

## JOINT ASX RELEASE

14 December 2006

### TRANSURBAN GROUP AND SYDNEY ROADS GROUP ANNOUNCE MERGER

Transurban Group ("Transurban") today announced it intends to make an offer ("Offer") for all the stapled securities in Sydney Roads Group ("SRG"). Under the Offer, Transurban is providing SRG security holders two consideration alternatives:

- 1 Transurban security for every 5.7 SRG securities (**All Scrip Alternative**);  
OR
- \$1.32 cash per SRG security up to a maximum amount of cash consideration of \$500 million (**Cash Pool Alternative**). The relative mix of cash and securities under this alternative will vary according to the number of SRG security holders who accept it. If less than 40.6% of SRG security holders elect the Cash Pool Alternative, those that accept it will receive all cash consideration for their securities.

The All Scrip Alternative implies an Offer price of \$1.35 per SRG security (based on Transurban's closing security price on 12 December 2006 of \$7.69). The Cash Pool Alternative implies an Offer price of \$1.32 per SRG security.

The All Scrip Alternative values SRG equity at \$1.26 billion and represents a premium of 24.9% to the SRG Volume Weighted Average Price ("VWAP") from listing on 31 July 2006 to 12 December 2006 of \$1.08.

As part of this transaction Transurban is providing distribution guidance of 57 cents per security for FY08. As previously announced, guidance for FY07 is 54 cents per Transurban security.

SRG Chief Executive Officer Mr Ed Sandrejko said today, "From day one, SRG's strategic purpose and operational focus was on generating value for the holders of SRG stapled securities. This offer from Transurban delivers on that focus and represents a good offer for SRG security holders.

"The directors of SRG recommend that SRG security holders accept the Offer by Transurban in the absence of a superior proposal, and intend to accept the offer by Transurban in respect of any SRG securities held by them or on their behalf in the absence of a superior proposal," Mr Sandrejko said.

Transurban Managing Director Mr Kim Edwards said the merging of the two toll road groups has a strong strategic rationale for both SRG and Transurban security holders.

"Transurban's Offer provides full value to SRG investors as well as providing them with two different methods of acceptance," Mr Edwards said.

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"Transurban is seen by many as the natural owner of the SRG assets, which include major interests in the M4, M5 and the M1 motorway (Eastern Distributor). The SRG assets complement our existing portfolio and we see particular synergy opportunities with our Hills M2 and Westlink M7 motorways.

"This is a good deal for Transurban investors. The transaction is value accretive on a risk adjusted basis. Because of the mix of assets, it delivers higher operational cash flow per security and improved interest coverage ratios (ICRs).

"We believe Transurban is uniquely placed to unlock value from SRG and the Offer allows SRG security holders to maximise the value of their holding. The All Scrip Alternative also provides SRG security holders the opportunity to participate in the benefits of the combined entity as Transurban security holders.

"Transurban is a long term owner and operator with a track record of delivering hundreds of millions of dollars in additional value to investors through enhancement, development and improved operation of existing assets."

The combination of Transurban and SRG will create Australia's leading geographically diversified toll road group with a balance of mature and growth assets in key markets. The merged group will have investments in six high quality Australian toll roads – CityLink in Melbourne, Hills M2 Motorway, Westlink M7, M1 Motorway (Eastern Distributor), M5 South-West Motorway and M4 Motorway in Sydney – as well as the Pocahontas Parkway in Virginia, USA.

"Transurban is committed to working with the other partners in SRG's road concessions to maximise returns for all owners," Mr Edwards said.

"Transurban plans to work with its partners so that Sydney motorists can benefit from Transurban's tolling and traffic expertise, which will deliver better customer service and smoother interconnection with Transurban's Westlink M7, Hills M2 and other adjoining roads."

## **BENEFITS FOR SRG SECURITY HOLDERS**

Transurban's Offer provides compelling benefits for SRG investors including:

- Offer represents full value
  - The All Scrip Alternative equates to \$1.35 per SRG security
  - The All Scrip Alternative values SRG equity at \$1.26 billion and represents a premium of 24.9% to the SRG VWAP from listing on 31 July 2006 to 12 December 2006 of \$1.08
- Potential Capital Gains Tax rollover relief for Transurban scrip
  - Transurban intends to apply to the Australian Tax Office for rollover relief
  - Rollover relief is contingent on achieving an 80% acceptance level of the Offer
- Sustainable growing distributions
  - Transurban's FY07 and FY08 forecast distributions of 54 cents and 57 cents per Transurban security reflect a cash distribution yield of 7.0% and 7.4% respectively on a \$7.69 Transurban security price and are expected to be predominately tax deferred

- Based on the All Scrip Alternative, the implied forecast distribution for the half year to June 2007 is 4.8 cents and the full year distribution for FY08 is 10 cents. This represents a distribution uplift of 22.6% and 22.1% respectively
- As the record date of the December 2006 distribution is prior to the opening of the Offer, SRG security holders will not be entitled to the December 2006 Transurban distribution. SRG security holders on the SRG register at 29 December 2006 will be entitled to distributions from SRG in accordance with the current guidance provided by SRG
- Transurban's policy is to continue to grow distributions half on half
- Exposure to leading toll road assets (CityLink, Hills M2 and Westlink M7)
  - Balance of mature and growth assets
  - Opportunity to participate in measured, calculated and targeted growth
- SRG assets managed by highly experienced Transurban management backed by substantial resources
  - Transurban is uniquely placed to provide additional value by providing scale and extracting synergies
  - Transurban's in-house tolling and traffic expertise will deliver better customer service and smoother interconnection between the SRG motorways and Transurban's existing Sydney assets
  - Utilising its traffic and operations expertise, and potentially asset enhancement, Transurban can drive greater traffic volumes and revenue
- Vastly improved liquidity and indexation benefits
  - The merging of SRG and Transurban provides increased liquidity and scale and enhances SRG's investment appeal to institutional investors
  - The stand alone SRG has no significant index weighting
- Share in upside from merger benefits
  - SRG security holders that accept Transurban scrip will share in the merger benefits resulting from the combination of Transurban and SRG
- Further reduces management costs
  - Administration – Listing fees, Directors' fees, Annual reports, AGMs
- Transurban's track record of delivering for security holders
  - Investment performance – total security holder returns of 23% p.a. since listing in 1996
  - Attractive yield – growing and sustainable
  - History of value adding through measured growth (new projects) and maximising existing assets

## **BENEFITS FOR TRANSURBAN SECURITY HOLDERS**

Mr Edwards said the merger would further consolidate Transurban's position in the Sydney market and is accretive to the Group's security holders.

The Offer provides substantial benefits to Transurban security holders, including:

- Cements Transurban's position as the leading owner and operator of Australian toll roads
  - Merger with SRG capitalises on Transurban's knowledge of the Sydney traffic network and enhances Transurban's road portfolio through the addition of a highly complementary portfolio of assets that have significant synergies with Hills M2 and Westlink M7 – post acquisition Transurban will have interests in seven assets, five of which are in Sydney
- Enables Transurban to add significant value to SRG
  - Transurban's toll road management expertise will result in improved customer service, increased traffic volumes and lower operating costs
  - Transurban is targeting synergies of at least \$8 million p.a. and will work with SRG partners in its road concessions to investigate:
    - Consolidated traffic management
    - Consolidated operations and maintenance
    - Consolidated tolling operations
    - Consolidated video product provision for non-tag toll road users
  - Potential for asset enhancement / network optimisation
    - Full Electronic Toll Collection
    - Tolling optimisation (e.g. innovative pricing)
    - Active management opportunities e.g. Tullamarine Freeway / Calder Freeway interchange upgrade and Westgate / CityLink / Monash Freeway upgrade
- Achieves Transurban's investment criteria
  - Utilising Transurban's expertise and synergies, the merger achieves Transurban's investment criteria and is value accretive, even after assumption stress testing (risk assessment)
  - Provides a growing and reliable income stream
- Underpins Transurban's growth platform beyond forecast period

## **CONDITIONS OF THE OFFER, DOCUMENTATION AND TIMING**

The Offer is subject to customary conditions, including a 50.1% minimum acceptance condition. Refer to the Annexure 1 for a detailed description of the conditions. Transurban and SRG have entered into a Merger Implementation Agreement. Refer to Annexure 2 for a further description.

Transurban will lodge its Bidder's Statement with ASIC before the end of December. It is anticipated that dispatch of the Bidder's Statement to SRG security holders and the opening of the Offer for acceptance will occur in late January 2007.

SRG and Transurban security holders with questions regarding the Offer should contact the Offer Information Line on 1 300 554 392 from within Australia or +61 3 9415 4309 from outside Australia.

Transurban is being advised by Citigroup, as exclusive financial advisor, Blake Dawson Waldron and Atanaskovic Hartnell, as legal advisors.

SRG is being advised by Macquarie Bank, as exclusive financial advisor, and Baker & McKenzie as legal advisors.

## CONTACTS

For further information, please visit [www.transurban.com.au](http://www.transurban.com.au) or [www.sydneyroadsgroup.com](http://www.sydneyroadsgroup.com) or contact:

### TRANSURBAN

<p><b><u>Investor Enquiries</u></b>  <u>Transurban</u>          Andrew Head          Mob: 0411 268 001</p>	<p><b><u>Media Enquiries</u></b>  <u>Cannings Corporate Communications</u>          Peter Brookes 61 2 9252 0622 / 0407 911 389          Gloria Barton 61 2 9252 0622 / 0413 520 603</p> <p><u>Transurban</u>          Andrew Head          Mob: 0411 268 001</p>
<p><u>Citigroup</u>          Grant Dempsey          Managing Director          Ph: 61 3 8643 9702          Mob: 0419 278 485</p>	<p><b><u>General Investor Queries</u></b>          Calls from within Australia: 1 300 554 392          International calls: 61 3 9415 4309</p>

### SYDNEY ROADS GROUP

<p><b><u>Investor Enquiries</u></b>  <u>Sydney Roads Group</u>          Ed Sandrejko          Chief Executive Officer          Ph: 61 2 8237 3268</p>	<p><b><u>Media Enquiries</u></b>  <u>Sydney Roads Group</u>          Paul Gregory          Public Affairs Manager          Ph: 61 2 8232 4422          Mob: 0414 805 230</p>
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**Transurban Group** (ASX:TCL) is an ASX listed owner, operator and developer of toll roads with a market capitalisation of \$6.9 billion. The company was originally formed to develop CityLink in Melbourne, one of the world's first full electronic toll roads. Transurban owns 100 per cent of CityLink, 100 per cent of Hills M2 in Sydney, 47.5 per cent of Westlink M7 in Sydney and 100 per cent of Pocahontas Parkway in Virginia, USA.

**Sydney Roads Group** (ASX:SRG) holds investments in three established toll road businesses located in Sydney. SRG was established following a divestment by Macquarie Infrastructure Group of its mature Sydney roads and was listed on the Australian Stock Exchange in July 2006. The Company is focused on providing distributions with the potential for growth from its investments in three motorway businesses. SRG's portfolio of assets includes a 71.35% interest in the Eastern Distributor (ED) Concession, a 50% interest in the M5 South-West Motorway (M5) Concession and a 50.61% interest in the M4 Motorway (M4) Concession.

**Annexure 1**  
**Offer Conditions**

(a) **50.1% relevant interest**

At the end of the Offer Period, Transurban has a relevant interest in at least 50.1% of SRG Securities on issue.

(b) **Disclosure of certain rights**

SRG:

- (1) includes in its target statement, or SRG makes an announcement to the ASX (on or before the date of issue of SRG's target's statement) which contains, a short description of all agreements or arrangements to which SRG, SRG Trust or any company in which SRG or SRG Trust holds more than 10% of the issued share capital is a party or is subject, under which:

- (A) the Roads and Traffic Authority of New South Wales; or
- (B) any other person or government, governmental agency, or public authority,

has or will have a right (whether subject to conditions or not) which results, or could result, in any agreement or arrangement being terminated or varied or any action being taken or arising thereunder as a result of Transurban acquiring SRG Securities or a specified number or proportion of SRG Securities (with the description to include the parties, and the consequences and rights arising under the agreement or arrangement of any acquisition of SRG Securities by Transurban); and

- (2) includes in its target statement, or SRG makes an announcement to the ASX (on or before the date of issue of SRG's target's statement) which contains, a short description of all material provisions in agreements or arrangements which SRG, SRG Trust or any company in which SRG or SRG Trust holds more than 10% of the issued share capital is a party or is subject, under which:

- (A) any other party to the agreement or arrangement has a right of first refusal or other rights of pre-emption as a result of Transurban acquiring SRG Securities or a specified number or proportion of SRG Securities; and
- (B) any other party to the agreement or arrangement is granted rights of veto in relation to specified matters or which require a percentage of votes in favour (which percentage is more than that required for an ordinary resolution) in relation to specified matters. For the purposes of this announcement, matters for which the Corporations Act requires a special resolution need not be listed.

(c) **No rights under certain agreements or arrangements**

Either:

- (1) There is no agreement or arrangement of the type referred to in Sections (b)(1) or (b)(2)(A) above; or
- (2) prior to the end of the Offer Period, where relevant, every person who has such a right unconditionally provides a waiver or release in writing of that right to SRG and SRG provides a copy to Transurban.

(d) **Roads and Traffic Authority of New South Wales approvals and consents**

Before the end of the Offer Period, the Roads and Traffic Authority of New South Wales unconditionally grants to Transurban or the requisite entity the approvals or consents that are required under the project documentation for each of the ED, M4 and M5 as a result of acceptance of this Offer and the transactions contemplated by this Bidder's Statement.

(e) **No termination payment in relation to the Transition Resources Agreement**

On or before the date of issue of SRG's target statement, SRG makes an announcement to the ASX confirming that there is no payment which will need to be made by SRG or SRG Trust to Macquarie Bank or any other party under the Transition Resources Agreement if the agreement is terminated by SRG or SRG Trust. If such a payment is liable to be made, then full details of the relevant terms relating to that payment should be set out in the announcement.

(f) **Upside sharing with Roads and Traffic Authority of New South Wales**

The SRG target's statement containing a statement which confirms that the MIG Analyst Model dated April 2005 contains provisions for any sharing with the RTA of profits, revenue, refinancing gains or similar amounts under the provisions of the project documentation relating to the ED, M4 and the M5 for the term of each concession.

(g) **S&P/ASX 200 index**

The S&P/ASX 200 Index is not below 4925 (a decline of approximately 10% from the closing level of that index on the trading day before the Announcement Date) at any time on any ASX trading day during the period from the Announcement Date to the end of the Offer Period.

(h) **No material adverse change**

Between the Announcement Date and the end of the Offer Period, no event, change, fact or circumstance occurs, is announced or becomes public or becomes known to Transurban (whether or not it becomes public) which has, or could reasonably be expected to have, a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of SRG and its controlled entities taken as a whole or on the status or terms of any approvals, licences or permits from any government, governmental agency or public authority applicable to SRG and its controlled entities.

(i) **No regulatory issues**

Between the Announcement Date and the end of the Offer Period:

- (1) there is not in effect any preliminary or final decision, order or decree issued by any government, governmental agency, court or public authority;
- (2) no action or investigation is announced, commenced or threatened by any government, governmental agency, court or public authority; and
- (3) no application is made to any government, governmental agency, court or public authority (other than by Transurban or any of its associates),



in consequence of or in connection with the Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, the making of the Offer, the completion of the transactions contemplated by the Bidder's Statement or requires or purports to require a variation of the Offer or the divestiture of any SRG Securities acquired or held by Transurban.

**(j) No prescribed occurrences**

None of the following occurrences (each a prescribed occurrence) happening during the period from the Announcement Date to the end of the Offer Period:

- (1) SRG or SRG Trust converts all or any of its securities into a larger or smaller number of securities;
- (2) SRG, SRG Trust or any subsidiary of SRG resolves to reduce its share capital in any way;
- (3) SRG, SRG Trust or any subsidiary of SRG enters into a buy back agreement in relation to its securities or resolves to approve the terms of a buy back of its securities;
- (4) SRG, SRG Trust or any subsidiary of SRG issues securities or grants an option over securities or agrees to make such an issue or grant such an option;
- (5) SRG, SRG Trust or any subsidiary of SRG issues, or agrees to issue, convertible notes;
- (6) SRG or SRG Trust unstaples any stapled security or causes the stapling of any other securities to a security or stapled security under the provisions of their respective constitutions;
- (7) SRG or SRG Trust proposes or resolves to amend the provisions of their respective constitutions dealing with the stapling of securities;
- (8) SRG, SRG Trust or any subsidiary of SRG disposes or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (9) SRG, SRG Trust or any subsidiary of SRG charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (10) SRG, SRG Trust or any subsidiary of SRG resolves to be wound up;
- (11) a liquidator or provisional liquidator of SRG, SRG Trust or a subsidiary of SRG is appointed;
- (12) a court makes an order for the winding up of SRG, SRG Trust or any subsidiary of SRG;
- (13) an administrator of SRG, SRG Trust or a subsidiary of SRG is appointed under section 436A, 436B or 436C of the Corporations Act;
- (14) SRG or a subsidiary of SRG executes a deed of company arrangement; or
- (15) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of SRG, SRG Trust or a subsidiary of SRG.

**Annexure 2**  
**Key Terms of the Merger Implementation Agreement**

**Recommendation**

- SRG's directors have advised that they will recommend that SRG's security holders accept Transurban's takeover offer (Offer) and accept it for their own security-holdings, in the absence of a superior proposal.

**SRG Conduct**

- restrictions on SRG's conduct from the date of the announcement of the Offer until the end of the date on which the Offer closes regarding breach of defeating conditions, conduct of business in the ordinary course consistent with past practice and variation of remuneration, employment or termination arrangements of directors or employees.

**Appointment of directors**

- two Transurban nominees to be appointed to SRG board, once Transurban's voting power reaches at least 50.1% and the Offer is free from defeating conditions.

**Facilitation**

- each party to review and comment on the other party's bidder's statement or target's statement (as applicable) in advance. Simultaneous dispatch in same booklet of bidder's statement and target's statement, if requested by Transurban.
- SRG to provide Transurban with reasonably required information (subject to statutory, contractual or fiduciary duties of SRG and its directors), and access to and co-operation from SRG senior management.

**Costs and expense**

- break fee of \$12 million payable by SRG, if at any time after announcement and before the close of the Offer:
  - SRG director recommendation not made, withdrawn or qualified (unless there is a notification or public announcement that a person whose consent, waiver or release is required for the purposes of defeating conditions (c) and (d) (see Annexure 1) will not provide that consent, waiver or release) or will not consider further proposals or submissions in relation to such consent, waiver or release;
  - SRG breaches the MIA, or allows a material breach of a defeating condition to occur which is incapable of remedy, or remains unremedied for a person in excess of seven days;
  - a person other than Transurban acquires greater than 50% voting power in SRG; or
  - any SRG director makes a recommendation to SRG security holders in favour of another proposal or transaction that would, if completed, result in a person acquiring greater than 50% voting power in SRG.
- the break fee will not be paid if Transurban acquires greater than 50% voting power in SRG and the Offer becomes free of defeating conditions. Any break fee already paid in these circumstances must be reimbursed by Transurban.

**Non-solicitation**

- Until 11 January, 2007, SRG must not and must ensure that each of its related bodies corporate, officers, employees, agents, consultants, investment bankers, lawyers or other advisers does not directly or

indirectly solicit, initiate or actively assist (including by providing non-public information) any expression of interest, offer or proposal by any person which may result in a transaction under which a person may acquire voting power in excess of 50% of SRG. In addition, SRG must immediately inform Transurban of any approaches it receives from any person regarding any such transaction (including the name of the person and details of their proposal), unless to do so would breach the fiduciary duties of SRG directors.

- during non-solicitation period, Transurban has right to match competing proposal that SRG directors considers is more favourable to SRG shareholders for 48 hours after notification, or such shorter period as the competing offer is open for acceptance.

**Sunset date**

- MIA terminates on the earlier of the date on which the Offer closes and 12 June 2007.