

8 February 2016

The QUBE logo consists of the word "QUBE" in a bold, yellow, sans-serif font, set against a dark grey rectangular background.

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## ASX Announcement

### **Qube Consortium's Revised Proposal for Asciano determined to be superior to Brookfield proposal**

- Qube Consortium makes Revised Proposal of \$7.04 cash plus 1 Qube share per Asciano share
- The Asciano Board has determined that the Qube Consortium Revised Proposal is a superior proposal
- Asciano Board has triggered the matching right process under the Brookfield Bid Implementation Deed
- Qube Consortium will continue to work with the Asciano Board to facilitate the implementation of its Revised Proposal, which is conditional and dependant on Brookfield not exercising its matching right, and the signing of the Qube Consortium implementation deed and sale agreements.

Qube Holdings Limited ("Qube"), Global Infrastructure Management, LLC (on behalf of itself and its managed funds and clients) ("GIP"), Canada Pension Plan Investment Board ("CPPIB") and CIC Capital Corporation ("CIC Capital") (collectively the "Qube Consortium") is pleased to announce that the Board of Asciano Limited ("Asciano") has determined that the Qube Consortium's Revised Proposal is superior to the proposal from Brookfield Infrastructure Partners ("Brookfield") and has commenced the matching right process under the Brookfield Bid Implementation Deed.

"The Asciano Board's determination that the Qube Consortium's Revised Proposal is superior is a welcome development and we look forward to working with the Asciano Board on all aspects of our proposal," said Mr Maurice James, Managing Director of Qube.

Since the announcement of the submission of its proposal on 28 January 2016, the Qube Consortium has continued to engage with Asciano in relation to the merits of the proposed transaction. Accordingly, the Qube Consortium submitted a revised conditional proposal to Asciano, consisting of A\$7.04 cash and 1 Qube Share per Asciano share (the "Revised Proposal"). The Revised Proposal has an implied value of A\$9.24 per Asciano share, based on Qube's last closing price of A\$2.20 on 5 February 2016.

In part recognition of the expected cash generation by Asciano in the period prior to close of any takeover offer, the Qube Consortium has agreed to an A\$0.07 increase to the consideration proposed in its letter on 28 January 2016. Other key terms of the Revised Proposal are consistent with those previously outlined to the market and are further summarised in the ASX announcement by Asciano attached to this release.

The Asciano Board has determined that the Qube Consortium's Revised Proposal is a superior proposal to the Brookfield proposal and has agreed the form of a bid implementation deed and sale agreements in relation to the sale of the Ports Businesses and BAPS Businesses. Entry into these documents remains subject to the matching right process under the Brookfield Bid Implementation Deed, further details of which are set out in Asciano's ASX release. The matching right period will conclude at the end of Monday, 15 February 2016.

As the Revised Proposal remains conditional and dependent on Brookfield not exercising its matching right, and the signing of the Qube Consortium implementation deed and sale agreements, it should not be regarded as a proposal to make a takeover bid for the purposes of section 631 of the Corporations Act.

As previously announced, Qube believes that a combination with Asciano's Ports Businesses would be transformational for the company. The combination creates significant opportunities for productivity improvement and innovation across the Australian logistics and transportation sector, delivering substantial value for Qube shareholders as well as the broader logistics chain. Today's endorsement by the Asciano Board represents a significant step forward in relation to achieving this goal.

Qube believes that combining Asciano's Ports Businesses with Qube under a single ownership and management structure will generate significant benefits from synergies and business improvement projects over two to three years, producing double digit EPS accretion<sup>1</sup> to Qube on an FY15 pro forma basis. Qube believes there is potential for substantial additional value creation from longer term supply chain efficiencies. The Qube equity component within the Revised Proposal provides Asciano shareholders with participation in this future upside of the combination of Qube with Asciano's Ports Businesses and direct exposure to benefits of Qube strategy and management.

Qube will continue to keep the market informed of any further material developments.

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<sup>1</sup> Pro forma EPS accretion calculated before the impact of amortisation of identifiable intangibles, based on FY2015 underlying earnings for Qube and the Ports businesses, includes the full run rate impact of synergies based on Qube management's estimates, assumes funding comprising A\$1.8 billion of Qube equity with the remainder funded through debt, A\$100 million of one off transaction costs, and assumes the BAPS assets are divested for A\$850 million (i.e. no gain or loss on divestment to Qube).

# ASX/MEDIA RELEASE

Date: 8 February 2016

## ASCIANO ISSUES NOTICE TO BROOKFIELD INFRASTRUCTURE IN RELATION TO REVISED PROPOSAL FROM THE QUBE CONSORTIUM

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### Key highlights

- Asciano has received a revised proposal from Qube Holdings Limited, Global Infrastructure Partners, Canada Pension Plan Investment Board and CIC Capital Corporation to acquire up to 100% of the issued capital of Asciano.
- Asciano Board has issued a notice to Brookfield Infrastructure Partners Limited triggering its matching rights under the Brookfield Bid Implementation Deed.
- Offer consideration under the revised proposal consists of A\$7.04 cash and 1 Qube share per Asciano share with an implied value of A\$9.24 per Asciano share based on A\$2.20, the closing price of Qube shares on 5 February 2016.
- Asciano is permitted as part of the transaction to pay fully franked dividends of up to A\$0.97 per Asciano share, comprising an interim and a special dividend. This will potentially provide an additional benefit of up to A\$0.416 per Asciano share for shareholders who can capture the full benefit of the franking credits<sup>1</sup>. The cash component of the consideration will reduce by the cash amount of any dividends paid.
- Implied offer value (including the amount of the permitted dividends) represents a 38.9% premium to the undisturbed Asciano share price on 30 June 2015 (the day prior to the announcement of receipt of the initial Brookfield proposal), and an EV/EBITDA multiple of 10.6x for the year ended 30 June 2015<sup>2</sup>.

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<sup>1</sup> Whether a shareholder is able to capture the full benefit of the franking credits will depend on their personal tax circumstances, including whether they satisfy relevant holding period rules. The quantum of the dividends paid will be determined by the Asciano Board, but will not exceed a level that may be fully franked based on available franking credits, which may be less than A\$0.97 per Asciano share.

<sup>2</sup> Based on offer consideration of A\$9.24 per share based on the Qube closing price of A\$2.20 on 5 February 2016 and Asciano net debt of A\$3.1bn as at 30 June 2015.

## ***Transaction Overview***

Asciano Limited (ASX:AIO, OTCUS:AIOYY) (**Asciano**) today announces that it has received a revised proposal (**Qube Consortium Proposal**) from Qube Holdings Limited (**Qube**), Global Infrastructure Partners (**GIP**), Canada Pension Plan Investment Board (**CPPIB**) and CIC Capital Corporation (**CIC Capital**) (together, the **Qube Consortium**).

Following detailed consideration, the Asciano Board has determined that the Qube Consortium Proposal is a superior proposal for the purposes of the Brookfield Bid Implementation Deed as amended on 9 November 2015 (**Brookfield BID**) and has issued a notice to Brookfield Infrastructure Partners Limited (**Brookfield Infrastructure**) required by the matching right regime under the Brookfield BID. Brookfield Infrastructure now has the right, but not the obligation, to submit within 5 business days a matching or superior proposal for the Asciano Board. The matching right period will conclude at the end of Monday, 15 February 2016.

Asciano has also been informed by Brookfield Infrastructure of details concerning a revised transaction on which they are working. A copy of the letter to Asciano is attached. In making its decision in relation to the Qube Consortium proposal, the Board noted that at this stage there was no certainty that a new Brookfield Infrastructure proposal would be made or the timing of such a proposal.

## ***Summary of Qube Consortium Proposal***

### *Acquisition of Asciano shares*

The Qube Consortium Proposal involves GIP, CPPIB and CIC Capital, through a jointly owned bid vehicle (**BidCo**) making an off-market takeover bid to acquire all of the shares in Asciano for consideration of A\$7.04 cash and 1 Qube share per Asciano share. In part recognition of the expected cash generation by Asciano in the period prior to close of any takeover offer, the Qube Consortium has agreed to an A\$0.07 increase over and above the consideration proposed in its letter on 28 January 2016.

The Qube Consortium Proposal for Asciano represents an enterprise value of approximately A\$12.1 billion and an equity value of approximately A\$9.0 billion<sup>3</sup>.

The Qube Consortium Proposal has an implied value of A\$9.24 per Asciano share based on Qube's closing price of A\$2.20 on 5 February 2016, and A\$9.21 per Asciano share based on Qube's volume weighted average price (**VWAP**) for the 30 trading days to 5 February 2016 of A\$2.17. If the Qube Consortium Proposal proceeds and ATO approval is obtained in respect of the special dividend, Asciano is permitted to pay fully-franked dividends of up to A\$0.97 per share (**Permitted Dividends**), in aggregate, comprising an interim and special dividend, to enable franking benefits of up to A\$0.416 per share to be distributed to eligible Asciano shareholders<sup>4</sup>. The interim dividend is not subject to an ATO ruling. To the extent that Permitted Dividends are paid, the cash component of the consideration will be reduced by the amount of the Permitted Dividends. The quantum of any dividends paid will be determined by the Asciano Board, but will not exceed a level that may be fully franked based on available franking credits, which may be less than A\$0.97 per Asciano share.

<sup>3</sup> Based on offer consideration of A\$9.24 per share based on the Qube closing price of A\$2.20 on 5 February 2016 and Asciano net debt of A\$3.1bn as at 30 June 2015.

<sup>4</sup> Whether a shareholder is able to capture the full benefit of the franking credits will depend on their personal tax circumstances, including whether they satisfy relevant holding period rules.

The implied value of the Qube Consortium Proposal of A\$9.24 per share<sup>5</sup> represents a premium of 38.9% to the closing price of Asciano's shares of A\$6.65 on 30 June 2015, the last trading date prior to the date on which Asciano announced that it had received an indicative, non-binding and conditional proposal from Brookfield Infrastructure.

#### *Sale of Terminals and BAPS*

Under the terms of the Qube Consortium Proposal, GIP, CPPIB and CIC Capital will acquire control of the rail business of Asciano by acquiring, through a jointly-owned bid vehicle (**BidCo**), shares in Asciano.

Qube will acquire 100% of Asciano's Patrick container terminal business and a 50% interest in Australian Amalgamated Terminals (**AAT**) (together, **Ports**) for an enterprise value of A\$2,650 million.

The remaining Bulk & Automotive Port Services businesses and 50% interest in ACFS Port Logistics Pty Ltd (collectively **BAPS**) will be sold to an entity to be established and owned by GIP, CPPIB and CIC Capital initially (**BAPS HoldCo**) for an enterprise value of A\$850 million. BAPS HoldCo will seek to sell the BAPS businesses to a third party or parties. Qube may also seek to acquire certain of the BAPS assets, subject to regulatory approvals.

The proceeds from the sales of BAPS to BAPS HoldCo and Ports to Qube (net of any funding obtained by Asciano to fund the Permitted Dividends) will be returned to Asciano shareholders who do not accept the offer by way of a pro rata capital return<sup>6</sup> after the takeover completes.

The takeover offer will be subject to a condition that Asciano shareholders, by simple majority vote in general meeting, approve the sale of the Ports business to Qube, the BAPS business to BAPS HoldCo, and the pro-rata capital return. The Ports Share Purchase Agreement and the BAPS Share Purchase Agreement are also subject to ACCC approval.

Completion of the Ports Share Purchase Agreement and the BAPS Share Purchase Agreement would occur only after the close of the takeover offer, and will remain subject to the takeover offer becoming unconditional.

#### **Funding**

The Qube Consortium has advised that the majority of the cash consideration payable by BidCo under the takeover offer will be provided to BidCo by GIP, CPPIB and CIC Capital with the remainder provided by Qube to BidCo via funding arrangements within the Consortium. In addition, Qube will pay a portion of the cash component of the bid consideration directly to accepting shareholders. The scrip component of the consideration will be satisfied by the issue of Qube shares to accepting Asciano shareholders. Depending on the level of acceptances under the takeover offer, Qube also intends to raise additional equity.

If the Qube Consortium proposal proceeds, information regarding the Consortium's funding arrangements, including the Qube capital raising, will be contained in a bidder's statement sent to shareholders.

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<sup>5</sup> Based on Qube's closing price of A\$2.20 on 5 February 2016

<sup>6</sup> An ATO ruling will be sought in relation to the proposed capital return, which will determine its composition including the dividend component, if any.

### **Brookfield Infrastructure and matching rights notification**

As required by the matching rights notification obligations under the Brookfield BID, Asciano has now provided Brookfield Infrastructure with the material terms and conditions of the Qube Consortium Proposal. Should Brookfield Infrastructure elect to exercise its right to submit a matching or superior proposal, the Asciano Board will give that proposal full consideration.

Asciano has agreed the form of an implementation deed in relation to the takeover offer by the Qube Consortium (**Qube Consortium Implementation Deed**) and sale agreements in relation to Ports and BAPS (together the **Qube Consortium Agreements**). If Brookfield Infrastructure does not submit a matching or superior proposal within the required time frame, the Asciano Board will be able to change its recommendation and execute the Qube Consortium Agreements. Under the terms of the Brookfield BID, none of the Asciano directors may change their recommendation until the completion of the matching rights process.

Any recommendation by the Asciano Board of the Qube Consortium Proposal will be subject to requirements that an independent expert has opined that the takeover offer and sale of Ports and BAPS are each fair and reasonable to Asciano shareholders and that Asciano has not received a superior proposal at that time. If there is a change in recommendation in favour of the Qube Consortium Proposal, a break fee of A\$88 million will be payable to Brookfield Infrastructure.

### **Key terms**

The Qube Consortium Proposal would be effected by way of off-market takeover offer and is subject to a number of key terms, including (among others):

- Conditions precedent including:
  - Minimum acceptance condition of 50.1% of Asciano shareholders;<sup>7</sup>
  - Regulatory approvals (FIRB, ACCC, NZ OIO, European Commission, and any required ASIC and ASX approvals);
  - no Asciano prescribed occurrences or material adverse change occurring;
  - other conditions as set out in full in Annexure A;
- Approval by ordinary resolution of Asciano shareholders of the sale of Ports and BAPS and the payment of associated net proceeds to Asciano shareholders by way of a pro rata capital return after the takeover completes;
- Exclusivity provisions (including no shop and no talk, fiduciary exception, notification of approaches, matching right); and
- Break fee equal to A\$88 million payable upon a change of control of Asciano or a material breach of the terms of the Qube Consortium Implementation Deed.

Note that the Qube Consortium Proposal remains conditional and dependent upon Brookfield not exercising its matching right, and the signing of the Qube Consortium implementation deed and sale agreements. For this reason, the Qube Consortium has made it clear that its proposal described in this announcement should not at this stage be regarded as a proposal to make a takeover bid for the purposes of section 631 of the Corporations Act.

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<sup>7</sup> Includes the current 19.99% interest in Asciano held by Qube.

**Further Information**

Shareholders do not need to do anything at this time. If there is a change in recommendation in favour of the Qube Consortium Proposal, documentation will be sent to shareholders.

Asciano shareholders can obtain further information by contacting the Asciano Shareholder Information Line on 1300 729 310 for shareholders located in Australia, and +61 3 9415 4608 for shareholders located outside Australia

For further information, please contact:

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- Ends -

## Annexure A – Bid Conditions under the Bid Implementation Deed

- (a) **(FIRB approval)** Before the end of the Offer Period, either:
- (i) the Treasurer of the Commonwealth of Australia (or his delegate) provides written notice that there are no objections under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) to:
    - (A) the acquisition of Target Shares under the Bid and any direct or any indirect investment by the BidCo Shareholders or their respective Related Corporations in BidCo and BAPS HoldCo, and that notice is not subject to any condition; and
    - (B) the acquisition by BAPS HoldCo under the BAPS Sale Agreement of all the issued shares in BAPSCo, and that notice is not subject to any condition; or
  - (ii) the Treasurer of the Commonwealth of Australia becomes precluded by passage of time from making any order or decision under Division 2 of Part 3 of the FATA in respect of:
    - (A) the acquisition of Target Shares under the Bid and any direct or any indirect investment by the BidCo Shareholders or their respective Related Corporations in BidCo and BAPS HoldCo; and
    - (B) the acquisition by BAPS HoldCo under the BAPS Sale Agreement of all the issued shares in BAPSCo.
- (b) **(NZ OIO approval)** Before the end of the Offer Period, all consents under the Overseas Investment Act 2005 (NZ) and the Overseas Investment Regulations 2005 (NZ) required to implement the Bid, to fund the Offer Consideration and to complete the transactions contemplated by the Ports Sale Agreement and BAPS Sale Agreement have been granted, and such consents have not been withdrawn, suspended, revoked at the close of the Offer Period.
- (c) **(ASIC and ASX approval)**: Before the end of the Offer Period, ASIC and ASX issue or provide all reliefs, waivers confirmations, exemptions, consents or approvals, and do all other acts, necessary or desirable, to implement the Bid, and to implement the capital reduction and dividend referred to in the definition of Shareholder Resolutions (which is referred to in paragraph (h) of this Schedule 1), and such reliefs, waivers confirmations, exemptions, consents, approvals or other acts (as the case may be) have not been withdrawn, suspended or revoked at the close of the Offer Period.
- (d) **(ACCC approval – acquisition of Target shares)** Prior to the end of the Offer Period, either:
- (i) the ACCC gives an unconditional notice in writing to BidCo (or one or more BidCo Shareholders), whether or not obtained after the provision of any undertakings or other concessions requested or required by the ACCC to facilitate such notice, that it does not intend or propose to object to, or intervene in, the acquisition by BidCo of all of the shares in the Target and any direct or any indirect investment by the BidCo Shareholders or their respective Related Corporations in BidCo, pursuant to section 50 of the *Competition and Consumer Act 2010* (Cth), and that notice has not been withdrawn, revoked or adversely amended; or
  - (ii) BidCo has obtained an unconditional authorisation, approval, notification or declaration of no restraint or intervention from the Australian Competition Tribunal or the Federal Court for the acquisition by BidCo of all of the shares in the Target and any direct or any indirect investment by the BidCo Shareholders or their respective Related Corporations in BidCo, and such authorisation, approval, notification or declaration has not been withdrawn, revoked or adversely amended or appealed.
- (e) **(ACCC approval – acquisition of Ports Businesses)** Prior to the end of the Offer Period, either:
- (i) the ACCC gives an unconditional notice in writing to Qube, whether or not obtained after the provision of any undertakings or other concessions requested or required by the ACCC



to facilitate such notice, that it does not intend or propose to object to, or intervene in, the acquisition by Qube of PortCo, pursuant to section 50 of the *Competition and Consumer Act 2010* (Cth), and that notice has not been withdrawn, revoked or adversely amended; or

- (ii) Qube has obtained an unconditional authorisation, approval, notification or declaration of no restraint or intervention from the Australian Competition Tribunal or the Federal Court for the acquisition of PortCo, and such authorisation, approval, notification or declaration has not been withdrawn, revoked or adversely amended or appealed.
- (f) **(ACCC approval – acquisition of BAPS Businesses)** Prior to the end of the Offer Period, either:
- (i) the ACCC gives an unconditional notice in writing to BAPS HoldCo (or one or more of the BidCo Shareholders), whether or not obtained after the provision of any undertakings or other concessions requested or required by the ACCC to facilitate such notice, that it does not intend or propose to object to, or intervene in, the acquisition by BAPS HoldCo of BAPSCo and any direct or any indirect investment by the BidCo Shareholders or their respective Related Corporations in BAPS HoldCo, pursuant to section 50 of the *Competition and Consumer Act 2010* (Cth), and that notice has not been withdrawn, revoked or adversely amended; or
  - (ii) BAPS HoldCo (or one or more of the BidCo Shareholders) has obtained an unconditional authorisation, approval, notification or declaration of no restraint or intervention from the Australian Competition Tribunal or the Federal Court for the acquisition by BAPS HoldCo of BAPSCo and any direct or any indirect investment by the BidCo Shareholders or their respective Related Corporations in BAPS HoldCo, and such authorisation, approval, notification or declaration has not been withdrawn, revoked or adversely amended or appealed.
- (g) **(EU Merger Regulation)** If the Transaction or parts of the Transaction constitute a concentration with a community dimension under the EU Merger Regulation, the European Commission shall have taken a decision (or been deemed to have taken a decision) under Article 6(1)(b) of the EU Merger Regulation declaring the Transaction compatible with the common market. For this purpose, **Transaction** means: (i) the acquisition by BidCo of all of the Target Shares; (ii) the acquisition by BAPS HoldCo of BAPSCo; and (iii) any direct or indirect investment by the BidCo Shareholders or their respective Related Corporations in BidCo and BAPS HoldCo.
- (h) **(Target shareholder approval)**: Before the end of the Offer Period, Target Shareholders approve the Shareholder Resolutions and the Ports Sale Agreement and BAPS Sale Agreement have not been terminated.
- (i) **(No Target Prescribed Occurrence)**: No Target Prescribed Occurrence occurs between (and including) 7 February 2016 and the close of the Offer Period.
- (j) **(No Target Material Adverse Change)**: No Target Material Adverse change occurs or is reasonably likely to occur, or is discovered, announced, disclosed or otherwise becomes known to BidCo between (and including) 7 February 2016 and the close of the Offer Period.
- (k) **(Minimum relevant interest)** Before the end of the Offer Period, BidCo has (together with its Associates) Relevant Interests in at least 50.1% of the Target Shares. **(Minimum bid price)**: No requirement arises under section 621(3) of the Corporations Act (as modified by ASIC Class Order 15/1068) to increase the Offer Consideration as a result of a fall in the value of a Qube Share after the date of this Deed.
- (m) **(Restraints)**: Between 7 February 2016 and the end of the Offer Period (each inclusive):
- (i) there is not in effect any temporary, preliminary or final order, injunction, decision or decree issued by a Governmental Agency; and
  - (ii) no action or investigation is announced, commenced or threatened by any Governmental Agency,
- in consequence of or in connection with the Offer that:

- (i) restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or otherwise materially adversely impacts on, the making of the Offer or the acquisition of Target Shares under the Offer or the completion of any transaction contemplated by a Transaction Document (whether subject to conditions or not) or the rights of BidCo or the BidCo Shareholders or their respective Related Corporations in respect of the Target and Target Shares to be acquired pursuant to the Offer; or
  - (ii) requires the divestiture by BidCo or the BidCo Shareholders or any of their respective Related Corporations of any Target Shares, or the divestiture of any assets of the Target Group or of a BidCo Shareholder or Qube or any of their respective Related Corporations other than those sales contemplated by any Transaction Document.
- (n) **(Third party consents)** All approvals and consents of a third party which the Target and Qube have agreed in the Disclosure Letter given by the Target to Qube are necessary to transfer the shares in PortCo under the Ports Sale Agreement in respect of the Port Botany container terminal site and the Port of Brisbane / Fisherman Island container terminal site are obtained (including approvals or consents to avoid breach of any change of control provisions) and such approvals and consents have not been withdrawn, suspended or revoked before the end of the Offer Period.

### **Selected definitions**

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**BAPS Businesses** means the entities and assets comprising the Bulk & Automotive Port Services business of the Target Group, and the Target Group's 50% interest in a joint venture, being ACFS. For the avoidance of doubt, this includes the Target Group's regional road and rail business and excludes the Target Group's CargoLink business and Target Group's 50% shareholding interest in AAT.

**BAPS HoldCo** means a proprietary company to be incorporated under the Corporations Act, the issued shares of which are ultimately to be owned by the BidCo Shareholders (or, in respect of any BidCo Shareholder, one or more of its Related Corporations).

**BAPSCo** means an Australian-incorporated company that is a Wholly-Owned Subsidiary of the Target is or remains the holding company of the BAPS Businesses.

**BidCo** means a proprietary company to be incorporated under the Corporations Act, the issued shares of which are ultimately to be owned by the BidCo Shareholders (or, in respect of any BidCo Shareholder, one or more of its Related Corporations).

**BidCo Shareholders** means GIP, CPPIB and Shunrong (irrespective of whether any one or more of them holds shares in BidCo at any given time).

**Ports Businesses** means:

- (a) the entities, businesses and assets comprising the Terminals & Logistics business of the Target Group, other than the Target Group's 50% interest in a joint venture, being ACFS. For the avoidance of doubt, this includes the Target Group's CargoLink business and excludes the Target Group's regional road and rail business; and
- (b) the Target Group's 50% shareholding interest in AAT.

**PortCo** means an Australian-incorporated company that is a Wholly-Owned Subsidiary of the Target is or remains the holding company of the Ports Businesses.

**Shunrong** means Beijing Shunrong Investment Corporation of 1939, 19/F, No. 1 Chaoyangmen Beidajie, Dongcheng District, Beijing, 100010, China.

7 February 2016

Mr. Malcolm Broomhead  
Chairman  
Asciano Limited  
Level 6, 15 Blue Street  
North Sydney NSW 2060

**STRICTLY PRIVATE AND CONFIDENTIAL**

Dear Malcolm

We saw your announcement on Friday that the board of directors of Asciano (the "Board") and its advisers are continuing discussions with the Qube Consortium regarding a number of elements of its proposal that require further time to clarify and fully assess.

We expect that you are as frustrated as us by the ACCC delaying its decision this week. While their need for time to scrutinize Qube's proposal is not surprising, given that it was disclosed only on January 28th, we are unable to understand the need for delay on our transaction and will be seeking to work through and address any issues with the Commission as quickly as possible. The net effect of the ACCC's decisions puts both competing proposals in jeopardy, as neither consortium is assured of obtaining ACCC clearance.

We appreciate that these circumstances have placed the Board in the difficult position of having to weigh two competing transactions that remain subject to material uncertainty of execution. We also recognize that in making any determinations concerning the two proposals before it, the Board is best served by having as much information as possible.

As you are aware, we are working diligently to bring forward a revised transaction that is fully executable under the terms of the undertakings that we have filed with the ACCC. You may have seen our quarterly results this past week in which we specifically noted our intention to revise our transaction with you, in order to satisfy remaining ACCC concerns and provide an even more compelling opportunity to Asciano shareholders. In doing so, we flagged for our shareholders that we will be bringing in new investing partners and reducing Brookfield Infrastructure's proportionate participation in the transaction by eliminating the BIP scrip component of the consideration.

Further to this, we are writing to provide more details concerning the revised transaction that we are working to bring to you, so that the Board is able to make a fully informed decision in the best interests of Asciano's shareholders. In this regard, we are pleased to advise that we have made significant progress on a number of fronts:

- First, our revised transaction will be on an all-cash basis at a value of \$9.28 per share less any dividends declared by the board (although this is obviously subject to Asciano not having taken value-destroying steps in the meantime, and in particular not having committed Asciano to pay a break fee to any other parties).
- Second, it will commit to an upfront disposition of the intermodal business on a pre-agreed basis.

- Thirdly, our revised transaction will be fully executable within the framework of our existing undertakings to the ACCC, which (unlike the structure that the Qube consortium has put forward) does not rely on complex post-closing “warehousing” of assets, and we believe is therefore far more likely to receive ACCC clearance in a timely fashion.

As you know, our consortium is comprised of some of the largest and most sophisticated infrastructure investors globally, and with the proposed addition of two new potential members (whom we are working to add to the consortium prior to launching a new proposal on the basis outlined in this letter), we are working diligently to deliver a highly attractive and executable transaction on an all-cash basis. While we are not in a position to submit to you a revised binding transaction today, we are very confident that we will be able to do so well within the period between now and any anticipated decision by the ACCC. We have received a proposal for the divestiture of the Intermodal business, and would expect to provide a revised and binding proposal which sets out the terms and conditions of the proposed revised transaction to you as soon as possible after:

- formal sale and consortium documentation has been finalised. In this regard, we acknowledge that any sale of Asciano assets to members of our consortium would need to be subject to Asciano shareholder approval, and we accept this requirement and would make our bid conditional on this (in the same way as Qube has done with its bid);
- entry into formal documentation (on a binding term sheet basis) with financiers in relation to the financing of the proposal and to enable the refinancing of the relevant debt associated with the assets to be sold, to facilitate the obtaining of consents from Asciano’s debt facility providers. This work has obviously commenced and I am pleased to report that things are progressing well in this regard; and
- receipt of any necessary ASIC relief.

We have also noted from their offer letter that the Qube consortium is seeking “deal protections” similar to those granted to Brookfield back in August 2015. We wished to express our strong views that Asciano should not entertain that request, for the following reasons:

- Each consortium holds a significant investment in Asciano through its toe-hold interest, and is therefore highly motivated to continue pursuing its desired transaction. In short, regardless of what they might claim, the facts indicate that the Qube consortium is not going away.
- We’ve provided you with strong assurances that we are readying a binding commitment to revise our transaction to be all-cash, which will be clearly superior to either of the existing competing proposals that each contain significant non-cash elements.
- We and our investing partners are highly credible and sophisticated transaction parties, which should provide significant additional comfort to the Board as to the strong likelihood of our achieving this goal in a timely fashion and certainly well within the period during which the ACCC will continue to review and ultimately opine on each of our transactions. Put differently, our efforts toward a more compelling transaction for Asciano shareholders is not in any way delaying Asciano’s transaction timetable, which, because of the ACCC process, has been delayed until March 24<sup>th</sup>. There is no reason therefore for Asciano to commit to anything further during this period.
- Any financial commitments to the Qube consortium that could be triggered as a result of our transaction would simply erode the value of Asciano to the detriment of its current shareholders, and would necessitate a commensurate reduction of our proposed bid price.

We strongly urge the Board, both as the holder of a significant existing stake in Asciano and as a party developing a significantly improved proposal for the benefit of all shareholders, not to award needlessly to the Qube consortium rights and other advantages that, in the present circumstances, are clearly not in the best interests of Asciano's shareholders.

We are available to discuss these matters with you and the Board at any time. In the meantime, we will keep your team apprised, on a daily basis if you wish, of our progress.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Sam Pollock". The signature is fluid and cursive, with the first name "Sam" and the last name "Pollock" clearly distinguishable.

Sam Pollock  
Chief Executive Officer and Senior Managing Partner  
Brookfield Infrastructure Group