Transurban Group
Appendix 4D
Half-year ended 31 December 2018

(Previous corresponding period:
Half-year ended 31 December 2017)

The Transurban Group (the **Group**) comprises the following entities:

Transurban Holdings Limited (ABN 86 098 143 429)
Transurban Holding Trust (ARSN 098 807 419)
Transurban International Limited (ABN 90 121 746 825)

Results for announcement to the market[1]

Statutory results compared to the prior period

- Revenue from ordinary activities increased 30.2 per cent to $2,114 million;
- Profit from ordinary activities after tax decreased 56.1 per cent to $145 million;
- Profit from ordinary activities after tax excluding significant items decreased 32.4 per cent to $224 million;
- Earnings before depreciation and amortisation, net finance costs, equity accounted investments and incomes taxes (EBITDA) increased 14.2 per cent to $971 million.
- EBITDA excluding significant items increased 16.2 per cent to $988 million; and
- Net profit attributable to security holders of the stapled group decreased 61.7 per cent to $129 million; and
- Net profit attributable to security holders of the stapled group, excluding significant items decreased 38.4 per cent to $208 million.

Proportional results compared to the prior period

- Toll revenue increased 9.3 per cent to $1,286 million;
- EBITDA decreased by 23.9 per cent to $693 million;
- EBITDA excluding significant items increased 9.9 per cent to $1,001 million; and
- Free cash increased 23.0 per cent to $715 million.

Distributions

	Amount per Security cents	Franked amount per Security %
Interim distribution (declared prior to reporting date)	28.0	-
Interim dividend (declared prior to reporting date)	1.0	100
	29.0	
Interim distribution from the previous corresponding period	25.5	-
Interim dividend from the previous corresponding period	2.5	100
	28.0	
Final distribution (prior year)	25.5	-
Final dividend (prior year)	2.5	100
	28.0	

Record date for determining entitlements to interim distribution	31 December 2018
Date of payment of interim distribution	15 February 2019

[1] Figures used for calculating percentage movements are based on whole numbers.

Distribution Reinvestment Plan

Under the Distribution Reinvestment Plan (DRP), security holders may receive additional stapled securities in substitution for some or all cash distributions in respect of their stapled securities. The last date for the receipt of an election notice for participation in the DRP was 2 January 2019 and the participation rate was 5.43 per cent. No discount has been applied when determining the price at which stapled securities will be issued under the DRP for the current period distribution.

Explanation of results

For further explanation of the results please refer to the accompanying ASX Release and "Review of Operations" within the Directors' Report of the half-year report.

This document includes presentation of results on a statutory as well as non-statutory basis. The non-statutory basis includes proportional toll revenue, proportional EBITDA, underlying proportional EBITDA and free cash.

Significant items are those items where their nature is sufficiently significant to the financial statements and not in the ordinary course of business. These items have been disclosed in Note B4 to the Financial Report.

Proportional results

Proportional EBITDA excluding significant items is one of the primary measures that the Board uses to assess the operating performance of the Group, with an aim to maintain a focus on operating results and associated cash generation. It reflects the contribution from individual assets to Transurban's operating performance and permits a meaningful analysis of the performance of the Group's assets.

Proportional EBITDA is the aggregation of EBITDA from each asset multiplied by Transurban's percentage ownership as well as the contribution from central Group functions.

Proportional EBITDA is reconciled to the statutory income statement on Note B3 of the financial statements.

Free cash

Free cash is the primary measure used to assess the cash performance of the Group. It represents the cash available for distribution to security holders.

Free cash is broadly calculated as statutory cash flow from operating activities from 100 per cent owned subsidiaries, plus distributions and interest received from non 100 per cent owned subsidiaries and equity accounted investments, adjusted to exclude debt amortisation for Interlink Roads Pty Ltd, plus capital releases from 100 per cent owned assets less debt amortisation from 100 per cent owned assets, adjusted to include the allowance for maintenance of intangible assets and exclude cash payments for maintenance of intangible assets.

Net tangible asset backing

	31 December 2018 $	30 June 2018 $
Net tangible asset backing per stapled security*	**3.95**	2.83

(*) - Net tangible assets used as the basis for this calculation include the concessions and permits relating to the operational assets of the Group. Assets of this type are characterised as intangibles under Australian Accounting Standards.

Investments in associates and joint venture entities
The Transurban Group has investments in the following associates and joint venture entities:

Name of company	Ownership Interest		Net profit contribution to the Transurban Group	
	2018	2017	**2018**	2017
	%	%	**$M**	$M
North Western Roads Group Trust	**50.0**	50.0	**-**	-
North Western Roads Group Pty Ltd	**50.0**	50.0	**-**	-
NorthConnex State Works Contractor Pty Ltd	**50.0**	50.0	**-**	-
Interlink Roads Pty Ltd	**65.4**	50.0	**9**	17
Bluedot Innovation, Inc.	**20.0**	20.0	**-**	-
STP Project Trust	**50.0**	-	**(115)**	-
STP Asset Trust	**50.0**	-	**(199)**	-
STP PT Pty Ltd	**50.0**	-	**-**	-
STP AT Pty Ltd	**50.0**	-	**-**	-
			(305)	17

1. *Transurban Group's share of net profits of the North Western Roads Group are not recognised due to the North Western Roads Group's historical accumulated loss position.*

2. *On 18 September 2018, Transurban acquired an additional 8.24% equity interest in Interlink Roads Pty Ltd, resulting in Interlink Roads Pty Ltd being consolidated into the Group from that point forward. On 3 December 2018, the Group acquired an additional 7.14% interest in Interlink Roads Pty Ltd. The $9m "net profit contribution to the Transurban Group" by Interlink Roads Pty Ltd is for the period to 18 September 2018.*

Entities over which control has been gained or lost
The Group gained control over Interlink Roads Pty Ltd on 18 September 2018.

From the date of acquisition to 31 December 2018, revenue of $91 million and a statutory loss after taxation of $12 million was included in the profit or loss with regard to Interlink Roads Pty Ltd. Excluding significant items related to the acquisition, Interlink Roads Pty Ltd contributed a net loss after taxation of $4 million.

Other information required by Listing Rule 4.2A
The remainder of information requiring disclosure to comply with Listing Rule 4.2A is contained in the half-year report (which includes the Directors' Report) and an ASX Release.

Audit review
This report has been based on accounts which have been reviewed by the Group's auditors. A copy of the unqualified review report can be found in the half-year report.

Amanda Street
Company Secretary
12 February 2019

Transurban Holdings Limited and Controlled Entities

ABN 86 098 143 429

(Including Transurban International Limited and Transurban Holding Trust)

Interim report for the half-year ended 31 December 2018

Contents

Directors' report

The Directors of Transurban Holdings Limited ('the Company', 'the Parent' or 'THL') and its controlled entities ('Transurban', 'Transurban Group' or 'the Group'), Transurban International Limited and its controlled entities ('TIL'), and Transurban Infrastructure Management Limited ('TIML'), as responsible entity of Transurban Holding Trust and its controlled entities ('THT'), present their report on the Transurban Group for the half-year ended 31 December 2018 ('HY19'). The controlled entities of THL include the other members of the stapled group being TIL and THT.

Directors

The following persons were directors of THL, TIML and TIL during the six month period and up to the date of this report, unless otherwise stated:

Non - executive Directors

Lindsay Maxsted

Neil Chatfield

Robert Edgar

Samantha Mostyn

Christine O'Reilly

Peter Scott

Jane Wilson

Mark Birrell

Rodney Slater (retired 11 October 2018)

Executive Directors

Scott Charlton

Principal activities

Transurban is an integrated transport company. The principal activities of the Group during the period were the development, operation, maintenance and financing of toll road assets as well as management of the associated customer and government relationships.

Operating and financial review

Figures used for calculating percentage movements in the Directors' report are based on whole numbers.

Executive Summary

The six month period ended 31 December 2018 included the following key highlights:

Statutory results compared to the prior period;

- Toll revenue increased 14.7 per cent from $1,131 million to $1,298 million;
- Profit from ordinary activities after tax decreased 56.1 per cent from $331 million to $145 million;
- Profit from ordinary activities after tax excluding significant items[1] decreased 32.4 per cent from $331 million to $224 million;
- Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes ('EBITDA') increased 14.2 per cent from $850 million to $971 million;
- EBITDA excluding significant items[1] increased 16.2 per cent from $850 million to $988 million;
- Net profit attributable to security holders of the stapled group decreased 61.7 per cent from $338 million to $129 million; and
- Net profit excluding significant items attributable to security holders of the stapled group decreased 38.4% per cent from $338 million to $208 million.

Proportional results:

- Average Daily Traffic ('ADT') increased 2.7 per cent
- Toll revenue increased 9.3 per cent to $1,286 million
- EBITDA[2] (excluding significant items) increased by 9.8 per cent to $1,001 million
- Free cash increased 22.9 per cent to $715 million.

Other highlights:

- Over 3.4 million hours of work completed to date on West Gate Tunnel project ('WGTP')
- Acquisition and financial close of WestConnex ('WCX') achieved with integration progressing as forecast
- Customer satisfaction improvements with increased travel-time savings and approximately $10 million saved by customers during 1H19 from fee reductions.[3]

A distribution of 29.0 cents per stapled security will be paid for the six months ended 31 December 2018 on 15 February 2019. Further details of the distribution are presented in note B8 of the financial statements.

1. *Significant items are those items where their nature is sufficiently significant to the financial statements and not in the ordinary course of business. Refer to note B4 of the Group interim financial statements for further information.*
2. *Refer to note B3 of Group financial statements for the definition of proportional toll revenue and proportional EBITDA.*
3. *Fees saved are from Sydney, Melbourne and Brisbane markets. Not including additional customer savings as a result of not entering enforcement processes.*

Our business

Population growth is putting demands on cities across the world and, for many, traffic congestion is impacting living standards and productivity.

Partnering with governments to address these challenges is at the core of Transurban's business and we are undertaking major development projects in each of our regions to create more efficient transport routes and ease congestion.

In Sydney, construction is under way on the NorthConnex tunnel to link the city's north to the orbital network and form part of the National Highway route. During the period, as part of the Sydney Transport Partners ('STP') consortium, we reached agreement with the New South Wales ('NSW') Government to acquire 51 per cent of WestConnex. WestConnex is fundamental to the NSW Government's long-term, transport plan and will transform travel in Sydney's western and south-western suburbs by providing the critical missing link in the city's orbital network.

In Melbourne construction continues on the WGTP to create a vital alternative to the West Gate Bridge, while the recently completed CityLink Tulla Widening ('CTW') Project is providing travel-time savings for motorists.

We are also creating additional capacity and upgrading the Logan Motorway in Brisbane and have recently completed the Gateway Upgrade North project which will improve traffic flow on the adjoining Gateway Motorway.

Operating and financial review (continued)

In the Greater Washington Area (GWA), we are extending the northern end of the 95 Express Lanes for 11km to the Washington DC border to ease congestion in the corridor as part of the 395 Express Lanes Project.

The nature of the response to address the population challenge is changing. Technology is providing the opportunity for sophisticated and innovative solutions that look beyond physical engineering. Advanced on-road technologies, such as freeway management systems are giving us the opportunity to increase the efficiency of both existing roads as well as on new projects. Data and advanced analytics capability allow us to further optimise our roads to provide drivers with more efficient journeys.

Furthermore, the increase in ride-hailing and ride-sharing services, electric and autonomous vehicles, integrated transport platforms and transport-on-demand apps will give customers greater certainty, choice and convenience in how they travel. These technologies will converge and combine in many different ways that we cannot predict yet, but they will fundamentally change urban mobility.

Transurban has been building our capability over a number of years and today almost 40 per cent of our workforce is in technology with a focus on data, network performance and security.

We have introduced apps to customers who are increasingly wanting to manage their toll road travel through digital channels including the world’s first GPS tolling app LinktGO. This app, which allows drivers to see their toll travel in real time and pay trip-by-trip using their smartphones with no ongoing commitment, provides greater convenience for occasional toll road users.

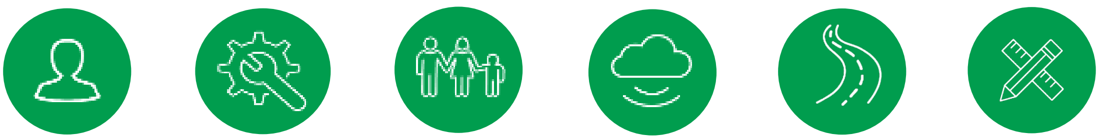
As a first step to preparing our roads for an automated future, Transurban is running a series of trials on motorways in Melbourne, Sydney, Brisbane and North America to investigate how connected and autonomous vehicles respond to road infrastructure such as signs, lines, signals and ramps.

Autonomous vehicles will bring significant safety and efficiency benefits as well as provide more travel options for disadvantaged groups, so this technology presents greater potential for more efficient transport networks.

Strategy and risk management

Transurban’s strategy is to be the partner of choice with governments and we achieve this through the ongoing management of our existing road networks and by applying our unique skills to the infrastructure challenges in our markets.

Our core capabilities are:



Customer experience | *Operations* | *Community engagement* | *Technology* | *Development / delivery* | *Network planning / forecasting*

Operating and financial review (continued)

Sustainability Strategy

Transurban's Sustainability Strategy is fundamental to our day-to-day business activities and to our long-term objectives.

Everything we do from our multi-billion dollar development projects to our grants programs for grassroots community groups considers the lasting benefits that we can deliver to make our cities better places in which to live and to work.

Our approach is aligned with the United Nations' Sustainable Development Goals, and we remain committed to the United Nations Global Compact.

In October, we released our annual Sustainability report which can be found at transurban.com/sr18.

Safety

Our highest priority is ensuring our people and customers get home safely. We're focused on providing a healthy and safe environment for our employees, contractors, customers and the community while minimising impacts to the environment.

Knowing and understanding our risks in Health, Safety and Environment (HSE) is integral to how we make decisions. We aim to eliminate or reduce risks that could cause injury or have an environmental impact on our roads and workplaces.

We have a number of HSE key performance indicators (KPIs) to help us to track our performance, evaluate our success and ensure that we are meeting our goals. These indicators also help us identify where we need to improve. Some of our HSE KPIs include:

- Road Injury Crash Index
- Recordable Injury Frequency Rate of both employees and contractors
- HSE leadership including recording proactive HSE events.

Business risks and opportunities

As with any business, a number of variables have the potential to impact our operation and financial results.

The following are key opportunities that may impact Transurban's financial and operating result in the future:

- ability to leverage capabilities to enhance motorway networks
- greater than forecast traffic volumes
- integration of consistent technology and systems to enhance network footprint
- ability to harness knowledge and experience to drive operations and maintenance
- identification of new business opportunities in Transurban's target markets
- application of sustainability initiatives to enhance road user and local community experiences.

The following are key risks that may impact Transurban's financial and operating result in the future:

- reduced traffic volumes or an inability to grow traffic volumes
- change in government policies
- competitor growth or behaviour
- access to suitable financing arrangements
- safety incidents through operations or driver behaviour
- dependency on the services of key contractors and counterparties
- unfavourable changes to market or operating conditions
- external cyber-attacks and failure to protect our information
- maintenance and project contractor performance
- failure of technical infrastructure.

Risk management

Understanding the risks that we face and effective risk management is crucial to ensure we achieve our objectives and meet our sustainability commitments.

Across Transurban, risks are identified and assessed in a consistent manner and proactive treatment and contingency plans are designed and implemented.

We review their effectiveness systematically and improve where necessary.

Our Risk Management Policy is available on our website at: transurban.com/about-us/corporate-governance

Financial risk management

Transurban's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The financial risk management function is carried out centrally under the policies approved by the Board. We review operations actively to identify and monitor all financial risks and to mitigate these risks through the use of hedging instruments where appropriate. The Board is informed on a regular basis of any material exposures to financial risks.

We continuously monitor risk exposures over time through review of cash flows, price movements, market analysis and ongoing communication within the Group. When measuring financial risk, we consider positive and negative exposures, existing hedges and the ability to offset exposures where possible.

Further information on Transurban's approach to financial risk management is included within the Annual Report for the year ended 30 June 2018 at note B15 Derivatives and financial risk management.

Asset portfolio at 31 December 2018

	MELBOURNE	SYDNEY						
OVERVIEW	CITYLINK	M5 West[3]	M2	M4 (WCX)	ED	M7	LCT	CCT
Opening date	Dec 2000	Aug 1992	May 1997	May 1992	Dec 1999	Dec 2005	Mar 2007	Aug 2005
Remaining concession period[1]	16 years	8 years	29 years	42 years	30 years	29 years	29 years	17 years
Concession end date	Jan 2035[2]	Dec 2026	Jun 2048	Dec 2060	Jul 2048	Jun 2048	Jun 2048	Dec 2035
PHYSICAL DETAILS								
Length – total	22 km in 2 sections	22 km	21 km	7.5 km	6 km	40 km	3.8 km	2.1 km
Length – surface	16.8 km	22 km	20.5 km	7.5 km	4.3 km	40 km	0.3 km	–
Length – tunnel	5.2 km	–	0.5 km	–	1.7 km	–	3.5 km	2.1 km
Lanes	2x4 in most sections	2x3	2x3	2x4	2x3 2x2 some sections	2x2	2x2 2x3 some sections	2x2 2x3 some ramp sections
OWNERSHIP								
Transurban ownership	100%	65.38%[4]	100%	25.5%	75.1%	50%	100%	100%
TOLLING								
Large vehicle multiplier: Light commercial vehicle (LCV) Heavy commercial vehicle (HCV)	LCV: 1.6x HCV: 3x (day) 2x (night)	3x	3x	3x	2x	3x	Minimum 3x	2x

1. *As at 31 December 2018.*
2. *Ten-year extension to CityLink concession to 2045 as part of the WGTP requires amendments to the existing CityLink concession which require successful passage through parliament. In the absence of parliamentary consent, the State will replace the CityLink funding sources with completion/substitution payments pursuant to the WGT Project Agreement.*
3. *M5 West will form part of the WestConnex M5 concession once current concession expires through to December 2060, Transurban's ownership will be 25.5%.*
4. *Transurban acquired two additional equity interests in the M5 of 8.24% and 7.14% taking its total equity ownership to 65.38%. Financial close on the additional interests was reached on 18 September 2018 and 3 December 2018 respectively.*

Operating and financial review (continued)

Asset portfolio at 31 December 2018 (continued)

	BRISBANE						NORTH AMERICA		
OVERVIEW	GATEWAY MOTORWAY	LOGAN MOTORWAY	CLEM7	GO BETWEEN BRIDGE	LEGACY WAY	AIRPORTLINK M7	495 EXPRESS LANES[5]	95 EXPRESS LANES[6]	A25[7]
Opening date	Dec 1986	Dec 1988	Mar 2010	Jul 2010	Jun 2015	Jul 2012	Nov 2012	Dec 2014	May 2011
Remaining concession period[1]	33 years	33 years	33 years	45 years	46 years	35 years	69 years	69 years	24 years
Concession end date	Dec 2051	Dec 2051	Aug 2051	Dec 2063	Jun 2065	Jun 2053	Dec 2087	Dec 2087	Sept 2042
PHYSICAL DETAILS									
Length – total	23.1 km	38.7[2] km	6.8 km	0.3 km	5.7 km	6.7 km	22 km	49.8 km	7.2 km
Length – surface	23.1 km	38.7[2] km	2.0 km	0.3 km	1.1 km	1.0 km	22 km	49.8 km	7.2 km
Length – tunnel	–	–	4.8 km	–	4.6 km	5.7 km	–	–	–
Lanes	6,8 and 10 (various) 12 Gateway Bridge	2x2	2x2	2x2	2x2	2x3	2x2 HOT lanes	2 and 3 reversible HOT lanes	2x3 on bridge 2x2 on remaining sections
OWNERSHIP									
Transurban ownership	62.5%	62.5%	62.5%	62.5%	62.5%	62.5%	100%	100%	100%
TOLLING									
Large vehicle multiplier Light commercial vehicle (LCV) Heavy commercial vehicle (HCV)	LCV – 1.5x HCV – 2.65x[3]	LCV – 1.5x HCV – 2.65x[3]	LCV – 1.5x HCV – 3x (day) 2.65x (night)	LCV – 1.5x HCV – 3x (day) 2.65x (night)	LCV – 1.5x HCV – 2.65x[4]	LCV – 1.5x HCV – 2.65x	No multiplier – trucks >2 axles not permitted	No multiplier – trucks >2 axles not permitted	2x per axle

1. *As at 31 December 2018.*
2. *Length includes 9.8 km of Gateway Extension Motorway.*
3. *Logan and Gateway HCV tolls progressively moving up to 3.46 times cars post Logan Enhancement Project (completion expected late FY19).*
4. *HCV multiplier moving to 3 times cars during peak periods on 1 July 2020.*
5. *495 Express Lanes concession includes 495 Northern Extension Project (development framework agreed). Data relates to operational lanes only.*
6. *95 Express Lanes concession includes 395 Express Lanes (currently under construction) and is expected to include the Fredericksburg Extension (construction set to commence in FY19). Data relates to operational lanes only.*
7. *A25 income includes fixed availability payment from the local government and guaranteed minimum toll income.*

Future concession assets[1]

OVERVIEW	SYDNEY							MELBOURNE
	NORTHCONNEX	M5 WEST (WCX)[2]	NEW M4 TUNNELS (WCX)	NEW M5 (WCX)[3]	M5 EAST (WCX)	M4-M5 LINK (WCX)	ROZELLE INTERCHANGE (WCX)	WEST GATE TUNNEL
Concession end date	Jun 2048	Dec 2060	Dec 2060	Dec 2060	Dec 2060	Dec 2060	Dec 2060	Jan 2045
PHYSICAL DETAILS								
Length – total	9 km	22 km	6.5 km	11 km	10 km	7.5 km	5 km[6]	17 km
Length – surface	–	22 km	1 km	2 km	5.5 km	–	–	10.2 km
Length – tunnel	9 km	–	5.5 km	9 km	4.5 km	7.5 km	5 km[6]	6.8 km
Lanes	2x2[4]	2x3	2x3	2x2[5]	2x2	2x4	n/a	2x6 on West Gate Freeway 2x3 on remaining sections
OWNERSHIP								
Transurban ownership	50%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	100%
TOLLING								
Large vehicle multiplier Light commercial vehicle (LCV) Heavy commercial vehicle (HCV) High productivity freight vehicle (HPFV)	3x	3x	3x	3x	3x	3x	3x	LCV: 1.6x HCV[7] HPFV[7]

1. *Not including upgrades or extensions to existing assets which are captured in the above two tables.*
2. *Transurban currently owns 65.38% of M5 West, when the current concession expires in December 2026 the M5 West will form part of the WestConnex M5 concession through to December 2060.*
3. *Upon opening of the New M5 (M5 East), handover and tolling commencement will occur on the existing M5 East.*
4. *Marked for two lanes in each direction but built to accommodate three lanes in each direction.*
5. *Marked for two lanes in each direction but built to accommodate three lanes in each direction from Kingsgrove to Arncliffe and five lanes in each direction from Arncliffe to St Peters.*
6. *Rozelle Interchange is being delivered and funded by RMS. Rozelle Interchange is a complex design consisting predominantly of ramps, with the length of lane kilometres approximately equivalent to a 5km motorway with two lanes in each direction.*
7. *HCV and HPFV tolls are not based on a multiplier of a car toll. Tolling discounts for off-peak, multiple trips and trip caps also apply. Further detail can be found at westgatetunnelproject.vic.gov.au.*

Performance
Period ended 31 December 2018 highlights

Statutory results

	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Toll revenue	**1,298**	1,131
EBITDA	**971**	850
EBITDA excluding significant items	**988**	850
Net profit for the period	**145**	331
Net profit for the period excluding significant items	**224**	331
Profit attributable to the ordinary security holders of the stapled group	**129**	338

Movements in statutory net profit after tax during the period have been influenced by:

- Increase in toll revenue from existing assets driven by traffic growth across the Australian and North American networks;
- Increase of $163 million in depreciation and amortisation mainly attributable to the consolidation of M5 from 18 September 2018 and the completion of CTW and other projects;
- Increase of $32 million in net finance costs primarily attributable to foreign exchange losses and higher drawn debt to fund the development pipeline;
- $322m decrease in share of net profit/(loss) of equity accounted investments due to $291 million of stamp duty and integration costs on the WCX acquisition and the consolidation of M5 from 18 September 2018 (M5 profits prior to this date were recorded through this line item);
- Decrease of $18 million in income tax benefit mainly due to once-off impact of prior period changes in US tax legislation and US tax losses recognised in the prior corresponding period partially offset by a current period tax benefit relating to the higher tax carrying value of Legacy Way;
- Toll revenue contribution of $115 million due to the acquisition of the A25 (acquired 5 June 2018) and consolidation of M5 from 18 September 2018; and
- Significant items before tax of $80 million ($79 million after tax) relate to stamp duty, transaction and integration costs on the WCX acquisition ($291 million decrease), transaction and integration costs on the A25 and M5 acquisitions ($17 million decrease), partially offset by the M5 gain on consolidation ($228 million increase).

Proportional EBITDA

Segment information in note B3 to the financial statements presents the proportional result for the Transurban Group, including reconciliations to the statutory result. Management considers proportional EBITDA to be the best indicator of asset performance. The table below also provides HY19 results adjusted to exclude certain acquisitions and new assets so as to compare the performance of the existing business to the prior year result.

	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M	% Change	Half-year ended 31 December 2018 Adjusted $M[1]	Half-year ended 31 December 2017 $M	% Change
Toll revenue	**1,286**	1,176	9.3%	**1,230**	1,176	4.5%
Other revenue	**38**	28	38.1%	**28**	28	2.1%
Total costs	**(323)**	(293)	10.5%	**(307)**	(293)	4.8%
EBITDA excluding significant items	**1,001**	911	9.8%	**951**	911	4.4%
Significant items	**(308)**	–	100%	**–**	–	–
EBITDA	**693**	911	(24.0%)	**951**	911	4.4%

1. *Excludes contributions associates with A25 (acquired 5 June 2018), WCX (since financial close on 27 September 2018) and additional ownership of M5 (from financial close on 18 September 2018 and 3 December 2018)*

Movements in proportional EBITDA (excluding significant items) during the period have been influenced by:

- Increase in toll revenue from existing assets driven by traffic growth across the Australian and North American networks; and
- New investments contributed $56 million in additional toll revenue.

Financial position

	31 December 2018	30 June 2018
Market capitalisation	**$31,129M**	$26,630M
Securities on issue	**2,672M**	2,225M
Cash and cash equivalents	**$1,713M**	$1,130M
Gearing[1]	**35.8%**	**35.2%**

1. *Calculated using proportional debt to enterprise value, exclusive of issued letters of credit. Security price was $11.97 at 30 June 2018 and $11.65 at 31 December 2018 with 2,225 million securities on issue at 30 June 2018 and 2,672 million securities on issue at 31 December 2018.*

Transurban's operating assets are primarily long-life intangible assets (concession assets), representing the provision by government entities for the right to toll customers for the use of the assets. Concession assets represent 72 per cent of the total assets of the Group. Concessions typically range from approximately 30 to 80 years, and for accounting purposes the carrying values are amortised on a straight-line basis over the duration of the concession.

Free cash

	Half-year ended 31 December 2018	Half-year ended 31 December 2017	% Change
Free cash	**$715M**	$582M	23.0%
Weighted average securities eligible for distribution[1]	**2,672M**	2,055M	30.0%
Free cash per security (cents)	**26.8cps**	28.3cps	(5.4%)

1. *New securities issued during the year are included only to the extent they were eligible for the interim and/or final distribution.*

Movements in free cash during the period have been influenced by:

- EBITDA and cash flow increases from 100 per cent owned assets;
- Increase in distributions from non 100 per cent owned assets including the NorthWestern Roads Group capital release received during the period, partially offset by decrease in M5 distributions due to timing of dividends in the prior corresponding period;
- Unfavourable net finance costs including $21m decrease due to Private Acitivity Bonds ('PABs') premium received in prior corresponding period as part of the 395 Express Lanes project;
- Unfavourable maintenance expenses due primarily to a change in discount rates; and
- Favourable period-on-period movements in working capital.

Segment performance

Sydney

HY19 Performance	Operations, delivery and development	Customer and community
• Toll revenue growth of 7.7% includes additional ownership stake in M5 West[1] • Traffic growth impacted by significant rainfall – 509mm in 1H19 vs 208mm in prior corresponding period ('PCP') • Large vehicle traffic was flat, impacted by completion of tunnelling of New M4 (M4 East), New M5 (M5 East) and NorthConnex	• NorthConnex tunnelling complete, opening scheduled for 2020 • Additional equity interests acquired in M5 West, ownership now 65.38% • Drones used to improve accessibility for maintenance • NSW Connected and Automated Vehicles ('CAVs') Trial completed with government partners – report published on transurban.com	• Launched Trip Compare online tool, promoting transparency for customers to make travel decisions • Leveraged partnership with Neuroscience Research Australia ('NeuRA') to promote safe driving

1. *Excluding WestConnex M4 and additional M5 ownership, toll revenue growth was 3.0%.*

Operating and financial review (continued)

Melbourne

HY19 Performance	Operations, delivery and development	Customer and community
• Toll revenue growth of 5.6% driven by ADT growth of 4.6% • Large vehicle traffic has increased 7.2% ahead of car growth at 4.0% • Toll revenue impacted by fee changes, with a positive outcome for customers	• First of two WGTP tunnel boring machines arrived in Melbourne, tunnelling set to begin mid-2019 • Over 3.4 million hours of work completed on WGTP • Expansion of incident-response services on West Gate Bridge, Transurban now responsible for 40km of Melbourne's road network	• Improved fee arrangements now benefitting customers • Improved CityLink travel-times post completion of State works on CTW • Toll collection process improvements providing more time to work with customers • Established Linkt Assist Team to help customers in hardship

Brisbane

HY19 Performance	Operations, delivery and development	Customer and community
• ADT growth of 0.3% impacted by disruption from Gateway Upgrade North ('GUN') and Logan Enhancement Project ('LEP') • ADT growth of 4.1% excluding Gateway and Logan • Large vehicle traffic growth of 3.7% • Toll revenue impacted by fee changes, with a positive outcome for customers	• All motorway lanes opened on GUN in January 2019 • Progressive opening of new lanes on LEP in coming months, completion expected mid-2019, improving travel time reliability and safety • Phase 1 of CAVs trial complete in partnership with key stakeholders – report to be published on transurban.com during 2H19	• Improved fee arrangements now flowing through to benefit customers • Incident response motorcycle trial underway, providing quicker response times in periods of congestion • Inner City Bypass ('ICB') upgrade complete with travel-time savings, reduced congestion and improved incident response times for customers

North America

HY19 Performance	Greater Washington Area	Montreal
• Toll revenue (USD) growth of 12.6% in the Greater Washington Area • A25 ADT growth of 5.8% exceeding investment case • A25 – rolling 12-month peak direction traffic of 3,043 vehicles per hour	• 395 Express Lanes project over 50% complete, expected to open in FY20 • Express Lanes brand re-launched with improved customer tools and services • Design-build procurement completed for Fredericksburg Extension, early works commenced with financial close expected 2H19 • Government-funded Jones Branch Connector project now open and providing new access to 495 Express Lanes • Development framework agreed on 495 Northern Express Lanes Extension project • Agreement to advance new 95 Express Lanes ramp to one of region's largest retail hubs	• Integration substantially complete with new organisational structure in place • Advancing new customer-focused initiatives and back-office system enhancements

Financing activities

Refer to note B10 in the Group financial statements for the key debt financing activities executed during the period.

There were no changes to the Transurban Group ratings provided by Standard and Poor's Financial Services LLC rating service, Moody's Investors Services Inc. or Fitch Ratings Inc. during the period.

Operating and financial review (continued)

Group equity issuance

In September, the Group successfully raised $4.8 billion (excluding transaction costs) through a successful entitlement offer and placement. The equity was used to fund the acquisition of WCX and for general corporate purposes.

Matters subsequent to the end of the half-year

In the interval between the end of the half-year and the date of this report, there have been no matters or circumstances that have significantly affected, or may significantly affect, the Group's operations, the results of those operations, or Group's state of affairs, in the future years.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

Rounding of amounts

The Group is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Instrument to the nearest million, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
12 February 2019

Auditor's Independence Declaration

As lead auditor for the review of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited and the entities they controlled during the period.

M. Laithwaite

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Melbourne
12 February 2019

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Transurban Holdings Limited ABN 86 098 143 429

Contents

Section A: Group financial statements

Transurban Holdings Limited
Consolidated statement of comprehensive income
for the half-year ended 31 December 2018

	Note	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Revenue	B5	**2,114**	1,624
Expenses			
Employee benefits expense		**(108)**	(92)
Road operating costs		**(184)**	(163)
Construction costs		**(777)**	(462)
Transaction and integration costs	B4	**(17)**	–
Corporate and other expenses		**(57)**	(57)
Total expenses		**(1,143)**	(774)
Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes		**971**	850
Amortisation		**(419)**	(281)
Depreciation		**(55)**	(30)
Total depreciation and amortisation		**(474)**	(311)
Net finance costs	B9	**(394)**	(362)
Share of net profit/(loss) of equity accounted investments		**(305)**	17
Gain on revaluation of equity accounted investment	B13	**228**	–
Profit before income tax		**26**	194
Income tax benefit	B6	**119**	137
Profit for the half-year		**145**	331
Profit/(loss) attributable to:			
Ordinary security holders of the stapled group			
- Attributable to THL		**85**	(97)
- Attributable to THT/TIL		**44**	435
		129	338
Non-controlling interests - other		**16**	(7)
		145	331
Other comprehensive income			
Items that may be reclassified to profit or loss in the future			
Changes in the fair value of cash flow hedges, net of tax		**(3)**	(51)
Share of other comprehensive income of equity accounted investments, net of tax		**(16)**	–
Movement in share-based payments reserve		**(3)**	(4)
Exchange differences on translation of North American operations, net of tax		**7**	(1)
Other comprehensive income/(loss) for the half-year, net of tax		**(15)**	(56)
Total comprehensive income for the half-year		**130**	275
Total comprehensive income/(loss) for the half-year is attributable to:			
Ordinary security holders of the stapled group			
- Attributable to THL		**114**	(130)
- Attributable to THT/TIL		**(3)**	420
		111	290
Non-controlling interests – other		**19**	(15)
		130	275
		Cents	**Cents**
Earnings per security attributable to ordinary security holders of the stapled group:			
Basic and diluted earnings per stapled security	B7	**5.5**	16.4

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Transurban Holdings Limited
Consolidated balance sheet
for the half-year ended 31 December 2018

	Note	As at 31 December 2018 $M	As at 30 June 2018 $M
ASSETS			
Current assets			
Cash and cash equivalents		**1,713**	1,130
Trade and other receivables		**362**	444
Derivative financial instruments	B11	**36**	21
Financial assets at amortised cost		**31**	–
Held-to-maturity investments		**–**	226
Total current assets		**2,142**	1,821
Non-current assets			
Equity accounted investments	B14	**3,794**	474
Financial assets at amortised cost		**1,060**	–
Held-to-maturity investments		**–**	806
Derivative financial instruments	B11	**318**	217
Property, plant and equipment		**383**	374
Concession financial asset		**327**	323
Deferred tax assets		**1,059**	1,021
Goodwill		**466**	466
Other intangible assets		**23,652**	20,924
Total non-current assets		**31,059**	24,605
Total assets		**33,201**	26,426
LIABILITIES			
Current liabilities			
Trade and other payables		**497**	516
Borrowings	B10	**1,417**	524
Derivative financial instruments	B11	**14**	11
Maintenance provision		**137**	150
Distribution provision		**813**	671
Other provisions		**43**	58
Other liabilities		**339**	293
Total current liabilities		**3,260**	2,223
Non-current liabilities			
Borrowings	B10	**15,949**	14,871
Deferred tax liabilities		**1,460**	985
Maintenance provision		**986**	914
Other provisions		**129**	126
Derivative financial instruments	B11	**290**	441
Other liabilities		**104**	100
Total non-current liabilities		**18,918**	17,437
Total liabilities		**22,178**	19,660
Net assets		**11,023**	6,766
EQUITY			
Contributed equity		**2,661**	1,746
Reserves		**(80)**	(101)
Accumulated losses		**(3,385)**	(3,455)
Non-controlling interests held by security holders of the stapled group (THT/TIL)		**10,491**	7,401
Equity attributable to security holders of the stapled group		**9,687**	5,591
Non-controlling interests – other		**1,336**	1,175
Total equity		**11,023**	6,766

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Attributable to security holders of the stapled group							
	No. of securities M	Contributed equity $M	Reserves $M	Accumulated losses $M	Non–controlling interests– THT & TIL $M	Total $M	Non–controlling interests–other $M	Total equity $M
Balance at 30 June 2018 as originally presented	2,225	1,746	(101)	(3,455)	7,401	5,591	1,175	6,766
Change in accounting policy[1]	–	–	–	12	–	12	(5)	7
Balance at 1 July 2018	2,225	1,746	(101)	(3,443)	7,401	5,603	1,170	6,773
Comprehensive income								
Profit/(loss) for the half-year	–	–	–	85	44	129	16	145
Other comprehensive income/(loss)	–	–	29	–	(47)	(18)	3	(15)
Total comprehensive income/(loss)	–	–	29	85	(3)	111	19	130
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs[2]	446	913	–	–	3,833	4,746	–	4,746
Employee performance awards issued[3]	1	2	–	–	8	10	–	10
Distributions provided for or paid[4, 5]	–	–	–	(27)	(748)	(775)	–	(775)
Distributions to non-controlling interests[6]	–	–	–	–	–	–	(44)	(44)
Recognition of non-controlling interest upon step-up acquisition and change in owenership[7]	–	–	–	–	–	–	191	191
Transactions with non-controlling interests – other[7]	–	–	(8)	–	–	(8)	–	(8)
	447	915	(8)	(27)	3,093	3,973	147	4,120
Balance at 31 December 2018	2,672	2,661	(80)	(3,385)	10,491	9,687	1,336	11,023

1. *Refer to note B9 for further details on the change in accounting policy.*
2. *On 21 September 2018, the Group successfully completed the fully underwritten institutional and retail components of its pro-rata accelerated renounceable 10 for 57 entitlement offer. The institutional component raised gross proceeds of $2,996 million at an issue price of $10.80 per security. The retail component raised gross proceeds of $1,222 million at an issue price of $10.80 per security. A further $600 million was raised on 12 September 2018 through a placement to AustralianSuper and Tawreed Investments Limited (Tawreed) at an issue price of $10.85 per security. The total gross proceeds of $4,818 million ($4,746 million net of transaction costs) were used to fund the Group's investment in WestConnex through Sydney Transport Partners Joint venture (STP JV) and for general corporate purposes.*
3. *It is the Group's policy that a portion of all Short Term Incentives issued to the CEO and other senior executives are deferred for a period of 2 years. In addition to the Short Term Incentives, Stapled Securities (including units in the Trust) were issued to executives under the Group's Long Term Incentive share-based payment plans.*
4. *Refer to note B8 for further details of dividends and distributions provided for or paid.*
5. *Under the Distribution Reinvestment Plan, holders of stapled securities may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by cash. The distribution reinvestment plan was not in effect for the final dividend for FY2018, paid in August 2018. The dividend reimbursement plan applies for the interim FY2019 dividend distribution.*
6. *Distributions and dividends were paid during the period to the non-controlling interest partners in Airport Motorway Trust (Eastern Distributor), Transurban Queensland Invest Trust (Transurban Queensland) and Interlink Roads (M5).*
7. *Refer to note B13 for further details of recognition of non-controlling interest upon step-up acquisition ($277 million) and other transactions with non-controlling interests including $86 million to acquire an additional interest and a related $8 million in stamp duty.*

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Attributable to security holders of the stapled group							
	No. of securities M	**Contributed equity $M**	**Reserves $M**	**Accumulated losses $M**	**Non–controlling interests– THT & TIL $M**	**Total $M**	**Non–controlling interests–other $M**	**Total equity $M**
Balance at 1 July 2017	**2,052**	**1,450**	**(54)**	**(3,190)**	**6,289**	**4,495**	**1,312**	**5,807**
Comprehensive income								
Profit/(loss) for the half-year	–	–	–	(97)	435	338	(7)	331
Other comprehensive income/(loss)	–	–	(33)	–	(15)	(48)	(8)	(56)
Total comprehensive income/(loss)	–	–	**(33)**	**(97)**	**420**	**290**	**(15)**	**275**
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs[1]	123	211	–	–	1,164	1,375	–	1,375
Employee performance awards issued[2]	1	1	–	–	5	6	–	6
Distributions provided for or paid[3]	–	–	–	(51)	(524)	(575)	–	(575)
Distribution reinvestment plan[4]	2	3	–	–	18	21	–	21
Distributions to non-controlling interests[5]	–	–	–	–	–	–	(42)	(42)
Transactions with non-controlling interests – other	–	–	–	–	–	–	(8)	(8)
	126	**215**	**–**	**(51)**	**663**	**827**	**(50)**	**777**
Balance at 31 December 2017	**2,178**	**1,665**	**(87)**	**(3,338)**	**7,372**	**5,612**	**1,247**	**6,859**

1. *During December 2017, the Group successfully completed the fully underwritten institutional component of its pro-rate renounceable 3 for 37 entitlement offer. The institutional component raised $1,325 million at an issue price of $11.40 per security. As of 31 December 2017, the early acceptances of the retail component had raised $50 million at an issue price of $11.40 per security and was ongoing on that date. The total proceeds from the entitlement offer through 31 December 2017 were $1,375 million. The total proceeds from the entitlement offer were used to fund the construction of the West Gate Tunnel Project and for general corporate purposes.*
2. *It is the Group's policy that a portion of all Short Term Incentives issued to the CEO and other senior executives are deferred for a period of 2 years. In addition to the Short Term Incentives, Stapled Securities (including units in the Trust) were issued to executives under the Group's Long Term Incentive share-based payment plans.*
3. *Refer to note B8 for further details of dividends and distributions provided for or paid.*
4. *Under the Distribution Reinvestment Plan, for distributions paid during the period, holders of stapled securities may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by cash. This continued to apply for the interim FY2018 dividend/distribution.*
5. *Distributions were paid during the period to the non-controlling interest partners in Airport Motorway Trust (Eastern Distributor) and Transurban Queensland Invest Trust (Transurban Queensland).*

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Transurban Holdings Limited
Consolidated statement of cash flows
for the half-year ended 31 December 2018

	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Cash flows from operating activities		
Receipts from customers	**1,456**	1,214
Payments to suppliers and employees	**(441)**	(387)
Payments for maintenance of intangible assets	**(66)**	(46)
Transaction and integration costs related to acquisitions	**(17)**	–
Other revenue	**43**	30
Interest received	**14**	12
Interest paid	**(410)**	(337)
Income taxes paid	**(27)**	–
Net cash inflow from operating activities	**552**	486
Cash flows from investing activities		
Payments for held-to-maturity investments, net of fees	**–**	(270)
Payments for financial assets at amortised cost	**(757)**	–
Repayment of financial assets at amortised cost	**300**	–
Payments for equity accounted investments	**(3,487)**	(5)
Payments for intangible assets	**(833)**	(543)
Payments for property, plant and equipment	**(62)**	(62)
Distributions received from equity accounted investments	**96**	144
Payments for acquisition of non-controlling interest and term loan notes	**(99)**	–
Payments for acquisition of subsidiaries and term loan notes, net of cash acquired	**(65)**	–
Net cash (outflow) from investing activities	**(4,907)**	(736)
Cash flows from financing activities		
Proceeds from equity issues of stapled securities (net of costs)	**4,746**	1,375
Proceeds from borrowings (net of costs)	**1,585**	1,823
Payments made in the provision of loan facilities	**(3)**	–
Proceeds from the provision of loan facilities	**87**	–
Repayment of borrowings	**(818)**	(1,198)
Dividends and distributions paid to the Group's security holders	**(623)**	(523)
Distributions paid to non-controlling interests	**(53)**	(42)
Net cash inflow from financing activities	**4,921**	1,435
Net increase in cash and cash equivalents	**566**	1,185
Cash and cash equivalents at the beginning of the half-year	**1,130**	988
Effects of exchange rate changes on cash and cash equivalents	**17**	(9)
Cash and cash equivalents at end of the half-year	**1,713**	2,164

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Section B: Notes to the Group financial statements

Basis of preparation and significant changes

B1 Summary of significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following transactions during the reporting period:

Interlink Roads (M5) acquisition of additional equity interest

On 18 September 2018, Transurban acquired an additional 8.24% equity interest in M5 for cash consideration of $116 million. This transaction took the Group's total equity interest to 58.24%, resulting in M5 being consolidated into the Group. On 3 December 2018, the Group acquired an additional 7.14% interest in M5 and its corresponding shareholder loan notes for a total consideration of $99 million. Refer to note B13 for further information.

Group equity issuance

On 21 September 2018, the Group successfully completed the fully underwritten institutional and retail components of its pro-rata accelerated renounceable 10 for 57 entitlement offer. The institutional component raised gross proceeds of $2,996 million at an issue price of $10.80 per security. The retail component raised gross proceeds of $1,222 million at an issue price of $10.80 per security. A further $600 million was raised on 12 September 2018 through a placement to AustralianSuper and Tawreed Investments Limited (Tawreed) at an issue price of $10.85 per security. The total gross proceeds of $4,818 million ($4,746 million net of transaction costs) were used to fund the Group's investment in WCX through Sydney Transport Partners Joint Venture and for general corporate purposes.

Investment in WestConnex through Sydney Transport Partners Joint Venture (STP JV)

On 27 September 2018, the STP JV acquired a controlling 51% stake in WCX Project Hold Trust and WCX Asset Hold Trust and their controlled entities (collectively referred to as WestConnex or WCX) from the NSW Government (WCX Acquisition). For the purposes of the WCX Acquisition, a consortium, STP JV was established, comprising Transurban (50%), AustralianSuper (20.5%), Canada Pension Plan Investment Board (CPPIB) (20.5%) and Tawreed (9%). The Group's effective equity interest in WCX through its equity investment in STP JV is 25.5%. Refer to note B14 for further information.

B2 Basis of preparation

Transurban Holdings Limited ('the Company', 'the Parent' or 'THL') is a company incorporated in Australia and limited by shares that are publicly traded on the Australian Securities Exchange. These financial statements have been prepared as a consolidation of the financial statements of Transurban Holdings Limited and its controlled entities ('Transurban', 'Transurban Holdings Limited Group', 'Transurban Group' or 'the Group'). The controlled entities of THL include the other members of the stapled group being Transurban International Limited and its controlled entities ('TIL') and Transurban Holding Trust and its controlled entities ('THT'). The equity securities THL, THT and TIL are stapled and cannot be traded separately. Entities within the Group are domiciled and incorporated in Australia, the United States of America and Canada.

The Group interim financial statements for the half-year reporting period ended 31 December 2018:

- Have been prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*;
- Have adopted all accounting policies in accordance with Australian accounting standards, and where a standard permits a choice in accounting policy, the policy adopted by the Group has been disclosed in the annual report for the year ended 30 June 2018;
- Have applied the option under *ASIC Corporations (Stapled Group Reports) Instrument 2015/838* to present the consolidated financial statements in one section (Section A), and all other reporting group members in a separate section (Section C);
- Do not early adopt any accounting standards or interpretations that have been issued or amended but are not yet effective;
- Have been prepared under the historical cost convention, as modified by the revaluation of other financial assets and liabilities (including derivative financial instruments);
- Are presented in Australian dollars, which is the Group's functional and presentation currency;

B2 Basis of preparation (continued)

- Have been rounded to the nearest million dollars, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191; and
- The presentation of comparative amounts has been restated, where applicable, to conform to the current period presentation.

In accordance with AASB 134 *Interim Financial Reporting*, the interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Transurban Group during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

Going concern

THL's current liabilities exceed its current assets by $1,118 million as at 31 December 2018. This is primarily driven by borrowing facilities with maturities less than 12 months. The financial report has been prepared on a going concern basis, which assumes the continuity of normal operations. This is based on the following:

- The Group has generated positive cash inflows from operating activities of $552 million (2017: $486 million), after allowing for payments of $17 million (2017: $nil) in transaction and integration costs relating to acquisitions;
- The Group has available a total of $1,675 million of undrawn borrowing facilities, of which $25 million have a maturity of December 2019 and with the remainder maturing beyond 12 months. Additionally, the Group has a further $64 million of undrawn borrowing facilities to provide funding for the 395 Express lanes Project through a Virginia Transport Infrastructure Bank (VITB) loan with a maturity beyond 12 months. A further $312 million of undrawn borrowing facilities is available to provide funding for Transurban Queensland capital expenditure, with a maturity of December 2019;
- The Group expects to refinance or repay with available cash all borrowing facilities classified as a current liability at 31 December 2018; and
- The Group has paid $1,164 million of dividends and distributions to the Group's security holders over the past 12 months. Payment of future dividends is at the discretion of the Board.

New and amended standards

The Group has adopted the following new or revised accounting standards which became effective for the half-year reporting period commencing 1 July 2018. The Group's assessment of the impact of these new standards and interpretations is set out below.

Reference	Description and Impact on the Group
AASB 2016-5 *Classification and measurement of share-based payment transactions*	Amendments made to AASB 2 clarify how to account for cash-settled share-based payments with performance conditions, modifications that change a cash-settled arrangement to an equity-settled arrangement, and equity-settled awards that include a 'net settlement' feature which requires employers to withhold amounts to settle the employee's tax obligations. The adoption of this standard did not have a material impact on the Group.
Interpretation 22 *Foreign currency transactions and advance currency*	The interpretation clarifies how to apply the standard on foreign currency transactions, AASB 121, when an entity pays or receives consideration in advance for foreign currency-denominated contracts. The adoption of this standard did not have a material impact on the Group.

The Group adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* from 1 July 2018 (See notes B5 and B9).

Operating performance

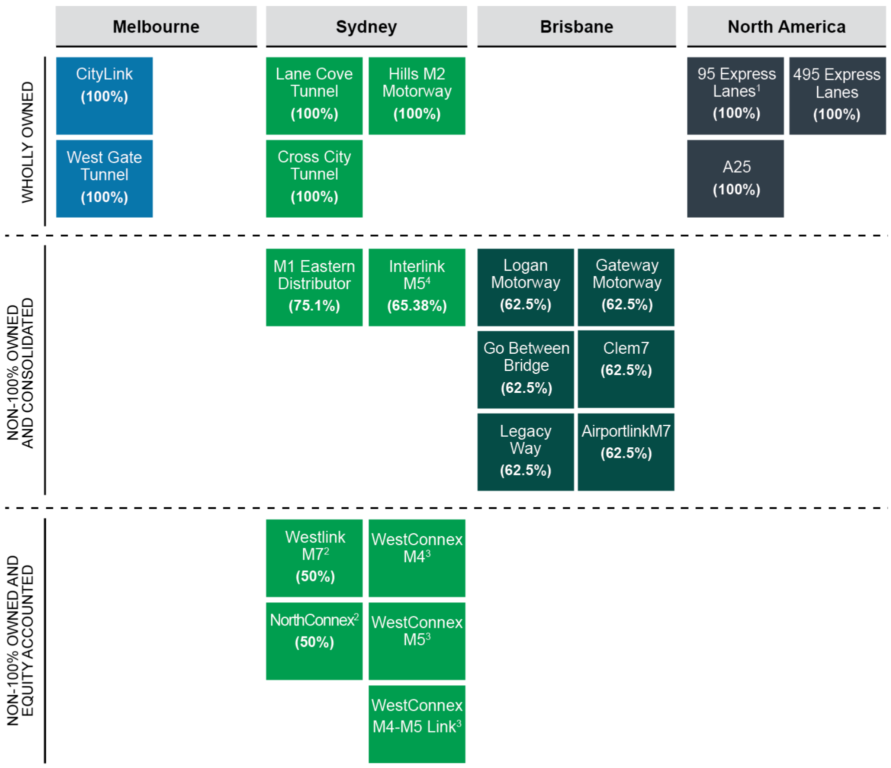
B3 Segment information

In the segment information provided to the Executive Committee (chief operating decision maker), segments are defined by the geographical region in which the Group operates being Melbourne, Sydney, Brisbane and North America. The Group's corporate function is not an operating segment under the requirements of AASB 8 as its revenue generating activities are only incidental to the business.

The Executive Committee assesses the performance of the region based on a measure of proportional revenue and proportional earnings before depreciation, amortisation, net finance costs and income taxes ('Proportional EBITDA'). This reflects the contribution of each network in the Group in the proportion of Transurban's equity ownership. Interest income and expenses are allocated to the region where the amounts are related specifically to the assets. Otherwise they are allocated to the Corporate function.

Significant items are those items where their nature is sufficiently significant to the financial statements and not in the ordinary course of business. Refer to note B4 for further details.

The diagram below shows the assets included in each geographical region, together with the ownership interests held by the Group for the current financial year:



1. *395 Express Lanes (100%) is included in 95 Express Lanes.*
2. *Westlink M7 and NorthConnex form the NorthWestern Roads Group.*
3. *WCX (Transurban's effective ownership of WCX is 25.5%) was acquired on 27 September 2018 through STP JV. There are three WestConnex concessions comprising M4, M5 and M4-M5 Link. The M5 concession includes existing M5 East and M5 West, and the New M5 (East). The M5 West concession is currently under concession to Interlink Roads Pty Ltd until the current concession expiration date in December 2026. The M5 West will form part of the concession for WestConnex from December 2026.*
4. *M5 additional equity interest of 8.24% was acquired on 18 September 2018, raising the equity interest to 58.24% and moving the M5 investment from non-100% owned and equity accounted to the non-100% owned and consolidated category. An additional equity interest of 7.14% was acquired on 3 December 2018, bringing the equity ownership interest to 65.38%.*

B3 Segment information (continued)

Segment information – proportional income statement

31 December 2018

$M	Note	Melbourne	Sydney	Brisbane	North America	Corporate and other	Total
Toll revenue		409	513	204	160	–	1,286
Other revenue		12	14	4	7	1	38
Total proportional revenue		421	527	208	167	1	1,324
Underlying proportional EBITDA		362	418	146	102	(27)	1,001
Significant items	B4	–	(302)	–	(6)	–	(308)
Proportional EBITDA		362	116	146	96	(27)	693

31 December 2017

$M	Melbourne	Sydney	Brisbane	North America	Corporate and other	Total
Toll revenue	388	476	200	112	-	1,176
Other revenue	11	14	1	-	2	28
Total proportional revenue	399	490	201	112	2	1,204
Underlying proportional EBITDA	343	387	143	66	(28)	911
Significant items	–	–	–	–	–	–
Proportional EBITDA	343	387	143	66	(28)	911

Reconciliation of segment information to statutory financial information

The proportional results presented above are different from the statutory financial results of the Group due to the proportional presentation of each asset's contribution to each geographical network and other adjustments relating to the contribution of revenue and the treatment of the financial income received in relation to the A25 availability payments and guaranteed toll income arrangements.

Segment revenue

Revenue from external customers comprises toll, service and fee revenues earned on toll roads. There are no inter-segment revenues. Segment revenue reconciles to total statutory revenue as follows:

	Note	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Total segment revenue (proportional)		**1,324**	1,204
Add:			
Revenue attributable to non-controlling interests		**180**	140
Construction revenue from road development activities		**777**	462
Intragroup elimination[1]		**8**	6
Less:			
Proportional revenue of non-100% owned equity accounted assets		**(162)**	(188)
Toll revenue on A25 concession financial asset recognised as financial income[2]		**(6)**	–
Other revenue on A25 concession financial asset recognised as financial income[2]		**(7)**	–
Total statutory revenue	B5	**2,114**	1,624

1. *Statutory revenue recognised in relation to arrangements with the equity accounted investments that are eliminated for segment purposes.*
2. *The Executive Committee assesses the performance of the Group using proportional results that include A25 income streams relating to availability payments and guaranteed toll income which are classified as revenue within the proportional results. These revenues form part of the ordinary activities of the A25 asset and are reflective of its underlying performance. For statutory accounting purposes, a portion of these income streams are included in finance income with the remainder as a receipt of a receivable balance.*

B3 Segment information (continued)

Proportional EBITDA

Proportional EBITDA reconciles to profit before income tax as follows:

	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Proportional EBITDA	**693**	911
Add: EBITDA attributable to non-controlling interests	**133**	99
Less: Proportional EBITDA of non-100% owned equity accounted assets	**(134)**	(160)
Less: Significant items incurred by equity accounted assets	**291**	
Less: Toll and other revenue on A25 concessional financial asset recognised as financial income[1]	**(13)**	–
Statutory profit before depreciation, amortisation, net finance costs, equity accounted investments and income taxes	**971**	850
Statutory depreciation and amortisation	**(474)**	(311)
Statutory net finance costs	**(394)**	(362)
Share of net profit from equity accounted investments	**(305)**	17
Gain on revaluation of equity accounted investment in M5	**228**	–
Profit before income tax	**26**	194

1. *The Executive Committee assesses the performance of the Group using proportional results that include A25 income streams relating to availability payments and guaranteed toll income which are classified as revenue within the proportional results. These revenues form part of the ordinary activities of the A25 asset and are reflective of its underlying performance. For statutory accounting purposes, a portion of these income streams are included in finance income with the remainder as a receipt of a receivable balance.*

B4 Significant items

Significant items are those items where their nature is sufficiently significant to the financial statements and not in the ordinary course of business. Such items included within the Group's results are detailed below:

	Note	Half-year ended 31 December 2018		Half-year ended 31 December 2017	
		Statutory $M	Proportional $M	Statutory $M	Proportional $M
Significant items included within total expenses					
Stamp duty on acquisition of M5		**(8)**	**(8)**	–	–
Costs relating to WCX acquisition incurred by Transurban and integration costs relating to A25		**(9)**	**(9)**	–	–
		(17)	**(17)**	–	–
Significant items included within share of net profit / (loss) of equity accounted investments[1]					
Stamp duty on acquisition of WCX by STP JV		**(278)**	**(278)**	–	–
Transaction and integration costs relating to acquisition of WCX by STP JV		**(13)**	**(13)**	–	–
		(291)	**(291)**	–	–
Significant items relating to gain on revaluation of equity accounted investment					
Disposal of equity accounted investment in M5 in exchange for acquisition of controlling interest	B13	**228**	**–**	–	–
Total significant items		**(80)**	**(308)**	–	–
Income tax benefit associated above significant items		**1**	**1**	–	–
Net significant items		**(79)**	**(307)**	–	–

1. *These costs are included within proportional EBITDA for segment reporting. Refer to the definition of proportional EBITDA at note B3 Segment information.*

B5 Revenue

	Half-year ended 31 December 2018 $M	**Half-year ended 31 December 2017 $M**
Toll revenue	**1,298**	1,131
Construction revenue	**777**	462
Other revenue	**39**	31
Total revenue	**2,114**	1,624

The Group adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018 on a fully retrospective basis. AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. AASB 15 supersedes a number of current revenue standards, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and associated Interpretations.

The Group's principal revenue generating activities, being the service concession arrangements, are accounted for in accordance with AASB Interpretation 12 Service Concession Arrangements (IFRIC 12), which specifies that the construction services and operation or maintenance services provided under the Group's service concession arrangements are two distinct types of services.

The Group concluded that there is no material change to the presentation, recognition, and measurement of revenue as a result of the transition to AASB 15 and consequently, the information presented for the prior comparative period has not been restated.

The Group's service concession arrangements fall into two types of models, the intangible asset model and the financial asset model as discussed below.

Service concession arrangements – intangible asset model

The revenue streams covered by this model are Toll revenue and Construction revenue. Revenue recognition principles for these revenue streams are discussed below:

Revenue type	**Recognition**
Toll revenue	The customer with respect to the operation or maintenance services is the user of the infrastructure and, therefore, each use made of the toll road by users is considered a performance obligation, and the related revenue is recognised at the point in time that the individual service is provided. Revenue is recognised when the charge is incurred by the user and the amount is determined to be recoverable by the Group. Total toll revenue is net of any revenue share arrangements that the Group has triggered during the reporting period.
Construction revenue	The customer with respect to the construction services is the concession grantor. The revenue for the construction of service concession infrastructure assets will be accounted for as one performance obligation. The revenue will be recognised in line with the progress of construction services provided, which is measured at fair value, determined by reference to the stand-alone selling price. Revenue for the construction of service concession infrastructure assets is recognised in accordance with the percentage of completion method, which is measured by reference to costs incurred to date as a percentage of total forecast costs for each project.

Service concession arrangements – financial asset model

The Group's accounting policy for service concession arrangements under the financial asset model when applying AASB 15 *Revenue from contracts with customers* is consistent with that disclosed in the annual report for the year ended 30 June 2018 at note B17 Concession financial asset. The Group's concession financial assets relate only to A25 as of 31 December 2018.

Other revenue

Other revenue includes management fee revenue, roaming fees and advertising revenue, and is recognised at the point the service is provided.

Interest income – receivables

Interest income (see note B9) from receivables and bank deposits is recognised using the effective interest method.

B6 Income tax

Income tax expense/(benefit)	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Current tax	(32)	(1)
Deferred tax	(87)	(136)
	(119)	(137)
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
(Increase)/decrease in deferred tax assets	(24)	29
Increase/(decrease) in deferred tax liabilities	(63)	(165)
	(87)	(136)

Reconciliation of income tax expense/(benefit) to prima facie tax payable

	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Profit/(loss) before income tax expense/(benefit)	26	194
Tax at the Australian tax rate of 30.0% (2017: 30.0%)	8	58
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Trust income not subject to tax	(34)	(116)
Equity accounted results	32	(5)
Tax rate differential	2	–
Change in tax rate	–	26
Non-deductible interest	7	8
Non-deductible depreciation	(4)	(4)
Gain on revaluation of equity accounted investment in Interlink Roads (M5)	(68)	–
Prior year tax losses recognised	3	(105)
Sundry items	7	1
(Over)/under provision in prior years	(72)	–
Income tax benefit	(119)	(137)
Tax expense/(income) relating to items of other comprehensive income		
Cash flow hedges	(11)	(14)
Foreign currency translation	6	–
	(5)	(14)

Changes to US tax legislation
On 22 December 2017, the US Tax Cuts and Jobs Act ("the Tax Act") was signed into law. Included in the Tax Act is a change to the US Federal Corporate Tax Rate from 35% to 21%. All deferred tax balances related to the US operations of the Group have been adjusted to the lower enacted tax rate from 1 January 2018, resulting in an income tax expense of $26 million being recorded for the half-year ended 31 December 2017.

Recording of unbooked tax losses
The Group's accounting policy is to record deferred tax assets for carry forward unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which unused tax losses can be utilised prior to expiry (if applicable).

During the half-year ended 31 December 2017, the Group undertook a review of its unbooked tax losses in conjunction with updated forecast financial information of the relevant entities in the Group. As a result, the Group determined it is probable future taxable profit will be available to utilise previously unbooked tax losses in the Group's US operations prior to their expiry. Accordingly, an additional deferred tax asset of $105 million was recorded as at 31 December 2017. The balance remains recoverable at 31 December 2018.

(Over)/under provision in prior years
Included in the (over)/under provision for the half-year ended 31 December 2018 is a $70 million adjustment to the tax base for the Legacy Way concession asset following confirmation in the period of the availability of certain deductions that existed at the acquisition date of Transurban Queensland in 2014.

Security holder outcomes

B7 Earnings per stapled security

Reconciliation of earnings used in calculating earnings per security

	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Profit attributable to ordinary security holders of the stapled group ($M)	**129**	338
Weighted average number of securities (M)	**2,355**	2,056
Basic and diluted earnings per security attributable to the ordinary security holders of the stapled group (cents)	**5.5**	16.4

B8 Dividends/distributions and free cash

	Total $M	Paid in cash $M	Settled in securities $M	Cents	Date paid/ payable
Dividends/distributions paid during the half-year					
31 December 2017					
Declared 23 May 2017					
Franked THL	72	69	3	3.5	
Unfranked THT	472	454	18	23.0	
	544	523	21	26.5	11 August 2017
31 December 2018					
Declared 21 May 2018					
Franked THL	**56**	**56**	–	**2.5**	
Unfranked THT	**567**	**567**	–	**25.5**	
	623	**623**	–	**28.0**	**10 August 2018**
Dividends/distributions payable by the Group					
31 December 2017					
Declared 4 December 2017					
Franked THL	51	46	5	2.5	
Unfranked THT	524	495	29	25.5	
	575	541	34	28.0	16 February 2018
31 December 2018					
Declared 4 December 2018					
Franked THL	**27**	–	–	**1.0**	
Unfranked THT	**748**	–	–	**28.0**	
	775	–	–	**29.0**	**15 February 2019**

B8 Dividends/distributions and free cash (continued)

Free cash calculation

The Group seeks to align distributions with free cash. The Group calculates free cash as follows:

	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Cash flows from operating activities	**552**	486
Add back transaction and integration costs related to acquisitions	**17**	–
Add back payments for maintenance of intangible assets	**66**	46
Less debt amortisation of 100% owned assets	**(1)**	–
Less cash flow from operating activities from consolidated non-100% owned entities	**(214)**	(176)
Less allowance for maintenance of intangible assets for 100% owned assets	**(32)**	(24)
Adjust for distributions and interest received from non-100% owned entities		
M1 Eastern Distributor distribution	**27**	30
M5 dividends and term loan note interest[1]	**69**	80
Transurban Queensland distribution and shareholder loan note payments	**73**	75
NWRG distribution and shareholder loan note payments	**158**	65
Free cash	**715**	582
Weighted average securities on issue (millions)[2]	**2,672**	2,055
Free cash per security (cents) – weighted average securities	**26.8**	28.3

1. *M5 dividends and term-loan notes interest received of $57 million is adjusted for debt amortisation of $12 million from 1 October 2018.*
2. *The weighting applied to securities is based on their eligibility for distributions during the year and is consequently different to weighted average securities calculated at note B7 Earnings per stapled security.*

Capital and borrowings

B9 Net finance costs

	Half-year ended 31 December 2018 $M	**Half-year ended 31 December 2017 $M**
Finance income		
Interest income on financial assets at amortised cost	**30**	–
Interest income on held-to-maturity investments	**–**	28
Interest income on bank deposits held at amortised cost	**12**	9
Income from concession financial asset	**13**	–
Net foreign exchange gains	**–**	8
Total finance income	**55**	45
Finance costs		
Interest and finance charges paid/payable	**(401)**	(365)
Unwind of discount on liabilities – maintenance provision	**(21)**	(22)
Unwind of discount on liabilities – promissory and concession notes	**(1)**	(9)
Unwind of discount on liabilities – other liabilities	**(6)**	(11)
Net foreign exchange losses	**(20)**	–
Total finance costs	**(449)**	(407)
Net finance costs	**(394)**	(362)

Income from concession financial asset

See note B5 for the revenue recognition policy relating to recognising finance income from the concession financial asset.

B9 Net finance costs (continued)

Adoption of AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

AASB 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new standard are therefore not reflected in the restated balance sheet as at 30 June 2018, but are recognised in the opening balance sheet on 1 July 2018.

AASB 9 eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale. Under AASB 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or at fair value through profit or loss (FVPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Balance Sheet (extract)	As at 30 June 2018 $M	AASB 9 impact	As at 1 July 2018 $M
ASSETS			
Current assets			
Trade and other receivables	444	(19)	**425**
Derivative financial instruments	21	–	**21**
Held-to-maturity investments	226	(226)	**–**
Financial assets at amortised cost	–	226	**226**
Total current assets	1,821	(19)	**1,802**
Non-current assets			
Held-to-maturity investments	806	(806)	**–**
Financial assets at amortised cost	–	733	**733**
Financial asset at fair value through profit or loss (FVPL)	–	92	**92**
Derivative financial instruments	217	–	**217**
Deferred tax assets	1,021	5	**1,026**
Total non-current assets	24,605	24	**24,629**
Total assets	26,426	5	**26,431**
LIABILITIES			
Current liabilities			
Derivative financial instruments	11	–	**11**
Total current liabilities	2,223	–	**2,223**
Non-current liabilities			
Deferred tax liabilities	985	(2)	**983**
Derivative financial instruments	441	–	**441**
Total non-current liabilities	17,437	(2)	**17,435**
Total liabilities	19,660	(2)	**19,658**
Net assets	6,766	7	**6,773**
EQUITY			
Contributed equity	1,746	–	**1,746**
Reserves	(101)	–	**(101)**
Accumulated losses	(3,455)	12	**(3,443)**
Non-controlling interests held by security holders of the stapled group (THT/TIL)	7,401	–	**7,401**
Equity attributable to security holders of the stapled group	5,591	12	**5,603**
Non-controlling interests – other	1,175	(5)	**1,170**
Total equity	6,766	7	**6,773**

B9 Net finance costs (continued)

The total impact on the Group's equity as at 1 July 2018 is as follows:

	Total equity $M
Total equity as at 30 June 2018	**6,766**
Reclassification of held-to-maturity assets to financial assets at FVPL[1]	**22**
Increase in provision for trade receivables at amortised cost	**(10)**
Increase in provision for other financial assets at amortised cost	**(9)**
Increase in provision for debt financial assets at amortised cost	**(3)**
Increase in deferred tax assets relating to impairment provisions	**7**
Net adjustment to accumulated losses, including non-controlling interest - other, from adoption of AASB 9 on 1 July 2018	**7**
Total equity as at 1 July 2018	**6,773**

1. *The M5 debt notes have been eliminated subsequent to 1 July 2018, following the Group's consolidation of this business from 18 September 2018. Refer to note B13 for further information.*

Impact of transition to AASB 9

(i) Classification and measurement

On 1 July 2018 (the date of initial application of AASB 9), the Group has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate AASB 9 categories.

Reclassification from held-to-maturity to financial assets at amortised cost

NorthConnex shareholder loan notes ('SLNs') (previously disclosed within non-current held-to-maturity assets) are now classified and disclosed as financial assets at amortised cost within non-current assets. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of the financial asset at 1 July 2018 to be recognised in opening retained earnings. An increase of $3 million in the provision for impairment of this asset was recognised in opening retaining earnings for the period (tax impact $1 million).

Treasury notes (previously disclosed within current held-to-maturity assets) are now classified and disclosed as other financial assets at amortised cost within current assets. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of the financial asset at 1 July 2018 to be recognised in opening retained earnings. There was no change in the provision for impairment of these assets recognised in opening retaining earnings for the period (tax impact $nil).

Reclassification from held-to-maturity to financial assets at fair value through profit or loss

M5 debt notes (previously disclosed within non-current as held-to-maturity assets) are now classified and disclosed as financial assets at fair value through profit or loss within non-current assets. The Group intends to hold the assets to maturity to collect contractual cash flows however the cash flows do not consist solely of payment of principal and interest due to a portion of cash flows being linked to the performance of the underlying toll road. An increase in value of $22 million (tax impact $nil) was recorded between the previous carrying amount and the revised carrying amount of the financial asset at 1 July 2018 and was recognised in opening retained earnings.

(ii) Derivatives and hedging activities

The foreign currency forwards and interest rate swaps in place as at 30 June 2018 qualified as cash flow hedges under AASB 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of AASB 9 and these relationships are therefore treated as continuing hedges. Accordingly, there is no impact from adopting AASB 9 on the Group's accounting for derivatives and hedging activities.

B9 Net finance costs (continued)

(iii) Impairment of financial assets

The Group has three types of financial assets that are subject to AASB 9's new expected credit loss model:

- trade receivables for toll revenue,
- other financial assets at amortised cost, and
- debt financial assets carried at amortised cost.

The Group has revised its impairment methodology under AASB 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the previous table above. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Trade receivables at amortised cost

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance as at 1 July 2018 was determined as follows for trade receivables:

1 July 2018	Current	Up to 90 days past due	More than 90 days past due	Total
Expected loss rate	1%	7%	92%	NA[1]
Gross carrying amount ($M)	67	14	13	94
Loss allowance ($M)	(1)	(1)	(12)	(14)

1. NA - Not applicable.

The loss allowances for trade receivables applying AASB 9 increased by $10 million (tax impact $3 million) to $14 million as at 1 July 2018, as adjusted through opening retained earnings.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for an extended period.

Other receivables at amortised cost

Other financial assets at amortised cost include concession financial assets, other receivables and loan receivables at call recorded within trade and other receivables and treasury notes recorded within financial assets at amortised cost. Applying the expected credit risk model resulted in the recognition of a loss allowance of $9 million (tax impact $3 million) on 1 July 2018 (previous loss allowance was $nil).

With the exception of a subset of other receivables recorded at amortised cost, the Group's other financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised on 1 July 2018 was therefore limited to 12 months expected losses and was immaterial. Management consider 'low credit risk' to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The subset of financial assets with specific credit risk characteristics have a loss allowance recorded equivalent to the gross carrying amount of $9 million.

Debt financial assets carried at amortised cost

Debt financial assets carried at amortised cost relate to NorthConnex SLN's recorded within financial assets at amortised cost. Applying the expected credit risk model resulted in the recognition of a loss allowance of $3 million (tax impact $1 million) at 1 July 2018 (previous loss allowance was $nil).

The Group's debt financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised on 1 July 2018 was therefore limited to 12 months expected losses.

Revised accounting policies applied from 1 July 2018 - AASB 9 Financial Instruments

(i) Investments and other financial assets

Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

B9 Net finance costs (continued)

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment FVOCI. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. As of 31 December 2018 the Group has no debt instruments accounted for at FVOCI.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises. As of 31 December 2018 the Group has no debt instruments accounted for at FVPL.

(i) Impairment

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iii) Derivatives and hedging

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion are recognised immediately in profit or loss, within net finance costs.

When forward contracts are used to hedge forecast transactions, the Group generally designates the entire fair value of the forward contract as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

B10 Borrowings

	31 December 2018 $M	30 June 2018 $M
Current		
Capital markets debt	**260**	255
U.S. private placement	**226**	246
Term debt	**931**	23
Total current borrowings	**1,417**	524
Non-current		
Capital markets debt	**9,189**	8,232
U.S. private placement	**2,545**	2,466
Term debt	**2,530**	2,622
TIFIA	**1,312**	1,243
Shareholder loan notes	**373**	308
Total non-current borrowings	**15,949**	14,871
Total borrowings	**17,366**	15,395

Financing Activities

During the reporting period Transurban executed a number of financing activities including:

August 2018	Corporate letter of credit facilities for a total of $676 million were established with a tenor of one year.
September 2018	STP JV raised $1.1 billion under a bridge facility to partially fund the upfront WCX purchase price. The facility was fully repaid in October 2018 using proceeds from the Stage 1 WCX debt raising.
October 2018	WCX raised $4.0 billion of non-recourse debt for the WCX New M4 (Stage 1) via a new senior bank debt facility split evenly across three and five year tenors.
November 2018	Transurban priced CAD650 million of senior secured 10-year notes under its Euro Medium Term Note Programme. The notes are to remain in Canadian dollars to provide a balance sheet hedge for Transurban's Canadian dollar investment in the A25.
	Transurban Cardinal Holdings Limited priced CAD200 million of 4-year fixed rate senior secured notes which remain in Canadian dollars to also provide a balance sheet hedge for Transurban's Canadian dollar investment in the A25.
December 2018	Westlink M7 issued $345 million of 12-year, $195 million of 15-year and $75 million of 20-year senior secured notes in the US private placement market.
	WCX established a $600 million non-recourse senior bank debt construction facility for the WCX M4-M5 Link. The facility has a tenor of 7 years.

B11 Derivatives and financial risk management

Derivatives

	31 December 2018 $M		30 June 2018 $M	
	Current	Non-current	Current	Non-current
Assets				
Interest rate swap contracts – cash flow hedges	**–**	**–**	–	5
Forward exchange contract – cash flow hedges	**1**	**–**	1	–
Cross-currency interest rate swap contracts – cash flow hedges	**35**	**318**	20	212
Total derivative financial instrument assets	**36**	**318**	21	217
Liabilities				
Interest rate swap contracts – cash flow hedges	**14**	**206**	–	185
Forward exchange contracts – cash flow hedges	**–**	**–**	1	–
Cross-currency interest rate swap contracts – cash flow hedges	**–**	**84**	10	256
Total derivative financial instrument liabilities	**14**	**290**	11	441

Fair value measurements

The carrying value of the Group's financial assets and liabilities approximate fair value. This is also generally the case with borrowings since either the interest payable on those borrowings is close to current market rates or the borrowings are of a short-term nature. The fair values of non-current borrowings are determined based on discounted cash flows using a current borrowing rate. They are classified as level 2 fair values in the fair value hierarchy due to the use of observable inputs.

Fair value is categorised within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement as a whole:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Group's financial instruments measured, recognised and disclosed at fair value were valued using market observable inputs (Level 2). There were no transfers between levels during the period and there has been no change in the valuation techniques applied.

Network summary

B12 Network summary

The table below summarises the key balance sheet items of the Group's concession assets by geographical region:

31 December 2018 $M	Equity accounted investment carrying amount	Concession intangible assets	Concession financial assets	Assets under construction[1]	Goodwill	Maintenance provision
Melbourne	**–**	**3,093**	**–**	**1,209**	**1**	**(137)**
Sydney	**3,789**	**6,965**	**–**	**3**	**260**	**(225)**
Brisbane	**–**	**7,684**	**–**	**384**	**205**	**(618)**
North America	**5**	**3,998**	**352**	**275**	**–**	**(143)**
Net book amount	**3,794**	**21,740**	**352**	**1,871**	**466**	**(1,123)**

30 June 2018 $M	Equity accounted investment carrying amount	Concession intangible assets	Concession financial assets	Assets under construction[1]	Goodwill	Maintenance provision
Melbourne	–	3,188	–	676	1	(135)
Sydney	469	4,933	–	3	260	(183)
Brisbane	–	7,735	–	300	205	(628)
North America	5	3,903	349	165	–	(118)
Net book amount	474	19,759	349	1,144	466	(1,064)

1. *Assets under construction are included within other intangible assets in the consolidated balance sheet.*

Key estimate

As of 31 December 2018 the Group has a number of projects under development at varying stages of completion. The Group is exposed to direct and indirect construction risk including through its third party contractors. The Group continuously monitors its exposure to construction risk, assessing impacts to the financial statements at the conclusion of each reporting period.

Group structure

B13 Business combinations

A25

A25 was acquired on 5 June 2018. There have been no changes to the provisional acquisition balances reported for the A25 acquisition since 30 June 2018. The Group is finalising the accounting for the business combination and expects to complete the assessment of fair values of assets and liabilities acquired prior to 5 June 2019.

M5

On 18 September 2018, the Group completed the acquisition of an additional 8.24% equity interest (and a corresponding additional interest in the M5 debt notes) of the company that holds the M5 Motorway concession in Sydney, New South Wales through an all cash offer of $116 million. After this acquisition, the Group's overall equity ownership interest in M5 increased to 58.24%. The Group has determined that this increased equity ownership provides the Group with control over the M5.

The transaction has been accounted for as a step-up acquisition, being a disposal of the Group's existing 50% equity accounted investment in M5 at its fair value on 18 September 2018 in exchange for the acquisition of a 58.24% controlling interest in M5 as if this is a business acquisition. Total transaction costs on acquisition incurred is $8 million stamp duty. The total costs have been incurred in the current financial year. This amount is not included in the purchase consideration disclosed above. These costs are included in the Group's consolidated statement of comprehensive income for the half-year ended 31 December 2018 and are disclosed as a significant item (see note B4).

Reconciliation of valuation of existing 50% equity accounted investment on date of consolidation

	$M
Fair value of 50% equity interest in M5	332
Less: Carrying value of equity accounted investment in M5 (net of Reserves: $2 million)	(104)
Gain on revaluation of equity accounted investment in M5	**228**

Fair value allocation of cash consideration paid

	$M
Total cash consideration paid	116
Less: fair value of 8.24% of M5 debt notes acquired	(15)
Cash consideration for 8.24% equity investment in M5	**101**

Total value of net assets acquired	$M
Cash consideration for 8.24% equity investment in M5	101
Fair value of 50% equity accounted investment in M5	332
Fair value of 41.76% non-controlling interest in M5	277
Total	**710**

B13 Business combinations (continued)

Identifiable assets acquired and liabilities assumed

The provisionally determined fair values of the assets and liabilities of M5 as at acquisition date are as follows:

	Provisional fair value $M
Cash and cash equivalents	51
Trade and other receivables	10
Concession intangible assets and property, plant and equipment	2,202
Trade and other payables	(69)
Provisions	(54)
Interest bearing liabilities	(654)
M5 term loan notes	(185)
Financial derivatives liabilities	(16)
Deferred tax liabilities	(575)
Total identified assets acquired	**710**
Net assets attributable to non-controlling interest	(277)
Net assets attributable to Transurban Group's security holders	**433**

The M5 term loan notes have been eliminated through the consolidation of M5. On consolidation a liability owing to the non-controlling interest is recorded.

The assets and liabilities of the M5 were measured at fair value at the acquisition date of 18 September 2018 with fair values having been determined on a provisional basis. The total provisional fair value is allocated to M5 concession asset and no goodwill has been recognised.

Revenue and profit contribution

From the date of acquisition to 31 December 2018, revenue of $91 million and a statutory loss after taxation of $12 million was included in the profit or loss with regard to M5. Excluding significant items related to the acquisition, M5 contributed a net loss after taxation of $4 million.

If the acquisition had occurred on 1 July 2018, revenue of $160 million, and a statutory loss after taxation of $18 million would have been recognised for the six month period ended 31 December 2018. Excluding significant items related to the acquisition, the net loss after taxation would have been $10 million. These amounts have been calculated using the subsidiaries' results and adjusting for one-off costs not related to the ongoing operations of the business.

Additional ownership acquisition from non-controlling interest

On 3 December 2018, the Group acquired an additional 7.14% interest in M5 for a total consideration of $99 million, comprising $86 million for the additional equity interest and $13 million to acquire the proportional M5 term loan notes. As there is no change in control from this transaction, it has been accounted for as a transaction between shareholders within equity, with no impact to profit or loss. Transaction costs on acquisition of the additional 7.14% interest relate to stamp duty of $8 million and are also recorded as a transaction between shareholders within equity.

B14 Equity accounted investments

Below is the reconciliation of the equity accounted carrying value of investments:

	$M
Opening carrying value 1 July 2018	474
Group's share of net profits/(losses)	(305)
Group's recognised share of other comprehensive income	(16)
Dividends and distributions received	(96)
NWRG shareholder loan modification	290
Disposal due to M5 step-up acquisition	(102)
Acquisition of and capital contributions to STP JV interest	3,487
Fair value adjustment on issuance of shareholder loans to STP JV	62
Closing carrying value 31 December 2018	**3,794**

NWRG shareholder loan modification

During the period the NorthWestern Roads Group and its shareholders modified the existing SLNs on issue. The modified SLNs include an at call facility (maturity date is greater than 12 months). The at call loan has been recorded at fair value on initial recognition and will be subsequently measured at amortised cost using the effective interest method. The difference between the nominal value of the at call loan and the fair value has been treated as a contribution to the equity accounted investment in NorthWestern Roads Group.

Disposal due to M5 step-up acquisition

As described in note B13, the acquisition of the additional interest in M5 has resulted in the Group obtaining control over M5 and this has resulted in the derecognition of the Group's equity accounted investment in M5 at the date of acquisition.

STP JV (50% ownership interest)

To facilitate the WCX acquisition, the STP JV was established by Transurban (50%), AustralianSuper (20.5%), Canada Pension Plan Investment Board (CPPIB) (20.5%) and Tawreed Investments Limited (Tawreed) (9%). The STP JV and its subsidiaries is jointly controlled by Transurban, AustralianSuper and CPPIB.

On 27 September 2018, the STP JV acquired a controlling 51% stake in WCX from the NSW State Government. On the same date, Transurban also executed a Master Services Agreement with WCX to provide operational services over the concession life of WCX.

WCX has long-dated concessions through to 2060 and includes 33-kilometres of new or improved motorway linking Sydney's west and southwest with the CBD, and the corridor to Sydney Airport and Port Botany.

To fund STP JV's acquisition of WCX, the Group contributed $3,411 million equity into STP JV and also issued SLNs with a face value of $700 million. The SLNs earn interest at a rate equivalent to the weighted average of the interest rate applicable to WCX's senior secured debt plus a margin. The agreement includes a mechanism to capitalise interest should funds not be available to settle accrued interest. The SLNs are repayable 10 years after their respective issuance date. The SLNs are presented within non-current financial assets at amortised cost in the consolidated balance sheet. The Group has measured the SLNs at fair value on initial recognition and the SLNs will be subsequently measured at amortised cost using the effective interest method. The difference between the nominal value of the SLNs and the fair value has been treated as a contribution to the equity accounted investment in STP JV.

Key estimate

The Group's assessment that it does not control STP JV has been made by considering the terms of the Investment Agreement signed by the JV partners. This Agreement requires a supermajority vote of at least 82.5% of all shareholders for the decisions on the significant relevant activities made by the JV. As such, the Group concluded that it, together with AustralianSuper and CPPIB, jointly controls the STP JV and its controlled entities.

Items not recognised

B15 Contingencies

There were no material changes in contingencies for the half-year ended 31 December 2018.

B16 Subsequent events

In the interval between the end of the half-year and the date of this report, there have been no matters or circumstances that have significantly affected, or may significantly affect, the Group's operations, the results of those operations, or Group's state of affairs, in the future years.

Section C: Transurban Holding Trust ('THT') and Transurban International Limited ('TIL') financial statements

Section D: Notes to the THT and TIL financial statements

Transurban Holding Trust and Transurban International Limited
Consolidated statements of comprehensive income
for the half-year ended 31 December 2018

	Note	Transurban Holding Trust		Transurban International Limited	
		Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Revenue	D4	**555**	434	**251**	193
Expenses					
Employee benefits expense		**–**	–	**(12)**	(10)
Road operating costs		**–**	–	**(47)**	(30)
Construction costs		**(137)**	(84)	**(97)**	(81)
Transaction and integration costs		**–**	–	**(6)**	–
Corporate and other expenses		**(3)**	(3)	**(8)**	(6)
Total expenses		**(140)**	(87)	**(170)**	(127)
Earnings before depreciation and amortisation, net finance costs, equity accounted investments and income tax		**415**	347	**81**	66
Depreciation and amortisation expense		**(155)**	(155)	**(48)**	(19)
Net finance income/(costs)	D6	**53**	182	**(120)**	(81)
Share of net profit/(loss) of equity accounted investments		**(184)**	13	**–**	–
Profit/(loss) before income tax		**129**	387	**(87)**	(34)
Income tax benefit		**–**	–	**14**	88
Profit/(loss) for the half-year		**129**	387	**(73)**	54
Profit/(loss) is attributable to:					
Ordinary security holders of TIL		**–**	–	**(73)**	54
Ordinary unit holders of THT		**138**	381	**–**	–
Non–controlling interests		**(9)**	6	**–**	–
		129	387	**(73)**	54
Other comprehensive income					
Items that may be reclassified to profit or loss					
Changes in the fair value of cash flow hedges, net of tax		**–**	(18)	**(2)**	(7)
Share of other comprehensive income from equity accounted investments, net of tax		**(8)**	–	**–**	–
Exchange differences on translation of North American operations, net of tax		**–**	–	**(24)**	5
Movement in share based payments reserve		**(4)**	(3)	**–**	–
Other comprehensive income/(loss) for the half-year, net of tax		**(12)**	(21)	**(26)**	(2)
Total comprehensive income/(loss) for the half-year		**117**	366	**(99)**	52
Total comprehensive income/(loss) for the half-year is attributable to:					
Ordinary security holders of TIL		**–**	–	**(99)**	52
Ordinary unit holders of THT		**123**	368	**–**	–
Non-controlling interests		**(6)**	(2)	**–**	–
		117	366	**(99)**	52
		Cents	Cents	**Cents**	Cents
Earnings per security attributable to ordinary security holders of the group:					
Basic and diluted earnings/(loss) per security	D5	**5.8**	18.5	**(3.1)**	2.6

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

Transurban Holding Trust and Transurban International Limited
Consolidated balance sheets
for the half-year ended 31 December 2018

	Note	Transurban Holding Trust		Transurban International Limited	
		As at 31 December 2018 $M	As at 30 June 2018 $M	As at 31 December 2018 $M	As at 30 June 2018 $M
ASSETS					
Current assets					
Cash and cash equivalents		**118**	113	**532**	346
Loans to related parties		**257**	884	**–**	–
Trade and other receivables		**12**	5	**53**	55
Concession notes		**176**	100	**–**	–
Held-to-maturity investments		**–**	–	**–**	226
Financial assets at amortised cost		**–**	–	**31**	–
Total current assets		**563**	1,102	**616**	627
Non-current assets					
Equity accounted investments		**2,661**	364	**5**	5
Derivative financial instruments	D8	**66**	19	**–**	–
Related party receivables		**11,247**	10,410	**–**	–
Concession notes		**910**	965	**–**	–
Concession financial asset		**–**	–	**327**	323
Financial assets at amortised cost		**636**	–	**–**	–
Property, plant and equipment		**–**	–	**37**	28
Deferred tax assets		**61**	66	**236**	271
Other intangible assets		**9,584**	9,601	**4,276**	4,068
Total non-current assets		**25,165**	21,425	**4,881**	4,695
Total assets		**25,728**	22,527	**5,497**	5,322
LIABILITIES					
Current liabilities					
Related party payables		**594**	632	**1,598**	1,644
Trade and other payables		**52**	73	**80**	56
Borrowings	D7	**849**	20	**4**	3
Maintenance provision		**–**	–	**9**	6
Distribution payable		**786**	615	**–**	–
Derivative financial instruments	D8	**2**	–	**–**	–
Other liabilities		**93**	97	**20**	21
Total current liabilities		**2,376**	1,437	**1,711**	1,730
Non–current liabilities					
Maintenance provision		**–**	–	**134**	113
Deferred tax liabilities		**–**	–	**347**	401
Related party payables		**5,418**	5,567	**727**	890
Borrowings	D7	**5,873**	6,361	**2,914**	2,591
Derivative financial instruments	D8	**57**	160	**150**	140
Other liabilities		**54**	52	**1**	2
Total non-current liabilities		**11,402**	12,140	**4,273**	4,137
Total liabilities		**13,778**	13,577	**5,984**	5,867
Net assets/(liabilities)		**11,950**	8,950	**(487)**	(545)
EQUITY					
Contributed equity		**–**	–	**520**	363
Issued units		**15,926**	12,243	**–**	–
Reserves		**(98)**	(83)	**(189)**	(163)
Accumulated losses		**(4,885)**	(4,255)	**(818)**	(745)
Non-controlling interests		**1,007**	1,045	**–**	–
Total equity		**11,950**	8,950	**(487)**	(545)

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

THT

	Attributable to security holders of Transurban Holding Trust					
	No. of units M	**Issued units $M**	**Reserves $M**	**Accumulated losses $M**	**Non-controlling interests $M**	**Total equity $M**
Balance at 1 July 2017	**2,052**	**10,665**	**(44)**	**(3,836)**	**1,147**	**7,932**
Comprehensive income						
Profit/(loss) for the half-year	–	–	–	381	6	387
Other comprehensive income/(loss)	–	–	(13)	–	(8)	(21)
Total comprehensive income/(loss)	**–**	**–**	(13)	381	(2)	366
Contributions of equity, net of transaction costs[1]	123	1,126	–	–	–	1,126
Employee performance awards issued	1	5	–	–	–	5
Distributions provided to or paid	–	–	–	(524)	–	(524)
Distribution reinvestment plan	2	17	–	–	–	17
Distributions to non-controlling interests	–	–	–	–	(42)	(42)
	126	**1,148**	**–**	**(524)**	**(42)**	**582**
Balance at 31 December 2017	**2,178**	**11,813**	**(57)**	**(3,979)**	**1,103**	**8,880**
Balance at 30 June 2018 as originally presented	**2,225**	**12,243**	**(83)**	**(4,255)**	**1,045**	**8,950**
Change in accounting policy	–	–	–	**(21)**	–	**(21)**
Balance at 1 July 2018	**2,225**	**12,243**	**(83)**	**(4,276)**	**1,045**	**8,929**
Comprehensive income						
Profit/(loss) for the half-year	**–**	**–**	**–**	**138**	**(9)**	**129**
Other comprehensive income/(loss)	**–**	**–**	**(15)**	**–**	**3**	**(12)**
Total comprehensive income/(loss)	**–**	**–**	**(15)**	**138**	**(6)**	**117**
Contributions of equity, net of transaction costs[1]	**446**	**3,676**	**–**	**–**	**–**	**3,676**
Employee performance awards issued	**1**	**7**	**–**	**1**	**–**	**8**
Distributions provided to or paid	**–**	**–**	**–**	**(748)**	**–**	**(748)**
Distributions to non-controlling interests	**–**	**–**	**–**	**–**	**(32)**	**(32)**
	447	**3,683**	**–**	**(747)**	**(32)**	**2,904**
Balance at 31 December 2018	**2,672**	**15,926**	**(98)**	**(4,885)**	**1,007**	**11,950**

TIL

	Attributable to security holders of Transurban International Limited				
	No. of securities M	**Contributed equity $M**	**Reserves $M**	**Accumulated losses $M**	**Total equity $M**
Balance at 1 July 2017	**2,052**	**309**	**(140)**	**(733)**	**(564)**
Comprehensive income					
Profit/(loss) for the half-year	–	–	–	54	54
Other comprehensive income/(loss)	–	–	(2)	–	(2)
Total comprehensive income/(loss)	**–**	**–**	(2)	54	52
Contributions of equity, net of transaction costs[1]	123	38	–	–	38
Employee performance awards issued	1	–	–	–	–
Distribution reinvestment plan	2	1	–	–	1
	126	**39**	**–**	**–**	**39**
Balance at 31 December 2017	**2,178**	**348**	**(142)**	**(679)**	**(473)**
Balance at 30 June 2018 as originally presented	**2,225**	**363**	**(163)**	**(745)**	**(545)**
Change in accounting policy	**–**	**–**	**–**	**–**	**–**
Balance at 1 July 2018	**2,225**	**363**	**(163)**	**(745)**	**(545)**
Comprehensive income					
Profit/(loss) for the half-year	**–**	**–**	**–**	**(73)**	**(73)**
Other comprehensive income/(loss)	**–**	**–**	**(26)**	**–**	**(26)**
Total comprehensive income/(loss)	**–**	**–**	**(26)**	**(73)**	**(99)**
Contributions of equity, net of transaction costs[1]	**446**	**157**	**–**	**–**	**157**
Employee performance awards issued	**1**	**–**	**–**	**–**	**–**
	447	**157**	**–**	**–**	**157**
Balance at 31 December 2018	**2,672**	**520**	**(189)**	**(818)**	**(487)**

1. *Refer to the Group Consolidated statement of changes in equity for further information.*

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

Transurban Holding Trust and Transurban International Limited
Consolidated statements of cash flows
for the year ended 31 December 2018

	Transurban Holding Trust		Transurban International Limited	
	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Cash flows from operating activities				
Receipts from customers	**415**	350	**161**	111
Payments to suppliers	**(26)**	(20)	**(46)**	(37)
Payments for maintenance of intangibles	**–**	–	**(2)**	(1)
Transaction costs related to acquisitions	**–**	–	**(6)**	–
Other revenue	**–**	–	**7**	–
Interest received	**199**	147	**3**	1
Interest paid	**(338)**	(343)	**(53)**	3
Net cash inflow from operating activities	**250**	134	**64**	77
Cash flows from investing activities				
Payments for equity accounted investments	**(2,487)**	–	**–**	(5)
Payments for property, plant and equipment	**–**	–	**(11)**	(5)
Payments for intangible assets	**(156)**	(86)	**(79)**	(77)
Payment for/Repayment of financial assets at amortised cost	**(700)**	–	**202**	–
Payments for held-to-maturity investments, net of fees	**–**	–	**–**	(163)
Receipts from concession notes	**48**	–	**–**	–
Distributions received from equity accounted investments	**60**	65	**–**	–
Net cash inflow/(outflow) from investing activities	**(3,235)**	(21)	**112**	(250)
Cash flows from financing activities				
Loans (to)/from related parties	**(5,717)**	(1,774)	**(207)**	(34)
Repayment of loans from/(to) related parties	**5,446**	966	**(157)**	–
Proceeds from issue of stapled securities (net of costs)	**3,676**	1,126	**157**	38
Proceeds from borrowings (net of costs)	**203**	470	**201**	300
Repayment of borrowings	**(10)**	(405)	**(1)**	(14)
Distributions paid to Transurban Group's security holders	**(567)**	(456)	**–**	–
Distributions paid to non-controlling interests in subsidiaries	**(41)**	(42)	**–**	–
Net cash inflow/(outflow) from financing activities	**2,990**	(115)	**(7)**	290
Net increase/(decrease) in cash and cash equivalents	**5**	(2)	**169**	117
Cash and cash equivalents at the beginning of the year	**113**	102	**346**	167
Effects of exchange rate changes on cash and cash equivalents	–	–	**17**	(9)
Cash and cash equivalents at end of the half-year	**118**	100	**532**	275

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

Basis of preparation and significant changes

D1 Introduction

The Transurban Holding Trust Group consists of Transurban Holding Trust and the entities it controls ('THT') and the Transurban International Limited Group consists of Transurban International Limited and the entities it controls ('TIL'). THT and TIL form part of the stapled Transurban Group.

THT is registered as a managed investment scheme under Chapter 5C of the Corporations Act 2001, and as a result requires a responsible entity. The responsible entity of the THT is Transurban Infrastructure Management Limited ('TIML'). TIML is the responsible entity of the Trust and is responsible for performing all functions that are required under the Corporations Act 2001 of a responsible entity.

THT is a Trust registered and domiciled in Australia.

TIL is a public company limited by shares and incorporated in Australia.

Going concern

THT's current liabilities exceed its current assets by $1,813 million as at 31 December 2018. This is in part attributable to $594 million of loans payable to another entity within the Transurban Group. Excluding this loan, THT has a net current liability of $1,219 million. The financial report has been prepared on a going concern basis, which assumes the continuity of normal operations. This is based on the following:

- THT has generated positive cash inflows from operating activities of $250 million for the half year ended 31 December 2018 and generated positive cash inflows from operating activities of $199 million for the year ended 30 June 2018;
- THT expects to refinance or repay with available cash all borrowing facilities classified as a current liability at 31 December 2018;
- THT has paid $1,062 million of dividends and distributions to Transurban Group's security holders over the past 12 months. Payment of future dividends is at the discretion of the Board; and
- Under the stapling arrangement, each entity is able to provide direct and/or indirect support to each other entity and its controlled entities within the Transurban Group.

TIL's current liabilities exceed its current assets by $1,095 million as at 31 December 2018. This is primarily attributable to $1,598 million of loans payable to another entity within the Transurban Group. Excluding this loan, the TIL has net current assets of $503 million. Under the stapling arrangement, each entity is able to provide direct and/or indirect support to each other entity and its controlled entities within the Transurban Group. The financial report has been prepared on a going concern basis, which assumes the continuity of normal operations.

D2 Trust formation and termination

The Transurban Holding Trust was established on 15 November 2001 and has no termination date. The Trust was registered as a managed investment scheme by the Australian Securities and Investments Commission on 28 November 2001.

Operating performance

D3 Segment information

Refer to note B3 for further information around the structure of the segments for the Transurban Group.

THT operating segments

Management has determined that THT has one operating segment.

THT operations involve the leasing of assets and the provision of funding to the Transurban Group or associates of the Transurban Group. All revenues and expenses are directly attributable to these activities. The management structure and internal reporting of the Trust are based on this one operating segment.

TIL operating segments

Management has determined that TIL has one operating segment.

TIL operations involve the development, operation and maintenance of toll roads in North America. All revenues and expenses are directly attributable to these activities. The management structure and internal reporting of TIL are based on this one operating segment.

Reconciliation of segment information to statutory financial information

Segment information for TIL as disclosed in the Transurban Group segment note at B3 is reconciled to the TIL statutory financial information below.

Segment revenue

Revenue from external customers is through toll and service and fee revenues earned on toll roads. There are no inter-segment revenues within the North America segment. Segment revenue reconciles to total statutory revenue as follows:

	TIL	
	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Total segment revenue (proportional)	**167**	112
Add:		
Construction revenue from road development activities	**97**	81
Toll revenue on A25 concession financial asset recognised as financial income	**(6)**	–
Other revenue on A25 concession financial asset recognised as financial income	**(7)**	–
Total revenue	**251**	193

Reconciliation of proportional EBITDA to statutory profit for the half-year

Proportional EBITDA reconciles to statutory net profit as follows:

	TIL	
	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Proportional EBITDA	**96**	66
Add:		
EBITDA attributable to TIL corporate activities (disclosed in corporate and other)	**(2)**	–
Toll and other revenue on A25 concession financial asset recognised as financial income	**(13)**	–
Statutory earnings before depreciation and amortisation, net finance costs, equity accounted investments and tax	**81**	66
Statutory net finance costs	**(120)**	(81)
Statutory depreciation and amortisation expense	**(48)**	(19)
Loss before tax for the half-year from continuing operations	**(87)**	(34)

D4 Revenue

	THT		TIL	
	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Toll revenue	–	–	**154**	112
Rental income	**399**	334	–	–
Construction revenue	**137**	84	**97**	81
Concession fees	**19**	16	–	–
Total revenue	**555**	434	**251**	193

For accounting policies on Toll revenue, construction revenue and other revenue, refer to note B5.

AASB 15 does not apply to the rental income revenue stream, which comprises rental income on the property held by THT. This income is recognised in accordance with the terms of the lease contract.

Security holder outcomes

D5 Earnings per stapled security

	THT		TIL	
	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Profit/(loss) attributable to ordinary security holders ($M)	**138**	381	**(73)**	54
Weighted average number of securities (M)	**2,355**	2,056	**2,355**	2,056
Basic and diluted earnings per security attributable to the ordinary security holders (Cents)	**5.8**	18.5	**(3.1)**	2.6

Capital and borrowings

D6 Net finance costs

	THT		TIL	
	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2017 $M
Finance income				
Interest income from related parties	**315**	298	**–**	–
Interest income on financial assets at amortised cost	**8**	–	**–**	
Other interest income	**1**	1	**2**	1
Interest income from concession financial asset	**–**	–	**13**	–
Net foreign exchange gains	**2**	–	**–**	–
Re-measurement of concession notes receivable	**49**	220	**–**	–
Total finance income	**375**	519	**15**	1
Finance costs				
Interest and finance charges paid/payable	**(315)**	(329)	**(133)**	(82)
Unwind of discount – other liabilities	**(1)**	(1)	**–**	–
Unwind of discount – promissory note payable	**(6)**	(6)	**–**	–
Unwind of discount on liabilities – maintenance provision	**–**	–	**(2)**	–
Net foreign exchange losses	**–**	(1)	**–**	–
Total finance costs	**(322)**	(337)	**(135)**	(82)
Net finance income / (costs)	**53**	182	**(120)**	(81)

D6 Net finance costs (continued)

Adoption of AASB 9 Financial Instruments

As explained below, AASB 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 30 June 2018, but are instead recognised in the opening balance sheet on 1 July 2018.

	THT			TIL		
	As at 30 June 2018 $M	AASB 9 impact	As at 1 July 2018 $M	As at 30 June 2018 $M	AASB 9 impact	As at 1 July 2018 $M
Balance Sheet (extract)						
ASSETS						
Current assets						
Loans to related parties	884	(1)	**883**	–	–	**–**
Trade and other receivables	5	–	**5**	55	–	**55**
Concession notes	100	–	**100**	–	–	**–**
Held-to-maturity investments	–	–	**–**	226	(226)	**–**
Financial assets at amortised cost	–	–	**–**	–	226	**226**
Total current assets	1,102	(1)	**1,101**	627	–	**627**
Non-current assets						
Derivative financial instruments	19	–	**19**	–	–	**–**
Related party receivables	10,410	(20)	**10,390**	–	–	**–**
Concession notes	965	–	**965**	–	–	**–**
Concession financial asset	–	–	**–**	323	–	**323**
Deferred tax assets	66	–	**66**	271	–	**271**
Total non-current assets	21,425	(20)	**21,405**	4,695	–	**4,695**
Total assets	22,527	(21)	**22,506**	5,322	–	**5,322**
LIABILITIES						
Current liabilities						
Derivative financial instruments	–	–	**–**	–	–	**–**
Total current liabilities	1,437	–	**1,437**	1,730	–	**1,730**
Non–current liabilities						
Deferred tax liabilities	–	–	**–**	401	–	**401**
Derivative financial instruments	160	–	**160**	140	–	**140**
Total non-current liabilities	12,140	–	**12,140**	4,137	–	**4,137**
Total liabilities	13,577	–	**13,577**	5,867	–	**5,867**
Net assets/(liabilities)	8,950	–	**8,950**	(545)	–	**(545)**
EQUITY						
Contributed equity	–	–	**–**	363	–	**363**
Issued units	12,243	–	**12,243**	–	–	**–**
Reserves	(83)	–	**(83)**	(163)	–	**(163)**
Accumulated losses	(4,255)	(21)	**(4,276)**	(745)	–	**(745)**
Non-controlling interests	1,045	–	**1,045**	–	–	**–**
Total equity	8,950	(21)	**8,929**	(545)	–	**(545)**

Accounting policies applied from 1 July 2018 - AASB 9 Financial Instruments

Refer to Note B9 for a summary of accounting policies adopted upon transition to AASB 9.

Impact of transition to AASB 9

Impairment of financial assets

The group was required to revise its impairment methodology under AASB 9 for each class of financial assets asset measured at amortised cost (there are no financial assets measured at fair value through other comprehensive income).

Related party receivables, including concession notes for Transurban Holding Trust

Applying the expected credit risk model resulted in the recognition of a loss allowance of $21 million on 1 July 2018 (previous loss allowance was $nil). The Group's related party receivables, including concession notes at amortised cost are considered to have low credit risk, and the loss allowance recognised on 1 July 2018 was therefore limited to 12 months expected losses.

D7 Borrowings

	THT		TIL	
	31 December 2018 $M	30 June 2018 $M	31 December 2018 $M	30 June 2018 $M
Current				
Term debt	**849**	20	**4**	3
	849	20	**4**	3
Non-current				
Capital markets debt	**2,471**	2,395	**1,011**	965
U.S. private placement	**1,795**	1,726	**205**	–
Term debt	**1,607**	2,240	**386**	383
TIFIA	–	–	**1,312**	1,243
	5,873	6,361	**2,914**	2,591
Total borrowings	**6,722**	6,381	**2,918**	2,594

D8 Derivative and financial risk management

	31 December 2018 $M				30 June 2018 $M			
	Current		Non-current		Current		Non-current	
	THT	TIL	THT	TIL	THT	TIL	THT	TIL
Assets								
Interest rate swap contracts – cash flow hedges	**–**	**–**	**–**	**–**	–	–	5	–
Cross currency interest rate swap contracts – cash flow hedges	**–**	**–**	**66**	**–**	–	–	14	–
Total derivative financial instrument assets	**–**	**–**	**66**	**–**	–	–	19	–
Liabilities								
Interest rate swap contracts – cash flow hedges	**2**	**–**	**27**	**150**	–	–	16	140
Cross-currency interest rate swap contracts – cash flow hedges	**–**	**–**	**30**	**–**	–	–	144	–
Total derivative financial instrument liabilities	**2**	**–**	**57**	**150**	–	–	160	140

Section E: Signed reports

In the opinion of the Directors of Transurban Holdings Limited, Transurban Infrastructure Management Limited (as the responsible entity of Transurban Holding Trust) and Transurban International Limited (collectively referred to as 'the Directors'):

(a) the financial statements and notes of Transurban Holdings Limited and its controlled entities, including Transurban Holding Trust and its controlled entities and Transurban International Limited and its controlled entities set out on pages 15 to 55 are in accordance with the Corporations Act 2001, including:

  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the Transurban Holdings Limited Group's, Transurban Holding Trust Group's and Transurban International Limited Group's financial position as at 31 December 2018 and of their performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that the Transurban Holdings Limited Group, Transurban Holding Trust Group and Transurban International Limited Group will be able to pay their debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
12 February 2019

Independent auditor's review report to the stapled security holders of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report which comprises of:

- Transurban Holdings Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Transurban Holdings Limited and its controlled entities (the Transurban Group). The Transurban Group comprises the Company and the entities it controlled at the half-year's end or from time to time during the financial half-year including the other members of the stapled group being Transurban International Limited and Transurban Holding Trust and their controlled entities.

- Transurban Holding Trust (the Trust), which comprises the consolidated balance sheet as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Transurban Holding Trust (THT). THT comprises the Trust and the entities it controlled at half-year's end or from time to time during the financial half-year.

- Transurban International Limited (the International Company), which comprises the consolidated balance sheet as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Transurban International Limited (TIL). TIL comprises the International Company and the entities it controlled at half-year's end or from time to time during the financial half-year.

Directors' responsibility for the half-year financial report

The directors of Transurban Holdings Limited, Transurban International Limited and Transurban Infrastructure Management, the responsible entity of Transurban Holding Trust, (collectively referred to as "the directors") are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian 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 half-year financial report is not in accordance with the *Corporations Act 2001*

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including giving a true and fair view of the Transurban Group, THT and TIL's financial position as at 31 December 2018 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Transurban Group, THT and TIL is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Transurban Group, THT and TIL 's financial position as at 31 December 2018 and of their performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

M. Laithwaite

Marcus Laithwaite
Partner

Melbourne
12 February 2019