Transurban Group
Appendix 4D
Half-year ended 31 December 2020
(Previous corresponding period being the half-year ended 31 December 2019)

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, 2]

Statutory results from continuing operations		**2020 $M**
Revenue from ordinary activities	Down 21.9% to	$1,423
Loss from ordinary activities after tax	Down 729.9% to	($414)
Net loss attributable to security holders of the stapled group	Down 492.2% to	($385)

Statutory results including discontinued operations		**2020 $M**
Loss from ordinary activities after tax	Down 668.0% to	($448)
Net loss attributable to security holders of the stapled group	Down 476.1% to	($419)

Proportional results		**2020 $M**
Toll revenue	Down 16.6% to	$1,165
Earnings before depreciation, amortisation, net finance costs and income taxes (EBITDA)	Down 22.6% to	$840
EBITDA excluding significant items	Down 23.2% to	$840
Free Cash	Down 49.7% to	$467

The accompanying ASX Release and HY21 Interim Report that follow provide further commentary on the results and definitions of Proportional results, Significant items and Free Cash.

Distributions and dividends

Half-year ended 31 December 2020	**Amount per security (cents)**	**Franked amount of dividend component (%)**	**Record date**	**Payment date**
Interim distribution/dividend	15.0	Not applicable	31 December 2020	16 February 2021
Interim distribution/dividend (prior half-year)	31.0	100	31 December 2019	14 February 2020
Final distribution/dividend (prior year)	16.0	Not applicable	30 June 2020	14 August 2020

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 receipt of an election notice for participation in the DRP was 4 January 2021 and the participation rate was 4.64%. No discount has been applied when determining the price at which stapled securities will be issued under the DRP for the current period distribution.

Net tangible asset backing

	30 June 2020	**31 December 2020**
Net tangible asset backing per stapled security[3]	$3.05	$2.74

[1] Unless otherwise stated, statutory financial information has been reclassified to present the results of Transurban Chesapeake (TC) as discontinued operations in the current and comparative period, and as held for sale in the current period. TC is a wholly owned subsidiary of TIL and includes the Greater Washington Area operating assets, being the 495 Express Lanes and 95 Express Lanes concessions. During the period, the Group entered into an agreement to divest 50% of its equity interest in TC. The transaction is expected to reach financial close by the end of FY21 subject to customary closing conditions and relevant consents and approvals. Refer to Note B13 of the Group interim financial statements for further information. TC has not been reclassified in the proportional results presented. Details of the contribution of TC to the Group's results are disclosed in Note B13.

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

[3] 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 intangible assets under Australian Accounting Standards.

Audit review

This Appendix 4D is based on the interim financial statements of the Group which have been reviewed by the Group's auditors, PricewaterhouseCoopers (PwC). A copy of PwC's unqualified review report can be found in the HY21 Interim Report that follows.

Other information

Disclosure requirements of ASX Listing Rule 4.2A not contained in this Appendix 4D are included in the accompanying ASX Release and HY21 Interim Report.

Transurban Holdings Limited and Controlled Entities

Interim report for the half-year ended 31 December 2020

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 or the Trust), present their report on the Transurban Group for the half-year ended 31 December 2020 (HY21). 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 months ended 31 December 2020 and up to the date of this report, unless otherwise stated:

Non-executive Directors

- Lindsay Maxsted (Chairman)
- Mark Birrell
- Terence Bowen
- Neil Chatfield
- Samantha Mostyn
- Timothy Reed (appointed 1 November 2020)
- Peter Scott
- Robert Whitfield (appointed 1 November 2020)
- Jane Wilson
- Christine O'Reilly (retired 8 October 2020)

Executive Directors

- Scott Charlton

Principal activities

The principal activities of the Group during the period were the building, operation and provision of retail services for toll roads in Sydney, Melbourne and Brisbane, in Australia, as well as in the Greater Washington Area DC and Montreal in North America. There has been no significant change in the nature of these activities during the period.

Operating and financial review

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

Executive summary

Traffic and financial results in the six-month period ended 31 December 2020 were impacted by COVID-19 and government mandated restrictions across all markets. Key results include:

Statutory results from continuing operations compared to the prior corresponding period[1]:

- Toll revenue decreased 16.5 per cent from $1,281 million to $1,069 million;
- Profit from ordinary activities after tax decreased from a $65 million[2] profit to a $414 million loss;
- Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes (EBITDA) decreased 21.5 per cent from $1,008 million to $792 million; and
- Net profit attributable to security holders of the stapled group decreased from a $97 million[2] profit to a $385 million loss.

Statutory results including discontinued operations (Transurban Chesapeake (TC)) compared to the corresponding period:

- Profit from ordinary activities after tax decreased from a $80 million[2] profit to a $448 million loss; and
- Net profit attributable to security holders of the stapled group decreased from a $112 million[2] profit to a $419 million loss.

Proportional results compared to the prior corresponding period[1]:

- Average Daily Traffic (ADT) decreased 17.8 per cent[3];
- Proportional Toll revenue[4] decreased 16.6 per cent to $1,165 million;
- Proportional EBITDA[5] (excluding significant items[3]) decreased 23.2 per cent to $840 million; and
- Free cash decreased 49.7 per cent to $467 million.

A distribution of 15.0 cents per stapled security will be paid on 16 February 2021 for the six months ended 31 December 2020. Further details on 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.

Partnering with governments to address the backlog of infrastructure projects in our cities is at the core of Transurban's business and everything we do aims to create more efficient transport routes and ease congestion.

Transurban was impacted as a result of COVID-19 during the first half of FY21, particularly in Melbourne and the Greater Washington Area where the virus and associated government restrictions were most severe.

Despite ongoing challenges in the global operating environment, the business is well positioned to pursue the pipeline of projects materialising in its core markets.

In addition, we have six[5] major projects currently underway that will offer significant improvements in the way motorists move around our cities.

In the first half of FY21, we opened two projects—the M8 and NorthConnex, both twin 9-kilometre tunnels in Sydney—that are creating travel-time savings and more reliable travel for motorists. We also commenced tolling on the M5 East in Sydney on 5 July 2020.

The M8 tunnels, which also opened on 5 July 2020, are the second stage of WestConnex which, when complete, will provide motorists with a 33-kilometre motorway network that is free of traffic-lights.

1 *Unless otherwise stated, statutory financial information in this interim report has been reclassified to present the results of Transurban Chesapeake (TC) as discontinued operations in the current period and prior comparative period, and as held for sale in the current period. TC is a wholly owned subsidiary of TIL and includes the Greater Washington Area operating assets, being the 495 Express Lanes and 95 Express Lanes concessions. During the period, the Group entered into an agreement to divest 50% of its equity interest in TC. The transaction is expected to reach financial close by the end of FY21 subject to customary closing conditions and relevant consents and approvals. Refer to Note B13 of the Group interim financial statements for further information. Proportional results for these periods have not been reclassified. Details of the contribution of TC to the Group's results are disclosed in Note B13.*

2 *The comparative income tax benefit has been reduced by $82 million to conform to the final accounting policy adopted in the second half of FY20 for cross-staple lease arrangements. Refer to Note B3 of the Corporate Report for the year ended 30 June 2020 for the final accounting policy.*

3 *Excluding M8/M5 East and NorthConnex, ADT decreased by 23.6%.*

4 *Refer to Note B3 of the Group interim financial statements for the definition of proportional toll revenue and proportional EBITDA.*

5 *Includes the WestConnex M4-M5 Link, West Gate Tunnel Project, Fredericksburg Extension, 495 Express Lanes Northern Extension Project, Capital Beltway Accord Project and Rozelle Interchange. Transurban is developing the Capital Beltway Accord Project in partnership with the Virginia Government. This project, announced in November 2019, will extend the 495 Express Lanes north by 4.2km. Rozelle Interchange is being delivered and is 100% funded by Transport for NSW.*

Operating and financial review (continued)

Our business (continued)

NorthConnex, which opened on 31 October 2020, completed a critical missing link in the Sydney orbital network and creates a non-stop route from Newcastle to Melbourne as part of the National Land Transport Network.

In Melbourne, we have made significant progress on two of the three major sections of the West Gate Tunnel Project, which will give motorists a vital alternative to the West Gate Bridge. However, we have encountered a number of technical and commercial challenges on the project this year which have led to a delay in tunnelling commencement, and have now confirmed that following a project schedule review a 2023 project completion is no longer considered achievable.

On 17 December 2020, we announced that we had reached agreement to sell 50 per cent of Transurban Chesapeake to strategically aligned partners AustralianSuper, Canada Pension Plan Investment Board (CPP Investments) and UniSuper.

Transurban Chesapeake comprises Transurban's Greater Washington Area operational assets as well as projects in delivery and development to expand our Express Lanes networks including an extension of the existing 95 Express Lanes (the Fredericksburg Extension).

Beyond development projects, 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 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 its capability over a number of years and today over 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[6] people, however our day-to-day operations and major infrastructure projects rely on a much larger workforce. More than 8,000[7] 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.

We continuously challenge ourselves in the way we respond to social and environmental issues, and invest in both to create social inclusion and manage our environmental impacts. Success for us means we achieve our purpose and create real and lasting benefits for all our stakeholders.

During 2020, Transurban granted $10.1 million in toll credits to frontline workers and customers impacted by COVID-19. In recognition of broader social challenges anticipated in 2021, Transurban has announced that it will expand its Linkt Assist program to support customers experiencing social or financial hardship for a range of reasons.

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.

6 Direct workforce includes around 1,800 direct employees and temporary workers and around 1,200 workers contracted through our partner organisations primarily in customer service, technology and business operations.

7 Total workforce comprises our direct employees, contract workers, and subcontractors who deliver our major construction projects.

Operating and financial review (continued)

Sustainability strategy

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

The 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 increased our commitment to action by adopting new targets to reduce the GHG emissions that we and our supply-chain partners produce, and to work towards decarbonising our business.

The targets are externally validated by the Science Based Targets initiative, and align us with climate science. We have committed to building and operating sustainable infrastructure with net-zero GHG emissions by 2050.

To achieve our targets we have a clear decarbonisation strategy that integrates internal opportunities such as efficiency upgrades and switching to renewable energy with external factors such as increasing availability of low-carbon materials. 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.

Working ethically

Transurban seeks to conduct business with suppliers who have shared values, act ethically and aim to make a positive impact in the areas of social, economic and environmental sustainability. Transurban's Supplier Sustainability Code of Practice details Transurban's expectations of its suppliers in delivering goods and services to the business. Fundamental to adopting the code is the understanding that all suppliers operate in full compliance with all laws, rules and regulations of the countries in which they operate, including protecting internationally recognised labour and human rights such as those related to modern slavery. The code also encourages suppliers to go beyond legal compliance, drawing upon internationally recognised standards, in order to advance social, economic and environmental responsibility. Transurban encourages suppliers to show leadership, improve their performance and develop their competencies in this field. In December 2020, Transurban submitted its first Modern Slavery Statement to the Federal Government in line with the Modern Slavery Act 2018 (Cth). The Statement outlines how we work to identify and address the risks of modern slavery in our operations and supply chains.

Transurban's code of conduct, How We Work @ TU, articulates the behaviour expected of Transurban's Directors, Senior Executives and employees, who are expected to align their actions with the code and Transurban's values whenever they are representing Transurban. The code refers employees to relevant Transurban policies for further information and guidance. It also encourages employees who become aware of unethical behaviours to report these. How We Work @ TU is promoted across the business and reinforced by formal training and proportionate disciplinary action if breached. The Directors (through either the Board or its Committees) are informed of any material breaches of the code.

Transurban also has a separate Ethical Business Practices Policy that supports its governance and integrity framework. This policy defines the standard required from employees and third parties when working with Transurban, highlights the processes for prevention, detection, and investigation of reports of fraudulent or corrupt conduct, and provides guidance in relation to managing and recording gifts and benefits. The policy and related frameworks are supported and reinforced by formal training and awareness programs across the business and proportionate disciplinary action if breached. The Directors (through either the Board or its Committees) are informed of any material breaches of the policy.

Transurban has a Whistleblower Policy to encourage all Directors, Senior Executives, other employees, contractors and suppliers who have witnessed, or know about, any misconduct or suspected misconduct to speak up without fear of intimidation, disadvantage or reprisal. The policy sets out how Transurban will respond to and investigate reports of misconduct and outlines the protections available to those who make a whistleblower report in good faith. A confidential, anonymous external toll free phone number and online whistleblower reporting service is detailed on both Transurban's intranet and external website and is available for use by all personnel. The Directors (through either the Board or its Committees) are informed of any material incidents reported under the policy.

Operating and financial review (continued)

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 lead and lag indicators (KPIs) to help us 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
- Proactive Team HSE leadership plans which require people leaders and their teams to outline how they will take accountability for ensuring a healthy and safe culture and environment across the business and within their teams.

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 identify risks with the potential to impact on our business and implement strategies and contingency plans to manage risk. We regularly assess the effectiveness of these activities through scheduled 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 (positive and negative) 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, culture and engagement, making improvements where appropriate.

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

The Business risks—threats and opportunities and financial risk management sections below should be read in conjunction with the Corporate Report for the year ended 30 June 2020.

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:

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

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

- ongoing impacts of the Coronavirus global pandemic (COVID-19), including impacts on traffic performance related to government COVID-19 restrictions;
- maintaining our social licence to operate;
- unfavourable changes in the market or to operating conditions;
- delivering our major projects to meet agreed outcomes;
- customer and road safety;
- cyber security and information protection;
- failure of technical infrastructure;
- changes in government policies or regulatory interpretations;
- ensuring the safety and wellbeing of employees and contractors; and
- dependency on third parties and critical suppliers.

Operating and financial review (continued)

Financial risk management

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

We continuously monitor risk exposures over time through reviewing cash flow sensitivities, 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.

Further information on Transurban's approach to financial risk management is included within the Corporate Report for the year ended 30 June 2020 at Note B15 Derivatives and financial risk management.

Asset portfolio at 31 December 2020

	Sydney						
Overview	**M5 West[2]**	**M2**	**M4**	**M8[3]**	**M5 East[5]**	**LCT**	**CCT**
Opening date	Aug 1992	May 1997	May 1992	Jul 2020	Dec 2001	Mar 2007	Aug 2005
Remaining concession period[1]	6 years[2]	27 years	40 years	40 years	40 years	27 years	15 years
Concession end date	Dec 2026	Jun 2048	Dec 2060	Dec 2060	Dec 2060	Jun 2048	Dec 2035
Physical details							
Length—total	22 km	21 km	14 km	11 km	10 km	3.8 km	2.1 km
Length—surface	22 km	20.5 km	8.5 km	2 km	5.5 km	0.3 km	–
Length—tunnel	–	0.5 km	5.5 km	9 km	4.5 km	3.5 km	2.1 km
Lanes	2x3	2x3	2x4—West 2x3—East	2x2[4]	2x2	2x2 2x3 some sections	2x2 2x3 some ramp sections
Ownership							
	100%[2]	100%	**25.5% – Transurban** 49% – NSW Government 10.46% – AustralianSuper 10.46% – CPP Investments 4.59% – Tawreed Investments Limited (Tawreed)	**25.5% – Transurban** 49% – NSW Government 10.46% – AustralianSuper 10.46% – CPP Investments 4.59% – Tawreed	**25.5% – Transurban** 49% – NSW Government 10.46% – AustralianSuper 10.46% – CPP Investments 4.59% – Tawreed	100%	100%
Tolling							
Large vehicle multiplier	3x	3x	3x	3x	3x	Minimum 3x	2x

1. As at 31 December 2020. Rounded to nearest year.

2. 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 its current ownership proportion in WestConnex.

3. Opened on 5 July 2020. Formerly referred to as New M5.

4. 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.

5. Tolling commenced on 5 July 2020, coinciding with the opening of M8.

Operating and financial review (continued)

Asset portfolio at 31 December 2020 (continued)

	Sydney			Melbourne	North America		
Overview	**ED**	**M7**	**NorthConnex**	**CityLink**	**495 Express Lanes[4]**	**95 Express Lanes[6]**	**A25**
Opening date	Dec 1999	Dec 2005	Oct 2020	Dec 2000	Nov 2012	Dec 2014	May 2011
Remaining concession period[1]	28 years	27 years	27 years	24 years[3]	67 years	67 years	22 years
Concession end date	Jul 2048	Jun 2048	Jun 2048	Jan 2045[3]	Dec 2087	Dec 2087	Sep 2042
Physical details							
Length—total	6 km	40 km	9 km	22km in 2 sections	22 km	63 km	7.2 km
Length—surface	4.3 km	40 km	–	16.8 km	22 km	63 km	7.2 km
Length—tunnel	1.7 km	–	9 km	5.2 km	–	–	–
Lanes	2x3 2x2 some sections	2x2	2x2[2]	2x4 in most sections	2x2 HOT lanes	2 and 3 reversible HOT lanes	2x3 on bridge 2x2 on remaining sections
Ownership							
	75.1% – Transurban 14.4% – IFM Investors 10.5% – UniSuper	**50% – Transurban** 25% – CPP Investments 25% – QIC Limited	**50% – Transurban** 25% – CPP Investments 25% – QIC Limited	100%	100%[5]	100%[5]	100%
Tolling							
Large vehicle multiplier Light commercial vehicle (LCV) Heavy commercial vehicle (HCV)	2x	3x	3x	LCV: 1.6x HCV: 3x (day) 2x (night)	No multiplier (trucks >2 axles not permitted)	No multiplier (trucks >2 axles not permitted)	2x per axle

1. *As at 31 December 2020. Rounded to nearest year.*
2. *Marked for two lanes in each direction but built to accommodate three lanes in each direction.*
3. *Includes 10-year extension to CityLink concession in connection with the West Gate Tunnel Project.*
4. *495 Express Lanes concession includes the 495 Express Lanes Northern Extension Project, for which a development framework agreement with the Virginia government has been established, and the Capital Beltway Accord Project with the Virginia government which is progressing to a development framework agreement in parallel with the final 495 Express Lanes Northern Extension agreements. Data relates to operational lanes only.*
5. *During the period, the Group entered into an agreement to divest a 50% interest in TC, which includes 495 Express Lanes and 95 Express Lanes. The transaction is expected to reach financial close by the end of FY21 subject to customary closing conditions and relevant consents and approvals.*
6. *95 Express Lanes concession includes the 395 Express Lanes (opened 17 November 2019) and the Fredericksburg Extension (currently under construction). Data relates to operational lanes only.*

Operating and financial review (continued)

Asset portfolio at 31 December 2020 (continued)

	Brisbane					
Overview	**Gateway Motorway**	**Logan Motorway**	**Clem7**	**Go Between Bridge**	**Legacy Way**	**AirportlinkM7**
Opening date	Dec 1986	Dec 1988	Mar 2010	Jul 2010	Jun 2015	Jul 2012
Remaining concession period[1]	31 years	31 years	31 years	43 years	44 years	33 years
Concession end date	Dec 2051	Dec 2051	Aug 2051	Dec 2063	Jun 2065	Jul 2053
Physical details						
Length—total	23.1 km	39.5[3] km	6.8 km	0.3 km	5.7 km	6.7 km
Length—surface	23.1 km	39.5[3] km	2.0 km	0.3 km	1.1 km	1.0 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
Ownership						
	62.5% – Transurban 25% – AustralianSuper 12.5% – Tawreed	**62.5% – Transurban** 25% – AustralianSuper 12.5% – Tawreed	**62.5% – Transurban** 25% – AustralianSuper 12.5% – Tawreed	**62.5% – Transurban** 25% – AustralianSuper 12.5% – Tawreed	**62.5% – Transurban** 25% – AustralianSuper 12.5% – Tawreed	**62.5% – Transurban** 25% – AustralianSuper 12.5% – Tawreed
Tolling						
Large vehicle multiplier Light commercial vehicle (LCV) Heavy commercial vehicle (HCV)	LCV: 1.5x HCV: 3.15x[2]	LCV: 1.5x HCV: 3.15x[2]	LCV: 1.5x HCV: 3x (day) 2.65x (night)	LCV: 1.5x HCV: 3x (day) 2.65x (night)	LCV: 1.5x HCV:3x (day)[4] 2.65x (night)	LCV: 1.5x HCV: 2.65x

1. As at 31 December 2020. Rounded to nearest year.

2. Logan and Gateway HCV tolls progressively increasing to a maximum of 3.44x car tolls post Logan Enhancement Project completion.

3. Includes Gateway Extension Motorway.

4. HCV multiplier changed to 3x cars during peak periods from 1 July 2020.

Operating and financial review (continued)

Future concession assets[1]

	Sydney		Melbourne
	M4-M5 Link	**Rozelle Interchange**	**West Gate Tunnel**
Overview			
Concession end date	Dec 2060	Dec 2060	Jan 2045
Physical details			
Length—total	7.5 km	5 km[2]	17 km
Length—surface	–	–	10.2 km
Length—tunnel	7.5 km	5 km[2]	6.8 km
Lanes	2x4	n/a	2x6 on WGF 2x3 on remaining sections
Ownership			
	25.5% – Transurban 49% – NSW Government 10.46% – AustralianSuper 10.46% – CPP Investments 4.59% – Tawreed	**25.5% – Transurban** 49% – NSW Government 10.46% – AustralianSuper 10.46% – CPP Investments 4.59% – Tawreed	100%
Tolling			
Large vehicle multiplier Light commercial vehicle (LCV) Heavy commercial vehicle (HCV)	3x	3x	LCV: 1.6x HCV[3] HPFV[3]

1. As at 31 December 2020. Not including upgrades or extensions to existing assets.

2. 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 5km motorway with two lanes in each direction.

3. HCV and High Productivity Freight Vehicle (HPFV) tolls are not based on a multiplier of a car toll. Further detail can be found at westgatetunnelproject.vic.gov.au.

Operating and financial review (continued)

Performance
Period ended 31 December 2020 highlights

Statutory results

	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019[2] $M
Continuing operations		
Toll revenue	1,069	1,281
EBITDA	792	1,008
Net (loss)/profit for the period from continuing operations	(414)	65
Discontinued operations[1]		
Net (loss)/profit for the period from discontinued operations	(34)	15
Net (loss)/profit for the period	**(448)**	**80**
(Loss)/profit attributable to ordinary security holders of the stapled group	**(419)**	**112**

1. *Statutory results above have been reclassified to present TC as discontinued operations in the current period and prior comparative period. Details of the contribution of TC to the Group's results are disclosed in Note B13.*
2. *The comparative income tax benefit has been reduced by $82 million to conform to the final accounting policy adopted in the second half of FY20 for cross-staple lease arrangements. Refer to Note B3 of the Corporate Report for the year ended 30 June 2020 for the final accounting policy.*

During the period, movements in statutory net profit from continuing operations excluding significant items have been influenced by:

- Decrease of $212 million in toll revenue across the Australian and Canadian networks primarily as a result of restrictions mandated by governments in response to COVID-19 which adversely impacted traffic volumes;
- Decrease of $16 million in depreciation and amortisation due to the completion of depreciation on some corporate assets;
- Increase of $337 million in net finance costs primarily related to foreign exchange movements ($107 million), remeasurement of shareholder loan note payment profiles ($103 million) and net unrealised loss from remeasurement of derivative financial instruments ($88 million). The movement in foreign exchange and net unrealised loss from remeasurement of derivative financial instruments was as a consequence of the significant appreciation in the Australian dollar relative to other currencies during the period (refer to Notes B1 and B9 of the Group interim financial statements for further information);
- Increase of $6 million in share of net loss of equity accounted investments due to higher losses in WestConnex as a result of additional amortisation upon the opening of M8/M5 East and losses on close-out of hedging instruments; and
- Increase of $64 million in income tax benefit.

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 business to the prior year result on a like-for-like basis.

	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019 $M	% Change	Half-year ended 31 December 2020 Adjusted[2] $M	Half-year ended 31 December 2019 $M	% Change
Toll revenue	1,165	1,396	(16.6%)	1,103	1,396	(21.0%)
Other revenue	53	49	8.2%	46	49	(8.6%)
Total costs	(378)	(351)	7.1%	(352)	(351)	0.2%
EBITDA excluding significant items[1]	840	1,094	(23.2%)	797	1,094	(27.2%)
Significant items	–	(9)	n/a	–	(9)	n/a
EBITDA	840	1,085	(22.6%)	797	1,085	(26.7%)

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), annualised contributions from 395 Express Lanes, contributions from M8/M5 East (since road opening/commencement of tolling on 5 July 2020) and NorthConnex (since road opening on 31 October 2020) and foreign exchange movements.

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

- Negative revenue growth driven by significant and prolonged adverse impacts on traffic volumes related to COVID-19 government restrictions. Revenue impacts were partially mitigated by toll price escalations across Transurban's Australian markets and on the A25 in Montreal Canada. Transurban's Express Lanes assets in Virginia are dynamically priced and the reduced traffic congestion related to COVID-19 restrictions resulted in significantly lower prices; and
- New assets and changes in foreign exchange rates, which contributed an additional $43 million of EBITDA. New assets for the period were M8/M5 East, NorthConnex, the additional ownership in M5 West (on a like-for-like basis) and annualised contributions from 395 Express Lanes which opened in November 2019.

Financial position

	31 December 2020	30 June 2020
Market capitalisation	$37.4B	$38.7B
Securities on issue	2,737M	2,735M
Cash and cash equivalents[1]	$1,374M	$2,349M
Gearing[2]	36.2%	35.8%

1. Excludes cash and cash equivalents of $423 million from TC which are classified as held for sale as at 31 December 2020.

2. Calculated using proportional debt to enterprise value, exclusive of issued letters of credit. The security price was $13.66 as at 31 December 2020 and $14.13 as at 30 June 2020.

Transurban's operating assets are primarily long-life intangible assets (concession assets), representing the provision by government entities of the right to toll customers for the use of the assets. Concession assets represent 63 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 2020	Half-year ended 31 December 2019	% Change
Free cash	$467M	$927M	(49.7%)
Weighted average securities eligible for distribution[1]	2,737M	2,733M	0.1%
Free cash per security (cents)	17.1cps	33.9cps	(49.7%)

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:

- Decrease in cash flows from 100 per cent owned assets due to lower toll revenue as a result of COVID-19 government restrictions, and LCT and Hills M2 capital releases received in the prior corresponding period;
- Increase in net finance costs due to $19 million Private Activity Bonds (PABs) premium received as part of the Fredericksburg Extension in the prior corresponding period;
- Increase in distributions from non-100 per cent owned entities, due to COVID-19 related distribution deferrals from 2H20 being paid in 1H21;
- Decrease in tax paid due to M5 West joining the Transurban Holdings Limited tax group effective 30 October 2019; and
- Increase in working capital.

Operating and financial review (continued)

Segment performance

	1H21 performance	Operations and development	Customer and community
Sydney • 7.7% Toll revenue growth[1] • 5.6% EBITDA growth (excluding significant items)[2] • 8.7% ADT growth[3]	• Proportional toll revenue increased by 7.7% to $612 million, driven by M8/M5 East and NorthConnex openings and additional ownership of M5 West, offset in part by COVID-19 impacts[1] • Car traffic increased by 7.7% and large vehicles increased by 20.1%, including new assets	• The M8 tunnels opened on 5 July 2020, alongside tolling commencement on the existing M5 East • The NorthConnex tunnels opened on 31 October 2020 • More than 6.2 million tonnes of spoil has been removed from the M4-M5 Link tunnels with more than 7,100 people involved in delivering the project to date. The project remains in peak spoil production with 28 road headers excavating the tunnels, and civil and mechanical and electrical (M&E) teams have also ramped up	• WestConnex Community Grants supported 25 grassroots organisations, directly benefiting approximately 19,000 people • Significant improvement in sentiment towards WestConnex with 56% of surveyed people in Greater Sydney reporting that they feel positive about WestConnex in 2020, up over 20% on the prior year and over 35% versus 2017 following significant community engagement • Transition of 500,000 E-way customers to Linkt now complete • More than 1,100 high school students along the WestConnex corridor completed an award-winning driver safety community program funded by WestConnex
Melbourne • (39.1%) Toll revenue growth • (44.9%) EBITDA growth (excluding significant items) • (47.1%) ADT growth	• CityLink traffic decreased by 47.1% with Western Link impacts exceeding those on the Southern Link due to airport traffic exposure • Car traffic decreased by 55.5% and large vehicles decreased by 12.8% – Of large vehicle traffic, heavy commercial vehicles decreased by 6.1% and light commercial vehicles decreased by 17.7%	• Initial stage of Burnley Tunnel (eastbound) improvement project to support smoother traffic flow and consistent speeds through the tunnel commenced, harnessing virtual reality and customer testing to refine project scope • Travel-time signage pilot, providing on road decision making signage at key entry points complete with positive customer feedback	• New partnership with Kidsafe in Victoria to support education of correct child car seat fitting • Harnessing Transurban DriveLink driver training vehicle to support meal delivery to people in need during COVID-19 pandemic, in partnership with Moonee Valley Council
Brisbane • (3.4%) Toll revenue growth • (5.4%) EBITDA growth (excluding significant items) • (5.8%) ADT growth	• Car traffic decreased by 7.0% and large vehicles decreased by 1.9% • In December, ADT increased by 2.8% relative to the prior year, with the all-time daily traffic record broken twice during the month	• Logan Enhancement Project continues to benefit the community 12 months since completion, with 20-minute travel-time savings, 65% reduction in annual crash rate, improved fauna connectivity and two new cycle parks • Construction ongoing on a new centralised traffic control room, which will consolidate all of Transurban's traffic control rooms in Brisbane into a single state-of-the-art facility • Advancement of digital engineering capabilities with sensor trial underway on Gateway Bridge to monitor the structural health of the bridge • Modernisation of key operational technology (such as CCTV cameras) across all Brisbane assets and roadside tolling equipment refresh on the Go Between Bridge, Clem7 and AirportlinkM7	• $250,000 raised for Ronald McDonald House South East Queensland (SEQ) through a virtual fundraising appeal in lieu of annual charity day. Donation funded emergency accommodation for families of seriously ill children • More than 2,000 car seats fitted at no cost for families in Brisbane and Logan through road safety partnership with Kidsafe Queensland

1. *Excluding contributions associated with additional ownership of M5 West (on a like-for-like basis), contributions from M8/M5 East (since road opening/commencement of tolling on 5 July 2020) and NorthConnex (since road opening on 31 October 2020), toll revenue decreased by 4.8%.*
2. *Excluding contributions associated with additional ownership of M5 West (on a like-for-like basis), contributions from M8/M5 East (since road opening/commencement of tolling on 5 July 2020) and NorthConnex (since road opening on 31 October 2020), EBITDA (excluding significant items) decreased by 6.0%.*
3. *Excluding the M8/M5 East and NorthConnex, ADT decreased by 7.1%.*

Operating and financial review (continued)

Segment performance (continued)

North America[1]

- (54.8%) Toll revenue growth[2]
- (77.0%) EBITDA growth (excluding significant items)[3]
- (29.5%) ADT growth

1H21 performance

- Impacts to traffic and revenue on Express Lanes continued as a result of COVID-19 and associated government restrictions
  - 95 Express Lanes traffic decreased by 34.6% and USD toll revenue decreased by 60.2%[4]
  - 495 Express Lanes traffic decreased by 48.1% and USD toll revenue decreased by 71.8%[4]
- A25 traffic decreased by 8.0% with car traffic decreasing by 9.4% and large vehicles increasing 4.1%[5]

Operations and development

- Design work largely completed on Fredericksburg Extension with major construction works continuing including drainage, earthworks and foundations for ramp structures
- Installation of roadside occupancy detection technology advanced as part of Fair Travel program to educate drivers and increase High Occupancy Vehicle (HOV) compliance on the Express Lanes

Customer and community

- Continuing engagement with Quebec Government in relation to potential future opportunities
- Partnership with Polytechnique Montreal through their Trajet-m program, supporting entrepreneurs who wish to solve problems related to sustainable mobility
- COVID-19 community support extended to Centre de bénévolat de Laval, Grands frères et grandes soeurs and Fondation les petits trésors, providing food, clothing and financial support
- GoToll mobile tolling app developed for launch to an additional 47 toll roads across North Carolina, Florida and Georgia through a partnership with the North Carolina Turnpike Authority

1. *All percentage changes are to the prior corresponding period and are calculated in AUD unless otherwise stated.*
2. *Excluding annualised contributions from 395 Express Lanes, toll revenue decreased by 52.0%.*
3. *Excluding annualised contributions from 395 Express Lanes, EBITDA (excluding significant items) decreased by 69.9%.*
4. Toll revenue for 1H21 in AUD decreased 62.0% on 95 Express Lanes and decreased 73.0% on 495 Express Lanes. USD toll revenue on the 95 Express Lanes decreased by 54.2% excluding annualised contributions from 395 Express Lanes.
5. *Rolling 12-month peak-direction traffic was 2,637 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)

Events subsequent to the end of the half-year

Details of any events that have arisen from 31 December 2020 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 the Group's state of affairs in 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 16.

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 2021

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 2020, 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 2021

Section A: Group interim financial statements

Transurban Holdings Limited

Consolidated statement of comprehensive income for the half-year ended 31 December 2020

	Note	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019[1] $M
Continuing operations			
Revenue	B4	**1,423**	**1,821**
Expenses			
Employee benefits expense		(131)	(129)
Road operating costs		(163)	(163)
Construction costs		(290)	(482)
Transaction and integration costs		(4)	(3)
Corporate and other expenses		(43)	(36)
Total expenses		**(631)**	**(813)**
Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes		**792**	**1,008**
Amortisation		(495)	(497)
Depreciation		(58)	(72)
Total depreciation and amortisation		**(553)**	**(569)**
Net finance costs	B9	(704)	(367)
Share of net loss of equity accounted investments, inclusive of impairments	B14	(74)	(68)
(Loss)/profit before income tax		**(539)**	**4**
Income tax benefit	B6	125	61
(Loss)/profit for the half-year from continuing operations		**(414)**	**65**
Discontinued operations			
(Loss)/profit for the half-year from discontinued operations	B13	**(34)**	**15**
(Loss)/profit for the half-year from continuing and discontinued operations		**(448)**	**80**
(Loss)/profit for the half-year attributable to:			
Ordinary security holders of the stapled group			
– Attributable to THL		(160)	(190)
– Attributable to THT/TIL		(259)	302
(Loss)/profit attributable to ordinary security holders of the stapled group		**(419)**	**112**
Non-controlling interests—other		(29)	(32)
(Loss)/profit for the half-year		**(448)**	**80**
Other comprehensive income			
Items that may be reclassified to profit or loss in the future			
Changes in the fair value of cash flow hedges, net of tax		(61)	(1)
Changes in the fair value of cost of hedging, net of tax		(2)	–
Share of other comprehensive income of equity accounted investments, net of tax	B14	48	4
Movement in share-based payments reserve		–	(4)
Exchange differences on translation of North American operations, net of tax		87	(3)
Other comprehensive profit/(loss) for the half-year, net of tax		**72**	**(4)**
Total comprehensive (loss)/income for the half-year		**(376)**	**76**
Total comprehensive (loss)/income for the half-year is attributable to:			
Ordinary security holders of the stapled group			
– Attributable to THL		(184)	(216)
– Attributable to THT/TIL		(138)	318
Non-controlling interests—other		(54)	(26)
Total comprehensive (loss)/income for the half-year		**(376)**	**76**
		Cents	Cents
Earnings from continuing operations per security attributable to ordinary security holders of the stapled group	B7	**(14.1)**	**3.6**
Earnings per security attributable to ordinary security holders of the stapled group	B7	**(15.3)**	**4.2**

1. The comparative income tax benefit has been reduced by $82 million to conform to the final accounting policy adopted in the second half of FY20 for cross-staple lease arrangements. Refer to Note B3 of the Corporate Report for the year ended 30 June 2020 for the final accounting policy.

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 2020

Assets	Note	As at 31 December 2020 $M	As at 30 June 2020 $M
Current assets			
Cash and cash equivalents		1,374	2,349
Trade and other receivables		291	417
Derivative financial instruments	B11	37	71
Assets held for sale	B13	3,888	–
Total current assets		**5,590**	**2,837**
Non-current assets			
Equity accounted investments	B14	3,374	3,435
Trade and other receivables		190	–
Financial assets at amortised cost		1,319	1,352
Derivative financial instruments	B11	88	497
Property, plant and equipment		595	594
Concession financial asset		314	331
Deferred tax assets		1,297	1,098
Goodwill		466	466
Other intangible assets		21,582	25,940
Total non-current assets		**29,225**	**33,713**
Total assets		**34,815**	**36,550**
Liabilities			
Current liabilities			
Trade and other payables		416	485
Borrowings	B10	876	1,553
Derivative financial instruments	B11	3	96
Maintenance provision		135	104
Distribution provision		450	476
Other provisions		62	141
Construction obligation provision		680	767
Other liabilities		273	235
Liabilities held for sale	B13	3,342	–
Total current liabilities		**6,237**	**3,857**
Non-current liabilities			
Borrowings	B10	16,611	19,525
Derivative financial instruments	B11	1,018	632
Deferred tax liabilities		1,060	1,213
Maintenance provision		929	1,102
Other provisions		5	7
Construction obligation provision		682	822
Other liabilities		297	591
Total non-current liabilities		**20,602**	**23,892**
Total liabilities		**26,839**	**27,749**
Net assets		**7,976**	**8,801**
Equity			
Contributed equity		2,923	2,919
Reserves		(516)	(491)
Accumulated losses		(4,047)	(3,887)
Equity attributable to other members of the stapled group (THT/TIL)		8,794	9,333
Equity attributable to security holders of the stapled group		**7,154**	**7,874**
Non-controlling interests—other		822	927
Total equity		**7,976**	**8,801**

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 2020

		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 1 July 2020	**2,735**	**2,919**	**(491)**	**(3,887)**	**9,333**	**7,874**	**927**	**8,801**
Comprehensive (loss)/income								
Loss for the half-year	–	–	–	(160)	(259)	(419)	(29)	(448)
Other comprehensive (loss)/income	–	–	(24)	–	121	97	(25)	72
Total comprehensive (loss)/income	**–**	**–**	**(24)**	**(160)**	**(138)**	**(322)**	**(54)**	**(376)**
Transactions with owners in their capacity as owners:								
Employee performance awards issued[1]	1	1	(1)	–	2	2	–	2
Distributions provided for or paid[2]	–	–	–	–	(411)	(411)	–	(411)
Distribution reinvestment plan[3]	1	3	–	–	8	11	–	11
Distributions to non-controlling interests[4]	–	–	–	–	–	–	(51)	(51)
	2	**4**	**(1)**	**–**	**(401)**	**(398)**	**(51)**	**(449)**
Balance at 31 December 2020	**2,737**	**2,923**	**(516)**	**(4,047)**	**8,794**	**7,154**	**822**	**7,976**

1. *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 2 years. In addition to the Short Term Incentives, stapled securities (including units in the Trust) were issued to senior executives and other employees under the Group's Long Term Incentive share based payment plans. These securities are held by the employees but will only vest in accordance with the terms of the plans.*
2. *Refer to Note B8 for further details of dividends and distributions provided for or paid.*
3. *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 FY20, paid in February 2020 and August 2020, respectively. The DRP applies for the interim FY21 distribution.*
4. *Distributions and dividends were paid during the period to the non-controlling interest partners in the Eastern Distributor and Transurban Queensland.*

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

		Attributable to security holders of the stapled group						
	Number of securities M	**Contributed equity $M**	**Reserves $M**	**Accumulated losses[7] $M**	**Equity attributable to other members THT & TIL $M**	**Total[7] $M**	**Non–controlling interests—other[7] $M**	**Total equity[7] $M**
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	–	–	–	(190)	302	112	(32)	80
Other comprehensive (loss)/income	–	–	(26)	–	16	(10)	6	(4)
Total comprehensive (loss)/income	**–**	**–**	**(26)**	**(190)**	**318**	**102**	**(26)**	**76**
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs[1]	55	226	–	–	578	804	–	804
Employee performance awards issued[2]	1	1	–	–	6	7	–	7
Distributions provided for or paid[3]	–	–	–	(55)	(792)	(847)	–	(847)
Distribution reinvestment plan[4]	2	7	–	–	17	24	–	24
Distributions to non-controlling interests[5]	–	–	–	–	–	–	(49)	(49)
Derecognition of non-controlling interest on acquisition of remaining interest[6]	–	–	–	–	–	–	(135)	(135)
Transactions with non-controlling interests—other[6]	–	–	(298)	–	–	(298)	–	(298)
	58	**234**	**(298)**	**(55)**	**(191)**	**(310)**	**(184)**	**(494)**
Balance at 31 December 2019	**2,733**	**2,909**	**(473)**	**(3,810)**	**9,917**	**8,543**	**938**	**9,481**

1. *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 West and for general corporate purposes.*
2. *From 2012 it is the Group's policy that a portion of all Short Term Incentives issued to the CEO and other executives are deferred for a period of 2 years. In addition to the Short Term Incentives, stapled securities (including units in the Trust) were issued to senior executives under the Group's Long Term Incentive share based payment plans. These securities are held by the employees but will only vest in accordance with the terms of the plans.*
3. *Refer to Note B8 for further details of dividends and distributions provided for or paid.*
4. *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 FY19, paid in February 2019 and August 2019, respectively. The DRP was in effect for the interim FY20 distribution, paid in February 2020.*
5. *Distributions and dividends were paid during the period to the non-controlling interest partners in the Eastern Distributor, Transurban Queensland and the M5 West.*
6. *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 West concession in Sydney, New South Wales, for a purchase price of $459 million. This took the Group's ownership interest to 100%. This transaction did not result in a change in control over the M5 West and it continued to be controlled and consolidated in the Group results. As the change in ownership interest did not result from a loss of control, the transaction was recorded in equity. The purchase price of $459 million reflected $394 million for the additional equity interest and $65 million for the term loan notes attributable to the non-controlling interest, which were extinguished. Transaction costs of $39 million relating to stamp duty were also recognised in equity.*
7. *Comparative income tax benefit has been reduced by $82 million to conform to the final accounting policy adopted in the second half of FY20 for cross-staple lease arrangements. Refer to Note B3 of the Corporate Report for the year ended 30 June 2020 for the final accounting policy.*

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

Transurban Holdings Limited
Consolidated statement of cash flows for the half-year ended 31 December 2020

	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019 $M
Cash flows from operating activities		
Receipts from customers	1,229	1,557
Payments to suppliers and employees	(431)	(436)
Payments for maintenance of intangible assets	(44)	(85)
Transaction and integration costs	(4)	(3)
Other cash receipts	70	61
Interest received	9	29
Interest paid	(417)	(413)
Income taxes paid	(1)	(32)
Net cash inflow from operating activities	**411**	**678**
Cash flows from investing activities		
Payments for financial assets at amortised cost	(27)	(167)
Repayment of financial assets at amortised cost	2	–
Capital contribution to equity accounted investment	(58)	–
Payments for intangible assets	(490)	(810)
Payments for property, plant and equipment	(77)	(64)
Distributions received from equity accounted investments	93	95
Payments for acquisition of subsidiaries, net of cash acquired	–	(1)
Net cash outflow from investing activities	**(557)**	**(947)**
Cash flows from financing activities		
Proceeds from equity issuances of stapled securities (net of costs)	–	804
Acquisition of non-controlling interest in subsidiary and term loan notes	–	(459)
Proceeds from borrowings (net of costs)	2,009	2,135
Proceeds made in the provision of loan facilities	–	32
Proceeds from loan facilities	46	15
Principal repayment of leases	(5)	(5)
Repayment of borrowings	(1,922)	(1,075)
Dividends and distributions paid to the Group's security holders	(426)	(778)
Distributions paid to non-controlling interests	(51)	(49)
Net cash (outflow)/inflow from financing activities	**(349)**	**620**
Net (decrease)/increase in cash and cash equivalents	**(495)**	**351**
Cash and cash equivalents at the beginning of the half-year	2,349	1,630
Effects of exchange rate changes on cash and cash equivalents	(57)	1
Cash and cash equivalents at end of the half-year	**1,797**	**1,982**

Refer to Note B13 for cash flows from discontinued operations.

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 and events during the reporting period:

Coronavirus global pandemic and the related government-mandated restrictions

COVID-19 has continued to impact the Group's operating performance, particularly traffic volumes and toll revenue. During the half-year ended 31 December 2020, toll revenue (including TC toll revenue) decreased 21.7% from the prior comparative period, with impacts across each of Transurban's markets varying depending on the level of government restrictions in place in response to COVID-19. In most regions traffic continued to improve from low levels experienced during mid-April 2020 as government restrictions eased, however, significant impacts to traffic on CityLink in Melbourne and to traffic and congestion in the Greater Washington Area were experienced as a result of government mandated restrictions on movement during the period. Traffic in each of Transurban's markets will remain sensitive to government responses to COVID-19. Despite the impact on toll revenue and the related decline in cash receipts, the Group's operations, liquidity and financial position have not been significantly impacted in the current reporting period by COVID-19, however some assets are currently in distribution lock-up (refer to Note B2 for further details).

The Group's concession assets have remained fully operational and investment into networks and major development projects has continued throughout the period. The Group also successfully raised $1,541 million of debt across bank and debt capital markets during September and October 2020 to fund future capital requirements, refinance existing debt and for general corporate purposes.

Sale of 50% interest in Transurban Chesapeake

On 17 December 2020 the Group announced that it had entered into an agreement to divest 50% of its equity interest in TC to AustralianSuper (25%), Canada Pension Plan Investment Board (15%) and UniSuper (10%) (collectively referred to as the TC partners) for gross sale proceeds of $2,745 million[1] (US$2,080 million), plus a potential earn-out between FY24 and FY26 of up to $92 million[1] (US$70 million). TC is part of the North American segment and includes the concessions for the 495 Express Lanes and 95 Express Lanes. The sale is expected to be completed by the end of FY21 subject to customary closing conditions and relevant consents and approvals.

The Group will retain a 50% non-controlling interest in TC (refer Note B13), and as a result will no longer control TC. The Group will report TC as an equity accounted investment following financial close of the transaction. The Group has classified its interest in TC as held for sale as at 31 December 2020. As TC represents the majority of the Group's North American revenue and assets, the Group has classified its interest in TC as a discontinued operation. Current and comparative financial information for TC has been classified as a discontinued operation in the statement of comprehensive income. Financial information as at 31 December 2020 for TC has been classified as held for sale current assets and current liabilities in the balance sheet.

Unrealised losses on remeasurement of financial instruments

In the half-year ended 31 December 2020 the Group observed a significant appreciation in the AUD relative to foreign currencies, which has resulted in an increase in unrealised losses recorded in net finance costs compared to the prior comparative period.

Excluding borrowings held in foreign currencies that hedge the Group's investment in US and Canadian operations, the Group has entered into cross-currency interest rate swaps that hedge 100% of its economic exposure to borrowings held in foreign currencies. Notwithstanding this, for those cross-currency interest rate swap contracts that designate the entire fair value of the cross-currency interest swap contract as the hedging instrument (including the foreign currency basis spread), hedge accounting ineffectiveness can arise from movements in the value of foreign currency basis spread. Hedge accounting ineffectiveness attributable to the movement in foreign currency basis spread is the primary driver of the unrealised remeasurement loss attributable to derivative financial instruments of $103 million (2019: $15 million) for the half-year ended 31 December 2020.

Intercompany funding arrangements that do not form part of the Group's net investment in foreign operations (as they are expected to be settled) are revalued through profit and loss. Unrealised foreign exchange losses from revaluing AUD denominated intercompany funding arrangements in North American subsidiaries are the primary driver of net foreign exchange losses of $105 million (2019: $2 million income) for the half-year ended 31 December 2020.

1. Translated at AUD:USD exchange rate of 0.76, which is the forward contract rate entered into for the majority of the net proceeds

B1 Summary of significant changes in the current reporting period (continued)

Unrealised losses on remeasurement of financial instruments (continued)

Net finance costs for the half-year ended 31 December 2020 also includes $64 million of unrealised losses (2019: $39 million unrealised income) from remeasuring the Group's shareholder loan notes with NorthWestern Roads Group (NWRG) and Sydney Transport Partners JV (STP JV) to reflect the Group's deferral of contractual cash flows. These shareholder loan notes are classified as financial assets at amortised cost.

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. The Group is a for-profit entity. 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 2020:

- 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 for the half-year ended 31 December 2020 is consistent with that which has been disclosed in the Corporate Report for the year ended 30 June 2020;
- 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);
- have been prepared under the historical cost convention, as modified by the revaluation of other financial assets and liabilities (including derivative financial instruments), except for disposal groups which are classified as held for sale, which are measured at the lower of carrying amount and fair value less costs to sell;
- 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
- have restated the presentation of comparative amounts, where applicable, to conform to the current period presentation.

Unless otherwise stated, statutory financial information in this interim report has been reclassified to present the results of TC as discontinued operations in the current and prior comparative period, and as held for sale in the current period. Proportional results as disclosed in Note B3 Segment information have not been reclassified as they will be adjusted prospectively from the date of financial close when the Group equity interest reduces from 100% to 50%. Details of the contribution of TC to the Group's results are disclosed in Note B13.

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 2020 and any public announcements made by the Transurban Group during the half-year ended 31 December 2020 in accordance with the continuous disclosure requirements of the ASX Listing Rules.

Going concern

The financial report has been prepared on a going concern basis, which assumes the continuity of normal operations. In determining the appropriateness of the basis of preparation, the Directors have considered the impact of COVID-19 on the Group's operations and in particular the next 12 months from the financial report release date of 11 February 2021.

While the long-term strategy of the Group remains unchanged, the ongoing impact of COVID-19 is uncertain and continues to represent a risk to the global economy. For the Group, traffic performance is expected to remain sensitive to future government responses to COVID-19 outbreaks, as well as global economic conditions.

In response to this uncertainty, the Group has critically assessed cash flow forecasts for the 12 months from the date of this report, taking into consideration an estimate of the potential continued impacts of COVID-19. In addition, the Group has considered the ability to fund THL's net current liability position as at 31 December 2020 of $647 million (30 June 2020: $1,020 million). The net current liability position has reduced from 30 June 2020 in part due to $546 million of TC net assets being classified as held for sale and presented as current in accordance with accounting standards (refer to Note B13 for further details). Scenario analysis has been undertaken on cash flow forecasts to reflect reasonably possible changes in traffic volume and includes funding future debt financing through the use of existing debt facilities and cash and cash equivalents as at 31 December 2020 and it assumes that the sale of TC will be completed by the end of FY21. Based on the analysis, which includes judgement, even without the net proceeds from the sale of TC, the Group is expected to have sufficient headroom to continue to operate within available cash levels and the terms of its debt facilities, and fund THL's net current liability position as at 31 December 2020.

B2 Basis of preparation (continued)

Going concern (continued)

Despite the impact of COVID-19 on the global economy, the Group continues to be successful in accessing credit markets at market rates. In the half-year ended 31 December 2020 the Group received $1,239 million (US$900 million) in proceeds from the issuance of senior secured 10.5 year notes in the 144A/Reg S Market that reached financial close on 16 September 2020.

The Group has also forecast that it does not expect to breach any financial covenants within the next 12 months from the date of this report, however some assets are currently in distribution lock-up and this has been factored into the analysis. In addition, for Capital Beltway Express (CBE, which holds the 495 Express Lanes asset), further significant declines in toll revenues due to COVID-19 may decrease the availability of liquid assets, which may ultimately result in the need for CBE to obtain an equity injection from THL (as allowed under financing agreements) to remedy any potential financial covenant breach. Financial covenant forecasts utilised the same underlying cash flow forecasts as those described above, with asset specific scenario analysis overlayed to adjust for reasonably possible changes in assumptions. Corporate and non-recourse debt financial covenants are calculated on a trailing 12 month basis.

Furthermore, the Directors have also taken the following matters into consideration in forming the view that the Group is a going concern:

- The Group has cash and cash equivalents of $1,374 million as at 31 December 2020;
- The Group has available a total of $2,372 million of undrawn general purpose borrowing facilities across a number of financial providers with a maturity beyond 12 months (total undrawn general purpose borrowing facilities is $3,204 million). Additionally, the Group has a further $189 million of undrawn borrowing facilities to provide funding for the Group's capital projects with a maturity beyond 12 months (total undrawn capital borrowings is $189 million);
- The Group has the ability to fund the net current liability position through the generation of free cash in the next 12 months and the use of undrawn facilities; and
- The Group has paid $1,243 million of dividends and distributions to the Group's security holders over the past 12 months. Payment of future dividends and distributions is at the discretion of the Board.

New and amended standards and interpretations

The Group has adopted the following new and amended accounting standards and interpretations which became effective for the half-year commencing 1 July 2020. The Group's assessment of the impact of these new and amended standards and interpretations is set out below.

Reference	Description
AASB 2018-6 *Amendments to Australian Accounting Standards—Definition of a Business*	Amendments to AASB 3 revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. To be a business without outputs, there would need to be an organised workforce. Application of the new standard is prospective for acquisitions occurring on or after 1 July 2020. The changes to the standard are expected to result in more acquisitions being accounted for as an asset acquisition by the Group.
AASB 2018-7 *Amendments to Australian Accounting Standards—Definition of Material*	Amendments are primarily to AASB 101 and AASB 108 to refine the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. Application of the amendments has not materially impacted the Group.
AASB 2019-1 *Conceptual Framework for Financial Reporting* *Amendments to Australian Accounting Standards—References to the Conceptual Framework*	The Australian Accounting Standards Board issued a revised Conceptual Framework which will initially only apply to for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards (AAS), and to other for-profit entities that elect to apply it. The key amendments include revising the definition and recognition criteria for assets, liabilities, income and expenses and other relevant financial reporting concepts. No changes have been made to existing AAS, however the updated concepts should be used when an existing accounting standard does not provide relevant guidance for a transaction. AASB 2019-1 makes consequential changes to other standards so that they retain the previous Framework for the preparation and presentation of financial statements for entities that do not have to apply the revised Framework. The revised Framework has not materially impacted the Group given there is no change to existing AAS and there are no existing transactions that require the application of the revised Framework.
AASB 2019-5 *Amendments to Australian Accounting Standards—Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*	Amendments to AASB 1054 to clarify that in order for an entity to assert compliance with IFRS in its financial statements, it is required to disclose the potential effect on its financial statements of an IFRS that has not yet been issued by the AASB as at reporting date. Application of the amendments has not impacted the Group.
AASB 2020-4 *Amendments to Australian Accounting Standards—COVID-19 Related Rent Concessions*	This standard amends AASB 16 to provide lessees with an optional practical expedient in assessing whether a COVID-19 related rent concession is a lease modification. The optional practical expedient allows any impact from the change in lease payments (originally due before 30 June 2021) to be recognised directly in the profit and loss. The amending standard also requires disclosure of the use of the election and the amount recognised in the profit and loss as a result. Application of this standard has not materially impacted 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 judgements that have a significant risk of causing a material adjustment to the recognised 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;
- Provision for maintenance expenditure;
- Valuation of construction liability;
- Valuation of promissory notes and concession notes;
- Assessment of control of STP JV;
- Assessment of TC as a held for sale asset; and
- Contingencies.

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 2020, except for the impairment assessment of other intangible assets and West Gate Tunnel Project construction obligation provision, which are disclosed in Note B12 and for the assessment of TC as a held for sale asset, which is disclosed in Note B13. There have been no other significant changes to critical accounting estimates and judgements disclosed in the Group's Corporate Report since 30 June 2020.

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 region 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.

The diagram below shows the assets included in each geographical region, together with the ownership interests held by the Group as at 31 December 2020:

	MELBOURNE	SYDNEY	BRISBANE	NORTH AMERICA
WHOLLY OWNED	CityLink (100%) West Gate Tunnel (100%)	Lane Cove Tunnel (100%) Hills M2 Motorway (100%) Cross City Tunnel (100%) M5 West (100%)		95 Express Lanes[3] (100%[4]) 495 Express Lanes (100%[4]) A25 (100%)
NON-100% OWNED AND CONSOLIDATED		M1 Eastern Distributor (75.1%)	Logan Motorway (62.5%) Gateway Motorway (62.5%) Go Between Bridge (62.5%) Clem 7 (62.5%) Legacy Way (62.5%) AirportlinkM7 (62.5%)	
NON-100% OWNED AND EQUITY ACCOUNTED		Westlink M7[1] (50%) WestConnex M4[2] (25.5%) NorthConnex[1] (50%) WestConnex M8/M5 East[2] (25.5%) WestConnex M4-M5 Link[2] (25.5%)		

1. *Westlink M7 and NorthConnex form the NorthWestern Roads Group (NWRG).*
2. *The M4, M8/M5 East and M4-M5 Link together form WestConnex. The M8/M5 East includes the newly constructed M8, the M5 East and will include the M5 West from December 2026.*
3. *The 95 Express Lanes concession is inclusive of the 395 Express Lanes and the Fredericksburg Extension.*
4. *495 Express Lanes and 95 Express Lanes are part of TC. During the period, the Group entered into an agreement to divest 50% of its equity interest in TC. The transaction is expected to reach financial close by the end of FY21 subject to customary closing conditions and relevant consents and approvals. Refer to Note B13 of the Group interim financial statements.*

B3 Segment information (continued)

Segment information—proportional income statement

Proportional segment information includes the results of discontinued operations, being TC, which includes the 95 Express Lanes and 495 Express Lanes assets.

31 December 2020

$M	Note	Melbourne	Sydney	Brisbane	North America	Corporate and other	Total
Toll revenue		259	612	210	84	–	1,165
Other revenue		13	16	1	7	16	53
Total proportional revenue		**272**	**628**	**211**	**91**	**16**	**1,218**
Proportional EBITDA		**204**	**488**	**155**	**29**	**(36)**	**840**

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[1]	B5	–	(8)	–	(1)	–	(9)
Proportional EBITDA		**369**	**454**	**164**	**126**	**(28)**	**1,085**

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 for further details.

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 adjustments.

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 2020 $M	Half-year ended 31 December 2019 $M
Total segment revenue (proportional)		**1,218**	**1,445**
Add:			
Revenue attributable to non-controlling interests		143	190
Construction revenue from road development activities		353	639
Other revenue from discontinued operations[1]		4	4
Intragroup elimination[2]		13	9
Less:			
Proportional revenue of non-100% owned equity accounted assets		(183)	(148)
Toll revenue receipts on A25 relating to concession financial asset[3]		(6)	(7)
Other revenue receipts on A25 relating to concession financial asset[3]		(7)	(7)
Revenue attributable to discontinued operations[1]		(112)	(304)
Total statutory revenue from continuing operations	B4	**1,423**	**1,821**

1. Statutory financial information classifies the results of TC as discontinued operations in the current and prior comparative period. Other revenue from discontinued operations represents intragroup revenue recognised in relation to arrangements between continuing and discontinued operations that is eliminated for segment purposes.

2. Statutory revenue recognised in relation to arrangements with the equity accounted investments that are eliminated for segment purposes.

3. 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 and are reflective of its underlying performance. For statutory accounting purposes, these income streams offset the related concession financial asset receivable recorded on acquisition of the A25.

B3 Segment information (continued)

Proportional EBITDA

Proportional EBITDA reconciles to profit before income tax as follows:

	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019 $M
Proportional EBITDA	**840**	**1,085**
Add: EBITDA attributable to non-controlling interests	105	147
Add: Intragroup elimination[1]	3	–
Less: Proportional EBITDA (excluding significant items) of non-100% owned equity accounted assets	(142)	(120)
Add: Significant items incurred by equity accounted assets[2]	–	6
Less: Toll and other revenue on A25 concession financial asset relating to repayments received from Ministry of Transport of Quebec (MTQ)[3]	(13)	(14)
Less: EBITDA from discontinued operations[4]	(1)	(96)
Statutory profit before depreciation, amortisation, net finance costs, equity accounted investments and income taxes from continuing operations	**792**	**1,008**
Statutory depreciation and amortisation from continuing operations	(553)	(569)
Statutory net finance costs from continuing operations	(704)	(367)
Share of loss from equity accounted investments, inclusive of impairments from continuing operations	(74)	(68)
Statutory (loss)/profit before income tax from continuing operations	**(539)**	**4**

1. *Statutory revenue recognised in relation to arrangements with equity accounted investments that are eliminated for segment purposes. For statutory purposes an offsetting adjustment is recognised within the share of loss from equity accounted investments, inclusive of impairments.*
2. *Refer to Note B5 for further information.*
3. *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 and are reflective of its underlying performance. For statutory accounting purposes, these income streams offset the related concession financial asset receivable recorded on acquisition of the A25.*
4. *Statutory results classify the results of TC as discontinued operations in the current and prior comparative period.*

B4 Revenue

	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019 $M
Toll revenue	1,069	1,281
Construction revenue	290	482
Other revenue	64	58
Total revenue from continuing operations	**1,423**	**1,821**

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 2020.

Revenue sharing

Toll revenue for the half-year ended 31 December 2020 is recognised net of revenue share of $11 million (2019: $13 million) to the grantor of A25, MTQ.

B5 Significant items

Significant items are items where their nature is sufficiently significant to the Group interim financial statements and not in the ordinary course of business. There were no items classified as significant items for the half-year ended 31 December 2020. Total significant items for the half-year ended 31 December 2019 were $9 million before tax and $7 million after tax (statutory and proportional).

Significant items included within total expenses for the half-year ended 31 December 2019 were $3 million (statutory and proportional) relating to the integration costs of the acquired A25 and M5 West. Significant items included within share of loss of equity accounted investments, inclusive of impairments for the half-year ended 31 December 2019 were $6 million (statutory and proportional) relating to the integration of WestConnex acquired by STP JV. The WestConnex integration costs are included within proportional EBITDA for segment reporting. Refer to the definition of proportional EBITDA in Note B3 Segment information. The income tax benefit associated with these significant items was $2 million (statutory and proportional) for the half-year ended 31 December 2019.

B6 Income tax

	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019[1] $M
Income tax (benefit)/expense		
Current tax	(50)	21
Deferred tax	(83)	(85)
	(133)	**(64)**
Income tax benefit attributable to continuing operations	(125)	(61)
Income tax benefit attributable to discontinued operations	(8)	(3)
	(133)	**(64)**
Deferred income tax benefit included in income tax (benefit)/expense comprises:		
Increase in deferred tax assets	(19)	(12)
Decrease in deferred tax liabilities, inclusive of liabilities held for sale (Note B13)	(64)	(73)
	(83)	**(85)**

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

	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019[1] $M
(Loss)/profit before income tax from continuing operations	**(539)**	**4**
(Loss)/profit before income tax from discontinued operations (Note B13)	**(42)**	**12**
(Loss)/profit before income tax benefit	**(581)**	**16**
Tax at the Australian tax rate of 30% (2019: 30%)	(174)	5
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:		
Trust income not subject to tax	(27)	(110)
Equity accounted results	22	19
Tax rate differential	5	(1)
Prior year tax losses utilised	1	7
Non-deductible interest	11	9
Deductible tax depreciation	–	(6)
Non-deductible depreciation	4	4
Non-deductible other expenses	25	9
Income tax benefit	**(133)**	**(64)**
Tax (income)/expense relating to items of other comprehensive income		
Cash flow hedges	(28)	(10)
Cost of hedging	(1)	–
Foreign currency translation	(2)	(1)
	(31)	**(11)**

1. Comparative income tax benefit has been reduced by $82 million to conform to the final accounting policy adopted in the second half of FY20 for cross-staple lease arrangements. Refer to Note B3 of the Corporate Report for the year ended 30 June 2020 for the final accounting policy.

Security holder outcomes

B7 Earnings per stapled security

Reconciliation of earnings used in calculating earnings per security

	Half-year ended 31 December 2020	Half-year ended 31 December 2019
(Loss)/profit attributable to ordinary security holders of the stapled group ($M)		
Continuing operations	(385)	97
Discontinued operations	(34)	15
Total	**(419)**	**112**
Weighted average number of securities (M)	2,736	2,717
Basic and diluted earnings per security attributable to the ordinary security holders of the stapled group (cents)		
Continuing operations	(14.1)	3.6
Discontinued operations	(1.2)	0.6
Total	**(15.3)**	**4.2**

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 2020					
Declared 22 June 2020					
Franked THL	–	–	–	–	
Unfranked THT	437	426	11	16.0	
	437	**426**	**11**	**16.0**	**14 August 2020**
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**

Dividends/distributions payable by the Group

	Total $M	Paid in cash $M	Settled in securities $M	Cents	Date paid/ payable
31 December 2020					
Declared 23 December 2020					
Franked THL	–	–	–	–	
Unfranked THT	411	–	–	15.0	
	411	**–**	**–**	**15.0**	**16 February 2021**
31 December 2019					
Declared 3 December 2019					
Franked THL	55	53	2	2.0	
Unfranked THT	792	764	28	29.0	
	847	**817**	**30**	**31.0**	**14 February 2020**

B8 Dividends/distributions and free cash (continued)

Distribution policy and free cash calculation

The Group typically aligns distributions with free cash generated. The final distribution declared on 23 December 2020 was in line with free cash generated for the half-year ended 31 December 2020. The Group calculates free cash as follows:

	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019 $M
Cash flows from operating activities	**411**	**678**
Add back transaction and integration costs	4	3
Add back payments for maintenance of intangible assets	44	85
Add capital releases from 100% owned assets	–	212
Less debt amortisation of 100% owned assets[1]	(4)	(2)
Less cash flow from operating activities related to non-100% owned entities	(165)	(282)
Less allowance for maintenance of intangible assets for 100% owned assets[2]	(44)	(41)
Adjust for distributions and interest received from non-100% owned entities		
M1 Eastern Distributor distribution	36	28
M5 West dividends and term loan note interest[1]	–	32
M5 pro-forma adjustment as if 100% ownership acquired 1 July 2019[3]	–	33
Transurban Queensland distribution and shareholder loan note payments	86	71
NWRG distribution and shareholder loan note payments	49	74
STP JV distribution and shareholder loan note payments	50	36
Free cash	**467**	**927**
Weighted average securities on issue (millions)[4]	**2,737**	**2,733**
Free cash per security (cents)—weighted average securities	**17.1**	**33.9**

1. *From the date of the WestConnex acquisition, debt amortisation from M5 West has been added back to this figure due to the M5 West concession arrangement being transferred to the WestConnex ownership consortium (Transurban proportional share 25.5%) at the end of the current M5 West concession agreement in 2026. Debt amortisation of 100% owned assets has been adjusted by $42 million (2019: $20 million from 30 October 2019 to 31 December 2019). M5 West dividends and term-loan notes interest received of $32 million have been adjusted for debt amortisation of $13 million for the period 1 July 2019 to 29 October 2019.*
2. *Includes allowance for maintenance of intangible assets classified within discontinued operations.*
3. *A pro-forma adjustment was made to reflect 100% ownership of M5 West 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 30 October 2019.*
4. *The weighting applied to securities is based on their eligibility for distributions during the year and is consequently different to weighted average securities calculated in Note B7 Earnings per stapled security.*

Capital and borrowings

B9 Net finance costs

	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019 $M
Finance income		
Interest income on financial assets at amortised cost	9	13
Unwind of discount and remeasurement of financial assets at amortised cost	–	39
Interest income on bank deposits held at amortised cost	3	11
Income from concession financial asset	12	12
Net foreign exchange gains	–	2
Total finance income	**24**	**77**
Finance costs		
Interest and finance charges paid/payable	(387)	(347)
Net unrealised remeasurement loss attributable to derivative financial instruments	(103)	(15)
Unwind of discount and remeasurement of liabilities—maintenance provision	(19)	(19)
Unwind of discount and remeasurement of liabilities—construction obligation	(29)	(53)
Unwind of discount and remeasurement of liabilities—promissory and concession notes	(14)	(1)
Unwind of discount and remeasurement of liabilities—lease liabilities	(3)	(3)
Unwind of discount and remeasurement of liabilities—other liabilities	(4)	(6)
Unwind of discount and remeasurement of financial assets at amortised cost	(64)	–
Net foreign exchange losses	(105)	–
Total finance costs	**(728)**	**(444)**
Net finance costs	**(704)**	**(367)**

Unrealised remeasurement loss attributable to derivative financial instruments

The Group uses derivative financial instruments in the normal course of business to hedge exposures to fluctuations in interest rates and foreign exchange rates in accordance with the Group's financial risk management policies. Excluding borrowings held in foreign currencies that hedge the Group's investment in US and Canadian operations, the Group has entered into cross-currency interest rate swaps that hedge 100% of its economic exposure to borrowings held in foreign currencies. The cross-currency interest rate swap contracts remove the risk of unfavourable foreign exchange rate movements on borrowings denominated in foreign currencies. Under the swap contracts, the Group receives foreign currency at fixed rates and pays AUD at either fixed or floating rates.

At the end of each reporting period the Group remeasures the cross-currency interest rate swap contracts at fair value and applies hedge accounting. The periodic remeasurement of the cross-currency interest rate swap contracts to fair value includes an element of foreign currency basis spread. For those cross-currency interest rate swap contracts that designate the entire fair value of the cross-currency interest swap contract as the hedging instrument (including the foreign currency basis spread component), this can result in ineffectiveness in the hedging relationship that is recognised in the profit and loss.

In the half-year ended 31 December 2020 the Group observed a significant appreciation in the AUD relative to other foreign currencies, which resulted in a significant change in the fair value of these cross-currency interest rate swaps (including the foreign currency basis spread), as outlined at Note B11. While the Group has removed the cash flow risk of unfavourable exchange rate movements through the use of these swaps, hedge accounting ineffectiveness is the primary driver of the net unrealised remeasurement loss attributable to derivative financial instruments for the half-year ended 31 December 2020.

Unwind of discount and remeasurement of financial assets at amortised cost

The carrying amounts of the Group's shareholder loan notes with STP JV and NWRG are required to be remeasured to reflect revised estimated contractual cash flows. The unrealised remeasurement loss for the half-year ended 31 December 2020 was due to a combination of updates to interest cash flow assumptions following recent debt refinancing activities, updated forecast operating cash flow at the asset level, and changes to other corporate level assumptions such as tax payment profiles. The revised estimated contractual cash flows had the effect of deferring the repayment of the shareholder loan notes. The expense of $64 million for the half-year ended 31 December 2020 is partly offset by income of $42 million recorded within share of net loss of equity accounted investments, inclusive of impairments, relating STP JV. The remaining expense of $22 million for the half-year ended 31 December 2020 has reduced cumulative losses not recognised from equity accounted investments by $22 million (at 50% equity interest, relating to NWRG, refer Note B14).

Net foreign exchange losses

Net foreign exchange losses for the half-year ended 31 December 2020 relate primarily to the translation of AUD intercompany funding arrangements that are held by subsidiaries where the functional currency is not AUD. The intercompany funding arrangements were particularly impacted by the significant appreciation of the AUD relative to foreign currencies in the half-year ended 31 December 2020. These intercompany funding arrangements are expected to be settled and do not form part of the Group's net investment in foreign operations. Accordingly, the net unrealised foreign exchange loss is recognised in net finance costs rather than in the foreign currency translation reserve on consolidation.

B9 Net finance costs (continued)

Borrowing cost capitalised to assets under construction

In addition to the net finance costs from continuing operations (shown above) that are included in the profit and loss, $26 million (2019: $21 million) of financing costs have been capitalised and included in the carrying value of assets under construction.

B10 Borrowings

	31 December 2020 $M	30 June 2020 $M
Current		
Capital markets debt	250	1,117
U.S. private placement	211	228
Term debt	415	208
Total current borrowings	**876**	**1,553**
Non-current		
Capital markets debt	10,450	11,408
U.S. private placement	2,762	3,281
Term debt	3,110	3,177
Transportation Infrastructure Finance and Innovation Act (TIFIA)	–	1,370
Shareholder loan notes[1]	289	289
Total non-current borrowings	**16,611**	**19,525**
Total borrowings	**17,487**	**21,078**

1. The contractual interest rate for these shareholder loan notes was amended on 13 December 2020 with an effective date of 1 January 2021.

Financing arrangements and credit facilities

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

August 2020

- Transurban closed the refinancing of a A$139 million letter of credit facility for a further 1 year.

September 2020

- Transurban reached financial close on US$900 million (A$1,239 million) 10.5 year issuance in the US 144A market.

October 2020

- Eastern Distributor reached financial close on A$302 million bank debt facility with a tenor of 3.25 years.

During the reporting period, the equity accounted investments of the Group executed the following financing activities:

December 2020

- WestConnex reached financial close on A$4,220 million bank debt, comprising A$3,000 million of term bank debt facilities with tenors of 3, 5 and 7 years, and a A$1,220 million 2 year bridge facility.

B11 Derivatives and financial risk management

Derivatives

	31 December 2020 $M Current	31 December 2020 $M Non-current	30 June 2020 $M Current	30 June 2020 $M Non-current
Assets				
Forward exchange contract[1]	37	–	–	–
Cross-currency interest rate swap contracts—cash flow hedges	–	88	71	497
Total derivative financial instrument assets	**37**	**88**	**71**	**497**
Liabilities				
Interest rate swap contracts—cash flow hedges	1	294	3	435
Forward exchange contracts—cash flow hedges	2	–	18	–
Cross-currency interest rate swap contracts—cash flow hedges	–	724	75	197
Total derivative financial instrument liabilities	**3**	**1,018**	**96**	**632**

1. The Group has entered into forward FX contracts to fix the Australian dollar value of the majority of the expected net U.S. dollar proceeds from the divestment of 50% of its equity interest in TC. The mark-to-market value of these contracts, together with the associated tax effect, has been included within the profit and loss from discontinued operations as these contracts are directly linked to the gain/loss that will be recognised by the Group on completion of the sale (refer to note B13).

Cost of hedging

The Group has made a prospective accounting policy choice to exclude currency basis spread from its cash flow hedge relationships where the designated hedging instrument(s) is a cross-currency interest rate swap(s) entered into on or after 1 July 2020. Changes in currency basis spread from 1 July 2020 are recognised through other comprehensive income via a separate cost of hedging reserve.

The cost of hedging reserve is also used to record the change in time value associated with interest rate options entered into by the Group, with only the change in intrinsic value of interest rate options designated as the hedging instrument for any associated floating interest rate exposures.

If hedge accounting is discontinued, any associated currency basis spread or amount relating to the time value of the option accumulated in the cost of hedge reserve is reclassified into the profit and loss.

Fair value measurements

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

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

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2—inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- 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 are valued using market observable inputs (level 2), except for the Power Purchase Agreements (PPAs). The PPAs operate as a 'contract for difference' and are measured as a level 3 financial instrument as the key inputs, the electricity spot prices, cannot be forecasted (using observable market data) for the duration of the contract. As at 31 December 2020, the power plants that are the subject of the PPA are either not operational or the arrangement is not yet in effect and as such the instruments' fair values are offset by their day 1 deferred gain/loss.

There has been no change in the valuation techniques applied and there were no transfers between levels within the fair value hierarchy during the period.

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 2020 **$M**	**Melbourne**	**Sydney**	**Brisbane**	**North America**	**Carrying amount**
Equity accounted investment carrying amount	–	3,374	–	–	3,374
Service concession intangible assets carrying amount	2,842	6,089	7,672	1,188	17,791
Concession financial asset (current and non-current)	–	–	–	340	340
Assets under construction[1,2]	3,695	–	–	2	3,697
Goodwill	1	260	205	–	466
Maintenance provision (current and non-current)	(170)	(252)	(615)	(27)	(1,064)
Construction obligation provision (current and non-current)	(1,362)	–	–	–	(1,362)
Assets and liabilities held for sale					
Service concession intangible assets carrying amount[3]	–	–	–	2,857	2,857
Assets under construction[1]	–	–	–	601	601
Maintenance provision	–	–	–	(163)	(163)

30 June 2020 **$M**	**Melbourne**	**Sydney**	**Brisbane**	**North America**	**Carrying amount**
Equity accounted investment carrying amount		3,435	–	–	3,435
Service concession intangible assets carrying amount	2,899	6,309	7,796	4,486	21,490
Concession financial asset (current and non-current)	–	–	–	358	358
Assets under construction[1,2]	3,727	–	–	625	4,352
Goodwill	1	260	205	–	466
Maintenance provision (current and non-current)	(161)	(243)	(601)	(201)	(1,206)
Construction obligation provision (current and non-current)	(1,589)	–	–	–	(1,589)

1. *Assets under construction are included within other intangible assets in the consolidated balance sheet, except for assets under construction that are classified as held for sale.*
2. *There is amortisation recorded in assets under construction for the component of the West Gate Tunnel Project which is related to CityLink funding contributions, for which funding sources began to be received from 1 July 2019.*
3. *In accordance with AASB 5 Non-current Assets Held For Sale and Discontinued Operations, amortisation on service concession intangible assets within TC is suspended while classified as held for sale.*

Indicators of impairment

At each reporting period the Group assesses whether there is an indication of impairment for each of the Group's concession intangible assets. Where an indicator of impairment is identified, impairment testing is performed.

COVID-19 related government restrictions have continued to adversely affect traffic volumes and toll revenue in the half-year ended 31 December 2020. Notwithstanding this, each of the Group's service concession intangible assets' performance exceeded budget for the half-year ended 31 December 2020, with the exception of the Greater Washington Area and CityLink assets. Given this asset performance and the most recent management forecast, management have concluded that there are no indicators of impairment except for the Greater Washington Area and CityLink assets. Accordingly, impairment testing under AASB 136 Impairment of Assets has been performed for the 495 Express Lanes, 95 Express Lanes and CityLink.

The impairment testing of the 495 Express Lanes and 95 Express Lanes was performed with reference to the sale price of the Group's 50% interest in TC, which was above the carrying value of those assets. The impairment testing of CityLink utilised an estimated recoverable amount based on the higher of value-in-use and fair value less costs of disposal, and was estimated using discounted cash flows. The key assumptions on which management have based their cash flow projections are consistent with those as at 30 June 2020, being traffic volumes, long-term CPI and the discount rate. Management have estimated the recoverable amount of the service concession intangible asset using three-year cash flow projections based on the most recent management forecast. Management's estimate factors in lower traffic volumes in the near-term related to COVID-19, followed by a gradual improvement in traffic profiles in part associated with further easing of government-mandated COVID-19 restrictions. Thereafter, traffic volumes revert to growth with reference to a set of market based long-term assumptions to the end of the applicable concession period. Discount rates considered specific risks relating to the asset. Long-term CPI is based on independent external forecasts.

This impairment testing indicates that the recoverable amount exceeds the carrying amount for each of these service concession intangible assets and management conclude there is no impairment as at 31 December 2020. This is mainly due to the length of the remaining term of these service concession arrangements, with the majority of the recoverable amount generated beyond the near-term period impacted by COVID-19.

B12 Concession summary (continued)

Indicators of impairment (continued)

As outlined in the Group's Corporate Report for the year ended 30 June 2020, the A25's recoverable amount exceeded its carrying amount by less than 5% when impairment testing was last performed as at 30 June 2020. The testing as at 30 June 2020 also indicated that the A25 was sensitive to reasonably possible shifts in key assumptions, hence management have completed an impairment assessment of the A25 as at 31 December 2020 in accordance with AASB 136. The recoverable amount as at 31 December 2020 (based on fair value less costs of disposal) exceeds the carrying amount by 7% (31 December 2020 carrying amount: $1,188 million). As part of this impairment assessment, sensitivity analysis was performed to consider reasonably possible changes in traffic volumes, long-term CPI, the discount rate and the realisation of asset enhancement opportunities. As at 31 December 2020, the A25 continues to be sensitive to reasonably possible changes in certain key assumptions. The A25 was acquired in June 2018 and due to the recency of the acquisition, the concession intangible asset may be impaired if there were reasonably possible changes in key assumptions relating to the discount rate, long-term CPI or the realisation of asset enhancement opportunities. The asset has performed ahead of acquisition assumptions and there has not been a material change to long-term assumptions through to 31 December 2020. Accordingly, and in consideration of the A25's reducing carrying amount through amortisation, management conclude there is no impairment as at 31 December 2020.

Key estimate and judgement

The Group makes certain assumptions in calculating the recoverable amount of service concession intangible assets. These include assumptions around expected traffic performance (including COVID-19 impacts) and forecast operational costs.

In performing the recoverable amount calculations, the Group has applied the assumptions discussed above. Except for the A25, management does not consider that reasonably possible changes in key assumptions would result in the recoverable amount being lower than the carrying amount of a service concession intangible asset.

Construction obligation provision

West Gate Tunnel Project

The West Gate Tunnel Project is being funded by tolling income from the CityLink Concession Deed and the receipt of future tolling income from the West Gate Tunnel Project. The CityLink Concession Deed was amended in April 2019, requiring the recognition of an incremental asset within other intangible assets and a corresponding liability. The liability represents the Group's obligation to complete construction of the West Gate Tunnel Project, attributable to the remaining CityLink funding sources payments. The liability will reduce as payments are made in connection with the CityLink funding sources.

The estimated nominal value of the remaining funding sources payments attributable to CityLink is $1,434 million as at 31 December 2020. The carrying value is $1,362 million as at 31 December 2020.

Key estimate and judgement

The Group has a construction liability for the West Gate Tunnel Project attributable to the CityLink funding sources from the CityLink Concession Deed Amendments. The construction liability is measured at the present value of the remaining CityLink funding sources payments. Assumptions are made in determining the timing and profile, based on the expected cash flows to be paid through completion of construction of the West Gate Tunnel Project. A discount rate is used to value the construction liability to its present value, which is determined with reference to the Group's cost of debt. A discount rate of 5.1% was used on recognition of the liability in April 2019.

The current balance represents the payments the Group expects to be made within 12 months from the reporting date, with the non-current portion being the present value of payments beyond 12 months from the reporting date.

Group structure

B13 Discontinued operations and assets and liabilities held for sale

On 17 December 2020 the Group announced that it had entered into an agreement to divest 50% of its equity interest in TC to AustralianSuper (25%), Canada Pension Plan Investment Board (15%) and UniSuper (10%) for gross sale proceeds of $2,745 million[1] (US$2,080 million), plus a potential earn-out between FY24 and FY26 of up to $92 million (US$70 million). TC is part of the North American segment and includes the concessions for the 495 Express Lanes and 95 Express Lanes. The sale is expected to be completed by the end of FY21 subject to customary closing conditions and relevant consents and approvals.

As a result of the transaction outlined above, the Group will retain a 50% equity interest in TC and will no longer control TC. The Group will report TC as an equity accounted investment following financial close of the transaction. The Group has consequently classified its interest in TC as held for sale as at 31 December 2020. As TC represents the majority of the Group's North American revenue and assets, the Group has classified its interest in TC as a discontinued operation. Current and comparative financial information for TC has been classified as a discontinued operation in the statement of comprehensive income.

Financial information disclosed in relation to the disposal group includes consolidation adjustments and taxable temporary differences that are recorded outside of the legal entities which form the TC Group, as they are directly related to the underlying assets and liabilities of the disposal group. Financial information disclosed in relation to discontinued operations includes consolidation adjustments, net finance costs and income tax benefit (current tax and taxable temporary differences) that are recorded outside of the legal entities which form the TC Group, as they are directly related to the performance of the disposal group and the accounting for the transaction upon financial close.

Key estimate and judgement

The Group has classified TC as held for sale and discontinued operations as at 31 December 2020 on the basis that control will be lost as a result of the divestment of 50% of its equity interest. The Group's assessment that it will not control TC has been made by considering the terms of the Purchase Agreement signed by the TC partners in December 2020, which requires a supermajority vote of at least 77.5% of all shareholders for decisions on significant relevant activities. As such, the Group will equity account for its interest in TC following financial close.

The contribution of discontinued operations included within the Group's consolidated statement of comprehensive income and consolidated statement of cash flows are detailed below:

Income statement—Discontinued operations

	Note	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019 $M
Toll revenue		49	147
Construction revenue		63	157
Total revenue		**112**	**304**
Total expenses[1]		**(111)**	**(208)**
Earnings before depreciation, amortisation, net finance costs and income taxes		1	96
Total amortisation and depreciation		(20)	(20)
Net finance costs[2]		(23)	(64)
(Loss)/profit before income tax		**(42)**	**12**
Income tax benefit		8	3
(Loss)/profit for the half-year[3]		**(34)**	**15**
(Loss)/profit attributable to:			
Ordinary security holders of the stapled group			
– Attributable to THL		26	–
– Attributable to THT/TIL		(60)	15
(Loss)/profit attributable to ordinary security holders of the stapled group		**(34)**	**15**
		Cents	**Cents**
Basic and diluted earnings per security attributable to ordinary security holders of the stapled group	B7	**(1.2)**	**0.6**

1. *Includes construction costs of $63 million (2019: $157 million).*
2. *Includes mark-to-market income of $37 million (2019: nil) recognised in association with forward FX contracts to fix the Australian dollar value of the majority of the expected net U.S. dollar proceeds from the divestment of 50% of the Group's interest in TC.*
3. *(Loss)/profit of TIL for the half-year ended 31 December 2020 excludes mark-to-market income of $37 million (tax affected: $26 million), which is recorded within a wholly owned subsidiary of THL.*

In addition to net finance costs included in the profit and loss from discontinued operations shown above, $5 million (2019: $13 million) of financing costs have been capitalised and included in the carrying value of assets under construction.

1. *Translated at AUD:USD exchange rate of 0.76, which is the forward contract rate entered into for the majority of the net proceeds.*

B13 Discontinued operations and assets and liabilities held for sale (continued)

Cash flows from Discontinued operations

	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019 $M
Net operating cash flows	(12)	90
Net investing cash flows	(65)	(261)
Net financing cash flows	–	414
Effects of exchange rate changes on cash and cash equivalents	(54)	1
Net (decrease)/increase in cash and cash equivalents from discontinued operations	**(131)**	**244**

Assets and liabilities held for sale

The assets and liabilities classified as current assets and liabilities held for sale are presented in the table below:

	Half-year ended 31 December 2020 $M
Assets	
Cash and cash equivalents	423
Trade and other receivables	4
Property, plant and equipment	3
Other intangible assets	3,458
Total assets	**3,888**
Liabilities	
Trade and other payables	52
Maintenance provision	163
Borrowings	2,559
Derivative financial instruments	72
Other liabilities	277
Other provisions	22
Deferred tax liabilities	197
Total liabilities	**3,342**
Net assets[1]	**546**

1. *Net assets of the disposal group of TIL as at 31 December 2020 are $565 million, which excludes adjustments recorded to other intangible assets upon consolidation of the THL Group. In addition to the net assets of the disposal group, upon financial close cumulative other comprehensive income, which is excluded from the disposal group, will be de-recognised.*

Accounting Policy—Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such assets, or disposal groups, are measured at the lower of their carrying amount or fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except no loss is allocated to financial assets and deferred tax assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in the statement of comprehensive income.

When tax obligations pass-through to the shareholders of the disposal group, taxable temporary differences are included in the disposal group when they are calculated with reference to the disposal group's underlying assets and liabilities.

Accounting Policy—Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has ceased or been disposed of or is held for sale. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

B14 Equity accounted investments

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

	STP JV		NWRG		Other		Total	
	2020 $M	2019 $M	2020 $M	2019 $M	2020 $M	2019 $M	2020 $M	2019 $M
Opening carrying value at 1 July	**3,061**	**3,115**	**374**	**495**	**–**	**4**	**3,435**	**3,614**
Group's share of net loss, inclusive of impairments[1,2]	(74)	(64)	–	–	–	(4)	(74)	(68)
Group's recognised share of other comprehensive income	48	4	–	–	–	–	48	4
Distributions/dividends received	(44)	(21)	(49)	(74)	–	–	(93)	(95)
Capital contributions to STP JV	58	–	–	–	–	–	58	–
Fair value adjustment on issuance of shareholder loans[2]	–	–	–	29	–	–	–	29
Closing carrying value at 31 December	**3,049**	**3,034**	**325**	**450**	**–**	**–**	**3,374**	**3,484**
Cumulative losses not recognised[2]	–	–	160	362	–	–	160	362

1. The Group's share of STP JV losses includes profits from STP Project Trust of $22 million (2019: $56 million loss) and losses from STP Asset Trust of $96 million (2019: $8 million loss).

2. The Group's share of profits from the investment in NWRG are not recognised until such time as cumulative losses have been fully utilised. Cumulative losses not recognised are disclosed above at 100%.

3. During the half-year ended 31 December 2019, a non-interest bearing shareholder loan was issued for the first time. The loan was recorded at fair value on initial recognition and is subsequently measured at amortised cost using the effective interest method. The difference between the nominal value of the loan and the fair value was treated as a contribution to the equity accounted investment in NWRG.

Joint ventures

STP JV (50% ownership interest)

To facilitate the WestConnex acquisition, the STP JV was established by Transurban (50%), AustralianSuper (20.5%), CPP Investments (20.5%) and Tawreed (9%). The STP JV and its subsidiaries are jointly controlled by Transurban, AustralianSuper and CPP Investments. The STP JV holds a 51% ownership interest in WestConnex.

WestConnex 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.

The following entities are part of the STP JV Group:

- STP Project Trust;
- STP Asset Trust;
- STP PT Pty Ltd; and
- STP AT Pty Ltd.

NWRG (50% ownership interest)

The Group has a 50% ownership interest in NWRG (including NorthWestern Roads Group Pty Ltd, NorthWestern Roads Group Trust and NorthConnex State Works Contractor Pty Limited), which owns 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.

The following entities are part of the Westlink Group:

- WSO Co Pty Limited (the operator of the Motorway);
- Westlink Motorway Limited (the nominee manager of the Westlink Motorway Partnership);
- WSO Finance Pty Limited (the financier of the Motorway); and
- Westlink Motorway Partnership (was responsible for the construction of the Motorway).

The following entities are part of the NorthConnex Group:

- NorthConnex Company Pty Limited (the operator of the Motorway); and
- NorthConnex Finance Company Pty Limited (the financier of the Motorway).

Items not recognised

B15 Contingencies

Contingent assets are possible recoveries whose existence will only be confirmed by uncertain future events not wholly within the control of the Group. Contingent assets are not recognised on the balance sheet unless they are virtually certain but are disclosed if the inflow of economic resources is probable. Contingent liabilities are possible obligations whose existence will only be confirmed by uncertain future events and present obligations where the transfer of economic resources is not probable or cannot be reliably estimated. Contingent liabilities are not recognised on the balance sheet unless they are probable but are disclosed if the outflow of economic resource is possible.

In overseeing construction projects, from time to time it is possible payments may be made that are in excess of, or separate to, D&C subcontracted amounts to facilitate the continued progression of the project. Contingent assets and liabilities may exist in respect of actual or potential claims and commercial payments and recoveries arising from overseeing construction projects. Disclosures are made for these matters in accordance with accounting standards, or other legal disclosure obligations. This may be applicable for a number of projects overseen by Transurban including the West Gate Tunnel Project, for which additional information is detailed below, and the Group's equity accounted investments. As at 31 December 2020 any possible payment or possible claim settlement cannot be reliably estimated.

West Gate Tunnel Project

During the course of construction of the West Gate Tunnel Project, the D&C subcontractor has made a number of claims, including claims relating to the presence, classification and disposal of per and polyfluorinated alkyl substances (PFAS), which the D&C subcontractor claims have an impact on its ability to complete the project within the contractual sum and project schedule. PFAS is a group of chemicals, low levels of which are predicted by the D&C subcontractor to be found in some of the soil excavated to build the tunnels. To date, most of these claims have been assessed as forming part of the 'Linked Claims' and 'Linked Disputes' framework and have been passed onto the State of Victoria for assessment in accordance with the relevant contracts. The nature of the 'Linked Claims' mechanism within the relevant contracts means that the obligation should not rest with the Group.

Furthermore in the period from January to August 2020, the D&C subcontractor purported to terminate the D&C subcontract with Transurban WGT Co Pty Ltd four times and also noted their intention to continue works on site. The purported terminations relate to issues in respect of the presence, classification and disposal of PFAS. Works have continued on site. Transurban does not consider the D&C Subcontract to have been validly terminated and, as such, Transurban believes the contract remains valid.

In response to commercial matters and claims that have arisen on the project, dispute resolution processes are underway and are being progressed. The presence of commercial matters, claims and dispute resolution processes results in additional risk of the contracted works being completed by the D&C subcontractor within the agreed schedule and contractual sum. The resolution of spoil disposal issues on the West Gate Tunnel Project is ongoing, with a tender process for the spoil disposal site(s), being run by the D&C subcontractor and the planning and environment approval processes are progressing. A detailed project schedule review has confirmed a calendar year 2023 project completion is no longer considered achievable due to timing of spoil disposal site availability. The project schedule is currently under review.

The Group continues to work with the State of Victoria and D&C subcontractor to mitigate delays to the construction schedule and to reduce the risk of cost overruns. The Group is assessing a number of options to resolve these challenges and facilitate the progression of the project. Through to 31 December 2020, in order to facilitate the continued progression of the project the Group has made $265 million of advance payments to the D&C subcontractor to be offset against future amounts to be incurred under the remaining contractual sum. These advance payments are presented within trade and other receivables as at 31 December 2020 (current assets: $75 million, non-current assets: $190 million). While the advance payments relate to subcontracted amounts, any possible payments that may be made in excess of, or separate to, the D&C subcontracted amounts cannot be reliably estimated as at 31 December 2020.

Contingent consideration paid in the period

During the half-year ended 31 December 2020, the Group paid $59 million to the Brisbane City Council to extinguish the contingent consideration payable for the acquisition of the Legacy Way tunnel concession asset. The payment has been presented as 'payments for intangible assets' in 'cash flows from investing activities' within the consolidated statement of cash flows for the half-year ended 31 December 2020.

Other than as disclosed above, there were no material changes in contingencies for the half-year ended 31 December 2020.

B16 Subsequent events

Other than as disclosed elsewhere in this report, in the interval between the end of the half-year and the date of this report, no matter or circumstance has arisen that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or Group's state of affairs, in future years.

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

Transurban Holding Trust and Transurban International Limited
Consolidated statements of comprehensive income for the half-year ended 31 December 2020

	Note	Transurban Holding Trust Half-year ended 31 December 2020 $M	Transurban Holding Trust Half-year ended 31 December 2019 $M	Transurban International Limited Half-year ended 31 December 2020 $M	Transurban International Limited Half-year ended 31 December 2019 $M
Continuing operations					
Revenue	D4	**410**	**604**	**33**	**36**
Expenses					
Employee benefits expense		–	–	(18)	(10)
Road operating costs		–	–	(14)	(11)
Construction costs		(83)	(164)	–	–
Transaction and integration costs		–	–	–	(1)
Corporate and other expenses		(6)	(4)	(11)	–
Total expenses		**(89)**	**(168)**	**(43)**	**(22)**
Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income tax		**321**	**436**	**(10)**	**14**
Amortisation		(163)	(162)	(29)	(31)
Depreciation		–	–	(3)	(3)
Total depreciation and amortisation		**(163)**	**(162)**	**(32)**	**(34)**
Net finance (costs)/income	D6	(118)	80	(170)	(46)
Share of (loss)/profit of equity accounted investments, inclusive of impairments		(79)	11	–	(4)
(Loss)/profit before income tax		**(39)**	**365**	**(212)**	**(70)**
Income tax benefit		19	–	23	13
(Loss)/profit for the half-year from continuing operations		**(20)**	**365**	**(189)**	**(57)**
Discontinued operations					
(Loss)/profit for the half-year from discontinued operations	B13	–	–	**(60)**	**15**
(Loss)/profit for the half-year from continuing and discontinued operations		**(20)**	**365**	**(249)**	**(42)**
(Loss)/profit for the half-year attributable to:					
Ordinary security holders of TIL		–	–	(249)	(42)
Ordinary unit holders of THT		3	372	–	–
Non-controlling interests		(23)	(7)	–	–
(Loss)/profit for the half-year		**(20)**	**365**	**(249)**	**(42)**
Other comprehensive income					
Items that may be reclassified to profit or loss in the future					
Changes in the fair value of cash flow hedges, net of tax		(50)	21	6	1
Share of other comprehensive income from equity accounted investments, net of tax		48	4	–	–
Movement in share based payments reserve		–	(3)	–	–
Exchange differences on translation of North American operations, net of tax		–	–	105	(3)
Other comprehensive (loss)/income for the half-year, net of tax		**(2)**	**22**	**111**	**(2)**
Total comprehensive (loss)/income for the half-year		**(22)**	**387**	**(138)**	**(44)**
Total comprehensive (loss)/income for the half-year is attributable to:					
Ordinary security holders of TIL		–	–	(138)	(44)
Ordinary unit holders of THT		26	389	–	–
Non-controlling interests		(48)	(2)	–	–
Total comprehensive (loss)/income for the half-year		**(22)**	**387**	**(138)**	**(44)**
		Cents	Cents	Cents	Cents
Earnings from continuing operations per security attributable to ordinary security holders of the group	D5	**0.1**	**13.7**	**(6.9)**	**(2.1)**
Earnings per security attributable to ordinary security holders of the group	D5	**0.1**	**13.7**	**(9.1)**	**(1.6)**

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

Transurban Holding Trust and Transurban International Limited Consolidated balance sheets as at 31 December 2020

		Transurban Holding Trust		Transurban International Limited	
	Note	As at 31 December 2020 $M	As at 30 June 2020 $M	As at 31 December 2020 $M	As at 30 June 2020 $M
Assets					
Current assets					
Cash and cash equivalents		121	128	50	599
Related party receivables		706	1,493	5	4
Trade and other receivables		20	11	44	62
Assets held for sale	B13	–	–	3,907	–
Total current assets		**847**	**1,632**	**4,006**	**665**
Non-current assets					
Equity accounted investments		2,353	2,419	–	–
Derivative financial instruments	D8	–	299	–	–
Related party receivables		8,765	9,170	–	–
Concession notes		822	786	–	–
Concession financial asset		–	–	314	331
Financial assets at amortised cost		607	646	–	–
Property, plant and equipment		–	–	74	79
Deferred tax assets		90	44	441	291
Other intangible assets		9,474	9,636	1,190	5,133
Total non-current assets		**22,111**	**23,000**	**2,019**	**5,834**
Total assets		**22,958**	**24,632**	**6,025**	**6,499**
Liabilities					
Current liabilities					
Related party payables		412	1,294	494	966
Trade and other payables		66	63	26	92
Borrowings	D7	574	320	3	4
Maintenance provision		–	–	3	23
Distribution provision		450	476	–	–
Derivative financial instruments	D8	1	1	–	–
Construction obligation provision		75	114	–	–
Other liabilities		–	–	31	48
Liabilities held for sale	B13	–	–	3,342	–
Total current liabilities		**1,578**	**2,268**	**3,899**	**1,133**
Non-current liabilities					
Maintenance provision		–	–	24	178
Deferred tax liabilities		4	–	260	326
Related party payables		3,647	3,796	2,051	1,627
Borrowings	D7	6,727	7,279	569	3,459
Derivative financial instruments	D8	363	154	135	245
Construction obligation provision		83	122	–	–
Other liabilities		67	60	6	314
Total non-current liabilities		**10,891**	**11,411**	**3,045**	**6,149**
Total liabilities		**12,469**	**13,679**	**6,944**	**7,282**
Net assets/(liabilities)		**10,489**	**10,953**	**(919)**	**(783)**
Equity					
Contributed equity		–	–	597	595
Issued units		16,514	16,504	–	–
Reserves		(213)	(234)	(112)	(223)
Accumulated losses		(6,556)	(6,148)	(1,404)	(1,155)
Non-controlling interests		744	831	–	–
Total equity		**10,489**	**10,953**	**(919)**	**(783)**

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 2020

THT

		Attributable to security holders of Transurban Holding Trust				
	Number of units M	**Issued units $M**	**Reserves $M**	**Accumulated losses $M**	**Non-controlling interests $M**	**Total equity $M**
Balance at 1 July 2020	**2,735**	**16,504**	**(234)**	**(6,148)**	**831**	**10,953**
Comprehensive income/(loss)						
Profit/(loss) for the half-year	–	–	–	3	(23)	(20)
Other comprehensive income/(loss)	–	–	23	–	(25)	(2)
Total comprehensive income/(loss)	**–**	**–**	**23**	**3**	**(48)**	**(22)**
Employee performance awards issued	1	3	(2)	–	–	1
Distributions provided for or paid	–	–	–	(411)	–	(411)
Distribution reinvestment plan	1	7	–	–	–	7
Distributions to non-controlling interests	–	–	–	–	(39)	(39)
	2	**10**	**(2)**	**(411)**	**(39)**	**(442)**
Balance at 31 December 2020	**2,737**	**16,514**	**(213)**	**(6,556)**	**744**	**10,489**
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 costs[1]	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**

TIL

		Attributable to security holders of Transurban International Limited			
	Number of securities M	**Contributed equity $M**	**Reserves $M**	**Accumulated losses $M**	**Total equity $M**
Balance at 1 July 2020	**2,735**	**595**	**(223)**	**(1,155)**	**(783)**
Comprehensive income/(loss)					
Loss for the half-year	–	–	–	(249)	(249)
Other comprehensive income	–	–	111	–	111
Total comprehensive income/(loss)	**–**	**–**	**111**	**(249)**	**(138)**
Employee performance awards issued	1	1	–	–	1
Distribution reinvestment plan	1	1	–	–	1
	2	**2**	**–**	**–**	**2**
Balance at 31 December 2020	**2,737**	**597**	**(112)**	**(1,404)**	**(919)**
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 costs[1]	55	67	–	–	67
Employee performance awards issued	1	1	–	–	1
Distribution reinvestment plan	2	2	–	–	2
	58	**70**	**–**	**–**	**70**
Balance at 31 December 2019	**2,733**	**592**	**(209)**	**(942)**	**(559)**

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 2020

	Transurban Holding Trust		Transurban International Limited	
	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019 $M
Cash flows from operating activities				
Receipts from customers	321	428	101	193
Payments to suppliers and employees	(28)	(25)	(59)	(64)
Payments for maintenance of intangible assets	–	–	(6)	(1)
Transaction costs	–	–	–	(1)
Other cash receipts	–	5	7	8
Interest received	115	171	–	5
Interest paid	(300)	(312)	(49)	(59)
Income taxes paid	–	–	(1)	(2)
Net cash inflow/(outflow) from operating activities	**108**	**267**	**(7)**	**79**
Cash flows from investing activities				
Payments for property, plant and equipment	–	–	(13)	(11)
Payments for intangible assets	(73)	(166)	(76)	(268)
Repayment of financial assets at amortised cost	2	–	–	–
Capital contribution to equity accounted investment	(58)	–	–	–
Receipts from concession notes	–	45	–	–
Distributions received from equity accounted investments	93	95	–	–
Net cash outflow from investing activities	**(36)**	**(26)**	**(89)**	**(279)**
Cash flows from financing activities				
Loans (to)/from related parties	(1,865)	(1,984)	31	9
Repayment of loans from/(to) related parties	2,179	1,646	–	(68)
Proceeds from equity issuances of stapled securities (net of costs)	–	511	–	68
Proceeds from borrowings (net of costs)	382	1,139	–	414
Principal repayment of leases	–	–	(1)	–
Repayment of borrowings	(310)	(798)	(4)	(2)
Distributions paid to Transurban Group's security holders	(426)	(726)	–	–
Distributions paid to non-controlling interests	(39)	(31)	–	–
Net cash (outflow)/inflow from financing activities	**(79)**	**(243)**	**26**	**421**
Net (decrease)/increase in cash and cash equivalents	**(7)**	**(2)**	**(70)**	**221**
Cash and cash equivalents at the beginning of the half-year	128	119	599	512
Effects of exchange rate changes on cash and cash equivalents	–	–	(56)	1
Cash and cash equivalents at end of the half-year	**121**	**117**	**473**	**734**

Refer to Note B13 for cash flows from discontinued operations.

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.

THT is a Trust registered and domiciled in Australia.

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

Going concern

The financial report has been prepared on a going concern basis, which assumes the continuity of normal operations. In determining the appropriateness of the basis of preparation, the Directors have considered the impact of COVID-19 on THT and TIL's operations and in particular the next 12 months from the financial statements release date on 11 February 2021.

Refer to Note B1 for details of the impact of COVID-19 on the current reporting period.

While the long-term strategy of THT and TIL remains unchanged, the ongoing impact of COVID-19 is uncertain and continues to represent a risk to the global economy. For THT and TIL, traffic performance is expected to remain sensitive to future government responses to COVID-19 outbreaks, as well as global economic conditions.

In response to this uncertainty, THT and TIL have critically assessed cash flow forecasts for the 12 months from the date of this report, taking into consideration an estimate of the potential continued impacts of COVID-19. In addition, the Directors have considered the ability of THT to fund its net current liability position as at 31 December 2020 of $731 million. Excluding related party payables, THT is in a net current liability position of $319 million, which relates primarily to the distribution provision of $450 million and will be funded by cross-stapled arrangements. Scenario analysis has been undertaken on cash flow forecasts to reflect reasonably possible changes in traffic volume and includes funding future debt financing through the use of existing debt facilities and cash and cash equivalents as at 31 December 2020 and for TIL, it assumes the sale of TC will be completed by the end of FY21. Based on the analysis, which includes judgement, even without the net proceeds from the sale of TC, THT and TIL are expected to have sufficient headroom to continue to operate within available cash levels and the terms of available debt facilities, and for THT to fund its net current liability position as at 31 December 2020.

THT and TIL have also forecast that they do not expect to breach any financial covenants within the next 12 months from the date of this report, however some assets are currently in distribution lock-up and this has been factored into the analysis. In addition, for Capital Beltway Express (CBE, which holds the 495 Express Lanes asset) which is part of TIL, further significant declines in toll revenues due to COVID-19 may decrease the availability of liquid assets, which may ultimately result in the need for CBE to obtain an equity injection from THL (as allowed under financing agreements) to remedy any potential financial covenant breach. Financial covenant forecasts utilised the same underlying cash flow forecasts as those described above, with asset specific scenario analysis overlaid to adjust for reasonably possible changes in assumptions. Non-recourse debt financial covenants are calculated on a trailing 12-month basis.

D2 Basis of preparation (continued)

Going concern (continued)

The Directors have also taken the following matters into consideration in forming the view that THT and TIL are a going concern:

- THT has generated positive cash inflows from operating activities of $108 million for the half-year ended 31 December 2020;
- TIL has generated negative cash flow from operating activities of $7 million for the half year ended 31 December 2020, however is not dependent on the generation of near term positive operating cash flow to maintain required liquidity levels;
- THT and TIL expect to refinance or repay with available cash all borrowing facilities classified as a current liability as at 31 December 2020. 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; and
- THT has paid $1,190 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.

Refer to Note B2 for further information on 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 have determined that THT has one operating segment.

THT's 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's 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.

Proportional segment information includes the results of discontinued operations, being TC, which includes the 495 Express Lanes and 95 Express Lanes assets.

Reconciliation of segment information to statutory financial information

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

Segment revenue

Revenue from external customers comprises toll, 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 2020 $M	Half-year ended 31 December 2019 $M
Total segment revenue (proportional)	**91**	**193**
Add:		
Construction revenue from road development activities	63	157
Other revenue from discontinued operations[1]	4	4
Less:		
Revenue attributable to discontinued operations[1]	(112)	(304)
Toll revenue receipts on A25 relating to concession financial asset[2]	(6)	(7)
Other revenue receipts on A25 relating to concession financial asset[2]	(7)	(7)
Total statutory revenue from continuing operations	**33**	**36**

1. Statutory results classify the results of TC as discontinued operations in the current and prior comparative period. Other revenue from discontinued operations represents intragroup revenue recognised in relation to arrangements between continuing and discontinued operations that is eliminated for segment purposes.

2. The Executive Committee members acting as 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 and are reflective of its underlying performance. For statutory accounting purposes, these income streams offset the related concession financial asset receivable recorded on acquisition of the A25.

Proportional EBITDA

Proportional EBITDA reconciles to profit before income tax as follows:

TIL	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019 $M
Proportional EBITDA	**29**	**126**
Less: EBITDA attributable to TIL corporate activities (disclosed in corporate and other)[1]	(25)	(2)
Less: Toll and other revenue receipts on A25 concession financial asset relating to repayments received from MTQ	(13)	(14)
Less: EBITDA from discontinued operations	(1)	(96)
Statutory earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes from continuing operations	**(10)**	**14**
Statutory depreciation and amortisation from continuing operations	(32)	(34)
Statutory net finance costs from continuing operations	(170)	(46)
Share of loss from equity accounted investments, inclusive of impairments from continuing operations	–	(4)
Loss before tax for the half-year from continuing operations	**(212)**	**(70)**

1. Relates primarily to development activities.

D4 Revenue

	Transurban Holding Trust		Transurban International Limited	
	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019 $M
Toll revenue	–	–	29	32
Rental income	305	410	–	–
Construction revenue	83	164	–	–
Other revenue	2	7	4	4
Concession fees	20	23	–	–
Total revenue from continuing operations	**410**	**604**	**33**	**36**

For accounting policies on toll revenue, construction revenue and other revenue, refer to the Corporate Report for the year ended 30 June 2020.

Revenue type	Recognition
Rental income	The rental income revenue stream relates to lease payments received from operating leases on the property held by THT. This income is recognised in accordance with the terms of the lease contract.
Concession fees	Other income from concession fees relates to the CityLink concession notes. Pursuant to the Agreement for the Melbourne CityLink Concession Deed (the Concession Deed), CityLink Melbourne Limited (CityLink) (a member of the Transurban Group), is required to pay annual concession fees for the duration of CityLink's concession period. Until a certain threshold rate of return on the project is achieved, the payment of concession fees due under the Concession Deed can be satisfied by means of noninterest bearing concession notes. Following agreements reached with the State of Victoria (the State), the Group paid a total of $765 million to the State to have all current concession notes issued by the State assigned to Transurban Holding Trust, and the State directed CityLink to pay future concession notes to Transurban Holding Trust. Accordingly, CityLink continues to issue notes semi-annually to Transurban Holding Trust, and Transurban Holding Trust recognises concession note income from the issue of these notes, at the present value of expected future repayments.

Security holder outcomes

D5 Earnings per stapled security

	Transurban Holding Trust		Transurban International Limited	
	Half-year ended 31 December 2020	Half-year ended 31 December 2019	Half-year ended 31 December 2020	Half-year ended 31 December 2019
(Loss)/profit attributable to ordinary security holders ($M)				
Continuing operations	3	372	(189)	(57)
Discontinued operations	–	–	(60)	15
Total	**3**	**372**	**(249)**	**(42)**
Weighted average number of securities (M)	2,736	2,717	2,736	2,717
Basic and diluted earnings per security attributable to ordinary security holders (cents)				
Continuing operations	0.1	13.7	(6.9)	(2.1)
Discontinued operations	–	–	(2.2)	0.5
Total	**0.1**	**13.7**	**(9.1)**	**(1.6)**

Capital and borrowings

D6 Net finance (costs)/income

	Transurban Holding Trust		Transurban International Limited	
	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019 $M	Half-year ended 31 December 2020 $M	Half-year ended 31 December 2019 $M
Finance income				
Interest income from related parties	226	285	–	–
Interest income on financial assets at amortised cost	8	11	–	–
Unrealised remeasurement gain attributable to derivative financial instruments	–	–	14	–
Unwind of discount and remeasurement of financial assets at amortised cost	–	25	–	–
Unwind of discount and remeasurement of liabilities—promissory notes	–	2	–	–
Other interest income	–	1	–	–
Income from concession financial asset	–	–	12	12
Movement in impairment provisions on related party receivables	5	5	–	–
Unwind of discount and remeasurement of concession notes receivable	35	42	–	–
Total finance income	**274**	**371**	**26**	**12**
Finance costs				
Interest and finance charges paid/payable	(265)	(282)	(81)	(43)
Unrealised remeasurement loss attributable to derivative financial instruments	(56)	–	–	(14)
Unwind of discount and remeasurement of liabilities—promissory notes	(8)	–	–	–
Unwind of discount and remeasurement of liabilities—construction obligation	(5)	(9)	–	–
Unwind of discount and remeasurement of financial assets at amortised cost	(42)	–	–	–
Net foreign exchange losses	(16)	–	(115)	(1)
Total finance costs	**(392)**	**(291)**	**(196)**	**(58)**
Net finance (costs)/income	**(118)**	**80**	**(170)**	**(46)**

Unrealised remeasurement loss attributable to derivative financial instruments

Refer to Note B9 for further information on the unrealised remeasurement loss attributable to derivative financial instruments.

Unwind of discount and remeasurement of financial assets at amortised cost – Transurban Holding Trust

The carrying amounts of the Group's shareholder loan notes with STP JV are required to be remeasured to reflect revised estimated contractual cash flows. The unrealised remeasurement loss for the half-year ended 31 December 2020 was due to updates to interest cash flow assumptions following recent debt refinancing activity. The revised estimated contractual cash flows had the effect of deferring the repayment of the shareholder loan notes. The expense of $42 million is wholly offset by income recorded within share of net loss of equity accounted investments, inclusive of impairments.

Net foreign exchange losses – Transurban International Limited

Net foreign exchange losses for the half-year ended 31 December 2020 relate primarily to the translation of AUD intercompany funding arrangements that are held by entities where the functional currency is not AUD. The intercompany funding arrangements were particularly impacted by the significant appreciation of the AUD relative to foreign currencies in the half-year ended 31 December 2020.

D7 Borrowings

	Transurban Holding Trust 31 December 2020 $M	Transurban Holding Trust 30 June 2020 $M	Transurban International Limited 31 December 2020 $M	Transurban International Limited 30 June 2020 $M
Current				
Capital markets debt	250	300	–	–
Term debt	324	20	3	4
Total current borrowings	**574**	**320**	**3**	**4**
Non-current				
Capital markets debt	1,878	2,236	–	1,421
U.S. private placement	2,473	2,736	202	211
Term debt	2,376	2,307	367	457
TIFIA	–	–	–	1,370
Total non-current borrowings	**6,727**	**7,279**	**569**	**3,459**
Total borrowings	**7,301**	**7,599**	**572**	**3,463**

D8 Derivatives and financial risk management

	31 December 2020 $M Current THT	31 December 2020 $M Current TIL	31 December 2020 $M Non-current THT	31 December 2020 $M Non-current TIL	30 June 2020 $M Current THT	30 June 2020 $M Current TIL	30 June 2020 $M Non-current THT	30 June 2020 $M Non-current TIL
Assets								
Cross currency interest rate swap contracts—cash flow hedges	–	–	–	–	–	–	299	–
Total derivative financial instrument assets	**–**	**–**	**–**	**–**	**–**	**–**	**299**	**–**
Liabilities								
Interest rate swap contracts—cash flow hedges	1	–	128	135	1	–	154	245
Cross-currency interest rate swap contracts—cash flow hedges	–	–	235	–	–	–	–	–
Total derivative financial instrument liabilities	**1**	**–**	**363**	**135**	**1**	**–**	**154**	**245**

Section E: Signed reports

Directors' declaration

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 17 to 51 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 2020 and of their performance for the half-year ended on that date, and

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

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

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
11 February 2021

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

Conclusion

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 2020, 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, significant accounting policies and 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 Holding Trust and Transurban International Limited and their controlled entities.

- Transurban Holding Trust (the Trust), which comprises the consolidated balance sheet as at 31 December 2020, 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, significant accounting policies and explanatory notes and the directors' declaration for Transurban Holding Trust and its controlled entities (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 2020, 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, significant accounting policies and explanatory notes and the directors' declaration for Transurban International Limited and its controlled entities (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.

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

1. giving a true and fair view of the Transurban Group, THT and TIL's financial positions as at 31 December 2020 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Transurban Group, THT and TIL in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors 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 for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 positions as at 31 December 2020 and of 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*.

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.

PricewaterhouseCoopers

M. Laithwaite

Marcus Laithwaite
Partner

Melbourne
11 February 2021