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Sydney Airport
The right future.
Starting now.

ASX Release

27 February 2013

Results for the Year Ended 31 December 2012

Sydney Airport today announced its results for the year to 31 December 2012. CEO, Ms Kerrie Mather, said, "Sydney Airport continued to deliver strong performance for investors in 2012, achieving 7.4% EBITDA growth and 3.6% total passenger growth. International passenger growth of 5.6% was particularly pleasing driven substantially by new international low cost carriers serving Sydney. In line with our previous commitment, the $0.21 per stapled security distribution is now 100% covered by Net Operating Receipts, establishing a solid base for growth in cash flows to investors."

1. 2012 Highlights

- Total investor return[i] of 36%; 16 percentage points above the ASX200 Accumulation Index
- EBITDA growth of 7.4%
- SAHL distributed $0.21 per stapled security; 100% covered by Net Operating Receipts

2. Performance in Brief

Sydney Airport Holdings Limited (SAHL) Performance	FY 2012	FY 2011
Statutory Net Profit Attributable to SAHL Security Holders[ii]	$179.2m	$121.6m
Net Operating Receipts per stapled security[iii]	$0.21	$0.17
Distribution per stapled security	$0.21	$0.21

Sydney Airport Performance ($m)	FY 2012	FY 2011	% Change
Traffic (millions of passengers)	36.9	35.6	3.6%
Revenue	1,039.7	972.8	6.9%
Operating Costs (pre specific expenses)	(186.0)	(177.8)	4.6%
Other	(4.7)	(4.3)	n/a
EBITDA (pre specific expenses)	**849.0**	**790.7**	**7.4%**
Specific Expenses	(1.0)	(0.9)	n/a
EBITDA	**848.0**	**789.8**	**7.4%**

3. CEO Review

Ms Mather said, “Sydney Airport delivered strong EBITDA growth of 7.4% in 2012 and extended the record of growth since privatisation to 42 consecutive quarters. We also continued to deliver distribution and EBITDA growth well above passenger growth.

Operating Leverage	2012 Annual Growth	CAGR 2007-2012
Passengers (millions)	3.6%	3.0%
EBITDA ($m)	7.4%	6.9%
Underlying Distributable Cash Flow ($m)[iv]	13.8%	9.8%

Economic Contribution and Partnerships

“A recent Deloitte Access Economics study into the economic impact of Sydney Airport reinforced the importance of the airport as vital to Australia’s continued prosperity and an essential part of its transport network. Key findings included that Sydney Airport directly and indirectly generates or facilitates close to 300,000 jobs and makes an economic contribution equivalent to approximately 6% of NSW GDP and 2% of Australian GDP.

“Recognising the contribution our business makes, we have formed close partnerships with many industry bodies, all levels of government and community stakeholders. These partnerships not only benefit tourism and the Australian economy, but help to drive traffic and financial growth for the airport.

“During 2012 two new international low cost carriers, Scoot and AirAsia X commenced daily operations to Sydney Airport; these two daily aircraft added approximately 4% to total international seat capacity. Our partnerships with Destination NSW and Tourism Australia were vital in attracting these services to Sydney Airport. The Australian Government has also continued to drive a program of bilateral air rights liberalisation which has helped to stimulate significant traffic growth to and from countries including China and Malaysia. We will continue to develop and foster our partnerships with a wide range of stakeholders to drive tourism growth.

Investment in Capacity and Service

"Our capital expenditure program continues to be dedicated to expanding airport capacity and enhancing service levels for airlines and passengers. All investments are consistent with the long-term vision for Sydney Airport.

"The T2 Pier A Extension was completed in time for the Christmas peak travel period. It added five new gates capable of handling wide-bodied aircraft and 4,500m^2 to Australia's busiest airport terminal. It also facilitated the widening of the passenger concourse and improved passenger circulation. The extension was critical to facilitating domestic wide-bodied aircraft operations which are increasingly prevalent on the Sydney-Melbourne and Sydney-Perth routes.

"Another important area of investment was passenger processing technology. We increased the number of self-service check-in kiosks, added SmartGates in association with the Australian Government, to facilitate a more efficient customs process for Australian and New Zealand passengers and upgraded the transit passenger security screening infrastructure.

The Value Proposition

"Increasing value and choice for our customers is a key ongoing focus. In 2012 we made significant progress in this area, particularly through our car parking and retail businesses.

"In September 2012, we launched our new car parking strategy after extensive research into passenger needs around products and choice. The investment leading up to the launch was over $50 million and included a new 2,300 space car park at the international terminal, 1,000 new long-stay spaces at the rebranded 'Blu Emu' car park, new guidance and payment systems within car parks and the implementation of a new online booking system. The early feedback has been overwhelmingly positive with the uptake of online booking and discounted offers increasing every month and the Blu Emu car park reaching record occupancy levels over the Christmas period.

"Through 2012 we also made a number of changes to the retail offer with the aims of addressing passenger feedback, improving the value proposition and ensuring ongoing competitiveness. We expanded our food and beverage offer in T2, ensured travel staples such as water and coffee were accessible at a range of price points, implemented a currency exchange matching program so rates were equivalent to the CBD and continued the provision of free WiFi throughout T1".

4. Performance Analysis

Revenue

Total revenue rose 6.9% over the pcp to A$1,039.7 million. Revenue benefitted from $5.0 million of non-recurring items[v] and excluding these, total revenue rose 6.4% over the pcp.

International passenger growth was driven by both Australian outbound (+5.9% excluding DOC[vi]) and foreign inbound (+4.8% excluding DOC) travellers. The launch of two new international low cost carriers, Scoot from Singapore and AirAsia X from Kuala Lumpur, stimulated new demand in the inbound and outbound markets. Many existing carriers also added capacity and achieved higher load factors when compared to the pcp. Asian travel continued its recent trend with China, Malaysia, Singapore, Indonesia, India and Japan all contributing significant growth. Domestic passengers grew strongly in the second half of 2012 (+5.8%) driven predominantly by the establishment of a four aircraft Tiger base at Sydney and significant Jetstar capacity additions.

Retail revenue grew 5.3% for 2012, with international passenger growth and four new tenancies in T2 providing the strongest contributions. Together with Nuance we have responded to amended tobacco duty free allowances from 1 September. Changes include incentives in the contract for Sydney Airport and Nuance working together to grow the sale of new product lines, allocating previously leased space for Sydney Airport's use and rental adjustment for the period to February 2015. The 2012 result includes an adjustment of $3 million for the four months from 1 September.

Property and car rental revenue grew strongly, up 8.3% for half year driven by increased lettable areas, positive market rent reviews and additional income from fuel services. 2012 was the first full year of financial contribution from the Central Terrace Building which is now occupied by 5 tenants. The international Rydges hotel development will be the first hotel in the international precinct and is scheduled to open in the middle of 2013.

Ground transport and commercial services revenues were 8.9% higher than the pcp. Successful implementation of the new car parking strategy, completed in September 2012, has expanded the product choice and enhanced the value proposition for customers. Additional capacity, advanced technology, tailored products and new online booking systems all contributed to a strong second half and established the basis for ongoing business revenue growth.

Operating Expenses

Prudent management of operating expenses continued throughout 2012 with growth of 4.7% over the pcp to $187.0 million. Operating expenses excluding specific items were 4.6% higher. Recoverable security was the key growth item, up 5.6% or $3.5 million, driven by additional government-mandated requirements. Recoverable security expenses are 100% recharged and remain EBITDA neutral.

Controllable operating expenses (excluding recoverable security expenses and specific items) grew 4.1% for 2012 driven largely by a reallocation of costs from SAHL to Sydney Airport. Other operating costs were 12.6% or $1.8 million higher due to additional revenue-generating marketing activities and higher professional fees (offset by lower SAHL costs). In addition, as flagged at the interim results Sydney Airport was impacted by higher utility prices in the second half, without the benefit of the up-front savings from the first half supply retender.

Significant group efficiencies have been created through the complete integration of the former MAp activities and Sydney Airport. SAHL's corporate costs (excluding transaction costs) were $9 million, down over 60% on the pcp and net corporate costs were just $2 million[vii]. Combined SAHL and Sydney Airport costs reduced by $7 million or 3.4%.

Capital Expenditure

2012 capital expenditure was $215.2 million, with this investment forming part of a four year program to delivery capacity across the airport. Key aeronautical projects included the Terminal 2 extension, new aprons for aircraft parking, new international transit passenger security infrastructure and a baggage handling system upgrade. Key commercial projects included the new international multi-storey car park, Blu Emu expansion and car park equipment upgrades.

Forecast capital expenditure for 2013-2015 is approximately $230 million per annum and is consistent with the Master Plan scheduled for release later in 2013.

Debt

Sydney Airport completed a successful refinancing in 2012 with the following key outcomes:

- $1.1 billion of new senior debt facilities raised at below average cash interest cost
- Addressed all 2013 debt maturities

- Fully funded capital expenditure program into 2016
- All three ratings agencies reaffirmed Sydney Airport's BBB or equivalent credit rating
- No debt maturing until Q4 2014; funding in place to redeem November 2013 bonds

SAHL

SAHL Net Operating Receipts per stapled security were $0.21 for the full year and provided 100% coverage of the $0.21 per stapled security distribution.

SAHL is currently in a dispute with the ATO regarding the position paper received in December 2012, which questioned the deductibility of certain payments made on redeemable preference shares. The Directors remain confident in the deductions claimed and will take appropriate actions to preserve investor value.

5. Outlook

"2013 has started strongly with 3.9% international passenger growth in the year to date. Management will continue to market Sydney Airport to our airline customers and work closely with our industry and government partners to drive tourism growth. When combined with new business initiatives and our prudent management of expenses and capital, we remain committed to delivering EBITDA and cash flow growth significantly above passenger growth. We will also continue to drive improvements in value and customer experience across our business", Ms Mather added.

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[i] Total investor return is calculated as capital gain / (loss) plus distributions

[ii] Taken from the SAHL audited Full Year 2012 Financial Statements

[iii] Net Operating Receipts defined as SAHL distributions received from Sydney Airport less SAHL net corporate cash flows. Refer to page 4 of the SAHL Financial Report for Year Ended 31 December 2012 for the calculation of SAHL Net Operating Receipts, and for a description of how Net Operating Receipts should be utilised

[iv] Estimated excluding reserve movements, special distributions and equity injections

[v] Aeronautical and Property revenue benefitted from $4.8 million and $0.2 million of non-recurring items respectively

[vi] Domestic-On-Carriage

[vii] Refer to page 4 of the SAHL Financial Report for Year Ended 31 December 2012 for the calculation of SAHL net corporate costs and SAHL transaction costs

SYDNEY AIRPORT FINANCIAL HIGHLIGHTS

Millions	2H CY12 SCACH Group	2H CY11 SCACH Group	% change	CY 2012 SCACH Group	CY 2011 SCACH Group	% change
Half Year / Year to date - from:	01-Jul-12	01-Jul-11		01-Jan-12	01-Jan-11	
Half Year / Year to date - to:	31-Dec-12	31-Dec-11		31-Dec-12	31-Dec-11	
Revenues						
Aeronautical	224.0	206.3	8.6%	433.2	402.5	7.6%
Aeronautical security recovery	39.2	38.2	2.5%	77.4	76.2	1.5%
Retail	119.8	114.9	4.2%	235.1	223.3	5.3%
Property and car rental	87.2	81.0	7.7%	169.0	156.0	8.3%
Ground transport and commercial services	62.9	57.3	9.7%	119.3	109.5	8.9%
Other	3.0	2.6	17.0%	5.7	5.1	11.7%
Total revenues	**536.1**	**500.4**	**7.1%**	**1,039.7**	**972.8**	**6.9%**
Cost of sales	2.6	2.7		4.8	4.3	
Other income						
Profit on sale / (loss on disposal) of non current assets	0.0	0.0		0.1	0.0	
Operating expenses						
Labour	20.0	18.0	10.8%	38.7	37.6	3.1%
Services and utilities	24.7	22.9	8.1%	46.6	45.2	3.0%
Other operational costs	9.0	7.8	15.6%	16.4	14.6	12.6%
Property and maintenance	9.3	8.7	7.3%	18.1	17.7	2.2%
Recoverable security opex	33.5	31.5	6.5%	66.2	62.7	5.6%
Specific expenses:	0.0	0.6		1.0	0.9	
Total operating expenses before recoverable security opex and specific expenses	**63.1**	**57.4**	**9.9%**	**119.8**	**115.1**	**4.1%**
Total operating expenses before specific expenses	**96.6**	**88.8**	**8.8%**	**186.0**	**177.8**	**4.6%**
Total operating expenses	**96.6**	**89.4**	**8.1%**	**187.0**	**178.7**	**4.7%**
EBITDA before recoverable security opex before specific expenses	**470.5**	**440.3**	**6.9%**	**915.2**	**853.4**	**7.2%**
EBITDA before specific expenses	**436.9**	**408.9**	**6.9%**	**849.0**	**790.7**	**7.4%**
EBITDA	**436.9**	**408.3**	**7.0%**	**848.0**	**789.8**	**7.4%**
Capital expenditure	**100.6**	**113.0**	**-11.0%**	**215.2**	**182.7**	**17.8%**
Total Pax	**19.3**	**18.2**	**5.5%**	**36.9**	**35.6**	**3.6%**
$ per passenger measures						
Revenue	27.85	27.43	1.5%	28.17	27.30	3.2%
Operating expenses before specific expenses	5.02	4.87	3.1%	5.04	4.99	1.0%
Operating expenses	5.02	4.90	2.4%	5.07	5.01	1.0%
EBITDA before specific expenses	22.70	22.42	1.2%	23.00	22.19	3.6%
EBITDA	22.69	22.38	1.4%	22.97	22.17	3.6%
Capex	5.23	6.20	-15.7%	5.83	5.13	13.7%