Atlas Arteria

(formerly Macquarie Atlas Roads)

Interim Financial Report

for the half year ended 30 June 2018

This report comprises:

Atlas Arteria International Limited (formerly Macquarie Atlas Roads International Limited) and its controlled entities

Atlas Arteria Limited (formerly Macquarie Atlas Roads Limited) and its controlled entities

atlasArteria

Important Notice

Atlas Arteria ("ALX") (formerly Macquarie Atlas Roads) comprises Atlas Arteria International Limited (Registration No. 43828) ("ATLIX") (formerly Macquarie Atlas Roads International Limited) and Atlas Arteria Limited (ACN 141 075 201) ("ATLAX") (formerly Macquarie Atlas Road Limited). ATLIX is an exempted mutual fund company incorporated and domiciled in Bermuda with limited liability and the registered office is Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda. ATLAX is a company limited by shares incorporated and domiciled in Australia and the registered office is Level 7, 50 Martin Place, Sydney, NSW 2000, Australia. Macquarie Fund Advisers Pty Limited (ACN 127 735 960) (AFS License No.318123) ("MFA") is the adviser/manager of ATLIX and ATLAX. MFA is a wholly owned subsidiary of Macquarie Group Limited (ACN 122 169 279) ("MGL").

None of the entities noted in these reports is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited (ABN 46 008 583 542) ("MBL"). MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

These reports are not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in ALX, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

MFA as adviser/manager of ATLIX and ATLAX is entitled to fees for so acting. MGL and its related corporations (including MFA), ATLAX and ATLIX together with their officers and directors may hold stapled securities in ALX from time to time.

Contents

Directors' Reports 4

Auditor's Independence Declaration 8

Consolidated Statements of Comprehensive Income 9

Consolidated Statements of Financial Position 10

Consolidated Statements of Changes in Equity 11

Consolidated Statements of Cash Flows 13

Notes to the Interim Financial Reports 14

1 Introduction 14

2 Financial performance 15

2.1 (Loss)/profit for the half year 15

2.2 Distributions 17

2.3 Segment information 17

3 Investments 19

3.1 Investments accounted for using the equity method 19

4 Other balance sheet assets and liabilities 23

4.1 Intangible assets – Tolling concessions 23

4.2 Receivables 24

4.3 Payables and provisions 25

5 Capital and risk management 26

5.1 Debt at amortised cost 26

5.2 Contributed equity 27

5.3 Reserves 28

5.4 Fair value measurement of financial instruments 28

6 Other disclosures 29

6.1 Contingent liabilities 29

6.2 Other accounting policies 29

6.3 Events occurring after balance sheet date 31

Directors' Declaration – Atlas Arteria International Limited 32

Directors' Declaration – Atlas Arteria Limited 33

Independent auditor's review report to the security holders of Atlas Arteria International Limited and Atlas Arteria Limited 34

Directors' Reports

The directors of Atlas Arteria International Limited ("ATLIX") (formerly Macquarie Atlas Roads International Limited) submit the following report together with the Interim Financial Report of Atlas Arteria ("ALX" or "the Group") (formerly Macquarie Atlas Roads) for the half year ended 30 June 2018.

AASB 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements* require one of the stapled entities of a stapled structure to be identified as the parent entity for the purpose of preparing a consolidated Interim Financial Report. In accordance with this requirement, ATLIX has been identified as the parent entity of the group comprising ATLIX and its controlled entities and Atlas Arteria Limited ("ATLAX") (formerly Macquarie Atlas Roads Limited) and its controlled entities ("ATLAX Group"), together comprising ALX.

The directors of ATLAX submit the following report for the ATLAX Group for the half year ended 30 June 2018.

Macquarie Fund Advisers Pty Limited ("the Adviser/Manager" or "MFA") acts as the adviser for ATLIX and the manager of ATLAX.

Directors

The following persons were directors of ATLIX during the whole of the half year and up to the date of this report:

- Jeffrey Conyers (Chairman)
- James Keyes
- Christopher Leslie
- Nora Scheinkestel
- Derek Stapley

The following persons were directors of ATLAX during the whole of the half year and up to the date of this report:

- Nora Scheinkestel (Chairman)
- Richard England
- Debra Goodin
- John Roberts

Operating and financial review

Principal activities

The principal activity of the Group and the ATLAX Group (together "the Groups") is to invest in infrastructure assets in Organisation for Economic Co-operation and Development ("OECD") and OECD equivalent countries; and non-infrastructure assets where ancillary to a major infrastructure investment but with the current focus on toll road investments, both greenfield and mature. Other than as disclosed elsewhere in these reports, there were no significant changes in the nature of the Groups' activities during the half year.

Distributions

Distributions paid to security holders during the half year were as follows:

	Half year ended 30 Jun 2018 $'000	Half year ended 30 Jun 2017 $'000
Dividend of 12.0 cents per stapled security ("cps") paid on 13 April 2018[1]	**80,375**	-
Distribution of 10.0 cps paid on 7 April 2017[2]	-	57,294
	80,375	57,294

All of the distributions were paid in full by ATLIX.

1. Comprised an ordinary dividend of 12.0 cps.
2. Comprised a capital return of 9.8 cps and an ordinary dividend of 0.2 cps.

Directors' Reports (continued)

Operating and financial review (continued)

Review and results of operations[1]

The performance of ALX and the ATLAX Group for the half year, as represented by the results of their operations, was as follows:

	ALX	ALX	ATLAX Group	ATLAX Group
	Half year ended 30 Jun 2018 $'000	Half year ended 30 Jun 2017 $'000	**Half year ended 30 Jun 2018 $'000**	Half year ended 30 Jun 2017 $'000
Revenue and other income from operations	**59,563**	408,920	**2,244**	66,089
Operating expenses	**(144,127)**	(40,142)	**(10,411)**	(4,933)
Finance costs	**(58,927)**	(11,223)	**-**	-
Share of net profit/(losses) of investments accounted for using the equity method	**127,493**	81,700	**(2,697)**	(958)
Income tax benefit/(expense)	**504**	(1,699)	**(20)**	(1,863)
(Loss)/profit from operations after income tax	**(15,494)**	437,556	**(10,884)**	58,335
	Cents	Cents	**Cents**	Cents
(Loss)/profit per ALX stapled security	**(2.3)**	78.4	**(1.6)**	10.5

1. On 16 May 2017 ("TRIP II Acquisition Date"), ALX completed the acquisition of the remaining 50% estimated economic interest in Toll Road Investors Partnership II ("TRIP II"), the concessionaire for Dulles Greenway. TRIP II's results were consolidated from the TRIP II Acquisition Date in the prior period and for the entire six months in the current period.

ALX's loss after income tax for the half year ended 30 June 2018 was $15.5 million (2017: profit after tax of $437.6 million). The movement in results for the half year reflects the following significant items:

- Revenue and other income from operations of $59.6 million (2017: $408.9 million) has decreased due to:
  - No gain on the revaluation of the original investment in Dulles Greenway during the period (2017: $375.6 million) partially offset by;
  - The consolidation of a full six months of TRIP II's toll revenue of $57.6 million (2017: $17.0 million).
- Operating expenses of $144.1 million (2017: $40.1 million) have increased due to:
  - An increase in performance fee expense to $70.6 million (2017: $8.0 million). The current period expense reflects the full 2018 performance fee of $54.7 million and the second and third instalments of the 2017 performance fee totalling $15.9 million. In the prior period, only the first instalment of the 2017 fee was required to be recognised due to the level of outperformance against the benchmark. A total performance fee liability of $115.3 million was recognised at 30 June 2018, of which $25.0 million was settled in cash and $90.3 million was settled through a subscription of new ALX securities in July 2018.
  - Management internalisation related expenses of $5.4 million (2017: nil).
  - The consolidation of a full six months of TRIP II's expenses of $44.3 million (2017: $10.8 million).
- Finance costs of $58.9 million (2017: $11.2 million) include:
  - Interest, amortisation expense and early repayment fees of $15.7 million (2017: $2.0 million) up to the date of repayment of the loan facility used to acquire a portion of the remaining 50% stake in TRIP II.
  - Interest and amortisation expense of $6.2 million (2017: nil) up to the date of repayment of the loan facility used to acquire a portion of an additional stake in APRR.
  - Interest and amortisation expense of $1.4 million (2017: nil) on the new loan facility after refinancing of the APRR asset finance facility and repayment of Dulles Greenway asset finance facility.
  - Consolidation of a full six months of TRIP II's bond interest expense $35.6 million (2017: $9.2 million).
- Share of net profit of investments accounted for using the equity method of $127.5 million (2017: profit of $81.7 million), primarily consists of:
  - APRR profit of $127.5 million (2017: profit of $85.6 million), including APRR's fair value gain on interest rate swaps for the half year ended 30 June 2018 of $20.0 million (2017: $16.7 million).
  - Dulles Greenway loss of $3.9 million included in the prior period up to the TRIP II Acquisition date.
- Income tax benefit of $0.5 million (2017: expense of $1.7 million) which include:
  - Amortisation of deferred tax liability recognised on the remaining acquisition of the 50% estimated economic interest in TRIP II by $0.5 million (2017: $0.2 million).
  - Final tax expense of $1.9 million in the prior period on the distribution proceeds relating to the sale of Skyway Concession Company LLC ("SCC").

Directors’ Reports (continued)

Significant changes in state of affairs

Change in management arrangements

Following the announcement of the Boards’ intention to internalise the management of ALX in November 2017, ALX reached an agreement with MFA on the terms of the internalisation of management. This agreement was approved by the shareholders at the 2018 Annual General Meeting.

The key terms of the agreement are as follows:

- Macquarie Atlas Roads changed its name to Atlas Arteria and its ticker code from MQA to ALX.
- No consideration will be paid to MFA for terminating the management agreements.
- MFA to remain as the adviser/manager of ALX under the current management arrangements until 15 May 2019 (unless terminated earlier although fees will continue to be paid until that date).
- MFA to provide specific transition services from the date of termination of the management arrangements to December 2019 for a fee of $750,000 per month from 15 May 2019.
- A final performance fee to be calculated for the year ending 30 June 2018 and, if earned, to be paid in full. The second instalment of 2017 fees and third instalment of 2016 fee to be subject to their respective performance hurdles and tested on 30 June 2018. The third instalment of the 2017 fee to become payable without further testing.
- At the point of the termination of the ALX management agreements, Macquarie Group will start to receive fees for the ongoing management of ALX’s interest in APRR.

The Boards have since appointed Graeme Bevans as Chief Executive Officer (CEO) Elect and Nadine Lennie as Chief Financial Officer (CFO) Elect. Graeme and Nadine are working together to establish the necessary infrastructure, systems and processes in order for ALX to manage its own operations independently and separately from Macquarie.

Refinancing of loans

On 31 May 2018, ALX refinanced and increased the APRR asset finance facility from €150.0 million to €350.0 million with revised terms. The APRR asset finance facility was put in place in October 2017 to partially fund the acquisition of an additional stake in APRR.

On 4 June 2018, part of the additional proceeds from the refinanced APRR asset finance facility were used to fully repay the US$175.0 million Dulles Greenway asset finance facility along with accrued interest up to the date of repayment. Remaining proceeds from the new asset finance facility will be used for general corporate expenses.

In June 2018, ATLIX entered into €350.0 million of interest rate caps to hedge the EURIBOR floating rate interest expense on the new APRR asset finance facility.

In the opinion of the directors, there were no other significant changes in the state of affairs during the period.

Events occurring after balance sheet date

Performance fee

On 2 July 2018, MFA and ALX’s independent directors agreed that the total performance fee of $115.3 million (excluding GST) be settled by a combination of equity and cash. Accordingly, 13,476,174 ALX securities were issued to MFA’s assignee at a price of $6.700906 per security on 2 July 2018. The remaining performance fee payable of $25.0 million was settled in cash on 3 July 2018.

Acquisition of Warnow Tunnel

On 15 August 2018, ALX announced that it had entered into an agreement to acquire the remaining 30% equity interest and shareholder loan in Warnow Tunnel for gross acquisition consideration prior to adjusting for applicable transaction taxes of €3.7 million, increasing ALX’s total interest to 100%. The acquisition will be fully funded by ALX’s existing corporate cash and is expected to close by the end of year, subject to customary closing conditions and approvals.

Since balance date, the directors of ATLIX and ATLAX are not aware of any other matter or circumstance not otherwise dealt with in the Directors' Reports that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in periods subsequent to the half year ended 30 June 2018.

Directors' Reports (continued)

Rounding of amounts in the Directors' Reports and the Interim Financial Reports

The Groups are of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the Directors' Reports and Interim Financial Reports. Amounts in the Directors' Reports and Interim Financial Reports have been rounded to the nearest thousand dollars in accordance with that instrument, unless otherwise indicated.

Application of class order

The Directors' Reports and Interim Financial Reports for ALX and the ATLAX Group have been presented in the one report, as permitted by ASIC Class Order 13/1050 and ASIC Corporations (Stapled Group Reports) Instrument 2015/838.

Auditor's Independence Declaration

A copy of the auditor's independence declaration for ATLAX and its controlled entities during the period, as required under section 307C of the *Corporations Act 2001*, and an independence declaration for ATLIX and its controlled entities during the period, is set out on page 8.

Signed in accordance with a resolution of the directors of Atlas Arteria International Limited:

Jeffrey Conyers
Chairman
Atlas Arteria International Limited
Pembroke, Bermuda
29 August 2018

Derek Stapley
Director
Atlas Arteria International Limited
Pembroke, Bermuda
29 August 2018

Signed in accordance with a resolution of the directors of Atlas Arteria Limited:

Nora Scheinkestel
Chairman
Atlas Arteria Limited
Sydney, Australia
29 August 2018

Richard England
Director
Atlas Arteria Limited
Sydney, Australia
29 August 2018

Auditor's Independence Declaration

As lead auditor for the reviews of Atlas Arteria International Limited and Atlas Arteria Limited for the interim period ended 30 June 2018, I declare that to the best of my knowledge and belief there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* (as applicable) in relation to the reviews; and
2. no contraventions of any applicable code of professional conduct in relation to the reviews.

This declaration is in respect of Atlas Arteria International Limited and its controlled entities during the period and Atlas Arteria Limited and its controlled entities during the period.

SJ Smith
Partner
PricewaterhouseCoopers

Sydney
29 August 2018

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Atlas Arteria International Limited
Atlas Arteria Limited

Consolidated Statements of Comprehensive Income

	Note	ALX Half year ended 30 Jun 2018 $'000	ALX Half year ended 30 Jun 2017 $'000	ATLAX Group Half year ended 30 Jun 2018 $'000	ATLAX Group Half year ended 30 Jun 2017 $'000
Revenue and other income from operations					
Revenue from operations		**59,557**	18,634	**2,204**	1,195
Other income from operations		**6**	390,286	**40**	64,894
Total revenue and other income from operations	2.1(a)	**59,563**	408,920	**2,244**	66,089
Operating expenses	2.1(b)	**(144,127)**	(40,142)	**(10,411)**	(4,933)
Finance costs	2.1(c)	**(58,927)**	(11,223)	**-**	-
Share of net profits/(losses) of investments accounted for using the equity method	3.1(b)	**127,493**	81,700	**(2,697)**	(958)
(Loss)/profit from operations before income tax		**(15,998)**	439,255	**(10,864)**	60,198
Income tax benefit/(expense)		**504**	(1,699)	**(20)**	(1,863)
(Loss)/profit for the half year		**(15,494)**	437,556	**(10,884)**	58,335
(Loss)/Profit attributable to:					
Equity holders of the parent entity – ATLIX		**(4,610)**	379,221	**-**	-
Equity holders of other stapled entity – ATLAX (as non-controlling interest/parent entity)		**(10,884)**	58,335	**(10,884)**	58,335
Stapled security holders		**(15,494)**	437,556	**(10,884)**	58,335
Other comprehensive income/(loss)					
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		**86,395**	(36,460)	**8,411**	(12,054)
Other comprehensive income/(loss) for the half year, net of tax		**86,395**	(36,460)	**8,411**	(12,054)
Total comprehensive income/(loss) for the half year		**70,901**	401,096	**(2,473)**	46,281
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent entity – ATLIX		**73,374**	354,815	**-**	-
Equity holders of other stapled entity – ATLAX (as non-controlling interest/parent entity)		**(2,473)**	46,281	**(2,473)**	46,281
Stapled security holders		**70,901**	401,096	**(2,473)**	46,281
		Cents	Cents	**Cents**	Cents
(Loss)/profit per share attributable to ATLIX/ATLAX shareholders					
Basic and diluted (loss)/profit per share attributable to:					
ATLIX (as parent entity)		**(0.7)**	67.9	**-**	-
ATLAX (as non-controlling interest)		**-**	-	**(1.6)**	10.5
(Loss)/profit per ALX stapled security		**(2.3)**	78.4	**(1.6)**	10.5

The above Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statements of Financial Position

	Note	ALX As at 30 Jun 2018 $'000	ALX As at 31 Dec 2017 $'000	ATLAX Group As at 30 Jun 2018 $'000	ATLAX Group As at 31 Dec 2017 $'000
Current assets					
Cash and cash equivalents		**155,964**	122,690	**20,501**	34,304
Receivables and other assets	4.2	**607**	618	**86,272**	2,080
Prepayments		**522**	724	**178**	116
Total current assets		**157,093**	124,032	**106,951**	36,500
Non-current assets					
Intangible assets – Tolling concessions	4.1	**2,280,499**	2,189,724	**-**	-
Investments accounted for using the equity method	3.1	**1,548,259**	1,483,337	**158,751**	153,110
Restricted cash		**160,314**	153,440	**-**	-
Goodwill		**61,967**	58,726	**-**	-
Derivative financial instruments		**4,813**	-	**-**	-
Property, plant and equipment		**877**	728	**38**	-
Receivables	4.2	**-**	-	**48,539**	122,812
Prepayments		**131**	140	**65**	70
Total non-current assets		**4,056,860**	3,886,095	**207,393**	275,992
Total assets		**4,213,953**	4,010,127	**314,344**	312,492
Current liabilities					
Payables and provisions	4.3	**(135,561)**	(63,327)	**(10,989)**	(6,376)
Debt at amortised cost	5.1	**(70,101)**	(66,286)	**-**	-
Total current liabilities		**(205,662)**	(129,613)	**(10,989)**	(6,376)
Non-current liabilities					
Debt at amortised cost	5.1	**(1,803,437)**	(1,668,352)	**-**	-
Deferred tax liabilities		**(42,006)**	(40,333)	**-**	-
Payables and provisions	4.3	**(10,247)**	(9,754)	**-**	-
Total non-current liabilities		**(1,855,690)**	(1,718,439)	**-**	-
Total liabilities		**(2,061,352)**	(1,848,052)	**(10,989)**	(6,376)
Net assets		**2,152,601**	2,162,075	**303,355**	306,116
Equity					
Equity attributable to equity holders of the parent – ATLIX					
Contributed equity	5.2	**1,911,877**	1,911,877	**-**	-
Reserves	5.3	**106,106**	28,122	**-**	-
Accumulated losses		**(168,737)**	(84,040)	**-**	-
ATLIX security holders' interest		**1,849,246**	1,855,959	**-**	-
Equity attributable to other stapled security holders – ATLAX					
Contributed equity	5.2	**268,334**	268,334	**268,334**	268,334
Reserves	5.3	**(15,805)**	(24,216)	**(15,805)**	(24,216)
Accumulated income		**50,826**	61,998	**50,826**	61,998
Other stapled security holders' interest		**303,355**	306,116	**303,355**	306,116
Total equity		**2,152,601**	2,162,075	**303,355**	306,116

The above Consolidated Statements of Financial Position should be read in conjunction with the accompanying notes.

The financial information was approved by the Board of Directors on 29 August 2018 and was signed on its behalf by:

Jeffrey Conyers – Chairman
Atlas Arteria International Limited
Pembroke, Bermuda

Derek Stapley – Director
Atlas Arteria International Limited
Pembroke, Bermuda

Atlas Arteria International Limited
Atlas Arteria Limited

Consolidated Statements of Changes in Equity

ALX	Attributable to ATLIX security holders					
	Contributed equity $'000	**Reserves $'000**	**Accumulated Losses $'000**	**Total $'000**	**Attributable to ATLAX security holders $'000**	**Total ALX equity $'000**
Total equity at 1 January 2018	1,911,877	28,122	(84,040)	**1,855,959**	**306,116**	**2,162,075**
Loss for the half year	-	-	(4,610)	**(4,610)**	**(10,884)**	**(15,494)**
Exchange differences on translation of foreign operations	-	77,984	-	**77,984**	**8,411**	**86,395**
Adjustment to accumulated (losses)/income from adoption of AASB 9 on 1 January 2018[1]	-	-	288	**288**	**(288)**	**-**
Total comprehensive profit/(loss)	-	77,984	(4,322)	**73,662**	**(2,761)**	**70,901**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid[2]	-	-	(80,375)	**(80,375)**	**-**	**(80,375)**
	-	-	(80,375)	**(80,375)**	**-**	**(80,375)**
Total equity at 30 June 2018	1,911,877	106,106	(168,737)	**1,849,246**	**303,355**	**2,152,601**

1. Refer note 6.2(d) for details.
2. On 13 April 2018, ALX paid an ordinary dividend of 12.0 cents per stapled security ("cps").

ALX	Attributable to ATLIX security holders					
	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Attributable to ATLAX security holders $'000	Total ALX equity $'000
Total equity at 1 January 2017	1,323,651	58,378	(517,041)	864,988	208,010	1,072,998
Profit for the half year	-	-	379,221	379,221	58,335	437,556
Exchange differences on translation of foreign operations	-	(24,406)	-	(24,406)	(12,054)	(36,460)
Transfer from foreign currency translation reserve to accumulated losses[3]	-	(30,135)	30,135	-	-	-
Total comprehensive income	-	(54,541)	409,356	354,815	46,281	401,096
Transactions with equity holders in their capacity as equity holders:						
Issue of securities during the period	188,218	-	-	188,218	15,703	203,921
Other equity transactions	-	301	-	301	152	453
Capital return[4]	(56,148)	-	-	(56,148)	-	(56,148)
Dividends paid[4]	-	-	(1,146)	(1,146)	-	(1,146)
	132,070	301	(1,146)	131,225	15,855	147,080
Total equity at 30 June 2017	1,455,721	4,138	(108,831)	1,351,028	270,146	1,621,174

3. Foreign exchange translation gain of $30.1 million transferred to accumulated losses on sale of associate.
4. On 7 April 2017, ALX paid a distribution of 10.0 cps, comprising a capital return of 9.8 cps and an ordinary dividend of 0.2 cps.

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statements of Changes in Equity (continued)

	Attributable to ATLAX security holders			
ATLAX Group	**Contributed equity $'000**	**Reserves $'000**	**Accumulated income $'000**	**Total ATLAX Group equity $'000**
Total equity at 1 January 2018	268,334	(24,216)	61,998	**306,116**
Losses for the half year	-	-	(10,884)	**(10,884)**
Exchange differences on translation of foreign operations	-	8,411	-	**8,411**
Adjustment to accumulated income from adoption of AASB 9 on 1 January 2018[1]	-	-	(288)	**(288)**
Total comprehensive loss	-	8,411	(11,172)	**(2,761)**
Total equity at 30 June 2018	**268,334**	**(15,805)**	**50,826**	**303,355**

1. Refer note 6.2(d) for details.

	Attributable to ATLAX security holders			
ATLAX Group	Contributed equity $'000	Reserves $'000	Accumulated income $'000	Total ATLAX Group equity $'000
Total equity at 1 January 2017	213,245	(7,131)	1,896	208,010
Profit for the half year	-	-	58,335	58,335
Exchange differences on translation of foreign operations	-	(12,054)	-	(12,054)
Transfer from foreign currency translation reserve to accumulated losses[2]	-	(2,719)	2,719	-
Total comprehensive income	-	(14,773)	61,054	46,281
Transactions with equity holders in their capacity as equity holders				
Issue of securities during the period	15,703	-	-	15,703
Other equity transactions	-	152	-	152
	15,703	152	-	15,855
Total equity at 30 June 2017	228,948	(21,752)	62,950	270,146

2. Foreign exchange translation gain of $2.7 million transferred to accumulated income on sale of associate

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Atlas Arteria International Limited
Atlas Arteria Limited

Consolidated Statements of Cash Flows

	ALX	ALX	ATLAX Group	ATLAX Group
	Half year ended 30 Jun 2018 $'000	Half year ended 30 Jun 2017 $'000	Half year ended 30 Jun 2018 $'000	Half year ended 30 Jun 2017 $'000
Cash flows from operating activities				
Toll revenue received (net of transaction fees)	**55,902**	16,556	**-**	-
Interest received	**626**	1,387	**236**	852
Other income received	**265**	92	**-**	-
Net indirect taxes received	**217**	150	**217**	149
Property taxes paid	**(2,744)**	(2,729)	**-**	-
Manager's and adviser's base fees paid	**(17,251)**	(13,621)	**(1,397)**	(1,333)
Payments to suppliers and employees (inclusive of GST/VAT)	**(18,222)**	(8,286)	**(4,711)**	(3,119)
M6 Toll management fees received	**-**	5,155	**-**	-
Net income taxes paid	**(8)**	(7,441)	**-**	(7,434)
Net cash flows from operating activities	**18,785**	(8,737)	**(5,655)**	(10,885)
Cash flows from investing activities				
Principal and interest received from preferred equity certificates issued by Macquarie Autoroutes de France 2 SA ("MAF2")	**103,670**	77,092	**-**	-
Payment for purchase of investments, net of cash acquired	**-**	(541,992)	**-**	(79,162)
Purchase of fixed assets	**(265)**	(54)	**(29)**	-
Sale of fixed assets	**4**	-	**-**	-
Net cash flows from investing activities	**103,409**	(464,954)	**(29)**	(79,162)
Cash flows from financing activities				
Proceeds from borrowings (net of transaction costs)	**534,699**	228,091	**-**	-
Repayment of borrowings (net of transaction costs)	**(465,187)**	-	**-**	-
Repayment of Toll Road Investors Partnership ("TRIP II") bonds and accrued interest thereon	**(65,828)**	-	**-**	-
Interest paid on borrowings	**(10,516)**	-	**-**	-
Proceeds from issue of securities (net of transaction costs)	**-**	203,933	**-**	15,700
Transfer from restricted cash	**2,473**	134	**-**	-
Capital return	**-**	(56,148)	**-**	-
Dividends paid	**(80,375)**	(1,146)	**-**	-
Loan advanced to related parties	**-**	-	**(8,232)**	(82,388)
Payment for purchase of derivative financial instrument	**(4,818)**	-	**-**	-
Net cash flows from financing activities	**(89,552)**	374,864	**(8,232)**	(66,688)
Net increase/(decrease) in cash and cash equivalents	**32,642**	(98,827)	**(13,916)**	(156,735)
Cash and cash equivalents at the beginning of the half year	**122,690**	223,367	**34,304**	204,129
Effects of exchange rate movements on cash and cash equivalents	**632**	(1,987)	**113**	(4,408)
Cash and cash equivalents at the end of the half year	**155,964**	122,553	**20,501**	42,986

The above Consolidated Statements of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Interim Financial Reports

1 Introduction

Atlas Arteria - Stapled security

An Atlas Arteria ("ALX") stapled security comprises one Atlas Arteria International Limited ("ATLIX") share 'stapled' to one Atlas Arteria Limited ("ATLAX") share to create a single listed security traded on the Australian Securities Exchange ("ASX").The stapled securities cannot be traded or dealt with separately.

AASB 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements* require one of the stapled entities of a stapled structure to be identified as the parent entity for the purpose of preparing a consolidated Interim Financial Report. In accordance with this requirement, ATLIX has been identified as the parent entity of the consolidated group comprising ATLIX and its controlled entities and ATLAX and its controlled entities ("ATLAX Group"), together comprising ALX.

As permitted by ASIC Class Order 13/1050 and ASIC Corporations (Stapled Group Reports) Instrument 2015/838, these reports consist of the Interim Financial Report of ATLIX and its controlled entities at the end of and during the half year (collectively, "ALX" or the "Group") and the Interim Financial Report of ATLAX and its controlled entities at the end of and during the half year (collectively, "ATLAX Group"). The Group and the ATLAX Group are collectively referred to as the "Groups".

These general purpose Interim Financial Reports for the half year ended 30 June 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (where applicable). Compliance with AASB 134 ensures compliance with *IAS 34 Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

These Interim Financial Reports do not include all the notes of the type normally included in an Annual Financial Reports. Accordingly, these reports are to be read in conjunction with the Annual Financial Reports for the year ended 31 December 2017 and any public announcements made by ALX during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (where applicable).

Basis of preparation

Both ATLIX and ATLAX are for-profit entities for the purpose of preparing the Interim Financial Reports.

The Interim Financial Reports were authorised for issue by the directors of the ATLIX Board and the ATLAX Board (together, the "Boards") on 29 August 2018. The Boards have the power to amend and reissue the Interim Financial Reports.

The Interim Financial Reports have been prepared on a going concern basis. At 30 June 2018, ALX has positive net assets of $2,152.6 million and is in a net current liability position of $48.6 million at 30 June 2018, Included within ALX's current payables are performance fees of $115.3 million payable to Macquarie Fund Advisors Pty Limited ("MFA"), of which $90.3 million was applied to a subscription for new ALX securities on 2 July 2018 and $25.0 million was settled in cash on 3 July 2018. Management forecasts indicate that ALX will be able to meet its liabilities as and when they become due and payable.

The Interim Financial Reports are general purpose financial reports that:

- have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* (where applicable)
- include the assets and liabilities of all subsidiaries as at 30 June 2018 and the results of the subsidiaries for the period then ended. Inter-entity transactions with, or between, subsidiaries are eliminated in full on consolidation
- have been prepared under historical cost conventions except for certain assets and liabilities which have been measured at fair value
- are presented in Australian dollars with all values rounded to the nearest thousand dollars unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

Significant accounting policies and key judgements and estimates are contained in shaded text and included in the relevant note. These policies have been consistently applied to all periods presented.

Certain prior period amounts in the Interim Financial Reports and accompanying notes have been reclassified to conform to the current period presentation. The reclassifications had no effect on previously reported consolidated total assets, total liabilities, comprehensive income or shareholders' equity.

Critical accounting estimates and judgements

The preparation of the Interim Financial Reports in accordance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including reasonable expectations of future events. The directors believe the estimates used in the preparation of the Interim Financial Reports are reasonable. Actual results in the future may differ from those reported.

Significant judgments made in applying accounting policies, estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed in the following notes:

- Control assessment (note 3.1)
- Impairment of assets and reversal of impairment (note 3.1)
- Intangible assets – Tolling concessions (note 4.1)

Notes to the Interim Financial Reports (continued)

2 Financial performance

2.1 (Loss)/profit for the half year

Revenue recognition

Revenue and other income is recognised as follows:

Toll revenue Toll revenue from customers is earned as performance obligations are satisfied. A singular performance obligation has been assessed as the use of the road, and the transaction price which is calculated based on passing through toll points, is fully allocated to this performance obligation. Toll revenue is recognised at the time the customers use the road.

Other revenue Other revenue from customers consists of revenue earned in respect to rental income from cell towers and income from advertising hoardings on the toll road. Other revenue is recognised over the period of the contract in accordance with the contracts governing these services as performance obligations are satisfied.

Interest income Interest income is brought to account on an accruals basis.

Change in accounting policy

The Groups have adopted AASB 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and the analysis of possible adjustments to the amounts recognised in the financial reports.

In accordance with the transition provisions in AASB 15, the Groups have elected to adopt the new rules retrospectively, however this has not resulted in any adjustments to the prior year comparatives.

The (loss)/profit from operations before income tax includes the following specific items of income and expense:

a) Revenue and other income

	ALX	ALX	**ATLAX Group**	ATLAX Group
	Half year ended 30 Jun 2018 $'000	Half year ended 30 Jun 2017 $'000	**Half year ended 30 Jun 2018 $'000**	Half year ended 30 Jun 2017 $'000
Revenue from operations :				
Toll revenue	**57,590**	17,034	**-**	-
Other revenue	**265**	63	**-**	-
Interest Income:				
Related parties	**252**	1,369	**2,204**	1,195
Other persons and corporations	**1,450**	168	**-**	-
Total interest income	**1,702**	1,537	**2,204**	1,195
Total revenue from operations	**59,557**	18,634	**2,204**	1,195
Other income from operations:				
Gain on revaluation[1]	**-**	375,615	**-**	61,710
Net foreign exchange gain	**-**	10,149	**40**	1,999
M6 Toll management fee income	**-**	4,493	**-**	-
Other income	**4**	29	**-**	-
Net gain on derivatives	**2**	-	**-**	-
Guarantee fee income	**-**	-	**-**	1,185
Total other income from operations	**6**	390,286	**40**	64,894
Total revenue and other income from operations	**59,563**	408,920	**2,244**	66,089

1. Revaluation of existing investment in Dulles Greenway.

Notes to the Interim Financial Reports (continued)

2.1 (Loss)/profit for the half year (continued)

b) Operating expenses

	ALX	ALX	ATLAX Group	ATLAX Group
	Half year ended 30 Jun 2018 $'000	Half year ended 30 Jun 2017 $'000	Half year ended 30 Jun 2018 $'000	Half year ended 30 Jun 2017 $'000
Operating expenses				
Amortisation of tolling concession	**28,834**	7,509	**-**	-
Cost of operations:				
Toll road maintenance expenses	**4,783**	715	**-**	-
Other operating expenses	**6,301**	1,254	**27**	-
Employment costs	**3,130**	1,161	**536**	349
Total cost of operations	**14,214**	3,130	**563**	349
Manager's and adviser's performance fees[1]	**70,614**	7,952	**4,973**	612
Manager's and adviser's base fees	**17,701**	15,454	**1,236**	1,236
Consulting and administration fees[2]	**6,520**	4,137	**3,035**	2,100
Net foreign exchange loss	**3,337**	-	**-**	-
Other expenses	**2,766**	1,929	**571**	636
Depreciation of plant and equipment	**141**	31	**14**	-
Impairment loss allowance on financial assets[3]	**-**	-	**19**	-
Total operating expenses	**144,127**	40,142	**10,411**	4,933

1. Refer note 4.3 for details.
2. Includes management internalisation related expenses of $5.4 million (2017: nil).
3. Refer note 4.2 for details.

c) Finance costs

	ALX	ALX	ATLAX Group	ATLAX Group
	Half year ended 30 Jun 2018 $'000	Half year ended 30 Jun 2017 $'000	Half year ended 30 Jun 2018 $'000	Half year ended 30 Jun 2017 $'000
Interest on non-recourse TRIP II bonds	**35,616**	9,214	**-**	-
Interest on borrowings from financial institutions	**8,670**	1,742	**-**	-
Issue costs written off on loans repaid during the period[1]	**6,688**	-	**-**	-
Fee on early repayment of borrowings from financial institutions	**4,576**	-	**-**	-
Amortisation of issue costs on borrowings from financial institutions	**3,377**	267	**-**	-
Total finance costs	**58,927**	11,223	**-**	-

1. Refer note 5.1(b) for details.

Notes to the Interim Financial Reports (continued)

2.2 Distributions

Distributions

A distribution payable is recognised for the amount of any distribution declared, or publicly recommended by the directors on or before the end of the half year but not distributed at balance date.

	ALX	ALX	**ATLAX Group**	ATLAX Group
	Half year ended 30 Jun 2018 $'000	Half year ended 30 Jun 2017 $'000	**Half year ended 30 Jun 2018 $'000**	Half year ended 30 Jun 2017 $'000
Distributions paid				
Dividend paid on 13 April 2018[1]	**80,375**	-	-	-
Distribution paid on 7 April 2017[2]	-	57,294	-	-
Total distributions paid	**80,375**	57,294	-	-

	Cents per stapled security	Cents per stapled security	**Cents per stapled security**	Cents per stapled security
Distributions paid				
Dividend per security paid on 13 April 2018[1]	**12.0**	-	-	-
Distribution per security paid on 7 April 2017[2]	-	10.0	-	-

All of the distributions were paid in full by ATLIX.

1. Comprised an ordinary dividend of 12.0 cps.
2. Comprised a capital return of 9.8 cps and an ordinary dividend of 0.2 cps.

2.3 Segment information

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the directors of the companies.

a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Boards in their capacity as chief operating decision makers. However, the Boards do not manage the day-to-day activities of the business. The directors have appointed MFA to run and manage the ongoing operations of the business and pay a quarterly management fee in return for these services.

The Boards consider the business from the aspect of each of the portfolio assets and have identified four and one operating segments for ALX and the ATLAX Group respectively. The segments of ALX are the investments in APRR, ADELAC, Dulles Greenway and Warnow Tunnel. The only segment of the ATLAX Group is the investment in Dulles Greenway.

The operating segment note discloses the segment revenue and segment EBITDA for the half year ended 30 June 2018 by individual portfolio asset. The ALX Boards are provided with performance information on each asset to monitor the operating performance of each asset.

Notes to the Interim Financial Reports (continued)

2.3 Segment information (continued)

b) Segment information provided to the Boards

The proportionally consolidated segment information provided to the ALX Boards for the reportable segments for the half year ended 30 June 2018, based on ALX's economic ownership is as follows:

ALX	Half year ended	APRR	ADELAC	Dulles Greenway	Warnow Tunnel	Total ALX	Total ATLAX
Segment revenue	**30 June 2018**	**484,506**	**11,007**	**57,937**	**6,446**	**559,896**	**7,783**
	30 June 2017	334,684	7,708	39,177	5,282	386,851	5,263
Segment expenses	**30 June 2018**	**(116,129)**	**(1,862)**	**(11,310)**	**(1,481)**	**(130,782)**	**(1,519)**
	30 June 2017	(82,177)	(1,328)	(6,954)	(1,560)	(92,019)	(934)
Segment EBITDA	**30 June 2018**	**368,377**	**9,145**	**46,627**	**4,965**	**429,114**	**6,264**
	30 June 2017	252,507	6,380	32,223	3,722	294,832	4,329
EBITDA margin	**30 June 2018**	**76%**	**83%**	**80%**	**77%**	**77%**	**80%**
	30 June 2017	75%	83%	82%	70%	76%	82%

The segment revenue disclosed in the table above primarily relates to toll revenue generated by the assets from external customers and the proportionally consolidated segment information provided to the Boards for the reportable segments for the half year ended 30 June 2018 and half year ended 30 June 2017.

ATLAX Group information includes its economic ownership in Dulles Greenway only.

A reconciliation of Groups' segment revenue and EBITDA to its total revenue and profit from operations before income tax is provided as follows:

	ALX	ALX	**ATLAX Group**	ATLAX Group
	Half year ended 30 Jun 2018 $'000	Half year ended 30 Jun 2017 $'000	**Half year ended 30 Jun 2018 $'000**	Half year ended 30 Jun 2017 $'000
Reconciliation of segment revenue to revenue				
Segment revenue	**559,896**	386,851	**7,783**	5,263
Revenue attributable to non-consolidated investments	**(501,959)**	(371,261)	**(7,783)**	(5,263)
Unallocated revenue and other income	**1,626**	393,330	**2,244**	66,089
Total revenue and other income from operations	**59,563**	408,920	**2,244**	66,089
Reconciliation of segment EBITDA to profit before income tax				
Segment EBITDA	**429,114**	294,832	**6,264**	4,329
EBITDA attributable to non-consolidated investments	**(382,487)**	(281,719)	**(6,264)**	(4,329)
Unallocated revenue	**1,626**	393,330	**2,244**	66,089
Unallocated expenses	**(132,817)**	(37,665)	**(10,411)**	(4,933)
Finance costs	**(58,927)**	(11,223)	**-**	-
Share of net profit/(losses) of investments accounted for using the equity method	**127,493**	81,700	**(2,697)**	(958)
Profit/(loss) from operations before income tax	**(15,998)**	439,255	**(10,864)**	60,198

Notes to the Interim Financial Reports (continued)

3 Investments

3.1 Investments accounted for using the equity method

Associates

Associates are entities over which the Groups have significant influence but not control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Groups' investment in associates includes the fair value of goodwill (net of any accumulated impairment loss) identified on acquisition.

The Groups' share of their associates' post-acquisition profits or losses are recognised in profit or loss, and their share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Groups' share of losses in an associate equals or exceeds their interest in the associate, including any long term interests that, in substance, form part of the Groups' net investment in the associate, the Groups do not recognise further losses, unless they have incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Groups and their associates are eliminated to the extent of the Groups' interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Groups.

Joint Arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending upon the contractual rights and obligations each investor has, and the legal structure of the joint arrangement. The Groups have no joint operations and account for joint ventures using the equity method.

Impairment of assets and reversal of impairment

An investment accounted for using the equity method is assessed for impairment whenever there are indications that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of the asset is determined as the higher of the fair value less costs of disposal and the value in use. If it is not possible to determine a recoverable amount for the individual assets, the assets are assessed together in the smallest group of assets which generate cash inflows that are largely independent of those from other assets or groups of assets.

Discounted cash flow analysis is the methodology applied in determining recoverable amount. Discounted cash flow analysis is the process of estimating future cash flows that are expected to be generated by an asset and discounting these to their present value by applying an appropriate discount rate. The discount rate applied to the cash flows of a particular asset is reflective of the uncertainty associated with the future cash flows. Periodically, independent traffic forecasting experts provide a view on the most likely level of traffic to use the toll road having regard to a wide range of factors including development of the surrounding road network and economic growth in the traffic corridor.

Assets (other than goodwill) that have suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. An impairment loss is reversed if the recoverable amount of an asset is more than its carrying value. AASB 136 *Impairment of Assets* states that impairment losses shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and the estimated service potential of the asset has increased. The impairment loss is not reversed just because of the passage of time, even if the recoverable amount of the asset becomes higher than its carrying value.

	ALX	ALX	**ATLAX Group**	ATLAX Group
	As at 30 Jun 2018 $'000	As at 31 Dec 2017 $'000	**As at 30 Jun 2018 $'000**	As at 31 Dec 2017 $'000
Investments in associates and joint arrangements – equity method	**1,548,259**	1,483,337	**158,751**	153,110
	1,548,259	1,483,337	**158,751**	153,110

Notes to the Interim Financial Reports (continued)

3.1 Investments accounted for using the equity method (continued)

a) Carrying amounts

Information relating to associates and joint arrangements is set out below:

Name of Entity[1,2]	Country of incorporation/ Principal Place of Business	Principal Activity	ALX Economic Interest As at 30 Jun 2018 and 31 Dec 2017 %	ALX As at 30 Jun 2018 $'000	ALX As at 31 Dec 2017 $'000	ATLAX Economic Interest As at 30 Jun 2018 and 31 Dec 2017 %	ATLAX Group As at 30 Jun 2018 $'000	ATLAX Group As at 31 Dec 2017 $'000
MAF2[3]	Luxembourg	Investment in toll road network located in the east of France (APRR)	**50.0**/50.0	**1,548,250**	1,483,327	**-**/-	**-**	-
TRIP II[4]	USA	Investment in toll road located in northern Virginia, USA	**-**/-	**-**	-	**13.4**/13.4	**158,742**	153,100
Warnowquerung GmbH & Co KG ("WQG")[5]	Germany	Investment in toll road located in Rostock, north-eastern Germany	**70.0**/70.0	**-**	-	**-**/-	**-**	-
Chicago Skyway Partnership ("CSP")[6]	USA	Former owner of an investment in toll road located south of Chicago, USA	**50.0**/50.0	**9**	10	**50.0**/50.0	**9**	10
Indiana Toll Road Partnership ("ITRP")[7]	USA	Former owner of an investment in toll road located in northern Indiana, USA	**49.0**/49.0	**-**	-	**49.0**/49.0	**-**	-
				1,548,259	1,483,337		**158,751**	153,110

1. TRIP II and WQG are in "lockup" under their debt documents, meaning that they are currently unable to make distributions to ALX and the ATLAX Group. ALX's and ATLAX Group's investment in TRIP II cannot come out of lockup before December 2018.
2. All associates and joint arrangements have 31 December year end reporting requirements except for MAF2 which has 31 March.
3. ALX's investment in MAF2 is classified as an associate as any decision made with regard to the relevant activities requires 85% of the voting members to proceed, meaning at least 85% of shareholders must agree before any decision can be reached.
4. The ATLAX Group has a 13.4% interest in TRIP II, the concessionaire for Dulles Greenway Partnership (DGP) and 100% equity interest in DGP. As such, the ATLAX Group accounts for DGP as a subsidiary and TRIP II is accounted for as equity accounted associate. ALX has a 100% estimated economic interest in TRIP II after combining ATLAX Group's 13.4% equity interest with ATLIX Group's 86.6% economic interest. Accordingly, DGP and TRIP II are accounted for as subsidiaries of ALX.
5. A subsidiary of ATLIX, European Transport Investments (UK) Limited ("ETIUK"), beneficially owns 70% of both the WQG partnership and the Warnowquerung Verwaltungsgesellschaft GmbH, General Partner of the WQG partnership, which have contracted to build, own and operate a tolled tunnel in Rostock, Germany. The balance of 30% is held by Bouygues Travaux Publics SA. Per the agreement, any decision made with regard to the relevant activities requires 75% of the voting members to proceed, meaning both partners have to agree. As a result, ALX's investment in WQG is classified as a joint venture.
6. At 30 June 2018, ALX legally owned a 50% equity interest in CSP, the former owner of the Chicago Skyway toll Road, but was no longer exposed to any variable returns from the ongoing operation of the toll road. The small residual investment balance represents cash left in CSP for payment of expenses.
7. At 30 June 2018, ALX legally owned a 49% equity interest in ITRP, the former owner of the Indiana Toll Road, but was no longer exposed to any variable returns from the ongoing operations of the toll road.

Notes to the Interim Financial Reports (continued)

3.1 Investments accounted for using the equity method (continued)

b) Movement in carrying amounts

	ALX	ALX	ATLAX Group	ATLAX Group
	Half year ended 30 Jun 2018 $'000	Half year ended 30 Jun 2017 $'000	**Half year ended 30 Jun 2018 $'000**	Half year ended 30 Jun 2017 $'000
Carrying amount at the beginning of the half year	**1,483,337**	950,912	**153,110**	19,972
Investment in associates (including transaction costs)[1]	**-**	-	**-**	160,963
Share of net profits/(losses) after income tax	**127,493**	81,700	**(2,697)**	(958)
Distributions received	**(103,670)**	(77,092)	**-**	-
Gain on revaluation of associate[2]	**-**	375,615	**-**	61,710
De-recognition of associate	**-**	(598,891)	**-**	(80,552)
Foreign exchange movement	**41,099**	5,310	**8,338**	(5,915)
Carrying amount at the end of the half year	**1,548,259**	737,554	**158,751**	155,220

1. Refer footnote 4 of note 3.1 (a) for details.
2. The gain on revaluation of associate of $375.6 million and $61.7 million for ALX and ATLAX Group respectively related to the revaluation of their investment in Dulles Greenway on acquisition of additional stakes in the previous period.

(c) Summarised financial information for material associates

The following tables provide summarised financial information for those associates that are material to the Groups. The information disclosed reflects the amounts presented in the Interim Financial Reports of the relevant entities and not the Groups' share of those amounts. They have been amended to reflect adjustments made by the Groups when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	MAF2[1]		TRIP II	
Summarised Statement of Financial Position	**As at 30 Jun 2018 $'000**	As at 31 Dec 2017 $'000	**As at 30 Jun 2018 $'000**	As at 31 Dec 2017 $'000
Total current assets	**1,080,931**	1,691,692	**90,231**	83,816
Total non-current assets	**9,507,010**	9,411,522	**2,479,637**	2,400,788
Total current liabilities	**(2,155,452)**	(2,001,664)	**(78,762)**	(81,563)
Total non-current liabilities	**(6,555,334)**	(7,323,317)	**(1,309,370)**	(1,263,312)
Net assets	**1,877,155**	1,778,233	**1,181,736**	1,139,729
Reconciliation to carrying amounts:				
Opening net assets	**1,778,233**	1,604,518	**1,139,729**	1,197,640
Profit/(loss) for the period	**254,948**	454,177	**(20,065)**	(48)
Distributions paid	**(207,307)**	(366,826)	**-**	-
Foreign exchange and other equity movements	**51,281**	86,364	**62,072**	(57,863)
Closing net assets	**1,877,155**	1,778,233	**1,181,736**	1,139,729
ALX's share in %	**50.0%**	50.0%	**-**	-
ALX's share of net assets in $	**938,729**	889,260	**-**	-
ATLAX Group's share in %	**-**	-	**13.4%**	13.4%
ATLAX Group's share of net assets in $	**-**	-	**158,742**	153,100
ALX's carrying amount	**1,548,250**	1,483,327	**-**	-
ATLAX Group's carrying amount	**-**	-	**158,742**	-

1. MAF2 consolidates the results of APRR. APRR has performed an assessment of the impact of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* and has determined that the adoption of these standards at 1 January 2018 has not had a material impact on the results of APRR.

Notes to the Interim Financial Reports (continued)

3.1 Investments accounted for using the equity method (continued)

c) Summarised financial information for material associates (continued)

	MAF2[1]		TRIP II	
Summarised Statement of Comprehensive Income	**Half year ended 30 Jun 2018 $'000**	Half year ended 30 Jun 2017 $'000	**Half year ended 30 Jun 2018 $'000**	Half year ended 30 Jun 2017 $'000
Revenue	**1,084,788**	931,185	**57,856**	17,201
Profit/(loss) for the half year	**254,948**	212,523	**(20,065)**	(2,594)
ALX's share	**127,495**	85,617	**-**	-
ATLAX Group's share	**-**	-	**(2,695)**	(431)
ALX's distributions received	**(103,670)**	77,092	**-**	-
ATLAX Group's distributions received	**-**	-	**-**	-

1. MAF2 consolidates the results of APRR. APRR has performed an assessment of the impact of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* and has determined that the adoption of these standards at 1 January 2018 has not had a material impact on the results of APRR.

d) Share of losses not brought to account attributable to immaterial associate[1] and joint venture[2]

	ALX	ALX	**ATLAX Group**	ATLAX Group
	Half year ended 30 Jun 2018 $'000	Half year ended 30 Jun 2017 $'000	**Half year ended 30 Jun 2018 $'000**	Half year ended 30 Jun 2017 $'000
Share of losses not brought to account attributable to immaterial associate and joint venture				
Balance at the beginning of the half year	**(24,816)**	(22,875)	**(2)**	-
Share of losses not brought to account	**(39)**	(1,607)	**(1)**	-
Balance at the end of the half year	**(24,855)**	(24,482)	**(3)**	-

1. ITRP, accounted for using the equity method.
2. WQG, accounted for using the equity method.

Notes to the Interim Financial Reports (continued)

4 Other balance sheet assets and liabilities

4.1 Intangible assets – Tolling concessions

Intangible assets – Tolling concessions

Tolling concessions are intangible assets and represent the right to levy tolls in respect of controlled motorways. Tolling concessions relating to the non-controlled investments are recognised as a component of the investments accounted for using the equity method.

Tolling concessions have a finite useful life by the terms of the concession arrangement and are carried at cost which represents the fair value of the consideration paid on acquisition less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of tolling concessions over their estimated useful lives which are as follows:

Asset description	Estimated useful life	Amortisation basis
Dulles Greenway	Period to February 2056	Straight line basis
APRR[1]	Period to November 2035	Straight line basis
Warnow Tunnel[1]	Period to September 2053	Straight line basis
ADELAC[1]	Period to December 2060	Straight line basis

1 The tolling concessions in relation to the non-controlled investments are not recognised on the statement of financial position but instead form part of investments accounted for using the equity method. The amortisation of tolling concessions in relation to the non-controlled investments is included in the share of net profit of investments accounted for using the equity method.

Impairment

Tolling concessions with a finite useful life are assessed for impairment whenever there are indications that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Refer to Note 3.1 for additional detail on the accounting policy for impairment of assets and reversal of impairment.

	ALX	ALX	**ATLAX Group**	ATLIX Group
	Half year ended 30 Jun 2018 $'000	Year ended 31 Dec 2017 $'000	**Half year ended 30 Jun 2018 $'000**	Year ended 31 Dec 2017 $'000
Balance at the beginning of the half year/year	**2,189,724**	-	**-**	-
Acquisition cost	**-**	2,339,025	**-**	-
Amortisation of tolling concession	**(28,834)**	(36,520)	**-**	-
Foreign exchange movement	**119,609**	(112,781)	**-**	-
Balance at the end of the half year/full year	**2,280,499**	2,189,724	**-**	-

Notes to the Interim Financial Reports (continued)

4.2 Receivables

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value and subsequently measured at amortised cost. Interest income from loans and receivables is recognised on an accruals basis.

Receivables are generally received within 30 days of becoming due and receivable. A provision is raised for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off in the year in which they are identified.

Impairment

The Groups were required to revise their impairment methodology under AASB 9 for loan assets carried at amortised cost. The impact of the change in impairment methodology on the Groups' retained earnings at 1 January 2018 was $0.3 million (refer note 6.2(d)(iii)).

The Groups assess, on a forward looking basis, the expected credit losses associated with their loan assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Groups use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Groups' past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

	ALX	ALX	**ATLAX Group**	ATLAX Group
	As at 30 Jun 2018 $'000	As at 31 Dec 2017 $'000	**As at 30 Jun 2018 $'000**	As at 31 Dec 2017 $'000
Current				
Receivables from related parties	**-**	-	**86,249**	1,892
Less : Impairment loss allowance	**-**	-	**(190)**	-
Tax receivable	**200**	188	**200**	188
Trade receivables and other assets	**407**	430	**13**	-
Total current receivables	**607**	618	**86,272**	2,080
Non-current				
Receivables from related parties	**-**	-	**48,656**	122,812
Less : Impairment loss allowance	**-**	-	**(117)**	-
Total non-current receivables	**-**	-	**48,539**	122,812

Notes to the Interim Financial Reports (continued)

4.3 Payables and provisions

Payables and other liabilities

Liabilities are recognised when an obligation exists to make future payments as a result of a purchase of assets or services, whether or not billed. Trade creditors are generally settled within 30 days.

Provisions

Provisions are recognised when: the Groups have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligations; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Performance fees

Historically, performance fees have been payable at 30 June each year in the event that the ALX security price outperforms its benchmark in that year after making up any carried forward underperformance. The performance fee is calculated with reference to the performance of the ALX accumulated index compared with the performance of the S&P/ASX 300 Industrials Accumulation Index. As a result of the agreement to internalise management, the performance fee that has become payable at 30 June 2018 will be the last performance fee to be paid.

The performance fee at 30 June 2018 has been determined in line with the management agreements as follows:

- The third instalment of the 2016 performance fee and second instalment of the 2017 performance fee were subject to performance testing and became payable after outperforming their respective performance hurdles at 30 June 2018;
- The third instalment of the 2017 performance fee became payable without further testing as on renegotiation of the management agreements, instalments of performance fees that would be subject to testing in future years became payable immediately at 30 June 2018, regardless of whether respective performance criteria has been met; and
- The 2018 performance fee was calculated at 30 June 2018 based on outperformance of the benchmark and became payable in full at that time.

Performance fees payable are accounted for as a liability in accordance with AASB 9. The liability is recognised at its fair value upon initial recognition.

	ALX	ALX	ATLAX Group	ATLAX Group
	As at 30 Jun 2018 $'000	As at 31 Dec 2017 $'000	**As at 30 Jun 2018 $'000**	As at 31 Dec 2017 $'000
Current				
Manager and adviser performance fees payable[1]	**115,303**	44,689	**9,310**	4,337
Manager and adviser fees payable	**9,511**	8,939	**669**	707
Provision for toll maintenance	**7,142**	5,509	**-**	-
Sundry creditors and accruals	**3,596**	4,183	**1,010**	1,332
Provision for tax	**9**	7	**-**	-
Total current payables and provisions	**135,561**	63,327	**10,989**	6,376
Non-current				
Easement accruals[2]	**10,247**	9,754	**-**	-
Total non-current payables and provisions	**10,247**	9,754	**-**	-

1. For the year ended 30 June 2018, a total performance fee of $54.7 million (excluding GST) was calculated for ALX (30 June 2017: $23.9 million). In accordance with, and due to the renegotiation of, the management agreements, the full 2018 performance fee became payable at 30 June 2018. Accordingly the full 2018 performance fee has been recognised as at 30 June 2018.
The second instalment of the 2017 performance fee of $8.0 million (excluding GST) and third instalment of the 2016 performance fee of $44.7million (excluding GST) became payable at 30 June 2018 due to outperformance of the benchmark. The third instalment of the 2017 performance fee of $8.0 million (excluding GST) became payable at 30 June 2018 due to the renegotiation of the management agreement.
The total performance fee was settled in July 2018, refer note 6.3.
2. TRIP II has an agreement with the Metropolitan Washington Airports Authority ("MWAA") for easements over Washington Dulles International Airport property necessary to construct, operate and maintain the toll road. The minimum annual payments are accrued using the straight-line method based upon the total minimum payments to be made over the term of the agreement. Additional payments may be due under the agreement should the toll road exceed certain specified traffic volumes.

Notes to the Interim Financial Reports (continued)

5 Capital and risk management

5.1 Debt at amortised cost

Financial liabilities
Financial liabilities are initially recorded at fair value plus directly attributable transaction costs and thereafter at amortised cost using the effective interest method.

	ALX	ALX	ATLAX Group	ATLAX Group
	As at 30 Jun 2018 $'000	As at 31 Dec 2017 $'000	As at 30 Jun 2018 $'000	As at 31 Dec 2017 $'000
Current				
Non-recourse TRIP II bonds and accrued interest thereon (a)	**70,041**	64,585	**-**	-
Accrued interest on borrowings from financial institutions (b)	**60**	1,701	**-**	-
Total current debt at amortised cost	**70,101**	66,286	**-**	-
Non-current				
Non-recourse TRIP II bonds and accrued interest thereon (a)	**1,257,118**	1,222,979	**-**	-
Borrowings from financial institutions (b)	**546,319**	445,373	**-**	-
Total non-current debt at amortised cost	**1,803,437**	1,668,352	**-**	-

a) Non-recourse TRIP II bonds

The ALX consolidated financial statements incorporate bonds raised by TRIP II to finance the construction of infrastructure assets. These bonds are non-recourse beyond the TRIP II assets and ALX has no commitments to provide further debt or equity funding to TRIP II in order to meet these liabilities.

All of these bonds are in the form of fixed interest rate senior bonds, with US$35.0 million of current interest bonds and US$946.3 million of zero coupon or accreting interest bonds with maturities extending to 2056.

b) Borrowings from financial institutions

(i) New APRR asset finance facility

On 31 May 2018, ALX repaid the previous APRR asset finance facility of €150.0 million using a new APRR facility of €350.0 million negotiated with revised terms. On 4 June 2018, a portion of the additional proceeds were used to repay the US$175.0 million Dulles Greenway asset finance facility along with interest accrued up to this date. Residual proceeds from the new APRR asset finance facility will be used for general corporate expenses.

Upfront issue costs of €4.0 million ($6.2 million) were incurred, of which, €0.3 million ($0.5 million) have been amortised to 30 June 2018. Unamortised debt raising costs of €1.7 million ($2.6 million) on the previous APRR asset finance facility and US$3.1 million ($4.1 million) on the Dulles Greenway asset finance facility have been expensed to finance costs in the income statement (refer note 2.1(c) for details).

The maturity date of the new facility remains the same as the previous APRR asset finance facility, i.e. 24 October 2024. Interest accrues on the borrowing at the aggregate of the margin and EURIBOR. Key changes to the margin rates are as below:

Periods	Margin (Previous APRR facility)	Margin (New APRR facility)
From 24 Oct 2017 to 23 Oct 2019	2.25% per annum	2.25% per annum
From 24 Oct 2019 to 23 Oct 2021	2.50% per annum	2.25% per annum
From 24 Oct 2021 to 23 Oct 2022	2.75% per annum	2.25% per annum
From 24 Oct 2022 to 23 Oct 2023	3.25% per annum	2.75% per annum
From 24 Oct 2023 to 23 Oct 2024	3.75% per annum	3.25% per annum

(ii) Previous APRR asset finance facility

In October 2017, ALX drew down €150.0 million of a seven-year, senior secured facility to facilitate the acquisition of a 9.72% stake in MAF2 and incurred interest and amortisation expense of €4.0 million ($6.2 million) up to the date of refinancing during the current period.

(iii) Dulles Greenway asset finance facility

In May 2017, ALX drew down US$175.0 million of an eight year bullet financing facility to facilitate the acquisition of the remaining 50% stake in TRIP II and incurred interest, amortisation expense and early repayment fee of US$12.1 million ($15.7 million) up to the date of repayment during the current period.

Notes to the Interim Financial Reports (continued)

5.2 Contributed equity

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 30 Jun 2018 $'000	As at 31 Dec 2017 $'000	**As at 30 Jun 2018 $'000**	As at 31 Dec 2017 $'000
Ordinary shares	**1,911,877**	1,911,877	**268,334**	268,334
Contributed equity	**1,911,877**	1,911,877	**268,334**	268,334
On issue at the beginning of the half/full year	**1,911,877**	1,323,651	**268,334**	213,245
Issue of Placement securities[1]	-	168,054	-	14,021
Issue of Security Purchase Plan securities[1]	-	20,165	-	1,682
Application of performance fees to subscription for new securities[2]	-	48,585	-	4,054
Issue of Institutional entitlement securities[1]	-	329,257	-	28,541
Issue of Retail entitlement securities[1]	-	78,313	-	6,791
Capital return	-	(56,148)	-	-
On issue at the end of the half/full year	**1,911,877**	1,911,877	**268,334**	268,334

1. Net of transaction costs.
2. During the year ended 31 December 2017, the first instalment of the June 2017 performance fee and second instalment of the June 2016 performance fee were applied to a subscription for new ATLAX and ATLIX securities.

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	Half year ended 30 Jun 2018	Year ended 31 Dec 2017	**Half year ended 30 Jun 2018**	Year ended 31 Dec 2017
	Number of shares '000	Number of shares '000	**Number of shares '000**	Number of shares '000
On issue at the beginning of the half/full year	**669,789**	530,130	**669,789**	530,130
Issue of Placement securities	-	38,144	-	38,144
Issue of Security Purchase Plan securities	-	4,664	-	4,664
Application of performance fees to subscription for new securities	-	8,942	-	8,942
Issue of Institutional entitlement securities	-	70,994	-	70,994
Issue of Retail entitlement securities	-	16,915	-	16,915
On issue at the end of the half/full year	**669,789**	669,789	**669,789**	669,789

Notes to the Interim Financial Reports (continued)

5.3 Reserves

Balance of reserves	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 30 Jun 2018 $'000	As at 31 Dec 2017 $'000	**As at 30 Jun 2018 $'000**	As at 31 Dec 2017 $'000
Foreign currency translation reserve	**106,106**	28,122	**(15,805)**	(24,216)
Other reserve	**-**	-	**-**	-
Balance at the end of the half/full year	**106,106**	28,122	**(15,805)**	(24,216)

Movements of reserves	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	Half year ended 30 Jun 2018 $'000	Year ended 31 Dec 2017 $'000	**Half year ended 30 Jun 2018 $'000**	Year ended 31 Dec 2017 $'000
Foreign currency translation reserve				
Balance at the beginning of the half/full year	**28,122**	58,679	**(24,216)**	(6,979)
Net exchange differences on translation of foreign controlled entities	**77,984**	(422)	**8,411**	(14,518)
Transfer to accumulated (losses)/income[1]	**-**	(30,135)	**-**	(2,719)
Balance at the end of the half/full year	**106,106**	28,122	**(15,805)**	(24,216)
Other reserve				
Balance at the beginning of the half/full year	**-**	(301)	**-**	(152)
Other equity transactions	**-**	301	**-**	152
Balance at the end of the half/full year	**-**	-	**-**	-

1. During the year ended December 2017, foreign exchange translation gains in ATLIX Group and ATLAX Group of $30.1 million and $2.7 million respectively were transferred to accumulated (losses)/income from foreign currency translation reserves following the acquisition of the remaining 50% estimated economic interest of TRIP II. These transfers arose as the increase in investment is treated as a disposal of the existing interest in associate.

5.4 Fair value measurement of financial instruments

The fair value measurements of financial assets and liabilities are assessed in accordance with the following hierarchy.

(i) Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
(ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
(iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable valuation input).

The Groups' only financial instruments that are measured at fair value on a recurring basis are the interest rate caps taken out to hedge the EURIBOR floating rate interest expense on the new APRR asset finance facility. The caps are measured at Level 2 and have a fair value at 30 June 2018 of $4.8 million. These financial derivatives are revalued using externally provided dealer quotes.

The Groups' policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers in the current half year.

The Groups did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2018.

Fair values of other financial instruments (unrecognised)

The Groups also have a number of financial instruments which are not measured at fair value in the balance sheet. With the exception to those listed below, the fair values are not materially different to their carrying amounts as: the interest receivable/payable is either close to current market rates; the instruments are short-term in nature; or the instruments have recently been brought onto the balance sheet and therefore the carrying amount approximated the fair value. The fair value of these financial instruments is determined using discounted cash flow analysis. There is no debt at amortised cost in the ATLAX Group.

Debt at amortised cost	Carrying amount $'000	Fair value $'000
Non-recourse TRIP II bonds and accrued interest thereon	**1,327,159**	**1,335,798**

Notes to the Interim Financial Reports (continued)

6 Other disclosures

6.1 Contingent liabilities

ETIUK, a subsidiary of ATLIX, has made two separate guarantees, totalling €1.2 million ($1.9 million) (31 December 2017: €1.2 million ($1.8 million)), in the event of a senior debt payment event of default by WQG, the owner of the Rostock Fixed Crossing Concession. This contingent commitment is backed by an on-demand guarantee, provided through a pledged cash account into which €1.2 million ($1.9 million) (31 December 2017: €1.2 million ($1.8 million)) has been deposited. These funds are restricted and are classified as restricted cash on the Consolidated Statements of Financial Position. No provision has been raised against this item.

6.2 Other accounting policies

a) Cash, cash equivalents and restricted cash

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Restricted cash includes funds held in escrow, funds backing guarantees or amounts otherwise not available to meet short term commitments of the Groups and is classified as a non-current asset.

b) Business combination

The acquisition method of accounting is used to account for all business combinations other than those under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Groups. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Contingent consideration is subsequently remeasured to its fair value with changes recognised in the profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Groups' share of the net identifiable assets acquired is recorded as goodwill.

c) Subsidiaries

Subsidiaries, other than those that ATLIX has been deemed to have directly acquired through stapling arrangements, are those entities over which the Groups are exposed to, or have the right to, variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Groups.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Groups. Where control of an entity is obtained during a financial year, its results are included in the Statement of Comprehensive Income from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed and the subsidiary is deconsolidated from the date that control ceases.

d) Change in accounting policy – AASB 9 *Financial Instruments*

Impact of Changes

The Groups have adopted AASB 9 from 1 January 2018 which have resulted in changes to accounting policies and the analysis for possible adjustments to amounts recognised in the Interim Financial Reports. In accordance with the transitional provisions in AASB 9, the reclassifications and adjustments are not reflected in the balance sheet as at 31 December 2017 but recognised in the opening balance sheet as at 1 January 2018. As per the new impairment model introduced by AASB 9, ATLAX Group has recognised a loss allowance of $0.3 million on the intercompany loan receivable.

(i) Classification and Measurement

On 1 January 2018, the Groups have assessed which business models apply to the financial instruments held by the Groups and have classified them into the appropriate AASB 9 categories. The main effects resulting from this reclassification are shown in the table below.

On adoption of AASB 9, the Groups classified financial assets and liabilities as subsequently measured at either amortised cost or fair value, depending on the business model for those assets and on the asset's contractual cash flow characteristics. There were no changes in the measurement of the Groups' financial instruments.

There was no impact on the statement of comprehensive income or the statement of changes in equity on adoption of AASB 9 in relation to classification and measurement of financial assets and financial liabilities.

Notes to the Interim Financial Reports (continued)

6.2 Other accounting policies (continued)

d) Change in accounting policy – *AASB 9 Financial Instruments (continued)*

(i) Classification and Measurement (continued)

The following table summarises the impact on the classification and measurement of the Groups' financial instruments at 1 January 2018:

Presented in statement of financial position	Financial asset	AASB 139	AASB 9	Reported $'000	Restated $'000
Cash and cash equivalents	Bank deposits	Loans and receivables	Amortised cost	No change	No change
Restricted cash	Bank deposits	Loans and receivables	Amortised cost	No change	No change
Receivables from related parties	Loans and receivables	Loans and receivables	Amortised cost	No change	No change
Trade and other receivables / payables	Loans and receivables	Loans and receivables	Amortised cost	No change	No change
Debt at amortised cost	Interest bearing liabilities	Held to maturity	Amortised cost	No change	No change

(ii) Changes to Hedge Accounting

ALX does not currently enter into any hedge accounting and therefore there is no impact to the Groups' Interim Financial Reports.

(iii) Impairment

AASB 9 introduces a new expected credit loss ("ECL") impairment model that requires the Groups to adopt an ECL position across the Groups' financial assets at 1 January 2018. The Groups have performed a detailed assessment of its receivable balances which materially consist only of an intercompany loan owing to ATLAX from ATLIX. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Groups use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Groups' past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Applying the expected credit risk model on the intercompany loan receivable in the ATLAX Group at 1 January 2018 resulted in the recognition of a loss allowance of $0.3 million through opening retained earnings. This provision was reassessed at 31 December 2018 and will be reassessed at each reporting date.

e) Accounting standard and interpretations issued

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. The Groups' assessment of the impact of the relevant new standards and interpretations which have not been early adopted in preparing the Interim Financial Report is set out below:

AASB 16 *Leases* (effective for annual reporting periods beginning on or after 1 January 2019)

AASB 16 *Leases* will replace AASB 117 *Leases*. It requires recognition of a right of use asset along with the associated lease liability where the entity is a lessee. Interest expense will be recognised in profit or loss using the effective interest rate method and the right of use asset will be depreciated. The standard is effective for annual reporting periods beginning on or after 1 January 2019. The Groups are currently still assessing the new standard's impact particularly for its subsidiaries and associates.

Notes to the Interim Financial Reports (continued)

6.3 Events occurring after balance sheet date

Performance fee

On 2 July 2018, MFA and ALX's independent directors agreed that the total performance fee payable of $115.3 million (excluding GST) be settled partly through a subscription of new ALX securities and partly through cash. Accordingly, 13,476,174 new ALX securities were issued to MFA's assignee at a price of $6.700906 per security on 2 July 2018. The remaining performance fee payable of $25.0 million was settled in cash on 3 July 2018.

Fees are apportioned between ATLIX and ATLAX based on each entity's share of the net assets of ALX.

Acquisition of Warnow Tunnel

On 15 August 2018, ALX announced that it had entered into an agreement to acquire the remaining 30% equity interest and shareholder loan in Warnow Tunnel for gross acquisition consideration prior to adjusting for applicable transaction taxes of €3.7 million, increasing ALX's total interest to 100%. The acquisition will be fully funded by ALX's existing corporate cash and is expected to close by the end of year, subject to customary closing conditions and approvals.

Since balance date, there have been no other matters or circumstances not otherwise dealt with in the Interim Financial Reports that have significantly affected or may significantly affect the operations of the Groups, the result of those operations or the state of affairs of the Groups in the period subsequent to the half year ended 30 June 2018.

Directors' Declaration – Atlas Arteria International Limited

The directors of Atlas Arteria International Limited ("ATLIX") declare that:

(a) the Interim Financial Report of ATLIX and its controlled entities ("ALX") and notes set out on pages 9 to 31:

(i) comply with Australian Accounting Standards and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the financial position of ALX as at 30 June 2018 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that ATLIX will be able to pay its debts as and when they become due and payable.

The directors confirm that the Interim Financial Report also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors on 29 August 2018.

Jeffrey Conyers
Chairman
Atlas Arteria International Limited
Pembroke, Bermuda

Derek Stapley
Director
Atlas Arteria International Limited
Pembroke, Bermuda

Directors' Declaration – Atlas Arteria Limited

The directors of Atlas Arteria Limited ("ATLAX") declare that:

(a) the Interim Financial Report of ATLAX and its controlled entities (the "ATLAX Group") and notes set out on pages 9 to 31 are in accordance with the constitution of ATLAX and the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

(ii) giving a true and fair view of the financial position of the ATLAX Group as at 30 June 2018 and of its performance for the half year ended as on that date; and

(b) there are reasonable grounds to believe that ATLAX will be able to pay its debts as and when they become due and payable.

The directors confirm that the Interim Financial Report also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors on 29 August 2018.

Nora Scheinkestel
Chairman
Atlas Arteria Limited
Sydney, Australia

Richard England
Director
Atlas Arteria Limited
Sydney, Australia

Independent auditor's review report to the security holders of Atlas Arteria International Limited and Atlas Arteria Limited

Report on the Interim Financial Reports

We have reviewed the accompanying interim financial reports of Atlas Arteria International Limited ("ATLIX") and Atlas Arteria Limited ("ATLAX"), which comprise the consolidated statements of financial position as at 30 June 2018, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the interim period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declarations for ATLIX and ATLAX. Atlas Arteria ("ALX") comprises ATLIX and the entities it controlled during the interim period, and ATLAX and the entities it controlled during the interim period. Atlas Arteria Limited Group ("ATLAX Group") comprises ATLAX and the entities it controlled during the interim period.

Directors' responsibility for the Interim Financial Reports

The directors of ATLIX and ATLAX are responsible for the preparation of the interim financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* (as applicable) and for such internal control as the directors determine is necessary to enable the preparation of the interim financial reports that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial reports based on our review. We conducted our reviews in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial reports are not in accordance with the *Corporations Act 2001* (as applicable) including giving a true and fair view of ALX's and ATLAX Group's financial positions as at 30 June 2018 and their performance for the interim period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (as applicable). As the auditor of Atlas Arteria International Limited and Atlas Arteria Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Independent auditor's review report to the security holders of Atlas Arteria International Limited and Atlas Arteria Limited (continued)

Conclusion

Based on our reviews, which are not audits, we have not become aware of any matter that makes us believe that the interim financial reports of ATLIX and ATLAX are not in accordance with the *Corporations Act 2001* (as applicable) including:

1. giving a true and fair view of ALX and ATLAX Group's financial positions as at 30 June 2018 and of their performance for the interim period ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (as applicable).

PricewaterhouseCoopers

PricewaterhouseCoopers

SJ Smith
Partner

Sydney
29 August 2018