

# Atlas Arteria

Acquisition of Additional Interest in APRR, Termination of Macquarie Advisory Agreement and Equity Raising



atlas**Arteria**

21 November 2019

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- a fully underwritten placement of New Stapled Securities in ALX, to be made to eligible institutional stapled security holders of ALX under section 708A of the Corporations Act (the “Placement”); and
- a fully underwritten pro-rata accelerated non-renounceable entitlement offer of New Stapled Securities in ALX, to be made to eligible institutional stapled security holders of ALX (“Institutional Entitlement Offer”) and eligible retail stapled security holders of ALX (“Retail Entitlement Offer”) under sections 708AA of the Corporations Act as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73 (together, the “Entitlement Offer”).

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Dollar amounts throughout the Presentation are Australian Dollars unless stated otherwise. Arithmetic totals may vary or be inconsistent due to rounding.

## Eligibility of investors

Investors acknowledge and agree that determination of eligibility of investors for the purposes of the Entitlement Offers is determined by reference to a number of matters, including the legal and regulatory requirements, logistical and registry constraints and the discretion of Atlas Arteria and / or the underwriters. Each of ATLAX, ATLIX and the underwriters and their respective directors, employees or agents, disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law.

The underwriters may rely on information provided by or on behalf of institutional investors in connection with managing, conducting and underwriting the Entitlement Offer without having independently verified that information and the underwriters do not assume responsibility for the currency, accuracy, reliability or completeness of that information.



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**Graeme Bevans**  
*Chief Executive Officer*

# 01

## Transaction Summary

Photo of APRR, source: APRR



## 01 Overview

### Acquisition of an additional 6.14% interest in APRR increasing operational influence and improved governance

- Atlas Arteria has executed agreements to:
  - **acquire an additional 6.14% stake in APRR** the largest business in the portfolio, at an attractive valuation
  - **formalise new shareholder arrangements with its co-investors** in the APRR structure, including Eiffage
  - **terminate all remaining management arrangements with the Macquarie Group**<sup>1</sup>
- The Transaction is **immediately cash flow and value accretive** - distribution guidance of 17.0 cents per security for the next two distributions (a 6% uplift to the previous guidance for H2 2019)
- To be **funded with a A\$1,350m accelerated non-renounceable entitlement offer and placement**
- The Transaction is subject to anti-trust clearance from competition authorities and foreign investment committee clearance from the French Ministry of the Economy. Completion expected end of Q1 2020.<sup>2</sup>
- Proceeds raised under the entitlement offer and placement will meet the Transaction requirements, including any additional costs that may occur due to potential delays in Transaction completion. Any remaining balance will be used for capital management activities, including deleveraging.

*“This Transaction fulfils a key strategic objective and creates significant value for securityholders. Having successfully internalised management at the parent company on 1 April, we will complete the task with this Transaction and establish ourselves as a fully independent group.”*

1. Other than a short term transition services agreement between MIRAEL, MAF and MAF2 which will apply post Transaction, in respect of which no fees are payable – see slide 14

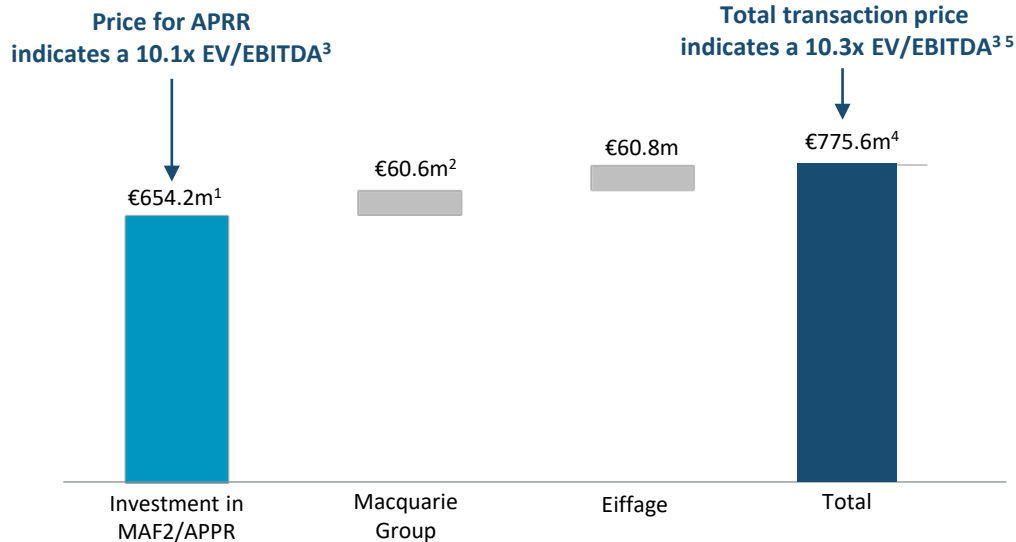
2. Long stop date is 30 June 2020



# 01 A Valuable Transaction

## Transaction immediately cash flow and value accretive

Payment	Counterparty	For
€654.2m <sup>1</sup>	Macquarie Managed Funds	6.14% stake in APRR (via a 12.28% stake in MAF2)
A\$100m (€60.6m) <sup>2</sup>	Macquarie Group	Rights associated with termination of the Advisory Agreement (No further management or performance fees payable)
€60.755m	Eiffage	Amended shareholder agreements and removal of call-option



- ✓ New shareholder agreements provide Atlas Arteria with negative control and director appointment rights at all levels of the APRR structure
- ✓ Attractive investment, Eiffage to acquire a 2% stake in APRR (via a 4% stake in MAF2) reflecting support for positive APRR outlook

### APRR Highlights

- ✓ APRR is the second largest toll road network in France with an **irreplaceable, mature network** of 2,318km
- ✓ Provides **essential connectivity** for Western European trade and has a well **diversified user base**
- ✓ 50+ years of established traffic growth and **proven earnings stability**
- ✓ **Predictable cash flows** underpinned by APRR's inflation-linked tolling and established regulatory regime
- ✓ Continued **opportunities for network growth**

1. Pricing assumes transaction completion on 31 March 2020, but will be adjusted for the actual date of completion to reflect an 8% pa holding cost, and reduced for any dividends that are paid to shareholders from APRR prior to completion.

Price assumes no dividend is received prior to completion

2. Macquarie Group payment denominated in AUD

3. EV/EBITDA calculated using equity value at 31 March 2020, using a net debt balance of €8,218m at 30 June 2019 and 12 months EBITDA to 30 June 2019 adjusted for €14.3m paid to Eiffage under the services agreement to be implemented as part of the Transaction

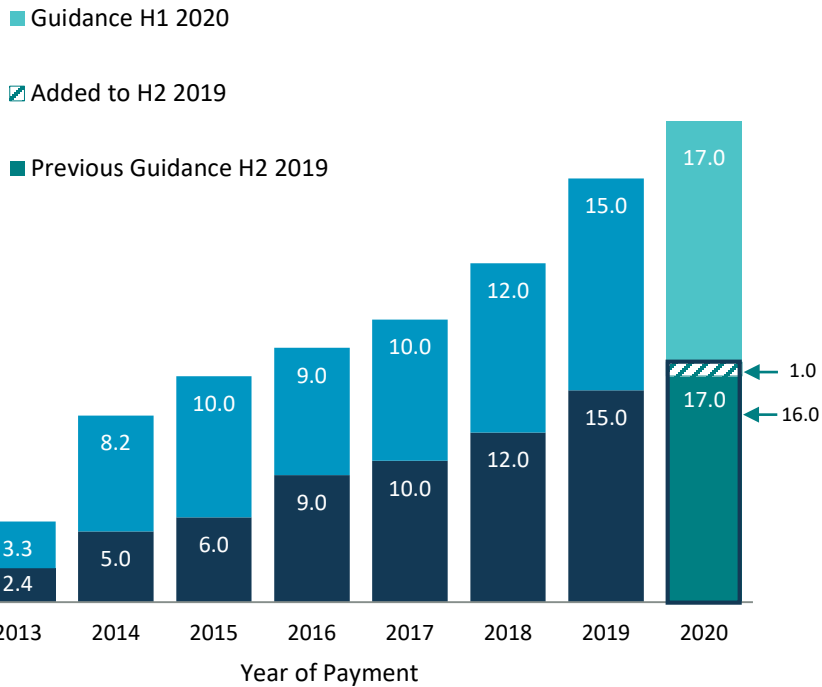
4. Exclusive of transaction costs

5. Enterprise Value has been calculated including payments to Macquarie and Eiffage across the 31.14% stake in APRR

# 01 Atlas Arteria Distributions

A 6% increase in distribution guidance following completion of the Transaction

## Atlas Arteria distributions (cps)<sup>1</sup>



### H2 2019 distribution guidance raised from 16.0 cps to 17.0 cps

— 6% increase on previous guidance provided in August 2019

### H1 2020 distribution guidance of 17.0 cps

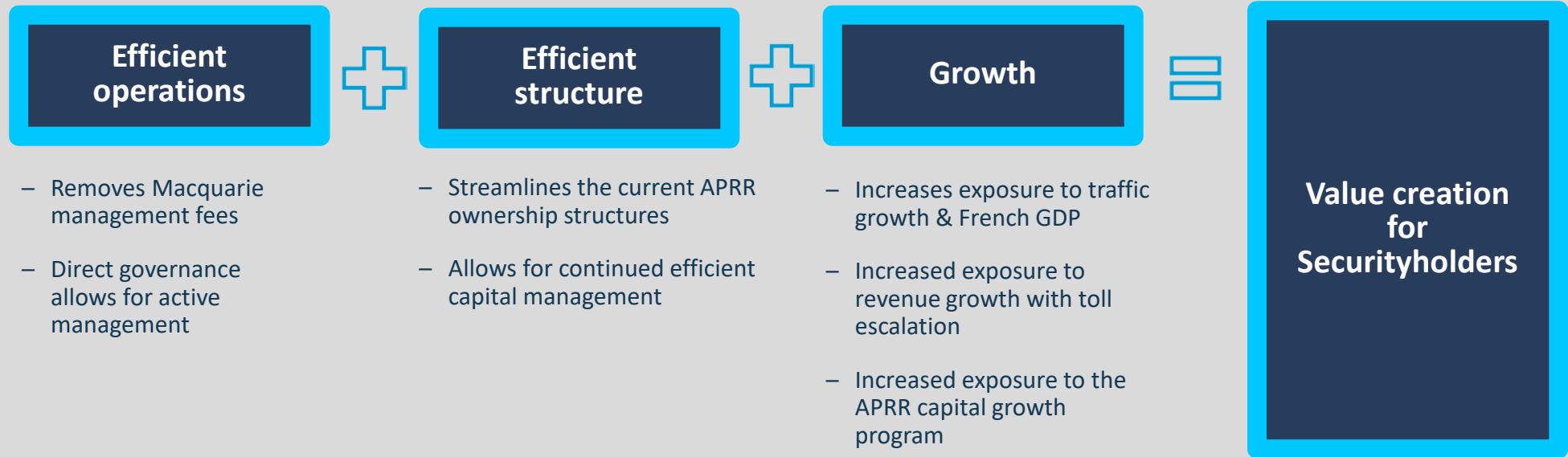
— 13% growth on H1 2019 dps of 15.0 cps

Guidance is subject to business performance, foreign exchange movements, French tax rates and other future events. See also key risks in Appendix B.

1. Reflects the period in which the distribution is paid rather than the profit period to which the distribution accrues

# 01 Creating Value

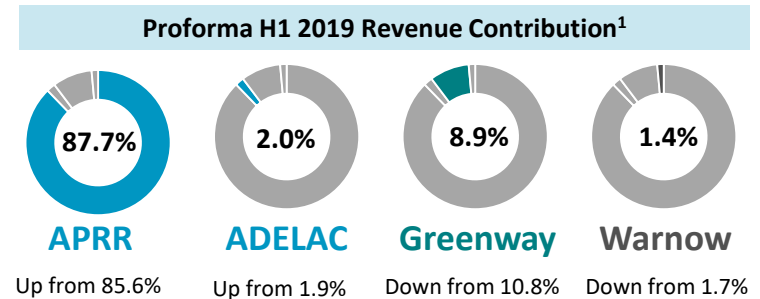
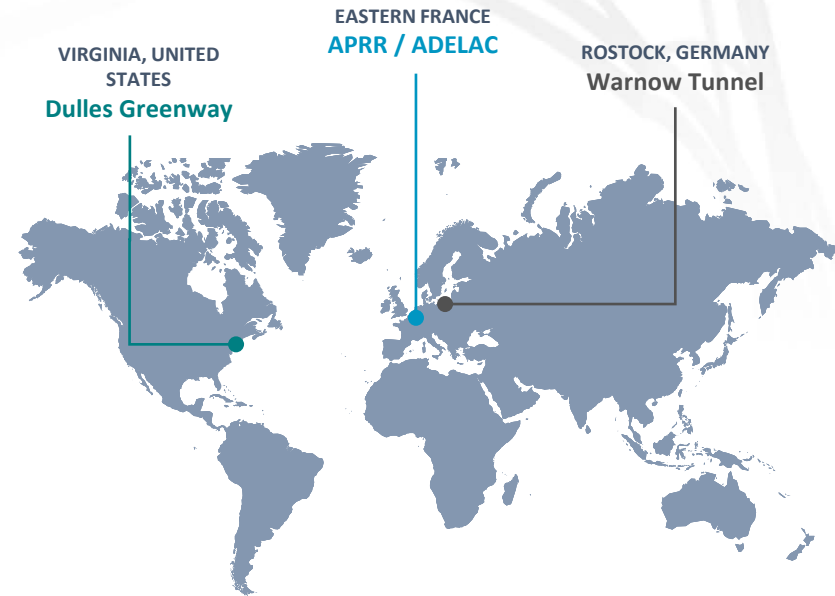
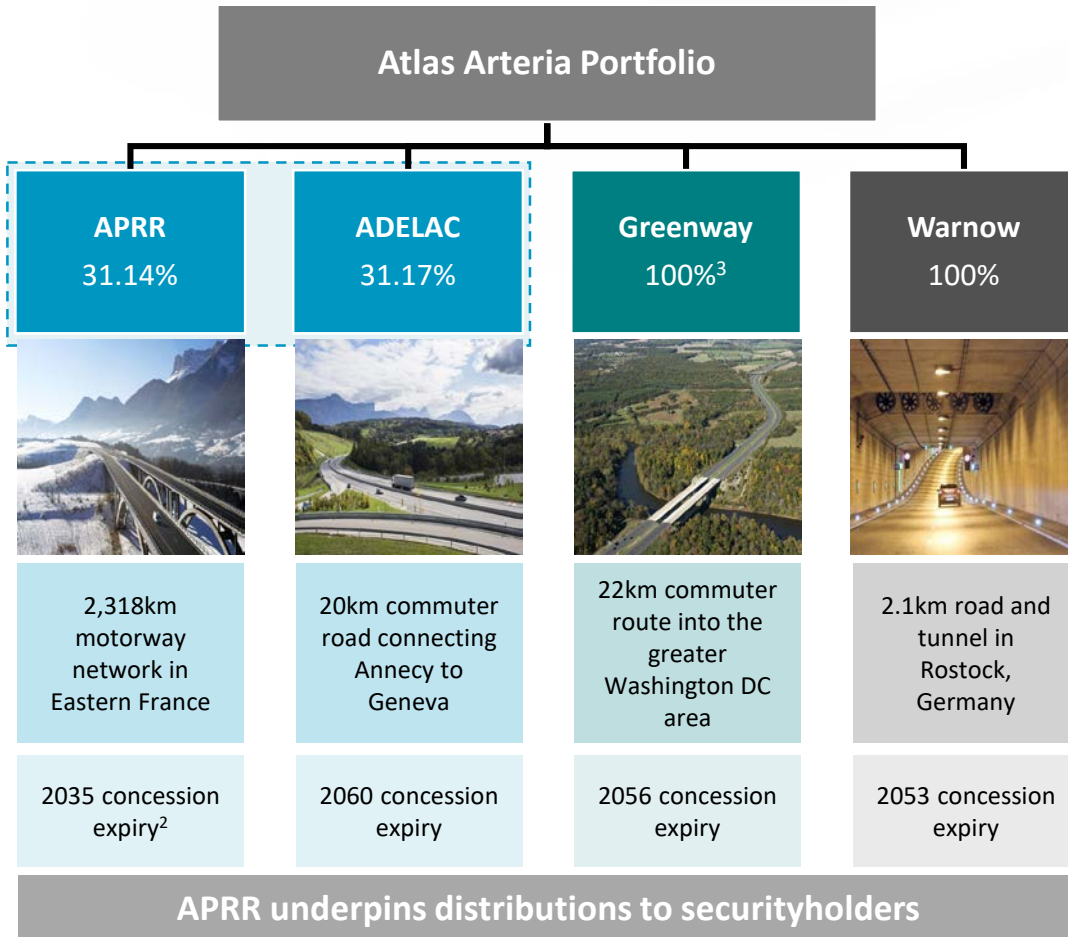
## On Strategy Transaction



Investment opportunities to be considered only where there is a strong strategic and financial case, and focused within, or complementary to, the current business.



# 01 The Atlas Arteria Business Post-Transaction



1. Revenue has been presented under local accounting standards, excluding impacts of IFRIC 12, using average foreign currency rates from the 1H19 period AUD = 0.7061 USD and AUD = 0.6249 EUR  
 2. APRR concession expires in November 2035, AREA concession expires in September 2036  
 3. 100% economic ownership



**Nadine Lennie**  
*Chief Financial Officer*

02

# Transaction Detail and Equity Raising

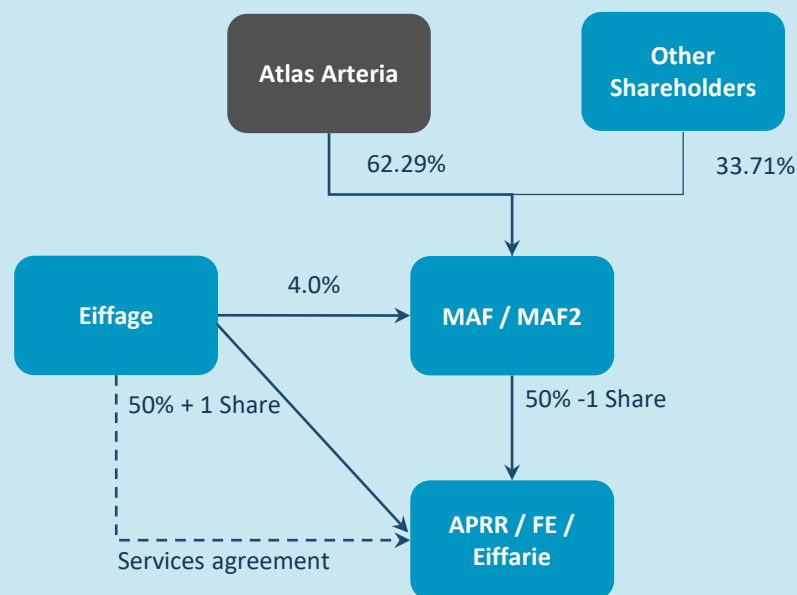
Photo of APRR, source: APRR



## 02 Transaction Outcomes

### Clear and simple structure post transaction provides genuine operating influence

#### Post transaction structure



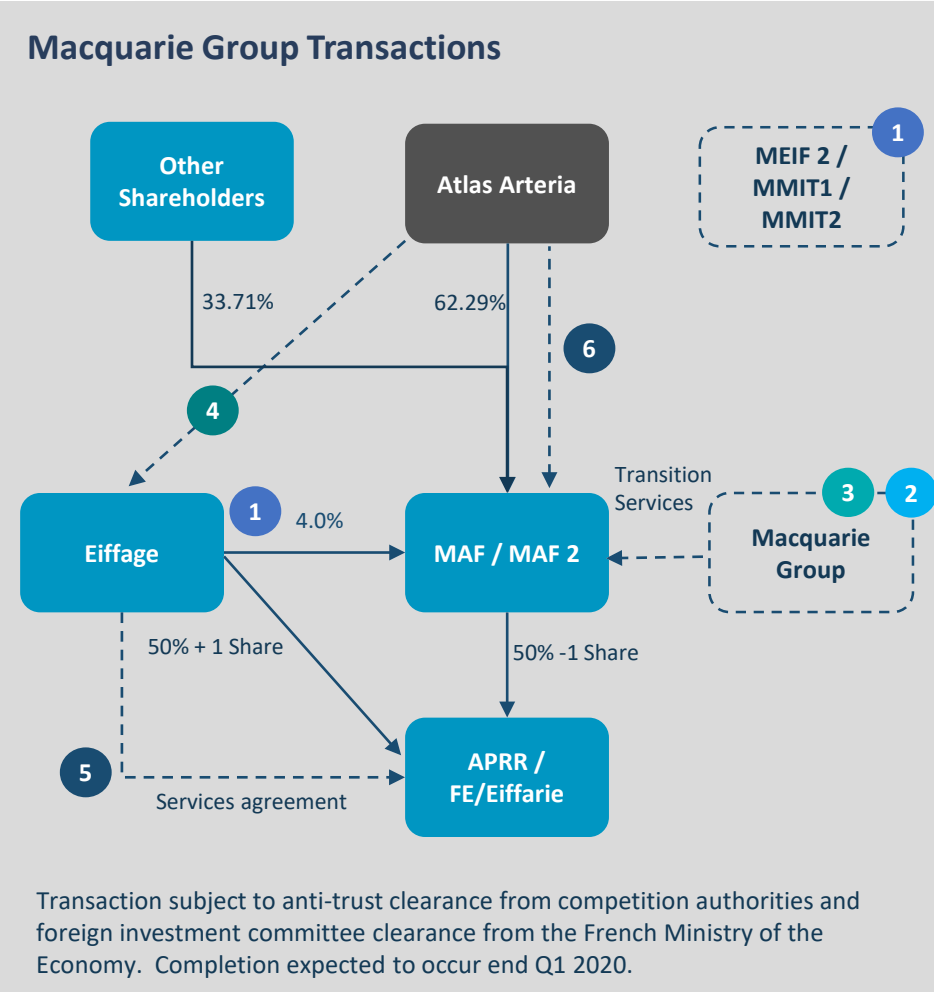
Eiffage has agreed to re-finance the Eiffarie debt, deferring near-term amortisation obligations. Target amortisation profile subject to market conditions and execution (refer page 18).

- Clear and simple structure
- Amended Shareholder Agreements at MAF/MAF2, Financière Eiffarie and ADELAC to deliver better governance positions for Atlas Arteria
  - The Eiffage call option has been removed
  - Interests in MAF2 are subject to pre-emptive rights
- Atlas Arteria has genuine operational influence
  - Negative control and director appointments at all levels of the APRR structure
  - Significant influence over issues such as budgets, business plans, material expenditure and distribution policies
- Direct costs for management of MAF/MAF2 (~€1-3m pa share of these costs for Atlas Arteria) replace management fees (~€9.2m pa for a 62.29% stake in MAF/MAF2)
- Services agreement between Eiffage and APRR
  - Formalisation of existing services provided by Eiffage including treasury, human resources, internal audit and government relations
  - Eiffage will receive compensation by way of an annual fee of the lesser of (i) €14.3m indexed<sup>1</sup> and (ii) 0.55% of the Revenues, payable by APRR
  - Atlas Arteria economic share of this cost is around €3m (on a tax effected basis<sup>2</sup>) as it is paid by APRR

1. Indexed at French CPI = Consumer Price index (exc. Tobacco)  
 2. Assuming a French Corporate Income Tax rate of 31% (32.02% including surtax)

## 02 Transaction Steps

The Transaction comprises several steps

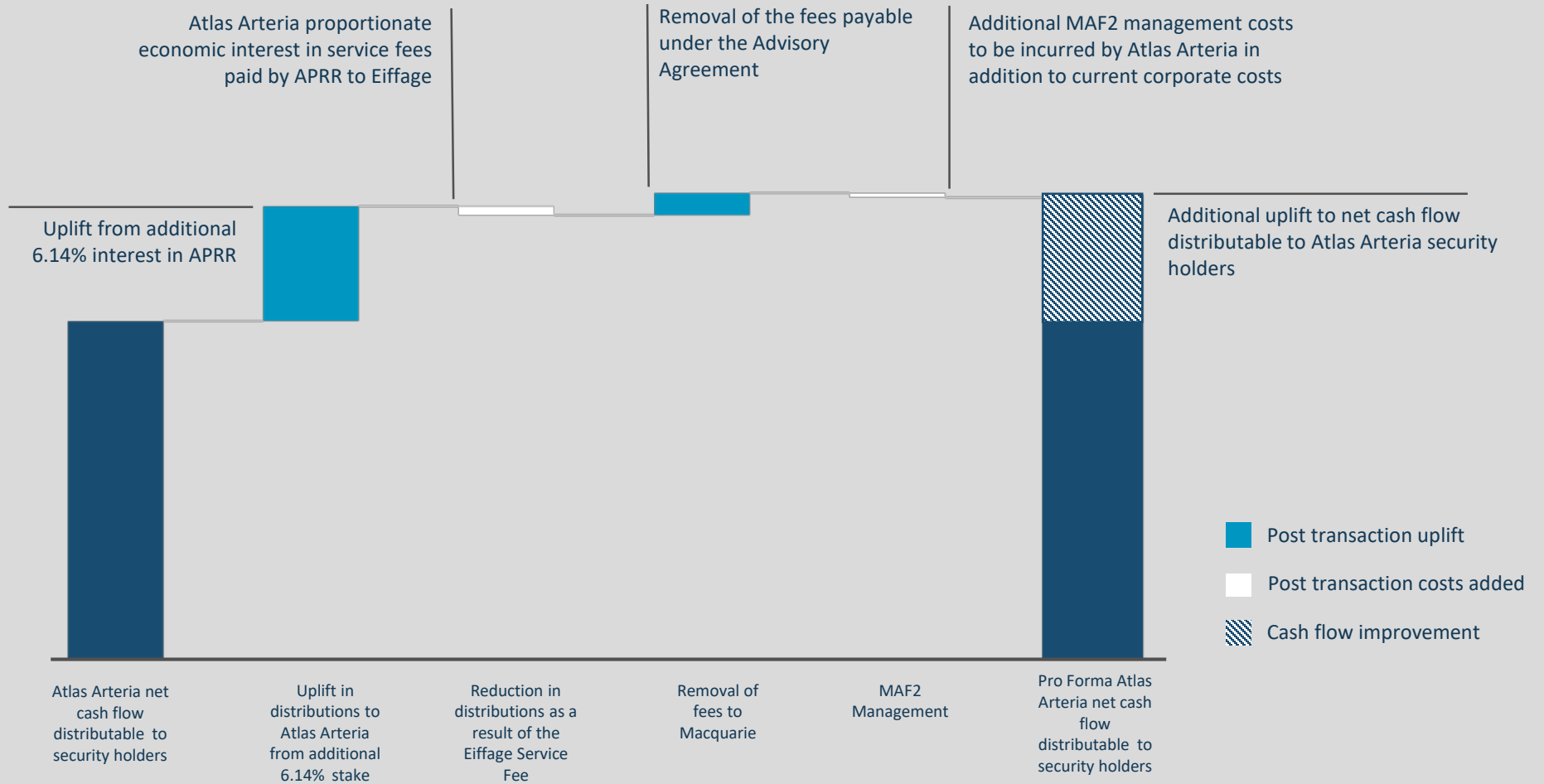


- 1 Atlas Arteria acquires 16.28% of MAF2 from MEIF 2, MMIT1 and MMIT2, and immediately on sells 4.0% to Eiffage (under the same terms and conditions as the purchase by Atlas Arteria)
  - 3rd party shareholders have waived pre-empts in return for Atlas Arteria making the payment to Eiffage
  - Eiffage 4% stake provides no increased rights at APRR
  - Delays in completion see the purchase price increase at 8% pa<sup>1</sup>
- 2 The Advisory Agreement will terminate, removing €9.2m (\$15.1m)<sup>2,3</sup> pa from Atlas Arteria's operating cost base (no further management fees payable from the point of termination)
  - Macquarie Group will enter into a Transitional Services Agreement (TSA) upon termination of the Advisory Agreement (short term, no further fees)<sup>4</sup>
- 3 Atlas Arteria will make a one-off payment to Macquarie Group of A\$100m for rights associated with termination of the Advisory Agreement
- 4 €60.755m (A\$100.2m)<sup>3</sup> payment to Eiffage by Atlas Arteria for amended shareholder agreements and removal of the call-option
- 5 Services agreement between Eiffage and APRR
- 6 MAF/MAF2 to be supported by Atlas Arteria for administration and management services – provided on a cost recovery basis (Atlas Arteria's share of these costs expected to be ~€1-3m pa)

1. Pricing will also be reduced to adjust for any dividends that are paid to shareholders from APRR prior to completion  
 2. Based on a pro-rata share of the fee to Macquarie assuming additional Atlas Arteria ownership post transaction  
 3. Using 1 AUD = 0.6064 EUR  
 4. Transition Agreement will be for a term equal to the earlier of 3 months after the completion of certain deliverables and 30 September 2020

## 02 Illustrative Changes to Cash Flows

Chart not to scale



## 02 Funding Sources and Uses

Sources	A\$m <sup>1</sup>
Equity raising	
Placement	452
Entitlement Offer	898
<b>Total Sources</b>	<b>1,350</b>

Uses	A\$m <sup>1</sup>
Transaction price paid for 6.14% of APRR (€654.2m)	1,079
Payment to Macquarie	100
Payment to Eiffage (€60.755m)	100
Equity raising and Transaction Costs	30
Retained cash for time delay in Transaction completion and capital management	41
<b>Total Uses</b>	<b>1,350</b>

Atlas Arteria will manage its exposure to the AUD:EUR exchange rate prior to financial close through hedging of the consideration raised in AUD

1. Using 1 AUD = 0.6064 EUR for Euro-denominated payments



## 02 Proforma Post-Transaction Balance Sheet

A\$m	ALX reported balance sheet (as at 30 June 2019)	Impact of Transaction	Impact of Equity Raising	ALX pro-forma balance sheet
Cash	151	(1,282)	1,322	191
Other current assets	3	-	-	3
Investments in associates	1,572	1,276	-	2,848
Tolling concessions	2,464	-	-	2,464
Goodwill	14	-	-	14
Other non-current assets	210	-	-	210
<b>Total assets</b>	<b>4,414</b>	<b>(6)</b>	<b>1,322</b>	<b>5,730</b>
Current liabilities	(86)	-	-	(86)
Non-current liabilities	(2,189)	-	-	(2,189)
<b>Total liabilities</b>	<b>(2,275)</b>	<b>-</b>	<b>-</b>	<b>(2,275)</b>
<b>Net assets</b>	<b>2,139</b>	<b>(6)</b>	<b>1,322</b>	<b>3,455</b>
ATLIX securityholders' interest	(1,987)	6	(1,278)	(3,259)
Other stapled securityholders' interest	(152)	-	(44)	(196)
<b>Total Equity</b>	<b>(2,139)</b>	<b>6</b>	<b>(1,322)</b>	<b>(3,455)</b>

See Appendix A for the Basis of Preparation

## 02 Capital Management Strategy

### Managing capital for a sustainable business

#### Further opportunity for increased cash flows

Process to refinance the Eiffage debt has commenced - Eiffage has agreed to defer near-term amortisation obligations

- Target amortisation profile (if achieved) would see amortisation start in 2023 with €40m and €80m in 2024
- Subject to market conditions and execution
- Not included in distribution guidance

At Dulles Greenway, locked cash otherwise available for distribution: US\$41.4m at 30 June 19

- Continued growth in cash balance within the business
- Passing the 3-year lock up test at 31 December 2019 remains achievable, but 1-year lock up test will not be passed

**Balancing distribution growth with long-term sustainability** →

**Risk management across the portfolio** →

**Maintaining balance between debt & equity funding over time** →

#### The approach

Operating business cashflows proposed to support sustainable distribution growth over time

Surplus cash outside of operating business cashflows, should it eventuate, would be used to delever and support sustainable cash flow growth from all businesses and sustainable distributions to Atlas Arteria security holders

Continued focus on appropriate gearing across the portfolio

A focus on both cash flow and balance sheet to enable flexibility of funding for future growth

## 02 Equity Raising Overview

<b>Equity Raising Structure &amp; Size</b>	<ul style="list-style-type: none"> <li>– A\$898 million 4 for 21 underwritten pro-rata accelerated non-renounceable entitlement offer (<b>Entitlement Offer</b>). The Entitlement Offer includes both Institutional Entitlement Offer and Retail Entitlement Offer components<sup>1</sup>.</li> <li>– A\$452 million underwritten placement (<b>Placement</b>) (together with the Entitlement Offer, the <b>Equity Raising</b>)</li> <li>– Approximately 196 million new ALX securities (<b>New Stapled Securities</b>) to be issued under the Equity Raising</li> </ul>
<b>Issue Price for the Equity Raising</b>	<ul style="list-style-type: none"> <li>– A\$6.90 per New Stapled Security, representing a:             <ul style="list-style-type: none"> <li>– 8.3% discount to TERP<sup>2</sup> of A\$7.52</li> <li>– 9.7% discount to last close at 20 November 2019 of A\$7.64</li> </ul> </li> </ul>
<b>Use of Funds</b>	<ul style="list-style-type: none"> <li>– Proceeds raised under the Entitlement Offer and Placement will meet the Transaction requirements, including any additional costs that may occur due to delays. Any balance will be used for capital management activities, including deleveraging.</li> </ul>
<b>Ranking of New Stapled Securities</b>	<ul style="list-style-type: none"> <li>– New Stapled Securities issued under the Entitlement Offer and Placement will rank equally with existing ALX securities</li> <li>– New Stapled Securities issued under the Placement do not have rights to participate in the Entitlement Offer</li> <li>– New Stapled Securities issued under the Entitlement Offer and Placement will receive full entitlement to the H2 2019 distribution, to be paid in April 2020</li> </ul>
<b>Record Date</b>	<ul style="list-style-type: none"> <li>– 7.00pm 25 November 2019 (Melbourne time)</li> </ul>
<b>Director Participation</b>	<ul style="list-style-type: none"> <li>– The Directors intend to take up their direct entitlements in full, to the extent that they are eligible to participate in the Entitlement Offer</li> </ul>

1. Further details of the Retail Entitlement Offer will be provided in a separate announcement following completion of the Institutional Entitlement Offer

2. TERP is a theoretical price at which ALX securities trade immediately after the ex-date for the Entitlement Offer. TERP is calculated by reference to ALX's closing price of A\$7.64 on 20 November 2019 and includes shares issued under the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which ALX securities will trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP

## 02 Equity Raising Timetable

Event	Date
<b>Trading halt and announcement of Equity Raising, Institutional Entitlement Offer and Placement opens</b>	<b>Thursday, 21 November 2019</b>
<b>Institutional Entitlement Offer and Placement closes</b>	<b>Friday, 22 November 2019</b>
Trading halt lifted – stapled securities recommence trading on ASX on an “ex-entitlement” basis	Monday, 25 November 2019
Record Date for determining entitlement to subscribe for New Stapled Securities	Monday, 25 November 2019
<b>Retail Entitlement Offer opens</b>	<b>Thursday, 28 November 2019</b>
Retail Offer Booklet despatched	Thursday, 28 November 2019
Settlement of Institutional Entitlement Offer and Placement	Monday, 2 December 2019
Allotment and normal trading of New Stapled Securities under the Institutional Entitlement Offer and Placement	Tuesday, 3 December 2019
<b>Retail Entitlement Offer closes</b>	<b>Monday, 9 December 2019</b>
Allotment of New Stapled Securities under the Retail Entitlement Offer	Monday, 16 December 2019
Despatch of holding statements and normal trading of New Stapled Securities issued under the Retail Entitlement Offer	Tuesday, 17 December 2019

Note: The above timetable is indicative only and subject to change without notice. All dates and times are Melbourne, Australia, time





**Graeme Bevans**  
*Chief Executive Officer*

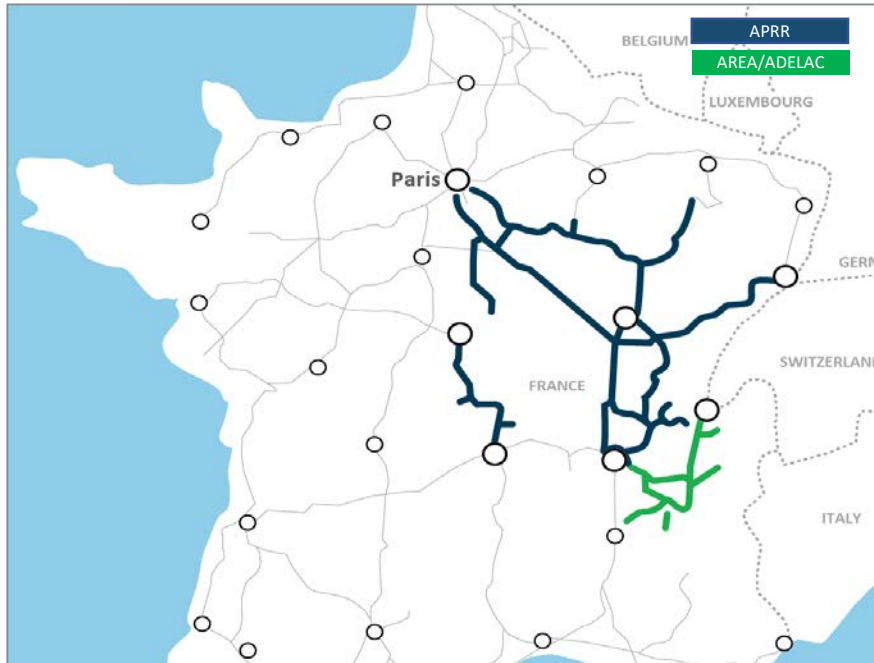
03  
APRR

Photo of APRR, source: APRR



## 03 APRR and ADELAC Connecting Paris With Lyon and Eastern France

Second largest toll network in France and fourth largest in Europe, providing effective trading routes in Western Europe and France



Note, ADELAC is a separate concession to AREA

### Trans-European trade & French Demographics

- The networks act as vital transportation corridors located at the cross-roads of Western European trade
  - Leveraged to European economic growth
- Provides critical connectivity between major French cities and access to France's major trading counterparts
  - Connects Paris and Lyon, France's two largest and most active regions
  - >76% of French inland freight is transported via road<sup>1</sup>
- Large and prosperous French catchment area provides opportunity to leverage Amazon effect
- The networks also provide connectivity to France's largest holiday regions in the Alps and French Riviera

#### APRR

Concession Expiry: Nov 2035  
Road Length: 1,890km

#### AREA

Concession Expiry: Sep 2036  
Road Length: 408km

#### ADELAC

Concession Expiry: Dec 2060  
Road Length: 20km

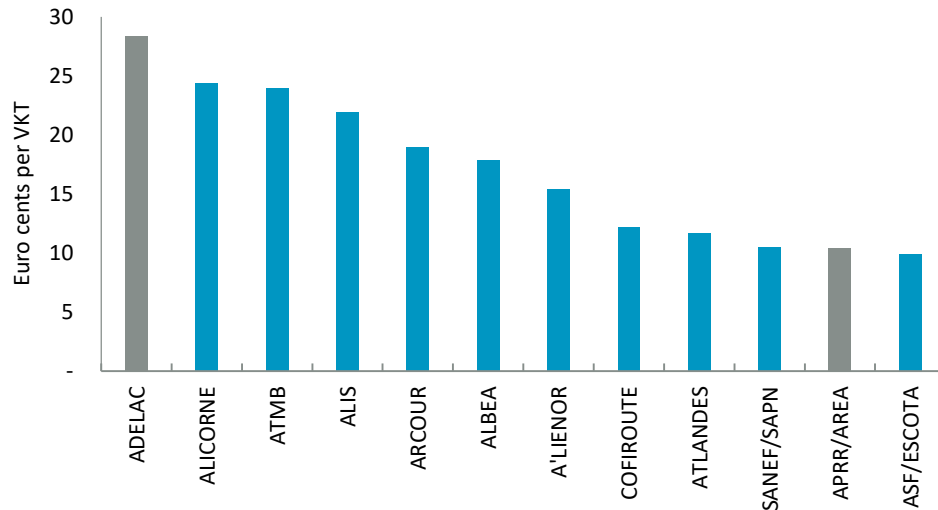
1. European Union Road Federation, *Road Statistics, Yearbook 2017*



### 03 Value for Customers

Each day our network provides customers substantial saving on their travel time

#### APRR provides value for customers compared to other toll roads in France



**APRR**  
120 MIN<sup>1</sup> (PARIS-LYON)  
saving AT A COST OF €35.40

**ADELAC**  
18 MIN<sup>1</sup> (ANNECY – GENEVA)  
saving AT A COST OF €8.40

**A focus on user experience and convenience**

- APRR provides high value effective outcomes for customers compared to other toll roads in France
- Nearly 23% of ADELAC trip length is tunnels and viaducts

**APRR Case study<sup>1</sup>: Visiting parents in Lyon**

Adele lives in Paris with her family and her parents live in Lyon. Adele plans a trip to her parents. By paying €35.40 to use the A6 in the APRR network, the drive takes them 4.5 hours compared to 6.5 hours when avoiding tolls. Adele and her family can now leave Paris in the afternoon and still make it in time for dinner in Lyon, receiving a nice home cooked meal for the kids rather than stopping at rest stop to pay for dinner.



1. Average timed saved as per Google maps

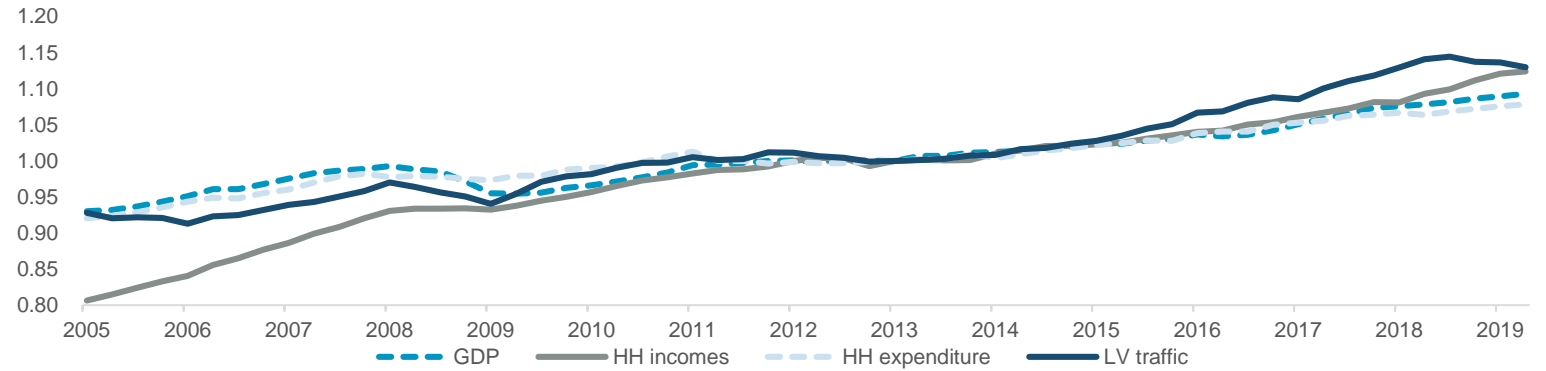
### 03 Leveraged to Economic Growth

APRR is well positioned to benefit from further improvements in French economic activity

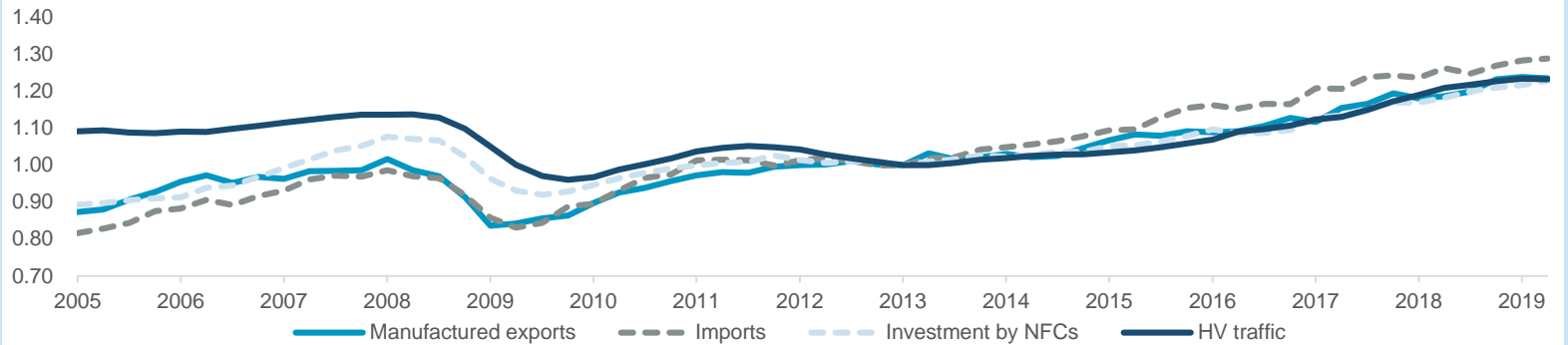
Light vehicle traffic currently trending above growth in household disposable income

Heavy vehicle traffic continues to be correlated to both French manufacturing and imports

APRR Light Vehicles and Economic Indicators<sup>1,2</sup>



APRR Heavy Vehicles and Economic Indicators<sup>1,2</sup>

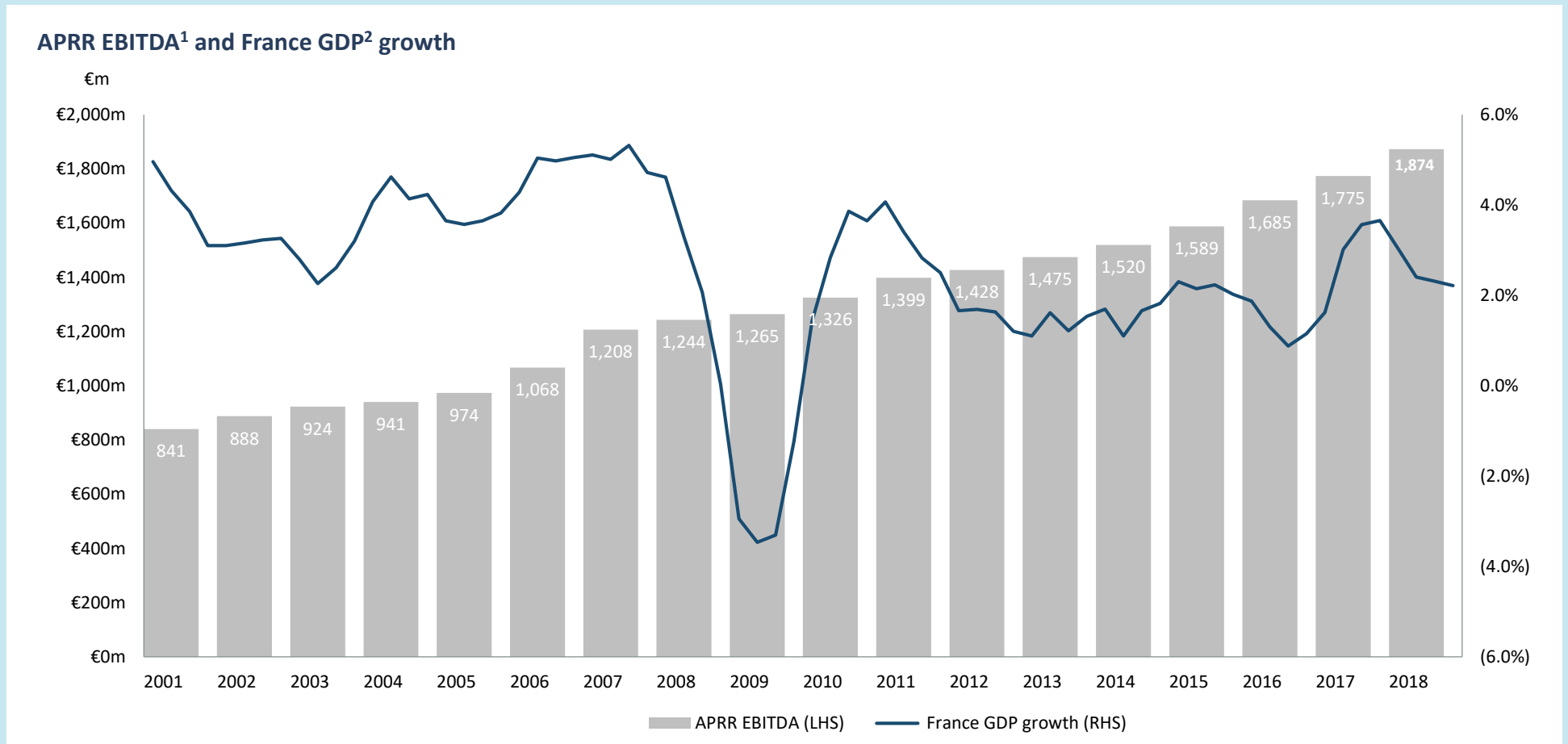


1. Moving 12-month average; indexed to the 12 months to March 2013  
 2. Source: INSEE (Institut national de la statistique et des études économiques)



### 03 APRR Earnings Stability

EBITDA has historically been resilient through economic cycles



1. Represents performance of APRR consolidated statements excluding ADELAC and EBITDA from 2004 onwards prepared using IFRS  
 2. Source: INSEE, Jan 2019; quarterly growth on pcp

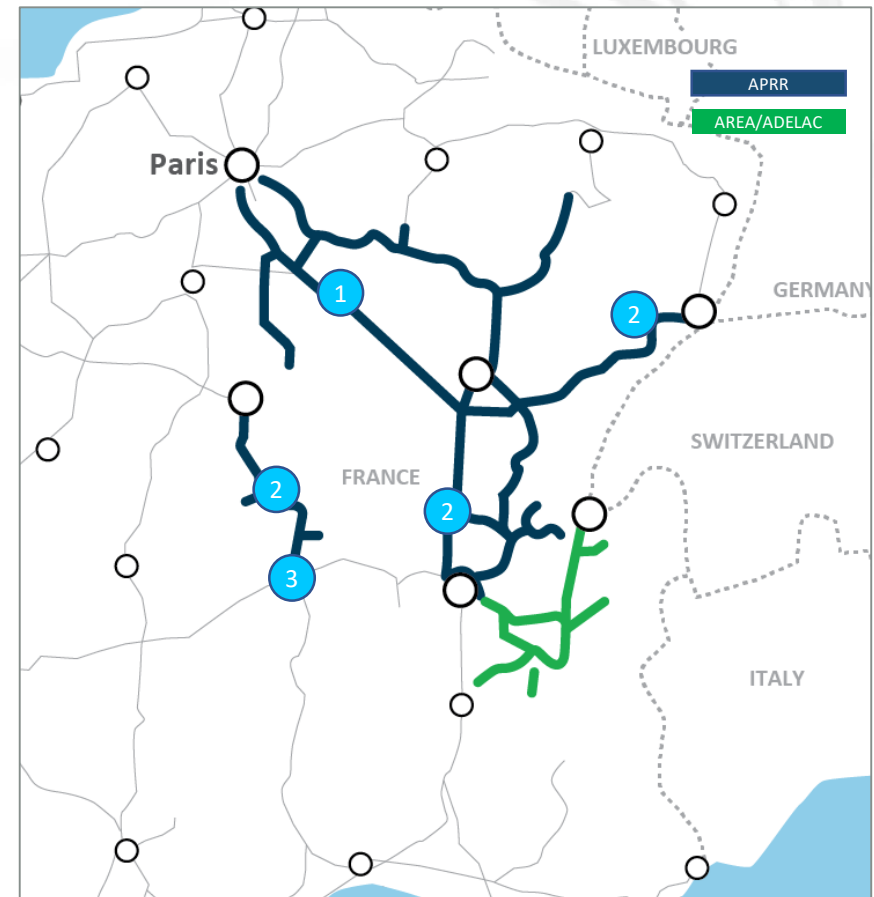


## 03 APRR continues to invest for an improved customer experience

### Investing in capital projects to grow APRR footprint

#### Growth within the APRR footprint

- Since 2015, APRR has added 50km to the network
- APRR continues to grow and improve its network with €232m in capex spending in H1 2019 up from €161m for H1 2018. Some of the ongoing capital projects include:
  1. Adding a 3rd lane on A6 near Auxerre
  2. Upgrading interchanges at 3 conjunctions
  3. Widening to dual three-lane on A75, Clermont-Ferrand to Le Crest
  4. Surveying to add 19 wildlife crossings across the network
- Projects under the Motorway Investment Plan (PIA) are progressing well (€187m in total, with ~10% to be financed by local authorities)
- Negotiations regarding RCEA are in the final stages:
  - Regulator has reviewed the concession arrangements, and it now needs to be approved by the Council of State (expected in the coming months)
- Capital expenditure guidance excluding RCEA project (€ real as at June 2019):
  - ~€1.5bn over the next 3 years (2019-21)
  - Average ~€150m to €200m per annum over the long-term



Note, ADELAC is a separate concession to AREA

### 03 APRR Tariff Formula 2019-2023

#### Inflation-linked tolling and established regulatory regime underpin APRR’s predictable cashflows

- Stable concession regime: In place for another 16-17 years
- Predictable, inflation linked toll increases: Minimum contracted toll increase of 70% x CPI1 to concession end<sup>1</sup>
- Potential upside from Management Contracts: Capex plans negotiated every five years with the State to improve the existing networks, in exchange for an improved toll path
- Regulatory protection: Protected against significant changes in tax / toll road specific changes (e.g. land tax and 2015 toll freeze)

	2019	2020	2021	2022	2023	2024-2036
Toll increase Feb-19	70% x I*	70% x I*	70% x I*	70% x I*	70% x I*	70% x I*
	+	+	+	+	+	
APRR	1.81%	0.45%	0.45%	0.25%	0.25%	
AREA	2.01%	0.65%	0.65%	0.26%	0.26%	

\*I: CPI=Consumer Price index (exc. Tobacco) from the 12 month from prior October (i.e. October 2018 CPI x 0.70% + 0.45% set the toll increase for APRR in 2019)

1. Post-2023, annual toll increases revert to contracted toll increase of 70% x CPI



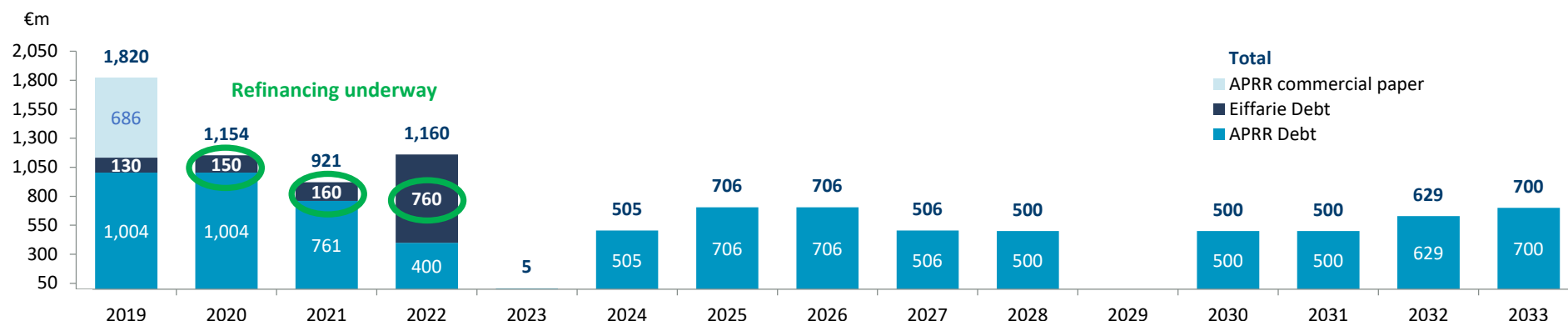
## 03 APRR financial position

### Earnings growth driven by operational performance and a low cost financing structure

- APRR has investment grade credit ratings, rated A- Stable Outlook by both S&P (rating re-affirmed in November 2018) and Fitch (rating re-affirmed in June 2019)
- APRR Group Net Debt balance of €8.2bn (including €1.1bn at Eiffarie) as at 30 June 2019
- At 30 June 2019, the APRR Group had €2.8bn of liquidity via €1.8bn undrawn revolving credit facility and ~€1.0bn cash on balance sheet
- APRR has sufficient balance sheet flexibility for capital growth in the short term, such as the RCEA project
- Refinancing opportunity at Eiffarie would bring forward cash-flows to Atlas Arteria for primarily capital management activities (refer slide 18)

€m <sup>1</sup>	H1 2019	H1 2018	% change
<b>Total EBITDA</b>	<b>955.3</b>	<b>939.0</b>	<b>1.7%</b>
<b>EBITDA margin %</b>	<b>76.4%</b>	<b>76.0%</b>	<b>0.4%</b>
<b>APRR consolidated NPAT</b>	<b>447.8</b>	<b>420.4</b>	<b>6.5%</b>
APRR average cost of debt (%)	1.5%	1.9%	(0.4%)
Eiffarie average cost of debt (%)	0.9%	13.2%	(12.3%)

### APRR Group debt maturity profile at 30 June 2019



1. Revenues and operating costs are presented under local accounting standards in natural currency, excluding impacts of IFRIC 12 and project improvement expenses. Details in 30 June 2019 IRP Appendix 1



## 03 French Tax Rates

### The Current Tax Situation

#### Corporate Income Tax

- The standard corporate income tax rate for 2019 had been reduced to 31% for financial years opening from 1 January 2019
- However, to assist financing the appeasement measures, legislation was passed in July 2019, whereby the income tax rate for the fiscal year 2019 was increased back to 33.33% for companies with revenues greater than €250 million - which will apply to APRR
- As part of the Finance Bill for 2020, the French Government are considering an increase in the 2020 to 2021 CIT rates as shown in the table below
- The 3.3% surtax applied on the standard corporate income tax liability remains unaffected

Effective Date	Current Tax Rate	New Tax Rate	New Tax Rate (incl surtax)
1 January 2019	33.33%	33.33%	34.43%
1 January 2020	28.00%	31.00%	32.02%
1 January 2021	26.50%	27.50%	28.41%
1 January 2022	25.00%	25.00%	25.83%

#### Motorway Specific Tax

- French Tax Code provides for a specific tax payable by motorway companies based on the number of kilometres travelled by users on their motorways
- Currently and since 2012, the tax rate is set at €7.32 per 1,000 kilometres travelled
- The Finance Bill for 2020, aims at indexing the tax to inflation. The proposed indexation is limited to 70% of inflation appraised between 2018 and the year preceding the current one (this 70% figure corresponding to the minimum annual increase in toll rates provided for in motorway concession contracts)
- The Finance Bill for 2020 is still being debated in Parliament.



**Graeme Bevans**  
*Chief Executive Officer*

# 04

## Summary

Photo of Dulles Greenway, source: David Madison Photography

## 04 Summary



### Strategic Acquisition

- Adding an additional 6.14% interest in APRR, which is a strongly performing business
- Total interest in APRR will be 31.14%
- Predictable cash-flows to underpin future distributions for Atlas Arteria security-holders
- APRR provides good growth opportunities for the future



### Leveraging internal capability

- Ability to influence APRR growth through appointment of directors at all levels in the APRR structure
- Negative control at all levels of the APRR structure



### Simplified structure

- Simplified structure with improved governance rights
- Cost savings from the removal of Macquarie as a manager of MAF/MAF2
- Refinancing of Eiffarie debt would bring forward cash-flow to Atlas Arteria



### Valuation discipline

- Attractive acquisition price
- Immediately cashflow and value accretive – 6% uplift to the previous dps guidance for H2 2019



## 04 Further Opportunities for the Atlas Arteria business

### Atlas Arteria



- Focus on opportunities to reduce risk and lengthen the average concession term
- Continued focus on capital management across the Group

### Dulles Greenway



- Creating sustainable long-term distributions from Dulles Greenway remains a focus
- Recruitment for new CEO underway
- Relationship with VDOT developing
- Expect rate case to be submitted to the SCC shortly with a decision expected in 2021
- Passing the 3-year lock up test remains achievable, but 1-year lock up test will not be passed

### Warnow



- Strong business, performing well
- Over-leverage presents an opportunity to consider deleveraging possibilities
- Long running concession until 2053



# Thank You

## Q&A

### Contact for investors

**Nadine Lennie**

Chief Financial Officer

Australia : 1800 621 694

International: +61 2 8232 7455

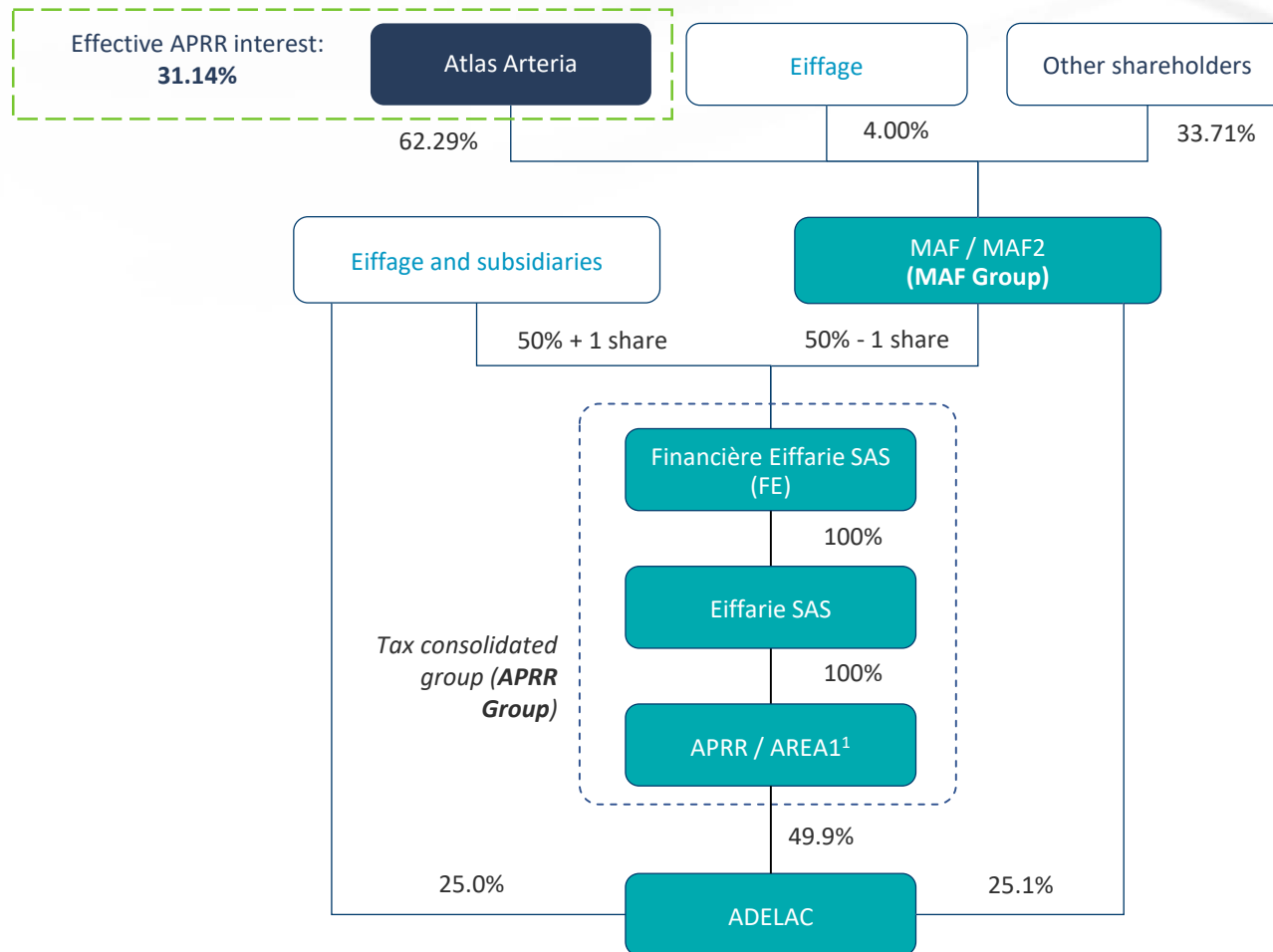
[investors@atlasarteria.com](mailto:investors@atlasarteria.com)



# 05

## Appendix A: Further Detail

### Post-Transaction APRR Shareholding Structure



1. APRR holds a 99.84% participation in AREA

## 05 Proforma Post-Transaction Balance Sheet – Basis of Preparation

- Atlas Arteria prepares its financial statements in accordance with Australian Accounting Standards. The accounting policies upon which the pro-forma balance sheet has been prepared are set out in the 2019 Atlas Arteria Interim Financial Reports. A copy of this can be found at <https://www.atlasarteria.com/investor-resources>
- The pro-forma balance sheet is on slide 17 and has been prepared for illustrative purposes and reflects:
  1. The reviewed Atlas Arteria consolidated balance sheet as at 30 June 2019, as reported in the 2019 Interim Financial Report.
  2. The impact of the acquisition of an additional 12.28% interest in Atlas Arteria's equity accounted associate MAF2 (an indirect 6.14% interest in APRR), including transaction costs. These pro-forma adjustments reflect the estimated financial effect of accounting for the acquisition and are illustrative only.
  3. The impact of the issue of share capital as part of the above acquisition, net of associated fees.
- The pro-forma balance sheet is presented based on the assumption the above acquisition took place on 30 June 2019. It is not represented as being indicative of Atlas Arteria's views on its future financial position.
- Balance sheet items are translated into Australian Dollars at the balance sheet date, with the exception of the Euro based transaction payments which will be hedged and are translated at the agreed rate for the estimated date of financial close being end Q1 2020 at 1 AUD = 0.6064 EUR.





# 05

## Appendix B: Key Risks

Photo of APRR, source: APRR



## B Key Risks

### INTRODUCTION

ALX's financial position and performance, its distributions and the market price of ALX securities may be adversely affected, sometimes materially, by a number of risk factors. Holders of ALX securities (**ALX Securityholders**) should accordingly be aware that an investment in ALX carries a number of risks which are associated with investing in toll roads, the related infrastructure, and in listed securities generally. These risks mean that the price and value of ALX securities may rise or fall over any given period. Some of these risks are beyond ALX's control.

ALX Securityholders should be aware of the following key risks (which are some, but not necessarily all, of the risks) that may affect the performance and value of ALX. These risks have been divided into investment specific risks, general risks and offer specific risks, and are not listed in the order of importance. Additional risks and uncertainties that ALX is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect ALX's performance and value.

Before investing in New Stapled Securities, you should consider whether this investment is suitable for you. Potential investors should also consider publicly available information on ALX (such as that available on the websites of ALX and ASX), carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional advisor so as to ensure they understand fully the terms of the Offer and the inherent risks before making an investment decision. Nothing in this presentation is personal financial product advice and this document has been prepared without taking into account your investment objectives or personal circumstances.

### APRR SPECIFIC RISKS

#### Acquisition Risk

ALX and its advisers have undertaken financial, operational, legal, tax and other analyses in respect of APRR in order to determine its attractiveness to ALX and whether to pursue the acquisition of the additional 12.28% of MAF2 as part of the Transaction ("Acquisition"). It is possible that such analysis, and the best estimate assumptions made by ALX and its advisers, draws conclusions and forecasts which are inaccurate or which are not realised in due course (whether because of flawed methodology, misinterpretation of economic or other circumstances, differing actual traffic volumes from those assumed (see the Traffic Volumes risk described below) or otherwise). Under the Transaction, ALX will only receive the benefit of limited warranties and will be relying on its own knowledge and assessment of APRR. To the extent that the actual results achieved by APRR are weaker than those indicated by ALX's analysis, there is a risk that there may be an adverse impact on the financial position and performance of ALX.

#### Transaction Payments, Foreign Exchange Risk

While the Offer is in Australian dollars, the majority of the Transaction payments are denominated in Euros. ALX has entered into hedging arrangements which protect against changes in the AUD:EUR exchange rate specifically to mitigate this risk. If the Transaction completes earlier than expected by ALX<sup>1</sup>, the cost of the Transaction payments will be less than expected by ALX. To the extent that the Transaction completes later than expected by ALX, the cost of the Transaction payments will be more than expected by ALX. ALX has agreed swap rates for settlement to 30 June 2020. To the extent that the Transaction does not proceed, ALX will retain the same amounts in AUD.

#### Refinance Risk – Changes to amortisation profile

In the context of the Transaction, it is proposed to refinance the loan facility in place at Eiffarie, in part to achieve a different amortisation profile that would bring forward cash flows to ALX. Whilst the contracts that support the implementation of the Transaction provide an agreement to pursue such an amortisation profile as part of the refinancing terms, changes in market conditions or other market based factors may affect the ability to refinance the facility on this basis. This would mean that the potential advantages of brought forward cashflows described elsewhere in this document would not be achieved.

1. Completion of the Transaction is expected to occur at the end of Q1 2020

## B Key Risks

### Completion Risk

Completion of the Transaction is subject to (i) anti-trust clearance from the competition authorities and (ii) foreign investment committee clearance from the French Ministry of the Economy. If such clearances are not received, completion of the Transaction may be deferred or cancelled. Similarly, if a counterparty defaults on its obligations, completion of the Transaction may be deferred or cancelled. If, for whatever reason, the Transaction does not complete by 30 June 2020, the Transaction will be terminated unless it is renegotiated. If this occurs, ALX will need to consider ways to return to ALX Securityholders the capital raised during the Offer. Failure to complete the Transaction and / or any action required to be taken to return capital raised to ALX Securityholders may have a material adverse effect on ALX's financial performance, financial position and security price.

The purchase price for the additional stake in MAF2 is being adjusted under the sale agreement for the vendors' cost of capital between the date of the agreement and completion (while any distributions paid are credited to ALX). The numbers presented in this document assume completion at the end Q1 2020. A delay in completion of the Transaction may lead to an increase in the purchase price and therefore an adverse financial outcome for ALX.

Separately, in circumstances where Eiffage fails to fund the acquisition of its 4% stake in MAF2, ALX will need to pay the purchase price for the entire 16.28% stake and would need to access additional funding sources to be able to do so. Eiffage has provided a letter of credit to support the purchase of their 4% stake, however, there is a risk that certain events may prevent funding under this facility when requested. In this circumstance, ALX may not be able to fund the acquisition, as a result of which the Transaction may not occur and ALX may be in default of its contractual obligations.

In circumstances where Atlas Arteria fails to comply with its obligations to complete the sale of the 4% stake to Eiffage, it will be exposed to potential claims resulting from such breach including for an agreed amount.

### Loan Default Risk

Loan default risk is the risk that loan covenants may be breached, which could lead to defaults under the loans, economic loss or investment write-off. Eiffarie's ability to service its debt is dependent on future asset performance and future distributions from APRR. There is a risk that APRR's distributions will not be sufficient to meet these payment obligations which may result in defaults under those facilities. There is a risk that the future asset performance or other adverse impacts to the APRR Group will result in non-compliance with these debt obligations which may affect the ability for the APRR Group Companies to pay distributions to ALX and / or for ALX to pay distributions to securityholders or lead to a forced sale of ALX's interest in APRR.

### Credit Downgrade Risk

Credit downgrade risk refers to the risk that the APRR credit rating is downgraded to sub investment grade level. There is a risk that should the APRR rating fall below investment grade (BBB-), APRR will incur additional financing costs and might not be able to raise sufficient new debt to refinance future debt payment obligations which may result in APRR or Eiffarie defaulting under their facilities. In addition, should cashflows from APRR and FE be insufficient to enable ALX to meet its debt covenant requirements, then distributions from APRR via ALX's shareholding in MAF/MAF2 may be subject to lock up provisions.



## B Key Risks

### French Tax Rates

#### *Corporate Income Tax*

France approved in 2017 a law to progressively reduce the corporate income tax rates from 33% in 2018 to 25% in 2022. However, subsequent legislation has been passed to effectively delay implementation of the tax rate reductions. There is a risk that corporate income tax rates do not follow the currently legislated path. Lower than expected decreases in the corporate income tax rate would reduce the funds available for distribution by ALX

#### *A Motorway Company Tax*

The French Tax Code provides for a specific tax payable by motorway companies. It is based on the number of kilometres travelled by users on their motorways. Since 2012, the tax rate has been set at €7.32 per 1,000 kilometres travelled. As part of the Finance Bill for 2020, amendment No. I-2793 aims to index this tax to inflation. The proposed indexation is limited to 70% of inflation which would effectively increase the tax rate in proportion to price increases on a yearly basis.

The Finance Bill for 2020 is still being debated in the French Parliament. If the Finance Bill for 2020 is passed and these increases in tax are not allowed to be recharged to users, this may reduce the funds available for distribution by ALX.

### GENERAL RISKS

#### Traffic Volumes

ALX's revenue will primarily be a function of the traffic volumes and toll rates at the underlying businesses within ALX's portfolio (**ALX Portfolio**). Traffic volumes are directly and indirectly affected by a number of factors, including population growth, perceived value for money, fuel prices, transport and environmental regulation and general economic conditions as well as toll prices, congestion on the roads within the ALX Portfolio when compared with surrounding roads, the quality, proximity and timing of the development of alternative roads and other transport infrastructure, and any disruption from activism or industrial actions either by employees working on the ALX Portfolio's toll roads or third parties. Many of these factors are outside ALX's control. Any circumstances that have the effect of reducing traffic volumes or the growth in traffic could materially adversely affect ALX's financial performance, distributions and the market price of ALX securities.

#### Tolling and Revenue Collection

Increases in tolls for several of the ALX Portfolio's toll roads require certain trigger points to be reached, such as a demonstration of benefit to the customer or financial performance of the business. Movement in the factors which cause trigger points to be reached cannot be predicted. Negative variations on those trigger points could materially adversely affect ALX's financial performance, distributions and the market price of ALX securities. In some instances, increases in tolls also require approvals from Government counterparties, which may not be able to be obtained.

ALX's tolling revenues depend on reliable and efficient tolling and revenue collection systems. There is a risk if the concessionaires of the ALX Portfolio's toll roads are not able to operate and maintain the tolling and revenue collection systems in the manner expected, or if the cost of operation and maintenance is greater than expected, ALX's financial performance, the valuations of its assets, distributions and the market price of ALX securities could be materially adversely affected.

Motorists who do not pay tolls may be subject to either direct legal action from the concessionaire of the relevant toll road, or may be referred to the state for enforcement action. ALX Securityholders bear the ultimate risk if either ALX's or the state's enforcement actions against defaulting motorists are not successful and if ALX's enforcement actions are more costly or take more time than expected.



## B Key Risks

### **Regulatory and Change of Law Risk**

ALX Securityholders are exposed to the risk that the Government counterparties to the concessionaires may exercise their powers under legislation in a way that is adverse to ALX Securityholders. Depending on the nature of the change and the individual concession agreements for the toll roads in the ALX Portfolio (ALX Concession Agreements), the relevant concessionaire may be entitled to compensation and / or a right to renegotiate the ALX Concession Agreement. There is also the risk that a government agency will repeal, amend, enact or promulgate a new law or regulation, or that a government authority will issue a new interpretation of the law or regulation, which will affect a toll road's operational or financial performance.

### **Foreign Exchange Risk**

All ALX Portfolio assets are located offshore, with cash reserves being the majority of ALX's Australian dollar denominated assets. This exposes ALX Securityholders to fluctuations in foreign exchange rates, which affect the values of the businesses and any expected distributions when translated to Australian dollars or to the home currencies of overseas ALX Securityholders. For Transaction specific risks refer earlier discussion on page 38.

### **Valuation Risk**

The value of ALX's businesses may fluctuate over time. Factors relevant to valuations include traffic volumes and other economic factors referred to in this section, as well as other events which affect or alter the calculation methodology or the long term assumptions which underpin the valuations. Whilst valuations are not published, movements in valuation may have an impact on ALX's assessment of impairment.

### **Safety and Environmental Risk**

ALX is subject to the risk of accidents and incidents on its toll road network, and to environmental claims in connection with its toll road network. These risks may create financial, reputational and / or regulatory risk for ALX which could have an adverse effect on the operating conditions and results of the ALX businesses.

### **Joint Venture Risk**

ALX holds its interests in APRR with joint venture partners and its economic interests in Dulles through contracted arrangements with equity partners. While ALX has control over or significant influence on the decision-making of these joint ventures and equity partnerships, certain decisions require approval of all the directors or shareholders of the joint ventures. Therefore, irrespective of ALX's proportional interest in the joint ventures, ALX will not be able to unilaterally control all decision-making processes of the joint venture or underlying businesses. The cooperation among the joint venture partners of such companies on existing and future business decisions is an important factor for the sound operation and financial success of such business. The joint venture partners in these projects may have objectives different from those of ALX, or be unable or unwilling to fulfil their obligations under the relevant joint venture contracts. In order to minimise the risks associated with the development and operation of its joint venture project, ALX seeks to enter into joint ventures with partners whom ALX considers to be reputable, creditworthy and reliable and on terms favourable to ALX. Although to date ALX has not experienced any significant disputes with its partners, disputes among joint venture partners over joint venture obligations or otherwise could have an adverse effect of the financial conditions or results of operations of these businesses.

## B Key Risks

### Major Repairs and Maintenance Capital Expenditure

Under the Concession Agreements, the concessionaires of each of the ALX Portfolio's toll roads must meet the cost of all major repairs and maintenance to the toll roads – with no entitlement to increase tolls in response to these costs. These costs can be required to be incurred at specified intervals while others are due to usual wear and tear. In some circumstances the cost of these repairs and maintenance may exceed the cashflow available from the asset, requiring new or additional capital or debt to be raised. In particular as these capital expenditure requirements may not arise for many years, the amount of this expenditure is often not known until closer to the relevant time. Accordingly, the relevant concessionaire may be unable to make an allowance for these costs before they are incurred or to raise the required capital from internal or external sources.

Overall the need to fund or provide for greater than expected repairs and maintenance expenditure could materially adversely affect ALX's financial performance, distributions and the market price of ALX securities.

### Operations Risk

There is a risk that the operation of the toll roads in the ALX Portfolio could be adversely affected by a number of events, as is inherent for operations of this nature, including (without limitation) failure of the tolling and revenue collection system, traffic management issues, including temporary closure due to traffic incidents, and extreme weather events.

### Systems, information technology and confidential information

ALX and the ALX Portfolio rely on operating, maintenance, traffic management and safety technology and systems to optimise the safe and efficient operation of its toll roads. These systems include CCTV camera surveillance, toll collection systems, and systems that automatically detect incidents, as well as safety systems in tunnels, such as ventilation systems and fire suppression sprinkler systems. The failure of these systems, including a failure to adequately respond to a disruption event or manage an incident effectively could materially disrupt the operation of ALX's toll roads, leading to reduced traffic volumes or closure of a road.

ALX's ability to continue to improve revenue generation from its toll roads and provide key services to its customers depends on its capacity to develop and manage technology systems and platforms. In some cases, ALX partners with technology providers to develop and implement new information technology systems. Certain of ALX's software is held under licence agreements with technology providers. If ALX fails to continue to maintain its relationships with its key technology partners or licensors of key software, its ability to operate and grow its business may be adversely affected. ALX's technology systems may be subjected to external cyber-attacks that could adversely affect its business (including interruptions to tolling and collection services) and reputation. Although ALX takes various measures to prevent or mitigate external breaches to its systems and monitor its technology networks, there is no guarantee that such measures will provide absolute security. The occurrence of any such cyber-attacks could have a material adverse effect on its business, cash flow, financial condition and results of operations. ALX's tolling arrangements and systems lead it to obtain personal and confidential information from its customers. The handling and retention of such information is regulated by various privacy laws. ALX is exposed to the risk of deliberate or inadvertent release of this information and the loss or misuse of data. Although ALX utilises systems and processes that are designed to protect data and to prevent data loss and other security breaches, no assurance can be given that such measures will provide absolute security. If such information were released, ALX may be subject to financial penalties under privacy laws and/or be subject to increased regulatory scrutiny or legal action and its reputation may be negatively affected.

## B Key Risks

### Reliance on Key Contractors and Counterparty Risks

ALX and the ALX Portfolio may engage third party contractors and counterparties, including construction contractors, to carry out development and construction activities and to provide certain systems and services, including those relating to tolling, customer services, operations and maintenance services, road management and control systems. ALX is therefore dependent upon the services of key contractors and counterparties. In the event that any of these contractors or counterparties are unable or unwilling to perform the obligations owed to ALX or the ALX Portfolio (including as a result of any insolvency-related event affecting that contractor or counterparty) or there is industrial action taken by the employees of those third party contractors and counterparties, ALX or the ALX Portfolio could suffer material disruptions to its operations. Disruptions to ALX's operations or inadequately performed services could result in delays to projects and the completion of projects, degradation in the quality and state of repair of ALX's toll roads, dissatisfaction of toll road users, reduced traffic volumes, reduced toll road revenue and breach of concession agreements and financing arrangements. Any of these factors could result in a material increase in ALX's costs and interruption to ALX's operations in the event of a service provider having to be replaced. The occurrence of any of these risks could materially adversely affect ALX's business, cash flow, financial condition and results of operations. In addition, the early termination of a concession agreement could materially adversely affect ALX's business, cash flow, financial condition and results of operations.

### Fraudulent Behaviour of Employees

ALX is exposed to risks associated with fraudulent behaviour of its officers, employees, consultants, contractors and contractual counterparties. The occurrence of such behaviour could materially adversely affect ALX's business, cash flow, financial condition and results of operations.

### Key Personnel

Retaining and recruiting qualified personnel is critical to ALX's success. ALX may face risks from the loss of key personnel and an inability to attract any new personnel required in its business. Although ALX has implemented strategies designed to assist in the recruitment and retention of people within its business, ALX may encounter difficulties in recruiting and retaining candidates with appropriate experience and expertise. If any of ALX's key employees leave their employment, this may adversely affect its ability to conduct its business. If ALX is unable to retain and attract the services of a sufficient number of qualified personnel, this could impact its operations and development and could have a material adverse effect on its business, cash flow, financial condition and results of operations.

### Force Majeure

Force majeure refers to an event beyond the control of a party, including natural disasters, extreme weather events, sabotage, acts of terrorism, dangerous third party chemical or hazardous material contaminations or spills and other events outside the control of a party that can affect a party's ability to perform its contractual obligations. The occurrence of a force majeure event could materially adversely affect ALX's financial performance, distributions and the market price of ALX securities.

## B Key Risks

### **Ability to Comply with Loan Terms or and refinance risk**

Refinance risk is the risk that debt facilities may not be able to be refinanced on acceptable terms at or before their maturity, leading to potential loan default, economic loss or investment write-off. ALX's investment in APRR is held through Financiere Eiffarie (FE), a French joint investment company. FE via its wholly owned subsidiary, has a net debt balance of €1.1 billion as at 30 June 2019.

In addition, APRR has approximately €8.1 billion of gross debt as at 30 June 2019, comprising public bonds issued under APRR's Euro Medium Term Note programme (which allows APRR to continue issuing further bonds as required), a loan provided by Caisse Nationale des Autoroutes and a debt facility issued by the European Investment Bank, with various maturity profiles. Refinance or replacement of these debt facilities will depend on APRR's trading performance, economic conditions and the availability on acceptable terms of debt facilities in the future. There is no certainty that loans will be successfully refinanced or replaced.

ALX also has an €350 million debt facility that is secured by the shares in the vehicle which receives the dividends from APRR via its indirect shareholding in FE and MAF/MAF2. This facility will need to be refinanced by October 2024. Refinance or replacement of this facility will also depend on APRR's trading performance, economic conditions and the availability on acceptable terms of debt facilities in the future. There is no certainty that this loan will be successfully refinanced or replaced.

The investments within the ALX Portfolio (including entities through which they have been financed) carry material levels of debt. There is a significant risk that one or more investments in the ALX Portfolio may be unable to comply with the terms of their loans or may be unable to arrange refinancing when loans fall due, or that the terms of refinancing are less favourable than the current terms. These risks will be affected by the prevailing economic climate and cost of debt as well as the performance of the assets between now and when debt falls due. However, the debt at each of the assets is secured over that asset only and is non recourse to ALX.

### **Changes in Interest Rates**

The ALX assets have a high level of interest rate hedging in place. In some cases debt is 100% hedged for many years. However there is residual exposure to fluctuations in interest rates on the unhedged portion of debt, which may be partially mitigated by the impact on interest earned on cash reserves at the corporate and ALX asset level.

### **Inflation**

The rate of inflation will determine toll rates (see Tolling and Revenue Collection risk above). There is a risk that increases in toll rates could reduce traffic volumes or the growth in traffic, in which case ALX's financial performance, distributions and market price of ALX's securities could be materially adversely affected (as described in the Traffic Volumes risk above). There is also a risk that reductions in the rate of inflation adversely impact financial performance and distributions and that the market price of ALX's securities could be materially adversely affected (as described in the Traffic Volumes risk above).



## B Key Risks

### **Tax Risk**

Changes in tax law, tax rules or their interpretation may result in changes to the existing tax treatments in relation to ALX's underlying investments, which could materially adversely affect ALX's financial performance, distributions and the market price of ALX securities.

The structure of ALX and the holding structures for the different ALX Portfolio investments rely on certain existing treatments for taxation purposes and interpretation of applicable fiscal arrangements. The tax rules or their interpretation, in relation to an investment in ALX may change during the life of ALX. In particular, both the level and basis of the taxation may change. In addition to tax risks at the underlying asset level and at the entity level, an investment in ALX may involve tax considerations which may differ for each ALX Securityholder. Each prospective ALX Securityholder is encouraged to seek professional tax advice in connection with an investment in ALX.

### **Changes to accounting standards**

Changes to Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act could affect ALX's reported results of operations in any given period or ALX's financial condition from time to time.

### **Competition Risk**

An ALX Portfolio investment may be affected by improvements in existing alternative routes and / or the construction of new alternative routes and / or the construction of a new, or the improvement of an existing, means of alternative transportation (such as trains or some other form of public transportation). There is no guarantee that alternative roads that may allow for no tolls or faster travelling speed will not be built or improved. Competition from an alternate route or means of alternative transportation could materially adversely affect ALX's financial performance, distributions and the market price of ALX securities.

### **General Economic Conditions**

The financial performance, distributions and the market price of ALX securities may be materially adversely affected by a number of general risk factors, including but not limited to changes in international economic outlook; governmental fiscal, monetary and regulatory policies; and laws and regulations. In particular, continued market volatility and economic uncertainty in Europe and the United States may have potential negative impacts on the regional and the global economy. There is a risk that a downturn in economic activity or changes to the relationships between countries within the European Union and / or the United Kingdom could reduce traffic volumes and revenue and create uncertainty in credit markets which may also limit the availability of financing and / or increase the costs of refinancing the existing debt facilities at the assets in the ALX Portfolio.

## B Key Risks

### Equity Markets Risks

There are risks associated with any investment in listed securities. The market price of listed securities such as ALX securities is affected by numerous factors. These factors include but are not limited to factors such as inflation, interest rates (including potential for negative interest rates), changes in supply and demand for infrastructure securities, hostilities, tensions and acts of terrorism, general investor sentiment and the movement of prices on local and international share and bond markets. ALX securities may trade below the offer price and no assurances can be given that ALX's market performance will not be materially adversely affected by any such factors or market fluctuations.

### Liquidity and Realisation Risks

There may be relatively few, or many, buyers or sellers of ALX securities on ASX at any given time. This may increase the volatility of the market price of ALX securities. It may also affect the prevailing market price at which ALX Securityholders are able to sell their ALX securities.

### ALX Concession Agreements – Term, Liabilities and Termination

ALX's business is dependent on concession agreements that have been granted to members of the ALX group, or entities in which ALX has an interest, to operate various toll roads. Earnings from the concession agreements account for virtually all of ALX's earnings. When the concession agreements expire, the toll roads and related infrastructure must be returned to the relevant government counterparty. If ALX cannot enter into new concession agreements or extend its existing concession agreements to permit it to carry on its core business, or any new concession agreements entered into are on less advantageous terms to those of the current concession agreements, ALX's business and financial performance could be materially adversely affected.

There are several circumstances that could result in an ALX Concession Agreement being terminated before the scheduled end of the concession period. Depending upon the circumstances that cause the premature termination of a ALX Concession Agreement, ALX Securityholders may incur economic loss. The termination of an ALX Concession Agreement could materially adversely affect ALX's financial performance, distributions and the market price of ALX securities.

### ASX Listing

ALX being listed on ASX imposes various listing obligations which must be complied with on an ongoing basis. Whilst ALX must comply with its listing obligations, there can be no assurance that the requirements necessary to maintain the listing of the Stapled Securities will continue to be met or will remain unchanged.

### Bermudan Law

The securities law of Bermuda may be different from Australian securities law and may not offer the same level of investor protection as Australian securities law.

## B Key Risks

### OFFER SPECIFIC RISKS

#### Dilution Risks

You should note that if you do not take up all of your entitlements to acquire New Stapled Securities under the Offer, then your percentage security holding in ALX will be diluted and you will not be exposed to future increases or decreases in ALX's security price in respect of those New Stapled Securities.

#### Distributions

The payment of distributions by ALX is announced (at the discretion of the ALX boards) around or shortly after the time that ALX releases its half year and full year results. The payment of distributions is dependent on the profitability and cash flow of ALX's business. Any future distribution levels will be determined by the ALX Boards having regard to ALX's operating results and financial position at the relevant time. There is no guarantee that any distribution will be paid by ALX or, if paid, that they will be paid at previous levels.

#### Underwriting Risk

ALX has entered into an underwriting agreement (**Underwriting Agreement**) with Morgan Stanley Australia Securities Limited and UBS AG, Australia Branch (**Underwriters**), pursuant to which the Underwriters have agreed to fully underwrite the Offer on the terms and conditions of the Underwriting Agreement.

If certain conditions are not satisfied or certain events occur, the Underwriters may terminate the Underwriting Agreement. Termination of the Underwriting Agreement would have an adverse impact on the total amount of proceeds that could be raised under the Offer and on the ability of ALX to complete the Transaction. In particular, there are certain circumstances which may constitute a termination event under the Underwriting Agreement where ALX would nonetheless remain bound to complete the Transaction. There is a risk that in those circumstances the Offer would not complete and ALX would need to find alternate sources of funding to complete the Transaction, which may be more expensive, otherwise disadvantageous or unavailable, in which case ALX may be in default under the agreements relating to the Transaction.

The Underwriters' obligations under the Underwriting Agreement, including to manage and underwrite the Offer, are conditional on certain matters, including that certain acquisition-related transaction documents have not been terminated (or have not become capable of being terminated by a party following a breach or a condition not being satisfied or waived), rescinded or materially varied without the prior written consent of the Underwriters.

The events which may trigger termination of the Underwriting Agreement include (but are not limited to) the following:

- One or more of certain acquisition-related transaction documents is terminated (or breached or a condition is not satisfied or waived and as a result of which it becomes capable of being terminated by a party), or are rescinded, or are materially varied without the prior written consent of the Underwriters;
- A statement contained in the Offer materials is or becomes misleading or deceptive (including by omission) or likely to mislead or deceive or a forward-looking statement is or becomes incapable of being met;
- ALX or any other member of the group breaches or defaults under a material debt or financing arrangement directly related to APRR or any directly related documentation which gives a lender or financier a right to accelerate or require repayment directly related to APRR, or other similar material event occurs regarding that material debt or financing arrangement directly related to APRR or directly related documentation;
- There is an adverse change, or an event occurs which is reasonably likely to give rise to an adverse change, in the assets, liabilities, financial position or performance, profits, losses, results, condition, operations or prospects of the group taken as a whole other than as disclosed to the Underwriters prior to the date of the Underwriting Agreement or in the Offer announcements;

## B Key Risks

### Underwriting Risk (continued)

- There are certain delays to the timetable for the Offer;
- ALX is removed from the official list of ASX or its Securities are removed from official quotation or suspended or certain regulatory actions are taken;
- A general moratorium on commercial banking activities in one of certain jurisdictions or a material disruption in commercial banking, security settlement or clearance services in one of those countries;
- Suspension or material limitation in trading on certain securities exchanges for more than one day;
- An outbreak or major escalation of hostilities or a national emergency in one of certain jurisdictions; and
- A change to the ALX Boards or to the CEO or CFO of ALX occurs.

The ability of an Underwriter to terminate the Underwriting Agreement in respect of some events will depend on whether in the reasonable opinion of that Underwriter, the event: (i) has, or is likely to have, a material adverse effect on the success, marketing or settlement of the Offer, the value of the Securities, the likely price at which the Offer Securities will trade on ASX or the willingness of investors to subscribe for Offer Securities; or (ii) leads or is reasonably likely to lead to: (A) a contravention by the Underwriters (or one of their respective affiliates) of, or the Underwriters (or their affiliates) being involved in the contravention of, the Corporations Act or any other applicable law; or (B) a liability of the Underwriters (or one of their respective affiliates) under the Corporations Act or any other applicable law.





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# Appendix C: Entitlement Offer Jurisdictions

Photo of APRR, source: APRR



## C Foreign selling restrictions

**This document does not constitute an offer of new stapled securities ("New Stapled Securities") of ALX in any jurisdiction in which it would be unlawful. New Stapled Securities may not be offered or sold in any country outside Australia except to the extent permitted below**

### **Canada (British Columbia, Ontario and Quebec provinces)**

This document constitutes an offering of New Stapled Securities only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such New Stapled Securities. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – Prospectus and Registration Exemptions, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Stapled Securities or the offering of New Stapled Securities and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Stapled Securities or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province.

Furthermore, any resale of the New Stapled Securities in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the New Stapled Securities outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Stapled Securities.

ALX, and the directors and officers of ALX, may be located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon ALX or its directors or officers. All or a substantial portion of the assets of ALX and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against ALX or such persons in Canada or to enforce a judgment obtained in Canadian courts against ALX or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages or rescission

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Stapled Securities purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and / or rescission against ALX if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against ALX.

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### Canada (British Columbia, Ontario and Quebec provinces) (cont'd)

This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Stapled Securities during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against ALX, provided that (a) ALX will not be liable if it proves that the purchaser purchased the New Stapled Securities with knowledge of the misrepresentation; (b) in an action for damages, ALX is not liable for all or any portion of the damages that ALX proves does not represent the depreciation in value of the New Stapled Securities as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the New Stapled Securities were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations. Prospective purchasers of the New Stapled Securities should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the New Stapled Securities as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada. Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Stapled Securities (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

### Hong Kong

WARNING: This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (SFO). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Stapled Securities have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Stapled Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Stapled Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## C Foreign selling restrictions

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### New Zealand

This document has not been registered, filed with or approved by any New Zealand authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Stapled Securities are not being offered to the public within New Zealand other than to existing securityholders of ALX with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlements offer, the New Stapled Securities may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act;
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act; or
- Is an ALX Securityholder on the record date.

### Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore (MAS) and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (SFA) in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. ALX is not a collective investment scheme authorised under Section 286 of the SFA or recognised by the MAS under Section 287 of the SFA and the New Stapled Securities are not allowed to be offered to the retail public.

This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the New Stapled Securities may not be circulated or distributed, nor may the New Stapled Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an "institutional investor", please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Stapled Securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

### China

The information in this document does not constitute a public offer of the New Securities, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The New Securities may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors", sovereign wealth funds and quasi-government investment funds.

## C Foreign selling restrictions

**This document does not constitute an offer of new stapled securities ("New Stapled Securities") of ALX in any jurisdiction in which it would be unlawful. New Stapled Securities may not be offered or sold in any country outside Australia except to the extent permitted below**

### Switzerland

The New Stapled Securities may not be distributed in Switzerland and will not be listed on the SIX Swiss Exchange (SIX) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Stapled Securities may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the New Stapled Securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Stapled Securities will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA), and the offer of New Stapled Securities has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (CISA). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of New Stapled Securities.

This document is personal to the recipient only and not for general circulation in Switzerland.

### United Arab Emirates

The New Securities are being offering in the United Arab Emirates (the "UAE") exclusively to (i) "Qualified Investors" (as such term is defined in the Securities and Commodities Authority ("SCA") Board of Directors' Chairman Decision No. (9/R.M) of 2016 Concerning the Regulations as to Mutual Funds or (ii) "Eligible Investors" (as such term is defined under the SCA Chairman's Decision No. (3/R.M) of 2017 regulating the Promotion and Introduction of Securities). By receiving this Information Memorandum, the person or entity to whom it has been issued understands, acknowledges and agrees that neither this Information Memorandum nor the New Securities have been approved, disapproved or passed on in any way by the Central Bank of the UAE, the SCA or any other authority in the UAE, nor has the entity conducting the placement in the UAE received authorization or licensing from the Central Bank of the UAE, the SCA or any other authority in the UAE to market or sell New Securities within the UAE. The SCA accepts no liability in relation to ALX and is not making any recommendation with respect to an investment in ALX. Nothing contained in this Information Memorandum is intended to constitute UAE investment, legal, tax, accounting or other professional advice. This Information Memorandum is for the information of prospective investors only and nothing in this Information Memorandum is intended to endorse or recommend a particular course of action. Prospective investors should consult with an appropriate professional for specific advice rendered on the basis of their situation. No offer or invitation to subscribe for New Securities or sale of New Securities has been or will be rendered in, or to any persons in, or from, the Dubai International Finance Centre.



## Glossary of terms

<b>AADT</b>	Average annual daily trips	<b>m</b>	millions
<b>ACR</b>	Additional Coverage Ratio	<b>MAF</b>	Macquarie Autoroutes de France
<b>Advisory Agreement</b>	Advisory Agreement pursuant to which MIRAEEL provides services to MAF2 & MAF	<b>MAF2</b>	Macquarie Autoroutes de France 2 SA
<b>ADT</b>	Average daily trips	<b>MCR</b>	Minimum Coverage Ratio
<b>ALX</b>	Atlas Arteria	<b>MEIF2</b>	Macquarie European Infrastructure Fund 2
<b>ATLAX</b>	Atlas Arteria Limited	<b>MIRAEEL</b>	Macquarie Infrastructure and Real Assets (Europe) Limited
<b>ATLIX</b>	Atlas Arteria International Limited	<b>MQG</b>	Macquarie Group Limited
<b>AVI</b>	Automatic Vehicle Identification	<b>RCEA</b>	Route Centre-Europe Atlantique
<b>bn</b>	billions	<b>S&amp;P</b>	Standard & Poors
<b>CAGR</b>	Compounded annual growth rate	<b>SCC</b>	State Corporation Commission
<b>CPI</b>	Consumer Price Index	<b>TRIP II</b>	Toll Road Investors Partnership II, L.P.
<b>cps</b>	cents per security	<b>TERP</b>	is a theoretical price at which ALX securities trade immediately after the ex-date for the Entitlement Offer. TERP is calculated by reference to ALX's closing price of A\$7.64 on 20 November 2019 and includes shares issued under the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which ALX securities will trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP
<b>dps</b>	distribution per security	<b>VDOT</b>	Virginia Department of Transportation
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation	<b>VKT</b>	Vehicle kilometres travelled
<b>Eiffarie</b>	Eiffarie SAS	<b>Warnow</b>	Warnowquerung GmbH & Co. KG
<b>FE</b>	Financière Eiffarie SAS		
<b>FX</b>	Foreign Exchange		
<b>FY</b>	Full year		
<b>GDP</b>	Gross Domestic Product		
<b>HV</b>	Heavy Vehicles		
<b>LV</b>	Light Vehicles		

The image features a dark blue background with a complex, glowing white and light blue graphic. The graphic consists of several thick, luminous lines that branch out from the left side towards the right. On the right side, these lines intersect to form a grid-like structure with various rectangular and circular shapes, resembling a technical drawing or a network diagram. The overall effect is futuristic and high-tech.

[atlasarteria.com](http://atlasarteria.com)