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HALF YEAR RESULTS 2018

Geoff Culbert
Chief Executive Officer

Greg Botham
Chief Financial Officer

Sydney Airport

SYD

Disclaimer

General securities warning

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Sydney Airport advises that on 20 July 2018 foreign ownership was 27.85%.

Highlights

Strong performance delivered in the first half of 2018

+3.3%

PASSENGERS

21.6m

+7.9%

REVENUE

\$770.8m

+7.6%

NET OPERATING RECEIPTS

\$411.3m

FLAT

TOTAL MOVEMENTS

170,702

+8.0%¹

EBITDA

\$623.4m

+8.7%

**FULL YEAR DISTRIBUTION
GUIDANCE² PER STAPLED SECURITY**

37.5c

1. Excludes WSA costs.

2. Guidance is subject to aviation industry shocks and material forecast changes.

Distributions

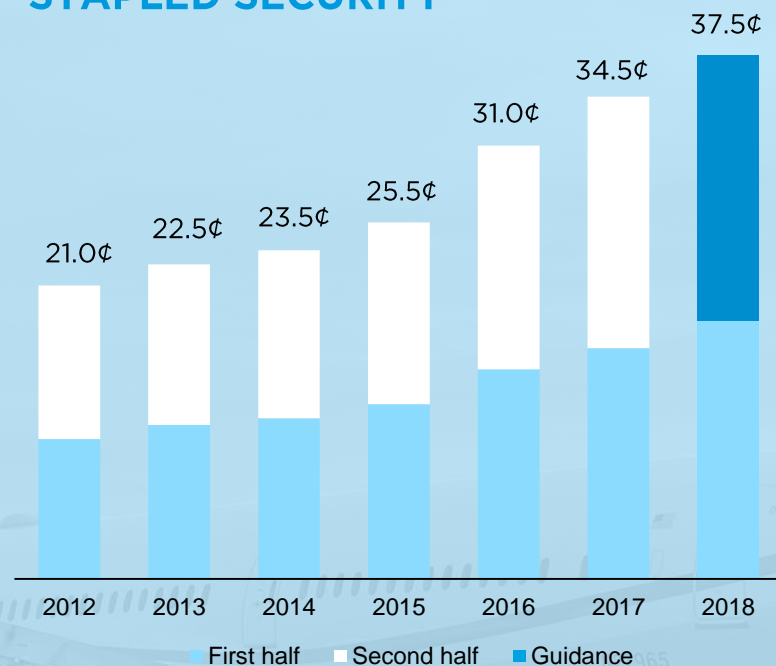
First half 2018 distribution per stapled security

- First half distribution of 18.5 cents paid 14 August 2018

2018 distribution guidance reaffirmed at 37.5 cents per stapled security

- 8.7% growth on the 2017 distribution
- 10.8% 5 year CAGR
- Expected to be fully covered by Net Operating Receipts at the full year
- Guidance subject to aviation industry shocks and material forecast changes

DISTRIBUTION PER STAPLED SECURITY



FINANCIAL RESULTS



Statutory income statement

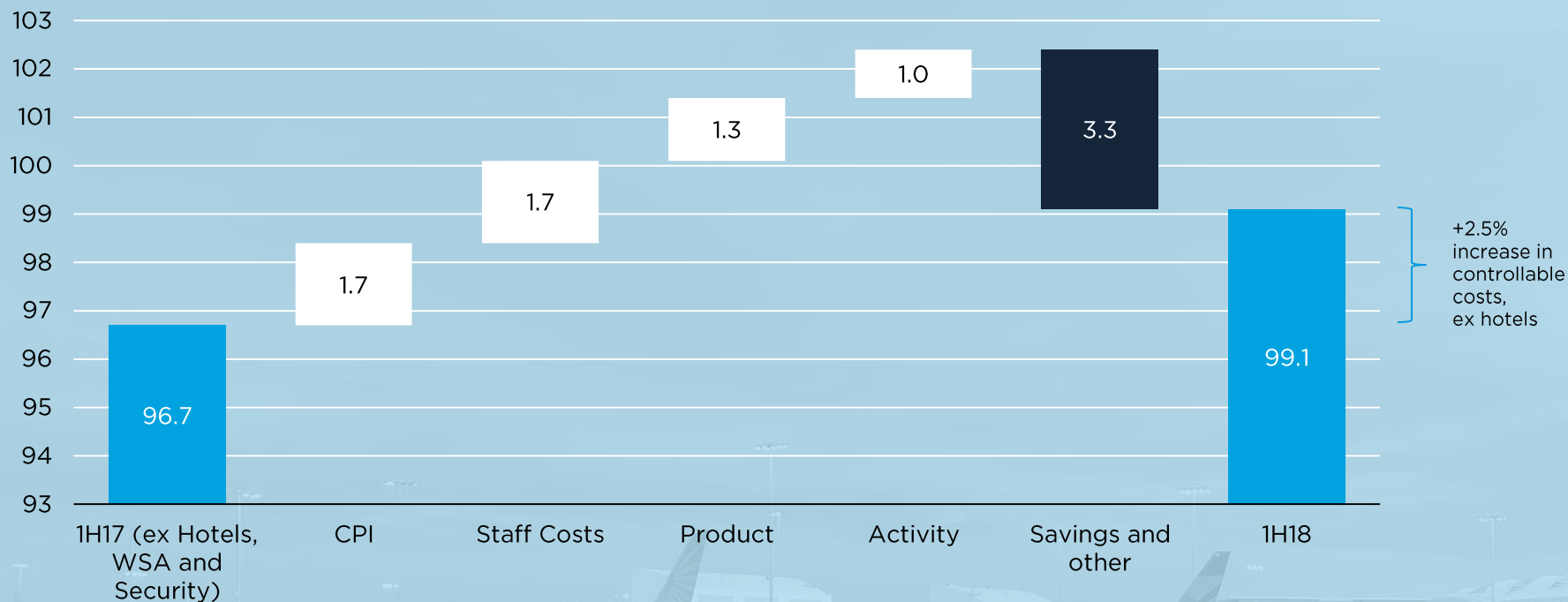
Strong EBITDA growth and operating cost management driving statutory income

\$ MILLIONS	1H18	1H17
Total revenue	770.8	714.2
Total operating expenses	(147.4)	(136.6)
WSA project costs expensed	-	(0.6)
EBITDA	623.4	577.0
Depreciation and amortisation	(202.2)	(185.8)
Profit before net finance costs and income tax (EBIT)	421.2	391.2
Net finance costs	(226.4)	(203.9)
Profit before income tax expense	194.8	187.3
Income tax expense	(21.6)	(20.7)
Profit after income tax expense	173.2	166.6
Add back: Profit attributable to non-controlling interests	0.8	0.4
Net profit attributable to security holders	174.0	167.0

Disciplined cost control

Strong cost control delivering savings

CONTROLLABLE OPERATIONAL EXPENSE MOVEMENTS HALF ON HALF (\$m)



* Expenses in 1H18 exclude \$3.7m of expenses relating to hotels, to provide a normalised half on half result.

Profit to net operating receipts reconciliation

\$ MILLIONS	1H18	1H17
Profit before income tax expense	194.8	187.3
Add back: depreciation and amortisation	202.2	185.8
Profit before tax, depreciation and amortisation	397.0	373.1
Add/(subtract) non-cash expenses		
– Capital indexed bonds capitalised	12.5	15.2
– Amortisation of debt establishment costs	5.8	6.5
– Borrowing costs capitalised	(5.1)	(4.7)
– Change in fair value of swaps	12.0	(5.6)
Total non-cash expenses	25.2	11.4
Add/(subtract) other cash movements		
– Movement in cash balance with restricted use	(0.6)	9.1
– Other	(10.3)	(11.4)
Total other cash movements	(10.9)	(2.3)
Net operating receipts	411.3	382.2
Net operating receipts (excluding WSA and business acquisition costs)	411.3	382.8
Average stapled securities on issue (m)	2,253.0	2,249.9
Net operating receipts per stapled security (cents)	18.3	17.0
Distributions declared per stapled security (cents)	18.5	16.5

Capital expenditure

\$179.6m

**CAPITAL EXPENDITURE
IN 1H18**



Pier B retail



Ground access work



Charging stations at gate lounges



Reclaims hall redevelopment



Runway resheeting



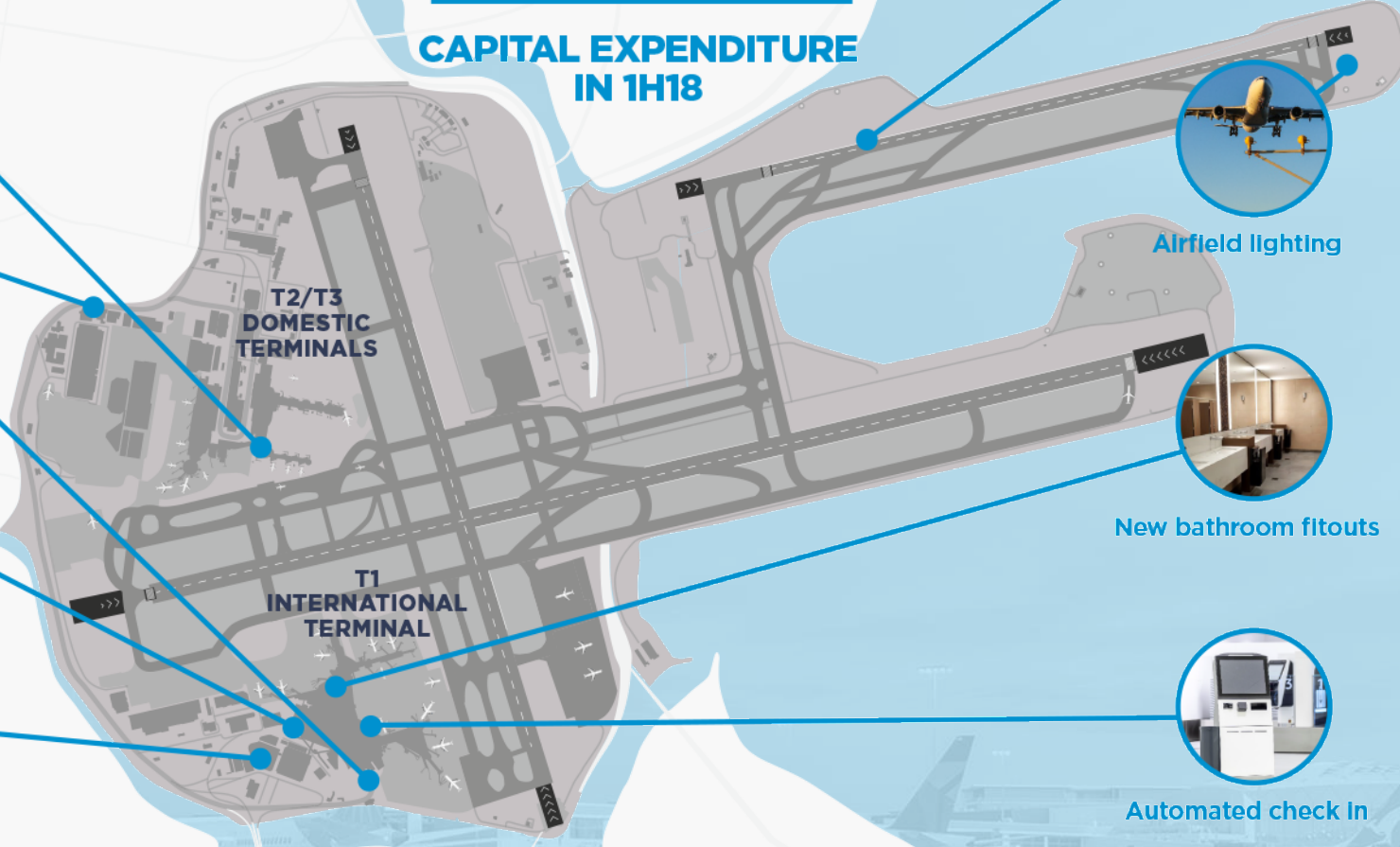
Airfield lighting



New bathroom fitouts



Automated check in

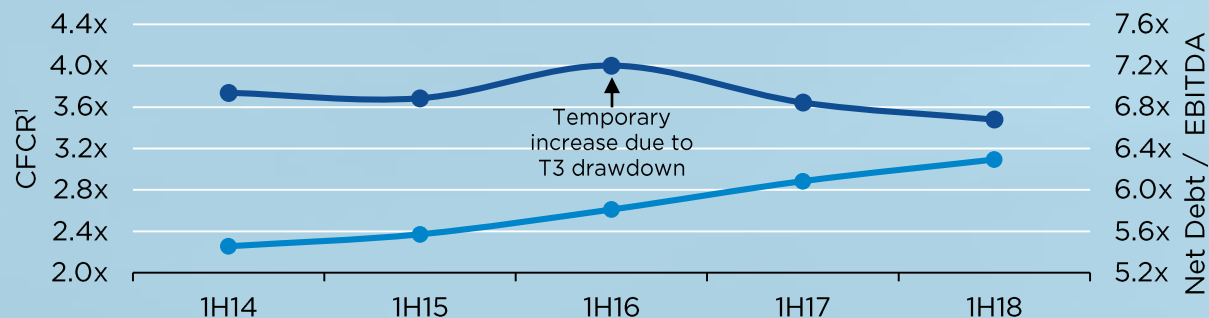


Capital management update

Strong interest coverage and continued deleveraging

CFCR^{1,3,5} AND NET DEBT : EBITDA^{1,3,5}

- Net Debt / EBITDA
- Cash flow cover ratio



30 JUNE 2018 METRICS¹

Net Debt ²	\$8.2b
CFCR ³	3.1x
Net Debt / EBITDA ³	6.7x
Credit rating ⁴	BBB+ (stable) / Baa1 (stable)
Next drawn maturity ⁶	July-2018
Average maturity	Mid-2024
Average cash interest rate ⁷	4.8%
Spot interest rate hedge position	90% (incl. bank debt)

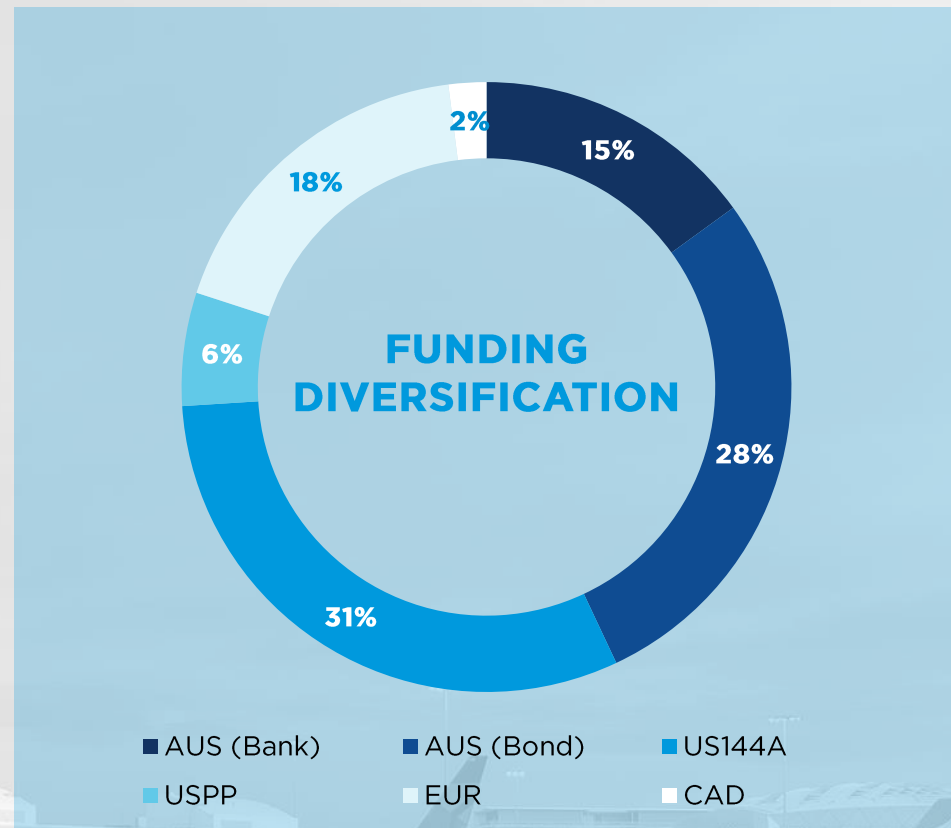
1. Debt metrics and ratios calculated for SCACH in line with finance documents.
2. Includes SAL bilateral debt facility and SAL / SAT1 cash.
3. Excludes EBITDA in relation to the Ibis Budget hotel for Q3 2017 given transitional treatment as an Excluded Subsidiary under finance documents (2017).
4. Credit rating upgraded by S&P on 27 March 2018 from BBB to BBB+ (stable outlook); credit rating upgraded by Moody's on 31 January 2018 from Baa2 to Baa1 (stable outlook).
5. Excludes WSA project costs expensed (2016).
6. 2018 maturities funded using undrawn bank debt facilities.
7. Excludes capitalised interest, fair value of swaps and amortisation of debt establishment and other costs.

Successful Euro bond issuance

EUR500 million bond successfully issued with significant liquidity unlocked

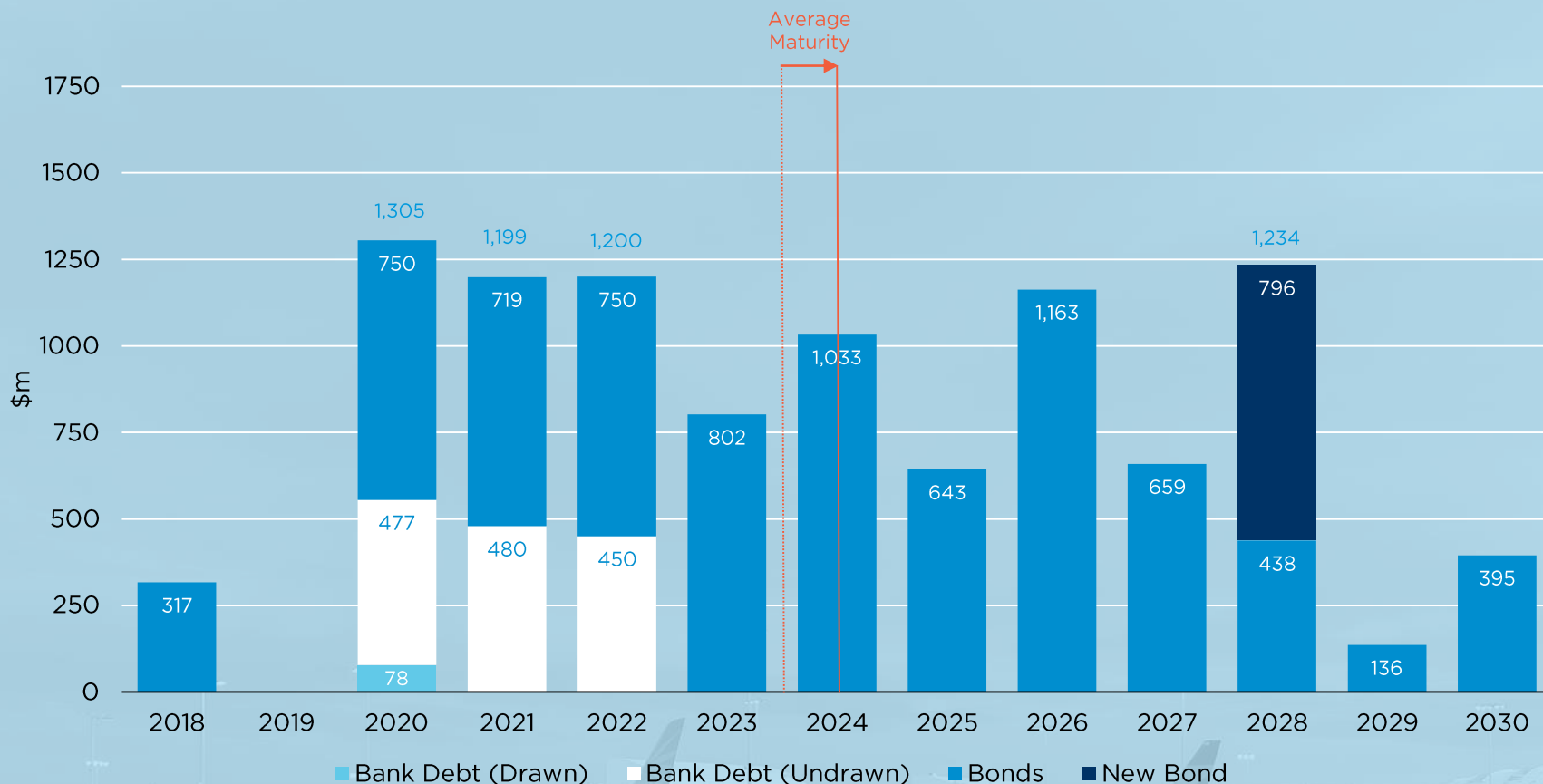
Continued demonstration of proactive capital management approach

- Strong liquidity position enhanced with \$1.4bn in undrawn bank debt facilities available
- Debt maturity profile
 - Spread, with tower filled in 2028
 - Lengthened, with average maturity extended four months to mid-2024
 - Smoothed, with less than 15% of debt maturing in one year
- Funding sources diversified, with our second Euro bond issuance
- Optimal timing with early investor engagement significantly minimising execution risk
- Currency exposures 100% hedged over the life of the bond



Debt maturity profile

DEBT MATURITY PROFILE 1,2



1. Includes \$85 million of SAL working capital facility of which \$78 million is drawn as at 30 June 2018.
 2. 2018 maturities funded using undrawn bank debt facilities.

DELIVER ON THE CORE



Strong business growth

Our strategy is delivering sustainable results across all businesses

AERONAUTICAL

\$345.0m¹

Revenue

⬆️ 7.6% from 1H17

RETAIL

\$177.1m

Revenue

⬆️ 8.9% from 1H17

PROPERTY

\$118.2m

Revenue

⬆️ 10.9% from 1H17

PARKING & GROUND TRANSPORT

\$78.6m

Revenue

⬆️ 2.1% from 1H17

1. Excludes security recovery revenue.

Announced capacity highlights for 2018

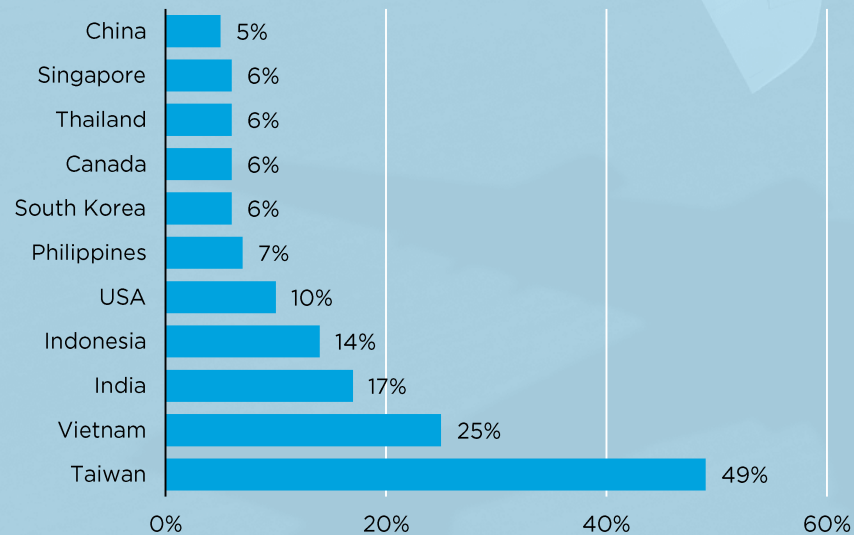
New international seat additions contribute to positive growth outlook for 2018

AIRLINE	ROUTE	ANNUAL SEATS
Tianjin	Zhengzhou	17,000
Hainan	Haikou	21,000
United	Houston	184,000
Qatar	Doha	260,000
Emirates	Dubai	300,000
Air India	Delhi	14,000
Virgin	Hong Kong	200,000
Virgin	Auckland	139,000
Virgin	Wellington	90,000
Air NZ	Auckland	125,000
Singapore Airlines	Singapore	79,000
Qantas	San Francisco	38,000
Qantas	Manila	27,000
Qantas	Osaka	31,000
Qantas	Los Angeles	15,000
Qantas	Honolulu	35,000
Qantas	Singapore	74,000
Qantas	Jakarta	24,000
Qantas	Noumea	18,000

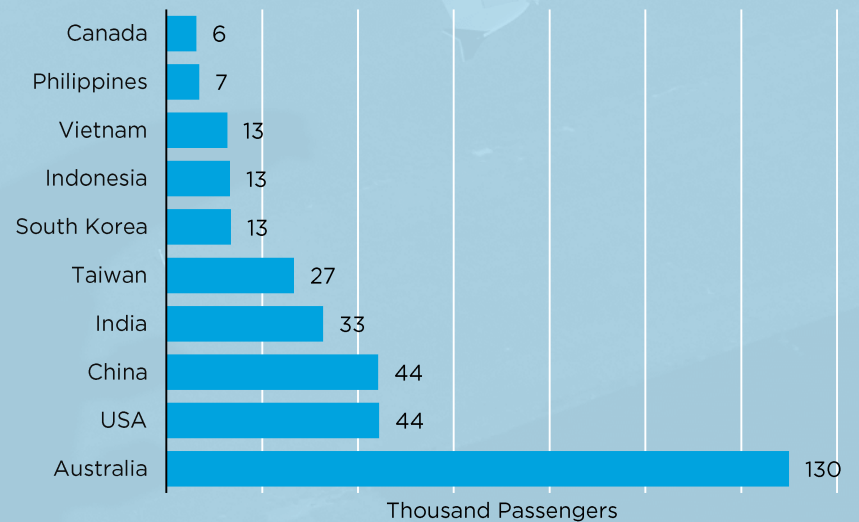
Major trends

Diversity of passengers

FASTEST GROWING PASSENGER GROUPS IN 1H18



LARGEST 1H18 GROWTH BY ABSOLUTE PASSENGER NUMBERS



Major trends

Seat growth continues to be delivered in the off peak

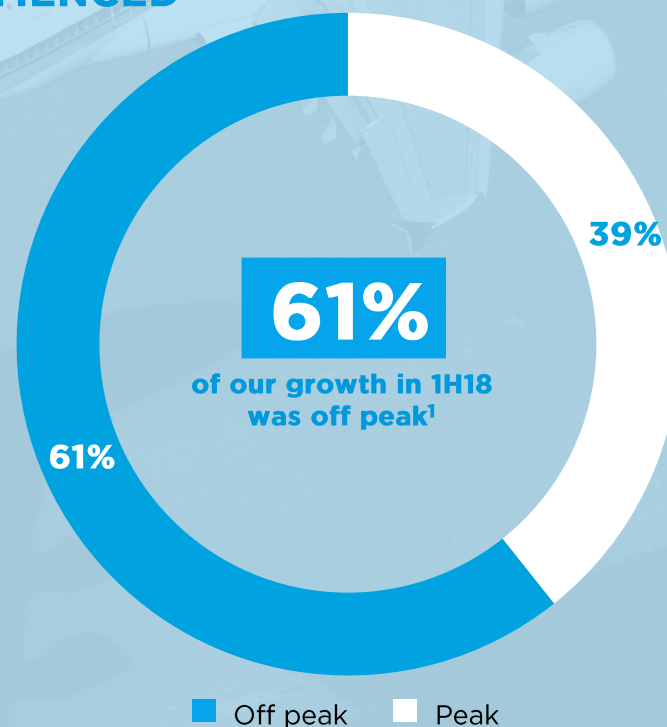
Off peak seat growth

- Doha, Qatar (Departure)
- Dubai, Emirates
- Singapore, Singapore Airlines

Peak seat growth

- Zhengzhou, Tianjin
- Haikou, Hainan
- Houston, United
- Doha, Qatar (arrival)
- Delhi, Air India

SEATS COMMENCED IN 1H18



1. Peak is defined as 6am to 12pm.

EXPAND THE CORE

Aviation: Diversifying our markets

A world map with a light blue background. The map is overlaid with a semi-transparent image of an airport terminal and several airplanes in flight. Three regions are highlighted in a darker blue: South Asia (including India), South East Asia, and South America. The text labels for these regions are placed near their respective highlighted areas.

South
Asia
(including
India)

South East Asia

South America

Capturing growth from emerging markets: India

Collaborative marketing and engagement has led to significant opening of the Indian market in addition to greater direct capacity



The India Opportunity

- A market of 1.3bn, one sixth of the world's population¹
- GDP growth of +7.4% forecast for 2018²
- Rapidly growing middle class
- Fastest growing domestic aviation market in the world
- Indian airlines expected to order up to 2,100 new aircraft worth \$290bn over the next 20 years³
- New open skies agreement between India and Australia in June 2018
- +17% growth in Indian visitors to Sydney in 1H18
- 5 direct services weekly between India and Sydney are operated on new generation, fuel efficient Boeing Dreamliner aircraft

Source:

1. <https://data.worldbank.org/country/india>

2. <https://www.thehindu.com/business/Economy/imf-expects-india-to-grow-at-7-4-in-fy-201819/article23823339.ece>

3. <https://www.reuters.com/article/us-india-airshow-orders/indian-airlines-to-add-new-jets-in-booming-aviation-market-idUSKCN1GK22L>

Aviation: South and South East Asia

New growth opportunities

Bangladesh

- Sydney is home to Australia's largest Bangladeshi community
- Prospective Bangladeshi carriers with widebody Dreamliner aircraft entering fleet
- Over 53,000 annual passengers between SYD and Bangladesh in the last year, +18% growth on previous year

Nepal

- Kathmandu is one of SYD's largest unserved markets with 93,000 annual passengers
- Growth of +41% in the last year
- Growth driven by Nepalese students, strong VFR connections and growing appeal of both destinations as holiday destinations

Vietnam

- New direct services between Vietnam and Sydney launched in 2017
- In one year, direct services have stimulated:
 - Vietnamese visitors by 40%
 - Australian outbound to Vietnam by 29%

Philippines

- Low cost carriers such as Cebu add significant capacity through minimal movements because of dense seat configurations
- 436 seats on an A330-300 which typically has 250-300 seats
- Filipino visitors to SYD have grown by 21% per year over the last five years

Retail and Property/Hotels: Next growth opportunities

RETAIL New leases

14 new T2 stores, 85% already leased, first phase due to open Q4 2018

Complete T3 repositioning to enhance the offer from July 2019

RETAIL Lease renegotiation

T1 Luxury and food expiry profile from 2020 will provide opportunities to deliver elevated new deals and enhance revenue

Advertising contract renegotiated on superior terms, commencing 1 Jan 2019, with T3 added from 1 Jul 2019

Refurbishment and re-leasing opportunity of T2 Pier A

PROPERTY Hotel opportunities

New airport hotel, 430 rooms, operator due to be announced by Q4 2018

IBIS additional 70 room expansion to be delivered by Q2 2019

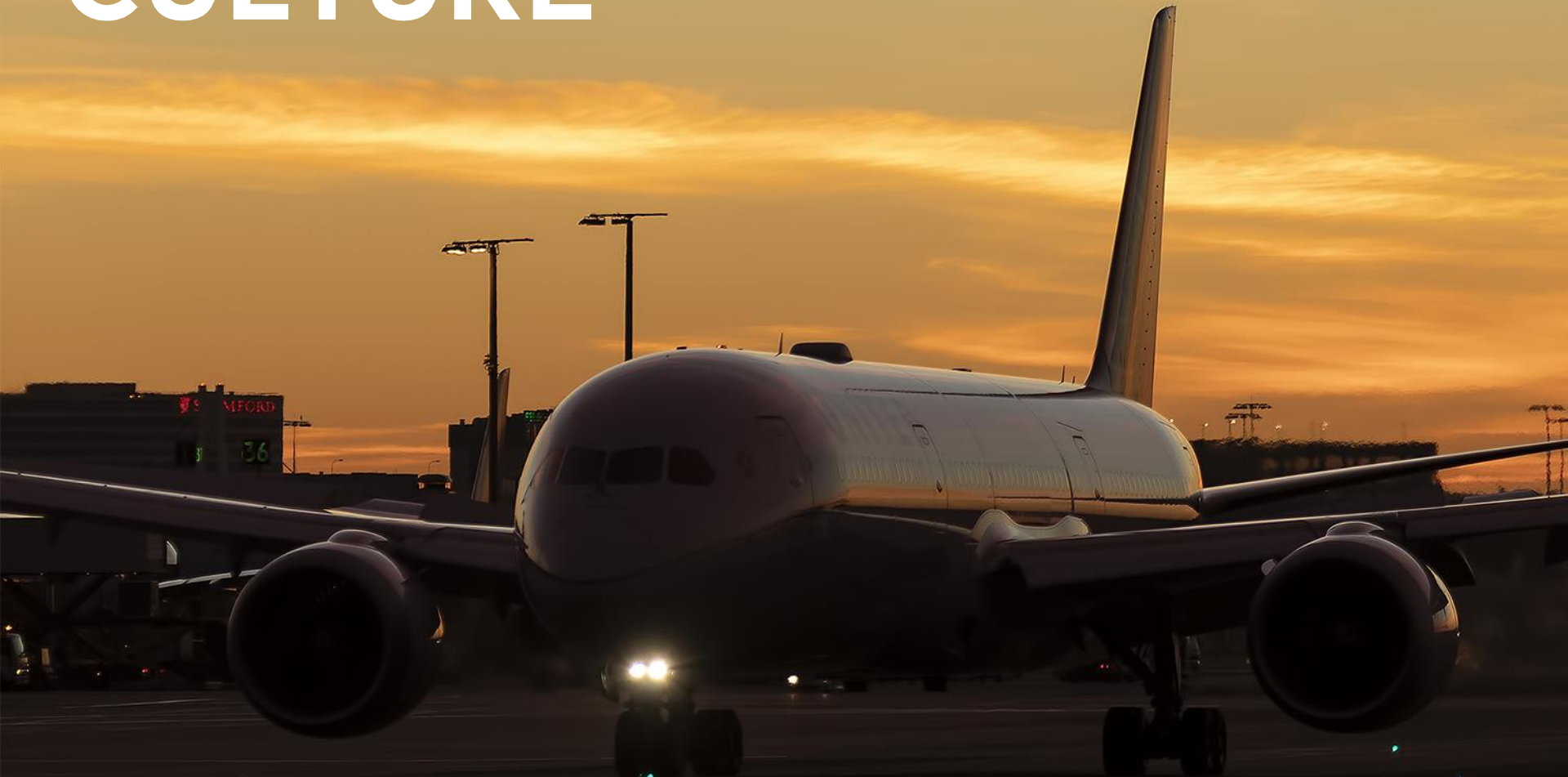
PROPERTY Commercial opportunities

Commercial leasing opportunities across all airport land currently being investigated

Heads of agreement signed for new Plaza Premium lounge in T1 expected opening Q2 2019

Strong response to expressions of interest on sleeping pod and arrivals lounge facilities in T1

BUILD THE CULTURE



Transforming our customer experience



PASSENGERS

Listening to our customers

- Over 17,000 independent passenger surveys conducted annually
- Top concerns monitored with executive and board oversight
- Real-time feedback monitoring

Informed investment

- Targeted data is reviewed regularly by each business unit
- Balanced scorecards ensure impacts are understood
- Initiatives identified and tracked by each team

AIRLINES

Accountability

29 Key Performance Indicators measure:

- Passenger processing
- Customer satisfaction
- Baggage performance
- Safety

Engagement

Stakeholder Forums held regularly:

- ICF — quarterly
- AOC — monthly
- Surveys — weekly

Airline:

- Steering committees

Customers are responding positively

On a regular basis, our customers are asked what they thought of their airport experience and how we can improve

RATINGS OUT OF 5	INTERNATIONAL	DOMESTIC
Overall satisfaction	4.11 +4% from 1H17	4.12 +6% from 1H17
Airport ambience	4.23 +2% from 1H17	4.18 +3% from 1H17
Airport cleanliness	4.29 +2% from 1H17	4.22 +3% from 1H17
Airport wayfinding	4.08 +3% from 1H17	4.19 +4% from 1H17

All customer service scores are out of 5

Sustainability leadership

Sydney Airport is rated as a global sustainability leader. Sustainability is driving positive outcomes for the business and our stakeholders.

SAFETY

- Delivery of enhanced airport-wide safety culture program
- 1,434 safety training hours delivered 1H18
- 4,160 airside safety enforcement hours delivered 1H18
- Zero harm target established

ZERO

Class 1 (serious)¹ incidents for past ten years

CLIMATE CHANGE

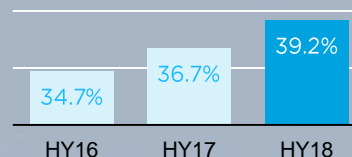
- Up to 75% of load to be contracted by PPA, through Grassroots Renewable Energy and Origin Energy
- Maintained Level Three Airport Carbon Accreditation
- Target set to reduce carbon intensity by 50% by 2025 (compared to 2010 levels), achieved 27.2% intensity reduction to date
- Public TCFD supporter and aligning with reporting framework

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

PEOPLE

- 87.5% of people enjoy working at Sydney Airport
- Increased focus on people development, including delivery of service excellence training
- 3,871 learning and development training hours delivered 1H18

FEMALE EMPLOYEES



SUSTAINABLE DEVELOPMENT

- 29% of operated international movements are on quieter, low emission aircraft
- Targeting 80% of property portfolio achieving a Green Star performance rating
- Achieved 4 Star Communities rating for Masterplan 2039

green building council australia

4 green star

Communities v1.1

1. Class 1 incident, fatal, total permanent disability or partial permanent disability.

Our community commitment

Sydney Airport is committed to making a meaningful contribution to the communities in which we 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.

LIVE LOCAL



Annual lost property auction

Funding to support local grass roots charities

One large \$100k grant and 10 smaller \$10k grants awarded

LEADING AND LEARNING



Kids Teaching Kids

Supporting 'Kids Teaching Kids' to empower and inspire future environmental leaders

Universities Program - UNSW and UWS

Supporting the development of future leaders

SYDNEY'S AIRPORT



Sydney's festivals and events

Sponsorship of more than 15 key events which celebrate Sydney as a destination, for example, Sydney festival, Fringe festival, Newtown festival, Parramasala, Cook Classic and Chinese New Year

Key outputs of Master Plan 2039

Master Plan 2039 will be on public exhibition 27 August 2018

TOTAL PASSENGERS

65.6m

Forecast total annual passengers in 2039

INTERNATIONAL PASSENGERS

31.5m

International passengers are expected to be the main driver of growth, nearly doubling from 16.0m in 2017

TOTAL MOVEMENTS

408,260

An increase of 17% by 2039

TOTAL PASSENGER GROWTH

+51%

From 43.3m passengers in 2017

INTERNATIONAL PASSENGER SHARE

48%

International passengers as a percentage share of total passengers in 2039

FREIGHT

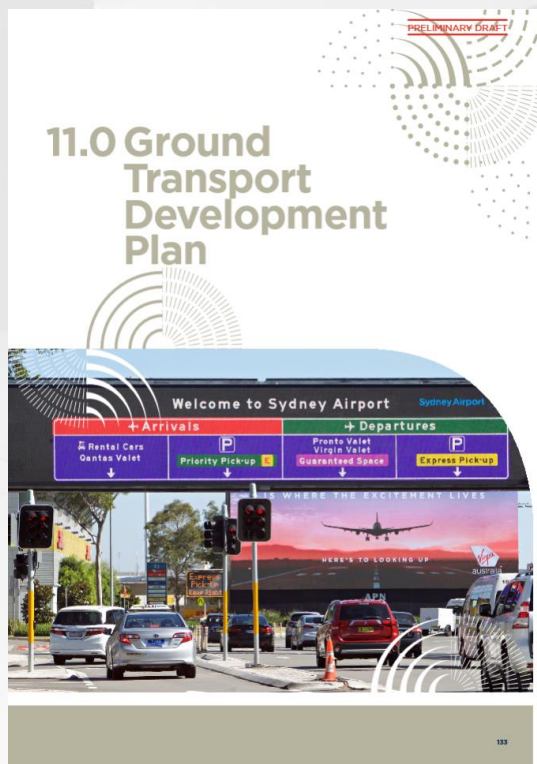
1m tonnes

Total freight at Sydney Airport is forecast to grow by 58% by 2039

Note: Total annual passengers include international, domestic and regional passengers Total annual movements include international, domestic, regional, freight and general aviation movements.

Master Plan 2039: Ground transport initiatives 2019-2024

The next five year ground transport strategy will improve road network performance around Sydney Airport. It recognises the potential changes in traffic volumes and patterns resulting from relevant proposed government road projects



TERMINAL 1

- Widen Airport Drive to any proposed Gateway connection
- Widen Centre Road
- New pick/up drop off facility
- Possible P6 Ground Transport Interchange

TERMINAL 2/3

- Redevelop P1 for rail, taxis, ride-share and parking
- Improved left hand turn for better circulation
- Ground Transport Interchange
- Grade separated right hand turn, subject to any proposed Gateway plan

OUTLOOK

Outlook

Excellent traffic growth, strong business performance and positive macro environment underpins a positive outlook

KEY 2018 FOCUS AREAS

- Continue to maximise our core business
- Grow new business opportunities
- Enhance the culture including strengthening our focus on the customer

GUIDANCE

- Reaffirmed 2018 distribution guidance of 37.5c per stapled security, growth of 8.7% on 2017
- Four year capex guidance for 2018-2021 of \$1.3-1.5b supported by aeronautical charges and strong international passenger growth
- 2018 capex guidance \$360-400m

QUESTIONS

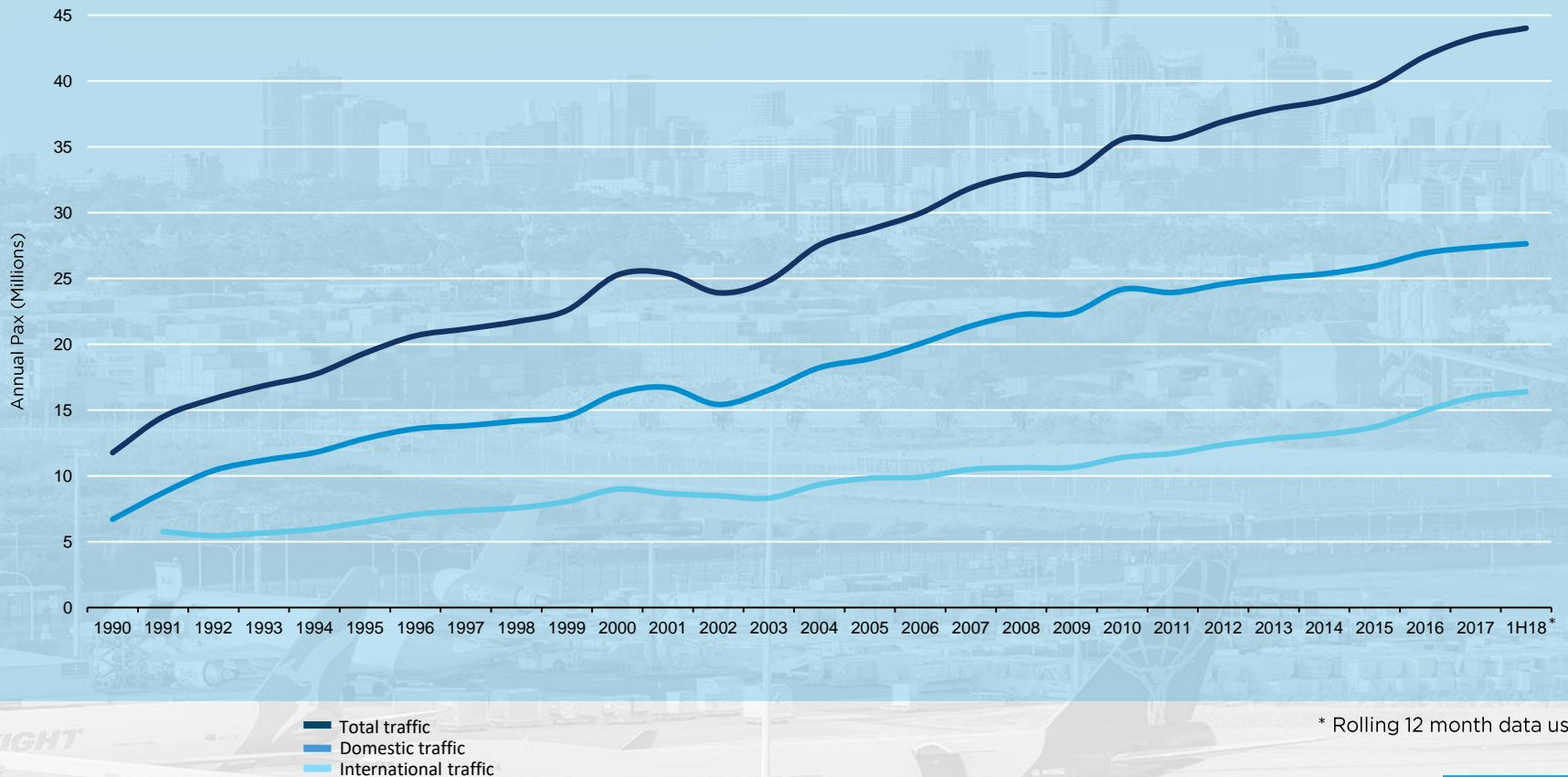


APPENDIX



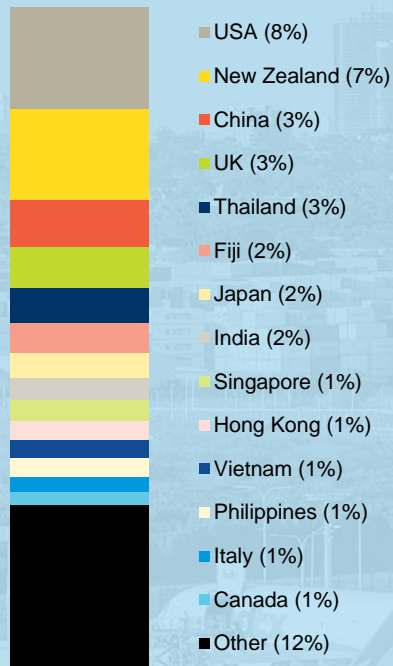
Long term traffic growth

Resilient passenger growth across all economic cycles and events

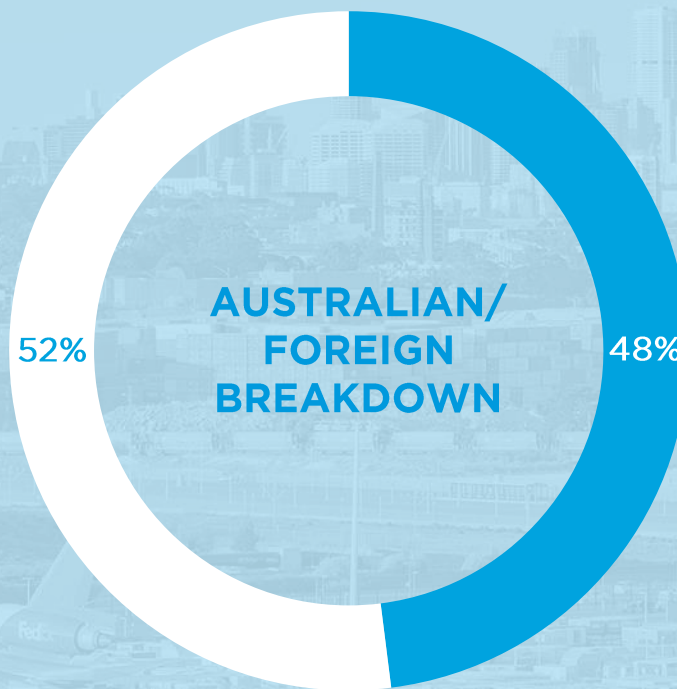
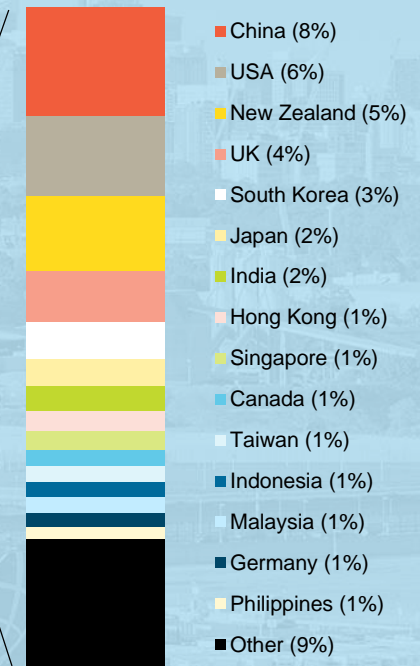


Highly diversified passenger and destination mix

AUSTRALIAN DESTINATION DEPARTURES (%)

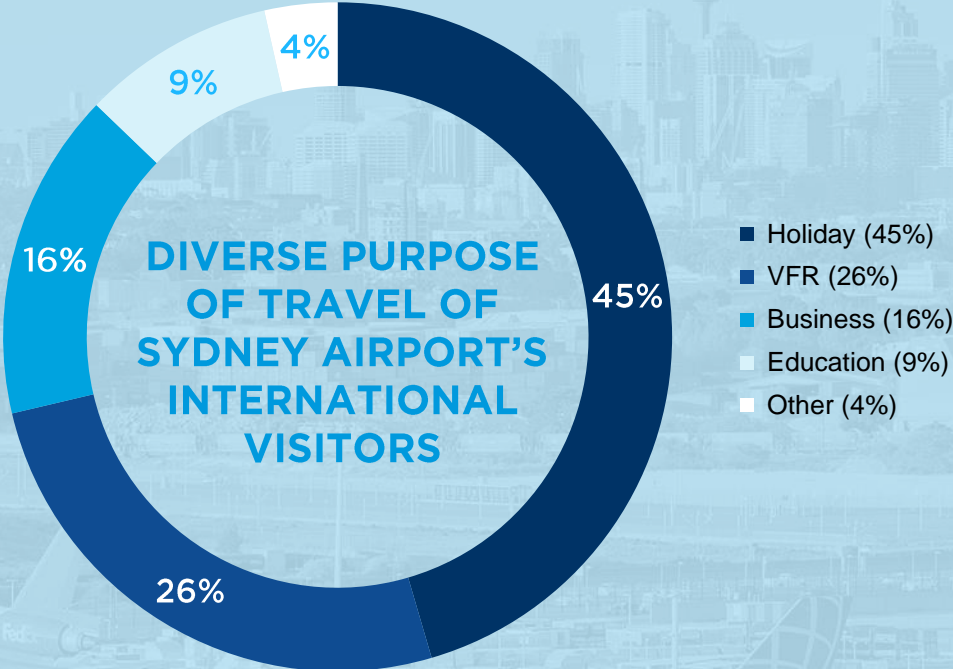


FOREIGN RESIDENCY ARRIVALS (%)



Source: DIAC, data recorded by residency and final destination — 12 Months to May 2017.

Highly diversified passenger and destination mix



Passenger mix and capacity are the important growth drivers

International passenger growth is forecast to continue to outpace domestic growth

1H18 SLOT USAGE AND REVENUE GENERATION

High value international aircraft utilise just 16% of slots but international passengers drive 70% of our passenger related revenues (aero and retail)

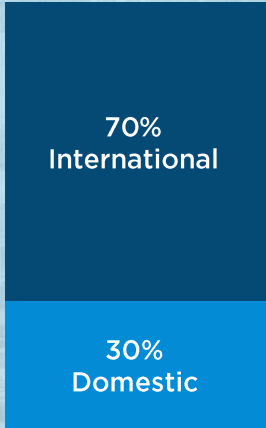
SLOT MIX



PAX



REVENUE



Investment merits

Sydney Airport is one of the world's highest quality airport investments

99 year leasehold	<ul style="list-style-type: none">• Lease until 2097
Catchment area	<ul style="list-style-type: none">• 7.5m Sydney and NSW catchment population
Strong passenger growth profile	<ul style="list-style-type: none">• Sydney is both a business and tourism hub, in a growing NSW economy• Strong visiting friends and relatives, education and tourism market• Strong Asian connections – increasing urbanisation
International passengers	<ul style="list-style-type: none">• Account for ~70% of passenger driven revenues• Represent 16% of slots
Commercial opportunities	<ul style="list-style-type: none">• Substantial growth opportunities• Minimum guarantees offer downside protections• Strict hurdle rates of return apply to all investment
Negotiating framework	<ul style="list-style-type: none">• Commercially negotiated charges agreements with all airlines include investment, price and service levels
Outsourced model	<ul style="list-style-type: none">• Controllable operating costs with contracted escalations
Consistent growth and downside protections	<ul style="list-style-type: none">• Long term contracts with airlines and tenants• CPI or higher escalation on commercial revenues• Growth initiatives across all businesses

THANK YOU



Sydney Airport

SYD