ASX/MEDIA RELEASE

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Asciano delivers year of strong business growth

Asciano Group (Asciano), comprising Asciano Limited and Asciano Finance Trust, today reports its results for the 12 months ended 30 June 2010.

YEAR IN REVIEW

During the year Asciano delivered a 15% increase in Earnings Before Interest and Tax (EBIT) before significant items. A strong contribution from the coal haulage operations and a continued focus on cost management and productivity were the key drivers of earnings growth for the year.

In addition to the strong operating financial performance, Asciano delivered on its new business growth targets and restructured its balance sheet resulting in significantly lower gearing levels. The Company also secured investment grade credit ratings with both Moody's and Standard & Poor's.

Commenting on the results, Asciano Chief Executive Officer and Managing Director, Mark Rowsthorn, said, "the strong earnings performance is extremely pleasing and once again demonstrates the benefits of our diverse portfolio of businesses and our strong focus on delivering efficiency and growth targets."

As announced in May 2010, Asciano completed annual impairment testing, and reflecting a conservative reassessment of long term assumptions and weighted average cost of capital, pre tax impairment charges of approximately $1,137 million were incurred in the second half of the year to June 2010. As a result Asciano recorded a Net Loss After Tax of $976 million.

EBIT margins for the Group improved during the year primarily due to increased coal haulage volumes and achieving over $100 million of efficiency review benefits on time and in full. These major factors delivered an improvement in overall Return on Capital Employed of around 30% per cent (excluding the impact of the impairment charges on the capital base).

During 2010 Asciano delivered on its new business growth targets. A significant number of coal haulage contracts in both New South Wales and Queensland were secured during the year.

"If we combine the 7 contracts, signed with customers in Queensland and NSW for both existing and growth volumes we have, in 2010, secured over $3.3 billion of total revenues over an average term of ten years, this is a significant achievement for the Pacific National Coal business," Mr Rowsthorn said.

The capital raisings completed during the year reduced Asciano's leverage, measured as net debt to EBITDA from 6.5 times to 3.5 times. Refinancing completed during the year means that no debt is due until May 2012. The investment grade credit ratings received from both Moody's and Standard & Poor's complement Asciano's balance sheet restructure and provide a catalyst for the roll out of our medium term debt strategy.

BUILDING ON MOMENTUM

"The foundations established over the past few years will allow us to achieve our key strategic objectives in the short, medium and long term," Mr Rowsthorn added.

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One of the key focuses for Asciano will continue to be on business improvement. Asciano is in the process of developing and executing a business improvement program over the next five years that builds on the benefits achieved to date. The focus of the business improvement program is on enhancing productivity and asset utilisation.

“This program will instil a culture of continuous improvement and will deliver significant savings over the five year period. It will further drive the strong focus on Return on Capital Employed across the businesses,” Mr Rowsthorn said.

As part of the objective to deliver further efficiencies Asciano will be restructuring its portfolio of businesses and move from four to three divisions. The new structure will include the following divisions; Patrick Ports, Pacific National Rail and Pacific National Coal.

“The structure in place over the past two years was extremely effective to drive out costs and deliver efficiencies; the next stage is to create synergies by integrating these enhanced businesses. The coal business will remain a standalone business to ensure there is continued focus on the significant growth opportunities in this area. We expect that the simplified structure will also create improved clarity and understanding of our businesses,” Mr Rowsthorn said.

As part of our objective to diversify our funding base and extend our overall maturity profile we are intending to target international and domestic debt capital markets. The immediate goal is to refinance at least $500 million by the end of the 2010 calendar year.

“Our refinancing strategy involves the proactive but measured refinancing of $2.25 billion debt maturing in 2012 and ensuring we have the most appropriate capital structure to deliver on our growth opportunities in the medium term.

“At the Annual General Meeting on 27 October 2010 we will be seeking securityholder approval to remove the stapled security structure of Asciano. This proposal is about Asciano becoming a simple corporate industrial company consistent with other top 50 industrial companies listed on the Australian Stock Exchange,” Mr Rowsthorn said.

OUTLOOK

The outlook for the year ahead remains positive. We expect continued growth from the resources and bulk commodity sectors but remain cautious on the economic recovery in industrial and consumer markets. Overall we expect earnings growth in the 2011 financial year and are comfortable with market EBIT consensus at this point in time.

In keeping with the Board’s intention to simplify Asciano’s structure to be more consistent with other major listed investment grade companies, Asciano has adopted distribution payout ratio guidance of 20% to 30% of net profit after tax (before significant items) with a goal to increase the payout ratio over the medium term as leverage improves. Based on current forecasts, under this policy Asciano expects to be able to support high levels of franking in the 2011 financial year, with fully franked dividends from 2012 financial year.

“Our commitment to our people, our customers, the environment and to being a good corporate citizen will drive our overall objective of creating shareholder value year on year,” Mr Rowsthorn said

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RESULTS SNAPSHOT

Financial Highlights for the Full-Year

Total revenue increased 1.7% to $2,859 million for the period, whilst EBIT before significant items increased by 15%. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) before significant items increased by 10.5% to $723.7 million. Profit before tax and significant items was $187.8 million, compared to $25.4 million the previous year. Significant items before tax were $1,136.7 million as a result of the pre tax impairment charges incurred in the year to June 2010 (which were announced to the market in May 2010.)

$M	FY10	FY09	Change
Revenue	2,859.1	2,810.3	1.7%
EBITDA	723.7	655.2	10.5%
EBIT	**439.6**	**382.3**	**15.0%**
EBIT Margin	15.4%	13.6%	1.8%
Net loss after Tax and significant items	(975.9)	(244.1)	

Depreciation and amortisation charges were approximately $11m higher than the previous year, reflecting the increased asset base resulting from the investments in rolling stock for the Coal business, offset somewhat by a reduction in amortisation changes. Net financing costs declined by $105 million to $252 million reflecting the reduction in net debt and the balance sheet restructure.

Full Year 2010 Divisional Performance

Divisional highlights for the full-year were as follows:

Pacific National Coal

- Coal delivered very strong earnings growth for the period predominately due to the entry into Queensland coal haulage market and the ongoing strength of coal export volumes in New South Wales.
- The Queensland coal business moved more than 14.5 million tonnes during the year and haulage volumes in the Hunter Valley increased by 4%. Overall EBIT margins for the business improved significantly once again as a result of the new Queensland operations and ongoing effective cost management.

$M	FY10	FY09	Change
Revenue	672.6	527.5	27.5%
EBITDA*	217.6	147.4	47.6%
EBIT*	**139.5**	**87.1**	**60.2%**
EBIT Margin*	20.7%	16.5%	4.2%

Pacific National Intermodal

- Intermodal achieved very strong earnings growth despite a reduction in overall volumes hauled. Steel tonnages hauled increased by 14% due to customer restocking and increased non residential construction which was offset by softer containerised freight volumes.
- Intermodal's continued strong focus on managing its cost based combined with improving its capacity utilisation and productivity was the key driver to achieving solid earnings for the period.

$M	FY10	FY09	Change
Revenue	819.0	885.4	(7.5%)
EBITDA*	212.3	189.3	12.2%
EBIT*	**132.1**	**107.8**	**22.5%**
EBIT Margin*	16.1%	12.2%	3.9%

Patrick Container Ports

- Container Ports earnings were below last year due to lower volumes moving through the container terminals and a deterioration of the performance of the Port Logistics business.
- The decrease in volumes reflects the continued impact of the global economic crisis and the loss of the OVSA services during the year.
- Overall results for the Container Ports division were adversely impacted by the fatality at Port Botany and subsequent operational constraints which impacted productivity.

$M	FY10	FY09	Change
Revenue	721.4	743.9	(3.0%)
EBITDA*	200.6	217.4	(7.7%)
EBIT*	**127.7**	**140.3**	**(9.0%)**
EBIT Margin*	17.7%	18.9%	(1.2%)

Auto, Bulk & General (AB&G)

- AB&G earnings declined slightly year on year. Improved motor vehicle and steel stevedoring volumes combined with strength in grain exports and motor vehicle processing were offset by softness in other areas.
- A weakness in motor vehicle storage and non grain rail haulage volumes adversely impacted the overall performance of the Division.

$M	FY10	FY09	Change
Revenue	682.1	696.5	(2.1%)
EBITDA*	121.9	126.0	(3.3%)
EBIT*	**72.7**	**79.8**	**(8.9%)**
EBIT Margin*	10.7%	11.5%	(0.8%)

** Divisional EBITDA and EBIT results exclude the impact of the internal recharge of corporate costs.*