

Results for Announcement to the Market

| | SAL Group 6 months to 30 June 2019 \$m | SAL Group 6 months to 30 June 2018 \$m | Movement \$m | Movement % |
|--|---|---|-------------------------|-----------------------|
| Revenue | 797.1 | 770.8 | 26.3 | 3.4% |
| Profit after income tax expense | 17.3 | 173.2 | (155.9) | (90.0%) |
| Profit after income tax expense attributable to security holders | 199.8 | 174.0 | 25.8 | 14.8% |

| | SAT1 Group 6 months to 30 June 2019 \$m | SAT1 Group 6 months to 30 June 2018 \$m | Movement \$m | Movement % |
|---|--|--|-------------------------|-----------------------|
| Revenue | - | - | n/a | n/a |
| (Loss)/Profit after income tax expense | (66.7) | 114.8 | (181.5) | (158.1%) |
| (Loss)/Profit after income tax expense attributable to security holders | (66.7) | 114.8 | (181.5) | (158.1%) |

Distribution

| Distributions | SAL Group 30 June 2019 \$m | SAT1 Group 30 June 2019 \$m | SAL Group 30 June 2018 \$m | SAT1 Group 30 June 2018 \$m |
|---------------------------------------|---|--|---|--|
| Final distribution (100% unfranked) | 428.5 | 117.3 | 405.2 | 122.7 |
| Interim distribution (100% unfranked) | 440.1 | 115.1 | 416.8 | 114.9 |

| Distributions | SAL Group 30 June 2019 cents per stapled security | SAT1 Group 30 June 2019 cents per stapled security | SAL Group 30 June 2018 cents per stapled security | SAT1 Group 30 June 2018 cents per stapled security |
|---------------------------------------|--|---|--|---|
| Final distribution (100% unfranked) | 19.00 | 5.20 | 18.00 | 5.45 |
| Interim distribution (100% unfranked) | 19.50 | 5.10 | 18.50 | 5.10 |

The interim distribution, with record date of 30 June 2019 of \$440.1 million or 19.5 cents per stapled security (30 June 2018: \$416.8 million or 18.5 cents) will be paid on 15 August 2019 by:

- SAL \$325.0 million or 14.4 cents; and
- SAT1 \$115.1 million or 5.1 cents.

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

Distribution Reinvestment Plan (DRP)

The DRP operates in respect of the half year ended 30 June 2019 distribution. On 15 August 2019, 1.5 million stapled securities will be issued and transferred to DRP participants at \$8.00 per security, totalling \$12.2 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 2019 and Results for the Half Year Ended 30 June 2019 lodged with the ASX on 15 August 2019.

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.

Sydney Airport

For the half year ended 30 June 2019

**Interim
Financial Report**

SYD

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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. 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.

Directors' report

for the half year ended 30 June 2019

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 2019 (2018: 100%).

For the half year ended 30 June 2019, the directors of SAL submit their report on the consolidated financial report of ASX-listed Sydney Airport on pages 3 to 11. 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 2019, the directors of The Trust Company (Sydney Airport) Limited (TTCSAL or the Responsible Entity) also submit their report on the consolidated financial report of SAT1 comprising SAT1 and its controlled entities (the SAT1 Group) on pages 12 to 13.

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 2019.

Directors

The following persons were directors of SAL during the year and until the date of this report:

| Name | Role | Period of directorship |
|-----------------|----------------------------------|---|
| Trevor Gerber | Chairman, Non-executive director | Appointed director 18 October 2013, Appointed Chairman 14 May 2015 |
| Michael Lee | Non-executive director | Appointed 18 October 2013, Resigned 24 May 2019 |
| John Roberts | Non-executive director | Appointed 18 October 2013 |
| Stephen Ward | Non-executive director | Appointed 18 October 2013 |
| Ann Sherry AO | Non-executive director | Appointed 1 May 2014 |
| Grant Fenn | Non-executive director | Appointed 1 October 2015 |
| Abi Cleland | Non-executive director | Appointed 5 April 2018 |
| David Gonski AC | Non-executive director | Appointed 8 October 2018 |

On 12 July 2019, Karen Tompkins was appointed and Jamie Motum resigned as company secretary of Sydney Airport Limited.

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 2019.

Events occurring after balance sheet date

Since the end of the half year, the directors of SAL are not aware of any 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 the half year ended 30 June 2019.

Directors' report

for the half year ended 30 June 2019

Operating and financial review

Delivering the business model

| PASSENGERS | EBITDA (INCLUDING NON- RECURRING EXPENSES ²) | EBITDA (EXCLUDING NON- RECURRING EXPENSES ²) | CASH FLOW OUTCOMES | DEBT SERVICE COVERAGE | DISTRIBUTION TO INVESTORS |
|-----------------------|--|--|------------------------|------------------------------------|------------------------------|
| 21.6m | \$465.1m | \$649.2m | \$431.2m | 3.2x | 19.5¢ |
| | | | net operating receipts | cash flow cover ratio ³ | per stapled security |
| ↓ (0.2)% ¹ | ↓ (25.4)% ¹ | ↑ 4.1% ¹ | ↑ 4.8% ¹ | ↑ +0.1x ¹ | ↑ 5.4% ¹ |

Key performance measures

Key measures of Sydney Airport's financial performance for the half year ended 30 June 2019 are shown in the table below.

| | | Compared to prior half year |
|--|-----------------|-----------------------------|
| Passengers | 21.6 million | (0.2)% ↓ |
| Revenue (including security recovery) | \$797.1 million | 3.4% ↑ |
| Operating expenditure | \$147.9 million | 0.4% ↑ |
| Operating expenditure excluding security recoverable costs | \$101.2 million | (1.4)% ↓ |
| EBITDA (including non-recurring expenses ²) | \$465.1 million | (25.4)% ↓ |
| EBITDA (excluding non-recurring expenses ²) | \$649.2 million | 4.1% ↑ |
| Net operating receipts (NOR) | \$431.2 million | 4.8% ↑ |
| Distributions per security to investors | 19.5 cents | 5.4% ↑ |

Revenue streams

| | Revenue \$m | Revenue contribution | Revenue growth |
|---|-------------|----------------------|----------------|
| Aeronautical Services (excl. security recovery) | 361.3 | 45% | 4.7% |
| Retail | 184.2 | 23% | 4.0% |
| Property and Car Rental | 120.3 | 15% | 1.8% |
| Parking and Ground Transport | 77.6 | 10% | (1.4)% |

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 infrastructure. NOR is derived from both income statement performance and the cash position of SAL and SAT1.

A reconciliation of statutory profit to NOR is shown on the following page.

¹ Compared to 30 June 2018.

² Non-recurring expenses are Restructuring and redundancy expenses of \$2.4 million and Indemnity expense \$181.7 million, taken from the Consolidated Statements of Comprehensive Income in the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2019 (30 June 2018: nil).

³ Cash flow cover ratio (CFCR) is calculated using defined terms in the finance documents, summarised by cash flow divided by senior debt interest expense for the rolling 12 month period.

Directors' report

for the half year ended 30 June 2019

Reconciliation of NOR

The following table reconciles the statutory result of ASX-listed Sydney Airport for the half year ended 30 June 2019 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 2019 | 6 months to 30 June 2018 |
|--|-----------------------------|-----------------------------|
| | \$m | \$m |
| Profit before income tax expense ¹ | 49.1 | 194.8 |
| Add back: depreciation and amortisation ¹ | 211.4 | 202.2 |
| Profit before tax, depreciation and amortisation | 260.5 | 397.0 |
| Add/(subtract) non-cash expenses | | |
| - Capital indexed bonds capitalised ² | 9.5 | 12.5 |
| - Amortisation of debt establishment costs ² | (7.1) | 5.8 |
| - Borrowing costs capitalised ² | (5.1) | (5.1) |
| - Change in fair value of swaps ² | 3.7 | 12.0 |
| Total non-cash financial expenses | 1.0 | 25.2 |
| Add/(subtract) other cash movements: | | |
| Movement in cash balances with restricted use ³ | (0.9) | (0.6) |
| Other | (11.1) | (10.3) |
| Total other cash movements | (12.0) | (10.9) |
| - Indemnity costs ¹ | 181.7 | - |
| Net operating receipts | 431.2 | 411.3 |
| Average stapled securities on issue (m) | 2,256.6 | 2,253.0 |
| Net operating receipts per stapled security | 19.1c | 18.3c |
| Distributions declared per stapled security | 19.5c | 18.5c |
| Ratio of net operating receipts to distributions | 98% | 99% |

¹ Taken from the Consolidated Statements of Comprehensive Income in the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2019.

² Taken from Note 6 in the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2019.

³ Included in the SAL Group's consolidated deposit balance is \$11.3 million (31 December 2018: \$10.4 million) held by Sydney Airport Corporation Limited (SACL), which is restricted to fund capital expenditure.

Directors' report

for the half year ended 30 June 2019

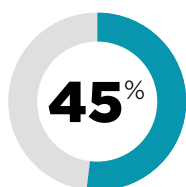
Financial performance analysis

Highlights during the half year ended 30 June 2019, compared to 30 June 2018, are shown below:

AERONAUTICAL REVENUE (EX SECURITY RECOVERY)

\$361.3m

↑ 4.7% from 2018



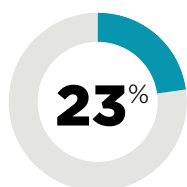
of Group revenue

- International passenger growth of 1.9%; international airline contract escalations at 1 July 2018 of 3.4%
- The fastest growing nationality markets were Nepal and the United States, growing more than 19% and 11% respectively
- The largest international passenger groups were Australian passengers (3.6 million) followed by Chinese passengers (1 million)

RETAIL REVENUE

\$184.2m

↑ 4.0% from 2018



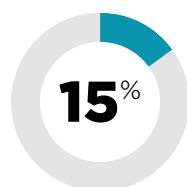
of Group revenue

- Duty Free revenues increased driven by minimum guaranteed rent escalations, in-line with international passenger growth
- Increase in advertising revenues reflecting our new contract with JC Decaux from 1 January and investment in new digital assets
- New leasing deals, performance rent and contracted lease escalations

PROPERTY AND CAR RENTAL REVENUE

\$120.3m

↑ 1.8% from 2018



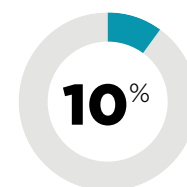
of Group revenue

- Increase resulting from contracted lease escalations, new leases and more than 100 rent reviews conducted during the period
- Completion of 78 new rooms at the Ibis Hotel contributed to revenue from March

PARKING AND GROUND TRANSPORT REVENUE

\$77.6m

↓ (1.4)% from 2018



of Group revenue

- Revenues have declined in-line with domestic passenger growth

Directors' report

for the half year ended 30 June 2019

Operating expenses

| Category | 6 months to 30 June 2019 \$m | 6 months to 30 June 2018 \$m | Change |
|--|------------------------------------|------------------------------------|-------------|
| Employee benefits expense | 29.8 | 29.8 | 0.03% |
| Services and utilities expense | 40.3 | 42.5 | (5.2)% |
| Property and maintenance expense | 15.3 | 14.9 | 2.7% |
| Other operational costs | 15.8 | 15.6 | 1.3% |
| Security recoverable expenses | 46.7 | 44.6 | 4.7% |
| Total operating expenses | 147.9 | 147.4 | 0.4% |
| <i>Excluding:</i> | | | |
| Security recoverable expenses | 46.7 | 44.6 | |
| Total operating expenses excluding security recoverable expenses | 101.2 | 102.8 | (1.4%) |

Sydney Airport's total operating expenses for the half year ended 30 June 2019 increased by \$0.5 million or 0.4% against the comparative prior period. Total operating expenses excluding security recoverable expenses decreased by \$1.6 million or 1.4%. This outcome reflected a focus on cost control, and a range of cost savings across various categories delivered during the half year period, including savings from the commencement of the new electricity power purchase agreement from 1 January 2019.




Directors' report

for the half year ended 30 June 2019

Capital expenditure

Investment in capacity and service improvements during the half year ended 30 June 2019 was \$116.1 million (30 June 2018: \$179.6 million).




Major projects completed during this period are described below:

| CATEGORY | PROJECT DESCRIPTION | BENEFITS | COMPLETED |
|---|---------------------------------|--|---------------|
| AIRFIELD  | Ground service equipment | <ul style="list-style-type: none"> Upgraded ground service equipment, providing permanent roller decks for unit load devices and a new profile staging area | May 2019 |
| | Baggage | <ul style="list-style-type: none"> Improvements to the T1 International baggage reclaims hall and conveyor belts | February 2019 |
| TERMINAL WORKS  | Bathrooms | <ul style="list-style-type: none"> New bathrooms at T1 International, improving the customer experience | March 2019 |
| | Terminals | <ul style="list-style-type: none"> Additional and upgraded gate lounge seating spaces in Terminal 1, with improved wayfinding and sightlines, and improved facilities | March 2019 |
| | | <ul style="list-style-type: none"> Redevelopment and refurbishment of the Terminal 1 International Arrivals Hall to improve ambience and the passenger experience | March 2019 |
| | | <ul style="list-style-type: none"> Base build works on the expansion of speciality retail at T2 Domestic Pier B | March 2019 |
| PROPERTY  | Hotel expansion | <ul style="list-style-type: none"> Fast passenger processing trial at T1 International with passenger facial recognition for automated check-in, bag drop, lounge access and boarding | March 2019 |
| | | <ul style="list-style-type: none"> Expansion of the Ibis Budget hotel at Sydney Airport's T2/T3 Domestic precinct on Ross Smith Avenue | May 2019 |

Directors' report

for the half year ended 30 June 2019

Major projects that were in progress during the half year ended 30 June 2019 are described below:

| CATEGORY | PROJECT DESCRIPTION | BENEFITS | EXPECTED COMPLETION |
|---|----------------------------------|--|------------------------|
| AIRFIELD  | Airfield resurfacing | <ul style="list-style-type: none"> Resurfacing and strengthening of the central and southern section of the main runway and associated taxiways | Ongoing through 2019 |
| | Apron expansion | <ul style="list-style-type: none"> Upgrade of the Northern Ponds layover bays to provide additional active bussing bays for International and Domestic use | 2021 |
| TERMINAL WORKS  | Terminals | <ul style="list-style-type: none"> Redevelopment of the T1 International Departures entry point, increasing capacity through providing two entry points into the emigration and security area | August 2019 |
| | | <ul style="list-style-type: none"> Phase 2 staged expansion of T2 Domestic Pier B speciality retail on the Northern Retail and Rotunda sections | Staged through to 2020 |
| | Baggage | <ul style="list-style-type: none"> New baggage room at T1 International improving system resilience and capacity, and providing redundancy capability | Staged through to 2021 |
| LANDSIDE OPERATIONS AND TRANSPORT  | Traffic management system | <ul style="list-style-type: none"> An integrated traffic management system designed to minimise congestion and reduce journey times through proactive management of available assets | 2020 |

Directors' report

for the half year ended 30 June 2019

Capital management and distribution

Sydney Airport maintains a strong focus on prudent capital management by diversifying the debt portfolio and addressing the refinancing of debt well in advance of its maturity. This further strengthens the capital structure and creates a strong platform for future issuance.

2019 refinance summary

In May 2019, Sydney Airport successfully refinanced \$1.4 billion of bank debt facilities by way of a 3, 4 and 5 year tenor syndicated (multi-bank) Sustainability Linked Loan, further demonstrating our continued leadership and innovation across finance and sustainability. The market-leading transaction represented the first syndicated Sustainability Linked Loan in Australia and was the largest of its kind across the Asia Pacific.

Bank debt facility margins will marginally decrease or increase depending on our sustainability performance over time, further incentivising the delivery of our sustainability commitments (including achieving carbon neutrality by 2025) and other sustainability improvements. Outcomes of this refinancing were:

- A\$1.4 billion of bank debt facilities refinanced at lower margins
- Weighted average debt maturity extended three months to mid-2025
- Debt maturities over 2021-22 reduced by 38% with next major maturity in late-2020
- Strong liquidity position maintained, providing significant capital management flexibility
- Direct link established between our sustainability performance and funding costs

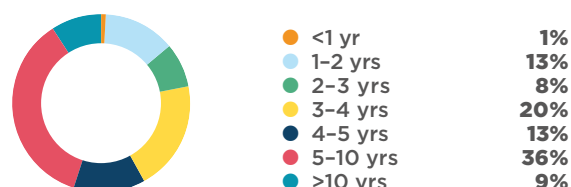
| Category ¹ | 30 June 2019 | 30 June 2018 |
|--|----------------------------|---------------|
| Net debt ³ | \$8.4 billion ² | \$8.3 billion |
| Cash flow cover ratio ⁴ | 3.2x ² | 3.1x |
| Net debt/EBITDA ⁴ | 6.6x ² | 6.7x |
| Average maturity | Mid-2025 | Mid-2024 |
| Credit rating (S&P/Moody's) ⁵ | BBB+/Baa1 | BBB+/Baa1 |

- 1 Metrics and ratios are calculated, where relevant, using defined terms in the finance documents
- 2 Calculations include lease liabilities and related interest expense due to the application of AASB 16
- 3 Includes \$85.0 million SAL working capital facility (\$78.0/\$7.0 million drawn/undrawn respectively)
- 4 Calculation on a 12 month rolling basis, in accordance with finance documents
- 5 Stable outlook for both S&P and Moody's

Funding portfolio by category



Debt maturity on drawn and undrawn debt



Cash flow

| Category | 30 June 2019 \$m | 30 June 2018 \$m |
|---|---------------------|---------------------|
| Net cash flows from operating activities | 691.8 | 631.2 |
| Net cash flows used in investing activities | (151.4) | (215.8) |
| Net cash flows used in financing activities | (412.1) | (369.1) |
| Net increase in cash and cash equivalents held | 128.3 | 46.3 |

The increase in cash and cash equivalents reflects the growth in operating activity. It also reflects distributions paid to security holders of \$428.5 million, additional debt drawn to fund growth capital expenditure, repayment of bank debt and borrowing costs paid.

These are reflected in the Consolidated Statements of Cash Flows in the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2019.

Directors' report

for the half year ended 30 June 2019

Distributions and Distribution reinvestment plan (DRP)

The interim distribution by ASX-listed Sydney Airport for the half year ended 30 June 2019 of \$440.1 million or 19.5 cents per stapled security (30 June 2018: \$416.8 million or 18.5 cents) will be paid on 15 August 2019 by:

- SAL \$325.0 million or 14.4 cents (2018: \$301.9 million or 13.4 cents); and
- SAT1 \$115.1 million or 5.1 cents (2018: \$114.9 million or 5.1 cents).

There are \$nil imputation credits (2018: \$nil) available to pay franked distributions. The distributions were unfranked.

The DRP operates in respect of the 30 June 2019 interim distribution. On 15 August 2019, 1.5 million (30 June 2018: 2.0 million) stapled securities will be issued and transferred to DRP participants at \$8.00 (30 June 2018: \$7.15) per stapled security, totalling \$12.2 million (30 June 2018: \$14.6 million).

Independent valuation

The SAL Group was in a net liability position of \$534.9 million at 30 June 2019. An independent valuation of Sydney Airport as at 31 December 2018 supported an equity value that, if applied in the financial report of the SAL Group as at 30 June 2019, would more than absorb the consolidated deficiency position at 30 June 2019. A new valuation will be carried out each financial year end or as otherwise required.

In considering its dividend declaration, Sydney Airport Limited, the parent of the SAL consolidated group considers the requirements of Section 254T of the *Corporations Act 2001*.

At 30 June 2019, Sydney Airport Limited is in a net asset position of \$14.6 billion (31 December 2018: net asset of \$14.6 billion). It considers the payment of a dividend is fair and reasonable to its shareholders and that the payment does not materially prejudice the company's ability to pay its creditors.

There are no known factors that would have had a significant adverse effect on the valuation since 31 December 2018. Accordingly the going concern basis of accounting is considered appropriate in the preparation of the financial report.

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 589,706 (31 December 2018: 598,980).

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 the half year ended 30 June 2019.

Rounding of amounts in the Directors' Report and the consolidated 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.

Throughout this interim report, percentage change calculations have been prepared using non-rounded balances.

Application of class order

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

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



Trevor Gerber

Sydney
14 August 2019



John Roberts

Sydney
14 August 2019

Directors' report for The Trust Company (Sydney Airport) Limited

for the half year ended 30 June 2019

For the half year ended 30 June 2019, 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 2019.

Directors

The following persons are current directors of TTCSAL:

| Name | Role | Period of directorship |
|--------------------|------------------------|------------------------|
| Russell Balding AO | Non-executive director | Appointed October 2013 |
| Patrick Gourley | Non-executive director | Appointed October 2013 |
| Eleanor Padman | Executive director | Appointed October 2018 |

On 12 July 2019, Karen Tompkins was appointed and Jamie Motum resigned as co-company secretary of The Trust Company (Sydney Airport) Limited, the responsible entity of Sydney Airport Trust 1.

Sylvia Dimarco and Gananatha Nayanajith Minithantri continue as co-company secretaries of TTCSAL.

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.

During the period, the SAT1 Group expensed \$181.7 million relating to historical indemnities. Further information is provided in Note 10 of the Interim Financial Report for the half year ended 30 June 2019.

There have been no further changes in the state of affairs of the SAT1 Group during the half year ended 30 June 2019.

Distributions

The interim distribution by ASX-listed Sydney Airport for the half year ended 30 June 2019 of \$440.1 million or 19.5 cents per stapled security (30 June 2018: \$416.8 million or 18.5 cents) will be paid on 15 August 2019 by:

- SAL \$325.0 million or 14.4 cents (2018: \$301.9 million or 13.4 cents); and
- SAT1 \$115.1 million or 5.1 cents (2018: \$114.9 million or 5.1 cents).

There are \$nil imputation credits (2018: \$nil) available to pay franked distributions. The distributions were unfranked.

The DRP operates in respect of the 30 June 2019 interim distribution. On 15 August 2019, 1.5 million (30 June 2018: 2.0 million) stapled securities will be issued and transferred to DRP participants at \$8.00 (30 June 2018: \$7.15) per stapled security, totalling \$12.2 million (30 June 2018: \$14.6 million).

Events occurring after balance sheet date

Since the end of the half year, the directors of TTCSAL are not aware of any 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 2019.

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 16 and forms part of the Directors' Report for half year ended 30 June 2019.

Directors' report for The Trust Company (Sydney Airport) Limited

for the half year ended 30 June 2019

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

Sydney
14 August 2019



Russell Balding AO

Sydney
14 August 2019

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 six months ended 30 June 2019 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.

A handwritten signature in black ink, appearing to read 'Nigel Virgo'.

KPMG

A handwritten signature in black ink, appearing to read 'Nigel Virgo'.

Nigel Virgo

Partner

Sydney

14 August 2019

Independent Auditor's Review Report

to the stapled security holders of Sydney Airport



Conclusion

We have reviewed the accompanying **Interim Financial Report** of Sydney Airport Limited (the Company) as deemed parent presenting the stapled security arrangement of **Sydney Airport** (the Stapled Group Interim Financial Report).

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 the Stapled Group is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Stapled Group's** financial position as at 30 June 2019 and of its performance for the six months 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 2019
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the six months ended on that date
- Pages 24 to 36 comprising a summary of significant accounting policies and other explanatory information, including notes 1 to 11
- The Directors' Declaration made by the Directors of Sydney Airport Limited.

Sydney Airport (the **Stapled Group**) comprises Sydney Airport Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period, and Sydney Airport Trust 1 and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

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*; and
- 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 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 Stapled Group's financial position as at 30 June 2019 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 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

Nigel Virgo

Partner

Sydney

14 August 2019

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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 six months ended 30 June 2019 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.

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

KPMG

A handwritten signature in black ink, appearing to be 'Nigel Virgo'.

Nigel Virgo
Partner

Sydney
14 August 2019

Independent Auditor's Review Report

to the unitholders of Sydney Airport Trust 1



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 2019 and of its performance for the six months 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 2019
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the six months ended on that date
- Pages 24 to 36 comprising a summary of significant accounting policies and other explanatory information, including notes 1 to 11
- The Directors' Declaration.

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

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*; and
- 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 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 2019 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 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

Nigel Virgo

Partner

Sydney

14 August 2019

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Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated statements of comprehensive income

for the half year ended 30 June 2019

| | Note | SAL Group | | SAT1 Group | |
|---|------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | | 6 months to 30 June 2019 \$m | 6 months to 30 June 2018 \$m | 6 months to 30 June 2019 \$m | 6 months to 30 June 2018 \$m |
| Revenue | | | | | |
| Aeronautical revenue | | 361.3 | 345.0 | - | - |
| Aeronautical security recovery | | 50.1 | 48.2 | - | - |
| Retail revenue | | 184.2 | 177.1 | - | - |
| Property and car rental revenue | | 120.3 | 118.2 | - | - |
| Parking and ground transport revenue | | 77.6 | 78.6 | - | - |
| Other revenue | | 3.6 | 3.7 | - | - |
| Total revenue | | 797.1 | 770.8 | - | - |
| Operating expenses | | | | | |
| Employee benefits expense | | (29.8) | (29.8) | - | - |
| Services and utilities expense | | (40.3) | (42.5) | - | - |
| Property and maintenance expense | | (15.3) | (14.9) | - | - |
| Security recoverable expense | | (46.7) | (44.6) | - | - |
| Other operational costs | | (15.8) | (15.6) | (0.9) | (1.1) |
| Total operating expenses | | (147.9) | (147.4) | (0.9) | (1.1) |
| Other expenses | | | | | |
| Restructuring and redundancy expenses | | (2.4) | - | - | - |
| Indemnity expense | 10 | (181.7) | - | (181.7) | - |
| Total expenses before depreciation, amortisation, net finance costs and income tax | | (332.0) | (147.4) | (182.6) | (1.1) |
| Profit/(loss) before depreciation, amortisation, net finance costs and income tax (EBITDA) | | 465.1 | 623.4 | (182.6) | (1.1) |
| Depreciation | | (168.8) | (159.6) | - | - |
| Amortisation | | (42.6) | (42.6) | - | - |
| Profit/(loss) before net finance costs and income tax (EBIT) | | 253.7 | 421.2 | (182.6) | (1.1) |
| Finance income | 6 | 4.3 | 4.6 | 115.9 | 115.9 |
| Finance costs | 6 | (205.2) | (219.0) | - | - |
| Change in fair value of swaps | 6 | (3.7) | (12.0) | - | - |
| Net finance costs | | (204.6) | (226.4) | 115.9 | 115.9 |
| Profit before income tax expense | | 49.1 | 194.8 | (66.7) | 114.8 |
| Income tax expense | 8 | (31.8) | (21.6) | - | - |
| Profit after income tax expense | | 17.3 | 173.2 | (66.7) | 114.8 |
| Profit after income tax expense attributable to: | | | | | |
| Security holders | | 199.8 | 174.0 | (66.7) | 114.8 |
| Non-controlling interest | | (182.5) | (0.8) | - | - |
| | | 17.3 | 173.2 | (66.7) | 114.8 |

The above Consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statements of comprehensive income

for the half year ended 30 June 2019

| | SAL Group | | SAT1 Group | |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 6 months to 30 June 2019 \$m | 6 months to 30 June 2018 \$m | 6 months to 30 June 2019 \$m | 6 months to 30 June 2018 \$m |
| Items that may subsequently be reclassified to profit or loss | | | | |
| Changes in fair value of cash flow hedges | (282.5) | (92.3) | - | - |
| Changes in fair value of foreign currency basis spread | 4.1 | 2.3 | - | - |
| Tax on items that may be reclassified to profit or loss | 83.5 | 27.0 | - | - |
| Total items that may subsequently be reclassified to profit or loss | (194.9) | (63.0) | - | - |
| Other comprehensive loss, net of tax | (194.9) | (63.0) | - | - |
| Total comprehensive income | (177.6) | 110.2 | (66.7) | 114.8 |
| Total comprehensive income attributable to: | | | | |
| Security holders | (360.1) | 111.0 | (66.7) | 114.8 |
| Non-controlling interest | 182.5 | (0.8) | - | - |
| | (177.6) | 110.2 | (66.7) | 114.8 |
| Basic and diluted earnings per share/unit from profit after income tax | 8.85c | 7.72c | (2.96c) | 5.10c |

The above Consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statements of financial position

as at 30 June 2019

| | Note | SAL Group | | SAT1 Group | |
|---|------|---------------------|-------------------------|---------------------|-------------------------|
| | | 30 June 2019 \$m | 31 December 2018 \$m | 30 June 2019 \$m | 31 December 2018 \$m |
| Current assets | | | | | |
| Cash and cash equivalents | 3 | 604.6 | 476.3 | 5.1 | 5.8 |
| Receivables | 9 | 166.6 | 235.6 | 3.4 | 3.5 |
| Refinancing proceeds receivable | 2 | - | 398.9 | - | - |
| Derivative financial instruments | 5 | 12.3 | 0.2 | - | - |
| Other assets | | 0.8 | 0.8 | - | - |
| Total current assets | | 784.3 | 1,111.8 | 8.5 | 9.3 |
| Non-current assets | | | | | |
| Receivables | 9 | 82.9 | 194.6 | 1,796.5 | 1,915.6 |
| Property, plant and equipment | | 3,524.6 | 3,570.1 | - | - |
| Intangible assets | | 7,273.1 | 7,315.7 | - | - |
| Derivative financial instruments | 5 | 965.0 | 851.8 | - | - |
| Other assets | | 17.0 | 10.2 | - | - |
| Total non-current assets | | 11,862.6 | 11,942.4 | 1,796.5 | 1,915.6 |
| Total assets | | 12,646.9 | 13,054.2 | 1,805.0 | 1,924.9 |
| Current liabilities | | | | | |
| Distribution payable | 1 | 440.1 | 428.5 | 115.3 | 117.3 |
| Payables and deferred income | | 207.0 | 245.4 | 4.2 | 4.2 |
| Derivative financial instruments | 5 | 105.0 | 108.7 | - | - |
| Interest bearing liabilities | 2 | 78.0 | - | - | - |
| Leases | | 0.4 | - | - | - |
| Provisions | | 10.7 | 13.1 | - | - |
| Total current liabilities | | 841.2 | 795.7 | 119.5 | 121.5 |
| Non-current liabilities | | | | | |
| Interest bearing liabilities | 2 | 10,000.4 | 10,151.8 | - | - |
| Indemnity provision | 10 | 62.6 | - | 62.6 | - |
| Derivative financial instruments | 5 | 516.4 | 224.4 | - | - |
| Deferred tax liabilities | | 1,757.1 | 1,808.3 | - | - |
| Leases | | 0.4 | - | - | - |
| Provisions for employee benefits | | 3.7 | 2.1 | - | - |
| Total non-current liabilities | | 12,340.6 | 12,186.6 | 62.6 | - |
| Total liabilities | | 13,181.8 | 12,982.3 | 182.1 | 121.5 |
| Net (liabilities)/assets | | (534.9) | 71.9 | 1,622.9 | 1,803.4 |
| Equity | | | | | |
| Security holders' interests | | | | | |
| Contributed equity | 1 | 5,520.8 | 5,508.6 | 2,455.6 | 2,454.3 |
| Retained earnings | | (2,194.9) | (1,954.8) | 222.0 | 403.8 |
| Reserves | | (3,669.9) | (3,473.5) | (1,054.7) | (1,054.7) |
| Total security holders' interests | | (344.0) | 80.3 | 1,622.9 | 1,803.4 |
| Non-controlling interest in controlled entities | | (190.9) | (8.4) | - | - |
| Total equity | | (534.9) | 71.9 | 1,622.9 | 1,803.4 |

The above Consolidated statements of financial position should be read in conjunction with the accompanying notes.

Consolidated statements of changes in equity

for the half year ended 30 June 2019

| SAL Group | Note | Contributed equity \$m | Retained earnings ^{1,3} \$m | Cash flow hedge reserve \$m | Foreign currency basis spread reserve \$m | Other reserve ² \$m | Total equity ¹ \$m |
|--|------|---------------------------|---|--------------------------------|--|-----------------------------------|----------------------------------|
| Total equity at 1 January 2019 | | 5,508.6 | (1,963.0) | (316.4) | 2.4 | (3,159.5) | 72.1 |
| Comprehensive income | | | | | | | |
| Profit after tax | | - | 17.3 | - | - | - | 17.3 |
| Other comprehensive income | | - | - | (197.8) | 2.9 | - | (194.9) |
| Total comprehensive income | | - | 17.3 | (197.8) | 2.9 | - | (177.6) |
| Transactions with owners of the company | | | | | | | |
| Issue of securities through distribution reinvestment plan | 1 | 12.2 | - | - | - | - | 12.2 |
| Distributions provided for or paid | 1 | - | (440.1) | - | - | - | (440.1) |
| Equity-settled shares | | - | - | - | - | (1.5) | (1.5) |
| Total transactions with owners of the company | | 12.2 | (440.1) | - | - | (1.5) | (429.4) |
| Total equity at 30 June 2019 | | 5,520.8 | (2,385.8) | (514.2) | 5.3 | (3,161.0) | (534.9) |
| Total equity at 1 January 2018 | | 5,482.3 | (1,488.3) | (201.1) | - | (3,159.0) | 633.9 |
| Comprehensive income | | | | | | | |
| Profit after tax | | - | 173.2 | - | - | - | 173.2 |
| Other comprehensive income | | - | - | (64.6) | 1.6 | - | (63.0) |
| Total comprehensive income | | - | 173.2 | (64.6) | 1.6 | - | 110.2 |
| Transactions with owners of the company | | | | | | | |
| Issue of securities through distribution reinvestment plan | | 11.9 | - | - | - | - | 11.9 |
| Distributions provided for or paid | 1 | - | (416.8) | - | - | - | (416.8) |
| Equity-settled shares | | - | (0.5) | - | - | (0.7) | (1.2) |
| Total transactions with owners of the company | | 11.9 | (417.3) | - | - | (0.7) | (406.1) |
| Total equity at 30 June 2018 | | 5,494.2 | (1,732.4) | (265.7) | 1.6 | (3,159.7) | 338.0 |

¹ Retained earnings and total equity are presented after deducting non-controlling interest in controlled entities of \$190.9 million (30 June 2018: \$7.7 million).

² The Other reserve represents transactions between equity holders and movements in other reserves resulting from historical business combinations.

³ Accumulated losses brought forward has been adjusted by \$0.2 million following the implementation of AASB16: Leases. For further information refer to Changes in accounting policies in the accompanying notes.

The above Consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statements of changes in equity

for the half year ended 30 June 2019

| SAT1 Group | Note | Contributed equity \$m | Retained earnings \$m | Capital reserve ¹ \$m | Other reserve \$m | Total equity \$m |
|--|------|---------------------------|--------------------------|-------------------------------------|----------------------|---------------------|
| Total equity at 1 January 2019 | | 2,454.3 | 403.8 | (967.6) | (87.1) | 1,803.4 |
| Comprehensive income | | | | | | |
| Loss after tax | | - | (66.7) | - | - | (66.7) |
| Total comprehensive income | | - | (66.7) | - | - | (66.7) |
| Transactions with owners of the company | | | | | | |
| Issue of securities through distribution reinvestment plan | 1 | 1.3 | - | - | - | 1.3 |
| Distributions provided for or paid | 1 | - | (115.1) | - | - | (115.1) |
| Total transactions with owners of the company | | 1.3 | (115.1) | - | - | (113.8) |
| Total equity at 30 June 2019 | | 2,455.6 | 222.0 | (967.6) | (87.1) | 1,622.9 |
| Total equity at 1 January 2018 | | 2,451.3 | 404.2 | (967.6) | (87.1) | 1,800.8 |
| Comprehensive income | | | | | | |
| Profit after tax | | - | 114.8 | - | - | 114.8 |
| Total comprehensive income | | - | 114.8 | - | - | 114.8 |
| Transactions with owners of the company | | | | | | |
| Issue of securities through distribution reinvestment plan | | 1.4 | - | - | - | 1.4 |
| Distributions provided for or paid | 1 | - | (114.9) | - | - | (114.9) |
| Total transactions with owners of the company | | 1.4 | (114.9) | - | - | (113.5) |

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

for the half year ended 30 June 2019

| | Note | SAL Group | | SAT1 Group | |
|---|------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | | 6 months to 30 June 2019 \$m | 6 months to 30 June 2018 \$m | 6 months to 30 June 2019 \$m | 6 months to 30 June 2018 \$m |
| Cash flow from operating activities | | | | | |
| Interest received | | 4.4 | 3.8 | 0.1 | 0.1 |
| Related party loan interest received | | - | - | 115.8 | 114.8 |
| Receipts from customers | | 938.3 | 867.2 | - | - |
| Payments to suppliers and employees | | (250.9) | (239.8) | (0.6) | (0.8) |
| Net cash flow from operating activities | | 691.8 | 631.2 | 115.3 | 114.1 |
| Cash flow from investing activities | | | | | |
| Acquisition of property, plant and equipment | | (146.3) | (210.7) | - | - |
| Capitalised borrowing costs | | (5.1) | (5.1) | - | - |
| Net cash flow used in investing activities | | (151.4) | (215.8) | - | - |
| Cash flow from financing activities | | | | | |
| Airport borrowing costs paid | | (182.5) | (169.3) | - | - |
| Corporate borrowings costs paid | | (1.6) | (1.7) | - | - |
| Repayment of borrowings | | (395.0) | (674.0) | - | - |
| Proceeds received from borrowings | | 603.5 | 900.1 | - | - |
| Interest rate swap payments | | (19.3) | (29.4) | - | - |
| Proceeds received from distribution reinvestment plan | | 12.2 | 12.2 | 1.3 | 1.4 |
| Distributions paid to security holders | | (428.5) | (405.2) | (117.3) | (122.7) |
| Acquisition of securities for Long Term Incentive Plan | | (0.9) | (1.8) | - | - |
| Net cash flow used in financing activities | | (412.1) | (369.1) | (116.0) | (121.3) |
| Net increase/(decrease) in cash and cash equivalents | | 128.3 | 46.3 | (0.7) | (7.2) |
| Cash and cash equivalents at beginning of the period | | 476.3 | 483.4 | 5.8 | 9.3 |
| Cash and cash equivalents at the end of the period | 3 | 604.6 | 529.7 | 5.1 | 2.1 |

The above Consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

for the half year ended 30 June 2019

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 2018 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;
- 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; and
- Complies with Australian Accounting Standard AASB 134: Interim Financial Reporting.

The interim financial report was authorised for issue by the directors of SAL and TTCSAL on 14 August 2019. 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 \$56.9 million at 30 June 2019, which is fully covered by undrawn committed non-current bank facilities.

The SAT1 Group's net current liability position of \$111.0 million at 30 June 2019 is attributable to distributions payable to SAT1 unit holders of \$115.1 million, to be paid on 15 August 2019. 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.

Independent valuation

The SAL Group was in a net liability position of \$534.9 million at 30 June 2019. An independent valuation of Sydney Airport as at 31 December 2018 supported an equity value that, if applied in the financial report of the SAL Group as at 30 June 2019, would more than absorb the consolidated deficiency position at 30 June 2019. A new valuation will be carried out each financial year end or as otherwise required.

In considering its dividend declaration, Sydney Airport Limited, the parent of the SAL consolidated group considers the requirements of Section 254T of the *Corporations Act 2001*.

At 30 June 2019, Sydney Airport Limited is in a net asset position of \$14.6 billion (31 December 2018: net asset of \$14.6 billion). It considers the payment of a dividend is fair and reasonable to its shareholders and that the payment does not materially prejudice the company's ability to pay its creditors.

There are no known factors that would have had a significant adverse effect on the valuation since 31 December 2018. Accordingly the going concern basis of accounting is considered appropriate in the preparation of the financial report.

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 -\$3.46 at 30 June 2019 (31 December 2018: -\$3.21). This represents a decrease of \$0.25 or 7.7% (30 June 2018: decrease of \$0.11 or 3.7%).

Notes to the financial statements

for the half year ended 30 June 2019

Significant accounting policies

This is the first interim financial report where AASB 16 *Leases* has been applied. The changes from this standard are described under 'Changes in accounting policies' below. Except for these, the accounting policies and methods of computation adopted in the preparation of the interim financial reports are consistent with those adopted and disclosed in the Groups' 31 December 2018 annual financial reports.

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 2019 and 30 June 2018; and
- SAT1 has been identified as the parent of the SAT1 Group for the periods ended 30 June 2019 and 30 June 2018.

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.

Controlled entities

SAT1 Group's net result after tax for the half years ended 30 June 2019 and 30 June 2018 and its contributed equity, reserves and retained earnings at 30 June 2019 and 30 June 2018 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.

Notes to the financial statements

for the half year ended 30 June 2019

Changes in accounting policies

The Group has adopted AASB 16 *Leases* retrospectively from 1 January 2019, but has not restated comparative periods, as permitted by the transition provisions of the standard. The cumulative impact of this new standard has therefore been recognised in the Statement of Financial Position at 1 January 2019.

Further details of this standard, Sydney Airport's accounting policies and impacts to the 2019 Interim financial statements are disclosed below.

AASB 16 *Leases*:

AASB 16 introduced a new definition for leases and a single, on-balance sheet accounting model for lessees. As a result, the Group has recognised a right-of-use asset, representing its rights to use the underlying asset and a lease liability representing its obligation to make lease payments for certain assets for which we are a lessee. There has been no change to lessor accounting as a result of this new accounting standard.

The Group has adopted a 'modified retrospective' transition method in the preparation of these financial statements. This requires the cumulative effect of initial application to be recognised in retained earnings at 1 January 2019, and no restatement of comparative information necessary.

This standard has no impact on the SAT1 Group.

Accounting policy - Leases

The Group leases various equipment, data centre space and land for periods between 12 months and 99 years. Previously these leases were classified as either finance or operating leases, in accordance with AASB 117 *Leases*. Operating lease payments made were charged to the profit or loss on a straight-line basis over the life of the lease.

From 1 January 2019, the following components are recognised in relation to leases:

| Balance Sheet component | Description | Measurement at recognition | Subsequent measurement |
|-------------------------|---------------------------------------|--|---|
| Right-of-Use asset | The right to use the underlying asset | Cost, comprising: <ul style="list-style-type: none"> Initial measurement of the liability; Any lease payments pre-commencement date, offset by any lease incentives received; Initial direct costs; and Restoration costs. | The Right-of-Use asset is depreciated over the shorter of the asset's useful life and the life of the lease, on a straight-line basis. |
| Lease liability | The obligation to make lease payments | Net Present Value of the lease payments, being: <ul style="list-style-type: none"> Fixed payments, offset by any lease incentives receivable; Variable lease payments linked to an index or rate; Exercise price of a purchase option (where Sydney Airport are reasonably certain to exercise that option); and Payment of penalties for terminating the lease (where the life of the lease has assumed termination). | Payments made are allocated between liability and finance cost, with the finance cost charged to interest expense over the life of the lease. |

Payments associated with short-term leases (i.e. those with a life of 12 months or less), and low-value assets (i.e. those at a cost of \$10,000 or less), are recognised as an expense in profit or loss on a straight-line basis.

Notes to the financial statements

for the half year ended 30 June 2019

Impact to the 2019 Interim financial Statements

Transition

As a result of the implementation of AASB 16, the Group has recognised lease liabilities in relation to three leases, with the remaining contracts considered service contracts, and expensed as incurred.

Balance sheet impact as at 1 January 2019:

| | \$m |
|--|------------|
| Asset | |
| Non-current Right-of-Use assets (included in Non-current Other Assets) | 1.3 |
| Liability | |
| Current lease liability | (0.5) |
| Non-current lease liability | (0.6) |
| Equity | |
| Retained earnings | (0.2) |

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was consistent with that used in the Goodwill impairment testing. The application of AASB 16 has had no impact to the financial statements of the Group for finance leases already held at 1 January 2019, including the Airport Operating Licence and Leasehold Land. This is due to these assets currently being measured on a basis consistent with that required by AASB 16. Furthermore, no lease liability exists for these finance leases.

New standards and interpretations not yet adopted

The Group has adopted 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 2019.

Notes to the financial statements

for the half year ended 30 June 2019

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 a 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 2019 | 6 months to 30 June 2018 | 6 months to 30 June 2019 | 6 months to 30 June 2018 |
| Distributions were paid/payable as follows: | | | | |
| \$m | | | | |
| Final distribution ¹ | 428.5 | 405.2 | 117.3 | 122.7 |
| Interim distribution ² | 440.1 | 416.8 | 115.1 | 114.9 |
| Cents per stapled security | | | | |
| Final distribution | 19.00 | 18.00 | 5.20 | 5.45 |
| Interim distribution | 19.50 | 18.50 | 5.10 | 5.10 |

¹ Recognised as a payable at year end, paid on 14 February 2019 (2018: 14 February 2018).

² To be paid on 15 August 2019 (2018: 14 August 2018).

Notes to the financial statements

for the half year ended 30 June 2019

1 Distributions paid and proposed (continued)

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 operates in respect of the 30 June 2019 interim and 31 December 2018 final distributions.

In respect of the 30 June 2019 interim distribution, 1.5 million stapled securities will be issued and transferred to DRP participants at \$8.00 per stapled security on 15 August 2019.

In respect of the 31 December 2018 final distribution, 1.9 million stapled securities were issued and transferred to DRP participants at \$6.60 per stapled security on 14 February 2019.

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 2019 | 12 months to 31 December 2018 | 6 months to 30 June 2019 | 12 months to 31 December 2018 |
| \$m | | | | |
| Opening balance | 5,508.6 | 5,482.3 | 2,454.3 | 2,451.3 |
| Issued pursuant to the DRP | 12.2 | 26.3 | 1.3 | 3.0 |
| Closing balance | 5,520.8 | 5,508.6 | 2,455.6 | 2,454.3 |
| Shares/units on issue (m) | | | | |
| Opening balance | 2,255.3 | 2,251.5 | 2,255.3 | 2,251.5 |
| Issued pursuant to the DRP | 1.9 | 3.8 | 1.9 | 3.8 |
| Closing balance | 2,257.2 | 2,255.3 | 2,257.2 | 2,255.3 |

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; and
- Euro bonds.

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

At 30 June 2019 and 31 December 2018, 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.

Notes to the financial statements

for the half year ended 30 June 2019

2 Interest bearing liabilities (continued)

| Type | Maturity | Carrying amount | | | Fair value | | | Principal amount drawn | | | | Issue Currency | Interest rate |
|---|---------------|-----------------|----------|-------------|--------------|----------|-------------|------------------------|-------|----------------------|-------|----------------|-----------------------|
| | | 30 June 2019 | | 31 Dec 2018 | 30 June 2019 | | 31 Dec 2018 | In AUD | | In original currency | | | |
| | | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | | |
| Bilateral facility | February 2020 | 78.0 | 78.0 | 78.0 | 78.0 | 78.0 | 78.0 | 78.0 | 78.0 | 78.0 | 78.0 | AUD | Floating ³ |
| Syndicated facility | April 2022 | 266.0 | 454.1 | 454.1 | 266.0 | 454.1 | 266.0 | 455.0 | 266.0 | 455.0 | 455.0 | AUD | Floating ³ |
| Wrapped domestic bond ¹ | November 2021 | 199.4 | 199.2 | 199.2 | 199.4 | 199.2 | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 | AUD | Floating ⁴ |
| Wrapped domestic bond ¹ | October 2022 | 744.9 | 744.2 | 744.2 | 744.9 | 744.2 | 750.0 | 750.0 | 750.0 | 750.0 | 750.0 | AUD | Floating ⁴ |
| Wrapped domestic bond ¹ | October 2027 | 650.6 | 650.2 | 650.2 | 650.6 | 650.2 | 659.0 | 659.0 | 659.0 | 659.0 | 659.0 | AUD | Floating ⁴ |
| USPP bond | August 2028 | 99.4 | 99.4 | 99.4 | 99.4 | 99.4 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | AUD | Floating ⁴ |
| USPP bond | November 2028 | 99.4 | 99.4 | 99.4 | 99.4 | 99.4 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | AUD | Floating ⁴ |
| USPP bond | November 2028 | 179.0 | 179.0 | 179.0 | 223.3 | 204.7 | 180.0 | 180.0 | 180.0 | 180.0 | 180.0 | AUD | 6.04% ⁵ |
| USPP bond | November 2028 | 57.7 | 57.7 | 57.7 | 69.9 | 63.9 | 58.0 | 58.0 | 58.0 | 58.0 | 58.0 | AUD | 5.60% ⁵ |
| USPP bond | November 2029 | 135.2 | 135.3 | 135.3 | 164.9 | 151.4 | 136.0 | 136.0 | 136.0 | 136.0 | 136.0 | AUD | 5.70% ⁵ |
| USPP bond | February 2034 | 73.2 | 67.3 | 62.1 | 68.4 | 62.1 | 62.5 | - | 45.0 | - | - | USD | 4.25% ⁵ |
| USPP bond | February 2039 | 134.2 | 134.9 | 135.3 | 154.1 | 135.3 | 135.0 | - | 135.0 | - | - | AUD | 4.76% ⁵ |
| USPP bond | February 2044 | 99.4 | 99.9 | 100.9 | 115.8 | 100.9 | 100.0 | - | 100.0 | - | - | AUD | 4.85% ⁵ |
| USPP bond | February 2049 | 99.4 | 99.9 | 101.1 | 116.2 | 101.1 | 100.0 | - | 100.0 | - | - | AUD | 4.90% ⁵ |
| Euro bond | April 2024 | 1,240.6 | 1,225.5 | 1,247.1 | 1,274.1 | 1,247.1 | 1,033.4 | 1,033.4 | 700.0 | 700.0 | 700.0 | EUR | 2.75% ⁵ |
| Euro bond | April 2028 | 869.1 | 824.7 | 822.0 | 871.7 | 822.0 | 796.1 | 796.1 | 500.0 | 500.0 | 500.0 | EUR | 1.75% ⁵ |
| US144A/RegS bond | February 2021 | 711.4 | 702.9 | 732.2 | 741.3 | 732.2 | 518.7 | 518.7 | 500.0 | 500.0 | 500.0 | USD | 5.13% ⁵ |
| US144A/RegS bond | March 2023 | 1,210.3 | 1,173.2 | 1,168.6 | 1,225.8 | 1,168.6 | 802.4 | 802.4 | 825.0 | 825.0 | 825.0 | USD | 3.90% ⁵ |
| US144A/RegS bond | April 2025 | 711.5 | 708.7 | 682.4 | 725.8 | 682.4 | 643.0 | 643.0 | 500.0 | 500.0 | 500.0 | USD | 3.38% ⁵ |
| US144A/RegS bond | April 2026 | 1,276.2 | 1,270.8 | 1,228.1 | 1,314.3 | 1,228.1 | 1,163.4 | 1,163.4 | 900.0 | 900.0 | 900.0 | USD | 3.63% ⁵ |
| CIB ² | November 2020 | 749.0 | 758.9 | 764.9 | 771.6 | 764.9 | 763.2 | 757.0 | 763.2 | 757.0 | 757.0 | AUD | 3.76% ⁵ |
| CIB ² | November 2030 | 394.5 | 388.6 | 371.2 | 420.4 | 371.2 | 401.4 | 398.1 | 401.4 | 398.1 | 398.1 | AUD | 3.12% ⁵ |
| Total external interest bearing liabilities | | 10,078.4 | 10,151.8 | 10,160.4 | 10,395.3 | 10,160.4 | 9,046.1 | 8,828.1 | n/a | n/a | n/a | | |

1 Financial guarantees are provided by MBIA Insurance Corporation, and Assured Guaranty Municipal Corp.

2 Financial guarantees are provided by MBIA Insurance Corporation and Ambac Assurance Corporation.

3 Floating rates are at Bank Bill Swap Bid Rate plus a predetermined margin.

4 Floating rates are at Bank Bill Swap Bid Rate plus a predetermined margin.

5 Fixed interest rates reflective of coupons in respective currencies/markets.

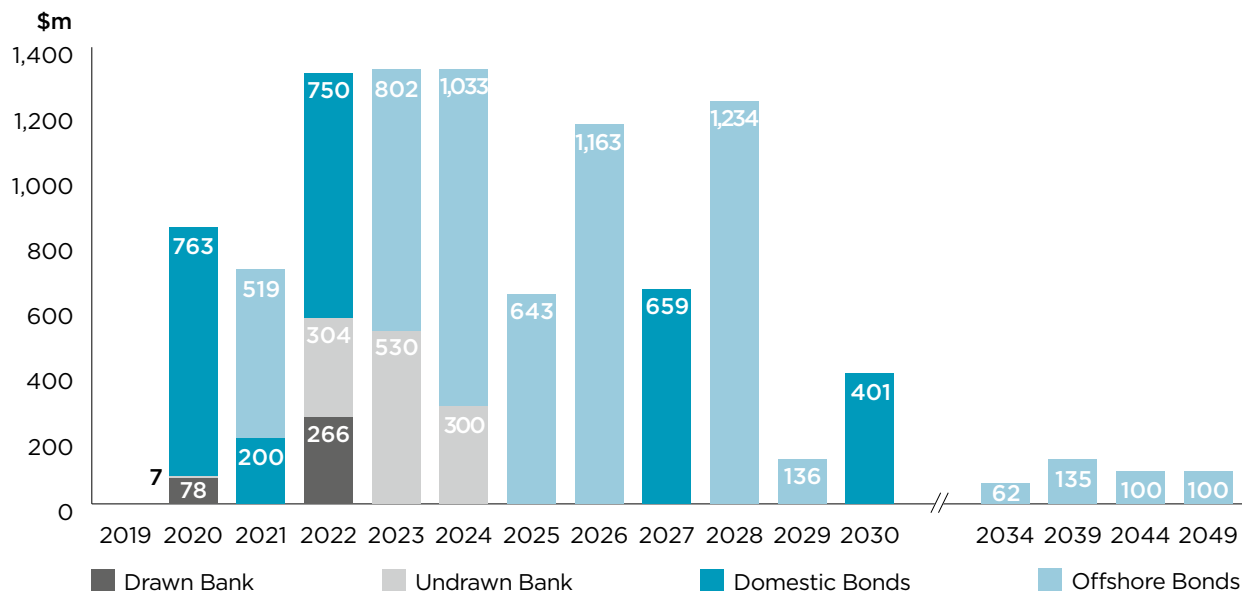
Notes to the financial statements

for the half year ended 30 June 2019

2 Interest bearing liabilities (continued)

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

Drawn and Undrawn Debt 30 June 2019



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 have an initial term to maturity of three months or less. They are used for the purpose of meeting the short-term cash commitments of the Groups.

| | SAL Group | | SAT1 Group | |
|--|--------------|------------------|--------------|------------------|
| | 30 June 2019 | 31 December 2018 | 30 June 2019 | 31 December 2018 |
| | \$m | \$m | \$m | \$m |
| Cash on hand | 318.3 | 275.9 | 5.1 | 5.8 |
| Deposits ¹ | 286.3 | 200.4 | - | - |
| Total cash and cash equivalents | 604.6 | 476.3 | 5.1 | 5.8 |

¹ Included in the SAL Group's consolidated deposit balance is \$11.3 million (31 December 2018: \$10.4 million) held by Sydney Airport Corporation Limited (SACL), which is restricted for maintenance.

Notes to the financial statements

for the half year ended 30 June 2019

Treasury and financial risk management

4 Financial risk management

Financial risk management framework

There have been no changes to the Group's financial risk management program during the half year ended 30 June 2019.

4.1 Foreign currency risk

The Group is primarily exposed to foreign currency risk from interest bearing liabilities in foreign currencies. At 30 June 2019, these interest bearing liabilities were 100% hedged through cross currency swaps until maturity of the bonds.

The Group's exposure to foreign currency risk based on notional amounts were:

| | 30 June 2019 | | | 31 December 2018 | | |
|----------------------|--------------|-----------|-----------------------|------------------|-----------|-----------------------|
| | EURm | USDm | Equivalent total AUDm | EURm | USDm | Equivalent total AUDm |
| Senior secured bonds | (1,200.0) | (2,770.0) | (5,019.5) | (1,200.0) | (2,700.0) | (5,019.5) |
| Cross currency swaps | 1,200.0 | 2,770.0 | 5,019.5 | 1,200.0 | 2,700.0 | 5,019.5 |
| Exposure | - | - | - | - | - | - |

4.2 Interest rate risk

The Group's interest rate risk arises primarily from interest bearing liabilities with variable interest rates where interest rate movements can impact the Group's cash flow. The Group enters into floating for fixed interest rate swap contracts to hedge the risk of rising interest rates in accordance with the Group's policy.

The table below details the notional principal amounts and remaining terms of floating for fixed interest rate swap contracts outstanding at reporting date:

| | Average contracted fixed interest rate ¹ | | Notional principal amount | | Fair value | |
|-----------------|---|------------------|---------------------------|------------------|--------------|------------------|
| | 30 June 2019 | 31 December 2018 | 30 June 2019 | 31 December 2018 | 30 June 2019 | 31 December 2018 |
| | % | % | \$m | \$m | \$m | \$m |
| 1 year or less | 2.86% | 2.04% | 2,035.2 | 796.1 | (20.0) | (0.6) |
| 1 to 2 years | 3.83% | 3.38% | 518.7 | 1,239.1 | (23.7) | (20.2) |
| 2 to 5 years | 3.14% | 3.20% | 3,585.7 | 3,071.1 | (234.5) | (103.4) |
| 5 years or more | 3.06% | 3.10% | 4,307.1 | 5,340.4 | (328.0) | (155.1) |
| | n/a | n/a | 10,446.7 | 10,446.7 | (606.2) | (279.3) |

¹ The average interest rate is based on the outstanding balance at reporting date.

Notes to the financial statements

for the half year ended 30 June 2019

5 Derivative financial instruments

The Group uses derivative financial instruments to mitigate its exposures to foreign currency and interest rate risks. The net derivative position at the reporting date is presented below:

| \$m | 30 June 2019 | | | 31 December 2018 | | |
|--------------------------------|----------------------|---------------------|--------------|----------------------|---------------------|--------------|
| | Cross currency swaps | Interest rate swaps | Total | Cross currency swaps | Interest rate swaps | Total |
| Current assets | 12.3 | - | 12.3 | 0.2 | - | 0.2 |
| Non-current assets | 965.0 | - | 965.0 | 851.8 | - | 851.8 |
| Current liabilities | (15.2) | (89.8) | (105.0) | (53.8) | (54.9) | (108.7) |
| Non-current liabilities | - | (516.4) | (516.4) | - | (224.4) | (224.4) |
| Net derivative position | 962.1 | (606.2) | 355.9 | 798.2 | (279.3) | 518.9 |

The fair value of financial instruments is estimated by management at each reporting date.

At 30 June 2019 and 31 December 2018, all derivative financial instruments were determined based on observable market inputs and categorised as Level 2 financial instruments per the fair value measurement hierarchy.

6 Net finance costs

| | SAL Group | | SAT1 Group | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 6 months to 30 June 2019 \$m | 6 months to 30 June 2018 \$m | 6 months to 30 June 2019 \$m | 6 months to 30 June 2018 \$m |
| Finance income | | | | |
| Interest income from other corporations | 4.3 | 4.6 | 0.1 | 0.1 |
| Interest income from related parties | - | - | 115.8 | 115.8 |
| Total finance income | 4.3 | 4.6 | 115.9 | 115.9 |
| Finance costs | | | | |
| Senior debt interest expense | (115.4) | (159.9) | - | - |
| Net swap interest expense | (89.1) | (43.0) | - | - |
| Capital indexed bonds capitalised | (9.5) | (12.5) | - | - |
| Amortisation of debt establishment costs | 7.1 | (5.8) | - | - |
| Recurring borrowing costs | (3.2) | (2.8) | - | - |
| Lease interest expense | (0.1) | - | - | - |
| Borrowing costs - corporate debt | (0.1) | (0.1) | - | - |
| Borrowing costs - capitalised | 5.1 | 5.1 | - | - |
| Total finance costs | (205.2) | (219.0) | - | - |
| Change in fair value of swaps | (3.7) | (12.0) | - | - |
| Net finance costs | (204.6) | (226.4) | 115.9 | 115.9 |

Notes to the financial statements

for the half year ended 30 June 2019

Financial results and financial position

7 Segment reporting

The 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.

8 Taxation

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 \$561.7 million at 30 June 2019 (31 December 2018: \$714.0 million). A deferred tax asset of \$168.5 million has been recognised in respect of these losses and is included on the balance sheet in deferred tax liabilities (31 December 2018: \$214.2 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.

Notes to the financial statements

for the half year ended 30 June 2019

9 Receivables

| | SAL Group | | SAT1 Group | |
|-------------------------------|---------------------|-------------------------|---------------------|-------------------------|
| | 30 June 2019 \$m | 31 December 2018 \$m | 30 June 2019 \$m | 31 December 2018 \$m |
| Current | | | | |
| Trade receivables | 93.7 | 138.9 | - | - |
| Provision for doubtful debts | (0.1) | (0.1) | - | - |
| Total trade receivables | 93.6 | 138.8 | - | - |
| Contract balances | 60.4 | 77.8 | - | - |
| Other receivables | 12.6 | 19.0 | 3.4 | 3.5 |
| Total current receivables | 166.6 | 235.6 | 3.4 | 3.5 |
| Non-current | | | | |
| Loans to related parties | - | - | 1,796.5 | 1,796.5 |
| Indemnity receivable | 10 | 119.1 | - | 119.1 |
| Contract balances | 7.9 | 8.3 | - | - |
| Other receivables | 75.0 | 67.2 | - | - |
| Total non-current receivables | 82.9 | 194.6 | 1,796.5 | 1,915.6 |

10 Indemnity

In 2011, a subsidiary within the SAT1 Group sold stakes in both Copenhagen Airport and Brussels Airport to Ontario Teachers' Pension Plan Board (OTPP).

In prior years, the Danish tax authority (SKAT) issued assessments to Copenhagen Airports Denmark Holdings (CADH) in respect of dividend and interest withholding tax amounts for the 2006-2011 years inclusive. The assessments are 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 these matters.

In response to demands from SKAT in 2017, CADH paid all disputed interest withholding tax liabilities. OTPP then issued indemnity claims for SAT1's share of those liabilities which were paid by SAT1 to OTPP in November 2017. This was recognised as a non-current receivable in the 31 December 2017 and 2018 Financial Reports.

SAL and SAT1 announced on 24 May 2019 that recent decisions of the Court of Justice of the European Union (ECJ decisions) after finalisation and release of Sydney Airport's 31 December 2018 Financial Report had prompted reconsideration of the status of the indemnities provided by SAT1. The ECJ decisions were not in relation to CADH's interest and dividend withholding tax disputes being contested in the Danish High Court.

Following analysis of all relevant information now available to it, SAT1 has determined that based on a conservative view:

- the \$119.1 million non-current receivable in the 31 December 2018 Financial Report relating to the interest withholding tax indemnity should be expensed; and
- a \$62.6 million non-current provision should be raised for a possible call on the indemnity in respect of the dividend withholding tax matter. This provision reflects management's estimate of a final indemnity call which would be payable if an unfavourable resolution of the dispute had occurred as at 30 June 2019, including primary tax and additional interest accrued to that date. This amount is expected to increase by approximately \$6.5 million per annum while the matter remains unresolved in the Danish High Court. The non-current provision has been estimated using the spot exchange rate of AUD/DKK 4.60 as at 30 June 2019.

No income tax benefit has been recognised against the indemnity expense.

Notwithstanding the recent ECJ decisions and consideration of the status of the indemnities, CADH (in agreement with SAT1) continues to vigorously contest these matters in the Danish High Court. There remains uncertainty as to the outcome of the litigation which has the potential to change SAT1's current position.

Notes to the financial statements

for the half year ended 30 June 2019

10 Indemnity (continued)

The indemnities will have no material impact on Sydney Airport's future Net Operating Receipts and will not impact the 2019 distribution guidance of 39.0 cents per stapled security. The matters in dispute have not yet been finally considered by the Danish High Court and a determination may be several years away.

Other disclosures

11 Events occurring after balance sheet date

The directors of SAL and TTCSAL are not aware of any 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 2019.

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 18 to 36 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 2019 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
Sydney
14 August 2019



John Roberts
Sydney
14 August 2019

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 18 to 36, 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 2019 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
14 August 2019



Russell Balding AO

Sydney
14 August 2019

Sydney Airport

sydneyairport.com.au

SYD