
Transurban Group

Appendix 4D

Half-year ended 31 December 2017

(Previous corresponding period:
Half-year ended 31 December 2016)

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 market¹

Statutory results compared to the prior period

- Revenue from ordinary activities increased 21.9 per cent to \$1,624 million;
- Profit from ordinary activities after tax increased 280.2 per cent to \$331 million;
- Statutory net profit attributable to security holders of the stapled group increased 209.9 per cent to \$338 million; and
- Earnings before depreciation and amortisation, net finance costs, equity accounted investments and income taxes (EBITDA) increased 10.7 per cent to \$850 million.

Proportional results compared to the prior period

- Toll revenue increased 10.5 per cent to \$1,176 million;
- EBITDA increased by 11.6 per cent to \$911 million; and
- Free cash decreased 14.4 per cent to \$582 million.

Distributions

	Amount per Security cents	Franked amount per Security %
Interim distribution (declared prior to reporting date)	25.5	-
Interim dividend (declared prior to reporting date)	2.5	100
	28.0	
Interim distribution from the previous corresponding period	21.5	-
Interim dividend from the previous corresponding period	3.5	100
	25.0	
Final distribution (prior year)	23.0	-
Final dividend (prior year)	3.5	100
	26.5	
Record date for determining entitlements to interim distribution		29 December 2017
Date of payment of interim distribution		16 February 2018

Distribution Reinvestment Plan

Under the Distribution Reinvestment Plan (DRP), security holders may receive additional stapled securities in substitution for some or all cash distributions in respect of their stapled securities. The last date for the receipt of an election notice for participation in the DRP was 2 January 2018 and the participation rate was 5.99 per cent. No discount has been applied when determining the price at which stapled securities will be issued under the DRP for the current period distribution.

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

Explanation of results

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

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

Proportional results

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

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

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

Free cash

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

Free cash is calculated as statutory cash flow from operating activities from 100 per cent owned subsidiaries plus distributions and interest received from non 100 per cent owned subsidiaries and equity accounted investments, adjusted to include the allowance for maintenance of intangible assets and exclude cash payments for maintenance of intangible assets.

Net tangible asset backing

	31 December 2017	30 June 2017
	\$	\$
Net tangible asset backing per stapled security*	2.94	2.60

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

Investments in associates and joint venture entities

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

Name of company	Ownership Interest		Net profit contribution to the Transurban Group	
	2017 %	2016 %	2017 \$M	2016 \$M
North Western Roads Group Trust	50.0	50.0	-	-
North Western Roads Group Pty Ltd	50.0	50.0	-	-
NorthConnex State Works Contractor Pty Ltd	50.0	50.0	-	-
Interlink Roads Pty Ltd	50.0	50.0	17	11
Bluedot Innovation, Inc.	20.0	-	-	-
			17	11

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

Other information required by Listing Rule 4.2A

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

Audit review

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

A handwritten signature in black ink, appearing to read 'ASL', with a long horizontal flourish extending to the right.

Amanda Street
Company Secretary
13 February 2018

Transurban Holdings Limited and Controlled Entities

ABN 86 098 143 429

(Including Transurban International Limited and Transurban Holding Trust)

Interim report
for the half-year ended
31 December 2017

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Directors' report

The Directors of Transurban Holdings Limited ('the Company', 'the Parent' or 'THL') and its controlled entities ('Transurban', 'Transurban Group' or 'the Group'), Transurban International Limited and its controlled entities ('TIL'), and Transurban Infrastructure Management Limited ('TIML'), as responsible entity of Transurban Holding Trust and its controlled entities ('THT'), present their report on the Transurban Group for the half-year ended 31 December 2017 ('HY18'). 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 whole period and up to the date of this report, unless otherwise stated:

Non-executive Directors

Lindsay Maxsted

Neil Chatfield

Robert Edgar

Samantha Mostyn

Christine O'Reilly

Rodney Slater

Peter Scott

Jane Wilson

Executive Directors

Scott Charlton

Result

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

Statutory results compared to the prior period

- Toll revenue increased 9.6 per cent to \$1,131 million;
- Profit from ordinary activities after tax increased 280.2 per cent to \$331 million;
- Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes ('EBITDA') increased 10.7 per cent to \$850 million; and
- Statutory net profit attributable to security holders of the stapled group increased 209.9 per cent to \$338 million.

Proportional results compared to the prior period

- Toll revenue increased 10.5 per cent to \$1,176 million;
- EBITDA¹ increased by 11.6 per cent to \$911 million; and
- Free cash decreased 14.4 per cent to \$582 million.

1. Refer to Note B3 of the Group financial statements for the definition of proportional EBITDA.

Distributions

	Amount per security Cents	Franked amount per security %
Interim distribution for the current period (declared prior to reporting date)	25.5	–
Interim dividend for the current period (declared prior to reporting date)	2.5	100
	<hr/> 28.0	
Final distribution (prior year)	23.0	–
Final dividend (prior year)	3.5	100
	<hr/> 26.5	
Record date for determining entitlements to distribution and dividend		29 December 2017
Date of payment of interim distribution and dividend		16 February 2018

Principal activities

The principal activities of the Group during the period were the development, operation, maintenance and financing of toll road networks as well as management of the associated customer and client relationships.

Operating and financial review

Our business

Transurban manages and develops urban toll road networks in Australia and the United States of America.

The Group owns concession assets across four key market segments: Melbourne, Sydney, Brisbane and the Greater Washington Area ('GWA').

Transurban is listed on the Australian Securities Exchange ('ASX') and has been in business since 1996.

Strategy

Transurban's target markets are the eastern seaboard of Australia and North America.

At the heart of our business strategy is our desire to be a partner of choice for our government clients and an organisation that effectively satisfies the needs of our customers and the community. To achieve this, we strive to provide effective transportation solutions to support the growth and development of the cities in which we operate.

At Transurban we do this through management of our existing road transport networks, through our active involvement in transport policy debate, and by applying our skills to the infrastructure challenges in our markets.

In delivering on this objective our business has fostered core capabilities in the following areas:

- Network planning and forecasting;
- Community engagement;
- Development and delivery;
- Technology; and
- Operations and customer experience.

Value proposition

Transurban has an interest in 15 operating assets across four markets. The investment proposition for high quality toll road assets lies in providing investors with access to long dated, predictable, growing cash flows generated over the life of the concession.

Organic growth is derived from traffic growth and toll escalation. It is supported by Transurban's ability to meet the service expectations of our customers at scale across its portfolio.

In addition, Transurban continues to invest in the ongoing development of our portfolio and expand our initiatives in customer engagement, sustainability, technology and safety to create value for all our stakeholders.

Operating and financial review (continued)

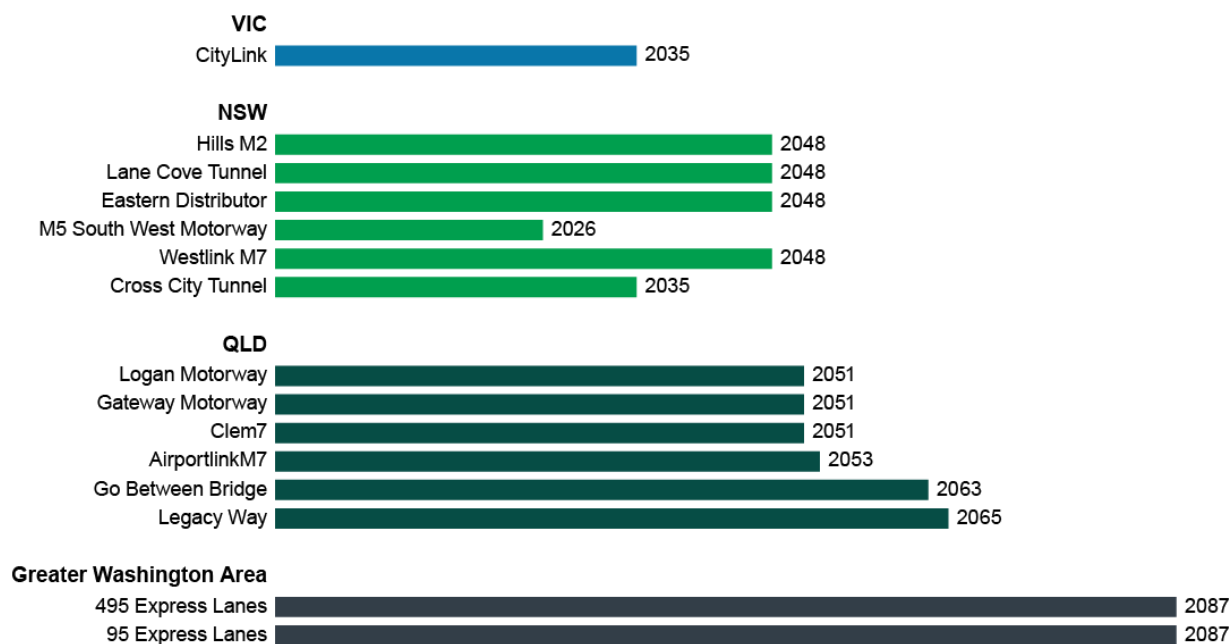
Segments

	Melbourne	Sydney	Brisbane	GWA
WHOLLY OWNED	CityLink (100%)	Lane Cove Tunnel (100%) Hills M2 Motorway (100%)		95 Express Lanes ¹ (100%) 495 Express Lanes (100%)
	West Gate Tunnel (100%)	Cross City Tunnel (100%)		
NON-100% OWNED AND CONSOLIDATED		M1 Eastern Distributor (75.1%)	Logan Motorway (62.5%) Go Between Bridge (62.5%) Legacy Way (62.5%)	Gateway Motorway (62.5%) Clem7 (62.5%) AirportlinkM7 (62.5%)
		Westlink M7 ² (50%)	Interlink M5 (50%)	
		NorthConnex ² (50%)		

- 395 Express Lanes (100%) is included in 95 Express Lanes.
- Westlink M7 and NorthConnex form the NorthWestern Roads Group.

Concession assets timeline

Below is a list of the operating concession asset end dates (calendar year ends).



Operating and financial review (continued)

Accounting for assets – changes during the year

During the period ended 31 December 2017, there have been no significant changes in the accounting for our assets.

Group financial performance

Financial performance indicators

The Transurban Board and management assess the performance of the markets in which we operate based on a measure of proportional earnings before depreciation, amortisation, net finance costs and income taxes ('Proportional EBITDA'). This reflects the contribution of each asset in the Group in the proportion of Transurban's equity ownership.

To arrive at the proportional result, minority interests in Transurban's controlled roads are taken out and Transurban's interests in non-controlled assets are included, in proportion to Transurban's ownership.

Free cash is the primary measure used to assess Transurban's cash generation. Free cash is used as the guide to determine distributions to security holders.

Period ended 31 December 2017 highlights

Statutory results

	Half-year 2017 \$M	Half-year 2016 \$M	% Change
Toll revenue	1,131	1,032	9.6%
EBITDA	850	769	10.7%
Net profit after tax	331	88	280.2%

Proportional EBITDA

Segment information in note B3 to the financial statements presents the proportional result for Transurban Group, including reconciliations to the statutory result. Management considers proportional EBITDA to be the best indicator of asset and Group performance.

	Half-year 2017 \$M	Half-year 2016 \$M	% Change
Toll revenue	1,176	1,065	10.5%
Other revenue	32	28	14.2%
Total costs	(297)	(276)	7.6%
EBITDA	911	817	11.6%

Operating and financial review (continued)

Financial position

	31 December 2017 M	30 June 2017 M	% Change
Market capitalisation	\$27,067	\$24,320	11.3%
Securities on issue	2,178	2,052	6.1%
Cash and cash equivalents	\$2,164	\$988	118.9%

Transurban's operating assets are primarily long-life intangible assets (concession assets), representing the provision by Government entities for the right to toll customers for the use of the assets. Concession assets represent 74 per cent of the total assets of the Group (June 2017: 76 per cent). The duration of the 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

Within Transurban, free cash flow ('FCF') per security is defined as:

- The Group's cash flow from operating activities;
- add back: transaction and integration costs related to acquisitions;
- less: cash flows from operating activities from consolidated non 100% owned assets;
- less: allowance for maintenance of intangible assets for 100% owned assets;
- add back: payments for maintenance of intangible assets;
- add: dividends and interest received from non 100% owned assets;
- divided by: weighted average number of securities issued.

The FCF calculation is included in note B7.

	Half-year 2017	Half-year 2016	% Change
Free cash	\$582M	\$680M	(14.4)%
Weighted average securities eligible for distribution	2,055M	2,043M	0.6%
Free cash per security (cents)	28.3	33.3	(14.9)%

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

- \$65 million growth in EBITDA from 100% owned assets
- \$33 million increase due to the Private Activity Bonds premium received as part of the 395 Express Lanes project debt raise (\$21 million) and lower net finance costs paid due to timing of cash flows on new and refinanced debt (\$12 million)
- \$16 million increase in non-100% owned assets distributions received due to higher distributions from M5 (\$15 million) associated with the timing of payment of FY17 distributions partially offset by a decrease due to the beginning of debt amortisation for this asset, NorthWestern Roads Group (\$9 million) and M1 Eastern Distributor (\$1 million), partially offset by lower distributions from Transurban Queensland (\$9 million) associated with timing of interest payments
- (\$174) million decrease due to the NorthWestern Roads Group capital release received in the prior period that did not recur in HY18
- (\$38) million decrease due to unfavourable movements in working capital and maintenance expense

The weighted average securities eligible for distributions have increased due to the impact of equity issued in February 2017 and August 2017 as part of the Dividend Reinvestment Plan. These securities are eligible for both distributions in FY18. Securities issued as part of the Group equity raise announced on 12 December 2017 were not eligible for the first half FY18 distribution and will be eligible for all subsequent distributions.

Operating and financial review (continued)

Market performance

Network	Highlights	Proportional toll revenue contribution	Traffic growth (average daily trips)	Toll revenue growth ¹	EBITDA growth ¹
<i>Sydney</i>	<ul style="list-style-type: none"> ▪ Continued traffic growth across the network ▪ M2 impacted by NorthConnex construction works ▪ Revenue underpinned by continued strong heavy vehicle traffic growth 	40.5%	2.9%	9.8%	10.3%
<i>Melbourne</i>	<ul style="list-style-type: none"> ▪ Traffic decline of 1.0% for 1H18 due to CityLink-Tulla Widening ("CTW") construction works. New lanes opened in October 2017. State works on CTW expected to be completed mid-2018 ▪ Change to truck toll multipliers as part of CTW project led to an increase in revenue 	33.0%	(1.0)%	14.2%	17.5%
<i>Brisbane</i>	<ul style="list-style-type: none"> ▪ Toll increases in line with Brisbane Consumer Price Index ▪ Average Daily Traffic impacted by Gateway Upgrade North works and Logan Enhancement Project ("LEP") works which are expected to be completed in late 2018 and mid-2019, respectively ▪ Change to fee arrangement with Brisbane City Council and timing from GLIDE implementation impacting fee revenue 	17.0%	3.5%	3.5%	3.6%
<i>Greater Washington Area²</i>	<ul style="list-style-type: none"> ▪ High demand during peak periods led to strong toll revenue growth ▪ Traffic growth positive - entering a more mature phase ▪ December traffic impacted by timing of public holidays 	9.5%	3.4%	17.9%	19.9%

1. Toll revenue and EBITDA growth calculations based on proportional results.

2. GWA toll revenue and EBITDA growth calculated in USD.

Operating and financial review (continued)

Sydney

Operations

Operations and Maintenance

- Re-sheeting of M7 is now one third complete, with all major works expected to be finished by mid-2018

Technology and Customer

- Successful launch of LinktGO GPS app in NSW
- Working with the NSW Government to deliver the Toll Relief Program

Delivery & Development

NorthConnex

- Construction is greater than 50% complete, expected to finish end 2019
- A third general purpose lane on the M2 opened three months ahead of schedule in October 2017
- The M2 Integration project is scheduled to complete mid-2018
- The first mainline tunnel breakthrough occurred in mid-December 2017
- 18 of 21 kilometres tunnelling completed
- 20 road headers and two surface miners are currently operating across the project

Melbourne

Operations

Operations and Maintenance

- New control room to be built to consolidate operations of CityLink and West Gate Tunnel Project ("WGTP")
- 100km/h speed trial taking place on CityLink Western Link during off-peak periods in 2018

Technology and Customer

- 72% reduction in crashes on the Bolte Bridge post opening of the CTW new lanes and freeway management system

Delivery & Development

CityLink Tulla Widening

- CTW new lanes opened three months ahead of schedule in October 2017
- New freeway management system including variable speed limit signage and an automatic incident-detection system

West Gate Tunnel Project

- Contractual close on WGTP reached December 2017
- Construction commenced and expected to be completed in 2022
- Approximately 700 people currently employed and 6,000 expected by project peak
- Transurban's share of WGTP is \$4.0 billion. Amendments are required to the existing CityLink concession in order to implement certain CityLink value sources. These amendments require successful passage through parliament. In the absence of parliamentary consents, the State will replace the CityLink funding sources with completion/substitution payments.

Operating and financial review (continued)

Brisbane

Operations

Operations and Maintenance

- New tunnel network incident response and maintenance agreement commenced on Legacy Way and Go Between Bridge in 2017
- Transition to a holistic approach to tunnel operations and maintenance (“O&M”) commenced
- Transition of AirportLinkM7 and Inner City Bypass (“ICB”) O&M contracts scheduled for 2018

Technology and Customer

- GLIDe successfully implemented in November 2017, providing an improved digital experience for customers, accounts management enhancements and demand notice aggregation

Delivery & Development

Logan Enhancement Project

- Major construction commenced, with completion expected mid-2019
- Total project cost \$512 million
- Two industry awards for work undertaken during the development phase
- Funded by Logan and Gateway motorways Heavy Commercial Vehicle (“HCV”) tolls increase at project completion

Inner City Bypass

- Construction has passed halfway, with completion expected mid-2018
- Herston Road off-ramp dedicated bus lane opened in December 2017
- Bowen Bridge Road on-ramp construction under way
- Transurban to manage O&M of ICB post-upgrade
- Funded by Legacy Way toll increases for all vehicles (under existing declaration) and HCV toll increases on Clem7, Go Between Bridge and Legacy Way (subject to State approval)

Operating and financial review (continued)

Greater Washington Area

Operations

Operations and Maintenance

- Expanded role in management of I-395 operations prior to 395 Express Lanes transition

Technology and Customer

- Fair Travel Program launched, including heightened Virginia State Police enforcement of High Occupancy Vehicle violations and vehicle occupancy detection pilot
- Reached the five year anniversary of operating 495 Express Lanes

Delivery & Development

Fredericksburg Extension

- Virginia Department of Transportation has accepted Transurban's proposal to extend the 95 Express Lanes to the Fredericksburg region
- The US\$565 million project will extend the 95 Express Lanes by 16 kilometres (10 miles)
- Design-build procurement process launched in January 2018
- Construction expected to begin in early 2019 and is scheduled to be completed in late 2022

Southern Extensions to 95 Express Lanes

- Early delivery of three kilometre 95 Express Lanes Southern Extension in October 2017, providing improved traffic flow

395 Express Lanes

- 395 Express Lanes construction commenced in August 2017. Project remains on schedule for service commencement late 2019

Operating and financial review (continued)

Financing activities

Refer to note B9 in the Group financial statements for the financing activities executed during the period.

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

Group Equity Raise

During December 2017, the Group successfully completed the fully underwritten institutional component of its pro-rata accelerated renounceable 3 for 37 entitlement offer. The institutional component raised \$1,325 million at an issue price of \$11.40 per security. The early acceptances of the retail component raised \$50 million at an issue price of \$11.40 per security through 31 December 2017 and was ongoing at that date. The total proceeds from the entitlement offer through 31 December 2017 were \$1,375 million.

Matters subsequent to the end of the half-year

Group Equity Raise

On 30 January 2018, the Group successfully completed the fully underwritten retail component of the entitlement offer with final proceeds received on 2 February 2018. The retail component raised an additional \$492 million at an issue price of \$11.40 per security subsequent to 31 December 2017. The total proceeds from the entitlement offer, including the institutional and early retail acceptance components completed in December 2017, were \$1,867 million net of estimated transactions costs and will be used to fund the construction of the West Gate Tunnel Project and for general corporate purposes.

Fredericksburg Extension Project

During January 2018, the Virginia Department of Transportation (VDOT) accepted Transurban's offer to extend the I-95 Express Lanes to Fredericksburg under the existing 95 Express Lanes concession agreement. The design-build procurement process commenced in January 2018.

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 13.

Rounding of amounts

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

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



Lindsay Maxsted
Director



Scott Charlton
Director

Melbourne
13 February 2018



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 2017, 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.

A handwritten signature in black ink, appearing to read 'M. Laithwaite', is written in a cursive style.

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Melbourne
13 February 2018

Transurban Holdings Limited ABN 86 098 143 429

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Independent auditor's review report to the stapled security holders

Section A: Group financial statements

Transurban Holdings Limited
Consolidated statement of comprehensive income
for the half-year ended 31 December 2017

	Note	Half-year 2017 \$M	Half-year 2016 \$M
Revenue	B4	1,624	1,334
Expenses			
Employee benefits expense		(92)	(78)
Road operating costs		(163)	(166)
Construction costs		(462)	(274)
Corporate and other expenses		(57)	(47)
Total expenses		(774)	(565)
Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes		850	769
Amortisation		(281)	(281)
Depreciation		(30)	(26)
Total depreciation and amortisation		(311)	(307)
Net finance costs	B8	(362)	(406)
Share of net profits of equity accounted investments		17	11
Profit before income tax		194	67
Income tax benefit	B5	137	21
Profit for the half-year		331	88
<i>Profit/(loss) attributable to:</i>			
Ordinary security holders of the stapled group			
- Attributable to THL		(97)	4
- Attributable to THT/TIL		435	106
		338	110
Non-controlling interests - other		(7)	(22)
		331	88
Other comprehensive income			
<i>Items that may be reclassified to profit or loss in the future</i>			
Changes in the fair value of cash flow hedges, net of tax		(51)	156
Exchange differences on translation of US operations, net of tax		(1)	(1)
Changes in the value of share based payments, net of tax		(4)	(3)
Other comprehensive income/(loss) for the half-year, net of tax		(56)	152
Total comprehensive income for the half-year		275	240
Total comprehensive income/(loss) for the half-year is attributable to:			
Ordinary security holders of the stapled group			
- Attributable to THL		(130)	76
- Attributable to THT/TIL		420	168
		290	244
Non-controlling interests – other		(15)	(4)
		275	240
		Cents	Cents
Earnings per security attributable to ordinary security holders of the stapled group:			
Basic and diluted earnings per stapled security	B6	16.4	5.4

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

Transurban Holdings Limited
Consolidated balance sheet
for the half-year ended 31 December 2017

	Note	As at 31 December 2017 \$M	As at 30 June 2017 \$M
ASSETS			
Current assets			
Cash and cash equivalents		2,164	988
Trade and other receivables		157	138
Held-to-maturity investments		323	157
Total current assets		2,644	1,283
Non-current assets			
Equity accounted investments		532	654
Held-to-maturity investments		718	586
Derivative financial instruments	B10	143	82
Property, plant and equipment		352	327
Deferred tax assets		1,071	1,061
Intangible assets		19,570	19,330
Total non-current assets		22,386	22,040
Total assets		25,030	23,323
LIABILITIES			
Current liabilities			
Trade and other payables		326	347
Borrowings	B9	472	880
Derivative financial instruments	B10	29	5
Maintenance provision		153	99
Distribution provision		625	594
Other provisions		34	40
Other liabilities		153	174
Total current liabilities		1,792	2,139
Non-current liabilities			
Borrowings	B9	13,933	12,868
Deferred tax liabilities		796	931
Maintenance provision		867	895
Other provisions		111	93
Derivative financial instruments	B10	414	362
Other liabilities		258	228
Total non-current liabilities		16,379	15,377
Total liabilities		18,171	17,516
Net assets		6,859	5,807
EQUITY			
Contributed equity		1,665	1,450
Reserves		(87)	(54)
Accumulated losses		(3,338)	(3,190)
Non-controlling interests held by security holders of the stapled group (THT/TIL)		7,372	6,289
Equity attributable to security holders of the stapled group		5,612	4,495
Non-controlling interests – other		1,247	1,312
Total equity		6,859	5,807

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 2017

Attributable to security holders of the stapled group

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

1. During December 2017, the Group successfully completed the fully underwritten institutional component of its pro-rate renounceable 3 for 37 entitlement offer. The institutional component raised \$1,325 million at an issue price of \$11.40 per security. As of 31 December 2017, the early acceptances of the retail component had raised \$50 million at an issue price of \$11.40 per security and was ongoing on that date. The total proceeds from the entitlement offer through 31 December 2017 were \$1,375 million. The total proceeds from the entitlement offer will be used to fund the construction of the West Gate Tunnel Project 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 senior executives are deferred for a period of 2 years. In addition to the Short Term Incentives, Stapled Securities (including units in the Trust) were issued to executives under the Group's Long Term Incentive share-based payment plans. These securities are held by the executive but will only vest in accordance with the terms of the plans.
3. Refer to note B7 for further details of dividends and distributions provided for or paid.
4. Under the distribution reinvestment plan, for distributions paid during the period, holders of stapled securities may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by cash. This has continued to apply for the interim FY2018 dividend/distribution.
5. Distributions were paid during the period to the non-controlling interest partners in Airport Motorway Trust (Eastern Distributor) and Transurban Queensland Invest Trust (Transurban Queensland).

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

Transurban Holdings Limited
Consolidated statement of changes in equity
for the half-year ended 31 December 2017

	Attributable to security holders of the stapled group							
	No. of securities M	Contributed equity \$M	Reserves \$M	Accumulated losses \$M	Non-controlling interests–THT & TIL \$M	Total \$M	Non-controlling interests–other \$M	Total equity \$M
Balance at 1 July 2016	2,036	1,422	(66)	(3,129)	6,808	5,035	1,423	6,458
Comprehensive income								
Profit/(loss) for the half-year	–	–	–	4	106	110	(22)	88
Other comprehensive income/(loss)	–	–	72	–	62	134	18	152
Total comprehensive income/(loss)	–	–	72	4	168	244	(4)	240
Transactions with owners in their capacity as owners:								
Employee performance awards issued ¹	1	–	–	–	3	3	–	3
Distributions provided for or paid ²	–	–	–	(72)	(439)	(511)	–	(511)
Distribution reinvestment plan ³	6	10	–	–	65	75	–	75
Distributions to non-controlling interests ⁴	–	–	–	–	–	–	(48)	(48)
	7	10	–	(72)	(371)	(433)	(48)	(481)
Balance at 31 December 2016	2,043	1,432	6	(3,197)	6,605	4,846	1,371	6,217

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 executives under the Group's Long Term Incentive share-based payment plans. These securities are held by the executive but will only vest in accordance with the terms of the plans.
2. Refer to note B7 for further details of dividends and distributions provided for or paid.
3. Under the distribution reinvestment plan, holders of stapled securities may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by cash.
4. Distributions were paid during the period to the non-controlling interest partners in Airport Motorway Trust (Eastern Distributor) and Transurban Queensland Invest Trust (Transurban Queensland).

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

Transurban Holdings Limited
Consolidated statement of cash flows
for the half-year ended 31 December 2017

	Half-year 2017 \$M	Half-year 2016 \$M
Cash flows from operating activities		
Receipts from customers	1,214	1,122
Payments to suppliers and employees	(387)	(328)
Payments for maintenance of intangible assets	(46)	(35)
Transaction and integration costs related to acquisitions	–	(104)
Other revenue	30	24
Interest received	12	12
Interest paid	(337)	(399)
Net cash inflow from operating activities	486	292
Cash flows from investing activities		
Payments for held-to-maturity investments, net of fees	(270)	(80)
Payments for equity accounted investments	(5)	–
Payments for intangible assets	(543)	(320)
Payments for property, plant and equipment	(62)	(65)
Distributions received from equity accounted investments	144	290
Net cash (outflow) from investing activities	(736)	(175)
Cash flows from financing activities		
Proceeds from equity issues of stapled securities (net of costs)	1,375	–
Proceeds from borrowings (net of costs)	1,823	2,456
Repayment of borrowings	(1,198)	(1,544)
Dividends and distributions paid to the Group's security holders	(523)	(391)
Distributions paid to non-controlling interests	(42)	(48)
Net cash inflow from financing activities	1,435	473
Net increase in cash and cash equivalents	1,185	590
Cash and cash equivalents at the beginning of the year	988	834
Effects of exchange rate changes on cash and cash equivalents	(9)	8
Cash and cash equivalents at end of the half-year	2,164	1,432

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

Section B: Notes to the Group financial statements

Basis of preparation and significant changes

B1 Summary of significant changes in the current reporting period

During the period ended 31 December 2017, there have been no significant changes in accounting for our assets.

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 Group' or 'the Group'). The controlled entities of THL include the other members of the stapled group being Transurban International Limited and its controlled entities ('TIL') and Transurban Holding Trust and its controlled entities ('THT'). The equity securities THL, THT and TIL are stapled and cannot be traded separately. Entities within the Group are domiciled and incorporated in Australia and the United States of America.

The Group interim financial statements for the half-year reporting period ended 31 December 2017:

- Have been prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*;
- Have adopted all accounting policies in accordance with Australian accounting standards, and where a standard permits a choice in accounting policy, the policy adopted by the Group has been disclosed in the annual report for the year ended 30 June 2017;
- Have applied the option under *ASIC Corporations (Stapled Group Reports) Instrument 2015/838* to present the consolidated financial statements in one section (Section A), and all other reporting group members in a separate section (Section C);
- Do not early adopt any accounting standards or interpretations that have been issued or amended but are not yet effective;
- Have been prepared under the historical cost convention, as modified by the revaluation of other financial assets and liabilities (including derivative financial instruments);
- Are presented in Australian dollars, which is THL's functional and presentation currency;
- Have been rounded to the nearest million dollars, unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191*; and
- The presentation of comparative amounts has been restated, where applicable, to conform to the current period presentation.

The interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Transurban Group during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

B2 Basis of preparation (continued)

Going concern

The financial report has been prepared on a going concern basis, which assumes the continuity of normal operations. This is based on the following:

- The Group has generated positive cash inflows from operating activities of \$486 million (2016: \$292 million);
- The Group has available a total of \$1,659 million of undrawn borrowing facilities with maturities beyond 12 months across a number of finance providers. Additionally, Transurban Queensland has a further \$669 million of undrawn borrowing facilities with maturities beyond 12 months for use on capital expenditure;
- The Group expects to refinance or repay with available cash all borrowing facilities classified as a current liability at 31 December 2017; and
- The Group has paid \$933 million of dividends and distributions over the past 12 months.

New and amended standards

The Group has adopted the following new or revised accounting standards which became effective for the half-year reporting period commencing 1 July 2017. The Group determined there is no impact on the financial statements from the adoption.

Reference	Description
<i>AASB 2016-1</i>	<p>Amendment to AASB 112 clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. This does not change the underlying principles for the recognition of deferred tax assets.</p> <p>The Group does not have any temporary taxable or deductible differences on assets that are measured at fair value. Therefore the impact of the application of the new standard is not expected to be material.</p>
<i>AASB 2016-2</i>	<p>Amendment to AASB 107 introduces additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.</p> <p>The impact of the application of the new standard will be additional disclosure in the annual Group financial statements relating to the financial liabilities held by the Group.</p>
<i>AASB 2017-2</i>	<p>Amendment to AASB 12 clarifies the scope of the standard.</p> <p>Management has undertaken an assessment of the impact of this standard and does not believe that the impact will be material.</p>

Operating performance

B3 Segment information

In the segment information provided to the Executive Committee (chief operating decision maker), segments are defined by the geographical networks in which the Group operates being Melbourne, Sydney, Brisbane and the Greater Washington Area. 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 networks based on a measure of proportional earnings before depreciation, amortisation, net finance costs and income taxes ('Proportional EBITDA'). This reflects the contribution of each network in the Group in the proportion of Transurban's equity ownership. Interest income and expenses are allocated to the networks where the amounts are related specifically to the assets. Otherwise they are allocated to the Corporate function.

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

	Melbourne	Sydney	Brisbane	GWA
WHOLLY OWNED	CityLink (100%)	Lane Cove Tunnel (100%) Hills M2 Motorway (100%)		95 Express Lanes ¹ (100%) 495 Express Lanes (100%)
	West Gate Tunnel (100%)	Cross City Tunnel (100%)		
NON-100% OWNED AND CONSOLIDATED		M1 Eastern Distributor (75.1%)	Logan Motorway (62.5%) Go Between Bridge (62.5%) Legacy Way (62.5%)	Gateway Motorway (62.5%) Clem7 (62.5%) AirportlinkM7 (62.5%)
		Westlink M7 ² (50%)	Interlink M5 (50%)	
		NorthConnex ² (50%)		

- 395 Express Lanes (100%) is included in 95 Express Lanes.
- Westlink M7 and NorthConnex form the NorthWestern Roads Group.

B3 Segment information (continued)

Segment information – proportional income statement

31 December 2017

\$M	Melbourne	Sydney	Brisbane	GWA	Corporate and other	Total
Toll revenue	388	476	200	112	-	1,176
Other revenue	11	18	1	-	2	32
Total proportional revenue	399	494	201	112	2	1,208
Proportional EBITDA	343	387	143	66	(28)	911

31 December 2016

\$M	Melbourne	Sydney	Brisbane	GWA	Corporate and other	Total
Toll revenue	340	434	193	98	-	1,065
Other revenue	11	15	1	-	1	28
Total proportional revenue	351	449	194	98	1	1,093
Proportional EBITDA	293	351	137	57	(21)	817

Reconciliation of segment information to statutory financial information

The proportional results presented above are different from the statutory financial results of the Group due to the proportional presentation of each asset's contribution to each geographical network.

Segment revenue

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

Note	Half-year 2017 \$M	Half-year 2016 \$M
Total segment revenue (proportional)	1,208	1,093
<i>Add:</i>		
Revenue attributable to non-controlling interests	142	135
Construction revenue from road development activities	462	274
<i>Less:</i>		
Proportional revenue of non-100% owned equity accounted assets	(188)	(168)
Total statutory revenue	1,624	1,334

Proportional EBITDA

Proportional EBITDA reconciles to profit/(loss) before income tax as follows:

	Half-year 2017 \$M	Half-year 2016 \$M
Proportional EBITDA	911	817
Add: EBITDA attributable to non-controlling interests	99	96
Less: Proportional EBITDA of non-100% owned equity accounted assets	(160)	(144)
Statutory profit before depreciation, amortisation, net finance costs, equity accounted investments and income taxes	850	769
Statutory depreciation and amortisation	(311)	(307)
Statutory net finance costs	(362)	(406)
Share of net profit from equity accounted investments	17	11
Profit/(loss) before income tax	194	67

B4 Revenue

	Half-year 2017 \$M	Half-year 2016 \$M
Toll revenue	1,131	1,032
Construction revenue	462	274
Other revenue	31	28
Total revenue	1,624	1,334

B5 Income tax

	2017 \$M	2016 \$M
Income tax expense/(benefit)		
Current tax	(1)	(37)
Deferred tax	(136)	16
	(137)	(21)
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
(Increase)/decrease in deferred tax assets	29	17
Increase/(decrease) in deferred tax liabilities	(165)	(1)
	(136)	16

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

	2017 \$M	2016 \$M
Profit/(loss) before income tax expense/(benefit)	194	67
Tax at the Australian tax rate of 30.0% (2016: 30.0%)	58	20
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Trust income not subject to tax	(116)	(37)
Equity accounted results	(5)	(3)
Tax rate differential	-	(2)
Change in tax rate	26	-
Non-deductible interest	8	5
Non-deductible depreciation	(4)	(3)
Prior year tax losses recognised	(105)	-
Sundry items	1	(1)
Income tax benefit	(137)	(21)
Tax expense/(income) relating to items of other comprehensive income		
Cash flow hedges	(14)	53
	(14)	53

Changes to US tax legislation

On 22 December 2016, the US Tax Cuts and Jobs Act ("the Tax Act") was signed into law. Included in the Tax Act is a change to the US Federal Corporate Tax Rate from 35% to 21%. All deferred tax balances related to the US operations of the Group have been adjusted to the lower enacted tax rate from 1 January 2018, resulting in an income tax expense of \$26 million being recorded for the half-year ended 31 December 2017. There were no changes to the State Corporate Tax Rate for the State of Virginia.

Recording of unbooked tax losses

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

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

Security holder outcomes

B6 Earnings per stapled security

Reconciliation of earnings used in calculating earnings per security

	Half-year 2017	Half-year 2016
Profit/(loss) attributable to ordinary security holders of the stapled group (\$M)	338	110
Weighted average number of securities (M)	2,056	2,041
Basic and diluted earnings per security attributable to the ordinary security holders of the stapled group (Cents)	16.4	5.4

B7 Dividends/distributions and free cash

	Total \$M	Paid in cash \$M	Settled in securities \$M	Cents	Date paid/ payable
<i>Dividends/distributions paid during the half-year</i>					
31 December 2016					
Declared 24 May 2016					
Franked THL	70	60	10	3.5	
Unfranked THT	396	331	65	19.5	
	<u>466</u>	<u>391</u>	<u>75</u>	<u>23.0</u>	12 August 2016
31 December 2017					
Declared 23 May 2017					
Franked THL	72	67	5	3.5	
Unfranked THT	472	456	16	23.0	
	<u>544</u>	<u>523</u>	<u>21</u>	<u>26.5</u>	11 August 2017
<i>Dividends/distributions payable by the Group</i>					
31 December 2016					
Declared 5 December 2016					
Franked THL	72	55	17	3.5	
Unfranked THT	439	355	84	21.5	
	<u>511</u>	<u>410</u>	<u>101</u>	<u>25.0</u>	10 February 2017
31 December 2017					
Declared 4 December 2017					
Franked THL	51	–	–	2.5	
Unfranked THT	524	–	–	25.5	
	<u>575</u>	<u>–</u>	<u>–</u>	<u>28.0</u>	16 February 2018

B7 Dividends/distributions and free cash (continued)

Distribution policy and free cash calculation

The Group's distribution policy is to align distributions with free cash from operations. The Group calculates free cash as follows:

	Half-year 2017 \$M	Half-year 2016 \$M
Cash flows from operating activities	486	292
Add back transaction and integration costs related to acquisitions (non 100% owned entities)	-	104
Add back payments for maintenance of intangible assets	46	35
Less cash flow from operating activities from consolidated non 100% owned entities	(176)	(130)
Less allowance for maintenance of intangible assets for 100% owned assets	(24)	(29)
<i>Adjust for distributions and interest received from non 100% owned entities</i>		
M1 Eastern Distributor distribution	30	29
M5 distribution and term loan note interest	80	65
Transurban Queensland distribution and shareholder loan note interest	75	84
NWRG distribution	65	230
Free cash	582	680
Weighted average securities on issue (millions)¹	2,055	2,043
Free cash per security (cents) – weighted average securities	28.3	33.3

1. The weighting applied to securities is based on their eligibility for distributions during the year.

Capital and borrowings

B8 Net finance costs

	Half-year 2017 \$M	Half-year 2016 \$M
<i>Finance income</i>		
Interest income on held-to-maturity investments	28	19
Interest income on bank deposits	9	10
Net foreign exchange gains	8	-
Total finance income	45	29
<i>Finance costs</i>		
Interest and finance charges paid/payable	(365)	(404)
Unwind of discount on liabilities – maintenance provision	(22)	(19)
Unwind of discount on liabilities – promissory and concession notes	(9)	(5)
Unwind of discount on liabilities – other liabilities	(11)	(6)
Net foreign exchange losses	-	(1)
Total finance costs	(407)	(435)
Net finance costs	(362)	(406)

B9 Borrowings

	31 December 2017 \$M	30 June 2017 \$M
<i>Current</i>		
TIFIA	14	12
Capital markets debt	-	300
U.S. private placement	233	163
Term debt	225	405
Total current borrowings	472	880
<i>Non-current</i>		
Working capital facilities	29	30
Capital markets debt	7,276	6,196
U.S. private placement	2,354	2,619
Term debt	2,784	2,527
TIFIA	1,170	1,176
Shareholder loan notes	320	320
Total non-current borrowings	13,933	12,868
Total borrowings	14,405	13,748

Financing Activities

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

<i>July 2017</i>	A corporate syndicated bank debt facility for A\$1,100 million was established across three tranches with tenors of 3 years, 4 years and 5 years. The facility was used to refinance the existing A\$900 million of corporate working capital facilities. Additionally new letter of credit facilities totalling A\$250 million were established.
	Debt financing of the 395 Express Lanes project was undertaken. US\$233 million in private activity bonds were issued with tenors of 17 years and 23 years. A US\$45 million loan facility was established from the Virginia Transport Infrastructure Bank.
<i>August 2017</i>	Westlink M7 issued A\$100 million of 12 year and A\$100 million of 15 year senior secured notes under US private placement.
<i>September 2017</i>	EUR 500 million of corporate senior secured 10.5 year notes were issued under the Euro Medium Term Note Programme.

B9 Borrowings (continued)

Financing Activities (continued)

<i>November 2017</i>	Hills M2 raised A\$408 million of non recourse debt via a new bank debt facility. The funds were used to repay A\$405 million of existing bank debt.
<i>December 2017</i>	An additional A\$550 million tranche of the existing A\$1,100 million corporate syndicated bank debt facility was established, increasing the total facility amount to A\$1,650 million. The new tranche has a tenor of 5 years.

B10 Derivatives and financial risk management

Derivatives

	31 December 2017 \$M		30 June 2017 \$M	
	Current	Non-current	Current	Non-current
Assets				
Interest rate swap contracts – cash flow hedges	–	7	–	8
Cross-currency interest rate swap contracts – cash flow hedges	–	136	–	74
Total derivative financial instrument assets	–	143	–	82
Liabilities				
Interest rate swap contracts – cash flow hedges	4	113	2	128
Forward exchange contracts – cash flow hedges	2	1	1	–
Cross-currency interest rate swap contracts – cash flow hedges	23	300	2	234
Total derivative financial instrument liabilities	29	414	5	362

Fair value measurements

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

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

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

All of the Group's financial instruments measured, recognised and disclosed at fair value were valued using market observable inputs (Level 2).

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

Network summary

B11 Network summary

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

31 December 2017	Equity accounted investment carrying amount	Concession assets	Assets under construction	Goodwill	Maintenance provision	Non-recourse borrowings
\$M						
Melbourne	–	3,218	285	1	(135)	–
Sydney	527	4,920	96	260	(179)	(2,013)
Brisbane	–	7,835	158	205	(628)	(4,403)
GWA	5	2,471	121	–	(78)	(2,076)
Net book amount	532	18,444	660	466	(1,020)	(8,492)

30 June 2017	Equity accounted investment carrying amount	Concession assets	Assets under construction	Goodwill	Maintenance provision	Non-recourse borrowings
\$M						
Melbourne	–	2,364	855	1	(134)	–
Sydney	654	5,005	73	260	(169)	(2,011)
Brisbane	–	7,935	85	205	(624)	(4,360)
GWA	–	2,489	58	–	(67)	(1,794)
Net book amount	654	17,793	1,071	466	(994)	(8,165)

Items not recognised

B12 Contingencies

Changes in contingencies for the half-year ended 31 December 2017 are identified below.

Cross City Tunnel

On 31 December 2017, in conjunction with the purchase of the senior secured debt of the Cross City Tunnel Group in December 2013, the Group's four year contingent payment period to the Deutsche Bank for material Cross City Tunnel Group traffic outperformance, relative to Transurban's base case assumptions, expired. No amounts were payable for traffic outperformance in the four year period.

B13 Subsequent events

Group Equity Raise

On 30 January 2018, the Group successfully completed the fully underwritten retail component of its pro-rata accelerated renounceable 3 for 37 entitlement offer with final proceeds received on 2 February 2018. The retail component raised an additional \$492 million at an issue price of \$11.40 per security subsequent to 31 December 2017. The total proceeds from the entitlement offer, including the institutional and early retail acceptance components completed in December 2017, were \$1,867 million net of estimated transaction costs and will be used to fund the construction of the West Gate Tunnel Project and for general corporate purposes.

Fredericksburg Extension Project

On 11 January 2018, the Virginia Department of Transportation (VDOT) had accepted Transurban's offer to extend the I-95 Express Lanes to Fredericksburg under the existing 95 Express Lanes concession agreement. The design-build procurement process commenced in January 2018 and financial close on the project is scheduled for the first half of 2019.

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

Consolidated statement of comprehensive income
Consolidated balance sheet
Consolidated statement of changes in equity
Consolidated statement of cash flows

Section D: Notes to the THT and TIL financial statements

Basis of preparation and significant changes	D1 Introduction	D2 Trust formation and termination	
Operating performance	D3 Segment information	D4 Revenue	
Security holder outcomes	D5 Earnings per stapled security		
Capital and borrowings	D6 Net finance costs	D7 Borrowings	D8 Derivatives and financial risk management

Transurban Holding Trust and Transurban International Limited
Consolidated statement of comprehensive income
for the half-year ended 31 December 2017

	Note	Transurban Holding Trust		Transurban International Limited	
		Half-year 2017 \$M	Half-year 2016 \$M	Half-year 2017 \$M	Half-year 2016 \$M
Revenue	D4	434	355	193	110
Employee benefits expense		–	–	(10)	(9)
Road operating costs		(2)	(2)	(30)	(31)
Construction costs		(84)	(14)	(81)	(12)
Corporate and other expenses		(1)	–	(6)	(5)
Total expenses		(87)	(16)	(127)	(57)
Earnings before depreciation and amortisation, net finance costs, equity accounted investments and income tax		347	339	66	53
Depreciation and amortisation expense		(155)	(155)	(19)	(18)
Net finance costs	D6	182	(61)	(81)	(82)
Share of net profits of equity accounted investments		13	–	–	–
Profit/(loss) before income tax		387	123	(34)	(47)
Income tax benefit/(expense)		–	1	88	20
Profit/(loss) for the half-year		387	124	54	(27)
<i>Profit/(loss) is attributable to:</i>					
Ordinary security holders of TIL		–	–	54	(27)
Ordinary unit holders of THT		381	133	–	–
Non-controlling interests		6	(9)	–	–
		387	124	54	(27)
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Changes in the fair value of cash flow hedges, net of tax		(18)	82	(7)	17
Exchange differences on translation of foreign operations, net of tax		–	–	5	(16)
Changes in the value of share based payments		(3)	(3)	–	–
Other comprehensive income/(loss) for the half-year, net of tax		(21)	79	(2)	1
Total comprehensive income for the half-year		366	203	52	(26)
<i>Total comprehensive income/(loss) for the half-year is attributable to:</i>					
Ordinary security holders of TIL		–	–	52	(26)
Ordinary unit holders of THT		368	194	–	–
Non-controlling interests		(2)	9	–	–
		366	203	52	(26)
		Cents	Cents	Cents	Cents
Earnings per security attributable to ordinary security holders of the group:					
Basic and diluted earnings/(loss) per security	D5	18.5	6.5	2.6	(1.3)

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 sheet
for the half-year ended 31 December 2017

	Transurban Holding Trust		Transurban International Limited	
	As at 31 December 2017 \$M	As at 30 June 2017 \$M	As at 31 December 2017 \$M	As at 30 June 2017 \$M
ASSETS				
Current assets				
Cash and cash equivalents	100	102	275	167
Loans to related parties	2,611	1,923	–	–
Trade and other receivables	4	2	13	20
Concession notes	269	–	–	–
Held-to-maturity investments	–	–	323	157
Total current assets	2,984	2,027	611	344
Non-current assets				
Equity accounted investments	426	478	5	–
Derivative financial instruments	7	8	–	–
Related party receivables	8,027	7,452	–	–
Concession notes	914	946	–	–
Property, plant and equipment	–	–	15	12
Deferred tax assets	42	34	363	363
Intangible assets	9,628	9,700	2,594	2,547
Total non-current assets	19,044	18,618	2,977	2,922
Total assets	22,028	20,645	3,588	3,266
LIABILITIES				
Current liabilities				
Related party payables	321	640	1,530	1,591
Trade and other payables	61	55	62	48
Borrowings	225	405	14	12
Maintenance provision	–	–	2	1
Distribution payable	573	522	–	–
Derivative financial instruments	4	1	–	–
Other liabilities	59	67	8	6
Total current liabilities	1,243	1,690	1,616	1,658
Non-current liabilities				
Maintenance provision	–	–	76	66
Deferred tax liabilities	–	–	190	266
Related party payables	5,760	5,162	37	–
Borrowings	5,868	5,648	2,062	1,780
Derivative financial instruments	193	132	57	59
Other liabilities	84	81	23	1
Total non-current liabilities	11,905	11,023	2,445	2,172
Total liabilities	13,148	12,713	4,061	3,830
Net assets/(liabilities)	8,880	7,932	(473)	(564)
EQUITY				
Contributed equity	–	–	348	309
Issued units	11,813	10,665	–	–
Reserves	(57)	(44)	(142)	(140)
Accumulated losses	(3,979)	(3,836)	(679)	(733)
Non-controlling interests	1,103	1,147	–	–
Total equity	8,880	7,932	(473)	(564)

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

Transurban Holding Trust and Transurban International Limited
Consolidated statement of changes in equity
for the half-year ended 31 December 2017

THT

Attributable to security holders of
Transurban Holding Trust

	No. of units M	Issued units \$M	Reserves \$M	Accumulated losses \$M	Non- controlling interests \$M	Total equity \$M
Balance at 1 July 2016	2,036	10,520	(92)	(3,132)	1,228	8,524
Comprehensive income						
Profit/(loss) for the half-year	–	–	–	133	(9)	124
Other comprehensive income/(loss)	–	–	61	–	18	79
Total comprehensive income/(loss)	–	–	61	133	9	203
Employee performance awards issued	1	3	–	–	–	3
Distributions provided for or paid	–	–	–	(439)	–	(439)
Distribution reinvestment plan	6	62	–	–	–	62
Distributions to non-controlling interests	–	–	–	–	(48)	(48)
	7	65	–	(439)	(48)	(422)
Balance at 31 December 2016	2,043	10,585	(31)	(3,438)	1,189	8,305
Balance at 1 July 2017	2,052	10,665	(44)	(3,836)	1,147	7,932
Comprehensive income						
Profit/(loss) for the half-year	–	–	–	381	6	387
Other comprehensive income/(loss)	–	–	(13)	–	(8)	(21)
Total comprehensive income/(loss)	–	–	(13)	381	(2)	366
Contributions of equity, net of transaction costs ¹	123	1,126	–	–	–	1,126
Employee performance awards issued	1	5	–	–	–	5
Distributions provided for or paid	–	–	–	(524)	–	(524)
Distribution reinvestment plan	2	17	–	–	–	17
Distributions to non-controlling interests	–	–	–	–	(42)	(42)
	126	1,148	–	(524)	(42)	582
Balance at 31 December 2017	2,178	11,813	(57)	(3,979)	1,103	8,880

TIL

Attributable to security holders of
Transurban International Limited

	No. of securities M	Contributed equity \$M	Reserves \$M	Accumulated losses \$M	Total equity \$M
Balance at 1 July 2016	2,036	302	(176)	(682)	(556)
Comprehensive income					
Profit/(loss) for the half-year	–	–	–	(27)	(27)
Other comprehensive income/(loss)	–	–	1	–	1
Total comprehensive income/(loss)	–	–	1	(27)	(26)
Employee performance awards issued	1	–	–	–	–
Distribution reinvestment plan	6	3	–	–	3
	7	3	–	–	3
Balance at 31 December 2016	2,043	305	(175)	(709)	(579)
Balance at 1 July 2017	2,052	309	(140)	(733)	(564)
Comprehensive income					
Profit/(loss) for the half-year	–	–	–	54	54
Other comprehensive income/(loss)	–	–	(2)	–	(2)
Total comprehensive income/(loss)	–	–	(2)	54	52
Contributions of equity, net of transaction costs ¹	123	38	–	–	38
Employee performance awards issued	1	–	–	–	–
Distribution reinvestment plan	2	1	–	–	1
	126	39	–	–	39
Balance at 31 December 2017	2,178	348	(142)	(679)	(473)

1. During December 2017, the Group successfully completed the fully underwritten institutional components of its pro-rata accelerated renounceable 3 for 37 entitlement offer. The retail component of the offers is ongoing at 31 December 2017. Refer to the Group Consolidated statement of changes in equity for further information.

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

Transurban Holding Trust and Transurban International Limited
Consolidated statement of cash flows
for the year ended 31 December 2017

	Transurban Holding Trust		Transurban International Limited	
	Half-year 2017 \$M	Half-year 2016 \$M	Half-year 2017 \$M	Half-year 2016 \$M
Cash flows from operating activities				
Receipts from customers	333	326	111	101
Payments to suppliers	(3)	(3)	(37)	(37)
Payments for maintenance of intangibles	–	–	(1)	(1)
Transaction costs related to acquisitions	–	(95)	–	–
Interest received	147	127	1	–
Interest paid	(343)	(374)	3	(16)
Net cash inflow/(outflow) from operating activities	134	(19)	77	47
Cash flows from investing activities				
Distributions received from equity accounted investments	65	230	–	–
Payments for equity accounted investments	–	–	(5)	–
Payments for held-to-maturity investments, net of fees	–	–	(163)	–
Payments for property, plant and equipment	–	–	(5)	(7)
Payments for intangible assets	(86)	(14)	(77)	(20)
Net cash inflow/(outflow) from investing activities	(21)	216	(250)	(27)
Cash flows from financing activities				
Loans (to)/from related parties	(1,774)	(1,061)	(34)	10
Repayment of loans from/(to) related parties	966	875	–	–
Proceeds from issue of stapled securities (net of costs)	1,126	–	38	–
Proceeds from borrowings (net of costs)	470	1,594	300	–
Repayment of borrowings	(405)	(1,349)	(14)	(3)
Distributions paid to Transurban Group's security holders	(456)	(331)	–	–
Distributions paid to non-controlling interests in subsidiaries	(42)	(48)	–	–
Net cash inflow/(outflow) from financing activities	(115)	(320)	290	7
Net increase/(decrease) in cash and cash equivalents	(2)	(123)	117	27
Cash and cash equivalents at the beginning of the year	102	229	167	245
Effects of exchange rate changes on cash and cash equivalents	–	–	(9)	8
Cash and cash equivalents at end of the half-year	100	106	275	280

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

Basis of preparation and significant changes

D1 Introduction

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

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

THT is a Trust registered and domiciled in Australia.

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

Going concern

TIL's current liabilities exceed its current assets by \$1,005 million as at 31 December 2017. This is primarily driven by a \$1,530 million loan payable to another entity within the Transurban Group. Excluding this loan, the TIL Group has net current assets of \$525 million.

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

The financial reports have been prepared on a going concern basis, which assumes the continuity of normal operations.

D2 Trust formation and termination

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

Operating performance

D3 Segment information

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

THT operating segments

Management has determined that THT has one operating segment.

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

TIL operating segments

Management has determined that TIL has one operating segment.

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

Reconciliation of segment information to statutory financial information

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

Segment revenue

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

	TIL	
	Half-year 2017 \$M	Half-year 2016 \$M
Total segment revenue (proportional) (per B3)	112	98
Add:		
Construction revenue from road development activities	81	12
Total revenue	193	110

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

Proportional EBITDA reconciles to statutory net profit as follows:

	TIL	
	Half-year 2017 \$M	Half-year 2016 \$M
Proportional EBITDA	66	57
Add:		
EBITDA attributable to TIL corporate activities (disclosed in corporate and other)	–	(4)
Statutory earnings before depreciation and amortisation, net finance costs, equity accounted investments and tax	66	53
Statutory net finance costs	(81)	(82)
Statutory depreciation and amortisation	(19)	(18)
Loss before tax for the half-year from continuing operations	(34)	(47)

Transurban Holding Trust and Transurban International Limited
Notes to the THT and TIL financial statements
31 December 2017

D4 Revenue

	THT		TIL	
	Half-year 2017 \$M	Half-year 2016 \$M	Half-year 2017 \$M	Half-year 2016 \$M
Toll revenue	–	–	112	98
Rental income	334	326	–	–
Construction revenue	84	14	81	12
Concession fees	16	15	–	–
Total revenue	434	355	193	110

Security holder outcomes

D5 Earnings per stapled security

	THT		TIL	
	Half-year 2017	Half-year 2016	Half-year 2017	Half-year 2016
Profit/(loss) attributable to ordinary security holders (\$M)	381	133	54	(27)
Weighted average number of securities (M)	2,056	2,041	2,056	2,041
Basic and diluted earnings per security attributable to the ordinary security holders (Cents)	18.5	6.5	2.6	(1.3)

Capital and borrowings

D6 Net finance costs

	THT		TIL	
	Half-year 2017 \$M	Half-year 2016 \$M	Half-year 2017 \$M	Half-year 2016 \$M
Finance income				
Interest income from related parties	298	256	–	–
Other interest income	1	1	1	–
Net foreign exchange gains	–	3	–	–
Re-measurement of concession notes receivable	220	24	–	–
Total finance income	519	284	1	–
Finance costs				
Interest and finance charges paid/payable	(329)	(342)	(82)	(82)
Net foreign exchange losses	(1)	–	–	–
Unwind of discount – other liabilities	(1)	(1)	–	–
Unwind of discount - promissory note payable	(6)	(2)	–	–
Total finance costs	(337)	(345)	(82)	(82)
Net finance costs	182	(61)	(81)	(82)

D7 Borrowings

	THT		TIL	
	31 December 2017 \$M	30 June 2017 \$M	31 December 2017 \$M	30 June 2017 \$M
Current				
TIFIA	–	–	14	12
Term debt	225	405	–	–
	225	405	14	12
Non-current				
Capital markets debt	1,434	1,452	892	604
U.S. private placement	1,649	1,669	–	–
Term debt	2,785	2,527	–	–
TIFIA	–	–	1,170	1,176
	5,868	5,648	2,062	1,780
Total borrowings	6,093	6,053	2,076	1,792

D8 Derivative and financial risk management

	31 December 2017 \$M				30 June 2017 \$M			
	Current		Non-current		Current		Non-current	
	THT	TIL	THT	TIL	THT	TIL	THT	TIL
Assets								
Interest rate swap contracts – cash flow hedges	–	–	7	–	–	–	8	–
Total derivative financial instrument assets	–	–	7	–	–	–	8	–
Liabilities								
Interest rate swap contracts – cash flow hedges	4	–	19	57	1	–	25	59
Cross-currency interest rate swap contracts – cash flow hedges	–	–	174	–	–	–	107	–
Total derivative financial instrument liabilities	4	–	193	57	1	–	132	59

Section E: Signed reports

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

- (a) the financial statements and notes of Transurban Holdings Limited and its controlled entities, including Transurban Holding Trust and its controlled entities and Transurban International Limited and its controlled entities set out on pages 14 to 42 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 2017 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
13 February 2018



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

Report on the Half-Year Financial Report

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

- Transurban Holdings Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Transurban Holdings Limited and its controlled entities (the Transurban Group). The Transurban Group comprises the Company and the entities it controlled at the half-year's end or from time to time during the financial half-year including the other members of the stapled group being Transurban International Limited and Transurban Holding Trust and their controlled entities.
- Transurban Holding Trust (the Trust), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Transurban Holding Trust (THT). THT comprises the Trust and the entities it controlled at half-year's end or from time to time during the financial half-year.
- Transurban International Limited (the International Company), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Transurban International Limited (TIL). TIL comprises the International Company and the entities it controlled at half-year's end or from time to time during the financial half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001*



including giving a true and fair view of the Transurban Group, THT and TIL financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Transurban Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

1. giving a true and fair view of the Transurban Group, THT and TIL financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'R. Al-Husseini'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'M. Laithwaite'.

Marcus Laithwaite
Partner

Melbourne
13 February 2018