AURIZON NETWORK

Credit Rating and Cost of Debt

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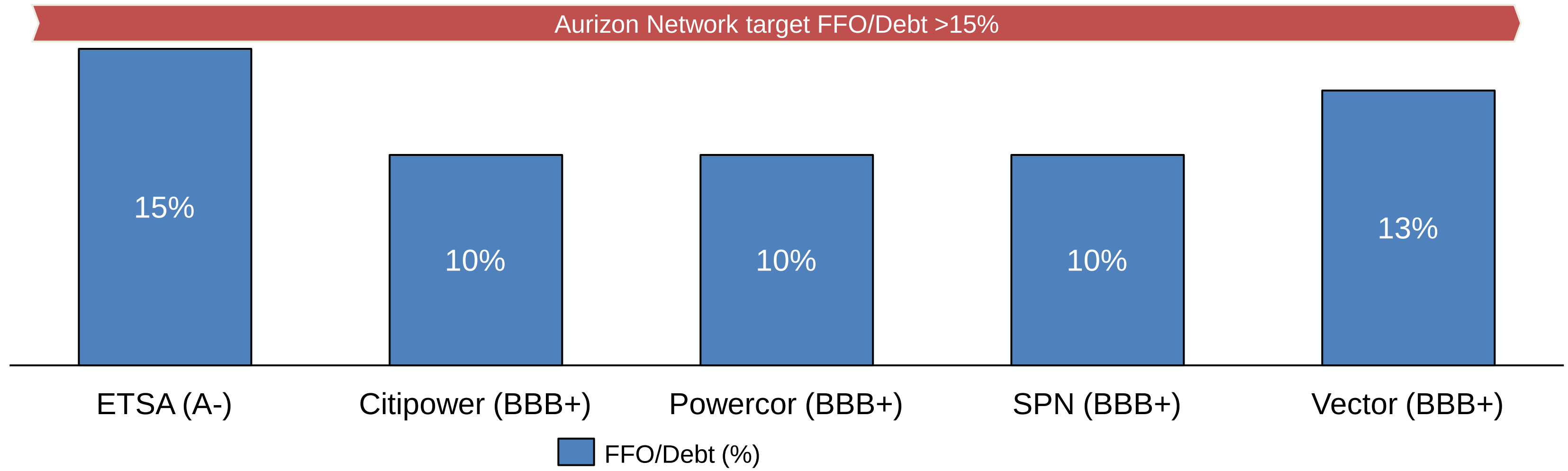
Credit Rating

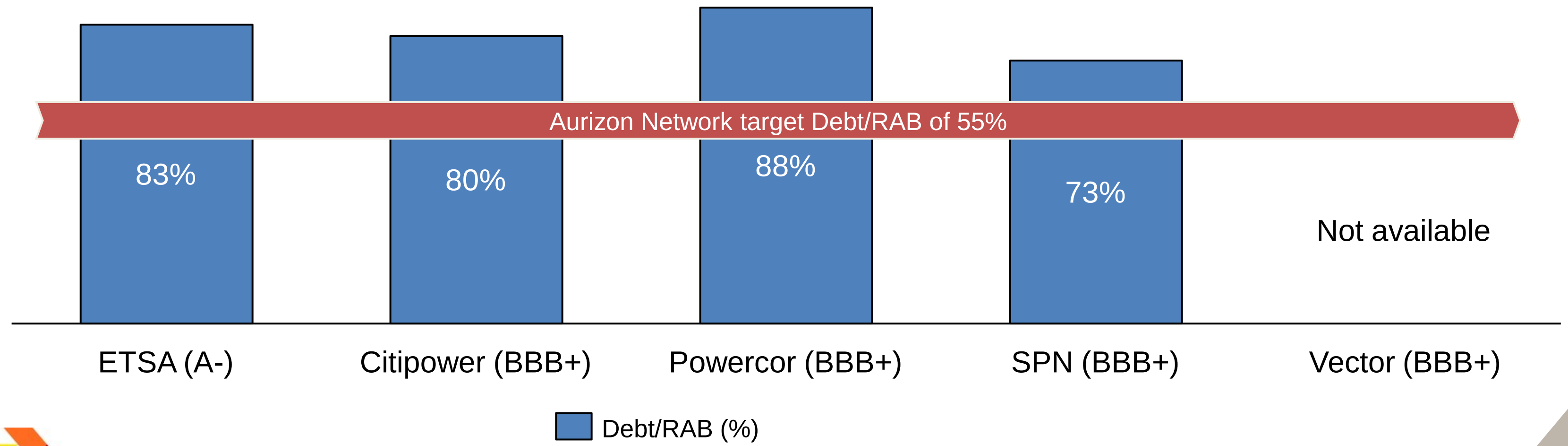
- Aurizon Network (AN) is committed to maintaining a strong investment grade rating

- AN is currently rated BBB+ by S&P and Baa1 by Moody's. Maintaining these ratings requires AN's FFO/Debt to remain above 15% on an ongoing basis.

- Ratings agency view
  - Strong financial profile is offset by revenue concentration by customer and commodity and exposure to the Queensland coal market
  - Aurizon Network's credit is viewed as a higher risk than a regulated utility provider
    - Tighter credit metrics required to maintain BBB+ than for a regulated utility
    - S&P – "Aurizon Network's business risk profile will likely remain constrained by the company's exposure to the Queensland coal market and its continued competitiveness against other global seaborne coal producers. Unlike other regulated businesses in Australia—such as transmission or distribution energy"
    - Moody's – "Aurizon Network (AN) maps to an A3 rating under Regulated Gas and Electric Networks methodology, however a single ratings notch lower is applied reflecting AN's higher business risk – arising from commodity exposure inherent in AN's business profile"
  - S&P views Aurizon Network as having a limited number of peers, the closest being Brookfield WA Rail Pty Ltd (BBB)

Regulated Utility Comparison





Debt Structure

- Funding Objectives
  - Diversify funding base which expands funding options and flexibility
  - Spread and lengthen maturity profile
  - Source funds cost effectively
  - Reduce interest rate risk

- 2013 Debt Restructuring involved placing debt on a standalone basis against Aurizon Network with gearing broadly matching the regulators assumption
  - Diversified funding through a mix of bank debt and an inaugural A$ corporate bond issue
  - Spread and lengthened duration of debt portfolio
  - Structure accommodates hedging for the regulatory reset

- Current debt arrangements reflect a point on the journey toward a mature debt profile for Aurizon Network

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Cost Of Debt Challenges

- Sources of Funding & Duration
  - The optimal average term of issuance of approximately 10 years is ideal to compliment the underlying asset and the regulatory period; however
  - Bank and domestic DCM funding is limited in tenor. Offshore issuance is necessary to achieve longer duration but involves significant costs e.g. cross currency swap costs;
  - It is prudent for Australian corporates to hold bank debt, however it is limited in tenor (up to 5 years) and involves higher establishment costs. This leads to a more regular, more expensive refinancing task.

- Risk Management
  - Basel III is significantly increasing the cost of interest rate and cross currency swaps
  - Unable to hedge Aurizon Network's credit margin

- Growth Profile
  - Uncertainty around CAPEX profile (quantum and timing) makes hedging difficult