

21 February 2019

Strong performance from a growing and resilient business

- Sydney Airport welcomed a record 44.4 million passengers, up 2.5% on the prior corresponding period (pcp); international passengers grew 4.7%
- Earnings before interest tax depreciation and amortisation (EBITDA) of \$1,282.6 million, up 7.2%
- Net operating receipts (NOR) up 9.4% on the pcp; 2018 distribution paid of 37.5 cents per stapled security, growth of 8.7%
- Growth across all core businesses with total revenue increasing 6.8%
- Tightly controlled costs; total expenses excluding security and normalised for hotels, marginally increased 1.8%
- Capital investment of \$378.5 million, delivering aviation capacity, improved airport access and an enhanced customer experience
- Strong balance sheet with robust BBB+/Baa1 grade credit metrics and significant flexibility with over \$1.3 billion in undrawn facilities currently available to cover future debt maturities and fund ongoing investment
- Customer satisfaction scores increased 5% and 3% across the domestic and international terminals respectively
- 2019 distribution guidance at 39.0 cents per stapled security, expected to be more than fully covered by NOR, subject to external shocks to the aviation industry and material changes to forecast assumptions

Sydney Airport Chief Executive Officer, Geoff Culbert said: "Sydney Airport today announced a record result for the full year 2018, underpinned by another year of strong passenger numbers, an excellent performance across our non-aeronautical businesses, efficient capital investment and tightly controlled costs.

"Total passengers were up 2.5% to 44.4 million, with international passengers growing 4.7% to 16.7 million. 2018 was an impressive year with both international and domestic passenger numbers yet again at record levels.

"Sydney Airport welcomed an additional 1.1 million passengers in 2018, with a strong performance from a diverse range of major markets, including the United States of America, China, India, Taiwan and Japan. This growth reflects our increasing diversity in airlines, routes, destinations and nationalities.

"EBITDA grew 7.2% on passenger growth of 2.5%. The key drivers of the result were international passenger growth of 4.7% and a strong contribution from Retail and Property reflecting new leasing deals, strong duty free and speciality store performance, and a full trading year from our Mantra and Ibis Budget hotels.

"Sydney Airport is a business that continues to perform well in all cycles and this year was no exception. We are seeing ongoing opportunities for growth across our aeronautical and non-aeronautical businesses and have an investment program underway that will continue to deliver capacity and service excellence for our customers.

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“Sydney Airport’s diversity of revenues, airlines, passengers and destinations in addition to solid passenger growth supports our distribution guidance of 39.0 cents per stapled security for 2019, an increase of 4.0% on pcp. The 2019 distribution reflects that Sydney Airport expects to incur a cash tax liability in 2022, subject to underlying operational performance and capital investment opportunities. We expect distributions to be fully covered by net operating receipts over the transition period.”

Financial results

Revenue grew across all four businesses, with total revenue increasing by 6.8%. This result was primarily driven by international passengers and a strong performance from Retail and Property:

- **Aeronautical:** Revenue up 7.6%¹ reflecting 4.7% international passenger growth, agreed international charge increases and continued capital investment in aeronautical facilities and the passenger experience
- **Retail:** Revenue up 7.2% delivered by duty free and T1 specialty store performance, new T2 leasing deals and strong lease escalation
- **Property and car rental:** Revenue up 7.5% reflecting a full trading year for the Mantra and Ibis Budget hotels. Both hotels performed strongly in 2018 delivering \$8.0 million in EBITDA
- **Car parking and ground transport:** Revenue up 1.7%, ahead of domestic passenger growth and reflecting targeted capital investment in road upgrades and other congestion reducing initiatives

Tight control over total expenses resulted in a headline increase of 5.3% or \$15.3 million. When normalised for security and hotels (only six months of hotel expenditure was recorded in the pcp) our controllable expenses only increased by 1.8%.

Investment in capacity growth

In 2018 capital expenditure was \$378.5 million. Our investment centred on increasing both aeronautical and non-aeronautical capacity and improving the customer experience by delivering smart and connected infrastructure that sees Sydney Airport customers benefit from efficient operations, an improved retail offering and a more seamless journey.

Today we provide three-year capex guidance of between \$0.9-\$1.1 billion for the 2019-2021 period. We expect to invest between \$390-\$440 million in 2019.

Sydney Airport will continue to enhance our infrastructure offering and invest for capacity growth. This will include investment in the following key infrastructure:

- **Aeronautical Capacity:** development of aircraft parking facilities, including upgrades to a number of active bays and construction of several new layover bays and associated taxiways; expansion of T1 to include a new outbound baggage room and additional commercial space; development of two new T1 contact gates; redevelopment of the international departures entry point to double passenger throughput; rolling T1 and T2 bathroom upgrades; ongoing automation projects for faster passenger processing; and

¹ excluding security recoverable revenue

expansion and refurbishment of T2 check-in for automation, enhanced security and improved passenger throughput.

- **Non-Aeronautical Capacity:** staged expansion of the T2 speciality retail offering, additional to the JB Hi-Fi, Relay, and Lego openings in 2018; an enhanced arrivals experience through the development of a T1 landside arrival lounge and sleeping pods; a 78 room expansion of the Ibis Budget hotel to provide additional capacity for on-airport accommodation, due for completion in mid-2019; and the addition of a new 430 room hotel delivering additional capacity and choice for on-airport accommodation.

Balance sheet

We have continued to strengthen our balance sheet and credit metrics, with our cashflow cover ratio increasing to 3.2x, from 3.0x at FY17, and our net debt to EBITDA ratio reducing to 6.6x, from 6.7x at FY17.

We also continued to effectively manage our interest rate risk exposures, with 94% of all debt hedged on a spot basis as at 31 December 2018 and \$3.3 billion of forward starting interest rate swaps executed during 2018. Currency exposures on offshore debt remain 100% hedged.

Our proactive capital management approach saw the successful issuance of a ~AUD\$400 million multitranche 15, 20, 25 and 30-year tenor US private placement bond in October. This issuance significantly enhanced our liquidity position, with over \$1.3 billion of undrawn facilities currently available to fund future debt maturities and investment. This issuance further optimises our debt maturity profile, extending our weighted average debt maturity eight months to early-2025.

Sustainability

Sydney Airport continues to be a leader in sustainability and our dedication in this area has been globally recognised. A strong focus on environment, social and governance (ESG) practices saw Sydney Airport upgraded to seventh globally in the transport infrastructure sector on the Dow Jones Sustainability Index, up from tenth in 2017; to a 'AAA' rating by MSCI and to 'outperformer' in the transport infrastructure sector by Sustainalytics. Sydney Airport also achieved a 'leading' rating for disclosure by the Australian Council of Superannuation Investors.

Sydney Airport's sustainability strategy responds to our changing world, and the emerging challenges and opportunities that are shaping businesses. Through the implementation of our strategy we are seeking to deliver long term value for our communities, our people and our investors. In 2018, Sydney Airport strengthened its sustainability strategy with the identification of concrete commitments associated with each of the sustainability pillars and the introduction of three new flagship initiatives: Climate Resilience; Electrification of Vehicles and Equipment; and Airspace and Airfield Efficiency.

As part of the Climate Resilience initiative, Sydney Airport is committed to building resilience in our assets and operations to adapt to the impacts associated with climate change, and to minimise the carbon footprint of the airport. We have set ourselves the ambitious targets to be carbon neutral by 2025, and a 50% reduction in carbon emissions per passenger by 2025 from 2010 levels. We have already made great progress on our commitments, reducing our per

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passenger carbon intensity by 30.9% and our absolute carbon emissions by 6% since 2010. During the year we signed a Corporate Power Purchase Agreement (PPA) contracting up to 75% of our current electricity load from renewable sources, supporting our commitment to sustainability. This PPA project received Gold Recognition by Airports Council International Asia-Pacific in their 2019 Green Airports Recognition, for outstanding achievements by airports in environmental projects.

Customer Satisfaction

The customer experience at Sydney Airport remains a key focus. In 2018, Sydney Airport's customer satisfaction scores increased across both the domestic and international terminals by 5% (to 4.14) and 3% (to 4.13) respectively. We regularly seek feedback from our customers on how we can improve and enhance their journey. During 2018 we delivered several projects and initiatives in response to this feedback. These included the biometrics trial, the introduction of a 'quiet' terminal, digital wayfinding, increased charging points, service excellence training for all our staff, greater diversity in amenities and expanded dwell areas.

Our dedication to enhancing the customer experience contributed to Sydney Airport being awarded both capital city airport of the year at the Australian Airports Association national conference for the second consecutive year, and best airport in the Australia/Pacific Region at the Skytrax World Airport Awards.

Community Investment and Contribution

Sydney Airport has continued to partner with, support and collaborate with the communities in which we and our employees live and work. We strive to deliver outcomes that help our local communities thrive, support our leaders of tomorrow and embrace and showcase Sydney's best.

In 2018, we continued to strengthen and build on our diverse partnership program delivered through three key support pillars - Live Local, Leading and Learning and Sydney's Airport. Investing \$5.7 million across a range of local community events, festivals, clubs, councils and initiatives, our partnership program celebrates and supports individuals and organisations at a local, state and national level.

During the year Sydney Airport entered into a multi-million-dollar local partnership with Bayside Council, together committing more than \$11 million in funding for community and environmentally based projects and initiatives over the next 10 years. The jointly established Community and Environmental Projects Reserve Fund will focus on delivering much needed projects, programmes and facilities for the benefit of our local communities.

Outlook

2018 was a successful year for Sydney Airport. International passenger growth remained strong at 4.7% off an ever-increasing base. Efficient investment delivered aviation capacity, improved airport access and an enhanced customer experience.

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Sydney Airport is a resilient asset which has a proven history of performance and growth across all economic cycles. We will continue to deliver a strong performance across the core business through 2019 while being flexible and adaptable to changing market conditions.

Sydney Airport today provided distribution guidance of 39.0 cents per stapled security for 2019, subject to aviation industry shocks and material forecast changes, which is expected to be more than fully covered by NOR, reflecting growth across the core businesses and increasingly efficient operations.

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SYDNEY AIRPORT FINANCIAL HIGHLIGHTS

	12 months to 31 Dec 2018 \$m	12 months to 31 Dec 2017 \$m	Change %
Passengers (millions)			
International (including domestic-on-carriage) ¹	16.7	16.0	4.7%
Domestic (including regional) ¹	27.7	27.4	1.4%
Total passengers	44.4	43.3	2.6%
Revenue			
Aeronautical revenue	721.7	670.6	7.6%
Aeronautical security recovery	98.7	91.3	8.1%
Retail revenue	357.0	333.1	7.2%
Property and car rental revenue	238.1	221.4	7.5%
Parking and ground transport revenue	162.1	159.5	1.7%
Other	7.1	7.4	-4.0%
Total revenue	1,584.7	1,483.3	6.8%
Other income			
Profit on disposal of non-current assets	0.2	0.1	65.5%
Total revenue and other income	1,584.9	1,483.4	6.8%
Operating expenses			
Employee benefits expense	64.6	57.5	12.3%
Services and utilities expense	83.7	84.2	-0.6%
Property and maintenance expense	29.8	31.4	-4.9%
Security recoverable expenses	91.5	83.6	9.4%
Other operational costs	32.7	27.8	17.6%
Total operating expenses	302.3	284.5	6.3%
Other expenses			
Business acquisition costs	-	1.9	n/a
Western Sydney Airport project costs expensed (WSA)	-	0.6	n/a
Loss on disposal of non-current assets	-	-	n/a
Total expenses	302.3	287.0	5.3%
EBITDA	1,282.6	1,196.4	7.2%
EBITDA excluding WSA and business acquisition costs	1,282.6	1,198.9	7.0%
Net external cash finance (costs)/income	(403.7)	(390.7)	3.2%
Movement in cash reserved for specific purposes and other items	(18.0)	(18.4)	0.1%
Net operating receipts²	860.9	787.3	9.4%
Average stapled securities on issue (millions)	2,253.8	2,250.5	0.1%
Net operating receipts per stapled security²	38.2c	35.0c	9.2%
Distributions per stapled security	37.5c	34.5c	8.7%
Ratio of net operating receipts to distributions	102%	101%	n/a
Capital expenditure	378.5	428.5	n/a
Per passenger measures (\$)			
Revenue	35.7	34.2	4.1%
EBITDA	28.9	27.6	4.5%

Note: Calculations may be affected by roundings.

¹ Due to data availability, all international passenger numbers (including prior corresponding period comparisons) are based on Confirmed Airline Passenger (CAP) data.

² Refer to the Directors' Report of the Sydney Airport Interim Financial Report for a reconciliation of statutory profit before tax to net operating receipts.

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