atlasArteria

27 February 2020

ASX RELEASE

The Manager – Listings
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam,

Re: Preliminary Final Report in compliance with Listing Rule 4.3A for the twelve months ended 31 December 2019

Attached in accordance with Listing Rule 4.3A is the preliminary final report for Atlas Arteria (ASX Code: ALX) for the year ended 31 December 2019.

The financial report has been prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board. Reference to "statutory" financial information throughout this report are consistent with IFRS financial information disclosed in the financial report.

Yours sincerely

Clayton McCormack
General Counsel & Company Secretary

For further information please contact:

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This announcement has been authorised for release by Clayton McCormack, General Counsel and Company Secretary.

About Atlas Arteria

Atlas Arteria (ASX:ALX) is a global operator and developer of toll roads, creating value for our investors over the long-term through considered and disciplined management. The roads we develop, operate and invest in benefit communities through reduced travel time, greater time certainty, reduced fuel consumption and carbon emissions.

Today the Atlas Arteria Group consists of four businesses. We currently own a 25% interest in the APRR toll road group in France. Adjacent to the APRR business is the smaller ADELAC business which connects to APRR in south-east France. Together APRR and ADELAC comprise a 2,318km motorway network located in the East and South East of France. In the US, we have 100% of the economic interest in the Dulles Greenway, a 22km toll road in the Commonwealth of Virginia. In Germany, we own 100% of the Warnow Tunnel in the north-east city of Rostock.

www.atlasarteria.com

APPENDIX 4E

Full Year Report for period ended 31 December 2019

Name of entity: **Atlas Arteria ('ALX')**
Reporting period: Year ended 31 December 2019
Previous corresponding period: Year ended 31 December 2018

Results for announcement to the market

Atlas Arteria ('ALX') comprises Atlas Arteria International Limited ('ATLIX') and Atlas Arteria Limited ('ATLAX'). ATLIX is an exempted mutual fund company incorporated and domiciled in Bermuda with limited liability. ATLAX is a company limited by shares incorporated and domiciled in Australia. An Atlas Arteria stapled security comprises one ATLIX share 'stapled' to one 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.

The year ended 31 December 2019 is the first year end reporting period under internalised management. The management arrangements with Macquarie Fund Advisers Pty Limited ('Macquarie Advisers') under the Atlas Arteria Management and Advisory Agreements were terminated on 31 March 2019. Macquarie Advisers received the base management fee under these agreements until 15 May 2019. Macquarie Advisers provided specific services under a Transition Services Agreement for a fee of A$750,000 per month from 16 May to 31 December 2019. The Macquarie Group also remained the manager of Atlas Arteria's indirect interest in the French toll road network, APRR, and received fees from 16 May 2019 to 31 December 2019. Comparatives for the period to 31 December 2018 reflect performance under the Atlas Arteria Management and Advisory Agreements including performance fees which were not payable in the year ended 31December 2019.

The year ended 31 December 2019 is also the first full period that Atlas Arteria has consolidated the results of Warnowquerung GmbH & Co. KG and Warnowquerung Verwaltungsgesellschaft mbH ('Warnow Tunnel') following the acquisition of the remaining 30% interest on 20 September 2018. Up to 20 September 2018, Warnow Tunnel's profit was accounted for under the equity method of accounting, with results seen in the share of profit/(loss) in associates. Post-acquisition results are consolidated into the Atlas Arteria results.

		31 December 2019		
		Change (%)		A$'000
Income from continuing operations	▲	32.2%	to	175,192
Profit/(Loss) after tax (excluding notable items)	▲	8.6%	to	178,227
Profit/(Loss) from continuing operations after tax	▼	116.4%	to	(9,821)
Profit/(Loss) after tax	▼	116.4%	to	(9,821)
Profit/(Loss) attributable to Atlas Arteria stapled securityholders	▼	116.4%	to	(9,821)

APPENDIX 4E

Financial results have been presented below to show the performance of Atlas Arteria adjusted for notable items, to provide further clarity around the underlying operational performance of the business.

	Management Results			Statutory Results		
Atlas Arteria A$m	2019	2018	% Chg	2019	2018	% Chg
Revenue and other income						
– Toll Revenue	150.4	126.8	18.6%	150.4	126.8	18.6%
– Other revenue	24.8	5.7	335.0%	24.8	19.2	29.5%
Costs						
– Business operations	(52.0)	(36.0)	(44.2%)	(336.8)	(222.4)	(51.4%)
– Corporate cost	(18.6)	(6.6)	(180.2%)	–	–	–
– Macquarie MAF/MAF2 management fees	(7.5)[1]	–	–	–	–	–
Finance costs	(107.0)	(108.9)	1.7%	(112.3)	(108.9)	(3.1%)
Depreciation and Amortisation	(70.3)	(62.1)	(13.1%)	–	–	–
Income Tax Expense	3.5	(0.9)	488.1%	9.2	(0.9)	1125.1%
Share of profits from associates	254.9	246.1	3.5%	254.9	246.1	3.5%
Net Profit After Tax (excluding notable items)	**178.2**	**164.1**	**8.6%**			
Notable items						
– Transition costs to internalised management	(2.3)	(10.3)	77.7%	–	–	–
– Macquarie management fees	(20.7)[2]	(107.4)	80.7%	–	–	–
– Impairments and Asset Revaluations	(165.4)	13.5	(1,328.1%)	–	–	–
– Hedge ineffectiveness of the swap for the APRR Transaction	(5.3)	–	–			
Income Tax effect of notable items	5.7	–	–	–	–	–
Net Profit (Loss) After Tax	**(9.8)**	**59.9**	**(116.4%)**	**(9.8)**	**59.9**	**(116.4.%)**

1. Reflects the management fees payable to the Macquarie Group from 16 May 2019 to 31 December 2019, for management of Atlas Arteria's indirect interests in APRR & ADELAC.
2. Reflects the management fee payable to Macquarie Advisers under the Management and Advisory Agreements from 1 January 2019 to 15 May 2019, plus the fee payable to Macquarie Advisers under the Transition Service Agreement from 16 May 2019 to 31 December 2019.

Net profit after tax (excluding notable items) increased by 8.6% reflecting the growth in toll revenue and the consolidation of the results for Warnow Tunnel and the reduction in costs with the removal of Macquarie management.

Atlas Arteria's statutory loss reflects primarily the impairment (non-cash) of US$115.0 million ($165.4 million) in H1 2019 of ATLAX and ATLIX respective investments in Dulles Greenway, resulting from the operating performance of Dulles Greenway combined with a more conservative outlook for traffic growth. The impairment was a point in time assessment as at 30 June 2019 and an assessment conducted for 31 December 2019 concluded that no further impairment was necessary. In 2018, Atlas Arteria recognised a $13.5 million gain on acquisition of the additional 30% interest in Warnow Tunnel.

On 20 November 2019, Atlas Arteria executed agreements to acquire a further 6.14% indirect interest in APRR and ADELAC, and secure direct governance rights in respect of its total indirect interest in APRR and ADELAC (the 'APRR Transaction'). The APRR Transaction is expected to complete early March 2020 having received anti-trust clearance from relevant competition authorities and foreign investment control clearance from the French Ministry of the Economy in mid-February 2020.

Completion of the APRR Transaction will be funded from the proceeds of the equity raising in December 2019. Atlas Arteria raised $1,350 million with the issue of 195.7 million new ordinary stapled securities. Settlement of funds occurred on 16 December 2019.

APPENDIX 4E

In order to mitigate foreign exchange risk associated with future APRR Transaction payments in a foreign currency, ATLIX entered a FX Forward Contract on 20 November 2019, the accounting for which has resulted in a $5.3 million expense.

Dividends/Distributions	Cents per security	Declaration Date
2019:		
Second dividend/distribution	N/A	To be determined
First dividend/distribution[1]	15.0	20 September 2019
2018:		
Second dividend/distribution[2]	15.0	25 March 2019
First dividend/distribution[3]	12.0	24 September 2018
2017:		
Second dividend/distribution[4]	12.0	6 April 2018

1. Comprised an ordinary dividend of 15.0 cents per stapled security ('cps').
2. Comprised a capital return of 7.8 cps, an unfranked Australian ordinary dividend of 0.2 cps and an ordinary dividend of 7.0 cps.
3. Comprised a capital return of 11.3 cps and an unfranked Australian ordinary dividend of 0.7 cps.
4. Comprised an ordinary dividend of 12.0 cps.

Net tangible asset per security

	As at 31 December 2019	As at 31 December 2018
Net tangible asset backing per stapled security	A$1.14	A$(0.40)
Net asset backing per stapled security	A$3.87	A$3.41

Financial information

This report is based on the audited Atlas Arteria Financial Report for the period ended 31 December 2019 which can be found on our website https://www.atlasarteria.com.

Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the following Atlas Arteria Financial Report.

DIRECTORS' REPORTS & FINANCIAL REPORTS

for the year ended 31 December 2019

This report comprises:

Atlas Arteria International Limited and its controlled entities

Atlas Arteria Limited and its controlled entities

atlasArteria

Atlas Arteria ('ALX') comprises Atlas Arteria International Limited (Registration No. 43828) ('ATLIX') and Atlas Arteria Limited (ACN 141 075 201) ('ATLAX'). ATLIX is an exempted mutual fund company incorporated and domiciled in Bermuda with limited liability and the registered office is 4th Floor, Cedar House, 41 Cedar Avenue, Hamilton, HM12, Bermuda. ATLAX is a company limited by shares incorporated and domiciled in Australia and the registered office is Level 5, 141 Flinders Lane, Melbourne, VIC 3000, Australia.

DIRECTORS' REPORTS

The directors of Atlas Arteria International Limited ('ATLIX') and the directors of Atlas Arteria Limited ('ATLAX') submit the following reports, together with the Financial Report for Atlas Arteria and the Financial Report for ATLAX and its controlled entities ('ATLAX Group'), for the year ended 31 December 2019.

An Atlas Arteria stapled security comprises one ATLIX share 'stapled' to one 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 Financial Report. In accordance with this requirement, and consistent with previous reporting periods, ATLIX has been identified as the parent entity of the consolidated group comprising ATLIX and its controlled entities ('ATLIX Group') and ATLAX Group, together comprising 'Atlas Arteria', 'ALX' or 'the Groups'.

All values are in Australian Dollars unless otherwise indicated.

Directors

The following persons were directors of ATLIX during the year and up to the date of this report (unless otherwise stated):

- Jeffrey Conyers (Chairman)
- Fiona Beck (Appointed on 13 September 2019)
- James Keyes
- Christopher Leslie (Resigned on 1 April 2019)
- Nora Scheinkestel
- Derek Stapley

The following persons were directors of ATLAX during the year and up to the date of this report (unless otherwise stated):

- Nora Scheinkestel (Chairman)
- David Bartholomew
- Graeme Bevans (Appointed on 1 April 2019)
- Debra Goodin
- Jean-Georges Malcor

DIRECTORS' REPORTS

Operating and financial review

Principal activities

The principal activities of Atlas Arteria are to own, operate and develop toll roads globally, creating value for investors over the long term through considered and disciplined management. The roads developed, operated or managed by Atlas Arteria benefit communities through reduced travel times, greater time certainty, reduced fuel consumption and reduced carbon emissions.

As of the date of this report, Atlas Arteria owns four businesses. The ATLIX Group currently has a 25% interest in the Autoroute Paris-Rhin-Rhone ('APRR') toll road group in France. Adjacent to the APRR business is the smaller Autoroute des deux lacs ('ADELAC') business which connects to APRR in south-east France. Together APRR and ADELAC comprise a 2,338km motorway network located in the East and South East of France. The ATLIX Group has executed agreements to acquire a further net 6.14% indirect interest in APRR and ADELAC ('the APRR Transaction') increasing the total indirect interest in APRR to 31.14% (31.17% in ADELAC). In the US, Atlas Arteria has 100% of the economic interest in the Dulles Greenway, a 22km toll road in the Commonwealth of Virginia. In Germany, the ATLIX Group owns 100% of Warnowquerung GmbH & Co. KG and its general partner Warnowquerung Verwaltungsgesellschaft mbH (collectively 'Warnow Tunnel') in the north-east city of Rostock.

Distributions

Distributions paid to securityholders were as follows:

	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000
Dividend of 15.0 cents per stapled security ('cps') paid on 4 October 2019 [a]	**102,505**	
Distribution of 15.0 cps paid on 5 April 2019 [b]	**102,491**	
Distribution of 12.0 cps paid on 5 October 2018 [c]		81,992
Dividend of 12.0 cps paid on 13 April 2018 [d]		80,375
	204,996	162,367

(a) The dividend paid on 4 October 2019 comprised of an ordinary dividend of 15.0 cps. The dividend was paid in full by ATLIX.

(b) The distribution paid on 5 April 2019 comprised a capital return of 7.8 cps and an unfranked Australian ordinary dividend of 0.2 cps paid by ATLAX and an ordinary dividend of 7.0 cps paid by ATLIX.

(c) The distribution paid on 5 October 2018 comprised of a capital return of 11.3 cps and an unfranked Australian ordinary dividend of 0.7 cps. The distribution was paid in full by ATLAX.

(d) The dividend paid on 13 April 2018 comprised an ordinary dividend 12.0 cps. The dividend was paid in full by ATLIX.

Review and results of operations

The Atlas Arteria Management and Advisory Agreements with Macquarie Fund Advisers Pty Ltd ('Macquarie Advisers') ended on 31 March 2019. Under the transition arrangements these agreements could have continued until 15 May 2019, however, the Boards were satisfied in March that the internal team was ready for transition on 1 April 2019. The appointment of the new internal team became effective 1 April 2019, being Graeme Bevans as Managing Director and Chief Executive Officer, Nadine Lennie as Chief Financial Officer, Vincent Portal-Barrault as Chief Operating Officer, and Clayton McCormack as General Counsel and Company Secretary.

Macquarie Advisers received the base management fees under their Atlas Arteria Management and Advisory Agreements until 15 May 2019. This equated to $15.1 million from 1 January to 15 May. Atlas Arteria did not pay any further base or performance management fees to Macquarie Advisers for the general management of Atlas Arteria after 15 May. Macquarie Advisers provided specific services under the Transition Services Agreement for a fee of $750,000 per month from 15 May until 31 December 2019. Total fees under this agreement were $5.6 million for the year ended 31 December 2019. Macquarie management fees in 2018 included $70.6 million in performance fees, which reflects the full 2018 performance fee of $54.7 million and the second and third instalments of the 2017 performance fee of $16.0 million and these reflected Atlas Arteria's performance against the S&P/ASX300 Industrials Accumulation Index.

As at 31 December 2019, Macquarie Infrastructure and Real Assets (Europe) Limited ('MIRAEL') continues to act as manager of Atlas Arteria's indirect interest in APRR and from 15 May 2019, MIRAEL is entitled to receive fees of €7.4 million ($11.9 million) per annum. The fee will continue to be payable until termination of this agreement as part of completion of the APRR Transaction, expected in early March 2020 (refer below).

On 20 November 2019, Atlas Arteria executed agreements to acquire a further 6.14% indirect interest in APRR and ADELAC, and to secure direct governance rights in respect of its total indirect interest in APRR and ADELAC. New shareholder agreements were negotiated with Atlas Arteria's co-investors in the APRR structure, and it was agreed to terminate all remaining management agreements with the Macquarie Group Ltd ('Macquarie Group') other than a new short term transition services agreement, in respect of which no fees are payable ('the APRR Transaction').

DIRECTORS' REPORTS

The APRR Transaction is expected to complete in early March 2020 having received anti-trust clearance from the European Commission and foreign investment control clearance from the French Ministry of the Economy.

Once completed, it will provide four key strategic and value accretive benefits to Atlas Arteria securityholders:

- It will increase Atlas Arteria's exposure to APRR by 6.14% to a total 31.14% indirect interest, a quality infrastructure business that is performing well, has a strong correlation to the French economy and access to growth opportunities.
- It will simplify and streamline Atlas Arteria's ownership and governance of APRR producing direct governance rights with participation on the board of directors of each company within the APRR structure.
- Modernised shareholder agreements will remove the call option held by Eiffage SA ('Eiffage') over Macquarie Autoroutes de France SAS's ('MAF') shareholding in APRR.
- The APRR Transaction will also finalise the removal of the Macquarie Group as a manager from the Atlas Arteria corporate structure and terminate all associated management and performance fees.

The APRR Transaction will be funded via the proceeds of the equity raising that was undertaken in the second half of 2019. Atlas Arteria raised $1,350 million with the issue of 195.7 million new ordinary stapled securities with settlement for final funds occurring on 16 December 2019.

Financial results have been presented below to show the performance of Atlas Arteria adjusted for notable items, to provide further clarity around the underlying operational performance of the business.

	ALX		
	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000	% change
Revenue and other income from operations			
– Toll Revenue	**150,368**	126,811	19%
– Other Revenue	**24,824**	5,706	335%
Operating expenses			
– Business operations	**(51,974)**	(36,031)	(44%)
– Corporate costs	**(18,562)**	(6,625)	(180%)
– Macquarie MAF/MAF2 management fees	**(7,488)**	–	–
Finance costs	**(107,017)**	(108,920)	2%
Depreciation and amortisation	**(70,283)**	(62,118)	(13%)
Share of net profits/(losses) of investments accounted for using the equity method	**254,874**	246,141	4%
Income tax (expense)/benefit	**3,485**	(898)	488%
Net Profit/(loss) from operations after tax (excluding notable items)	**178,227**	164,066	9%
Notable items			
– Transition costs to internalised management	**(2,297)**	(10,300)	78%
– Macquarie management fees	**(20,748)**	(107,384)	81%
– Impairments	**(165,429)**	13,470	(1328%)
– Hedge ineffectiveness of the swap for the APRR Transaction	**(5,294)**	–	–
– Income tax (expense)/benefit of notable items	**5,720**	–	–
Net (Loss)/profit from operations after tax	**(9,821)**	59,852	(116%)

The statutory results for the year ended 31 December 2019 show a loss for Atlas Arteria of $9.8 million (2018: profit after tax of $59.9 million). As part of the half year reporting for 30 June 2019, the Boards of ATLIX and ATLAX decided to impair their respective investments in Dulles Greenway by a total of US$115.0 million ($165.4 million). These decisions took into account the operating performance of Dulles Greenway, combined with a more conservative outlook for traffic growth than that taken in prior periods. The impairment was a point in time assessment for 30 June 2019 (refer to notes 4.1 and 4.2), and an assessment conducted for 31 December 2019 has concluded that no further impairment is necessary.

In addition to the fees paid to Macquarie Advisers and transition costs, notable items included the cost of the hedge ineffectiveness of the swap entered into to support the APRR Transaction. In order to mitigate the foreign exchange risk that arises from the APRR Transaction raising equity in Australian dollars and making payments on settlement in Euro, a deal contingent deliverable foreign exchange forward contract ('the FX Forward Contract') was entered into on 20 November 2019 with an end date contingent on the settlement completion date to fund the APRR Transaction. Accounting for the FX Forward Contract saw a $5.3 million expense recorded in the 2019 year.

DIRECTORS' REPORTS

Adjusting for the notable items, Atlas Arteria showed strong performance for the year underpinned by its investment in APRR. Atlas Arteria's investment in APRR is reflected in the share of net profit of investments and is accounted for using the equity method of accounting. Share of net profit of investments increased to $254.9 million (2018: $246.1 million) reflecting a 5.5% increase in net profit after tax at APRR offset by a derivative and foreign exchange movements in holding entities. Underlying revenue at APRR increased by 2.9% (in local currency) off the back of a 1.1% increase in traffic and 1.8% average increase in tolls effective 1 February 2019. A decrease in financing costs also affected the net profit outcome.

Other items that impacted performance were as follows:

- Application of AASB Interpretation 12 *Service Concession Agreements* ('IFRIC 12') resulted in a revenue increase of $16.6 million and relates to the Dulles Toll Road ('DTR') connector project currently under construction at the Dulles Greenway. This project is a US$17.5 million project that commenced in December 2018 and is expected to complete in the second half of 2020. The increase in revenue is offset by a corresponding increase in Business Operation expenses.
- Toll revenue at Dulles Greenway increased by 6% reflecting foreign currency movements and a 2.9% decrease in traffic offset by a 2.9% increase in tolls which occurred on 10 April 2019.
- 2019 was the first full year of consolidated results for Warnow Tunnel following the acquisition of the remaining 30% interest on 20 September 2018. Up to the date of acquisition, Warnow Tunnel's profit was accounted for under the equity method of accounting, through the share of profit/(loss) in associates. Post-acquisition results are consolidated into the Atlas Arteria results with toll revenue of $21.9 million (2018: $5.7 million), operating expenses $14.5 million (2018: $3.8 million) and $11.0 million (2018: $4.0 million) financing costs.
- Atlas Arteria operated with a fully internalised management team for nine months of the 2019 year, which saw corporate costs increase from $6.6 million in 2018 to $18.6 million in 2019. The increase in costs reflects the staged employment of the new internalised management team over 2019.

Risk Management

In the months preceding internalisation of the management of Atlas Arteria, the incoming management team took the opportunity to revise Atlas Arteria's approach to risk management. That new approach is set out in the Risk Management Policy. Atlas Arteria will continue to develop and refine the approach to ensure it remains current and continues to focus the business on delivering against its strategic objectives as well as protect the business from unacceptable risk.

Atlas Arteria has a clear risk strategy, supported by a positive and proactive risk culture. A robust risk management framework is supported by clear risk appetite statements that enables Atlas Arteria to capture opportunities while effectively managing risk. Risk is an inherent part of Atlas Arteria's business and management of risk is therefore critical to continuing sustainable growth and financial strength. The Boards reviewed the risk framework as it was established leading up to management internalisation. Since then they have reviewed the framework, risk tolerance levels and internal approach to risk management to ensure they remain appropriate.

Two of the more material risks faced by the business during the year related to the internalisation of management. Risks associated with the transfer of management responsibility were carefully documented, allocated to individual risk owners, managed and monitored by the Boards. On 1 April 2019, the Boards were comfortable that all risks had either been mitigated or could be adequately managed by the internal management team.

The second risk related to the ongoing management of APRR as the most material business for Atlas Arteria. Notwithstanding internalisation, as at 31 December 2019, the Macquarie Group continues to manage Atlas Arteria's investment in APRR. Activity during the year focused on execution of the APRR Transaction which will deliver the benefits as outlined earlier in this Report. In particular it will result in Atlas Arteria gaining director representation on the boards of each company within the APRR structure as well as modernised shareholder agreements removing the call option held by Eiffage over MAF's shareholding in APRR.

Strategic Outlook

Atlas Arteria management will continue to actively manage the businesses, pursue initiatives that drive enhanced operational performance and grow distributions. Developing the long term value of the business, lengthening the tenure of our average concession term and diversifying risk are priorities in this regard.

The APRR business continues to perform well with both heavy vehicle and light vehicle traffic growing on average in line with long term trends. Results from APRR will continue to be reflected in the financial statements using the equity accounting method. A priority for management in the near term will be operations at the Dulles Greenway. Traffic growth remains challenged by network effects and management remains focused on the future toll path as well as the customer value proposition with implementation of congestion easing projects.

Underpinned by the strength of the APRR business, and the new independent management team, the business remains well positioned for the future.

Significant changes in state of affairs

Change in management arrangements

Following the announcement of the Boards' intention to internalise the management of Atlas Arteria in November 2017, Atlas Arteria reached an agreement with Macquarie Advisers on the terms of the internalisation of management. This agreement was approved by the shareholders at the 2018 Annual General Meeting. The terms of the internalisation of management became effective on 1 April 2019 including the appointment of the senior executive team.

Acquisition of a further 6.14% interest in APRR and ADELAC funded by a $1,350 million equity raise

On 20 November 2019 the ATLIX Group executed agreements to acquire a further 6.14% indirect interest in APRR and ADELAC, and secure direct governance rights in respect of its total indirect interest in APRR and ADELAC. New shareholder agreements were negotiated with the ATLIX Group's co-investors in the APRR structure, and it was agreed to terminate all remaining management agreements with the Macquarie Group other than a new short term transition services agreement, in respect of which no fees are payable.

As part of this APRR Transaction, the ATLIX Group agreed with its co-investors in the APRR and ADELAC structure, including Eiffage, to make payments to relevant parties enabling improved governance rights including the ability to appoint nominees to the various boards of directors at each company within the APRR corporate holding structure. The ATLIX Group agreed to pay a one-off fee to Macquarie Group of $100.0 million and a one-off fee of €60.8 million ($97.2 million) to Eiffage. There will be no further management fees, and no performance fees payable by Atlas Arteria following completion. The existing services provided by Eiffage to APRR (including treasury, human resources, internal audit and government relations) will, however, be formalised into a services agreement between Eiffage and APRR for an annual fee payable by APRR of €14.3 million ($23.0 million) in 2020.

Post completion the ATLIX Group will have a 31.14% indirect interest in APRR and 31.17% indirect interest in ADELAC via a 62.29% interest in Macquarie Autoroutes de France 2 SA ('MAF2') and direct governance rights with participation on the board of directors of each company within the APRR structure. Macquarie Group will be removed as a manager from the Atlas Arteria corporate structure and there will be no further management and performance fees.

In conjunction with the APRR Transaction, Atlas Arteria announced an equity raise of $1,350.0 million comprising an institutional placement of $451.9 million and a 4 for 21 pro-rata accelerated non-renounceable entitlement offer of $898.1 million ('the Equity Raise'). The Equity Raise resulted in the issuance of 195.7 million new ordinary stapled securities representing 28.6% of existing securities on issue. The placement and entitlement offer were conducted at an offer price of $6.90 per security with settlement of final funds on 16 December 2019.

The proceeds of the Equity Raise will be used to fund the APRR Transaction.

Likely developments and expected results of operations

No change is contemplated to the principal activities outlined on page 3. Significant changes in state of affairs above discusses the likely developments of Atlas Arteria and the ATLAX Group.

Events occurring after balance sheet date

The APRR Transaction was granted foreign investment control clearance from the French Ministry of the Economy and anti-trust clearance from the European Commission in mid-February 2020. Completion of the APRR Transaction is expected to take place in early March 2020.

Completion of the APRR Transaction will be funded by the ATLIX Group from the proceeds of the Equity Raise. In conjunction with the APRR Transaction, Eiffage agreed to work with the Atlas Arteria and the other MAF2 Shareholders to refinance a €1,070.0 million term loan at Eiffarie SAS ('Eiffarie') which matured in February 2022. This term loan was refinanced on 20 February with a new maturity date of February 2025 with amortisation commencing in June 2023. Atlas Arteria's investment in Eiffarie is reflected in the share of net profit of investments and is accounted for using the equity method of accounting.

The FX Forward Contract settled on 24 February 2020 with the payment of $1,167.9 million in exchange for €710.0 million at a EUR/AUD exchange rate of 1.6449. A transaction premium of $4.9 million is embedded in the settlement of the FX Forward Contract. The net loss on cash flow hedge ineffectiveness recognised at 31 December 2019 was $5.3 million. A reversal of $0.4 million on the cash flow hedge ineffectiveness will be recorded in 2020.

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 years subsequent to the year ended 31 December 2019.

DIRECTORS' REPORTS

Indemnification and insurance of officers and auditors

During the year, ATLAX paid premiums of $211,425 and ATLIX paid premiums of $239,996 to insure the directors and officers of the ATLAX Group and the ATLIX Group. The liabilities insured are legal and defence costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as directors and officers of the ATLAX Group and the ATLIX Group, and any other payments arising from liabilities incurred by the directors and officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the directors and officers or the improper use by the directors and officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the ATLAX Group or the ATLIX Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. So long as the directors and officers of the ATLAX Group and the ATLIX Group act in accordance with the constitutions and the law, the directors and officers remain indemnified out of the assets of the Groups against any losses incurred while acting on behalf of the Groups.

The auditors of the Groups are in no way indemnified out of the assets of the Groups.

Environmental regulation

The operations of the underlying businesses in which the Groups invest are subject to environmental regulations particular to the countries in which they are located.

Each of our companies is responsible for adopting and maintaining its own environmental and social risk management framework that seeks to ensure compliance with the relevant regulation and standards for environmental and social responsibility matters in the country and industry in which the business operates.

Our ability to control or influence the ongoing management of these issues will differ for each business based on the extent of our control/governance rights at each business through the level of ownership influence, board representation and regulatory environment.

Rounding of amounts in the Directors' Reports and the 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 and Investments Commission relating to the 'rounding off' of amounts in the Directors' Reports and Financial Reports. Amounts in the Directors' Reports and 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 Financial Reports for Atlas Arteria 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.

DIRECTORS' REPORTS

Information on ATLIX directors

Name	Experience	Current ALX role	Current Listed company directorship	Former Listed company directorships in last 3 years
Jeffrey Conyers BA (Toronto) ATLIX Non-Executive, Independent Chairman ATLIX Nomination and Governance Committee, Chairman Bermuda-based Director since establishment on 16 December 2009 Age: 66	Jeffrey Conyers is the Chairman of the Board of ATLIX and Chairman of the ATLIX Nomination and Governance Committee. He is also a Director of numerous companies in Bermuda and is the former Chief Executive Officer of First Bermuda Securities Limited, which provides advisory and execution services on worldwide offshore mutual funds to individuals and local companies based in Bermuda. Jeffrey began his professional career as a stockbroker in Toronto and returned to Bermuda in 1985 to join the Bank of Bermuda, where his focus was investments and trusts. He is a Founding Executive Council Member and Deputy Chairman of the Bermuda Stock Exchange. Jeffrey has previously served on the boards of MAp Airports International Limited and Intoll International Limited, parts of the previously Macquarie-managed and ASX-listed vehicles MAp Group and Intoll Group respectively.	Chairman of Board and Nomination and Governance Committee	None	None
James Keyes MA (Oxon) ATLIX Non-Executive, Independent Director ATLIX People and Remuneration Committee, Chairman Bermuda-based Director from 21 February 2013 Age: 56	James Keyes is a Non-Executive Independent Director as well as Chairman of the People and Remuneration Committee of ATLIX. He also sits on the Boards of a number of private and listed companies including Catco Reinsurance Opportunities Fund Ltd (LSE:CAT). James is a Bermudan solicitor and barrister who began his career with Freshfields in London and New York, then moved to the Funds and Investment Services team at Appleby, one of the largest offshore law firms in Bermuda. James retired as a Partner from Appleby in 2008, and held a part-time position as Managing Director of Renaissance Capital and related entities until December 2012. James gained experience in the toll road sector, holding a position as Director of the Bermudan entity within Transurban Group for six years. He was also a Director of a company in the Moto group which operated road service stations in the UK.	Chairman of People and Remuneration Committee	Catco Reinsurance Opportunities Fund Ltd (LSE:CAT).	Oakley Capital Investments Ltd (LSE:OCI) (retired July 2019)
Derek Stapley BA (Glas Cal) CA ATLIX Non-Executive, Independent Director ATLIX Audit and Risk Committee, Chairman Bermuda-based Director from 1 June 2010 Age: 59	Derek Stapley is a Non-Executive, Independent Director of ATLIX as well as Chairman of the ATLIX Audit and Risk Committee. Derek also holds positions on a number of other Boards, including The Cambridge Group, the Brown Advisory Group and Lancashire Capital Management Limited. He also Chairs other Audit and Risk Committees and is a member of Investment Advisory Committees. Derek is a Chartered Accountant with more than 30 years' experience. He was formerly a Partner with Ernst & Young. He brings a deep and current understanding of public company reporting and evolving trends in corporate governance and risk management to ATLIX due to his extensive experience as an Independent Director of several public and private investment funds, insurance companies and private client structures. Derek also works with a diverse range of global retail and institutional investors in undertaking capital raising and charity work.	Chairman of Audit and Risk Committee	None	None

Information on ATLIX directors continued

Name	Experience	Current ALX role	Current Listed company directorship	Former Listed company directorships in last 3 years
Fiona Beck BMS (Hons) Waikato (NZ) CA ATLIX Non-Executive, Independent Director Bermuda-based Director from 13 September 2019 Age: 54	Fiona Beck is a Non-Executive Independent Director of ATLIX, appointed in September 2019. She is also a Director of One Communications Ltd (a publicly listed Bermuda Company) and also serves on its Audit Committee. She is a Director of the Bermuda Business Development Agency working in the FinTech and technology space and a Director of Twilio IP Holding Ltd (a subsidiary of Twilio Inc, NYSE: TWLO), a cloud based communications platform. Fiona is a Chartered Accountant and her wealth of business and governance experience comes from holding senior executive and governance positions in large infrastructure companies focused in the telecommunication and technology space. She was the President and CEO for 14 years of Southern Cross Cable Network, a submarine fibreoptic cable company connecting New Zealand and Australia to the USA. She also led the telecommunications and technology team for the 35th Americas Cup.	–	One Communications Ltd (BSE:ONE.BH).	None
Nora Scheinkestel LLB (Hons) (Melb), PhD, FAICD, Centenary Medal ATLAX Non-Executive, Independent Chairman ATLIX Non-Executive, Independent Director ATLAX Nomination and Governance Committee, Chairman Chairman of ATLAX from 17 April 2015, Director from 28 August 2014 Director of ATLIX since 17 April 2015 Age: 59	Dr Nora Scheinkestel is currently Chairman of ATLAX and the ATLAX Nomination and Governance Committee and is a Director of the ATLIX Board. Nora holds a number of external Board positions, including Director of Telstra Corporation Limited and Director of AusNet Services Limited. She is also a Trustee of the Victorian Arts Centre Trust. Nora has a long track record in the infrastructure sector. As a senior banking executive in international and project financing, she took responsibility for the financing of major mining and infrastructure projects. She currently consults to government, corporate and institutional clients in areas such as corporate governance, strategy and finance. She is an Associate Professor in the Melbourne Business School at Melbourne University and is a former member of the Takeovers Panel. Nora is also a published author of Rethinking Project Finance – Allocating and Mitigating Risk in Australasian Projects. In 2003, Nora was awarded a Centenary Medal for services to Australian society in business leadership.	–	Telstra Corporation Limited (ASX:TLS) and AusNet Services Limited (ASX:AST).	Stockland Corporation Limited (ASX:SGP) (retired March 2018) and OceanaGold Corporation (ASX/TSX:OGC) (retired 19 December 2019).

DIRECTORS' REPORTS

Information on ATLAX directors

Name	Experience	Current ALX role	Current Listed company directorship	Former Listed company directorships in last 3 years
Nora Scheinkestel LLB (Hons) (Melb), PhD, FAICD, Centenary Medal ATLAX Non-Executive, Independent Chairman ATLIX Non-Executive, Independent Director ATLAX Nomination and Governance Committee, Chairman Chairman of ATLAX from 17 April 2015, Director from 28 August 2014 Director of ATLIX since 17 April 2015 Age: 59	Dr Nora Scheinkestel is currently Chairman of ATLAX and the ATLAX Nomination and Governance Committee and is a Director of the ATLIX Board. Nora holds a number of external Board positions, including Director of Telstra Corporation Limited and Director of AusNet Services Limited. She is also a Trustee of the Victorian Arts Centre Trust. Nora has a long track record in the infrastructure sector. As a senior banking executive in international and project financing, she took responsibility for the financing of major mining and infrastructure projects. She currently consults to government, corporate and institutional clients in areas such as corporate governance, strategy and finance. She is an Associate Professor in the Melbourne Business School at Melbourne University and is a former member of the Takeovers Panel. Nora is also a published author of Rethinking Project Finance – Allocating and Mitigating Risk in Australasian Projects. In 2003, Nora was awarded a Centenary Medal for services to Australian society in business leadership.	Chairman of Board and Nomination and Governance Committee	Telstra Corporation Limited (ASX:TLS) and AusNet Services Limited (ASX:AST).	Stockland Corporation Limited (ASX:SGP) (retired March 2018) and OceanaGold Corporation (ASX/ TSX:OGC) (retired 19 December 2019).
Debra (Debbie) Goodin BEc (AU), FCA ATLAX Non-Executive, Independent Director ATLAX Audit and Risk Committee, Chairman Director from 1 September 2017 Age: 53	Debbie Goodin is a Non-Executive Independent Director of ATLAX, and Chairman of the ATLAX Audit and Risk Committee. Debbie is also a Non-Executive Director and Chair of the Audit and Risk Committees for ASX-listed companies APA Group and Senex Energy Limited. In addition to her non-executive career, Debbie has 20 plus years of senior executive experience spanning professional services firms, government authorities and ASX-listed companies across various sectors. She is experienced in the areas of finance, operations, corporate strategy, mergers and acquisitions. Debbie was formerly a Director of Ten Network Holdings Limited and Ooh Media Limited and is also a fellow of Chartered Accountants Australia and New Zealand.	Chairman of Audit and Risk Committee	APA Group (ASX:APA) and Senex Energy Limited (ASX:SXY).	Ten Network Holdings Limited (ASX:TEN) (de-listed November 2017). Ooh Media Limited (ASX:OML) (resigned 24 February 2020)
David Bartholomew BEc (Hons) (AU), MBA (AGSM) ATLAX Non-Executive, Independent Director ATLAX People and Remuneration Committee, Chairman Director from 1 October 2018 Age: 59	David Bartholomew is a Non-Executive Independent Director and Chairman of the People and Remuneration Committee of ATLAX. He also serves on the Boards of Endeavour Energy (the NSW electricity distributor), Power & Water Corporation (the multi-utility owned by the NT Government) and Dussur (the Saudi Arabia Industrial Investment Company). David's extensive management background includes the role of CEO of DUET Group, where he oversaw the ASX listed company's transition to a fully internalised management and governance structure. He also held executive roles at Hastings Funds Management, Lend Lease, The Boston Consulting Group and BHP Minerals. David has also served on the Boards of Interlink Roads (Sydney's M5 Motorway) and Statewide Roads (Sydney's M4 Motorway) representing investors managed by Hasting Funds Management. He is also a Director of The Helmsman Project, a not-for-profit organisation that provides coaching and development programs for Year 9 students, predominantly in western Sydney.	Chairman of People and Remuneration Committee	None	Vector Limited (NZE:VCT) (retired November 2018).

DIRECTORS' REPORTS

Information on ATLAX directors continued

Name	Experience	Current ALX role	Current Listed company directorship	Former Listed company directorships in last 3 years
Jean-Georges Malcor Ecole Centrale de Paris (Eng), MSc (Stanford) ATLAX Non-Executive, Independent Director Director from 1 November 2018 Age: 63	Jean-Georges Malcor is an ATLAX Non-Executive Independent Director. He also serves on the Board and Audit and Risk Committee of STMicroelectronics (NYSE: STM) and is a Non-Executive Director on the Boards of ORTEC and Fives (a construction and engineering company and global industrial engineering group respectively). His executive experience includes eight years as CEO at CGG (EPA: CGG), a Euronext-listed French geoscience company in the global oil and gas industry. Prior to this, he spent 25 years at Thales Group (EPA: HO) in France and Australia. In 1999 Jean-Georges became the first Managing Director of ADI (Australian Defence Industry). Jean-Georges has developed a high level of expertise in areas such as organisation, corporate governance, risk mitigation, strategy, technology, financing and restructuring. He is also an officer of the French Légion d'Honneur Order and National Order of Merit.	–	STMicroelectronics (NYSE:STM).	CGG (EPA:CGG) (retired April 2018).
Graeme Bevans ATLAX Executive Director Director from 1 April 2019 following appointment as CEO of Atlas Arteria Age: 61	Graeme Bevans is an Executive Director of ATLAX following his appointment as CEO. Graeme has more than 25 years' experience in the global infrastructure sector, where he has completed the acquisition, development and management of 17 infrastructure businesses with a total enterprise value of over $40 billion. Prior to joining Atlas Arteria, Graeme was Founder and CEO of Annuity Infrastructure in the UK. He has also held senior roles globally, including as Head of Infrastructure at CPPIB in Canada, Partner at Alinda Capital Partners in the USA, and Head of Infrastructure Investment at IFM Investors in Australia. Graeme has overseen very complex joint venture arrangements in global infrastructure both in Australia and abroad, particularly in Europe and the Americas. He has served as an active Director of 10 of those investee companies in Europe, Australia, North and South America.	–	None	None

DIRECTORS' REPORTS

Company Secretaries

Andrew Davidson was the company secretary of ATLIX for the whole of the year ended 31 December 2019. He has over 15 years of governance and company secretarial experience.

Clayton McCormack was appointed as the company secretary of ATLAX on 1 April 2019. He has over 15 years of governance and company secretarial experience. Prior to 1 April 2019, Christine Williams and Lyndal Coates were dual company secretaries of ATLAX. Christine Williams has over 27 years of Company Secretarial experience. Lyndal Coates has over 18 years of governance and company secretarial experience.

Meetings of directors

The number of meetings of the ATLIX Board, Audit and Risk Committee, Nomination and Governance Committee and People and Remuneration Committee held during the year ended 31 December 2019, and the numbers of meetings attended by each director are shown below. In addition, ad-hoc committees were also held as required for transactional activities.

	Board		Audit and Risk Committee		Nomination and Governance Committee		People and Remuneration Committee		Ad-Hoc Committees [a]	
ATLIX Directors	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Jeffrey Conyers	18	17	6	6	4	4	5	5	6	6
Fiona Beck [c]	7	7	1	1	1	1	2	2	4	4
James Keyes	18	16	N/A	N/A	4	4	5	5	1	1
Christopher Leslie [b]	6	5	2	2	1	1	N/A	N/A	N//A	N/A
Nora Scheinkestel	18	17	6	6	4	4	5	5	6	6
Derek Stapley	18	17	6	6	4	4	N/A	N/A	1	1

(a) Ad-hoc committee meetings were held in relation to working groups relating to the internalisation of the Groups' management, the APRR Transaction, as well as special project meetings.

(b) Resigned as a director of ATLIX on 1 April 2019.

(c) Appointed as a director of ATLIX on 13 September 2019.

The number of meetings of the ATLAX Board, Audit and Risk Committee, Nomination and Governance Committee and People and Remuneration Committee held during the year ended 31 December 2019, and the numbers of meetings attended by each director are shown below. In addition, ad-hoc committees were also held as required for transactional activities.

	Board		Audit and Risk Committee		Nomination and Governance Committee		People and Remuneration Committee		Ad-Hoc Committees [a]	
ATLAX Directors	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Nora Scheinkestel	18	18	6	6	4	4	6	6	6	6
David Bartholomew	18	18	N/A	N/A	4	4	6	6	5	5
Graeme Bevans [b]	12	12	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Debra Goodin	18	18	6	6	4	4	6	6	5	5
Jean-Georges Malcor	18	17	6	6	4	4	N/A	N/A	1	1

(a) Ad-hoc committee meetings were held in relation to working groups relating to the internalisation of the Groups' management, the Equity Raise as well as special project meetings.

(b) Appointed as a director of ATLAX on 1 April 2019.

DIRECTORS' REPORTS

Remuneration Report (audited)

Introduction

On behalf of the ATLAX and ATLIX People and Remuneration Committees ('PRCs') and Boards, we are pleased to present the Remuneration Report for the 2019 financial year.

The past year has been one of delivery against strategy and a year of significant achievement:

- Following the approval by securityholders for the internalisation of management at the 2018 AGM, the newly appointed internal executive team established the infrastructure, systems and processes to provide the Groups with independent governance and management from 1 April 2019 (6 weeks in advance of the date required under the transition arrangements with Macquarie Fund Advisors Pty Ltd ('Macquarie Advisers')). The transition has been seamless and positions us well to execute our strategy and deliver strong and growing returns to securityholders.
- The removal of Macquarie Advisers as Manager of Atlas Arteria and the internalisation of management resulted in a reduction in management fees from $114m in 2018 to $47m in 2019 (covering all management fees payable to the Macquarie Group in that year as well as internal management costs).
- On 20 November 2019, Atlas Arteria executed agreements to acquire a further 6.14% indirect interest in APRR and ADELAC, and to secure direct governance rights in respect of its total indirect interests in APRR and ADELAC. New shareholder agreements were negotiated with Atlas Arteria's co-investors in the APRR structure, and it was agreed to terminate all remaining management agreements with the Macquarie Group ('the APRR Transaction').
- In December 2019, a $1.35 billion equity capital raising was completed to fund the APRR Transaction and the market capitalisation increased from $4.28 billion at the end of 2018 to $6.88 billion at the end of 2019.
- A rate case submission was lodged to support the future toll path at the Dulles Greenway.

In addition, Atlas Arteria experienced a year of positive performance in 2019, with the portfolio continuing to deliver growth in securityholder value and distributions for securityholders. Notable achievements considered further in this Remuneration Report include:

- Total Securityholder Return ('TSR') of 32.2%.
- Continued distribution growth with distributions paid in 2019 of 30 cents per security, an increase of 25% compared to those paid in 2018.
- An increase in Proportionate EBITDA from the underlying investments of 3.1% compared to FY2018.

The FY2019 Short Term Incentive ('STI') Plan comprised two components – one for successful delivery of the internalisation programme from the date of the individual's employment through until the date of internalisation and the second for performance outcomes delivered in the period following internalisation, each proportional to the period of employment in the particular period. Overall awards under the FY2019 STI Plan are between Target and Stretch and are reflective of the performance of the business and management during the year. The outcomes are considered further in the Remuneration Report.

The Boards are continuously looking for opportunities to improve the remuneration structure. We take investor feedback seriously and we will continue to engage with investors in relation to developing the remuneration structure.

During the year the Boards reviewed a number of aspects of the Long Term Incentive Plan ('LTIP'). The review concluded that use of relative TSR as the sole performance hurdle remains appropriate. However, given the location of the Groups' businesses and its business strategy, for future awards under the LTIP, the Boards have adopted a new peer group of OECD-domiciled companies in the Global Listed Infrastructure Organisation ('GLIO') group as a more relevant basis for assessing performance. No changes have been made to the basis of assessing relative TSR under existing LTIP awards. Further information on the review is set out in the Remuneration Report.

We trust you, our securityholders, find the 2019 Remuneration Report provides clear and informative insights into our executive remuneration policies, practices and outcomes.

David Bartholomew Atlas Arteria Limited People & Remuneration Committee Chair	**James Keyes** Atlas Arteria International Limited People & Remuneration Committee Chair

DIRECTORS' REPORTS

This Remuneration Report contains the following sections:

1 Introduction
2 Who is covered by this Report
3 Key questions
4 FY2019 performance highlights
5 Remuneration framework for management
6 Remuneration outcomes for FY2019
7 Non-Executive Director fees
8 Remuneration Governance
9 Statutory Disclosures

1 Introduction

The Directors of the Groups present the Remuneration Report for the Groups for the year ended 31 December 2019 prepared in accordance with section 300A of the *Corporations Act 2001*. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*. This Remuneration Report forms part of the Directors' Reports.

2 Who is covered by this Report

This Remuneration Report outlines the remuneration framework and outcomes for the ATLAX Group and Atlas Arteria Key Management Personnel ('KMP'). The obligation under the *Corporations Act 2001* to provide a remuneration report only applies to ATLAX as an Australian listed Group. However, given the stapled security holding structure, the Boards and PRCs of both ATLAX and ATLIX have worked together on the Remuneration Report with the disclosures extended to cover all of the Atlas Arteria KMP.

For the purposes of this report, KMP are those persons having authority and responsibility for planning, directing and controlling the major activities of the Groups. Although taking up their positions on 1 April 2019, the remuneration outcomes of the Managing Director and Chief Executive Officer ('MD & CEO') and the KMP Executives have been disclosed as though they were KMP for the entire year. Information on the management fees paid to Macquarie Group under previous management agreements is provided at Note 6.4.4 to the Financial Reports.

The individuals covered by this Remuneration Report are:

Name	Role	Date of appointment
Management		
Graeme Bevans	Managing Director & Chief Executive Officer	1 April 2019. Appointed CEO – elect 1 May 2018
Nadine Lennie	Chief Financial Officer	1 April 2019. Appointed CFO – elect 16 July 2018
Vincent Portal-Barrault	Chief Operating Officer	1 April 2019. Appointed COO – elect 28 December 2018
Non-Executive Directors		
Nora Scheinkestel	Independent Non-Executive Chairman (ATLAX) and Independent Non-Executive Director (ATLIX)	17 April 2015 (Director of ATLAX from 28 August 2014)
David Bartholomew	Independent Non-Executive Director (ATLAX)	1 October 2018
Debbie Goodin	Independent Non-Executive Director (ATLAX)	1 September 2017
Jean-Georges Malcor	Independent Non-Executive Director (ATLAX)	1 November 2018
Jeffrey Conyers	Independent Non-Executive Chairman (ATLIX)	16 December 2009
James Keyes	Independent Non-Executive Director (ATLIX)	21 February 2013
Derek Stapley	Independent Non-Executive Director (ATLIX)	1 June 2010
Fiona Beck	Independent Non-Executive Director (ATLIX)	13 September 2019
Christopher Leslie	Non-Executive Director (ATLIX)	1 September 2017 (Retired with effect 1 April 2019)

DIRECTORS' REPORTS

3 Key questions

Securityholders gave approval in May 2018 to internalise management and to terminate the management arrangements between Macquarie Advisers and Atlas Arteria. Included below is a summary of the remuneration arrangements for the new management team that apply following internalisation on 1 April 2019. Further details regarding our remuneration arrangements are provided in the remainder of this Remuneration Report.

What remuneration principles guided the design of the remuneration framework post internalisation?

We developed the following six principles to underpin the management of the remuneration framework post internalisation. The remuneration principles provide guidance on how remuneration decisions are made and how remuneration outcomes are determined.

The executive remuneration framework should be:	Description
1. Simple	Be simple to understand, implement and communicate
2. Balance short and long-term needs	Support the delivery of the annual business plans, whilst also reflecting the long-term needs of the business
3. Reflect role complexity	Reflect the experience of the executive, complexity/nature of the role and the business compared to the market
4. Reflect our values and behaviours	Encourage appropriate behaviours and actions which are aligned to Atlas Arteria's business strategy, performance and securityholders
5. Specific and differentiated performance outcomes	Reflect specific performance measures which executives have the ability to influence, and allow for differentiation of executive incentive outcomes
6. Securityholder alignment	Encourage executive equity ownership so that executives have 'skin in the game', aligning executives to securityholder returns

What changes have been made to the remuneration structure during FY2019 and why?

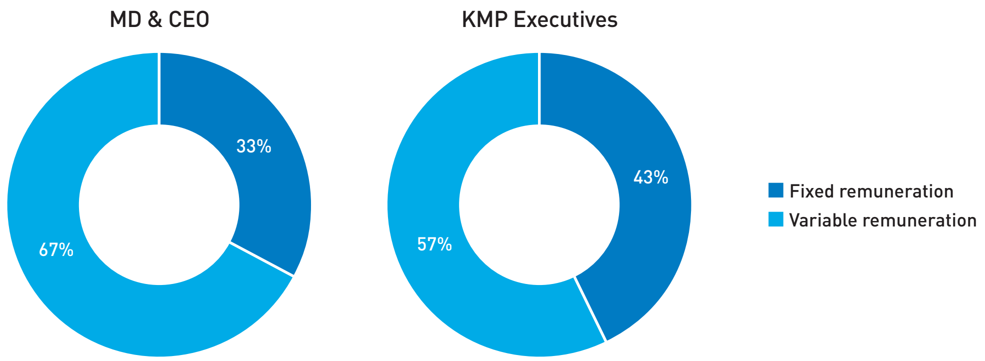
During the FY2019 year, the Boards and the PRCs reviewed a number of aspects of the long term incentive plan and concluded that the following would apply for awards made under the 2020 LTIP award (no changes have been made to the terms of the awards made for previous years):

- We will continue to use relative TSR as a sole performance hurdle given the current strategic focus of the business on longer term value creation and business optimisation. The Boards concluded that measures such as EBITDA or cash flow are not currently the most appropriate performance measures. The Boards acknowledge as the business evolves it may be more appropriate to introduce a suitable further measure/s in addition to relative TSR for assessing LTIP performance;
- We will adopt a new peer group for assessment of relative TSR comprising OECD-domiciled companies in the Global Infrastructure Listed Organisation (GLIO) in respect of future LTIP awards. The GLIO is a relatively new organisation that provides a global platform for information on listed infrastructure companies and includes approximately 125 OECD-domiciled members that represent approximately $3,765bn in market capitalisation. The GLIO has been selected as it is a larger and less volatile measure than the current peer group and is specific to the infrastructure sector rather than being a mix of infrastructure and property organisations;
- We will use a volume weighted average security price ('VWAP') over a 40 business day period at the start and the end of the performance period for the calculation of TSR performance in place of the current point to point calculation. A 40 business day averaging period for calculating the security price for TSR performance helps to eliminate the impact of short term security price movements on vesting outcomes; and
- We will continue to use a 10 business day VWAP for the period following release of the Groups' annual results for calculating the security price on which to base the number of securities to be issued for each LTIP Award.

How are executives remunerated and how is this aligned with Atlas Arteria performance?

The Boards recognise that to build sustainable long-term growth in securityholder wealth, Atlas Arteria must attract and retain talented people and align their interests and behaviours with securityholders' interests.

To do so, the Groups have developed a remuneration framework that aligns executive remuneration and the Groups' performance. The framework aims to achieve a balance between fixed and performance based remuneration and between short and long-term performance incentives. To ensure our remuneration quantum and structure is market competitive, consideration has been given to the market median remuneration of companies of a similar size and complexity to Atlas Arteria.



Performance based remuneration comprises both short and long term performance components:

- The FY2019 short term incentive component comprised two separate performance periods with different KPIs. The first related to the period from commencement of employment to internalisation (1 April 2019) and the second related to the period following internalisation. The pre-internalisation component was assessed and paid during the year based on achieving key milestones for a successful internalisation ahead of plan. The STI for the period following internalisation was based on an assessment of performance against a balanced scorecard of financial measures (weighted 70%) and non-financial measures (weighted 30%) linked to key financial and business objectives. For further information regarding the performance outcomes and STI structure for the MD & CEO and the KMP Executives, see section 6.
- For the long-term incentive component, Atlas Arteria's TSR performance is assessed relative to selected local and international companies with similar characteristics to ensure there is alignment between the financial interests of executives and securityholders. For further information regarding the LTIP structure (including the changes being introduced for 2020), performance measure, relative TSR comparator group constituents and vesting schedule, see section 5.4.

Information on governance provisions such as clawback, malus, treatment of awards on cessation of employment and change of control are provided in section 8.3.

What happens to variable remuneration awards in the event there is a change of control?

In the event of a change of control, the Boards have absolute discretion to determine the treatment of STI and LTIP awards. However, if the Boards do not exercise their discretion, the following default treatments will apply:

- **STI:** Cash based STI will be assessed on a pro rata basis and paid at that time based on performance, and deferred STI will vest in full on the basis that it relates to performance targets which have already been achieved.
- **LTIP:** Vesting based on performance to the end of the most recent period and pro-rated for time.

What did the MD & CEO and KMP Executives receive during FY2019?

The MD & CEO and KMP Executives received fixed remuneration, STI awards delivered in cash and deferred equity and awards under the Groups' LTIP during FY2019.

The STI was awarded in two parts for FY2019 – one part based on successful internalisation of management and the other part based on achievements in operating the business following internalisation.

An LTIP grant was made for FY2019. This LTIP grant will be assessed against the LTIP performance targets and, if the targets are met, will vest following the conclusion of the performance period ending 31 December 2021. For further information regarding the LTIP performance targets, see section 5.4.

4 FY2019 performance highlights

During 2019, Atlas Arteria continued to deliver solid operational performance resulting in growth of distributions for securityholders and strong growth in the security price.

4.1 Overview of business performance

- TSR of 32.2%.
- Continued distribution growth with distributions paid in 2019 of 30 cents per security, an increase of 25% compared to those paid in 2018.
- Weighted average traffic growth across the network during 2019 increased by 0.7% with weighted average revenue increasing by 2.5%.
- An increase in Proportionate EBITDA from the underlying investments of 3.1% compared to FY2018 as a result of revenue growth and implementation of operational efficiencies.
- Operational efficiencies were implemented across the portfolio to improve customer satisfaction and margins. These include increasing automation of toll collections, improvements to the network such as interchange upgrades, the addition new lanes and operational cost efficiencies.
- The removal of Macquarie Advisers as Manager of Atlas Arteria and the internalisation of management resulted in a reduction in management fees from $114m in 2018 to $47m in 2019 (covering all management fees payable to the Macquarie Group in that year as well as internal management costs).
- The APRR Transaction will see Atlas Arteria acquire a further 6.14% indirect interest in APRR and ADELAC, and secure direct governance rights in respect of its total indirect interest in APRR and ADELAC. It will simplify and streamline Atlas Arteria's ownership and governance of APRR and finalise the removal of the Macquarie Group as a manager within the structure, reducing operating costs and complexity.
- A rate case submission was lodged to support the future toll path at the Dulles Greenway.
- A sustainability framework and strategy has been developed with four clear priorities, Safety, Customers & Community, Our People and Environmental Stewardship.

4.2 Atlas Arteria's performance

The following table outlines the key financial metrics over the past five financial years up to and including 2019 that underpin the STI and LTI plans.

	2015	2016	2017	2018	2019
Distribution Payments ($)	0.16	0.18	0.20	0.24	**0.30**
EBITDA proportionate ($m)[1]	523.7	562.4	652.8	869.4	**922.9**
Share price (at year end) ($)	3.97	4.92	6.19	6.16	**7.83**
Total Security Return	21.4%	28.8%	30.6%	3.4%	**32.2%**

1. Proportionate EBITDA from the underlying investments as reported for each financial year

ALX security price (2010-2019)

5 Remuneration framework for management post internalisation

The remuneration framework for the executive team aims to achieve balance between fixed and performance-based remuneration, between short and long-term performance incentives, and between financial, non-financial and strategic outcomes as well as providing a balance of remuneration received in cash and in securities.

Our objectives for the executive remuneration framework are to ensure that it:

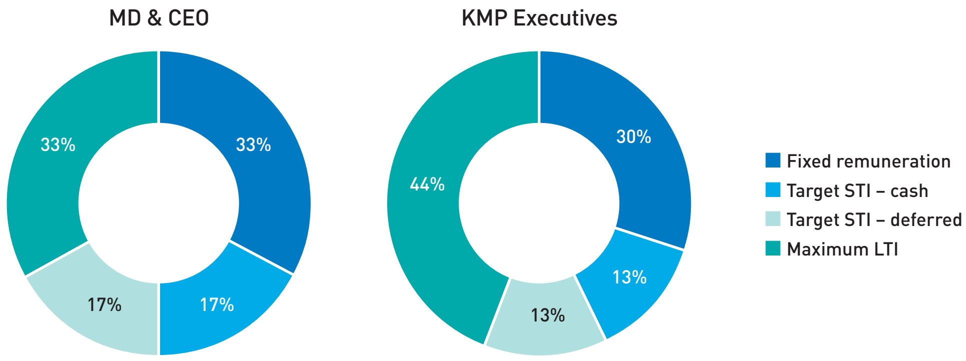
- Is simple to understand, implement and communicate;
- Supports the delivery of the annual business plans whilst also reflecting the long-term needs of the business;
- Reflects the experience of the executive and complexity of the role and business compared to the market;
- Encourages behaviours that are aligned to our business strategy, performance and securityholders;
- Reflects performance measures which our executives have the ability to influence and allows differentiation of executive incentive outcomes; and
- Encourages executive equity ownership so that executives have 'skin in the game' thus aligning executives to securityholders.

5.1 Positioning and mix of executive remuneration

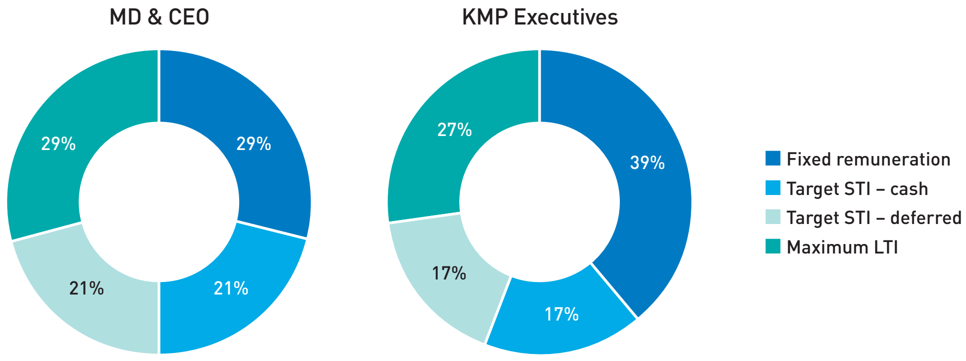
To ensure our remuneration quantum and structure is market competitive, reference is made to the median of a group of comparator companies of similar size and complexity to Atlas Arteria. The primary reference point for market comparisons are the companies with a market capitalisation between 50% to 200% of Atlas Arteria. The remuneration arrangements of selected industry comparators are also considered for each role.

The target and maximum remuneration framework for the MD & CEO and the KMP Executives comprises fixed remuneration, STI and LTI as in the graphs below.

Remuneration mix based on achieving 'target' performance



Remuneration mix based on achieving 'maximum' performance



Outlined below is further detail regarding the STI and LTI plans for the 2019 financial year.

5.2 Fixed pay

Fixed pay recognises the market value of an individual's skills, experience, accountability and their contribution in delivering the requirements of their roles. Fixed pay includes base pay and superannuation.

Following the successful internalisation of management on 1 April 2019 and the subsequent increased scale of Atlas Arteria's operations resulting from the APRR Transaction, the Boards have commenced a review of executive remuneration to ensure our remuneration levels are competitive with companies of similar size and complexity. This review is ongoing and further information on the outcomes of the review will be provided to securityholders in the 2020 Remuneration Report.

5.3 Short-term incentive

Executives, middle management and additional participants as determined by the Boards are eligible to participate in the annual STI plan. Details regarding the STI arrangements of the MD & CEO and KMP Executives are set out below. The size of each STI award is capped at an agreed percentage of fixed remuneration for each executive. The value of the STI payment made at the end of the performance period is a function of performance against a balance of financial and non-financial performance measures aligned with Atlas Arteria's annual business plans.

Element	Description
Opportunity	The STI is subject to achievement of defined performance targets, which is delivered 50% in cash and 50% in restricted securities. The target STI opportunity represents an opportunity to earn 100% of fixed remuneration for the MD & CEO and 60% of fixed remuneration for the KMP Executives. When assessing performance, the Boards have discretion to increase or decrease an STI Award subject to an overall cap of 150% of Target.
Performance period	Performance is normally measured over a one year performance period, from 1 January to 31 December. Due to the internalisation of management in FY2019, performance has been measured over two performance periods this year. – The performance period for the pre internalisation component of the FY2019 Award is from the date each KMP commenced employment (being 1 May 2018 for the MD & CEO, 16 July 2018 for the CFO, and 28 December 2018 for the COO) to 1 April 2019, the date of internalisation. – The performance period for the post internalisation component of the FY2019 STI is from 1 April 2019 to 31 December 2019.
STI deferral	To assist in creating alignment with securityholders and in achieving the minimum shareholding requirement, 50% of the STI outcome is deferred into restricted securities for a one year period following the conclusion of the performance period, subject to ongoing service and the discretion of the Boards.
STI objectives	STI objectives were set for FY2019 for the period prior to internalisation based on objectives related to the successful implementation of internalisation and for the period following internalisation based on a combination of financial measures and non-financial measures relating to specific strategic outcomes and taking account of culture and behaviours. FY2020 STI objectives will be set based on a combination of financial measures and non-financial measures relating to specific strategic outcomes and taking account of culture and behaviours.

5.4 Long-term incentive

To align with the interests of securityholders, executives and other participants as determined by the Boards are eligible to participate in the LTIP. Details of the LTIP arrangements of the MD & CEO and KMP Executives are set out below. The size of each year's grant is capped at an agreed percentage of fixed remuneration for each executive. The value of the LTIP award made at the end of the vesting period is a function of:

- Atlas Arteria TSR performance relative to a group of Australian and international peer companies (which determines the number of securities granted that vest);
- The change in the price per Atlas Arteria stapled security (which determines the value of each stapled security that vests); and
- The value of distributions that would have been made during the vesting period for the number of securities that vest (Distribution Equivalents).

As a result, management incentives are aligned with the long term interests of securityholders to achieve strong performance relative to peers and to generate an appropriate balance of security price performance and distributions.

During 2019, the Boards and the PRCs reviewed a number of aspects of the LTIP and concluded that the following would apply for awards under the LTIP in 2020 (no changes have been made to the terms of the awards made for previous years):

1. We will continue to use relative TSR as the sole performance hurdle given the current strategic focus of the business on longer term value creation and business optimisation. The Boards considered other measures including EBITDA and cash flow and concluded that they are not currently the most appropriate performance measures. The Boards acknowledge as the business evolves it may be appropriate to introduce a suitable further measure/s in addition to relative TSR for assessing LTIP performance;
2. We will adopt a new peer group for assessment of relative TSR comprising OECD-domiciled companies in the GLIO. The GLIO is a relatively new organisation that provides a global platform for information on listed infrastructure companies and includes approximately 125 OECD-domiciled members that represent approximately $3,765bn in market capitalisation. The GLIO has created the GLIO Index of core infrastructure companies which has been selected as it is a larger and less volatile group than the current peer group and is specific to the infrastructure sector rather than being a mix of infrastructure and property organisations;

DIRECTORS' REPORTS

3 We will use a volume weighted average security price (VWAP) over a 40 business day period at the start and the end of the performance period for the calculation of TSR performance in place of the current point to point calculation. A 40 business day averaging period for calculating the security price for TSR performance helps to eliminate the impact of short term security price movements on vesting outcomes; and

4 We will continue to use a 10 business day VWAP for the period following release of the Groups' annual results for calculating the security price used to determine the number of securities to be issued for each LTIP Award.

Element	Description
Opportunity	The maximum grant value of LTIP opportunities represents 100% of fixed remuneration for the MD & CEO and 70% of fixed remuneration for the KMP Executives. The number of awards is based on face value. For FY2018, the number of instruments granted was determined based on the 10 day VWAP immediately following the 2019 Annual General Meeting (which was held on 15 May 2019). For FY2019 and subsequent years, the number of instruments to be granted is determined based on the 10 day VWAP immediately following the announcement by Atlas Arteria of its annual results. For the MD & CEO, the 2018 and 2019 grants were made in 2019 following approval from securityholders at the 2019 AGM.
Vehicle	Awards are delivered in the form of performance rights. A performance right is a right to acquire one fully paid Atlas Arteria security, subject to meeting pre-determined performance measures.
Performance measure	LTIP performance is assessed against relative TSR. Relative TSR was selected as the sole performance measure as it measures security holding value creation objectively, can be used for comparing performance across different jurisdictions and is widely understood and accepted by stakeholders. For the FY2018 and FY2019 grants, Atlas Arteria's TSR performance was assessed against a local and global industry comparator group, comprising Abacus Property Group, APA Group, Aurizon Holdings Limited, AusNet Services, Charter Hall Group, Growthpoint Properties Australia, Qube Holdings Limited, Spark Infrastructure Group, Sydney Airport, Transurban Group, 3i Infrastructure, Cogent Communications Holdings Limited, Eiffage SA, Genesee & Wyoming Inc., Getlink, Macquarie Group Infrastructure Corporation and Zayo Group Holdings, Inc. These companies were selected as they operate in comparable industries, with asset size, market capitalisation, jurisdiction of assets and operational control, in relevant ranges. The comparator group may, at the discretion of the Boards, be adjusted to take into account events during the Performance Period including, but not limited to takeovers, mergers, de-mergers or de-listings, so that the outcome appropriately reflects the circumstances. An adjustment will be made to the peer group to reflect the change of ownership of Genesee & Wyoming which is now in private ownership. The changes to apply for the 2020 LTIP awards are noted above.
Vesting schedule	Relative TSR performance is assessed on a sliding scale, with vesting determined as follows: **Atlas Arteria's TSR performance — % vesting** Below the 51st percentile — 0% At the 51st percentile — 50% Between the 51st percentile & 75th percentile — Pro rata between 50% & 100% At the 75th percentile — 100% The Boards retain discretion to adjust the relative TSR measure in exceptional circumstances if considered appropriate so that participants are neither advantaged nor disadvantaged by matters outside management's control.
Performance period	Performance is measured over a three year performance period, from 1 January to 31 December. The performance for 2019 grant will be measured from 1 January 2019 to 31 December 2021.
Vesting and allocation of securities	If and when the Boards determine that the relative TSR performance measure has been achieved, the performance rights will automatically be exercised and the relevant number of securities will be allocated.
Distribution equivalents	Distribution equivalents will be payable (via a grant of securities or a cash payment, at the Boards' discretion) on performance rights that have vested, to the value of any distributions paid during the performance period in respect of an equivalent number of Atlas Arteria securities.

In 2020, the Groups are introducing an employee equity plan to enable all corporate employees to become securityholders of the Groups. The plan is being introduced to support employee retention, develop the team with a common purpose, share in the success of the business and for employees to become equity holders and thus increase alignment with securityholders. All corporate employees other than members of the Executive Team who participate in the LTIP Scheme will participate in the plan. Awards to the value of $5,000 will be made in the form of share rights to corporate employees and vesting will be subject to a 3 year service condition. It is expected the total value of the equity to be awarded annually will be in the order of $125,000.

6 FY2019 Remuneration Outcomes

As noted above, STI performance in respect of FY2019 was assessed based on two performance periods:

- For the period prior to internalisation of management from the date of commencement of employment of each KMP to 31 March 2019, against objectives and targets related to the successful implementation of internalisation; and
- For the period following internalisation from 1 April 2019 to 31 December 2019, based on a combination of financial and non-financial measures.

The performance periods assessed during FY2019 related to performance achievements referable to and expensed over the two financial years – FY2018 and FY2019.

- For the MD & CEO, the Remuneration Report includes STI Awards for the period from 1 May 2018 to 31 March 2019 (8 months applicable to FY2018 and 3 months applicable to FY19) and for the period from 1 April 2019 to 31 December 2019 (9 months applicable to FY2019).
- For the CFO, the Remuneration Report includes STI Awards for the period from 16 July 2018 to 31 March 2019 (5½ months applicable to FY2018 and 3 months applicable to FY19) and for the period from 1 April 2019 to 31 December 2019 (9 months applicable to FY2019).
- For the COO, the Remuneration Report includes STI Awards for the period from 28 December 2018 to 31 March 2019 (3 months applicable to FY2019) and for the period from 1 April 2019 to 31 December 2019 (9 months applicable to FY2019).

The annual assessment process also includes consideration of both what is achieved and how it is achieved taking into account behaviours and by reference to our values. The actual STI outcomes can be adjusted where these expectations are deemed not to have been met. No such adjustments were made for FY2019.

The terms of STI Awards for the MD & CEO and the KMP Executives provide for 50% to be paid in cash and 50% to be withheld and awarded in Restricted Atlas Arteria Securities.

Details of the FY2019 STI Awards for the MD & CEO and KMP Executives are set out below.

6.1 Pre internalisation STI Awards

The Pre Internalisation KPI's were established to align the efforts of the executive team with the objective of achieving internalisation of Atlas Arteria management in a manner which ensured a high quality team with systems and processes which enabled a seamless transition and the ongoing effective management of the business at the standard expected of an ASX 100 business.

This objective was achieved by 1 April 2019 without compromise to the standards the Boards set for the successful independent management of the business on a stand-alone basis. The focus during the period prior to internalisation was on building the business to allow for growth and development of strategic opportunities.

Performance for the pre internalisation period has been assessed from the date each of the KMP Executives commenced employment to the date of internalisation, 1 April 2019.

Performance was assessed against the following measures:

6.1.1 MD & CEO

	Performance area	Weighting	Performance outcomes to target	Achievements
Performance measures pre internalisation	Transition activities	30%	Above Target	Key achievements included recruitment of a high quality Executive Team by 31 December 2018, implementation of all management, financial and administration systems, processes and procedures to enable the Groups to operate as successful stand-alone businesses.
	Transition budget	25%	Target	Internalisation was achieved ahead of plan and within budget.
	Stakeholder engagement	15%	Target	Good relationships established with key stakeholders including securityholders, joint investors and business partners.
	Strategic	30%	Target	Review of the capital structure of the Groups, a risk analysis of the business was undertaken and development of a proposed business strategy for the period immediately following internalisation was developed.
	Total	**100%**	**105.5%**	

6.1.2 KMP Executives

The MD & CEO's STI objectives for the pre internalisation period were cascaded to the KMP Executives and assessed on a consistent basis with the MD & CEO.

6.1.3 Executive STI Outcomes

Based on the performance achievement assessments described above, the following STI Awards were made in respect of achievements relating to the internalisation of management on 1 April 2019.

Name	% of maximum achieved	Value pro rata – cash	Value pro rata – restricted securities	STI forfeited
Graeme Bevans	70%	532,558	532,558	447,384
Nadine Lennie	79%	145,049	145,049	76,465
Vincent Portal-Barrault	57%	39,378	39,378	61,554

6.2 Post Internalisation STI Awards

Performance for the post internalisation period has been assessed from the date of internalisation 1 April 2019 to 31 December 2019 against a range of financial and individual measures linked to achieving meaningful business and operational outcomes. In view of the exceptional performance across both financial and non-financial metrics, the Boards exercised discretion to award the capped amount of 150% of Target.

The Performance outcomes assessed for the Post Internalisation period were as follows:

<table>
<tr><th colspan="5">6.2.1 MD & CEO</th></tr>
<tr><th rowspan="7">Performance measures post internalisation</th><th>Performance area</th><th>Weighting</th><th>Performance outcomes to target</th><th>Achievements</th></tr>
<tr><td>Comprises a combination of the following:
– Proportional adjusted EBITDA (reflecting proportional performance of each business adjusted for items determined by the Boards).
– Distributions per security
– Cashflow available for distribution
– Corporate operational expenditure</td><td>70%</td><td>Between Target and Stretch</td><td>Overall financial outcomes were between Target and Stretch. EBITDA was above Target, cash flow available for distribution was between Target and Stretch, Distributions per Security were at Target and Corporate Operational Expenditure was at Stretch</td></tr>
<tr><td>Conduct a review of OH&S policies and implement best practice policies in each business by 31 December 2019</td><td rowspan="3">30%</td><td rowspan="3">Stretch</td><td rowspan="3">Overall performance was at full stretch for achievements including:
– Process improvements to provide an immediate improvement to OH&S systems at Dulles Greenway – the outcome was between Threshold and Target
– Agreement reached with all parties for the APRR transaction on terms which were mutually beneficial to all parties – the outcome was at Stretch.
– The transaction was accretive with significant future value to be captured – the outcome was at Stretch.</td></tr>
<tr><td>Restructure APRR including reaching agreement with Macquarie Group, Elffage, ADIA and AORR to end Macquarie Adviser's management of MAF2</td></tr>
<tr><td>Corporate development activity which achieves accretive value for Atlas Arteria</td></tr>
<tr><td>Total awarded</td><td>100%</td><td>150%</td><td></td></tr>
<tr><td colspan="4">These STI awards have been pro-rated to reflect the period from the date of internalisation (1 April 2019) to 31 December 2019.</td></tr>
</table>

6.2.2 KMP Executives

As was the position for the STI for the pre internalisation period, the MD & CEO's STI objectives, both financial and non-financial, for the period following internalisation on 1 April 2019 were cascaded to the KMP Executives. Their STI outcomes were assessed on a consistent basis with that of the MD & CEO.

6.2.3 Executive STI outcomes

Based on the performance achievement assessments described above, the following STI Awards were made in respect of achievements relating to the performance period following internalisation from 1 April 2019 to 31 December 2019.

Name	% of maximum achieved	Value pro rata – cash	Value pro rata – restricted securities	STI forfeited
Graeme Bevans	100%	618,750	618,750	0
Nadine Lennie	100%	194,063	194,063	0
Vincent Portal-Barrault	100%	202,370	202,370	0

7 Non-Executive Director fees

7.1 Determination of Non-Executive Director fees

In order to attract and retain high calibre Non-Executive Directors ('NED'), fees are reviewed periodically by the PRCs and set with reference to the market.

A market review of Non-Executive Director fees was undertaken in 2018, which included a review of market benchmarking information for companies of a similar size and complexity to Atlas Arteria (being companies with a market capitalisation between 50% to 200% of Atlas Arteria). The fees for 2019 are set out below:

	ATLAX		ATLIX		
Fees	Chair (AUD)	Member (AUD)	Chair (USD)	Member (USD)	Member (AUD)[1]
Board	$280,000[2]	$140,000	$160,000[2]	$80,000	$80,000
Audit and Risk Committee	$30,000	$15,000	$18,000	$9,000	$9,000
Remuneration Committee	$30,000	$15,000	$18,000	$9,000	$9,000
Nominations and Governance Committee	Nil	Nil	Nil	Nil	Nil
Travel fee[3]	$10,000		$10,000		N/A
Additional ad hoc committee fee	$2,500 per day		$1,750 per day		$1,750 per day

1. For Australian based director.
2. Committee fees are not payable to the Chairs of the ATLAX or ATLIX Boards.
3. Non-Executive Directors are also be entitled to receive a travel fee of AUD$10,000 for each occasion where they are required to travel over 8 hours to attend a Board meeting or strategy session.

During 2019, the Boards resolved that there would be no increase in Non-Executive Director fees for 2020.

ATLAX and ATLIX directors are not entitled to Atlas Arteria options or securities or to retirement benefits as part of their remuneration package.

7.2 Aggregate fee pool

As approved by securityholders at the 2019 AGM, the aggregate ATLAX Non-Executive Director fee pool is capped at AU$1,100,000 and the ATLIX Non-Executive Director fee pool is capped at US$700,000.

8 Remuneration Governance

8.1 Roles and responsibilities

The table below outlines the roles and responsibilities of the Boards, PRCs, Management and external advisors in relation to the remuneration arrangements of Directors, MD & CEO and the KMP Executives.

The Boards	People & Remuneration Committees	Management	External advisors
Approve remuneration strategy and approves recommendations from the PRCs	Make recommendations to the Boards regarding the remuneration framework, policies and practices for Atlas Arteria as well as remuneration for KMP	Makes recommendations to the PRCs on Atlas Arteria's remuneration framework, policies and practices	Provide independent advice to the PRCs and/or Management on remuneration market data, market practice and other remuneration related matters

The requirement for external remuneration advisor services is assessed in the context of matters the PRCs need to address. External advice is used as a guide but does not serve as a substitute for directors' consideration of the relevant matters. Therefore, no remuneration recommendations, as defined by the *Corporations Act 2001*, were made by external remuneration advisors.

8.2 Executive Contracts

The remuneration and other terms of employment for the MD & CEO and KMP Executives are formalised in executive contracts. Key contractual terms in place for FY2019 are outlined below.

	Contract type	Termination notice by either party	Termination notice with cause	Termination notice by KMP for fundamental change in role
MD & CEO	Ongoing	12 months	Immediate without notice period	30 days within 21 days of fundamental change
KMP Executives	Ongoing	6 months	Immediate without notice period	30 days within 21 days of fundamental change

8.3 Additional provisions as related to STI and LTIP arrangements

The table below summarises additional arrangements as they relate to the MD & CEO and other KMP Executives.

Provision	STI	LTI
Clawback / Malus	In the event of: – Material non-compliance with any financial reporting requirement or other policies and operating procedures of the Groups; – Fraudulent or dishonest behaviour; or – Misconduct. The Boards have discretion to determine that some or all deferred STI restricted security awards and unvested LTIP awards are forfeited.	
Cessation of employment	If a participant resigns or is terminated for cause (including gross misconduct), any deferred securities are forfeited and the participant is not entitled to any further payment of cash STI. If a participant leaves for any other reason, subject to Board discretion, the participant will be entitled to a pro rata payment of cash STI subject to performance and deferred securities will normally stay 'on foot' until the end of the deferred period.	If a participant resigns or is terminated for cause (including gross misconduct), unvested performance rights will automatically lapse. If a participant leaves for any other reason, subject to Board discretion, a pro-rata number of unvested performance rights (reflecting the portion of performance period served) will normally stay 'on-foot' to be tested against the performance condition at the end of the original performance period.
Change of control	Upon a change of control: – The Boards will determine in their absolute discretion the treatment of the STI opportunity. – Subject to the Boards determining otherwise, cash based STI will be assessed on a pro rata basis and paid at that time based on performance, and deferred STI will vest in full.	Where a change of control occurs or is likely to occur, the Boards have discretion to determine the treatment of unvested equity awards and the timing of such treatment. In the event the Boards do not exercise their discretion, the LTIP will vest pro rata for time and performance.

8.4 Minimum securityholding requirements

Minimum securityholding requirements help ensure there is alignment between the interests of the Directors, KMP and securityholders.

Role	Minimum shareholding	Timing to meet requirement
Non-Executive Directors	100% of annual director base fees	3 years from the later of July 2017 (when the policy was implemented) or from the date of their appointment
MD & CEO	100% of fixed remuneration	5 years from appointment
KMP Executives	50% of fixed remuneration	5 years from appointment

9 Statutory disclosures

9.1 Executive statutory remuneration disclosures for FY2019

The following table shows the total remuneration for the MD & CEO and KMP Executives for FY2019.

		Short term benefits			Long term benefits	Share based payments			
Name	Financial year	Cash salary	Annual leave accrual movement	Cash STI	Superannuation contributions	Value of LTI	Value of STI	Total remuneration	Performance based pay %
Graeme Bevans	2019	$1,079,231	($21,992)	$783,637	$20,767	$342,505	$543,035	$2,747,183	60.8%
	2018	$696,356	$60,889	$367,671	$33,554	$109,857	$185,238	$1,453,565	45.6%
Nadine Lennie	2019	$554,228	$25,078	$259,714	$20,767	$126,860	$166,055	$1,152,702	47.9%
	2018	$256,619	$21,549	$79,398	$9,501	$28,384	$41,443	$436,894	34.2%
Vincent Portal-Barrault	2019	$583,601	$4,595	$241,712	$16,015	$141,903	$116,886	$1,104,712	45.3%
	2018	$6,315	$0	$1,502	$170	$789	$7,274	$16,050	59.6%
Total	**2019**	**$2,217,060**	**$7,681**	**$1,285,063**	**$57,549**	**$611,268**	**$825,976**	**$5,004,597**	**54.4%**
Total	**2018**	**$959,290**	**$82,438**	**$448,571**	**$43,225**	**$139,030**	**$233,955**	**$1,906,509**	**43.1%**

1. Share based expenses included the FV of equity awards. External valuation advice has been used to determine the value of performance rights awarded in the year ended 31 December 2019. The valuation has been made using the Black Scholes Option Pricing Model that includes a Monte Carlo simulation analysis. Details of the fair values of equity awards granted during the year are contained in the foot notes in the table titled Performance rights held during the year at 9.3 below.
2. The number of performance rights allocated to each participant is determined based on face value.
3. The reported amounts for cash STI and value of STI share based payments includes the STI awards for two performance periods as noted above at section 6.
4. The FY2018 disclosures were included on a voluntary basis as the named individuals were not KMP for that year. Given they are now KMP for FY2019, comparative information for all remuneration elements have been included.

9.2 Non-Executive Director statutory remuneration disclosures for FY2019

The following table shows the fees paid to Non-Executive Directors of ATLAX and ATLIX for FY2019.

		ATLAX fees (AUD)			ATLIX fees		
Name	Financial year	Cash salary and fees	Superannuation	Total	Cash salary and fees	Superannuation	Total
Nora Scheinkestel	2019	$269,233	$20,767	$290,000	90,736 (AUD)	7,264 (AUD)	98,000 (AUD)
	2018	$189,710	$20,290	$210,000	83,750 (AUD)	–	83,750 (AUD)
David Bartholomew[1,4]	2019	$172,100	$15,400	$187,500	–	–	–
	2018	$32,380	$3,037	$35,417	–	–	–
Debbie Goodin[1,3]	2019	$190,365	$17,135	$207,500	–	–	–
	2018	$162,864	$15,261	$178,125	–	–	–
Jean-Georges Malcor[5]	2019	$184,340	$660	$185,000	–	–	–
	2018	$24,583	–	$24,583	–	–	–
Jeffrey Conyers[2]	2019	–	–	–	179,250 (USD)	–	179,250 (USD)
	2018	–	–	–	120,000 (USD)	–	120,000 (USD)
Fiona Beck[2,6]	2019	–	–	–	41,292 (USD)	–	41,292 (USD)
	2018	–	–	–	–	–	–
James Keyes	2019	–	–	–	116,000 (USD)	–	116,000 (USD)
	2018	–	–	–	85,000 (USD)	–	85,000 (USD)
Derek Stapley	2019	–	–	–	111,762 (USD)	–	111,762 (USD)
	2018	–	–	–	92,500 (USD)	–	92,500 (USD)
Richard England[8]	2019	–	–	–	–	–	–
	2018	$136,826	$14,424	$151,250	–	–	–
Christopher Leslie[7]	2019	–	–	–	24,500 (USD)	–	24,500 (USD)
	2018	–	–	–	85,000 (USD)	–	85,000 (USD)
John Roberts[9]	2019	–	–	–	–	–	–
	2018	$105,000	–	$105,000	–	–	–
Totals	**2019**	**$816,038**	**$53,962**	**$870,000**	**$764,749**	**$7,264**	**$772,013**
Totals	**2018**	**$651,363**	**$53,012**	**$704,375**	**$598,461**	**–**	**$598,461**

1. Additional fees for duties performed as a member of the due diligence committee in respect of the Equity Raise.
2. Additional fees for duties performed as a member of the due diligence committee in respect of the APRR Transaction and the Equity Raise.
3. One off fee in FY2018 of AUD$20,000 for additional duties performed for internalisation.
4. Commenced as a Non-Executive Director, effective 1 October 2018.
5. Commenced as Non-Executive Director, effective 1 November 2018.
6. Commenced as a Non-Executive Director, effective 13 September 2019.
7. Ceased to be a Non-Executive Director 1 April 2019.
8. Ceased to be a Non-Executive Director on 30 November 2018.
9. Ceased as a Non-Executive Director on 28 September 2018.

9.3 Equity instrument disclosures relating to KMP

Securityholdings

The table below outlines the number of ordinary securities held by each KMP including their personally related parties, as at 31 December 2019, and the minimum security holding requirements. Non-Executive Directors have acquired their security holdings from their personal resources on market and in accordance with Atlas Arteria's trading policy. Executives acquire their security holdings from awards that vest under the Groups' equity plans. All Directors and Executives are tracking to meet their security holding requirement. All Directors took up their direct entitlements in full, to the extent that they were eligible to participate, in the Entitlement Offer dated 21 November 2019.

Non-Executive Directors

Name	Balance at 1 January 2019	Changes	Balance at 31 December 2019 [3]	Value at 31 December 2019 [1]	Minimum security holding requirement [2]	Date security holding to be attained
Nora Scheinkestel	78,431	25,393	103,824	$812,942	$220,000	Jul-20
Debbie Goodin	5,671	20,908	26,579	$208,114	$140,000	Sep-20
David Bartholomew	0	20,506	20,506	$160,562	$140,000	Oct-21
Jean-Georges Malcor	0	20,238	20,238	$158,464	$140,000	Nov-21
Jeffrey Conyers [4]	40,000	2,381	42,381	$331,843	$114,188	Jul-20
James Keyes	5,000	952	5,952	$46,604	$114,188	Jul-20
Derek Stapley	5,000	21,666	26,666	$208,795	$114,188	Jul-20
Fiona Beck	0	8,333	8,333	$65,247	$114,188	Sep-22
Christopher Leslie [5]						N/A

1. Based on the closing price of Atlas Arteria securities on 31 December 2019 of $7.83. The requirement is assessed at the higher of the purchase price or market value of the securities.
2. The minimum security holding requirement for ATLIX Board members has been converted to AUD at 31 December 2019 exchange rate of AUD$1 = USD$0.7006.
3. Includes securities acquired in the Entitlement Offer.
4. Due to regulatory constraints, unable to participate in the Entitlement Offer.
5. Ceased to be a Non-Executive Director 1 April 2019.

MD & CEO and KMP Executives

Name	Balance at 1 January 2019	Changes	Balance at 31 December 2019	Value at 31 December 2019 [1]	Minimum security holding requirement [2]	Date security holding to be attained
Graeme Bevans	0	90,731	90,731	$710,424	$1,100,000	May-23
Nadine Lennie	0	20,758	20,758	$162,535	$287,500	Jul-23
Vincent Portal-Barrault	0	5,636	5,636	$44,130	$299,808	Dec-23

1. Based on the closing price of Atlas Arteria securities on 31 December 2019 of $7.83. The requirement is assessed at the higher of the purchase price or market value of the securities.
2. The minimum security holding requirement for Luxembourg executives has been converted to AUD at 31 December 2019 exchange rate of AUD$1 = Euro 0.6254.

Options

No options over unissued ordinary securities of Atlas Arteria existed or were granted to KMP during FY2019.

Performance rights held during the year

The numbers of rights over ordinary securities in the Groups held during the financial year by each KMP Executive, including their related parties, as well as the value of performance rights granted or exercised are set out in the tables which follow. Vesting is subject to achieving challenging performance targets over the performance period.

Name	Balance at 31 December 2018	Granted in the year ended 31 December 2019 [1]	Exercised in the year ended 31 December 2019	Lapsed in the year ended 31 December 2019	Balance at 31 December 2019	Unvested at 31 December 2019	Value of share rights granted during the year [2]
	#	#	#	#	#	#	$
Graeme Bevans		276,758	0	0	276,758	276,758	1,029,694
Nadine Lennie		101,268	0	0	101,268	101,268	368,478
Vincent Portal-Barrault		104,458	0	0	104,458	104,458	376,520

1. The number of Performance Rights granted during the year includes rights awarded under the FY2018 and the FY2019 Long Term Incentive Awards which are subject to performance hurdles.
2. External valuation advice has been used to determine the value of the Performance Rights awarded during year ended 31 December 2019. The valuation was made using the Black Scholes Option Pricing Model that includes a Monte Carlo simulation analysis. The value per instrument of the Share Rights granted during the year were $3.84 (1 May 2018), $3.65 (16 July 2018) and $3.57 (28 December 2018), for the Performance Rights granted in respect of FY18 and $3.63 (1 January 2019) in respect of Performance Rights granted for FY19.

Unvested STI Equity Awards during FY2019

During FY2019 deferred securities equal to 50% of their Awards under the Groups' STI Plan were granted to the MD & CEO and the KMP Executives. The securities are restricted for 12 months. Details of the Awards are as follows:

Name	Balance at 31 December 2018	Granted in the year ended 31 December 2019	Vested in the year ended 31 December 2019	Lapsed in the year ended 31 December 2019	Balance at 31 December 2019	Unvested at 31 December 2019	Value of restricted securities granted during the year
	#	#	#	#	#	#	$
Graeme Bevans		76,214	0	0	76,214	76,214	532,558
Nadine Lennie		20,758	0	0	20,758	20,758	145,049
Vincent Portal-Barrault		5,636	0	0	5,636	5,636	59,395

9.4 Loans to directors or related parties

There were no loans to directors or related parties during FY2019.

9.5 Other transactions with KMP

There were no other transactions with KMP.

Auditor services

Atlas Arteria has an auditor independence policy which precludes the auditors from performing certain services. This ensures that the audit firm does not review or audit their own work, act in a management or a decision-making capacity for Atlas Arteria, act as advocate for Atlas Arteria or jointly share economic risks and rewards. When permissible by this policy, Atlas Arteria may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with Atlas Arteria are important.

Details of the amounts paid or payable to Atlas Arteria's auditor (PricewaterhouseCoopers) as well as the non-PricewaterhouseCoopers audit firms for services provided during the year are set out below.

The Boards have considered the position and, in accordance with the advice received from the Audit and Risk Committee, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

– All non-audit services have been reviewed by the Audit and Risk Committees to ensure they do not impact the impartiality and objectivity of the auditor; and

– None of the services undermine the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

	ALX		ATLAX Group	
	Year ended 31 Dec 2019 $	Year ended 31 Dec 2018 $	Year ended 31 Dec 2019 $	Year ended 31 Dec 2018 $
Amounts paid or payable to PricewaterhouseCoopers Australia for:				
Audit services	**503,200**	479,130	**251,600**	239,565
Other assurance services [a]	**213,771**	60,680	**10,043**	30,340
	716,971	539,810	**261,643**	269,905
Amounts paid or payable to Network firms of PricewaterhouseCoopers for:				
Audit services	**357,779**	314,211	**38,101**	32,745
Taxation services [b]	**219,785**	155,974	**–**	–
	577,564	470,185	**38,101**	32,745
Amounts paid or payable to PricewaterhouseCoopers for:				
Audit and other assurance services	**1,074,750**	854,021	**299,744**	302,650
Other services	**219,785**	155,974	**–**	–
	1,294,535	1,009,995	**299,744**	302,650
Amounts paid or payable to non PricewaterhouseCoopers audit firms for:				
Audit services provided by CERTIS GmbH Wirtschaftsprüfungsgesellschaft ('CERTIS')	**100,256**	64,866	**–**	–
Non-audit services provided by CERTIS	**–**	–	**–**	–
	100,256	64,866	**–**	–

(a) Other assurance services in 2019 relates to the Equity Raise due diligence and a one off review of performance rights allocation. Other assurance services in 2018 related to management internalisation.

(b) Taxation services provided by network firms of the auditor relates to the filing of corporate income tax returns for the Groups' entities domiciled outside of Australia.

DIRECTORS' REPORTS

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 31.

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

Jeffrey Conyers
Chairman
Atlas Arteria International Limited
Hamilton, Bermuda
26 February 2020

Derek Stapley
Director
Atlas Arteria International Limited
Hamilton, Bermuda
26 February 2020

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

Nora Scheinkestel
Chairman
Atlas Arteria Limited
Melbourne, Australia
27 February 2020

Debra Goodin
Director
Atlas Arteria Limited
Melbourne, Australia
27 February 2020

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the audits of Atlas Arteria International Limited and Atlas Arteria Limited for the year ended 31 December 2019, 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 audits; and
2. no contraventions of any applicable code of professional conduct in relation to the audits.

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

SJ Smith
Partner
PricewaterhouseCoopers

Sydney
27 February 2020

PricewaterhouseCoopers, ABN 52 780 433 757

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	ALX Year ended 31 Dec 2019 $'000	ALX Year ended 31 Dec 2018 $'000	ATLAX Group Year ended 31 Dec 2019 $'000	ATLAX Group Year ended 31 Dec 2018 $'000
Revenue and other income from operations					
Revenue from operations		**175,192**	132,378	**9,977**	5,540
Other income from operations		**–**	13,609	**118**	224
Total revenue and other income from operations	2.1.1	**175,192**	145,987	**10,095**	5,764
Operating expenses	2.1.2	**(336,781)**	(222,458)	**(16,053)**	(17,795)
Finance costs	2.1.3	**(112,311)**	(108,920)	**(37)**	–
Share of net profits/(losses) of investments accounted for using the equity method	3.2.2	**254,874**	246,141	**(20,907)**	(4,801)
(Loss)/profit from operations before income tax		**(19,026)**	60,750	**(26,902)**	(16,832)
Income tax benefit/(expense)	2.4.1	**9,205**	(898)	**–**	1
(Loss)/profit for the year		**(9,821)**	59,852	**(26,902)**	(16,831)
(Loss)/profit attributable to:					
Equity holders of the parent entity – ATLIX		**17,081**	76,683	**–**	–
Equity holders of other stapled entity – ATLAX (as non-controlling interest/parent entity)		**(26,902)**	(16,831)	**(26,902)**	(16,831)
Stapled securityholders		**(9,821)**	59,852	**(26,902)**	(16,831)
Other comprehensive income/(loss)					
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		**(8,328)**	178,502	**981**	16,547
Items that will not be reclassified to profit or loss:					
(Loss)/gain on cash flow hedges	5.4.2	**(25,287)**	–	**–**	–
Other comprehensive (loss)/income		**(33,615)**	178,502	**981**	16,547
Total comprehensive (loss)/income		**(43,436)**	238,354	**(25,921)**	(284)
Total comprehensive (loss)/income attributable to:					
Equity holders of the parent entity – ATLIX		**(17,515)**	238,638	**–**	–
Equity holders of other stapled entity – ATLAX (as non-controlling interest/parent entity)		**(25,921)**	(284)	**(25,921)**	(284)
Stapled securityholders		**(43,436)**	238,354	**(25,921)**	(284)

		Cents	Cents	Cents	Cents
(Loss)/profit per share attributable to ATLIX/ATLAX shareholders					
Basic (loss)/profit per share attributable to:					
ATLIX (as parent entity)	2.3	**2.5**	11.3	**–**	–
ATLAX (as non-controlling interest)	2.3	**–**	–	**(3.9)**	(2.5)
Basic (loss)/profit per ALX stapled security		**(1.4)**	8.8	**(3.9)**	(2.5)
Diluted (loss)/profit per share attributable to:					
ATLIX (as parent entity)	2.3	**2.5**	11.3	**–**	–
ATLAX (as non-controlling interest)	2.3	**–**	–	**(3.9)**	(2.5)
Diluted (loss)/profit per ALX stapled security		**(1.4)**	8.8	**(3.9)**	(2.5)

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 31 Dec 2019 $'000	ALX As at 31 Dec 2018 $'000	ATLAX Group As at 31 Dec 2019 $'000	ATLAX Group As at 31 Dec 2018 $'000
Current assets					
Cash and cash equivalents	3.1	**1,450,221**	186,468	**48,612**	12,461
Other assets	4.3	**143,390**	2,495	**2,094**	47,337
Total current assets		**1,593,611**	188,963	**50,706**	59,798
Non-current assets					
Intangible assets – Tolling Concessions	4.1	**2,438,598**	2,578,434	**–**	–
Investments accounted for using the equity method	3.2	**1,423,265**	1,569,970	**144,589**	164,644
Restricted cash	3.1	**253,904**	203,961	**–**	–
Goodwill	4.2	**14,054**	79,390	**–**	–
Property plant and equipment		**11,249**	4,595	**2,323**	561
Derivative financial instruments	5.4	**–**	2,900	**–**	–
Other assets	4.3	**248**	319	**51**	8,274
Total non-current assets		**4,141,318**	4,439,569	**146,963**	173,479
Total assets		**5,734,929**	4,628,532	**197,669**	233,277
Current liabilities					
Debt at amortised cost	5.1	**(45,181)**	(77,322)	**–**	–
Other liabilities	4.4	**(25,927)**	(34,859)	**(3,377)**	(3,398)
Derivative financial instruments	5.4	**(33,768)**	(3,108)	**–**	–
Total current liabilities		**(104,876)**	(115,289)	**(3,377)**	(3,398)
Non-current liabilities					
Debt at amortised cost	5.1	**(2,129,328)**	(2,101,962)	**–**	–
Deferred tax liabilities	2.4	**(50,541)**	(57,709)	**–**	–
Other liabilities	4.4	**(34,350)**	(11,571)	**(1,756)**	–
Derivative financial instruments	5.4	**(12,803)**	(13,495)	**–**	–
Total non-current liabilities		**(2,227,022)**	(2,184,737)	**(1,756)**	–
Total liabilities		**(2,331,898)**	(2,300,026)	**(5,133)**	(3,398)
Net assets		**3,403,031**	2,328,506	**192,536**	229,879
Equity					
Equity attributable to securityholders of the parent – ATLIX					
Contributed equity	5.2	**3,275,591**	1,995,994	**–**	–
Reserves	5.3	**156,898**	190,155	**–**	–
Accumulated losses		**(221,994)**	(87,522)	**–**	–
ATLIX securityholders' interest		**3,210,495**	2,098,627	**–**	–
Equity attributable to other stapled securityholders – ATLAX					
Contributed equity	5.2	**187,571**	197,311	**187,571**	197,311
Reserves	5.3	**(6,642)**	(7,528)	**(6,642)**	(7,528)
Accumulated Income		**11,607**	40,096	**11,607**	40,096
Other stapled securityholders' interest		**192,536**	229,879	**192,536**	229,879
Total equity		**3,403,031**	2,328,506	**192,536**	229,879

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

The financial information was approved by the ATLIX Board of Directors on 26 February 2020 and as required by Bermuda regulations was signed on its behalf by:

Jeffrey Conyers
Atlas Arteria International Limited
Hamilton, Bermuda

Derek Stapley
Atlas Arteria International Limited
Hamilton, Bermuda

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

ALX	Attributable to ATLIX securityholders: Contributed equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000	Attributable to ATLAX securityholders $'000	Total ALX equity $'000
Total equity at 31 December 2018	1,995,994	190,155	(87,522)	**2,098,627**	229,879	**2,328,506**
Adjustment on adoption of AASB 16 (refer note 7.5.5)	–	–	(1,219)	**(1,219)**	(220)	**(1,439)**
Total equity at 1 January 2019 (restated)	1,995,994	190,155	(88,741)	**2,097,408**	229,659	**2,327,067**
Profit/(loss) for the year	–	–	17,081	**17,081**	(26,902)	**(9,821)**
Exchange differences on translation of foreign operations	–	(9,309)	–	**(9,309)**	981	**(8,328)**
Change in fair value of the hedging instrument		(25,287)	–	**(25,287)**	–	**(25,287)**
Total comprehensive income/(expense)	–	(34,596)	17,081	**(17,515)**	(25,921)	**(43,436)**
Transactions with equity holders in their capacity as equity holders:						
Issue of securities during the year (refer note 5.2)	1,304,255	–	–	**1,304,255**	45,745	**1,350,000**
Transaction costs associated with issue of securities (refer note 5.2)	(25,449)	–	–	**(25,449)**	(2,217)	**(27,666)**
Employee performance rights (refer notes 5.2 and 5.3)	791	1,339	–	**2,130**	(68)	**2,062**
Capital return (refer note 2.2)	–	–	–	**–**	(53,295)	**(53,295)**
Dividends paid (refer note 2.2)	–	–	(150,334)	**(150,334)**	(1,367)	**(151,701)**
	1,279,597	1,339	(150,334)	**1,130,602**	(11,202)	**1,119,400**
Total equity at 31 December 2019	3,275,591	156,898	(221,994)	**3,210,495**	192,536	**3,403,031**

ALX	Attributable to ATLIX securityholders: Contributed equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000	Attributable to ATLAX securityholders $'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**
Adjustment to retained earnings from adoption of AASB 9 on 1 January 2018	–	–	288	**288**	(288)	**–**
Total equity at 1 January 2018 (restated)	1,911,877	28,122	(83,752)	**1,856,247**	305,828	**2,162,075**
Profit/(loss) for the year	–	–	76,683	**76,683**	(16,831)	**59,852**
Exchange differences on translation of foreign operations	–	161,955	–	**161,955**	16,547	**178,502**
Transfer from foreign currency translation reserve to accumulated losses		78	(78)	**–**	–	**–**
Total comprehensive income	–	162,033	76,605	**238,638**	(284)	**238,354**
Transactions with equity holders in their capacity as equity holders:						
Application of performance fees to subscription for new securities	84,117	–	–	**84,117**	6,186	**90,303**
Employee performance rights (refer note 5.3)	–	–	–	**–**	141	**141**
Capital return (refer note 2.2)	–	–		**–**	(77,209)	**(77,209)**
Dividends paid (refer note 2.2)	–	–	(80,375)	**(80,375)**	(4,783)	**(85,158)**
	84,117	–	(80,375)	**3,742**	(75,665)	**(71,923)**
Total equity at 31 December 2018	1,995,994	190,155	(87,522)	**2,098,627**	229,879	**2,328,506**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

ATLAX Group	Attributable to ATLAX securityholders Contributed equity $'000	Reserves $'000	Accumulated Income $'000	Total $'000
Total equity at 31 December 2018	197,311	(7,528)	40,096	**229,879**
Adjustment on adoption of AASB 16 (refer note 7.5.5)	–	–	(220)	**(220)**
Total equity at 1 January 2019 (restated)	197,311	(7,528)	39,876	**229,659**
Loss for the year	–	–	(26,902)	**(26,902)**
Exchange differences on translation of foreign operations	–	981	–	**981**
Total comprehensive income	–	981	(26,902)	**(25,921)**
Transactions with equity holders in their capacity as equity holders:				
Issue of securities during the year	45,745	–	–	**45,745**
Transaction costs associated with issue of securities	(2,217)	–	–	**(2,217)**
Employee performance rights (refer notes 5.2 and 5.3)	27	(95)	–	**(68)**
Capital return (refer note 2.2)	(53,295)	–	–	**(53,295)**
Dividends paid (refer note 2.2)	–	–	(1,367)	**(1,367)**
	(9,740)	(95)	(1,367)	**(11,202)**
Total equity at 31 December 2019	187,571	(6,642)	11,607	**192,536**

ATLAX Group	Attributable to ATLAX securityholders Contributed equity $'000	Reserves $'000	Accumulated Income $'000	Total $'000
Total equity at 1 January 2018	268,334	(24,216)	61,998	**306,116**
Adjustment to retained earnings from adoption of AASB 9 on 1 January 2018	–	–	(288)	**(288)**
Total equity at 1 January 2018 (restated)	268,334	(24,216)	61,710	**305,828**
Loss for the year	–	–	(16,831)	**(16,831)**
Exchange differences on translation of foreign operations	–	16,547	–	**16,547**
Total comprehensive income	–	16,547	(16,831)	**(284)**
Transactions with equity holders in their capacity as equity holders:				
Application of performance fees to subscription for new securities	6,186	–	–	**6,186**
Employee performance rights (refer note 5.3)	–	141	–	**141**
Capital return (refer note 2.2)	(77,209)	–	–	**(77,209)**
Dividends paid (refer note 2.2)	–	–	(4,783)	**(4,783)**
	(71,023)	141	(4,783)	**(75,665)**
Total equity at 31 December 2018	197,311	(7,528)	40,096	**229,879**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	ALX		ATLAX Group	
	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000
Cash flows from operating activities				
Toll revenue received (net of transaction fees)	**146,332**	123,174	**–**	–
Interest received	**6,824**	2,001	**1,652**	4,977
Other income received	**675**	634	**5,949**	–
Net indirect taxes received	**570**	430	**570**	430
Property taxes paid	**(6,091)**	(5,889)	**–**	–
Manager's and adviser's base fees paid	**(31,009)**	(36,874)	**(1,164)**	(2,711)
Manager's and adviser's performance fees paid	**–**	(25,000)	**–**	(1,713)
Payments to suppliers and employees (inclusive of GST/VAT)	**(40,942)**	(35,328)	**(14,800)**	(9,673)
Net income taxes paid/received	**22**	(8)	**22**	–
Net cash flows from operating activities	**76,381**	23,140	**(7,771)**	(8,690)
Cash flows from investing activities				
Return on preferred equity certificates and shares issued by Macquarie Autoroutes de France 2 SA ('MAF2')	**238,247**	249,417	**–**	–
Payment for purchase of investments, net of cash acquired	**–**	1,890	**–**	–
Payments to suppliers associated with the purchase of investments	**(54)**	–	**(50)**	–
Additions to tolling concessions (IFRIC 12)	**(15,424)**	–	**–**	–
Purchase of fixed assets	**(328)**	(1,102)	**(76)**	(548)
Sale of fixed assets	**16**	4	**–**	–
Net cash flows from investing activities	**222,457**	250,209	**(126)**	(548)
Cash flows from financing activities				
Proceeds from borrowings (net of transaction costs)	**–**	534,699	**–**	–
Repayment of debt and interest (including transaction costs)	**(105,291)**	(555,834)	**–**	–
Proceeds from issue of securities (net of transaction costs)	**1,324,176**	–	**44,854**	–
Transfer to restricted cash	**(50,054)**	(25,702)	**–**	–
Capital return	**(53,295)**	(77,209)	**(53,295)**	(77,209)
Dividends paid	**(151,701)**	(85,158)	**(1,367)**	(4,783)
Loan repayment from related parties	**–**	–	**53,633**	77,411
Loans advanced to related parties	**–**	–	**–**	(8,232)
Payment for purchase of derivative financial instrument	**–**	(4,818)	**–**	–
Net cash flows from financing activities	**963,835**	(214,022)	**43,825**	(12,813)
Net increase/(decrease) in cash and cash equivalents	**1,262,673**	59,327	**35,928**	(22,051)
Cash and cash equivalents at the beginning of the year	**186,468**	122,690	**12,461**	34,304
Effects of exchange rate movements on cash and cash equivalents	**1,080**	4,451	**223**	208
Cash and cash equivalents at the end of the year	**1,450,221**	186,468	**48,612**	12,461

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

NOTES TO THE FINANCIAL REPORTS

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 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 ('ATLIX Group') and ATLAX and its controlled entities ('ATLAX Group'), together comprising 'Atlas Arteria', 'ALX' or 'the Groups'.

As permitted by ASIC Class Order 13/1050 and ASIC Corporations (Stapled Group Reports) Instrument 2015/838, these reports consist of the Financial Report of ATLIX Group at the end of and during the year and separately the Financial Report of the ATLAX Group at the end of and during the year.

The Financial Report of Atlas Arteria should be read in conjunction with the separate Financial Report of the ATLAX Group presented in these reports for the year ended 31 December 2019.

Basis of preparation

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

The Financial Reports were authorised for issue by the directors of the ATLIX Board and the ATLAX Board (together, the 'Boards') on 26 February 2020 and 27 February 2020 respectively. The Boards have the power to amend and reissue the Financial Reports.

The 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).
- have also been prepared in accordance with and comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').
- include the assets and liabilities of all subsidiaries as at 31 December 2019 and the results of the subsidiaries for the year then ended. Inter-entity transactions with, or between, subsidiaries are eliminated in full on consolidation.
- have been prepared under the 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, unless otherwise stated. Refer to note 7.5 for other accounting policies which have not been presented along with their respective notes.

Critical accounting estimates and judgements

The preparation of the 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 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 3.2 and 6.2)
- Impairment of assets and associates (Note 3.2)
- Intangible assets – Tolling concessions (Note 4.1)

NOTES TO THE FINANCIAL REPORTS

2 Financial performance

2.1 (Loss)/profit for the 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.

Construction revenue

Revenue for the construction of service concession infrastructure assets is recognised in accordance with the percentage of completion method, which is measured by reference to costs incurred to date as a percentage of total forecast costs for each project.

2.1.1 Revenue and other income

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

	ALX		ATLAX Group	
	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000
Revenue from operations:				
Toll revenue	**150,368**	126,811	**–**	–
Other revenue	**838**	769	**9,453**	1,678
Construction revenue from road development activities	**16,557**	–	**–**	–
Interest income:				
Related parties	**368**	877	**410**	3,862
Other persons and corporations	**7,061**	3,921	**114**	–
Total interest income	**7,429**	4,798	**524**	3,862
Total revenue from operations	**175,192**	132,378	**9,977**	5,540
Other income from operations:				
Gain on revaluation [a]	**–**	13,470	**–**	–
Other income	**–**	139	**–**	–
Reversal of impairment on financial assets [b]	**–**	–	**118**	161
Net foreign exchange gain	**–**	–	**–**	63
Total other income from operations	**–**	13,609	**118**	224
Total revenue and other income from operations	**175,192**	145,987	**10,095**	5,764

(a) The prior year includes a gain on revaluation of the original investment as a result of acquiring an additional 30% investment in Warnowquerung GmbH & Co KG, the concessionaire of the Warnow Tunnel and its general partner Warnowquerung Verwaltungsgesellschaft mbH.

(b) Refer to note 4.3 for details.

NOTES TO THE FINANCIAL REPORTS

2.1.2 Operating expenses

	ALX		ATLAX Group	
	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000
Operating expenses				
Amortisation of tolling concession	**69,273**	61,768	**–**	–
Cost of operations:				
Toll road maintenance expenses	**11,737**	10,597	**–**	–
Other operating expenses	**9,838**	12,042	**134**	172
Employment costs	**20,209**	9,487	**7,705**	3,236
Total cost of operations	**41,784**	32,126	**7,839**	3,408
Consulting and administration fees	**5,655**	11,920	**3,304**	6,104
Manager's and adviser's base fees (refer to note 6.4.4)	**28,236**	36,759	**792**	2,236
Manager's and adviser's performance fees (refer to note 6.4.4)	**–**	70,625	**–**	4,984
Net foreign exchange loss	**994**	3,483	**30**	–
Impairment loss on goodwill (refer to note 4.2)	**66,028**	–	**–**	–
Impairment loss on tolling concession (refer to note 4.1)	**99,401**	–	**–**	–
Construction costs from road development activities	**16,557**	–	**–**	–
Other expenses	**7,843**	5,427	**3,777**	1,024
Depreciation and amortisation	**1,010**	350	**311**	39
Total operating expenses	**336,781**	222,458	**16,053**	17,795

2.1.3 Finance costs

	ALX		ATLAX Group	
	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000
Interest on debt	**100,398**	89,975	**–**	–
Mark to market loss on derivatives	**2,458**	2,055	**–**	–
Net loss on cash flow hedge ineffectiveness	**5,294**	–	**–**	–
Fee on early repayment of borrowings from financial institutions	**–**	4,576	**–**	–
Issue costs written off on loans repaid during the year	**–**	6,688	**–**	–
Amortisation of issue cost on borrowings from financial institutions (refer note 5.1)	**2,821**	5,626	**–**	–
Other interest	**1,340**	–	**37**	–
Total finance costs	**112,311**	108,920	**37**	–

NOTES TO THE FINANCIAL REPORTS

2.2 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 year but not distributed at balance date.

	ALX		ATLAX Group	
	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000
Distributions paid				
Dividend paid on 4 October 2019 [(a)]	**102,505**	–	**–**	–
Distribution paid on 5 April 2019 [(b)]	**102,491**	–	**54,662**	–
Distribution paid on 5 October 2018 [(c)]	**–**	81,992	**–**	81,992
Dividend paid on 13 April 2018 [(d)]	**–**	80,375	**–**	–
Total distributions paid	**204,996**	162,367	**54,662**	81,992

	Cents per stapled security	Cents per stapled security	Cents per stapled security	Cents per stapled security
Distributions paid				
Dividend per security paid on 4 October 2019 [(a)]	**15.0**	–	**–**	–
Distribution per security paid on 5 April 2019 [(b)]	**15.0**	–	**8.0**	–
Distribution per security paid on 5 October 2018 [(c)]	**–**	12.0	**–**	12.0
Dividend per security paid on 13 April 2018 [(d)]	**–**	12.0	**–**	–
Total distributions paid	**30.0**	24.0	**8.0**	12.0

(a) The dividend paid on 4 October 2019 comprised an ordinary dividend of 15.0 cps. The dividend was paid in full by ATLIX.

(b) The distribution paid on 5 April 2019 comprised a capital return of 7.8 cps and an unfranked Australian ordinary dividend of 0.2 cps paid by ATLAX and ordinary dividend of 7.0 cps paid by ATLIX.

(c) The distribution paid on 5 October 2018 comprised of a capital return of 11.3 cps and an unfranked Australian ordinary dividend of 0.7 cps. The distribution was paid in full by ATLAX.

(d) The dividend paid on 13 April 2018 comprised an ordinary dividend of 12.0 cps. The dividend was paid in full by ATLIX.

NOTES TO THE FINANCIAL REPORTS

2.3 Earnings per stapled security

Basic earnings per stapled security

Basic earnings per stapled security is determined by dividing the profit attributable to securityholders by the weighted average number of securities on issue during the year.

Diluted earnings per stapled security

Diluted earnings per stapled security is calculated by adjusting basic earnings per stapled security for the effects of all dilutive potential ordinary stapled securities.

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	Year ended 31 Dec 2019 cps	Year ended 31 Dec 2018 cps	Year ended 31 Dec 2019 cps	Year ended 31 Dec 2018 cps
Basic earnings/(loss) per ATLIX/ATLAX share	**2.45**	11.33	**(3.85)**	(2.49)
Diluted earnings/(loss) per ATLIX/ATLAX share	**2.44**	11.33	**(3.85)**	(2.49)
	$'000	$'000	$'000	$'000
Earnings/(loss) used in the calculation of basic and diluted profit/(loss) per ATLIX/ATLAX share	**17,081**	76,683	**(26,902)**	(16,831)
	Number	Number	Number	Number
Weighted average number of shares used in calculation of basic earnings/(loss) per ATLIX/ATLAX share	**698,100,080**	676,545,113	**698,100,080**	676,545,113
Adjustment for employee performance rights [a]	**590,615**	101,974	**590,615**	101,974
Weighted average number of shares used in calculation of diluted earnings/(loss) per ATLIX/ATLAX share	**698,690,695**	676,647,087	**698,690,695**	676,647,087

(a) Diluted earnings per ATLIX/ATLAX share is adjusted for employee performance rights. Refer to note 7.4 for details.

The basic (loss)/profit per ALX stapled security for the year ended 31 December 2019 was (1.40) cps (2018: 8.84 cps) and the diluted (loss)/profit per ALX stapled security for the year ended 31 December 2019 was (1.41) cps (2018: 8.84cps), using ALX (loss)/profit attributable to ALX stapled securityholders of ($9.8) million (2018: $59.9 million).

2.4 Income Tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Reports, and to unused tax losses.

Deferred income tax is determined using the balance sheet method, being the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Reports. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Under current Bermudan law, ATLIX will not be subject to any income, withholding or capital gains taxes in Bermuda. Controlled entities of ATLIX that are subject to taxes in their jurisdictions recognise income tax using the balance sheet approach of tax effect accounting.

NOTES TO THE FINANCIAL REPORTS

2.4.1 Income tax (benefit)/expense

This note provides an analysis of the Groups' income tax (benefit)/expense, shows what amounts are recognised directly in equity and how the tax (benefit)/expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Groups' tax position.

	ALX		ATLAX Group	
(a) Income tax (benefit)/expense	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000
Income Tax (benefit)/expense				
Current tax	**(1,972)**	2,118	**–**	(1)
Deferred tax	**(7,233)**	(1,220)	**–**	–
Total income tax (benefit)/expense	**(9,205)**	898	**–**	(1)

(b) Reconciliation of income tax (benefit)/expense to prima facie tax payable	ALX 2019	ALX 2018	ATLAX Group 2019	ATLAX Group 2018
(Loss)/profit from operations before income tax	**(19,026)**	60,750	**(26,902)**	(16,832)
Prima facie income tax on (loss)/profit at the Australian tax rate of 30%	**(5,707)**	18,225	**(8,071)**	(5,050)
Impact of different tax rates of operations in jurisdictions other than Australia	**18,683**	141,010	**19**	50
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:				
Non-assessable income	**(37)**	(4,088)	**(37)**	(47)
Non-deductible expenditure	**50,029**	1,405	**351**	1,354
Share of net (profits)/losses of investments accounted for using the equity method	**(76,462)**	(73,842)	**6,272**	1,440
Temporary differences not brought to account	**(596)**	7,152	**109**	(990)
Deferred tax assets on taxable losses not brought to account	**4,885**	(88,964)	**1,357**	3,242
Aggregate income tax (benefit)/expense	**(9,205)**	898	**–**	(1)

(c) Tax losses	ALX 2019	ALX 2018	ATLAX Group 2019	ATLAX Group 2018
Unused tax losses for which no deferred tax asset has been recognised	**285,589**	274,589	**284,636**	274,056
Potential tax benefit of unused tax losses	**75,120**	72,140	**74,939**	72,039

Neither ALX nor the ATLAX Group recognised any current or deferred tax that was debited or credited directly to equity.

2.4.2 Deferred tax assets and liabilities

The Groups have no deferred tax assets. The movement in the balance of deferred tax liabilities ('DTL') is as follows:

	ALX		ATLAX Group	
	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000
Deferred tax liabilities				
Opening balance at 1 January	**(57,709)**	(40,333)	**–**	–
Acquisition of subsidiary	**–**	(14,193)	**–**	–
Amortisation of deferred tax liabilities	**1,558**	1,220	**–**	–
Impairment impact on deferred tax liabilities	**5,675**	–	**–**	–
Foreign exchange movement	**(65)**	(4,403)	**–**	–
Closing balance at 31 December	**(50,541)**	(57,709)	**–**	–

During 2019 the impairment recognised on Dulles Greenway of $165.4 million resulted in a $5.7 million decrease in the DTL. In the prior year, a DTL of $14.2 million was recognised on intangible assets resulting from acquisition of the remaining 30% equity interest in Warnow Tunnel.

NOTES TO THE FINANCIAL REPORTS

2.5 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers are responsible for allocating resources and assessing performance of the operating segments.

2.5.1 Description of segments

Management has determined the operating segments based on the reports reviewed by the Boards. The Boards do not manage the day-to-day activities of the business. The directors have appointed a management team to run and manage the ongoing operations of the business.

Management considers the business from the aspect of each of the businesses and have identified four operating segments for Atlas Arteria and one operating segment for the ATLAX Group. The segments of Atlas Arteria are the investments in APRR, ADELAC, Dulles Greenway and Warnow Tunnel. The only segment for the ATLAX Group is the investment in Dulles Greenway.

2.5.2 Segment information

The proportionally consolidated segment information for the reportable segments for the year ended 31 December 2019, based on Atlas Arteria's economic ownership interest is as follows:

ALX	Year ended	APRR $'000	ADELAC $'000	Dulles Greenway $'000	Warnow Tunnel $'000	Total ALX $'000	Total ATLAX $'000
Segment revenue	**31-Dec-19**	**1,051,601**	**22,901**	**129,088**	**22,063**	**1,225,653**	**17,340**
	31-Dec-18	1,002,663	22,184	121,800	15,618	1,162,265	16,361
Segment expenses	**31-Dec-19**	**(276,836)**	**(4,164)**	**(24,556)**	**(5,441)**	**(310,997)**	**(3,299)**
	31-Dec-18	(262,489)	(3,874)	(22,772)	(3,697)	(292,832)	(3,059)
Segment EBITDA	**31-Dec-19**	**774,765**	**18,737**	**104,532**	**16,622**	**914,656**	**14,041**
	31-Dec-18	740,174	18,310	99,028	11,921	869,433	13,302
EBITDA margin	**31-Dec-19**	**74%**	**82%**	**81%**	**75%**	**75%**	**81%**
	31-Dec-18	74%	83%	81%	76%	75%	81%

The segment revenue disclosed in the table above primarily relates to toll revenue generated by the businesses from external customers.

The segment expenses disclosed in the table above relate directly to costs associated with the operation of that segment. The segment assets and liabilities are disclosed in note 3.2.3 with the exception of Warnow Tunnel whose assets are $212.5 million (2018: $221.0 million) and liabilities are $219.4 million (2018: $225.0 million).

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

	ALX		ATLAX Group	
	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Reconciliation of segment revenue to revenue				
Segment revenue	**1,225,653**	1,162,265	**17,340**	16,361
Revenue attributable to non-consolidated investments	**(1,074,502)**	(1,036,064)	**(17,340)**	(16,361)
Construction revenue from road development activities	**16,557**	–	**–**	–
Unallocated revenue and other income	**7,484**	19,786	**10,095**	5,764
Total revenue and other income from operations	**175,192**	145,987	**10,095**	5,764
Reconciliation of segment EBITDA to profit/(loss) from operations before income tax				
Segment EBITDA	**914,656**	869,433	**14,041**	13,302
EBITDA attributable to non-consolidated investments	**(793,502)**	(766,738)	**(14,041)**	(13,302)
Construction expense from road development activities	**(16,557)**	–	**–**	–
Impairment of Dulles Greenway expense	**(165,429)**	–	**–**	–
Unallocated revenue	**7,484**	19,786	**10,095**	5,764
Unallocated expenses	**(108,241)**	(198,952)	**(16,053)**	(17,795)
Finance costs	**(112,311)**	(108,920)	**(37)**	–
Share of net profits/(losses) of investments accounted for using the equity method	**254,874**	246,141	**(20,907)**	(4,801)
(Loss)/profit from operations before income tax	**(19,026)**	60,750	**(26,902)**	(16,832)

NOTES TO THE FINANCIAL REPORTS

3 Cash and investments

3.1 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 and highly liquid investments that are readily convertible to cash with 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.

	ALX		ATLAX Group	
	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Current				
Cash and cash equivalents [a]	**1,450,221**	186,468	**48,612**	12,461
	1,450,221	186,468	**48,612**	12,461
Non-current				
Restricted cash	**253,904**	203,961	**–**	–
	253,904	203,961	**–**	–

(a) At 31 December 2019, cash on hand includes $1,324.2 million of proceeds from the Equity Raise which will be used to fund the APRR Transaction which is expected to complete in early March 2020.

3.1.1 Cash and cash equivalents

During the year cash on hand was held in bank accounts earning money market rates of interest between nil and 2.51% (2018: nil to 2.52%) per annum.

Cash equivalents include TRIP II's money market deposits which mature within 30 days and paid interest between 1.37% and 2.44% (2018: 2.32% to 2.56%) per annum.

3.1.2 Restricted cash

This comprises funds held in escrow pursuant to the TRIP II bond indenture agreements, Warnow Tunnel loan agreements and cash-backed guarantees provided in relation to Warnow Tunnel. Discussion of the Groups' policies concerning the management of credit risk can be found in Note 5.4.4.

3.2 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 is recognised in profit or loss. 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 its 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 in the current year and have previously accounted 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		ATLAX Group	
	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Investment in associates and joint venture – equity method	**1,423,265**	1,569,970	**144,589**	164,644

NOTES TO THE FINANCIAL REPORTS

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

3.2.1 Carrying amounts

			ALX Economic interest	ALX		ATLAX Economic Interest	ATLAX Group	
Name of Entity [a]	Country of Incorporation/ Principal Place of Business	Principal Activity	As at 31 Dec 2019 and 31 Dec 2018 %	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 and 31 Dec 2018 %	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
MAF2 [b], [c]	Luxembourg	Investment in toll road network located in the east of France (APRR)	50.0/50.0	**1,423,248**	1,569,953	-/-	**–**	–
TRIP II [d], [e]	USA	Investment in toll road located in northern Virginia, USA	-/-	**–**	–	13.4/13.4	**144,572**	164,627
Chicago Skyway Partnership ('CSP') [f]	USA	Former owner of an investment in toll road located south of Chicago, USA	50.0/50.0	**14**	14	50.0/50.0	**14**	14
Indiana Toll Road Partnership ('ITRP') [g]	USA	Former owner of an investment in toll road located in northern Indiana, USA	49.0/49.0	**3**	3	49.0/49.0	**3**	3
				1,423,265	1,569,970		**144,589**	164,644

(a) All associates and joint arrangements have 31 December year end reporting requirements except for MAF2 which has a 31 March year end.

(b) Atlas Arteria'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.

(c) The ATLIX Group has executed agreements to acquire a further 12.28% economic interest in MAF2 as a result of the APRR Transaction.

(d) The ATLAX Group has a 13.4% interest in TRIP II, the concessionaire for Dulles Greenway is accounted for as an equity accounted associate. Atlas Arteria 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, TRIP II is accounted for as subsidiary of Atlas Arteria.

(e) TRIP II is in 'lockup' under its debt documents, meaning that it is currently unable to make distributions to Atlas Arteria or the ATLAX Group.

(f) At 31 December 2019, Atlas Arteria 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.

(g) At 31 December 2019, Atlas Arteria 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. The small residual investment balance represents cash left in ITRP for payment of expenses.

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3.2.2 Movement in carrying amounts

	ALX		ATLAX Group	
	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000
Carrying amount at the beginning of the year	**1,569,970**	1,483,337	**164,644**	153,110
Adjustment on adoption of AASB 16 (refer note 7.5.5)	**–**	–	**(220)**	–
Share of profits/(losses) after income tax	**254,874**	246,141	**(4,401)**	(4,801)
Distributions received/receivable	**(375,722)**	(249,417)	**–**	–
Gain on revaluation of joint venture/associate	**–**	13,470	**–**	–
Derecognition of joint venture/associate	**–**	(13,470)	**–**	–
Foreign exchange movement	**(25,857)**	89,909	**941**	16,335
Impairment of asset [a]	**–**	–	**(16,375)**	–
Carrying amount at the end of the year	**1,423,265**	1,569,970	**144,589**	164,644

(a) Impairment of Dulles Greenway includes an impairment of $22.1 million (refer to notes 4.1 & 4.2) offset by the impact of the deferred tax liability $5.7 million

3.2.3 Summarised financial information for material associates

The following tables summarise financial information for those associates that are material to the Atlas Arteria and ATLAX Group. The information disclosed reflects the amounts presented in the Financial Reports of those relevant entities and not Atlas Arteria's or ATLAX Group's share of those amounts. Additional disclosures at the end of the tables reflect the adjustments required for relevant disclosure in the Atlas Arteria or ATLAX Group accounts.

	MAF2 [a]		TRIP II	
Summarised Statement of Financial Position	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Total current assets	**1,683,670**	1,098,238	**79,173**	117,034
Total non-current assets	**9,420,390**	9,721,036	**2,631,409**	2,603,485
Total current liabilities	**(2,843,063)**	(1,870,916)	**(72,243)**	(83,568)
Total non-current liabilities	**(6,378,327)**	(7,064,727)	**(1,440,195)**	(1,411,403)
Net assets	**1,882,670**	1,883,631	**1,198,144**	1,225,548
Reconciliation to carrying amounts:				
Opening net assets	**1,883,631**	1,778,233	**1,225,548**	1,139,729
Profit/(loss) for the year	**509,666**	492,192	**(32,763)**	(35,774)
Distributions paid	**(751,322)**	(498,753)	**–**	–
Foreign exchange and other equity movements	**240,695**	111,959	**5,359**	121,593
Closing net assets	**1,882,670**	1,883,631	**1,198,144**	1,225,548
Atlas Arteria's share in %	**50.0%**	50.0%	**–**	–
Atlas Arteria's share of net assets in $	**941,487**	941,967	**–**	–
ATLAX Group's share in %	**–**	–	**13.4%**	13.4%
ATLAX Group's share of net assets in $	**–**	–	**160,947**	164,627
Atlas Arteria's carrying amount	**1,423,248**	1,569,953	**–**	–
Impairment of asset [b]	**–**	–	**(16,375)**	–
ATLAX Group's carrying amount	**–**	–	**144,572**	164,627

(a) MAF2 proportionately consolidates the results of APRR.
(b) Impairment of Dulles Greenway includes an impairment of $22.1 million (refer to notes 4.1 & 4.2) offset by the impact of the deferred tax liability $5.7 million.

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	MAF2 [a]		TRIP II	
Summarised Statement of Comprehensive Income	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000
Revenue	**2,451,248**	2,313,925	**145,645**	121,736
Profit/(loss) for the year	**509,666**	492,192	**(32,763)**	(35,774)
Atlas Arteria's share	**254,874**	246,136	**–**	–
ATLAX Group's share	**–**	–	**(4,401)**	(4,806)
Atlas Arteria's distributions received	**375,722**	249,417	**–**	–
ATLAX Group's distributions received	**–**	–	**–**	–

(a) MAF2 proportionately consolidates the results of APRR.

3.2.4 Share of losses not brought to account attributable to immaterial associate

	ALX [a]		ATLAX Group	
	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000
Share of losses not brought to account attributable to immaterial associate and joint venture				
Balance at the beginning of the year	**–**	(24,816)	**–**	(2)
Derecognition of joint venture	**–**	24,376	**–**	–
Share of profits/(losses) brought to account	**–**	2	**–**	2
Share of profits/(losses) not brought to account	**–**	438	**–**	–
Balance at the end of the year	**–**	–	**–**	–

(a) Includes Chicago Skyway Partnership and Indiana Toll Road Partnership. Residual investment balance represents cash left in these structures for the payment of expenses.

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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:

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

There has been no change to the estimated useful life during the year.

In relation to APRR and ADELAC, the tolling concessions in relation to these 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 these 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 3.2 for additional detail on the accounting policy for impairment of assets and reversal of impairment.

	ALX		ATLAX Group	
	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Balance at the beginning of the year	**2,578,434**	2,189,724	**–**	–
Acquisition cost [a]	**16,557**	214,772	**–**	–
Amortisation of tolling concession	**(69,273)**	(61,768)	**–**	–
Impairment of tolling concession [b]	**(99,401)**	–	**–**	–
Foreign exchange movement	**12,281**	235,706	**–**	–
Balance at the end of the year	**2,438,598**	2,578,434	**–**	–

(a) In the current year, $16.6 million was recognised on the DTR connector project (refer also to note 2.1 for the construction revenue policy). In the prior year, a tolling concession of $214.8 million was recognised following the acquisition of the remaining 30% equity interest in Warnow Tunnel.

(b) An impairment charge of $165.4 million was taken as an expense on Dulles Greenway, comprising $99.4 million tolling concession impairment expense and $66.0 million goodwill impairment expense (refer to note 4.2).

4.2 Goodwill

Goodwill

Goodwill represents the excess of the consideration paid over the fair value of the identifiable net assets of the acquired entity at the date of acquisition. Goodwill arising from business combinations is included on the face of the statement of financial position. Goodwill arising from acquisitions of associates is included in the carrying amount of investments in associates.

Impairment

Goodwill is not subject to amortisation but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of a cash generating unit ('CGU') is determined based on fair value less costs of disposal calculations which require the use of assumptions. The calculations use detailed cash flow projections covering the remaining concession life of the CGU.

Refer to note 3.2 for additional detail on the accounting policy for impairment

	ALX		ATLAX Group	
	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Balance at the beginning of the year	**79,390**	58,726	**–**	–
Acquisition cost [b]	**–**	14,193	**–**	–
Impairment on Goodwill in Dulles Greenway [a]	**(66,028)**	–	**–**	–
Foreign exchange movement	**692**	6,471	**–**	–
Balance at the end of the year	**14,054**	79,390	**–**	–

(a) An impairment charge taken over Dulles Greenway of $165.4 million has been recognised as an expense, comprising $99.4 million tolling concession impairment expense (refer to note 4.1) and $66.0 million goodwill impairment expense.

(b) In the prior year, goodwill of $14.2 million was recognised as a result of the deferred tax liability calculated on concession rights value following the acquisition of the remaining 30% equity interest in Warnow Tunnel.

Key assumptions used for fair value less costs of disposal calculations at 31 December 2019 – Dulles Greenway

Assumption	Approach used to determine values
Traffic volume	Based on historic trends and the Groups' internal long-term traffic forecasting models. Traffic forecasts for Dulles Greenway are based on assumptions of long-term traffic growth broadly in line with economic development and population growth within its catchment area.
Long term CPI (% annual growth)	Based on the Groups' long-term internal forecasts and independent third-party projections, long term CPI rates are forecast to grow by between 2.2% and 2.3%.
Average toll (% annual growth)	Based on current regulation and the Groups' long-term internal forecasts. Toll rates for Dulles Greenway were determined by decisions of the State Corporations Commission (SCC) from the road's inception until 31 December 2012. From 1 January 2013 to 1 January 2020, toll rates for Dulles Greenway were determined by a legislated formula that specified that rates would increase annually at the highest of CPI+1%, real GDP or 2.8%. From 2020, the SCC will again determine the rates under the legislative framework that was used pre-2013. A rate new case was submitted to the SCC on 19 December 2019. The Groups' long-term assumption forecasts toll rates to escalate in a range within the historical experience from inception to 1 January 2020. However, historical results provide no guarantee as new legislation or regulatory decisions could impact future outcomes.
Post-tax discount rate	Detailed cash flows were discounted using an equity discount rate of 8.5%. The discount rate is based on a number of factors including, but not limited to, the asset's nature of operations, regulatory environment, macroeconomic conditions, risk profile and observed market prices for similar transactions.

The assets and liabilities associated with the CGU were initially recognised in Atlas Arteria's balance sheet at their fair values on the dates on which Atlas Arteria achieved control of the CGU. As part of the half year reporting for 30 June 2019, the Boards of ATLIX and ATLAX decided to impair their respective investments in Dulles Greenway by a total of US$115.0 million ($165.4 million). These decisions took into account the operating performance of Dulles Greenway combined with a more conservative outlook for traffic growth than that taken in prior periods. With upgrades to surrounding roads, traffic has taken longer than previously expected to reflect the population growth and economic development in the area and in the first half of the year the Dulles Greenway saw the impact on its traffic from toll increases at the DTR. The impairment was a point in time assessment for 30 June 2019 (refer to notes 4.1 and 4.2), and an impairment test conducted for 31 December 2019 has concluded that no further impairment is necessary as the recoverable amount approximates the carrying amount.

The assumptions used in the fair value less costs of disposal calculation are measured at Level 3 in the fair value hierarchy (refer to note 5.4 for additional detail on the fair value hierarchy).

4.3 Other assets

Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost because their cash flows represent solely payments of principal and interest. 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

Atlas Arteria and the ATLAX Group 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. Atlas Arteria and the ATLAX Group 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		ATLAX Group	
	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Current				
Receivables from related parties	**–**	–	**1,733**	46,510
Less: Loss allowance	**–**	–	**(8)**	(108)
Prepayments	**987**	723	**172**	125
Tax receivable	**129**	279	**129**	279
Trade Receivables and other assets [(a)]	**142,274**	1,493	**68**	531
Total current other assets	**143,390**	2,495	**2,094**	47,337
Non-current				
Receivables from related parties	**–**	–	**–**	8,232
Less: Loss allowance	**–**	–	**–**	(18)
Prepayments	**103**	120	**51**	60
Other assets	**145**	199	**–**	–
Total non-current other assets	**248**	319	**51**	8,274

(a) In July 2019, MAF2 declared a distribution to be funded by the redemption of shares. The total distribution to be paid to Atlas Arteria amounted to €157.3 million ($253.2 million). €71.3 million ($114.8 million) of this distribution was paid in September 2019, with the balance of the distribution to be paid in 2020.

The Groups' maximum credit exposure for receivables is the carrying value. Discussion of the Groups' policies concerning the management of credit risk can be found in note 5.4. The fair value of receivables approximates their carrying values.

4.4 Other liabilities

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.

Employee benefits
Liabilities for salaries, including non-monetary benefits and leaves that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. This balance is captured under sundry creditors and accruals.

	ALX		ATLAX Group	
	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Current				
Manager and adviser fees payable	**5,285**	9,063	**90**	471
Provision for toll maintenance	**2,543**	14,987	**–**	–
Sundry creditors and accruals	**14,572**	8,288	**3,111**	2,905
Tax payables	**2,478**	2,521	**–**	22
Lease liability [a]	**1,049**	–	**176**	–
Total current other liabilities	**25,927**	34,859	**3,377**	3,398
Non-Current				
Easement accruals [b]	**–**	11,571	**–**	–
Provision for toll maintenance	**14,752**	–	**–**	–
Lease liability [a]	**19,598**	–	**1,756**	–
Total non-current other liabilities	**34,350**	11,571	**1,756**	–

(a) AASB 16 *Leases* became applicable for the current reporting period and the Groups changed their accounting as a result of adopting AASB 16 *Leases*.
(b) 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. This has now been incorporated into the Lease Liability as a result of adopting AASB16 *Leases*.

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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		ATLAX Group	
	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Current				
Non-recourse TRIP II bonds and accrued interest thereon [a]	**41,301**	73,595	**–**	–
Non-recourse Warnow Tunnel borrowings and interest accrued thereon [b]	**3,880**	3,696	**–**	–
Accrued interest on borrowings from financial institutions [c]	**–**	31	**–**	–
Total current debt at amortised cost	**45,181**	77,322	**–**	–
Non-current				
Non-recourse TRIP II bonds and accrued interest thereon [a]	**1,397,502**	1,356,286	**–**	–
Non-recourse Warnow Tunnel borrowings and interest accrued thereon [b]	**172,932**	180,730	**–**	–
Borrowings from financial institutions [c]	**558,894**	564,946	**–**	–
Total non-current debt at amortised cost	**2,129,328**	2,101,962	**–**	–

(a) Non-recourse TRIP II bonds

The Atlas Arteria 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 Atlas Arteria 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$1,018.4 million of zero coupon bonds with maturities extending to 2056.

(b) Non-recourse Warnow Tunnel borrowings

The Atlas Arteria consolidated financial statements incorporate borrowings raised by Warnow Tunnel to finance the construction of infrastructure assets. These borrowings are non-recourse beyond the Warnow Tunnel assets and Atlas Arteria has no commitments to provide further debt or equity funding to Warnow Tunnel in order to meet these liabilities. The borrowings are payable in three tranches with maturities extending to 2053.

(c) Borrowings from financial institutions

On 31 May 2018, Atlas Arteria 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 accrued interest up to that date. The new APRR facility has a maturity of 2024 with margins as set out below:

- From 24 Oct 2019 to 23 Oct 2022: 2.25%
- From 24 Oct 2022 to 23 Oct 2023: 2.75%
- From 24 Oct 2023 to 23 Oct 2024: 3.25%

Atlas Arteria incurred upfront issue costs of €4.0 million ($6.2 million) on the APRR finance facility, of which, €1.8 million ($2.8 million) has been amortised in the year ended 31 December 2019 (2018: €1.8 million ($2.8 million)). Prior year costs also included amortisation costs associated with the facilities refinanced in 2018.

5.2 Contributed equity

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Ordinary shares	**3,275,591**	1,995,994	**187,571**	197,311
Contributed equity	**3,275,591**	1,995,994	**187,571**	197,311
On issue at the beginning of the year	**1,995,994**	1,911,877	**197,311**	268,334
Issue of Short term incentive ('STI') securities	**791**	–	**27**	–
Application of performance fees to subscription for new securities	**–**	84,117	**–**	6,186
Issue of securities	**1,304,255**	–	**45,745**	–
Transaction costs associated with issue of securities	**(25,449)**	–	**(2,217)**	–
Capital return (refer to note 2.2)	**–**	–	**(53,295)**	(77,209)
On issue at the end of the year	**3,275,591**	1,995,994	**187,571**	197,311

During the year ended 31 December 2019, the Groups undertook a $1,350.0 million Equity Raise, comprising a $451.9 million institutional placement and a 4 for 21 accelerated pro-rata non-renounceable entitlement offer of $898.1 million. The Equity Raise resulted in the issuance of 195.7 million new ordinary stapled securities. The new stapled securities were issued at a price of $6.90 per security and the entitlement offer was fully subscribed.

During the year ended 31 December 2018, $90.3 million of the full 2018 performance fee, the second and third instalments of the 2017 performance fee and the third instalment of June 2016 performance fee were applied to a subscription for new ATLAX and ATLIX securities, the remaining $25.0 million of performance fees were settled in cash.

On 16 August 2019, 107,575 stapled securities were issued to fulfil short term incentive ('STI') requirements. These were valued at $7.605 per security, however they have been issued at zero cost and are subject to a holding lock until the vesting date.

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 31 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2018
	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
On issue at the beginning of the year	**683,265**	669,789	**683,265**	669,789
Issue of STI Securities	**108**	–	**108**	–
Application of performance fees to subscription for new securities	**–**	13,476	**–**	13,476
Issue of securities	**195,652**	–	**195,652**	–
On issue at the end of the year	**879,025**	683,265	**879,025**	683,265

Ordinary shares in ATLIX and in ATLAX

Each fully paid stapled security confers the right to vote at meetings of securityholders, subject to any voting restrictions imposed on a securityholder under the *Corporations Act 2001* in Australia, Companies Act in Bermuda and the ASX Listing Rules. On a show of hands, every securityholder present in person or by proxy has one vote.

On a poll, every securityholder who is present in person or by proxy has one vote for each fully paid share in respect of ATLIX and one vote for each fully paid share in respect of ATLAX.

The directors of ATLIX and ATLAX may declare distributions which are appropriate given the financial position of ATLIX and ATLAX.

If ATLIX and ATLAX are wound up, the liquidator may, with the sanction of an extraordinary resolution and any other requirement of law, divide among the securityholders in specie or in kind the whole or any part of the assets of ATLIX and ATLAX.

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5.3 Reserves

Share-based payments

Share-based compensation benefits are provided to employees via the STI Plan and the long term incentive ('LTI') Plan. Securities (equal to 50% of the value awarded) are only issued under the STI plan if performance conditions are met. Securities issued under the STI Plan are time contingent and are issued in restricted securities on terms determined by the Boards. The share based STI Plan is recognised as an employee expense with a corresponding increase in equity. The total amount to be expensed is determined based on the probability of the vesting being met. The fair value of performance rights granted under the LTI Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the performance rights granted including the market performance conditions and the number of equity instruments expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, Atlas Arteria and the ATLAX Group revise their estimates of the number of performance rights that are expected to vest based on service conditions and recognise the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Hedging

The hedging reserve includes the cash flow hedge reserve (see note 5.4 for details). The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently transferred to the initial cost of the investment.

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Balance of reserves				
Foreign currency translation reserve	**180,846**	190,155	**(6,688)**	(7,669)
Hedging reserve (see note 5.4.2)	**(25,287)**	–	**–**	–
Other reserve	**1,339**	–	**46**	141
Balance at the end of the year	**156,898**	190,155	**(6,642)**	(7,528)

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Movements of reserves				
Foreign currency translation reserve				
Balance at the beginning of the year	**190,155**	28,122	**(7,669)**	(24,216)
Net exchange differences on translation of foreign controlled entities	**(9,309)**	161,955	**981**	16,547
Transfer to accumulated losses [(a)]	**–**	78	**–**	–
Balance at the end of the year	**180,846**	190,155	**(6,688)**	(7,669)
Hedging reserve				
Balance at the beginning of the year	**–**	–	**–**	–
Change in fair value the cash flow hedges (see note 5.4.2)	**(25,287)**	–	**–**	–
Balance at the end of the year	**(25,287)**	–	**–**	–
Other reserve				
Balance at the beginning of the year	**–**	–	**141**	–
Other equity transactions	**–**	–	**–**	–
Employee share performance rights [(b)]	**1,339**	–	**(95)**	141
Balance at the end of the year	**1,339**	–	**46**	141

(a) During the year ended 31 December 2018, foreign exchange translation gains in ATLIX Group of $0.1 million were transferred to accumulated losses from foreign currency translation reserves following the acquisition of the remaining 30% interest of Warnow Tunnel. These transfers arose as the increase in investment is treated as a disposal of the existing interest in joint venture.

(b) Expenses arising from share based benefits relating to STI's & LTI's attributable to ATLIX equity holders as at 31 December 2019: $1.3 million (31 December 2018: $Nil). Expenses arising from share based benefits relating to STI's & LTI's attributable to ATLAX equity holders as at 31 December 2019: $(0.1) million (31 December 2018: $0.1 million).

5.4 Financial risk and capital management

5.4.1 Financial risk management

The Groups' activities expose them to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Groups' overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the Groups. The Groups use derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures.

The Risk Management Policy and Framework is implemented by management under policies approved by the Boards. Management identifies, quantifies and qualifies financial risks and provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

5.4.2 Derivatives

The Groups have the following derivative financial instruments in the balance sheet:

	ALX		ATLAX Group	
	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Current assets				
Interest rate caps	**–**	2,900	**–**	–
Total current derivative financial instrument assets	**–**	2,900	**–**	–
Current liabilities				
Foreign currency forwards – cash flow hedge	**30,581**	–	**–**	–
Interest rate swaps	**3,187**	3,108	**–**	–
Non-current liabilities				
Interest rate swaps	**12,803**	13,495	**–**	–
Total derivative financial instrument liabilities	**46,571**	16,603	**–**	–

Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Further information about the derivatives used by the Groups is provided in note 5.4.3 below.

Fair value measurement

From time to time, the Groups enter into forward exchange contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The accounting for subsequent changes in fair value depends on whether or not derivatives are designated as hedge accounting relationships. If hedge accounting is not designated, any changes in their fair value are recognised immediately in the Consolidated Statement of Comprehensive Income.

Hedging Reserves

The Groups' hedging reserves disclosed in note 5.3 relate to the following hedging instruments:

	Cash flow hedge reserve	
	Forward exchange contracts $'000	Total hedge reserves $'000
Opening balance 1 January 2019	–	–
Add: Change in fair value of the hedging instrument recognised in other comprehensive income for the year	25,287	25,287
Closing balance 31 December 2019	**25,287**	**25,287**

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Amounts recognised in the profit or loss

The following amounts were recognised in profit or loss in relation to the hedge ineffectiveness of the FX Forward Contract designated in a cash flow hedge relationship:

	ALX		ATLAX Group	
	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Hedge ineffectiveness of foreign currency forwards – amount recognised in other (losses)/gains	**(5,294)**	–	**–**	–

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the Groups enter into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Groups therefore perform a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Groups use the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of ATLIX or the derivative counterparty.

Deal contingent foreign exchange forward contract

ATLIX entered into the FX Forward Contract on 20 November 2019. This is a cash flow hedge intended to mitigate foreign exchange risk associated with €711.0 million expected future payments on completion of the APRR Transaction. As the cash flow on settlement of the FX Forward Contract matches the cash flow required by and is contingent upon the settlement of the APRR Transaction there is an economic relationship.

Hedge ineffectiveness for the FX Forward Contract occurs due to the premium embedded for the contingent component associated with settlement for the APRR Transaction. Settlement took place on 24 February 2020. Under the terms of the FX Forward Contract, €710.0 million was purchased at a EUR:AUD exchange rate of 1.6449. This includes a deal contingency charge of which $5.3 million was recognised during the year, which represents 0.45% of the total sum payable under the FX Forward Contract. Due to the premium embedded in the FX Forward Contract an ineffectiveness is noted in the hedge.

NOTES TO THE FINANCIAL REPORTS

5.4.3 Market risk

Foreign exchange risk

Foreign exchange risk arises when recognised assets and liabilities and future commercial transactions are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Groups operate internationally and are exposed to foreign exchange risk mainly arising from currency exposures to the Euro ('EUR') and United States Dollar ('USD').

The Groups do not hedge the foreign exchange exposure on overseas investments.

Financial instruments are converted to Australian Dollars ('AUD') at the rate of exchange ruling at the financial reporting date. Derivative instruments are valued with reference to forward exchange rates from the year end to settlement date, as provided by independent financial institutions.

In assessing foreign exchange risk, management has assumed the following possible movements in the AUD:

- AUD/EUR exchange rate increased/decreased by 5 Euro cents (2018: 6 Euro cents)
- AUD/USD exchange rate increased/decreased by 7 US cents (2018: 8 US cents)
- AUD/GBP exchange rate increased/decreased by 6 UK pence (2018: 6 UK pence)

The below tables display the amounts for financial instruments that would be recognised in profit or loss or directly in equity if the movements in foreign exchange rates as outlined above occur. The Groups' management have determined the above movements in the AUD to be a reasonably possible shift following analysis of foreign exchange volatility for relevant currencies over the last five years.

	Foreign exchange risk							
	Appreciation in Australian Dollar				Depreciation in Australian Dollar			
ALX	P&L 2019 $'000	P&L 2018 $'000	Equity 2019 $'000	Equity 2018 $'000	P&L 2019 $'000	P&L 2018 $'000	Equity 2019 $'000	Equity 2018 $'000
Total financial assets [a]	**(721)**	(1,185)	**–**	–	**858**	1,448	**–**	–
Total financial liabilities [b]	**21**	89	**–**	–	**(26)**	(112)	**–**	–
Total	**(700)**	(1,096)	**–**	–	**832**	1,336	**–**	–

	Foreign exchange risk							
	Appreciation in Australian Dollar				Depreciation in Australian Dollar			
ATLAX Group	P&L 2019 $'000	P&L 2018 $'000	Equity 2019 $'000	Equity 2018 $'000	P&L 2019 $'000	P&L 2018 $'000	Equity 2019 $'000	Equity 2018 $'000
Total financial assets [a]	**(3)**	(21)	**–**	–	**4**	27	**–**	–
Total financial liabilities [b]	**4**	32	**–**	–	**(5)**	(40)	**–**	–
Total	**1**	11	**–**	–	**(1)**	(13)	**–**	–

(a) Financial assets include cash, cash equivalents, restricted cash, receivables and derivative financial instruments.
(b) Financial liabilities include payables, debt at amortised cost and derivative financial instruments.

Interest rate risk

The Groups have no significant interest bearing assets and liabilities whose fair value is significantly impacted by changes in market interest rates.

In assessing interest rate risk, management has assumed the following movements in the identified interest rates:

- Bank bill swap reference rate (AUD BBSW 90 days) increased/decreased by 58 bps (2018: 34 bps)
- Bank bill swap reference rate (EURIBOR 90 days) increased/decreased by 10 bps (2018: 13 bps)
- Bank bill swap reference rate (USD LIBOR 90 days) increased/decreased by 56 bps (2018: 39 bps)
- Bank bill swap reference rate (GBP LIBOR 90 days) increased/decreased by 21 bps (2018: 19 bps)
- Bank bill swap reference rate (EURIBOR 6 months) increased/decreased by 11 bps (2018: 13 bps)
- Bank bill swap reference rate (AUD BBSW 6 months) increased/decreased by 57 bps (2018: 33 bps)

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The below tables display the amounts for financial instruments that would be recognised in profit or loss or directly in equity if the above interest rate movements occur. The Groups' management have determined the above movements in interest rates to be a reasonably possible shift following analysis of the interest spreads of comparable debt instruments over the past five years.

	Interest rate risk							
	Increase in interest rates				Decrease in interest rates			
ALX	P&L 2019 $'000	P&L 2018 $'000	Equity 2019 $'000	Equity 2018 $'000	P&L 2019 $'000	P&L 2018 $'000	Equity 2019 $'000	Equity 2018 $'000
Total financial assets	**8,275**	643	**–**	–	**(8,275)**	(643)	**–**	–
Total financial liabilities	**(766)**	(998)	**–**	–	**766**	998	**–**	–
Total	**7,509**	(355)	**–**	–	**(7,509)**	355	**–**	–

	Interest rate risk							
	Increase in interest rates				Decrease in interest rates			
ATLAX Group	P&L 2019 $'000	P&L 2018 $'000	Equity 2019 $'000	Equity 2018 $'000	P&L 2019 $'000	P&L 2018 $'000	Equity 2019 $'000	Equity 2018 $'000
Total financial assets	**281**	219	**–**	–	**(281)**	(219)	**–**	–
Total financial liabilities	**–**	–	**–**	–	**–**	–	**–**	–
Total	**281**	219	**–**	–	**(281)**	(219)	**–**	–

5.4.4 Credit risk

Potential areas of credit risk consist of deposits with banks and financial institutions as well as receivables from associates and governments. The Groups limit their exposure in relation to cash balances by only dealing with well-established financial institutions of high-quality credit standing. With the exception of the transactions between ATLIX and ATLAX, the Groups transact with independently rated parties with appropriate minimum short-term credit ratings. The Boards set exposure limits to financial institutions and these are monitored on an ongoing basis.

Sound credit risk management involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions, such as quality, concentration, maturity and security.

The below table sets out the balances within the Groups and the ATLAX Group that may be subject to credit risk.

	ALX			ATLAX Group		
	Financial institutions $'000	Corporates and others $'000	Total $'000	Financial institutions $'000	Corporates and others $'000	Total $'000
2019						
Cash and cash equivalents	**1,450,221**	**–**	**1,450,221**	**48,612**	**–**	**48,612**
Restricted cash	**253,904**	**–**	**253,904**	**–**	**–**	**–**
Receivables – current	**–**	**142,274**	**142,274**	**–**	**1,801**	**1,801**
Tax receivables	**–**	**129**	**129**	**–**	**129**	**129**
Derivative financial instruments	**–**	**–**	**–**	**–**	**–**	**–**
Total	**1,704,125**	**142,403**	**1,846,528**	**48,612**	**1,930**	**50,542**

	ALX			ATLAX Group		
	Financial institutions $'000	Corporates and others $'000	Total $'000	Financial institutions $'000	Corporates and others $'000	Total $'000
2018						
Cash and cash equivalents	186,468	–	186,468	12,461	–	12,461
Restricted cash	203,961	–	203,961	–	–	–
Receivables – current	–	1,493	1,493	–	47,041	47,041
Receivables – non-current	–	–	–	–	8,232	8,232
Tax receivables	–	279	279	–	279	279
Derivative financial instruments	2,900	–	2,900	–	–	–
Total	393,329	1,772	395,101	12,461	55,552	68,013

NOTES TO THE FINANCIAL REPORTS

Financial institutions

The credit risk to financial institutions relates to cash held by and term deposits due from Australian and OECD banks. In line with the credit risk policies of the Groups these counterparties must meet a minimum Standard and Poor's short-term credit rating of A-1 unless an exception is approved by the Boards.

Corporates and others

The Groups and ATLAX Group credit risk relates primarily to receivables from related parties and governments. These counterparties have a range of credit ratings.

5.4.5 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Groups have a liquidity management policy which manages liquidity risk by monitoring the stability of funding, surplus cash or highly liquid cash assets, anticipated cash in and outflows and exposure to connected parties.

The below table displays the forecast contractual undiscounted future cash outflows of the liabilities at balance date of the Groups and the ATLAX Group.

	ALX					
Financial Liabilities	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-5 years $'000	Greater than 5 years $'000	Total $'000
2019						
Debt at amortised cost [a]	**45,181**	**56,641**	**115,739**	**215,763**	**1,732,560**	**2,165,884**
Payables	**25,927**	**2,752**	**3,798**	**5,172**	**22,628**	**60,277**
Derivatives	**3,187**	**2,748**	**2,530**	**4,297**	**3,228**	**15,990**
Total	**74,295**	**62,141**	**122,067**	**225,232**	**1,758,416**	**2,242,151**
2018						
Debt at amortised cost [a]	77,322	44,687	57,049	202,472	1,714,065	2,095,595
Payables	34,859	–	–	–	11,571	46,430
Derivatives	3,108	2,942	2,744	4,802	3,007	16,603
Total	115,289	47,629	59,793	207,274	1,728,643	2,158,628

(a) Includes consolidated debt held by TRIP II and Warnow Tunnel that is non-recourse to the Groups.

	ATLAX Group					
Financial Liabilities	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-5 years $'000	Greater than 5 years $'000	Total $'000
2019						
Payables	**3,377**	**155**	**166**	**365**	**1,070**	**5,133**
Total	**3,377**	**155**	**166**	**365**	**1,070**	**5,133**
2018						
Payables	3,398	–	–	–	–	3,398
Total	3,398	–	–	–	–	3,398

NOTES TO THE FINANCIAL REPORTS

5.4.6 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 have derivative financial instruments that are measured at fair value on a recurring basis. These instruments are entered to minimize potential variations in cash flows resulting from fluctuations in interest rates and foreign currency and their impact on its variable-rate debt and cash payments and receipts. The Groups do not enter into derivative instruments for any purpose other than economic interest rate and foreign currency hedging. That is, the Groups do not speculate using derivative instruments. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. These instruments are measured at Level 2 hierarchy and 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 year.

The Groups do not measure any financial assets or financial liabilities at fair value on a non-recurring basis.

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. The fair value of all financial assets (excluding Investments accounted for using the equity method) and financial liabilities approximated their carrying amounts at 31 December 2019. 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	1,438,803	1,449,707
Warnow borrowings and accrued interest thereon	176,812	157,283

5.4.7 Capital management

The Groups capital management objectives are to:

- Ensure sufficient capital resources to support the Groups' business, operational and growth requirements
- Safeguard the Groups' ability to continue as a going concern
- Balance distribution growth with long term sustainability

Annual reviews of the Groups' capital requirements are performed to ensure the Groups are meeting their objectives.

Capital is defined as contributed equity plus reserves. The Groups do not have any externally imposed capital requirements at 31 December 2019 or 31 December 2018.

NOTES TO THE FINANCIAL REPORTS

6 Group disclosures

6.1 Parent entity financial information

Parent entity financial information

The financial information for ATLIX and ATLAX for this disclosure has been prepared on the same basis as the Financial Reports, except as set out below:

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the separate financial information of ATLIX and ATLAX.

Tax consolidation legislation

ATLAX and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 2 February 2010.

The head entity, ATLAX and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts.

These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, ATLAX also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate ATLAX for any current tax payable assumed and are compensated by ATLAX for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to ATLAX under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' Financial Reports.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the ATLAX Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Financial guarantees

Where the parent entities have provided financial guarantees in relation to loans and payables of subsidiaries for no consideration, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

6.1.1 Summary financial information

In accordance with the *Corporations Act 2001*, the individual Financial Reports for ATLIX and ATLAX are shown in aggregate amounts below:

	ATLIX		ATLAX	
	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Statement of Financial Position				
Current assets	**1,330,333**	74,319	**52,731**	59,717
Non-current assets	**1,008,793**	1,332,757	**75,095**	83,862
Total assets	**2,339,126**	1,407,076	**127,826**	143,579
Current liabilities	**(16,904)**	(56,184)	**(5,480)**	(2,894)
Non-current liabilities	**(95,921)**	(8,232)	**–**	–
Total liabilities	**(112,825)**	(64,416)	**(5,480)**	(2,894)
Shareholder's equity				
Issued capital	**3,275,591**	1,995,994	**187,571**	197,311
Reserves	**(23,948)**	–	**46**	141
Retained earnings	**(1,025,342)**	(653,334)	**(65,271)**	(56,767)
Total equity	**2,226,301**	1,342,660	**122,346**	140,685
(Loss)/profit for the year	**(221,674)**	80,085	**(7,137)**	(10,983)
Total comprehensive (loss)/income	**(221,674)**	80,085	**(7,137)**	(10,983)

NOTES TO THE FINANCIAL REPORTS

6.1.2 Guarantees entered into by the parent entities

ATLIX and ATLAX have not directly provided any financial guarantees in respect to bank overdrafts and loans of subsidiaries as at 31 December 2019 and 31 December 2018. ATLIX and ATLAX have not given any unsecured guarantees at 31 December 2019 and 31 December 2018.

However, financial guarantees are held by European Transport Investments (UK) Limited ('ETI UK'), a subsidiary of ATLIX, in respect of external borrowings held by Warnow Tunnel.

6.1.3 Contingent liabilities of the parent entities

Refer to note 7.2 for ATLIX and ATLAX's contingent liabilities as at 31 December 2019 and 31 December 2018.

6.2 Acquisition of subsidiaries

Business combinations

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 for consolidated entities 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.

6.3 Subsidiaries

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 Group. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. 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.

NOTES TO THE FINANCIAL REPORTS

6.3.1 ALX

Name of controlled entity	Country of establishment	2019 voting %	2018 voting %
Atlas Arteria Limited	Australia	100.0	100.0
ALX Infrastructure US Pty Limited [a]	Australia	100.0	100.0
ALX Infrastructure Australia Pty Limited	Australia	100.0	100.0
ALX Investments (Australia) Pty Limited	Australia	100.0	100.0
Atlas Arteria Service Co Pty Limited [b]	Australia	100.0	–
Green Bermudian Holdings Limited	Bermuda	100.0	100.0
ALX Investments Limited	Bermuda	100.0	100.0
MIBL Finance (Luxembourg) Sarl	Luxembourg	100.0	100.0
Atlas Arteria Luxembourg 1 Sarl [c]	Luxembourg	100.0	–
Tollway Holdings Limited [d]	UK	100.0	100.0
European Transport Investments (UK) Limited	UK	100.0	100.0
Tipperhurst Limited [e]	UK	100.0	100.0
Greenfinch Motorways Limited [f]	UK	100.0	100.0
MQA 125 Holdings, Inc. [g]	USA	–	100.0
ALX Indiana Holdings LLC	USA	100.0	100.0
ALX Holdings (US) LLC	USA	100.0	100.0
Dulles Greenway Partnership	USA	100.0	100.0
Dulles Greenway Investments 3 (US) LLC	USA	100.0	100.0
Shenandoah Greenway Corporation	USA	100.0	100.0
Toll Road Investors Partnership II, L.P.	USA	100.0	100.0
Warnowquerung GmbH & Co. KG [h]	Germany	100.0	100.0
Warnowquerung Verwaltungsgesellschaft mbH [h]	Germany	100.0	100.0

(a) Deregistered on 2 June 2019
(b) Incorporated on 7 January 2019
(c) Incorporated on 12 November 2019
(d) In liquidation
(e) In liquidation
(f) In liquidation
(g) Liquidated on 7 December 2018
(h) On 20 September 2018, Atlas Arteria acquired the remaining 30% equity interest in Warnow Tunnel. Prior to this the Atlas Arteria's investment in Warnow Tunnel was classified as a joint venture.

6.3.2 ATLAX Group

Name of controlled entity	Country of establishment	2019 voting %	2018 voting %
ALX Infrastructure Australia Pty Limited	Australia	100.0	100.0
ALX Investments Australia Pty Limited	Australia	100.0	100.0
Atlas Arteria Service Co Pty Limited [a]	Australia	100.0	–
ALX Indiana Holdings LLC	USA	100.0	100.0
ALX Holdings (US) LLC	USA	100.0	100.0
Dulles Greenway Partnership	USA	100.0	100.0
Dulles Greenway Investments 3 (US) LLC	USA	100.0	100.0
Shenandoah Greenway Corporation	USA	100.0	100.0

(a) Incorporated on 7 January 2019

NOTES TO THE FINANCIAL REPORTS

6.4 Related party disclosures

6.4.1 Adviser and Manager

Until management internalisation on 1 April 2019, the Adviser of ATLIX and the Manager of ATLAX was Macquarie Fund Advisers Pty Ltd, a wholly owned subsidiary of Macquarie Group Limited ('Macquarie Group').

6.4.2 Directors

The following persons were directors of ATLIX during the whole of the year and up to the date of this report (unless otherwise stated):

- Jeffrey Conyers (Chairman)
- Fiona Beck (Appointed on 13 September 2019)
- James Keyes
- Christopher Leslie (Resigned on 1 April 2019)
- Nora Scheinkestel
- Derek Stapley

The following persons were directors of ATLAX during the whole of the year and up to the date of this report (unless otherwise stated):

- Nora Scheinkestel (Chairman)
- David Bartholomew
- Graeme Bevans (Appointed on 1 April 2019)
- Debra Goodin
- Jean-Georges Malcor

6.4.3 Key Management Personnel

Key Management Personnel ('KMP') are defined in AASB 124 *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. Across the Groups the directors of ATLIX and ATLAX and the Managing Director and Chief Executive Officer ('MD & CEO'), Chief Financial Officer ('CFO') and Chief Operating Officer ('COO') meet the definition of KMP.

The compensation paid to non-executive directors of ATLIX and ATLAX, is determined by reference to remuneration of similar roles at similar entities. The level of compensation is not related to the performance of the Groups. The remuneration of the MD & CEO, CFO and COO include STI and LTI components which include targets related to the performance of the group.

The total remuneration for the Groups and ATLAX KMPs is shown in the table below.

		Short term employee benefits		Share based payments		Long term benefits		
	Financial year	Cash salary $	Cash STI $	Value of LTI $	Value of STI $	Superannuation $	Termination benefit $	Total remuneration $
Total	**2019**	**2,217,060**	**1,285,063**	**611,268**	**825,976**	**57,549**	**–**	**4,996,917**
Total	2018	959,290	448,571	139,030	233,955	43,225	–	1,823,282

Compensation in the form of directors' fees that were paid to the ATLIX and ATLAX directors is as follows:

	Year ended 31 Dec 2019			Year ended 31 Dec 2018		
	Short term benefit	Long term benefit		Short term benefit	Long term benefit	
	Cash salary and fees $	Superannuation $	Total directors' fees $	Cash salary and fees $	Superannuation $	Total directors' fees $
ATLIX	**764,749**	**7,264**	**772,013**	598,461	–	598,461
ATLAX	**816,039**	**53,961**	**870,000**	651,363	53,012	704,375

NOTES TO THE FINANCIAL REPORTS

The number of ALX stapled securities held directly, indirectly or beneficially by the KMP across the Groups at 31 December is set out below:

	KMP interests in ALX stapled securities At 31 Dec 2019	KMP interests in ALX stapled securities At 31 Dec 2018
Jeffrey Conyers	**42,381**	40,000
David Bartholomew [a]	**20,506**	–
Fiona Beck [b]	**8,333**	–
Graeme Bevans [c]	**90,731**	–
Debra Goodin	**26,579**	5,671
James Keyes	**5,952**	5,000
Nadine Lennie [d]	**20,758**	–
Jean-Georges Malcor [e]	**20,238**	–
Vincent Portal-Barrault [f]	**5,636**	–
Nora Scheinkestel	**103,824**	78,431
Derek Stapley	**26,666**	5,000
Total	**371,604**	134,102

(a) Appointed 1 October 2018
(b) Appointed 13 September 2019
(c) Appointed 1 April 2019, previously CEO elect
(d) Appointed 1 April 2019, previously CFO elect
(e) Appointed 1 November 2018
(f) Appointed 1 April 2019, previously COO elect

NOTES TO THE FINANCIAL REPORTS

6.4.4 Adviser and Manager fees

Under the terms of the governing documents of the individual entities within the Groups, fees incurred to the Adviser/Manager of the Groups and the ATLAX Group were:

	ALX		ATLAX Group	
	As at 31 Dec 2019 $	As at 31 Dec 2018 $	As at 31 Dec 2019 $	As at 31 Dec 2018 $
Base fee	**15,110,431**	36,758,504	**573,520**	2,235,911
Performance fee	**–**	70,625,097	**–**	4,983,932
Transition fee	**5,637,097**	–	**218,467**	–
MAF/MAF2 advisory fee	**7,488,747**	–	**–**	–
Total	**28,236,275**	107,383,601	**791,987**	7,219,843

Base fee

Macquarie Advisers received the base management fees under their Atlas Arteria Management and Advisory Agreements until 15 May 2019. This equated to $15.1 million from 1 January to 15 May. Atlas Arteria did not pay any further base or performance management fees to Macquarie Advisers for the general management of Atlas Arteria after 15 May. Macquarie Advisers provided specific services under the Transition Services Agreement for a fee of $750,000 per month from 15 May until 31 December 2019. Total fees under this agreement were $5.6 million for the year ended 31 December 2019.

As at the date of this report, MIRAEL continues to act as manager of ATLIX's indirect interest in APRR and from 15 May 2019 receives fees of €7.4 million ($11.9 million) per annum. Upon the completion of the APRR Transaction the agreement will be terminated. The fee will continue to be payable until termination of this agreement as part of the APRR Transaction, expected in March 2020. Total fees for the period 15 May to 31 December 2019 were €4.6 million ($7.5 million).

Performance fee

The performance fees incurred in the year ended 31 December 2018 of $70.6 million reflects the full 2018 performance fee of $54.7 million and the second and third instalments of the 2017 performance fee of $16 million and these were the final performance fees incurred by Atlas Arteria under the Atlas Arteria Management and Advisory Agreements. The performance fees reflected Atlas Arteria's performance against the S&P/ASX300 Industrials Accumulation Index.

Other balances and transactions

Macquarie Group and companies within the Macquarie Group undertook various transactions with and performed various services for the Groups during the year. Fees paid to the Macquarie Group were approved solely by the independent directors on the Boards and, where appropriate, external advice was sought by the directors to ensure that the fees and terms of engagement were representative of arm's length transactions.

Atlas Arteria utilises services provided by Macquarie Bank Limited ('MBL'), a wholly owned subsidiary of the Macquarie Group. MBL's foreign exchange and treasury departments provide services from time to time on arm's length terms.

At 31 December 2019, entities within the Groups had the following balances with related parties:

	ALX		ATLAX Group	
	As at 31 Dec 2019 $	As at 31 Dec 2018 $	As at 31 Dec 2019 $	As at 31 Dec 2018 $
Cash held with MBL	**–**	85,815,683	**–**	12,317,726
Interest bearing loan receivable from ATLIX [a]				
Current [b]	**–**	–	**–**	46,179,915
Non-current	**–**	–	**–**	8,232,108
Other intercompany receivables from/(payables) to ATLIX	**–**	–	**1,733,450**	329,842

(a) Tranches of the loan owing from ATLIX to ATLAX bear interest at 6-month BBSW plus a margin of 0.9% – 1.1%.
(b) Includes accrued interest of $Nil (2018: $778,623).

NOTES TO THE FINANCIAL REPORTS

During the year, entities within the Groups had the following transactions with related parties:

	ALX		ATLAX Group	
	As at 31 Dec 2019 $	As at 31 Dec 2018 $	As at 31 Dec 2019 $	As at 31 Dec 2018 $
Interest earned on deposits with MBL	**373,326**	876,577	**55,876**	396,181
Interest between ATLAX and ATLIX on loan amount	**–**	–	**353,980**	3,465,711
Reimbursement of expenses paid by companies within the Macquarie Group on behalf of Atlas Arteria	**274,952**	1,215,254	**188,654**	795,626
Reimbursement of ATLIX's portion of expenses paid by ATLAX	**–**	–	**1,609,932**	1,677,700
Advisory and management services	**–**	–	**6,256,288**	–

During the year, entities within the Groups received the following from associates:

	ALX		ATLAX Group	
	As at 31 Dec 2019 $	As at 31 Dec 2018 $	As at 31 Dec 2019 $	As at 31 Dec 2018 $
Principal and interest received from preferred equity certificates and shares issued by MAF2	**238,246,730**	249,416,735	**–**	–
Adviser's fee from Warnow Tunnel	**–**	135,420	**–**	–

All of the amounts represent payments on normal commercial terms made in relation to the provision of goods and services.

7 Other disclosures

7.1 Cash flow information

	Note	ALX Year ended 31 Dec 2019 $'000	ALX Year ended 31 Dec 2018 $'000	ATLAX Group Year ended 31 Dec 2019 $'000	ATLAX Group Year ended 31 Dec 2018 $'000
Reconciliation of profit after income tax to the net cash flows from operating activities					
Profit/(loss) from activities after income tax		**(9,821)**	59,852	**(26,902)**	(16,831)
(Gain)/loss on equity accounted assets		**(254,874)**	(246,141)	**20,907**	4,801
Net foreign exchange differences		**994**	3,483	**30**	(63)
Finance costs		**112,311**	108,920	**37**	–
Depreciation and amortisation		**1,010**	350	**311**	39
Amortisation of tolling concession		**69,273**	61,768	**–**	–
Amortisation of deferred tax liabilities		**(1,558)**	(1,220)	**–**	–
Impairment impact of deferred tax liabilities		**(5,675)**	–	**–**	–
Impairment/(gain on revaluation) of investment		**165,429**	(13,470)	**–**	–
Bad debt written off		**16**	6	**–**	–
Current tax (benefit)/expense		**(1,972)**	2,118	**–**	(1)
Issue of securities against performance fees payable		**–**	90,303	**–**	6,186
Issue of securities to employees		**2,062**	–	**(68)**	–
Non operating receivable (distribution from MAF2)		**137,475**	–	**–**	–
Changes in operating assets and liabilities					
(Increase)/decrease in receivables		**(138,103)**	(4,855)	**466**	(457)
(Decrease)/increase in payables		**(186)**	(37,974)	**(2,552)**	(2,364)
Net cash inflow from operating activities		**76,381**	23,140	**(7,771)**	(8,690)

7.1.1 Non-cash financing and investing activities

Refer to note 5.2 for further details on application of performance fees to subscription of new securities.

7.1.2 Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Note	ALX Year ended 31 Dec 2019 $'000	ALX Year ended 31 Dec 2018 $'000	ATLAX Group Year ended 31 Dec 2019 $'000	ATLAX Group Year ended 31 Dec 2018 $'000
Net debt					
Cash and cash equivalents		**1,450,221**	186,468	**48,612**	12,461
Borrowings – current		**(45,181)**	(77,322)	**–**	–
Borrowings – non-current		**(2,129,328)**	(2,101,962)	**–**	–
Net debt		**(724,288)**	(1,992,816)	**48,612**	12,461
Cash		**1,450,221**	186,468	**48,612**	12,461
Gross debt – fixed interest rates		**(1,439,490)**	(1,429,881)	**–**	–
Gross debt – variable interest rates		**(735,019)**	(749,403)	**–**	–
Net debt		**(724,288)**	(1,992,816)	**48,612**	12,461

NOTES TO THE FINANCIAL REPORTS

ALX	Note	Assets Cash and cash equivalents $'000	Liabilities from Financing activities Borrowings – current $'000	Borrowings – non-current $'000	Total $'000
Net debt at 1 January 2018		**122,690**	**(66,286)**	**(1,668,352)**	**(1,611,948)**
Cash flows		59,327	21,081	54	80,462
Loan facilities		–	(9,068)	(176,821)	(185,889)
Other non-cash adjustments [a]		–	(19,136)	(89,784)	(108,920)
Foreign exchange adjustments		4,451	(3,913)	(167,059)	(166,521)
Net debt at 31 December 2018		**186,468**	**(77,322)**	**(2,101,962)**	**(1,992,816)**
Cash flows		1,262,673	105,291	–	1,367,964
Other non-cash adjustments [a]		–	(73,353)	(29,866)	(103,219)
Foreign exchange adjustments		1,080	203	2,500	3,783
Net debt at 31 December 2019		**1,450,221**	**(45,181)**	**(2,129,328)**	**(724,288)**

(a) Relates to unpaid interest that has accrued during the period

ATLAX Group	Cash and cash equivalents $'000	Total $'000
Net debt at 1 January 2018	34,304	**34,304**
Cash flows	(22,051)	**(22,051)**
Foreign exchange adjustments	208	**208**
Net debt at 31 December 2018	12,461	**12,461**
Cash flows	35,928	**35,928**
Foreign exchange adjustments	223	**223**
Net debt at 31 December 2019	48,612	**48,612**

7.2 Contingent liabilities

European Transport Investments (UK) Limited (ETI UK), a subsidiary of ATLIX, has made guarantees, totalling €2 million ($3.2 million) (31 December 2018: €2 million ($3.2 million)), in the event of a senior debt payment event of default by Warnowquerung GmbH & Co KG.

This contingent commitment is backed by an on-demand guarantee, provided through a pledged cash account into which €2 million ($3.2 million) (31 December 2018: €2 million ($3.2 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.

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7.3 Remuneration of auditors

	ALX		ATLAX Group	
	Year ended 31 Dec 2019 $	Year ended 31 Dec 2018 $	Year ended 31 Dec 2019 $	Year ended 31 Dec 2018 $
Amounts paid or payable to PricewaterhouseCoopers Australia for:				
Audit services	**503,200**	479,130	**251,600**	239,565
Other assurance services [a]	**213,771**	60,680	**10,043**	30,340
	716,971	539,810	**261,643**	269,905
Amounts paid or payable to Network firms of PricewaterhouseCoopers for:				
Audit services	**357,779**	314,211	**38,101**	32,745
Taxation services [b]	**219,785**	155,974	**–**	–
	577,564	470,185	**38,101**	32,745
Amounts paid or payable to PricewaterhouseCoopers for:				
Audit and other assurance services	**1,074,750**	854,021	**299,744**	302,650
Other services	**219,785**	155,974	**–**	–
	1,294,535	1,009,995	**299,744**	302,650
Amounts paid or payable to non PricewaterhouseCoopers audit firms for:				
Audit services provided by CERTIS GmbH Wirtschaftsprüfungsgesellschaft ('CERTIS')	**100,256**	64,866	**–**	–
Non-audit services provided by CERTIS	**–**	–	**–**	–
	100,256	64,866	**–**	–

(a) Other assurance services in 2019 relates to the Equity Raise due diligence and a one off review of performance rights allocation. Other assurance services in 2018 related to management internalisation.

(b) Taxation services provided by network firms of the auditor relates to the filing of corporate income tax returns for the Groups' entities domiciled outside of Australia.

7.4 Share based payments

STI Plan

The STI Plan applies to all Atlas Arteria staff based on a balance of financial and non-financial performance measures aligned with Atlas Arteria's short term goals. For the senior executives, following determination of the STI amount, 50% is paid in cash and 50% is deferred for one year and vests in unrestricted securities on terms determined by Atlas Arteria.

LTI Plan

The LTI Plan is designed to provide long-term incentives to key employees to deliver long-term securityholder returns. Under the plan, participants are granted performance rights which only vest if certain performance standards are met.

The amount of performance rights that will vest depends on ALX's relative Total Securityholder Return (TSR) against the TSR performance of a peer group of companies approved by the Board. Performance rights are granted under the plan for no consideration. These performance rights are exercisable at no consideration upon satisfaction of performance hurdles.

Set out below are summaries of performance rights granted under the plans:

	ALX		ATLAX Group	
	Year ended 31 Dec 2019	Year ended 31 Dec 2018	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	Number of performance rights	Number of performance rights	Number of performance rights	Number of performance rights
As at 1 January	**237,765**	–	**237,765**	–
Rights granted during the year under the LTI Plan	**372,292**	237,765	**372,292**	237,765
Rights granted during the year under the STI Plan	**107,575**	–	**107,575**	–
As at 31 December	**717,632**	237,765	**717,632**	237,765

LTI share performance rights issued in 2018 that are outstanding at the end of the year will vest on 28 February 2021 only if performance conditions are met. LTI Share performance rights issued in 2019 that are outstanding at the end of the year will vest on 28 February 2022 only if performance conditions are met. STI share performance rights issued in 2019 that are outstanding at year end will vest on 1 April 2020 only if service conditions are met.

NOTES TO THE FINANCIAL REPORTS

7.4.1 Fair value of performance rights granted

The assessed fair value at grant date of performance rights granted during the year ended 31 December 2019 ranged from $3.63 to $4.81 per performance right (2018: $3.57 to $4.21). The fair value at grant date is independently determined using an adjusted form of the Black Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the performance right, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the performance right and the correlations and volatilities of the peer group companies.

The model inputs for performance rights granted during the year ended 31 December 2019 included:

(i) Performance rights are granted for no consideration and vest based on ALX's TSR ranking within a peer group of selected companies over vesting period. Vested performance rights are exercisable immediately after vesting

(ii) Grant date: 1 January 2019, 30 July 2019 and 20 December 2019

(iii) Expiry date: 28 February 2022

(iv) Expected price volatility of the ALX stapled securities:
Performance rights with a grant date of 1 January 2019: 23.67%
Performance rights with a grant date of 30 July 2019: 22.40%
Performance rights with a grant date of 20 December 2019: 21.73%

(v) Expected dividend yield: 0%

(vi) Risk-free interest rate:
Performance rights with a grant date of 1 January 2019: Between -0.38% and 2.48%
Performance rights with a grant date of 30 July 2019: Between -0.43% and 1.85%
Performance rights with a grant date of 20 December 2019: Between -0.32% and 1.71%

The expected price volatility is based on the historic volatility (based on the remaining life of the performance rights), adjusted for any expected changes to future volatility due to publicly available information.

7.4.2 Expenses arising from share-based payment transactions

	ALX		ATLAX Group	
	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2018 $'000
Employee performance rights – LTI	**751**	141	**25**	141
Employee performance rights – STI	**1,141**	–	**38**	–
	1,892	141	**63**	141

7.5 Other accounting policies

This note provides a list of the significant accounting policies adopted in preparation of these Financial Reports to the extent they have not already been disclosed in the other notes above.

7.5.1 Transaction costs

Transaction costs related to a business combination are capitalised into the investment cost. Transaction costs arising on the issue of equity instruments are recognised directly in equity and those arising on borrowings are netted with the liability and included in interest expense using the effective interest method.

7.5.2 GST

The amount of GST incurred by the Groups that is not recoverable from the Australian Taxation Office ('ATO') is recognised as an expense or as part of the cost of acquisition of an asset or adjusted from the proceeds of securities issued. These expenses have been recognised in profit or loss net of the amount of GST recoverable from the ATO. Receivables and payables are stated at amounts exclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Consolidated Statement of Financial Position. Cash flows relating to GST are included in the Consolidated Statements of Cash Flows on a net basis.

7.5.3 Foreign currency translation

Functional and presentation currency

Items included in the Financial Reports of each of the Groups' entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Financial Reports are presented in Australian Dollars, which is the functional and presentation currency of ATLIX and ATLAX.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Group companies

The results and financial position of the Groups' entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position
- Income and expenses for each Statement of Comprehensive Income are translated at exchange rates at the dates of transactions or at an average rate as appropriate
- All resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to securityholders' equity. When a foreign operation is disposed of or borrowings that form part of the net investment are repaid, a proportionate share of such exchange differences are recognised in profit or loss as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

7.5.4 Offsetting financial instruments

Financial assets and financial liabilities may be offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to offset the amounts and either there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously.

7.5.5 Change in accounting policy – AASB 16 *Leases*

This note explains the impact of the adoption of AASB 16 *Leases* on the Groups' Financial Reports and discloses the new accounting policies that have been applied from 1 January 2019.

The Groups have applied the standard from its mandatory adoption date of 1 January 2019. The Groups applied the simplified transition approach and have not restated comparative amounts for the year prior to first adoption.

NOTES TO THE FINANCIAL REPORTS

Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Groups recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was between 1.93% to 7.43%. There were no leases previously recorded as finance leases.

	ALX	ATLAX Group
	As at 1 Jan 2019 $'000	As at 1 Jan 2019 $'000
Operating lease commitments as at 31 December 2018	76,619	2,285
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(56,129)	(218)
Lease liabilities recognised as at 1 January 2019	20,490	2,067

Of which are:

	ALX	ATLAX Group
	As at 1 Jan 2019 $'000	As at 1 Jan 2019 $'000
Current lease liabilities	1,161	169
Non-current lease liabilities	19,329	1,898
	20,490	2,067

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The material recognised right-of-use assets relate to the following types of assets:

	ALX		ATLAX Group	
	As at 31 Dec 2019 $'000	As at 1 Jan 2019 $'000	As at 31 Dec 2019 $'000	As at 1 Jan 2019 $'000
Properties	**1,891**	2,235	**1,839**	2,026
Easement	**5,116**	5,224	**–**	–
Total right-of-use assets	**7,007**	7,459	**1,839**	2,026

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets (refer Consolidated Statements of Financial Position – property plant and equipment) – increase by $7.5 million in Atlas Arteria and an increase by $2.0 million in ATLAX Group
- easement accruals (refer to note 4.4 Other Liabilities) – net decrease by $11.6 million in Atlas Arteria
- lease liabilities (refer to note 4.4 Other Liabilities) – increase by $20.5 million in Atlas Arteria and an increase by $2.1 million in ATLAX Group
- investments accounted for using the equity method (refer to note 3.2.2 Movements in carrying amount) – a decrease by $0.2 million in ATLAX Group.

The net impact on retained earnings (refer Consolidated Statements of Changes in Equity) on 1 January 2019 was a decrease of $1.2 million in the ATLIX Group and a decrease of $0.2 million in the ATLAX Group.

Practical expedients applied

In applying AASB 16 for the first time, the Groups have used the following practical expedients permitted by the standard where applicable:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- the materiality of the application of AASB16 on the financial accounts when choosing whether to recognise the impact of an operating lease.

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Atlas Arteria has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date Atlas Arteria relied on its assessment made applying *AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.*

The Groups' leasing activities and how these are accounted for

The Groups' lease various properties, offices and cars. Rental contracts are for a period of 2 to 64 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases (no leases were classified as finance leases). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Groups. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities may include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets measured at cost may comprise the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture and cars.

Extension and termination options

Extension and termination options are included in a number of leases across Atlas Arteria. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Groups and not by the respective lessor. No lease payments made in 2019 were optional.

7.6 Events occurring after balance sheet date

The APRR Transaction was granted foreign investment control clearance from the French Ministry of the Economy and anti-trust clearance from the European Commission in mid-February 2020. Completion of the APRR Transaction is expected to take place in early March 2020.

Completion of the APRR Transaction will be funded by the ATLIX Group from the proceeds of the Equity Raise. In conjunction with the APRR Transaction, Eiffage agreed to work with the Atlas Arteria and the other MAF2 Shareholders to refinance a €1,070.0 million term loan at Eiffarie SAS ('Eiffarie') which matured in February 2022. This term loan was refinanced on 20 February with a new maturity date of February 2025 with amortisation commencing in June 2023. Atlas Arteria's investment in Eiffarie is reflected in the share of net profit of investments and is accounted for using the equity method of accounting.

The FX Forward Contract settled on 24 February 2020 with the payment of $1,167.9 million in exchange for €710.0 million at a EUR/AUD exchange rate of 1.6449. A transaction premium of $4.9 million is embedded in the settlement of the FX Forward Contract. The net loss on cash flow hedge ineffectiveness recognised at 31 December 2019 was $5.3 million. A reversal of $0.4 million on the cash flow hedge ineffectiveness will be recorded in 2020.

The directors of ATLIX and ATLAX are not aware of any other matter or circumstance not otherwise dealt with in the Financial 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 years subsequent to the year ended 31 December 2019.

DIRECTORS' DECLARATION – ATLAS ARTERIA INTERNATIONAL LIMITED

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

a) the Financial Report of ATLIX and its controlled entities ('ALX') and notes set out on pages 32 to 75:

   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 the Atlas Arteria as at 31 December 2019 and of its performance for the 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 Financial Report also complies 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.

Jeffrey Conyers
Chairman
Atlas Arteria International Limited
Pembroke, Bermuda
26 February 2020

Derek Stapley
Director
Atlas Arteria International Limited
Pembroke, Bermuda
26 February 2020

DIRECTORS' DECLARATION – ATLAS ARTERIA LIMITED

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

a) the Financial Report of ATLAX and its controlled entities ('ATLAX Group') and notes set out on pages 32 to 75: 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, and

   ii) giving a true and fair view of the financial position of the ATLAX Group as at 31 December 2019 and of its performance for the 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 Financial Report also complies 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.

Nora Scheinkestel
Chairman
Atlas Arteria Limited
Melbourne, Australia
27 February 2020

Debra Goodin
Director
Atlas Arteria Limited
Melbourne, Australia
27 February 2020

Independent auditor's report

To the stapled security holders of Atlas Arteria International Limited and Atlas Arteria Limited

Report on the audits of the financial reports

Our opinion

In our opinion:

The accompanying financial reports of Atlas Arteria ("ALX" or "Group"), being the consolidated stapled group which comprises Atlas Arteria International Limited ("ATLIX") and its controlled entities and Atlas Arteria Limited ("ATLAX") and its controlled entities, and the Atlas Arteria Limited Group ("ATLAX Group") which comprises ATLAX and its controlled entities, are in accordance with the *Corporations Act 2001* (as applicable), including:

(a) giving a true and fair view of the financial positions of ALX and the ATLAX Group as at 31 December 2019 and of their financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001* (as applicable).

What we have audited

The financial reports of ALX and the ATLAX Group (the "financial reports") comprise:

- the consolidated statements of financial position as at 31 December 2019
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statements of changes in equity for the year then ended
- the consolidated statements of cash flows for the year then ended
- the notes to the financial reports, which include a summary of significant accounting policies
- the directors' declarations.

Basis for opinion

We conducted our audits in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the financial reports* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of ALX and the ATLAX Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audits of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audits to ensure that we performed enough work to be able to give an opinion on each of the financial reports as a whole, taking into account the geographic and management structure of ALX and the ATLAX Group (together, the "Groups"), their accounting processes and controls and the industry in which they operate.

ALX invests in an international portfolio of toll road assets, the most significant of which are Autoroutes Paris-Rhin-Rhone ("APRR") in France and Dulles Greenway ("DG") in the United States of America. We engaged with the auditors of APRR and Toll Road Investors Partnership II, L.P. ("TRIP II"), the concessionaire for DG, to report to us in respect of their audit procedures performed on APRR and DG, respectively.

Materiality	*Audit scope*	*Key audit matters*

• ALX materiality was $22.35 million, which represents approximately 2.5% of its segment EBITDA. The ATLAX Group materiality was $1.56 million, which represents approximately 1% of its total assets.
• We applied these thresholds, together with qualitative considerations, to determine the scope of our audits and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial reports as a whole.
	• Our audits focused on where the Groups made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
	• We decided the nature, timing and extent of work that needed to be performed by other auditors operating under our instruction ("component auditors").
	• For APRR, DG and Warnow Tunnel, we determined the level of involvement we needed to have in the audit work performed by the
		• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committees:
		  • Value of the DG concession for ALX and value of the equity accounted investment in DG for the ATLAX Group
		  • Consolidation of subsidiaries and equity accounting of associates.

- As the operating activities of both DG and Warnowquerung GmbH & Co., KG, the concessionaire of Warnow Tunnel ("Warnow Tunnel") are reflected in ALX's financial report, using segment EBITDA as the materiality benchmark reflects the operating activities of ALX.
- We used total assets as the materiality benchmark for the ATLAX Group because, in our view, it remains the primary metric against which its performance is most commonly measured. It presents its holding as an investment, which is net of associated debt held at the level of the underlying asset.
- We utilised a 2.5% threshold for ALX and a 1% threshold for the ATLAX Group based on our professional judgement, noting that both are within the range of commonly acceptable thresholds.

component auditors to enable us to conclude whether sufficient appropriate audit evidence had been obtained. Our involvement included discussions, written instructions and reviewing a selection of their workpapers.

- These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audits of the financial reports for the current period. The key audit matters were addressed in the context of our audits of the financial reports as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter of ALX and the ATLAX Group	***How our audit addressed the key audit matter***
Value of the DG concession for ALX and value of the equity accounted investment in DG for the ATLAX Group. *(Refer to notes 4.1 and 3.2)* The value of the DG concession for ALX is \$2.2 billion of the total tolling concession balance disclosed in note 4.1 (\$2.4 billion). The value of the equity	We evaluated the Groups' assessments by comparing their analysis to our knowledge of DG and the environment in which it operates. Our understanding was informed by enquiries of DG's auditors and publicly available information regarding the road network and the macroeconomic environment of the region.

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Key audit matter of ALX and the ATLAX Group	*How our audit addressed the key audit matter*
accounted investment in DG for the ATLAX Group is $145 million as disclosed in note 3.2. During the year ended 31 December 2019, ALX recognised an impairment loss on goodwill relating to DG of $66 million as disclosed in note 4.2 and an impairment loss on the DG concession of $99 million as disclosed in note 4.1. The ATLAX Group recognised an impairment loss on the equity accounted investment in DG of $16 million as disclosed in note 3.2. At each reporting period, the DG Concession for ALX, and the value of the equity accounted investment in DG for the ATLAX Group, need to be assessed for indicators of impairment. If indicators of impairment exist, the recoverable amount for each asset needs to be estimated. These assessments involve significant judgements in estimating future cash flows and the rate at which they are discounted. For ALX, the test for impairment focuses on the DG Concession. For the ATLAX Group, it is the equity accounted investment in DG that is assessed for impairment. The assessments of the carrying values of the DG Concession for ALX and the equity accounted investment in DG for the ATLAX Group were key audit matters due to the judgement involved in developing the discounted cashflow models used in determining the recoverable amounts.	We evaluated the Groups' discounted cashflow models used to estimate the recoverable amount of the DG Concession for ALX and the equity accounted investment in DG for the ATLAX Group, and the process by which they were developed. Our procedures included: • evaluating the Groups' assessments whether there were any indicators of impairment, by reading publicly available information regarding the road network and the macroeconomic environment of the region and making enquiries of DG's auditors • evaluating the discount rate applied to cashflow forecasts by using PwC valuation experts to assess the reasonableness of management's estimate of the discount rate. This assessment was performed with reference to externally derived data where possible, including market expectations of investment return, projected economic growth, interest rates, valuations of comparable assets and asset specific characteristics • comparing previous cashflow forecasts to actual results to assess the ability of the Groups to forecast accurately • applying sensitivity analysis to key assumptions, in particular the discount rate, toll escalation rates and traffic forecasts • sample testing the mathematical accuracy of the Groups' discounted cashflow models which were used to determine the recoverable amount of the DG Concession for ALX and the equity accounted investment in DG for the ATLAX Group • assessing the relevant disclosures which have been made in note 4.1, in light of the

Key audit matter of ALX and the ATLAX Group	How our audit addressed the key audit matter
	requirements of Australian Accounting Standards.
Consolidation of subsidiaries and equity accounting of associates. *(Refer to note 3.2)* ALX applies equity accounting to its investment in APRR and consolidates its investments in DG and Warnow Tunnel. The ATLAX Group applies equity accounting to its investment in DG. In doing so, they are required to make a number of adjustments to the underlying financial information to ensure alignment to Australian Accounting Standards and to the Groups' accounting policies. This was a key audit matter because certain adjustments are material and technical in nature such as adjusting the results of international subsidiaries and investments in associates prepared using local accounting policies to reflect Australian Accounting Standards.	Through interaction with management and the APRR, DG and Warnow Tunnel audit teams, we developed an understanding of operational developments and local accounting policies of the subsidiaries and associates and the nature and extent of any accounting standard or accounting policy adjustments required to align with those of the Groups. On a sample basis, we reperformed the calculation of the adjustments to assess consistency with this understanding. Upon receipt of the audited financial information for DG, we checked management's calculation of adjustments impacting: • ALX's consolidated statement of comprehensive income and consolidated statement of financial position and • the ATLAX Group's share of net profits or losses and carrying value of DG. Upon receipt of the audited financial information for APRR, we checked management's calculation of adjustments impacting ALX's share of net profits or losses and carrying value of APRR.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2019, but does not include the financial reports and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Reports. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial reports does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audits of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial reports

The directors of ATLIX and ATLAX are responsible for the preparation of the 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 financial reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing the ability of the Groups to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Groups or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the financial reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

A further description of our responsibilities for the audits of the financial reports is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 13 to 28 of the directors' reports for the year ended 31 December 2019.

In our opinion, the remuneration report of ATLIX and ATLAX for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001* (as applicable).

Responsibilities

The directors of ATLIX and ATLAX are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001* (as applicable). Our responsibility is to express an opinion on the remuneration report, based on our audits conducted in accordance with Australian Auditing Standards.

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SJ Smith
Partner

Sydney
27 February 2020

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