Sydney Airport

ASX RELEASE

18 February 2016

Sydney Airport announces strong 2015 results

- Strong growth across all businesses with group revenue and EBITDA increasing 5.6% and 5.8% respectively; result underpinned by international passenger growth of 4.3% and an efficient investment program
- 2015 distribution paid of 25.5 cents per stapled security and 2016 distribution guidance of 30.0 cents per stapled security subject to aviation industry shocks and material forecast changes, representing growth of 17.6%
- Total investor return[1] of 41.0%, strongly outperforming the ASX100 accumulation index by 46 percentage points
- Seven new international airlines announced services in 2015 and our existing airline partners commenced two new routes and additional frequencies to 13 destinations, driving a significant seat capacity increase
- Significant strategic milestones achieved in 2015: renegotiation of international aeronautical agreements (IAA), Terminal 3 (T3) transaction, redevelopment of Terminal 1 (T1) and transition of duty free contract
- Capital expenditure of $339 million invested in 2015. Five year guidance 2016-2020 of $1.3 billion including 2016 guidance of approximately $400 million, both subject to change in response to passenger demand

"I'm delighted to announce we have delivered another strong result due to the continued growth of international passengers and investment driving yield expansion across all businesses," Sydney Airport Managing Director and Chief Executive Officer Kerrie Mather said.

"We have achieved a number of our strategic objectives during the period, including entering new five-year IAAs, the landmark transaction with Qantas to take control of T3, commencing a major redevelopment of T1, transitioning of our duty free operator, and on time and on budget delivery of the $339 million capital investment program.

"These milestones have underpinned the increase in listed market value and returns to investors, in addition to giving us the confidence to announce distribution guidance of 30 cents per stapled security for 2016.

"Sydney Airport continues to execute our key strategic priorities: partnering for growth; investing in capacity, product and efficiency; delivering a superior customer experience; and managing risk. These priorities have delivered benefits such as strengthened airline partnerships and increased seat capacity, investment in airfield and terminal capacity, innovative customer solutions and technologies to streamline the passenger journey, and an IT resilience review and new strategy."

---

[1] Total investor return is calculated as the increase in security price plus distributions reinvested, calculated from 31 December 2014 to 31 December 2015

Passengers

Total passenger movements were up 3.0% to 39.7 million with international passengers 4.3% higher. Underpinning our international result was significant additional capacity in addition to strong demand from China, Australia, India and USA. Sydney Airport has a diverse passenger mix, with 45 airlines serving 93 destinations. Passenger growth is derived from a large and growing base of Asian destinations as well as more mature markets such as the USA. Following the additional bilateral air services rights granted in early 2015, Chinese nationals grew 17.8% and are now our second largest market by residency, only behind Australians. India and Philippines also performed strongly, growing 15.9% and 36.7% respectively. Australia has a strong tourism market and Sydney is an increasingly popular tourist, business, education and visiting friends and relatives destination, positioning Sydney Airport well for ongoing seat capacity and passenger growth.

Financial results

Revenue and EBITDA grew by 5.6% and 5.8% respectively. The key drivers of these results were international passenger growth of 4.3%, attractive returns on investment, incremental financial benefits associated with T3 and strong car parking and ground transport revenues. Retail revenues performed well, up 3.3%, in a period of material transition. Operating expenses remained controlled increasing 5.3%, despite increased cleaning and maintenance related to the IAA, T3 expenses and contracted increases. 2016 operating expenses will include a full year impact of these step changes, in addition to regular contractual growth.

Capital expenditure

Capital expenditure discipline continues, with $339 million for the year delivered on time and on budget. This reflects the phasing of our capex programme, and includes projects such as ground transport improvements, baggage improvements, airfield and terminal works, security process improvements and the northern lands bridge. Today, new five year guidance has been announced for the 2016-2020 period of $1.3 billion, including an estimated $400 million in 2016. In accordance with our new IAA, the higher 2016 capex is linked to a higher aeronautical price increase of approximately 4.8% from 1 July 2016 (compared to the average of 3.8% per annum in the agreement). Major investments in 2016 are continued T1 improvements, ground access roads, gate, apron and airfield improvements, domestic and international car parking expansions and the new domestic precinct hotel. Capital expenditure remains flexible to respond to changes in demand.

Strategic initiatives

A number of strategic initiatives were concluded in 2015. On 1 September 2015, the T3 transaction completed seamlessly. Sydney Airport took control of the terminal from Qantas and replaced a fixed property revenue stream with incremental Aeronautical, Retail and Property revenues and the associated operational expenditure. T3 is performing ahead of original expectations and has integrated well into Sydney Airport operation. The transaction delivered a number of positive outcomes for investors including immediate financial upside and medium term financial, operational and strategic benefits.

The IAA negotiations concluded in mid-2015, which included agreements on investment, pricing and a framework for an increase in service levels and terminal presentation standards. Sydney Airport continues to partner with airlines to improve the passenger experience and deliver more efficient airport operations.

The Western Sydney Airport consultation process and evaluation is ongoing. The Commonwealth Government has indicated that it may issue Sydney Airport with a Notice of Intention in 2016. Sydney Airport would then have either four or nine months to exercise the option to develop and operate the new airport. The opportunity continues to be evaluated with the impact on all stakeholders being carefully analysed. The key principles which continue to form the basis for evaluation are credit rating, hurdle rates of return, cash flow and yield, growth potential and downside protections.

Balance sheet strength and credit metrics

The balance sheet position has been strengthened with significant liquidity and the next drawn debt maturity in 2017. Credit metrics have also continued to show de-gearing with interest coverage increasing to 2.5x. Net debt has increased to $7.4 billion, primarily reflecting the drawdown to fund capex ($339 million) and part of the T3 transaction ($369 million).

Outlook

“It’s been a very successful 2015. Our business strategy remains on track, and we’re well positioned to continue to deliver EBITDA and cash flow growth well above passenger growth,” Ms Mather said.

“The macro environment is supportive, and operationally we continue to capitalise on aeronautical and commercial opportunities through investment and innovation. We’re in excellent financial shape, with a strong balance sheet and financial flexibility to support the ongoing delivery of business expansion and ultimately cash flow growth.

“We continue to execute on our strategic priorities and most importantly, we remain focused on maximising the efficiency and productivity of our infrastructure, to improve the passenger experience and deliver long term investor value.

“Distribution guidance of 30 cents per stapled security for 2016 represents growth of 17.6%, and reflects our confidence in continued business performance and growth in free cash flow.”

CONTACT FOR FURTHER INFORMATION

Chantal Travers
Head of Investor Relations
t +61 2 9667 9271
m +61 428 822 375
e chantal.travers@syd.com.au

Laura Stevens
Manager – Media and Communications
t +61 2 9667 6470
m +61 437 033 479
e laura.stevens@syd.com.au

Sydney Airport

ASX RELEASE

SYDNEY AIRPORT FINANCIAL HIGHLIGHTS

	12 months to 31 Dec 2015 $m	12 months to 31 Dec 2014 $m	Change %
Passengers (millions)			
International (including domestic-on-carriage)	13.7	13.1	4.3%
Domestic (including regional)	25.9	25.4	2.3%
Total passengers	**39.7**	**38.5**	**3.0%**
Revenue			
Aeronautical	523.4	486.8	7.5%
Aeronautical security recovery	83.3	81.5	2.2%
Retail	263.5	255.2	3.3%
Property and car rental	201.2	194.0	3.7%
Parking and ground transport	150.6	139.9	7.6%
Other	6.9	6.1	12.9%
Total revenue before other income	**1,228.9**	**1,163.5**	**5.6%**
Other income			
Profit on disposal of non-current assets	0.1	0.1	n/a
Total revenue and other income	**1,229.0**	**1,163.6**	**5.6%**
Expenses			
Employee benefits	47.2	46.9	0.7%
Services and utilities	56.4	52.4	7.7%
Property and maintenance	23.9	19.7	21.1%
Security recovery	73.9	71.5	3.3%
Other operational costs	24.0	23.6	2.2%
Expense before investment transaction expenses	**225.4**	**214.1**	**5.3%**
Other expenses			
Investment transaction	-	1.2	n/a
Total Expenses	**225.4**	**215.3**	**4.7%**
EBITDA before other income and other expenses	**1,003.5**	**949.4**	**5.7%**
EBITDA	**1,003.6**	**948.3**	**5.8%**
Net external cash finance (costs)/income	(405.4)	(405.3)	0.0%
Movement in cash reserved for specific purposes and other items	(20.4)	(17.9)	n/a
Cash flow timing differences	-	-	n/a
Net operating receipts available to SYD security holders[1]	**577.8**	**525.1**	**10.0%**
Average stapled securities on issue (millions)	2,221	2,214	0.3%
Net operating receipts per stapled security[1]	**26.0c**	**23.7c**	**9.6%**
Distributions per stapled security	**25.5c**	**23.5c**	**8.5%**
Capital expenditure[2]	**339.0**	**241.5**	**n/a**
Per passenger measures ($)			
Revenue before other income	31.0	30.2	2.5%
EBITDA before other income and other expenses	25.3	24.7	2.6%

Numbers presented may not calculate correctly due to roundings.

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

2 This does not include $535m consideration on the T3 transaction in 2015.