

Sydney Airport

Appendix 4D

ASX Listing Rule 4.2A.3

Interim Financial Report
for Half Year Ended 30 June 2013



**Sydney
Airport**

The right future
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Results for Announcement to the Market

	6 Months to 30 June 2013 \$m	6 Months to 30 June 2012 \$m	Movement \$m	Movement %
Revenue	554.9	512.2	42.7	8.3%
Revaluation losses from investments	-	(0.1)	0.1	N/A
Other income	(1.0)	(3.5)	2.5	N/A
Total revenue	553.9	508.6	45.3	8.9%
Profit after income tax (expense) / benefit	13.3	77.8	(64.5)	(82.9%)
Profit after income tax (expense) / benefit attributable to security holders	24.0	88.6	(64.6)	(72.9%)

Distributions

	6 Months to 30 June 2013 \$m	6 Months to 30 June 2012 \$m	6 Months to 30 June 2013 cents per security	6 Months to 30 June 2012 cents per security
Final distribution proposed and subsequently paid for year ended 31 December	186.1	186.1	10.0	10.0
Interim distribution paid for period ended 30 June	204.8	204.8	11.0	11.0
Total	390.9	390.9	21.0	21.0

There are \$nil imputation credits (2012: \$nil) available to pay franked distributions.

Additional Appendix 4D disclosures can be found in the Notes to the Interim Financial Report for Half Year Ended 30 June 2013 lodged on the ASX with this document and the Results for the Half Year Ended 30 June 2013 ASX release, also lodged with the ASX on 22 August 2013.

ASX-Listed Sydney Airport (the Group) comprises Sydney Airport Trust 1 (ARSN 099 597 921) (SAT1) and Sydney Airport Trust 2 (ARSN 099 597 896) (SAT2). Sydney Airport Holdings Limited (ACN 078 295 760) (AFSL 236 875) is the Responsible Entity of SAT1 and SAT2.

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SYDNEY AIRPORT



**Sydney
Airport**

The right future.
Starting now.

INTERIM FINANCIAL REPORT FOR HALF YEAR ENDED
30 JUNE 2013

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ASX-listed Sydney Airport (the Group) comprises Sydney Airport Trust 1 (ARSN 099 597 921) (SAT1) and Sydney Airport Trust 2 (ARSN 099 597 896) (SAT2).

Sydney Airport Holdings Limited (ACN 075 295 760) (AFSL 236875) (SAHL) is the responsible entity of SAT1 and SAT2. This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in Sydney Airport, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

Interim Financial Report

for half year ended 30 June 2013

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Directors' Report

for half year ended 30 June 2013

Introduction to the Interim Financial Report

Overview of ASX-Listed Sydney Airport

ASX-listed Sydney Airport (the Group) held an 84.8% economic interest in Sydney Airport at 30 June 2013 (31 December 2012: 84.8%). Subsequent to balance date, the Group signed binding agreements to acquire the remaining 15.2% non-controlling interests to move to 100.0% ownership of Sydney Airport. Refer to Events Occurring after Balance Sheet Date.

Units in the Group are stapled, quoted and traded on the Australian Securities Exchange as if they were a single security. They consist of one unit in Sydney Airport Trust 1 (SAT1) and one unit in Sydney Airport Trust 2 (SAT2).

Directors' Report

For half year ended 30 June 2013, the directors of Sydney Airport Holdings Limited (SAHL or the Responsible Entity) submit the following report on the consolidated interim financial report of ASX-listed Sydney Airport. SAT1 has been identified as the parent of the consolidated group comprising SAT1 and its controlled entities and SAT2 and its controlled entities, together acting as Sydney Airport (or the Group).

For half year ended 30 June 2013, the directors of the Responsible Entity also submit the following report on the consolidated interim financial report of SAT2 being SAT2 and its controlled entities (the SAT2 Group).

Principal Activities

The principal activity of the Group and the SAT2 Group (together the Groups) is the ownership of Sydney Airport. The Groups' investment policy is to invest funds in accordance with the provisions of the governing documents of the individual entities within the Groups.

There were no significant changes in the nature of the Groups' activities during the period.

Directors

The following persons were directors of the Responsible Entity from the period noted and up to the date of this report.

Name	Role	Period of Directorship
Max Moore-Wilton	Chairman, Non-executive director	Since April 2006
Trevor Gerber	Non-executive director	Since April 2002
Michael Lee	Non-executive director	Since June 2003
Robert Morris	Non-executive director	Since September 2002
John Roberts	Non-executive director	Since October 2009
Stephen Ward	Non-executive director	Since February 2011
Kerrie Mather	Executive director	Since July 2010

Distributions

The interim distribution for the Group for half year ended 30 June 2013 was 11.0 cents per stapled security (2012: 11.0 cents per stapled security). This distribution was paid by SAT1 on 16 August 2013.

No distribution was paid by the SAT2 Group for half year ended 30 June 2013 (2012: nil).

Directors' Report

for half year ended 30 June 2013

Review and Results of Operations

The performance of the Groups for the half year, as represented by the combined result of their operations, was:

	Group 6 months to 30 Jun 2013 \$m	Group 6 months to 30 Jun 2012 \$m	SAT2 6 months to 30 Jun 2013 \$m	SAT2 6 months to 30 Jun 2012 \$m
Revenue	554.9	512.2	610.4	579.7
Revaluation losses from investments	-	(0.1)	-	(0.1)
Other income	(1.0)	(3.5)	(1.0)	(3.5)
Total revenue	553.9	508.6	609.4	576.1
Profit / (loss) after income tax (expense) / benefit	13.3	77.8	(185.3)	(97.9)
Total comprehensive income	19.4	23.1	(179.2)	(152.6)
Profit / (loss) after income tax (expense) / benefit attributable to security holders	24.0	88.6	(171.2)	(83.3)
Earnings per stapled security attributable to security holders				
Basic and diluted earnings per stapled security / unit	1.29c	4.76c	(9.20c)	(4.48c)
Earnings per stapled security from total comprehensive income attributable to security holders				
Basic and diluted earnings per stapled security / unit	1.58c	2.27c	(8.94c)	(6.78c)

Directors' Report

for half year ended 30 June 2013

Financial Performance and Position

Net Operating Receipts provides a proxy for cash flow available to pay ASX-listed Sydney Airport distributions. The first table reconciles the Southern Cross Airports Holdings Limited (SCACH) (a subsidiary of SAT1 and SAT2) statutory result to its distributions declared. The second table incorporates ASX-listed Sydney Airport cash flows to determine total cash available to investors. Non-IFRS financial information below has not been audited by the external auditor, but has been sourced from the financial reports.

	SCACH ¹ 6 months to 30 Jun 13 \$m ²	SCACH ¹ 6 months to 30 Jun 12 \$m ²	ASX-listed Sydney Airport interest (84.8%) 6 months to 30 Jun 13 \$m ²	ASX-listed Sydney Airport interest (84.8%) 6 months to 30 Jun 12 \$m ²
Loss before income tax expense	(37)	(61)	(31)	(52)
Add back: interest on redeemable preference shares (RPS) held by ordinary shareholders ³	141	141	120	120
Add back: depreciation and amortisation	114	112	97	95
Profit before tax, shareholder interest, depreciation and amortisation	218	192	186	163
Add back non-cash financial expenses				
- Fair value adjustment to interest swaps not qualifying as hedges ³	1	4	1	3
- Amortisation of debt establishment costs ³	5	10	4	8
- Capital Indexed Bonds capitalised ³	15	13	13	11
- Borrowing costs capitalised ³	(4)	(4)	(3)	(3)
Total non-cash financial expenses	17	23	15	19
Add / (subtract) other cash movements				
Movement in cash reserved for specific purposes ⁴	(1)	34	(1)	29
Other	1	(6)	1	(5)
Total other cash movements	-	28	-	24
Cash flow available to SCACH shareholders	235	243	201	206

	Note	Corporate 6 months to 30 Jun 13 \$m ²	Corporate 6 months to 30 Jun 12 \$m ²
ASX-listed Sydney Airport share of SCACH cash flow		201	206
Corporate receipts ⁵		2	4
Corporate costs ⁵		(6)	(4)
Corporate net transaction items ⁵		11	(7)
Net Operating Receipts		208	199
Stapled securities on issue ('m)		1,861	1,861
Cash flow per stapled security		\$0.11	\$0.11
Distributions declared per stapled security	3	\$0.11	\$0.11

¹ Southern Cross Airports Corporation Holdings Limited.

² Disclosure rounded to millions may not exactly match disclosure elsewhere in the consolidated interim financial statements which are rounded to the nearest hundred thousand.

³ These numbers are taken from Note 2(a) in the SCACH Interim Financial Report for half year ended 30 June 2013.

⁴ These numbers are taken from Note 9 in the SCACH Interim Financial Report for half year ended 30 June 2013.

⁵ These numbers are calculated from Corporate items shown separately in the Consolidated Statements of Cash Flows for half year ended 30 June 2013.

Directors' Report

for half year ended 30 June 2013

Significant Changes in State of Affairs

No significant changes in state of affairs occurred during the year.

Value of Assets

	Group 30 Jun 2013 \$m	Group 30 Jun 2012 \$m	SAT2 30 Jun 2013 \$m	SAT2 30 Jun 2012 \$m
Book value of assets	10,905.4	10,966.4	13,374.4	13,327.8

The book value of the Groups' assets is derived using the basis set out in Note 1 to the interim financial report.

Events Occurring after Balance Sheet Date

Acquisition of Non-Controlling Interests

The Group has signed binding agreements to acquire the remaining 15.2% non-controlling interests to move to 100.0% ownership of Sydney Airport. The purchase has been undertaken by issuing ASX-listed SYD securities proportionate to the underlying non-controlling interests in Sydney Airport being acquired. The acquisition of certain non-controlling interests are subject to investor approval at an Extraordinary General Meeting.

ATO Resolution

On 21 December 2012, the Group announced that the Australian Taxation Office (ATO) had delivered to the Sydney Airport Trust 2 Tax Consolidated Group (the TCG) a position paper related to tax years ended 31 December 2010 and 31 December 2011. The position paper was the product of a specific issue tax audit by the ATO on the tax deductibility of distributions on RPS issued by members of the TCG to SAT1.

Subsequent to balance date, the TCG has reached an in-principle non-binding agreement with the ATO to allow for settlement which ensures no further audit activity in relation to any of the RPS issued by members of the TCG and removes any risk of the audit period being extended to later years. As part of the in-principle non-binding settlement, SAT2 has agreed to make a primary tax and interest payment of \$69.0 million to the ATO.

Though a formal binding settlement deed is expected to be finalised with the ATO by the end of 2013, \$69.0 million has been recognised as income tax expense and a corresponding current income tax provision for the period ended 30 June 2013.

Distribution

The interim distribution for ASX-listed Sydney Airport for half year ended 30 June 2013 was 11.0 cents per stapled security (2012: 11.0 cents per stapled security). This distribution was paid by SAT1 on 16 August 2013.

No distribution was paid by the SAT2 Group for half year ended 30 June 2013 (2012: nil).

Since the end of the half year, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the interim financial report that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in periods subsequent to half year ended 30 June 2013.

Directors' Holdings of Stapled Securities

The aggregate number of stapled securities in ASX-listed Sydney Airport and units in SAT2 held directly, indirectly or beneficially by the directors of the Responsible Entity or their director-related entities at the date of this interim financial report is 4,567,314 (31 December 2012: 4,567,314).

Directors' Report

for half year ended 30 June 2013

Lead Auditor's Independence Declaration

A copy of the lead auditors' independence declaration, as required under section 307C of the *Corporations Act 2001* is set out on page 7 and forms part of the directors' report for half year ended 30 June 2013.

Rounding of Amounts in the Directors' Report and the Consolidated Interim Financial Statements

The Groups are of a kind referred to in Australian Securities & Investments Commission (ASIC) Class Order 98/100 dated 10 July 1998, and in accordance with that Class Order all financial information presented in Australian dollars has been rounded to the nearest hundred thousand dollars unless otherwise stated.

Application of Class Order

The interim financial reports for the Group and the SAT2 Group are jointly presented in one report as permitted by ASIC Class Order 06/441.

This report is made in accordance with a resolution of the directors of Sydney Airport Holdings Limited.



Max Moore-Wilton

Sydney
21 August 2013



Trevor Gerber

Sydney
21 August 2013



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Sydney Airport Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2013 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Andrew Yates
Partner

Sydney

21 August 2013

Interim Financial Report

for half year ended 30 June 2013

Consolidated Statements of Comprehensive Income

	Note	Group 6 months to 30 Jun 2013 \$m	Group 6 months to 30 Jun 2012 \$m	SAT2 6 months to 30 Jun 2013 \$m	SAT2 6 months to 30 Jun 2012 \$m
Revenue	2	554.9	512.2	610.4	579.7
Revaluation losses from investments	2	-	(0.1)	-	(0.1)
Other income	2	(1.0)	(3.5)	(1.0)	(3.5)
Total revenue		553.9	508.6	609.4	576.1
Finance costs	2	241.8	219.2	496.8	463.7
Other expenses	2	259.1	243.6	258.2	242.3
Total operating expenses		500.9	462.8	755.0	706.0
Profit / (loss) before income tax (expense) / benefit		53.0	45.8	(145.6)	(129.9)
Income tax (expense) / benefit	5	(39.7)	32.0	(39.7)	32.0
Profit / (loss) after income tax (expense) / benefit		13.3	77.8	(185.3)	(97.9)
Other comprehensive income					
<i>Items that may subsequently be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		-	(0.2)	-	(0.2)
Cash flow hedges – interest rate swaps		8.7	(77.8)	8.7	(77.8)
Tax on items that may be reclassified to profit or loss		(2.6)	23.3	(2.6)	23.3
Total items that may subsequently be reclassified to profit or loss		6.1	(54.7)	6.1	(54.7)
Other comprehensive income for half year, net of tax		6.1	(54.7)	6.1	(54.7)
Total comprehensive income		19.4	23.1	(179.2)	(152.6)
Profit / (loss) after income tax (expense) / benefit attributable to:					
Security holders		24.0	88.6	(171.2)	(83.3)
Non-controlling interest		(10.7)	(10.8)	(14.1)	(14.6)
		13.3	77.8	(185.3)	(97.9)
Total comprehensive income attributable to:					
Security holders		29.3	42.2	(166.4)	(126.1)
Non-controlling interest		(9.9)	(19.1)	(12.8)	(26.5)
		19.4	23.1	(179.2)	(152.6)
Earnings per stapled security attributable to security holders					
Basic and diluted earnings per stapled security / unit ⁶		1.29c	4.76c	(9.20c)	(4.48c)
Earnings per stapled security from total comprehensive income attributable to security holders					
Basic and diluted earnings per stapled security / unit ⁶		1.58c	2.27c	(8.94c)	(6.78c)

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

⁶ Earnings used in the calculation of earnings per stapled security includes revaluation gains / (losses) from airport investments, as well as income and expenses from revaluation of other financial instruments. Consequently earnings per stapled security reflect the impact of unrealised revaluation increments and decrements.

Interim Financial Report

as at 30 June 2013

Consolidated Balance Sheets

	Note	Group 30 Jun 2013 \$m	Group 31 Dec 2012 \$m	SAT2 30 Jun 2013 \$m	SAT2 31 Dec 2012 \$m
Current assets					
Cash and cash equivalents		415.7	433.7	391.8	421.8
Receivables		104.6	103.7	358.0	303.2
Other financial assets		15.7	20.4	15.7	20.4
Other assets		9.9	8.1	9.9	8.1
Total current assets		545.9	565.9	775.4	753.5
Non-current assets					
Receivables		36.7	39.3	2,276.2	2,278.8
Property, plant and equipment		2,509.2	2,509.5	2,509.2	2,509.5
Intangible assets		7,799.8	7,850.8	7,799.8	7,850.8
Other assets		13.8	6.3	13.8	6.5
Total non-current assets		10,359.5	10,405.9	12,599.0	12,645.6
Total assets		10,905.4	10,971.8	13,374.4	13,399.1
Current liabilities					
Distribution payable		204.8	186.1	-	-
Payables		154.3	180.8	621.0	574.6
Interest bearing liabilities	4	216.8	216.5	216.8	216.5
Deferred income		24.3	25.3	24.3	25.3
Derivative financial instruments		137.8	146.9	137.8	146.9
Current tax liability	5	69.0	-	69.0	-
Provisions		8.5	8.3	8.5	8.3
Total current liabilities		815.5	763.9	1,077.4	971.6
Non-current liabilities					
Payables		-	0.4	-	0.4
Interest bearing liabilities	4	6,510.1	6,222.2	10,159.7	9,884.2
Derivative financial instruments		28.9	204.3	28.9	204.3
Provisions		1.4	1.2	1.4	1.1
Deferred tax liabilities		1,628.3	1,655.0	1,628.3	1,655.0
Total non-current liabilities		8,168.7	8,083.1	11,818.3	11,745.0
Total liabilities		8,984.2	8,847.0	12,895.7	12,716.6
Net assets		1,921.2	2,124.8	478.7	682.5
Equity					
Security holders' interests					
Contributed equity		3,948.5	3,948.5	1,949.2	1,949.2
Retained earnings	6	320.2	501.0	2,925.4	3,096.6
Reserves		(2,395.5)	(2,400.8)	(4,441.8)	(4,446.6)
Total security holders' interests		1,873.2	2,048.7	432.8	599.2
Non-controlling interest in controlled entities		48.0	76.1	45.9	83.3
Total equity		1,921.2	2,124.8	478.7	682.5

The above Consolidated Balance Sheets should be read in conjunction with the accompanying notes.

Interim Financial Report

for half year ended 30 June 2013

Consolidated Statements of Changes in Equity

Group	Note	Attributable to Group's Security Holders				Non-controlling interest \$m	Total equity \$m
		Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total \$m		
Total equity at 1 January 2013		3,948.5	(2,400.8)	501.0	2,048.7	76.1	2,124.8
Profit / (loss) attributable to security holders		-	-	24.0	24.0	(10.7)	13.3
Cash flow hedges, net of tax		-	5.3	-	5.3	0.8	6.1
Distributions provided for or paid	3	-	-	(204.8)	(204.8)	(18.2)	(223.0)
Total equity at 30 June 2013		3,948.5	(2,395.5)	320.2	1,873.2	48.0	1,921.2
Total equity at 1 January 2012		3,948.5	(2,365.3)	710.9	2,294.1	138.8	2,432.9
Profit / (loss) attributable to security holders		-	-	88.6	88.6	(10.8)	77.8
Cash flow hedges, net of tax		-	(46.2)	-	(46.2)	(8.3)	(54.5)
Exchange differences arising on translation of foreign entities		-	(0.2)	-	(0.2)	-	(0.2)
Movement in other reserves		-	0.1	-	0.1	-	0.1
Distributions provided for or paid	3	-	-	(204.8)	(204.8)	(16.9)	(221.7)
Total equity at 30 June 2012		3,948.5	(2,411.6)	594.7	2,131.6	102.8	2,234.4

SAT2 Group	Note	Attributable to SAT2 Group's Security Holders				Non-controlling interest \$m	Total equity \$m
		Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total \$m		
Total equity at 1 January 2013		1,949.2	(4,446.6)	3,096.6	599.2	83.3	682.5
Loss attributable to security holders		-	-	(171.2)	(171.2)	(14.1)	(185.3)
Cash flow hedges, net of tax		-	4.8	-	4.8	1.3	6.1
Distributions provided for or paid	3	-	-	-	-	(24.6)	(24.6)
Total equity at 30 June 2013		1,949.2	(4,441.8)	2,925.4	432.8	45.9	478.7
Total equity at 1 January 2012		1,949.2	(4,414.2)	3,283.7	818.7	167.7	986.4
Loss attributable to security holders		-	-	(83.3)	(83.3)	(14.6)	(97.9)
Cash flow hedges, net of tax		-	(42.6)	-	(42.6)	(11.9)	(54.5)
Exchange differences arising on translation of foreign entities		-	(0.2)	-	(0.2)	-	(0.2)
Movement in other reserves		-	0.2	-	0.2	-	0.2
Distributions provided for or paid	3	-	-	-	-	(22.5)	(22.5)
Total equity at 30 June 2012		1,949.2	(4,456.8)	3,200.4	692.8	118.7	811.5

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Interim Financial Report

for half year ended 30 June 2013

Consolidated Statements of Cash Flows

	Group 6 months to 30 Jun 2013 \$m	Group 6 months to 30 Jun 2012 \$m	SAT2 6 months to 30 Jun 2013 \$m	SAT2 6 months to 30 Jun 2012 \$m
Cash flows from operating activities				
Airport interest received	4.7	6.6	4.7	6.6
Corporate interest received	2.3	3.4	1.9	1.2
Interest paid on intercompany loans	-	-	-	(10.6)
Intercompany loans received	-	-	1.9	-
Airport revenue received (inclusive of goods and services tax)	591.3	568.4	591.3	568.4
Airport operating expenses paid (inclusive of goods and services tax)	(170.5)	(156.6)	(170.5)	(156.6)
Corporate operating expenses paid (inclusive of goods and services tax)	(4.9)	(5.7)	(4.6)	(5.3)
Corporate indirect taxes received / (paid)	-	1.9	(0.1)	1.5
Corporate other income received	0.1	0.2	0.1	1.4
Net cash flows from operating activities	423.0	418.2	424.7	406.6
Cash flows from investing activities				
Corporate net transaction items	10.8	(7.4)	11.5	(6.7)
Payments for purchase of short term financial assets	(0.3)	-	(0.3)	-
Payments for purchase of fixed assets	(104.2)	(111.6)	(104.2)	(111.6)
Proceeds from disposal of fixed assets	0.1	-	0.1	-
Net cash flows from investing activities	(93.6)	(119.0)	(92.9)	(118.3)
Cash flows from financing activities				
Airport borrowing costs paid	(137.1)	(175.2)	(137.1)	(175.2)
Corporate borrowing costs paid	(1.4)	(0.3)	(186.3)	(56.4)
Repayment of borrowings	-	(650.0)	-	(650.0)
Proceeds received from borrowings	83.0	77.0	83.0	77.0
Net payments for settlement of derivatives	(70.7)	(48.6)	(70.7)	(48.6)
Distributions paid to SYD security holders	(186.1)	(186.1)	-	-
Distributions and dividends paid to non-controlling interest	(35.1)	(33.8)	(50.7)	(48.7)
Net cash flows from financing activities	(347.4)	(1,017.0)	(361.8)	(901.9)
Net decrease in cash and cash equivalents held	(18.0)	(717.8)	(30.0)	(613.6)
Cash and cash equivalents at the beginning of the period	433.7	1,124.3	421.8	1,002.3
Cash and cash equivalents at the end of the period	415.7	406.5	391.8	388.7

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

Interim Financial Report

for half year ended 30 June 2013

Notes to the Consolidated Interim Financial Statements

1. Summary of Significant Accounting Policies

These consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual reports of ASX-listed Sydney Airport and SAT2 for the year ended 31 December 2012 and any public announcements made by ASX-listed Sydney Airport during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

1.1. Basis of preparation

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Group's 31 December 2012 annual financial report for financial year ended 31 December 2012. The interim financial report has been prepared on the basis of historical cost. All amounts are presented in Australian dollars, unless otherwise noted.

1.1.1. Compliance with IFRS

Compliance with Australian Accounting Standard AASB 134: Interim Financial Reporting ensures that the consolidated interim financial statements comply with International Accounting Standard IAS 34: Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). Consequently, this interim financial report has also been prepared in accordance with and complies with IAS 34: Interim Financial Reporting as issued by the IASB.

1.1.2. Functional and presentation currency

These consolidated interim financial statements are presented in Australian dollars, which is the functional currency of the Groups.

The Groups are of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998, and in accordance with that Class Order all financial information presented in Australian dollars has been rounded to the nearest hundred thousand dollars unless otherwise stated.

1.1.3. Historical cost convention

The consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

1.1.4. Stapled security

The units of SAT1 and SAT2 are combined, issued and traded as stapled securities in ASX-listed Sydney Airport. The units of SAT1 and SAT2 cannot be traded separately.

This interim financial report consists of the consolidated interim financial statements of SAT1, which comprises SAT1 and its controlled entities, SAT2 and its controlled entities and the consolidated interim financial statements of SAT2 which comprises SAT2 and its controlled entities.

1.1.5. Group net current liabilities position

The Group is in a net current liabilities position of \$269.6 million at 30 June 2013. This is mainly due to \$216.8 million Medium Term Notes (MTN) held by SCACH being classified as a current interest bearing liability, which is fully covered by undrawn committed bank debt facilities.

1.1.6. SAT2 net current liabilities position

SAT2 is in a net current liabilities position of \$302.0 million at 30 June 2013. This is due to the recognition of interest payable on RPS issued to SAT1, the deemed parent entity for accounting purposes. Under the terms of the RPS, SAT1 may defer payment of interest on the RPS at no cost to it other than that interest will accrue at a contractual rate of 15.0% or 11.0% per annum on the unpaid amount.

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for half year ended 30 June 2013

1.1.7. Net tangible asset backing per security

Net tangible assets (NTA) exclude non-controlling interests and are solely attributable to security holders. The NTA backing per security was -\$2.67 at 30 June 2013 (December 2012: -\$2.40). This represents a decrease of \$0.27 or 11.3%.

1.2. Principles of consolidation

1.2.1. Business combinations

AASB 3: *Business Combinations* requires one of the stapled structures to be identified as the acquirer, and therefore the parent entity, for the purpose of consolidated financial reports. In accordance with this requirement SAT1 has been identified as the parent of the consolidated group comprising SAT1 and its controlled entities and SAT2 and its controlled entities.

The consolidated interim financial statements of the Group should be read in conjunction with the separate consolidated financial statements of the SAT2 Group, presented in this report, for the year ended 31 December 2012.

1.2.2. Controlled entities

The consolidated interim financial statements of the Group incorporate the assets and liabilities of the entities controlled by SAT1 at 30 June 2013 and during the period, including those deemed to be controlled by SAT1 by identifying it as the parent of the Group, and the results of those controlled entities for the half year then ended.

The consolidated interim financial statements of the SAT2 Group incorporate the assets and liabilities of the entities controlled by SAT2 at 30 June 2013 and during the half year then ended.

Profit or loss and other comprehensive income components are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Non-controlling interests are those in partly owned subsidiaries which are not held directly or indirectly by SAT1 or SAT2.

Where control of an entity is obtained during a financial period, its results are included in the Consolidated Interim Statements of Comprehensive Income from the date on which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed.

1.3. Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker of both SAT1 (representing the Group) and SAT2 for accounting purposes has been identified as the Chief Executive Officer (CEO) of Sydney Airport Holdings Limited.

Operating segment revenues and expenses from external customers that are reported to the CEO include items directly attributable to an operating segment as well as those that can be allocated on a reasonable basis.

1.4. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9: *Financial Instruments*, which becomes mandatory for the Group's 2015 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

1.5. Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

1.6. Group formation

SAT1 and SAT2 were established in Australia on 13 July 2001 and 13 February 2002 respectively. The Responsible Entity of each of the Trusts entered into the Stapling Deed on 27 February 2002.

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for half year ended 30 June 2013

2. Profit / (Loss) for Half Year

Profit / (loss) before income tax includes the following specific items of revenue, other income and expense:

	Group 6 months to 30 Jun 2013 \$m	Group 6 months to 30 Jun 2012 \$m	SAT2 6 months to 30 Jun 2013 \$m	SAT2 6 months to 30 Jun 2012 \$m
Revenue				
Aeronautical revenue	223.6	209.2	223.6	209.2
Aeronautical security revenue	42.0	38.2	42.0	38.2
Retail revenue	116.4	115.3	116.4	115.3
Property and car rental revenue	90.3	81.7	90.3	81.7
Car parking and ground transport revenue	62.9	56.4	62.9	56.4
Interest income from other corporations	7.2	9.6	6.5	8.4
Interest income from related parties	-	-	54.9	67.3
Other income	12.5	1.8	13.8	3.2
Total revenue	554.9	512.2	610.4	579.7
Revaluation losses from investments				
Revaluation of other investments	-	(0.1)	-	(0.1)
Total revaluation losses from investments	-	(0.1)	-	(0.1)
Other income				
Foreign exchange gains / (losses)	0.3	(0.5)	0.3	(0.5)
Fair value movements on derivative contracts	(1.3)	(3.0)	(1.3)	(3.0)
Total other income	(1.0)	(3.5)	(1.0)	(3.5)
Total revenue	553.9	508.6	609.4	576.1

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for half year ended 30 June 2013

2. Profit / (Loss) for Half Year (continued)

	Group 6 months to 30 Jun 2013 \$m	Group 6 months to 30 Jun 2012 \$m	SAT2 6 months to 30 Jun 2013 \$m	SAT2 6 months to 30 Jun 2012 \$m
Finance costs				
Interest expense – Sydney Airport	240.4	219.2	249.9	228.6
Interest expense – RPS	-	-	239.2	226.4
Interest expense – other	-	-	7.7	8.7
Loan facility fees – SAT1	1.4	-	-	-
Total finance costs	241.8	219.2	496.8	463.7
Other expenses				
Amortisation and depreciation	150.0	148.3	150.0	148.3
Channel related initiatives	1.8	2.2	1.8	2.2
Employee benefits expense	23.2	20.3	23.2	20.3
Services and utilities	25.0	21.8	25.0	21.8
Property and maintenance	9.0	8.7	9.0	8.7
Recoverable aeronautical security expenses	36.7	32.7	36.7	32.7
Compliance and listing fees	1.0	0.6	0.7	0.4
Investment transaction expenses	4.1	1.2	3.6	0.9
Legal, audit and professional fees	0.9	0.6	0.8	0.6
Other operational costs	7.4	7.2	7.4	6.4
Total other expenses	259.1	243.6	258.2	242.3
Total operating expenses	500.9	462.8	755.0	706.0

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for half year ended 30 June 2013

3. Distributions Paid and Proposed

	Group 6 months to 30 Jun 2013 \$m	Group 6 months to 30 Jun 2012 \$m	SAT2 6 months to 30 Jun 2013 \$m	SAT2 6 months to 30 Jun 2012 \$m
The distributions were paid / payable as follows:				
— Final distribution proposed and subsequently paid for year ended 31 December (100% unfranked)	186.1	186.1	-	-
— Interim distribution proposed for half year ended 30 June (100% unfranked)	204.8	204.8	-	-
	390.9	390.9	-	-

	Cents per stapled security	Cents per stapled security	Cents per unit	Cents per unit
— Final distribution proposed and subsequently paid for year ended 31 December (100% unfranked)	10.0	10.0	-	-
— Interim distribution proposed for half year ended 30 June (100% unfranked)	11.0	11.0	-	-
	21.0	21.0	-	-

There are \$nil imputation credits (2012: \$nil) available to pay franked distributions.

4. Interest Bearing Liabilities

	Group 30 Jun 2013 \$m	Group 31 Dec 2012 \$m	SAT2 30 Jun 2013 \$m	SAT2 31 Dec 2012 \$m
Current				
— Medium Term Notes	216.8	216.5	216.8	216.5
Total current interest bearing liabilities	216.8	216.5	216.8	216.5
Non-current				
SCACH				
— Bank facilities	808.4	716.0	808.4	716.0
— Medium Term Notes	4,474.7	4,294.1	4,474.7	4,294.1
— Capital Index Bonds	982.3	967.8	982.3	967.8
— SCACH Redeemable Preference Shares	244.7	244.3	380.1	379.5
MASH Redeemable Preference Shares (RPS)	-	-	871.9	871.9
MASKS1 RPS	-	-	249.2	249.2
MASKS2 RPS	-	-	1,165.8	1,165.8
MASKS3 RPS	-	-	88.4	88.4
MASKS4 RPS	-	-	496.2	496.2
MASHT RPS	-	-	241.5	241.5
Loans from SAT1	-	-	455.5	458.6
	6,510.1	6,222.2	10,214.0	9,929.0
Reclassification to interest payable	-	-	(54.3)	(44.8)
Total non-current interest bearing liabilities	6,510.1	6,222.2	10,159.7	9,884.2
Total interest bearing liabilities	6,726.9	6,438.7	10,376.5	10,100.7

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5. Income Tax (Expense) / Benefit

The Group's consolidated effective tax expense for half year ended 30 June 2013 was 74.9% (half year ended 30 June 2012 benefit: 69.9%). The Group's consolidated effective tax benefit is driven by numerous factors including the tax profile of entities within the Group and differences in tax and accounting treatment of income and expenses.

The SAT2 Group and SCACH, consolidated into the Group for accounting purposes are subject to Australian tax. SAT1 is recognised as a "flow through" trust for Australian tax purposes, and accordingly taxable income derived in SAT1 does not result in the recognition of current or deferred tax liabilities for Australian tax.

The SAT2 Group's consolidated effective tax expense on loss for half year ended 30 June 2013 was 27.3% (half year ended 30 June 2012 benefit: 24.6%).

The Groups income tax expense includes \$69.0 million as part of the in-principle non-binding settlement with the Australian Tax Office (ATO). Refer to Events Occurring after Balance Sheet Date.

6. Retained Earnings

	Group 6 months to 30 Jun 2013 \$m	Group 6 months to 30 Jun 2012 \$m	SAT2 6 months to 30 Jun 2013 \$m	SAT2 6 months to 30 Jun 2012 \$m
Opening balance at 1 January	501.0	710.9	3,096.6	3,283.7
Profit / (loss) attributable to security / unit holders	24.0	88.6	(171.2)	(83.3)
Distributions provided for or paid	(204.8)	(204.8)	-	-
Closing balance at 30 June	320.2	594.7	2,925.4	3,200.4

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for half year ended 30 June 2013

7. Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker of both SAT1 (representing the Group) and SAT2 for accounting purposes has been identified as the Chief Executive Officer (CEO) of Sydney Airport Holdings Limited.

For half years ended 30 June 2013 and 30 June 2012 the CEO considered the business from the aspect of its core portfolio airport and identified one operating segment for which it received regular reports. The segment is its investment in Sydney Airport.

Information is presented at 100.0% of the earnings before interest, tax, depreciation and amortisation (EBITDA). This is consistent with the manner in which information is presented to the CEO to monitor portfolio asset value. Sydney Airport's revenues and expenses are consolidated in the Consolidated Statements of Comprehensive Income.

Group	Sydney Airport \$m
Half year ended 30 June 2013	
Total segment revenue from external customers	537.9
Total segment expenses from external customers	(101.1)
EBITDA	436.8
Half year ended 30 June 2012	
Total segment revenue from external customers	503.6
Total segment expenses from external customers	(92.6)
EBITDA	411.0

A reconciliation of the segments' EBITDA to profit before income tax (expense) / benefit is shown below:

Group	Sydney Airport \$m	Total \$m
Half year ended 30 June 2013		
EBITDA	436.8	436.8
Finance costs		(241.8)
Amortisation and depreciation		(150.0)
Other income and expenses		8.0
Profit before income tax expense		53.0
Half year ended 30 June 2012		
EBITDA	411.0	411.0
Finance costs		(219.2)
Amortisation and depreciation		(148.3)
Other income and expenses		2.3
Profit before income tax benefit		45.8

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for half year ended 30 June 2013

7. Segment Reporting (continued)

Group	Sydney Airport \$m	Other \$m	Total \$m
Half year ended 30 June 2013			
Non-current assets	10,359.3	0.2	10,359.5
Total assets	10,736.5	168.9	10,905.4
Total liabilities	(10,644.0)	1,659.8	(8,984.2)
Half year ended 30 June 2012			
Non-current assets	10,455.0	5.7	10,460.7
Total assets	10,791.2	175.2	10,966.4
Total liabilities	(10,430.1)	1,698.1	(8,732.0)

SAT2	Sydney Airport \$m
Half year ended 30 June 2013	
Total segment revenue from external customers	537.9
Total segment expenses from external customers	(101.1)
EBITDA	436.8
Half year ended 30 June 2012	
Total segment revenue from external customers	503.6
Total segment expenses from external customers	(92.6)
EBITDA	411.0

A reconciliation of the segments' EBITDA to loss before income tax (expense) / benefit is shown below:

SAT2	Sydney Airport \$m	Total \$m
Half year ended 30 June 2013		
EBITDA	436.8	436.8
Interest income from related parties		54.9
Finance costs		(496.8)
Amortisation and depreciation		(150.0)
Other income and expenses		9.5
Loss before income tax expense		(145.6)
Half year ended 30 June 2012		
EBITDA	411.0	411.0
Interest income from related parties		67.3
Finance costs		(463.7)
Amortisation and depreciation		(148.3)
Other income and expenses		3.8
Loss before income tax benefit		(129.9)

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for half year ended 30 June 2013

7. Segment Reporting (continued)

SAT2	Sydney Airport \$m	Other \$m	Total \$m
Half year ended 30 June 2013			
Non-current assets	10,359.3	2,239.7	12,599.0
Total assets	10,736.5	2,637.9	13,374.4
Total liabilities	(10,644.0)	(2,251.7)	(12,895.7)
Half year ended 30 June 2012			
Non-current assets	10,455.0	2,245.2	12,700.2
Total assets	10,791.2	2,536.6	13,327.8
Total liabilities	(10,430.1)	(2,086.2)	(12,516.3)

8. Contingent Assets and Liabilities

SAHL provided a comprehensive set of representations and warranties in respect of the sale of Copenhagen Airports and Brussels Airport on 7 October 2011, which were more commensurate with those normally provided by an owner / operator than a minority investor. OTPP was indemnified for OTPP's share of the challenged withholding tax liabilities, should they ever materialise, arising from the Danish Tax Office's current assessments to Copenhagen Airports Denmark Holdings. There are also indemnities for litigation at Brussels Airport and other contingent liabilities.

At 30 June 2013 the Groups have no other contingent assets or liabilities which are material either individually or as a class (2012: \$Nil).

9. Events Occurring after Balance Sheet Date

Acquisition of Non-Controlling Interests

The Group has signed binding agreements to acquire the remaining 15.2% non-controlling interests to move to 100.0% ownership of Sydney Airport. The purchase has been undertaken by issuing ASX-listed SYD securities proportionate to the underlying non-controlling interests in Sydney Airport being acquired. The acquisition of certain non-controlling interests are subject to investor approval at an Extraordinary General Meeting.

ATO Resolution

On 21 December 2012, the Group announced that the Australian Taxation Office (ATO) had delivered to the Sydney Airport Trust 2 Tax Consolidated Group (the TCG) a position paper related to tax years ended 31 December 2010 and 31 December 2011. The position paper was the product of a specific issue tax audit by the ATO on the tax deductibility of distributions on RPS issued by members of the TCG to SAT1.

Subsequent to balance date, the TCG has reached an in-principle non-binding agreement with the ATO to allow for settlement which ensures no further audit activity in relation to any of the RPS issued by members of the TCG and removes any risk of the audit period being extended to later years. As part of the in-principle non-binding settlement, SAT2 has agreed to make a primary tax and interest payment of \$69.0 million to the ATO.

Though a formal binding settlement deed is expected to be finalised with the ATO by the end of 2013, \$69.0 million has been recognised as income tax expense and a corresponding current income tax provision for the period ended 30 June 2013.

Distribution

The interim distribution for ASX-listed Sydney Airport for half year ended 30 June 2013 was 11.0 cents per stapled security (2012: 11.0 cents per stapled security). This distribution was paid by SAT1 on 16 August 2013.

No distribution was paid by the SAT2 Group for half year ended 30 June 2013 (2012: nil).

Since the end of the half year, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the interim financial report that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in periods subsequent to half year ended 30 June 2013

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for half year ended 30 June 2013

Statement by the Directors of the Responsible Entity of Sydney Airport Trust 1

In the opinion of the directors of Sydney Airport Holdings Limited, the Responsible Entity of SAT1:

- a. the consolidated interim financial statements and notes for SAT1 set out on pages 8 to 20 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - ii. giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the half year ended on that date; and
- b. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for half year ended 30 June 2013.

The directors draw attention to Note 1 to the consolidated interim financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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



Max Moore-Wilton

Sydney
21 August 2013



Trevor Gerber

Sydney
21 August 2013

Interim Financial Report

for half year ended 30 June 2013

Statement by the Directors of the Responsible Entity of Sydney Airport Trust 2

In the opinion of the directors of Sydney Airport Holdings Limited, the Responsible Entity of SAT2:

- a. the consolidated interim financial statements and notes for SAT2 set out on pages 8 to 20 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - ii. giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the half year ended on that date; and
- b. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for half year ended 30 June 2013.

The directors draw attention to Note 1 to the consolidated interim financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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



Max Moore-Wilton

Sydney
21 August 2013



Trevor Gerber

Sydney
21 August 2013



Independent auditor's review report to the unit holders of Sydney Airport Trusts 1 and Sydney Airport Trusts 2

Report on the financial report

We have reviewed the accompanying interim financial report of Sydney Airport and Sydney Airport Trust 2, which comprises the consolidated statement of financial position as at 30 June 2013, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration for Sydney Airport Trust 1 and Sydney Airport Trust 2 (the 'Groups'). Sydney Airport comprises Sydney Airport Trust 1 and Sydney Airport Trust 2 and the entities it controlled at the interim period or from time to time during the interim period. Sydney Airport Trust 2 comprises Sydney Airport Trust 2 and the entities it controlled at the interim period or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of Sydney Airport Holdings Limited (the Responsible Entity) are responsible for the preparation of the interim financial report that gives 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2013 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Sydney Airport and Sydney Airport Trust 2, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Sydney Airport and Sydney Airport Trust 2 is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of Sydney Airport and Sydney Airport Trust 2's financial position as at 30 June 2013 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'Andrew Yates'.

Andrew Yates
Partner

Sydney

21 August 2013