Wednesday, 24 February 2016

The Manager
Company Announcements Office
Australian Securities Exchange
Level 45, South Tower Rialto
525 Collins Street
MELBOURNE VIC 3000

Dear Sir/Madam,

FY16 Half Year Results

Asciano is pleased to release its financial results for the half year ended 31 December 2015. Please find attached an Appendix 4D Half Year Report.

The Company will conduct an investor briefing commencing at 9.30am this morning. The briefing will be webcast and can be accessed through the Company's website at www.asciano.com.au. The investor briefing pack is also attached to this announcement.

Yours faithfully,

Lyndall Stoyles

Lyndall Stoyles
Group General Counsel & Company Secretary

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Financial Year 2016

Half Year Financial Results

For the six months ended 31 December 2015

Incorporating the requirements of Appendix 4D

APPENDIX 4D

Asciano Limited
Results for announcement to the market
for the half year ended 31 December 2015

Six Months Ended 31 December ($'m)	2014	2015	% chg
Statutory Revenue and other income	1,947.1	1,863.4	(4.3)
Underlying EBITDA [1,2]	563.9	568.4	0.8
Statutory EBITDA[2]	547.7	547.7	0.0
Underlying EBIT [3,4]	391.1	380.3	(2.8)
Statutory EBIT[3]	374.9	359.6	(4.1)
Underlying NPAT [5,6] after minority interests	201.1	214.3	6.6
Statutory NPAT[6] after minority interests	189.7	199.8	5.3
Basic earnings per share – cents	19.4	20.5	5.7
Diluted earnings per share – cents	19.4	20.5	5.7
Net tangible asset backing per share – dollars	1.06	1.40	32.1
Interim dividend per share - cents	8.25	13.0	57.6

1. Pre material items of $20.7m ($16.2m in 1HFY15)
2. EBITDA refers to earnings before net financing costs, tax, depreciation and amortisation
3. EBIT refers to earnings before net financing costs and tax
4. Pre material costs of $20.7m (1HFY15 $16.2m)
5. Pre material costs of $14.5m (pre material costs of $11.4m in 1HFY15)
6. NPAT refers to net profit after tax

The Board of Directors determined on 24 February 2016 that a fully franked interim dividend of 13 cents per share will be paid by Asciano Limited on 24 March 2016. The record date for entitlement to the dividend is 2 March 2016 and the stock will trade ex-entitlement on 29 February 2016. The dividend of $126.8m was not recognised as a liability at 31 December 2015. The dividend reinvestment plan will not be active for this dividend.

The interim results commentary is unaudited. Notwithstanding this, the Appendix D, the MD&A and results presentation includes certain financial data which is extracted or derived from the Half Year Financial report for the six months ended 31 December 2015 which has been reviewed by the Group's Independent Auditor.

Half Year Report

For the six months ended 31 December 2015

Contents

Further Information:

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24 February 2016

Focus on capital management delivers significant growth in free cash flow

Highlights

- ✓ Revenue declined 4.3% on the pcp, adjusted revenue[1] declined 1.5% on the pcp
- ✓ Strong Queensland coal volumes offset by flat or soft volumes in other areas
- ✓ Volumes tied to Western Australian economy and resource project work soft
- ✓ BIP initiatives contributed $39.7m taking the cumulative total to $298m
- ✓ Underlying EBITDA increased 0.8% reflected ongoing benefits of BIP and other initiatives
- ✓ Underlying NPAT increased 6.6% to $214.3m
- ✓ Underlying EPS increased 6.8% to 22cps
- ✓ Fully franked interim dividend of 13.0cps up 58% on pcp, represents 59% payout ratio
- ✓ Material Item of negative $14.5m after tax reflects transaction and restructuring costs
- ✓ Capital expenditure declined 46.2% on pcp to $142.3m
- ✓ Free cash flow after capital expenditure increased 234% to $189.7m
- ✓ Leverage now at the bottom end of the Company's target range at 2.56x
- ✓ Full year FY16 guidance of flat to low single digit underlying EBIT growth maintained

Result Summary

Six months ended 31 December ($'m)	2014	2015	%chg
Statutory Revenue and other income	1,947.1	1,863.4	(4.3)
Underlying EBITDA[1,2]	563.9	568.4	0.8
Underlying EBIT[3,4]	391.1	380.3	(2.8)
Underlying PBT[5,6]	284.2	272.6	(4.1)
Underlying NPAT after minority interests [7,8]	201.1	214.3	6.6
Material items after tax	(11.4)	(14.5)	27.2
Statutory NPAT after minority interests[8]	189.7	199.8	5.3
Fully diluted underlying EPS[7] after minority interests (¢)	20.6	22.0	6.8
Fully diluted statutory EPS after minority interests (¢)	19.4	20.5	5.7
DPS (¢)	8.25	13.0	57.6

1. Pre material items of $20.7m ($16.2m in 1HFY15)
2. EBITDA refers to earnings before net financing costs, tax, depreciation and amortisation
3. EBIT refers to earnings before net financing costs and tax
4. Pre material costs of $20.7m (1HFY15 $16.2m)
5. PBT refers to profit before tax
6. Pre material costs of $20.7m (pre material costs of $16.2m in 1HFY15)
7. Pre material costs of $14.5m (pre material costs of $11.4m in1H FY15)
8. NPAT refers to net profit after tax

[1] Adjusted for coal access and fuel pass through and the creation of the metropolitan logistics joint venture equity accounted from 1 August 2015

CEO Commentary

Commenting on the result Asciano Managing Director and Chief Executive Officer John Mullen said, “The Company has reported a solid result that continues to deliver on a number of the commitments under our five year plan despite the ongoing weakness in some areas of the economy impacting volumes and thus top line growth. The result is pleasing in light of the current business environment. Underlying EPS growth of 6.8% combined with a 234% increase in free cash flow has given the Board the confidence to declare a 58% increase in the interim dividend to 13.0 cents per share (cps) representing a payout of 59%.

“The result benefitted from another strong performance in coal haulage with a 6.9% increase in coal NTKs over the pcp, and a 4.2% increase in other bulk tonnes hauled. These gains were offset by flat or weaker volumes across other areas of the business, in particular those parts of the business exposed to the Western Australian economy and resources related activity. In light of the soft top line, underlying EBITDA growth of 0.8% was a good result underpinned by BIP initiatives which generated a further $39.7m in benefits and a general focus on cost control across the business.

“The Pacific National rail haulage division reported a 1.4% increase in EBITDA driven by strong performance from our coal haulage business with an 11.8% increase in Queensland NTKs and a 3.2% increase in NSW coal compared to the pcp. The performance of both regions reflecting ongoing high rates of contracted haulage by our key customers. Intermodal revenue declined 4.7% reflecting weakness in the key east-west route offset to an extent by improved volumes north-south. Other Bulk volumes increased 4.2% benefitting from strong building materials volumes and an improvement in grain volumes. EBIT was flat on the pcp impacted by a 4.8% increase in depreciation reflecting the significant investment in the business over the last few years.

“The Patrick port services division reported a 4.2% increase in EBITDA a solid result driven by the contribution from BIP initiatives and cost control. Total revenue declined 9% over the pcp however stripping out the impact of the creation of the metropolitan logistics joint venture ACFS Port Logistics effective 1 August 2015, the division reported a decline in revenue of 1.8% on the pcp to $655.4m. Volumes were impacted by the soft Western Australian economy, the downturn in resources projects generally and the impact of drought on some agricultural volumes.

“As we foreshadowed, capital expenditure declined materially as projects associated with business reinvestment in the last few years have been completed. Total capital expenditure for the period declined 46.2% to $142.3m, the Company now expects FY16 capital expenditure to be approximately $350m, down from the previous forecast range of $390-440m. Cash capital expenditure in FY16 is expected to be approximately $390m, the difference reflecting capital expenditure accrued in FY15.

“The 234% increase in free cash flow was driven by a 46.2% decline in capital expenditure combined with an 8.7% increase in operating cash flow after tax and interest, which reflected a strong focus on reducing working capital over the period.

“The increase in free cash flow has resulted in our rolling 12 month leverage continuing to decline to 2.56x - at the bottom end of the Company’s target range of 2.5-3.0x and pleasingly inline with our medium term forecasts” said Mr Mullen.

Update on Transaction

On 16 February 2016 Asciano announced that the Board had determined that a revised proposal put forward by a consortium comprising Qube Holdings Limited (Qube), Global Infrastructure Partners (GIP), Canada Pension Plan Investment Board (CPPIB) and CIC Capital Corporation (CIC Capital) (together, the Qube Consortium) to acquire up to 100% of the issued capital of Asciano (Qube Consortium Proposal) was superior to the takeover offer from Brookfield Infrastructure Partners Limited (Brookfield Infrastructure) dated 9 November 2015. The Asciano Board therefore unanimously recommends the Qube Consortium Proposal to Asciano shareholders.

The off-market takeover bid proposes to acquire all of the shares in Asciano for a consideration of A$7.04 in cash (including the amount of permitted dividends) and 1 Qube share per Asciano share.[2]

The Qube Consortium Proposal is subject to a number of key terms[2] including (among others):

- Conditions precedent including:
  - Minimum acceptance condition of 50.1% of Asciano shares on issue[3];
  - Regulatory approvals (FIRB, ACCC, NZ OIO, European Commission, and any required ASIC or ASX approvals);
  - no Asciano prescribed occurrences or material adverse change occurring;
- Approval by ordinary resolution of Asciano shareholders of the sale of Ports and BAPS and the payment of net proceeds to non-accepting Asciano shareholders by way of a pro rata capital return;
- Exclusivity provisions (including no shop and no talk, fiduciary exception, notification of approaches, matching right); and
- Break fee equal to A$88 million payable upon a change of control of Asciano or a material breach by Asciano of the terms of the Qube Consortium Implementation Deed.

[2] Further details on the Qube Proposal and the Conditions precedent are contained in the ASX announcement dated 16th February 2016 “Asciano recommends Qube Consortium Proposal”
[3] Includes the relevant interest held by the Qube Consortium

On 23 February 2016 Asciano announced that it had received letters from both the Qube Consortium and the consortium comprising, Brookfield Infrastructure (and certain of its affiliates), GIC Private Limited (and certain of its affiliates), British Columbia Investment Management Corporation Pty Limited and their consortium vehicle, Nitro Corporation Pty Limited (together the Brookfield Consortium) regarding preliminary discussions between the two parties that relate to a potential transaction to acquire 100% of the issued capital of Asciano by way of a scheme of arrangement for an all cash consideration of A$9.28 per Asciano share (inclusive of permitted dividends paid including the interim dividend of 13cps). The current intention is that Asciano's Ports business would be subsequently sold to specific consortium members (detailed in the letters attached to the ASX announcement dated 23 February 2016).

While the Asciano Board considers that the $9.28 per share all cash nature of the Brookfield and Qube Consortium Indicative Proposal is likely to be attractive to Asciano shareholders, Asciano notes that the discussions are preliminary and a number of steps would need to occur prior to any binding proposal eventuating.

In the absence of any alternative superior proposal capable of acceptance, the Asciano board continues to recommend the Qube Consortium Proposal as announced on 16 February 2016, subject to an independent expert opining that the takeover offer under the Qube Consortium Proposal and the associated sale of each of the Ports and BAPS businesses are fair and reasonable to Asciano shareholders.

Dividends

The Asciano Board of Directors has resolved to pay a fully franked interim dividend of 13.0cps, an increase of 58% over the pcp. The dividend represents a payout ratio of 59%.

The balance of Asciano's franking credit account at 31 December 2015 was $390m. The balance will support fully franked dividends of approximately 93cps. The franking credits associated with the 13.0cps interim dividend are $54m. Any further franking credits created by tax payments made in the six months to 30 June 2016 are expected to be offset by tax refunds related to amended assessments that have been lodged. Subject to Australian Tax Office approval it is the Asciano Board's intention to pay permitted dividends to eligible Asciano shareholders to enable the distribution of franking credits to them in connection with any change of control of Asciano.

Outlook

Assuming there is no material change in the current business environment, Asciano continues to expect to report flat to low single digit EBIT growth in FY16. The result will be driven by an ongoing focus on delivering the benefits of BIP initiatives commenced over the last two years and an ongoing general cost control reduction program to offset the flat to negative top line growth environment and the material increase in the depreciation and amortisation charge forecast for the full year. The Company expects cash flow to continue to grow at a materially faster rate than EBIT and now expects free cash flow after capital expenditure to be in excess of $400m in FY16 (excluding the impact on free cash flow of the payment of the $88m break fee to Brookfield Infrastructure).

Asciano expects to report a significant increase in the material items cost in FY16. The final reported material items will be subject to the quantum of further transaction costs and will include the break fee of $88m recently paid to Brookfield Infrastructure Limited (Brookfield Infrastructure) under the terms of the amended Bid Implementation Deed between Asciano and Brookfield Infrastructure dated 9 November 2015.

Pacific National volumes in 2H FY16 are expected to reflect similar market trends to 1H FY16. Coal haulage is expected to continue at similar high rates of contracted tonnage however NSW coal haulage volumes will be impacted by a contracted reduction in the haulage task over 2H FY16 offset to an extent by incremental new tonnage secured under existing contracts. Intermodal volumes will be linked to Australian economic activity in particular in Western Australia. Other bulk volumes will be tied primarily to agriculture, commodity and building material cycles.

Patrick’s reported revenue for FY16 will continue to be impacted by the creation of the ACFS Port Logistics joint venture. Container lift growth rates in 2H FY16 will be driven by Australian economic growth and the benefit of new contracts into East Swanson Dock. The Division will continue to focus on restructuring the Bulk & Auto Port Services activities to current market conditions and leveraging areas of strength including Autocare and forestry services.

Patrick will continue to focus on its BIP initiatives including delivering the benefits that are expected to emerge from the redevelopment of the Port Botany container terminal and completing the integration of the two port businesses to create a focused leadership team.

Mr Mullen continued “I would like to once again thank our key stakeholders, in particular our employees and our customers, for their support in the face of a difficult business environment and in light of any uncertainty that may have been created by the various public proposals that have been put forward around a change in the ownership of the Asciano Group. The senior leadership team is extremely focused on ensuring that the impact of these proposals on Asciano’s operating businesses is minimised and that customer service standards and relationships and the safety and well being of our employees remain the priority. We will continue to keep all stakeholders informed of the impact of these proposals on the Group as and when appropriate” concluded Mr Mullen.

Financial Year 2016

Half Year Financial Results

Management Discussion & Analysis

Management Discussion & Analysis - Table of Contents

"Underlying" Earnings Classification

The Management Discussion & Analysis includes references to "Underlying" earnings (Revenue, 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 reviewed by the Group's external auditors however the adjustments have been extracted from the books and records that have been reviewed by the Group's independent auditor.

Outlook Statements

Note the outlook comments are on the basis of Asciano continuing as a standalone listed entity

MANAGEMENT DISCUSSION & ANALYSIS

1 Group Operating Performance

1.1.1 1H FY16 Earnings Summary

Six Months Ended 31 December $‘m	2014	2015	% chg
Revenue and other income	1,947.1	1,863.4	(4.3)
Pacific National	1,231.3	1,214.9	(1.3)
- Bulk Rail	752.5	758.5	0.8
- Bulk Rail(net of coal access)	662.7	649.8	(1.9)
- National Intermodal	478.8	456.4	(4.7)
Patrick	737.1	670.4	(9.0)
- Terminals & Logistics	360.3	313.4	(13.0)
- Bulk & Automotive Port Services	376.8	357.0	(5.3)
Eliminations / unallocated	(21.3)	(21.9)	2.8
Underlying EBITDA[1]	563.9	568.4	0.8
Underlying Depreciation	149.3	160.2	7.3
Amortisation	23.5	27.9	18.7
Underlying EBIT[1]	391.1	380.3	(2.8)
Pacific National	291.1	290.9	(0.1)
- Bulk Rail	213.5	218.7	2.4
-National Intermodal	77.6	72.2	(7.0)
Patrick	115.8	116.7	0.8
- Terminals & Logistics	86.4	84.8	(1.9)
- Bulk & Automotive Port Services	29.4	31.9	8.5
Corporate	(15.8)	(27.3)	72.8
Net interest and associated costs	(106.9)	(107.7)	0.7
Underlying Profit[1] before tax	284.2	272.6	(4.1)
Underlying Tax[1] expense	(82.6)	(57.5)	(30.4)
Outside equity interests	(0.5)	(0.8)	60.0
Underlying Net Profit[1] after tax and minority interests	201.1	214.3	6.6
Material items before tax	(16.2)	(20.7)	27.8
Material items after tax	(11.4)	(14.5)	27.2
Profit attributable to owners of Asciano Limited	189.7	199.8	5.3
Full time employees at period end	8,534	7,642	(10.5)
EBITDA margin net of coal access (%)	30.4	32.4	2.0
EBIT margin net of coal access (%)	21.1	21.7	0.6
Diluted Earnings per share (¢)	19.4	20.5	5.7
Diluted weighted average shares (m)	977.9	975.8	(0.2)

1. Pre material items - For further details on material items refer paragraph 1.1.12

1.1.2 Reconciliation of Revenue Movements

Six Months Ended 31 December $‘m	2014	2015	%chg
Asciano revenue and other income:	**1,947.1**	**1,863.4**	**(4.3)**
- Pass through coal access charges in revenue	89.8	108.7	21.0
- Pass through fuel costs in revenue	78.8	59.6	(24.4)
- Logistics revenue associated with ACFS joint venture[1]	69.8	11.9	(83.0)
Asciano revenue and other income adjusted for coal access, fuel and the creation of the logistics joint venture	**1,708.7**	**1,683.2**	**(1.5)**

1. The material decline in logistics revenue reflects the establishment of the metropolitan logistics joint venture with ACFS. The joint venture has been equity accounted from 1 August 2015

Asciano revenue and other income declined 4.3% over the six month period to 31 December 2015 to $1.9bn reflecting:

- A 1.3% decline in Pacific National revenue reflecting strong growth in Queensland Bulk Rail revenue offset by lower Bulk Rail revenue in NSW/Vic and lower Intermodal revenues
- Adjusting for the decline in fuel prices over the period and coal access charges, Bulk Rail revenue increased 1.1% over the pcp and Pacific National revenue declined 1.5% for the six month period over the pcp
- Patrick Port Logistics completed a joint venture with ACFS Port Logistics (ACFS) on 31 July 2015 which brought together the metropolitan logistics businesses of Patrick and ACFS. The material decline in logistics revenue reflects the establishment of the joint venture which has been equity accounted from 1 August 2015
- Removing the impact of the creation of the joint venture, Patrick’s revenue declined 1.8% to $655.4m, which mainly related to soft conditions in some parts of the Container Terminals business and lower activity levels in some parts of the Bulk Port operations

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

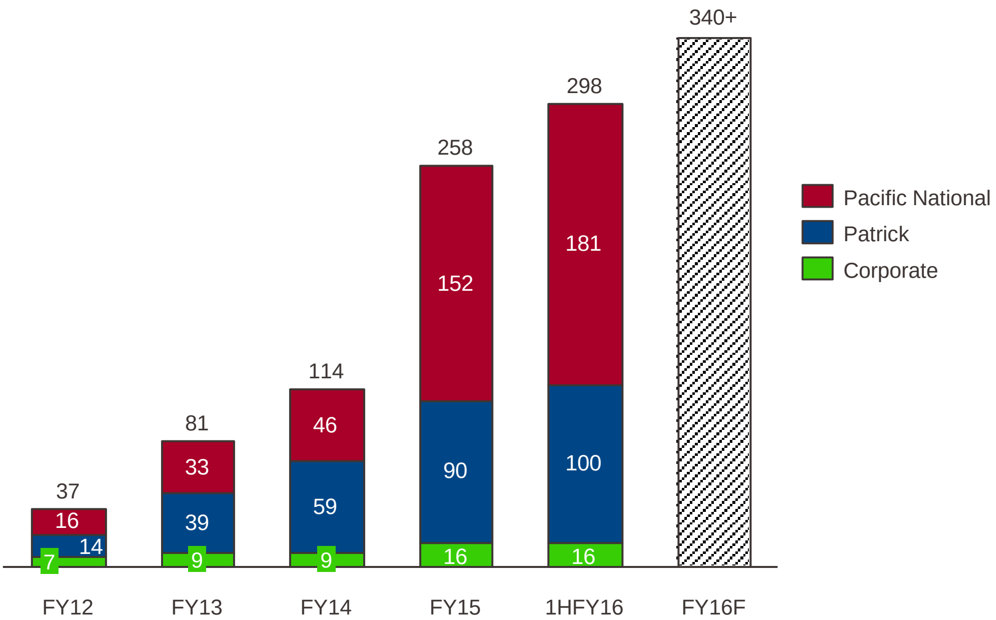
Operating expenses declined 6.5% over the pcp. Key factors driving the decline include:

- Employee benefits declined 5.5% over the pcp primarily reflecting a 10.5% decline in full time employees (FTE) compared to the pcp reflecting a 17.2% decline in FTEs in Patrick and a 2.2% decline in FTEs in Pacific National. The reduction in FTEs offset contractual wage increases across the Group
- A 28.2% decline in fuel, oil and power expenses over the pcp primarily reflecting an average decline of 24% in diesel fuel prices over the pcp
- A 7.9% decline in repairs and maintenance reflecting a material reduction in Pacific National costs following the renegotiation of contracts over the last eighteen months and a reduction in Terminals & Logistics following the significant capital reinvestment program over the last few years
- Rail access charges increased 10.1% primarily reflecting increased volumes hauled in Queensland and regulated increases in access charges in some coal systems in Queensland

Asciano continued to focus on its business improvement plan (BIP) over the six month period. The program delivered a further $39.7m in benefits for the half year taking the cumulative total of the five year FY16 program to $298.7m, only slightly below the $300m five year FY16 cumulative target. The key programs contributing to savings in the six month period included the redevelopment of Port Botany in Patrick and the ongoing benefits of programs initiated with the integration of Asciano's two rail divisions into one division.

The Company expects the five year plan to deliver cumulative savings in excess of $340m by 30 June 2016.

Cumulative BIP Savings Under 5 Year Plan ($'m)



Asciano's EBITDA margin (net of coal access) improved 200bps over the pcp reflecting the creation of the ACFS joint venture removing lower margin activities, the benefit of the gain on disposal of land and the ongoing focus and benefits of BIP initiatives and overall cost control.

The increase in EBITDA includes an 11.4% increase in Asciano's share of profit after tax in equity accounted investments over the pcp to $8.8m.

1.1.3 Reconciliation of Divisional Statutory EBITDA to Underlying EBITDA

Six months ended 31 December 2015 $'m	Group	Pacific National	Patrick	Corporate
Statutory EBITDA	**547.7**	**415.1**	**156.8**	**(24.2)**
Patrick restructuring costs	7.1		7.1	
Pacific National restructure costs	5.2	5.2		
Costs associated with M&A activity	8.4			8.4
Total Material Items before Tax	**20.7**	**5.2**	**7.1**	**8.4**
Underlying EBITDA	**568.4**	**420.3**	**163.9**	**(15.8)**

The difference between the statutory EBITDA and underlying EBITDA relates to the items listed in the table above which have been treated as material items for the purposes of this report. *For further details on Material Items please refer to paragraph 1.1.12*

1.1.4 Reconciliation of Statutory EBITDA to Underlying EBITDA

Six months ended 31 December 2015 $'m	2014	2015
Statutory EBITDA	**547.7**	**547.7**
Patrick	16.8	7.1
Pacific National		5.2
Corporate	(0.6)	8.4
Total Material Items before tax	**16.2**	**20.7**
Underlying EBITDA	563.9	568.4

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

1.1.5 Depreciation and Amortisation

Depreciation increased 7.3% over the pcp reflecting the significant capital expenditure program over the last few years, in particular in the Terminals & Logistics division at Port Botany and the acquisition of rolling stock for new coal contracts.

The Company continues to expect depreciation and amortisation in FY16 to be in the range of $380-400m.

1.1.6 Reconciliation of Statutory EBIT to Underlying EBIT

Six months ended 31 December 2015 $'m	2014	2015
Statutory EBIT	**374.9**	**359.6**
Patrick	16.8	7.1
Pacific National		5.2
Corporate	(0.6)	8.4
Total Material items before tax	**16.2**	**20.7**
Underlying EBIT	391.1	380.3

The difference between statutory EBIT and underlying EBIT relates to the items listed in the table above which have been treated as material items for the purposes of this report. *Further details on this item are included in the disclosure on Material Items in paragraph 1.1.12*

1.1.7 Reconciliation of Divisional Statutory EBIT to Underlying EBIT

Six months ended 31 December 2015 $'m	Total Group	Pacific National	Patrick	Corporate
Statutory EBIT	**359.6**	**285.7**	**109.6**	**(35.7)**
Patrick restructuring costs	7.1		7.1	
Pacific National restructure costs	5.2	5.2		
Costs associated with M&A activity	8.4			8.4
Total Material Items before tax	**20.7**	**5.2**	**7.1**	**8.4**
Underlying EBIT	**380.3**	**290.9**	**116.7**	**(27.3)**

1.1.8 Group Underlying EBIT Bridge

$'m	Bridge to 1H FY16 EBIT	1H FY16 actual	1H FY15 actual
1H FY15 Underlying EBIT[1]	**391.1**		
Price/ Mix/ Volume (net of pass through fuel and access)	(12.3)		
Costs (net of pass through fuel and access)	(47.9)		
BIP	39.7		
Business Restructure	3.4		(3.4)
Actuarial valuations	10.8	9.0	(1.8)
Incidents/weather impacts	(4.2)	(2.0)	2.2
Profit on asset sales	15.1	15.1	-
Depreciation & Amortisation	(15.4)	(188.1)	(172.7)
1H FY16 Underlying EBIT[1]	**380.3**		

1. Underlying – pre-material items

The key items driving EBIT in 1H FY16 compared to the pcp included:

- Soft economic activity in Australia and a material decline in resources and commodity related contract work impacted a number of parts of the business, resulting in lower volumes in key areas of the business in particular Intermodal and Bulk Ports
- The positive impact of contributions from BIP initiatives of $39.7m
- Profit on land sales in Patrick following a review of business requirements
- The impact of three material rail incidents over the period on both the Intermodal and Bulk rail businesses
- The positive impact of actuarial valuations over the period
- Net corporate costs at the EBIT line were $27.3m an increase of 72.8% on the pcp. The increase has been driven primarily by the timing of IT system and development costs

compared to the pcp. Net corporate costs for the full year are expected to be approximately $50m flat compared to the pcp

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

Six months ended 31 December $'m	2014	2015
Statutory net[1] financing costs	**106.9**	**107.7**
Net accrued interest and borrowing costs	(0.5)	8.2
Capitalised interest[3]	12.2	-
CVA[2] adjustment on derivatives	7.9	0.9
Fair value of derivatives	(15.5)	(2.1)
Other non-cash	(3.3)	(3.2)
Cash net[1] financing costs	**107.7**	**111.5**

1. Net of interest income
2. CVA – credit value adjustment as per AASB 13
3. Capitalised interest in 1H FY15 relates to the Port Botany redevelopment project

Cash net financing costs increased 3.5% compared to the pcp to $111.5m. The key difference between statutory and cash financing costs over the period relates to financing costs accrued in relation to the 10 year $350m Australian dollar bond raising completed in May 2015.

1.1.10 Reconciliation between Income Tax and PBT

Six Months Ended 31 December $'m	2014	2015
Profit before tax and after material items	**268.0**	**251.9**
Income tax at 30% (2014: 30%)	80.4	75.6
Effect of lower tax rate in New Zealand		(0.1)
Recognition and de-recognition of temporary differences	(1.8)	
Settlement of historical tax matter		(5.4)
Recognition of previously unrecognised tax losses		(15.3)
Non-assessable equity accounted profit	(2.4)	(2.7)
Assessable income from associate investments	2.3	3.0
Assessable franking credits on dividends from associates	(1.6)	(2.3)
Various other items	0.9	(1.5)
Tax recognised directly in other comprehensive income	**77.8**	**51.3**
Effective tax rate	29.0%	20.4%

Tax expense declined 34% to $51.3m reflecting a decline in the effective tax rate from 29% to 20.4%. The difference between the effective tax rate and the standard corporate tax rate was driven by:

- A refund of tax on the settlement of an historic matter in relation to section 974-80 of the Income Tax Assessment Act 1997 ($5.4m). (Asciano provided for an expense of $15.4m in respect of this matter in its FY12 accounts and paid the expense in 1H FY13)

- Current and prior period capital gains offset by a capital loss on the sale of the metropolitan logistics activities into the ACFS joint venture ($15.3m) recognised in 1H FY16
- Adjustments for equity accounted joint ventures and dividends received ($2.0m)
- Various other items ($1.6m).

1.1.11 Reconciliation of Statutory NPAT to Underlying NPAT

Six Months Ended 31 December $'m	2014	2015
Statutory NPAT after minority interests	**189.7**	**199.8**
Patrick	11.8	5.0
Pacific National		3.6
Corporate	(0.4)	5.9
Total Material items after tax	**11.4**	**14.5**
Underlying NPAT after minority interests	**201.1**	**214.3**

1. The charge in 1HFY15 relates to the redevelopment of Port Botany

The difference between the 1HFY16 Statutory NPAT and Asciano's underlying 1HFY16 NPAT relates to the items listed above that 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 1.1.12 below*

1.1.12 Material Items

Six months ended 31 December 2015 $'m	
Patrick restructuring costs	**7.1**
- redundancy costs	0.1
- property restructure costs	7.0
Pacific National Restructure	**5.2**
- Redundancy costs	5.2
Costs associated with M&A activity	**8.4**
Total material Items before tax	**20.7**
Tax benefit attributable to material items	6.2
Total material items after tax	**14.5**

Material items in 1H FY16 relate to:

- Patrick reported pre tax costs of $7.1m associated with:
  - Redundancies taken as part of the integration of Bulk Ports with Terminals & Logistics
  - Costs associated with the rationalisation of business sites within the Patrick businesses
- Pacific National reported pre tax costs of $5.2m relating to redundancies associated with the next phase of the BIP initiatives including the rollout of a National Operating Centre

- Professional service fees of pre tax $8.4m associated with the takeover proposals for Asciano

Asciano expects to report a significant increase in material items cost after tax in the FY16 full year result. The final reported material items will primarily be subject to the quantum of further transaction costs and will include the $88m break fee paid to Brookfield Infrastructure Partners Limited (Brookfield Infrastructure).

1.1.13 Cash flow

Six Months Ended 31 December $'m	2014	2015	%chg
Underlying EBITDA	563.9	568.4	0.8
Material Items	(16.2)	(20.7)	27.8
Net operating working capital	(63.4)	2.2	(103.5)
Other non cash items	(9.8)	(25.7)	162.2
Operating cash flow before interest and tax	474.5	524.2	10.5
Net interest and other costs of finance paid	(107.7)	(111.5)	3.5
Tax paid	(63.5)	(83.0)	30.7
Net operating cash flows	303.3	329.7	8.7
Net capital expenditure[1]	(246.5)	(140.0)	(43.2)
Free cash flow after capital expenditure	56.8	189.7	234.0
Other investing cash flows	-	5.7	-
Free cash flow	**56.8**	**195.4**	**244.0**
Financing cash flows	(40.3)	(170.7)	323.6
Net movement in cash	**16.5**	**24.7**	**49.7**
Cash conversion % (OCF before interest and tax / EBITDA)	86.6	95.7	9.0

1. Includes proceeds from asset sales of $40.1m in FY16

Operating cash flow after tax and net financing costs increased 8.7% driven by:

- A material turn around in the working capital positon of the Company reflected in cash conversion rate improving from 86.7% in the pcp to 95.7%
- Tax paid increased 30.7% on the pcp to $83.0m reflecting the phasing of tax instalment payments

Free cash flow after capital expenditure increased 234% to $189.7m reflecting the 43.2% reduction in net spend on property plant and equipment and IT over the six month period compared to the pcp to $140m. The decline in capital expenditure reflects the completion of the significant investment phase in the business. Free cash flow in FY16 is expected to be in excess of $400m (excluding the impact on free cash flow of the payment of the $88m break fee to Brookfield Infrastructure).

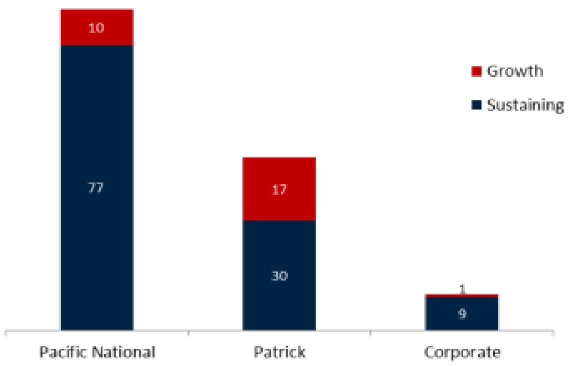
Key projects during the six month period included the ongoing midlife component change out of the NR class locomotive fleet, rolling stock to service the expansion of the contract with coal producer Whitehaven, the upgrades of the Melbourne and Adelaide freight terminals and new equipment in forestry services business C3.

1.1.14 Capital Expenditure

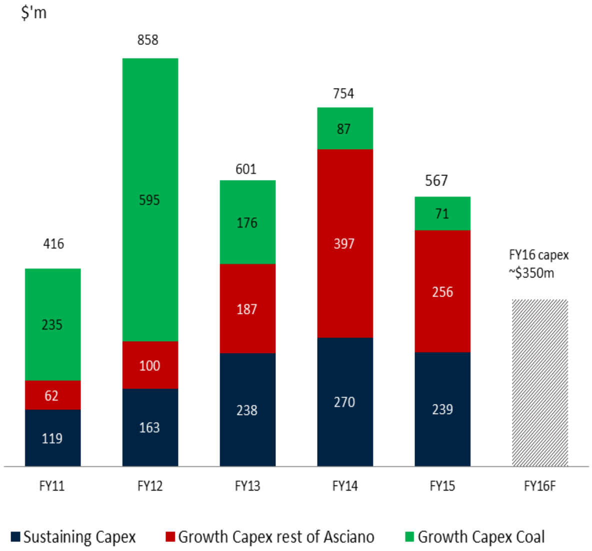
Six Months Ended 31 December $'m	2014	2015	% chg
Total Capital Expenditure	**264.3**	**142.3**	**(46.2)**
Growth Capital Expenditure	158.1	27.1	(82.9)
Sustaining Capital Expenditure	106.2	115.2	8.5

Refer Section 2 for further information about divisional capital expenditure

1H FY16 Capital Expenditure[1] by Division ($'m)



Forecast Capital Expenditure



The forecast Capital Expenditure range for FY16 has been reduced from a range of $390-440m to approximately $350m. Cash capital expenditure in FY16 is expected to be approximately $390m reflecting capital expenditure accrued in FY15.

1.1.15 Balance Sheet

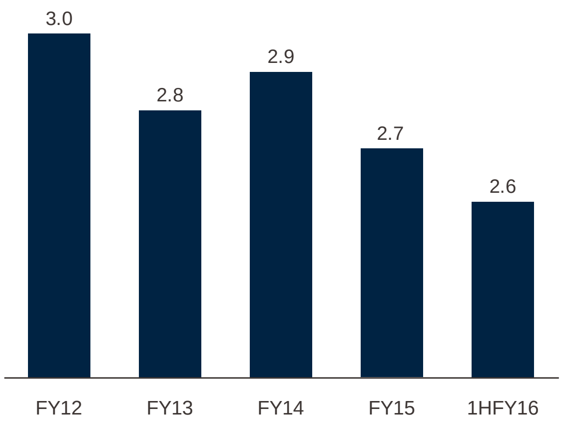
1.1.15.1 Net Debt and Net Interest Cover

$'m	Dec 14	June 15	Dec 15
Gross borrowings at hedged values[3]	3,252.7	3,236.6	3,099.5
Debt Issuance costs (including discounts)	(20.0)	(24.0)	(21.6)
FX and Fair value adjustments to International bonds	547.8	733.4	757.6
Borrowings per balance sheet	3,780.5	3,946.0	3,835.5
Cash	(183.8)	(127.3)	(152.0)
Net Debt	**3,596.7**	**3,818.7**	**3,683.5**
Leverage (Net Debt to EBITDA) (times)[1]	2.85	2.72	2.56
Interest cover (times)[2]	5.2	5.5	5.7

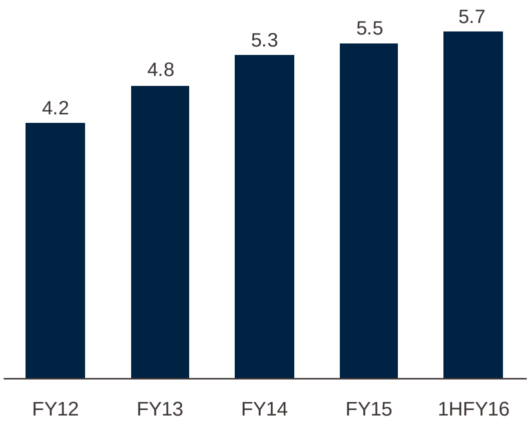
1. Net interest and EBITDA based on a rolling 12 month period. Net debt is based on hedged values
2. Includes capitalised interest, excludes non-cash items and mark to market
3. Includes C3 finance lease

As foreshadowed rolling 12 month leverage has continued to decline at 2.56x which is at the bottom end of the Company's target range of 2.5-3.0x. Interest cover continued to improve reflecting the benefit of lower rates on more recent debt issues and a reduction in drawn debt.

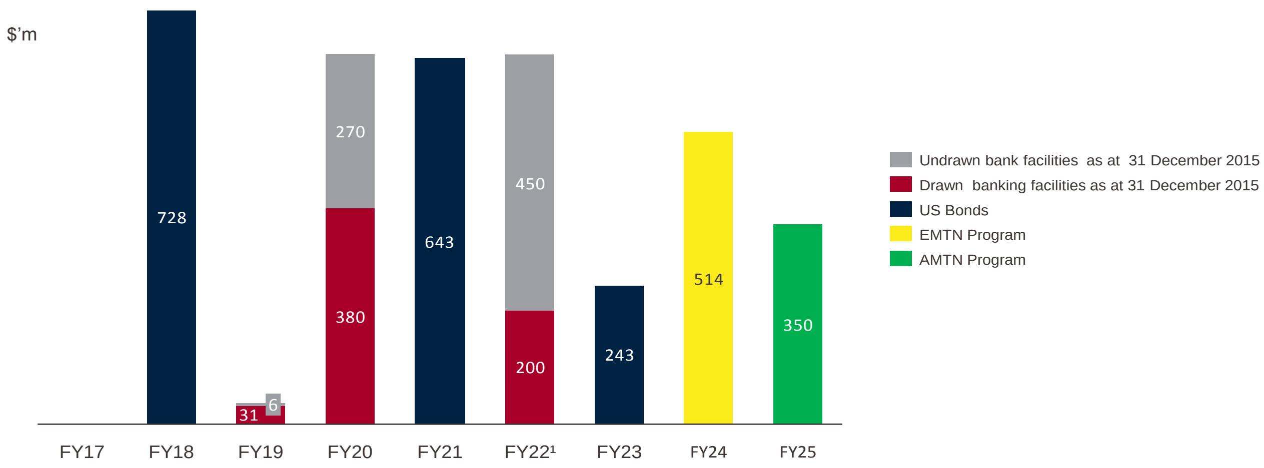
Net debt to EBITDA (x)[1]



EBITDA to net interest (x)[1]



Debt Maturity Profile[1]



1. Profile has been adjusted to reflect the extension of the October 2016 bank facility to a September 2021 maturity

On 12 February 2016 Asciano executed the extension and repricing of its $650m syndicated bank facility due to mature in October 2016 to September 2021. At the same time Asciano also repriced its $650m facility due to mature in October 2019. This will result in an improvement in the margin Asciano pays on its syndicated bank facilities. Following the renegotiation Asciano has no debt due until April 2018.

1.1.15.2 Reconciliation of Loans and Borrowings

Facility	Type	Maturity	Drawn A$'m	Undrawn A$'m
Syndicated bank facility	Revolving cash advance	Oct-16	200.0	450.0
Syndicated bank facility	Revolving cash advance	Oct-19	380.0	270.0
C3 NZD Bank Facility	Cash advance	Jun-19	31.1	6.4
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			**3,088.5**	
Less: Unamortised Discount on US$ bonds, AUD & GBP notes			(8.4)	
Less: Unamortised Debt issuance costs			(13.2)	
Add: Unrealized foreign exchange loss on US$ bond and GBP notes			677.9	
Add: Fair Value adjustments to US$ bonds			79.7	
Add : C3 Finance Lease			1.0	
Add: Loan from joint venture partner			10.0	
Loans & Borrowings as per statutory balance sheet at 31 December 15			**3,835.5**	
Cash and liquid assets as at 31 December 15			(152.0)	152.0
Net Debt/available liquidity as at 31 December 15			**3,683.5**	**878.4**

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

The total hedged A$ equivalent debt balance at 31 December 2015 was $3,088.5m down from $3,235.3m at 30 June. The decline reflects the maturation of the US$400m bond issue in September 2015 offset to an extent by higher drawings under the Company's syndicated bank facilities.

1.1.15.3 Reconciliation of drawn bank debt and the statutory balance sheet

$'m	Dec 14	June 15	Dec 15
Drawn bank debt (excluding bank guarantees)	695.0	329.1	611.1
US$ bonds (at hedged values)	2,042.2	2,042.2	1,613.4
GBP notes (at hedged values)	514.0	514.0	514.0
AUD notes	-	350.0	350.0
Less: unamortised discount on US$ bonds	(5.3)	(9.1)	(8.4)
Less: unamortised debt issuance costs	(14.7)	(14.9)	(13.2)
Add (Less): unrealised foreign exchange movement on US$ bonds & GBP notes	463.6	649.7	677.9
Add: fair value adjustments to US$ bonds	84.2	83.7	79.7
Add: C3 Finance Lease	1.5	1.3	1.0
Add: Loan from Autocare joint venture partner	-	-	10.0
Loans and borrowings as per statutory balance sheet	**3,780.5**	**3,946.0**	**3,835.5**

1.1.16 Shareholder Returns

Six Months Ended 31 December (%)	2014	2015
ROCE	10.7	11.0
ROCE (excluding WIP)	12.0	12.0
ROCE (excluding Goodwill)	17.3	17.5
ROE	9.6	10.8
Divisional ROCE		
Pacific National	13.4	14.5
Patrick	7.1	7.8

1. Calculated before the impact of the settlement with the PoMC on the redevelopment of Webb Dock in 1H FY15

Rolling 12 month Group ROCE improved 29bps to 11% over the period primarily reflecting the 106bps improvement in Pacific National's ROCE compared to the pcp. During the period work in progress declined 65% to $299.1m reflecting the Port Botany project reaching completion and a number of assets in Pacific National moving from WIP into operation.

1.1.16.1 Dividends

Six Months Ended 31 December	2014	2015	% chg
Interim dividend (cps)	8.25	13.0	57.6
Payout ratio (%)	40.0	59.0	

The Board has resolved to pay a fully franked interim dividend of 13.0 cents per share an increase of 58% over the pcp representing a payout ratio of 59% in line with the Company's targeted move to a 50-70% payout ratio band.

The balance of Asciano's franking credit account at 31 December 2015 was $390m. The franking credit balance will support fully franked dividends of approximately 93cps. The franking credits associated with the 13.0cps interim dividend are $54m. Any further franking credits created by tax payments made in the six months to 30 June 2016 are expected to be offset by tax refunds related to amended assessments that have been lodged. Subject to Australian Tax Office approval it is the Asciano Board's intention to pay permitted dividends to eligible Asciano shareholders to enable the distribution of franking credits to them in connection with any change of control of Asciano.

1.1.17 Subsequent Events

On 12 February 2016, Asciano Limited signed documents extending the term of the A$650.0m Corporate Debt Facility from October 2016 to September 2021.

On 16 February 2016, Asciano announced that the Board had changed its recommendation to the Qube Consortium Proposal for the acquisition of 100% of the issued shares of Asciano Limited. This was due to the Board determining that the Qube Consortium Proposal was superior to the Brookfield Infrastructure proposal announced on 9 November 2015. As a result of the change in recommendation in favour of the Qube Consortium Proposal, a break fee of $88.0 million was paid to Brookfield Infrastructure on 19 February 2016.

On 23 February 2016 Asciano announced that it had received letters from both the Qube Consortium and the consortium comprising, Brookfield Infrastructure (and certain of its affiliates), GIC Private Limited (and certain of its affiliates), British Columbia Investment Management Corporation Pty Limited and their consortium vehicle, Nitro Corporation Pty Limited (together the Brookfield Consortium) regarding preliminary discussions between the two parties that relate to a potential transaction to acquire 100% of the issued capital of Asciano by way of a scheme of arrangement for an all cash consideration of A$9.28 per Asciano share (inclusive of permitted dividends paid including the interim dividend of 13cps).

In the absence of any alternative superior proposal capable of acceptance, the Asciano board continues to recommend the Qube Consortium Proposal as announced on 16 February 2016, subject to an independent expert opining that the takeover offer under the Qube Consortium Proposal and the associated sale of each of the Ports and BAPS businesses are fair and reasonable to Asciano shareholders.

2 Divisional Performance

2.1 Pacific National

2.1.1 1H FY16 Earnings and Volume Overview

Six months ended 31 December	2014	2015	% chg
Volume Bulk Rail			
Total Coal NTKs (m)	15,218.9	16,267.0	6.9
- Queensland Coal	6,500.1	7,265.0	11.8
- South East Australia Coal	8,718.8	9,002.0	3.2
Other Bulk Rail NTKs	2,387.0	2,367.7	(0.8)
Total Coal Tonnes (m)	83.3	81.3	(2.4)
- Queensland Coal	26.8	28.7	7.1
- South East Australia Coal	56.5	52.6	(6.9)
Other Bulk Tonnes (m)	7.1	7.4	4.2
Volume National Intermodal			
- NTKs (m)	11,205.6	10,224.1	(8.8)
- TEUs ('000)	398.4	415.6	4.3
- Steel tonnes ('000)	1,488.8	1,471.1	(1.2)
Weighted average coal contract maturity (years)	7.6	7.32	
Revenue and other income $'m	1,231.3	1,214.9	(1.3)
- *Coal access revenue ($'m)*	89.8	108.7	21.0
Revenue net of coal access $'m	1,141.5	1,106.2	(3.1)
- *Bulk Rail Revenue*	752.5	758.5	0.8
– *Bulk Rail revenue net of coal access*	662.7	649.8	(1.9)
- *National Intermodal Revenue*	478.8	456.4	(4.7)
EBITDA $'m	414.7	420.3	1.4
- *Bulk Rail*	299.8	307.9	2.7
- *National Intermodal*	114.9	112.4	(2.2)
EBIT $'m	291.1	290.9	(0.1)
- *Bulk Rail*	213.5	218.7	2.4
- *National Intermodal*	77.6	72.2	(7.0)
Operating EBITDA margin (%) (net of coal access)	36.3	38.0	1.7
Operating EBIT margin (%) (net of coal access)	25.5	26.3	0.8
ROCE (%)	13.4	14.5	106bps
ROCE exclusive WIP (%)	14.7	15.6	90bps
Cash Conversion (%) (Operating cash flow / EBITDA)	85.4	127.8	42.4
Growth capex ($'m)	12.5	9.7	(22.4)
Sustaining capex ($'m)	88.7	76.6	(13.6)
Full time employees	3,631	3,550	(2.2)

Pacific National reported total revenue down 1.3% over the pcp to $1.2bn driven by:

- An 11.4% increase in revenue from Queensland Bulk Rail driven by an 11.8% increase in coal NTKs and 7.1% increase in coal tonnes compared to the pcp. Contract utilisation for the six month period was 88.8% compared to 88% in the pcp
- A 6.3% decline in revenue from NSW/Vic Bulk Rail driven by a 6.9% decline in coal tonnes and a 3.2% increase in Coal NTKs compared to the pcp. Coal contract utilisation over the six month period was 91% compared to 93.7% in the pcp.
- “Other Bulk” volume was flat on the pcp with Construction and Specialised products reporting increases reflecting new contracts and Grain and Mineral volumes flat or below the pcp reflecting weakness in grain volumes flowing from the impact of drought in key growing areas
- Bulk Rail revenue (net of coal access) adjusted for fuel costs in revenue (passed through to customers) increased 1.1% over the pcp
- A 4.7% decline in Intermodal revenue driven by an 8.8% decline in NTKs, a 4.3% increase in TEUs and a 1.2% decline in steel tonnes over the pcp. Intermodal continued to be impacted by lower volumes East-West reflecting the soft Western Australian economy and relatively stronger volumes North-South.

2.1.2 Pacific National Underlying EBIT Bridge

$'m	Bridge to 1H FY16 Underlying EBIT	1H FY16 actual	1H FY15 actual
1H FY15 Underlying EBIT	**291.1**		
Price/ Mix/ Volume	8.6		
Costs	(32.7)		
BIP	29.5		
Depreciation & Amortisation	(5.8)	(129.4)	(123.6)
Incidents	(4.2)	(2.0)	2.2
Actuarial valuations	4.4	4.4	-
1H FY16 Underlying EBIT	**290.9**		

EBIT for the period was flat over the pcp at $290.9m. Factors driving the result included:

- The contribution of organic growth from existing contracts and new contracted volume offset by the impact of the closure of mines and the impact of renegotiated contracts
- The contribution from further BIP initiatives of $29.5m including a full year impact of initiatives introduced in FY15 and an initial contribution from the rationalisation of the Non Coal Bulk business in NSW/Vic in response to a downturn in activity levels

- The 4.8% increase in depreciation and amortisation reflecting the investment in the business in both new contracts and the upgrade of operational sites over the last few years
- The net impact of a number of derailments over the period compared to the pcp

Capital expenditure over the six month period declined 14.7% to $86.3m. The majority of this spend was maintenance capital expenditure with the single largest project being the ongoing midlife component change out of the NR class locomotive fleet.

ROCE improved from 13.4% in the pcp to 14.5% benefitting from the BIP initiatives implemented over the last eighteen months. ROCE excluding WIP improved from 14.7% to 15.6%.

The Division reported a material items cost after tax of $3.6m relating to redundancies associated with the next phase of the BIP initiatives including the rollout of a National Operating Centre.

The Division currently expects to report a material items cost after tax for FY16 in line with 1H FY16.

2.1.3 Outlook

Pacific National's performance in 2H FY16 will be impacted by a number of factors including:

- Coal haulage levels in NSW and Queensland are currently predicted to remain at current levels of hauling for the 2H FY16 subject to any further disruption caused by severe weather events
- Coal volumes in NSW/Vic will be impacted by the contracted reduction in the haulage task and the closure of smaller mines in the region offset to the most part by additional volumes from other existing customers
- Contracted coal tonnage for FY16 remains 180mtpa
- The full year benefit of BIP initiatives introduced over the last 18 months and new programs currently being implemented
- Grain volumes are expected to continue to be impacted by the drought in parts of Victoria
- National Intermodal volumes are expected to continue to be impacted by softer market conditions, in particular in the key Western Australian market

2.2 Patrick

2.2.1 Patrick 1H FY16 Earnings and Volume Overview

Six months ended 31 December	2014	2015	%chg
Volumes			
Container Terminal Volumes - Lifts ('000)[1]	1,079.0	1,064.9	(1.3)
Container Terminal Volumes - TEUs ('000)[2]	1,596.4	1,597.1	0.0
Vehicles processed ('000)	269.9	282.9	4.8
Vehicle storage days ('000)	8,110.4	7,148.3	(11.9)
Vehicle movements ('000)	519.8	523.7	0.8
Bulk tonnes stevedored ('000)	5,948.6	5,236.2	(12.0)
Revenue and other income ($'m)	737.1	670.4	(9.0)
- *Terminals & Logistics[4]*	360.3	313.4	(13.0)
- *Bulk & Auto Port Services*	376.8	357.0	(5.3)
Underlying EBITDA[3] ($'m)	157.3	163.9	4.2
- *Terminals & Logistics*	111.3	115.9	4.1
- *Bulk & Auto Port Services*	46.0	48.0	4.3
Underlying EBIT[3] ($'m)	115.8	116.7	0.8
- *Terminals & Logistics*	86.4	84.8	(1.9)
- *Bulk & Auto Port Services*	29.4	31.9	8.5
Underlying EBITDA margin (%)	21.3	24.4	3.1
Underlying EBIT margin (%)	15.7	17.4	1.7
ROCE (%)	7.1	7.8	69bps
ROCE excl WIP (%)	8.1	8.5	44bps
Cash Conversion (%) (Operating cash flow / EBITDA)	109.1	90.5	(18.6)
Total capex ($'m)	158.9	46.4	(70.8)
Growth capex ($'m)	146.6	16.8	(88.5)
Sustaining capex ($'m)	12.3	29.6	140.7
Gain on asset sale ($'m)		15.1	
Full time employees	4,623	3,827	(17.2)

1. Includes volume subcontracted out and volume subcontracted in for other operators.
2. TEU-twenty foot equivalent unit
3. Pre material items
4. 1H FY15 Terminals & Logistics revenue has been restated to reflect the movement of the regional road and rail business activities from the Logistics business to the Bulk & Auto Port Services business following the creation of the ACFS joint venture

Patrick reported a decline in revenue of 9.0% on the pcp to $670.4m. The result was impacted by:

- Patrick Port Logistics completed a joint venture with ACFS Port Logistics (ACFS) on 31 July 2015 which brought together the metropolitan logistics businesses of Patrick and ACFS. The decline in Patrick's revenue over the pcp in the main reflects the establishment of the joint venture which has been equity accounted from 1 August 2015.

Removing the impact of revenue associated with the joint venture, Patrick's revenue declined 1.8% to $655.4m

- Revenue from the Container Terminals business was down 3% on the pcp impacted by lower volumes at Fremantle and Port Botany and offset to an extent by higher volumes at Fisherman Islands and East Swanson Dock. Market share for the six month period across the four container terminals was 47.3% (lifts) flat on the pcp, rolling three month market share at 31 December 2015 was 47.7% (lifts). Volumes have been impacted by the market share of key customers and changes to shipping line consortiums
- Revenue growth in Terminals was also impacted by the competitive pressure on pricing
- In line with the total market, Patrick's terminal in Fremantle reported a material decline in lifts impacted by the soft economic conditions in Western Australia
- Bulk & Auto Port Services reported a 5.3% decline in revenue impacted by a decline in project based work in the resources industry at a number of regional bulk port sites. This included a further material decline in revenue from the Gorgan project in Western Australia
- Revenue from the Autocare business was flat over the pcp driven by an increase in cars processed and moved, offset to an extent by a further decline in storage days as manufacturers continue to operate with lower levels of inventory
- Revenue from the forestry business C3 continued to grow compared to the pcp, despite the soft export demand from China and reflects the expansion of the business into the Australian market

Underlying EBITDA increased 4.2% to $163.9m and included an after tax contribution from a number of equity accounted joint ventures including:

- A 21.6% increase in the contribution from the AAT joint venture to $4.5m
- The Port of Geelong Unit Trust reported a flat after tax contribution of $2.6m compared to the pcp. The underlying operating performance of the Trust increased 14.6% over the pcp however this was offset at the NPAT level by the mark to market movement of interest rate hedges

2.2.2 Patrick Underlying[4] 1H FY16 EBIT Bridge

$'m	Bridge to 1H FY16 Underlying EBIT	1H FY16 actual	1H FY15 actual
1H FY15 Underlying[4] EBIT	**115.8**	-	-
Price/ Mix/ Volume	(20.4)	-	-
Costs	(1.7)	-	-
BIP	10.2	-	-
Depreciation & Amortisation	(5.7)	(47.1)	(41.4)
Asset Sales	15.1	15.1	-
Business Restructure	3.7		(3.7)
Industrial dispute	(0.3)		0.3
1H FY16 Underlying EBIT[4]	**116.7**	-	-

[4] Pre material items in 1H FY16 and 1H FY15

Underlying[5] EBIT increased 0.8% to $116.7m reflecting:

- The decline in volumes across a number of Bulk Port sites reflecting the winding down of contracts associated with the resources industry
- The impact of weaker Container volumes in Western Australia
- The reduction in operating costs reflecting the decline in volumes in Bulk Ports related to resources contracts; and the reversal of one-off costs incurred in the prior period
- The 13.4% increase in depreciation resulting primarily from the completion of the Port Botany redevelopment project
- The ongoing benefits flowing from BIP initiatives
- Solid growth in the Autocare and C3 businesses
- Capital gain on property sales in Patrick following a review of business requirements

Capital expenditure for the period declined 70.8% to $46.4m. The decline in capital expenditure reflecting the 88.5% decline in growth capital expenditure to $16.8m following the completion of the Port Botany automation and upgrade project.

Total capital expenditure over the period included new equipment in C3 for its expansion into the Australian market.

ROCE increased 69bps to 7.8% over the period. Excluding goodwill ROCE improved 20bps to 17.5%. The improvement reflects the benefits of BIP initiatives over the last twelve months and property sales.

The Division reported a material items cost after tax of $5m compared to a cost of $11.8m in the pcp. This cost related to:

- Redundancies taken as part of the integration of the Bulk Ports with Terminals & Logistics
- Costs associated with the rationalisation of business sites as part of the restructuring within the Patrick businesses

The Division currently expects to report a material items cost after tax for the FY16 of approximately $10m.

2.2.3 Outlook

The outlook for Patrick in 2H FY16 will be impacted by:

- The financial impact of industrial relations activity at its container terminals over the period
- The impact of economic activity on lift volumes across Australia in particular in Western Australia
- The impact of consortium changes and service closures on volumes in the container terminals business

[5] Pre material items

- Patrick successfully rolled over two major shipping line contracts in 1H FY16 for a further 2 years. Following the signing of these contracts 94% of Patricks container terminal volumes extend out to late 2017
- Global economic activity and its impact on the resources, agriculture and timber volumes through regional ports in Australia and New Zealand
- Autocare will benefit from the commencement in 2H FY16 of a new contract secured with Glovis representing Kia and Hyundai imported vehicles into Australia. The business has also recently extended its contract with Honda and secured additional volumes in Western Australia
- The Division is now expected to report a combined underlying EBIT below FY15 flowing from lower EBIT reported in the Bulk ports area reflecting the wind down of resources related contract activity and the impact of consortium changes on the market share of our customers
- 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 and is proposing to extend the lease to 2019
- The impact of the market rent review in 2016 on the cost base of East Swanson Dock container terminal

3 Group Outlook

- Assuming there is no material change in the current business environment, Asciano continues to expect to report flat to low single digit EBIT growth in FY16
- Asciano expects to report a significant increase in the material items cost after tax in FY16. The final reported material item will primarily be subject to the quantum of further transaction costs including break fees and advisor and consultant fees
- The key factors expected to drive earnings over 2H FY16 include:
  - The full year benefits of BIP initiatives. The Company has revised its cumulative FY16 target to $340m+, more than doubling the original $150m target established at the beginning of the five year plan
  - Overall Pacific National expects relatively flat volumes compared to the pcp contingent on a number of factors including economic activity in key parts of the Australian economy, demand for Australian coal exports and the impact of any severe weather events on coal and agricultural volumes. Intermodal volumes will continue to be impacted by the market share of its freight forwarding customers and the market share of rail versus other modes of transport
  - Patrick volumes will be impacted by Australian economic activity levels and activity levels in the resources and agricultural sectors of the economy. The Terminals division will continue to focus on delivering the full benefits of the Port Botany redevelopment whilst managing any disruption caused by the renegotiation of its container terminals enterprise agreement with the Maritime Union of Australia
  - Patrick will continue to focus on integrating the Terminals & Logistics and Bulk & Auto Port Services businesses and reducing overhead cost
- Total capital expenditure is now expected to be approximately $350m for the full year down from prior guidance of $390-440m
- Free cash flow after capital expenditure in FY16 is expected to be in in excess of $400m subject (excluding the impact of the payment of the $88m break fee to Brookfield Infrastructure)
- Strong forecast free cash flow will drive balance sheet metrics below the bottom end of the target range

ENDS

4 Definitions

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

ASCIANO LIMITED

ABN 26 123 652 862

4D - HALF YEAR REPORT

For the half year ended 31 December 2015

Asciano comprises of Asciano Limited and its controlled entities.

Contents **Page**

Asciano Limited

ABN 26 123 652 862

Directors' Report
For the half year ended 31 December 2015

This half year report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Asciano Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The Directors present their report, together with the consolidated half year report of Asciano Limited ("Company" or "Parent") and its controlled entities (collectively referred to as "Asciano") and the auditor's review report thereon, for the half year ended 31 December 2015**.**

1. Directors

The following persons were Directors of the Company during the whole of the half year and up to the date of this report, unless otherwise stated:

Malcolm Broomhead

John Mullen

Chris Barlow

Robert Edgar

Peter George

Shirley In't Veld

Geoff Kleemann

Ralph Waters

2. Operating and financial review

Overview

During the period, Asciano progressed its key strategic objectives of delivering value to shareholders in the medium to long-term. The primary elements of Asciano's strategy and initiatives are:

- Targeting leadership positions in fast growing structurally attractive market sectors;
- Leveraging our strategic assets and deep expertise in operationally complex multi-user supply chains across freight types and modes;
- Collaborating with diverse stakeholders to create and deliver solutions for our customers;
- Attracting, developing and inspiring talented and capable people;
- Developing, managing and operating integrated infrastructure based supply chains by bringing together our Group capabilities; and
- Innovating in partnership with customers to achieve differentiated performance within standalone and integrated supply chains.

ACFS Port Logistics Joint Venture

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.

Integration of Patrick

On 27 July 2015, Asciano announced the integration of the leadership of its two Patrick divisions, Terminals & Logistics and Bulk Automotive and Port Services. This change followed the resignation of Mr Alistair Field, Director Patrick & Terminals and appointment of Mr Murray Vitlich to the role of Director Patrick.

As a result of the integration, effective from 11 November 2015, Asciano amended its segment reporting structure to combine the Terminals & Logistics and Bulk & Automotive Port Services reporting segments into one Patrick reporting segment.

All prior year segment comparatives in this report have been restated to reflect this change.

Financing

Asciano's funding consists of a mix of revolving bank credit facilities, a NZD denominated cash advance facility, US dollar denominated 7, 10 and 12 year bonds (swapped to Australian dollars), GBP denominated 10 year bonds (swapped to Australian dollars), AUD denominated 10 year bonds and bank guarantee facilities (currently partly drawn in the form of bank guarantees and performance bonds). Asciano's loans and borrowings mature in the period between April 2018[1] and May 2025.
Asciano had total committed bank credit facilities of $1,487.5 million (30 June 2015: $1,485.1 million) and net bank debt of $459.1 million at 31 December 2015 (30 June 2015: $201.8 million). Of the total committed credit facilities, $611.1 million of bank debt and $68.8 million of the bank guarantee facilities were utilised at 31 December 2015 leaving undrawn credit facilities at 31 December 2015 of $726.4 million (30 June 2015: $1,006.0 million).

In September 2015, $420.0 million of syndicated revolving credit facilities were drawn down and used to repay US$400.0 million of the US dollar 5 year bonds that matured on 23 September 2015.

1. On 12 February 2016, Asciano Limited signed documents extending the term of the A$650.0 million Corporate Debt Facility from October 2016 to September 2021.

Operating and financial review (continued)

Going concern

Asciano has a net current asset deficiency at 31 December 2015 of $110.5 million which includes $200.0 million of debt drawn down under the $650.0 million syndicated revolving credit facility maturing in October 2016. Asciano refinanced this revolving credit facility on 12 February 2016 extending the term of the facility to September 2021. Given that Asciano has unutilised syndicated revolving credit facilities of $270.0 million maturing in October 2019, the Directors believe Asciano has the capacity to pay its debts in full as and when they fall due.

Review and results of operations

Asciano reported a net profit after tax ("NPAT") attributable to the owners of Asciano Limited of $199.8 million for the current reporting period, representing a $10.1 million increase on the profit of $189.7 million for the half year ended 31 December 2014. The reported NPAT for the current reporting period included a material item (loss) of $14.5 million consisting mainly of costs borne in connection with the integration of Patrick and costs related to the Brookfield and Qube proposals (31 December 2014: material items (loss) of $11.4 million).

A reconciliation of the reported NPAT and the underlying NPAT for the various components of the after tax material items is provided in the table below:

	Half year 2016 $M	Half year 2015 $M
NPAT attributable to the owners of Asciano Limited	**199.8**	**189.7**
Restructuring expenses	8.6	1.3
Costs arising as a result of the Brookfield and Qube proposals	5.9	–
Costs arising as a direct result of the Port Botany redevelopment	–	10.1
Underlying NPAT	**214.3**	**201.1**

The Company reported a 6.6% increase in underlying NPAT to $214.3 million. The result benefited from another strong performance in coal haulage with an increase in coal NTKs over the pcp, and an increase in other bulk tonnes hauled. These gains were offset by flat or weaker volumes across other areas of the business, in particular those parts of the business exposed to the Western Australian economy and resources related activity. In light of the soft top line, underlying EBITDA growth was a good result underpinned by BIP initiatives which generated further benefits and a general focus on cost control across the business.

Reported NPAT increased by 5.3% over the prior comparative period with a favourable movement in tax expense in the current period. The current period income tax expense benefited from the recognition of $5.4 million in relation to the settlement of a historical tax matter, and $15.3 million for the recognition of previously unrecognised capital tax losses. Both the refund and the utilisation of the capital losses reduced the current period income tax expense and effective tax rate.

A review of, and information about, the Asciano Group's operations, including the results of those operations and changes in the state of affairs of the Asciano Group during the reporting period together with information about the Group's financial position, business strategies and prospects for future financial years appears in the Management Discussion and Analysis ("MD&A") which constitutes the operating and financial review and forms part of the Directors' Report.

3. Dividends

No dividend was paid during the current reporting period (31 December 2014: 8.25 cents per share).

The Board of Directors determined on 24 February 2016 that a fully franked interim dividend of 13.0 cents per share is payable by Asciano Limited on 24 March 2016 (31 December 2014: 8.25 cents per share). The record date for entitlement to the dividend is 2 March 2016. The dividend of $126.8 million was not recognised as a liability at 31 December 2015.

4. Business strategies, prospects and likely developments

The operating and financial review sets out information on the business strategies and prospects for future financial years, and refers to likely developments in Asciano's operations and the expected results of those operations in future financial years (refer to the MD&A accompanying this Directors' Report). Information in the MD&A is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of the Asciano Group. Information that could give rise to likely material detriment to Asciano, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included. Other than the information set out in the MD&A, information about other likely developments in Asciano's operations and the expected results of these operations in future financial years has not been included.

Operating and financial review (continued)

5. Events subsequent to the reporting date

On 12 February 2016, Asciano Limited signed documents extending the term of the A$650.0 million Corporate Debt Facility from October 2016 to September 2021.

On 16 February 2016, Asciano announced that the Board had changed its recommendation to the Qube Consortium Proposal for the acquisition of 100% of the issued shares of Asciano Limited. This was due to the Board determining that the Qube Consortium Proposal was superior to the proposal Brookfield Infrastructure Partners Limited ("Brookfield Infrastructure") announced on 9 November 2015. As a result of the change in recommendation in favour of the Qube Consortium Proposal, a break fee of $88.0 million was paid to Brookfield Infrastructure on 19 February 2016.

On 23 February 2016, Asciano announced that it had received letters from both the Qube Consortium and the consortium comprising, Brookfield Infrastructure (and certain of its affiliates), GIC Private Limited (and certain of its affiliates), British Columbia Investment Management Corporation Pty Limited and their consortium vehicle, Nitro Corporation Pty Limited (together the Brookfield Consortium) regarding preliminary discussions between the two parties that relate to a potential transaction to acquire 100% of the issued capital of Asciano by way of scheme of arrangement for an all cash consideration of $9.28 per Asciano share (inclusive of permitted dividends paid, including the interim dividend of 13.0 cents per share).

In the absence of any alternative superior proposal capable of acceptance, the Asciano Board continues to recommend the Qube Consortium Proposal as announced on 16 February 2016, subject to an independent expert opining that the takeover offer under the Qube Consortium Proposal and the associated sale of each of the Ports and BAPS businesses are fair and reasonable to Asciano shareholders.

Other than for the items noted above and a resolution to pay a fully interim dividend of 13.0 cents per share, there has not arisen in the interval between 31 December 2015 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Board, to affect significantly the operations of Asciano, the results of those operations, or the state of affairs of Asciano in future financial years.

6. Rounding of amounts

Asciano is an entity of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission ("ASIC"), relating to the rounding off of amounts in the Directors' Report and the financial statements. Amounts in the Directors' Report have been rounded off in accordance with that class order to the nearest one hundred thousand dollars, or in certain cases, to the nearest one thousand dollars.

7. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page and forms part of the Directors' Report.

In line with previous years and in accordance with the Corporations Act 2001, the Directors' Report including the Operating and financial review is unaudited. Notwithstanding this, the Directors' Report including the Operating and financial review contains disclosures which are extracted or derived from the Consolidated Interim Financial Report for the half year ended 31 December 2015 which has been reviewed by the Group's Independent Auditor.

This report is made in accordance with a resolution of the Directors.

Malcolm Broomhead

Chairman

Sydney

24 February 2016

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Asciano Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Steven Gatt
Partner

Sydney
24 February 2016

Asciano Limited
ABN 26 123 652 862

Financial Report
For the half year ended 31 December 2015

Asciano comprises Asciano Limited (ABN 26 123 652 862) and its controlled entities.

Consolidated Statement of Profit or Loss

For the half year ended 31 December 2015

	Note	**First half 2016 $M**	First half 2015 $M
Revenue from services rendered	2.2	1,836.3	1,933.9
Other income	2.2	27.1	13.2
Share of net profit of joint ventures	2.15	8.8	7.9
Operating expenses excluding depreciation and amortisation:			
Employee benefits		(582.0)	(614.8)
Rail access		(238.9)	(216.8)
Fuel, oil and power		(133.2)	(185.6)
Repairs and maintenance		(140.1)	(152.3)
Lease and hire		(91.5)	(97.3)
Insurance		(17.2)	(23.3)
Other		(121.6)	(117.2)
Profit before depreciation, amortisation, net finance costs and tax		**547.7**	**547.7**
Depreciation		(160.2)	(149.3)
Amortisation		(27.9)	(23.5)
Profit before net finance costs and tax		**359.6**	**374.9**
Interest income	2.11	1.5	1.5
Interest expense		(101.7)	(94.3)
Other financing expenses		(6.3)	(6.5)
Credit value adjustment and fair value movements of unhedged derivatives		(1.2)	(7.6)
Finance expense	2.11	(109.2)	(108.4)
Net finance expense		**(107.7)**	**(106.9)**
Profit before tax		**251.9**	**268.0**
Tax expense	2.3	(51.3)	(77.8)
Profit after tax		**200.6**	**190.2**
Attributable to:			
Owners of Asciano Limited		199.8	189.7
Non-controlling interests		0.8	0.5
		200.6	190.2
Earnings per Parent share			
Basic – cents	2.4	20.5	19.4
Diluted – cents	2.4	20.5	19.4

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2015

	Note	**First half 2016 $M**	First half 2015 $M
Profit after tax		**200.6**	**190.2**
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Defined benefit superannuation funds actuarial gains/(losses)		0.7	(14.7)
Income tax on items that will not be reclassified to profit or loss	2.3	(0.2)	4.8
Total items that will not be reclassified to profit or loss net of tax		0.5	(9.9)
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	2.11	(1.4)	26.7
Foreign currency translation difference for foreign operations	2.11	(0.4)	1.3
Income tax benefit/(expense) on items that may be reclassified subsequently to profit or loss	2.11	0.4	(8.5)
Total items that may be reclassified subsequently to profit or loss net of tax		(1.4)	19.5
Other comprehensive income net of tax		**(0.9)**	**9.6**
Total comprehensive income		**199.7**	**199.8**
Total comprehensive income attributable to:			
Owners of Asciano Limited		198.9	199.3
Non-controlling interests		0.8	0.5
		199.7	199.8

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	December 2015 $M	June 2015 $M
Current assets			
Cash and cash equivalents	2.8	152.0	127.3
Trade and other receivables	2.8	445.6	444.6
Prepayments and other assets		42.2	23.7
Inventories		40.2	41.4
Derivative financial assets		19.8	114.2
Current tax receivable		43.2	–
Assets held for sale		–	51.7
Total current assets		**743.0**	**802.9**
Non-current assets			
Property, plant and equipment		4,425.8	4,465.3
Intangible assets		2,771.3	2,796.2
Equity accounted investments	2.15	67.8	30.4
Loans to joint ventures	2.8	52.4	56.2
Trade and other receivables	2.8	1.2	1.4
Prepayments and other assets		1.4	1.4
Inventories		37.9	38.8
Derivative financial assets		731.7	613.5
Deferred tax assets		34.5	77.3
Total non-current assets		**8,124.0**	**8,080.5**
Total assets		**8,867.0**	**8,883.4**
Current liabilities			
Trade payables	2.9	177.3	151.3
Other payables and accrued expenses	2.9	212.4	258.6
Provisions		50.5	52.4
Employee benefits		189.0	192.4
Loans and borrowings	2.9	200.6	519.5
Derivative financial liabilities	2.9	23.7	40.3
Current tax liabilities		–	30.7
Liabilities held for sale		–	14.1
Total current liabilities		**853.5**	**1,259.3**
Non-current liabilities			
Other payables and accrued expenses	2.9	15.6	14.9
Provisions		53.7	62.5
Employee benefits		91.9	92.1
Loans and borrowings	2.9	3,634.9	3,426.5
Derivative financial liabilities	2.9	72.0	52.9
Deferred tax liabilities		6.4	6.7
Total non-current liabilities		**3,874.5**	**3,655.6**
Total liabilities		**4,728.0**	**4,914.9**
Net assets		**4,139.0**	**3,968.5**
Equity			
Contributed equity	2.13	8,587.9	8,604.5
Reserves		(1,212.7)	(4,342.0)
Accumulated losses		(3,243.6)	(312.6)
Equity attributable to owners of Asciano Limited		**4,131.6**	**3,949.9**
Non-controlling interests	2.14	7.4	18.6
Total equity		**4,139.0**	**3,968.5**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2015

First half 2015 $M	Contributed equity	Reserves	Retained earnings	Total	Non-controlling interests	Total
Balance at 1 July 2014	8,609.3	(4,721.2)	(189.3)	3,698.8	17.4	3,716.2
Profit after tax	–	–	189.7	189.7	0.5	190.2
Other comprehensive income (“OCI”):						
Net movement in cash flow hedge reserve	–	26.7	–	26.7	–	26.7
Defined benefit superannuation funds actuarial losses	–	–	(14.7)	(14.7)	–	(14.7)
Foreign currency translation differences for foreign operations	–	1.3	–	1.3	–	1.3
Income tax benefit on OCI	–	(8.5)	4.8	(3.7)	–	(3.7)
Total comprehensive income	–	19.5	179.8	199.3	0.5	199.8
Treasury shares allocated	3.1	–	–	3.1	–	3.1
Treasury shares acquired	(3.3)	–	–	(3.3)	–	(3.3)
Transactions with owners in their capacity as owners:						
Profits transferred to profit reserve	–	345.1	(345.1)	–	–	–
Dividends paid	–	(82.9)	–	(82.9)	–	(82.9)
Employee equity benefits	–	0.5	–	0.5	–	0.5
	–	262.7	(345.1)	(82.4)	–	(82.4)
Balance at 31 December 2014	8,609.1	(4,439.0)	(354.6)	3,815.5	17.9	3,833.4

First half 2016 $M	Contributed equity	Reserves	Retained earnings	Total	Non-controlling interests	Total
Balance at 1 July 2015	**8,604.5**	**(4,342.0)**	**(312.6)**	**3,949.9**	**18.6**	**3,968.5**
Profit after tax	–	–	199.8	199.8	0.8	200.6
Other comprehensive income (“OCI”):						
Net movement in cash flow hedge reserve	–	(1.4)	–	(1.4)	–	(1.4)
Defined benefit superannuation funds actuarial gains	–	–	0.7	0.7	–	0.7
Foreign currency translation differences for foreign operations	–	(0.8)	0.4	(0.4)	–	(0.4)
Income tax benefit on OCI	–	0.4	(0.2)	0.2	–	0.2
Total comprehensive income	**–**	**(1.8)**	**200.7**	**198.9**	**0.8**	**199.7**
Treasury shares allocated	**3.0**	**–**	**–**	**3.0**	**–**	**3.0**
Treasury shares acquired	**(19.6)**	**–**	**–**	**(19.6)**	**–**	**(19.6)**
Transactions with owners in their capacity as owners:						
Profits transferred to profit reserve	–	3,131.7	(3,131.7)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	(12.0)	(12.0)
Employee equity benefits	–	(0.6)	–	(0.6)	–	(0.6)
	–	3,131.1	(3,131.7)	(0.6)	(12.0)	(12.6)
Balance at 31 December 2015	**8,587.9**	**(1,212.7)**	**(3,243.6)**	**4,131.6**	**7.4**	**4,139.0**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half year ended 31 December 2015

	Note	**First half 2016 $M**	First half 2015 $M
Operating cash flows			
Receipts from customers		2,107.5	2,179.7
Payments to suppliers and employees		(1,593.6)	(1,713.6)
Interest and other costs of finance paid		(112.7)	(109.3)
Interest received		1.2	1.6
Dividends received from joint ventures		10.3	8.4
Net income tax payments		(83.0)	(63.5)
Net operating cash inflows		**329.7**	**303.3**
Investing cash flows			
Payments for property, plant and equipment and intangible assets		(180.1)	(272.4)
Proceeds from sale of property, plant and equipment and intangible assets		40.1	25.9
Repayment of loans by joint ventures		3.8	–
Repayment of loans by related parties		1.9	–
Net investing cash outflows		**(134.3)**	**(246.5)**
Financing cash flows			
Treasury shares acquired	2.13	(19.6)	(3.3)
Proceeds from exercise of share options		–	1.1
Payment of finance lease liabilities		(0.3)	(0.2)
Repayment of US dollar 5 year bonds		(428.8)	–
Repayments of syndicated revolving credit facility		(230.0)	(130.0)
Drawdown of syndicated revolving credit facility		510.0	175.0
Loan from non-controlling interests		10.0	–
Dividends paid		–	(82.9)
Dividends paid to non-controlling interests	2.14	(12.0)	–
Net financing cash outflows		**(170.7)**	**(40.3)**
Net increase in cash and cash equivalents		**24.7**	**16.5**
Cash and cash equivalents at the beginning of the half year		127.3	167.3
Cash and cash equivalents at the end of the half year		**152.0**	**183.8**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. How we have prepared this report

This section describes the basis of preparation of the financial statements for the Group as whole. This section also analyses the impact of any newly endorsed accounting standards which will be effective for Asciano in future years.

Reporting entity

Asciano Limited ("Asciano") is a for profit entity domiciled in Australia. Asciano is primarily involved in the management of port and rail assets and associated operations and services. This general purpose financial report ("report") comprises the consolidated financial statements of Asciano the consolidated entity ("Asciano") and its controlled entities (together "the Group"). The consolidated financial report was authorised for issue by the Board of Directors on 24 February 2016.

Basis of preparation

This consolidated interim financial report for the half year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Asciano Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year with the exception of the accounting policies described below. Certain comparative amounts have been reclassified to conform with the current period's presentation.

Change in accounting policy

The Group has adopted the following amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015:

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 *Materiality.*

The new amendments to standards listed above have no significant impact on the Group's financial position and performance for the current reporting period.

Going concern

Asciano has a net current asset deficiency at 31 December 2015 of $110.5 million which includes $200.0 million of debt drawn down under the $650.0 million syndicated revolving credit facility maturing in October 2016. Asciano refinanced this revolving credit facility on 12 February 2016 extending the term of the facility to September 2021. Given that Asciano has unutilised syndicated revolving credit facilities of $270.0 million maturing in October 2019, the Directors believe Asciano has the capacity to pay its debts in full as and when they fall due.

New accounting standards and interpretations

A number of new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

New or amended standards	Summary of requirements	Possible impact on consolidated financial statements
AASB 9 Financial Instruments	AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group has not yet completed its assessment of the potential impact on its consolidated financial statements resulting from the application of AASB 9.

1. How we have prepared this report (continued)

New accounting standards and interpretations (continued)

New or amended standards	Summary of requirements	Possible impact on consolidated financial statements
AASB 15 Revenue from Contracts with Customers	AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group has completed an initial assessment of the potential impact on its consolidated financial statements resulting from the application of AASB 15 and determined that there is no material impact.
IFRS 16 Leases	The IASB issued IFRS 16 *Leases* with an effective date of 1 January 2019. Early adoption will be permitted for entities that also adopt IFRS 15 *Revenue from Contracts with Customers*. The AASB is expected to approve the issue of the Australian equivalent standard, AASB 16 *Leases*, at the earliest at its next meeting on 23-24 February 2016.	Management has not yet assessed the impact of IFRS 16.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Changes to the presentation of the financial statements and notes to the financial statements
In preparing the half year financial statements, we have changed the format and layout in order to make them less complex and more relevant to shareholders. We have grouped notes under two key headings:

- How we have prepared this report
- Key financial information

The purpose of these changes is to provide readers with a clearer understanding of what drives the financial performance and position of the Group. As part of this exercise, a number of balances (including the prior year comparatives) have been disaggregated and shown separately on the Consolidated Statement of Financial Position and the Consolidated Statement of Profit or Loss.

2. Key financial information

This section describes key aspects of the operating results and financial performance of the Group. It also presents information about Asciano's long term contractual commitments, leases, management of capital and its interest in joint ventures.

2.1 Segment reporting

This segment note has been restated for the change to Asciano's segmental reporting structure whereby its two Patrick divisions, Terminals & Logistics and Bulk Automotive and Port Services businesses have been combined into one single reporting segment effective 1 July 2015.

The segment results for the half year reconciled to the Group profit after tax are set out in the following table:

First half 2016 $M	Pacific National	Patrick	Eliminations / unallocated	Total
Revenue				
External revenue	1,185.3	650.5	0.5	1,836.3
Inter-segment revenue	23.0	–	(23.0)	–
	1,208.3	650.5	(22.5)	1,836.3
Other income	6.6	19.9	0.6	27.1
Revenue and other income	**1,214.9**	**670.4**	**(21.9)**	**1,863.4**
Operating expenses	(794.6)	(515.3)	6.1	(1,303.8)
Share of net profit of joint ventures	–	8.8	–	8.8
Profit/(loss) before depreciation, amortisation, net finance costs, material items and tax	**420.3**	**163.9**	**(15.8)**	**568.4**
Depreciation	(113.5)	(44.1)	(2.6)	(160.2)
Amortisation	(15.9)	(3.1)	(8.9)	(27.9)
Profit/(loss) before net finance costs, material items and tax	**290.9**	**116.7**	**(27.3)**	**380.3**
Finance income				1.5
Finance expense				(109.2)
Profit before material items and tax				**272.6**
Material items				
Pacific National integration[1]	(5.2)	–	–	(5.2)
Patrick integration[2]	–	(7.1)	–	(7.1)
Brookfield and Qube proposals[3]	–	–	(8.4)	(8.4)
Profit before tax				**251.9**
Tax expense				(51.3)
Profit after tax				**200.6**

Material items

1. The integration of the PN Coal and PN Rail businesses into a single Pacific Naional business continued in the current financial year, resulting in further material costs including employee restructuring costs of $4.2 million recognised as part of the employee benefit expense, and project related labour and other costs of $1.0 million.
2. The integration of the Terminal and Logistics and Bulk & Automotive Port Services businesses into a single Patrick business commenced during the current financial year, resulting in material costs including property and onerous lease costs of $7.1 million.
3. Costs incurred in relation to the Brookfield and Qube proposals including legal fees, professional consulting fees and other incidental costs.

2.1 Segment reporting (continued)

First half 2015 (RESTATED) $M	Pacific National	Patrick	Eliminations / unallocated	Total
Revenue				
External revenue	1,217.5	712.7	3.7	1,933.9
Inter-segment revenue	7.3	20.0	(27.3)	–
	1,224.8	732.7	(23.6)	1,933.9
Other income	6.5	4.4	2.3	13.2
Revenue and other income	1,231.3	737.1	(21.3)	1,947.1
Operating expenses	(816.6)	(587.7)	13.2	(1,391.1)
Share of net profit of joint ventures	–	7.9	–	7.9
Profit/(loss) before depreciation, amortisation, net finance costs, material items and tax	414.7	157.3	(8.1)	563.9
Depreciation	(108.2)	(38.9)	(2.2)	(149.3)
Amortisation	(15.4)	(2.6)	(5.5)	(23.5)
Profit/(loss) before net finance costs, material items and tax	291.1	115.8	(15.8)	391.1
Finance income				1.5
Finance expense				(108.4)
Profit before material items and tax				284.2
Material items				
Port Botany redevelopment[1]	–	(14.3)	–	(14.3)
Other restructuring expenses[2]	–	(2.5)	0.6	(1.9)
Profit before tax				268.0
Tax expense				(77.8)
Profit after tax				190.2

Material items

1. The Patrick division has recognised a material item for $14.3 million for the period relating to the Port Botany redevelopment that includes costs related to the business disruption caused by construction on the existing terminal site, commissioning costs including staff training, and legal and general industrial relations costs.
2. On 18 February 2014, Asciano announced an expansion of its Business Improvement Program including a review of corporate and divisional support functions as well as operational functions across the Group. As a result of these ongoing reviews, the Group has recognised other restructuring costs of $1.9 million during the period including $2.5 million of employee restructuring costs in the Bulk & Automotive Port Services business, offset by the reversal of $0.6 million in the Corporate function due to the sub-letting of a lease previously treated as being onerous.

The segment contribution to Group assets and liabilities are set out below:

December 2015 $M	Pacific National	Patrick	Eliminations/ unallocated	Total
Segment assets	4,322.7	3,365.8	1,178.5	8,867.0
Segment liabilities	(863.6)	(670.4)	(3,194.0)	(4,728.0)
Net assets/(liabilities)	**3,459.1**	**2,695.4**	**(2,015.5)**	**4,139.0**
June 2015 (RESTATED)				
Segment assets	4,361.6	3,355.8	1,166.0	8,883.4
Segment liabilities	(685.7)	(641.6)	(3,587.6)	(4,914.9)
Net assets/(liabilities)	3,675.9	2,714.2	(2,421.6)	3,968.5

Asciano operates principally in Australia and has no single external customer for which revenues amount to 10% or more of total revenue.

2.2 Revenue and other income

Revenue recognised during the half year is set out below:

	First half 2016 $M	First half 2015 $M
Revenue		
Rail haulage	1,121.2	1,150.8
Stevedoring	325.6	353.2
Other logistics	389.5	429.9
Total revenue	**1,836.3**	**1,933.9**
Other income		
Net gain on sale of property, plant and equipment	15.0	2.0
Lease rental income	10.0	9.6
Other	2.1	1.6
Total other income	**27.1**	**13.2**

Other income
The net gain from the sale of property, plant and equipment is inclusive of a gain of $5.0 million related to the sale of land at Camellia and $6.8 million related to the sale of land at Kembla Grange.

2.3 Taxes

The total taxation charge in the statement of profit or loss is analysed as follows:

	First half 2016 $M	First half 2015 $M
Reconciliation of income tax expense to prima facie tax payable:		
Profit before tax	251.9	268.0
Income tax at 30% (2015: 30%)	75.6	80.4
Effect of lower tax rate in New Zealand	(0.1)	–
Recognition and derecognition of temporary differences	–	(1.8)
Settlement of historical tax matter	(5.4)	–
Recognition of previously unrecognised capital tax losses	(15.3)	–
Non-assessable equity accounted profit	(2.7)	(2.4)
Assessable income from associate investments	3.0	2.3
Assessable franking credits on dividends from associates	(2.3)	(1.6)
Other items	(1.5)	0.9
Income tax expense recognised in the profit or loss	**51.3**	**77.8**
Tax recognised directly in other comprehensive income		
Changes in fair value of cash flow hedge	(0.4)	8.5
Defined benefit superannuation funds actuarial gains/(losses)	0.2	(4.8)
	(0.2)	3.7

2.4 Earnings per share

	First half 2016 cents	First half 2015 cents
Parent basic earnings per share	20.5	19.4
Parent diluted earnings per share	20.5	19.4

The calculation of earnings per share was based on the following information:

Profit attributable to Parent shareholders	199.8	189.7

Basic weighted average number of ordinary shares	**2016**	2015
In thousands of shares		
Basic weighted average number of ordinary shares	973,689	975,229
Shares issuable under equity-based compensation plans	2,146	2,677
Diluted weighted average number of ordinary shares	**975,835**	**977,906**

2.5 Operating and finance leases

Operating leases

At reporting date, the Group is contracted to make the following future minimum operating lease payments:

	December 2015 $M	June 2015 $M
Non-cancellable operating lease rentals are payable as follows:		
Within one year	124.4	116.7
One year or later and no later than five years	411.5	363.2
Later than five years	817.2	755.9
	1,353.1	1,235.8

Asciano leases property under non-cancellable operating leases expiring between one month and 42 years. Lease payments comprise a base amount plus an incremental contingent rental (if required). Contingent rentals are based on either movements in the CPI or operating criteria.

Finance lease assets

As at 31 December 2015 the carrying value of plant and equipment under finance lease is $1.0 million (30 June 2015: $1.3 million) and the amounts payable under finance leases are as follows:

	December 2015 $M	June 2015 $M
Non-cancellable finance lease rentals are payable as follows:		
Within one year	0.6	0.6
One year or later and no later than five years	0.4	0.7
	1.0	1.3

Asciano leases property under non-cancellable finance leases expiring between two and five years.

2.6 Capital and other commitments

	December 2015 $M	June 2015 $M
Plant and equipment		
Contracted capital expenditure committed but not yet payable:		
Within one year	66.5	112.2
One year or later and no later than five years	16.4	23.5
Later than five years	–	10.0
	82.9	145.7
Maintenance commitments		
Non-cancellable maintenance contracts committed but not yet payable:		
Within one year	16.4	21.5
One year or later and no later than five years	33.7	40.3
	50.1	61.8
Other commitments		
Non-cancellable other contracts committed but not yet payable:		
Within one year	8.9	8.5
One year or later and no later than five years	–	2.2
	8.9	10.7

2.7 Financial risk management

Risk management framework

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2015.

2.8 Financial assets

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the end of the period was:

	December 2015 $M	June 2015 $M
Current		
Cash and cash equivalents	152.0	127.3
Trade receivables (net of impairment)	354.5	378.6
Other receivables	91.1	64.1
Loans to related party	–	1.9
Derivative financial assets	19.8	114.2
	617.4	686.1
Non-current		
Other receivables	1.2	1.4
Loans to joint ventures	52.4	56.2
Derivative financial assets	731.7	613.5
	785.3	671.1
Total financial assets	**1,402.7**	**1,357.2**

2.9 Financial liabilities

The carrying amount of financial liabilities represents the maximum liquidity risk exposure. The maximum exposure to liquidity risk at the end of the period was as follows:

	December 2015 $M	June 2015 $M
Current		
Trade payables	177.3	151.3
Other payables and accrued expenses	212.4	258.6
Derivative financial liabilities	23.7	40.3
Loans and borrowings:		
Finance lease liabilities	0.6	0.6
Syndicated revolving facility	200.0	–
US dollar bonds (net of discount)	–	518.9
	614.0	969.7
Non-current		
Other payables and accrued expenses	15.6	14.9
Derivative financial liabilities	72.0	52.9
Loans and borrowings:		
Finance lease liabilities	0.4	0.7
Syndicated revolving facility	380.0	300.0
NZ dollar cash advance facility	31.1	29.1
US dollar bonds (net of discount)	2,195.3	2,072.5
GBP bonds (net of discount)	605.9	609.8
AUD bonds (net of discount)	345.7	345.6
Unrealised fair value loss on US dollar bonds	79.7	83.7
Loan from related parties	10.0	–
Capitalised debt issuance costs	(13.2)	(14.9)
	3,722.5	3,494.3
Total financial liabilities	**4,336.5**	**4,464.0**

In September 2015, $420.0 million of the syndicated revolving credit facility was drawn down and used to repay US$400.0 million of the US dollar 5 year bonds that matured on 23 September 2015. The US dollar 5 year bonds was hedged to 100% through the use of fixed-for-fixed cross currency interest rate swaps and the net cash settlement on repayment was $428.8 million.

On 30 October 2015, Nippon Yusen Kabushiki Kaisha (“NYK”), the minority shareholder in Patrick Autocare Pty Ltd, provided a $10.0 million loan to Patrick Autocare Pty Ltd. The loan is at a market interest rate of BBSY plus a margin of 1.6% per annum and repayable via three instalments by 30 June 2019.

On 18 December 2015, Asciano entered into a new A$75.0 million bank guarantee facility maturing in December 2018 to refinance part of the existing A$150.0 million facility maturing in June 2016. The new facility is a non-cash facility used to provide performance bonds and bank guarantees.

As at 31 December 2015, all syndicated revolving credit facilities, NZD cash advance facility, US dollar bonds, GBP bonds and AUD bonds were unsecured.

2.9.1 Bank facilities

The following table provides details of the components of the bank facilities and cash:

		December 2015		June 2015	
$M	Maturity	Facility	Utilised	Facility	Utilised
Syndicated revolving facility	October 2016	650.0	200.0	650.0	300.0
Syndicated revolving facility	October 2019	650.0	380.0	650.0	–
NZ dollar cash advance facility[1]	June 2019	37.5	31.1	35.1	29.1
		1,337.5	611.1	1,335.1	329.1
Less: cash and cash equivalents		–	(152.0)	–	(127.3)
Net bank debt		**1,337.5**	**459.1**	**1,335.1**	**201.8**
Bank guarantee facility[2]	June 2016	75.0	60.9	150.0	65.9
Bank guarantee facility[3]	December 2018	75.0	7.9	–	–
		1,487.5	527.9	1,485.1	267.7

1. Australian dollar equivalent calculated at the spot rate as at the end of the period.
2. All drawings under the bank guarantee facility as at 31 December 2015 are in the form of performance bonds and bank guarantees.
3. On 18 December 2015, Asciano entered into a new $75 million bank guarantee facility to refinance part of the existing A$150 million facility maturing in June 2016.

Asciano pays interest on its bank facilities at a margin above the bank bill swap rate. As at 31 December 2015 Asciano's interest rate exposure on the syndicated bank loan was hedged to 34.5% (30 June 2015: 66.7%), and the interest rate exposure on the NZ dollar facility was hedged to 90.4% (30 June 2015: nil) through the use of interest rate swaps.

2.9.2 US dollar bonds

The following table provides details of the components of the US dollar bonds:

		December 2015		June 2015	
$M	Maturity	US$	A$[1]	US$	A$
US dollar 5 year bonds[2]	September 2015	–	–	400.0	518.9
US dollar 7 year bonds[3]	April 2018	750.0	1,030.3	750.0	973.0
US dollar 10 year bonds[4]	September 2020	600.0	824.3	600.0	778.4
US dollar 12 year bonds[3]	April 2023	250.0	343.4	250.0	324.3
US bonds		**1,600.0**	**2,198.0**	**2,000.0**	**2,594.6**
Discount on US dollar bonds		(2.7)	(2.7)	(3.2)	(3.2)
US bonds (net of discount)		**1,597.3**	**2,195.3**	**1,996.8**	**2,591.4**

1. Australian dollar equivalent calculated at the spot rate on 31 December 2015.
2. The US dollar 5 year bonds matured on 23 September 2015 with US$400.0 million of principal repaid.
3. As at 31 December 2015, Asciano's currency exposure on the US dollar 7 and 12 year bonds was hedged to 100% (30 June 2015: 100%) and Asciano's interest rate exposure for all the bonds was hedged to 70.9% (30 June 2015: 77.0%) through using a combination of fixed-for-floating cross-currency interest rate swaps and interest rate swaps.
4. As at 31 December 2015, Asciano's currency and interest rate exposure on the US dollar 10 year bonds was hedged to 100% (30 June 2015: 100%) through the use of fixed-for-fixed cross-currency interest rate swaps.

2.9.3 Sterling bonds

The following table provides details of the components of the GBP bonds:

		December 2015		June 2015	
$M	Maturity	GB£	A$[1]	GB£	A$
GBP 10 year bonds[2]	September 2023	300.0	607.3	300.0	611.3
Discount on GBP bonds		(0.8)	(1.4)	(0.9)	(1.5)
GBP bonds (net of discount)		**299.2**	**605.9**	**299.1**	**609.8**

1. Australian dollar equivalent calculated at the spot rate on 31 December 2015.
2. As at 31 December 2015, Asciano's currency and interest rate exposure on the GBP bonds was hedged to 100% (30 June 2015: 100%) through the use of fixed-for-fixed cross-currency interest rate swaps.

2.9.4 Australian dollar bonds

The following table provides details of the components of the AUD bonds:

		December 2015	June 2015
$M	Maturity	A$	A$
AUD 10 year bonds	May 2025	350.0	350.0
Discount on AUD bonds		(4.3)	(4.4)
AUD bonds (net of discount)		**345.7**	**345.6**

2.10 Fair value of financial assets and liabilities

Accounting classification and fair value

All derivative financial instruments are carried at fair value. Different levels have been defined as follows:

- Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data.

All of Asciano's financial assets and liabilities fall into Level 2 of the fair value hierarchy. The carrying amount equals the fair value of all financial assets and liabilities, with the exception of GBP, US dollar and Australian dollar bonds that are carried at amortised cost

The fair values of the GBP, US dollar and Australian dollar bonds are shown below:

	December 2015		June 2015	
	Carrying amount $M	Fair value $M	Carrying amount $M	Fair value $M
US dollar bonds, gross of discount and unrealised fair value loss[1]	2,277.7	2,271.1	2,678.3	2,758.2
GBP bonds, gross of discount	607.3	642.0	611.4	668.4
AUD bonds, gross of discount	350.0	341.6	350.0	347.6

1. The US dollar 5 year bonds matured on 23 September 2015 with US$400.0 million of principal repaid.

Valuation techniques of financial assets and liabilities measured at fair value

Type	Valuation technique
Debt securities	Discounted cash flows using a contract cash flows and a market related discount rate.
Interest rate swaps and cross-currency swaps	Discounted cash flows.
Forward exchange contracts	Calculated using spot foreign exchange market rates and market forward curves for each currency pair at the reporting date.
Other derivative financial instruments	Calculated based on broker quotes which are tested for reasonableness by discounting expected future cash flows using market interest rates for a similar instrument at the reporting date.
Other financial liabilities	Discounted cash flows using the current market interest rate that is available to Asciano for similar instruments at the reporting date.

2.11 Finance income and expense

Finance income and expense is reconciled to the Consolidated Statement of Profit or Loss and Consolidated Statement of Income as follows:

	First half 2016 $M	First half 2015 $M
Recognised directly in the Consolidated Statement of Profit or Loss		
Interest income	1.5	1.5
Finance income	**1.5**	**1.5**
Interest expense	(101.7)	(106.5)
Borrowing costs capitalised to qualifying asset	–	12.2
Total interest expense	(101.7)	(94.3)
Amortisation of deferred borrowing costs	(2.1)	(2.0)
Guarantee and commitment fees	(3.4)	(3.0)
Unwind of discount on long-term provisions	(0.8)	(1.5)
Credit value adjustment recognised in the profit or loss	0.9	7.9
Net change in fair value of derivatives not designated in a hedge relationship	(2.1)	(15.5)
Finance expense	**(109.2)**	**(108.4)**
Net finance expense	**(107.7)**	**(106.9)**
Recognised directly in the Consolidated Statement of Comprehensive Income		
Effective portion of changes in fair value of cash flow hedges	(1.4)	26.7
Foreign currency translation difference for foreign operations, no tax effect	(0.4)	1.3
Tax on finance income and finance costs recognised in the Consolidated Statement of Comprehensive Income	0.4	(8.5)
Finance income/(expense) recognised directly in the Consolidated Statement of Comprehensive Income, net of tax	**(1.4)**	**19.5**

2.12 Dividends

No dividend was paid during the current reporting period (31 December 2014: 8.25 cents per share).

On 24 February 2016, the Board resolved to pay a fully franked interim dividend of 13.0 cents per share. The record date for entitlement to the dividend is 2 March 2016 (31 December 2014: 8.25 cents per share). The dividend of $126.8 million was not recognised as a liability at 31 December 2015.

	Cents per share	Total amount $M	Franked/ unfranked	Date of payment
Interim dividend	13.0	126.8	Fully franked	24 March 2016

2.13 Contributed equity

Movement in number of issued shares:

Parent	Date	Price per share $	Number of fully paid ordinary shares	$M
June 2015				
Balance at	1 July 2014		975,385,664	8,609.3
Treasury shares acquired		6.34		(12.7)
Treasury shares allocated		6.10		7.9
Balance	30 June 2015		975,385,664	8,604.5
December 2015				
Parent				
Balance at	1 July 2015		975,385,664	8,604.5
Treasury shares acquired		8.43		(19.6)
Treasury shares allocated		6.41		3.0
Balance	**31 December 2015**		**975,385,664**	**8,587.9**

Treasury shares consist of shares held in trust for Asciano employees in relation to equity compensation plans. These shares will transfer to the participating executives on satisfaction of the relevant time and/or performance-based conditions.

At 31 December 2015, 2,765,502 shares (30 June 2015: 911,364 shares) were held in trust and classified as treasury shares. 473,514 treasury shares were allocated during the period in relation to the vesting of short-term incentive (STI) rights.

2.14 Non–controlling interests

	December 2015 $M	June 2015 $M
Reserves	6.4	6.4
Retained earnings	1.0	12.2
Closing balance	**7.4**	**18.6**

Non-controlling interests

Non-controlling interests relate to 20% of Patrick Autocare Pty Limited.

Movement in non-controlling interests

The following table provides details of the movement in non-controlling interests:

	December 2015 $M	June 2015 $M
Contributed equity		
Opening balance	–	–
Closing balance	**–**	**–**
Reserves		
Opening balance	6.4	6.4
Closing balance	**6.4**	**6.4**
Retained earnings		
Opening balance	12.2	11.0
Total comprehensive income	0.8	1.2
Dividends paid[1]	(12.0)	–
Closing balance	**1.0**	**12.2**
Total	**7.4**	**18.6**

1. Fully franked dividend paid by Patrick Autocare Pty Limited to NYK on 30 October 2015.

2.15 Equity accounted investments

	December 2015 $M	June 2015 $M
Equity accounted investments[1]	67.8	30.4

1. Equity accounted investment as at 31 December 2015 includes the formation of the 50/50 joint venture with ACFS Port Logistics ("ACFS") on 1 August 2015.

Summary financial information for equity accounted investees is as follows:

		First half 2016		First half 2015	
	Owned %	Investee profit before tax $M	Asciano's share of net profit after tax $M	Investee profit before tax $M	Asciano's share of net profit after tax $M
1-Stop Connections Pty Limited[1]	50	2.6	1.0	1.8	0.6
Albany Bulk Handling Pty Limited	50	2.0	0.6	2.0	0.7
Australian Amalgamated Terminals Pty Ltd	50	12.9	4.5	11.4	3.7
Car Compounds of Australia Pty Limited	50	0.6	0.2	(0.3)	–
Geelong Unit Trust	50	5.5	2.6	4.8	2.6
Insync Solutions	50	0.8	0.4	0.7	0.3
ACFS Port Logistics[2]	50	(1.4)	(0.5)	–	–
		23.0	8.8	20.4	7.9

1. Reporting date is 31 December.
2. Equity accounted investment as a result of the formation of the 50/50 joint venture with ACFS Port Logistics ("ACFS"). Profit before tax and Asciano's share of net profit after tax represents financial information from 1 August 2015, the date of commencement of the joint venture.

Distributions received from joint ventures during the half year ended 31 December 2015 totalled $10.3 million (31 December 2014: $8.4 million).

All joint ventures were incorporated or formed in Australia apart from Insync Solutions which is incorporated in New Zealand.

2.16 Contingencies

Litigation

From time to time, Asciano is subject to claims and litigation during the normal course of business. The Board has given consideration to such matters, which are or may be subject to litigation at the half year end and, subject to specific provisions raised, is of the opinion that no material liability exists.

Environmental liabilities

Asciano provides for all known environmental liabilities. While the Board believes that its provisions for environmental rehabilitation are adequate, there can be no assurance that material new provisions will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.

Contractual arrangements

As at 31 December 2015, Asciano had a contingent liability of $88.0 million in relation to a potential break fee payable to Brookfield on a change in recommendation by the Asciano Board in favour of the Qube Consortium Proposal.

2.17 Events subsequent to the reporting date

On 12 February 2016, Asciano Limited signed documents extending the term of the A$650.0 million Corporate Debt Facility from October 2016 to September 2021.

On 16 February 2016, Asciano announced that the Board had changed its recommendation to the Qube Consortium Proposal for the acquisition of 100% of the issued shares of Asciano Limited. This was due to the Board determining that the Qube Consortium Proposal was superior to the proposal Brookfield Infrastructure Partners Limited ("Brookfield Infrastructure") announced on 9 November 2015. As a result of the change in recommendation in favour of the Qube Consortium Proposal, a break fee of $88.0 million was paid to Brookfield Infrastructure on 19 February 2016.

On 23 February 2016, Asciano announced that it had received letters from both the Qube Consortium and the consortium comprising, Brookfield Infrastructure (and certain of its affiliates), GIC Private Limited (and certain of its affiliates), British Columbia Investment Management Corporation Pty Limited and their consortium vehicle, Nitro Corporation Pty Limited (together the Brookfield Consortium) regarding preliminary discussions between the two parties that relate to a potential transaction to acquire 100% of the issued capital of Asciano by way of scheme of arrangement for an all cash consideration of $9.28 per Asciano share (inclusive of permitted dividends paid, including the interim dividend of 13.0 cents per share).

In the absence of any alternative superior proposal capable of acceptance, the Asciano Board continues to recommend the Qube Consortium Proposal as announced on 16 February 2016, subject to an independent expert opining that the takeover offer under the Qube Consortium Proposal and the associated sale of each of the Ports and BAPS businesses are fair and reasonable to Asciano shareholders.

Other than for the items noted above and a resolution to pay a fully interim dividend of 13.0 cents per share, there has not arisen in the interval between 31 December 2015 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Board, to affect significantly the operations of Asciano, the results of those operations, or the state of affairs of Asciano in future financial years.

Directors' Declaration

For the half year ended 31 December 2015

In the opinion of the Directors of Asciano Limited ("Company"):

1. the financial statements and notes, set out on pages 7 to 25, are in accordance with the Corporations Act 2001, including:
   (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Malcolm Broomhead
Chairman
Sydney
24 February 2016

Independent auditor's review report to the members of Asciano Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Asciano Limited, which comprises the consolidated statement of financial position as at 31 December 2015, consolidated statement of profit or loss and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 2.17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Asciano Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Asciano Limited is not in accordance with the *Corporations Act 2001*, including:

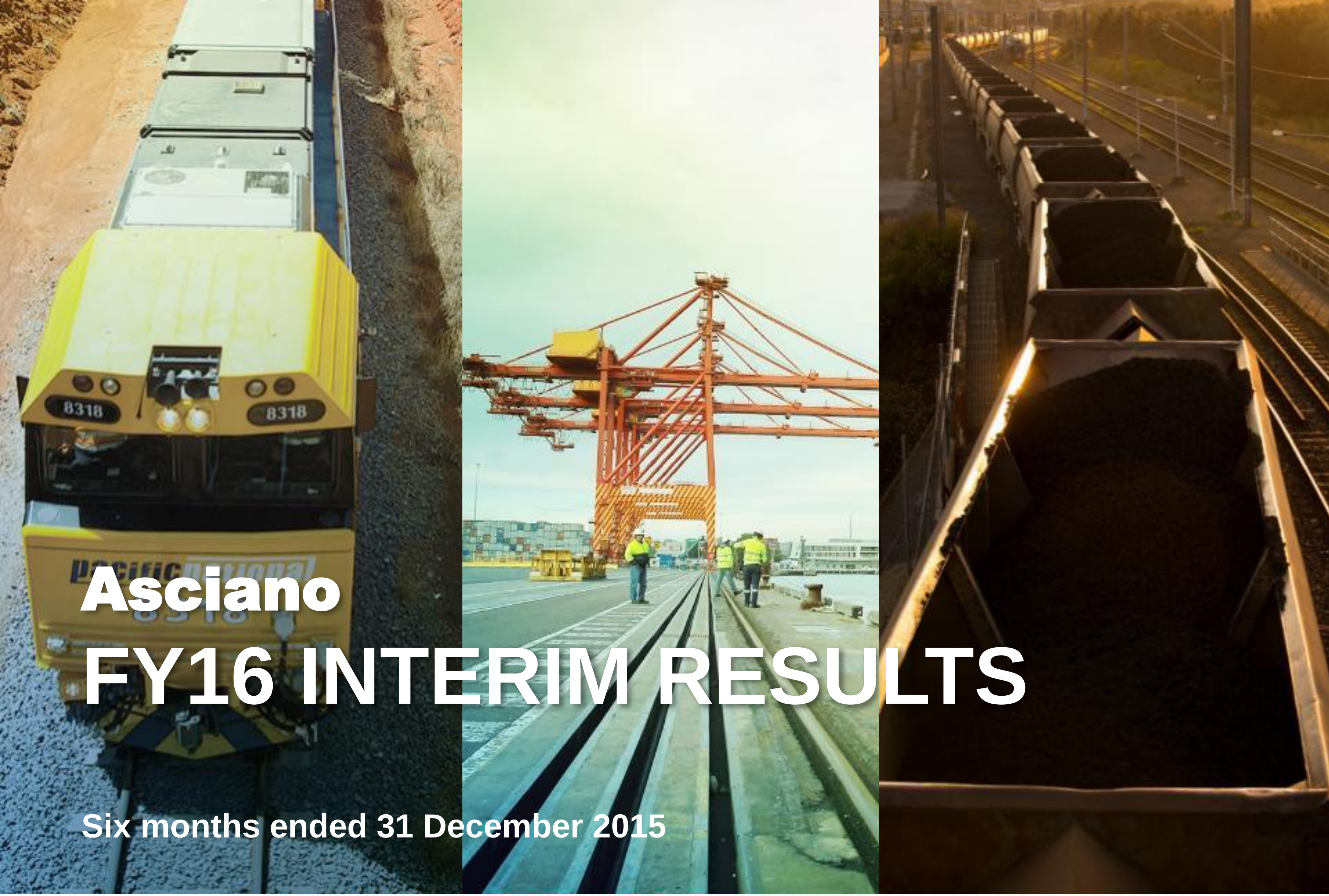
(a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Steven Gatt	Caoimhe Toouli
Partner	*Partner*
Sydney	Sydney
24 February 2016	24 February 2016



Asciano

FY16 INTERIM RESULTS

Six months ended 31 December 2015

Part of the asciano group of companies, Australasia's largest national rail freight and ports operator pacific national PATRICK

DISCLAIMER

- This presentation includes “forward-looking statements.” These can be identified by words such as “may”, “should”, “anticipate”, “believe”, “intend”, “estimate” and “expect”. Statements which are not based on historic or current facts may be forward-looking statements
- Forward-looking statements are based on assumptions regarding Asciano’s financial position, business strategies, plans and objectives of management for future operations and development and the environment in which Asciano will operate
- Forward-looking statements are based on current views, expectations and beliefs as at the date they are expressed and which are subject to various risks and uncertainties. Actual results, performance or achievements of Asciano could be materially different from those expressed in, or implied by, these forward-looking statements. The forward-looking statements contained in this presentation are not guarantees or assurances of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Asciano, which may cause the actual results, performance or achievements of Asciano to differ materially from those expressed or implied by the forward-looking statements. For example, the factors that are likely to affect the results of Asciano include general economic conditions in Australia; exchange rates; competition in the markets in which Asciano does and will operate; weather and climate conditions; and the inherent regulatory risks in the businesses of Asciano. The forward-looking statements contained in this presentation should not be taken as implying that the assumptions on which the projections have been prepared are correct or exhaustive
- Asciano disclaims any responsibility for the accuracy or completeness of any forward-looking statement. Asciano disclaims any responsibility to update or revise any forward-looking statement to reflect any change in Asciano’s financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law.
- The projections or forecasts included in this presentation have not been audited, examined or otherwise reviewed by the independent auditors of Asciano. Unless otherwise stated, all amounts are based on A-IFRS and are in Australian Dollars. Certain figures may be subject to rounding differences. Any market share information in this presentation is based on management estimates based on internally available information unless otherwise indicated
- You must not place undue reliance on these forward-looking statements.
- The forward looking statements are on the basis of Asciano continuing as a stand alone listed entity
- This presentation is not an offer or invitation for subscription or purchase of, or a recommendation of securities
- This presentation is unaudited. Notwithstanding this, the presentation includes certain financial data which is extracted or derived from the Interim Financial Report for the six month period ended 31 December 2015 which has been audited by the Group’s Independent Auditor

AGENDA

1 Highlights

2 Financial Analysis

3 Outlook

4 Appendices

JOHN MULLEN
CEO

1HFY16 GROUP HIGHLIGHTS

Earnings	• Positive operating result despite flat to negative top line growth • Revenue ↓ 4.3% on pcp to $1.9bn; adjusted[2] revenue ↓ 1.5% to 1.7bn • Outperformance on BIP initiatives • Underlying EBITDA[1] ↑ 0.8% and EBIT[1] ↓ 2.8%. Depreciation increased by 7.3% • Underlying EPS[1] ↑ 6.8% reflecting management of factors below EBIT line
Cash Flow	• 234% increase in free cash flow to $190m resulting from reduced capital expenditure
Balance Sheet	• Balance Sheet restored; Leverage ↓ 2.56x at bottom end of target range; Interest cover ↑ 5.7x
Dividend	• Fully franked dividend ↑ 58% increase on pcp to 13.0cps; payout ratio now 59%
Business Conditions	• Growth in coal volumes as coal customers continue to rail high levels of contracted tonnage • Extended Coal and Terminals contracts driving resilience and underpinning long term cash flows • Ongoing weakness in WA economy and resources activity impacting Intermodal and Bulk Ports • Market shares held despite volatility, consortia changes and economic pressure on customers

1. Underlying - pre material items
2. Adjusted for coal access and fuel that is a pass through and adjusted for the creation of the port logistics joint venture with ACFS

HIGHLIGHTS – PACIFIC NATIONAL

Strong growth in Queensland bulk volumes and BIP initiatives underpin result

Financial Performance	• Revenue ↓ 1.3% to $1.2bn • Bulk NTKs ↑ 5.8%, offset by 8.8% ↓ in Intermodal NTKs on pcp • Coal NTKs ↑ 6.9%; volumes very strong in Queensland ↑11.8% • Bulk Revenue net of access and adjusted for fuel pass through ↑ 1.1% • Underlying[1] EBITDA ↑ 1.4%; Underlying[1] EBIT flat on pcp • BIP initiatives delivered a further $29.5m to the operating result • Material items after tax cost of $3.6m related to next phase of restructure • ROCE ↑ 106bps to 14.5% • Capital Expenditure ↓ 14.7% to $86.3m
Factors Driving Result	• Coal contract utilisation for the six month period remained high at 90.3% • Construction and Specialised volumes increased reflecting new contracts • Grain and Mineral volumes flat or below the pcp • Intermodal continued to be impacted by lower volumes East-West reflecting the soft Western Australian economy and relatively stronger volumes North-South • BIP initiatives included initial contribution from the rationalisation of the Non Coal Bulk business in NSW/Vic in response to a downturn in activity levels

1. Underlying – pre material items

HIGHLIGHTS – PATRICK

Growth in East Coast volumes offset by weakness in WA economy & resources related activity

Financial Performance	• Revenue ↓ 9%; revenue adjusted for creation of logistics joint venture↓1.8% • Container Lifts ↓ 1.3%; TEUs flat on pcp • Vehicles processed ↑ 4.8%; storage days ↓11.9%; bulk tonnes stevedored ↓12% • Underlying[1] EBITDA ↑ 4.2%; Underlying[1] EBIT ↑ 0.8% • BIP initiatives $10.2m including initial benefits from Port Botany redevelopment • A material items cost after tax of $5m reported, relating to restructure of the business • Capital expenditure ↓ 70.8% to $46.4m
Factors Driving Result	• Market share across the four container terminals 47.3%; flat on pcp • Container volumes declined materially in Fremantle reflecting weak WA economy • Successfully rolled over two major shipping line contracts for a further two years • Volumes across Bulk Port sites soft, reflecting wind down of resources contracts • Growth in Autocare processing and C3 volumes assisted by new contracts • Profit of $15.1m on property sales following a review of requirements • 13.4% increase in depreciation reflects Port Botany moving into operation

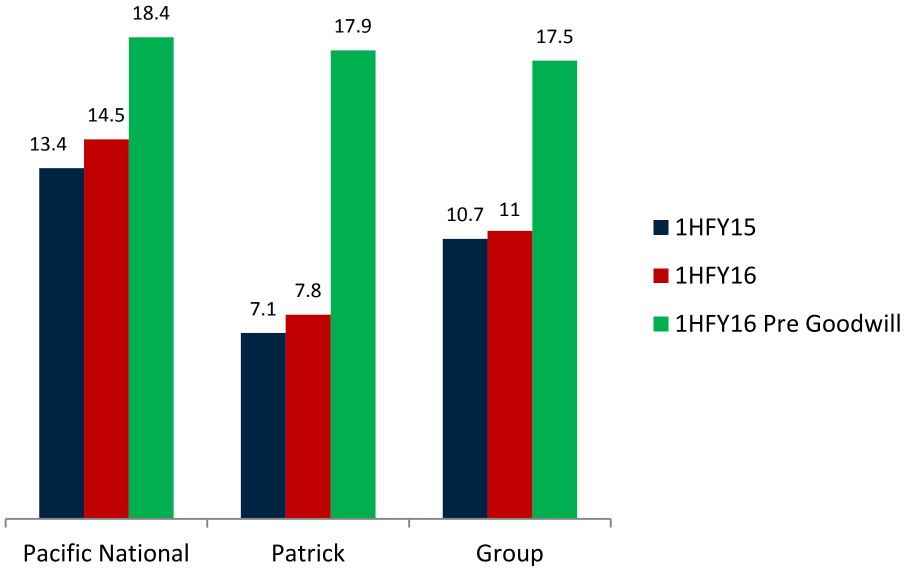
1. Underlying - Pre material items

FINANCIAL RETURNS

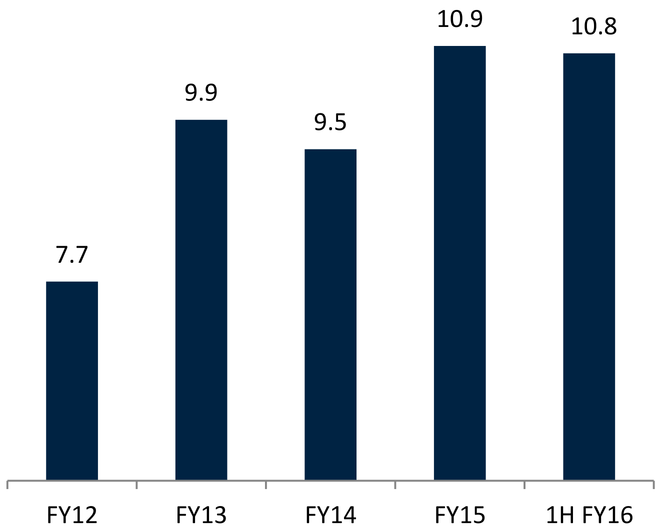
asciano

Underlying returns holding in a tough environment; performance ex goodwill remains strong

ROCE performance %



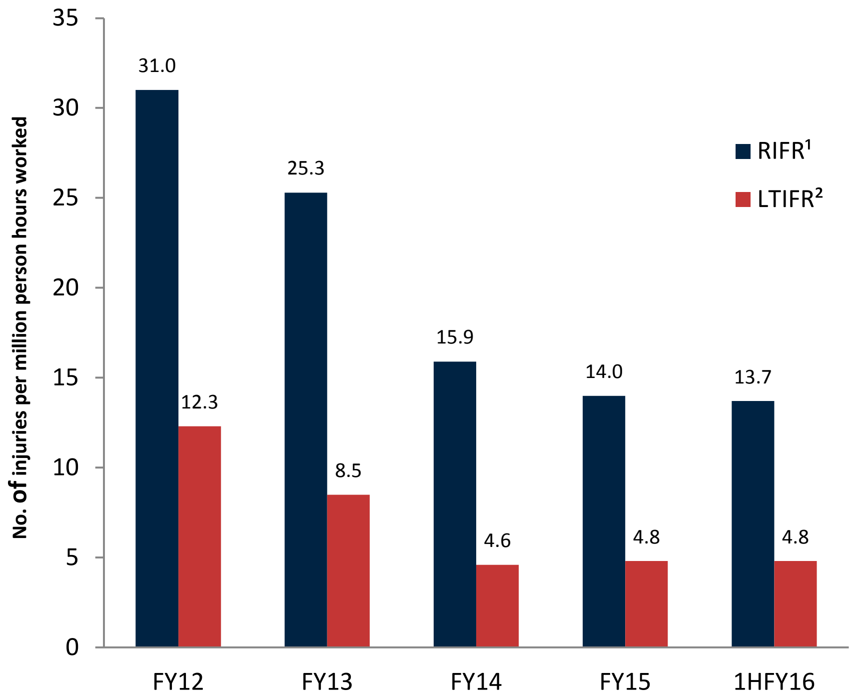
ROE performance[1] %



[1]Pre material items

HOME SAFELY

Spotlight on safety continues to drive improvement in metrics; key focus is high potential severity rate



- Safety metrics continue to improve. The performance of Pacific National very strong
- Focus on finishing the rollout of leading home safely to frontline management and in implementing our critical safety essentials

1. Recordable Injury Frequency Rate
2. Lost Time Injury Frequency Rate

FINANCIAL ANALYSIS
ROGER BURROWS, CFO

EARNINGS SUMMARY

Six Months Ended 31 December ($'m)	2014	2015	% chg
Revenue and other income	1,947.1	1,863.4	(4.3)
Underlying EBITDA[1]	563.9	568.4	0.8
Statutory EBITDA	547.7	547.7	0.0
Underlying EBIT[2]	391.1	380.3	(2.8)
Statutory EBIT	374.9	359.6	(4.1)
Underlying NPAT[3] after minority interests	201.1	214.3	6.6
Statutory NPAT after minority interests	189.7	199.8	5.3
Fully diluted underlying EPS after minority interests (¢)[3]	20.6	22.0	6.8
Fully diluted Statutory EPS (¢)	19.4	20.5	5.7

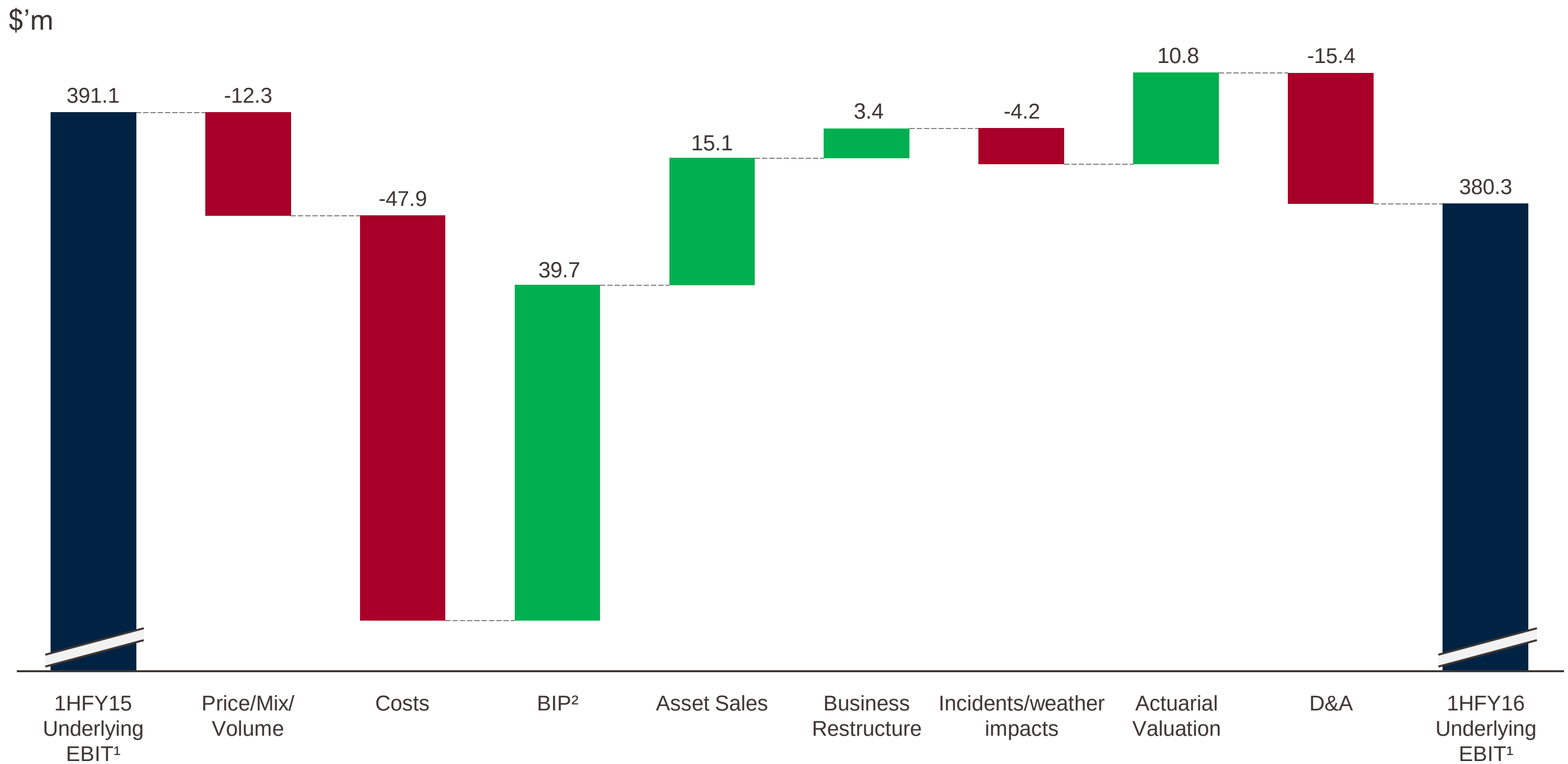
1. Underlying EBITDA excludes material items of $20.7m (1HFY15 $16.2m).
2. Underlying EBIT excludes material items of $20.7m (1HFY15 $16.2m).
3. Underlying NPAT excludes material items of $14.5m (1HFY15 $11.4m)

Further details on these adjustments are contained in the MD&A

GROUP – UNDERLYING EBIT BRIDGE

asciano

Underlying EBIT impacted by soft top line; underpinned by ongoing contribution from BIP

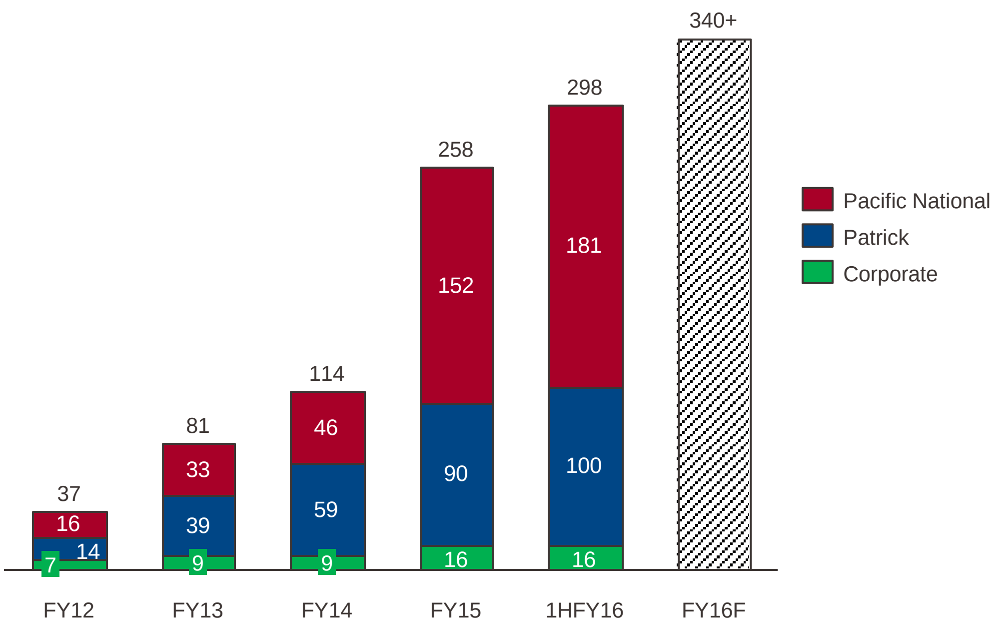


1. Underlying - Pre material items
2. Business Improvement Program

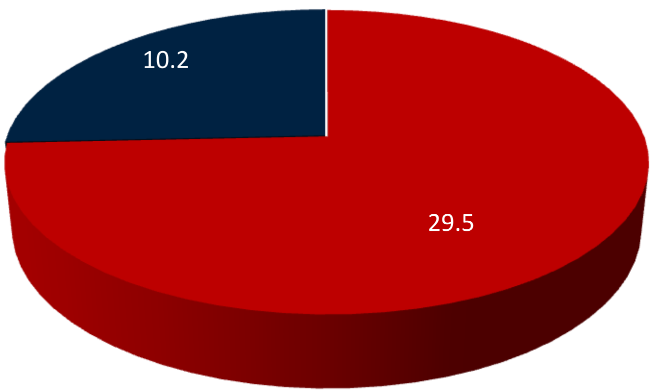
BUSINESS IMPROVEMENT PROGRAM

Business Improvement Program (BIP) delivered a further $39.7m in benefits

Cumulative BIP Savings Under 5 Year Plan ($'m)



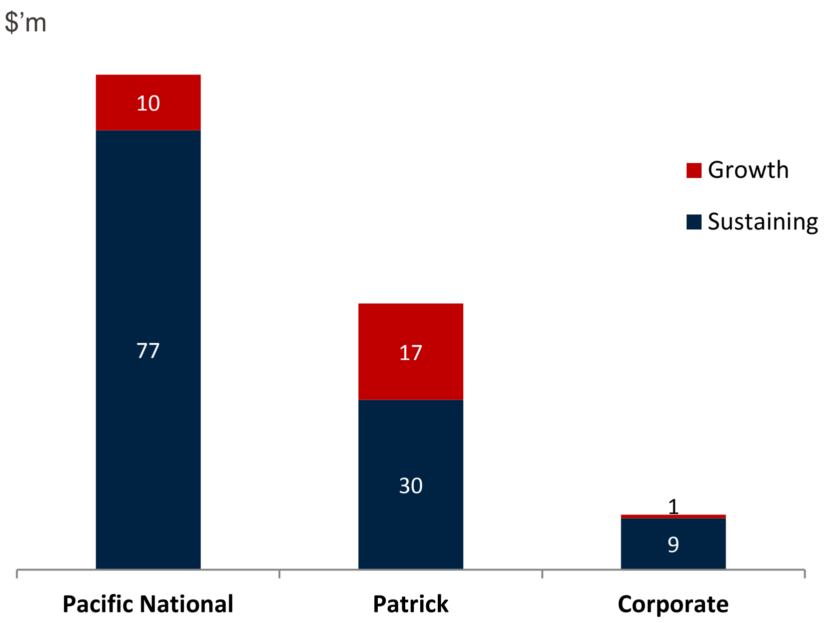
1H FY16 BIP divisional split ($'m)



- BIP delivered a further $39.7m in benefits for the half year taking the cumulative total of the five year FY16 program to $298.7m - only slightly below the $300m 5 year FY16 cumulative target
- The five year plan is now expected to deliver cumulative savings in excess of $340m by 30 June 2016

CAPITAL EXPENDITURE –1HFY16

1HFY16 capital expenditure declined 46.2% to $142.3m compared to the pcp

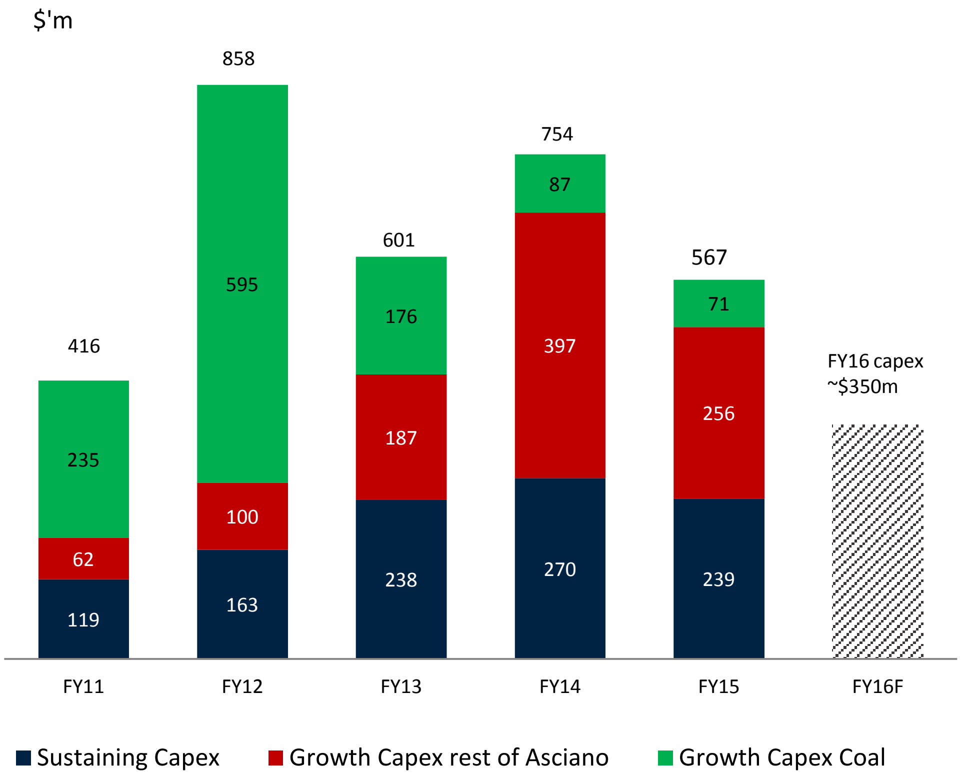


- The decline in capital expenditure reflects the completion of the significant investment phase across all businesses
- Key projects during the six month period included:
  - the ongoing midlife component change out of the NR class locomotive fleet
  - rolling stock to service the expansion of the contract with coal producer Whitehaven
  - the upgrade of the Melbourne and Adelaide freight terminals
  - new equipment in forestry services business C3.

CAPITAL EXPENDITURE – OUTLOOK

asciano

Capital expenditure* forecast for FY16 reduced to ~$350m

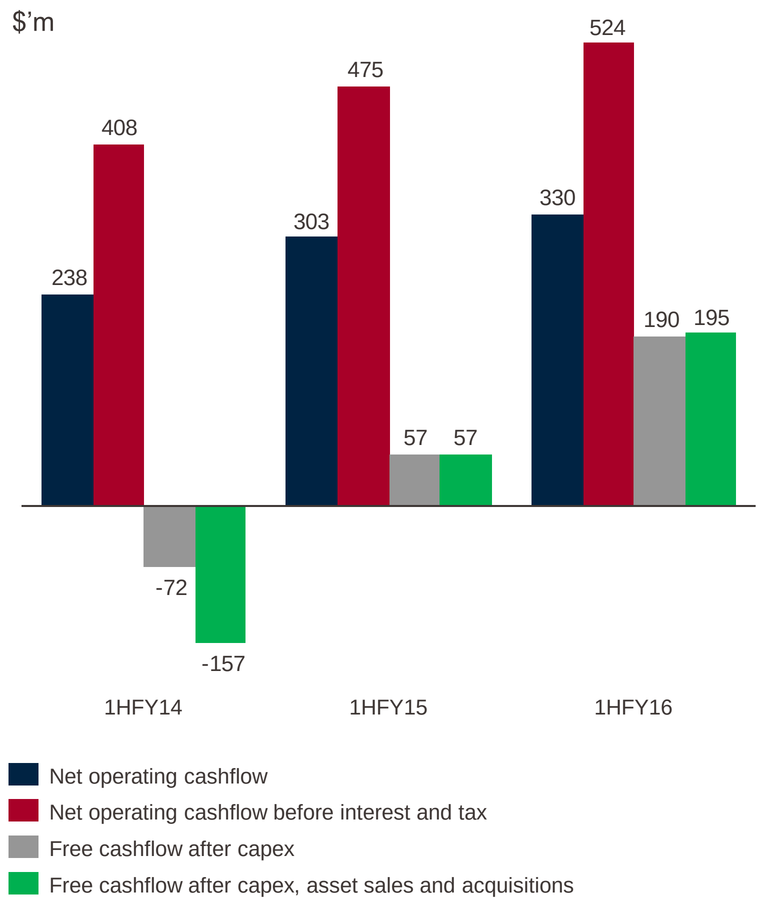


- Forecast capital expenditure range for FY16 has been reduced from a range of $390-440m to approximately $350m
- Cash capital expenditure in FY16 is expected to be approximately $390m reflecting capital expenditure accrued in FY15 and spent in FY16

* Includes capital expenditure recorded as inventory on the balance sheet

FREE CASH GENERATION

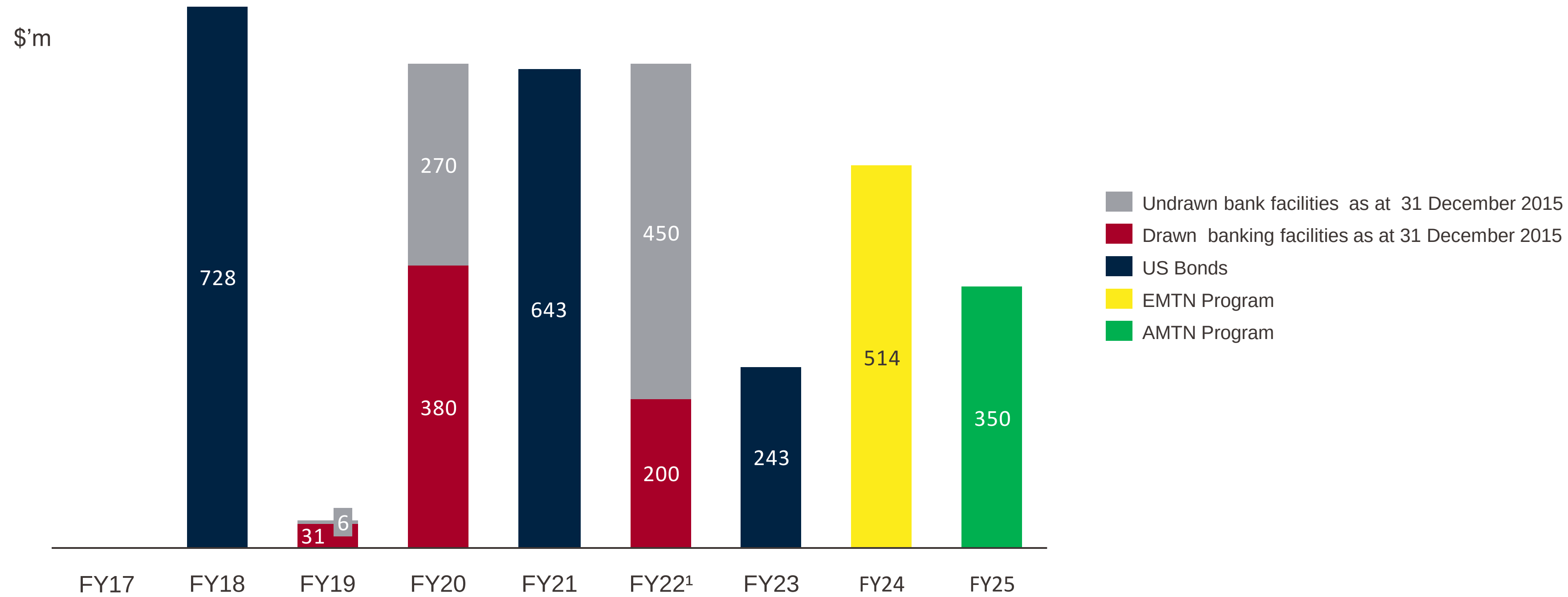
Strong free cash flow improvement, as foreshadowed; expected to continue in 2H FY16



- Operating cash flow after tax and net financing costs increased 8.7% driven by:
  - A material turn around in the working capital position of the Company reflected in cash conversion rate improving from 86.7% in the pcp to 95.2%; offset by
  - Tax paid increased 30.7% on the pcp to $83.0m reflecting the phasing of tax instalment payments
- Free cash flow after capital expenditure increased 234% to $189.7m reflecting the 43.2% reduction in capital expenditure over the pcp
- Free cash flow expected to be in excess of $400m in FY16 excluding the payment of the break fee to Brookfield Infrastructure Partners Limited

DEBT MATURITY PROFILE[1]

Following the extension of its banking facilities Asciano has no debt maturing until April 2018

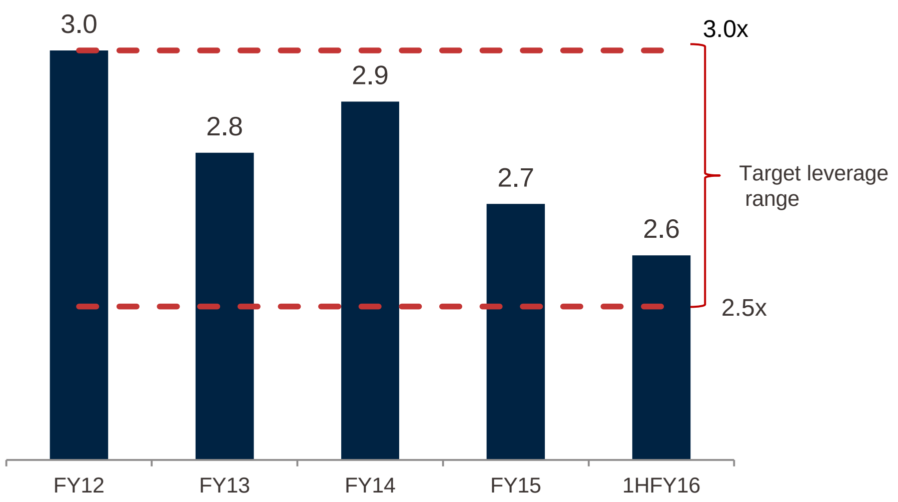


- $650m syndicated bank facility due to mature in October 2016 repriced and extended to September 2021-
  - October 2019 bank facility also repriced
  - Margin improved across both syndicated bank facilities
- Next maturity April 2018

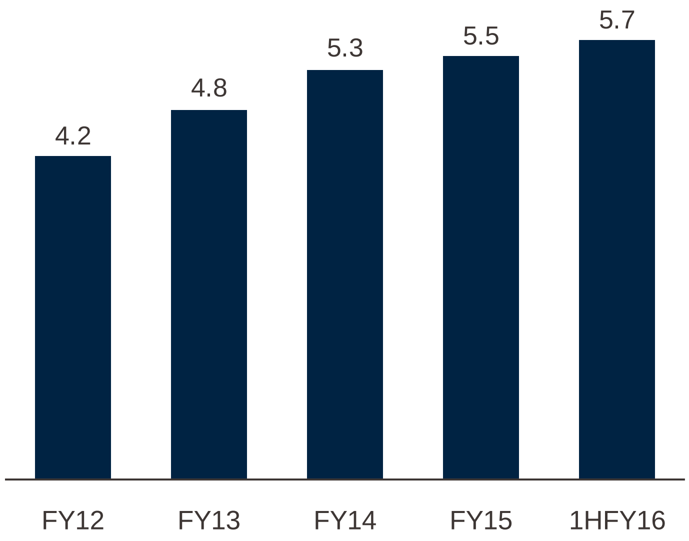
1. Profile has been adjusted to reflect the extension of the October 2016 bank facility to a September 2021 maturity

LEVERAGE AND INTEREST COVER METRICS CONTINUE TO IMPROVE

Net debt to EBITDA (x)[1]



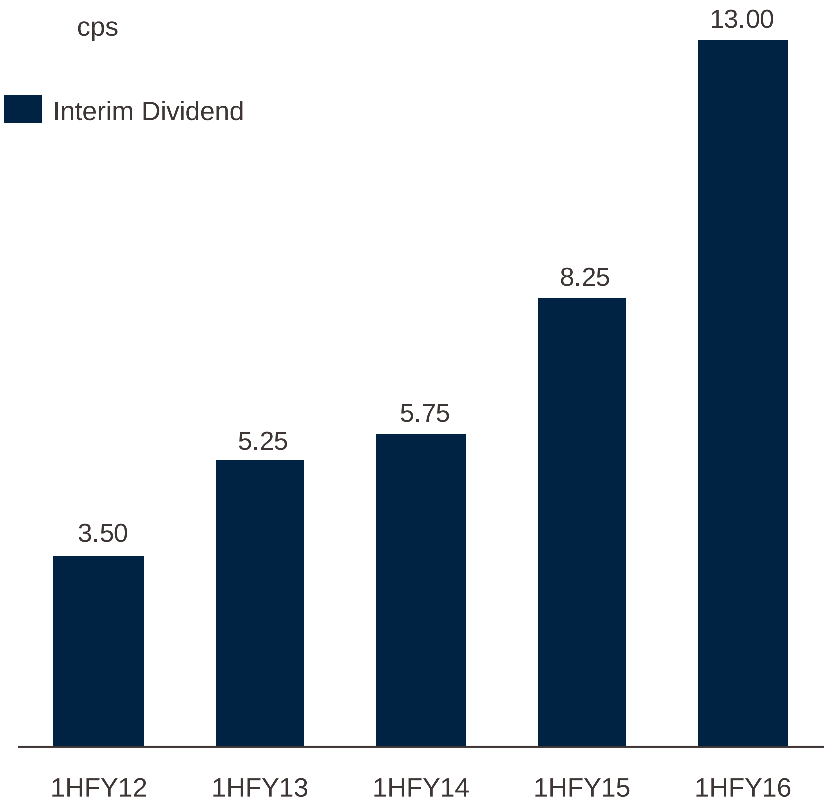
EBITDA to net interest (x) [1]



- AIO's target leverage range is 2.5x – 3.0x
- Expect leverage to be below the bottom end of the target range at 30 June 2016
- Interest cover is expected to continue to improve

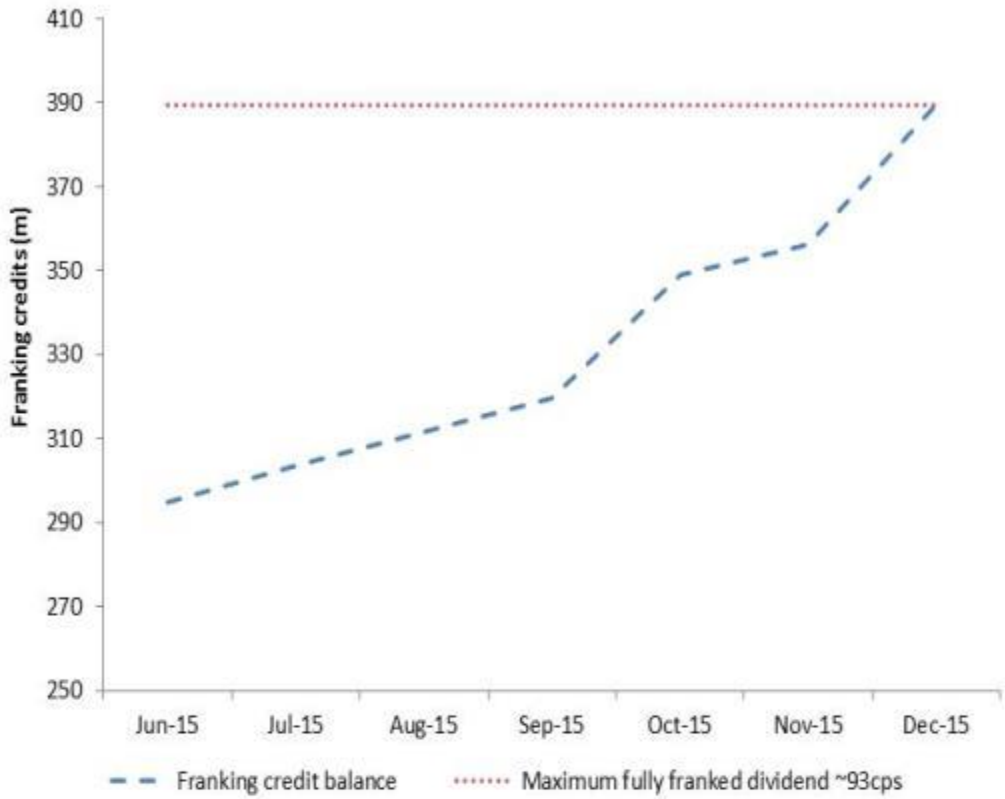
1. Net interest and EBITDA based on rolling 12 month period and includes capitalised interest
   Net debt is reflected at hedged values
   Calculation excludes mark to market and other non cash movements

DIVIDENDS AND PAYOUT RATIO



- The Board has resolved to pay a fully franked interim dividend of 13.0 cents per share, an increase of 58% over the pcp, representing a payout ratio of 59%
- Consistent with the Company's targeted move to a 50-70% payout ratio band
- Dividend payment is fully covered by free cash flow

FRANKING CREDIT BALANCE AND SPECIAL DIVIDEND



- Franking credit account balance at 31 December 2015 was $390m
- Supports payment of fully franked dividends of approximately 93cps
- The 13cps interim dividend will consume $54m of franking credits
- Negligible additional franking credits expected in the six months to 30 June 2016 – impacted by tax refunds
- Asciano Board's intention is to pay dividends to eligible Asciano shareholders to enable the distribution of franking credits to them in connection with any change of control of Asciano

OUTLOOK
JOHN MULLEN

UPDATE – ON TAKEOVER PROPOSALS

asciano

- On 16 February 2016 announced a revised proposal put forward by the Qube Consortium[1]
- Offer comprises $7.04 cash (inclusive of the 13cps interim dividend) and 1 Qube share per Asciano share
- Implied value of the proposal on the day of announcement A$9.025[2]
- On 23 February 2016 Asciano announced that it had received letters from the Qube Consortium and the consortium led by Brookfield Infrastructure[3] that discuss a potential transaction to acquire 100% of the issued capital of Asciano by way of a scheme of arrangement for a cash consideration of A$9.28 per Asciano share (inclusive of permitted dividends including the interim dividend of 13cps).
- While the Asciano Board considers the all cash nature and value of the consideration associated with the Brookfield Infrastructure and Qube Consortium Proposal is likely to be attractive to Asciano shareholders, Asciano notes that the discussions are preliminary and a number of steps would need to occur prior to any binding proposal eventuating
- In the absence of any alternative superior proposal capable of acceptance, the Asciano board continues to recommend the Qube Consortium Proposal as announced on 16 February 2016, subject to an independent expert opining that the takeover offer under the Qube Consortium Proposal and the associated sale of each of the Ports and BAPS businesses are fair and reasonable to Asciano shareholders.

1. Qube Consortium comprises Qube Holdings Limited (Qube), Global Infrastructure Partners (GIP), Canada Pension Plan Investment Board (CPPIB) and CIC Capital Corporation (CIC Capital)
2. Based on Qube's closing price on 15 February 2016
3. Brookfield Infrastructure led consortium comprised of Brookfield Infrastructure Partners L.P. (and certain of its affiliates), GIC Private Limited (and certain of its affiliates), British Columbia Investment Management Corporation and their consortium vehicle, and Nitro Corporation Pty Limited

OUTLOOK – PACIFIC NATIONAL

asciano

Earnings growth expected to be driven by BIP initiatives

OUTLOOK

EARNINGS DRIVEN BY:

- Volume trends in 1HFY16 expected to extend into 2HFY16
- Earnings growth driven by full year benefit of BIP initiatives
- Increase in depreciation expected to impact EBIT growth
- Capital expenditure will remain within sustaining capital expenditure forecasts

INTERMODAL VOLUMES:

- National Intermodal volumes are expected to continue to be impacted by softer market conditions, in particular in the key Western Australian market

BULK VOLUMES:

- Coal haulage levels in NSW and Queensland are currently predicted to remain at current levels of hauling for the 2H FY16, subject to disruption caused by severe weather events
- Coal volumes in NSW/Vic will be impacted by the contracted reduction in the haulage task and the closure of smaller mines in the region, offset in part by additional volumes from other customers
- Contracted coal tonnage for FY16 remains 180mtpa
- Grain volumes are expected to continue to be impacted by the drought in parts of Victoria

OUTLOOK – PATRICK

East coast volume growth offset by soft Western Australian market and the wind down of resources related activity

OUTLOOK

Earnings Driven By:

- Revenue growth to be impacted by the formation of logistics JV & soft volumes in some parts of the market
- The Division will focus on BIP initiatives to drive earnings
- A material increase in depreciation is expected to impact underlying EBIT
- The Division is now expected to report EBIT slightly below FY15 flowing from lower EBIT in Bulk Ports reflecting the wind down of resources related contract activity and the impact of consortium changes

Volumes:

- Patrick successfully rolled over two major shipping line contracts for a further 2 years. 94% of Patricks container terminal volumes now extend out to late 2017 and beyond
- Consortium changes and service closures will continue to impact volumes in container terminals
- Global economic activity will impact on the resources, agriculture and timber volumes through regional ports in Australia and New Zealand
- Autocare will benefit from the commencement of a new contract representing Kia and Hyundai and has recently extended its contract with Honda securing additional volumes in Western Australia

OUTLOOK – ASCIANO GROUP

Earnings guidance maintained; growth in cash flow will continue to accelerate

OUTLOOK

- Assuming there is no material change in the current business environment, we continue to expect to report flat to low single digit EBIT growth in FY16
  - Expect to report a significant increase in material items loss in FY16. This will be subject to the quantum of further costs incurred in relation to takeover activity and will include the break fee of $88m recently paid to Brookfield Infrastructure
  - Expect to report similar volume trends in 2HFY16 to 1HFY16
- BIP cumulative five year FY16 target revised up to $340m+, more than doubling the original $150m target
- Total capital expenditure is now expected to be approximately $350m for the full year down from prior guidance of $390-440m
- Free cash flow after capital expenditure in FY16 is expected to be in in excess of $400m (excluding the payment of the break fee to Brookfield Infrastructure Partners Limited)
- Balance sheet metrics will continue to improve; leverage to below the bottom end of the desired range
- Focus on ensuring that the impact of takeover proposals on the business is minimised; customer service standards and relationships and the safety and well being of employees remain the priority

APPENDICES

EARNINGS RECONCILIATION

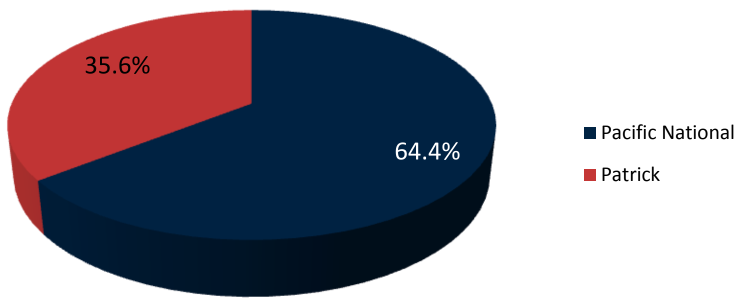
Six Months Ended December 31 2015 ($'m)	Revenue	EBITDA	EBIT	NPAT
Underlying Result[1]	**1,863.4**	**547.7**	**380.3**	**214.3**
Material items:				
• Patrick restructuring costs		7.1	7.1	5.0
• Pacific National restructuring costs		5.2	5.2	3.6
• Costs associated with M&A activity		8.4	8.4	5.9
Total material items		**20.7**	**20.7**	**14.5**
Statutory Result	**1,863.4**	**568.4**	**359.6**	**199.8**

1. Underlying - pre material items

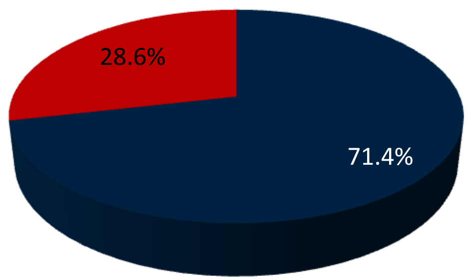
- Patrick reported pre tax costs of $7.1m associated with:
  - Redundancies taken as part of the integration of the Bulk Ports with Terminals & Logistics
  - Costs associated with the rationalisation of business sites as part of the restructuring within the Patrick businesses
- Pacific National reported pre tax costs of $5.2m associated with:
  - Redundancies associated with the next phase of the BIP initiatives including the rollout of a National Operating Centre
- Professional service fees of pre tax $8.4m associated with the takeover proposals for Asciano

EARNINGS SPLIT

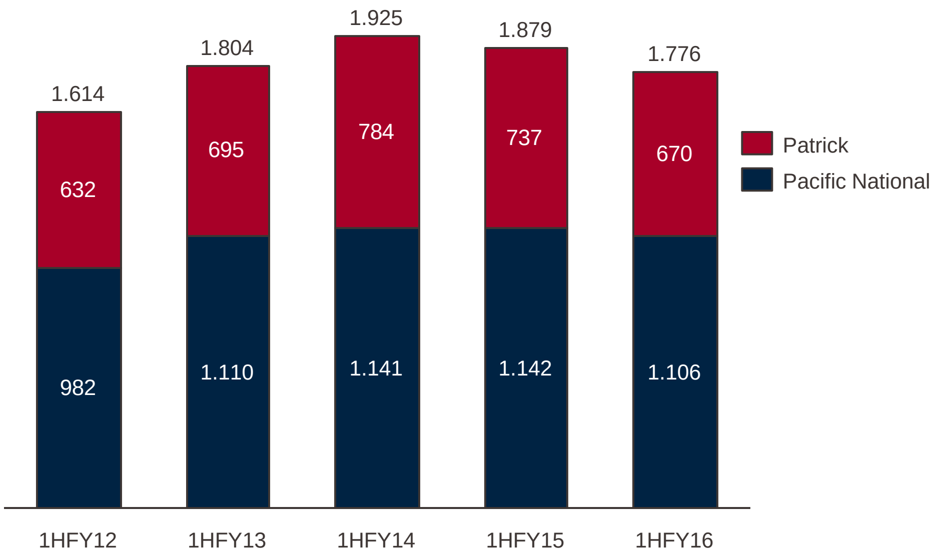
1HFY16 Revenue Split by Division[1]



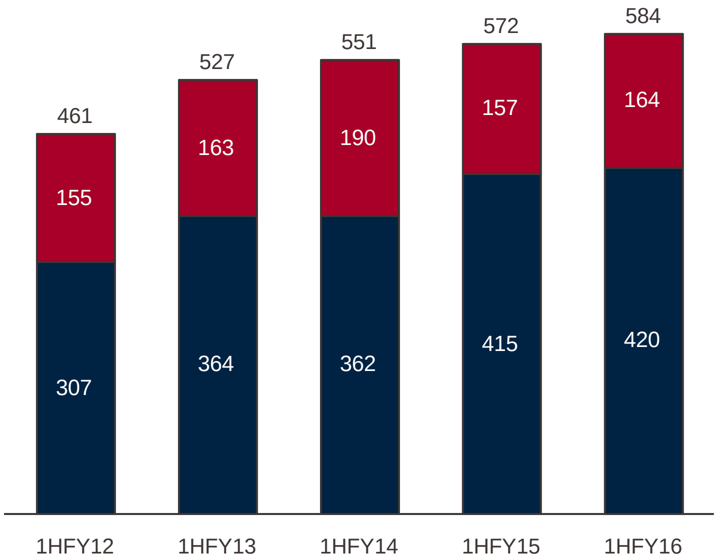
1HFY16 EBITDA Split by Division[1]



Historical Revenue by Division[1] ($m)



Historical EBITDA by Division[1] ($m)



1. Does not include corporate/eliminations Pacific National is net of coal access

RESULT – PACIFIC NATIONAL

Six months ended 31 December	2014	2015	% chg
Volume Bulk Rail			
Total Coal NTKs (m)	15,218.9	16,267.0	6.9
- Queensland Coal	6,500.1	7,265.0	11.8
- South East Australia Coal	8,718.8	9,002.0	3.2
Other Bulk Rail NTKs	2,387.0	2,367.7	(0.8)
Total Coal Tonnes (m)	83.3	81.3	(2.4)
- Queensland Coal	26.8	28.7	7.1
- South East Australia Coal	56.5	52.6	(6.9)
Other Bulk Tonnes (m)	7.1	7.4	4.2
Volume National Intermodal			
- NTKs (m)	11,205.6	10,224.1	(8.8)
- TEUs ('000)	398.4	415.6	4.3
- Steel tonnes ('000)	1,488.8	1,471.1	(1.2)
Weighted average coal contract maturity (years)	7.6	7.3	
Revenue and other income $'m	1,231.3	1,214.9	(1.3)
- *Coal access revenue ($'m)*	89.8	108.7	21.0
Revenue net of coal access $'m	1,141.5	1,106.2	(3.1)
- *Bulk Rail Revenue*	752.5	758.5	0.8
– *Bulk Rail revenue net of coal access*	662.7	649.8	(1.9)
- *National Intermodal Revenue*	478.8	456.4	(4.7)
Underlying[1] EBITDA $'m	414.7	420.3	1.4
- *Bulk Rail*	299.8	307.9	2.7
- *National Intermodal*	114.9	112.4	(2.2)
Underlying[1] EBIT $'m	291.1	290.9	(0.1)
- *Bulk Rail*	213.5	218.7	2.4
- *National Intermodal*	77.6	72.2	(7.0)
Operating EBITDA margin (%) (net of coal access)	36.3	38.0	1.7
Operating EBIT margin (%) (net of coal access)	25.5	26.3	0.8
ROCE (%)	13.4	14.5	106bps
ROCE exclusive WIP (%)	14.7	15.6	90bps
Cash Conversion (%) (Operating cash flow / EBITDA)	85.4	127.8	42.4
Growth capex ($'m)	12.5	9.7	(22.4)
Sustaining capex ($'m)	88.7	76.6	(13.6)
Full time employees	3,631	3,550	(2.2)

1. Underlying – pre material items

- Pacific National reported total revenue down 1.3% on the pcp driven by a 6.9% increase in total coal NTK's offset by weakness in intermodal volumes
- Bulk Rail revenue (net of coal access) adjusted for fuel costs in revenue (passed through to customers) increased 1.1% over the pcp
- Underlying[1] EBIT for the period was flat over the pcp at $290.9m. Factors driving the result included:
  - The contribution of organic growth from existing contracts and new contracted volume offset by the impact of the closure of mines and renegotiated contracts
  - The contribution from further BIP initiatives of $29.5m including a full year impact of initiatives introduced in FY15 and an initial contribution from the rationalisation of the Non Coal Bulk business in NSW/Vic in response to a downturn in activity levels
  - The 4.7% increase in depreciation and amortisation reflecting the investment in the business in both new contracts and the upgrade of operational sites over the last few years
  - The net impact of a number of derailments over the period compared to the pcp

RESULT – PATRICK

Six months ended 31 December	2014	2015	%chg
Volumes			
Container Terminal Volumes - Lifts ('000)[1]	1,079.0	1,064.9	(1.3)
Container Terminal Volumes - TEUs ('000)[2]	1,596.4	1,597.1	0.0
Vehicles processed ('000)	269.9	282.9	4.8
Vehicle storage days ('000)	8,110.4	7,148.3	(11.9)
Vehicle movements ('000)	519.8	523.7	0.8
Bulk tonnes stevedored ('000)	5,948.6	5,236.2	(12.0)
Revenue and other income ($'m)	737.1	670.4	(9.0)
- *Terminals & Logistics*[4]	360.3	313.4	(13.0)
- *Bulk & Auto Port Services*	376.8	357.0	(5.3)
Underlying EBITDA[3] ($'m)	157.3	163.9	4.2
- *Terminals & Logistics*	111.3	115.9	4.1
- *Bulk & Auto Port Services*	46.0	48.0	4.3
Underlying EBIT[3] ($'m)	115.8	116.7	0.8
- *Terminals & Logistics*	86.4	84.8	(1.9)
- *Bulk & Auto Port Services*	29.4	31.9	8.5
Underlying EBITDA margin (%)	21.3	24.6	3.3
Underlying EBIT margin (%)	15.7	17.5	1.8
ROCE (%)	7.1	7.8	69bps
ROCE excl WIP (%)	8.1	8.5	44bps
Cash Conversion (%) (Operating cash flow / EBITDA)	109.1	90.5	(18.6)
Total capex ($'m)	158.9	46.4	(70.8)
Growth capex ($'m)	146.6	16.8	(88.5)
Sustaining capex ($'m)	12.3	29.6	140.7
Gain on asset sale ($'m)		15.1	
Full time employees	4,623	3,827	(17.2)

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
4. 1H FY15 Terminals & Logistics revenue has been restated to reflect the movement of the regional road and rail business activities from the Logistics business to the Bulk & Auto Port Services business following the creation of the ACSF joint venture

- Patrick reported a decline in revenue of 9.0% on the pcp to $670.4m. The decline in revenue primarily reflects the establishment of the port logistics joint venture which has been equity accounted from 1 August 2015. Removing the impact of revenue associated with the joint venture, Patrick's revenue declined 1.8% to $655.4m
- Underlying[3] EBIT increased 0.8% to $116.7m reflecting:
  - The decline in volumes across a number of Bulk Port sites reflecting the winding down of contracts associated with the resources industry
  - The impact of weaker Container volumes in Western Australia
  - The reduction in operating costs reflecting the decline in Bulk Ports resources contract related volumes and the reversal of one-off costs incurred in the prior period
  - The increase in depreciation resulting primarily from the completion of the Port Botany redevelopment project
  - The ongoing benefits flowing from BIP initiatives
  - Solid growth in the Autocare and C3 businesses
  - Profit on property sales in Patrick following a review of business requirements

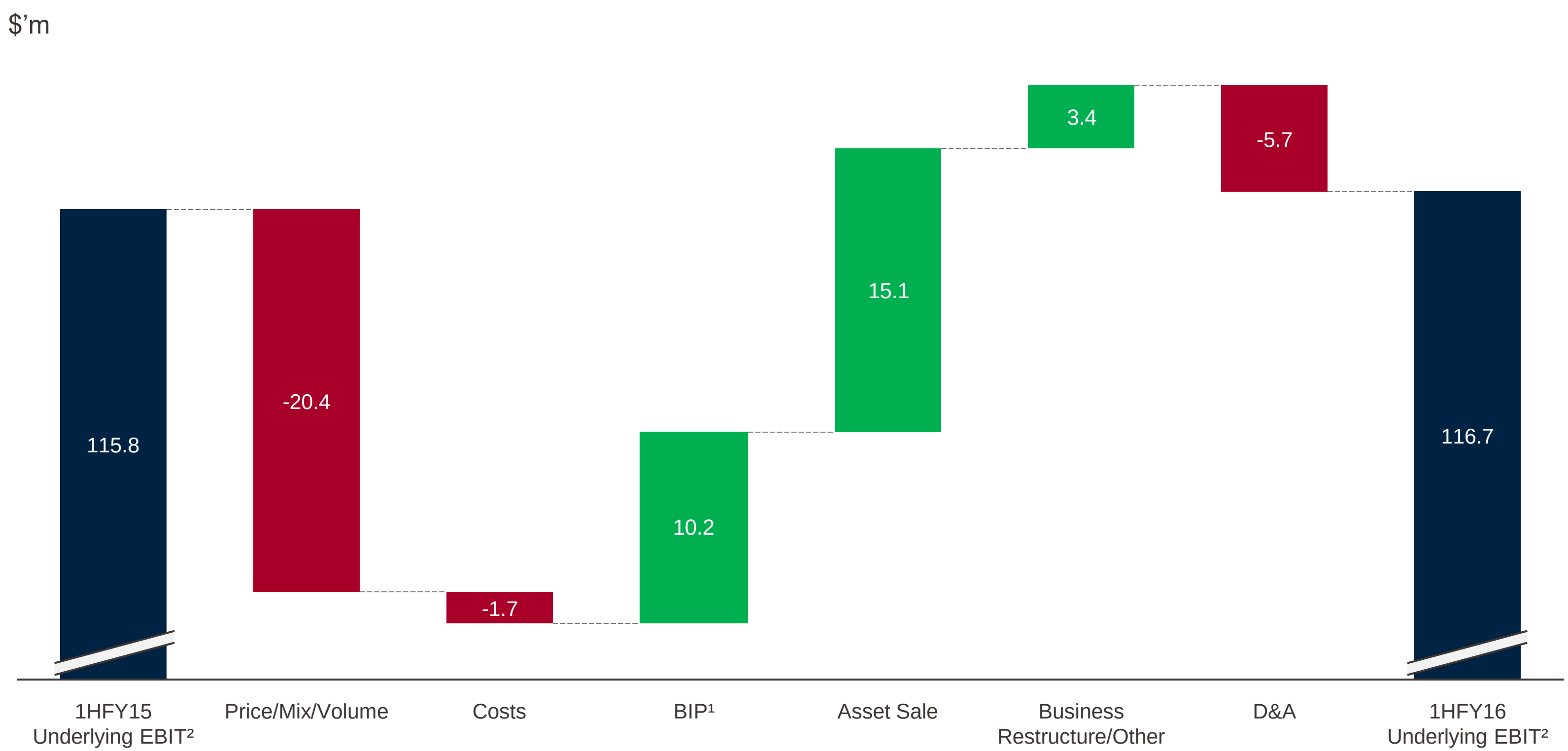
PACIFIC NATIONAL – EBIT BRIDGE

Underlying EBIT² growth driven by increase in coal volume and the benefit of BIP initiatives

1. Business improvement program
2. Underlying - Pre material items

PATRICK– EBIT BRIDGE

Underlying EBIT² driven by growth in container lifts and ongoing focus on BIP and cost reduction



1. Business improvement program
2. Underlying - Pre material items

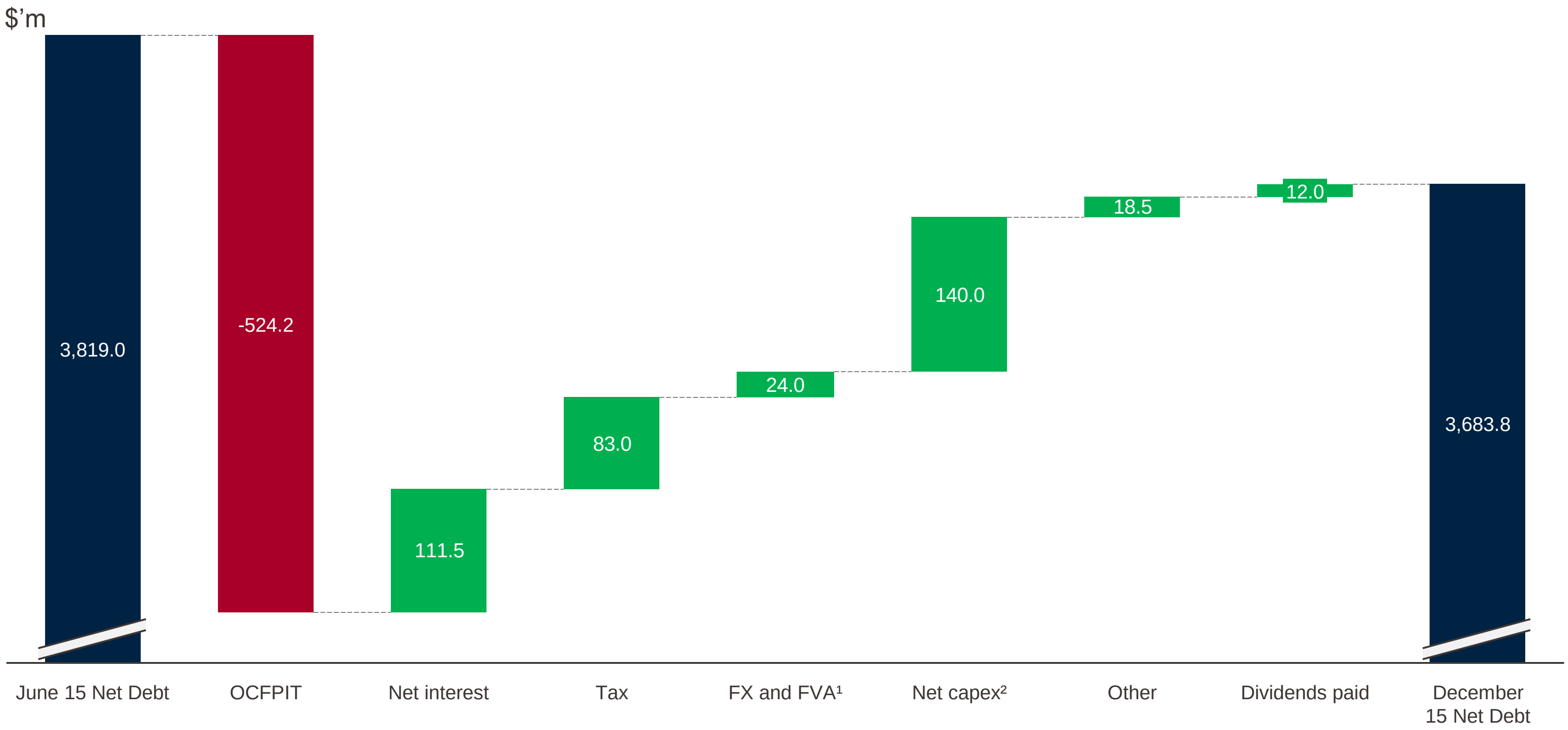
CASH FLOW

Six Months Ended 31 December $'m	2014	2015	%chg
Underlying EBITDA	563.9	568.4	0.8
Material Items	(16.2)	(20.7)	27.8
Net operating working capital	(63.4)	2.2	(103.5)
Other non cash items	(9.8)	(25.7)	162.2
Operating cash flow before interest and tax	474.5	524.2	10.5
Net interest and other costs of finance paid	(107.7)	(111.5)	3.5
Tax paid	(63.5)	(83.0)	30.7
Net operating cash flows	303.3	329.7	8.7
Net capital expenditure[1]	(246.5)	(140.0)	(43.2)
Free cash flow after capital expenditure	56.8	189.7	234.0
Other investing cash flows	-	5.7	-
Free cash flow	**56.8**	**195.4**	**244.0**
Financing cash flows	(40.3)	(170.7)	323.6
Net movement in cash	**16.5**	**24.7**	**49.7**
Cash conversion % (OCF before interest and tax / EBITDA)	86.7	95.7	9.0

1. Includes proceeds from asset sales of $40.1m in FY16

- Operating cash flow after tax and net financing costs increased 8.7% driven by:
  - A material turn around in the working capital positon of the Company reflected in the cash conversion rate improving from 86.7% in the pcp to 95.2%
  - Tax paid increased 30.7% on the pcp to $83.0m reflecting the phasing of tax instalment payments
- Free cash flow after capital expenditure increased 234% to $190m reflecting the 43.2% reduction in net spend on property plant and equipment and IT over the six month period compared to the pcp to $140m.
- Free cash flow in FY16 is expected to be in excess of $400m (excluding the impact of the payment of the $88m break fee to Brookfield Infrastructure Partners Limited)

CASH FLOW TO NET DEBT



1. Non cash foreign exchange and fair value adjustments associated with USD and GBP bonds
2. Includes capital expenditure recorded as inventory on the balance sheet. Net of the proceeds from the sale of PPE of $40.1m

NET FINANCING COSTS

Six months ended 31 December $('m)	2014	2015
Statutory net[1] financing costs	**106.9**	**107.7**
Net accrued interest and borrowing costs	(0.5)	8.2
Capitalised interest	12.2	-
CVA[2] adjustment on derivatives	7.9	0.9
Fair value of derivatives not in a hedge relationship	(15.5)	(2.1)
Other non-cash	(3.3)	(3.2)
Cash net[1] financing costs	**107.7**	**111.5**

- Cash net financing costs increased 3.5% over the pcp to $111.5m
- The key difference between statutory and cash financing costs over the period relates to financing costs accrued in relation to the 10 year $350m Australian dollar bond raising completed in May 2015

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

FINANCIAL PROFILE

Reconciliation of Loans and Borrowings

Facility	Type	Maturity	Drawn A$'m	Undrawn A$'m
Syndicated bank facility	Revolving cash advance	Oct-16	200.0	450.0
Syndicated bank facility	Revolving cash advance	Oct-19	380.0	270.0
C3 NZD Bank Facility	Cash advance	Jun-19	31.1	6.4
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			**3,088.5**	
Less: Unamortised Discount on US$ bonds, AUD & GBP notes			(8.4)	
Less: Unamortised Debt issuance costs			(13.2)	
Add: Unrealized foreign exchange loss on US$ bond and GBP notes			677.9	
Add: Fair Value adjustments to US$ bonds			79.7	
Add : C3 Finance Lease			1.0	
Add: Loan from joint venture partner			10.0	
Loans & Borrowings as per statutory balance sheet at 31 December 15			**3,835.5**	
Cash and liquid assets as at 31 December 15			(152.0)	152.0
Net Debt/available liquidity as at 31 December 15			**3,683.5**	**878.4**

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

DEFINITIONS

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