Transurban Group
Appendix 4D
Half-year ended 31 December 2019

(Previous corresponding period:
Half-year ended 31 December 2018)

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

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

Results for announcement to the market[1]

Statutory results compared to the prior period

- Revenue from ordinary activities increased 0.3 per cent to $2,121 million;
- Profit from ordinary activities after tax increased 11.1 per cent to $162 million;
- Profit from ordinary activities after tax excluding significant items decreased 25.5 per cent to $169 million;
- Earnings before depreciation and amortisation, net finance costs, equity accounted investments and incomes taxes (EBITDA) increased 13.7 per cent to $1,104 million;
- EBITDA excluding significant items increased 12.2 per cent to $1,107 million;
- Net profit attributable to security holders of the stapled group increased 45.9 per cent to $189 million; and
- Net profit attributable to security holders of the stapled group, excluding significant items decreased 6.8 per cent to $196 million.

Proportional results compared to the prior period

- Toll revenue increased 8.6 per cent to $1,396 million;
- EBITDA increased 56.5 per cent to $1,085 million;
- EBITDA excluding significant items increased 9.5 per cent to $1,094 million; and
- Free cash increased 29.6 per cent to $927 million.

Distributions

	Amount per Security (cents)	**Franked amount per Security (%)**
Interim distribution (declared prior to reporting date)	29.0	-
Interim dividend (declared prior to reporting date)	2.0	100
	31.0	
Interim distribution from the previous corresponding period	28.0	-
Interim dividend from the previous corresponding period	1.0	100
	29.0	
Final distribution (prior year)	28.0	-
Final dividend (prior year)	2.0	100
	30.0	

Record date for determining entitlements to interim distribution	31 December 2019
Date of payment of interim distribution	14 February 2020

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

Distribution Reinvestment Plan

Under the Distribution Reinvestment Plan (DRP), security holders may receive additional stapled securities in substitution for some or all cash distributions in respect of their stapled securities. The last date for the receipt of an election notice for participation in the DRP was 2 January 2020 and the participation rate was 3.56 per cent. No discount has been applied when determining the price at which stapled securities will be issued under the DRP for the current period distribution.

Explanation of results

For further explanation of the results please refer to the accompanying ASX Release and "Performance" within the Directors' Report of the interim report.

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

Significant items are those items where their nature is sufficiently significant to the financial statements and not in the ordinary course of business. These items have been disclosed in Note B5 of the Group interim financial statements.

Proportional results

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

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

Proportional EBITDA is reconciled to the statutory income statement in Note B3 of the Group interim financial statements.

Free cash

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

Free cash is broadly calculated as[2]:

- Statutory cash flow from operating activities;
- Add back transaction and integration costs related to acquisitions;
- Add back payments for maintenance of intangible assets;
- Add capital releases from 100% owned assets;
- Less debt amortisation of 100% owned assets, except for M5 Motorway[3];
- Less cash flow from operating activities from consolidated non-100% owned assets;
- Less allowance for maintenance of intangible assets for 100% owned assets; and
- Add distributions and interest received from non-100% owned entities, adjusted to exclude debt amortisation for M5 Motorway[3].

[2] For the half year ended 31 December 2019, a pro-forma adjustment has been made to reflect 100% ownership of M5 Motorway as if acquired 1 July 2019 (due to the purchase price to acquire the remaining minority interests being based on a 1 July 2019 acquisition date and in lieu of the final purchase price being reduced for distributions paid to minority interests between 1 July 2019 and financial close).

[3] From the date of the WCX acquisition, debt amortisation from M5 Motorway is excluded from this figure due to the M5 Motorway concession arrangement being transferred to the WCX ownership consortium at the end of the current M5 Motorway concession arrangement in 2026, in which Transurban holds a 25.5% ownership interest.

Net tangible asset backing

	31 December 2019 $	30 June 2019 $
Net tangible asset backing per stapled security[4]	**3.33**	3.53

Acquisition of remaining equity interest in the M5 Motorway
On 30 October 2019, Transurban acquired the remaining 34.62% interest in M5 Motorway for a purchase price of $459 million taking Transurban's ownership to 100%.

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

Name of company	Ownership Interest		Net profit contribution to the Transurban Group	
	2019 %	2018 %	**2019 $M**	2018 $M
North Western Roads Group Trust[5]	**50.0**	50.0	**-**	-
North Western Roads Group Pty Ltd[5]	**50.0**	50.0	**-**	-
NorthConnex State Works Contractor Pty Ltd[5]	**50.0**	50.0	**-**	-
Interlink Roads Pty Ltd[6]	**100.0**	65.4	**-**	9
Bluedot Innovation, Inc.	**4.2**	20.0	**(4)**	-
STP Project Trust	**50.0**	50.0	**(56)**	(115)
STP Asset Trust	**50.0**	50.0	**(8)**	(199)
STP PT Pty Ltd	**50.0**	50.0	**-**	-
STP AT Pty Ltd	**50.0**	50.0	**-**	-
			(68)	(305)

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

Audit review
This report has been based on the Group interim financial statements which have been reviewed by the Group's auditors. A copy of the unqualified review report can be found in the interim report.

Fiona Last
Company Secretary
11 February 2020

[4] Net tangible assets used as the basis for this calculation include the concessions and permits relating to the operational assets of the Group. Assets of this type are characterised as intangibles under Australian Accounting Standards.
[5] Transurban's share of net profits of the North Western Roads Group are not recognised due to the North Western Roads Group's historical accumulated loss position.
[6] On 18 September 2018, the Group acquired an additional 8.24% equity interest in Interlink Roads Pty Ltd (M5 Motorway) to increase the Group's equity interest to 58.24%, resulting in M5 Motorway being consolidated into the Group from that point forward. On 3 December 2018, the Group acquired an additional 7.14% interest in M5 Motorway. The $9m "net profit contribution to the Transurban Group" by M5 Motorway is for the period to 18 September 2018.

Transurban Holdings Limited and Controlled Entities

Interim report for the half-year ended 31 December 2019

ABN 86 098 143 429

(Including Transurban Holding Trust and Transurban International Limited)

Contents

Directors' report

The Directors of Transurban Holdings Limited ('the Company', 'the Parent' or 'THL') and its controlled entities ('Transurban', 'Transurban Group' or 'the Group'), Transurban International Limited and its controlled entities ('TIL'), and Transurban Infrastructure Management Limited ('TIML'), as responsible entity of Transurban Holding Trust and its controlled entities ('THT'), present their report on the Transurban Group for the half-year ended 31 December 2019 ('HY20'). The controlled entities of THL include the other members of the stapled group, being TIL and THT.

Directors

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

Non-executive Directors

Lindsay Maxsted (Chairman)

Mark Birrell

Terence Bowen (appointed 1 February 2020)

Neil Chatfield

Samantha Mostyn

Christine O'Reilly

Peter Scott

Jane Wilson

Robert Edgar (retired 10 October 2019)

Executive Directors

Scott Charlton

Principal activities

The principal activities of the Group during the period were the building and operation of toll roads in Melbourne, Sydney and Brisbane, in Australia, as well as in the Greater Washington Area and Montreal in North America.

Operating and financial review

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

Executive summary

The six month period ended 31 December 2019 included the following key highlights:

Statutory results compared to the corresponding period:

- Toll revenue increased 10.0 per cent from $1,298 million to $1,428 million;
- Profit from ordinary activities after tax increased 11.1 per cent from $145 million to $162 million;
- Profit from ordinary activities after tax excluding significant items[1] decreased 25.5 per cent from $224 million to $169 million;
- Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes ('EBITDA') increased 13.7 per cent from $971 million to $1,104 million;
- EBITDA excluding significant items[1] increased 12.2 per cent from $988 million to $1,107 million;
- Net profit attributable to security holders of the stapled group increased 45.9 per cent from $129 million to $189 million; and
- Net profit excluding significant items[1] attributable to security holders of the stapled group decreased 6.8 per cent from $208 million to $196 million.

Proportional results compared to the corresponding period:

- Average Daily Traffic ('ADT') increased 2.3 per cent[2];
- Proportional Toll revenue[3] increased 8.6 per cent to $1,396 million;
- Proportional EBITDA[3] (excluding significant items[1]) increased 9.5 per cent to $1,094 million; and
- Free cash increased 29.6 per cent to $927 million.

A distribution of 31.0 cents per stapled security will be paid for the six months ended 31 December 2019 on 14 February 2020. Further details of the distribution are presented in note B8 of the Group interim financial statements.

Our business

As one of the world's largest toll-road operators, our business is about getting people where they want to go, as quickly and safely as possible to assist in achieving our purpose—to strengthen communities through transport.

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

Partnering with governments to address these challenges is at the core of Transurban's business and everything we do aims to create more efficient transport routes and ease congestion.

We have seven[4] projects scheduled for completion by FY24 that will offer major improvements in the way motorists move around our cities.

In the first half of FY20, we have opened three projects—the New M4 tunnels, the Logan Enhancement Project and the 395 Express Lanes—that will create travel-time savings and more reliable travel for motorists.

The first underground section of WestConnex in Sydney, the New M4 tunnels, opened in July 2019. In 2020, we will be opening two more tunnels in Sydney—the New M5, which is Stage Two of WestConnex, and NorthConnex, the twin nine kilometre dual-lane tunnels linking the M1 Pacific Motorway with the Hills M2.

In Brisbane, we completed the Logan Enhancement Project in August 2019, upgrading and constructing 15 kilometres of new lanes and ramps, and customers are now benefiting with up to 20 minutes in travel-time savings.

1. Significant items are those items where their nature is sufficiently significant to the Group interim financial statements and not in the ordinary course of business. Refer to note B5 of the Group interim financial statements for further information.
2. ADT in prior corresponding period includes M4 traffic prior to Transurban ownership and is shown for comparison purposes. Excluding period-on-period M4 growth, ADT increased by 1.4%.
3. Refer to note B3 of the Group interim financial statements for the definition of proportional toll revenue and proportional EBITDA.
4. Includes Rozelle Interchange which is being delivered and 100% funded by Transport for NSW.

Operating and financial review (continued)

Our business (continued)

In the USA, we completed our 395 Express Lanes project and commenced tolling in November 2019. These lanes extend our 95 Express Lanes by 13 kilometres to the Washington DC border. In July 2019 we also reached financial close on the Fredericksburg Extension project, which will extend the existing reversible 95 Express Lanes south by 16 kilometres.

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

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

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

We achieve success as a business by enabling the performance and achievements of our people. Transurban's direct workforce is made up of around 3,000[5] people, however our day-to-day operations and major infrastructure projects rely on a much larger workforce. In total, over 9,000[6] people work as part of our broader workforce across construction and business operations.

Through our people, we aim to create a resilient and adaptive culture—underpinned by personal accountability and corporate responsibility—where diversity of thought is valued.

Our approach to diverse thinking has generated significant benefits for our customers. We have introduced apps to customers who are increasingly wanting to manage their toll road travel through digital channels including a GPS tolling app, LinktGO. LinktGO, which allows drivers to see their toll travel in real time and pay trip-by-trip using their smartphones with no ongoing commitment, provides greater convenience for occasional toll road users.

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

Strategy and risk management

Transurban's strategy is to provide sustainable transport solutions that offer choice, reliability, safety, transparency and value. We do this by being a trusted partner to all our stakeholders, creating optimal transport networks and investing in technology, innovation and highly skilled people. We maintain a disciplined and "best-for-network" approach to value-adding opportunities for development.

Sustainability strategy

Transurban's sustainability strategy is fundamental to our day-to-day business activities and to our long-term objectives. Our strategy is aligned with the nine United Nations' (UN) Sustainable Development Goals most relevant to us and our stakeholders.

These UN goals are the blueprint to achieve a better and more sustainable future for all. They address global challenges including poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.

Our strategy reinforces our commitment to the UN Global Compact and is supported by a set of objectives and a work program.

The reality of climate change means that it is more important than ever to manage our energy use and impacts on the environment. By reducing our consumption of resources, goods and services, we can create more efficient operations that reduce our greenhouse gas (GHG) emissions.

We have set targets to reduce our energy consumption by 10 per cent by 2023[7] (compared to 2013) and halve our GHG emissions by 2030 (compared to 2016) and we consistently look for opportunities in our operations to achieve those goals.

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5. Direct workforce includes over 1,500 direct employees and temporary workers and over 1,400 workers contracted through our partner organisations primarily in customer service, technology and business operations.

6. Excludes WestConnex and A25 workforce. WestConnex will be included in FY20 data.

7. The 2013 baseline was updated in 2016 to include all new assets at that time. No new assets will be added to this baseline.

Operating and financial review (continued)

Sustainability strategy (continued)

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

Health, safety and environment

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

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

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

- Road Injury Crash Index;
- Recordable Injury Frequency Rate of both employees and contractors; and
- HSE leadership including requiring people leaders and their teams to outline how they take responsibility for ensuring a healthy and safe environment in their area.

Risk management

Identifying and managing risks is a crucial practice for any sustainable business. Effective risk management is essential to delivering value for our stakeholders and requires involvement from employees at all levels of the business.

We proactively implement strategies and contingency plans to manage risk, and assess the effectiveness of these activities through regular reviews so we can make changes where necessary.

Central to our approach is our Enterprise Risk Management (ERM) Framework. This provides guidance on the identification, assessment, management and escalation of risks to ensure that those with the potential to have a material impact on the business are mitigated and escalated appropriately.

We also regularly review the effectiveness of our risk management approach and culture, making improvements where appropriate. Recent improvements include refinements to the Risk Appetite Statement, Risk Assessment Criteria for our non-financial risk types and our related processes.

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

Risk management and Business risks—threats and opportunities should be read in conjunction with the corporate report for the year ended 30 June 2019.

Business risks—threats and opportunities

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

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

- harnessing technology and services to develop new products and offerings;
- leveraging capabilities to enhance motorway networks;
- sustainability initiatives to enhance road user and community experience; and
- new business opportunities in our target markets.

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

- maintaining our social licence to operate and ensuring ethical workplace practices;
- cyber security and information protection;
- unfavourable changes in the market or to operating conditions;
- changes in government policies or regulatory interpretations;
- access to suitable financing arrangements;

Operating and financial review (continued)

Business risks—threats and opportunities (continued)

- delivering our major projects within our financial expectations and to meet agreed outcomes;
- ensuring the safety and wellbeing of employees and contractors;
- customer and road safety;
- dependency on third parties and critical suppliers;
- failure of maintenance and project contractors to adequately deliver works to the required standard;
- failure to continue to consider or incorporate the impacts of climate change;
- failure of technical infrastructure;
- reduced traffic volumes or an inability to grow traffic volumes; and
- competitor growth or behaviour.

Financial risk management

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

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

Further information on Transurban's approach to financial risk management is included within the corporate report for the year ended 30 June 2019 at note B15 Derivatives and financial risk management.

Asset portfolio at 31 December 2019

	Melbourne	Sydney						
Overview	**CityLink**	**M5 West**[3]	**M2**	**M4**	**ED**	**M7**	**LCT**	**CCT**
Opening date	Dec 2000	Aug 1992	May 1997	May 1992	Dec 1999	Dec 2005	Mar 2007	Aug 2005
Remaining concession period[1]	25 years[2]	7 years	28 years	41 years	29 years	28 years	28 years	16 years
Concession end date	Jan 2045[2]	Dec 2026	Jun 2048	Dec 2060	Jul 2048	Jun 2048	Jun 2048	Dec 2035
Physical details								
Length—total	22 km in 2 sections	22 km	21 km	14 km	6 km	40 km	3.8 km	2.1 km
Length—surface	16.8 km	22 km	20.5 km	8.5 km	4.3 km	40 km	0.3 km	–
Length—tunnel	5.2 km	–	0.5 km	5.5 km	1.7 km	–	3.5 km	2.1 km
Lanes	2x4 in most sections	2x3	2x3	2x4 – West 2x3 – East	2x3 2x2 some sections	2x2	2x2 2x3 some sections	2x2 2x3 some ramp sections
Ownership								
Transurban ownership	100%	100%[4]	100%	25.5%	75.1%	50%	100%	100%
Tolling								
Large vehicle multiplier Light commercial vehicle (LCV) Heavy commercial vehicle (HCV)	LCV: 1.6x HCV: 3x (day) 2x (night)	3x	3x	3x	2x	3x	Minimum 3x	2x

1. As at 31 December 2019.
2. Includes 10-year extension to CityLink concession in connection with the West Gate Tunnel Project.
3. M5 West will form part of the WestConnex M5 concession once the current concession expires in December 2026, through to December 2060. During that period Transurban's ownership will be 25.5% based on our current ownership interest.
4. Transurban acquired two additional equity interests in the M5 West during FY19 of 8.24% and 7.14% taking its total equity ownership to 65.38%. Financial close on the additional interests was reached on 18 September 2018 and 3 December 2018 respectively. Transurban acquired the remaining 34.62% equity interest in the M5 West during 1H20, taking its total equity ownership to 100%. Financial close on the 34.62% interest was reached on 30 October 2019.

Operating and financial review (continued)

Asset portfolio at 31 December 2019 (continued)

	Brisbane						North America		
Overview	**Gateway Motorway**	**Logan Motorway**	**Clem7**	**Go Between Bridge**	**Legacy Way**	**Airportlink M7**	**495 Express Lanes[5]**	**95 Express Lanes[6]**	**A25[7]**
Opening date	Dec 1986	Dec 1988	Mar 2010	Jul 2010	Jun 2015	Jul 2012	Nov 2012	Dec 2014	May 2011
Remaining concession period[1]	32 years	32 years	32 years	44 years	45 years	34 years	68 years	68 years	23 years
Concession end date	Dec 2051	Dec 2051	Aug 2051	Dec 2063	Jun 2065	Jul 2053	Dec 2087	Dec 2087	Sept 2042
Physical details									
Length—total	23.1 km	38.7[3] km	6.8 km	0.3 km	5.7 km	6.7 km	22 km	63 km	7.2 km
Length—surface	23.1 km	38.7[3] km	2.0 km	0.3 km	1.1 km	1.0 km	22 km	63 km	7.2 km
Length—tunnel	–	–	4.8 km	–	4.6 km	5.7 km	–	–	–
Lanes	6, 8 and 10 (various) 12 Gateway Bridge	2x2 2x3 some sections	2x2	2x2	2x2	2x3	2x2 HOT lanes	2 and 3 reversible HOT lanes	2x3 on bridge 2x2 on remaining sections
Ownership									
Transurban ownership	62.5%	62.5%	62.5%	62.5%	62.5%	62.5%	100%	100%	100%
Tolling									
Large vehicle multiplier Light commercial vehicle (LCV) Heavy commercial vehicle (HCV)	LCV – 1.5x HCV – 3.07x2	LCV – 1.5x HCV – 3.07x2	LCV – 1.5x HCV – 3x (day) 2.65x (night)	LCV – 1.5x HCV – 3x (day) 2.65x (night)	LCV – 1.5x HCV – 2.65x4	LCV – 1.5x HCV – 2.65x	No multiplier – trucks >2 axles not permitted	No multiplier – trucks >2 axles not permitted	2x per axle

1. As at 31 December 2019.
2. Logan and Gateway HCV tolls progressively increasing to a maximum of 3.46x car tolls post Logan Enhancement Project (LEP) completion.
3. Length includes 9.8 km of Gateway Extension Motorway.
4. HCV multiplier increasing to 3x car tolls during the peak periods from 1 July 2020.
5. 495 Express Lanes concession includes 495 Northern Extension Project (development framework agreed). Data relates to operational lanes only.
6. 95 Express Lanes concession includes 395 Express Lanes (opened for traffic November 2019) and the Fredericksburg Extension (currently under construction). Data relates to operational lanes only.
7. A25 income includes fixed availability payment from the local government and guaranteed minimum toll income.

Operating and financial review (continued)

Future concession assets[1]

	Sydney						Melbourne
Overview	NorthConnex	M5 West[3]	New M5[4]	M5 East	M4-M5 Link	Rozelle Interchange	West Gate Tunnel
Concession end date	Jun 2048	Dec 2060	Dec 2060	Dec 2060	Dec 2060	Dec 2060	Jan 2045
Physical details							
Length—total	9 km	22 km	11 km	10 km	7.5 km	5 km[6]	17 km
Length—surface	–	22 km	2 km	5.5 km	–	–	10.2 km
Length—tunnel	9 km	–	9 km	4.5 km	7.5 km	5 km[6]	6.8 km
Lanes	2x2[2]	2x3	2x2[5]	2x2	2x4	n/a	2x6 on WGF 2x3 on remaining sections
Ownership							
Transurban ownership	50%	25.5%	25.5%	25.5%	25.5%	25.5%	100%
Tolling							
Large vehicle multiplier Light commercial vehicle (LCV) Heavy commercial vehicle (HCV)	3x	3x	3x	3x	3x	3x	LCV – 1.6x HCV[7] HPFV[7]

1. Not including upgrades or extensions to existing assets which are captured in the preceding asset portfolio tables.
2. Marked for two lanes in each direction but built to accommodate three lanes in each direction.
3. Transurban currently owns 100% of M5 West, when the current concession expires in December 2026 the M5 West will form part of the WestConnex M5 concession through to December 2060.
4. Upon opening of the New M5, handover and tolling commencement will occur on the existing M5 East.
5. Marked for two lanes in each direction but built to accommodate three lanes in each direction from Kingsgrove to Arncliffe and five lanes in each direction from Arncliffe to St Peters.
6. Rozelle Interchange is being delivered and funded by Transport for NSW. Rozelle Interchange is a complex design consisting predominantly of ramps, with the length of lane kilometres approximately equivalent to a 5 km motorway with two lanes in each direction.
7. HCV and High Productivity Freight Vehicle (HPFV) tolls are not based on a multiplier of a car toll. Tolling discounts for off-peak, multiple trips and trip caps also apply. Further detail can be found at westgatetunnelproject.vic.gov.au.

Operating and financial review (continued)

Performance
Period ended 31 December 2019 highlights

Statutory results

	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M
Toll revenue	1,428	1,298
EBITDA	1,104	971
EBITDA excluding significant items[1]	1,107	988
Net profit for the period	162	145
Net profit for the period excluding significant items[1]	169	224
Profit attributable to the ordinary security holders of the stapled group	**189**	**129**

1. Significant items are those items where their nature is sufficiently significant to the Group interim financial statements and not in the ordinary course of business. Refer to note B5 of the Group interim financial statements for further information.

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

- Increase of $61 million in toll revenue due to traffic and price escalation across the existing Australian and North American networks;
- Toll revenue contribution of $69 million from new assets including WestConnex, the consolidation of M5 West for six months (consolidated from 18 September 2018) and the opening of 395 Express Lanes;
- Increase of $115 million in depreciation and amortisation mainly attributable to the consolidation of M5 West (effective 18 September 2018), the uplift in the concession value of CityLink following the concession extension and amortisation beginning for 395 Express Lanes and Logan Enhancement Project;
- Increase of $37 million in net finance costs primarily due to unwind of the West Gate Tunnel project construction obligation and higher external interest due to a combination of projects completing (no longer capitalising interest expense) and higher corporate borrowings to fund projects held by non-consolidated assets;
- Increase of $48m in share of net loss of equity accounted investments due to higher amortisation expense related to the full period of WestConnex ownership and opening of the M4 Tunnels; and
- Increase of $26 million in income tax benefit.

Movements in significant items during the period have been influenced by:

- Decrease of $71 million in significant items before tax ($72 million after tax) relating to $285 million decrease in share of net loss of equity accounted investments due to stamp duty, transaction and integration costs incurred by the STP JV on the WestConnex acquisition recognised in the prior period, $14 million decrease in transaction and integration costs incurred by Transurban, partially offset by a $228 million decrease due to the gain recorded on the M5 West step-up acquisition in the prior period.

Operating and financial review (continued)

Proportional EBITDA

Segment information in note B3 to the Group interim financial statements presents the proportional result for the Transurban Group, including reconciliations to the statutory result. Management considers proportional EBITDA to be the best indicator of asset performance. The table below also provides HY20 results adjusted to exclude certain acquisitions and new assets so as to compare the performance of the existing business to the prior year result.

	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M	% Change	Half-year ended 31 December 2019 Adjusted[2] $M	Half-year ended 31 December 2018 $M	% Change
Toll revenue	1,396	1,286	8.6%	1,328	1,286	3.2%
Other revenue	49	38	29.9%	37	38	(3.7%)
Total costs	(351)	(323)	8.3%	(327)	(323)	(0.8%)
EBITDA excluding significant items[1]	1,094	1,001	9.5%	1,037	1,001	3.7%
Significant items	(9)	(308)	(97.2%)	–	–	–
EBITDA	1,085	693	56.5%	1,037	1,001	3.7%

1. Significant items are those items where their nature is sufficiently significant to the Group interim financial statements and not in the ordinary course of business. Refer to note B5 of the Group interim financial statements for further information.
2. Excludes contributions associated with additional ownership of M5 West (on a like-for-like basis), incremental corporate income and costs (net of elimination) from the WCX Master Service Agreement, annualised contributions from M4 and M4 tunnel, additional maintenance expense in CityLink following the concession extension, 395 Express Lanes (since road opening 17 November 2019) and foreign exchange movements.

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

- Increase in toll revenue driven by traffic and price escalation across the existing Australian and North American networks; and
- New assets including the additional ownership in M5 West which contributed an additional $58 million of toll revenue.

Financial position

	31 December 2019	30 June 2019
Market capitalisation	$40.8B	$39.4B
Securities on issue	2,733M	2,675M
Cash and cash equivalents	$1,982M	$1,630M
Gearing[1]	32.8%	32.0%

1. Calculated using proportional debt to enterprise value, exclusive of issued letters of credit. Security price was $14.74 at 30 June 2019 and $14.91 at 31 December 2019 with 2,675 million securities on issue at 30 June 2019 and 2,733 million securities on issue at 31 December 2019.

Transurban's operating assets are primarily long-life intangible assets (concession assets), representing the provision by government entities for the right to toll customers for the use of the assets. Concession assets represent 74 per cent of the total assets of the Group. Concessions typically range from approximately 30 to 80 years, and for accounting purposes the carrying values are amortised on a straight-line basis over the duration of the concession.

Free cash

	Half-year ended 31 December 2019	Half-year ended 31 December 2018	% Change
Free cash	$927M	$715M	29.6%
Weighted average securities eligible for distribution[1]	2,733M	2,672M	2.3%
Free cash per security (cents)	33.9cps	26.8cps	26.7%

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

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

- EBITDA and cash flow increases from 100 per cent owned assets including the LCT and Hills M2 capital releases received during the period, as well as the additional ownership interests in M5 West;
- Decrease in distributions from non 100 per cent owned assets due to the NorthWestern Roads Group capital release received in the prior corresponding period, partially offset by an increase in distributions from WestConnex;
- Favourable net finance costs including $19m decrease due to Private Acitivity Bonds ('PABs') premium received as part of the 395 Express Lanes project, partially offset by net finance costs from 100 per cent owned assets; and
- Unfavourable maintenance expenses and period-on-period movements in working capital.

Operating and financial review (continued)

Segment performance

	1H20 performance	*Operations and development*	*Customer and community*
Sydney	• Toll revenue growth of 10.8% inclusive of New M4 and additional M5 West interests[1] • ADT growth of 2.2%[2] • New M4 traffic ahead of investment case since tunnels opened in July 2019 • Traffic growth across the Sydney network saw the greatest impact from softer economic conditions and weaker housing construction activity • M2 and Lane Cove Tunnel impacted by softer economic conditions as well as redistribution of traffic since opening of New M4 tunnels in July 2019 and Metro North West rail which opened in May 2019 • Car traffic increased by 2.8% and large vehicles decreased by 3.7%	• Completed acquisition of remaining 34.62% interests in M5 West, taking ownership to 100% • Substantial progress to supply up to 80% of electricity needs for Sydney operations from renewable sources[3] • Variable speed management trial underway on M2 and M7 motorways to improve safety and efficiency	• New 2.5 hectare park, Ismay Reserve, opened in Sydney's inner west—previously contaminated and unused land transformed into green space for the 6,000 homes within a 10-minute walk • Continued working with our research partner Neuroscience Research Australia (NeuRA) through the Transurban Road Safety Centre looking at how road safety can be further improved through research into child seats, aged driver aids and motorcyclist safety
Melbourne	• Toll revenue growth of 3.7% • CityLink traffic growth of 1.1% with Southern Link impacted by disruption from West Gate Tunnel project and peak-period congestion, Western Link continuing to benefit from additional capacity • Car traffic increased by 0.7% and large vehicles increased by 3.0% • Traffic growth across the network impacted by softer economic conditions and weaker housing construction activity	• Successfully shifted routine tunnel closures from Saturday to Sunday nights and reduced the working window by two hours, leading to almost 22,000 fewer trips impacted annually • Dynamic speed management on Western Link of CityLink resulting in travel-time savings of around 2,500 hours a month • Ramp metering optimisation trial undertaken in collaboration with the Victorian Department of Transport, resulting in significant reductions to waiting times at signals without compromising traffic flow on mainline • Developing initiatives to improve congestion across the network by finding ways to encourage motorists to maintain the designated speed limit in the Burnley Tunnel	• Renewed agreement to continue supporting the Run for the Kids, now into its 15th year • Investing in Science, Technology, Engineering and Mathematics (STEM) focused educational programs including the Victorian Energy Breakthrough and the West Gate Kids school engagement program
Brisbane	• Toll revenue growth of 6.6% and ADT growth of 3.6% • Logan and Gateway traffic growth of 5.3% and 4.4% respectively, reflecting benefit of network enhancement projects • AirportlinkM7 and Clem7 traffic impacted by the redistributive effect of Gateway Upgrade North completion • Targeted EBITDA margin achieved in line with previous guidance • Car traffic increased by 3.7% and large vehicles increased by 3.1%	• Speeds on Logan Motorway returned to 100km/h following Logan Enhancement Project completion in August with customers saving up to 20 minutes on a trip • Construction of network operations centre underway to consolidate all of Transurban's traffic control rooms in Brisbane into a single facility • Commenced tolling services for Queensland Government's Toowoomba Bypass • Power purchase agreement established to supply up to 80% of electricity needs for operations from renewable sources	• $330,000 raised for Ronald McDonald House at annual charity day—in excess of $1 million now raised for this charity over seven years • Free child seat fittings and safety checks for over 350 Linkt customers provided as part of partnership with Kidsafe • Construction underway on cycle parks in Brisbane and Logan as part of the Logan Enhancement Project, designed to teach children how to share the road safely

1. Excluding additional M5 West ownership and all growth at M4, toll revenue decreased by 0.1%. During FY19 Transurban acquired two additional equity interests in the M5 West of 8.24% and 7.14% taking its total equity ownership to 65.38%. Financial close on the additional interests was reached on 18 September 2018 and 3 December 2018 respectively. Transurban acquired the remaining 34.62% equity interests in the M5 West during 1H20, taking its total equity ownership to 100%. Financial close on the 34.62% interest was reached on 30 October 2019.
2. ADT in prior corresponding period includes M4 traffic prior to Transurban ownership and is shown for comparison purposes. Excluding period-on-period M4 growth, ADT decreased by 0.1%.
3. Does not include Westlink M7, NorthConnex, M5 West and WestConnex Stage 3. Opportunities will be explored to implement further power purchase agreements across Transurban's portfolio. Sydney subject to final documentation and WestConnex Board approvals.

Operating and financial review (continued)

Segment performance (continued)

	1H20 performance	*Operations and development*	*Customer and community*
North America	• Toll revenue growth of 16.2%[1] and ADT growth of 6.2% • 395 Express Lanes traffic and revenue performing in line with expectations since tolling commenced in November[2] • Continued strong growth of Express Lanes toll revenue - 95 Express Lanes USD toll revenue growth of 13.6%[3] - 495 Express Lanes USD toll revenue growth of 4.5%[3] • A25 traffic growth of 6.6% the result of strong economic conditions in Montreal and favourable network dynamics[4]	• Capital Beltway Accord project announced in November 2019 to extend 495 Express Lanes into Maryland • Greater Washington Area road-user charging and automated driving systems studies—both federal Department of Transportation grants—expected to launch 2H20 • Continuing engagement with Quebec Government in relation to potential future opportunities • A25 off-peak toll prices increased by 14% effective September 2019 after ADT surpassed the necessary threshold	• Work zone safety partnership launched with Virginia Tech to advance development of automated truck mounted attenuators • Testing to commence shortly on new A25 mobile tolling app with launch targeted for 2H20

1. Excluding 395 Express Lanes which commenced tolling on 17 November 2019, toll revenue growth was 15.3%.
2. 395 Express Lanes forms part of the 95 Express Lanes concession. Results for the 395 Express Lanes are included as part of the 95 Express Lanes.
3. Toll revenue growth for 1H20 in AUD was 20.7% on 95 Express Lanes and 11.1% on 495 Express Lanes. USD toll revenue growth on the 95 Express Lanes was 11.4% excluding the impact of 395 Express Lanes.
4. Rolling 12-month peak-direction traffic of 3,131 vehicles per hour on the A25. Peak direction on the A25 means southbound in the morning peak and northbound in the evening peak.

Operating and financial review (continued)

Financing activities

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

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

Group equity issuance

In September 2019, the Group raised $812 million (excluding transaction costs) through a successful 'pro-rata' institutional placement and security purchase plan. The equity was used to fund the Group's investment in the remaining interests in Interlink Roads Pty Ltd ('M5 Motorway') and for general corporate purposes.

Events subsequent to the end of the half-year

Details of any events that have arisen from 31 December 2019 to the date of signing this report that have significantly affected or may significantly affect the Group's operations, the results of those operations or Group's state of affairs in the future years, are provided in note B16 of the Group interim financial statements.

Auditor

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

Rounding of amounts

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

This Directors' Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
11 February 2020

Auditor's Independence Declaration

As lead auditor for the review of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

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

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

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

M. Laithwaite

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Melbourne
11 February 2020

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Section A: Group interim financial statements

Transurban Holdings Limited
Consolidated statement of comprehensive income for the half-year ended 31 December 2019

	Note	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M
Revenue	B4	**2,121**	**2,114**
Expenses			
Employee benefits expense		(120)	(108)
Road operating costs		(195)	(184)
Construction costs		(639)	(777)
Transaction and integration costs	B5	(3)	(17)
Corporate and other expenses		(60)	(57)
Total expenses		**(1,017)**	**(1,143)**
Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes		**1,104**	**971**
Amortisation		(517)	(419)
Depreciation		(72)	(55)
Total depreciation and amortisation		**(589)**	**(474)**
Net finance costs	B9	(431)	(394)
Share of net loss of equity accounted investments, inclusive of impairments	B14	(68)	(305)
Gain on revaluation of equity accounted investment	B5	–	228
Profit before income tax		**16**	**26**
Income tax benefit	B6	146	119
Profit for the half-year		**162**	**145**
Profit attributable to:			
Ordinary security holders of the stapled group			
– Attributable to Transurban Holding Limited ('THL')		(113)	85
– Attributable to THT/TIL		302	44
Profit attributable to ordinary security holders of the stapled group		**189**	**129**
Non-controlling interests—other		(27)	16
Profit for the half-year		**162**	**145**
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss in the future			
Changes in the fair value of cash flow hedges, net of tax		(1)	(3)
Share of other comprehensive income/(loss) of equity accounted investments, net of tax	B14	4	(16)
Movement in share-based payments reserve		(4)	(3)
Exchange differences on translation of North American operations, net of tax		(3)	7
Other comprehensive loss for the half-year, net of tax		**(4)**	**(15)**
Total comprehensive income/(loss) for the half-year		**158**	**130**
Total comprehensive (loss)/income for the half-year is attributable to:			
Ordinary security holders of the stapled group			
– Attributable to THL		(139)	114
– Attributable to THT/TIL		318	(3)
		179	**111**
Non-controlling interests—other		(21)	19
Total comprehensive income/(loss) for the half-year		**158**	**130**
		Cents	**Cents**
Earnings per security attributable to ordinary security holders of the stapled group	B7	**7.0**	**5.2**

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

Transurban Holdings Limited
Consolidated balance sheet as at 31 December 2019

	Note	As at 31 December 2019 $M	As at 30 June 2019 $M
Assets			
Current assets			
Cash and cash equivalents		1,982	1,630
Trade and other receivables		231	285
Derivative financial instruments	B11	58	10
Total current assets		**2,271**	**1,925**
Non-current assets			
Equity accounted investments	B14	3,484	3,614
Financial assets at amortised cost		1,375	1,193
Derivative financial instruments	B11	180	293
Property, plant and equipment[1]		541	414
Concession financial asset		341	341
Deferred tax assets		1,107	1,107
Goodwill		466	466
Other intangible assets		26,367	26,604
Total non-current assets		**33,861**	**34,032**
Total assets		**36,132**	**35,957**
Liabilities			
Current liabilities			
Trade and other payables		453	513
Borrowings	B10	1,830	959
Derivative financial instruments	B11	77	7
Maintenance provision		155	156
Distribution provision		885	841
Other provisions		189	193
Construction obligation provision		899	831
Other liabilities[2]		240	291
Total current liabilities		**4,728**	**3,791**
Non-current liabilities			
Borrowings	B10	17,606	17,507
Derivative financial instruments	B11	433	496
Deferred tax liabilities		1,233	1,412
Maintenance provision		1,014	1,006
Other provisions		6	6
Construction obligation provision		971	1,391
Other liabilities[2]		578	446
Total non-current liabilities		**21,841**	**22,264**
Total liabilities		**26,569**	**26,055**
Net assets		**9,563**	**9,902**
Equity			
Contributed equity		2,909	2,675
Reserves		(473)	(149)
Accumulated losses		(3,733)	(3,563)
Equity interest attributable to other members of the stapled group (THT/TIL)		9,917	9,791
Equity interest attributable to security holders of the stapled group		**8,620**	**8,754**
Non-controlling interests—other		943	1,148
Total equity		**9,563**	**9,902**

1. The Group adopted AASB 16 Leases (AASB 16) on 1 July 2019 and has presented right-of-use assets within property, plant and equipment as at 31 December 2019, the same line item that the corresponding underlying asset would be presented were it owned.
2. Upon adoption of AASB 16 the Group has presented lease liabilities within other liabilities as at 31 December 2019.

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

Transurban Holdings Limited
Consolidated statement of changes in equity for the half-year ended 31 December 2019

	Attributable to security holders of stapled group							
	Number of securities M	Contributed equity $M	Reserves $M	Accumulated losses $M	Equity attributable to other members THT & TIL $M	Total $M	Non-controlling interests—other $M	Total equity $M
Balance at 30 June 2019 as originally presented	**2,675**	**2,675**	**(149)**	**(3,563)**	**9,791**	**8,754**	**1,148**	**9,902**
Change in accounting policy[1]	–	–	–	(2)	(1)	(3)	–	(3)
Balance at 1 July 2019	**2,675**	**2,675**	**(149)**	**(3,565)**	**9,790**	**8,751**	**1,148**	**9,899**
Comprehensive (loss)/income								
(Loss)/profit for the half-year	–	–	–	(113)	302	189	(27)	162
Other comprehensive (loss)/income	–	–	(26)	–	16	(10)	6	(4)
Total comprehensive (loss)/income	**–**	**–**	**(26)**	**(113)**	**318**	**179**	**(21)**	**158**
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs[2]	55	226	–	–	578	804	–	804
Employee performance awards issued[3]	1	1	–	–	6	7	–	7
Distributions provided for or paid[4]	–	–	–	(55)	(792)	(847)	–	(847)
Distribution reinvestment plan[5]	2	7	–	–	17	24	–	24
Distributions to non-controlling interests[6]	–	–	–	–	–	–	(49)	(49)
Derecognition of non-controlling interest on acquisition of remaining interest[7]	–	–	–	–	–	–	(135)	(135)
Transactions with non-controlling interests—other[7]	–	–	(298)	–	–	(298)	–	(298)
	58	**234**	**(298)**	**(55)**	**(191)**	**(310)**	**(184)**	**(494)**
Balance at 31 December 2019	**2,733**	**2,909**	**(473)**	**(3,733)**	**9,917**	**8,620**	**943**	**9,563**

1. Refer to note B2 for further details on the change in accounting policy.
2. During August and September 2019, the Group successfully completed a 'pro-rata' institutional placement and security purchase plan. The 'pro-rata' institutional placement raised gross proceeds of $500 million at an issue price of $14.70 per security. The security purchase plan raised gross proceeds of $312 million at an issue price of $14.64 per security. The total gross proceeds of $812 million ($804 million net of transaction costs) were used to fund the Group's investment in the remaining interests in M5 Motorway and for general corporate purposes.
3. From 2012 it is the Group's policy that a portion of all Short Term Incentives issued to the CEO and other senior executives are deferred for a period of two years. In addition to the Short Term Incentives, Stapled Securities (including units in the Trust) were issued to executives under the Group's Long Term Incentive share-based payment plans. These securities are held by the executive but will only vest in accordance with the terms of the plans.
4. Refer to note B8 for further details of dividends and distributions provided for or paid.
5. Under the Distribution Reinvestment Plan (DRP), holders of stapled securities may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by cash. The DRP applied for the interim and final distribution for FY2019, paid in February 2019 and August 2019, respectively. The DRP applies for the interim FY2020 distribution.
6. Distributions and dividends were paid during the period to the non-controlling interest partners in Eastern Distributor, Transurban Queensland and Interlink Roads Pty Ltd ('M5 Motorway').
7. Refer to note B13 for details regarding the derecognition of the non-controlling interest ($135 million) in M5 Motorway following the acquisition of the remaining 34.62% interest on 30 October 2019 including associated transaction costs ($39 million).

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

Transurban Holdings Limited
Consolidated statement of changes in equity for the half-year ended 31 December 2018

	Attributable to security holders of the stapled group							
	Number of securities M	Contributed equity $M	Reserves $M	Accumulated losses $M	Equity attributable to other members THT & TIL $M	Total $M	Non–controlling interests—other $M	Total equity $M
Balance at 30 June 2018 as originally presented	**2,225**	**1,746**	**(101)**	**(3,455)**	**7,401**	**5,591**	**1,175**	**6,766**
Change in accounting policy[1]	–	–	–	12	–	12	(5)	7
Balance at 1 July 2018	**2,225**	**1,746**	**(101)**	**(3,443)**	**7,401**	**5,603**	**1,170**	**6,773**
Comprehensive income								
Profit for the half-year	–	–	–	85	44	129	16	145
Other comprehensive income/(loss)	–	–	29	–	(47)	(18)	3	(15)
Total comprehensive income/(loss)	**–**	**–**	**29**	**85**	**(3)**	**111**	**19**	**130**
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs[2]	446	913	–	–	3,833	4,746	–	4,746
Employee performance awards issued[3]	1	2	–	–	8	10	–	10
Distributions provided for or paid[4, 5]	–	–	–	(27)	(748)	(775)	–	(775)
Distributions to non-controlling interests[6]	–	–	–	–	–	–	(44)	(44)
Recognition of non-controlling interest upon step-up acquisition and change in ownership[7]	–	–	–	–	–	–	191	191
Transactions with non-controlling interests—other[7]	–	–	(8)	–	–	(8)	–	(8)
	447	**915**	**(8)**	**(27)**	**3,093**	**3,973**	**147**	**4,120**
Balance at 31 December 2018	**2,672**	**2,661**	**(80)**	**(3,385)**	**10,491**	**9,687**	**1,336**	**11,023**

1. Relates to the change in accounting policy upon the initial adoption of AASB 9 Financial Instruments from 1 July 2018. The reclassifications and the adjustments which arose from the new standard were not reflected in the restated balance sheet as at 30 June 2018, but were recognised in the opening balance sheet on 1 July 2018.
2. On 21 September 2018, the Group successfully completed the fully underwritten institutional and retail components of its pro-rata accelerated renounceable 10 for 57 entitlement offer. The institutional component raised gross proceeds of $2,996 million at an issue price of $10.80 per security. The retail component raised gross proceeds of $1,222 million at an issue price of $10.80 per security. A further $600 million was raised on 12 September 2018 through a placement to AustralianSuper and Tawreed Investments Limited (Tawreed) at an issue price of $10.85 per security. The total gross proceeds of $4,818 million ($4,746 million net of transaction costs, including $5 million of non-cash tax benefit) were used to fund the Group's investment in WestConnex (WCX) through Sydney Transport Partners joint venture (STP JV) and for general corporate purposes.
3. From 2012 it is the Group's policy that a portion of all Short Term Incentives issued to the CEO and other senior executives are deferred for a period of two years. In addition to the Short Term Incentives, Stapled Securities (including units in the Trust) were issued to executives under the Group's Long Term Incentive share-based payment plans. These securities are held by the executive but will only vest in accordance with the terms of the plans.
4. Refer to note B8 for further details of dividends and distributions provided for or paid.
5. Under the Distribution Reinvestment Plan (DRP), holders of stapled securities may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by cash. The DRP was not in effect for the final distribution for FY2018, paid in August 2018. The DRP was in effect for the interim FY2019 distribution, paid in February 2019.
6. Distributions and dividends were paid during the period to the non-controlling interest partners in Eastern Distributor, Transurban Queensland and M5 Motorway.
7. Relates to the recognition of the non-controlling interest upon step-up acquisition ($277 million) and other transactions with non-controlling interests including $86 million to acquire an additional interest in the M5 Motorway and a related $8 million in payment for stamp duty on this transaction.

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

Consolidated statement of cash flows for the half-year ended 31 December 2019

	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M
Cash flows from operating activities		
Receipts from customers	1,557	1,456
Payments to suppliers and employees	(436)	(441)
Payments for maintenance of intangible assets	(85)	(66)
Transaction and integration costs related to acquisitions	(3)	(17)
Other cash receipts	61	43
Interest received	29	14
Interest paid	(413)	(410)
Income taxes paid	(32)	(27)
Net cash inflow from operating activities	**678**	**552**
Cash flows from investing activities		
Payments for financial assets at amortised cost	(167)	(757)
Repayment of financial assets at amortised cost	–	300
Payments for equity accounted investments	–	(3,487)
Payments for intangible assets	(810)	(833)
Payments for property, plant and equipment	(64)	(62)
Distributions received from equity accounted investments	95	96
Payments for acquisition of subsidiaries and term loan notes, net of cash acquired	(1)	(65)
Net cash outflow from investing activities	**(947)**	**(4,808)**
Cash flows from financing activities		
Proceeds from equity issues of stapled securities (net of costs)	804	4,746
Acquisition of non-controlling interest in subsidiary and term loan notes	(459)	(99)
Proceeds from borrowings (net of costs)	2,135	1,585
Proceeds made in the provision of loan facilities	32	84
Proceeds from loan facilities received	15	–
Principal repayment of leases	(5)	–
Repayment of borrowings	(1,075)	(818)
Dividends and distributions paid to the Group's security holders	(778)	(623)
Distributions paid to non-controlling interests	(49)	(53)
Net cash inflow from financing activities	**620**	**4,822**
Net increase in cash and cash equivalents	**351**	**566**
Cash and cash equivalents at the beginning of the half-year	1,630	1,130
Effects of exchange rate changes on cash and cash equivalents	1	17
Cash and cash equivalents at end of the half-year	**1,982**	**1,713**

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

Section B: Notes to the Group interim financial statements

Basis of preparation and significant changes

B1 Summary of significant changes in the current reporting period

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

Acquisition of remaining equity interest in the M5 Motorway

On 30 October 2019, Transurban acquired the remaining 34.62% interest in M5 Motorway for a purchase price of $459 million taking Transurban's ownership to 100%. As a result of the transaction the Group has derecognised the non-controlling interest and related shareholder loan notes. Refer to note B13 for further information.

Group equity issuance

During August and September 2019, the Group successfully completed a 'pro-rata' institutional placement and security purchase plan. The 'pro-rata' institutional placement raised gross proceeds of $500 million at an issue price of $14.70 per security. The security purchase plan raised gross proceeds of $312 million at an issue price of $14.64 per security. The total gross proceeds of $812 million ($804 million net of transaction costs) were used to fund the Group's investment in the remaining interests in M5 Motorway and for general corporate purposes.

B2 Basis of preparation

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

The Group interim financial statements for the half-year ended 31 December 2019:

- Have been prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting;
- Have adopted all accounting policies in accordance with Australian accounting standards, and where a standard permits a choice in accounting policy, the policy adopted by the Group has been disclosed in the corporate report for the year ended 30 June 2019;
- Have applied the option under ASIC Corporations (Stapled Group Reports) Instrument 2015/838 to present the consolidated financial statements in one section (Section A), and all other reporting group members in a separate section (Section C);
- Do not early adopt any accounting standards or interpretations that have been issued or amended but are not yet effective;
- Have been prepared under the historical cost convention, as modified by the revaluation of other financial assets and liabilities (including derivative financial instruments);
- Are presented in Australian dollars, which is the Group's functional and presentation currency;
- Have been rounded to the nearest million dollars, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191; and
- The presentation of comparative amounts has been restated, where applicable, to conform to the current period presentation.

B2 Basis of preparation (continued)

In accordance with AASB 134 Interim Financial Reporting, the Group interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the corporate report for the year ended 30 June 2019 and any public announcements made by the Transurban Group during the half-year ended 31 December 2019 in accordance with the continuous disclosure requirements of the ASX Listing Rules.

Going concern

THL's current liabilities exceed its current assets by $2,457 million as at 31 December 2019. This is primarily driven by borrowing facilities with maturities less than 12 months, the Group's distribution provision and the construction obligation provision for the West Gate Tunnel project. The interim financial report has been prepared on a going concern basis, which assumes the continuity of normal operations. This is based on the following:

- The Group has generated positive cashflows from operating activities of $1,323 million for the twelve months ended 31 December 2019 and $678 million for the six months ended 31 December 2019 (2018: $552 million);
- The Group has generated positive free cash of $1,739 million for the twelve months ended 31 December 2019 and $927 million for the six months ended 31 December 2019 (2018: $715 million);
- The Group expects to refinance or repay with available cash all borrowing facilities classified as current liabilities at 31 December 2019;
- The Group has paid $1,512 million of dividends and distributions to the Group's security holders over the past 12 months. Payment of future dividends is at the discretion of the Board; and
- The Group has available a total of $1,664 million undrawn general purpose borrowing facilities across a number of financial providers with a maturity beyond 12 months. Additionally, the Group has a further $372 million of undrawn borrowings facilities for the Group's capital projects with a maturity beyond 12 months.

B2 Basis of preparation (continued)

New and amended standards

The Group has adopted the following new or revised accounting standards which became effective for the half-year commencing 1 July 2019. The Group's assessment of the impact of these new standards and interpretations is set out below.

Reference	Description
AASB 16 *Leases*	AASB 16 modifies accounting for leases by removing the current distinction between operating and finance leases. The standard requires recognition of an asset and a financial liability for all leases, with exemptions for short term and low value leases. The Group has adopted AASB 16 retrospectively from 1 July 2019, and has not restated comparatives, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing standard are recognised in the opening balance sheet on 1 July 2019. **Adjustments recognised on adoption of AASB 16** On adoption of AASB 16, the Group recognised $137 million of lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These leases relate primarily to office space that the Group leases from third parties. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.57%. The associated right-of-use assets for these leases amounted to $133 million. They were measured on a retrospective basis as if the new standard had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Net deferred tax assets of $1 million were also recognised. Overall net assets are $3 million lower, and net current assets are $10 million lower due to the presentation of a portion of the liability as a current liability. **Practical expedients applied** In applying AASB 16 for the first time, the Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and AASB Interpretation 4 Determining whether an Arrangement contains a Lease. **The Group's leasing activities and how these are accounted for** The Group leases various offices. Rental contracts are typically made for fixed periods of 3 to 12 years but may have extension options. The majority of extension options held are exercisable only by the Group and not by the respective lessor. In determining the lease terms, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee and by the respective lessor. Lease terms are negotiated on an individual basis. Leased assets may not be used as security for borrowing purposes. Lease liabilities include the net present value of the following lease payments: • fixed payment (including in-substance fixed payments), less any lease incentives receivable • variable lease payments that are based on an index or a rate • amounts expected to be payable by the lessee under residual value guarantees • the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and • payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The lease payments are required to be discounted using the interest rate implicit in the lease. If that rate cannot be determined, the incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the following: • the amount of the initial measurement of lease liability • any lease payments made at or before the commencement date less any lease incentives received • any initial direct costs, and • restoration costs. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'other liabilities' in the statement of financial position. In the statement of cash flows, lease payments are presented as 'principal repayment of leases' in 'cash flows from financing activities' and the finance cost is presented in 'interest paid' in 'cash flows from operating activities'.
Interpretation 23 *Uncertainty over income tax treatment*	The interpretation clarifies how to apply the standard on income taxes, AASB 112, when an entity has to consider, recognise and measure the accounting impact of tax uncertainties. The adoption of this interpretation did not have a material impact on the Group.
AASB 2018-1 *Annual improvements 2015–2017 Cycle*	Amendments were made to the following accounting standards as part of the Annual Improvements 2015-2017 Cycle: AASB 3 Business Combinations and AASB 11 Joint Arrangements to clarify that an entity remeasures its previously held interest in a joint operation when it obtains control of the business; AASB 112 Income Taxes to clarify that an entity accounts for all income tax consequences of dividend payments according to where the entity originally recognised the past transactions or events that generated the distributable profits; and AASB 123 Borrowing Costs to clarify that an entity treats any borrowings originally made to develop a qualifying asset as part of general borrowings when the asset is ready for its intended use or sale. The adoption of this standard did not have a material impact on the Group.

B2 Basis of preparation (continued)

Critical accounting estimates and judgements

Estimates and judgements are regularly made by management and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

- Provision for income taxes and utilisation of tax losses
- Fair value of derivatives and other financial instruments
- Recoverability of goodwill, other intangible assets and equity accounted investments
- Construction risk of assets under construction
- Valuation of construction liability
- Provision for maintenance expenditure
- Valuation of promissory notes and concession notes
- Assessment of control of STP JV

Further details on the nature of critical accounting estimates and judgements are disclosed in the Group's corporate report for the year ended 30 June 2019. There have been no significant changes to critical accounting estimates and judgements disclosed in the Group's corporate report since 30 June 2019.

Operating performance

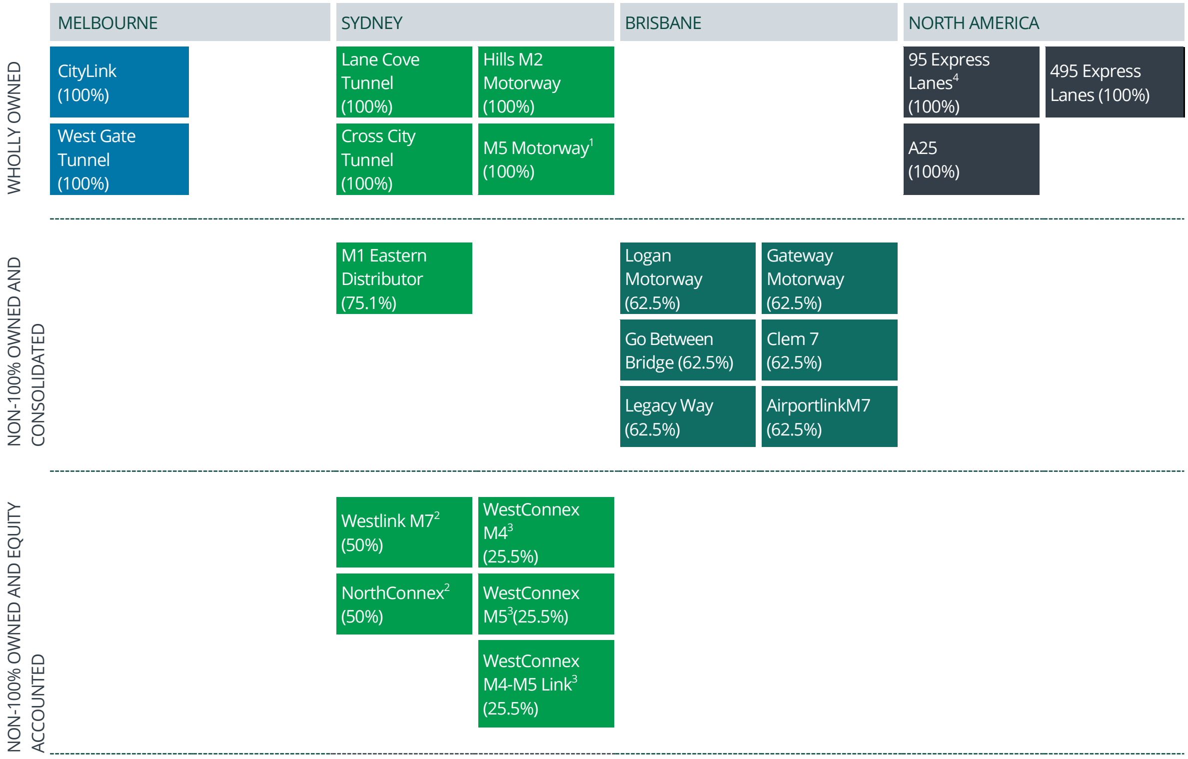
B3 Segment information

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

The Executive Committee assesses the performance of the regions based on a measure of proportional earnings before depreciation, amortisation, net finance costs and income taxes ('Proportional EBITDA'). This reflects the contribution of each region in the Group in the proportion of Transurban's equity ownership.

Significant items are those items where their nature is sufficiently significant to the Group interim financial statements and not in the ordinary course of business. Refer to note B5 for further details.

The diagram below shows the assets included in each geographical region, together with the ownership interests held by the Group as at 31 December 2019:



1. M5 Motorway additional equity interest of 34.62% was acquired on 30 October 2019, increasing the equity interest to 100%.
2. Westlink M7 and NorthConnex form the NorthWestern Roads Group (NWRG).
3. The WestConnex M5 concession includes the existing M5 East, the New M5 (East) and will include the existing M5 Motorway (also known as M5 West) from December 2026. The M5 Motorway concession is currently under concession to Interlink Roads Pty Ltd until the current concession expiration date in December 2026.
4. The 95 Express Lanes concession is inclusive of 395 Express Lanes and the Fredericksburg Extension.

B3 Segment information (continued)

Segment information—proportional income statement

31 December 2019

$M	Note	Melbourne	Sydney	Brisbane	North America	Corporate and other	Total
Toll revenue		424	569	217	186	–	1,396
Other revenue		12	14	4	7	12	49
Total proportional revenue		**436**	**583**	**221**	**193**	**12**	**1,445**
Underlying proportional EBITDA		369	462	164	127	(28)	1,094
Significant items	B5	–	(8)	–	(1)	–	(9)
Proportional EBITDA		**369**	**454**	**164**	**126**	**(28)**	**1,085**

31 December 2018

$M	Note	Melbourne	Sydney	Brisbane	North America	Corporate and other	Total
Toll revenue		409	513	204	160	–	1,286
Other revenue		12	14	4	7	1	38
Total proportional revenue		**421**	**527**	**208**	**167**	**1**	**1,324**
Underlying proportional EBITDA		362	416	146	102	(25)	1,001
Significant items	B5	–	(302)	–	(6)	–	(308)
Proportional EBITDA		**362**	**114**	**146**	**96**	**(25)**	**693**

Reconciliation of segment information to statutory financial information

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

Segment revenue

Revenue from external customers comprises toll, service and fee revenues earned on toll roads. Segment revenue reconciles to total statutory revenue as follows:

	Note	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M
Total segment revenue (proportional)		**1,445**	**1,324**
Add:			
Revenue attributable to non-controlling interests		190	180
Construction revenue from road development activities		639	777
Intragroup elimination[1]		9	8
Less:			
Proportional revenue of non-100% owned equity accounted assets		(148)	(162)
Toll revenue receipts on A25 relating to concession financial asset[2]		(7)	(6)
Other revenue receipts on A25 relating to concession financial asset[2]		(7)	(7)
Total statutory revenue	B4	**2,121**	**2,114**

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

B3 Segment information (continued)

Proportional EBITDA

Proportional EBITDA reconciles to profit before income tax as follows:

	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M
Proportional EBITDA	1,085	693
Add: EBITDA attributable to non-controlling interests	147	133
Less: Proportional EBITDA (excluding significant items) of non-100% owned equity accounted assets	(120)	(133)
Add: Significant items incurred by equity accounted assets[1]	6	291
Less: Toll and other revenue on A25 concession financial asset relating to repayments received from Ministry of Transport of Quebec (MTQ)[2]	(14)	(13)
Statutory profit before depreciation, amortisation, net finance costs, equity accounted investments and income taxes	**1,104**	**971**
Statutory depreciation and amortisation	(589)	(474)
Statutory net finance costs	(431)	(394)
Share of net loss from equity accounted investments, inclusive of impairments	(68)	(305)
Gain on revaluation of equity accounted investment in M5 Motorway	–	228
Profit before income tax	**16**	**26**

1. Refer to note B5 for further information.
2. The Executive Committee members acting as the chief operating decision maker assesses the performance of the Group using proportional results that include A25 income streams relating to availability payments and guaranteed toll income which are classified as revenue within the proportional results. These revenues form part of the ordinary activities of the A25 asset and are reflective of its underlying performance. For statutory accounting purposes, a portion of these income streams are included in finance income with the balance relating to cash received for the related concession financial asset receivable.

B4 Revenue

	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M
Toll revenue	1,428	1,298
Construction revenue	639	777
Other revenue	54	39
Total revenue	**2,121**	**2,114**

The Group's revenue streams and related accounting policies are the same as those described in the corporate report for the year ended 30 June 2019.

Revenue sharing

Toll revenue for the half-year ended 31 December 2019 is recognised net of revenue share of:

- $14 million (2018: $12 million) to the grantor of A25, Ministry of Transport of Quebec (MTQ); and
- $3 million (2018: $nil) to the grantor of 395 Express Lanes, Virginia Department of Transportation (VDOT).

B5 Significant items

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

	Note	Half-year ended 31 December 2019 Statutory $M	Half-year ended 31 December 2019 Proportional $M	Half-year ended 31 December 2018 Statutory $M	Half-year ended 31 December 2018 Proportional $M
Significant items included within total expenses					
Stamp duty on acquisition of additional 8.24% equity interest in M5 Motorway[1]		–	–	(8)	(8)
Transaction and integration costs of WCX, M5 Motorway and A25[2]		(3)	(3)	(9)	(9)
		(3)	**(3)**	**(17)**	**(17)**
Significant items included within share of net loss of equity accounted investments[3]					
Stamp duty on acquisition of WCX by STP JV		–	–	(278)	(278)
Transaction and integration costs relating to acquisition of WCX by STP JV		(6)	(6)	(13)	(13)
		(6)	**(6)**	**(291)**	**(291)**
Significant items relating to gain on revaluation of equity accounted investment					
Disposal of equity accounted investment in M5 Motorway in exchange for acquisition of controlling interest[1]		–	–	228	–
Total significant items		**(9)**	**(9)**	**(80)**	**(308)**
Income tax benefit associated with above significant items		2	2	1	1
Net significant items		**(7)**	**(7)**	**(79)**	**(307)**

1. On 18 September 2018, the Group completed the acquisition of an additional 8.24% equity interest of the company that holds the M5 Motorway concession in Sydney, New South Wales. The Group determined that this increased equity ownership provided the Group with control over M5 Motorway. The transaction was accounted for as a step-up acquisition, being a disposal of the Group's existing 50% equity accounted investment in M5 Motorway at its fair value on 18 September 2018 in exchange for the acquisition of a 58.24% controlling interest in M5 Motorway.
2. Includes costs relating to the WCX acquisition incurred by Transurban (HY19), transaction and integration costs relating to A25 (HY20 and HY19) and integration costs relating to M5 Motorway following acquisition of the remaining 34.62% interest on 30 October 2019 (HY20). The integration programs for M5 Motorway and WCX are ongoing at 31 December 2019.
3. These costs are included within proportional EBITDA for segment reporting. Refer to the definition of proportional EBITDA at note B3 Segment information.

B6 Income tax

Income tax expense/(benefit)	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M
Current tax	21	(32)
Deferred tax	(167)	(87)
	(146)	**(119)**
Deferred income tax benefit included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets	(94)	(24)
Decrease in deferred tax liabilities	(73)	(63)
	(167)	**(87)**

Reconciliation of income tax benefit to prima facie tax payable

	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M
Profit before income tax benefit	16	26
Tax at the Australian tax rate of 30.0% (2018: 30.0%)	5	8
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:		
Trust income not subject to tax	(110)	(34)
Cross-staple lease arrangements	(82)	–
Equity accounted results	19	32
Tax rate differential	(1)	2
Prior year tax losses derecognised	7	3
Non-deductible interest	9	7
Non-deductible depreciation	(2)	(4)
Non-deductible other expenses	9	7
Over provision in prior years	–	(72)
Gain on revaluation of equity accounted investment in M5 Motorway	–	(68)
Income tax benefit	**(146)**	**(119)**
Tax (income)/expense relating to items of other comprehensive income		
Cash flow hedges	(10)	(11)
Foreign currency translation	(1)	6
	(11)	**(5)**

(Over)/under provision in prior years

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

Cross-staple lease arrangements

In relation to the Group's concession arrangements, there are a number of cross-staple leases between the Trust, as the lessor, and the operating Company, as the lessee. On adoption of AASB 16 on 1 July 2019, the Company side of the stapled structure recognised lease liabilities. Associated right-of-use assets were also recognised and measured at an amount equal to the lease liabilities. Consequently, there was no net impact on adoption of AASB 16 for cross-staple lease arrangements at 1 July 2019. There is no impact from adopting AASB 16 on the Trust side of the stapled structure as the leases continue to be classified as operating leases under AASB 16 and the Trust is not liable to pay tax itself.

As at 31 December 2019, a net deferred tax asset has been recognised in relation to the right-of-use assets and lease liabilities recognised on the Company side of the stapled structure.

Security holder outcomes

B7 Earnings per stapled security

Reconciliation of earnings used in calculating earnings per security

	Half-year ended 31 December 2019	Half-year ended 31 December 2018
Profit attributable to ordinary security holders of the stapled group ($M)	189	129
Weighted average number of securities (M)	2,717	2,483
Basic and diluted earnings per security attributable to the ordinary security holders of the stapled group (cents)	7.0	5.2

B8 Dividends/distributions and free cash

Dividends/distributions paid by the Group during the half-year	Total $M	Paid in cash $M	Settled in securities $M	Cents	Date paid/ payable
31 December 2019					
Declared 21 May 2019					
Franked THL	53	52	1	2.0	
Unfranked THT	749	726	23	28.0	
	802	**778**	**24**	**30.0**	**9 August 2019**
31 December 2018					
Declared 21 May 2018					
Franked THL	56	56	–	2.5	
Unfranked THT	567	567	–	25.5	
	623	**623**	**–**	**28.0**	**10 August 2018**

Dividends/distributions payable by the Group	Total $M	Paid in cash $M	Settled in securities $M	Cents	Date paid/ payable
31 December 2019					
Declared 3 December 2019					
Franked THL	55	–	–	2.0	
Unfranked THT	792	–	–	29.0	
	847	**–**	**–**	**31.0**	**14 February 2020**
31 December 2018					
Declared 4 December 2018					
Franked THL	27	26	1	1.0	
Unfranked THT	748	708	40	28.0	
	775	**734**	**41**	**29.0**	**15 February 2019**

B8 Dividends/distributions and free cash (continued)

Distribution policy and free cash calculation

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

	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M
Cash flows from operating activities	678	552
Add back transaction and integration costs related to acquisitions	3	17
Add back payments for maintenance of intangible assets	85	66
Add capital releases from 100% owned assets	212	–
Less debt amortisation of 100% owned assets[1]	(2)	(1)
Less cash flow from operating activities from consolidated non-100% owned entities	(282)	(214)
Less allowance for maintenance of intangible assets for 100% owned assets	(41)	(32)
Adjust for distributions and interest received from non-100% owned entities		
M1 Eastern Distributor distribution	28	27
M5 Motorway dividends and term loan note interest[1]	32	69
M5 pro-forma adjustment as if 100% ownership acquired 1 July 2019[2]	33	–
Transurban Queensland distribution and shareholder loan note payments	71	73
NorthWestern Roads Group ('NWRG') distribution and shareholder loan note payments	74	158
WCX distribution and shareholder loan note payments	36	–
Free cash	**927**	**715**
Weighted average securities on issue (millions)[3]	**2,733**	**2,672**
Free cash per security (cents)—weighted average securities	**33.9**	**26.8**

1. From the date of the WCX acquisition, debt amortisation from M5 Motorway (Transurban proportional share) is adjusted back to this figure due to the M5 Motorway concession arrangement being transferred to the WCX ownership consortium at the end of the current M5 Motorway concession arrangement in 2026, in which Transurban holds a 25.5% ownership interest. M5 Motorway dividends and term-loan notes interest received of $32 million (2018: $69 million) are adjusted for debt amortisation of $13 million (2018: $12 million from 1 October 2018). From 30 October 2019 debt amortisation of 100% owned assets is adjusted by $20 million.
2. A pro-forma adjustment has been made to reflect 100% ownership of M5 Motorway as if the acquisition took place on 1 July 2019. This adjustment primarily reflects the non-controlling interests in operating cash flows from 1 July through to financial close. This is due to the purchase price to acquire the remaining minority interests being based on a 1 July 2019 acquisition date, with available cash having been previously distributed to shareholders, and in lieu of the final purchase price being reduced for distributions paid to minority interests between 1 July 2019 and financial close.
3. The weighting applied to securities is based on their eligibility for distributions during the year and is consequently different to weighted average securities calculated at note B7 Earnings per stapled security.

Capital and borrowings

B9 Net finance costs

	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M
Finance income		
Interest income on financial assets at amortised cost	13	30
Unwind of discount and remeasurement of financial assets at amortised cost	39	–
Interest income on bank deposits held at amortised cost	15	12
Income from concession financial asset	12	13
Net foreign exchange gains	2	–
Total finance income	**81**	**55**
Finance costs		
Interest and finance charges paid/payable	(421)	(401)
Unwind of discount and remeasurement of liabilities—promissory and concession notes	(1)	(1)
Unwind of discount and remeasurement of liabilities—maintenance provision	(21)	(21)
Unwind of discount and remeasurement of liabilities—construction obligation	(53)	–
Unwind of discount and remeasurement of liabilities—lease liabilities	(3)	–
Unwind of discount and remeasurement of liabilities—other liabilities	(13)	(6)
Net foreign exchange losses	–	(20)
Total finance costs	**(512)**	**(449)**
Net finance costs	**(431)**	**(394)**

An additional $34 million (2018: $13 million) of financing costs have been capitalised and included in the carrying value of assets under construction.

B10 Borrowings

	31 December 2019 $M	30 June 2019 $M
Current		
Capital markets debt	1,098	–
U.S. private placement	223	227
Term debt	509	732
Total current borrowings	**1,830**	**959**
Non-current		
Capital markets debt	10,020	10,232
U.S. private placement	3,227	3,445
Term debt	2,736	2,149
Transportation Infrastructure Finance and Innovation Act ('TIFIA')	1,331	1,325
Shareholder loan notes	292	356
Total non-current borrowings	**17,606**	**17,507**
Total borrowings	**19,436**	**18,466**

Financing arrangements and credit facilities

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

July 2019

- Transurban reached financial close on a A$570 million Euro private placement with a tenor of 15 years.
- Transurban closed the refinancing of A$240 million letter of credit facilities for a further 1 year.
- Financial close was reached on the Fredericksburg Extension project, following the issuance of US$262 million private activity bonds.

August 2019

- Transurban Queensland established a new A$500 million syndicated bank debt facility with a 3 year tenor and a A$25 million 3 year working capital facility.
- Transurban closed the refinancing of a A$139 million letter of credit facility for a further 1 year.
- Cross City Tunnel closed a A$280 million 2 year bank debt facility.

October 2019

- Lane Cove Tunnel reached financial close on a A$326 million 5 year bank debt facility.

November 2019

- Transurban reached financial close on a A$1,650 million syndicate bank debt facility, comprising a A$825 million 3 year tranche and A$825 million 5 year tranche.
- Transurban closed the refinancing of a A$55 million letter of credit facility for a further 3 years.

December 2019

- Hills M2 Motorway closed a A$403 million bank debt facility with a 12 month tenor.
- Transurban closed two A$75 million bi-lateral letter of credit facilities with a 3 year tenor.

During the reporting period, the equity accounted investments of the Group did not execute any financing activities.

B11 Derivatives and financial risk management

Derivatives

	31 December 2019 $M		30 June 2019 $M	
	Current	Non-current	Current	Non-current
Assets				
Interest rate swap contracts—cash flow hedges	–	2	–	–
Forward exchange contract—cash flow hedges	1	–	1	–
Cross-currency interest rate swap contracts—cash flow hedges	57	178	9	293
Total derivative financial instrument assets	**58**	**180**	**10**	**293**
Liabilities				
Interest rate swap contracts—cash flow hedges	6	294	7	330
Forward exchange contracts—cash flow hedges	1	–	–	–
Cross-currency interest rate swap contracts—cash flow hedges	70	139	–	166
Total derivative financial instrument liabilities	**77**	**433**	**7**	**496**

Fair value measurements

The carrying value of the Group's financial assets and liabilities approximate fair value. This is also generally the case with borrowings since either the interest payable on those borrowings is close to current market rates or the borrowings are of a short-term nature. The fair values of non-current borrowings are determined based on discounted cash flows using a current borrowing rate. They are classified as level 2 fair values in the fair value hierarchy due to the use of observable inputs. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The fair value of both cross-currency interest rate swaps and interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period.

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

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

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

Power purchase agreement

On 18 December 2019 the Group entered into a 9 year power purchase agreement with Lakeland Wind Farm to support Transurban's Queensland operations. The power purchase agreement operates as a 'contract for difference' (CfD) which is a derivative financial instrument, hence it is recorded on the balance sheet at fair value with movements recorded through profit and loss statement. The CfD will be measured as a level 3 financial instrument as the key inputs, the electricity spot prices, cannot be forecasted for the duration of the contract. As at 31 December 2019, the plant is not operational and the instrument's fair value is offset by the day 1 deferred gains / losses.

Concession summary

B12 Concession summary

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

31 December 2019

$M	Melbourne	Sydney	Brisbane	North America	Net book value
Equity accounted investment carrying amount	–	3,484	–	–	3,484
Service concession intangible assets net book value	2,980	6,523	7,984	4,486	21,973
Concession financial asset	–	–	–	369	369
Assets under construction[1]	3,742	–	–	553	4,295
Goodwill	1	260	205	–	466
Maintenance provision	(160)	(237)	(595)	(177)	(1,169)
Construction obligation provision	(1,870)	–	–	–	(1,870)

30 June 2019

$M	Melbourne	Sydney	Brisbane	North America	Net book value
Equity accounted investment carrying amount	–	3,610	–	4	3,614
Service concession intangible assets net book value	3,039	6,742	7,566	4,045	21,392
Concession financial asset	–	–	–	369	369
Assets under construction[1]	3,811	–	445	856	5,112
Goodwill	1	260	205	–	466
Maintenance provision	(155)	(228)	(620)	(159)	(1,162)
Construction obligation provision	(2,222)	–	–	–	(2,222)

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

Group structure

B13 Changes in ownership interests in controlled subsidiaries

Half-year ended 31 December 2019 changes in ownership interests

Acquisition of remaining 34.62% equity interest in Interlink Roads Pty Ltd

On 30 October 2019, Transurban completed the acquisition of the remaining 34.62% equity interest in Interlink Roads Pty Ltd, the company that holds the M5 Motorway concession in Sydney, New South Wales, for a purchase price of $459 million. This takes the Group's ownership interest to 100%. This transaction did not result in a change in control over the M5 Motorway and it continues to be controlled and consolidated in the Group results.

As the change in ownership interest does not result from a loss of control, the transaction is recorded in equity. The purchase price of $459 million reflects $394 million for the additional equity interest and $65 million for the term loan notes attributable to the non-controlling interest, which are now extinguished. Transaction costs of $39 million relating to stamp duty have also been recognised in equity.

Half-year ended 31 December 2018 changes in ownership interests

Acquisition of additional 8.24% equity interest in Interlink Roads Pty Ltd

On 18 September 2018, the Group completed the acquisition of an additional 8.24% equity interest (and a corresponding additional interest in the debt notes) in the M5 Motorway through an all cash offer of $116 million. After this acquisition, the Group's overall equity ownership interest in the M5 Motorway increased to 58.24%. At the date of the transaction the Group determined that this increased equity ownership provided the Group with control over the M5 Motorway and the transaction was accounted for as a step-up acquisition, being a disposal of the Group's existing 50% equity accounted investment in the M5 Motorway at its fair value on 18 September 2018 in exchange for the acquisition of a 58.24% controlling interest in the M5 Motorway as a business acquisition.

Total transaction costs on acquisition incurred were $8 million of stamp duty. The assets and liabilities of the M5 Motorway were measured at fair value at the acquisition date of 18 September 2018 with fair values having been determined on a provisional basis. The total provisional fair value was allocated to the concession asset and no goodwill was recognised.

The end of the purchase price allocation measurement period occurred in the half-year ended 31 December 2019 and there were no retrospective adjustments recorded to the provisional amounts nor any additional assets or liabilities recognised.

Acquisition of additional 7.14% equity interest in Interlink Roads Pty Ltd

On 3 December 2018, the Group acquired an additional 7.14% interest in the M5 Motorway for a total consideration of $99 million, comprising $86 million for the additional equity interest and $13 million to acquire the proportional M5 term loan notes. This transaction did not result in a change in control and was accounted for as a transaction between shareholders within equity, with no impact to profit or loss. Transaction costs on acquisition of the additional interest related to stamp duty of $8 million and was also recorded as a transaction between shareholders within equity.

B14 Equity accounted investments

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

	STP JV $M	NWRG $M	Other $M	Total $M
Opening carrying value at 1 July 2019	3,115	495	4	3,614
Group's share of net loss, inclusive of impairments[1,2]	(64)	–	(4)	(68)
Group's recognised share of other comprehensive income	4	–	–	4
Distributions / dividends received	(21)	(74)	–	(95)
NWRG shareholder loan initial measurement difference[3]	–	29	–	29
Closing carrying value at 31 December 2019	**3,034**	**450**	**–**	**3,484**
Cumulative losses not recognised[1]	–	362	–	362

1. The Group's share of profits from the investment in the NWRG are currently not recognised until such time as cumulative losses have been fully utilised. Cumulative losses not recognised above are disclosed at 100%.
2. The Group recorded a $4 million impairment of its investment in Bluedot in the half-year ended 31 December 2019. Refer below for further details.
3. During the period, a non-interest bearing facility was drawn for the first time. The loan has been recorded at fair value on initial recognition and will be subsequently measured at amortised cost using the effective interest method. The difference between the nominal value of the loan and the fair value has been treated as a contribution to the equity accounted investment in NWRG.

Joint ventures

STP JV (50% ownership interest)

The Group has a 50% ownership interest in the STP JV, which holds a controlling 51% stake in WCX. The Group have also executed a Master Services Agreement with WCX to provide operational services over the concession life of WCX.

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

NWRG (50% ownership interest)

The Group has a 50% ownership interest in NWRG, which holds 100% of the Westlink M7 Group and the NorthConnex Group. Westlink M7 holds the concession to design, construct, finance and operate the Westlink M7 Motorway in Sydney for a period of 43 years from the date of operation (16 December 2005) until June 2048, and NorthConnex holds the concession to design, construct, finance and operate the NorthConnex Tunnel in Sydney until 2048.

Bluedot Innovation (Bluedot) (4.2% ownership interest)

Bluedot is an advanced location services technology company. The Group leverages Bluedot's location services technology for the Group's LinktGo application which allows the use of a smartphone's GPS and other sensors to identify when a driver has entered and exited a toll road. Bluedot's technology continues to be used by the Group at 31 December 2019.

During the half-year ended 31 December 2019, the Group's interest in Bluedot was diluted from 20% to 4.2% following the Group's decision not to contribute additional funding to a capital raising. The change in ownership triggered an impairment assessment and the carrying value of the investment was impaired from $4 million to $nil. The investment continues to be equity accounted due to the Group's ability to significantly influence outcomes.

Items not recognised

B15 Contingencies

There were no material changes in contingencies for the half-year ended 31 December 2019.

B16 Subsequent events

West Gate Tunnel project

On 29 January 2020 Transurban WGT Co Pty Ltd, a wholly owned subsidiary of the Group, received a document from the West Gate Tunnel project D&C contractor, CPBJH Joint Venture, entitled "West Gate Tunnel Project: Termination of the D&C Subcontract on the basis of a Force Majeure Termination Event", which relates to issues in respect of per and polyfluorinated alkyl substances (PFAS) within the project site. It purports to terminate the D&C Subcontract and also notes CPBJH JV's intention to continue works on the site.

Transurban does not consider the D&C Subcontract to have been validly terminated and, as such, the contract remains valid. Consequently, there has been no change to the Group's financial statements at 31 December 2019 following the receipt of this document.

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

THT—ARSN 098 807 419 and TIL—ABN 90 121 746 825

Contents

Transurban Holding Trust and Transurban International Limited
Consolidated statements of comprehensive income for the half-year ended 31 December 2019

		Transurban Holding Trust		Transurban International Limited	
		Half-year ended 31 December 2019	Half-year ended 31 December 2018	Half-year ended 31 December 2019	Half-year ended 31 December 2018
	Note	$M	$M	$M	$M
Revenue	D4	**604**	**555**	**336**	**251**
Expenses					
Employee benefits expense		–	–	(12)	(12)
Road operating costs		–	–	(49)	(47)
Construction costs		(164)	(137)	(157)	(97)
Transaction and integration costs		–	–	(1)	(6)
Corporate and other expenses		(4)	(3)	(7)	(8)
Total expenses		**(168)**	**(140)**	**(226)**	**(170)**
Earnings before depreciation and amortisation, net finance costs, equity accounted investments and income tax		**436**	**415**	**110**	**81**
Depreciation and amortisation expense		(162)	(155)	(54)	(48)
Net finance income/(costs)	D6	80	53	(110)	(120)
Share of net profit/(loss) of equity accounted investments, inclusive of impairments		11	(184)	(4)	–
Profit/(loss) before income tax		**365**	**129**	**(58)**	**(87)**
Income tax benefit		–	–	16	14
Profit/(loss) for the half-year		**365**	**129**	**(42)**	**(73)**
Profit/(loss) is attributable to:					
Ordinary security holders of TIL		–	–	(42)	(73)
Ordinary unit holders of THT		372	138	–	–
Non-controlling interests		(7)	(9)	–	–
		365	**129**	**(42)**	**(73)**
Other comprehensive income/(loss)					
Items that may be reclassified to profit or loss					
Changes in the fair value of cash flow hedges, net of tax		21	–	1	(2)
Share of other comprehensive income/(loss) from equity accounted investments, net of tax		4	(8)	–	–
Exchange differences on translation of North American operations, net of tax		–	–	(3)	(24)
Movement in share-based payments reserve		(3)	(4)	–	–
Other comprehensive income/(loss) for the half-year, net of tax		**22**	**(12)**	**(2)**	**(26)**
Total comprehensive income/(loss) for the half-year		**387**	**117**	**(44)**	**(99)**
Total comprehensive income/(loss) for the half-year is attributable to:					
Ordinary security holders of TIL		–	–	(44)	(99)
Ordinary unit holders of THT		389	123	–	–
Non-controlling interests		(2)	(6)	–	–
Total comprehensive income/(loss) for the half-year		**387**	**117**	**(44)**	**(99)**
		Cents	**Cents**	**Cents**	**Cents**
Earnings per security attributable to ordinary security holders of the group:	D5	**13.7**	**5.5**	**(1.6)**	**(2.9)**

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

Transurban Holding Trust and Transurban International Limited
Consolidated balance sheets as at 31 December 2019

		Transurban Holding Trust		Transurban International Limited	
	Note	As at 31 December 2019 $M	As at 30 June 2019 $M	As at 31 December 2019 $M	As at 30 June 2019 $M
Assets					
Current assets					
Cash and cash equivalents		117	119	734	512
Loans to related parties		1,562	1,508	3	–
Trade and other receivables		10	22	61	68
Concession notes		69	106	–	–
Total current assets		**1,758**	**1,755**	**798**	**580**
Non-current assets					
Equity accounted investments		2,458	2,539	–	4
Derivative financial instruments	D8	62	56	–	–
Related party receivables		9,388	8,871	–	–
Concession notes		980	923	–	–
Concession financial asset		–	–	341	341
Financial assets at amortised cost		669	643	–	–
Property, plant and equipment[1]		–	–	65	51
Deferred tax assets		92	92	259	250
Other intangible assets		9,795	9,870	5,049	4,905
Total non-current assets		**23,444**	**22,994**	**5,714**	**5,551**
Total assets		**25,202**	**24,749**	**6,512**	**6,131**
Liabilities					
Current liabilities					
Related party payables		383	453	1,625	1,658
Trade and other payables		67	74	90	110
Borrowings	D7	722	648	4	4
Maintenance provision		–	–	23	19
Distribution payable		831	788	–	–
Derivative financial instruments	D8	–	2	–	–
Construction obligation provision		134	133	–	–
Other liabilities[2]		1	–	32	111
Total current liabilities		**2,138**	**2,098**	**1,774**	**1,902**
Non–current liabilities					
Maintenance provision		–	–	154	140
Deferred tax liabilities		–	–	348	357
Related party payables		4,729	4,585	914	876
Borrowings	D7	6,695	6,426	3,401	2,959
Derivative financial instruments	D8	124	149	178	194
Construction obligation provision		140	208	–	–
Other liabilities[2]		61	63	302	287
Total non-current liabilities		**11,749**	**11,431**	**5,297**	**4,813**
Total liabilities		**13,887**	**13,529**	**7,071**	**6,715**
Net assets/(liabilities)		**11,315**	**11,220**	**(559)**	**(584)**
Equity					
Contributed equity		–	–	592	522
Issued units		16,485	15,954	–	–
Reserves		(216)	(233)	(209)	(207)
Accumulated losses		(5,783)	(5,363)	(942)	(899)
Non-controlling interests		829	862	–	–
Total equity		**11,315**	**11,220**	**(559)**	**(584)**

1. TIL adopted AASB 16 Leases (AASB 16) on 1 July 2019 and has presented right-of-use assets within property, plant and equipment as at 31 December 2019, the same line item that the corresponding underlying asset would be presented were it owned. There was no impact from the adoption of AASB 16 on THT.
2. Upon the adoption of AASB 16, TIL has presented lease liabilities within other liabilities as at 31 December 2019.

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

Transurban Holding Trust and Transurban International Limited
Consolidated statements of changes in equity for the half-year ended 31 December 2019

THT

	Number of units M	Attributable to security holders of Transurban Holding Trust: Issued units $M	Reserves $M	Accumulated losses $M	Non-controlling interests $M	Total equity $M
Balance at 1 July 2019	**2,675**	**15,954**	**(233)**	**(5,363)**	**862**	**11,220**
Comprehensive income/(loss)						
Profit/(loss) for the half-year	–	–	–	372	(7)	365
Other comprehensive income	–	–	17	–	5	22
Total comprehensive income/(loss)	**–**	**–**	**17**	**372**	**(2)**	**387**
Contributions of equity, net of transaction costs1	55	511	–	–	–	511
Employee performance awards issued	1	5	–	–	–	5
Distributions provided for or paid	–	–	–	(792)	–	(792)
Distribution reinvestment plan	2	15	–	–	–	15
Distributions to non-controlling interests	–	–	–	–	(31)	(31)
	58	**531**	**–**	**(792)**	**(31)**	**(292)**
Balance at 31 December 2019	**2,733**	**16,485**	**(216)**	**(5,783)**	**829**	**11,315**
Balance at 30 June 2018 as originally presented	**2,225**	**12,243**	**(83)**	**(4,255)**	**1,045**	**8,950**
Change in accounting policy	–	–	–	(21)	–	(21)
Balance at 1 July 2018	**2,225**	**12,243**	**(83)**	**(4,276)**	**1,045**	**8,929**
Comprehensive income/(loss)						
Profit/(loss) for the half-year	–	–	–	138	(9)	129
Other comprehensive (loss)/income	–	–	(15)	–	3	(12)
Total comprehensive (loss)/income	**–**	**–**	**(15)**	**138**	**(6)**	**117**
Contributions of equity, net of transaction costs[1]	446	3,676	–	–	–	3,676
Employee performance awards issued	1	7	–	1	–	8
Distributions provided for or paid	–	–	–	(748)	–	(748)
Distributions to non-controlling interests	–	–	–	–	(32)	(32)
	447	**3,683**	**–**	**(747)**	**(32)**	**2,904**
Balance at 31 December 2018	**2,672**	**15,926**	**(98)**	**(4,885)**	**1,007**	**11,950**

TIL

	Number of securities M	Attributable to security holders of Transurban International Limited: Contributed equity $M	Reserves $M	Accumulated losses $M	Total equity $M
Balance at 30 June 2019 as originally presented	**2,675**	**522**	**(207)**	**(899)**	**(584)**
Change in accounting policy	–	–	–	(1)	(1)
Balance at 1 July 2019	**2,675**	**522**	**(207)**	**(900)**	**(585)**
Comprehensive loss					
Loss for the half-year	–	–	–	(42)	(42)
Other comprehensive loss	–	–	(2)	–	(2)
Total comprehensive loss	**–**	**–**	**(2)**	**(42)**	**(44)**
Contributions of equity, net of transaction costs1	55	67	–	–	67
Distribution reinvestment plan	2	2	–	–	2
Employee performance awards issued	1	1	–	–	1
	58	**70**	**–**	**–**	**70**
Balance at 31 December 2019	**2,733**	**592**	**(209)**	**(942)**	**(559)**
Balance at 1 July 2018	**2,225**	**363**	**(163)**	**(745)**	**(545)**
Comprehensive loss					
Loss for the half-year	–	–	–	(73)	(73)
Other comprehensive loss	–	–	(26)	–	(26)
Total comprehensive loss	**–**	**–**	**(26)**	**(73)**	**(99)**
Contributions of equity, net of transaction costs[1]	446	157	–	–	157
Employee performance awards issued	1	–	–	–	–
	447	**157**	**–**	**–**	**157**
Balance at 31 December 2018	**2,672**	**520**	**(189)**	**(818)**	**(487)**

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

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

Transurban Holding Trust and Transurban International Limited
Consolidated statements of cash flows for the half-year ended 31 December 2019

	Transurban Holding Trust		Transurban International Limited	
	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M
Cash flows from operating activities				
Receipts from customers	428	415	193	161
Payments to suppliers	(25)	(26)	(64)	(46)
Payments for maintenance of intangibles	–	–	(1)	(2)
Transaction costs related to acquisitions	–	–	(1)	(6)
Other cash receipts	5	–	8	7
Interest received	171	199	5	3
Interest paid	(312)	(338)	(59)	(53)
Income taxes paid	–	–	(2)	–
Net cash inflow from operating activities	**267**	**250**	**79**	**64**
Cash flows from investing activities				
Payments for equity accounted investments	–	(2,487)	–	–
Payments for property, plant and equipment	–	–	(11)	(11)
Payments for intangible assets	(166)	(156)	(268)	(79)
Payment for/repayment of financial assets at amortised cost	–	(700)	–	202
Receipts from concession notes	45	48	–	–
Distributions received from equity accounted investments	95	60	–	–
Net cash (outflow)/inflow from investing activities	**(26)**	**(3,235)**	**(279)**	**112**
Cash flows from financing activities				
Loans (to)/from related parties	(1,984)	(5,717)	9	(207)
Repayment of loans from/(to) related parties	1,646	5,446	(68)	(157)
Proceeds from issue of stapled securities (net of costs)	511	3,676	68	157
Proceeds from borrowings (net of costs)	1,139	203	414	201
Repayment of borrowings	(798)	(10)	(2)	(1)
Distributions paid to Transurban Group's security holders	(726)	(567)	–	–
Distributions paid to non-controlling interests in subsidiaries	(31)	(41)	–	–
Net cash (outflow)/inflow from financing activities	**(243)**	**2,990**	**421**	**(7)**
Net (decrease)/increase in cash and cash equivalents	**(2)**	**5**	**221**	**169**
Cash and cash equivalents at the beginning of the year	119	113	512	346
Effects of exchange rate changes on cash and cash equivalents	–	–	1	17
Cash and cash equivalents at end of the half-year	**117**	**118**	**734**	**532**

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

Section D: Notes to the THT and TIL interim financial statements

Basis of preparation and significant changes

D1 Summary of significant changes in the current reporting period

Refer to note B1 for significant changes in the current reporting period.

D2 Basis of preparation

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

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

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

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

Going concern

THT's current liabilities exceed its current assets by $380 million as at 31 December 2019. This is in part attributable to $383 million of loans payable to another entity within the Transurban Group. Excluding this loan, the THT Group has net current assets of $3 million. The interim financial report has been prepared on a going concern basis, which assumes the continuity of normal operations. This is based on the following:

- THT has generated positive cash cashflows from operating activities of $267 million for the half year ended 31 December 2019 (and generated positive cash inflows from operating activities of $555 million for the year ended 30 June 2019);
- THT expects to refinance or repay with available cash all borrowing facilities classified as current liabilities at 31 December 2019; and
- THT has paid $1,434 million of distributions to Transurban Group's security holders over the past 12 months. Payment of future distributions is at the discretion of the Board.

TIL's current liabilities exceed its current assets by $976 million as at 31 December 2019. This is attributable to $1,625 million of loans payable to another entity within the Transurban Group. Excluding this loan, the TIL Group has net current assets of $649 million. The interim financial report has been prepared on a going concern basis, which assumes the continuity of normal operations.

Under the stapled arrangement, each entity is able to provide direct and/or indirect support to each other entity and its controlled entities within the Transurban Group.

Refer to note B2 for further information around the basis of preparation for the Transurban Group.

Operating performance

D3 Segment information

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

THT operating segments

Management has determined that THT has one operating segment.

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

TIL operating segments

Management has determined that TIL has one operating segment.

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

Reconciliation of segment information to statutory financial information

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

Segment revenue

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

TIL	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M
Total segment revenue (proportional)	**193**	**167**
Add:		
Construction revenue from road development activities	157	97
Toll revenue receipts on A25 relating to concession financial asset[1]	(7)	(6)
Other revenue receipts on A25 relating to concession financial asset[1]	(7)	(7)
Total revenue	**336**	**251**

1. The chief operating decision maker assesses the performance of TIL using proportional results that include A25 income streams relating to availability payments and guaranteed toll income which are classified as revenue within the proportional results. These revenues form part of the ordinary activities of the A25 asset and are reflective of its underlying performance. For statutory accounting purposes, a portion of these income streams are included in finance income with the balance relating to cash received for the related concession financial asset receivable.

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

Proportional EBITDA reconciles to statutory net profit as follows:

TIL	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M
Proportional EBITDA	**126**	**96**
Add:		
EBITDA attributable to TIL corporate activities (disclosed in corporate and other)	(2)	(2)
Toll and other revenue receipts on A25 concession financial asset recognised as repayment of concession financial asset	(14)	(13)
Statutory earnings before depreciation and amortisation, net finance costs, equity accounted investments and tax	**110**	**81**
Statutory depreciation and amortisation expense	(54)	(48)
Statutory net finance costs	(110)	(120)
Share of net loss from equity accounted investments, inclusive of impairments	(4)	–
Loss before tax for the half-year from continuing operations	**(58)**	**(87)**

D4 Revenue

	Transurban Holding Trust		Transurban International Limited	
	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M
Toll revenue	–	–	179	154
Rental income	410	399	–	–
Construction revenue	164	137	157	97
Other revenue	7	–	–	–
Concession fees	23	19	–	–
Total revenue	**604**	**555**	**336**	**251**

TIL and THT's revenue streams and related accounting policies are the same as those described in the corporate report for the year ended 30 June 2019.

Security holder outcomes

D5 Earnings per stapled security

	Transurban Holding Trust		Transurban International Limited	
	Half-year ended 31 December 2019	Half-year ended 31 December 2018	Half-year ended 31 December 2019	Half-year ended 31 December 2018
Profit/(loss) attributable to ordinary security holders ($M)	372	138	(42)	(73)
Weighted average number of securities (M)	2,717	2,483	2,717	2,483
Basic and diluted earnings per security attributable to the ordinary security holders (cents)	13.7	5.5	(1.6)	(2.9)

Capital and borrowings

D6 Net finance income/(costs)

	Transurban Holding Trust		Transurban International Limited	
	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2018 $M
Finance income				
Interest income from related parties	285	315	–	–
Interest income on financial assets at amortised cost	11	8	–	–
Unwind of discount and remeasurement of financial assets at amortised cost	25	–	–	–
Unwind of discount and remeasurement of liabilities - promissory notes payable	2	–	–	–
Other interest income	1	1	5	2
Interest income from concession financial asset	–	–	12	13
Net foreign exchange gains	–	2	–	–
Movement in impairment provisions on related party receivables	5	–	–	–
Re-measurement of concession notes receivable	42	49	–	–
Total finance income	**371**	**375**	**17**	**15**
Finance costs				
Interest and finance charges paid/payable	(282)	(315)	(117)	(133)
Unwind of discount and remeasurement of liabilities—promissory notes payable	–	(6)	–	–
Unwind of discount and remeasurement of liabilities—construction obligation	(9)	–	–	–
Unwind of discount and remeasurement of liabilities—other liabilities	–	(1)	(7)	–
Unwind of discount and remeasurement of liabilities—maintenance provision	–	–	(2)	(2)
Net foreign exchange losses	–	–	(1)	–
Total finance costs	**(291)**	**(322)**	**(127)**	**(135)**
Net finance income/(costs)	**80**	**53**	**(110)**	**(120)**

D7 Borrowings

	Transurban Holding Trust		Transurban International Limited	
	31 December 2019 $M	30 June 2019 $M	31 December 2019 $M	30 June 2019 $M
Current				
Capital markets debt	299	–	–	–
Term debt	423	648	4	4
	722	**648**	**4**	**4**
Non-current				
Capital markets debt	2,196	2,491	1,391	1,015
U.S. private placement	2,684	2,686	216	215
Term debt	1,815	1,249	463	404
TIFIA	–	–	1,331	1,325
	6,695	**6,426**	**3,401**	**2,959**
Total borrowings	**7,417**	**7,074**	**3,405**	**2,963**

D8 Derivatives and financial risk management

	31 December 2019 ($M)				30 June 2019 ($M)			
	Current		Non-current		Current		Non-current	
	THT	TIL	THT	TIL	THT	TIL	THT	TIL
Assets								
Interest rate swap contracts—cash flow hedges	–	–	2	–	–	–	–	–
Cross currency interest rate swap contracts—cash flow hedges	–	–	60	–	–	–	56	–
Total derivative financial instrument assets	**–**	**–**	**62**	**–**	**–**	**–**	**56**	**–**
Liabilities								
Interest rate swap contracts—cash flow hedges	–	–	85	178	2	–	90	194
Cross-currency interest rate swap contracts—cash flow hedges	–	–	39	–	–	–	59	–
Total derivative financial instrument liabilities	**–**	**–**	**124**	**178**	**2**	**–**	**149**	**194**

Section E: Signed reports

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

(a) the Group interim financial statements and notes of Transurban Holdings Limited and its controlled entities, including Transurban Holding Trust and its controlled entities and Transurban International Limited and its controlled entities set out on pages 16 to 50 are in accordance with the Corporations Act 2001, including:

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

  (ii) giving a true and fair view of the Transurban Holdings Limited Group's, Transurban Holding Trust Group's and Transurban International Limited Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date, and

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

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

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
11 February 2020

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

Report on the half-year financial report

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

- Transurban Holdings Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Transurban Holdings Limited and its controlled entities (the Transurban Group). The Transurban Group comprises the Company and the entities it controlled at the half-year's end or from time to time during the financial half-year including the other members of the stapled group being Transurban International Limited and Transurban Holding Trust and their controlled entities.
- Transurban Holding Trust (the Trust), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Transurban Holding Trust (THT). THT comprises the Trust and the entities it controlled at half-year's end or from time to time during the financial half-year.
- Transurban International Limited (the International Company), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Transurban International Limited (TIL). TIL comprises the International Company and the entities it controlled at half-year's end or from time to time during the financial half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Transurban Group, THT and TIL's financial position as at 31 December 2019 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

Conclusion

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

1. giving a true and fair view of the Transurban Group, THT and TIL 's financial position as at 31 December 2019 and of their performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

M. Laithwaite

Marcus Laithwaite
Partner

Melbourne
11 February 2020