atlasArteria

ANNUAL REPORT 2020

VISION AND VALUES

WHO WE ARE AND WHAT WE DO

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 can 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.

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.

Contents

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

KEEPING **COMMUNITIES CONNECTED** FOR THE THINGS IN LIFE THAT MATTER MOST

Case study

DON'T BE LATE FOR YOUR MOTHER'S BIRTHDAY!

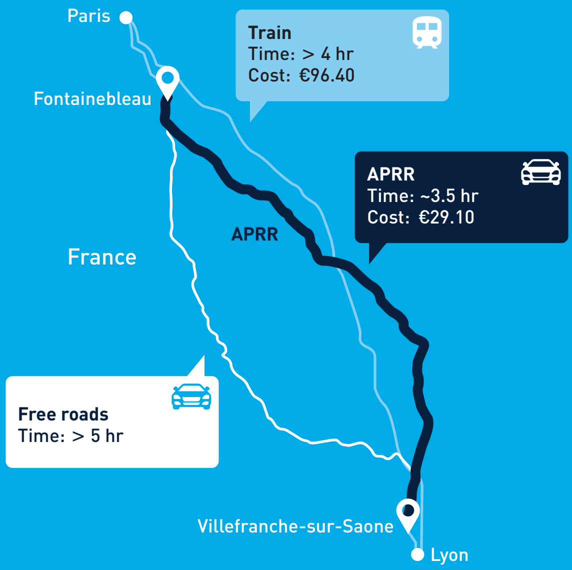
Pierre is a student studying at INSEAD in Fontainebleau. He has classes that finish at 4pm which gives him 3.5 hours to get to his mother's birthday dinner at his family home in Villefranche sur Saône. He has three travel alternatives:

– APRR A6 motorway: approximately 3.5 hours at a cost of €29.10

– No toll roads: more than 5 hours

– Train: more than 4 hours, at a cost of €96.40

Only the APRR A6 motorway will get Pierre to his mother's birthday on time. The free road alternative will take in excess of 5 hours and the train alternative is slower, with limited scheduling and more expensive! Using these options, Pierre would have to miss his last class or miss his mother's birthday dinner.



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 expiry[2]

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

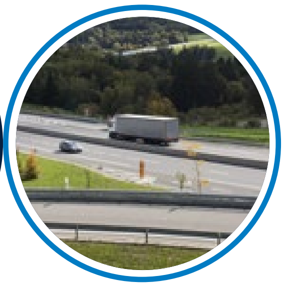
3 Virginia, United States

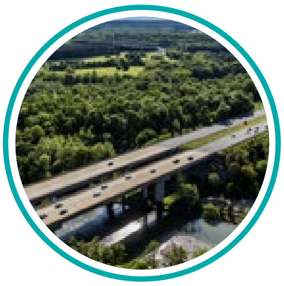
DULLES GREENWAY

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.

2020 AT A GLANCE

Market Activity and Traffic

- Traffic across all the jurisdictions in which our businesses operate was impacted heavily by COVID-19 movement restrictions implemented during the year.
- Strict lockdown measures were imposed across Europe in mid March. Traffic showed resilience and recovered strongly over the European summer following the easing of these restrictions.
- Movement restrictions implemented in November in France were briefer and less stringent than those imposed in the first half of the year. Traffic during this second lockdown was more resilient than in the first as business activity was able to continue as a result of the transformation of French industry to operate in a COVID-19 safe manner.
- Dulles Greenway traffic performance remains subdued given ongoing tele-work arrangements and the high proportion of commuter-based traffic serviced by the road.

Operational Highlights

- Impacted by COVID-19 restrictions, proportionate toll revenue was down 19.3% to $1,196.8m and proportionate EBITDA was down 22.8% to $884.8m.
- The businesses effectively and efficiently managed the disruption associated with the COVID-19 pandemic, with operations remaining uninterrupted throughout the year.
- Progressed across all pillars of our sustainability strategy to develop long-term value for securityholders.
- At APRR, €474.1m was spent on capital projects during the year, and US$7.0m at the Dulles Greenway.
- Continued to develop a long-term pathway to increase the value proposition of the Greenway for all stakeholders, and worked with the Virginia State Corporation Commission (SCC) to achieve an outcome under the current rate case submission.

Strategic Highlights

- Successfully lifted our stake in APRR from 25% to just over 31% in March 2020 increasing our share of profits and cashflows, and enhancing our governance rights.
- Strengthened and enhanced the resilience and flexibility of the balance sheet to support future growth through the oversubscribed $495m equity raise and subsequent pay down of the remaining €350m in corporate debt.
- Opened up the US market as a future source of institutional capital through a buyback of US retail securityholders.
- Continued work on the Warnow Tunnel capital restructure, to diversify Atlas Arteria's sources of cash flow.

CHAIRPERSONS' REVIEW

Dear Securityholder,

We are pleased to present the 2020 Annual Report.

During an extraordinary year, our teams responded to the disruption caused by COVID-19 and maintained seamless operations in a rapidly changing environment. Our roads provide critical infrastructure that link communities, and as such our teams remained keenly focused on maintaining operations and upholding the safety of our staff, our customers and the communities in which we operate.

At the same time, we also made significant progress towards creating a stronger and more resilient business and unlocked longer term value for securityholders. In the 10 years since Atlas Arteria began trading on the Australian Stock Exchange, the Company has completely transformed. We have consolidated our portfolio, positioned APRR as a strong cash generating business, and transitioned from external management to a new, highly experienced and passionate internal team that is actively managing our businesses for growth.

Building resilience and a platform for growth

During 2020 a number of significant achievements were made to support the delivery of strong and sustainable securityholder returns. These include:

- Successfully lifting our stake in APRR from 25% to just over 31% in March 2020, increasing our share of profits and cashflows, and enhancing our governance rights.
- Strengthening and enhancing the resilience and flexibility of the balance sheet to support future growth through the oversubscribed $495 million equity raise and subsequent pay down of the remaining €350 million in corporate debt.
- Opening up the US institutional market as a future source of capital with completion of a Security Sale Facility which removed all US based retail investors from the Atlas Arteria share register.
- Progressing across all pillars of our sustainability strategy to develop long-term value for securityholders.
- Continued work to finalise the capital restructure of the Warnow Tunnel, thereby diversifying Atlas Arteria's sources of cash flow.

A final outcome on the Dulles Greenway rate case is expected in the first quarter of 2021.

Continued Board renewal

Board renewal has been underway for some time and a number of changes were made during the year. Nora Scheinkestel retired as Chairman of Atlas Arteria Limited (ATLAX) and a Non-Executive Director of Atlas Arteria International Limited (ATLIX) in November 2020. We would like to acknowledge the enormous contribution that Nora made in her 6 years on the Boards, and her strong leadership as Chairman during Atlas Arteria's transformation to an independently managed business.

We have recently announced that Ariane Barker will be appointed to the Board of ATLAX and will take on the role as the Chairman of the Audit and Risk Committee.

In May we also announced that Caroline Foulger had joined the Board of ATLIX as a Non-Executive Director. Caroline was appointed as the Chairman of the Audit and Risk Committee for ATLIX in September 2020. In November Andrew Cook joined the Board of ATLIX as a Non-Executive Director. James Keyes and Derek Stapley retired from the Board during the year and we take this opportunity to thank them for their significant contributions to the business.

Caroline, Andrew and Ariane bring extensive experience and complementary skills to the Board and we look forward to working with them in this next phase of Atlas Arteria's development.

Culture and values continue to drive better outcomes

We continued to deliver on our sustainability priorities during the year across the pillars of safety, community, our people and environmental stewardship. COVID-19 necessitated additional and specific focus on employees and the community. We worked with our staff to ensure they were supported during what was a very challenging period with extended lockdowns.

Distributions

The Boards' objective to mitigate the impact of the pandemic through disciplined capital management and sustainable business practices led to the cancellation of the H2 2019 distribution in May 2020. A H1 2020 distribution of 11 cents per security was declared in September 2020 on the back of resilient operational performance from APRR in the first half of the year. We are pleased to provide guidance for our final 2020 distribution of 13 cents per security, reflecting the continued performance of APRR. This will bring the total payout for the year to 24 cents. Our strategy remains to deliver strong and sustainable distributions to securityholders by optimising the performance and cash flow from our portfolio of businesses.

Outlook

In the face of uncertainty, our businesses have focused on the areas they can control being the safety and wellbeing of employees and customers, supporting the communities in which they operate, building resilience and capacity for growth and continuing to work to unlock value on behalf of securityholders.

Moving into 2021, Atlas Arteria is well positioned with an appropriate capital structure and improved flexibility to delivery on its strategic objectives and pursue growth.

While a clear and present priority will be navigating the ongoing challenges of the COVID-19 pandemic, the Boards' focus will be on working with and supporting management to strategically position the Group to deliver strong and sustainable outcomes for securityholders, governments, customers and communities and to upholding our values of safety, transparency, engagement, responsibility and respect.

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.

Debbie Goodin
Chairman
Atlas Arteria Limited

Jeffrey Conyers
Chairman
Atlas Arteria International Limited

We continued to deliver on our sustainability priorities during the year across the pillars of safety, community, our people and environmental stewardship. COVID-19 necessitated additional and specific focus on employees and the community.

FROM THE CEO AND MANAGING DIRECTOR

Dear Securityholder,

The 2019 year was transformative for the business with the seamless internalisation of management that unlocked $67 million in savings. Under a new and highly experienced international management team, 2020 has been a year of building resilience while optimising and positioning our businesses for growth, improved cash flow and returns to securityholders.

We started the year with momentum, and this positioned us well to manage the disruption associated with the COVID-19 pandemic. The resilience and capability of our people shone through in their effective and diligent management of operations, which remained uninterrupted throughout lockdown periods.

COVID-19 also illustrated that our networks are an essential part of society, delivering critical goods and services effectively and efficiently. Finally, we have made significant progress towards building resilience, financial strength and have delivered against a number of strategic objectives.

The impact of COVID-19

While weighted average traffic for January and February was strong, traffic across all the jurisdictions in which our businesses operate was impacted heavily by movement restrictions implemented in March. Pleasingly, as constraints were relaxed, traffic at APRR and Warnow Tunnel bounced back strongly, exceeding 2019 levels by the end of the European summer holiday period.

After this strong recovery, traffic in our European businesses was affected again by movement restrictions implemented in November in response to a second wave of the COVID-19 virus. Traffic during this second lockdown was less affected by the movement restrictions, however, as business activity was able to continue as a result of the transformation of French industry to be able to operate in a COVID-19 safe manner.

The rapid return of traffic after both rounds of restrictions were eased has been encouraging and points to the resilience of our roads in Europe.

Dulles Greenway was significantly impacted by COVID-19 lockdown measures given the high proportion of commuter-based traffic serviced by that road and its traffic performance remains subdued. Looking beyond the immediate challenges, Dulles Greenway sits in a growth corridor in Northern Virginia and with historically strong population and employment growth and high income per capita. With our new Dulles Greenway CEO, Renée Hamilton joining the business in June 2020, we are positioned well with strong leadership in place to take this business forward.

Performance Highlights

Operationally, the business performed well in a challenging environment. Overall weighted average group traffic was down 22.8%, with toll revenue down 19.3%. Weighted average proportionate earnings before interest, taxation, depreciation and amortisation (EBITDA) was $884.8 million, down 22.8%. On a normalised basis, net profit after tax (NPAT) was $69.6 million, down 61.0% from 2019.

APRR and ADELAC

APRR contributed 90% of our proportional revenue and continued to underpin company cashflows. Across the full year, traffic was down at APRR by 21.0%, toll revenue decreased by 17.1% with a 20.2% decrease in EBITDA and 28.2% decrease in NPAT.

Light vehicle traffic was particularly impacted by movement restrictions, however heavy vehicle traffic was less affected as the APRR network is a fundamental and essential part of the logistic network in France and remained open during the year to support essential traffic movements. Heavy vehicle traffic made up 39% of APRR's toll revenue.

A number of initiatives were implemented during the year to strengthen liquidity, resilience, and position APRR to take advantage of near term growth opportunities.

APRR continued a strong program of debt refinancing during the year and had €3.1 billion in liquidity at year end including the refinanced €2.0 billion revolving credit facility. At year end, APRR had €981.0 million of outstanding debt to be refinanced in 2021. 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'. In October, Fitch also increased its short-term rating despite the COVID-19 traffic disruption.

Work continued on important construction and capital projects, with €474.1 million in capital projects delivered that will continue to add value to the network.

Building sustainable value for customers and our communities in France also remains a key priority. We continued to enhance the customer offering, by way of example, APRR now provides 100% WiFi coverage across the service areas, 149 high performance EV charging points and 3.3 million badges/transponders, streamlining payments.

Warnow Tunnel

Traffic at the Warnow Tunnel decreased 7.7%, with toll revenue down 6.5%, and EBITDA down 11.6%. These were tremendous results in a challenging year and reflect the fact that for most of the year Germany was less affected by COVID-19 than other parts of Europe which meant movement restrictions were less stringent than those experienced for example in France. Traffic was also positively impacted by surrounding road works. Work commenced in 2020 to finalise the capital restructure of the Warnow Tunnel which, once completed, will be a further milestone in the ongoing transformation of Atlas Arteria.

Dulles Greenway

At Dulles Greenway, overall traffic was down 42.7%, and toll revenue down 42.3% from the prior year. Telecommuting and distance-based learning were in place for much of the 2020 year and traffic remained around 45% below 2019 levels for much of the second half.

As at 31 December 2020 Dulles Greenway had approximately US$216 million in cash reserves. As a result of the performance for the year, the Dulles Greenway failed to pass the lock-up tests as defined under the debt covenants, which means that around US$77 million that would otherwise be available for distribution to Atlas Arteria remains included as part of the cash reserves.

The SCC rate case continues with a decision expected in the first quarter of 2021. We believe our submission is fair and appropriate, even in the light of the recent market conditions. We have been, and continue to be, actively engaged with all relevant parties including the Virginia Department of Transport and remain focused on achieving a positive outcome for our business and for road users and communities in Loudoun and Fairfax counties.

Following the outcomes of the Virginian legislative session in early 2021, we continue to work with all relevant stakeholders towards an appropriate outcome for the Dulles Greenway and its customers.

Looking forward

As we look towards 2021 our focus on sustainable dividend growth and long-term value creation remains unchanged. We continue to explore opportunities for growth within our existing networks and to focus on optimising and restructuring our existing businesses to achieve better outcomes for motorists and communities and generate more free cash for securityholders. Safety will of course continue to be a key focus as the world continues the fight against COVID-19.

We will look for opportunities at APRR to build on our existing network and extend our concession term. The RCEA project is now well underway and we are excited about other new opportunities that may arise in France both via new road projects but equally by working with the French Government to deliver on its green and sustainability agenda.

We look forward to receiving the final SCC rate case decision for Dulles Greenway and exploring opportunities to unlock value within that business.

Our internal management team was put to the test over the last 12 months and they have proved they are more than capable of managing through unprecedented and severe disruption. I would like to take this opportunity to thank all our people from the front-line workers to management for their persistence, resilience and strength through an extremely challenging period.

Finally, we are grateful to our securityholders for their continued support during the year. We look forward to being able to continuously improve and restructure our businesses to deliver increased distributions for our securityholders.

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.

HISTORY OF ATLAS ARTERIA

'In the 10 years since Atlas Arteria began trading on the ASX, it has completely transformed. We have consolidated our portfolio and transitioned from external management to a new, highly experienced and passionate internal team that is actively managing our businesses for growth.'

Debbie Goodin and Jeff Conyers

2010

January
Macquarie Atlas Roads (ASX:MQA) commences trading on the ASX at A$0.51 following the demerger of Macquarie Infrastructure Group into two separate ASX-listed toll road groups.

June
Eiffarie, the vehicle through which MQA and its co-investors hold an 81.5% interest in APRR, reaches an agreement to acquire a further 13.7% in additional interests from certain minority holders. The acquisition brought Eiffarie's total holding to greater than 95%, allowing it to consolidate for tax purposes and to launch a compulsory acquisition of the remaining shares in APRR.

July
MQA is included in the S&P/ASX 200 Index as a result of increased free float market capitalisation.

2012

February
Eiffarie refinances and reduces its €3.8bn acquisition debt facility to €2.8bn, ahead of maturity, stabilising the APRR/Eiffarie capital structure and facilitating distributions to MQA and its co-investors.

October
Fitch initiates coverage of APRR with a BBB+ long-term credit rating with Stable Outlook.

2013

March
MQA declares its first distribution.

December
S&P upgrades APRR's long-term credit rating to BBB with Positive Outlook.

2014

July
MQA completes its first capital raising, funding the acquisition of an additional 0.7% indirect interest in APRR via an institutional placement.

November
S&P upgrades APRR's long-term credit rating to BBB+ with Stable Outlook.

2015

February
APRR signs a €1.8bn Revolving Credit Facility and Eiffarie refinances and reduces its debt facility to a €1.5bn term loan, securing significant interest savings.

May
MQA reaches financial close on the transfer of its 25% interest in the Indiana Toll Road in the US, receiving net proceeds of US$25m.

August
APRR and AREA formalise a significant agreement with the French State, including a capital investment Stimulus Package, concession amendments and extensions, as well as supplemental toll increases.

2016

February
The Tunnel Maurice Lemaire Concession merges with the APRR Concession in exchange for a 10-month extension to the APRR Concession.

MQA reaches financial close on the sale of its 22.5% interest in the Chicago Skyway in the US, receiving net proceeds of approximately US$98m.

November
S&P upgrades APRR's long-term credit rating to A- with Stable Outlook.

AREA, a subsidiary of APRR, enters into an agreement to acquire an additional 46.1% interest in ADELAC, which, following subsequent acquisitions of minority interests, increases MQA's indirect interest in ADELAC to 19.74%.

2017

March
MQA is included in the S&P/ASX 100 Index as a result of increased free float market capitalisation.

May
MQA divests its nominal interest in the M6 Toll in West Midlands, UK.

Completed acquisition of the remaining 50.0% estimated economic interest in the Dulles Greenway, taking its economic interest to 100%[1]. The transaction was funded via an institutional placement, security purchase plan, asset finance facility and corporate cash.

September
MQA announces the acquisition of an additional 4.86% interest in APRR via MAF2, increasing its ownership in APRR to 25.0% and total ownership interest in ADELAC to 25.03%. The transaction was funded via an entitlement offer and acquisition debt facility.

October
Fitch upgrades APRR's long-term credit rating to A- with Stable Outlook.

November
The MQA Boards announce their intention to transition MQA to an internalised management structure.

2018

April
Agreement reached with Macquarie Bank for the internalisation of management for Macquarie Atlas Roads.

May
AGM held to approve internalisation of management for Macquarie Atlas Roads.

Name changed from Macquarie Atlas Roads to Atlas Arteria (ASX:ALX).

June
Refinanced and increased the corporate debt Facility, with proceeds used to repay the US$175m Dulles Greenway Acquisition Facility.

September
Completion of the acquisition of the remaining 30% equity interest in Warnow Tunnel, increasing Atlas Arteria's interest to 100%.

2019

June
Eiffage and APRR Consortium selected as preferred bidder for the RCEA project.

November
Announced the APRR Transaction to increase Atlas Arteria's ownership in APRR to 31.14% and ADELAC to 31.17%, secure governance rights in respect of its total indirect interest in APRR and ADELAC and terminate all remaining management agreements with the Macquarie Group.
An equity raising for A$1.35bn was undertaken to fund the transaction.

December
Lodged the Dulles Greenway Rate Case Submission with the Virginia State Corporation Commission.

2020

February
€2.0bn APRR and €1.07bn Eiffarie debt facilities refinanced, improving access to liquidity, reducing debt costs and deferring amortisation.

March
Completed the APRR Transaction, increasing Atlas Arteria's ownership in APRR to 31.14% increasing our share of profits and cashflows, and enhancing our governance rights.

APRR took over the operations of the RCEA Motorway in preparation for the construction of the RCEA project.

April
S&P affirmed its 'A-/A-2' long-term and short-term issuer credit ratings for APRR, and maintained its outlook as 'stable'.
In October, Fitch increased its short-term rating despite COVID-19 traffic disruption.

June/July
Completed an equity raising for $495m via a $420m placement and $75m security purchase plan. Proceeds from the equity raising together with the cancelled H2 2019 dividend were applied to the repayment of the €350m corporate debt facility, strengthening the Atlas Arteria balance sheet to support future growth.

September
Opened up the US market as a future source of institutional capital with completion of a Security Sale Facility which removed all US based retail investors from the Atlas Arteria Share Register.

1 Economic interest held through ~86.6% subordinated loans secured against the equity held by other limited partners. Remaining 13.4% interest held through equity.

STRATEGIC FRAMEWORK

Strategic Theme	Initiatives	Progress
Reduce legacy complexity and optimise the value of what we own	Increasing Atlas Arteria's stake in APRR	Successfully lifted our stake in APRR from 25% to just over 31% in March 2020 increasing our share of profits and enhancing our governance rights.
	Finalise transition to internal management	Completed during 2020 the transition from an externally managed portfolio to an independent internal management team that is actively managing our businesses. Completion of the APRR Transaction saw all management agreements with the Macquarie Group terminated, other than short term transition arrangements which expired in the second half of the year.
	Price path certainty for the Dulles Greenway	Submitted the SCC rate case application in December 2019 and worked with the SCC through the rate case process during 2020. A final outcome is expected in the first quarter of 2021.
Active Operational Management to improve earnings and value	Manage business through COVID-19 disruption	Seamless operations maintained throughout the year and support provided to team members, healthcare workers and communities.
	Move to best practice in the way the company operates (ESG performance)	For 2020, Atlas Arteria was ranked 4th out of 156 peers for ESG performance by Sustainalytics. APRR was awarded the most improved infrastructure company in 2020 by GRESB, with a score of 77 up from 55 in 2019. APRR retained their overall 2nd place in the Europe motorway sector.
	People	Lean, high-quality corporate team in place with strong executive management, negotiation, data management and forecasting capability to support operations teams. Developed our People Strategy to support growth, development, diversity and inclusion in our team. We achieved our target of a 40% gender balance at Board level, within senior management and across the organisation. Refer also our Sustainability Report presented on pages 20 to 29.
	Safety	Embedded a safety-first culture, implemented further initiatives to minimise dangerous driver behaviour and developed specialised operational technology for hazard prevention. Improved our safety metrics with the LTIFR at APRR down to 2.7 in 2020 from 5.0 in 2019, and with zero injuries at both Warnow Tunnel and Dulles Greenway in 2020. Refer also our Sustainability Report presented on pages 20 to 29.
	Customers	Customer satisfaction surveys were undertaken at both APRR (including AREA) and Warnow Tunnel. APRR received an overall satisfaction rating of 8.1 out of 10, and at Warnow Tunnel, 82.8% of respondents were either satisfied or very satisfied with their experience. Our progress in this area is also outlined in our Sustainability Report presented on pages 20 to 29.
	Environmental Stewardship	Expanded greenhouse gas emission reporting across Atlas Arteria and continue to facilitate a reduced customer footprint. Along APRR and AREA this includes carpooling carparks, an eco-mobility education program and 149 electric vehicle charging points. Our progress in this area is also outlined in our Sustainability Report presented on pages 20 to 29.
Disciplined capital management to underpin strong and sustainable distributions to securityholders	Protect financial position of the Company during COVID-19	A temporary halt on distributions was implemented in response to COVID-19 related uncertainty. Distributions were reinstated at 11.0 cents per security in H2 2020 reflecting the underlying performance of APRR.
	Increased net liquidity, focus on investment grade leverage metrics and unlock distributions	Completed $495 million oversubscribed equity raise mid year, the proceeds of which were used to repay the corporate debt facility, strengthen the Atlas Arteria balance sheet and increase resilience and flexibility to pursue growth opportunities. 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'. In October, Fitch also increased its short-term rating despite the COVID-19 traffic disruption. In February 2020, the €1.07 billion Eiffarie debt was refinanced, deferring amortisation to 2023, unlocking around 8cps in distributions for Atlas Arteria in 2020. Commenced work on the capital restructure of the Warnow Tunnel, thereby diversifying Atlas Arteria's sources of cash flow. Management continues to explore opportunities to unlock distribution capability at Dulles Greenway.
	Access to U.S. institutional investors	Completed the sale facility for U.S. based non-qualified investors in September 2020, which has unlocked our ability to access future capital from U.S. institutional investors.

Strategic Theme	Initiatives	Progress
Lengthen average concession life	Pursue growth opportunities	Currently examining strategies to lengthen the average concession life of our business with a view to balancing net cash flows with longer term sustainable returns. New RCEA (A79) 48 year concession contract signed with the State and APRR took over operations of the motorway in March 2020.
	Removing constraints to growth	Repayment of the holding company debt allows the company to support growth and developments at APRR in return for concession extensions.
Diversify and Manage Risk	Further develop risk management program	Updated and further refined governance structures, the risk management plan, policies and internal audit activities.
	Diversification of cash flow	Commenced work on the capital restructure of the Warnow Tunnel, thereby diversifying Atlas Arteria's sources of cash flow. Management continues to explore opportunities to unlock distribution capability at Dulles Greenway.

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: down 21.0% on pcp
Toll Revenue: down 17.1% on pcp
EBITDA: down 20.2% on pcp

ADELAC

Traffic: down 28.6% on pcp
Toll Revenue: down 27.0% on pcp
EBITDA: down 27.9% 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 APRR Group continued seamless operations in the face of COVID-19 related challenges, continued to invest to improve the customer experience, and took action to strengthen the balance sheet and maintain liquidity. APRR starts FY2021 in a strong position to support the French Government's road infrastructure agenda and pursue growth opportunities in the near term.

The number one priority for APRR is the safety and health of its people, customers, and communities. Pandemic management plans were implemented and a number of initiatives put in place to support staff and the community including toll free travel for healthcare workers and the donation of masks to hospitals and local healthcare authorities.

From late February the French Government progressively imposed restrictions to slow the spread of COVID-19 while preserving essential activity. Other European countries implemented similar measures. Large gatherings were cancelled, limitations were placed on all non-essential travel and European borders were closed from mid-March 2020 to all non-EU persons.

Restrictions were lifted from mid-May, resulting in a strong traffic recovery, however, with the advent of the second wave of COVID-19, movement restrictions were again implemented from November. These restrictions were briefer and less stringent than those imposed in the first half of the year. Traffic at APRR for the fourth quarter was down only 24.8% compared with 2019 (compared to 51.0% in the second quarter) and as restrictions eased in the lead up to Christmas, traffic in the month of December continued to recover.

As a result of these restrictions during the year, traffic was down by 21.0%, resulting in toll revenue down 17.1% and EBITDA down 20.2%. However, the resilience of our network was evident with traffic recovering strongly after restrictions were eased.

Building the network

APRR continued to invest in capital projects to grow the APRR network and improve the customer experience with €474.1m spent on capital projects during the year. This includes the investments under plans previously agreed with the French State which are the 2014-2018 management contract, the 2015 Stimulus package and the 2018 New Motorway investment plan.

Improving customer services

A number of network improvements were made during the year.

As a first in France, in September, AREA opened an eight kilometre High Occupancy Vehicle (HOV) lane near Grenoble on the A48. To minimise congestion and incentivise multiple passenger vehicle use, during peak hour the left lane is reserved for vehicles with two or more passengers, taxis and electric vehicles. Further, lane dedication will be enforced by artificial intelligence.

The service offering for Electric Vehicles (EV) has been expanded to 149 very high and high performance charging points across the network. Through the acquisition of KiWhi Pass Solution in May 2020 and the launch of 'Mango Mobilités' in October 2020, APRR has further enhanced its mobility services with access to France's largest fast charging network for electric vehicles and access to all APRR's offerings through a single website and mobile app. Through an agreement with Fastned, large fast charging stations which enable many vehicles to be charged simultaneously, will be built on nine sites across the network, with the first installations planned for 2021.

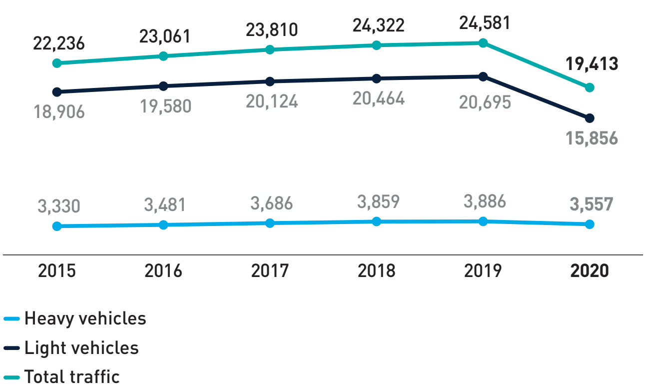
From June 2020, WiFi access was available across 100% of the service areas across the network.

Awards continue

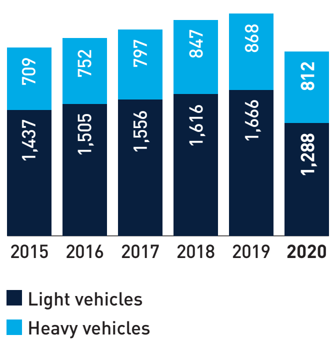
APRR continues to be recognised for its achievement in the areas of diversity, equal opportunity and discrimination prevention. In February, the French State renewed APRR's '*Label Diversité*' certifying its policies in the above areas, and in the same month APRR was named France's Best Employer in the sector for the sixth year in a row by Capital magazine.

APRR significantly improved its GRESB score from 55 to 77 and maintained its second place in the Europe motorway sector. It was also awarded the most improved infrastructure company in 2020. GRESB is a broadly used benchmarking tool in Europe for Environmental, Social and Governance (ESG) matters, and the rating reinforces APRR as a high performing business measured across a range of important factors.

Traffic (VKTm over past 6 years)



Toll Revenue (€m)



APRR AND ADELAC
FRANCE

Reinforcing financial stability

APRR's balance sheet and financial position was further strengthened during the year.

There were three bond issues of €500m each during 2020, all receiving strong support from the Eurobond market reflecting the underlying quality of the business. In addition, APRR refinanced €921m of Commercial Paper. The average cost of debt at APRR has reduced from 1.5% to 1.2%.

In February 2020, APRR and Eiffarie collectively refinanced €2.87bn of bank debt comprising a €1.80bn revolving credit facility at APRR and a €1.07bn term loan at Eiffarie. Both were structured as ESG linked loans, further demonstrating the commitment from APRR and its shareholders to safety and the environment.

In April, 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 COVID-19. In October, Fitch re-affirmed its A- long-term issuer rating for APRR and also increased its short term rating from F2 to F1 despite the COVID-19 traffic disruption.

Adding future value

We have a strong pipeline of growth projects due to complete in the coming years including the creation of the A71 'Montmarault' intersections, the widening on A75 Clermont-Ferrand to Le Crest and A41, the A48/A480 project, the A43-A41 Chambery junction, the completion of 19 wildlife crossings, and we see many opportunities to continue to expand the APRR network and provide solutions to the French Government at a state and local level.

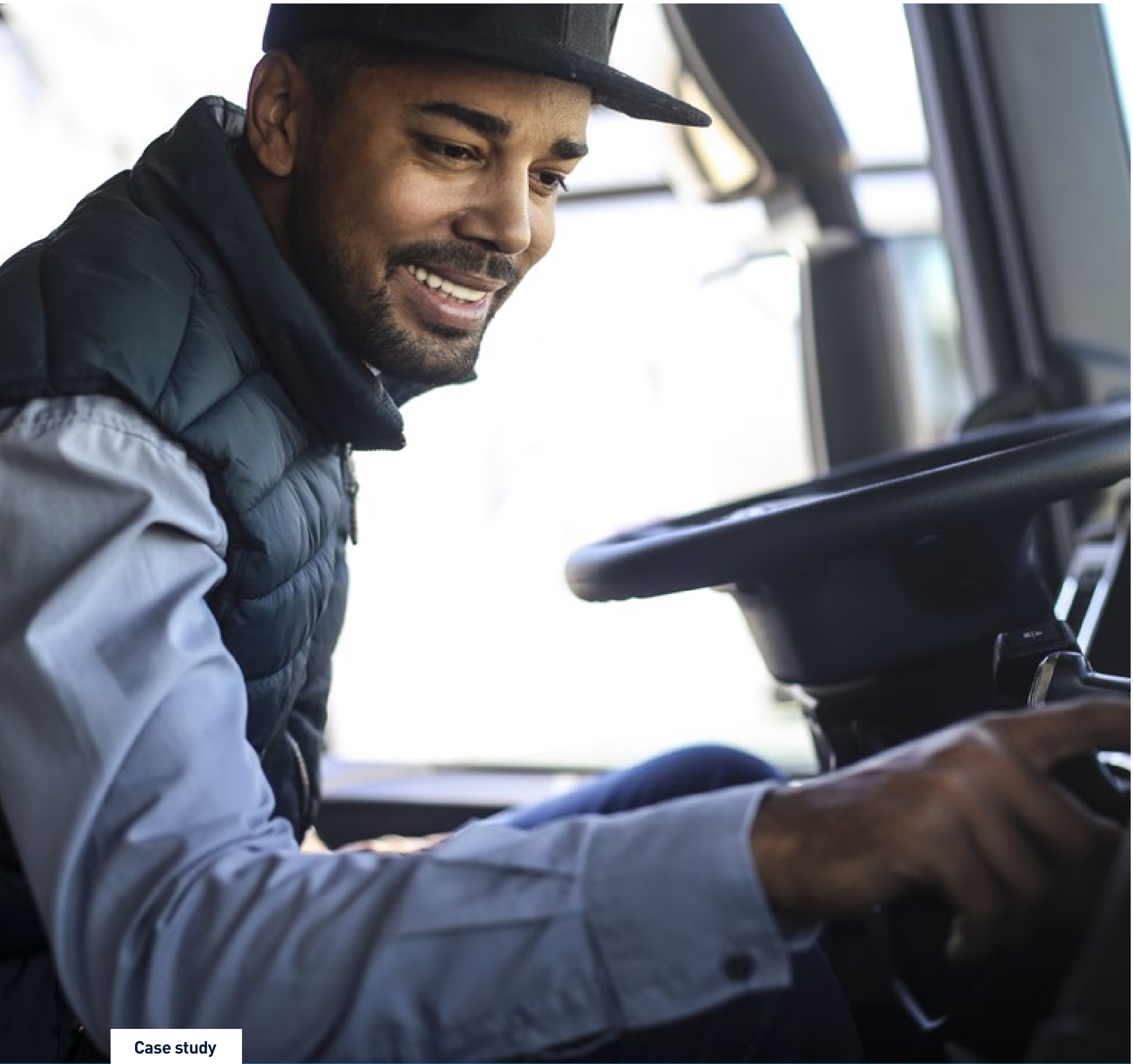
Capital expenditure for the next two years is expected to be approximately €800m and on average around €200m per annum thereafter (excluding any further investment plan agreed with the State).

A section of the Central Europe Atlantic Road (RCEA/A79), a strategic road for intra-European trade flows, is being upgraded and widened to meet motorway and environmental standards.

The RCEA/A79 project will upgrade an existing 89km sub-section of the RCEA to motorway standard with 2x2 lanes plus a hard shoulder that will significantly improve safety. The A79 stretches between Sazeret and Digoin interchanges and connects with the A71 on the APRR network.

In March 2020, a 48 year concession contract was signed with the French Government for the RCEA/A79 Project and APRR took over the operation of the motorway. The construction cost of the project is estimated to be €600m. Construction commenced in mid-2020 and is due to be completed in late 2022.

APRR continues the ongoing dialogue with the French State to improve the country's road network and achieve the State's road development objectives.



Case study

KEEPING COMMUNITIES CONNECTED

Edouard is a truck driver. He hauls essential supplies and parcels around France. Edouard's ability to deliver parcels efficiently and safely was more important than ever during 2020 as he carried essential supplies to those at work and home during lockdown. Edouard could haul medical supplies such as masks and personal protective equipment as well as presents from loved ones from Orly's airport to Dijon's hospital in 2 hours and 50 minutes using the APRR network saving 1 hour and 30 minutes as compared to the fastest alternate route. This increased his capacity to deliver other essential supplies by 1 day each week.

As well as timely and safe travel, the APRR network provided Edouard with quality food, amenities and easily accessible heavy vehicle parking facilities making his trips more comfortable and convenient.

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.

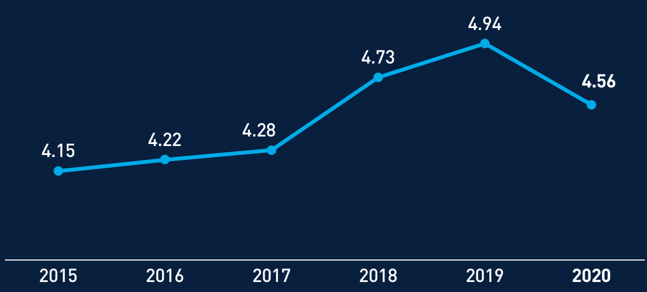
Atlas Arteria interest

100%

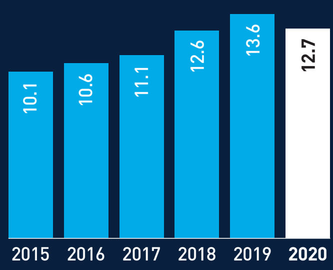
Concession expiry: 2053

Traffic: down 7.7% on pcp
Toll Revenue: down 6.5% on pcp
EBITDA: down 11.6% 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

While operations continued seamlessly under COVID-19 protocols, performance was impacted by German Government imposed COVID-19 restrictions from mid-March including temporary border controls with surrounding countries. Restrictions began to lift progressively from mid-April with the City of Rostock recording relatively few cases, which permitted a more rapid easing of restrictions. In response to the second wave of COVID-19 in Europe, Germany initially entered 'lockdown light' in early November for a period of four weeks with restrictions aimed at limiting social activities, however schools, shops and workplaces remained open. With continued increasing case counts, Germany moved to a hard lockdown for the period between mid December 2020 and into February 2021, where all non-essential shops were closed, home schooling returned for high school students and 15km travel limits imposed in hot spot areas.

Traffic for the year was down 7.7%. This resulted in a decrease in toll revenue of 6.5% and a decrease in EBITDA of 11.6%.

Continuing roadworks on competing routes in the City of Rostock supported traffic at the Warnow Tunnel despite the COVID-19 related travel restrictions. This particular program of roadwork is expected to complete progressively over the next 12-18 months.

A customer survey of approximately 1,600 customers in collaboration with Rostock University was completed in October 2020 to better understand customer needs and quantify the overall level of satisfaction with the Warnow Tunnel. Around 83% of the respondents were satisfied overall with the Warnow Tunnel and 94% perceive a time saving of more than 10 minutes compared to other alternatives.

A separate study evaluated the customer behaviour and orientation approaching the toll plaza and the payment means offered in the different lanes. Findings indicate adjustments to signage and payment options may provide improvements to safety and the overall customer experience. In 2021 we will establish an implementation plan for improvements, and work with the local authorities for approvals, where necessary.

Investing in the Tunnel

Annual maintenance at Warnow Tunnel is aimed at improving safety for customers and minimising environmental impacts. This year's program confirmed the good state of the tunnel equipment and included a check of the ventilation system, the replacement of the low voltage switching cabinets in one tunnel tube and a complete tunnel clean which will reduce energy consumption costs.

Adding future value

In 2020, work continued regarding the capital restructure for the Warnow Tunnel. In undertaking this restructure, the arrangements will reflect the strength of the underlying performance of the business, and the desire is to create a more balanced long-term capital structure and unlock distributions for the first time since the Tunnel's opening in 2003.

A new Head of Operations has been appointed and started on 1 February 2021. His previous experience at the business during and shortly after the Tunnel's construction positions us well to further strengthen the technical capabilities of the business in the coming years.

Case study

FAMILY COMES FIRST

Andrea lives in Lütten Klein, her daughter Lea, and her young grandchildren live on the other side of town. Lea and her husband both work full time, and Andrea looks after her grandchildren every afternoon on Monday through Thursday. Taking the Warnow Tunnel takes Andrea on average 30 minutes each day at a cost of €5.56, saving her about an hour a day compared to using the free alternative route.

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

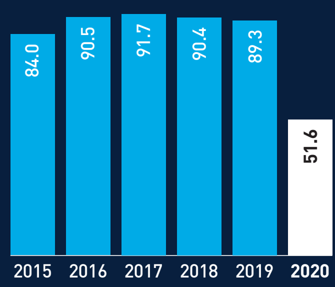
100%

Certificate of Authority expiry: 2056

Traffic: down 42.7% on pcp
Toll Revenue: down 42.3% on pcp
EBITDA: down 47.9% 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.

Year in review

Traffic on commuter roads in Virginia, including the Greenway, was challenged during 2020 with overall traffic down 42.7% translating to a 42.3% reduction in toll revenue and a 47.9% reduction in EBITDA.

From February, in response to COVID-19, the United States Government commenced closing its borders to foreign nationals and encouraged all US residents to cancel non-essential travel. In March, Virginia implemented various movement restrictions, and schools in the region surrounding the Greenway, began transitioning to online learning. After a period of strict lockdowns, restrictions in Virginia began to relax from end May, however, teleworking continued to be strongly encouraged. Schools and kindergartens were progressively reopened from end October, however, with ongoing high case counts, new restrictions were imposed in mid-November which continued into the new year.

Safety continued to be a key focus, with enhanced cleaning and sanitisation for employees, including the provision of gloves, masks and face shields, revised shift scheduling and terminating cash collection.

Despite the challenges of COVID-19, we continued to focus on improving the customer experience. Several projects will improve safety and ease congestion:

- DTR Connector Phase 2: completed on schedule and on budget, opening to traffic in July.
- West End Ramp Reconfiguration: work began in May and was completed ahead of schedule, opening to traffic in August.
- Leesburg Bypass Improvement Project: initiated construction tender process in December. Work is expected to begin in Q1 2021 with completion expected by early 2022.

Other successful initiatives included:

- Successfully implemented new asset management software to enhance motorway operations, maintenance and safety.
- Participated in the Northern Virginia Regional Multi-Modal Mobility Program which is a public-private sector collaboration to improve travel safety, reliability, and mobility.
- Installed additional cameras at the mainline toll plaza to enhance safety and toll enforcement.
- Relocated the main offices to a new smaller office building better suited to our employee base, reducing energy usage and overheads.

Ms. Renée N. Hamilton commenced as CEO in June 2020. She is an infrastructure and transportation leader, who is committed to the local community. Ms. Hamilton joins the Greenway following a distinguished 32-year career at the Virginia Department of Transportation, where she served most recently as Deputy District Administrator for Northern Virginia.

The Greenway lodged its rate case application with the SCC in December 2019, seeking peak toll increases of 6-7% p.a. and off-peak increases of 5-6% p.a. for the five-year period from 1 January 2021 through 31 December 2025. The Commissioners are yet to issue a Final Order. Atlas Arteria believes that the submission is fair and reasonable and looks forward to a favourable outcome.

Financial strength

Dulles Greenway remains well placed from a liquidity perspective, with US$216.3m of cash on the balance sheet as of 31 December 2020. Whilst theoretically, US$77.0m was available for distribution, due to the reduced traffic in 2020, the Greenway did not pass its 1 year and 3 year lock-up tests as at 31 December 2020.

Adding future value

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 government to deliver mutually beneficial outcomes.

Case study

WHEN TIME WITH FAMILY IS PRECIOUS

Rachel lives in Ashburn and works as a doctor in Reston Hospital. Her time over the past 6 months has been particularly busy and she uses the Greenway each day to travel safely to and from work, saving between 25%–35% travel time each way. She can settle her children each morning and conveniently and reliably travel to work for her morning shift. After a busy day with growing patient numbers, she can travel home quickly and safely to enjoy dinner with the family and her children's stories of feats conquered during the day. Gaining moments with those you love is precious, and even more so in times of uncertainty.

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.

Our Sustainability Framework

SUSTAINABILITY PRIORITIES

SAFETY
Whether working or travelling with us, safety is our primary focus.

CUSTOMERS AND COMMUNITY
We connect people and communities through safer and faster transport options that make life easier.

OUR PEOPLE
We foster an engaged, collaborative and diverse workforce, and together deliver business success.

ENVIRONMENTAL STEWARDSHIP
We actively manage our impact on the environment and provide solutions that enable customers to minimise their footprint.

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, 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. Will be monitored through KPIs and targets.

SUSTAINALYTICS ESG GLOBAL 50 TOP RATED 2020

SUSTAINALYTICS ESG INDUSTRY TOP RATED 2020

GRESB INFRASTRUCTURE Most Improved 2020

Atlas Arteria ranked **4th** out of 156 peers in the Sustainalytics ESG ratings

APRR ranked **2nd** in the Europe motorway sector in the GRESB ESG benchmark

GHG emission reporting expanded across the portfolio and head office

Over **80%** customer satisfaction at APRR, AREA and Warnow Tunnel (81% for APRR and AREA and 82.8% at Warnow)

0 lost time injuries at Dulles Greenway and Warnow Tunnel. 46% reduction at APRR: 2.7 in 2020 compared to 5.0 in 2019

50% gender balance across Board, senior management and the broader corporate team

Our approach to sustainability

The sustainability agenda continues to evolve rapidly. This past year has brought the social element of 'environment, social, governance' (ESG) to the fore. Health, safety, flexibility, inclusion and community have been brought sharply into focus through the COVID-19 pandemic, Black Lives Matter movement and bushfires. Stakeholder expectations continue to grow for businesses to make a positive difference and deliver real value to society.

As a global infrastructure owner, operator and developer, we manage our business for the long-term. We seek to create lasting value for our stakeholders and sustainable returns for our investors.

Our Sustainability Framework helps guide our actions and focus our attention. Developed in 2019, it is based on the outcomes of a materiality assessment that identified those topics that matter the most to the business and its stakeholders (see Materiality section).

Our strategy and approach is informed by our four priority areas: safety; customers and community; our people; and environmental stewardship. These present the greatest ESG opportunities and risks to the business, and the topics of greatest importance to our stakeholders. Focusing on these elements help us to secure a growing and resilient business.

These four priorities are underpinned by a set of four 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.

The spotlight on some of our existing material topics has intensified this year. Ensuring health and safety – for our people, customers, and communities – has been an ongoing focus; while attention on diversity, inclusion and climate change continues. We are pleased to be able to report strong progress in these areas. We continue to look for opportunities to improve, as we move forward.

Materiality

We undertook a materiality assessment in late 2019 to identify those topics that matter most to the business and its stakeholders. The process was carried out by an independent external advisor. Internal and external stakeholders were engaged through a series of surveys, interviews and roundtables, including investors, business partners, suppliers and employees.

Atlas Arteria Board members and the senior leadership team reviewed insights gained and identified those areas imperative to sustainable business success. Our material issues are reflected in the 'sustainability priorities' and 'business fundamentals' of our Sustainability Framework.

We continue to monitor issues and reflect on changes throughout the year to capture and address topics that may be rising up the agenda.

Sustainability governance

Sustainability at Atlas Arteria is overseen by our Boards. Our Sustainability Framework identifies those elements that drive value for the business and its stakeholders. We are developing a set of KPIs to underpin the framework and help focus our actions. Performance is regularly monitored by the senior leadership team.

Each of our portfolio businesses is responsible for adopting and maintaining its own environmental and social risk management framework appropriate to the country in which it operates.

Our ability to control or influence the ongoing management of these issues differs for each business.

At APRR (including ADELAC), Atlas Arteria has a non-controlling interest and accordingly we appoint Board representatives to promote and support the implementation of good practices to the extent that they are able to under the co-ownership arrangements.

For Dulles Greenway and Warnow Tunnel, where Atlas Arteria holds a 100% economic interest, we work with the Boards and management of the businesses to ensure that policies and procedures are in line with our standards and expectations.

The ESG performance of each business is reported to the Atlas Arteria Boards at least every six months. Major safety, environmental and social incidents are reportable as soon as possible after occurrence, and are notified to the Boards within 24 hours.

New investments

Atlas Arteria aims to invest in businesses that regard environmental and social issues as a high priority, or in businesses where there is a capability to create a strong environmental and social focus.

Accordingly, all potential investments are screened for environmental and social risks, including safety and climate change, before presentation to the Atlas Arteria Boards for consideration.

Sustainability policies

We have a suite of corporate policies that sets out our expectations for responsible business. Our ESG risks are managed through our risk management framework, with supporting policies covering: anti-bribery & corruption, risk management, workplace health & safety, environmental & social responsibility, diversity & inclusion and employee conduct. This year we introduced our Supplier Code of Conduct, formalising our expectations of suppliers.

These policies are available on the Atlas Arteria website at https://www.atlasarteria.com/sustainability/framework-policies-stakeholders?scroll=policy

Both the corporate team and management at our wholly-owned businesses have been trained on the policies and copies are available to all staff.

Stakeholder engagement

We are open and transparent about how we do business. Clear dialogue with our stakeholders is important to building strong relationships, maintaining trust and enhancing our business performance for the long-term.

Our key stakeholders include our securityholders, portfolio company employees, customers, governments and regulators, co-investors, suppliers and the wider communities in which we operate.

2020 has reinforced the need to be responsive and agile. We have worked to keep ourselves informed, proactively engage with our stakeholders and understand and address changing concerns, expectations and demand.

SUSTAINABILITY

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.

Key achievements and delivery of the 2020 priorities

- Improved safety metrics across the businesses
- Implemented standardised safety reporting rules, including near-miss reporting, across Dulles Greenway and Warnow Tunnel
- Held a Safety Week in June 2020 at APRR
- Completion of a customer study at Warnow Tunnel to address dangerous driving behaviours
- Completed trials of the connected safety boot at APRR, due for staged roll out from 2021
- Implementation of operational software, Asset Vision, at Dulles Greenway

Number of lost time injuries

	2017	2018	2019	2020
Head office	NA	NA	0	**0**
APRR	29	26	25[1]	**13**
Warnow	0	0	1	**0**
Dulles Greenway	0[2]	0	0	**0**

Lost time injury frequency rate

	2017	2018	2019	2020
Head office	NA	NA	0	**0**
APRR	5.7	5.2	5.0[1]	**2.7**
Warnow	0	0	14.9	**0**
Dulles Greenway	0[1]	0	0	**0**

Safety of our people

With the onset of COVID-19, new ways of doing business have been introduced to maintain the health and safety of our employees and customers.

Across our networks, we have accelerated the move to contactless payment options, revised customer support offerings, modified work processes for employees, and provided gloves, masks and face shields for cashiers. Business preparedness and continuity plans have been revised and working from home arrangements were implemented where possible. This is on top of the day-to-day safety initiatives that have continued across our businesses.

We pursue a safety culture, where every person thinks safety-first. This is true from the top down, with 'safety moments' integrated into Board agendas to reinforce safety knowledge and awareness.

APRR has introduced '15-minute safety sessions' encouraging employees to make individual commitments to risk prevention. Managers are specifically trained to facilitate these. APRR also ran a Safety Week in June 2020, led by key staff (see case study). Near-miss reporting continues at Dulles Greenway. Warnow Tunnel will begin reporting near-misses from January 2021. Safety reporting is now standardised at our fully controlled entities.

Opportunities to share learnings are also pursued, both internally and with contractors. Dulles Greenway holds combined safety meetings with contractors throughout the year to review performance and identify risks and mitigating activities. Actions identified for 2021 include exploring opportunities to modernise equipment and reorganise the winter operations centre to improve safety.

Motorway employees undertake regular safety training, incorporating both operational elements (e.g. working safely outdoors, and preventing slips, trips and falls) and online safety (e.g. on cyber threats and best practices).

APRR operates a safety training centre in Bourg-en-Bresse. raising awareness around risks of the motorway work environment. The training is enhanced through virtual reality and computer-based learning. SafeStart training, initiated in 2016 for operational employees, was due to be rolled out to all employees by 2020. This was delayed due to COVID-19, and the training will recommence in 2021, when safe to do so.

Road user safety

We work hard to ensure the safety of our roads. Motorway maintenance is a key factor in this. We focus on ensuring that our customers experience comfort and safe driving conditions on their journeys. On APRR and AREA alone, around €100 million per year is devoted to maintaining pavement and engineering structures, while quarterly external Asset Risk Management reviews are undertaken at Warnow.

In 2020, Dulles Greenway implemented software to support its maintenance and operations activities (see case study). Capital works on the Greenway also seek to offer better driving conditions, with a reconfigured ramp at the west end of the road and additional lane at the east. The Greenway's safety record continues to improve. Between 2014-2019, it experienced less than 8% of the injury rate occurring on other Virginia and Loudoun County roads.[3]

1 Restatement of 2019 number of lost time injuries and LTIFR for APRR is required due to a reclassification of injuries by Social Security as work place related incidents. The 2019 lost time injuries have therefore been restated from 23 to 25, and the 2019 LTIFR from 4.6 to 5.0.
2 An employee received treatment for a back injury in 2018 that was thought to have been related to a December 2017 work incident (that did not result in serious injury at the time). The injury and incident have since been found to be unrelated. This has led to the restatement of the 2017 LTIFR from 11.3 to 0.
3 On average there were 6.5 accidents with injuries per 100 million vehicle miles travelled (VMT) on the Greenway between 2014 and 2019. Loudoun County roads experienced 84.1 injuries per 100 million VMT over the same period, with Virginia experiencing 95.7. The 2020 accident rate for Dulles Greenway was 3.9 accidents with injuries per 100 million VMT, compared with 4.4 in 2019.

To address dangerous driving at the toll plaza, Warnow Tunnel has undertaken a customer behaviour study to identify and address underlying causes. Findings indicate adjustments to signage and payment options may provide improvements. In 2021 we will establish an implementation plan for improvements, and work with the local authorities for approvals, where necessary.

We also aim to improve road user safety and awareness. For example, APRR's updated customer website (https://voyage.aprr.fr) regularly seeks to raise customer awareness around safety issues, e.g. on the risks of poorly maintained tires and the best times to change them for summer/winter use.

Case study

ASSET VISION AT DULLES GREENWAY

In September 2020, Dulles Greenway implemented Asset Vision software for operational excellence. This provides a platform for comprehensive reporting on assets under management, from inspections and maintenance to construction work. Amongst other things, it enables clear documentation of any safety issues identified and informs all users on current activities and issues on the Greenway.

Assets under management include pavement, bridges, buildings, road restraint systems, signs, gantries, culverts, drainage and vegetation areas.

Case study

APRR SAFETY WEEK

APRR's Safety Week was held in June 2020. Focused on prevention, it included four dynamic workshops, with a filmed introduction by the CEO. The workshops consisted of exercises focused on matters such as mental agility and effective decision making.

Priorities for 2021

- Continue to embed a safety-first culture amongst our people and across our businesses.
- Implement recommendations of the Warnow customer behaviour study to improve customer behaviour at the toll plaza.
- Continue SafeStart training for all employees at APRR.
- At the Dulles Greenway, explore a better layout for winter operations to better manage safety during the loading of salt, and a larger enclosed maintenance environment.

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. We want to be recognised as a valuable addition to communities, wherever we operate.

Key achievements and delivery of the 2020 priorities

- Opening of France's first reserved carpool lane on the A48 near Grenoble
- Free travel for healthcare providers along the APRR and Dulles Greenway motorways
- Donation of masks to the community by APRR
- Dulles Greenway celebrates its 25-year anniversary
- Completion of the east and west end works to improve ease of travel at the Dulles Greenway
- Development of new digital services at APRR to keep customers better informed of payment, travel and value options

Connecting communities

During 2020, the ability for our communities to connect during COVID-19 has at times been severely reduced.

During widespread lockdowns, the importance of our road networks shifted: from connecting people with work, family, friends and holidays, to connecting communities by ensuring continued commerce and accessibility to delivered-to-door products and services.

Through these turbulent times we have sought to support our communities and customers in meaningful ways. We provided free travel for healthcare workers on Dulles Greenway and APRR, donated face masks in France, and kept customers informed on changing restrictions through our social media and advertising avenues.

APRR has also ensured that truck drivers have appropriate services available in these restricted times. This includes maintaining access to showers, implementing food trucks and opening selected catering rooms to enable drivers to enjoy a rest and hot meal, in addition to take-away provisions.

Underlying these actions, we continue to make improvements to support our fundamental aims: to provide access to jobs, businesses and workplaces, family and friends and other travel needs, and to make travel easy.

Case study

IMPROVING DIGITAL SERVICES

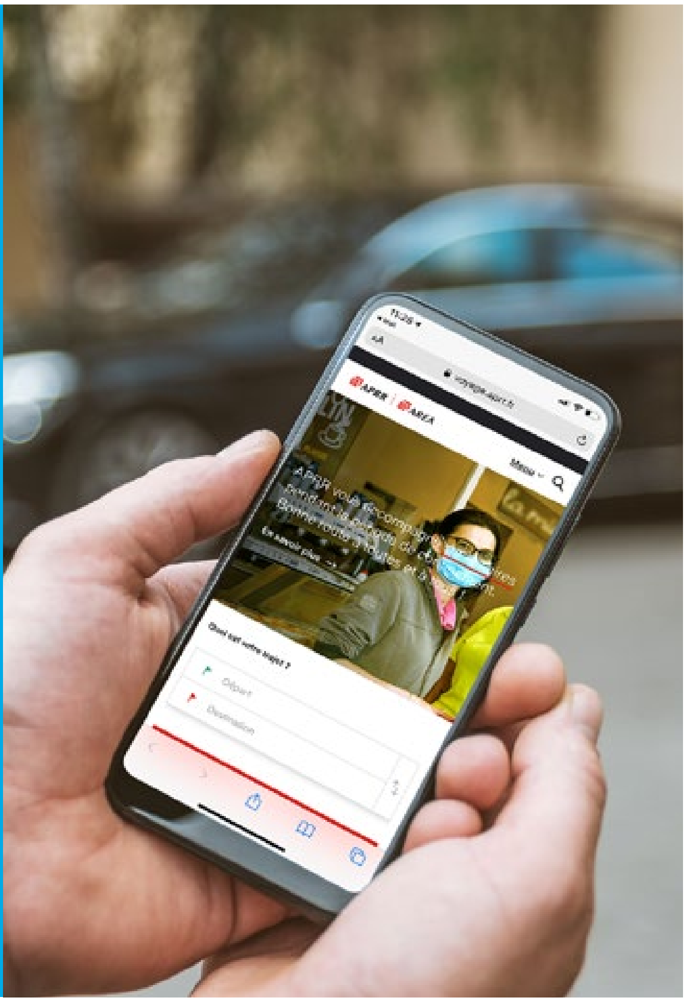
Over the last year, APRR and AREA have worked to offer improved digital services to customers, keeping them informed and providing easy access to information.

APRR's new-look customer website provides real-time information on current and forecast traffic status and roadworks to better anticipate driving conditions.

The *Mango mobilités* app enables customers to easily manage their account, access benefits, track consumption and contact customer service. The associated Amazon Alexa voice application provides quick access to service area information (restaurants, fuel stations, electric charging stations, shops, hotels, etc.) on the go.

Additional tests of new services are also being undertaken. For example, AREA is testing a carpooling app to enable carpoolers to see, in real time, the availability and locations of car parks at the La Grive carpooling area on the A43.

The A48/A43 section between Lyon and Grenoble is also host to testing intelligent transport systems. This enables communication between vehicles, and between vehicles and road infrastructure. The systems will provide equipped vehicles with real-time information, e.g. on traffic conditions, broken down vehicles, construction sites, accidents, ongoing salting and snow removal as well as weather conditions.



Making travel easy

An enduring priority for our roads is to pursue opportunities that respond to/anticipate customer demand and improve customers' ease of travel.

We pursue investments in infrastructure and digital transformation as two primary routes to providing a safe, reliable and efficient driving experience for our customers. Over the last year, this has included:

- Infrastructure improvement projects on the east and west ends of Dulles Greenway help alleviate peak morning and evening congestion and improve safety at merges.
- New and updated digital services and apps for APRR and AREA (see case study).
- Introduction of France's first motorway carpool lane on the A48 (see case study in Environment section).
- Continued testing of free-flow tolling on APRR, intended for use on the new A79 Route. This will remove the need for stopping or slowing at toll plazas, thereby improving safety and reducing greenhouse gas emissions.
- Improved payment facilities on Warnow, including online recharging of pre-paid cards.

Customer satisfaction

This year, customer satisfaction surveys were undertaken on both APRR (including AREA) and Warnow Tunnel.

For Warnow, the survey was the first since 2009. Approximately 1,600 responses were collated, with 82.8% of respondents either satisfied or very satisfied with Warnow Tunnel. Only 2.4% were dissatisfied. Feedback is currently being evaluated and will inform future actions for improvement.

APRR and AREA conduct annual satisfaction surveys. In 2020, 2,567 customers were engaged, with an overall satisfaction rating of 8.1 out of 10 – a rating consistent with the previous two years. Promptly addressing customer complaints is also a focus. Of the almost 20,800 complaints in 2020 (28,270 in 2019), 94.5% were dealt with within 10 days and 99.8% within one month.[1]

Dulles Greenway has proactively addressed issues around unpaid tolls, improving communications and waiving initial administrative fees, where relevant. It is also working with the Virginia Department of Transport Service Centre to match licence plates against EZPass accounts, halving the number of violation letters sent because either there is no transponder in the vehicle or the system fails to register a reading.

Fair pricing and value

Our roads are essential transport routes for millions of people. They offer improved safety, efficiency and comfort for a fair price.

We want customers to proactively choose to travel with us, and we seek additional opportunities to support this. For example, APRR's Fulli service areas, launched in 2019, provide competitive prices on the motorway, particularly for fuel.

On the Dulles Greenway, toll increases will enable further capital investment, ensuring continued delivery of a safer, more efficient and well-maintained alternative travel route for drivers.

Community contributions

Healthy, thriving communities are essential to our business – as we are essential to them.

We make a direct positive economic contribution in the areas we operate, both through taxes that we pay and our voluntary community initiatives.

In France, over €1 million in healthcare worker tolls have been reimbursed as part of APRR and AREA's COVID-support offering. In addition, APRR and AREA contributed around €180,000 in support of flood emergencies, disadvantaged children and families, and culture, sport and science. The long-standing partnership with SPA (Société Protectrice des Animaux) continued, providing financial assistance and awareness raising campaigns to directly address the issue of abandoned animals on rest areas on the motorways.

Warnow has provided a variety of COVID-19 related funding support, including to a university hospital and in aid of the artist community and a women's shelter in Rostock. Almost €177,700 of non-revenue trips were made in 2020.

In 2020, Dulles Greenway paid US$3.6 million in property taxes, reimbursed US$43,000 to healthcare workers, and waived approximately US$800,000 in tolls for groups including school buses, police and firemen. In support of communities, a new Run the Greenway event is planned for May 2021. This replaces the annual Drive for Charity event and seeks to better engage communities, providing a different experience of the motorway while fundraising for local causes.

Case study

CELEBRATING 25 YEARS AT DULLES GREENWAY

2020 marked the 25th anniversary of Dulles Greenway. The 14-mile roadway first opened to traffic on September 29, 1995, connecting Loudoun County to the rest of the Washington Metropolitan Region.

The Greenway offered an innovative solution to construct essential transportation infrastructure for which public tax dollars were not available. Investors sought to stimulate economic development in Loudoun County while preserving its natural environment and beauty.

Over 25 years, the Dulles Greenway has continued to connect commuters to their jobs; the community to recreational venues; and families to each other by providing a safe, predictable and faster transportation option.

Priorities for 2021

- Continue the active stakeholder engagement program developed with the new CEO at Dulles Greenway
- Implement improved customer payment options at Warnow Tunnel
- Continued focus on innovation in our motorways, e.g. in improving digital services and testing new technologies.

1 Approximately 90% of complaints are associated with tolls, where customer entry to the motorway has not been captured (e.g. due to loss of ticket or unread electronic toll badges). The total number of complaints is equivalent to approximately one complaint for every 15,000 transactions. As at 30 November 2020.

OUR PEOPLE

Our people are essential to our success. Their hard work over the past year has underpinned the delivery of our strategy despite the challenges of COVID-19 and associated lockdowns. We have continued to support our people through these challenges. We are committed to building a team of diverse, passionate, driven and innovative people, inspiring and readying teams to deliver sustainable growth.

Key achievements and delivery of the 2020 priorities

- 50% gender balance achieved across Boards, senior management and corporate employees. Our corporate team is split 47%/53% between male and female employees
- Unconscious bias and inclusive leadership training delivered to all corporate employees and Board members
- New Talent Acquisition framework developed, improving how we partner with recruiters to manage candidate diversity and gender balance
- Supported remote working arrangements and provided wellbeing support for employees in response to COVID-19

The 2020 year was a challenging one for everyone. Our people – across our corporate offices and within the portfolio businesses – have positively responded, moving us forward with perseverance and a clear focus on achieving our strategic goals. They have been dedicated in keeping each other and our customers safe, and keeping our communities connected.

Supporting health and wellbeing

Mental health and wellbeing were of paramount concern in 2020. COVID-19 resulted in additional personal and work pressures. From the outset, we proactively worked to support employees through the challenging times and changing work environments.

At a corporate level we introduced a confidential employee assistance and support service providing access to free professional counselling sessions for any staff or family members needing support. Optional wellbeing sessions were also offered. Facilitated by experts, these addressed issues identified by employees and provided practical tips for physical and mental wellbeing.

'Care' and 'Achievement' packages were delivered during lockdown periods to help boost morale. We are also exploring ways to expand on flexible working options that cater to individual differences.

Addressing challenges

Having commenced as a newly independent business in 2019, in 2020 we have been building on these foundations to develop and enhance our employee offering.

Our new Director of Talent and Development has focused our People Strategy. Work has progressed to further develop our inclusive culture and identify improvement initiatives to address issues raised through our employee survey. For example, we have:

- Established more regular meetings between corporate and portfolio teams. These seek to improve communication and address challenges associated with the geographically dispersed nature of the organisation.
- Commenced leadership development sessions for managers.
- Identified coaching needs for individuals on key areas of development.
- Conducted hosted workshops focused on improving organisational efficiency and effectiveness. Recommendations will form an action plan for 2021.

We have launched a learning platform to support employee development and compliance. The initial modules ('Atlas Foundations') focus on core policies including our Code of Conduct, people-related policies and modern slavery.

Case study

COVID-19 SUPPORT AT WARNOW

Our portfolio businesses have been proactive in their response to COVID-19 and support for employees.

In Warnow Tunnel, a Crisis Team was proactively implemented, with weekly staff and crisis meetings to identify and address challenges.

In addition to the provision of safety elements (e.g. procedural changes, installation of protective walls to minimise contact, sanitiser, face masks and shields), offerings have included paid leave for precautionary absence, free flu vaccinations, home office installations and an employee communication group to rapidly disseminate information.

We will continue to build on these elements in the coming year. The platform will also support individual development planning for all employees, providing access to courses to grow technical, professional and leadership skills.

Inclusion and diversity

We recognise inclusion and diversity as key drivers of success. Getting this right promotes a positive culture and strengthens the business through the contribution of different experiences and views.

We were pleased to reach key milestones on our diversity journey during 2020. We achieved our target of a 40% gender balance at Board level, within senior management and across the organisation. With our new Board member joining the Australian Board in March 2021, our combined Australian and Bermudian Boards have a balance of 50% male and 50% female membership overall on a non-executive basis.

We expanded upon our goal to roll out unconscious bias training to all managers, delivering it to all corporate employees and Board members. The course included work on inclusive leadership development, which will be continued in 2021.

Case study

SUPPORTING EMPLOYEES AT APRR

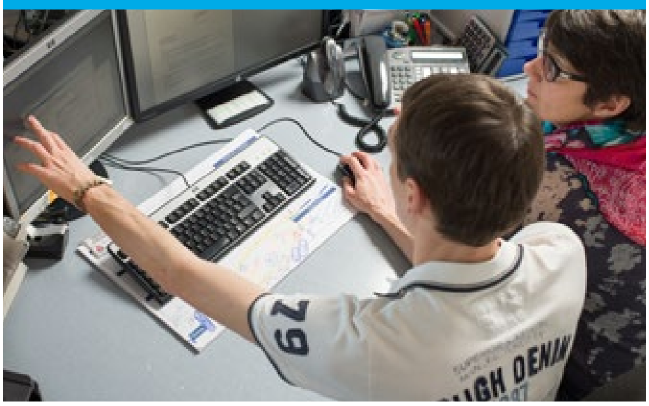
APRR takes great pride and responsibility in maintaining an engaged and effective workforce. It has targeted programs addressing diversity, employee development and wellbeing, to name a few.

It has been recognised for its promotion of diversity and equal opportunities through the award of the Diversity Label from the Association Française de Normalisation. Over 1,100 employees have now completed online training focused on identifying and combatting prejudices and preconceptions. APRR is expecting to train almost 3,200 people by the end of 2021.

Managers have been trained to promote wellbeing at work, identify signs of distress and manage difficult situations.

APRR also has a network of mentors – supporting interns and apprentices on their development journeys, while gaining leadership and management skills themselves.

Finally, despite the challenges of COVID-19, APRR successfully delivered around 46,300 hours of training in 2020. This equates to an average of 14 hours per employee.



We have developed a talent acquisition framework that will provide a consistent approach to recruitment, removing potential bias, driving an inclusive approach and ensuring that we promote candidate diversity. As part of this, we are identifying relevant metrics to capture and report on to assess its effectiveness.

We continue to build strong foundations for the business as it grows. We regularly review and adapt our policies and procedures to support a positive and inclusive culture. Furthermore, we strive to better understand the employee experience, particularly around inclusion and diversity, and to foster a positive experience of these within the organisational culture.

Human rights and modern slavery

Respecting human rights and eliminating modern slavery is crucial to being a responsible business and to living our values.

We have undertaken a review of our exposure to human rights and modern slavery risks and are now embedding a number of processes to help identify and manage these risks in the future.

This includes embedding modern slavery and human rights considerations into: supplier risk assessment reviews and audits; supplier contractual clauses; investment due diligence; and employee compliance training. We also provide an anonymous Whistleblowing service and have introduced a Supplier Code of Conduct, that sets out our expectations as to the standards our suppliers must adopt in their own supply chains.

We are on track to voluntarily release a Modern Slavery Statement in 2021, in line with the reporting requirements set out in the Modern Slavery Act, 2018.

Priorities for 2021

- Maintain our 40% commitment to gender balance and look for opportunities to improve proportional representation across and within specific teams.
- Pursue a broader approach to candidate diversity that challenges current assumptions around fit and better explores diversity of perspective and experience.
- Invest in development for managers that includes a focus on inclusive leadership and team effectiveness.
- Promote greater inclusion for employees as part of the return to the workplace by exploring flexible approaches to work.

Corporate Team [1]	Male	Female	% Male	% Female
Board (Australian)	3	1	75%	25%
Board (Bermudian)	2	3	40%	60%
Boards (total)	**5**	**3[2]**	**62%**	**38%**
Executive Team	3	1	75%	25%
Senior Management	6	9	40%	60%
Other employees	8	9	47%	53%
All employees	**17**	**19**	**47%**	**53%**

1 Excluding contractors
2 Debbie Goodin sits on both the Australian and Bermudian Boards

Portfolio business [1]	APRR	Dulles Greenway	Warnow Tunnel
Male	2,017	10	11
Female	1,218	4	26
Total	**3,235**	**14**	**37**
% Male	62%	71%	30%
% Female	38%	29%	70%

1 Excluding contractors

SUSTAINABILITY

ENVIRONMENTAL STEWARDSHIP

Management of natural resources is a commercial and social imperative as well as an environmental one. Efficient use of resources reduces costs; enabling nature corridors supports the health of our ecosystems; and responsible management can help us to more effectively engage our people, customers and communities.

Key achievements and delivery of the 2020 priorities

- Expanded coverage of GHG emission reporting across all of Atlas Arteria
- Dedicated lane for car poolers, taxis and 'zero-emission' vehicles opened on the A48
- Investing €46.5 million by 2022 on water protection and restoration projects along APRR and AREA
- Continued implementation of 19 wildlife crossings along APRR and AREA as part of the Motorway Investment Plan

We focus on our three key impact areas: managing our greenhouse gas emissions; enabling and educating customers in minimising their impact; and protecting the natural environment.

Greenhouse gas emissions

In our 2019 Annual Report – the first under independent management – we incorporated greenhouse gas (GHG) emission reporting for our largest asset, APRR. During 2020, we have worked to expand on this, and are pleased to be able to present our GHG emissions across our entire portfolio and head office.

With this baseline established, 2021 will focus on developing targeted actions to manage and minimise emissions into the future. For Warnow Tunnel we have already started the process, shifting to a 100% renewable electricity tariff from January 2021.

We have also taken steps to minimise energy use and cost at Dulles Greenway with a move to a smaller office space that is better suited to our employee base.

APRR progressively seeks to test and introduce new initiatives for emissions reduction. We recently expanded our electric vehicle fleet from 9 to 23 vehicles, with around 30 more to join in 2021. We are phasing out our small sedan diesel fleet. The introduction of electric vans is expected by 2023, as technology further develops.

The A40 is also a site for the testing of a new asphalt product, 'Biophalt'. This uses 40% recycled aggregates and replaces petroleum-based bitumen with a plant-based binder, creating a low-carbon alternative to conventional asphalts.

GHG emissions, tonnes CO2e [1]

	Scope 1	Scope 2	Scope 3 [2]	Total Gross Emissions
2017 (APRR)	6,541	1,244	2,135,936	2,143,721
2018 (APRR)	5,942	957	2,212,963	2,219,862
2019 (APRR)	6,027	773	2,230,582	2,237,382
2020 (APRR)	**5,525**	**756**	**1,855,310**	**1,861,591**
2020 (Corporate, Warnow Tunnel and Greenway)	**293**	**887**	**33,361**	**34,542**
2020 total	**5,818**	**1,643**	**1,888,672**	**1,896,133**

1 GHG emissions are calculated based on the GHG Protocol's equity share approach. Atlas Arteria holds a 31.14% interest in APRR. In accordance with this, data represents 31.14% of APRR's calculated GHG emissions. Data for the corporate offices, Warnow Tunnel and Dulles Greenway represents 100% of the calculated GHG emissions.

2 Scope 3 data presented here is limited to customer traffic emissions.

Customer emissions

Customers' use of our roads represents one of the largest sources of GHG emissions associated with our activities.

Our ability to enable customers to reduce their footprint is a priority for us, both to meet emerging customer demand and to mitigate impacts.

The nature of our roads provides benefits compared to standard roads: faster, more consistent driving speeds and reduced congestion generally equates to reduced fuel consumption and emissions.

In addition, we proactively seek opportunities to enable a reduced customer footprint. For example, the new carpooling lane on the A48 (see case study) and dedicated carpooling carparks throughout APRR's network encourage shared-use of vehicles. By the end of 2020, there were 149 electric charging points along APRR's 2,318 kilometre network, including 92 very-high speed charging points.

This year was also the first of APRR's partnership with the STEER eco-mobility program (https://www.steer-ecomobilite.fr/). Coordinated by the Ministère de la Transition Ecologique et Solidaire, the program seeks to educate motorists on the impacts of their travel choices and behaviours. APRR held activities on rest areas of the A39, with additional locations planned for 2021.

We continue to keep abreast of new technology so that we can provide a timely response to developing needs on our networks.

Protecting the natural environment

The extensive nature of motorways means that various environments, habitats and wildlife corridors are at risk of disturbance.

Amongst our portfolio businesses, the wider-spread potential environmental impacts lie with APRR and AREA, with ongoing infrastructure development activities across the 2,318 kilometre network. As well as following the principles of 'avoid, reduce, offset', a comprehensive program of works is undertaken to address potential impacts. For example:

- Investing €46.5 million by 2022 to restore watercourses and wetlands, treat runoff and implement water protection projects.
- Constructing 19 large wildlife crossings by 2023, at an investment of €96 million. Investigations are also being undertaken into best methods for wildlife corridor construction, both to support animal populations and to ensure cost-effectiveness so that more can be built.

- Partnering with the National Forestry Organisation (ONF) to develop a vegetation management plan to address risks of erosion. This includes selection of tree species to stabilise the soils, support biodiversity and keep the roads safe.
- Employing conservation grazing, using sheep and goats to maintain green areas in 11 motorway districts. This reduces chemical use and improves employee safety.
- Managing approximately 8,800 tonnes of waste annually, 75% of which is generated by users of the network. Standardisation of waste collection units and customer awareness campaigns seek to minimise volumes and facilitate recycling.

The Dulles Greenway Wetlands Mitigation Project represents 149 acres of wetlands, established to offset those affected by the road construction. Now a haven for wildlife, Dulles Greenway is currently working in partnership with the American Eagle Foundation and Loudoun Wildlife Conservancy to install an Eagle Camera in the region to enable monitoring of nesting bald eagles.

We continue to pursue an improved salt management framework at Dulles Greenway, to minimise the impact on the surrounding environment. Due to be rolled out in 2020, challenges associated with COVID-19 have delayed implementation. Consultations with contractors have begun and procurement of winter services with improved equipment will deliver a more efficient use of salt and brine from 2021.

Case study

JUGY, THE INNOVATION LABORATORY

An 'innovation laboratory' continues at the Jugy rest area, on the A6 for APRR and AREA. It provides grounds for testing new technologies, the best of which can be rolled out across the network.

Technologies include those improving ease of travel, safety and environmental impact.

Examples include:

- Better resource management, with sensors to identify water leaks and optimise waste collections.
- Designer Cy-Clope ashtrays that collect cigarette butts for recycling into cement.
- Automatic lighting to enhance pedestrian safety.
- Real time information on available parking spaces, visible from the deceleration ramp.

Case study

A48 CARPOOLING LANE

In September 2020, AREA became the first motorway in France to offer a dedicated high-occupancy vehicle lane. Reserved for carpoolers, taxis and 'zero-emission' vehicles, the 8km lane, at the entrance to Grenoble, provides a more reliable travel time in heavy traffic. It seeks to encourage the use of carpooling amongst customers and therefore improve air quality around the city.

The project is the result of three years of work, stakeholder engagement and testing. It has required implementation of technology to count passengers in fast-moving vehicles, and a new Highway Code sign dedicated to carpool lanes in the form of a white diamond.

Climate change adaptation

We are aware of the potential impacts of climate change on our assets and integrate risk assessments into our analysis of new and existing investment opportunities.

As examples, we currently undertake modelling on Dulles Greenway to assess the potential impacts of an increase in extreme weather events on traffic flows. In France, we have observed a reduction in traffic during heatwaves and recognise that an increase in temperatures (and reduction in snowfall) may impact ski-season traffic.

APRR has partnered with Egis on research assessing the effects of climate change on infrastructure, specifically looking at associated geotechnical risks and vulnerabilities. This will inform the development of maintenance strategies for different situations.

Over the next two years we plan to review our existing work against the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and determine next steps towards TCFD reporting.

Priorities for 2021

- Consider options to manage and minimise GHG emissions.
- Roll out 14 additional high and very-high power electric charging stations (excluding Fastned) along APRR and AREA, providing over 94 additional charging points.
- Pursue enhanced biodiversity, preservation of natural environments and improved water resource management over the next three years at APRR.

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. The risk management framework, policy and risk appetite statements are reviewed annually by management and the Boards to ensure the Company's approach continues to be sound and strikes the right balance between effective risk management and the achievement of its strategic objectives.

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

The first line of the 'Three Lines of Accountability' risk management model is the CEO and staff in each of 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 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 practice

Atlas Arteria has identified key risks which it actively manages as part of achieving 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	The business is exposed to higher and lower economic activity across its underlying operations. The impact of COVID-19 on traffic volumes across our businesses in France, Germany and the US brought this into sharp focus. Market conditions can affect Atlas Arteria's ability to achieve its long-term growth objectives.	– 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 economic outcomes and their impact on financial results, access to capital and liquidity across the business, including in periods of lower revenue, such as occurred during the 2020 year. – Assessment of traffic scenarios under various economic and market conditions enables forward based planning.
Government and Regulatory Policies	Changes in government policy or regulations could impact Atlas Arteria's ability to achieve its long-term strategic objectives.	– 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	In 2019 Atlas Arteria undertook a materiality assessment to identify its key areas of focus for environmental, social and governance practices.	– Atlas Arteria has prepared a 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. The Report also includes case studies of how Atlas Arteria is managing sustainability risks. – Atlas Arteria reviews and reassesses material ESG matters on a regular basis including policy debates to ensure that the strategy remains appropriate. – Atlas Arteria is preparing targets relating to various aspects of its sustainability framework in order to monitor progress and success. Scenario assessment forms a key part of the strategy.
Organisational Capability	The corporate team at Atlas Arteria is lean but it is important that at head office and at each business there is sufficient depth, understanding and expertise to effectively deliver on the company's strategy.	– Atlas Arteria has recently developed its talent attraction, development and retention strategy. – There are regular reviews of employee engagement and culture, which are also considered by the Boards.
Technology	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 operate with complete integrity.	– Atlas Arteria and its underlying businesses undertake regular reviews and assess technology suitability across key technology platforms. This includes the security framework and protocols and cyber risk assessments.
Financial Structure	Atlas Arteria and each of its businesses needs to be appropriately structured to best meet strategic objectives, support business development, and provide appropriate returns to securityholders.	– 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. – The equity raise during 2020 removed all corporate debt which provides flexibility for growth, particularly in these uncertain times.
Operational Risk Management	It is important that each business and their operations are managed appropriately to ensure the long-term sustainability of returns through a balance of investment and cash flow management.	– 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 policy framework guide, 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

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 2020 and up to the date of issue of this 2020 Annual Report. 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 and Anti-Bribery & Corruption Policy;
- external communications and market disclosures;
- risk management;
- auditor independence; and
- remuneration and securities trading restrictions.

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

BOARD OF DIRECTORS

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ATLAX BOARD

1 Debbie Goodin
2 Graeme Bevans
3 David Bartholomew
4 Jean-Georges Malcor

ATLIX BOARD

5 Jeffrey Conyers
1 Debbie Goodin
6 Fiona Beck
7 Caroline Foulger
8 Andrew Cook

'Integrity, collaboration and diversity of thought and perspective are fundamental to the operation of our Boards. It is through these values that we build sustainable cashflows and long-term value for our securityholders.'

Debbie Goodin

'Attracting and retaining a high quality, passionate and committed team of global executives has been a focus of the Boards. This year, the calibre of our teams shone through in their effective management of the pandemic.'

Jeffrey Conyers

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

ATLAX BOARD

Debbie Goodin
BEc (AU), FCA
ATLAX Non-Executive, Independent Chairman
ATLAX Nomination and Governance Committee, Chairman
ATLIX Non-Executive, Independent Director
Director of ATLAX from 1 September 2017, Director of ATLIX from 1 November 2020
Age: 54

Debbie Goodin is currently Chairman of ATLAX and the ATLAX Nomination and Governance Committee and is a Director of the ATLIX Board.

Debbie's current non-executive directorships include Australian Pacific Airports Corporation Limited and APA Group. For each of these boards she is the Chair of the Audit and Risk Committee, and also is a member of various Remuneration and Health and Safety Committees.

In addition to her non-executive career, Debbie has deep experience in operations, finance, M&A and corporate services. She has worked for over 20 years globally and in senior roles across both the public and private sectors.

Debbie was formerly on the Boards of Senex Energy Limited, TEN Network Holdings, Ooh! Media, Beyond Bank Australia, Citywest Water Corporation, Mount Hotham Resort Management Board, Doutta Galla Aged Care Services and the Breast Cancer Network Australia. She has also served as a member of the Strategic Finance and IT Committee for Royal Women's Hospital.

Graeme Bevans
ATLAX Executive Director
Director from 1 April 2019 following appointment as CEO of Atlas Arteria
Age: 62

Graeme Bevans is an Executive Director of ATLAX following his appointment as CEO.

Graeme has more than 25 years' experience in the global infrastructure sector, where he has completed the acquisition, development and management of 17 infrastructure businesses with a total enterprise value of over $40 billion.

Prior to joining Atlas Arteria, Graeme was Founder and CEO of Annuity Infrastructure in the UK. He has also held senior roles globally, including as Head of Infrastructure at CPPIB in Canada, Partner at Alinda Capital Partners in the USA, and Head of Infrastructure Investment at IFM Investors in Australia.

Graeme has overseen very complex joint venture arrangements in global infrastructure both in Australia and abroad, particularly in Europe and the Americas. He has served as an active Director of 10 of those investee companies in Europe, Australia, North and South America.

David Bartholomew
BEc (Hons) (AU), MBA (AGSM)
ATLAX Non-Executive, Independent Director
ATLAX People and Remuneration Committee, Chairman
Director from 1 October 2018
Age: 60

David Bartholomew is a Non-Executive Independent Director and Chairman of the People and Remuneration Committee of ATLAX. He also serves on the Boards of Endeavour Energy (the NSW electricity distributor), Power & Water Corporation (the multi-utility owned by the NT Government), and Keolis Downer (provides public transport operation and maintenance services in Australia). David is also External Independent Chair of the Executive Price Review Steering Committee of AusNet Services.

David's extensive management background includes the role of CEO of DUET Group, where he oversaw the ASX listed company's transition to a fully internalised management and governance structure. He also held executive roles at Hastings Funds Management, Lend Lease, The Boston Consulting Group and BHP Minerals. David has also served on the Boards of Interlink Roads (Sydney's M5 Motorway) and Statewide Roads (Sydney's M4 Motorway) representing investors managed by Hasting Funds Management.

He is also a Director of The Helmsman Project, a not-for-profit organisation that provides coaching and development programs for Year 9 students, predominantly in western Sydney.

Jean-Georges Malcor
Ecole Centrale de Paris (Eng), MSc (Stanford)
ATLAX Non-Executive, Independent Director
ATLAX Audit and Risk Committee, Chairman
Director from 1 November 2018
Age: 64

Jean-Georges Malcor is an ATLAX Non-Executive Independent Director and Chairman of the ATLAX Audit and Risk Committee. He is a Non-Executive Director on the Boards of ORTEC and Fives (a construction and engineering company and global industrial engineering group respectively). He is also Chairman of ENSTA Bretagne School of Engineering.

His executive experience includes eight years as CEO at CGG (EPA: CGG), a Euronext-listed French geoscience company in the global oil and gas industry. Prior to this, he spent 25 years at Thales Group (EPA: HO) in France and Australia. In 1999 Jean-Georges became the first Managing Director of ADI (Australian Defence Industry). Jean-Georges has developed a high level of expertise in areas such as organisation, corporate governance, risk mitigation, strategy, technology, financing and restructuring.

He is also an officer of the French Légion d'Honneur Order and National Order of Merit.

ATLIX BOARD

Jeffrey Conyers
BA (Toronto)
ATLIX Non-Executive, Independent Chairman
ATLIX Nomination and Governance Committee, Chairman
Bermuda-based Director since establishment on 16 December 2009
Age: 67

Jeffrey Conyers is the Chairman of the Board of ATLIX and Chairman of the ATLIX Nomination and Governance Committee. He is also a Director of numerous companies in Bermuda and is the former Chief Executive Officer of First Bermuda Securities Limited, which provides advisory and execution services on worldwide offshore mutual funds to individuals and local companies based in Bermuda.

Jeffrey began his professional career as a stockbroker in Toronto and returned to Bermuda in 1985 to join the Bank of Bermuda, where his focus was investments and trusts. He is a Founding Executive Council Member and Deputy Chairman of the Bermuda Stock Exchange.

Jeffrey has previously served on the Boards of MAp Airports International Limited and Intoll International Limited, parts of the previously Macquarie-managed and ASX-listed vehicles MAp Group and Intoll Group respectively.

Debbie Goodin
BEc (AU), FCA
ATLAX Non-Executive, Independent Director
ATLAX Nomination and Governance Committee, Chairman
ATLIX Non-Executive, Independent Director
Director of ATLAX from 1 September 2017, Director of ATLIX from 1 November 2020
Age: 54

See page 34 for full details.

Fiona Beck
BMS (Hons) Waikato (NZ) CA
ATLIX Non-Executive, Independent Director
ATLIX People and Remuneration Committee, Chairman
Bermuda-based Director from 13 September 2019
Age: 55

Fiona Beck is a Non-Executive Independent Director of ATLIX as well as Chair of the ATLIX People and Remuneration Committee, appointed in September 2019. She is also a Director of the Bermuda Business Development Agency working in the technology space.

Fiona is a Director of Ocean Wilsons Holding Ltd, a Bermuda based investment company that operates as a maritime services and port concessions company in Brazil. She is a Director of IBEX Ltd, a technology based company utilising artificial intelligence. She is also a Director of Oakley Capital Investments Ltd, a private equity firm with a portfolio of Technology investments, Education (with an online presence) and a Consumer presence.

Fiona is a Chartered Accountant and her wealth of business and governance experience comes from holding senior executive and governance positions in large infrastructure companies. She was the President and CEO for 14 years of Southern Cross Cable Network, a submarine fibreoptic cable company connecting New Zealand and Australia to the USA.

Her experience provides strategic insights particularly in technology, cyber security, data analysis, and infrastructure asset management in a global environment.

Caroline Foulger
BA (Hons), University of London UK, FCA (UK), CA (Bermuda)
ATLIX Non-Executive, Independent Director
ATLIX Audit and Risk Committee, Chairman
Bermuda-based Director from 19 May 2020
Age: 59

Caroline Foulger is a Non-Executive Independent Director of ATLIX as well as Chair of the ATLIX Audit and Risk Committee. Caroline currently serves as a Non-Executive Director and Chair of the Audit Committee on Hiscox Ltd. She is also a Non-Executive Director, Chair at Catalina Holdings, a Non-Executive Director and Chair of Oakley Capital Investments Limited and a Non-Executive Director of Ocean Wilsons Holding Ltd, a Bermuda based investment company. Caroline has extensive board and executive experience in the financial services sector with a particular focus on insurance 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 (retiring in 2012), leading the insurance practice in Bermuda.

Caroline was the founding Chair of the Bermuda Business Development Agency. She also served in 2017 as a member of the Blue Ribbon Committee regarding the feasibility and financing of a new Bermuda Airport.

Caroline is a Member of the Institute of Directors in the UK and Bermuda.

Andrew Cook
BA (UWO)
CPA (Ontario)
ATLIX Non-Executive, Independent Director
Bermuda-based Director from 26 November 2020
Age: 58

Andrew Cook is a Non-Executive Independent Director of ATLIX. He currently serves as a Non-Executive Director and Chair of the Board of OmegaCat Reinsurance Ltd. He is a Non-Executive Director and Chair of the Compensation Committee at Global Partner Acquisition Group II. He is also a Non-Executive Director of Aspida Re (Bermuda) Ltd.

Andrew has extensive executive, financial, operational and capital market experience. In his executive career he was the founding CFO of several organisations, overseeing the development and growth of accounting, finance, treasury and investor relations departments. He has extensive global M&A experience. While serving as the President and CFO of Harbor Point he structured its merger with Alterra Capital. Following the merger, he served as President of Alterra Bermuda prior to arranging its sale to the Markel Corporation. He also has a proven track record of bringing private companies to the public markets having lead successful IPO's at LaSalle Re, Axis Capital and Global Partner Acquisition Corp.

Most recently Andrew was the Chief Executive Officer of GreyCastle Life Reinsurance, a Bermuda based entity that participated in the life reinsurance run-off space. Andrew was also previously on the Boards of Blue Capital Reinsurance Holding Limited and GreyCastle Life Reinsurance (SAC) Ltd.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

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

	Board		Audit and Risk Committee		Nomination and Governance Committee		People and Remuneration Committee		Ad-Hoc Committees [a]	
ATLIX Directors	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Fiona Beck	23	23	6	6	4	4	5	5	N/A	N/A
Jeffrey Conyers	23	23	6	6	4	4	5	5	2	2
Andrew Cook [b]	1	1	N/A	N/A	1	1	1	1	N/A	N/A
Caroline Foulger [c]	12	12	4	4	3	3	N/A	N/A	N/A	N/A
Debra Goodin [d]	2	2	1	1	1	1	1	1	N/A	N/A
James Keyes [e]	11	10	N/A	N/A	1	1	2	2	N/A	N/A
Nora Scheinkestel [f]	21	20	5	5	3	3	4	4	2	2
Derek Stapley [g]	22	22	5	5	3	3	N/A	N/A	N/A	N/A

	Board		Audit and Risk Committee		Nomination and Governance Committee		People and Remuneration Committee		Ad-Hoc Committees [a]	
ATLAX Directors	Meetings Held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Debra Goodin	23	23	6	6	4	4	5	5	2	2
David Bartholomew [h]	23	23	1	1	4	4	5	5	N/A	N/A
Graeme Bevans	23	23	N/A	N/A	N/A	N/A	N/A	N/A	2	2
Jean-Georges Malcor [i]	23	23	6	6	4	4	1	1	N/A	N/A
Nora Scheinkestel [j]	21	20	5	5	3	3	4	4	2	2

a) Adhoc Committee Meetings were held in relation to the capital raising in May/June 2020.
b) Andrew Cook appointed to the ATLIX Board, Nomination & Governance Committee and People & Remuneration Committee on 26 November 2020.
c) Caroline Foulger appointed to ATLIX Board, Audit & Risk Committee and Nomination & Governance Committee on 19 May 2020.
d) Debbie Goodin appointed to the ATLIX Board, Audit & Risk Committee, Nomination & Governance Committee and People & Remuneration Committee on 1 November 2020.
e) James Keyes retired from ATLIX on 19 May 2020.
f) Nora Scheinkestel retired from ATLIX on 1 November 2020.
g) Derek Stapley retired from ATLIX on 26 November 2020.
h) David Bartholomew appointed to the ATLAX Audit & Risk Committee on 1 November 2020.
i) Jean-Georges Malcor appointed to the ATLAX People & Remuneration Committee on 1 November 2020.
j) Nora Scheinkestel retired from ATLAX on 1 November 2020.

FINANCIAL OVERVIEW

Financial Highlights

Statutory results

Atlas Arteria consolidates both Dulles Greenway and Warnow Tunnel and equity accounts for its investment in APRR and ADELAC. Accordingly, the results for the period at Dulles Greenway and Warnow Tunnel are also consolidated in full into Atlas Arteria's income statement while the results for APRR and ADELAC are disclosed in the 'share of net profits/(losses) in associates' line item. The balance sheet for the Dulles Greenway and Warnow Tunnel are consolidated into Atlas Arteria's balance sheet while the investment in APRR and ADELAC is disclosed in the 'Investments in associates' line item. 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		
	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000	% change
Revenue and other income			
– Toll Revenue	**95,253**	150,368	(37%)
– Other income	**11,397**	24,824	(54%)
Operating expenses			
– Business operations	**(43,420)**	(51,974)	16%
– Corporate costs	**(22,339)**	(18,562)	(20%)
– Macquarie management fees	**–**	(7,488)	–
Finance costs	**(101,302)**	(107,017)	5%
Depreciation and amortisation	**(67,439)**	(70,283)	4%
Share of net profits/(losses) in associates	**196,086**	254,874	(23%)
Income tax (expense)/benefit	**1,346**	3,485	(61%)
Net Profit/(loss) from operations after tax (excluding Notable Items)	**69,582**	178,227	(61%)
Notable Items			
– Transition costs to internalise management	**–**	(2,297)	–
– Macquarie management fees	**(2,051)**	(20,748)	90%
– FX impacts of significant transactions during period (non-cash)	**13,797**	–	–
– Impairments and asset revaluations	**(143,896)**	(165,429)	13%
– Hedge ineffectiveness of the swap for the APRR Transaction	**420**	(5,294)	108%
– Income tax benefit/(expense) of notable items	**6,343**	5,720	11%
Net (loss)/profit from operations after tax	**(55,805)**	(9,821)	(468%)

Given the decline in traffic at the Dulles Greenway, and uncertainty around how the U.S. economy would recover as a result of the COVID-19 pandemic, the Boards of ATLIX and ATLAX determined there was a need to further impair their respective investments in Dulles Greenway during the year by a total of $143.9 million (US$100.0 million), (2019: $165.4 million (US$115.0 million)). This is a 'Notable Item' and was the primary driver behind the statutory loss for the 2020 year of $55.8 million (2019: loss of $9.8 million).

The final management fees paid to the Macquarie Group in 2020 were $2.1 million (€1.2 million) (2019: $28.2 million included the fees paid prior to the termination of the Atlas Arteria Management and Advisory Agreements on 15 May 2019).

Excluding Notable Items, net profits decreased by $108.6 million to $69.6 million. This result reflects the impact of the movement restrictions implemented by governments in Atlas Arteria's jurisdictions to manage the COVID-19 pandemic.

Other items that impacted performance from a corporate perspective included the repayment of the €350.0 million corporate debt facility in June 2020, which reduced finance costs by $5.7 million. Atlas Arteria also operated with a fully internalised management for the full 2020 year, which saw corporate costs increase from $18.6 million in 2019 to $22.3 million in 2020.

FINANCIAL OVERVIEW

Cashflows

Atlas Arteria received two distributions from APRR during 2020, being $206.8 million (€126.4 million) in March based on the second half 2019 year performance, and $104.1 million (€64.2 million) in September, reflecting the first half performance for 2020. Currently distributions from APRR are the primary source of cash for Atlas Arteria, and these cashflows, together with cash on the Atlas Arteria balance sheet, fund corporate costs and distributions to Atlas Arteria securityholders.

In the context of uncertainty around COVID-19, the final 2019 distribution to Atlas Arteria securityholders was cancelled and cash relating to this distribution, together with the proceeds from the placement in May, were used to repay Atlas Arteria's only remaining holding company debt facility totalling $571.3 million (€350 million). Atlas Arteria is now positioned with a more flexible balance sheet to pursue near term growth opportunities as they arise.

The first half distribution for 2020 consisting of an ordinary dividend of 11.0 cps was paid in full by ATLIX on 5 October 2020.

After the distribution paid in October, and operational activities for the year, the corporate balance sheet held $193.7 million in cash as at 31 December 2020.

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 2020 vs 2019: Total Traffic	Performance for 2020 vs 2019: Toll Revenue (local currency)
APRR	90%	(21.0%)	(17.1%)
ADELAC	2%	(28.6%)	(27.0%)
Dulles Greenway	6%	(42.7%)	(42.3%)
Warnow Tunnel	2%	(7.7%)	(6.5%)
Atlas Arteria weighted average[1]		**(22.8%)**	**(19.3%)**

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 0.6949 and AUD/EUR 0.6055).

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

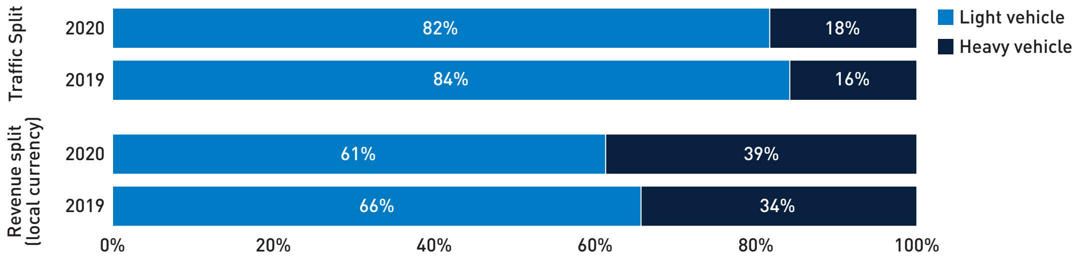
APRR 100% (€m)	2020	2019	% change
Toll revenue	**2,100.4**	**2,534.5**	**(17.1%)**
Other revenue	68.8	76.5	(10.0%)
IFRIC 12 adjustment	345.6	405.0	(14.7%)
Total revenue	**2,514.8**	**3,015.9**	**(16.6%)**
Purchases and external charges	(114.4)	(115.1)	0.6%
Personnel costs	(199.6)	(206.9)	3.5%
Taxes	(309.0)	(353.4)	12.6%
IFRIC 12 adjustment	(345.6)	(405.0)	14.7%
Other	3.3	6.5	(48.8%)
Total operating expenses	**(965.5)**	**(1,073.9)**	**10.1%**
Total EBITDA	**1,549.5**	**1,942.0**	**(20.2%)**
Total EBITDA (proportional, A$m)	**797.0**	**998.9**	**(20.2%)**
Provisions	(56.9)	(63.9)	11.0%
Net interest expense	(98.5)	(118.2)	16.7%
Depreciation and amortisation	(454.0)	(432.7)	(4.9%)
APRR corporate income tax	(310.1)	(458.2)	32.3%
Share of profit/(loss) of associates (incl ADELAC)	0.1	0.4	(82.8%)
Other	(1.8)	5.2	(135.4%)
Consolidated NPAT	**628.3**	**874.7**	**(28.2%)**

Traffic during January and February was strong relative to the prior year with a good ski season and the additional day in February. With lockdown measures implemented in France from the middle of March and again at the start of November, traffic numbers at APRR were down 21.0% for the year. Traffic rebounded strongly following the easing of movement restrictions from 11 May before softening once again in mid-October following the onset of the second wave of COVID-19 and subsequent restrictions in France.

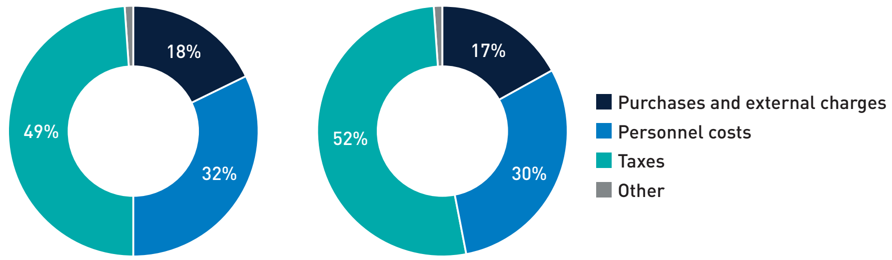
Heavy vehicle traffic was less affected by the imposition of lockdown measures than light vehicles, falling by 14.1% during H1 2020 and only 2.7% for H2 2020 versus the same periods in 2019. Traffic was impacted by reductions in manufacturing production during lockdown periods in the first half of the year, however, the transformation of French industry to be able to operate in a COVID-19 safe manner allowed the continuation of business activity throughout the second half of the year despite lockdown restrictions.

Tariffs for heavy vehicles are approximately three times higher than those for light vehicles and the relative strength of heavy vehicle traffic supported revenue. Total toll revenue for 2020 was €2.1 billion (2019: €2.5 billion) which comprised 61% from light vehicle traffic and 39% from heavy vehicle traffic (2019: 66% light vehicle and 34% heavy vehicle).

Light vehicle/Heavy vehicle Traffic and Revenue Split



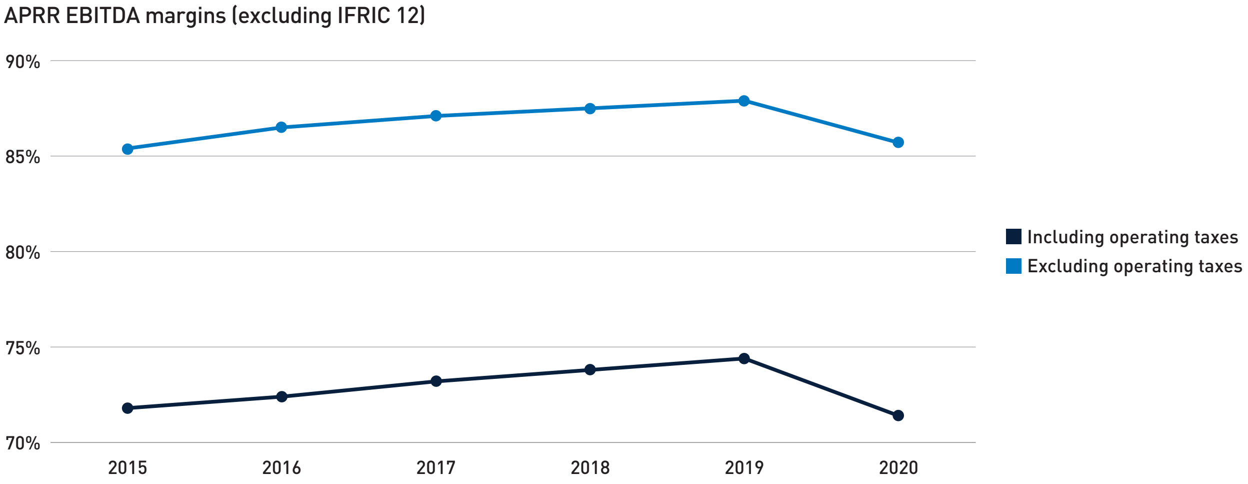
Operating costs (ex IFRIC 12 adjustment) for APRR reduced by 7.4% as a result of the lower traffic impacting variable taxes and employee profit sharing costs and lower maintenance costs with milder winter conditions at the start of the year. Variable taxes are calculated on the basis of vehicle kilometres travelled and APRR earnings and, as a result of lower traffic, these taxes reduced by c.€44 million.



Application of AASB Interpretation 12 *Service Concession Agreements* ('IFRIC 12') relating to capital spend during the year saw revenue of €345.6 million (2019: €405.0 million) offset by a corresponding expense.

Excluding the impact of IFRIC 12, EBITDA margins have progressively improved since 2015 with 2020 being an exception given the impact of COVID-19 movement restrictions on traffic.

FINANCIAL OVERVIEW



Net interest expense at APRR reduced by 16.7% driven by lower interest rates on new Eurobonds issued during the year and negative yields on commercial paper.

During the year, APRR issued $2,477 million (€1,500 million) of Eurobonds and $1,521 million (€921 million) of commercial paper, the proceeds of which were used to repay commercial paper maturities and general corporate purposes. This demonstrates the continued support by the financial markets for the APRR business. 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'. In October, Fitch also increased its short-term rating from F2 to F1 despite the COVID-19 traffic disruption.

As at year end, APRR had €1,120 million in cash on the balance sheet with a €2.0 billion undrawn revolving credit facility.

Warnow Tunnel

	€m			A$m		
Warnow Tunnel 100%	2020	2019	% change	2020	2019	% change
Toll revenue	12.7	13.6	(6.5%)	21.0	21.9	(3.9%)
Other revenue	0.1	0.1	(5.7%)	0.2	0.2	(3.3%)
Total revenue	**12.8**	**13.7**	**(6.3%)**	**21.2**	**22.1**	**(3.9%)**
Total operating expenses	(3.7)	(3.4)	(9.8%)	(6.1)	(5.4)	(13.7%)
Total EBITDA	**9.1**	**10.3**	**(11.6%)**	**15.1**	**16.7**	**(9.6%)**

The performance of the Warnow Tunnel was relatively strong throughout the year, with traffic only 7.7% lower and revenue 6.3% in Euros lower than 2019. This reflects both the benefit from disruption caused by new roadworks on competing routes that began late in Q4 2019 and the low COVID-19 case numbers recorded in the state in which Warnow Tunnel is located which allowed a relatively rapid easing of social restrictions and the resumption of regional tourism.

Traffic returned to growth in the third quarter of 2020, further supported by continuing roadworks on competing routes. In November Germany implemented a second round of movement restrictions, but some business activities, schools, shops and workplaces remained open. However, on 16 December 2020 Germany entered a hard lockdown with all shops except for essential services and some school year levels closed.

Costs at Warnow Tunnel remained reasonably consistent with those in 2019, with reduced variable costs as a result of lower traffic offset by an increase in the scheduled maintenance activity during the year.

As of 31 December 2020, Warnow Tunnel had $8.4 million (€5.3 million) cash on the balance sheet, $10.4 million (€6.5 million) in net assets.

Dulles Greenway

Dulles Greenway	US$m 2020	US$m 2019	US$m % change	A$m 2020	A$m 2019	A$m % change
Toll revenue	51.6	89.3	(42.3%)	74.2	128.5	(42.3%)
Other revenue	0.4	0.4	(2.7%)	0.6	0.6	(2.7%)
IFRIC 12 adjustment	5.8	11.5	(50.0%)	8.3	16.6	(50.0%)
Total revenue	**57.8**	**101.2**	**(43.0%)**	**83.1**	**145.7**	**(42.9%)**
Transaction fees	(1.8)	(3.1)	42.5%	(2.5)	(4.4)	42.5%
Operating and maintenance expenses	(6.8)	(7.7)	12.5%	(9.8)	(11.1)	12.4%
Other operating expenses	(5.0)	(5.2)	2.9%	(7.3)	(7.5)	2.9%
IFRIC 12 adjustment	(5.8)	(11.5)	50.0%	(8.3)	(16.6)	50.0%
Total operating expenses	**(19.4)**	**(27.5)**	**29.7%**	**(27.9)**	**(39.6)**	**29.7%**
Total EBITDA	**38.4**	**73.7**	**(47.9%)**	**55.2**	**106.1**	**(47.9%)**

The Dulles Greenway in Northern Virginia was significantly impacted by COVID-19 lockdown measures given the high proportion of commuter-based traffic serviced by that road. Movement restrictions were in place from 12 March through to 1 July 2020 with new mitigation measures to reduce the spread of COVID-19 announced by the Governor of Virginia in November 2020.

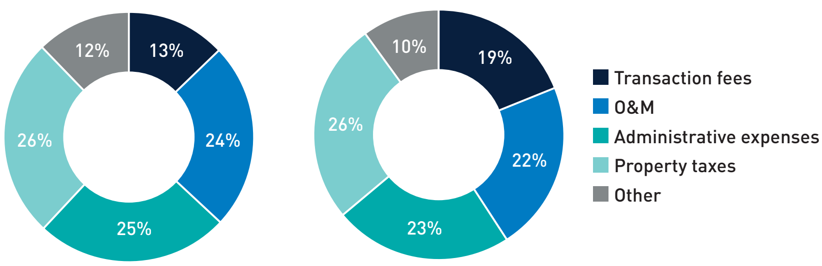
Remote learning was a feature for most of the 2020 year post 12 March as were teleworking arrangements. Customers continue to find value in using the Greenway on weekends, resulting in a stronger recovery in weekend traffic than weekday traffic. During the second half, average weekend traffic was down 26% on the prior year, while weekday traffic was down 45%.

Operating and maintenance costs reduced by 12.5% as a result of a number of factors including the removal of cash tolling and lower maintenance costs required to manage milder snow conditions earlier in the year. The renegotiated agreement with the Virginia State Police came into effect on 1 January 2020, better aligning police activity to traffic volumes, the full benefit of which was a saving of $0.5 million (US$0.3 million) for the year. Reductions to property tax rates became effective from July 2020 decreasing operating costs by $0.8 million (US$0.6 million).

IFRIC 12 applied to completion of the DTR Connector and the West End Works completed during the year which saw revenue of $8.3 million (2019: $16.6 million) offset by a corresponding Business Operation expenses.

2020 operating costs (based on US$ costs)

2019 operating costs (based on US$ costs)



As of 31 December 2020, Dulles Greenway had $282.3 million (US$216.3 million) cash on the balance sheet, $744.7 million (US$570.5 million) in net assets. As previously disclosed, failure to pass the lock-up tests as defined under the debt covenants for this business means that around US$77 million that would otherwise be available for distribution to Atlas Arteria remains included as part of the cash reserves.

REMUNERATION REPORT AUDITED

MESSAGE FROM THE PEOPLE AND REMUNERATION COMMITTEE CHAIRS

On behalf of the ATLAX and ATLIX People and Remuneration Committees (PRCs) and Boards, we are pleased to present the Remuneration Report for the 2020 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.

This year, given the impact of COVID-19 on business performance and the ongoing disruption associated with the pandemic, our approach to remuneration has been to take into account not only the impact of the pandemic, but also to ensure we continue to attract talent and incentivise future performance.

While traffic on our roads was significantly affected by COVID-19 related movement restrictions, our people moved quickly to respond and worked effectively to maintain uninterrupted operations in a rapidly changing environment. Our priority has been to continue operations and ensure the safety and wellbeing of our employees, contractors, suppliers, customers and the local communities we serve.

We have a clear strategy to focus on sustainable cash flows for securityholders and long-term value creation. During the year we undertook and actively pursued activities to achieve these objectives, which have been outlined in the Strategic Framework section on pages 10-11.

We sought to mitigate the impact of the pandemic with disciplined capital management. The final 2019 distribution was cancelled and cash relating to this distribution, together with the proceeds from the equity raise were used to repay the only remaining holding company debt facility within the Atlas Arteria structure. This means Atlas Arteria enjoys a strong liquidity position with improved flexibility to pursue intrinsic growth opportunities.

Other significant achievements during the year included:

- We completed a complex process to open up the US market as a future source of capital with completion of a Security Sale Facility which removed all US based retail investors from the Atlas Arteria share register. This will provide access to new capital for future growth and will benefit all securityholders.
- We completed the transition from an externally managed organisation to an independent internal management team that is actively managing our businesses. Completion of the APRR Transaction saw all management agreements with the Macquarie Group terminated, other than short term transition arrangements which expired in the second half of the year. We are now operating as a truly independent organisation.
- We have a high-quality corporate team in place with strong executive management, negotiation, data management and forecasting capability to support operations teams.
- We have implemented our People Strategy to support growth, development, diversity and inclusion in our team. Consistent with our values, we continued to embed a safety-first culture at both the corporate level and at our underlying businesses.

The first half distribution for 2020 of 11.0 cps was paid in full by ATLIX on 5 October 2020 and reflected the strong and resilient operational performance of APRR in the first half of the year. Following the performance of the APRR business in H2 2020, we are pleased to provide distribution guidance of 13 cents per security. The distribution guidance reflects the business cashflows that Atlas Arteria expects to receive from APRR as a result of its financial performance in H2 2020. The distribution remains subject to continued business performance (particularly in light of COVID-19), movements in foreign exchange rates, and other future events.

FY2020 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. This year, given the impact of COVID-19 on business performance, the Boards carefully considered whether it was appropriate to exercise discretion to change the performance measures or thresholds for incentive payments, and whether to exercise discretion as to the final payments to be made.

The Boards had regard to the fact that, due to the impact of COVID-19, none of the thresholds for incentive payments against financial targets were achieved with the exception of the management of corporate costs. The Boards also considered the efforts of the management team to safely maintain operations and continue to deliver on strategic outcomes which will support long-term securityholder value.

On balance, the Boards concluded that Atlas Arteria's STI performance targets for FY2020 remained appropriate. However, they exercised discretion to deliver the STI awards entirely in restricted securities, with no cash STI awards made to KMP Executives. In doing so, the Boards sought to uphold Atlas Arteria's consistent focus on ensuring a strong balance sheet and liquidity, while also acknowledging the significant impact of the pandemic on our stakeholders and their expectations.

The fixed pay for senior executives was established in 2018 prior to the internalisation of management and reflected the scale and complexity of the business at the time. As previously advised, in late 2019 the Boards commenced a review of fixed pay to ensure remuneration remained market competitive. This review found that some remuneration levels were materially below competitive benchmarks and not consistent with our strategy to attract and retain a high performing executive team. Accordingly, adjustments were made during the year to the fixed pay of the MD & CEO and CFO to better reflect market benchmarks.

The value of awards under the FY2020 STI and LTI Plans will be based on the fixed pay levels that applied on 1 January 2020.

Further information on the fixed pay review is included in the Remuneration Report at section 6.1.

Enhancements to remuneration structure and disclosures

The Boards are always 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.

As disclosed in the 2019 Report, following a review of the Long Term Incentive Plan (LTIP), changes were introduced to the LTIP for FY2020 and subsequent awards. The review concluded that the use of relative Total Security Return (TSR) as the sole performance hurdle continues to be appropriate. This is further supported by the challenges to setting targets for other measures posed by COVID-19. Given the location of the Groups' businesses and its business strategy, for future LTIP awards, commencing with the 2020 Award, the Boards adopted a new comparator group of over 100 OECD-domiciled companies in the Global Listed Infrastructure Organisation (GLIO) group as a more relevant basis for assessing performance.

The following changes have been introduced for FY2021:

- There will be no increase to the fixed pay for the MD & CEO and the CFO for FY2021.
- NED fees will not increase for FY2021.
- A positive TSR hurdle is being introduced for the FY2021 LTI Award which will apply in addition to the existing relative TSR test. Thus, irrespective of the relative TSR performance, no awards under the FY2021 LTIP 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 will in future be sought on a retrospective basis. This is a change from current practice where approval has been obtained in advance for a maximum number of awards with the final number to be awarded to be determined by the Board.

Enhanced disclosure of STI outcomes incorporating retrospective disclosure of targets and performance against those targets has also been adopted for the FY2020 Report in response to investor feedback.

Remuneration governance

The PRCs are actively involved in ensuring our remuneration policies reflect Atlas Arteria's values and behaviours and encourage appropriate behaviours and actions which are aligned with Atlas Arteria's business strategy, performance and securityholders. Specifically, the PRCs seek to ensure management behaviours are consistent with the creation of value for securityholders, our commitment to diversity and inclusion, and our focus on customers and communities. Activities undertaken by the PRC during the year were focused on enhancing our formal, rigorous and transparent HR and remuneration framework, including developing guidelines for the exercise of discretion over variable pay decisions.

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 KMP Executives. The PRCs provide regular informal feedback on performance to the MD & CEO and KMP Executives throughout the year. At the end of the financial year, the MD & CEO and each of the executive team have their performance assessed against these KPI's and other relevant matters. The formal performance review process has been completed for the FY2020 year, and more information in relation to the outcomes of the process for the KMP Executives can be found at section 6.2 below.

We trust you, our securityholders, find the 2020 Remuneration Report provides clear and informative insights into our executive remuneration policies, practices and outcomes.

David Bartholomew

Atlas Arteria Limited

People & Remuneration Committee Chair

Fiona Beck

Atlas Arteria International Limited

People & Remuneration Committee Chair

REMUNERATION REPORT

This Remuneration Report contains the following sections:

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 2020. 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 C*orporations 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	Chief Financial Officer	1 April 2019
Vincent Portal – Barrault	Chief Operating Officer	1 April 2019
Non-Executive Directors		
Debbie Goodin	Independent Non-Executive Chairman (ATLAX) and Independent Non-Executive Director (ATLIX)	1 November 2020 as Chairman of ATLAX (Director of ATLAX from 1 September 2017) and Director of ATLIX from 1 November 2020
David Bartholomew	Independent Non-Executive Director (ATLAX) PRC Chair	1 October 2018
Jean-Georges Malcor	Independent Non-Executive Director (ATLAX) Audit and Risk Committee (ARC) Chair	1 November 2018 ARC Chair with effect from 1 November 2020
Nora Scheinkestel	Independent Non-Executive Chairman (ATLAX) and Independent Non-Executive Director (ATLIX)	17 April 2015 as Chairman of ATLAX (Director of ATLAX from 28 August 2014); and ATLIX Director from 17 April 2015 (Retired from ATLAX and ATLIX with effect from 1 November 2020)
Jeffrey Conyers	Independent Non-Executive Chairman (ATLIX)	16 December 2009
Fiona Beck	Independent Non-Executive Director (ATLIX) 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
Derek Stapley	Independent Non-Executive Director (ATLIX)	1 June 2010 (Retired with effect from 25 November 2020)
James Keyes	Independent Non-Executive Director (ATLIX)	21 February 2013 (Retired with effect from 19 May 2020)

3. Overview of the remuneration framework

Included below is a summary of the remuneration framework for the management 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 normally delivered 50% in cash and 50% in restricted securities – For FY2020, in view of the impact of COVID-19 100% delivered 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 FY21
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		

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

REMUNERATION REPORT

What changes have been made to the remuneration structure during FY2020 and why?

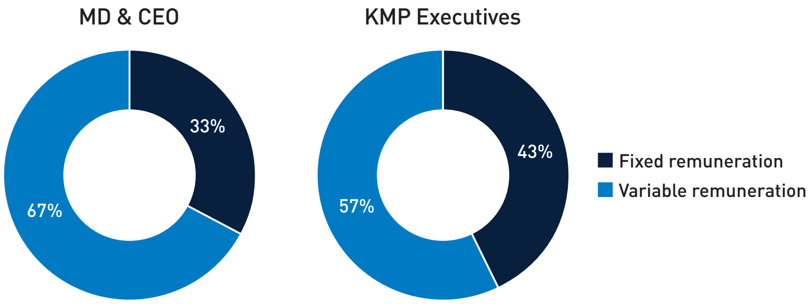
Key changes to the remuneration framework to enhance the alignment between executives and securityholders introduced during FY2020 include:

- STI awards for FY2020 will be delivered entirely in restricted securities with no STI payable to KMP Executives in cash.
- There will be a fixed pay freeze for the MD & CEO and the CFO for FY2021.
- NED fees will not increase for FY2021.
- A positive TSR hurdle is being introduced for the FY2021 LTI Award which will apply in addition to the existing relative TSR test. Thus, irrespective of the relative TSR performance, no awards under the FY2021 LTIP 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 will in future be 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 to be determined by the Board.
- Enhanced disclosure of STI outcomes incorporating retrospective disclosure of targets and performance against those targets.
- As discussed in the 2019 Report, following a review of the LTIP, changes were introduced for a number of aspects of the LTIP for FY2020 and subsequent awards. The review concluded that use of relative Total Security Return (TSR) as the sole performance hurdle continues to be appropriate. This decision was supported by the challenges to setting targets for other measures posed by the impact of COVID-19. Given the location of the Groups' businesses and its business strategy, for future awards under the LTIP, the Boards adopted a new comparator group of over 100 OECD-domiciled companies in the Global Listed Infrastructure Organisation (GLIO) group as a more relevant basis for assessing performance. Please refer to section 5.4 below for further information on the changes to the FY20 LTI Awards

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

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

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



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

- The STI for FY2020 was based on an assessment of performance against a balanced scorecard of financial measures (weighted 70%) and non-financial measures (weighted 30%) linked to key financial and business objectives. For further information regarding the performance outcomes and STI structure for the MD & CEO and the KMP Executives, see section 6.2
- For the long-term incentive component, Atlas Arteria TSR performance is assessed relative to selected local and international companies with similar characteristics to ensure there is alignment between the financial interests of executives and securityholders. For further information regarding the LTIP structure (including the changes introduced for 2020), performance measure, relative TSR comparator group constituents and vesting schedule, see section 5.4.

Information on governance provisions such as clawback, malus, treatment of awards on cessation of employment and change of control is 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 LTIP awards. However, if the Boards do not exercise their discretion, the following default treatments will apply:

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

What did the MD & CEO and KMP Executives receive during FY2020?

The MD & CEO and KMP Executives received fixed remuneration, STI awards delivered in restricted securities and awards under the Groups' long term incentive plan in respect of FY2020.

The STI was awarded for FY2020 based on achievements in operating the business.

An LTIP grant was made for FY2020. This LTIP grant will be assessed against the LTIP performance targets and, if the targets are met, will vest following the conclusion of the performance period ending 31 December 2022. For further information regarding the LTIP performance targets, see section 5.4.

As a result of the impact of COVID-19, the performance hurdle for the FY2018 LTI Award was not achieved and hence no amount has vested.

The Board retains discretion to modify, defer or cancel any awards granted under the STI and LTI plans. While no discretion was applied to modify the amounts awarded under the STI or LTI plans, discretion was exercised to defer 100% of the awards under the STI plan to restricted securities.

4. FY2020 business performance highlights

4.1 Overview of business performance

Notwithstanding the impact of COVID-19 on the business, 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 10 to 11.

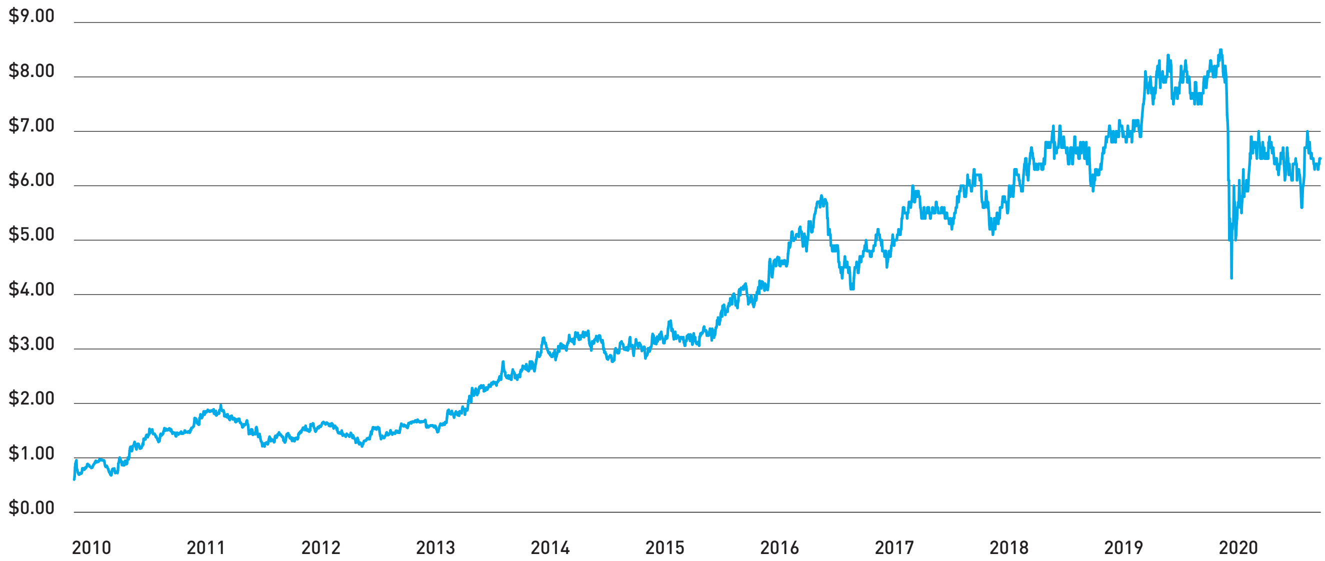
4.2 Atlas Arteria's performance

The following table outlines the key financial metrics over the past five financial years up to and including 2020 that underpin the STI and LTI plans.

	2020	2019	2018	2017	2016
Dividend Payments per Security ($)	**0.11**	0.30	0.24	0.20	0.18
Cash flow per security ($)	**0.31**	0.27	0.26	0.19	0.18
EBITDA proportionate ($m)[1]	**884.8**	923.0	869.4	652.8	562.4
Share price (at year end) ($)	**6.50**	7.83	6.16	6.19	4.92
Total Security Return	**-15.5%**	32.2%	3.4%	30.6%	28.8%

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

ALX share price (2010-2020)



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:

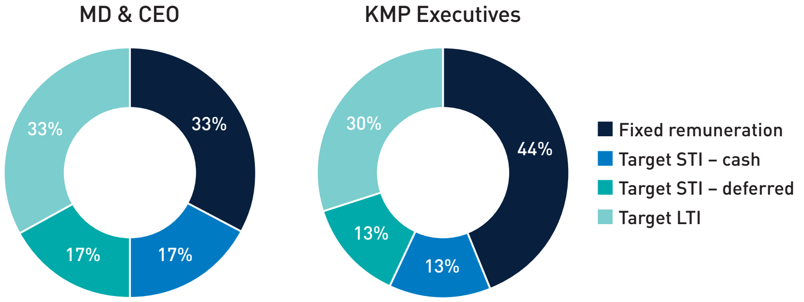
- Is simple to understand, implement and communicate;
- Supports the delivery of the annual business plans whilst also reflecting the long-term needs of the business;
- Reflects the experience of the executive and complexity of the role and business compared to the market;
- Encourages behaviours that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

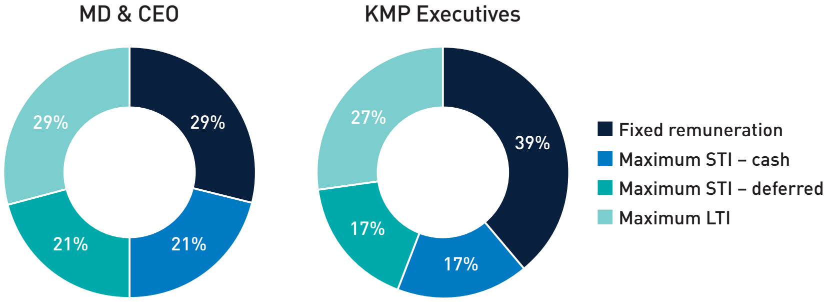
To ensure our remuneration quantum and structure is market competitive, reference is made to the median of a group of comparator companies of similar size and complexity to Atlas Arteria. The remuneration arrangements of selected industry comparators are also considered for each role.

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

Remuneration mix based on achieving 'target' performance*



Remuneration mix based on achieving 'maximum' performance*



* For FY2020, STI awards will be delivered entirely in restricted securities.

Outlined below is further detail regarding the STI and LTI plans for the 2020 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.

Securityholders were advised in the 2019 Report, that the Boards had commenced a review of executive remuneration to ensure our remuneration levels are competitive with companies of similar size and complexity. This review was concluded during the year and further information on the outcomes of the review is included at section 6.1.

5.3 Short-term incentive

Executives, middle management and additional participants as determined by the Boards are eligible to participate in the annual STI plan. Details regarding the STI arrangements of the MD & CEO and KMP Executives are set out below. The size of each STI award is capped at an agreed percentage of fixed remuneration for each executive. The value of the STI payment made at the end of the performance period is a function of performance against a balance of financial and non-financial performance measures aligned with the 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 KMP Executives. When assessing performance, the Boards have discretion to increase or decrease an STI award subject to an overall cap of 150% of Target.
Performance period	Performance is 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 shareholding 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. For FY2020 in view of the impact of COVID-19 on the business, it was decided that 100% of the STI awarded would be delivered in restricted securities.
STI objectives	STI targets were set for FY2020 based on expected performance prior to the impact of COVID-19 and comprised a combination of financial measures and non-financial measures relating to specific strategic outcomes and taking account of culture and behaviours. No adjustment has been made to targets to reflect the impact of COVID-19 on the business.

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 LTIP. Details of the LTIP arrangements of the MD & CEO and KMP Executives are set out below. The size of each year's grant is capped at an agreed percentage of fixed remuneration for each executive. The value of the LTIP award made at the end of the vesting period is a function of:

- Atlas Arteria'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.

During 2019, the Boards and the PRCs reviewed a number of aspects of the long term incentive plan and as a result the following decisions were made in relation to the awards made under the LTIP in 2020 (no changes were made to the terms of the awards for previous years):

1. To continue to use relative Total Security Return (relative TSR) as a sole performance hurdle given the current strategic focus of the business on longer term value creation and business optimisation. The Boards concluded this year given the impact of COVID-19 on setting reliable targets measures such as EBITDA or cash flow are not currently the most appropriate performance measures. The Boards acknowledge as the business evolves it may be more appropriate to introduce a suitable further measure/s in addition to relative TSR for assessing LTIP performance;
2. To adopt a new peer group for assessment of relative TSR comprising OECD-domiciled companies in the Global Listed GLIO in respect of future LTIP awards. The GLIO is an organisation that provides a global platform for information on listed infrastructure companies and includes approximately 125 OECD-domiciled members that represent approximately $3,765bn (as at 1 January 2020) in market capitalisation. The GLIO was selected as it is a larger and less volatile measure than the current peer group and is specific to the infrastructure sector rather than being a mix of infrastructure and property organisations;
3. To use a volume weighted average security price (VWAP) over a 40 business day period at the start and the end of the performance period for the calculation of TSR performance in place of the current point to point calculation. A 40 business day averaging period for calculating the security price for TSR performance helps to eliminate the impact of short term security price movements on vesting outcomes; and
4. To continue to use a 10 business day VWAP for the period following release of the Groups' annual results for calculating the security price on which to base the number of securities to be issued for each LTIP Award.

Element	Description
Opportunity	The maximum grant value of LTIP opportunities represents 100% of fixed remuneration for the MD & CEO and 70% of fixed remuneration for the KMP Executives. The number of awards granted is based on face value. For FY2018, the number of awards granted was determined based on the 10 day VWAP immediately following the 2019 Annual General Meeting (which was held on 15 May 2019). For FY2019 and subsequent years, the number of awards to be granted 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 measures.
Performance measure	LTIP performance is assessed against relative TSR. Relative TSR was selected as the sole performance measure as it measures security holding value creation objectively, can be used for comparing performance across different jurisdictions and is widely understood and accepted by stakeholders. For the FY2018 and FY2019 grants, Atlas Arteria's TSR performance will be 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. For the FY2020 grant, Atlas Arteria's TSR performance will be assessed against a group of approximately 125 OECD-domiciled companies included in the GLIO as at 1 January 2020. The comparator group may, at the discretion of the Boards, be adjusted to take into account events during the Performance Period including, but not limited to takeovers, mergers, de-mergers or de-listings, so that the outcome appropriately reflects the circumstances. An adjustment has been made to the peer group for the FY2018 and FY2019 awards to reflect the change of ownership of Genesee & Wyoming and Zayo Group which are now in private ownership.
Vesting schedule	Relative TSR performance is assessed on a sliding scale, with vesting determined as follows: (see table below) The Boards retain discretion to adjust the relative TSR measure in exceptional circumstances if considered appropriate so that participants are neither advantaged nor disadvantaged by matters outside management's control.
Performance period	Performance is measured over a three year performance period, from 1 January to 31 December. The performance for 2020 grant will be measured from 1 January 2020 to 31 December 2022.
Vesting and allocation of securities	If and when the Boards determine that the relative TSR performance measure has been achieved, the performance rights will automatically be exercised, and the relevant number of securities will be allocated.
Distribution equivalents	Distribution equivalents will be payable (via a grant of securities or a cash payment, at the Boards' discretion) on performance rights that have vested, to the value of any distributions paid during the performance period in respect of an equivalent number of Atlas Arteria securities.

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%

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

5.5 Employment contracts

The remuneration and other terms of employment for the MD & CEO and KMP Executives are formalised in executive contracts. Key contractual terms in place for FY2020 are outlined below.

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

6. FY2020 Remuneration outcomes

6.1 Fixed pay

Securityholders were advised in the FY2019 Remuneration Report that the Boards had commenced a review of executive remuneration to ensure our remuneration levels are competitive with companies of similar size and complexity. Executive remuneration levels had previously been determined in 2018 prior to the successful internalisation of management and hence had not taken into account changes in the breath and scale of the business since that time.

The review was undertaken with the assistance of an independent remuneration consultant. The review was conducted by comparing Atlas Arteria's remuneration levels with a group of comparable ASX listed companies selected on the basis of similar businesses, scale of operation and skill requirements.

In undertaking the review, the Boards were very mindful of the impact of COVID-19 and the consequential short term impact that it is having on the business. The Boards also appreciated the need for exercising restraint and using discretion to adjust remuneration outcomes commensurate with the impact of the downturn on securityholder returns and taking into account community expectations and the impact on customers.

The Boards considered that, there were a number of important factors to support proceeding with the review and to justify increases in remuneration levels to align more effectively to market.

- The scope of the roles has developed since the internalisation of management on 1 April 2019 with the roles now more clearly defined and the Senior Executive Team having demonstrated their capability and expertise in their respective roles and as a management team.
- Several important strategic initiatives having been successfully implemented to enable the generation of sustainable cash flows to investors, including internalisation of the management and governance of the business, and the accretive acquisition of an additional interest in APRR.
- Management's timely and effective response to the downturn caused by COVID-19 including among other things, successfully negotiating with corporate lenders to obtain relief from debt covenants if required and subsequently strengthening and enhancing the resilience and flexibility of the balance sheet to support future growth through the oversubscribed $495 million equity raise and subsequent pay down of the corporate debt.

Given the scope of each role, the experience and capability of each executive relative to peers, the following took effect:

- MD & CEO – an increase in annual fixed remuneration to $1,300,000 from 1 September 2020.
- CFO – an increase in annual fixed remuneration to $675,000 from 1 January 2020 and to $710,000 from 1 September 2020.

Whilst acknowledging the need to ensure that our people are remunerated competitively, the Boards also acknowledge the impact that COVID-19 has had on our businesses and securityholders. In this regard, the Board have responded appropriately by introducing the following measures at the time of the fixed pay review:

- The exercise of Board discretion to award 100% of the 2020 STI award as deferred equity. Under the STI Plan Rules, STI awards are normally paid 50% in cash and 50% in deferred equity, vesting in 12 months.
- Introduction of a positive TSR requirement in addition to the existing relative TSR measure for the LTI grant to be made in 2021. The effect would be that an LTI award would not vest if the absolute Total Securityholder Return is not positive, even if the TSR relative to peers would mean that an LTI payment would otherwise be made.
- Implement a remuneration 'freeze' for 2021, with the next review of remuneration for the MD & CEO and the CFO to be conducted in 2022.
- Securityholder approval for awards of Restricted Securities under the STI Plan to the MD & CEO will in future be sought on a retrospective basis for the actual number of awards required to be made.
- A pay review increase for the MD & CEO undertaken earlier in the year was deferred to take effect on 1 September and potential STI and LTI awards have been calculated on the fixed pay rate in place prior to the increase.

6.2 Short term Incentive Plan

STI performance in respect of FY2020 was assessed based on a combination of financial and non-financial measures.

As noted above the Board exercised discretion to amend the terms of the STI Awards for FY2020 for the MD & CEO and the KMP Executives to provide for 100% to be withheld and awarded in Atlas Arteria Restricted Securities.

Details of the FY2020 STI Awards for the MD & CEO and KMP Executives 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 FY2020. The factors considered by the Board in relation to the exercise of discretion included:

- The 2020 total remuneration for each of the Senior Executive Team would be significantly lower than 2019, as none of the financial STI targets (which account for 70% of the STI award), except for the KPI relating to corporate costs, were likely to be met.
- The value of deferred equity held by each executive in the STI and LTI Plans and the value of their personal holdings of ALX securities has been reduced as a result of the impact of COVID-19 on the ALX share price.
- The probability of existing LTI awards vesting deteriorated significantly during 2020, as the peer group includes a number of listed utilities that have not been as severely affected by the downturn as toll road companies and property companies. The 2018 Award did not vest when performance at 31 December 2020 (the end of the performance period) was assessed primarily due to the impact of COVID-19 and the 2019 and 2020 awards are currently tracking below levels required for vesting for similar reasons.

6.2.1 MD & CEO

Performance area	Weighting	Target	Result	Commentary
Proportional adjusted EBITDA (proportional performance of each business at constant exchange rates)[1]		$1,190m	$909	– As a result of the impact of COVID-19 restrictions on the operations of the businesses, proportionate EBITDA on a constant currency basis was below threshold
Free Cashflow Received from Operations (at constant exchange rates)		$370m	$293	– Distributions from APRR are the primary source of cash from operations and were adversely impacted by the reduced revenue from operations due to COVID-19, resulting in a below threshold outcome
Distributions of $0.36 per Security[2]		$0.36	$0.11	– The first half distribution for 2020 of 11.0 cps was paid on 5 October 2020, a below threshold outcome
Corporate operational expenditure (excluding costs of STIs and LTIs, special projects and at constant exchange rates)[3,4]		$20.7	$20.5	– Corporate costs for the year were managed effectively with an above target outcome achieved
Total financials	**70%**		**11%**	
Strategic STI objectives were set for the following areas of activity – Corporate development and M&A activity – Restructuring the capital structure of businesses – Cultural change				Significant achievements against the strategic objectives included: – Successfully lifted our stake in APRR from 25% to just over 31% in March 2020 increasing our share of profits and enhancing our governance rights – Completed during 2020 the transition from an externally managed portfolio to an independent internal management team that is actively managing our businesses – Completed $495 million oversubscribed equity raise in mid-year. The proceeds were used to repay the corporate debt facility, strengthen the balance sheet and increase resilience and flexibility to pursue growth opportunities – 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'. In October, Fitch also increased its short-term rating despite the COVID-19 traffic disruption. In February 2020, the €1.07 billion Eiffarie debt was refinanced, deferring amortisation to 2023, unlocking around 8cps in distributions for Atlas Arteria in 2020 – Completed the sale facility for U.S. based non-qualified investors, which has unlocked our ability to access future capital from U.S. institutional investors – Completed a Ways of Working Review to provide opportunity to improve job satisfaction and support the development of team capabilities
Total non-financials	**30%**		**28%**	
Total awarded	**100%**		**39%**	

1. ALX proportionate EBITDA at constant exchange rates provides a direct line of sight to management to the earnings performance of the businesses
2. The Boards' objective to mitigate the impact of the COVID 19 pandemic through disciplined capital management and sustainable business practices led to the cancellation of the H2 2019 distribution (for which guidance had previously been given of 18cps)
3. The costs of STI and LTI are not included as they form a significant proportion of the total cost base and decisions around these items can prevent an STI outcome being achieved and remove the incentive to manage costs effectively
4. The costs associated with special projects are removed to avoid any perception of conflict as to whether to pursue or not to pursue special projects. The Boards approve budgets for special projects and maintain governance over the expenditure to ensure proper treatment

6.2.2 KMP Executives

The MD & CEO's STI objectives, both financial and non-financial, for FY2020 were cascaded to the KMP Executives. Their STI outcomes were assessed on a consistent basis with that of the MD & CEO.

6.2.3 Executive STI outcomes

Based on the performance achievement assessments described above, the following STI Awards were made in respect of achievements relating to FY2020.

Name	% of maximum achieved	Value – cash $	Value – equity $	STI forfeited $
Graeme Bevans	26%	0	429,000	1,221,000
Nadine Lennie	27%	0	162,000	445,500
Vincent Portal-Barrault	29%	0	161,277	401,316

6.3 Long term Incentive Plan

The relative TSR hurdle for the FY2018 LTI Award was tested following the end of the performance period on 31 December 2020. The result was at the 27th percentile of the comparator group which was below threshold and hence the vesting outcome was nil.

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.

There was no increase in Non-Executive Director fees during FY2020 and the Board have decided that there will be no increase in fees in FY2021.

The fees payable for 2020 are set out below:

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

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

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

7.2 Aggregate fee pool

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

8. Remuneration governance

8.1 Roles and responsibilities

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

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

8.2 PRC activities during FY2020

The PRCs are actively engaged in ensuring our remuneration and people programmes are contemporary and working as intended. The activities of the PRCs during FY2020 included:

- Approving the STI outcomes for FY19 and setting the STI objectives for FY20, including recommending approval the financial targets to the Boards.
- Monitoring progress against the FY20 STI targets.
- Reviewing the fixed pay levels of the MD & CEO and the KMP Executives.
- 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 a formal security holding policy for NEDs and KMP Executives.
- Consideration of market and regulatory related developments impacting the Groups' remuneration arrangements including adoption of a framework for the exercise of discretion over variable pay decisions.
- Adoption of a policy for dealing with changes to the composition of TSR comparator groups during the performance period.
- Interventions to address the impact of COVID-19 including employee well-being.
- Review progress against the ALX People Plan and Priorities.
- 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 FY2020.

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 both 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	In the event of: – Material non-compliance with any financial reporting requirement or other policies and operating procedures of the Groups; – Fraudulent or dishonest behaviour; or – Misconduct The Boards have discretion to determine that some or all deferred STI restricted security awards and unvested LTIP awards are forfeited	
Cessation of employment	If a participant resigns or is terminated for cause (including gross misconduct), any deferred securities are forfeited, and the participant is not entitled to any further payment of cash STI. If a participant leaves for any other reason, subject to Board discretion, the participant will be entitled to a pro rata payment of cash STI subject to performance and deferred securities will normally stay 'on foot' until the end of the deferred period	If a participant resigns or is terminated for cause (including gross misconduct), unvested performance rights will automatically lapse. If a participant leaves for any other reason, subject to Board discretion, a pro-rata number of unvested performance rights (reflecting the portion of performance period served) will normally stay 'on-foot' to be tested against the performance condition at the end of the original performance period
Change of control	Upon a change of control: – The Boards will determine in their absolute discretion the treatment 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, KMP Executives and securityholders through significant exposure to the movements in securities price and distributions.

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

8.6 Atlas Arteria Securities Trading Policy

The Atlas Arteria securities (windows) trading 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 Executives 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 FY2020

The following table shows the total remuneration for the MD & CEO and KMP Executives for FY2020.

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 [4]	Total remuneration	Performance based pay %
Graeme Bevans	2020	$1,145,318	$109,093	$0	$21,348	$455,062	$637,535	$2,368,356	46.1%
	2019	$1,079,231	($21,992)	$783,637	$20,767	$342,505	$543,035	$2,747,183	60.8%
Nadine Lennie	2020	$665,318	$91,456	$0	$21,348	$214,807	$212,624	$1,205,553	35.5%
	2019	$554,228	$25,078	$259,714	$20,767	$126,860	$166,055	$1,152,702	47.9%
Vincent Portal-Barrault [5]	2020	$617,826	$154	$0	$16,980	$227,666	$203,570	$1,066,196	40.4%
	2019	$583,601	$4,595	$241,712	$16,015	$141,903	$116,886	$1,104,712	45.3%
Total	**2020**	**$2,428,462**	**$200,703**	**$0**	**$59,676**	**$897,535**	**$1,053,729**	**$4,640,105**	**42.1%**
Total	**2019** [6]	**$2,217,060**	**$7,681**	**$1,285,063**	**$57,549**	**$611,268**	**$825,976**	**$5,004,597**	**54.4%**

1. No STI was awarded in cash for FY2020 with 100% of the STI awarded in deferred equity.
2. 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 2020. The valuation has been made using the Black Scholes Option Pricing Model that includes a Monte Carlo simulation analysis. Details of the fair values of equity awards granted during the year are contained in the foot notes in the table titled 'Performance rights held during the year' at 9.3 below.
3. The number of performance rights allocated to each participant is determined based on face value.
4. STI share based payments are expensed from the start of each STI performance period to the end of the relevant restriction period. Hence, the amount disclosed for FY20 includes amounts for STIs awarded in deferred equity in respect of three performance periods – being the two performance periods that ended in FY19 as the restriction periods for those awards ended during FY20 and also an amount for the FY20 STI which was awarded 100% in equity. The comparative figure for FY2019 includes amounts in respect of the 50% of the STI awards made in equity for the two performance periods that ended in FY19.
5. The 2020 remuneration for the Luxembourg based executive was converted to AUD at a rate of AUD $1 – Euro 0.6055 (2019 0.6254). Fixed pay was increased by 2.5% as required by Luxembourg labour law.
6. Although taking up their positions on 1 April 2019, the remuneration disclosures for FY2019 have been included as though they were KMP for the entire year.

9.2 Non-Executive Director statutory remuneration disclosures for FY2020

The following table shows the fees paid to Non-Executive Directors of ATLAX and ATLIX for FY2020.

		ATLAX fees (AUD)			ATLIX fees		
Name	Financial year	Cash salary and fees	Superannuation	Total	Cash salary and fees	Superannuation	Total
Debbie Goodin[1]	2020	$183,842	$17,461	$201,303	14,916 (AUD)	1,417 (AUD)	16,333(AUD)
	2019	$190,365	$17,135	$207,500	–	–	–
David Bartholomew	2020	$157,534	$14,966	$172,500	–	–	–
	2019	$172,100	$15,400	$187,500	–	–	–
Jean-Georges Malcor	2020	$168,983	$1,017	$170,000	–	–	–
	2019	$184,340	$660	$185,000	–	–	–
Nora Scheinkestel[2]	2020	$216,594	$18,064	$234,658	74,926(AUD)	7,118 (AUD)	82,044 (AUD)
	2019	$269,233	$20,767	$290,000	90,736 (AUD)	7,264 (AUD)	98,000 (AUD)
Jeffrey Conyers	2020	–	–	–	160,000 (USD)	–	160,000 (USD)
	2019	–	–	–	179,250 (USD)	–	179,250 (USD)
Fiona Beck[3]	2020	–	–	–	103,563 (USD)	–	103,563 (USD)
	2019	–	–	–	41,292(USD)	–	41,292(USD)
Caroline Foulger[4]	2020	–	–	–	57,508 (USD)	–	57,508 (USD)
	2019	–	–	–	–	–	–
Andrew Cook[5]	2020	–	–	–	8,948 (USD)	–	8,948 (USD)
	2019	–	–	–	–	–	–
Derek Stapley[6]	2020	–	–	–	87,043 (USD)	–	87,043 (USD)
	2019	–	–	–	111,762 (USD)	–	111,762 (USD)
James Keyes[7]	2020	–	–	–	37,692 (USD)	–	37,692 (USD)
	2019	–	–	–	116,000 (USD)	–	116,000 (USD)
Christopher Leslie[8]	2020	–	–	–	–	–	–
	2019	–	–	–	24,500 (USD)	–	24,500 (USD)
Total	**2020**	**$726,953**	**$51,508**	**$778,461**	**$744,259**	**$8,535**	**$752,794**
Total	**2019**	**$816,038**	**$53,962**	**$870,000**	**$764,749**	**$7,264**	**$772,013**

1. Appointed Chairman of ATLAX and Non-Executive Director of ATLIX on 1 November 2020.
2. Retired as a Non-Executive Director, effective 1 November 2020.
3. Appointed as a Non-Executive Director, effective 13 September 2019.
4. Appointed as Non-Executive Director, effective 19 May 2020.
5. Appointed as a Non-Executive Director, effective 25 November 2020.
6. Retired as a Non-Executive Director 25 November 2020.
7. Retired as e a Non-Executive Director on 19 May 2020.
8. Retired as a Non-Executive Director on 1 April 2019.

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 2020, 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. KMP Executives acquire their security holdings from awards that vest under the Groups' equity plans. All Directors and Executives are tracking to meet their security holding requirement on a timely basis.

Non-Executive Directors

Name	Balance at 1 January 2020	Changes	Balance at 31 December 2020	Value at 31 December 2020[1]	Minimum security holding requirement[2]	Date security holding to be attained
Debbie Goodin[3,4]	26,579	6,325	32,904	$213,876	$220,000[11]	Nov-23
David Bartholomew[3]	20,506	4,708	25,214	$163,891	$140,000	Oct-21
Jean-Georges Malcor[3]	20,238	9,838	30,076	$195,494	$140,000	Nov-21
Nora Scheinkestel[3,5]	103,824	4,742	–	–	–	N/A
Jeffrey Conyers[3,5]	42,381	17,457	59,838	$388,947	$104,411	Jul-20
Fiona Beck[3,6]	8,333	10,520	18,853	$122,545	$104,411	Sep-22
Caroline Foulger[7]	–	8,500	8,500	$55,250	$104,411	May-23
Andrew Cook[8]	–	–	–	–	$104,411	Nov-23
Derek Stapley[9]	26,666	12,000	–	–	–	N/A
James Keyes[10]	5,952	17,952	–	–	–	N/A

1. Based on the closing price of Atlas Arteria securities on 31 December 2020 of $6.50. 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 2020 exchange rate of AUD$1 = USD$0.7662.
3. Includes securities acquired in the ALX Share Purchase Plan announced on 28 May 2020.
4. Appointed as ATLIX Non-Executive Director on 1 November 2020.
5. Retired as a Non-Executive Director 1 November 2020.
6. Appointed as a Non-Executive Director 13 September 2019.
7. Appointed as a Non-Executive Director 19 May 2020.
8. Appointed as a Non-Executive Director 25 November 2020.
9. Retired as a Non-Executive Director 25 November 2020.
10. Retired as a Non-Executive Director 19 May 2020.
11. Securityholding requirement based on the sum of the ATLAX and the ATLIX Non Executive Director base fees

MD & CEO and KMP Executives

Name	Balance at 1 January 2020	Changes	Balance at 31 December 2020[1]	Value at 31 December 2020	Minimum security holding requirement	Date security holding to be attained
Graeme Bevans	90,731	62,999	153,730	$999,245	$1,300,000	May-23
Nadine Lennie	20,758	15,834	36,592	$237,848	$355,000	Jul-23
Vincent Portal-Barrault[2]	5,636	33,688	39,324	$255,606	$302,982	Dec-23

1. Based on the closing price of Atlas Arteria securities on 31 December 2020 of $6.50. 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 2020 exchange rate of AUD$1 = Euro 0.6238.

Options

No options over unissued ordinary securities of Atlas Arteria existed or were granted to KMP during FY2020.

Performance rights held during the year

The numbers of performance rights over ordinary securities in the Groups held during the financial year by each KMP Executive 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 2019	Granted in the year ended 31 December 2020 [1]	Exercised in the year ended 31 December 2020	Lapsed in the year ended 31 December 2020	Balance at 31 December 2020	Unvested at 31 December 2020	Value of share rights granted during year [2]
	#	#	#	#	#	#	$
Graeme Bevans	276,758	146,434	0	0	423,192	423,192	502,269
Nadine Lennie	101,268	62,900	0	0	164,168	164,168	315,758
Vincent Portal-Barrault	104,458	61,332	0	0	165,790	165,790	307,887

1. The number of share rights granted during the year under the FY2020 Long Term Incentive Awards which are subject to performance hurdles.
2. External valuation advice from EY has been used to determine the value of the share rights awarded during year ended 31 December 2020. The valuation was made using the Black Scholes Option Pricing Model that includes a Monte Carlo simulation analysis. The value per instrument of the Share Rights granted during the year to the MD & CEO was $3.43 and to the CFO and COO was $5.02.
3. There were 1,000,733 unvested Share Rights on issue at the time of this Report.

Unvested STI Equity Awards during FY2020

During FY2020, awards of restricted securities equal to 50% of their Awards under the Groups' FY2019 STI Plan for the Post Internalisation Period (1 April 2019 to 31 December 2019) were granted to the MD & CEO and the KMP Executives. The securities were restricted for 12 months from the end of the performance period (31 December 2019). Following the end of the restriction period, the PRCs confirmed that all KMP Executives 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 2019	Granted in the year ended 31 December 2020 [2]	Vested in the year ended 31 December 2020 [1]	Lapsed in the year ended 31 December 2020	Balance at 31 December 2020	Unvested at 31 December 2020	Value of restricted securities granted during year
	#	#	#	#	#	#	$
Graeme Bevans	76,214	82,369	76,214	0	82,369	82,369	618,748
Nadine Lennie	20,758	25,834	20,758	0	25,834	25,834	194,062
Vincent Portal-Barrault	5,636	28,850	5,636	0	28,850	28,850	216,718

1. Restricted securities awarded in respect of the FY2019 Pre Internalisation STI Plan. These securities vested in full during FY2020.
2. Restricted securities granted in respect of the FY2019 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 FY2020.

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 2020. The information below also forms part of these Directors' Reports:

– Strategic Framework on pages 10 to 11
– Performance review on pages 37 to 41
– Information on the Directors, Company Secretaries and Directors' meetings on pages 33 to 36
– Risk management on pages 30 to 31
– Remuneration report on pages 42 to 59

An Atlas Arteria stapled security comprises one ATLIX share 'stapled' to one ATLAX share to create a single listed security traded on the Australian Securities Exchange ('ASX'). The stapled securities cannot be traded or dealt with separately.

AASB 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements* require one of the stapled entities of a stapled structure to be identified as the parent entity for the purpose of preparing a consolidated Financial Report. In accordance with this requirement, and consistent with previous reporting periods, ATLIX has been identified as the parent entity of the consolidated group comprising ATLIX and its controlled entities ('ATLIX Group') and ATLAX Group, together comprising 'Atlas Arteria', 'ALX' or 'the Groups'.

All values are in Australian Dollars unless otherwise indicated.

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 currently 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 U.S., Atlas Arteria has 100% of the economic interest in the Dulles Greenway, a 22km toll road in the Commonwealth of Virginia. In Germany, the ATLIX Group owns 100% of Warnowquerung GmbH & Co. KG and its general partner (collectively 'Warnow Tunnel') in the north-east city of Rostock.

Distributions

Distributions paid to securityholders were as follows:

	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Dividend of 11.0 cents per stapled security ('cps') paid on 5 October 2020 [a]	**105,492**	–
Dividend of 15.0 cps paid on 4 October 2019 [b]	**–**	102,505
Distribution of 15.0 cps paid on 5 April 2019 [c]	**–**	102,491
	105,492	204,996

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

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

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

Review and results of operations

Following the successful internalisation of the Group's management in 2019, 2020 was a year of building resilience and capacity for growth under a new and highly experienced international management team. Our businesses started the year with momentum, and this positioned us well to manage the disruption associated with the COVID-19 pandemic and maintain seamless operations throughout various lockdown periods. While traffic across the jurisdictions in which our businesses are located was heavily impacted by movement restrictions implemented in response to COVID-19, the resilience of our road networks during the year demonstrated their importance in delivering critical goods and services effectively and efficiently to the communities they serve.

Risk management was a particular focus during the year, as the business navigated the impacts of COVID-19. Our businesses have remained focused on the health and safety of their people and customers and on behaving in a way that is consistent with the Groups' values and focus on sustainability.

On 2 March 2020, Atlas Arteria acquired a further 6.14% indirect interest in APRR and ADELAC, such that the ATLIX Group has a 31.14% indirect interest in APRR (2019: 25.00%) and 31.17% indirect interest in ADELAC (2019: 25.03%) via a 62.29% (2019: 50.01%) interest in MAF2 SA ('MAF2'). We also secured direct governance rights with participation on the board of directors of each relevant company within the structure.

The Macquarie Group acted as the manager of Atlas Arteria's indirect interest in APRR and ADELAC until the agreement was terminated on 2 March 2020. A new short-term transitional services agreement was in place until September 2020 for which no fees were payable. The final management fees paid to the Macquarie Group in 2020 were $2.1 million (€1.2 million) (2019: $28.2 million included the fees paid prior to the termination of the Atlas Arteria Management and Advisory Agreements on 15 May 2019).

During the year Atlas Arteria undertook a successful $495 million equity raise to restructure the balance sheet, enhance resilience and provide additional capacity for growth.

In the context of uncertainty around COVID-19, the final 2019 distribution was cancelled and cash relating to this distribution, together with the proceeds from the equity raise were used to repay the only remaining holding company debt facility within the Atlas Arteria structure. The equity raising and subsequent repayment of the $571.3 million (€350 million) debt facility in June, positioned Atlas Arteria with a more flexible balance sheet to pursue near term growth opportunities as they arise.

The first half distribution for 2020 consisting of an ordinary dividend of 11.0 cps was paid in full by ATLIX on 5 October 2020.

The statutory results for the year ended 31 December 2020 show a loss for Atlas Arteria of $55.8 million (2019: loss of $9.8 million). The result reflects the weaker performance of the Groups' businesses during the COVID-19 pandemic period and the decision by the Boards of ATLIX and ATLAX at 30 June 2020 to impair their respective investments in Dulles Greenway by a total $143.9 million (US$100.0 million), (ATLIX $119.3 million (US$82.9 million) and ATLAX $24.6 million (US$17.1 million)).

Further details regarding the review of operations can be found on pages 37 to 41.

Risk Management

Atlas Arteria has a clear risk strategy, supported by a positive and proactive risk culture. A robust risk management framework is supported by clear risk appetite statements that enable Atlas Arteria to capture opportunities while effectively managing risk. Risk is an inherent part of Atlas Arteria's business and management of risk is therefore critical to continuing sustainable growth and financial strength.

Further details regarding Atlas Arteria's approach to risk management can be found on pages 30 to 31.

Strategic Outlook

Atlas Arteria management remains focused on driving long-term value and returns to securityholders by pursuing initiatives that meet strategic sustainability outcomes, enhance operational performance, lengthen the tenure of our average concession term, diversify risk and build operational and financial resilience.

DIRECTORS' REPORTS

Significant changes in state of affairs

Acquisition of the 6.14% interest in APRR and ADELAC

On 2 March 2020 the ATLIX Group acquired a further 6.14% indirect interest in APRR and ADELAC ('the APRR Transaction'), securing direct governance rights in respect of its total indirect interest in APRR and ADELAC, including the ability to appoint nominees to the various boards of directors at each company within the APRR corporate holding structure. New shareholder agreements were put in place with the ATLIX Group's co-investors in the APRR structure, and all remaining management agreements with the Macquarie Group were terminated other than the short term transition services agreement which expired in September 2020 and in respect of which no fees were payable.

As part of the APRR Transaction, the ATLIX Group paid a one-off fee to Macquarie Group of $100.0 million and a one-off fee of $103.0 million (€60.8 million) to Eiffage S.A. ('Eiffage'). All these payments were made at completion on 2 March 2020.

Repayment of the €350 million debt facility supported by the $420 million institutional placement

On 28 May 2020 Atlas Arteria undertook an equity raise to restructure the balance sheet, enhance resilience in uncertain times and provide additional capacity for growth. The equity raise consisted of a $420 million Institutional Placement ('Placement') and a non-underwritten Security Purchase Plan ('SPP') which subsequently raised $75 million. The Placement resulted in the issuance of 67.7 million new ordinary stapled securities and the SPP resulted in the issuance of 12.1 million new ordinary stapled securities.

The final distribution for 2019 was cancelled and cash relating to this distribution, together with the proceeds from the Placement, was used to repay the existing $571.3 million (€350 million) debt facility.

Security Sale Facility completed

A Security Sale Facility ('the Sale Facility') was completed during the year which enabled securityholders domiciled in the United States who are not qualified purchasers to divest their holding in Atlas Arteria stapled securities without incurring any brokerage costs.

Atlas Arteria has previously been prevented from accessing U.S. capital markets due to restrictions under the U.S. Investment Company Act. These restrictions applied to Atlas Arteria because of a small number of U.S. Retail Securityholders on its register. With this transaction now completed, Atlas Arteria will be able to access capital from certain existing and new U.S. institutional investors, should it choose to raise capital in the future.

The Sale Facility provided for a 15% premium over the average sale price per stapled security sold over the three trading day period from 28 August 2020 to 1 September 2020 ('Sale Price'). Stapled securities of U.S. Retail Securityholders who did not elect to participate in the Sale Facility were compulsorily sold through the Sale Facility in accordance with Atlas Arteria's Constitution and Bye-laws.

214,191 ordinary stapled securities were sold through the Sale Facility at an average sale price per stapled security of $6.52.

Likely developments and expected results of operations

No change is contemplated to the principal activities outlined on page 60. Significant changes in the state of affairs above discusses the likely developments of Atlas Arteria and the ATLAX group.

Events occurring after balance sheet date

Capital restructure at Warnow Tunnel

On 24 February 2021 Atlas Arteria executed agreements to restructure the capital arrangements at Warnow Tunnel. A new €115.0 million facility (which includes fixed and variable tranches), together with a cash injection of around €42.0 million from Atlas Arteria will be used to repay the existing debt, current hedging arrangements, transaction costs and reserve funding requirements. The cash injection will be funded from cash on the Atlas Arteria balance sheet.

Management is not aware of any other matter or circumstance not otherwise dealt with in the Directors' Reports that has significantly affected or may significantly affect the operations of the Groups or the results of those operations or the state of affairs of the Groups in years subsequent to the year ended 31 December 2020.

Indemnification and insurance of officers and auditors

During the year, ATLAX paid premiums of $1,401,926 and ATLIX paid premiums of $1,413,879 to insure the Directors and Officers of the ATLAX Group and the ATLIX Group. The liabilities insured are legal and defence costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as Directors and Officers of the ATLAX Group and the ATLIX Group, and any other payments arising from liabilities incurred by the Directors and Officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the Directors and Officers or the improper use by the Directors and Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the ATLAX Group or the ATLIX Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. So long as the Directors and Officers of the ATLAX Group and the ATLIX Group act in accordance with the constitutions and the law, the Directors and Officers remain indemnified out of the assets of the Groups against any losses incurred while acting on behalf of the Groups.

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

Environmental regulation

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

Each of our businesses are responsible for adopting and maintaining their own environmental and social risk management framework that complies with the relevant regulation and standards for environmental and social responsibility matters in the country and industry in which the business operates.

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

Rounding of amounts in the Directors' Reports and the Financial Reports

The Groups are of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Directors' Reports and Financial Reports. Amounts in the Directors' Reports and Financial Reports have been rounded to the nearest thousand dollars in accordance with that instrument, unless otherwise indicated.

Application of class order

The Directors' Reports and Financial Reports for Atlas Arteria and the ATLAX Group have been presented in the one report, as permitted by ASIC Class Order 13/1050 and ASIC Corporations (Stapled Group Reports) instrument 2015/838.

Auditor services

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

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.

	ALX	ALX	ATLAX Group	ATLAX Group
	Year ended 31 Dec 2020 $	Year ended 31 Dec 2019 $	Year ended 31 Dec 2020 $	Year ended 31 Dec 2019 $
Amounts paid or payable to PricewaterhouseCoopers Australia for:				
Audit services	**755,094**	503,200	**377,547**	251,600
Other assurance services [a]	**134,000**	213,771	**13,215**	10,043
Other services [b]	**49,500**	–	**49,500**	–
	938,594	716,971	**440,262**	261,643
Amounts paid or payable to Network firms of PricewaterhouseCoopers for:				
Audit services	**506,761**	357,779	**46,233**	38,101
Taxation services [c]	**120,642**	219,785	**–**	–
	627,403	577,564	**46,233**	38,101
Amounts paid or payable to PricewaterhouseCoopers for:				
Audit and other assurance services	**1,395,855**	1,074,750	**436,995**	299,744
Other services	**170,142**	219,785	**49,500**	–
	1,565,997	1,294,535	**486,495**	299,744
Amounts paid or payable to non PricewaterhouseCoopers audit firms for:				
Audit services provided by CERTIS GmbH Wirtschaftsprüfungsgesellschaft ('CERTIS')	**111,132**	100,256	**–**	–
Non-audit services provided by CERTIS	**16,031**	–	**–**	–
	127,163	100,256	**–**	–

(a) Other assurance services in 2020 relate to the equity raise due diligence and TRIP II accounting considerations (2019: Other assurance services relate to the equity raise due diligence and a one off review of performance rights allocation).

(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.

Auditor's Independence Declaration

A copy of the auditor's independence declaration for ATLAX and its controlled entities during the period, as required under section 307C of the *Corporations Act 2001* and an independence declaration for ATLIX and its controlled entities during the period, is set out on page 66.

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

Jeffrey Conyers
Chairman
Atlas Arteria International Limited
Hamilton, Bermuda
24 February 2021

Caroline Foulger
Director
Atlas Arteria International Limited
Hamilton, Bermuda
24 February 2021

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

Debra Goodin
Chairman
Atlas Arteria Limited
Melbourne, Australia
25 February 2021

Jean-Georges Malcor
Director
Atlas Arteria Limited
Melbourne, Australia
25 February 2021

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 2020, 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
25 February 2021

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 2020

This report comprises:
Atlas Arteria International Limited and its controlled entities
Atlas Arteria Limited and its controlled entities

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	ALX Year ended 31 Dec 2020 $'000	ALX Year ended 31 Dec 2019 $'000	ATLAX Group Year ended 31 Dec 2020 $'000	ATLAX Group Year ended 31 Dec 2019 $'000
Revenue and other income from operations					
Revenue from operations		**106,650**	175,192	**13,349**	9,977
Other income from operations		**–**	–	**–**	118
Total revenue and other income from operations	2.1.1	**106,650**	175,192	**13,349**	10,095
Operating expenses	2.1.2	**(279,145)**	(336,781)	**(20,891)**	(16,053)
Finance costs	2.1.3	**(87,085)**	(112,311)	**(1,811)**	(37)
Share of net profits/(losses) in associates	3.2.2	**196,086**	254,874	**(30,338)**	(20,907)
(Loss)/profit from operations before income tax		**(63,494)**	(19,026)	**(39,691)**	(26,902)
Income tax benefit/(expense)	2.4.1	**7,689**	9,205	**–**	–
(Loss)/profit for the year		**(55,805)**	(9,821)	**(39,691)**	(26,902)
(Loss)/profit attributable to:					
Equity holders of the parent entity – ATLIX		**(16,114)**	17,081	**–**	–
Equity holders of other stapled entity – ATLAX (as non-controlling interest/parent entity)		**(39,691)**	(26,902)	**(39,691)**	(26,902)
Stapled securityholders		**(55,805)**	(9,821)	**(39,691)**	(26,902)
Other comprehensive (loss)/income					
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		**(110,976)**	(8,328)	**(9,545)**	981
Gain/(loss) on cash flow hedges	5.4.2	**25,287**	(25,287)	**–**	–
Other comprehensive (loss)/income		**(85,689)**	(33,615)	**(9,545)**	981
Total comprehensive (loss)/income		**(141,494)**	(43,436)	**(49,236)**	(25,921)
Total comprehensive (loss)/income attributable to:					
Equity holders of the parent entity – ATLIX		**(92,258)**	(17,515)	**–**	–
Equity holders of other stapled entity – ATLAX (as non-controlling interest/parent entity)		**(49,236)**	(25,921)	**(49,236)**	(25,921)
Stapled securityholders		**(141,494)**	(43,436)	**(49,236)**	(25,921)
		Cents	Cents	Cents	Cents
(Loss)/profit per share attributable to ATLIX/ATLAX shareholders					
Basic (loss)/profit per share attributable to:					
ATLIX (as parent entity)	2.3	**(1.8)**	2.5	**–**	–
ATLAX (as non-controlling interest)	2.3	**–**	–	**(4.3)**	(3.9)
Basic (loss)/profit per ALX stapled security		**(6.1)**	(1.4)	**(4.3)**	(3.9)
Diluted (loss)/profit per share attributable to:					
ATLIX (as parent entity)	2.3	**(1.7)**	2.5	**–**	–
ATLAX (as non-controlling interest)	2.3	**–**	–	**(4.3)**	(3.9)
Diluted (loss)/profit per ALX stapled security		**(6.0)**	(1.4)	**(4.3)**	(3.9)

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	ALX As at 31 Dec 2020 $'000	ALX As at 31 Dec 2019 $'000	ATLAX Group As at 31 Dec 2020 $'000	ATLAX Group As at 31 Dec 2019 $'000
Current assets					
Cash and cash equivalents	3.1	**260,341**	1,450,221	**52,130**	48,612
Other assets	4.3	**7,301**	143,390	**5,598**	2,094
Total current assets		**267,642**	1,593,611	**57,728**	50,706
Non-current assets					
Restricted cash	3.1	**224,089**	253,904	**–**	–
Intangible assets – Tolling Concessions	4.1	**2,064,339**	2,438,598	**–**	–
Investments in associates	3.2	**2,635,472**	1,363,829	**104,685**	144,589
Goodwill	4.2	**14,091**	14,054	**–**	–
Property plant and equipment		**13,267**	11,249	**2,508**	2,323
Other assets	4.3	**136**	248	**22**	51
Total non-current assets		**4,951,394**	4,081,882	**107,215**	146,963
Total assets		**5,219,036**	5,675,493	**164,943**	197,669
Current liabilities					
Other liabilities	4.4	**(16,300)**	(25,927)	**(5,494)**	(3,377)
Debt at amortised cost	5.1	**(53,212)**	(45,181)	**–**	–
Derivative financial instruments	5.4	**(2,515)**	(33,768)	**–**	–
Total current liabilities		**(72,027)**	(104,876)	**(5,494)**	(3,377)
Non-current liabilities					
Debt at amortised cost	5.1	**(1,470,960)**	(2,129,328)	**–**	–
Deferred tax liabilities	2.4	**(40,395)**	(50,541)	**–**	–
Other liabilities	4.4	**(38,871)**	(34,350)	**(1,600)**	(1,756)
Derivative financial instruments	5.4	**(12,332)**	(12,803)	**–**	–
Total non-current liabilities		**(1,562,558)**	(2,227,022)	**(1,600)**	(1,756)
Total liabilities		**(1,634,585)**	(2,331,898)	**(7,094)**	(5,133)
Net assets		**3,584,451**	3,343,595	**157,849**	192,536
Equity					
Equity attributable to securityholders of the parent – ATLIX					
Contributed equity	5.2	**3,747,750**	3,275,591	**–**	–
Reserves	5.3	**(13,607)**	154,283	**–**	–
Accumulated losses		**(307,541)**	(278,815)	**–**	–
ATLIX securityholders' interest		**3,426,602**	3,151,059	**–**	–
Equity attributable to other stapled securityholders – ATLAX					
Contributed equity	5.2	**202,075**	187,571	**202,075**	187,571
Reserves	5.3	**21,834**	(6,642)	**21,834**	(6,642)
Accumulated losses		**(66,060)**	11,607	**(66,060)**	11,607
Other stapled securityholders' interest		**157,849**	192,536	**157,849**	192,536
Total equity		**3,584,451**	3,343,595	**157,849**	192,536

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 24 February 2021 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: Contributed equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000	Attributable to ATLAX securityholders $'000	Total ALX equity $'000
Total equity at 1 January 2020	3,275,591	154,283	(278,815)	**3,151,059**	192,536	**3,343,595**
Profit/(loss) for the year	–	–	(16,114)	**(16,114)**	(39,691)	**(55,805)**
Exchange differences on translation of foreign operations	–	(101,431)	–	**(101,431)**	(9,545)	**(110,976)**
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)	–	(76,144)	(16,114)	**(92,258)**	(49,236)	**(141,494)**
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	3,747,750	(13,607)	(307,541)	**3,426,602**	157,849	**3,584,451**

ALX	Attributable to ATLIX securityholders: Contributed equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000	Attributable to ATLAX securityholders $'000	Total ALX equity $'000
Total equity at 31 December 2018	1,995,994	190,155	(87,522)	**2,098,627**	229,879	**2,328,506**
Adjustment on adoption of AASB 16	–	–	(1,219)	**(1,219)**	(220)	**(1,439)**
Adjustment to prior period	–	(2,615)	(56,821)	**(59,436)**	–	**(59,436)**
Total equity at 1 January 2019 (restated)	1,995,994	187,540	(145,562)	**2,037,972**	229,659	**2,267,631**
Profit/(loss) for the year	–	–	17,081	**17,081**	(26,902)	**(9,821)**
Exchange differences on translation of foreign operations	–	(9,309)	–	**(9,309)**	981	**(8,328)**
Change in fair value of hedging instrument	–	(25,287)	–	**(25,287)**	–	**(25,287)**
Total comprehensive income/(expense)	–	(34,596)	17,081	**(17,515)**	(25,921)	**(43,436)**
Transactions with equity holders in their capacity as equity holders:						
Issue of securities during the year (refer to note 5.2)	1,304,255	–	–	**1,304,255**	45,745	**1,350,000**
Transaction costs associated with issue of securities (refer to note 5.2)	(25,449)	–	–	**(25,449)**	(2,217)	**(27,666)**
Employee Performance rights (refer to notes 5.2 and 5.3)	791	1,339	–	**2,130**	(68)	**2,062**
Capital return (refer to note 2.2)	–	–	–	**–**	(53,295)	**(53,295)**
Dividends paid (refer to note 2.2)	–	–	(150,334)	**(150,334)**	(1,367)	**(151,701)**
	1,279,597	1,339	(150,334)	**1,130,602**	(11,202)	**1,119,400**
Total equity at 31 December 2019	3,275,591	154,283	(278,815)	**3,151,059**	192,536	**3,343,595**

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 1 January 2020	187,571	(6,642)	11,607	**192,536**
Loss for the year	–	–	(39,691)	**(39,691)**
Exchange differences on translation of foreign operations	–	(9,545)	–	**(9,545)**
Total comprehensive income	–	(9,545)	(39,691)	**(49,236)**
Transactions with equity holders in their capacity as equity holders:				
Employee performance rights (refer to note 5.2)	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**

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

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	
	Note	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Cash flows from operating activities					
Toll revenue received (net of transaction processing fees)		**93,368**	146,332	**–**	–
Interest received		**3,186**	6,824	**192**	1,652
Other income received		**1,760**	1,245	**8,680**	6,519
Property taxes paid		**(5,249)**	(6,091)	**–**	–
Manager's and adviser's base fees paid		**(6,829)**	(31,009)	**(94)**	(1,164)
Payments to suppliers and employees (inclusive of GST/VAT)		**(46,903)**	(40,942)	**(15,439)**	(14,800)
Net income taxes (paid)/received		**(4)**	22	**(4)**	22
Net cash flows from operating activities		**39,329**	76,381	**(6,665)**	(7,771)
Cash flows from investing activities					
Return from associates		**310,866**	238,247	**–**	–
Payment for purchase of investments		**(1,272,692)**	–	**–**	–
Payments to suppliers associated with the purchase of investments		**(2,712)**	(54)	**–**	(50)
Other investments		**(1,593)**	–	**(266)**	–
Additions to tolling concessions (IFRIC 12)		**(9,104)**	(15,424)	**–**	–
Purchase of fixed assets		**(1,438)**	(328)	**(887)**	(76)
Sale of fixed assets		**–**	16	**–**	–
Net cash flows from investing activities		**(976,673)**	222,457	**(1,153)**	(126)
Cash flows from financing activities					
Repayment of debt and interest (including transaction costs)		**(632,748)**	(105,291)	**–**	–
Proceeds from issue of securities (net of transaction costs)	5.2	**483,936**	1,324,176	**12,732**	44,854
Transfer (to)/from restricted cash		**8,744**	(50,054)	**–**	–
Capital return		**–**	(53,295)	**–**	(53,295)
Dividends paid		**(105,492)**	(151,701)	**–**	(1,367)
Lease principal payments		**(1,061)**	–	**(197)**	–
Loan repayment to related parties		**–**	–	**–**	53,633
Net cash flows from financing activities		**(246,621)**	963,835	**12,535**	43,825
Net increase/(decrease) in cash and cash equivalents		**(1,183,965)**	1,262,673	**4,717**	35,928
Cash and cash equivalents at the beginning of the year		**1,450,221**	186,468	**48,612**	12,461
Effects of exchange rate movements on cash and cash equivalents		**(5,915)**	1,080	**(1,199)**	223
Cash and cash equivalents at the end of the year		**260,341**	1,450,221	**52,130**	48,612

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 ('ASX'). The stapled securities cannot be traded or dealt with separately.

AASB 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements* require one of the stapled entities of a stapled structure to be identified as the parent entity for the purpose of preparing a consolidated Financial Report. In accordance with this requirement, ATLIX has been identified as the parent entity of the consolidated group comprising ATLIX and its controlled entities ('ATLIX Group') and ATLAX and its controlled entities ('ATLAX Group'), together comprising 'Atlas Arteria', 'ALX' or 'the Groups'.

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

The Financial Report of Atlas Arteria should be read in conjunction with the separate Financial Report of the ATLAX Group presented in these reports for the year ended 31 December 2020.

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 24 February 2021 and 25 February 2021 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 2020 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

There have been no new accounting standards adopted by the Groups in the year ended 31 December 2020.

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:

- Control assessment (Note 3.2 and 6.2)
- Impairment of assets and associates (Note 3.2)
- Intangible assets – Tolling concessions (Note 4.1)

2 Financial performance

2.1 (Loss)/profit for the year

Revenue recognition

Revenue and other income is recognised as follows:

Toll revenue

Toll revenue from customers is earned as performance obligations are satisfied. A singular performance obligation has been assessed as the use of the road, and the transaction price, which is calculated based on passing through toll points, is fully allocated to this performance obligation. Toll revenue is recognised at the time the customers use the road.

Other revenue

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

Interest income

Interest income is brought to account on an accruals basis.

Construction revenue

Revenue for the construction of service concession infrastructure assets is recognised in line with the progress of construction services provided over time. Progress is measured by reference to costs incurred to date.

2.1.1 Revenue and other income

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

	ALX		ATLAX Group	
	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Revenue from operations:				
Toll revenue	**95,253**	150,368	**–**	–
Other income	**1,030**	838	**13,153**	9,453
Construction revenue from road development activities	**8,273**	16,557	**–**	–
Interest income	**2,094**	7,429	**196**	524
Total revenue and other income from operations	**106,650**	175,192	**13,349**	9,977
Other income from operations:				
Reversal of impairment on financial assets	**–**	–	**–**	118
Total other income from operations	**–**	–	**–**	118
Total revenue and other income from operations	**106,650**	175,192	**13,349**	10,095

2.1.2 Operating expenses

	ALX		ATLAX Group	
	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Operating expenses				
Amortisation of tolling concession	**66,439**	69,273	**–**	–
Cost of operations:				
Toll road maintenance expenses	**12,020**	11,737	**–**	–
Other operating expenses	**8,711**	9,838	**89**	134
Employment costs	**21,660**	20,209	**10,883**	7,705
Total cost of operations	**42,391**	41,784	**10,972**	7,839
Consulting and administration fees	**5,461**	5,655	**3,093**	3,304
Manager's and adviser's base fees	**2,051**	28,236	**–**	792
Net foreign exchange loss	**–**	994	**–**	30
Impairment loss on goodwill (refer to note 4.2)	**–**	66,028	**–**	–
Impairment loss on tolling concession (refer to note 4.1)	**143,896**	99,401	**–**	–
Construction costs from road development activities	**8,273**	16,557	**–**	–
Other expenses	**9,634**	7,843	**6,507**	3,777
Depreciation and amortisation	**1,000**	1,010	**319**	311
Total operating expenses	**279,145**	336,781	**20,891**	16,053

2.1.3 Finance costs

	ALX		ATLAX Group	
	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Interest on debt	**96,239**	100,398	**–**	–
Mark to market (gain)/loss on derivatives	**(1,212)**	2,458	**–**	–
Net (gain)/loss on cash flow hedge ineffectiveness	**(420)**	5,294	**–**	–
Amortisation of issue cost on borrowings from financial institutions (refer to note 5.1)	**802**	2,821	**–**	–
Net foreign exchange (gain)/loss	**(9,745)**	–	**1,777**	–
Other interest	**1,421**	1,340	**34**	37
Total finance costs	**87,085**	112,311	**1,811**	37

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 2020 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Distributions paid				
Dividend paid on 5 October 2020 [a]	**105,492**	–	**–**	–
Dividend paid on 4 October 2019 [b]	**–**	102,505	**–**	–
Distribution paid on 5 April 2019 [c]	**–**	102,491	**–**	54,662
Total distributions paid	**105,492**	204,996	**–**	54,662

	Cents per stapled security	Cents per stapled security	Cents per stapled security	Cents per stapled security
Distributions paid				
Dividend per security paid on 5 October 2020 [a]	**11.0**	–	**–**	–
Dividend per security paid on 4 October 2019 [b]	**–**	15.0	**–**	–
Distribution per security paid on 5 April 2019 [c]	**–**	15.0	**–**	8.0
Total distributions paid	**11.0**	30.0	**–**	8.0

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

(b) The dividend paid on 4 October 2019 comprised of an ordinary dividend of 15.0 cps.

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

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 2020 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Basic earnings/(loss) per ATLIX/ATLAX share	**(1.75)**	2.45	**(4.30)**	(3.85)
Diluted earnings/(loss) per ATLIX/ATLAX share	**(1.74)**	2.44	**(4.30)**	(3.85)
	$'000	$'000	$'000	$'000
Earnings/(loss) used in the calculation of basic and diluted profit/(loss) per ATLIX/ATLAX share	**(16,114)**	17,081	**(39,691)**	(26,902)
	Number	Number	Number	Number
Weighted average number of shares used in calculation of basic earnings/(loss) per ATLIX/ATLAX share	**922,912,181**	698,100,080	**922,912,181**	698,100,080
Adjustment for employee performance rights [a]	**1,028,860**	590,615	**1,028,860**	590,615
Weighted average number of shares used in calculation of diluted earnings/(loss) per ATLIX/ATLAX share	**923,941,041**	698,690,695	**923,941,041**	698,690,695

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

The basic (loss)/profit per ALX stapled security for the year ended 31 December 2020 was (6.05) cps (2019: (1.40) cps) and the diluted (loss)/profit per ALX stapled security for the year ended 31 December 2020 was (6.04) cps (2019: (1.41) cps), using ALX (loss)/profit attributable to ALX stapled security holders of ($55.8) million (2019: ($9.8) million).

2.4 Income Tax

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

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

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

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	
(a) Income tax (benefit)/expense	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Income Tax expense				
Current tax	**14**	(1,972)	**–**	–
Deferred tax	**(7,703)**	(7,233)	**–**	–
Total income tax (benefit)/expense	**(7,689)**	(9,205)	**–**	–
(b) Reconciliation of income tax (benefit)/expense to prima facie tax payable				
(Loss)/profit from operations before income tax	**(63,494)**	(19,026)	**(39,691)**	(26,902)
Prima facie income tax on (loss)/profit at the Australian tax rate of 30%	**(19,047)**	(5,707)	**(11,907)**	(8,071)
Impact of different tax rates of operations in jurisdictions other than Australia	**6,071**	18,683	**1,766**	19
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:				
Non-assessable income	**–**	(37)	**–**	(37)
Non-deductible expenditure	**63,794**	50,029	**695**	351
Share of net (profits)/losses of investments accounted for using the equity method	**(58,826)**	(76,462)	**9,101**	6,272
Temporary differences not brought to account	**(8,107)**	(596)	**423**	109
Deferred tax assets on taxable losses not brought to account	**8,426**	4,885	**(78)**	1,357
Aggregate income tax (benefit)/expense	**(7,689)**	(9,205)	**–**	–
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**377,510**	285,589	**298,010**	284,636
Potential tax benefit of unused tax losses	**97,972**	75,120	**78,658**	74,939

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 €43.1 million expire after 17 years.

2.4.2 Deferred tax assets and liabilities

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

	ALX		ATLAX Group	
	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Deferred tax liabilities				
Opening balance at 1 January	**(50,541)**	(57,709)	**–**	–
Amortisation of deferred tax liabilities	**1,060**	1,558	**–**	–
Impairment impact on deferred tax liabilities	**5,754**	5,675	**–**	–
Foreign exchange movement	**3,332**	(65)	**–**	–
Closing balance at 31 December	**(40,395)**	(50,541)	**–**	–

During 2020 the impairment recognised on Dulles Greenway of $143.9 million (2019: $165.4 million) resulted in a $5.8 million (2019: $5.7 million) decrease in the DTL.

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.

2.5.2 Segment information

The proportionally consolidated segment information for the reportable segments for the year ended 31 December 2020, based on Atlas Arteria's economic ownership interest is as follows:

ALX	Year ended	APRR $'000	ADELAC $'000	Dulles Greenway $'000	Warnow Tunnel $'000	Total ALX $'000	Total ATLAX $'000
Segment revenue	**31-Dec-20**	**1,115,693**	**21,351**	**74,814**	**21,197**	**1,233,055**	**10,050**
	31-Dec-19	1,051,601	22,901	129,088	22,063	1,225,653	17,340
Segment expenses	**31-Dec-20**	**(320,709)**	**(3,928)**	**(21,367)**	**(6,126)**	**(352,130)**	**(2,870)**
	31-Dec-19	(276,836)	(4,164)	(24,556)	(5,441)	(310,997)	(3,299)
Segment EBITDA	**31-Dec-20**	**794,984**	**17,423**	**53,447**	**15,071**	**880,925**	**7,180**
	31-Dec-19	774,765	18,737	104,532	16,622	914,656	14,041
EBITDA margin	**31-Dec-20**	**71%**	**82%**	**71%**	**71%**	**71%**	**71%**
	31-Dec-19	74%	82%	81%	75%	75%	81%

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 assets are $230.8 million (2019: $212.5 million) and liabilities are $220.4 million (2019: $219.4 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 2020 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Reconciliation of segment revenue to revenue				
Segment revenue	**1,233,055**	1,225,653	**10,050**	17,340
Revenue attributable to non-consolidated investments	**(1,137,044)**	(1,074,502)	**(10,050)**	(17,340)
Construction revenue from road development activities	**8,273**	16,557	**–**	–
Unallocated revenue and other income	**2,366**	7,484	**13,349**	10,095
Total revenue and other income from operations	**106,650**	175,192	**13,349**	10,095
Reconciliation of segment EBITDA to profit/(loss) before income tax				
Segment EBITDA	**880,925**	914,656	**7,180**	14,041
EBITDA attributable to non-consolidated investments	**(812,407)**	(793,502)	**(7,180)**	(14,041)
Construction expense from road development activities	**(8,273)**	(16,557)	**–**	–
Impairment of Dulles Greenway	**(143,896)**	(165,429)	**–**	–
Unallocated revenue	**2,366**	7,484	**13,349**	10,095
Unallocated expenses	**(91,210)**	(108,241)	**(20,891)**	(16,053)
Finance costs	**(87,085)**	(112,311)	**(1,811)**	(37)
Share of net profits/(losses) of investments accounted for using the equity method	**196,086**	254,874	**(30,338)**	(20,907)
Profit/(loss) from operations before income tax	**(63,494)**	(19,026)	**(39,691)**	(26,902)

3 Cash and investments

3.1 Cash, cash equivalents and restricted cash

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term and highly liquid investments that are readily convertible to cash with insignificant risk of changes in value. Restricted cash includes funds held in escrow, funds backing guarantees or amounts otherwise not available to meet short term commitments of the Groups and is classified as a non-current asset.

	ALX		ATLAX Group	
	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Current				
Cash and cash equivalents [a]	**260,341**	1,450,221	**52,130**	48,612
	260,341	1,450,221	**52,130**	48,612
Non-current				
Restricted cash	**224,089**	253,904	**–**	–
	224,089	253,904	**–**	–

(a) At 31 December 2019, cash on hand included $1,324.2 million of proceeds from the equity raise which was used to fund the APRR Transaction which completed on 2 March 2020.

3.1.1 Cash and cash equivalents

During the year cash on hand was held in bank accounts earning money market rates of interest between -2.71% and 1.66% (2019: -1.75% to 2.51%) per annum.

Cash equivalents include TRIP II's money market deposits which mature within 30 days and paid interest between 0.1% and 1.64% (2019: 1.37% and 2.44%) per annum.

3.1.2 Restricted cash

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

3.2 Investments accounted for using the equity method

Associates

Associates are entities over which the Groups have significant influence but not control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Groups' investment in associates includes the fair value of goodwill (net of any accumulated impairment loss) identified on acquisition.

The Groups' share of their associates' post-acquisition profits or losses is recognised in profit or loss. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Groups' share of losses in an associate equals or exceeds its interest in the associate, including any long term interests that, in substance, form part of the Groups' net investment in the associate, the Groups do not recognise further losses, unless they have incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Groups and their associates are eliminated to the extent of the Groups' interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Groups.

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 2020 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Investment in associates and joint venture – equity method	**2,635,472**	1,363,829	**104,685**	144,589
	2,635,472	1,363,829	**104,685**	144,589

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

3.2.1 Carrying amounts

			ALX Economic interest	ALX		ATLAX Economic Interest	ATLAX Group	
Name of Entity [a], [e]	Country of Incorporation/ Principal Place of Business	Principal Activity	As at 31 Dec 2020 and 31 Dec 2019 %	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2020 and 31 Dec 2019 %	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
MAF2 [b]	Luxembourg	Investment in toll road network located in the east of France (APRR and ADELAC)	62.3/50.0	**2,635,472**	1,363,812	-/-	**–**	–
TRIP II [c], [d]	USA	Investment in the Dulles Greenway toll road located in northern Virginia, USA	-/-	**–**	–	13.4/13.4	**104,685**	144,572

(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.

(e) Chicago Skyway Partnership ('CSP') and Indiana Toll Road Partnership ('ITRP') were liquidated during the year.

3.2.2 Movement in carrying amounts

	ALX		ATLAX Group	
	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Carrying amount at the beginning of the year [a]	**1,363,829**	1,510,534	**144,589**	164,644
Adjustment on adoption of AASB 16	**–**	–	**–**	(220)
Share of profits/(losses) after income tax	**196,086**	254,874	**(12,037)**	(4,401)
Distributions received/receivable	**(137,592)**	(375,722)	**–**	–
Liquidation of CSP and ITRP	**(17)**	–	**(17)**	–
Additional investment in MAF2	**1,066,253**	–	**–**	–
Transaction costs	**206,235**	–	**–**	–
Foreign exchange movement	**(59,322)**	(25,857)	**(11,250)**	941
Impairment of asset [b]	**–**	–	**(16,600)**	(16,375)
Carrying amount at the end of the year	**2,635,472**	1,363,829	**104,685**	144,589

(a) Historically there has been an understatement of the accumulated amortisation charged against the tolling concession assets of the associate. The cumulative amount of $59.4 million has been corrected in the opening balance sheet for 2019. The impact was not material in any individual year and has resulted in a decrease in Investments in Associates and an increase in Accumulated Losses.

(b) Impairment of asset includes an impairment on Dulles Greenway of $22.4 million (2019: $22.1 million) (refer to notes 4.1 & 4.2) offset by the impact of the deferred tax liability $5.8 million (2019: $5.7 million).

3.2.3 Summarised financial information for material associates

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

	MAF2 [a]		TRIP II	
Summarised Statement of Financial Position	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Total current assets	**1,250,831**	1,683,670	**73,143**	79,173
Total non-current assets	**9,526,182**	9,787,199	**2,359,625**	2,631,409
Total current liabilities	**(1,670,035)**	(2,843,063)	**(79,567)**	(72,243)
Total non-current liabilities	**(7,548,378)**	(6,887,567)	**(1,338,848)**	(1,440,195)
Net assets	**1,558,600**	1,740,239	**1,014,353**	1,198,144
Reconciliation to carrying amounts:				
Opening net assets	**1,740,239**	1,738,924	**1,198,144**	1,225,548
Profit/(loss) for the period	**331,300**	509,666	**(89,606)**	(32,763)
Distributions paid	**(220,924)**	(751,322)	**–**	–
Foreign exchange and other equity movements	**(292,015)**	242,971	**(94,185)**	5,359
Closing net assets	**1,558,600**	1,740,239	**1,014,353**	1,198,144
Atlas Arteria's share in %	**62.3%**	50.0%	**–**	–
Atlas Arteria's share of net assets in $	**970,696**	870,260	**–**	–
ATLAX Group's share in %	**–**	–	**13.4%**	13.4%
ATLAX Group's share of net assets in $	**–**	–	**136,258**	160,947
Atlas Arteria's carrying amount	**2,635,472**	1,363,812	**–**	–
Accumulated prior year impairment of asset	**–**	–	**(14,973)**	–
Impairment of asset [b]	**–**	–	**(16,600)**	(16,375)
ATLAX Group's carrying amount	**–**	–	**104,685**	144,572

(a) MAF2 proportionately consolidates the results of APRR and ADELAC. On 2 March 2020 the ATLIX Group completed the APRR Transaction, acquiring a further 6.14% indirect interest in APRR and ADELAC. Post completion ATLIX Group has a 31.14% indirect interest in APRR (2019: 25.00%) and 31.17% indirect interest in ADELAC (2019: 25.03%) via a 62.29% (2019: 50.01%) interest in MAF2.

(b) Impairment of asset includes an impairment of $22.4 million (2019: $22.1 million) (refer to notes 4.1 & 4.2) offset by the impact of the deferred tax liability $5.8 million (2019: $5.7 million).

	MAF2 [a]		TRIP II	
Summarised Statement of Comprehensive Income	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Revenue	**2,093,178**	2,451,248	**83,087**	145,645
Profit/(loss) for the year	**331,300**	509,666	**(89,606)**	(32,763)
Atlas Arteria's share	**196,086**	254,874	**–**	–
ATLAX Group's share	**–**	–	**(12,037)**	(4,401)
Atlas Arteria's distributions received	**137,592**	375,722	**–**	–
ATLAX Group's distributions received	**–**	–	**–**	–

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

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 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	
	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Balance at the beginning of the year	**2,438,598**	2,578,434	**–**	–
Acquisition cost [a]	**8,273**	16,557	**–**	–
Amortisation of tolling concession	**(66,439)**	(69,273)	**–**	–
Impairment of tolling concession [b]	**(143,896)**	(99,401)	**–**	–
Foreign exchange movement	**(172,197)**	12,281	**–**	–
Balance at the end of the year	**2,064,339**	2,438,598	**–**	–

(a) In the current year, $5.6 million was recognised on DTR Connector project and $2.7 million was recognised on the West End Works (refer also to note 2.1 for the construction revenue policy). In the prior year, a tolling concession of $16.6 million was recognised on the DTR Connector.

(b) An impairment charge of $143.9 million was taken on the Dulles Greenway concession. In the prior year an impairment charge of $165.4 million was recorded, comprising $99.4 million tolling concession impairment expense and $66.0 million goodwill impairment expense (refer to note 4.2).

4.2 Goodwill

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

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

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

	ALX		ATLAX Group	
	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Balance at the beginning of the year	**14,054**	79,390	**–**	–
Impairment on Goodwill in Dulles Greenway [a]	**–**	(66,028)	**–**	–
Foreign exchange movement	**37**	692	**–**	–
Balance at the end of the year	**14,091**	14,054	**–**	–

(a) In the prior year a goodwill impairment charge of $66.0 million was recognised for the Dulles Greenway concession (refer to note 4.1).

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

Assumption	Approach used to determine values
Traffic volume	Based on historic trends and the Groups' internal long-term traffic forecasting models. Traffic forecasts for Dulles Greenway are based on assumptions of traffic growth broadly in line with economic development, population growth and employment within its catchment area. 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. 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.
Long term CPI (% annual growth)	Based on the Groups' long-term internal forecasts and independent third-party projections, long term CPI rates are forecast to grow by between 2.2% and 2.3%.
Average toll (% annual growth)	Based on current regulation and the Groups' long-term internal forecasts. Toll rates for Dulles Greenway 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. The Groups' long-term assumption forecasts toll rates to escalate in a range within the historical experience from inception to 1 January 2020. However, historical results provide no guarantee as new legislation or regulatory decisions could impact future outcomes.
Post-tax discount rate	Detailed cash flows were discounted using 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.

Impact of possible changes in key assumptions

The assets and liabilities associated with the cash generating unit ('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. Given the decline in traffic at Dulles Greenway during this period, and uncertainty around how the U.S. economy will recover as a result of the COVID-19 pandemic, the Boards of ATLIX and ATLAX determined it was necessary to further impair their respective investments in Dulles Greenway by a total of $143.9 million (US$100.0 million) (refer to note 4.1).

An 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 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 rates +0.1%	19.4
Tolls growth rates -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 5.3 for additional detail on the fair value hierarchy).

4.3 Other assets

Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost because their cash flows represent solely payments of principal and interest. Interest income from loans and receivables is recognised on an accruals basis.

Receivables are generally received within 30 days of becoming due and receivable. A provision is raised for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off in the year in which they are identified.

Impairment

Atlas Arteria and the ATLAX Group assess, on a forward-looking basis, the expected credit losses associated with their loan assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. Atlas Arteria and the ATLAX Group use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Groups' past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

	ALX		ATLAX Group	
	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Current				
Receivables from related parties	**886**	–	**3,202**	1,733
Less: Loss allowance	**–**	–	**(18)**	(8)
Prepayments	**1,618**	987	**486**	172
Tax receivable	**67**	129	**67**	129
Trade Receivables and other assets [(a)]	**4,730**	142,274	**1,861**	68
Total current other assets	**7,301**	143,390	**5,598**	2,094
Non-current				
Other assets	**136**	248	**22**	51
Total non-current other assets	**136**	248	**22**	51

(a) In July 2019, MAF2 declared a distribution to be funded by the redemption of shares. The total distribution to be paid to Atlas Arteria amounted to €157.3 million ($253.2 million), €71.3 million ($114.8 million) of this distribution was paid in September 2019, with the remaining €86.0 million ($138.4 million) of the distribution paid in 2020.

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

4.4 Other liabilities

Payables and other liabilities

Liabilities are recognised when an obligation exists to make future payments as a result of a purchase of assets or services, whether or not billed. Trade creditors are generally settled within 30 days.

Provisions

Provisions are recognised when the Groups have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligations; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Employee benefits

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

	ALX		ATLAX Group	
	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Current				
Manager and adviser fees payable	**–**	5,285	**–**	90
Provision for toll maintenance	**3,476**	2,543	**–**	–
Sundry creditors and accruals	**9,774**	12,358	**4,020**	1,480
Tax payables	**172**	2,478	**–**	–
Employee entitlements	**1,623**	2,214	**1,287**	1,631
Lease liability [(a)]	**1,255**	1,049	**187**	176
Total current other liabilities	**16,300**	25,927	**5,494**	3,377
Non-current				
Provision for toll maintenance	**18,950**	14,752	**–**	–
Lease liability [(a)]	**19,921**	19,598	**1,600**	1,756
Total non-current other liabilities	**38,871**	34,350	**1,600**	1,756

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

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 2020 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Current				
Non-recourse TRIP II bonds and interest accrued thereon [a]	**48,426**	41,301	**–**	–
Non-recourse Warnow Tunnel borrowings and interest accrued thereon [b]	**4,786**	3,880	**–**	–
Total current debt at amortised cost	**53,212**	45,181	**–**	–
Non-current				
Non-recourse TRIP II bonds and interest accrued thereon [a]	**1,299,928**	1,397,502	**–**	–
Non-recourse Warnow Tunnel borrowings and interest accrued thereon [b]	**171,032**	172,932	**–**	–
Borrowings from financial institutions [c]	**–**	558,894	**–**	–
Total non-current debt at amortised cost	**1,470,960**	2,129,328	**–**	–

(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 (2019: US$35.0 million) of current interest bonds and US$1,055.1 million (2019: US$1,018.4 million) of zero coupon bonds with maturities extending to 2056.

(b) Non-recourse Warnow Tunnel borrowings

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

(c) Borrowings from financial institutions

Borrowings from financial institutions at December 2019 of $558.9 million consisted of the principal $559.6 million (€350.0 million) net of up front issue costs $0.8 million (€0.5 million). This debt facility was entered into on 31 May 2018 with a maturity date of 2024. The debt facility was repaid in full on 22 June 2020.

Unamortised issue costs of $0.8 million (€0.5 million) on the debt facility have been expensed to finance costs.

5.2 Contributed equity

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Ordinary shares	**3,747,750**	3,275,591	**202,075**	187,571
Contributed equity	**3,747,750**	3,275,591	**202,075**	187,571
On issue at the beginning of the year	**3,275,591**	1,995,994	**187,571**	197,311
Issue of short term incentive ('STI') securities	**861**	791	**24**	27
Issue of securities	**481,036**	1,304,255	**13,964**	45,745
Transaction costs associated with issue of securities	**(9,738)**	(25,449)	**516**	(2,217)
Capital return	**–**	–	**–**	(53,295)
On issue at the end of the year	**3,747,750**	3,275,591	**202,075**	187,571

During the year ended 31 December 2020, the Groups undertook a $420.0 million Placement and a $75.0 million 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.

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

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 are subject to a holding lock until the vesting date.

On 16 August 2019, 107,575 stapled securities were issued to fulfil STI requirements. These were valued at $7.61 per security and have now vested.

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2019
	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
On issue at the beginning of the year	**879,025**	683,265	**879,025**	683,265
Issue of securities	**79,838**	195,652	**79,838**	195,652
Issue of STI securities	**155**	108	**155**	108
On issue at the end of the year	**959,018**	879,025	**959,018**	879,025

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 100% (2019: 50%) of the value awarded) are only issued under the STI Plan if performance conditions are met. Securities issued under the STI Plan are time contingent and are issued in restricted securities on terms determined by the Boards. The share based STI Plan is recognised as an employee expense with a corresponding increase in equity. The total amount to be expensed is determined based on the probability of the vesting being met. 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 (see note 5.4 for details). The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently transferred to the initial cost of the investment.

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Balance of reserves				
Foreign currency translation reserve	**(16,080)**	178,231	**21,760**	(6,688)
Hedging reserve	**–**	(25,287)	**–**	–
Other reserve	**2,473**	1,339	**74**	46
Balance at the end of the year	**(13,607)**	154,283	**21,834**	(6,642)

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Movements of reserves				
Foreign currency translation reserve				
Balance at the beginning of the year	**178,231**	190,155	**(6,688)**	(7,669)
Adjustment to prior period	**–**	(2,615)	**–**	–
Net exchange differences on translation of foreign controlled entities	**(101,431)**	(9,309)	**(9,545)**	981
Transfer to accumulated losses [a]	**(92,880)**	–	**37,993**	–
Balance at the end of the year	**(16,080)**	178,231	**21,760**	(6,688)
Hedging reserve				
Balance at the beginning of the year	**(25,287)**	–	**–**	–
Change in fair value of the cash flow hedges	**24,716**	(25,287)	**–**	–
Settlement of the cash flow hedge	**571**	–	**–**	–
Balance at the end of the year	**–**	(25,287)	**–**	–
Other reserve				
Balance at the beginning of the year	**1,339**	–	**46**	141
Employee equity based awards [b]	**1,134**	1,339	**28**	(95)
Balance at the end of the year	**2,473**	1,339	**74**	46

(a) 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 foreign currency translation reserve following the disposal of foreign operations all prior to 2016.

(b) Expenses arising from share based benefits relating to STI's and LTI's attributable to ATLIX equity holders as at 31 December 2020: $1.1 million (31 December 2019: $1.3 million). Expenses arising from share based benefits relating to STI's and LTI's attributable to ATLAX equity holders as at 31 December 2020: $0.03 million (31 December 2019: $(0.1) million).

5.4 Financial risk and capital management

5.4.1 Financial risk management

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

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

5.4.2 Derivatives

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

	ALX		ATLAX Group	
	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Current liabilities				
Foreign currency forwards – cash flow hedge	**–**	30,581	**–**	–
Interest rate swaps	**2,515**	3,187	**–**	–
Non-current liabilities				
Interest rate swaps	**12,332**	12,803	**–**	–
Total derivative financial instrument liabilities	**14,847**	46,571	**–**	–

Classification of derivatives

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

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

Fair value measurement

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

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

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

Hedging Reserves

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

	Cash flow hedge reserve	
	Forward exchange contracts $'000	Total hedge reserves $'000
Opening balance 1 January 2020	**25,287**	25,287
Less: Change in fair value of the hedging instrument recognised in other comprehensive income for the year	(24,716)	(24,716)
Less: Reclassified to the cost of investment not included in OCI	(571)	(571)
Closing balance 31 December 2020	**–**	**–**

Amounts recognised in the profit or loss

The following amounts were recognised in profit or loss in relation to the hedge ineffectiveness of foreign exchange forward contracts designated in a cash flow hedge relationship:

	ALX		ATLAX Group	
	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Hedge ineffectiveness of foreign currency forwards – amount recognised in other (loss)/gain	**420**	(5,294)	**–**	–

Hedge effectiveness

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

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

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

Deal Contingent foreign exchange forward contract

ATLIX entered into a deal contingent foreign exchange forward contract on 20 November 2019 ('FX Forward Contract'). This is a cash flow hedge intended to mitigate foreign exchange risk associated with €711.0 million payment on completion of the APRR Transaction. As the cash flow on settlement of the FX Forward Contract matched the cash flow required by and was contingent upon the settlement of the APRR Transaction, there is an economic relationship between the APRR Transaction and the cash flow hedge.

Hedge ineffectiveness for the FX Forward Contract occurred due to the embedded premium for the contingent component associated with settlement for the APRR Transaction. Settlement took place on 24 February 2020. Under the terms of the FX Forward Contract, €710.0 million was purchased at a EUR:AUD exchange rate of 1.6449 including the deal contingent charge (of which $5.3 million was recognised in 2019). In 2020 due to the timing of the hedge settlement $0.4 million was recognised as a reversal of surplus hedge ineffectiveness recognised in 2019.

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 (2019: 5 Euro cents)
– AUD/USD exchange rate increased/decreased by 7 US cents (2019: 7 US cents)
– AUD/GBP exchange rate increased/decreased by 6 UK pence (2019: 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			
ALX	P&L 2020 $'000	P&L 2019 $'000	Equity 2020 $'000	Equity 2019 $'000	P&L 2020 $'000	P&L 2019 $'000	Equity 2020 $'000	Equity 2019 $'000
Total financial assets [a]	**(2,105)**	(721)	**–**	–	**2,497**	858	**–**	–
Total financial liabilities [b]	**290**	21	**–**	–	**(345)**	(26)	**–**	–
Total	**(1,815)**	(700)	**–**	–	**2,152**	832	**–**	–

	Foreign exchange risk							
	Appreciation in Australian Dollar				Depreciation in Australian Dollar			
ATLAX Group	P&L 2020 $'000	P&L 2019 $'000	Equity 2020 $'000	Equity 2019 $'000	P&L 2020 $'000	P&L 2019 $'000	Equity 2020 $'000	Equity 2019 $'000
Total financial assets [a]	**(470)**	(3)	**–**	–	**560**	4	**–**	–
Total financial liabilities [b]	**280**	4	**–**	–	**(333)**	(5)	**–**	–
Total	**(190)**	1	**–**	–	**227**	(1)	**–**	–

(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 69 bps (2019: 58 bps)
– Bank bill swap reference rate (EURIBOR 90 days) increased/decreased by 14 bps (2019: 10 bps)
– Bank bill swap reference rate (USD LIBOR 90 days) increased/decreased by 89 bps (2019: 56 bps)
– Bank bill swap reference rate (GBP LIBOR 90 days) increased/decreased by 37 bps (2019: 21 bps)
– Bank bill swap reference rate (EURIBOR 6 months) increased/decreased by 17 bps (2019: 11 bps)
– Bank bill swap reference rate (AUD BBSW 6 months) increased/decreased by 68 bps (2019: 57 bps)

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			
ALX	P&L 2020 $'000	P&L 2019 $'000	Equity 2020 $'000	Equity 2019 $'000	P&L 2020 $'000	P&L 2019 $'000	Equity 2020 $'000	Equity 2019 $'000
Total financial assets	**3,032**	8,275	**–**	–	**(3,032)**	(8,275)	**–**	–
Total financial liabilities	**(306)**	(766)	**–**	–	**306**	766	**–**	–
Total	**2,726**	7,509	**–**	–	**(2,726)**	(7,509)	**–**	–

	Interest rate risk							
	Increase in interest rates				Decrease in interest rates			
ATLAX Group	P&L 2020 $'000	P&L 2019 $'000	Equity 2020 $'000	Equity 2019 $'000	P&L 2020 $'000	P&L 2019 $'000	Equity 2020 $'000	Equity 2019 $'000
Total financial assets	**328**	281	**–**	–	**(328)**	(281)	**–**	–
Total financial liabilities	**–**	–	**–**	–	**–**	–	**–**	–
Total	**328**	281	**–**	–	**(328)**	(281)	**–**	–

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
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**
Receivables – non-current	**–**	**–**	**–**	**–**	**–**	**–**
Tax receivables	**–**	**67**	**67**	**–**	**67**	**67**
Total	**484,430**	**5,683**	**490,113**	**52,130**	**5,130**	**57,260**

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

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.

	ALX					
Financial Liabilities	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-5 years $'000	Greater than 5 years $'000	Total $'000
2020						
Debt at amortised cost [a]	**53,212**	**100,127**	**102,232**	**213,369**	**1,304,455**	**1,773,395**
Payables	**16,301**	**3,146**	**3,299**	**6,512**	**25,026**	**54,284**
Derivatives	**2,515**	**2,056**	**1,850**	**5,942**	**2,484**	**14,847**
Total	**72,028**	**105,329**	**107,381**	**225,823**	**1,331,965**	**1,842,526**
2019						
Debt at amortised cost [a]	45,181	56,641	115,739	215,763	1,732,560	2,165,884
Payables	25,927	2,752	3,798	5,172	22,628	60,277
Derivatives	3,187	2,748	2,530	4,297	3,228	15,990
Total	74,295	62,141	122,067	225,232	1,758,416	2,242,151

	ATLAX Group					
Financial Liabilities	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-5 years $'000	Greater than 5 years $'000	Total $'000
2020						
Payables	**5,494**	**194**	**201**	**427**	**778**	**7,094**
Total	**5,494**	**194**	**201**	**427**	**778**	**7,094**
2019						
Payables	3,377	155	166	365	1,070	5,133
Total	3,377	155	166	365	1,070	5,133

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

5.4.6 Fair value measurement of financial instruments

The fair value measurements of financial assets and liabilities are assessed in accordance with the following hierarchy.

(i) Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

(ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

(iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable valuation input).

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

The Groups' policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers in the current year.

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

Fair values of other financial instruments (unrecognised)

The Groups also have a number of financial instruments which are not measured at fair value in the balance sheet. With the exception to those listed below, the fair values are not materially different to their carrying amounts as: the interest receivable/payable is either close to current market rates; the instruments are short-term in nature, or the instruments have recently been brought onto the balance sheet and therefore the carrying amount approximated the fair value. The fair value of these financial instruments is determined using discounted cash flow analysis. The fair value of all financial assets (excluding Investments accounted for using the equity method) and financial liabilities approximated their carrying amounts at 31 December 2020. 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	1,348,354	1,596,734
Non-recourse Warnow borrowings and accrued interest thereon	175,818	176,611

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 2020 or 31 December 2019.

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 2020 $'000	As at 31 Dec 2019 $'000	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Statement of Financial Position				
Current assets	**48,724**	1,330,333	**52,415**	52,731
Non-current assets	**2,420,588**	1,008,793	**75,167**	75,095
Total assets	**2,469,312**	2,339,126	**127,582**	127,826
Current liabilities	**(4,174)**	(16,904)	**(688)**	(5,480)
Non-current liabilities	**–**	(95,921)	**–**	–
Total liabilities	**(4,174)**	(112,825)	**(688)**	(5,480)
Shareholder's equity				
Issued capital	**3,747,839**	3,275,591	**202,075**	187,571
Reserves	**2,472**	(23,948)	**74**	46
Retained earnings	**(1,285,173)**	(1,025,342)	**(75,255)**	(65,271)
Total equity	**2,465,138**	2,226,301	**126,894**	122,346
Profit/(loss) for the year	**(154,339)**	(221,674)	**(9,984)**	(7,137)
Total comprehensive income/(loss)	**(154,339)**	(221,674)	**(9,984)**	(7,137)

6.1.2 Guarantees entered into by the parent entities

ATLIX and ATLAX have not directly provided any financial guarantees in respect to bank overdrafts and loans of subsidiaries as at 31 December 2020 and 31 December 2019. ATLIX and ATLAX have not given any unsecured guarantees at 31 December 2020 or 31 December 2019.

Financial guarantees are held by European Transport Investments (UK) Limited ('ETI UK'), a subsidiary of ATLIX, in respect of external borrowings held by Warnow Tunnel and other guarantees have been made by other subsidiaries of ATLIX and ATLAX over office leases.

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 2020 and 31 December 2019.

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.

6.3.1 ALX

Name of controlled entity	Country of establishment	2020 voting %	2019 voting %
Atlas Arteria Limited	Australia	**100.0**	100.0
ALX Infrastructure US Pty Limited [a]	Australia	**–**	100.0
ALX Infrastructure Australia Pty Limited	Australia	**100.0**	100.0
ALX Investments (Australia) Pty Limited	Australia	**100.0**	100.0
Atlas Arteria Service Co Pty Limited [b]	Australia	**100.0**	100.0
Green Bermudian Holdings Limited	Bermuda	**100.0**	100.0
ALX Investments Limited	Bermuda	**100.0**	100.0
MIBL Finance (Luxembourg) Sarl	Luxembourg	**100.0**	100.0
Atlas Arteria Luxembourg 1 Sarl [c]	Luxembourg	**100.0**	100.0
Tollway Holdings Limited [d]	UK	**100.0**	100.0
European Transport Investments (UK) Limited	UK	**100.0**	100.0
Tipperhurst Limited [e]	UK	**100.0**	100.0
Greenfinch Motorways Limited [f]	UK	**100.0**	100.0
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. [g]	USA	**100.0**	100.0
Warnowquerung GmbH & Co. KG	Germany	**100.0**	100.0
Warnowquerung Verwaltungsgesellschaft mbH	Germany	**100.0**	100.0

(a) Deregistered on 2 June 2019
(b) Incorporated on 7 January 2019
(c) Incorporated on 12 November 2019
(d) In liquidation
(e) In liquidation
(f) In liquidation
(g) 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 the 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 outstanding interests in Trip II to 2056. These call options lapsed on 30 December 2020. An assessment of control has been reconsidered given the new arrangements and it has been concluded that control remains and these events do not impact the accounting for Trip II.

6.3.2 ATLAX Group

Name of controlled entity	Country of establishment	2020 voting %	2019 voting %
ALX Infrastructure Australia Pty Limited	Australia	**100.0**	100.0
ALX Investments Australia Pty Limited	Australia	**100.0**	100.0
Atlas Arteria Service Co Pty Limited [a]	Australia	**100.0**	100.0
ALX Indiana Holdings LLC	USA	**100.0**	100.0
ALX Holdings (US) LLC	USA	**100.0**	100.0
Dulles Greenway Partnership	USA	**100.0**	100.0
Dulles Greenway Investments 3 (US) LLC	USA	**100.0**	100.0
Shenandoah Greenway Corporation	USA	**100.0**	100.0

(a) Incorporated on 7 January 2019

6.4 Related party disclosures

6.4.1 Adviser and Manager

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

6.4.2 Directors

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

Jeffrey Conyers	(Chairman)
Fiona Beck	
Andrew Cook	(Appointed on 25 November 2020)
Caroline Foulger	(Appointed on 19 May 2020)
Debra Goodin	(Appointed on 1 November 2020)
James Keyes	(Retired on 19 May 2020)
Nora Scheinkestel	(Retired on 1 November 2020)
Derek Stapley	(Retired on 25 November 2020)

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

Debra Goodin	(Chairman)
Nora Scheinkestel	(Retired on 1 November 2020)
David Bartholomew	
Graeme Bevans	
Jean-Georges Malcor	

6.4.3 Key Management Personnel

Key Management Personnel ('KMP') are defined in AASB 124 *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. Across the Groups, the Directors of ATLIX and ATLAX, 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.

		Short term employee benefits		Share based payments		Long term benefits			
	Financial year	Cash salary $	Cash STI $	Value of LTI $	Value of STI $	Superannuation $	Long service leave accrual movement $	Termination benefit	Total remuneration
Total	**2020**	**2,428,462**	**–**	**897,535**	**1,053,729**	**59,676**	**–**	**–**	**4,439,402**
	2019	2,217,060	1,285,063	611,268	825,976	57,549	–	–	4,996,917

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

	Year ended 31 Dec 2020			Year ended 31 Dec 2019		
	Short term benefit	Long term benefit		Short term benefit	Long term benefit	
	Cash salary and fees $	Superannuation $	Total directors' fees $	Cash salary and fees $	Superannuation $	Total directors' fees $
ATLIX	**744,259**	**8,535**	**752,794**	764,749	7,264	772,013
ATLAX	**726,953**	**51,508**	**778,461**	816,038	53,962	870,000

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 2020	KMP interests in ALX stapled securities At 31 Dec 2019
Jeffrey Conyers	**59,838**	42,381
David Bartholomew	**25,214**	20,506
Fiona Beck	**18,853**	8,333
Graeme Bevans	**153,730**	90,731
Andrew Cook [a]	**–**	–
Caroline Foulger [b]	**8,500**	–
Debra Goodin	**32,904**	26,579
James Keyes [c]	**–**	5,952
Nadine Lennie	**36,592**	20,758
Jean-Georges Malcor	**30,076**	20,238
Vincent Portal	**39,324**	5,636
Nora Scheinkestel [d]	**–**	103,824
Derek Stapley [e]	**–**	26,666
Total	**405,031**	371,604

(a) Appointed on 25 November 2020
(b) Appointed on 19 May 2020
(c) Retired on 19 May 2020
(d) Retired on 1 November 2020
(e) Retired on 25 November 2020

6.4.4 Adviser and Manager fees

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

	ALX		ATLAX Group	
	As at 31 Dec 2020 $	As at 31 Dec 2019 $	As at 31 Dec 2020 $	As at 31 Dec 2019 $
Base fee	**–**	15,110,431	**–**	573,520
Transition fee	**–**	5,637,097	**–**	218,467
MAF Advisory fee	**2,063,627**	7,488,747	**–**	–
Total	**2,063,627**	28,236,275	**–**	791,987

Base fee

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

Fees were paid to Macquarie Infrastructure and Real Assets (Europe) Limited to act as manager of ATLIX's indirect interest in APRR until the completion of the APRR Transaction in March 2020. The final management fees paid to the Macquarie Group were $2.1 million (€1.2 million) (2019: $28.2 million included the fees paid prior to the termination of the Atlas Arteria Management and Advisory Agreements on 15 May 2019).

Other balances and transactions

At 31 December 2020, entities within the Groups had the following balances with related parties:

	ALX		ATLAX Group	
	As at 31 Dec 2020 $	As at 31 Dec 2019 $	As at 31 Dec 2020 $	As at 31 Dec 2019 $
Other intercompany receivables from/(payables) to related parties	**885,769**	–	**3,202,436**	1,733,450

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

	ALX		ATLAX Group	
	As at 31 Dec 2020 $	As at 31 Dec 2019 $	As at 31 Dec 2020 $	As at 31 Dec 2019 $
Interest earned on deposits with Macquarie Bank	**–**	373,326	**–**	55,876
Interest between ATLAX and ATLIX on loan amount	**–**	–	**–**	353,980
Reimbursement of expenses paid by companies within the Macquarie Group on behalf of Atlas Arteria	**–**	274,952	**–**	188,654
Reimbursement of ATLIX's portion of expenses paid by ATLAX Group	**–**	–	**73,500**	1,609,932
Management Services	**–**	–	**12,997,299**	6,256,288

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

	ALX		ATLAX Group	
	As at 31 Dec 2020 $	As at 31 Dec 2019 $	As at 31 Dec 2020 $	As at 31 Dec 2019 $
Principal and interest received from preferred equity certificates and shares issued by MAF2	**310,866,064**	238,246,730	**–**	–
MAF2 Fees	**588,252**	–	**253,984**	–

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

7 Other disclosures

7.1 Cash flow information

	ALX		ATLAX Group	
	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Reconciliation of profit after income tax to the net cash flows from operating activities				
Profit/(loss) from activities after income tax	**(55,805)**	(9,821)	**(39,691)**	(26,902)
(Gain)/loss on equity accounted investments	**(196,086)**	(254,874)	**30,338**	20,907
Net foreign exchange differences	**–**	994	**–**	30
Finance costs	**87,085**	112,311	**1,811**	37
Depreciation and amortisation	**1,000**	1,010	**319**	311
Amortisation of tolling concession	**66,439**	69,273	**–**	–
Amortisation of deferred tax liabilities	**(1,168)**	(1,558)	**–**	–
Impairment impact on deferred tax liabilities	**(6,343)**	(5,675)	**–**	–
Impairment of investment	**143,896**	165,429	**–**	–
Bad debt written off	**–**	16	**–**	–
Current tax (benefit)/expense	**14**	(1,972)	**–**	–
Issue of securities to employees	**2,150**	2,062	**57**	(68)
Non operating receivable/(received) (distribution from MAF2)	**(136,820)**	137,475	**–**	–
Changes in operating assets and liabilities				
(Increase)/decrease in receivables	**136,986**	(138,103)	**(1,930)**	466
(Decrease)/increase in payables	**(2,019)**	(186)	**2,431**	(2,552)
Net cash inflow from operating activities	**39,329**	76,381	**(6,665)**	(7,771)

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 2020 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Net (debt)/cash				
Cash and cash equivalents	**260,341**	1,450,221	**52,130**	48,612
Lease liabilities – current	**(1,255)**	(1,049)	**(187)**	(176)
Lease liabilities – non-current	**(19,921)**	(19,598)	**(1,600)**	(1,756)
Borrowings – current	**(53,212)**	(45,181)	**–**	–
Borrowings – non-current	**(1,470,960)**	(2,129,328)	**–**	–
Net (debt)/cash	**(1,285,007)**	(744,935)	**50,343**	46,680
Cash	**260,341**	1,450,221	**52,130**	48,612
Gross debt – fixed interest rates	**(1,369,530)**	(1,460,137)	**(1,787)**	(1,932)
Gross debt – variable interest rates	**(175,818)**	(735,019)	**–**	–
Net (debt)/cash	**(1,285,007)**	(744,935)	**50,343**	46,680

ALX	Assets Cash and cash equivalents $'000	Liabilities from financing activities Borrowings – current $'000	 Borrowings – non-current $'000	 Total $'000
Net debt at 1 January 2019	**186,468**	**(77,322)**	**(2,101,962)**	**(1,992,816)**
Cash flows	1,262,673	105,291	–	1,367,964
Loan facilities	–	–	–	–
Other non-cash adjustments [a]	–	(73,353)	(29,866)	(103,219)
Foreign exchange adjustments	1,080	203	2,500	3,783
Net debt at 31 December 2019	**1,450,221**	**(45,181)**	**(2,129,328)**	**(724,288)**
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)**

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

ATLAX Group	Cash and cash equivalents $'000	Total $'000
Net cash at 1 January 2019	12,461	**12,461**
Cash flows	35,928	**35,928**
Foreign exchange adjustments	223	**223**
Net cash at 31 December 2019	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**

7.2 Contingent liabilities and capital commitments

European Transport Investments (UK) Limited (ETI UK), a subsidiary of ATLIX, has made guarantees, totalling €2 million ($3.2 million) (31 December 2019: €2 million ($3.2 million)), in the event of a senior debt payment event of default by Warnowquerung GmbH & Co KG.

This contingent commitment is backed by an on-demand guarantee, provided through a pledged cash account into which €2 million ($3.2 million) (31 December 2019: €2 million ($3.2 million)) has been deposited. These funds are restricted and are classified as restricted cash on the Consolidated Statements of Financial Position. No provision has been raised against this item.

Trip II has entered into an agreement to complete operational and safety improvements to Virginia Route 7/U.S Route 15 Bypass at the Dulles Greenway terminus in the Town of Leesburg. The commitment is for $2.8 million (US$2.1 million) at 31 December 2020. No provision has been raised against this item.

7.3 Remuneration of auditors

	ALX		ATLAX Group	
	Year ended 31 Dec 2020 $	Year ended 31 Dec 2019 $	Year ended 31 Dec 2020 $	Year ended 31 Dec 2019 $
Amounts paid or payable to PricewaterhouseCoopers Australia for:				
Audit services	**755,094**	503,200	**377,547**	251,600
Other assurance services [a]	**134,000**	213,771	**13,215**	10,043
Other services [b]	**49,500**	–	**49,500**	–
	938,594	716,971	**440,262**	261,643
Amounts paid or payable to Network firms of PricewaterhouseCoopers for:				
Audit services	**506,761**	357,779	**46,233**	38,101
Taxation services [c]	**120,642**	219,785	**–**	–
	627,403	577,564	**46,233**	38,101
Amounts paid or payable to PricewaterhouseCoopers for:				
Audit and other assurance services	**1,395,855**	1,074,750	**436,995**	299,744
Other services	**170,142**	219,785	**49,500**	–
	1,565,997	1,294,535	**486,495**	299,744
Amounts paid or payable to non PricewaterhouseCoopers audit firms for:				
Audit services provided by CERTIS GmbH Wirtschaftsprüfungsgesellschaft ('CERTIS')	**111,132**	100,256	**–**	–
Non-audit services	**16,031**	–	**–**	–
	127,163	100,256	**–**	–

(a) Other assurance services in 2020 relates to Equity Raise due diligence and TRIP II accounting considerations (2019: Other assurance services relate to the Equity Raise due diligence and a one off review of performance rights allocation).

(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.

7.4 Share based payments

STI Plan

The STI Plan applies to all Atlas Arteria staff based on a balance of financial and non-financial performance measures aligned with Atlas Arteria's short term goals. For the senior executives, following determination of the STI amount, 0% (2019: 50%) is paid in cash and 100% (2019: 50%) 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 ALX's relative Total Securityholder Return (TSR) against the TSR performance of a peer group of companies approved by the Board. Performance rights are granted under the plan for no consideration. These performance rights are exercisable at no consideration upon satisfaction of performance hurdles.

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.

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

	ALX		ATLAX Group	
	Year ended 31 Dec 2020	Year ended 31 Dec 2019	Year ended 31 Dec 2020	Year ended 31 Dec 2019
	Number of equity instruments	Number of equity instruments	Number of equity instruments	Number of equity instruments
As at 1 January	**717,632**	237,765	**717,632**	237,765
Rights granted during the year under the LTIP	**378,688**	372,292	**378,688**	372,292
Securities granted during the year under the STI Plan	**–**	107,575	**–**	107,575
Rights granted during the year under the EE plan	**11,988**	–	**11,988**	–
Rights exercised during the year under the LTIP	**–**	–	**–**	–
Securities exercised during the year under the STI Plan	**(107,575)**	–	**(107,575)**	–
Rights exercised during the year under the EE plan	**–**	–	**–**	–
Rights forfeited during the year under the LTIP	**–**	–	**–**	–
Securities forfeited during the year under the STI Plan	**–**	–	**–**	–
Rights forfeited during the year under the EE plan	**–**	–	**–**	–
As at 31 December	**1,000,733**	717,632	**1,000,733**	717,632

The performance conditions of the 2018 LTI performance rights were tested in February 2021. The performance conditions were not satisfied at which time the rights were forfeited. LTI performance rights issued in 2019 that are outstanding at the end of the year will vest after the end of the performance period which ends on 31 December 2021 only if performance conditions are met. 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. STI restricted securities issued in 2019 vested on 1 April 2020. STI restricted securities issued in 2020 vested in December 2020 as the service conditions were met, however remain in a holding lock until the next trading window in 2021.

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 2020 ranged from $1.85 to $5.02 per performance right (2019: $3.63 to $4.81). The fair value at grant date is independently determined using an adjusted form of the Black Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the performance right, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the performance right and the correlations and volatilities of the peer group companies.

The model inputs for performance rights granted during the year ended 31 December 2020 included:

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

(ii) Grant date: 3 March 2020, 6 April 2020 and 19 May 2020

(iii) Expiry date: 28 February 2023

(iv) Expected price volatility of the Atlas Arteria's stapled securities:

Performance rights with a grant date of 3 March 2020: 21.94%

Performance rights with a grant date of 6 April 2020: 32.23%

Performance rights with a grant date of 19 May 2020: 33.61%

(v) Expected dividend yield: 0%

(vi) Risk-free interest rate:

Performance rights with a grant date of 3 March 2020: Between -0.91% and 1.27%

Performance rights with a grant date of 6 April 2020: Between -0.65% and 0.64%

Performance rights with a grant date of 19 May 2020: Between -0.71% and 0.30%

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

7.4.2 Expenses arising from share-based payment transactions

	ALX		ATLAX Group	
	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Employee performance rights – LTI	**1,199**	751	**32**	25
Employee securities – STI	**951**	1,141	**25**	38
	2,150	1,892	**57**	63

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.

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

Capital restructure at Warnow Tunnel

On 24 February 2021 Atlas Arteria executed agreements to restructure the capital arrangements at Warnow Tunnel. A new €115.0 million facility (which includes fixed and variable tranches), together with a cash injection of around €42.0 million from Atlas Arteria will be used to repay the existing debt, current hedging arrangements, transaction costs and reserve funding requirements. The cash injection will be funded from cash on the Atlas Arteria balance sheet.

Management is not aware of any other matter or circumstance not otherwise dealt with in the Financial Reports that has significantly affected or may significantly affect the operations of the Groups or the results of those operations or the state of affairs of the Groups in years subsequent to the year ended 31 December 2020.

DIRECTORS' DECLARATION – ATLAS ARTERIA INTERNATIONAL LIMITED

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

a) the Financial Report of Atlas Arteria and notes set out on pages 67 to 109:

   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 2020 and of its performance for the year ended on that date; and

b) there are reasonable grounds to believe that ATLIX will be able to pay its debts as and when they become due and payable.

The Directors confirm that the Financial Report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.

Jeffrey Conyers
Chairman
Atlas Arteria International Limited
Hamilton, Bermuda
24 February 2021

Caroline Foulger
Director
Atlas Arteria International Limited
Hamilton, Bermuda
24 February 2021

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 67 to 109: 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 2020 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.

Debra Goodin
Chairman
Atlas Arteria Limited
Melbourne, Australia
25 February 2021

Jean-Georges Malcor
Director
Atlas Arteria Limited
Melbourne, Australia
25 February 2021

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 2020 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 2020
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statements of changes in equity for the year then ended
- the consolidated statements of cash flows for the year then ended
- the notes to the financial reports, which include a summary of significant accounting policies
- the directors' declarations.

Basis for opinion

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

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financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 road assets, 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 assets.

Materiality

- Atlas Arteria materiality was $22.0 million, which represents approximately 2.5% of segment EBITDA. The ATLAX Group materiality was $1.6 million, which represents approximately 1% of its total assets.
- We applied these thresholds, together with qualitative considerations, to determine the scope of our audits and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial reports as a whole.
- We used segment EBITDA as the materiality benchmark for Atlas Arteria as this reflects the performance of the underlying assets and the proportion of their results attributable to Atlas Arteria.
- 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 utilised a 2.5% threshold for Atlas Arteria and a 1% threshold for the ATLAX Group based on our professional judgement, noting they are within the 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 instruction (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 their 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 opinions 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 audits addressed the key audit matter***
Carrying value of Atlas Arteria and the ATLAX Group's goodwill, tolling concession assets and investments in associates *(Refer to notes 4.1, 4.2 and 3.2)* Atlas Arteria has investments in APRR, Dulles Greenway and Warnow Tunnel. Each of these is a Cash Generating Unit (CGU). These CGUs are reflected in the financial report as follows: • An equity accounted investment in APRR of \$2.6 billion; • Tolling concession intangible assets totalling \$2.1 billion respect of the Dulles Greenway and Warnow Tunnel concessions; and • Goodwill of \$14.1 million in respect of Warnow Tunnel.	We performed the following procedures, amongst others, for all CGUs: • Assessed whether the composition of each CGU was consistent with our knowledge of Atlas Arteria and the ATLAX Group's operations. • Assessed whether each CGU appropriately included all directly attributable assets and liabilities. • Evaluated Atlas Arteria and the ATLAX Group's assessments that there were indicators of impairment during the year for each CGU, taking into consideration the requirements of Australian Accounting Standards. • Assessed whether the valuation methodology,

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Key audit matter

The ATLAX Group has an equity accounted investment in the Dulles Greenway CGU of $104.7 million.

The COVID-19 pandemic and its impact on traffic volumes and the wider economic environment was an indicator of impairment in the current year.

During the year Atlas Arteria and the ATLAX Group performed impairment assessments on the carrying value of the CGUs. The assessments of the recoverable amounts of the assets were made on a fair value less costs of disposal (FVLCD) basis, using discounted cash flow models.

These assessments involved significant judgements such as:

- Forecasting future traffic volumes
- Forecasting long-term inflation rates
- Estimating toll price growth rates
- Determining appropriate discount rates for each CGU

Atlas Arteria recognised an impairment loss of $143.9 million on the Dulles Greenway concession as disclosed in note 4.1.

The ATLAX Group recognised an impairment loss on its equity accounted investment in Dulles Greenway of $16.6 million (net of deferred tax impacts) as disclosed in note 3.2.

The assessments of the carrying values of the goodwill, tolling concession assets and investments in associates for Atlas Arteria and the investments in associates for the ATLAX Group were key audit matters due to the significant carrying value of these assets, the size of the impairment charges recognised against the Dulles Greenway CGU and the judgements involved in developing assumptions used in the discounted cashflow models which determine the recoverable

How our audits addressed the key audit matter

which utilised a discounted cash flow model to estimate the recoverable amount of each CGU, was consistent with the requirements of Australian Accounting Standards.

- Assessed whether the forecast cash flows in the impairment assessments were appropriate by performing the following procedures, amongst others:
  - 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 each CGU. This assessment was performed with reference to externally derived data where possible, including market expectations of investment return, projected economic growth, interest rates, valuations of comparable assets and asset specific characteristics.

Key audit matter	*How our audits addressed the key audit matter*
amounts of the CGUs.	• Performed sensitivity analysis on the key assumptions used in the impairment models. • Tested the mathematical accuracy of the impairment models on a sample basis, and • Evaluated the adequacy of the disclosures made in notes 4.1, 4.2 and 3.2, in light of the requirements of Australian Accounting Standards.
Consolidation of subsidiaries and equity accounting of associates *(Refer to notes 3.2 and 5.3)* 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 the application of equity and consolidation accounting, management is required to make a number of adjustments to the underlying financial information of each asset to ensure alignment to Australian Accounting Standards and to Atlas Arteria and the ATLAX Group's accounting policies. Significant adjustments also include the translation of foreign operations accounted for in currencies other than Australian Dollars. In the period, a loss of $101.4 million was recognised directly in equity by Atlas Arteria in respect of the translation of foreign operations. A loss of $9.5 million was recognised directly in equity by the ATLAX Group. (See note 5.3). This was a key audit matter because certain adjustments are material and complex in nature, such as adjusting the results of international subsidiaries and investments in associates prepared using local accounting policies to reflect Australian Accounting	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. 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. On a sample basis, we reperformed the calculation of the adjustments to assess consistency with this understanding and to check for mathematical accuracy. 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: • 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

Key audit matter	*How our audits addressed the key audit matter*
Standards.	Greenway. 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.

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 2020, but does not include the financial reports and our auditor's reports thereon.

Our opinions on the financial reports do 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 these 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 report

The directors of ATLIX and ATLAX are responsible for the preparation of 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 opinions. 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 42 to 59 of the directors' reports for the year ended 31 December 2020.

In our opinion, the remuneration report of ATLIX and ATLAX for the year ended 31 December 2020 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 audits conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Gargett
Partner

Melbourne
25 February 2021

SECURITYHOLDER INFORMATION

As at 31 January 2021

Distribution of securities

Investor ranges	Holders	Total securities	% of issued securities
1 – 1,000	11,666	4,521,315	0.47
1,001 – 5,000	9,222	22,763,616	2.37
5,001 – 10,000	2,680	18,949,260	1.98
10,001 – 100,000	2,304	52,848,842	5.51
100,001 Over	126	859,935,193	89.67
Total	**25,998**	**959,018,226**	**100.0**
Investors with less than the minimum marketable parcel [1]	**2,283**	**55,873**	**0.01%**

1. Minimum marketable parcel is $500.00 equating to 79 shares at $6.33 per security

Twenty largest investors

Investor	Number of securities	% of issued securities
1 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	427,750,284	44.60
2 J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	156,069,149	16.27
3 CITICORP NOMINEES PTY LIMITED	75,035,774	7.82
4 NATIONAL NOMINEES LIMITED	58,216,787	6.07
5 BNP PARIBAS NOMINEES PTY LTD	36,945,517	3.85
6 BNP PARIBAS NOMS PTY LTD	23,343,966	2.43
7 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,252,927	1.17
8 NETWEALTH INVESTMENTS LIMITED	7,607,306	0.79
9 AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED	5,513,263	0.57
10 DIVERSIFIED UNITED INVESTMENT LIMITED	5,000,000	0.52
11 SANDHURST TRUSTEES LTD	3,399,930	0.35
12 CITICORP NOMINEES PTY LIMITED	3,122,145	0.33
13 UBS NOMINEES PTY LTD	3,003,835	0.31
14 BNP PARIBAS NOMS (NZ) LTD	2,903,488	0.30
15 BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	2,553,443	0.27
16 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,708,660	0.18
17 CUSTODIAL SERVICES LIMITED	1,699,863	0.18
18 DJERRIWARRH INVESTMENTS LIMITED	1,633,696	0.17
19 PETER & LYNDY WHITE FOUNDATION PTY LTD	1,530,127	0.16
20 INVIA CUSTODIAN PTY LIMITED	1,373,325	0.14
Total	**829,663,485**	**86.51**

Details of substantial stapled securityholders

Holder	Date of most recent substantial holder notice	Number of securities	% of issued securities
Lazard Asset Management	18 September 2020	98,378,884	10.26%
Pendal Group Limited	6 May 2020	52,937,306	6.02%
The Vanguard Group, Inc	2 April 2020	52,753,348	6.00%
Blackrock Group	5 June 2020	49,729,592	5.25%

CORPORATE DIRECTORY

ATLAS ARTERIA LIMITED

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Australia

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Email: investors@atlasarteria.com
Website: www.atlasarteria.com

Directors

Debbie Goodin, Non-Executive, Independent Chairman
Graeme Bevans, Executive Director
David Bartholomew, Non-Executive, Independent Director
Jean-Georges Malcor, Non-Executive, Independent Director

Secretary

Clayton McCormack, General Counsel and Company Secretary

ATLAS ARTERIA INTERNATIONAL LIMITED

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

Directors

Jeffrey Conyers, Non-Executive, Independent Chairman
Debbie Goodin, Non-Executive, Independent Director
Fiona Beck, Non-Executive Independent Director
Caroline Foulger, Non-Executive, Independent Director
Andrew Cook, Non-Executive, Independent Director

Secretary

Sheena Dottin

REGISTRY

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