

Announcement: Moody's affirms Asciano's Baa3 ratings

Global Credit Research - 11 May 2010

Sydney, May 11, 2010 -- Moody's Investors Service has today affirmed the Baa3 issuer and senior unsecured ratings of Asciano Limited ("Asciano"). The ratings outlook remains positive.

The action follows the company's announcement of a pre-tax impairment charge of about A\$1.11 bn, and which is primarily associated with the carrying value of goodwill related to its container businesses.

"However, this non-cash charge will have no impact on Moody's key debt coverage metrics for the company," says Ian Lewis, a Moody's Vice President and Senior Analyst.

"Moody's notes that the goodwill value was fixed on Asciano's demerger from Toll Holdings in 2007, and its subsequent decision to write it off in view of the eventual entry into Australia of a competitive third ports operator, most likely Hutchison Whampoa," says Lewis.

"Additionally, the impact of reductions in projected container traffic -- because of an assumed third operator -- were originally built into Asciano's Baa3 ratings," says Lewis, who is also Lead Analyst for the company. "And Moody's has already assumed a progressively more challenging competitive situation for the company from 2013."

Moody's analysis of Asciano incorporates the effects of Hutchison Whampoa building port capacity at Brisbane in 2013 and Sydney in 2014 and the assumption that it is not likely to start any construction in Melbourne until 2015 at the earliest.

By this time -- that is 2015 and the edge of the rating horizon -- Moody's considers that Asciano is most likely to have a far different financial profile, assuming it executes to plan its strategies, including those for the transport of coal.

But, should the new operator's entry occur significantly ahead of its current schedule, then Asciano's ratings could experience negative pressure.

The current positive outlook for the ratings reflects Moody's expectation that positive ratings pressure could emerge once the company completes the re-financing through the debt capital markets of its bank debt maturing in 2012.

As a pre-cursor to this, and once all secured debt is removed from its capital structure, along with subordination, its ratings would likely undergo an upgrade to Baa2/stable.

On the other hand, the ratings could experience downward pressure if Asciano shows an erosion in its revenues and earnings, or competitive position, or any other material difficulty occurs within the operating environment, such that Debt/EBITDA is likely to rise and remain above 4.0-4.5x, and/or EBIT/Interest trends and stays below 1.5x.

Entry of a third port operator at all three major East Coast ports ahead of both current plans and Moody's expectations could also result in meaningful negative ratings pressure.

The ratings could also be subject to negative pressure if Asciano fails to execute its plan to term out its 2012 bank debt maturity in the near future.

The last rating action on Asciano was on February 23, 2010, when Moody's first assigned its Baa3 issuer and senior unsecured ratings.

Asciano's ratings were assigned by evaluating factors Moody's believes relevant to the credit profile of the issuer, such as i) the business risk and competitive position of the company versus others within its industry, ii) the capital structure and financial risk of the company, iii) the projected performance of the company over the near to intermediate term, and iv) management's track record and tolerance for risk.

These attributes were compared against other issuers both within and outside of Asciano's core industry and Asciano's ratings are considered comparable to those of other issuers of similar credit risk.

Asciano is one of Australia's largest listed infrastructure owners with a transport portfolio including the trans-national rail businesses of Pacific National, major container port operations, and the combined port and stevedoring

businesses of Patrick Corporation Ltd and those previously owned by Toll Holdings.

Asciano is based in Melbourne and for the year ending 30 June 2009 generated total revenues of A\$2.8 billion and had total assets of A\$8 billion.

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