# Sydney Airport

## Appendix 4D

ASX Listing Rule 4.2A.3

Interim Financial Report for the Half Year Ended 30 June 2017

### Results for Announcement to the Market

| | SAL Group 6 months to 30 June 2017 $m | SAL Group 6 months to 30 June 2016 $m | Movement $m | Movement % |
|---|---|---|---|---|
| Revenue | 714.2 | 661.9 | 52.3 | 7.9% |
| Profit after income tax expense | 166.6 | 159.6 | 7.0 | 4.4% |
| Profit after income tax expense attributable to security holders | 167.0 | 160.0 | 7.0 | 4.4% |

| | SAT1 Group 6 months to 30 June 2017 $m | SAT1 Group 6 months to 30 June 2016 $m | Movement $m | Movement % |
|---|---|---|---|---|
| Revenue | - | - | n/a | n/a |
| Profit after income tax expense | 121.1 | 121.7 | (0.6) | (0.5%) |
| Profit after income tax expense attributable to security holders | 121.1 | 121.7 | (0.6) | (0.5%) |

### Distributions

| Distributions | SAL Group 30 June 2017 $m | SAT1 Group 30 June 2017 $m | SAL Group 30 June 2016 $m | SAT1 Group 30 June 2016 $m |
|---|---|---|---|---|
| Final distribution (100% unfranked) | 360.0 | 122.6 | 289.8 | 123.7 |
| Interim distribution (100% unfranked) | 371.3 | 120.4 | 334.4 | 121.5 |

| Distributions | SAL Group 30 June 2017 cents per stapled security | SAT1 Group 30 June 2017 cents per stapled security | SAL Group 30 June 2016 cents per stapled security | SAT1 Group 30 June 2016 cents per stapled security |
|---|---|---|---|---|
| Final distribution (100% unfranked) | 16.0 | 5.45 | 13.00 | 5.55 |
| Interim distribution (100% unfranked) | 16.5 | 5.35 | 15.00 | 5.45 |

The interim distribution, with record date of 30 June 2017 of $371.3 million or 16.5 cents per stapled security (30 June 2016: $334.4 million or 15.0 cents) was paid on 14 August 2017 by:

- SAL $250.9 million or 11.15 cents; and
- SAT1 $120.4 million or 5.35 cents.

There are $nil imputation credits available to pay franked distributions.

### Distribution Reinvestment Plan (DRP)

The DRP operated in respect of the half year ended 30 June 2017 distribution. On 14 August 2017, 1.7 million stapled securities were issued and transferred to DRP participants at $6.91 totalling $11.5 million.

Additional Appendix 4D disclosures can be found in the Notes to the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2017 and Results for the Half Year Ended 30 June 2017 lodged with the ASX on 22 August 2017.

ASX-listed Sydney Airport (the Group) is comprised of Sydney Airport Limited (ABN 18 165 056 360) (SAL) and Sydney Airport Trust 1 (ARSN 099 597 921) (SAT1). The Trust Company (Sydney Airport) Limited (ABN 83 115 967 087) (AFSL 301162) (TTCSAL) is the responsible entity of SAT1.

# INTERIM FINANCIAL REPORT

## FOR THE HALF YEAR ENDED 30 JUNE 2017

ASX-listed Sydney Airport comprises
Sydney Airport Limited (ACN 165 056 360) and
Sydney Airport Trust 1 (ARSN 099 597 921)

# CONTENTS

## ABOUT OUR AIRPORT

Sydney Airport's vision is to deliver a world-class airport experience and foster the growth of aviation for the benefit of Sydney, NSW and Australia. We are Australia's busiest airport and one of the country's most important pieces of infrastructure. In delivering on our vision, we aim to drive responsible growth that balances social and environmental needs with corporate objectives.

## OUR VALUES

Underpinning our vision are our values which drive our behaviours and how we do business.

**Integrity & openness**

Acting honestly and openly to achieve corporate and social objectives

**Safety & security**

Delivering the highest levels of safety and security

**Excellence**

Striving to deliver an outstanding airport experience through operational efficiency, superior customer service and innovation

**Teamwork**

Fostering a collaborative and supportive work environment that values diversity

**Creativity & flexibility**

Working with our partners to achieve superior business outcomes

**Sustainability**

Responsible growth through balancing community and environmental needs with corporate objectives

## OUR STRATEGY

Sydney Airport is a powerhouse driving productivity, jobs, economic growth and prosperity for Sydney, NSW and Australia. Our strategy is to deliver sustainable growth and value underpinned by a collaborative and integrated approach to meeting passenger, airlines, business partner and community needs.

### 1

### Partnership and market development

Sydney and NSW are unique, high growth markets. We're well positioned to leverage the growth of Asia, and our airport provides direct access to 70% of the world's population. We're working closely with our tourism and business partners – and government stakeholders – to make the most of these market opportunities to support the growth of aviation and tourism.

### 2

### Optimise efficiencies, operations and capacity

Sydney Airport will continue to serve the aviation needs for the whole of the Sydney Basin until at least 2026. We're working to examine and update policy settings to ensure Sydney and NSW's economic prosperity is not artificially constrained. This will maximise the use of existing infrastructure, so we can continue to enhance our customer offering.

### 3

### Improve access to the airport

Access to Sydney Airport is vitally important to the passenger experience – and our surrounding communities. Now two years into our five-year ground access plan, we're already delivering improvements to make it easier to access the airport. We're also working with the NSW Government and the aviation industry to advocate for integrated strategies to ease congestion on roads surrounding our airport.

### 4

### Enhance the passenger experience

We're leveraging technology to improve the customer experience and airline operations. We're using data and technology to empower our people to respond to increasing demand in real-time, and alleviate capacity pinch points across our operations. This is part of our commitment to expand our offering and facilities to meet differentiated customer needs.

### 5

### Meet demand for aviation infrastructure

We're delivering five-year international airline agreements, improving service standards across our terminals. As we plan for the future, we're considering the long-term growth of our operations and planning new infrastructure to meet new demand. In the long-term, this includes a greater focus on co-location, new terminals and differentiated products.

## OVERVIEW OF ASX-LISTED SYDNEY AIRPORT

ASX-listed Sydney Airport (the Group) consists of Sydney Airport Limited (SAL) and Sydney Airport Trust 1 (SAT1). Shares and 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 share in SAL and one unit in SAT1. SAL holds a 100% economic interest in Sydney (Kingsford Smith) Airport at 30 June 2017 (31 December 2016: 100%).

For the half year ended 30 June 2017, the directors of SAL submit their report on the consolidated interim financial report of ASX-listed Sydney Airport on pages 4 to 10. SAL has been identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities, together the Group.

For the half year ended 30 June 2017, the directors of The Trust Company (Sydney Airport) Limited (TTCSAL or the Responsible Entity) also submit their report on the consolidated interim financial report of SAT1 comprising SAT1 and its controlled entities (the SAT1 Group) on pages 11 to 12.

## DIRECTORS' REPORT FOR SYDNEY AIRPORT LIMITED

### Principal activities

The principal activity of the SAL Group is the ownership of Sydney Airport. The SAL Group's investment policy is to invest funds in accordance with the provisions of the governing documents of the individual entities within the SAL Group. There were no significant changes in the nature of the SAL Group's activities during the half year ended 30 June 2017.

### Directors

The following persons are current directors of SAL:

| Name | Role | Period of directorship |
|---|---|---|
| Trevor Gerber | Chairman, Non-executive director | Appointed director 18 October 2013,<br>Appointed chairman 14 May 2015 |
| Michael Lee | Non-executive director | Appointed 18 October 2013 |
| John Roberts | Non-executive director | Appointed 18 October 2013 |
| Stephen Ward | Non-executive director | Appointed 18 October 2013 |
| Ann Sherry | Non-executive director | Appointed 1 May 2014 |
| Grant Fenn | Non-executive director | Appointed 1 October 2015 |
| Kerrie Mather | Executive director | Appointed 18 October 2013 |

In March 2017 Ms Mather announced her retirement as Managing Director and Chief Executive Officer (CEO). Ms Mather will remain in her role until a new CEO is appointed.

### Significant changes in state of affairs

There were no significant changes in the state of affairs of the SAL Group during the half year ended 30 June 2017.

## Events occurring after balance sheet date

### Acquisition of SA (F1) Pty Limited

On 10 July 2017, Sydney Airport Corporation Limited, a 100% owned member of the Group, acquired 100% of the equity in SA (F1) Pty Limited (SAF1) for $34.5 million. SAF1 owns the Ibis Budget Hotel on Ross Smith Avenue at the Domestic precinct. The management agreement with Accor, the operators of the hotel, was retained by SAF1.

### Distributions and Dividend reinvestment plan (DRP)

The interim distribution by ASX-listed Sydney Airport for the half year ended 30 June 2017 of $371.3 million or 16.5 cents per stapled security (30 June 2016: $334.4 million or 15.0 cents) was paid on 14 August 2017 by:

- SAL $250.9 million or 11.15 cents (2016: $212.9 million or 9.55 cents); and
- SAT1 $120.4 million or 5.35 cents (2016: $121.5 million or 5.45 cents).

The DRP operated in respect of the half year ended 30 June 2017 distribution. On 14 August 2017, 1.7 million stapled securities were issued and transferred to DRP participants at $6.91 per stapled security totalling $11.5 million.

Since the end of the half year, the directors of SAL are not aware of any other matter or circumstance not otherwise dealt with in the Directors' Report that has significantly affected or may significantly affect the operations of the SAL Group, the results of those operations or the state of affairs of the Group in the period subsequent to half year ended 30 June 2017.

## OPERATING AND FINANCIAL REVIEW

## Delivering the business model

| | Passenger growth → | EBITDA growth → | Cash flow outcomes → | Debt service coverage → | Investor returns |
|---|---|---|---|---|---|
| **6 months to June 2017** | 21.0 million passengers | $577.0 million EBITDA | $382.2 million net operating receipts | 2.9x cash flow cover ratio[1] | 16.5c per stapled security[2] |
| **Growth** | +3.6% [3] | +7.6% [3] | +14.8% [3] | +0.3x [3] | +10.0% [3] |

1 Cash flow cover ratio (CFCR) is calculated using terms defined in the Southern Cross Airports Corporation Holdings Limited (SCACH) group debt documents, summarised by cash flow divided by senior debt interest expense for a rolling 12 month period.

2 Interim distribution for the half year ended 30 June 2017 paid on 14 August 2017.

3 Compared to 30 June 2016.

# OPERATING AND FINANCIAL REVIEW (CONT.)

## Key performance measures

Key measures of Sydney Airport's financial performance for the half year ended 30 June 2017 are shown in the table below:

| | | Growth compared to prior half year | |
|---|---|---|---|
| Passengers | 21.0 million | 3.6% | ↑ |
| Revenue | $714.2 million | 7.9% | ↑ |
| Operating expenditure[1] | $136.6 million | 8.7% | ↑ |
| EBITDA[1] | $577.6 million | 7.7% | ↑ |
| Net operating receipts | $382.2 million | 14.8% | ↑ |
| Distributions per security | 16.5c | 10.0% | ↑ |

1 Excludes Western Sydney Airport (WSA) project costs expensed. EBITDA including WSA project costs expensed is $577.0 million with EBITDA growth of 7.6%.

### Distributions and Net Operating Receipts (NOR)

NOR provides a proxy for cash flows available to pay ASX-listed Sydney Airport distributions. As a result, it is a key measure of ASX-listed Sydney Airport's financial performance. NOR is a non-IFRS measure of cash flow that ASX-listed Sydney Airport can sustainably return to investors while investing in the business and continuing to maintain a strong investment grade balance sheet. NOR is derived from both income statement performance and the cash position of SAL and SAT1.

## Reconciliation of NOR

The following table reconciles the statutory result of ASX-listed Sydney Airport for the half year ended 30 June 2017 to its NOR. Non-IFRS financial information has not been audited by the external auditor, but has been sourced from the financial reports.

| | 6 months to 30 June 2017 $m | 6 months to 30 June 2016 $m |
|---|---|---|
| Profit before income tax expense[1] | 187.3 | 161.9 |
| Add back: depreciation and amortisation[1] | 185.8 | 172.4 |
| **Profit before tax, depreciation and amortisation** | 373.1 | 334.3 |
| Add/(subtract) non-cash financial expenses | | |
| - Capital indexed bonds capitalised[2] | 15.2 | 8.5 |
| - Amortisation of debt establishment costs[2] | 6.5 | 10.6 |
| - Borrowing costs capitalised[2] | (4.7) | (4.6) |
| - Change in fair value of swaps[2] | (5.6) | (13.6) |
| **Total non-cash financial expenses** | 11.4 | 0.9 |
| Add/(subtract) other cash movements: | | |
| Movement in cash balances with restricted use[3] | 9.1 | 10.8 |
| Other | (11.4) | (13.1) |
| **Total other cash movements** | (2.3) | (2.3) |
| **Net operating receipts** | 382.2 | 332.9 |
| **Net operating receipts excluding Western Sydney Airport project costs expensed (WSA)[4]** | 382.8 | 332.9 |
| Average stapled securities on issue (m) | 2,249.9 | 2,229.5 |
| Net operating receipts per stapled security | 17.0c | 14.9c |
| Net operating receipts per stapled security excluding WSA | 17.0c | n/a |
| Distributions declared per stapled security | 16.5c | 15.0c |
| Ratio of net operating receipts to distributions | 103% | 99% |
| Ratio of net operating receipts excluding WSA to distributions | 103% | n/a |

1 From the Consolidated Statements of Comprehensive Income for half year ended 30 June 2017.
2 From Note 4 in the Sydney Airport Interim Financial Report for half year ended 30 June 2017.
3 From Note 3 in the Sydney Airport Interim Financial Report for half year ended 30 June 2017.
4 WSA project costs of $0.6 million was expensed during the half year ended 30 June 2017.

# OPERATING AND FINANCIAL REVIEW (CONT.)

## Financial performance analysis

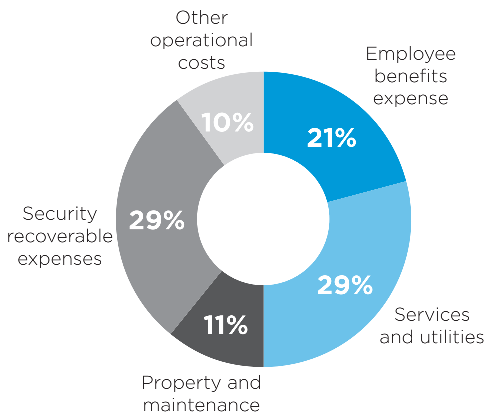
Highlights during the six months to 30 June 2017 are shown in the table below:

| Business | Highlights | Revenue $m | Revenue Contribution | Revenue Growth |
|---|---|---|---|---|
| **Aeronautical** | • International passenger growth of 7.7% and total passenger growth of 3.6%<br>• Strong capacity growth combined with stable load factors<br>• Investments to enhance the customer experience as well as additional capacity to meet ongoing growth in demand | **364.2**[1] | **51%**<br>Aeronautical (45%)<br>Aeronautical Security (6%) | **8.0%** |
| **Retail** | • International terminal luxury precinct complete and additional stores opened in Pier C<br>• T1 Cityview food and beverage offering and T2 food court completed in late 2016<br>• Staged opening of the new Marketplace in the International terminal, due for completion in the second half of 2017 | **162.6** | **23%** | **14.3%** |
| **Property and Car Rental** | • Approximately 122 leasing transactions completed, 98.6% occupancy rate<br>• Car rental business performed solidly | **106.6** | **15%** | **3.3%** |
| **Parking and Ground Transport** | • Online parking continues to grow, driving higher asset utilisation<br>• Domestic pick-up arrangements performing well, with priority and ride sharing areas delivering revenue growth and improved circulation<br>• Ground transport works continue with a focus on reducing congestion and improving customer experience | **77.1** | **11%** | **2.2%** |

1 Includes security recovery.

## Operating expenses

**Operating expenses by category**




Sydney Airport's operating expenses for the half year ended 30 June 2017 were $136.6 million (excluding WSA project costs expensed of $0.6 million). This is an increase of $10.9 million compared to the half year ended 30 June 2016.

The main drivers of this increase were:

- A further step change in investment in passenger experience and service levels committed to under the International Aeronautical Agreements, which support the increase in revenues
- Higher electricity contract costs due to increased wholesale electricity pricing in the Australian market
- Increase in passenger driven costs such as apron bussing in line with the increase in passenger numbers

## OPERATING AND FINANCIAL REVIEW (CONT.)

### Capital expenditure

Investment in capacity and service improvements for the half year ended 30 June 2017 was $161.4 million. Major projects completed during the period are described below:

| Category | Project description | Benefits | Completed |
|---|---|---|---|
| Airfield | Airfield lighting | • Early pavement and in-ground works on runway 34R high intensity airfield lighting improving safety standards and operational capacity | June 2017 |
| | Capacity upgrades | • Upgrade to Bay 31 at T1 International enabling the use by larger aircraft and dual aerobridges | March 2017 |
| | Airside buses | • Five new airside buses improving bussing times and capacity | June 2017 |
| Terminal works | Terminals | • Improving customer experience through the upgrade of bathrooms at T3 Domestic | June 2017 (stage one) |
| | Baggage | • Refurbishment and replacement of eight baggage carousels at the Arrivals Hall at T1 International to improve service levels and ambience | June 2017 |
| Parking and Ground Transport | Centre Road ground access improvements | • New road separating traffic from Departures Road and recirculating traffic directly on to Centre Road at the International precinct | February 2017 |
| Property | Mantra Hotel | • Completion of the new Mantra Hotel at Sydney Airport's Domestic precint on Ross Smith Avenue delivering additional capacity and choice for on-airport accommodation | June 2017 |

Major projects that were in progress during the half year ended 30 June 2017 are described below:

| Category | Project description | Benefits | Expected completion |
|---|---|---|---|
| Airfield | Apron expansion | • Additional aircraft parking capacity | Ongoing through 2017 for completion in 2018 |
| | Apron upgrades | • Upgrade existing aprons in the Northern Ponds and South West sectors | Ongoing through 2017 for completion in 2018 |
| Terminal works | Check-in | • Redevelopment of check-in counter C improving throughput by increasing the use of technology and further automating the check-in process | February 2018 |
| | Baggage | • Staged upgrades to checked bag screening facilities | July 2018 |
| | Terminals | • T1 International terminal expansions allowing for increased and upgraded gate lounge seating and improved facilities | Ongoing through 2017 for completion in 2018 |
| | | • Staged expansion of speciality retail at T2 Domestic Pier B | Staged from December 2017 |
| Parking and Ground Transport | T1 International and T2/T3 Domestic precincts ground access road works and car park improvements | • Addition of four new levels on the northern multi-storey car park in the International precinct | August 2017 |
| | | • New exit road from the International car park precinct under the Giovanni Brunetti Bridge and improvements to the Marsh Street exit to reduce congestion | December 2017 |
| | | • New pedestrian and cycle way through the International precinct to link to the Cooks River pedestrian and cycle way | September 2017 |

# OPERATING AND FINANCIAL REVIEW (CONT.)

## Capital management and distributions

### Refinance summary

In April 2017, Sydney Airport successfully refinanced all $1.4 billion of bank debt facilities, which were due to mature over the period 2017-2019 and now mature over 2020-2022, further demonstrating our proactive capital management approach. As a result of the refinancing, Sydney Airport's strong liquidity position was maintained.

Key outcomes of this refinancing were:

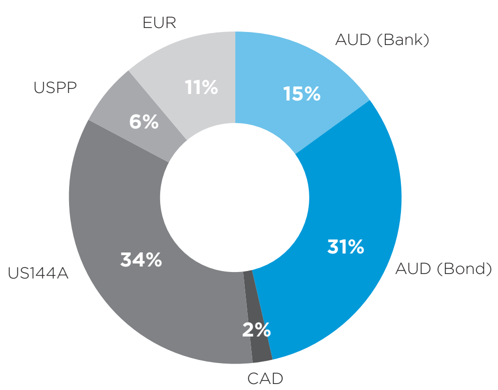
- Liquidity position maintained with over $1.0bn in undrawn bank debt facilities
- All bank debt facilities refinanced at lower margins
- High quality banking group maintained
- Debt maturities over 2017-2019 reduced by 82%
- Debt maturity profile spread and lengthened
- Average debt maturity extended approximately six months to early 2024

The next drawn debt maturity is in July 2018, representing less than 4% of total debt outstanding.

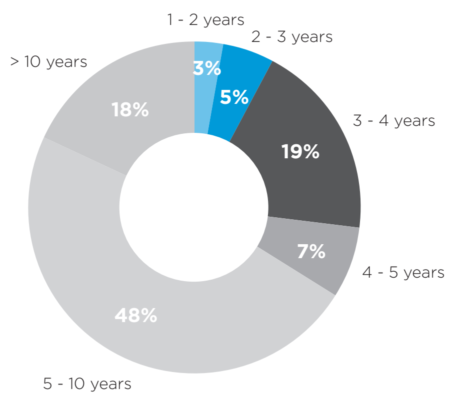
| Category | 30 June 2017 | 30 June 2016 |
|---|---|---|
| Net debt | $7.9 billion | $7.6 billion |
| Cash flow cover ratio | 2.9x | 2.6x |
| Net debt/EBITDA | 6.8x | 7.2x |
| Average maturity | Early-2024 | Mid-2023 |
| Credit rating (S&P/Moody's) | BBB/Baa2[1] | BBB/Baa2 |

1 Positive outlook for both S&P and Moody's

Funding portfolio by category




Debt maturity profile on drawn and undrawn debt




### Cash flow

| Category | 6 months to 30 June 2017 $m | 6 months to 30 June 2016 $m |
|---|---|---|
| Net cash flows from operating activities | 589.5 | 541.1 |
| Net cash flows used in investing activities | (167.7) | (170.7) |
| Net cash flows used in financing activities | (349.4) | (263.9) |
| Net increase in cash and cash equivalents held | 72.4 | 106.5 |

Net cash inflows from operating activities have increased during the period mainly due to increased EBITDA.

Net cash flows used in investing activities reflect the capital investments made during the period.

Net cash flows used in financing activities includes net proceeds from refinancing of bank debt facilities and interest paid on external debt during the period.

Distributions were paid to ASX-listed Sydney Airport security holders during the half year ended 30 June 2017 amounting to $360.0 million (30 June 2016: $289.8 million), fully covered by NOR. This is reflected in the Consolidated Statements of Cash Flows in the Sydney Airport Financial Report for the half year ended 30 June 2017.

### Distributions and DRP

The interim distribution by ASX-listed Sydney Airport for the half year ended 30 June 2017 of $371.3 million or 16.5 cents per stapled security (30 June 2016: $334.4 million or 15.0 cents) was paid on 14 August 2017 by:

- SAL $250.9 million or 11.15 cents (2016: $212.9 million or 9.55 cents); and
- SAT1 $120.4 million or 5.35 cents (2016: $121.5 million or 5.45 cents).

The DRP operated in respect of the half year ended 30 June 2017 distribution. On 14 August 2017, 1.7 million stapled securities were issued and transferred to DRP participants at $6.91 per stapled security totalling $11.5 million.

## Directors' holdings of stapled securities

The aggregate number of stapled securities in ASX-listed Sydney Airport held directly, indirectly or beneficially by the directors of SAL or their director-related entities at the date of this interim financial report is 4,249,522 (31 December 2016: 4,249,316).

## Lead auditor's independence declaration

A copy of the lead auditor's independence declaration, as required under Section 307C of the Corporations Act 2001 is set out on page 14 and forms part of the Directors' Report for half year ended 30 June 2017.

## Rounding of amounts in the Directors' Report and the consolidated interim financial statements

The SAL Group is of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016, and in accordance with that Instrument 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 SAL Group and the SAT1 Group are jointly presented in one report as permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838.

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

**Trevor Gerber**
Sydney
21 August 2017

**John Roberts**
Sydney
21 August 2017

# DIRECTORS' REPORT FOR THE TRUST COMPANY (SYDNEY AIRPORT) LIMITED

For the half year ended 30 June 2017, the directors of The Trust Company (Sydney Airport) Limited (TTCSAL or the Responsible Entity) submit the following report on the consolidated financial report of SAT1 comprising SAT1 and its controlled entities (the SAT1 Group).

## Principal activities

The principal activity of the SAT1 Group is to hold a financial loan asset. There were no significant changes in the nature of the SAT1 Group's activities during the half year ended 30 June 2017.

## Directors

The following persons are current directors of TTCSAL:

| Name | Role | Period of directorship |
|---|---|---|
| Russell Balding | Non-executive director | Appointed October 2013 |
| Patrick Gourley | Non-executive director | Appointed October 2013 |
| Gillian Larkins | Executive director | Appointed April 2016 |

## Security holdings in ASX-listed Sydney Airport

The TTCSAL directors do not hold any interest in ASX-listed Sydney Airport securities.

## Review of operations

The SAT1 Group continues to hold a financial loan asset, with SAL as borrower. The loan is interest bearing, unsecured and subordinated.

There have been no changes in the state of affairs of the SAT1 Group during the half year ended 30 June 2017.

## Distributions

The interim distribution by ASX-listed Sydney Airport for the half year ended 30 June 2017 of $371.3 million or 16.5 cents per stapled security (30 June 2016: $334.4 million or 15.0 cents) was paid on 14 August 2017 by:

- SAL $250.9 million or 11.15 cents (2016: $212.9 million or 9.55 cents); and
- SAT1 $120.4 million or 5.35 cents (2016: $121.5 million or 5.45 cents).

There are $nil imputation credits (2016: $nil) available to pay franked distributions. The distributions were unfranked.

## Events occurring after balance sheet date

The interim distribution by ASX-listed Sydney Airport for the half year ended 30 June 2017 of $371.3 million or 16.5 cents per stapled security (30 June 2016: $334.4 million or 15.0 cents) was paid on 14 August 2017 by:

- SAL $250.9 million or 11.15 cents (2016: $212.9 million or 9.55 cents); and
- SAT1 $120.4 million or 5.35 cents (2016: $121.5 million or 5.45 cents).

Since the end of the half year, the directors of TTCSAL are not aware of any other matter or circumstance not otherwise dealt with in the Directors' Report that has significantly affected or may significantly affect the operations of the SAT1 Group, the results of those operations or the state of affairs of the Group in the period subsequent to the half year ended 30 June 2017.

## Lead auditor's independence declaration

A copy of the lead auditor's independence declarations, as required under Section 307C of the Corporations Act 2001 is set out on page 17 and forms part of the Directors' Report for half year ended 30 June 2017.

## Rounding of amounts in the Directors' Report and the consolidated financial statements

The SAT1 Group is of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016, and in accordance with that instrument all financial information presented in Australian dollars has been rounded to the nearest hundred thousand dollars unless otherwise stated.

## Application of class order

The financial reports for the SAT1 Group and the SAL Group are jointly presented in one report as permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838.

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

| | |
|---|---|
| **Patrick Gourley** | **Gillian Larkins** |
| Sydney | Sydney |
| 21 August 2017 | 21 August 2017 |

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

## To the Directors of Sydney Airport Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Sydney Airport Limited for the half-year ended 30 June 2017 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

KPMG

Nigel Virgo
*Partner*

Sydney
21 August 2017

# Independent Auditor's Review Report

To the shareholders of Sydney Airport Limited

## Report on the Interim Financial Report

### Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Sydney Airport Limited.

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 Limited 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 2017 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Sydney Airport Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half-year.

### Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company 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*
- 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.

KPMG

## Auditor's responsibility for the review of the Interim Financial Report

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 2017 and its performance for the half-year 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 Limited, *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.

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

KPMG

KPMG

Nigel Virgo
*Partner*

Sydney
21 August 2017

KPMG

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

## To the Directors of The Trust Company (Sydney Airport) Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Sydney Airport Trust 1 for the half-year ended 30 June 2017 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

KPMG

Nigel Virgo
*Partner*

Sydney
21 August 2017

KPMG

# Independent Auditor's Review Report

## To the unitholders of Sydney Airport Trust 1

## Report on the Interim Financial Report

### Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Sydney Airport Trust 1.

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 Trust 1 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 2017 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Sydney Airport Trust 1 (the Trust) and the entities it controlled at the half year's end or from time to time during the half-year.

### Responsibilities of the Directors for the Interim Financial Report

The Directors of The Trust Company (Sydney Airport) Limited (as Responsible Entity of the Trust) 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*
- 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.

KPMG

## Auditor's responsibility for the review of the Interim Financial Report

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 2017 and its performance for the half-year 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 Trust 1, *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.

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

KPMG

KPMG

Nigel Virgo

*Partner*

Sydney

21 August 2017

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Note | SAL Group 6 months to 30 June 2017 $m | SAL Group 6 months to 30 June 2016 $m | SAT1 Group 6 months to 30 June 2017 $m | SAT1 Group 6 months to 30 June 2016 $m |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Aeronautical revenue | | 320.6 | 294.1 | - | - |
| Aeronautical security recovery | | 43.6 | 43.2 | - | - |
| Retail revenue | | 162.6 | 142.3 | - | - |
| Property and car rental revenue | | 106.6 | 103.2 | - | - |
| Parking and ground transport revenue | | 77.1 | 75.4 | - | - |
| Other revenue | | 3.7 | 3.7 | - | - |
| **Total revenue** | | 714.2 | 661.9 | - | - |
| **Operating expenses** | | | | | |
| Employee benefits expense | | (28.1) | (27.1) | - | - |
| Services and utilities expense | | (40.1) | (32.9) | - | - |
| Property and maintenance expense | | (15.3) | (14.6) | - | - |
| Security recoverable expense | | (39.7) | (39.0) | - | - |
| Other operational costs | | (13.4) | (12.1) | (0.8) | (0.8) |
| **Total operating expenses** | | (136.6) | (125.7) | (0.8) | (0.8) |
| **Other expenses** | | | | | |
| Western Sydney Airport project costs expensed | | (0.6) | - | - | - |
| Loss on disposal of non-current assets | | - | (0.1) | - | - |
| **Total expenses before depreciation, amortisation, net finance costs and income tax** | | (137.2) | (125.8) | (0.8) | (0.8) |
| **Profit/(loss) before depreciation, amortisation, net finance costs and income tax (EBITDA)** | | 577.0 | 536.1 | (0.8) | (0.8) |
| Depreciation | | (143.1) | (129.6) | - | - |
| Amortisation | | (42.7) | (42.8) | - | - |
| **Profit/(loss) before net finance costs and income tax (EBIT)** | | 391.2 | 363.7 | (0.8) | (0.8) |
| Finance income | 4 | 3.9 | 3.9 | 121.9 | 122.5 |
| Finance costs | 4 | (213.4) | (219.3) | - | - |
| Change in fair value of swaps | 4 | 5.6 | 13.6 | - | - |
| **Net finance costs** | | (203.9) | (201.8) | 121.9 | 122.5 |
| **Profit before income tax expense** | | 187.3 | 161.9 | 121.1 | 121.7 |
| **Income tax expense** | 6 | (20.7) | (2.3) | - | - |
| **Profit after income tax expense** | | 166.6 | 159.6 | 121.1 | 121.7 |
| **Profit after income tax expense attributable to:** | | | | | |
| Security holders | | 167.0 | 160.0 | 121.1 | 121.7 |
| Non-controlling interest | | (0.4) | (0.4) | - | - |
| | | 166.6 | 159.6 | 121.1 | 121.7 |

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONT.)

| | SAL Group | | SAT1 Group | |
|---|---|---|---|---|
| | 6 months to 30 June 2017 $m | 6 months to 30 June 2016 $m | 6 months to 30 June 2017 $m | 6 months to 30 June 2016 $m |
| **Items that may subsequently be reclassified to profit or loss** | | | | |
| Changes in fair value of cash flow hedges | (37.9) | (47.5) | - | - |
| Tax on items that may be reclassified to profit or loss | 11.4 | 14.3 | - | - |
| **Total items that may subsequently be reclassified to profit or loss** | (26.5) | (33.2) | - | - |
| Other comprehensive loss, net of tax | (26.5) | (33.2) | - | - |
| **Total comprehensive income** | 140.1 | 126.4 | 121.1 | 121.7 |
| **Total comprehensive income attributable to:** | | | | |
| Security holders | 140.5 | 126.8 | 121.1 | 121.7 |
| Non-controlling interest | (0.4) | (0.4) | - | - |
| | 140.1 | 126.4 | 121.1 | 121.7 |
| **Earnings per share/unit from profit after income tax** | 7.42c | 7.18c | 5.38c | 5.46c |

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

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Note | SAL Group 30 June 2017 $m | SAL Group 31 December 2016 $m | SAT1 Group 30 June 2017 $m | SAT1 Group 31 December 2016 $m |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and cash equivalents | 3 | 538.2 | 465.8 | 35.1 | 36.6 |
| Receivables | | 130.2 | 158.7 | 3.2 | 3.2 |
| Derivative financial instruments | | - | 0.5 | - | - |
| Other assets | | 0.5 | 0.7 | - | - |
| **Total current assets** | | 668.9 | 625.7 | 38.3 | 39.8 |
| **Non-current assets** | | | | | |
| Receivables | | 73.0 | 65.6 | 1,886.5 | 1,886.5 |
| Property, plant and equipment | | 3,404.9 | 3,381.7 | - | - |
| Intangible assets | | 7,431.2 | 7,473.9 | - | - |
| Derivative financial instruments | | 537.3 | 770.3 | - | - |
| Other assets | | 10.2 | 8.7 | - | - |
| **Total non-current assets** | | 11,456.6 | 11,700.2 | 1,886.5 | 1,886.5 |
| **Total assets** | | 12,125.5 | 12,325.9 | 1,924.8 | 1,926.3 |
| **Current liabilities** | | | | | |
| Distribution payable | 1 | 371.3 | 360.0 | 120.4 | 122.6 |
| Payables and deferred income | | 221.0 | 237.1 | 4.2 | 4.2 |
| Derivative financial instruments | | 92.8 | 96.8 | - | - |
| Provisions for employee benefits | | 13.0 | 12.3 | - | - |
| **Total current liabilities** | | 698.1 | 706.2 | 124.6 | 126.8 |
| **Non-current liabilities** | | | | | |
| Interest bearing liabilities | 2 | 8,614.4 | 8,625.9 | - | - |
| Derivative financial instruments | | 179.5 | 139.1 | - | - |
| Deferred tax liabilities | | 1,775.2 | 1,765.9 | - | - |
| Provisions for employee benefits | | 2.1 | 2.0 | - | - |
| **Total non-current liabilities** | | 10,571.2 | 10,532.9 | - | - |
| **Total liabilities** | | 11,269.3 | 11,239.1 | 124.6 | 126.8 |
| **Net assets** | | 856.2 | 1,086.8 | 1,800.2 | 1,799.5 |
| **Equity** | | | | | |
| Security holders' interests | | | | | |
| Contributed equity | 1 | 5,470.9 | 5,470.9 | 2,449.7 | 2,449.7 |
| Retained earnings | | (1,259.8) | (1,055.5) | 405.2 | 404.5 |
| Reserves | | (3,348.8) | (3,322.9) | (1,054.7) | (1,054.7) |
| **Total security holders' interests** | | 862.3 | 1,092.5 | 1,800.2 | 1,799.5 |
| Non-controlling interest in controlled entities | | (6.1) | (5.7) | - | - |
| **Total equity** | | 856.2 | 1,086.8 | 1,800.2 | 1,799.5 |

The above Consolidated Statements of Financial Position should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| SAL Group | Note | Contributed equity $m | Retained earnings[1] $m | Cash flow hedge reserve $m | Other reserve[2] $m | Total equity[1] $m |
|---|---|---|---|---|---|---|
| **Total equity at 1 January 2017** | | 5,470.9 | (1,061.2) | (162.4) | (3,160.5) | 1,086.8 |
| **Comprehensive income** | | | | | | |
| Profit after tax | | - | 166.6 | - | - | 166.6 |
| Cash flow hedges, net of tax | | - | - | (26.5) | - | (26.5) |
| **Total comprehensive income** | | - | 166.6 | (26.5) | - | 140.1 |
| **Transactions with owners of the company** | | | | | | |
| Distributions provided for or paid | 1 | - | (371.3) | - | - | (371.3) |
| Equity-settled shares | | - | - | - | 0.6 | 0.6 |
| **Total transactions with owners of the company** | | - | (371.3) | - | 0.6 | (370.7) |
| **Total equity at 30 June 2017** | | 5,470.9 | (1,265.9) | (188.9) | (3,159.9) | 856.2 |
| **Total equity at 1 January 2016** | | 5,328.6 | (686.1) | (166.3) | (3,161.2) | 1,315.0 |
| **Comprehensive income** | | | | | | |
| Profit after tax | | - | 159.6 | - | - | 159.6 |
| Cash flow hedges, net of tax | | - | - | (33.2) | - | (33.2) |
| **Total comprehensive income** | | - | 159.6 | (33.2) | - | 126.4 |
| **Transactions with owners of the company** | | | | | | |
| Distributions provided for or paid | 1 | - | (334.4) | - | - | (334.4) |
| Equity-settled shares | | - | - | - | 0.3 | 0.3 |
| **Total transactions with owners of the company** | | - | (334.4) | - | 0.3 | (334.1) |
| **Total equity at 30 June 2016** | | 5,328.6 | (860.9) | (199.5) | (3,160.9) | 1,107.3 |

1 Retained earnings and Total equity are presented after deducting non-controlling interest in controlled entities of $6.1 million (30 June 2016: $4.8 million).
2 Other reserve represents transactions between equity holders and movements in other reserves resulting from business combinations.

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT.)

| SAT1 Group | Note | Contributed equity $m | Retained earnings $m | Capital reserve[1] $m | Other reserve $m | Total equity $m |
|---|---|---|---|---|---|---|
| **Total equity at 1 January 2017** | | 2,449.7 | 404.5 | (967.6) | (87.1) | 1,799.5 |
| **Comprehensive income** | | | | | | |
| Profit after tax | | - | 121.1 | - | - | 121.1 |
| **Total comprehensive income** | | - | 121.1 | - | - | 121.1 |
| **Transactions with owners of the company** | | | | | | |
| Distributions provided for or paid | 1 | - | (120.4) | - | - | (120.4) |
| **Total transactions with owners of the company** | | - | (120.4) | - | - | (120.4) |
| **Total equity at 30 June 2017** | | 2,449.7 | 405.2 | (967.6) | (87.1) | 1,800.2 |
| **Total equity at 1 January 2016** | | 2,428.6 | 403.8 | (967.6) | (87.1) | 1,777.7 |
| **Comprehensive income** | | | | | | |
| Profit after tax | | - | 121.7 | - | - | 121.7 |
| **Total comprehensive income** | | - | 121.7 | - | - | 121.7 |
| **Transactions with owners of the company** | | | | | | |
| Distributions provided for or paid | 1 | - | (121.5) | - | - | (121.5) |
| **Total transactions with owners of the company** | | - | (121.5) | - | - | (121.5) |
| **Total equity at 30 June 2016** | | 2,428.6 | 404.0 | (967.6) | (87.1) | 1,777.9 |

1 The Capital reserve represents amounts transferred from retained profits to facilitate distributions from SAT1 in accordance with the SAT1 constitution.

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Note | SAL Group 6 months to 30 June 2017 $m | SAL Group 6 months to 30 June 2016 $m | SAT1 Group 6 months to 30 June 2017 $m | SAT1 Group 6 months to 30 June 2016 $m |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | |
| Interest received | | 3.8 | 3.9 | 0.4 | 0.2 |
| Related party loan interest received | | - | - | 121.6 | 122.3 |
| Receipts from customers | | 809.4 | 736.0 | - | - |
| Payments to suppliers and employees | | (223.7) | (198.8) | (0.9) | (0.8) |
| **Net cash flow from operating activities** | | 589.5 | 541.1 | 121.1 | 121.7 |
| **Cash flow from investing activities** | | | | | |
| Acquisition of property, plant and equipment | | (163.0) | (166.1) | - | - |
| Capitalised borrowing costs | | (4.7) | (4.6) | - | - |
| **Net cash flow used in investing activities** | | (167.7) | (170.7) | - | - |
| **Cash flow from financing activities** | | | | | |
| Airport borrowing costs paid | | (166.6) | (163.8) | - | - |
| Corporate borrowings costs paid | | (0.1) | (0.1) | - | - |
| Repayment of borrowings | | (271.0) | (1,153.0) | - | - |
| Proceeds received from borrowings | | 479.0 | 1,380.4 | - | - |
| Interest rate swap payments | | (30.7) | (37.6) | - | - |
| Distributions paid to security holders | | (360.0) | (289.8) | (122.6) | (123.7) |
| **Net cash flow used in financing activities** | | (349.4) | (263.9) | (122.6) | (123.7) |
| Net increase/(decrease) in cash and cash equivalents | | 72.4 | 106.5 | (1.5) | (2.0) |
| **Cash and cash equivalents at beginning of the period** | | 465.8 | 366.8 | 36.6 | 15.9 |
| **Cash and cash equivalents at the end of the period** | 3 | 538.2 | 473.3 | 35.1 | 13.9 |

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

## GENERAL

### Basis of preparation and statement of compliance

This is the interim financial report for Sydney Airport Limited (SAL) and its controlled entities (collectively referred to as the SAL Group), and Sydney Airport Trust 1 (SAT1) and its controlled entities (collectively referred to as the SAT1 Group). The SAL Group and SAT1 Group (together, the Groups) are for-profit entities for the purposes of preparing the consolidated interim financial statements. The Trust Company (Sydney Airport) Limited (TTCSAL) is the Responsible Entity of SAT1.

This interim financial report:

- Consists of the consolidated interim financial statements of the SAL Group and SAT1 Group, as permitted by Australian Securities & Investments Commission (ASIC) Corporations (Stapled Group Reports) Instrument 2015/838;
- Is to be read in conjunction with the annual report of the Groups for the year ended 31 December 2016 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*;
- Is a general purpose financial report;
- Is prepared in accordance with *Corporations Act 2001*;
- Is 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; and
- Is presented in Australian dollars, which is the functional currency of SAL and SAT1, with all values rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016.

The interim financial report was authorised for issue by the directors of SAL and TTCSAL on 21 August 2017. The directors of SAL and TTCSAL have the power to amend and reissue the interim financial report.

### Net current liability position

The SAL Group was in a net current liability position of $29.2 million at 30 June 2017, which is fully covered by undrawn committed non-current bank facilities.

The SAT1 Group's net current liability position of $86.3 million at 30 June 2017 is attributable to distributions payable to SAT1 unit holders of $120.4 million (which were paid on 14 August 2017). Distribution payments, a key obligation of the SAT1 Group, are supported by the funding structure under which it receives interest on the cross staple loan from SAL. Due to timing, where the semi-annual distributions are declared before each balance date (and therefore a liability at each balance date) and the interest payments are received in advance after each balance date, the SAT1 Group is expected to be in a net current liability position at future balance dates.

### 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 -$2.92 at 30 June 2017 (31 December 2016: -$2.84). This represents a decrease of $0.08 or 2.9% (30 June 2016: decrease of $0.07 or 2.6%).

### Significant accounting policies

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 Groups' 31 December 2016 annual financial report.

Significant accounting policies are set out below:

#### i) Principles of consolidation

For the purpose of this financial report:

SAL has been identified as the parent of the consolidated group (defined as ASX-listed Sydney Airport) comprising the SAL Group and the SAT1 Group for the periods ended 30 June 2017 and 30 June 2016; and

SAT1 has been identified as the parent of the SAT1 Group for the periods ended 30 June 2017 and 30 June 2016.

In preparing the consolidated financial statements, all intercompany balances and transactions have been eliminated in full.

There were no material changes to the controlled entities structure during the period. Refer to Note 8 for events occurring after balance sheet date regarding the acquisition of SA (F1) Pty Limited on 10 July 2017.

Controlled entities

SAT1 Group's net result after tax for the half years ended 30 June 2017 and 30 June 2016 and its contributed equity, reserves and retained earnings at 30 June 2017 and 30 June 2016 are attributed to non-controlling interests in the SAL Group's consolidated financial report.

### Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value. Acquisition related costs are expensed as incurred in profit or loss, except for costs arising on the issue of equity instruments which are recognised directly in equity.

Identifiable net assets acquired and contingent liabilities assumed in a business combination are measured at fair value at acquisition date, irrespective of the extent of any non-controlling interest. The excess of acquisition cost over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill.

### Acquisition of entities under common control

Acquisition of interests in entities that are under the control of the Group's controlling security holders are deemed to be common control transactions. The net assets acquired are recognised at the carrying amounts recognised previously in the Group's controlling security holder's consolidated financial statements. Any difference between the carrying value of net assets acquired and related consideration is held in a common control reserve.

## New standards and interpretations not yet adopted

The Group has adopted any new and revised Standards and Interpretations issued by the AASB that are relevant to operations and effective for the current reporting period. The adoption of new and revised Standards and Interpretations have not had a material impact on the Group for the half year ended 30 June 2017.

The following Standards, amendments to Standards and Interpretations effective for annual reporting periods commencing after 1 January 2018 have not been applied by the Groups in this Financial Report:

| Accounting Standard | Description | Impact on the Financial Statements |
|---|---|---|
| AASB 9: *Financial Instruments* | AASB 9 addresses the classification, measurement and derecognition of financial assets and liabilities, and may impact hedge accounting.<br><br>The standard becomes mandatory for the December 2018 financial year and will be applied prospectively. | Potential change of classification and measurement of financial assets and liabilities and impact on hedge accounting. The quantitative impact is currently being assessed. |
| AASB 15: *Revenue from Contracts with Customers* | AASB 15 replaces existing revenue recognition guidance and provides a comprehensive new framework for determining whether, how much and when revenue is recognised.<br><br>The standard becomes mandatory for the December 2018 financial year and will be applied prospectively. | No material impact is expected. |
| AASB 16: *Leases* | AASB 16 provides a new model for accounting for leases. Early adoption is permitted under certain circumstances.<br><br>The standard becomes mandatory for the December 2019 financial year and will be applied prospectively. | The extent of the impact has not been determined. |

## CAPITAL MANAGEMENT



## 1 DISTRIBUTIONS PAID AND PROPOSED

### Security holders' entitlements

**SAL**

Each ordinary share in SAL entitles its holder to such dividends as may be determined by the SAL directors from time to time. The dividend amount which the directors determine as payable is divisible among holders so that the same sum is paid on each fully paid up share and (if relevant) a proportionate sum is paid on each partly paid up share.

**SAT1**

Each unit on issue in SAT1 entitles its holder to a distribution of pro-rata proportion of the SAT1 net income as determined by the Responsible Entity in respect of that income period. The distribution will be distributed to the unitholders within two months of the last day of the income period.

The Groups' distributions are currently 100% unfranked and there are no available imputation credits. Distributions paid and proposed during the period are shown in the table below:

| | SAL Group | | SAT1 Group | |
|---|---|---|---|---|
| | 6 months to 30 June 2017 | 6 months to 30 June 2016 | 6 months to 30 June 2017 | 6 months to 30 June 2016 |
| **Distributions were paid/payable as follows:** | | | | |
| **$m** | | | | |
| Final distribution[1] | 360.0 | 289.8 | 122.6 | 123.7 |
| Interim distribution[2] | 371.3 | 334.4 | 120.4 | 121.5 |
| **Cents per stapled security** | | | | |
| Final distribution | 16.00 | 13.00 | 5.45 | 5.55 |
| Interim distribution | 16.50 | 15.00 | 5.35 | 5.45 |

1 Paid on 14 February 2017 for the year ended 31 December 2016 (12 February 2016 for the year ended 31 December 2015).
2 Recognised as a payable for the half year ended 30 June 2017, paid on 14 August 2017 (12 August 2016 for the half year ended 30 June 2016).

### Distribution reinvestment plan

The distribution reinvestment plan (DRP) provides stapled security holders with a method of automatically reinvesting all or part of their distributions in stapled securities.

The DRP operated in respect of the 30 June 2017 and 30 June 2016 distributions. There was no DRP in operation for the 31 December 2016 final distribution.

In respect of the 30 June 2017 distribution, 1.7 million stapled securities were issued and transferred to DRP participants at $6.91 per stapled security in August 2017.

### Contributed equity

The movements in the contributed equity balance and number of shares/units on issue is shown in the table below:

| | SAL Group | | SAT1 Group | |
|---|---|---|---|---|
| | 6 months to 30 June 2017 | 12 months to 31 December 2016 | 6 months to 30 June 2017 | 12 months to 31 December 2016 |
| **$m** | | | | |
| **Opening balance** | 5,470.9 | 5,328.6 | 2,449.7 | 2,428.6 |
| Issued pursuant to the DRP | - | 142.3 | - | 21.1 |
| **Closing balance** | 5,470.9 | 5,470.9 | 2,449.7 | 2,449.7 |
| **Shares/units on issue (m)** | | | | |
| **Opening balance** | 2,249.9 | 2,229.5 | 2,249.9 | 2,229.5 |
| Issued pursuant to the DRP | - | 20.4 | - | 20.4 |
| **Closing balance** | 2,249.9 | 2,249.9 | 2,249.9 | 2,249.9 |

## 2 INTEREST BEARING LIABILITIES

The Groups' debt comprises the following:

- Bank facilities;
- Domestic bonds (including capital indexed bonds (CIB));
- US private placement bonds (USPP);
- US144A/RegS bonds;
- Euro bond; and
- Canadian Maple bond.

The balances and other details related to the Groups' interest bearing liabilities are presented in the table on the following page.

At 30 June 2017 and 31 December 2016, the value of all fixed interest rate bonds were determined based on observable market inputs and categorised as Level 2 financial instruments per the fair value measurement hierarchy.

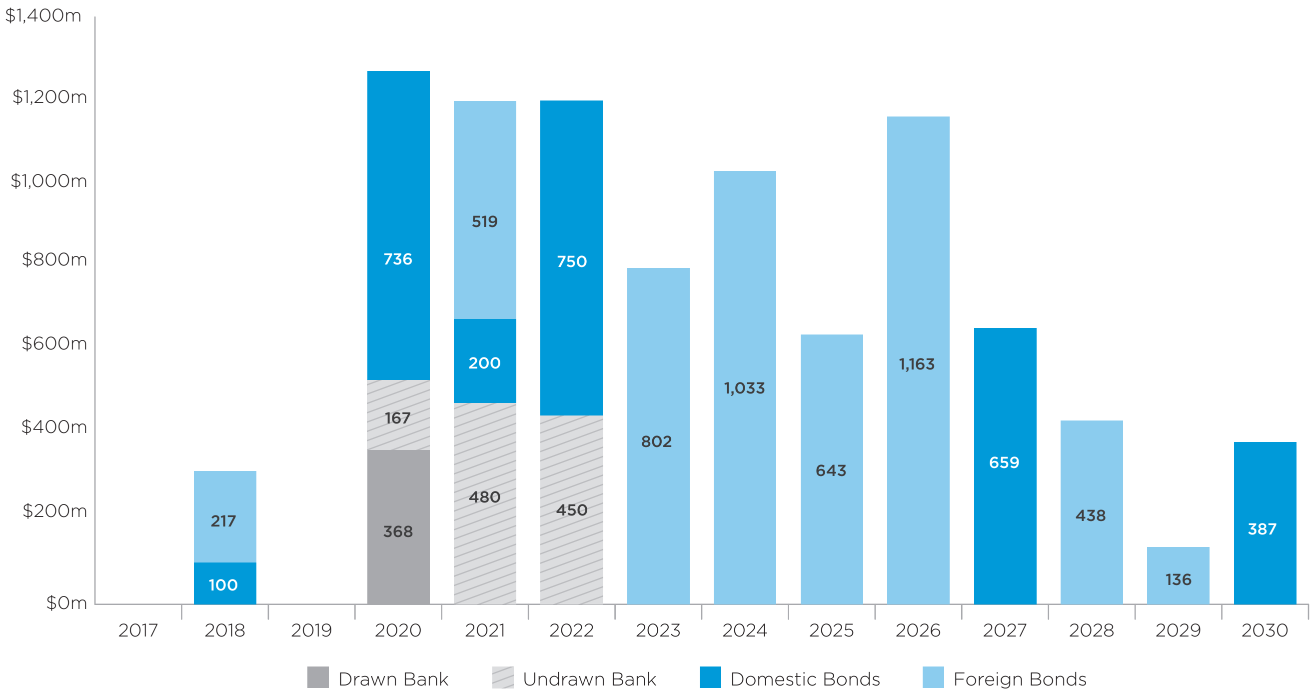
## 2 INTEREST BEARING LIABILITIES (CONT.)

| Type | Maturity | Carrying amount 30 June 2017 $m | Carrying amount 31 Dec 2016 $m | Fair value 30 June 2017 $m | Fair value 31 Dec 2016 $m | Principal amount drawn In AUD 30 June 2017 $m | Principal amount drawn In AUD 31 Dec 2016 $m | Principal amount drawn In original currency 30 June 2017 $m | Principal amount drawn In original currency 31 Dec 2016 $m | Issue Currency | Interest rate |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Syndicated facility[1] | April 2018 | - | 158.5 | - | 158.5 | - | 160.0 | - | 160.0 | AUD | Floating[4] |
| Syndicated facility | April 2020 | 366.1 | - | 366.1 | - | 368.0 | - | 368.0 | - | AUD | Floating[4] |
| Wrapped domestic bond[2] | November 2021 | 198.9 | 198.7 | 198.9 | 198.7 | 200.0 | 200.0 | 200.0 | 200.0 | AUD | Floating[5] |
| Wrapped domestic bond[2] | October 2022 | 742.1 | 741.4 | 742.1 | 741.4 | 750.0 | 750.0 | 750.0 | 750.0 | AUD | Floating[5] |
| Wrapped domestic bond[2] | October 2027 | 648.9 | 648.4 | 648.9 | 648.4 | 659.0 | 659.0 | 659.0 | 659.0 | AUD | Floating[5] |
| Unwrapped domestic bond | July 2018 | 99.7 | 99.7 | 106.0 | 108.6 | 100.0 | 100.0 | 100.0 | 100.0 | AUD | 7.75%[6] |
| USPP bond | August 2028 | 99.4 | 99.3 | 99.4 | 99.3 | 100.0 | 100.0 | 100.0 | 100.0 | AUD | Floating[5] |
| USPP bond | November 2028 | 99.4 | 99.3 | 99.4 | 99.3 | 100.0 | 100.0 | 100.0 | 100.0 | AUD | Floating[5] |
| USPP bond | November 2028 | 178.8 | 178.9 | 236.8 | 235.9 | 180.0 | 180.0 | 180.0 | 180.0 | AUD | 6.04%[6] |
| USPP bond | November 2028 | 57.6 | 57.6 | 73.8 | 73.5 | 58.0 | 58.0 | 58.0 | 58.0 | AUD | 6.60%[6] |
| USPP bond | November 2029 | 135.1 | 135.1 | 176.3 | 175.4 | 136.0 | 136.0 | 136.0 | 136.0 | AUD | 6.70%[6] |
| Canadian Maple bond | July 2018 | 225.5 | 231.6 | 233.9 | 244.9 | 217.4 | 217.4 | 225.0 | 225.0 | CAD | 4.60%[6] |
| Euro bond | April 2024 | 1,122.0 | 1,121.1 | 1,197.8 | 1,201.3 | 1,033.4 | 1,033.4 | 700.0 | 700.0 | EUR | 2.76%[6] |
| US144A/RegS bond | February 2021 | 638.2 | 686.2 | 726.8 | 783.9 | 518.7 | 518.7 | 500.0 | 500.0 | USD | 6.13%[6] |
| US144A/RegS bond | March 2023 | 1,084.4 | 1,147.8 | 1,183.7 | 1,265.8 | 802.4 | 802.4 | 825.0 | 825.0 | USD | 3.90%[6] |
| US144A/RegS bond | April 2025 | 650.1 | 693.5 | 707.8 | 753.6 | 643.0 | 643.0 | 500.0 | 500.0 | USD | 3.38%[6] |
| US144A/RegS bond | April 2026 | 1,164.2 | 1,239.7 | 1,304.0 | 1,388.2 | 1,163.4 | 1,163.4 | 900.0 | 900.0 | USD | 3.63%[6] |
| CIB[3] | November 2020 | 732.0 | 722.5 | 753.7 | 738.3 | 736.4 | 726.4 | 736.4 | 726.4 | AUD | 3.76%[6] |
| CIB[3] | November 2030 | 372.0 | 366.6 | 343.1 | 366.7 | 387.3 | 382.1 | 387.3 | 382.1 | AUD | 3.12%[6] |
| **Total external interest bearing liabilities** | | 8,614.4 | 8,625.9 | 9,198.5 | 9,281.7 | 8,153.0 | 7,929.8 | n/a | n/a | | |

1 Refinanced in April 2017.
2 Financial guarantees are provided by MBIA Insurance Corporation, Ambac Assurance Corporation and Assured Guaranty Municipal Corp.
3 Financial guarantees are provided by MBIA Insurance Corporation and Ambac Assurance Corporation.
4 Floating rates are at Bank Bill Swap Bid Rate plus a predetermined margin
5 Floating rates are at Bank Bill Swap Rate plus a predetermined margin.
6 Fixed interest rates reflective of coupons in respective currencies/markets.

## 2 INTEREST BEARING LIABILITIES (CONT.)

The maturity profile of interest bearing liabilities is presented in the chart below.




There is no debt maturing until July 2018.

### Assets pledged as security

All external interest bearing liabilities of SCACH, a wholly owned subsidiary, are of equal rank with respect to security. The security consists of fixed and floating charges over the assets of the SCACH Group (excluding deferred tax and goodwill) and a mortgage over the Airport lease.

## 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and short-term deposits.

Deposits classified as cash equivalents are considered to be readily convertible to known amounts of cash, subject to an insignificant risk of changes in value, and at balance date have a remaining term to maturity of three months or less. They are used for the purpose of meeting the short-term cash commitments of the Group.

| | SAL Group | | SAT1 Group | |
|---|---|---|---|---|
| | 30 June 2017 $m | 31 December 2016 $m | 30 June 2017 $m | 31 December 2016 $m |
| Cash on hand | 224.0 | 76.7 | 35.1 | 0.9 |
| Deposits[1] | 314.2 | 389.1 | - | 35.7 |
| **Total cash and cash equivalents** | 538.2 | 465.8 | 35.1 | 36.6 |

1 Included in the SAL Group's consolidated deposit balance is $14.3 million (31 December 2016: $23.4 million) held by Sydney Airport Corporation Limited (SACL), which is restricted for maintenance.

# TREASURY

## 4 NET FINANCE COSTS

| | SAL Group | | SAT1 Group | |
|---|---|---|---|---|
| | 6 months to 30 June 2017 $m | 6 months to 30 June 2016 $m | 6 months to 30 June 2017 $m | 6 months to 30 June 2016 $m |
| **Finance income** | | | | |
| Interest income from other corporations | 3.9 | 3.9 | 0.3 | 0.2 |
| Interest income from related parties | - | - | 121.6 | 122.3 |
| **Total finance income** | 3.9 | 3.9 | 121.9 | 122.5 |
| **Finance costs** | | | | |
| Senior debt interest expense | (146.3) | (149.4) | - | - |
| Net swap interest expense | (46.5) | (53.0) | - | - |
| Capital indexed bonds capitalised | (15.2) | (8.5) | - | - |
| Amortisation of debt establishment costs | (6.5) | (10.6) | - | - |
| Recurring borrowing costs | (3.3) | (2.3) | - | - |
| Borrowing costs - corporate debt | (0.3) | (0.1) | - | - |
| Borrowing costs capitalised | 4.7 | 4.6 | - | - |
| **Total finance costs** | (213.4) | (219.3) | - | - |
| Change in fair value of swaps | 5.6 | 13.6 | - | - |
| **Net finance costs** | (203.9) | (201.8) | 121.9 | 122.5 |

## FINANCIAL RESULTS AND FINANCIAL POSITION



## 5 SEGMENT REPORTING

CEO monitors and manages the SAL Group from the perspective of its core asset – the investment in Sydney Airport, and considers this to be the Group's single operating segment. The segment result for the half year represents earnings before interest, tax, depreciation and amortisation (EBITDA).

The segment's revenues, expenses, assets and liabilities are as presented in the consolidated statements of comprehensive income and statement of financial position.

The Group's revenue, which is equal to that of the operating segment, is measured at the fair value of the consideration received or receivable and recognised on the basis of the following criteria:

| Revenue stream | Nature | Recognition |
|---|---|---|
| Aeronautical | Passenger, take-off, parking charges and exclusive first right use of infrastructure. | Revenue is recognised when the related services are provided. |
| Aeronautical security recovery | Passenger and checked bag screening, counter terrorist first response and other security measures. | |
| Retail | Rental from tenants whose sale activities include duty free, food and beverage, financial and advertising services. | Revenue is recognised on a straight-line basis over the lease term. Contingent revenue is recognised when the contingent event occurs. |
| Property | Rental for airport property including in terminals, buildings and other leased areas. | |
| Car rental | Concession charges from car rental companies. | |
| Parking and ground transport | Time based charges from the operation of car parking and ground access transport services. | Revenue is recognised when the related services are provided. |

All revenue is generated from external customers within Australia.

Income from interest, dividends and other distributions received from investments are measured at the fair value of the consideration received or receivable and recognised in the consolidated statements of comprehensive income.

Sydney Airport's revenues, expenses, assets and liabilities are consolidated and accounted for in accordance with the Group's accounting policies. For the half years ended 30 June 2017 and 30 June 2016 the segment results, assets and liabilities were equal to that of the SAL Group.

## 6 TAXATION

### Income tax expense

SAL and its wholly owned Australian subsidiaries are members of a tax-consolidated group (SAL TCG) under Australian income tax law, with SAL the head entity. The SAL TCG had tax losses of $1,171.5 million at 30 June 2017 (31 December 2016: $1,238.5 million).

Each entity in the SAL TCG accounts for current and deferred tax with tax expense and deferred tax assets and liabilities arising from temporary differences recognised in their separate financial statements using the 'standalone tax payer' approach. Under the tax sharing agreement (SAL TSA) between SAL TCG entities, amounts are recognised as payable to or receivable by each member of the SAL TCG in relation to the tax contribution amounts paid or payable between SAL and members of the SAL TCG.

## OTHER DISCLOSURES



## 7 CONTINGENT ASSETS AND LIABILITIES

### Contingent assets

Future minimum rentals are receivable under non-cancellable operating leases. The associated revenue will be recognised on a straight-line basis over the lease term in the future periods when the contingent event occurs.

### Contingent liabilities

Map Airports International Pty Limited (MAIL), a subsidiary within the SAT1 Group provided a comprehensive set of representations and warranties in respect of its 2011 sale of stakes in both Copenhagen Airports and Brussels Airport to Ontario Teachers' Pension Plan Board (OTPP). In 2013, SAT1 replaced MAIL as the party liable for any breaches of representations and warranties.

The Danish tax authority (SKAT) has issued assessments to Copenhagen Airports Denmark Holdings (CADH) in respect of certain withholding tax amounts. The matter is currently being contested in the Danish High Court with resolution unlikely to be before 2021. OTPP is indemnified by SAT1 for its 52% share of any liabilities of CADH arising in respect of this matter.

SAT1 has been advised that:

- any payment of the disputed liability while litigation continues will not have an impact on the likelihood of success in the litigation; and
- any amount paid will be refunded upon a successful outcome to the litigation.

During the half year ended 30 June 2017, SKAT issued an assessment to CADH for the 2011 year, which is the final year covered by the SAT1 indemnity to OTPP. SKAT had previously issued assessments to CADH for the 2006-2010 years inclusive. As at 30 June 2017, SAT1's estimate of its current potential exposure is approximately DKK 584.6 million (A$117.0 million). This reflects the primary interest withholding tax pertaining to the years 2006-2011 and associated interest. Sufficient funds are available to finance this potential indemnity payment through cash and undrawn bank debt facilities.

In respect of this matter, since the last reporting period, SKAT issued partial payment notices to CADH for the primary interest withholding tax pertaining to 2006-2011 and associated interest. 52% of this liability is DKK 397 million (A$79.4 million). No indemnity claim has been received from OTPP by SAT1. There is inherent uncertainty as to the final outcome of matters before the Danish High Court which has the potential to materially change management's current estimate of the exposure. However, SAT1 remains confident of its position.

## 8 EVENTS OCCURRING AFTER BALANCE SHEET DATE

### Acquisition of SA (F1) Pty Limited

On 10 July 2017, Sydney Airport Corporation Limited, a 100% owned member of the Group, acquired 100% of the equity in SA (F1) Pty Limited (SAF1) for $34.5 million. SAF1 owns the Ibis Budget Hotel on Ross Smith Avenue at the Domestic precinct. The management agreement with Accor, the operators of the hotel, was retained by SAF1.

### Distributions and DRP

The interim distribution for the half year ended 30 June 2017 of $371.3 million or 16.5 cents per stapled security (30 June 2016: $334.4 million or 15.0 cents) was paid on 14 August 2017 by:

- SAL $250.9 million or 11.15 cents (2016: $212.9 million or 9.55 cents); and
- SAT1 $120.4 million or 5.35 cents (2016: $121.5 million or 5.45 cents).

The DRP operated in respect of the half year ended 30 June 2017 distribution. On 14 August 2017, 1.7 million stapled securities were issued and transferred to DRP participants at $6.91 per stapled security, totalling $11.5 million.

The directors of SAL and TTCSAL are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the SAL and SAT1 Groups, the results of those operations or the state of affairs of the Groups in the period subsequent to the half year ended 30 June 2017.

## STATEMENT BY THE DIRECTORS OF SYDNEY AIRPORT LIMITED

In the opinion of the Directors of Sydney Airport Limited (SAL):

a. the consolidated interim financial statements and notes for SAL set out on pages 19 to 33 are in accordance with the *Corporations Act 2001*, including:
   i. complying with Australian Accounting Standards *AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory reporting requirements; and
   ii. giving a true and fair view of the SAL Group's financial position at 30 June 2017 and of its performance for the half year ended on that date.

b. There are reasonable grounds to believe that the SAL Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors pursuant to section 303(5) of the *Corporations Act 2001*.

| | |
|---|---|
| **Trevor Gerber** | **John Roberts** |
| Sydney | Sydney |
| 21 August 2017 | 21 August 2017 |

## STATEMENT BY THE DIRECTORS OF THE RESPONSIBLE ENTITY OF SYDNEY AIRPORT TRUST 1

In the opinion of the Directors of The Trust Company (Sydney Airport) Limited, the Responsible Entity of Sydney Airport Trust 1 (SAT1):

a. the consolidated interim financial statements and notes for SAT1 set out on pages 19 to 33, are in accordance with the *Corporations Act 2001*, including:
   i. complying with Australian Accounting Standards *AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory reporting requirements; and
   ii. giving a true and fair view of the SAT1 Group's financial position at 30 June 2017 and of its performance for the half year ended on that date.

b. there are reasonable grounds to believe that SAT1 will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors pursuant to section 303(5) of the *Corporations Act 2001*.

**Patrick Gourley**
Sydney
21 August 2017

**Gillian Larkins**
Sydney
21 August 2017