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<u>Macquarie Atlas Roads</u>

2017 AGM Chairpersons' Opening Address

Dr Nora Scheinkestel, Chairman, Macquarie Atlas Roads Limited
Mr Jeffrey Conyers, Chairman, Macquarie Atlas Roads International Limited

MQA has had a clear objective since we started out in January 2010: to recover and build value in the portfolio we inherited and to maximise returns to our securityholders.

Seven years later, we believe we have met those objectives – and we see further opportunity.

We've improved the performance of our core assets, with portfolio revenue and earnings growing in each of the last four years. We've sold non-core assets, recently delivering over US$120 million from the realisation of our interests in the Chicago Skyway and the Indiana Toll Road. We began paying distributions in 2013 and have grown them each year since. Our market capitalisation has increased 10-fold from A$278 million at inception to nearly A$3.0 billion today.

Our total return to securityholders has grown at 39% per annum[1] on a compound basis, and, as of 20 March this year, we have joined the S&P/ASX100 Index.

2016 saw the achievement of many milestones for MQA at both the asset and portfolio levels: a demonstration of the success of the approach we have taken.

Agenda

Today I would like to take you through some of the highlights. I will touch on the following items:
- Distribution growth
- Performance of our asset portfolio
- The continued reshaping of our portfolio including both realisations and investments
- A little bit about why we are structured the way we are
- Fees
- Some comments on our approach to environmental and social responsibilities, which we consider critical to our operations; and then
- Recap on our strategy and our focus for the future.

Distribution Growth

We increased distributions last year by 12.5% to 18 cents per security, up from 16 cents in 2015.

At our full year results, we confirmed our guidance that we intend to pay a total distribution in 2017 of 20 cents per security, a further increase year-on-year of 11.1%. We have already paid the first half 2017 distribution of 10 cents per security and, subject to asset performance, foreign

1. Calculated from MQA inception to 31 December 2016.

exchange movements and future events, we anticipate paying a further 10 cents per security for the second half in September 2017.

2016 Portfolio Highlights

All of our toll roads achieved improved traffic, revenue and EBITDA growth in 2016. Peter Trent, our CEO, will discuss the detailed performance of our assets shortly.

This improved revenue and profitability were not only underpinned by the increasing traffic volumes and toll increases, but also, pleasingly, by operational improvements such as reduced labour costs and increased use of automated tolling. Our local teams also continued to optimise funding costs and terms with €2.5 billion of refinancings completed at the asset level in 2016. A programme of refinancings over recent years has consistently delivered significant benefits flowing through to our securityholders and we believe there continue to be further opportunities in this area. Peter will talk more about this in his address.

Reshaping the Portfolio

As I mentioned earlier, in 2016 we continued to reshape our asset portfolio. This involved both the sale of non-core assets and investments.

In the first half of the year we divested our 22.5% interest in the Chicago Skyway in the US, resulting in net proceeds of ~US$98 million to MQA. This followed the realisation of another US road, the Indiana Toll Road, in 2015 which netted proceeds to MQA of US$25 million.

Our most recent investments took place in November 2016 and February this year and both came from opportunities within our existing portfolio.

In November, we increased our indirect interest in ADELAC, part of the APRR network, from 10.04% to a current holding of 20.15%. ADELAC is the concessionaire of a 19.6km commuter road between Annecy in eastern France and Geneva in Switzerland with a concession expiry in December 2060. Together with our co-shareholders, we exercised pre-emptive rights held at the asset level to acquire the additional stake with no external funding requirement. We believe this investment will be accretive to the portfolio.

In February this year, we announced that we would exercise our pre-emptive right to acquire the remaining 50% economic interest[2] in the Dulles Greenway, a US commuter road in Virginia, for US$445 million. The acquisition is still subject to certain conditions precedent but we expect it to close in the first half of this year.

Dulles Greenway is an asset we know well, located in Loudoun County, one of the fastest growing and most affluent counties in the US[3]. The road has been performing strongly and, subject to meeting ongoing performance tests, there is potential for the Dulles Greenway to commence distributions from the end of December 2018.

We believe this acquisition will be accretive for MQA over the life of the asset. It improves our income diversification through greater exposure to a strong growth region within the US economy and extends our weighted average portfolio concession life. We will hold 100% of the economic interest with operational control and this will give us the ability to plan and invest over the concession life. Our key objective is to continue to improve the reliability of service for our commuters which will drive future performance.

The acquisition was partially funded by an institutional placement and security purchase plan, or SPP. The placement, issued at just under a 5% discount to the last closing price before the issue,

2. Following completion of the acquisition, MQA's economic interest will be held through ~86.6% subordinated loans and ~13.4% equity.
3. Source: Loudoun County Department of Planning and Zoning 2016.

was over 300% subscribed, and strongly supported by our existing securityholders. We were also pleased to welcome a number of new major institutional investors. The SPP closed on 23 March 2017 and was also over-subscribed, raising A$22.2 million, well in excess of our A$15.0 million target. We are very pleased to see growing support for MQA from our retail investors and in recognition of this, your Boards made the decision to accept this larger SPP take-up.

MQA Structure

MQA is, as you know, an externally managed stapled entity and some investors are interested in why we are structured this way. The Boards regularly review the structure and believe it remains appropriate for MQA at this stage. There are two key aspects I'd like to cover – why a stapled structure and why external management.

First: to the stapled structure. We have portfolio investments all around the world and our investors are both Australian and international. Tax is paid by MQA's assets in the jurisdictions where taxable profits are generated – primarily France at the moment, where APRR pays significant amounts of tax. Our structure facilitates distributions to investors who, in turn, are subject to the tax rules in their own jurisdiction. MQA does not utilise Australian trust structures and currently has no assets in Australia. So, while we invest in assets in different parts of the world, we believe the stapled structure continues to serve MQA's securityholders well.

Secondly: to external management. The management and advisory agreements provide MQA with a dedicated head office team in Sydney, supplemented by Macquarie's global team of specialists. The manager offers MQA deep knowledge of the individual assets, local expertise including understanding of, and relationships with, key stakeholders, as well as specialist input on a timely and as-needed basis. This has allowed MQA to restructure its portfolio, turn assets around or divest them as appropriate and successfully resolve asset-specific challenges, such as the negotiations with the French State in 2015. In more recent times, Macquarie's global infrastructure team has also presented the MQA Boards with potential investment opportunities for our consideration and assisted with our review and, where the transactions were pursued, with execution.

The Boards believe that, at this stage of MQA's life, our arrangement with Macquarie continues to offer value and maximises our ability to deliver on our strategy, and so remains in the best interests of MQA securityholders.

MQA Performance

That value is evident through the delivery of distributions and security price appreciation. In the year to 31 December 2016, our distributions increased 12.5% and our market capitalisation increased to over A$2.7 billion. This equated to a total securityholder return of 29% for the year. Since listing, MQA has achieved a total securityholder return of over 850% to 31 December 2016, equating to a compound annual growth rate of 39% over our seven years.

While the market will determine the security price, we believe this continuing and sustained growth reflects the market's recognition of the value which continues to be created in MQA.

Management Fees

Let me now turn to performance and management fees. The performance fee is calculated on a year ending 30 June. Over the 12 months to 30 June 2016, MQA's market capitalisation increased by over A$1.0 billion and we paid A$98 million in distributions to our securityholders. This equated to a total return of 71%, or a 63%[4] outperformance to our benchmark, the S&P/ASX 300 Industrials Accumulation Index.

4. Calculated in accordance with the MQA management and advisory agreements.

This strong result delivered a performance fee to Macquarie, as our manager, for the 12 month period to 30 June 2016. This performance fee, calculated as 15% of MQA's outperformance to our benchmark, amounted to A$134.1 million. Of this amount, only one third, being the first instalment of A$44.7 million, became payable in 2016. Accounting standards require us to recognise the full amount in our 2016 accounts even though only one third was immediately payable. In order to receive the second and third fee instalments, MQA's outperformance must be maintained, and will be re-tested, over a two and three year period against our benchmark.

We have also tested MQA's historic outperformance against the S&P/ASX200 and S&P/ASX100 Accumulation Indices and the result is almost identical to that compared with our current benchmark. That is, the results would not change materially even if the benchmark were changed to these indices.

In July 2016 we announced, with immediate effect, that Macquarie had granted a waiver to reduce the base management fee from the previous tiered approach that ranged up to 2.00% across various market capitalisations to a flat 1.00% per annum for all market capitalisations. At our current market capitalisation of just under A$3.0 billion, the fee reduction will result in savings of nearly A$15 million per annum for MQA securityholders compared to the levels stipulated in the management and advisory agreements.

Jeff Conyers and I, as Chairpersons of the MQA Group, regularly meet with securityholders to hear their views and discuss our performance. We acknowledge that a number of investors remain concerned about some aspects of MQA and we will continue to take these into account in our ongoing board deliberations. As always, our discussions and decisions are made first and foremost in the best interests of all MQA securityholders.

Environmental & Social Responsibility (ESR)

I would like to take a moment to talk about MQA's strong interest and commitment in promoting high standards in the management of environmental and social responsibilities, both at the corporate level and at our portfolio assets. As a minority investor in assets to date, this has been primarily an influencing role but our representative directors and officers are acutely aware that good management of these issues is a key component of our responsibilities to securityholders and to the communities in which our portfolio assets operate. During 2016, we continued to embed ESR management into the operations and strategy of MQA. Operational control at Dulles Greenway will now further facilitate our ongoing work in this area. In 2016 we took the opportunity to adopt a new reporting format on ESR and I would encourage all those interested to look at our website for more information and case studies.

Portfolio Focus and Strategy

So where to from here? Our focus remains on enhancing the value of our portfolio to generate increasing returns to our investors. Our strategy consists of four pillars directed to this goal:

- Continuing to extract value from our existing assets through active operational management. The performance of MQA's portfolio assets demonstrates our ability to continue to do this and, at Dulles Greenway, having 100% operational control should give us further scope in this area.

- Disciplined capital management, such as through refinancings, to deliver and grow cash distributions from our assets. Again, as mentioned earlier, there are identified opportunities for more to be done in this area.

- Investing in growth opportunities that are complementary and accretive to our existing portfolio, on a selective basis. By way of example, as was the case with Dulles Greenway, MQA holds a pre-emptive right as a co-investor in APRR. We understand that one of our coinvestors may look to sell their holding over the next 12 months. Our pre-emptive right is an option that we hold for our securityholders and we will assess this opportunity when it arises.

- Growing distributions over time. We have reconfirmed our guidance of a 20 cent distribution per securityholder for this year, an increase of 11.1% over 2016.

In closing, we have continued to extract value from our assets through improved operational performance and efficient capital management. We continued to optimise the portfolio by receiving ~US$98 million from the sale of our interest in the Chicago Skyway, adding to the US$25 million received from the realisation of our interest in the Indiana Toll Road. And we have made further investments in two assets within our portfolio, doubling our indirect interest in ADELAC and acquiring 100% effective ownership of the Dulles Greenway, both of which we believe will be accretive to securityholders over the life of those investments.

Your support, as our securityholders, over the years and in the recent placement and SPP has resulted in our market capitalisation increasing 10-fold since inception and, as of March this year, has seen us admitted to the S&P/ASX100 Index.

We remain committed to delivering growing distributions and total securityholder returns.

The Boards would like to thank our management team led by Peter Trent, both here in Australia and around the world, for their efforts over the past year which have delivered these outcomes. My personal appreciation also goes to my fellow directors and, on behalf of the Boards and management team, I would like to thank you, our securityholders, for your continued support of MQA.

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