

2 February 2015

Financial Close on the NorthConnex Project in NSW

Transurban, along with its partners in the Westlink M7, announces financial close on the NorthConnex project in Sydney, NSW. This represents the culmination of a process initiated and led by Transurban that began with the submission of an unsolicited proposal to the NSW Government in March 2012.

Key project details remain consistent with the in-principle agreement announced in May 2013, when the project progressed into Stage 3 of the unsolicited proposal assessment process.

NorthConnex project construction and capital cost

The NorthConnex project includes the following construction and capital costs:

- Nine kilometre tolled twin tunnels connecting the southern end of the M1 Pacific Highway at Wahroonga to the Hills M2 Motorway at the Pennant Hills Road interchange;
- Total project cost of approximately \$2.9 billion, which includes a fixed price Design and Construction contract to be delivered by a Lend Lease / Bouygues Construction joint venture, together with development, planning, approvals, and financing costs;
- Combined Federal and NSW Government contribution of circa \$800 million;
- Construction will commence early in 2015 and is expected to be complete by the end of 2019; and
- M7 and NorthConnex to be wholly owned by the umbrella entity known as North West Roads Group. Transurban will own 50% of the North West Roads Group.

NorthConnex project financial returns

The NorthConnex project will deliver financial returns principally through the following sources:

- Toll revenue derived from the NorthConnex tunnel through a concession agreement until 2048, governed by pricing that is aligned with the Hills M2 main toll point (currently cars \$6.36 and trucks \$19.06) and quarterly escalation of CPI or one percent (whichever is greater); and
- M7 concession adjustments comprising a concession extension to June 2048 (11.4 years) and an increase in the truck toll multiplier to three times the rate for cars (currently parity with cars) commencing in early February 2015. The truck toll multiplier increase will be phased in over a two year period in nine equal increments.

North West Roads Group financing (M7 and NorthConnex)

- North West Roads Group has been granted rights to deploy an additional \$1.5 billion of new debt across both projects at the discretion of the owners and subject to certain criteria agreed with the NSW Government.
- Transurban's funding requirement of \$1.05 billion (which is 50% of project funding requirements after Government contribution) for the project will be progressively drawn from available capacity from its corporate balance sheet over the construction period.

M2 widening and additional funding (100% Transurban)

- Separately, Transurban has agreed to provide the following:
 - \$105 million in additional upgrade works to the M2 to integrate the NorthConnex project, providing 3.5 kilometres of additional lane (westbound only) from the merge point of the M2 and NorthConnex to Windsor Rd. These works will be delivered by a Lend Lease / Bouygues Construction joint venture under a fixed price contract. The two-year construction period for these works is expected to commence in late 2015; and
 - \$200 million payment to the NSW Government which the NSW Government will reinvest in the project.
- In return, Transurban will receive:
 - An increase in the truck toll multiplier on Lane Cove Tunnel to three times cars (currently twice the car toll). The truck toll multiplier increase will be phased in over a two-year period in nine equal increments commencing in early February 2015;
 - An extension of the M2 concession to June 2048 (2.1 years);
 - An extension of the Lane Cove Tunnel concession to June 2048 (11.5 years); and
 - Lane Cove Tunnel quarterly escalation rate for trucks to move to the greater of CPI or one percent (currently CPI) after the higher truck multiplier has been phased in.

Transurban Chief Executive Officer, Scott Charlton, said; "The NorthConnex project is a prime example of how the public and private sectors can work together collaboratively to deliver major transport infrastructure."

"This project has been accelerated by a decade, delivering clear benefits to the residents of Sydney well in advance of the timelines previously estimated for this project," Mr Charlton said.

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“When completed, NorthConnex will take up to 5,000 trucks a day off Pennant Hills Road and improve air quality along this road by up to 38 per cent, according to predictions under air quality modelling. Removing heavy vehicles on Pennant Hills Road is expected to reduce the accident rate by up to five times.”

“The NorthConnex tunnel will be flatter, wider and higher than other similar tunnels in Sydney thereby minimising incidents in the tunnel and improving air quality generally. Trucks using the NorthConnex tunnel instead of the current route of Pennant Hills Road will produce 80% fewer emissions as a result of the design, lack of congestion and the elimination of stop-starting at traffic lights.”

The media statement issued by the NSW Government regarding the project is attached to this release.



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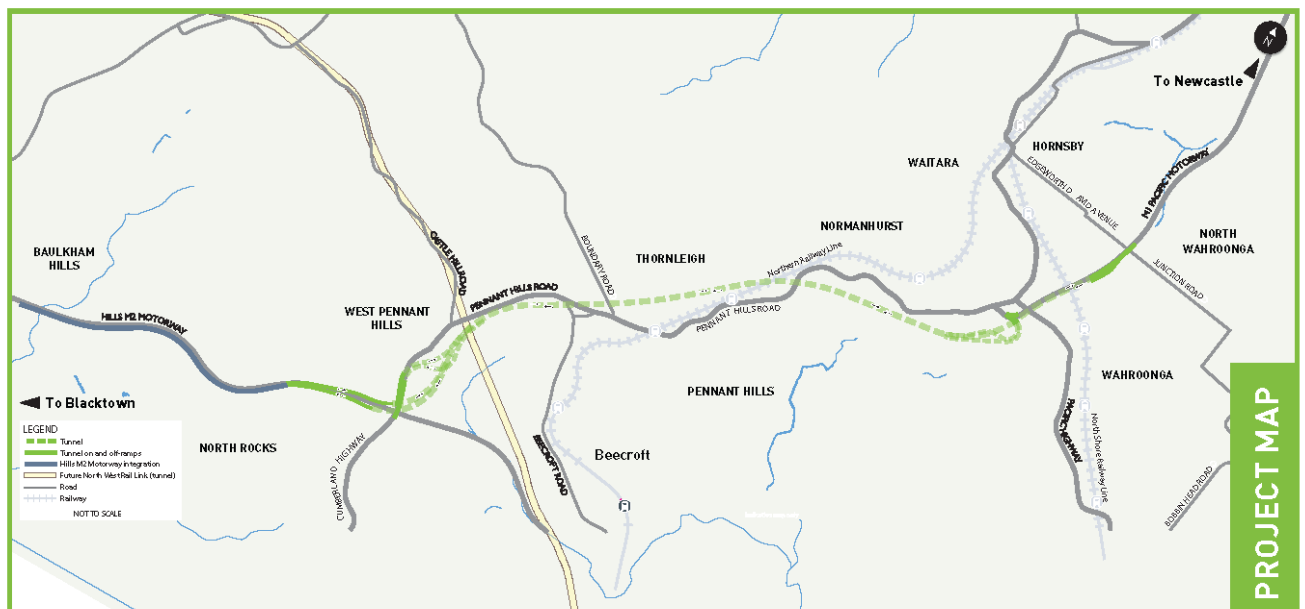
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APPENDIX 1

Project maps



Classification

Public

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NorthConnex tunnel concession and tolling arrangements

- Approximately 29-year concession to June 2048.
- Toll prices and escalation aligned to the Hills M2 main toll point.

Project benefits

- Reduced traffic congestion, with up to 5000 trucks per day taken off Pennant Hills Road.
- Up to 15 minutes travel time savings by allowing motorists to avoid stop-start arterial roads.
- More reliable trip with up to 21 traffic lights bypassed.
- Reduced heavy vehicle traffic and noise in local communities through regulatory measures which will be in place on the surrounding road networks.
- More efficient movement of state and national freight.
- Opportunity for improved public transport.
- Potential for better integration with the regional transport network.

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Jamie Briggs

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Federal Member for Mayo



Duncan Gay

NSW Minister for Roads and Freight
Leader of the Government
Legislative Council

Joint Media Statement

2 February 2015

DEAL DONE: NORTHCONNEX FINANCIAL CLOSE

Federal Assistant Infrastructure Minister Jamie Briggs and NSW Roads Minister Duncan Gay today announced contracts had been signed to close the deal on the \$3 billion NorthConnex project.

The contracts were signed on the weekend between the proponents Transurban and Westlink M7 shareholders and the NSW Government.

Mr Briggs said the signing marks the final milestone before the start of work later this month on the twin nine kilometre tolled tunnels under Pennant Hills Road.

“The Australian and New South Governments are getting on with delivering world class infrastructure to grow the NSW economy and create thousands of new jobs,” Mr Briggs said.

“NorthConnex will link the M1 Pacific Motorway at Wahroonga to the Hills M2 Motorway at the Pennant Hills Road interchange at West Pennant Hills.

“The project will deliver real benefits for Sydney by easing traffic congestion, particularly along Pennant Hills Road, enabling commuters and freight trucks to bypass up to 21 traffic lights and reduce travel time by up to 15 minutes.

“NorthConnex will also reduce the number of heavy vehicles travelling along Pennant Hills Road by more than 5000 trucks per day.

“It will also provide an alternative route to the Pacific Highway which has 40 sets of traffic lights,” Mr Briggs said.

“This is a great day for Sydney. The project has now cleared the final stage of the unsolicited bid process which began in 2012 and is the first major infrastructure in NSW to be approved under the unsolicited proposal process put in place by this government,” Mr Gay said.

“It follows planning approval granted by the NSW Planning Minister last month including unprecedented air quality safeguards for any road project in this state.

“This is about building for our city’s future. NorthConnex will deliver a missing link that will provide benefits for the whole motorway network, ensuring that as Sydney’s population keeps growing, the M2, Lane Cove Tunnel and M7 don’t grind to a halt.

“NorthConnex provides a continuous motorway-grade road from Newcastle and the Central Coast to Western Sydney and Canberra. It also means journeys between Sydney’s CBD and the regions north of Sydney are linked by motorway.

“This is a project that has been on the drawing board for far too long – it can’t come soon enough for motorists using Pennant Hills Road and the communities who live along it.

“I’m delighted through this process we’ve been able to deliver an outcome that demonstrates innovation, value for taxpayers and is environmentally responsible,” Mr Gay said.

In March 2012, the NSW Government received the unsolicited proposal for the project. On 30 May 2013, the NSW Government announced it had progressed to Stage 3 of the unsolicited proposal process, which would include a competitive tender to select a design and construction contractor which was announced in March 2014.

The \$3 billion project, consisting of a construction budget of \$2.65 billion in addition to land and project delivery costs, will be funded through toll charges, a contribution from the NSW and Australian Governments of up to \$405 million each and previously outlined concession extensions on the M2/Lane Cove Tunnel and M7 and truck toll changes on the Lane Cove Tunnel and M7.

As part of the project, there will also be a \$105 million upgrade to the M2 including an additional 3.5 kilometre westbound lane from the merge point of the M2 and NorthConnex to Windsor Rd.

Under the unsolicited bid process a cross-agency committee worked to assess and develop the proposal including representatives of the Department of Premier and Cabinet, NSW Treasury, Transport for NSW, Infrastructure NSW and Roads and Maritime Services.

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