

asx release

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Address by Chairman Lindsay Maxsted and Chief Executive Officer Scott Charlton

Transurban 2014 Annual General Meeting

Thursday 9 October 2014

Please see the attached address to be delivered by the Chairman and the Chief Executive Officer to security holders at this morning's Annual General Meeting.



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Classification

Public

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CHAIRMAN'S ADDRESS

LINDSAY MAXSTED

Good morning ladies and gentlemen, and welcome to the 2014 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.

I ask you to take the time to familiarise yourself with the exits in the rooms.

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

We have a signer for the hearing impaired with us today. Can I ask if we have any people who are hearing-impaired in the audience today?

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 would now like to introduce the Directors and our Company Secretary. On my right are our Chief Executive Officer Scott Charlton, our Company Secretary Amanda Street and directors Neil Chatfield and Bob Edgar. On my left are directors Sam Mostyn, Rodney Slater, Christine O'Reilly and Ian Smith.

The 2014 financial year has been a significant year for Transurban marked by another strong financial performance and substantial development and enhancement of our network positions.

We have a clearly articulated strategy to be the road infrastructure partner of choice, providing effective and innovative urban transport solutions for the cities that our networks serve. We do this through the efficient management of our existing road networks, active involvement in transport policy and debate, and the application of our core skills to the infrastructure challenges in our markets. This is delivering clear benefits across all aspects of Transurban's performance.

Reinforcement of the strategy was demonstrated by the headline financial results for the 2014 financial year, which included increases across key earnings metrics for the business. In particular, average daily traffic across the Australian networks increased 6%, proportional toll revenue rose 12.6% to \$1.1 billion and proportional EBITDA increased 12.8% to \$934 million. This contributed to growth in free cash, which rose 29% to \$572 million compared to the previous financial year.

On a statutory basis EBITDA increased 12.2% for the period to \$758 million, and net profit increased 44.5% to \$252 million.

The financial performance enabled distributions of 35 cents per security for FY14 to be paid to security holders. The Board has also confirmed distribution guidance of 39 cents per security for the 2015 financial year.

We recognise that distribution growth is a central feature of Transurban's investment proposition, which is reinforced by the fact that the distribution guidance of 39 cents in the current financial year represents 10% compound annual growth in distributions since the 2009 financial year, and year on year growth of approximately 11.5%.

In addition to the headline financial metrics, Transurban's strong performance in the 2014 financial year was evidenced by the success the business has had in enhancing its networks from an operational and development perspective.

The acquisition of a 62.5% stake in Queensland Motorways alongside our partners was the most significant addition to the portfolio, and the culmination of more than 18 months' work

by the Board and management in assessing that opportunity. This has added another high-quality urban road network on the eastern seaboard of Australia, to the group's existing networks in Sydney, Melbourne and Northern Virginia. Transurban is now operating the network on behalf of the owners and we believe our role as an owner operator will play to our strengths.

Our new Brisbane network includes four operating assets – the well-established Gateway and Logan motorways and the inner-city Clem7 tunnel and Go Between Bridge. A fifth asset, Legacy Way, which is a twin 4.6km tunnel connecting to the CBD of Brisbane, is near completion and expected to open in the first half of calendar year 2015.

The demographic attributes underpinning the Brisbane market are attractive, and support our view of healthy growth in that market for the foreseeable future. In addition, we expect to engage with Government over time to explore opportunities for further development of the Queensland network.

The total purchase price for Queensland Motorways was \$6.67bn with stamp duty of around \$380 million. As a part of the funding we undertook a \$2.74 billion equity raising, comprising of a \$2.34 billion fully underwritten renounceable rights offer and a \$400 million placement to our partners. We thank you for the strong support we received for that capital raising, which represented an excellent outcome for the business and security holders.

Transurban's balance sheet is on a strong footing following that capital raising and we are very well positioned as a business to fund our existing pipeline of development projects, including the NorthConnex project in Sydney and the CityLink-Tulla widening in Melbourne

Transurban's development pipeline is looking very healthy, with attractive opportunities in each of our core markets at various stages of negotiation with our Government partners. The Board along with the management team continue to evolve our strategy, with the clear objective of enhancing the efficiency and effectiveness of our networks.

Now I would like to take you through each of our markets in turn to provide an overview of the key activities we have under way or recently completed.

In Sydney we are progressing through the final planning approval stage on the NorthConnex project and expect to reach financial close by the end of this calendar year. This 9km tunnel

linking the Hills M2 and the Pacific Motorway will significantly enhance the amenity for motorists in the northern corridor. This project is a prime example of the kind of benefits that can be delivered through effective partnering between the public and private sector, and is the first road project that is set to be delivered under the NSW unsolicited proposal framework.

We have agreed a funding mix for the project with the Westlink M7 shareholders, which includes user-pays tolling on the new tunnel as well as changes to the concessions on the adjacent M7, M2 and Lane Cove Tunnel.

Our other development activities on the Sydney orbital network include the enhancement of key corridors in the north-west with the M2 upgrade and south west with the M5 widening. The M2 upgrade completed in August 2013 and has delivered considerable time savings to road users in that corridor. Traffic has substantially increased across the M2 and adjoining M7 and Lane Cove Tunnel following the M2 widening.

We are now more than 90% through the M5 widening project and starting to make the new capacity available to motorists through progressive lane openings. By the end of this month the motorists in the south-western corridor of Sydney will have the benefit of one new lane in a westerly direction, with the additional eastbound capacity set to open in December.

We also added to our footprint around the Eastern Distributor with the acquisition of the Cross City Tunnel during the period. We acquired that asset for approximately \$475 million excluding stamp duty, after it was placed in receivership. Cross City Tunnel connects to the Eastern Distributor and provides the opportunity for us to develop synergies on this component of the Sydney network. We are now working to integrate the operations of this asset into our business. While we don't have expectations for strong traffic growth, there is a clear strategic benefit in owning this piece of the network.

Turning now to Melbourne. Our development activities on the Melbourne network are equally as significant, having reached final binding agreement with the Victorian Government earlier this week for a project to widen portions of CityLink. This is a major upgrade to the western section of CityLink, the Bolte Bridge-West Gate Freeway interchange and the Tullamarine Freeway. It also addresses the interface between the first stage of the Victorian Government's East West Link project and CityLink.

Weekday traffic has more than doubled since 2000 on this section of CityLink, which has led to significant congestion points for city-bound traffic on the Bolte Bridge and West Gate interchange and this additional capacity will improve travel time reliability for the currently 150,000 vehicles that use Western Link every day.

The project is another excellent example of how we have been able to partner with Government on a major project that will enhance the network. The \$850 million upgrade will add extra lanes to CityLink's western end, increasing capacity by 30%, and also see the installation of an electronic freeway management system to enhance safety and minimise traffic incidents and improve traffic flow.

Transurban is fully funding the upgrade and the value from our investment is coming from a mix of a concession extension, tolling increases as well as the additional patronage on the road from the expanded capacity. We are expecting to start construction in the second half of 2015, with the more significant activity to commence in October 2015. This timing is to coincide with construction on East West Link to minimise disruption for motorists.

Our activities in the Victorian business demonstrate that we are focused on a lot more than major development projects to improve the operation of our networks. We have continued to drive efficiencies through our operations and these are delivering improvements on and off the road.

A key example is our acquisition of TransLink Operations, which manages the traffic control room and other on-road functions for CityLink. We are now providing these activities in-house, enhancing our oversight and asset management capability. Scott Charlton, our CEO, will talk about our operations in more detail and the benefits these developments are bringing to the networks more generally when he addresses you shortly.

Turning to our US network in Northern Virginia, which is poised to enter an exciting phase with the opening of our second Express Lanes project later this year on the I-95. The 95 Express Lanes will connect to the 495 Express Lanes project, which has been operating for nearly two years now, forming a 71-kilometre free-flowing regional transportation network serving the US capital and its suburbs.

We will leverage the key operations and systems in place on 495 by implementing an integrated operating model across both Express Lanes projects.

After a slow start on the 495 Express Lanes following its opening in late 2012, we recapitalised the project earlier this year and put that project on a stable footing. The capital restructure was completed in June and included an equity investment of \$280 million and the release of \$150 million of existing finance reserves.

The recapitalisation, coupled with our acquisition of the contractor's 10% interest, resulted in our proportional ownership increasing from 67.5% to 94%. The acquisition also increased our ownership interest in the 95 Express Lanes to 77.5%.

Pleasingly, over the period we observed the revenue profile of the 495 Express Lanes develop, with revenue and traffic continuing to grow. With the recapitalisation completed and traffic numbers trending up, the project is well positioned going forward.

We are now focused on a smooth opening for the 95 Express Lanes and ensuring that both projects move through their ramp-up phases as expected.

I would like to turn to sustainability, which is an important aspect informing how we do business.

Today we have launched our 2014 Sustainability Report, which provides an overview of Transurban's performance over the past year. The full report is on Transurban's website, while a summary brochure, highlighting our key activities, is available in the foyer.

Our work in this area has focused on the three key themes that underpin our sustainability strategy – be good neighbours, use less and think long term.

In FY14, we have made some great progress under these themes. We achieved our goal to develop and implement our Community Investment Strategy, which resulted in the launch of our first community grants program in Australia. We also embraced a new approach to investing in our road corridors, which will see us rejuvenate some of this land in our corridors to benefit the communities we exist alongside.

These are just two of the many projects on our sustainability agenda, which clearly aligns with our business vision to “strengthen communities through transport”.

All of our activity, of course, is against a background of renewed Government interest, at Federal and State levels, in the provision of infrastructure. This change of emphasis by Governments is to be commended. Transurban has always believed, and now we have some very specific examples in NSW, Victoria and the US, that through public/private partnerships we can deliver key road infrastructure for the benefit of our investors and our communities, without placing undue burden on the public purse.

Given the size of our major Australian cities and their expected growth over the mid-term, we believe the future holds many opportunities for us to partner with government to deliver further road infrastructure.

To put that into perspective, if Australia’s two largest cities, Sydney and Melbourne, were in the United States they would be approaching the top ten in terms of population size. These cities are also expected to grow significantly over the coming years, with Melbourne’s population forecasted to almost double to 7.7 million by 2051 and Sydney’s to grow by 50% to 7.05 million by 2046 - making effective collaboration between the private and public sectors absolutely essential. Scott Charlton will enlarge upon this point in a moment.

Finally, financial year 2014 has been a busy and exciting time for Transurban and we have a full and demanding year ahead of us as we continue to integrate our new assets into our business and focus on the efficient operation of our existing networks to ensure we are delivering the best outcomes for our clients, customers and you, our investors. We also look forward to progressing our projects and seeing the end results and value that those projects ultimately bring to our portfolio.

We are also welcoming two new members to the Executive team. Adam Watson has been appointed to the role of Chief Financial Officer. Adam was most recently Executive Strategy & Chief Financial Officer at Melbourne Airport. We have also appointed a new Group General Manager for Strategy. Michele Huey joins us from her most recent position as Group Head of Procurement and Group Head of Transformation at Lend Lease. We are confident Adam and Michele will further strengthen the broader capabilities of our Executive Committee.

On behalf of the Board, I would like to thank our Executive team and all our employees for their hard work and dedication through what has been an extremely busy year, which has been marked not only by consistently excellent results but by achieving significant milestones for our business.

And most importantly, thank you for your ongoing support of Transurban. I would now like to hand over to Scott before we move to the official business of the meeting.

CHIEF EXECUTIVE OFFICER'S ADDRESS

SCOTT CHARLTON

Thank you Lindsay.

What a great year for our company and the financial results provide strong evidence of how well we are positioned.

Our four networks form a unique business footprint and present opportunities for continued efficiencies driving immediate returns, as well as longer-term developments that will drive even further value.

It is an exciting time to be in transport infrastructure. We are in a cycle where governments are seeking to address a backlog of infrastructure projects, many of which are transport related and in our geographies.

It's also a time of great advances in technology, creating new ways for us to operate and manage our networks and help shape policy to increase performance.

You are going to hear me talk about infrastructure policy including concepts such as user pays, network pricing and dynamic pricing, to mention a few.

I am also going to talk about technology, efficient operations and driving networks harder - and not just our networks. To get the best out of our networks we need to consider the wider networks, including public transport.

These are comments you may have heard us say in the media or at industry forums, and you may question - why not just focus on our existing business model and leave these wider issues to others?

It's a fair question, but the reasons we participate are twofold.

Firstly, we, and I mean collectively the Board, management and employees, are passionate about transport infrastructure and the cities where we live.

Secondly, and most importantly, change is inevitable both in technology and policy, and we believe it is paramount to help shape the future to protect our existing investments and create further opportunities.

The changes will take a take a decade to evolve but we do not intend to be passive about the future of our company. We seek to influence and shape our destiny.

So, with that being said, our success, in terms of generating increasing returns to security holders, is built upon aligning our interest with our government partners and the communities we serve. And, as our achievements this year have again shown, we are well placed.

Just last month we published a discussion paper, which examined the scope of opportunities that come from the public and private sector working together where they share the same vision and objectives.

As a large-scale operator we are able to deliver more sophisticated and broader solutions that take into account policy directions, transport development plans and network operations to deliver value over the entire lifecycle of our infrastructure.

Transport is complex. Solutions come from being innovative, whether it relates to operations, technology, policy or developments.

We have established core capabilities and intellectual property in each of these areas that uniquely position us with our partners to tackle today's transport challenges and, importantly, those into the future.

I would like to take you through each of these areas to outline what we have been doing to better manage our road networks, again as I stated to drive value and create further opportunities.

Looking firstly to network operations. Best-practice is central to our business. We continue to enhance our state-of-the-art systems to ensure safety, optimise traffic flow and maximize returns.

The outcomes for our customers are tangible. For instance the safety data we publish clearly shows that incidents have been significantly lower on our roads relative to the broader

networks. The injury crash rate per 100 million vehicle kilometres travelled is approximately 70% below comparable state averages.

The breadth of our operations encourages an increased focus on preventative safety and incident response. As you know, an incident on one part of the road has repercussions across the entire network impacting customer satisfaction and throughput.

Our incident response and clearance times are well below those on the broader networks and we are developing greater predictive capabilities, with a focus on improving lane availability particularly through critical peak periods.

Part of this stems from simple tasks such as isolating areas and identifying conditions that produce more frequent incidents and taking preventative measures wherever possible - and, secondly, ensuring that response vehicles are in close proximity during these conditions.

And as the chairman noted we are taking greater control of direct operations and management of maintenance to ensure a more holistic outcome and this is already producing better results.

This brings me to technology and the opportunities that innovation in this area presents. CityLink, since inception, has been a leader in electronic tolling and Intelligent Transport Systems, and is testimony to what benefits can be realised. Some examples include:

- CityLink's tolling system was one of the world's first fully-electronic, free-flow toll roads and still remains one of the largest in terms of customer transactions.
- The fully integrated traffic management system includes automated incident detection which immediately alerts our control room to any unusual traffic developments.
- Our tunnels' fire and safety systems have now been widely adopted across the industry as best practice. These systems were groundbreaking when they were first implemented.

- Another example is the network-optimised ramp meters, smart Freeway Management System and Advanced Lane Usage Signs, which we collectively call managed motorways. We implemented the system on CityLink, while VicRoads introduced it on adjacent roads as part of the corridor upgrade in 2008.
- We have centre-to-centre interface between CityLink and VicRoads to manage incidents on motorway boundaries, and
- Most recently we have upgraded our Overheight Vehicle Detection System to manage the approaches to the Burnley and Domain tunnels. This has already yielded positive results in reducing incidents and network disruption by preventing more than two dozen such incidents within its first 12 weeks of operation.

We continue to be at the forefront of technology with our 495 Express Lanes in the United States.

Our dynamic pricing system is among the most sophisticated in the world. The toll price changes in real time depending on congestion and demand. The system is fully integrated with traffic control and electronic toll collection.

The reversible roadway on the adjoining 95 Express Lanes, which is scheduled to open later this year, offers another example of an innovative solution to manage safety on our roads, with an automated road closure, clearance and peak hour reversal process.

This brings me to policy and the important role it plays in the development of networks. The Express Lanes projects encapsulate more than just technology innovation, they also represent significant policy innovation that has been achieved through effective collaboration with all stakeholders.

We've delivered a project that is essentially a 'pay-for' service option for the commuter that also offers the same service to buses and the car-pooling public for free. Prior to the development of the Express Lanes, buses did not use the corridor because it was too unreliable. Today, new public transit routes are taking advantage of the Express Lanes because of its reliability.

This project has delivered great outcomes for government, customers and for public transport. More than anything, it has transformed a crucial part of the Northern Virginia network, reducing the region's infamous congestion and providing more choices for motorists.

We also believe that, long term these projects will offer significant value to security holders in both financial returns and transferable intellectual capital.

Policy reform around infrastructure will be an increasing focus of stakeholders to ensure the most efficient and fair use of transport networks.

As we have said before, it is clear that we cannot simply keep building out the networks and adding capacity to address declining service levels for the peak periods.

In the long term, network pricing will have a place in transport policy to manage demand, promote public transport and fund upgrades of infrastructure.

Various road pricing schemes have been introduced overseas, in cities including London, Stockholm, Singapore and Milan to reduce congestion and emissions.

Dynamic pricing – like that on our Express Lanes - is happening in a number of locations throughout the USA. Express Lanes are operating in Minnesota, Florida and California.

Australia's cities share parallels with these urban centres, with forecast congestion so severe it will require a different way of thinking about how we price to manage demand, change user patterns and, importantly, improve service levels.

Recently both the Productivity Commission and a Federal Government-initiated review on competition policy have listed user-pays pricing as a top priority. Expert opinion from both Government affiliated and private sector organisations support a critical examination of road pricing.

These organisations acknowledge that the funding and operation of the transport systems are reaching breaking point and need to be reformed.

We look forward to helping shape this debate. We understand that efficient transport networks build better and more sustainable communities. They are better for our business, our partners in government and, ultimately, for you, our investors.

Finally I would like to touch on network development and the construction activities that deliver physical enhancements. Our Chairman has taken you through some of the more significant projects we have under development, and these highlight the considerable type of opportunities in front of the business in the coming years.

These projects represent billions of dollars worth of investment across our networks that will meet future transport needs and provide attractive investment opportunities.

Projects such as NorthConnex and the CityLink-Tulla widening are testimony to the fact that the public and private sectors can work together and have a creative and constructive dialogue that enables innovation in order to get the best solutions. This not only relates to funding models, but the design and sustainability of the infrastructure itself.

In the case of NorthConnex - the first road transport project to come out of the NSW Government's unsolicited bid process – our collaboration has brought a critical project forward by a decade. We have an innovative, practical and sustainable project - a road tunnel that will be the highest and longest of its kind in Australia; has the capacity to expand from two lanes to three; and a design that allows vehicles to maintain normal travel speed, leading to better fuel efficiency, reduced emissions and less need for lane changing, which makes it safer. We are taking 5,000 trucks off local streets and improving the lives of people in the corridor and commuters that the project serves.

Projects such as NorthConnex or the CityLink-Tulla widening, along with projects such as the M2 and M5 widening, leverage off our existing networks and have proven to provide good, long-term value for governments and our investors.

We will be seeking to continue to work with our partners in the future on similar projects to add value to the networks.

This approach supports our stated objective of both growing distributions and creating long-term value.

Before I hand back to the Chairman, I would like to thank the Board on behalf of management, for the effort they have put in this year.

Your Board has worked tirelessly – with 38 Board, committee and special purpose sub-committee meetings held in FY14 – overseeing and supporting management to achieve this outstanding result. They have also provided significant support and mentoring to our executives outside of these official meetings.

I also congratulate and thank our dedicated employees for the significant contribution and sacrifices they have made throughout the year.

FY14 has been an exceptional year on all fronts – operations, development and acquisitions and we look forward to making further progress in all these areas in the coming year.