Appendix 4D

ASX Listing Rule 4.2A | Interim Financial Report for the Half Year Ended 30 June 2020

Results for Announcement to the Market

	SAL Group 6 months to 30 June 2020 $m	SAL Group 6 months to 30 June 2019 $m	Movement $m	Movement %
Revenue	511.0	797.1	(286.1)	(35.9%)
(Loss)/Profit after income tax expense	(53.6)	17.3	(70.9)	(409.8%)
(Loss)/Profit after income tax expense attributable to security holders	(51.8)	199.8	(251.6)	(125.9%)

	SAT1 Group 6 months to 30 June 2020 $m	SAT1 Group 6 months to 30 June 2019 $m	Movement $m	Movement %
Revenue	-	-	n/a	n/a
Profit/(Loss) after income tax expense	114.4	(66.7)	181.1	271.5%
Profit/(Loss) after income tax expense attributable to security holders	114.4	(66.7)	181.1	271.5%

Distribution

Distributions	SAL Group 30 June 2020 $m	SAT1 Group 30 June 2020 $m	SAL Group 30 June 2019 $m	SAT1 Group 30 June 2019 $m
Final distribution (100% unfranked)	440.4[1]	117.5[1]	428.5	117.3
Interim distribution (100% unfranked)	-	-	440.1	115.1

Distributions	SAL Group 30 June 2020 cents per stapled security	SAT1 Group 30 June 2020 cents per stapled security	SAL Group 30 June 2019 cents per stapled security	SAT1 Group 30 June 2019 cents per stapled security
Final distribution (100% unfranked)	19.50[1]	5.20[1]	19.00	5.20
Interim distribution (100% unfranked)	-	-	19.50	5.10

1. This is the final distribution declared for the year ended 31 December 2019 and paid on 14 February 2020.

Due to the impact of the COVID-19 pandemic on the recent financial performance and near-term outlook, no interim distributions was declared by the SAL Group or the SAT1 Group for the half year ended 30 June 2020.

The interim distribution for 2019 with record date of 30 June 2019 of $440.1 million or 19.5 cents per stapled security was paid on 15 August 2019 by:

– SAL $325.0 million or 14.4 cents; and

– SAT1 $115.1 million or 5.1 cents.

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

Distribution Reinvestment Plan (DRP)

As there were no distributions declared for the half year ended 30 June 2020, there was no DRP in operation for the period.

The DRP operated in respect of the half year ended 30 June 2019 distribution. On 15 August 2019, 1.5 million stapled securities were issued and transferred to DRP participants at $8.00 per security, totalling $12.2 million.

Additional Appendix 4D disclosures can be found in the Notes to the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2020 and Results for the Half Year Ended 30 June 2020 lodged with the ASX on 11 August 2020.

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

Sydney Airport

For the half year ended 30 June 2020

Interim Financial Report

SYD

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

for the half year ended 30 June 2020

Overview of ASX-listed Sydney Airport

ASX-listed Sydney Airport (the Group) consists of Sydney Airport Limited (SAL) and Sydney Airport Trust 1 (SAT1). Shares and units in the Group are stapled, quoted and traded on the Australian Securities Exchange as if they were a single security. They consist of one share in SAL and one unit in SAT1. SAL holds a 100% economic interest in Sydney (Kingsford Smith) Airport at 30 June 2020 (2019: 100%).

For the half year ended 30 June 2020, the directors of SAL submit their report on the consolidated financial report of ASX–listed Sydney Airport on pages 3 to 13. SAL has been identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities, together the Groups.

For the half year ended 30 June 2020, the directors of The Trust Company (Sydney Airport) Limited (TTCSAL or the Responsible Entity) also submit their report on the consolidated financial report of SAT1 comprising SAT1 and its controlled entities (the SAT1 Group) on pages 14 to 15.

Directors' Report for Sydney Airport Limited

Principal activities

The principal activity of the SAL Group is the ownership of Sydney Airport. The SAL Group's investment policy is to invest funds in accordance with the provisions of the governing documents of the individual entities within the SAL Group.

Directors

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

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

Karen Tompkins is appointed company secretary of SAL.

Significant changes in state of affairs

COVID-19 pandemic

The consequences of the COVID-19 pandemic for the aviation and airport community have been severe. In response, Sydney Airport has rapidly adapted to the current environment, with the first priority being to protect the health and safety of our staff and the airport community.

Whilst the Group delivered a solid start to the 2020 financial year, the subsequent spread of COVID-19 saw the aviation industry dramatically impacted from late February. Since this time, passenger traffic through Sydney Airport has been materially impacted, resulting in international and domestic passenger traffic being down 57.3% and 56.1% respectively in the first half of 2020 when compared to the prior comparative period. There were 9,002,000 passengers in the quarter ended March 2020 and 356,000 in the quarter ended June 2020. The Group expects the downturn in passenger traffic to persist until government travel restrictions are eased.

The COVID-19 pandemic has impacted the interim financial report in various ways:

- Expected credit loss provisions have been recognised for both aeronautical and commercial customers as at 30 June 2020. An amount of $21.1 million has been recognised relating to the full impairment of Virgin Group debts in respect of the period pre-administration and subsequent, up until the administrator's personal liability commenced on 27 May 2020. A further $16.8 million of provisions have been recognised across aeronautical and commercial debtors, where information available at this time indicates the probability that the debts owed may not be recovered.
- A review of all capital projects in progress was undertaken during the half year period. Following this review, a $22.2 million impairment charge was recognised in respect of certain capital projects that, due to their nature, have been or are expected to be significantly impacted or delayed.

– A range of rental concessions were provided across both the retail and property portfolios for the period to 30 June 2020. Concessions in the form of rent abatements of $52.9 million and rent deferrals of $6.0 million were negotiated. Of the abatements, $27.5 million were recognised through the provision for expected credit loss and $2.3 million was recognised as a reduction to revenue. The remaining $23.1 million of abatements will be recognised on a straight-line basis as a reduction to revenue over the remaining lease terms. This is in accordance with the relevant Accounting Standards.
  Rent deferrals provide an extension of payment terms with no impact on revenue during the period. Management has however assessed the expected recoverability of all deferred rents and have impaired the related receivables by $3.0 million based on an assessment of future recoverability.

In April 2020, the Group enrolled in the JobKeeper government assistance program for 498 eligible employees. Over the three months April 2020 to June 2020, the Group recognised $5.0 million in government assistance for employees. This has been recognised as an offset to Employee benefits expense in the Consolidated statement of comprehensive income for the half year ended 30 June 2020.

In light of the current operating environment and financial performance, on 9 June 2020, The Trust Company (Sydney Airport) Limited as responsible entity of SAT1 executed a Deed Poll in favour of SAL. Under the Deed Poll, SAT1 agreed to waive its right to interest payable by SAL and the accumulation and capitalisation of unpaid interest of approximately $116.5 million for the six months from 1 July 2020 to 31 December 2020. Further detail is provided at Note 13 to the Sydney Airport Interim Financial Report.

The Group is well positioned to manage through a range of potential recovery scenarios:

– **A strong liquidity position:** Sydney Airport had a robust balance sheet heading into 2020. In the year to date, the Group has taken proactive steps to continue to strengthen its liquidity position. Available liquidity at 30 June 2020 was $2.6 billion, comprising of $1.0 billion in available cash and $1.6 billion of undrawn bank debt facilities. The Group expects to remain compliant with its covenant requirements. Following the equity raising announced subsequent to balance date, the expected proceeds combined with cash on hand and undrawn debt facilities is expected to provide pro-forma adjusted liquidity of $4.6 billion as at 30 June 2020.

– **A focus on cash collection:** A strong focus on collecting outstanding receivables has yielded positive results in the first half of 2020 and will continue to remain a focus.

– **Tightly controlled operating expenditure:** Excluding the impact of rental abatements, expected credit loss provisions and security recoverable expenditure, operating expenditure for the half year period to 30 June 2020 was $80.5 million, a decrease of 20.5% on the prior corresponding period. This decrease was driven by the implementation of cost reduction actions across every aspect of the Group's controllable cost base. A significantly outsourced cost base enabled the Group to quickly and effectively right- size service levels to the much lower levels of activity required.

– **Re-prioritisation of capital expenditure:** A modular capex program has provided significant flexibility and enabled the Group to rapidly and sensibly scale back investment. Capital expenditure in the first half of 2020 was $152.8 million, of which $86.1 million and $66.7 million was invested in the quarters ended March and June 2020 respectively. The Group continued to deliver critical projects targeting asset resilience, safety and security and a limited number of opportunistic projects, while taking steps to ensure capacity and expansion projects can be deferred.

– **Creation of a recovery taskforce:** Sydney Airport's recovery taskforce is committed to collaborating with our airline partners, overseas airports, and Governments and agencies both in Australia and internationally to develop a safe and sustainable pathway for the resumption of domestic and international travel. The actions of the recovery taskforce will play a critical role in guiding the airport community through a period of uncertainty, as well as focusing on driving recovery in the aviation sector.

– **A fair and equitable sharing of pain with Sydney Airport tenants:** Sydney Airport has worked closely with all tenants on a case by case basis to provide fair and equitable concessions to reflect the impact of the COVID-19 pandemic. Between the period of April 2020 to June 2020 Sydney Airport offered temporary concessions to tenants in the form of rent deferrals and rent abatements. Each concession offered was assessed on a case by case basis and ranged from 0% to 100% of the relevant rental amount. Sydney Airport believes that an equitable sharing of the pain with tenants at a time when they needed it the most will deliver the best long-term outcome for securityholders.

Events occurring after balance sheet date

Aeronautical agreements

The Group has been working through numerous expiring or expired aeronautical agreements and have reached the following agreements in the period following balance date:

– An agreement was reached to extend the current aeronautical arrangements for Jetstar domestic and Qantas Group domestic runway and international operations until 30 June 2021. In addition, Sydney Airport and Qantas entered new twelve-month agreements until 30 June 2021, extending Qantas' use of the Jet Base and associated infrastructure, while providing for hand back of land specific to the development of Sydney Gateway.

– The Board of Airline Representatives Australia (BARA) have endorsed Sydney Airport's proposal to its member airlines for international services. This endorsed agreement extends the pricing and service provisions under the previous five-year agreement for another twelve months to 30 June 2021. Sydney Airport is now in the process of contracting with BARA airlines individually.

Further Government actions in response to COVID-19 pandemic

Subsequent to balance date, the impact of the COVID-19 pandemic has continued to evolve. The Victorian Government implemented Stage 4 lock down across parts of Victoria, including Melbourne. The Queensland Government also announced the temporary reclosing of the Queensland border to NSW and ACT residents. These actions have had an adverse impact on domestic traffic levels.

Interest rate swap resets

Since the end of the half year, the Group has executed $5.2 billion of interest rate swap reset transactions. This involved making upfront payments totaling $138.0 million to reduce the contracted fixed interest rates on these swaps to lower current market rates for approximately 12 months. Associated interest expense reductions will be incorporated in the results of future reporting periods. The level of senior drawn borrowings (bank debt and capital markets debt) hedged through interest rate swaps remains unchanged following these transactions.

Gateway

In September 2018, Sydney Airport Corporation Limited (SACL), a wholly owned subsidiary of the SAL Group, reached an agreement with the NSW Government on Sydney Gateway. In exchange for the Australian Government granting an easement to the NSW Government over part of the Sydney Airport site (the easement sites), the NSW Government agreed to compensate SACL to the value of $170 million, escalating annually at 5% over three years from the date of the agreement. Access to easement sites commenced from July 2020.

Indemnity provision

In the 31 December 2019 Financial Report, the Group expensed $182.2m representing its indemnity obligations related to its former indirect holding in Copenhagen Airport. The expensed amount represented SAT1's share of disputed interest and dividend withholding taxes, together with accrued interest on that tax, currently the subject of litigation with the Danish Tax Agency (DTA). On 24 June 2020, the DTA announced that it had since 2008 incorrectly applied interest in withholding tax cases currently before the Danish courts. The DTA expects that by the end of 2020 it would recalculate interest in all affected cases and refund any excess interest which had previously been paid. The benefit to the Group from this announcement is likely to be significant but is not currently able to be calculated with reasonable certainty. Further detail is provided at Note 12 to the Sydney Airport Interim Financial Report.

Entitlement offer

As at the date of signing, the SAL and SAT1 Boards are intending to raise additional equity capital of $2 billion by way of a fully underwritten renounceable entitlement offer to all existing securityholders. Total equity raising proceeds, combined with cash on hand and undrawn debt facilities will provide pro forma adjusted liquidity of $4.6 billion as at 30 June 2020.

Other than these items, the directors of SAL are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report that has significantly affected or may significantly affect the operations of the SAL Group, the results of those operations or the state of affairs of the Group in the period subsequent to the half year ended 30 June 2020.

Operating and financial review

PASSENGERS	EBITDA	EBITDA (Excluding expected credit loss expense and other expenses[2])	CASH FLOW OUTCOMES	DEBT SERVICE COVERAGE	DISTRIBUTION TO INVESTORS
9.4m	$300.4m	$391.9m	$90.4m	2.4x	Nil
			net operating receipts	cash flow cover ratio[2]	per stapled security
(56.6)%[1]	(35.4)%[1]	(39.6)%[1]	(79.0)%[1]	-0.8x[1]	

1. Compared to 30 June 2019.
2. Cash flow cover ratio (CFCR) is summarised by cash flow divided by senior debt interest expense calculated on a rolling 12 month basis. This reflects reported performance for the 12 months to 30 June 2020.

Key performance measures

Key measures of Sydney Airport's financial performance for the half year ended 30 June 2020 are shown in the table below.

		Compared to prior half year[1]
Passengers	9.4 million	(56.6)% ↓
Revenue (including security recovery)	$511.0 million[2]	(35.9)% ↓
Operating expenditure	$187.5 million[2]	26.8% ↑
Operating expenditure (excluding security recoverable and expected credit loss expenses)	$80.5 million	(20.5)% ↓
EBITDA	$300.4 million[2]	(35.4)% ↓
EBITDA (excluding expected credit loss expense and other expenses)	$391.9 million	(39.6)% ↓
Net operating receipts (NOR)	$90.4 million	(79.0)% ↓
Distributions per security to investors	Nil	N/A

1. Compared to 30 June 2019.
2. Taken from the Consolidated statements of comprehensive income in the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2020.

Distributions and Net Operating Receipts (NOR)

NOR provides a proxy for cash flows available to pay ASX-listed Sydney Airport distributions. As a result, it is a key measure of ASX-listed Sydney Airport's financial performance. NOR is a non-IFRS measure of cash flow that ASX-listed Sydney Airport can sustainably return to investors while investing in the infrastructure. NOR is derived from both income statement performance and the cash position of SAL and SAT1. A reconciliation of statutory profit to NOR is shown below.

Reconciliation of NOR

The following table reconciles the statutory result of ASX-listed Sydney Airport for the half year ended 30 June 2020 to its NOR. Non-IFRS financial information has not been audited by the external auditor but has been sourced from the financial reports.

	6 months to 30 June 2020 $m	6 months to 30 June 2019 $m
(Loss)/profit before income tax expense[3]	(128.5)	49.1
Add back: depreciation and amortisation[3]	220.0	211.4
Profit before tax, depreciation and amortisation	91.5	260.5
Add/(subtract) non-cash expenses		
- Capital indexed bonds capitalised[4]	13.2	9.5
- Amortisation of debt establishment costs[4]	5.7	(7.1)
- Borrowing costs capitalised[4]	(4.3)	(5.1)
- Change in fair value of swaps[4]	(6.8)	3.7
Total non-cash financial expenses	7.8	1.0
Add/(subtract) other cash movements:		
Movement in cash balances with restricted use[5]	(0.1)	(0.9)
Other	(9.7)	(11.1)
Total other cash movements	(9.8)	(12.0)
- Indemnity costs[3]	0.9	181.7
Net operating receipts	90.4	431.2
Average stapled securities on issue (m)	2,259.5	2,256.6
Net operating receipts per stapled security	4.0c	19.1c
Distributions declared per stapled security	-	19.5c
Ratio of net operating receipts to distributions	N/A	98%

3. Taken from the Consolidated statements of comprehensive income in the Interim Financial Report for the Half Year Ended 30 June 2020.
4. Taken from Note 6 in the Interim Financial Report for the Half Year Ended 30 June 2020.
5. Included in the SAL Group's consolidated deposit balance is $11.3 million (31 December 2019: $11.2 million) held by Sydney Airport Corporation Limited (SACL), which is restricted to fund capital expenditure.

Financial performance analysis

The COVID-19 pandemic has caused unprecedented impacts to the aviation industry. The operating and financial performance of the Group is significantly related to demand for international and domestic air travel. The downturn in air travel, as a result of border closures, mandatory quarantine periods and restrictions on domestic and international air travel, has had and may continue to have impacts on the Group's operations and financial performance.

EBITDA decreased 35.4% to $300.4 million compared to the prior comparative period. Revenue decreased by 35.9% compared to the prior comparative period. This is explained below.

Revenue

	Revenue $m	Revenue contribution	Compared to prior half year[1]
Aeronautical Services (excl. security recovery)	173.0	37%	(52.1)%
Retail	147.2	32%	(20.1)%
Property and car rental	108.9	23%	(9.5)%
Parking and ground transport	38.1	8%	(50.9)%

1. Compared to 30 June 2019.

Statutory revenue adjusted for abatements and provisions on debts not considered recoverable

$m	Aero	Retail	Property	Total
Revenue for the half year ended 30 June 2020[2]	**173.0**	**147.2**	**108.9**	
Deduct:				
Abatements that have been expensed in opex	-	(19.5)	(8.1)	(27.5)[3]
Abatements to be amortised against future revenue	-	(10.5)	(14.8)	(25.4)[4]
Total abatements	**-**	***(30.0)***	***(22.9)***	***(52.9)***
Deferred rents provided for in ECL expense	-	(2.5)	(0.5)	(3.0)
Doubtful debt provisions provided for in ECL expense	(21.2)	(12.5)	(4.2)	(37.9)
Provisions on debts not considered recoverable	*(21.2)*	*(15.0)*	*(4.7)*	*(40.9)*[3]
Add back:				
Abatements that have been amortised against revenue	-	1.0	1.3	2.3[4]
	151.8	**103.2**	**82.6**	

2. Taken from Consolidated statements of comprehensive income in the Interim Financial Report for the Half Year Ended 30 June 2020.
3. The addition of these balances is the Expected credit loss expense that totals $68.4 million. Referenced in the Consolidated statements of comprehensive income in the Interim Financial Report for the Half Year Ended 30 June 2020.
4. Referenced in Note 9 of the Interim Financial Report for the half year ended 30 June 2020.

Total revenues

The Group's half year results were significantly impacted in the second quarter due to COVID-19. Total passenger traffic in the first quarter of 2020 was 9.0 million compared to 0.4 million in the second quarter. This reduction in passenger traffic had significant impacts to the Group's revenue in the second quarter.

Aeronautical revenues

The dramatic downturn in passenger traffic has had a significant impact on aeronautical revenues. Aeronautical revenues were $173.0 million for the half year period, down $188.3 million or 52.1% on prior corresponding period. The decline was attributable primarily to the volume decline in passenger traffic, with international and domestic passenger traffic declining 57.3% and 56.1% relative to the prior corresponding period.

A provision of $21.2 million was made against aeronautical debts not considered recoverable. Of this, $18.8 million was made against the Virgin Group. Refer to the Operating expenses section for further description of the Virgin Group receivable impairment.

Retail revenues

Retail revenues were $147.2 million for the half year period, down $37.0 million or 20.1% on the prior corresponding period. The decline was primarily driven by reductions in variable per passenger revenues under the Duty-Free contract and from declines in percentage rents from other tenants.

Rent abatements of $30.0 million were negotiated with retail tenants. Of this, $19.5 million was expensed through the expected credit loss provision, consistent with the application of relevant Accounting Standards. $10.5 million of abatements are required to be recognised on a straight-line basis as a reduction to revenue over the remaining lease terms. During the period, $1.0 million of that amount was recognised as a reduction to revenue.

An amount of $15.0 million was recognised in respect of debts not considered recoverable. This included $2.5 million following an assessment of the recoverability of deferred rents offered to tenants.

Property and car rental revenues

Property and car rental revenues were $108.9 million, down $11.4 million or 9.5% versus the prior corresponding period. The decline was attributable to a reduction in hotel revenues from lower occupancy and a reduction in jet fuel usage driven by significantly fewer aircraft movements.

Rent abatements of $22.9 million were negotiated and agreed with property tenants. Of this, $8.1 million was expensed through the expected credit loss provision, consistent with the application of relevant Accounting Standards. $14.8 million of abatements are required to be recognised on a straight-line basis as a reduction to revenue over the remaining lease terms. During the period, $1.3 million of that amount was recognised as a reduction to revenue.

An amount of $4.7 million was recognised in respect of debts not considered recoverable. This included $0.5 million following an assessment of the recoverability of deferred rents offered to tenants and $2.3 million made against the Virgin Group.

Parking and ground transport revenues

Parking and ground transport revenues were adversely impacted by falling passenger traffic. Between April and June 2020 Sydney Airport temporarily closed a number of car parks across the long-term, Domestic, and International precincts and provided free parking for up to three hours at all car parks. A total of 5,284 car parking spaces were operational over the past four months, 62% down when compared to regular capacity. This resulted in parking and ground transport revenues of $38.1 million, a 50.9% decrease on the prior comparative period of $77.6 million.

Operating expenses

Category	6 months to 30 June 2020 $m	6 months to 30 June 2019 $m	Change
Employee benefits expense	22.3[1]	29.8	25.2%
Services and utilities expense	31.2	40.3	22.6%
Property and maintenance expense	11.5	15.3	24.8%
Expected credit loss expense	68.4	-	N/A
Other operational costs	15.5	15.8	1.9%
Security recoverable expenses	38.6	46.7	17.3%
Total operating expenses	187.5	147.9	(26.8)%
Excluding:			
Expected credit loss expense	68.4	-	
Security recoverable expenses	38.6	46.7	
Total operating expenses excluding security recoverable and expected credit loss expenses	80.5	101.2	20.5%

1. Includes $5.0 million in JobKeeper government subsidy recognised.

A number of specific matters have impacted expenses for the half year to 30 June 2020.

The majority of the impact relates to expected credit loss expensed of $68.4 million. This comprised of:

- rental abatements of $27.5 million;
- provisions raised against the Virgin Group of $21.1 million; and
- other provisions raised of $19.8 million across aeronautical and commercial debtors.

Rental abatements

Between April 2020 to June 2020, $52.9 million of rental abatements were provided to tenants across the retail and property portfolios. $27.5 million of these were recognised through expected credit loss expense during the period in accordance with Accounting Standards.

Virgin Group impairment of receivables

A total provision of $24.8 million has been raised against the Virgin Group's receivables. This amount relates to all debts in respect of pre-administration and certain administration periods. Of these, $21.1 million has been expensed through the expected credit loss ($18.8 million relating to aeronautical debts and $2.3 million relating to property debts), while the remaining $3.7 million was recognised as a reduction to aeronautical revenue.

Operating expenses (excluding expected credit loss and security recoverable expenses)

Total operating expenses (excluding expected credit loss and security recoverable expenses) for the half year period to 30 June 2020 decreased by 20.5% when compared to the prior comparative period. The decrease was driven by disciplined cost management and implementing cost reduction actions across every aspect of the Group's controllable cost base. With a significantly outsourced cost base, this enabled quick and effective right-sizing of service levels against lower levels of activity. This included operational measures, such as the closure of car parks and certain terminal areas, scaled back planned maintenance activities, reduction to the scope and frequency of third-party services, and lower discretionary spend.

The cost actions taken by the Group largely took effect in the second quarter as the Group responded to the decline in passenger traffic. The actions implemented are sustainable and will continue across the remainder of the year. Management anticipates the full benefit of these actions in the second half of 2020 contributing to the Group's target, which is to reduce total operating expenses (excluding expected credit loss and security recoverable expenses) by at least 35% in the 12 months from 1 April 2020.

JobKeeper allowance and Employee benefits expense

In the three months April to June 2020 Sydney Airport recognised $5.0 million in government assistance in the form of the JobKeeper wage subsidy. This has been recognised as an offset to the Employee benefits expense line. Excluding the impact of JobKeeper, the Employee benefits expense would have been $27.3 million, an 8.4% decrease against the prior comparative period.

Other expenses

Category	6 months to 30 June 2020 $m	6 months to 30 June 2019 $m	Change
Write-off of non-current assets	22.2	-	N/A
Restructuring and redundancy expenses	-	2.4	N/A
Indemnity expenses	0.9	181.7	99.5%
Total other expenses	23.1	184.1	87.5%

During the half year period to 30 June 2020, following Management's detailed review of the entire capital expenditure portfolio, an impairment charge of $22.2 million was recognised for capital projects that, due to their nature, have been or are expected to be materially impacted or delayed and where, taking into consideration the potential implications of COVID-19.

Indemnity expenses relate to the ongoing and previously disclosed foreign Danish tax related litigation matters at the SAT1 Group. This is reflected in the consolidated SAL Group financial report, as explained in the Notes to the financial statements, SAL has been identified as the parent of the consolidated ASX-listed Sydney Airport that comprises SAL Group and the SAT1 Group. Further information on the Indemnity is described in Note 12 of the Interim Financial Report for the half year ended 30 June 2020.

Capital expenditure

Capital expenditure for the half year ended 30 June 2020 was $152.8 million (30 June 2019: $116.1 million), this included $10.5 million in maintenance capex (30 June 2019: $7.5 million). During the period an extensive capital expenditure re-prioritisation exercise was undertaken, ensuring the Group was well positioned to continue delivering critical projects targeting asset resilience, safety and security, including a number of opportunistic projects, whilst taking steps to ensure the majority of the capacity and expansion projects could be deferred as a result of the COVID-19 pandemic.

Notable projects completed during this period are described below

Category	Project description	Benefits	Completed
AIRFIELD	**Airfield resurfacing**	– Resurfacing and strengthening of the central portion of the main runway (Phase 1)	May 2020
TERMINAL WORKS	**Bathrooms**	– New bathrooms at T2 dining precinct, significantly increasing bathroom capacity, and improving the customer experience	February 2020
	Terminals	– New bathrooms at the T1 Arrivals area with accessible family rooms, feeding rooms, and changing places, significantly improving facilities, as well as increasing bathroom capacity, accessibility, and customer experience	May 2020
		– Upgrades to building fixtures throughout T1 Pier B and C, improving ambience, aesthetic, and customer experience	June 2020
		– Precinct wide replacement of 11,000 square metres of cladding to ensure building compliance	April 2020
PROPERTY	Retail	– Relocation of the T1 Airside Tax Refund Scheme (TRS) to a new facility providing a more convenient access point for customers, and unlocking additional sites for luxury retail tenancies	April 2020
TECHNOLOGY	**Cyber security**	– Enhancements and improvements to Sydney Airport's cyber security capabilities and resilience	Delivered throughout the year
	Baggage, plant and equipment	– Enhancement and improvements to the T1 baggage system, substantial improvements in the tracking and handling of bags, supporting long-term capacity requirements	June 2020
	Public Wi-Fi	– Upgrade and improvement to free Wi-Fi services at T1 and T3, resulting in substantially improved speed and reliability	February 2020
Aviation	**T3 Transition**	– Further enhancements to CCTV and security access controls following the transition of infrastructure management to Sydney Airport	June 2020

Directors' report

for the half year ended 30 June 2020

Capital management and distribution

Sydney Airport maintains a strong focus on prudent capital management by diversifying the debt portfolio, addressing the refinancing of debt well in advance of its maturity and ensuring adequate levels of liquidity.

2020 refinance summary

In February 2020, Sydney Airport successfully priced a AUD598 million equivalent multi-tranche US private placement (USPP) bond over 15, 20 and 30-year tenors. Proceeds from the bond, received on 16 June 2020, further enhanced the Group's strong liquidity position.

The bond included an AUD100m sustainability-linked tranche, demonstrating continued leadership and innovation across finance and sustainability. The sustainability-linked tranche coupon will decrease or increase depending on the airport's sustainability performance over time, further incentivising the delivery of sustainability commitments (including achieving carbon neutrality by 2025) and other sustainability improvements. The market-leading transaction represented the first sustainability-linked bond in the USPP bond market and the first sustainability-linked bond with two-way pricing across all bond markets globally.

Outcomes of this transaction were:

- Competitive fixed pricing locked in over 15 to 30 years
- Funding sources diversified with third USPP bond market issuance
- Debt maturity profile lengthened with portfolio average maturity at the time extended 10 months to mid-2026
- Debt maturity profile spread with new maturities spanning 2035 to 2050
- Direct link between sustainability performance and funding costs extended
- Currency exposures 100% hedged over the life of the bond

In April 2020, Sydney Airport successfully established AUD850m of bilateral bank debt facilities over 2 and 3-year tenors, providing significant additional flexibility.

Liquidity

Sydney Airport's liquidity position as at 30 June 2020 was $2.6 billion, comprising $1.0 billion of available cash and $1.6 billion of undrawn bank debt facilities.

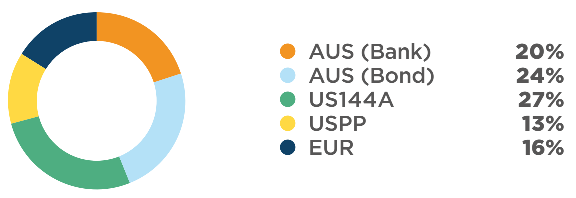
Credit metrics

Ratios are included below. Sydney Airport expects to remain compliant with its covenant requirements.

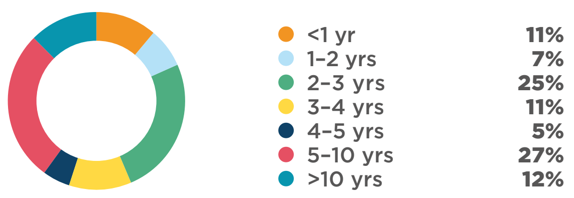
Category	30 June 2020	30 June 2019
Net debt[2]	$9.1 billion[1]	$8.4 billion[1]
Cash flow cover ratio[3,4]	2.4x[1]	3.2x[1]
Net debt/EBITDA[3]	9.3x[1]	6.5x[1]
Average maturity	Early-2026	Mid-2025
Credit rating (S&P/Moody's)	BBB+/Baa1[5]	BBB+/Baa1[6]

1. Calculations include lease liabilities and related interest expense due to the application of AASB 16.
2. Includes the fully drawn amounts under the $150.0 million SAL bank debt facility.
3. Calculated on a rolling 12 month basis, reflecting reported performance for the 12 months to 30 June.
4. Cash flow cover ratio (CFCR) is summarised by cash flow divided by senior interest expense, calculated for the SCACH Group.
5. Negative outlook for both S&P and Moody's.
6. Stable outlook for both S&P and Moody's.

Funding portfolio by category



Debt maturity on drawn and undrawn debt



Cash flow

Category	30 June 2020 $m	30 June 2019 $m
Net cash flows from operating activities	298.9	691.8
Net cash flows used in investing activities	(182.2)	(151.4)
Net cash flows from / (used in) financing activities	271.6	(412.1)
Net increase in cash and cash equivalents held	388.3	128.3

Net cash flows from operating activities have decreased due to the decrease in cash receipts from customers. As noted earlier, post balance date, the Group received cash receipts from customers of $66.8 million as at 30 July 2020, largely reflecting the catch up of late aeronautical debtor receipts. Cash flows used in investing activities reflects the capital expenditure for the period. Net cash flows from financing activities was a result of $904.0 million proceeds received from borrowings during the period, offset by borrowing costs paid of $189.2 million and the 2019 final distribution paid of $440.4 million.

Distributions and Distribution reinvestment plan (DRP)

Due to the impact of the COVID-19 pandemic on the recent financial performance and near-term outlook, no interim distribution was declared for the half year ended 30 June 2020.

In respect of the final distribution for the year ended 31 December 2019, 1.2 million stapled securities were issued to DRP participants at $8.84 per stapled security on 14 February 2020.

Independent valuation

As at 30 June 2020, the Group had net liabilities of $866.7 million (31 December 2019: $753.6 million).

An independent valuation of the Group's equity value by Deloitte was performed at 31 December 2019 that supported an equity value that, if applied to the financial report of the Group would more than absorb the consolidated deficiency position at 31 December 2019.

Management considered the COVID-19 impacts to the business and have performed a management valuation at 30 June 2020 based on assumptions and estimates at the present time. The updated valuation continues to support an equity value that would more than absorb the consolidated deficiency position of the Group at 30 June 2020.

At the present time, management continues to consider that the COVID-19 pandemic will not impact the ability of the Group to remain solvent or to continue to operate as a going concern. Management has implemented a range of counter measures to preserve liquidity in the near term that include reductions to operating costs and capital expenditure. It has also undertaken measures to continue to strengthen the Group's liquidity position. Accordingly, the going concern basis of accounting is considered to be appropriate; management considers that the Group will be able to pay its debts as and when they become due and payable; and the equity value of the Group continues to absorb the consolidated deficiency position.

Outlook

While it remains unclear how long the domestic and international travel restrictions will continue, and the recovery profile as travel restrictions are eased, Sydney Airport's operations are likely to remain adversely impacted. As a result, it is anticipated that the Group's financial performance will continue to be affected. In respect of operating costs (excluding security recoverable costs), the Group expects to maintain tight discipline and are targeting at least a 35% reduction for the 12 months from 1 April 2020. In addition the Group is targeting a capital investment range of $150-$200 million for the 12 months from 1 April 2020, compared to a historical run rate of approximately $350 million per annum. The focus for the next 12 months is on essential projects targeting safety, maintenance and asset resilience.

At this time, no final distribution for the 2020 year is expected to be paid. The Board will appropriately update on the outlook for future distributions as more clarity emerges around the shape and timing of recovery from the COVID-19 pandemic.

Directors' holdings of stapled securities

The aggregate number of stapled securities in ASX-listed Sydney Airport held directly, indirectly, or beneficially by the directors of SAL or their director-related entities at the date of this interim financial report is 605,706 (31 December 2019: 589,706).

Lead auditor's independence declaration

A copy of the lead auditor's independence declaration, as required under Section 307C of the *Corporations Act 2001* is set out on page 16 and forms part of the Directors' Report for the half year ended 30 June 2020.

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

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

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

Application of class order

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

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

Trevor Gerber
Sydney
11 August 2020

John Roberts
Sydney
11 August 2020

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

For the half year ended 30 June 2020, the directors of The Trust Company (Sydney Airport) Limited (TTCSAL or the Responsible Entity) submit the following report on the consolidated interim financial report of SAT1 comprising SAT1 and its controlled entities (the SAT1 Group).

Principal activities

The principal activity of the SAT1 Group is to hold a financial loan asset. There were no significant changes in the nature of the SAT1 Group's activities during the half year ended 30 June 2020.

Directors

The following persons are current directors of TTCSAL:

Name	Role	Period of directorship
Russell Balding AO	Non-executive director	Appointed October 2013
Patrick Gourley	Non-executive director	Appointed October 2013
Anne Rozenauers	Executive director	Appointed September 2019

Karen Tompkins, Sylvia Dimarco and Gananatha Nayanajith Minithantri are co-company secretaries of TTCSAL.

Security holdings in ASX-listed Sydney Airport

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

Review of operations

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

In light of the current environment, on 9 June 2020, The Trust Company (Sydney Airport) Limited as responsible entity of SAT1 executed a Deed Poll in favour of SAL. Under the Deed Poll, SAT1 agreed to waive its right to interest payable by SAL and the accumulation and capitalisation of unpaid interest of approximately $116.5 million for the six months from 1 July 2020 to 31 December 2020. Further detail is provided at Note 13 to the Sydney Airport Interim Financial Report.

There have been no further changes relating to the SAT1 Group during the half year ended 30 June 2020.

Distributions

No interim distribution was declared for the half year ended 30 June 2020.

In respect of the final distribution for the year ended 31 December 2019, 1.2 million stapled securities were issued to DRP participants at $8.84 per stapled security on 14 February 2020.

Events occurring after balance sheet date

Indemnity provision

In the 31 December 2019 Financial Report, the SAT1 Group expensed $182.2m representing its indemnity obligations related to its former indirect holding in Copenhagen Airport. The expensed amount represented SAT1's share of disputed interest and dividend withholding taxes, together with accrued interest on that tax, currently the subject of litigation with the Danish Tax Agency (DTA). On 24 June 2020, the DTA announced that it had since 2008 incorrectly applied interest in withholding tax cases currently before the Danish courts. The DTA expects that by the end of 2020 it would recalculate interest in all affected cases and refund any excess interest which had previously been paid. The benefit to the SAT1 Group from this announcement is likely to be significant but is not currently able to be calculated with reasonable certainty. Further detail is provided at Note 12 to the Sydney Airport Interim Financial Report.

Entitlement offer

As at the date of signing, the SAL and SAT1 Boards are intending to raise additional equity capital of $2 billion by way of a fully underwritten renounceable entitlement offer to all existing securityholders.

Since the end of the half year, the directors of TTCSAL are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report that has significantly affected or may significantly affect the operations of the SAT1 Group, the results of those operations or the state of affairs of the Group in the period subsequent to the half year ended 30 June 2020.

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

Lead auditor's independence declaration

A copy of the lead auditor's independence declarations, as required under Section 307C of the *Corporations Act 2001* is set out on page 19 and forms part of the Directors' Report for half year ended 30 June 2020.

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

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

Application of class order

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

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

Patrick Gourley
Sydney
11 August 2020

Anne Rozenauers
Sydney
11 August 2020

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

To the Directors of Sydney Airport Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Sydney Airport Limited for the half-year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Nigel Virgo
Partner

Sydney
11 August 2020

KPMG

Independent Auditor's Review Report

To the stapled security holders of Sydney Airport Limited

Conclusion

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

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of the Stapled Group is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Stapled Group's*** financial position as at 30 June 2020 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated statement of financial position as at 30 June 2020
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the six months ended on that date
- Pages 28 to 43 comprising a summary of significant accounting policies and other explanatory information, including notes 1 to 15
- The Directors' Declaration made by the Directors of Sydney Airport Limited.

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

The ***Interim Period*** is the 6 months ended on 30 June 2020.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001; and*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Stapled Group's financial position as at 30 June 2020 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Sydney Airport Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG

Nigel Virgo
Partner

Sydney
11 August 2020

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

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

I declare that, to the best of my knowledge and belief, in relation to the review of Sydney Airport Trust 1 for the half-year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Nigel Virgo
Partner

Sydney
11 August 2020

Independent Auditor's Review Report

To the unitholders of Sydney Airport Trust 1

Conclusion

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

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Sydney Airport Trust 1 is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2020 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated statement of financial position as at 30 June 2020
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the six months ended on that date
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration made by the Directors of Sydney Airport Trust 1.

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

The ***Interim Period*** is the 6 months ended on 30 June 2020.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Trust Company (Sydney Airport) Limited (as Responsible Entity of the Trust) are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

KPMG

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001*. As auditor of Sydney Airport Trust 1, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG

Nigel Virgo
Partner

Sydney
11 August 2020

Consolidated statements of comprehensive income

for the half year ended 30 June 2020

		SAL Group		SAT1 Group	
	Note	6 months to 30 June 2020 $m	6 months to 30 June 2019 $m	6 months to 30 June 2020 $m	6 months to 30 June 2019 $m
Revenue					
Aeronautical revenue		173.0	361.3	-	-
Aeronautical security recovery		41.5	50.1	-	-
Retail revenue		147.2	184.2	-	-
Property and car rental revenue		108.9	120.3	-	-
Parking and ground transport revenue		38.1	77.6	-	-
Other revenue		2.3	3.6	-	-
Total revenue		511.0	797.1	-	-
Operating expenses					
Employee benefits expense	14	(22.3)	(29.8)	-	-
Services and utilities expense		(31.2)	(40.3)	-	-
Property and maintenance expense		(11.5)	(15.3)	-	-
Security recoverable expense		(38.6)	(46.7)	-	-
Expected credit loss expense	9	(68.4)	-	-	-
Other operational costs		(15.5)	(15.8)	(1.2)	(0.9)
Total operating expenses		(187.5)	(147.9)	(1.2)	(0.9)
Other expenses					
Write-off of non-current assets	10	(22.2)	-	-	-
Restructuring and redundancy expenses		-	(2.4)	-	-
Indemnity expense	12	(0.9)	(181.7)	(0.9)	(181.7)
Total other expenses		(23.1)	(184.1)	(0.9)	(181.7)
Total expenses before depreciation, amortisation, net finance costs and income tax		(210.6)	(332.0)	(2.1)	(182.6)
Profit/(loss) before depreciation, amortisation, net finance costs and income tax (EBITDA)		300.4	465.1	(2.1)	(182.6)
Depreciation	10	(177.1)	(168.8)	-	-
Amortisation	11	(42.9)	(42.6)	-	-
Profit/(loss) before net finance costs and income tax (EBIT)		80.4	253.7	(2.1)	(182.6)
Finance income	6	2.5	4.3	116.5	115.9
Finance costs	6	(218.2)	(205.2)	-	-
Change in fair value of swaps	6	6.8	(3.7)	-	-
Net finance costs		(208.9)	(204.6)	116.5	115.9
(Loss)/profit before income tax expense		(128.5)	49.1	114.4	(66.7)
Income tax benefit/(expense)		74.9	(31.8)	-	-
(Loss)/profit after income tax expense		(53.6)	17.3	114.4	(66.7)
(Loss)/profit after income tax expense attributable to:					
Security holders		(51.8)	199.8	114.4	(66.7)
Non-controlling interest		(1.8)	(182.5)	-	-
		(53.6)	17.3	114.4	(66.7)

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

Consolidated statements of comprehensive income

for the half year ended 30 June 2020

	SAL Group		SAT1 Group	
	6 months to 30 June 2020 $m	6 months to 30 June 2019 $m	6 months to 30 June 2020 $m	6 months to 30 June 2019 $m
Items that may subsequently be reclassified to profit or loss				
Changes in fair value of cash flow hedges	(92.8)	(282.5)	-	-
Changes in fair value of foreign currency basis spread	(6.9)	4.1	-	-
Tax on items that may be reclassified to profit or loss	29.9	83.5	-	-
Total items that may subsequently be reclassified to profit or loss	(69.8)	(194.9)	-	-
Other comprehensive loss, net of tax	(69.8)	(194.9)	-	-
Total comprehensive (loss)/income	(123.4)	(177.6)	114.4	(66.7)
Total comprehensive (loss)/income attributable to:				
Security holders	(125.2)	(360.1)	114.4	(66.7)
Non-controlling interest	1.8	182.5	-	-
	(123.4)	(177.6)	114.4	(66.7)
Basic and diluted earnings per share/unit from profit after income tax	(2.29c)	8.85c	5.06c	(2.96c)

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

Consolidated statements of financial position

as at 30 June 2020

	Note	SAL Group 30 June 2020 $m	SAL Group 31 Dec 2019 $m	SAT1 Group 30 June 2020 $m	SAT1 Group 31 Dec 2019 $m
Current assets					
Cash and cash equivalents	3	1,013.4	625.1	1.4	7.7
Receivables	9	130.0	199.7	-	-
Derivative financial instruments	5	249.8	14.8	-	-
Other assets		0.5	0.6	-	-
Total current assets		1,393.7	840.2	1.4	7.7
Non-current assets					
Receivables	9	123.7	79.4	1,796.5	1,796.5
Property, plant and equipment	10	3,492.7	3,532.6	-	-
Intangible assets	11	7,187.5	7,230.4	-	-
Derivative financial instruments	5	975.5	936.7	-	-
Other assets		13.7	13.1	-	-
Total non-current assets		11,793.1	11,792.2	1,796.5	1,796.5
Total assets		13,186.8	12,632.4	1,797.9	1,804.2
Current liabilities					
Distribution payable	1	-	440.4	-	117.5
Payables and deferred income		185.6	254.7	1.9	6.1
Interest bearing liabilities	2	1,496.3	759.6	-	-
Derivative financial instruments	5	133.3	125.7	-	-
Leases		0.3	0.4	-	-
Provisions		10.0	9.9	-	-
Total current liabilities		1,825.5	1,590.7	1.9	123.6
Non-current liabilities					
Interest bearing liabilities	2	9,789.8	9,426.7	-	-
Derivative financial instruments	5	674.8	500.6	-	-
Lease liabilities		0.2	0.2	-	-
Deferred tax liabilities		1,696.3	1,801.1	-	-
Provisions	12	66.9	66.7	63.1	63.1
Total non-current liabilities		12,228.0	11,795.3	63.1	63.1
Total liabilities		14,053.5	13,386.0	65.0	186.7
Net (liabilities)/assets		(866.7)	(753.6)	1,732.9	1,617.5
Equity					
Security holders' interests					
Contributed equity	1	5,543.9	5,533.0	2,457.9	2,456.9
Retained earnings		(2,482.3)	(2,430.3)	329.7	215.3
Reserves		(3,729.1)	(3,659.0)	(1,054.7)	(1,054.7)
Total security holders' interests		(667.5)	(556.3)	1,732.9	1,617.5
Non-controlling interest in controlled entities		(199.2)	(197.3)	-	-
Total equity		(866.7)	(753.6)	1,732.9	1,617.5

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

Consolidated statements of changes in equity

for the half year ended 30 June 2020

SAL Group	Note	Contributed equity $m	Retained earnings [1,3] $m	Cash flow hedge reserve $m	Foreign currency basis spread reserve $m	Other reserve [2] $m	Total equity [1] $m
Total equity at 1 January 2020		5,533.0	(2,627.6)	(493.4)	(5.1)	(3,160.5)	(753.6)
Comprehensive income							
Loss after tax		-	(53.6)	-	-	-	(53.6)
Other comprehensive loss		-	-	(65.0)	(4.8)	-	(69.8)
Total comprehensive loss		-	(53.6)	(65.0)	(4.8)	-	(123.4)
Transactions with owners of the company							
Issue of securities through distribution reinvestment plan	1	10.9	-	-	-	-	10.9
Equity-settled shares		-	(0.3)	-	-	(0.3)	(0.6)
Total transactions with owners of the company		10.9	(0.3)	-	-	(0.3)	10.3
Total equity at 30 June 2020		5,543.9	(2,681.5)	(558.4)	(9.9)	(3,160.8)	(866.7)
Total equity at 1 January 2019		5,508.6	(1,963.0)	(316.4)	2.4	(3,159.5)	72.1
Comprehensive income							
Profit after tax		-	17.3	-	-	-	17.3
Other comprehensive income		-	-	(197.8)	2.9	-	(194.9)
Total comprehensive income		-	17.3	(197.8)	2.9	-	(177.6)
Transactions with owners of the company							
Issue of securities through distribution reinvestment plan	1	12.2	-	-	-	-	12.2
Distributions provided for or paid	1	-	(440.1)	-	-	-	(440.1)
Equity-settled shares		-	-	-	-	(1.5)	(1.5)
Total transactions with owners of the company		12.2	(440.1)	-	-	(1.5)	(429.4)
Total equity at 30 June 2019		5,520.8	(2,385.8)	(514.2)	5.3	(3,161.0)	(534.9)

1. Retained earnings and total equity are presented after deducting non-controlling interest in controlled entities of $199.2 million (30 June 2019: $190.9 million).
2. The Other reserve represents transactions between equity holders and movements in other reserves resulting from historical business combinations.
3. Accumulated losses brought forward was adjusted by $0.2 million in the 2019 financial year following the implementation of AASB16 *Leases*.

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

Consolidated statements of changes in equity

for the half year ended 30 June 2020

SAT1 Group	Note	Contributed equity $m	Retained earnings $m	Capital reserve [1] $m	Other reserve $m	Total equity $m
Total equity at 1 January 2020		2,456.9	215.3	(967.6)	(87.1)	1,617.5
Comprehensive income						
Profit after tax		-	114.4	-	-	114.4
Total comprehensive income		-	114.4	-	-	114.4
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan	1	1.0	-	-	-	1.0
Total transactions with owners of the company		1.0	-	-	-	1.0
Total equity at 30 June 2020		2,457.9	329.7	(967.6)	(87.1)	1,732.9
Total equity at 1 January 2019		2,454.3	403.8	(967.6)	(87.1)	1,803.4
Comprehensive income						
Loss after tax		-	(66.7)	-	-	(66.7)
Total comprehensive income		-	(66.7)	-	-	(66.7)
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan	1	1.3	-	-	-	1.3
Distributions provided for or paid	1	-	(115.1)	-	-	(115.1)
Total transactions with owners of the company		1.3	(115.1)	-	-	(113.8)
Total equity at 30 June 2019		2,455.6	222.0	(967.6)	(87.1)	1,622.9

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

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

Consolidated statements of cash flows

for the half year ended 30 June 2020

	Note	SAL Group		SAT1 Group	
		6 months to 30 June 2020 $m	6 months to 30 June 2019 $m	6 months to 30 June 2020 $m	6 months to 30 June 2019 $m
Cash flow from operating activities					
Interest received		3.0	4.4	-	0.1
Related party loan interest received	13	-	-	116.5	115.8
Receipts from customers		507.5	938.3	-	-
Payments to suppliers and employees		(211.6)	(250.9)	(6.3)	(0.6)
Net cash flow from operating activities		298.9	691.8	110.2	115.3
Cash flow from investing activities					
Acquisition of property, plant and equipment		(177.9)	(146.3)	-	-
Capitalised borrowing costs	10	(4.3)	(5.1)	-	-
Net cash flow used in investing activities		(182.2)	(151.4)	-	-
Cash flow from financing activities					
Airport borrowing costs paid		(189.2)	(182.5)	-	-
Corporate borrowings costs paid		(1.2)	(1.6)	-	-
Repayment of borrowings		-	(395.0)	-	-
Proceeds received from borrowings		904.0	603.5	-	-
Interest rate swap payments		(11.7)	(19.3)	-	-
Proceeds received from distribution reinvestment plan		10.9	12.2	1.0	1.3
Distributions paid to security holders	1	(440.4)	(428.5)	(117.5)	(117.3)
Acquisition of securities for long-term incentive plan		(0.8)	(0.9)	-	-
Net cash flow from/ (used in) financing activities		271.6	(412.1)	(116.5)	(116.0)
Net increase/(decrease) in cash and cash equivalents		388.3	128.3	(6.3)	(0.7)
Cash and cash equivalents at beginning of the period		625.1	476.3	7.7	5.8
Cash and cash equivalents at the end of the period	3	1,013.4	604.6	1.4	5.1

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

General

Basis of preparation and statement of compliance

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

This interim financial report:

- Consists of the consolidated interim financial statements of the SAL Group and SAT1 Group, as permitted by Australian Securities & Investments Commission (ASIC) Corporations (Stapled Group Reports) Instrument 2015/838;
- Is to be read in conjunction with the annual report of the Groups for the year ended 31 December 2019 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*;
- Is a general purpose financial report;
- Is prepared in accordance with *Corporations Act 2001*;
- Is prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss;
- Is presented in Australian dollars, which is the functional currency of SAL and SAT1, with all values rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016; and
- Complies with Australian Accounting Standard AASB 134: Interim Financial Reporting.

The interim financial report was authorised for issue by the directors of SAL and TTCSAL on 11 August 2020. The directors of SAL and TTCSAL have the power to amend and reissue the interim financial report.

Going concern

The interim financial report of the Groups has been prepared on a going concern basis that requires directors to have reasonable grounds to believe that the Groups will be able to pay its debts as and when they become due and payable.

The SAL Directors reviewed the cash flow projections factoring in the impact of the COVID-19 pandemic on the SAL Group covering a period of at least 12 months after reporting date. This takes into account forecast revenue, operating cash flows, forecast capital expenditure and the Group's liquidity position. The Group expects to remain compliant with covenant requirements.

At 30 June 2020, the SAL Group had $2.6 billion in liquidity with $1.6 billion in undrawn bank debt facilities (comprising the syndicated and bilateral facilities - refer Note 2) and $1.0 billion of available cash. The refinancing of maturing debt is a permitted use under the bank debt facilities. If required, this is sufficient to cover the SAL Group's interest bearing liabilities that are due to expire within 12 months of reporting date with principal value of $1,295.9 million (carrying value of $1,496.3 million). These are capital indexed bonds with principal value of $777.2 million expiring in November 2020 and US144A/RegS bond with principal value of $518.7 million expiring in February 2021. Management has implemented a range of counter measures to preserve liquidity in the near term that include reductions to operating costs and capital expenditure. It has also undertaken measures to continue to strengthen the Group's liquidity position.

At 30 June 2020, the SAL Group was in a net liability position of $866.7 million (31 December 2019: $753.6 million). Management considered the impacts of COVID-19 to the business and performed an assessment of impairment to the Group and considered if there was an impairment to goodwill. In making this assessment, Management updated key valuation assumptions . These are referred to in the Critical accounting estimates, assumptions and judgements. The result of this confirms that the equity value of the Group continues to absorb the consolidated deficiency of the Group and there is no impairment to goodwill at reporting date.

At the present time, management continues to consider that the COVID-19 pandemic will not impact the Group's ability to remain solvent or to continue to operate as a going concern. The Group has continued to preserve liquidity in the short term that include reductions to operating cost levels and capital expenditure. Accordingly, the going concern basis of accounting is considered to be appropriate; it is considered that the Group will be able to pay its debts as and when they become due and payable; and the equity value of the Group continues to absorb the consolidated deficiency position.

The SAT1 Group's net current liability position was $0.5 million at 30 June 2020. This is due mainly to timing differences of its payables. In assessing the SAT1 Group's ability to pay its debts as and when they become due and payable, the SAT1 Group has $1.4 million of available cash at 30 June 2020 and expects to receive the semi-annual interest payment on the cross staple loan from SAL prior to 30 June 2021. Further, SAT1 has the option to call on a prepayment of cross staple loan principal where required, to discharge SAT1's current liabilities. SAT1's loan principal receivable from SAL at 30 June 2020 was $1,796.5 million. At the present time, the updated valuation of the SAL Group indicates SAL's ability to continue to meet its future loan repayment obligations to SAT1. Accordingly, the going concern basis of accounting is considered appropriate in the preparation of this interim financial report.

General

Net tangible asset backing per security

Net tangible assets (NTA) exclude non-controlling interests and are solely attributable to security holders. The NTA backing per security was -$3.56 at 30 June 2020 (31 December 2019: -$3.53). This represents a decrease of $0.03 or 0.8% (30 June 2019: decrease of $0.25 or 7.7%).

Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the interim financial reports are consistent with those adopted and disclosed in the Groups' 31 December 2019 annual financial reports.

Principles of consolidation

For the purpose of this financial report:

- SAL has been identified as the parent of the consolidated group (defined as ASX-listed Sydney Airport) comprising the SAL Group and the SAT1 Group for the periods ended 30 June 2020 and 30 June 2019; and
- SAT1 has been identified as the parent of the SAT1 Group for the periods ended 30 June 2020 and 30 June 2019.

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

Controlled entities

SAT1 Group's net result after tax for the half years ended 30 June 2020 and 30 June 2019 and its contributed equity, reserves and retained earnings at 30 June 2020 and 30 June 2019 are attributed to non-controlling interests in the SAL Group's consolidated financial report.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The consideration transferred in the acquisition is measured at fair value. Acquisition related costs are expensed as incurred in profit or loss, except for costs arising on the issue of equity instruments which are recognised directly in equity.

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

Acquisition of entities under common control

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

Critical accounting estimates, assumptions and judgements

The preparation of this interim financial report requires the use of critical accounting estimates, assumptions and judgements that affect the reported amounts in the financial statements and the application of accounting policies. Such estimates and judgements are reviewed on an ongoing basis.

Fair value measurement of financial instruments

Management provides an estimate of the fair value of financial instruments at each reporting date. The value of financial instruments are determined based on observable market inputs, categorised as Level 2 in accordance with AASB 13 *Fair Value Measurement*. Level 2 fair value measurements are determined by inputs other than quote prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic has increased the estimation uncertainty in the preparation of this interim financial report. The Group's rationale and explanation of the critical estimates, assumptions and judgements that have been considered in light of the severe consequences of the COVID-19 pandemic for the aviation and airport community for this half year ended 30 June 2020 are described below. It reflects the deterioration to the airport industry from late February resulting in disrupted passenger traffic through Sydney Airport, with international and domestic passenger traffic being down 57.3% and 56.1% when compared to the prior comparative period. The Group expects the downturn in passenger traffic to persist until government travel restrictions are eased.

General

Allowance for expected credit losses

The Group recognised a larger allowance for expected credit losses against its aeronautical and commercial customers as at 30 June 2020. These were individually assessed and based on management's judgement on information available at the time, where there were indications that the debt owed may not be repaid. The allowance also includes abatements provided to retail and property tenants expensed in accordance with Accounting Standards.

The abatements and allowances incorporate Management's judgements and assumptions taking into account each individual debtors circumstances, the age of the debt, collection trends and expectations of future economic conditions including government restrictions. This resulted in expected credit loss expensed of $68.4 million reflected through the Consolidated statements of comprehensive income during the period.

The expected credit loss allowance in Note 9 reflects:

- A provision of $21.1 million recognised relating to the Virgin Group for debts pre-administration and during the administration until the administrator's personal liability commenced on 27 May 2020;
- Provisions of $19.8 million made across aeronautical and commercial debtors, where information available at the time indicated that the debt owed may not be repaid; and
- Provision of $27.5 million for abatements provided to retail and property tenants that are required to be expensed and provided for in compliance with Accounting Standards.

Impairment test of goodwill

As described under the Going concern note above, Management undertook a management valuation at 30 June 2020 updated for COVID-19 impacts to the business. The valuation updates included assumptions regarding passenger numbers, revenue, operating expenses, capital expenditure and interest rates. There were no changes to valuation methodology. The result of the updated valuation indicated that the Group would continue to absorb the consolidated deficiency at 30 June 2020 and no impairment was required. Goodwill is referenced in Note 11.

Impairment assessment on non-current assets

Following Management's review of the capital expenditure and the re-prioritisation exercise to ensure the Group was well positioned to continue delivering critical projects, an assessment of the recoverable value of the capital works in progress was made. This resulted in a write-off of $22.2 million in respect of certain capital works in progress. This is reflected in the Consolidated statements of comprehensive income and in Note 10.

New standards and interpretations not yet adopted

There are no new accounting standards, amendments and interpretations that are effective for the financial year beginning 1 January 2020 that are expected to have a material impact on the Groups.

Capital management

1. Distributions paid and proposed

Security holders' entitlements

SAL

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

SAT1

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

During the half year ended 30 June 2020, no interim distributions were declared or payable by the SAL Group or the SAT1 Group.

Distributions paid and proposed relating to prior periods are shown in the table below. The Groups' distributions are 100% unfranked.

	SAL Group		SAT1 Group	
	6 months to 30 June 2020	6 months to 30 June 2019	6 months to 30 June 2020	6 months to 30 June 2019
Distributions were paid/payable as follows:				
$m				
Final distribution [1]	440.4	428.5	117.5	117.3
Interim distribution [2]	-	440.1	-	115.1
Cents per stapled security				
Final distribution	19.50	19.00	5.20	5.20
Interim distribution	-	19.50	-	5.10

1. Recognised as a payable at 31 December 2019 and paid on 14 February 2020 (2019: 14 February 2019).
2. The interim distribution for 2019 was paid on 15 August 2019.

Capital management

1. Distributions paid and proposed continued

Distribution reinvestment plan

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

As there were no distributions declared for the half year ended 30 June 2020, there was no DRP in operation for the period. The DRP operated in respect of the 31 December 2019 final distributions.1.2 million stapled securities were issued and transferred to DRP participants at $8.84 per stapled security on 14 February 2020.

Contributed equity

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

	SAL Group		SAT1 Group	
	6 months to 30 June 2020	12 months to 31 December 2019	6 months to 30 June 2020	12 months to 31 December 2019
$m				
Opening balance	5,533.0	5,508.6	2,456.9	2,454.3
Issued pursuant to the DRP	10.9	24.4	1.0	2.6
Closing balance	5,543.9	5,533.0	2,457.9	2,456.9
Shares/units on issue (m)				
Opening balance	2,258.6	2,255.3	2,258.6	2,255.3
Issued pursuant to the DRP	1.2	3.3	1.2	3.3
Closing balance	2,259.8	2,258.6	2,259.8	2,258.6

2. Interest bearing liabilities

The Groups' debt comprises the following:

- Syndicated sustainability-linked bank debt facilities;
- Bilateral bank debt facilities;
- Domestic bonds (including capital indexed bonds (CIB));
- US private placement bonds (USPP);
- US144A/RegS bonds; and
- Euro bonds.

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

At 30 June 2020 and 31 December 2019, the value of all fixed interest rate bonds were determined based on observable market inputs and categorised as Level 2 financial instruments per the fair value measurement hierarchy.

Notes to the financial statements

for the half year ended 30 June 2020

Capital management

2. Interest bearing liabilities continued

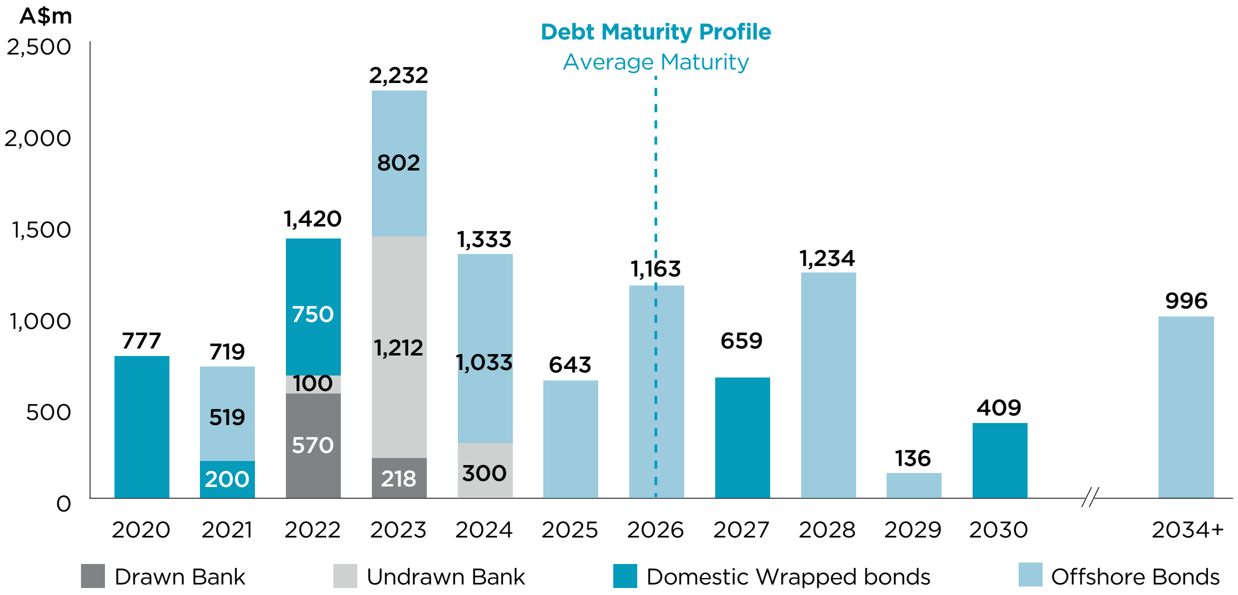
Type	Maturity	Carrying amount [9] 30 June 2020 $m	Carrying amount [9] 31 Dec 2019 $m	Fair value 30 June 2020 $m	Fair value 31 Dec 2019 $m	Principal amount drawn In AUD 30 June 2020 $m	Principal amount drawn In AUD 31 Dec 2019 $m	Principal amount drawn In original currency 30 June 2020 $m	Principal amount drawn In original currency 31 Dec 2019 $m	Issue Currency	Interest rate
Bilateral facility	February 2023	150.0	78.0	150.0	78.0	150.0	78.0	150.0	78.0	AUD	Floating [4]
Syndicated facility	April 2022	565.7	402.7	565.7	402.7	570.0	404.0	570.0	404.0	AUD	Floating [4]
Syndicated facility	April 2023	66.9	-	66.9	-	68.0	-	68.0	-	AUD	Floating [4]
Wrapped domestic bond [1]	November 2021	199.6	199.5	199.6	199.5	200.0	200.0	200.0	200.0	AUD	Floating [5]
Wrapped domestic bond [1]	October 2022	746.4	745.7	746.4	745.7	750.0	750.0	750.0	750.0	AUD	Floating [5]
Wrapped domestic bond [1]	October 2027	651.5	651.1	651.5	651.1	659.0	659.0	659.0	659.0	AUD	Floating [5]
USPP bond	August 2028	99.5	99.5	99.5	99.5	100.0	100.0	100.0	100.0	AUD	Floating [5]
USPP bond	November 2028	99.5	99.5	99.5	99.5	100.0	100.0	100.0	100.0	AUD	Floating [5]
USPP bond	November 2028	179.1	179.1	227.1	224.1	180.0	180.0	180.0	180.0	AUD	6.04% [6]
USPP bond	November 2028	57.7	57.7	71.2	70.2	58.0	58.0	58.0	58.0	AUD	5.60% [6]
USPP bond	November 2029	135.3	135.3	172.3	167.4	136.0	136.0	136.0	136.0	AUD	5.70% [6]
USPP bond	February 2034	86.0	73.7	81.3	71.5	62.5	62.5	45.0	45.0	USD	4.25% [6]
USPP bond	February 2039	134.2	134.2	171.3	158.8	135.0	135.0	135.0	135.0	AUD	4.76% [6]
USPP bond	February 2044	99.4	99.4	132.2	120.7	100.0	100.0	100.0	100.0	AUD	4.85% [6]
USPP bond	February 2049	99.4	99.4	136.6	123.2	100.0	100.0	100.0	100.0	AUD	4.90% [6]
USPP bond [2]	June 2035	74.9	-	79.9	-	77.1	-	52.0	-	USD	2.83% [6]
USPP bond [2]	June 2035	80.9	-	79.2	-	80.8	-	50.0	-	EUR	1.06% [6]
USPP bond [2]	June 2040	99.4	-	104.0	-	100.0	-	100.0	-	AUD	3.28% [6,7]
USPP bond [2]	June 2040	218.6	-	228.7	-	220.0	-	220.0	-	AUD	3.28% [6]
USPP bond [2]	June 2050	119.3	-	128.6	-	120.0	-	120.0	-	AUD	3.53% [6]
Euro bond	April 2024	1,230.2	1,208.5	1,197.4	1,240.0	1,033.4	1,033.4	700.0	700.0	EUR	2.75% [6]
Euro bond	April 2028	889.7	853.8	821.0	867.9	796.1	796.1	500.0	500.0	EUR	1.75% [6]
US144A/RegS bond [8]	February 2021	727.4	711.6	740.8	735.4	518.7	518.7	500.0	500.0	USD	5.13% [6]
US144A/RegS bond	March 2023	1,278.1	1,210.6	1,251.8	1,231.9	802.4	802.4	825.0	825.0	USD	3.90% [6]
US144A/RegS bond	April 2025	724.1	711.5	740.1	737.0	643.0	643.0	500.0	500.0	USD	3.38% [6]
US144A/RegS bond	April 2026	1,299.6	1,276.5	1,414.5	1,333.5	1,163.4	1,163.4	900.0	900.0	USD	3.63% [6]
CIB [3,8]	November 2020	768.9	759.6	783.7	774.1	777.2	768.6	777.2	768.6	AUD	3.76% [6]
CIB [3]	November 2030	404.8	399.4	455.2	419.8	409.0	404.3	409.0	404.3	AUD	3.12% [6]
Total external interest bearing liabilities		11,286.1	10,186.3	11,596.0	10,551.5	10,109.6	9,192.4	n/a	n/a		

1. Financial guarantees are provided by either MBIA Insurance Corporation or Assured Guaranty Municipal Corp (depending on each instrument footnoted).
2. USPP bond proceeds were received on 16 June 2020.
3. Financial guarantees are provided by either MBIA Insurance Corporation or Ambac Assurance Corporation (depending on each instrument footnoted).
4. Floating rates are at Bank Bill Swap Bid Rate plus a predetermined margin.
5. Floating rates are at Bank Bill Swap Rate plus a predetermined margin.
6. Fixed interest rates reflective of coupons in respective currencies/markets.
7. Represents base margin for the sustainability-linked tranche with an opportunity to earn a discount or incur a premium.
8. Classified as Current liability in the Consolidated statement of financial position.
9. Carrying amount includes amortised capitalised establishment costs.

Capital management

2. Interest bearing liabilities continued

The maturity profile of interest bearing liabilities as at 30 June 2020 is presented in the chart below.



Assets pledged as security

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

3. Cash and cash equivalents

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

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

	SAL Group		SAT1 Group	
	30 June 2020 $m	31 December 2019 $m	30 June 2020 $m	31 December 2019 $m
Cash on hand	1,002.1	448.9	1.4	7.7
Deposits [1]	11.3	176.2	-	-
Total cash and cash equivalents	1,013.4	625.1	1.4	7.7

1. Included in the SAL Group's consolidated deposit balance is $11.3 million (31 December 2019: $11.2 million) held by Sydney Airport Corporation Limited (SACL), which is restricted to fund maintenance capital expenditure.

Treasury and financial risk management

4. Financial risk management

Financial risk management framework

There have been no changes to the Group's financial risk management program during the half year ended 30 June 2020.

4.1 Foreign currency risk

The Group is primarily exposed to foreign currency risk from interest bearing liabilities in foreign currencies. At 30 June 2020, these interest bearing liabilities were 100% hedged through cross currency swaps until maturity of the bonds.

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

	30 June 2020			31 December 2019		
	EURm	USDm	Equivalent total AUDm	EURm	USDm	Equivalent total AUDm
Senior secured bonds	(1,250.0)	(2,822.0)	(6,127.3)	(1,200.0)	(2,770.0)	(5,019.5)
Cross currency swaps	1,250.0	2,822.0	6,127.3	1,200.0	2,770.0	5,019.5
Exposure	-	-	-	-	-	-

4.2 Interest rate risk

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

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

	Average contracted fixed interest rate [1]		Notional principal amount		Fair value	
	30 June 2020 %	31 December 2019 %	30 June 2020 $m	31 December 2019 $m	30 June 2020 $m	31 December 2019 $m
1 year or less	2.48	3.38	918.7	1,239.1	(13.7)	(4.3)
1 to 2 years	3.35	2.85	700.0	1,618.7	(29.0)	(47.7)
2 to 5 years	3.06	3.14	3,787.7	3,144.7	(342.4)	(225.6)
5 years or more	2.68	2.67	5,315.9	5,798.1	(409.7)	(305.8)
	n/a	n/a	10,722.3	11,800.6	(794.8)	(583.4)

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

The weighted average cash interest rate of the Group's interest bearing liabilities was 4.2% annualised for the half year ended 30 June 2020.

At 30 June 2020, 87.7% of senior drawn borrowings (bank debt and capital markets debt) were either fixed or hedged through IRS.

4.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The credit quality of financial assets are regularly monitored by Management to identify any potential adverse changes.

Credit risks on receivables relate to aeronautical, retail and property trade receivables. These counterparties have varying levels of creditworthiness. Following the impact of COVID-19 and its consequence on the aviation and airport community, Management reviewed the trade receivables balance and made an assessment of the expected credit loss provision based on information available at the time. The detail is included in Note 9.

4.4 Liquidity risk

Liquidity risk refers to the risk that the Group has insufficient liquidity to meet its financial obligations when they fall due. The Group has built in appropriate liquidity management required as part of its financial risk management framework.

The Group's available liquidity position as at 30 June 2020 was $2.6 billion, comprising $1.0 billion of available cash and $1.6 billion of undrawn bank debt facilities.

Treasury and financial risk management

5. Derivative financial instruments

The Group uses derivative financial instruments to mitigate its exposures to foreign currency and interest rate risks.

The net derivative position at the reporting date is presented below:

	30 June 2020			31 December 2019		
$m	Cross currency swaps	Interest rate swaps	Total	Cross currency swaps	Interest rate swaps	Total
Current assets	249.8	-	249.8	14.3	0.5	14.8
Non-current assets	975.5	-	975.5	926.6	10.1	936.7
Current liabilities	(9.4)	(123.9)	(133.3)	(32.4)	(93.3)	(125.7)
Non-current liabilities	-	(674.8)	(674.8)	-	(500.6)	(500.6)
Net derivative position	1,215.9	(798.7)	417.2	908.5	(583.3)	325.2

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

At 30 June 2020 and 31 December 2019, all derivative financial instruments were determined based on observable market inputs and categorised as Level 2 financial instruments per the fair value measurement hierarchy.

6. Net finance costs

	SAL Group		SAT1 Group	
	6 months to 30 June 2020 $m	6 months to 30 June 2019 $m	6 months to 30 June 2020 $m	6 months to 30 June 2019 $m
Finance income				
Interest income from other corporations	2.5	4.3	-	0.1
Interest income from related parties [1]	-	-	116.5	115.8
Total finance income	2.5	4.3	116.5	115.9
Finance costs				
Senior debt interest expense	(167.1)	(115.4)	-	-
Net swap interest expense	(33.6)	(89.1)	-	-
Capital indexed bonds capitalised	(13.2)	(9.5)	-	-
Amortisation of debt establishment costs	(5.7)	7.1	-	-
Recurring borrowing costs	(2.8)	(3.3)	-	-
Lease interest expense	(0.1)	(0.1)	-	-
Borrowing costs – capitalised	4.3	5.1	-	-
Total finance costs	(218.2)	(205.2)	-	-
Change in fair value of swaps	6.8	(3.7)	-	-
Net finance costs	(208.9)	(204.6)	116.5	115.9

1. Refer to Note 13 SAT1 and SAL Cross Staple Loan. The interest income relates to period 1 January 2020 to 30 June 2020. Under the signed deed poll SAT1 waived its rights relating to payment of interest for period 1 July 2020 to 31 December 2020.

Financial results and financial position

7. Segment reporting

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

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

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

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

All revenue is generated from external customers within Australia.

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

Sydney Airport's revenues, expenses, assets and liabilities are consolidated and accounted for in accordance with the Group's accounting policies.

8. Taxation

SAL and its wholly owned Australian subsidiaries are members of a tax-consolidated group (SAL TCG) under Australian income tax law, with SAL the head entity. The SAL TCG had tax losses of $519.3 million at 30 June 2020 (31 December 2019: $399.4 million). A deferred tax asset of $155.8 million has been recognised in respect of these losses and is included on the balance sheet in deferred tax liabilities (31 December 2019: $119.9 million). Over the half year period, the incremental tax loss was $119.9 million.

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

Financial results and financial position

9. Receivables

	SAL Group		SAT1 Group	
	30 June 2020 $m	31 December 2019 $m	30 June 2020 $m	31 December 2019 $m
Current				
Trade receivables	175.6	100.5	-	-
Allowance for expected credit loss	(68.5)	(0.1)	-	-
Net trade receivables	107.1	100.4	-	-
Accrued contract revenue	10.3	79.2	-	-
Other receivables	12.6	20.1	-	-
Total current receivables	130.0	199.7	-	-
Non-current				
Loans to related parties [1]	-	-	1,796.5	1,796.5
Accrued contract revenue	7.0	7.4	-	-
Other receivables	116.7	72.0	-	-
Total non-current receivables	123.7	79.4	1,796.5	1,796.5

1 Refer to Note 13 for further details.

The movement in allowance for expected credit losses (ECL) is shown below:

	$m
As at 1 January 2019	-
New and increased provisions	(0.1)
Balance at 31 December 2019	(0.1)
New and increased provisions	(68.4)
Balance at 30 June 2020	(68.5)

The SAL Group applies the simplified impairment approach of expected credit losses, as permitted by AASB 9. This requires that expected lifetime losses be recognised from initial recognition of all financial assets. This is based on the anticipated impact of default events arising either in the 12 months after reporting date, or the entire lifetime of the asset.

The increased provisions during the half year ended 30 June 2020 represents Management's judgement based on information available at the time on the impact of COVID-19 on the recoverability of its aeronautical and commercial debtors. $68.4 million was recognised through the Consolidated statements of comprehensive income during the period.

Included in Other receivables at 30 June 2020 is $23.1 million that relates to abatements to be amortised as a reduction to revenue over the remaining lease term of the retail and property leases.

10. Property, plant and equipment

SAL Group ($m)	Freehold land	Buildings	Runways, taxiways and aprons	Other infrastructure	Operational plant and equipment	Other plant and equipment	Capital works in progress	Total
Useful life (years)	99	5-60	6-99	9-40	14-20	3-60		
At 30 June 2020								
Cost								
Opening balance as 1 January 2020	11.4	3,054.0	1,027.5	1,332.2	542.6	425.4	252.1	6,645.2
Additions [1]	-	-	-	-	-	-	159.4	159.4
Impairment	-	-	-	-	-	-	(22.2)	(22.2)
Transfers	-	12.4	0.8	5.9	0.9	11.4	(31.4)	-
Closing balance	11.4	3,066.4	1,028.3	1,338.1	543.5	436.8	357.9	6,782.4
Accumulated depreciation								
Opening balance as 1 January 2020	(1.5)	(1,411.9)	(419.2)	(587.5)	(368.6)	(323.9)	-	(3,112.6)
Depreciation	(0.1)	(89.0)	(19.9)	(35.2)	(12.6)	(20.3)	-	(177.1)
Closing balance	(1.6)	(1,500.9)	(439.1)	(622.7)	(381.2)	(344.2)	-	(3,289.7)
Total carrying amount	9.8	1,565.5	589.2	715.4	162.3	92.6	357.9	3,492.7
At 31 December 2019								
Cost								
Opening balance as 1 January 2019	11.4	2,814.8	1,007.1	1,276.9	515.6	390.0	363.2	6,379.0
Additions [1]	-	-	-	-	-	0.8	314.4	315.2
Transfers	-	263.3	20.4	55.6	27.0	59.2	(425.5)	-
Disposals	-	(24.1)	-	(0.3)	-	(24.6)	-	(49.0)
Closing balance	11.4	3,054.0	1,027.5	1,332.2	542.6	425.4	252.1	6,645.2
Accumulated depreciation								
Opening balance as 1 January 2019	(1.4)	(1,261.6)	(380.4)	(515.4)	(341.8)	(308.3)	-	(2,808.9)
Depreciation	(0.1)	(174.4)	(38.8)	(72.4)	(26.8)	(40.2)	-	(352.7)
Disposals	-	24.1	-	0.3	-	24.6	-	49.0
Closing balance	(1.5)	(1,411.9)	(419.2)	(587.5)	(368.6)	(323.9)	-	(3,112.6)
Total carrying amount	9.9	1,642.1	608.3	744.7	174.0	101.5	252.1	3,532.6

1 Includes capitalised borrowing costs of $4.3 million. The 31 December 2019 full year additions included capitalised borrowing cost of $9.7 million.

During the half year ended 30 June 2020, the SAL Group recognised an impairment of $22.2 million in respect of certain capital works in progress following the review and re-prioritisation of projects as a result of the impact of COVID-19 (2019: Nil).

11. Intangible assets

SAL Group ($m)	Goodwill	Concession and customer contracts	Airport operator licence	Leasehold land	Total
Useful life (years)	n/a	7-16	95	95	
At 30 June 2020					
Cost					
Opening balance as at 1 January 2020	682.1	162.3	5,607.8	2,038.1	8,490.3
Closing balance	682.1	162.3	5,607.8	2,038.1	8,490.3
Accumulated amortisation					
Opening balance as at 1 January 2020	-	(161.6)	(805.7)	(292.6)	(1,259.9)
Amortisation	-	(0.5)	(30.7)	(11.7)	(42.9)
Closing balance	-	(162.1)	(836.4)	(304.3)	(1,302.8)
Total carrying amount	682.1	0.2	4,771.4	1,733.8	7,187.5
At 31 December 2019					
Cost					
Opening balance as at 1 January 2019	682.1	162.3	5,607.8	2,038.1	8,490.3
Closing balance	682.1	162.3	5,607.8	2,038.1	8,490.3
Accumulated amortisation					
Opening balance as at 1 January 2019	-	(160.8)	(743.7)	(270.1)	(1,174.6)
Amortisation	-	(0.8)	(62.0)	(22.5)	(85.3)
Closing balance	-	(161.6)	(805.7)	(292.6)	(1,259.9)
Total carrying amount	682.1	0.7	4,802.1	1,745.5	7,230.4

Airport operator licence and Leasehold land explained

The Commonwealth of Australia granted Sydney Airport Corporation Limited, a wholly-owned subsidiary of SAL, a 50 plus 49 year lease of land and granted an airport operator licence.

An independent valuation was conducted in 2007 valuing the leasehold land and the intrinsic value of operating the land as an airport.

Impairment test of goodwill

Management undertook a management valuation at 30 June 2020 updated for COVID-19 impacts to the business. The valuation updates included assumptions regarding passenger numbers, revenue, operating expenses, capital expenditure and interest rates. There were no changes to valuation methodology. The result of the updated valuation indicated that significant headroom remains and hence no impairment was required.

Financial results and financial position

12. Indemnity provision

In 2011, the SAT1 Group sold stakes in both Copenhagen Airport and Brussels Airport to Ontario Teachers' Pension Plan Board (OTPP). In prior years, the Danish Tax Agency (DTA) issued assessments to Copenhagen Airports Denmark Holdings (CADH) in respect of dividend and interest withholding tax amounts for the 2006 – 2011 years inclusive. In response to demands from DTA in 2017, CADH paid all disputed interest withholding tax liabilities. As OTPP is indemnified by SAT1 for its 52% share of any liabilities of CADH arising in respect of these matters, OTPP then issued indemnity claims for SAT1's share of those liabilities which were paid by SAT1 to OTPP in November 2017. This was recognised as a non-current receivable in the 31 December 2017 and 2018 Financial Reports. The assessments are currently being contested in the Danish High Court with resolution unlikely to be before 2022.

SAL and SAT1 announced on 24 May 2019 that decisions of the Court of Justice of the European Union (ECJ decisions), although not in relation to CADH's interest and dividend withholding tax disputes being contested in the Danish High Court, had prompted reconsideration of the status of the indemnities provided by SAT1. Following analysis of all relevant information available to it at that time, SAT1 determined in the 31 December 2019 Financial Report to:

- Expense the $119.1 million non-current receivable which had been recognised in the 31 December 2018 Financial Report (Note 9) relating to the interest withholding tax indemnity; and
- Provide $63.1 million as a non-current provision for a possible call on the indemnity in respect of the dividend withholding tax matter. This provision reflected management's estimate of a final indemnity call which would be payable if an unfavourable resolution of the dispute had occurred as at 31 December 2019, including primary tax and additional interest accrued to that date. The non-current provision was estimated using the spot exchange rate of AUD/DKK 4.67 as at 31 December 2019, and was to be escalated by around $6.0 million per annum in potential additional interest for as long as the dividend withholding tax matter remained unresolved in the Danish High Court.

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

On 24 June 2020, the DTA announced that:

- It had since 2008 incorrectly applied the rules concerning the application of interest in withholding tax cases currently before the Danish courts;
- It would review and recalculate interest in all affected cases;
- It would revise assessments and repay excess interest which had previously been paid; and
- It expects to finalise this process by the end of 2020.

The assessments issued by the DTA to CADH, which are the subject of the indemnity from SAT1 to OTPP, are expected to be revised by the DTA following this announcement. The revised assessments are not currently known but are expected to result in:

- a partial refund of the amounts previously paid by SAT1 in relation to the disputed interest withholding tax cases and expensed in the 31 December 2019 Financial Report; and
- a reduction in SAT1's non-current provision for a possible call on the indemnity in respect of the dividend withholding tax cases.

The benefit to SAT1 from this announcement is likely to be significant but is not currently able to be calculated with reasonable certainty. No adjustment has been made at this time to the existing accounting treatment of the previous indemnity payment and non-current provision. The provision has also not been adjusted as at 30 June 2020 for foreign exchange movements and has not been increased for potential additional interest from 31 December 2019 to 30 June 2020, as these impacts are likely to be exceeded by the benefit of the revised assessments.

Notwithstanding the ECJ decisions and consideration of the status of the indemnities, CADH (in agreement with SAT1) continues to vigorously contest these matters in the Danish High Court. In addition, SAT1 has incurred expenditure of $0.9 million during the period to continue to fully explore options currently available.

There remains uncertainty as to the outcome of the litigation which has the potential to change SAT1's accounting determinations described above.

Other disclosures

13. SAT1 and SAL cross staple loan

Under the terms of the cross staple loan (the loan), Sydney Airport Limited (SAL) is required to pay SAT1 interest in advance on the outstanding principal amounts at the beginning of an interest period.

SAL received approximately $116.5 million of interest from SAT1 in February 2020 in respect of the period from 1 January 2020 to 30 June 2020. The Consolidated statements of cash flows reflect the interest received by the SAT1 Group of $116.5 million during the half year ended 30 June 2020.

On 9 June 2020 The Trust Company (Sydney Airport) Limited as responsible entity of SAT1 executed a Deed Poll in favour of SAL Under the Deed Poll, SAT1 agreed to waive its right to interest payable by SAL and the accumulation and capitalisation of unpaid interest of approximately $116.5 million for the six months from 1 July 2020 to 31 December 2020.

The related party principal balance at 30 June 2020 was $1,796.5 million (31 December 2019: $1,796.5 million.

14. Government assistance

In April 2020, the SAL Group enrolled for the JobKeeper government assistance program for 498 eligible employees. For the half year ended 30 June 2020, the SAL Group recognised $5.0 million in government assistance. This has been recognised as an offset to Employee benefits expense in the Consolidated statement of comprehensive income for the half year ended 30 June 2020, as permitted by AASB 120 *Government Grants*. Excluding the impact of JobKeeper, the Employee benefits expense would have been $27.3 million for the half year ended 30 June 2020.

15. Events occurring after balance sheet date

Aeronautical agreements

The Group has been working through numerous expiring or expired aeronautical agreements and have reached the following agreements in the period following balance date:

- An agreement was reached to extend the current aeronautical arrangements for Jetstar domestic and Qantas Group domestic runway and international operations until 30 June 2021. In addition, Sydney Airport and Qantas entered new twelve-month agreements until 30 June 2021, extending Qantas' use of the Jet Base and associated infrastructure, while providing for hand back of land specific to the development of Sydney Gateway.
- The Board of Airline Representatives Australia (BARA) have endorsed Sydney Airport's proposal to its member airlines for international services. This endorsed agreement extends the pricing and service provisions under the previous five-year agreement for another twelve months to 30 June 2021. Sydney Airport is now in the process of contracting with BARA airlines individually.

Further Government actions in response to COVID-19 pandemic

Subsequent to balance date, the impact of the COVID-19 pandemic has continued to evolve. The Victorian Government implemented Stage 4 lock down across parts of Victoria, including Melbourne. The Queensland Government also announced the temporary reclosing of the Queensland border to NSW and ACT residents. These actions have had an adverse impact on domestic traffic levels.

Interest rate swap resets

Since the end of the half year, the Group has executed $5.2 billion of interest rate swap reset transactions. This involved making upfront payments totaling $138.0 million to reduce the contracted fixed interest rates on these swaps to lower current market rates for approximately 12 months. Associated interest expense reductions will be incorporated in the results of future reporting periods. The level of senior drawn borrowings (bank debt and capital markets debt) hedged through interest rate swaps remains unchanged following these transactions.

Gateway

In September 2018, Sydney Airport Corporation Limited (SACL), a wholly owned subsidiary of the SAL Group, reached an agreement with the NSW Government on Sydney Gateway. In exchange for the Australian Government granting an easement to the NSW Government over part of the Sydney Airport site (the easement sites), the NSW Government agreed to compensate SACL to the value of $170 million, escalating annually at 5% over three years from the date of the agreement. Access to easement sites commenced from July 2020.

Indemnity provision

In the 31 December 2019 Financial Report, the Group expensed $182.2m representing its indemnity obligations related to its former indirect holding in Copenhagen Airport. The expensed amount represented SAT1's share of disputed interest and dividend withholding taxes, together with accrued interest on that tax, currently the subject of litigation with the Danish Tax Agency (DTA). On 24 June 2020, the DTA announced that it had since 2008 incorrectly applied interest in withholding tax cases currently before the Danish courts. The DTA expects that by the end of 2020 it would recalculate interest in all affected cases and refund any excess interest which had previously been paid. The benefit to the Group from this announcement is likely to be significant but is not currently able to be calculated with reasonable certainty. Further detail is provided at Note 12 to the Sydney Airport Interim Financial Report.

Entitlement offer

As at the date of signing, the SAL and SAT1 Boards are intending to raise additional equity capital of $2 billion by way of a fully underwritten renounceable entitlement offer to all existing securityholders. Total equity raising proceeds, combined with cash on hand and undrawn debt facilities will provide pro forma adjusted liquidity of $4.6 billion as at 30 June 2020.

Other than these items, the directors of SAL and TTCSAL are not aware of any matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the SAL and SAT1 Groups, the results of those operations or the state of affairs of the Groups in the period subsequent to the half year ended 30 June 2020.

Statement by the Directors of Sydney Airport Limited

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

a. the consolidated interim financial statements and notes for SAL set out on pages 22 to 43 are in accordance with the *Corporations Act 2001*, including:

   i. complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory reporting requirements; and

   ii. giving a true and fair view of the SAL Group's financial position at 30 June 2020 and of its performance for the half year ended on that date.

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

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

Trevor Gerber
Sydney
11 August 2020

John Roberts
Sydney
11 August 2020

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

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

a. the consolidated interim financial statements and notes for SAT1 set out on pages 22 to 43, are in accordance with the *Corporations Act 2001*, including:

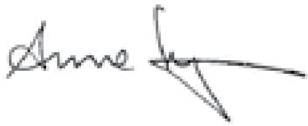
   i. complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory reporting requirements; and

   ii. giving a true and fair view of the SAT1 Group's financial position at 30 June 2020 and of its performance for the half year ended on that date.

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

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

Patrick Gourley
Sydney
11 August 2020



Anne Rozenauers
Sydney
11 August 2020

Sydney Airport

sydneyairport.com.au