Sydney Airport

Half Year Results 2014

21 August 2014

Disclaimer

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Sydney Airport advises that on 6 August 2014 its foreign ownership was 35.7%.

Agenda

01. Highlights and performance
02. Financial results
03. Traffic and capacity development
04. Commercial business update
05. Improving the passenger experience
06. Second Sydney airport update and outlook
07. Questions

Half year 2014 highlights

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Half year 2014, continued growth and momentum, delivering yield expansion and revenue growth

Highlights

- Continued strong revenue growth across all businesses
- 6.1% EBITDA growth on 2.3% total passenger growth and 4.7% international passenger growth, above long term trend
- $95.5 million of capital invested in capacity expansions and business improvements to accommodate ongoing growth
- New international low cost carrier, Cebu Pacific, announcement of debut services to Sydney commencing in September
- Landmark refinancing completed, diversifying funding sources, pushing out average maturity and refinancing all bank facilities maturing over 2014 - 2017
- Duty free retender progressing well, three operators now short listed
- Distribution guidance of 23.5 cents per stapled security reaffirmed; interim distribution paid of 11.5 cents fully covered by net operating receipts. Strong support for the distribution reinvestment plan.

A great start to 2014

Sydney Airport

Half year 2014 highlights

Passenger growth	Revenue growth	EBITDA growth	HY14 distribution
International ↑ 4.7% Total ↑ 2.3%	↑ 5.7%	↑ 6.1%	11.5c

Distribution growth

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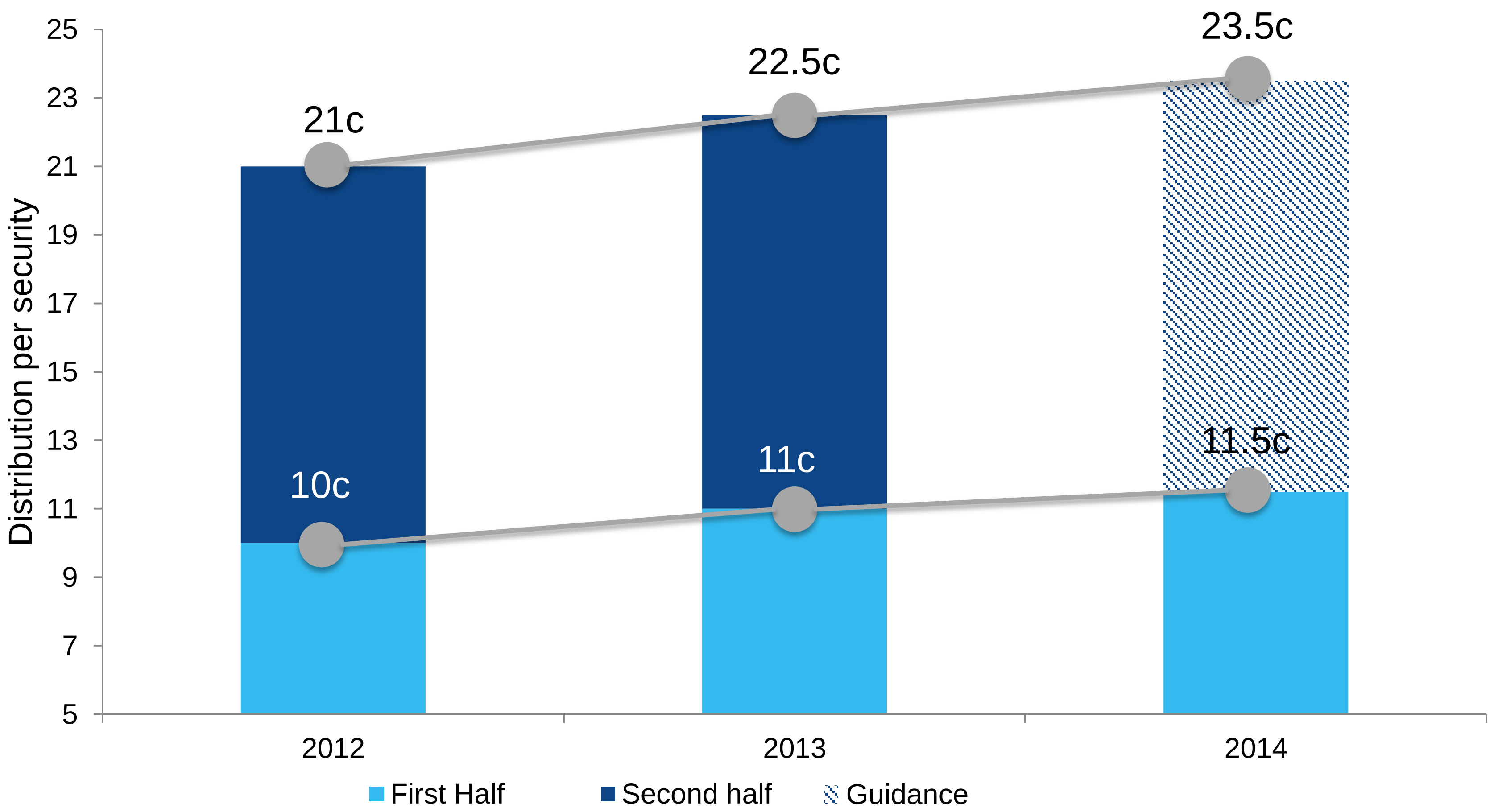
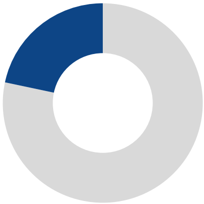
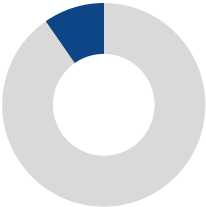
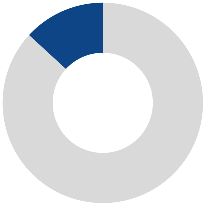
Distribution stable and growing in line with cash flows, 100% covered by net operating receipts



Operational performance snapshot

Strong operational performance across all businesses

Business Unit	First half 2014 highlights	Revenue ($m)	Revenue contribution	Revenue growth
Aeronautical	• Strong international passenger growth from Asian nationalities and mature markets • Secured new low cost airline, Cebu Pacific	277.6	49% 	5.7%[1]
Retail	• Passenger spend rates increased by 12.7% • New stores opened in 2013 trading at or above expectations	125.0	22% 	7.4%
Car Parking	• Improved car park utilisation and customer experience • Further targeted products developed • Online now driving 28% of revenues	66.4	12% 	5.7%
Property	• 278 market rent reviews conducted across portfolio • New leases represented nearly half of total property revenue growth	96.4	17% 	6.8%

1 Growth percentage, excluding aeronautical security recovery

Consistent track record of growth

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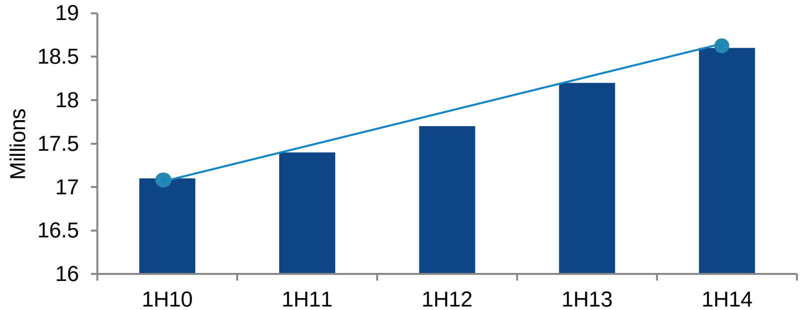
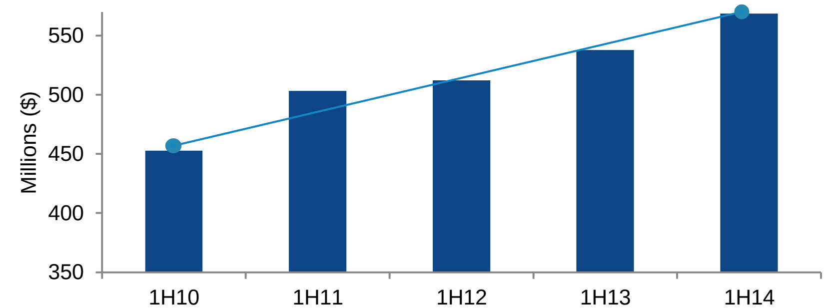
Passenger growth → **EBITDA growth** → **Cash flow outcomes** → **Investor returns**

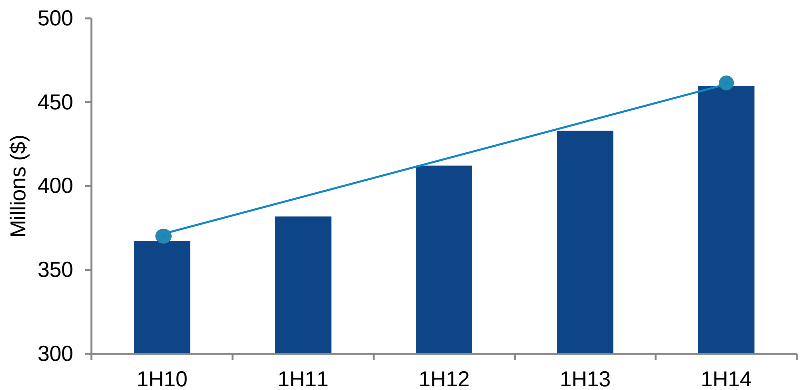
Total passengers



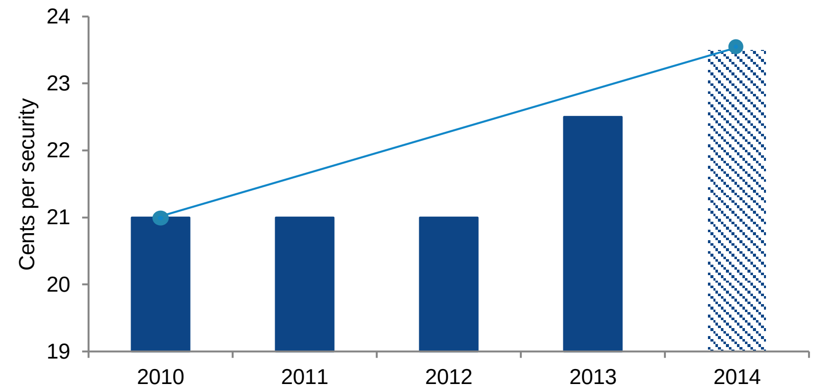
Total revenue



EBITDA



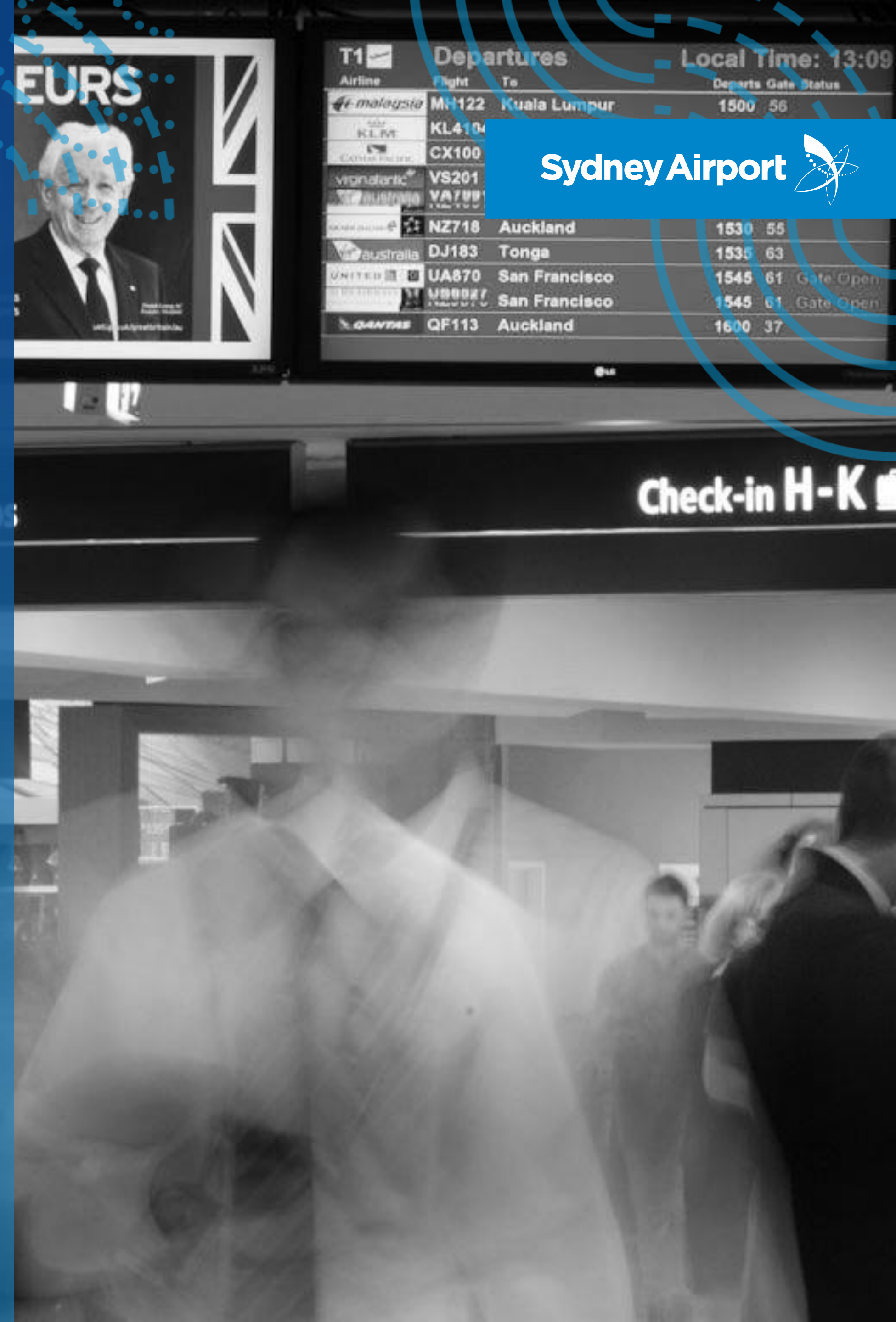
Distribution



Financial Results 1H 2014

Stephen Mentzines
Chief Financial Officer

Sydney Airport



Sydney Airport statutory income statement

Strong total revenue and EBITDA growth of ~6%

$ million	HY 2014	HY 2013	% change
Aeronautical revenue	236.3	223.6	5.7%
Aeronautical security recovery	41.3	42.0	-1.6%
Retail revenue	125.0	116.4	7.4%
Property and car rental revenue	96.4	90.3	6.8%
Car parking and ground transport revenue	66.4	62.9	5.7%
Other	3.0	2.7	11.1%
Total Revenue	**568.4**	**537.9**	**5.7%**
Expenses (pre specifics)	**(108.9)**	**(105.0)**	**3.7%**
Profit before depreciation, amortisation, finance cost and income tax (EBITDA pre specifics)	**459.5**	**432.9**	**6.1%**
Specifics	(0.5)	4.1	
Profit before depreciation, amortisation, finance cost and income tax (EBITDA)	**459.0**	**438.6**	**4.7%**
Depreciation and Amortisation	(151.9)	(150.0)	
Profit before finance costs and income tax (EBIT)	**307.1**	**288.6**	
Interest income	6.0	7.2	
Finance costs	(292.2)	(242.8)	
Profit before income tax (expense)/benefit	**20.9**	**53.0**	
Income tax (expense)/benefit	31.8	(39.7)	
Profit after income tax	**52.7**	**13.3**	
Profit Attributable to Non Controlling Interests	1.2	10.7	
Net Profit Attributable to Investors	**53.9**	**24.0**	

Sydney Airport distribution reconciliation

Sydney Airport

Sydney Airport distribution 100% covered by net operating receipts

$ millions	HY 2014
Profit before income tax benefit/(expense)	**20.9**
Add back: depreciation and amortisation	151.9
Profit before tax, depreciation and amortisation	**172.8**
Add / (subtract) non-cash financial expenses	
- Fair value adjustment to swaps	51.4
- Amortisation of debt establishment costs	15.4
- Capital Indexed Bonds capitalised	17.9
- Borrowing costs capitalised	(3.2)
Total non-cash financial expenses	**81.5**
Add / (subtract) other cash movements	
-Movement in cash reserved for specific purposes	1.0
-Other	(0.1)
Total other cash movements	**0.9**
Net operating receipts	**255.2**
Stapled securities on issue (m)	**2,216.2**
Net operating receipts per stapled security	**11.5c**
Distributions declared per stapled security	**11.5c**

Capital management

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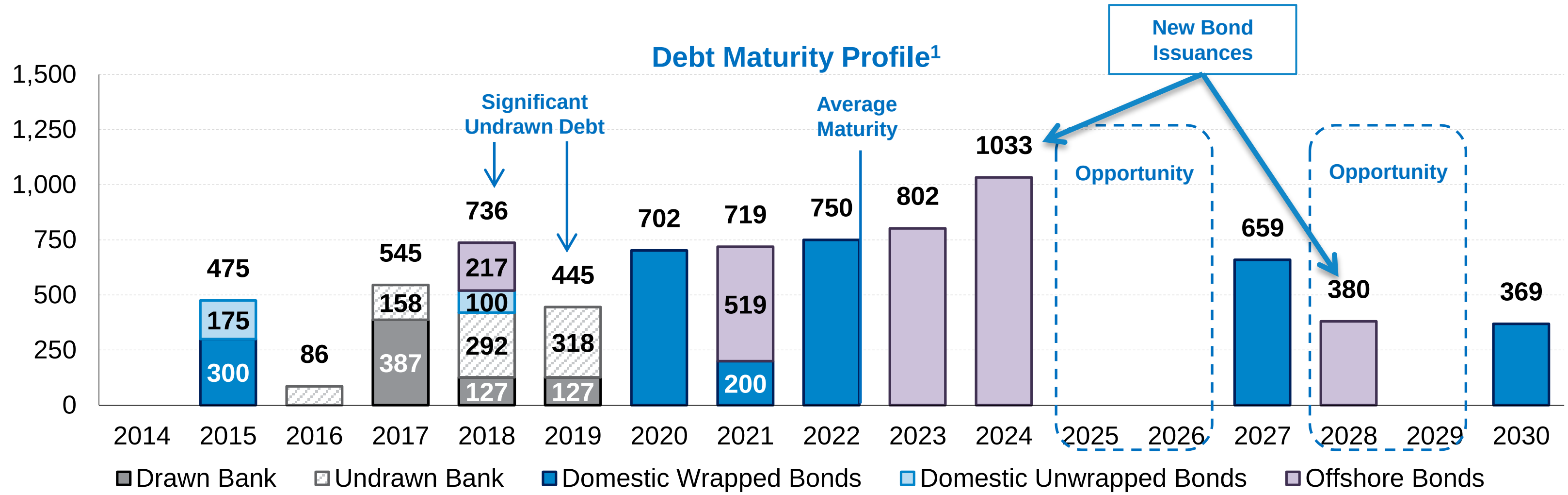
Significant liquidity and strengthened credit metrics

- $1.2bn of undrawn facilities available to cover current liabilities and fund growth capex into 2016
- CFCR 2.3x; Net Debt to EBITDA 6.9x; continued natural deleveraging
- Next unfunded maturity in 2H 2015; 2014 maturities addressed
- Average debt maturity late 2022; opportunities to lengthen further
- Stable cost of debt at 6.2%; short term interest rate exposure highly hedged and all currency exposure fully hedged

30 June 2014 Metrics	
Net debt	$6.5bn
Net debt/EBITDA	6.9x
CFCR	2.3x
Credit rating	BBB / Baa2
Next unfunded maturity	2H 2015
Average maturity	Late 2022[1]
Average cash interest rate	6.2%[2]



1 As at 30 June 2014 adjusted for redemption of $700m Nov-14 bond maturity using committed sources of undrawn bank and capital market debt (A$380m US private placement)
2 Cash interest paid / average gross debt, excludes up-front fees, commitment fees and capitalised interest

Capital Management - Refinancing

Sydney Airport

Landmark refinancing was consistent with all debt portfolio targets

Minimise Pricing
- ✓ Pricing inside current portfolio average

Maintain Capacity for Future Raisings
- ✓ New EMTN platform established
- ✓ Significant bank and bond oversubscription

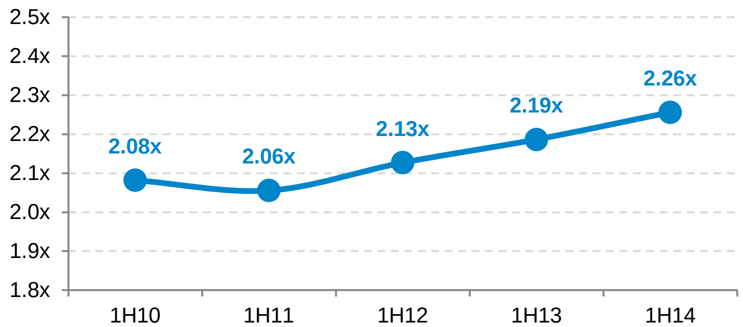
Spread & Lengthen Maturity Profile
- ✓ Maturity lengthened by 2 years
- ✓ Profile spread with gaps filled in 2024 & 2028

Minimise Execution Risk
- ✓ 2014 maturities addressed well in advance
- ✓ All 2014-2017 bank debt facilities refreshed

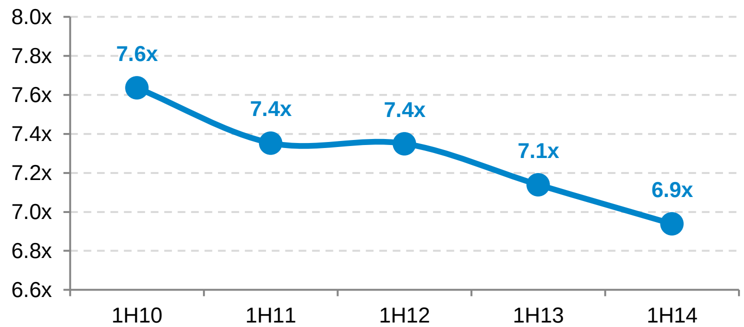
Diversify Funding Sources
- ✓ Bond issuances into two debut markets targeting 10+ year tenor

Maintain BBB/Baa2 Credit Rating
- ✓ BBB/Baa2 credit rating maintained

Total Interest Coverage[1]



Net Debt : EBITDA



1 Calculated as cash flow available for debt service dividend by total interest paid

Top four capex projects over the half

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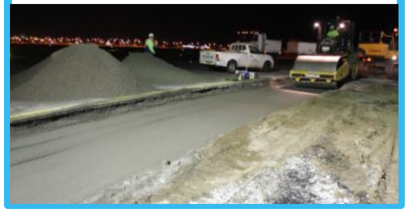
Capital expenditure for first half 2014 of $95.5m, guidance of $1.2b reaffirmed over 2014 - 2018

Baggage

- Additional A380 capable baggage reclaims belt, facilitating additional capacity
- New early bag store and additional sorting and make-up facilities
- Expected staged completion from March 2015

Taxiway T2

- Widening and improvement of taxiways B and C to the south of T2
- Improving efficiency of the T2 aprons
- Project completed



Aprons T1

- Enhance apron capabilities
- Improve terminal facilities
- Dual door boarding aerobridges, more efficient US screening, additional gate lounge seating
- Project completed June 2014

HIAL

- Additional High Intensity Approach Lighting on Northern runways (300m)
- Part of the broader low visibility strategy
- Project completed

Traffic and capacity development

Kerrie Mather

Chief Executive Officer

Sydney Airport

Diversity and positive market dynamics

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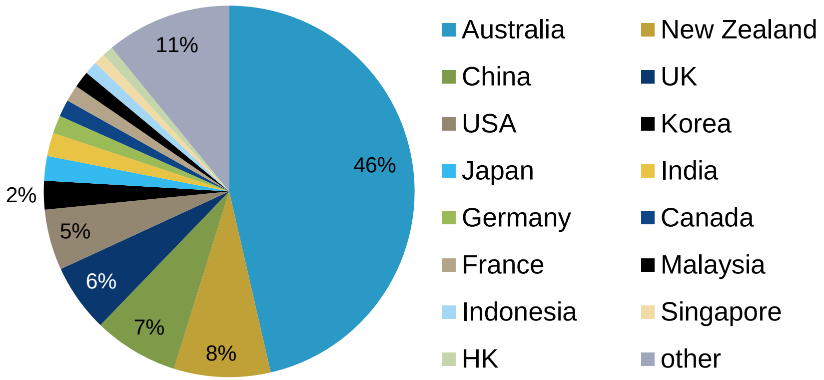
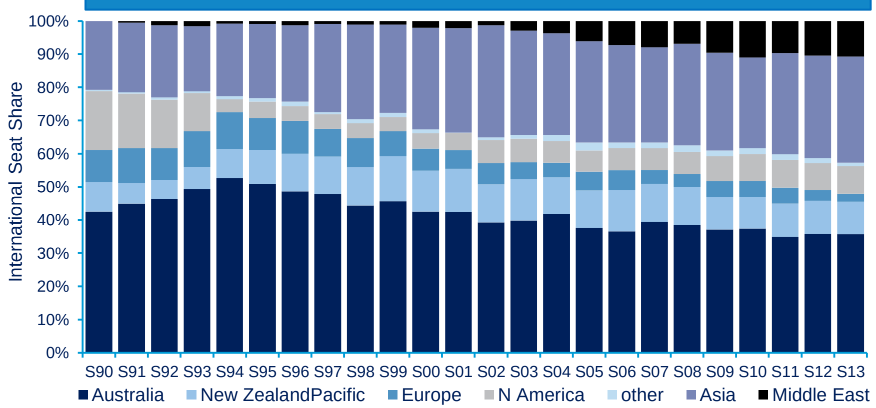
A strong catchment and diverse mix of airlines, destinations and nationalities, underpins traffic strength

- The composition of visitor numbers to Australia and Sydney has changed over the past 20 years
- The shifting focus to Asia is complemented by the shift of airlines serving Sydney Airport
- Traditional markets such as the United States and Europe also demonstrated strong growth during first half 2014

Growth in visitor numbers to Sydney Airport	1H14 incremental passenger numbers	% Growth
China	64,553	+15.8%
USA	19,228	+6.0%
India	17,359	+15.4%
Malaysia	16,933	+22.5%
UK	12,659	+3.5%
Korea	9,374	+6.2%
New Zealand	9,240	+1.7%
Hong Kong	8,604	+17.0%
France	7,326	+8.6%
Singapore	5,330	+9.3%



International Aircraft Seats by Region of Airlines*



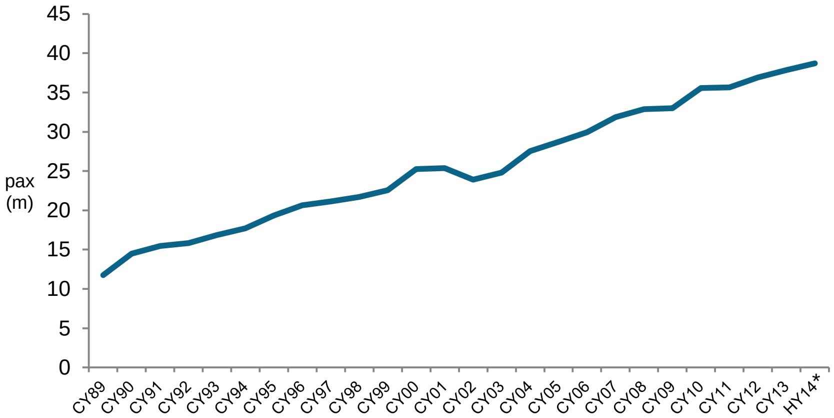
* International seats by origin market, 1990-2013

Aeronautical business and passenger performance

Year to date international passenger growth of 4.7% is a strong result and above our long term trend. Domestic passenger growth of 1.2%. Long term trend remains robust

- Strong passenger growth, above long term trends
- Aeronautical revenue up 5.7% driven by:
  - Strong growth in international passengers, due to Chinese New Year and Easter periods, as well as the benefit of a number of sporting, business and cultural events held in Sydney
  - Aeronautical investment, contributing 3.3% of total aeronautical revenue growth
- The domestic market in the near term is likely to continue seeing load factor improvement as previous capacity growth is absorbed. Within the market we expect to see a continuation of the trend LCC growth trend.

Long term total traffic growth



* HY14 Traffic number has been annualised

Low cost carriers driving growth

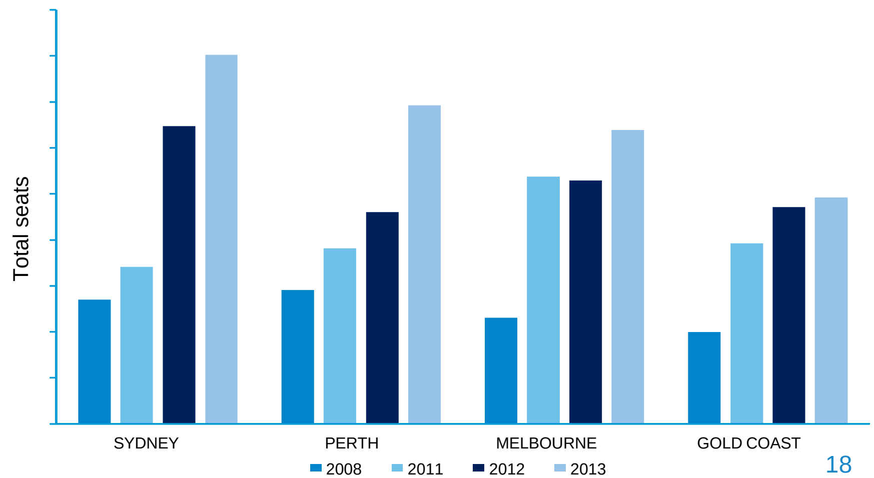
Sydney Airport

Sydney Airport welcomes the announcement by Cebu Pacific, operating services to Manila from September

- International LCCs have been a major contributor to our recent growth
- Sydney is well positioned to capture the Asian LCC expansion
- LCCs are efficient users of infrastructure
    - 30-50% additional seats on the same aircraft type relative to full service airlines
    - Rapid turnarounds
- The arrival of Cebu reinforces Sydney's position as Australia's largest international low cost carrier airport
- Cebu Pacific Air, will provide an additional 226,800 seats per year on the Sydney-Manila route
- In competitive response, Philippine Airlines announced increased frequency on their Manila – Sydney service from four weekly to five services from October.

Sydney Airport international low cost carriers

International LCC Seats (one-way per week)



Commercial business update

Diversity of revenue
Commercial businesses

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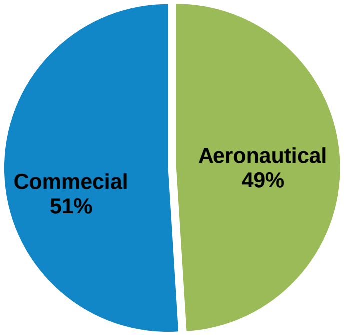
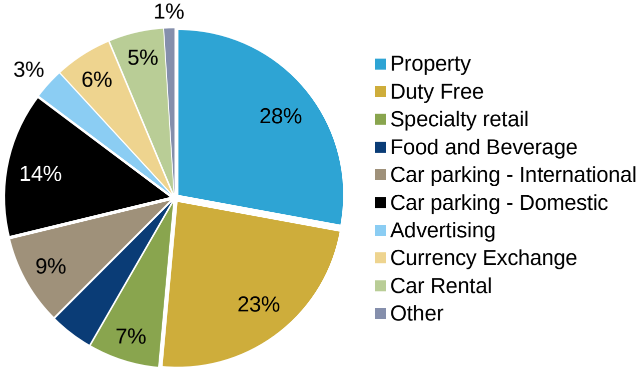
Balanced and diverse sources of revenue generation, underpins business strength

- Highly diversified portfolio
- Balanced and diverse revenue base, from aeronautical, retail, car parking and property. Roughly 50% aeronautical and 50% commercial
- Across airport we have around 500 leases for both property and retail tenants as well as over 16,000 car spaces, through the domestic and international precincts
- Many natural hedges exist and the majority of revenues have contracted or implicit annual escalations and down side protections

Revenue split, aeronautical and commercial



Commercial revenue split



Retail

Retail revenue grew strongly over the first half of 2014, driven by growing passenger spend rates

Performance

- Revenue grew 7.4%, strong growth reflecting increasing penetration and passenger spend rate improvement
- Strong performance due to:
  - Increased passenger spend rates of 12.7%
  - Complete cycling of tobacco law changes
  - Increase in Chinese passengers
  - Tailoring of brands and products across our retailers

New opportunities

- Three new tenancies in Terminal 1, to open late in Q4 2014
- Tendering of advertising business, a significant contract for the airport
- Review and repositioning of food courts across both Terminals 1 and 2

Retail	
Number of retail outlets	203
Gross lettable area	25,438m ^{2}
Occupancy	99.6%

Retail
Duty free retender

Sydney Airport

Strong retail performance is driving a very competitive tender process

Highlights

- Duty Free contract 13% of total revenue
- Duty free retender on track and progressing well; three operators have been shortlisted
- All submissions of very high calibre, a strong field that included the world's largest operators, driving a competitive process
- An announcement of Sydney Airport's winning Duty free partner or partners will be made this calendar year

World's largest operators

Rank	Operator	Country of origin	Sales in EUR
1	DFS	United States	4.1
2	Dufry	Switzerland	2.9
3	LS travel retail	France	2.9
4	Lotte Duty Free	South Korea	2.4
5	Heinemann	Germany	2.4
6	World Duty Free	Italy	2.1
7	Nuance	Switzerland	1.7
8	Shilla Duty Free	South Korea	1.4
9	Dubai Duty Free	UAE	1.3
10	Ever Rich Group	Taiwan	1.2

Source: Moodie Report July 2014
The duty free landscape has changed, The Boston Consulting Group estimates that the global duty-free goods market was worth $54.2 billion in 2013, up 5% from 2012. It projects that this will reach about $60 billion in 2015

Car parking

Car parking revenues continue to be driven by the success of the online offering

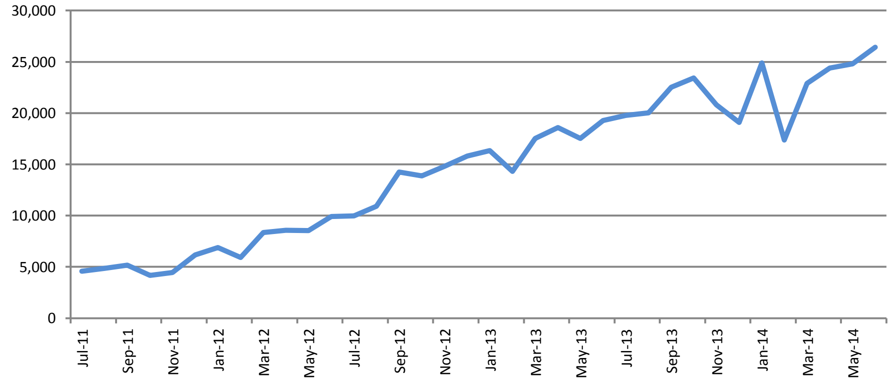
Performance

- Online revenue grew 41% over the six months, compared to pcp
- Online revenue continues to be a large part of public car parking revenue, now 28%
- Continuing to refine our discounted online offers, after analysing customer needs
- Developed new integrated short stay online capability, for 1, 2 and 3 hour slots, as well as valet options

New opportunities

- Ground Transport initiatives progressing well. Recovery expected via our normal aeronautical and commercial mechanisms
- Continued marketing efforts on radio, billboard and online, creating new markets and increasing utilisation in the off peak

Growth in online bookings



New online offers

Property

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Continues to create new opportunities for growth within the portfolio

Performance

- Revenue growth of 6.8%, driven by new leases and rental reviews
- Continues to manage a large number of leases and tenants, maintaining minor vacancies
- 278 rental reviews undertaken across the portfolio

New opportunities

- Review options for development of two new hotels, one 4-5 star and one 2-3 star, following the success of Rydges
- Car rental contract negotiation and expressions of interest for new possible operators
- Construction of the bridge over Alexandra Canal, opening up to 30 hectares of land for future development north of the Airport

Property metrics	
Number of property leases	Over 300
Gross lettable area	944,745 m^2
Occupancy	98%
Ave. rental growth on pcp	4.2%

Etihad lounge opened in December 2013

Improving the passenger experience

Sydney Airport

2014 ground transport improvements

Together Sydney Airport and the NSW Government are investing over $500 million

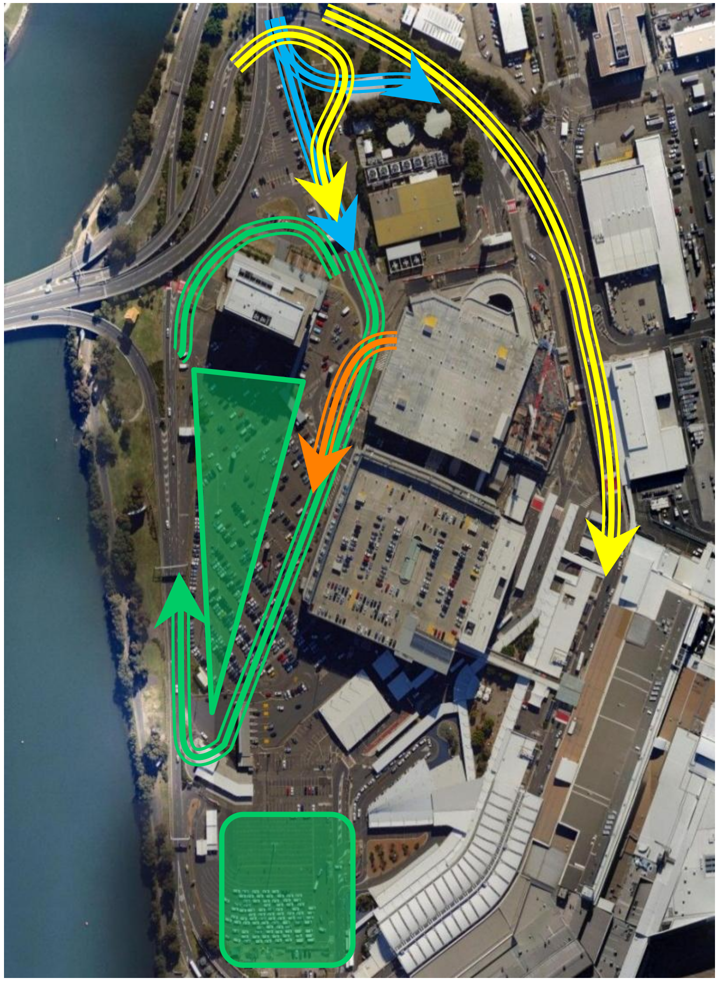
- Over the next five years Sydney Airport plans to invest approximately $300 million to improve the ground access and support facilities inside the airport boundary including:
  - T1: Free flowing centre road, new flyovers and expanded pick up area
  - T2/T3: New dedicated five lane exit road, ground transport interchange and parking/storage facility as well as four-five star hotel
- The NSW Government has committed $282 million to improve the road network outside the airport boundary near the T1 and T2/T3 precincts including:
  - Widening Marsh Street westbound to three lanes between the bridge and the M5
  - Reconfiguring Robey Street and O'Riordan Street to one way roads
  - Widening Joyce Drive to three lanes in each direction

Construction commenced T1 Precinct

Sydney Airport

The road works proposed for the T1 precinct will improve access, particularly at peak periods

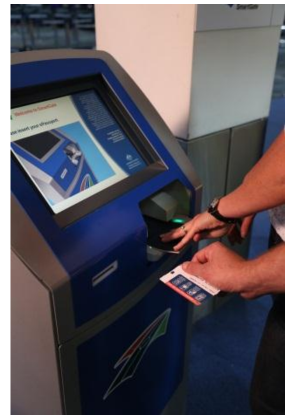
Stage	Description	Estimated Completion Date	Ref
1	• Widening of kerbside lane on Departures Rd • Reconfiguration of entry at Link Rd to provide greater capacity for vehicles from Airport Drive • Extension of drop off area on Departures Rd by 120m • Dedicated bus drop off zone at south end of terminal to provide greater capacity for vehicles at northern end of Departures Rd	**Completed Dec 2013**	✔
2	• Reconfiguration of existing entries and exits, including the construction of a new exit for city bound traffic • Centre Road alignment & entry to taxi holding area • Traffic management signals at Cooks River Drive exits • Enlargement of taxi holding and limousine pick up areas • Configuration of re-circulation north of Customs Building	Dec 2014 (Underway)	Green
3	• Widening Departures Road ramp approach to the terminal • Construction of Marsh Street to Centre Road ramp and reconfiguration/relocation of substation	Dec 2015	Yellow
4	• New Airport Drive flyover, facilitating arrivals level buses and provides for staff access to the northern car park, removing the merge between Airport Drive (bus arrivals and staff) with Marsh Street pax accessing the Departures Ramp	Jun 2016	Blue
5	• Construction of exit ramp from northern car park to Centre Road	Dec 2016	Orange

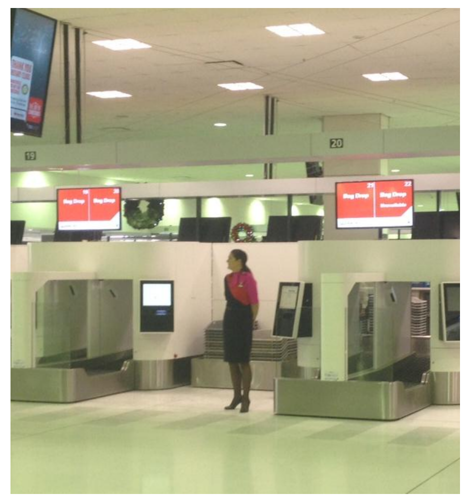


Technology improvements

Technology continues to assist in improving the passenger experience and providing more efficient processing

- Technology roll out continues to be a focus in improving the passenger experience
- Smart gates continue to gain patronage, with six countries now eligible and the ongoing rollout of ePassports
- Sydney Airport now has 28 smart gate kiosks and 22 smart gate processing gates
- Self-service check in trials in the international terminal have been a well received by passengers and airlines, and this initiative has now been rolled out to six airlines
- Self-service bag drop trials with Qantas International are now underway, with initial positive feedback



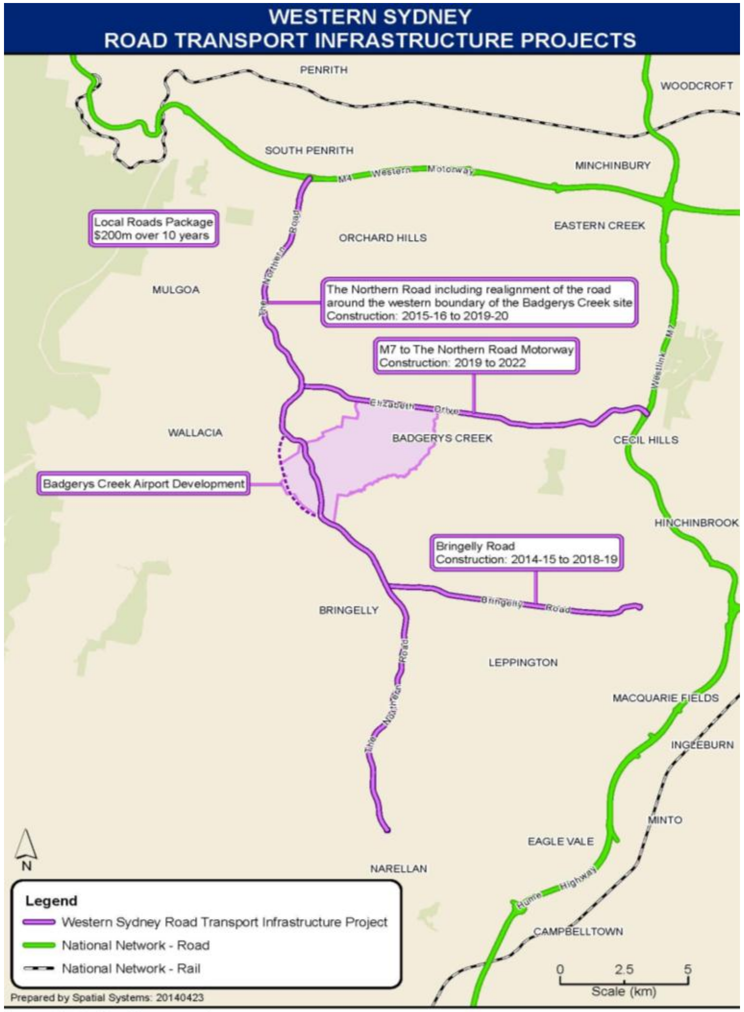


Second Sydney Airport update and outlook

Sydney Airport

Australian and NSW governments are progressing with infrastructure for western Sydney: Roads, rail and the airport

- The Australian Government has:
  - established the Western Sydney Unit to develop a detailed airport proposal and to work with the NSW Government on the broader infrastructure package
  - appointed Business Advisers Ernst & Young together with LEK, GHD and Landrum and Brown
- The Australian and NSW Governments are working in partnership to deliver the Western Sydney Infrastructure Plan (WSIP) to develop and deliver critical road infrastructure in advance of the airport:
  - Upgrade of Bringelly Road to a minimum of 4 lanes between Camden Valley Way and The Northern Road, works commencing 2014/15
  - Upgrade of The Northern Road to a minimum of 4 lanes from Narellan Road to the M4 Motorway, works commencing 2015/16
  - Construction of The Northern Road Motorway between the M7 Motorway and The Northern Road
- The NSW Government is progressing consultation on the South West Rail Link Extension



Source: Australian Government

Sydney Airport evaluating the opportunity

- The Australian Government issued, and Sydney Airport accepted, the Notice to Consult on the development and operation of a Western Sydney airport on 18 August 2014
- The nine month consultation period commences on 30 September 2014
- Sydney Airport has established a team of internal and external experts to examine the business case and evaluate the opportunity:
  - The work streams include but are not limited to - passenger forecasting, demographics, airport design and operation, planning and commercial development, environmental analysis, funding and financial modelling
  - Work streams mirror program established by Western Sydney Unit
- Following the end of the formal consultation, the Australian Government may enter a contractual phase which would involve issuing Sydney Airport a Notice of Intention setting out the material terms for the development and operation of the Western Sydney airport. The Government would then allow Sydney Airport between four and nine months to consider the exercise of its option
- Sydney Airport anticipates that its business case analysis and evaluation of the opportunity would continue through both the consultative and subsequent contractual phase; these are expected to take up to two years to complete

Indicative Timeline Only

Preliminary discussions → Notice to Consult (9 months) → Government consideration → Notice of Intention (4-9 months)

Outlook

2014 has started strongly with management initiatives translating into yield expansion and strong revenue growth across all businesses, driving increased distributable cash for investors

- All major management initiatives on track and progressing well
- Refinance completed providing financial flexibility, liquidity and lengthened tenor
- 1H14 Capex of $95.5 million, focused on capacity expansion and passenger facilitation
- Reaffirm guidance:
  - 23.5 cent distribution for 2014, reflecting confidence in the continuing growth in free cash flow.
  - $1.2 billion capex over the next 5 years (2014-2018)
- Sydney Airport is well positioned to capture future traffic growth and commercial opportunities


Sydney Airport
AIR