

27 February 2020

ASX RELEASE

Atlas Arteria Investor Reference Pack for the year ended 31 December 2019

Atlas Arteria (**ASX:ALX**) is pleased to release the attached Investor Reference Pack for the year ended 31 December 2019.

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

About Atlas Arteria

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

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

www.atlasarteria.com



INVESTOR
REFERENCE
PACK

31 DECEMBER 2019



atlas**Arteria**

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Disclaimer

Atlas Arteria (Atlas Arteria) comprises Atlas Arteria Limited (ACN 141 075 201) (ATLAX) and Atlas Arteria International Limited (Registration No. 43828) (ATLIX).

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General Securities Warning

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Information, including forecast financial information, in this presentation should not be considered as a recommendation in relation to holding, purchasing or selling, securities or other instruments in Atlas Arteria. Due care and attention has been used in the preparation of forecast information. However, actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies many of which are outside the control of Atlas Arteria. Past performance is not a reliable indication of future performance.

Non-IFRS information

This presentation includes certain financial measures that are not recognised under Australian Accounting Standards (AAS) or International Financial Reporting Standards (IFRS). Such non-IFRS financial measures do not have a standardised meaning prescribed by AAS or IFRS and may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Recipients are cautioned not to place undue reliance on any non-IFRS financial measures included in this presentation. The non-IFRS information has not been subject to audit or review by the Company's external auditor.



PURPOSE AND STRUCTURE OF THIS PACK

THE PURPOSE OF THE INVESTOR REFERENCE PACK ('IRP' OR THE 'PACK') IS TO PROVIDE INFORMATION SUPPLEMENTARY TO THE FINANCIAL REPORT OF ATLAS ARTERIA FOR THE YEAR ENDED 31 DECEMBER 2019.

This Pack provides a detailed analysis of the performance of each business within the Atlas Arteria portfolio.

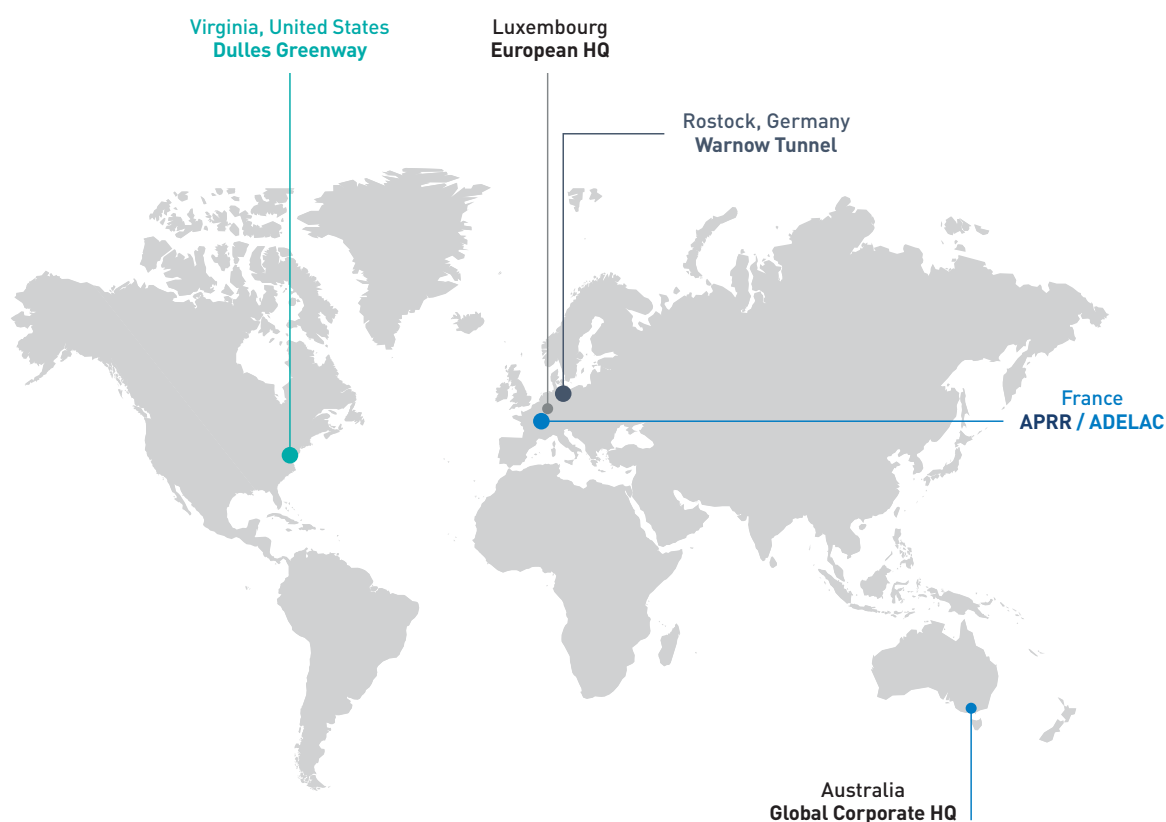
This Pack is prepared on a different basis from the Atlas Arteria Financial Report, which is prepared in accordance with Australian Accounting Standards. The information contained in this Pack does not and cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of Atlas Arteria for the year as in the Financial Report. This Pack should be read in conjunction with the Financial Report which is available on the Atlas Arteria website.

The Overview of operations section provides a summary of Atlas Arteria and its businesses. Section 1 summarises Atlas Arteria's corporate cash flows. Section 2 summarises the performance of each of Atlas Arteria's businesses at an individual level, outlining how Atlas Arteria's businesses financial performance results in distributions to Atlas Arteria.



OVERVIEW OF OPERATIONS

The diagram below shows the locations of Atlas Arteria's operations as at 31 December 2019.



BUSINESS PORTFOLIO

Table 1 – Atlas Arteria's portfolio of businesses and percentage interests as at 31 December 2019

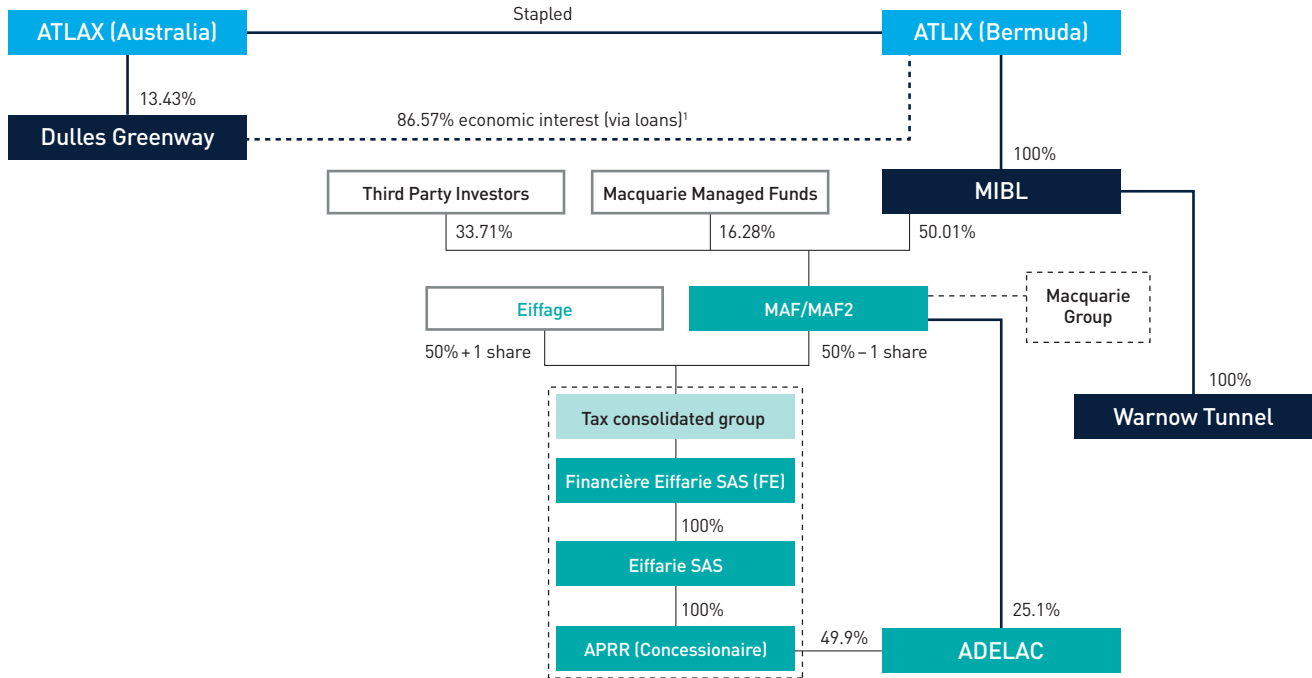
Asset	Reporting currency	Date of concession end	Atlas Arteria's current economic interest
APRR/AREA	€	November 2035 (APRR) September 2036 (AREA)	25.00%
ADELAC	€	December 2060	25.03%
Dulles Greenway	US\$	February 2056	100.00%
Warnow Tunnel	€	September 2053	100.00%

On 20 November 2019 Atlas Arteria announced it had executed agreements to acquire an additional 6.14% in APRR and ADELAC which would increase Atlas Arteria's ownership to 31.14% of APRR and 31.17% of ADELAC. The transaction is expected to complete by early March 2020.

CORPORATE STRUCTURE

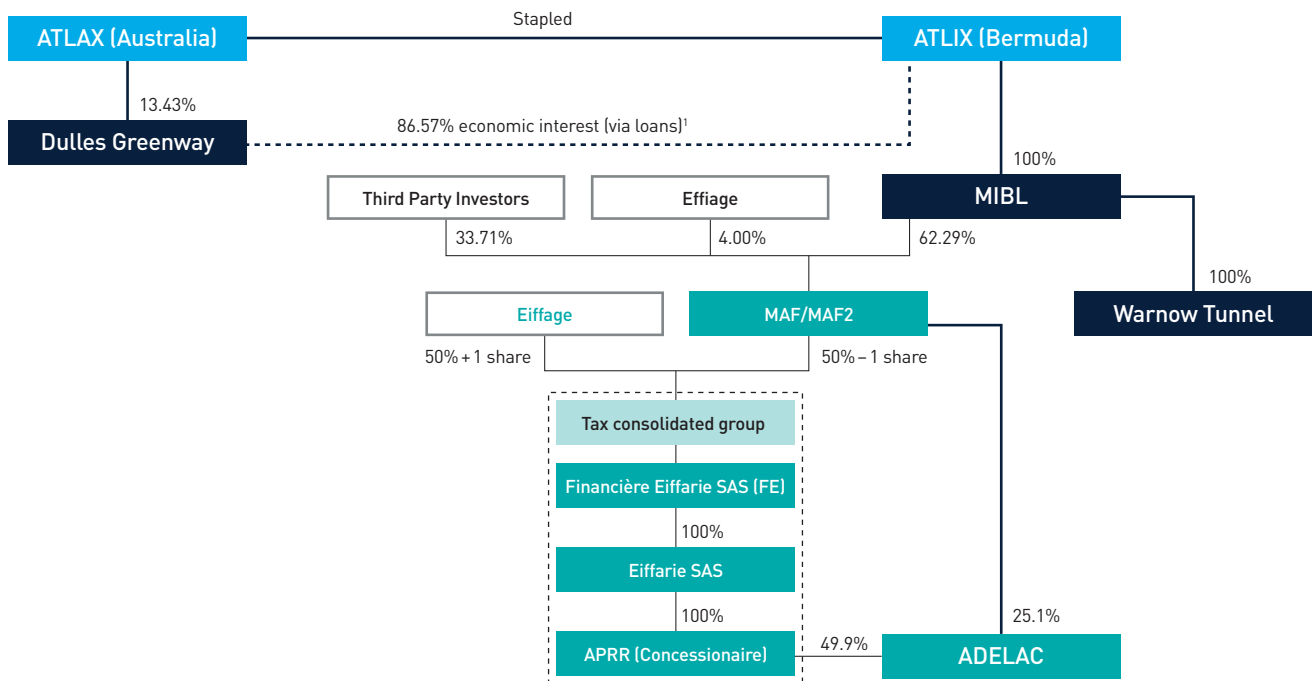
Atlas Arteria is a stapled security listed on the Australian Securities Exchange. Stapled securities are two or more securities that are quoted and traded as if they were a single security. An Atlas Arteria stapled security consists of a share in Atlas Arteria Limited ('ATLAX') and a share in Atlas Arteria International Limited ('ATLIX').

Figure 1 – Atlas Arteria structure overview as at 31 December 2019



1 ATLIX's 86.57% economic interest in Dulles Greenway represents two subordinated loans secured against the non-Atlas Arteria limited partner interests in Toll Road Investors Partnership II ('TRIP II')

Figure 2 – Atlas Arteria structure overview - post APRR Transaction Completion



1 ATLIX's 86.57% economic interest in Dulles Greenway represents two subordinated loans secured against the non-Atlas Arteria limited partner interests in Toll Road Investors Partnership II ('TRIP II')

1. CORPORATE CASH FLOW

Table 2 – Aggregated cash flow statement of Atlas Arteria

A\$m	2019	2018	2017
Cash flow received from operating businesses			
APRR Group	238.2	249.4	147.8
Warnow Tunnel	0.3	0.2	–
Dulles Greenway	–	–	–
Net cashflows from previously held investments	–	–	(2.1)
Other operating cash flows:			
Manager, adviser base fees and performance fees	(31.0)	(61.9)	(30.6)
Atlas Arteria internalisation costs	(2.6)	(8.8)	(0.2)
Payments to suppliers and employees	(17.8)	(7.4)	(6.6)
Interest income on corporate cash balances	1.2	0.9	1.6
Other net amounts received	0.6	0.4	0.3
Net Atlas Arteria operating cash flows	188.9	172.8	110.2
Investing and financing cash flows			
Payments for & capital contributions to investments (including transaction costs)	(2.2)	(4.0)	(1,275.2)
Proceeds from the issue of securities	1,324.2	–	646.8
Proceeds from borrowings (net of transaction costs)	–	534.7	450.5
Repayment of borrowings (including transaction costs)	–	(465.2)	–
Interest paid on borrowings	(10.8)	(16.1)	(7.5)
Payment for purchase of derivative financial instruments	–	(4.8)	–
Purchase of fixed assets	(0.1)	(0.5)	–
Distributions	(205.0)	(162.4)	(115.5)
Total investing and financing cash flows	1,106.1	(118.3)	(300.8)
Net increase/(decrease) in cash assets	1,295.0	54.5	(190.6)
Cash assets at beginning of the year/period	92.8	41.6	225.1
Exchange rate movements	(0.2)	(3.3)	7.1
Cash assets at the end of the year/period, comprising:	1,387.6	92.8	41.6
– Available cash	1,384.4	89.6	39.8
– Restricted cash	3.2	3.2	1.8
Distributions paid to Atlas Arteria securityholders (c per share)	30.0	24.0	20.0

The aggregated cash flow statement shows corporate Atlas Arteria cash flows, including distributions from its investments, corporate operating costs, and financing cashflows including debt and equity raised and invested (including financing and transaction costs). Cash flows within subsidiary businesses are not included. As a result, the aggregated Atlas Arteria cash flows shown in the Investor Reference Pack and the Atlas Arteria Consolidated Statement of Cash Flows shown in the Financial Report will differ.

2. BUSINESS OVERVIEW AND PERFORMANCE

2.1 APRR and AREA

2.1.1 Business background

APRR is a 2,318km motorway network located in the east of France. The APRR Group consists of the APRR concession, the AREA concession, and a minority stake in the ADELAC concession. APRR provides intercity road connections between major cities within its network including Paris and Lyon, which are critical connections for light vehicles, as well as a primary freight route for French and European road freight.

Tolls escalate annually in February by percentage of French CPI, plus supplemental increases as agreed with the French State primarily as a result of APRR funded capex projects. The current toll escalation formulas are shown below and the applicable tolls are presented on the APRR website¹.

Table 3 – APRR toll escalation

	APRR	AREA
2020-2021	70% x CPI + 0.448%	70% x CPI + 0.649%
2022-2023	70% x CPI + 0.25%	70% x CPI 0.26%
2024+	70% x CPI	70% x CPI

The APRR concession expires in 2035, and the AREA concession in 2036. A map of the APRR and AREA networks is shown below.



1. http://www.aprr.fr/fr/preparation_au_voyage/itine-raires/tarifs_aprr.pdf?FileID=pdf%2ftarifs_aprr.pdf

2. BUSINESS OVERVIEW AND PERFORMANCE

2.1.2 Business performance

Consolidated accounts are prepared by APRR using International Financial Reporting Standards ('IFRS').

Table 4 – APRR Traffic and Consolidated Profit and Loss

€m unless otherwise stated	2019	2018	% ch on prior	2017
– Light Vehicle traffic, VKT millions	20,694	20,464	1.1%	20,124
– Heavy Vehicle traffic, VKT millions	3,886	3,859	0.7%	3,686
Total Traffic, VKT millions	24,580	24,322	1.1%	23,810
– Toll road operations revenue	2,534.5	2,463.0	2.9%	2,353.1
– Other revenue	76.5	74.6	2.5%	71.5
– Construction services (IFRIC 12)	405.0	362.2	11.8%	304.1
Total Revenue	3,016.0	2,899.9	4.0%	2,728.8
Other operating income (expenses)	6.5	4.5	44.4%	3.9
Purchases and external charges	(115.1)	(116.2)	0.9%	(114.2)
Construction services (IFRIC 12)	(405.0)	(362.2)	(11.8%)	(304.1)
Employee benefit expenses	(206.9)	(205.5)	(0.7%)	(203.1)
Taxes (other than income tax)	(353.4)	(346.4)	(2.0%)	(336.6)
EBITDA	1,942.0	1,874.0	3.6%	1,774.7
EBITDA margin	74.4%	73.8%	0.5%	73.2%
Depreciation and amortisation expenses	(432.7)	(418.1)	(3.5%)	(398.4)
Provision for maintenance	(63.9)	(48.3)	(32.3%)	(45.3)
Operating profit	1,445.5	1,407.6	2.7%	1,331.0
Income from cash and cash equivalents	6.7	4.9	36.7%	9.6
Gross finance costs	(124.9)	(148.1)	15.7%	(190.2)
Other financial income (expenses)	5.2	(3.7)	n.m.	(0.9)
Share of profit (loss) of associates (incl. ADELAC)	0.4	–	n.m.	0.1
Income tax expense	(458.2)	(431.5)	(6.2%)	(443.3)
Profit (loss) for the period from continuing operations	874.7	829.2	5.5%	706.3

Table 5 – APRR profit to Atlas Arteria cash flow waterfall

€m unless otherwise stated	2019		2018		2017	
	H2 2019	H1 2019	H2 2018	H1 2018	H2 2017	H1 2017
APRR Consolidated Net Profit After Tax (NPAT) (100%)	426.9	447.8	408.8	420.4	332.3	374.0
APRR Consolidation Adjustments (100%)	(10.9)	(77.1)	(27.8)	(20.2)	32.8	(48.5)
APRR dividend (100%)	416.0	370.8	380.9	400.2	365.1	325.5
Eiffarie/FE level tax refund/(payment) (100%)		(7.4)	–	42.0	25.7	38.8
Eiffarie interest/swap payments (100%)		(5.1)	(5.2)	(5.8)	(83.9)	(86.1)
Eiffarie debt amortisation reserving for next period (100%)		(70.0)	(60.0)	(60.0)	(50.0)	(50.0)
Other Eiffarie/FE costs (incl. refi fees) and changes in working capital (100%)		0.1	0.2	(0.4)	0.5	0.2
Cash available for distribution from FE (100%)	288.3	315.9	375.9	375.9	257.4	228.4
Atlas Arteria indirect ownership	25.0%	25.0%	25.0%	25.0%	25.0%	20.1%
Cash available for distribution at Atlas Arteria Share	72.1	79.0	94.0	94.0	64.4	46.0
ADELAC distribution to MAF	–	–	–	–	–	–
MAF taxes/other at Atlas Arteria share	(0.8)	(1.8)	(4.3)	(4.3)	(0.1)	1.1
Atlas Arteria Distribution from MAF 2	71.3	77.2	89.7	89.7	64.3	47.1
EUR/AUD Exchange Rate at date of transfers	0.621	0.626	0.615	0.615	0.620	0.666
Atlas Arteria Distribution from MAF2 (AUD)	114.8	123.4	145.7	145.7	103.7	70.7
Paid to Atlas in:	H1 2020	Sep-19	Mar-19	Sep-18	Mar-18	Sep-17

Cash flows in H2 2019 are not included as they are yet to be finalised and approved by the relevant boards.

Table 6 – Capital expenditure

€m	2019	2018	% ch on prior	2017
Maintenance	126.3	113.0	11.8%	103.3
Growth	395.7	358.1	10.5%	301.8
Total capital expenditure	522.0	471.0	10.8%	405.2

2.1.3 Financing and debt

Table 7 – Debt metrics

€m	31 Dec 2019	31 Dec 2018	31 Dec 2017
APRR			
Gross debt	8,650.7	8,054.2	8,957.1
Cash	1,639.2	934.9	1,800.9
Net debt	7,011.5	7,119.3	7,156.2
Actual Net debt/LTM EBITDA (default if >7.0x)	3.6x	3.8x	4.0x
Actual LTM EBITDA/Interest (default if <2.2x)	16.42x	13.21x	10.03x
Hedging %	90.1%	83.1%	86.3%
Corporate credit rating			
– S&P	A- (stable)	A- (stable)	A- (stable)
– Fitch	A- (stable)	A- (stable)	A- (stable)
APRR and Eiffarie			
Gross debt	9,720.7	9,254.2	10,267.1
Cash	1,653.3	935.9	1,821.0
Net debt	8,067.4	8,318.2	8,446.0
Actual Net debt/LTM EBITDA	4.2x	4.4x	4.8x
Hedging %	80.1%	72.2%	106.3%

Table 8 – APRR debt facilities at 31 December

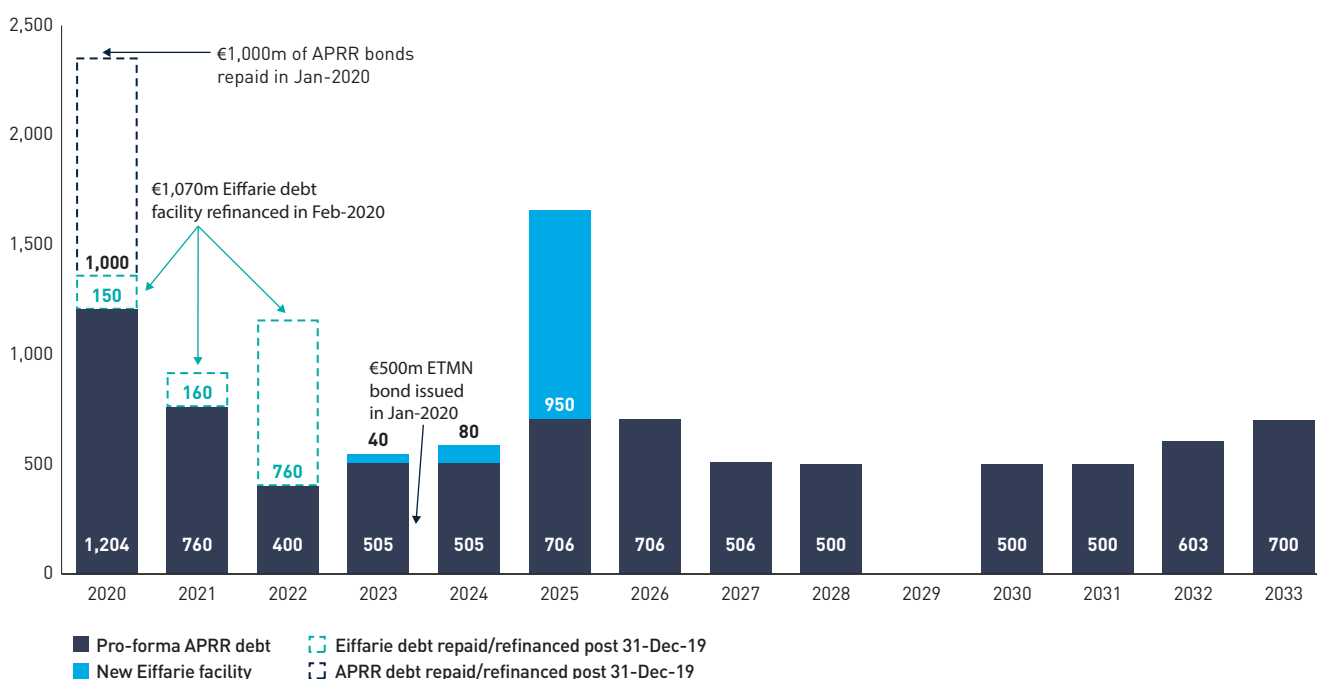
€m	2019	2018	Details
Euro Medium Term Note ('EMTN') public bonds – fixed	6,300	6,300	Fixed rate coupon bonds ranging from 1.125% to 2.25%, with maturities from 2020 to 2033. €500m was repaid in January 2020.
EMTN bonds – floating	500	1,000	€500m of floating rate bonds were repaid in January 2019. The final €500m floating rate bond was repaid in January 2020.
European Investment Bank Loan	375	375	Comprises a €100m fixed rate loan maturing 2022 and €275m floating rate loans maturing in 2022.
EMTN index linked bonds	158	157	Comprised of bonds maturing in 2021 and 2032 with coupons of 3.3% and 0.34% respectively. Principle indexed at French CPI.
Caisse Nationale des Autoroutes ('CNA') debt	42	46	Outstanding CNA debt is fixed rate with a fixed amortisation profile to 2027.
Maurice-Lemaire Loans	20	20	€7m zero interest with the remainder being index linked.
Commercial Paper	1,200	92	Short term fixed interest rate borrowings. The increase in 2019 is due to negative interest rates applicable on existing commercial paper.
Total drawn debt facilities	8,595	7,990	
Other	112	123	Includes €101m in accrued interest and €11m in other items.
IFRS adjustment	(56)	(59)	Drawn debt balances are presented above under French GAAP and reflect face value of debt. Gross debt as per APRR consolidated accounts reflects IFRS adjustments which result in carrying values of debt lower than face value.
Gross APRR debt	8,651	8,054	Total carrying value of debt reflected in the APRR consolidated accounts.
Revolving Credit Facility ('RCF')	1,800	1,800	Was refinanced in February 2020, increasing from €1,800m to €2,000m. The new facility is currently undrawn, maturing in 2025. Margin of 22.5bps above the greater of Euribor and 0%, and a commitment fee of 35% of the margin for undrawn balances.

2. BUSINESS OVERVIEW AND PERFORMANCE

Table 9 – Other APRR related debt facilities as at 31 December

Debt type	2019	2018	Details
Eiffarie term loan	€1,070m	€1,200m	This term debt was refinanced on 20 February 2020 with a margin of 62.5bps above the greater of Euribor and 0%, maturing in February 2025 with a further 2 year extension option to February 2027. No amortisation required until 2023 with amortisation proposed to be €40m in 2023 & €80m in 2024.
MIBL term loan	€350m	€350m	Margin of 2.25% over Euribor to 23 Oct 2022, 2.75% from 24 Oct 2022 to 23 Oct 2023, 3.25% from 24 Oct 2023 to 23 Oct 2024. Maturity date of 23 Oct 2024. Base rate cap at 0.90% matures in June 2023.

Figure 4 – APRR and Eiffarie pro forma debt maturity profile at 31 December 2019 (€m)



The chart above presents the maturity profile for debt outstanding as at 31 December 2019 with adjustments made to reflect debt repaid or issued in January and February 2020.

2.2 ADELAC

2.2.1 Business background

ADELAC, otherwise known as the A41 north, is a 20km two lane motorway which connects Annecy in France and Geneva in Switzerland, offering fast transit for commuters and facilitating leisure traffic between Geneva and the French Alps.

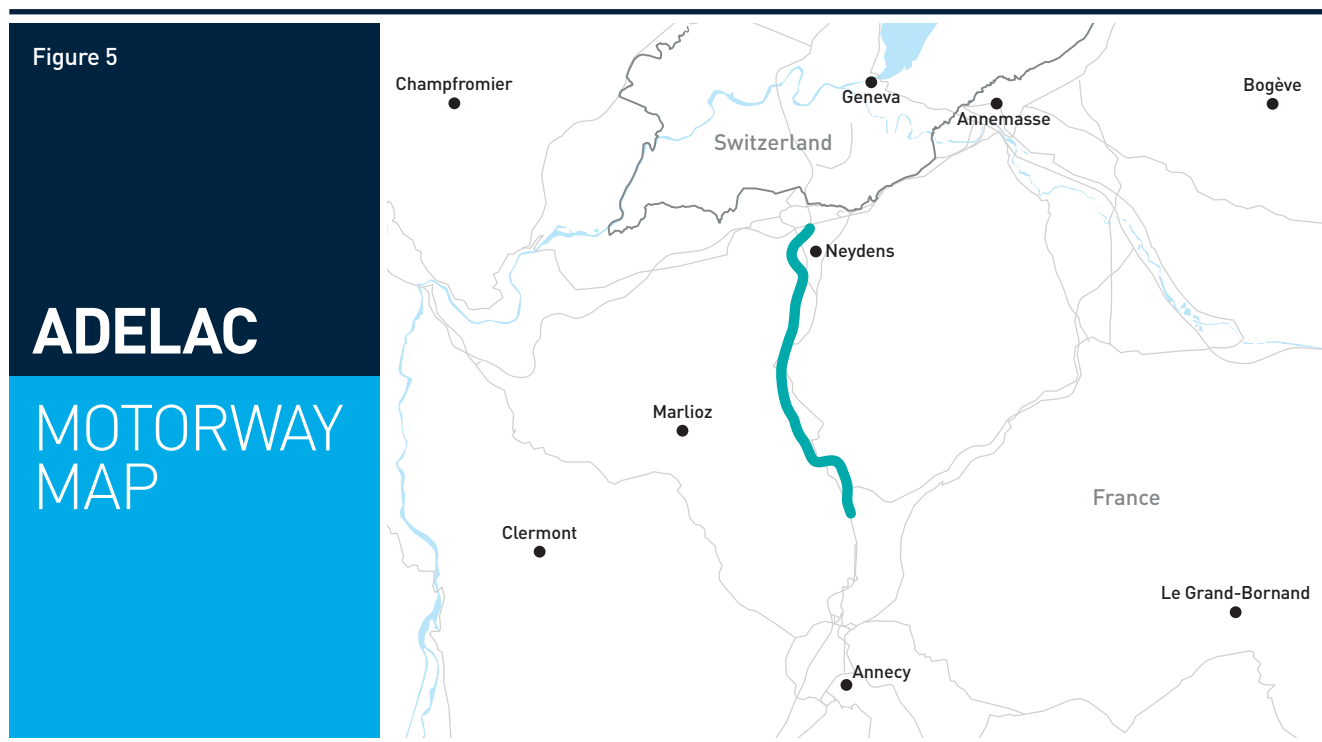
The road provides a continuous motorway connection to the A41 (south) and the A40 (west), part of the APRR network. APRR is the operator of the ADELAC Concession.

Tolls increase each year in February by French CPI plus a fixed percentage under the concession contract. The current toll escalation formulas are shown below and the applicable tolls are presented on the ADELAC website².

Table 10 – ADELAC toll escalation

Until 2020	CPI + 1.7%
2021-2030	CPI + 1.0%
2030+	CPI

The ADELAC concession expires in 2060.



2. https://www.liane-autoroute.com/le_reseau_liane/les_tarifs

2. BUSINESS OVERVIEW AND PERFORMANCE

2.2.2 Business performance

Consolidated accounts are prepared by ADELAC using French GAAP.

Table 11 – ADELAC profit and loss

€m unless otherwise stated	2019	2018	% ch on prior	2017
Average Daily Traffic (ADT)	29,567	29,713	(0.5%)	29,374
– Toll road operations revenue	56.7	56.0	1.2%	54.2
– Other revenue	0.1	0.1	36.4%	0.2
Revenue	56.8	56.1	1.3%	54.4
Purchases and external charges	(7.4)	(7.5)	1.1%	(7.5)
Taxes (other than income tax)	(2.3)	(2.3)	(0.4%)	(2.2)
EBITDA	47.1	46.3	1.8%	44.7
EBITDA margin	83.0%	82.5%	0.5%	82.2%

2.2.3 Financing and debt

Table 12 – Debt metrics at 31 December

€m unless otherwise stated	2019	2018	2017
Gross debt	721.8	730.0	738.3
Cash	12.5	13.9	13.8
Net debt	709.3	716.0	724.5
Net debt/EBITDA	15.1x	15.5x	16.2x
EBITDA/Interest	2.66x	2.61x	2.48x
Hedging %	85.3%	85.2%	85.2%

Gross debt is exclusive of shareholders loans from related entities (AREA) of €21.5m as at 31 December 2019 (€38.5m as at 31 December 2018). Distributions from ADELAC to APRR and MAF2 can only commence following repayment of shareholder loans.

Table 13 – ADELAC debt facilities at 31 December

Debt type €m	2019	2018	Details
Term facility	721.8	730.0	Margin over Euribor of 1.70% to June 2021, 1.90% to June 2026, 2.10% thereafter. Maturity in July 2030 with cash sweep mechanism with minimum repayment profile. Swap paying fixed rate at 0.85% maturing 2035.

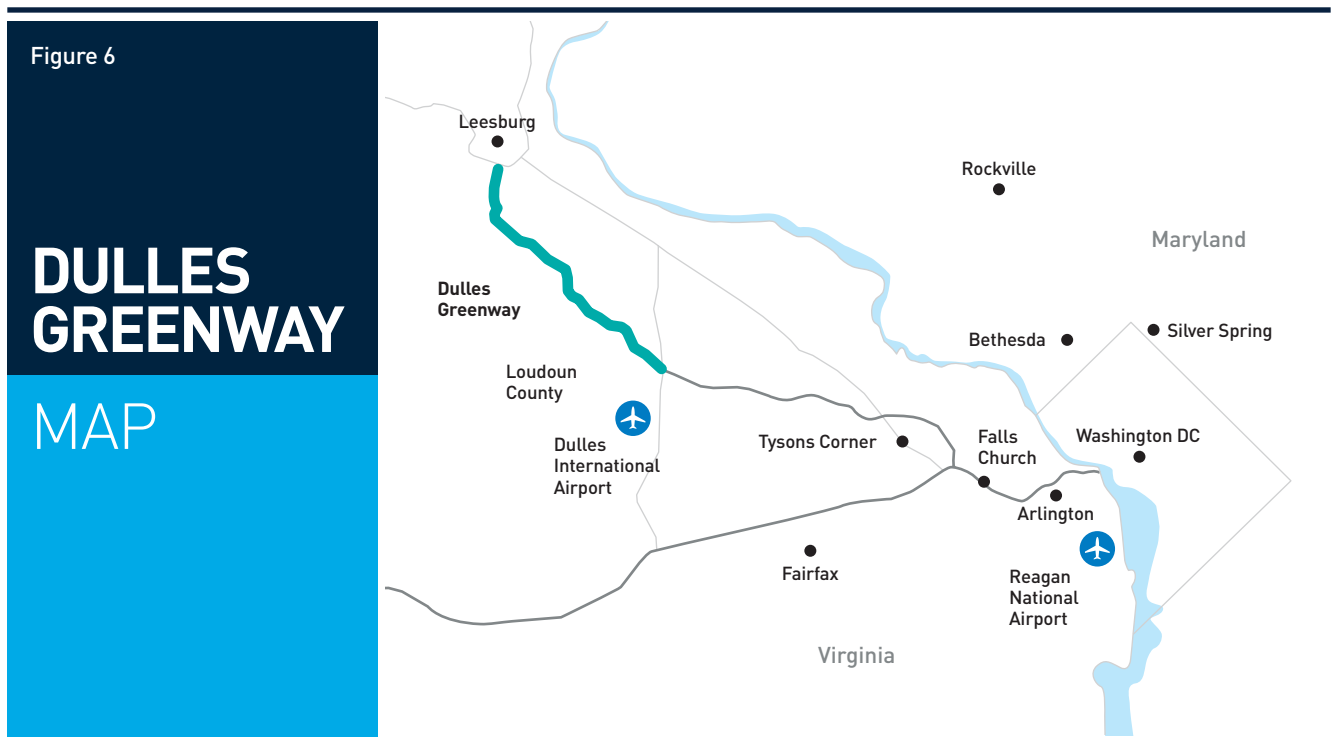
2.3 Dulles Greenway

2.3.1 Business background

Dulles Greenway is a 22km tolled motorway in northern Virginia, USA, which runs from Dulles International Airport to the town of Leesburg. The Greenway is part of a key route in one of the fastest growing and most affluent counties in the United States. As Loudoun County continues to grow, it is anticipated the Greenway will be well positioned to provide capacity, a quality service and attract a greater share of future corridor growth, with the ability to expand to meet future demand.

Atlas Arteria holds an estimated 100% economic interest in the Greenway. Tolls can be charged on the Greenway until 2056. Tolls are set on application to the Virginia State Corporation Commission. From 1 Jan 2020 onwards the SCC will determine the toll rates under the legislative framework that was used prior to 1 Jan 2013 in accordance with Section §56-542D, where the SCC shall “have the duty and authority to approve or revise the toll rates charged by the operator”. Toll rates should be set at a level that:

1. “is reasonable to the user in relation to the benefit obtained”; and
2. “will not materially discourage use of the roadway by the public”; and
3. “will provide the operator with no more than a reasonable rate of return as determined by the SCC”



2. BUSINESS OVERVIEW AND PERFORMANCE

2.3.2 Business performance

Consolidated accounts are prepared by Dulles Greenway (or TRIP II) using US GAAP. For comparative purposes revenue has been recognised in accordance with the ASC605 standard. The ASC606 standard has not been adopted in the tables below. Other modifications to the application of US GAAP have been noted in the tables below.

Table 14 – Traffic, Revenue and EBITDA

US\$m unless otherwise stated	2019	2018	% ch on prior	2017
Average Daily Traffic (ADT)	48,757	50,193	(2.9%)	52,555
Toll revenue net of VIP cash back	89.3	89.8	(0.5%)	91.7
Other toll revenue	–	0.6	n.m.	–
Other revenue	0.4	0.4	(0.7%)	0.4
Revenue	89.7	90.8	(1.2%)	92.2
Operating expenses	(16.5)	(17.0)	2.9%	(17.2)
EBITDA	73.2	73.8	(0.8%)	75.0
EBITDA margin	81.6%	81.3%	0.3%	81.4%

Operating expenses in the table above exclude project improvement expenses and easement accruals. Project improvement expenses are shown separately in the table below.

Table 15 – Dulles Greenway cash flows

US\$m unless otherwise stated	2019	2018	2017
Cash flows from operating activities:			
EBITDA	73.2	73.8	75.0
Movements in working capital and other items	(0.5)	(0.1)	0.3
Capex: Project Improvement Expenses	(0.9)	(1.8)	(1.0)
Capex: DTR Connector	(10.7)	(1.8)	–
Capex: West end project	(0.1)	–	–
Net interest income/(expenses)	1.4	0.2	(1.5)
Scheduled accreted interest payments on zero-coupon bond redemptions	(34.7)	(31.9)	(38.1)
Net cash provided by (used in) operating activities	27.8	38.5	34.7
Cash flows from investing activities:			
Sales/Purchases of fixed assets	(0.0)	(0.2)	(0.1)
Net cash provided by (used in) investing activities	(0.0)	(0.2)	(0.1)
Cash flows from financing activities:			
Distributions paid to Atlas Arteria	–	–	–
Scheduled principal payments on zero-coupon bond redemptions	(16.2)	(17.6)	(22.4)
Net cash from (used) in financing activities	(16.2)	(17.6)	(22.4)
Net increase/(decrease) in cash and cash equivalents	11.6	20.7	12.2
Cash at the beginning of period	203.8	183.1	171.0
Cash at the end of period	215.4	203.8	183.1
– Cash reserved for debt service/debt reserves	111.3	134.2	132.8
– Cash reserved for capital expenditure	13.0	18.3	3.6
– Other cash reserve requirements	11.7	10.9	10.2
– Cash available for distribution if lockup tests are met	79.3	40.4	36.5
Distributions paid to Atlas Arteria	–	–	–

2.3.3 Financing and debt

Table 16 – Debt metrics at 31 December

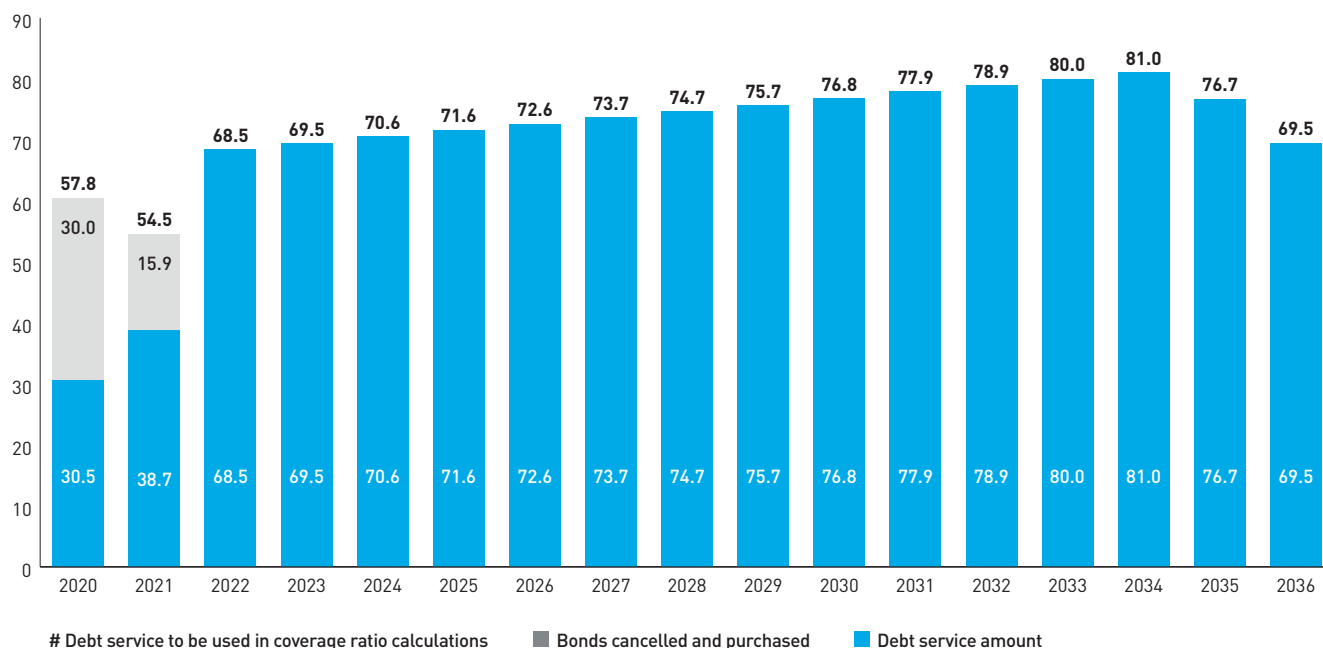
US\$m unless otherwise stated	2019	2018	2017
Gross debt	1,053.4	1,041.7	1,029.3
Cash	215.4	203.8	183.1
Net debt	838.0	837.9	846.1
Net debt/LTM EBITDA	11.4x	11.3x	11.3x
Actual MCR (lock up if <1.25x)	1.20x	1.18x	1.18x
Actual ACR (lock up if <1.15x)	1.20x	1.18x	1.16x
Corporate credit rating			
– S&P	BBB- (stable)	BBB- (stable)	BBB- (stable)
– Moody's	Ba1 (stable)	Ba1 (stable)	Ba1 (stable)
– Fitch	BB (negative)	BB+ (stable)	BB+ (stable)

Table 17 – Dulles Greenway debt facilities at 31 December

Debt type US\$m	2019	2018	Details
Senior Current Interest Bonds Series 1999A	35.0	35.0	Current interest bond, semi-annual coupon at 7.13% pa interest rate maturing 15 February 2035.
Senior Zero Coupon Bonds Series 1999B	478.7	479.3	Zero coupon bonds, 7.30% pa embedded interest rate on remaining bonds, mature over a range of dates from 2003 to 2035.
Senior Accreting Interest Bonds 2005A	20.9	36.6	Accreting interest bonds, 5.43% pa interest rate, compounded semi-annually, legal maturity in 2045 – with early redemption scheduled for between 2006 and 2021.
Senior Accreting Interest Bonds 2005B	123.7	117.0	Accreting interest bonds, compounded semi-annually, 5.70%, legal maturity in 2043 – with early redemption scheduled for between 2022 and 2035.
Senior Zero Coupon Bonds Series 2005C	395.1	373.9	Zero coupon bonds, yield to maturity ranging from 5.50% to 5.65%, with maturities between 2036 and 2056.
Total debt	1,053.4	1,041.7	

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Figure 7 – Debt service profile (2019-2036) as at 31 December 2019 (US\$m)



The chart above presents the maturity profile for debt outstanding as at 31 December 2019 and also provides the total debt service (principle and accrued interest) payable each year to 2036. The debt service profile extends to 2056.

The debt service which is included in the MCR and ACR calculations described below includes the bonds that were repurchased and cancelled, net of the percentage of the discount at which they were acquired (US\$0.2m in 2019, US\$2.7m in 2020).

There are two distribution tests, being the Minimum Coverage Ratio (MCR) and the Additional Coverage Ratio (ACR) which are both tested annually at 31 December and calculated in accordance with the table below. If the MCR is not met, distributions from Dulles Greenway are in lock up for 12 months. Where the ACR is not met, distributions from Dulles Greenway are in lock up for 36 months.

Table 18 – Distribution tests as at year end 31 December

US\$m	2019	2018	2017
Toll Revenues	89.3	90.4	91.7
Operating Expenses	(16.5)	(17.0)	(17.2)
Net Toll Revenues used for Minimum Coverage Ratio (A)	72.8	73.4	74.6
Net Transfers to Improvement Fund and Operating Reserve Fund	-	(0.4)	(1.5)
Net Toll Revenues used for Additional Coverage Ratio (B)	72.8	73.0	73.1
1999A	(2.5)	(2.5)	(2.5)
1999B	(41.6)	(39.8)	(38.1)
2005A	(16.9)	(19.7)	(22.4)
2005B / 2005C	-	-	-
Reduction in debt service used in coverage ratio for bond buy back discount	0.2	-	-
Total Debt Service (C)	(60.8)	(62.0)	(63.0)
Minimum Coverage Ratio (A ÷ C) – 1.25x requirement	1.20x	1.18x	1.18x
Additional Coverage Ratio (B ÷ C) – 1.15x requirement	1.20x	1.18x	1.16x

2.4 Warnow Tunnel

2.4.1 Business background

The Warnow Tunnel is a 2 kilometre, two lane in each direction toll road, including a 0.8 kilometre tunnel under the Warnow River, which opened to traffic in September 2003. The road allows users to cross under the Warnow River which divides Rostock. Most of the residential areas are located on the western side and most of the industrial areas are on the eastern side of the river. This includes the Rostock Port, a roll on roll off freight and passenger ferry port for Baltic shipping, a bulk port, and a Cruise Ship Terminal.

Tolls may be escalated annually in November and are subject to the joint approval of the Federal Ministry of Transport in Germany and the Supreme Highway Construction Authority of the Land of Mecklenburg-Vorpommern. Toll increases are linked to pre-tax equity IRR of the concession (see table below). Applicable toll prices for 2020 are presented on the Warnow Tunnel website³.

Table 19 – Warnow toll escalation

Pre tax IRR <17%	Tolls may rise at a rate higher than inflation
Pre tax IRR 17-25%	Tolls linked to inflation
Pre tax IRR >25%	Tolls remain fixed

Atlas Arteria has a 100% interest in the concessionaire Warnowquerung GmbH & Co. KG, the concessionaire partnership, and its general partner. The concession expires in 2053.



3. <https://warnowquerung.de/en/prices/>.

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2.4.2 Business Performance

Consolidated accounts are prepared by Warnow Tunnel using German GAAP. Modifications to the application of German GAAP have been noted in the tables below.

Table 20 – Traffic, Revenue and EBITDA¹

€m unless otherwise stated	FY19	FY18	% ch on prior	FY17
Average Daily Traffic (ADT)	13,541	12,948	4.6%	11,715
Revenue	13.7	12.6	8.8%	11.1²
Operating expenses	(3.4)	(2.9) ²	(15.7%)	(2.8)
EBITDA	10.3	9.7	6.7%	8.3
EBITDA margin	75.3%	76.8%	(1.5%)	74.9%

1. Current and historical operating expenses have been updated to exclude provisions and any maintenance capital expenditure.

2. Excludes one off extraordinary revenue of €0.6 million in 2017.

Table 21 – Warnow Tunnel cashflows

€m unless otherwise stated	2019	2018	2017
Cash flows from operating activities:			
EBITDA	10.3	9.7	8.3
Movements in working capital and other items	0.1	0.4	0.5
Net interest income/(expenses)	(3.4)	(3.6)	(3.8)
Net cash provided by (used in) operating activities	7.0	6.5	5.0
Cash flows from investing activities:			
Purchases of fixed assets	(0.0)	(0.6)	(0.3)
Net cash provided by (used in) investing activities	(0.0)	(0.6)	(0.3)
Cash flows from financing activities:			
Repayments of borrowings	(7.6)	(5.1)	(4.0)
Payment into capital reserves	1.3	-	-
Distributions paid to Atlas Arteria	-	-	-
Net cash from (used) in financing activities	(6.3)	(5.1)	(4.0)
Net increase/(decrease) in cash and cash equivalents	0.7	0.8	0.7
Cash at the beginning of period	5.1	4.3	3.6
Cash at the end of period	5.7	5.1	4.3
Debt balance at the end of the period	146.7	153.4	158.6
Distributions paid to Atlas Arteria	-	-	-

2.4.3 Financing and Debt

Table 22 – Debt metrics at 31 December

€m	2019	2018	2017
Gross debt	146.7	153.4	158.6
Cash	5.7	5.1	4.3
Net debt	140.9	148.4	154.3
Net debt/EBITDA	13.7x	15.3x	18.5x
EBITDA/Interest	3.07x	2.70x	2.19x
Hedging %	28.7%	28.9%	29.2%

Debt balances need to be zero before Warnow Tunnel can pay distributions.

Table 23 – Warnow Tunnel debt facilities at 31 December

Debt type €m	2019	2018	Details
Tranche I	42.0	44.3	Margin of 0.75% over Euribor with maturity of 31 December 2029 with a fixed amortisation schedule. Fixed interest rate swap at 4.07% with maturity in line with Tranche I.
Tranche II	9.3	14.7	Margin of 3.00% over Euribor. Facility term to 15 September 2053 (concession end) under full cash sweep.
Tranche III	95.3	94.5	Margin of 1.50% over Euribor. Facility term to 15 September 2053 (concession end) under full cash sweep. Capitalisation of interest until Tranche II is fully repaid.
Total debt	146.7	153.4	



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