

11 October 2018

Address by Chairman Lindsay Maxsted and Chief Executive Officer Scott Charlton

Transurban 2018 Annual General Meetings - 11 October 2018

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 Meetings.



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Transurban AGM 2018 Chairman's Address

Good morning ladies and gentlemen, and welcome to the 2018 Transurban Annual General Meetings.

My name is Lindsay Maxsted, and I am the Chairman of the Transurban Group. On behalf of Transurban, I would like to acknowledge the tribes of the Kulin Nation as the traditional owners of country where we meet today.

I acknowledge the traditional owners of country throughout Australia and recognise their continuing connection to the lands, waters and communities. We pay our respect to Aboriginal and Torres Strait Islander cultures and to elders both past and present.

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

Before we start today's meetings, 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 room. 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.

This morning we are holding three meetings concurrently. This is the Annual General Meeting 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, and Directors Christine O'Reilly, Neil Chatfield, Jane Wilson and Rodney Slater.

On my left are Company Secretary, Amanda Street, and Directors Mark Birrell, Sam Mostyn, Peter Scott and Bob Edgar.

I would like to welcome Mark to his first Transurban AGM. Mark was appointed to the Board in May this year and is standing for election today.

Mark is Chair of Post Super and was previously chair of Regis Healthcare and Infrastructure Australia. He was also founding Chair of Infrastructure Partnerships Australia, the nation's peak infrastructure sector body. Mark has an extensive public policy background through his earlier service as a Cabinet Minister here in Victoria. He will expand on his experience later in the meeting.

My fellow Board member, Christine O'Reilly, is standing for re-election and will also be addressing the meeting later today.

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In August, we announced the retirement of Rodney Slater as of the close of this year's Annual General Meeting. Rodney has been on our Board since 2009 and I would like to formally thank him for his valuable contributions during his tenure. A process is under way to appoint a likely USA-based non-executive director to replace Rodney. We hope to be in a position to announce such an appointment in early 2019.

Financial Year 2018 was a momentous year for Transurban; one of the most significant since we began operations just over 20 years ago.

We entered a new market with the acquisition of the A25 bridge and toll road in Montreal, Canada; we launched a national tolling brand, Linkt, for our Australian markets; and here in Melbourne, we began work on the West Gate Tunnel Project, the largest road infrastructure development in this State since CityLink opened.

Most recently and subsequent to the end of the financial year, as part of the Sydney Transport Partners consortium, we were successful in reaching agreement with the NSW Government to acquire 51 per cent of WestConnex in Sydney.

WestConnex is fundamental to the NSW Government's long-term, transport plan and will transform travel in Sydney's western and south-western suburbs by providing the critical missing link in the city's orbital network.

Our consortium partners, AustralianSuper, Canada Pension Plan Investment Board and Tawreed Investments are amongst the largest infrastructure investors globally, and we were proud to work with them in this transaction, which reached financial close in late September.

WestConnex is clearly aligned with our business strategy, "to be the partner of choice of Governments". We understand this market well and look forward to continuing to add value for our customers in Sydney.

We acquired WestConnex for \$9.3 billion and funded the majority of our 50 per cent contribution through a \$4.2 billion fully underwritten pro rata accelerated renounceable rights offer. An additional \$600 million of new securities were placed with our consortium partners. This once again demonstrated our preference for entitlement offers to existing security holders, as we did in the funding of the West Gate Tunnel Project in December 2017.

We thank you for your support in both of these capital raisings.

Turning to our financials, I am pleased to report that Financial Year 2018 produced another excellent set of results.

Proportional toll revenue increased by 8.7 per cent to more than \$2.3 billion, whilst proportional EBITDA, that is, earnings before interest, tax, depreciation and amortisation - grew by 10.2 per cent to nearly \$1.8 billion.

Average daily traffic was up by 2.2 per cent across the portfolio with every market recording an increase in traffic numbers.

Free cash flow for the year was \$1.2 billion, which enabled us to declare dividends/distributions totalling 56 cents per security for FY18, which was an 8.7% increase on the previous year.

The total amount that we pay out in distributions to our security holders points to the considerable growth in our business in recent years. Since Financial Year 2010, our distributions have increased 270 per cent from \$324 million to the amount of \$1.2 billion in Financial Year 2018.

Transurban's capital strategy seeks to balance long-term value creation and maintain distribution growth.

For the year ending 30 June 2019, the Board has issued distribution guidance of 59 cents per security. This represents a proposed 5.4 per cent increase on the distribution paid in FY18, which, in turn, was more than 100 per cent covered by our free cash.

The Board has targeted distribution growth in the mid-single digits for Financial Years 2019 and 2020, which demonstrates the strength and consistency of our underlying business alongside the substantial development projects, and hence growth, in our portfolio over the next few years.

Our distribution guidance also reflects the Board's confidence in the business' capacity to satisfactorily deliver the projects in this transformational pipeline.

As Transurban endeavours to balance long-term value creation with maintenance of distribution growth, we have positioned the business for potential shifts in the external environment, including anticipated movements in interest rates in the coming years. Our Treasury team has worked on a number of fronts to ensure that while our debt book is large, it is well diversified.

The profile of our debt maturities has been staggered to reduce the refinancing requirements in any one year and we have locked in attractive pricing for a substantial amount of our borrowings. When combined with the pricing arrangements in our concessions, which provide additional protection in an inflationary environment, the profile of our borrowings gives the Board comfort about Transurban's ability to continue to perform well notwithstanding any upward pressure on interest rates.

Whilst 2018 has been a significant year for Transurban, I would also like to acknowledge the heightened attention and public scrutiny that we have faced.

Over the past 18 months we have participated in three government inquiries into the tolling sector at both the State and Federal government levels, which have considered a broad range of issues around our business. We were also the subject of a nine-month inquiry by the ACCC during the WestConnex sale process.

The inquiries have come at a time when there has been much public commentary about the community's expectations of corporations and the fairness, value, transparency and choice they deliver for consumers.

These are subjects that Transurban has been addressing and reporting on for several years.

We are acutely aware that everything we do from day-to-day operations to long-horizon projects must be considered in terms of the value we create for our partners in government, our communities, customers and you, our security holders.

The inquiries that we have faced have given us the opportunity to provide important context around this value as well as the accountability and transparency attached to every business decision we make.

Transurban Group

They have allowed us to discuss the extensive improvements we have made to our customer service and product offerings; the returns we make; and how we work with governments to deliver some of our cities' most vital transport infrastructure.

The findings of these inquiries have all pointed to the importance of the sector and recognised the valuable role that Transurban has played as well as the improvements we have made, particularly in customer service.

The size of the returns we generate has also been the subject of recent media reporting and commentary, and I would like to take this opportunity to put Transurban's returns into context.

As a business we invest tens of billions of dollars into new and existing roads, which provide tangible benefits to communities, particularly in terms of efficiency and travel-time savings.

Last financial year alone, data from navigation and telematics firm TomTom showed that drivers on our roads collectively saved 328,000 hours every work day. Our investments also allow governments to direct their spending more broadly, into areas of most need.

From Transurban's perspective, it can take many years, often decades, to make a return on our investment.

Given the upfront capital cost and the traffic ramp-up period, it is often not until about half way through the life of the concession that we have recovered our initial investment and begin to generate returns.

While the revenues supporting those returns may seem high on face value, particularly towards the end of a concession, the effect of inflation over a number of decades also needs to be taken into account.

Finally, in relation to returns, it should be noted that our investment is not without risks and the expected returns should reflect this reality. Whilst Transurban has a record of investing astutely in our toll concessions and development projects, there have been many examples of financial distress in the history of investment in this sector in both Australia and overseas.

The related misunderstanding in terms of our returns ties into the perception that our business is a monopoly, which, if so, would allow us to generate higher returns.

In fact, our concessions have been acquired either through competitive processes or project development proposals, which we have put forward to governments through their unsolicited bid frameworks. In all cases, these proposals are subject to strict value-for-money criteria.

Very importantly, the ACCC recently determined in allowing Sydney Transport Partners' bid for WestConnex, that notwithstanding Transurban's involvement in that consortium, any successful bid would not result in a substantial lessening of competition for future toll roads.

After securing Transurban's undertaking to provide various data sets, ACCC Chairman Rod Sims stated that many of the advantages that competitors view Transurban as having, from a competition standpoint, are more perception than reality.

To be able to address these public concerns is important as great benefits are achieved through healthy participation and partnership between the public and private sectors to deliver major infrastructure. Without these partnerships, future generations will lose out to a reduced level of investment and activity.

Notwithstanding all of the above, we do understand that the community's expectations are changing and more than ever consumers need to see value and choice in the goods and services they purchase; especially in this era of mounting cost-of-living pressures.

We acknowledge that this may, at times, be challenging for toll-road customers, especially those who encounter congestion on our roads. For customers, without access to information about the traffic conditions on other roads, the value proposition can be confusing. Therefore, we have intensified our efforts to ensure our customers are able to make an informed choice about their travel.

One of our recent initiatives allows customers to compare their toll-road use over alternate routes. Independent data is used to calculate travel times, costs, fuel consumption and carbon emissions generated by using our roads compared with alternate routes. The trip compare tool is available to customers in Melbourne through our website and on mobile devices. Trip-compare information for our Sydney roads will be available in the next few weeks.

Another initiative which will provide similar information is decision-point signage before the entrance to our roads. Customers will be able to compare travel times on the toll roads compared to alternate routes. Next month we will activate a signage pilot on the Melbourne Airport to city route as well as the Flemington Road to airport route to provide customers with real-time travel details. We are exploring the potential for similar signage in our other markets.

These initiatives are part of our continued focus on improving the customer experience.

The introduction of our national brand, Linkt, coincided with a new website and mobile apps making it easier for customers to manage their accounts. It also allowed us to review our fee structures and a number of changes have been made to streamline and reduce fees.

Furthermore, we are continuing our efforts to better understand and work with customers who may be facing financial hardship.

Building on our long-standing hardship policy, our Customer and Communities Advocate undertook a pilot project this year to test ways of reducing tolling debt amongst those customers.

After consulting representatives from the financial counselling, legal assistance and community welfare sectors, we developed a clear set of actions including establishing a dedicated hardship team – called LinktAssist – and national phone line to provide specialised support.

Pleasingly, our efforts have been recognised by legal and financial aid organisations and we look forward to continuing our work in this area.

Our progress in customer initiatives along with the many other programs and projects we have across the business as part of delivering our sustainability goals are detailed in our annual Sustainability Report, which has been released today and is available on our website.

Over the year, we have been recognised internationally in a number of areas.

For the fourth consecutive year, we have been awarded a citation as an employer of choice for gender equality from the Workplace Gender Equality Agency.

We have also maintained our standing in the Dow Jones Sustainability Index, remaining in the 98th percentile for our sector.

We have improved our performance in the Global Sustainability Benchmark for Real Assets. In this, we are placed number one globally for motorways and transport infrastructure.

These endorsements highlight the quality of work that we are undertaking in all areas of the business to meet our sustainability objectives.

As I mentioned earlier, Rodney Slater steps down from the Board at the conclusion of these meetings. Rodney's retirement is part of an orderly succession plan for Board renewal over the next few years.

Bob Edgar, Neil Chatfield and I will, most likely, all retire from the Board over the next few years given that we joined in the 2008-2009 timeframe and given the Board's policy on Director tenure.

The exact timing of these departures is yet to be determined but they will be staggered to ensure Board stability, appropriate retention of corporate memory, and orderly Chairman succession.

On behalf of the Board, I would like to thank our Executive team and all our employees for their hard work and dedication through yet another extremely busy year.

And most importantly, thank you for your ongoing support of Transurban. I would now like to hand over to our CEO Scott Charlton who will speak in more detail about our achievements in the operations and development activities of the business.

Before I hand over to Scott, we would like to take this opportunity to show you a short video of a selection of highlights of our project milestones for the year.

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Transurban AGM 2018 CEO's Address

This highlights video has shown, and as the Chairman said, it has been a monumental year for Transurban - from our financial results to the projects in each of our markets that will create new and better connections for our customers.

And, of course, we have now added WestConnex to our portfolio.

We are honoured, along with our co-investors, to have been chosen by the NSW Government to be its partner in delivering and operating this important project. This acquisition is the culmination of two years of intensive work by our team and again highlights the exceptional individuals we have working right across Transurban.

WestConnex is the largest single road project in Australia's history and in just over 10 years, 40 per cent of Sydney's population is expected to live within five kilometres of this network.

Its 33 kilometres of new and improved motorways and tunnels will connect Sydney's west and south-west suburbs with the CBD, Sydney Airport and Port Botany.

To put the magnitude of this project into context, WestConnex has approximately 388 lane kilometres – that is twice the lane kilometres of CityLink and as a single lane it would run half way from Melbourne to Canberra.

There are three new assets being built as part of WestConnex, with three separate concession agreements attached. These concession agreements also include three existing operating assets. Importantly, most of the trips taken on WestConnex will be drawn from well-established road corridors, being the M4 and M5.

With two of the three stages substantially progressed, we acknowledge the Sydney Motorway Corporation team for their significant effort to date and we look forward to working together to complete and operate this world-class project.

WestConnex will be transformative for Sydney. It will fundamentally change the way people move around and offer enormous benefits in terms of travel-time savings and reliability, which will improve the quality of life for many people.

WestConnex will also transform Transurban.

Beyond its size and scope, the acquisition of WestConnex marked a symbolic milestone for the business because, with it, Transurban has become one of the most valued toll-road owner / operators in the world.

We state this fact recognising that size is not an objective, but a by-product of our successful strategy to deliver results for you, and recognising your ongoing support for Transurban.

As always, we remain humble to be the custodians of our cities' world-class assets and the funds you have invested in us.

Since opening CityLink in 1999, we've grown from a single-asset entity to owning and operating 17 roads across five geographies.

Today we manage approximately 1,500 lane kilometres and 1.5 million trips across our roads each day.

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Including the remainder of WestConnex construction, we have a further 340 lane kilometres under development across nine projects with multiple government partners.

By 2023, when WestConnex is substantially completed and our other development projects are finished, we will manage 30 per cent more lane kilometres and approximately 60 per cent more trips compared to today.

From the construction sheds alongside CityLink housing our first employees, we now employ around 2,000 people in Australia and North America and almost 6,000 contractors on our construction projects. WestConnex will directly and indirectly create another 10,000 jobs.

Today, our headquarters are still here in Melbourne and, as a largely Australian-owned company, we are proud that we have been able to take our ingenuity, collaboration and talents overseas - to the United States and Canada. We have successfully competed on the global stage, and, of course, here in Australia, which is still a very competitive market.

As I have said, it is a great privilege to manage and operate these transport networks that are so critical to the functioning of our cities.

We have always understood the significance of our role and have spent two decades building our core capabilities in network planning and forecasting; road operations; customer services; project development; technology application; and stakeholder management.

Over that time, we have developed one of the world's largest traffic forecasting teams; tolling platforms and account services for 8.5 million customers; world-class community and stakeholder engagement programs; and various technology applications to make interactions with us as easy and transparent as possible.

Building on our core capabilities has allowed us to respond to the challenges and opportunities posed by the rapidly changing transport sector. It has also given us the ability to disrupt ourselves and evolve our business into the Transurban we are today.

We are no longer just a collection of separately managed toll-road concessions. Instead, we are evolving our business to one that considers transport networks holistically, and leverages technology and network planning to deliver integrated transport services. And we are taking these services beyond the roads we operate.

Today, we have nine development projects under way across four of our geographies. This year we also completed major projects beyond our roads, including the Monash Freeway and Inner City Bypass upgrades, which we delivered on behalf of the Victorian Government and the Brisbane City Council. We are also in the final weeks of the Gateway Upgrade North project, which we have been delivering on behalf of the Queensland and Federal governments since 2016.

Additionally, we are now providing incident-response services for the Victorian Government beyond CityLink to the West Gate Freeway. In Brisbane, we provide road operations, routine maintenance and incident response services on the Inner City Bypass. We are also supplying technology services for Brisbane, Sydney and Melbourne airports and will be providing tolling services for the new Toowoomba Second Range Crossing in Queensland.

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We are using GPS and smart-phone technology to create new customer platforms, tagless tolling and mobile services, such as our app LinktGo, which has revolutionised tolling services by creating tag and account-free travel.

And we are investing in cutting-edge smart-motorway technology and safety features across our roads including automatic incident detection, electronic speed and lane-control signage, and specialist tunnel safety systems.

Our US Express Lanes, of course, operate using an innovative dynamic-pricing structure designed to maintain free-flowing travel. We are expanding this network through our projects on the 395 and the southern extension of the 95.

Over the past year we have reshaped our Executive Committee to reflect our changing and growing business. We have created new executive portfolios across Development, Corporate Affairs, Customer Services and People and Culture. It shows the depth of talent in our executive and senior management teams that internal candidates were appointed to three of these four positions.

Delivering integrated transport solutions enables us to develop infrastructure and services in a way that considers the broader context of how entire cities are evolving to the benefits of all our stakeholders – and there is no better example than here in Melbourne.

Melbourne is Australia's fastest growing city and one of the top five fastest growing cities in the developed world. With its population now exceeding five million people, transport bottlenecks and congestion are already costing the economy \$5 billion a year. It is blatantly obvious that Melbourne needs significant investment in road and public transport projects.

To address this, the Victorian Government has embarked on an unprecedented infrastructure agenda. This is commendable and demonstrates the type of long-term thinking necessary to create infrastructure that will benefit generations of Victorians.

However, like all governments across Australia, it has a number of competing priorities and a shortage of funds available to deliver all the projects our communities need.

Governments have two options available to pay for infrastructure and that is: raising revenue through taxes or user charges.

There will always be discussion about the costs and benefits of these approaches but in the case of West Gate Tunnel, tolls paid by the users of the road network will fund this critical project, with taxpayer funds being freed up to be invested in other projects such as social infrastructure and public transport.

Additionally, motorists across Melbourne's road network - from CityLink to the M80, and from the Monash to Westgate Freeway - will benefit from this significant enhancement to the road network.

Once completed, the West Gate Tunnel Project will include a state-of-the-art, freeway-to-freeway management system across the length of the project, which links to other freeway management systems across the city. The outcome will be one of the longest fully managed motorways in the world, covering the M80 Ring Road, M1 and Tullamarine freeways, providing integrated, 24/7 real-time, traffic management across these corridors.

Today, there are close to 3,000 workers engaged on the project's seven major work sites. Over its duration, the project will create up to 6,000 construction jobs.

The project's two giant tunnel-boring machines are nearly complete and our contractors have started excavating a 330-metre long and 22-metre deep trench, which will serve as their launch pad in early 2019.

The West Gate Tunnel Project visitor centre, which opened in September, provides an immersive experience of the project via new technologies including a fully interactive three-dimensional model of the project; a model of a tunnel boring machine; and a virtual-reality experience of the elevated cycling track that will be created as part of the project.

You may have seen the virtual-reality headsets in the foyer as you walked in today and I invite you to try the experience.

Transurban is increasingly applying these and other types of new technologies that provide significant benefits for both our customers and operations and enhance our community engagement.

We now have connected and automated vehicle trials under way in Melbourne, Sydney and Northern Virginia to understand any changes needed in our roads' infrastructure to help ensure the safety of drivers as these vehicles enter the mainstream. Yesterday, we launched similar trials in Brisbane.

We are also exploring the application of artificial intelligence, machine learning and big data and the role these could play in reducing congestion, improving safety, efficiency and the experience of drivers on our roads and the broader road network.

Our agenda is wide and varied. It is also extremely exciting. We have such great opportunities to make positive impacts on the cities in which we operate and create value for all our stakeholders. But we understand that this is not only an opportunity, but a responsibility. And, as custodians, we do not take that responsibility for granted.

Before I conclude, I would like to acknowledge the incredible Transurban workforce that spans Melbourne to Montreal. Everything the business has delivered over the last year is because of their commitment, talent and drive.

Finally, I would also like to thank you, our security holders, for your support over the past few years. Together, we have been on quite the journey but there is still so much more that can be accomplished.

We know that with your support, and our commitment to deliver for you, that we can achieve our full potential and continue to make Transurban a great and successful Australian company.

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