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ASX RELEASE

Atlas Arteria

Full Year Results to 31 December 2018

Atlas Arteria (ALX) today announces its full year results for the 12 months ended 31 December 2018.

Financial highlights

- Statutory net profit of A\$59.9 million¹, driven by the consolidation of Dulles Greenway's results for the full year and ALX's share of net profits from its investment in APRR, partially offset by performance fees² paid in accordance with and due to the renegotiation of the management agreements.
- Weighted average portfolio traffic grew 1.5%^{3,4} compared to the prior corresponding period (pcp), reflecting traffic growth at ALX's European businesses, offset by traffic decline at the Dulles Greenway.
- Proportionate⁵ revenue and EBITDA⁶ increased 4.1% and 4.8% to A\$1,162.3 million^{3,4} and A\$869.4 million^{3,4} respectively, reflecting a combination of growth in aggregate traffic levels and toll increases.
- Securityholders approved the Internalisation Proposal and the change of name to Atlas Arteria at ALX's Annual General Meeting in May 2018. Transition to internalisation is progressing and will be completed by 15 May 2019.
- Full year 2018 distribution paid of 24.0 cents per security (cps), up 20.0% on pcp.
- Full year 2019 distribution guidance of 30.0 cps reaffirmed, up 25.0% from 2018⁷.
- First half 2019 distribution of 15.0 cps, anticipated to be declared in late March with payment by mid-April 2019.

Mr James Hooke, CEO of ALX, commented: "ALX traffic, revenue and EBITDA performance continued to benefit from diversification across the various geographies in which our businesses are located. The positive performance at our European businesses was partially offset by weaker traffic and financial results at the Dulles Greenway."

"Following securityholder approval in May 2018, we have been working closely with the incoming ALX management team to complete internalisation by 15 May 2019."

1. Note the statutory result is not indicative of ALX's cash flows or future distributions.

2. Pursuant to the Internalisation Proposal approved by ALX securityholders, aggregate performance fees of A\$115.3m for 2016, 2017 and 2018 were paid (A\$25.0m in cash and A\$90.3m through a reinvestment in ALX securities). A\$70.6m of the performance fees were recognized in 2018 (A\$44.7m recognised in prior years).

3. Weighted average based on portfolio revenue attribution. Based on ALX's average beneficial interest in its businesses over the period. ALX holds a 25.00% interest in APRR, 25.03% interest in ADELAC, 100% estimated economic interest in Dulles Greenway and 100% interest in Warnow Tunnel.

4. 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.

5. Current and prior year proportionate revenue and EBITDA information involves the aggregation of the financial results of ALX's relevant assets in the relevant proportions that ALX holds beneficial interests.

6. Earnings Before Interest, Tax, Depreciation and Amortisation.

7. Subject to business performance, foreign exchange movements, French tax rates and other future events. No assumptions are made about any changes to or negotiations regarding the current APRR/Eiffarie capital structure or the MAF advisory agreement, nor about future possible exit from lock up or cash sweep arrangements, or amount, if any, of cash that may be released from other assets.

Operational update

- Traffic at **APRR** grew 2.2% on pcp. Performance in the first half of the year benefitted from temporary industrial actions which impacted alternate modes of transport⁸. During the last quarter of 2018, traffic and revenue were adversely impacted by disruption caused by protests and activities of the “*Yellow Vests*” movement.
- During the year, **APRR** delivered revenue and EBITDA growth of 4.7% and 5.6% respectively on pcp, driven by traffic and toll growth and continued focus on cost management.
- **APRR** group net interest expense decreased €123m (35%) on pcp⁹, reflecting continued capital management initiatives. Maturing facilities at APRR continued to be replaced with lower cost debt at extended maturities¹⁰. At Eiffarie, the expiry of the €3.2 billion legacy interest rate swaps on 30 June 2018 provides pre-tax interest savings of ~€150 million per annum¹¹.
- Traffic at **ADELAC** increased by 1.2%, notwithstanding the adverse impact of the “*Yellow Vests*” protests during the last quarter of 2018. Revenue and EBITDA increased by 3.1% and 3.5% respectively.
- Traffic, revenue and EBITDA at **Warnow** continued to perform above long-term averages, with traffic growth benefiting from temporary construction activity on competing routes in Rostock.
- **Dulles Greenway** traffic declined 4.5% on pcp, impacted by improvements to the surrounding network. Prior traffic guidance was met despite the additional impact of partial federal government shutdowns that occurred in January and December of 2018 and continued into January 2019 and the fact that the Dulles corridor experienced its wettest year on record, with 66.7 inches of rain recorded during 2018, 61% above long term averages¹².
- Revenue and EBITDA at **Dulles Greenway** declined by 1.4% and 1.5% respectively on pcp, reflecting decreased traffic levels, partially offset by toll increases and cost management.
- As at 31 December 2018, **Dulles Greenway** passed the Additional Coverage Ratio test (a 3-year distribution lock-up test), but as expected, did not pass the Minimum Coverage Ratio test (a 1-year distribution lock-up test).
- **Dulles Greenway** commenced dialogue with stakeholders during the year to establish a future toll path beyond 2020 but an agreement has not been reached. The current toll path at the Greenway is set by legislation through to 1 January 2020. Thereafter, toll increases are set by application to the State Corporation Commission (SCC), as they were from the road’s inception until 1 January 2013. The Greenway anticipates lodging its 2020 toll application with the SCC during 2019.
- During 2018, lanes at the toll plaza were reconfigured during morning peak to provide congestion relief for users at the **Dulles Greenway**. Phase 1 of the decongestion work at the eastern end of road also commenced in December 2018.

Portfolio update

In June 2018, ALX announced the completion of a 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 acquisition finance facility. Overall, the refinancing and repayment has resulted in reduced net interest costs¹³ for ALX.

In September 2018, ALX completed the acquisition of the remaining 30% interest in the Warnow Tunnel, 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 business in the future.

8. French rail employees undertook industrial actions from April to June 2018. During this period, rail traffic was temporarily driven onto alternative modes of transport, including the APRR. In addition, Air France pilot strikes during one week in April 2018 temporarily drove additional traffic onto the APRR network.

9. Does not include interest expenses at the MIBL facility.

10. In November 2018, APRR issued a €500m bond under the Euro Medium Term Note programme at 99.027% of par, with a coupon of 1.50%. All-in cost was ~1.6% p.a.

11. Calculated based on base interest rates at the time of swap expiry.

12. Dulles VA Precipitation, National Weather Service

13. Calculated based on base interest rates at the time of announcement on 1 June 2018.

Distributions and outlook

ALX paid a total distribution of 24.0 cps in 2018, an increase of 20.0% from 20.0 cps in 2017.

ALX reaffirms full year 2019 distribution guidance of 30.0 cps (a 25.0% increase on pcp), continuing to be wholly funded by and dependent upon projected distributions from APRR. The distribution guidance is subject to business performance, foreign exchange movements, French tax rates, and other future events. No assumptions are made about any changes to or negotiations regarding the current APRR/Eiffarie capital structure, or the MAF advisory agreement, nor future possible exit from lock up or cash sweep arrangements, or amount, if any, of cash that may be released from other assets.

It is anticipated that first half 2019 distribution of 15.0 cps will be declared in late March, with payment by mid-April 2019.

ALX does not currently hedge its foreign currency exposure.

ALX internalisation

On 15 May 2018, securityholders voted to approve the internalisation of the management of ALX.

As outlined in the Explanatory Memorandum, the final¹⁴ performance fees payable to Macquarie under the MQA Management Agreements assumed the Agreements were terminated on 1 July 2018. An amount of A\$115.3 million was paid to Macquarie on 2 July 2018 with A\$90.3 million used to subscribe for new ALX securities, with the remaining A\$25 million paid in cash.

Progress towards internalisation is advanced, with significant momentum to achieve a smooth and successful transition of the management of ALX from Macquarie to the new team by the transition date of 15th May 2019.

Mr Graeme Bevans, ALX CEO Elect, said: "We are proud of the strong core team of highly experienced executives we now have in place and are confident they will continue to deliver the strong performance of ALX that Macquarie has achieved over its tenure as manager."

"The two management teams continue to work closely together on all aspects of the transition. Migration of historic accounting data is nearing completion, key relationships across the businesses have been established and the team are well advanced in the development and implementation of the appropriate management processes, policies and systems."

"The management team are now actively engaged in developing key business strategies, which aim to simplify and streamline current business structures and put in place strategies to enhance the growth of cash distributions and overall returns to securityholders."

Board renewal

The ATLAX Board continued a process of renewal with the appointment of new Independent Directors David Bartholomew and Jean-Georges Malcor on 1 October 2018 and 1 November 2018 respectively.

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14. A performance fee equal to 15% of the total cash flows from the APRR investments 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.