

14 February 2020

CHAIRMAN'S LETTER TO SECURITY HOLDERS

In accordance with ASX Listing Rule 3.17.1, please see attached a letter from the Chairman of Transurban Group that is being sent to security holders with the Interim Distribution.



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Dear security holder

I am pleased to report on our financial results for the six months ended 31 December 2019, which reflect another strong result for the business underpinned by the value our roads deliver for customers, with more than 380,000 hours of travel time saved each work day.¹ Financial highlights included:

- statutory profit of \$162 million
- average daily traffic growth of 2.3 per cent
- proportional toll revenue increase of 8.6 per cent to \$1,396 million
- proportional earnings before interest, tax, depreciation and amortisation (EBITDA) growth of 9.5 per cent to \$1,094 million excluding significant items, and
- a distribution of 31.0 cents per security for the period.

Transurban has reaffirmed its distribution guidance of 62.0 cents per security for the year ending 30 June 2020, which implies growth of just over five per cent on the FY19 distribution.

Pleasingly we have completed five major projects over the past 18 months, with three completed during the period and a further two assets scheduled to open in mid-2020.

In July 2019, we opened the New M4 Tunnels – the first underground section of the transformational WestConnex project in Sydney. The five-and-a-half-kilometre twin tunnels connect to the recently widened M4 motorway. On average customers have benefitted from 24 minutes in travel-time savings during peak periods, clearly demonstrating the value proposition the new tunnels have offered since opening.

A major upgrade to the Logan Motorway was completed in August 2019. The project has improved safety, access and travel times across this important freight corridor south of Brisbane. Similarly, since its opening in November 2019, customers using the 395 Express Lanes (a 13-kilometre extension of the 95 Express Lanes to Washington DC) have saved 19 minutes in travel time on average. As part of the project, Transurban is providing US\$15 million in funding annually to improve public transport services across the corridor over the life of the concession.² This year's investment will provide new and expanded bus services.

During the period we also progressed other major projects around the Greater Washington Area that will extend the 95 Express Lanes to the south, and the 495 Express Lanes northwards across the Maryland border. As part of our commitment to exploring further growth opportunities in North America, in June 2019 we announced the establishment of the Transurban North American Advisory Board to provide further independent advice regarding our operations and opportunities across North America.

¹ Average workday travel-time savings in hours from July 2019 to December 2019. All travel time savings data is calculated using: TomTom data (Australia and Montreal), Regional Integrated Transportation Information System data (Greater Washington Area).

² USD15 million Annual Transit Investment started at service commencement of 395 Express Lanes and grows by 2.5% each year for the term of the concession.

In Australia, we are scheduled to open two tunnels in Sydney in mid-2020. The New M5 – which is Stage Two of WestConnex – will create nine-kilometre twin tunnels, duplicating the existing and congested M5 East tunnels. The new tunnels will provide better connections to Sydney's orbital network, the airport and Port Botany, while the construction of nine bridges will connect the New M5 to future stages of WestConnex, Sydney Gateway and the local road network. The full benefits of WestConnex will be realised once Stage Three, the new M4-M5 Link Tunnels, are completed in Financial Year 2023 and motorists can access the full 33-kilometre motorway network. Tunnelling works on the M4-M5 Link are well under way.

Similarly, NorthConnex – a vital missing link in Sydney's orbital network – is expected to open in mid-2020. This project connects the M1 Pacific Motorway to the Hills M2, allowing vehicles, and in particular, freight vehicles to travel from Newcastle to Melbourne without encountering a traffic light. It is also expected to divert up to 5,000 trucks a day from local roads.

There are however issues in relation to the construction of the West Gate Tunnel Project in Melbourne. In late January, we announced that our D&C contractor on that project purported to terminate the D&C subcontract (but at the same time noted its intention to continue works on the site). We do not consider the D&C subcontract has been validly terminated and, as such, the contract remains in place. We are working with our D&C contractor and the State to resolve outstanding matters including those related to spoil management, and, at the same time, the project schedule is under review. Consistent with the D&C contractor's stated intent, across the project sites, 4,000 people are progressing a significant amount of construction work – including major works to add more lanes on the West Gate Freeway and to build a connection between the tunnels, CityLink, the port and the city.

While our focus has been on delivering these projects safely and quickly so drivers can realise the benefits they will bring, we have been equally focussed on operating our roads in ways that create value for customers today. Pleasingly, over the past six months, customers have saved up to 67 per cent in travel time using Transurban's roads in peak periods compared to the alternate routes.³ Similarly, during the period, we recorded the lowest rate of road injury crashes since we introduced the metric in FY14, with Transurban roads up to 68 per cent safer than comparable roads.⁴

Over the last two years, we have added one million accounts, including through the acquisition of the E-way tolling provider in Sydney in 2019. In Australia, we now service more than five-and-a-half-million customers. We also have high sustainability standards for our operations and are committed to reducing our greenhouse gas emissions. We were pleased to announce this month that we were transitioning 80 per cent of the electricity used to power our roads and tunnels in Brisbane to renewable energy; with a similar agreement being progressed in Sydney.⁵

We have also announced changes to our Executive Team to position Transurban for the next phase of our journey – in which we see the business playing a major role in the development of effective future transport networks for the cities and communities in which we operate. For a full summary of our performance to 31 December 2019, please visit the Investor Centre on our website transurban.com.

On behalf of the Board, I thank you for your ongoing support of Transurban.

Yours faithfully



Lindsay Maxsted
Chairman

³ Average travel-time saving percentage is calculated as travel-time saved by using tolled route relative to the fastest alternative free route. 67% is in relation to time saved on M4 in Sydney. Based on travel times in peak direction during AM and PM peak periods for workdays between 1 July 2019 and 31 December 2019. Peak periods considered to be from 6:00am to 9:00am and 3:00pm to 6:00pm. Data for the 95 Express Lanes only relates to the period since the 395 Express Lanes opened. Selection of assets included representing all markets.

⁴ Based on independent analysis undertaken by Monash University Accident Research Centre, it was found that Transurban roads had lower crash rates compared to identified like roads, by 68% in New South Wales, 42% in Victoria and 56% in Queensland (2020 report is based on 2017-18 data set for all Australian markets).

⁵ Does not include Westlink M7, NorthConnex, M5 West and WestConnex Stage 3. Opportunities will be explored to implement further power purchase agreements across Transurban's portfolio. Brisbane arrangements in place. Sydney arrangements are subject to final approvals.