



2011

Half Year Financial Results

For the half year ended 31 December 2010
Incorporating the requirements of Appendix 4D

APPENDIX 4D

Asciano Limited Results for announcement to the market For the half year ended 31 December 2010

| | First half 2011 \$M | First half 2010 \$M | Increase/ (decrease) % |
|---------------------------------------------------------------------|------------------------------------|---------------------------|------------------------------|
| Revenue from services rendered | 1,553.8 | 1,430.4 | 8.6 |
| EBITDA ¹ | 408.8 | 371.4 | 10.1 |
| EBIT ² | 270.9 | 230.8 | 17.4 |
| Profit after tax | 93.9 | 79.1 | 18.7 |
| Profit attributable to owners of the Parent ³ | 126.0 | 188.2 | (33.0) |
| Parent basic and diluted earnings per share ⁴ – cents | 4.3 | 7.0 | (38.6) |
| Asciano basic and diluted earnings per share ^{4,5} – cents | 3.2 | 2.9 | 10.3 |
| Net tangible asset backing per share – dollars | 0.13 | 0.10 | 30.0 |
| Interim dividend per share – cents | 1.0 | - | - |

¹ EBITDA refers to earnings before interest, tax, depreciation and amortization.

² EBIT refers to earnings before interest and tax.

³ Asciano Limited is the Parent entity of Asciano.

⁴ The prior period comparative has been adjusted to remove the impact of the bonus factor arising from the theoretical ex-rights value of the shares.

⁵ To provide comparability of earnings per share between periods, the basic and diluted earnings per share of the Asciano group (assuming the Trust is fully consolidated for the entirety of both periods) have been provided.

The Board of Directors determined on 23 February 2011 that a fully franked interim dividend will be paid by Asciano Limited on 24 March 2011. The record date for entitlement to the dividend is 10 March 2011. The dividend of \$29.3 million was not recognised as a liability at 31 December 2010.

Half Year Report
For the six months ended 31 December 2010

Contents

| | |
|--------------------------------|---|
| Media Release | 1 |
| Profit commentary | 6 |
| Financial Statements | |
| Half year results presentation | |

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23 February 2011

ROBUST OPERATING RESULT – INCREASING RETURNS FROM NEW AND EXISTING BUSINESS

- Net profit (excluding significant items) of \$123.5 million
- Total revenue at \$1.6 billion, up 8.8% vs. HY10
- Earnings before interest, tax, depreciation and amortisation (EBITDA) at \$408.8 million, up 10.1%
- Earnings before interest and tax (EBIT) at \$270.9 million, up 17.4%
- EBIT margin improved to 17.3% (HY10: 16.0%)
- Interim dividend of 1 cent per share (fully franked)

Financial Performance

“A solid first half saw Asciano’s net profit (excluding significant items) increase by 47.6% to \$123.5 million.”

“Operating divisions drove EBITDA to \$408.8 million, an increase of 10.1%.”

“Net profit (including significant items) increased to \$93.9 million, an increase of 18.7%.”

“Asciano continues to focus on improving shareholder returns. Group return on capital employed (ROCE) improved in the period by 220 bps.”

“Operating cash flows pre interest and tax were \$316.8 million.”

“Asciano completed stage one of its refinancing with a debut issue in the US s144A market (USD 1.0 billion). The proceeds of this issue were used to repay existing facilities and extend Asciano’s debt maturity profile.”

“Asciano’s increasingly stable balance sheet was recognised with an upgrade in credit rating by Moody’s to Baa2 (Stable Outlook).”

“The Directors resolved to pay a fully franked interim dividend of 1.0 cent per share.”

Coal

“The Coal division delivered a solid result. The division’s performance reflects the healthy growth of our Queensland business combined with ongoing performance of our strong NSW business.”

“Severe weather conditions in Queensland in Q2 and congestion issues in NSW impacted coal haulage volumes.”

“Coal EBITDA increased to \$129.7 million, an increase of 36.0%.”

“New customer contracts and renewed existing customer contracts demonstrate our ability to provide competitive haulage services in our key markets. We will continue to build our profitable business model on the back of customer service, innovative solutions and aligned incentives with our customers.”

Intermodal

“Reduced freight volumes and a softening consumer landscape impacted performance across the Intermodal division.”

“Intermodal revenue increased by 1.0% compared to the prior period. However, after adjusting for the sale of the Pacific National Tasmania business in the prior period, revenue increased by 5.2%.”

“The Six Sigma program continues in the Intermodal division, with further savings being identified and taken to the profit line.”

Container Ports

“Container Ports increased EBITDA by 1.2%, against a revenue decrease of 3.1% with reduced lift volumes (2.9%) driven by customer contract losses in the prior year and consortia changes.”

“Six Sigma initiatives are beginning to pay dividends with both vessel and truck turnaround times improving.”

“EBIT margins have improved by 370 bps to 21.9% on the back of exiting marginally profitable businesses, a focus on driving cost savings and the effect of the impairment taken in June 2010.”

Auto Bulk & General (AB&G)

“EBITDA for the AB&G division increased by 18.6% to \$63.1 million.”

“Sustained performances from Autocare, Bulk Rail and Bulk Ports drove both revenue and profit.”

“This division has been amalgamated into the Container Ports and Intermodal divisions effective January 2011.”

Business Improvement

“Business improvement projects across the group continue to be identified. Building on the \$100m targeted and delivered in FY10, we are on track to deliver the \$40m targeted for the current fiscal year.”

Safety

“The *Home Safely* campaign has been successfully rolled out across the Patrick and Pacific National businesses.”

John Mullen, Chief Executive Officer

Financial Highlights

Today, Asciano reported growth in EBIT of 17.4% and EBITDA of 10.1%.

Revenue and other income increased \$126.2 million from \$1,438.4 million in the 2010 Half Year to \$1,564.6 million in the 2011 Half Year. This was primarily driven by Pacific National Coal's expansion into Queensland and sustained demand from the NSW coal market. Improved conditions in the Auto, Bulk and General business also contributed to increased revenues.

Asciano's EBIT grew to \$270.9 million from \$230.8 million in the 2010 Half Year. The Group earnings uplift is a result of significant improvements in EBIT across three of the four divisions. Coal EBIT increased by 41.5%, Container Ports EBIT by 16.7% and AB&G EBIT by 41.2% whilst Intermodal EBIT reduced by 14.4% on the 2010 Half Year results. Intermodal EBIT in the 2010 Half Year contained earnings from its Tasmanian business that was divested in November 2009. On a like for like basis, Intermodal EBIT reduced by 3.8% on the 2010 Half Year results.

Asciano has continued to progress its Business Improvement Program (BIP) over the past six months. This follows the delivery of \$100 million in BIP benefits over the previous two fiscal years. Each division has identified key areas of improvement in cost management, revenue optimisation and productivity. The benefits realised in the 2011 Half Year were approximately \$20 million. The majority of the benefits were achieved in the Intermodal and Container Ports divisions.

Cash increased by \$123.0 million in the 2011 Half Year to \$338.3 million as at 31 December 2010. Operating cash flows before interest and tax were \$316.8 million reflective of a cash conversion rate of 77.5%. Net interest and other costs of finance paid were \$124.4 million, 20.2% lower than the previous corresponding period, primarily as result of a change in the timing of interest payments and lower average net debt levels. Net capital expenditure was \$138.5 million with capital expenditure of \$188.2 million offset by \$49.7 million of asset sale proceeds. Financing cash inflows were \$68.7 million, comprising proceeds from US dollar bond issuance of \$1.07 billion offset by the repayment of fixed term banking facilities of \$1.0 billion.

Asciano's financial flexibility continued to improve in the first half. Committed available liquidity as at 31 December 2010 was strong at \$885 million. Leverage (defined as net debt divided by EBITDA before significant items) of 3.1 times improved by 0.5 times on the previous corresponding period, and interest cover of 3.5 times was an improvement of 1.0 times on the 2010 Half Year.

Return on capital employed increased by 220 bps from 6.1% to 8.3%. This increase arose as a result of the better utilisation of assets in the period which led to a growth in EBITDA, as well as the impact of the impairment booked at 30 June 2010.

Operational Highlights

Coal

The Pacific National Coal division performed well as a result of the continued ramp up of contracted volumes in Queensland and continued growth in the NSW coal haulage market. Total NTKs hauled increased significantly as did the overall earnings for the division with EBIT up 41.5%. This uplift was achieved despite the impact of severe weather conditions in Queensland and NSW at the end of the second quarter. In addition to this, the Hunter Valley network experienced significant congestion, which increased cycle times compared to the same

period last year. This congestion combined with lower than expected long haul coal available for haulage led to some margin erosion in the NSW business.

Despite these external impacts, the Coal business continues to be the main driver of earnings growth for the Group. The continued push into the Queensland coal haulage market has been extremely successful to date with a total of 49 million tonnes to be hauled annually from 2012. The focus continues to be on growing the business and investing in capital that delivers benchmark returns.

Intermodal

The Pacific National Intermodal division was impacted by continued softness in consumer spending and the loss of freight forwarding customer Austrans. As previously reported, the Intermodal division disposed of its Tasmanian operations in November 2009. Adjusting for this disposal, overall NTKs decreased by 2.0%, revenue increased by 5.2% and EBIT declined by 3.8% on the previous corresponding period.

SuperFreighter volumes declined in the period whilst volumes in the premium service “Express” offering improved significantly over the six months. Steel volumes improved marginally despite the impact of the high Australian dollar and of the construction slowdown in the steel market. EBIT for the business declined by 14.4% and EBIT margin by 2.7%. Earnings were also impacted by a number of rail incidents including a major derailment in Northern Victoria.

Management of the Intermodal division continued to focus on its business improvement initiatives associated with asset management, fuel, labour, operations and planning.

Container Ports

The Patrick Container Ports division improved earnings over the period with EBIT increasing by 16.7% on the previous corresponding period. This improvement was achieved despite a reduction in total container lifts of 2.9%. Despite total Australian container port trade growing by 8%, Patrick volumes were impacted in the first half by the loss of the OVSA customer contract in the prior year, changes to shipping consortia and an overall softness in volumes in Q2. Excluding the loss of OVSA, the remaining customer base grew by 3% over the period, excluding subcontracted volumes.

Lifts at the four ports across Australia were mixed with growth in Melbourne and Fremantle. Improving customer service has been a core focus for the Division. Comparing the previous six month period to 30 June 2010 customer service levels improved and landside metrics exceeded industry benchmarks with truck turn around times averaging approximately 36 minutes across all ports. The Brisbane Autostrad Terminal also exceeded performance targets for the period.

The Port Logistics business performance improved significantly at both the EBIT and EBIT margin level following the restructure and rationalisation of services. The transformation of the Port Logistics business will continue into the second half.

There is a Six Sigma program that is being implemented across the Container Ports division. This program is aligned with improving levels of customer service and satisfaction and enhancing operational efficiency. EBIT margins for the period increased by 370 bps to 21.9%.

Auto Bulk & General (AB&G)

The AB&G business benefited from improved grain exports in the Bulk Rail business and strength in some commodities moved through the Bulk Ports business. The Autocare business also benefited from strong motor vehicle sales and the launch of new vehicles during the period. These benefits were somewhat offset by weakness in bulk volumes stevedored in Western Australia and commodities handled through the Ports of Albany and Westernport.

EBIT for AB&G improved by 41.2% as a result of strong growth in the Bulk Rail, Bulk Ports and Autocare businesses. A 17.1% decline in EBIT for the General Stevedoring business marginally offset this growth. The management of the AB&G division continued to focus on cost savings and improving asset utilisation during the period.

Significant Items

In the 2011 Half Year, significant items of \$29.6 million (pre tax) were recorded in relation to the de-designation of interest rate swaps and the write back of deferred establishment costs relating to the syndicated loan facility. These items were a direct consequence of the refinancing.

Dividends

Asciano announced today the resumption of dividend payments. The fully franked interim dividend is 1 cent per share and will be paid on 24 March 2011. The record date for entitlement to the dividend is 10 March 2011. This represents a payout ratio of 31.2%.

Outlook

The overall outlook for the business remains sound, however the continuation of external factors could impact the full year performance of the Group.

The Coal business will continue to be impacted by infrastructure congestion in NSW and weather impacts are expected to continue in Queensland until March. Despite this, the benefits of contractual provisions and the continuing ramp up in Queensland will see continued growth in earnings. The Intermodal business performance will be impacted by expected subdued consumer sentiment and soft steel volumes. Container Ports may be impacted by continuing softness in retail demand and the impact of the high Australian dollar and Queensland floods on containerised exports. In the AB&G business mixed demand across ports and products will continue whilst motor vehicle transportation and processing should remain stable. The haulage of export wheat is expected to be strong in the second half.

Asciano will continue to execute its medium term debt strategy during the second half and progress its business improvement program.

Further information about Asciano can be found on our internet site: www.asciano.com

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Profit Commentary

RESULTS SUMMARY

| | First Half 2011 \$M | First Half 2010 \$M | Increase/ (decrease) % |
|--------------------------------------------------|---------------------------|---------------------------|------------------------------|
| Revenue and other income | 1,564.6 | 1,438.4 | 8.8 |
| Coal | 83.9 | 59.3 | 41.5 |
| Intermodal | 65.4 | 76.4 | (14.4) |
| Container Ports | 79.8 | 68.4 | 16.7 |
| Auto, Bulk and General | 40.1 | 28.4 | 41.2 |
| Eliminations / unallocated | 1.7 | (1.7) | 200.0 |
| EBIT | 270.9 | 230.8 | 17.4 |
| Net finance expense including significant items | (154.8) | (136.9) | (13.1) |
| Profit before tax | 116.1 | 93.9 | 23.6 |
| Tax expense | (22.2) | (14.8) | (50.0) |
| Profit after tax | 93.9 | 79.1 | 18.7 |
| Profit attributable to owners of Asciano Limited | 126.0 | 188.2 | (33.0) |
| Profit attributable to non-controlling interests | (32.1) | (109.1) | 70.6 |
| | 93.9 | 79.1 | 18.7 |
| Earnings per share (cents) | 3.2 | 2.9 | 0.3 cents |
| Basic weighted average shares (number – million) | 2,925.7 | 2,685.6 | 8.9 |

Commentary

As at 31 December 2010, Asciano's rail and port businesses operated through four business divisions: Coal; Intermodal; Container Ports; and Auto, Bulk and General.

COAL

| | First Half 2011 \$M | First Half 2010 \$M | Increase/ (decrease) % |
|-----------------------------------------------|---------------------------|---------------------------|------------------------------|
| Coal | | | |
| Volume (NTKs - millions) | 10,379 | 8,434 | 23.1 |
| Revenue and other income | 428.5 | 317.4 | 35.0 |
| EBIT | 83.9 | 59.3 | 41.5 |
| EBIT margin (%) | 19.6 | 18.7 | 90 bps |
| Return on capital employed (%) | 8.7 | 6.7 | 200 bps |
| Cash Conversion (Free cash flow / EBITDA) (%) | 95.7 | 116.1 | (2040 bps) |
| Capex (\$ millions) | 110.2 | 177.5 | (37.9) |
| Asset sale proceeds (\$ millions) | - | - | |
| Net capex (\$ millions) | 110.2 | 177.5 | (37.9) |

Pacific National is one of two participants in the NSW and Queensland coal haulage markets. In NSW, Pacific National has maintained approximately 80% market share as at 31 December 2010. In Queensland, Pacific National has an estimated market share of 11.0% as at 31 December 2010. All contracts secured to date in Queensland see Pacific National's market share increase to approximately 22.0% by the 2012 Fiscal Year.

The Coal division generated the majority of its revenue in the 2011 Half Year from long-term "take-or-pay" contracts.

During the 2011 Half Year, Pacific National signed the first Northern Missing Link contract in Queensland with Middlemount (a joint venture between Macarthur Coal and Noble). The contract will see Pacific National haul 3 million tonnes annually from 1 January 2012. In February 2011, an additional contract was won with Anglo American Coal for the haulage of 3.5 million tonnes annually from its Foxleigh Coal mine from 1 July 2012. Following this, Pacific National has contracted almost 50 million tonnes of coal in Queensland with 33.5 million tonnes taken away from the incumbent operator.

In addition to these Queensland contracts, a number of renewed long term contracts were executed in NSW with customers including Centennial Coal, Austar, Integra Coal, and The Muswellbrook Coal Company.

Volumes in the Coal business grew significantly with total NTKs increasing by 23.1%. This was predominately due to newly contracted volumes in Queensland. Hunter Valley volumes, as measured by NTKs, increased by 6.3%. The weather had an impact in both Queensland and Northern NSW with flooding and heavy rain resulting in increased cycle times, and reduced coal availability.

Earnings before interest and tax (EBIT) grew by 41.5% predominately due to the new Queensland contracts and some growth in volumes in NSW.

Hunter Valley track congestion and a change in the mix of volume hauled led to some margin erosion. In particular, volumes from the Gunnedah Basin and the Ulan area were subdued, whilst volumes in the central coal fields (closer to port) were strong. Additionally, track congestion in the Hunter Valley led to a significant increase in cycle times over the period. Volumes hauled in Southern NSW were in line with expectations.

Margins increased over the period by 90 bps, as a result of pricing new contracts at returns greater than historical averages and the continued impact of business improvement initiatives.

Return on Capital Employed (ROCE) improved by 200 bps, reflecting both increased earnings and margin improvements.

Cash conversion decreased by 2040 bps, reflecting changes to working capital requirements arising from the continued investment in Queensland.

Continuing investment in new train sets and two maintenance and provisioning facilities in NSW and Queensland resulted in total capital expenditure in the 2011 Half Year of approximately \$110 million.

INTERMODAL

| | First Half 2011 \$M | First Half 2010 \$M | Increase/ (decrease) % |
|-----------------------------------------------|---------------------------|---------------------------|------------------------------|
| Intermodal | | | |
| Volume (NTKs excluding PNT - millions) | 11,341 | 11,571 | (2.0) |
| Revenue and other income | 434.5 | 430.4 | 1.0 |
| EBIT | 65.4 | 76.4 | (14.4) |
| EBIT margin (%) | 15.1 | 17.8 | (270 bps) |
| Return on capital employed (%) | 10.6 | 9.7 | 90 bps |
| Cash Conversion (Free cash flow / EBITDA) (%) | 79.7 | 83.6 | (390 bps) |
| Capex (\$ millions) | 28.6 | 27.0 | 5.9 |
| Asset sale proceeds (\$ millions) | (24.3) | (29.7) | |
| Net capex (\$ millions) | 4.3 | (2.7) | >(200) |

During the 2011 Half Year, there was a slight recovery in steel volumes moved. Overall steel demand continues to be impacted by lower demand for construction. This was further impacted by the high Australian Dollar increasing the volume of imported steel into Australia.

One of the key drivers for Intermodal container freight volumes is retail spending. Subdued consumer sentiment and lower than expected Christmas trading volumes were reflected in the number of containers handled in Pacific National's SuperFreighter business. This softness was offset by the continuing demand for Intermodal's premium service, Express, with volumes, as measured by TEUs, improving by approximately 14.0% during the 2011 Half Year.

The previous corresponding period included revenues of \$17.3 million relating to the Pacific National Tasmania operations which were sold in November 2009. Excluding the impact of

Pacific National Tasmania from the 2010 Half Year, underlying revenue increased by 5.2% on the previous corresponding period.

The Pacific National Intermodal business has achieved significant cost savings and efficiency benefits over the past 2 years. This trend continued during the 2011 Half Year with approximately \$13 million of business improvement initiatives delivered. A comprehensive program of Six Sigma projects is currently underway and in addition to improving capacity utilisation and operating efficiencies, will continue to enhance levels of customer service. To date there has been a significant improvement in service at the Melbourne Freight Terminal with average truck turn around times reducing from 31 minutes to 22 minutes.

EBIT for the 2011 Half Year was 14.4% lower than the previous corresponding period. This reduction was primarily due to subdued SuperFreighter volumes, the Austrans customer loss, a major derailment, and the sale of the Pacific National Tasmania business in the previous corresponding period (which contributed \$5.1 million of trading EBIT and a profit on disposal of \$3.2 million in the 2010 Half Year). Excluding the impact of Pacific National Tasmania from the 2010 Half Year, underlying EBIT declined by 3.8%.

New Enterprise Agreements were approved by Fair Work Australia and are in place for 3 years.

ROCE improved by 90 bps on the previous corresponding period.

Cash conversion decreased by 390 bps, reflecting reduced earnings in the 2010 Half Year.

Capital expenditure for the period was offset by the sale of surplus land adjacent to the Sydney Freight Terminal (proceeds of \$24.3 million). The key investments in the period related to rolling stock sustaining capital expenditure.

CONTAINER PORTS

| | First Half 2011 \$M | First Half 2010 \$M | Increase/ (decrease) % |
|-----------------------------------------------|---------------------------|---------------------------|------------------------------|
| Container Ports | | | |
| Volume (lifts - thousands) | 935 | 963 | (2.9) |
| Revenue and other income | 364.3 | 376.0 | (3.1) |
| EBIT | 79.8 | 68.4 | 16.7 |
| EBIT margin (%) | 21.9 | 18.2 | 370 bps |
| Return on capital employed (%) | 6.5 | 4.3 | 220 bps |
| Cash Conversion (Free cash flow / EBITDA) (%) | 98.6 | 79.9 | 1870 bps |
| Capex (\$ millions) | 14.3 | 28.9 | (50.5) |
| Asset sale proceeds (\$ millions) | (4.9) | - | |
| Net capex (\$ millions) | 9.4 | 28.9 | (67.5) |

Trade through Australia's ports remained strong during Q1 but slowed in Q2, however, Patrick container volumes continued to track behind market growth. Total container lifts were down 2.9% when compared to the previous corresponding period.

This was predominately due to the loss of the OVSA contract in the prior year and ongoing changes to shipping consortia. The global shipping industry is continuing to identify opportunities to consolidate services and increase vessel capacity utilisation. This has resulted in changes to shipping schedules and shipping consortia. Patrick has been impacted in particular by these initiatives. Across Patrick's continuing customer base, volumes increased by 3% when excluding subcontracted volumes, the impact of OVSA and consortia changes.

Container lifts at the four ports operated by Patrick were mixed for the 2011 Half Year. Lifts at East Swanson Dock in Melbourne grew by 2.8% and at Fremantle by 33.2%. This growth was driven by a combination of new business and growth in the existing customer base. Conversely, volumes in Sydney declined by 10.1% and in Brisbane by 14.9%. This was primarily a result of the loss of contract volumes from OVSA in the prior year and consortia realignments.

A key focus for Patrick during the 2011 Half Year was on improving customer service and identifying cost saving and efficiency improvement initiatives. Comparing the previous six month period to 30 June 2010 customer service levels improved and landside metrics exceeding industry benchmarks with truck turn around times averaging 36 minutes across all ports. In addition to this, the Brisbane Autostrad Terminal exceeded performance targets during the period.

Port Logistics has progressed its transformation strategy and delivered real improvement to the business. Both EBIT and EBIT margins more than doubled during the 2011 Half Year when compared to the previous corresponding period, despite a reduction of 6% in revenues. This was primarily due to the cessation of unprofitable rail services.

EBIT for the Container Ports division improved by 16.7% for the 2011 Half Year despite reduced volumes across the business. EBIT margins improved by 370 bps as a result of the performance of the Port Logistics business, the delivery of cost and efficiency initiatives and the effect of the impairment taken in June 2010. Container Ports has continued to focus on cost savings in the 2011 Half Year.

ROCE improved by 220 bps. The key drivers of the increase were the improvements in EBIT margins and the reduction in capital employed resulting from the impairment charge at 30 June 2010.

Cash conversion increased by 1870 bps, reflecting the increase in EBIT and EBIT margin and changes in working capital requirements compared with the 2010 Half Year.

Net capital expenditure declined with investments in new infrastructure offset by the sale proceeds of the Shepparton based road logistics business (\$4.9 million).

AUTO, BULK AND GENERAL

| | First Half 2011 \$M | First Half 2010 \$M | Increase/ (decrease) % |
|-----------------------------------------------|---------------------------|---------------------------|------------------------------|
| Auto, Bulk and General | | | |
| Volume (vessels stevedored) | 1,046 | 968 | 8.1 |
| Volume (storage days – thousands) | 5,878 | 3,758 | 56.4 |
| Volume (vehicle movements – thousands) | 508 | 498 | 2.0 |
| Volume (grain / industrial NTKs – millions) | 1,873 | 1,696 | 10.4 |
| Revenue and other income | 366.5 | 333.2 | 10.0 |
| EBIT | 40.1 | 28.4 | 41.2 |
| EBIT margin (%) | 10.9 | 8.5 | 240 bps |
| Return on capital employed (%) | 13.3 | 7.9 | 540 bps |
| Cash conversion (Free cash flow / EBITDA) (%) | 90.2 | 70.1 | 2010 bps |
| Capex (\$ millions) | 33.2 | 6.3 | >200 |
| Asset sale proceeds (\$ millions) | - | - | |
| Net capex (\$ millions) | 33.2 | 6.3 | >200 |

In the 2011 Half Year, Auto Bulk and General (AB&G) operated four businesses: Autocare; Bulk Ports; General Stevedoring; and Bulk Rail. Since January 2011, AB&G has been restructured with the businesses reallocated to the Intermodal and Container Ports businesses. An explanation of this restructure is discussed later in the document. The Bulk Ports and General Stevedoring businesses operate through 6 bulk ports and 17 locations nationally, often with limited or no viable competing businesses.

The AB&G division operates Australia's only "ship-to-dealer" automotive stevedoring, processing, storage and delivery service provider. According to the Australian Federal Chamber of Automotive Industries statistics, imported vehicles accounted for approximately 86% of the Australian market, based on the number of new vehicles sold in the calendar year ended 31 December 2010.

Through its Bulk Rail business, the AB&G division hauled approximately 50% of all grain exported from New South Wales and Victoria for the 2011 Half Year.

The Autocare business benefited from the continuing recovery of motor vehicle sales over the past six months due to improved customer confidence and the launch of several new vehicles. The number of motor vehicles in storage and transported to the end user increased on the previous corresponding period. The average number of vehicles in storage for December 2010 was approximately 35,600. Overall earnings for this business improved by 15.2% compared with the previous corresponding period.

Varying levels of demand for agricultural and industrial products across Australia resulted in mixed volumes across regional port operations and general stevedoring. Strength in volumes of steel, fertiliser, calcite, gypsum and chemicals in GeelongPort were offset by subdued volumes of petrol and woodchips, however woodchips and petrol volumes improved in

Westernport and Albany respectively. Overall, Bulk Ports earnings improved with higher volumes handled at the ports.

General Stevedoring volumes were mixed across the country with strong steel volumes being offset by weakness in volumes from the Western Australian resources sector. Overall earnings for General Stevedoring declined by as a result of weaker volumes across the operations during the 2011 Half Year.

Bulk Rail benefited from strong grain export volumes and infrastructure project works during the 2011 Half Year. Both export and domestic grain tonnages hauled experienced double digit growth. The adverse effect of rain on the Australian wheat crop has not resulted in a significant reduction in exports. This is mainly due to a fall in world production of wheat, particularly from the low grade producing Black Sea region and the run down of prior season domestic wheat stores.

Overall earnings for AB&G improved significantly compared to the previous corresponding period as a result of increased earnings from the Bulk Rail, Bulk Ports and Autocare businesses.

ROCE improved by 540 bps, with the improvement in earnings combining with greater working capital discipline, and the better utilisation of assets including rolling stock.

Cash conversion increased by 2010 bps, reflecting the increase in EBIT and EBIT margin and changes in working capital requirements compared with the 2010 Half Year.

Capital expenditure increased significantly over the previous corresponding period with investments in rolling stock related growth capital expenditure associated with the Ernest Henry mine magnetite haulage contract in Queensland due to commence in this calendar year.

DIVISIONAL RESTRUCTURE

On 25 August 2010, Asciano announced an internal restructuring in which its four business divisions would be reorganised into three business divisions. This restructuring was completed in the second half of this financial year and does not affect the Group's results for the half year ended 31 December 2010.

Following the completion of the restructuring, the AB&G division has ceased to be a separate business division and has transferred its businesses to the Intermodal and Container Ports divisions. As part of the restructuring:

- the Bulk Rail business was transferred to the Intermodal division and the Intermodal division has been renamed "Pacific National Rail", which is consistent with the division's trade name;
- the General Stevedoring, Bulk Ports and Autocare businesses have been transferred to the Container Ports division and the Container Ports division has been renamed "Patrick", which is consistent with the division's trade name; and
- the Coal division was unaffected by the restructuring and has been renamed "Pacific National Coal", which is consistent with the division's trade name.

Asciano believes that this restructuring will enable it to extract synergies through integration and alignment of the ports and rail businesses, and will simplify its structure to make its businesses more transparent to stakeholders. Asciano will provide historic pro forma segment data for the 3 Division structure with the release of the third quarter operating statistics. Asciano will commence formally reporting the new 3 Division structure at 30 June 2011.

CASHFLOW

| | First Half 2011 \$M | First Half 2010 \$M | Increase/ (decrease) % |
|--------------------------------------------------------|---------------------------|---------------------------|------------------------------|
| EBITDA | 408.8 | 371.4 | 10.1 |
| Net operating working capital | (41.1) | (125.2) | |
| Other non cash items | (50.9) | 55.7 | |
| Operating cash flow before interest and tax | 316.8 | 301.9 | (4.9) |
| Net interest and other costs of finance paid | (124.4) | (155.8) | |
| Tax paid | (2.0) | (2.0) | |
| Net operating cash flows | 190.4 | 144.1 | 32.1 |
| Net capital expenditure | (138.5) | (199.8) | |
| Other investing cash flows | 2.5 | 5.6 | |
| Financing cash flows | 68.7 | (357.6) | |
| Cash flow | 123.1 | (407.7) | 130.2 |
| Cash conversion (OCF before interest and tax/EBITDA) % | 77.5 | 69.8 | 770 bps |

2011 Half Year operations generated operating cash flows before interest and tax of \$316.8 million reflective of a cash conversion rate of 77.5%.

Net interest and other costs of finance paid of \$124.4 million were lower than the previous corresponding period primarily as result of a change in the timing of interest payments and lower average net debt levels following refinancing.

Net capital expenditure was \$138.5 million with capital expenditure of \$188.2 million offset by \$49.7 million of asset sale proceeds. The major items of capital expenditure primarily consist of the investment in coal haulage rolling stock in Queensland. Proceeds from asset sales include the sale of the Shepparton based road logistics business within Container Ports (\$4.9 million) and the sale of land at Sydney Freight Terminal within Intermodal (\$24.3 million).

Financing cash inflows were \$68.7 million, mainly comprising the US dollar bond issuance of \$1.07 billion offset by the repayment of fixed term banking facilities of \$1.0 billion.

NET DEBT AND NET INTEREST EXPENSE

| | Dec 2010 \$M | June 2010 \$M | Increase/ (decrease) % |
|-------------------------------------------|--------------------|---------------------|------------------------------|
| Gross borrowings | 2,819.8 | 2,750.0 | 2.5 |
| Debt issuance costs | (30.7) | (35.5) | |
| Fair value adjustments to US dollar bonds | (93.1) | - | |
| Borrowings per balance sheet | 2,696.0 | 2,714.5 | (0.0) |
| Cash | (338.3) | (215.3) | 57.1 |
| Net debt | 2,357.8 | 2,500.2 | (5.7) |
| Leverage (Net Debt to EBITDA) | 3.1 | 3.5 | 0.4 times |
| Net interest expense (\$M) | 112.8 | 119.1 | |
| Interest cover (times) | 3.5 | 3.2 | 0.3 times |

Asciano's financial flexibility continued to improve in the 2011 Half Year. Committed available liquidity at 31 December 2010 was strong at \$885 million. Leverage (defined as net debt divided by EBITDA) of 3.1 times improved by 0.4 times on the prior corresponding period. Interest cover of 3.5 times was an improvement of 1.0 times on the 2010 Half Year.

In September 2010, Asciano repaid \$1 billion of its bank facilities maturing in May 2012, from the proceeds of its debut USD 1.0 billion s144A / Reg S bond issue. As a result, Asciano's weighted average maturity at 31 December 2010 increased to 3.9 years and debt maturing in May 2012 fell from 66.4% of total debt and limits to 36.9%. The proceeds of the bonds were swapped to Australian dollars eliminating any currency exposure on the borrowings. Simultaneous with the bond issue, the security held in respect of Asciano's bank facilities was released and Moody's upgraded Asciano's credit rating from Baa3 (Positive Outlook) to Baa2 (Stable Outlook).

Net interest expense (before significant items) was \$112.8 million, 5.3% below the prior corresponding period, primarily reflecting the impact of lower average net debt levels during the 2011 Half Year.

In the 2011 Half Year, significant items of \$29.6 million were recorded in relation to the de-designation of interest rate swaps and the write back of deferred established costs relating to the syndicated loan facility. These items were a direct consequence of the refinancing.

OUTLOOK

The overall outlook for the business remains sound, however, the continuation of external factors could impact the full year performance of the group.

Coal

- Impacts from weather events in Queensland are expected through until March 2011 and Hunter Valley congestion is expected to continue until infrastructure investment is completed.
- Increased cycle times in NSW and continuing wet weather impacts and speed restrictions in Queensland will continue to impact margins in the second half of FY11.

Intermodal

- Express volumes are expected to remain strong in the second half, however the SuperFreighter market is expected to continue to be subdued in line with constrained consumer sentiment.
- Steel volumes are expected to continue to be flat in line with constrained demand for domestic steel.

Container Ports

- Volumes across the ports may be impacted by continuing softness in retail demand and the impact of the high Australian dollar and Queensland floods on containerised exports.
- Port Logistics profitability to continue to improve compared to the prior year.
- Six Sigma program will continue to be rolled out across the business.

AB&G

- Volumes in Bulk Ports and General Stevedoring are expected to reflect mixed demand across agricultural and industrial markets due to the high Australian dollar.
- Motor vehicle processing, storage and transportation expected to remain stable in line with motor vehicle sales.
- Haulage of export wheat expected to be strong in second half predominately due to a strong grain harvest in NSW and Victoria and strong world demand.

During the second half Asciano will continue the roll out of its Safety Improvement Plan across the divisions. There will be continued focus on delivering good earnings growth and management will look to continue to attract new business in bulk markets. By continuing to improve existing businesses and growing operations there will be an improvement in ROCE.

Over the coming months Asciano will consider the next stage on the execution of its medium term debt strategy and will continue to deliver its business improvement targets.