

17 May 2006

West Gate–CityLink–Monash Freeway Corridor Improvement Project

Transurban has reached agreement with the State of Victoria and VicRoads to jointly fund upgrades and improvements to 75 kilometres of the West Gate–CityLink (Southern Link)–Monash Freeway corridor.

Together, Transurban and VicRoads will undertake significant improvements over a 4 year period to alleviate congestion on Melbourne's most important road corridor. The project will tackle congestion and improve capacity by:

- implementing a tidal flow lane on the West Gate Bridge which will create 25 per cent additional capacity during peak periods, delaying the need for bridge duplication from 2007 to 2012;
- constructing a series of overpasses between the West Gate Bridge and the CityLink Tunnels to eliminate weaving and improve safety;
- adding extra lane capacity in each direction from the West Gate Bridge to Heatherton Road at the eastern end of the Monash Freeway; and
- implementing the most advanced Freeway Management System in Australia to deliver maximum benefit from the additional capacity being added to the corridor.

The result will be a resolution of existing congestion problems, improved safety and typical travel time savings of 20 minutes, with a travel time saving of 38 minutes from Narre Warren in the South East to Werribee in the South West. The project enhances the corridor's role as the economic spine of Melbourne, linking the port of Melbourne and the central business district with industry in the city's west and manufacturing in the east.

Transurban will fund the CityLink upgrade, which is estimated to cost \$166 million and will be drawn down over the three year construction period, using funds raised via the Distribution Reinvestment Plan. The State will fund the non-CityLink works, estimated to cost \$737 million. Full project completion is expected by December 2010. Transurban's capital investment in the Southern Link will generate an effective internal rate of return of 11.1 per cent.

Under the agreement, the State will also transfer to Transurban all remaining and future Concession Note liabilities incurred under the provisions of the Melbourne CityLink Concession Deed. These liabilities amount to \$2.9 billion in face value terms and will be replaced by payments over the next 4 years totalling \$609 million. In the event the Australian Taxation Office is successful in its appeal regarding the tax deductibility of Concession Fees the payment reduces to \$567 million. The payments to the State in

Classification

Private

Transurban Group

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relation to Concession Notes are being repurchased at a discount rate of 9.7 per cent and are proposed to be funded from new subordinated loan facilities at a cost of approximately 6.8 per cent.

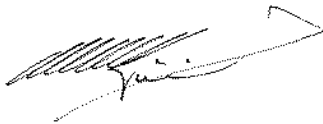
Sharing of additional tolling revenue

Transurban will fully recover all Southern Link capital costs (including project upfront costs) and any lost revenue during the construction period from the first share of the uplift in revenue generated by the upgrades. Any remaining revenue uplift will be shared equally with the State through a one off payment made 3 years after the construction completion date. The net present value of the State's share of the increase in tolling revenue will be calculated using a discount rate of 10.7 per cent.

Mr Kim Edwards, Managing Director of Transurban Group said, "This is a value accretive transaction that benefits both Victorian motorists and Transurban security holders."

"The deal is a clear demonstration of Transurban's focus on long term concession management and our ability to extract maximum value from portfolio assets."

Note: The analyst presentation is attached to this document.



Mark Licciardo
Company Secretary

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WIN, WIN, WIN

For road users, government and investors

May 2006



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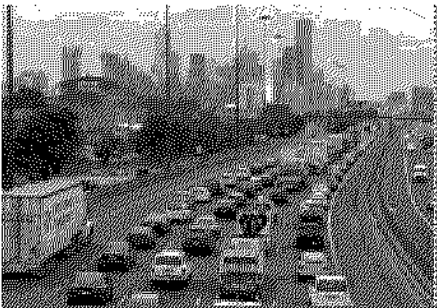
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West Gate / CityLink / Monash Upgrade

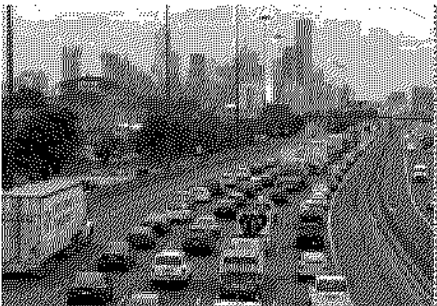


Two linked deals – both creating value

1. \$903 million upgrade on Melbourne's premier road corridor – with CityLink at its heart
2. Buying out \$2.9 billion (nominal) worth of future Concession Note liabilities



West Gate / CityLink / Monash Upgrade

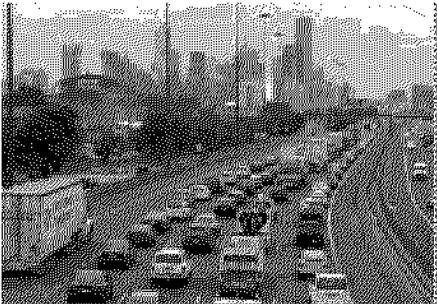


- \$903 million total project cost
 - State: \$737 million, Transurban \$166 million
- Significantly increased traffic capacity
- 20% reduction in accidents
- \$14.5 billion in community benefit

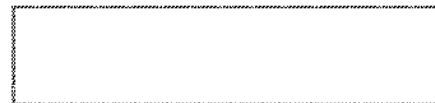
All figures from VicRoads

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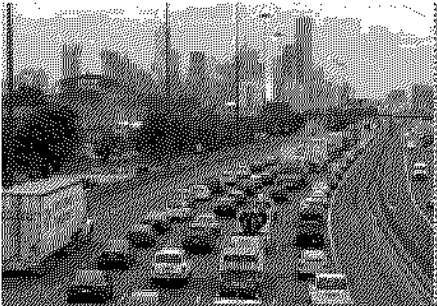
West Gate / CityLink / Monash Upgrade



- A solution to address congestion issues on feeder roads to CityLink
 - Adds capacity to relieve congestion
 - Improves safety
- A negotiated solution in partnership with Victorian Government
- Demonstrates the optionality of Transurban's assets



The Problem



Chronic congestion

- Limits traffic and revenue growth on CityLink, and
- Forces CityLink to close lanes in the tunnels to maintain safe overall corridor flows

Traffic weaving patterns

- Lead to accidents and disrupts traffic and revenue



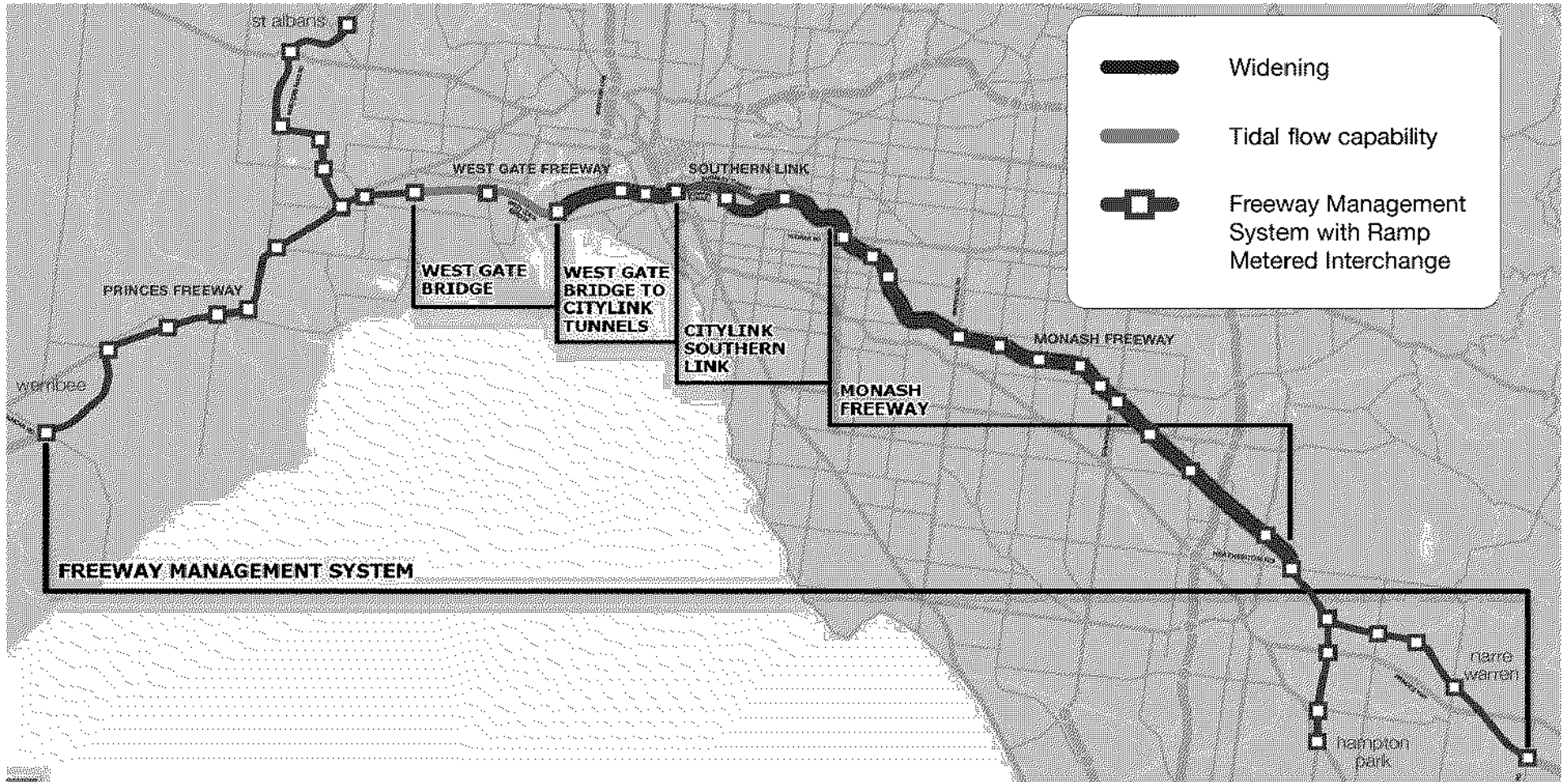
Project Scope



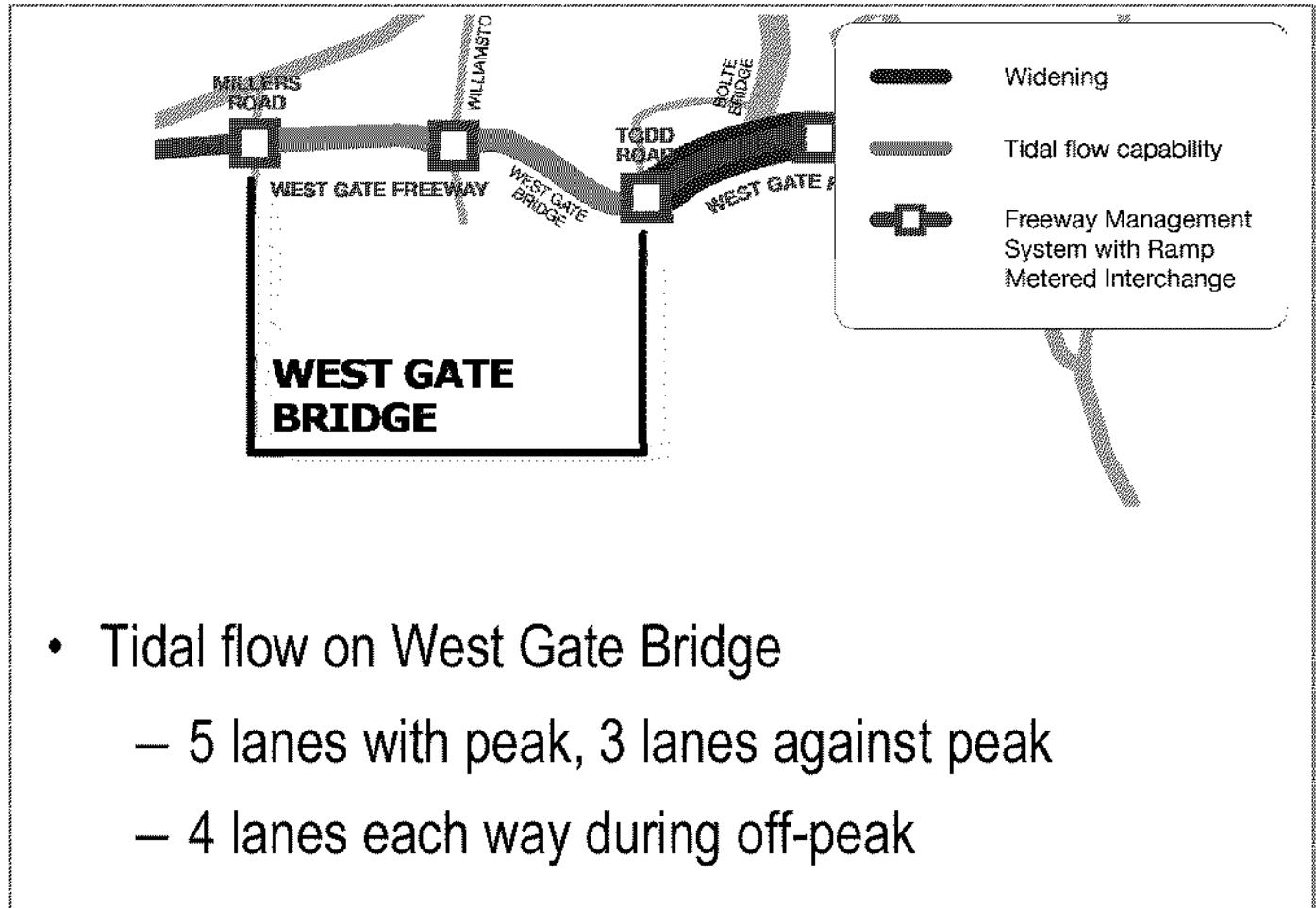
- Adds extra lane capacity from west of West Gate Bridge to Heatherton Road
- Introduces tidal flow on West Gate Bridge to add peak capacity
- Addresses safety and congestion issues around West Gate gap weaving
- Implements Freeway Management System
- Project completion expected December 2010



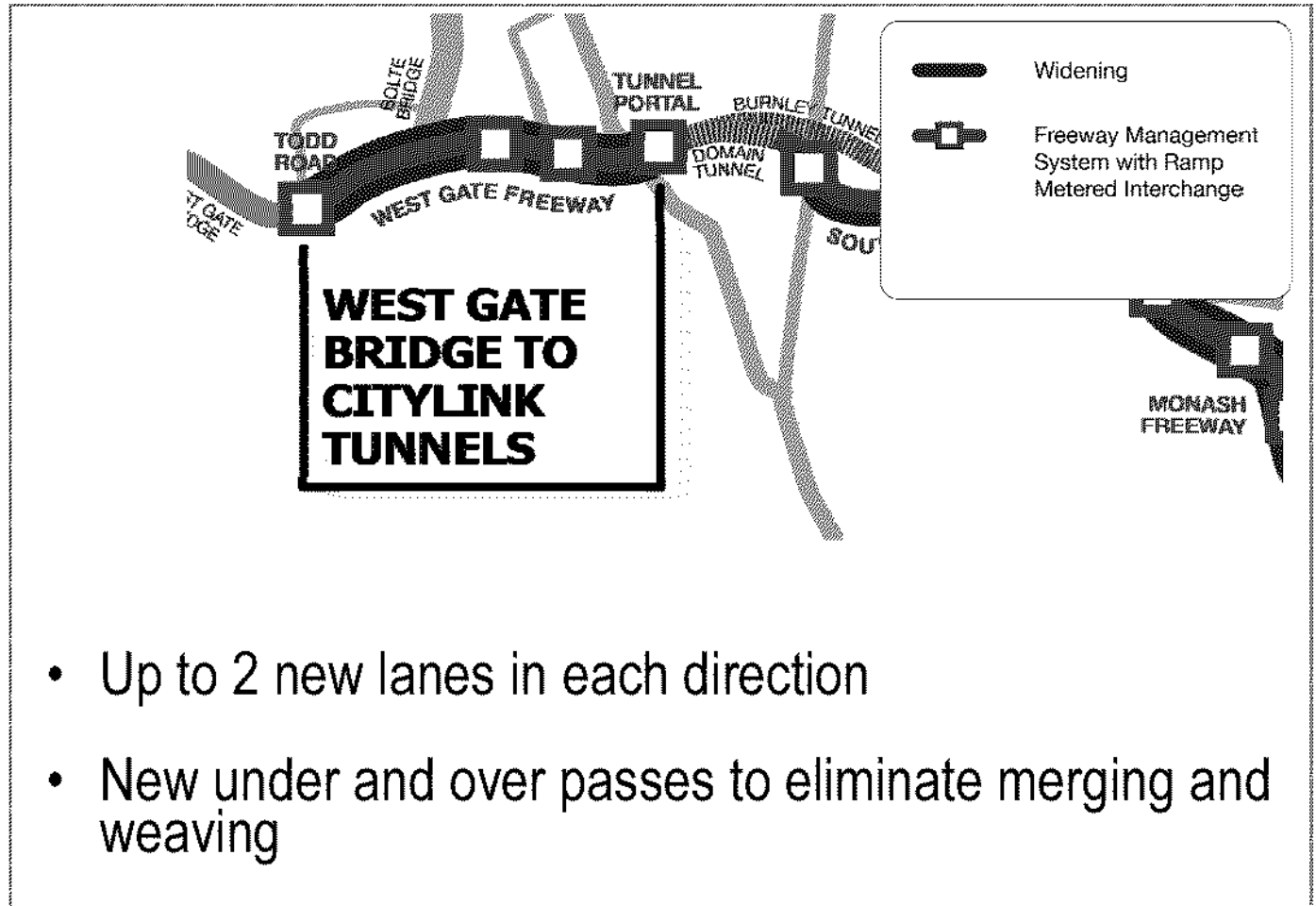
West Gate / CityLink / Monash Upgrade



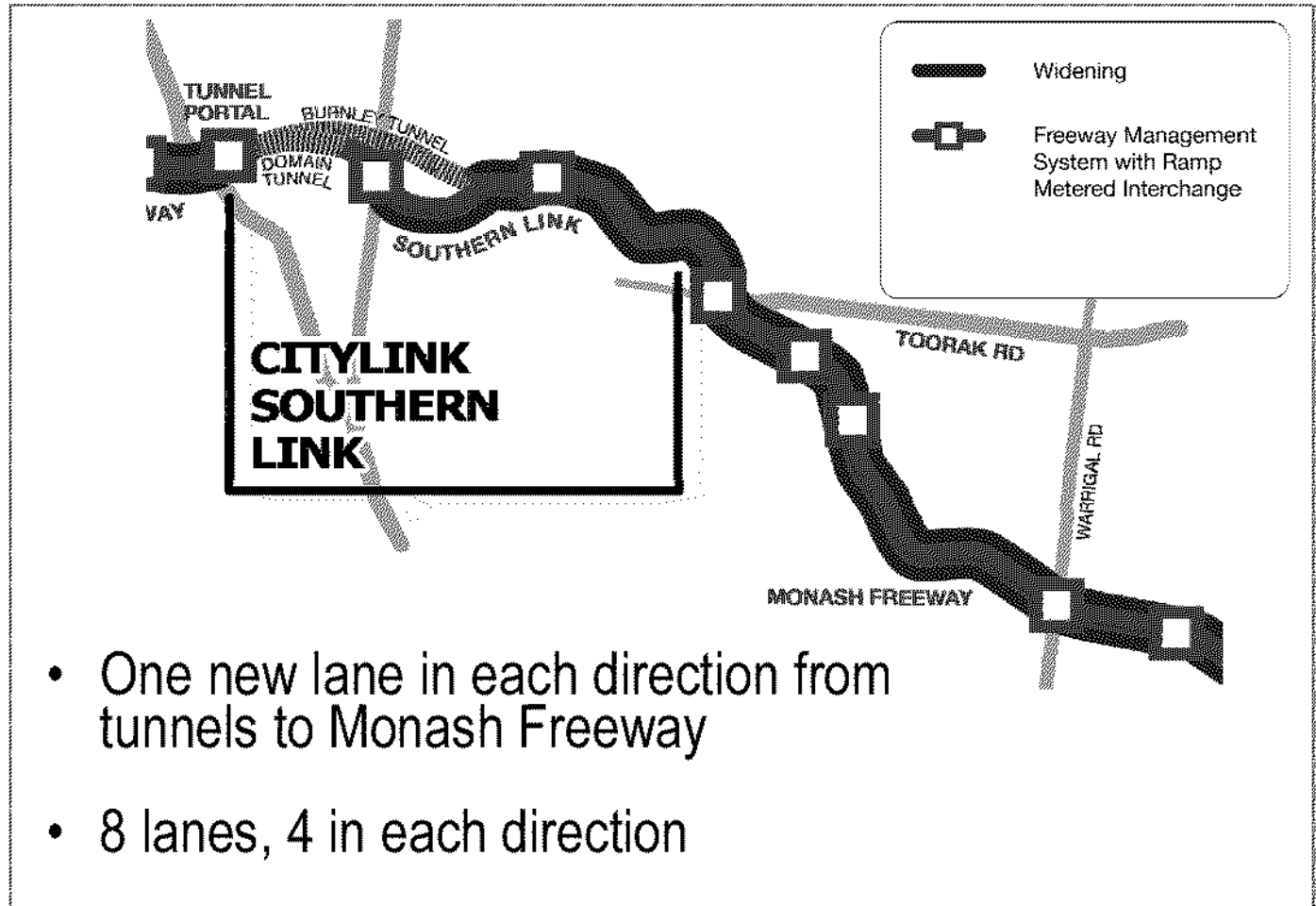
West Gate Bridge



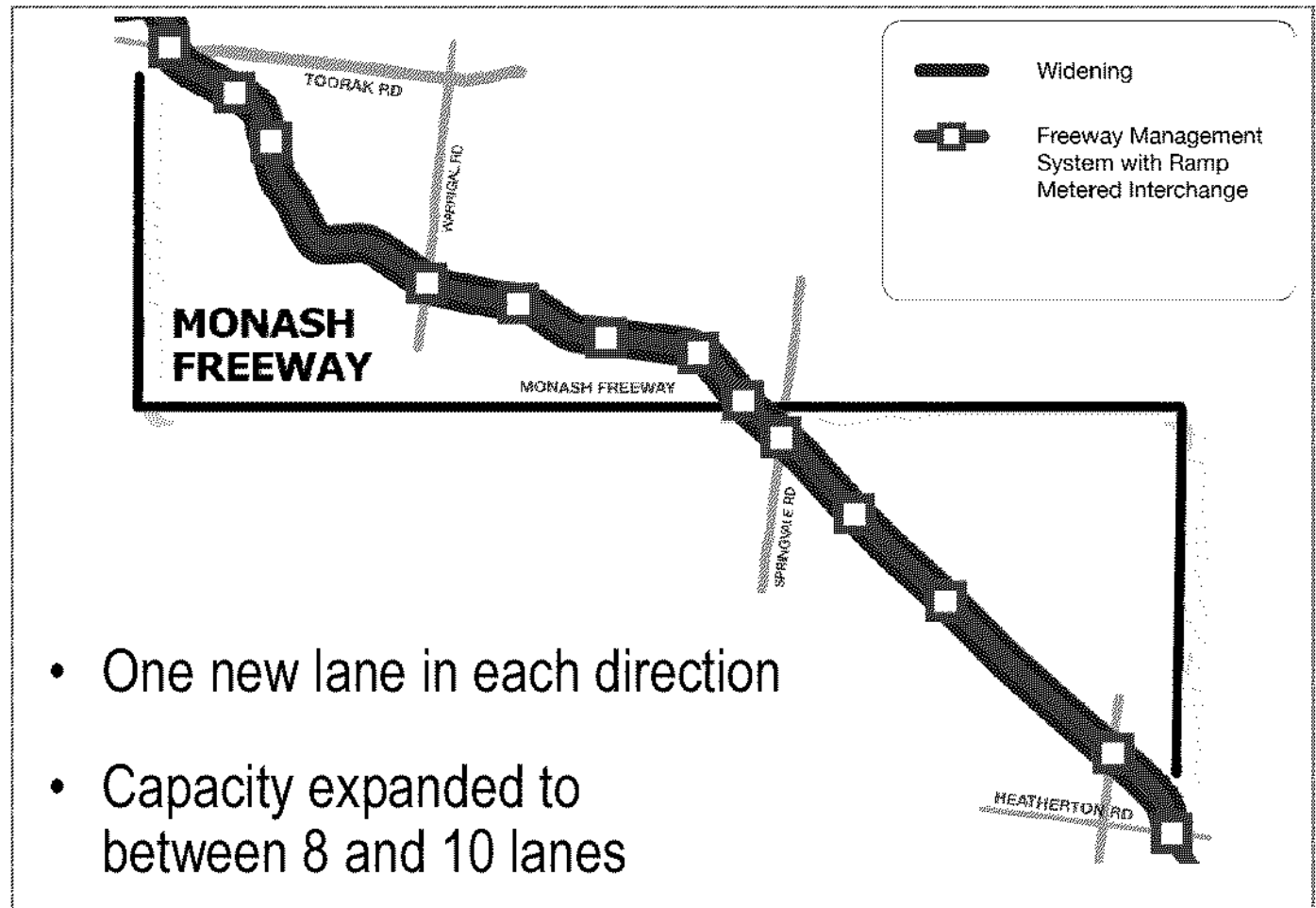
West Gate Bridge to Tunnels



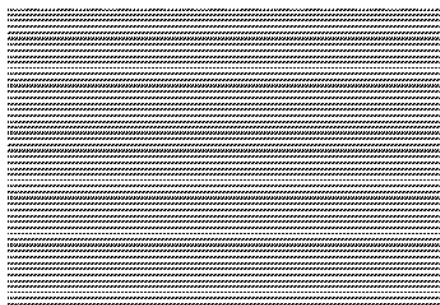
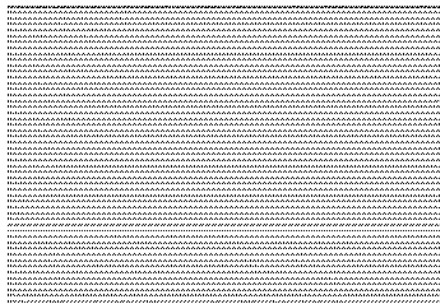
CityLink (Southern Link)



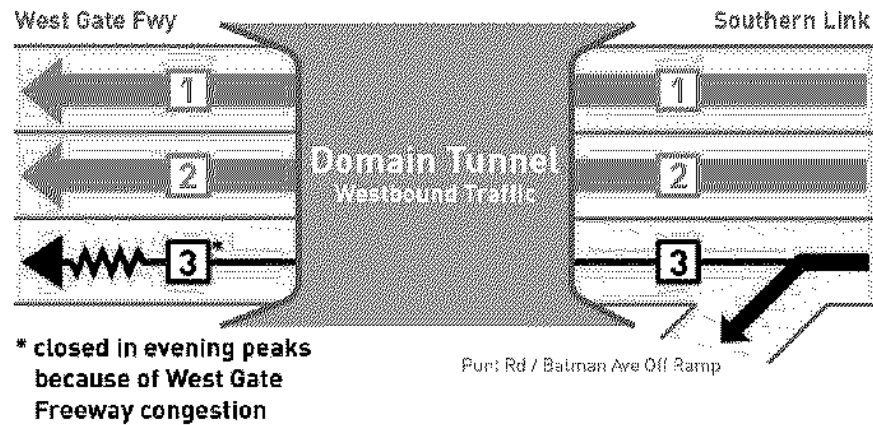
Monash Freeway



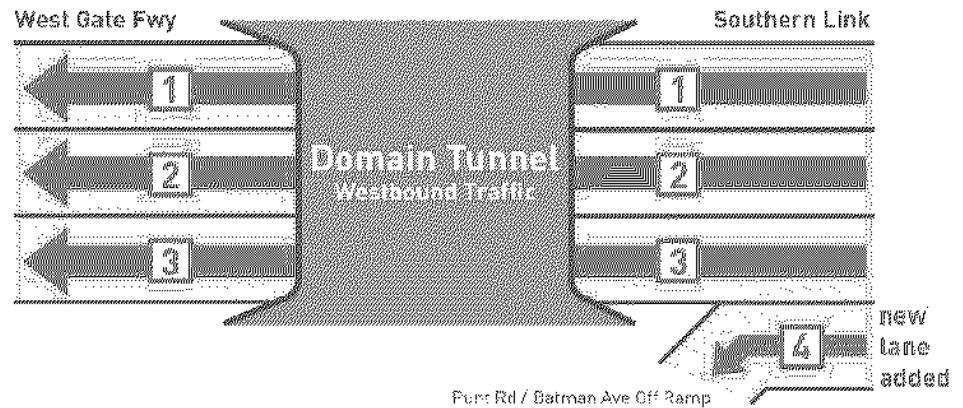
Maximising traffic through the tunnels



BEFORE

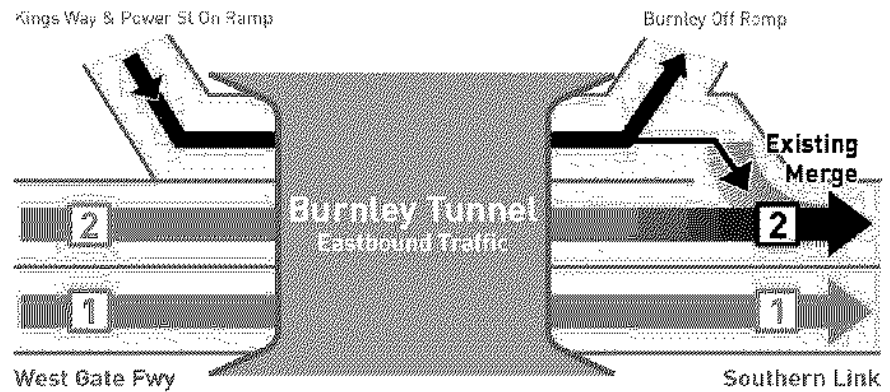


AFTER

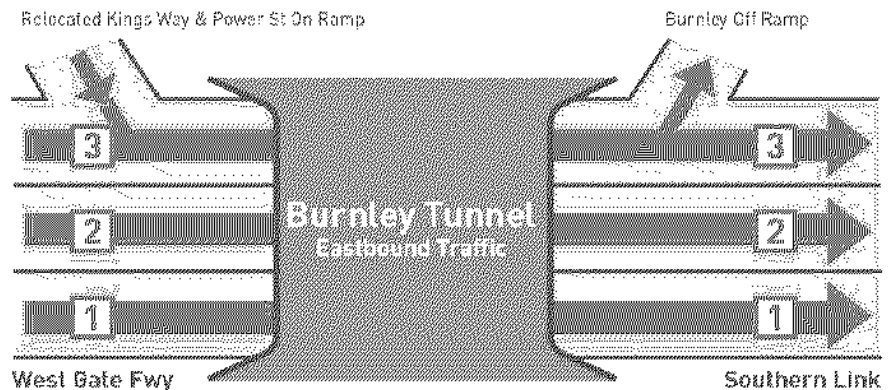


Maximising traffic through the tunnels

BEFORE



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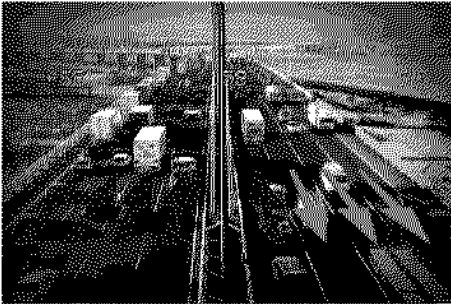


Freeway Management System (FMS)



Ramp Metering

- Distributes traffic entering the freeway – making gaps to merge
- Increases traffic flow on the freeway during peak periods by 20%
- Reduces accidents on the freeway by 20%
- Reduces queuing on the freeway



Tidal Flow

- Reverses a lane to provide additional peak direction capacity
- Increases capacity of the West Gate Bridge by 25%
- Low cost
- Allows more traffic to approach tunnels



Lane Control

- Extensive use of lane control system
- Improves safety
- Improves performance



CityLink Upgrade Transaction

- Southern Link works required to carry increased traffic delivered by state works
- Transurban funds \$166 million upgrade over three years from DRP
- State and Transurban to share revenue uplift 50:50
 - Revenue sharing only applies after Transurban compensated for all upgrade costs
- Expected IRR of the project is 11.1%

CityLink (Southern Link) capital investment

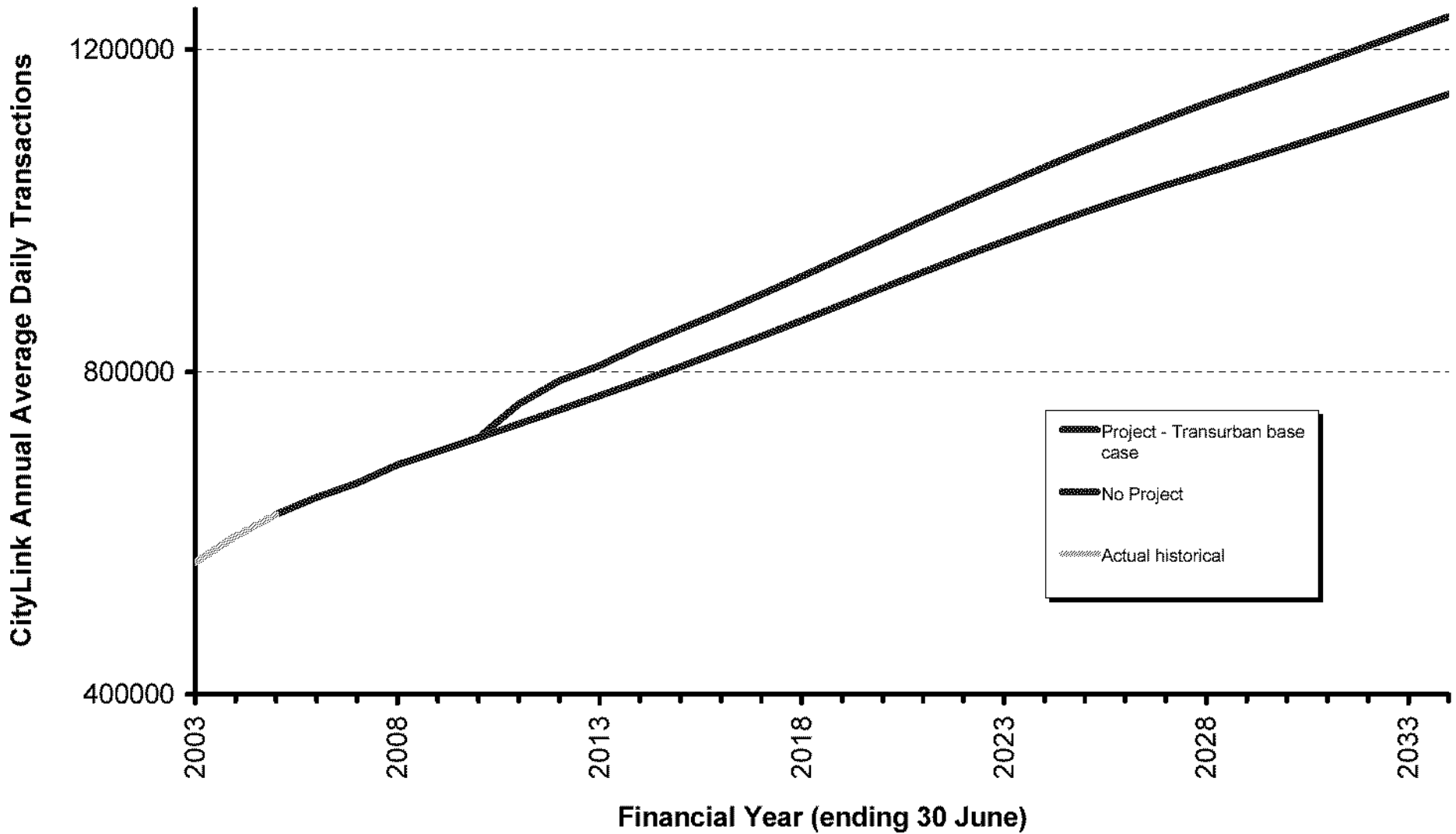
- Transurban nominal capital investment of \$166 million made over 3 years to improve Southern Link

30 June 06	30 June 07	30 June 08	30 June 09
\$24.2 m	\$37.3 m	\$74.6 m	\$30.1 m

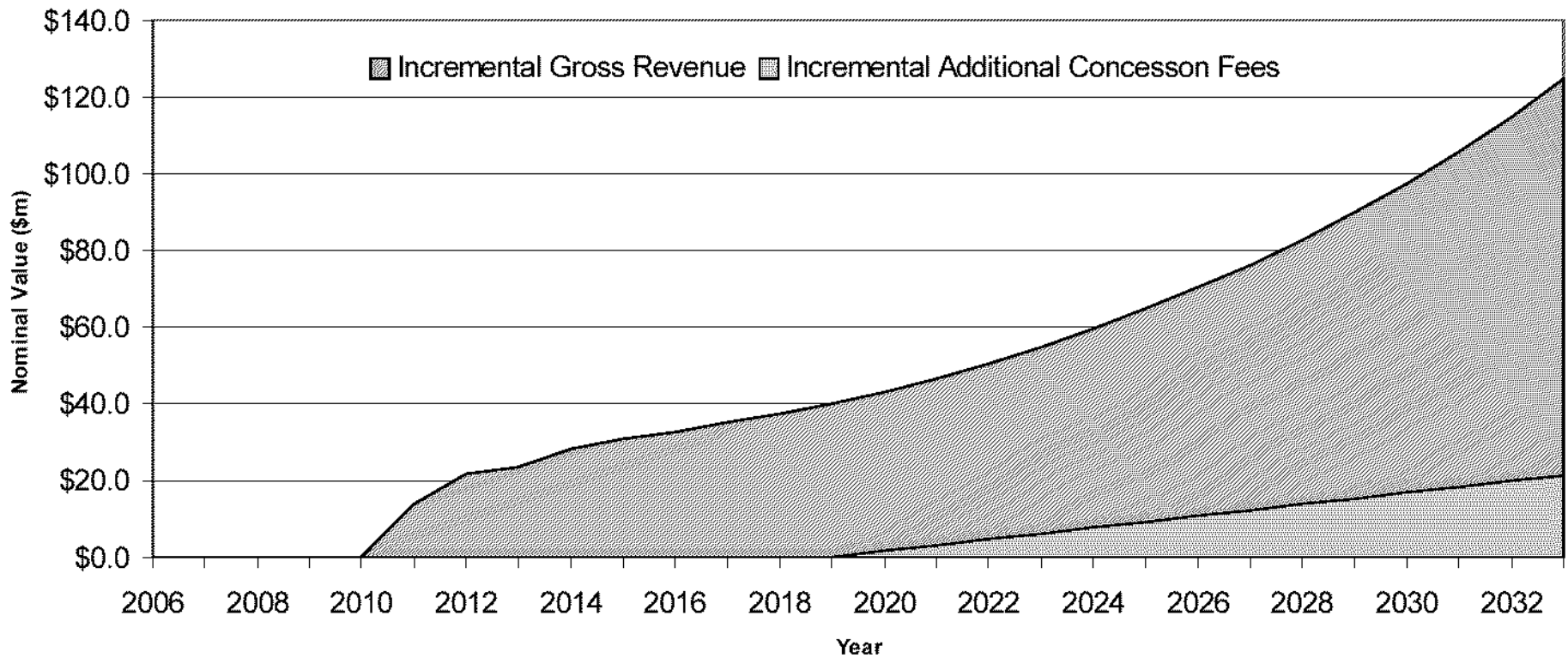
Revenue Share with State

- State's share of revenue uplift calculated and paid 3 years after completion
- Uplift from agreed pre-project revenue profile
- Adjusted for all additional costs incurred by Transurban
- Discount rate for calculation of revenue share is 10.7%
- State retains Additional Concession Fee regime

Traffic Assumptions



Incremental Revenue and Additional Concession Fees



*Transurban Base Case estimates

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Concession Note Deal

- Buy-out of \$2.9 billion nominal liabilities over life of Concession
- Payment profile varies depending on outcome of High Court tax case

Transurban wins the Tax Case

30 June 07	30 June 08	30 June 09	30 June 10
\$176,932,529	\$222,460,884	\$148,307,256	\$61,794,690

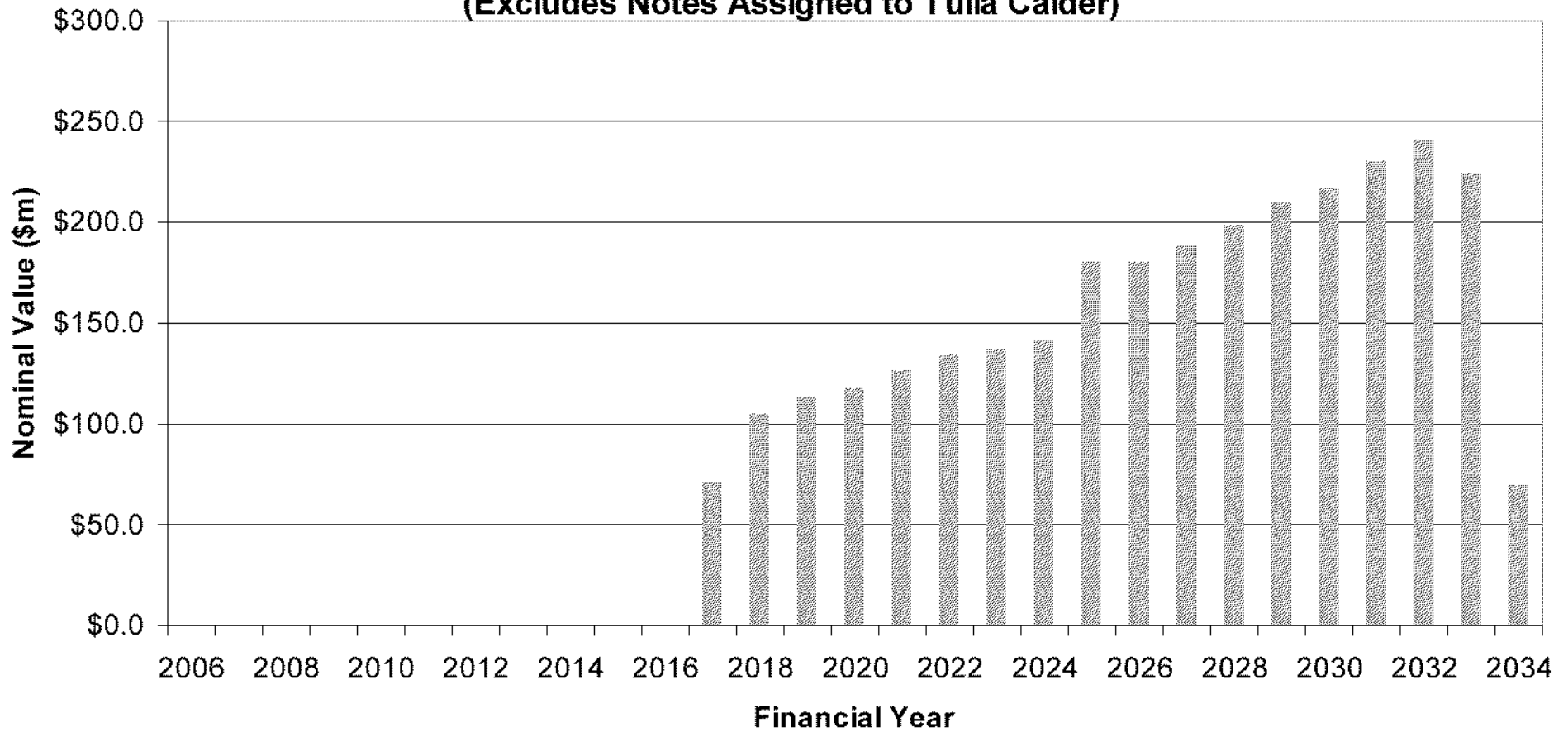
Transurban loses the Tax Case

30 June 07	30 June 08	30 June 09	30 June 10
\$164,679,187	\$207,054,506	\$138,036,338	\$57,515,141

- Effective discount rate applied 9.7%
- Funded from new debt facilities 6.8%

Concession Note – expected redemption profile

Assumes Transurban wins tax case
(Excludes Notes Assigned to Tulla Calder)



Proposed project funding

- Southern Link investment to be funded from Transurban DRP
- Concession Note buy-out to be funded from capital markets facilities subordinated to senior debt
 - Interest accretive for first 7 years after issue
 - Drawn down to match payment profiles
 - Issued in tranches with duration of 7 – 15 years
- Funding structure will allow Transurban to maintain target distribution profile and Senior Interest Coverage Ratios greater than 2.0x

Win for Road Users

- Resolves existing congestion problems
- Improved safety
- Halves travel times at peak periods
 - Dandenong to City – saves 23 minutes
 - Werribee to City – saves 20 minutes
 - Warrigal Road to Western Ring Road – saves 15 minutes
 - Narre Warren to Werribee – saves 38 minutes

Win for Government

- Resolves existing congestion
- Optimises use of existing infrastructure
- Delays need for West Gate Bridge duplication
- Improves economic growth
- Funded by road proceeds

Win for Security Holders

- Resolves congestion issues that have been impacting traffic growth
 - Generating improved revenues by optimising use of existing assets
- Attractive rate of return on increased capacity
- Beneficial buy-out of Concession Notes
- Highlights hidden growth options embedded in owning Concessions

Transurban's last 12 months



- Completed Hills takeover
- Delivered Hills synergies
- Delivered Hills express lanes
- Bought out Tollaust
- Delivered WM7 toll system 8 months early
- WM7 Opened ahead of time and revenue expectation
- Negotiated WM7 refinance
- Bought out WM7 early completion bonus
- Acquired further 5% WM7 on 14.65% IRR
- CityLink revenue initiatives add value
- Acquired Pocahontas on 12.6% IRR
- Negotiated West Gate / CityLink / Monash upgrade



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