



ASX ANNOUNCEMENT

Monday, 22 December 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

Update on Operating Performance and Strategic Initiatives

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

Yours faithfully

A handwritten signature in black ink that reads "F. Mead".

Fiona Mead
Company Secretary

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ASX/MEDIA RELEASE

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Update on Operating Performance and Strategic Initiatives

Asciano Group has today provided the following update on operating performance for the five months to November 2008 and on key strategic initiatives.

Operating Performance

For the five months to November 2008, Asciano's earnings were in line with budget and expectations. Preliminary, unaudited earnings before interest, tax, depreciation and amortisation increased by 6.5% compared to the corresponding period last financial year (after adjusting for the inclusion of Brambles dividends in the 2007/08 results).

- The Patrick Container Ports business continued to enjoy positive volume growth during November, albeit at a slower rate of growth than was achieved during the September quarter. Volume growth remained extremely strong in Sydney, with November being the strongest month on record in terms of container lifts, offsetting a slight reduction in volumes in Melbourne. Overall container lifts across all of Patrick's facilities increased by 3.7% for the five months to November compared to the previous corresponding period. Factoring in Patrick's previously announced loss of market share due to shipping consortia realignments, this suggests industry-wide growth for the period in the range of 7% to 8%. Higher costs related to the shift in volumes from Melbourne to Sydney have resulted in a slight decline in margins within the division.
- Patrick's Auto, Bulk & General business continues to achieve above-budget results driven by a sharp increase in motor vehicle storage revenue, together with strong growth in bulk & general port volumes, primarily driven by improved agricultural commodity volumes. Motor vehicle storage volumes for the five months ended November increased by 55% compared to last year, offsetting a slight decline in the number of vehicles handled. Overall bulk and general volumes increased by 7.5%, with stronger fertiliser, woodchip and other commodity volumes offsetting weaker steel volumes.
- Pacific National's Intermodal volumes have declined slightly during the five months to November 2008. Overall Net Tonne Kilometres (excluding Tasmania) were 3.7% lower than for the previous corresponding period, reflecting the impact of softening in container volumes and a significant decline in steel volumes during November. This volume reduction has been more than offset by the impact of improved cost management and greater capacity utilisation, resulting in an increase in margins for the business.

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- Pacific National's Coal business has continued to perform strongly, with November recording double-digit growth. For the five months to November, Net Tonne Kilometres increased by 11.1% compared to the previous corresponding period, underpinned by continued strong customer demand and improved network efficiencies.

Asciano's Chief Executive Officer and Managing Director, Mr Mark Rowsthorn, said "Overall, our business is continuing to track to expectations. As anticipated, we are seeing some signs of slowing growth in certain of our businesses, reflecting the slowing domestic and global economies. However, to date this has been offset by continued strong performances by our bulk operations, highlighting the benefits of our diverse range of businesses."

Strategic Initiatives

Asciano has also provided the following summary of the current status of key strategic initiatives being pursued.

- As previously advised, Asciano has commenced a formal process to monetise one or more of Asciano's operating business units. Asciano has received a number of bids in respect of a potential monetisation of the Pacific National Coal business. In addition, Asciano has also been approached with a number of alternative proposals relating to other business units and/or alternate structures. Asciano has selected a small group of parties to take through to the final stage of the monetisation process.

Mr Rowsthorn commented "As expected, the first phase of the monetisation process has resulted in significant interest, reflecting the quality and strategic value of our businesses. This provides a solid platform for taking the process to the next stage."

- In respect of the Saudi Landbridge project, Asciano has recently held further discussions with the other members of the Tarabot consortium. Whilst Asciano's participation in the previously announced "re-bid" for the project has yet to be finalised, Asciano anticipates not making any significant equity investment in the project.