



ASX ANNOUNCEMENT

Tuesday, 11 November 2008

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

Letter from Asciano Chairman to Securityholders

Please see the attached announcement for the immediate release to the market.

Yours faithfully

A handwritten signature in black ink, appearing to read "F. Mead".

Fiona Mead
Company Secretary

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Dear Securityholders,

I wanted to write to you as I know you are all concerned with the recent dramatic price movement in Asciano stapled securities. The Board shares your concern and I can assure you that the recent price weakness is no way a reflection of the underlying performance of Asciano's businesses, which continues to be sound.

I would particularly like to take this opportunity to update security holders on five issues:

1. Asciano's Operational and Earnings Performance

On 17 October 2008, Asciano provided an update to the market in terms of the operational performance of the group for the September quarter. I am pleased to advise that the business continued to track to expectations during the month of October. For the four months to October, Asciano's earnings have been in line with our budget. Asciano's unaudited earnings before interest, tax, depreciation and amortisation ('EBITDA') during this four-month period have shown a 6% increase over the same period last year (after adjusting for dividends received last year on Asciano's shareholding in Brambles Limited).

This continued solid performance during an uncertain economic environment highlights the resilience of our businesses and the quality of our operations and our people.

2. Update on Monetisation Process

Following an extensive review of the range of options available, Asciano has previously announced its intention to undertake a 'Business Unit Monetisation' process to assist in funding the range of new growth opportunities available to Asciano, and to increase Asciano's flexibility in terms of its future funding requirements. In essence, the business unit monetisation involves bringing external financial partners directly into one or more of Asciano's existing business divisions.

This process is now well advanced. Representatives of Asciano have recently met with a range of potential financial partners to discuss Asciano's monetisation plans, with a particular focus on Asciano's preferred strategy of a partial monetisation of the Pacific National coal haulage business. The feedback from these meetings has been encouraging, and there is a high level of interest in Asciano's businesses. We expect to be in a position to provide further updates to the market as this process continues over coming weeks.

3. Update on Debt Facilities

There has been a high degree of market and media commentary and speculation regarding our level of debt. Whilst addressing the overall capital structure of Asciano is a key driver of the monetisation process outlined above, it is important to reiterate the following key points in respect of our banking arrangements:

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- In excess of 95% of Asciano's current debt facilities mature during or after May 2010, giving Asciano some 18 months before a major refinancing is required;
- Asciano is in full compliance with all its banking covenants (which involve maintaining a maximum Debt/EBITDA multiple, and a minimum interest cover ratio), and expects to remain in compliance with these covenants going forward; and
- Asciano's banking facilities have no security-price or market capitalisation covenants, meaning that the recent security price weakness has no impact on our banking arrangements

4. 2008/09 Distributions

Asciano announced in August that a revised formula to determine annual distributions would be adopted for the 2009 financial year and beyond. In summary, distributions will be funded from EBITDA after deducting net interest costs, cash tax payments and maintenance capital expenditure. Asciano also provided guidance for the 2008/09 financial year of distributions in the range of 24 cents to 30 cents per security.

Asciano also announced that it has entered into arrangements to have its distribution reinvestment plan fully underwritten for the 2009 interim and final distributions. The purpose of these underwriting arrangements is to preserve cash within the business for the purposes of funding growth opportunities which will enhance long-term security holder value.

In light of the recent share price weakness, the Asciano Board has today decided to pay the 2008/09 annual distributions as a single final distribution to be paid in September 2009. Subject to the Board making a detailed assessment of all relevant factors at the time, Asciano continues to expect the full-year distribution to be in the range of 24 cents to 30 cents per security. The reason the Board has decided to effectively defer the payment of the interim distribution is simply to ensure that Asciano is not issuing new securities under the DRP underwriting arrangements at a price which the Board believes is not in the interests of shareholders.

5. Media and Market Speculation

Finally, I would like to comment briefly on media and market speculation in recent days that Asciano may have attempted to launch, or may be about to launch, a major new issue of Asciano stapled securities. This is not the case. Asciano is not currently contemplating an ordinary equity raising, and has not approached or appointed any advisers in respect of such a capital raising. Whilst this sort of uninformed speculation has an impact on Asciano's securities price, it also has the potential to raise doubts about Asciano's strategy.

I can assure you that Asciano has great businesses that will deliver returns and growth to security holders, and has a clear and committed strategy to deal with the longer term balance sheet issues.

Yours sincerely,

Tim Poole
Chairman, Asciano Limited