

# Media Release

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## First half 2008 financial results for Sydney Airport

**Sydney Airport<sup>1</sup> today announced a 9.5 per cent increase in earnings (excluding specific non-recurring expenses) for the half year to 30 June 2008.**

Sydney Airport today announced an unaudited consolidated profit before depreciation and amortisation, net financing costs, income tax, and specific non-recurring expenses (EBITDA excluding specific non-recurring expenses) of \$A319.5 million for the half year to 30 June 2008<sup>2</sup> (HY CY2007: \$A291.7 million). EBITDA (including specific non-recurring expenses) increased to \$A318.6 million (HY CY2007: \$A291.6 million).

EBITDA (excluding specific non-recurring expenses) for the half year to 30 June 2008 represents a 9.5 per cent increase in earnings over the previous corresponding period (pcp). EBITDA (including specific non-recurring expenses) increased by 9.2 per cent on the pcp. Revenue for the second quarter of 2008 includes approximately \$A5 million in one-off income relating to finalisation of commercial negotiations with the airport's duty-free operator.

Total revenue growth for the first half of 8.4 per cent over pcp remained ahead of traffic growth. Total operating expenses were 5.3 per cent higher than pcp, in part reflecting higher security operating costs which were recovered through higher aeronautical security revenues.

Sydney Airport Chief Executive Officer, Russell Balding said that the airport had achieved a solid result in the first half year, with EBITDA growing 9.5%.

"It is particularly pleasing to see revenue growth across all areas of the business. Passenger growth of 5.6% in the first half highlights the resilience of traffic at Sydney Airport. To accommodate the forecast future growth, Sydney Airport has invested significantly in the first half of the year, with major investments including the international multistorey car park and the international terminal (T1) Redevelopment project."

"An economic report, released in June 2008, has confirmed Sydney Airport's role as one of NSW's major job generators and an engine room of economic activity, contributing billions of dollars annually to Sydney households and the NSW economy. The report estimates that Sydney Airport's contribution to direct employment – full time and part time – is 75,580 jobs, plus indirect employment of a further 130,550."

1. Southern Cross Airports Corporation Holdings Limited (SCACH) is the parent company of Sydney Airport Corporation Limited (SACL) following completion of SACL's privatisation on 28 June 2002.  
2. SCACH has moved its reporting to a calendar year basis in order to align with the reporting period of its major shareholder, Macquarie Airports.

“Sydney Airport welcomes World Youth Day which is currently underway. During the arrival of pilgrims the Airport operated very much as usual while the event created a festive atmosphere” Mr Balding said.

## **Revenue**

Total revenue from all business units rose 8.4 per cent over pcp to \$A397.2 million (HY CY2007: \$A366.3 million).

Aeronautical revenues continue to include volume based pricing incentives. These have been recognised on forecast passenger numbers for the full year, resulting in aeronautical revenue growing at a lower rate than passenger traffic in the first half.

Qantas recently announced that A380 services will commence in October 2008, flying from Sydney to Los Angeles initially and from Sydney to London via Singapore from early 2009.

Sydney Airport recognises the challenging environment that our airline customers currently face, with fuel prices at record highs. Qantas Group and Virgin Blue have announced capacity reductions in response to increased fuel costs. Sydney Airport estimates that the schedule changes announced to date will impact approximately 2% of seats on an annualised basis, the majority being domestic seats. Taking into account load factors and flight substitution, the impact on traffic should be somewhat less than this 2%.

Aeronautical security recovery was higher than pcp, due to the implementation of Liquid Aerosols and Gels (LAGS) enhanced security measures and domestic 100% checked baggage screening.

Retail revenue was strong in the quarter after finalising commercial negotiations with the airport's duty-free operator, resulting in one off income of approximately \$5 million. Underlying retail revenue grew broadly in line with passenger growth as a result of the duty-free contract operating at minimum rent levels. Work has commenced on the T1 Departures project, with significant external piling works now complete. A number of landside and airside retail stores remained closed for refurbishment during the 2<sup>nd</sup> quarter. During the construction phase, Sydney Airport is working to minimise disruption to amenities and facilities by providing stores trading in temporary locations. On completion, the new retail stores will provide a totally upgraded retail experience that will appeal to travellers, staff and visitors to the terminal.

In the quarter, the Sydney Airport Shopping Website was successfully launched and it will increase convenience for customers including the flexibility to pre order duty-free products as well as foreign exchange, which will greatly enhance our customers' shopping experience at Sydney Airport.

Car parking and ground transportation revenues continued solid growth in the quarter reflecting the ongoing roll out of new products. Earlier this week, saw the opening of the new eight level 2,800 space multistorey car park, providing undercover parking for the first time in the international precinct, and direct access from the car park to the international departures level. The increased capacity has enabled the airport to offer a

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range of new parking products, including Sydney Airport's premier parking product – Pronto Valet.

Property revenues are performing strongly in the first half with revenues up 15.3% on pcp as the business benefited from a combination of new initiatives and lease renewals. In addition the roadside service centre facilities (BP Service Station and McDonalds) continue to trade above expectations and are providing sound ongoing returns, with additional facilities expected to be operational later this year.

### **Operating Expenses**

Total operating expenses including specific non-recurring expenses increased by 5.3 per cent on pcp to \$A78.6 million (HY CY2007: \$A74.7 million), mainly attributable to additional recoverable costs in relation to enhanced security measures, increased recoverable maintenance costs and higher services and utilities costs. Total operating expenses excluding specific non-recurring expenses increased 4.2 per cent on pcp to \$A77.7 million (HY CY2007: \$A74.6 million).

Total operating expenses continued to be tightly controlled. Total operating expenses excluding recoverable security expenses and specific non recurring expenses increased by 2.2% over pcp to \$A53.1 million (HY CY2007: \$A51.9 million). Total operating expenses per passenger excluding recoverable security expenses and specific non-recurring expenses decreased by 3.2 per cent over pcp to \$A3.28 per passenger (HY CY2007: \$A3.39 per passenger).

### **Capital Expenditure**

Total capital expenditure increased 79.4 per cent on pcp to \$A157.9 million (HY CY2007: \$A88.0 million). Capital expenditure comprised maintenance expenditure of \$A7.2 million and \$A150.7 million in growth expenditure. Major items of spend for the quarter included the T1 Multistorey Car Park, T1 Redevelopment Project, A380 related pavement works and T1 Arrivals Works.

### **Attachment: Financial Highlights**

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## SYDNEY AIRPORT FINANCIAL HIGHLIGHTS

Thousands	Q2 2008 SCACH Group	Q2 2007 SCACH Group	% change	CY 2008 SCACH Group	CY 2007 SCACH Group	% change
	01-Apr-08	01-Apr-07		01-Jan-08	01-Jan-07	
	Quarter / Year to date - from:	30-Jun-08		30-Jun-08	30-Jun-07	
	Quarter / Year to date - to:	30-Jun-07		30-Jun-07	30-Jun-07	
<b>Revenues</b>						
Aeronautical	74,248	70,880	4.8%	154,562	147,848	4.5%
Aeronautical security recovery	17,577	18,024	-2.5%	35,499	33,875	4.8%
Retail	48,210	41,478	16.2%	95,266	85,629	11.3%
Property	27,858	23,810	17.0%	54,662	47,413	15.3%
Commercial trading	27,585	24,767	11.4%	55,303	49,909	10.8%
Other	974	825	18.1%	1,878	1,610	16.6%
<b>Total revenues</b>	<b>196,451</b>	<b>179,784</b>	<b>9.3%</b>	<b>397,170</b>	<b>366,284</b>	<b>8.4%</b>
<b>Other Income</b>						
Profit on sale / (loss on disposal) of non current assets	8	0		21	-21	
<b>Operating expenses</b>						
Labour	9,294	8,596	8.1%	18,156	17,665	2.8%
Services and utilities	20,951	21,922	-4.4%	42,865	40,253	6.5%
Other operational costs	4,143	4,837	-14.4%	7,648	8,430	-9.3%
Property and maintenance	4,587	4,431	3.5%	9,065	8,222	10.3%
Specific expenses:	582	3		897	89	
<b>Total operating expenses before specific expenses</b>	<b>38,974</b>	<b>39,786</b>	<b>-2.0%</b>	<b>77,734</b>	<b>74,571</b>	<b>4.2%</b>
<b>Total operating expenses</b>	<b>39,556</b>	<b>39,789</b>	<b>-0.6%</b>	<b>78,631</b>	<b>74,659</b>	<b>5.3%</b>
<b>EBITDA before specific expenses</b>	<b>157,485</b>	<b>139,998</b>	<b>12.5%</b>	<b>319,457</b>	<b>291,692</b>	<b>9.5%</b>
<b>EBITDA</b>	<b>156,902</b>	<b>139,995</b>	<b>12.1%</b>	<b>318,561</b>	<b>291,603</b>	<b>9.2%</b>
<b>Capital expenditure</b>	<b>83,654</b>	<b>57,024</b>	<b>46.7%</b>	<b>157,941</b>	<b>88,042</b>	<b>79.4%</b>
<b>\$ per passenger measures</b>						
Revenue	25.18	24.02	4.9%	24.57	23.93	2.7%
Operating expenses before specific expenses	5.00	5.31	-6.0%	4.81	4.87	-1.3%
Operating expenses	5.07	5.32	-4.6%	4.86	4.88	-0.3%
EBITDA before specific expenses	20.19	18.70	7.9%	19.76	19.06	3.7%
EBITDA	20.11	18.70	7.5%	19.71	19.05	3.4%
Capex	10.72	7.62	40.8%	9.77	5.75	69.9%

\* Note: SCACH has moved its reporting to a calendar year basis in order to align with the reporting period of its major shareholder, Macquarie Airports. These results are for the six months ended 30 June 2008.

\*\* Note: Ground transport has been reclassified from Other Income to Commercial Trading.