

30 August 2018

ASX RELEASE

Atlas Arteria

Half Year Results to 30 June 2018

Atlas Arteria (ALX) today announces its half year results for the 6 months ended 30 June 2018.

Financial highlights

- Statutory net loss of A\$15.5 million¹ includes expenses from internalisation costs and performance fees which were calculated pursuant to ALX's Internalisation Proposal.
- Aggregate portfolio traffic grew 3.4%^{2,3} compared to the prior corresponding period (pcp), reflecting strong traffic growth in ALX's European assets, partially offset by weaker performance at the Dulles Greenway.
- Proportionate revenue increased 5.6% to A\$559.9 million^{2,3}, reflecting a combination of growth in aggregate traffic levels and revised toll schedules implemented over the last 12 months.
- Proportionate EBITDA⁴ from road assets increased 6.2% to A\$429.1 million^{2,3}.
- Securityholders approved the Internalisation Proposal at ALX's AGM in May 2018. The ALX Boards have appointed a Chief Executive Officer (CEO) Elect and Chief Financial Officer (CFO) Elect, with transition work proceeding.
- Pursuant to the Internalisation Proposal approved by securityholders, total aggregate final⁵ performance fee instalments of A\$115.3 million for 2016, 2017 and 2018 were settled (A\$25.0 million in cash and A\$90.3 million through a reinvestment in ALX securities).
- Second half 2018 distribution guidance of 12.0 cents per security (cps) confirmed⁶. Full year 2019 distribution guidance announced.

Mr James Hooke, CEO of ALX, commented: "In a period of significant transition for ALX, the portfolio continued to deliver positive aggregate traffic, revenue and EBITDA growth for the 6 months ended 30 June 2018. Traffic at the European toll roads, which contributed ~89% of portfolio EBITDA⁷ during the period, continued to perform strongly, benefitting from favourable economic conditions as well as temporary events that impacted other travel alternatives."

1. Note the statutory result is not indicative of ALX's cash flows or future distributions.
2. Weighted average based on portfolio revenue allocation. Based on ALX's average beneficial interest in its assets over the period. ALX holds a 25.00% interest in APRR, 25.03% interest in ADELAC, 100% estimated economic interest in Dulles Greenway and 70% interest in Warnow.
3. On a like-for-like portfolio basis. Traffic, revenue and EBITDA results as disclosed in ALX's Management Information Report (MIR). Refer to the MIR for a reconciliation of the statutory results to the proportionate result.
4. Earnings Before Interest, Tax, Depreciation and Amortisation.
5. A performance fee equal to 15% of the total cash flows from the APRR investment would become payable by ALX to Macquarie after an 8% IRR is achieved by ALX on its APRR investment. The performance fee calculation commences on 16 May 2019, and investment base value set to fair market value.
6. Underpinned by distributions from APRR, subject to foreign exchange movements and future events.
7. Based on proportionate EBITDA weighted by ALX's average beneficial interest in its assets and average exchange rates over the period, as disclosed in ALX's Management Information Report.

“The strong European asset performance was partially offset by weaker traffic at the Dulles Greenway. Traffic performance was consistent with the guidance provided to the market in February 2018, and continues to be impacted by improvements to the competing routes in the local corridor.”

Operational update

- Traffic at APRR grew 4.6% on pcp, benefitting from favourable French macroeconomic conditions as well as temporary industrial action in the French railway sector and at Air France. Traffic further benefitted from the inclusion of an additional 5.5 kilometres which were added to the network in March 2018 as part of the Management Contract agreed with the French State. In the first half of 2018, APRR delivered positive performance with revenue and EBITDA growth of 6.8% and 7.7% respectively on pcp, driven by increased traffic volumes, toll increases in February 2018, as well as a favourable traffic mix.
- APRR continued to deliver interest savings during the period, and the expiry of the €3.2 billion of legacy interest rate swaps at Eiffarie on 30 June 2018 is expected to provide further pre-tax interest savings of ~€150 million per annum⁸.
- Dulles Greenway traffic continued to be affected by upgrades to competing routes, with a decline of 5.8% on pcp, recorded in the first half of 2018. Traffic decline was ~5% on pcp after adjusting for weather impacts, consistent with guidance previously provided to the market. This result was also adversely impacted by government shutdowns during the period. Revenue and EBITDA declined by 3.6% and 5.1% respectively on pcp, reflecting decreased traffic levels, partially offset by March 2018 toll increases.
- ADELAC and Warnow delivered positive traffic, revenue and EBITDA performance. Warnow continued to perform above long-term averages, driven by temporary construction activity on competing routes in Rostock.

Portfolio update

In June 2018, ALX announced the refinancing and upsizing of the debt facility at MIBL Finance (Luxembourg) S.à.r.l. (MIBL), the entity through which ALX holds its 25% interest in APRR. Proceeds from the upsizing were predominantly used to repay the Dulles Greenway asset finance facility. Overall, the refinancing and repayment has resulted in reduced net interest costs⁹ for ALX.

On 15 August 2018, ALX announced that it had entered into a binding agreement to acquire the remaining 30% interest in the Warnow Tunnel¹⁰, increasing ALX's total interest to 100%. This acquisition is consistent with ALX's ongoing strategy of portfolio simplification, and creates optionality for ALX to optimise the value of the asset in the future.

Performance fees

As outlined in the Internalisation Proposal approved by securityholders at ALX's 2018 AGM, a 2018 performance fee of A\$54.7 million was calculated for the 12 months ended 30 June 2018 and payable in one instalment. The second instalment of the 2017 performance fee of A\$8.0 million¹¹ and the third instalment of the 2016 performance fee of A\$44.7 million¹² met the requisite performance criteria for the 12 months ended 30 June 2018. The third instalment of the 2017 performance fee of A\$8.0 million, was payable without further performance fee testing, pursuant to the Internalisation Proposal.

Total aggregate performance fees of A\$115.3 million were settled in July, A\$25.0 million in cash and A\$90.3 million through a reinvestment in ALX securities. As outlined in the Internalisation Proposal, this will be the final⁵ performance fee payable to Macquarie.

8. Due to distribution timing from APRR to ALX, the impact of the first year's cost savings will be split between ALX's FY18 and FY19 distribution.

9. Based on base interest rates at the time of announcement on 1 June 2018.

10. Subject to customary closing conditions and approvals.

11. Refer ASX Release dated 4 July 2017.

12. Refer ASX Release dated 4 July 2016.

Distributions and outlook

As previously announced, ALX anticipates declaring a second half 2018 distribution of 12.0 cps during September 2018. This will result in a full year 2018 distribution of 24.0 cps. Underpinned by APRR, the guidance remains subject to movements in foreign exchange rates and future events.

ALX today announces full year 2019 distribution guidance of 30.0 cps. Underpinned by APRR, the distribution guidance remains subject to asset performance, movements in foreign exchange rates and future events. The guidance does not include:

- Any effect resulting from changes to or negotiations regarding: the currently amortising Eiffarie debt facility; intra-group loans (involving AREA distributions to APRR¹³); the MAF advisory agreement; or distributions from the APRR Group; and
- Contributions from or assumptions about the future possible exit of lock up or cash sweep arrangements, or amount, if any, of cash that may be released

ALX does not currently hedge its foreign currency exposure.

ALX internalisation

As part of the internalisation arrangements approved by securityholders at ALX's 2018 AGM, Graeme Bevans was appointed ALX CEO Elect and Nadine Lennie was appointed as ALX CFO Elect.

Mr Graeme Bevans, ALX CEO Elect, said: "The two management teams continue to work closely together to ensure a smooth transition towards an internalised ALX. Our focus is on recruitment and establishing appropriate software, systems and processes to ensure we are fully equipped for the internalisation. We are also in the process of developing key relationships and working closely with Macquarie and other parties at all assets."

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