ASX ANNOUNCEMENT

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Tuesday 18 February 2014

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

ELECTRONIC LODGEMENT

Dear Sir or Madam

FY14 Half Year Results

Asciano is pleased to release its financial results for the half year ended 31 December 2013. 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

J. Mead

Fiona Mead
Company Secretary

MELBOURNE
Level 6/380 St Kilda Road,
Melbourne VIC 3004 Australia
Telephone: +61 3 9284 4000
Facsimile: +61 3 9699 2869

SYDNEY
Level 6/15 Blue Street,
North Sydney NSW 2060 Australia
Telephone: +61 2 8484 8000
Facsimile: +61 2 8484 8154

Email: info@asciano.com.au
www.asciano.com
ABN: 26 123 652 862

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asciano

Financial Year 2014

Half Year Financial Results

For the six months ended 31 December 2013

Incorporating the requirements of Appendix 4D

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APPENDIX 4D

Asciano Limited
Results for announcement to the market
for the half year ended 31 December 2013

Six Months Ended December ($'m)	2012	2013	% chg
Statutory Revenue and other income	1,870.6	2,007.1	7.3
Underlying EBITDA [1,3,6]	503.0	539.4	7.2
Statutory EBITDA[1,6]	520.1	539.4	3.7
Underlying EBIT [2,3,6]	355.1	373.4	5.2
Statutory EBIT [2,6]	372.2	369.6	(0.7)
Underlying NPAT [4,5,6] **after minority interests**	179.5	190.2	6.0
Statutory NPAT[5,6] **after minority interests**	196.6	187.5	(4.6)
Basic earnings per share[6] – cents	20.2	19.2	(5.0)
Diluted earnings per share[6] – cents	20.2	19.1	(5.4)
Net tangible asset backing per share – dollars	0.69	0.97	40.9
Interim dividend per share - cents	5.25	5.75	9.5

1. EBITDA refers to earnings before interest, tax, depreciation and amortisation
2. EBIT refers to earnings before interest and tax
3. Pre material costs of $3.8m pre tax
4. Pre material costs of $2.7m post tax
5. NPAT refers to net profit after tax
6. 1H FY13 earnings have been restated to reflect the change in the Australian Accounting Standards Board (AASB) 119, accounting for employee benefits, as reported in the FY13 financial accounts. The impact of the change is to reduce 1H FY13 EBIT by an amount of $3.3m and 1H FY13 NPAT by an amount of $2.3m

The Board of Directors determined on 18th February 2014 that a fully franked interim dividend will be paid by Asciano Limited on 20th March 2014. The record date for entitlement to the dividend is 6th March 2014 and the stock will trade ex-entitlement on 28th February 2014. The dividend of $56.1m was not recognised as a liability at 31st December 2013. 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 2013 which has been reviewed by the Group's Independent Auditor.

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Half Year Report

For the six months ended 31 December 2013

Contents

1. Media Release
2. Management Discussion and Analysis
3. Financial Statements
4. 1H FY14 Results presentation

Further Information:

Investors and analysts	Media
Kelly Hibbins	Richard Baker
tel: +61 2 8484 8046	tel:+61 2 8484 8103
mobile: +61 414 609 192	mobile : +61 408 985 008
email: kelly_hibbins@asciano.com.au	email: media@asciano.com.au

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18 February 2014

New contracts and acquisitions drive further growth in earnings

Highlights

Six months ended 31 December ($'m)	2012	2013	%chg
Underlying Revenue[2] and other income (net of coal access)	1,770.4	1,898.1	7.2
Underlying EBITDA[1,2]	503.0	539.4	7.2
Underlying EBIT[1,2]	355.1	373.4	5.2
Underlying PBT[1,2]	257.7	267.4	3.8
Underlying NPAT after minority interests [1,2]	179.5	190.2	6.0
Material items after tax	17.1	(2.7)	(115.8)
Statutory NPAT after minority interests[1]	196.6	187.5	(4.6)
Fully diluted underlying EPS[1,2] after minority interests (¢)	18.4	19.4	5.4
Fully diluted statutory EPS[1] after minority interests (¢)	20.2	19.1	(5.4)
DPS (¢)	5.25	5.75	9.5

- ✓ Performance remains on track with previous guidance
- ✓ Underlying² Revenue growth of 7.2% on previous corresponding period (pcp) driven by growth in both PN Coal and Bulk & Automotive Port Services
- ✓ Underlying[2] EBITDA growth of 7.2% on pcp
- ✓ Underlying² EBIT growth of 5.2%, on the pcp
- ✓ PN Coal reported EBIT growth of 6.1% on pcp and operating[3] EBIT growth of 23.8% on the pcp
- ✓ Bulk & Auto Port Services reported EBIT growth of 55% on the pcp and operating[4] EBIT growth of 11% on the pcp
- ✓ Terminals & Logistics and PN Rail were impacted by weak domestic economic growth, however operating costs were reduced in both divisions despite wage, fuel and leasing cost pressures
- ✓ Net cash financing costs declined 12.4% on pcp, statutory net financing costs increased 8.8% on the pcp reflecting the impact of non cash mark to market and accounting standard changes
- ✓ Underlying[1,2] NPAT after minority interests increased 6%
- ✓ Material costs of $2.7m (after tax) associated with the redevelopment of Port Botany were reported compared to the $17.1m non cash material gain reported in 1H FY13
- ✓ Fully diluted underlying[1,2] EPS growth of 5.4%
- ✓ Capex flat on pcp
- ✓ Interim dividend of 5.75¢ declared representing 9.5% increase on pcp
- ✓ Business improvement program yielded a further $21.8m in savings, target upgraded to $300m by FY18 driven in part by the decision taken to integrate PN Rail and PN Coal

[1] 1H FY13 earnings have been restated to reflect the change in Australian Accounting Standards Board (AASB) 119, accounting for employee benefits, as reported in the FY13 financial accounts. The impact of the change is to reduce 1H FY13 EBIT by an amount of $3.3m and 1HFY13 NPAT by an amount of $2.3m

[2] "Underlying" earnings are calculated pre material items in both 1H FY13 and 1H FY14

[3] "Operating" EBIT excludes the $21.5m profit on the sale of land at Kooragang Island in 1H FY13

[4] "Operating" EBIT excludes the settlement with the Port of Melbourne Corporation (PoMC) to cover the costs associated with transition arrangements and the early termination of lease agreements associated with the redevelopment of Webb Dock in Melbourne.

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- ✓ Asciano continues to forecast further growth in underlying EBIT in FY14 albeit at a slower growth rate than reported in FY13. Based on the current outlook, Asciano now expects to deliver low single digit growth in Underlying Net Profit After Tax[5] versus the guidance in September for a flat result.

CEO Commentary

Commenting on the result CEO and Managing Director of Asciano Mr John Mullen said, "Underlying Revenue (net of coal access) and EBITDA[5] growth of 7.2% we believe is a good result given the trends we highlighted in the first quarter continued through the first half of the FY14 year. Good growth continued to be reported by our Bulk & Automotive Port Services and Pacific National (PN) Coal divisions offset to an extent by the performance of Pacific National (PN) Rail and Terminals & Logistics that have both been impacted by the persistent weakness in the domestic economy and the volatility of agriculture based rail volumes. In response to these trends both Terminals & Logistics and PN Rail were able to reduce operating expenses despite facing material market based cost rises. Overall Asciano was able to maintain a flat EBITDA margin (net of coal access) reflecting an ongoing focus on the business improvement program (BIP) which yielded incremental benefits of $21.8m and an ongoing focus on cost control.

"Pleasingly despite the difficult environment all divisions have continued to win new contracts over the half that take us into new territories with new customers. This included PN Rail's first significant iron ore contract win in Western Australia. Pursuant to which PN Rail will manage the operation of rolling stock owned by Mineral Resources, PN Coal securing a new contract with QCoal which will be hauled through the Newlands coal chain in Queensland and Terminals & Logistics securing its first contract with K Line at the Port of Fremantle.

"We have also continued to make strategic acquisitions that build and expand the breadth of the business and our customer service offering including the acquisition of Newcastle based integrated logistics solution provider Mountain Industries which included the freehold properties utilised by the business. In addition, as part of a new rail services agreement between PN Rail and Toll we have acquired strategic intermodal rail terminal properties and ancillary equipment across Queensland delivering our intermodal business a platform to compete more effectively in the Queensland market enabling us to offer our customer base a truly national intermodal service.

"In further developments that underpin the Asciano business, our Autocare business, together with its joint venture Car Compounds of Australia, has successfully secured a 12 ha site within the new 16 ha Pre Delivery Inspection (PDI) facility to be built as part of the redevelopment of Webb Dock in Melbourne. This is a great outcome for the business allowing us to continue to service all of our customers from a stable long term facility in Melbourne that also gives the business the space to grow over time.

"Capital expenditure was flat over the previous corresponding period at $312.2m and reflects amongst other things a significant level of investment in the redevelopment project at Port Botany which will transform that terminal both from a customer and financial performance perspective and will have positive flow on effects for the performance of the Terminals division.

"Disappointingly we have recently had to delay the launch of the automation project at Port Botany due to material storm damage having been sustained to the majority of the AutoStrad™ equipment to be run on the site. The damage to the AutoStrad™ equipment was incurred whilst being shipped by

[5] Pre material items

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the supplier from Europe where they were built. The launch of the automated site will be delayed as a consequence of this damage. Based on the current information we have and in light of customer service considerations during the peak October through December season we currently estimate the launch of the automated site will occur in 1Q CY 2015. However I would note that a full assessment of the impact of the delay on the project, including the financial impact and the time frame to repair the damage and commission the straddles has not been completed. The capital works program on site will continue to be a critical focus of the Asciano and Patrick management team in the 2H FY14 and FY15 to ensure we still deliver in full on the planned benefits scoped for this project, whilst maintaining the high levels of customer service we have been able to establish over the last twelve months.

"ROCE was down marginally to 10.9% versus 11.1% at 30 June 2013 reflecting the soft top line growth and the impact of recent investment that is yet to move into productive assets. By the end of FY14 three of the four Divisions are expected to be generating above cost of capital returns inclusive of legacy goodwill. Excluding legacy goodwill all four divisions are already delivering well above their cost of capital. The current uncertain economic outlook driving weakness in top line growth in Terminals & Logistics and PN Rail and the slower growth in coal haulage volumes will make further expansion in ROCE difficult in the short term. The focus will be on ensuring that we leverage recent business investment to drive further growth and improve returns over the medium term."

Divisional Performance

Commenting on the performance of the individual Divisions of Asciano Mr Mullen said, "PN Coal reported another strong six month period delivering a 6.1% increase in EBIT on the pcp (Operating EBIT[6] increased 23.8% on the pcp) on a 26.7% increase in NTK's for the period driven by the contribution from new contracts commenced over the last twelve months and strong underlying market growth.

"PN Rail had another difficult six month period with EBIT 19.9% below the pcp impacted by lower export grain volumes and weak intermodal rail volumes. Importantly the Division continued to consolidate its long term customer relationships with key freight forwarders, including rolling over its intermodal interstate and Queensland rail services agreements with Toll Group for periods of 8 and 13 years respectively and has secured a number of new customer contracts in both bulk and intermodal underpinning the expansion of the business.

"Following a stronger than expected first quarter, Terminals & Logistics, as predicted at the time, experienced very soft market dynamics in the second quarter of FY14, a function of a strong prior period performance, ongoing market disruption caused by consortium changes and weak domestic demand generally. The Logistics business also suffered from lower demand for its rail services. The Division reported a 5.0% decline in EBIT on the pcp on a 0.5% decline in container lifts. Importantly the division reported a further improvement in customer KPIs in particular at Port Botany and continued to reduce its cost base.

"Bulk & Automotive Port Services reported an 11% increase in Operating EBIT[7] driven by good growth in activity levels at a number of regional ports combined with a full six month contribution by New Zealand based forestry marshalling and port services company C3 and a two month contribution from

[6] Before the contribution from the proceeds of the Kooragang Island land sale in 1HFY13

[7] 'Operating' EBIT excludes the settlement with the Port of Melbourne Corporation (POMC) to cover the costs associated with transition arrangements and the early termination of lease agreements associated with the redevelopment of Webb Dock in Melbourne.

recently acquired Mountain Industries combined with strong growth in storage and processing volumes in Autocare."

Dividends

The Board has resolved to pay a fully franked final dividend of 5.75 cents per share an increase of 9.5% over the pcp. The dividend represents a payout ratio of 29.5% compared to a payout ratio of 28.5% in the pcp.

Expansion of Business Improvement Program

Sustainable cumulative benefits generated under Asciano's BIP as at 31 December 2013 were $103m. Benefits generated in 1H FY14 were $21.8m compared to forecast benefits for the FY14 full year of $32m. The Company is on track to materially exceed the original five year $150m program.

Mr Mullen said "In response to slowing growth in coal haulage, weak top line growth in PN Rail and more active market competition, Asciano must look at more significant evolutionary change around our operational and business processes.

"As a result of work done across the Group over the last six months we have initiated two new BIP programs in addition to ongoing existing programs. Firstly the integration of Asciano's two rail businesses which will deliver significant financial benefits combined with cultural and strategic benefits which will ultimately place the business in a more competitive position in the Australian logistics landscape.

"The second program is a corporate and divisional support functions review to recommend the right scale and organisation of these functions across the Asciano Group.

"As a result of these new programs combined with the initiatives under the existing BIP program we are now substantially raising our BIP objectives to delivering $300m in cumulative sustainable cost savings by FY18.

"The decision to integrate PN Rail and PN Coal follows work done by dedicated teams from both Divisions over the last six months looking at duplication across the two Divisions and the potential benefits that could be derived from the integration of some or all of the activities of the two businesses. We have made a decision to accelerate the implementation of the findings of the project in light of the ongoing uncertain outlook for the markets in which we operate and the increasingly compelling business logic.

"The project is expected to generate significant cumulative BIP benefits and thus EBIT uplift over the four years to FY18. The EBIT impact from the program in FY14 will be minor given the upfront costs associated with the initiative however it is expected to deliver material financial benefits, net of further costs associated with the project, from FY15 which we will discuss in more detail as we move through the implementation phase. The long term aim of the project is to sustainably reduce the Pacific National cost base by 10%.

"The effective date for combining the Divisions will be 1 July 2014 however there will be some immediate changes to the senior executive team and the two divisions will operate under a new management structure effective today. David Irwin the current Division Director for PN Coal will be appointed to lead the new combined business. David has been with Pacific National for over 10 years and brings with him a wealth of experience in the rail industry. I have the confidence that David will

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provide the leadership and passion to realise the potential, that I am confident exists, in bringing these two teams together.

"With this, it is with regret that I advise that Angus McKay will be leaving the business. Angus has been an outstanding member of our leadership team across Asciano, firstly as our Chief Financial Officer and most recently in his leadership of PN Rail. Angus is a high calibre executive who has added significant value to our business and has been a key support in working through this change. I know he will continue to be successful and wish him well for the future.

"The focus of the integration of the Divisions will be on ensuring the process is seamless for customers, and that it improves the customer centricity across the whole PN business. The new PN structure will have three business divisions, coal and bulk rail haulage will split into two geographic focused business units with a national intermodal business unit. Importantly business units will retain primary responsibility for the customer relationship and account management. This structure has been adopted to ensure that we remain close to our customer base and their issues on the ground.

"I recognise that while change represents opportunity it can also create uncertainty for the people directly affected. We will be working with all employees impacted by this move to reduce the uncertainty and ensure the transition is as smooth as possible."

Outlook

Asciano continues to forecast further growth in underlying EBIT in FY14 albeit at a slower growth rate than reported in FY13. Based on the current outlook, Asciano now expects to deliver low single digit growth in Underlying Net Profit After Tax[8] versus the guidance given in September for a flat result.

Following the delay in the launch of the Port Botany redevelopment project the timing of the recognition of material costs associated with the project may change. We now also expect to recognise a material cost associated with the integration of the rail businesses primarily redundancy costs. Taking both of these projects into account we now expect to report a material cost before tax in the range of $15-25m for the FY14 period compared to a previous expectation of $20m before tax.

Commenting on the outlook Mr Mullen said "Based on railings to-date and assuming a continuation of the relatively benign wet season in Queensland we expect PN Coal to report further growth in NTK's in 2H FY14 compared to the pcp, albeit volumes in the second half of the year are expected to be lower than 1H FY14 given the record volumes recorded in that period. Margins for the full year FY14 and FY15 are expected to be lower than 1H FY14, more in line with FY12/13 as the impact of recently negotiated contracts flow through to earnings even though these changes will lead to higher returns overall as the life of the contracts have been extended. The result will also rely on no significant weather or incident disruptions. We will continue to work with our customer base to identify new growth opportunities and potential new arrangements to underwrite the business over the longer term while assisting our customers in the short term.

"Bulk & Automotive Port Services is expected to report 2H FY14 below the pcp however is still expected to report growth in FY14. The Division will be impacted in 2H FY14 by costs associated with transition arrangements at Webb Dock in Melbourne and a gradual decline in volumes from its contract with Agility in Western Australia to service the Gorgon Project, competitive pressures on margins in the Autocare business and weaker volumes at some of its Bulk Ports. This will be offset to an extent by a full six month contribution from Mountain Industries.

[8] Pre material items

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"While we are yet to see any material pickup in domestic economic activity levels, based on new contracts recently secured and the timing of agricultural export volumes we believe both Terminals & Logistics and PN Rail will have improved second half earnings compared to the pcp albeit we continue to expect PN Rail to report FY14 EBIT to be approximately 5% below its FY13 full year EBIT. This outlook is subject to export grain volumes meeting expectations and Pacific National intermodal rail volumes in 2H FY14 being slightly up on the same period last year.

"We have announced today the next phase of our BIP initiatives. The new programs announced combined with the existing initiatives underway across Asciano give us the confidence to lift our target for sustainable business improvements from $150m over the five years to FY16 to $300m by FY18.

"As well as the integration of our rail businesses announced today, we will also be focused on the integration of recent acquisitions and investments ensuring that we achieve the synergies identified at the time of purchase.

"I would like to thank all our employees for their ongoing support in achieving the Group's objectives and in particular the many employees who have been involved in working with our customers and other stakeholders in winning new contracts and successfully steering important negotiations across the Group, the outcomes of which will underpin our activities for the long term" concluded Mr Mullen.

END

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Half Year Financial Results

Management Discussion & Analysis

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"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.

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MANAGEMENT DISCUSSION & ANALYSIS

1 Group Operating Performance

1.1.1 Earnings Summary

Six Months Ended 31 December $('m)	2012	2013	% chg
Underlying[1] Revenue and other income	**1,853.5**	**2,007.1**	**8.3**
PN Coal	505.9	582.4	15.1
- PN Coal (net of access)	422.8	473.4	12.0
PN Rail	686.9	667.2	(2.9)
Terminals & Logistics	388.0	383.2	(1.2)
Bulk & Automotive Port Services	306.6	400.7	30.7
Eliminations / unallocated	(33.9)	(26.4)	(22.1)
Underlying EBITDA[1,2]	**503.0**	**539.4**	**7.2**
Underlying Depreciation[1]	125.9	142.5	13.2
Amortisation	22.0	23.5	6.8
PN Coal	150.4	159.6	6.1
PN Rail	106.7	85.5	(19.9)
Terminals & Logistics[1]	88.4	83.9	(5.1)
Bulk & Automotive Port Services[1]	42.0	65.1	55.0
Corporate[2]	(32.4)	(20.7)	(36.1)
Underlying EBIT[1,2]	**355.1**	**373.4**	**5.2**
Net interest and associated costs	(97.4)	(106.0)	8.8
Underlying Profit[1,2] before tax	257.7	267.4	3.8
Underlying Tax[1,2] expense	(77.2)	(75.0)	(2.8)
Outside equity interests	(1.0)	(2.2)	120.0
Underlying Net Profit[1,2] after tax and minority interests	**179.5**	**190.2**	**6.0**
Material items before tax	17.1	(3.8)	(122.2)
Material items after tax	17.1	(2.7)	(115.8)
Profit attributable to owners of Asciano Limited[2]	**196.6**	**187.5**	**(4.6)**
Full time employees at period end	8,877	8,983	1.2
EBITDA margin net of coal access (%)	28.4	28.4	0.0
EBIT margin net of coal access (%)	20.1	19.7	(0.4)
Underlying[1] fully diluted EPS (¢)	18.4	19.4	5.4
Basic Earnings per share (¢)	20.2	19.2	(5.0)
Diluted Earnings per share (¢)	20.2	19.1	(5.4)
Basic weighted average shares (m)	974.2	974.7	0.1
Diluted weighted average shares (m)	975.7	979.4	0.4

1. Pre material items - For further details on material items refer paragraph 1.1.8
2. 1H FY13 earnings have been restated to reflect the change in Australian Accounting Standards Board (AASB) 119, accounting for employee benefits, as reported in the FY13 financial accounts. The impact of the change is to reduce 1H FY13 EBIT by an amount of $3.3m and 1HFY13 NPAT by an amount of $2.3m

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Revenue and other income increased 8.3% for the six month period to 31 December 2013 to $2,007.1m (revenue net of coal access increased 7.2% on pcp) driven primarily by:

- A strong increase in reported coal volumes in PN Coal driven by new contracts and market growth resulting in a 12% increase in revenue net of access[9];
- A 30.7% increase in revenue generated by the BAPS division driven by a full period contribution from New Zealand based forestry marshalling and port services business C3 Limited (C3), an initial contribution from recently acquired integrated logistics solutions supplier Mountain Industries, organic growth at some of its bulk ports around Australia and the inclusion of a settlement with the Port of Melbourne Corporation (PoMC) covering the costs associated with transition arrangements and the early termination of lease agreements associated with the redevelopment of Webb Dock in Melbourne. This settlement will be largely offset by cash outlays that will be incurred over the next eighteen months[10];
- A 2.9% decline in revenue in PN Rail compared to the pcp driven by lower bulk volumes associated with a 40.2% drop in export grain volumes compared to the pcp and a 2.7% decline in intermodal NTKs, primarily forwarder volumes, reflecting the soft Australian domestic economic activity; and
- A 1.2% decline in revenue from Terminals & Logistics driven by a 3.4% decline in revenue from the Logistics business and a 0.8% decline in revenue reported by the Terminals business.

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

Operating expenses increased 8.5% over the 12 month period. Key factors driving the growth include:

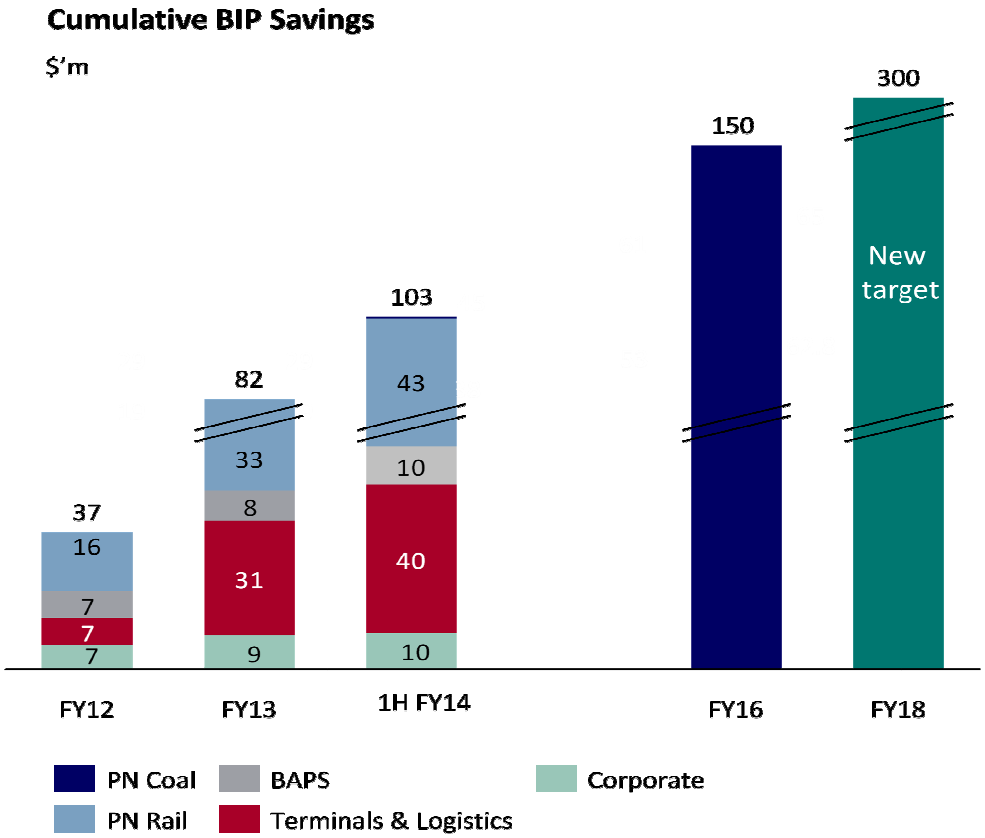
- The acquisition of Mountain Industries on 31 October 2013 and a full six month period of the C3 business acquired on 31 November 2012. This accounted for approximately 50% of the increase in operating expenses;
- Wage rises mandated by enterprise agreements of between 4 and 5% across the four Divisions;
- An 11.4% increase in rail access charges reflecting new contracts in PN Coal;
- An increase in lease costs of 10.8% associated with both underlying increases in lease costs on existing sites and the acquisition of Mountain Industries and C3.

The marginal decline in full time employees since 30 June 2013 reflects the acquisition of Mountain Industries and an increase in PN Coal employees associated with new contracts, offset by redundancies and natural attrition in BAPS, PN Rail and Terminals & Logistics over the period.

Asciano continued to focus on its business improvement plan (BIP) over the six month period. Over the period the Company delivered a further $21.8m of business improvement initiatives. The FY14 full year target in Asciano's five year plan is $32m.

[9] Operating revenue pre the inclusion in 1H FY13 of the sale of land at Kooragang Island grew at 18% over the pcp

[10] Operating revenue pre the inclusion in 1H FY14 of the settlement with PoMC increased 22.5%



The cumulative benefits derived following the introduction of the BIP five year plan now stands at $103.8m. The Company has announced today that the BIP target has been increased to $300m and extended out two years to FY18.

Asciano's operating[11] EBITDA margin (net of coal access) was flat on the pcp at 27.4% a good result given the lower volumes across two Divisions and market based cost increases.

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

1.1.2 Depreciation and Amortisation

The 13.2% increase in depreciation over the pcp was driven by the significant capital expenditure program over the last few years and reflects investment moving from work in progress (WIP) to productive assets including the Nebo train support facility and rolling stock for the new PN Coal contract with Rio Tinto Australia.

Amortisation increased 6.8% to $23.5m reflecting recent business acquisitions in BAPS over the last eighteen months.

Depreciation and amortisation for the full year is expected to be approximately $350m. Depreciation and amortisation is expected to increase in FY15 to approximately $380-400m.

[11]Operating earnings calculated before the impact of the sale of land at Kooragang Island in 1HFY13 and before the inclusion of the settlement with the PoMC associated with the planned redevelopment of Webb Dock

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1.1.3 Reconciliation of Statutory EBIT to Underlying EBIT

Six months ended 31 December 2013 ($'m)	Total Group	PN Coal	PN Rail	Terminals & Logistics	BAPS	Corporate
Statutory EBIT	**369.6**	**159.6**	**85.5**	**80.1**	**65.1**	**(20.7)**
Port Botany redevelopment charges	3.8			3.8		
Total Material Items before tax	3.8			3.8		
Underlying EBIT	**373.4**	**159.6**	**85.5**	**83.9**	**65.1**	**(20.7)**

The difference between the statutory reported EBIT and Asciano's underlying EBIT relate to the item listed in the table above which has been treated as a material item for the purposes of this report. *Further details on this item are included in the disclosure on Material Items in paragraph 1.1.8*

1.1.4 Group Underlying EBIT Bridge

	Bridge to 1H FY14 EBIT ($'m)	1H FY14 actual ($'m)	1H FY13 actual ($'m)
1H FY13 Underlying EBIT Reported[1]	358.4		
Impact of change in AASB 119	(3.3)		
1H FY13 Underlying EBIT Restated[1]	355.1		
Price/ Mix/ Volume	32.8		
Costs	(59.4)		
BIP	21.8		
Industrial Disputes	2.8	(1.0)	(3.8)
Asset Sales	(21.5)	-	21.5
Business Restructure	19.8	17.2	(2.6)
Actuarial valuations	5.6	4.2	(1.4)
Provision for settlement of demerger claim	2.1	-	(2.1)
Incidents	14.3	(0.9)	(15.2)
1H FY14 Underlying EBIT[1]	373.4	19.5	(3.6)

1. Underlying – pre-material items

The key items driving EBIT in 1H FY14 compared to 1H FY13 include:

- Strong volume growth in PN Coal and BAPS;
- A full six month contribution from the consolidation of 100% of C3 acquired on 28 November 2012;
- A two month contribution from Mountain Industries acquired on 31 October 2013;
- Net business restructure impact which includes the settlement with the PoMC to cover the costs associated with transition arrangements and the early termination of lease agreements associated with the redevelopment of Webb Dock in Melbourne. Additional cash outlays will be incurred over the next 18 months largely offsetting the settlement amount;
- An ongoing focus on cost control and the Company's business improvement program; and
- The 1H FY13 result benefitted from the contribution of the proceeds received on the disposal of land at Kooragang Island.

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Net corporate costs at the EBIT level were $20.7m compared to a cost of $32.4m in the pcp. The result included:

- A net positive $4.2m impact compared to the pcp impact of $1.4m stemming from the actuarial valuation of provisions relating to employee benefits including long service leave, workers compensation and employee rail passes; and
- The phasing of Asciano Group IT project costs which will be skewed to 2H FY14.

The FY14 full year net corporate cost impact on EBIT is expected to be approximately $55m prior to the impact of any further change in actuarial valuations.

1.1.5 Financing Costs

Cash net financing costs decreased 12.4% over the pcp however net statutory financing costs increased 8.8% over the pcp to $106m driven by:

- The introduction of the new accounting standard AASB13[12] effective from 1 January 2013 impacting derivative fair values;
- Higher accrued net interest of $11.2m due to timing differences of interest payable on the new GBP bonds; and
- Partly offset by lower capitalised interest due to lower WIP balances on qualifying assets.

A reconciliation of cash financing costs compared to statutory financing costs appears in the table below.

Six months ended 31 December $('m)	**2012**	**2013**
Statutory net[1] financing costs	**97.4**	**106.0**
Net accrued interest and borrowing costs	(0.1)	(11.3)
Capitalised interest	8.2	3.6
CVA[2] adjustment on derivatives	-	(6.5)
Other non-cash	(2.0)	(1.1)
Cash net[1] financing costs	**103.5**	**90.7**

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

[12] AASB13 was introduced to provide a standard framework for determining the fair value of both financial (i.e. derivatives) and non financial items. Under AASB the concept of fair value has changed to include an adjustment for the impact of credit. The new standard requires fair value to be measured as a transfer price, which requires adjustment for the credit risk of both Asciano and its counterparties to derivative instruments and other financial instruments measured at fair value. The changes apply prospectively from 1 July 2013 for Asciano. The changes bring Australian standards into line with FASB 157 and IAS 13 in this area

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1.1.6 Tax

Six Months Ended 31 December $('m)	2012[1]	2013
Reconciliation of income tax expense to prima facie tax payable		
Profit before tax	274.8	263.6
Income tax at 30% (2013: 30%)	82.4	79.1
Other non-deductible items	0.9	0.5
Recognition and de-recognition of temporary differences	2.7	(0.4)
Non-assessable equity accounted profit	(2.9)	(3.5)
Assessable income and distributions from associate investments	3.2	3.1
Non-assessable income	(1.4)	–
Non-assessable equity accounted profit on revaluation of C3 Limited	(5.1)	–
Franking credits on taxable dividends	(3.2)	(2.6)
Adjustments of deferred tax for prior periods	–	(2.3)
Net capital gain on sale of assets	0.6	–
Income tax expense recognised in the profit or loss	**77.2**	**73.9**
Tax recognised directly in other comprehensive income		
Changes in fair value of cash flow hedge	0.2	(9.0)
Defined benefit superannuation funds actuarial gains/(losses)	(10.1)	4.8
	(9.9)	(4.2)

1. 1H FY13 tax restated for a change in Australian Accounting Standards Board (AASB) 119, accounting for employee benefits, as reported in the FY13 financial accounts. The impact is to reduce 1H FY13 tax expense by $1m

Tax expense declined 4.3% to $73.9m. The difference in the effective tax rate (before material items) of 28% compared with the corporate tax rate of 30% was primarily driven by:

- Non assessable equity accounted profits;
- Dividends received; and
- Adjustments for deferred tax in prior periods.

1.1.7 Reconciliation of Statutory NPAT to Underlying NPAT

Six Months Ended 31 December $('m)	2012[1]	2013
Statutory NPAT after minority interests	**196.6**	**187.5**
C3 fair value revaluation	17.1	
Port Botany redevelopment charges		(2.7)
Total Material items after tax	17.1	(2.7)
Underlying NPAT after minority interests	**179.5**	**190.2**

1. 1H FY13 tax restated for a change in Australian Accounting Standards Board (AASB) 119, accounting for employee benefits, as reported in the FY13 financial accounts. The impact is to reduce 1H FY13 NPAT by $2.3m

The difference between the 1H FY14 statutory NPAT and Asciano's underlying NPAT 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 these items are included in the disclosure on Material Items in section 1.1.8 below along with a description of the material item reported in 1H FY13*.

1.1.8 Material Items

Material items totalled to a pre tax cost of $3.8m ($2.7m cost after tax) compared to the gain of $17.1m ($17.1m after tax) taken in 1H FY13. Material items reported in the 1HFY14 relate to the accelerated depreciation of equipment to be scrapped as part of the Port Botany redevelopment project. The material gain of $17.1m reported in 1H FY13 related to the fair value revaluation of the 50% of C3 already owned by Asciano prior to the acquisition of the outstanding 50% interest in November 2012.

1.1.9 Cash flow

Six Months Ended 31 December $('m)	**2012**	**2013**	**% chg**
Underlying EBITDA	503.0	539.4	7.2
Material Items	17.1	(3.8)	(122.2)
Net operating working capital	(42.1)	(109.0)[2]	158.9
Other non cash items	(13.0)	(18.2)	40.0
Operating cash flow before interest and tax	465.0	408.4	(12.2)
Net interest and other costs of finance paid	(103.5)	(90.7)	(12.4)
Tax paid	(107.8)	(80.2)	(25.6)
Net operating cash flows	253.7	237.5	(6.4)
Net capital expenditure	(315.1)	(309.2)	(1.9)
Other investing cash flows [1]	(51.0)	(86.4)	69.4
Financing cash flows	80.8	201.8	149.8
Net movement in cash	(31.6)	43.7	(238.3)
Cash conversion % (OCF before interest and tax / EBITDA)	92.4	75.7	(16.7)

1. Includes acquisition of Mountain Industries in 1H FY14 and the acquisition of C3 Limited in 1H FY13
2. Includes the settlement with the PoMC in relation to Webb Dock

Net operating cash flow after tax and net financing costs declined 6.4% to $237.5m due to a material increase in working capital over the six month period. The increase in working capital was driven by a range of factors but primarily the sharp drop off in cash conversion at period end.

The working capital position is expected to reverse in 2H FY14 and the Company expects to report positive growth in operating cashflow after tax and net financing costs over the twelve month period to 30 June 2014.

Tax paid declined for the half due to the payment of additional tax relating to an amended assessment in 1H FY13. Net financing costs declined 12.4% primarily reflecting the impact of lower base rates on the portion of debt not fixed.

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Free cash flow after capital expenditure and investment declined by 41% reflecting the acquisition of Mountain Industries for $87.9m during the six month period compared to the acquisition of the outstanding 50% interest in C3 in the pcp for $55.3m.

1.1.10 Capital Expenditure

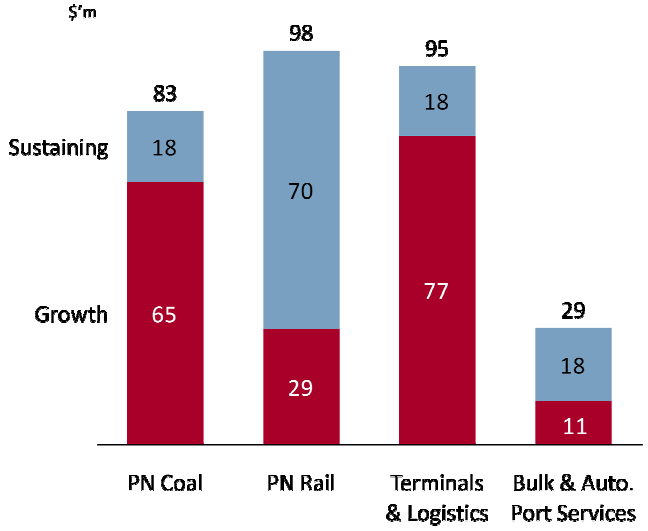
Six months ended December ($'m)	2012	2013	% chg
Total Capital Expenditure	314.5	312.2	(0.7)
Growth Capital Expenditure	220.8	182.7	(17.3)
Sustaining Capital Expenditure	93.6	129.5	38.4

Refer Section 2 for further information about divisional capital expenditure

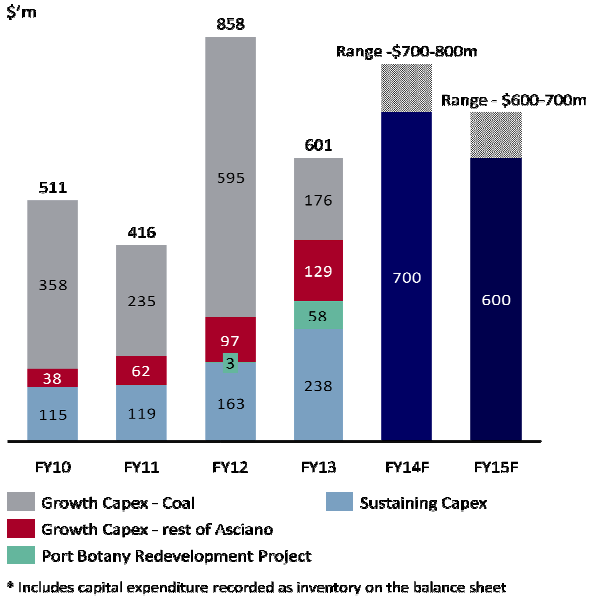
Key capital expenditure projects in 1H FY14 included:

- The redevelopment of Port Botany
- Rolling stock in PN Coal for the commencement of a new contract with Rio Tinto Australia
- The scheduled maintenance program for the current rolling stock fleet including the mid life component change out for the PN Rail's NR class locomotive fleet
- Expenditure on the upgrade of PN Rail's freight terminals

1H FY14 Capital Expenditure Divisional Split



Forecast Capital Expenditure



FY14 capital expenditure is expected to be in the previously forecast range of $700-800m however this range now includes the previously unforecast PN Rail acquisition of rail terminal properties in Queensland (approximately $81m after stamp duty) which will be funded in 2H FY14.

Total capital expenditure in FY15 is now expected to be in the range of $600-700m which includes expenditure associated with recent contract and tender wins including the recent contract secured by PN Coal with QCoal in Queensland, the extension of the Whitehaven contract in NSW, additional equipment and expenditure in Terminals & Logistics associated with the upgrade of the Fremantle terminal and the shift of some spend associated with the Port Botany redevelopment into FY15 given

the delays associated with the Autostrad™ equipment and BAPS share of the costs of building the new PDI facility at Webb Dock. Asciano expects capital expenditure in FY16 to be materially lower than FY15.

1.1.11 Balance Sheet

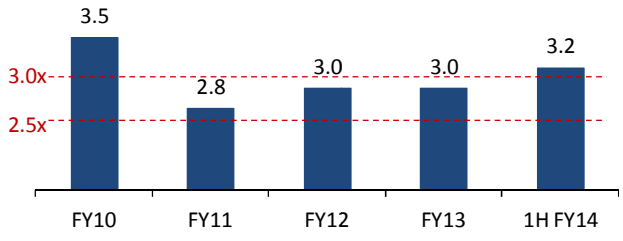
Net Debt and Net Interest Cover

$m	Dec 12	June 13	Dec 13
Gross borrowings at hedged values	**2,962.2**	**2,854.4**	**3,118.2**
Debt Issuance costs and the unamortised discount on the capital market debt	(20.8)	(18.7)	(20.3)
FX and Fair value adjustments to International bonds	8.3	235.2	313.9
Borrowings per balance sheet	2,949.7	3,070.9	3,411.9
Cash	(117.8)	(29.7)	(73.4)
Net Debt	**2,831.9**	**3,041.2**	**3,338.4**
Leverage(Net Debt to EBITDA) (times)[1]	2.9	3.0	3.2
Interest cover(times)[2]	4.9	5.1	5.1

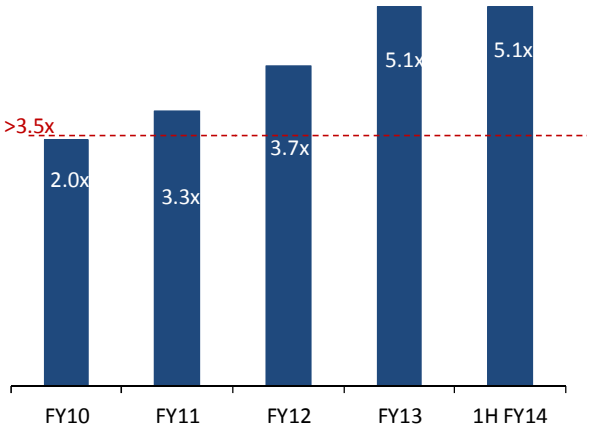
1. Net interest and EBITDA based on a rolling 12 month period
2. Includes capitalised interest

At 31 December 2013 Asciano's rolling 12 month net debt to EBITDA was 3.2x (3.0x excluding the impact of mark to market and non cash movements). Gross debt at hedged values increased over the twelve month period however balance sheet leverage was also negatively impacted by the foreign exchange and fair value adjustments to US dollar and Sterling denominated bonds at the period end in the order of $313.9m. The rolling 12 month interest cover was flat at 5.1x compared to 30 June 2013 comfortably above the target of 'greater than 3.5x'.

Net debt to EBITA (x*)



EBITDA to net interest (x*)



*Net interest and EBITDA based on rolling 12 month period and includes capitalised interest

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On 19 September 2013 Asciano settled an offering of 10 year Medium Term Notes to the value of GBP300m (A$514m). Asciano's weighted average debt maturity profile at 31 December 2013 was 4.6 years. The notes were issued at an all-in rate swapped back to Australian dollars of approximately 7.9%. Following this issue the Company's average cost of debt was approximately 6.5% at 31 December 2013.

At 31 December 2013 the interest rate on approximately 73% of the Company's debt was fixed. At 31 December 2013 the company had a diversified mix of funding sources with approximately 82% of total debt raised in international debt capital markets and the remaining capacity from a syndicate of 11 banks.

On 10 February 2014 Asciano announced the extension of the $650m syndicated bank facility that was due to mature in October 2014 to October 2019. At the same time Asciano also repriced its $650m syndicated cash advance facility maturing in October 2016. Following this renegotiation Asciano has no drawn debt due until FY16 and a weighted average debt maturity profile of 5.3 years.

Reconciliation of Loans and Borrowings

Facility	Type	Maturity	Drawn A$'m	Undrawn A$'m
Syndicated Bank Facility	cash advance	Oct-14	0	650
Syndicated Bank Facility	cash advance	Oct-16	560	90
US$ bonds	144a/Reg S	Sep-15	428.8	
US$ bonds	144a/Reg S	Apr-18	727.6	
US$ bonds	144a/Reg S	Sep-20	643.2	
US$ bonds	144a/Reg S	Apr-23	242.6	
GBP bonds	MTN	Sep 23	514	
Total hedged A$ equivalent balance			**3,116.2**	**740.0**
Less: Unamortised Discount on US$ bonds			(6.3)	
Less: Unamortised Debt issuance costs			(14.0)	
Add: Unrealised foreign exchange loss on US$ bond and GBP notes			243.5	
Add: Fair Value adjustments to US$ bonds			70.5	
Add : C3 Finance Lease			2.0	
Loans & Borrowings as per statutory balance sheet at 31 December 2013			3,411.8	
Cash and liquid assets as at 31 December			(73.4)	73.4
Net Debt/available liquidity as at 31 December 2013			**3,338.4**	**813.4**

Available liquidity at 31 December 2013 was $813m consisting of $73m in cash and $740m in undrawn facilities.

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Reconciliation of drawn bank debt and the statutory balance sheet

$'m	Dec 2012	June 2013	Dec 2013
Drawn bank debt (excluding bank guarantees)	920.0	810.0	560.0
US$ bonds (at hedged values)	2,042.2	2,042.2	2,042.2
GBP notes (at hedged values)			514.0
Less: unamortised discount on US$ bonds	(5.5)	(5.1)	(6.3)
Less: unamortised debt issuance costs	(15.3)	(13.6)	(14.0)
Add (Less): unrealised foreign exchange movement on US$ bonds & GBP notes	(118.1)	146.7	243.5
Add: fair value adjustments to US$ bonds	126.4	88.5	70.5
Add: C3 Finance Lease		2.2	2.0
Loans and borrowings as per statutory balance sheet	**2,949.7**	**3,070.9**	**3,411.8**

Drawings under Asciano's bank facilities decreased by $250m over the 6 month period to 31 December 2013 offset by the $514m Medium Term Note issue completed in September 2013.

1.1.12 Shareholder Returns

Six Months Ended December (%)	2012	2013	bps chg
ROCE	11.1	10.9	(0.2)
ROCE (excluding WIP)	12.4	11.8	(0.6)
ROCE (excluding Goodwill)	19.2	18.2	(1.0)
ROE	9.7	9.1	(0.6)
Divisional ROCE			
PN Coal *	10.9	11.8	0.9
PN Rail	15.3	13.3	(2.0)
Terminals & Logistics	7.9	6.8	(1.1)
Bulk & Automotive Port Services	20.0	21.9	1.9

*Calculated before the gain on the sale of Kooragang Island of $21.5m

Group ROCE was marginally lower on a rolling twelve months basis compared to 30 June 2013 reflecting the soft top line growth across Terminals & Logistics and PN Rail. ROCE excluding WIP for the rolling twelve month period was 11.8%.

Work in progress (WIP) over the six month period from 30 June 2013 increased from $499.8m to $547m at 31 December 2013 driven by the capital invested in the redevelopment of Port Botany and the investment in sustaining capital expenditure in PN Rail offset to an extent by the capital associated with rolling stock for the Rio Tinto Australia coal haulage contract that commenced in November 2013 moving into productive assets.

The current uncertain economic outlook driving weakness in top line growth in Terminals and PN Rail and the slower growth in coal haulage volumes will make further expansion in ROCE difficult in the short term. The focus will be on ensuring that we leverage recent business investment to drive further growth and improve returns over the medium term.

1.1.13 Dividends

Six Months Ended December (cps)	2012	2013	% chg
Interim dividend	5.3	5.75	9.5
Payout ratio (%)	28.5	29.5	

The Board has resolved to pay a fully franked interim dividend of 5.75 cents per share an increase of 9.5% over the pcp representing a payout ratio of 29.5%.

1.1.14 Changes in State of Affairs and Events Subsequent to the Reporting Date

On 31 January 2014 PN Rail completed the purchase of the intermodal rail terminals at Cairns, Townsville, Rockhampton and Mackay at a total valuation of $56.6m.

On 7 February 2014 Asciano signed documents extending the tenor of its $650m syndicated cash advance facility from October 2014 to October 2019. The new facility has a 5.7 year maturity profile as at February 2014 and was provided by a syndicate of 11 banks. Asciano also repriced the $650m syndicated cash advance facility maturing in October 2016. The weighted average margin on the facilities is approximately 160 basis points.

Other than for the items noted above and for the resolution to pay an interim dividend of 5.75 cents per share, refer paragraph 1.1.12 above, there has not arisen in the interval between the end of the six month period to 31 December 2014 and the date of this report, any item, transaction or event of a material and unusual nature.

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2 Divisional Performance

2.1 Pacific National Coal

2.1.1 Key Operating Statistics as at 31 December 2013

Total annualised contracted tonnage in FY16[1]	176mtpa
Approximate Market Share (%)[2]	
- NSW	71
- Queensland	27.4
Number of Locomotives	245
Number of Wagons	6,624
Total Insured Value of Fleet ($)	2.1bn
Full Time Employees	1,465
Average contract maturity (years)	7.7

1. Excludes the impact of new contracts with both Bandanna Energy and QCoal and additional tonnage secured under renegotiated contracts, which were not signed as at balance date. Including these, FY16 contract tonnage is 180mtpa and average contract maturity is 8.4 years.
2. Based on total domestic and export rolling 12 months NTK haulage against estimated total NTK's

2.1.2 1H FY14 Earnings and Volume Overview

Six months 31 December	2012	2013	% chg
Volume - Total NTK (m)	**11,450.6**	**14,513.6**	**26.7**
Queensland	4,314.5	6,256.3	45.0
South East Australia	7,136.1	8,257.3	15.7
Volume - Total Tonnes (m)	**67.9**	**78.7**	**15.9**
Queensland	17.2	24.6	43.0
South East Australia	50.6	54.1	6.9
Revenue and other income ($'m)	505.9	582.4	15.1
Access revenue ($'m)	83.2	109.0	31.0
Revenue net of access ($'m)	**422.8**	**473.4**	**12.0**
EBITDA ($'m)	208.9	223.7	7.1
EBIT ($'m)	**150.4**	**159.6**	**6.1**
Operating EBITDA margin (%) (net of access) [1]	46.7	47.3	0.6
Operating EBIT margin (%) (net of access) [1]	32.1	33.7	1.6
ROCE (%)[1]	10.9	11.8	95bps
ROCE excl WIP (%)[1]	13.7	13.0	(71bps)
Cash Conversion (%) (Operating cash flow / EBITDA)	90.3	79.8	(10.5)
Total capex ($'m)	126.4	83.2	(34.2)
Growth capex ($'m)	120.3	65.4	(45.6)
Sustaining capex ($'m)	6.1	17.8	191.8
Gain on asset sale ($'m)	21.5		
Full time employees	1,343	1,465	9.1

1. 1H FY13 calculated before the gain on the Kooragang Island land sale of $21.5m

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PN Coal reported an increase in total revenue (net of access) of 12% over the pcp to $473.4m.

Operating revenue[13] net of access grew 18% over the pcp to $473.4m driven by a 15.9% increase in tonnes and 26.7% increase in NTKs over the pcp. Tonnage hauled over the six month period versus contracted was approximately 88.3% compared to 81.2% in the pcp.

Tonnage hauled in South Eastern Australia (SEA) increased 6.9% and NTKs hauled increased 15.7% over the pcp. The performance of the SEA business was impacted by a range of factors including:

- Good organic growth in Hunter Valley coal chain volumes, in particular growth in volumes from the Gunnedah Basin region;
- Volumes moved into Port Kemble over the half were stronger than the pcp;
- Improvement in the performance of the Hunter Valley coal chain, including a reduction in cycle times has contributed a positive impact on tonnage moving through the system.

Tonnage hauled in Queensland increased 43% on the pcp and NTKs increased 45% on pcp. The result was driven by a number of factors including:

- A six month contribution from the 4.2mtpa contract with BHP Mitsui Coal (BMC) which commenced on 1 January 2013;
- An initial contribution from the new 8.5mtpa contract with Rio Tinto Coal Australia which commenced in November 2013 for its Hail Creek and Kestral mines; and
- An increase in the percentage of coal hauled versus contracted from 71.2% in the pcp to 88.1% reflected an increase in export demand.

2.1.3 Pacific National Coal EBIT Bridge

	Bridge to 1H FY14 EBIT ($'m)	1H FY14 actual ($'m)	1H FY13 actual ($'m)
1H FY13 EBIT	**150.4**		
Price/ Mix/ Volume	47.9		
Costs	(31.3)		
BIP	0.3		
Incidents	13.8	(0.5)	(14.3)
Sale of Kooragang Island land	(21.5)		21.5
1H FY14 EBIT	**159.6**	**(0.5)**	**7.2**

EBIT increased 6.1% on the pcp to $159.6m. Operating[13] EBIT increased 23.8% to $159.6m on the pcp. The result was impacted by:

- Significant growth in volumes over the period and an increase in the distances hauled;
- An increase in the percentage of tonnes hauled versus contracted over the pcp;
- Depreciation and amortisation over the period increased 9.6% to $64.1m reflecting the commencement of new contracts and the commissioning during 2013 of the Nebo and Greta train support facilities.

[13] Before the contribution from the proceeds of the Kooragang Island sale in 1H FY13

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Capital expenditure over the period was $83.2m a decline of 34.2% over the pcp. Expenditure during the period related to a number of projects including investment in new rolling stock for the contract with Rio Tinto Australia that commenced in November 2013, maintenance expenditure across the business and further investment at the Division's train support facility at Nebo in Queensland to service a customer maintenance contract. Capital expenditure for FY14 is expected to be in the range of $170-180m.

ROCE[14] increased from 10.9% in the pcp to 11.8%. ROCE for the full year FY14 is expected to continue to improve to be above Asciano's cost of capital. Work in progress declined 59.1% to $180.5m compared to the pcp. ROCE excluding WIP was 13%.

2.1.4 Outlook

PN Coal's performance in 2H FY14 and beyond will be impacted by a number of factors including:

- Demand for thermal and metallurgical coal which will impact the volume of coal hauled;
- The contribution from a 10 year performance based contract with Rio Tinto Coal Australia that commenced in November 2013 for its Hail Creek and Kestral mines;
- The ongoing impact of the Hunter Valley planning and operational improvements and the continued improvement to the efficiency of the coal chain;
- The start up of its Bandanna Energy's Springsure Creek mine in Central Queensland, and the 4mtpa take or pay contract for coal haulage from the mine with a current start date of April 2015.
- The recently secured 12 year coal haulage agreement with the QCoal Group (QCoal). The new contract will see PN Coal haul up to 4mtpa from QCoal's Drake coal project to the Abbott Point coal terminal near Bowen. Haulage is expected to commence in FY16 and will be provided on a take-or-pay basis in line with production ramp up at the mine;
- On 13 January 2014 PN Coal announced a new rail haulage agreement with Whitehaven Coal Mining Limited (Whitehaven), effective from January 2014 and expiring in June 2026 (the agreement replaces the previous agreement between Pacific National Coal and Whitehaven and represents an extension of six years on the previous agreement). The new agreement provides for a more efficient train fleet configuration in readiness for full 30 tonne axle load operations, planned to commence during 2015. The agreement volume is unchanged at 9.5mt pa under the current 25 tonne axle load conditions, and increases to 11.5mt pa following the introduction of 30 tonne axle load conditions. The new agreement provides PN Coal with the certainty required to commit to the more efficient fleet configuration; and

2.2 Pacific National Rail

2.2.1 Key Business Statistics as at 31 December 2013

Number of active Locomotives	345
Number of active Wagons	6,290
Intermodal Rail Market Share	Approximately 70%
Full Time Employees	2,372
Strategic Intermodal sites	Adelaide, Perth (Kewdale), Sydney (Chullora) and Melbourne

[14] Before the contribution from the proceeds of the Kooragang Island land sale in 1H FY13

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2.2.2 1H FY14 Earnings and Volume Overview

Six months ended 31 December	2012	2013	% chg
Intermodal - NTK (m)	11,745.1	11,245.6	(4.3)
Intermodal - TEU ('000)	351.0	341.5	(2.7)
Bulk - NTK (m)	2,861.9	2,486.8	(13.1)
Bulk - tonnes ('000)	8,036.3	7,272.6	(9.5)
Steel tonnes ('000)	1,352.3	1,466.6	8.5
Revenue and other income ($'m)	**686.9**	**667.2**	**(2.9)**
EBITDA ($'m)	154.8	138.1	(10.8)
EBIT ($'m)	**106.7**	**85.5**	**(19.9)**
Underlying EBITDA margin (%)	22.5	20.7	(1.8)
Underlying EBIT margin (%)	15.5	12.8	(2.7)
ROCE (%)	15.3	13.3	(199bps)
ROCE excl WIP (%)	16.0	14.3	(169bps)
Cash Conversion (%) (Operating cash flow / EBITDA)	101.3	77.6	(23.7)
Total Capex ($'m)	84.9	98.4	15.9
Growth Capex ($'m)	46.7	28.7	(38.5)
Sustaining Capex ($'m)	38.2	69.6	82.2
Full time employees (‘000)	2,394	2,372	(0.9)

PN Rail reported a 2.9% decline in revenue over the pcp to $667.2m. Total intermodal revenue declined 1.9% on the pcp driven by:

- A 4.3% decrease in total NTKs driven primarily by a 4.6% decline in east-west volumes predominately due to lower Forwarder volumes which were down 5.8% resulting in the consolidation of freight on a reduced number of Forwarder services. The volume decline primarily reflects a very short peak season and the absence of a ramp up in volumes leading into the peak season compared to the pcp. Long haul north-south volumes were also weak however short haul volume north south was up strongly reflecting a shift in modal use in the face of weak industry volumes overall.
- Express volume was up 1.0% over the period reflecting ongoing above average demand by the customer base for ‘just in time’ freight services and new Express service offerings on the east coast corridors.
- Automotive volumes increased 27.6% following the release of the new Holden reversing some of the sharp declines in recent years and customer repositioning of stock;
- Steel volumes increased 8.5% over the pcp

Bulk revenue declined 5.4% on the pcp on the back of a 13.1% decline in NTK’s over the period. This result was driven by:

- A 40.3% decline in export grain volumes driven by the timing of harvest and shipping intentions and materially lower harvests in Northern NSW and Southern Queensland due to drought effected crops. The number of export grain trains operating under take or pay contracts in the six month period was 19 for the first quarter falling to 17 in the 2nd quarter compared to 19 trains for the full six months in 1H FY13. Though partly protected by the Take or Pay arrangements with export

grain customers, the capacity utilisation of the contracted trains was significantly lower in 1H FY14 than the pcp; and

- A 51% increase in mineral volumes due to the commencement of new services with Iluka in Western Victoria.

Operating expenses over the period were down 0.6% driven by:

- A 10.6% decline in maintenance costs resulting from the restructure of its maintenance contract to a variable contract linked to usage and the initial impacts from investment in new equipment across the division;

- A 2.8% increase in labour cost which was achieved despite the base line increase in wages of approximately 4% embedded in enterprise agreements across the Division; and

- A 1% decline in fuel costs over the period despite a 4% increase in prices which is recovered via a higher fuel surcharge reflecting reduced services in response to lower volumes and improved fuel consumption.

BIP initiatives delivered sustainable cost savings of $9.7m. Programs that contributed to this include savings on asset management through a new contract with the maintenance provider, improved fuel consumption and crew optimisation. PN Rail has now exceeded its five year plan to FY16 to deliver $40m with a cumulative total of sustainable savings on $42m. PN Rail will continue to focus on the range of programs that it has under way to deliver further gross savings.

EBITDA declined 10.8% reflecting the high level of relatively fixed costs within the business.

2.2.3 PN Rail EBIT Bridge

	Bridge to 1H FY14 Underlying EBIT ($'m)	1H FY14 actual ($'m)	1H FY13 actual ($'m)
1H FY13 EBIT	**106.7**		
Price/ Mix/ Volume	(16.7)		
Costs	(14.7)		
BIP	9.7		
Incidents	0.5	(0.4)	(0.9)
1H FY14 EBIT	**85.5**	**(0.4)**	**(0.9)**

PN Rail EBIT declined 19.9% on the pcp to $85.5m driven by:

- A 18.7% decline in intermodal earnings the result of lower volumes on the longer distance east-west route offset to an extent by higher volumes on the shorter distance north–south routes, higher express and Steel volumes and Toll Take or Pay volume commitments in Northern Queensland;
- Bulk Rail earnings declined by 24% driven by lower export grain volumes offset to an extent by higher volumes in minerals, domestic grain and construction; and
- Depreciation and amortisation increased 9.5% over the pcp to $52.6m driven by the increased investment in rail terminal infrastructure and the scheduled mid life maintenance program for PN Rail's rolling stock that has been running over the last eighteen months.

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Capital expenditure increased 15.9% over pcp to $98.4m driven by an 82.2% increase in sustaining capital expenditure to $69.6m reflecting the scheduled maintenance program currently underway on the PN Rail's locomotive fleet and spend on the upgrade of PN Rail's freight terminals. Growth capital declined 38.5% to $28.7m. Projects in this area included spend on rolling stock for new bulk rail contracts to commence over the next twelve months. Total capital expenditure in FY14 is expected to be in the range of $270-290m including the acquisition of the rail terminal properties and ancillary equipment from Toll Group.

ROCE declined to 13.3% over the period reflecting the weak earnings environment combined with additional investment in the PN Rail fleet and facilities to maintain its competitive position and ensure customer service is improved. While below the pcp, ROCE remains above Asciano's WACC. WIP increased 77.8% to $155.4m. ROCE excluding WIP was 14.3%.

2.2.4 Outlook

PN Rail's performance and strategic focus in 2H FY14 and beyond is expected to be driven by:

- Intermodal volumes will reflect activity levels in the Australian economy and a normalisation of demand following a number of years of very strong growth in Western Australia. The FY14 full year forecast EBIT of approximately 5% below the pcp assumes that Pacific National intermodal rail volumes in 2H FY14 show a small increase on the same period last year;
- Volumes will benefit from the new five year Intermodal rail haulage agreement with Star Track Express which commenced on 1 May 2013;
- Volumes under the new agreement entered into in July 2012 with BlueScope Steel and Arrium for the continued provision of line haul services to both companies. Existing arrangements expire on 31 December 2014 and the new agreement commences 1 January 2015 for a minimum period of seven years;
- The ability to grow the Queensland intermodal business in FY15 following the signing of a new rail services agreement with Toll Group, which commenced 1 February 2014[15]. The agreement includes the acquisition of strategic intermodal rail terminal properties across Queensland owned by Toll Group for approximately $81m inclusive of costs;
- Export grain volumes are expected to significantly increase in 2H FY14 as volumes from good harvests in southern NSW and Victoria commence shipping. Asciano expect to run 17 export grain trains under take or pay contracts over 2H FY14 with capacity utilisation being significantly higher than 1H FY13. In FY15 the Division is contracted to run a minimum of 12 trains however the number of trains and the utilisation may be impacted by lower rainfall in Queensland and Northern NSW which may divert export grain from Southern NSW / Victoria to the domestic markets in the north;
- The Division's BIP initiatives already underway in the areas of fuel, labour management, slot utilisation, on time delivery will all continue under the integrated business model with the PN Rail teams working with the Coal teams on rolling out the learning's across the integrated business;
- Other bulk commodity contracts previously announced including new contracts with Iluka, Boral and Holcim which will gear up over the next 18 months; and
- The division continues to expect that the full year FY14 EBIT will be approximately 5% below FY13 however this is reliant on export grain and intermodal volumes meeting expectations

[15] Refer ASX announcement released 23 December 2013 "Pacific National Rail extends and expands relationship with Toll Group"

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2.3 Patrick Terminals & Logistics

2.3.1 Key Business Statistics as at 31 December 2013

Container Terminal Lease Terms	
• Port Botany - Sydney	2023 with extension to 2043 once Patrick has met certain development obligations
• East Swanson Dock - Melbourne	2034
• Fisherman Islands - Brisbane	2045
• Fremantle - Perth	2017
Terminal Facilities and Footprint	
Port Botany facilities	3 berths, 1,000 metres of quay line, 8 cranes, 50 straddle carriers and other cargo handling equipment. The agreement to develop the knuckle will expand quay line to 1,405 metres with 4 berths.
East Swanson Dock facilities	3 berths, 885 metres of quay line, 9 cranes and 47 straddle carriers and other cargo handling pieces of equipment.
Fremantle facilities	2 berths, 766 metres of quay line, 4 cranes and 41 other cargo handling equipment pieces.
Fisherman Islands facilities	3 berths, 922 metres of quay line, 4 cranes and 30 straddle carriers and other cargo handling equipment. The company operates AutoStrad™ technology at Australia's only fully automated container terminal in Brisbane.
Full time employees	1,880

2.3.2 1H FY14 Earnings and Volume Overview

Six months ended 31 December	**2012**	**2013**	**% chg**
Container Volumes			
Terminal Volumes - Lifts ('000)	1,038.2	1,033.4	(0.5)
Terminal Volumes - TEUs ('000) [1]	1,563.2	1,541.4	(1.4)
Revenue and other income ($'m)	**388.0**	**383.2**	**(1.2)**
Underlying EBITDA[2] ($'m)	111.2	110.1	(1.0)
Underlying EBIT[2] ($'m)	**88.4**	**83.9**	**(5.1)**
Underlying EBITDA margin (%)	28.7	28.7	0.0
Underlying EBIT margin (%)	22.8	21.9	(0.9)
ROCE (%)	7.9	6.8	(108bps)
ROCE excl WIP (%)	8.3	7.4	(90bps)
Cash Conversion (%) (Operating cash flow / EBITDA)	85.7	81.2	(4.5)
Total capex ($'m)	71.3	94.5	32.5
Growth capex ($'m)	35.9	76.9	114.2
Sustaining capex ($'m)	35.5	17.6	(50.4)
Full time employees	1,896	1,880	(0.8)

1. TEU-twenty foot equivalent unit
2. Pre material items

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Terminals & Logistics reported a 1.2% decline in revenue on the pcp to $383.2m. Revenue was driven by:

- A 0.8% decline in revenue from our container terminals over the pcp driven by a 0.5% decline in container lifts (1.4% decline in TEU's) over the period. Lifts increased in Port Botany and Fremantle compared to the pcp however lifts were down on the pcp in East Swanson Dock and Fisherman Islands;
- A full six month contribution from the new NEAX service that commenced at East Swanson Dock in the second quarter of FY13 offset to an extent by the ongoing loss of volume going directly to New Zealand and the loss of the CAX service into East Swanson Dock in the third quarter of FY13 due to the cancellation of the service;
- Market share over the six months (excludes subcontracted volume) was 47.6%. Market share over the six month period was volatile impacted by consortia changes and the different growth rates of the shipping lines;
- Patrick recorded a material increase in subcontracted lifts to 17,300 in 1H FY14 which are over and above the market share data listed above; and
- Revenue in the Logistics business declined 3.4% driven primarily by soft rail volumes into Adelaide and out of the Riverina region.

EBITDA margins were flat over the period, a strong result in light of the pressure on volumes and the extent of fixed cost in the business. Operating costs were down 1.2% over the period driven by:

- Labour costs over the period were down 0.3% despite annual wage increases of approximately 4-5% and reflects a more efficient use of subcontractors in the Logistics business. The reduction in labour costs also reflects a 0.8% reduction in full time employees following redundancies taken in FY13 as a result of the soft market conditions;
- Insurance related costs declined 19.5% reflecting the significant improvement in safety statistics and absenteeism reported over the last eighteen months by the Terminals business, in particular at Port Botany in Sydney; and
- Operating lease costs increased 3.9% over the period driven by a full period impact of increases in lease costs at Port Botany and East Swanson Dock and a triennial market review at Fremantle in late FY13.

2.3.3 Terminals & Logistics Underlying[16] EBIT Bridge

	Bridge to 1H FY14 EBIT ($'m)	1H FY14 actual ($'m)	1H FY13 actual ($'m)
1H FY13 EBIT	88.4		
Price/ Mix/ Volume	(4.4)		
Costs / Other	(14.8)		
BIP	9.7		
Redundancies	2.2		(2.2)
Industrial Disputes	2.8	(1.0)	(3.8)
1H FY14 Underlying EBIT [16]	83.9	(1.0)	(6.0)

Underlying[16] EBIT declined 5.1% to $83.9m impacted by a number of factors including:

- Lower volumes across both Terminals & Logistics activities;

[16] Pre material items in 1H FY14

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- The mix of business in Terminals with a higher level of contract volume in the half impacting margins;
- The cost of industrial disputes at Fremantle during the six month period was $1.0m compared to the $3.8m in costs incurred in the pcp at Port Botany;
- The cost of redundancies in the six month period was not material compared to the pcp; and
- A 16% increase in depreciation reflecting the capital expenditure program on new equipment, in particular new cranes, over the last eighteen months.

The division reported a net material cost after tax of $2.7m related to the redevelopment of Port Botany. Specifically in this half costs incurred related to the accelerated depreciation of equipment to be replaced as part of the development of Port Botany.

The BIP contributed $9.7m across the division. Programs that contributed to these savings included efficiencies and maintenance savings from new operating equipment and labour savings from rostering changes and annual leave management.

Capital expenditure for the period increased 32.5% on the pcp to $94.5m primarily reflecting expenditure on the redevelopment of Port Botany of $71.4m. Capital expenditure in FY14 is expected to be in the range of $260-280m.

ROCE declined to 6.8% reflecting the significant level of capital investment in the Division at the current time combined with the lower volumes. WIP increased 23.6% to $161.5m at the end of the period and was primarily associated with the Port Botany redevelopment project. ROCE excluding WIP was 7.4%. ROCE excluding goodwill was 23.0%.

Customer KPIs for the six month period continued to improve, with coastal window performance now consistently above 95% and the national average gross crane rate increasing from 24 in the pcp to 27 lifts per hour. LTIFR across the four terminals for the half was down 67.7% compared to the pcp.

2.3.4 Outlook

The medium term outlook for the Terminals & Logistics division will be impacted by:

- The launch of the automation project at Port Botany has been delayed due to material storm damage having been sustained to the majority of the AutoStrad™ equipment to be run on the site. The damage to the AutoStrad™ equipment was incurred whilst being shipped by the supplier from Europe where they were built. Based on the current information availiable and in light of customer service considerations during the peak October through December season it is currently estimated the launch of the automated site will occur in 1Q 2015. A definitive timetable for the launch cannot be established until a full assessment of the impact of the delay on the project, including the financial impact and the time frame to repair the damage and commission the straddles is completed.
- The delay in the project launch will impact the cashflows associated with the project and the labour savings associated with the project will now be delayed;
- The contribution from a new contract secured in Fremantle with K-line with proforma annual volumes of 90,000. The contract commenced on 1 January 2014;
- The growth in the market for container volumes which will be impacted primarily by domestic economic activity. Patrick continue to forecast FY14 market growth of 1-2% which is supported by our shipping line customers' expectations;

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- Patrick retaining its share of consortia volumes following any further changes in shipping line capacity sharing arrangements;
- The potential impact in the reduction of transhipment volumes between Australia and New Zealand due to the introduction of larger vessels;
- The ability to secure further market share through new contracts;
- The Logistics business will continue to focus on the drive for new business with volumes also remaining sensitive to domestic economic growth; and
- The Division has commenced discussions with Fremantle Port Authority in relation to the lease agreement which expires in 2017. An expression of interest in relation to the Terminal is expected to be released in March 2014.

2.4 Bulk & Automotive Port Services

2.4.1 FY13 Earnings and Volume Summary

Six months ended 31 December	**2012**	**2013**	**% chg**
Vehicles processed[17] ('000)	276.3	287.3	4.0
Vehicle storage days ('000)	8,132.6	11,721.7	44.1
Vehicle movements ('000)	513.0	540.5	5.4
Underlying Revenue and other income[18]($'m)	**306.6**	**400.7**	**30.7**
Underlying EBITDA[18] ($'m)	52.2	79.5	52.3
Underlying EBIT[18] ($'m)	**42.0**	**65.1**	**55.0**
Underlying EBITDA[18] margin (%)	17.0	19.8	2.8
Underlying EBIT[18] margin (%)	13.7	16.3	2.6
ROCE (%)	20.0	21.9	197bps
Cash Conversion (%) (Operating cash flow / EBITDA)	70.1	67.3	(2.8)
Total capex ($'m)	15.4	29.4	90.9
Growth capex ($'m)	9.6	10.9	13.5
Sustaining capex ($'m)	5.8	18.4	217.2
Full Time Employees	2,994	2,992	(0.1)

Underlying[18] revenue for the six month period increased 30.7% on the pcp to $400.7m, operating[19] revenue increased 22.5%. The result was driven by:

- Bulk Ports reported a 28.1% increase in operating[19] revenue which included a full six months of the consolidated C3 business and two months of the recently acquired Mountain Industries business;
- Autocare reported a 12.1% increase in operating[19] revenue driven by a 44.1% increase in vehicle storage volumes over the pcp and higher processing revenues reflecting the increased volumes of imported cars into Australia; and
- Underlying[18] revenue includes a settlement reached with the PoMC to cover the costs associated with transition arrangements and the early termination of lease agreements associated with the

[17] Figures now include both import and export vehicles

[18] 'Underlying' earnings are pre the material item booked in 1H FY13 of a non cash gain of $17.1m on the 50% of C3 Limited already owned by Asciano

[19] 'Operating' earnings exclude the settlement with the Port of Melbourne Corporation (POMC) to cover the costs associated with transition arrangements and the early termination of lease agreements associated with the redevelopment of Webb Dock in Melbourne

redevelopment of Webb Dock in Melbourne. This settlement will be largely offset over time by identified cash outlays to be incurred over the next eighteen months. Operating[19] revenue increased 22.3% over the pcp.

Underlying[20] EBITDA increased 52.3% to $79.5m on the pcp, operating[21] EBITDA increased 16.9% on pcp to $61.0m.

The Division reported an 11.3% decline in the after tax contribution from equity accounted joint ventures impacted by:

- The 1H FY13 result included five months of equity accounted profits from C3. The outstanding 50% interest was acquired on 28 November 2012. The C3 business was consolidated from the date of acquisition;
- The contribution from the AAT joint venture was 18.8% below the pcp due to lower general cargo volumes in Brisbane and Port Kembla; and
- A 14.7% increase in the equity accounted contribution from the Port of Geelong Unit Trust reflecting the strong performance of the underlying activity at the port.

2.4.2 Bulk & Automotive Port Services Underlying EBIT Bridge

	Bridge to 1H FY14 EBIT ($'m)	1H FY14 actual ($'m)	1H FY13 actual ($'m)
1H FY13 Underlying[20] EBIT	**42.0**		
Price/ Mix/ Volume	6.0		
Costs	(2.4)		
BIP	1.9		
Business Restructure	17.6	17.2	(0.4)
1H FY14 EBIT	**65.1**	**17.2**	**(0.4)**

Underlying[20] EBIT increased 55% to $65.1m. Operating[21] EBIT increased 11% to $46.6m. The result was driven by:

- The Bulk Ports result was impacted by lower volumes under the Agility contract in Western Australia as that winds down, lower project volumes at Gladstone and Fremantle as resource development projects wind down and lower volumes at Port Kembla impacted by lower steel export volumes;
- The Autocare result benefitted from the 44% increase in storage volumes and a significant increase in processing revenue;
- Depreciation and amortisation expense increased 41.2% over the pcp to $14.4m driven primarily by recent acquisitions;
- The acquisition of the remaining 50% interest in C3 was completed on 28 November 2012. The 1H FY14 result includes six months of consolidated profits compared to one month of consolidated and 5 months of 50% equity accounted profits in the 1H FY13 result. Comparing the EBIT performance of 100% of C3 in 1HFY14 with a full six month period in 1H FY13, earnings

[20] 'Underlying' earnings are pre material item booked in 1HFY13

[21] 'Operating' earnings exclude the settlement with the PoMC to cover the costs associated with transition arrangements and the early termination of lease agreements associated with the redevelopment of Webb dock in Melbourne

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increased 16.3% over the pcp in New Zealand dollar terms reflecting a significant increase in timber volumes over the period;

- The acquisition of Mountain Industries was completed on 31 October 2013. The 1H FY14 result includes a two month contribution from the business. Consistent with PN Rail lower export grain volumes impacted its performance in November however the integration of the business is proceeding as planned; and
- The result includes a settlement with the PoMC to cover the cash outlays associated with the transition arrangements and the early termination of lease agreements associated with the redevelopment of Webb Dock in Melbourne (see Outlook 2.4.3 for further detail). These costs will be incurred over the next eighteen months and will largely offset the settlement.

Operating[22] EBIT margins were impacted by the increased costs associated with the significant increase in storage volumes in Autocare resulting in more expensive temporary facilities being utilised, the expensing of the stamp duty paid on the properties acquired under the Mountain Industries acquisition and the redundancy costs taken in Bulk Ports as activity under the contract with Agility in Western Australia winds down.

ROCE improved from 20% in the pcp to 21.9%.

Capital expenditure over the period increased 91% on the pcp to $29.4m and included spend on an upgrade of the Autocare fleet and spend on storage areas.

The BIP contributed $1.9m in savings over the 6 month period.

2.4.3 Outlook

Bulk & Automotive Port Services performance for the remainder of FY14 will be impacted by a number of factors including:

- Demand for imported cars following another record year for the car industry in 2013;
- The impact of the consolidation of Mountain Industries in 2H FY14, including the amortisation of intangible items arising as a result of the consolidation;
- Activity levels under the contract with Agility in Western Australia. The current contract ends in April 2014 and the Company is currently negotiating to secure further volume beyond the end of the contract;
- Following a decision by the PoMC to reconfigure and redevelop the Webb Dock precinct, the Autocare business (a 80/20% joint venture between Asciano and NYK Line) and its joint venture Car Compounds of Australia (50/50% joint venture between Asciano and Mitsui OSK Line) has successfully secured a new 15 year lease to operate a pre delivery inspection (PDI) facility at a new 16 hectare PDI hub being developed adjacent to the existing Webb Dock West (WDW) terminal. The new lease will commence on June 2015 and will cover a 12 hectare site within the hub which will allow PAC to operate its door to door solution to the automotive industry. PAC will invest in the development of the 12 hectare site to accommodate its activities that currently take place at two sites within the existing Webb Dock precinct. The agreement with the PoMC allows for the transition to the new site including interim site processing while the new site is constructed;

[22] 'Operating' earnings exclude the settlement with the PoMC

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- As part of the redevelopment of Webb Dock, Asciano's general stevedoring activities, currently carried out at Webb Dock, will be required to relocate to other facilities in and around Melbourne from July 2014; and
- Margins in 2H FY14 and FY15 are expected to be impacted by the costs associated with the transition arrangements at the Port of Melbourne, redundancy costs associated with the Agility contract and the increasingly competitive port services market.

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3 Group Outlook

- Asciano continues to forecast further growth in underlying[23] EBIT in FY14 albeit at a slower growth rate than reported in FY13, Based on the current outlook, Asciano now expects to deliver low single digit growth in Underlying Net Profit After Tax[23] versus the guidance in September for a flat result.

- Following the delay in the launch of the Port Botany redevelopment project the timing of the recognition of material costs associated with the project may change. Asciano now also expects to recognise a material cost associated with the integration of the two rail businesses, primarily redundancy costs. Taking both of these projects into account we now expect to report a material cost before tax in the range of $15-25m for the FY14 period

- Asciano continues to expect PN Rail to report FY14 EBIT approximately 5% below the result in FY13, this will be dependent on export grain haulage meeting current expectations and PN's intermodal volumes being marginally above the pcp

- PN Coal expects to report further growth in NTKs in 2H FY14 compared to the pcp, however railings in 2H FY14 are expected to be lower than 1H FY14 given the record volumes reported in the period, in particular in NSW. Margins for the full year FY14 and FY15 are expected to be lower than 1H FY14, more in line with FY12/13 as the impact of recently negotiated contracts flow through to earnings. These changes will lead to higher returns overall as the life of the contracts have been extended. The result will also rely on no significant weather or incident disruptions

- Terminals & Logistics continue to expect a 1-2% growth in industry container volumes over the FY14 period. The result in 2H FY14 will benefit from an initial contribution from the recently secured K Line contract calling at Fremantle. As a result, we expect the division to have a slightly stronger second half leading to a full year EBIT result at least in line with FY13

- The delay in the Port Botany project launch to 1Q CY 2015 will impact the cashflows associated with the project and the labour savings associated with the project will now be delayed

- The BAPS division is expected to report 2H FY14 below the pcp however growth for the FY14 period overall. The Division will be impacted in 2H FY14 by costs associated with transition arrangements at Webb Dock in Melbourne, a gradual decline in volumes from its contract with Agility in Western Australia to service the Gorgon Project, competitive pressures on margins in the Autocare business and weaker volumes at some of its Bulk Ports. This will be offset to an extent by a full six month contribution from Mountain Industries

- Considerable focus will continue on the BIP initiatives across the Group and all existing programs in PN Rail and PN Coal will continue in parallel with the integration of the two businesses. The success in delivering against previous BIP objectives plus new initiatives as announced will allow the delivery of the substantially increased BIP target of $300m

ENDS

[23] Pre material items

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4 Definitions

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

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ASCIANO LIMITED

ABN 26 123 652 862

4D - HALF YEAR REPORT

For the half year ended 31 December 2013

Asciano comprises of Asciano Limited and its controlled entities.

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Asciano Limited

ABN 26 123 652 862

Directors' Report
For the half year ended 31 December 2013

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 2013 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.

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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 2013.

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.

Acquisition of subsidiary

On 31 October 2013, Asciano Limited acquired 100% of the shares and voting interests in Newcastle-based integrated logistics group Mountain Industries ("MI"), including the freehold properties currently utilised by MI, for a total consideration of $91.9 million (including an estimated earn out of $4.0 million). The consideration has not been adjusted for any potential purchase price adjustments, including working capital adjustments, to be finalised subsequent to reporting date.

Change in accounting policy – impact on comparatives

On 1 July 2013 the Group adopted AASB 119 Employee Benefits (2011) which introduced new measurement and disclosure requirements.

The overall impact of this change resulted in a reduction of profit after tax of $2.3 million for the half year ended 31 December 2012 and $5.5 million for the full 2013 financial year. The cumulative restated opening retained earnings were reduced by $13.6 million as at 30 June 2012, $17.0 million as at 31 December 2012 and $12.5 million as at 30 June 2013.

As a result of AASB 119 (2011) basic and diluted earnings per share were reduced by 0.2 cents for the half year ended 31 December 2012 and by 0.6 cents for the full year ended 30 June 2013.

Redevelopment of Port Botany

A decision has recently been taken to delay the launch of the automation project at Port Botany due to the material storm damage having been sustained to the majority of the Autostrad™ equipment to be run on the site. The damage to the Autostrad™ equipment was incurred whilst being shipped from Europe by the supplier.

The launch of the automated site is currently estimated for 1Q 2015. However a full assessment of the impact of the delay on the project and the time frame to repair the damage and commission the straddles is yet to be completed.

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Operating and financial review (continued)

Financing

On 19 September 2013, Asciano Finance Limited issued GBP 300.0 million of 5.0% Medium Term Notes due in September 2023 ("GBP dollar bond issuance") which are guaranteed by the Parent and each subsidiary. On 20 September 2013, the proceeds from this GBP bond issuance were used to repay A$270.0 million of the syndicated term loan maturing in October 2014 and A$200.0 million of the syndicated term loan maturing in October 2016.

Asciano's funding consists of a mix of revolving bank credit facilities, US dollar denominated 5, 7, 10 and 12 year bonds (swapped to Australian dollars), GBP denominated 10 year bonds (swapped to Australian dollars) and a bank guarantee facility (currently partly drawn in the form of bank guarantees and performance bonds). Asciano's loans and borrowings mature in the period between October 2014 and September 2023.

Asciano had total committed bank credit facilities of $1,450.0 million (30 June 2013: $1,450.0 million) and net bank debt of $486.6 million at 31 December 2013 (30 June 2013: 780.3 million). Of the total committed credit facilities $560.0 million of bank debt and $72.6 million of the bank guarantee facility were utilised at 31 December 2013 leaving undrawn credit facilities at 31 December 2013 of $740.0 million (30 June 2013: $556.4 million).

Review and results of operations

Asciano reported a net profit after tax ("NPAT") attributable to the owners of Asciano Limited of $187.5 million for the current reporting period, representing a 4.6% decrease on the profit of $196.6 million for the half year ended 31 December 2012. The reported NPAT for the current reporting period included a material item (loss) of $2.7 million representing current period costs borne in connection with the Port Botany redevelopment (31 December 2012: material items (gain) of $17.1 million).

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

	Half year 2014 $M	Half year 2013 $M
NPAT attributable to the owners of Asciano Limited	187.5	196.6[1]
Revaluation of the original investment in C3 Limited to fair value	–	(17.1)
Restructuring expenses for Port Botany redevelopment, net of tax	2.7	–
Underlying NPAT	190.2	179.5

1. The NPAT has been restated for the adoption of the new accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1 to the financial statements. The impact of the restatement is to reduce NPAT by $2.3 million.

The decrease of 4.6% in reported NPAT reflects the inclusion in the prior year comparative of the $17.1 million revaluation gain on the original investment in C3 Limited. The increase of 6.0% in the underlying NPAT was primarily driven by strong volume growth in PN Coal following the commencement of new contracts in Queensland; organic volume growth from some existing coal haulage contracts in the Hunter Valley; and strong growth in the Bulk & Auto Ports Services businesses driven by new contracts, growth in volumes at some regional bulk ports, the contribution to NPAT of a full six months of the results for the consolidated C3 Limited business and further growth in car storage volumes. However, these growth areas were offset to an extent by the performance of PN Rail and Terminals & Logistics which have both been impacted by the persistent weakness in the domestic economy and the volatility of agriculture based rail volumes.

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.

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Operating and financial review (continued)

3. Dividends

The Board of Directors determined on 18 February 2014 that a fully franked interim dividend of 5.75 cents per share is payable by Asciano Limited on 20 March 2014 (31 December 2012: 5.25 cents per share). The record date for entitlement to the dividend is 6 March 2014. The dividend of $56.1 million was not recognised as a liability at 31 December 2013.

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.

5. Events subsequent to the reporting date

On 7 February 2014, Asciano Limited signed documents extending the term of the A$650.0 million Corporate Debt Facility from October 2014 to October 2019.

Effective from 1 February 2014, Asciano expanded its contractual relationship with transport and logistics operator Toll Group ("Toll") to encompass a new Queensland rail service agreement for a period of 13 years to 2026, and a new interstate line haulage agreement to 2022. Under the new agreements Toll has committed to provide Asciano's subsidiary Pacific National Rail at least 90% of its intermodal rail freight requirements.

As part of the agreement Pacific National Rail purchased intermodal rail terminals plus ancillary equipment owned by Toll at Cairns, Townsville, Mackay and Rockhampton and offered employment to approximately 60 Toll staff. The properties acquired were valued at $56.6 million excluding stamp duty.

Other than for the items noted above and for the resolution to pay a fully franked interim dividend of 5.75 cents per share, there has not arisen in the interval between 31 December 2013 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

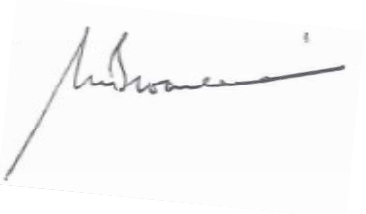
Asciano is an entity of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission ("ASIC"), relating to the rounding off of amounts in the Directors' Report and the financial statements. Amounts in the Directors' Report have been rounded off in accordance 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 2011, 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 2013 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

18 February 2014

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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 2013 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

Steven Gatt
Partner

Sydney

18th February 2014

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Asciano Limited

ABN 26 123 652 862

Financial Report
For the half year ended 31 December 2013

Consolidated Statement of Profit or Loss
For the half year ended 31 December 2013

	Note	First half 2014 $M	RESTATED[1] First half 2013 $M
Revenue from services rendered	8	1,974.9	1,826.6
Other income	8	32.2	44.0
Share of net profit of associates	12	8.6	9.7
Operating expenses excluding depreciation and amortisation	10	(1,476.3)	(1,360.2)
Profit before depreciation, amortisation, net finance costs and tax		539.4	520.1
Depreciation	10	(146.3)	(125.9)
Amortisation	10	(23.5)	(22.0)
Profit before net finance costs and tax		369.6	372.2
Finance income	9	1.1	3.1
Finance expense	9	(107.1)	(100.5)
Profit before tax		263.6	274.8
Tax expense	11	(73.9)	(77.2)
Profit after tax		189.7	197.6
Attributable to:			
Owners of Asciano Limited		187.7	196.6
Non-controlling interests		2.2	1.0
		189.7	197.6
Earnings per Parent share			
Basic – cents	7	19.2	20.2
Diluted – cents	7	19.1	20.2

1. The restatement relates to the adoption of the new accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1.

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

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2013

	Note	First half 2014 $M	RESTATED[1] First half 2013 $M
Profit after tax		189.7	197.6
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Defined benefit superannuation funds actuarial gain/(loss)		16.1	(34.2)
Income tax on items that will not be reclassified to profit or loss		(4.8)	10.1
Total items that will not be reclassified to profit or loss net of tax		11.3	(24.1)
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedge	9	(30.0)	1.7
Foreign currency translation differences for foreign operations	9	2.7	(1.6)
Income tax expense on items that may be reclassified subsequently to profit or loss	9	9.0	(0.2)
Total items that may be reclassified subsequently to profit or loss net of tax		(18.3)	(0.1)
Other comprehensive loss net of tax		(7.0)	(24.2)
Total comprehensive income		182.7	173.4
Total comprehensive income attributable to:			
Owners of Asciano Limited		180.5	172.4
Non-controlling interests		2.2	1.0
		182.7	173.4

1. The restatement relates to the adoption of the new accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1.

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

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Consolidated Statement of Financial Position
As at 31 December 2013

	Note	December 2013 $M	RESTATED[1] June 2013 $M
Current assets			
Cash and cash equivalents		73.4	29.7
Trade and other receivables		460.8	392.4
Prepayments		41.5	30.9
Inventories		32.6	29.3
Derivative financial assets		11.3	12.5
Total current assets		619.6	494.8
Non-current assets			
Trade and other receivables		58.8	55.4
Prepayments		3.3	4.3
Inventories		40.4	40.5
Derivative financial assets		276.0	231.0
Net deferred tax assets		70.7	72.0
Equity accounted investments	12	28.1	28.4
Property, plant and equipment		4,164.7	3,926.4
Intangible assets		2,802.7	2,793.8
Other assets		1.8	1.9
Total non-current assets		7,446.5	7,153.7
Total assets		8,066.1	7,648.5
Current liabilities			
Trade and other payables		362.8	393.6
Loans and borrowings	13	0.6	–
Derivative financial liabilities		41.8	29.1
Current tax liabilities		46.6	52.1
Provisions and employee benefits		251.6	235.8
Total current liabilities		703.4	710.6
Non-current liabilities			
Trade and other payables		116.5	132.3
Loans and borrowings	13	3,411.2	3,070.9
Derivative financial liabilities		6.9	19.3
Provisions and employee benefits		77.1	93.1
Total non-current liabilities		3,611.7	3,315.6
Total liabilities		4,315.1	4,026.2
Net assets		3,751.0	3,622.3
Equity			
Contributed equity	14	8,608.2	8,606.1
Reserves		(4,681.2)	(4,703.5)
Accumulated losses		(193.0)	(295.1)
Equity attributable to owners of Asciano Limited		3,734.0	3,607.5
Non-controlling interests	15	17.0	14.8
Total equity		3,751.0	3,622.3

1. The restatement relates to the adoption of the new accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1.

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

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Consolidated Statement of Changes in Equity
For the half year ended 31 December 2013

First half 2014 $M	Contributed equity	Reserves	Accumulated losses	Total	Non-controlling interests	Total
Restated balance at 1 July 2013[1]	8,606.1	(4,703.5)	(295.1)	3,607.5	14.8	3,622.3
Profit after tax	–	–	187.5	187.5	2.2	189.7
Other comprehensive income ("OCI"):						
Net movement in cash flow hedge reserve	–	(30.0)	–	(30.0)	–	(30.0)
Defined benefit superannuation funds remeasurements	–	–	16.1	16.1	–	16.1
Foreign currency translation differences for foreign operations	–	2.7	–	2.7	–	2.7
Income tax benefit on OCI	–	9.0	(4.8)	4.2	–	4.2
Total comprehensive income	–	(18.3)	198.8	180.5	2.2	182.7
Treasury shares allocated	2.1	–	–	2.1	–	2.1
Transactions with owners in their capacity as owners:						
Profits transferred to profit reserve	–	96.7	(96.7)	–	–	–
Dividends paid	–	(60.9)	–	(60.9)	–	(60.9)
Employee equity benefits	–	4.8	–	4.8	–	4.8
	–	40.6	(96.7)	(56.1)	–	(56.1)
Balance at 31 December 2013	8,608.2	(4,681.2)	(193.0)	3,734.0	17.0	3,751.0

First half 2013 $M	Contributed equity	Reserves	Accumulated losses	Total	Non-controlling interests	Total
Restated balance at 1 July 2012[1]	8,604.7	(4, 894.9)	(388.5)	3,321.3	12.4	3,333.7
Profit after tax	–	–	196.6	196.6	1.0	197.6
Other comprehensive income ("OCI"):						
Net movement in cash flow hedge reserve	–	1.7	–	1.7	–	1.7
Defined benefit superannuation funds remeasurements	–	–	(34.2)	(34.2)	–	(34.2)
Foreign currency translation differences for foreign operations	–	(1.6)	–	(1.6)	–	(1.6)
Income tax benefit on OCI	–	(0.2)	10.1	9.9	–	9.9
Total comprehensive income	–	(0.1)	172.5	172.4	1.0	173.4
Treasury shares allocated	–	–	–	–	–	–
Transactions with owners in their capacity as owners:						
Profits transferred to profit reserve	–	97.4	(97.4)	–	–	–
Dividends paid	–	(39.2)	–	(39.2)	–	(39.2)
Employee equity benefits	–	1.8	–	1.8	–	1.8
	–	60.0	(97.4)	(37.4)	–	(37.4)
Restated balance at 31 December 2012[1]	8,604.7	(4,835.0)	(313.4)	3,456.3	13.4	3,469.7

1. The restatement relates to the adoption of the new accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1.

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

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Consolidated Statement of Cash Flows
For the half year ended 31 December 2013

	Note	First half 2014 $M	First half 2013 $M
Operating cash flows			
Receipts from customers		2,226.0	2,042.1
Payments to suppliers and employees		(1,826.3)	(1,587.0)
Interest and other costs of finance paid		(92.2)	(106.8)
Interest received		1.5	3.3
Dividends received from associates		8.7	9.9
Net income tax payments		(80.2)	(107.8)
Net operating cash inflows		237.5	253.7
Investing cash flows			
Payments for property, plant and equipment and intangible assets		(317.3)	(318.6)
Proceeds from sale of property, plant and equipment and intangible assets		8.1	3.5
Acquisition of subsidiary, net of cash acquired	4	(86.4)	(39.0)
Repayment of subsidiary loan		–	(13.1)
Proceeds on disposal of associate investment		–	1.1
Net investing cash outflows		(395.6)	(366.1)
Financing cash flows			
Proceeds from exercise of share options		1.2	–
Proceeds from GBP bond issuance, net of transaction costs		511.7	–
Repayment of borrowings		(530.0)	(25.0)
Drawdown of borrowings		280.0	145.0
Payment of finance lease liabilities		(0.2)	–
Dividends paid		(60.9)	(39.2)
Net financing cash inflows		201.8	80.8
Net increase/(decrease) in cash and cash equivalents		43.7	(31.6)
Cash and cash equivalents at the beginning of the half year		29.7	149.4
Cash and cash equivalents at the end of the half year		73.4	117.8

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

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1. Basis of preparation of the half year report

This consolidated interim financial report for the half year reporting period ended 31 December 2013 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 2013 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.

Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

- AASB 10 Consolidated Financial Statements (2011) (see (a))
- AASB 11 Joint Arrangements (see (b))
- AASB 13 Fair Value Measurement (see (c))
- Annual Improvements to Australian Accounting Standards 2009–2011 Cycle (see (d))
- AASB 119 Employee Benefits (2011) (see (e))

The nature and the effect of the changes are further explained below.

(a) Subsidiaries

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 (2011) requires the Group consolidate investees that it controls on the basis of de facto circumstances.

In accordance with the transitional provisions of AASB 10 (2011), the Group reassessed the control conclusion for its investees at 1 July 2013 and this has not resulted in any changes to the control conclusion for existing investees.

(b) Joint arrangements

As a result of AASB 11, the Group has changed its accounting policy for its interests in joint arrangements. Under AASB 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its joint arrangements. Notwithstanding the above, the new accounting standard has not resulted in any changes to the accounting treatment of existing joint arrangements.

(c) Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard (refer to note 5).

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change has resulted in an additional $6.5 million finance expense (before tax) for the half year to 31 December 2013, which arose from application of the new fair measurement guidance to the Group's derivative financial assets and liabilities.

(d) Segment information

The amendment to AASB 134 clarifies that the Group needs to disclose the measures of total assets and liabilities for a particular reportable segment only if the amounts are regularly provided to the Group's chief operating decision maker, and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. As a result of this amendment, the Group has included additional disclosure of segment liabilities (refer to note 3).

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1. Basis of preparation of the half year report (continued)

(e) Defined benefit plans

As a result of AASB 119 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit.

Under the new standard and effective from 1 July 2013, the Group determines the net interest expense (income) for the period on the net defined benefit liability (asset) by applying the same discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset) after taking into account contributions and benefit payments during the period. Consequently, the net interest recognised in the statement of profit or loss now comprises:

- interest cost on the defined benefit obligation at the start of the period; and
- interest income on plan assets during the period.

The difference between the actual return on plan assets for the year and the interest income on plan assets is recognised as part of remeasurements within other comprehensive income.

Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

The following table summarises the adjustments made to the statement of financial position on implementation of the new accounting standard:

	Deferred tax asset $M	Trade and other payables (non-current) $M	Accumulated losses $M
Balance at 30 June 2012	97.5	126.0	(374.9)
Impact of the changes in accounting policy	5.8	19.4	(13.6)
Restated balance at 30 June 2012	103.3	145.4	(388.5)
Balance at 31 December 2012	94.1	154.0	(296.4)
Impact of the changes in accounting policy	7.3	24.3	(17.0)
Restated balance at 31 December 2012	101.4	178.3	(313.4)
Balance at 30 June 2013	66.6	114.4	(282.6)
Impact of the changes in accounting policy	5.4	17.9	(12.5)
Restated balance at 30 June 2013	72.0	132.3	(295.1)

The effect on the statement of profit or loss is as follows:

	First half 2014 $M	Year ended 30 June 2013 $M	First half 2013 $M
(Increase) in employee benefits expense	(4.1)	(7.9)	(3.3)
Decrease in tax expense	1.2	2.4	1.0
(Decrease) in profit	(2.9)	(5.5)	(2.3)

The effect on the statement of other comprehensive income is as follows:

	First half 2014 $M	Year ended 30 June 2013 $M	First half 2013 $M
Decrease/(Increase) in defined superannuation funds actuarial losses	7.0	9.5	(1.4)
(Decrease)/Increase in income tax benefit on other comprehensive income	(2.1)	(2.9)	0.4
Decrease/(Increase) in other comprehensive income	4.9	6.6	(1.0)

The change in accounting policy had an immaterial impact on earnings per share for the comparative period.

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1. Basis of preparation of the half year report (continued)

Going concern

Asciano has a net current asset deficiency at 31 December 2013 of $83.8 million. Given that Asciano has an unutilised syndicated revolving credit facility of $650.0 million maturing in October 2014 (subsequently extended to October 2019) and $90.0 million maturing in October 2016, the Directors believe Asciano has the capacity to pay its debts in full as and when they fall due.

2. Critical accounting estimates and judgements

The preparation of half year financial reports requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have had the most significant effect on the amounts recognised in the financial statements are described below.

Further details of the nature of these assumptions and conditions may be found in the annual report for the year ended 30 June 2013.

Impairment

Asciano assesses at least annually whether goodwill and intangible assets with indefinite useful lives are impaired. These calculations involve an estimation of the recoverable amount of the cash-generating units ("CGUs") to which goodwill and intangible assets with indefinite useful lives have been allocated. The recoverable amounts of CGUs have been determined, based on value-in-use calculations. These calculations require the use of assumptions.

Asciano assesses impairment by evaluating conditions specific to Asciano and to the particular asset, which may lead to impairment. These include technological, market, economic or legal environments in which Asciano operates. If an indicator of impairment exists, the recoverable amount of the asset is reassessed.

Taxation

Interpretation and application of tax legislation

Asciano's accounting for income tax requires management's judgement as to the types of arrangements considered to be subject to tax. Judgement is also required in relation to the application of existing tax legislation, including the impact of Australian Taxation Office interpretation and ongoing Federal Government reviews of existing legislation.

As a result of these judgements, there is a possibility that changes in circumstances may occur resulting in amendments to amounts previously claimed as deductions and/or the measurement of deferred taxes and adjustment to the statement of profit or loss.

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2. Critical accounting estimates and judgments (continued)

Incident provision

Where Asciano is involved in an incident, such as a train derailment, and it is probable that Asciano will be held liable for the consequential damage, a provision equal to the estimated cost of third party claims is set aside. The cost estimate where material, is made having regard to input from loss adjusters but the final quantum of the potential claims can be significantly different to the estimate. Adjustments to the provision are booked to earnings in the period in which the finding is made.

Site restoration provision

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the provision at the end of the reporting period.

Significant uncertainties exist as to the amount of restoration obligations that will be incurred due to the uncertainty as to the remaining life of existing operating sites, and the impact of changes in environmental legislation.

Assumptions have been made as to the remaining life of existing sites based on studies conducted by independent technical advisers.

Travel passes

The travel passes provision relates to the cost of retiree rail travel passes, including the associated fringe benefit tax, and is based on an independent actuarial assessment conducted by ABS (PL) Pty Limited. Retiree rail travel passes relate to retired ex-employees of FreightCorp (the business acquired by an Asciano subsidiary in 2002) who held a life-long travel pass and ex-employees of FreightCorp who became employees of Pacific National who were expected to become entitled to a retiree pass on exiting the business. The amount and timing of the expenditure is dependent upon the age of the passholder, length of service, expected exit date and life expectancy.

Defined benefit superannuation funds

A liability or asset in respect of defined benefit superannuation funds is recognised in the statement of financial position, and is measured as the present value of the defined benefit obligation less the fair value of the superannuation fund's assets and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund at the reporting date, calculated annually by independent actuaries using the projected unit credit method. Assumptions have been made by the actuaries as to expected future wage and salary levels, experience of employee departures and periods of service.

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3. Segment reporting

First half 2014 $M	PN Coal	PN Rail	Terminals & Logistics	Bulk & Auto Port Services	Eliminations/ unallocated	Total
Revenue						
External revenue	582.0	652.8	361.6	372.6	5.9	1,974.9
Inter-segment revenue	–	11.5	21.8	–	(33.3)	–
	582.0	664.3	383.4	372.6	(27.4)	1,974.9
Other income	0.4	2.9	(0.2)	28.1	1.0	32.2
Revenue and other income	582.4	667.2	383.2	400.7	(26.4)	2,007.1
Operating expenses	(358.7)	(529.1)	(273.9)	(329.0)	14.4	(1,476.3)
Share of net profit of associates	–	–	0.8	7.8	–	8.6
Profit/(loss) before depreciation, amortisation, net finance costs, material items and tax	223.7	138.1	110.1	79.5	(12.0)	539.4
Depreciation	(49.3)	(52.1)	(25.2)	(13.2)	(2.7)	(142.5)
Amortisation	(14.8)	(0.5)	(1.0)	(1.2)	(6.0)	(23.5)
Profit before net finance costs, material items and tax	159.6	85.5	83.9	65.1	(20.7)	373.4
Finance income						1.1
Finance expense						(107.1)
Profit before material items and tax						267.4
Material items						
Restructuring expenses	–	–	(3.8)	–	–	(3.8)
Profit before tax						263.6
Tax expense						(73.9)
Profit after tax						189.7

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3. Segment reporting (continued)

First half 2013 (RESTATED[1]) $M	PN Coal	PN Rail	Terminals & Logistics	Bulk & Auto Port Services	Eliminations/ unallocated	Total
Revenue						
External revenue	484.2	674.7	359.1	303.7	4.9	1,826.6
Inter-segment revenue	–	10.3	28.9	–	(39.2)	–
	484.2	685.0	388.0	303.7	(34.3)	1,826.6
Other income	21.7	1.9	–	2.9	0.4	26.9
Revenue and other income	505.9	686.9	388.0	306.6	(33.9)	1,853.5
Operating expenses	(297.0)	(532.1)	(277.3)	(263.6)	9.8	(1,360.2)
Share of net profit of associates	–	–	0.5	9.2	–	9.7
Profit/(loss) before depreciation, amortisation, net finance costs, material items and tax	208.9	154.8	111.2	52.2	(24.1)	503.0
Depreciation	(44.1)	(47.9)	(21.7)	(10.0)	(2.2)	(125.9)
Amortisation	(14.4)	(0.2)	(1.1)	(0.2)	(6.1)	(22.0)
Profit/(loss) before net finance costs, material items and tax	150.4	106.7	88.4	42.0	(32.4)	355.1
Finance income						3.1
Finance expense						(100.5)
Profit before material items and tax						257.7
Material items						
Re-measurement to fair value of existing investment in C3 Ltd	–	–	–	17.1	–	17.1
Profit before tax						274.8
Tax expense						(77.2)
Profit after tax						197.6

$M December 2013	PN Coal	PN Rail	Terminals & Logistics	Bulk & Auto Port Services	Eliminations/ unallocated	Total
Segment assets	2,602.0	1,640.0	2,343.0	712.3	768.8	8,066.1
Segment liabilities	(260.5)	(142.5)	(288.0)	(331.9)	(3,292.2)	(4,315.1)
June 2013 (RESTATED[1])						
Segment assets	2,564.4	1,570.5	2,273.1	549.1	691.4	7,648.5
Segment liabilities	(239.8)	(143.3)	(278.5)	(289.8)	(3,074.8)	(4,026.2)

1. The restatement relates to the adoption of the new accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1.

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

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4. Acquisition of subsidiary

On 31 October 2013, Asciano Limited acquired 100% of the voting shares in the Mountain Industries group, a group of private companies based in Newcastle, New South Wales and specialising in the provision of transport, storage and bulk management services for products such as minerals, grain and fertiliser.

Since acquisition, Mountain Industries has contributed revenue of $12.7 million and profit after tax of $0.7 million to the Group's results. Management estimate that if the acquisition had occurred on 1 July 2013, Mountain Industries would have contributed revenue of $51.4 million and a profit after tax of $0.6 million to the Group's result.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	2014 $M
Cash paid	87.9
Contingent consideration	4.0
Total consideration	91.9
Cash acquired	(1.5)
Net cash consideration	90.4

Contingent consideration and other purchase price adjustments

As part of the acquisition Asciano Limited has agreed to pay the selling shareholders additional contingent consideration estimated to be $4.0 million. The additional consideration is dependent upon the acquiree achieving a pre-determined level of earnings before interest, tax, depreciation and amortisation for the financial year ending 30 June 2014. Under the sale and purchase agreement there is also potential for the purchase price to be adjusted to reflect working capital movements between the date of agreement and completion. The completion accounts exercise will be finalised subsequent to reporting date but is expected to reduce the final cash consideration paid.

Identifiable assets acquired and liabilities assumed

The following summarises the fair value of net assets acquired and liabilities assumed at the acquisition date which have been determined on a provisional basis.

	2014 $M
Cash and cash equivalents	1.5
Trade and other receivables	18.4
Inventories	0.2
Land	40.3
Property, plant and equipment	29.1
Customer contracts	9.5
Prepaid other	0.4
Trade and other payables	(16.6)
Provisions	(4.3)
Current tax liabilities	(0.2)
Deferred tax liabilities	(6.9)
Total net identifiable assets acquired and liabilities assumed	71.4

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4. Acquisition of subsidiary (continued)

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	2014 $M
Total consideration	91.9
Fair value of identifiable assets and liabilities	(71.4)
Goodwill on consolidation	20.5

Acquisition-related costs

During the reporting period Asciano incurred acquisition related costs of $0.6 million (June 2013: $0.2 million) related to external legal fees and due diligence costs and $2.7 million of stamp duty. These costs have been included in operating expenses in the consolidated statement of profit or loss.

5. Financial instruments

Carrying amounts versus fair values

The fair values of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position, are as follows:

2014	Carrying Amount $M	Fair Value $M
Financial assets		
Cash and cash equivalents	73.4	73.4
Trade and other receivables	462.9	462.9
Forward exchange contracts	6.3	6.3
Loans to associates	56.7	56.7
Interest rate swaps – cash flow hedging instruments	2.1	2.1
Interest rate swaps – at fair value through profit or loss	16.3	16.3
Cross-currency swaps – fair value hedging instruments	70.5	70.5
Cross-currency swaps – cash flow hedging instruments	192.1	192.1
	880.3	880.3
Financial liabilities		
Trade and other payables	362.8	362.8
Syndicated bank loan	560.0	560.0
Forward exchange contracts	0.3	0.3
US dollar bonds, gross of discount	2,313.1	2,290.3
GBP bonds, gross of discount	557.0	558.8
Interest rate swaps – cash flow hedging instruments	1.0	1.0
Interest rate swaps – at fair value through profit or loss	4.3	4.3
Cross-currency swaps – cash flow hedging instruments	43.1	43.1
	3,841.6	3,820.6
Net financial liabilities	2,961.3	2,940.3

Financial risk management

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 2013.

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5. Financial Instruments (continued)

Financial instruments carried fair value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are 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 instruments fall into the Level 2 classification except for the contingent consideration provided for as part of the Mountain Industries group acquisition. This falls into the Level 3 classification and is detailed below.

The Group determines Level 2 fair values for debt securities using a discounted cash flow technique, which uses contractual cash flows and a market-related discount rate.

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the six months ended 31 December 2013.

Details of the determination of Level 3 fair value measurements and the transfer out of Level 3 of the fair value hierarchy during the six months ended 31 December 2013 are set out below:

2014	Level 3 $M
Balance at 1 July 2013	–
Arising from business combinations:	
Contingent consideration	4.0
Balance at 31 December 2013	4.0

The Group has an established control framework with respect to the measurement of fair values. This framework mandates that valuations are reported directly to the Chief Financial Officer, who has overall responsibility for all significant fair value measurements, including Level 3 fair values.

Regular reviews are conducted on significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair value, then management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of AASBs, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Significant valuation issues are reported to the Group Audit Committee.

On 31 October 2013, Asciano Limited acquired 100% of the voting shares in the Mountain Industries group. The purchase price of the investment included a contingent consideration component with a fair value of $4.0 million at 31 December 2013. The fair value of the contingent consideration was determined to be Level 3 under the fair value hierarchy at 31 December 2013. The fair value of the investment was then determined using a valuation technique that used significant unobservable inputs including the forecast earnings of Mountain Industries.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 3 to Level 2 of the fair value hierarchy during the six months ended 31 December 2013.

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6. Dividends

On 18 February 2014, the Board resolved to pay a fully franked interim dividend of 5.75 cents per share. The record date for entitlement to the dividend is 6 March 2014 (31 December 2012: 5.25 cents per share). The dividend of $56.1 million was not recognised as a liability at 31 December 2013.

	Cents per share	Total amount $M	Franked/ unfranked	Date of payment
Interim dividend	5.75	56.1	Fully franked	20 March 2014

7. Earnings per share

	First half 2014 cents	RESTATED[1] First half 2013 cents
Parent basic earnings per share	19.2	20.2
Parent diluted earnings per share	19.1	20.2

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

	2014 $M	2013 $M
Profit attributable to Parent shareholders	187.5	196.6
In thousands of shares		
Basic weighted average number of ordinary shares	974,657	974,201
Shares issuable under equity-based compensation plans	4,747	1,546
Diluted weighted average number of ordinary shares	979,404	975,747

1. The restatement relates to the adoption of the new accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1.

8. Revenue and other income

	First half 2014 $M	First half 2013 $M
Revenue		
Services rendered	1,974.9	1,826.6
Other income		
Net gain on sale of property, plant and equipment	0.3	21.4
Lease rental income	5.5	4.9
Other	26.4	17.7
Total other income	32.2	44.0

Other income in the 2014 half year is inclusive of the income arising on the settlement reached with the Port of Melbourne Corporation in relation to covering the costs associated with termination arrangements and the early lease termination at Webb Dock. Other income in the 2013 half year is inclusive of the gain on re-measurement to fair value of the initial 50% interest in C3 Limited held at the date Asciano assumed 100% control.

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9. Finance income and expense

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

	First half 2014 $M	First half 2013 $M
Interest income	1.1	3.1
Finance Income	1.1	3.1
Interest expense	(98.0)	(109.0)
Borrowing costs capitalised to qualifying assets	3.6	8.2
Amortisation of capitalised borrowing costs	(2.0)	(2.0)
Guarantee and commitment fees	(3.9)	(4.6)
Unwind of discount on long-term provisions	(1.6)	(1.8)
Gain on net change in fair value of derivatives not designated in a hedge relationship	0.3	4.4
(Loss)/gain on hedge ineffectiveness recognised in the profit or loss	(5.5)	4.3
Finance expense	(107.1)	(100.5)
Recognised directly in the Statement of Comprehensive Income		
Effective portions of changes in fair value of cash flow hedges	30.0	(1.7)
Foreign currency translation difference for foreign operations, no tax effect	(2.7)	1.6
Income tax expense on items that may be reclassified subsequently to profit or loss	(9.0)	0.2
Finance expense recognised directly in the Statement of Comprehensive Income, net of tax	18.3	0.1

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10. Expenses

First half 2014	Expenses before material items $M	Material items $M	Expenses after material items $M
Employee benefits	622.2	–	622.2
Rail access	234.4	–	234.4
Fuel, oil and power	210.8	–	210.8
Repairs and maintenance	163.2	–	163.2
Lease and hire	64.6	–	64.6
Rates and taxes	12.3	–	12.3
Hire expenses	22.4	–	22.4
Insurance related	24.5	–	24.5
Other	121.9	–	121.9
Operating expenses excluding depreciation and amortisation	1,476.3	–	1,476.3
Depreciation	142.5	3.8	146.3
Amortisation	23.5	–	23.5
Total expenses	1,642.3	3.8	1,646.1

First half 2013			
Employee benefits	570.3	–	570.3
Rail access	210.4	–	210.4
Fuel, oil and power	191.8	–	191.8
Repairs and maintenance	165.2	–	165.2
Lease and hire	59.8	–	59.8
Rates and taxes	9.7	–	9.7
Hire expenses	24.9	–	24.9
Insurance related	29.5	–	29.5
Other	98.6	–	98.6
Operating expenses excluding depreciation and amortisation	1,360.2	–	1,360.2
Depreciation	125.9	–	125.9
Amortisation	22.0	–	22.0
Total expenses	1,508.1	–	1,508.1

Material item – restructuring costs

The Terminals & Logistics division has recognised a material item for $3.8 million for the period relating to the cost of restructuring associated with the redevelopment and automation of the Port Botany Terminal.

11. Taxes

	Note	First half 2014 $M	First half 2013 $M
Reconciliation of income tax expense to prima facie tax payable			
Profit before tax		263.6	274.8
Income tax at 30% (2013: 30%)		79.1	82.4
Other non-deductible items		0.5	0.9
Recognition and derecognition of temporary differences		(0.4)	2.7
Non-assessable equity accounted profit		(3.5)	(2.9)
Assessable income and distributions from associate investments		3.1	3.2
Non-assessable income		–	(1.4)
Non-assessable equity accounted profit on revaluation of C3 Limited		–	(5.1)
Franking credits on taxable dividends		(2.6)	(3.2)
Adjustments of deferred tax for prior periods		(2.3)	–
Net capital gain on sale of assets		–	0.6
Income tax expense recognised in the profit or loss		73.9	77.2
Tax recognised directly in other comprehensive income			
Changes in fair value of cash flow hedge		(9.0)	0.2
Defined benefit superannuation funds actuarial gains/(losses)		4.8	(10.1)
		(4.2)	(9.9)

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12. Equity accounted investments

	December 2013 $M	June 2013 $M
Equity accounted investments	28.1	28.4

Asciano's share of profit after tax in its equity accounted investees was $8.6 million (31 December 2012: $9.7 million).

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by Asciano, is as follows:

	Owned %	First half 2014 $M	First half 2013 $M
1-Stop Connections Pty Limited[1]	50	2.0	3.3
Albany Bulk Handling Pty Limited	50	1.7	2.0
Australian Amalgamated Terminals Pty Limited	50	11.2	13.8
Car Compounds of Australia Pty Limited	50	4.2	1.6
Auckland Stevedoring Company Limited	50	–	–
Geelong Unit Trust	50	3.9	3.4
Insync Solutions	50	0.7	0.8
Smart Cargo Logistics Limited	50	0.1	–
		23.8	24.9
Income tax expense		(5.6)	(5.0)
Profit after tax		18.2	19.9

1. Reporting date is 31 December.

Distributions received from associates during the half year ended 31 December 2013 totalled $8.7 million (31 December 2012: $9.9 million).

All associates were incorporated or formed in Australia, apart from Auckland Stevedoring Company Limited, Insync Solutions and Smart Cargo Logistics Limited which are incorporated in New Zealand. These associate investments have been equity accounted by Asciano Limited since 28 November 2012, the date Asciano assumed control of C3 Limited.

13. Loans and borrowings

	December 2013 $M	June 2013 $M
Current		
Finance lease liabilities	0.6	–
Non-current		
Syndicated bank loan	560.0	810.0
US dollar bonds, net of discount	2,238.1	2,183.8
Unrealised fair value loss on US dollar bonds	70.5	88.5
GBP bonds, net of discount	555.2	–
Capitalised borrowing costs	(14.0)	(13.6)
Finance lease liabilities	1.4	2.2
	3,411.2	3,070.9

On 19 September 2013, Asciano Finance Limited issued GBP 300.0 million of 5.0% Medium Term Notes due in September 2023 ("GBP bond issuance") which are guaranteed by Asciano Limited and each subsidiary. On 20 September 2013, the proceeds from this GBP bond issuance were used to repay A$270.0 million of the syndicated term loan maturing in October 2014 and A$200.0 million of the syndicated term loan maturing in October 2016. As at 31 December 2013, all syndicated bank loans, US dollar bonds and GBP bonds were unsecured.

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13. Loans and borrowings (continued)

Bank facilities

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

		December 2013		June 2013	
$M	Maturity	Facility	Utilised	Facility	Utilised
Syndicated revolving credit facility	October 2016	650.0	560.0	650.0	160.0
Syndicated revolving credit facility	October 2014	650.0	–	650.0	650.0
Less: cash and cash equivalents		–	(73.4)	–	(29.7)
Net bank debt		1,300.0	486.6	1,300.0	780.3
Working capital facilities[1]	October 2013	–	–	150.0	83.6
Bank guarantee facility[1]	June 2016	150.0	72.6	–	–
		1,450.0		1,450.0	

1. All drawings under the bank guarantee facility as at 31 December 2013 and Working capital facilities as at 30 June 2013 are in the form of performance bonds and bank guarantees.

Asciano pays interest on its bank facilities at a margin above the bank bill swap rate. As at 31 December 2013 Asciano's bank debt was hedged to 35.7% (30 June 2013: 25%) by interest rate swaps.

US dollar bonds

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

		December 2013		June 2013	
$M	Maturity	US$	A$[1]	US$	A$
US dollar 5 year bonds	September 2015	400.0	448.5	400.0	437.8
US dollar 7 year bonds	April 2018	750.0	841.0	750.0	820.9
US dollar 10 year bonds	September 2020	600.0	672.8	600.0	656.6
US dollar 12 year bonds	April 2023	250.0	280.3	250.0	273.6
Discount on US dollar bonds		(6.0)	(4.5)	(6.0)	(5.1)
		1,994.0	2,238.1	1,994.0	2,183.8

1. Australian dollar equivalent calculated at the spot rate on 31 December 2013.

The US dollar bonds maturing in 2015 and 2020 are hedged by cross-currency swaps, which were entered into at the time the bonds were priced, in order to convert US dollar fixed rate borrowings into Australian dollar fixed rate borrowings.

The US dollar bonds maturing in 2018 and 2023 are hedged by cross-currency swaps, which were entered into at the time the bonds were priced, to convert US dollar fixed rate borrowings (in combination with redesignated interest rate swaps) into Australian dollar fixed rate and Australian dollar floating rate borrowings.

Sterling bonds

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

		December 2013		June 2013	
$M	Maturity	GB£	A$	GB£	A$
GBP 10 year bonds	September 2023	300.0	557.0	–	–
Discount on GBP bonds		(1.1)	(1.8)	–	–
		298.9	555.2	–	–

The GBP bonds are hedged by cross currency swaps, which were entered into on 19 September 2013 to convert GBP fixed rate borrowings into Austalian dollar fixed rate borrowings.

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14. Contributed equity

There is no 'par value' for ordinary shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Movement in number of issued shares

December 2013	Date	Number of fully paid ordinary shares	$M
Parent			
Balance at	1 July 2013	975,385,664	8,606.1
Treasury shares allocated			2.1
Balance	31 December 2013	975,385,664	8,608.2
June 2013			
Balance at	1 July 2012	975,385,664	8,604.7
Treasury shares allocated			1.4
Balance	30 June 2013	975,385,664	8,606.1

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. As at 31 December 2013 there were 477,167 shares (31 June 2013: 920,648) held in trust and classified as treasury shares.

443,481 treasury shares were allocated during the period in relation to the vesting of 199,949 deferred Short-term incentive (STI) rights and the exercise of 243,532 vested options.

15. Non–controlling interests

	December 2013 $M	December 2012 $M
Reserves	6.4	6.4
Retained earnings	10.6	7.0
Closing balance	17.0	13.4

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 2013 $M	December 2012 $M
Contributed equity		
Opening balance	–	–
Closing balance	–	–
Reserves		
Opening balance	6.4	6.4
Closing balance	6.4	6.4
Retained earnings		
Opening balance	8.4	6.0
Total comprehensive income	2.2	1.0
Closing balance	10.6	7.0
Total	17.0	13.4

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16. Operating and finance leases

	December 2013 $M	June 2013 $M
Non-cancellable operating lease rentals are payable as follows:		
Within one year	113.9	116.2
One year or later and no later than five years	314.2	343.2
Later than five years	676.3	685.5
	1,104.4	1,144.9

Asciano leases property under non-cancellable operating leases expiring between two to 45 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.

	December 2013 $M	June 2013 $M
Non-cancellable finance lease rentals are payable as follows:		
Within one year	0.6	–
One year or later and no later than five years	1.4	2.2
	2.0	2.2

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

17. Capital and other commitments

	December 2013 $M	June 2013 $M
Plant and equipment		
Contracted capital expenditure committed but not yet payable:		
Within one year	336.8	291.7
One year or later and no later than five years	140.6	137.4
Later than five years	12.6	2.4
	490.0	431.5
Maintenance commitments		
Non-cancellable maintenance contracts committed but not yet payable:		
Within one year	16.0	10.6
One year or later and no later than five years	68.3	31.4
Later than five years	0.8	12.4
	85.1	54.4
Other commitments		
Non-cancellable other contracts committed but not yet payable:		
Within one year	93.8	33.3
One year or later and no later than five years	1.3	4.3
	95.1	37.6

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18. 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.

19. Events subsequent to the reporting date

On 7 February 2014, Asciano Limited signed documents extending the term of the A$650.0 million Corporate Debt Facility from October 2014 to October 2019.

Effective from 1 February 2014, Asciano expanded its contractual relationship with transport and logistics operator Toll Group ("Toll") to encompass a new Queensland rail service agreement for a period of 13 years to 2026, and a new interstate line haulage agreement to 2022. Under the new agreements Toll has committed to provide Asciano's subsidiary Pacific National Rail at least 90% of its intermodal rail freight requirements.

As part of the agreement Pacific National Rail purchased intermodal rail terminals plus ancillary equipment owned by Toll at Cairns, Townsville, Mackay and Rockhampton and offered employment to approximately 60 Toll staff. The properties acquired were valued at $56.6 million excluding stamp duty.

Other than for the items noted above and for the resolution to pay a fully franked interim dividend of 5.75 cents per share (refer to note 6), there has not arisen in the interval between 31 December 2013 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.

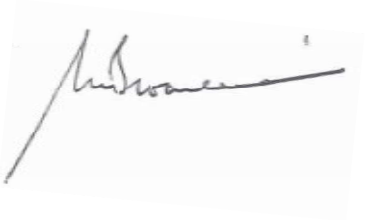
Directors' Declaration

For the half year ended 31 December 2013

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

1. the financial statements and notes, set out on pages 7 to 29, 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 2013 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
18 February 2014

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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 (the company), which comprises the Consolidated Balance Sheet as at 31 December 2013, Consolidated Income Statement, 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 19 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 interim 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 2013 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*.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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 2013 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

Steven Gatt
Partner

Sydney

18 February 2014

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Six months ended 31 December 2013

Asciano Group
HY14 Interim Results Presentation

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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.
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- 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.
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- This presentation is unaudited. Notwithstanding this, the presentation includes certain financial data which is extracted or derived from the Half Year Financial Report for the six month period ended 31 December 2013 which has been reviewed by the Group's Independent Auditor.

Agenda

1. Highlights
2. Financial Analysis
3. Outlook
4. Appendices

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John Mullen
CEO

1H FY14 Highlights

Performance remains on track with guidance...

Financial Highlights	
• Underlying Revenue	↑ 7.2%[1] [2]
• Underlying EBITDA	↑ 7.2%[1]
• Underlying EBIT	↑ 5.2%[1]
• Underlying NPAT	↑ 6.0%[1]
• Underlying EPS	↑ 5.4%[1]
• ROCE flat on FY13 result	→ 10.9%
• Cash net financing costs	↓ 12.4%
• Capex flat on pcp	→ $312m

1. Pre material items
2. Net of Coal access

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1H FY14 Highlights

Improved dividend and strong gains in BIP, safety, and customer

Highlights
• 9.5% increase in interim dividend on pcp
• BIP $21.8m benefits, FY14 target $32m
• Rail, Coal & BAPS ROCE near or above WACC
• Recent acquisitions contributed good gains
• New contract wins across all divisions
• 60% improvement in LTIFR
• Continued investment in asset renewal
• Tough conditions in Rail & Terminals continue

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Highlights - PN Coal

Benefits of new contracts and strong export volumes drive volume growth

Financial Performance	• NTKs ↑ 26.7% and tonnes ↑ 15.9% • Operating revenue growth (net of access) of 18% on pcp[1] • Operating EBIT[1] ↑ 23.8% on pcp after 11.8% increase in depreciation. • Tonnage hauled versus contracted approximately 88.3% compared to 81.2% in pcp • ROCE[1] ↑ 95bps to 11.8% • Capex ↓ 34.2% to $83.2m
Customers & Business Growth	• Successfully commenced Rio Tinto Hail Creek contract in November 2013 - 8.5mtpa • New 4mtpa contract with QCoal to commence in FY16 from the Drake coal project • New contract with Whitehaven extends tenure to 2026. Tonnage upside to 11.5mtpa in FY15
Strategies in place to deliver performance improvement	• Hunter Valley planning and operational improvements deemed successful for all coal chain stakeholders, next phases of this work are continuing • Integration with PN Rail will deliver significant benefits across the Division

1. Calculated before the impact of the sale of the land at Kooragang Island in 1H FY13 revenue

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Highlights - PN Rail

Weak volumes and high fixed cost structure partially offset by strong focus on BIP

Financial Performance	• Revenue ↓ 2.9% on pcp - 4.3% decline in Intermodal NTKs & 13.1% decline in Bulk NTKs. • Export grain volumes down 40% on pcp • EBITDA ↓ 10.8% and EBIT ↓ 19.9% on pcp due to soft volumes and high fixed cost structure • Ongoing reinvestment in the business, capex ↑ 15.9%
Customers & Business Growth	• Acquisition of rail terminal sites in Queensland creating national intermodal network • Intermodal contract with Toll to continue to service North Queensland for 13 years • Intermodal interstate rail haulage contract with Toll extended to 2022 • Number of smaller intermodal contracts to assist with asset utilisation • Additional export grain trains signed
Strategies in place to deliver performance improvement	• BIP program already exceeds five year FY16 target; cumulative savings of $42m since FY12 • Integration with PN Coal will deliver significant benefits

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Highlights -Terminals & Logistics

Ongoing strong cost control and service performance gains offsetting volume weakness

Financial Performance	• Revenue ↓ 1.2% on a 0.5% decline in lifts and lower volumes in the Logistics business • Underlying EBITDA ↓ 0.9% reflects reduction in operating costs • EBIT ↓ 5.0% reflecting 16.1% increase in depreciation following significant capital investment in last eighteen months and lower volumes • Market share 47.6% for six month period. Share of lifts higher due to sub contract volume
Customers & Business Growth	• Secured new contract with K-Line in Fremantle; proforma volume 90,000 lifts pa • Business now underpinned with major contracts out to FY16 –FY18 • Coastal window performance continues to improve – now at 95%+ across the network • Focusing on managing our share of consortia volume more effectively
Strategies in place to deliver performance improvement	• Port Botany redevelopment continues to be focus-on track to achieve the savings identified • Timeframe for launch of automation delayed to 1Q CY2015 due to Autostrad™ damage • Fremantle development beyond lease term in 2017 to be decided in calendar year 2014

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Highlights - Bulk & Automotive Port Services

Result benefiting from high imported car volumes and a strong contribution from C3

Financial Performance	• Underlying[1] revenue ↑ 30.7%; Operating[2] revenue ↑ 22.5% on the pcp • Storage days ↑44.1% and Vehicles processed ↑ 4.0% • Operating[2] EBIT ↑ 11.0% on the pcp to $46.6m • ROCE increased from 20% to 21.9%
Customers & Business Growth	• 100% ownership of C3 in period. C3 earnings on a standalone basis ↑ 16.3% in NZD on pcp • Result includes two months of Mountain Industries acquisition completed on 31 Oct 2013 • Mountain impacted by lower export grain volumes however integration proceeding to plan • Autocare secured a three year contract with VW/Audi that commenced in February 2014 • Agreement reached with Port of Melbourne Corp re Webb Dock interim arrangements
Strategies in place to deliver performance improvement	• Autocare has secured a 12 hectare site in new PDI hub at Webb Dock in Melbourne • Expansion of C3 into Australia and potentially overseas • Focus on integration of Mountain Industries and leveraging key group assets • Further small acquisitions being sought

1. Underlying - Pre material items in 1H FY13
2. Operating - Pre material items and the settlement reached with the Port of Melbourne Corporation (PoMC) to cover the costs associated with transition arrangements with the early termination of lease agreements associated with the redevelopment of Webb Dock

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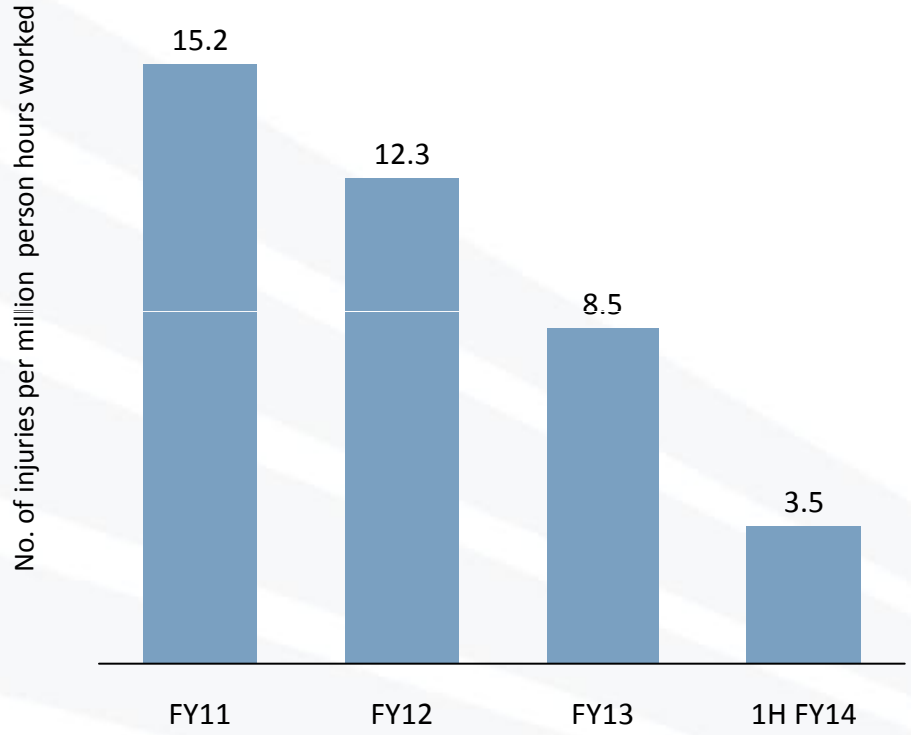
Safety Performance

Further significant improvement in metrics across all Divisions work ongoing



60% improvement in LTIFR[1] for six month period

1. Lost Time Injury Frequency Rate

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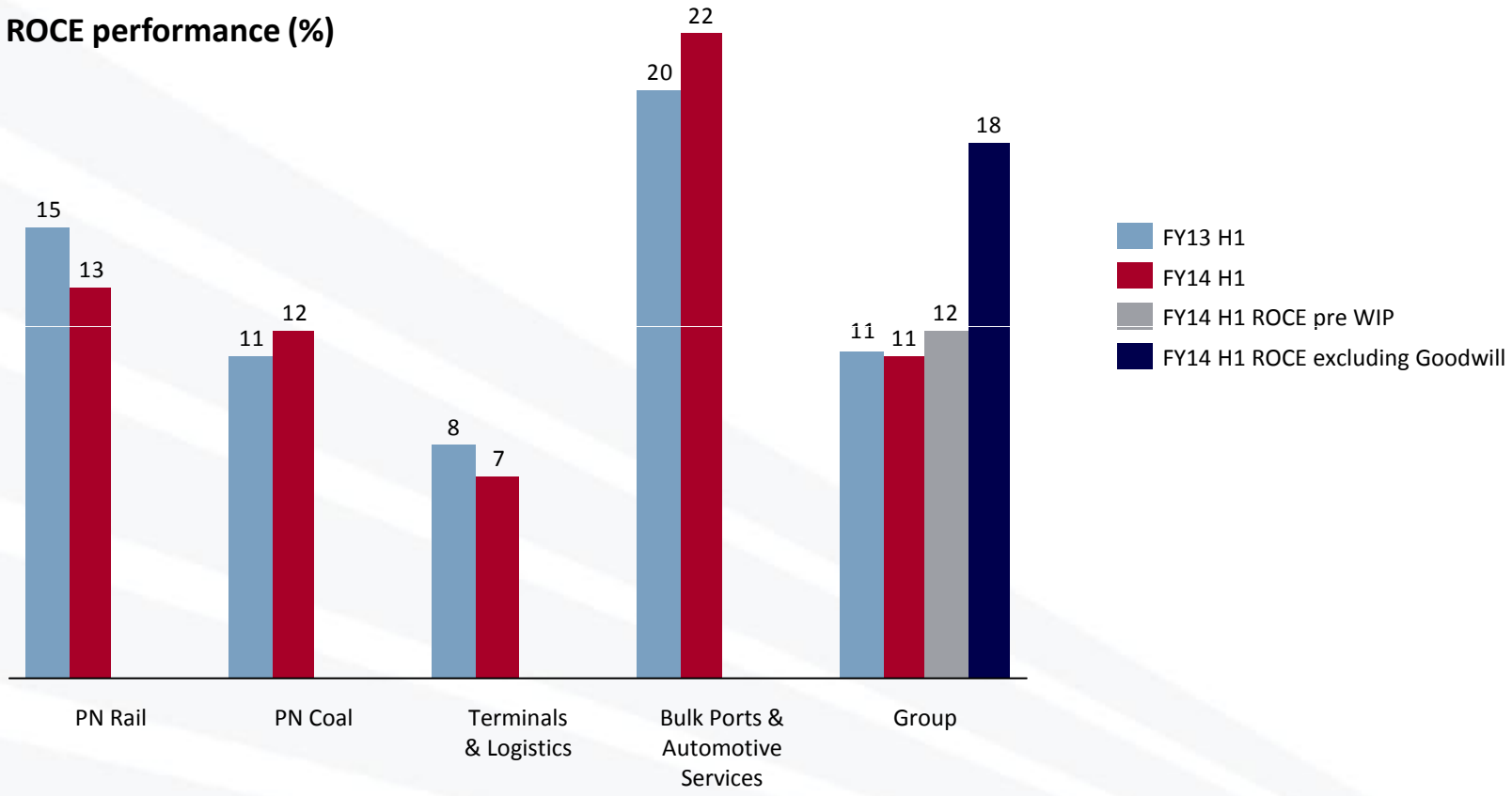
Financial Returns

By the end of FY14 three of the four Divisions will be generating above cost of capital returns

ROCE performance (%)



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FINANCIAL ANALYSIS
CFO Roger Burrows

Earnings Summary

Six Months Ended December ($'m)	2012	2013	% chg
Statutory Revenue and other income	1,870.6	2,007.1	7.3
Underlying EBITDA[1,2]	503.0	539.4	7.2
Statutory EBITDA[2]	520.1	539.4	3.7
Underlying EBIT[1,2]	355.1	373.4	5.2
Statutory EBIT[2]	372.2	369.6	(0.7)
Underlying NPAT after minority interests[1,2]	179.5	190.2	6.0
Statutory NPAT after minority interests[2]	196.6	187.5	(4.6)
Fully diluted underlying EPS after minority interests[1,2] (¢)	18.4	19.4	5.4
Fully diluted Statutory EPS after minority interest [2] (¢)	20.2	19.1	(5.4)

1. Pre material items
2. 1H FY13 restated for change to AASB 119

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Reconciliation of Financing Costs

Six months ended 31 December $('m)	2012	2013
Statutory net[1] financing costs	**97.4**	**106.0**
Net accrued interest and borrowing costs	(0.1)	(11.3)
Capitalised interest	8.2	3.6
CVA[2] adjustment on derivatives	-	(6.5)
Other non-cash	(2.0)	(1.1)
Cash net[1] financing costs	**103.5**	**90.7**

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

Cash net financing costs decreased 12.4% over the pcp however net statutory financing costs increased 8.8% over the pcp to $106m driven by:

- The introduction of new accounting standard AASB13 from 1 January 2013 impacting credit adjusted derivative fair values;
- Higher accrued net interest of $11.2m due to timing differences of interest payable on the new GBP bonds;
- Partly offset by lower capitalised interest due to lower WIP balances.

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Earnings Reconciliation

Six months ended December 2013 ($'m)	Revenue	EBITDA	EBIT	NPAT
Underlying Result [1]	**2007.1**	**539.4**	**373.4**	**190.2**
Material item:				
Restructuring charges related to Port Botany redevelopment			(3.8)	(2.7)
Statutory Result	**2007.1**	**539.4**	**369.6**	**187.5**

1. Pre material items

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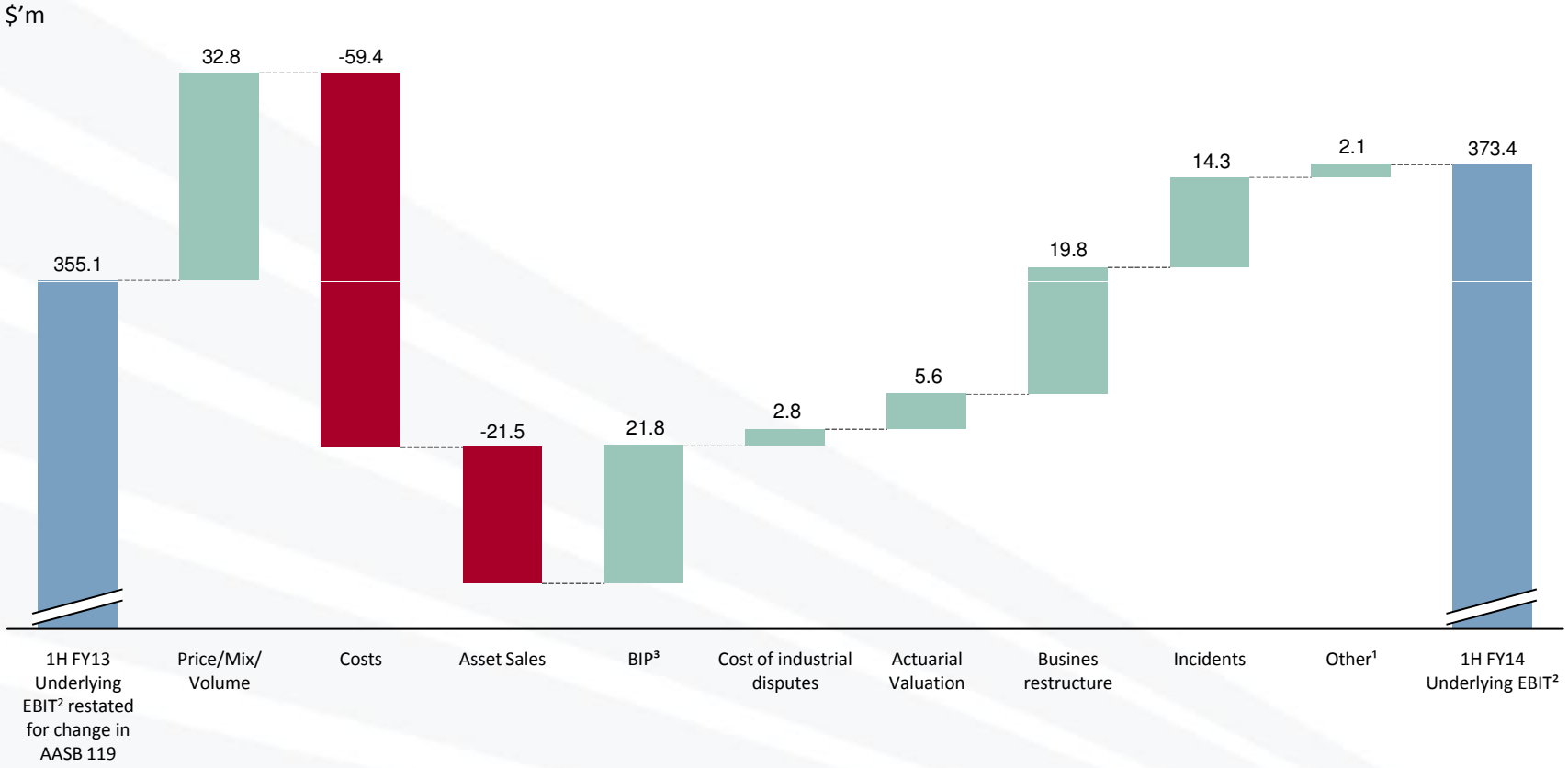
Group – Underlying EBIT Bridge

Underlying EBIT[2] growth driven by new contracts, organic growth and further business efficiency initiatives



1. Further detail on "Other" in Management Discussion & Analysis paragraph 1.4.4 Group Underlying EBIT Bridge
2. Pre material items
3. Business Improvement Program

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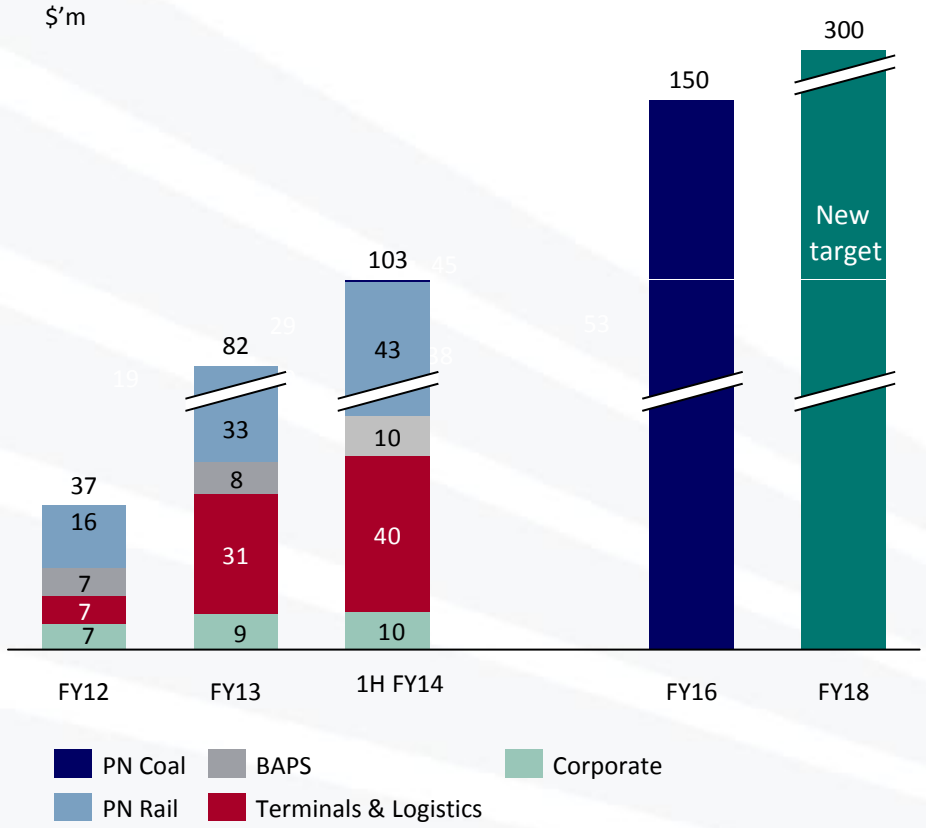
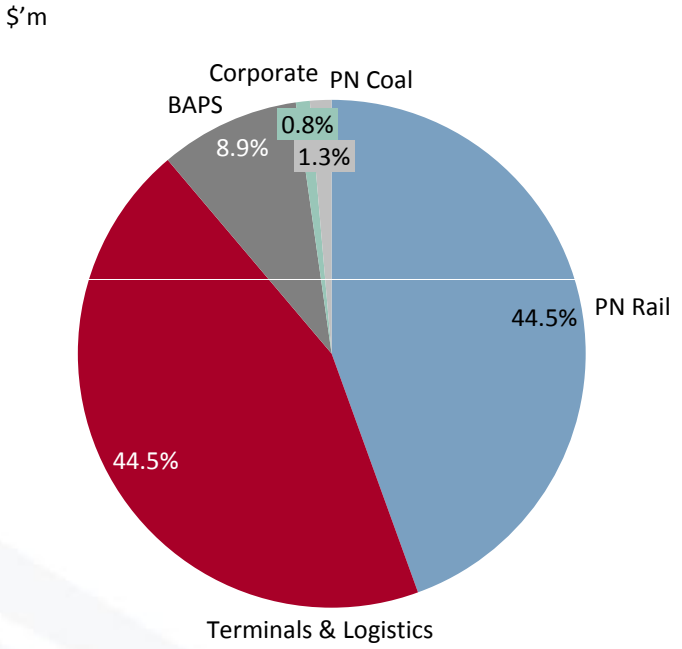
Business Improvement Program

Business Improvement Program (BIP) delivered $21.8m in initiatives, upgraded target to $300m

Cumulative BIP Savings



1H FY14 BIP divisional split



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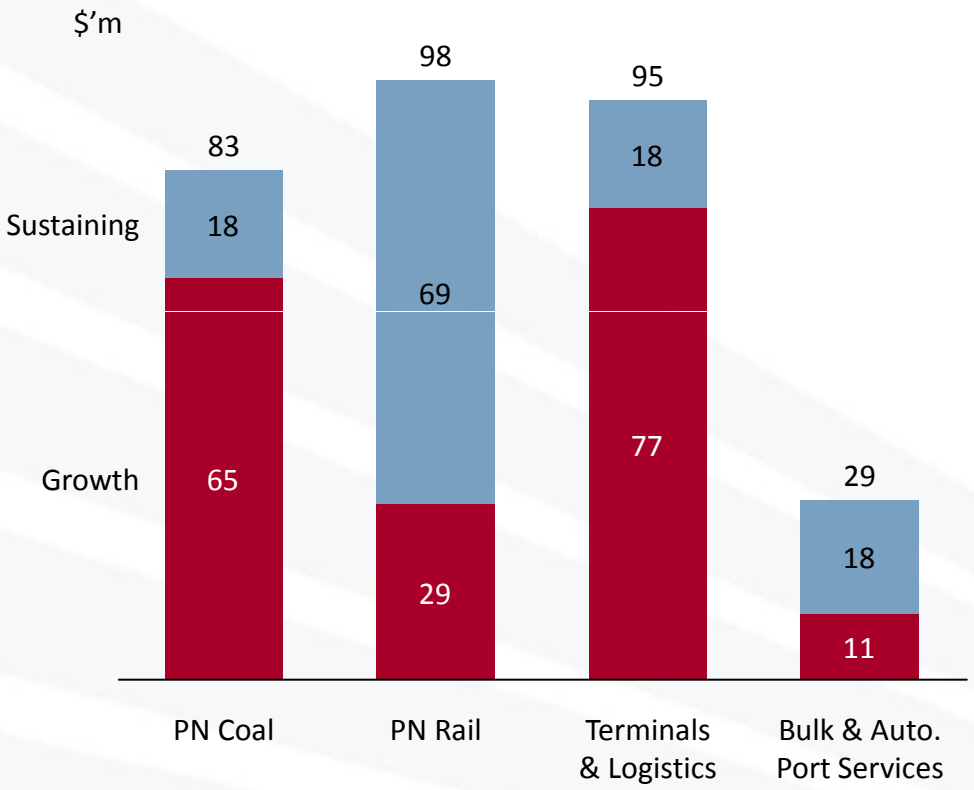
Capital Expenditure – 1H FY14

1H FY14 capital expenditure flat on the pcp



- Total capital expenditure declined 0.7% on pcp to $312.2m. The single biggest project during the period was the Port Botany redevelopment and automation project
- Growth capital expenditure declined 17.3% reflecting primarily the 45.6% decline in growth capital expenditure in PN Coal following the slow down in new contract growth. Growth capital expenditure includes the investment in the Port Botany redevelopment
- Sustaining capital expenditure increased 38.4% to $129.5m reflecting the reinvestment in the businesses in particular in PN Rail

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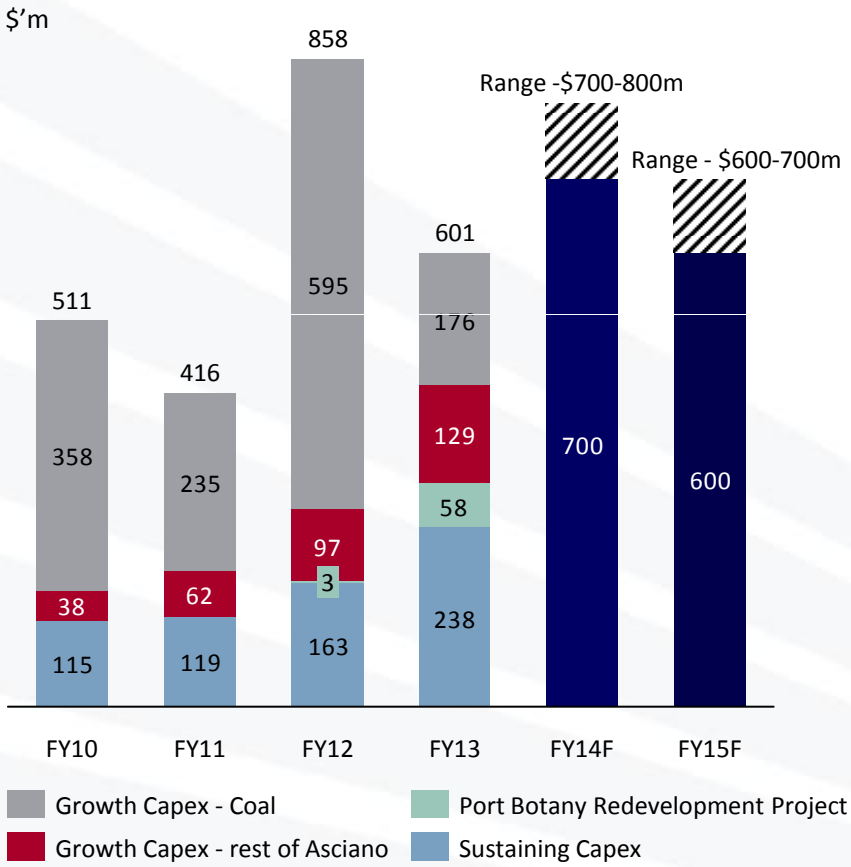
Capital Expenditure - Outlook

FY14 capital expenditure range now includes the acquisition of strategic rail terminals in Queensland



- Forecast capital expenditure in FY14 remains in the range of $700-800m however this range now includes the acquisition by PN Rail of the strategic rail terminal sites and associated equipment from Toll Group
- Capital expenditure projects in FY14 include:
  - The redevelopment of Port Botany
  - Rolling stock for new contracts in PN Coal
  - Rolling stock for new contracts in PN Rail
  - The next phase of the locomotive repowering program in PN Rail
  - Development expenditure on capital city freight terminals
- The range for capital expenditure in FY15 has been increased to $600-700m reflecting the shift of some capital expenditure out of FY14 into FY15 including Port Botany and new contracts in PN Coal
- Capital expenditure in FY16 is expected to be materially lower than FY15

* Includes capital expenditure recorded as inventory on the balance sheet

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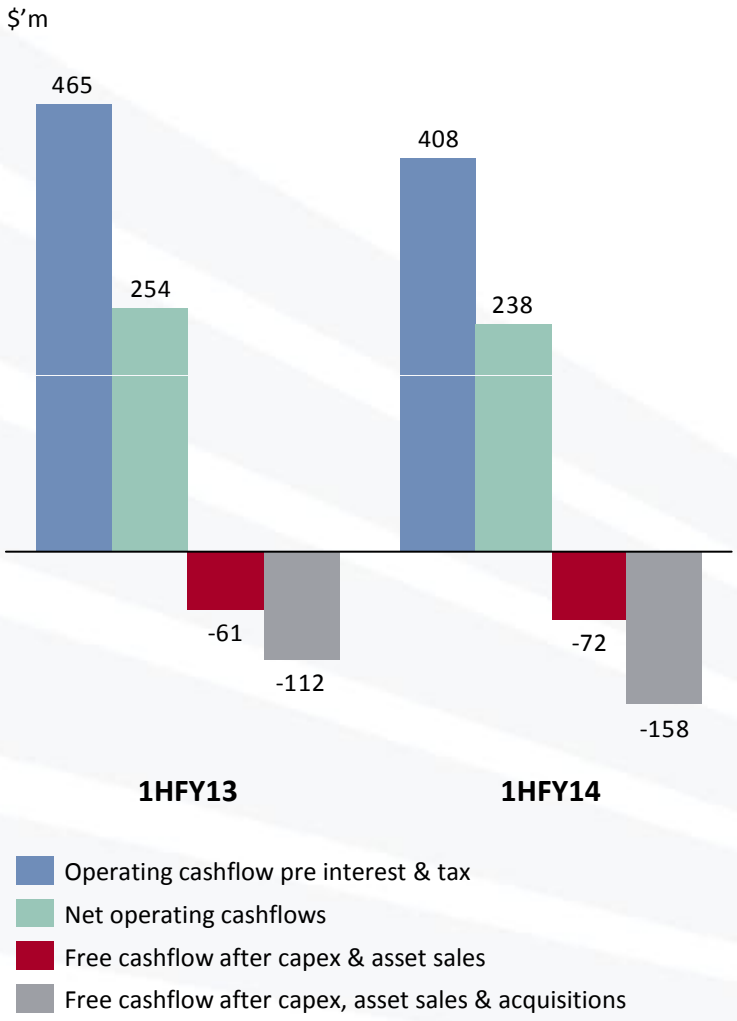
Operating Cash flow

Cash flow impacted by a sharp increase in working capital that will reverse for full year



- Net operating cash flow after tax and net financing costs declined 6.4% to $237.5m due to a material increase in working capital over the six month period. The increase in working capital was driven primarily by delayed receivables at period end that have subsequently been received
- The working capital position is expected to reverse in 2H FY14 and the Company expects to report positive growth in operating cash flow after tax and net financing costs over the twelve month period to 30 June 2014
- Tax paid declined 25.6% for the half due to the payment of additional tax due to an amended assessment in 1H FY13
- Net financing costs declined 12.4% primarily reflecting the impact of lower base rates on the portion of debt not fixed
- Free cash flow after capital expenditure and investment declined by 41% reflecting the acquisition of Mountain Industries for $87.9m during the six month period compared to the acquisition of the outstanding 50% interest in C3 in the pcp for $55.3m

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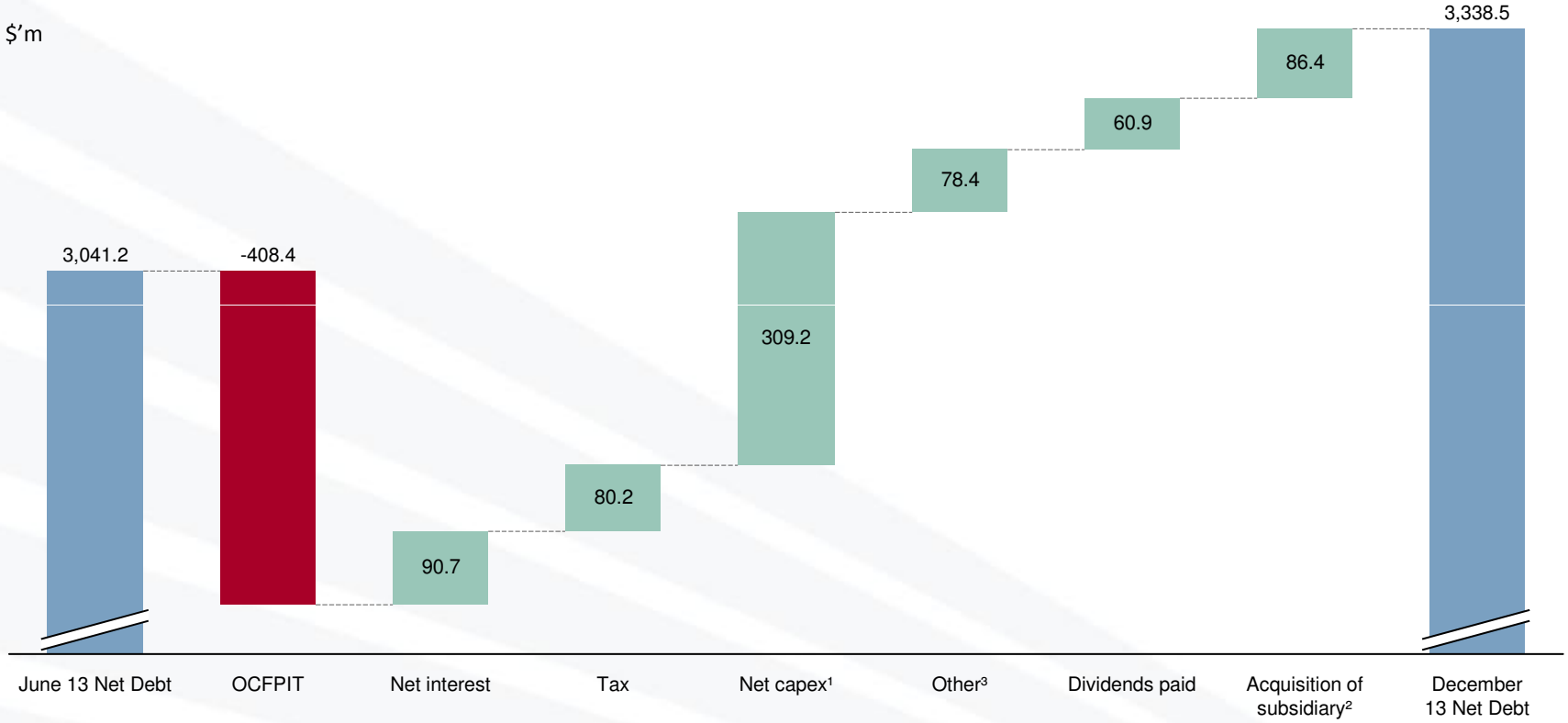
Cash Flow to Net Debt

The impact of non cash mark to market of the bonds on reported debt and balance sheet leverage was circa $300m



1. Includes capital expenditure recorded as inventory on the balance sheet. Net of the proceeds from the sale of PPE
2. Includes the acquisition of Mountain Industries
3. Non cash movement on the International bonds

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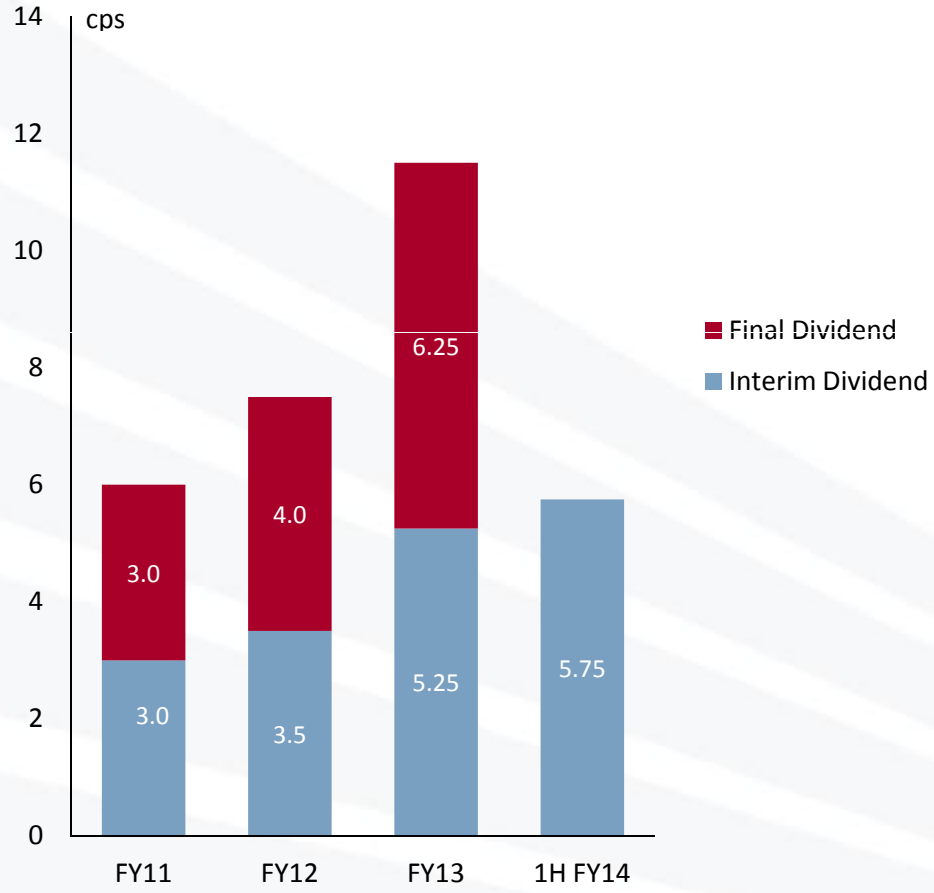
Dividends and Payout Ratio

9.5% increase in the interim dividend on the pcp



- The Board resolved to pay a fully franked dividend 5.75 cents per share an increase of 9.5% on the pcp
- The dividend represents a payout ratio of 29.5% compared to a payout ratio of 28.5% in the pcp within the Company's stated payout range of 20-40%

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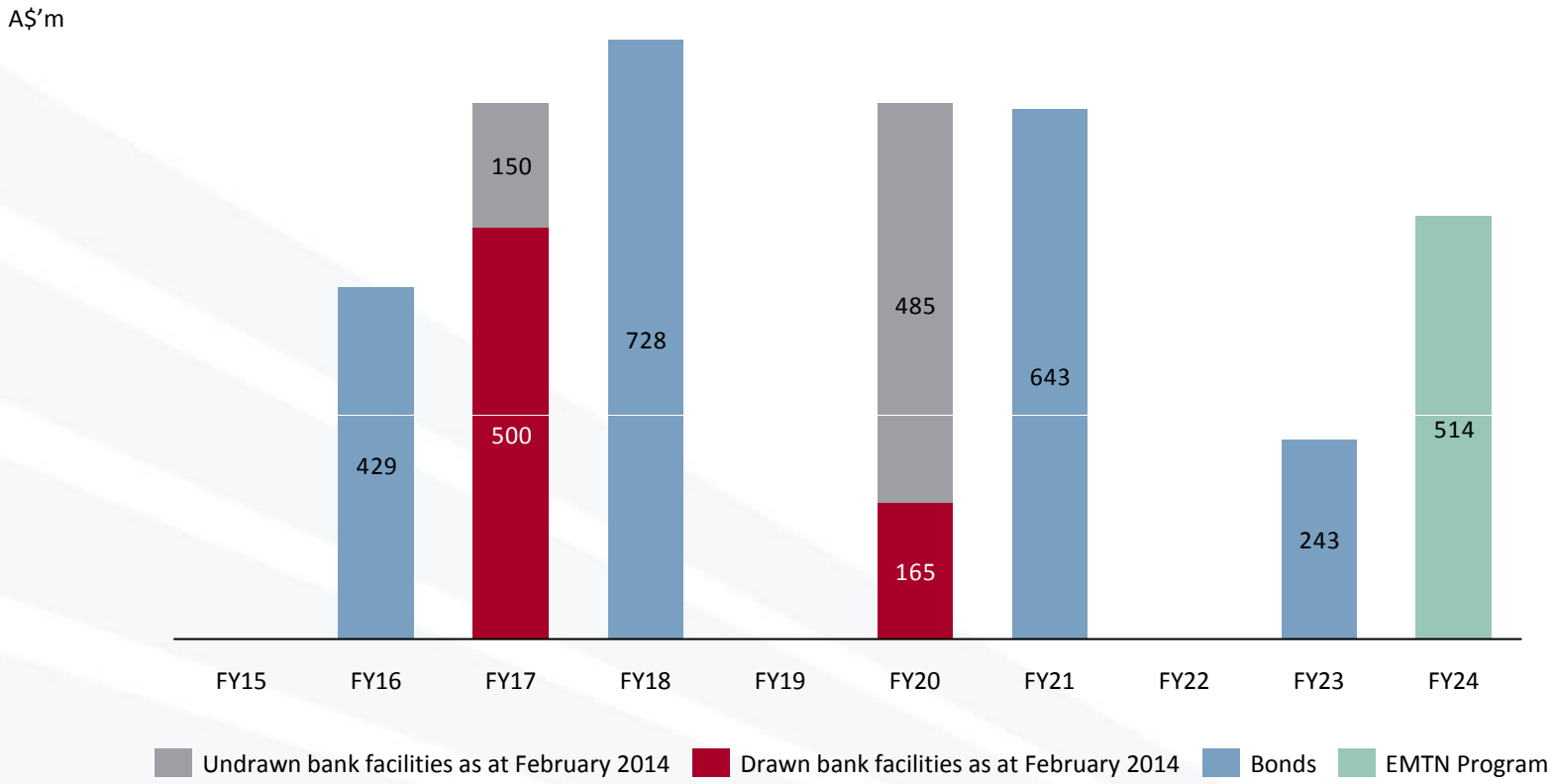
Debt Maturity Profile



- In February 2014 Asciano refinanced the A$650m syndicated banking facility that was due in October 2014 into a five year facility maturing in October 2019
- Following the extension of the facility Asciano has a weighted average debt maturity of 5.3 years

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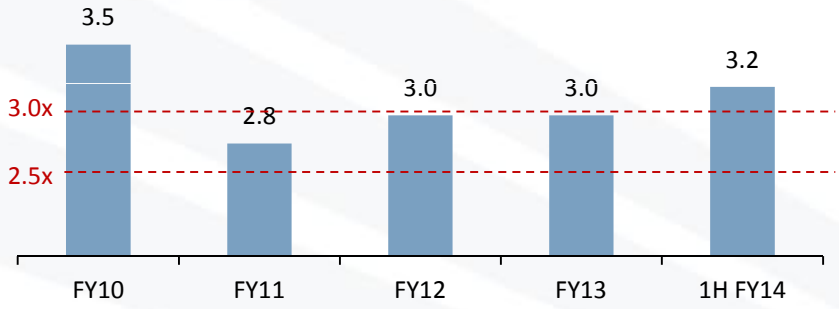
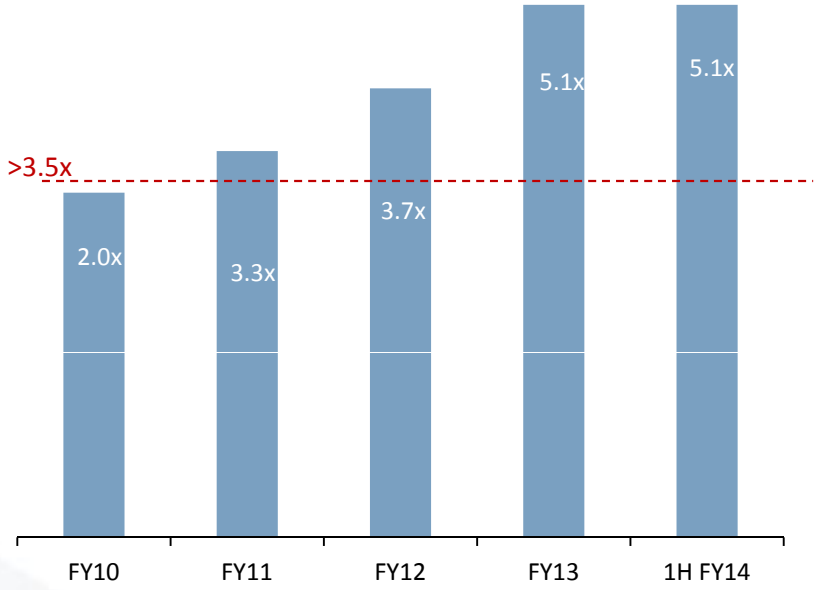
Strong Credit Metrics

Net debt to EBITDA (x)*



EBITDA to net interest (x)*



- AIO's target leverage range is 2.5x – 3.0x. Removing the impact of mark to market movements leverage was approximately 3x at the end of the period
- Interest cover target remains comfortably above target

*Net interest and EBITDA based on rolling 12 month period and includes capitalised interest

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OUTLOOK
John Mullen

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Strategic Focus

Drive improving cash flow, balance sheet metrics, and returns in low growth environment

Capital allocation discipline	Productivity and competitive gains available from renewal of ageing asset base being balanced with the need to improve returns in a low to negative growth environment
Focus on free cash flow	Ensure delivery of free cash flow targets despite reinvestment in the business and new business growth
Sustainable customer relationships	Continued drive to dramatically improve performance and customer satisfaction
Leverage scale and strengths	Identify and drive large scale cost reduction and productivity initiatives leveraging strengths and scale of the Asciano Group
Improve business performance	Ongoing focus on re-engineering of business processes and approach to produce sustainable business improvement initiatives and potentially drive growth in addressable market

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Expansion of Business Improvement Program

Combining the two rail divisions will substantially contribute to the increased BIP target of $300m

- **Current BIP program targeted $150m by FY16**
- **On track to exceed original program with cumulative benefits of $103m delivered to-date**
- **In response to slowing growth in coal haulage, weak top line growth in PN Rail and more active market competition, evolutionary structural change around Asciano's operational and business processes must be considered**
- **Two new BIP programs in addition to ongoing existing programs:**
  - **The integration of Asciano's two rail businesses will deliver significant financial gains combined with operational and strategic benefits which will ultimately place the business in a more competitive position in the Australian logistics landscape**
  - **A Corporate and divisional support functions review to recommend the right scale and organisation of these functions across the Asciano Group**
- **As a result of these new programs combined with the initiatives under the existing BIP program we now expect to deliver $300m in cumulative sustainable cost savings by FY18**

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Expansion of Business Improvement Program

A reorganisation of the two rail divisions will drive efficiency, customer service and cost reduction

- **PN Rail and PN Coal have had dedicated teams working on a project looking at duplication and the potential integration of some or all of the two businesses for the last six months**
- **Implementation accelerated in light of ongoing uncertain outlook for the markets in which we operate and increasingly compelling business logic**
- **Significant cumulative BIP benefits over the four years; aim is to sustainably reduce PN's cost base by 10% over medium term**
- **Effective date for combining businesses 1 July 2014 but the division will operate under a new management structure from today**
- **Focus is on ensuring the process is seamless for customers, and improving customer centricity across the whole PN business**

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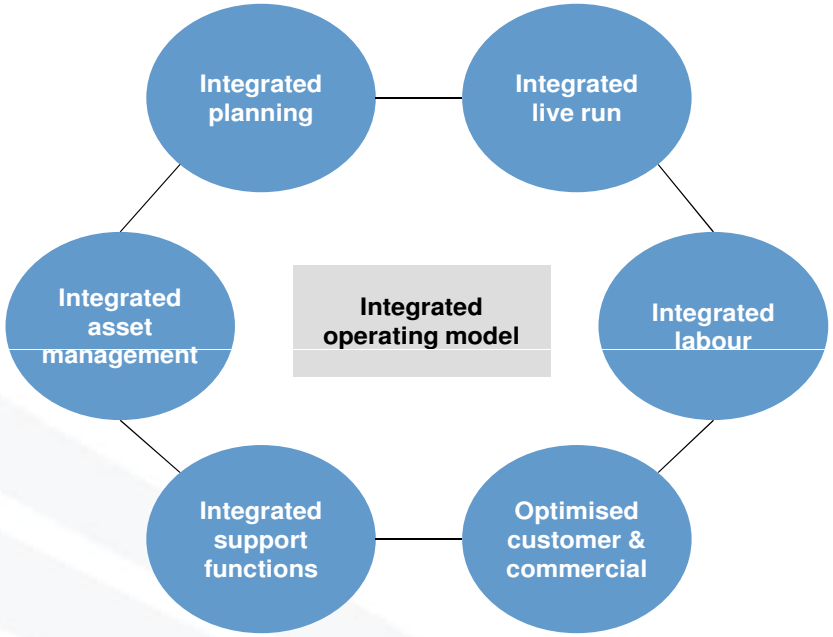
The new Pacific National division

Opportunity to integrate back office and support activities whilst retaining separate customer focus

Underpinning the integration are six key opportunities



Support functions = Finance, HR, IT, Strategy, Legal, Safety etc

- New Pacific National division will have three business units;
  - Coal and Bulk Rail - Queensland
  - Coal and Bulk Rail – NSW/Vic
  - Intermodal (to be managed nationally)
- Business units to retain primary responsibility for customer relations and account management

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Outlook - PN Coal

PN Coal expects to report strong growth in operating[1] earnings for the full year

Industry Outlook	• 2H FY14 volume is expected to remain strong albeit the growth rate on pcp is likely to be lower than 1H FY14 • While the coal export industry growth rate is expected to slow overall, Asciano remains comfortable with the medium term outlook for the industry in Australia
	• PN Coal expects to report further growth in NTKs in 2H FY14 compared to the pcp
Business Outlook	• However volume growth on pcp in 2H FY14 is expected to be lower than 1H FY14 growth: – Margins for full year FY14 and FY15 expected to be lower than 1H FY14 and in line with FY12/13, as impact of re-negotiated contracts flow through to earnings. – The result will also rely on no significant weather or incident disruptions occurring • PN Coal has two new contracts currently scheduled to commence in FY16: – A 12 year 4mtpa contract with Bandanna Energy in Qld to commence in April 2015 – A 12 year 4mtpa contract with QCoal due to commence in FY16 • Recent contract extensions and expansions deliver potential growth tonnage in FY15/16

1. Operating – calculated before the impact of the sale of Kooragang Island in 1H FY13 revenue

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Outlook - PN Rail

Outlook will remain tied to bulk volumes and the domestic economic cycle

Industry Outlook	• **Rail volumes being impacted by:** – **Australian domestic economic activity especially impacting intermodal volume** – **Demand for bulk products in particular export grain volumes** • **On current outlook Asciano does not see a significant lift in the market in 2H FY14**
Business Outlook	• **~~Asciano continues to expect PN Rail to report FY14 EBIT approx 5% below pcp.~~** • **The achievement of this target is dependent on export grain haulage meeting expectations and intermodal volumes in 2H showing modest growth on the pcp** • **Strong focus on the development of the Queensland intermodal business following the start of a new rail services agreement with Toll Group on 1 Feb 2014. The agreement includes the acquisition of strategic intermodal rail terminal properties across Queensland owned by Toll Group** • **The Division has signed a number of small bulk and intermodal contracts commencing over the next twelve months to assist in supporting volumes** • **BIP and business efficiency programs running across the Group will deliver significant gains in PN Rail and PN Coal**

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Outlook - Terminals & Logistics

Subdued outlook for container growth demands ongoing focus on costs and productivity

Industry Outlook	• Continue to expect 1-2% industry growth for FY14 (1.1% growth in 1H FY14) • Expect ongoing disruption in the market as a result of consortium changes and soft volumes causing service cancellations • Hutchison now established at Port Botany in Sydney • Longer term we expect industry container growth rates to be more in line with economic growth with only a modest multiplier over GDP
Business Outlook	• Focus remains on the redevelopment of Port Botany, limiting the impact on our customer base and ensuring that identified productivity and cost savings are delivered • 2H FY14 will benefit from the new K Line contract in Fremantle, partially offset by the loss of the CAX service at East Swanson Dock which ceased in the third quarter of FY13 • East Swanson Dock will benefit from additional volume from Swires following the shift of those services from Webb Dock under the redevelopment programme • Base is strong following the signing of major customers out to the end of FY16-FY18 • Logistics business remains tough; The division will be seeking to drive synergies and leverage opportunities across the Asciano Group • Will look to respond to Port of Fremantle lease EOI expected to be released in 3Q FY14

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Outlook - Bulk & Automotive Port Services

Focused on bedding down and leveraging benefits of recent acquisitions

Industry Outlook	• Imported car volume growth expected to slow from record levels and storage volumes expected to decline over time • Bulk ports exposed to activity in the resources sector and general bulk export activity in the domestic economy. Revenues will continue to be lumpy due to the project nature of the industry
Business Outlook	• 2H FY14 will benefit from a 6 month contribution from Mountain Industries offset to an extent by declining volumes from the Agility contract in Western Australia • Changes anticipated over the next few years in the global forest and wood markets proffer a number of opportunities to expand and leverage the expertise of the C3 business • Margins will be impacted in both 2H FY14 and FY15 by the costs associated with the redevelopment of Webb Dock and the move of both the Autocare and Bulk Ports activities to temporary sites • Autocare to continue to look for opportunities in adjacent industries to leverage its assets and expertise

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Outlook - Asciano

Still on track to meet or exceed outlook provided at the beginning of the year

- **Asciano expects to deliver further growth in underlying EBIT in FY14 albeit the growth rate is expected to be lower than the pcp.**
  - **Expect low single digit growth in underlying NPAT impacted by higher statutory net financing costs**
  - **Material cost before tax of between $15-25m expected in full year FY14, associated with the Port Botany redevelopment and integration of the Pacific National rail businesses, compared to a cost of $8.1m in pcp**
- **Capital expenditure is expected to be in the range of $700-800m for full FY14, the forecast now includes the acquisition of the strategic rail terminals and equipment in Queensland from Toll Group for approx $81m**
- **BIP significantly expanded in light of low economic growth outlook. Target doubled to $300m by FY18**
- **Ongoing strategic focus;**
  - **Port Botany automation and redevelopment**
  - **Fully integrate Mountain Industries identifying synergies both within BAPS and across other divisions**
  - **Integrate recently acquired Queensland rail terminals, equipment and staff**
  - **Ensure the transition of BAPS in Webb Dock activities occurs with minimal customer disruption**
- **Continue to invest in the asset base to ensure the Group is competitive and meets all safety standards**

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Questions

Definitions

1H – first half	**HVCCC** – Hunter Valley Coal Chain Coordinator
2H – second half	**Material items -** Material items include continuing material items, discontinued material items and gains or losses on sale of discontinued operations
ARTC – Australian Rail Track Corporation	**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	**QCA** – Queensland Competition Authority
Cash conversion (group) - OCFPIT / EBITDA	**Revenue -** Revenue and other income
DPS – Dividend per share	**ROCE** - Return on capital employed (EBIT / average capital employed) 12 months rolling
EBIT - Profit before interest and tax	**ROE** – Return on equity (NPAT and material items/ Average Total Equity)
EBITDA - Profit before interest, tax, depreciation and amortisation	**TEU** – twenty foot equivalent unit
EPS - Earnings per share (NPAT / weighted average number of shares outstanding)	**TSR** – total shareholder return
FY - financial year	**WIP** - Work in Progress

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Appendices

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Result - PN Coal

Strong operating[2] result driven by new contracts and record export volumes

Six mths 31 December	2012	2013	% chg
Total Tonnes ('m)	67.9	78.7	15.9
Total NTKs ('m)	11,450.6	14,513.6	26.7
Revenue (net of access) ($m)	422.8	**473.4**	**12.0**
Access charges ($m)	83.2	109.0	31.0
EBITDA ($m)	208.9	223.7	7.1
EBIT ($m)	150.4	**159.6**	**6.1**
Operating EBITDA margin (%)[1]	46.7	47.3	0.6
Operating EBIT margin (%)[1]	32.1	33.7	1.6
ROCE (%)[1]	10.9	11.8	95bps
ROCE excl WIP (%)	13.7	13.0	(71bps)
Total Capex ($m)	126.4	83.2	(34.2)
Full time employees	1,343	1,465	9.1

- Operating[2] revenue net of access grew 18% over the pcp to $473.4m driven by a 15.9% increase in tonnes and 26.7% increase in NTKs over the pcp. Tonnage hauled over the six month period versus contracted was approximately 88.3%.
- Operating [2]EBIT increased 23.8% to $159.6m on the pcp. The result was impacted by:
  - Significant growth in volumes over the period and an increase in the distances hauled;
  - An increase in the percentage of tonnes hauled versus contracted over the pcp;
  - Depreciation and amortisation over the period increased 9.6% to $64.1m reflecting the commencement of new contracts and the commissioning during 2013 of the Nebo and Greta train support facilities.
- Margins benefited from increase in tonnage hauled versus contracted compared to the pcp. Margins for FY14 are expected to be lower than 1H FY14 more in line with FY12/13 operating margins

1. 1H FY13 calculated before the impact of the profit on the sale of land at Kooragang Island
2. Operating earnings are calculated before the impact of the profit on the sale of land at Kooragang Island

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Result – PN Rail

Result impacted by weak volumes and high fixed cost nature of the business partially offset by strong focus on BIP

6 mths ended 31 December	2012	2013	% chg
Intermodal NTKs ('m)	11,745.1	11,245.6	(4.3)
Intermodal TEUs ('000)	351.0	341.5	(2.7)
Bulk NTKs ('m)	2,861.9	2,486.8	(13.1)
Bulk tonnes ('000)	8,036.3	7,272.6	(9.5)
Steel tonnes ('000)	1,352.3	1,466.6	8.5
Total Revenue ($m)	686.9	**667.2**	**(2.9)**
EBITDA($m)	154.8	138.1	(10.8)
EBIT ($m)	106.7	**85.5**	**(19.9)**
EBITDA margin (%)	22.5	20.7	(1.8)
EBIT margin (%)	15.5	12.8	(2.7)
ROCE (%)	15.3	13.3	(199bps)
Total capex ($m)	84.9	98.4	15.9
Full time employees	2,394	2,372	(0.9)

- PN Rail reported a 2.9% decline in revenue over the pcp to $ 667.2m:
  - Total intermodal revenue declined 1.9% on the pcp
  - Bulk revenue declined 5.4% on the pcp on the back of a 13.1% decline in NTK's over the period
- PN Rail EBIT declined 19.9% on the pcp driven by:
  - A 18.7% decline in intermodal earnings the result of lower volumes on the longer distance east-west route offset to an extent by higher volumes on the shorter distance north–south routes, higher express and Steel volumes and Toll Take or Pay volume commitments in Northern Queensland;
  - Bulk Rail earnings declined by 24% driven by lower export grain volumes offset to an extent by higher volumes in minerals, domestic grain and construction; and
  - Depreciation and amortisation increased 9.5% over the pcp to $52.6m driven by the increased investment in rail terminal infrastructure and the scheduled mid life maintenance program for PN Rail's rolling stock that has been running over the last eighteen months.
- BIP delivered a further $9.7m in efficiencies, the Division has now exceeded its five year target of $40m with cumulative savings of $43m

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Result– Terminals & Logistics

Better than expected 1Q offset by seasonally weak 2Q; cost control and BIP made strong contribution

6 mths ended 31 December	2012	2013	% chg
Terminal Volumes - TEUs ('000)	1,563.2	1,541.4	(1.4)
Terminal Volumes - lifts ('000)	1,038.2	1,033.4	(0.5)
Revenue ($m)	388.0	**383.3**	**(1.2)**
Underlying EBITDA[1] ($m)	111.2	110.1	(0.9)
Underlying EBIT[1] ($m)	88.4	**83.9**	**(5.0)**
EBITDA margin (%)	28.7	28.7	0.0
EBIT margin (%)	22.8	21.9	(0.9)
ROCE (%)	7.9	6.8	(108bps)
ROCE excluding WIP (%)	8.3	7.4	(90bps)
Total Capex ($'m)	71.3	94.5	32.5
Full time employees	1,896	1,880	(0.8)

1. Pre material items

- Terminals & Logistics reported a 1.2% decline in revenue on the pcp to $383.3m. Revenue was driven by:
  - A 0.8% decline in revenue from our container terminals business over the pcp driven by a 0.5% decline in container lifts over the period. Lifts increased in Port Botany and Fremantle compared to the pcp however lifts were down on the pcp in East Swanson Dock and Fisherman Islands;
  - Revenue in the Logistics business declined 3.4% driven primarily by soft rail volumes into Adelaide and out of the Riverina region.

- Underlying[1] EBIT declined 5% to $83.9m impacted by a number of factors including:
  - Lower volumes across both Terminals & Logistics activities; and
  - A 16.1% increase in depreciation reflecting the capital expenditure program on new equipment, in particular new cranes, over the last eighteen months.

- BIP program contributed $9.7m driving cumulative savings since FY11 of $40m at 31 December 2013

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Result – Bulk & Automotive Port Services

Operating[1] EBITDA growth of 14.5% on pcp driven by Autocare business and recent acquisition of C3

6 mths ended 31 December	2012	2013	% chg
Vehicles processed ('000)[3]	276.3	287.3	4.0
Vehicle storage days ('000)	8,132.6	11,721.7	44.1
Vehicle movements ('000)	513.0	540.5	5.4
Underlying Revenue [2]($m)	306.6	400.7	30.7
Underlying EBITDA[2] ($m)	52.2	79.5	52.3
Underlying EBIT[2] ($m)	42.0	**65.1**	**55.0**
EBITDA margin (%)	17.0	19.8	2.8
EBIT margin (%)	13.7	16.3	2.6
ROCE (%)	20.0	21.9	197bps
Total Capex ($m)	15.4	29.4	90.9
Full time employees	2,994	2,992	(0.1)

- Underlying[2] revenue for the six month period increased 30.7% on the pcp to $400.7m, operating[1] revenue increased 22.5%.

- Underlying[2] EBIT grew 55% on the pcp. Operating[1] EBIT increased 11.0% to $46.6m on the pcp. The result was driven by:
  - The Bulk Ports result was impacted by lower volumes under the Agility contract in Western Australia as the contract winds down, lower project volumes at Gladstone and Fremantle and lower volumes at Port Kembla driven by lower steel export volumes;
  - The Autocare result benefited from the 44% increase in storage volumes and a significant increase in processing revenue;
  - The 1H FY14 result includes six months of the consolidated profits of C3 compared to one month of consolidated and 5 months of 50% equity accounted profits from C3 in the 1H FY13 result. Comparing the EBIT performance of 100% of C3 in 1HFY14 with a full six month period in 1H FY13, earnings increased 16.3% over the pcp in New Zealand dollar terms reflecting a significant increase in timber volumes over the period;
  - The 1H FY14 result includes a two month contribution from the recently acquired Mountain Industries business

1. Operating earnings includes a settlement reached with the Port of Melbourne Corporation to cover the costs associated with transition arrangements and the early termination of lease agreements associated with the redevelopment of Webb Dock in Melbourne. the settlement will be neutralised over time, offset by identified cash costs to be incurred over the next eighteen months.
2. Underlying earnings - Pre material items
3. Figures now include both import and export vehicles processed

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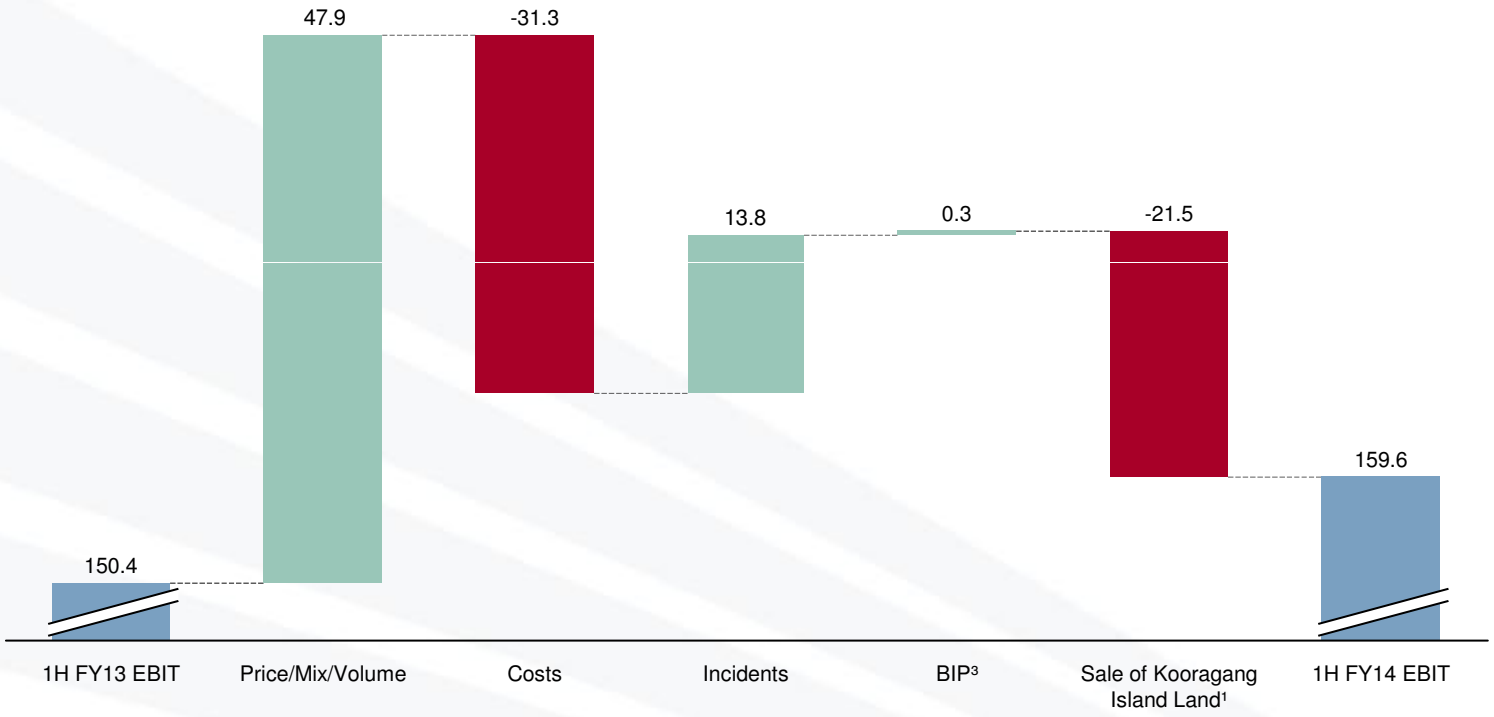
PN Coal - EBIT Bridge

EBIT growth of 6.1% on the pcp, operating[2] EBIT growth of 23.8% driven by new contracts and strong growth in Australian coal exports

$'m



1. Sale of land at Kooragang Island represents the profit on the sale of land in the Hunter Valley formerly used as PN Coal's provisioning facility
2. Operating EBIT excludes the impact of the profit on the sale of land at Kooragang Island
3. Business improvement program

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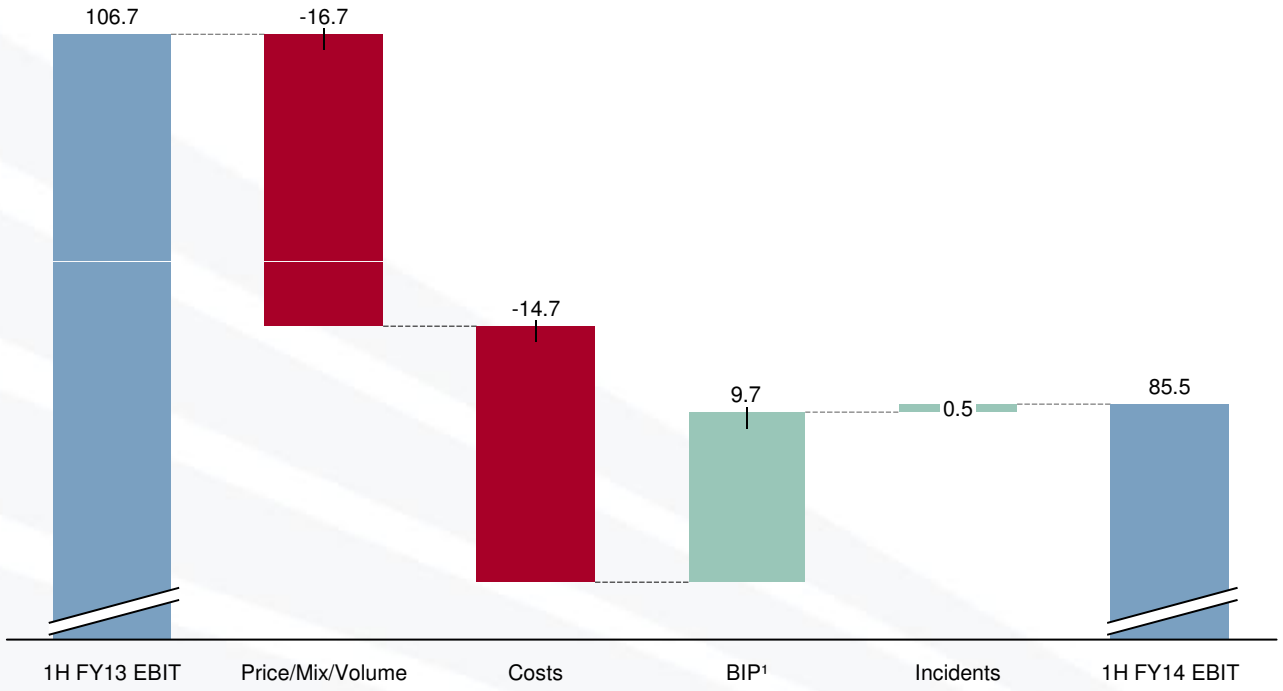
PN Rail - EBIT Bridge

Weak intermodal and export grain volumes drove a lower result

$'m



1. Business improvement program

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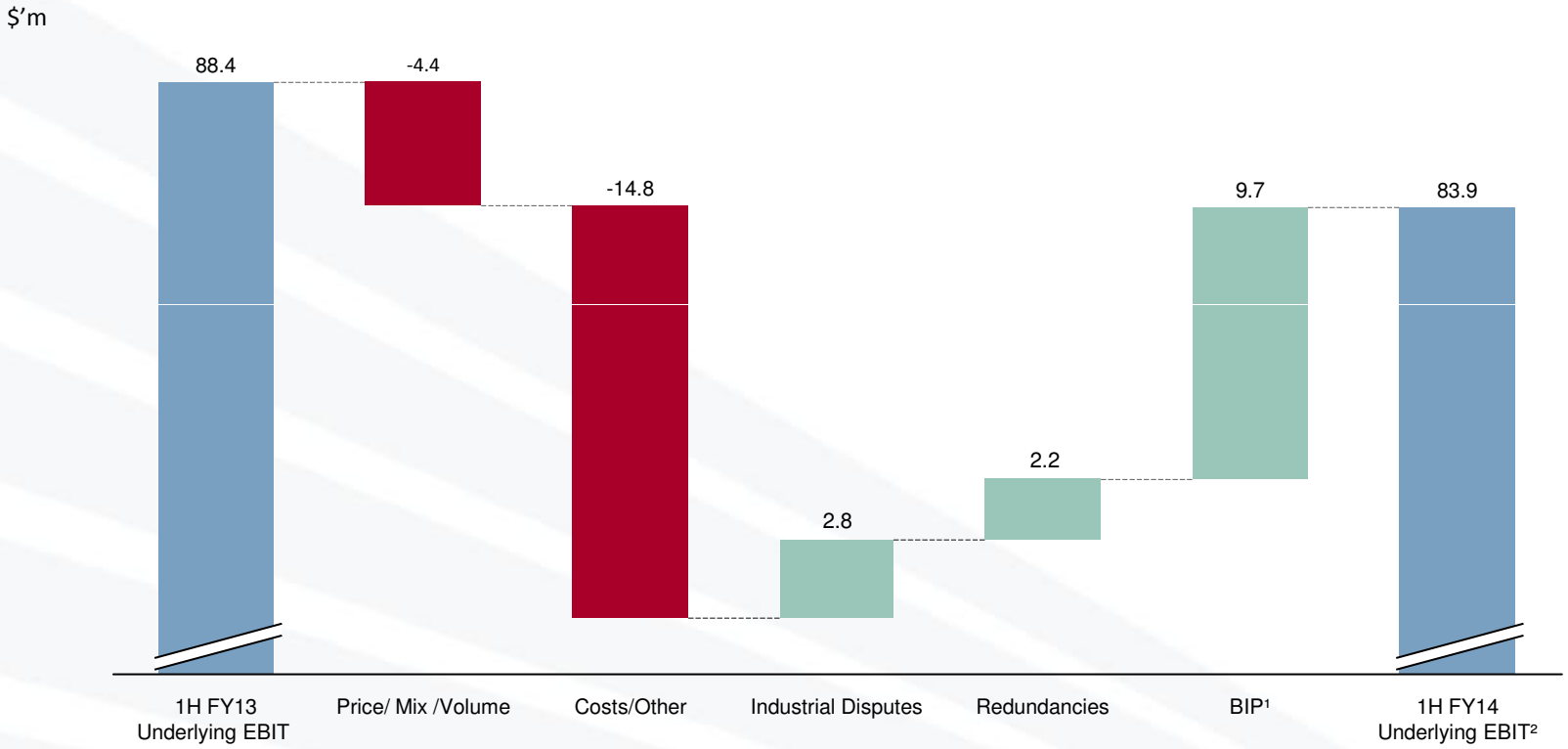
Terminals & Logistics – EBIT Bridge

Underlying EBIT[2] impacted by weak volume growth in both Containers and Logistics volumes



1. Business improvement program
2. Pre material items

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Bulk & Automotive Port Services - EBIT Bridge

Underlying EBIT [2] growth of 55.1%, operating EBIT increased 11.2% driven by recent acquisitions and growth in some bulk volume

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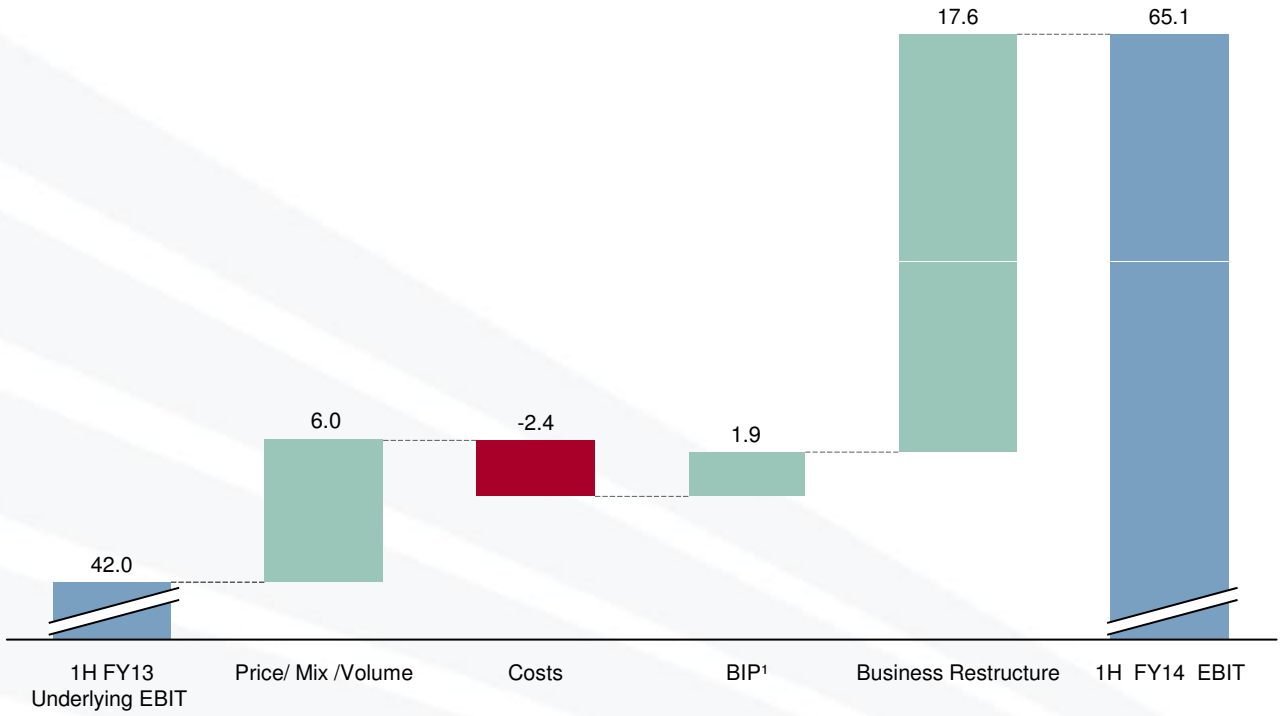

1. Business Improvement Program
2. Pre material items

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Material items reconciliation

Six months ended 31 December ($'m)	2012	2013
Statutory NPAT after minority interests	**196.6**	**187.5**
C3 fair value revaluation	(17.1)	-
Redevelopment of Port Botany	-	2.7
Total Material items after tax	(17.1)	2.7
Underlying NPAT after minority interests	**179.5**	**190.2**

- The material cost in 1H FY14 of $2.7m ($3.8m pre tax cost) relates to the accelerated depreciation of equipment being written off as part of the redevelopment of the Port Botany site
- The non cash material gain in 1H FY13 related to an accounting gain on the fair value revaluation of the 50% of C3 already owned by Asciano prior to the acquisition of the outstanding 50% of the business in November 2012

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Tax Expense

Six months ended 31 December ($'m)	2012	2013	% chg
Reconciliation between income tax expense and PBT			
Profit before tax and before material items	257.7	267.4	3.8
Material items before tax	17.1	(3.8)	(122.2)
Statutory Profit before tax	**274.8**	**263.6**	**(4.1)**
Income tax at 30% (2012: 30%)	82.4	79.1	(4.0)
Non assessable accounting profit on C3	(5.1)		
Temporary differences	2.7	(0.4)	(114.8)
Assessable gains on sale	0.6		
Non assessable equity accounted profit	(2.9)	(3.5)	(20.7)
Other	(0.6)	(1.3)	(116.7)
Total income tax expense recognised in the Income Statement	**77.2**	**73.9**	**(4.3)**

The difference in the effective tax rate (before material items) of 28% compared with the corporate tax rate of 30% was primarily driven by:

- Non assessable equity accounted profits;
- Dividend income;
- Adjustments for current tax in prior periods; and

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Cash Flow

Six months ended December($'m)	2012	2013	% chg
Operating cash flow pre tax and interest	**465.0**	**408.4**	**(12.2)**
Cash tax paid	(107.8)	(80.2)	(25.6)
Cash net interest paid	(103.5)	(90.7)	(12.4)
Operating cash flow after tax and interest	**253.7**	**237.5**	**(6.4)**
Net spend on PP&E and intangible assets[1]	(315.1)	(309.2)	(1.9)
Free cash flow after capex	**(61.4)**	**(71.7)**	**16.8**
Other[2]	(51.0)	(86.4)	69.4
Dividends	(39.2)	(60.9)	55.4
Net financing	120.0	262.7	118.9
Change in cash	**(31.6)**	**43.7**	**(238.3)**
Opening cash	149.4	29.7	(80.1)
Closing cash	**117.8**	**73.4**	**(37.7)**
Cash conversion (%)	**92.4**	**75.7**	**(16.7)**

1. Includes capital expenditure recorded as inventory on the balance sheet. Net of the proceeds from the sale of PPE
2. Includes the acquisition of Mountain Industries for $87.9m compared to the acquisition of the outstanding 50% interest in C3 in the pcp for $55.3m

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Financial Profile

Reconciliation of Loans and Borrowings as at 31 December 2013

Facility	Type	Maturity	Drawn A$'m	Undrawn A$'m
Syndicated Bank Facility	cash advance	Oct-14	0	650
Syndicated Bank Facility	cash advance	Oct-16	560	90
US$ bonds	144a/Reg S	Sep-15	428.8	
US$ bonds	144a/Reg S	Apr-18	727.6	
US$ bonds	144a/Reg S	Sep-20	643.2	
US$ bonds	144a/Reg S	Apr-23	242.6	
GBP bonds	MTN	Sep 23	514	
Total hedged A$ equivalent balance			**3,116.2**	**740.0**
Less: Unamortised Discount on US$ bonds			(6.3)	
Less: Unamortised Debt issuance costs			(14.0)	
Add: Unrealised foreign exchange loss on US$ bond and GBP notes			243.5	
Add: Fair Value adjustments to US$ bonds			70.5	
Add : C3 Finance Lease			2.0	
Loans & Borrowings as per statutory balance sheet at 31 December 2013			3,411.8	
Cash and liquid assets as at 31 December			(73.4)	73.4
Net Debt/available liquidity as at 31 December 2013			**3,338.4**	**813.4**

- Available liquidity at 31 December 2013 was $813m consisting of $73m in cash and $740m in undrawn facilities.

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