Appendix 4D

ASX Listing Rule 4.2A.3

Sydney Airport SYD

Interim Financial Report for the Half Year Ended 30 June 2018

Results for Announcement to the Market

	SAL Group 6 months to 30 June 2018 $m	SAL Group 6 months to 30 June 2017 $m	Movement $m	Movement %
Revenue	770.8	714.2	56.6	7.9%
Profit after income tax expense	173.2	166.6	6.6	4.0%
Profit after income tax expense attributable to security holders	174.0	167.0	7.0	4.2%

	SAT1 Group 6 months to 30 June 2018 $m	SAT1 Group 6 months to 30 June 2017 $m	Movement $m	Movement %
Revenue	–	–	n/a	n/a
Profit after income tax expense	114.8	121.1	(6.3)	(5.2%)
Profit after income tax expense attributable to security holders	114.8	121.1	(6.3)	(5.2%)

Distribution

Distributions	SAL Group 30 June 2018 $m	SAT1 Group 30 June 2018 $m	SAL Group 30 June 2017 $m	SAT1 Group 30 June 2017 $m
Final distribution (100% unfranked)	405.2	122.7	360.0	122.6
Interim distribution (100% unfranked)	416.8	114.9	371.3	120.4

Distributions	SAL Group 30 June 2018 cents per stapled security	SAT1 Group 30 June 2018 cents per stapled security	SAL Group 30 June 2017 cents per stapled security	SAT1 Group 30 June 2017 cents per stapled security
Final distribution (100% unfranked)	18.0	5.45	16.0	5.45
Interim distribution (100% unfranked)	18.5	5.10	16.5	5.35

The interim distribution, with record date of 30 June 2018 of $416.8 million or 18.5 cents per stapled security (30 June 2017: $371.3 million or 16.5 cents) was paid on 14 August 2018 by:

- SAL $301.9 million or 13.4 cents; and
- SAT1 $114.9 million or 5.1 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 2018 distribution. On 14 August 2018, 2.0 million stapled securities were issued and transferred to DRP participants at $7.15 totalling $14.6 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 2018 and Results for the Half Year Ended 30 June 2018 lodged with the ASX on 22 August 2018.

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 2018

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

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Directors' report

for the half year ended 30 June 2018

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 2018 (2017: 100%).

For the half year ended 30 June 2018, 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 2018, 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 2018.

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, 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
Abi Cleland	Non-executive director	Appointed 5 April 2018
Kerrie Mather	Executive director	Appointed 18 October 2013 Retired as Managing Director and CEO on 15 January 2018

In July 2018, Sydney Airport announced the appointment of David Gonski as non-executive director from late September 2018.

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 2018.

Events occurring after balance sheet date

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 the half year ended 30 June 2018, other than the repayment of bonds in July 2018 using available bank debt facilities and the interim distribution paid on 14 August 2018, as disclosed in the Operating and Financial Review section.

Directors’ report

for the half year ended 30 June 2018

Operating and financial review

Delivering the business model

PASSENGERS	EBITDA	CASH FLOW OUTCOMES	DEBT SERVICE COVERAGE	INVESTOR RETURNS
21.6m	$**623.4**m	$**411.3**m	**3.1**x	**18.5**¢
		net operating receipts[3]	cash flow cover ratio[4]	per stapled security
↑ **3.3**%[1]	↑ **8.0**%[1,2]	↑ **7.5**%[1]	↑ **+0.2**x[1]	↑ **12.1**%[1]

Key performance measures

Key measures of Sydney Airport’s financial performance for the half year ended 30 June 2018 are shown in the table below.

		Compared to prior half year
Passengers	21.6 million	3.3% ↑
Revenue	$770.8 million	7.9% ↑
Operating expenditure	$147.4 million	7.9% ↑
EBITDA	$623.4 million	8.0%[2] ↑
Net operating receipts (NOR)	$411.3 million	7.5%[3] ↑
Distributions per security to investors	18.5 cents	12.1% ↑

Revenue streams

	Revenue $m	Revenue contribution	Revenue growth
Aeronautical Services (excl. security recovery)	345.0	45%	7.6%
Retail	177.1	23%	8.9%
Property and Car Rental	118.2	15%	10.9%
Parking and Ground Transport	78.6	11%	2.1%

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 2017.

2 Excludes Western Sydney Airport (WSA) project costs expensed for the half year ended 30 June 2017 of $0.6 million. Including WSA project costs expensed, the increase in EBITDA growth is 8.1%.

3 Excludes WSA project costs expensed for the half year ended 30 June 2017 of $0.6 million. Including WSA project costs expensed, the growth in net operating receipts is 7.6%.

4 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 rolling 12 month period.

Directors' report

for the half year ended 30 June 2018

Reconciliation of NOR

The following table reconciles the statutory result of ASX-listed Sydney Airport for the half year ended 30 June 2018 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 2018 $m	6 months to 30 June 2017 $m
Profit before income tax expense[1]	194.8	187.3
Add back: depreciation and amortisation[1]	202.2	185.8
Profit before tax, depreciation and amortisation	397.0	373.1
Add/(subtract) non-cash financial expenses		
- Capital indexed bonds capitalised[2]	12.5	15.2
- Amortisation of debt establishment costs[2]	5.8	6.5
- Borrowing costs capitalised[2]	(5.1)	(4.7)
- Change in fair value of swaps[2]	12.0	(5.6)
Total non-cash financial expenses	25.2	11.4
Add/(subtract) other cash movements:		
Movement in cash balances with restricted use[3]	(0.6)	9.1
Other	(10.3)	(11.4)
Total other cash movements	(10.9)	(2.3)
Net operating receipts	411.3	382.2
Net operating receipts excluding Western Sydney Airport project costs expensed (WSA)[4]	411.3	382.8
Average stapled securities on issue (m)	2,253.0	2,249.9
Net operating receipts per stapled security	18.3c	17.0c
Net operating receipts per stapled security excluding WSA	18.3c	17.0c
Distributions declared per stapled security	18.5c	16.5c
Ratio of net operating receipts to distributions	99%	103%
Ratio of net operating receipts excluding WSA to distributions	99%	103%

1 Taken from the Consolidated Statements of Comprehensive Income in the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2018.
2 Taken from Note 6 in the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2018.
3 Taken from Note 3 in the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2018.
4 WSA project costs of $0.6 million were expensed during the Half Year Ended 30 June 2017.

Directors' report

for the half year ended 30 June 2018

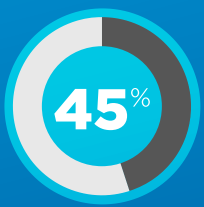
Financial performance analysis

Highlights during the half year ended 30 June 2018 are shown below:

AERONAUTICAL REVENUE

$345.0m[1]

7.6% from 2017[2]



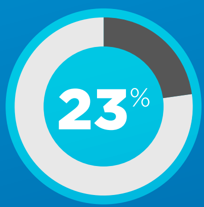
of Group revenue

- International passenger growth of 5.2% and total passenger growth of 3.3%
- Strong capacity growth with a focus on South Asia, South East Asia and the Middle East
- Ongoing investment in customer experience and infrastructure, delivering additional capacity

RETAIL REVENUE

$177.1m

8.9% from 2017[2]



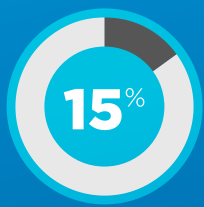
of Group revenue

- All stores in the T1 International terminal luxury precinct are now open and performing well
- Duty Free and T1 specialty sales continue to grow, driven by strong passenger spend rates
- Domestic terminal revenues grew strongly through renegotiated contracts and improved trading performance

PROPERTY AND CAR RENTAL REVENUE

$118.2m

10.9% from 2017[2]



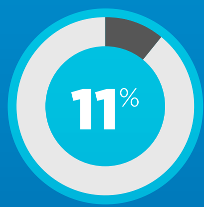
of Group revenue

- Property portfolio performing strongly with occupancy stable at 98.6%
- Car rental revenues have performed well driven by the opening of new desks at the Domestic terminal
- Hotels have been operating for 12 months and performing in line with expectations

PARKING AND GROUND TRANSPORT REVENUE

$78.6m

2.1% from 2017[2]



of Group revenue

- Opening of International priority pick-up complementing the Domestic pick-up offers customers additional choice
- Opening of new roads and ground transport infrastructure focused on reducing congestion and improving customer experience

1 Excludes aeronautical security recovery.
2 Compared to 30 June 2017.

Directors' report

for the half year ended 30 June 2018

Operating expenses

Category	6 months to 30 June 2018 $m	6 months to 30 June 2017 $m	Change
Employee benefits expense	29.8	28.1	6.0%
Services and utilities expense	42.5	40.1	6.0%
Property and maintenance expense	14.9	15.3	-2.6%
Other operational costs	15.6	13.4	16.2%
Controllable expenses (excluding Security recoverable expense)	102.8	96.9	6.1%
Controllable normalised expenses (excluding Security recoverable expenses, normalised for Hotel expenses)	99.1	96.7	2.5%
Security recoverable expenses	44.6	39.7	12.2%
Total operating expenses	147.4	136.6	7.9%

Sydney Airport's operating expenses for the half year ended 30 June 2018 were $147.4 million. This is an increase of $10.8 million compared to the half year ended 30 June 2017 (excluding WSA project costs expensed of $0.6 million).

The main drivers of this increase were:

- Government mandated security costs
- The free T-Bus delivering free International to Domestic precinct bus transfers for passengers
- Increase in passenger driven costs such as apron bussing and cleaning, in line with the growth of passenger numbers
- Investment in technology and new systems across the airport.

Controllable normalised expenses excludes Hotel and Security recoverable expenses. Sydney Airport has excluded security costs from this measure as these are government mandated costs and fully recoverable through the Aeronautical security recoverable revenues. As the Hotel business commenced in July 2017, excluding Hotel expenses provides a more comparable base to the prior corresponding period.

Directors' report

for the half year ended 30 June 2018

Capital expenditure

Investment in capacity and service improvements during the half year ended 30 June 2018 was $179.6 million. Major projects completed during this period are described below:

CATEGORY	PROJECT DESCRIPTION	BENEFITS	COMPLETED
AIRFIELD	**Airfield lighting**	• Upgraded high intensity airfield lighting on the parallel runway improving safety standard and allowing operation in low visibility conditions	March 2018
	Airfield resurface	• Extensive resurfacing of the airfield including the parallel runway and associated taxiways and the northern section of the main runway	June 2018
TERMINAL WORKS	**Check-in**	• Redevelopment of check-in counter C at T1 International to improve throughput by increasing the use of technology and further automating the check-in process	March 2018
LANDSIDE OPERATIONS AND TRANSPORT	**T1 International and T2/T3 Domestic precincts ground access road works**	• New exit road from the International car park precinct under the Giovanni Brunetti Bridge and improvement to the Marsh Street exit to reduce congestion	January 2018
		• International precinct Airport Drive flyover to Arrivals Court to ease congestion at Departures	June 2018
		• Widening of Marsh Street inbound to the International precinct from one to two lanes	June 2018
PROPERTY	**New solar panels**	• Solar panels on top of the expanded P6 northern multi-storey car park at the International precinct, providing low cost clean energy	March 2018

Directors' report

for the half year ended 30 June 2018

Major projects that were in progress during the half year ended 30 June 2018 are described below:

CATEGORY	PROJECT DESCRIPTION	BENEFITS	EXPECTED COMPLETION
AIRFIELD	**Airfield lighting**	• Replacement of taxiway lights with LEDs	September 2018
	Apron expansion	• Upgrade of the northern ponds layover bays to provide additional active bussing bays for International and Domestic use	2020
TERMINAL WORKS	**Terminals**	• T1 International terminal works and expansions allowing for increased and upgraded gate lounge seating and improved facilities	October 2018
		• Fast passenger processing at T1 International with passenger facial recognition for automated check-in, bag drop, lounge access and boarding	December 2018
		• Staged expansion of speciality retail at T2 Domestic Pier B	Staged from December 2018
		• Redevelopment of the T1 International Departures entry point, that will double capacity by providing two entry points into the emigration and security area	June 2019
	Lounges	• Expansion in T1 International and upgrade of the Singapore and Air New Zealand lounges and new Plaza Premium lounge in Pier C	Staged from March 2019
		• New landside Arrivals lounge hotel pods	
LANDSIDE OPERATIONS AND TRANSPORT	**T1 International and T2/T3 Domestic precinct ground access road works**	• Nine new digital wayfinding gantries (six completed) to improve traffic flow around the precinct	August 2018
PROPERTY	**Hotel expansion**	• Expansion of the Ibis Budget Hotel at the Domestic precinct on Ross Smith Avenue to provide further additional capacity for on-airport accommodation	March 2019

Directors' report

for the half year ended 30 June 2018

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.

2018 refinance summary

In April 2018, Sydney Airport successfully issued a EUR500 million ($796 million) 10-year Euro bond. Proceeds raised were used to repay drawn bank debt, unlocking additional liquidity to cover debt maturities and fund planned ongoing investment.

Outcomes of this refinancing were:

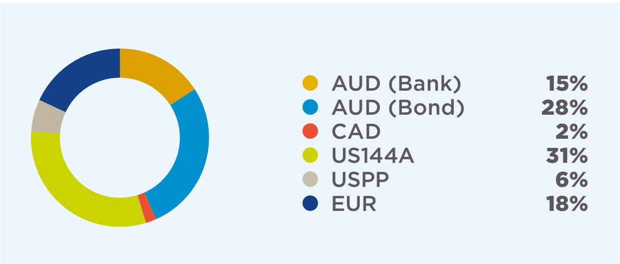
- Strong liquidity position enhanced, with $1.4 billion in undrawn bank debt facilities available as at 30 June 2018
- Debt maturity profile lengthened, with average maturity extended four months to mid-2024
- Debt maturity profile smoothed, with less than 15% of debt maturing in any one year
- Funding sources diversified, with a second issuance into the Euro market

As at 30 June 2018, Sydney Airport had a AUD100.0 million unwrapped domestic bond and a CAD225.0 million Canadian Maple bond outstanding, with both of these bonds maturing in July 2018. Since the reporting date, these bonds were repaid using available bank debt facilities.

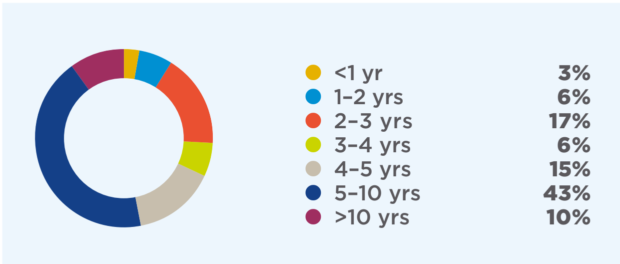
Category[1]	30 June 2018	30 June 2017
Net debt	$8.3 billion	$7.9 billion
Cash flow cover ratio[6]	3.1x[2]	2.9x
Net debt/EBITDA[6]	6.7x[2]	6.8x
Average maturity	Mid-2024	Early-2024
Credit rating (S&P/Moody's)	BBB+/Baa1[4,5]	BBB/Baa2[3]

1 Metrics and ratios are calculated, where relevant, using defined terms in the finance documents.
2 Excludes EBITDA in relation to the Ibis Budget Hotel for the September 2017 quarter given transitional treatment as an Excluded Subsidiary under finance documents.
3 Positive outlook for both S&P and Moody's.
4 S&P credit rating upgraded on 27 March 2018 from BBB to BBB+ (stable outlook).
5 Moody's credit rating upgraded on 31 January 2018 from Baa2 to Baa1 (stable outlook).
6 Calculated on a 12 month rolling basis, in accordance with the finance documents.

Funding portfolio by category



Debt maturity on drawn and undrawn debt



Directors' report

for the half year ended 30 June 2018

Cash flow

Category	30 June 2018 $m	30 June 2017 $m
Net cash flows from operating activities	631.2	589.5
Net cash flows used in investing activities	(215.8)	(167.7)
Net cash flows used in financing activities	(369.1)	(349.4)
Net increase in cash and cash equivalents held	**46.3**	**72.4**

Net cash inflows from operating activities increased during the period due mainly to increased airport revenues received offset by airport operating expenses paid.

Net cash flows used in investing activities in the half year ended 30 June 2018 reflected the Group's ongoing capital investments.

Net cash flows used in financing activities in the half year ended 30 June 2018 reflect distributions paid to security holders, additional debt drawn to fund growth capital expenditure, repayment of bank debt and borrowing costs paid.

Distributions paid to ASX-listed Sydney Airport security holders during the period amounted to $405.2 million. This is reflected in the Consolidated Statements of Cash Flows in the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2018.

Distributions and Distribution reinvestment plan (DRP)

The interim distribution by ASX-listed Sydney Airport for the half year ended 30 June 2018 of $416.8 million or 18.5 cents per stapled security (30 June 2017: $371.3 million or 16.5 cents) was paid on 14 August 2018 by:

- SAL $301.9 million or 13.4 cents (2017: $250.9 million or 11.15 cents); and
- SAT1 $114.9 million or 5.1 cents (2017: $120.4 million or 5.35 cents).

There are $nil imputation credits (2017: $nil) available to pay franked distributions. The distributions were unfranked.

The DRP operated in respect of the 30 June 2018 interim distribution. On 14 August 2018, 2.0 million (2017: 1.6 million) stapled securities were issued and transferred to DRP participants at $7.15 (2017: $6.91) per stapled security, totalling $14.6 million (2017: $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 483,980 (31 December 2017: 4,249,522).

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 2018.

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
21 August 2018

John Roberts
Sydney
21 August 2018

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

for the half year ended 30 June 2018

For the half year ended 30 June 2018, 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 2018.

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

The Trust Company (Sydney Airport) Limited, the responsible entity of Sydney Airport Trust 1 appointed Marianne Kopeinig as co-company secretary effective from 28 May 2018.

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 2018.

Distributions

The interim distribution by ASX-listed Sydney Airport for the half year ended 30 June 2018 of $416.8 million or 18.5 cents per stapled security (30 June 2017: $371.3 million or 16.5 cents) was paid on 14 August 2018 by:

- SAL $301.9 million or 13.4 cents (2017: $250.9 million or 11.15 cents); and
- SAT1 $114.9 million or 5.1 cents (2017: $120.4 million or 5.35 cents).

There are $nil imputation credits (2017: $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 2018 of $416.8 million or 18.5 cents per stapled security (30 June 2017: $371.3 million or 16.5 cents) was paid on 14 August 2018 by:

- SAL $301.9 million or 13.4 cents (2017: $250.9 million or 11.15 cents); and
- SAT1 $114.9 million or 5.1 cents (2017: $120.4 million or 5.35 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 2018.

The DRP operated in respect of the 30 June 2018 interim distribution. On 14 August 2018, 2.0 million (2017: 1.6 million) stapled securities were issued and transferred to DRP participants at $7.15 (2017: $6.91) per stapled security, totalling $14.6 million (2017: $11.5 million).

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 2018.

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.

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

for the half year ended 30 June 2018

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 2018	21 August 2018

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 2018 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 2018

Independent Auditor's Review Report

to the stapled security holders of Sydney Airport

KPMG

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 2018 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** of the Stapled Group comprises:

- Consolidated statement of financial position as at 30 June 2018
- 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 38 comprising a summary of significant accounting policies and other explanatory information, including notes 1 to 10 and
- 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 2018 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
21 August 2018

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 2018 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 2018

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Liability limited by a scheme approved under Professional Standards Legislation.

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 2018 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 2018
- 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 38 comprising a summary of significant accounting policies and other explanatory information, including notes 1 to 10
- 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 2018 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

KPMG

Nigel Virgo
Partner

Sydney
21 August 2018

Consolidated statements of comprehensive income

for the half year ended 30 June 2018

	Note	SAL Group 6 months to 30 June 2018 $m	SAL Group 6 months to 30 June 2017 $m	SAT1 Group 6 months to 30 June 2018 $m	SAT1 Group 6 months to 30 June 2017 $m
Revenue					
Aeronautical revenue		345.0	320.6	-	-
Aeronautical security recovery		48.2	43.6	-	-
Retail revenue		177.1	162.6	-	-
Property and car rental revenue		118.2	106.6	-	-
Parking and ground transport revenue		78.6	77.1	-	-
Other revenue		3.7	3.7	-	-
Total revenue		770.8	714.2	-	-
Operating expenses					
Employee benefits expense		(29.8)	(28.1)	-	-
Services and utilities expense		(42.5)	(40.1)	-	-
Property and maintenance expense		(14.9)	(15.3)	-	-
Security recoverable expense		(44.6)	(39.7)	-	-
Other operational costs		(15.6)	(13.4)	(1.1)	(0.8)
Total operating expenses		(147.4)	(136.6)	(1.1)	(0.8)
Other expenses					
Western Sydney Airport project costs expensed		-	(0.6)	-	-
Total expenses before depreciation, amortisation, net finance costs and income tax		(147.4)	(137.2)	(1.1)	(0.8)
Profit/(loss) before depreciation, amortisation, net finance costs and income tax (EBITDA)		623.4	577.0	(1.1)	(0.8)
Depreciation		(159.6)	(143.1)	-	-
Amortisation		(42.6)	(42.7)	-	-
Profit/(loss) before net finance costs and income tax (EBIT)		421.2	391.2	(1.1)	(0.8)
Finance income	6	4.6	3.9	115.9	121.9
Finance costs	6	(219.0)	(213.4)	-	-
Change in fair value of swaps	6	(12.0)	5.6	-	-
Net finance costs		(226.4)	(203.9)	115.9	121.9
Profit before income tax expense		194.8	187.3	114.8	121.1
Income tax expense	8	(21.6)	(20.7)	-	-
Profit after income tax expense		173.2	166.6	114.8	121.1
Profit after income tax expense attributable to:					
Security holders		174.0	167.0	114.8	121.1
Non-controlling interest		(0.8)	(0.4)	-	-
		173.2	166.6	114.8	121.1

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 2018

	SAL Group		SAT1 Group	
	6 months to 30 June 2018 $m	6 months to 30 June 2017 $m	6 months to 30 June 2018 $m	6 months to 30 June 2017 $m
Items that may subsequently be reclassified to profit or loss				
Changes in fair value of cash flow hedges	(92.3)	(37.9)	-	-
Changes in fair value of foreign currency basis spread	2.3	-	-	-
Tax on items that may be reclassified to profit or loss	27.0	11.4	-	-
Total items that may subsequently be reclassified to profit or loss	(63.0)	(26.5)	-	-
Other comprehensive loss, net of tax	(63.0)	(26.5)	-	-
Total comprehensive income	110.2	140.1	114.8	121.1
Total comprehensive income attributable to:				
Security holders	111.0	140.5	114.8	121.1
Non-controlling interest	(0.8)	(0.4)	-	-
	110.2	140.1	114.8	121.1
Basic and diluted earnings per share/unit from profit after income tax	7.72c	7.42c	5.10c	5.38c

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 2018

		SAL Group		SAT1 Group	
	Note	30 June 2018 $m	31 December 2017 $m	30 June 2018 $m	31 December 2017 $m
Current assets					
Cash and cash equivalents	3	529.7	483.4	2.1	9.3
Receivables		160.5	178.1	3.2	3.4
Derivative financial instruments	5	13.6	9.6	-	-
Other assets		0.9	0.9	-	-
Total current assets		704.7	672.0	5.3	12.7
Non-current assets					
Receivables	9	200.7	197.5	1,915.6	1,915.6
Property, plant and equipment		3,536.5	3,511.7	-	-
Intangible assets		7,358.4	7,401.0	-	-
Derivative financial instruments	5	591.4	531.9	-	-
Other assets		11.5	9.0	-	-
Total non-current assets		11,698.5	11,651.1	1,915.6	1,915.6
Total assets		12,403.2	12,323.1	1,920.9	1,928.3
Current liabilities					
Distribution payable	1	416.8	405.2	114.9	122.7
Payables and deferred income		223.5	262.0	3.9	4.8
Interest bearing liabilities	2	331.4	329.5	-	-
Derivative financial instruments	5	91.1	102.4	-	-
Provisions for employee benefits		13.6	13.6	-	-
Total current liabilities		1,076.4	1,112.7	118.8	127.5
Non-current liabilities					
Interest bearing liabilities	2	9,007.4	8,566.6	-	-
Derivative financial instruments	5	190.4	213.4	-	-
Deferred tax liabilities		1,788.8	1,794.3	-	-
Provisions for employee benefits		2.2	2.2	-	-
Total non-current liabilities		10,988.8	10,576.5	-	-
Total liabilities		12,065.2	11,689.2	118.8	127.5
Net assets		338.0	633.9	1,802.1	1,800.8
Equity					
Security holders' interests					
Contributed equity	1	5,494.2	5,482.3	2,452.7	2,451.3
Retained earnings		(1,724.7)	(1,481.4)	404.1	404.2
Reserves		(3,423.8)	(3,360.1)	(1,054.7)	(1,054.7)
Total security holders' interests		345.7	640.8	1,802.1	1,800.8
Non-controlling interest in controlled entities		(7.7)	(6.9)	-	-
Total equity		338.0	633.9	1,802.1	1,800.8

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 2018

SAL Group	Note	Contributed equity $m	Retained earnings[1] $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 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
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
Other comprehensive income		-	-	(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

1 Retained earnings and total equity are presented after deducting non-controlling interest in controlled entities of $7.7 million (2017: $6.9 million).

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

for the half year ended 30 June 2018

SAT1 Group	Note	Contributed equity $m	Retained earnings $m	Capital reserve[1] $m	Other reserve $m	Total equity $m
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)
Total equity at 30 June 2018		2,452.7	404.1	(967.6)	(87.1)	1,802.1
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

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 2018

		SAL Group		SAT1 Group	
	Note	6 months to 30 June 2018 $m	6 months to 30 June 2017 $m	6 months to 30 June 2018 $m	6 months to 30 June 2017 $m
Cash flow from operating activities					
Interest received		3.8	3.8	0.1	0.4
Related party loan interest received		-	-	114.8	121.6
Receipts from customers		867.2	809.4	-	-
Payments to suppliers and employees		(239.8)	(223.7)	(0.8)	(0.9)
Net cash flow from operating activities		631.2	589.5	114.1	121.1
Cash flow from investing activities					
Acquisition of property, plant and equipment		(210.7)	(163.0)	-	-
Capitalised borrowing costs		(5.1)	(4.7)	-	-
Net cash flow used in investing activities		(215.8)	(167.7)	-	-
Cash flow from financing activities					
Airport borrowing costs paid		(169.3)	(166.6)	-	-
Corporate borrowings costs paid		(1.7)	(0.1)	-	-
Repayment of borrowings		(674.0)	(271.0)	-	-
Proceeds received from borrowings		900.1	479.0	-	-
Interest rate swap payments		(29.4)	(30.7)	-	-
Proceeds received from distribution reinvestment plan		12.2	-	1.4	-
Distributions paid to security holders		(405.2)	(360.0)	(122.7)	(122.6)
Acquisition of securities for Long Term Incentive Plan		(1.8)	-	-	-
Net cash flow used in financing activities		(369.1)	(349.4)	(121.3)	(122.6)
Net increase/(decrease) in cash and cash equivalents		46.3	72.4	(7.2)	(1.5)
Cash and cash equivalents at beginning of the period		483.4	465.8	9.3	36.6
Cash and cash equivalents at the end of the period	3	529.7	538.2	2.1	35.1

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 2018

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 2017 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 2018. 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 $371.7 million at 30 June 2018, which is fully covered by undrawn committed non-current bank facilities.

The SAT1 Group's net current liability position of $113.5 million at 30 June 2018 is attributable to distributions payable to SAT1 unit holders of $114.9 million (which were paid on 14 August 2018). 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 -$3.12 at 30 June 2018 (31 December 2017: -$3.01). This represents a decrease of $0.11 or 3.7% (30 June 2017: decrease of $0.08 or 2.9%).

Significant accounting policies

This is the first interim financial report where AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* are applied. The changes from these Standards 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 2017 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 2018 and 30 June 2017; and
- SAT1 has been identified as the parent of the SAT1 Group for the periods ended 30 June 2018 and 30 June 2017.

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 2018 and 30 June 2017 and its contributed equity, reserves and retained earnings at 30 June 2018 and 30 June 2017 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.

Changes in accounting policies

The Group adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* from 1 January 2018. The impact of these standards are described below.

AASB 9 Financial Instruments:

AASB 9 (2014) *Financial Instruments* (AASB 9) sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. The Group has applied AASB 9 from 1 January 2018 on a prospective basis.

The impact of AASB 9 on the Group's accounting policies and results is described below.

i. Classification and measurement of financial instruments

Whilst no changes have been made to the classification and measurement of financial liabilities, AASB 9 removes the following classification of financial assets – held to maturity, loans and receivables and available for sale. It requires financial assets, debt and equity investments to be classified between the following measurement categories – amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). The classification depends on the business model for managing the financial asset and the contractual terms of the cash flows.

The following table illustrates the measurement requirements of AASB 9:

	Initial recognition	Subsequent measurement
Amortised Costs	Measured at fair value plus transaction costs directly attributable to the acquisition of the asset.	Measured at amortised cost using the effective interest rate method, and reduced by any impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.
FVTPL	Measured at fair value. Any transaction costs of acquisition are recognised in the profit or loss.	These assets are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.
FVOCI	Measured at fair value plus transaction costs directly attributable to the acquisition of the asset.	Measured at fair value. Net gains and losses are recognised in OCI and are never reclassified to profit or loss.

There has been no impact as a result of these changes to the Group's financial statements for the half year ended 30 June 2018, as shown below:

	Original classification	New classification	Original carrying amount $m	New carrying amount $m
Cash and cash equivalents	Loans and receivables	Amortised cost	$529.7	$529.7
Trade and other receivables	Loans and receivables	Amortised cost	$361.2	$361.2
Cross staple loan	Loans and receivables	Amortised cost	$1,796.5	$1,796.5
Interest rate swaps	Fair value – hedging instrument	Fair value – hedging instrument	$189.4	$189.4
Cross currency swaps	Fair value – hedging instrument	Fair value – hedging instrument	$512.9	$512.9

ii. Impairment

AASB 9 replaces the incurred loss model of AASB 139 with an expected credit loss (ECL) model. The ECL model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI. Measurement under ECLs is based on the anticipated impact of default events arising either in the 12 months after reporting date, or the entire lifetime of the asset.

The Group assessed the ECL associated with:

- trade receivables by applying the simplified impairment approach permitted by AASB 9. This requires expected lifetime losses to be recognised from initial recognition of the receivables.
- all other financial assets, other than trade receivables, on a forward looking basis and measured using the expected lifetime ECL.

The result of the assessment is there is no impact of the new impairment model as required by AASB 9.

iii. Hedging

AASB 9 includes a new general hedge accounting model which better aligns hedge accounting with the Group's risk management policies. The analysis of AASB 9 and the key changes impacting the Group's hedging instruments are described below.

- The Group is required to determine the effectiveness of hedges in accordance with risk management policies on a prospective basis and is more qualitative in nature. The 80%–125% hedge effectiveness requirement of AASB 139 has been removed.

  Impact: No impact as the Group uses the critical terms method.

- Credit, foreign currency basis spread and derivative transaction costs are considered a source of hedge ineffectiveness. Under AASB 9, foreign currency basis spread must be recognised as a component of equity. Whilst AASB 9 requires hedge accounting to be applied prospectively, accounting for foreign currency basis spreads may be applied retrospectively for those hedging relationships that existed at the beginning of the comparative period, or were designated thereafter.

  Impact: The group has elected to separate and exclude foreign currency basis spreads and defer this to component to equity for hedge relationships in existence at 1 January 2018.

- Aggregate exposures now qualify as an eligible hedged item.

  Impact: This allows the Group to designate interest rate swaps into hedge relationships without undergoing a de-designation of existing hedge relationships and improves hedge effectiveness.

The following table summarises the impact, net of tax, of AASB 9 on the balance of reserves for the half year ended 30 June 2018.

Reserve	AASB 139 $m	AASB 9 $m	Impact $m
Cashflow hedge reserve	($264.1)	($265.7)	($1.6)
Foreign currency basis spread reserve	–	$1.6	$1.6
Other reserve	($3,159.7)	($3,159.7)	–

AASB 15 Revenue from contracts with customers:

AASB 15 applies to all revenues arising from contracts with customers unless the contracts are within the scope of other standards, such as AASB 16 *Leases*. The standard outlines the application principles to measure and recognise revenue with the core principle being that entities should recognise revenue at an amount that reflects the consideration it expects to be entitled to in exchange for fulfilling its performance obligations to a customer.

The Group has performed an analysis of the impact of this standard on the Group's revenue streams and determined this new standard does not have a material effect on the Group's financial report. This analysis is summarised below.

Aeronautical revenues

This comprises mainly of the provision of access to terminals, infrastructure, apron parking, airfield and terminal facilities. Revenues below are recognised on arrival and departure:

- various passenger charges based on the number of arriving and departing passengers
- runway charges based on the number of passengers or maximum take-off weight
- aircraft parking charges based on maximum take-off weight and time parked

Where incentives or discounts are provided to airlines, the revenues to which these relate are treated as variable consideration and only recognised when it is highly probable the revenues will not being reversed.
There is no change to timing of revenue recognition from AASB 15.

Aeronautical security recovery revenues

This comprises of charges for security services provided, including passenger and checked bag screening and other government mandated security measures.

Revenue is recognised on the provision of services based on the number of passengers or maximum take-off weight at the point of arrival and departure.

There is no change to timing of revenue recognition from AASB 15.

Parking and ground transport revenues

This comprises of the provision of car parking for passengers and staff, and ground access services for taxis, buses and limousines.

Revenue is recognised over the period of time the car parking and ground access service is provided.

There is no change to timing of revenue recognition from AASB 15.

AASB 15 does not apply to revenues other than from contracts from customers, and does not apply to the following revenue streams:

Retail revenues

This comprises the lease of commercial space to tenants whose activities include duty free, food and beverage, financial and advertising services. These contracts contain lease components.

Property and car rental revenues

This comprises the lease of terminal space, buildings and other space on Sydney Airport. These contracts contain lease components.

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 2018.

The accounting standard that has not been early adopted for the half year ended 30 June 2018 but will be applicable to the Groups in future reporting periods is detailed below.

Accounting Standard	Requirement	Impact on Financial Statements
AASB 16: *Leases*	AASB 16 provides a new model for accounting for leases. The standard becomes mandatory for the December 2019 financial year and will be applied prospectively.	No material impact expected.

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 2018	6 months to 30 June 2017	6 months to 30 June 2018	6 months to 30 June 2017
Distributions were paid/payable as follows:				
$m				
Final distribution[1]	405.2	360.0	122.7	122.6
Interim distribution[2]	416.8	371.3	114.9	120.4
Cents per stapled security				
Final distribution	18.00	16.00	5.45	5.45
Interim distribution	18.50	16.50	5.10	5.35

1 Recognised as a payable at year end, paid on 14 February 2018 (2016: 14 February 2017).
2 Paid on 14 August 2018 (2017: 14 August 2017).

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 operated in respect of the 30 June 2018 interim and 31 December 2017 final distributions.

In respect of the 30 June 2018 interim distribution, 2.0 million stapled securities were issued and transferred to DRP participants at $7.15 per stapled security in August 2018.

In respect of the 31 December 2017 final distribution, 1.7 million stapled securities were issued and transferred to DRP participants at $6.84 per stapled security in February 2018.

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 2018	12 months to 31 December 2017	6 months to 30 June 2018	12 months to 31 December 2017
$m				
Opening balance	5,482.3	5,470.9	2,451.3	2,449.7
Issued pursuant to the DRP	11.9	11.4	1.4	1.6
Closing balance	5,494.2	5,482.3	2,452.7	2,451.3
Shares/units on issue (m)				
Opening balance	2,251.5	2,249.9	2,251.5	2,249.9
Issued pursuant to the DRP	1.7	1.6	1.7	1.6
Closing balance	2,253.2	2,251.5	2,253.2	2,251.5

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 bonds; 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 2018 and 31 December 2017, 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 (continued)

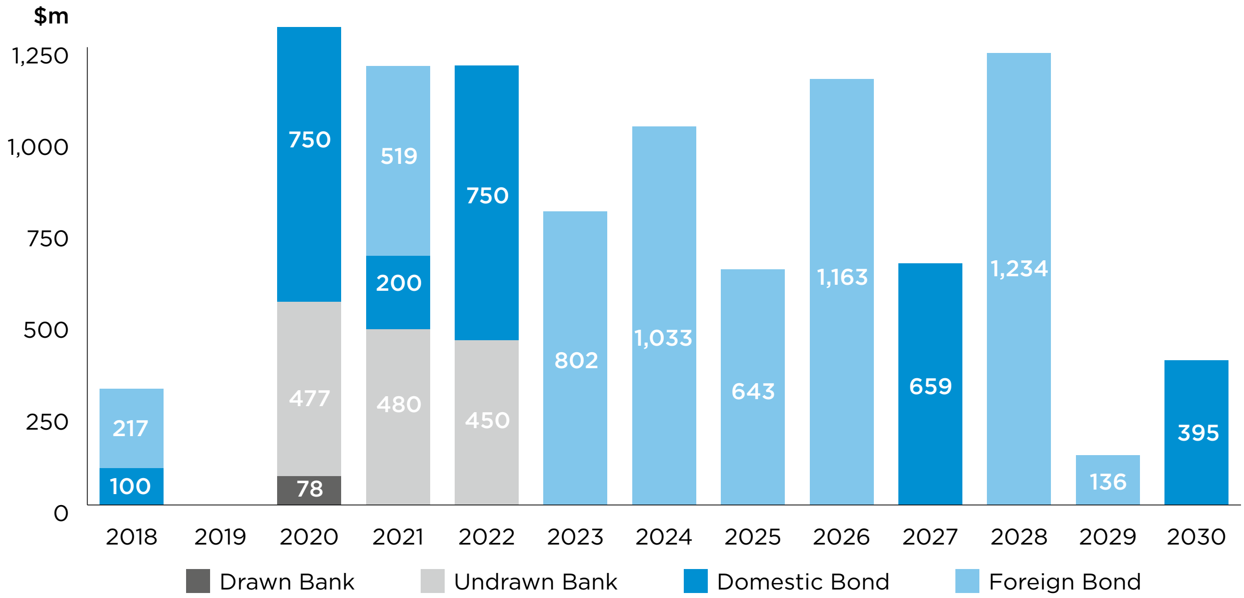
Type	Maturity	Carrying amount		Fair value		Principal amount drawn In AUD		Principal amount drawn In original currency		Issue Currency	Interest rate
		30 June 2018 $m	31 Dec 2017 $m	30 June 2018 $m	31 Dec 2017 $m	30 June 2018 $m	31 Dec 2017 $m	30 June 2018 $m	31 Dec 2017 $m		
Bilateral facility	February 2020	78.0	78.0	78.0	78.0	78.0	78.0	78.0	78.0	AUD	Floating[3]
Syndicated facility	April 2020	-	468.4	-	468.4	-	470.0	-	470.0	AUD	Floating[3]
Syndicated facility	April 2021	-	98.2	-	98.2	-	100.0	-	100.0	AUD	Floating[3]
Wrapped domestic bond[1]	November 2021	199.1	199.0	199.1	199.0	200.0	200.0	200.0	200.0	AUD	Floating[4]
Wrapped domestic bond[1]	October 2022	743.5	742.8	743.5	742.8	750.0	750.0	750.0	750.0	AUD	Floating[4]
Wrapped domestic bond[1]	October 2027	649.7	649.3	649.7	649.3	659.0	659.0	659.0	659.0	AUD	Floating[4]
Unwrapped domestic bond	July 2018	100.0[6]	99.9	100.1	103.0	100.0	100.0	100.0	100.0	AUD	7.75%[5]
USPP bond	August 2028	99.4	99.4	99.4	99.4	100.0	100.0	100.0	100.0	AUD	Floating[4]
USPP bond	November 2028	99.4	99.4	99.4	99.4	100.0	100.0	100.0	100.0	AUD	Floating[4]
USPP bond	November 2028	178.9	178.9	234.5	235.9	180.0	180.0	180.0	180.0	AUD	6.04%[5]
USPP bond	November 2028	57.7	57.6	73.2	73.6	58.0	58.0	58.0	58.0	AUD	5.60%[5]
USPP bond	November 2029	135.2	135.2	175.5	176.1	136.0	136.0	136.0	136.0	AUD	5.70%[5]
Canadian Maple bond	July 2018	231.4[6]	229.6	231.8	233.4	217.4	217.4	225.0	225.0	CAD	4.60%[5]
Euro bond	April 2024	1,187.5	1,157.1	1,256.2	1,229.5	1,033.4	1,033.4	700.0	700.0	EUR	2.75%[5]
Euro bond	April 2028	791.2	-	781.8	-	796.1	-	500.0	-	EUR	1.75%[5]
US144A/RegS bond	February 2021	666.7	636.3	715.3	697.7	518.7	518.7	500.0	500.0	USD	5.13%[5]
US144A/RegS bond	March 2023	1,102.0	1,063.2	1,165.7	1,142.4	802.4	802.4	825.0	825.0	USD	3.90%[5]
US144A/RegS bond	April 2025	675.3	639.5	696.2	686.1	643.0	643.0	500.0	500.0	USD	3.38%[5]
US144A/RegS bond	April 2026	1,210.2	1,145.3	1,278.2	1,264.0	1,163.4	1,163.4	900.0	900.0	USD	3.63%[5]
CIB[2]	November 2020	750.5	741.4	763.5	743.6	750.4	742.2	750.4	742.2	AUD	3.76%[5]
CIB[2]	November 2030	383.1	377.6	344.1	338.1	394.6	390.3	394.6	390.3	AUD	3.12%[5]
Total external interest bearing liabilities		9,338.8	8,896.1	9,685.2	9,357.9	8,680.4	8,441.8	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 Rate plus a predetermined margin.
5 Fixed interest rates reflective of coupons in respective currencies/markets.
6 Classified as a current liability in the Consolidated statements of financial position.

2 Interest bearing liabilities (continued)

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

Drawn and Undrawn Debt June 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 2018 $m	31 December 2017 $m	30 June 2018 $m	31 December 2017 $m
Cash on hand	194.3	106.6	2.1	9.3
Deposits[1]	335.4	376.8	-	-
Total cash and cash equivalents	529.7	483.4	2.1	9.3

1 Included in the SAL Group's consolidated deposit balance is $10.4 million (31 December 2017: $9.8 million) held by Sydney Airport Corporation Limited (SACL), which is restricted for maintenance.

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 2018.

4.1 Foreign currency risk

The Group is primarily exposed to foreign currency risk from interest bearing liabilities in foreign currencies. At 30 June 2018, 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 2018				31 December 2017			
	CADm	EURm	USDm	Equivalent total AUDm	CADm	EURm	USDm	Equivalent total AUDm
Senior secured bonds	(225.0)	(1,200.0)	(2,725.0)	(5,174.4)	(225.0)	(700.0)	(2,725.0)	(4,378.3)
Cross currency swaps	225.0	1,200.0	2,725.0	5,174.4	225.0	700.0	2,725.0	4,378.3
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 exposures. 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 2018 %	31 December 2017 %	30 June 2018 $m	31 December 2017 $m	30 June 2018 $m	31 December 2017 $m
1 year or less	-	4.65%	-	200.0	-	(0.8)
1 to 2 years	2.86%	-	2,035.2	-	(26.4)	-
2 to 5 years	3.14%	3.28%	2,771.1	3,207.8	(67.0)	(88.3)
5 years or more	3.16%	3.15%	3,890.4	3,896.7	(96.0)	(98.6)
	n/a	n/a	n/a	n/a	(189.4)	(187.7)

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

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 2018 Cross currency swaps	30 June 2018 Interest rate swaps	30 June 2018 Total	31 December 2017 Cross currency swaps	31 December 2017 Interest rate swaps	31 December 2017 Total
Current assets	13.6	-	13.6	9.6	-	9.6
Non-current assets	590.2	1.2	591.4	527.2	4.7	531.9
Current liabilities	(39.4)	(51.7)	(91.1)	(42.2)	(60.2)	(102.4)
Non-current liabilities	(51.5)	(138.9)	(190.4)	(81.1)	(132.3)	(213.4)
Net derivative position	512.9	(189.4)	323.5	413.5	(187.8)	225.7

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

At 30 June 2018 and 31 December 2017, 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 6 months to 30 June 2018 $m	SAL Group 6 months to 30 June 2017 $m	SAT1 Group 6 months to 30 June 2018 $m	SAT1 Group 6 months to 30 June 2017 $m
Finance income				
Interest income from other corporations	4.6	3.9	0.1	0.3
Interest income from related parties	-	-	115.8	121.6
Total finance income	4.6	3.9	115.9	121.9
Finance costs				
Senior debt interest expense	(159.9)	(146.3)	-	-
Net swap interest expense	(43.0)	(46.5)	-	-
Capital indexed bonds capitalised	(12.5)	(15.2)	-	-
Amortisation of debt establishment costs	(5.8)	(6.5)	-	-
Recurring borrowing costs	(2.8)	(3.3)	-	-
Borrowing costs – corporate debt	(0.1)	(0.3)	-	-
	5.1	4.7	-	-
Total finance costs	(219.0)	(213.4)	-	-
Change in fair value of swaps	(12.0)	5.6	-	-
Net finance costs	(226.4)	(203.9)	115.9	121.9

Notes to the financial statements
for the half year ended 30 June 2018

Financial results and financial position

7 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 2018 and 30 June 2017 the segment results, assets and liabilities were equal to that of the SAL Group.

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 $882.5 million at 30 June 2018 (31 December 2017: $1,029.1 million). A deferred tax asset of $264.8 million has been recognised in respect of these losses and is included on the balance sheet in deferred tax liabilities (31 December 2017: $308.7 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.

9 Indemnity receivable

An indemnity payment for disputed tax of $119.1 million was made by SAT1 and recognised as a non-current receivable during the financial year ended 31 December 2017. This is described in full in the Sydney Airport 2017 Annual Report. This payment related to SAT1's share of a disputed Danish tax liability and is to be repaid to SAT1 by Ontario Teachers' Pension Plan Board (OTPP) together with SAT1's share of the interest received from Danish tax authorities, in the event of a successful outcome of litigation.

Notes to the financial statements

for the half year ended 30 June 2018

Other disclosures

10 Events occurring after balance sheet date

As at 30 June 2018, the Group had a AUD100.0 million unwrapped domestic bond and a CAD225.0 million Canadian Maple bond outstanding, with both of these bonds maturing in July 2018. Since the reporting date, these bonds were repaid using the Group's available bank debt facilities.

Distributions and DRP

The interim distribution for the half year ended 30 June 2018 of $416.8 million or 18.5 cents per stapled security (30 June 2017: $371.3 million or 16.5 cents) was paid on 14 August 2018 by:

- SAL $301.9 million or 13.4 cents (2017: $250.9 million or 11.15 cents); and
- SAT1 $114.9 million or 5.1 cents (2017: $120.4 million or 5.35 cents).

There are $nil imputation credits (2017: $nil) available to pay franked distributions. The distributions were unfranked.

The DRP operated in respect of the half year ended 30 June 2018 distribution. On 14 August 2018, 2.0 million stapled securities were issued and transferred to DRP participants at $7.15 per stapled security, totalling $14.6 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 2018.

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 2018 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
21 August 2018

John Roberts
Sydney
21 August 2018

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 2018 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 2018

Gillian Larkins
Sydney
21 August 2018

Sydney Airport SYD

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