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ASX/MEDIA RELEASE

FY15 Third Quarter Volume Update

Improving volume trends, full year guidance unchanged

20 April 2015

Asciano Limited (ASX: AIO) (OTCUS: AIOYY) today releases its FY15 third quarter volume update for the three months ended 31 March 2015.

Pacific National

Coal & Other Bulk Volumes

3 months ended	March '14	March '15	%Chg
Coal Net Tonne Kilometres (NTKs) (m)	7,304	7,680	5.1%
Coal Tonnes (m)	40.8	40.0	-2.0%
Other Bulk Rail NTKs (m)	1,362	1,403	3.0%

Intermodal Volumes

3 months ended	March '14	March '15	%Chg
Intermodal NTKs (m)	5,129	5,061	-1.3%
Intermodal Twenty Foot Equivalent Units (TEUs) ('000)[1]	187.8	191.0	1.7%

1. Now includes TEUs carried by Queensland intermodal business

- Coal South East Australia (SEA) – Tonnes hauled declined 6.8% and NTKs were flat over the quarter compared to the pcp (previous corresponding period) reflecting lower coal availability for a number of customers, a train derailment that shut the Gunnedah Basin line for 5 days and recurring maintenance issues at Port Kembla Coal Terminal resulting in the cancellation of some planned services. Contract utilisation for the quarter was 83.9% versus 91.5% in the pcp (based on a tonnage basis).
- Coal North East Australia (NEA) –Tonnes hauled increased 8.5% and NTKs increased 12.1% over the quarter compared to the pcp reflecting strong contract utilisation by most customers. Contract utilisation was 89.2% compared to 85% in the pcp (based on a tonnage basis). The strong haulage rates are expected to continue during Q4 FY15.

- Total Coal tonnes hauled versus contracted was 85.7% for the quarter (89.3% in the pcp).
- Other Bulk – NTKs increased 3% for the quarter on the pcp reflecting ongoing stronger volumes in other bulks including building materials, offset in part by weakness in both domestic and export grain volumes. Grain volumes for the full year are still expected to be below the FY14 level.
- Intermodal NTKs were slightly weaker down 1.3% for the quarter over the pcp while TEU's were stronger up 1.7% for the period over the pcp. Steel tonnes were down 3.9% for the period impacted by softer demand for structural products. Auto TEU's were weaker over the quarter compared to the pcp reflecting ongoing weakness in economic activity in Western Australia and the initial impact of the wind down of the Ford and Holden factories.

Update on Business Activity

- The Division continues to progress well against its BIP (business improvement program) targets with the commencement of a new locomotive maintenance contract starting to contribute in 2H FY15. The Division remains confident of achieving its FY15 BIP target of ~$100m+.
- The settlement of the final intermodal rail terminal property acquisition in Queensland with Toll Group will occur prior to the end of June. Recently Toll Group successfully renewed its freight forwarding contract with a major customer in Queensland which encompasses intermodal rail services provided by Pacific National.
- While the market for new projects in coal is subdued Pacific National is continuing to work with its customers on incremental haulage growth opportunities.

<u>Terminals & Logistics</u>

3 months ended	March '14	March'15	%Chg
Container Lifts ('000)	475	492	3.6%
TEUs ('000)	703	731	4.0%

- Container lifts across the four terminals increased 3.6% over the pcp. The overall result was a function of a number of factors including:
    - Lifts were up strongly on the pcp in Fisherman Islands and East Swanson Dock and down in Port Botany and Fremantle
    - Volume into Fisherman Islands and East Swanson Dock was boosted by new contract wins over the last twelve months into both ports
    - Volume into Port Botany was impacted by the disruption caused by the Port Botany redevelopment resulting in customers co-loading with other vessels and in some cases skipping the port call
- Logistics TEUs increased 3.9% for the quarter on the pcp reflecting an increase in regional activity levels however generally the performance of the business was soft reflecting the loss of customers compared to the pcp and lower activity levels from metropolitan customers.

Update on Business Activity

- The Division recently announced the creation of a joint venture between its logistics arm, Patrick Port Logistics and Australian Container Freight Services Limited (ACFS). The joint venture will bring together Patrick and ACFS's metropolitan port logistics businesses. Patrick and ACFS will each own a 50 per cent equity interest in the new joint venture which is subject to ACCC review.
  The joint venture will improve the competitive position of Patrick's metropolitan logistics activities bringing operational efficiency, while establishing a platform for future growth. The joint venture will be equity accounted for reporting purposes.
- The Division has been shortlisted for stage 2 of the tender process in Fremantle and remains in discussions with the Port Authority about a range of proposals.
- The conversion to a fully automated mode of operation at Port Botany has successfully been completed. Activity levels are now being ramped up as start up issues are addressed. The

assembly and commissioning of three new Liebherr cranes to operate on the knuckle will take place over the next several months. These cranes will deliver the Terminal the flexibility to service larger vessels as they commence service into some ports of Australia.

Bulk & Automotive Port Services

3 months ended	March '14	March '15	%Chg
Vehicle Movements ('000)	248	259	4.4%
Vehicle Storage Days ('000)	6,079	3,547	-41.7%
Bulk Tonnes Stevedored ('000)	2,983	3009	0.9%

Automotive

- Automotive movements improved 4.4% over the quarter reflecting improved import volumes. New vehicle sales in Australia were up 4.2% for the 1Q 2015 versus the pcp with Patrick customer sales in Australia up 11% on the pcp for the same period
- Automotive services reported further weakness in storage volumes which remain below the long term average for the industry

Bulk Port Services

- Stevedoring activity levels continue to be patchy with ports such as Geelong experiencing good volume growth in key commodities whereas other resource based regional ports are experiencing soft volumes
- While new project work is not widely available there are some new opportunities in existing regions that the Division is developing.
- C3's softwood exports have stabilised however the outlook remains uncertain given the slow down in the Chinese economy
- Recently C3 and Patrick secured the log export program via Gladstone Port and C3 has commenced a new log stevedoring operation at Marsden Point
- The restructure and downsizing of parts of the business is proceeding with the integration of employees progressing and legal and commercial integration now under way.
- Following the establishment of the joint venture with ACFS Asciano's regional road and rail logistics activities have been transferred to the Bulk & Auto Port Service Division and have been integrated with the existing logistics capabilities in the Division primarily delivered with the Mountain Industries acquisition. The combination of all regional activities under the one management team will expand Asciano's rural and regional footprint, and leverage scale to increase the Divisions market presence. Following the integration the Division will be able to provide a more competitive and complete supply chain solution for a range of sectors including retail, agricultural, mining, industrial, steel, automotive, chemical and manufacturing.

Group Outlook

Managing Director and CEO of Asciano John Mullen said, "The Company continues to expect FY15 underlying EBIT growth to be higher than the underlying EBIT growth of 5% achieved in FY14 driven by modestly improving volume growth across some activities versus the pcp and an ongoing focus on business improvement initiatives, in particular the efficiencies flowing from the integration of the Pacific National rail haulage activities.

"The material items in FY15 related to the costs involved in the redevelopment and automation of the Port Botany container terminal and the restructure costs incurred in Bulk & Auto Port Services, are expected to be in the order of $40m pre tax as previously foreshadowed.

"The Company continues to focus on achieving our key five year financial metrics, in particular our focus on growing free cash flow enabling the Company to lift dividend payments at a materially faster rate than EPS growth. In conjunction with this we will look to reduce our leverage to the lower end of our target range over the next two years.

“We are very pleased to have successfully cut across to a fully automated mode of operation at our Port Botany container terminal over the last few weeks. While the project team will continue to work with our customers to ramp up activity levels over the next month or so, we are very pleased with the project, the outcomes of which will drive significant improvements in safety and productivity at our largest container terminal operation. I would like to thank the project team for the execution of what has been an incredibly complex project and our customers for patiently and constructively working with us through the process of cross over.

“The establishment of the metropolitan logistics joint venture with ACFS and the restructure of the Bulk Port Services regional logistics activities is a significant step towards streamlining our activities and leveraging Asciano’s broader logistics platform to grow volume. This will include working closely with Pacific National and Patrick’s Container Terminals business to improve and grow our inland terminal service offering.

“We will continue to pursue opportunities to generate value through strategic acquisitions, partnerships, joint ventures and divestments across all our Divisions. As stated previously this will not be at the expense of free cash flow, reducing leverage or previously stated capital management objectives around lifting the dividend payout ratio. To this end the Company continues to be in discussions with third parties regarding strategic opportunities across the Patrick businesses. These discussions are incomplete, but should they result in a definitive outcome we will advise the market at the time” concluded Mr Mullen.

- Ends –