

asx release

30 May 2013

F3-M2 Project into Stage 3

Transurban today welcomed the NSW Government's announcement (attached) to progress the F3-M2 proposal into Stage 3 of the NSW Government unsolicited proposal assessment process.

As part of this agreement Transurban and the Westlink M7 shareholders have identified and agreed the funding sources for the F3-M2 project.

These funding sources are agreed against an assumed capital cost. In Stage 3 of the process, Transurban, its partners and the NSW Government will work together to procure the design and construction (D&C) price for construction of the F3-M2 project. If the price is at or below the assumed capital cost the project is likely to proceed. The final funding sources will therefore be a function of the D&C price.

While the NSW Government's announcement does not commit the parties to a project, Transurban welcomes the opportunity to work with its partners and the NSW Government to progress the F3-M2 through the next stage of development.

The project (to which the NSW and Federal Governments will jointly contribute up to \$800 million directly) will comprise tunnels under Pennant Hills Road, connecting the F3 Freeway at Wahroonga to the M2 Motorway at West Pennant Hills/Carlingford.



"This project would add significant value to Sydney's northern corridor and the city more generally. Should the construction industry be able to deliver this project for a target cost of \$2.65 billion, it is highly likely the project will proceed. This would be a great outcome for commuters, freight and residents along this corridor," said Transurban's Chief Executive Officer, Scott Charlton.

Classification

Public

Transurban Group

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“Transurban and the Westlink M7 shareholders, in partnership with the NSW Government, have achieved a good balance between excellent commuter outcomes, a fair risk allocation between the private and public sectors, and a suitable forecast return on their investment”.

“We now look forward to working with the NSW Government to commence the procurement and planning approval process.”

Full details of the proposed transaction will not be available until financial close, targeted for mid to late calendar year 2014, however the following provides guidance:

Project funding

- Westlink M7 – concession extension, truck toll multiplier increase (to be gradually implemented from financial close). There will be no M7 car toll increases above current concession arrangements.
- F3-M2 – concession arrangements designed to align with M2 on concession length, car and truck toll prices.

Potential ancillary funding

- M2/LCT – concession extensions, LCT truck toll multiplier increase (to be gradually implemented from financial close). There will be no M2 or LCT car toll increases above current concession arrangements.

Project cost and timing

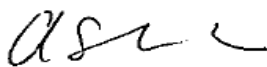
- A parallel environmental assessment and contractor procurement process will be undertaken in Stage 3.
- Should the construction industry be able to deliver this project for a target cost of \$2.65 billion, it is highly likely the project will proceed.
- The preferred contractor is to be selected through a competitive procurement process with binding offers by contractors expected by November 2013 and selection of a preferred contractor in first quarter of calendar year 2014.
- Financial close is targeted for mid to late calendar year 2014.

Ownership and project financing

- Transurban's capital commitments for its current development projects, the M2 upgrade, M5 widening and the I-95, can be funded within existing balance sheet capacity.
- F3-M2 ownership will be as per Westlink M7 (Transurban 50%).
- At this stage Transurban does not expect an equity raising will be required to fund the proposed transaction.
- Transurban's capital commitment to the project is expected to be initially funded at the parent level and contributed to the project over the four year construction period.
- Non-recourse debt is intended to be raised in the F3-M2 asset after construction completion.
- As part of this transaction the M7 will be granted future re-gearing rights.
- The F3-M2 and M7 gearing rights noted above will provide the ability to deploy an additional \$1.5 billion of debt across both the M7 and F3-M2 project at the discretion of the owners, subject to certain criteria to be agreed with the NSW Government.

Transurban investment proposition

- Distribution guidance for FY13 remains unchanged.
- FY14 distribution guidance to be provided in August 2013 will not be affected by this announcement.
- The funding of the transaction (mainly brownfield funding sources with approximately 30% greenfield) is consistent with guidance provided previously. The majority of the project returns are generated from the concession extensions and truck toll increases.
- Transurban continues to target a growing distribution profile.



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Barry O'Farrell MP

Premier of NSW

Minister for Western Sydney

MEDIA RELEASE

Thursday 30 May 2013

F3-M2 UNSOLICITED PROPOSAL MOVES TO STAGE 3

NSW Premier Barry O'Farrell and Minister for Roads Duncan Gay today announced the proposed motorway linking the F3 with the M2 had progressed to Stage 3 under the NSW Government's unsolicited proposals assessment process.

The NSW Government received the unsolicited proposal from private motorway operator Transurban and the Westlink M7 shareholders last year, to construct the 8 kilometre link along the Pennant Hills Road corridor.

A cross-agency committee has been working closely with Transurban and the Westlink M7 shareholders to develop and assess the proposal. The committee includes representatives of the Department of Premier and Cabinet, NSW Treasury, Transport for NSW, Infrastructure NSW and Roads and Maritime Services.

Cabinet Infrastructure Committee has approved the progression of the unsolicited proposal from Stage 2 to Stage 3 under the assessment process, with a view to entering a binding agreement next year with the proponents to deliver the project, as long as it represents value for the public.

"This is an important missing link in Sydney's motorway network – it has the potential to cut 15 minutes from travel times in each direction and remove thousands of trucks from Pennant Hills Road," Mr O'Farrell said.

Mr Gay said the proposed link would be jointly-funded by Transurban and the Westlink M7 shareholders, the NSW Government and Federal Government and include tolls. It's expected the link would cost up to \$2.65 billion.

"The F3-M2 link would provide a continuous motorway between Western and South Western Sydney and the Central Coast and Hunter," Mr Gay said.

"We have been working closely with the private sector to progress this new motorway project, to reduce congestion on Sydney's roads and provide better and more efficient movement of freight across the State."

Stage 3 will include:

- RMS/Transport for NSW working with the proponents to commence community consultation, with exhibition of an environmental impact statement and lodgement of an application for environmental and planning approval.
- The proponents working with a Government team to undertake a competitive tender to select a design and construction contractor.

The NSW Government will seek to negotiate a final binding offer with the proponents before making a final decision on whether to accept the proposal.

Unsolicited Proposals Process

Stage 1 – Initial submission and strategic assessment: a comprehensive initial assessment of the proposal to identify the potential benefit to government of further consideration and development with the proponent. The outcome is advice to the proponent of progression to Stage 2, or that the government does not wish to proceed.

Stage 2 – Detailed proposal: requires the proponent and government to work cooperatively in the development and assessment of a detailed proposal. The outcome is advice to the proponent of progression to Stage 3, or that the government does not wish to proceed.

Stage 3 – Negotiation of final binding offer: involves the finalisation of all outstanding issues with a view to entering into a binding agreement, if the government decides to accept the final offer.

Full details can be found at: <http://www.nsw.gov.au/unsolicitedproposals>

ENDS

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