

24 February 2022

ASX RELEASE

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

Dear Sir / Madam,

Preliminary Final Report in compliance with Listing Rule 4.3A for the twelve months ended 31 December 2021

Attached in accordance with Listing Rule 4.3A is the Appendix 4E (preliminary final report) for Atlas Arteria (ASX Code: ALX) for the year ended 31 December 2021.

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:

Investors:

Chloe Ranicar
Manager, Investor Relations
+61 (0) 448 044 566
investors@atlasarteria.com

Media:

Lisa Keenan
Nightingale Advisors
+61 (0) 409 150 771
lisa@nightingaleadvisors.com.au

This announcement has been authorised for release by the Boards of Atlas Arteria Limited and Atlas Arteria International Limited.

About Atlas Arteria

Atlas Arteria (ASX:ALX) is a global owner, operator and developer of toll roads, creating value for our investors over the long-term through considered and disciplined management. The roads we own, operate and develop 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 31.14% 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.atlarteria.com



atlas**Arteria**

APPENDIX 4E

Full Year Report for period ended 31 December 2021

Name of entity: Atlas Arteria ('ALX')
Reporting period: Year ended 31 December 2021
Previous corresponding period: Year ended 31 December 2020

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. The stapled securities cannot be traded or dealt with separately.

Profit and Loss Results

		31 December 2021	
	Change (%)		A\$'000
Income from continuing operations	▼ 6%	To	100,655
Profit/(Loss) after tax (excluding notable items)	▲ 584%	To	179,125
Profit/(Loss) from continuing operations after tax	▲ 265%	To	163,697
Profit/(Loss) after tax	▲ 265%	To	163,697
Profit/(Loss) attributable to Atlas Arteria stapled securityholders	▲ 265%	To	163,697



APPENDIX 4E

Financial results presented below show the performance of Atlas Arteria adjusted for notable items which are not expected to recur, to provide further clarity around the underlying operational performance of the business.

Atlas Arteria A\$m	Management Results			Statutory Results		
	2021	2020	% Chg	2021	2020	% Chg
Revenue and other income						
– Toll Revenue	99.5	95.3	4%	99.5	95.3	4%
– Other income	1.1	11.3	(90%)	1.1	11.3	(90%)
Operating expenses						
– Business operations	(34.9)	(43.4)	20%	(125.4)	(279.2)	55%
– Corporate costs	(29.1)	(22.3)	(30%)	–	–	
Finance costs	(81.0)	(101.3)	20%	(131.4)	(87.0)	(51%)
Depreciation and amortisation	(61.5)	(67.4)	9%	–	–	
Share of net profits/(losses) in associates*	284.1	152.7	86%	284.1	152.7	86%
Income tax benefit/(expense)	0.9	1.3	(33%)	35.8	7.7	365%
Net Profit/(loss) from operations after tax (excluding Notable Items)	179.1	26.2	584%			
Notable Items						
– Warnow Tunnel net accounting impacts of capital restructure (non-cash)	(15.4)	–	–	–	–	–
– Macquarie management fees	–	(2.1)	–	–	–	–
– FX impacts of significant transactions during period (non-cash)	–	14.2	–	–	–	–
– Impairments and asset revaluations	–	(143.9)	–	–	–	–
– Income tax benefit/(expense) of notable items	–	6.4	–	–	–	–
Net Profit/(loss) from operations after tax	163.7	(99.2)	265%	163.7	(99.2)	265%

* The previous year financial statements have been revised. Refer to the Financial Statements for details.

Net profit after tax (excluding notable items) increased by 584%. The result reflects stronger traffic performance at APRR over the European summer in particular post the easing of movement restrictions, lower finance costs as a result of the repayment of the holding company debt facility and refinancing the Warnow Tunnel legacy debt facility, and the higher average value of the Australian dollar over 2021.

The statutory results for the year ended 31 December 2021 show a profit for Atlas Arteria of \$163.7 million (2020: loss of \$99.2 million).

As part of its broader strategy to diversify sources of cash and build sustainable distributions for securityholders over time, Atlas Arteria undertook a capital restructure at Warnow Tunnel. The new capital structure was created to support the ongoing success of the Warnow Tunnel business and allow the company to distribute free cash to Atlas Arteria, rather than to lenders.

The reduced leverage, and increased likelihood of receiving cash flows significantly earlier in the life of the concession, substantially increases the value of the business. The restructure has also strengthened the probability of future taxable profits being available to utilise pre-existing income tax losses and resulted in the recognition of a \$34.9 million (€22.3 million) deferred tax asset.

Extinguishing the debt facility also meant the fair value adjustment allocated to it after purchase of the remaining 30% interest in 2018 was expensed (\$50.3 million (€31.9 million)). This action to remove a legacy position does not reflect the value created for Atlas Arteria as a result of the transaction.

The prior year results reflect the decision by the Boards of ATLIx and ATLAX to impair their respective interests in the Dulles Greenway.



atlasArteria

APPENDIX 4E

Distributions

Dividends/Distributions	Cents per security	Declaration Date
2021:		
First dividend/distribution ¹	15.5	21 September 2021
2020:		
Second dividend/distribution ²	13.0	25 March 2021
First dividend/distribution ³	11.0	21 September 2020

1. Comprised an ordinary dividend of 15.5 cents per stapled security ('cps').

2. Comprised an ordinary dividend of 13.0 cps.

3. Comprised an ordinary dividend of 11.0 cps.

Net tangible asset per security

	As at 31 December 2021	As at 31 December 2020
Net tangible asset backing per stapled security*	A\$1.45	A\$1.66
Net asset backing per stapled security*	A\$3.65	A\$3.79

* The previous year financial statements have been revised. Refer to the Financial Statements for details.

Financial information

This report is based on the audited Atlas Arteria Financial Report for the period ended 31 December 2021.

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.



atlas**Arteria**

ANNUAL REPORT 2021



Contents

2	The Atlas Arteria Business
3	2021 at a Glance
4	Chairpersons' Review
6	From the CEO and Managing Director
8	Strategic Framework
10	Portfolio and Performance
18	Sustainability
20	Risk Management
22	Corporate Governance
27	Financial Overview
32	Remuneration Report
51	Directors' Reports
56	Financial Report
108	Securityholder Information
IBC	Corporate Directory

We are Atlas Arteria. We are a global owner, operator and developer of toll roads. We work to create long-term value for our investors through considered and disciplined management and sustainable business practices.

OUR VISION

To provide the communities in which we operate with high quality, well maintained infrastructure and associated amenities that:

- enhance safety;
- provide economic benefits through reduced travel time and greater time certainty;
- improve environmental outcomes through reduced fuel consumption and carbon emissions; and
- provide a positive customer experience.

OUR VALUES

Our values guide the decisions we make and the way we behave as we work together towards our vision.

In living our values, we aim to create strong growth for securityholders and better outcomes for our customers, our communities and our people.

To us, great performance is as much about the way we get there as it is about the result. That's why our people's success is evaluated against our five values, along with their role responsibilities.

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 1, 180 Flinders Street, Melbourne, VIC 3000, Australia.

KEEPING COMMUNITIES CONNECTED AND ECONOMIES MOVING, FOR THE THINGS IN LIFE THAT MATTER MOST



OUR GUIDING VALUES

When we are steered by these values, we are acting in the best interests of one another, our securityholders, our customers and our communities. In this way, together, we're driving better outcomes.



Safety is at our heart

We are always focused on delivering safe outcomes for our employees, contractors, customers and visitors to our offices and roads; because nothing is so important that we cannot take the time to do it safely.



Transparency in all we do

We are honest about what we do and how we do it. We are accountable for our actions. If we make a mistake, we will be open about it, learn and improve from it.



Engage for better outcomes

We engage with one another and our stakeholders with a spirit of curiosity and with a learning mindset. We seek to understand people's needs so we can deliver better outcomes. We are open and adaptable to change and committed to continuous improvement.



Environmentally and socially responsible

We care for our communities and the environment. We are committed to enhancing our communities and are proactive in reducing environmental impacts by embedding responsible and sustainable business practices.

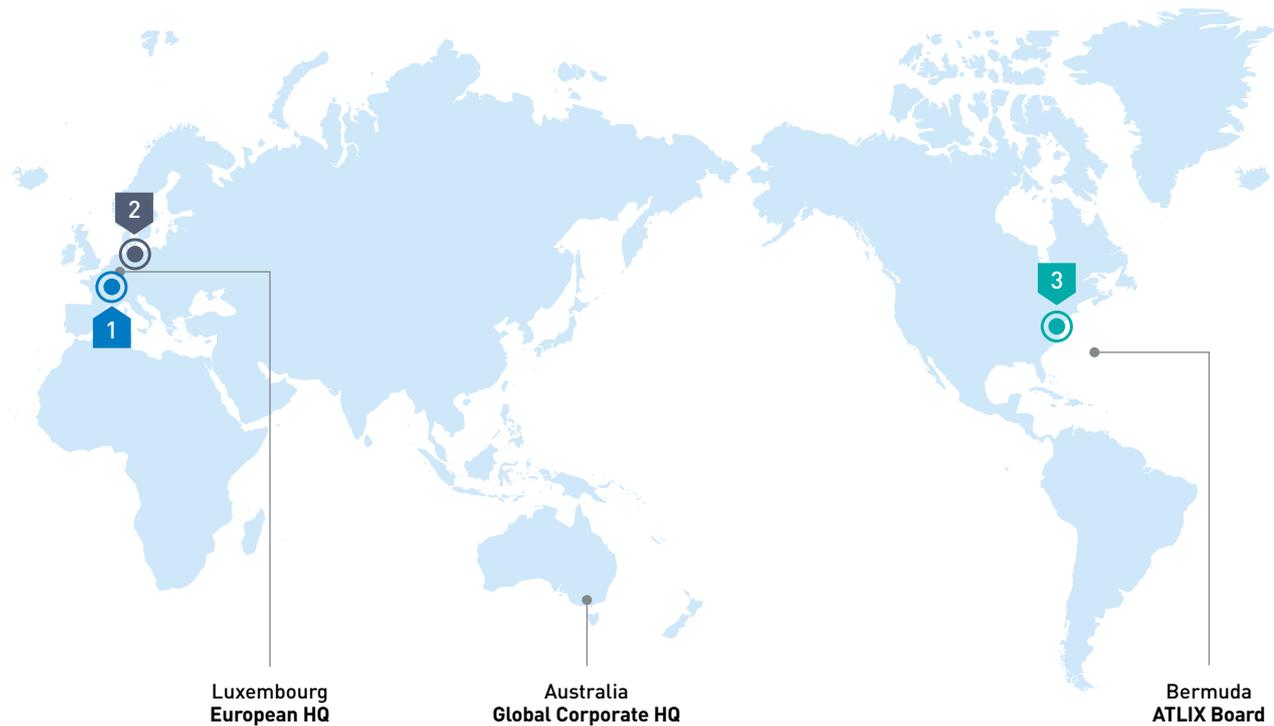


Respect in every interaction

We are respectful of everyone in every situation. We celebrate diversity. We know that a culture of inclusion and diversity breeds success. We respect the rules and the spirit of the law and will always act ethically, lawfully and responsibly.

THE ATLAS ARTERIA BUSINESS

Atlas Arteria is a global owner, operator and developer of toll roads, with a portfolio of four toll roads in France, Germany and the United States. We are focused on ensuring our customers, and the communities in which we operate, are well served by the transport links we provide.



1 France

APRR
 Ownership: 31.14%¹
 2,318km motorway network in Eastern France
 2035 concession expiry²

ADELAC
 Ownership: 31.17%¹
 20km commuter road connecting Annecy to Geneva
 2060 concession expiry

2 Rostock, Germany

WARNOW TUNNEL
 Ownership: 100%
 2.1km road and tunnel in Rostock, Germany
 2053 concession expiry

3 Virginia, United States

DULLES GREENWAY
 Ownership: 100%³
 22km commuter route into the greater Washington DC area
 2056 concession expiry

1. On 2 March 2020, Atlas Arteria completed a transaction to acquire an additional 6.14% in APRR and ADELAC, increasing our interest from 25.00% in APRR to 31.14% and from 25.03% in ADELAC to 31.17%.
 2. APRR concession expires in November 2035, AREA concession expires in September 2036.
 3. 100% economic ownership.

2021 AT A GLANCE

Proportionate EBITDA by Business

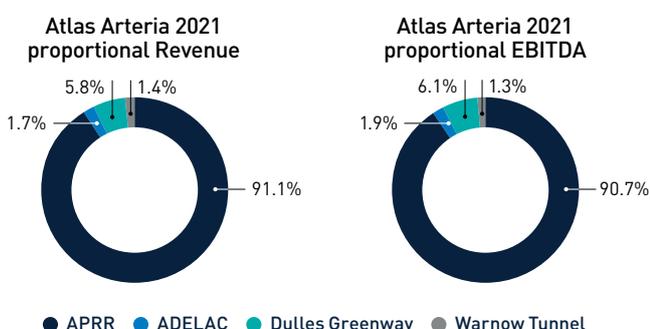
APRR 100% (€m)	2021	2020	% change
Traffic (VKTm)	23,195	19,413	19.5%
Operating revenue	2,569.2	2,169.2	18.4%
Operating expenses	(676.5)	(619.7)	(9.2%)
Total EBITDA	1,892.8	1,549.5	22.2%
Total EBITDA (proportional, A\$m)^{1,2}	928.7	760.3	22.2%

ADELAC 100% (€m)	2021	2020	% change
Traffic (m)	8.9	7.7	15.4%
Operating revenue	47.9	41.5	15.4%
Operating expenses	(8.0)	(7.5)	(7.3%)
Total EBITDA	39.8	34.0	17.2%
Total EBITDA (proportional, A\$m)^{1,2}	19.6	16.7	17.2%

Warnow Tunnel 100% (€m)	2021	2020	% change
Traffic (m)	4.4	4.6	(4.3%)
Operating revenue	12.7	12.8	(1.1%)
Operating expenses	(4.0)	(3.7)	(8.5%)
Total EBITDA	8.7	9.1	(5.0%)
Total EBITDA (proportional, A\$m)^{1,2}	13.7	14.4	(5.0%)

Dulles Greenway 100% (US\$m)	2021	2020	% change
Traffic (m)	11.6	10.2	13.3%
Operating revenue	60.4	52.0	16.1%
Operating expenses	(13.8)	(13.6)	(1.5%)
Total EBITDA	46.6	38.4	21.3%
Total EBITDA (proportional, A\$m)^{1,2}	62.1	51.2	21.3%

Atlas Arteria proportionate (A\$m) ^{1,2}	2021	2020	% change
Traffic (Weighted Average) ³	n.a.	n.a.	18.6%
Toll revenue	1,334.1	1,139.7	17.1%
Operating revenue	1,384.6	1,174.3	17.9%
Operating expenses	(360.6)	(331.7)	(8.7%)
Total EBITDA	1,024.0	842.5	21.5%



Note: Revenue and operating costs are presented under IFRS, excluding the impact of IFRIC 12.
 1. Average foreign currency exchange rates from the current period AUD = 0.750 USD and AUD = 0.635 EUR.
 2. EBITDA for 2020 has been derived by restating the 2020 results with the current asset ownership percentage and foreign currency exchange rates from the current period.
 3. Traffic growth is weighted by Atlas Arteria's beneficial interests in the revenue from each business, in AUD using the average exchange rates in the period.

Calendar of Events

- January**
 - Released toll revenue and traffic statistics for the December quarter 2020 (Q4 2020).
- February**
 - Announced results for the year ended 31 December 2020.
- March**
 - Ariane Barker joined the board of ATLAX as an Independent Non-executive Director.
 - Completion of the Warnow Tunnel capital restructure diversifying Atlas Arteria's sources of cash flow.
 - Declared a 13.0 cps distribution for H2 2020.
- April**
 - Released toll revenue and traffic statistics for the March quarter 2020 (Q1 2021).
 - Outcome reached for the Dulles Greenway rate case submission. The SCC granted a 5.3% increase in 2021 and 5.0% increase in 2022 for off-peak tolls.
 - Held Atlas Arteria's 2021 Annual General Meeting.
- June**
 - Released our first Modern Slavery Statement.
- July**
 - A41 widening capital project at APRR opened to traffic.
 - A71 'Montmarault' intersection capital project at APRR opened to traffic.
 - Released toll revenue and traffic statistics for the June quarter 2021 (Q2 2021).
- August**
 - A75 widening capital project at APRR opened to traffic.
 - Announced results for the half year ended 30 June 2021.
- September**
 - S&P affirmed its 'A-/A-' long-term and short-term issuer credit ratings for APRR, and maintained its outlook as 'stable'.
 - Declared a 15.5 cps distribution for H1 2021.
- October**
 - Released toll revenue and traffic statistics for the September quarter 2021 (Q3 2021).
 - Fitch affirmed its A- credit rating for APRR, and maintained its outlook as 'stable'.
- November**
 - Announced APRR successfully priced €500 million of bonds with a 0% coupon under its Euro Medium Term Note Programme.
 - Held Atlas Arteria's 2021 Investor Day.
- December**
 - Substantial completion of the West End Leesburg Bypass Improvements capital project at Dulles Greenway.

CHAIRPERSONS' REVIEW



Dear Securityholder,

We are pleased to present the 2021 Annual Report.

During another extraordinary year of disruptions due to the COVID-19 pandemic, we have continued to focus on the safety and wellbeing of our people, customers and the community. Measures put in place at the start of the COVID-19 pandemic meant our teams have been able to maintain seamless operations, quickly adapting to changing conditions. Our roads are critical in keeping communities connected and in France they are essential to Trans-European trade flows. Our priority has been to keep roads open and traffic moving.

We have remained squarely focused on driving growth and value for our securityholders, notwithstanding the challenging environment. In 2021 we delivered on a number of strategic objectives, with the capital restructure at Warnow Tunnel a notable achievement. This not only diversified Atlas Arteria's sources of cash flows but, by bringing forward distributions, substantially increases the value of the business.

The Boards are expecting to pay a record distribution for the 2021 year on the back of a strong performance at APRR and the Warnow Tunnel capital restructure, from which we have already begun to receive distributions.

Enhancing engagement with our securityholders

During 2021, over 150 investors attended our inaugural Investor Day. During the briefing, which we encourage you to view on our website via this [link](#), investors were briefed on:

- Strategic progress made over the last 2.5 years since internalisation.
- A review of economic activity from guest speaker Jean-François Robin, Global Head of Research, Corporate & Investment Banking at Natixis.
- In-depth assessment of the operations and government policy setting in France, home of APRR, our largest business from Jean-Georges Malcor, Non-executive Director of Atlas Arteria and Vincent Portal-Barrault, COO at Atlas Arteria.
- Insights into the Dulles Greenway operations and political environment from Renée Hamilton, CEO at Dulles Greenway, Pierce Homer, Director of Dulles Greenway and James Lerner, Director US Operations at Atlas Arteria.
- Summary of the operations of the Warnow Tunnel presented by Yvonne Osterkamp, Managing Director at Warnow Tunnel.
- An overview of our traffic forecasting capability, which continues to evolve and grow in sophistication.
- An update on the Company's financial position and strategy going forward by our CFO Nadine Lennie and CEO Graeme Bevans.

Culture and values continue to drive better outcomes

We are committed to playing a positive role in society and creating long-term value for our stakeholders. In 2021 we continued to deliver on our sustainability priorities of safety, customers and community, our people and environmental stewardship. A particular focus was the establishment of performance targets across all four of our sustainability priorities.

Taking steps to reduce the impacts of our business on the environment is a high priority. In 2019, we first reported on APRR's green house gas emissions footprint and in 2020 we expanded Scope 1 and 2 data to encompass all of our businesses. In 2021 we established targets aligned with a 1.5°C warming scenario, a 25% reduction in Scope 1 and 2 green house gas emissions by 2025, and 46% by 2030 (compared to a 2019 baseline).

We have also released targets across safety, customers and community and our people with an expanded set of metrics for improved measurement and management. We have also maintained our commitment to a 40% gender balance and to evolve representation of women across and within our teams.

The publication of our first Sustainability Report has been deferred until early April in order for us to gather and review the data required, and to align the timing of our report with that of Eiffage, our partner at APRR. Our sustainability achievements in 2021 are summarised on pages 18 to 19 of the Annual Report.

Distributions

Disciplined capital management and sustainable business practices continue to be a focus for the Boards.

It is with this approach top of mind that the Groups are expecting to pay a record distribution for the 2021 year. A first half distribution of 15.5 cents per security was declared in September 2021 with guidance for our final 2021 distribution of 20.5 cents per security, reflecting the continued strong performance of APRR coupled with distributions of cash from Warnow Tunnel.

This will bring the total payout for the year to 36.0 cents reflecting the ongoing growth and resilience of our operations. This is in line with our strategy to deliver strong and sustainable distributions to securityholders by optimising the performance and cash flow from our portfolio of businesses.

Continued Board renewal

Board renewal has been a focus in recent years. One new director joined the ATLAX board during 2021. Three new Bermudian based directors have joined the ATLIX Board over the past two years under the leadership of our longest serving director and ATLIX Chair, Jeff Conyers. Jeff joined the ATLIX Board on inception in 2009 and has played a key role in the internalisation of management in 2019, the ongoing delivery of our strategy and more recently, in supporting the smooth transition of new board members.

Consideration is being given to ATLIX Chair succession and an orderly transition to a new Chair. Once this process is complete, it is Mr Conyers' intention to retire from the Board. Following Mr Conyers' retirement it is intended that the ATLIX board will comprise four directors.

Outlook

While uncertainty remained during 2021 as a result of the COVID-19 pandemic, our people and the local communities in which we operate have adapted well. The 2021 year demonstrated that our APRR network plays an essential role in the movement of goods and services and therefore to the economies of Western Europe.

The resilience of our businesses provides us with cautious optimism going into 2022. We will continue to focus on leveraging our strengths to improve the cash flows from each of our businesses as well as developing an appropriate growth agenda, with the goal of growing value and distributions to securityholders.

On behalf of Atlas Arteria, we would like to thank our people, our customers, local communities and our securityholders for your support during the year, and as we continue to build and grow the Company in the years to come.



Debbie Goodin
Chair
Atlas Arteria Limited

Jeffrey Conyers
Chair
Atlas Arteria International Limited

FROM THE CEO AND MANAGING DIRECTOR



Dear Securityholder,

In 2021, as the world continued to navigate the COVID-19 pandemic, Atlas Arteria demonstrated its resilience. Our largest business APRR performed strongly, underpinned by continued growth in heavy vehicle traffic, and reinforcing APRR's role as a fundamental and essential part of the logistics network in France. In the second half, we achieved record light vehicle traffic flows at APRR reflecting strong domestic tourism demand over the European summer, following movement restrictions in place earlier in the year.

The political environment in Europe remains supportive of growth at APRR and we continue to build constructive relationships at all levels of government. A key focus is working with the French Government to deliver on its ESG objectives, and we continue to position the business for future infrastructure capital investment to meet the objectives of the French Government.

In Virginia, we are continuing to build stronger stakeholder relationships in the region, including with the incoming Governor and his administration.

More broadly we are very proud of the internal capabilities we are developing within the business, in particular in traffic forecasting and data analytics where new models have been developed both to better understand our existing businesses and to evaluate new opportunities.

We have a nimble and passionate team, both on the ground at each business and at our corporate offices. As a team we have a deep history in successful investing and thinking outside the box, and we are adept at unlocking value in complex multi-party transactions.

Our financial position is very strong, and we are well positioned to take advantage of opportunities as they arise.

Business Performance

APRR and ADELAC

APRR contributed 91% of our proportional revenue and continued to underpin Company cashflows. Across the full year, traffic was up at APRR by 19.5%, and toll revenue increased by 17.5% with a 22.2% increase in EBITDA and a 48.5% increase in NPAT relative to 2020 levels. The strong second half performance followed the easing of movement restrictions implemented during a third lock-down which started in April 2021. Movement restrictions were progressively lifted leading into the summer and the EU health pass system was implemented. Despite the marked absence of non-European tourism, APRR had a strong summer season with traffic in the third quarter reaching its highest levels ever seen.

This strong traffic performance continued through to the fourth quarter. Despite a resurgence of COVID-19 cases in late 2021, high vaccination rates, the successful rollout of booster shots and the health pass have largely allowed people to continue with everyday life.

As part of APRR's commitment to protecting the environment, we are more than halfway through equipping all service areas with very-high power charging stations, a project which will be completed by the end of 2022. In terms of protecting animal species, APRR has built a wide range of structures on the network as part of the 2018 motorway investment plan with the objective of constructing 19 wildlife crossings across the network by 2024.

APRR continues to deliver on its pipeline of capital projects ensuring our network meets the changing needs of our customers and positioning us to support the French Government in meeting its ESG commitments.

Warnow Tunnel

Traffic at the Warnow Tunnel was heavily impacted in 2021 by strict mobility restrictions from January until May, partially offset by the continuation of roadworks on competing routes, though to a lesser extent than in prior years. Traffic decreased 4.3%, with toll revenue down 1.8%, and EBITDA was down 5.0% compared with 2020.

Since January 2021, electricity consumption is 100% from renewable energy sources while we streamlined our customer interface with the ability to recharge customer Smart Cards online, making the process contact-free. Credit card readers are currently being installed in lanes to avoid any direct contact and, at the same time, to reduce friction in the payment processes.

We successfully completed the capital restructure of Warnow Tunnel in March, which will support the ongoing success of the business.

Dulles Greenway

At Dulles Greenway, traffic was up 13.3%, and toll revenue up 16.2% from the prior year. Despite the impact of the COVID-19 pandemic, several initiatives were completed during the year.

In preparation for the winter season, we improved the safety of snow operations in our maintenance yard. We also completed the two capital improvements projects at the west end of the Dulles Greenway which aim to help alleviate congestion and create a safer merge of Greenway traffic onto the Leesburg Bypass.

As a result of the changes to the Greenway's governing legislation, submissions to the Commission will be made on an annual basis going forward, assuming no further alterations to our regulatory framework. In April the Greenway was granted a 5.3% increase to off-peak tolls in 2021 and 5.0% in 2022 by the Virginia State Corporation Commission (SCC).

Following recent elections in Virginia we remain focused on establishing a strong relationship with the incoming administration to deliver win-win solutions for all stakeholders.

As a result of the performance for the year, the Dulles Greenway again failed to pass the lock-up tests as defined under the debt covenants. As at 31 December 2021 Dulles Greenway had approximately US\$221 million in cash reserves including cash that would otherwise be available for distribution to Atlas Arteria.

Strategic Focus

Investors in Atlas Arteria have exposure to a strong portfolio of four international toll road businesses. Toll charges are positively correlated with inflation, so combined with low cost long term debt funding in place across the portfolio, Atlas Arteria is well placed to outperform as global economies recover and inflation rises.

Our strategy is to leverage all of our strengths to improve the cash flows from each of our businesses with the goal of growing value and distributions to securityholders.

To that end we are focused on:

- continuing to reduce legacy complexity,
- maximising operational efficiencies in our existing businesses,
- applying a disciplined capital management approach to underpin distributions,
- lengthening our average concession life, and
- diversifying and managing our risks.

Being an infrastructure business, we work on long term value creation and therefore we are very pleased with the progress we have made in the short time since management internalisation in April 2019.

The disciplined and consistent execution of our strategy over this period since internalisation has significantly decreased head office management costs relative to fees that would have otherwise been paid to the former external manager Macquarie, increased capability with traffic forecasting and data and has seen us increase our stake in APRR to 31% while enhancing our governance rights and access to cash flows.

In 2020, we successfully restructured our balance sheet to support future growth opportunities in France and across our businesses and in early 2021, we restructured the balance sheet at Warnow Tunnel which allows for an optimised cash management strategy so that for the first time we are receiving distributions.

The implementation of our strategy since internalisation has materially increased the value of both APRR and Warnow, and in doing so, significantly improved the value of Atlas Arteria.

But there is more to do and a lot more value to unlock.

Building our Future

We have strong growth potential within and external to the current businesses to deliver growth. We are very excited about the opportunities we have ahead of us.

I want to thank our teams who again have proved they are extremely capable of managing through unprecedented and severe disruption. We are also grateful to our securityholders for their continued support during the year.

We look forward to continuing to make progress in delivering value to our securityholders over the coming years.



Graeme Bevans
CEO and Managing Director
Atlas Arteria

Executive Team

Graeme Bevans CEO and Managing Director

A CEO and Managing Director with deep experience in complex infrastructure investments in Australia, Europe and North America. Passionate about driving the strategic direction and culture of Atlas Arteria to ensure a strong, successful and sustainable business now and for the long-term.



Nadine Lennie Chief Financial Officer

An experienced CFO with a strong track record in disciplined infrastructure investment, strategic financial management and risk. Passionate about making strategic and financial decisions that add value for customers and shareholders.



Vincent Portal-Barrault Chief Operating Officer

A COO with extensive experience in operational monitoring and the improvement of infrastructure businesses. Passionate about improving the customer experience on Atlas Arteria's roads and giving people more time for what's important to them.



Clayton McCormack General Counsel and Company Secretary

A highly experienced lawyer and company secretary with strong transactional, legal governance and risk advisory experience. Passionate about embedding a governance framework and culture that sustains Atlas Arteria now and into the future.



Jim Dickson Corporate Development and Strategy Executive

An executive with extensive experience in the infrastructure sector with a focus on corporate development. Passionate about delivering on Atlas Arteria's strategic framework to provide long-term sustainable growth for shareholders.

STRATEGIC FRAMEWORK

Strategic Theme	Initiatives	Progress
Reduce legacy complexity and optimise the value of what we own	Relationship building to deliver growth at APRR	Building on successful outcomes achieved in 2020 which saw completion of the transition from an externally managed portfolio to an independent internal management team, and enhanced governance rights at APRR. We have continued to develop a strong relationship with Eiffage, and work together to promote APRR's capability to deliver on the French Government's infrastructure agenda.
	Price path certainty for the Dulles Greenway	Received an outcome on the SCC rate case process in April 2021 which provided for toll price increases over 2 years. Working on restructuring the Dulles Greenway concession to introduce distance-based tolling, enhance the regulatory framework for the business and improve the efficiency of the road network in Northern Virginia.
	Warnow Tunnel capital restructure	Capital restructure of the Warnow Tunnel completed in March 2021 and payment of its first distribution in August 2021 assists in diversifying cash flows and contributed to the payment of a 15.5 cents per security distribution for H1 2021 and expectations for a final distribution of 20.5 cents per security.
Active operational management to improve earnings and value	People	Continued to build out capabilities within the management team, recruiting an additional 13 people and implementing leadership and team effectiveness courses. This continues to result in lower head-office costs than would otherwise have been paid to Macquarie. Developed a small but highly skilled traffic team with experts based in Melbourne and Virginia in the US. They gather data on traffic and collect and mine data on a range of factors. The data is used to develop quantitative models, using econometric, time series, and network modelling tools. The models provide better understanding of both our existing businesses and new opportunities. We achieved our target of a 40% gender balance at Board level, within senior executives ¹ and across the organisation.
	ESG and environmental performance	For 2021, Atlas Arteria was ranked 7th out of 169 peers for ESG performance by Sustainalytics. Atlas Arteria also achieved a B rating in the Global Real Estate Sustainability Benchmark's (GRESB) Infrastructure Public Disclosure assessment with a score of 63. APRR ranked 2nd in the European motorway sector in GRESB's Infrastructure Assessment. Atlas Arteria continued to facilitate a reduced customer footprint. Along APRR and AREA this includes additional car park spaces to encourage shared mobility, an eco-mobility education program and 254 electric vehicle charging points, or 58% of the total rollout. During 2021, we developed overarching targets for each of our four priority areas of safety; customers and community; our people; and environmental stewardship. These are underpinned by a set of metrics and actions to support achievement of our targets. Our progress in this area will be outlined in a separate Sustainability Report to be released in early April 2022. A summary is provided on pages 18 to 19 of this report.
	Safety	Embedding a safety-first culture, we implemented further initiatives to minimise dangerous driver behaviour on our roads and developed specialised operational technology for hazard prevention. APRR met its ambitious target to keep their lost time injury frequency rate (LTIFR) ² ≤ 3 , recording a rate of 2.85. This is the second year in a row LTIFR has been kept below 3. At Warnow Tunnel there were two lost time injuries, while at Dulles Greenway no lost time injuries were recorded in 2021.
	Customers	Undertaken in-depth analysis of underlying traffic trends and conducted detailed customer surveys to understand how customers can be better served through the operational management of Atlas Arteria road networks, for example the implementation of improved signage and toll payment options. Completion of key projects such as the Leesburg Bypass improvements at the Dulles Greenway which helps to alleviate congestion and creates safer travel for customers. Continuing to work towards providing Greenway users with distance-based tolling, which could bring toll relief to many of our customers and support those who want to use the Greenway for shorter trips.

1. 'Senior executives' is defined as Atlas Arteria executive team members, their direct reports and CEOs of wholly owned businesses.
2. LTIFR = number of lost-time injuries per one million hours worked.

Strategic Theme	Initiatives	Progress
Disciplined capital management to underpin strong and sustainable distributions to securityholders	Implementing a quick recovery in distributions to securityholders	<p>The strong balance sheet position which was established in response to the COVID-19 pandemic has enabled the business to deliver on the distribution recovery.</p> <p>A H1 distribution of 15.5 cents per security was declared in September 2021 with guidance for our final 2021 distribution of 0.5 cents per security, reflecting the continued performance of APRR coupled with distributions of cash from Warnow Tunnel.</p> <p>Based on guidance provided, this would result in total distributions for the 2021 year of 36.0 cents, a record distribution for Atlas Arteria.</p>
	Maintaining balance between debt and equity funding over time	<p>The objective is to maintain a dual focus on cash flow and the balance sheet to enable flexibility in funding for future growth. To this end the Atlas Arteria's corporate balance sheet held A\$134m equivalent as at 31 December 2021, with no holding company debt. APRR is rated A- by both S&P and Fitch with a stable outlook, with €3.2bn in liquidity as at 31 December 2021 while Dulles Greenway had liquidity of US\$221m as at 31 December 2021.</p>
	Focus on investment grade metrics and unlocking distributions	<p>Continued focus on appropriate gearing across the portfolio with the capital restructure successfully implemented for Warnow Tunnel in March 2021 and the ongoing evaluation of strategies to deliver sustainable contributions from Dulles Greenway.</p>
Lengthen average concession life	Pursue growth opportunities	<p>Success in winning and implementing RCEA (48 year concession contract) and we are working with various levels of the French Government to achieve capital works projects that enhance value and extend our average concession term. We continue to bid for new concessions in France which are progressively coming to market.</p>
	Removing constraints to growth	<p>Repayment of the holding company debt allows Atlas Arteria to support growth and developments at APRR.</p>
Diversify and manage risk	Further develop risk management	<p>Updated and further refined governance structures, the risk management plan, policies and internal audit activities.</p>
	Diversification of cash flow	<p>Capital restructure of the Warnow Tunnel completed, thereby diversifying Atlas Arteria's sources of cash flow.</p> <p>Work to unlock distribution capability at the Dulles Greenway continues.</p>

SUSTAINABILITY

RISK AND GOVERNANCE

FINANCIAL OVERVIEW

REMUNERATION REPORT

DIRECTORS' REPORTS

FINANCIAL REPORT

APRR AND ADELAC

FRANCE

APRR is a 2,318 kilometre motorway network in the south-east of France, including ADELAC's 20 kilometres. It is the second-largest motorway network in France and the fourth largest in Europe.



Atlas Arteria interest

31.14%

in APRR and

31.17%

in ADELAC

Concession term

APRR: 30 November 2035
 AREA: 30 September 2036
 ADELAC: 31 December 2060

APRR (including AREA)

Traffic: up 19.5% on pcp
 Toll Revenue: up 17.5% on pcp
 EBITDA: up 22.2% on pcp

ADELAC

Traffic: up 15.4% on pcp
 Toll Revenue: up 15.4% on pcp
 EBITDA: up 17.2% on pcp

The APRR business owns two separate concessions, the APRR Concession and the AREA Concession. It also owns a minority interest in the ADELAC Concession. Together, these represent a vital motorway network that is part of several transportation corridors for major Western European and intra-France trade and tourism, and provides essential connectivity between Paris and Lyon, France's two largest metropolitan areas.

Year in Review

The team continued to manage the business well through ongoing disruption, focused on the safety of its employees, customers, and communities. Whilst there was a dedicated crisis management team in place at the beginning of the COVID-19 pandemic, operating in a COVID-19 safe manner is now part of normal business practice.

Traffic over the second half of 2021 was the highest second half traffic performance recorded by APRR, up by 19.4% compared to the prior corresponding period and up 4.5% compared to H2 2019. This followed strict movement restrictions which were in place across France for the majority of the first half of the year. Restrictions began to ease from early May, first with the re-opening of schools, then restaurants and bars, and non-essential shops and services. The EU health pass system launched on 1 July allowing cross border travel to recommence in time for the European summer.

The summer period at APRR is typically characterised by a strong increase in leisure travel. In 2021, elevated levels of leisure traffic also continued into September. French domestic hotel nights reached record levels in the summer of 2021, and inbound tourist demand from Western European countries was significantly higher than the prior year. Traffic continued its strong performance in Q4 2021 as France administered booster vaccinations to extend immunity into the European winter.

Traffic at APRR finished the year up by 19.5%, resulting in toll revenue increasing by 17.5% and EBITDA up 22.2%. Driven by the traffic recovery in the second half, toll price increases and lower French corporate tax rates, APRR profit for the year was up by 48.5%. The resilience of the APRR network has been evident during the COVID-19 pandemic and we look forward to a continued recovery in 2022.

Building the network

APRR continued to invest in the network and improve the customer experience with around €400m spent on capital projects during the year, including those previously agreed with the French Government being the 2014-2018 Management Contract, the 2015 Stimulus Package and the 2018 New Motorway Investment Plan.

July saw the opening of both the A41 Widening (€90m project) and the A71 'Montmarault' intersection, a €86m project that provides a more efficient connection between APRR and the RCEA project (future A79). The A75 Widening was also opened to traffic in August. This was the largest capital project completed this year, costing €179m and reduces congestion during the summer period in particular which experiences around a third of the annual traffic.

An additional 98 car park spaces were also opened during the year to encourage shared mobility, reducing congestion and carbon emissions.

Improving customer services

Several network improvements were made during the year.

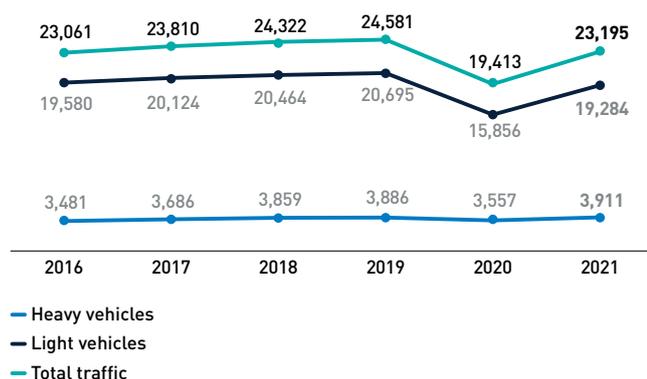
The customer service offering for electric vehicles has been expanded to 254 very high and high power charging points across the network, representing 58% of service areas in place at the end of 2021. The expansion included four Fastned very high-power stations which were deployed in December 2021. Fastned stations can charge up to 300km of range in just 15 minutes using 100% renewable energy. An additional five Fastned charging stations have since been added to the APRR network in 2022. APRR is expecting to equip all service areas on the APRR and AREA network with high or very-high power terminals over the coming 12 months.

APRR also focused on initiatives to reduce its own emissions expanding its fleet of electric vehicles from 11 to 42 vehicles. APRR is targeting an additional 366 electric vehicles by the end of 2023 (total fleet of 408 electric vehicles).

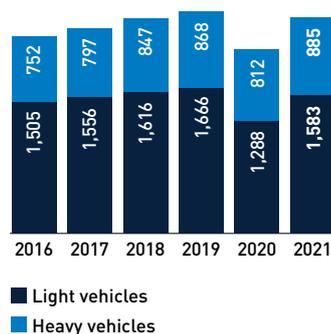
The Mango Mobilités mobile application was upgraded during the year providing an interactive map showing the location of motorway service areas and electric vehicle charging stations across France as well as providing access to KiWhiPass accounts.

Six Fulli stations are now open across the APRR network providing customers access to fuel at a much lower price and without needing to divert from the APRR network thereby reducing their travel time. Wi-Fi access is also available at 100% of the service areas across the network.

Traffic (VKTm over past 6 years)



Toll Revenue (€m)



APRR AND ADELAC FRANCE

Awards continue

APRR was named France's Best Employer in its sector for the seventh year in a row by Capital magazine in 2021. The French State also renewed APRR's 'Label Diversité' in recognition of its achievements promoting diversity, equal opportunities, and discrimination prevention.

APRR again improved its GRESB score from 77 to 87 and maintained its second place in the road sector.

Reinforcing financial stability

APRR remains in a strong financial position with €3.2bn of liquidity comprising a €2.0bn undrawn revolving credit facility and €1.2bn cash at the end of December 2021.

In September, S&P reaffirmed its 'A-/A-2' long-term and short-term issuer credit ratings and stable outlook for APRR despite the impacts and outlook for the COVID-19 pandemic. In October, Fitch also affirmed its A- credit rating for APRR and maintained its outlook as 'stable'.

In November, APRR successfully priced €500m of bonds under its Euro Medium Term Note Programme at a zero percent coupon providing additional liquidity, further reducing its average cost of debt and extending its weighted average debt maturity.

Adding future value

APRR has a strong pipeline of growth projects due to complete in the coming years including the A48/A480 project, the A43-A41 Chambéry junction, and the completion of the 19 wildlife crossings. Further, there are many opportunities to continue to expand the APRR network and provide solutions to the French Government at a state and local level. The additional 98 car park spaces are just one example of APRR ESG initiatives.

Capital expenditure for the next two years is expected to be approximately €650m – €700m and on average approximately €200m to €250m per annum thereafter (excluding RCEA and any future investment plans agreed with the French Government).

Construction of the RCEA/A79 project is progressing well and is expected to complete in late 2022. The RCEA/A79 is a strategic road for intra-European trade flows. The changes will significantly improve safety on the road with 88km of the existing sub-section of the RCEA being upgraded to 2x2 lanes plus a hard shoulder. The construction cost of the project is estimated to be €650m – €700m.

APRR continues an ongoing dialogue with the French Government to provide support for the French Government's road development objectives.



Case study

Keeping the economy moving

Vincent is a corporate truck driver. He hauls car parts between a manufacturing plant in Barcelona and a car manufacturing plant in Wolfsburg, Germany. This is a competitive market, and car and car parts form around 5% of total Spanish exports to the EU (by weight).

For the trip across France, there is limited ability to use local roads given restrictions in place for heavy vehicles. The options for the journey through France:

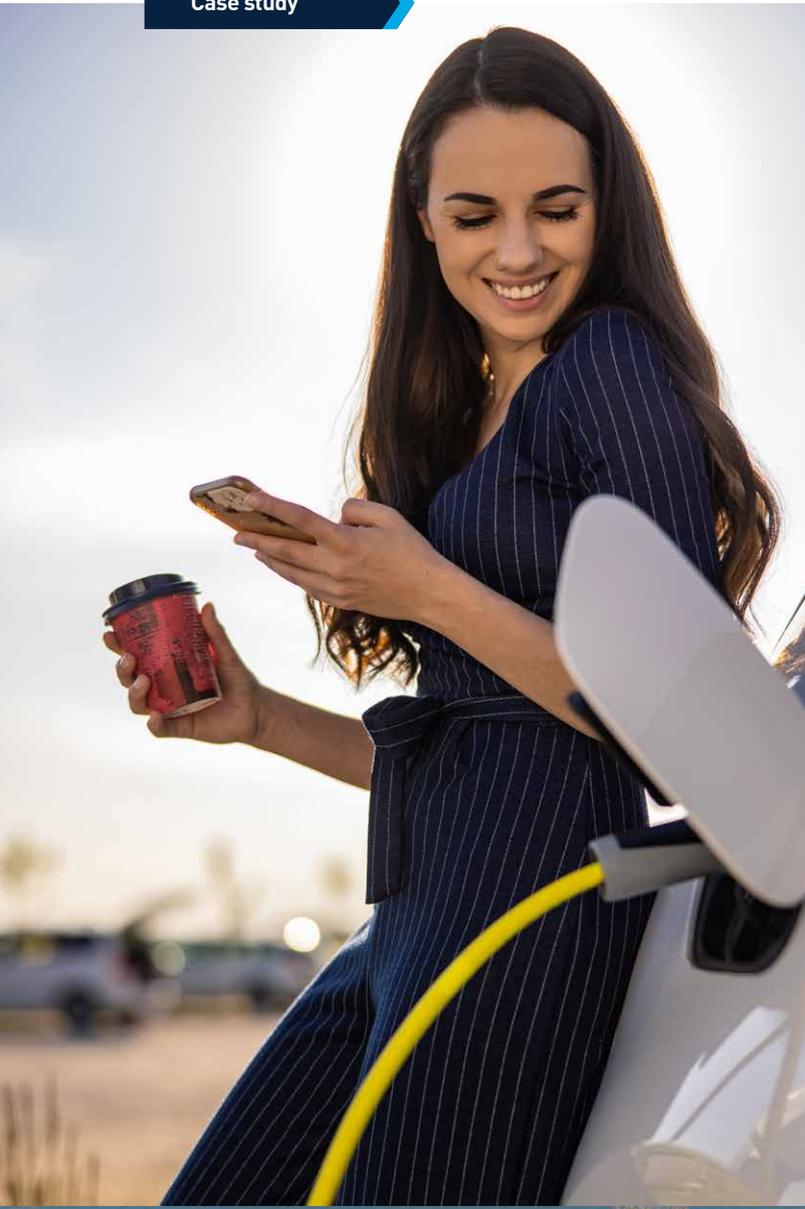
- A Western route: c. €110 incl. of c. €34 on the APRR network (18 hour trip using different toll road networks)
- An Eastern route: c. €242 incl. of c. €110 on the APRR network (14 hour trip using a greater proportion of the APRR network)

By taking the Eastern route and a greater proportion of the APRR network, Vincent saves 8 hours and shortens the journey by 200kms over a return trip compared to the Western route. This improves the utilisation of the corporate truck, including fuel costs, and reduces labour costs.

In addition, Vincent will benefit from showers at 8 secure locations (compared to 4 on the Western route). The APRR network also offers free Wi-Fi, quality food, amenities and easily accessible heavy vehicle parking facilities making his trips even more efficient.



Case study



Spending time with family

Sophia lives in Saint Étienne. She recently purchased a new electric car and with the lifting of the COVID-19 pandemic related movement restrictions for the 2021 European summer, she was keen to visit family in Dijon and consider cost effective options that were also environmentally friendly.

She had three options for the trip:

- Train: over 4 hours at a cost of more than €69 and two inter-changes
- APRR network: approximately 2.5 hours at a cost of €15.90 with 58 electric charging points across 11 locations en route
- Local non tolled roads: approximately 3.5 hours and 27 electric charging points across 7 charging locations at the start and end of the journey

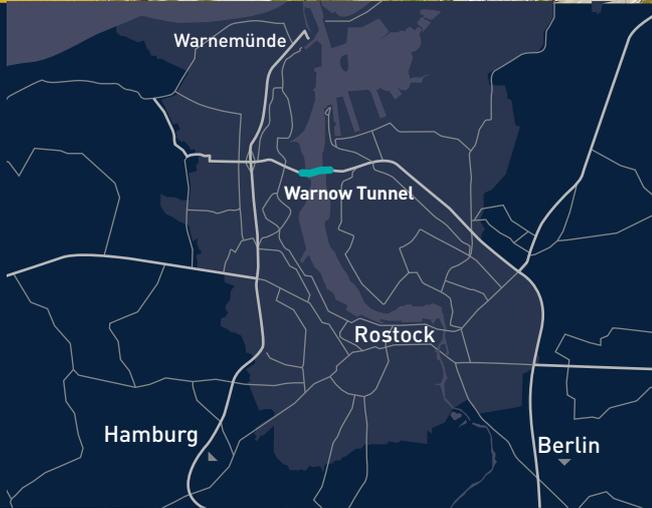
Using the APRR network will be much more time efficient and Sophia can be confident of using and charging her new car as an environmentally friendly travel option.



WARNOW TUNNEL

ROSTOCK, GERMANY

The Warnow Tunnel is a 2.1 kilometre toll road, including a 0.8 kilometre tunnel under the Warnow River. It offers customers a reliable, cost-effective way to travel across the river.



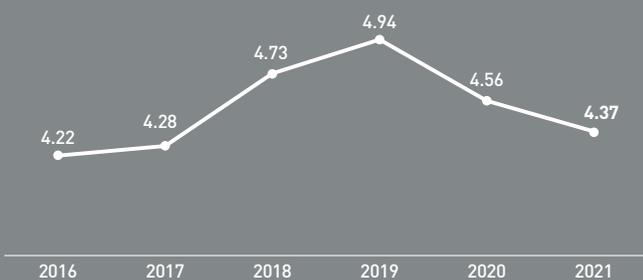
Atlas Arteria interest

100%

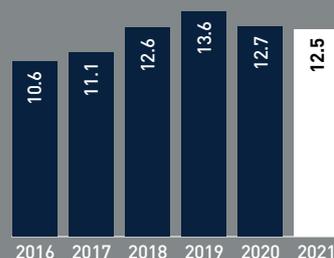
Concession expiry: 2053

Traffic: down 4.3% on pcp
Toll Revenue: down 1.8% on pcp
EBITDA: down 5.0% on pcp

Traffic (Trips (m) over past 6 years)



Toll Revenue (€m)



The Warnow Tunnel is located in Rostock in North Eastern Germany. The Port of Rostock is the fourth largest port in Germany. The Warnow Tunnel offers an alternative to using the ferry to cross the river or 19km of untolled roads through the shopping precinct of Rostock which often suffers from congestion during peak periods.

Year in Review

Traffic for the full year was down 4.3% compared with 2020 which, with an average toll increase of 2.5% saw a decrease of only 1.8% in toll revenue.

The federal state in which Warnow Tunnel is located was more significantly impacted by the COVID-19 pandemic related restrictions during the first half of 2021 than in any period of 2020. A hard lockdown which closed non-essential services and schools and limited social gatherings was initially expected to last four weeks but was in place for the first quarter of the year. Schools returned in mid-May with most shops and restaurants opened by late May and domestic tourism only permitted from early June.

Higher vaccination levels, relaxation of restrictions, and more tourism led to a recovery in traffic over the traditional summer holiday period. Traffic was also supported by the return of cruise ship travel through Rostock. Continuing roadworks on competing routes in the City of Rostock also supported traffic, primarily in the first half of the year.

Germany's fourth COVID-19 pandemic wave began in October 2021, resulting in the tightening of restrictions, primarily for the unvaccinated. The positive impact of a more modest set of restrictions in late 2021 compared to late 2020 saw a 3% increase in traffic by the fourth quarter compared with the same quarter in 2020.

The capital restructure of Warnow Tunnel was successfully completed in March. The new arrangements support the ongoing success of the Warnow Tunnel business and allow for an optimised cash management strategy. The first distribution was paid to Atlas Arteria in August 2021.

A customer behaviour study was undertaken in 2020 to address dangerous driving at the toll plaza. In 2021 initiatives from these findings were implemented including a new 'Last Exit' sign, enhanced LED-overhead signage and banning parking in dangerous areas.

Improved customer payment options were implemented at Warnow Tunnel during the period. Credit card terminals are now available in 25% of the lanes with 100% to be equipped with credit card terminals by the end of H1 2022. Customers are also now able to recharge their toll payment cash-cards 'Oscards' online.

Warnow Tunnel transitioned to 100% of electricity consumption coming from renewable energy sources.

Investing in the Tunnel

This year's annual maintenance program confirmed the good condition of the tunnel equipment. The low voltage switching cabinets in the southern tunnel tube were replaced as planned. Works planned for 2022 include upgrades to the tunnel ventilation and power supply systems to comply with recently increased tunnel standards in Germany.

Adding future value

Warnow Tunnel is focused on implementing further safety improvements for customers including new road marking and improved overhead lane signage. Work will also continue to improve customer payment options with an 'Oscard' contactless reader to be installed outside the toll booth and credit card terminals to be installed in all lanes. All lanes will also be equipped with more advanced cameras for license plate recognition and toll enforcement.

Case study



Making time for activities

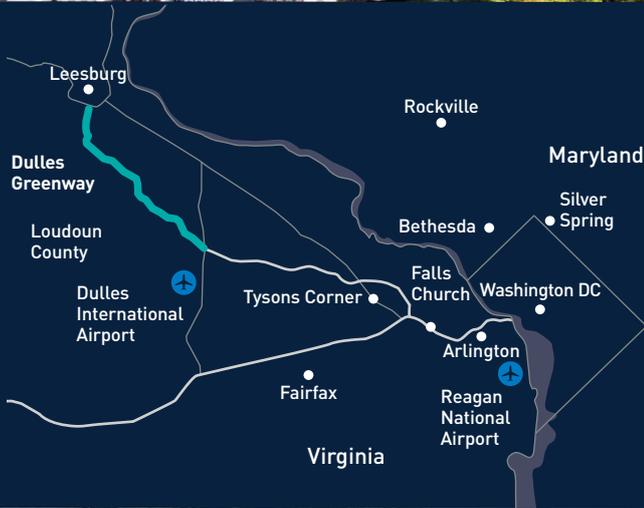
Fynn lives on the western side of the Warnow river in Rostock. Every day he travels to work on the eastern side of the river. Using the Warnow Tunnel means Fynn can save up to 30 minutes each way compared to using the free alternative route. Given his regular use of the tunnel, Fynn enjoys his journey for the discounted price of €2.84 each way.



DULLES GREENWAY

VIRGINIA, USA

The Dulles Greenway is a 22 kilometre toll road in Loudoun County, Virginia in the USA. It offers customers a cost-effective way to travel between Northern Virginia and the greater Washington area.



Atlas Arteria economic interest

100%

Certificate of Authority expiry: 2056

Traffic: up 13.3% on pcp
 Toll Revenue: up 16.2% on pcp
 EBITDA: up 21.3% on pcp

Traffic (Trips (m) over past 6 years)



Toll Revenue (US\$m)



The Greenway is located in one of the fastest growing and more affluent counties in the United States, providing customers with a reliable and safe connection from Leesburg, VA to the west, through Loudoun County to Dulles International Airport and connector roads to Washington DC to the east. For over 25 years, the Greenway has connected commuters to their jobs, communities to recreational venues, and families to each other by providing a safe, predictable and faster transport option.

The Year in Review

Traffic at the Dulles Greenway in Northern Virginia continued the trend of recovery since the COVID-19 pandemic started prompted by the gradual return of commuters and the overall increase in mobility in the region over the year. Overall traffic was up 13.3% translating to a 16.2% increase in toll revenue and a 21.3% increase in EBITDA.

Several major milestones were achieved during the year.

The layout of the maintenance yard was improved to provide for the safer and more efficient manoeuvring of snow trucks when refilling with salt and brine.

The Leesburg Bypass Improvement Project at the west end of the roadway was completed in conjunction with Loudoun County and the Town of Leesburg. This joint project has been funded 50/50 with the County and has involved the extension of an inside lane along the westbound Leesburg Bypass as well as a complete reconstruction of the northbound exit ramp to King Street. This project, in conjunction with the ramp reconfiguration completed at the west end of the Greenway in 2020, has been designed to help alleviate evening congestion through this area and create a safer merge of Greenway traffic onto the Leesburg Bypass.

The 2021 Virginia legislative session saw the passing of legislation that impacts the regulatory environment in which the Dulles Greenway operates. The legislation amends the Virginia Highway Corporation Act (1988) preventing the SCC approving more than one year of toll rate increases per application and defines the threshold at which toll increases would be considered to 'materially discourage use' as a 3% fall in traffic, adjusted for population growth. This legislation became law and took effect from 1 July 2021. We continue to work with all government and community stakeholders to develop a better long term pathway for the Greenway.

In April 2021 the SCC released its ruling regarding our application for tolling increases at the Greenway. The SCC found that the Greenway had satisfied the criteria for approval of certain peak and off-peak toll increases, however exercised its discretion to allow off-peak toll increases only for 2021 and 2022, due to the uncertainty brought about by the COVID-19 pandemic. Off-peak tolls were increased by 5.3% in 2021 and 5.0% in 2022.

Financial Strength

Dulles Greenway remains well placed from a liquidity perspective, with US\$221.0m of cash on the balance sheet as of 31 December 2021. Whilst theoretically, US\$78.9m was available for distribution, due to the reduced traffic in 2021, the Greenway did not pass its 1 year and 3 year lock up tests as at 31 December 2021.

Adding future value

As a result of the changes to the Greenway's governing legislation earlier in the year as outlined above, submissions to the Commission will be on an annual basis going forward, assuming no further alterations to the regulatory framework.

We are committed to fully optimising the value of the Greenway business, reducing risk and improving cash flows to Atlas Arteria and its securityholders. We continue to work closely with our communities and key stakeholders including the government to deliver mutually beneficial outcomes.



Getting more done

Thomas lives in Broadlands and owns his own HVAC company with clients all over Northern Virginia. Thomas has morning appointments in Reston, but also wants to attend his daughter's 'Doughnuts with Dads' event before school starts. Taking the Dulles Greenway could save Thomas up to 30 minutes of travel time, allowing him to spend more time at his daughter's school event before beginning work. Taking the Greenway also allows Thomas to provide a more accurate arrival time for his clients as well as the opportunity to serve more clients during his day, helping his business grow faster.



SUSTAINABILITY

At Atlas Arteria, we are committed to playing a positive role in society and creating long-term value for our stakeholders. From investors and customers, to employees and communities, we take our responsibilities seriously, embedding sustainable business practices as core to our growth.

SUSTAINABILITY PRIORITIES



Safety

Whether working or travelling with us, safety is our primary focus, and we pursue a zero-harm culture.



Customers and community

We provide positive customer experiences, contribute to our communities and provide safer, faster transport options that make life easier.



Our people

We promote inclusive work environments, fostering an engaged, collaborative and diverse workforce towards business success.



Environmental stewardship

We actively manage our environmental impacts, provide solutions that enable customers to minimise their footprint, and contribute to a low-carbon future.

BUSINESS FUNDAMENTALS

Governance

We are accountable and transparent in all our business dealings.

Ethics, values and culture

We act ethically and promote a culture founded on our five values: Safety, Transparency, Engagement, Environment and Respect.

Sustainable growth

We focus on growing our business and returns for the long-term while delivering positive social benefit.

Innovation and technology

We monitor innovations and technology and proactively respond to changing needs and expectations.

Implemented through policies and programs. Monitored through metrics and targets.

Our Sustainability Strategy focuses our attention on four priority areas:

- keeping those who work and travel with us safe;
- keeping customers, communities and commerce connected;
- fostering an inclusive, engaged and collaborative workforce; and
- actively managing our impact on the environment and providing solutions towards a low-carbon future.

This year further meaningful steps were taken. We have set targets to guide our direction, expanded our metrics for improved measurement and management and continued to implement initiatives to support continuous improvement.

The expansion of the metrics we disclose has necessitated the separation of our Sustainability Report from our Annual Report. The separation enables us to robustly gather and review the data, while aligning our report timing with that of Eiffage, our partner at APRR.

In this Annual Report, we are providing a summary of work undertaken this year. Further information will be contained in our Sustainability Report, to be released in April.

Safety

Safety across our businesses is our top priority. We focus on a safety-first culture while having the right equipment and the right training to do the job. We seek to ensure that all people who work for us and use our roads return home safely.

The continued impacts of the COVID-19 pandemic placed additional emphasis on ensuring the safety of our people throughout 2021. Front-line employees were supplied with key protective gear including gloves, masks and face shields; online safety training was employed to minimise contact; and working from home policies continued, where appropriate.

On our roads, initiatives have included improving the layout for vehicle access and handling in the maintenance yard at Dulles Greenway, installation of signage at Warnow Tunnel to better guide customers on their journey and reduce dangerous driving and a customer awareness campaign at APRR, focused on the seven main reasons for accidents.

Headline targets: LTIFR¹ target for large businesses ≤ 3 and LTI target for small businesses ≤ 1 .

Customers and community

Connecting customers and communities is what we do. Improved safety, reduced travel times, enhanced comfort and mobility at a reasonable cost are core offerings of our businesses.

Throughout the COVID-19 pandemic, the ability for our communities to connect has at times been severely reduced. This has highlighted the importance of our road networks in supporting local economies with safe and efficient connections, and efficient delivery of goods and services between locations.

Improvements to our networks include finalisation of the Leesburg Bypass Improvement Project on Dulles Greenway to improve safety and relieve congestion. At APRR, the A41, A75 and A71 projects were completed and opened to traffic, growing the network and improving the customer experience. We have also implemented additional payment options at Warnow Tunnel to improve efficiency.

Understanding customers' views on our networks is key to ensuring we provide positive experiences. Our periodic surveys at APRR and Warnow Tunnel will be further supplemented with a review of customer satisfaction at Dulles Greenway. This will provide us with additional insight and a baseline for performance measurement going forwards.

Headline target: Establish a baseline customer satisfaction score in 2022.

Our People

Our people are essential to our success. We are committed to building a team of diverse, passionate, driven and innovative people, inspiring and readying teams to deliver sustainable growth.

We have geographically diverse operations, and the continuation of the COVID-19 pandemic related movement and travel restrictions meant that even team members based in the same location have been separated for quite some time. Team engagement, wellbeing and effectiveness have therefore been important themes this year.

At a corporate level, we have established an Employee Assistance Program, delivered workshops focused on resilience and team effectiveness and rolled out inclusive leadership training to all managers. This training has also supported our focus on an equitable, inclusive and diverse team and culture.

We are pleased to have maintained our commitment around gender diversity across key levels in the organisation and have made headway in achieving improved balance within specific teams. We have also included diversity as a factor in supplier assessment through our revised Supplier Code of Conduct.

Other key initiatives and actions include the introduction of our Flexible Working Policy, and considerations for transition to retirement and succession planning at Warnow Tunnel and Dulles Greenway. We continue to adapt, seeking options that will best support our people and deliver business success.

Headline target: Maintain our 40% commitment to gender balance and evolve representation across and within teams.

Environmental Stewardship

Combating climate change and protecting our environments are commercial, social and environmental imperatives. Effective and proactive management enables us to reduce costs, support the health of our ecosystems and better engage our stakeholders, including investors, governments, employees and customers.

We are committed to taking the steps necessary to reduce the impacts of our networks and providing infrastructure that enables our customers to transition to a lower-carbon economy.

Of particular note this year is the establishment of greenhouse gas emission reduction targets. Since our transition to independent management in 2019, when we first reported on APRR's green house gas emissions footprint, we have been on a journey to understand and address our complete carbon footprint. In 2020 we expanded Scope 1 and 2 data to encompass all of our businesses. This year, alongside our 2021 footprint, we established a 2019 baseline to set forward-looking targets out to 2030. These are aligned with a 1.5°C warming scenario and calculated based on the Science Based Targets Initiative (SBTi) methodology.

We also identified additional metrics that will help us improve our monitoring and management and undertook a gap analysis for a Task Force on Climate-Related Financial Disclosures (TCFD) aligned reporting. Looking to 2022, we'll seek to better understand our Scope 3 emissions and continue the TCFD journey.

In France, APRR continued projects for wildlife protection, completing construction of two large wildlife crossings in the year. Another 17 are due for delivery by 2024. Dulles Greenway also partnered with local organisations to enable live-streaming of two nesting bald eagles in the Dulles Greenway wetlands. The Greenway will be engaging with local public schools in 2022 as part of this educational opportunity.

Headline target: 25% reduction in Scope 1 and 2 green house gas emissions by 2025, and 46% by 2030, compared to a 2019 baseline.

1. LTIFR = number of lost-time injuries per one million hours worked.

RISK MANAGEMENT

Risk Management Framework

The proactive and disciplined management of risk is critical to Atlas Arteria's business strategy and organisational culture.

The Company's risk management framework sets out its approach and direction in relation to risk management and includes a risk management policy and risk appetite statements that provide clarity as to the level of risk that the business is willing to take in achieving its strategic objectives.

These are reviewed annually by management and the Boards to ensure the Company's approach continues to be sound and that it achieves an appropriate balance between effective risk management and the achievement of our strategic objectives.

Atlas Arteria has adopted the 'Three Lines of Accountability' model to support effective monitoring and oversight of risk across its operations. This model is consistent with Atlas Arteria's objective to actively manage risk rather than eliminate it, recognising that risk presents opportunities as well as challenges.

The first line of the 'Three Lines of Accountability' is the CEO and staff across the corporate functions and underlying businesses. They are charged with identifying, assessing, managing, monitoring and mitigating risks in business processes. The second line of accountability is the risk management and compliance function which is responsible for, among other things, reviewing and challenging the first line. The third line of accountability is the internal and external audit functions. These roles are further described in the risk management policy that can be found on the Atlas Arteria website.

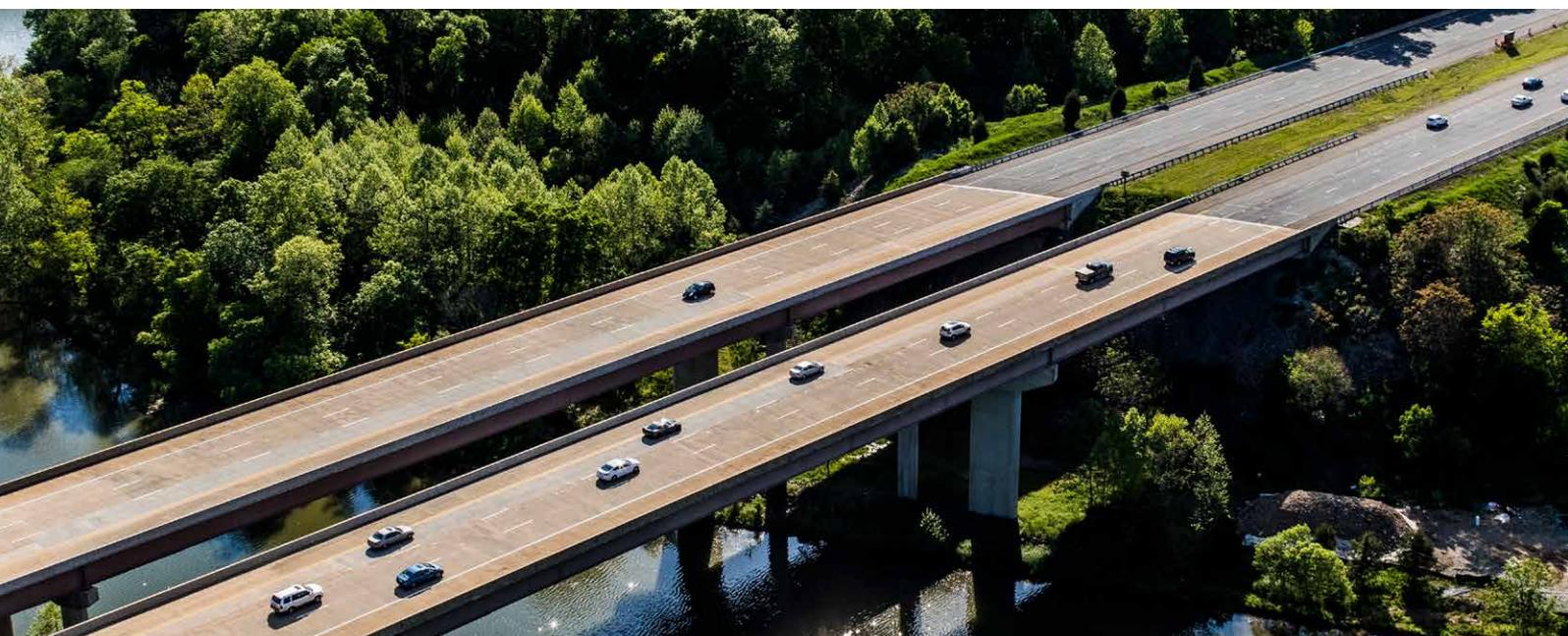
Role of the Boards in risk management

Risk management is a critical area of responsibility for the Boards and a core component of its governance framework. While ultimate responsibility for Atlas Arteria's risk management framework rests with the ATLAX and ATLIX Boards, they have both established Audit and Risk Committees (ARCs) to oversee the risk management framework and ensure its ongoing effectiveness. The charters for the ARCs are available on the Atlas Arteria website. As set out in the Charters the ARCs are responsible for monitoring and reviewing the effectiveness of the risk management framework and internal controls and compliance with key risk management policies, including the processes for identifying, assessing and responding to risks in a manner consistent with the risk appetite statements.

The Boards and ARCs receive regular reports on the key financial and non-financial risks facing the organisation, including an assessment of whether the risk is within appetite, and the measures undertaken to manage the risk. The internal and external audit functions also have direct lines of reporting to the ARCs.

Risk management in practise

Atlas Arteria has identified key risks which it actively manages in pursuit of its strategic objectives. These risks cover all aspects of the business and are regularly reviewed and monitored by management and the Board to ensure they remain appropriate.



Nature of Risk	Description	Management of Risk
Economic and Market Conditions	<p>The business is exposed to higher and lower economic activity across its underlying operations. The impact of the COVID-19 pandemic on traffic volumes across our businesses in France, Germany and the US brought this into sharp focus.</p> <p>Market conditions can affect Atlas Arteria's ability to achieve its long-term growth objectives.</p>	<ul style="list-style-type: none"> – Ongoing monitoring and assessment of economic variables and understanding how these impact traffic volumes and mix as well as growth opportunities at each business. – Ongoing assessment of local and global economic events and their impact on financial results, access to capital and liquidity across the business. – Assessment of traffic scenarios under various economic and market conditions enables forward based planning.
Government and Regulatory Policies	<p>Changes in government policy or regulations could impact Atlas Arteria's ability to achieve its long-term strategic objectives.</p>	<ul style="list-style-type: none"> – Management from Atlas Arteria and each business regularly engage with various levels of government and regulatory authorities across a wide range of forums in their respective jurisdictions. This includes participation in relevant policy discussions and education as to how our roads form effective parts of the relevant transport networks.
Environmental, Social and Governance Practices	<p>Atlas Arteria's Sustainability Framework drives continual improvement in the identification and management of ESG issues by identifying and managing ESG outcomes across the organisation.</p>	<ul style="list-style-type: none"> – Atlas Arteria prepares an annual Sustainability Report which outlines material safety, environmental and social risks, how Atlas Arteria intends to manage those risks and its material safety, environmental and social priorities. – Atlas Arteria has established targets and metrics to track its performance across material ESG matters. – Atlas Arteria has undertaken a TCFD readiness review to identify an appropriate pathway for TCFD reporting. The review identified the gaps in functionality and practices required to support TCFD reporting, and identifies actions to address these.
Organisational Capability	<p>The corporate team at Atlas Arteria is lean but it is important that at the head office and at each business there is sufficient depth, understanding and expertise to effectively deliver on the company's strategy.</p>	<ul style="list-style-type: none"> – Atlas Arteria has a strong employee value proposition designed to attract and retain the right mix of talent and skill sets. – People processes are supported by a clear vision and values statement, learning and development framework and flexible working policy. – There are regular reviews of employee engagement and culture, which are also considered by the Boards.
Technology	<p>It is important that Atlas Arteria and its underlying businesses have the right technology systems in place to provide timely, accurate and secure information and allow for efficient operational processes that are executed with complete integrity.</p>	<ul style="list-style-type: none"> – Atlas Arteria and its underlying businesses undertake regular reviews across key technology platforms to ensure they are fit-for-purpose, and maintain effective security management practices. – Atlas Arteria maintains effective data and cyber risk management practices to protect its businesses and customers from exposure to data breaches. – Atlas Arteria's businesses actively seek out innovation opportunities and participate in development and testing of low-emission technology.
Financial Structure	<p>Atlas Arteria and each of its businesses needs to be appropriately structured to best meet strategic objectives, support business growth, and provide appropriate returns to securityholders.</p>	<ul style="list-style-type: none"> – Management undertakes regular scenario analysis to understand the range of economic outcomes and the most appropriate strategies to manage these. – Management values the relationships with all suppliers of capital and seeks to ensure they remain supportive of the businesses and their practices.
Operational Risk Management	<p>It is important that each business and their operations have effective controls in place to ensure the long-term sustainability of returns through a balance of investment and cash flow management.</p>	<ul style="list-style-type: none"> – The management teams each employ a disciplined approach to operations and maintenance to optimise business performance and customer experience. – Operational risk management arrangements including contractual and legal frameworks are regularly reviewed to ensure that the organisational needs are met. – A risk management policy and framework, and internal reviews support compliance with regulatory obligations and key business processes.

CORPORATE GOVERNANCE

Legal framework

Atlas Arteria comprises Atlas Arteria Limited (ACN 141 075 201) (ATLAX), an Australian public company, and Atlas Arteria International Limited (Registration No. 43828) (ATLIX), an exempted mutual fund company incorporated in Bermuda. Atlas Arteria is listed as a stapled structure on the Australian Securities Exchange (ASX). The securities of ATLAX and ATLIX are stapled and must trade and otherwise be dealt with together. ATLAX and ATLIX have entered into a cooperation deed which provides for sharing of information, adoption of consistent accounting policies and coordination of reporting to securityholders (Atlas Arteria Cooperation Deed).

Governance disclosures

We recommend that you also read the following documents on the Atlas Arteria website:

- Overview of Legal Framework
- ATLIX Bye-Laws
- ATLAX Constitution
- Atlas Arteria Cooperation Deed
- ATLAX and ATLIX Board & Committee Charters
- Atlas Arteria Corporate Policies.

More detail about our operational and governance arrangements can also be found in the ASIC Regulatory Guide 231 disclosure on the Atlas Arteria website. This disclosure is required by ASIC and seeks to improve disclosure for retail investors in infrastructure entities.



For more information go to [atlasarteria.com](https://www.atlasarteria.com)

Corporate Governance Statement

The Atlas Arteria Boards determine the corporate governance arrangements for Atlas Arteria with regard to what they consider to be in the long-term interests of the business and its investors, and consistent with its responsibilities to other stakeholders. Atlas Arteria's corporate governance arrangements conform to the Corporate Governance Principles and Recommendations (4th edition) issued by the ASX Corporate Governance Council.

Atlas Arteria's Corporate Governance Statement has been approved by the Boards and outlines our main corporate governance practices for the year ended 31 December 2021. Included in the statement are details relating to:

- Board composition, skills matrix and performance;
- structure and role of Board Committees;
- Director independence;
- diversity and inclusion;
- key governance documents including Vision and Values Statement, Code of Conduct, Whistleblower Policy, Securities Trading Policy and Anti-Bribery & Corruption Policy;
- external communications and market disclosures; and
- risk management and corporate reporting.

Atlas Arteria's Corporate Governance Statement, as well as other governance documents referred to within the statement, can be viewed on Atlas Arteria's website at www.atlasarteria.com/about. These governance documents are regularly reviewed and updated to ensure that they remain consistent with the objectives of the Boards.



For more information go to [atlasarteria.com](https://www.atlasarteria.com)



BOARD OF DIRECTORS – ATLAX BOARD



Debra (Debbie) Goodin

BEC (AU), FCA

Non-executive Director of ATLAX appointed on 1 September 2017, Chair of ATLAX effective 1 November 2020. Non-executive Director of ATLIIX appointed on 1 November 2020. Chair of the ATLAX Nomination and Governance Committee.

Debbie Goodin has extensive director experience as well as over 20 years' senior management experience with professional services firms, government authorities and ASX-listed companies across a broad range of industries and service areas.

Among other executive roles, Debbie was COO for an ANZ subsidiary of Downer EDI Limited, Acting CFO and Head of Mergers and Acquisitions, and also Global Head of Operations at Coffey International Limited.

Other listed company directorships (past three years): Non-executive Director, APA Group (ASX:APA) (joined September 2015). Non-executive Director, Senex Energy Limited (ASX:SXY) (2014 to 2020). Non-executive Director, Ooh! Media Limited (ASX:OML) (2014 to 2020).

Other directorships and appointments: Director and Audit Committee Chair of Australia Pacific Airports Corporation Limited as an IFM owners' representative.



Graeme Bevans

Chief Executive Officer and Managing Director of ATLAX since 1 April 2019.

Graeme Bevans 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 America and South America.

Graeme is Managing Director of ATLAX and holds no other current directorships.



David Bartholomew

BEC (Hons) (AU), MBA (AGSM)

Non-executive Director of ATLAX appointed on 1 October 2018. Chair of the ATLAX People and Remuneration Committee.

David Bartholomew has over 30 years' experience across the energy utilities, transportation and industrial sectors.

David was 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.

Other listed company directorships (past three years): Chair, Iris Energy Limited (NASDAQ: IREN) (from March 2021).

Other directorships and appointments: Director, Endeavour Energy. Director, Power & Water Corporation (Northern Territory). Director, Keolis Downer. External Independent Chair of the Executive Price Review Steering Committee of AusNet Services. Director, The Helmsman Project.



Jean-Georges Malcor

Ecole Centrale de Paris (Eng), Stanford (MSc)

Non-executive Director of ATLAX appointed on 1 November 2018.

Jean-Georges Malcor is an experienced executive and Non-executive Director and has a long track record in large international projects and developments.

His executive experience includes eight years as CEO at 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 and was the first Managing Director of the newly privatised ADI (Australian Defence Industry).

Jean-Georges has demonstrated expertise in 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.

Other listed company directorships (past three years): Director, STMicroelectronics N.V. (NYSE:STM, Borsa Italiana:STIM.MI, Euronext Paris:STM.PA) (2011 to 2020).

Other directorships and appointments: Director, ORTEC. Director, Fives' Group. Chair, ENSTA Bretagne School of Engineering.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS – ATLAX BOARD



Ariane Barker

BSc&Math (BU)

Non-executive Director of ATLAX appointed on 1 March 2021.
Chair of the ATLAX Audit and Risk Committee.

Ariane Barker brings extensive business and financial services experience, with over 20 years' experience in senior executive roles in Australia and overseas at JBWere (part of National Australia Bank), HSBC, Goldman Sachs and Merrill Lynch.

Ariane was previously the CEO of Scale Investors Ltd where she worked to activate investment capital for female entrepreneurs and gender balanced startups to support growth for early stage businesses.

She is a former Board Member of Emergency Services & State Superannuation (ESSSuper).

Other listed company directorships (past three years): Non-executive Director, IDP Education Limited (ASX:IEL) (joined November 2015).

Other directorships and appointments: Director, Commonwealth Superannuation Corporation. Member of the Investment Committee at the Murdoch Children's Research Institute.

BOARD OF DIRECTORS – ATLIX BOARD



Jeffrey Conyers

BA (Toronto)

Chair and Non-executive Director of ATLIX since establishment on 16 December 2009.
Chair of the ATLIX Nomination and Governance Committee.

Jeffrey Conyers is 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 is a Founding Executive Council Member and Deputy Chair of the Bermuda Stock Exchange.

Other directorships and appointments: Founding Executive Council Member and Deputy Chair of the Bermuda Stock Exchange. Director, The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited. Director, Polaris Holding Company Limited. Director, Bermuda Aviation Services Limited.



Debbie Goodin

See page 23 for full details.

BOARD OF DIRECTORS – ATLIX BOARD



Fiona Beck

BMS (Hons) Waikato (NZ) CA

Non-executive Director of ATLIX appointed on 13 September 2019.
Chair of the ATLIX People and Remuneration Committee.

Fiona Beck has over 20 year's leadership experience in listed and unlisted companies, having held senior executive and governance positions in large infrastructure companies, including as the President and CEO of Southern Cross Cable Limited, a submarine fiberoptic cable company, for 13 years.

In addition, Fiona is a Chartered Accountant and brings expertise in technology, cyber security, data analysis, and infrastructure asset management in a global environment.

Other listed company directorships (past three years): Non-executive Director, IBEX Limited (NASDAQ:IBEX) (since July 2020). Non-executive Director, Oakley Capital Investments Limited (LSE:OCI) (since October 2020). Non-executive Director, Ocean Wilsons Holdings Limited (LSE/BSX:OCN) (since April 2020). Non-executive Director, One Communications Ltd (BSX:ONE.BH) (2013 to 2020).

Other directorships and appointments: Chair, SAEx International Ltd. Director, Bermuda Business Development Agency.



Caroline Foulger

BA (Hons) University of London UK, FCA (England & Wales), CA (Bermuda)

Non-executive Director of ATLIX appointed on 19 May 2020.
Chair of the ATLIX Audit and Risk Committee.

Caroline Foulger has extensive board and executive experience in the financial services sector with a particular focus on insurance audit and advisory services. She is a Chartered Accountant having spent the bulk of her executive career with PwC where she was a partner for twelve years, leading the insurance practice in Bermuda.

Caroline served in 2017 as a member of the Blue Ribbon Committee regarding the feasibility and financing of a new Bermuda Airport which has subsequently been constructed and is now operational.

Other listed company directorships (past three years): Non-executive Director, Hiscox Limited (LSE:HSX) (since January 2013). Non-executive Director, Oakley Capital Investments Limited (LSE:OCI) (since June 2016). Non-executive Director, Ocean Wilsons Holdings Limited (LSE/BSX:OCN) (since June 2020).

Other directorships and appointments: Non-executive Director, Catalina Holdings.



Andrew Cook

BA (UWO), CPA (Ontario)

Non-executive Director of ATLIX appointed on 26 November 2020.

Andrew Cook has extensive executive, financial, operational and capital market experience having been the founding CFO of several organisations and overseeing the development and growth of accounting, finance, treasury and investor relations departments.

He brings significant global M&A experience having served as the President and CFO of Harbor Point (and later as President of Alterra Bermuda) as well as leading successful IPO's at LaSalle Re, Axis Capital and Global Partner Acquisition Corp.

Andrew was formerly the Chief Executive Officer of GreyCastle Life Reinsurance and was on the Boards of Blue Capital Reinsurance Holdings Limited and GreyCastle Life Reinsurance (SAC) Ltd.

Other listed company directorships (past three years): Non-executive Director, Global Partner Acquisition Corp II (NASDAQ:GPACU) (since January 2021). Non-executive Director, Blue Capital Reinsurance Holdings Limited (NYSE:BCRH) (2013 to 2020).

Other directorships and appointments: Chair, OmegaCat Reinsurance Ltd. Director, Aspida Re (Bermuda) Ltd.

CORPORATE GOVERNANCE

The number of Board, and Board Committee, meetings held during the year and each Directors' attendance at those meetings are set out below:

ATLIX Directors	Board		Audit and Risk Committee		Nomination and Governance Committee		People and Remuneration Committee	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Fiona Beck	11	11	6	6	4	4	6	6
Jeffrey Conyers	11	11	6	6	4	4	6	6
Andrew Cook	11	11	N/A	N/A	4	4	6	6
Caroline Foulger ^(d)	11	9	6	6	4	4	N/A	N/A
Debbie Goodin	11	11	6	6	4	4	6	6

ATLAX Directors	Board		Audit and Risk Committee		Nomination and Governance Committee		People and Remuneration Committee	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Debbie Goodin	11	11	6	6	4	4	6	6
David Bartholomew ^(b)	11	11	2	2	4	4	6	6
Graeme Bevans	11	11	N/A	N/A	N/A	N/A	N/A	N/A
Jean-Georges Malcor ^(c)	11	11	6	6	4	4	2	2
Ariane Barker ^(a)	7	7	4	4	3	3	4	4

(a) Ariane Barker appointed to the ATLAX Board, Audit & Risk Committee, People & Remuneration Committee & Nomination & Governance Committee on 1 March 2021.

(b) David Bartholomew resigned from the ATLAX Audit & Risk Committee on 1 March 2021.

(c) Jean-Georges Malcor resigned from the ATLAX People & Remuneration Committee on 1 March 2021.

(d) Caroline Foulger was absent due to pre-existing commitments and made appropriate arrangements to ensure her views were represented at the Board meetings.

Company Secretaries

Clayton McCormack, BCom, LLB

General Counsel and Company Secretary

Appointed as Company Secretary of Atlas Arteria Limited on 1 April 2019.

A lawyer and company secretary with over 25 years' experience in private practice and corporate roles.

Paul Lynch, BCom, LLB

Joint Company Secretary

Appointed as an additional Company Secretary of Atlas Arteria Limited on 26 August 2021.

A company secretary and lawyer with approximately 15 years' experience working in the ASX listed environment.

FINANCIAL OVERVIEW

Financial Highlights

Statutory results

Atlas Arteria consolidates results for both Dulles Greenway and Warnow Tunnel and equity accounts for its investments in APRR and ADELAC. Accordingly, the results for APRR and ADELAC are disclosed in Atlas Arteria's income statement under the 'Share of net profits/(losses) in associates' line item, and in the 'Investments in associates' line item in Atlas Arteria's balance sheet. Combined with the corporate level expense, these make up the Atlas Arteria statutory results for the period.

Included within the statutory results are a number of 'Notable Items' that are either not expected to recur, or are not related to operational performance.

	ALX		% change
	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000	
Revenue and other income			
– Toll Revenue	99,530	95,253	4%
– Other income	1,125	11,397	(90%)
Operating expenses			
– Business operations	(34,882)	(43,420)	20%
– Corporate costs	(29,068)	(22,339)	(30%)
Finance costs	(81,055)	(101,302)	20%
Depreciation and amortisation	(61,480)	(67,439)	9%
Share of net profits/(losses) in associates*	284,051	152,681	86%
Income tax benefit/(expense)	904	1,346	(33%)
Net Profit/(loss) from operations after tax (excluding Notable Items)	179,125	26,177	584%
Notable Items			
– Warnow Tunnel net accounting impacts of capital restructure (non-cash)	(15,428)	–	–
– Macquarie management fees	–	(2,051)	–
– FX impacts of significant transactions during period (non-cash)	–	14,217	–
– Impairments and asset revaluations	–	(143,896)	–
– Income tax benefit/(expense) of notable items	–	6,343	–
Net Profit/(loss) from operations after tax	163,697	(99,210)	265%

* The previous year financial statements have been revised. Refer to the Financial Statements for details.

The net profit from operations for 2021 reflects stronger traffic performance at APRR over the European summer in particular post the easing of movement restrictions, lower finance costs as a result of the repayment of the holding company debt facility and refinancing the Warnow Tunnel legacy debt facility, and the higher average value of the Australian dollar over 2021.

As part of its broader strategy to diversify sources of cash and build sustainable distributions for securityholders over time, Atlas Arteria undertook a capital restructure at Warnow Tunnel. The capital restructure included a new €115.0 million (\$176.1 million) debt facility and a cash injection from Atlas Arteria of €42.0 million (\$64.3 million), which were used to repay €142.3 million (\$217.9 million) of legacy debt, terminate the hedging arrangements, pay transaction costs and reserve funding requirements. The new capital structure was created to support the ongoing success of the Warnow Tunnel business and allow the company to distribute free cash to Atlas Arteria, rather than to lenders.

The reduced leverage, and increased likelihood of receiving cash flows significantly earlier in the life of the concession, substantially increases the value of the business. The restructure has also strengthened the probability of future taxable profits being available to utilise pre-existing income tax losses and resulted in the recognition of a \$34.9 million (€22.3 million) deferred tax asset. Extinguishing the debt facility also meant the fair value adjustment allocated to it after purchase of the remaining 30% interest in 2018 was expensed (\$50.3 million (€31.9 million)). This action to remove a legacy position does not reflect the value created for Atlas Arteria as a result of the transaction.

FINANCIAL OVERVIEW

Cashflows

Atlas Arteria received two distributions from APRR during 2021, being \$151.1 million (€98.1 million) in March based on the second half performance for 2020, and \$156.8 million (€97.8 million) in September, reflecting the first half performance for 2021. Whilst distributions from APRR continue to be the primary source of cash for Atlas Arteria, in August 2021 Atlas Arteria received its first distribution from Warnow Tunnel of \$4.1 million (€2.5 million) following the capital restructure and these cashflows, together with cash on the Atlas Arteria balance sheet, fund corporate costs and distributions to Atlas Arteria securityholders.

The second half distribution for 2020 consisting of an ordinary dividend of 13.0 cents per stapled security ('cps') was paid in full on 9 April 2021. The first half distribution for 2021 consisting of an ordinary dividend of 15.5 cps was paid in full by ATLIX on 5 October 2021.

After the capital restructure at Warnow Tunnel, payment of distributions in April and October and operational activities for the year, the corporate balance sheet held \$133.8 million in cash as at 31 December 2021.

Business Operations

A summary of the underlying results for each business is shown in the table below.

Business	Revenue Contribution to Atlas Arteria	Performance for 2021 vs 2020	
		Total Traffic	Toll Revenue (local currency)
APRR	91.1%	19.5%	17.5%
ADELAC	1.7%	15.4%	15.4%
Warnow Tunnel	1.4%	(4.3%)	(1.8%)
Dulles Greenway	5.8%	13.3%	16.2%
Atlas Arteria Weighted Average¹		18.6%	17.1%

1. Weighted averages are based on portfolio revenue allocations from Atlas Arteria's beneficial interests in its businesses in A\$ using the average foreign currency exchange rates in the current period (AUD/USD 0.7504, and AUD/EUR 0.6347).

The proportionate results, and weighted average results, aggregate the financial results of each of Atlas Arteria's businesses according to its economic interests from ongoing operations.

APRR Group

APRR 100% (€m)	2021	2020	% change
Toll revenue	2,468.2	2,100.4	17.5%
Other revenue	101.0	68.8	46.9%
Construction revenue under IFRIC 12	302.8	345.6	(12.4%)
Total revenue	2,872.0	2,514.8	14.2%
Purchases and external charges	(155.2)	(114.4)	(35.7%)
Personnel costs	(213.6)	(199.6)	(7.0%)
Taxes	(315.7)	(309.0)	(2.2%)
Construction expenses under IFRIC 12	(302.8)	(345.6)	12.4%
Other	8.1	3.3	143.3%
Total expenses	(979.2)	(965.5)	(1.4%)
Total EBITDA	1,892.8	1,549.5	22.2%
Total EBITDA (proportional, A\$m)	928.7	797.0	16.5%
Provisions	(48.9)	(56.9)	14.0%
Net interest expense	(94.4)	(98.5)	4.1%
Depreciation and amortisation	(473.2)	(454.0)	(4.2%)
APRR corporate income tax	(330.1)	(310.1)	(6.4%)
Share of profits/(loss) of associates (incl ADELAC)	(2.6)	0.1	n.a
Other	(10.4)	(1.8)	(462.9%)
Consolidated NPAT	933.2	628.3	48.5%

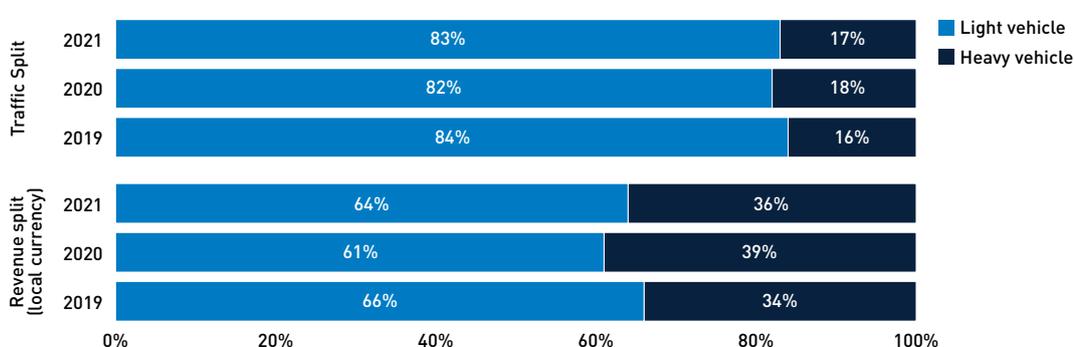
Traffic for 2021 was 19.5% higher than 2020 and only 5.6% lower than 2019, supported by strong heavy vehicle traffic throughout the year and the return of strong light vehicle traffic over the European summer and autumn following movement restrictions earlier in the year.

France started the year with a series of movement restrictions in place. Ski-lifts remained shut over the winter period and France discouraged travel to other European resorts. A third nationwide lockdown was implemented from the start of April. Restrictions began to ease from early May, first with the re-opening of schools, then restaurants and bars, and non-essential shops and services. Cross border travel recommenced under the new EU Digital COVID Certificate (health pass) launched on 1 July. While the lockdown measures impacted light vehicle traffic in the first half, heavy vehicle traffic remained strong as a result of government support for uninterrupted economic activity throughout lockdowns and continued strong European trade flows.

APRR observed a strong increase in leisure travel during the summer months of July and August. French domestic hotel nights reached record levels in the summer of 2021, while inbound tourist demand from Western European countries was higher than the prior year. The strong traffic performance continued throughout the remainder of the second half with traffic finishing 19.4% higher than H2 2020 and 4.5% higher than H2 2019.

For the 2021 year, light vehicle traffic as a percentage of total traffic increased from 81.7% in 2020 to 83.1% in 2021 such that the light vehicle and heavy vehicle mix in 2021 was more in line with levels observed pre-pandemic (2019: 84.2% of total traffic was light vehicles). As tariffs for heavy vehicles are approximately 3 times higher than those for light vehicles, weighted average tolls also returned to more normalised levels in 2021. Total toll revenue for 2021 was €2.5 billion (2020: €2.1 billion) which comprised 64% from light vehicle traffic and 36% from heavy vehicle traffic (2020: 61% light vehicle and 39% heavy vehicle; 2019: 66% light vehicle and 34% heavy vehicle).

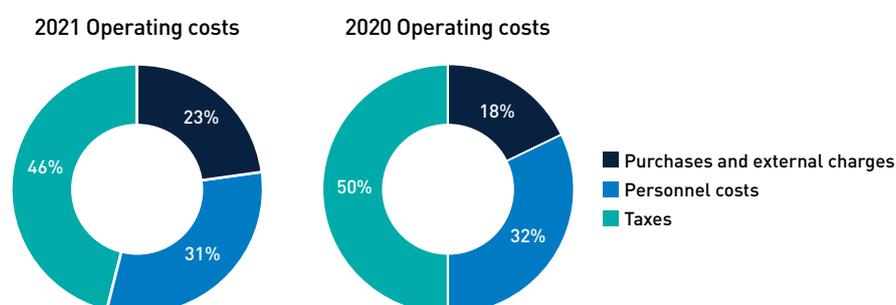
APRR Light Vehicle/Heavy Vehicle Traffic and Toll Revenue Split



Other revenue was impacted for the first time during the year from the integrated Fulli business which generated €26.7 million of revenue during the period. Launched in late 2019, Fulli comprises APRR's operated service areas, providing competitive fuel prices to customers on the motorway enabling customers to complete their journey on the APRR network rather than diverting to off-network fuel stations. During the year six Fulli stations were opened with revenues generated from retail sales and fuel now reflected in other revenue.

Application of AASB Interpretation 12 *Service Concession Agreements* ('IFRIC 12') relating to capital spend during the year saw revenue of €302.8 million (2020: €345.6 million) offset by a corresponding expense.

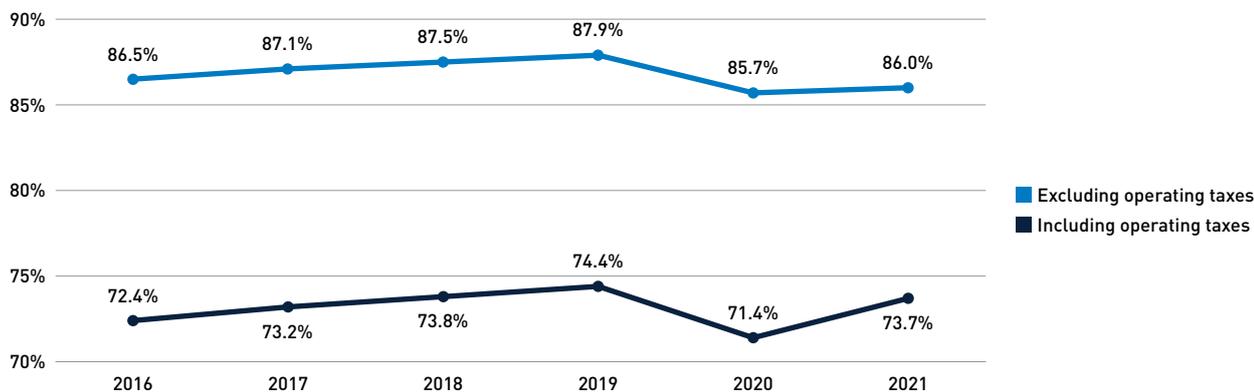
Operating costs (ex IFRIC 12 adjustments) increased by 9.2% as a result of costs associated with the integrated Fulli business (€26.0 million), the full period impact of the Eiffage management fee, higher employee profit sharing costs due to increased business earnings, higher winter maintenance costs and higher operating taxes. Operating taxes were driven by an increase in the TAT tax as a result of higher traffic and a reduction in the CET tax as a result of recent changes to legislation.



EBITDA margins have progressively improved since 2015 with 2020 and 2021 being exceptions given the impact of COVID-19 movement restrictions on traffic.

FINANCIAL OVERVIEW

APRR EBITDA margins (excluding IFRIC 12)



Net interest expense at APRR reduced by 4.1% driven by a reduction in debt balances over the period. During the year, APRR issued \$780.3 million (€500 million) of bonds under its Euro Medium Term Note Programme at a zero percent coupon, the proceeds of which were used to refinance debt and for general corporate purposes. This demonstrates the continued support by the financial markets for the APRR business. It provides APRR with additional liquidity, further reduces its average cost of debt, extends its weighted average debt maturity and strengthens APRR's capacity for future growth.

During the year, both S&P and Fitch re-affirmed their A- long term issuer ratings for APRR, and reflecting the strength of the APRR balance sheet, maintained their outlook as 'stable'.

As at year end, APRR had €1,228.5 billion in cash on the balance sheet with a €2.0 billion undrawn revolving credit facility.

Warnow Tunnel

Warnow Tunnel 100%	€m			A\$m		
	2021	2020	% change	2021	2020	% change
Toll revenue	12.5	12.7	(1.8%)	19.7	21.1	(6.7%)
Other revenue	0.2	0.1	76.5%	0.3	0.2	58.5%
Total Operating revenue	12.7	12.8	(1.1%)	20.0	21.3	(6.1%)
Operating expenses	(4.0)	(3.7)	8.5%	(6.3)	(6.1)	4.0%
Total EBITDA	8.7	9.1	(5.0%)	13.7	15.2	(10.2%)

Traffic for the year at Warnow Tunnel was 4.3% lower than 2020. Toll revenue for the year was 1.8% lower than 2020, partially offset by a 2.5% increase in average toll prices following a toll increase implemented in November 2020.

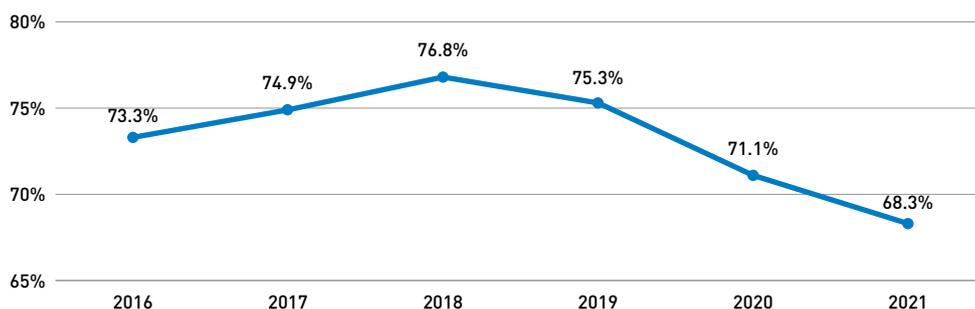
The German state in which Warnow Tunnel is located was more significantly impacted by COVID-19 related restrictions during the first half of 2021 than in any period in 2020.

Traffic returned to growth during the second half of the year as the lifting of the restrictions boosted summer holiday traffic with further benefit from continuing roadworks on competing routes.

Costs at Warnow Tunnel increased by €0.3 million (8.5%), driven primarily by higher employment costs and an increase in maintenance activities during the year.

EBITDA margins progressively improved from 2016 to 2018 in line with the strong increase in traffic and revenues however margins in 2020 and 2021 have been impacted by the pandemic.

Warnow Tunnel EBITDA (excluding IFRIC 12)



As of 31 December 2021, Warnow Tunnel had \$17.3 million (€11.1 million) cash on the balance sheet.

Dulles Greenway

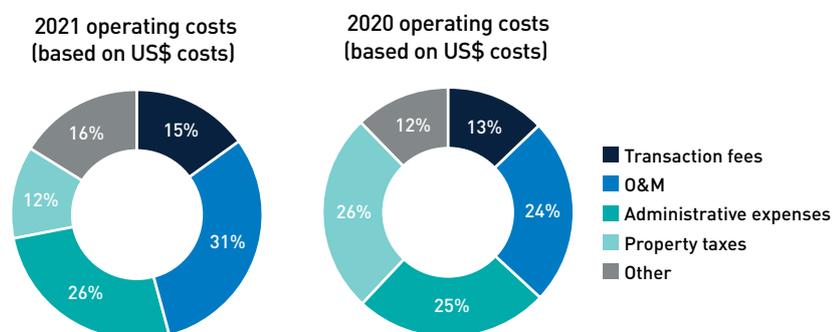
Dulles Greenway 100%	US\$m			A\$m		
	2021	2020	% change	2021	2020	% change
Toll revenue	59.9	51.6	16.2%	79.9	74.2	7.6%
Other revenue	0.5	0.4	7.6%	0.6	0.6	0%
Construction revenue under IFRIC 12	–	5.8	(100%)	–	8.3	(100%)
Total revenue	60.4	57.8	4.5%	80.5	83.1	(3.2%)
Transaction fees	(2.0)	(1.8)	14.4%	(2.7)	(2.5)	(6.0%)
Operating and maintenance expenses	(6.0)	(6.8)	(11.5%)	(8.0)	(9.8)	18.0%
Other operating expenses	(5.8)	(5.0)	14.2%	(7.7)	(7.3)	(5.7%)
Construction expenses under IFRIC 12	–	(5.8)	100%	–	(8.3)	100%
Total operating expenses	(13.8)	(19.4)	(28.7%)	(18.4)	(27.9)	34.0%
Total EBITDA	46.6	38.4	21.3%	62.1	55.2	12.3%

Traffic for the year at Dulles Greenway was 13.3% higher than 2020, however remained 35.1% lower than 2019 levels.

Across the year, traffic at the Greenway recovered slowly with the gradual return of commuters and the overall increase in mobility in the region. Although restrictions eased in mid-May, remote working continued and a resurgence in COVID-19 cases associated with the Delta variant, and then Omicron, delayed the plans of many businesses to return to the office.

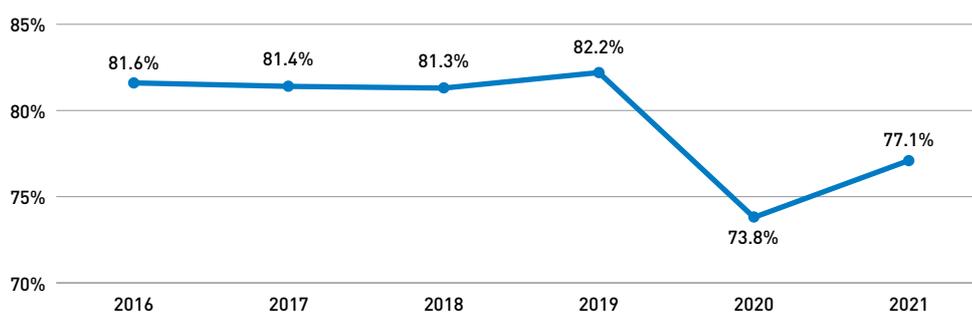
In April the SCC released its ruling regarding future tolling at the Greenway. The SCC found that the Greenway had satisfied the criteria for approval of certain peak and off-peak toll increases, however exercised its discretion to allow off-peak toll increases only for 2021 and 2022, due to the uncertainty brought about by COVID-19. As a result off-peak toll prices increased by 5.3% effective May 2021 and were increased by a further 5.0% in January 2022. This contributed to a toll revenue increase of 16.1% for 2021.

Operating costs increased by 28.7% compared to 2020 as a result of a number of factors including higher transaction costs in line with increased traffic, higher maintenance costs required to manage heavier snow conditions early in the year, increases in marketing and public relations spend and costs expensed for the West End Project 2. These increases were partially offset by lower property taxes.



EBITDA margins have been stable since 2016 with the exception of 2020 and 2021 given the impact of COVID-19 movement restrictions on traffic. There were no upgrades to the toll road recognised in revenue and operating costs in 2021.

Dulles Greenway EBITDA (excluding IFRIC 12)



As of 31 December 2021, Dulles Greenway had \$304.6 million (US\$221.0 million) cash on the balance sheet. As previously disclosed, failure to pass the lockup tests as defined under the debt covenants for this business means that around US\$79.0 million that would otherwise be available for distribution to Atlas Arteria remained included as part of the cash reserves. In February 2022, US\$17.6 million of cash was drawn down in order to supplement debt service funds to ensure bond service requirements were met.

REMUNERATION REPORT AUDITED

MESSAGE FROM THE PEOPLE AND REMUNERATION COMMITTEE CHAIRS



On behalf of the ATLAS and ATLIx People and Remuneration Committees (PRCs) and Boards, we are pleased to present the Remuneration Report for the 2021 financial year. This report contains detailed information regarding the remuneration arrangements for the Directors and Senior Executives who were Key Management Personnel (KMP) for Atlas Arteria during the year.

The Atlas Arteria business continued to demonstrate its resilience in 2021. The introduction of the EU health pass in Europe, coupled with high vaccination rates led to a strong summer season at our European businesses with the strongest second half traffic performance recorded to date by APRR. As a result, the Boards are expecting to pay a record distribution to our securityholders for the 2021 year.

The operating practices developed by our teams have allowed our businesses to continue to operate seamlessly through 2021. Our priority continues to be the safety of our staff, customers and local communities to ensure working and home life continue as smoothly as possible.

This year we also focused on setting targets across our four sustainability pillars of safety, customers and community, our people and the environment. These are underpinned by a set of metrics and actions identified to support the accomplishment of our objectives. Further information on our performance and initiatives will be contained in our Sustainability Report, to be released in April 2022 and are summarised on pages 18 and 19.

Disciplined capital management and sustainable business practices continue to be a focus. The restructuring of our balance sheet in 2020 along with the successful capital restructure at Warnow Tunnel in 2021 places Atlas Arteria in a strong financial position. This, coupled with our nimble, highly skilled and passionate team, positions us well to pursue growth opportunities as they arise.

During the year we continued to deliver against our strategic objectives to build sustainable cash flows and long-term value for securityholders. These achievements have been outlined in the Strategic Framework section on pages 8 and 9.

Significant achievements during the year included:

- We achieved strong weighted average traffic performance for the year, up 18.6% compared with the prior year, led by the recovery at APRR during the second half.
- We successfully completed the capital restructure at Warnow Tunnel in March 2021, which diversifies Atlas Arteria's sources of cash flow, and substantially increases the value of the business through reduced leverage and the delivery of cash flows earlier in the life of the concession.
- At the Dulles Greenway we achieved toll price certainty with a 5.3% increase to off-peak tolls in 2021 and 5.0% in 2022.
- We continued to build our internal capabilities, in particular to deliver on strategic projects, traffic forecasting and data analytics.
- We held our first Investor Day since internalisation showcasing the quality and depth of our business and our exceptional management team.

The first half distribution for 2021 of 15.5 cents per security was paid in full on 5 October 2021 reflecting the performance of both APRR and Warnow Tunnel. Following the continued strong performance of these businesses, we have provided distribution guidance of 20.5 cents per security expected to be paid in April 2022. This reflects the cashflows we expect to receive from APRR and Warnow Tunnel as a result of the financial performance of the businesses in the second half of 2021. The distribution remains subject to continued business performance, movements in foreign exchange rates, and other future events.

2021 remuneration outcomes

Atlas Arteria's remuneration framework aims to ensure executive remuneration is aligned both with the performance of the business and the interests of securityholders.

Our people are critical to our success and in 2021 we have continued to focus on attracting, developing, and retaining top talent as we have invested in the growth of our business. We have evolved the way we support and care for our people and are proud of the wellbeing and flexible working initiatives we have implemented across the business. We continue to foster and build an engaged and inclusive culture that provides the right environment for our diverse team to work together as a high performance team.

The decisions implemented to align remuneration with securityholder expectations more effectively during 2021 included:

– Remuneration Outcomes

- There was no increase to the fixed pay for the MD & CEO and the CFO.
- Overall STI outcomes are between target and stretch and are reflective of the performance of the business and management during the year.
- The 2019 Long Term Incentive Plan (LTI) Award was tested following the end of the performance period on 31 December 2021. The result was below threshold and hence the vesting outcome was nil.
- There was no increase in Non-executive Director (NED) fees.

– Changes to the remuneration structure

- A positive Total Shareholder Return (TSR) hurdle was introduced for the 2021 LTI Award which applies in addition to the existing relative TSR test. Therefore, irrespective of the relative TSR performance, no awards under the 2021 LTI will vest unless the absolute TSR over the performance period has been positive.
- Securityholder approval for the awards of Restricted Securities under the STI Plan to the MD & CEO is now sought on a retrospective basis. This is a change from previous practice where approval has been obtained in advance for a maximum number of awards with the final number to be awarded determined by the Board.

Enhanced disclosure of STI outcomes incorporating retrospective disclosure of targets and performance against those targets were adopted for the 2020 Report and are continued in this Report in response to feedback from securityholders. On balance, the Boards concluded that the outcomes for Atlas Arteria's STI for 2021 are appropriate and align with securityholder outcomes and expectations.

Enhancements to Remuneration Structure

The Boards are continually looking for opportunities to improve and evolve the Company's approach to remuneration so that it remains appropriate to the business, aligned to securityholders' interests, and consistent with contemporary practices. We take investor feedback seriously and we will continue to engage with investors and their advisors in relation to remuneration.

The PRCs reviewed the remuneration strategy during the year to ensure the remuneration framework remains consistent with business needs. The review identified a number of changes for 2022 which will enable the remuneration framework to address the business strategy more effectively and to reflect evolving market practices. These include:

- Reflecting the importance of ESG to our business, ESG measures will be incorporated in annual incentive plans; and
- Introducing a second LTI performance target directed at driving our key strategic objectives of generating sustainable cash flows from Dulles Greenway and improving the average concession life of the Atlas Arteria portfolio.

In developing the proposed approach, the PRCs engaged external remuneration advisers and consulted with investors and their advisors in relation to the proposed changes.

The changes have been designed on the basis that there will be no increase in the overall remuneration opportunity and that vesting of awards will only occur where there are quantifiable performance outcomes which improve securityholder value.

As a result, we propose to introduce the following changes to the Atlas Arteria remuneration framework which will apply for 2022:

- Fixed pay – to ensure we continue to attract and retain a high performing management team, there will be a review of fixed pay for executive KMP in 2022, with decisions on any recommendations for change expected during the first half 2022, noting that the MD & CEO and CFO did not receive any increase in fixed pay in 2021.
- Short Term Incentive Plan – to ensure we continue to meet securityholder expectations in managing ESG, an ESG measure with a 10% weighting will be introduced for 2022. KPIs tied to our corporate ESG objectives will be set annually reflecting the priorities for the year ahead. For 2022, we will be focussing on Lost Time Injury Frequency Rates (LTIFR) targets and milestones towards implementation of Task Force on Climate-Related Financial Disclosures (TCFD). Delivery of our financial targets will continue to be a priority and the relative weighting to financials will be 60% of the total scorecard with the balance of 40% applying to ESG (10%) and strategic measures (30%).

REMUNERATION REPORT

– Long Term Incentive Plan – A second LTI performance target will be introduced equivalent to 50% of the current LTI. The new strategic LTI will have a three year performance period and will vest based on delivery of two strategic metrics.

– Creating a clear pathway to sustainable cash flows from Dulles Greenway;

– Improving the average concession life of the Atlas Arteria portfolio,

providing that quantifiable improvements in securityholder value can be demonstrated.

To incentivise management to prioritise delivery of these initiatives an opportunity for earlier vesting of the new strategic LTI has been included in the plan allowing for some or all of the awards to vest no earlier than two years and no later than three years after the effective grant date, upon delivery of quantifiable outcomes for securityholders.

The remaining 50% of the LTI will continue to be subject to relative TSR with a positive absolute TSR gateway, assessed over three years.

The Board believes the combination of relative TSR and strategic performance targets provides an appropriate focus on driving strategic projects that create long term value for securityholders. This provides a clear incentive to secure the strategic outcomes balanced with the incentive to achieve above average securityholder returns relative to comparator companies.

Securityholders will be asked to approve the equity based STI and LTI Awards for the MD & CEO at the 2022 AGM.

The remuneration framework will be reviewed again based on the expected needs of the business and evolving market practice during 2022 to develop the appropriate approach for 2023 and subsequent years.

Non-executive Director Fees

As there has been no increase in NED fees since 2019, the Boards undertook a review of NED fees during 2021. The review found that ATLAX director fees were below the median of the comparator group. The review also highlighted that the significant disparity between ATLIX and ATLAX director fees is not reasonable given that ATLIX Directors have comparable responsibilities and workload to ATLAX Directors.

As a result, it was decided to adjust ATLAX director fees to be closer to, but just below the median for the comparator group and to set ATLIX director fees closer to parity with ATLAX.

As referred to on page 3 of our Corporate Governance Statement, once the current ATLIX Board succession process is complete, the ATLIX Board will reduce from five to four directors, resulting in a reduction in total fees which will offset these increases. Further background on the review and details of the revised fees which apply from 1 January 2022 are contained at 7.2 below. No increase in the fee caps for ATLAX or ATLIX is being proposed.

Remuneration Governance

The PRCs are actively involved in ensuring our remuneration policies reflect Atlas Arteria's values and STEER principles and encourage appropriate behaviours and actions which are aligned with Atlas Arteria's business strategy, performance and securityholder interests.

Specifically, the PRCs seek to ensure management behaviours are consistent with the creation of value for securityholders, our commitments to safety, our people, environmental stewardship, customers and communities. Activities undertaken by the PRCs during the year were focussed on enhancing our formal, rigorous and transparent HR and remuneration framework.

At the commencement of the financial year, the Boards set the KPIs for the MD & CEO, and the MD & CEO in consultation with the Boards set the KPIs for each of the executive KMP. The PRCs provide regular informal feedback on performance to the MD & CEO in relation to both the MD & CEO and executive KMP. At the end of the financial year, the MD & CEO and each of the executive KMP have their performance assessed against these KPIs and other relevant matters. The formal performance review process has been completed for 2021. More information in relation to the outcomes of the process for the executive KMP can be found at section 6.2.

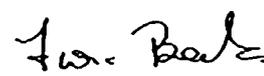
We trust you, our securityholders, find the 2021 Remuneration Report provides clear and informative insights into our remuneration policies, practices and outcomes.



David Bartholomew

Atlas Arteria Limited

People & Remuneration
Committee Chair



Fiona Beck

Atlas Arteria International Limited

People & Remuneration
Committee Chair

This Remuneration Report contains the following sections:

1 Introduction
2 Who is covered by this report?
3 Overview of the remuneration framework
4 2021 business performance highlights
5 Remuneration framework
6 2021 Remuneration outcomes
7 Non-executive Director fees
8 Remuneration governance
9 Statutory disclosures

1. Introduction

The Directors of the Groups present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Groups and the consolidated entity for the year ended 31 December 2021. 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 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.

The individuals covered by this Remuneration Report are:

Name	Role	Date of appointment
Management		
Graeme Bevans	Managing Director & Chief Executive Officer	1 April 2019
Nadine Lennie ¹	Chief Financial Officer	1 April 2019
Vincent Portal-Barrault	Chief Operating Officer	1 April 2019
Non-executive Directors		
Debbie Goodin ²	Independent Non-executive Chair (ATLAX) Independent Non-executive Director (ATLIX)	1 November 2020 as Chair of ATLAX (Director of ATLAX from 1 September 2017) and Director of ATLIX from 1 November 2020
Ariane Barker	Independent Non-executive Director (ATLAX) Audit and Risk Committee (ARC) Chair	1 March 2021 ARC Chair with effect from 1 March 2021
David Bartholomew	Independent Non-executive Director (ATLAX) People and Remuneration Committee (PRC) Chair	1 October 2018
Jean-Georges Malcor	Independent Non-executive Director (ATLAX)	1 November 2018 ARC Chair with effect from 1 November 2020 until 1 March 2021
Jeffrey Conyers	Independent Non-executive Chair (ATLIX)	16 December 2009
Fiona Beck	Independent Non-executive Director (ATLIX) People and Remuneration Committee (PRC) Chair	13 September 2019 PRC Chair with effect from 19 May 2020
Andrew Cook	Independent Non-executive Director (ATLIX)	25 November 2020
Caroline Foulger	Independent Non-executive Director (ATLIX) Audit and Risk Committee (ARC) Chair	19 May 2020 ARC Chair with effect from 21 September 2020

- On 17 January 2022 it was announced that Nadine Lennie will be stepping down from her role as Group Chief Financial Officer and leaving the organisation with effect from 31 March 2022. Details of Ms Lennie's termination arrangements will be included in the 2022 Remuneration Report.
- As contemplated by the Co-operation Deed in place between ATLAX and ATLIX, the ATLIX Board includes a Director of ATLAX (Debbie Goodin) to facilitate and promote co-operation and consultation between the two Boards.

REMUNERATION REPORT

3. Overview of the remuneration framework

Included below is a summary of the 2021 remuneration framework for the executive team. Further details regarding our remuneration arrangements are provided in the remainder of this Remuneration Report.

Remuneration Framework Overview

Remuneration Principles	Simple Balance short and long-term needs	Reflect role complexity Reflect our values and behaviours	Specific and differentiated performance outcomes Securityholder alignment
Remuneration elements	Fixed Remuneration Salary and superannuation Reviewed annually against comparator benchmarks	Short Term Incentive Annual incentive delivered 50% in cash and 50% in restricted securities	Long Term Incentive Annual award of performance rights with a 3 year performance period
Purpose	Executive remuneration levels should be competitive with companies of similar size and complexity	To align the interests of securityholders, executives and other participants as determined by the Boards	Rewards long-term value creation for securityholders
How aligned to performance	Recognises the market value of an individual's skills, experience, accountability and their contribution in delivering the requirements of their roles	A combination of financial measures and non-financial measures relating to specific business outcomes and taking account of behaviours and conduct	Vesting based on achieving challenging performance targets
Performance measures	An individual's skills, experience, accountability and contribution in delivering the requirements of their roles	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	Relative Total Securityholder Return compared to a comparator group of local and international infrastructure companies A positive TSR gateway applies for 2021
Performance targets	Measures are set to reward delivery of returns and value creation for securityholders	Measures are set to reward delivery of returns and value creation for securityholders	Measures performance against local and international infrastructure companies
Alignment to securityholders	Minimum security holding requirements to be accumulated within five years	STI deferral to restricted securities	Measures aligned to creation of value for securityholders
Governance	Ability to exercise discretion as required over remuneration decisions to ensure that: – Remuneration outcomes reflect the performance of the Groups and the individual executives; and – Are consistent with securityholder expectations. All variable remuneration is subject to malus adjustment.		

Proposed changes for 2022

Reflecting the central importance of ESG to our business, an ESG measure with a 10% weighting will be introduced to the Short Term Incentive Plan for 2022. The relative weightings between financials and non-financials in the STI Plan will be changed from 70:30 to 60:40 to accommodate the ESG measure.

The LTI structure for 2022 is also being changed to re-direct one half of the current LTI opportunity to a new strategic LTI with a three year performance period.

The new LTI will have two strategic metrics:

- Creating a clear pathway to sustainable cash flows from Dulles Greenway;
 - Improving the average concession life of the Atlas Arteria portfolio,
- providing that quantifiable improvements in securityholder value can be demonstrated.

Provision has been made for earlier vesting of the strategic initiative component (50%) of the LTI opportunity to encourage earlier implementation of these initiatives and thereby delivering the associated benefits to securityholders sooner. In any event, vesting will occur no earlier than 2 years and no later than 3 years from the effective date of award. The balance of the LTI (50%) will remain subject to relative TSR with an absolute TSR hurdle measured over a three year performance period.

Further details of the changes are included at 5.3 and 5.5.

What remuneration principles guide the design of the remuneration framework?

The following six principles underpin the management of the remuneration framework at Atlas Arteria. The principles provide guidance on how remuneration decisions are made and how remuneration outcomes are determined.

The executive remuneration framework should be: **Description**

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

What decisions have been made regarding the remuneration structure during 2021 and why?

Key decision to enhance the alignment between executives and securityholders during 2021 include:

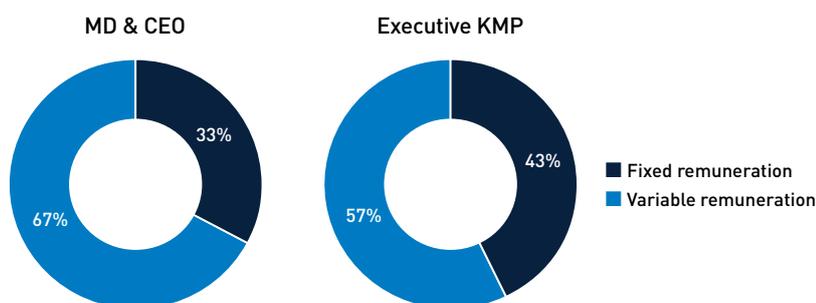
- There was a fixed pay freeze for the MD & CEO and the CFO.
- There was no increase in NED fees.
- A positive TSR hurdle was introduced for the 2021 LTI Award which will apply in addition to the existing relative TSR test. Thus, irrespective of the relative TSR performance, no awards under the 2021 LTI will vest unless the absolute TSR over the performance period has been positive.
- Securityholder approval for the actual awards of Restricted Securities under the STI Plan to the MD & CEO is now sought on a retrospective basis. This is a change from previous practice where approval was obtained in advance for a maximum number of awards with the final number to be awarded subsequently determined by the Board.
- Enhanced disclosure of STI outcomes incorporating retrospective disclosure of targets and performance against those targets.
- To support management's focus on ESG, an ESG measure with a 10% weighting will be introduced to the STI Plan for 2022. The relative weightings between financials and non-financials in the STI Plan will be changed from 70:30 to 60:40 to accommodate the ESG measure.
- The LTI structure for 2022 is being changed to introduce a second LTI performance target with vesting based on the delivery of quantifiable outcomes against the Groups' strategic plans. The new strategic LTI has a three year performance period and can vest earlier if the performance outcomes are achieved ahead of schedule. The balance of the LTI for 2022 will be on the same terms as for 2021 (relative TSR with a positive absolute TSR gateway).

How are executive KMP 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.

Target remuneration comprises:



REMUNERATION REPORT

Variable remuneration comprises both short and long term performance components:

- 1 The STI for 2021 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 executive KMP, see section 6.2
- 2 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 LTI structure (including the changes introduced for 2021), 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.

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 LTI 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.

LTI: Vesting based on performance to the most recent assessment date and pro-rated for time.

4. 2021 business performance highlights

4.1 Overview of business performance

The strength of our portfolio and balance sheet has enabled the Groups to continue to deliver against strategy with a number of key initiatives implemented that will drive long term value creation for securityholders. These have been discussed on pages 8 to 9.

4.2 Atlas Arteria's performance

The following table outlines the key financial metrics over the past five financial years up to and including 2021 that underpin the STI and LTI plans.

	2021	2020	2019	2018	2017
Dividend Payments per Security (\$)	0.285	0.11	0.30	0.24	0.20
Cash flow per security (\$)	0.30	0.31	0.27	0.26	0.19
EBITDA proportionate (\$m) ¹	1,024.4	884.0	923.0	869.4	652.8
Share price (@year end) (\$)	6.92	6.50	7.83	6.16	6.19
Total Security Return	11.46%	-15.5%	32.2%	3.4%	30.6%

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

ALX share price (2010-2021)



5. Remuneration framework

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:

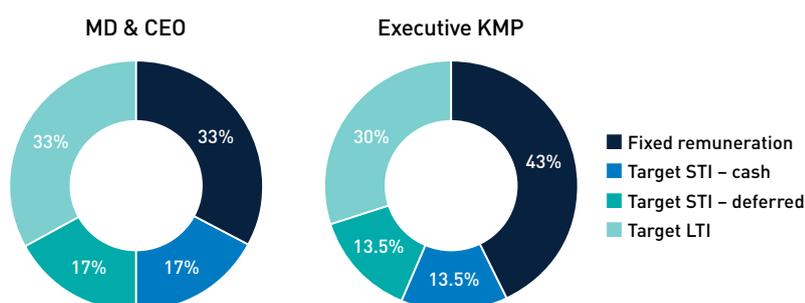
- Is simple to understand, implement and communicate;
- Supports the delivery of the annual business plans whilst also reflecting the long-term needs of the business;
- Reflects the experience of the executive and complexity of the role and business compared to the market;
- Encourages behaviours that 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

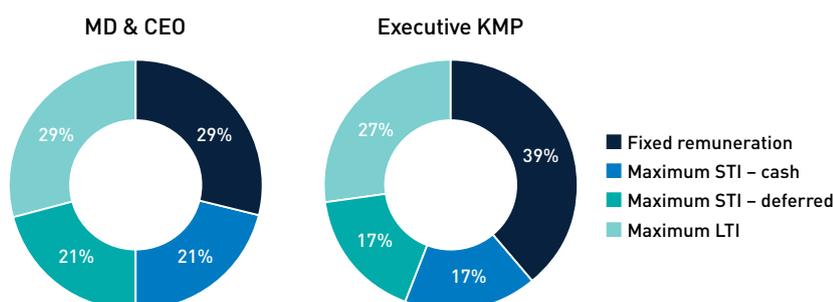
To ensure our remuneration quantum and structure is market competitive, reference is made to the median of a group of comparator companies of similar size and complexity to Atlas Arteria. The remuneration arrangements of selected industry comparators are also considered for each role.

In 2021, the target and maximum remuneration framework for the MD & CEO and the executive KMP 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 2021 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.

There were no increases in fixed pay during 2021 for the MD & CEO and the CFO, and the COO received a market based review effective from 1 July 2021 and government index increase from 1 October 2021.

REMUNERATION REPORT

5.3 Short-term incentive

Details regarding the STI arrangements for the executive KMP 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. The target STI opportunity represents an opportunity to earn 100% of fixed remuneration for the MD & CEO and 60% of fixed remuneration for the other executive KMP. 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 measured over a one year performance period from 1 January to 31 December.
STI deferral	To assist in creating alignment with securityholders and in achieving the minimum securityholding requirement, 50% of the STI outcome is normally 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 targets set for 2021 comprised a combination of financial measures and non-financial measures relating to specific strategic outcomes and taking account of culture and behaviours.

An ESG measure with a 10% weighting is being introduced to the STI Plan for 2022. Inclusion of an ESG measure reflects our commitment to safety, the environment, our people, and our focus on customers and communities.

We will establish corporate KPIs across our four sustainability pillars which will be published in our Sustainability Report. Remuneration objectives tied to these corporate objectives will be set annually and will reflect the priorities for the year ahead where we believe we can make quantifiable improvements. For 2022, we will be focussing on safety (LTIFR) and TFCO (implementation milestones).

The Board believes delivering strong financial performance for our securityholders continues to be a priority. Accordingly, the financial component of the STI scorecard will have a 60% weighting with the remaining 40% applying to strategic (30%) and ESG (10%) measures.

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 an LTI. Details of the LTI arrangements of the MD & CEO and executive KMP 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 LTI award made at the end of the vesting period is a function of:

- Atlas Arteria's 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 to 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.

Element	Description										
Opportunity	The maximum grant value of LTI opportunities represents 100% of fixed remuneration for the MD & CEO and 70% of fixed remuneration for the other executive KMP. The number of awards granted is based on face value and is determined based on the 10 day VWAP immediately following the announcement by Atlas Arteria of its annual results.										
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 targets.										
Performance target	<p>For 2021 and earlier years LTI performance is assessed against relative TSR. Relative TSR was selected as the sole performance target 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.</p> <p>For the 2019 grant, 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.</p> <p>From 2020 Atlas Arteria's TSR performance will be assessed against a group of approximately 125 OECD-domiciled companies included in the Global Listed Infrastructure Organisation (GLIO) index.</p> <p>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.</p> <p>A volume weighted average security price (VWAP) over a 40 business day period at the start and the end of the performance period is used for the calculation of TSR performance for 2020 and subsequent awards. 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.</p>										
Vesting schedule	<p>Relative TSR performance is assessed on a sliding scale, with vesting determined as follows:</p> <table border="1"> <thead> <tr> <th>Atlas Arteria's TSR performance</th> <th>% vesting</th> </tr> </thead> <tbody> <tr> <td>Below the 51st percentile</td> <td>0%</td> </tr> <tr> <td>At the 51st percentile</td> <td>50%</td> </tr> <tr> <td>Between the 51st percentile & 75th percentile</td> <td>Pro rata between 50% & 100%</td> </tr> <tr> <td>At the 75th percentile</td> <td>100%</td> </tr> </tbody> </table> <p>The Boards retain discretion to adjust the relative TSR target in exceptional circumstances if considered appropriate so that participants are neither advantaged nor disadvantaged by matters outside management's control.</p>	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%
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%										
Positive TSR Hurdle	A positive TSR hurdle was introduced for the 2021 LTI Award which applies in addition to the existing relative TSR test. Thus, irrespective of the relative TSR performance, no awards under the LTI will vest unless absolute TSR for the performance period is positive.										
Performance period	Performance is measured over a three year performance period, from 1 January to 31 December. The performance for 2021 grant will be measured from 1 January 2021 to 31 December 2023.										
Vesting and allocation of securities	If and when the Boards determine that the relative TSR performance target 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.										

5.5 Proposed changes to the remuneration framework for 2022

It is proposed to introduce a second LTI performance hurdle for 2022 to re-direct half of the current LTI opportunity to a new strategic LTI with vesting based on the successful delivery of key strategic objectives.

Vesting of the new LTI will be based on delivery of two strategic metrics:

- Creating a clear pathway to distributions from Dulles Greenway;
 - Improving the average concession life of the Atlas Arteria portfolio,
- providing that quantifiable improvements in securityholder value can be demonstrated.

Earlier implementation of the strategic initiatives will result in securityholders obtaining the associated benefits sooner. While these awards will have a three year performance period, there will be a Board discretion to vest the some or all the strategy based rights earlier (but no earlier than two years from the start of the three year performance period) once the targets are achieved.

The Board considers that retaining relative TSR with the positive absolute TSR hurdle as one of the LTI performance targets while introducing a second performance target aligned with strategy execution will provide a balanced incentive structure focussed on delivery of outcomes that provide material benefits to securityholders. Thus, there is a clear incentive to secure the commercial outcomes balanced with the incentive to achieve above average shareholder returns relative to comparator companies.

REMUNERATION REPORT

The Board will retain full discretion over vesting on being satisfied that the strategic objectives have been met based on quantifiable outcomes that improve securityholder value. Details of the quantifiable outcomes will be disclosed in the Remuneration Report for the year of vesting.

The remuneration framework will be reviewed again during 2022 based on the expected needs of the business and evolving market practice to develop the appropriate approach for 2023 and subsequent years.

5.6 Approval of MD & CEO Equity Based Awards

Securityholders will be asked to approve the following equity based awards for the MD & CEO at the 2022 AGM:

- The equity component of the 2021 STI Award; and
- The 2022 LTI Award.

5.7 Employee Equity Incentive Plan

The Group operates an employee equity plan to enable all corporate employees to become securityholders of the Group. The plan was introduced in 2020 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 LTI Scheme, are eligible to participate in the plan. Awards to the value of \$5,000 were made in the form of share rights with vesting subject to a 3 year service condition. The total value of the equity awarded in 2021 was in the order of \$140,000.

5.8 Employment contracts

The remuneration and other terms of employment for the executive KMP are formalised in executive contracts. Key contractual terms in place for 2021 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
CFO and COO	Ongoing	6 months	Immediate without notice period	30 days within 21 days of fundamental change

6. 2021 Remuneration outcomes

6.1 Fixed pay

A freeze on fixed remuneration applied for the MD & CEO and CFO in 2021. The COO received a market based increase on 1 July 2021, his first increase, other than local statutory CPI adjustments, since appointment in 2018.

It is important to retain our key people. We consider the best retention mechanism is to provide challenging work, to reward achievement against challenging goals and to ensure our people are remunerated competitively against market.

To support the retention and attraction of a high performing executive team, a remuneration benchmarking review for executive KMP has commenced. This review is expected to be completed in first half of 2022. The effective date of any adjustments is yet to be decided and will be no earlier than 1 January 2022. Details of the outcomes of the review will be included in the 2022 Remuneration Report.

6.2 Short term Incentive Plan

STI performance in respect of 2021 was assessed based on a combination of financial and non-financial measures.

Details of the 2021 STI Awards for executive KMP are set out below.

The annual performance assessment includes consideration of both what is achieved and how it is achieved by reference to each executive's behaviours during the year. The actual STI awarded can be adjusted where these expectations are not met. No such adjustments were made for executive KMP for 2021.

6.2.1 MD & CEO

Performance area	Weighting	Target	Result	Commentary
Proportional adjusted EBITDA (reflecting proportional performance of each business at constant exchange rates)	20%	A\$870m	A\$1,015m	Weighted average traffic performance for the year was up 18.6% compared with the prior year. As a result, proportionate EBITDA on a constant currency basis was above stretch
Free Cashflow Received from Operations (at constant exchange rates)	20%	A\$260m	A\$283m	The strong financial performances of APRR and the restructure of the balance sheet at Warnow Tunnel resulted in higher than expected cash flows to Atlas Arteria. As a result, cash flow performance for the year was above stretch
Distributions of \$0.26 per Security	20%	\$0.26	\$0.285	Target for the year was exceeded with a total distributions paid to securityholders in the year amounting to \$0.285 per security
Corporate operational expenditure (excluding costs of STIs and LTIs, special projects and at constant exchange rates)	10%	A\$31m	A\$26.2m	Corporate costs were managed effectively with an above stretch outcome achieved
Total financials	70%		95%	
Strategic STI objectives were set for the following areas of activity	30%		31%	Significant achievements against the strategic objectives included:
<ul style="list-style-type: none"> - Corporate development and M&A activity - Restructuring the capital structure of businesses - Cultural change, leadership and employee engagement 				<ul style="list-style-type: none"> - Capital restructure at Warnow Tunnel in March 2021 which diversifies Atlas Arteria's sources of cash flow, and substantially increases the value of the business through reduced leverage and the expectation of cash flows earlier in the life of the concession. Two distributions have been received reflecting the performance of Warnow Tunnel throughout 2021 - Achieved an increase in off-peak tolls at the Dulles Greenway of 5.3% in 2021 and 5.0% in 2022 - Construction of RCEA on track and ownership is expected to transfer to APRR by end of the first half 2022, which will lengthen Atlas Arteria's average concession term - Implemented programs to improve ways of working across the business including capability investment with demonstrated improvements in leadership and team effectiveness. Launched new global flexible work policy as part of the ongoing initiatives introduced to foster greater inclusion. Developed foundational employee engagement and inclusion metrics to identify and execute strategies to address critical people priorities for 2022 and beyond
Total non-financials	30%		31%	
Total awarded	100%		126%	

6.2.2 Other executive KMP

The MD & CEO's STI objectives, both financial and non-financial, for 2021 were cascaded to the other executive KMP being the CFO and COO and were included within their specific personal and team objectives for the year. Their STI outcomes were assessed on a consistent basis with that of the MD & CEO.

6.2.3 Executive KMP STI outcomes

Based on the performance achievement assessments described above, the following STI Awards were made in respect of achievements relating to 2021.

Name	% of maximum achieved	Value – cash \$	Value – equity \$	STI forfeited \$
Graeme Bevans	84%	819,000	819,000	312,000
Nadine Lennie ¹	84%	536,760	-	102,240
Vincent Portal-Barrault	92%	249,892	249,892	45,435

1. Under the terms of her separation, 100% of Ms Lennie's 2021 STI is payable in cash.

6.3 Long term Incentive Plan

The probability of existing LTI awards vesting has continued to be unlikely in 2021. This is because the peer group includes a number of listed utilities that have not been as severely affected by the downturn as toll road companies, which have been adversely impacted by traffic movement restrictions due to COVID-19.

The relative TSR hurdle for the 2019 LTI Award was tested following the end of the performance period on 31 December 2021. The result (an absolute TSR of 22.62%) was at the 7th percentile of the comparator group which was below threshold and hence the vesting outcome was nil.

REMUNERATION REPORT

7. Non-executive Director fees

7.1 Determination of Non-executive Director fees

Non-executive Directors receive fees to recognise their contributions to the Boards and Committees on which they serve. No performance related remuneration is payable to Non-executive Directors.

The fees paid during 2021 are set out below:

Fees	ATLAX		ATLIX		
	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 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. Due to COVID-19 travel restrictions no travel fees were paid in 2021.

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 2022 Non-executive Director fees

Non-executive Director fees were last reviewed with effect from 1 January 2019, prior to internalisation of management. Given there have been no increases to NED fees in 3 years, the Boards decided to undertake a review of NED fees in 2021. The review was conducted by comparing Atlas Arteria's NED fee levels with those of a group of comparable ASX listed companies selected on the basis of similar businesses, scale of operation and skill requirements. The review highlighted that the ATLAX NED fees were below the median level for companies of similar size and complexity.

In addition, the review highlighted that the significant disparity between ATLIX and ATLAX director fees is not reasonable given that the responsibilities and workload of ATLIX Directors are comparable to ATLAX Directors. As a result, it was decided to adjust ATLAX director fees to be closer to, but just below the median for the comparator group and to set ATLIX Director fees closer to parity with ATLAX.

The composition of the ATLAX Chair's remuneration as between ATLIX and ATLAX Board memberships will change, but her aggregate remuneration will only change marginally. Also, no material changes to Committee fees have been made with ATLAX Committee fees remaining the same and rounding adjustments being made to the ATLIX Committee fees. As referred to on page 3 of our Corporate Governance Statement, once the current ATLIX Board succession process is complete, it is intended that the ATLIX Board will reduce from five to four directors, resulting in a reduction in total fees, offsetting these increases.

The following fees apply with effect from 1 January 2022:

Fees	ATLAX		ATLIX		
	Chair (AUD)	Member (AUD)	Chair (USD)	Member (USD)	Member (USD) ¹
Board	\$310,000 ²	\$155,000	\$220,000 ²	\$110,000	\$55,000
Audit and Risk Committee	\$30,000	\$15,000	\$20,000	\$10,000	Nil
Remuneration Committee	\$30,000	\$15,000	\$20,000	\$10,000	Nil
Nominations and Governance Committee	Nil	Nil	Nil	Nil	Nil

1. For Australian based director

2. Committee fees are not payable to the Chairs of the ATLAX or ATLIX Boards.

7.3 Aggregate fee pool

As approved by securityholders at the 2020 AGM, the aggregate ATLAX Non-executive Director fee pool is capped at AUD\$1,100,000 and the ATLIX Non-executive Director fee pool is capped at US\$700,000. The increase in fees outlined above will be accommodated within the existing fee pool and no changes are proposed for 2022.

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 Non-executive Directors and executive KMP.

The Boards	People & Remuneration Committees	Management	External advisors
Approve remuneration strategy and approves recommendations from the PRCs	The PRCs consist entirely of independent Non-executive Directors	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 Boards approve the quantum of remuneration for Non-executive Directors and the MD & CEO	Make recommendations to the Boards regarding the remuneration framework, policies and practices for Atlas Arteria		
	The PRCs approve the quantum of remuneration for other executive KMP		

8.2 PRCs activities during 2021

The PRCs are actively engaged in ensuring our remuneration and people programmes are contemporary and working as intended. The activities of the PRCs during 2021 included:

- Recommending the STI outcomes for 2020 to the Boards.
- Recommending the STI objectives for 2021, including recommending approval of the financial targets to the Boards.
- Monitoring progress against the 2021 STI targets, including mid-year confirmation that financial targets set at the start of the year continued to be appropriate for the full year.
- Reviewing the fixed pay level of the COO, an executive KMP.
- Engagement with investors and proxy advisers in relation to the remuneration framework and report.
- Considering and recommending to the Boards amendments to the remuneration framework.
- Recommendations regarding NED fees to the Boards for approval.
- Review and approval of the offer terms, plan rules and basis of participation for the Groups' equity plans.
- Consideration of market and regulatory related developments impacting the Groups' remuneration arrangements.
- Consideration of the necessity to exercise of discretion over variable pay decisions.
- Periodic review of the Security Holding Policy.
- Review progress against the Atlas Arteria People Plan and Priorities.
- Review of the Atlas Arteria Flexible Working Policy.
- Consideration of the Diversity and Inclusion objectives.
- Review of the Talent Management Framework and undertaking the annual Talent and Succession Review.
- Review and approval of the Atlas Arteria People Strategy (2021 – 2023).
- Executive Talent & Succession Reviews.

8.3 External Advisers

The requirement for external remuneration advisor services is assessed in the context of matters the PRCs need to address. Remuneration advisers are engaged by and report directly to the PRCs. Potential conflicts of interest are considered when advisers are appointed, including the level of access to management. 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 (Cth), were made by external remuneration advisors during 2021.

REMUNERATION REPORT

8.4 Board discretion over remuneration decisions

The PRCs and the Boards consider it important to have the ability to exercise discretion as required over remuneration decisions to ensure that remuneration outcomes reflect the performance of the Groups and the individual executives and are consistent with securityholder expectations. Examples of the circumstances where discretion can be exercised include:

Provision	STI	LTI
Variable pay outcomes	The Boards have adopted a policy to consider if there are any circumstances that may require the exercise of discretion at the time of approval of variable pay outcomes such as approval for STI awards and LTI vesting outcomes. This includes consideration on an ongoing basis as situations that may require discretion arise and at the time decisions in relation to the actual variable pay outcomes are being made.	
Clawback/Malus	<p>In the event of:</p> <ul style="list-style-type: none"> - Material non-compliance with any financial reporting requirement or other policies and operating procedures of the Groups; - Fraudulent or dishonest behaviour; or - Misconduct, <p>the Boards have discretion to determine that some or all deferred STI restricted security awards and unvested LTIP awards are forfeited.</p>	
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, the Boards may exercise discretion such that the participant is 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 a pro-rata number of unvested performance rights (reflecting the portion of performance period served) stay 'on-foot' to be tested against the performance condition at the end of the original performance period, subject to the discretion of the Board to determine a different treatment.
Change of control	<p>Upon a change of control:</p> <ul style="list-style-type: none"> - The Boards will determine in their absolute discretion the treatment for 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 its discretion, the LTIP will vest pro rata for time and performance.

8.5 Minimum security holding requirements

Minimum security holding requirements apply to support the alignment between the interests of the Directors, executive KMP and securityholders through significant exposure to the movements in securities price and distributions. Details of individual security holdings and progress against the expected holding requirements are included at section 9.3.

Role	Minimum shareholding	Timing to meet requirement
Non-executive Directors	100% of annual director base fees	3 years from the date of their appointment
MD & CEO	100% of fixed remuneration	5 years from appointment
Other executive KMP	50% of fixed remuneration	5 years from appointment

8.6 Atlas Arteria Securities Trading Policy

The Atlas Arteria Securities Trading (Windows) Policy applies to Directors, including directors appointed by Atlas Arteria to investee entities and to all Atlas Arteria staff. The windows trading policy means that trading in securities can only occur at the discretion of the ATLAX and ATLIX Boards during prescribed trading windows and with appropriate approvals. All other periods are 'closed periods' for the purposes of the ASX Listing Rules. ATLAX and ATLIX Directors and staff must not enter into margin loans or other financing arrangements over their Atlas Arteria securities.

9. Statutory disclosures

9.1 Executive statutory remuneration disclosures for 2021

The following table shows the total remuneration for the MD & CEO and executive KMP for 2021.

Name	Financial year	Cash salary	Annual leave accrual movement	Cash STI ¹	Superannuation contributions	Value of share based payments LTI ^{2,3}	Value of share based payments STI ¹	Total remuneration	Performance based pay %
Graeme Bevans ⁴	2021	\$1,277,369	-\$38,944	\$819,000	\$22,631	\$548,066	\$624,000	\$3,252,122	61.2%
	2020	\$1,145,318	\$109,093	\$0	\$21,348	\$455,062	\$637,535	\$2,368,356	46.1%
Nadine Lennie ^{4,5}	2021	\$687,369	\$13,168	\$536,760	\$22,631	\$243,073	\$81,000	\$1,584,001	54.3%
	2020	\$665,318	\$91,456	\$0	\$21,348	\$214,807	\$212,624	\$1,205,553	35.5%
Vincent Portal-Barrault ⁶	2021	\$632,210	\$24,687	\$249,892	\$16,756	\$235,495	\$205,585	\$1,364,625	50.6%
	2020	\$617,826	\$154	\$0	\$16,980	\$227,666	\$203,570	\$1,066,196	40.4%
Total	2021	\$2,596,948	(\$1,089)	\$1,605,652	\$62,018	\$1,026,634	\$910,585	\$6,200,748	57.1%
Total	2020	\$2,428,462	\$200,703	\$0	\$59,676	\$897,535	\$1,053,729	\$4,640,105	42.1%

- No STI was awarded in cash for 2020 with 100% of the STI awarded in deferred equity. STI for 2021 was awarded in a combination of cash (50%) and deferred equity (50%). The deferred equity award for the MD & CEO is subject to securityholder approval at the 2022 Annual General Meeting
- The amounts for LTI share based expenses are included based on the fair value of equity awards. External valuation advice has been used to determine the value of performance rights awarded in the year ended 31 December 2021. The valuation has been made using a Stochastic Model which includes a Monte Carlo simulation model. Details of the fair values of equity awards granted during the year are contained in the foot notes to the table titled 'Performance Rights held during the year' at 9.3 below
- The number of performance rights allocated to each participant is determined based on face value
- There were no increases in fixed pay during 2021 for the MD & CEO and the CFO. The last increase in fixed pay was effective 1 September 2020, part way through 2020. Thus, 2021 is the first full year of the increase which is reflected in the movement in fixed pay between 2020 and 2021 in the table above.
- Under the terms of her separation, 100% of Ms Lennie's 2021 STI is payable in cash.
- The 2021 remuneration for the COO who is based in Luxembourg was reviewed with effect from 1 July 2021 his first increase since appointment other than statutory CPI adjustments and was converted to AUD at a rate of AUD \$1 – Euro 0.6347 (2020 0.6055)

REMUNERATION REPORT

9.2 Non-executive Director statutory remuneration disclosures for 2021

The following table shows the fees paid to Non-executive Directors of ATLAX and ATLIX for 2021.

Name	Financial year	ATLAX fees (AUD)			ATLIX fees		
		Cash salary and fees	Superannuation	Total	Cash salary and fees	Superannuation	Total
Debbie Goodin ¹	2021	\$257,369	\$22,631	\$280,000	89,294 (AUD)	8,706(AUD)	98,000(AUD)
	2020	\$183,842	\$17,461	\$201,303	14,916(AUD)	1,417 (AUD)	16,333(AUD)
Ariane Barker ²	2021	\$140,408	\$13,759	\$154,167			
	2020	-	-	-	-	-	-
David Bartholomew	2021	\$157,234	\$15,324	\$172,558	-	-	-
	2020	\$157,534	\$14,966	\$172,500	-	-	-
Jean-Georges Malcor	2021	\$160,115	\$0	\$160,115	-	-	-
	2020	\$168,983	\$1,017	\$170,000	-	-	-
Nora Scheinkestel ³	2021	-	-	-	-	-	-
	2020	\$216,594	\$18,064	\$234,658	74,926(AUD)	7,118 (AUD)	82,044 (AUD)
Jeffrey Conyers	2021	-	-	-	160,000 (USD)	-	160,000 (USD)
	2020	-	-	-	160,000 (USD)	-	160,000 (USD)
Fiona Beck	2021	-	-	-	107,000(USD)	-	107,000(USD)
	2020	-	-	-	103,563 (USD)	-	103,563 (USD)
Andrew Cook ⁴	2021	-	-	-	89,000(USD)	-	89,000(USD)
	2020	-	-	-	8,948 (USD)	-	8,948 (USD)
Caroline Foulger ⁵	2021	-	-	-	98,000(USD)	-	98,000(USD)
	2020	-	-	-	57,508 (USD)	-	57,508 (USD)
Derek Stapley ⁶	2021	-	-	-	-	-	-
	2020	-	-	-	87,043 (USD)	-	87,043 (USD)
James Keyes ⁷	2021	-	-	-	-	-	-
	2020	-	-	-	37,692 (USD)	-	37,692 (USD)
Total – AUD	2021	\$715,126	\$51,714	\$766,840	\$694,305	\$8,706	\$703,011
Total – AUD	2020	\$726,953	\$51,508	\$778,461	\$744,259	\$8,535	\$752,794

1. Appointed Chair of ATLAX and Non-executive Director of ATLIX on 1 November 2020

2. Commenced as a Non-executive Director, effective 1 March 2021

3. Ceased to be a Non-executive Director, effective 1 November 2020

4. Commenced as a Non-executive Director, effective 25 November 2020

5. Commenced as Non-executive Director, effective 19 May 2020

6. Ceased to be a Non-executive Director on 25 November 2020

7. Ceased to be a Non-executive Director on 19 May 2020

9.3 Equity instrument disclosures relating to KMP

Security holdings

The table below outlines the number of ordinary securities held by each KMP including their personally related parties, as at 31 December 2021, 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. Executive KMP acquire their security holdings from awards that vest under the Groups' equity plans and from purchases on market. All Directors and Executives are tracking to meet their security holding requirement on a timely basis.

Non-executive Directors

Name	Balance at 1 January 2021	Changes	Balance at 31 December 2021	Value at 31 December 2021 ¹	Minimum security holding requirement ²	Date security holding to be attained
Debbie Goodin	32,904	17,774	50,678	\$350,692	\$220,000	Nov-23
Ariane Barker ³		13,600	13,600	\$94,112	\$140,000	Mar-24
David Bartholomew	25,214	-	25,214	\$174,481	\$140,000	Oct-21
Jean-Georges Malcor	30,076	-	30,076	\$208,126	\$140,000	Nov-21
Jeffrey Conyers	59,838	-	59,838	\$414,079	\$110,223	Jul-20
Fiona Beck	18,853	7,000	25,853	\$178,903	\$110,223	Sep-22
Andrew Cook ⁴	-	20,000	20,000	\$138,400	\$110,223	Nov-23
Caroline Fougler	8,500	12,500	21,000	\$145,320	\$110,223	May-23

1. Based on the closing price of Atlas Arteria securities on 31 December 2021 of \$6.92. 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 the 31 December 2021 exchange rate of AUD\$1 = USD\$0.7258

3. Commenced as a Non-executive Director on 1 March 2021

4. Commenced as Non-executive Director on 26 November 2020

Executive KMP

Name	Balance at 1 January 2021	Changes	Balance at 31 December 2021	Value at 31 December 2021 ¹	Minimum security holding requirement ²	Date security holding to be attained
Graeme Bevans	153,730	75,929	229,659	\$1,589,240	\$1,300,000	May-23
Nadine Lennie	36,592	28,673	65,265	\$451,634	\$355,000	Jul-23
Vincent Portal-Barrault ²	39,324	26,763	66,087	\$457,322	\$347,105	Dec-23

1. Based on the closing price of Atlas Arteria securities on 31 December 2021 of \$6.92. 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 the 31 December 2021 exchange rate of AUD\$1 = Euro 0.6408

Options

No options over unissued ordinary securities of Atlas Arteria existed or were granted to KMP during 2021.

Performance rights held during the year

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date ¹	Performance period start date	Vesting and exercise date	Exercise price \$	Expiry date	Value per option at grant date \$	Performance achieved #	% Vested %
28 April 2021	1 January 2021	31 December 2023	0.00	28 February 2024	2.95	To be determined	N/A
19 May 2020	1 January 2020	31 December 2022	0.00	28 February 2023	3.43	To be determined	N/A
3 March 2020	1 January 2020	31 December 2022	0.00	28 February 2023	5.02	To be determined	N/A
21 June 2019 ²	1 January 2019	31 December 2021	0.00	28 February 2022	3.63	Below threshold	Nil

1. The performance period for each award commences on 1 January of the relevant award year. Thus the effective commencement dates are 1 January 2019 in respect of the award granted on 21 June 2019, 1 January 2020 for awards granted on 3 March 2020 and 19 May 2020 and 1 January 2021 for awards granted on 28 April 2021.

2. The 2019 LTI Award was tested following the end of the performance period on 31 December 2021. The result was below threshold and hence the vesting outcome was nil.

REMUNERATION REPORT

The numbers of performance rights over ordinary securities in the Groups held during the financial year by each executive KMP as well as the value of performance rights granted or exercised are set out in the table below. Vesting is subject to achieving challenging performance hurdles over the performance period.

Name	Balance at 31 December 2020 #	Granted in the year ended 31 December 2021 ¹ #	Exercised in the year ended 31 December 2021 #	Lapsed in the year ended 31 December 2021 #	Balance at 31 December 2021 #	Unvested at 31 December 2021 #	Value of share rights granted during year ² \$
Graeme Bevans	423,192	230,088	0	119,339	533,941	533,941	678,760
Nadine Lennie	164,168	87,965	0	43,667	208,466	208,466	259,497
Vincent Portal-Barrault	165,790	73,741	0	44,381	195,150	195,150	217,536

1. The number of share rights granted during the year under the 2021 Long Term Incentive Awards which are subject to performance hurdles
2. External valuation advice from Aon has been used to determine the value of the share rights awarded during year ended 31 December 2021. The valuation was made using a Stochastic Model which includes a Monte Carlo simulation model. The value per instrument of the Share Rights granted during the year was \$2.95.
3. There were 1,358,192 unvested Share Rights on issue at the time of this Report

Unvested STI Equity Awards during 2021

During 2021, awards of restricted securities equal to 100% of their Awards under the Groups 2020 STI Plan were granted to the executive KMP. The securities were restricted for 12 months from the end of the 2020 performance period. Following the end of the restriction period on 31 December 2021, the PRCs confirmed that all executive KMP complied with the terms of the awards and accordingly, the awards have vested in full.

Details of the Awards are as follows:

Name	Balance at 31 December 2020 #	Granted in the year ended 31 December 2021 ¹ #	Vested in the year ended 31 December 2021 ² #	Lapsed in the year ended 31 December 2021 #	Balance at 31 December 2021 #	Unvested at 31 December 2021 #	Value of restricted securities granted during year \$
Graeme Bevans	82,369	75,929	82,369	0	75,929	75,929	429,000
Nadine Lennie	25,834	28,673	25,834	0	28,673	28,673	162,000
Vincent Portal-Barrault	28,850	26,763	28,850	0	26,763	26,763	151,212

1. Restricted Securities granted in respect of the 2020 STI Plan. These securities vested in full in January 2022
2. Restricted Securities granted in respect of the 2019 Post Internalisation STI Plan. These securities vested in full in January 2021

9.4 Loans to Directors or related parties

There were no loans to Directors or related parties during 2021.

9.5 Other transactions with KMP

There were no other transactions with KMP.

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 2021. The information below also forms part of these Directors' Reports:

- Strategic Framework on page 8 to 9
- Portfolio and Performance review on pages 10 to 17
- Financial Overview on pages 27 to 31
- Information on the Directors, Company Secretaries and Directors' meetings on pages 23 to 26
- Risk management on pages 20 to 21
- Remuneration report on pages 32 to 50

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. 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.

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 and sustainable business practices. The roads developed, operated or managed by Atlas Arteria benefit communities through reduced travel times, greater time certainty, reduced fuel consumption and carbon emissions.

As of the date of this report, Atlas Arteria owned four businesses. The ATLIX Group has a 31.14% interest in the APRR toll road group in France and 31.17% interest in Autoroute des deux lacs ('ADELAC'). Together APRR and ADELAC comprise a 2,318km motorway network located in the East and South East of France. 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 Warnowquering GmbH & Co. KG and its general partner (collectively 'Warnow Tunnel') in the north-east city of Rostock.

Distributions

Distributions paid to securityholders were as follows:

	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000
Dividend of 15.5 cents per stapled security ('cps') paid on 5 October 2021 ^(a)	148,648	–
Dividend of 13.0 cps paid on 9 April 2021 ^(b)	124,672	–
Dividend of 11.0 cps paid on 5 October 2020 ^(c)	–	105,492
Total distributions paid	273,320	105,492

(a) The dividend paid on 5 October 2021 comprised of an ordinary dividend of 15.5 cps. The dividend was paid in full by ATLIX.

(b) The dividend paid on 9 April 2021 comprised of an ordinary dividend of 13.0 cps. The dividend was paid in full by ATLIX.

(c) The dividend paid on 5 October 2020 comprised of an ordinary dividend of 11.0 cps. The dividend was paid in full by ATLIX.

DIRECTORS' REPORTS

Review and results of operations

Atlas Arteria has demonstrated resilience this year following the responses to manage COVID-19 throughout 2021, and this led to a strong statutory net profit of \$163.7 million as compared to a loss of \$99.2 million in 2020 (as revised, refer to note 3.2.2 of the Financial Statements). The result reflects the impacts of easing movement restrictions on traffic at APRR over the European summer in particular, lower finance costs as a result of repayments of holding company debt facility and refinancing the Warnow Tunnel legacy debt facility, and the higher average value of the Australian dollar over 2021. The prior year results reflect the decision by the Boards of ATLIX and ATLAX to impair their respective interests in the Dulles Greenway and the negative revenue impact of COVID-19 on the business.

Further details regarding the financial results of operations can be found in the Financial Overview section on pages 27 to 31.

Strategic Outlook

Atlas Arteria management remains focused on driving long-term value and returns to securityholders. Since internalisation we have completely transformed the Groups and are well placed to continue to grow and transform. Our strategy remains to reduce legacy complexity and optimise the value of what we own, undertake active operational management to improve earnings and value, provide disciplined capital management to underpin strong and sustainable distributions to securityholders, lengthen the average concession life and to diversify and manage risk.

Further details regarding Atlas Arteria's operations and the results of those operations including likely developments in future years can be found in the Our Business section on pages 2 to 17.

Sustainability and Risk Framework

At Atlas Arteria, we are committed to playing a positive role in society and creating long-term value for our stakeholders. We take our responsibilities seriously, embedding sustainable business practices to support our growth.

Our strategy is informed by our four priority areas: safety; customers and community; our people; and environmental stewardship. These four priorities are underpinned by business fundamentals that enable us to fulfil our future growth potential. These are good governance; an ethical culture; an emphasis on sustainable growth and keeping abreast of technology and other innovations.

Further details regarding Atlas Arteria's approach to risk management can be found on pages 20 to 21.

Significant changes in state of affairs

Capital restructure at Warnow Tunnel

On 18 March 2021 Atlas Arteria executed agreements to restructure the capital arrangements at Warnow Tunnel. A new €115.0 million (\$176.1 million) debt facility (which includes fixed and variable tranches), together with a cash injection of €42.0 million (\$64.3 million) from Atlas Arteria was used to repay the legacy debt, current hedging arrangements, transaction costs and reserve funding requirements. The cash injection was funded from cash on the Atlas Arteria balance sheet.

Events occurring after balance sheet date

The Directors of ATLIX and ATLAX are not aware of any matters or circumstances 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 2021.

Indemnification and insurance of officers and auditors

During the year, ATLIX and ATLAX each paid a premium in respect of a contract insuring the Directors and Officers of the Groups against liabilities incurred in their capacity as Directors and Officers of the ATLAX Group and the ATLIX Group. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the Directors and Officers. The terms of the policies prohibit disclosures of the details of the insurance cover and the premiums paid.

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 businesses are responsible for adopting and maintaining their own environmental and social risk management framework that complies with the relevant regulations 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. The Boards are not aware of any material breaches during the reporting period.

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.

Non-audit 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 specific expertise and experience with Atlas Arteria are important.

Details of the amounts paid or payable to Atlas Arteria's auditor (PricewaterhouseCoopers) as well as other audit firms for services provided during the year are set out in note 7.3 to the Financial Statements on page 95.

The Boards have considered the position and, in accordance with the advice received from their respective 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.

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 ATLIIX and its controlled entities during the period, is set out on page 55.

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



Jeffrey Conyers
Chair
Atlas Arteria International Limited
Hamilton, Bermuda
23 February 2022



Caroline Foulger
Director
Atlas Arteria International Limited
Hamilton, Bermuda
23 February 2022

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



Debbie Goodin
Chair
Atlas Arteria Limited
Melbourne, Australia
24 February 2022



Ariane Barker
Director
Atlas Arteria Limited
Melbourne, Australia
24 February 2022



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 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audits; and
- (b) 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.

Ben Gargett
Partner
PricewaterhouseCoopers

Melbourne
24 February 2022

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

FINANCIAL REPORT

for the year ended 31 December 2021

This report comprises:

Atlas Arteria International Limited and its controlled entities

Atlas Arteria Limited and its controlled entities

CONTENTS

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income	57
Consolidated Statements of Financial Position	58
Consolidated Statements of Changes in Equity	59
Consolidated Statements of Cash Flows	61

Notes to the Financial Reports

1 Introduction	62	5.3 Reserves	81
2 Financial performance	63	5.4 Financial risk and capital management	83
2.1 Profit/(loss) for the year	63	6 Group disclosures	88
2.2 Distributions	65	6.1 Parent entity financial information	88
2.3 Earnings per stapled security	66	6.2 Acquisition of subsidiaries	89
2.4 Income Tax	66	6.3 Subsidiaries	89
2.5 Segment information	68	6.4 Related party disclosures	91
3 Cash and investments	70	7 Other disclosures	93
3.1 Cash, cash equivalents and restricted cash	70	7.1 Cash flow information	93
3.2 Investments accounted for using the equity method	71	7.2 Contingent liabilities and capital commitments	94
4 Other balance sheet assets and liabilities	74	7.3 Remuneration of auditors	95
4.1 Intangible assets – Tolling concessions	74	7.4 Share based payments	95
4.2 Goodwill	76	7.5 Other accounting policies	96
4.3 Other assets	77	7.6 Events occurring after balance sheet date	97
4.4 Other liabilities	78	Directors' Declaration – Atlas Arteria International Limited	98
5 Capital and risk management	79	Directors' Declaration – Atlas Arteria Limited	98
5.1 Debt at amortised cost	79	Independent Auditor's Report	99
5.2 Contributed equity	80		

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	ALX		ATLAX Group	
		Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000
Revenue and other income from operations					
Total revenue and other income from operations	2.1.1	100,655	106,650	16,415	13,349
Operating expenses	2.1.2	(125,430)	(279,145)	(25,830)	(20,891)
Finance costs	2.1.3	(131,346)	(87,085)	106	(1,811)
Share of net profits/(losses) in associates*	3.2.2	284,051	152,681	(10,203)	(30,338)
Profit/(loss) from operations before income tax		127,930	(106,899)	(19,512)	(39,691)
Income tax benefit/(expense)	2.4.1	35,767	7,689	-	-
Profit/(loss) for the year		163,697	(99,210)	(19,512)	(39,691)
Profit/(loss) attributable to:					
Equity holders of the parent entity – ATLIX		183,209	(59,519)	-	-
Equity holders of other stapled entity – ATLAX (as non-controlling interest/parent entity)		(19,512)	(39,691)	(19,512)	(39,691)
Stapled securityholders		163,697	(99,210)	(19,512)	(39,691)
Other comprehensive (loss)/income					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translation of consolidated foreign operations*		(27,851)	(109,704)	5,486	(9,545)
<i>Items that will not be reclassified to profit or loss:</i>					
Gain/(loss) on cash flow hedges	5.3	-	25,287	-	-
Other comprehensive (loss)/income		(27,851)	(84,417)	5,486	(9,545)
Total comprehensive income/(loss)		135,846	(183,627)	(14,026)	(49,236)
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent entity – ATLIX		149,872	(134,391)	-	-
Equity holders of other stapled entity – ATLAX (as non-controlling interest/parent entity)		(14,026)	(49,236)	(14,026)	(49,236)
Stapled securityholders		135,846	(183,627)	(14,026)	(49,236)
		Cents	Cents	Cents	Cents
Profit/(loss) per share attributable to ATLIX/ATLAX shareholders					
Basic profit/(loss) per share attributable to:					
ATLIX (as parent entity)*	2.3	19.1	(6.5)	-	-
ATLAX (as non-controlling interest)	2.3	(2.0)	(4.3)	(2.0)	(4.3)
Basic profit/(loss) per ALX stapled security		17.1	(10.8)	(2.0)	(4.3)
Diluted profit/(loss) per share attributable to:					
ATLIX (as parent entity)*	2.3	19.1	(6.4)	-	-
ATLAX (as non-controlling interest)	2.3	(2.0)	(4.3)	(2.0)	(4.3)
Diluted profit/(loss) per ALX stapled security		17.1	(10.7)	(2.0)	(4.3)

* The ATLIX Group has revised the previous year financial statements. Refer to note 3.2.2 for further details.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	ALX		ATLAX Group	
		As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Current assets					
Cash and cash equivalents	3.1	229,389	260,341	42,758	52,130
Other assets	4.3	15,796	7,301	6,135	5,598
Total current assets		245,185	267,642	48,893	57,728
Non-current assets					
Restricted cash	3.1	226,325	224,089	-	-
Intangible assets – Tolling Concessions	4.1	2,101,414	2,064,339	-	-
Investments in associates*	3.2	2,591,821	2,685,357	99,986	104,685
Goodwill	4.2	13,719	14,091	-	-
Deferred tax asset	2.4	23,536	-	-	-
Property plant and equipment		16,919	13,267	5,541	2,508
Derivative financial instruments	5.4	188	-	-	-
Other assets	4.3	76	136	6	22
Total non-current assets		4,973,998	5,001,279	105,533	107,215
Total assets		5,219,183	5,268,921	154,426	164,943
Current liabilities					
Other liabilities	4.4	(16,661)	(16,300)	(7,396)	(5,494)
Debt at amortised cost	5.1	(92,300)	(53,212)	-	-
Derivative financial instruments	5.4	-	(2,515)	-	-
Total current liabilities		(108,961)	(72,027)	(7,396)	(5,494)
Non-current liabilities					
Debt at amortised cost	5.1	(1,532,061)	(1,470,960)	-	-
Deferred tax liabilities	2.4	(29,704)	(40,395)	-	-
Other liabilities	4.4	(50,463)	(38,871)	(3,596)	(1,600)
Derivative financial instruments	5.4	-	(12,332)	-	-
Total non-current liabilities		(1,612,228)	(1,562,558)	(3,596)	(1,600)
Total liabilities		(1,721,189)	(1,634,585)	(10,992)	(7,094)
Net assets		3,497,994	3,634,336	143,434	157,849
Equity					
Equity attributable to securityholders of the parent –ATLIX					
Contributed equity	5.2	3,747,750	3,747,750	-	-
Reserves*	5.3	(40,049)	(8,233)	-	-
Accumulated losses*		(353,141)	(263,030)	-	-
ATLIX securityholders' interest		3,354,560	3,476,487	-	-
Equity attributable to other stapled securityholders – ATLAX					
Contributed equity	5.2	202,075	202,075	202,075	202,075
Reserves	5.3	27,361	21,834	27,361	21,834
Accumulated losses		(86,002)	(66,060)	(86,002)	(66,060)
Other stapled securityholders' interest		143,434	157,849	143,434	157,849
Total equity		3,497,994	3,634,336	143,434	157,849

* The ATLIX Group has revised the previous year financial statements. Refer to note 3.2.2 for further details.

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 23 February 2022 and as required by Bermuda regulations was signed on its behalf by:



Jeffrey Conyers
Atlas Arteria International Limited
Hamilton, Bermuda



Caroline Foulger
Atlas Arteria International Limited
Hamilton, Bermuda

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

ALX	Attributable to ATlix securityholders				Attributable to ATlix securityholders \$'000	Total ALX equity \$'000
	Contributed equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000		
Total equity at 31 December 2020	3,747,750	(8,233)	(263,030)	3,476,487	157,849	3,634,336
Adjustment due to change in accounting standard	-	-	-	-	(430)	(430)
Total equity at 1 January 2021 (restated)	3,747,750	(8,233)	(263,030)	3,476,487	157,419	3,633,906
Profit/(loss) for the year	-	-	183,209	183,209	(19,512)	163,697
Exchange differences on translation of consolidated foreign operations	-	(33,337)	-	(33,337)	5,486	(27,851)
Total comprehensive income/(expense)	-	(33,337)	183,209	149,872	(14,026)	135,846
Transactions with equity holders in their capacity as equity holders:						
Employee Performance rights (refer to note 5.3)	-	1,521	-	1,521	41	1,562
Dividends paid (refer to note 2.2)	-	-	(273,320)	(273,320)	-	(273,320)
	-	1,521	(273,320)	(271,799)	41	(271,758)
Total equity at 31 December 2021	3,747,750	(40,049)	(353,141)	3,354,560	143,434	3,497,994

ALX	Attributable to ATlix securityholders				Attributable to ATlix securityholders \$'000	Total ALX equity \$'000
	Contributed equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000		
Total equity at 1 January 2020 (as reported)	3,275,591	154,283	(278,815)	3,151,059	192,536	3,343,595
Adjustment to prior period*	-	4,102	87,916	92,018	-	92,018
Total equity at 1 January 2020 (restated)	3,275,591	158,385	(190,899)	3,243,077	192,536	3,435,613
Profit/(loss) for the year*	-	-	(59,519)	(59,519)	(39,691)	(99,210)
Exchange differences on translation of consolidated foreign operations*	-	(100,159)	-	(100,159)	(9,545)	(109,704)
Change in fair value of the cash flow hedges	-	24,716	-	24,716	-	24,716
Settlement of the hedging instrument	-	571	-	571	-	571
Total comprehensive income/(expense)	-	(74,872)	(59,519)	(134,391)	(49,236)	(183,627)
Transactions with equity holders in their capacity as equity holders:						
Issue of securities during the period (refer to note 5.2)	481,036	-	-	481,036	13,964	495,000
Transaction costs associated with issue of securities (refer to note 5.2)	(9,738)	-	-	(9,738)	516	(9,222)
Other equity transactions (refer to note 5.3)	-	(92,880)	92,880	-	17	17
Employee Performance rights (refer to notes 5.2 and 5.3)	861	1,134	-	1,995	52	2,047
Dividends paid (refer to note 2.2)	-	-	(105,492)	(105,492)	-	(105,492)
	472,159	(91,746)	(12,612)	367,801	14,549	382,350
Total equity at 31 December 2020 (restated)	3,747,750	(8,233)	(263,030)	3,476,487	157,849	3,634,336

* The ATlix Group has revised the previous year financial statements. Refer to note 3.2.2 for further details.

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 Losses \$'000	Total \$'000
Total equity at 31 December 2020	202,075	21,834	(66,060)	157,849
Adjustment due to change in accounting standard	-	-	(430)	(430)
Total equity at 1 January 2021 (restated)	202,075	21,834	(66,490)	157,419
Loss for the year	-	-	(19,512)	(19,512)
Exchange differences on translation of consolidated foreign operations	-	5,486	-	5,486
Total comprehensive income/expense	-	5,486	(19,512)	(14,026)
Transactions with equity holders in their capacity as equity holders:				
Employee performance rights (refer to note 5.3)	-	41	-	41
	-	41	-	41
Total equity at 31 December 2021	202,075	27,361	(86,002)	143,434

ATLAX Group	Attributable to ATLAX securityholders			
	Contributed equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
Total equity at 1 January 2020	187,571	(6,642)	11,607	192,536
Loss for the year	-	-	(39,691)	(39,691)
Exchange differences on translation of consolidated foreign operations	-	(9,545)	-	(9,545)
Total comprehensive income/(expense)	-	(9,545)	(39,691)	(49,236)
Transactions with equity holders in their capacity as equity holders:				
Employee performance rights (refer to notes 5.2 and 5.3)	24	28	-	52
Other equity transactions (refer to note 5.3)	-	37,993	(37,976)	17
Issue of securities during the year	13,964	-	-	13,964
Transaction costs associated with issue of securities	516	-	-	516
	14,504	38,021	(37,976)	14,549
Total equity at 31 December 2020	202,075	21,834	(66,060)	157,849

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 2021 \$'000	Year ended 31 Dec 2020 \$'000	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000
Cash flows from operating activities				
Toll revenue received (net of transaction processing fees)	99,739	93,368	-	-
Interest received	142	3,914	86	192
Interest paid	(386)	(728)	(5)	-
Other income received	3,645	1,760	11,261	8,680
Property taxes paid	(2,360)	(5,249)	-	-
Manager's and adviser's base fees paid	(457)	(6,829)	-	(94)
Payments to suppliers and employees (inclusive of GST/VAT)	(53,203)	(46,903)	(17,816)	(15,439)
Net income taxes (paid)/received	-	(4)	-	(4)
Net cash flows from operating activities	47,120	39,329	(6,474)	(6,665)
Cash flows from investing activities				
Distributions from associates	307,842	310,866	-	-
Payment for purchase of investments	-	(1,272,692)	-	-
Payments to suppliers associated with the purchase of investments	-	(2,712)	-	-
Other investments	(2,121)	(1,593)	(640)	(266)
Additions to tolling concessions	(207)	(9,104)	-	-
Purchase of property, plant and equipment	(1,466)	(1,438)	(1,004)	(887)
Net cash flows from investing activities	304,048	(976,673)	(1,644)	(1,153)
Cash flows from financing activities				
Repayment of debt (including transaction costs)	(285,788)	(618,857)	-	-
Interest paid on debt	(7,089)	(13,891)	-	-
Proceeds from borrowings (net of transaction costs)	176,137	-	-	-
Proceeds from issue of securities (net of transaction costs)	-	483,936	-	12,732
Transfer (to)/from restricted cash	9,800	8,744	-	-
Dividends paid	(273,320)	(105,492)	-	-
Lease principal payments	(1,541)	(1,061)	(530)	(197)
Net cash flows from financing activities	(381,801)	(246,621)	(530)	12,535
Net (decrease)/increase in cash and cash equivalents	(30,633)	(1,183,965)	(8,648)	4,717
Cash and cash equivalents at the beginning of the year	260,341	1,450,221	52,130	48,612
Effects of exchange rate movements on cash and cash equivalents	(319)	(5,915)	(724)	(1,199)
Cash and cash equivalents at the end of the year	229,389	260,341	42,758	52,130

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

NOTES TO THE FINANCIAL REPORTS

1 Introduction

Atlas Arteria – Stapled security

An Atlas Arteria ('ALX') stapled security comprises one Atlas Arteria International Limited ('ATLIX') share 'stapled' to one Atlas Arteria Limited ('ATLAX') share to create a single listed security traded on the Australian Securities Exchange. 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 2021.

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 23 February 2022 and 24 February 2022 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 2021 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.

New and amended standards adopted by the Groups

During the year ended 31 December 2021 the Groups adopted IFRIC Interpretations Committee Agenda item 5 – Cloud computing arrangement costs, and an adjustment has been taken through opening retained earnings accordingly. The impact is not material to the Groups (refer to Statement of Changes in Equity).

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 judgements 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:

- Deferred tax assets (Note 2.4)
- Control assessment (Note 3.2 and 6.2)
- Impairment of assets and associates (Note 3.2)
- Intangible assets – Tolling concessions (Note 4.1)
- Provision for toll road maintenance (Note 4.4)

NOTES TO THE FINANCIAL REPORTS

2 Financial performance

2.1 Profit/(loss) 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 income

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

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 line with the progress of construction services provided over time. Progress is measured by reference to costs incurred to date.

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

2.1.1 Revenue and other income from operations

	ALX		ATLAX Group	
	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000
Revenue from operations:				
Toll revenue	99,530	95,253	-	-
Other income	985	1,030	16,329	13,153
Construction revenue from road development activities	-	8,273	-	-
Interest income	140	2,094	86	196
Total revenue and other income from operations	100,655	106,650	16,415	13,349

NOTES TO THE FINANCIAL REPORTS

2.1.2 Operating expenses

	ALX		ATLAX Group	
	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000
Operating expenses				
Amortisation of tolling concession	60,039	66,439	-	-
Cost of operations:				
Toll road maintenance expenses	14,604	12,020	-	-
Other operating expenses	6,875	8,711	65	89
Employment costs	26,604	21,660	15,463	10,883
Total cost of operations	48,083	42,391	15,528	10,972
Consulting and administration fees	4,748	5,461	3,204	3,093
Manager's and adviser's base fees	-	2,051	-	-
Impairment loss on tolling concession (refer to note 4.1)	-	143,896	-	-
Construction costs from road development activities	-	8,273	-	-
Other expenses	11,119	9,634	6,525	6,507
Depreciation and amortisation	1,441	1,000	573	319
Total operating expenses	125,430	279,145	25,830	20,891

2.1.3 Finance costs

	ALX		ATLAX Group	
	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000
Interest on debt	80,211	96,239	-	-
Mark to market (gain)/loss on derivatives	(632)	(1,212)	-	-
Fee on early repayment of borrowings	762	-	-	-
Warnow Tunnel removal of fair value adjustment with legacy debt repayment (refer to note 5.1)	50,332	-	-	-
Net (gain)/loss on cash flow hedge ineffectiveness	-	(420)	-	-
Amortisation of issue cost on borrowings from financial institutions	76	802	-	-
Net foreign exchange (gains)/losses	(1,042)	(9,745)	(115)	1,777
Other interest	1,639	1,421	9	34
Total finance costs	131,346	87,085	(106)	1,811

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 2021 \$'000	Year ended 31 Dec 2020 \$'000	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000
Distributions paid				
Dividend paid on 5 October 2021 ^(a)	148,648	-	-	-
Dividend paid on 9 April 2021 ^(b)	124,672	-	-	-
Dividend paid on 5 October 2020 ^(c)	-	105,492	-	-
Total distributions paid	273,320	105,492	-	-
	Cents per stapled security	Cents per stapled security	Cents per stapled security	Cents per stapled security
Distributions paid				
Dividend per stapled security paid on 5 October 2021 ^(a)	15.5	-	-	-
Dividend per stapled security paid on 9 April 2021 ^(b)	13.0	-	-	-
Dividend per stapled security paid on 5 October 2020 ^(c)	-	11.0	-	-
Total distributions paid	28.5	11.0	-	-

(a) The dividend paid on 5 October 2021 comprised of an ordinary dividend of 15.5 cps.

(b) The dividend paid on 9 April 2021 comprised of an ordinary dividend of 13.0 cps.

(c) The dividend paid on 5 October 2020 comprised of an ordinary dividend of 11.0 cps.

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 2021 \$'000	Year ended 31 Dec 2020 \$'000	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000
Basic earnings/(loss) per ATLIX/ATLAX share*	19.1	(6.5)	(2.0)	(4.3)
Diluted earnings/(loss) per ATLIX/ATLAX share*	19.1	(6.4)	(2.0)	(4.3)
Earnings/(loss) used in the calculation of basic and diluted profit/(loss) per ATLIX/ATLAX share *	183,209	(59,519)	(19,512)	(39,691)
	Number	Number	Number	Number
Weighted average number of shares used in calculation of basic earnings/(loss) per ATLIX/ATLAX share	959,018,226	922,912,181	959,018,226	922,912,181
Adjustment for employee performance rights ^(a)	1,172,299	1,028,860	1,172,299	1,028,860
Weighted average number of shares used in calculation of diluted earnings/(loss) per ATLIX/ATLAX share	960,190,525	923,941,041	960,190,525	923,941,041

* The ATLIX Group has revised the previous year financial statements. Refer to note 3.2.2 for further details.

(a) Diluted earnings per ALX stapled security is adjusted for employee performance rights. Refer to note 7.4 for details.

The basic profit/(loss) per ALX stapled security for the year ended 31 December 2021 was 19.1 cps (2020: (6.5) cps) and the diluted profit/(loss) per ALX stapled security for the year ended 31 December 2021 was 19.1 cps (2020: (6.4) cps), using ALX profit/(loss) attributable to ALX stapled securityholders of \$163.7 million (2020: (\$99.2) 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 Bermudian 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 expense, shows what amounts are recognised directly in equity and how the tax 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	
	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000
(a) Income tax (benefit)/expense				
Income Tax expense				
Current tax	6,864	14	-	-
Deferred tax	(42,631)	(7,703)	-	-
Total income tax (benefit)/expense	(35,767)	(7,689)	-	-
(b) Reconciliation of income tax (benefit)/expense to prima facie tax payable				
Profit/(loss) from operations before income tax*	127,930	(106,899)	(19,512)	(39,691)
Prima facie income tax on profit/(loss) at the Australian tax rate of 30%*	38,379	(32,070)	(5,854)	(11,907)
Impact of different tax rates of operations in jurisdictions other than Australia	9,764	6,071	1	1,766
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:				
Non-deductible expenditure	32,280	63,794	561	695
Share of net (profits)/losses in associates*	(85,215)	(45,803)	3,061	9,101
Temporary differences not brought to account	(1,299)	(8,107)	716	423
Deferred tax assets on taxable losses not brought to account	6,658	8,426	1,515	(78)
Temporary differences not previously recognised	(465)	-	-	-
Initial recognition of prior period unused tax losses	(29,016)	-	-	-
Unused tax losses recouped to reduce current tax expense	(6,853)	-	-	-
Aggregate income tax (benefit)/expense	(35,767)	(7,689)	-	-

* The ATLIX Group has revised the previous year financial statements. Refer to note 3.2.2 for further details.

(c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	386,728	377,510	337,417	298,010
Potential tax benefit of unused tax losses	91,271	97,972	79,583	78,658

Neither Atlas Arteria nor the ATLAX Group recognised any current or deferred tax that was debited or credited directly to equity. Tax losses that arose in the U.S. on or before 31 December 2017 of US\$158.6 million expire after 20 years and tax losses that arose in Luxembourg from 1 January 2017 of €25.0 million expire after 17 years.

NOTES TO THE FINANCIAL REPORTS

2.4.2 Deferred tax assets and liabilities

A deferred tax asset of \$35.7 million (€22.9 million) and an income tax benefit have been recognised primarily as a result of carry forward tax losses associated with holdings in Warnow Tunnel. These have been recognised following the capital restructure which closed in March 2021, which strengthened the probability of future taxable profits being available to utilise the losses.

The movement in the balance of deferred tax assets ('DTA') and deferred tax liabilities ('DTL') is as follows:

	ALX				ATLAX Group	
	Current and prior year losses \$'000	Fixed assets/ intangibles \$'000	Provisions \$'000	Other \$'000	Total \$'000	Total \$'000
Deferred tax relates to the following:						
Opening balance at 1 January 2020	-	(50,541)	-	-	(50,541)	-
(Charged)/ credited to income	-	1,060	-	-	1,060	-
Foreign exchange movement	-	3,332	-	-	3,332	-
Impairment impact	-	5,754	-	-	5,754	-
Closing balance at 31 December 2020	-	(40,395)	-	-	(40,395)	-
(Charged)/ credited to income	(6,853)	4,944	573	(5,747)	(7,083)	-
Foreign exchange movement	(338)	(1,300)	20	67	(1,551)	-
Losses recognised	42,861	-	-	-	42,861	-
Closing balance at 31 December 2021	35,670	(36,751)	593	(5,680)	(6,168)	-

	ALX		ATLAX Group	
	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000
Deferred tax asset				
The balance comprises temporary differences attributable to:				
- Current and prior year losses	35,670	-	-	-
- Provisions	593	-	-	-
- Other	309	-	-	-
Total deferred tax asset	36,572	-	-	-
Set-off of deferred tax liabilities pursuant to set-off provisions	(13,036)	-	-	-
Net deferred tax assets	23,536	-	-	-
Deferred tax liability				
The balance comprises temporary differences attributable to:				
- Fixed assets/intangibles	(36,751)	(40,395)	-	-
- Other	(5,989)	-	-	-
Total deferred tax liability	(42,740)	(40,395)	-	-
Set-off of deferred tax liabilities pursuant to set-off provisions	13,036	-	-	-
Net deferred tax liabilities	(29,704)	(40,395)	-	-

2.5 Segment information

Operating segments are reported in a manner consistent with the internal reporting based on a proportionately consolidated basis with a focus on revenue down to EBITDA and EBITDA margin 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.

NOTES TO THE FINANCIAL REPORTS

2.5.2 Segment information

The proportionally consolidated segment information for the reportable segments for the year ended 31 December 2021, based on Atlas Arteria's economic ownership interest is as follows:

ALX	Year ended	APRR \$'000	ADELAC \$'000	Warnow Tunnel \$'000	Dulles Greenway \$'000	Total ALX \$'000	Total ATLAX \$'000
Segment revenue	31-Dec-21	1,260,656	23,513	19,995	80,460	1,384,624	10,808
	31-Dec-20	1,115,693	21,351	21,197	74,814	1,233,055	10,050
Segment expenses	31-Dec-21	(331,928)	(3,944)	(6,342)	(18,915)	(361,129)	(2,541)
	31-Dec-20	(320,709)	(3,928)	(6,126)	(21,367)	(352,130)	(2,870)
Segment EBITDA	31-Dec-21	928,728	19,569	13,653	61,545	1,023,495	8,267
	31-Dec-20	794,984	17,423	15,071	53,447	880,925	7,180
EBITDA margin	31-Dec-21	74%	83%	68%	76%	74%	76%
	31-Dec-20	71%	82%	71%	71%	71%	71%

The segment revenue disclosed in the table above primarily relates to toll revenue generated by 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 are \$254.8 million (2020: \$230.8 million) and liabilities are \$227.3 million (2020: \$220.4 million) and Dulles Greenway whose assets are \$2,224.7 million (2020: \$2,152.1 million) and liabilities are \$1,517.2 million (2020: \$1,407.5 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 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Reconciliation of segment revenue to revenue				
Segment revenue	1,384,624	1,233,055	10,808	10,050
Revenue attributable to non-consolidated investments	(1,284,169)	(1,137,044)	(10,808)	(10,050)
Construction revenue from road development activities	-	8,273	-	-
Unallocated revenue and other income	200	2,366	16,415	13,349
Total revenue and other income from operations	100,655	106,650	16,415	13,349
Reconciliation of segment EBITDA to profit/(loss) before income tax				
Segment EBITDA	1,023,495	880,925	8,267	7,180
EBITDA attributable to non-consolidated investments	(948,297)	(812,407)	(8,267)	(7,180)
Construction expense from road development activities	-	(8,273)	-	-
Impairment of Dulles Greenway	-	(143,896)	-	-
Unallocated revenue	200	2,366	16,415	13,349
Corporate costs	(29,068)	(22,339)	(25,257)	(20,572)
Amortisation and depreciation	(61,480)	(67,439)	(573)	(319)
Unallocated expenses	(9,625)	(1,432)	-	-
Finance costs	(131,346)	(87,085)	106	(1,811)
Share of net profits/(losses) in associates*	284,051	152,681	(10,203)	(30,338)
Profit/(loss) from operations before income tax	127,930	(106,899)	(19,512)	(39,691)

* The ATLIX Group has revised the previous year financial statements. Refer to note 3.2.2 for further details.

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 (maturity of less than 3 months) that are readily convertible to cash with insignificant risk of changes in value. Restricted cash includes funds held in escrow 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 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Current				
Cash and cash equivalents	229,389	260,341	42,758	52,130
	229,389	260,341	42,758	52,130
Non-current				
Restricted cash	226,325	224,089	-	-
	226,325	224,089	-	-

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 -2.28% and 0.20% (2020: -2.71% and 1.66%) per annum.

Cash equivalents include TRIP II's money market deposits which mature within 30 days and paid interest between 0.01% and 0.04% (2020: 0.1% and 1.64%) per annum.

3.1.2 Restricted cash

This comprises funds held in escrow pursuant to the TRIP II bond indenture agreements and Warnow Tunnel loan agreements. 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.

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. 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 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Investment in associates and joint venture – equity method *	2,591,821	2,685,357	99,986	104,685
	2,591,821	2,685,357	99,986	104,685

* The ATLIX Group has revised the previous year financial statements. Refer to note 3.2.2 for further details.

NOTES TO THE FINANCIAL REPORTS

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

3.2.1 Carrying amounts

Name of Entity ^(a)	Country of Incorporation/ Principal Place of Business	Principal Activity	ALX Economic interest	ALX		ATLAX Economic Interest	ATLAX Group	
			As at 31 Dec 2021 and 31 Dec 2020 %	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 and 31 Dec 2020 %	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
MAF2 ^{(b)*}	Luxembourg	Investment in toll road network located in the east of France (APRR and ADELAC)	62.3/62.3	2,591,821	2,685,357	-/-	-	-
TRIP II ^{(c), (d)}	USA	Investment in the Dulles Greenway toll road located in northern Virginia, USA	-/-	-	-	13.4/13.4	99,986	104,685

* The ATLIX Group has revised the previous year financial statements. Refer to note 3.2.2 for further details.

- (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 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 a subsidiary of Atlas Arteria.
- (d) 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.

3.2.2 Movement in carrying amounts

	ALX Group		ATLAX Group	
	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000
Carrying amount at the beginning of the year*	2,685,357	1,455,847	104,685	144,589
Share of profits/(losses) after income tax*	284,051	152,681	(10,203)	(12,037)
Distributions received/receivable	(314,750)	(137,592)	-	-
Liquidation of CSP and ITRP	-	(17)	-	(17)
Additional investment in MAF2	-	1,066,253	-	-
Transaction costs	-	206,235	-	-
Foreign exchange movement*	(62,837)	(58,050)	5,504	(11,250)
Impairment of asset ^(a)	-	-	-	(16,600)
Carrying amount at the end of the period	2,591,821	2,685,357	99,986	104,685

* During the year Atlas Arteria reviewed the historical equity accounting for its interests in MAF2, dating back to the time when MAF2 became an associate of the Groups. As a result of this review, a number of adjustments were identified as being required in prior years' financial statements. None of these adjustments impact the underlying results of the associate. The adjustments are as follows:

- Share of net profits/(losses) of associates decrease by \$43.4 million
- Exchange differences on translation of foreign operations increase by \$1.3 million
- Opening accumulated losses decrease of \$87.9 million
- Opening reserves increase of \$4.1 million
- Investments in associates increase of \$49.9 million
- Basic and diluted earnings per share decrease of 4.7 cps

(a) Impairment of asset in the prior year includes an impairment on Dulles Greenway of \$22.4 million (refer to note 4.1) offset by the impact of the deferred tax liability \$5.8 million.

NOTES TO THE FINANCIAL REPORTS

3.2.3 Summarised financial information for material associates

The following tables summarise financial information for those associates that are material to 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.

Summarised Statement of Financial Position	MAF2 ^(a)		TRIP II	
	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Total current assets	1,324,917	1,250,831	84,748	73,143
Total non-current assets (unimpaired)*	12,596,913	13,367,512	2,435,969	2,359,625
Total current liabilities	(1,354,879)	(1,670,035)	(94,855)	(79,567)
Total non-current liabilities*	(8,179,770)	(8,423,132)	(1,433,346)	(1,338,848)
Net assets	4,387,181	4,525,176	992,516	1,014,353
Reconciliation to carrying amounts:				
Opening net assets*	4,525,176	3,160,775	1,014,353	1,198,144
Profit/(loss) for the period*	456,060	261,643	(75,952)	(89,606)
Distributions paid	(494,287)	(220,924)	-	-
Additional investment*	-	1,702,252	-	-
Foreign exchange and other equity movements*	(99,768)	(378,570)	54,115	(94,185)
Closing net assets	4,387,181	4,525,176	992,516	1,014,353
ATLIX Group's share in %	62.3%	62.3%	-	-
ATLIX Group's share of net assets in \$*	2,733,214	2,819,185	-	-
ATLAX Group's share in %	-	-	13.4%	13.4%
ATLAX Group's share of net assets in \$	-	-	133,325	136,258
Atlas Arteria's carrying amount*	2,591,821	2,685,357	-	-
Accumulated impairment of non-current assets	-	-	(33,339)	(14,973)
Impairment of asset ^(b)	-	-	-	(16,600)
ATLAX Group's carrying amount	-	-	99,986	104,685

* The ATLIX Group has revised the previous year financial statements. Refer to note 3.2.2 for further details.

(a) MAF2 proportionately consolidates the results of APRR and ADELAC.

(b) Impairment of asset in the prior year includes an impairment on Dulles Greenway of \$22.4 million (refer to note 4.1) offset by the impact of the deferred tax liability \$5.8 million.

Summarised Statement of Comprehensive Income	MAF2 ^(a)		TRIP II	
	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000
Revenue	2,282,097	2,093,178	80,460	83,087
Profit/(loss) for the year*	456,060	261,643	(75,952)	(89,606)
Atlas Arteria's share*	284,051	152,681	-	-
ATLAX Group's share	-	-	(10,203)	(12,037)
Atlas Arteria's distributions received	314,750	137,592	-	-
ATLAX Group's distributions received	-	-	-	-

* The ATLIX Group has revised the previous year financial statements. Refer to note 3.2.2 for further details.

(a) MAF2 proportionately consolidates the results of APRR and ADELAC.

NOTES TO THE FINANCIAL REPORTS

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 and impairment charges. 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 separate line items in 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 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Balance at the beginning of the year	2,064,339	2,438,598	-	-
Acquisition cost ^(a)	-	8,273	-	-
Amortisation of tolling concession	(60,039)	(66,439)	-	-
Impairment of tolling concession ^(b)	-	(143,896)	-	-
Foreign exchange movement	97,114	(172,197)	-	-
Balance at the end of the year	2,101,414	2,064,339	-	-

(a) In the prior year, \$5.6 million was recognised on DTR Connector project and \$2.7 million was recognised on the West End Project 1 (refer also to note 2.1 for the construction revenue policy).

(b) In the prior year an impairment charge of \$143.9 million was taken on the Dulles Greenway concession.

NOTES TO THE FINANCIAL REPORTS

Key assumptions used for fair value less costs of disposal calculations at 31 December 2020 and 31 December 2021–Dulles Greenway.

Assumption	Approach used to determine values in 2020	Approach used to determine values in 2021
Traffic volume	<p>Based on historic trends and the Groups' internal long-term traffic forecasting models.</p> <p>Traffic forecasts for Dulles Greenway are based on assumptions of traffic growth broadly in line with economic development, population growth and employment within its catchment area.</p> <p>Traffic during 2020 was impacted by the COVID-19 pandemic. Forecasts assume that traffic largely, but not fully, recovers during 2021, however, macroeconomic assumptions and inputs include the impact of COVID-19, for example, employment is assumed to fall as a result of the impact of COVID-19 and not return to pre-COVID forecast levels until 2025.</p> <p>Assumptions around the impact of announced changes to the transport network in the catchment area around the Greenway have also been made in forecasting traffic over the medium term, based on historical impacts of similar changes.</p>	<p>Based on historic trends and the Groups' internal long-term traffic forecasting models.</p> <p>Traffic forecasts for Dulles Greenway are based on assumptions of traffic growth broadly in line with economic development, population growth and employment within its catchment area.</p> <p>Traffic during 2021 continued to be impacted by the COVID-19 pandemic and movement restrictions. Forecasts assume that traffic recovers over the medium term, and macroeconomic assumptions include the impact of changing social preferences and economic responses to COVID-19.</p>
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 be between 2.2% and 2.3% per annum.	Based on the Groups' long-term internal forecasts and independent third-party projections, long term CPI rates are forecast to be around 2.3% per annum, with medium term forecasts up to 2.4% – 2.8% per annum based on median consensus forecasts.
Average toll (% annual growth)	<p>Based on current regulation and the Groups' long-term internal forecasts.</p> <p>Toll rates for Dulles Greenway will be determined by decisions of the State Corporations Commission ('SCC'). A rate case was submitted to the SCC on 19 December 2019 for tolls over the period from 1 January 2021 to 31 December 2025 and a decision regarding the submission is expected early 2021.</p> <p>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.</p>	<p>Based on current regulation and the Groups' long-term internal forecasts.</p> <p>Toll rates for Dulles Greenway will be determined by decisions of the SCC. The toll path for 2021-22 was determined by the SCC in April this year. In February, new legislation was adopted and a new rate case will need to be submitted in 2022, and each year thereafter to establish the annual toll rate increases.</p> <p>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.</p>
Post-tax discount rate	Detailed cash flows were discounted using a discount rate of 9.25%. The discount rate is based on a number of factors including, but not limited to, the business nature of operations, regulatory environment, macroeconomic conditions, risk profile, observed market prices for similar transactions and reflects the uncertainty around traffic forecasts in particular post the recent policy positions taken to manage the COVID-19 pandemic.	The discount rate of 9.25% is based on a number of factors including, but not limited to, the business nature of operations, regulatory environment, macroeconomic conditions, risk profile, observed market prices for similar transactions and reflects the uncertainty around traffic forecasts and the new regulatory framework.

NOTES TO THE FINANCIAL REPORTS

Impact of possible changes in key assumptions

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.

A significant adverse change in any of the key assumptions could result in the recoverable amount of the CGU falling below its carrying amount.

The table below shows the impact on the valuation in prior year of reasonably possible changes in key assumptions on the recoverable amount of CGU.

Sensitivities	Valuation Impact US\$ million
Discount Rate +0.5%	(51.6)
Discount Rate -0.5%	57.8
Toll growth rate +0.1%	19.4
Toll growth rate -0.1%	(19.1)
Traffic growth rate +0.1%	18.2
Traffic growth rate -0.1%	(17.9)

There is a complex interplay between the key assumptions, however, which means that any change in one assumption could impact the outcomes of another. Equally, as some assumptions change, there may be a compensating reduction in risk or resolution of uncertainty, premiums for which are carried within the post tax discount rate.

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 5.4.6 for additional detail on the fair value hierarchy).

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 notes 3.2 and 4.1 for additional detail on the accounting policy for impairment.

	ALX		ATLAX Group	
	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Balance at the beginning of the year	14,091	14,054	-	-
Foreign exchange movement	(372)	37	-	-
Balance at the end of the year	13,719	14,091	-	-

NOTES TO THE FINANCIAL REPORTS

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 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Current				
Receivables from related parties	7,416	886	3,420	3,202
Less: Loss allowance	-	-	(11)	(18)
Prepayments	2,549	1,618	906	486
Tax receivable	225	67	230	67
Trade receivables and other assets	5,606	4,730	1,590	1,861
Total current other assets	15,796	7,301	6,135	5,598
Non-current				
Other assets	76	136	6	22
Total non-current other assets	76	136	6	22

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.

NOTES TO THE FINANCIAL REPORTS

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.

The Groups record a provision for toll road maintenance required under their obligations within the service concession arrangements for the maintenance and repair of the publicly owned roads they operate. The Groups at each period assess the estimates of their present obligations, including assessment of the condition of the road determined from routine inspections. These assessments inform the timing and extent of future maintenance activities.

Provisions included in the financial statements are measured at the present value of the best estimate of 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.

	ALX		ATLAX Group	
	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Current				
Provision for toll road maintenance	2,674	3,476	-	-
Sundry creditors and accruals	8,083	9,774	2,756	4,020
Tax payables	357	172	-	-
Employee entitlements	5,100	1,623	3,922	1,287
Lease liability ^(a)	447	1,255	718	187
Total current other liabilities	16,661	16,300	7,396	5,494
Non-current				
Provision for toll road maintenance	25,977	18,950	-	-
Lease liability ^(a)	24,486	19,921	3,596	1,600
Total non-current other liabilities	50,463	38,871	3,596	1,600

(a) The corresponding right of use asset has been included in the property, plant and equipment balance.

The movement in the balance of provision for toll road maintenance is as follows:

	ALX		ATLAX Group	
	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Provision for toll road maintenance				
Balance at the beginning of the year	22,426	17,295	-	-
Additional provision recognised	8,591	7,251	-	-
Provision utilised	(2,817)	(1,328)	-	-
Foreign exchange movement	451	(792)	-	-
Balance at the end of the year	28,651	22,426	-	-

NOTES TO THE FINANCIAL REPORTS

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 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Current				
Non-recourse TRIP II bonds and interest accrued thereon ^(a)	92,300	48,426	-	-
Non-recourse Warnow Tunnel borrowings and interest accrued thereon ^(b)	-	4,786	-	-
Total current debt at amortised cost	92,300	53,212	-	-
Non-current				
Non-recourse TRIP II bonds and interest accrued thereon ^(a)	1,357,123	1,299,928	-	-
Non-recourse Warnow Tunnel borrowings and interest accrued thereon ^(b)	174,938	171,032	-	-
Total non-current debt at amortised cost	1,532,061	1,470,960	-	-

(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 (2020: US\$35.0 million) of current interest bonds and US\$1,085.5 million (2020: US\$1,055.1 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.

On 18 March 2021, Warnow Tunnel completed a capital restructure. The capital restructure repaid the legacy Warnow Tunnel debt facility of \$217.9 million (€142.3 million) and entered into a new \$176.1 million (€115.0 million) debt facility (fixed and variable tranches) maturing in December 2049.

As a result of extinguishing the legacy debt facility at Warnow Tunnel a \$50.3 million (€31.9 million) non-cash finance expense has been recognised in the period.

Atlas Arteria has complied with all externally imposed capital requirements that it was subject to during 2021.

NOTES TO THE FINANCIAL REPORTS

5.2 Contributed equity

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Ordinary shares	3,747,750	3,747,750	202,075	202,075
Contributed equity	3,747,750	3,747,750	202,075	202,075
On issue at the beginning of the year	3,747,750	3,275,591	202,075	187,571
Issue of short term incentive ('STI') securities	-	861	-	24
Issue of securities	-	481,036	-	13,964
Transaction costs associated with issue of securities	-	(9,738)	-	516
On issue at the end of the year	3,747,750	3,747,750	202,075	202,075

During the year ended 31 December 2020, the Groups undertook a \$420.0 million Institutional Placement ('the placement') and a \$75.0 million security purchase plan ('SPP') allocated to ATLIX and ATLAX based on their proportional net asset value. The Placement resulted in the issuance of 67.7 million new ordinary stapled securities. The new stapled securities were issued at a price of \$6.20 per security and the Placement was fully subscribed. The SPP resulted in the issuance of 12.1 million new ordinary stapled securities on 2 July 2020, issued at a price of \$6.20 per security.

On 15 April 2020, 155,024 stapled securities were issued to fulfil short term incentive ('STI') requirements. These were valued at \$5.71 per security, however they have been issued at zero cost and have now vested.

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 31 Dec 2021	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2020
	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
On issue at the beginning of the year	959,018	879,025	959,018	879,025
Issue of securities	-	79,838	-	79,838
Issue of STI securities	-	155	-	155
On issue at the end of the year	959,018	959,018	959,018	959,018

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.

5.3 Reserves

Share-based payments

Share-based compensation benefits are provided to employees via the STI Plan, the employee equity ('EE') Plan and the long-term incentive plan ('LTIP'). Securities (equal to 50% (2020: 100%) 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. Securities issued under the EE Plan are subject to service conditions and are issued in non-restricted securities. The EE Plan is recognised as an employee expense with a corresponding increase in equity. The total amount expensed is determined based on the probability of the vesting being met. The fair value of performance rights granted under the LTIP 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. It recognises 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. 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.

Foreign currency translation reserve

Refer to note 7.5.3 for the policy regarding foreign currency translation.

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Balance of reserves				
Foreign currency translation reserve*	(44,043)	(10,706)	27,246	21,760
Other reserve	3,994	2,473	115	74
Balance at the end of the year	(40,049)	(8,233)	27,361	21,834

* The ATLIX Group has revised the previous year financial statements. Refer to note 3.2.2 for further details.

NOTES TO THE FINANCIAL REPORTS

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Movements of reserves				
Foreign currency translation reserve				
Balance at the beginning of the year*	(10,706)	182,333	21,760	(6,688)
Exchange differences on translation of consolidated foreign operations*	(33,337)	(100,159)	5,486	(9,545)
Transfer to accumulated losses ^(a)	-	(92,880)	-	37,993
Balance at the end of the year	(44,043)	(10,706)	27,246	21,760
Hedging Reserve				
Balance at the beginning of the year	-	(25,287)	-	-
Change in fair value of the cash flow hedges	-	24,716	-	-
Settlement of cash flow hedges	-	571	-	-
Balance at the end of the year	-	-	-	-
Other reserve				
Balance at the beginning of the year	2,473	1,339	74	46
Employee equity based awards ^(b)	1,521	1,134	41	28
Balance at the end of the year	3,994	2,473	115	74

* The ATLIX Group has revised the previous year financial statements. Refer to note 3.2.2 for further details.

(a) In the prior year, foreign exchange translation gains in ATLIX Group of \$92.9 million and foreign exchange translation losses in ATLAX Group of \$38.0 million were transferred to accumulated losses from the foreign currency translation reserve following the disposal of foreign operations all prior to 2016.

(b) Expenses arising from share-based compensation benefits relating to STIs and LTIs attributable to ATLIX equity holders as at 31 December 2021: \$1.5 million (31 December 2020: \$1.1 million). Expenses arising from share based compensation benefits relating to STIs and LTIs attributable to ATLAX equity holders as at 31 December 2021: \$0.0 million (31 December 2020: \$0.0 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 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Non-current assets				
Interest rate cap	188	-	-	-
Current liabilities				
Interest rate swaps	-	(2,515)	-	-
Non-current liabilities				
Interest rate swaps	-	(12,332)	-	-
Total derivative financial assets/(liabilities)	188	(14,847)	-	-

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.

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 (2020: 5 Euro cents)
- AUD/USD exchange rate increased/decreased by 7 US cents (2020: 7 US cents)
- AUD/GBP exchange rate increased/decreased by 4 UK pence (2020: 6 UK pence)

The tables below show 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 occurred. 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			
	P&L 2021 \$'000	P&L 2020 \$'000	Equity 2021 \$'000	Equity 2020 \$'000	P&L 2021 \$'000	P&L 2020 \$'000	Equity 2021 \$'000	Equity 2020 \$'000
ALX								
Total financial assets ^(a)	(1,167)	(2,105)	-	-	1,382	2,497	-	-
Total financial liabilities ^(b)	381	290	-	-	(460)	(345)	-	-
Total	(786)	(1,815)	-	-	922	2,152	-	-

	Foreign exchange risk							
	Appreciation in Australian Dollar				Depreciation in Australian Dollar			
	P&L 2021 \$'000	P&L 2020 \$'000	Equity 2021 \$'000	Equity 2020 \$'000	P&L 2021 \$'000	P&L 2020 \$'000	Equity 2021 \$'000	Equity 2020 \$'000
ATLAX Group								
Total financial assets ^(a)	(610)	(470)	-	-	731	560	-	-
Total financial liabilities ^(b)	369	280	-	-	(444)	(333)	-	-
Total	(241)	(190)	-	-	287	227	-	-

(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 59 bps (2020: 69 bps)
- Bank bill swap reference rate (EURIBOR 90 days) increased/decreased by 12 bps (2020: 14 bps)
- Bank bill swap reference rate (USD SOFR 90 days) increased/decreased by 92 bps (2020: USD LIBOR 89 bps)
- Bank bill swap reference rate (EURIBOR 6 months) increased/decreased by 15 bps (2020: 17 bps)
- Bank bill swap reference rate (AUD BBSW 6 months) increased/decreased by 59 bps (2020: 68 bps)

NOTES TO THE FINANCIAL REPORTS

The tables below show the amounts for financial instruments that would be recognised in profit or loss or directly in equity if the above interest rate movements occurred. 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			
	P&L 2021 \$'000	P&L 2020 \$'000	Equity 2021 \$'000	Equity 2020 \$'000	P&L 2021 \$'000	P&L 2020 \$'000	Equity 2021 \$'000	Equity 2020 \$'000
ALX								
Total financial assets	3,478	3,032	-	-	(3,478)	(3,032)	-	-
Total financial liabilities	(69)	(306)	-	-	69	306	-	-
Total	3,409	2,726	-	-	(3,409)	(2,726)	-	-

	Interest rate risk							
	Increase in interest rates				Decrease in interest rates			
	P&L 2021 \$'000	P&L 2020 \$'000	Equity 2021 \$'000	Equity 2020 \$'000	P&L 2021 \$'000	P&L 2020 \$'000	Equity 2021 \$'000	Equity 2020 \$'000
ATLAX Group								
Total financial assets	232	328	-	-	(232)	(328)	-	-
Total financial liabilities	-	-	-	-	-	-	-	-
Total	232	328	-	-	(232)	(328)	-	-

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 or 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 tables below show 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
2021						
Cash and cash equivalents	229,389	-	229,389	42,758	-	42,758
Restricted cash	226,325	-	226,325	-	-	-
Receivables – current	-	13,022	13,022	-	5,010	5,010
Tax receivables	-	225	225	-	230	230
Total	455,714	13,247	468,961	42,758	5,240	47,998

	ALX			ATLAX Group		
	Financial institutions \$'000	Corporates and others \$'000	Total \$'000	Financial institutions \$'000	Corporates and others \$'000	Total \$'000
2020						
Cash and cash equivalents	260,341	-	260,341	52,130	-	52,130
Restricted cash	224,089	-	224,089	-	-	-
Receivables – current	-	5,616	5,616	-	5,063	5,063
Tax receivables	-	67	67	-	67	67
Total	484,430	5,683	490,113	52,130	5,130	57,260

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' 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 tables below show the forecast contractual undiscounted future cash outflows of the liabilities at balance date for the Groups.

Financial Liabilities	ALX							
	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	Greater than 5 years \$'000	Total contractual cash flows \$'000	Carrying Value \$'000	Fair Value ^(a) \$'000
2021								
Contracted debt repayments ^(b)	92,300	99,465	100,948	206,211	3,332,397	3,831,321	1,624,361	1,771,532
Payables	17,992	3,987	3,478	5,723	103,387	134,567	67,124	67,124
Derivatives	-	-	-	-	-	-	-	-
Total	110,292	103,452	104,426	211,934	3,435,784	3,965,888	1,691,485	1,838,656
2020								
Contracted debt repayments ^(b)	53,212	100,589	101,448	210,513	3,312,613	3,778,375	1,524,172	1,773,395
Payables	16,301	3,146	3,299	6,512	95,486	124,744	54,284	54,284
Derivatives	2,515	2,056	1,850	5,942	2,485	14,848	14,847	14,847
Total	72,028	105,791	106,597	222,967	3,410,584	3,917,967	1,593,303	1,842,526
Financial Liabilities	ATLAX Group							
	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	Greater than 5 years \$'000	Total contractual cash flows \$'000	Carrying Value \$'000	Fair Value ^(a) \$'000
2021								
Payables	7,458	766	613	1,286	1,073	11,196	10,992	10,992
Total	7,458	766	613	1,286	1,073	11,196	10,992	10,992
2020								
Payables	5,494	194	201	427	925	7,241	7,094	7,094
Total	5,494	194	201	427	925	7,241	7,094	7,094

(a) Fair value approximates carrying value for Payables and Derivatives.

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

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. The interest rate swaps at Warnow Tunnel were repaid during the year as a result of the capital restructure and repayment of the Warnow Tunnel legacy debt facility.

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 2021. 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	1,449,423	1,578,588

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 2021 or 31 December 2020.

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 2021 \$'000	As at 31 Dec 2020 \$'000	As at 31 Dec 2021 \$'000	As at 31 Dec 2020 \$'000
Statement of Financial Position				
Current assets	83,644	48,724	42,839	52,415
Non-current assets	2,117,431	2,420,588	76,557	75,167
Total assets	2,201,075	2,469,312	119,396	127,582
Current liabilities	(5,401)	(4,174)	(3,504)	(688)
Non-current liabilities	-	-	-	-
Total liabilities	(5,401)	(4,174)	(3,504)	(688)
Shareholder's equity				
Issued capital	3,747,750	3,747,839	202,075	202,075
Reserves	3,990	2,472	111	74
Retained earnings	(1,556,066)	(1,285,173)	(86,293)	(75,255)
Total equity	2,195,674	2,465,138	115,893	126,894
Profit/(loss) for the year	2,427	(154,339)	(11,038)	(9,984)
Total comprehensive income/(loss)	2,427	(154,339)	(11,038)	(9,984)

NOTES TO THE FINANCIAL REPORTS

6.1.2 Guarantees entered into by the parent entities

ATLIX and ATLAX had not provided any financial guarantees in respect of bank overdrafts and loans of subsidiaries as at 31 December 2021 and 31 December 2020. ATLIX and ATLAX had not given any unsecured guarantees at 31 December 2021 or 31 December 2020.

Guarantees have been made by subsidiaries of ATLIX and ATLAX in respect of office lease contracts.

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 2021 and 31 December 2020.

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	2021 voting %	2020 voting %
Atlas Arteria Limited	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	Australia	100.0	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	Luxembourg	100.0	100.0
Tollway Holdings Limited ^(a)	UK	100.0	100.0
European Transport Investments (UK) Limited	UK	100.0	100.0
Tipperhurst Limited ^(b)	UK	100.0	100.0
Greenfinch Motorways Limited ^(c)	UK	100.0	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. ^(d)	USA	100.0	100.0
Warnowquerung GmbH & Co. KG	Germany	100.0	100.0
Warnowquerung Verwaltungsgesellschaft mbH	Germany	100.0	100.0

(a) In liquidation

(b) In liquidation

(c) Liquidated on 11 January 2022

(d) Atlas Arteria owns 100% of the general partner of Toll Road Investors Partnership II, L.P. (TRIP II) giving Atlas Arteria control over the operations and management of TRIP II, the entity that manages the Dulles Greenway concession. In 2005 Dulles Greenway Partnership L.P entered call options with the other (non Atlas Arteria) limited partners of TRIP II, under which these limited partners agreed to vote their interests for certain Major Decisions in line with those recommended by the general partner, and Atlas Arteria could purchase the outstanding interests in TRIP II to 2056. These call options lapsed on 30 December 2020. An assessment of control was considered at that time which concluded that control remains and these events did not impact the accounting for TRIP II. Since that time Atlas Arteria extended the governance rights with one of the limited partners such that Atlas Arteria has governance rights over 56.67% of votes for Major Decisions, and these decisions require 75% of votes to proceed.

6.3.2 ATLAX Group

Name of controlled entity	Country of establishment	2021 voting %	2020 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	Australia	100.0	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

NOTES TO THE FINANCIAL REPORTS

6.4 Related party disclosures

6.4.1 Directors

The following persons were Directors of ATLIx during the whole of the year and up to the date of this report:

- Jeffrey Conyers (Chair)
- Fiona Beck
- Andrew Cook
- Caroline Foulger
- Debbie Goodin

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

- Debbie Goodin (Chair)
- Ariane Barker (Appointed 1 March 2021)
- David Bartholomew
- Graeme Bevans
- Jean-Georges Malcor

6.4.2 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, 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 MD & CEO, CFO and COO is shown in the table below.

Financial year	Short term employee benefits		Share based payments		Long term benefits			Termination benefit \$	Total remuneration \$
	Cash salary \$	Cash STI \$	Value of LTI \$	Value of STI \$	Superannuation \$	Long service leave accrual movement \$			
Total 2021	2,596,948	1,605,652	1,026,634	910,585	62,018	-	-	6,201,837	
2020	2,428,462	-	897,535	1,053,729	59,676	-	-	4,439,402	

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

	Year ended 31 Dec 2021			Year ended 31 Dec 2020		
	Short term benefit	Long term benefit	Total directors' fees \$	Short term benefit	Long term benefit	Total directors' fees \$
	Cash salary and fees \$	Superannuation \$		Cash salary and fees \$	Superannuation \$	
ATLIx	694,305	8,706	703,011	744,259	8,535	752,794
ATLAX	715,126	51,714	766,840	726,953	51,508	778,461

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 2021	KMP interests in ALX stapled securities At 31 Dec 2020
Jeffrey Conyers	59,838	59,838
Ariane Barker ^(a)	13,600	–
David Bartholomew	25,214	25,214
Fiona Beck	25,853	18,853
Graeme Bevans	229,659	153,730
Andrew Cook ^(b)	20,000	–
Caroline Foulger	21,000	8,500
Debbie Goodin	50,678	32,904
Nadine Lennie	65,265	36,592
Jean-Georges Malcor	30,076	30,076
Vincent Portal-Barrault	66,087	39,324
Total	607,270	405,031

(a) Appointed 1 March 2021

(b) Appointed 25 November 2020

6.4.3 Other balances and transactions

At 31 December 2021, entities within the Groups had the following balances with related parties:

	ALX		ATLAX Group	
	Year ended 31 Dec 2021 \$	Year ended 31 Dec 2020 \$	Year ended 31 Dec 2021 \$	Year ended 31 Dec 2020 \$
Other intercompany receivables from/(payables) to related parties	7,415,729	885,769	3,419,895	3,202,436

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

	ALX		ATLAX Group	
	Year ended 31 Dec 2021 \$	Year ended 31 Dec 2020 \$	Year ended 31 Dec 2021 \$	Year ended 31 Dec 2020 \$
Reimbursement of ATLIx's portion of expenses paid by ATLAX Group	–	–	147,837	73,500
Advisory service fees	–	–	16,119,039	12,997,299

During the year, entities within the Groups received/(paid) the following from/(to) associates:

	ALX		ATLAX Group	
	Year ended 31 Dec 2021 \$	Year ended 31 Dec 2020 \$	Year ended 31 Dec 2021 \$	Year ended 31 Dec 2020 \$
Principal and interest received from preferred equity certificates and shares issued by MAF2	307,841,820	310,866,064	–	–
Cash payments from/(to) associates ^(a)	2,847,010	588,252	(1,195,606)	253,984

(a) For the ATLIX Group the cash payments reflect fees and reimbursements from MAF and MAF2 and for the ATLAX Group the cash payments reflect reimbursements to TRIP II.

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

NOTES TO THE FINANCIAL REPORTS

7 Other disclosures

7.1 Cash flow information

	ALX		ATLAX Group	
	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000
Reconciliation of profit after income tax to the net cash flows from operating activities				
Profit/(loss) from activities after income tax*	163,697	(99,210)	(19,512)	(39,691)
(Gain)/loss on equity accounted investments*	(284,051)	(152,681)	10,203	30,338
Finance costs	131,346	87,085	(106)	1,811
Depreciation and amortisation	1,441	1,000	573	319
Amortisation of tolling concession	60,039	66,439	-	-
Impairment impact on deferred tax liabilities	-	(6,343)	-	-
Impairment of investment	-	143,896	-	-
Issue of securities to employees	-	2,150	-	57
Changes in operating assets and liabilities				
Increase/(decrease) in DTA/(DTL)	(35,767)	(1,154)	-	-
(Increase)/decrease in receivables	(698)	166	(1,063)	(1,930)
Increase/(decrease) in payables	11,113	(2,019)	3,431	2,431
Net cash inflow from operating activities	47,120	39,329	(6,474)	(6,665)

* The ATLIX Group has revised the previous year financial statements. Refer to note 3.2.2 for further details.

7.1.1 Net (debt)/cash reconciliation

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

	ALX		ATLAX Group	
	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000
Net (debt)/cash				
Cash and cash equivalents	229,389	260,341	42,758	52,130
Lease liabilities – current	(447)	(1,255)	(718)	(187)
Lease liabilities – non-current	(24,486)	(19,921)	(3,596)	(1,600)
Borrowings – current	(92,300)	(53,212)	-	-
Borrowings – non-current	(1,532,061)	(1,470,960)	-	-
Net (debt)/cash	(1,419,905)	(1,285,007)	38,444	50,343
Cash	229,389	260,341	42,758	52,130
Gross debt – fixed interest rates	(1,604,421)	(1,369,530)	(4,314)	(1,787)
Gross debt – variable interest rates	(44,873)	(175,818)	-	-
Net (debt)/cash	(1,419,905)	(1,285,007)	38,444	50,343

NOTES TO THE FINANCIAL REPORTS

ALX	Assets	Liabilities from financing activities		Total \$'000
	Cash and cash equivalents \$'000	Borrowings – current \$'000	Borrowings – non-current \$'000	
Net debt at 1 January 2020	1,450,221	(45,181)	(2,129,328)	(724,288)
Cash flows	(1,183,965)	–	–	(1,183,965)
Loan facilities	–	56,605	576,143	632,748
Lease principal payments	–	(1,061)	–	(1,061)
Other non-cash adjustments ^(a)	–	(76,327)	(40,635)	(116,962)
Foreign exchange adjustments	(5,915)	11,497	102,939	108,521
Net debt at 31 December 2020	260,341	(54,467)	(1,490,881)	(1,285,007)
Cash flows	(30,633)	–	–	(30,633)
Loan facilities	–	75,476	41,264	116,740
Lease principal payments	–	(1,541)	–	(1,541)
Other non-cash adjustments ^(a)	–	(101,269)	(30,913)	(132,182)
Foreign exchange adjustments	(319)	(10,946)	(76,017)	(87,282)
Net debt at 31 December 2021	229,389	(92,747)	(1,556,547)	(1,419,905)

(a) The current year relates to unpaid interest that has accrued during the period and the \$50.3 million (€31.9 million) non-cash finance expense incurred as a result of extinguishing the legacy debt facility at Warnow Tunnel. The prior year relates to unpaid interest that accrued during the period.

ATLAX Group	Cash and cash equivalents \$'000	Total \$'000
Net cash at 1 January 2020	48,612	48,612
Cash flows	4,717	4,717
Foreign exchange adjustments	(1,199)	(1,199)
Net cash at 31 December 2020	52,130	52,130
Cash flows	(8,648)	(8,648)
Foreign exchange adjustments	(724)	(724)
Net cash at 31 December 2021	42,758	42,758

7.2 Contingent liabilities and capital commitments

European Transport Investments (UK) Limited (ETI UK), a subsidiary of ATLIX, was released from its bank guarantees on 18 March 2021 and has not made any guarantees as of 31 December 2021 (31 December 2020: €2 million (\$3.2 million)).

The Groups have not made any other material guarantees as of 31 December 2021.

NOTES TO THE FINANCIAL REPORTS

7.3 Remuneration of auditors

	ALX		ATLAX Group	
	Year ended 31 Dec 2021 \$	Year ended 31 Dec 2020 \$	Year ended 31 Dec 2021 \$	Year ended 31 Dec 2020 \$
Amounts paid or payable to PricewaterhouseCoopers Australia for:				
Audit services	810,000	755,094	408,750	377,547
Other assurance services ^(a)	-	134,000	-	13,215
Other services ^(b)	25,000	49,500	25,000	49,500
	835,000	938,594	433,750	440,262
Amounts paid or payable to Network firms of PricewaterhouseCoopers for:				
Audit services	420,967	506,761	48,387	46,233
Taxation services ^(c)	97,545	120,642	-	-
	518,512	627,403	48,387	46,233
Amounts paid or payable to PricewaterhouseCoopers for:				
Audit and other assurance services	1,230,967	1,395,855	457,137	436,995
Taxation and other services	122,545	170,142	25,000	49,500
	1,353,512	1,565,997	482,137	486,495
Amounts paid or payable to non PricewaterhouseCoopers audit firms for:				
Audit services provided by CERTIS GmbH Wirtschaftsprüfungsgesellschaft ('CERTIS')	-	111,132	-	-
Audit services provided by Baker Tilly GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft ('Baker Tilly') ^(d)	78,040	-	-	-
Other non-audit services	9,053	16,031	-	-
	87,093	127,163	-	-

(a) In the prior year, other assurance services relates to Equity Raise due diligence and TRIP II accounting considerations.

(b) Other services include foreign exchange workshop and training sessions.

(c) 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.

(d) During 2021, the audit firm of Warnow Tunnel was changed from CERTIS GmbH to Baker Tilly.

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 executive team, following determination of the STI amount, 50% (2020: 0%) is paid in cash and 50% (2020: 100%) is deferred for one year and vests in unrestricted securities on terms determined by Atlas Arteria.

LTIP

The LTIP 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 Atlas Arteria's relative Total Securityholder Return (TSR) against the TSR performance of a peer group of companies approved by the Boards and in respect of awards granted after 1 January 2021 there is an additional performance condition that requires Atlas Arteria's absolute TSR to be positive for the performance period. Performance rights are granted under the plan for no consideration. These performance rights are exercisable at no consideration upon satisfaction of performance hurdles.

EE Plan

The EE Plan was established in 2020 and provides all employees (excluding the executive team) with an allocation of performance rights granted for no consideration. These performance rights are exercisable at no consideration upon satisfaction of the 3 year service condition.

NOTES TO THE FINANCIAL REPORTS

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

	ATLIX Group		ATLAX Group	
	Year ended 31 Dec 2021	Year ended 31 Dec 2020	Year ended 31 Dec 2021	Year ended 31 Dec 2020
	Number of equity instruments	Number of equity instruments	Number of equity instruments	Number of equity instruments
As at 1 January	1,155,757	717,632	1,155,757	717,632
Rights granted during the year under the LTIP	608,178	378,688	608,178	378,688
Securities granted during the year under the STI Plan	162,978	155,024	162,978	155,024
Rights granted during the year under the EE plan	24,780	11,988	24,780	11,988
Rights exercised during the year under the LTIP	-	-	-	-
Securities exercised during the year under the STI Plan	(155,024)	(107,575)	(155,024)	(107,575)
Rights exercised during the year under the EE plan	-	-	-	-
Rights forfeited during the year under the LTIP	(270,846)	-	(270,846)	-
Securities forfeited during the year under the STI Plan	-	-	-	-
Rights forfeited during the year under the EE plan	(4,653)	-	(4,653)	-
As at 31 December	1,521,170	1,155,757	1,521,170	1,155,757

The performance conditions of the 2019 LTI performance rights were tested in January 2022. The performance conditions were not satisfied at which time the rights were forfeited. LTI performance rights issued in 2020 that are outstanding at the end of the year will vest after the end of the performance period which ends on 31 December 2022 only if performance conditions are met. LTI performance rights issued in 2021 that are outstanding at the end of the year will vest after the end of the performance period which ends on 31 December 2023 only if performance conditions are met. STI restricted securities issued in 2020 vested in January 2021. STI restricted securities issued in 2021 vested in December 2021 as the service conditions were met, however remain in a holding lock until the next trading window in 2022.

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 2021 was \$2.95 per performance right (2020: \$1.85 to \$5.02). The fair value at grant date is independently determined using an adjusted form of the Stochastic 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 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

	ATLIX Group		ATLAX Group	
	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000
Employee performance rights – LTIP	1,363	1,199	33	32
Employee securities – STI	1,055	951	26	25
	2,418	2,150	59	57

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 an investment in an associate 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.

NOTES TO THE FINANCIAL REPORTS

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.

7.6 Events occurring after balance sheet date

The Directors of ATLIX and ATLAX are not aware of any matters or circumstances not otherwise dealt with in the Financial Reports that has significantly affected or may significantly affect the operations of the Groups or the results of those operations or the state of affairs of the Groups in the years subsequent to the year ended 31 December 2021.

DIRECTORS' DECLARATION – ATLAS ARTERIA INTERNATIONAL LIMITED

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

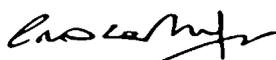
- a) the Financial Report of ATLIX and its controlled entities ('Atlas Arteria') and notes set out on pages 57 to 97:
 - i) comply with Australian Accounting Standards and other mandatory professional reporting requirements; and
 - ii) give a true and fair view of the financial position of Atlas Arteria as at 31 December 2021 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
Chair
Atlas Arteria International Limited
Hamilton, Bermuda
23 February 2022



Caroline Foulger
Director
Atlas Arteria International Limited
Hamilton, Bermuda
23 February 2022

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 57 to 97:

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 2021 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.



Debbie Goodin
Chair
Atlas Arteria Limited
Melbourne, Australia
24 February 2022



Ariane Barker
Director
Atlas Arteria Limited
Melbourne, Australia
24 February 2022



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 International Limited (ATLIX) and its controlled entities and Atlas Arteria Limited (ATLAX) and its controlled entities, together Atlas Arteria or ALX; and
- Atlas Arteria Limited (ATLAX) and its controlled entities, together the ATLAX Group

are in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the financial positions of Atlas Arteria and the ATLAX Group as at 31 December 2021 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial reports of Atlas Arteria and the ATLAX Group comprise:

- the consolidated statements of financial position as at 31 December 2021
- 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 significant accounting policies and other explanatory information
- 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 audit 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 Atlas Arteria and the ATLAX Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

Liability limited by a scheme approved under Professional Standards Legislation.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial reports are 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 reports.

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

Atlas Arteria invests in an international portfolio of toll roads, the most significant of which are:

- APRR in France;
- Dulles Greenway in the USA. Toll Road Investors Partnership II, L.P. ("Trip II") is the concessionaire for Dulles Greenway; and
- Warnowquerung GmbH & Co ("Warnow Tunnel") in Germany.

We engaged with the auditors of APRR, Trip II and Warnow Tunnel to report to us in respect of their audit procedures performed on the relevant toll road businesses.



Materiality

- Atlas Arteria materiality was \$25.6 million, which represents approximately 2.5% of segment EBITDA (earnings before interest, tax, depreciation and amortisation). The ATLAX Group materiality was \$1.5 million, which represents approximately 1% of its total assets.
- We applied this threshold, 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.
- We used segment EBITDA as the materiality benchmark for Atlas Arteria as this reflects the performance of the underlying businesses and the proportion of their results attributable to Atlas Arteria. We applied a 2.5% threshold based on our professional judgement, noting that this is in the range of commonly acceptable thresholds.
- We used total assets as the materiality benchmark for the ATLAX Group because, in our view, it is the primary metric against which its performance is most commonly measured. The ATLAX Group's interest in Dulles Greenway is recorded on its Statement of Financial Position as an equity accounted investment. We applied a 1% threshold based on our professional judgement, noting that this is within a range of commonly acceptable thresholds.

Audit Scope

- Our audits focused on where Atlas Arteria and the ATLAX Group 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 instructions (component auditors). For APRR, Dulles Greenway and Warnow Tunnel, we determined the level of involvement we needed to have in the audit work performed by the 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 component auditor workpapers.

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. We communicated the key audit matters to the Audit and Risk Committees.

Key audit matter

How our audit addressed the key audit matter

Carrying value of Atlas Arteria's tolling concession asset and the ATLAX Group's investment in associates in respect of Dulles Greenway

(Refer to notes 4.1 and 3.2)

Atlas Arteria has 100% economic interest in the Dulles Greenway tolling concession, which is a Cash Generating Unit (CGU). The tolling concession intangible asset in respect of Dulles Greenway is included in Atlas Arteria's total tolling concession intangible assets of \$2.1 billion.

The ATLAX Group has an equity accounted investment in the Dulles Greenway CGU of \$100.0 million.

During the year Atlas Arteria and the ATLAX Group performed an impairment assessment on the carrying value of the CGU. The assessment of the recoverable amounts of the assets were made on a fair value less costs of disposal (FVLCD) basis, using discounted cash flow models. No impairment expense was recorded.

We performed the following procedures, amongst others:

- Assessed whether the composition of the CGU was consistent with our knowledge of Atlas Arteria and the ATLAX Group's operations.
- Assessed whether the CGU appropriately included all directly attributable assets and liabilities.
- Assessed that there were indicators of impairment during the year, taking into consideration the requirements of Australian Accounting Standards.
- Assessed whether the valuation methodology, which utilised a discounted cash flow model to estimate the recoverable amount of the Dulles Greenway, was consistent with the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
<p>These assessments involved significant judgements, such as:</p> <ul style="list-style-type: none"> • Forecasting future traffic volumes • Forecasting long-term inflation rates • Estimating toll price growth rates • Determining appropriate discount rate for the CGU <p>The assessments of the carrying values of the tolling concession asset for Atlas Arteria and the investment in associates for the ATLAX Group relating to Dulles Greenway were a key audit matter due to the significant carrying value of these assets and the judgements involved in developing assumptions used in the discounted cashflow model which determine the recoverable amount of the CGU.</p>	<ul style="list-style-type: none"> • Assessed whether the forecast cash flows in the impairment assessment were appropriate by performing the following procedures, amongst others: <ul style="list-style-type: none"> ○ Comparing traffic volume growth assumptions to third party economic projections. ○ Considered the ability of Atlas Arteria and the ATLAX Group to forecast accurately by comparing previous traffic forecasts to actual traffic volumes achieved. ○ Comparing long-term inflation rate assumptions to third party projections. ○ Comparing average toll price growth rate assumptions to the latest correspondence with the relevant authority, contractual arrangements and historical rate agreements where relevant. ○ With assistance from PwC valuation experts, we evaluated the appropriateness of the discount rate used for Dulles Greenway. 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 businesses and asset specific characteristics. • Performed sensitivity analysis on the key assumptions used in the impairment model. • Tested the mathematical accuracy of the impairment model on a sample basis, and • Evaluated the adequacy of the disclosures made in notes 4.1 and 3.2, in light of the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
<p>Consolidation of subsidiaries and equity accounting of associates <i>(Refer to notes 3.2 and 5.3)</i></p> <p>Atlas Arteria applies equity accounting to its investment in APRR and consolidates its investments in Dulles Greenway and Warnow Tunnel. The ATLAX Group applies equity accounting to its investment in Dulles Greenway. Both Atlas Arteria and the ATLAX Group exercise judgement in the application of Australian Accounting Standards in determining the basis of accounting for their investments in these businesses.</p> <p>In the application of equity and consolidation accounting, management is required to make a number of adjustments to the underlying financial information of each business to ensure alignment to Australian Accounting Standards and to Atlas Arteria and the ATLAX Group's accounting policies.</p> <p>This was a key audit matter because certain of the adjustments involved in the application of equity and consolidation accounting are material and complex in nature. There was a restatement of the prior period in respect of the historic accounting applied.</p> <p>Such adjustments include:</p> <ul style="list-style-type: none"> adjusting the results of international subsidiaries and investments in associates prepared using local accounting policies to reflect Australian Accounting Standards as applied through the Atlas Arteria and the ATLAX Group accounting policies adjusting the results of equity investees to reflect equity accounting adjustments required to arrive at Atlas Arteria and the ATLAX Group's share of profits from associates. 	<p>We considered the appropriateness of Atlas Arteria and the ATLAX Group's conclusions on the application of equity accounting and consolidation of investments in light of the requirements of Australian Accounting Standards. In doing so, we read and developed an understanding of the contractual arrangements for each investment.</p> <p>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 Atlas Arteria or the ATLAX Group.</p> <p>On a sample basis, we reperformed the calculation of the adjustments to assess consistency with this understanding and to check for mathematical accuracy.</p> <p>Upon receipt of audited financial information for Dulles Greenway and Warnow Tunnel, we tested management's calculations of adjustments on a sample basis, checking for mathematical accuracy and consistency with the Atlas Arteria and ATLAX Group accounting policies. These adjustments impact:</p> <ul style="list-style-type: none"> Atlas Arteria's consolidated statement of comprehensive income and consolidated statement of financial position; and the ATLAX Group's share of associates net profits or losses and carrying value of Dulles Greenway. <p>Upon receipt of audited financial information for APRR, we tested management's calculation of adjustments, checking for mathematical accuracy and consistency with Atlas Arteria accounting policies. These adjustments impact Atlas Arteria's share of net profits from equity accounted investments and the carrying value of the equity accounted investment in APRR.</p> <p>We evaluated the adequacy of the disclosures made in notes 3.2 and 5.3, in light of the requirements of Australian Accounting Standards.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Provision for toll road maintenance <i>(Refer to note 3.2 and 4.4)</i></p> <p>Atlas Arteria and the ATLAX Group have investments in toll roads. These businesses hold a contractual right under a concession agreement to toll users of the roads in return for the capital and expertise required to build, maintain and operate the road.</p> <p>Atlas Arteria and the ATLAX Group are subject to a number of contractual obligations under the concession agreements. The concession agreements contain clauses that require the concession holders of the Dulles Greenway, APRR and Warnow Tunnel to maintain the toll roads to a specified standard and to return the asset in a certain condition at the completion of the concession period. This results in the recognition of provisions for these contractual maintenance obligations.</p> <p>The obligations for the Dulles Greenway and Warnow Tunnel are included in the provision for toll road maintenance of \$28.7 million per note 4.4. The obligations in respect of APRR form part of the carrying value of Atlas Arteria's equity accounted investment.</p> <p>Estimating maintenance provisions requires significant judgement and assumptions, including the following:</p> <ul style="list-style-type: none"> • The nature and extent of future maintenance activities required • Forecast cash flows associated with these future maintenance activities and timing of when they will be required • The time period over which a maintenance life cycle of each asset category is deemed to be required • Discount rate and inflation rate applied to future cash flows to bring them to their present value. <p>We considered this to be a key audit matter due to the judgement needed to assess the quantum of the provision for toll road maintenance.</p>	<p>We obtained Atlas Arteria and the ATLAX Group's assessments of maintenance obligations under each of the concession agreements. These assessments include an estimate of the cost of the required maintenance activities, which forms the basis of the models used to calculate the provision. We evaluated these assessments in light of the requirements of Australian Accounting Standards.</p> <p>We evaluated and tested key assumptions utilised in the models by performing the following procedures, amongst others:</p> <ul style="list-style-type: none"> • Evaluated the process by which the models, including maintenance cost forecasts, were developed. • Considered whether the relevant obligations in the concession agreements were appropriately reflected in the provision. • Compared forecast maintenance expenditure to other information produced by the Atlas Arteria and the ATLAX Group. • Compared previous cost forecasts to actual expenditure incurred. • Assessed the appropriateness of the estimated timing of the cash outflows and asset life cycles with reference to third party reports and Atlas Arteria's maintenance policy. • Considered the appropriateness of the discount rates and inflation rates utilised in the models by comparing them to current market consensus rates, including long term government bond yields and long term target inflation. • Checked the mathematical accuracy of the models by reperforming a selection of calculations therein. <p>We evaluated the adequacy of the disclosure made in note 4.4, in light of the requirements of Australian Accounting Standards.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Recognition of deferred tax assets in respect of carry forward losses <i>(Refer to note 2.4)</i></p> <p>During the year, Atlas Arteria recognised a deferred tax asset of \$35.7 million relating to carried forward tax losses at Warnow Tunnel. Changes in circumstances arising from a debt and equity restructure of the Warnow Tunnel holding entity resulted in Atlas Arteria assessing that carried forward tax losses were now probable of utilisation and as such a deferred tax asset was recorded. Atlas Arteria has also determined that the tax losses are available to be utilised against those future taxable profits.</p> <p>Judgement is required in assessing the assumptions utilised to determine that the carried forward tax losses are probable of utilisation, including forecasts of future cash flows and future taxable profits generated by the Warnow Tunnel.</p> <p>We considered this to be a key audit matter for Atlas Arteria due to the judgmental nature of the key assumptions used to estimate the deferred tax asset recognised on the Statement of Financial Position.</p>	<p>We evaluated the competency, capability and objectivity of Atlas Arteria's expert who reviewed the losses and their ability to be used in light of local tax rules.</p> <p>We assessed the key assumptions utilised to support the recognition of carried forward tax losses in respect of Warnow Tunnel. We specifically considered the ability for Atlas Arteria to access the tax losses and focused on the Group's assessment of the forecast taxable profits, which forms the basis for the model used to calculate the deferred tax asset.</p> <p>We evaluated and tested key assumptions utilised in the model by performing the following procedures, amongst others:</p> <ul style="list-style-type: none"> ● Assessed whether the forecast cash flows used to assess future taxable profits were appropriate by performing the following procedures, amongst others: <ul style="list-style-type: none"> ○ Comparing traffic volume growth assumptions to third party economic projections. ○ Comparing cost assumptions to approved budgets and historic actual costs. ○ Considered the ability of Atlas Arteria and the ATLAX Group to forecast accurately by comparing previous traffic forecasts to actual traffic volumes achieved. ○ Comparing long-term inflation rate assumptions to independent third party projections. ○ Comparing average toll price growth rate assumptions to the latest correspondence with the relevant authority, contractual arrangements and historical rate agreements. ● Evaluated the adequacy of the disclosure made in note 2.4, in light of the requirements of Australian Accounting Standards.



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 2021, but does not include the financial reports and our auditor's reports thereon.

Our opinion on the financial reports does not cover the other information and accordingly we do not express 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 reports, 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.

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* 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 Atlas Arteria and the ATLAX Group 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 Atlas Arteria or the ATLAX Group 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 auditor's reports that include 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 32 to 50 of the directors' report for the year ended 31 December 2021.

In our opinion, the remuneration report of ATLIX and ATLAX for the year ended 31 December 2021 complies with section 300A of the *Corporations Act 2001*.

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*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Ben Gargett
Partner

Melbourne
24 February 2022

SECURITYHOLDER INFORMATION

As at 31 January 2022

Distribution of securities

Investor ranges	Holders	Total securities	% of issued securities
1 – 1,000	11,073	4,253,483	0.44
1,001 – 5,000	9,457	23,529,955	2.45
5,001 – 10,000	2,681	19,142,545	2.00
10,001 – 100,000	2,260	51,945,262	5.42
100,001 Over	105	860,146,981	89.69
Total	25,576	959,018,226	100.00
Investors with less than the minimum marketable parcel¹	2,235	51,940	0.01

1. Minimum marketable parcel is \$500.00 equating to 77 shares at \$6.51 per security

Twenty largest investors

Investor	Number of securities	% of issued securities
1 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	456,321,022	47.58
2 J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	167,821,702	17.50
3 CITICORP NOMINEES PTY LIMITED <DOMESTIC HIN A/C>	80,451,197	8.39
4 NATIONAL NOMINEES LIMITED	39,482,707	4.12
5 BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	26,513,184	2.76
6 BNP PARIBAS NOMS PTY LTD <DRP>	17,731,183	1.85
7 MUTUAL TRUST PTY LTD	10,093,785	1.05
8 NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	9,457,892	0.99
9 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	5,561,286	0.58
10 BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	5,128,157	0.53
11 BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS DRP>	4,185,217	0.44
12 CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,969,737	0.31
13 BNP PARIBAS NOMS (NZ) LTD <DRP>	2,912,250	0.30
14 BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	2,244,789	0.23
15 SANDHURST TRUSTEES LTD <HARPER BERNAYS LTD A/C>	1,839,155	0.19
16 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,615,055	0.17
17 DJERRIWARRH INVESTMENTS LIMITED	1,563,696	0.16
18 INVIA CUSTODIAN PTY LIMITED <INCOME POOL A/C>	1,373,325	0.14
19 CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	1,214,772	0.13
20 BOND STREET CUSTODIANS LIMITED <CAJ – D09461 A/C>	1,025,000	0.11
Total	839,505,111	87.54

Details of substantial stapled securityholders

Holder	Date of most recent substantial holder notice	Number of securities	% of issued securities
Lazard Asset Management	12 March 2021	108,296,118	11.29%
State Street Corporation	28 October 2021	47,980,793	5.00%
Franklin Resources Inc	12 November 2021	50,090,149	5.22%
Blackrock Group	29 November 2021	60,068,737	6.26%
Vanguard Group	6 December 2021	48,036,591	5.01%
Mitsubishi UFJ Financial Group, Inc.	25 January 2022	48,167,763	5.02%

CORPORATE DIRECTORY

ATLAS ARTERIA LIMITED

Level 1, 180 Flinders Street
Melbourne VIC 3000
Australia

Telephone (Australia): 1800 621 694
Telephone (International): +61 (0) 438 493 692
Email: investors@atlasarteria.com
Website: www.atlasarteria.com

Directors

Debbie Goodin, Independent Non-executive Chair
Graeme Bevans, Executive Director
David Bartholomew, Independent Non-executive Director
Jean-Georges Malcor, Independent Non-executive Director
Ariane Barker, Independent Non-executive Director

Secretaries

Clayton McCormack, General Counsel and Company Secretary
Paul Lynch, Joint Company Secretary

ATLAS ARTERIA INTERNATIONAL LIMITED

4th Floor, Cedar House
41 Cedar Avenue
Hamilton HM12 Bermuda

Directors

Jeffrey Conyers, Independent Non-executive Chair
Debbie Goodin, Independent Non-executive Director
Fiona Beck, Independent Non-executive Director
Caroline Foulger, Independent Non-executive Director
Andrew Cook, Independent Non-executive Director

Secretary

Sheena Dottin

REGISTRY

Computershare Investor Services Pty Ltd
GPO Box 2975
Melbourne VIC 3001
Australia

Telephone:
(Australia) 1800 267 108
(Overseas) +61 3 9415 4053
Mon-Fri 8.30am – 7pm AEST

Website: www.computershare.com/au
Facsimile: +61 (0) 3 9473 2500

Photography Credits:

Page 5 – Dulles Greenway: David Madison Photography
Page 10 – APRR/Photec
Page 13 – APRR/Photec
Page 14 – Warnow Tunnel: Trent Perrett Photography
Page 16 – Dulles Greenway: David Madison Photography
Page 20 – Dulles Greenway: David Madison Photography
Page 22 – APRR/La France vue du ciel



atlas**Arteria**