

25 October 2011

Transurban AGM 2011

Chairman's and Chief Executive Officer's Address

Transurban Chairman Lindsay Maxsted and Chief Executive Officer Chris Lynch

Tuesday, 25 October 2011

Melbourne Convention and Exhibition Centre

Please see the attached address to be delivered by the Chairman and the Chief Executive Officer of Transurban to security holders at Transurban's AGM to be held at 11.00am this morning, Tuesday 25 October 2011.



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Classification

Public

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CHAIRMAN'S ADDRESS

LINDSAY MAXSTED

Good morning ladies and gentlemen, and welcome to the 2011 Transurban Annual General Meeting. My name is Lindsay Maxsted, and I am the Chairman of the Transurban Group.

Before we start, can I please ask you to ensure your mobile phones are turned off or switched to silent.

I also want to make sure you are familiar with the evacuation procedures that we will follow in the unlikely event of an emergency.

The diagram on the screen behind me shows the evacuation points in the room, and I ask you to take the time to familiarise yourself with it.

If the evacuation alarm sounds, the venue's fire wardens will enter the room and direct us to the emergency evacuation points. The wardens will also tell us where to assemble once we leave the building.

This morning we are holding three meetings concurrently. This is the AGM for:

- Transurban Holdings Limited;
- Transurban International Limited; and
- Transurban Holding Trust.

We have a quorum, so I declare the meetings open.

The Notice of Meetings was distributed to all of you. With your consent, I will take that document as read.

I will now introduce the Directors and the Company Secretary.

From my right to left:

Firstly Neil Chatfield, Chairman of our Audit and Risk Committee. Next to him is Bob Officer.

Next to Bob is Geoff Cosgriff, Chairman of our Remuneration Committee. I would like to thank Geoff for the significant amount of work he led in the 2011 financial year as Chairman of the Remuneration Committee in restructuring the remuneration framework for our senior executives. As you may be aware, following last year's AGM, the Board undertook a comprehensive review of our remuneration framework. A revised remuneration framework was put in place on 1 July 2011 which the Board believes appropriately reflects security holder expectations and is in line with best practice. I will speak in more detail on this later.

Immediately to my right is Sam Mostyn. Sam stands for election at today's AGM having joined the Board in December 2010. Sam brings significant experience to the Board. I would highlight Sam's executive and non-executive work in the areas of sustainability, corporate affairs, culture and human resources and Government as being of particular benefit to the Board's deliberations. Sam will speak to the meeting shortly.

To my left are:

Chris Lynch, our Chief Executive Officer
Amanda Street, our Company Secretary

and, finally, Jeremy Davis.

Unfortunately Bob Edgar and Rodney Slater are apologies for this meeting. Mr Edgar had a long-standing commitment overseas and it is with sadness that Mr Slater, at short notice, had to attend a funeral.

At last year's AGM I highlighted to you that the Board was committed to further Board renewal and diversity. This commitment continues. The focus remains not just on gender diversity but on broadening the range of skills, expertise and experience on the Board. Sam Mostyn has been an excellent addition, and a search process is currently under way for another one or two non-executive directors. We hope to be in a position to announce these appointments later this year or early in 2012.

At last year's AGM it was also announced that both Jeremy Davis and Geoff Cosgriff intended to retire from the Board during their next term. I now confirm that Jeremy and Geoff will retire towards the end of calendar year 2011, most likely at the conclusion of our final scheduled Board meeting for the year on 6 December 2011. The retirement of Jeremy and Geoff will necessitate some changes to the membership of Board Committees, which will be announced at that time. Each of these directors has made significant contributions to both the Board and Transurban generally over a long period – Jeremy since 1997 and Geoff since 2000. On behalf of the Board I would like to thank both Jeremy and Geoff for their wise counsel and commitment. They have both steered and overseen an incredible Australian growth story in Transurban. They are exceptional directors who have served security holders well.

At last year's AGM I spoke about how we had seen the realisation of the corporate transformation we began in 2008. 2011 has clearly seen the consolidation of that transformation.

Transurban has delivered an excellent set of results for the 2011 financial year. These results are the outcome of a clear strategy and a determination from management and staff to deliver on that strategy.

Our strategy is straightforward – maximise the wedge of free cash available to security holders through operational excellence, tight cost control and disciplined investment.

With the continued execution of that strategy, we will see Transurban deliver growing and sustainable free cash flow. And we commit to deliver 100% of our free cash back to you as distributions.

By definition, with distributions aligned with free cash generation, this means the Board would need security holder support for any large-scale development or acquisition. We believe this is a good discipline as it requires Transurban to prove the value of any major growth initiative to security holders.

The skill is in the execution of the strategy. On that front, we have an outstanding management team and staff who – on a day to day basis – drive home the benefits of our world-class suite of assets.

We should not underestimate our tier-one suite of irreplaceable assets. Our Melbourne and Sydney footprints are the envy of all infrastructure investors. Every day, Australians living in these cities drive on our roads to get to work, deliver goods and – most importantly – get home. Our assets are at the core of these cities and communities they serve. They are a compelling value proposition as their utilisation continues to grow month to month and year on year.

They have also proven their resilience in difficult economic times. We do not rely on – nor are we materially affected by – cyclical events. These assets are poster children for a true defensive asset – but with the added benefit of growth potential.

Investors sometimes refer to our assets as "defensive plus" – and I believe CityLink – our largest asset – proves an incredible case study for just how 'plus' they can be.

In the year to 30 June 2011, CityLink grew traffic by 8.8%, with revenue growing by 12.8%. This is on the back of the significant works completed on the southern section of the road. Many of you may have driven on it to attend today's meeting.

On the chart behind me is a great example of the real value proposition we can deliver to our customers through upgrades and enhancements. The graph shows the throughput of the Domain Tunnel before, during and after the Southern Link upgrade. What it tells you is that post the construction period – the grey area of the chart – there is 20% greater throughput.

BUT, at the same time, commuters – due to the greater capacity of the road – have a much greater probability of a quicker journey. Before the upgrade, a commuter on this section of the road had an 18% chance of completing the trip in under 10 minutes. Post construction, that probability is now almost 70%. And that is despite the 20% greater volume of traffic.

Commuters quickly understand this trip-time information and it feeds directly into their decision to use the road on a more regular basis. They also talk about their better travel times to family and friends - which drives further patronage. This support contributes to the growth we are seeing on the road. This is an exceptional outcome – most importantly for our customers and, as a result, for you as our security holders.

With that example in mind, we are excited by the steady progression of our \$550M upgrade of Sydney's M2 motorway. This will bring significant congestion relief to the north-west Sydney corridor. Construction is progressing well – more than 35% complete as I stand here today – and is on track for an early 2013 completion. While we understand the impact to traffic the construction is having today – and we continue to make every effort to minimise disruption – we are confident the upgrade will have major benefits for our customers when completed.

The other element of potential growth in our Sydney portfolio is the M5 upgrade. It is regrettable that we have not been able to reach agreement with the New South Wales Government to date. It is imperative that Transurban receive an appropriate return for the risk taken in development activities. Without that, we will not proceed. Chris will speak further to this shortly.

While on the topic of our growth pipeline, it is worth touching on our major project in the US - our High Occupancy Toll "HOT" Lanes on the Capital Beltway, the ring road around Washington DC. Construction is now more than 75% complete and we are on track to finalise work at the end of 2012 with the first tolls in 2013.

The other HOT lanes project we are considering, the I-95 project, continues to be discussed with the Commonwealth of Virginia. Since we last met in this forum, the scope of the project has been revised and is currently in the environmental review process. At the completion of that process, we will have the opportunity to negotiate a potential agreement to develop the project. It is likely that negotiations will commence in the near future. While we are keen to reach an agreement on this project, we will only do so if it represents value for security holders.

These projects – the CityLink upgrade, M2, M5 and the HOT lanes - are a significant upside to our existing portfolio. They are robust investments and opportunities based on conservative assumptions. They add value to our business and, in time, will deliver greater free cash available for distribution.

Such an impressive pipeline of projects reinforces our positive outlook for the business over the coming years. But that is the future and, as excited as we are about the growth pipeline's potential, it is only possible due to the bedrock of free cash generated by our current assets.

With that in mind, I want to take a moment to talk to our current - outstanding - results. Looking to the 2011 financial year specifically, Transurban delivered 10% toll revenue growth for total revenue of \$966 million – an \$85 million increase on the prior year. Due to the exceptional work in regard to cost control, more than \$83 million of that increase went straight to the EBITDA line.

It is worth reflecting on this for a moment – \$85 million in revenue growth was only diluted by less than \$2 million in direct costs. This is an exceptional result and would not have been recreated in many businesses anywhere in the world.

For the 2011 financial year, our underlying proportional EBITDA – that is, earnings before interest, tax, depreciation and amortisation – increased by 13% to \$718 million on the back of the revenue growth and cost control.

It is the fourth consecutive year that we have reported a double digit percentage increase in our EBITDA which is an excellent result particularly when you consider the uncertain economic conditions in that time.

Our underlying free cash grew by 12.3% to \$390 million in financial year 2011.

Our distributions are based on free cash flow – less an allowance for maintenance expenditure – and, accordingly, we declared a total distribution of 27 cents for the year – a 12.5% increase on last year. This distribution outcome was marginally higher than our previous guidance to the market of 'at least' 26 cents.

The Board and management team have been working hard to ensure any commitments that are made to the market will – at a minimum – be met and hopefully exceeded. We take our commitments seriously and know that investor confidence is difficult to gain, but easy to lose.

It is in this context that the Board has provided distribution guidance for the 2012 financial year of at least 29 cents.

We believe this will continue the solid track record of distribution growth over the past three years and sets in train an expected sustainable growth profile for distributions in the years to come.

Your Chief Executive Officer Chris Lynch will take you through these results in more detail later in the meeting.

Remuneration

Let's now move to remuneration.

The Board approaches remuneration discussions with one clear objective in mind - to ensure we attract, retain and motivate the very BEST management team to drive maximum value creation for you as security holders.

We are intent on doing this in the most appropriate and fair manner possible.

We believe remuneration outcomes should proportionately reflect the value that is created for our security holders. And we believe management has a right to share in value creation that they deliver – as this aligns management performance with security holder goals.

With this in mind the Board puts in place the combination of fixed pay, short-term and long-term incentives that it believes will deliver the desired outcome for the business.

We came to last year's AGM with a remuneration framework that we believed matched the business' key drivers. It was a framework that had been updated and refined over a period of time. However, as has been well documented, the majority of security holders did not support it.

We analysed your feedback – your votes – and took action. Immediately following the AGM, the Remuneration Committee on behalf of the Board undertook a comprehensive review of the remuneration framework for senior executives and senior managers, with assistance from independent advisers Ernst & Young. Security holder feedback, market expectations and regulatory developments were all considered as part of the review. We debated and we listened.

The review led to the Board approving and implementing a new remuneration framework for senior executives and senior managers effective 1 July 2011.

What has changed? Under the new framework, Key Management Personnel:

- Have greater exposure to equity through a change in remuneration mix;
- Have 30% of their short term incentive now deferred (for 2 years) into securities, and that deferred element is subject to claw back; and
- Are no longer measured against proportional EBITDA for their long term incentives – it has been replaced by relative total shareholder return (using a bespoke comparator group) and growth in free cash flow per security.

It is the Board's hope that security holders take into account the Board's actions in implementing a new remuneration framework in their voting decisions today.

One of Transurban's key values is humility. The Board took last year's vote on remuneration very seriously, acknowledged further work was to be done, and undertook that work. We have made significant changes. It is my hope that we can now move forward on this issue with the confidence of your support.

I would like to take a moment to congratulate our CEO on his recent appointment to the Boards of Rio Tinto. We are very proud of what Chris has achieved at Transurban. Transurban is in an exceptionally healthy state and Chris has been a key architect and contributor.

It is because of his track record that we knew he would be in demand by others. We look forward to him experiencing and contributing first hand to the running of a business - by market capitalization – 20 times larger than ourselves – and bringing some of that experience back to our business. We believe it can have a very positive impact. Chris is a leader of great integrity and the Board is very confident that he will continue to absolutely focus on the needs of Transurban and its security holders into the future whilst he remains our CEO.

In closing today I would like to reflect on the following aspects of our business:

- a fourth straight year of double digit EBITDA growth;
- 12.5% distribution growth;
- distribution guidance of at least 29 cents for the 2012 financial year;
- a robust balance sheet with no immediate refinancing requirements;
- continued organic growth and continuing enhancement opportunities;
- ongoing cost management success;
- a continued capability to pursue value-accretive development and acquisition opportunities; and
- irreplaceable assets.

In a time of economic uncertainty, Transurban has materially outperformed the broader ASX 100 index over the past three years to the end of financial year 2011. It is worth highlighting this for a moment. Including the reinvestment of distributions, the one-year out-performance looks like this. When a three-year horizon is taken into account, Transurban's out-performance grows to beyond 40%. That is good. But what is great is that has been achieved, not with an eye to the immediate, but with a focus on the long term.

Your Board, management team and staff are about building long term value for you as security holders. We are about growing the wedge of free cash available for distributions through operational excellence, cost management and disciplined investment.

I believe Transurban has delivered on those commitments in the 2011 financial year and we are now focused on repeating – and bettering – that performance in 2012 and beyond.

I thank you for your continued support of Transurban. I would now like to hand over to our CEO, Chris Lynch, who will talk further about Transurban's outstanding performance over the past financial year before we move to the official business of the meeting.

Thank you.

CHRIS LYNCH

Thank you, Lindsay.

Transurban posted an outstanding result for financial year 2011. I am very proud of the work our highly-skilled team has produced. We, as security holders, can be confident about the solid status of our business amidst uncertain economic times. That is not to say the 'job is done' – far from it. We have much to do to continue to grow value.

But we go about that work with solid fundamentals in place.

These are fundamentals that have stood the test of time - operational excellence, an absolute focus on cost control and disciplined investment.

Easy to say – harder to do. Let's consider the practical implications of this strategy.

First - operational excellence. In short, this is about making our assets more attractive to current and potential customers. How do we improve travel times and reliability? How do we make it more valuable to people to pay a toll rather than travel on a free alternative?

There are many ways to 'skin this cat'.

Right across our operational team we have talented professionals looking at ways to improve our roads and the networks to which they contribute to provide a better product to our customers. From major widenings increasing capacity, to incremental improvements such as our freeway management systems, our team is allowing greater throughput on our roads while at the same time improving trip times and reliability. Success in this area - such as that highlighted by the Chairman earlier about CityLink – drives greater patronage as people see benefit for their toll expense. It delivers improved outcomes for our customers and better returns for you, our security holders.

Second, a focus on cost control. Over the past three years we have removed more than \$50 million of recurring costs out of the cost base of your business. Some of this was the proverbial 'low-hanging fruit' with the change in focus that the 2008 business review implemented, but the vast majority has been a result of old- fashioned hard work.

Our focus is not just on large expenditures. The attitude of cost control is now entrenched in our workplace. But like any good initiative, the work is never done and we shall continue to reinforce the process and outcomes.

Some examples of this discipline are renewed, improved contracts with our suppliers and a smaller, more focused workforce.

However, the most pleasing aspect of this reduction has been the cultural impact within the business. I now hear, on a day-to-day basis, deliberate conversations amongst staff about whether we really need to spend money on a particular cost. These conversations are now governed by clear parameters:

- Is the expense compulsory for safety or compliance?
- If not, will the expense generate a return for security holders?
- If not, why would we spend security holder money?

If the answer to the first two questions is not yes, it is rare that the third will get a positive hearing.

The third element of the strategy – disciplined investment – should be the most self evident. However, at times it is not black and white. Let me make one thing very clear - your Board and management team are VERY cognisant of the fact Transurban has an irreplaceable suite of assets in the markets in which we operate.

These assets have been skillfully developed and acquired over the life of Transurban. They are to be protected and – when value accretive – should be enhanced. That is our focus.

With that said, the bedrock of free cash that these assets generate will, from time to time, allow us to consider opportunities that create further value. The benefits of this value-based growth are multiple – greater free cash, additional average concession life and the benefits of increased critical mass are just a few.

But any considered growth – through enhancement, development or acquisition – will be considered through two key questions:

- Would our core skills add value to the asset, and
- Would the enhancement or target add value to our current portfolio.

The answer to both questions needs to be 'yes'.

Should we see an opportunity that we deem value accretive, it requires us to PROVE that business case to you as owners.

Due to the Board policy of distributing 100% of free cash, any material enhancement or acquisition requires Transurban to return to security holders for funding.

I like that discipline as a CEO and I like it as a security holder.

As the Chairman stated earlier, we believe this is a clear strategy in complicated times - operational excellence, a focus on cost control and disciplined investment.

Before discussing the detailed results of the financial year just gone, I want to spend a moment discussing Transurban's number one focus – safety.

Safety

Transurban is absolutely committed to providing both safe roads for our customers and a safe workplace for our employees. In our business setting - with both heavy construction and motorway operation – this is not about dollars and cents, but rather life and death. It is that simple. There are no excuses and no tolerance for poor performance.

This year I am pleased to report that we have made some significant progress on our safety goals.

As I reported at last year's AGM, Transurban achieved the AS4801 accreditation in October last year. This was an excellent achievement and we are now supporting this accreditation through ongoing focus and attention to detail in our safety systems.

We have continued to see large reductions in our LTIFR – that is, the Lost Time Injury Frequency Rate – across the operating business. FY11 saw a 68% reduction on the prior year. This was on the back of a 48% reduction in the previous year.

So, in summary, excellent improvements, but we must remain vigilant in all areas of our business.

Let's move to the financial results for FY11.

Financial year highlights

Transurban recorded an impressive result – a more than 12% increase in underlying free cash primarily generated through 10% toll revenue growth and continued success in cost management.

The 13% rise in our underlying proportional EBITDA was outstanding. It was our fourth successive year of double-digit growth and replicated FY10's 13% growth in this measure.

As a Group, we believe the EBITDA result gives investors a clear picture of our performance. Figures are compiled on a proportional basis – that is, the proportion of our equity ownership in each asset.

It should be noted that these results are a true year-on-year comparison. As many of you are aware, in February 2010 we handed back the M4 motorway to the NSW Government. On 10 August 2011, the Lane Cove Tunnel began to contribute to our portfolio. These results include contributions from each of those assets in their respective periods. It is worth taking a moment to reiterate the Chairman's comments made earlier. The business generated a 10% increase in revenue with only a 0.5% increase in direct costs. This is the result – as I spoke about earlier – of a range of initiatives right across the business.

Financing

In the current market environment, debt - and specifically access to competitive lines of credit – is quite rightly receiving a lot of attention. In this regard Transurban is well placed.

Over the past 12 months we have had outstanding success with our refinancing activities, with approximately \$2.5 billion in corporate and project facilities refinanced across the Group.

The slide behind me, taken from our full-year results presentation, highlights the debt refinanced over the past 12 months.

As you can see, it is a significant body of work.

Looking forward, in the immediate term we have the particular benefit of not needing to refinance any material debt facilities in FY12.

The true benefit of this work is the profile of our debt maturities in the coming years. Over the past three years, under the leadership of our CFO, Tom Honan, we have had a focused effort to extend and even out debt maturities across the portfolio.

This has been a very successful program. In a practical sense, this means Transurban – from a portfolio perspective – will not be held hostage to particular market issues on the timing of requirements to refinance a material tranche of debt.

CityLink

I would now like to speak to each of our assets in turn.

First, our largest asset in revenue terms – CityLink.

It is particularly pleasing to be able to speak about our largest asset – almost 50% of our revenues – as the star performer in our portfolio.

As many of our security holders, and Melbourne motorists, will be aware, last October we completed a major upgrade of the southern portion of CityLink - known to us as Southern Link and shown on the map behind me.

As a reminder, the upgrade added a lane in each direction on Southern Link and much improved access and egress points between the tunnels and Bolte Bridge. In addition to our work in those areas, the Victorian Government has added a lane in each direction to the West Gate Bridge and the Monash Freeway.

The headline numbers for 2011 are exceptional. Toll revenue for FY11 was up 12.8%, with EBITDA up by 16.4%. Over the full year traffic was up 8.8%.

We continue to track to the original business case for the upgrade. As previously communicated, the graph behind me illustrates the additional traffic growth we expect. The top line illustrates the traffic we anticipate following the upgrade, while the bottom line shows the expected traffic result had we not undertaken this work.

As you can see, the project significantly increases the road's capacity and we look forward to the flow-on effects in coming traffic figures. Overall, we expect the project to drive an additional 7% traffic growth on CityLink within five years of completion - over and above the growth that would have occurred if the project had not been undertaken.

We are on target to deliver the benefits originally forecast for this upgrade.

On a broader note, the map behind me reiterates what those of us Melburnians already know - Melbourne continues to grow at a rapid rate. All this growth – highlighted by the shaded areas of the map – is ultimately driving significant demand for our largest asset and we are in a good position to benefit from this.

Sydney

Let's move to Sydney. It is impossible to look at the map behind me and not reflect on the excellent footprint we have in Australia's largest city. These are roads at the heart of people and goods movement. They provide a compelling value proposition and continue to grow.

There are two headline acts in FY11 for our operations in Sydney.

First, the acquisition and successful integration of the Lane Cove Tunnel.

Second, the start of construction on the \$550 million upgrade of Hills M2 and the associated impacts across the northern section of the network.

Let's start with the Lane Cove Tunnel.

Lane Cove Tunnel

On 10 August 2010 we began to operate Lane Cove Tunnel. This is an excellent asset. However, like some other well-documented examples around Australia, it had been an economic failure for its previous owners due to over-optimistic initial traffic forecasts and capital expenditure that hung off those forecasts.

People often ask me why Transurban can make a go of the Lane Cove Tunnel when the previous owners failed.

The reality of our acquisition is that we bought it for approximately 30c in the dollar of its original capitalisation, which comprised initial construction costs plus unpaid debt and interest. In a practical sense this means we have rebased its capital cost and associated expectations on traffic and revenue.

Like all our investments, our assumptions on future traffic are conservative and, in our view, very achievable. Based on the revised lower capital cost of \$630 million, this will deliver an excellent outcome for Transurban security holders.

In addition to our realistic traffic forecasts, we have already delivered an outstanding result on costs. On day one of ownership we rebased operating costs, reducing them by 27%. This has driven an operating margin in the period to 30 June of over 66% and made the investment accretive on a cash-per-security basis.

Across the approximate 10 and a half months of ownership we have seen a little over 4% traffic growth punctuated by higher growth in the first half of that period and lower growth – a little under 3% – in the second due to construction on the M2.

You only get one 'day one' with acquisitions and I am comfortable that with Lane Cove Tunnel we hit the ground running.

M2

Let's move to the M2.

It was at the AGM last year we announced that we had reached agreement with the NSW Government to enhance this asset. A year later we are more than 35% complete. Construction is on track for completion in early 2013.

We are excited about what this project will bring to the commuters of north-western Sydney. This project includes a new lane in each direction, additional on and off ramps and improved bus lane facilities.

From a traffic perspective, we expect a 6% uplift by 2016 over the no-project case. Under our agreement with the Government, tolls on the M2 will increase by 7.7% once the project is complete, and the concession will be extended by four years to 2046. The combination of these elements drives an excellent return for our security holders.

There will be significant benefits to commuters as a result of this work. The additional lane in each direction, new on and off points and direct access to hubs such as Macquarie Park will result in more reliable travel times.

The downside in the short term is a heightened level of congestion on the corridor during construction. We continue to work with the NSW Government and other stakeholders to minimise the impact on commuters.

Ultimately, the best thing we can do is retain an absolute focus on execution of the construction work and ensure as speedy a completion as possible. I am comfortable our team remains focused on this outcome.

In FY11, Hills M2 was obviously severely impacted by construction. This was expected. For the financial year, M2 grew traffic by 0.3%. We expect further traffic impacts through to the end of construction.

It should also be noted that we are seeing an impact from M2 construction on the Lane Cove Tunnel and potentially on the M7. The chart behind me is our estimate of traffic flows on the M7, M2 and LCT corridor. As you can see, more than 30% of traffic on the M2 flows from the M7 and more than 50% of LCT traffic comes from the M2. With that as background, it is evident that any major impact to traffic flow on the M2 will have an impact on its neighbouring assets.

The upside is that the uplift in traffic on the M2 will also positively impact its neighbours once completed.

Let's move west to the M7.

Westlink M7

Westlink M7 continues to go from strength to strength. In the year to 30 June, the asset grew traffic by 6.2% with toll revenue growing by 8.6%.

This corridor continues to experience exceptional growth in residential and commercial usage. The M7 is both a beneficiary and a driver of this growth.

Construction and development activity around the M7 is set to triple current levels of developed property over the next few years.

We have every confidence we will continue to see excellent growth on this road for some time yet.

If we could move south to the M5.

M5

I said last year in this forum that the M5 was one of our assets which had reached maturity and capacity needed to increase if we were to continue to meet demand. That is still the case today and I am disappointed to be standing here without an agreement in place.

Together with our equity partners at Interlink Roads – the owner and manager of the M5 concession – we stand ready to get working on an enhancement project. We believe we can achieve results similar to those I described earlier on the M2. However, to date we have been unable to reach agreement with the NSW Government.

An independent review of the transaction material – commissioned by the NSW Government – has recently concluded. We look forward to engaging with the Government to make this project a reality.

In the meantime, however, the road remains heavily congested which is reflected by only 1.6% traffic growth in FY11.

M1 Eastern Distributor

The Eastern Distributor, which links Sydney's CBD with the southern suburbs and Sydney Airport, had an excellent financial result in FY11, where toll price increases were the primary drivers behind a 12% increase in revenue.

This corridor is largely constrained and we expect continued moderate growth from a traffic perspective. This was reflected in traffic growth for the year of 2.5%.

Let's move to our US assets.

Pocahontas 895

Pocahontas 895 - our smallest asset by revenue - returned to positive traffic growth following the economic downturn in the Richmond area. Traffic grew on the road by 1.8% with revenue growth of 2.4%. In January 2011 we opened a 1.6 kilometre extension of the road connecting it with the Richmond International Airport. This was completed ahead of schedule and under budget with an exemplary safety record. A great effort by the project team.

Capital Beltway project update

Moving to our major investment in the United States, the Capital Beltway High Occupancy Toll lanes – or HOT lanes – on a section of the ring road around Washington DC.

We are now more than 75% through construction. Work is due to finish towards the end of 2012, with the first tolls in early 2013.

We remain very excited about prospects for this project. As a reminder, this is an innovative concept. Tolls on the Capital Beltway HOT lanes will vary according to the level of demand. Motorists, when approaching the Beltway, will make a decision - take the free lanes and risk congestion and slow travel times, or choose the tolled lanes and be guaranteed travel of at least 45 miles per hour. This is a corridor chronically congested. The greater the demand for our lanes, the higher the toll. In effect, we will – on an ongoing basis – keep solving the toll for the market clearing price.

In the past six months the Board and management completed a major review of the project. The result was that we remain comfortable with the traffic and operating assumptions that underpinned the original investment in 2007. Unfortunately, credit conditions have deteriorated since then, impacting expected project returns. With that said, however, the project remains value accretive to Transurban and we look forward to its opening in late 2012 or early 2013.

The other HOT lanes project that we are exploring in Virginia is the I-95. The project is nearing the end of its environmental assessment, and we look forward to discussing its ultimate feasibility with the Virginia government. We are keen to proceed, but only if the reward reflects the project risks.

Pipeline of projects

So that is our portfolio, where we are today and where we want to go. What does it all mean for your investment?

Many of you will have seen the chart behind me. I think it is critical to understand the impact of inherent growth within our current portfolio and also the impact of the growth projects in train.

I would like to add three lines to the chart behind me.

The first element of growth to understand in our portfolio is the natural growth inherent in our assets. The gradient of revenue growth, without acquiring anything or completing any upgrades, would look something like this. Pretty good.

However, we can do better. And the first element of improvement has been executed in FY11 – the acquisition of the Lane Cove Tunnel and completion of the CityLink upgrade. With those two projects in place we have changed the gradient of revenue growth within the business. It now looks something like this.

Finally, the third line is the revenue growth inherent in the final three planks of the current growth agenda. With the completion of the M2 upgrade and the Capital Beltway HOT lanes, and with a possible agreement on the M5, revenue growth moves to this gradient.

When this revenue growth is applied to a cost base that is targeted to be nominally flat in the medium term on our existing assets, you begin to get a picture of the potential to grow the wedge of free cash within this business. In a nutshell, that is our business plan and strategy. It is achievable but relies primarily on the execution of these projects and continued focus on operational excellence and cost control.

With it comes growing distributions. We have every faith that we can continue the trend over the last three years into the future. A first step in that trend is delivering - at least – 29 cents per security in FY12.

This is a real return to security holders based on cash generated in the business.

A business built on outstanding assets, a robust balance sheet and growing revenues.

Closing

In summary I want to thank our team for their outstanding work over the past 12 months. These are exceptional results which, as the Chairman pointed out earlier, have allowed the business to materially outperform the market in that time. But, better than that, the fundamentals driving that performance are set to deliver longer term value creation.

This is a solid business, with very attractive fundamentals.

We look forward to building on these results in FY12 and beyond.

I would now like to hand back to the Chairman to complete the formal part of today's proceedings.