



Aurizon Holdings Limited
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ASX Market Announcements
ASX Limited
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BY ELECTRONIC LODGEMENT

4 July 2023

Risk Free Rate Update: Aurizon Network Weighted Average Cost of Capital

Please find attached announcement for immediate release to the market.

Yours faithfully,

Nicole Alder
Company Secretary

Authorised for lodgement by the Aurizon Disclosure Committee

ASX Announcement

Date: 4 July 2023

Risk Free Rate Update: Aurizon Network Weighted Average Cost of Capital

In December 2019, the Queensland Competition Authority (QCA) approved Aurizon Network's UT5 Draft Amending Access Undertaking (UT5) that includes a defined process to reset the Weighted Average Cost of Capital (WACC) at 1 July 2023 (Preliminary Reset Values) and 1 July 2024 (Final Reset Values).

On 25 May 2023, the QCA approved Aurizon Network's updated Preliminary Reset Values, including a WACC of 8.18%, to be incorporated into reference tariffs for the period 1 July 2023 to 30 June 2024. This included applying a risk free rate¹ of 3.474%.

On 31 July 2023, Aurizon Network is required to submit to the QCA the Final Reset Values including the risk free rate and the proposed debt risk premium used to determine the WACC. Both the risk free rate and debt risk premium are based on observed market data in the 20 business days up to (and including) 30 June 2023.

Following a QCA consultation and decision process on the Final Reset Values, the WACC will be incorporated into reference tariffs for the period 1 July 2024 to 30 June 2027 (the conclusion of the UT5 regulatory period). Furthermore, any difference between the Preliminary and Final Reset allowable revenues for FY2024 (1 July 2023 to 30 June 2024) will be reconciled through the usual Revenue Adjustment Amounts (Revenue Cap) process in two years' time and will be incorporated into FY2026 Reference Tariffs.

Ahead of the submission on 31 July 2023, and following on from the close of the 20 business day period, Aurizon confirms that the risk free rate, based on observed market data as at 3 July 2023², is 3.866% (39.2 basis points higher than the risk free rate in the preliminary WACC approved by the QCA on 25 May 2023).

The debt risk premium will be updated as part of Aurizon Network's Final Reset Values submission on 31 July 2023, and calculated in a manner consistent with that adopted to calculate the debt risk premium in the QCA's Draft Decision on UT5 that was published on 6 December 2018.

When the QCA makes its final decision on Aurizon Network's Final Reset Values (including the WACC), a further update will be provided.

Aligned with the approved reset Schedule F Preliminary Values, Aurizon Network's Regulated Asset Base roll-forward at 1 July 2023 is estimated to be \$6.2bn³.

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¹ In calculating the reset risk free rate, Aurizon Network has applied the defined methodology, as outlined in UT5. Specifically, the average rate for Commonwealth of Australia Government nominal bonds using the RBA indicative mid-rate with a term of four years. On 22 June 2023, the QCA approved the use of mid-rates sourced from Bloomberg following the RBA decision to cease publication of indicative mid-rates for Australian Government Securities from 31 March 2023.

² Revisions to the estimate of the risk free rate may occur due to underlying changes in the source data for the 20 business day averaging period prior to the submission of the Final Reset Values to the QCA on 31 July 2023.

³ Includes deferred capital (\$0.2bn) and Access Facilitation Deeds in respect of mine specific infrastructure (\$0.3bn). Estimate assumes an FY23 inflation forecast of 6.75%. <https://www.qca.org.au/project/aurizon-network/2017-access-undertaking-ut5/reset-schedule-f-preliminary-values/>