

23 February 2016

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ASX Announcement

Qube Consortium in discussions with Brookfield Infrastructure in relation to a \$9.28 all cash proposal to acquire Asciano

Key highlights

- The existing Qube Consortium comprising Qube, GIP, CPPIB and CIC is in discussions with Brookfield Infrastructure and its partners and Asciano, in relation to a new all cash proposal to acquire Asciano for \$9.28 per share by way of a scheme of arrangement.
- The discussions remain indicative, preliminary and non-binding and there is no agreement, arrangement or understanding between the parties at this stage, but under the indicative terms of the proposal, Qube would acquire the Patrick Container Terminals Business in 50/50 joint venture with Brookfield and other members of the Brookfield consortium for \$2,915 million (Qube's share: \$1,457.5 million).
- The Joint Venture would be expected to realise synergies consistent with the range previously identified by Qube, and also benefit from Brookfield's international container terminal footprint and other value that Brookfield would bring to the joint venture.
- The New Proposal would provide a highly attractive outcome for all stakeholders. Qube expects it would continue to derive the significant benefits identified by Qube under the current recommended proposal from the Qube Consortium with approximately half the capital outlay.
- The New Proposal is subject to agreement of binding documentation between the parties and with Asciano and to the receipt of any necessary ASIC relief. In the event such documentation is not agreed, the Qube Consortium Proposal which was unanimously recommended by the Asciano board on 16 February 2016 will continue in accordance with the terms of the Bid Implementation Deed.

Overview

Qube Holdings Limited ("Qube") today updates the market that discussions have recently commenced involving:

- Qube, Global Infrastructure Management, LLC (on behalf of itself and its managed funds and clients) ("GIP"), Canada Pension Plan Investment Board ("CPPIB") and CIC Capital Corporation ("CIC Capital") (the "Qube Consortium");
- Brookfield Infrastructure Partners Limited as general partner of Brookfield Infrastructure Partners L.P. ("Brookfield Infrastructure") for itself and on behalf of its consortium partners and its investment partners (the "Brookfield Consortium"); and
- Asciano Limited ("Asciano"),

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to identify whether the parties can develop the terms of a new proposal that could be put to Asciano shareholders (the "New Proposal").

The discussions remain preliminary, indicative and non-binding and there is no agreement, arrangement or understanding between the parties at this stage, however, under the indicative terms of the New Proposal, Asciano shareholders would receive all cash consideration of \$9.28 per share. Consistent with the existing Qube Consortium proposal, Asciano would be permitted to pay fully-franked dividends to enable franking credits to be distributed to eligible Asciano shareholders. The consideration would be reduced by the amount of any dividends paid.

The indicative terms of the New Proposal are:

- Qube, in a 50/50 joint venture with Brookfield Infrastructure and members of the Brookfield Consortium (or entities controlled by them), would acquire the Patrick Container Terminals Business (the "Patrick Container Terminals Business");
- Brookfield Infrastructure and members of the Brookfield Consortium (or entities controlled by them) would acquire the Bulk & Automotive Ports Services businesses (including the 50% interest in Australian Amalgamated Terminals and related shareholder loans ("AAT")) (the "BAPS Business"). Qube would have an option to subsequently acquire from Brookfield Infrastructure the 50% interest in AAT, subject to ACCC clearance; and
- GIP, CPPIB, CIC and certain members of the Brookfield Consortium other than Brookfield Infrastructure would acquire the Pacific National rail business ("Pacific National").

Subject to entering into binding transaction documentation with Asciano, the New Proposal would, if agreed, be implemented by way of a scheme of arrangement. The scheme would be subject to conditions consistent with those applicable under the existing Qube Consortium takeover proposal.

The parties will undertake negotiations as expeditiously as possible to determine whether the New Proposal can be developed. Unless and until such proposal is able to be developed, agreed documentation is entered into by all parties and any ASIC relief obtained, the Qube Consortium Proposal which was unanimously recommended by the Asciano board on 16 February 2016 will continue in accordance with the terms of the Bid Implementation Deed with Asciano.

Benefits of the New Proposal for Asciano Shareholders

If it was to be agreed, the New Proposal would resolve the ongoing uncertainty for Asciano shareholders in relation to the ownership of their company and deliver them an attractive, all cash price.

The contemplated consideration of \$9.28 cash per Asciano share:

- represents a 39.5% premium to the undisturbed trading price of Asciano shares of \$6.65 on 30 June 2015¹; and
- is at the upper end of the Independent Expert's valuation range of A\$8.42 to A\$9.40 per Asciano share as disclosed in the Asciano Scheme Booklet and Asciano Target's Statement.

The contemplated transaction structure reduces complexity and is structured to address issues raised by the ACCC, and thereby also likely reduces the time to implementation of an acquisition of Asciano.

¹ Being the last trading day prior to announcement of the Brookfield offer

Benefits of the New Proposal for Qube Shareholders

Under the New Proposal, Qube would be able to realise the substantial benefits associated with a combination with the Patrick Container Terminals Business, while reducing its funding requirements and partnering with a leading global infrastructure investor.

Qube believes that within the 50/50 joint venture, the Patrick Container Terminals Business would be able to generate synergies consistent with the range previously identified by Qube, including synergies within Qube's existing operations. Qube also expects to derive additional benefits from the involvement of Brookfield Infrastructure as a new joint venture partner. In particular, Brookfield Infrastructure has a significant existing footprint of ports operations, providing an opportunity for the Patrick Container Terminals Business to benefit from their scale with international clients.

Based on the above, Qube expects the transaction would remain highly accretive a pro forma basis.

In addition, the New Proposal would de-risk the transaction for Qube shareholders. In particular, under the New Proposal, Qube would not be required to fund the BAPS Business pending its sale, and would not be exposed to the variable size of the Qube equity raising as is required under the current Qube Consortium Proposal.

Qube Managing Director Maurice James, said: "The New Proposal would represent a common sense outcome which I believe would deliver the best result for all stakeholders."

"Asciano shareholders would receive cash for their company, Qube would add container terminals to its business and partner with a major infrastructure player and the consortia investors would obtain exposure to world class rail and port infrastructure. Brookfield Infrastructure is on-board with implementing initiatives to improve operational efficiency and financial performance at the Patrick Container Terminals Business."

Funding

Under the New Proposal, Qube and Brookfield Infrastructure would value the Patrick Container Terminals Business at \$2,915 million and the BAPS Business, including Asciano's interest in the AAT joint venture, at \$925 million.

Qube's share of the total transaction funding for the acquisition of the Patrick Container Terminals Business would be \$1,457.5 million (before transaction costs). It is intended that this would be met through a combination of non-recourse debt funding within the new Patrick Container Terminals joint venture, additional Qube debt funding and a Qube equity raising. The equity raising is expected to comprise a fully underwritten accelerated entitlement offer and, as announced on 28 January 2016, an investment by CPPIB of an amount up to 9.9% of Qube's expanded issued capital (subject to necessary regulatory approvals). The total equity raising required by Qube in conjunction with the New Proposal is expected to be in the order of \$600-\$800 million inclusive of the investment by CPPIB. If a transaction is agreed, further details of Qube's funding structure will be announced at the point of entry into binding transaction documentation.

In addition, Qube would, subject to ACCC clearance, acquire from Brookfield Infrastructure, the 50% interest in the AAT joint venture which Qube does not currently own for \$150 million. If Qube does not receive the necessary regulatory clearance, it would be able to nominate a third party to acquire the interest and complete the acquisition within an agreed timeframe.

As part of the transaction, Qube would exit its existing Asciano shareholding at the offer price, realising gross proceeds of around \$569 million and a profit of around \$35 million. The sale proceeds would be applied towards reducing Qube's existing debt.

It is also intended that Asciano's 50% shareholding interest in the ACFS Port Logistics Pty Limited joint venture, currently held within the Patrick Container Terminals Business, would be acquired by Brookfield Infrastructure. If Brookfield Infrastructure retains the interest or it is sold to a third party, Qube would receive an adjustment to the purchase price for Terminals equal to 50% of the agreed market value of ACFS or the net proceeds from sale to a third party.

The funding structure is intended to remain consistent with Qube's prudent approach to leverage and ensure that following completion of the transaction, Qube remains well positioned to fund the continued growth in its business, including the transformational Moorebank project.

Qube will continue to keep the market informed of any further material developments.

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PLEASE NOTE:

Qube Holdings Limited will be releasing its half year result tomorrow, Wednesday 24 February 2016

10.30am-11.30am – AEDT (NSW, VIC, TAS, ACT) – Media and Analysts Briefing Conference Call

Media and analysts call with Qube Managing Director Maurice James and CFO Paul Lewis

Dial-in details

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