



ASCIANO GROUP

**Financial Year 2011 Final Results
Briefing**

24 AUGUST 2011

asciano 



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John Mullen
Chief Executive Officer

FY11 Highlights



Strong full-year performance despite external headwinds

Financial

- Operating Revenue up 7.2%
- EBITDA up 12.4%
- EBIT up 21.7%
- Profit after Tax up 114.9%
- EPS up 114%
- ROCE up by 220bps
- Balance sheet strength restored
~ \$946m liquidity available
- Dividend restored
- BBB- (Positive) & Baa2 (Stable) ratings

Key Milestones

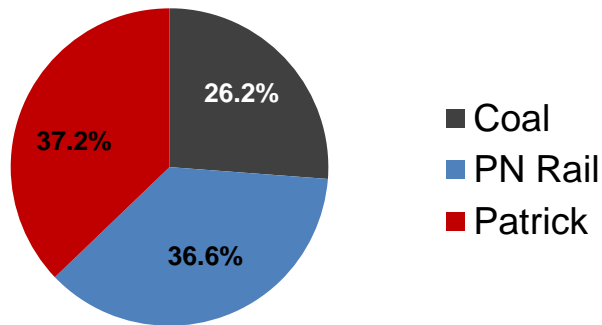
- Corporatisation of Asciano completed
- Market share restored in Ports
- BMA and RIO contracts signed in Coal
- Weather impacts dissipating
- Significant strengthening of team:
 - ~ Human Resources
 - ~ Safety
 - ~ Sustainability
 - ~ IT
 - ~ Finance
- Strategic review completed

FY11 Result – Divisional Split

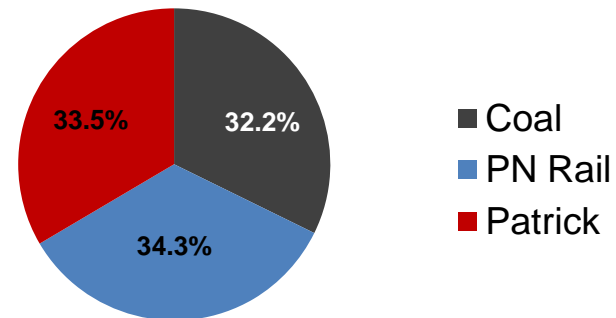


Diversified earnings through the cycle underpins solid earnings quality

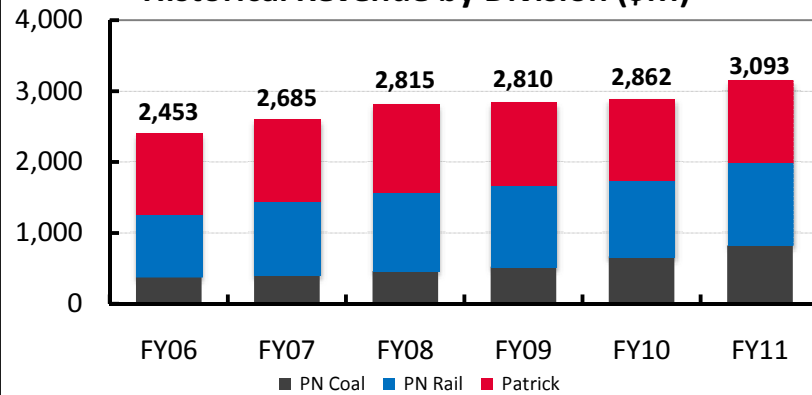
FY11 Revenue by Division



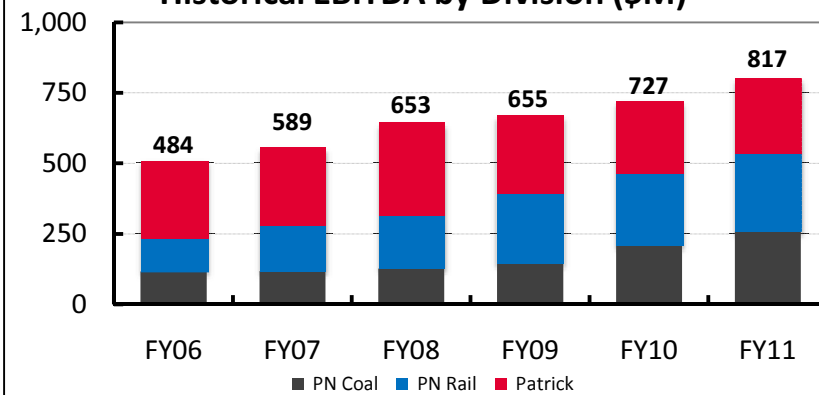
FY11 EBITDA by Division



Historical Revenue by Division (\$M)



Historical EBITDA by Division (\$M)



Divisional Highlights



Strong full-year, performance from all divisions

REVENUE	
PN Coal	Up 22%
PN Rail	Up 8%
Patrick	Flat
TOTAL	Up 8%
EBIT	
PN Coal	Up 24%
PN Rail	Up 9%
Patrick	Up 22%
TOTAL	Up 22%

- All divisions performed well despite difficult economic conditions
- PN Coal and PN Rail saw strong revenue growth despite the impact of external events such as weather
- Patrick saw flat revenues due to share loss in the previous year (Lifts down 4.3%) but still improved EBIT by 22% through tight cost management
- Impact of industrial action estimated at \$8m
- All major coal contracts now on take or pay basis
- Intermodal Rail saw higher growth (+10.6%) in Express volumes
- Entered iron ore rail market with the first of two magnetite consists for Xstrata



Angus McKay
Chief Financial Officer

Earnings Summary



Underlying core business growth good despite headwinds

Year ended \$m	FY10	FY11	Change
Total Revenue	2,862.3	3,093.3	8.1%
EBITDA¹	726.9	816.8	12.4%
EBIT¹	442.8	539.1	21.7%
Net financing costs¹	(251.8)	(249.5)	(0.9%)
Profit before tax	191.0	289.6	51.6%
Material items before tax	(1,139.9)	(69.2)	-
Tax expense	(27.0)	(75.1)	-
Net (loss)/profit after tax	(975.9)	145.2	-
(Loss) Earnings per share²	(34.9¢)	4.9¢	
Dividends per share fully franked	-	2.0¢	
Payout ratio (%)³	-	30%	
ROCE	7.4%	9.6%	220 bps
Cash conversion	90.6%	89.8%	(82 bps)

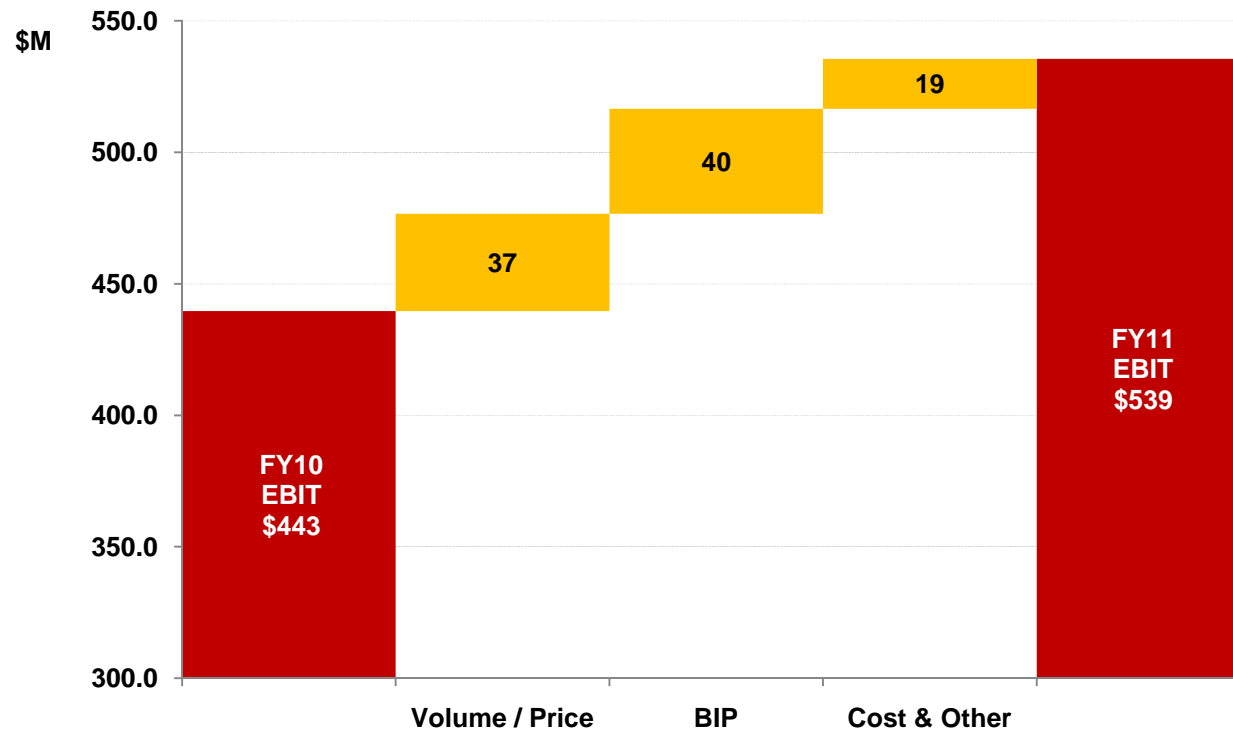
1. Before material items
2. Normalised EPS assuming corporatisation had taken place in FY10
3. Calculated on dividends declared in respect of FY11 dividend by NPAT before material items

- Revenue growth driven by new Coal contracts in Queensland and growth in PN Rail Bulk contracts and Express Services
- Removing the impact of one-off settlements EBITDA grew 10.7%
- Net interest benefited from lower average debt levels during the year
- Material items comprise costs arising from swap restructuring and debt refinancing, contractual redundancy and employment costs, external advisory services and a small net impairment reversal
- Tax expense on profit before tax and material items was 34%. The higher expense reflects amendments for prior years relating to tax losses and customer contracts for which a deferred tax liability was already being carried

Earnings – EBIT movement



All business units focused on growth in volumes, improving business mix and business improvement

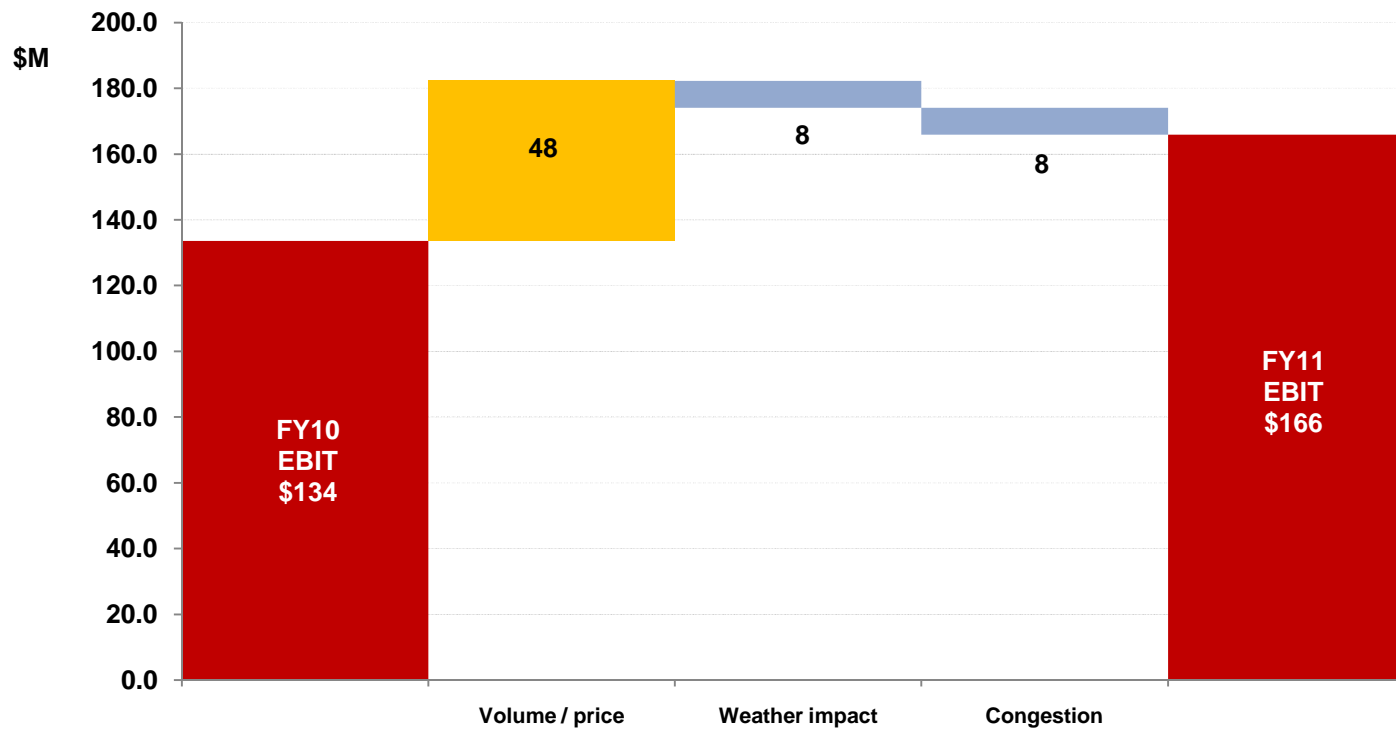


*BIP- business improvement process

Earnings – PN Coal EBIT movement



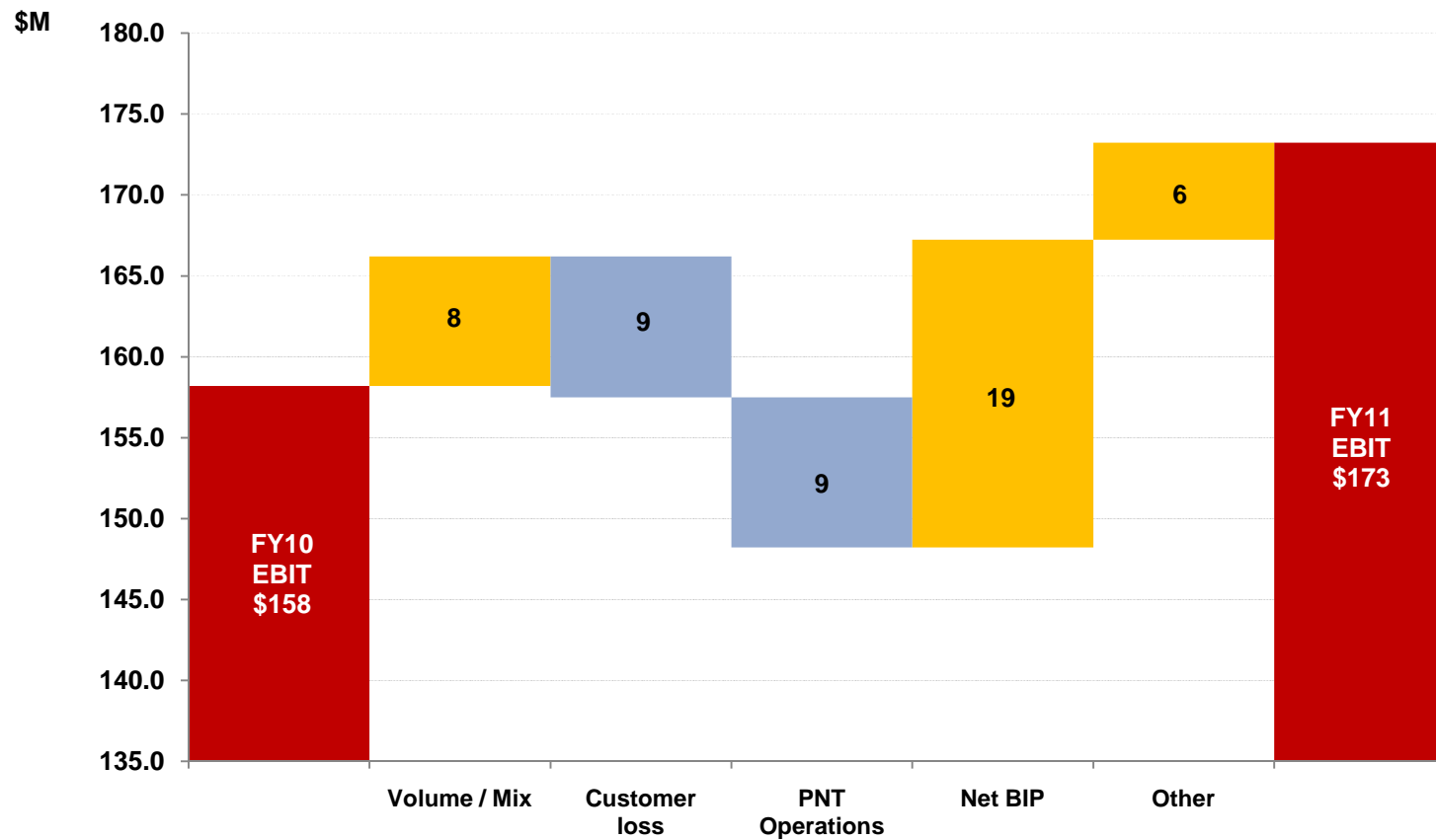
PN Coal impacted by a number of external factors over the period



Earnings – PN Rail EBIT movement



PN Rail's result benefited from a focus on cost savings

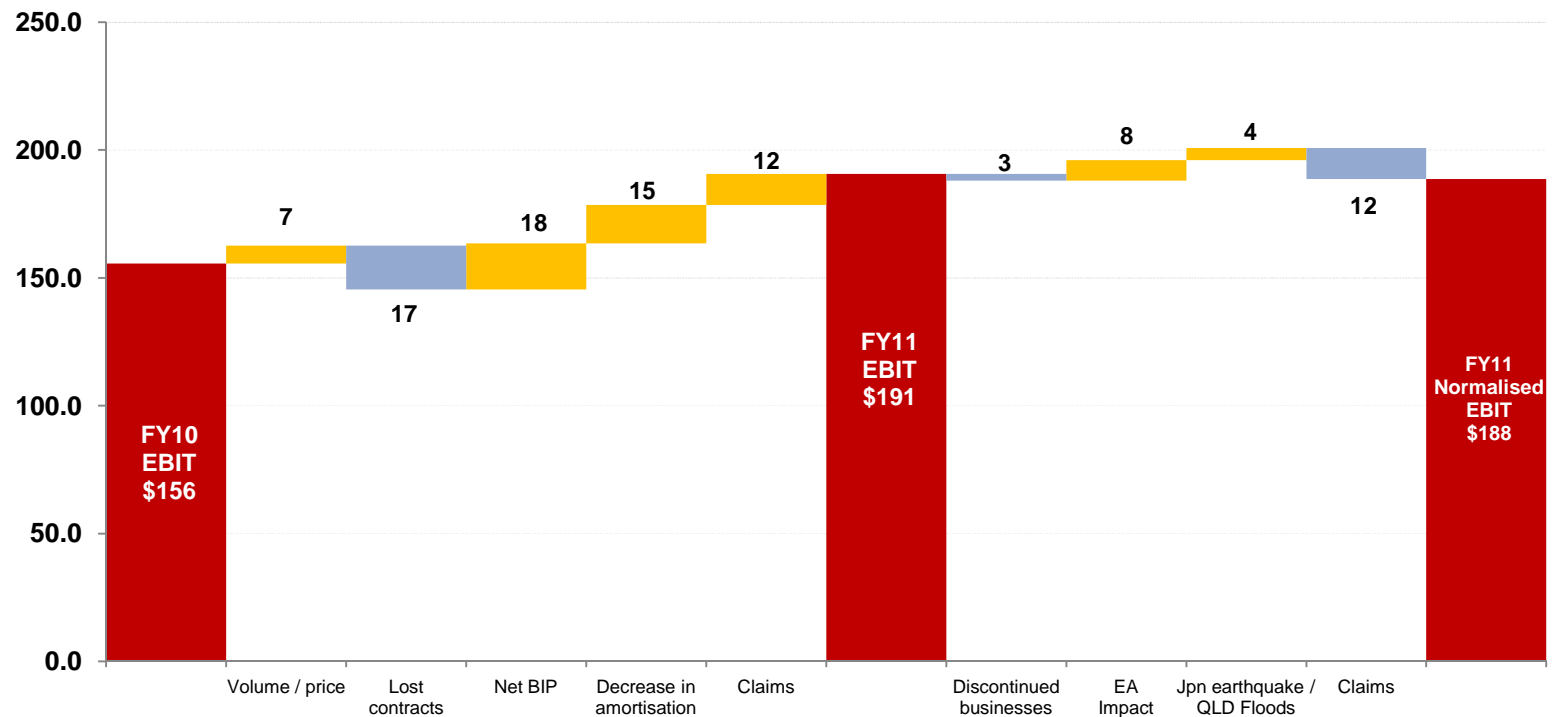


PNT – PN Tasmania
BIP – Business Improvement Program

Earnings – Patrick EBIT movement



Patrick's businesses were impacted by both business specific and external factors in FY11



Cash flow – in focus



Strong growth in operating cashflow from core businesses

Year ended June	FY10	FY11	% chg
Cash flow pre tax and interest	658.4	733.3	11.4
Cash tax paid	(3.1)	(4.2)	31.3
Cash net interest	(285.4)	(231.7)	(18.9)
Operating Cashflow	369.9	497.4	34.5
Sustaining capex¹	(115.2)	(118.8)	3.1
Growth capex¹	(396.5)	(297.1)	(25.1)
Free cash flow	(141.9)	81.5	157.5
Net financing	(362.1)	84.8	126.7
Dividends	-	(29.3)	n/a
Other	(38.6)	46.2	n/a
Change in cash	(465.3)	183.2	139.4
Opening cash	680.6	215.3	(68.4)
Closing cash	215.3	398.5	85.1

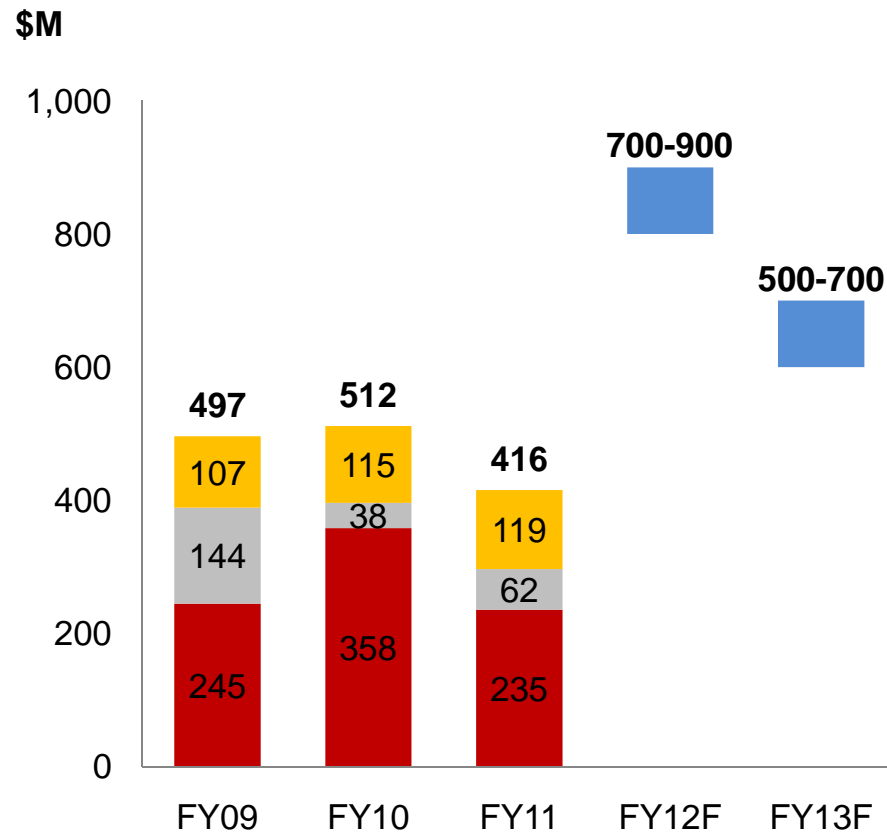
- Growth in operating cash flow reflects contract growth, improved profitability, timing and lower interest costs associated with the debt restructuring
- Capex spend continues to be predominantly in PN Coal (79% of FY11 growth capex). Only other material growth capex in FY11 was rolling stock for the magnetite haulage contract for Xstrata in PN Rail
- Capex commitments for new business continue to only be made once revenue contracts are in place
- FY11 capex program was impacted by delayed government approvals for Greta and Nebo train provisioning facilities and delayed customer decisions on Northern Missing Link haulage contracts

1. Includes capital expenditure recorded as inventory on the balance sheet

Capital expenditure



Business can fund all identified growth projects from cashflow and existing facilities



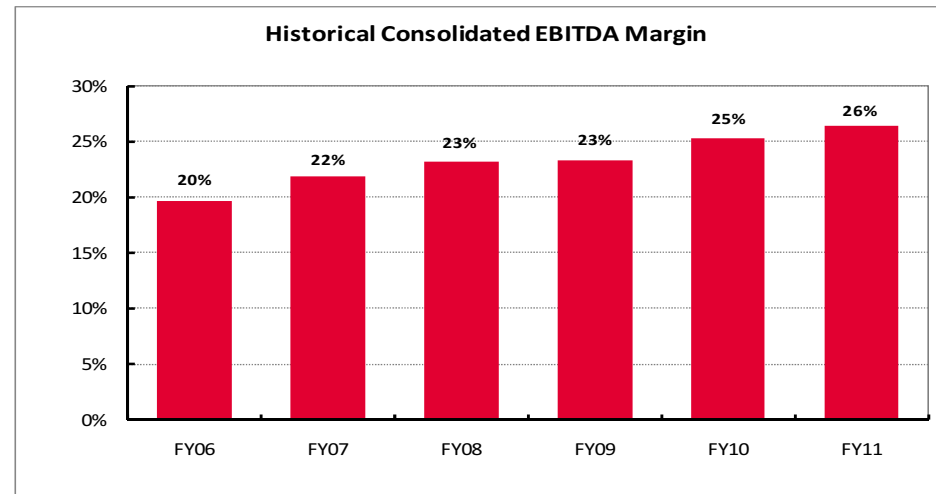
- Growth capex - Coal
- Growth capex - Non-Coal
- Sustaining capex
- Guidance range

- Capital expenditure remains focused on PN Coal's growth objectives but not to the detriment of the other divisions
- The business is in a position to fund all forecast capital expenditure projects from operating cashflow and existing facilities
- Investment for new business is not made without committed revenue contracts to support the investment
- Capital allocation process ensures spend is contested and of the highest return
- Forecast capex guidance range reflects catch up on a number of delayed projects

Business Improvement Program



The ability to maintain and build margins supports cash flow generation

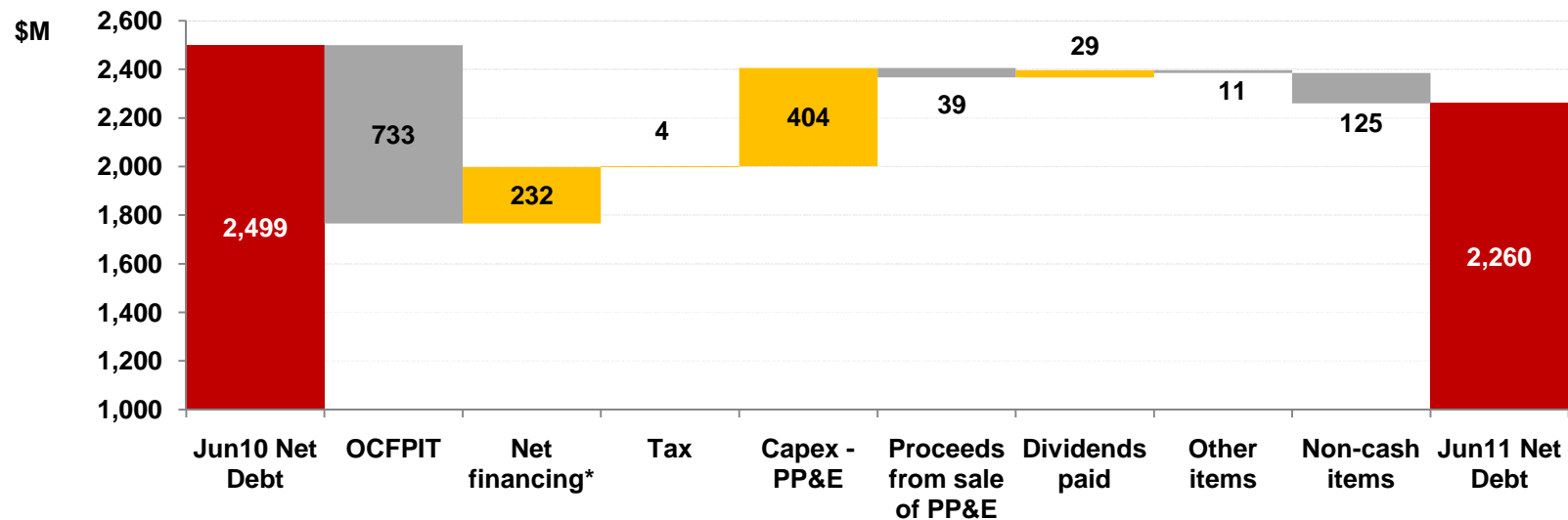


- Group EBITDA margin has not declined once over FY06 to FY11, despite challenging market conditions and natural disasters
- Significant EBITDA gains achieved over FY08 to FY11 from business improvement programs targeting operating costs, productivity, asset utilisation and pricing
- Business improvement programs met the target of further A\$40M incremental EBITDA in FY11
- Track record of successfully restructuring underperforming businesses (bulk rail, general freight and port logistics) has contributed to profitability improvement over FY08 - FY11

Cash flow to net debt



Net debt declined 9.6% over the period reflecting strong cash generation



- Cash generation over the 12 month period was strong
- Tax paid reflects tax paid in the Autocare division which is not a 100% owned subsidiary

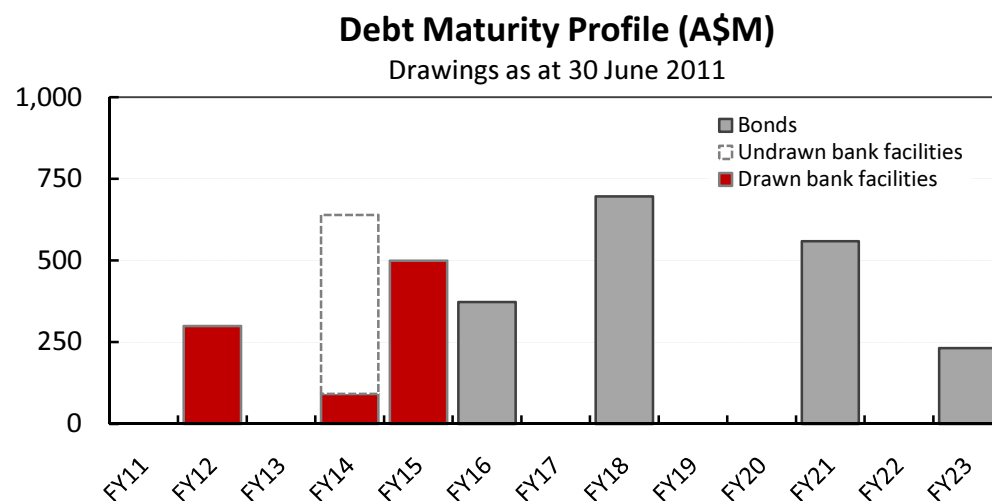
OCFPIT – Operating cashflow pre interest and tax

*Includes cash up front costs and cash swap termination costs totalling \$41m

Key Outcomes of USD Bond Issue



Lengthened, diversified debt profile with no maturity concentrations



- Refinancing of May 2012 bank maturity largely completed via US\$2B bond issuance
- Weighted average maturity* increased to 6 years at June 2011 from 2.4 years at June 2010
- No single maturity exceeds 25% of total borrowings
- Committed available liquidity at 30 June 2011 of \$946m
- Refinancing of remaining bank facilities expected to be completed in the next few months to reduce pricing, extend maturity and improve terms & conditions

* Calculated on drawn amounts

Balance sheet – debt profile



\$M Facility	Type	Maturity	Cost	Drawn	Undrawn
A2	Term loan	May 2012		300	-
D	Term loan	Dec 2014		500	-
E	Revolving credit	Dec 2013			500
2015 bonds	144A / Reg S	Sep 2015		373	-
2018 bonds	144A / Reg S	Apr 2018		700	-
2020 bonds	144A / Reg S	Sep 2020		560	-
2023 bonds	144A / Reg S	Apr 2023		233	-
Funded debt as at 30 June 2011¹				2,666	500
C ^{2,3}	Working capital	Dec 2013		93	47
Total				2,759	547
Cash and liquid assets					399
Average Cost of debt in FY11			8.5%		
Total available liquidity					946

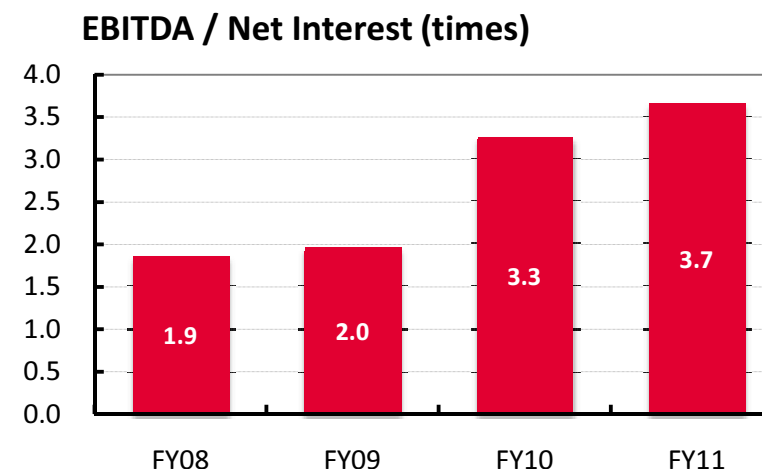
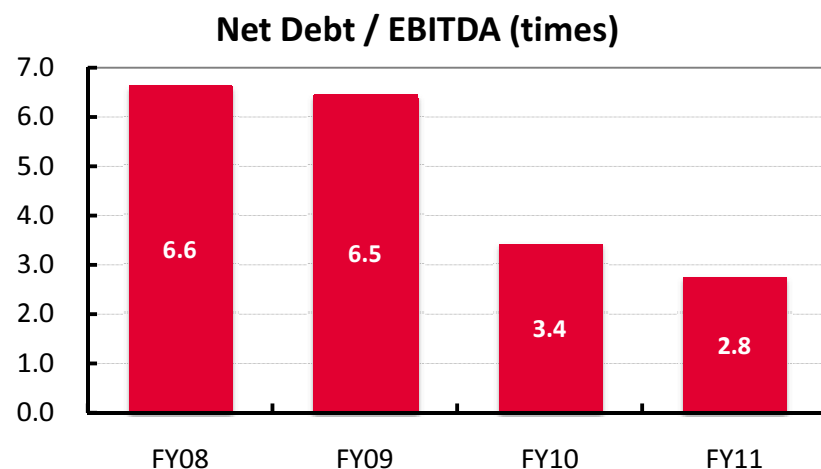
Notes:

1. Funded debt as at 30 June 2011 is before unamortised up front costs of \$27.5m the unrealised fair value loss on \$US bonds of \$26.5m and discount of \$7m which are netted from loans and borrowings reported on the balance sheet of \$2,658.4m.
2. Facility C is available for both cash advances and performance bonds/bank guarantees
3. Amounts drawn under Facility C represent performance bonds and bank guarantees (i.e. non cash contingent instruments only)

Balance sheet – Gearing



Further improvement in credit profile



- Consolidated Net Debt / EBITDA fell to 2.8 times at June 2011
- Consolidated lease adjusted Net Debt / EBITDA fell to 3.1 times at June 2011
- EBITDA / Net Interest (excluding significant items) rose to 3.7 times for FY11
- Consolidated net debt fell to \$2.3B at June 2011 (from \$2.5B at June 2010)
- Board and senior management team comfortable with current gearing profile and improving credit trajectory

Material items reconciliation



Material items declined significantly on pcp and reflected residual restructuring costs

Year ended June	FY10 (\$m)	FY11 (\$m)
EBITDA	726.9	816.8
Restructure costs	(5.3)	(17.4)
Operating profit before individually material items, depreciation & amortisation	721.6	799.4
Impairment of other intangibles	(28.2)	(3.0)
(Impairment)/impairment reversal of PP&E	(138.9)	4.4
Impairment of goodwill	(962.9)	-
Depreciation & amortisation	(284.1)	(277.7)
Profit/ (loss) before financing costs and tax	(692.5)	523.1
Net finance costs & fees before material items	(251.8)	(249.6)
Swap de-designation and write off of establishment fees	(4.6)	(53.2)
Profit/ (loss) before tax	(948.9)	220.3
Tax expense	(27.0)	(75.1)
Profit/ (loss) after tax	(975.9)	145.2

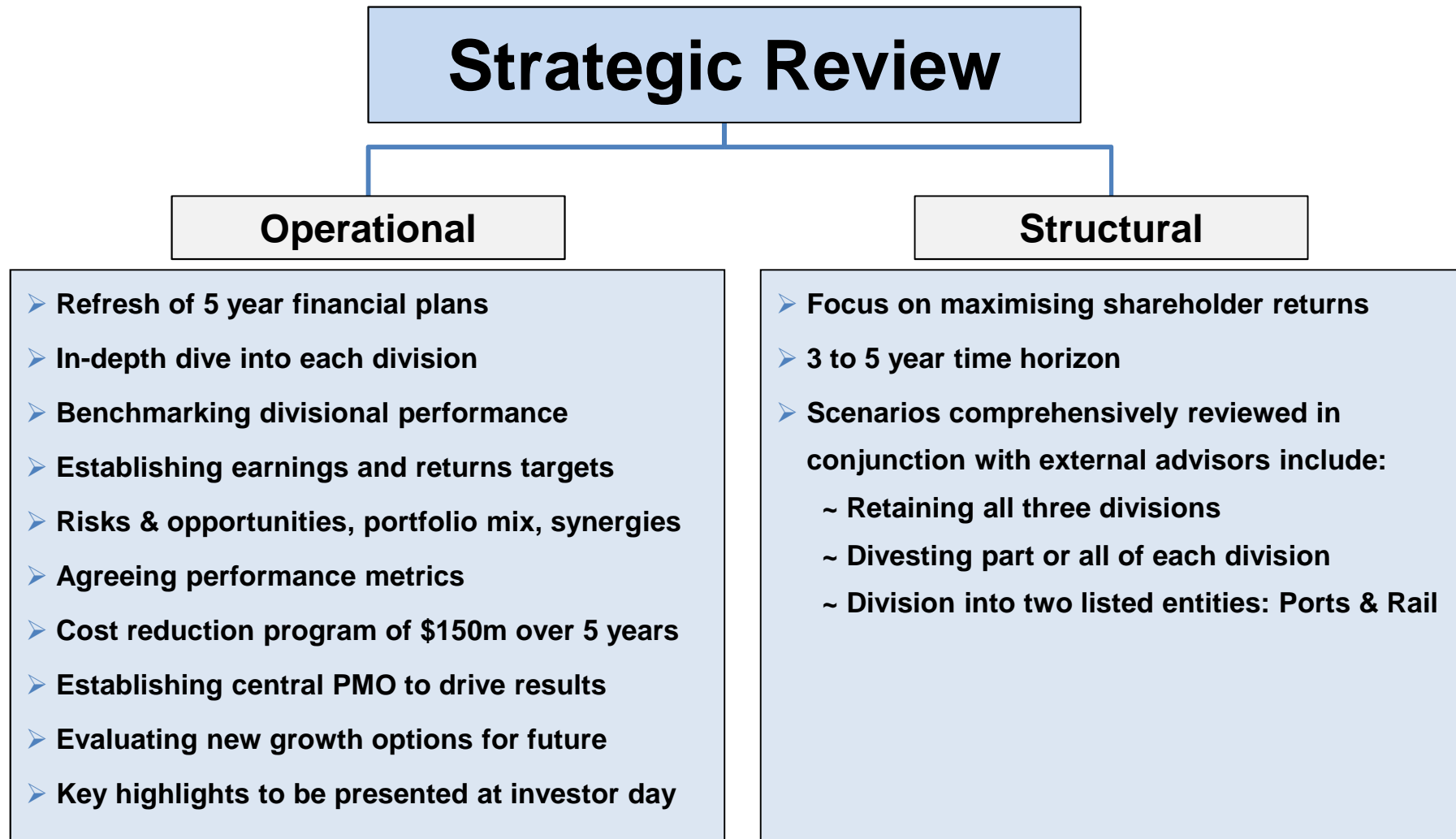


Strategic Review
Chief Executive Officer John Mullen

Strategic Review - Update



Comprehensive review undertaken of operational, financial and strategic options



All structural options have been examined but existing organic growth options create most value

Structural Options

- Structural alternatives available have also been assessed in detail, having regard to the company's current equity and debt capital position, as well as external market conditions
- Generation of significant shareholder value from a demerger is very questionable:
 - ~ Usual rationale for business separation or sale not present in Asciano's situation
 - ~ Considerable risk, business destabilisation and cost
 - ~ Unclear that a demerger in any way lessens uncertainty about market's view of the future of ports
- The refinancing program continues to progress well and Asciano's size and diversity enhances the group's ability to fund each division's near-term growth opportunities
- After taking extensive external advice, the Board and senior management team have, therefore, concluded that shareholder value will be maximised through maintaining current business structure
- New management team & corporate structure now in place providing a stable platform to maximise returns. Need to demonstrate consistent performance and win market confidence for a re-rate
- Integrated business opportunities across divisions exist to create potential long-term competitive advantage



Outlook – Chief Executive Officer John Mullen

Industry Outlook

- **PN Coal one of two major competitors today:**
 - ~ PN ~ 73% NSW market share in FY11
 - ~ PN ~13% QLD market share in FY11
- **Limited customer vertical integration at this stage**
- **Strong export demand for both**
 - ~ Met coal (5% CAGR to FY21) and
 - ~ Thermal coal (6% CAGR to FY21)
- **NSW coal exports to grow at ~10% to FY16**
- **QLD coal exports to grow at 6% - 10% to FY16**
- **Long term outlook for met coal**
 - ~ more robust than for thermal coal
- **New Australian thermal mines**
 - ~ higher on cost curve than new met coal mines
- **Port and below rail infrastructure**
 - ~ not keeping pace with export demand

Business Outlook

- **H1 FY12 still impacted by coal availability**
 - ~ Weather
 - ~ Japanese demand post natural disasters
 - ~ Congestion issues in Hunter Valley
- **New QLD contracts commencing in FY12:**
 - ~ +6.3mt in FY12, +10.9mt in FY13 and +4.4mt in FY14
- **Renewed contracts under performance based**
 - ~ additional contribution in FY12
- **Capital expenditure to be completed in FY12**
 - ~ Greta & Nebo facilities + purchase of rolling stock
- **Capital expenditure in FY12**
 - ~ in the order of \$450-490m
- **Further lift to EBITDA margin and ROCE in FY12**
 - ~ increased volumes
 - ~ expected increase in coal availability

Industry Outlook

- **Domestic interstate containerised movements**
 - ~ Expected to grow at marginally above GDP levels
- **Steel movements also linked to GDP but;**
 - ~ Largely linked to construction activity
- **Bulk Rail**
 - ~ Project market with commodity prices and mining economics dictating size and growth opportunities
- **Grain market**
 - ~ Represents significant market but volumes weather dependant. Near term outlook appears favourable given FY11 weather patterns

Business Outlook

- **Export grain volumes**
 - ~ Expected to remain strong in FY12
- **Bulk Rail**
 - ~ To benefit from the second Xstrata train service commencing August 2011. Contracted 1.2mt pa
- **Outlook for domestic steel tonnage**
 - ~ Expected to remain flat
- **PN Intermodal**
 - ~ Will benefit from Linfox and Toll securing the Fosters business August 2011; ~94k tonnes pa
- **PN business improvement program**
 - ~ Continuing to focus on fuel consumption, slot utilisation, improvement in labour utilisation

Industry Outlook

- **Growth in the medium term**
 - ~ Growth expected to remain above GDP levels
- **Near term volume instability**
 - ~ Uneven demand due to Australian consumer and business sentiment
- **Patrick performs well relative to its peers**
 - ~ EBITDA & EBIT margins in line with industry
- **ROCE low due to historic levels of goodwill**
 - ~ Intangibles of >70% of capital employed mask the world class pre - intangible returns generated from the business
- **Impact of third entrant**
 - ~ Timing remains unclear until a decision is made by Victorian Government re Melbourne recommendation likely in December 2011
- **Major customers seek integrated solution**
 - ~ Patrick well placed to capitalise on opportunity

Business Outlook

- **New five year contract with Maersk**
 - ~ Additional 190,000 lifts per annum will increase market share in Terminals business over FY12
- **Additional capital investment approved**
 - ~ Five new cranes on order
- **Resolution of wage negotiations with the MUA**
 - ~ Remains most critical priority
 - ~ Focus on securing productivity improvements
 - ~ Resolving Sydney industrial situation will deliver significant improvements in service and productivity over FY12
- **Volumes in the Ports & Stevedoring business**
 - ~ Impacted by economic environment in Australia
- **Port logistics volumes expected to grow in line with overall market**
 - ~ Bundling opportunities being pursued
- **Volumes in Autocare**
 - ~ Expected to improve in 1HFY12 following the disruptions caused by the Japanese earthquake



All divisions have commenced executing the *Safety Improvement Plan*. Four pillars of Plan:

- Safety Leadership and Building Capability
- Standardised Safety Management Systems
- Risk Management and Process Capability
- Employee Engagement

People

Enhanced leadership capability with appointment of:

- New Non-Executive Director of Board: Shirley In't Veld
- New Chief Executive Officer: John Mullen
- New Chief Financial Officer: Angus McKay
- New Director Human Resources: Alexandra Badenoch
- New Chief Information Officer: Kelvin McGrath
- General Manager Safety: Michael Walsh

Sustainability

Focus on sustainability benchmarking initially targeting the following three categories:

- Safety and Health
- Environment, Energy and Climate Change
- Community

Summary



- Asciano has three strong core businesses that performed strongly in FY11 delivering >20% EBIT growth despite difficult economic conditions exacerbated by exceptional events such as the Queensland floods
- Despite a number of these factors persisting in FY12, we expect performance to continue to improve, underwritten by new contracts and an ongoing focus on business improvement
- While we are confident of continued strong EBIT growth, external economic uncertainty makes specific forecasting difficult
- The company will provide investors with a further update regarding FY12 trading conditions at the company's AGM
- Strong capital structure in place to support ongoing growth without need for additional capital
- All three divisions have identified a number of growth opportunities to pursue, both as separate businesses as well as opportunities to provide integrated logistics solutions
- Asciano is being proactive in reducing its CO2 emissions through a range of fuel efficiency and other measures. Fuel surcharge arrangements are in place to recover most additional costs from the carbon tax, whilst ensuring we remain competitive in the market
- The Board and Senior Management believe that its current organic growth strategy, including an integrated business approach is the most effective way to deliver significantly improved shareholder returns at this time



Questions

Definitions



- **Revenue** - Revenue and other income
- **Significant items** - Significant items include continuing significant items, discontinued significant items and gains or losses on sale of discontinued operations
- **EBITDA** - Profit before interest, tax, depreciation and amortisation (divisional EBITDA exclude corporate costs)
- **EBIT** - Profit before interest and tax (divisional EBIT exclude corporate costs)
- **NPAT** - Net profit after tax
- **OCFPIT** - Operating cash flow pre interest and tax
- **PCP** - Prior corresponding period
- **FFO** - Funds from operation (NPAT – amortisation – depreciation)
- **ROCE** - Return on capital employed (EBIT / average capital employed)
- **EPS** - Earnings per share (NPAT / weighted average number of shares outstanding)
- **Capital employed** - Net assets less cash, debt, other financial assets/liabilities, tax, and intercompany accounts (for divisional ROCE)
- **Cash conversion (group)** - OCFPIT / EBITDA
- **Cash conversion (divisional)** - Operating cash flow / EBITDA
- **Operating cash flow** - EBITDA + change in net working capital



Appendices

Divisional Highlights - Coal



All major contracts now performance based, average contract length 8 years

Year ended June	FY10	FY11	% chg
NTKs (m)	18,146	19,097	5.2
Tonnes (m)	119.7	121.7	1.7
Revenue (net of access) (\$m)	474.8	577.9	21.7
Access charges (\$m)	197.8	248.1	25.4
EBITDA (\$m)	211.6	259.3	22.5
EBITDA margin	31.5%	31.4%	(10 bps)
EBIT (\$m)	133.6	165.9	24.2
EBIT margin	20.0%	20.0%	-
ROCE	8.3%	9.0%	70 bps
Cash conversion	108.6%	101.4%	(720 bps)
Capital expenditure (\$m)	369.4	255.3	(30.9)

- Growth in NTKs was due to new contracted volumes in Queensland
- While NTKs in Queensland increased 33%, volume was below expectations. The result was impacted by significant Queensland weather events, two major derailments and reduced export demand
- Three new Queensland contracts were signed during the year. The average remaining length of contract in Queensland is now 8.7 years
- NTKs in South Eastern Australia declined 2% and were below expectations. The result was impacted by Hunter Valley congestion, customer coal availability issues, derailments and customer force majeure events
- Five long running contracts in the Hunter Valley were rolled over during the year to performance based contracts. The average length of contract in NSW is now 7.5 years

Divisional Highlights - PN Rail



Ongoing focus on business improvement initiatives in a soft market

Year ended June	FY10	FY11	% chg
NTKs - (m)	25,615	26,117	2.0
TEUs ('000)	683	677	(0.9)
Bulk tonnes ('000)	11,330	13,663	20.6
Steel tonnes ('000)	2,618	2,639	0.8
Revenue (\$m)	1,069.1	1,154.7	8.0
EBITDA (\$m)	258.9	275.8	6.5
EBITDA margin	24.2%	23.9%	(30 bps)
EBIT (\$m)	158.2	173.1	9.4
EBIT margin	14.8%	15.0%	20 bps
ROCE	12.3%	13.0%	70 bps
Cash conversion	98.1%	91.5%	(660 bps)
Capital expenditure (\$m)	94.1	106.0	12.6%

- Revenue growth of 8% was driven by good growth in Bulk tonnage, offset to an extent by lower freight forwarding volume
- Growth in Bulk tonnage was driven by export grain, and construction materials
- Freight forwarding volumes (TEUs) were down 3% on pcp impacted by soft consumer spending and track flooding in Q3FY11 on the East/West corridor
- Express volumes (TEUs) were up 10.6% on pcp
- Steel revenue increased on pcp, volumes were in line with FY10
- The Xstrata magnetite 10 year take or pay contract commenced at the end of April
- Business improvement initiatives reduced the division's cost base by a net \$19m per annum

Divisional Highlights - Patrick



Focus on customer service delivery and, new contracts secured for FY12

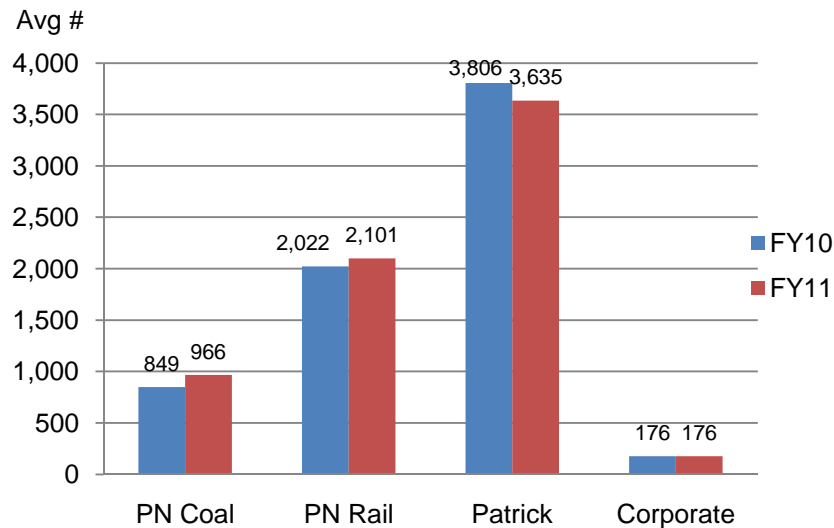
Year ended June	FY10	FY11	% chg
Bulk Vessels stevedored	1,967	1,931	(1.8)
Vehicles stevedored ('000)	502	441	(12.2)
Vehicle storage days ('000)	8,185	11,971	46.3
Vehicle movements ('000)	1,047	977	(6.7)
Terminals – Volumes TEUs ('000)	2,683	2,563	(4.5)
Terminals – Volume lifts ('000)	1,838	1,759	(4.3)
Revenue (\$m)	1,156.4	1,172.2	1.4
EBITDA (\$m)	257.1	269.2	4.7
EBITDA margin	22.2%	23.0%	80bps
EBIT (\$m)	155.7	190.6	22.4
EBIT margin	13.5%	16.3%	280 bps
ROCE	5.5%	7.9%	240bps
Cash conversion	90.6%	99.6%	900 bps
Capital expenditure (\$'m)	45.9	52.3	13.9

- Revenue growth of 1.4%, in the face of an underlying decline in Terminals volume of 4.3%.
- Ports & Stevedoring revenue up 13% driven by volume growth in steel, fertiliser and iron ore and the benefit of take or pay arrangements
- Autocare revenue up 2.6% with the result negatively impacted in Q4FY11 by reduced vehicle arrivals following the Japanese natural disaster. Volumes are expected to recover over the first quarter of FY12
- Strong contribution to EBIT from business improvement initiatives, including divesting and exiting from non core operations
- Business adversely impacted by drawn out EA negotiations plus impact on volumes from Japanese natural disaster
- New contracts won in FY11. Full benefits to flow through in FY12.
- Business re-investment and operating efficiencies initiatives to deliver improved service offering

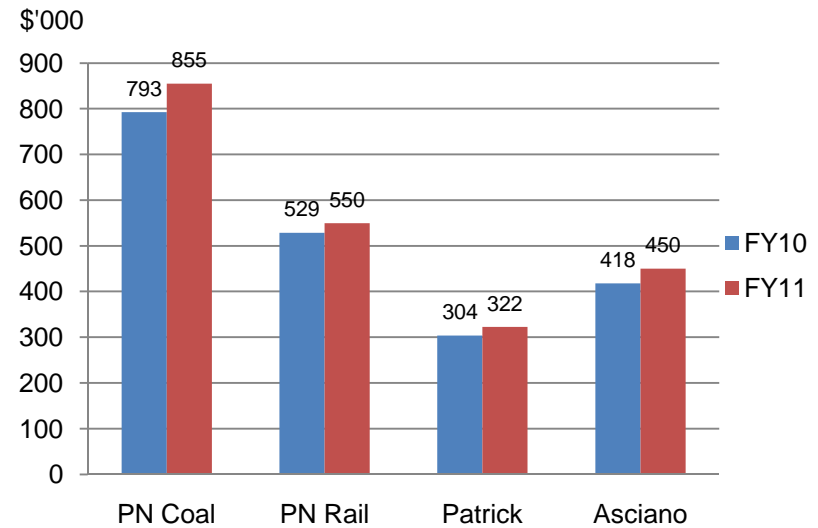
Headcount



FTE by Division



Revenue per FTE¹



1. Revenue per FTE is calculated by dividing revenue by average FTE