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# CAPITAL MANAGEMENT INITIATIVES

15 June 2009

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This Presentation is in relation to an accelerated non-renounceable entitlement offer ("**Entitlement Offer**") and placements of new Stapled Securities to be made under sections 708AA, 708A, 1012DAA and 1012DA of the Corporations Act 2001 (Cth) ("**Corporations Act**") as notionally modified by ASIC Class Order 08/35 and ASIC relief to be obtained in relation to Entitlement Offer. The Entitlement Offer will be made to:

- eligible institutional securityholders of Asciano ("**Institutional Entitlement Offer**"); and
- eligible retail securityholders of Asciano ("**Retail Entitlement Offer**").

In this Presentation the placements together with the Entitlement Offer are referred to as the "**Offer**".

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An investment in Asciano is subject to investment risk including possible loss of income and principal invested. Please see Appendix A - Key Risk Factors of this Presentation for further details.

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# IMPORTANT GENERAL INFORMATION

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## **Interests of the Underwriters**

The underwriters, their affiliates, directors, officers, employees, agents or associates may, from time to time, hold interests in the securities of, or earn brokerage, fees or other benefits from Asciano.

## **Acceptance**

By attending an investor presentation or briefing, or accepting, accessing or reviewing this document you acknowledge and agree to the above and the matters on the following page entitled "Important information in relation to financial information".

# IMPORTANT INFORMATION IN RELATION TO FINANCIAL INFORMATION

All dollar values are in Australian dollars (A\$) and financial data is presented as at the date stated.

The pro-forma financial information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of Asciano's views on its future financial condition and/or performance.

The pro forma financial information included in this Presentation does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the US Securities and Exchange Commission. Investors should also be aware that certain financial data included in this Presentation are "non-GAAP financial measures" under Regulation G of the U.S. Securities Exchange Act of 1934, as amended, including EBITDA (earnings before interest, taxes, amortisation and one-offs). The disclosure of such non-GAAP financial measures in the manner included in this Presentation would not be permissible in a registration statement under the U.S. Securities Act. Asciano believes these non-GAAP financial measures provide useful information to users in measuring the financial performance and conditions of Asciano. These non-GAAP financial measures do not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-GAAP financial measures and ratios included in this presentation.

This Presentation contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "will", "could", "may", "target", "plan" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward looking statements.

**The forward looking statements contained in this Presentation involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Asciano, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Forward looking statements may also be based on estimates and assumptions with respect to future business decisions, which are subject to change. Actual results, performance or achievements may vary materially for many projections because events and actual circumstances frequently do not occur as forecast and these differences may be material.**

**Forward looking statements are not guarantees of future performance. These statements may assume the success of Asciano's business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond Asciano's control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward looking statements may have been prepared or otherwise.**

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This Presentation was prepared before 30 June 2009. Consequently the financial information in relation to the 2nd half 2008/2009 and full year 2008/2009 contained in this Presentation do not represent preliminary or final actual numbers and have not been reviewed or audited by Asciano's auditor. No audit or review statements by Asciano's auditor have been made on this information. Asciano's actual financial statements for the full year 2008/2009, once published, may differ from the information in this Presentation.

In addition, in accordance with AIFRS requirements, Asciano is conducting impairment testing in respect of the carrying value of certain of its businesses as at 30 June 2009. **Refer to p.14**

Asciano has no present intention to publish updates to the forward looking statements in this Presentation in the future. Neither Asciano nor any other person warrants or guarantees the future performance of the Stapled Securities or any return on any investment in Stapled Securities.

**Financial information in this Presentation assumes that securityholder approval for the \$1,000 million conditional placement is obtained and that all net underwritten Offer proceeds are received by Asciano. Refer to Appendix A - Key Risk Factors. It does not include proceeds from the conditional placement to Mark Rowsthorn or from any security purchase plan.**

**An investment in Asciano is subject to investment risk including possible loss of income and principal invested. Please see the Appendix A - Key Risk Factors of this Presentation for further details.**

# ASCIANO CAPITAL MANAGEMENT INITIATIVES PRESENTATION

Executive Summary  
Financial Overview  
Offer Details

**Appendices:**

- A. Key Risk Factors
- B. International Selling Restrictions

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# EXECUTIVE SUMMARY



# EXECUTIVE SUMMARY

- Asciano to raise \$2 billion of equity capital via a fully underwritten offer at \$1.10 per security
  - \$769 million 1-for-1 non-renounceable pro rata entitlement offer
  - \$231 million unconditional placement
  - \$1,000 million conditional placement
  - Asciano may raise up to an additional \$151 million through a non-underwritten conditional placement to Mark Rowsthorn. By fully participating in the Offer, Mark Rowsthorn may maintain, but cannot increase, his current 10.92% holding in Asciano
  - Settlement of each conditional placement is subject to securityholder approval of that conditional placement at an EGM of securityholders to be held on Wednesday, 22 July 2009
- Net proceeds from the raising will be used primarily to reduce net debt
- The equity raising provides Asciano with a more appropriate capital structure and greater ability to pursue its organic growth strategy. Assuming securityholder approval for the \$1,000 million conditional placement is received:
  - Pro Forma Net Debt / Pro Forma FY2010 EBITDA of approximately 4.1x<sup>1</sup>
  - Less than 30% of total debt<sup>2</sup> maturing before May 2012, assuming \$1.95 billion in net proceeds raised is applied to reduce May 2010 debt maturities
  - Underwritten capital raising amount positions Asciano comfortably within existing bank covenants
- To the extent that Asciano considers there is significant unsatisfied demand from eligible retail securityholders in the retail entitlement offer, Asciano will consider conducting a Security Purchase Plan offer to eligible securityholders (subject to obtaining the necessary regulatory approvals)

Notes:

1. For an explanation of Pro Forma Net Debt see page 9. For explanation of Pro Forma FY2010 EBITDA see page 20
2. Pro Forma total debt at May 2009

**Financial information in this Presentation assumes that securityholder approval for the \$1,000 million conditional placement is obtained and that all net underwritten Offer proceeds are received by Asciano. Refer to Appendix A - Key Risk Factors. It does not include proceeds from the conditional placement to Mark Rowsthorn or from any Security Purchase Plan.**

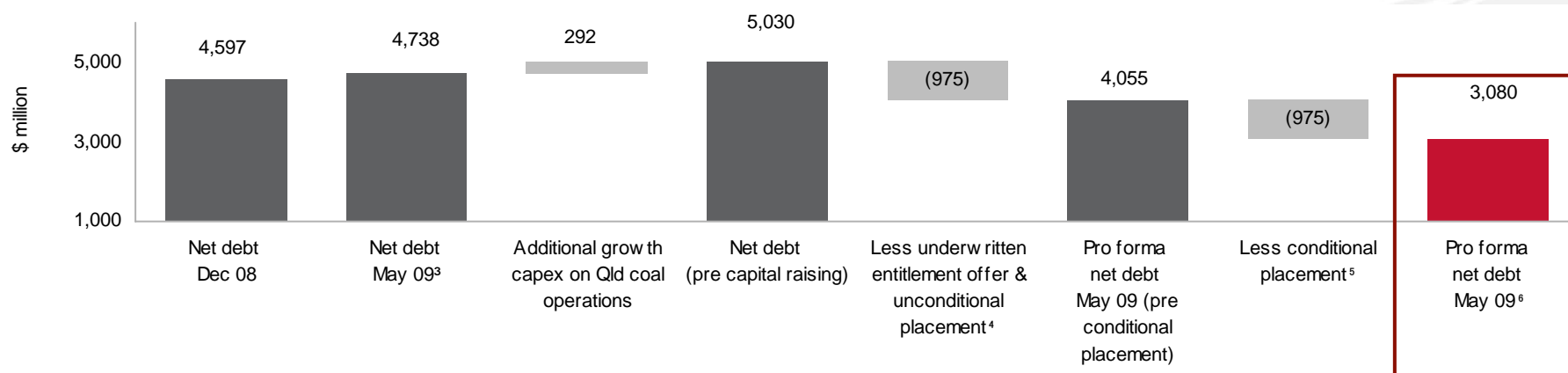


# MONETISATION PROCESS

- Asciano has received a range of proposals to recapitalise the business and/or acquire one or more of Asciano's operating business units. These proposals, and the issue of new equity, were assessed against a range of criteria including:
  - Pricing/level of proceeds
  - Impact on the ongoing earnings and growth profile of Asciano
  - Dilutive impact on existing Asciano securityholders
  - Timing and certainty of completion including regulatory and banking approvals
  - Change of control implications
- Asciano believes that this equity raising represents the best overall outcome for Asciano and its securityholders

# DEBT POSITION

- Net proceeds from the capital raising will be primarily used to reduce net debt to an appropriate level
  - Reduces Pro Forma Net Debt to approximately \$3.1 billion<sup>1</sup>
  - Pro Forma Net Debt / Pro Forma FY2010 EBITDA of approximately 4.1x<sup>2</sup>
- Substantially reduces refinancing risk
  - Debt maturities before 2012 reduced to \$850 million, assuming \$1.95 billion in net proceeds raised is applied to reduce May 2010 debt maturities



**Notes:**

1. Based on net underwritten capital raising amount
2. Based on net underwritten capital raising amount. For a description of Pro Forma FY2010 EBITDA see page 20
3. As at 31 May 2009, Asciano had \$4,914 million of debt and \$176 million of cash on its balance sheet
4. Includes equity offer fees and costs of approximately \$25 million
5. Includes equity offer fees and costs of approximately \$25 million
6. Excludes any proceeds from the non-underwritten conditional placement to Mark Rowsthorn



# KEY OFFER METRICS

## Pro Forma capitalisation

Security offer price	\$1.10
No. of securities (post underwritten raising amount) (m)	2,517
Pro Forma equity valuation at the offer price (\$m)	2,769 <sup>1</sup>
Pro Forma net debt (\$m)	3,080 <sup>2</sup>
Pro Forma enterprise value (EV) (\$m)	5,849

## EV/EBITDA metrics

Forecast FY2010 EBITDA (\$688m <sup>3</sup> ) (x)	8.5
Forecast Pro Forma FY2010 EBITDA (\$748m <sup>4</sup> ) (x)	7.8

Notes:

1. Based on number of fully underwritten securities
2. Refer to page 9
3. Based on the midpoint of forecast FY2010 EBITDA of \$675-700 million
4. Based on the midpoint of Pro Forma forecast FY2010 EBITDA of \$735 – 760 million (see page 20)

# INVESTMENT HIGHLIGHTS

***The \$2 billion underwritten equity raising will leave Asciano's high quality asset base with an appropriate capital structure***

- ✓ Strengthened balance sheet with an appropriate capital structure
- ✓ Ongoing financial flexibility to pursue organic growth strategy
- ✓ High quality portfolio of strategic assets with a management team focused on driving continued efficiencies
- ✓ Long-duration asset base
- ✓ High quality customer base with long-term contracts
- ✓ Diverse business model well-positioned for economic recovery
- ✓ Attractive fundamentals for industries in which Asciano operates
- ✓ Exposure to high-growth, defensive segments of the freight supply chain
  - ✓ attractive growth options with 'GDP+' growth profile
  - ✓ increased environmental focus and government infrastructure spending to drive rail modal share

# SUMMARY OF KEY RISKS

## Specific risk factors that affect Asciano

- Debt refinancing risk and risk of breach of debt covenants
- Interest rate and foreign exchange risks, including hedging risks
- Access to credit markets and increased funding costs
- Risk of further asset impairments
- Key contract expiry and renewal risks, and reliance on IT systems
- Inability to achieve targeted benefits from efficiency review
- Infrastructure capacity constraints and access interruption
- Leasehold renewal risk
- Availability of funding for capital expenditure requirements
- Customer counterparty credit risk
- Fuel price exposure
- Risk of increased competition from incumbents and new entrants
- Joint venture risks
- Changes in government policy and regulation including infrastructure access and regulatory oversight
- Loss of key track access rights or rail accreditations
- Compliance risk re ACCC Undertakings given on Toll demerger
- Employee risks - industrial action, Fair Work Act and defined superannuation benefits
- Exposure to reduced demand for bulk commodities
- Litigation and legal claims
- Insurance coverage and insurance market risks
- Industrial incidents, accidents and extreme weather

## General Risks

- General equity market investment risk
- Impact of global economic downturn
- Taxation risk
- Environmental compliance risks
- OH&S risks

### Key risks around securityholder approvals.

There is a risk that proceeds will not be received for the \$1,000 million conditional placement (or the non-underwritten conditional placement to Mark Rowsthorn should he apply for those securities) if the requisite securityholder approvals are not passed at the meeting of securityholders to be held on Wednesday 22 July 2009.

Certain financial metrics in this document assume that proceeds from the \$1,000 million conditional placement are received by Asciano, including the Pro Forma Net Debt calculation (refer page 9), the Pro Forma enterprise value and EV/EBITDA metrics (refer page 10) and the funding profile post raising (refer page 23). Further certain qualitative assessments by Asciano in this document also assume these proceeds are received by Asciano including statements concerning its bank covenants head room and reduction in refinancing risk.

There can be no assurances that the requisite securityholder resolutions will be passed to ensure that the proceeds of the \$1,000 million conditional placement (or the non-underwritten conditional placement to Mark Rowsthorn should he apply for those securities) will be received by Asciano. Further, part or all of the underwritten capital raising will not be received by Asciano if the underwriters terminate the Underwriting Agreement, which contains a number of customary termination events.

In the event that the \$1,000 million conditional placement does not settle for any reason, Asciano would have more net debt (see page 9), greater debt refinancing risks and less financial flexibility to pursue organic growth opportunities relative to if the \$1,000 million conditional placement did settle. This may have a material adverse effect on Asciano's future financial performance and position, including potentially delaying a transition towards reinitiating distribution payments. In this instance Asciano may consider recommencing an asset monetisation process and/or raising additional equity capital through a further offer.

Refer to description of Offer Structure on page 26.



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# FINANCIAL OVERVIEW



# GROUP PROFIT AND LOSS<sup>1</sup>

\$m	FY08A	1H09A	2H09F	FY09F	FY10F	FY10PF <sup>3</sup>
<b>Revenue</b>	<b>2,815</b>	<b>1,502</b>	<b>1,314</b>	<b>2,816</b>		
<b>EBITDA<sup>2</sup></b>						
Container Ports	245	118	100	218		
Coal	128	67	80	147		
Auto, Bulk and General	94	64	63	127		
Intermodal	178	110	79	189		
Other <sup>4</sup>	(3)	(4)	0	(4)		
Corporate	12	(14)	(7)	(21)		
<b>Total EBITDA</b>	<b>653</b>	<b>341</b>	<b>c.314</b>	<b>c.655</b>	<b>675-700</b>	<b>735-760</b>

Notes:

- As a result of changes in the organisational structure of Asciano, comparative disclosures have been reclassified to ensure consistency and comparability in this presentation. The figures for 2H09F and FY09F presented above and on the following four pages are approximate
- EBITDA is presented before significant items. In FY08 significant items included impairment charges (\$80 million), loss on disposal of Brambles investment (\$104 million), redundancy costs (\$24 million) and group establishment costs (\$13 million). In 1H09 significant items included impairment charges (\$93 million) and redundancy / other costs (\$5 million). Asciano is conducting impairment testing in respect of the carrying value of its businesses as at 30 June 2009. Further impairment charges and redundancy costs are expected to be recognised in 2H09 with Asciano still finalising the amount of such items as part of year end close procedures. Impairment charges for 2H09 are not expected to exceed \$50 million
- Including approximately \$100 million Pro Forma earnings contribution from Queensland coal operations. Refer page 20
- Reflects minor discontinued operations and operating units transferred into various other divisions

Financial information in this Presentation assumes that securityholder approval for the \$1,000 million conditional placement is obtained and that all net underwritten Offer proceeds are received by Asciano. Refer to Appendix A - Key Risk Factors. It does not include proceeds from the conditional placement to Mark Rowsthorn or from any Security Purchase Plan.



# FINANCIAL OVERVIEW CONTAINER PORTS

## Commentary

### Forecast FY2009 trading results

- Total container lifts in 2H09 are expected to be approximately 9% down on same period last year reflecting falling imports and rationalisation of services by shipping lines
- Total volume change reflects varying results across locations:
 

Sydney:	+4.6%
Melbourne:	-23.4%
Brisbane:	-6.6%
Fremantle:	-14.0%
- Average price per lift expected to reflect modest decline in 2H09 on prior year reflecting increased level of transshipments
- Port Logistics experiencing slower growth in 2H09 reflecting lower import volumes

### Outlook for FY2010

- Modest or nil growth expected through 1H10
- Gradual return towards historical growth rates expected through 2H10

## Financial summary<sup>1</sup>

\$m	FY08A	1H09A	2H09F	FY09F
Revenue	777	398	346	744
EBITDA	245	118	100	218
Maintenance capex	29	13	1	14
Growth capex	60 <sup>2</sup>	68	40	109 <sup>3</sup>
Total capex	89	81	42	123

#### Notes:

- As a result of changes in the organisational structure of Asciano, comparative disclosures have been reclassified to ensure consistency and comparability in this presentation
- Primarily relates to Berth 10 extension at Brisbane and additional straddle carriers to support growth across Melbourne and Sydney
- Primarily relates to remainder of Berth 10 extension at Brisbane and implementation of Rail mounted gantries at Sydney

# FINANCIAL OVERVIEW

## COAL

### Commentary

#### Forecast FY2009 trading results

- Growth maintained through 2H09 with growth in export tonnes and increase in average haul length
- Largely unaffected by global economic downturn
- Queensland coal project ahead of schedule with first train operational in April 2009

#### Outlook for FY2010

- Demand for haulage is expected to continue to be strong throughout FY10
- Increase in Queensland volumes expected as take-or-pay contracts come on line

### Financial summary<sup>1</sup>

\$m	FY08A	1H09A	2H09F	FY09F
Revenue	462	263	267	530
EBITDA	128	67	80	147
Maintenance capex	29	10	1	11
Growth capex	138 <sup>2</sup>	92	129	221 <sup>3</sup>
Total capex	167	102	130	231

#### Notes:

1. As a result of changes in the organisational structure of Asciano, comparative disclosures have been reclassified to ensure consistency and comparability in this presentation
2. Primarily relates to rolling stock additions to support volume growth in relation to Hunter Valley operations, and rolling stock and mobilisation costs in relation to new Queensland operations
3. Primarily relates to Queensland Coal operations roll out and some additional Hunter Valley rolling stock

# FINANCIAL OVERVIEW AUTO, BULK AND GENERAL

## Commentary

### Forecast FY2009 trading results

- Bulk rail operations positively impacted by strong grain harvest under new volume take-or-pay contracts with major Grain customers
- Autocare vehicle movements and processing volumes continued to decline in 2H09 in response to slowing vehicle sales, but offset by higher storage volumes
- Overall Bulk and general stevedoring volumes held up due to agricultural volumes offsetting lower steel volumes

### Outlook for FY2010

- Conditions expected to remain challenging in auto, steel, mining and construction through to end of 2009 calendar year
- Rebalance of auto inventories in 2H09 will see import volumes improve throughout FY10
- Anticipating gradual improved conditions across all sectors through 2H10
- Grain harvest is looking promising with volumes anticipated to be in line with 2009

## Financial summary<sup>1</sup>

\$m	FY08A	1H09A	2H09F	FY09F
Revenue	667	357	341	697
EBITDA	94	64	63	127
Maintenance capex	31	8	13	22
Growth capex	14 <sup>2</sup>	15	5	20 <sup>3</sup>
Total capex	45	24	18	42

#### Notes:

1. As a result of changes in the organisational structure of Asciano, comparative disclosures have been reclassified to ensure consistency and comparability in this presentation
2. Primarily relates to Autocare prime movers and trailers and BlueScope berth capex
3. Primarily relates to Autocare prime movers and trailers

# FINANCIAL OVERVIEW INTERMODAL

## Commentary

### Forecast FY2009 trading results

- General trading conditions in 2H09 have been challenging as a result of a decline in the domestic freight task as the Australian economy has slowed
- 2H09 Steel volumes have deteriorated by approx 45% on 2H08 as a result of lower production and high inventory levels
- Express growth has continued albeit at slower pace than in 1H09
- Freight TEUs (**Twenty foot Equivalent Unit**) expected to be down c. 16% in 2H09 from 1H09; Express TEUs expected to be down c. 13% in 2H09 from 1H09; Steel tonnes expected to be down c. 38% in 2H09 from 1H09
- EBITDA for FY09 has been positively impacted by efficiency review savings and proactive cost reduction initiatives in response to falling volumes

### Outlook for FY2010

- Reduced domestic freight task expected to continue to end of 1H10, with modest growth thereafter
- Steel volumes anticipated to increase through 2H10 in line with manufacturers' forecasts

## Financial summary<sup>1</sup>

\$m	FY08A	1H09A	2H09F	FY09F
Revenue	919	508	379	887
EBITDA	178	110	79	189
Maintenance capex	25	20	24	44
Growth capex	14 <sup>2</sup>	5	1	6 <sup>3</sup>
Total capex	39	25	25	50

#### Notes:

1. As a result of changes in the organisational structure of Asciano, comparative disclosures have been reclassified to ensure consistency and comparability in this presentation
2. Primarily relates to additional wagons to service increased volumes in Steel and Express, plus costs of redeveloping Kewdale terminal
3. Primarily relates to additional wagons to service growth in Express volumes

# FY2010 EBITDA GUIDANCE

- **Forecast FY2010 EBITDA of \$675-700 million**
- Key assumptions underlying the forecast FY2010 EBITDA of \$675-700 million include
  - Macro operating environment continuing to remain difficult particularly in 1H10, with gradual improvement in conditions in 2H10
  - Bulk rail operations expected to continue to perform strongly
    - Pacific National Coal division expected to generate approximately \$40m additional EBITDA through the commencement of new haulage contract operations in Queensland, primarily during the second half of FY2010
    - Continued strong demand for Coal haulage operations in NSW
    - Average grain harvest
  - Non-bulk rail operations expected to remain under pressure
    - FY2010 volumes for these categories expected to remain consistent with the volumes experienced in 2H09, without the benefit of the strong performance in 1H09
  - Container Ports division expected to achieve EBITDA for FY2010 broadly in line with its FY2009 contribution
    - Volumes to be broadly flat for the year, with some growth in volumes from 4QFY10
  - Automotive volumes to stabilise at Q4FY09 levels for 1H09 and marginally recover in 2H10

## PRO FORMA FY2010 EBITDA GUIDANCE

- Forecast FY2010 EBITDA of \$675-700 million
- Forecast FY2010 EBITDA includes approximately \$40 million earnings contribution from Queensland coal contracts
- Full year earnings contribution of Queensland coal operations is approximately \$100 million once all currently committed capex has been spent
  - Over \$70 million of this earnings contribution is currently contracted
  - It is expected that around \$90 million will be contracted by 30 June 2009, with the remaining capacity fully contracted during the first half of FY2010
- After adjusting for full year contribution of Queensland coal operations, Pro Forma FY2010 EBITDA of \$735-760 million

## QUEENSLAND COAL CONTRACTS

- A number of long term, take-or-pay contracts have been signed with public listed counterparties. The initial entry point into the Queensland coal market was a contract with Rio Tinto and Xstrata for 14.2 million tonnes per annum for a ten year period commencing 1 January 2010
- Haulage services in Queensland commenced in April 2009
- The initial rolling stock, comprising 10 train sets (36 locomotives, 1,100 wagons), will be progressively commissioned and all train sets will be fully operational by May 2010
- Approximately 70% of the initial rolling stock capacity is already contracted under long term contracts
- The remaining initial rolling stock capacity is expected to be long term contracted during the first half of FY2010

## EFFICIENCY INITIATIVES

***Efficiency initiatives are expected to yield sustainable pre-tax savings of approximately \$95 million per annum***

- Detailed efficiency review program in the process of being implemented by June 2010
- Initiatives primarily relate to:
  - Headcount reductions
  - Divisional reorganisation
  - Maintenance cost reductions
  - Asset financing and utilisation initiatives
  - Pricing and revenue initiatives
- The two year efficiency programme is expected to realise annualised EBITDA savings of approximately \$95 million in FY2011

# FUNDING PROFILE

- Net proceeds from the raising will be used primarily to reduce Asciano's net debt
  - exact use of proceeds to be determined as part of negotiations with Asciano's bank syndicate to restructure existing facilities. A small portion of proceeds may be used to payout interest rate hedge contracts
  - indicative debt profile post raising set out below, assuming \$1.95 billion in net proceeds raised is applied to 2010 debt maturities
- Strengthened balance sheet provides financial flexibility
- Weighted average hedged base interest rate of 6.6%

Facilities <sup>1</sup> (\$m)	Type	Maturity	Current margin	Limit	Drawn May 09 <sup>1</sup>	Adjustments		Drawn May 09 PF
						Growth capex to achieve FY10PF	U/W capital raising <sup>2</sup>	
Facility A1	Term loan	May 10	BBSY +1.0%	2,250	2,250	–	(1,400)	850
Facility A2	Term loan	May 12	BBSY +1.1%	2,250	2,250	–	–	2,250
Facility B	Revolving credit	May 10	BBSY +1.0%	550	408	142	(550)	0
Less cash					(176)	150	–	(26)
<b>Net bank debt</b>				<b>5,050</b>	<b>4,732</b>	<b>292</b>	<b>(1,950)</b>	<b>3,074</b>

Notes:

1. Excludes working capital facilities of \$167 million (drawn to \$127 million in the form of performance bonds and bank guarantees) and approximately \$5 million in non-bank loans in relation to AutoCare
2. After equity offer fees and costs of approximately \$50 million

Financial information in this Presentation assumes that securityholder approval for the \$1,000 million conditional placement is obtained and that all net underwritten Offer proceeds are received by Asciano. Refer to Appendix A - Key Risk Factors. It does not include proceeds from the conditional placement to Mark Rowsthorn or from any Security Purchase Plan.



# DISTRIBUTION POLICY AND BOARD COMPOSITION

## Distributions

- No distributions will be paid for FY2009, reflecting Asciano's focus on reducing leverage
- It is the Board's current intention to pay a distribution for FY2010, taking into account the outcome of the bank renegotiations and future capital expenditure requirements
- Beyond FY2010, it is intended that Asciano will transition towards a distribution policy typical of an industrial company, with distributions linked to a payout ratio of underlying earnings after budgeting for growth related capital expenditure

## Board Composition

- The company intends to increase the number of Directors on its Board from the current four Directors by appointing two additional non-Executive Directors during the first half of FY2010

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# OFFER DETAILS



# OFFER STRUCTURE

- \$769 million underwritten 1-for-1 non-renounceable pro rata entitlement offer
  - approximately \$330 million institutional component
  - approximately \$439 million retail component
    - eligible retail securityholders may apply for new securities in excess of their entitlement. Applications for excess securities will be satisfied to the extent there is a shortfall in the retail entitlement offer. Allocations are subject to the absolute discretion of Asciano
- \$231 million underwritten unconditional placement to professional and sophisticated investors
- \$1,000 million underwritten conditional placement to professional and sophisticated investors
- Asciano may raise up to an additional \$151 million through a non-underwritten conditional placement to Mark Rowsthorn. By fully participating in the Offer, Mark Rowsthorn may maintain, but cannot increase, his current 10.92% holding in Asciano
- Settlement of each conditional placement is subject to securityholder approval of that conditional placement by ordinary resolutions at an EGM to be held on Wednesday 22 July
- Asciano proposes separate, independent resolutions to approve the conditional placements
  - resolution to approve a conditional placement of up to \$151 million worth of securities to Mark Rowsthorn (Mark Rowsthorn ineligible to vote on this resolution)
  - resolution to approve a conditional placement of \$1,000 million to institutional investors (these investors will be ineligible to vote on this resolution; non-participating securityholders including Mark Rowsthorn are eligible to vote on this resolution)
- If the \$1,000 million conditional placement is not approved by securityholders at the EGM, institutional investors who were allocated securities in that placement will be paid a commitment fee of 2.0% of their allocation

## OFFER STRUCTURE (CONTINUED)

- Mark Rowsthorn's current intention is to take up his entitlement under the entitlement offer and to apply for up to \$151 million securities in a conditional placement, subject in each case to securing the required level of funding and in the case of the conditional placement, required securityholder approval being obtained
- To the extent that Asciano considers there is significant unsatisfied demand from eligible retail securityholders in the retail entitlement offer, Asciano will consider conducting a Security Purchase Plan offer to eligible securityholders (subject to obtaining the necessary regulatory approvals)

# TIMETABLE

Event <sup>1</sup>	Date
Placement <sup>2</sup> and institutional entitlement offer opens	10.00am (AEST) Monday 15 June 2009
Securityholder declaration forms due to Orient Capital	4.00pm (AEST) Monday 15 June 2009
Placement and institutional entitlement offer closes	11.00am (AEST) Tuesday 16 June 2009
Institutional allocations advised	Tuesday 16 June 2009
Record date to determine right to participate in the entitlement offer	7.00pm (AEST) Thursday 18 June 2009
Retail entitlement offer opens	Tuesday 23 June 2009
First close on retail entitlement offer (Initial Retail Closing Date)	Friday 26 June 2009
Settlement of unconditional placement and institutional entitlement offer	Tuesday 30 June 2009
Issue and expected trading date of new securities issued under the unconditional placement, institutional entitlement offer and the retail entitlement offer for which valid acceptances have been received by the Initial Retail Closing Date (Initial Allotment)	Wednesday 1 July 2009
Retail entitlement offer closes (Final Retail Closing Date)	Monday 13 July 2009
Final issue of new securities issued under the retail entitlement offer (Final Allotment)	Tuesday 21 July 2009
Expected trading date of new securities issued under Final Allotment	Wednesday 22 July 2009
Date of EGM to vote on conditional placements	Wednesday 22 July 2009
Settlement of conditional placements (if approved)	Friday 24 July 2009
Issue and expected trading date of new securities issued under the conditional placements	Monday 27 July 2009

Note:

1. Timetable is subject to change in Asciano's absolute discretion. Asciano reserves the right to withdraw or vary the timetable for the Offer without notice. In particular, Asciano reserves the right to extend the closing date for the Retail Entitlement Offer, to accept late applications either generally or in particular cases or to withdraw the Retail Entitlement Offer or the conditional placements without prior notice. The commencement of quotation of New Securities is subject to confirmation from ASX.
2. Refers to both the unconditional and conditional placements

## APPENDIX A

# Key risk factors

# KEY RISK FACTORS

This section identifies the key risks associated with an investment in Stapled Securities in Asciano (**Securities**). These risks are not exhaustive of the risks faced by a potential investor in Asciano.

You should consider carefully the risks described in this section, as well as other information in this Presentation, and consult your financial or other professional adviser before making an investment decision.

If any of the following risks materialise, Asciano's business, financial condition and operational results are likely to suffer. In this case, the trading price of Stapled Securities may fall and you may lose all or part of your investment, and/or the distributable income of Asciano may be lower than expected or zero, with distributions being reduced, restricted while certain events subsist or cut to zero.

In this Appendix A, 'Asciano' includes its controlled entities, as relevant.

## Specific risk factors that affect Asciano

### Debt refinancing risk

Asciano is exposed to risks relating to the refinancing of its existing debt instruments and facilities (**Banking Facilities**).

Asciano's current Banking Facilities and debt maturity profile are as follows:

Facility	Facility limit	Drawn (as at 31 May 2009)	Maturity date
General Corporate Facility	\$2,250m	\$2,250m	31 May 2010
General Corporate Facility	\$2,250m	\$2,250m	31 May 2012
Growth Capital Expenditure	\$550m	\$408m	31 May 2010
<b>Total Funded Debt</b>	<b>\$5,050m</b>	<b>\$4,908m</b>	
General Corporate Purposes	\$95m *	\$71m*	30 November 2009
Bank Guarantee Facility	\$73m *	\$56m *	30 November 2009
<b>Totals</b>	<b>\$5,218m</b>	<b>\$5,035m</b>	

Note:

\* All performance bonds / guarantees

It may be difficult for Asciano to refinance all or some of these Banking Facilities. Further, if some or all of these Banking Facilities are refinanced, they are likely, having regard to the present state of credit markets in Australia, to be on less favourable terms than is currently the case.

# KEY RISK FACTORS

## Key risks around securityholder approvals.

There is a risk that proceeds will not be received for the \$1,000 million conditional placement (or the non-underwritten conditional placement to Mark Rowsthorn should he apply for those securities) if the requisite securityholder approvals are not passed at the meeting of securityholders to be held on Wednesday 22 July 2009.

Certain financial metrics in this document assume that proceeds from the \$1,000 million conditional placement are received by Asciano, including the Pro Forma Net Debt calculation (refer page 9), the Pro Forma enterprise value and EV/EBITDA metrics (refer page 10) and the funding profile post raising (refer page 23). Further certain qualitative assessments by Asciano in this document also assume these proceeds are received by Asciano including statements concerning its bank covenants head room and reduction in refinancing risk.

There can be no assurances that the requisite securityholder resolutions will be passed to ensure that the proceeds of the \$1,000 million conditional placement (or the non-underwritten conditional placement to Mark Rowsthorn should he apply for those securities) will be received by Asciano. Further, part or all of the underwritten capital raising will not be received by Asciano if the underwriters terminate the Underwriting Agreement, which contains a number of customary termination events.

In the event that the \$1,000 million conditional placement does not settle for any reason, Asciano would have more net debt (see page 9), greater debt refinancing risks and less financial flexibility to pursue organic growth opportunities relative to if the \$1,000 million conditional placement did settle. This may have a material adverse effect on Asciano's future financial performance and position, including potentially delaying a transition towards reinitiating distribution payments. In this instance Asciano may consider recommencing an asset monetisation process and/or raising additional equity capital through a further offer.

Refer to description of Offer Structure on page 26.

## Debt covenants

Asciano has various covenants in relation to its Banking Facilities, including the following:

- Minimum interest cover and maximum leverage
- Asciano is unable to make distributions (including on the Securities) if interest cover falls below an agreed level or while a default, potential default or review event under its Banking Facilities is subsisting; and
- A review event will be triggered if a person not in control of Asciano or the Asciano Finance Trust acquires such control (as that concept is applied under the Corporations Act) - this review event will lead to a 30 day negotiation period with the lenders under the Banking Facilities, which may result in Asciano being required to repay all or some of its loans within 120 days.

Adverse changes in the performance of Asciano's operations or changes in the value of Asciano's swap book (the market value of which was approximately \$150 million as at the date of this Presentation) could lead to Asciano approaching or breaching its debt covenants. In such circumstances, the lenders under the Banking Facilities may require that their loans be repaid immediately, which may have a material adverse effect on Asciano's future financial performance and position.

## Interest rate risk

Asciano is subject to the risk of rising interest rates associated with its floating rate borrowings. Asciano manages its interest rate risk to minimise any adverse effect of interest payments on its floating rate borrowings. Asciano's interest rate hedging policy permits the use of, and Asciano does use, derivative instruments such as interest rate swaps, swaptions and interest rate options as hedges of interest rate exposure. Asciano may have residual exposure, which may have a material adverse effect on Asciano's future financial performance and position.

# KEY RISK FACTORS

## Foreign exchange risk

Asciano acquires goods and services such as capital equipment in foreign denominated currencies and from companies outside Australia. The impact of such exchange rate risk cannot be predicted reliably. Asciano manages its exchange rate risks to minimise any adverse effect on its financial position and performance. Asciano's foreign exchange hedging policy permits the use of, and Asciano does use, derivative instruments such as forwards, swaps, currency options and foreign currency borrowings as hedges of foreign currency. Asciano may have residual exposure, which may have a material adverse effect on Asciano's future financial performance and position.

## Continued access to credit markets

Recently, developments in global financial markets have adversely affected the liquidity of global credit markets. This has resulted in an increase in the cost of funding and in some cases a reduction in the availability of some funding sources throughout global markets, including Australia.

Access to credit markets on less favourable terms, as are presently being experienced in the global credit markets, will affect Asciano's ability to refinance existing facilities on maturity and to fund its operations, undertake future projects, develop new business initiatives or respond to competitive pressures, and this may have a material adverse effect on Asciano's future financial performance and position.

Asciano leases the majority of its significant infrastructure assets such as rail terminals and sidings, container terminals and parks and port and stevedoring facilities on long term leases and has access to transport infrastructure through access arrangements with third parties (including port authorities and rail track access providers). These counterparties may be unable to fund new capital expenditure developments due to the adverse conditions in the global credit markets. Any failure by these counterparties to obtain funding for the maintenance and expansion of their key infrastructure assets used or leased by Asciano may have an adverse effect on Asciano's operations and growth plans.

## Risk of further asset impairments

Changes in assumptions underlying the carrying value of certain assets of Asciano as a result of deteriorating market conditions could result in further impairment of such assets, including intangible assets such as goodwill, which may have a material adverse effect on Asciano's future financial performance and position.

Asciano is in the process of attempting to dispose of its Tasmanian rail operations. In the event that Asciano is unable to find a buyer for those operations, Asciano may cease those operations, resulting in a material, if not total, write down of the affected assets together with shutdown costs (such as redundancies).

Refer to note 2 on page 14 for further details of Asciano's asset impairment testing.

## Key contracts and IT/systems

Major contracts of Asciano are constantly expiring. Failure to renew such contracts, or to renew them on the same or more favourable terms, may have a material adverse effect on Asciano's future financial performance and position.

In particular, Asciano's Intermodal, Container Ports and Coal businesses are heavily reliant upon key customer contracts which are generally of a short to medium term with some risks of contracts not being renewed or being renewed on less favourable terms and thereby impacting future revenues.

There are a number of performance requirements in the QLD coal contracts both in terms of the establishment of operations and ongoing capacity availability that Asciano must meet. Failure to meet these requirements may lead to a variety of rights to the contract counterparties including cancelling the contracts and/or acquiring the rolling stock at book value.

Asciano makes considerable use of information technologies or systems, particularly in the Container Ports, Coal and Intermodal businesses. Failures of such technologies and systems could have an adverse effect on Asciano's future financial performance and position.



# KEY RISK FACTORS

## **Inability to achieve targeted benefits from efficiency review**

In FY2009, Asciano initiated a group-wide efficiency review aimed at improving EBITDA and ensuring compliance with legislative and reporting obligations through the implementation of initiatives such as headcount reductions, divisional reorganisation, maintenance cost reductions, asset financing and utilisation initiatives and pricing and revenue initiatives across head office and all business divisions.

Asciano may not be successful in the execution of this review and may not realise targeted benefits from some or all of the efficiency review initiatives. Failure to do so may have a material adverse effect on Asciano's future financial performance and position.

## **Infrastructure capacity constraints and interruptions**

Asciano's operational performance and anticipated growth may be restricted due to infrastructure capacity constraints and/or the failure of infrastructure providers such as track access providers or port authorities, owners and operators to deliver proposed infrastructure upgrade or maintenance programs. Examples include proposed track and port facility upgrades to support capacity growth in the Hunter Valley coal chain and improvements to the north-south mainline rail track.

Asciano's rail and port businesses are also exposed to the risk of interrupted access to key infrastructure resulting from accidents, forces of nature (including extreme weather conditions such as floods) and/or other catastrophic events, including acts of terrorism. For example, damage to or destruction of a major rail link or port facility may have an impact on Asciano's ability to carry on its relevant business.

Whilst Asciano's businesses employ risk management procedures and policies to minimise the potential impact of such events, there remains the risk of significant impact on these businesses from such events.

## **Leasehold title risk**

As noted above, Asciano leases significant infrastructure and other properties and assets such as rail terminals and sidings, container terminals and parks and port and stevedoring facilities. These leases carry renewal risk upon expiry.

Asciano's Container Ports, Intermodal, Coal and AB&G businesses are heavily reliant upon long term leases of critical sites/properties. Any failure to renew, renewal on less favourable terms or termination of such key leases may have a material adverse effect on Asciano's future financial performance and position.

## **Capital expenditure**

The businesses carried on by Asciano are capital intensive. Asciano's operating and financial performance will be partly reliant on Asciano's ability to effectively manage significant capital projects within required budgets and timeframes and on sufficient funding being available for the capital expenditure requirements of the business, including the maintenance and replacement of equipment to meet operational requirements. Capital expenditure requirements may impact Asciano's cash flow available to service financing obligations and pay dividends or otherwise make distributions.

# KEY RISK FACTORS

## Counterparty credit risk

Credit risk is the risk of financial loss to Asciano if a customer or counterparty to a contract or financial instrument fails to meet its contractual obligations, and arises principally from Asciano's receivables from customers.

Asciano's credit risk on trade and other receivables arises principally from the creditworthiness of individual customers. The financial failure of a major customer, for example, a major customer of the Container Ports, Coal or Intermodal businesses, or a number of significant customers, resulting in the failure of one or more of those customers to fully pay receivables owing to Asciano may have a material adverse effect on Asciano's future financial performance and position.

Asciano's principal counterparty credit risk from its treasury activities arises from cash held on deposit with one of Australia's major trading banks. At present, most of Asciano's derivatives are "out-of-the-money", and therefore there is no material counterparty credit risk. This position could change in the future, depending on the relationship between market interest rates and exchange rates and the respective contracted interest rates and exchange rates under Asciano's hedge instruments.

## Fuel price

Fuel is an important input into, and significant expense of, the majority of Asciano's businesses. As a result, fuel price volatility can have a significant impact on Asciano's cost base and earnings. Approximately 90% of freight volumes in Asciano's rail haulage contracts contain pass through provisions in order to pass fuel price movements through to customers. However, competitive constraints and time lag in recouping increases in fuel costs may restrict Asciano's ability to pass through to customers the full impact of fuel price volatility, which may have a material adverse effect on Asciano's future financial performance and position.

## Competition risks

Asciano currently has a strong competitive position in the Australian rail, stevedoring and port sectors and in the New Zealand port sector. Increased competition in Asciano's operations could result in price reductions, under-utilisation of personnel or infrastructure, reduced operating margins and/or loss of market share, which may have a material adverse effect on Asciano's future financial performance and position.

For example, competition in the container stevedoring market may be increased by the entry of a third stevedoring operator in addition to the incumbent participants, Asciano and DP World. Hutchison Ports has been appointed as the future operator of the new third terminal at Fisherman Islands in Brisbane. A tender process is also underway to appoint an operator for additional quayline at Port Botany, Sydney. Ports of Melbourne Corporation has indicated an intention to extend East Swanston Dock and possibly to redevelop Webb Dock to provide additional quayline, including the possibility of a third operator being appointed at the expanded facilities. The entry of a third operator into the container stevedoring market, particularly if the new entrant can offer container stevedoring services from ports in Brisbane, Sydney and Melbourne, represents a risk to Asciano's container stevedoring volumes, revenues and market share and accordingly may have a material adverse effect on Asciano's future financial performance and position.

# KEY RISK FACTORS

## Joint venture arrangements

Some of Asciano's joint venture arrangements are with competitors, such as Asciano's joint venture arrangements with DP World in respect of AAT and 1-Stop, which are subject to regulatory oversight. Any failure of the joint venture entity or participants to comply with regulatory requirements could result in penalties or, in an extreme case, compulsory dissolution of the joint venture.

By way of illustration, in August 2007 the Australian Competition and Consumer Commission (**ACCC**) commenced proceedings in the Federal Court of Australia alleging breaches of competition law by bodies corporate within Asciano, DP World and AAT seeking declarations, injunctions, penalties and the dissolution of AAT. Following the filing of an authorisation application by AAT with the ACCC (which application is yet to be assessed), the proceedings were dismissed by consent against AAT on 11 June 2009, have been resolved in principle on a confidential basis with the ACCC by all bodies corporate within Asciano which were respondents in the proceedings and are expected to be finalised in Court on or about 25 June 2009.

## Government policy and regulation

Asciano's operations depend on access to infrastructure including ports, rail track, terminals and associated infrastructure which is subject to government policy and legal and regulatory oversight - including access, accreditation, operational, tax, environmental and industrial (including occupational health and safety) regulation. Changes in government policy and legal and regulatory oversight may have a material adverse effect on Asciano's future financial performance and position.

Rail and ports infrastructure is subject to regulation which affects the investments made by the owners and operators of the infrastructure and the prices which those owners can charge to users and operators. Policy and regulatory changes in relation to investments in and the pricing of such infrastructure may have a material adverse effect on Asciano's future financial performance and position.

Given that Asciano operates in concentrated markets and holds lease and operating rights over scarce infrastructure resources, it, like other industry participants, is subject to scrutiny by the ACCC and other State regulatory bodies. Any adverse outcomes arising from any investigations or prosecutions commenced by the ACCC or State regulatory bodies against Asciano, including for breaches of the ACCC undertakings mentioned below, may have a material adverse effect on Asciano's future financial performance and position.

The introduction of the carbon pollution reduction scheme in the form proposed by the Commonwealth government (CPRS) will likely result in increased energy costs for Asciano. While Asciano endeavours to include in new contracts being executed provisions to allow for additional fuel and energy costs (including as a result of the introduction of the CPRS) to be passed on to customers to some extent, there are some older contracts where the ability to pass through these costs is limited. Failure to pass these costs on would result in decreased profitability for those contracts or operations.

# KEY RISK FACTORS

## **Access to rail track and rail accreditation**

The various rail businesses carried on by Asciano rely upon track access rights granted to Asciano by track access providers such as ARTC, QR Network Access, RailCorp, RIC, V/Line and Westnet and the accreditation of Asciano's operations by relevant State regulators.

Any failure by or inability of Asciano to renew, or renew on favourable terms, or the termination of, any track access rights necessary for Asciano to carry on its operations may have a material adverse effect on Asciano's future financial performance and position.

Asciano holds specific rail safety accreditations in all six Australian States and the Northern Territory. Any loss of, failure to maintain or inability to renew rail accreditations necessary for Asciano to carry on its rail operations in any jurisdiction may have a material adverse effect on Asciano's future financial performance and position.

## **ACCC Undertakings**

On the demerger of Asciano from Toll Holdings Limited (**Toll**), the ACCC required Asciano and Toll, as a condition of approving the demerger, to provide written enforceable undertakings to the ACCC pursuant to section 87B of the Trade Practices Act (**Undertakings**) regarding dealings between the two groups and the independence of their companies' directors to ensure that the two groups are in effect wholly separate. The Undertakings, with which Asciano and each of its related bodies corporate must comply, apply until 31 March 2011 unless withdrawn earlier by the ACCC.

Certain additional Undertakings apply in respect of the Intermodal and Ports businesses. The Undertakings impose extensive audit obligations. RSM Bird Cameron has been engaged to monitor Asciano's compliance with the Undertakings and deliver half yearly reports to the ACCC. Asciano management has implemented a compliance program intended to assist with compliance with the Undertakings.

If Asciano breaches an Undertaking, in addition to powers under the Trade Practices Act for a Court to make orders directing compliance with the Undertaking and the payment of penalties and compensation, the Undertakings specifically require Asciano to divest (at such times and on such conditions as the ACCC may direct) 50% of its interest in Pacific National if certain of the Undertakings are breached. Any such Court orders or the divestment of Asciano's interest in Pacific National may have a material adverse effect on Asciano's future financial performance and position.

# KEY RISK FACTORS

## Employees/Industrial action

The majority of Asciano's operational employees are members of trade unions. These employees are generally covered by collective agreements which are periodically renegotiated and renewed. The risk of strikes and other forms of industrial action that may have a material adverse impact on Asciano would be primarily dependent on the outcomes of negotiations with representative unions regarding the terms of new collective agreements. If there were a material dispute between Asciano and its unions or workforce, this could disrupt Asciano's operations which may have a material adverse effect on its future financial performance and position.

The Australian Government has recently enacted major changes to industrial relations laws which could affect Asciano's operations. Some of the legislative reforms will become effective from 1 July 2009. The likely impact of these reforms is that trade unions will have greater rights to gain entry to work sites, to enrol employees as members and to compel employers to engage in collective bargaining processes. A number of Asciano's collective agreements affecting Intermodal, Coal and AB&G employees are currently under negotiation. Negotiations have only recently commenced and it is unlikely that they will be completed by 1 July 2009. There is accordingly a risk that the negotiations may be adversely impacted by the commencement of relevant provisions of the Fair Work Act 2009.

A limited number of Asciano employees (primarily ex-Government employees within the Pacific National businesses) are covered by defined benefit superannuation schemes. There is no current indication that material underfunding exists that is not already recognised in the balance sheet. Certain ex-FreightCorp and Freight Australia employees' benefits are secured by bank guarantees which were required to be put in place as part of previous transactions.

## Exposure to commodity flows and cycles

Asciano's businesses, including its Coal rail haulage business, Bulk rail haulage business (including steel) and Bulk Ports business are exposed, through their customers, to global demand for commodities. Asciano is also a significant user and transporter of fossil fuels. Any significant change in demand for the products transported by Asciano as a result of significant change in government environment policy with regard to fossil fuels may materially change the demand for or cost of these fuels which may have a material adverse effect on Asciano's future financial performance and position.

Asciano's revenues from the haulage by rail of steel and other bulk commodities and the provision of bulk port and stevedoring services have been materially adversely impacted by reduced global demand for bulk commodities. Any deterioration in global demand for bulk commodities will have an adverse effect on Asciano's future financial performance and position.

# KEY RISK FACTORS

## Litigation and document risk

Asciano is exposed to potential legal and other claims or disputes in the course of its business (including contractual disputes and property damage and personal liability claims with respect to its operations).

In addition, due to the nature of its operations, it is possible that claims against Asciano could arise from regulators such as the ACCC or infrastructure providers. Customers and third parties such as lessors could also make claims against Asciano based on Asciano failing to comply with its contractual or lease obligations.

As noted above, the ACCC proceedings regarding AAT have been dismissed by consent against AAT and have been resolved in principle on a confidential basis with the ACCC by all bodies corporate within Asciano which were respondents in the proceedings and are expected to be finalised in Court on or about 25 June 2009.

Companies within the Patrick divisions of Asciano have commenced litigation in two separate actions in the Queensland and New South Wales Supreme Courts in relation to the failure of new pavements constructed at the Fisherman Islands terminal in Brisbane and the Port Botany terminal in Sydney. The losses claimed are approximately \$60 million in each case. Preparation for hearing of both matters is well underway with hearing dates expected to be set for mid to late 2010. Asciano's financial accounts and forecasts do not include any forward costs for rectifying the defective pavements in the event that Asciano is unsuccessful in this litigation.

Asciano is not aware of any other material litigation in respect of Asciano.

## Insurance

Asciano purchases insurance customarily carried by organisations of its kind in its sector which provides a degree of protection for its assets, liabilities and people. Policies include those relating to material damage to assets, business interruption, general liability and workers compensation. Asciano insurances do not cover loss of licence, political risks, legal expenses, engineering (eg machinery breakdown), credit, environmental impairment (apart from sudden and accidental pollution), forged share transfers, unauthorised computer access or keyman cover.

There are certain risks which are uninsurable or risks where insurance coverage is limited, and Asciano cannot be sure that adequate insurance coverage for potential losses and liabilities will be available in the future on commercially reasonable terms or at commercially reasonable rates. Asciano also faces the risk associated with the financial strength of its insurers to meet indemnity obligations when called upon which could have an adverse effect on Asciano's financial performance and position.

## Industrial incidents and accidents

Asciano's operations involve risk to both property and personnel. An industrial incident or accident, such as a train derailment, may occur that results in serious injury or death, damage to property, contamination of the environment or business interruption, which may have a material adverse effect on Asciano's future financial performance and position.

# KEY RISK FACTORS

## **General equity market investment risk**

There are general risks associated with an investment in securities markets. Such risks may affect the value of the Stapled Securities.

The trading price of the Stapled Securities may rise above or fall below the Offer Price, depending on the financial position and operating performance of Asciano.

The trading price of the Stapled Securities may also fluctuate with movements in equity capital markets in Australia and overseas. Such movements may be caused by, amongst other things, the economic conditions in Australia and overseas, investor sentiment in the local and international stock markets, consumer sentiment, changes in fiscal, monetary, regulatory and other government policies, global political and economic stability, interest and inflation rates and foreign exchange rates.

There is no guarantee that the Stapled Securities will trade at or above the Offer Price. Investors should note that the past performance of the Stapled Securities on ASX provides no guidance as to its future securities price performance.

## **Global economic downturn**

Asciano's operating and financial performance is influenced by a variety of general Australian and global economic and business conditions, including changes to monetary policy, fiscal policy, interest rates, foreign currency exchange rates, tax rates, oil and commodity prices and inflation.

At present, both the Australian and global economies are experiencing a range of adverse effects and any further deterioration in economic conditions may decrease the demand for Asciano's services and may result in a material adverse effect on Asciano's future financial performance and position. These effects may occur over a short or long period.

Asciano's financial performance has been impacted by the global economic crisis - particularly the Container Ports, AB&G and Intermodal businesses.

## **Taxation risk**

Changes in tax law (including in goods and services taxes and stamp duties) or changes in the way taxation laws are interpreted in the various jurisdictions in which Asciano operate may impact the future tax liabilities of Asciano. Under current income tax legislation, the Trust is generally not liable for Australian income tax, including capital gains tax, provided Asciano distributes all of its income. Should the actions or activities of the Trust or its controlled entities cause the Trust to fall within the operative provisions of Division 6B or 6C of the Income Tax Assessment Act 1936 (Cth), the Trust may be taxed on its net income at a rate which is currently the equivalent to the corporate income tax rate of 30%.

## **Environmental risk**

National and local environmental laws and regulations may affect Asciano's operations. Standards are set by these laws and regulations regarding certain aspects of health and environmental quality, and they provide for penalties and other liabilities if such standards are breached, and establish, in certain circumstances, obligations to remediate and rehabilitate current and former facilities and locations where operations are, or were, conducted. Asciano incurs costs to comply with these environmental laws and regulations and in respect of violation of them, and changes to such laws and regulations, including changes to operating licence conditions, could result in penalties and other liabilities, which may have a material adverse effect on Asciano's future financial performance and position.

Asciano has made provision in the order of \$12.6 million in respect of contamination at its site at Grand Avenue, Camellia, New South Wales. The site is contaminated with chromium and the provision has been made to cover expected remediation costs.

## **Occupational Health and Safety risk**

Asciano has approximately 8,200 employees undertaking a range of operational and administrative tasks. A number of the rail operational tasks involve the use of heavy machinery on infrastructure provided by third parties and on infrastructure that interacts with the public at road crossings and within operational yards. Likewise, the ports operational tasks involve the use of heavy machinery to load and unload ships and trucks operated by third parties. Any failure by Asciano to safely conduct its operations or otherwise to comply with the necessary occupational health and safety requirements across the jurisdictions Asciano operates in could result in death or injury to personnel, contractors and/or members of the public, criminal prosecution, fines, penalties and compensation for damages as well as reputational damage to Asciano, which may have a material adverse effect on Asciano's future financial performance and position.

## APPENDIX B

# International selling restrictions

# INTERNATIONAL SELLING RESTRICTIONS

This document and any accompanying documents do not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this document and any accompanying documents in jurisdictions outside Australia and New Zealand may be restricted by law and anyone who receives this presentation and accompanying documents should seek advice on and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Stapled Securities or the Offer or otherwise permit a public offering of Stapled Securities in any jurisdiction outside Australia or New Zealand.

## European Economic Area

The information in this document has been prepared on the basis that all offers of Stapled Securities will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as implemented in Member States of the European Economic Area ("EEA"), from the requirement to produce a prospectus for offers of securities.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any Stapled Shares has not been made and may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Stapled Shares may only be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the Company and any underwriter for any such offer; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Stapled Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Stapled Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Stapled Securities to be offered so as to enable an investor to decide to purchase any Stapled Securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

# INTERNATIONAL SELLING RESTRICTIONS

## France

This document is not being distributed in the context of a public offering of financial securities (*offre au public de titres financiers*) in France within the meaning of Article L. 411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and Articles 211-1 et seq. of the General Regulation of the French *Autorité des marchés financiers* ("AMF"). The Stapled Securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the Stapled Securities have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed or caused to be distributed, directly or indirectly, to the public in France.

Such offers, sales and distributions have been and shall only be made in France to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-1 to D.411-3 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that:

- the offer of Stapled Securities does not require a prospectus to be submitted for approval to the AMF;
- the Stapled Securities may be offered and sold only to "qualified investors" acting for their own account, as defined in and in accordance with Articles D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Monetary and Financial Code; and
- the Stapled Securities cannot be distributed (directly or indirectly) to the public otherwise than in accordance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Monetary and Financial Code.

This document is personal to the recipient and may not be further distributed (in whole or in part).

# INTERNATIONAL SELLING RESTRICTIONS

## Germany

No offer of the Stapled Securities may be made in Germany except to "qualified investors" as defined in Sec. 2 No. 6 of the German Securities Prospectus Act (Wertpapierprospektgesetz) or in circumstances where the offer of Stapled Securities is exempt from the publication of a prospectus according to the German Securities Prospectus Act.

Neither this document nor any other document relating to the Stapled Securities has been or will be submitted for approval to the German Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and, accordingly, no such document may be communicated to the public in Germany. Any offer or solicitation within Germany made in connection with the Stapled Securities must be in full compliance with the German Securities Prospectus Act.

The Stapled Securities may not be distributed or offered in Germany by way of public distribution or offer within the meaning of applicable German laws. This document and any other document relating to the Stapled Securities may not be distributed to the public in Germany or used in connection with any offer for subscription of the Stapled Securities to the public in Germany or by any other means of public marketing.

## Hong Kong

WARNING: This document has not been, and will not be, authorised by the Securities and Futures Commission (the "SFC") in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the stapled securities have not been and will not be offered or sold in Hong Kong by means of any document, other than to "professional investors" (as defined in the SFO and any rules made under that ordinance). No advertisement, invitation or document relating to the stapled securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the stapled securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

## Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by the Irish Financial Services Regulatory Authority or any other Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 (the "Prospectus Regulations").

The Stapled Securities have not been offered or sold and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering except to qualified investors (as defined in Regulation 2(1) of the Prospectus Regulations).

The offer does not facilitate participation by the public and accordingly is not an offer for which approval of the Irish Financial Services Regulatory Authority is required under Section 9 of the Unit Trusts Act 1990.

## New Zealand

This Presentation is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (or any other relevant New Zealand law). This Presentation may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain. Securities are offered to the public of New Zealand under this Presentation in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).

# INTERNATIONAL SELLING RESTRICTIONS

## Norway

This document has not been approved by, or registered with, any Norwegian securities regulator pursuant to the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The Stapled Securities may not be offered or sold, directly or indirectly, in Norway except:

- (a) to "professional investors" (as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876);
- (b) any natural person who is registered as a professional investor with the Oslo Stock Exchange (No. Oslo Børs) and who fulfils two or more of the following:
- (c) any natural person with an average execution of at least ten transactions in securities of significant volume per quarter for the last four quarters;
- (d) any natural person with a portfolio of securities with a market value of at least €500,000; and
- (e) any natural person who works, or has worked for at least one year, within the financial markets in a position which presuppose knowledge of investing in securities; or
- (f) to fewer than 100 natural or legal persons (other than "professional investors"); or
- (g) in any other circumstances provided that no such offer of Stapled Securities shall result in a requirement for the registration, or the publication by the Company or the underwriter, of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

## Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. This memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Stapled Securities may not be circulated or distributed, nor may the Stapled Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to an institutional investor as defined in the Securities and Futures Act, Chapter 289 (the "Act"), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the Act.

This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an institutional investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

The offer is not made to you with a view to the Stapled Securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

## Switzerland

The Stapled Securities may not be publicly offered, sold, advertised, distributed or re-distributed, directly or indirectly, in or from Switzerland, and no solicitation for investments in the Stapled Securities may be communicated, distributed or otherwise made available in Switzerland in any way that could constitute a public offering within the meaning of article 652a of the Swiss Code of Obligations ("CO"). Stapled Securities may only be offered to qualified investors such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations in circumstances such that there is no public offering.

This document does not constitute a public offering prospectus within the meaning of article 652a CO and may not comply with the information standards required thereunder. The Company has not applied for a listing of the Stapled Securities on the SIX Swiss Exchange or any other regulated securities market in Switzerland and, consequently, the information presented in this document does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange. This document is personal to the recipient only and not for general circulation in Switzerland.

# INTERNATIONAL SELLING RESTRICTIONS

## United Kingdom

In the United Kingdom, this document is being distributed only to and is directed only at persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. This document must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Neither this document nor any accompanying letter or any other documents have been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000 ("FSMA")) has been published or is intended to be published in respect of the Stapled Securities. Accordingly, the Stapled Securities may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except to persons which are "qualified investors" within the meaning of section 86(7) of FSMA.

## United States

This presentation does not constitute an offer of securities for sale in the United States, or to any person that is, or is acting for the account or benefit of, any U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act")) ("US Persons"), or in any other jurisdiction in which such an offer would be illegal. This presentation may not be distributed or released in the United States or to, or for the account or benefit of, any U.S. Person.

The securities have not been, and will not be, registered under the U.S. Securities Act, or under the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons unless the securities are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

By accepting this Presentation you agree to be bound by the foregoing limitations.

## Other jurisdictions

The Stapled Securities may not be offered or sold in any other jurisdiction, except to persons to whom such offer, sale or distribution is permitted under applicable law.