.9%	56.4%	2.5ppt
Depreciation and amortisation expense	(199)	(185)	(8%)
Underlying EBIT	424	334	27%
Operating ratio	59.9%	63.7%	3.8ppt

\$m	2H FY2013	1H FY2013	Variance 2H13 vs. 1H13
Total Revenue	525	533	(2%)
– Access	451	470	(4%)
– Services	46	44	5%
– Other	28	19	47%
Operating costs	(228)	(207)	(10%)
EBITDA	297	326	(9%)
EBITDA Margin	56.6%	61.1%	(4.5ppt)
Depreciation and amortisation expense	(99)	(100)	1%
Underlying EBIT	198	226	(12%)
Operating Ratio	62.3%	57.6%	(4.7ppt)

Network Operating Metrics

	2HFY2013	1HFY2013	FY2013	FY2012
Tonnes (million)	92.3	90.0	182.3	166.7
NTK (billion)	22.6	22.1	44.7	41.2
Access revenue/NTK (\$/000 NTK)	19.9	21.3	20.6	18.1
Maintenance/NTK (\$/000 NTK)	2.5	2.6	2.5	2.6
Opex / NTK (\$/000 NTK)	14.5	13.9	14.2	14.2

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Network Performance Overview

The Network business had a material increase in throughput to 182.3mt, an increase of 9% on last year's volumes. This represented the second largest year ever in tonnage throughput across the CQCN combined with major improvements in safety performance. The substantial capital programme continued on time and on budget with major progress on the Wiggins Island and Hay Point expansion projects. Whilst flooding during early CY2013 has had some impact on Network volumes and costs, overall earnings substantially increased and further recoveries of flood costs and revenue cap arrangements will occur in future years. Transformation is building momentum with major restructuring throughout the year including refinancing Aurizon's debt facilities, significant reductions in staff numbers allowing for improving efficiency and flexible cost structures, growing momentum in the asset renewal programme, and increasing technology applications for world class maintenance and Network utilisation. The year has also included a substantial regulatory programme and engagement with customers including the major submission for the proposed new access undertaking.

Network Variance Analysis - Annual

The \$90m, or 27% increase in underlying EBIT from FY2012 to FY2013 was largely due to:

- A net increase in revenue of \$138m comprising the following major items:
 - \$87m attributable to increased Access Revenue from a full year contribution from GAPE
 - \$59m from the inclusion of FY2011 Revenue Cap (inclusive of \$10m interest) recovered in FY2013 via higher reference tariff charges
 - \$29m increase attributable to the year on year increase in Maximum Allowable Revenue (MAR)
 - \$36m decrease in Services revenue due to the completion of construction works for third parties.
- A net increase in operating costs of \$34m comprising the following major items:
 - \$26m increase in traction costs from the new Blackwater Feeder stations and associated increased electric traffic
 - \$8m for flood rectification costs net of capitalised flood repairs. Recovery of costs will occur via tariffs in FY2014.
- A net increase in depreciation of \$14m, with \$13m attributable to a full years impact of GAPE .

Network Variance Analysis - Half on Half

The \$28m, or 12% decrease in underlying EBIT from 1H FY2013 to 2H FY2013 was largely due to:

- A net decrease in revenue of \$8m comprising the following major items:
 - \$31m decrease in take-or-pay
 - \$12m increase in other access revenues due to higher railings in both the CQCN and GAPE.
 - \$9m increase in other revenue principally due to insurance recoveries and Access Facilitation Deeds (AFD) revenue
- A net increase in operating costs of \$21m comprising the following major items:
 - \$8m for flood rectification costs net of capitalised flood repairs as noted above
 - \$6m in previously capitalised project fees relating to WIRP and other major projects where scope change has required that these be written off.

Network Operations Update

(i) UT4

- Submitted the 2013 Draft Access Undertaking (UT4) to the Queensland Competition Authority (QCA) on the 30th April 2013
- Key outcomes sought in UT4 are:
 - Better promote the long-term competitiveness of the Queensland Coal Industry
 - Ensure efficient and timely investment in the Network
 - Facilitate and strengthen the partnership with supply chain participants.

(ii) Transitional Tariff arrangements

- Transitional Tariffs to apply from the cessation of UT3 1 July 2013 to 30 June 2014 or when the QCA delivers its final determination on UT4
- Transitional Tariffs Draft Amending Access Undertaking (DAAU) was approved by the QCA on 31 May 2013
- All system tariffs have been set to reflect a Maximum Allowable Revenue (MAR) of \$739m (inclusive of the FY2012 revenue cap (including interest) of circa \$17m) with forecast volumes for the CQCN of 186mt for FY2014. The MAR and forecast volumes exclude the GAPE which has different contractual obligations
- In the event that UT4 is not determined during FY2014, Network will submit a further DAAU prior to June 2014 for the purpose of establishing transitional reference tariffs for FY2015.

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(iii) Standard User Funding Agreements (SUFA)

- SUFA enables customers to fund system expansions whilst substantially reducing Aurizon Network's investment risks as the railway manager and owner of the Central Queensland Coal Network (CQCN)
- Significant industry and customer engagement has occurred with revised SUFA documentation reflecting agreement on all key outstanding issues with customers submitted in July 2013 to the QCA (2013 SUFA DAAU)
- QCA's consideration of the 2013 SUFA DAAU began on 23 July 2013. Submissions on the DAAU are due by 30 August 2013.

(iv) AT5 Tariffs (Electrification)

- On 24th April 2013 Aurizon Network submitted its second Draft Amending Access Undertaking for AT5. Significant consultation and collaboration has occurred with customers and the QCA
- Aurizon Network remains committed to achieving a satisfactory outcome to this issue which will provide clarity and investment certainty for Aurizon Network and above rail operators.

(v) Growth

Committed Project Status

- Wiggins Island Rail Project (WIRP)
 - WIRP is a project designed to link mines in the Southern Bowen Basin with new Wiggins Island Coal Export Terminal (WICET) at the Port of Gladstone currently under construction
 - WIRP will increase the total capacity of the Moura and Blackwater systems by 27mtpa, an increase of approximately 30%
 - As a result of the announced slippage in the commissioning date for the WICET Port Development, we are considering aligning the timing of infrastructure completion with customer current tonnage ramp up expectations
 - WIRP is now expected to be fully commissioned in CY2015 with tonnes to ramp up from there.
- Goonyella System Expansion
 - Revised target of ~\$130m expansion to the Goonyella System to enhance system capacity from 129mtpa to 140mtpa to align with the Hay Point Coal Terminal expansion operated by the BHP Billiton Mitsubishi Alliance
 - Project to be completed by June 2014 to align with the completion of the Hay Point Coal Terminal expansion

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Coal

Aurizon's coal business is one of the world's largest rail transporters of coal from mine to port for export markets, hauling an average 531,000 tonnes a day. Aurizon provides a critical link in Australia's six major coal chain systems for the majority of Australia's coal producers. Our coal transport operation links mines in the Newlands, Goonyella, Blackwater, Moura and West Moreton systems in Queensland, and the Hunter Valley coal system in New South Wales, to domestic customers and coal export terminals.

Coal Financial Summary

\$m	FY2013	FY2012	Variance
Total Revenue	1,863	1,772	5%
– Above Rail	1,079	1,026	5%
– Below Rail	776	732	6%
– Other	8	14	(43%)
Operating costs	(1,369)	(1,339)	(2%)
EBITDA	494	433	14%
EBITDA margin	26.5%	24.4%	2.1ppt
Depreciation and amortisation expense	(174)	(176)	1%
Underlying EBIT	320	257	25%
Operating ratio	82.8%	85.5%	2.7ppt

\$m	2H FY2013	1H FY2013	Variance 2H13 vs. 1H13
Total Revenue	934	929	1%
– Above Rail	539	540	0%
– Below Rail	391	385	2%
– Other	4	4	0%
Operating costs	(668)	(701)	5%
EBITDA	266	228	17%
EBITDA margin	28.5%	24.6%	3.9ppt
Depreciation and amortisation expense	(88)	(86)	(2%)
Underlying EBIT	178	142	25%
Operating ratio	80.9%	84.7%	3.8ppt

Coal Operating Metrics

	2HFY2013	1HFY2013	FY2013	FY2012
Total Tonnes hauled (million)	96.4	97.3	193.7	185.6
- Queensland	77.4	78.4	155.8	151.7
- NSW	19.0	18.9	37.9	33.9
Total NTK (billion)	21.7	21.9	43.6	41.9
- Queensland	18.8	19.0	37.8	36.8
- NSW	2.9	2.9	5.8	5.1
Total Revenue/NTK (\$/000 NTK)	43.0	42.4	42.7	42.3
Above Rail Revenue/NTK (\$/000 NTK)	24.8	24.7	24.7	24.5
Opex/NTK (\$/000 NTK)	34.8	35.9	35.4	36.2

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Coal Performance Overview

The focus for Coal in FY2013 centred on recontracting the BMA, Rio and Glencore Xstrata coal contracts and securing growth tonnes from Whitehaven Coal's NSW and Gunnedah operations. Smaller contracts for Jellinbah, Ensham and Cockatoo Coal were successfully negotiated early in FY2013. Throughout all these negotiations Aurizon adopted a more flexible approach and successfully contracted 100% of these tonnages (approx 120mtpa) under new form contracts.

In supporting a change to a customer focused operation, new tools and disciplines in key account management, pricing, market analysis and contract performance were embedded across the business. These foundation capabilities will contribute to the ongoing management of customers and contracts into the future. Customers acknowledged early improvements in Aurizon's performance with customer satisfaction in coal markets increasing on previous years.

In FY2013 coal haulage volumes were 193.7 million tonnes (up 4% on FY2012 of 185.6 million tonnes). This included increases of 3% and 12% respectively for Queensland and New South Wales.

The FY2013 volumes were however impacted by the full year effect of the loss of Anglo contract in 2012, flood-related interruptions in Queensland and volatile global demand. In January 2013 tropical ex-cyclone Oswald closed the Blackwater system for 12 days and the Moura system for 19 days. A major derailment occurred at Ambrose on 8 February 2013 impacting customer train services. Management focused on integrated system recovery to ensure maximum system capacity, which resulted in record tonnages in Blackwater and Goonyella systems in the second half. This includes initiatives such as the adjustment of North Coast Line train schedules to free up spare pathing capacity in Queensland coal systems.

Coal delivered \$47m in revenue quality benefits in FY2013 from improved rates and lower non pass-through below rail take-or-pay charges. Volumes hauled under new form contracts represented 42% of the total in FY2013, an increase from 38% in FY2012. This is reflected in the proportion of above rail revenue that is fixed which increased from 40% to 45%. Above rail revenue per NTK increased from \$24.5 per '000 NTK to \$24.7 per '000 NTK.

Coal Variance Analysis - Annual

The \$63m, or 25% increase in underlying EBIT from FY2012 to FY2013 was largely due to:

- A net increase in revenue of \$91m (5%) comprising the following major items:
 - \$53m increase in above rail revenue due to increased volumes and revenue quality benefits from an 18% increase in new form volumes hauled
 - \$44m net increase in below rail revenue due to increased volumes and below rail access tariffs in Queensland more than offsetting the decline in NSW access revenue (ARTC commenced direct charging below rail access to customers in January 2012). Also included in the net increase in below rail revenue is a \$19m year on year decrease in Network take-or-pay charges passed through to customers
 - A 4% increase in coal volumes from 185.6mt to 193.7mt:
 - Queensland tonnes increased 3% from 151.7mt to 155.8mt. Although there were volume disruptions in 1H FY2013 (industry industrial action) and 2H FY2013 (floods and a major derailment), these were offset by strong railings in the 4th quarter
 - NSW tonnes increased 12% from 33.9mt to 37.9mt due to higher mine production for customers under existing haulage contracts.
 - A 1% increase in revenue per NTK from \$42.3 per '000 NTK to \$42.7 per '000 NTK:
 - Above rail revenue per NTK increased 1% to \$24.7 per '000 NTK. One major customer on a legacy contract experienced significant volume growth which impacted growth in revenue per NTK. If we exclude this customer, growth was 3.2% for the year
 - Below rail revenue per NTK increased 2% to \$17.8 per '000 NTK
- A net increase in operating costs of \$30m comprising the following major items:
 - \$78m increase in access charges due to higher access tariffs and increased volumes in Queensland, partially offsetting the decline in access charges in NSW due to ARTC direct charging customers for access
 - \$6m increase in fuel costs due to higher diesel volumes
 - \$15m decrease in labour costs reflecting benefits from the Voluntary Redundancy Program (VRP) offset by wage and on cost escalation
 - \$54m decrease in Network take-or-pay charges. This is due to increased volumes in Queensland this year resulting in take-or-pay only triggering for the Moura and Newlands systems. Last year, take-or-pay was triggered in all four CQCN systems including Blackwater and Goonyella. When incorporating the lower take-or-pay pass through revenue of \$20m noted above, the net improvement to EBIT this year is \$34m.

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Coal Variance Analysis - Half on Half

The \$36m, or 25% increase in underlying EBIT from 1H FY2013 to 2H FY2013 was largely due to:

- A net increase in revenue of \$5m
- A net decrease in operating costs of \$33m comprising the following major items:
 - \$8m increase in access charges due to a change in the mix of haulage volumes across Queensland
 - \$6m decrease in labour costs which includes \$10m in benefits from labour efficiencies and the VRP partly offset by wage and on cost escalation
 - \$21m decrease in Network take-or-pay charges. At the end of 1H FY2013, it was estimated that take-or-pay would trigger in all four systems due to lower forecast volumes. Stronger railings especially in the fourth quarter resulted in take-or-pay only triggering in Moura and Newlands with a subsequent reduction in take-or-pay expense. The net improvement to EBIT is \$25m when incorporating the pass through revenue item.

Coal Operations Update

Operations delivered the increase in volumes whilst driving significant cost productivity and safety improvements across all corridors.

All of the major operational metrics showed improvement during the year, with employee productivity, measured as NTK/FTE, increasing 20% from FY2012. This increase was primarily due to the successful execution of a voluntary redundancy program during the year, and continued focus on employee productivity measures. Transformation initiatives around train consist design, integrated operating plan redesign, energy consumption, rollingstock maintenance and technology enabled operations continue to build momentum which will allow for improvements in asset and cost efficiency metrics in FY2014 and beyond.

The capital program continued to progress the final design for the Hexham Train Support Facility with commissioning expected in CY2014, capital requirement to support the Whitehaven contract, and prefeasibility analysis for the Central Queensland Above Rail program which is planning and implementing the above rail growth solution for stage 1 of the Wiggins Island Coal Export Terminal in Gladstone, Queensland.

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Iron Ore

Aurizon is Australia's largest iron ore haulier outside of Western Australia's Pilbara region and has continued to grow the business rapidly from a base of 13.6mt in FY2012 to 24.7mt in FY2013. The expansion has been supported with significant increases in local employment and new investment in rollingstock and rail support facilities at Esperance and Geraldton.

Iron Ore Financial Summary

\$m	FY2013	FY2012	Variance
Total Revenue	357	197	81%
Operating costs	(223)	(143)	(56%)
EBITDA	134	54	148%
EBITDA margin	37.5%	27.2%	10.3ppt
Depreciation & amortisation	(37)	(22)	(68%)
Underlying EBIT	97	32	203%
Operating ratio	72.8%	83.8%	11.0ppt

\$m	2H FY2013	1H FY2013	Variance 2H13 vs. 1H13
Total Revenue	189	168	13%
Operating costs	(118)	(105)	(12%)
EBITDA	71	63	13%
EBITDA Margin	37.6%	37.5%	0.1ppt
Depreciation & amortisation expense	(19)	(18)	(6%)
Underlying EBIT (\$m)	52	45	16%
Operating Ratio	72.5%	73.2%	0.7ppt

Iron Ore Operating metrics

	2HFY2013	1HFY2013	FY2013	FY2012
Tonnages hauled (million)	14.1	10.6	24.7	13.6
NTK (billion)	5.5	4.8	10.3	6.7
Revenue/NTK (\$/000 NTK)	34.4	35.0	34.7	29.4
Opex/NTK (\$/000 NTK)	24.9	25.6	25.2	24.6

Iron Ore Performance Overview

The significant growth in revenue for the year (\$160m or 81%) was driven by an 82% increase in volumes hauled. Although all customers experienced growth during the year, nearly half of the growth came from Karara whose magnetite mine was ramping up to full capacity by the end of the year. The Iron Ore customers are as follows:

- Karara – 8.8mtpa contract operational January 2012
- Cliffs – 11.5mtpa contract operational February 2012
- Mount Gibson – 3.0mtpa Extension Hill contract commenced December 2011. 3.0mtpa Talling Peak contract will cease July 2014
- Mineral Resources – 4.2mtpa contract operational October 2011

Iron Ore Variance Analysis - Annual

The \$65m, or 203% increase in underlying EBIT from FY2012 to FY2013 was due to:

- A net increase in revenue of \$160m principally driven by an 82% increase in volumes from 13.6mt to 24.7mt due to the ramp up in mine volumes. This will continue in FY2014 as we move towards the current contracted volume of 30mtpa.
 - An 18% increase in revenue per NTK from \$29.4 per '000 NTK to \$34.7 per '000 NTK reflecting improved revenue quality.
- A net increase in operating costs of \$80m reflecting the increase in costs to support the increase in volumes. Opex per NTK increased from \$24.6 per '000 NTK to \$25.2 per '000 NTK.
- A net increase in depreciation of \$15m reflecting the growth in assets associated with the ramp up of volumes.

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Iron Ore Variance Analysis - Half on Half

The \$7m, or 16% increase in underlying EBIT from 1H FY2013 to 2H FY2013 was due to:

- A net increase in revenue of \$21m principally driven by an 33% increase in volumes from 10.6mt to 14.1mt
 - A 2% decrease in revenue per NTK from \$35.0 per '000 NTK to \$34.4 per '000 NTK reflecting the high level of fixed revenue on lower volumes in 1H FY2013
- A net increase in operating costs of \$13m reflecting the investment associated with the volume increase. Opex per NTK decreased from \$25.6 per '000 NTK to \$24.9 per '000 NTK given operating costs increased ahead of the volume ramp up in 1H FY2013 with volumes now operating near contracted capacity.

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Freight

Aurizon's freight business supports a range of customers nationally for bulk minerals and commodities, agricultural products, mining and industrial inputs, and general and containerised freight. Due to the growth in the Iron Ore business, the results have been separated from the Freight segment and reported individually for the first time.

Freight Financial Summary

\$m	FY2013	FY2012	Variance
Total Revenue	1,082	1,173	(8%)
Operating costs	(1,002)	(1,054)	5%
EBITDA	80	119	(33%)
EBITDA margin	7.4%	10.1%	(2.7ppt)
Depreciation & amortisation	(57)	(51)	(12%)
Underlying EBIT	23	68	(66%)
Operating ratio	97.9%	94.2%	(3.7ppt)

\$m	2H FY2013	1H FY2013	Variance 2H13 vs. 1H13
Total Revenue	516	566	(9%)
Operating costs	(468)	(534)	12%
EBITDA	48	32	50%
EBITDA Margin	9.3%	5.6%	3.7ppt
Depreciation & amortisation expense	(30)	(27)	(11%)
Underlying EBIT	18	5	260%
Operating Ratio	96.5%	99.1%	2.6ppt

Freight Operating metrics

	2HFY2013	1HFY2013	FY2013	FY2012
Tonnages hauled (million)	23.4	25.9	49.3	53.0
NTK (billion)	6.4	6.8	13.2	14.3
Revenue/NTK (\$/000 NTK)	80.6	83.2	82.0	82.0
Opex/NTK (\$/000 NTK)	77.8	82.5	80.2	77.3

Freight Performance Overview

In FY2013, the business transported 49.3mt of freight compared to 53.0mt in the prior year. This represented a decrease of 7 per cent. The key driver of the reduction was the loss of the grain haulage contract in Western Australia.

The overall Intermodal market conditions were flat with many customers trading below FY2012 levels. Notwithstanding the flat market, Aurizon's Intermodal business has experienced strong interest in its service offering and has secured contracts totalling over \$50m in new revenue during FY2013. Key new customers include SCA, Australian Paper, Pepsico, SCT, Rosslyn Hill and Hannan. In addition to this new business, a further contracted revenue pipeline of approximately \$60m was under negotiation as at 30 June 2013.

Aurizon's Intermodal business has focused on becoming a niche operator focusing on long haul, linehaul solutions and creating value as a credible alternative service provider. To become competitive, operational efficiencies and productivity improvements have been a key focus to make up for small market share.

The Bulk business has driven a number of cost initiatives in the year, including redesign of operational rosters, rationalisation of the wagon depot and a 75% reduction in Avon depot following loss of the grain contract.

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Freight Variance Analysis - Annual

The \$45m, or 66% decrease in underlying EBIT from FY2012 to FY2013 was largely due to:

- A net decrease in revenue of \$91m comprised of the following major items:
 - \$56m impact from the loss of the CBH grain contract in October 2012
 - \$31m decrease in revenue associated with the Transport Services Contract (TSC) with the Queensland Government. This is due to lower base payments of \$17m reflecting the amended contract that took effect 1 January 2013 and a year on year decrease of \$14m in additional payments as two years of payments were accrued in FY2012 compared to only one this year.
- A net decrease in operating costs of \$52m (5%) comprised of the following major items:
 - \$11m decrease in labour costs which includes \$38m benefit from the VRP which was partly offset by wage and on cost escalation
 - \$6m decrease in fuel costs due to lower volumes
 - \$22m decrease in access charges principally from the end of the CBH grain contract in October 2012
 - \$14m decrease in rollingstock maintenance principally from lower volumes.
- \$6m or 12% increase in depreciation
 - Reflects the investment in replacement locomotives for Intermodal.

Freight Variance Analysis - Half on Half

The \$13m, or 260% increase in underlying EBIT from 1H FY2013 to 2H FY2013 was due to:

- A net decrease in revenue of \$50m comprised of the following major items:
 - \$12m impact from the loss the CBH grain contract in October 2012
 - \$21m impact from lower base and bonus payments for TSC
 - \$22m impact in Intermodal from floods and lower volumes.
- A net decrease in operating costs of \$66m comprised of the following major items:
 - Reductions in fuel (\$6m), access (\$7m), and rollingstock maintenance (\$8m) reflecting lower volumes following the loss of the CBH contract and lower Intermodal volumes
 - \$5m decrease in labour costs principally due to the VRP
 - The remainder of the cost reduction principally relates to a change in the way centralised overheads have been allocated from 1H FY2013 to 2H FY2013. This is to reflect the increase in volumes and operating costs in Iron Ore relative to Freight now that they are disclosed separately.

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Safety

A strong commitment to safety is across all of Aurizon's footprint has ensured continues improvement in our safety performance. Our safety goal of ZEROHARM means no injuries to anyone, ever.

Between June 2009 and 30 June 2013, Aurizon has achieved a 92% reduction in Lost Time Injury Frequency Rate (LTIFR) (0.95) and an 89% reduction in Medically Treated Injury Frequency Rate (MTIFR) (4.90). These results demonstrate Aurizon's transformational journey to become an organisation in which safety is a core value and intrinsic in all of its decision making.

FY2013 saw several new safety initiatives introduced through the Trackside Safety, Road Safety, Isolation and Lockout, Derailment Prevention, and Signals Pass at Danger (SPADs) communities of competence. As a result of these initiatives, Aurizon has achieved a 42% improvement in the running line derailment rate and 20% improvement in the running line SPAD rate.

Aurizon has allocated approximately \$15m to upgrade passive level crossings to boom gates and/or flashing lights on the Central Queensland Coal Network as part of a continuous improvement program.

Aurizon and the Department of Transport an Main Roads officially opened a new road overpass which will allow for the closure of two high risk level crossings at Gracemere in Queensland. The company contributed \$10m towards the \$50m overpass. The new Gracemere overpass improves the safety of motorists and helps protect our train drivers who use the crossings.

Key company safety milestones include:

- Queensland
 - Service Delivery Coal Markets achieved an LTI & MTI free year
 - Network Worksite Protection Mackay achieved an LTI free year
 - Workshops Rollingstock Maintenance achieved an LTI free year
 - Network Track and Civil Construction Mackay are more than 900 days LTI-free.
- New South Wales
 - Service Delivery Coal New South Wales one LTI in the past five years.
- Victoria
 - Intermodal Rail Operations more than five years LTI-free
 - Intermodal Logistics more than 820 days LTI-Free.
- WA
 - Iron Ore Esperance more than 1,100 days LTI-free and more than 850 days MTI-free.

Senior Management Changes

- There were a number of changes in the senior management team during FY2013:
 - Alex Kummant commenced 8 October 2012 as EVP Strategy
 - Mike Franczak commenced 3 April 2013 as EVP Operations
 - Both Mike and Alex have joined Aurizon after many years in North American railroads and major industrial enterprises and bring global experience and an international perspective as well as much capability to the Company
 - Keith Neate was appointed EVP & Chief Financial Officer on 8 April 2013 having previously been Head of Finance for the Coal business since August 2011
- On 19 August 2013, Lance Hockridge, MD & CEO, announced changes to his executive leadership team as part of Aurizon's transformation program. Changes are:
 - Ken Lewsey (EVP Business Development) and Greg Robinson (EVP Business Sustainability) will be leaving Aurizon. There will now be seven direct reports versus nine
 - Mike Carter will move from the role of EVP Network to lead a new combined Strategy & Business Development function; and Alex Kummant will move from Strategy to become the new EVP Network. The transition to occur over the coming months.

Enterprise Agreement Update

Between now and the end of CY2014, Aurizon will be negotiating 18 of its 19 functioning Enterprise Agreements (EAs) which cover approximately 88% of its workforce.

The 14 Queensland agreements, last negotiated in 2010, cover approximately 6,000 staff represented by 6 unions, have over 900 classification points and hundreds of allowances & disability payments expire on 31 December 2013.

- Aurizon's goals are for:
 - Fewer and simpler EAs that are easier to interpret and less costly to manage
 - Fair, competitive and commercially sustainable EAs that support employees and support the goals of the Company

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- EAs that support more flexible work arrangements that allow us to adapt and respond quickly and effectively to customer needs so we provide a consistently better service than our competitors
- Bargaining commenced on 29 April 2013 and Aurizon aims to have the new EAs in place before the end of the CY2013.

Environment

Aurizon's commitment to environmental sustainability is crucial to its corporate identity and business activities. The aim is to minimise the environmental impact of our operations. The company's Environmental Policy reinforces its commitment across the enterprise and provides guidance to its operational activities and services regarding continual environmental improvement.

This year marks our inaugural participation in the Carbon Disclosure Project (CDP)—an independent not-for-profit organisation that compiles corporate climate change information for the investor community. Participation in the CDP will improve our transparency around climate change performance and demonstrate to our key stakeholders that we are serious about our climate change impacts and opportunities.

Aurizon, along with the industry partners in Queensland have collaborated to implement a Coal Dust Management Plan. This involves the addition of spray stations with dust suppressing chemicals, known as "veneers", to reduce coal dust produced from moving wagons. Aurizon has installed 12 veneering stations to service 13 mines in Central Queensland and provides monitoring reports to the Department of Environment, Heritage and Protection (DEHP) to demonstrate results of the veneering stations.

Aurizon has taken significant steps towards securing in excess of 290 hectares of vegetation for active rehabilitation and conservation purposes as part of its commitment to offset clearing activities associated with some of its major construction projects. The process involves active engagement with rural landholders and the department of Natural Resources and Mines, and will act to conserve endangered ecological communities listed under both Commonwealth and State legislation in addition to habitat for threatened fauna species.

Our Communities

Aurizon strives to build and maintain long-term relationships with the local communities in which it operates. We are an active member of the local community, because we know the backbone of our industry is based in regional, and rural towns across Australia.

The Community Giving Fund which was launched in 2011, now supports over 100 charities in regional and rural Australia. The Giving Fund focuses on three areas: health and well-being, community safety, and education. Aurizon also supports the Heart Foundation and the Wesley Research Institute. These initiatives raise awareness within communities about cardiovascular disease, and help reduce the number of cardiovascular related deaths per year.

In January 2013, Queensland communities were again battered by severe weather, affecting several business regions. To assist with recovery and rebuilding, Aurizon donated \$150,000 to the Australian Red Cross.

Diversity

Aurizon has a Diversity Policy which sets out its objectives and reporting practices. The measurable objectives for gender diversity, agreed by Aurizon Holdings Board for FY2012- 2013, are set out below along with the outcomes by the end of FY2013.

Goals for 2013 Diversity	Outcomes
At least one female Director at all times	22% (2/9) of the Board are female
Minimum of 15% females in the Management Leadership Team	21% of Management Leadership Team are female
25% of future graduates to be female	40% of graduate intake are female

The Aurizon Diversity Council continues to guide strategies and sponsor initiatives to create a more inclusive and innovative culture – one that aligns to our Aurizon Diversity Policy and supports our strategic objectives. Some of these initiatives include Diversity Action Plans which identify key actions the leadership team are committed to achieving in several aspects of work, a strategic plan to focus on Aboriginal and Torres Strait Islander initiatives which will strengthen community connections and increase indigenous employment in Aurizon, and the inaugural Aurizon Women's Conference.

Regional/Interstate Women's forums are held twice a year to focus on specific issues impacting Aurizon women. Aurizon also connects with women from local Women's Refuges, Resource Centres and Women Advisory Councils.

Aurizon's first Workplace Equality Gender report was submitted to the Federal government for the reporting period 1 April 2012 – 31 March 2013.

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Entities over which control was gained or lost during the period

- Aurizon International Pty Ltd was incorporated on 13 December 2012

Details of associate and joint venture entities

Entity	Country of incorporation	Year ended 30 June	
		2013	2012
CHCQ	China – Hong Kong	15%	15%
Chun Wo/CRGL	China – Hong Kong	17%	17%
KMQR Sdn Bhd	Malaysia	30%	30%
ARG Risk Management Pty Ltd	Australia	50%	50%
QLM Pty Ltd	Australia	50%	50%
Rail Innovation Australia	Australia	20%	20%
Integrated Logistics Company Pty Ltd	Australia	14%	14%

Note: The profit contribution from any one of these associate or joint venture entities is not material to the Group's profit or the profit for the previous corresponding period.