

25 May 2018

## Sydney Airport 2018 Annual General Meeting

Attached are the addresses of the Chairman and the Chief Executive Officer, and presentation for the Sydney Airport Annual General Meeting which is being held at the Swissotel Sydney, Blaxland Ballroom, 68 Market Street, Sydney, NSW at 11:00am.

The meeting will be webcast, and can be viewed by using the following link:

[The SYD 2018 AGM webcast](#)

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**Chairman's**  
**And**  
**Chief Executive Officer's**  
**Addresses**  
**To the**  
**Sydney Airport Limited and Sydney Airport Trust 1**  
**2018 Annual General Meetings**

## **Chairman's Address**

Good morning. My name is Trevor Gerber. I'm the Chairman of Sydney Airport Limited and I've also been appointed to chair the meeting of Sydney Airport Trust 1.

Before we begin today, I would like to acknowledge the traditional owners of the land on which we meet, the Gadigal people of the Eora Nation and pay my respects to elders past, present & future.

I now open the meetings of the members of SAL and SAT1 and declare that a quorum is present for each entity.

Welcome to the meeting. I thank you for attending today. Let me begin by introducing our CEO and my fellow directors. Seated on the stage in order from left to right are Geoff Culbert, Sydney Airport's CEO and our directors Abi Cleland, Grant Fenn, Michael Lee, John Roberts, Ann Sherry and Stephen Ward.

In the front row of the room we have the directors of The Trust Company (Sydney Airport) Limited, the responsible entity for Sydney Airport Trust 1. Seated in order from left to right are Russell Balding, Patrick Gourley and Gillian Larkins.

Also in attendance are Julian Donnan, legal advisor from Allens, and Nigel Virgo, our audit partner from KPMG.

I will commence proceedings with an overview of our performance and the key strategic decisions and achievements for the 2017 financial year. After my opening remarks, I will hand over to our new CEO Geoff Culbert to present his report on our business and outlook, before we move to the formal business of the meeting and the resolutions.

We will provide an opportunity for discussion and any questions you might have when we deal with each of the formal agenda items.

Now I'd like to start by taking you through why our Airport is so important not just to you as an investor, but also to the broader Australian community.

Sydney Airport has a strong and competitive market position. It is uniquely located 8 km from the CBD. It is a vital component of Australia's transport network. We provide airport services to Sydney & NSW (32% of Australia's population), and air transport is the only practical means of travel, given the size of the country and the distance between major population centres. And as a result, we serve 2 of the busiest routes in the world, and over 40% of international arrivals to Australia.

Last year we helped 43.3 million passengers pass through our 3 terminals and are on track to exceed that number again in 2018.

We also invested more than \$400 million on providing new customer facilities and improving existing facilities. Our vision is to provide a world class airport, with world class service. Sydney Airport is an airport of which Sydneysiders and Australians can be proud.

Let's now turn to our financials. Our track record of delivering strong stable returns, as well as a solid growth profile, is something we're very proud of. Our strategy and proactive management of the business has delivered consistently strong returns over time, as well as strong growth in passengers, revenue, EBITDA and distributions.

Over the past five years, Sydney Airport has delivered a total shareholder return of 22% per annum, including the reinvestment of dividends, which compares to the ASX100 performance of 12% per annum over the same period.

2017 was another excellent year for the airport. We had very strong international passenger growth, 7.2%, which in turn led to strong revenue, EBITDA and distribution growth. Investors received cash distributions of 34.5 cents per stapled security, a growth of 11.3% on the prior year, reflecting the strong operational performance across the business.

We continue to focus on growing distributions and delivering long term value for investors.

Over the very long-term Sydney Airport has been incredibly resilient. Through all global events, economic down turns and domestic woes, Sydney Airport has continued to deliver traffic growth.

It is the diversity of airlines, markets, nationalities and revenue streams which has made Sydney Airport's performance so resilient.

Let's walk through some of the positive structural changes driving this long-term traffic growth.

There are a number of key market trends which are opening up competition, lowering fares and stimulating new demand to travel.

At Sydney Airport we're well placed to service the high growth Asian market. Economic growth in Asia is feeding a growing demand for travel as emerging economies become more affluent. They're driving more direct air travel demand, and this in turn is creating more destinations.

New generation aircraft are making Australia more accessible to the rest of the world than ever before. More than 50% of the world's population is within 11 flying hours of Sydney. In fact, more than 70% of the world's population live within direct range of an A380 from Sydney. These larger aircraft have a higher seat density and have helped Sydney Airport to grow passengers since 2000 by a huge 70%, while only increasing aircraft movements by 14%.

In fact, that's so important that I'm going to repeat it.

Larger aircraft have a higher seat density and have helped Sydney Airport to grow passengers since 2000 by a huge 70%, while only increasing aircraft movements by 14%.

Low cost carriers have changed the dynamics of the airline industry. They put more seats on each aircraft, and their quick turnaround times enable efficient use of our infrastructure.

Another major trend is the opening of bilateral air rights, which have historically restricted airlines' access. These are often an artificial constraint on seat supply and therefore in the short term restrict passenger growth from certain markets. But that's changing rapidly as governments are opening up more of these air rights, because they recognise the associated economic benefit from tourism growth.

So new economic growth, new and expanding markets, next generation aircraft, and low-cost carriers are creating new destinations and competition, and providing exciting opportunities for traffic growth. Sydney is well positioned to keep benefiting from these trends.

So, what does all this mean for you our investors?

In 2017 we paid investors 34.5 cents per stapled security, which was just over 100% cash covered. That's an 11.3% increase over the previous year and continues the strong track record of growing distributions year on year.

And I'm pleased to say that the trend is expected to continue in 2018 with the reaffirmation of our guidance set at 37.5 cents. This represents a growth of 8.7% over 2017.

Thank you.

I'll now hand over to Geoff Culbert our CEO.

## **Chief Executive Officer's Address**

Thank you Trevor and good morning everyone. It's great to see you all here today. Let me start by saying what a privilege and honour it is to take on the role of CEO of Sydney Airport.

As someone who has always had a love for aviation and travel, going back to when I did work experience as an air traffic controller in high school, I feel very fortunate to have succeeded Kerrie and to have the opportunity to lead this great company.

I've been in the role now for 4 months and I must say I'm really enjoying it. It's a dynamic and interesting business, it plays a vital role in the economies of New South Wales and Australia, and I see significant growth potential for the business, which I'll cover later.

Before I jump into that, for the record I want to acknowledge the outstanding role played by Kerrie Mather during her time as CEO. The fact is I inherited an outstanding business that's in very good shape. Kerrie generously spent a lot of time with me in the handover at the start of the year, and I can assure you that she passed on a lot of her wisdom and knowledge during that time. Kerrie introduced me to a lot of our key customers, partners and stakeholders and because of her support I started with a lot of momentum.

And in that regard I thought I'd start today with some of my observations from my first 4 months in the role.

Number 1, the business is very tightly run. Everyone has a clear idea of what's important and how the business model operates. There's a very clear strategy. The team executes against it, and as a consequence the performance of the business has been outstanding.

Secondly, there's an enormous amount of aviation and airport expertise in the team, and the team are extremely passionate about the airport. I can't

overstate that. It's a huge asset for the company and for me. It was a real surprise on the upside when I first started.

Thirdly, our relationships with our customers and stakeholders is strong, and it's improved a lot over the years. And this is not by chance. A huge amount of effort has been put into those relationships and I certainly will continue that. It's just so critical we get that right.

I'm a big one for having the right culture. It's the foundation of your business and if you don't have your culture right you are building your business on quicksand. The culture here is strong – it's a passionate and committed team, who love the company. There's a culture of continuous improvement and, importantly, a real appetite to learn and grow. This is something I'll continue to drive.

I've been very impressed by the commitment the business has made to both Sustainability and the Community. This is not just lip-service – there's real action here and I'll walk through that later on.

And finally, coming in I knew there was significant growth potential in the business, but I've been surprised by how much. I'll touch on that as I go through the presentation, but a big part of it comes from the opportunities we're seeing around international traffic, which are really exciting. And it was reflected in the strong business performance we saw in 2017, which you'll see from the numbers on the screen.

2017 was a really strong year for the Airport and the numbers on this page bear that out. First, at a headline level revenue was up by nearly 9% to \$1.48 billion. This was driven by very strong performances across the board, and particularly in our aeronautical, retail and property businesses. Net Operating Receipts grew by almost 14% to \$789 million. This is a great result, once again driven by strong performances by our businesses, but also through disciplined cost control.



Our final distribution was up 11.3% to 34.5 cents, and that was more than 100% covered by Net Operating Receipts.

And, it's worth noting that we had over 43 million passengers pass through the airport in 2017, which is a great result and drove a lot of the revenue increase. Importantly, we had over 1 million additional international passengers, which is an impressive number.

If you peel that back a bit and focus on capacity, although we had strong international passenger growth our movements grew by less than 1%. This tells us that aircraft are getting larger and loads are increasing, and international movements are growing faster than domestic, which are all good trends. So overall, a very solid set of numbers and the result of a lot of hard work by the team.

The Aero business grew by 9.2% on the back of really strong growth in international passenger numbers. As I said, we had over one million new international passengers last year, which is outstanding. The team are doing a really great job of capturing the demand for global travel and opening up Sydney to new routes around the world.

The Retail business had a great year, growing by close to 13%. The Retail offerings in the Airport are better than ever. The feedback from customers on the new International Terminal has been really positive. The new Luxury Precinct and the new Marketplace, where we raised the ceiling to 17 metres, look great. And we're also getting positive feedback from customers on the improvement in the range of options in T2. And this all flows through to revenue.

The Property business did very well in 2017, growing 8.4%. I think we've done an excellent job responding to customer demand with our new hotel offerings. Occupancy rates at both the Ibis and the Mantra are really high. This is a business I'm really excited about.

Our Parking and Ground Transport business grew at a slower rate than the other three, but it's important to note that it is primarily a domestic business. Domestic air traffic grew at only 1.8% last year, so to grow this business at 2.2% is a good result.

So, strong performance across the board and a credit to the team who, as I said, worked really hard to deliver these numbers. Something they are entitled to be very proud of.

But that was 2017 and now we have to look forward to 2018 and beyond, and with that in mind I wanted to share with you some thoughts around my priorities and focus areas for this year.

I really love this chart because it shows you the huge macro tailwind that sits behind our business. In 2000, the world's population was 6.1 billion. That same year, there were 1.8 billion air passenger trips. Around one third of the world's population. In 2017 the world's population grew to 7.6 billion, with 4 billion air passenger trips. That's over half of the world's population. By 2036 it is estimated that the population of the world will be close to 9 billion, with the number of air passenger trips climbing to 7.8 billion. That's nearly 90% of the world's population.

This tells us two things. First, the world's population is growing, and that's great for air travel. More people means more travel. But secondly, and most importantly, the number of people traveling is growing at an exponentially faster rate than population growth. And there's a simple reason for this. As the world's middle class rises, and the price of airfares decrease, we see millions more people come into the travel market every year. And the good news is that most of them want to come and check out Sydney.

Our job at Sydney Airport is to capture that demand. We've been doing a really good job at that. And this chart shows it well.

Ten years ago we had three direct services to mainland China. Shanghai, Beijing and Guangzhou. We now have 17 direct services to mainland China. In the space of a decade we have grown Chinese passenger numbers from 200,000 a year to 600,000 a year. That's a three-fold increase.

And people ask me whether China has capped out. The answer to that is "no". Only 8% of Chinese nationals have a passport. And that's off a base of 1.3 billion people. Depending on who you speak to the number of passports will increase to 20% in the next few years. That's another 150 million people who want to travel, and Sydney is on their wish list. The China story has a long, long way to go.

But importantly it's not just a China story and we can't focus on China to the exclusion of other countries. Over the past year we saw double-digit growth in travel from countries like South Korea, Indonesia, the Philippines, Vietnam and India.

India is fascinating. We currently have only one direct service to the entire country of India, and it's not even 7 days a week. Air India fly 5 days a week from Delhi to Sydney. Compare that to 17 to China. One to India, 17 to China. And their demographics are very similar. 1.3 billion people, rising middle class, a strong desire to travel and see the world, and Australia's on their hit list.

India will be a priority. I was there last week meeting with airlines and I am confident we can attract more direct services. And there's huge opportunity beyond India.

We only have one direct service to the entire continent of Africa. We only have one direct service to the entire continent of South America. There are huge chunks of the world that are currently unserved. As the world's population increases and the middle class grows they become new markets and new opportunities and the team at Sydney Airport is very focused on capturing our share.

And Sydney as a destination only becomes more attractive as aircraft technology improves and range increases.

I came from GE, and one of the projects we were working on was the engine for Boeing's new 777X aircraft. The goal was to produce an engine that could help Boeing fly non-stop from Sydney to London and Sydney to New York. Airbus are doing the same with their A350-900.

Those aircraft should begin commercial operations within the next 5 years, and when they do the landscape of global travel will change forever. This chart shows you the places we can reach today in a single flight from Sydney. 70% of the world's population is covered by this map.

Here are the places we expect to be able to reach once the 777X and the A350-900 hit the market. We will be able to reach the entire population of the world in a single flight.

We'll get to places we never dreamt of in one hop. London, Paris, Rome - New York, Rio, Sao Paulo – Cape Town, Cairo, Marrakesh.

The places marked in red represent cities with populations of more than 10 million people. And this is important because we will unlock new destinations to mega-cities and our history and experience tells us that when we put on direct flights to a new city we unlock significant latent demand.

You will see I have Lagos in Nigeria on this chart. You're probably asking "why would I want to go to Lagos?". The answer is unless you are in the Oil & Gas business it's probably not on your travel list. But here's the thing – Nigeria is one of the wealthiest countries in Africa, they have close to 200 million people living there – it's 7<sup>th</sup> most populous country in the world - and they all know about Sydney and want to visit. And once we have a direct flight they will come. This is the future and it's very exciting.

Capturing growth is one thing, but being able to handle it is another, and this brings us to my next priority, which is Investing for Capacity. As passenger numbers grow we must continue to invest in our terminals and facilities. In 2017 we invested \$428 million in key infrastructure, which is shown on this chart.

We invested over \$1 million dollars a day on critical projects at our three terminals like aero gates, check-in facilities, upgrades to bathrooms and the completion of our luxury retail precinct at T1. All designed to provide a better experience for our customers.

We resurfaced runways and installed new airfield lighting systems to improve the quality of our aeronautical operations.

We continued to invest in upgrades to roads, pathways and cycleways to improve access to the airport for all our customers. We know this is a critical issue and we are responding to it.

We built a new hotel, the Mantra, which is trading well and tapping into unmet demand. We delivered 8 new baggage carousels to cope with increasing passenger numbers. And we energised solar panels on the top of our international car park to increase our energy efficiency.

And that was 2017. We have plans to invest over a billion dollars over the next four years to ensure that we continue to meet demand, enhance the efficiency and productivity of the airport, and to improve the overall customer experience.

And I want to spend a couple of minutes talking about the customer, because this is a big priority of mine. If there's one thing I've learnt from over 25 years in business, it's that when you put the customer first, you get good outcomes. And when I talk about the customer here I am talking about a range of different groups, including both end passengers and airlines.

As you can see from this chart our customer satisfaction numbers are up across board, and pleasingly so in the areas that our passengers tell us matter the most – ambience, cleanliness and wayfinding.

We were very pleased to be named by Skytrax as the Best Airport in the Australia/Pacific region in March this year. There are a lot of awards out there, but Skytrax is the one you want to win because it is voted on by the passengers.

We have some good initiatives planned for this year. Things like:

- increasing self check-in and auto bag drop facilities
- improving gate lounges to provide a differentiated experience depending on class of travel
- better amenities like charging stations and seating
- and we'll continue the progress we have been making on upgrading the bathrooms around the terminals.

This is a never-ending exercise. We have some good momentum, our scores are all heading in the right direction, but there's always more we can do.

And I'm particularly interested in how we can do more with technology to improve the customer experience. I like technology and I come from a technology company, but I have a very clear vision for it. My view is that technology must serve a purpose, and I'll be focusing on technology that increases productivity and efficiency, reduces cost or, importantly, improves the overall customer experience. And we have introduced some really great technology recently that meets these criteria.

The electronic gates that we rolled out in partnership with Australian Border Force are a really good example of that. The outbound immigration process now takes an average of 23 seconds – down from over 4 minutes. 4 minutes down to 23 seconds. Who doesn't love that.

This is a huge improvement for passengers, but what's really exciting is that we're about to leapfrog that technology with new biometrics technology that has the potential to revolutionise the passenger's journey through the entire airport even further. And that's what's shown on this page.

In partnership with the Government, Australian Border Force and Qantas we're trialling facial recognition technology that will enable you to go through every step in the process – from check-in via your smart phone sitting on your couch at home, through to boarding at the gate – without ever having to get your passport out of your pocket once you complete the initial registration.

This is going to make for a faster, less stressful journey for our customers. There will be no more fumbling for your passport and boarding pass at each step of the process while you're trying to wrangle bags and kids. Instead, your face will be your passport and your boarding pass at each stage of the journey.

The trials began this month and will continue for the next few months as we perfect the technology.

This is going to be a world leading experience for our customers passing through Sydney Airport and we're really excited about it.

The next priority I want to touch on is Ground Transport.

I think everyone has a story about a challenging journey to the airport. We are very conscious of that and we're working hard on the issue together with the State Government. I would say we are making progress, but there is still more work to be done.

All the work included in our 2014 Ground Transport Plan was concluded in April, which was nine months ahead of schedule. This is good. These works included things like:



- widening the entry and exit to the Domestic Terminal from 3 lanes to 5 and making it a one-way system:
- creating a new exit from the International Terminal
- delivering express parking areas at International
- building the pedestrian bridge and bike storage facilities, which has been very well received.

All of these changes have driven the improvements shown on the screen, but we're striving to do more. We're in the last stages of a new entry road into the International Terminal. We have already seen the traffic throughput on entry and exit of both terminals improve markedly during the peak, and the new road into International will improve that further.

The Government's work widening the road into the Domestic precinct will be complete in the middle of this year, and the widening of O'Riordan St – which is the road into the Domestic Terminal from Alexandria - is currently in planning and is expected to complete in 2019.

We've also been having constructive discussions with the State Government about the design for the Gateway project which connects to WestConnex. Our goal here is to come up with a road design that improves traffic flows, not just for the airport, but also for the surrounding neighbourhoods. It's also important that we come up with a plan that is sustainable and can manage increasing flows in the years ahead.

This is a lot of work, a lot of investment by both Sydney Airport and the State Government, and a lot of good progress. And the stats on this page show that.

But managing traffic in a big city like Sydney whilst located 8 kilometres from the CBD is a never-ending challenge, and we always need to be looking ahead. Our Master Plan, which will be ready for consultation in August this year, will include our next 5 year plan for managing traffic in and around the Airport.



We will continue to advocate for more public transport and for more bus services. More and more of our customers are choosing to travel to the airport by train, which naturally reduces traffic congestion around the airport. This, combined with the commitment by the State to provide more public buses to the airport, is highly encouraging.

We just need more of it, because any long-term solution must include a combination of better roads and more public transport.

Before we go the 2018 Outlook I want to end with some comments about Sustainability and Community. I've been really impressed by the commitment the Airport has made to Sustainability. We've taken a leadership position in the airport industry and achieved some excellent results, which you can read on this page. As I said before, this is not just lip-service. There's a real passion for it, and it covers all aspects of Sustainability - from our economic impact, to carbon emission reductions, community engagement, health and safety, right through to diversity.

We're particularly proud of the progress we've made to reduce our carbon emissions – down by 27% per passenger since 2010, or nearly 6% in absolute volume. This is a great achievement when you consider the increase in passenger numbers over that time.

We were given a “leading” rating from the Australian Council of Superannuation Investors for our last Sustainability Report. This is the second year in a row we have received the highest rating for our reporting, and the team is very proud of that.

We were also pleased to recently achieve recognition from Dow Jones Sustainability Index, who've recognised us as a global top 10% industry leader. We are particularly proud of the result we achieved for our Occupational Health and Safety program – we received the highest score for our industry. This is a just reflection of the priority the teams put on safety.

It's also worth noting that last year we sought feedback from a number of investors to identify further improvement opportunities and our Sustainability Report now includes analysis on climate change, with consideration of the Climate-Related Financial Disclosures framework, supply chain risks, organisational resilience, and our strengthened community initiatives. All of which were recommendations from our investor community, which we've now picked up and are covered in the report.

As the new CEO coming into Sydney Airport I want to assure you that Sustainability is important to me. I will continue to make it a priority for the company and I will continue to drive improvements in our performance in this area.

When I started in this job I knew Sydney Airport played a significant role in the local community and the broader Sydney and NSW economies, but I probably underestimated how much.

Close to 31,000 people work across the airport precinct, in more than 800 businesses, and in its own way it's a thriving mini-city that's connected to the local community. We're really privileged to be able to operate the Airport only 8km from the CBD, but at the same time that carries with it the responsibility to be a good neighbour. With that in mind we've worked hard to strengthen the airport's reputation and standing in the community. In 2017 we invested \$5 million in community activities and I'm committed to deepening that engagement with a focus in 3 key areas - Living Local, Leading and Learning and Sydney's Airport.

Living Local is all about supporting our local communities. The focus is primarily on grass root, local organisations who deliver programs that inspire healthy and active lifestyles, as well as organisations that provide socio-economic and welfare support for residents and families in neighbourhoods around the airport.

Leading and Learning is about supporting our next generation of leaders, particularly females, and we're very proud of our two key partnerships - the

Australian Women's Rugby Sevens Team, and the Greater Western Sydney Women's AFL team.

Our third pillar, Sydney's airport, is all about supporting the major events that happen every year in Sydney and which make Sydney such a great city. We've been involved in the Sydney Festival, the Fringe Festival, Vivid, Chinese New Year celebrations, to name a few. So, a lot of good work in this area and something that I fully intend to continue to support and grow.

Before I close out I want to make mention of the positive impact that Sydney Airport has on the local, State and National economies. Trevor mentioned in his presentation that this is an airport that we can all be proud of, and the numbers on this page show why.

Sydney Airport is the most important infrastructure asset in Australia. We generate \$38 billion of economic activity each year. We have close to 31,000 jobs on the airport, and we facilitate over 300,000 jobs in the broader economy.

Each time we attract a new A380 service to Sydney it's worth close to half a billion dollars to the economy and creates 5,000 jobs. That's something to be proud of.

Beyond the numbers, we also play a critical role in the lives of the 43 million people who pass through the airport each year. It's 43 million people with 43 million stories, and we can't lose sight of that. Families going on the holiday of a lifetime. People traveling home to see friends and relatives. Business people on important trips. Everyone has their own story and our job is to make it work. We do that, and we do it well.

And importantly, we run the airport for you, the more than 100,000 investors. For you, the owners of the airport. I'm acutely aware of my responsibility to you. You have invested your hard-earned money in us, and we need to make sure we deliver for you. And that's the plan.

2017 was a year of excellent performance across all our businesses, and 2018 is already off to a great start. We'll continue to deliver on our core business. That's what pays the bills, and that's what returns distributions to our investors, so we'll be very tightly focused on that. We need to execute flawlessly on that and we will.

We'll continue to look for opportunities to grow the core business, and I see real opportunities here, many of which I've mentioned today. And then it's all about driving the right culture. I've inherited a company with a really strong and positive culture, but there's always more you can do, and that will be a big focus of mine this year, particularly the focus around the customer as I mentioned earlier.

As I said, we're off to a strong start in 2018. We're well positioned to take advantage of the macro conditions, and we have a good plan in place to do that. This gives us confidence in reaffirming the 2018 distribution guidance of 37.5 cents per stapled security.

I'll now hand back to our Chairman to continue with the formal proceedings.  
Thank you

**Ends**