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Sydney Airport
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Starting now.

# ASX Release

**22 August 2013**

# Results for the Half Year Ended 30 June 2013

Sydney Airport today announced its results for the half to 30 June 2013. CEO, Ms Kerrie Mather, said, "We are pleased to announce a strong set of results for the first half. EBITDA grew 6.0% on total passenger growth of 3.0% reflecting international traffic growth, primarily driven by China and the US, and an excellent performance from our commercial businesses. Last week's announced package of initiatives, including the acquisition of Sydney Airport's minority investors, an in principle agreement with the ATO and further simplification is an important step. It will enable investors to focus solely on the operational performance of the business, provides tax certainty and a simplified and transparent corporate structure. In May we provided distribution guidance of 22.5 cents per security for FY13[i] reflecting our confidence in the continued growth in operations and free cash flow."

## 1. HY 2013 Highlights

- Total investor return[ii] of 16% for the year to date
- EBITDA growth of 6.0%
- Interim distribution of $0.11 per stapled security; 100% covered by Net Operating Receipts

## 2. Performance in Brief

| ASX-listed Sydney Airport (SYD) | HY 2013 | HY 2012 |
|---|---|---|
| Statutory Net Profit Attributable to Security Holders[iii] | $24.0m* | $88.6m |
| Net Operating Receipts per stapled security[iv] | $0.11 | $0.11 |
| Distribution per stapled security | $0.11 | $0.11 |

* Includes $69 million tax expense related to the in-principle non-binding ATO settlement

| Sydney Airport Performance ($m) | HY 2013 | HY 2012 | % Change |
|---|---|---|---|
| Traffic (millions of passengers) | 18.2 | 17.7 | 3.0% |
| Revenue | 537.9 | 503.6 | 6.8% |
| Operating Costs (pre specific and security expenses) | (62.6) | (56.7) | 7.5% |
| Security | (36.7) | (32.7) | 12.2% |
| Other | (1.8) | (2.1) | (19.0%) |
| **EBITDA (pre specific expenses)** | **436.9** | **412.1** | **6.0%** |
| Specific Expenses | - | 1.0 | N/A |
| **EBITDA** | **436.9** | **411.1** | **6.3%** |

## 3. Performance and Operations

EBITDA growth of 6.0% for HY13, on passenger growth of 3.0%, reflects strong international passenger growth and yield improvement from new initiatives in all business areas.

| Operating Leverage | HY 2013 Growth |
|---|---|
| Passengers (millions) | 3.0% |
| EBITDA ($m) | 6.0% |
| Underlying Distributable Cash Flow ($m) | 8.4% |

### Revenue

Total revenue rose 6.8% over the pcp to A$537.9 million. All businesses performed well, with revenue growth exceeding passenger growth.

Aeronautical revenue grew 6.9% over the half. International passenger growth of 3.6% was driven primarily by strong foreign inbound travellers (+4.4%). Aircraft upgauging and increased frequency announcements by a number of airlines have been significant drivers of growth during the period. Scoot and AirAsia X contributed positively to the first half performance. AirAsia X will increase to double-daily services from Kuala Lumpur in November as a result of new air service agreements between Australia and Malaysia. Asian nationality markets continue to perform strongly, with

China, Malaysia, Singapore and India continuing to contribute significant growth. Domestic passengers grew steadily by 2.4% in the half driven predominantly by capacity additions.

Retail revenue grew 5.3% after adjusting for the duty free tobacco contract amendments. Together with Nuance, a number of initiatives have been implemented to increase retail areas to make way for new concessions, including National Geographic, A Little Something (fine foods) and Opals on George. Tenancy fit outs have commenced and opening is expected in Q3. Retail is performing well, with high space productivity and strong and growing demand for space. Our focus continues to be on the communication of the strength of the value proposition along with ensuring the mix of concessionaires reflects the changing mix of our passengers.

Property and car rental revenue grew strongly, up 9.4% for the half year driven by market rent reviews, new leases and additional income from ancillary services. The property strategy, encompassing lounges, office space, hotels, freight, rental cars and ancillary services focuses on optimising our portfolio returns, streamlining commercial arrangements and providing superior on airport passenger and customer facilities. Demand for space continues to be strong with occupancy at 98%. The four-and-a-half star Rydges hotel opened in May, with initial performance ahead of expectations, reflecting solid demand for a quality hotel offering within walking distance of the international terminal.

Car Parking and Ground Transport revenues were 11.5% higher than the pcp. Successful marketing, advertising and yield management combined with the introduction of a number of new targeted products has resulted in increased patronage and productivity. The take up of our online products has been particularly pleasing with 18% of our car parking revenues now sourced from online bookings. Customers are taking advantage of the significant discounts and special offers online while enjoying the convenience of pre-payment. The new car parking strategy launched last September continues to stimulate growth while ensuring we are meeting the changing needs of our customers. Our new initiatives and special offers continue to expand the product range and enhance the value proposition for customers.

## Operating Expenses

Operating expenses were up $5.9 million in the first half predominantly due to Services and Utilities increases. The expected increase in utilities costs was flagged 12 months ago, however due to a contract retender in 2012 and a significant recycling program, the effects of state wide utility price rises were delayed. Other operational costs were also higher primarily as a result of implementing our new car parking strategy. A significant campaign was launched on billboards, the traffic segment on radio and online, specifically targeting new customers while informing the public of our new products and special deals. Recoverable security is up $4.0 million or 12.2%, driven by additional government-mandated requirements. Recoverable security expenses are 100% recharged and remain EBITDA neutral.

Discretionary costs[v] remain controlled, increasing 3.4% on pcp.

## Capital Expenditure

Capital expenditure was $103.6 million for the half; part of our three year investment program of $700 million. The investment program is delivering additional capacity and facilities and is focused on improving the customer experience at Sydney Airport. Key airport projects commenced or completed this half included upgrading and expanding gates and aprons to accommodate larger aircraft. The departures screening works were completed to make way for the new body scanners and increasing passenger circulation during the screening process. The Seventh Street car park is under construction and due for delivery in Q4 2013, increasing car park spaces in the domestic precinct by approximately 900 in time for the Christmas peak. Improvements in T1 to Pier C have been completed, including, expanded gate lounges, new brands and stores, improved lighting and the creation of a more contemporary look and feel.

Forecast capital expenditure for 2013-2015 is approximately $230 million per annum and all investment will be consistent with the Preliminary Draft Master Plan (PDMP).

## Debt

Net debt was $6.2 billion, increasing by our capital expenditure during the period of $0.1 billion. Due to operational growth, net debt to EBITDA ratio reduced to 7.1x and the cash flow cover ratio increased to 2.2x. Balance sheet remains strong, with undrawn facilities and cash of approximately $1.3 billion available to provide financial flexibility and fund growth capex into 2016.

Sydney Airport's next refinancing of $822 million (including $86 million undrawn working capital facility) is not due until Q4 2014. Over the first half of 2013 all three ratings agencies reaffirmed Sydney Airport's BBB credit rating.

## Preliminary Draft Master Plan

The PDMP is our new land use plan outlining how we will develop the airport to meet demand to 2033 and beyond. The PDMP was placed on public exhibition on 5 June and will remain on display until 30 August 2013. The Draft Master Plan will then be prepared and provided to the Minister in December 2013.

## Minority Acquisition, ATO Resolution and Simplification

On 14 August, SYD announced an exciting package of initiatives including:

- Acquiring the remaining 15.2% minority holdings of Sydney Airport, thereby moving to 100% ownership;
- Agreeing in-principle non-binding terms to settle the ATO review of RPS interest deductibility; and
- Simplifying the SYD corporate group, providing the opportunity to increase the foreign ownership limit from 40% to 49%.

Each of these steps forms an important part of SYD's long term strategy to acquire more of Sydney Airport at the right value, and to provide investors with increased certainty and simplicity. Completion of these initiatives remains subject to various regulatory, investor and other approvals, but is expected to occur prior to the end of 2013.

## Distributions

Net Operating Receipts per stapled security were 11 cents for the half, and the distribution paid on 16 August was 101% covered.

SYD reaffirmed distribution guidance for the full year of 22.5 cents, subject to external shocks to the aviation industry and material changes to forecast assumptions.

The tax and interest payment of $69 million to the ATO and the transaction costs including stamp duty, are not expected to affect distributions. The tax settlement, acquisition of minorities and further simplification will give investors certainty over future distributable cash and a solid platform for future growth.

## 4. Outlook

"2013 has started strongly with 3.6% international passenger growth in the year to date. Management will continue to work with key partners to market Sydney and drive tourism growth. New business initiatives across all revenue lines are already delivering positive outcomes including yield improvements. Prudent management of expenses and capital will drive further growth in EBITDA and cash flow per security. We also remain focused on delivering all components of the simplification prior to the end of 2013," Ms Mather added.

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[i] This is subject to external shocks to the aviation industry and material changes to forecast assumptions

[ii] Total investor return is calculated as capital gain / (loss) plus distributions, calculated from 1st January to 21st August 2013

[iii] Taken from the SAHL audited Half Year 2013 Financial Statements

iv 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 Half Year Ended 30 June 2013 for the calculation of SAHL Net Operating Receipts, and for a description of how Net Operating Receipts should be utilised

v 'Discretionary costs' adjust for services and utilities and security