Financial Year 2015

Full Year Financial Results

For the twelve months ended 30 June 2015

Incorporating the requirements of Appendix 4E

APPENDIX 4E

Asciano Limited
Results for announcement to the market
for the full year ended 30 June 2015

Year Ended June ($'m)	2014	2015	% chg
Statutory Revenue and other income	3,994.6	3,839.1	(3.9)
Underlying EBITDA[1,2]	1,052.0	1,142.0	8.6
Statutory EBITDA[2]	991.4	1,071.9	8.1
Underlying EBIT [3,4]	720.3	790.2	9.7
Statutory EBIT[3]	584.0	711.5	21.8
Underlying NPAT[5,6] after minority interests	349.8	414.7	18.6
Statutory NPAT [6] after minority interests	254.4	359.6	41.4
Basic earnings per share – cents	26.1	36.9	41.4
Diluted earnings per share – cents	26.1	36.8	41.0
Underlying diluted earnings per share-cents[5]	35.8	42.5	18.7
Net tangible asset backing per share – dollars	0.93	1.20	29.4
Interim dividend per share - cents	5.75	8.25	43.5
Final dividend – cents[7]	8.50	-	-

1. Pre material items of $70.1m pre tax ($60.6m in FY14)
2. EBITDA refers to earnings before net finance costs, tax, depreciation and amortisation
3. EBIT refers to earnings before net finance costs and tax
4. Pre material items of $78.7m pre tax ($136.3m in FY14)
5. Pre material items of $55.1m post tax ($95.4m in FY14)
6. NPAT refers to net profit after tax
7. FY15 final dividend not declared

Reconciliations between the statutory measures and underlying measures are provided on page 14, 16 and 18.

The final results commentary is unaudited. Notwithstanding this, the report includes certain financial data which is extracted or derived from the Full Year Financial report for the twelve months ended 30 June 2015 which has been audited by the Group's Independent Auditor

Full Year Report

For the twelve months ended 30 June 2015

Contents

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18 August 2015

Strong result underpinned by the business improvement program and improved returns

Highlights

- ✓ Underlying EBIT increased 9.7% to $790.2m
- ✓ Underlying fully diluted EPS growth of 18.7%
- ✓ ROCE up 67bps to 11.4%; ROE up 141 bps to 10.9%
- ✓ A 5.8% increase in coal NTKs, combined with a 2.8% increase in container lifts were offset by softer volumes in Intermodal, Bulk & Auto and Logistics
- ✓ BIP program delivered a further $143.7m in benefits taking the cumulative total to $258.7m
- ✓ An after tax material expense of $55.1m reported relates to Port Botany redevelopment and next stage of the restructure of Pacific National's activities
- ✓ FY15 capex below bottom end of target range at $566.9m
- ✓ Free cash flow after capex turnaround to positive $108.4m in FY15
- ✓ Forecast FY16 capex expected to be in the previously stated range of $390-440m
- ✓ Balance sheet continues to strengthen, leverage declined to 2.7x, interest cover increased to 5.5x
- ✓ No final dividend declared as Asciano, subject to ATO[6] clearance and the transaction proceeding, intends to pay a full franked special dividend of up to 90cps with a corresponding reduction in the cash component of the consideration offered by Brookfield Infrastructure Partners Limited (BIP) under the scheme implementation deed announced today
- ✓ Successfully raised A$350m in ten year unsecured fixed rate Medium Term Notes to replace maturing bond and lowering average cost of debt
- ✓ Metro logistics joint venture with ACFS completed 31 July 2015

Result Summary

Year ended 30 June ($'m)	2014	2015	%chg
Revenue and other income	3,994.6	3,839.1	(3.9)
Revenue and other income (net of coal access)	3,790.6	3,651.7	(3.7)
Underlying EBITDA[1]	1,052.0	1,142.0	8.6
Underlying EBIT[2]	720.3	790.2	9.7
Underlying PBT	495.0	585.7	18.3
Underlying NPAT after minority interests[3]	349.8	414.7	18.6
Material Items after tax[4]	(95.4)	(55.1)	(42.2)
Statutory NPAT after minority interests	254.4	359.6	41.4
Diluted underlying EPS after minority interests (c)	35.8	42.5	18.7
Diluted statutory EPS after minority interests (c)	26.1	36.8	41.0
DPS (c)	14.25	8.25[5]	-

1. Underlying EBITDA excludes material items of $70.1m (FY14 $60.6m). Details of the adjustments and a reconciliation are on page 14
2. Underlying EBIT excludes material items of $78.7m (FY14 $136.2m). Details of the adjustments and a reconciliation between underlying EBIT and statutory EBIT is at page 16
3. Underlying NPAT excludes material items of $55.1m (FY14 $95.4m). A reconciliation between underlying NPAT and statutory NPAT is at page 17
4. A breakdown of material items is on page 18
5. FY15 final dividend not declared
6. Australian Tax Office

CEO Commentary

Commenting on the result Asciano CEO and Managing Director Mr John Mullen said, "The Company has delivered a strong result for shareholders in FY15 with a 9.7% increase in underlying EBIT to $790.2m and an 18.6% increase in underlying NPAT to $414.7m.

"Free cash flow was also stronger in FY15 at $108.4m compared to negative $12.9m in FY14. This was achieved through a significant reduction in capital expenditure in FY15 at a level below our previous indications. More importantly with a further reduction in capital expenditure in FY16 we expect a significant increase in free cash flow in FY16.

"The strong result was delivered within the context of continued weakness in the Australian economy, which severely limited top line revenue growth. The result benefitted from another strong year in coal haulage with a 5.8% increase in NTKs, despite material disruptions to the Hunter Valley coal chain in 2H FY15 and a 2.8% increase in container lifts which was impacted by significant market share disruption at Port Botany caused by the redevelopment project. However this was offset by flat or weaker top line growth in other areas of the business. Consequently the result was underpinned by the continued strong focus on the business improvement program (BIP) which generated a further $143.7m in savings initiatives in FY15.

"The Pacific National rail haulage division reported a 16.6% increase in EBIT to $597m. This was an extremely strong result given the negative impact of severe weather in NSW on the coal haulage and intermodal business in April/May estimated at $12.7m and the inclusion of a $10.6m profit on the sale of an asset in the FY14 result. The result reflects a very strong focus on its business improvement program which generated $105.9m in benefits across the division as well as general cost reduction programs in light of soft conditions in some parts of the business.

"During the year we were successful in securing new contracts and renewing existing contracts in the Container Terminals Division, which was pleasing given the increase in competition in two of our major ports. While there were no new green field contracts awarded in coal haulage we have been successful in securing additional tonnage from existing customers to largely offset contraction in the annual haulage task under some contracts in the Hunter Valley in FY16.

"Capital expenditure in FY15 was $566.9m which was below the bottom end of the forecast range of $600-700m. This reflected a strong focus on returns in the lower growth environment and a slowdown in new contract activity. Expenditure in FY15 included the upgrade of a number of strategic operating sites across the business including Port Botany, our Sydney and Melbourne rail freight terminals, a new pre delivery inspection facility at Webb Dock and in June the acquisition and commissioning of a floating marine facility in Dampier. Capital expenditure in FY16 is expected to be in the range of $390-440m, consistent with our previous estimates.

"The material items expense of $55.1m after tax mainly related to $25.6m after tax for site commissioning, business disruption and further employee costs associated with the redevelopment of Port Botany; and a further $25m after tax of costs associated with the next stage of the restructuring of Pacific National's activities. The Pacific National expense includes a further non cash write down of rolling stock no longer required in the business following the restructure; and employee costs associated with the next phase of the business improvement program, in particular the establishment of a National Operating Centre, which will centralise planning, rostering, live run, asset deployment and maintenance activities across Pacific National.

"Asciano's financial position continued to strengthen during the year with net debt to EBITDA leverage declining to 2.7 times at 30 June 2015, in the middle of our target range of 2.5-3.0 times. Net debt to EBITDA leverage is expected to decline further to the bottom end of the range by the end of FY16.

"Our financial strength is recognised with Standard & Poors (S&P) resolving the positive outlook on Asciano's corporate credit rating and raising it to BBB in October 2014. In addition, we were delighted with the support we received from the wholesale debt markets for our 10 year A$350m bond issue completed in May under our Medium Term Note Program raising, which together with existing bank facilities will be used to repay the US$400m senior guaranteed notes maturing on 15 September 2015", Mr Mullen said.

Dividends

No final dividend has been declared as Asciano, subject to ATO clearance and the transaction proceeding, intends to pay a full franked special dividend of up to 90 cents per share with a corresponding reduction in the cash component of the consideration offered by Brookfield Infrastructure Partners Limited (BIP) under the scheme implementation deed announced today.

Outlook

Asciano has today announced that it has entered into a Scheme of Implementation Deed with Brookfield Infrastructure Partners Ltd to acquire Asciano at an implied offer value of A$9.15 per Asciano share (please see separate ASX announcement). Under normal trading conditions and assuming that there is no material change in the current business environment, Asciano is currently expecting to report flat to low single digit underlying EBIT growth in FY16. This will be driven by the ongoing benefits of the BIP program, now considered likely to exceed the $300m 5 year cumulative target by up to 10%, offsetting the impact of expected relatively flat top line growth and an expected 11-12% increase in the depreciation and amortisation charge. The Company currently expects to report a significant increase in free cash flow (after capex) in FY16.

Mr Mullen said "We expect Pacific National volumes to be flat to slightly positive with coal haulage in FY16 to remain at high levels of contracted tonnage and intermodal volumes to be linked to Australian economic growth, but in particular activity levels in Western Australia. Other bulk volumes will be tied primarily to the agriculture, resource and building cycles in Australia.

"Earnings from Pacific National will again be driven by the contribution from initiatives under the business improvement program and an ongoing focus on the cost base in the face of structural changes in key markets and soft economic growth", he said.

Reported revenue for the Terminals & Logistics business in FY16 will be below FY15 due to the creation of the logistics joint venture with ACFS which will result in metropolitan logistics earnings being equity accounted for the first time. Container lifts are forecast to rise in line with market growth with a full year benefit of new contracts secured during the year. Earnings are expected to benefit from the business improvement program, in particular the operating benefits flowing from the redevelopment of Port Botany.

Mr Mullen said "Bulk & Auto Port Services are expected to report flat to slightly positive revenue and earnings driven by an expectation for a recovery in some of its key markets, in particular New Zealand logs, auto storage days, and general activity levels at some of our key bulk ports.

"As recently announced[1] the Company has reviewed the current Patrick management structure and has moved to integrate the leadership of its two Patrick divisions, Terminals & Logistics and Bulk &

[1] ASX Release 27 July 2015 – Asciano appoints new Director, Patrick

Automotive Port Services. Following this decision there will be a further reduction in overhead costs across the two Divisions.

“The Company will continue to push to achieve its five year FY16 targets. While our 4 year EBIT CAGR of 10% has been impressive in the economic environment, the 5 year EBIT CAGR target now looks just beyond reach due to ongoing weak economic growth impacting the top line. However we are on track to achieve the other key financial metrics including a significant improvement in ROCE and ROE, more than doubling the original BIP target, stabilising the balance sheet, reducing leverage to the bottom end of the range and driving a strong turnaround in free cash flow enabling the Company to lift the dividend payout ratio above 50%. We also continue to work on the progress of other strategic programs including safety, customer and employee engagement.

ENDS

asciano

Financial Year 2015

Operating & Financial Review

Operating & Financial Review - Table of Contents

This Operating and Financial Review includes information required as part of the Operating and Financial Review and forms part of the Directors Report.

"Underlying" Earnings Classification

The Operating and Financial Review includes references to "Underlying" earnings (EBITDA, EBIT, NPAT, EPS) which excludes certain items, as determined by the Board and management, that are either significant by virtue of their size and impact on earnings, or are deemed to be outside normal operating activities. It reflects an assessment of the result for the ongoing business of Asciano. "Underlying" earnings has been calculated in accordance with AICD/FINSIA principles for reporting underlying profit and ASIC's Regulatory guide 230 – Disclosing non-IFRS financial information. "Underlying" earnings have not been audited by the Group's external auditors however the adjustments have been extracted from the books and records that have been audited.

Outlook Statements

Note: The outlook comments are on the basis of Asciano continuing as a stand alone listed entity

Operating & Financial Review

1 Group Operating Performance

1.1 Business Overview

Asciano is Australia's largest national rail freight and port operator. Asciano's strategic objective is to be Australia's leading provider of critical logistics services within essential infrastructure based supply chains.

Asciano occupies all major segments of the import/export and domestic supply chains to offer a diverse freight mix service offering. Asciano continues to pursue opportunities to provide integrated supply chain infrastructure solutions, leveraging the port and rail capabilities of the Group. The Group also seeks to develop integrated service offerings linking freight owners with international port gateways.

FY15 Revenue Split by Division[1] **FY15 EBITDA Split by Division[1]**

1. Does not include corporate head office costs/eliminations

Earnings Overview

Year Ended June ($'m)	2014	2015	% chg
Statutory Revenue and other income	3,994.6	3,839.1	(3.9)
Underlying EBITDA[1]	1,052.0	1,142.0	8.6
Statutory EBITDA	991.4	1,071.9	8.1
Underlying EBIT[2]	720.3	790.2	9.7
Statutory EBIT	584.0	711.5	21.8
Underlying NPAT[3] after minority interests	349.8	414.7	18.6
Statutory NPAT after minority interests	254.4	359.6	41.4

1. Underlying EBITDA excludes material items of $70.1m (FY14 $60.6m). Details of the adjustments and a reconciliation are on page 14
2. Underlying EBIT excludes material items of $78.7m (FY14 $136.2m). Details of the adjustments and a reconciliation between underlying EBIT and statutory EBIT is at page 16
3. Underlying NPAT excludes material items of $55.1m (FY14 $95.4m). A reconciliation between underlying NPAT and statutory NPAT is at page 17

For the FY15 reporting period Asciano's activities were divided into three reportable segments:

Pacific National – is one of the largest providers of above rail freight haulage services in Australia. Services are provided in the containerised, break bulk and bulk markets. Pacific National hauls a range of bulk goods for domestic and export consumption including coal, grain and other construction and infrastructure materials. Pacific National is the largest provider of long haul intermodal rail services in Australia with a 70% market share. *Detailed overview and review of operating performance at page 25*

Terminals & Logistics – is one of two major competitors in the Australian market providing container stevedoring services in the four largest container ports in Australia; East Swanson Dock in Melbourne, Port Botany in Sydney, Fisherman Islands in Brisbane and Fremantle in Western Australia. The division also provides an integrated logistics service that provides the interface between the shipping port and the beneficial freight owner in a joint venture with ACFS Port Logistics Pty Ltd (ACFS)[2]. *Detailed overview and review of operating performance at page 31*

Bulk & Automotive Port Services (BAPS) – specialises in the management of bulk ports and supporting infrastructure and the provision of port related logistics at over 40 sites across Australia and New Zealand. It also operates an integrated service for the transportation, processing and storage of motor vehicles from the port to the beneficial freight owner. *Detailed overview and review of operating performance at page 35*

Asciano's head office functions have been established to provide an efficient organisation structure to extract synergies across Group wide activities such as IT, shared services, procurement and fuel.

1.2 Strategic Objective

Asciano's strategic objective is to be Australia's leading provider of critical logistics services within essential infrastructure based supply chains. The Company intends to maintain its position in the market by delivering measurably superior outcomes for customers, thereby generating consistently attractive returns for shareholders.

Specifically Asciano will achieve its strategic objective through:

- Being the most innovative and customer centric intermodal and bulk haulage rail operator in Australia;
- Being the leading container terminal operator and general stevedore in Australia with a clear service distinction compared to our competitors; and
- Developing integrated strategies and service offering to leverage Group assets across ports and rail.

Asciano's operations are generally capital intensive. It delivers value to shareholders through effective asset utilisation and allocating capital across its portfolio of businesses to generate returns in excess of its cost of capital. The Company's objective is to generate a return on capital employed (ROCE) that exceeds the Group's weighted average cost of capital (WACC) by FY16/17.

In delivering the strategic objective Asciano's core values are:

- **Safety** – We are committed to getting our people home safely everyday;
- **Customer** – Supporting our customers to succeed is at the heart of all we do;
- **People & Teamwork** – Working together in partnership is how we achieve our goals; and
- **Financial Success** – Our decisions and actions focus on delivering superior performance outcomes.

[2] Announced via media release 10 April 2015, transaction completed 31 July 2015

1.3 Key Business Risks

Asciano’s three reporting divisions are exposed to specific business risks. These specific risks are detailed in Section 2. There are also a number of risks and challenges that Asciano as a whole faces in achieving its overall business objective. Asciano’s overarching key business risks include:

- **People and Safety**
  - Injury to employees, contractors and other third parties
  - Industrial relations activity that impacts the Company’s ability to meet its contractual and customer expectations
  - Attraction and retention of key senior management and operational staff
- **Customer**
  - Increased competition that results in the loss of major customers, including government legislated changes to competition levels
  - Counterparty risk
- **Global and Local Markets Conditions**
  - Exposure to volatility in commodity flows and domestic and global economic cycles
  - Ability to access financial markets when required at a competitive cost of capital
- **Changes in government policy, investment decisions and regulation**
  - Infrastructure capacity constraints and disruptions caused by the failure to invest in critical infrastructure to meet the requirements of the market place
  - Changes in the application of regulated competition arrangements and or other changes in regulation or administrative practices that impact the efficient operation of the business
  - Changes in the Australian Accounting Standards and the Income Tax Assessment Act that could have a material impact on the Company’s financial statements in future periods
- **Operational Risk**
  - Infrastructure capacity constraints and disruptions caused by weather events, natural disasters and/or the failure of critical IT platforms and support
  - Performance, compliance and reputation issues
  - Disruption or loss of critical supply inputs including security breaches of IT platforms
  - Integration risks associated with acquisitions and business restructures including the impact on customer service levels
  - Impact of disruptive technologies on traditional supply chains
- **Environment**
  - The impact of climate change on our asset base and demand for our services
  - Environmental regulation compliance risk. The Company’s approach to environmental regulation is set out in Asciano’s Sustainability Report which is available on our website

Asciano seeks to mitigate its risks through the effective management of and engagement with its key stakeholder base; an ongoing focus on its cost base and productivity improvements; and ensuring that it has effective systems and procedures in place to manage the business on a day-to-day basis and address the strategic issues and challenges that may impact the business over the medium term.

These risks are identified to assist investors in understanding the nature of the risks faced by Asciano and the industries in which it operates.

The Company’s risk management approach is set out in detail in the Corporate Governance Statement which is available on the Company’s website.

1.4 FY15 Earnings Overview

1.4.1 Earnings Summary

Year Ended 30 June $(‘m)	2014	2015	% chg
Revenue and other income	3,994.6	3,839.1	(3.9)
Pacific National	2,489.0	2,430.7	(2.3)
Bulk Rail	1,541.0	1,518.5	(1.5)
- Bulk Rail (net of coal access)	1,337.2	1,331.2	(0.4)
National Intermodal	948.0	912.2	(3.8)
Terminals & Logistics	748.6	749.3	0.1
Bulk & Automotive Port Services	793.4	705.4	(11.1)
Eliminations / unallocated	(36.4)	(46.3)	27.2
Underlying EBITDA[1]	**1,052.0**	**1,142.0**	**8.6**
Underlying Depreciation	285.1	303.9	6.6
Amortisation	46.6	47.9	2.8
Pacific National	511.9	597.0	16.6
- Bulk Rail	372.8	452.5	21.4
- National Intermodal	139.1	144.5	3.9
Terminals & Logistics	150.3	157.9	5.1
Bulk & Automotive Port Services	89.5	83.2	(7.0)
Corporate	(31.4)	(47.9)	(52.5)
Underlying EBIT[2]	**720.3**	**790.2**	**9.7**
Net interest and associated costs	(225.3)	(204.5)	(9.2)
Underlying Profit[2] before tax	495.0	585.7	18.3
Underlying Tax expense	(142.6)	(169.8)	19.1
Outside equity interests	(2.6)	(1.2)	(53.8)
Underlying Net Profit[3] after tax and minority interests	**349.8**	**414.7**	**18.6**
Material items before tax[4]	(136.3)	(78.7)	(42.3)
Material items after tax	(95.4)	(55.1)	(42.2)
Profit attributable to owners of Asciano Limited	**254.4**	**359.6**	**41.4**
Full time employees at year end	8,827	8,173	(7.4)
EBITDA Margin net of coal access (%)	27.8	31.3	3.5
EBIT margin net of coal access (%)	19.0	21.6	2.6
Underlying fully diluted EPS (¢)	35.8	42.5	18.7
Basic Earnings per share (¢)	26.1	36.9	41.4
Diluted Earnings per share (¢)	26.1	36.8	41.0
Diluted weighted average shares (m)	976.4	976.2	-

1. Underlying EBITDA excludes material items of $70.1m (FY14 $60.6m). Details of the adjustments and a reconciliation between underlying EBITDA and statutory EBITDA are on page 14
2. Underlying EBIT excludes material items of $78.7m (FY14 $136.2m). Details of the adjustments and a reconciliation between underlying EBIT and statutory EBIT is at page 16
3. Underlying NPAT excludes material items of $55.1m (FY14 $95.4m). A reconciliation between underlying NPAT and statutory NPAT is at page 18
4. A breakdown of material items is on page 18

Revenue and other income declined 3.9% on the pcp to $3.8bn over the twelve month period to 30 June 2015 (revenue net of coal access declined 3.7% to $3.7bn) driven by:

- A 0.4% decline in Bulk Rail revenue (net of coal access) driven by a 5.8% increase in coal NTKs and a 2.4% increase in coal tonnes hauled offset to a large extent by a 31.2% decline in export grain volumes and a 12.5% decline in domestic grain volumes;
- A 3.8% decline in Intermodal rail revenue over the pcp to $912.2m, driven by a 2.6% decline in NTKs and a 4.9% decline in TEUs over the pcp;
- Adjusting for the removal of coal access, the carbon tax levy and the decline in fuel prices, Bulk revenue increased 4.3% and Intermodal revenue declined 0.2% on the pcp;
- A flat revenue result on the pcp from Terminals & Logistics driven by a 3.7% increase in revenue from the Container Terminals business reflecting 2.8% increase in lifts over the 12 month period; and a 7.5% decline in revenue generated by the Logistics business (100% owned for the 12 month period); and
- An 11.1% decline in revenue generated by the Bulk & Auto Port Services division driven by a material decline in revenue from the Gorgon project, a 6.3% decline in underlying revenue generated by the Autocare business, reflecting weaker storage days, and soft volumes at a number of stevedoring sites across Australia. The Webb Dock settlement included in the FY14 result was largely offset in FY15 by the profit on the sale of the Autocare site at Laverton in Victoria.

For further detail on the factors driving revenue please refer to the Divisional Performance in Section 2

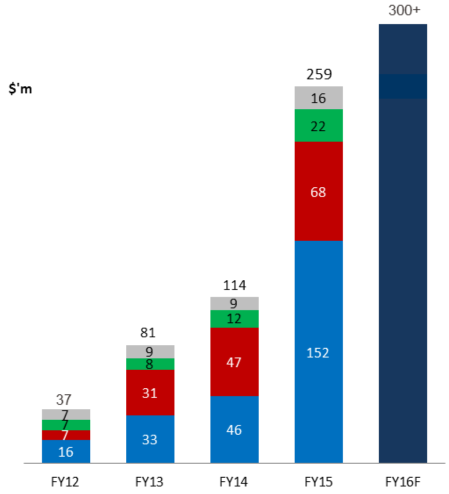
1.4.2 Reconciliation of Statutory EBITDA to Underlying EBITDA

Year Ended 30 June 2015 ($'m)	Group	Pacific National	Terminals & Logistics	Bulk & Auto.	Corporate
Statutory EBITDA	1,071.9	818.9	176.2	109.7	(32.9)
Port Botany redevelopment	36.6		36.6		
Restructuring charges associated with Pacific National integration	27.1	27.1			
Restructuring charges- other	6.4		0.3	4.2	1.9
Total Material Items before tax	70.1	27.1	36.9	4.2	1.9
Underlying EBITDA	1,142.0	846.0	213.1	113.9	(31.0)

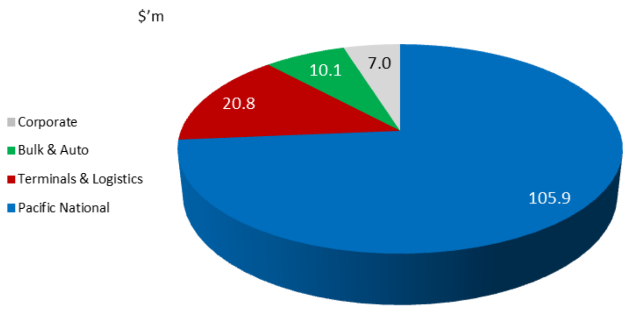
Operating expenses over the 12 month period declined by 8.3% to $2.7bn driven by:

- Employee benefits declined 4.7% reflecting a reduction in FTE's of 7.4% to 8,173 by the end of the 12 month period offset to an extent by contractual wage rises across the Group;
- A 22.6% reduction in fuel, oil and power expenses reflecting lower diesel prices and the removal of the carbon tax (average fuel price for the twelve month period was 11.6% below the pcp);
- A 10.8% decline in repairs and maintenance costs across Asciano primarily reflecting the benefits negotiated as part of the integration of the Pacific National rail businesses and the recent upgrade of capital equipment across the business reducing routine maintenance expenses;
- A 13.7% decline in general expenses reflecting a close focus on cost control over the 12 month period; and
- Removing the impact of the decline in fuel prices and the carbon tax levy operating expenses declined 6.2%.

Cumulative BIP Savings Under 5 Year Plan



FY15 BIP divisional split



Asciano continued to focus on its BIP over the 12 month period. Over the period the contribution from the program delivered a further $143.7m in benefits. The cumulative benefits derived following the introduction of the BIP five year plan stood at $258.7m at 30 June 2015. The most significant contribution to this program was the permanent reduction in FTEs across the business of which generated savings in the order of $72m. The Group considers that it is likely to exceed its FY16 target of cumulative benefits of $300m over the five year plan by up to 10%.

Asciano's underlying EBITDA margin (net of coal access) improved 350bps over the pcp to 31.3% reflecting the benefits of the BIP initiatives and continued focus on cost efficiencies.

For further detail on the factors driving EBITDA please refer to the Divisional Performance in Section 2

1.4.3 Depreciation and Amortisation

Depreciation and Amortisation pre material items increased 6.1% over the pcp to $351.8m driven by the significant capital expenditure program over the last three years.

Depreciation and Amortisation is expected to increase in FY16 to a range of $380-400m.

1.4.4 Group Underlying EBIT Bridge

($'m)	Bridge to FY15 EBIT	Underlying FY15 actual	Underlying FY14 actual
FY14 Underlying EBIT Reported	**720.3**		
Price/ Mix/ Volume	7.0		
Costs	(42.2)		
BIP	143.7		
Depreciation & Amortisation	(20.1)	(351.8)	(331.7)
Incidents/weather impacts	(5.6)	(10.6)	(5.0)
Asset Sales	(5.8)	20.3	26.1
External M&A advisor costs	(3.3)	(6.0)	(2.7)
Business Restructure and other[1]	(5.9)	(5.0)	0.9
Actuarial valuations	2.1	5.1	3.0
FY15 Underlying EBIT	**790.2**	**(348.0)**	**(309.4)**

1. FY15 includes FX loss on translation of C3 notes of $3.3m

Underlying EBIT increased 9.7% to $790.2m on the pcp The key items driving EBIT in FY15 compared to FY14 include:

- A very strong contribution from BIP initiatives in particular those flowing from the integration of the Company's rail businesses;
- The impact of severe storms in NSW on the Hunter Valley coal chain and intermodal services in northern NSW netted against the financial impact of rail incidents and associated insurance claims during the year;
- A positive $2.1m movement in actuarial valuations. For the purposes of discounting long term employee benefits, Asciano has this year been required to adopt the use of the rates attached to the Australian Corporate bonds as generated in the Milliman report that have maturity dates approximating the terms of Asciano's obligations;
- An increase in external advisor costs associated with strategic initiatives including establishing the joint venture with ACFS in Logistics; and
- Profit from the sale of property of $20.3m, primarily one site in the Bulk & Auto Port Services Division, compared to the profit on the sale of property in FY14 of $26.1m.

The movements in price/mix/volume are discussed in the Divisional Performance in Section 2.

Underlying net corporate costs at the EBIT level were $47.9m an increase of 52.5% on the pcp impacted by:

- The net corporate cost in FY14 included a profit on the divestment of property of $15.5m;
- The sale of the above property in FY14 resulted in a significant reduction in internal lease revenue generated in FY15; and
- An increase in external advisory and strategic development costs.

The FY16 full year net corporate cost impact on EBIT is expected to be approximately $60m prior to the impact of any actuarial valuations. The increase mainly reflects the increase in IT costs following the completion of an IT infrastructure upgrade.

1.4.5 Reconciliation of Divisional Statutory EBIT to Divisional Underlying EBIT

Year ended 30 June 2015 ($'m)	Group	Pacific National	Terminals & Logistics	Bulk & Auto.	Corporate
Statutory EBIT	**711.5**	**561.3**	**121.0**	**79.0**	**(49.8)**
Port Botany redevelopment	36.6		36.6		
Pacific National integration	35.7	35.7			
Restructuring charges- other	6.4		0.3	4.2	1.9
Total Material Items before tax	**78.7**	**35.7**	**36.9**	**4.2**	**1.9**
Underlying EBIT	**790.2**	**597.0**	**157.9**	**83.2**	**(47.9)**

The key differences between statutory and underlying EBIT relate to the items listed in the table above which have been treated as material items for the purposes of this report. *Further details on these items are included in the disclosure on Material Items in paragraph 1.4.10*

1.4.6 Reconciliation of Statutory EBIT to Underlying EBIT

Year ended 30 June ($'m)	2014	2015
Statutory EBIT	**584.0**	**711.5**
Port Botany restructuring charges	38.5	36.6
Restructuring charges associated with Pacific National integration	81.8	35.7
Restructuring charges - other	16.0	6.4
Total material items before tax	**136.3**	**78.7**
Underlying EBIT	**720.3**	**790.2**

1.4.7 Reconciliation of Statutory Net Financing Costs to Cash Net Financing Costs

Year ended 30 June $(‘m)	2014	2015
Statutory net[1] financing costs	**225.3**	**204.5**
Net accrued interest and borrowing costs	(13.1)	0.6
Capitalised interest	10.2	21.5
CVA[2] adjustment on derivatives	(8.0)	6.9
Fair value of derivatives not in a hedge relationship	(13.5)	(13.7)
Other non-cash	(2.9)	(7.3)
Cash net[1] financing costs	**198.0**	**212.5**

1. Net of interest income
2. CVA – credit value adjustment as per AASB 13

Cash net financing costs increased 7.3% over the pcp to $212.5m however net statutory financing costs declined 9.2% over the pcp to $204.5m. The difference between cash and statutory financing costs was driven by:

- A decline in accrued interest and borrowing costs following the normalisation of coupon payments under the EMTN program issued in October 2013;
- Higher capitalised interest primarily associated with the Port Botany redevelopment project ($21.5m over the 12 month period compared to $10.2m in the pcp); and
- A turnaround in the non cash impact of credit value adjustments.

Capitalised interest is expected to be negligible in FY16 following completion of the Port Botany project in FY15. Net financing costs in FY16 prior to the impact of mark to market movements are expected to be in the range $210m to $220m.

1.4.8 Tax

Year Ended 30 June $(‘m)	2014	2015
Reconciliation of income tax expense to prima facie tax payable		
Profit before tax after material expenses	358.7	507.0
Income tax at 30% (2014: 30%)	107.6	152.1
Franking credits on taxable dividends	(3.5)	(4.5)
Other	(2.4)	(1.4)
Income tax expense recognised in the profit or loss	**101.7**	**146.2**

Tax expense increased 43.8% to $146.2m. The effective tax rate (before material items) was 28.8% (28.3% in the pcp) broadly in line with the corporate tax rate of 30%.

1.4.9 Reconciliation of Statutory NPAT to Underlying NPAT

Year ended 30 June ($'m)	2014	2015
Statutory NPAT after minority interests	**254.4**	**359.6**
Port Botany restructuring charges	27.0	25.6
Restructuring charges associated with Pacific National restructure	57.2	25.0
Restructuring charges - Other	11.2	4.5
Total Material items after tax	95.4	55.1
Underlying NPAT after minority interests	**349.8**	**414.7**

The difference between the FY15 statutory NPAT and Asciano's underlying NPAT relate to the items listed in the table above which have been treated as material items for the purposes of this report. Further details on these items are included in the disclosure on Material Items in section 1.4.10 below.

1.4.10 Material Items

Material items totalled to a pre tax loss of $78.7m ($55.1m after tax) compared to $95.4m after tax in FY14. Material items reported in the FY15 result are detailed in the table below.

Year ended 30 June 2015	$'m
Terminals & Logistics restructuring charges	
• Redundancies	(5.5)
• Business disruption and other	(31.1)
Pacific National integration	
• Redundancies	(26.2)
• Write down of equipment and other	(9.5)
Other restructure	
Redundancies & Other	(6.4)
Total	(78.7)
Tax attributed to material items	23.6
Material items after Tax	(55.1)

Material items reported in the FY15 result was a loss of $78.7m pre tax ($55.1m post tax) and included:

- Terminals & Logistics reported costs of $36.9m ($25.8m after tax) associated with the Port Botany redevelopment and the restructure of the Logistics business including:
  - Business disruption caused by construction on the existing terminal site
  - Commissioning costs including staff training
  - Legal and general industrial relations costs

- Pacific National reported costs of $35.7m ($25.0m after tax) primarily associated with the next phase of the integration of its rail activities including:
  - Redundancy costs associated with the next phase of its business improvement plan, in particular the creation of a National Operating Centre - $26.2m pre tax

- The non cash write down of rolling stock and other cash restructuring charges - $9.5m pre tax

- Bulk & Auto Ports reported redundancy costs of $4.2m pre tax ($3.0m after tax) associated with the restructure of the Division; and
- Redundancies taken at the corporate level associated with a further restructuring of the business were $1.9m pre tax, $1.3m post tax expense.

1.4.11 Cash flow

Year ended 30 June ($'m)	2014	2015	% chg
Underlying EBITDA	1,052.0	1,142.0	8.6
Material Items EBITDA	(60.6)	(70.1)	15.7
Net operating working capital	13.1	(70.7)	(639.7)
Other non cash items	(42.7)	(52.1)	22.0
Operating cash flow before interest and tax	**961.8**	**949.1**	**(1.3)**
Net interest and other costs of finance paid	(198.0)	(212.5)	7.3
Tax paid	(157.0)	(113.0)	(28.0)
Net operating cash flows	**606.8**	**623.6**	**2.8**
Net spend on property plant & equipment and IT[1]	(619.7)	(515.2)	(16.9)
Cash flow after capital expenditure	**(12.9)**	**108.4**	**(940.3)**
Other investing cash flows[2]	(84.3)	(1.9)	(97.7)
Financing cash flows	234.8	(146.5)	(162.4)
Net movement in cash	**137.6**	**(40.0)**	**(129.1)**
Cash conversion % (OCF before net finance costs and tax / EBITDA)	97.0	88.5	(8.5)

1. Includes proceeds from asset sales of $81.5m in FY14 and $66.4m in FY15
2. Includes the acquisition of Mountain Industries of net A$83.6m in FY14

Net operating cash flow after tax and net financing costs increased 2.8% versus pcp to $623.6m. Cashflow was impacted by:

- Employee termination payments associated with the Port Botany redevelopment and the restructure of Pacific National and Bulk Ports provided for in prior years and paid in the FY15 year including the payout of holiday, long service and sick leave entitlements - approximately $80m;

- A 28% decline in cash tax paid reflecting a change from quarterly to monthly ATO instalments announced in FY13 which normalised in FY15; and

- The full year impact of changes in payment terms across a range of accounts made in FY14 resulting in a net increase in working capital in FY15. The impact of this is expected to normalise in FY16.

Free cash flow after capital expenditure for the full year increased from a negative position of $12.9m in the pcp to a positive $108.4m. Free cash flow after capital expenditure and investing cash flow reflected a similar turnaround from a negative $97.2m to positive cash flow of $106.5m.

Cash costs incurred in FY15 related to material items provided for in FY13-FY15 were $75.6m pre tax. These costs primarily relate to the redundancies and other costs that have been incurred following the completion of the redevelopment of Port Botany and the migration to a fully automated container terminal. In total, including employee entitlements cash costs funded in FY15 were approximately $80m.

1.4.12 Capital Expenditure

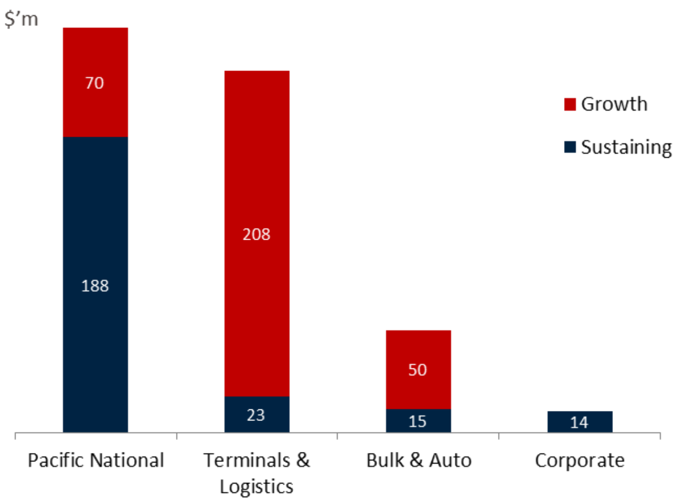
Year ended June $'m	2014	2015	% chg
Total Capital Expenditure	753.7	566.9	(24.8)
Growth Capital Expenditure	483.4	327.5	(32.3)
Sustaining Capital Expenditure	270.3	239.4	(11.4)

Refer Section 2 for further information about divisional capital expenditure

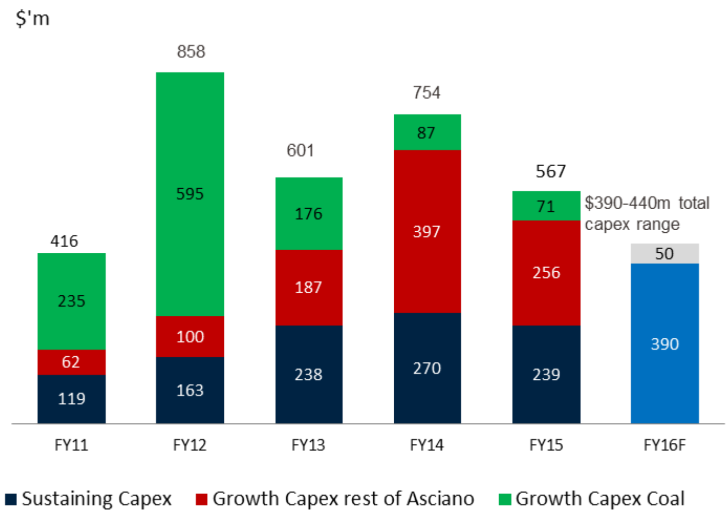
Key capital expenditure projects in FY15 included:

- The redevelopment of Port Botany;
- The upgrade of the Sydney, Melbourne and Adelaide freight terminals;
- The acquisition of the remaining property in Queensland from Toll Group; and
- The development of the oil and gas floating support platform in Dampier (Patrick Marine Facility)

FY15 Capital Expenditure by Division[1] ($'m)



Capital Expenditure Outlook ($'m)



FY16 capital expenditure is expected to be in the range of $390-440m. Capital expenditure projects in FY16 include:

- Final payments for the new cranes to operate at Port Botany
- Payments for rolling stock associated with new contracts in PN Rail
- The ongoing midlife component change out of the NR class locomotive fleet
- The completion of the upgrade of the Adelaide freight terminal

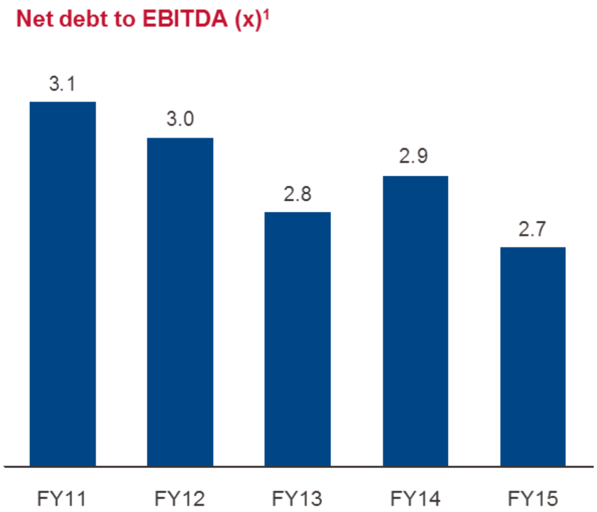
1.4.13 Balance Sheet

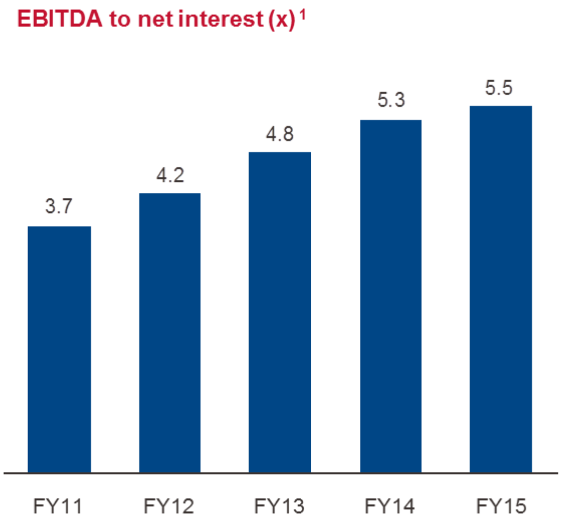
Net Debt and Net Interest Cover

Period ending $m	June 14	Dec 14	June 15
Gross borrowings at hedged values[3]	3,208.0	3,252.7	3,236.6
Debt Issuance costs (including discounts)	(22.5)	(20.0)	(24.0)
FX and Fair value adjustments to bonds	185.1	547.8	733.4
Borrowings per balance sheet	3,370.6	3,780.5	3,946.0
Cash	167.3	183.8	127.3
Net Debt	3,203.3	3,596.7	3,818.7
Leverage (Net Debt to EBITDA) (times)[1]	2.89	2.85	2.72
Interest cover (times)[2]	5.3	5.2	5.5

1. Net interest and EBITDA based on a rolling 12 month period. Net debt is net of hedges
2. Includes capitalised interest, excludes non-cash items and mark to market
3. Includes C3 finance lease

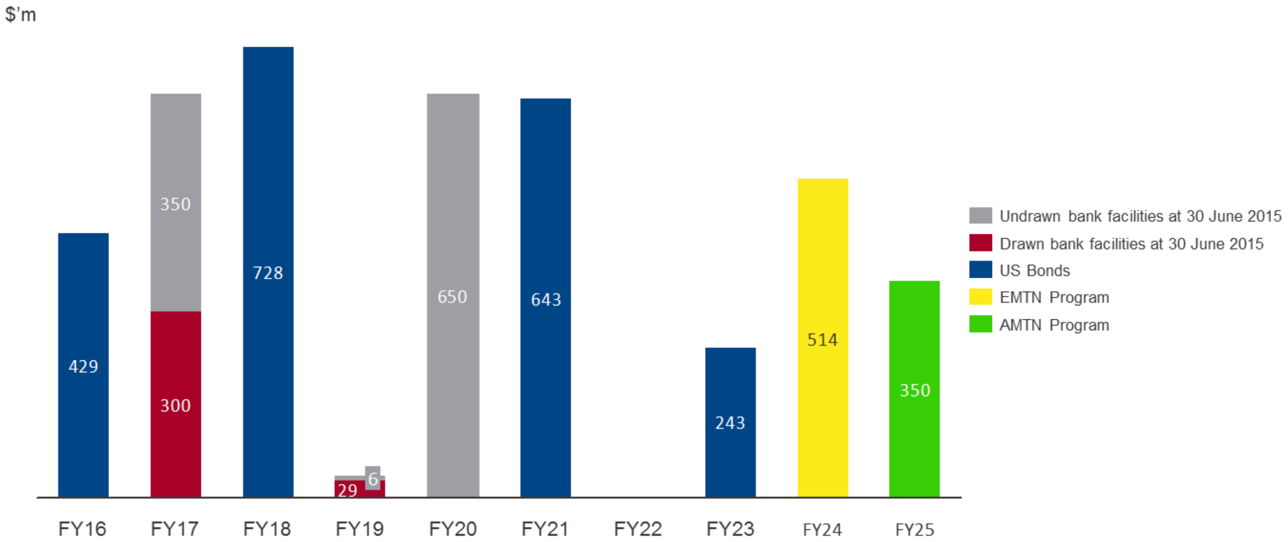
At 30 June 2015 Asciano's rolling 12 month net debt to EBITDA was 2.72x within the Company's target range of 2.5-3.0x. Gross debt net of cash at hedged values increased by less than 1% over the twelve month period. The rolling 12 month interest cover was 5.5x at the end of the 12 month period compared to 5.3x at 30 June 2014 comfortably above the Company's target of greater than 3.5x.





*Net interest and EBITDA based on rolling 12 month period and includes capitalised interest. Excludes mark to market and other non cash items

Debt Maturity Profile



In May 2015 Asciano issued A$350m of 10 year unsecured fixed rate medium term notes. The net proceeds of this offer combined with existing banking facilities will be used to repay the US$400m (hedged at A$428.8m) of senior guaranteed notes maturing on 15 September 2015. Post the repayment of the notes in September 2015 Asciano will have no debt due until October 2016 and a weighted average maturity of 4.7 years.

Reconciliation of Loans and Borrowings

Facility	Type	Maturity	Drawn A$'m	Undrawn A$'m
Syndicated bank facility	Revolving cash advance	Oct-16	300.0	350.0
Syndicated bank facility	Revolving cash advance	Oct-19	-	650.0
C3 NZD Bank Facility	Cash advance	Jun-19	29.1	6.0
US$ bonds [1]	144a/ Reg S	Sep-15	428.8	
US$ bonds [1]	144a/ Reg S	Apr-18	727.6	
US$ bonds [1]	144a/ Reg S	Sep-20	643.2	
US$ bonds [1]	144a/ Reg S	Apr-23	242.6	
GBP bonds [1]	EMTN	Sep-23	514.0	
AUD bonds	AMTN	May-25	350.0	
Total hedged A$ equivalent balance			**3,235.3**	**1,006.0**
Less: Unamortised Discount on US$ bonds, AUD & GBP notes			(9.1)	
Less: Unamortised Debt issuance costs			(14.9)	
Add: Unrealized foreign exchange loss on US$ bond and GBP notes			649.7	
Add: Fair Value adjustments to US$ bonds			83.7	
Add : C3 Finance Lease			1.3	
Loans & Borrowings as per statutory balance sheet at 30 June 15			**3,946.0**	
Cash and liquid assets as at 30 June 15			(127.3)	127.3
Net Debt/available liquidity as at 30 June 15			**3,818.7**	**1,133.3**

1. Outstanding amounts for international issues are shown at the hedged A$ balances

At 30 June 2015 the Company had a diversified mix of funding sources with approximately two-thirds of total available funding raised in international debt capital markets and the remaining capacity from a syndicate of 11 banks.

In October 2014 Standard & Poor's resolved the positive outlook on Asciano's corporate credit rating to BBB. Moody's have maintained its Baa2 (Stable) corporate credit rating on Asciano.

Available liquidity at 30 June 2015 was $1.1bn consisting of $0.1m in cash and $1bn in undrawn bank facilities.

1.4.14 Reconciliation of drawn bank debt and the statutory balance sheet

$'m	June 2014	Dec 2014	June 2015
Drawn bank debt (excluding bank guarantees)	650.0	695.0	329.1
US$ bonds (at hedged values)	2,042.2	2,042.2	2,042.2
GBP notes (at hedged values)	514.0	514.0	514.0
AUD notes	-	-	350.0
Less: unamortised discount on US$ bonds	(5.9)	(5.3)	(9.1)
Less: unamortised debt issuance costs	(16.6)	(14.7)	(14.9)
Add (Less): unrealised foreign exchange movement on US$ bonds & GBP notes	108.3	463.6	649.7
Add: fair value adjustments to US$ bonds	76.8	84.2	83.7
Add: C3 Finance Lease	1.8	1.5	1.3
Loans and borrowings as per statutory balance sheet	**3,370.6**	**3,780.5**	**3,946.0**

Loans and borrowings in the balance sheet increased 17.1% over the 12 month period to $3.9bn driven primarily by a 500% increase in the unrealised value adjustments to the foreign currency hedges on offshore bond issues combined with the issue of A$350m of 10 year unsecured fixed rate medium term notes completed in May 2015. The net proceeds of this offer combined with existing banking facilities will be used to repay the US$400m of senior guaranteed notes maturing on 15 September 2015.

1.4.15 Shareholder Returns

Year Ended June (%)	FY14	FY15	bps chg
ROCE	10.7	11.4	67bps
ROCE (excluding WIP)	11.7	12.8	117bps
ROCE (excluding Goodwill)	17.5	18.3	78bps
ROE (pre material items)	9.5	10.9	141bps
Divisional ROCE			
Pacific National	12.5	14.4	190bps
Terminals & Logistics	6.8	6.5	(31bps)
Terminals & Logistics (excluding goodwill)	21.4	17.1	(426bps)
Bulk & Automotive Port Services	15.5	13.9	(157bps)

Group ROCE improved from 10.7% to 11.4% at the end of the 12 month period. ROCE excluding WIP improved 117bps to 12.8% and ROCE excluding goodwill was 18.3%. Group ROE (pre material items) improved from 9.5% to 10.9% in FY15. The increased returns reflect both the investments made over the past four years in new contracts and the BIP driving out costs

1.4.16 Dividends

Year Ended June (cps)	FY14	FY15	% chg
Interim dividend	5.75	8.25	43.5
Final dividend	8.50	-	-
Full year dividend	14.25	8.25	-

No final dividend has been declared as Asciano, subject to ATO clearance and the transaction proceeding, intends to pay a full franked special dividend of up to 90 cents per share with a corresponding reduction in the cash component of the consideration offered by Brookfield Infrastructure Partners Limited (BIP) under the scheme implementation deed announced today.

2 Divisional Performance

2.1 Pacific National

2.1.1 Business Overview

Pacific National is one of the largest providers of rail freight services in Australia. Services are provided in the containerised, break bulk and bulk markets.

Pacific National has two broad business activities, National Intermodal freight haulage and Bulk Haulage.

National Intermodal

Pacific National provides interstate containerised freight services, interstate break bulk freight (steel), regional freight rail services in Queensland and hook and pull services for passenger trains. Pacific National has approximately 71% market share of the long haul intermodal market in Australia.

Pacific National's intermodal customers include the largest freight forwarding companies in Australia including Linfox, Toll, K&S, Rand, Sadleirs and the steel manufacturers, BlueScope Steel and Arrium. Contracts vary in length but are generally 5-10 years. The terms of the intermodal contracts vary however generally they do not have volume commitments.

Bulk Haulage

Pacific National hauls a range of bulk goods by rail including coal, grain for domestic and export markets, minerals, concentrate and construction materials for customers around Australia. Pacific National is the second largest coal rail haulage provider in Australia performing over 41% export coal haulage activities from mine to port and in addition hauls coal for domestic use from mine to power stations and steelworks primarily in New South Wales and Queensland. Pacific National also hauls coal by rail in South Australia servicing the local electricity industry.

The Bulk Haulage business is divided into two geographically focused regions:

- Queensland – Pacific National entered the bulk haulage market in Queensland in 2009, securing coal haulage contracts with a number of customers in the coal chains of Central Queensland. The Division currently services mines in the Bowen Basin through the Goonyella, Blackwater and Newlands coal chain systems. In FY15 Pacific National Coal hauled an estimated 26% (tonnes) of the Queensland coal haulage market. The Division also has a contract to haul concentrates from Mt Isa and will continue to look for opportunities to expand its activities in the bulk sector in Queensland.

  In Queensland Pacific National's major customers include Anglo American, BHP Mitsui Coal Glencore and Rio Tinto.

- South East Australia – Pacific National has had a long term presence in the bulk haulage market in South East Australia. In NSW, Pacific National Coal is the largest coal hauler with an estimated 72% market share (NTKs). The company services the mines of the NSW Hunter Valley, Illawarra, Lithgow, Mudgee and Gunnedah regions hauling export coal into the ports of

Newcastle and Port Kembla as well as domestic coal to power stations and steelworks located in NSW. An estimated 80% of the NSW coal market is thermal coal.

In South Australia Pacific National hauls coal from the Leigh Creek coal mine to the power stations in Port Augusta for the supply of base load power to the state of South Australia.

The business operates short and medium distance intrastate services in NSW and Victoria hauling bulk freight including grain for domestic and export markets, minerals and construction materials. Pacific National hauls an estimated 75% of grain hauled by rail on the east coast of Australia.

Bulk Haulage customers include Rio Tinto, Whitehaven, Idemitsu, Graincorp, Manildra, Cargill, Emerald, Boral, Glencore and Holcim.

Contracts in Bulk Haulage vary in length from 2-10 years and generally have "take or pay" or proforma volume commitments.

2.1.2 Strategic Objective

Pacific National's strategy is to be the recognised market leader for bulk and intermodal rail freight in Australia, characterised by superior customer service and a focus on innovative solutions. Pursuing this strategy involves actively managing and utilising its locomotive and wagon fleet to ensure operating costs are optimised and our customers receive innovative and competitive services to fulfill their specific requirements. Focusing on customer needs and delivering innovative outcomes, combined with the scale of its operations and effective asset utilisation underpin the Division's sustainable competitive advantage.

2.1.3 Key Business Risks

The key business risks impacting Pacific National's business are covered in the overarching business risks listed in paragraph 1.3. Specific examples of these risks as they pertain to Pacific National's business include:

- **Global demand for coal, other bulk resources and agricultural products**
    - Global economic activity and in particular growth in emerging markets, including India and China and the impact on demand for Australian coal exports
    - The focus globally on the expansion of renewable and lower emission energy alternatives which could reduce the demand for thermal coal over time
    - Demand and global supply of bulk resources and agricultural products including grain
- **Customer demand for above rail haulage services**
    - Sustained low thermal and metallurgical coal prices and the impact lower prices may have on the viability of existing mines and small miners and the expansion plans of the coal miners
    - The impact of a strong Australian dollar on coal mine viability and competitiveness
    - Movements in the competitive effectiveness of competing freight transport modes
    - The impact of seasonal weather patterns, in particular the wet season in Northern Australia
    - Impact of weather on agricultural cycles and therefore volumes
- **Impact of competition on access to infrastructure resources**
    - Coal chain infrastructure capacity, productivity and reliability including rail and coal port infrastructure

- **Impact of competition from other above rail operators and alternative transport modes**
    - The expiry risk attached to major contracts and the associated risk of stranded assets if contracts are not renewed
- **Australian GDP growth**
    - Domestic economic growth and the impact on demand for the movement of consumer goods across Australia
    - Domestic construction cycle and the impact on the demand and movement of a range of building materials (including steel products) around the country
    - Population growth and its impact on demand for goods
- **Ongoing below rail infrastructure investment to support growth in demand**

Pacific National mitigates these risks through the use of performance based take or pay contracts where significant capital investment is required, the effective management of its people and the rolling stock fleet across the Asciano Group and a focus on continually seeking ways to improve performance and customer satisfaction. It should be noted that not all of the above risks are within the direct control of Pacific National.

2.1.4 Key Business Statistics as at 30 June 2015

Total annualised contracted coal tonnage in FY16[1] (m)	180
Estimated Market Share **Coal (%)[2]** - NSW total domestic and export - Queensland **National Intermodal**	 71% 24% ~70%
Number of Locomotives	582
Number of Wagons	12,738
Total Insured Value of Fleet ($)	4.0
Full Time Employees	3,573
Strategic rail facilities	Nebo, Cairns, Townsville, Mackay, Rockhampton, Brisbane (Queensland), Greta (Hunter Valley, NSW), Adelaide, Kewdale (Perth), Chullora (Sydney), and Melbourne.
Average weighted coal contract maturity (years)	7.3

1. Based on FY16 total domestic and export rolling 12 months

2.1.5 Pacific National FY15 Earnings and Volume Overview

Year ended 30 June $'m	2014	2015	% chg
Volume Bulk Rail			
Total Coal NTKs (m)	29,227.1	30,913.0	5.8
Queensland Coal	12,810.2	13,562.5	5.9
South East Australia Coal	16,416.9	17,350.5	5.7
Other Bulk Rail NTKs	5,114.8	5,165.6	1.0
Total Coal Tonnes (m)	159.0	162.8	2.4
- Queensland Coal	51.5	55.1	7.0
- South East Australia Coal	107.5	107.7	0.2
Other Bulk Tonnes (m)	15.0	15.0	0.0
Volume National Intermodal			
- NTKs (m)	21,492.1	20,943.6	(2.6)
- TEUs[2] ('000)	811.4	771.5	(4.9)
- Steel tonnes ('000)	2,923.8	2,878.2	(1.6)
Revenue and other income ($'m)	2,489.0	2,430.7	(2.3)
- Coal access revenue ($'m)	203.9	187.4	(8.1)
Revenue net of coal access ($'m)	2,285.1	2,243.3	(1.8)
- Bulk Rail Revenue	1,541.0	1,518.5	(1.5)
– Bulk Rail revenue net of coal access	1,337.1	1,331.1	(0.4)
- National Intermodal Revenue	948.0	912.2	(3.8)
Underlying EBITDA[1] ($'m)	746.0	846.0	13.4
- Bulk Rail	540.0	625.7	15.9
- National Intermodal	206.0	220.3	6.9
Underlying[1] EBIT ($'m)	511.9	597.0	16.6
- Bulk Rail	372.8	452.5	21.4
- National Intermodal	139.1	144.5	3.9
Operating EBITDA margin (%) (net of coal access)	32.6	37.7	5.1
Operating EBIT margin (%) (net of coal access)	22.4	26.6	4.2
ROCE (%)	12.5	14.4	190bps
Cash Conversion (%) (Operating cash flow / EBITDA)	94.7	93.8	(0.9)
Total capex ($'m)	398.0	258.1	(35.2)
Growth capex ($'m)	220.1	70.1	(68.2)
Sustaining capex ($'m)	177.9	188.0	5.7
Gain on Asset Sale	10.6	-	na
Full time employees	3,771	3,573	(5.3)

1. Underlying – pre material items
2. Fy14 restated to include Queensland TEUs

Pacific National reported a decline in total revenue (net of coal access) of 1.8% over the pcp to $2.2bn. Adjusting for the reduction in the fuel price and the removal of the carbon tax levy, revenue increased by approximately 2.2% over the pcp.

Bulk Revenue (net of coal access) adjusted for the fuel price reductions and the removal of the carbon tax levy increased 4.3% over the pcp driven by:

- A strong performance from the Queensland coal business reflecting a 5.9% increase in NTKs over the twelve month period driven by a slight improvement in coal contract utilisation (tonnes) at 89% and a full period benefit from the Hail Creek contract with Rio Tinto Australia. The performance was assisted by a relatively benign wet season in Northern Queensland in 2015;
- Flat revenues generated by the NSW/Victorian bulk business reflecting a 5.7% increase in coal NTKs and a flat performance from other bulk volumes;
- Coal contract utilisation (tonnes) in NSW was 1.3% lower than the pcp at 87.5% reflecting a softer 2H FY15 primarily the result of the severe weather disruption to the Hunter Valley coal chain in April and May;
- The flat performance from other NSW/Victoria bulk volumes reflects a 31.2% decline in export grain volumes and a 12.5% decline in domestic grain volumes; and
- Construction and Special Products volumes increased over the pcp reflecting the commencement of new contracts over the 12 month period.

Intermodal revenue adjusted for fuel price reductions and the removal of the carbon tax levy was 0.2% below the pcp. The result was primarily driven by:

- Following an improvement in 2Q FY15, volumes in 2H FY15 continued to reflect weak economic conditions in Australia;
- Relative to pcp, fewer and heavier containers were transported over a shorter distance. This is evidenced by an increase in tonnes of 1% despite a decrease in TEUs and relatively flat revenue for Containerised Freight and Automotive on the main intermodal routes;
- The decrease in steel volumes relative to the pcp largely relates to increased competition in Australia from overseas manufacturers.

Underlying EBITDA increased 13.4% to $846m. This was driven by the benefits of the integration of the two rail businesses with BIP initiatives delivering a $105.9m benefit. The two biggest areas of savings were in the permanent reduction of labour (5.3% over the 12 month period to 30 June 2015 and 6.9% for the 18 months from 31 December 2013) and the renegotiation and restructure of the Divisions repairs and maintenance activities and agreements.

2.1.6 Pacific National EBIT Bridge

($'m)	Bridge to FY15 EBIT	FY15 actual	FY14 actual
FY14 Underlying EBIT	**511.9**		
Price/ Mix/ Volume	84.0		
Costs	(73.6)		
Depreciation and amortisation	(15.0)	(249.0)	(234.0)
BIP	105.9		
Incidents	7.1	2.1	(5.0)
Asset Sales	(10.6)	-	10.6
Weather impacts	(12.7)	(12.7)	-
FY15 Underlying EBIT	**597.0**	**(259.6)**	**(228.4)**

Underlying EBIT increased 16.6% to $597m. Underlying EBIT growth over the 12 months was impacted by:

- Significant disruption caused by a severe weather event in April that disrupted both the Hunter Valley coal chain and North/South intermodal rail services;
- The financial impact of a major derailment in the Hunter Valley offset by the recoupment of incident claims from prior year;
- The inclusion of $10.6m profit from the sale of an asset in the FY14 result;
- The financial contribution from BIP initiatives of $105.9; and
- A 7.4% increase in depreciation and amortisation over the period reflecting capital investment in new contracts over the last few years.

Capital expenditure over the period declined 35.2% to $258.1m. Capital expenditure over the 12 month period included the upgrade of rail terminals in Sydney, Melbourne and Adelaide, the purchase of the final intermodal rail property in Queensland from Toll Group, rolling stock for new or expanded contracts and the ongoing midlife component change out repowering of the NR class locomotive fleet.

ROCE improved from 12.5% in the pcp to 14.4% reflecting the benefits of new contracts commenced over the last few years and the benefits from the BIP program.

The Division booked a pre tax material loss of $35.7m related to:

- The cost of redundancies associated with the next phase of the integration and restructuring of Pacific National's rail activities. This program includes a move to a National Operating Centre that will centralise planning, rostering, live run, asset deployment and maintenance activities. Costs associated with this are $26.2m; and
- The non-cash write down of surplus rolling stock, other equipment and other restructure costs in the Division of $9.5m;

2.1.7 Pacific National Outlook

Pacific National is expected to report flat to low single digit growth in Underlying EBIT in FY16 driven by:

- A full year benefit from its BIP initiatives commenced over the last 12 months and new programs to be introduced in FY16 in particular the rollout of a National Operating Centre replacing the current 6 planning locations;
- Coal volumes in NSW will be impacted by contracted growth in some contracts and contraction in haulage task with some existing customers. The net impact in contracted tonnage in FY16 of these movements is negative 0.2bn NTKs;
- The commencement of the 12 year coal haulage agreement with the Q Coal Group (Q Coal). The contract will see Pacific National haul up to 4mtpa from Q Coal's Drake coal project to the Abbot Point coal terminal near Bowen Queensland. Haulage is expected to commence during 2016 and growing in line with production ramp up at the mine;
- Total annualised contracted coal tonnage in FY16 across Queensland and NSW is 180mt;
- Coal volumes hauled will be impacted by the proportion of coal hauled versus contracted. This rate can be impacted by factors including export coal demand, weather and production levels;
- Export grain volumes will be dependent on grain harvest levels and customer decisions around the timing of shipping grain. At the current time grain volumes are expected to show some improvement on FY15 levels;
- Other Bulk volumes will benefit from new contracts commencing during the period; and

- Intermodal volumes will reflect activity levels in the Australian economy, in particular activity levels in Western Australia and Queensland, which are forecast to continue to be relatively flat.

Capital expenditure for Pacific National in FY16 is expected to be in the range of $230-250m broadly in line with forecast depreciation charges.

Pacific National's longer term outlook will be influenced by the level of GDP growth in Australia and the global demand for Australian thermal and metallurgical coal and other bulk commodities.

2.2 Patrick Terminals & Logistics

2.2.1 Business Overview

The Terminals & Logistics Division operates in the market under the Patrick brand name. Patrick is one of two major competitors in the Australian market providing container stevedoring services in the four largest container ports in Australia; East Swanson Dock in Melbourne, Port Botany in Sydney, Fisherman Islands in Brisbane and Fremantle in Western Australia. A third entrant has recently commenced competing services in Brisbane and Sydney. A further entrant is expected to commence activities in the Melbourne market in 2017. Patrick's market share for the 12 month period across the four terminals was 47.9% (based on contracted lifts).

Patrick's key customers in the Terminals business are global shipping lines. Contracts are generally 3-5 years in length. Patrick is compensated on a per lift basis.

The division has built an integrated port related logistics service offering, establishing the link between the shipping lines, freight forwarders and the beneficial freight owner. In April 2015 Patrick announced that it was forming a 50/50 joint venture with ACFS Port Logistics (ACFS) bringing together the metropolitan logistics businesses of both companies. The joint venture commenced on 1 August 2015.

2.2.2 Strategic Objective

Terminals & Logistics key business objective is to be the market leader in Australian container terminals and port related supply chain services. The Division is investing significant capital to sustain its competitive advantage. This will deliver a superior customer service footprint and an operating model that is the lowest cost in the industry operating at productivity levels that provide a superior and reliable service to customers.

2.2.3 Key Business Risks

The key business risks impacting the Terminals & Logistics business are covered in the overarching *Business Risks* listed in paragraph 1.3. Specific examples of these risks as they pertain to the Terminals & Logistics business include:

- **Australian GDP growth**
  - GDP and population growth and the flow on impact to domestic demand and thus container volume growth
  - The impact of the Australian dollar on the outsourcing of the Australian manufacturing sector and the general growth rate in the levels of imported product into Australia

- **The impact of commodity cycles on the growth in containerised exports**
- **Increased competition**
  - The impact on both volumes and margins of new competition into the container ports Patrick operates in Australia
- **Retaining business footprint at sustainable cost structure**
  - Successful negotiation of long term access, on acceptable terms, at Fremantle Port following the end of the current lease term in 2017
  - Potential material increases in Port of Melbourne rental costs
- **Customer consolidation**
  - Ongoing consolidation of the global container shipping line market and potential changes to shipping consortia
- **Customer service**
  - Loss of a major customer due to poor service standards or pricing
- **Industrial relations**
  - The industrial relations environment in Australia and specifically the activities of the Maritime Union of Australia and its impact on our customer service performance

Terminals & Logistics mitigates these risks through the effective management of its cost base; investment in capital equipment and technology to improve productivity and customer service; employing a robust project management framework; and an increased focus on employee engagement. It should be noted that not all of these risks are within the direct control of Terminals & Logistics.

2.2.4 Key Business Statistics as at 30 June 2015

Container Terminal Presence	Lease Term	Footprint	Equipment
Port Botany	2043	1,400 mtrs quay line, 4 berths	8 cranes, 45 straddle carriers and other cargo handling equipment
East Swanson Dock	2034	885 mtrs quay line 3 berths	7 cranes, 54 straddle carriers and other cargo handling equipment
Fisherman Islands	2045	922 mtrs quay line 3 berths	5 cranes, 31 straddle carriers and other cargo handling equipment
Fremantle	2017	766 mtrs quay line 2 berths	4 cranes, 41 cargo handling pieces of equipment
Key Customers	AAA consortium, COSCO, Maersk, MSC		

2.2.5 *FY15 Earnings and Volume Overview*

Year ended 30 June $'m	2014	2015	% chg
Container Volumes			
Terminal Volumes - Lifts ('000)[1]	2,013.6	2,069.5	2.8
Terminal Volumes - TEU ('000) [2]	2,981.3	3,060.9	2.7
Revenue and other income ($'m)	748.6	749.3	0.1
Underlying EBITDA[3] ($'m)	201.0	213.1	6.0
Underlying EBIT[3] ($'m)	150.3	157.9	5.1
Underlying EBITDA margin (%)	26.9	28.4	1.5
Underlying EBIT margin (%)	20.1	21.1	1.0
ROCE (%)	6.8	6.5	(31bps)
ROCE excluding goodwill (%)	21.4	17.2	(426bps)
Cash Conversion (%) (Operating cash flow / EBITDA)	105.0	87.6	(17.4)
Total capex ($'m)	278.1	230.2	(17.2)
Growth capex ($'m)	240.7	207.5	(13.8)
Sustaining capex ($'m)	37.4	22.7	(39.3)
Number of Employees (FTEs)	1,894	1,664	(12.1)

1. Includes volume subcontracted out due to disruption at Port Botany and volume subcontracted in for other operators
2. TEU-twenty foot equivalent unit
3. Pre material items

Terminals & Logistics reported a 0.1% increase in revenue to $749.3m on the pcp. Revenue was driven by:

- A 3.7% increase in revenue from the Container Terminals business over the pcp driven by a 2.8% increase in container lifts over the period (contracted lift volume increased 3.6% however volume subcontracted in from other parties declined 92% over the pcp. This compares to estimated market growth in lifts of 2.3%);
- Strong increases in lifts were recorded at Fremantle and East Swanson Dock compared to the pcp reflecting the benefit of new contracts secured over the last eighteen months. Fisherman Islands reported an increase in lifts for the full year reflecting a strong turnaround in 2H FY15 compared to the pcp with the benefit of a new contract. Lifts at Port Botany declined over the pcp primarily as a result of disruption caused by the cross over to full automation and severe weather closing the port for three days in April;
- Market share over the 12 month period is estimated to have been 47.9% (based on contracted lifts) compared to 47.4% (based on contracted lifts) in FY14, a strong result given the increasing competition from a third operator in the Brisbane and Sydney markets. Rolling three month average market share at 30 June 2015 was 47.6% (based on contracted lifts) impacted by the disruption at Port Botany over the last quarter of the fiscal year;
- Revenue from the Logistics Division declined 7.5% over the 12 month period reflecting the loss of contracts compared to the pcp.

2.2.6 Terminals & Logistics Underlying EBIT Bridge

($'m)	Bridge to FY15 EBIT	FY15 actual	FY14 actual
FY14 Underlying EBIT	**150.3**		
Price/ Mix/ Volume	0.6		
Costs / Other	(9.7)		
BIP	20.8		
Depreciation & Amortisation	(4.5)	(55.3)	(50.8)
External M&A advisor fees	(1.0)	(1.0)	
Industrial Disputes	1.4		(1.4)
FY15 Underlying EBIT	**157.9**	**(56.3)**	**(52.2)**

Underlying EBIT increased 5.1% on the pcp to $157.9m. Key factors impacting the result included:

- A 9.2% growth in EBIT from the Container Terminals;
- The impact of lost contracts and a competitive environment on the Logistics result declining 50% (100% owned for full 12 month period) on the pcp;
- The benefits of BIP initiatives delivering a further $20.8m and the general cost containment program across the Division; and
- An 8.9% increase in depreciation and amortisation over the period reflecting the high level of capital investment across the business over the last twelve months.

Capital expenditure for the period declined 17.2% to $230.2m reflecting costs associated with the Port Botany redevelopment project, the replacement of older equipment at Fisherman Islands and general maintenance work across all four Container Terminals and the logistics business.

ROCE declined to 6.5% reflecting the significant level of investment in the Division during the year. Excluding goodwill ROCE remains well above cost of capital at 17.2%.

The Division reported a net material expense before tax of $36.9m (after tax $25.8m) primarily related to the redevelopment of Port Botany. Items provided for include:

- Costs associated with business disruption caused by construction on the Port Botany terminal site;
- Further redundancy costs;
- Commissioning costs including staff training; and
- Legal and general industrial relations costs.

2.2.7 Outlook

Terminals & Logistics is expected to report an improved performance in Underlying EBIT in FY16. The factors that will impact its results include:

- The benefits of the redevelopment of Port Botany and underlying market volume growth;
- The impact of increasing competition in the Australian container stevedoring market on pricing;
- Patrick retaining both its share of consortia volumes and existing contract volumes to maintain or increase market share;
- The focus of the business will continue to be on improving customer service, improving operational performance and exploiting the leverage in the business in particular post the redevelopment of Port

Botany. To this end Asciano has recently renewed one of its shipping line contracts and has extended its contract with one of its other major customers. The Division now has 72% of its business under contract until at least late 2017;

- The Logistics joint venture with ACFS will be equity accounted in FY16 from 1 August 2015. This will result in a decline in the reported revenue of Terminals & Logistics in the order of 17-19% compared to the pcp. The impact on EBITDA and EBIT will not be material; and
- The Division has been shortlisted under the tender process to renew its lease at Fremantle (which expires in 2017). The Western Australian government has deferred the process until September.

Terminals & Logistics longer term outlook will be influenced by factors such as the level of GDP growth in Australia, the strength of competition in the Australian stevedoring market place and any further outsourcing of the Australian manufacturing sector offshore.

2.3 Patrick Bulk & Automotive Port Services

2.3.1 Business Overview

The Division comprises two operations Patrick Ports & Stevedoring and Patrick Autocare.

Patrick Ports & Stevedoring

Ports & Stevedoring specialises in the management of ports and supporting infrastructure and the provision of port related logistics at more than 40 sites across Australia and New Zealand. Activities across these sites include:

- Port ownership and management
- Bulk stevedoring and cargo handling
- Forestry services
- Transport and Logistics – services focused on regional areas
- Intermodal – road, rail and wharf
- Containers – packing and handling
- Storage - warehousing, grain and bulk

Ports & Stevedoring has joint venture interests in:

- Port of Geelong Unit Trust – Asciano owns 50% of the Port of Geelong Unit Trust with Deutsche RREEF owning the remaining 50%. Ports & Stevedoring operates the port as well as carrying out stevedoring activities at the port.
- Australian Amalgamated Terminals (AAT) - Asciano owns 50% of AAT with Qube owning the remaining 50% interest. AAT focuses on the development and operation of multi user facilities in port areas, such as providing specialist cargo handling facilities for stevedores and other waterfront service providers.
- Albany Bulk Handling – Asciano owns 50% of a joint venture with Itochu owning the remaining 50%. The joint venture is a woodchip export facility in Albany, Western Australia.

Patrick Autocare

Autocare is Australia's leading integrated service for the transportation, processing and storage of motor vehicles. Its key customers are the car companies and increasingly the beneficial freight owners (primarily the car dealers). Autocare is a joint venture between Asciano (80%) and NYK Line (20%) and is the manager of the Car Compounds of Australia joint venture with Mitsui O.S.K Lines (50% ownership by Asciano). The business operates out of wharf facilities in Queensland, New South Wales, Victoria, South Australia and Western Australia. Patrick handles approximately 50% of new automobile imports into Australia.

Autocare's principal activities involve:

- Distribution – providing local, country and interstate road and interstate rail transportation of cars and light trucks for local manufacturers, auto-importers and dealerships with logistics facilities in all states and the Northern Territory. Revenue is driven by the number of local, country and interstate vehicle movements.
- Vehicle processing – provides comprehensive services including the installation of high value accessories, completion of vehicle build to Australian standards, major fleet servicing and refurbishment. Revenue is driven by the number of vehicles processed and build complexity.
- Vehicle storage – for automotive manufacturers, importers and dealerships on a short term basis including facilities to accommodate vehicle washing, minor repairs and protection from the elements. Revenue is driven by storage days.

2.3.2 Strategic Objective

The Divisions strategic objective is to be a flexible supply chain solutions provider, delivering superior innovative services. We will partner with our customers to create a trusted service and be a supplier of choice, leveraging critical expertise, infrastructure and a high performance culture whilst ensuring our a safe working environment for our people. The Division seeks to rapidly deploy capital and labour to exceed customer expectations. Its competitive advantage is underpinned by its scale and ability to manage complex customer requirements.

2.3.3 Key Business Risks

The key business risks impacting the Division are covered in the overarching business risks listed in paragraph 1.3. Specific examples of these risks as they pertain to the businesses include:

- **Activity levels in the resources, shipping, steel, agriculture, chemical and imported car industries which are linked with general economic activity both in Australia and globally**
- **Competition**
  - The bulk ports and stevedoring sector is a fragmented, highly competitive market with generally low barriers creating an environment for potential price discounting and disruption to the market
  - Potential for market share losses by key automotive customers
- **Rising land and site rental costs**
- **Customer service**
  - Loss of a major customer due to poor service standards or pricing

The Division seeks to mitigate these risks through an ongoing focus on customer service, innovation, a focus on the management of the cost base, productivity improvements and proactive and effective engagement with key external stakeholders. It should be noted that not all of these risks are within the direct control of the Division.

2.3.4 FY15 Earnings and Volume Summary

Year ended 30 June $'m	2014	2015	% chg
Vehicles processed[1] ('000)	526.1	533.3	1.4
Vehicle storage days ('000)	22,715.3	15,043.8	(33.8)
Vehicle movements ('000)	1,037.3	1,049.9	1.2
Bulk Tonnes Stevedored	11,588.8	11,830.3	2.1
Underlying[2] Revenue and other income ($'m)	793.4	705.4	(11.1)
Underlying EBITDA ($'m)	120.0	113.9	(5.1)
Underlying[2] EBIT ($'m)	89.5	83.2	(7.0)
EBITDA margin (%)	15.1	16.1	1.0
EBIT margin (%)	11.3	11.8	0.5
ROCE (%)	15.5	13.9	(157bps)
Cash Conversion (%) (Operating cash flow / EBITDA)	107.1	82.7	(24.4)
Total capex ($'m)	48.3	65.1	34.8
Growth capex ($'m)	20.1	49.9	148.3
Sustaining capex ($'m)	28.2	15.2	(46.1)
Gain on Asset Sale ($'m)	-	19.8	-
Full Time Employees	2,901	2,654	(8.5)

1. Now includes imported and exported vehicles handled
2. Underlying – pre material items

Underlying revenue declined 11.1% on the pcp to $705.4m. The result was driven by:

- The inclusion of the settlement with the PoMC over the redevelopment of Webb Dock in FY14 of $25m offset to an extent by profit on the sale of land at Laverton in the FY15 result of $19.8m;
- Revenue from the Gorgon contract more than halving over the pcp to approximately $30m;
- Operating revenue from the Autocare business declining 6.3% reflecting ongoing weakness in storage volumes; and
- Soft volumes across a number of other stevedoring sites across Australia reflecting lower commodity and agricultural volumes.

Underlying EBITDA declined 5.1% on pcp to $113.9m although EBITDA margins improved 100 bps to 16.1%. The after tax contribution from equity accounted profits increased 23% over the pcp driven primarily by:

- A 13.1% increase in the contribution from the AAT joint venture;
- A 68.4% increase in the contribution from Port of Geelong Unit Trust.

BIP initiatives contributed $10.1m primarily reflecting an 8.5% decline in full time employees over the 12 month period the result of a significant restructure of the Division.

2.3.5 Bulk & Automotive Port Services Underlying EBIT Bridge

('m)	Bridge to FY15 EBIT	FY15 actual	FY14 actual
FY14 Underlying EBIT	**89.5**		
Price/ Mix/ Volume	(73.5)		
Costs	40.6		
BIP	10.1		
Depreciation & Amortisation	(0.1)	(30.6)	(30.5)
Asset Sales	19.8	19.8	
Business Restructure and other	(3.2)	(1.8)	1.4
FY15 Underlying EBIT	**83.2**	**(12.6)**	**(29.1)**

Underlying EBIT decreased 7% to $83.2m driven by:

- A decline in EBIT from Autocare reflecting a 33.8% decline in vehicle storage days from the record high in FY14 and increased competition on margins;
- The $19.8m profit on the sale of the Laverton site;
- A marginal improvement in the contribution from Bulk Port Services reflecting an improvement in the EBIT contribution from the Gorgon project following the inclusion of redundancies in last years result
- The impact of BIP initiatives over the period of $10.1m; and
- A 1.7% increase in the contribution from the C3 forestry services business, softer log volumes in New Zealand offset by new business in Australia.

ROCE declined 157bps over the 12 month period to 13.9% but remains above the Group's cost of capital.

Capital expenditure over the period increased 34.8% to $65.1m and included the acquisition of the $18m Patrick Marine facility in Dampier which came online just prior to the end of the fiscal year.

The Division reported a pre tax material expense of $4.2m reflecting redundancies associated with the restructure of the business announced at the interim result this year.

2.3.6 Outlook

Bulk & Automotive Port Services is expected to report a relatively flat underlying earnings result in FY16. The performance and strategic direction of the division in FY16 will be impacted by a number of factors including:

- The contribution of the profit on the sale of the Laverton property in FY15 is unlikely to be repeated;
- At this stage the Division expects to see a recovery in New Zealand log volumes across the 12 month period as stock piles in China in particular wind down;
- Storage days in the Autocare business have started to improve and are expected to be above FY15 levels in FY16;
- There is expected to be a stabilisation of volumes at Bulk Ports around the country and an initial contribution from the Patrick Floating Marine Platform in Dampier.
- The Gorgon project is expected to continue to make a contribution to earnings in FY16 albeit lower than the contribution in FY15.

The Division's longer term outlook will be influenced by factors such as the level of GDP growth in Australia and global demand for Australian mineral services.

3 Group Outlook

- Assuming no material change in the current business environment Asciano is currently expecting to report flat to low single digit underlying EBIT growth in FY16. This will be driven by the ongoing benefits of the BIP program offsetting the impact of expected relatively flat top line growth and an expected 11-12% increase in the depreciation and amortisation charge;
- The Company currently expects free cashflow after capex to increase significantly in FY16;
- Key factors driving the earnings outlook include:
  - The full year benefit of initiatives under the BIP program in FY15 and ongoing benefits of new initiatives in FY16. The Company is now confident of exceeding its FY16 $300m target by up to 10%, more than doubling the original $150m target established at the beginning of the five year plan;
  - A relatively flat volume outlook for Pacific National which will be contingent on economic activity in key parts of the economy in Australia, demand for Australian coal exports and weather impacts on coal and agricultural volumes. Intermodal volumes will also be impacted by the market share of its freight forwarding customers and the market share of rail versus other modes of transport;
  - The full year benefit of new customer wins in the Container Terminals business combined with an improvement in the performance and market share at Port Botany following the disruption in FY15 caused by the redevelopment of Port Botany;
  - Volumes through the Container Terminals in general will be impacted by economic activity in Australia;
  - Activity levels in Bulk & Auto Port Services are expected to stabilise in FY16 with some key areas of recovery including storage days in Autocare and New Zealand log volumes. Activity levels in general will be impacted by the levels of agricultural and commodity export and import volumes;
  - Following the decision to integrate the leadership teams of Terminals & Logistics and Bulk & Auto Port Services there will be a further reduction in overhead costs across the two Divisions.
- Net financing costs expensed through the P&L will increase in FY16 following the launch of the Port Botany project and a decline in associated capitalised interest. Cash financing costs are expected to be flat over the period;
- Total capital expenditure in FY16 is forecast to be in a range of $390-440m as previously advised;
- Leverage is expected to continue to decline to be at the bottom end of the target range of 2.5x-3.0x by the end of FY16;
- Despite the difficult macro environment Asciano remains committed to driving the programs introduced over the last few years including safety, people and teamwork and customer. The progress made under these programs is already shaping a cultural transformation within the organisation and are now starting to have a direct and identifiable impact of bottom line performance.

ENDS

4 Definitions

- **Revenue -** Revenue and other income
- **Material items -** Material items include continuing material items, discontinued material items and gains or losses on sale of discontinued operations
- **EBITDA -** Profit before interest, tax, depreciation and amortisation
- **EBIT -** Profit before interest and tax
- **NPAT -** Net profit after tax
- **OCFPIT -** Operating cash flow pre interest and tax
- **PCP -** Prior corresponding period
- **ROCE** - Return on capital employed (EBIT / average capital employed) 12 months rolling
- **ROE** – Return on equity (NPAT and material items/ Average Total Equity)
- **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), 12 months rolling
- **Cash conversion (group) -** OCFPIT / EBITDA
- **Cash conversion (divisional) -** Operating cash flow / EBITDA
- **Operating cash flow** - EBITDA plus change in net working capital plus interest paid plus tax paid
- **BAPS** – Bulk & Automotive Port Services
- **WIP**- Work in Progress
- **BIP** – Business Improvement Program
- **DPS** – Dividend per share
- **TSR** – total shareholder return
- **TEU** – twenty foot equivalent unit
- **FY-** financial year
- **1H** – first half
- **2H** – second half
- **PoMC** – Port of Melbourne Corporation