SYDNEY AIRPORT

APPENDIX 4E

ASX Listing Rule 4.3A

Preliminary Financial Report for Year Ended 31 December 2017

Results for Announcement to the Market

	SAL Group 31 Dec 2017 $m	SAL Group 31 Dec 2016 $m	Movement $m	Movement %
Revenue	1,483.3	1,364.6	118.7	8.7%
Other income	0.1	-	0.1	n/a
Total revenue	1,483.4	1,364.6	118.8	8.7%
Profit after income tax expense	348.6	319.6	29.0	9.1%
Profit after income tax expense attributable to security holders	349.8	320.9	28.9	9.0%

	SAT1 Group 31 Dec 2017 $m	SAT1 Group 31 Dec 2016 $m	Movement $m	Movement %
Revenue	-	-	-	n/a
Other income	-	-	-	n/a
Total revenue	-	-	-	n/a
Profit after income tax expense	242.8	244.8	(2.0)	(0.8%)
Profit after income tax expense attributable to security holders	242.8	244.8	(2.0)	(0.8%)

Distributions

Distributions	SAL Group 31 Dec 2017 $m	SAT1 Group 31 Dec 2017 $m	SAL Group 31 Dec 2016 $m	SAT1 Group 31 Dec 2016 $m
Final distribution (100% unfranked)	405.2	122.7	360.0	122.6
Interim distribution (100% unfranked)	371.3	120.4	334.4	121.5

Distributions	SAL Group 31 Dec 2017 cents per stapled security	SAT1 Group 31 Dec 2017 cents per stapled security	SAL Group 31 Dec 2016 cents per stapled security	SAT1 Group 31 Dec 2016 cents per stapled security
Final distribution (100% unfranked)	18.00	5.45	16.00	5.45
Interim distribution (100% unfranked)	16.50	5.35	15.00	5.45

The total distributions by ASX-listed Sydney Airport for the year ended 31 December 2017 were $776.5 million or 34.5 cents per stapled security (2016: $694.4 million or 31.0 cents).

The interim distribution with record date of 30 June 2017 of $371.3 million or 16.5 cents per stapled security (2016: $334.4 million or 15.0 cents) was paid on 14 August 2017 by:

- SAL $250.9 million or 11.15 cents (2016: $212.9 million or 9.55 cents); and
- SAT1 $120.4 million or 5.35 cents (2016: $121.5 million or 5.45 cents).

The final distribution with record date of 29 December 2017, of $405.2 million or 18.0 cents per stapled security (2016: $360.0 million or 16.0 cents) was paid on 14 February 2018 by:

- SAL $282.5 million or 12.55 cents (2016: $237.4 million or 10.55 cents); and
- SAT1 $122.7 million or 5.45 cents (2016: $122.6 million or 5.45 cents).

There are $nil imputation credits (2016: $nil) available to pay franked distributions.

Distribution Reinvestment Plan (DRP)

The DRP operated in respect of the 30 June 2017 interim distribution. 1.6 million stapled securities were issued and transferred to DRP participants at $6.91 per stapled security, totalling $11.4 million on 14 August 2017. The cash was used to repay drawn bank debt facilities.

In respect of the 29 December 2017 final distribution, 1.7 million stapled securities were issued and transferred to DRP participants at $6.84 per stapled security, totalling $11.9 million on 14 February 2018.

2017

ANNUAL REPORT

ASX-listed Sydney Airport comprises Sydney Airport Limited and Sydney Airport Trust 1

Contents

ASX-listed Sydney Airport (the Group) is comprised of Sydney Airport Limited (ABN 18 165 056 360) (SAL) and Sydney Airport Trust 1 (ARSN 099 597 921) (SAT1). The Trust Company (Sydney Airport) Limited (ABN 83 115 967 087) (AFSL 301162) (TTCSAL) is the responsible entity of SAT1. This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in Sydney Airport, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

This is an interactive PDF designed to make it easy to navigate. The best way to view this report is with Adobe Reader. Click on the links on the contents page or use the home button in the footer to navigate the report, and use the underlined text links throughout the report to view related content online.

Our vision is to deliver a world-class airport experience that fosters the growth of aviation for the benefit of Sydney, NSW and Australia.

As the gateway to Australia, Sydney Airport connects people, places and communities every day.

Our focus is on continuing to strengthen these connections, building partnerships, focusing on sustainability and investing in initiatives that contribute to the experience our customers have as they move through the airport, as well as the 30,900 people who form part of the broader airport community every day.

We are proud to be a leader in innovation, embracing technologies that improve the airport experience for our airline and passenger customers.

We remain focused on initiatives that make it easy for our customers to do business and get where they're going by connecting people with the information they need, when they need it.

We recognise the role we play in the economic and social contribution to our communities and remain focused on supporting the continued growth of the economy in Sydney and NSW and across Australia, delivering an airport that all of Sydney can be proud of.

We are committed to the successful operation of Sydney Airport as a dynamic, sustainable and diverse business that benefits our customers, investors, community and our broader stakeholders now and for the long term.

2017 highlights

Financial highlights

TOTAL DISTRIBUTION

34.5¢

11.3% from 2016

CAPEX INVESTMENT

Investment since 2002

$**4.3**b

in capacity, services and facilities

NET OPERATING RECEIPTS

$**787.3**m

16.6% from 2016

CASH FLOW COVER RATIO[1]

3.0x

0.3x from 2016

Sustainability leadership

DIVERSITY

37.9%

female employees

38.9% female managers

CARBON INTENSITY PER PASSENGER

27.2%

reduction since 2010

SAFETY PERFORMANCE

Lost time incidents[3]

5

3 in 2016

Lost time injury frequency rate[4]

5.0

3.3 in 2016

Passenger incident rate[5]

0.97

1.12 in 2016

VALUING OUR PEOPLE

87.5%

employees enjoy working at Sydney Airport

AVIATION SAFETY HOURS[2]

8,255

1 The cash flow cover ratio is calculated using defined terms in the finance documents, summarised by cash flow divided by senior debt interest expense for a rolling 12 month period.
2 Annual hours spent by the ramp safety team carrying out engagement and enforcement activities.
3 The number of work-related injuries that result in at least one full day or shift being lost after the day in which the injury or illness occurred.
4 Lost time injuries per one million hours worked, incurred by employees.
5 Number of first aid and medical treatment injuries per 100,000 passengers. Excludes medical conditions and in-flight medical incidents.

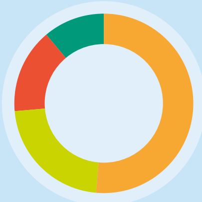
TOTAL REVENUE

$1,483.3m

8.7% from 2016

REVENUE CONTRIBUTION BY UNIT

- Aeronautical Services 51%
- Retail 23%
- Property and Car Rental 15%
- Parking and Ground Transport 11%



EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

$1,196.4m

10.2% from 2016

EBITDA TREND ($m)

CUSTOMER SATISFACTION SCORE

INTERNATIONAL
OVERALL SATISFACTION

4.01/5 **3.89/5** in 2016

Ambience	Cleanliness	Wayfinding
4.17/5	**4.24**/5	**4.17**/5

DOMESTIC
OVERALL SATISFACTION

3.95/5 **3.91/5** in 2016

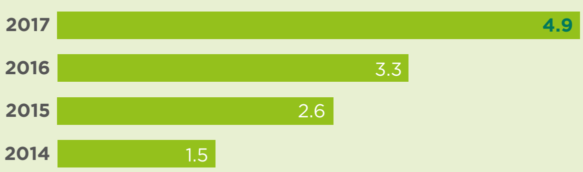
Ambience	Cleanliness	Wayfinding
4.11/5	**4.14**/5	**4.09**/5

COMMUNITY INVESTMENT

$4.9m

48% from 2016

COMMUNITY INVESTMENT GROWTH ($m)



Our network

Passenger movements

TOTAL PASSENGERS

43.3m

3.6% from 2016

INTERNATIONAL

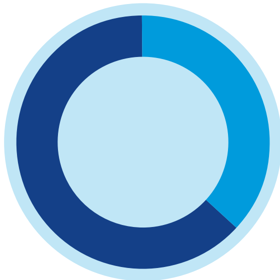
37%

7.2% from 2016

DOMESTIC AND REGIONAL

63%

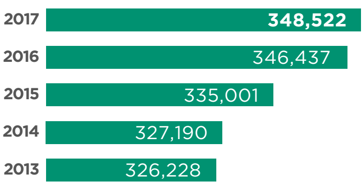
1.6% from 2016



Aircraft movements

TOTAL AIRCRAFT MOVEMENTS

348,522

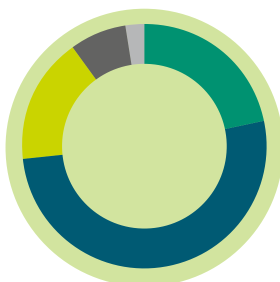


0.6% from 2016

INTERNATIONAL AIRLINES	DOMESTIC & REGIONAL AIRLINES	FREIGHTERS
43	7	10

AIRCRAFT MOVEMENTS

International	73,646
Domestic	180,743
Regional	59,468
General aviation	26,096
Freight	8,569



Passengers by geography[1]

1 ASIA (EXCLUDING GREATER CHINA)
5.1m passengers
↑6.6% from 2016

2 NEW ZEALAND, PACIFIC AND OTHER
3.4m passengers
↑2.8% from 2016

3 THE AMERICAS
2.5m passengers
↑2.0% from 2016

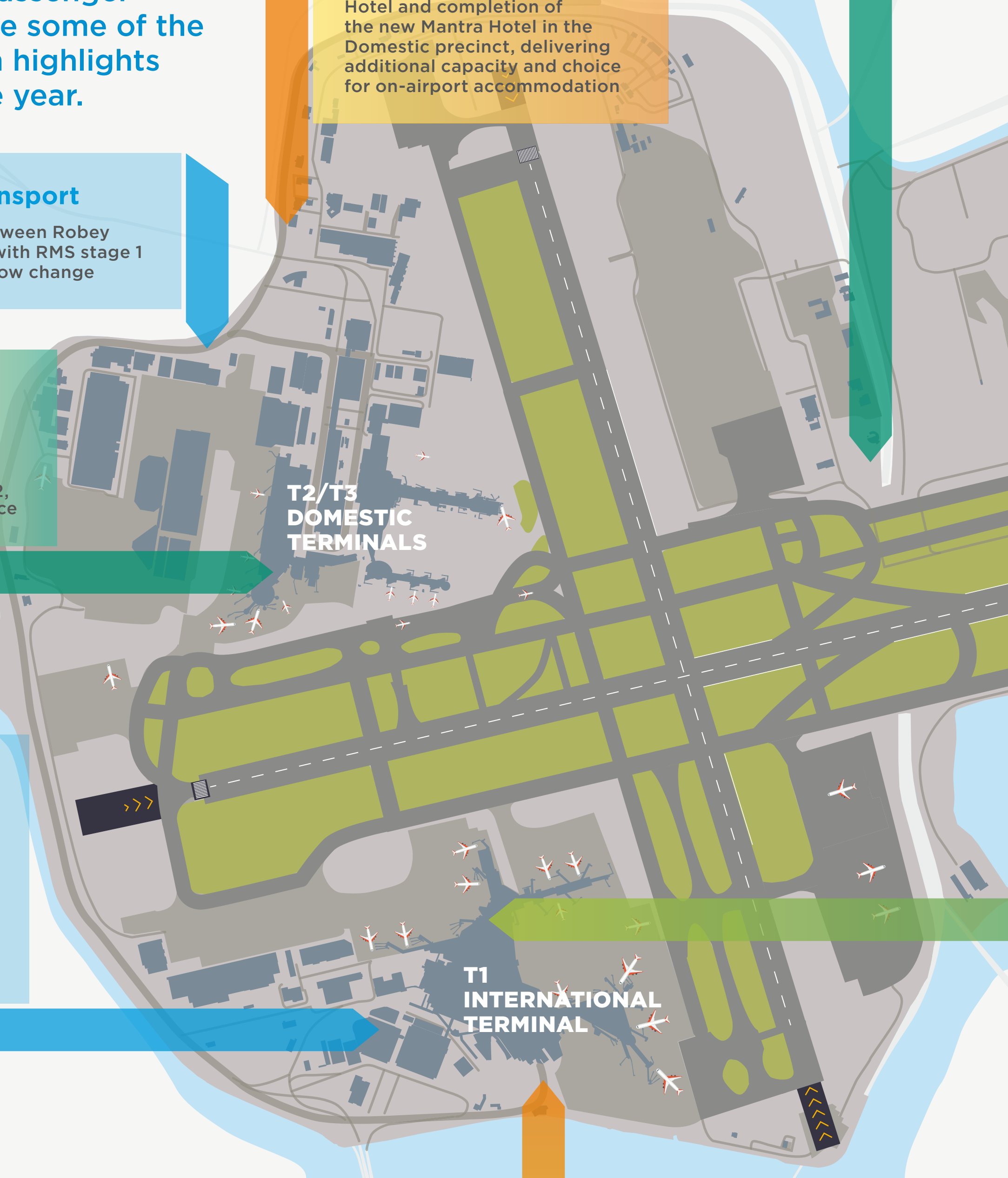
4 GREATER CHINA
2.9m passengers
↑16.7% from 2016

5 EUROPE AND MIDDLE EAST
2.0m passengers
↑10.9% from 2016

1 Excludes Domestic-On-Carriage.

Investment program highlights

We completed another significant program of works in 2017 as we transform the airport experience for our airline and passenger customers. These are some of the investment program highlights delivered during the year.



Plane spotting

Upgrade and enhancements to Shep's Mound to provide better facilities for plane spotters and school children on airport tours

Hotels

Acquisition of the Ibis Budget Hotel and completion of the new Mantra Hotel in the Domestic precinct, delivering additional capacity and choice for on-airport accommodation

Domestic ground transport

Widening of Qantas Drive between Robey and O'Riordan streets timed with RMS stage 1 implementation of one-way flow change

T2/T3 Domestic terminal bathrooms

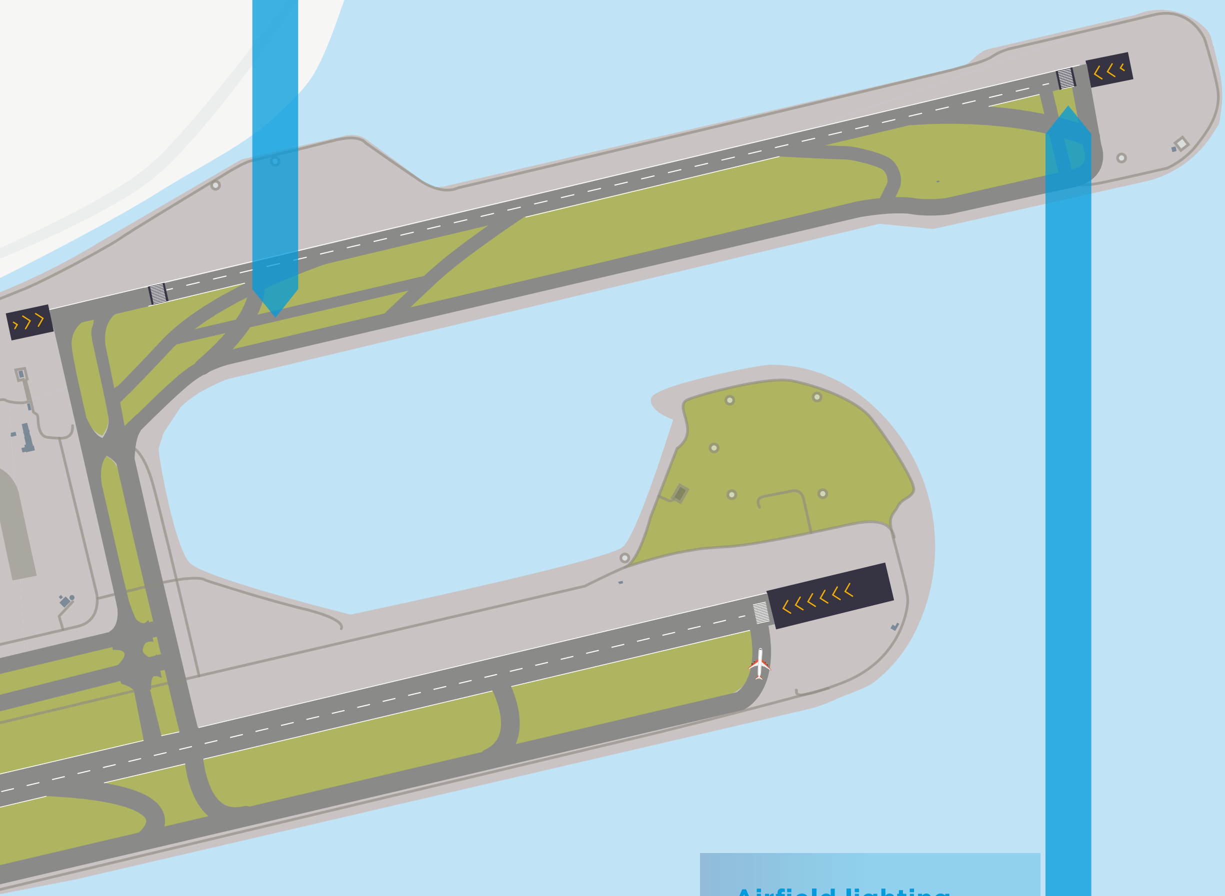
Upgrade of bathrooms in T3 and commencement of rolling upgrade program at T2, improving customer experience

Car park expansion and solar panels

Addition of four new levels on the northern multi-storey car park in the International precinct to provide additional capacity. Solar panels installed on the P6 multi-storey car park, providing low cost, clean energy

T1 International ground transport

- New road at the International precinct, separating traffic from Departures Road and recirculating traffic directly on to Centre Road. New exit from the car park under the Giovanni Brunetti Bridge and improvements to the Marsh Street exit, reducing congestion
- New elevated pedestrian and cycleway linking the T1 International terminal to the Cooks River/Alexandra Canal pedestrian and cycle paths



Airfield resurface

Extensive resurfacing of the airfield including the parallel runway and taxiways

Airfield lighting

High intensity airfield lighting upgrade to Special Authorisation Category 2, improving safety standards and operational capacity

T1 International terminal works

- **Gates** – Upgrade to Bay 31 at T1 International, enabling its use by larger aircraft and dual aerobridges
- **Bussing** – Five new airside buses improving bussing times and capacity
- **Retail** – Completion of the luxury and lifestyle specialty retail precincts and the Cityview and Marketplace food and beverage areas, providing greater value and choice
- **Baggage** – Refurbishment and replacement of eight baggage carousels at the Arrivals Hall at T1 International to increase resilience, improve service levels and ambience
- **Check-in** – Redevelopment of check-in counter C to streamline throughput and reduce queuing by increasing the use of technology and further automating the check-in process
- **Expansion** – T1 International terminal expansions allowing for increased and upgraded gate lounge seating and improved facilities

Chairman's message

It is a pleasure to report that 2017 has been a successful year for our company. Performance has remained strong across a broad range of financial and operational metrics, our strategy is clear, and we are benefiting from positive demand and supply side trends across our industry. Sydney Airport set new records for EBITDA and net operating receipts in 2017.

We continue to invest in and plan for future growth, assessing the most efficient use of our site and devising the highest and best use of our resources and infrastructure. To that end, we are now in the process of preparing the Sydney Airport Master Plan 2039 which will be on public exhibition in 2018 and provided to the Commonwealth Government for review and approval in early 2019. Master Plan 2039 will outline our 20-year plan to enhance the passenger experience and efficiency of the airport, ensure safety and security, best utilise the capacity of the airport, drive productivity, jobs and economic growth, and improve environmental outcomes. We strive to achieve this whilst being a good neighbour and making a positive contribution to our community.

CEO transition

In early 2017, Kerrie Mather announced her decision to retire as CEO and Managing Director of Sydney Airport. On behalf of the Board, I would like to pay tribute to the tremendous contribution Kerrie made to Sydney Airport and thank Kerrie for her vision, dedication and strong leadership through her 15 years as CEO of the listed company, including almost seven years as CEO and Managing Director of Sydney Airport.

The Board wishes her all the very best as she leaves Sydney Airport in a strong position for continued growth in the future. The CEO transition process was successfully completed in January 2018, when our new CEO Geoff Culbert joined the team. The Board looks forward to working with Geoff in the years ahead.

Corporate governance and the Board

Your Board and management recognise their duties and obligations to maintain a robust corporate governance system. A strong risk management framework and culture underpins our governance structures as we continue to manage a broad range of risks.

During the year we reviewed the effectiveness of the Board and reflected on the skills, duties and obligations required of its members. While we continue to benefit from the wide range of skills and experience of our directors, we are constantly assessing the changing needs of the business in the complex and dynamic operating environment. Against this background, we have commenced the search for an additional director.

Distribution

A final distribution of 18 cents per stapled security was declared and paid, bringing the total distribution for investors to 34.5 cents per stapled security across the year. This is an increase of 11.3% from 2016 and represents a five-year compound annual growth of 10.4%.

Outlook

The outlook for aviation, travel and our key growth drivers is positive. We expect to continue to benefit from significant positive demand and supply side trends in aviation markets, further air right liberalisation and our proximity to the Asian region.

Sydney Airport is well positioned for future growth as we continue to invest in our asset, with a focus on our customers, passengers, airlines and the community. As we continue to deliver aviation infrastructure and a superior customer experience, we will continue to create value for our investors, customers, employees and the community in 2018 and beyond.

The Board would like to take this opportunity to thank the Sydney Airport team for their hard work and dedication throughout 2017.

Finally, I would like to thank you, our investors, for your continued support of Sydney Airport. We look forward to continuing to deliver positive results.

TREVOR GERBER
Chairman

Introducing new CEO Geoff Culbert

After an extensive global search, the Board was delighted to announce Geoff Culbert as Sydney Airport's new Chief Executive Officer. Geoff joined Sydney Airport on 15 January 2018 after a highly successful international career with General Electric (GE), most recently as President and CEO of GE Australia and New Zealand.

Geoff impressed the Board with his commitment to contributing to the social and economic development of Sydney, NSW and Australia, his interest in public policy and lifelong passion for aviation. He brings to the role extensive commercial and operational experience and a track record of working closely and collaboratively with customers, business partners and governments.

Geoff embraces innovation and technology and this ongoing focus will position Sydney Airport for future success. Importantly, he has strong and established relationships with many of Sydney Airport's key airline and business partners, and across all levels of government. We look forward to his success in the role over the years ahead.

CEO's message

As many of you know, I joined Sydney Airport in January 2018. I've spent the first month getting to know the broader Sydney Airport community and have met with many of our customers and stakeholders. I've also spent a lot of time over the past month with the Sydney Airport team, learning about the business and getting a deeper understanding of our diverse operations. It's been a busy time, but the more I learn, the more excited I am to be part of Sydney Airport.

I am proud to be part of this energetic and dynamic business. We have an experienced leadership team, a collaborative, engaged workforce and a culture focused on delivering an outstanding experience for all our customers.

Within this context, I would like to acknowledge the outstanding work of Kerrie Mather who led the Sydney Airport team over many years. The business has been well run and it is with great enthusiasm that I take the reins.

Financial and operational snapshot

I am pleased to report that the financials for 2017 saw revenue grow 8.7% compared to the previous year, generating EBITDA of $1,198.9[1] million and net operating receipts of $789.8[1] million.

We have also continued to manage our costs efficiently. Our strong 13.5%[1] growth in net operating receipts underpinned a distribution to investors of 34.5 cents per stapled security, an increase on the prior year of 11.3%.

2017 was an excellent year for the airport in which we welcomed a record 43.3 million passengers. This increase of 3.6% was driven primarily by strong international passenger growth resulting from increases in both airline seat capacity and load factors. We also continued to expand the number of direct services and frequencies from a wide range of destinations.

The diversity of Sydney Airport's businesses, airline partners, destinations and markets contributes to a robust model and underpin the solid EBITDA growth we have experienced each year since privatisation in 2002.

Highlights for the year include solid growth in aviation services, resulting in part from successful and proactive marketing initiatives and long-term collaboration with tourism partners. We've also experienced a pleasing five-and-a-half months of operations for our new on-airport hotels, Mantra and Ibis Budget.

Importantly, we've continued to invest for future growth. In 2017 we invested $428.5 million in airfield and terminal capacity including the business acquisition of the Ibis Budget Hotel, to ensure our customer experience is constantly improving. We currently expect to invest a further $1.3 billion to $1.5 billion over the next four years. This investment will enable us to increase our capacity, deliver efficiencies across the airport and provide our passengers and airlines with a superior customer experience.

Our customer focus

Our customers are at the heart of the way we work and operate. In 2017, more than 43 million people passed through the airport and we remain focused on initiatives that make the travel experience enjoyable and seamless for everyone, regardless of their purpose of travel.

I come from a technology background and innovation excites me. I see many opportunities to embrace new technologies at the airport to enhance processes that continue to improve the experience for our customers. With that context I was pleased to see some of the initiatives rolled out in 2017, including:

- introducing BizTweet, our real-time flight and gate information social media updates;
- indoor Google, Apple and Baidu map applications that direct airport visitors through our terminals using their social media platform of choice;
- a refreshed customer focused website designed to provide a more tailored experience for passengers planning their journey; and
- installing queue measurement displays in taxi ranks and security areas – providing customers with information on wait times.

We were pleased to see improved customer satisfaction scores as a result of this work. These initiatives are aimed at improving the quality and efficiency of our operations, supporting the success of our airline partners, informing our investment decisions and ultimately increasing customer satisfaction with Sydney Airport.

We are currently working with government partners to trial next-generation technology for inbound SmartGates and are working in conjunction with Qantas and the Federal Government on the first phase of the biometrics project. This initiative will allow passengers departing on international flights to complete the check-in, bag-drop, security, outbound immigration and boarding processes using facial recognition technology, instead of having to present their passport and boarding pass at every checkpoint. This represents a potential step-change in the efficiency of airport travel, while at the same time enhancing security for the benefit of all passengers.

We recognise that the passenger journey starts before people arrive at the airport and how important it is to provide easy access to the airport. We are well progressed on our ground transport plan, with major completions to occur in 2018. This plan will also see complementary government works surrounding the airport continue to be delivered throughout 2018 and 2019. This significant program has delivered new roads

1 Excluding the impact of WSA project costs expensed and business acquisition costs.

and improved traffic flow across the airport, but we know there is still more work to be done. We will continue to advocate for more public transport to and from the airport and a reduction in the station access fee on airport train stations. We look forward to further engagement with government on these projects.

Our people and culture

Keeping our people safe remains our first priority. We see safety as a responsibility for all of us and, as a leadership team, are committed to ensuring the highest levels of safety across our operations. We recognise that leaders and managers are integral to our safety culture and to ensuring that safety systems are part of their accountability. To support this, we introduced a safety training program for our people managers in 2017.

We are focused on driving a collaborative, high-performing culture and are committed to supporting our people to develop their potential. We have an established leadership team that work in partnership to deliver successful outcomes for our customers, investors and broader stakeholders.

Our sustainability focus

As owners and operators of Sydney Airport, we acknowledge our responsibility to the communities in which we operate and will continue to strengthen our contribution at a social, environmental, cultural and economic level as a sustainable business.

We increased our investment in the community during the year, contributing $4.9 million to community initiatives. In 2018, we will continue to build on existing and long-term partnerships and become an even better neighbour to the communities that surround the airport.

We are in our third year of reporting on our sustainability initiatives and I am committed to ensuring sustainability is integral and fully embedded within our business strategy. We continued to be recognised for our sustainability leadership during the year by achieving a 'Leading' rating for our sustainability reporting from the Australian Council of Superannuation Investors. We were again included on the Dow Jones Sustainability Index, sitting in the top 10 globally for the transport and infrastructure sector, and we are now listed on the FTSE4Good Index. We have also been recognised as a global gender equality leader on Equileap's Top 200 list. These results reflect the continued focus and commitment to run a responsible and sustainable business.

We've made considerable progress on our sustainability commitments and we will continue to further that progress this year. I look forward to providing an update throughout the year.

Outlook

We are pleased to advise distribution guidance of 37.5 cents per stapled security for 2018, representing 8.7% growth, reflecting our confidence and positive outlook. We expect the 2018 distribution to be fully covered by net operating receipts.

We have a proven and sustainable business model, a strong and experienced team and a robust balance sheet. We remain committed to expanding the capacity of the airport, improving the customer experience and driving operational efficiencies.

We are looking ahead to another year of opportunity for our industry. We are committed to the successful operation of Sydney Airport as a dynamic and diverse business that benefits our customers, investors, community and our broader stakeholders, now and for the long term.

GEOFF CULBERT
Chief Executive Officer

AWARDS

2017 CAPITAL CITY AIRPORT OF THE YEAR
AUSTRALIAN AIRPORTS ASSOCIATION (AAA)

OUTSTANDING CONTRIBUTION TO THE AIRPORT INDUSTRY AWARD – KERRIE MATHER
AUSTRALIAN AIRPORTS ASSOCIATION (AAA)

AIRPORT INNOVATION AND EXCELLENCE – OPERATIONS AWARD
AUSTRALIAN AIRPORTS ASSOCIATION (AAA)

2017 TOP 3 BEST AIRPORTS IN AUSTRALIA/PACIFIC
SKYTRAX WORLD AIRPORT AWARDS

FAVOURITE AIRPORT SECURITY EXPERIENCE
CHEAPFLIGHTS AWARDS AUSTRALIA

CONDÉ NAST TRAVELLER
TOP TWENTY INTERNATIONAL AIRPORTS

AIRPORT OF THE YEAR (AUSTRALIA)
INTERNATIONAL TRANSPORT NEWS LOGISTICS, WAREHOUSE AND SUPPLY CHAIN AWARDS

FAVOURITE AIRPORT EATING AND SHOPPING
CHEAPFLIGHTS AWARDS AUSTRALIA

Our leadership team

Our leadership team is committed to enhancing the customer experience, leading a high performance culture and sustaining strong financial performance.

Geoff Culbert
Chief Executive Officer

Hugh Wehby
Chief Operating Officer

Greg Botham
Chief Financial Officer

Jamie Motum
General Counsel and Company Secretary

Chris Evans
General Manager Construction and Facilities

Sally Fielke
General Manager Corporate Affairs

Craig Norton
General Manager Landside Operations and Transport

Gayle Philpotts
General Manager People and Performance

Peter Wych
General Manager Property

Glyn Williams
General Manager Retail

Stuart Rattray
General Manager Technology

Our strategy

Sydney Airport is driving productivity, jobs, economic growth and prosperity for Sydney, NSW and Australia. Our strategy is to deliver responsible growth and value, underpinned by a collaborative and integrated approach to meeting passenger, airline, business partner and community needs.

Partnership and market development

Sydney Airport strives to foster aviation growth to deliver economic and tourism benefits for Sydney and NSW. We work closely with government and our tourism and business partners to attract new airlines, routes and services, and to provide passengers with more choice, value and convenience.

Investing for growth and optimising efficiencies

We are facilitating future growth by investing significantly in our aviation and terminal facilities. We are upgrading facilities, investing in new technologies and effectively utilising our assets to deliver more efficient operations for our airline and passenger customers.

Enhancing the passenger experience

We are focused on providing a world-class airport experience for our airline and passenger customers, government partners and stakeholders. We're investing in technology to empower our people to respond to increasing demand in real-time, and alleviate capacity pinch points travelling to and from the airport and across our operations.

Meeting long-term demand

We're investing in infrastructure to meet long-term customer needs. Our commitment to safety and security is key to the resilient growth of our operations.

Our values

Our values drive our organisational culture and underpin how we interact with each other and our stakeholders. They help us to deliver on our vision and strategies, providing a framework for how we make decisions at Sydney Airport.

Integrity and openness

Acting honestly and openly to achieve corporate and social objectives

Safety and security

Delivering the highest levels of safety and security

Excellence

Striving to deliver an outstanding airport experience through operational efficiency, superior customer service and innovation

Teamwork

Fostering a collaborative and supportive work environment that values diversity

Creativity and flexibility

Working with our partners to achieve superior business outcomes

Sustainability

Responsible growth through balancing social and environmental needs with corporate objectives

Our priorities

Sydney Airport's strategic priorities and opportunities

Increasing passenger numbers and services	• Focusing on attracting airlines from Asia and other regions, and creating opportunities for growth due to the increasing affluence and propensity to travel of large emerging markets, particularly China and India • Broadening relationships with airlines and working with them to encourage increased aircraft size, flight frequency, and adding new routes • Working with tourism authorities and industry groups to develop marketing initiatives to increase the profile of Sydney and NSW as an international tourist destination • Working with the Commonwealth Government to increase air rights to priority markets ahead of demand
Improving the customer experience	• Focusing on listening to customers and improving the experience at every stage of the journey through superior customer service, operational efficiency and digital innovation • Working collaboratively with airlines, government, on-airport businesses and staff to invest in services and infrastructure that improve the safety, efficiency and amenity for those visiting or travelling through Sydney Airport
Enhancing the Retail experience	• Focusing on providing high quality retail space in shopping areas and creating an exciting and vibrant retail environment • Continuing to develop a product and merchandise mix to meet the retail expectations of passengers and to identify appropriate retailers who can meet Sydney Airport's service, operational and financial objectives • Enhancing our understanding of customer trends and behaviour
Growing the Property business	• Optimising the development of available land for commercial activities through the master planning and land use management process. • Developing the hotel business to cater to the needs of customers seeking convenient access to Sydney Airport
Aligning the Landside Operations and Transport business to customer needs	• Tailoring the range of car parking products to offer customers value and choice, and to meet evolving customer needs • Ensuring multi-modal access to the airport is increased and enhanced over time • Continuing to advocate for more and affordable public transport services to the airport precinct
Building additional capacity and effectively using assets	• Focusing on investments in additional capacity to meet demand for future growth • Maximising the utilisation and efficiency of Sydney Airport assets • Balancing activity throughout the airfield, terminals and roads to reduce congestion and improve infrastructure utilisation
Effectively managing the capital structure	• Maintaining an efficient capital structure with financial flexibility • Maintaining a minimum credit rating of BBB/Baa2
Managing risk and continuing to optimise sustainable operations	• Maintaining and conducting regular airport emergency plan exercises • Maintaining airport security regime • Maintaining appropriate insurances • Maintaining a program of network transformation and cyber defence programs • Developing climate adaptation plans and modelling climate change

Significant risks

Sydney Airport is exposed to a range of risks associated with operating Australia's busiest airport. The strategies developed by the Board and management to address these risks are outlined on the previous page and in the following pages that describe our four main revenue streams.

Failure to maintain passenger and service volumes	• The business operations and revenues are dependent on the number of passengers that use Sydney Airport, particularly international passengers, which may decline or experience growth constraints due to factors beyond the airport's control • Airline customers may experience adverse financial and operating conditions, which could have a materially adverse impact on aeronautical revenues • Aeronautical activities may be limited by the regulations imposed on Sydney Airport's operations • The business depends on Sydney Airport's ability to maintain the aerodrome certificate and lease over the Sydney Airport site
Third-party dependencies	• The operation of Sydney Airport depends upon the performance of third parties, and we have limited ability to influence them • The business operations may be adversely affected if restrictions are imposed on the sale of tax and duty free consumer goods in airports
Capital management	• Sydney Airport has net debt of $8.0 billion and there is a requirement to refinance portions of this debt on a regular basis
Other	• Business operations could be materially adversely affected by climate change, cyber attacks, terrorist attacks and the threat of war • This year Sydney Airport has given consideration to the Financial Stability Board's Task Force on Climate-related Financial Disclosures framework. For further details refer to the Sustainability Summary in this report • Sydney Airport faces risks and liabilities associated with aircraft accidents • The airport faces competition for new business from other airports and may face increased competition when the Commonwealth Government develops Western Sydney Airport, or expands other modes of transport in the Sydney region

Financial performance

PASSENGERS	EBITDA	CASH FLOW OUTCOMES	DEBT SERVICE COVERAGE	INVESTOR RETURNS
43.3m	$1,198.9m[1]	$789.8m net operating receipts[2]	3.0x cash flow cover ratio[3]	34.5¢ per stapled security
3.6% from 2016	8.3% from 2016	13.5% from 2016	+0.3x from 2016	11.3% from 2016

Key performance measures

Key measures of Sydney Airport's 2017 financial performance are shown in the table below.

		Growth from 2016
Passengers	43.3 million	3.6%
Revenue	$1,483.3 million	8.7%
Operating expenditure[1]	$284.5million	10.4%
EBITDA[1]	$1,198.9 million	8.3%
Net operating receipts (NOR)[2]	$789.8 million	13.5%
Distributions per security to investors	34.5c	11.3%

Revenue streams

	Revenue $m	Revenue contribution	Revenue growth
Aeronautical Services (excl. security recovery)	670.6	45%	9.2%
Retail	333.1	23%	12.7%
Property and Car Rental	221.4	15%	8.4%
Parking and Ground Transport	159.5	11%	2.2%

Distributions and Net Operating Receipts (NOR)

NOR provide a proxy for cash flows available to pay ASX-listed Sydney Airport distributions. As a result, it is a key measure of ASX-listed Sydney Airport's financial performance. NOR is a non-IFRS measure of cash flow that ASX-listed Sydney Airport can sustainably return to investors while investing in the infrastructure. NOR is derived from both income statement performance and the cash position of SAL and SAT1.

A reconciliation of statutory profit to NOR is shown on the following page.

Reconciliation of NOR

NOR provide a proxy for cash flows available to pay ASX-listed Sydney Airport distributions. The following table reconciles the statutory result of ASX-listed Sydney Airport for the year ended 31 December 2017 to its NOR.

Non-IFRS financial information has not been audited by the external auditor, but has been sourced from the financial reports.

1 Excludes WSA project costs expensed and business acquisition costs. EBITDA including WSA project costs expensed and business acquisition costs for the year ended 31 December 2017 was $1,196.4 million with EBITDA growth of 10.2%.

2 Excludes WSA project costs expensed and business acquisition costs. Net operating receipts including WSA project costs and business acquisition costs was $787.3 million with growth of 16.6%.

3 Cash flow cover ratio (CFCR) is calculated using defined terms in the finance documents, summarised by cash flow divided by senior debt interest expense for a rolling 12 month period.

	2017 $m	2016 $m
Profit before income tax expense[1]	389.1	320.2
Add back: depreciation and amortisation[1]	385.7	356.5
Profit before tax, depreciation and amortisation	774.8	676.7
Add/(subtract) non-cash expenses		
- Capital indexed bonds capitalised[2]	24.0	10.5
- Amortisation of debt establishment costs[2]	16.0	27.4
- Business acquisition costs[1,5]	1.9	-
- Western Sydney Airport project costs expensed (WSA)[1]	0.6	21.0
- Borrowing costs capitalised[2]	(9.3)	(9.6)
- Change in fair value of swaps[2]	0.2	(22.0)
Total non-cash expenses	33.4	27.3
Add/(subtract) other cash movements		
Movement in cash balances with restricted use[3]	13.6	12.3
Other	(32.0)	(20.3)
Total other cash movements	(18.4)	(8.0)
Net operating receipts	787.3	675.0
Net operating receipts excluding WSA and business acquisition costs	789.8	696.0
Average stapled securities on issue (m)[4]	2,250.5	2,237.4
Net operating receipts per stapled security	35.0c	30.2c
Net operating receipts per stapled security excluding WSA and business acquisition costs	35.1c	31.1c
Distributions declared per stapled security	34.5c	31.0c
Ratio of net operating receipts to distributions	101%	97%
Ratio of net operating receipts excluding WSA and business acquisition costs to distributions	102%	100%

1 Taken from the Consolidated Statements of Comprehensive Income in the Sydney Airport Financial Report for the Year Ended 31 December 2017.
2 Taken from Note 6 in the Sydney Airport Financial Report for Year Ended 31 December 2017.
3 Taken from Note 3 in the Sydney Airport Financial Report for Year Ended 31 December 2017.
4 Taken from Note 8 in the Sydney Airport Financial Report for Year Ended 31 December 2017.
5 Included in the calculation as non-operating expense.

Revenue growth at Sydney Airport

Sydney Airport revenue growth is driven by four key inputs:

Passenger growth: Passengers travelling through the airport are the major consumers of the services provided by Sydney Airport. A large majority of aeronautical revenues are directly linked to passenger numbers. Charges are generally levied per passenger to the airlines for use of the terminal and airfield infrastructure, providing a direct linkage to revenue growth. Where charges are levied on maximum take-off weight they provide linkage as larger or more aircraft are required to transport more passengers. The commercial revenues (including Retail, Property and Car Rental, Parking and Ground Transport) are directly and indirectly linked to passenger volumes.

Capital investment: Sydney Airport takes a disciplined approach to investment. It earns a return on aeronautical and commercial infrastructure capital investments. Investment is made to accommodate more passengers at the airport, improve the efficiency of the airport and improve the experience of airport customers.

Management initiatives: Management continually review the airport's assets, contracts and operations for opportunities to better utilise assets, increase the value of available space, reduce costs and improve efficiency. These initiatives contribute significantly to increasing real revenues and earnings per passenger.

Inflation: Many of Sydney Airport's commercial contracts and revenues are directly linked to inflation.

A more detailed analysis of specific growth drivers is provided in the following revenue streams and operating expense sections.

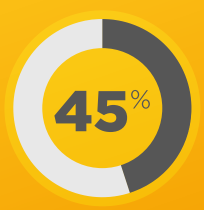
Aeronautical Services

We've invested in infrastructure and technology to cater for continued strong passenger growth, deliver service improvements for our airline customers and enhance the passenger journey.

2017 REVENUE

$670.6m[1]

9.2% from 2016



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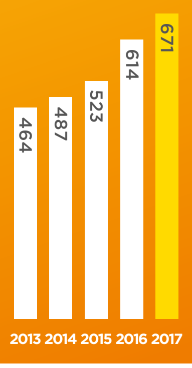


1 Excludes aeronautical security recovery.

Strong passenger and revenue growth

In 2017, our passenger numbers continued to grow strongly. New airline routes and services drove strong international capacity growth, particularly across the Middle East and Asia.

Sydney Airport facilitated a record 43.3 million passengers through our terminals, an increase of 3.6% compared to 2016.

As a result of this significant passenger growth, revenue increased by 9.2% to $670.6 million, excluding security recovery, compared to 2016.

Connecting to new destinations

We welcomed new services from China at both the beginning and end of 2017, a fitting way to celebrate the China–Australia Year of Tourism. China Eastern commenced its Wuhan–Sydney route in January. We later welcomed a new airline Beijing Capital Airlines in October, when it commenced its four-weekly Qingdao–Sydney service. Beijing Capital Airlines was Sydney Airport's seventh mainland Chinese airline. Sydney Airport remains a world leading airport for Chinese long-haul routes, with eight airlines now serving 17 mainland Chinese cities.

Other new international routes in 2017 included:

- Qantas' Osaka–Sydney route, that launched in December 2017, meeting strong demand for what has been our largest unserved market;
- Samoa Airways' Apia–Sydney route, which landed at the airport in November 2017; and;
- Vietnam Airlines' Hanoi–Sydney route, which started in March 2017.

Since year end, a further four new routes have started at Sydney Airport. United Airlines' new daily Houston–Sydney service commenced on 20 January 2018, operated by a Boeing 787-900 Dreamliner and connecting Sydney to the largest city in the southern United States. New airline Tianjin Airlines launched

New additions

Welcoming one new airline and five new routes in 2017, we expanded our links with key markets across Asia. These connections have promoted tourism growth and are opening up new trade opportunities for Australian businesses.

its Zhengzhou–Sydney route on 30 January 2018 on an Airbus 330–200 aircraft, while Hainan Airlines' Haikou–Sydney route operated by an Airbus 330–300 aircraft started on 31 January 2018. Qatar Airways' second daily Doha service to Sydney commenced in February 2018.

These additions further our connection to key global destinations, cementing Sydney Airport's position as Australia's gateway.

Investment program catering to demand

We've adopted innovative new initiatives during the year to harness technology throughout the airport. These new approaches meet the needs of passenger growth while making airport processes easier and more connected for the benefit of our customers.

As passenger numbers increased, we invested to ensure the resilience of our T1 International baggage system continues to meet demand. One key project is delivering intuitive new technologies that provide staff and passengers with more visibility of the movement of bags through the system. When complete, passengers will be advised when their bags are approaching the arrivals carousels, from the first bag to arrive to the last to be sent. This enhanced monitoring capability will improve resource allocation and demand planning capabilities for ground handlers, while better informing passengers as they move through the airport.

Similar benefits have already been realised with the introduction of queue management technology at security screening and passport control. Airport staff can see queue wait times in real-time, allowing more dynamic resource allocation to move passengers through outbound processes efficiently.

Enhancing the passenger experience

This same queue management technology is allowing passengers to better plan their journey through the airport, with live queue wait times shared with passengers for the first time in 2017. This was one of the many ways we used technology to provide more relevant, timely and easy-to-access information to passengers as part of our customer focus.

The year also saw our customer focus transition to a greater emphasis on mobile technologies. We've recognised that passengers want to connect with information through their own devices, using platforms they're already familiar with. To meet this need, we further expanded our open data strategy to introduce new platforms to complement existing multilingual e-directories in terminal.

Sydney Airport became the first organisation outside greater China to launch Baidu Maps, a move that represented a significant step forward for our China strategy. The platform is the equivalent of Google Maps and is used widely by Chinese customers. Baidu Maps – in addition to Google and Apple

AERONAUTICAL INFRASTRUCTURE

TOTAL PASSENGERS

43.3m

3.6% from 2016

INTERNATIONAL PASSENGERS

16.0m

7.2% from 2016

DOMESTIC AND REGIONAL PASSENGERS

27.4m

1.6% from 2016

AIRCRAFT MOVEMENTS

348,522

0.6% from 2016

DESTINATIONS

54

INTERNATIONAL

49

DOMESTIC AND REGIONAL

LANDED TONNAGE

18,088

thousand tonnes

Maps – can now be used inside the terminal to find gates and lounges, check-in counters and retail outlets. In sharing our data with these platforms, we've delivered customers an intuitive solution on platforms they use everyday to navigate their way through the terminal, complementing traditional wayfinding and providing more choice for passengers.

While technology is making it easier for passengers to move through the airport, we've also invested in facilities to make their time in our terminals more enjoyable. Additional seating in our gate lounges was introduced during the year, providing more comfortable and pleasant dwell zones as passengers wait for their flight.

Collaborating with our airline partners

As we continue to drive a range of improvements across the airport, we've worked closely with our airline partners to ensure our investment meets their needs and those of our shared customers, the passengers.

Our ground breaking International Airline Service Agreements achieved another milestone in 2017. The service level framework and Key Performance Indicators (KPIs) associated with the agreements were formally endorsed for implementation. The KPIs provide an objective and reliable data source to guide investment in infrastructure, resource allocation and other solutions to improve safety, efficiency and the passenger experience. The KPIs span the key areas of baggage, check-in, security and border facilitation, and bussing.

We also forged ahead with an innovative new approach to our operations when we commenced the implementation of Airport Collaborative Decision Making (A-CDM) this year. A-CDM will build on the enhanced collaboration of our operations team and airport partners following the launch of our Integrated Operations Centre in 2016. This new approach will see the sharing of real-time information with airport partners such as airlines, ground handlers and air navigation service providers to improve operational efficiency and on-time performance for our airline customers and their passengers.

2018 OUTLOOK

We continue to seek growth opportunities in 2018 by attracting new routes and additional services across a range of markets. For example, Emirates' fourth daily Dubai service is scheduled to commence in March 2018.

Our significant investment program will continue, with our first automated check-in and bag drop zone at T1 International to open in 2018. Automation of the check-in process will increase capacity, streamline throughput and reduce queuing, improving the passenger experience and supporting on-time flight departures. We will also invest in T1 gate lounge upgrades to deliver new finishes and fittings, improved boarding arrangements and additional gate lounge space. We also plan to commence the redevelopment of check-in and security at T2 Domestic.

Automation will continue to be a key focus as we begin the first phase of our biometrics rollout. This exciting project will ultimately allow passengers to navigate through airport processes using facial recognition, without the need to present their passport at each processing point. This has the potential to change the way people travel, and concurrently deliver significantly improved customer and security outcomes.

We will also continue to adapt our infrastructure to meet the needs of our airline customers and facilitate next generation aircraft. Our Master Plan 2039 will be released for public consultation in 2018, and will outline how the airport plans to cater for increasing demand over the next 20 years.

Airline Service Agreements

Our international Airline Service Agreements, introduced in 2015, have focused on building closer working relationships with airlines. The agreements have fostered collaboration between Sydney Airport and our airlines, directing investment to where it's needed most. This has created a shared focus on our common customer – the passenger – to drive improvements that better connect airport processes and create an easier, more enjoyable airport experience.

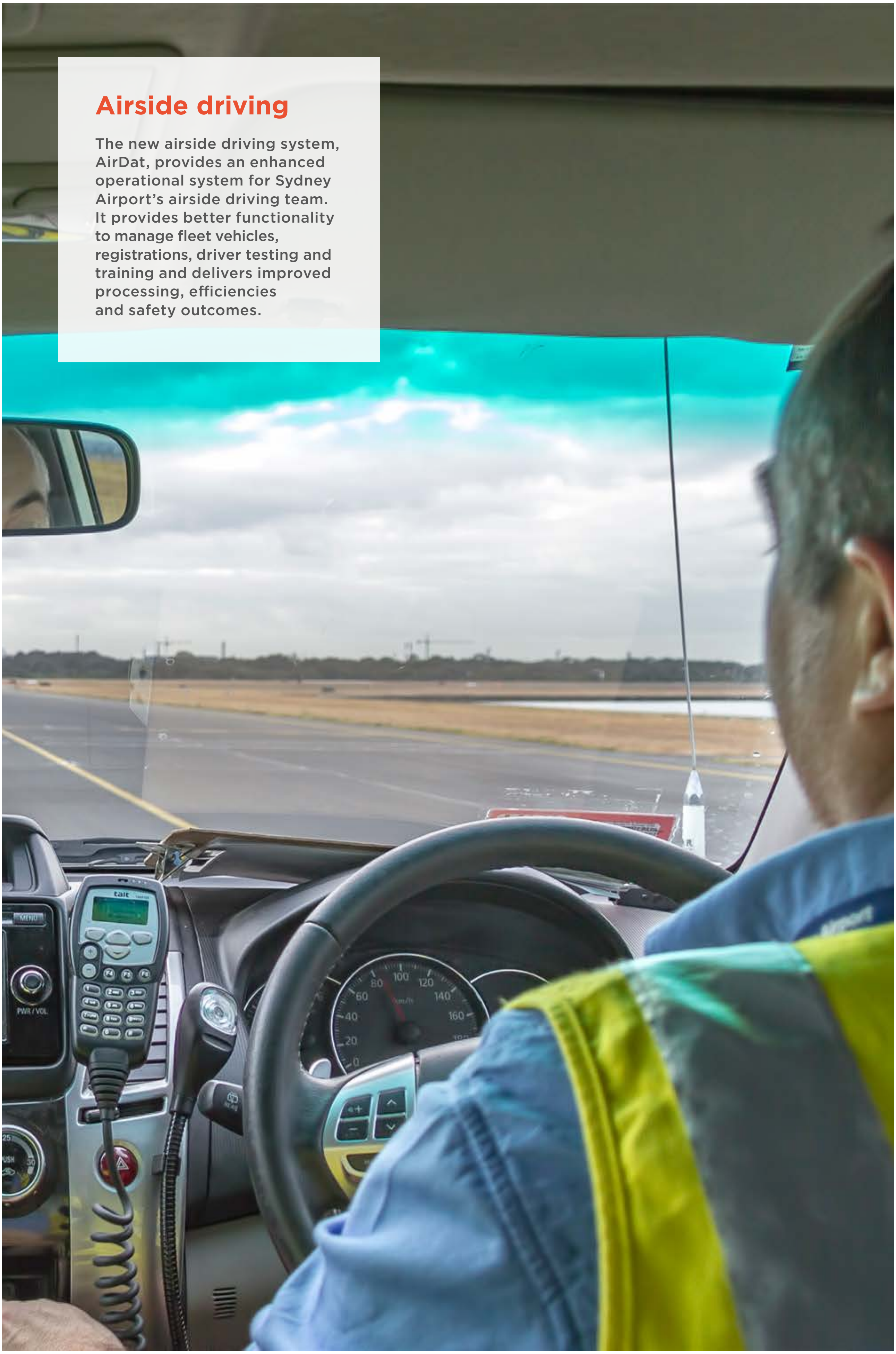
The strength of this approach was recognised by the Australian Competition and Consumer Commission (ACCC) in its Airport Monitoring Report 2015-16, published in 2017, when it said:

"The 2015 commercial agreement struck by Sydney Airport provides a step forward regarding service assurance at that airport and is an encouraging sign for where SLAs are heading more generally."

The Board of Airline Representatives of Australia also noted the value of the model in its publication, Airline Views, in June 2017:

"The KPI regime developed and implemented at Sydney Airport should serve as a model for Australia's other major international airports to consider."

With a KPI framework now in place to track our progress, we're able to better define what matters most to our passengers, determine how we can best support airlines to offer them an easy and efficient journey and monitor our performance. As a result we've achieved improved customer sentiment, with an overall rating for 2017 of 'good' for customer satisfaction.



Airside driving

The new airside driving system, AirDat, provides an enhanced operational system for Sydney Airport's airside driving team. It provides better functionality to manage fleet vehicles, registrations, driver testing and training and delivers improved processing, efficiencies and safety outcomes.

Integrated Operations Centre

As our passenger numbers continue to grow, the safety, security, efficiency and resilience of our airport operations is critically important. We're leveraging the latest technology to respond to changing global aviation security requirements and ensure the smooth operation of Australia's busiest airport. Sydney Airport's Integrated Operations Centre (IOC) brings together our landside, airside, terminal and emergency operations in one location to take a coordinated and holistic approach to airport operations.

The state-of-the-art facility is helping us to better identify issues that may affect the customer experience before our passengers even arrive at the airport, and mitigate external issues that have the potential to impact the efficiency of our terminal and airside operations. The IOC uses digital video technology to provide visibility of every aspect of our operations from one location, with key government partners co-located with our teams to facilitate improved information sharing, collaboration, and incident and emergency management on a day-to-day basis.

From weather conditions and road traffic to social media, our team can see what's happening inside and outside the airport in real-time so they can make informed, data-driven decisions. This has enhanced our flexibility, adaptability and scalability in complex situations. By working with our partners, we can anticipate operating challenges before they arise. For example, we can identify an issue that may affect roads surrounding Sydney Airport and work with our key stakeholders to respond accordingly and alleviate congestion in and around the airport.

The IOC can communicate instantly with every gate lounge, aerobridge, and check-in counter across our terminals, while live flight data can be pushed directly to passengers via our terminals' Flight Information Display Screens (FIDS), the Sydney Airport app, our website and social media.

With enhanced network and power resilience due to dedicated power systems, independent back-up generators and data cabling systems, we can stay connected with our partners and passengers during a major incident. The IOC provides connectivity across every part of our operations, keeping our airport stakeholders fully informed at every stage to deliver a world-class airport experience for our passengers.

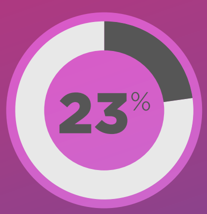
Retail

We're proud to offer our customers more choice and value with the best of global, local, luxury and high street brands as part of our world-class shopping and dining offering.

2017 REVENUE

$333.1m

12.7% from 2016



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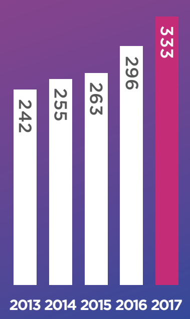


Strong retail performance

Our Retail business performed very strongly in 2017, with revenue growth of 12.7% from 2016 to $333.1 million. This reflected the first full year of operation of the new T1 International luxury precinct, the completion of the new Marketplace area and T2 Domestic food court, and consistent performance at the airport's Domestic terminals.

The best of international brands

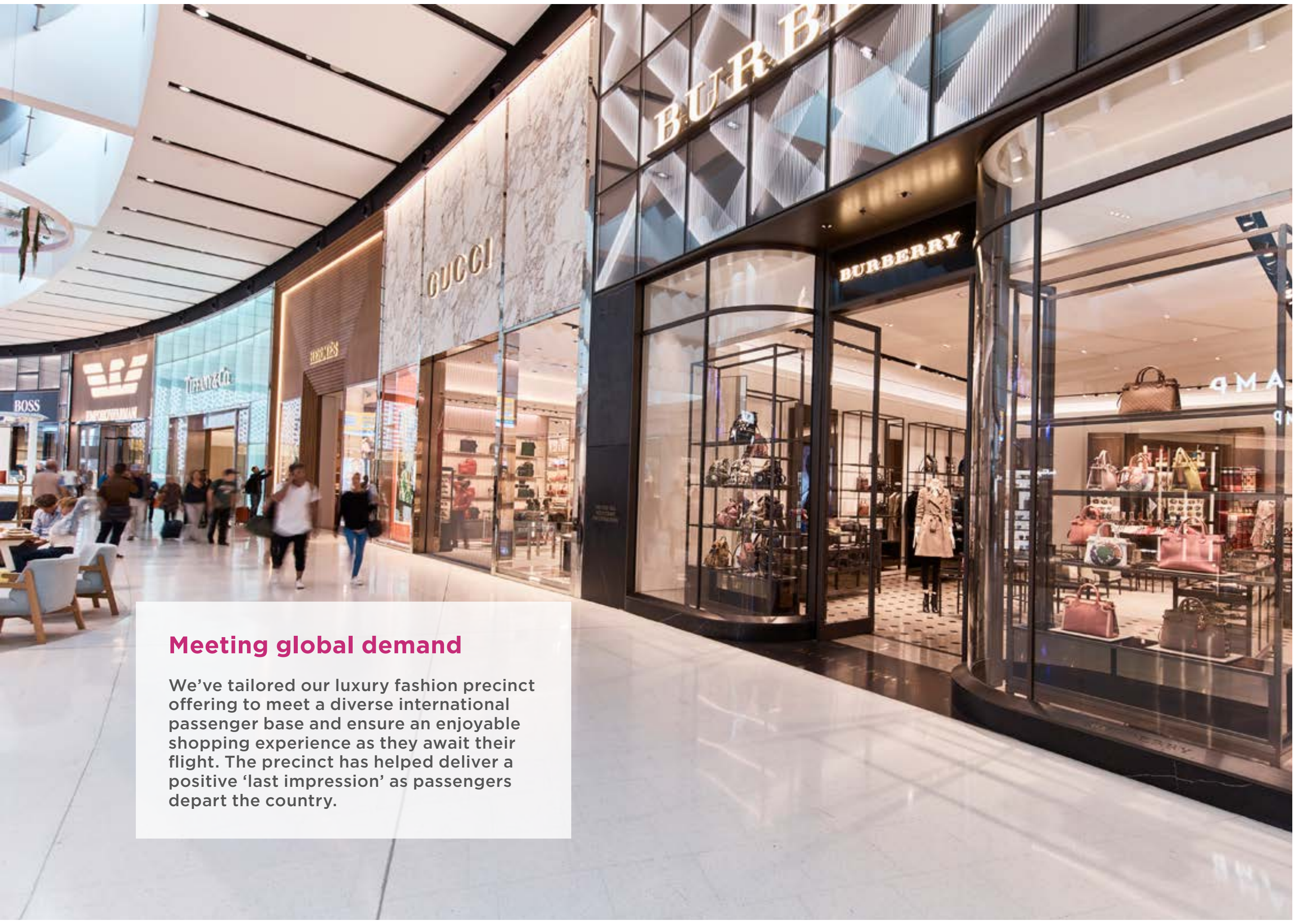
The completion of our T1 International luxury fashion precinct was a major milestone in our retail transformation this year. The precinct continued to perform strongly as passengers responded to a retail offering tailored to meet the unique needs of our 16.0 million international travellers.

Swiss watchmaker Rolex and renowned fashion brand Gucci completed the precinct, complementing a streetscape of global designer brands to suit all tastes, including TUMI, Michael Kors, Kate Spade New York, Hugo Boss, Emporio Armani, Tiffany & Co., Hermès, Burberry, Max Mara and Coach.

Our duty free partner Heinemann Tax & Duty Free continued to deliver a strong, contemporary offering across its core products of liquor, cosmetics, skin care and fragrance, with exclusive and limited edition products creating a unique value proposition for international travellers. Heinemann's largest store at Sydney Airport remains the world's largest standalone airport duty free store, spanning 5,750 square metres.

The travel essentials and Australian experience categories continued to perform well, with larger store footprints proving successful following a number of openings.

The new T1 International retail experience has gained worldwide recognition, with Sydney Airport awarded 'Story of The Year' and 'Terminal Opening/Renovation of The Year' in the world's largest travel trade publication *The Moodie Davitt Report.*



Meeting global demand

We've tailored our luxury fashion precinct offering to meet a diverse international passenger base and ensure an enjoyable shopping experience as they await their flight. The precinct has helped deliver a positive 'last impression' as passengers depart the country.

Dining with the world's best chefs

Passengers are increasingly seeking unique travel experiences at every stage of their journey. Sydney Airport has responded to this demand, creating unique dining experiences that connect passengers with Australia's leading chefs and some of the world's most popular restaurant brands. We expanded our world-class dining offering in 2017, completing the City View premium dining precinct at T1 International.

In an Australian airport first, Kitchen by Mike by Mike McEnearney opened at City View in 2017. The restaurant takes a "farm to fork" approach, using the best local and seasonal produce to create fresh, healthy and delicious meals.

The new addition joined a strong selection of global and local brands in the precinct, including The Bistro by Wolfgang Puck, Better Burger by Shannon Bennett, Joe & The Juice and Heineken House, while Coast Café & Bar and Bridge Bar by Luke Mangan were showcased in the duty free section of the terminal.

Innovative design

Our commitment to innovation goes beyond technology solutions, with terminal design providing an essential part of how our customers move through and enjoy the airport experience. We've called on our retail tenants to support our innovation focus in their offerings at the airport. Our award-winning tenancies have created a unique, inviting and relaxing retail environment to support an enhanced customer experience.

Our retail transformation also saw the installation of more seating and device charging stations, to meet customer needs.

New digital marketing channels

Sydney Airport continued to promote the choice, value and range of the retail and dining offering at the airport through our traditional and digital marketing channels. A new marketing campaign encouraged customers to arrive early at the airport to enjoy our offering, providing tax-free savings that are "worth arriving early for".

Our new traveller journey oriented website features a dedicated "eat and shop" section for information on retail categories, stores and products, presented in a logical and visually appealing way for passengers to plan their shopping and dining. More than 280 products have been featured on the new SYD&SAVE pages which attract an average of 29,000 views per month.

We've also established a dedicated Chinese website to help Chinese travellers to plan their trip to the airport before they leave home, with regular updates on Sydney Airport. This is further complemented in-terminal with a Chinese dedicated brochure titled "Passport of Offers" highlighting relevant information and retail offers for this audience.

RETAIL OFFERINGS

244 stores

T1

127 stores

Retail area

21,952m^2

T2

65 stores

Retail area

5,368m^2

T3

52 stores

Retail area

4,672m^2

AVERAGE DWELL TIME[1]

133 mins

International

1 Based on ACI's Airport Service Quality Survey across the year.

In-terminal touchpoints include wayfinding in simplified Chinese and Mandarin-speaking airport ambassadors equipped with iPads.

We've also driven mass media awareness of our new retail, food and dining offering with positive coverage achieved throughout 2017. This has been recognised by customers and the industry, with customer satisfaction on the range of products and brands increasing. Sydney Airport was also announced as 'Australia's Favourite Airport – Eating and Shopping' at the 2017 Cheapflights Awards.

Advertising

In 2017, The Australian Out of Home Advertising (OOH) category continued to grow with increased spend in business-to-business and technology categories.

There has been increased spend in international advertising and our focus on technology and data is creating new commercial opportunities with world-leading brands seeking to be part of Australia's gateway. In 2018, we will continue to expand our global strategy, leveraging our unique environment and broad passenger demographic to create strong opportunities for innovative brands.

T2 and T3 Domestic transformation

The transformation of the T2 Domestic terminal continued in 2017, with first to Australia concepts and a unique mix of local and international brands, such as Desigual, Joe & The Juice, Yo! Sushi, Lorna Jane Active Living Room and Peter Alexander.

The first full year of operations for T2's casual dining precinct has provided customers with a greater range of healthy and tasty food options within a reconfigured seating area that offers greater comfort with new furniture and better connectivity.

In 2017, we launched our request for proposal (RFP) for a new signature bar offering at T2 Domestic, which is integral to the modern food and beverage offering at Australia's busiest airport terminal. The new bar concept, Beer DeLuxe, will be delivered by Dixon Hospitality, providing a relaxing destination for passengers and visitors to enjoy a range of refreshing beverages. The concept underscored our commitment to deliver exceptional food and dining innovations across a range of price points at Sydney Airport.

Lagardère Travel Retail was also named the successful proponent of the news and books tender for T2 Departures, securing an innovative and competitive player that will deliver a contemporary new offering for passengers to enjoy.

We have commenced the transformation of the T3 Domestic terminal as part of the wider improvements program at Sydney Airport, delivering a considered brand mix to suit the passenger profile.

Our transformed casual dining precinct at T2 Domestic.

2018 OUTLOOK

In 2018, we will continue to transform our retail and dining offering to cater for our diverse passenger mix across the T2 and T3 Domestic terminals.

We're starting work on the next phase of improvements at T2 following the successful transformation of the casual dining precinct. We will further enhance the look and feel of the terminal, with redesigned retail areas featuring upgraded flooring, lighting, furniture and finishes, as well as significant bathroom upgrades. Better wayfinding and improved sightlines will be incorporated into the design, making it easier to get around the airport.

The new development will deliver an expanded dwell precinct with additional charging benches for passengers to relax and 10 new retail stores providing the perfect opportunity to shop a range of lifestyle brands before boarding.

Kids' play zone

Sydney Airport has formed a major partnership with the Museum of Applied Arts and Sciences (MAAS) to deliver two interactive kids' play zones at our T1 International terminal, enhancing the airport experience for passengers of all ages.

The new *Ripples* multimedia kids' play zone features an interactive game centred on a downward-projected pool where children, families and visitors can play before boarding.

It complements another fun and interactive digital screen for four to 10 year olds at T1 International, launched in 2017, while a further kids' play zone *Geometric You* will be unveiled in mid-2018.

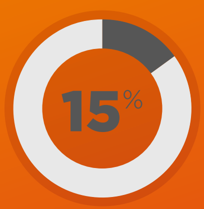
Property and Car Rental

Our strong property portfolio has been enhanced by our new hotels business.

2017 REVENUE

$221.4m

8.4% from 2016



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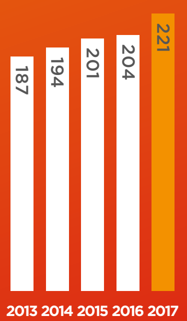


Diversified offering drives revenue growth

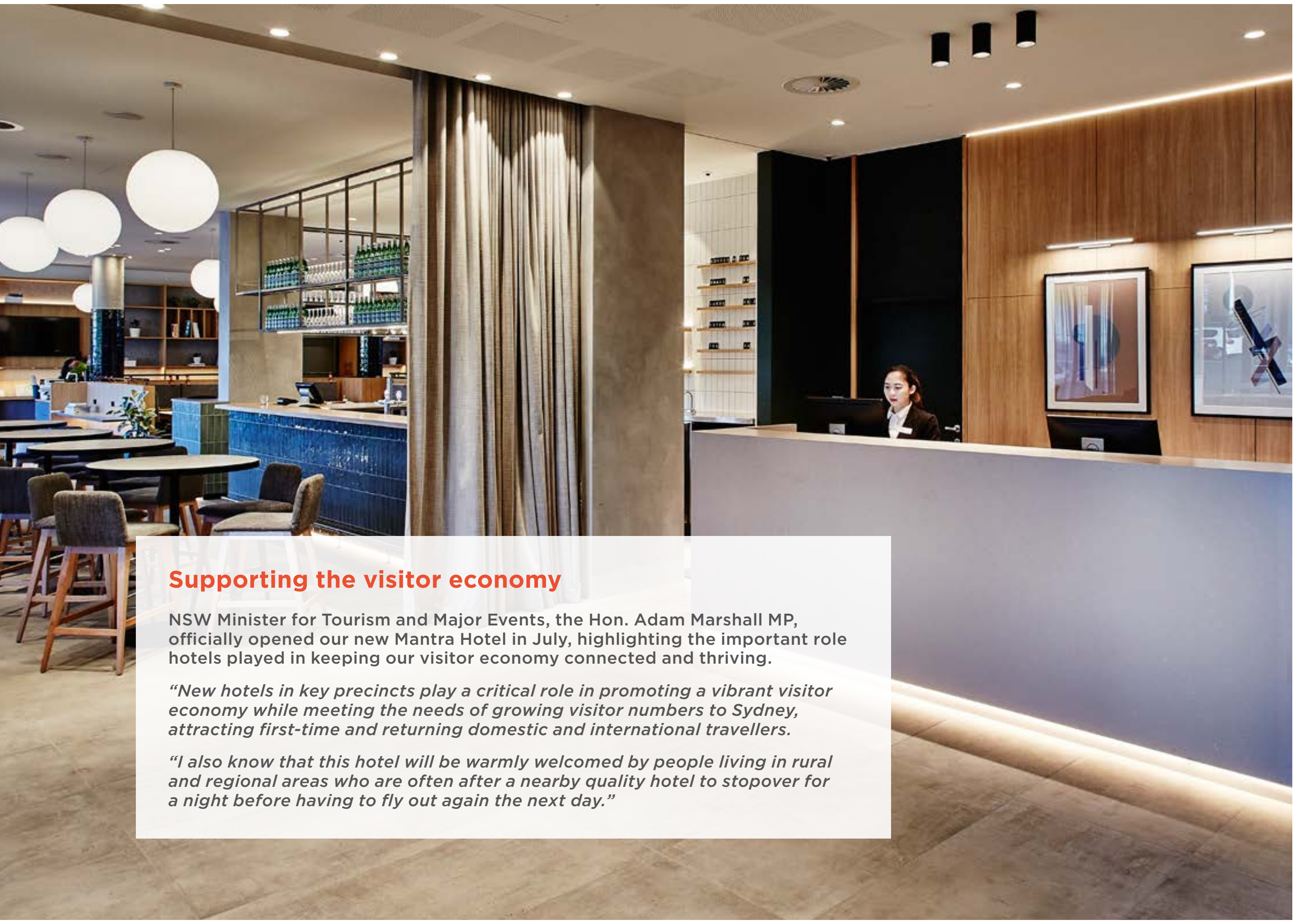
In 2017, Property and Car Rental performance was solid with revenues of $221.4 million, 8.4% higher than 2016. This year we expanded our hotel strategy with the addition of two on-airport hotels, the Ibis Budget and Mantra. Our overall property occupancy rates remained strong at 98.9% and our hotel occupancy rates were also strong.

Hotel and property strategy

Our hotel strategy came to life in 2017, with the addition of two new hotels in the T2/T3 Domestic precinct to our portfolio. The Mantra Hotel opened in July, while the neighbouring Ibis Budget Hotel was acquired in July providing much-needed capacity to meet strong demand for contemporary airport accommodation. The acquisition allowed us to provide greater accommodation options, bringing the total rooms owned to 336.

The hotels meet the needs of customers seeking options across various price points, and both showed solid occupancy during the year. The on-airport hotels provide seamless connections for leisure and business travellers with early morning flights, passengers who have had their flight details changed and airline crews. The hotels are ideally located for convenient access to the airport's terminals and Sydney's CBD.

In July, NSW Minister for Tourism and Major Events, the Hon. Adam Marshall MP, officially opened Sydney Airport's new 136-room hotel, developed in partnership with the Mantra Group. The hotel features a 24-hour reception, relaxed dining and many of its modern rooms overlook the airport's runways, providing a welcoming and unique experience for our customers.



Supporting the visitor economy

NSW Minister for Tourism and Major Events, the Hon. Adam Marshall MP, officially opened our new Mantra Hotel in July, highlighting the important role hotels played in keeping our visitor economy connected and thriving.

"New hotels in key precincts play a critical role in promoting a vibrant visitor economy while meeting the needs of growing visitor numbers to Sydney, attracting first-time and returning domestic and international travellers.

"I also know that this hotel will be warmly welcomed by people living in rural and regional areas who are often after a nearby quality hotel to stopover for a night before having to fly out again the next day."

Separately, we also worked in partnership with Mercedes Benz to create its world-first AMG Performance Centre within the Domestic precinct, upgrading the existing showroom on the site. Launched in December, the centre was expanded to a 1,700 square metre building area, including the addition of a second story mezzanine level as part of the showroom space. The development provided additional commercial benefits for the airport.

Car rental

In 2017, car rental transactions increased by 1.5% from 2016, with turnover increasing by 3.4%. Sydney Airport undertook upgrades to facilities and operational areas, including security and fuelling improvements to support industry needs and car rental operations.

A number of car rental operators introduced technology upgrades and fleet changes to further enhance the experience for customers. The introduction of a further second tier operator, Ace/Firefly, at Sydney Airport also expanded the range of products available to passengers.

Freight

Freight continued to make a significant contribution to Sydney Airport and the wider economy. Sydney Airport handles in excess of 643,000 tonnes of air freight per year (of which over 527,000 tonnes is international air freight).

The majority of freight facilitated at Sydney Airport is carried in the cargo hold of passenger aircraft, with the remainder transported in dedicated freighter aircraft.

We've started a consolidation program to optimise active usage of ground support equipment and unit load devices to support the anticipated growth of freight volumes. This will be driven by e-commerce and customer expectations for fast delivery.

RENTAL REVENUE STREAMS

98.9%
PROPERTY OCCUPANCY RATES

3
ON-AIRPORT HOTELS

654
ON-AIRPORT HOTEL ROOMS

T1 **INTERNATIONAL**

Rydges Hotel
(Independently owned)
318 rooms

T2 T3 **DOMESTIC**

Ibis Budget Hotel
200 rooms

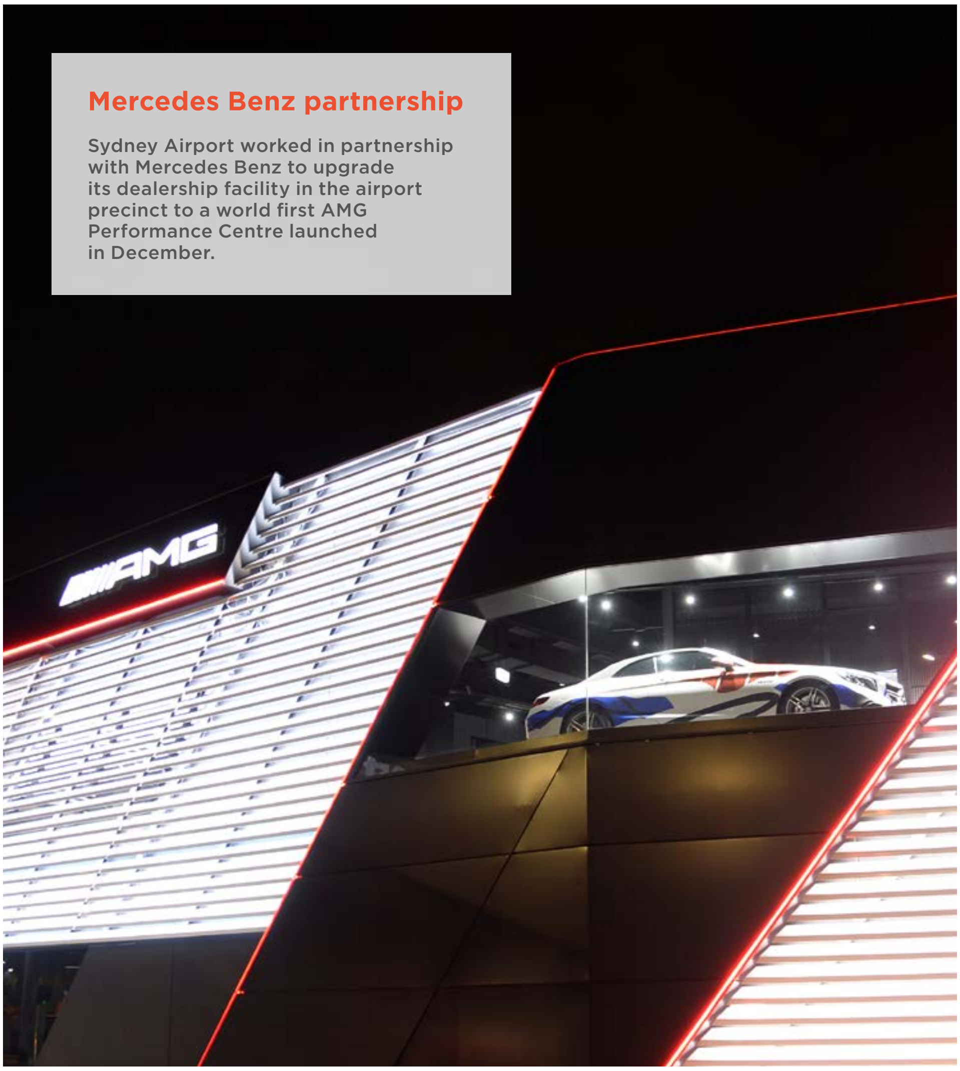
Mantra Hotel
136 rooms

8
CAR RENTALS OPERATORS

2018 OUTLOOK

Strong demand for property in the airport precinct is expected to continue, underpinned by improved economic conditions, continued tourism growth, new airline services and growing passenger markets.

Sydney Airport continues to assess demand and tailor our hotel offerings for customers seeking convenient access to our terminals. We have commenced the development of an additional 78 rooms to the existing Ibis Budget Hotel to meet the growing accommodation demand for hotel rooms. The expected target for completion of construction and fitout is in early 2019. In addition, we have sought Expressions-of-Interest for hotel management services for a proposed 430 room hotel near the entry to the T2/T3 Domestic terminal precinct fronting both Seventh and Ninth Streets. This approved Major Development Plan hotel proposal is targeted for opening in 2020 following the appointment of a hotel operator planned for mid-2018.



Mercedes Benz partnership

Sydney Airport worked in partnership with Mercedes Benz to upgrade its dealership facility in the airport precinct to a world first AMG Performance Centre launched in December.

Sydney Airport's Mantra Hotel and Ibis Budget Hotel at the T2/T3 Domestic precinct.

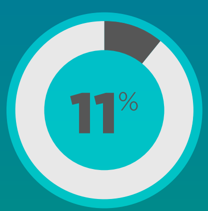
Landside Operations and Transport

We've continued to invest to improve our customers' journey to, from and within the airport.

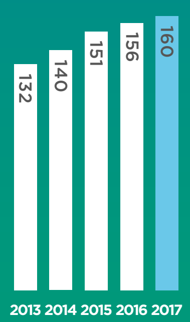
2017 REVENUE

$159.5m

2.2% from 2016



of Group revenue



Consistent performance as extensive program of works continues

Landside Operations and Transport[1] recorded another consistent performance in 2017 with $159.5 million in revenue, 2.2% higher than the previous year. The result was achieved as we continued to deliver a $500 million ground transport improvement program in partnership with the NSW Government to improve access to and from the airport.

In 2017, 37% of travellers and meeters/farewellers who parked at the airport used our free parking zones at T1 International and T2/T3 Domestic terminals. We continued to support a wide choice of transport modes for our customers, promoting a range of transport options for people travelling to and from the airport. We actively encourage usage of the train as an alternative to driving, with passengers now able to catch a train from the terminal stations on average every six minutes during peak periods. At the same time, our range of paid parking products has diversified to meet the changing needs of our customers.

In 2018, we will complete our five year program of upgrades to roads at the airport, ahead of schedule. The program provides an improved experience for people driving to and from the airport. The NSW Government also continues to progress its program of road works which will improve traffic flows on roads around the airport and on the main access roads to Port Botany. A range of other initiatives in our ground transport and parking operations will also continue to bring benefits to all airport visitors and workers.

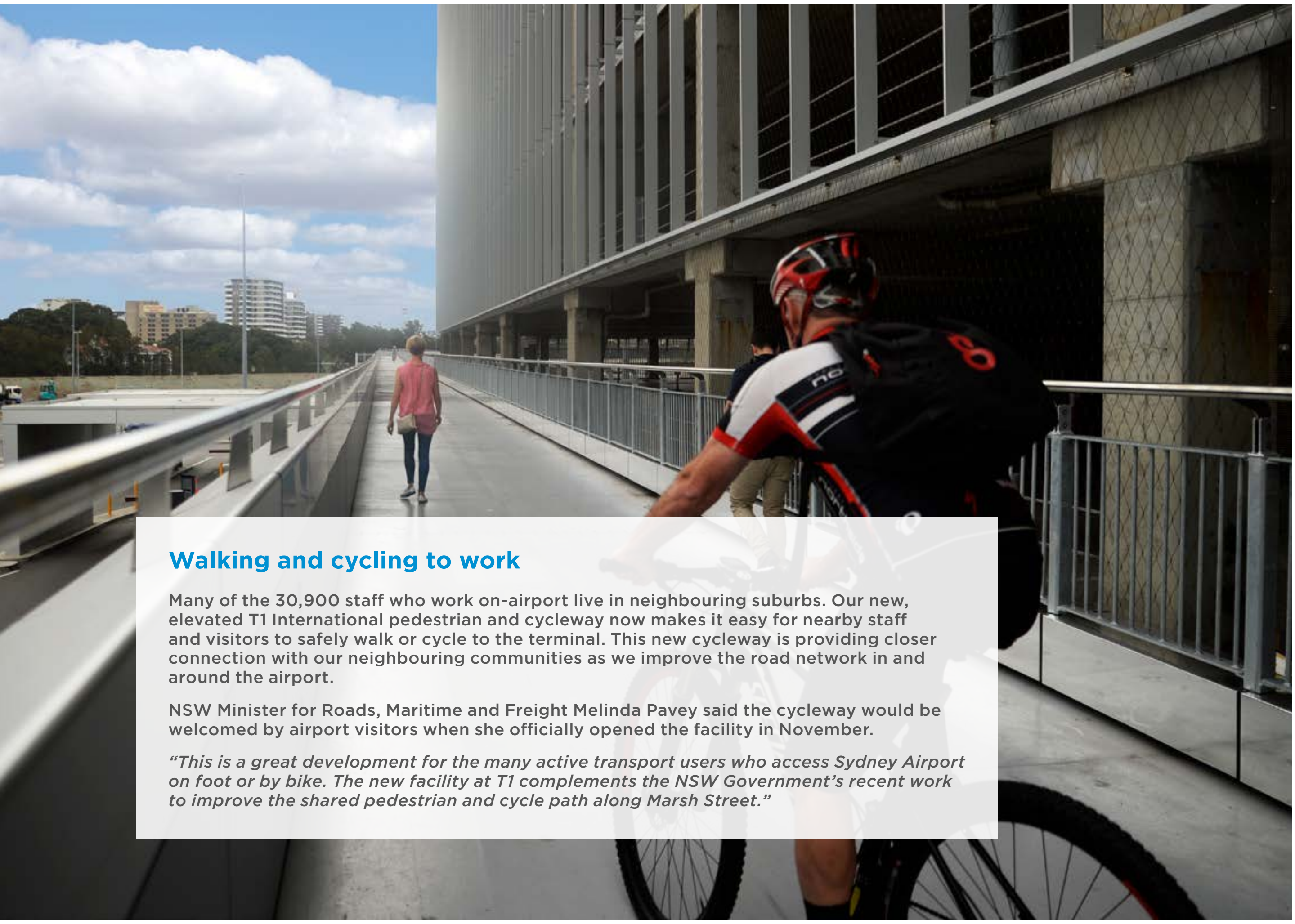
Improving our road network

Improving road access to and from the airport remained a key focus for us as we implemented our ground transport improvement program in partnership with the NSW Government. This program has delivered new roads and improved traffic flows at both terminal precincts.

At T1 International, we have:

- Widened public drop-off lanes and roads inside the precinct to increase capacity;
- Created a separate drop-off zone for buses;

1 During the year, the Parking and Ground Transport business was renamed Landside Operations and Transport. This is to more accurately reflect the undertakings of the business team who are focused on ground access to, from and within the airport precinct.



Walking and cycling to work

Many of the 30,900 staff who work on-airport live in neighbouring suburbs. Our new, elevated T1 International pedestrian and cycleway now makes it easy for nearby staff and visitors to safely walk or cycle to the terminal. This new cycleway is providing closer connection with our neighbouring communities as we improve the road network in and around the airport.

NSW Minister for Roads, Maritime and Freight Melinda Pavey said the cycleway would be welcomed by airport visitors when she officially opened the facility in November.

"This is a great development for the many active transport users who access Sydney Airport on foot or by bike. The new facility at T1 complements the NSW Government's recent work to improve the shared pedestrian and cycle path along Marsh Street."

- Created new road entries and exits, including a second entry lane from the south/west (Marsh Street) directly into the car park precinct, new exit lanes from the precinct to smooth traffic flows south and west-bound to Marsh Street and city-bound to Airport Drive, and a second entry lane to Arrivals Court;
- Created a new Centre Road to improve traffic flow within the terminal area;
- Relocated entry and exit gates to reduce traffic queuing; and
- Streamlined traffic flow by reducing traffic merging and weaving.

Our T2/T3 Domestic precinct is being transformed through:

- A one-way road network with more lanes into and out of the precinct for better flowing traffic;
- A new exit road, that has increased outbound capacity by up to 50%;
- More 'green light time' at key intersections;
- Widening a busy section of road between the precinct exit and entry (Qantas Drive) to reduce pressure points;
- Widening of the precinct entry (Sir Reginald Ansett Drive) to five lanes, to improve access and reduce congestion; and
- Expanding the taxi holding area by 20% and implementing improvements to taxi operations to ease vehicle congestion in the area.

Working with the NSW Government

Sydney Airport continues to work closely with the NSW Government to improve access to, from and past the airport. More than half of traffic on the main arterial road north of the airport (Airport Drive) in peak periods consists of commuters or commercial vehicles not going to the airport. The State government commenced its Airport East road improvements in 2017 to upgrade the key arterial roads immediately surrounding the Domestic precinct. Work is well underway to widen one of the main approach roads to Domestic from the city (Joyce Drive) to three lanes in each direction to improve traffic conditions for motorists.

The planned replacement of a rail level crossing, close to the Domestic precinct, with a road underpass will also improve access between the airport, Mascot and the eastern suburbs. There are also planned improvements to the main intersections adjacent to the precinct.

Further easing of traffic around T2/T3 Domestic is expected once the NSW Government's Airport East project is completed. We continue to advocate for the widening of O'Riordan Street, another main arterial road to the airport from the city, as part of the NSW Government's Airport North precinct project. We also welcomed the NSW Government's announcement in 2017 to increase the number of train services to Sydney Airport. An additional 200 trains per week are now serving the Domestic and International terminals.

TRANSPORT INVESTMENT

INVESTMENT IN ROAD IMPROVEMENTS IN 2017

$55.4m

8

CAR PARKS

18,684

CAR PARKING BAYS

2017 INVESTMENT IN CAR PARKING FACILITIES

$25.8m

A range of car parking products

The increasing popularity of our online booking platform has led to new opportunities to diversify our range of parking products in response to customer demand. Our online booking service continues to offer customers great savings on drive-up rates by pre-booking their parking ahead of their journey to the airport. Our booking website provides a wide range of parking options with significant discounts to drive-up rates. This provides our customers with a great choice of products to suit their particular needs, including budget parking at our Blu Emu Car Park and parking in our multi-storey car parks outside the terminals. We have added four additional floors to the P6 multi-storey car park at T1 International. This has boosted our capacity by around 1,000 parking spaces. Our Guaranteed Space parking product at both T1 International and T2/T3 Domestic was introduced as our newest offering for online customers during 2017. It provides dedicated parking zones closest to the terminals and has proved popular with our customers.

Sydney Airport provides accessible parking for all arriving and departing mobility impaired persons, as well as accessible parking bays in all our car parks. Accessible spaces are located directly outside each terminal on both Departures and Arrivals levels for pick-up and drop-off convenience. In our T2/T3 Domestic precinct car parks, we provide a total of 57 accessible parking bays, while at the Blu Emu Car Park there are a total of 48 bays. At T1 International we provide a total of 102 accessible bays in our P6 and P7 multi-storey car parks.

Supporting modal choice and active transport

Sydney Airport continued to encourage and support a range of transport options to make it easier to access the airport, including by car, taxi, public transport, active transport and ridesharing. The popularity of the train, just 15 minutes to/from the City grew during 2017 and we have continued to advocate for rail as a convenient means of getting to and from the airport. Our Priority Pick-up at the Domestic precinct provides a dedicated area for visitors using ridesharing services, pre-booked taxis, as well as the general public. For people who prefer to walk or cycle to the airport we've built a dedicated pedestrian and cycle bridge to access the T1 International terminal. NSW Minister for Roads, Maritime and Freight, Melinda Pavey, officially opened the new facility in November 2017. Dedicated pedestrian paths throughout the precinct were introduced to make it safer and easier to walk to, from and around the airport.

Better wayfinding

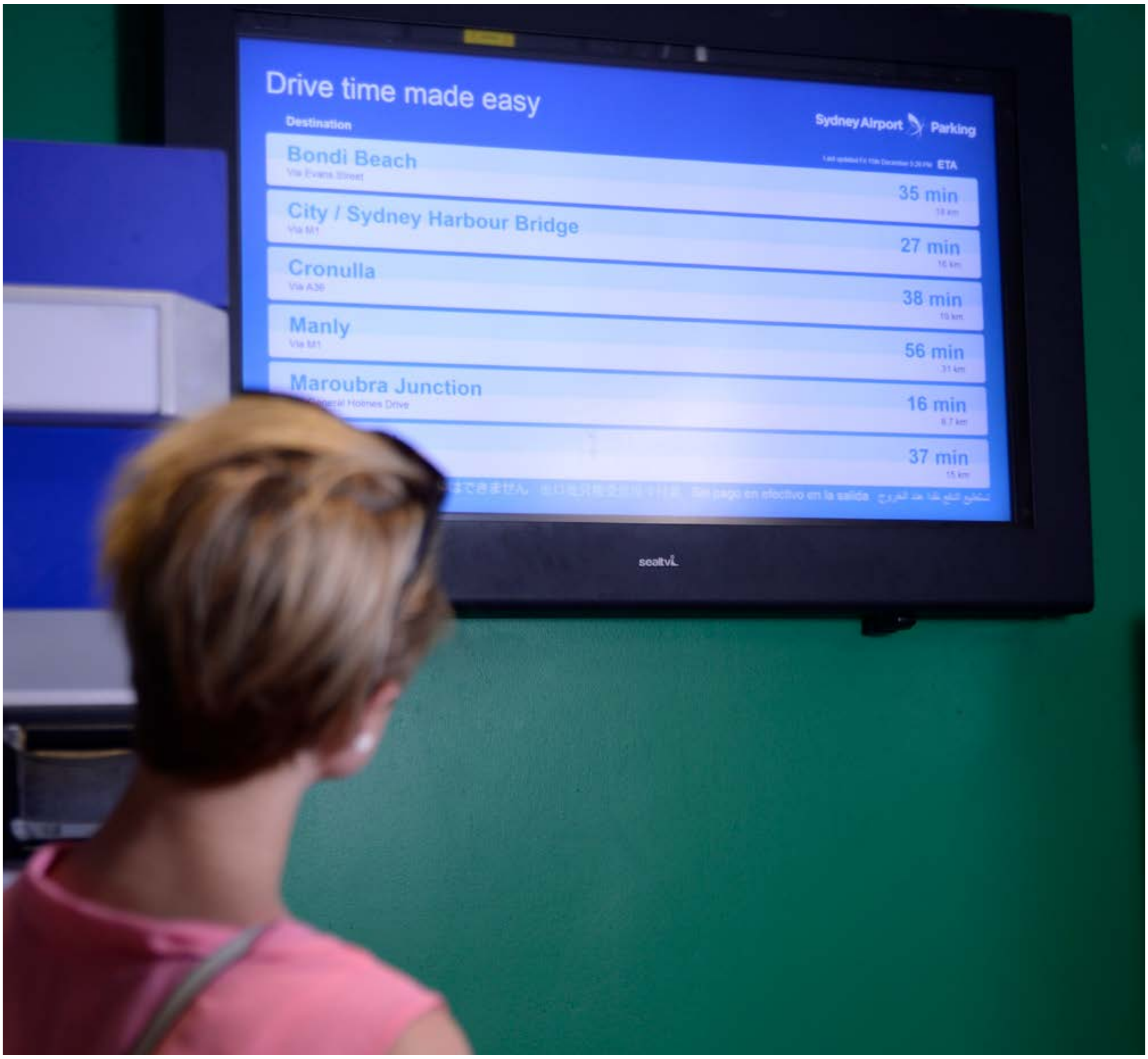
We have worked to improve signage for passengers and visitors, to make it easier to find their way from car parks to the terminals. New high-visibility, dynamic digital road signs will be installed at key entry and exit points in 2018, providing drivers up-to-the-minute information on traffic conditions.

Sustainability

Sydney Airport has installed 2,000 solar panels at our P6 car park at T1 International to enhance efficiency and deliver positive environmental outcomes. The 550 kilowatt system will power facilities at the airport, including the car park's lighting and lift systems.

2018 OUTLOOK

In 2018, Sydney Airport will continue to focus on expanding and improving our range of car parking products to increase capacity and cater to changing customer preferences. For example, in early 2018 we will introduce Priority Pick-up at T1 International following its success in the Domestic precinct. Our ground access improvement program is expected to be completed months ahead of schedule, in mid-2018. We also plan to invest in electric cars for staff travelling within the precinct as we move towards a more sustainable ground transport fleet, complementing our electric buses transporting passengers between the Domestic terminals and Blu Emu car parks. Sydney Airport has welcomed the NSW Government's commitment to introduce new and expanded bus routes to the airport in the future and will continue to advocate for increased public transport to the airport to provide greater choice for our customers.



Data dashboard

Sydney Airport has leveraged the application of sensors, data analytics and visualisation to drive continuous improvement in landside operations.

The airport developed a data dashboard showing real-time journey times for travel routes in and around the airport to inform resourcing and traffic management. Journey times by road to key destinations around Sydney are also displayed in our terminal car parks for customers and are updated every two minutes.

We are now measuring queues for taxis at every airport terminal so we can better manage the taxi holding zones and customer waiting areas, and direct taxis to the locations where they are most needed. Passengers can make more informed transport decisions as a result of the taxi waiting times which are now publicly displayed in taxi areas at the airport.

Operating expenses

We've increased our investment in customer experience, added two on-airport hotels and provided additional car parking options.

Our investment in customer experience and revenue generating activities saw an increase in Sydney Airport's operating expenses. This increase of 10.4% from 2016 included additional operating expenses of the Mantra Hotel and Ibis Budget Hotel, terminal improvements, increased car parking options and a step change in service standards under our International Airline Service Agreements. Higher electricity expenses linked to the Australian wholesale market also delivered increased costs.

Category	2017 $m	2016 $m	Change
Employee benefits expense	57.5	54.5	5.5%
Services and utilities expense	84.2	68.9	22.3%
Property and maintenance expense	31.4	30.9	1.6%
Security recoverable expense	83.6	78.9	6.0%
Other operational costs	27.8	24.6	12.9%
Total operating expenses	**284.5**	**257.8**	**10.4%**

Employee benefits expense

The investment in our people has delivered increased capacity to support our revenue growth, greater in-house capabilities across our operations, and a continuing focus on delivering an improved passenger experience. Our employee benefits expense – including the salaries and benefits of 441 permanent employees – increased 5.5% from 2016. This was the result of employing more people to support our significant passenger growth and ongoing capital investment program, as well as implementing normal salary and wages increases for existing staff.

Services and utilities expense

Service and utilities includes the cost of operating the two additional hotels - Mantra and Ibis Budget from July 2017. It also includes electricity, water and gas used by the airport as well as baggage operations, cleaning, car park and kerbside management, and bussing. Our focus on enhancing the customer experience, higher electricity contract costs as a result of wholesale pricing in the Australian electricity market and hotel operating costs have resulted in an increase of 22.3%.

Property and maintenance expense

While customer service level enhancements and contractual escalations were incurred during the year, this was offset by the achievement of efficiencies to see costs only increasing 1.6% from 2016. Property and maintenance covers the cost of maintaining airfield and airport infrastructure, contracted through major service contracts.

Security recoverable expenses

These expenses relate to the cost of providing government mandated security measures, such as passenger and baggage screening. We recover these costs from airlines through per passenger charges at no margin. Security recoverable costs increased 6.0% from 2016 due to government mandated enhanced security measures following the attempted terror related incident and CPI increases.

Other operational costs

These expenses include corporate items. In 2017, further investment in technology systems supporting customer experience and increased travel and marketing spend sustained the continued strong growth of international passengers and online parking customer options. This led to costs increasing by 12.9%.

2018 OUTLOOK

We expect the rate of growth in overall operating expenses to slow as we are now delivering the full amount committed under the International Airline Service Agreements and electricity prices have stabilised. Likely increases are expected to reflect a full year of Mantra and Ibis Budget Hotel operations, continued investment in technology supporting enhanced customer experience and normal escalations under contractual terms.

Cash flow

Category	ASX-listed Sydney Airport 31 December 2017 $m	ASX-listed Sydney Airport 31 December 2016 $m
Net cash flows from operating activities	1,183.2	1,087.4
Net cash flows used in investing activities	(541.1)	(399.5)
Net cash flows used in financing activities	(624.5)	(588.9)
Net increase in cash and cash equivalents held	**17.6**	**99.0**

Net cash inflows from operating activities increased during the year due mainly to increased airport revenues received offset by airport operating expenses paid.

Net cash flows used in investing activities in 2017 reflected the Group's ongoing capital investments, payment of $34.5 million for the business acquisition of the Ibis Budget Hotel and the indemnity payment of $119.8 million by the SAT1 Group. This indemnity payment is described in Note 9 to the Accounts.

Net cash flows used in financing activities in 2017 reflect distributions paid to security holders, additional drawn debt to fund growth capital expenditure, repayment of bank debt and borrowing costs paid.

Distributions were paid to ASX-listed Sydney Airport security holders during the year amounting to $731.3 million, fully covered by NOR. This is reflected in the Consolidated Statements of Cash Flows in the Sydney Airport Financial Report for the Year Ended 31 December 2017.

Capital expenditure

Major projects completed during the year are described below:

CATEGORY	PROJECT DESCRIPTION	BENEFITS	COMPLETED
AIRFIELD	**Airfield Lighting**	• Early pavement and in-ground works on runway, high intensity airfield lighting improving safety standards and operational capacity	June 2017
	Capacity upgrades	• Upgrade to Bay 31 at T1 International enabling use by larger aircraft and dual aerobridges	March 2017
	Airside buses	• Five new airside buses improving bussing times and capacity	June 2017
TERMINAL WORKS	**Terminals**	• Improving customer experience through the upgrade of bathrooms at T3 Domestic	September 2017
		• Completion of the luxury and lifestyle specialty retail precincts and the City View and Marketplace food and beverage areas in T1 International, providing greater value and choice	Staged through to November 2017
	Baggage	• Refurbishment and replacement of eight baggage carousels at the Arrivals Hall at T1 International to increase resilience, improve service levels and ambience	December 2017
LANDSIDE OPERATIONS AND TRANSPORT	**T1 International and T2/T3 Domestic precincts ground access road works and car park improvements**	• New road at the International precinct separating traffic from Departures Road and recirculating traffic directly on to Centre Road	February 2017
		• New elevated pedestrian and cycleway linking the T1 International terminal to the Cooks River/ Alexandra Canal pedestrian and cycle paths.	September 2017
		• Widening of Qantas Drive between Robey and O'Riordan Streets timed with Roads and Maritime Services stage 1 implementation of one-way flow change	October 2017
	Additional car parking capacity	• Addition of four new levels on the P6 northern multi-storey car park in the International precinct	October 2017
PROPERTY	**Hotels**	• Acquisition of the Ibis Budget Hotel and completion of the new Mantra Hotel in the T2/ T3 Domestic precinct, delivering additional capacity and choice for on-airport accommodation	July 2017
	Mercedes Benz AMG Centre	• World first, state-of-the-art, new Mercedes Benz AMG Performance Centre at the entrance to the T2/T3 Domestic precinct	December 2017

INVESTMENT IN CAPACITY AND SERVICE IMPROVEMENTS
to 31 December 2017

$428.5m

including the $34.5m acquisition of the Ibis Budget Hotel

Major projects that are in progress are described below:

CATEGORY	PROJECT DESCRIPTION	BENEFITS	EXPECTED COMPLETION
AIRFIELD	**Airfield resurface**	• Extensive resurface of the airfield including the parallel runway and taxiways	September 2017 through to March 2018
	Apron expansion	• Planning for additional aircraft parking capacity	Ongoing through 2018
TERMINAL WORKS	**Check-in**	• Redevelopment of check-in counter C to streamline throughput and reduce queuing by increasing the use of technology and further automating the check-in process	February 2018
	Baggage	• Staged upgrade to checked bag screening facilities	July 2018
	Terminals	• T1 International terminal works and expansions allowing for increased and upgraded gate lounge seating and improved facilities	Ongoing through 2018
		• Staged expansion of speciality retail at T2 Domestic Pier B	Ongoing through 2018
		• Redevelopment of the T1 International Departures entry point, that will double capacity by providing two entry points into the emigration and security area	December 2018
		• Rolling upgrade of bathrooms in T1 International and T2 Domestic, improving the customer experience	Ongoing through 2018
LANDSIDE OPERATIONS AND TRANSPORT	**T1 International and T2/T3 Domestic precinct ground access road works**	• International precinct Airport Drive flyover to Arrivals Court to ease congestion at departures	April 2018
		• New exit road from the International car park precinct under the Giovanni Brunetti Bridge and improvements to the Marsh Street exit to reduce congestion	May 2018
		• Widening of Marsh Street inbound to the International precinct from one to two lanes	May 2018
		• New digital wayfinding gantries to improve traffic flow around the precinct	Progressively through to May 2018
PROPERTY	**Hotel expansion**	• Expansion of the Ibis Budget Hotel at Sydney Airport's T2/T3 Domestic precinct on Ross Smith Avenue to provide further additional capacity for on-airport accommodation	December 2018
	New solar panels	• Solar panels on top of the expanded P6 northern multi-storey car park at the International precinct, providing low cost, clean energy	Early 2018

Capital management and distribution

Sydney Airport maintains a strong focus on prudent capital management by proactively diversifying the debt portfolio and addressing the refinancing of debt well in advance of its maturity. This strategy further strengthens the capital structure and creates a strong platform for future raisings.

2017 refinance summary

In April 2017, Sydney Airport successfully refinanced all $1.4 billion of bank debt facilities, which were due to mature over the period 2017-2019. These facilities now mature over 2020-2022, further demonstrating our proactive capital management approach. As a result of the refinancing, Sydney Airport's strong liquidity position was maintained.

Key outcomes of this refinancing were:

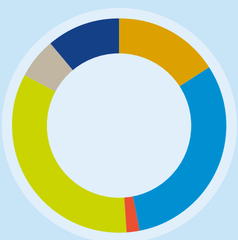
- Liquidity position maintained
- All bank debt facilities refinanced at lower margins
- High quality banking group maintained
- Debt maturities over 2017-2019 reduced by 82%
- Debt maturity profile spread and lengthened
- Average debt maturity extended approximately six months to early-2024

The next drawn debt maturity is in July 2018, representing less than 4% of total debt outstanding.

Category[1]	31 December 2017	31 December 2016
Net debt	$ 8.0 billion	$ 7.5 billion
Cash flow cover ratio	3.0x[2]	2.7x[3]
Net debt/EBITDA	6.7x[2]	6.9x[3]
Average maturity	Early-2024	Mid-2023
Credit rating (S&P/Moody's)	BBB/Baa1[4]	BBB/Baa2

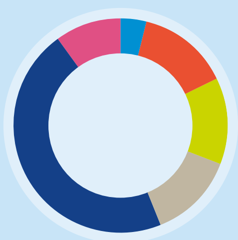
1 Metrics and ratios are calculated, where relevant, using defined terms in the finance documents
2 Excludes EBITDA in relation to the Ibis Budget Hotel for the September 2017 quarter given transitional treatment as an Excluded Subsidiary under finance documents
3 EBITDA excludes WSA project costs expensed
4 BBB (positive outlook) / Baa1 (stable outlook) by S&P / Moody's respectively, noting Moody's upgraded the airport's credit rating to Baa1 (stable outlook) from Baa2 (positive outlook) on 31 January 2018

FUNDING PORTFOLIO BY CATEGORY



AUD (Bank)	16%
AUD (Bond)	31%
CAD	2%
US144A	34%
USPP	6%
EUR	11%

DEBT MATURITY ON DRAWN AND UNDRAWN DEBT



<1 yr	4%
1-2 yrs	–
2-3 yrs	14%
3-4 yrs	13%
4-5 yrs	13%
5-10 yrs	46%
>10 yrs	10%

Distributions

Total distributions paid by ASX-listed Sydney Airport during the year ended 31 December 2017 were $731.3 million or 32.5 cents per stapled security (2016: $624.2 million or 28.0 cents).

A final distribution for the period ended 31 December 2016 of $360.0 million or 16.0 cents per stapled security was paid on 14 February 2017 by:

- SAL $237.4 million or 10.55 cents; and
- SAT1 $122.6 million or 5.45 cents.

An interim distribution for the period ended 30 June 2017 of $371.3 million or 16.5 cents per stapled security (2016: $334.4 million or 15.0 cents) was paid on 14 August 2017 by:

- SAL $250.9 million or 11.15 cents (2016: $212.9 million or 9.55 cents); and
- SAT1 $120.4 million or 5.35 cents (2016: $121.5 million or 5.45 cents).

The final distribution for the period ended 31 December 2017 of $405.2 million or 18.0 cents per stapled security (2016: $360.0 million or 16.0 cents) was paid on 14 February 2018 by:

- SAL $282.5 million or 12.55 cents; and
- SAT1 $122.7 million or 5.45 cents.

There are $nil imputation credits (2016: $nil) available to pay franked distributions.

Distribution reinvestment plan (DRP)

The DRP operated in respect of the 30 June 2017 interim distribution. 1.6 million stapled securities were issued and transferred to DRP participants at $6.91 per stapled security, totalling $11.4 million.

The DRP also operated in respect of the 31 December 2017 final distribution. 1.7 million stapled securities were issued and transferred to DRP participants at $6.84 per stapled security, totalling $11.9 million.

There was no DRP in operation for the 31 December 2016 final distribution.

Forward looking statements

The Operating and Financial Review contains forward looking statements, including statements of current intention, opinion and expectation regarding the Group's present and future operations, possible future events and future financial prospects. While these statements reflect expectations at the date of this review, they are, by their nature, not certain and are susceptible to change. The SAL Group makes no representation, assurance or guarantee as to the accuracy of or likelihood of fulfilling any such forward looking statements (whether express or implied), and except as required by applicable law or the Australian Securities Exchange Listing Rules, disclaims any obligation or undertaking to publicly update such forward looking statements.

Sustainability

We're committed to responsible growth that delivers positive outcomes for our customers, investors and the community.

Our approach

Sustainability is central to our business strategy. As a sustainable business we need to:

- Operate fairly and responsibly, ensuring risks are identified and appropriately managed;
- Integrate social and environmental considerations into our decision-making processes; and
- Work in collaboration with our customers, the airport community and other stakeholders to deliver mutually beneficial outcomes.

This year we reviewed our sustainability approach to ensure it continued to support our broader strategic direction and deliver value to our investors, customers and the community. Our review considered feedback from our stakeholders and focused on those issues that are most material to our business, and those where we feel we can make the most meaningful impact.

Contributing to the United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) seek to address the most significant challenges our world is facing today and have identified seventeen goals to address global issues such as poverty and climate change. We believe we can help to address some of these challenges, and have given consideration to how we can best make a positive impact. We have identified nine of the seventeen goals which we have meaningfully supported throughout the year.

This section highlights some of the more significant aspects of sustainability at Sydney Airport. A more detailed overview of sustainability issues and our performance is set out in our 2017 Sustainability Report, available on our website.

Our Environment team conducting water quality testing at Sydney Airport's wetlands.

Our sustainability framework

Responsible business Being ethical, responsible and transparent in how we do business	**Key issues** Safety and security, cyber security, customer privacy, operational resilience, business ethics, tax transparency, looking after our people, diversity and inclusion, climate change risk, managing our supply chain, human rights
Planning for the future Planning for the future sustainably, supporting passenger growth and enhancing the customer experience	**Key issues** Access to and from the airport, customer experience, enhancing service delivery and operational efficiency, capacity to meet future demand
Supporting our community Working with our communities to protect the environment and create shared value	**Key issues** Community engagement and investment, reducing noise and emissions, managing our carbon footprint, environmental management

Each year we set annual public commitments and a corresponding business-wide program of work to support their achievement. Progress against our commitments is reported to our Sustainability Steering Committee and the Board's Safety, Security and Sustainability Committee throughout the year.

2017 Sustainability commitments

We've made significant progress against the 50 commitments in our 2016 Sustainability Report. Many of our commitments are medium and long-term in nature and we are on track to complete these within the time frames we have set.

58% of commitments 100% achieved

32% of commitments >50% achieved

10% of commitments <50% achieved

Our people

Our people are fundamental to our ongoing success. We're committed to sustaining a high performance culture that supports our people to reach their potential and work together to deliver successful outcomes for our customers, investors and stakeholders.

We've also strengthened the focus on our values with the introduction of a new Code of Conduct in 2017. The Code sets out minimum expectations for how we behave ethically, and includes a framework for reporting should issues arise. The introduction of the Code was supported by face-to-face training, and will be further enhanced with mandatory annual declarations to uphold the Code of Conduct by all employees from 2018.

Engaged people

We conducted a comprehensive employee opinion survey in 2017 to seek feedback from our people. Significant improvements were achieved since the previous survey in 2015, with scores in 11 of the 15 categories increasing, and all 15 categories scoring in the high zone (above 75%). This compared to 10 high zone categories in 2015.

Our people described our culture as positive, dynamic and improving. The survey highlighted their commitment to delivering a quality customer experience, working collaboratively, understanding and respecting the needs of stakeholders, taking pride in workplace safety and security and acting in accordance with our Code of Conduct.

Improving flexibility, streamlining systems and processes, continuing to build a culture of collaboration and ongoing development capability will be areas of focus in the year ahead, as we respond to areas for improvement identified in the survey.

87.5% of employees enjoy working at Sydney Airport

Diversity and inclusion

We strived to ensure a supportive and collaborative work environment that celebrated diversity and recognised the value of differing ideas, thinking and perspectives during the year.

Our Diversity and Inclusion Council met on a quarterly basis and was chaired by the CEO. The Council created our new Diversity and Inclusion Strategy during the year, establishing a working group to support its implementation. The working group used the results of our baseline diversity and inclusion survey to ensure the effective delivery of our strategy.

We continued to make improvements in relation to gender diversity in 2017, with our female representation increasing 4.1% to 37.9%. Our female managers accounted for 38.9% of all managers at year end, while 50% of our new recruits were female.

FEMALE EMPLOYEES
37.9%

FEMALE MANAGERS
38.9%

NEW RECRUITS
50%
FEMALE

Our people completing a Foreign Object Debris walk during 2017 Airport Safety Week.

SAFETY IN NUMBERS

LOST TIME INCIDENTS[1]

5

3 in 2016

LOST TIME INJURY FREQUENCY RATE[2]

5.0

3.3 in 2016

TOTAL RECORDABLE INJURY FREQUENCY RATE[3]

15.0

17.6 in 2016

PASSENGER INCIDENT RATE[4]

0.97

1.12 in 2016

1 LTI is a work-related injury or illness that results in at least one full work day or shift being lost after the day on which the injury or illness occurred.
2 Lost time injuries (LTIs) per one million hours worked.
3 Total Recordable Injury Frequency Rate (TRIFR) represents the number of medical treatment injuries (MTIs) and lost time injuries (LTIs) per million hours worked. An MTI is a work-related injury or illness that requires treatment by a medical practitioner and does not result in lost time but can result in restriction of work duties.
4 Passenger incident rate is the number of first aid and medical treatment injuries per 100,000 passengers. Medical conditions and in-flight medicals are excluded from this rate.

Safety and security

As an operational airport, the highest levels of safety and security are integral to all aspects of our business. We prepare an annual Corporate Safety Improvement Plan (CSIP) outlining initiatives to continuously improve our approach and step up our safety performance.

We launched a new safety leadership program for our people managers this year to enhance their knowledge of safety accountabilities and build capability of our safety accountabilities, systems and tools. This was supported by on-the-spot investigations and safety conversations throughout the business. A dedicated online safety platform will build on this work in 2018 to improve lead and lag indicator reporting, and enhance monitoring of corrective actions associated with incidents, near misses, workplace inspections and audits. The platform will provide a whole-of-business approach to safety management with mobile capabilities for capturing near real-time data points.

We recorded 5 Lost Time Incidents in 2017. These were largely manual handling injuries resulting from our baggage handling operations. We have continued to deliver an injury prevention program for our baggage handling services team which includes combination of engineering controls and people resilience measures.

Managing Foreign Object Debris (FOD) remained an essential part of our safety focus on the airfield. Our new FOD Management Strategy was delivered in 2017, including revised procedures, new equipment and the introduction of a ramp deep clean program. We have continued to conduct regular FOD walks with our airport business partners to create awareness of the issue.

To promote safe airside driving behaviours and awareness, we also developed an airside driving awareness course. Developed in consultation with our airside partners, the course will become mandatory in January 2018. The training forms part of our new Airside Driving Management System, providing an integrated interface for Sydney Airport and our airside partners to manage vehicle registrations, driver training and assessment, as well as monitoring of unsafe driver behaviours.

We also celebrated Airport Safety Week in October, which is a corporate initiative from airports across Australia and New Zealand. A key highlight of the week was our safety expo, which showcased safety messages and initiatives from all areas of the business as well as from key business partners.

Operational resilience

Recent world events highlight the complex and dynamic operating environment we work in. In 2017, we reviewed and updated our Airport Emergency Plan to ensure it continues to align with community and stakeholder needs. As part of this review:

- Additional airside and landside procedures were implemented to enhance Sydney Airport's emergency response capabilities;
- A major review into emergency egress and evacuations was completed for the T1 International terminal;
- International and domestic terminal emergency response plans were updated to set the strategy for fire safety related testing planned for 2018; and
- 'Go kits' were issued to our operational staff, providing them with a range of equipment to assist in the hours following a major incident or emergency.

Our Airport Operations team during an operational resilience exercise.

These updates were completed in close consultation with major agency stakeholders. We will continue to assess local and global events and regularly test our plans to ensure our policies and procedures are updated when required.

Managing cyber security and customer privacy

Managing cyber security and ensuring customer privacy is part of our comprehensive approach to managing information security. This year we established an Information Security Management System (ISMS), certified to the ISO 27001:2013 standard, enabling us to implement a proactive approach for managing and continuously improving our information security program. The ISMS provides the vehicle to protect the confidentiality, integrity and availability of our critical information assets.

Climate change

We have given consideration to the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD) framework and are committed to improving our disclosure on our climate strategy. We have undertaken a risk assessment to identify climate-related risks and opportunities over the short, medium and long-term, and are taking the following actions in response.

- Minimising our own operational carbon footprint as well as the carbon footprint of the airport:
  - Setting carbon reduction targets and implementing demand management strategies;
  - Continuing to identify opportunities to increase the use of renewable energy;
  - Transitioning to low carbon equipment such as electric vehicles; and
  - Working collaboratively with airline customers to improve airport efficiency and reduce land-based fuel burn.
- Engaging with stakeholders:
  - Engaging on a regional basis on climate-related risks affecting the Sydney area. Sydney Airport is involved in the National Climate Change Adaptation Research Facility's project aimed at improving understanding of climate change adaptation in the infrastructure sector. We are also participating in the '100 Resilient Cities' project.
- Building resilience in our assets and operations:
  - Considering climate change as part of our planning, design and procurement processes;
  - Implementing the airport's emergency plan during adverse weather events to minimise disruptions;
  - Undertaking a flood study to build further resilience; and
  - Upgrading our technology to ensure ongoing stability, reliability and security.

For further information on how we are managing climate risk, please refer to our 2017 Sustainability Report.

Delivering customer service excellence

Ensuring passengers had a seamless and enjoyable journey through Sydney Airport remained a strong focus in 2017. We conducted more than 14,400 passenger surveys through an external provider in 2017 to seek feedback on the quality and range of services that we provide at the airport.

The satisfaction drivers identified in these surveys were used to inform our business decisions, particularly when identifying new areas for investment. This year, we delivered a number of capital improvements including gate lounge and bathroom upgrades, a new kids' zone as well as an expanded and enhanced multi-faith prayer room.

Through our partnership with BizTweet, we launched real-time flight updates to passengers. The application provides flight and gate information, plus departure and arrival times for domestic and international flights through the customer's preferred platform of either Facebook Messenger or Twitter. We also launched indoor Baidu Maps at our T1 International terminal and Google Maps across all three terminals. Sydney Airport is the first organisation outside greater China to introduce Baidu Maps, a mobile mapping application which includes indoor view perspectives. Both Baidu and Google maps feature gates and check-in counters, amenities and retail outlets across multiple levels to make it easier for passengers to navigate the terminal.

CUSTOMER SATISFACTION	INTERNATIONAL PASSENGERS		DOMESTIC PASSENGERS	
	2017	2016	2017	2016
Overall	**4.01**/5	**3.89**/5	**3.95**/5	**3.91**/5
Ambience	**4.17**/5	**3.99**/5	**4.11**/5	**4.06**/5
Cleanliness	**4.24**/5	**4.13**/5	**4.14**/5	**4.11**/5
Wayfinding	**4.17**/5	**3.99**/5	**4.09**/5	**4.02**/5

Investing in our community

We completed our first full year delivering our community strategy under Live Local, Leading and Learning and Sydney's Airport. Our strategy is focused on investing in projects and initiatives that are delivering tangible benefits to the local community, particularly in areas immediately surrounding the airport precinct.

$4.9m invested in communities

SPORT

11 SPORTING CLUBS

including **2** fitness camps with **546** members

EDUCATION

Supporting environmental sustainability programs for

25 SCHOOLS and **1,730** STUDENTS

across NSW through our support of 'Kids Teaching Kids'

MUSIC

15,531 STUDENTS from **146** SCHOOLS

are supported to access musical performances from the Sydney Symphony Orchestra

RESEARCHING A CURE FOR CANCER

Funding grants for

2 YEARS

for cancer research

INDIGENOUS PEOPLE

Supported training and learning opportunities for

42 YOUNG INDIGENOUS PEOPLE

through partnerships with the Clontarf Foundation, CareerTrackers and Inner West Council

SURF LIFE SAVING

Supporting training for

6,350 YOUNG SURF LIFE SAVERS in **15** SURF LIFE SAVING SYDNEY CLUBS

Investing in our community

Our community investment strategy is underpinned by three pillars, and in 2017 we focused our partnerships to support these.

Pillars

LIVE LOCAL
We are committed to being a good neighbour and playing a role in keeping our local communities connected, healthy, vibrant and thriving.

LEADING AND LEARNING
We support initiatives that provide opportunities for our leaders of tomorrow. We support those to be the best in their field, with a particular focus on supporting minority groups and reducing inequalities in our community.

SYDNEY'S AIRPORT
We are working to link the airport to broader Sydney by supporting tourism generating initiatives that benefit the city and local communities, and by developing a sense of place at Sydney Airport that reflects our city.

Partnerships

SOCIAL WELFARE

- Australian Kookaburra Kids Foundation
- Sydney Community Foundation
- Clontarf Foundation
- IMB Cook Community Classic
- Rotary (Marrickville, Rockdale and Botany)
- Women's GWS Giants and Giants Care

ARTS & CULTURE

- Museum of Contemporary Art (MCA)
- VIVID Sydney
- Sydney Festival
- Sydney Fringe Festival
- Parramasala
- Newtown Festival
- Powerhouse Museum
- Bayside Arts Festival (Bayside Council)

HEALTH

- Cure Cancer Australia
- Live Life Get Active (Sutherland Shire Council)

EDUCATION & YOUNG PEOPLE

- University of NSW
- Western Sydney University
- Sydney Symphony Orchestra
- StudyNSW
- Surf Life Saving Sydney
- Sutherland Shire Netball Association and a vast array of other local sporting clubs
- Marrickville Souths Fitness and Breakfast Club (Inner West Council)

ENVIRONMENT

- Conservation Volunteers Australia (CVA)
- Kids Teaching Kids

ECONOMIC DEVELOPMENT

- Chinese New Year (City of Sydney)

OTHER

- Sydney Swans
- Australian Women's Rugby Sevens

Our Surf Life Saving Sydney partnership relaunch event this year at South Maroubra Surf Life Saving Club.

Supporting a generation of surf life saving

We've supported Surf Life Saving (SLS) Sydney in the vital role they play in keeping our communities and travellers safe when swimming at Sydney beaches since 2001. Our investment from the beginning of this 17-year partnership has included supporting the Nipper Capitalise Development Program, as well as Sydney Juniors, for 15 beaches from North Bondi to Burning Palms in the Royal National Park.

In 2017, we identified new opportunities to connect SLS with our customers to further the reach of their water safety awareness message. We hosted life savers at the airport during the summer period to help educate passengers on swim safety at Sydney's beaches. Our increased investment also provided further support for patrolling surf life savers.

Sydney Airport Community Christmas Giving Appeal

This year we announced a new charity partner for the Sydney Airport Community Christmas Giving Appeal, Cure Cancer Australia. We sought a partner that would inspire our diverse range of stakeholders, uniting our passengers, visitors and 800 on-airport businesses to make a difference to the lives of people living and working in Sydney and NSW. Cure Cancer Australia's work to support scientists working across all areas of cancer research provided a unique opportunity to bring together the airport community around an issue that touches the lives of so many families.

Cure Cancer Australia's commitment to exclusively fund early career researchers with new perspectives and innovative ideas also aligned with our own spirit of innovation, further strengthening the partnership. We were delighted the appeal raised $407,952 to support this ground breaking research to find a cure for cancer.

The appeal began with our annual Runway Run, with more than 100 members of the community purchasing tickets for this unique opportunity to access the airfield. As part of the campaign, we also used innovative fundraising mechanisms including Tap-N-Donate machines and an online platform for donating. In addition, Digital Trees of Hope provided an engaging new method for connecting with our passengers and staff, encouraging them to donate, take a selfie and personalise their contribution through a message of hope.

Our major fundraising event, the Red Tie BARBECURE, was attended by more than 450 guests, helping to raise critical funds as part of the appeal.

The third annual Sydney Airport Runway Run with Cure Cancer Australia, 2017.

Managing our carbon footprint

We are committed to reducing carbon emissions as part of our focus on sustainable business. We currently participate in the Airport Carbon Accreditation program, a voluntary carbon management scheme run by the Airports Council International (ACI). The scheme, called Airport Carbon Accreditation, has four levels that progress from mapping carbon emissions, reducing emissions and engaging with third parties through to carbon neutrality.

This year we have maintained our Level 3 Accreditation (Optimisation), which requires:

- Expansion of the scope of the airport's carbon footprint to incorporate specific Scope 3 emission sources (including the landing take-off cycles and all aircraft ground running operations, surface access for passengers and staff);
- Submission of a verified carbon footprint including Scope 3 emission sources;
- Evidence of activities to engage and assist stakeholders (such as airlines, ground handlers, staff and passengers) to reduce the overall carbon footprint; and
- Continued implementation of initiatives to achieve an ongoing reduction in Scope 1 and 2 emissions.

We increased our carbon target to achieve a 50% per passenger reduction in carbon emissions by 2025 from 2010 levels. To date we have made good progress on our commitment, reducing our carbon intensity by 27.2% since 2010. This year we delivered the following carbon reduction initiatives:

- Delivery of energy demand management opportunities such as lighting upgrades, rationalisation of air conditioning set points, a building energy optimisation program and upgrading our baggage system components such as motors and conveyor belts to more energy efficient alternatives;
- Introduction of electric equipment such as buses that operate between our long term car park and the domestic terminal; and
- Installation of our first solar installation on the top of the car park at the T1 International terminal. At peak generation, 30% of the power will serve the structure's power demand, and 70% will be fed back into the grid for Sydney Airport's use.

airport carbon accredited
OPTIMISATION

CARBON REDUCTION

27.2%

reduction in per passenger carbon intensity since 2010

5.5%

reduction in absolute carbon emissions since 2010

The solar panel installation at Sydney Airport's T1 International terminal car park.

Embracing our plane spotting community

Sydney Airport has long maintained a vibrant plane spotting community. In 2017, we were honoured to formalise our connection with this important part of the community through the redevelopment of popular plane spotting location, Shep's Mound. The facility was officially re-opened by the family of the late Bruce C. Shepherd – known as Shep – one of the community's much-loved members and founder of the YSSY online forum, a place where plane spotters communicate about aircraft at Sydney Airport.

Ideally situated under the traffic control tower and overlooking the 34L/16R runway, the redevelopment saw the construction of two elevated viewing platforms, expansive grassed areas, undercover shelter and dedicated parking. The project was completed in close consultation with representatives of the plane spotting community to ensure it met the needs of aviation enthusiasts and provided a welcoming space for families and friends to gather.

The new facility has already proven popular with aviation enthusiasts, seeing increased social media engagement as plane spotters share their enjoyment of the location. It has also become a regular stop on airport tours for school children, providing the ideal place to watch aircraft take off and land.

Our upgraded Shep's Mound lookout for aviation enthusiasts. Honouring the memory of Bruce C. Shepherd.

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Directors' report

for the year ended 31 December 2017

Overview of ASX-listed Sydney Airport

ASX-listed Sydney Airport (the Group) consists of Sydney Airport Limited (SAL) and Sydney Airport Trust 1 (SAT1). Shares and units in the Group are stapled, quoted and traded on the Australian Securities Exchange as if they were a single security. They consist of one share in SAL and one unit in SAT1. SAL holds a 100% economic interest in Sydney (Kingsford Smith) Airport at 31 December 2017 (2016: 100%).

For the year ended 31 December 2017, the directors of SAL submit their report on the consolidated financial report of ASX–listed Sydney Airport on pages 54 to 71. SAL has been identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities, together the Group.

For the year ended 31 December 2017, the directors of The Trust Company (Sydney Airport) Limited (TTCSAL or the Responsible Entity) also submit their report on the consolidated financial report of SAT1 comprising SAT1 and its controlled entities (the SAT1 Group) on pages 72 to 74.

Directors' Report for Sydney Airport Limited

Principal activities

The principal activity of the SAL Group is the ownership of Sydney Airport. The SAL Group's investment policy is to invest funds in accordance with the provisions of the governing documents of the individual entities within the SAL Group. There were no significant changes in the nature of the SAL Group's activities during the period.

Director profiles

The following persons are current directors of SAL:

Trevor Gerber BAcc, CA Chairman (Non-executive)	Mr Gerber was appointed as a Sydney Airport director in May 2002, appointed director of SAL in October 2013 and appointed chairman on 14 May 2015. He is a member of the Audit and Risk Committee and Nomination and Remuneration Committee. He is an independent non-executive director of the following ASX-listed entities – Tassal Group Limited since April 2012, Vicinity Centres since April 2014 and CIMIC Group Limited since June 2014. He is a former director of Regis Healthcare Limited (October 2014 - November 2017). Mr Gerber has been a professional director since 2000. He previously worked for Westfield Holdings Limited for 14 years as Group Treasurer and subsequently as Director of Funds Management responsible for Westfield Trust and Westfield America Trust.
Hon. Michael Lee BSc, BE, FIE Aust (Non-executive)	Mr Lee was appointed as a Sydney Airport director in June 2003 and appointed director of SAL in October 2013. He is the chairman of the Safety, Security and Sustainability Committee and a member of the Audit and Risk Committee and Nomination and Remuneration Committee. He is the chairman of Communications Alliance, the peak communications industry body, director of Communications Compliance Ltd, Calvary Ministries and Catholic Schools NSW Limited. He is a former director of DUET Group (August 2004 - May 2014), Superpartners, National Film and Sound Archive and former chair of the NSW TAFE Commission Board. Mr Lee served in the Australian Parliament for 17 years and held a number of senior positions in both government and opposition, including serving as Minister for Tourism, Communications and the Arts.

Directors' report

for the year ended 31 December 2017

John Roberts LLB (Non-executive)	Mr Roberts was appointed as a Sydney Airport director in October 2009 and appointed director of SAL in October 2013. He is chairman of the Audit and Risk Committee. He is a director of ASX-listed Macquarie Atlas Roads Limited since February 2010, chair of Axicom and non-executive chairman of Macquarie Infrastructure and Real Assets (MIRA) and serves on a number of boards and investment committees within MIRA, a division that has around $100 billion of assets under management. He previously served for just over 10 years as a director of DUET Group (May 2004 – June 2015). Mr Roberts joined Macquarie Group in 1991 and previously held roles within Macquarie Group including Head of Europe, Joint Head of Macquarie Capital Advisers, Global Head of Macquarie Capital Funds (prior to it being renamed MIRA), chairman of NYSE-listed Macquarie Infrastructure Company and executive chairman of Macquarie Funds Group.
Stephen Ward LLB (Non-executive)	Mr Ward was appointed as a Sydney Airport director in February 2011 and appointed director of SAL in October 2013. He is the chairman of the Nomination and Remuneration Committee. Mr Ward is a non-executive director of several New Zealand companies including Sovereign Assurance Company Limited, SecureFuture Wiri Limited and Central Emergency Communications Limited. He is a member of the National Provident Fund Trust Board and holds voluntary positions on the boards of Wellington Free Ambulance, including its Investment Management Committee, and the Life Flight Trust. Mr Ward is the independent chair of the Advisory Council for the Financial Dispute Resolution Service and a consultant to Simpson Grierson, one of New Zealand's largest law firms.
Ann Sherry AO, BA, Grad Dip IR, FAICD, FIPAA, HonDLitt Macq (Non-executive)	Ms Sherry was appointed as a director of SAL in May 2014. She is a member of the Nomination and Remuneration Committee and Safety, Security and Sustainability Committee. She is the executive chairman of Carnival Australia, a division of Carnival Corporation, the world's largest cruise ship operator which owns ten iconic brands including P&O Cruises, Princess Cruises, Cunard, Holland America and Seabourn, which operate in the Australian and New Zealand cruise market. Ms Sherry is a non-executive director of ASX-listed National Australia Bank Limited since November 2017, director of Infrastructure Victoria, Australian Rugby Union, Cape York Partnerships, Museum of Contemporary Art and The Palladium Group. Ms Sherry was previously at Westpac for 12 years and was the chief executive officer of Bank of Melbourne and Westpac New Zealand and Pacific Banking.

Directors' report

for the year ended 31 December 2017

Director profiles (continued)

Grant Fenn **BEc, CA** (Non-executive)	Mr Fenn was appointed as a director of SAL in October 2015. Mr Fenn has been the managing director and chief executive officer of ASX-listed Downer Group since July 2010. He has over 20 years' experience in operational management, strategic development and financial management. Mr Fenn was previously a member of the Qantas Executive Committee, chairman of Star Track Express and a director of Australian Air Express. He held a number of senior roles at Qantas including executive general manager of Strategy and Investments and executive general manager - Associated Businesses, responsible for the Airports, Freight, Flight Catering and Qantas Holidays businesses.
Kerrie Mather **BA, MComm** (Executive)	Ms Mather has been managing director and chief executive officer of Sydney Airport since June 2011 to her retirement in January 2018. Her previous role was CEO of MAp Airports, the largest global airport owner and operator from 2002 until 2011. Prior to that she was an executive director of the Macquarie Group in investment banking, with extensive experience in infrastructure and privatisations, working with both Government and private sector clients. Under her stewardship, Sydney Airport has taken a leadership role in growing tourism, and has invested significantly in expanding capacity, and delivering a substantial improvement and upgrade in passenger experience and customer service.

Company secretary profile

Jamie Motum **BEc, LLB**	Mr Motum was appointed as company secretary of ASX-listed Sydney Airport in January 2012, and as company secretary of SAL from its incorporation on 30 July 2013. He is a qualified solicitor with over 20 years' experience. Prior to becoming general counsel and company secretary of Sydney Airport Corporation Limited in February 2010, Mr Motum was a partner in the Corporate Group of DLA Phillips Fox specialising in mergers and acquisitions and corporate advisory work where he began his legal career in 1996. Mr Motum was appointed as co-company secretary of TTCSAL on 23 October 2013.

Directors' report

for the year ended 31 December 2017

Board skills matrix

SAL's director selection and appointment practices ensure the board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of Sydney Airport.

Set out in the following table are the skills and experience of SAL's directors and requirements of the business:

Skills and Experience
Aviation and transport – Experience in aviation or transport with a large quality organisation. Aviation is our core business and an understanding of the complex network of stakeholders is of critical importance
Construction and engineering – Sydney Airport has a significant annual capex program involving construction and engineering to ensure that airfield, terminal and landside works are delivered efficiently and effectively to facilitate capacity growth and an improved passenger experience
Information Technology – IT strategies and innovations, network development, use and governance of critical information technology infrastructure is an essential part of day to day operations at the airport and enabling the delivery of a next generation experience. This is a core skill and experience within Management, and is supplemented with external experts when necessary
Legal – Legal expertise is essential in the day to day management of risk, insurance, work, health and safety (WHS) and legal procedures, in addition to our engagement with airport tenants, contractors, government and other stakeholders
Retail – Retail experience assists in evaluating progress of the implementation of our retail strategy, to deliver new and unique experiences that enhance the passenger journey. This includes proactively seeking compelling local and international brands that showcase exceptional product offerings unique to the airport, including airport and Australian firsts across food and fashion
Tourism development – A proactive relationship with state and federal tourism bodies, in addition to international tourism bodies and regional governments is central to Sydney Airport's growth and marketing strategies
Leadership – Driving direction, guidance, leading organisational change and strategic planning
Health and safety – Developing proactive strategies and policies to ensure the health, safety and security of airport users
Banking and finance – Detailed knowledge of financial and capital management strategies, treasury, accounting and reporting, corporate finance and internal controls, including assessing the quality of financial controls
Risk management – Assessing appropriateness of risk management framework, building and adapting organisational risk culture, proactive identification of risks, developing effective policy and procedures to manage risks
Governance and compliance – Providing direction on organisation-wide governance and compliance policies, systems and frameworks, training and education, and ensuring compliance
Government relations – Interacting with domestic and international, state and federal governments and regulators
Remuneration – Developing the framework, policies and practices to attract, retain and motivate directors and staff who will create value for security holders
Environment and Sustainability – Developing environment and sustainability strategies and initiatives
Emotional Intelligence – Highly developed communication and social skills

Directors' report

for the year ended 31 December 2017

Directors' meetings

The number of meetings of directors (including meetings of board committees) held during the year ended 31 December 2017 and the number of meetings attended by each director were as follows:

Directors		Trevor Gerber[3]	Michael Lee[6]	John Roberts[4]	Stephen Ward[5]	Ann Sherry	Grant Fenn	Kerrie Mather
SAL Board	H[1]	6	6	6	6	6	6	6
	A[2]	6	6	6	6	6	6	6
Audit and Risk Committee	H[1]	5	5	5	–	–	–	–
	A[2]	5	4	5	–	–	–	–
Nomination and Remuneration Committee	H[1]	3	3	–	3	3	–	–
	A[2]	3	3	–	3	3	–	–
Safety, Security and	H[1]	–	3	–	–	3	–	3
Sustainability Committee	A[2]	–	3	–	–	3	–	3
Western Sydney Airport	H[1]	1	1	1	1	1	1	1
Committee[7] (scheduled)	A[2]	1	1	1	1	1	1	1
Western Sydney Airport	H[1]	1	1	1	1	1	1	1
Committee[7] (short notice)	A[2]	1	1	–	1	1	1	1

1 Number of meetings to which director was invited to attend.
2 Actual attendance.
3 Chairman of the SAL Board and Western Sydney Airport Committee.
4 Chairman of the Audit and Risk Committee.
5 Chairman of the Nomination and Remuneration Committee.
6 Chairman of the Safety, Security and Sustainability Committee.
7 The Western Sydney Airport Committee was disbanded on 2 May 2017.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the SAL Group during the year ended 31 December 2017.

Operating and financial review

The Operating and financial review is included in the Annual Report on pages 12 to 41.

Directors' report

for the year ended 31 December 2017

Audited remuneration report

1 Introduction

The directors present the Remuneration Report for Sydney Airport Limited (SAL) for the period 1 January 2017 to 31 December 2017. The information in this report has been audited in accordance with section 308(3C) of the Act. This report details remuneration arrangements for key management personnel (KMP) who are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of SAL, directly or indirectly. They include the non-executive directors (NEDs) of SAL, the chief executive officer (CEO) and other key executives who are employed by Sydney Airport Corporation Limited (SACL), a wholly owned subsidiary of SAL.

1.1 Directors

The following persons were directors of SAL (identified as the parent of ASX-listed Sydney Airport) for the period from 1 January 2017 to 31 December 2017 and up to the date of this report:

Name	Role	Period of directorship
Trevor Gerber	Chairman, Non-executive director	Appointed director 18 October 2013 Appointed chairman 14 May 2015
Michael Lee	Non-executive director	Appointed 18 October 2013
John Roberts	Non-executive director	Appointed 18 October 2013
Stephen Ward	Non-executive director	Appointed 18 October 2013
Ann Sherry	Non-executive director	Appointed 1 May 2014
Grant Fenn	Non-executive director	Appointed 1 October 2015
Kerrie Mather	Managing director and CEO	Appointed 18 October 2013 Retired as Managing director and CEO on 15 January 2018

1.2 Key management personnel

The following individuals were determined to be KMP by the directors for the year ended 31 December 2017.

Key Executive	Title
Kerrie Mather	Managing Director and CEO
Hugh Wehby	Chief Operating Officer (COO)
Greg Botham	Chief Financial Officer (CFO)

Changes to our KMP during 2017 included the transition of Mr Wehby from the CFO role to the COO role on 1 January 2017, and the commencement of Mr Botham as CFO on 1 May 2017.

1.2.1 CEO Transition Arrangements

In March 2017, Ms Mather announced her intention to retire as Managing Director and CEO, and that she would continue to drive the performance of Sydney Airport, add value to investors by remaining in office until a new CEO commenced, and facilitate an orderly transition to the new CEO. Ms Mather remained in the business until 31 January 2018.

Ms Mather's aggregate payment-in-lieu of notice and short term incentive (STI) was capped in accordance with part 2D.2 of the Corporations Act, with no deferred component. Ms Mather will retain the value of unvested performance rights approved by security holders in 2015 and 2016 on the basis of her retirement, they will not be accelerated but tested at the appropriate time in accordance with the long term incentive (LTI) plan rules in 2018 and 2019. Security holders approved the payment of the deferred component of STI bonuses earned by Ms Mather in 2015 and 2016 at the AGM on 30 May 2017.

Mr Geoff Culbert commenced as CEO on 15 January 2018. Mr Culbert's annual remuneration package, as detailed in the ASX announcement in September 2017, consists of fixed annual remuneration (FAR) of $1,500,000, STI of up to 100.0% of FAR with 20% deferred for 2 years and LTI of $1,200,000. Both the STI and LTI are subject to the existing performance conditions of the respective plans.

In recognition of forgoing incentives from his former employment, Mr Culbert was given up to $1,065,000 in cash (with 50.0% payable in February 2018 and 50.0% payable in January 2019) and an equity award of $1,250,000 (with 50.0% payable December 2018 and 50.0% payable December 2019). Mr Culbert or Sydney Airport may terminate Mr Culbert's employment for any reason by giving six months' notice. In the event of any serious, wilful or persistent misconduct, Sydney Airport may immediately terminate Mr Culbert's employment. If Mr Culbert's employment is terminated as a consequence of an uncontrollable event (which includes death, permanent disability, retirement and termination without cause), any unvested STI or LTI award that has been awarded will remain on foot and vest in accordance with its terms, unless the Board exercises its discretion to determine the relevant award lapses on termination.

2 Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) of SAL is responsible for making recommendations to the Board on director and executive remuneration policy and structure.

In 2017 the Nomination and Remuneration Committee comprised of four NEDs:

- Stephen Ward (chairman)
- Trevor Gerber
- Michael Lee
- Ann Sherry

2.1 Remuneration consultant

During 2017 no "remuneration recommendation" (as defined by Part 2D.8 of the Corporations Act) was made. Benchmarking data was obtained from Alan Jackson, Aon Hewitt, to assist the NRC when assessing remuneration changes for executive positions. The fees paid to Alan Jackson were $2,000.

3 Remuneration principles, policy and structure

Sydney Airport aims to deliver superior, sustainable returns to its security holders. Sydney Airport's remuneration strategy is a key driver in achieving these objectives and in attracting, retaining and motivating high performing individuals. It aligns the interests of executives and security holders and is tailored to the unique characteristics of the business.

To ensure that Sydney Airport continues to deliver superior performance, our remuneration structure links the potential benefits for participants to the continued growth in Sydney Airport's sustained long term financial performance and security holder returns.

3.1 Background

Sydney Airport is an ASX50 entity with an enterprise value of approximately $24.2 billion at 31 December 2017. Sydney Airport is one of the most significant transport infrastructure assets in Australia. It is a highly complex asset and facilitates the movement of people and goods to allow the economy and transport network to function effectively.

The CEO and direct reports (Executives) have oversight and accountability for the development, operation and security of the airport facilities, supporting a diverse range of aeronautical, retail, property and car rental, parking and ground transport businesses. The Executives have oversight of significant ongoing capital expenditure and the development of a forward-looking strategic plan, incorporating airfield upgrades, apron development, terminal expansions, car park development, retail and commercial developments, and other significant initiatives. Since privatisation in 2002, Sydney Airport has invested nearly $4.3 billion in aeronautical capacity, operational efficiency and improving passenger facilities. Executives are also accountable for a wide range of stakeholder relationships including airlines, passengers, concessionaires, tenants, service providers, governments, regulatory bodies, the community and security holders.

Executives' remuneration and performance awards are determined by the Board and NRC. In determining awards, the Board and NRC take into consideration the:

- Complexity of the business;
- Responsibility of each Executive;
- Executive's experience and tenure; and
- Executive's performance against key objectives.

Additionally, Executives' salaries are benchmarked against comparable market participants based on data from remuneration consultants.

3.2 Remuneration structure for Executives (including KMP) at 31 December 2017

The remuneration structure of the Executives (including KMP) comprises of:

- FAR, consisting of base salary and benefits inclusive of the minimum regulatory superannuation contribution; and
- At risk remuneration (ARR), being the components which are variable and directly linked to the delivery of individual key performance targets and Sydney Airport's key financial and business objectives. There are three components to the at risk remuneration:
    i. Short term incentive – paid as cash;
    ii. Short term incentive – deferred cash payment (two years); and
    iii. Long term incentive – equity plan, with a three year performance period.

The first LTI plan introduced in 2015 for the CEO and other Executives and the performance period for the first series (2015-2017), will vest on 21 February 2018. The second series (2016-2018) will vest in February 2019 and the third series (2017-2019) will vest in February 2020.

The LTI is designed to provide an incentive for participants to ensure that Sydney Airport continues its superior performance by linking potential benefits to the CEO and other Executives to the continued growth in Sydney Airport's sustained long term financial performance and security holder returns. Under the LTI plan the vesting rights are conditional on the achievement of performance conditions and the satisfaction of the other vesting requirements.

The performance conditions are:

- One third of the rights granted are based on a three year market comparative Total Shareholder Return (TSR) performance condition (TSR tranche). The Board chose this measure because it provides a comparison of Sydney Airport's performance against the S&P ASX 100 index. The hurdles ensure that the rights can only begin vesting if Sydney Airport outperforms at least half of the S&P ASX 100 index.
- One third of the rights are based on a cash flow per stapled security (CPS) performance condition (CPS Tranche). The Board chose this measure because of the importance of cash flow to our investors. Rights can begin vesting if Sydney Airport attains a compound annual CPS growth rate of equal or greater than 8%.
- One third of the rights are based on Board discretion and include metrics and performance conditions specific to each individual, taking into account such elements as operational aspects of performance, people and leadership, customer satisfaction and delivery of financial outcomes (Other tranche).

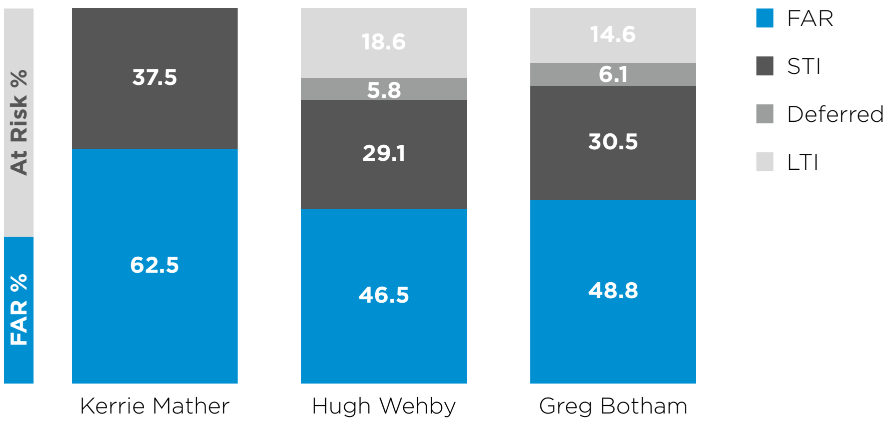
The measurements for the performance condition outcomes for the LTI are as follows:

- TSR is calculated by taking into account the change in an entity's security price over the relevant measurement period as well as the distributions received (and assumed to be reinvested back into the entity's securities) during that period. A minimum TSR ranking for Sydney Airport at the 50th percentile measured against the S&P ASX 100 index is required for any rights in the TSR tranche to vest. All of the TSR tranche will vest if Sydney Airport's TSR ranking is at or above the 75th percentile measured against the S&P ASX 100 index. Vesting will occur progressively on a pro-rata basis from 50% up to 100% of the TSR tranche for a TSR ranking for Sydney Airport between the 50th percentile and the 75th percentile.
- CPS is the cash flow per stapled security for a particular financial year, and is derived by dividing the Net Operating Receipts (as disclosed in the Directors' Report for Sydney Airport for the relevant financial year, and subject to adjustment by the Board for any extraordinary or non-recurring items) by the weighted average number of stapled securities on issue during the financial year. The CPS tranche will vest (wholly or in part) upon Sydney Airport attaining a compound annual CPS growth rate equal to or greater than 8% over the performance period. A compound annual CPS growth rate equal to or greater than 12% over the performance period will result in 100% of the rights in the CPS tranche vesting. Vesting will occur progressively on a pro-rata basis from 50% up to 100% of the CPS tranche for a compound annual CPS growth rate between 8% and 12% over the performance period.

- The Board will determine what proportion (if any) of the rights will vest in the Other Tranche, having regard to individual and company performance.

Performance conditions are measured over a three year period. Performance rights do not have distribution entitlements during the vesting period. If a participant resigns, or has their employment terminated with cause, all their unvested rights will immediately lapse. If a participant's employment ends by reason of an uncontrollable event (as defined in the LTI plan) they are entitled to a pro-rata number of their unvested rights or it may be cash settled at the Board's discretion.

The remuneration mix for the KMPs for 2017 is expressed as a percentage of total remuneration and set out in the table below:



1 Ms Mather's 2017 at risk remuneration reflects the capped short-term incentive in accordance with part 2D.2 of the Corporations Act, and no LTI award for 2017.

3.2.1 At Risk Remuneration

The Board is focused on maximising sustained security holder value by linking business performance with Executives' remuneration outcomes. A significant element of their potential remuneration is at risk and linked to corporate performance.

A number of performance measures are used in determining an Executive's STI. They are financial performance, business/operational performance, implementation of key strategic projects, customer and stakeholder engagement and leadership and culture.

3.2.2 Performance setting

Individual key performance targets are approved by the NRC at the beginning of each performance year. Key performance targets are selected for their relevance to the short and long term objectives and priorities for the business. The targets set are deliberately of a stretching nature consistent with our high performance culture.

An Executive's performance outcome is used as the basis to determine their STI award. The STI award is determined after the preparation of the financial results each year and the completion of the annual performance review process. The STI award is generally granted to Executives in March, with the cash component paid at that time. KMP data on the specific STI potential maximum percentage of FAR and the actual awards is described at 3.4 and the full remuneration details are set out in 4.2.

3.2.3 CEO STI deferral

To promote CEO retention, 20.0% of any STI award up to 100.0% of FAR is deferred for two years from the date of the award. The deferred cash amount earns a market rate of interest over the two year period and is payable to the CEO upon vesting, subject to continuous service throughout the period. As set out 1.2.1, Ms Mather's remuneration for 2017 did not include a STI deferred amount.

3.2.4 Other KMP STI deferral

To promote retention, other KMP also have a component (16.67%) of their STI award delivered in the form of a deferred cash award. Any cash award subject to deferral made under this plan is subject to a two year deferral from the date of the award. The deferred cash amount earns a market rate of interest over the two-year period and is payable to the Executive upon vesting, subject to continuous service throughout the period.

3.3 Link between remuneration and performance

3.3.1 History of corporate performance

Measure	2017	2016	2015	2014	2013
Security price at year end	$7.05	$5.99	$6.35	$4.71	$3.80
Ordinary distribution paid per security	$0.345	$0.310	$0.255	$0.235	$0.225
Earnings before interest, tax, depreciation and amortisation[1] (EBITDA) ($ million)	$1,196.4	$1,085.7	$1,003.6	$948.3	$910.3
Cash flow per stapled security (CPS) (cents)	35.0	30.2	26.0	23.7	22.5

1 2014, 2015, 2016 and 2017 are taken from the Consolidated Income Statements of Comprehensive Income in the Sydney Airport Financial Report for Year Ended 31 December 2014, 2015, 2016 and 2017. The 2013 numbers are taken from the Consolidated Income Statements in the Southern Cross Airports Corporation Holdings Limited (SCACH) Audited General Purpose Financial Report.

3.3.2 2017 Security price performance

Sydney Airport's listed security price performed strongly in 2017. Total investor return over the year was 23% (assuming reinvested distributions), including a 34.5 cents per stapled security distribution. The distribution represented growth of 11.3% compared to the 2016 distribution.

Sydney Airport's five-year total security holder return of 22% p.a. (assuming reinvested distributions) which compares to the ASX100 accumulation index performance of 12% p.a. over the same period. That means if $10,000 was invested in Sydney Airport securities on 31 December 2012, the value of that investment including reinvested distributions would be approximately $28,000 at 31 December 2017. The equivalent investment in the ASX100 would be worth approximately $18,000.

Source: Bloomberg.

Drivers of the strong performance in 2017 include:

- Record passenger numbers travelling through Sydney Airport driven by airline marketing and tourism partnerships: 43.3 million in 2017 up from 41.9 million in 2016 representing 3.6% total growth, 7.2% international growth and 1.6% domestic (including regional) growth;
- The Group's EBITDA growth of 10.2% to $1,196.4 million, driven by strong Aeronautical Services and Retail revenue growth, management initiatives across the business and prudent operating expense control;
- Delivery of significant capacity expansions and passenger experience improvements through investing $428.5 million on facilities and infrastructure and the acquisition of the Ibis Budget Hotel.

3.4 Performance of executives

There are two components used to determine an Executive's STI:

- Group objectives are used to determine 50.0%; and
- Individual targets that are unique to the Executive's area of accountability and expertise are used to determine the remaining 50.0%.

The objectives are both qualitative and quantitative in nature and measurement. They have been assessed as being central to business performance, efficiency, and sustainability. In 2017, these objectives included:

- Financial performance
- Business/operational performance
- Strategic projects
- Customer and stakeholder engagement
- People and culture

3.4.1 2017 Group performance

The following table sets out the group performance factors used in determining the Executives' STI outcomes for 2017:

Objective	Performance outcome
Financial performance	• Revenue growth of 8.7% to $1,483.3 million • EBITDA growth of 10.2% to $1,196.4 million • NOR growth of 13.5% to $789.8 million, excluding WSA and business acquisition costs • Refinancing of all $1.4 billion of bank debt facilities driving lower interest costs and an improved risk profile
Business/operational performance	• Traffic growth of 3.6% (7.2% international and 1.6% domestic) • For international – 1 new airline, 3 new destinations and 1,218,242 new seats • Aeronautical revenue including security recovery, growth of 8.6% • Retail revenue growth of 12.7% • Property and car rental revenue growth of 8.4% • Parking and ground transport revenue growth of 2.2%
Strategic projects	• Acquisition of the Ibis Budget Hotel and opening of the Mantra Hotel • Completed road works at T1 International including new entry to Centre Road from Marsh Street and new footbridge and cycleway to the P7 car park • At T2/T3 Domestic precinct widened Qantas Drive facilitating one-way flow around Robey and O'Riordan Streets. We also increased entry capacity to five inbound lanes and improved taxi flow to the precinct • Achieved ISO 27001 certification – a recognition of world class Information Security standards • Delivery of $428.5 million of investment focused on improving airport efficiency, expanding airfield and terminal facilities and enhancing the customer experience
Customer and stakeholder engagement	• Externally recognised for leadership role in sustainability, with a 'Leading' rating from the Australian Council of Superannuation Investors for the second year, inclusion on the Dow Jones Sustainability Index and recognised as a sustainability leader in the RobecoSAM 2017 Yearbook • Implementation of our Community Investment Strategy – partnerships with MCA, Cure Cancer and Sydney Community Foundation • Continued engagement with airport stakeholder groups to ensure high standards of service delivery • Awarded Australian Airport of the Year as well as Airport Innovation and Excellence – Operations Award at industry awards • Maintained Level Three Airport Carbon Accreditation, with a 27.2% per passenger carbon intensity reduction since 2010 and set revised carbon reduction target of 50% per passenger reduction by 2025 • Renewed CSIA Customer Service Accreditation and achieved highest customer satisfaction scores to date • Ongoing delivery of digital strategy including introduction of Baidu maps, a world-first outside of greater China, indoor Google maps and improvements to technology to better inform customers on queue wait-times

Objective	Performance outcome
People and culture	**Culture** • Successful renegotiation of the Enterprise Agreement while maintaining a positive employee relations culture • Conducting our Engagement Survey which highlighted the significant improvements made • Investment in leadership and management development, leveraging our online training system and introducing a 360 degree feedback tool • Established Diversity Council and Diversity Working Group. Overall female employees increased 4.1% from 36.4% to 37.9%, female managers accounted for 38.9% of all managers and 50% of all new hires were female and continued support indigenous Australians **Safety** • Continued focus on building a strong safety culture and meeting our airside safety requirements. Key initiatives delivered for the year: – Development and commencement of roll out of the Leadership Safety Roadmap – Safety Expo conducting during national Safety Week with employees and on airport partners – Commenced a health program for airfield employees focusing on holistic health coaching and fatigue – Initiated an enterprise wide Technology project to improve safety systems including the management of safety risk – First aid equipment have been upgraded across the precincts and we have increased the number of qualified first aid officers in staff areas – Increased focus on critical safety risks with projects enhancing management of risks associated with plant and equipment, confined spaces and work-at-height

3.4.2 Performance pay outcomes for 2017

The Board and NRC review the overall performance outcome for an individual based on the agreed performance objectives (as outlined in the table above) but retain overriding discretion when determining the value of any STI award to a KMP. The following table shows the 2017 STI outcomes for KMP.

			Actual STI awarded		
KMP	Potential maximum of FAR	STI outcome % of maximum	Cash award $	STI deferred $	STI forfeited %
Kerrie Mather[1]	100%	60%	1,081,173	–	0%
Hugh Wehby	75%	95%	382,953	76,609	5%
Greg Botham[2]	75%	80%	201,362	40,282	20%

1 The STI for Ms Mather was capped in accordance with maximum termination benefits under the Corporations Act. While she received 100% of the capped STI amount, this represented 60% of her full STI opportunity. The 2017 STI did not contain a deferred amount. See 1.2.1.
2 The STI for Mr Botham is pro-rated for 2017 from his start date of 1 May 2017.

3.4.3 STI deferrals from previous period

Key Executives	Award date	Deferred $	Vesting date
Kerrie Mather[1]	15 Mar 2016	360,000	31 Jan 2018
	15 Mar 2017	200,000	31 Jan 2018
Hugh Wehby	15 Mar 2016	64,667	15 Mar 2018
	15 Mar 2017	55,340	15 Mar 2019
Greg Botham[2]	n/a	n/a	n/a

1 The accelerated vesting date of the 2016 and 2017 STI deferrals for Ms Mather was approved by security holders at the 2017 AGM.
2 As Mr Botham commenced in 2017, he has no deferred STI from previous years.

3.4.4 Details of LTI rights granted to KMP

Name	Series	Rights Granted	Grant date	Grant Valuation [1] $	Grant Value $
Kerrie Mather	**2015 – 2017[2,3]**	**191,403**	**23 April 2015**		
	TSR tranche	63,801		2.69	171,625
	CPS tranche	63,801		4.60	293,485
	Other tranche	63,801		6.87	438,313
	2016 – 2018[2,4]	**166,816**	**31 May 2016**		
	TSR tranche	55,606		3.75	208,523
	CPS tranche	55,605		6.27	348,643
	Other tranche	55,605		6.11	339,747
Hugh Wehby	**2015 – 2017[3]**	**30,433**	**29 April 2015**		
	TSR tranche	10,145		2.69	27,290
	CPS tranche	10,144		4.60	46,662
	Other tranche	10,144		6.87	69,689
	2016 – 2018[4]	**25,255**	**31 May 2016**		
	TSR tranche	8,419		3.75	31,571
	CPS tranche	8,418		6.27	52,781
	Other tranche	8,418		6.11	51,434
	2017 – 2019[5]	**42,590**	**31 May 2017**		
	TSR tranche	14,197		4.24	60,195
	CPS tranche	14,197		6.37	90,435
	Other tranche	14,196		6.04	85,744
Greg Botham	**2017-2019[5,6]**	**26,593**	**31 May 2017**		
	TSR tranche	8,865		4.24	37,588
	CPS tranche	8,864		6.37	56,464
	Other tranche	8,864		6.04	53,539

1 The fair value of rights granted for each tranche is described below:
- TSR tranche was determined at grant date using the Monte Carlo model
- CPS tranche was determined at grant date using the binomial option pricing model
- Other tranche will be remeasured each year until vesting as the grant date for this tranche has not been reached. The conditions for this tranche vest at the Board's determination.

2 Ms Mather retains her unvested performance rights for the 2015-2017 and 2016-2018 LTI series, however no rights will vest until 21 February 2018 and February 2019 respectively. See 1.2.1.

3 The LTI has a three year performance period. No rights will vest until 21 February 2018.

4 The LTI has a three year performance period. No rights will vest until February 2019.

5 The LTI has a three year performance period. No rights will vest until February 2020.

6 The LTI for Mr Botham was pro rated for 2017 from his start date of 1 May 2017.

4 KMP remuneration arrangements for year ended 31 December 2017

4.1 Service agreements

KMP	Length of contract	Notice period	Max STI opportunity (as a % of FAR)	Termination period	Termination payment
Kerrie Mather	Permanent	6 months	100.0%	12 months	12 months
Hugh Wehby	Permanent	6 months	75.0%	6 months	6 months
Greg Botham	Permanent	6 months	75.0%	6 months	6 months

In the event of termination with cause there is no termination payment to the KMP except for their statutory entitlements.

CEO

The CEO received fixed remuneration of $1,800,000 per annum. Ms Mather's contract allowed for the payment of 12 months FAR and the discretionary bonus for the whole of the current financial year, subject to the statutory cap on termination payments under the Corporations Act.

Treatment of STI Deferral: Resignation or termination for serious and wilful misconduct or persistent breach results in outstanding deferral elements being forfeited. Termination in all other circumstances results in outstanding deferral elements being payable, subject to the statutory requirements under the Corporations Act. Security holder approval was gained at the May 2017 AGM for the payment of Ms Mather's deferred STI amounts.

KMP

Treatment of STI Deferral: Termination without cause results in outstanding deferral elements being payable. Termination with cause results in this element being forfeited. In the case of resignation, the deferral elements are forfeited unless there is specific provision within the employment contract. The Board has the overriding discretion in relation to treatment upon termination.

4.2 Statutory remuneration table

The following table discloses total remuneration of KMP in accordance with the Corporations Act and Australian Accounting Standards:

	Short-term benefits			STI	Post employ-ment benefits	Long term benefits			
Name	Salary $	STI $	Other $	STI Deferred $	Super-annuation $	Long service leave [1] $	Share based payments (LTI) [2] $	Total $	At Risk %
Kerrie Mather									
2017	**1,780,168**	**1,081,173**	**900,000[3]**	**-**	**19,832**	**81,652**	**955,720[4]**	**4,818,545**	**42.3**
2016	1,780,538	800,000	n/a	200,000	19,462	44,510	481,124	3,325,634	44.5
Hugh Wehby									
2017	**625,168**	**382,953**	**n/a**	**76,609**	**19,832**	**16,508**	**141,685**	**1,262,755**	**47.6**
2016	520,365	276,695	n/a	55,340	22,135	13,135	75,035	962,705	42.3
Greg Botham[5]									
2017	**383,333**	**201,362**	**n/a**	**40,282**	**16,667**	**9,649**	**31,820**	**683,113**	**40.0**
Total KMP									
2017	**2,788,669**	**1,665,488**	**900,000**	**116,891**	**56,331**	**107,809**	**1,129,225**	**6,764,413**	
2016	2,300,903	1,076,695	n/a	255,340	41,597	57,645	556,159	4,288,339	

1 Long service leave balances for Ms Mather and Mr Wehby were adjusted during 2017 after identifying an incorrect accrual rate on transfer from Sydney Airport Holdings Limited to Sydney Airport Corporation Limited in 2011. Both entities are 100% subsidiaries of the SAL Group.
2 This is expensed value of the 2015-2017, 2016-2018 and 2017-2019 LTI series. No actual benefits have been received by the KMP for these LTI awards at reporting date. The LTI vesting will not occur until after the performance periods end and will be conditional upon achieving the required performance measures.
3 This is the payment-in-lieu of notice paid on termination date.
4 This expense includes the 2016-2018 LTI series vesting period ended on Ms Mather's retirement date of 31 January 2018.
5 Mr Botham's remuneration reflects that he commenced as CFO from 1 May 2017.

5 Non-Executive Directors' remuneration

5.1 Non-Executive Directors' remuneration policy

The Board sets NEDs' fees. Director's remuneration is set with reference to external benchmarking undertaken by consultants engaged by the Board. NEDs do not participate in nor receive at risk remuneration in line with ASX Corporate Governance principles. The maximum directors' fee pool for SAL is $2,500,000.

Role	Annual fee $
SAL Board	
Chair	481,250
Member	175,000
SAL Audit and Risk Committee	
Chair	40,000
Member	16,000
SAL Nomination and Remuneration Committee	
Chair	40,000
Member	16,000
SAL Safety, Security, and Sustainability Committee	
Chair	30,000
Member	16,000
SAL Western Sydney Airport Committee [1]	
Chair	24,000
Member	24,000

1 The WSA Committee was dissolved in May 2017 following rejection of the Notice of Intention.

5.2 Non-Executive Directors' remuneration for the year

Fees and other benefits provided to NEDs of SAL during the year and during the prior year are set out in the following tables. Any contributions to personal superannuation or pension funds on behalf of NEDs are deducted from their overall fee entitlements.

Ms Mather, CEO, was an executive director and received no additional remuneration in her role as a director over and above her executive remuneration detailed in Section 4.

SAL Name	Short term employee benefits: Directors' fees $	Post employment benefits: Superannuation $	Total $
Trevor Gerber (Chairman)			
2017	469,547	19,832	489,379
2016	485,788	19,462	505,250
Michael Lee			
2017	225,297	19,832	245,129
2016	241,538	19,462	261,000
John Roberts			
2017	223,129	–	223,129
2016	239,000	–	239,000
Stephen Ward			
2017	203,297	19,832	223,129
2016	219,538	19,462	239,000
Ann Sherry			
2017	195,297	19,832	215,129
2016	211,538	19,462	231,000
Grant Fenn			
2017	167,241	15,888	183,129
2016	181,735	17,265	199,000
Total NEDs			
2017	1,483,808	95,216	1,579,024
2016	1,579,137	95,113	1,674,250

Security Holdings in ASX-listed Sydney Airport

The table below details the relevant interests in ASX-listed Sydney Airport securities by each director and KMP held at the date of this report.

Name	Balance at 1 Jan 2017	Movement	Balance at 31 Dec 2017	Changes prior to signing	Balance at signing date
Trevor Gerber	228,063	–	228,063	–	228,063
Michael Lee	8,602	206	8,808	232	9,040
John Roberts	172,825	–	172,825	–	172,825
Stephen Ward	21,818	–	21,818	–	21,818
Ann Sherry	17,500	4,500	22,000	–	22,000
Grant Fenn	–	–	–	–	-
Kerrie Mather[1]	3,800,508	–	3,800,508	–	n/a
Geoff Culbert[2]	n/a	-	n/a	-	-
Hugh Wehby	4,801	–	4,801	–	4,801
Greg Botham[3]	n/a	10,000	10,000	-	10,000

1 Ms Mather retired as Managing director and CEO on 15 January 2018.
2 Mr Culbert commenced as CEO on 15 January 2018 and is determined to be KMP from that date.
3 Mr Botham commenced as CFO on 1 May 2017.

Directors’ report

for the year ended 31 December 2017

Events occurring after balance sheet date

The final distribution of $405.2 million or 18.0 cents per stapled security (2016: $360.0 million or 16.0 cents) was paid on 14 February 2018 by:

- SAL $282.5 million or 12.55 cents (2016: $237.4 million or 10.55 cents); and
- SAT1 $122.7 million or 5.45 cents (2016: $122.6 million or 5.45 cents).

A DRP operated in respect of the 31 December 2017 final distribution. To satisfy the DRP take up, 1.7 million stapled securities were issued and transferred to DRP participants at $6.84 per stapled security.

Since the end of the year, the directors of SAL are not aware of any other matter or circumstance not otherwise dealt with in the Directors’ Report that has significantly affected or may significantly affect the operations of the SAL Group, the results of those operations or the state of affairs of the Group in the period subsequent to the year ended 31 December 2017.

Indemnification and insurance of officers and auditors

All directors have executed a deed of access, insurance and indemnity under which SAL indemnifies them against any liability incurred by them, including all legal costs in defending any proceeding (whether criminal, civil, administrative or judicial) or appearing before any court, tribunal, authority or other body because of their respective capacities. The indemnity does not apply to the extent of any restriction imposed by law or the SAL constitution.

Additionally during the period, a directors’ and officers’ insurance policy applied to the directors and secretaries of SAL. SAL is contractually bound by arrangements with insurers to not disclose terms and limits, or premiums paid.

The auditor of the SAL Group is in no way indemnified out of the assets of the Group.

Environmental regulation and performance

The primary piece of environmental legislation applicable to Sydney Airport is the *Airports Act 1996* (the Airports Act) and regulations made under it, including the Airports (Environment Protection) Regulations 1997 (the Regulations). The main environmental requirements of the Airports Act and the Regulations include:

- The development and implementation of an environment strategy;
- The monitoring of air, soil, water and noise pollution from ground-based sources (except noise from aircraft in-flight, landing, taking off and taxiing and pollution from aircraft, which are excluded by the Airports Act and Regulations); and
- The enforcement of the provisions of the Airports Act and associated regulations is undertaken by statutory office holders of the Commonwealth Department of Infrastructure and Regional Development. These office holders are known as Airport Environment Officers (AEOs).

Sydney Airport’s Environment Strategy 2013-2018 (the Strategy) forms part of the Sydney Airport Master Plan and was approved by the Australian Government on 17 February 2014. The Strategy was developed following an extensive community and stakeholder consultation process and outlines the plans and actions of Sydney Airport to measure, monitor, enhance and report on environmental performance over the five year period from 2013 to 2018. Sydney Airport’s aims, reflected in the Strategy, are to continually improve environmental performance and minimise the impact of Sydney Airport’s operations on the environment. The Strategy supports initiatives in environmental management beyond regulatory requirements. The Strategy is available for download from Sydney Airport’s website www.sydneyairport.com.au.

Sydney Airport is not aware of any material breaches of the above regulations.

Sydney Airport provides an annual environment report to the Commonwealth Government outlining its performance in achieving the policies and targets of the Strategy and compliance with the relevant environmental legislation.

Directors' report

for the year ended 31 December 2017

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined in note 19 to the financial statements.

The directors of SAL are satisfied that the provision of non-audit services during the period by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors of SAL are of the opinion that the services relevant to the respective groups as disclosed in note 19 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Groups, acting as advocate for the Groups or jointly sharing economic risks and rewards.

Lead auditor's independence declaration

A copy of the lead auditor's independence declaration, as required under Section 307C of the *Corporations Act 2001* is set out on page 75 and forms part of the Directors' Report for the year ended 31 December 2017.

Rounding of amounts in the Directors' Report and the consolidated financial statements

The SAL Group is of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016, and in accordance with that instrument all financial information presented in Australian dollars has been rounded to the nearest hundred thousand dollars unless otherwise stated.

Application of class order

The financial reports for the SAL Group and SAT1 Group are jointly presented in one report as permitted by ASIC Instrument Corporations (Stapled Group Reports) Instrument 2015/838.

This report is made in accordance with a resolution of the directors of SAL.

Trevor Gerber
Sydney
20 February 2018

John Roberts
Sydney
20 February 2018

Directors' report

for the year ended 31 December 2017

Directors' Report for The Trust Company (Sydney Airport) Limited

For the year ended 31 December 2017, the directors of The Trust Company (Sydney Airport) Limited (TTCSAL or the Responsible Entity) submit the following report on the consolidated financial report of SAT1 comprising SAT1 and its controlled entities (the SAT1 Group).

Principal activities

The principal activity of the SAT1 Group is to hold financial loan assets. There were no significant changes in the nature of the SAT1 Group's activities during the period.

Director profiles

The following persons are current directors of TTCSAL:

Russell Balding AO, Dip Tech (Com), BBus, FCPA, MAICD	Mr Balding was appointed as a TTCSAL director in October 2013. He has had a long and distinguished non-executive director and managerial career, having held numerous directorships and senior executive positions in a number of major organisations which have required extensive government, stakeholder, community and customer interaction. Mr Balding is currently Chairman of Racing NSW, Deputy Chairman of Destination NSW and Deputy Chairman of Racing Australia Limited. He was previously Chairman of Cabcharge Australia Pty Limited, Deputy Chairman of Racing NSW, a director of ComfortDelgro Cabcharge Pty Ltd and a director of CityFleet Networks Pty Ltd (UK). Mr Balding was formerly the chief executive officer of Southern Cross Airports Corporation Holdings Limited (SCACH) from 4 April 2006 to 30 June 2011 and the managing director of the Australian Broadcasting Corporation (ABC).
Patrick Gourley BEc (Hons), MEc	Mr Gourley was appointed as a TTCSAL director in October 2013. Previously, he was a director of SCACH from 10 September 2002 to 23 September 2013. Prior to that, he was a senior officer of the Australian Department of Industrial Relations from 1989 to 1992, a senior officer of the Department of Defence from 1992 to 2000 and a member of the Military Superannuation Board of Trustees from 1992 to 2000. Mr Gourley is a former director of the Great Energy Alliance Corporation and the Loy Yang Marketing Management Company.
Gillian Larkins BCom, Grad Dip (Acc & Fin), MBA, CA, GA/CD	Ms Gillian Larkins joined Perpetual as Group Executive Transformation Officer in October 2012, and assumed the role of chief financial officer of Perpetual in January 2013. Ms Larkins has 25 years of experience in finance, strategy and management roles across a number of industries. Prior to Perpetual, she was Chief Financial Officer, Managing Director of Westpac Institutional Bank, responsible for Finance and Strategy, and prior to that, Chief Financial Officer Australia & New Zealand of Citigroup. Ms Larkins has also served on the board of Hastings Fund Management as a non-executive director from 2009 to 2011. As a member of the Executive Leadership Team reporting to the CEO, Ms Larkins heads Perpetual's Finance, IT, and Risk functions, which include Audit, Legal and Company Secretariat. Ms Larkins holds a Master of Business Administration from the Macquarie Graduate School of Management, as well as a Graduate Diploma in Accounting & Finance and a Bachelor's Degree of Commerce, majoring in Economics, both from the University of Otago, New Zealand. She is a member of the NZ Chartered Accountant's Society and a Graduate of the Australian Institute of Company Directors. She has also served as deputy president of the G100 (Australia's peak body for CFO's).

Directors' report

for the year ended 31 December 2017

Christopher Green **BComm, LLB, MBA**	Mr Green joined Perpetual (which acquired the Trust Company in December 2013) from JP Morgan where he spent ten years with the Institutional Trust Services business first in Europe covering the European, Middle Eastern and African markets then as head of its Australian business. His career began as a solicitor for Corrs Chambers Westgarth. Mr Green is chairman of Australian Securitisation Forum and a member of the Australian Institute of Company Directors. He is currently completing a BA in Philosophy through the University of London. Mr Green was a TTCSAL director from March 2014 until April 2016. He was appointed as alternate director for Ms Larkins in April 2016.

Company secretary profiles

Jamie Motum **BEc, LLB**	Mr Motum was appointed as company secretary of ASX-listed Sydney Airport in January 2012, and as company secretary of SAL from its incorporation on 30 July 2013. He is a qualified solicitor with over 15 years' experience. Prior to becoming general counsel and company secretary of Sydney Airport Corporation Limited in February 2010, Mr Motum was a partner in the Corporate Group of DLA Phillips Fox specialising in mergers and acquisitions and corporate advisory work where he began his legal career in 1996. Mr Motum was appointed as co-company secretary of TTCSAL on 23 October 2013.
Sylvie Dimarco **LLB, GIA (Cert), MAICD**	Ms Dimarco was appointed as co-company secretary of TTCSAL on 17 December 2015. She joined Perpetual in March 2014 and is the deputy company secretary. She is a qualified solicitor and has over ten years' experience in company secretariat practice and administration.

Directors' meetings

TTCSAL board met four times in 2017. All four meetings were attended by Russell Balding, Patrick Gourley and Gillian Larkins.

Security holdings in ASX-listed Sydney Airport

The TTCSAL directors do not hold any interest in ASX-listed Sydney Airport securities.

Review of operations

The SAT1 Group continues to hold a financial loan asset, with SAL as borrower. The loan is interest bearing, unsecured and subordinated. Further details including loan principal outstanding, amounts paid during the year and interest accrued are included in note 18.

There have been no changes in the state of affairs of the SAT1 Group.

Distributions

The total distributions paid by ASX-listed Sydney Airport during the year ended 31 December 2017 were $731.3 million or 32.5 cents per stapled security (2016: $624.2 million or 28.0 cents).

The final distribution for the period ended 31 December 2016 of $360.0 million or 16.0 cents per stapled security was paid on 14 February 2017 by:

- SAL $237.4 million or 10.55 cents; and
- SAT1 $122.6 million or 5.45 cents.

The interim distribution for the half year ended 30 June 2017 of $371.3 million or 16.5 cents per stapled security (2016: $334.4 million or 15.0 cents) was paid on 14 August 2017 by:

- SAL $250.9 million or 11.15 cents (2016: $212.9 million or 9.55 cents); and
- SAT1 $120.4 million or 5.35 cents (2016: $121.5 million or 5.45 cents).

The final distribution for the period ended 31 December 2017 of $405.2 million or 18.0 cents per stapled security was paid on 14 February 2018 by:

- SAL $282.5 million or 12.55 cents; and
- SAT1 $122.7 million or 5.45 cents.

There are $nil imputation credits (2016: $nil) available to pay franked distributions.

Directors' report

for the year ended 31 December 2017

Events occurring after balance sheet date

The final distribution for the period ending 31 December 2017 of $405.2 million or 18.0 cents per stapled security (2016: $360.0 million or 16.0 cents) was paid on 14 February 2018 by:

- SAL $282.5 million or 12.55 cents (2016: $237.4 million or 10.55 cents); and
- SAT1 $122.7 million or 5.45 cents (2016: $122.6 million or 5.45 cents).

A DRP operated in respect of the 31 December 2017 final distribution. To satisfy the DRP take up, 1.7 million stapled securities were issued and transferred to DRP participants at $6.84 per stapled security.

Since the end of the year, the directors of TTCSAL are not aware of any other matter or circumstance not otherwise dealt with in the Directors' Report that has significantly affected or may significantly affect the operations of the SAT1 Group, the results of those operations or the state of affairs of the Group in the period subsequent to year ended 31 December 2017.

Indemnification and insurance of officers and auditors

All directors have executed a deed of access, insurance and indemnity under which TTCSAL indemnifies them against any liability incurred by them, including all legal costs in defending any proceeding (whether criminal, civil, administrative or judicial) or appearing before any court, tribunal, authority or other body because of their respective capacities. The indemnity does not apply to the extent of any restriction imposed by law or the SAT1 constitution.

Additionally during the period, a directors' and officers' insurance policy applied to the directors and secretaries of TTCSAL. TTCSAL are contractually bound by arrangements with insurers to not disclose terms and limits, or premiums paid.

The auditors of the SAT1 Group are in no way indemnified out of the assets of the Group.

Non-audit services

There were no amounts paid or payable to the auditor for non-audit services provided during the year.

Lead auditor's independence declaration

A copy of the lead auditor's independence declaration, as required under Section 307C of the *Corporations Act 2001* is set out on page 81 and forms part of the Directors' Report for year ended 31 December 2017.

Rounding of amounts in the Directors' Report and the consolidated financial statements

The SAT1 Group is of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016, and in accordance with that instrument all financial information presented in Australian dollars has been rounded to the nearest hundred thousand unless otherwise stated.

Application of class order

The financial reports for the SAT1 Group and the SAL Group are jointly presented in one report as permitted by ASIC Instrument Corporations (Stapled Group Reports) Instrument 2015/838.

This report is made in accordance with a resolution of the directors of TTCSAL.

Patrick Gourley
Sydney
20 February 2018

Gillian Larkins
Sydney
20 February 2018

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Sydney Airport Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Sydney Airport Limited for the financial year ended 31 December 2017 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

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Nigel Virgo
Partner

Sydney
20 February 2018

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Independent Auditor's Report

To the stapled security holders of Sydney Airport

Report on the audit of the Financial Report

Opinion

We have audited the *Financial Report* of Sydney Airport Limited (the Company) as deemed parent presenting the stapled security arrangement of *Sydney Airport* (the Stapled Group Financial Report).

In our opinion, the accompanying Stapled Group Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the *Stapled Group's* financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The *Financial Report* of the Stapled Group comprises:

- Statement of financial position as at 31 December 2017
- Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies (collectively referred to as Financial Statements)
- Directors' Declaration made by the Directors of Sydney Airport Limited.

Sydney Airport (the *Stapled Group*) consists of Sydney Airport Limited and the entities it controlled at the year-end or from time to time during the financial year and the Sydney Airport Trust 1 and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Stapled Group and Sydney Airport Limited in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The *Key Audit Matters* we identified for the Stapled Group are:

- Revenue recognition and measurement
- Carrying value of intangible assets; and
- Hedging and valuation of derivatives

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditor's Report

To the stapled security holders of Sydney Airport

Report on the audit of the Financial Report

Revenue recognition and measurement (A$1,483.3m)

Refer to Note 7 to the Financial Report

The key audit matter	How the matter was addressed in our audit
Revenue recognition was identified as a key audit matter due to the complexity of numerous different underlying contracts which we considered in determining when revenue was recognised. Varying recognition and measurement principles exist across all significant revenue streams. Assessing revenue recognition and measurement required significant audit effort.	Our procedures included: • Evaluating processes and key controls regarding the Stapled Group's revenues. We tested controls for the authorisation of a sample of new or amended contracts, and checked the contract terms to the financial systems; • Applying data analytic techniques to each significant individual revenue stream, we compared revenue recognised against budget and prior year, and assessed the correlation to movements in passenger numbers (where relevant). We selected a sample of contracts from the data analytic results and tested the revenue recognised by comparing to relevant underlying contract terms, Stapled Group accounting policies and the criteria in accounting standards; • Requesting and obtaining confirmations from relevant airlines for a sample of passenger numbers; • Checking a sample of the Stapled Group's rental income straight-lining calculations for accuracy and conformity with underlying contracts.

Independent Auditor's Report

To the stapled security holders of Sydney Airport

Report on the audit of the Financial Report

Carrying value of intangible assets (A$7,401.0m)

Refer to Note 12 to the Financial Report

The key audit matter

Carrying value of intangible assets was identified as a key audit matter due to the significant level of judgment involved in forecasting and discounting future cash flows, particularly for the significant length of time relevant to an airport operation, which form the basis for assessing whether intangible assets are impaired.

The impairment assessment of the Stapled Group's intangible assets is based on a discounted cash flow methodology, using a financial model covering a twenty year period. The model incorporates significant judgment in respect of future cash flows, discount rates, growth rates and the terminal value.

The Stapled Group engages an external expert at least annually to perform a valuation of Sydney Airport's enterprise value (including intangibles). The forecast discounted cash flows performed by the Stapled Group form the basis of the external valuation.

How the matter was addressed in our audit

Our procedures included:

- Understanding the Stapled Group's cash forecasting process by testing the key approval controls for the internal reporting of forecast income streams and cash flows;
- Assessing the historical accuracy of forecasts by comparing to actual results, to use in our evaluation of forecasts included in the discounted cash flow model;
- Assessing the appropriateness of the future assumptions incorporated into the forecasts for alignment to the Sydney Airport Master Plan through inquiries with management and our industry knowledge;
- Involving our specialists we evaluated the externally prepared valuation. This included:
  - Assessing the reasonableness of the valuation approach and methodology against market and industry practices and accounting standards;
  - Comparing market related assumptions, in particular those relating to growth and discount rates, to external data such as the Inflation Target as published by the Reserve Bank of Australia;
  - Performing a sensitivity analysis on key assumptions, in particular the discount rate to assess the risk of bias or inconsistency in application; and
  - Assessing the objectivity, scope, competence, experience and skills of the external expert.

Hedging and valuation of derivatives (net: A$225.7m)

Refer to Note 5 to the Financial Report

The key audit matter

The valuation of derivatives and associated hedge accounting was identified as a key audit matter due to the complexities arising from the application of multiple derivatives to hedge each underlying financial instrument.

There is a high level of judgement involved in evaluating valuation assumptions and inputs such as yield curves and credit value adjustments.

As such, senior audit team effort and specialist involvement was required.

How the matter was addressed in our audit

Our procedures included:

- Understanding the Stapled Group's processes and key controls for the approval of new derivative contracts;
- Obtaining hedge documentation relating to new hedge relationships and assessing it against the accounting standard requirements;
- For a sample of derivatives and hedge relationships, we agreed the inputs of each sample to confirmations we obtained from counterparties;
- Involving our specialists we assessed the valuation of a sample of derivatives. This included:
  - Re-performing a valuation and comparing this to the Stapled Group's valuation;
  - Challenging the Stapled Group's assumptions and inputs adopted in the valuation such as yield curves and credit value adjustments by comparing these key assumptions to external market data e.g. Bloomberg.

Independent Auditor's Report

To the stapled security holders of Sydney Airport

KPMG

Report on the audit of the Financial Report

Other Information

Other Information is financial and non-financial information in Sydney Airport's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Sydney Airport Limited and the Directors of The Trust Company (Sydney Airport) Limited are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of Sydney Airport Limited are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*
- implementing necessary internal controls to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Stapled Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Stapled Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Independent Auditor's Report

To the stapled security holders of Sydney Airport

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Sydney Airport Limited for the year ended 31 December 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of Sydney Airport Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 31 December 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Nigel Virgo
Partner

Sydney
20 February 2018

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of The Trust Company (Sydney Airport) Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Sydney Airport Trust 1 for the financial year ended 31 December 2017 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

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Nigel Virgo
Partner

Sydney
20 February 2018

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Independent Auditor's Report

To the unitholders of Sydney Airport Trust 1

Opinion

We have audited the *Financial Statements* and Director's Declaration of Sydney Airport Trust 1 (the Trust *Financial Report*).

In our opinion, the accompanying Trust Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the *Trust's* financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The *Financial Report* of the Trust comprises:

- Statement of financial position as at 31 December 2017
- Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
  (collectively referred to as *Financial Statements*)
- Directors' Declaration made by the Directors of The Trust Company (Sydney Airport) Limited (the Responsible Entity).

The Stapled Group consists of Sydney Airport Limited and the entities it controlled at the year-end or from time to time during the financial year and Sydney Airport Trust 1 and the entities it controlled at the year-end or from time to time during the financial year (the *Trust*).

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Trust and the Responsible Entity in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Sydney Airport's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Sydney Airport Limited and the Directors of Responsible Entity are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

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Independent Auditor's Report

To the unitholders of Sydney Airport Trust 1

Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal controls to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Trust's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

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Nigel Virgo
Partner

Sydney
20 February 2018

Consolidated statements of comprehensive income

for the year ended 31 December 2017

	Note	SAL Group 2017 $m	SAL Group 2016 $m	SAT1 Group 2017 $m	SAT1 Group 2016 $m
Revenue					
Aeronautical revenue		670.6	614.2	-	-
Aeronautical security recovery		91.3	87.3	-	-
Retail revenue		333.1	295.6	-	-
Property and car rental revenue		221.4	204.2	-	-
Parking and ground transport revenue		159.5	156.1	-	-
Other revenue		7.4	7.2	-	-
Total revenue		1,483.3	1,364.6	-	-
Other income					
Gain on disposal of non-current assets		0.1	-	-	-
Total revenue and other income		1,483.4	1,364.6	-	-
Operating expenses					
Employee benefits expense		(57.5)	(54.5)	-	-
Services and utilities expense		(84.2)	(68.9)	-	-
Property and maintenance expense		(31.4)	(30.9)	-	-
Security recoverable expense		(83.6)	(78.9)	-	-
Other operational costs		(27.8)	(24.6)	(1.9)	(1.7)
Total operating expenses		(284.5)	(257.8)	(1.9)	(1.7)
Other expenses					
Business acquisition costs	10	(1.9)	-	-	-
Western Sydney Airport project costs expensed		(0.6)	(21.0)	-	-
Loss on disposal of non-current assets		-	(0.1)	-	-
Total other expenses		(2.5)	(21.1)	-	-
Total expenses before depreciation, amortisation, net finance costs and income tax		(287.0)	(278.9)	(1.9)	(1.7)
Profit/(loss) before depreciation, amortisation, net finance costs and income tax (EBITDA)		1,196.4	1,085.7	(1.9)	(1.7)
Depreciation	11	(300.4)	(271.0)	-	-
Amortisation	12	(85.3)	(85.5)	-	-
Profit/(loss) before net finance costs and income tax (EBIT)		810.7	729.2	(1.9)	(1.7)
Finance income	6	8.1	8.3	244.7	246.5
Finance costs	6	(429.5)	(439.3)	-	-
Change in fair value of swaps	6	(0.2)	22.0	-	-
Net finance costs		(421.6)	(409.0)	244.7	246.5
Profit before income tax expense		389.1	320.2	242.8	244.8
Income tax expense	13	(40.5)	(0.6)	-	-
Profit after income tax expense		348.6	319.6	242.8	244.8
Profit after income tax expense attributable to:					
Security holders		349.8	320.9	242.8	244.8
Non-controlling interest		(1.2)	(1.3)	-	-
		348.6	319.6	242.8	244.8

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statements of comprehensive income

for the year ended 31 December 2017

	Note	SAL Group		SAT1 Group	
		2017 $m	2016 $m	2017 $m	2016 $m
Items that may subsequently be reclassified to profit or loss					
Changes in fair value of cash flow hedges		(55.4)	5.6	-	-
Tax on items that may be reclassified to profit or loss		16.7	(1.7)	-	-
Total items that may subsequently be reclassified to profit or loss		(38.7)	3.9	-	-
Items that will never be reclassified to profit or loss					
Remeasurement gain/(loss) on defined benefit plans		1.1	(0.5)	-	-
Tax on items that will never be reclassified to profit or loss		(0.3)	0.2	-	-
Total items that will never be reclassified to profit or loss		0.8	(0.3)	-	-
Other comprehensive income, net of tax		(37.9)	3.6	-	-
Total comprehensive income		310.7	323.2	242.8	244.8
Total comprehensive income attributable to:					
Security holders		311.9	324.5	242.8	244.8
Non-controlling interest		(1.2)	(1.3)	-	-
Total comprehensive income		310.7	323.2	242.8	244.8
Earnings per share/unit from profit after income tax	8	15.54c	14.34c	10.79c	10.94c

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statements of financial position

as at 31 December 2017

		SAL Group		SAT1 Group	
	Note	2017 $m	2016 $m	2017 $m	2016 $m
Current assets					
Cash and cash equivalents	3	483.4	465.8	9.3	36.6
Receivables	9	178.1	158.7	3.4	3.2
Derivative financial instruments	5	9.6	0.5	-	-
Other assets		0.9	0.7	-	-
Total current assets		672.0	625.7	12.7	39.8
Non-current assets					
Receivables	9	197.5	65.6	1,915.6	1,886.5
Property, plant and equipment	11	3,511.7	3,381.7	-	-
Intangible assets	12	7,401.0	7,473.9	-	-
Derivative financial instruments	5	531.9	770.3	-	-
Other assets		9.0	8.7	-	-
Total non-current assets		11,651.1	11,700.2	1,915.6	1,886.5
Total assets		12,323.1	12,325.9	1,928.3	1,926.3
Current liabilities					
Distribution payable	1	405.2	360.0	122.7	122.6
Payables and deferred income		262.0	237.1	4.8	4.2
Interest bearing liabilities	2	329.5	-	-	-
Derivative financial instruments	5	102.4	96.8	-	-
Provisions for employee benefits		13.6	12.3	-	-
Total current liabilities		1,112.7	706.2	127.5	126.8
Non-current liabilities					
Interest bearing liabilities	2	8,566.6	8,625.9	-	-
Derivative financial instruments	5	213.4	139.1	-	-
Deferred tax liabilities	13	1,794.3	1,765.9	-	-
Provisions for employee benefits		2.2	2.0	-	-
Total non-current liabilities		10,576.5	10,532.9	-	-
Total liabilities		11,689.2	11,239.1	127.5	126.8
Net assets		633.9	1,086.8	1,800.8	1,799.5
Equity					
Security holders' interests					
Contributed equity	1	5,482.3	5,470.9	2,451.3	2,449.7
Retained earnings		(1,481.4)	(1,055.5)	404.2	404.5
Reserves		(3,360.1)	(3,322.9)	(1,054.7)	(1,054.7)
Total security holders' interests		640.8	1,092.5	1,800.8	1,799.5
Non-controlling interest in controlled entities		(6.9)	(5.7)	-	-
Total equity		633.9	1,086.8	1,800.8	1,799.5

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

Consolidated statements of changes in equity

for the year ended 31 December 2017

SAL Group	Note	Contributed equity $m	Retained earnings[1] $m	Cash flow hedge reserve $m	Other reserve[2] $m	Total equity[1] $m
Total equity at 1 January 2017		5,470.9	(1,061.2)	(162.4)	(3,160.5)	1,086.8
Comprehensive income						
Profit after tax		-	348.6	-	-	348.6
Cash flow hedges, net of tax		-	-	(38.7)	-	(38.7)
Remeasurement gain, net of tax		-	0.8	-	-	0.8
Total comprehensive income		-	349.4	(38.7)	-	310.7
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan		11.4	-	-	-	11.4
Distributions provided for or paid	1	-	(776.5)	-	-	(776.5)
Equity-settled shares		-	-	-	1.5	1.5
Total transactions with owners of the company		11.4	(776.5)	-	1.5	(763.6)
Total equity at 31 December 2017		5,482.3	(1,488.3)	(201.1)	(3,159.0)	633.9
Total equity at 1 January 2016		5,328.6	(686.1)	(166.3)	(3,161.2)	1,315.0
Comprehensive income						
Profit after tax		-	319.6	-	-	319.6
Cash flow hedges, net of tax		-	-	3.9	-	3.9
Remeasurement loss, net of tax		-	(0.3)	-	-	(0.3)
Total comprehensive income		-	319.3	3.9	-	323.2
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan		142.3	-	-	-	142.3
Distributions provided for or paid	1	-	(694.4)	-	-	(694.4)
Equity-settled shares		-	-	-	0.7	0.7
Total transactions with owners of the company		142.3	(694.4)	-	0.7	(551.4)
Total equity at 31 December 2016		5,470.9	(1,061.2)	(162.4)	(3,160.5)	1,086.8

1 Retained earnings and total equity are presented after deducting non-controlling interest in controlled entities of $6.9 million (2016: $5.7 million). Refer note 17 to the financial statements for details.
2 The Other reserve represents transactions between equity holders and movements in other reserves resulting from historical business combinations.

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statements of changes in equity

for the year ended 31 December 2017

SAT1 Group	Note	Contributed equity $m	Retained earnings $m	Capital reserve[1] $m	Other reserve $m	Total equity $m
Total equity at 1 January 2017		2,449.7	404.5	(967.6)	(87.1)	1,799.5
Comprehensive income						
Profit after tax		-	242.8	-	-	242.8
Total comprehensive income		-	242.8	-	-	242.8
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan		1.6	-	-	-	1.6
Distributions provided for or paid	1	-	(243.1)	-	-	(243.1)
Total transactions with owners of the company		1.6	(243.1)	-	-	(241.5)
Total equity at 31 December 2017		2,451.3	404.2	(967.6)	(87.1)	1,800.8
Total equity at 1 January 2016		2,428.6	403.8	(967.6)	(87.1)	1,777.7
Comprehensive income						
Profit after tax		-	244.8	-	-	244.8
Total comprehensive income		-	244.8	-	-	244.8
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan		21.1	-	-	-	21.1
Distributions provided for or paid	1	-	(244.1)	-	-	(244.1)
Total transactions with owners of the company		21.1	(244.1)	-	-	(223.0)
Total equity at 31 December 2016		2,449.7	404.5	(967.6)	(87.1)	1,799.5

1 The Capital reserve represents amounts transferred from retained profits to facilitate distributions from SAT1 in accordance with the SAT1 constitution.

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statements of cash flows

for the year ended 31 December 2017

	Note	SAL Group 2017 $m	SAL Group 2016 $m	SAT1 Group 2017 $m	SAT1 Group 2016 $m
Cash flow from operating activities					
Interest received		7.6	7.9	0.6	0.6
Related party loan interest received	18	-	-	245.2	245.9
Receipts from customers		1,620.0	1,482.1	-	-
Payments to suppliers and employees		(444.4)	(402.6)	(1.9)	(1.7)
Net cash flow from operating activities	3	1,183.2	1,087.4	243.9	244.8
Cash flow from investing activities					
Proceeds from disposal of fixed assets		0.1	-	-	-
Acquisition of property, plant and equipment		(375.7)	(390.2)	-	-
Capitalised borrowing costs		(9.3)	(9.6)	-	-
Payment for acquisition of a business	10	(34.5)	-	-	-
Transaction costs related to business acquisition	10	(1.9)	-	-	-
Indemnity payment	9	(119.8)	-	(119.8)	-
Receipt for escrow deposit		-	0.3	-	-
Net cash flow used in investing activities		(541.1)	(399.5)	(119.8)	-
Cash flow from financing activities					
Airport borrowing costs paid		(300.1)	(298.9)	-	-
Corporate borrowings costs paid		(0.2)	(0.1)	-	-
Repayment of borrowings		(271.0)	(1,240.0)	-	-
Proceeds received from borrowings		759.0	1,540.4	90.0	-
Interest rate swap payments		(92.3)	(108.5)	-	-
Proceeds received from distribution reinvestment plan		11.4	142.4	1.6	21.1
Distributions paid to security holders		(731.3)	(624.2)	(243.0)	(245.2)
Net cash flow used in financing activities		(624.5)	(588.9)	(151.4)	(224.1)
Net increase/(decrease) in cash and cash equivalents		17.6	99.0	(27.3)	20.7
Cash and cash equivalents at beginning of the period		465.8	366.8	36.6	15.9
Cash and cash equivalents at the end of the period	3	483.4	465.8	9.3	36.6

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

for the year ended 31 December 2017

General

Basis of preparation and statement of compliance

This is the financial report for Sydney Airport Limited (SAL) and its controlled entities (collectively referred to as the SAL Group), and Sydney Airport Trust 1 (SAT1) and its controlled entities (collectively referred to as the SAT1 Group).

The SAL Group and SAT1 Group (together, the Groups) are for-profit entities for the purposes of preparing the consolidated financial statements. The Trust Company (Sydney Airport) Limited (TTCSAL) is the Responsible Entity of SAT1.

This financial report:

- Consists of the consolidated financial statements of the SAL Group and SAT1 Group, as permitted by Australian Securities & Investments Commission (ASIC) Corporations (Stapled Group Reports) Instrument 2015/838;
- Is a general purpose financial report;
- Is prepared in accordance with *Corporations Act 2001*, Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB);
- Is prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss; and
- Is presented in Australian dollars, which is the functional currency of SAL and SAT1, with all values rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016.

The financial report was authorised for issue by the directors of SAL and TTCSAL on 20 February 2018. The directors of SAL and TTCSAL have the power to amend and reissue the financial report.

Net current liability position

The SAL Group is in a net current liability position of $440.7 million at 31 December 2017 (2016: $80.5 million) which is fully covered by undrawn committed non-current bank facilities.

The SAT1 Group's net current liability position of $114.8 million (2016: $87.0 million) at 31 December 2017 is attributable to distributions payable to SAT1 unit holders of $122.7 million (2016: $122.6 million), which were paid on 14 February 2018. Distribution payments, a key obligation of the SAT1 Group, are supported by the funding structure under which it receives interest on the cross staple loan from SAL. Due to timing, where the semi-annual distributions are declared before each balance date (and therefore a liability at each balance date) and the interest payments are received in advance after each balance date, the SAT1 Group is expected to be in a net current liability position at future balance dates.

Net tangible asset backing per security

Net tangible assets (NTA) exclude non-controlling interests and are solely attributable to security holders. The NTA backing per security was -$3.01 at 31 December 2017 (2016: -$2.84). This represents a decrease of $0.17 or 5.9% (2016: decrease of $0.04 or 1.4%).

Critical accounting estimates and judgements

In the process of applying the Groups' accounting policies, directors have made judgements, estimates and assumptions about future events. Critical estimates and assumptions were made in relation to:

- Impairment test of goodwill (refer note 12); and
- Fair value measurement of financial instruments (refer notes 2 and 4).

Notes to the financial statements

for the year ended 31 December 2017

Significant accounting policies

This financial report contains all significant accounting policies that summarise the recognition and measurement basis used and which are relevant to provide an understanding of the financial statements. Accounting policies that are specific to a note to the financial statements are described in the note to which they relate. Other accounting policies are set out below:

i) Principles of consolidation

For the purpose of this financial report:

- SAL has been identified as the parent of the consolidated group (defined as ASX-listed Sydney Airport) comprising the SAL Group and the SAT1 Group for the years ended 31 December 2017 and 31 December 2016; and
- SAT1 has been identified as the parent of the SAT1 Group for the years ended 31 December 2017 and 31 December 2016.

The financial statements of the subsidiaries are prepared using consistent accounting policies and for the same reporting period as their parent companies. In preparing the consolidated financial statements, all intercompany balances and transactions have been eliminated in full.

Acquisition of SA (F1) Pty Limited

On 10 July 2017, the SAL Group acquired 100% of the equity in SA (F1) Pty Limited (SAF1) (refer to note 10).

Controlled entities

The SAT1 Group's net result after tax for the years ended 31 December 2017 and 31 December 2016 and its contributed equity, reserves and retained earnings at 31 December 2017 and 31 December 2016 are attributed to non-controlling interests in the SAL Group consolidated financial report.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value. Acquisition related costs are expensed as incurred in profit or loss, except for costs arising on the issue of equity instruments which are recognised directly in equity.

Identifiable net assets acquired and contingent liabilities assumed in a business combination are measured at fair value at acquisition date, irrespective of the extent of any non-controlling interest. The excess of acquisition cost over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill (refer to notes 10 and 12).

Acquisition of entities under common control

Acquisition of interest in entities that are under the control of the Group's controlling security holders are deemed to be common control transactions. The net assets acquired are recognised at the carrying amounts recognised previously in the Group's controlling security holder's consolidated financial statements. Any difference between the carrying value of net assets acquired and related consideration is held in a common control reserve.

ii) Foreign currency transactions and balances

Foreign currency amounts are translated into the functional currencies of the Groups (Australian dollars) using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities measured in terms of historical cost	Date of transaction

Foreign exchange gains and losses on translation are recognised in the consolidated statements of comprehensive income.

iii) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined:

- In accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Using market prices for the fair value of derivative instruments. Where such prices are not available, discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used.

The directors consider the carrying amounts of financial assets and liabilities recorded in the financial statements approximate fair value, except for fixed interest rate bonds (refer to note 2).

Fair value measurements are determined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

New standards and interpretations not yet adopted

The Groups have adopted new and revised Standards and Interpretations issued by the AASB that are relevant to the Groups' operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations have not had a material impact on the Groups for the year ended 31 December 2017. The accounting standards that have not been early adopted for the financial year 2017 but will be applicable to the Groups in future reporting periods are detailed below.

Accounting Standard	Requirement	Impact on Financial Statements
AASB 9: *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and liabilities, and may impact hedge accounting. The standard becomes mandatory for the December 2018 financial year and will be applied prospectively.	No material impact is expected.
AASB 15: *Revenue from Contracts with Customers*	AASB 15 replaces existing revenue recognition guidance and provides a comprehensive new framework for determining whether, how much and when revenue is recognised. The standard becomes mandatory for the December 2018 financial year and will be applied prospectively.	No material impact is expected.
AASB 16: *Leases*	AASB 16 provides a new model for accounting for leases. Early adoption is permitted under certain circumstances. The standard becomes mandatory for the December 2019 financial year and will be applied prospectively.	No material impact is expected.

Capital management

Overview

The Group manages and regularly reviews its capital structure to ensure it is able to finance the current and future business activities and continue as a going concern, while optimising the debt and equity balance and returns to security holders.

The capital structure of the Group consists of:

- debt;
- cash and cash equivalents;
- issued capital;
- reserves; and
- retained earnings.

During the year ended 31 December 2017, the Group's capital management strategy remained unchanged.

1 Distributions paid and proposed

Security holders' entitlements

SAL

Each ordinary share in SAL entitles its holder to distributions as may be determined by the SAL Directors from time to time. The distribution amount which the Directors determine as payable is divisible among holders so that the same sum is paid on each fully paid up share and (if relevant) a proportionate sum is paid on each partly paid up share.

SAT1

Each unit on issue in SAT1 entitles its holder to a distribution of a pro-rata proportion of the SAT1 net income as determined by the Responsible Entity in respect of that income period. The distribution will be distributed to the unitholder within two months of the last day of the income period.

The Groups' distributions are currently 100% unfranked and there are no available imputation credits. Distributions paid and proposed during the year are shown in the table below:

	SAL Group		SAT1 Group	
	2017	2016	2017	2016
Distributions were paid/payable as follows:				
$m				
Final distribution[1]	405.2	360.0	122.7	122.6
Interim distribution[2]	371.3	334.4	120.4	121.5
	776.5	694.4	243.1	244.1
Cents per stapled security				
Final distribution	18.00	16.00	5.45	5.45
Interim distribution	16.50	15.00	5.35	5.45
	34.50	31.00	10.80	10.90

1 Recognised as a payable at year end, paid on 14 February 2018 (2016: 14 February 2017).
2 Paid on 14 August 2017 (2016: 12 August 2016).

Notes to the financial statements

for the year ended 31 December 2017

1 Distributions paid and proposed (continued)

Distribution reinvestment plan

The distribution reinvestment plan (DRP) provides stapled security holders with a method of automatically reinvesting all or part of their distributions in stapled securities.

The DRP operated in respect of the 30 June 2017 interim and 31 December 2017 final distributions.

There was no DRP in operation for the 31 December 2016 final distribution.

In respect of the 30 June 2017 distribution, 1.6 million stapled securities were issued and transferred to DRP participants at $6.91 per stapled security in August 2017.

In respect of the final distribution for the year ended 31 December 2017, 1.7 million stapled securities were issued and transferred to DRP participants at $6.84 per stapled security in February 2018.

Contributed equity

The movements in the contributed equity balance and number of shares/units on issue are shown in the table below:

	SAL Group		SAT1 Group	
	2017	**2016**	**2017**	**2016**
$m				
Opening balance	5,470.9	5,328.6	2,449.7	2,428.6
Issued pursuant to the DRP	11.4	142.3	1.6	21.1
Closing balance	5,482.3	5,470.9	2,451.3	2,449.7
Shares/units on issue (m)				
Opening balance	2,249.9	2,229.5	2,249.9	2,229.5
Issued pursuant to the DRP	1.6	20.4	1.6	20.4
Closing balance	2,251.5	2,249.9	2,251.5	2,249.9

2 Interest bearing liabilities

The Group's debt comprises the following:

- Bank facilities;
- Domestic bonds (including capital indexed bonds (CIB));
- US private placement bonds (USPP);
- US144A/RegS bonds;
- Euro bond; and
- Canadian Maple bond.

The balances and other details related to the Group's interest bearing liabilities are presented in the table on the following page.

2 Interest bearing liabilities (continued)

Type	Maturity	Carrying amount 2017 $m	Carrying amount 2016 $m	Fair value 2017 $m	Fair value 2016 $m	Principal amount drawn In AUD 2017 $m	Principal amount drawn In AUD 2016 $m	Principal amount drawn In original currency 2017 $m	Principal amount drawn In original currency 2016 $m	Issue currency	Interest rate
Bilateral facility	February 2020	78.0	-	78.0	-	78.0	-	78.0	-	AUD	Floating[3]
Syndicated facility[6]	April 2018	-	158.5	-	158.5	-	160.0	-	160.0	AUD	Floating[3]
Syndicated facility	April 2020	468.4	-	468.4	-	470.0	-	470.0	-	AUD	Floating[3]
Syndicated facility	April 2021	98.2	-	98.2	-	100.0	-	100.0	-	AUD	Floating[3]
Wrapped domestic bond[1]	November 2021	199.0	198.7	199.0	198.7	200.0	200.0	200.0	200.0	AUD	Floating[4]
Wrapped domestic bond[1]	October 2022	742.8	741.4	742.8	741.4	750.0	750.0	750.0	750.0	AUD	Floating[4]
Wrapped domestic bond[1]	October 2027	649.3	648.4	649.3	648.4	659.0	659.0	659.0	659.0	AUD	Floating[4]
Unwrapped domestic bond	July 2018	99.9[7]	99.7	103.0	108.6	100.0	100.0	100.0	100.0	AUD	7.75%[5]
USPP bond	August 2028	99.4	99.3	99.4	99.3	100.0	100.0	100.0	100.0	AUD	Floating[4]
USPP bond	November 2028	99.4	99.3	99.4	99.3	100.0	100.0	100.0	100.0	AUD	Floating[4]
USPP bond	November 2028	178.9	178.9	235.9	235.9	180.0	180.0	180.0	180.0	AUD	6.04%[5]
USPP bond	November 2028	57.6	57.6	73.6	73.5	58.0	58.0	58.0	58.0	AUD	5.60%[5]
USPP bond	November 2029	135.2	135.1	176.1	175.4	136.0	136.0	136.0	136.0	AUD	5.70%[5]
Canadian Maple bond	July 2018	229.6[7]	231.6	233.4	244.9	217.4	217.4	225.0	225.0	CAD	4.60%[5]
Euro Bond	April 2024	1,157.1	1,121.1	1,229.5	1,201.3	1,033.4	1,033.4	700.0	700.0	EUR	2.75%[5]
US144A/RegS bond	February 2021	636.3	686.2	697.7	783.9	518.7	518.7	500.0	500.0	USD	5.13%[5]
US144A/RegS bond	March 2023	1,063.2	1,147.8	1,142.4	1,265.8	802.4	802.4	825.0	825.0	USD	3.90%[5]
US144A/RegS bond	April 2025	639.5	693.5	686.1	753.6	643.0	643.0	500.0	500.0	USD	3.38%[5]
US144A/RegS bond	April 2026	1,145.3	1,239.7	1,264.0	1,388.2	1,163.4	1,163.4	900.0	900.0	USD	3.63%[5]
CIB[2]	November 2020	741.4	722.5	743.6	738.3	742.2	726.4	742.2	726.4	AUD	3.76%[5]
CIB[2]	November 2030	377.6	366.6	338.1	366.7	390.3	382.1	390.3	382.1	AUD	3.12%[5]
Total external interest bearing liabilities		8,896.1	8,625.9	9,357.9	9,281.7	8,441.8	7,929.8	n/a	n/a		

1 Financial guarantees are provided by MBIA Insurance Corporation, and Assured Guaranty Municipal Corp.
2 Financial guarantees are provided by MBIA Insurance Corporation and Ambac Assurance Corporation.
3 Floating rates are at Bank Bill Swap Bid Rate plus a predetermined margin.
4 Floating rates are at Bank Bill Swap Rate plus a predetermined margin.
5 Fixed interest rates reflective of coupons in respective currencies/markets.
6 Refinanced in April 2017.
7 Classified as a current liability in the Consolidated statements of financial position.

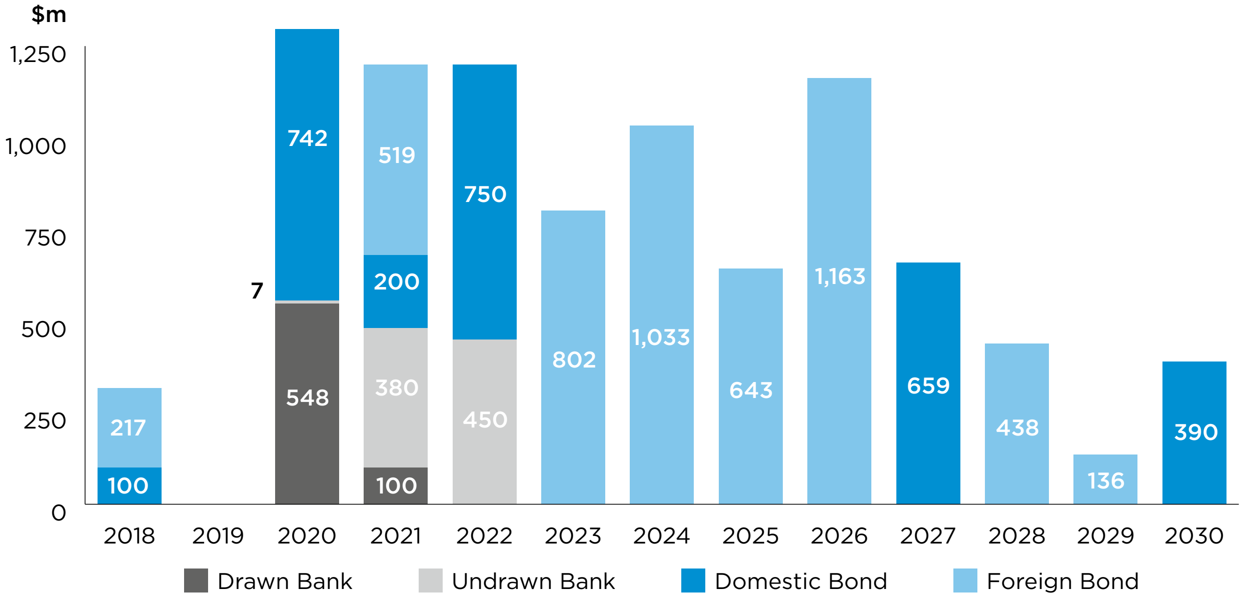
Notes to the financial statements

for the year ended 31 December 2017

2 Interest bearing liabilities (continued)

The maturity profile of interest bearing liabilities is presented in the chart below.

Drawn & Undrawn Debt December 2017



Assets pledged as security

All external interest bearing liabilities of SCACH, a wholly owned subsidiary, are of equal rank with respect to security. The security consists of fixed and floating charges over the assets of the SCACH Group (excluding deferred tax and goodwill) and a mortgage over the Airport lease.

Recognition and measurement

The Group recognises interest bearing liabilities on the date that they become a party to the contractual provisions of the instrument. These are initially recognised at fair value less any attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

At 31 December 2017 and 2016, the fair values of all fixed interest rate bonds were determined based on observable market inputs, categorised as Level 2.

The Group derecognises an interest bearing liability when its contractual obligations are discharged, cancelled or expired.

CIBs explained

Capital indexed bonds are inflation linked bonds. The principal amount of the bond is indexed against the Consumer Price Index with the revised capital amount due for repayment at maturity.

Effective interest rate method explained

A method of calculating the amortised cost of a financial liability, allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

3 Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term deposits.

Deposits classified as cash equivalents are considered to be readily convertible to known amounts of cash, subject to an insignificant risk of changes in value, and at balance date have a remaining term to maturity of three months or less. They are used for the purpose of meeting the short-term cash commitments of the Group.

	SAL Group		SAT1 Group	
	2017 $m	2016 $m	2017 $m	2016 $m
Cash on hand	106.6	76.7	9.3	0.9
Deposits[1]	376.8	389.1	-	35.7
Total cash and cash equivalents	483.4	465.8	9.3	36.6
Cash flow information				
Reconciliation of profit after tax to net cash flows from operating activities				
Profit for year	348.6	319.6	242.8	244.8
Expenses relating to financing activities	429.5	439.3	-	-
Loss/(gain) on derivative instruments	0.2	(22.0)	-	-
WSA project costs expensed	0.6	21.0	-	-
Business acquisition costs	1.9	-	-	-
Depreciation and amortisation	385.7	356.5	-	-
(Gain)/loss from disposal of non-current assets	(0.1)	0.1	-	-
(Increase)/decrease in receivables and other assets	(32.7)	(39.7)	(0.2)	0.2
Increase/(decrease) in payables	9.0	12.0	1.3	(0.2)
Increase in tax liabilities	40.5	0.6	-	-
Net cash flow from operating activities	1,183.2	1,087.4	243.9	244.8

1 Included in the SAL Group's consolidated deposit balance is $9.8 million (2016: $23.4 million) held by SACL, which is restricted to fund capital expenditure.

Non-cash financing and investing activities

During the year ended 31 December 2017 and 31 December 2016, the Group's non-cash financing and investing activities relate to the issuance of securities under the DRP (for details refer note 1).

Recognition and measurement

Cash and cash equivalents are recognised on balance sheet at the date when cash is received or contractual terms of deposit accepted. Their fair value is considered equal to the carrying value. Cash and cash equivalents in foreign currencies are translated to AUD at balance date and foreign exchange gains or losses resulting from translation are recognised in the statements of comprehensive income.

Treasury and financial risk management

Overview

The Group's treasury operations include financing and investment activities, cash management and financial risk management. The strategic focus is to provide support to the business by maintaining the Group's financial flexibility and a minimum credit rating of BBB/Baa2.

This section explains the Group's exposure to and management of various financial risks, and their potential effects on the Group's financial position and performance. It also details finance income and costs incurred during the year.

4 Financial risk management

Financial risk management framework

The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Treasury, under policies approved by the SAL Board, manages the Group's exposures to market risk (including foreign currency risk, inflation risk and interest rate risk), credit risk and liquidity risk.

Treasury identifies, evaluates and hedges exposures to financial risks in close co-operation with the Group's operating units while investing excess liquidity. Speculative trading is specifically prohibited by SAL Board policy.

4.1 Foreign currency risk

Group policy

The Group's treasury policy is to hedge 100% of foreign currency exposures related to borrowings and to hedge foreign currency exposures relating to revenue, operating expenditure and capital expenditure over certain thresholds.

The Group is primarily exposed to foreign currency risk from interest bearing liabilities denominated in foreign currencies (USD, EUR and CAD). At 31 December 2017 and 2016, these interest bearing liabilities were 100% hedged through cross currency swaps until maturity of the bonds. As a result, a strengthening or weakening of the AUD will have no impact on profit or loss or equity.

The Group's exposure to foreign currency risk, based on notional amounts were:

	2017				2016			
	CADm	EURm	USDm	Equivalent total AUDm	CADm	EURm	USDm	Equivalent total AUDm
Senior secured bonds	(225.0)	(700.0)	(2,725.0)	(4,378.3)	(225.0)	(700.0)	(2,725.0)	(4,378.3)
Cross currency swaps	225.0	700.0	2,725.0	4,378.3	225.0	700.0	2,725.0	4,378.3
Exposure	-	-	-	-	-	-	-	-

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4 Financial risk management (continued)

4.2 Interest rate risk

The Group's interest rate risk arises primarily from interest bearing liabilities with variable interest rates where interest rate movements can impact the Group's cash flow exposures.

Group policy

The Group uses interest rate swap (IRS) contracts to mitigate interest rate risk. The Group's policy is to maintain hedging arrangements in accordance with the annual bands below:

- Year 1 70%-95%
- Year 2-3 50%-75%
- Year 4-5 40%-65%

Interest rate swap (IRS) contracts

By entering into IRS contracts, the Group agrees to exchange the net difference between fixed and floating interest rate amounts (based on Australian BBSW) calculated by reference to agreed notional principal amounts. IRS settle on a quarterly basis.

All floating for fixed IRS are designated as cash flow hedges. The IRS and the interest payments on the related loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

The fair value of IRS contracts at reporting date are determined by discounting the related future cash flows using the cash and swap curves at reporting date and credit risk inherent in the contract. The table below details the notional principal amounts and remaining terms of floating for fixed IRS contracts outstanding at reporting date:

	Average contracted fixed interest rate[1]		Notional principal amount		Fair value	
	2017 %	2016 %	2017 $m	2016 $m	2017 $m	2016 $m
1 year or less	4.65%	-	200.0	-	(0.8)	-
1 to 2 years	-	4.65%	-	200.0	-	(6.2)
2 to 5 years	3.28%	3.75%	3,207.8	1,998.5	(88.3)	(104.6)
5 years or more	3.15%	3.38%	3,896.7	1,798.6	(98.6)	(80.3)
	n/a	n/a	7,304.5	3,997.1	(187.7)	(191.1)

1 The average interest rate is based on the outstanding balance at reporting date.

The weighted average cash interest rate of the Group's interest bearing liabilities was 4.9% for year ended 31 December 2017 (2016: 5.3%). SAT1 Group's interest bearing liabilities are at fixed interest rates.

At 31 December 2017, 93.2% (2016: 87.8%) of senior drawn borrowings (bank debt and capital markets debt) were either fixed or hedged through IRS.

Interest rate sensitivities

In reviewing interest rate sensitivities, a 150 basis point (bp) movement is used by management to assess possible changes in interest rates at reporting date.

SAL Group	2017 $m	2016 $m
Increase in interest rate +150bp		
Profit after tax	(6.0)	(10.2)
Equity	170.2	61.3
Decrease in interest rate -150bp		
Profit after tax	6.0	10.2
Equity	(187.0)	(62.2)

4 Financial risk management (continued)

4.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Groups. The credit quality of financial assets are regularly monitored by management to identify any potential adverse changes.

Group policy

The Group's policy is that all financial institution derivative counterparties must have a minimum long-term rating of Standard & Poor's A- or Moody's A3 and deposit counterparties a minimum rating of A/A2. The Group also has policies limiting the amount of credit exposure to any single financial institution by both volume and term.

Credit risks on receivables relate to aeronautical, retail and property trade receivables at the Airport asset level. These corporate counterparties have a range of credit ratings. At the date of signing the accounts, the overdue trade receivables balances were less than 5.0% (2016: less than 5.0%). Key aeronautical customers including the Qantas and Virgin Groups accounted for 40.0% to 50.0% of aeronautical revenue for the year ended 31 December 2017 (2016: 40.0% to 50.0%).

For the SAT1 Group, credit risk on receivables primarily relates to interest income receivable and an interest bearing loan to SAL, a related party (refer to note 18).

There are no significant financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been considered past due or impaired.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Groups' maximum exposure to credit risk without taking into account the value of any collateral obtained.

4.4 Liquidity risk

Liquidity risk refers to the risk that the Group has insufficient liquidity to meets its financial obligations when they fall due. The Group has built in appropriate liquidity management requirements as part of its financial risk management framework. Due to the capital intensive nature of the underlying business, Treasury works to achieve flexibility in funding by maintaining levels of undrawn committed bank facilities available for working capital and capital investment and maintaining capital expenditure reserve.

The table below details the SAL Group's remaining undiscounted principal and interest cash flows and their contractual maturity based on the earliest date on which the Group is required to pay.

	Carrying value $m	Contractual cash flows $m	1 year or less $m	1 to 5 years $m	5 years or more $m
2017					
Bank facilities	644.6	695.0	19.1	675.9	-
Domestic bonds	1,691.0	1,931.5	136.4	1,072.0	723.1
USPP bonds	570.5	1,182.4	36.7	147.1	998.6
Other foreign bonds	4,871.0	5,788.8	413.8	1,218.3	4,156.7
Capital indexed bonds	1,119.0	1,398.5	39.5	847.9	511.1
Derivatives	315.8	466.0	98.6	273.9	93.5
Distribution payable	405.2	405.2	405.2	-	-
Trade and other payables	219.1	219.1	219.1	-	-
	9,836.2	12,086.5	1,368.4	4,235.1	6,483.0
2016					
Bank facilities	158.5	166.2	4.7	161.5	-
Domestic bonds	1,688.2	1,976.0	40.7	435.6	1,499.7
USPP bonds	570.2	932.9	29.5	118.1	785.3
Other foreign bonds	5,119.9	5,720.6	194.7	1,435.9	4,090.0
Capital indexed bonds	1,089.1	1,447.0	38.3	159.8	1,248.9
Derivatives	235.9	207.5	68.8	136.6	2.1
Distribution payable	360.0	360.0	360.0	-	-
Trade and other payables	197.2	197.2	197.2	-	-
	9,419.0	11,007.4	933.9	2,447.5	7,626.0

5 Derivative financial instruments

The Group uses derivative financial instruments to mitigate its exposures to foreign currency and interest rate risks, as described in note 4. The net derivative position at reporting date is presented below:

	2017			2016		
$m	Cross currency swaps	Interest rate swaps	Total	Cross currency swaps	Interest rate swaps	Total
Current assets	9.6	-	9.6	0.5	-	0.5
Non-current assets	527.2	4.7	531.9	764.2	6.1	770.3
Current liabilities	(42.2)	(60.2)	(102.4)	(38.7)	(58.1)	(96.8)
Non-current liabilities	(81.1)	(132.3)	(213.4)	-	(139.1)	(139.1)
Net derivative position	413.5	(187.8)	225.7	726.0	(191.1)	534.9

Recognition and measurement

Hedge accounting

On initial designation of a derivative as a hedging instrument, the Group documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy for undertaking the hedge transaction. The Group documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting changes in fair value or cash flows of the hedged items, and whether the actual results of each hedge are in a range of 80 to 125 percent.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. Any gains or losses arising from changes in fair value of derivatives, except those that qualify as effective hedges, are immediately recognised in profit or loss. When the Group designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, the hedges are classified as either fair value or cash flow hedges.

Cash flow hedges

The Group's IRS are accounted for as cash flow hedges. They are used to hedge exposure to variability in forecast cash flows where the transaction is committed or highly probable. Initial recognition of the derivative is at fair value with attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the cash flow hedge reserve under equity. Any ineffective portion of the derivative is recognised immediately in profit or loss. The amount accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period that the hedged cash flow affects profit or loss. If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and the balance in equity is reclassified to profit or loss when the forecast transactions are not expected to occur any more.

Fair value hedges

The Group's cross currency swaps are accounted for as fair value hedges. They are used to hedge the exposure to variability in the fair value of assets or liabilities that could affect profit or loss. Initial recognition of the derivative is at fair value of the hedging instrument and subsequent changes, being hedging gain or loss, are recognised in profit or loss. The carrying value of the hedged items are adjusted for the hedging gain or loss, with the adjustment being recognised in profit or loss.

If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and any adjustment between the carrying amount and the face value of a hedged item is amortised through profit or loss using the effective interest rate method.

Critical estimates and assumptions – fair value measurement of financial instruments

The fair value of financial instruments is estimated by management at each reporting date.

At 31 December 2017 and 2016, all derivative financial instruments were determined based on observable market inputs, categorised as Level 2.

Notes to the financial statements

for the year ended 31 December 2017

6 Net finance costs

	Note	SAL Group 2017 $m	SAL Group 2016 $m	SAT1 Group 2017 $m	SAT1 Group 2016 $m
Finance income					
Interest income from other corporations		8.1	8.3	0.5	0.6
Interest income from related parties	18	-	-	244.2	245.9
Total finance income		8.1	8.3	244.7	246.5
Finance costs					
Senior debt interest expense		(297.1)	(298.7)	-	-
Net swap interest expense		(95.0)	(105.7)	-	-
Capital indexed bonds capitalised		(24.0)	(10.5)	-	-
Amortisation of debt establishment costs		(16.0)	(27.4)	-	-
Recurring borrowing costs		(6.1)	(6.5)	-	-
Borrowing costs – corporate debt		(0.6)	(0.1)	-	-
Borrowing costs capitalised		9.3	9.6	-	-
Total finance costs		(429.5)	(439.3)	-	-
Change in fair value of swaps		(0.2)	22.0	-	-
Net finance costs		(421.6)	(409.0)	244.7	246.5

Recognition and measurement

Finance income relates to the interest income on cash and cash equivalents and loan receivable balances which are brought to account using the effective interest rate method.

Finance costs are recognised as expenses when incurred using the effective interest rate method, except where they are directly attributable to the acquisition, construction or production of qualifying assets.

Capitalisation of borrowing costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are capitalised as part of the cost of those assets.

Notes to the financial statements

for the year ended 31 December 2017

Financial results and financial position

Overview

This section provides additional information about the individual line items in the financial statements that are considered relevant to the operations of the Groups.

7 Segment reporting

The CEO monitors and manages the SAL Group's core asset – the investment in Sydney Airport, and considers this to be the Group's single operating segment. The segment result for the year represents earnings before interest, tax, depreciation and amortisation (EBITDA).

The segment's revenues, expenses, assets and liabilities are as presented in the consolidated statement of comprehensive income and statement of financial position.

The Group's revenue, which is equal to that of the operating segment, is measured at the fair value of the consideration received or receivable and recognised on the basis of the following criteria:

Revenue stream	Nature	Recognition
Aeronautical	Passenger, take-off, parking charges and exclusive first right use of infrastructure.	Revenue is recognised when the related services are provided.
Aeronautical security recovery	Passenger and checked bag screening, counter terrorist first response and other security measures.	
Retail	Rental from tenants whose sales activities include duty free, food and beverage, financial and advertising services.	Concessions and rental revenue are recognised on a straight-line basis over the lease term. Hotel revenue is recognised when the services are provided. Contingent revenue is recognised when the contingent event occurs.
Property	Rental for airport property including in terminals, buildings and other leased areas. Hotel accommodation and related services.	
Car rental	Concession charges from car rental companies.	
Parking and ground transport	Time based charges from the operation of car parking and ground access transport services.	Revenue is recognised when the related services are provided.

All revenue is generated from external customers within Australia.

Income from interest, dividends and other distributions received from investments are measured at the fair value of the consideration received or receivable and recognised in the consolidated statements of comprehensive income.

Sydney Airport's revenues, expenses, assets and liabilities are consolidated and accounted for in accordance with the Group's accounting policies. For the years ended 31 December 2017 and 2016 the segment result, assets and liabilities were equal to that of the SAL Group.

Notes to the financial statements

for the year ended 31 December 2017

8 Earnings per share

The calculation of earnings per share is based on the profit after tax attributable to security holders and the weighted average number of shares/units on issue.

	SAL Group		SAT1 Group	
	2017	**2016**	**2017**	**2016**
Profit after tax attributable to security holders ($m)	349.8	320.9	242.8	244.8
Weighted average number of shares/units (m)	2,250.5	2,237.4	2,250.5	2,237.4
Earnings per share	15.54c	14.34c	10.79c	10.94c

9 Receivables

		SAL Group		SAT1 Group	
	Note	**2017 $m**	**2016 $m**	**2017 $m**	**2016 $m**
Current					
Trade receivables		95.3	85.2	-	-
Provision for doubtful debts		(0.1)	(0.2)	-	-
Total trade receivables		95.2	85.0	-	-
Accrued revenue		70.3	58.7	-	-
Other receivables		12.6	15.0	3.4	3.2
Total current receivables		178.1	158.7	3.4	3.2
Non-current					
Loans to related parties	18	-	-	1,796.5	1,886.5
Indemnity receivable	18	119.1	-	119.1	-
Accrued revenue		9.3	10.2	-	-
Other receivables		69.1	55.4	-	-
Total non-current receivables		197.5	65.6	1,915.6	1,886.5

Trade receivables are generally collected within 30 days of invoice date.

Indemnity receivable

Map Airports International Pty Limited (MAIL), a subsidiary within the SAT1 Group provided a comprehensive set of representations and warranties in respect of its 2011 sale of stakes in both Copenhagen Airports and Brussels Airport to Ontario Teachers' Pension Plan Board (OTPP). In 2013, SAT1 replaced MAIL as the party liable for any breaches of representations and warranties.

In prior years, the Danish tax authority (SKAT) issued assessments to Copenhagen Airports Denmark Holdings (CADH) in respect of certain withholding tax amounts for the 2006-2010 years inclusive. The matter is currently being contested in the Danish High Court with resolution unlikely to be before 2021. OTPP is indemnified by SAT1 for its 52% share of any liabilities of CADH arising in respect of this matter.

During the year ended 31 December 2017 SKAT issued:

- an assessment to CADH for the 2011 year, which is the final year covered by the SAT1 indemnity to OTPP. CADH has contested this assessment;
- further assessments to CADH to bring interest on the disputed tax up to date; and
- payment requests for all disputed tax and interest.

To prevent further interest accruing, CADH voluntarily paid all the payment requests to SKAT. On 31 October 2017, OTPP issued indemnity claims for the full amount of SAT1's share of the disputed tax liability totalling DKK566.0 million and for advisor fees of DKK2.6 million and EUR0.1 million. The indemnity claims totalling A$119.8 million were paid to OTPP.

9 Receivables (continued)

SAT1 has been advised by CADH's Danish lawyers that:

- CADH's payment of the disputed liability will not have an impact on the likelihood of success in the litigation; and
- the amount paid to SKAT by CADH will be refunded with interest, in the event of a successful outcome to the litigation.

The amount paid under the indemnity is to be repaid to SAT1 by OTPP together with SAT1's share of the interest received from SKAT, in the event of a successful outcome of the litigation.

SAT1 remains confident of its position. However, there is inherent uncertainty as to the final outcome of matters before the Danish High Court which has the potential to materially change management's current position.

The indemnity payment for disputed tax of A$119.1 million has been recognised by SAT1 as a non-current receivable. The receivable has been recognised at the exchange rate prevailing at the reporting date. The receivable has not been hedged against future foreign currency fluctuations. The indemnity payment for advisor fees has been recognised in the Income Statement under Other Operational Costs.

Recognition and measurement

The Group's trade and other receivables are initially recognised at fair value, which approximates their carrying value. Subsequent measurement is recorded at amortised cost using the effective interest rate method, less any allowance for impairment raised for doubtful debts based on an ongoing review of all outstanding amounts.

10 Acquisition of a business

On 10 July 2017, Sydney Airport Corporation Limited, a 100% owned member of the Group, acquired 100% of the equity in SA (F1) Pty Limited (SAF1) for $34.5 million in cash. SAF1 owns the Ibis Budget Hotel on Ross Smith Avenue at the Domestic precinct. The management agreement with Accor, the operators of the hotel, was retained by the Group. This acquisition is part of Sydney Airport's hotel strategy to provide passengers choice in seeking convenient access to Sydney Airport.

Purchase consideration

The total purchase consideration was $34.5 million, paid in cash.

Due diligence and stamp duty costs relating to the acquisition of $1.9 million were expensed.

Identifiable assets acquired and liabilities assumed

The fair values of the assets and liabilities of SAF1 at acquisition date are:

	$m
Receivables	0.1
Other assets	0.4
Property, plant and equipment	26.5
Payables	(0.5)
Deferred tax liability	(4.4)
Total identifiable net assets acquired	22.1

Goodwill

Goodwill arising from the acquisition of $12.4 million has been recognised:

	$m
Gross purchase consideration	34.5
Fair value of identifiable net assets acquired	(22.1)
Goodwill recognised	12.4

Revenue and EBITDA contribution

From the date of acquisition to 31 December 2017, revenue of $4.6 million and EBITDA of $2.3 million were included in the profit and loss.

If the acquisition had occurred on 1 January 2017, annualised revenue of $9.5 million and EBITDA of $4.9 million would have been recognised for the year ended 31 December 2017.

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11 Property, plant and equipment

SAL Group ($m)	Freehold land	Buildings	Runways, taxiways and aprons	Other infra-structure	Operational plant and equipment	Other plant and equipment	Capital works in progress	Total
Useful life (years)	99	5-60	6-99	9-40	14-20	3-60		
2017								
Cost								
Opening balance	11.4	2,507.4	933.6	1,057.9	491.5	317.0	246.6	5,565.4
Additions[1,2,3]	-	25.0	-	0.8	-	0.7	403.9	430.4
Transfers	-	123.3	35.0	143.6	10.1	37.7	(349.7)	-
Disposals	-	-	-	-	-	(1.3)	-	(1.3)
Closing balance	11.4	2,655.7	968.6	1,202.3	501.6	354.1	300.8	5,994.5
Accumulated depreciation								
Opening balance	(1.2)	(949.7)	(305.7)	(386.6)	(297.8)	(242.7)	-	(2,183.7)
Depreciation	(0.1)	(148.9)	(36.6)	(62.4)	(21.3)	(31.1)	-	(300.4)
Disposals	-	-	-	-	-	1.3	-	1.3
Closing balance	(1.3)	(1,098.6)	(342.3)	(449.0)	(319.1)	(272.5)	-	(2,482.8)
Total carrying amount	10.1	1,557.1	626.3	753.3	182.5	81.6	300.8	3,511.7
2016								
Cost								
Opening balance	11.4	2,353.3	908.7	974.8	472.7	279.7	179.0	5,179.6
Additions[1,2]	-	-	-	-	-	-	390.8	390.8
Transfers	-	154.3	26.7	85.5	18.8	37.8	(323.2)	(0.1)
Disposals	-	(0.2)	(1.8)	(2.4)	-	(0.5)	-	(4.9)
Closing balance	11.4	2,507.4	933.6	1,057.9	491.5	317.0	246.6	5,565.4
Accumulated depreciation								
Opening balance	(1.1)	(817.1)	(272.1)	(333.9)	(275.8)	(217.6)	-	(1,917.6)
Depreciation	(0.1)	(132.8)	(35.4)	(55.1)	(22.0)	(25.6)	-	(271.0)
Disposals	-	0.2	1.8	2.4	-	0.5	-	4.9
Closing balance	(1.2)	(949.7)	(305.7)	(386.6)	(297.8)	(242.7)	-	(2,183.7)
Total carrying amount	10.2	1,557.7	627.9	671.3	193.7	74.3	246.6	3,381.7

1 Includes capitalised borrowing costs of $9.3 million (2016: $9.6 million).
2 Additions in 2016 are net of $21.0 million WSA project costs expensed. The 2017 WSA costs of $0.6 million were expensed as incurred.
3 Additions of $26.5 million relate to the fair value of property, plant and equipment on acquisition of SAF1 (refer note 10).

11 Property, plant and equipment (continued)

Capital expenditure commitments

At reporting date, the Group had capital expenditure commitments of $123.7 million (2016: $103.4 million).

Recognition and measurement

The Group recognises items of property, plant and equipment at cost which includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs and any other costs directly attributable to bringing the assets to a working condition for their intended use.

The subsequent measurement of items of property, plant and equipment is at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is accounted for on a straight-line basis in profit or loss over the estimated useful lives of each component, from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the assets are completed and ready for use.

Subsequent expenditure is capitalised only when it is probable that future economic benefits will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

12 Intangible assets

SAL Group ($m)	Goodwill	Concession and customer contracts	Airport operator licence	Leasehold land	Total
Useful life (years)	n/a	7-16	95	95	
2017					
Cost					
Opening balance	669.7	162.3	5,607.8	2,038.1	8,477.9
Additions[1]	12.4	-	-	-	12.4
Closing balance	682.1	162.3	5,607.8	2,038.1	8,490.3
Accumulated amortisation					
Opening balance	-	(159.2)	(619.7)	(225.1)	(1,004.0)
Amortisation	-	(0.8)	(62.0)	(22.5)	(85.3)
Closing balance	-	(160.0)	(681.7)	(247.6)	(1,089.3)
Total carrying amount	682.1	2.3	4,926.1	1,790.5	7,401.0

1 Additions to goodwill resulted from the SAF1 acquisition (refer note 10).

SAL Group ($m)	Goodwill	Concession and customer contracts	Airport operator licence	Leasehold land	Total
2016					
Cost					
Opening balance	669.7	162.3	5,607.8	2,038.1	8,477.9
Closing balance	669.7	162.3	5,607.8	2,038.1	8,477.9
Accumulated amortisation					
Opening balance	-	(158.2)	(557.7)	(202.6)	(918.5)
Amortisation	-	(1.0)	(62.0)	(22.5)	(85.5)
Closing balance	-	(159.2)	(619.7)	(225.1)	(1,004.0)
Total carrying amount	669.7	3.1	4,988.1	1,813.0	7,473.9

12 Intangible assets (continued)

Airport operator licence and Leasehold land explained

The Commonwealth of Australia granted Sydney Airport Corporation Limited, a wholly-owned subsidiary of SAL, a 50 plus 49 year lease of land and granted an airport operator licence.

An independent valuation was conducted in 2007 valuing the leasehold land and the intrinsic value of operating the land as an airport.

Recognition and measurement

Except for goodwill, the Group recognises intangible assets at cost directly attributable to the acquisition of an asset. The subsequent measurement of intangible assets is at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is accounted for on a straight-line basis in profit or loss over the asset's estimated useful lives from the date they are available for use.

Goodwill arises on acquisition of a business combination. It is measured at cost less accumulated impairment losses and tested for impairment annually.

Impairment of intangible assets

The carrying amounts of the Group's intangible assets other than deferred tax assets are reviewed at each reporting date to determine any indication of impairment. Assets with finite lives are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that have an indefinite useful life (including goodwill) are not subject to amortisation and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired.

An impairment loss is recognised in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows - cash generating units (CGU).

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is never reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

For the year ended 31 December 2017 no intangible assets were impaired (2016: nil).

12 Intangible assets (continued)

Critical estimates and assumptions – impairment test for goodwill

Assessing value in use requires directors to make significant estimates and assumptions.

Goodwill has been allocated to the Group's CGU, identified as being the investment in Sydney Airport. Discounted cash flow methodology has been adopted to value the Group's investment. Under this methodology, estimated cash flows are discounted to their present value using a post-tax discount rate. The discount rate used reflects current market assessment of the time value of money and the risks specific to Sydney Airport as CGU.

The cash flows used are projected based on a Financial Model covering a twenty year period, as follows:

- Cash flows for the first five years are based on a detailed bottom-up business planning process referencing historical performance and the Group's views on key drivers;
- Long-term cash flows to equity after year five are extrapolated consistent with an average growth rate that is consistent with the forecast Australian Gross Domestic Product; and
- Terminal value is calculated as a multiple of EBITDA in the twentieth year.

Cash flows are discounted using a post-tax discount rate calculated based on the Capital Asset Pricing Model (CAPM). The Group takes into account historical and related market data in estimating individual components of the CAPM. An increase of approximately twenty percentage points in the risk premium (a component of the discount rate) would not result in an impairment of goodwill.

Other key assumptions used in the fair value less costs to sell calculation include international and domestic passenger numbers and inflation. Total passenger numbers were 43.3 million for the year ended 31 December 2017 (2016: 41.9 million) and experienced growth of 3.6% during 2017 (2016: 5.6%). Average long-term inflation rates are assumed to be within the Reserve Bank of Australia (RBA) target range.

The valuation derived from this discounted cash flow methodology is benchmarked to other sources such as the ASX-listed Sydney Airport security price, analyst consensus and recent market transactions to ensure the valuation provides a reliable value in use measure.

13 Taxation

Income tax expense

Reconciliation of tax expense to prima facie tax payable:

	SAL Group		SAT1 Group	
	2017 $m	**2016 $m**	**2017 $m**	**2016 $m**
Profit before income tax	389.1	320.2	242.8	244.8
Income tax expense calculated at 30%	*(116.7)*	*(96.1)*	*(72.8)*	*(73.4)*
Expenses that are not deductible	(1.3)	0.9	-	-
Deferred expenses	-	0.5	-	-
Adjustments recognised in the current year that relate to the prior year[1]	0.1	20.9	-	-
Utilisation of previously unrecognised deferred tax asset on capital tax losses	0.5	-	-	-
Tax effect of operating results of Australian trusts	76.9	73.2	72.8	73.4
Income tax expense	(40.5)	(0.6)	-	-

1 The 2016 net adjustments relate to amendments made when the SCACH group joined the SAL tax consolidated group.

Notes to the financial statements

for the year ended 31 December 2017

13 Taxation (continued)

Deferred taxes

The movements in deferred tax balances for the SAL Group are shown in the tables below:

SAL Group	Balance 1 January 2016 $m	Temporary movements recognised $m	Balance 31 December 2016 $m	Temporary movements recognised $m	Balance 31 December 2017 $m
Deferred tax assets/(liabilities):					
Property, plant and equipment	(248.4)	24.3	(224.1)	(2.8)	(226.9)
Intangibles	(1,987.4)	25.3	(1,962.1)	25.3	(1,936.8)
Interest bearing liabilities	(3.8)	0.6	(3.2)	0.5	(2.7)
Deferred debt establishment costs	(7.5)	5.0	(2.5)	1.2	(1.3)
Accrued revenue and prepayments	(12.2)	(5.5)	(17.7)	(4.5)	(22.2)
Defined benefits plan[1]	(1.9)	0.2	(1.7)	0.1	(1.6)
Deferred income	0.1	-	0.1	-	0.1
Deferred costs	0.9	(0.4)	0.5	(0.4)	0.1
Other payables	13.0	2.6	15.6	0.2	15.8
Cash flow hedges[2]	61.0	(3.3)	57.7	14.8	72.5
Tax losses	422.4	(50.9)	371.5	(62.8)	308.7
Total	(1,763.8)	(2.1)	(1,765.9)	(28.4)	(1,794.3)

1 $0.3 million (2016: $0.2 million) was charged to equity.
2 $16.7 million (2016: $1.7 million) was charged to equity.

The balance at 31 December 2017 includes $4.4 million deferred tax liability recognised on business acquisition. Refer note 10.

The SAT1 Group has no deferred tax transactions or balances.

13 Taxation (continued)

Recognition and measurement

Tax expense comprises of current and deferred tax expense recognised in the profit and loss except where related to items recognised directly in equity. Tax expense is measured at the tax rates that have been enacted or substantially enacted based on the national tax rate for each applicable jurisdiction at the reporting date.

Current tax is the expected tax payable or receivable on taxable income or loss for the year and any adjustment in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities.

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation. These are offset if there is a legal enforceable right to offset. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. These are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

SAL and its wholly owned Australian subsidiaries are members of a tax-consolidated group (SAL TCG) under Australian income tax law, with SAL the head entity. The SAL TCG had tax losses of $1,029.1 million at 31 December 2017 (2016: $1,238.5 million).

Each entity in the SAL TCG accounts for current and deferred tax with tax expense and deferred tax assets and liabilities arising from temporary differences recognised in their separate financial statements using the 'standalone tax payer' approach. Under the tax sharing agreement (SAL TSA) between SAL TCG entities, amounts are recognised as payable to or receivable by each member of the SAL TCG in relation to the tax contribution amounts paid or payable between SAL and members of the SAL TCG.

Stapled Securities Listed on ASX

Sydney Airport Limited (SAL) (Head entity of the SAL TCG)	**Sydney Airport Trust 1 (SAT1)**
• As a company, SAL's taxable income or loss is subject to the Australian company tax rate of 30%. • SAL will pay income tax once its tax losses are utilised.	• As a trust, SAT1 is not liable for income tax, provided its net income is fully distributed to unitholders each tax year. • Income of SAT1 is taxed in the hands of its unitholders through semi-annual distributions.

Sydney Airport's 2017 Tax Governance Statement is located on our website at www.sydneyairport.com.au/investor/investors-centre.

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for the year ended 31 December 2017

Employee benefits

Overview

The Group aims to attract, retain and motivate high performing individuals and has various compensation and reward programs in place for employees and management, which are detailed in this section.

14 Key management personnel

Key management personnel (KMP) compensation for the Groups for the year comprised the following:

	SAL Group		SAT1 Group	
	2017 $	2016 $	2017 $	2016 $
Short term employee benefits - salary and fees[1]	4,380,286	4,435,862	91,533	91,533
Short term employee benefits - bonus	2,682,379	1,551,751	-	-
Post employment benefits - superannuation	151,547	161,710	8,696	8,696
Share based payments (LTI)	1,129,225	519,625	-	-
Total KMP compensation	8,343,437	6,668,948	100,229	100,229

1 KMP short term employee benefits for SAT1 comprises Directors' fees only.

15 Long Term Incentive Plan

Sydney Airport put in place a Long Term Incentive Plan (LTIP) to provide an incentive for certain management personnel, linking their remuneration to Sydney Airport's long-term financial performance and security holder returns.

Under the LTIP, the Board has granted contractual rights (Rights) to receive Sydney Airport stapled securities at a future date subject to the following performance conditions being satisfied:

- One third of the Rights granted are based on a market comparative Total Shareholder Return performance condition (TSR tranche);
- One third of the Rights granted are based on cash flow per stapled security performance conditions (CPS tranche); and
- One third of the Rights granted is at the Board's discretion including metrics and performance conditions specific to each individual taking into account such elements as operational aspects of performance, people and leadership, customer satisfaction and delivery of financial outcomes (Other tranche).

Fair value calculations

Performance conditions are measured over a three year period. Performance rights do not have distribution entitlements during the vesting period. If a participant resigns, or has their employment terminated with cause, all their unvested rights will immediately lapse. If a participant's employment ends by reason of an uncontrollable event (as defined in the LTI plan) they are entitled to a pro-rata number of their unvested rights or it may be cash settled at the Board's discretion.

Any rights that vest are expected to be satisfied by way of the transfer of stapled securities purchased on-market.

Recognition and measurement

Equity-settled share-based transactions are measured at fair value at the date of grant. The cost of these transactions are recognised in the profit or loss and credited to equity over the vesting period. At each balance sheet date, the Group revises its estimates of the number of rights that are expected to vest for service and non-market performance conditions. The expense recognised each year takes into account the most recent estimate.

15 Long Term Incentive Plan (continued)

The fair value of rights granted for each tranche is described below:
- The TSR tranche was determined at grant date using the Monte Carlo model;
- The CPS tranche was determined at grant date using the binomial option pricing model; and
- The Other tranche will be remeasured each year until vesting as the grant date for this tranche has not been reached. The Board will determine what proportion (if any) of the rights will vest, having regard to individual and company performance.

The Board granted the following rights in 2017:

LTI Series 2017 - 2019 Condition	Number of rights	Grant Value	Vesting date
TSR tranche	54,941	$4,24	February 2020
CPS tranche	54,941	$6.37	February 2020
Other tranche	54,941	$6.04	February 2020

The Board granted the following rights in 2016:

LTI Series 2016 - 2018 Condition	Number of rights	Grant Value	Vesting date
TSR tranche	97,236	$3.75	February 2019
CPS tranche	97,236	$6.27	February 2019
Other tranche	97,236	$6.11	February 2019

The Board granted the following rights in 2015:

LTI Series 2015 - 2017 Condition	Number of rights	Grant Value	Vesting date
TSR tranche	112,961	$2.69	21 February 2018
CPS tranche	112,961	$4.60	21 February 2018
Other tranche	112,961	$6.87	21 February 2018

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16 Superannuation plan

Sydney Airport employees are entitled to varying levels of benefits on retirement, disability or death through the Sydney Airport Superannuation Plan (the Plan). The Plan consists of a defined benefit plan, available only to existing members, which is fully funded and provides lump sum or pension benefits based on years of service and final average salary; and a defined contribution plan, available to all Sydney Airport employees. The Plan also provides accumulation style benefits for the Superannuation Guarantee Charge and Members' Contributions. Employees contribute to the Plan at various percentages of their remuneration. Contributions by the SAL Group of 9.5% of employees' remuneration are legally enforceable in Australia and for the year ended 31 December 2017 amounted to $4.5 million (2016: $4.2 million).

The following table discloses details pertaining to the defined benefit plan.

	2017 $m	2016 $m
Amounts recognised in Consolidated statements of comprehensive income in respect of defined benefit plans:		
Current service costs	(1.5)	(1.6)
Interest income	0.2	0.2
Total included in employee benefit expense	(1.3)	(1.4)
Remeasurement gains/(losses) recognised in other comprehensive income	1.1	(0.5)
The amounts included in the Consolidated Statements of Financial Position arising from the Groups' obligations in respect of its defined benefit plans were:		
Present value of defined benefit obligations	(24.7)	(23.3)
Fair value plan assets[1]	31.5	29.0
Net asset arising from defined benefit obligations	6.8	5.7

1 Plan assets include investments in unquoted securities of $18.6 million (2016: $17.4 million).

Recognition and measurement

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Defined benefit plan (DBP)

The net obligation in respect of DBP is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The SAL Group determines the net interest expense or income on the net defined benefit liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability or asset.

The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the SAL Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the SAL Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the SAL Group. An economic benefit is available to the SAL Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

16 Superannuation plan (continued)

The principal actuarial assumptions used in determining the Plan liability and sensitivities were:

	SAL Group 2017	SAL Group 2016
Discount rate	3.5%	3.9%
Future salary increases	3.5%	3.5%

	0.5% increase	0.5% decrease
Discount rate ($m)	(1.1)	1.2
Future salary increases ($m)	1.0	(0.9)

Remeasurements arising from DBP comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The SAL Group recognises them immediately in other comprehensive income and all other expenses related to DBP in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The SAL Group recognises gains and losses on the settlement of a DBP when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payment made directly by the SAL Group in connection with the settlement.

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Other disclosures

Overview

This section provides details on other required disclosures relating to the Group's compliance with accounting standards and other pronouncements.

17 Group structure and parent entity

SAL and SAT1

Sydney Airport (the Group) is a stapled vehicle comprised of SAL and SAT1, formed in Australia. A stapled security in the Group consists of one share in SAL and one unit in SAT1. They are quoted and traded on the ASX as if they were a single security.

SAL holds a 100% economic interest in Sydney (Kingsford Smith) Airport through its ownership of the Sydney Airport operating entities, including Sydney Airport Corporation Limited (SACL), the lessee and operator of Sydney (Kingsford Smith) Airport.

The Trust Company (Sydney Airport) Limited (TTCSAL) is the Responsible Entity of SAT1. SAT1 has ownership of various Australian and foreign non-operating entities.

Significant subsidiaries

The Group has 100% ownership interest in Southern Cross Airports Corporation Holdings Limited (SCACH) and SACL, both incorporated in Australia. On 10 July 2017, the SAL Group acquired 100% of the equity in SA (F1) Pty Limited (SAF1) (refer to note 10).

Deed of cross guarantee

Pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785 the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Instrument that the Company and each of the subsidiaries enter into a deed of cross guarantee (the Deed). The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Southern Cross Airports Corporation Holdings Limited (SCACH)
- Sydney Airport Corporation Limited (SACL)
- Southern Cross Airports Corporation Pty Limited (SCAC)
- Sydney Airport Finance Company Pty Limited (FinCo)
- Sydney Airport RPS Company Pty Limited (RPSCo)

17 Group structure and parent entity (continued)

As the SAL Group consolidated financial statements include SA (F1) Pty Limited (SAF1), an entity which is not party to the Deed, additional consolidation information in respect of the consolidation of SAL and the above subsidiaries, after eliminating all transactions between parties to the Deed, for the year ended 31 December 2017 is set out as follows:

SAL Group excluding SAF1	2017 $m	2016 $m
Result of the SAL Group excluding SAF1		
Profit after income tax expense	348.3	319.6
Other comprehensive (loss)/income	(37.9)	3.6
Total comprehensive income for the year	310.4	323.2
Financial position of the SAL Group excluding SAF1		
Current assets	668.5	625.7
Total assets	12,319.6	12,325.9
Current liabilities	1,112.7	706.2
Total liabilities	11,689.2	11,239.1
Total equity of the SAL Group excluding SAF1		
Contributed equity	5,482.3	5,470.9
Retained profits	(1,484.9)	(1,055.5)
Reserves	(3,360.1)	(3,322.9)
Non-controlling interest in controlled entities	(6.9)	(5.7)
Total equity	630.4	1,086.8

Non-controlling interest

SAL is identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities at 31 December 2017. SAL Group is deemed to control the SAT1 Group and therefore consolidates 100.0% of the assets, liabilities and results of the SAT1 Group into its consolidated financial report for the year ended 31 December 2017 (2016: 100.0%) and recognises an associated non-controlling interest.

17 Group structure and parent entity (continued)

Parent entity financial result and position

The SAL parent has designated its investment in airport assets as financial assets at fair value through profit or loss, determined in accordance with a valuation framework adopted by the directors of SAL. Income from this investment constitutes changes in its fair value.

	SAL		SAT1	
	2017 $m	2016 $m	2017 $m	2016 $m
Result of the parent entity				
Profit after income tax expense	3,507.6	1,010.5	242.8	244.8
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	3,507.6	1,010.5	242.8	244.8
Financial position of parent entity				
Current assets	204.5	202.5	128.4	36.7
Total assets	16,056.0	13,037.2	1,929.1	1,927.1
Current liabilities	283.0	237.5	127.8	127.3
Total liabilities	2,157.5	2,124.0	127.8	127.3
Total equity of the parent entity comprising of:				
Contributed equity	5,800.4	5,790.7	2,767.1	2,765.5
Retained profits	8,098.1	5,122.5	1.8	1.9
Reserves	-	-	(967.6)	(967.6)
Total equity	13,898.5	10,913.2	1,801.3	1,799.8

Parent entity guarantees, commitments and contingencies

At 31 December 2017 the parent entities:

- Have no contingent assets or liabilities which are material either individually or as a class other than disclosed in note 20;
- Have not made any capital expenditure commitments (2016: $nil); and
- Have not guaranteed debts of their subsidiaries (2016: $nil).

SAL is the head company of the SAL Tax Consolidated Group (SAL TCG) (refer to note 13). At 31 December 2017 no current tax liabilities exist within the SAL TCG (2016: $nil).

18 Related party disclosures

Resources Agreement fee

SACL and TTCSAL entered into a Resources Agreement where SACL provides resources to enable TTCSAL to perform various functions in connection with its role as Responsible Entity of SAT1 and trustee of one of its subsidiaries, Sydney Airport Trust 2 (SAT2). Fees are charged from SACL to TTCSAL for resources provided, calculated under the provisions in the Resources Agreement. TTCSAL is entitled to recover these fees out of the assets of SAT1 and SAT2 under their respective constitutions.

During the year ended 31 December 2017:

- $112,381 fees were charged by SACL to TTCSAL (2016: $97,910) with $60,000 remaining unpaid at 31 December 2017 (2016: $20,005); and
- $258,624 was charged by TTCSAL to SAT1 as RE fees (2016: $255,450) and $65,144 remains unpaid at 31 December 2017 (2016: $64,784).

18 Related party disclosures (continued)

Put Option Deed

Under the Put Option Deed (the POD) entered into in connection with the Sydney Airport governance arrangements, SAL has granted The Trust Company Limited (TTCL) an option to require SAL (or a SAL nominee) to purchase all of the issued shares in TTCSAL. Before TTCL can exercise the option under the POD, it is required to engage with SAL for a period which is expected to allow a replacement responsible entity or an alternative purchaser of the issued shares in TTCSAL to be identified. This is intended to avoid any potential adverse outcome that would arise on the issued shares in TTCSAL being acquired by SAL (or one of its subsidiaries). No value has been attributed to the option under the POD.

SAT1 and SAL cross staple loan

In December 2013, an interest bearing, unsecured subordinated loan was entered into between SAT1 as lender and SAL as borrower. The loan expires on 28 November 2023 and interest is calculated at 13.0%, per annum payable in advance during the first two months of semi-annual periods beginning on 1 January and 1 July. Interest which is not paid is capitalised.

In November 2017, SAL made a part repayment of cross staple loan of A$90,000,000 to enable SAT1 to fund the withholding tax indemnity payment. Refer note 9.

The loan balances and transactions are as follows:

	2017 $	2016 $
Loan principal		
Opening balance	1,886,467,057	1,886,467,057
Paid during the year	(90,000,000)	-
Closing balance	1,796,467,057	1,886,467,057
Interest		
Opening balance	-	-
Interest accrued	244,182,909	245,912,610
Paid during the year	(245,240,717)	(245,912,610)
Closing balance payable/(prepaid)	(1,057,808)	-

Custodian fees

TTCL was a related entity of SAT1 for years ended 31 December 2017 and 31 December 2016. During this period custodian fees of $105,226 were charged by TTCL (2016: $104,984) and $26,318 remains unpaid at 31 December 2017 (2016: $26,302).

Transactions with other related parties

SACL entered into contracts with wholly owned subsidiaries of Downer EDI Ltd. Grant Fenn is NED of Sydney Airport Limited and is CEO of Downer EDI Ltd. The contracts were made following a competitive tender process and at arm's length. These are detailed below:

Entity	Contract Value $	Amounts paid during the financial year ended 31 December 2017 $
Downer EDI Works Pty Ltd	32,855,113	11,438,682
Downer Engineering Pty Ltd	1,032,308	70,967

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for the year ended 31 December 2017

19 Remuneration of auditors

	SAL Group		SAT1 Group	
	2017 $	2016 $	2017 $	2016 $
Amounts paid or payable to auditors (KPMG) for:				
Audit and review of financial statements	523,900	516,200	53,900	53,100
Other services				
- Trust compliance services	9,600	9,500	9,600	9,500
- Advisory services	-	333,023	-	-
- Other assurance services	126,555	494,573	-	-
Total amount paid or payable to auditors	660,055	1,353,296	63,500	62,600

There were no advisory services provided in 2017.
Advisory services in 2016 relate mainly to advice provided in relation to WSA during the Notice to Consult phase.

Other assurance services in 2017 and 2016 included amounts charged for work relating to the refinancing of senior debt and the provision of accounting assistance.

20 Contingent assets

Future minimum rentals are receivable under non-cancellable operating leases. The associated revenue will be recognised on a straight-line basis over the lease term in future periods. These are as follows:

SAL Group	2017 $m	2016 $m
Receivable within one year	373.8	353.9
Receivable later than one year but no later than five years	1,029.8	1,219.3
Receivable after five years	51.3	279.3
	1,454.9	1,852.5

21 Events occurring after balance sheet date

The final distribution for the period ending 31 December 2017 of $405.2 million or 18.0 cents per stapled security (2016: $360.0 million or 16.0 cents) was paid on 14 February 2018 by:

- SAL $282.5 million or 12.55 cents (2016: $237.4 million or 10.55 cents); and
- SAT1 $122.7 million or 5.45 cents (2016: $122.6 million or 5.45 cents).

A DRP operated in respect of the 31 December 2017 final distribution. To satisfy the DRP take up, 1.7 million stapled securities were issued and transferred to DRP participants $6.84 per stapled security.

The directors of SAL and TTCSAL are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the SAL and SAT1 Groups, the results of those operations or the state of affairs of the Groups in the period subsequent to the year ended 31 December 2017.

Statement by the Directors of Sydney Airport Limited

In the opinion of the Directors of Sydney Airport Limited (SAL):

a. the consolidated financial statements and notes for SAL set out on pages 84 to 120 and the Remuneration Report in the Directors' Report (set out on pages 59 to 69), are in accordance with the *Corporations Act 2001*, including:
   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory reporting requirements;
   ii. giving a true and fair view of the SAL Group's financial position at 31 December 2017 and of its performance for the financial period ended on that date; and

b. there are reasonable grounds to believe that the SAL Group will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for year ended 31 December 2017.

The Directors draw attention to the statement of compliance with International Financial Reporting Standards set out on page 90.

This declaration is made in accordance with a resolution of the Directors.

Trevor Gerber
Sydney
20 February 2018

John Roberts
Sydney
20 February 2018

Statement by the Directors of the Responsible Entity of Sydney Airport Trust 1

In the opinion of the Directors of The Trust Company (Sydney Airport) Limited, the Responsible Entity of Sydney Airport Trust 1 (SAT1):

a. the consolidated financial statements and notes for SAT1 set out on pages 84 to 120, are in accordance with the *Corporations Act 2001*, including:
   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory reporting requirements;
   ii. giving a true and fair view of the SAT1 Group's financial position at 31 December 2017 and of its performance for the financial year ended on that date; and

b. there are reasonable grounds to believe that SAT1 will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for year ended 31 December 2017.

The Directors draw attention to the statement of compliance with International Financial Reporting Standards set out on page 90.

This declaration is made in accordance with a resolution of the Directors.

Patrick Gourley
Sydney
20 February 2018

Gillian Larkins
Sydney
20 February 2018

Security holder information

at 16 February 2018

Distribution of stapled securities

Range	Total holders	Number of stapled securities	% of stapled securities
1 – 1,000	41,219	18,079,944	0.8
1,001 – 5,000	41,695	108,001,896	4.8
5,001 – 10,000	13,570	98,861,677	4.4
10,001 – 100,000	10,370	226,970,486	10.1
>100,001	343	1,801,299,231	79.9
Total	107,197	2,253,213,234	100.0

Unmarketable Parcels	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $6.58 per stapled security	76	2,665	83,010

Top 20 holders of stapled securities

Rank	Investor	Number of stapled securities	% of stapled securities
1.	HSBC Custody Nominees (Australia) Limited	512,674,828	22.75
2.	BNP Paribas Nominees Pty Ltd	410,318,946	18.21
3.	J P Morgan Nominees Australia Limited	404,347,963	17.95
4.	Citicorp Nominees Pty Limited	122,036,397	5.42
5.	National Nominees Limited	86,557,834	3.84
6.	Custodial Services Limited	28,120,149	1.25
7.	Citicorp Nominees Pty Limited	20,335,590	0.90
8.	MTAA Super Fund (Air-Serv Intnl Hold.) Utilities Pty Ltd	19,863,923	0.88
9.	BNP Paribas Noms Pty Ltd	15,618,887	0.69
10.	Argo Investments Limited	14,458,175	0.64
11.	National Nominees Limited	11,391,907	0.51
12.	AMP Life Limited	8,833,835	0.39
13.	Australian Foundation Investment Company Limited	8,291,673	0.37
14.	HSBC Custody Nominees (Australia) Limited	7,336,361	0.33
15.	Mr Nicholas Moore	5,067,766	0.22
16.	Navigator Australia Ltd	4,592,936	0.20
17.	Ms Kerrie Mather	3,800,000	0.17
18.	BKI Investment Company Limited	3,670,427	0.16
19.	HSBC Custody Nominees (Australia) Limited	3,147,400	0.14
20.	Netwealth Investments Limited	2,896,080	0.13

Substantial security holders

Range	Number of stapled securities[1]	% of stapled securities
Unisuper Ltd	362,515,704	16.09

1 Figure is based on the substantial security holder notice made by Unisuper Ltd on 18 August 2015.

Special notice and disclaimer

Stapling

In accordance with its requirements in respect of stapled securities, ASX reserves the right to remove SAL and/or SAT1 from the official list of ASX if, while the stapling arrangements apply, the securities in one entity cease to be stapled to the securities in the other entity or an entity issues securities which are not then stapled to the securities in the other entity.

Foreign ownership restrictions

The SAL and SAT1 constitutions set out a process for disposal of securities to prevent ASX-listed Sydney Airport from becoming a Foreign Person or to cure the situation where ASX-listed Sydney Airport becomes a Foreign Person (Foreign Ownership Situation). Where a Foreign Ownership Situation occurs or is likely to occur, SAL and the RE can require a foreign security holder (on a last-in, first-out basis) to dispose of Sydney Airport securities. SAL and the RE have the power to commence procedures to divest foreign security holders once the foreign ownership of ASX-listed Sydney Airport reaches 48.5% under the Foreign Ownership Divestment Rules that apply. If the foreign security holder fails to dispose of its Sydney Airport securities, SAL and the RE may sell those securities at the best price reasonably obtainable at the time.

Privacy

We understand the importance you place on your privacy and are committed to protecting and maintaining the confidentiality of the personal information you provide to us. Sydney Airport's privacy policy is available on its website.

Voting Rights

Each fully paid stapled security confers the right to vote at meetings of security holders, subject to any voting restrictions imposed on a security holder under the Corporations Act 2001, ASX Listing Rules and the foreign ownership provisions in the SAL and RE constitutions. On a show of hands, every security holder present in person or by proxy has one vote. On a poll, every security holder who is present in person or by proxy has one vote for each dollar of the value of the total interests they have in SAT1 and one vote for each share they hold in SAL.

Disclaimer

The information in this annual report is given in good faith and derived from sources believed to be accurate at this date but no warranty of accuracy or reliability is given and no responsibility arising in any other way, including by reason of negligence for errors or omission herein is accepted by Sydney Airport Limited, The Trust Company (Sydney Airport) Limited or their respective officers.

This annual report is general advice and does not take into account the particular investment objectives, financial situation or particular needs of the investor. Before making an investment in Sydney Airport, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

Forecasts

Information, including forecast financial information, in this report should not be considered as a recommendation in relation to holding, purchasing or selling Sydney Airport securities. Due care and attention has been used in the preparation of forecast information. However, actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Sydney Airport. Past performance is not a reliable indication of future performance.

Buy-back

There is no current on-market buy-back in operation for Sydney Airport securities.

Complaints resolution

A formal complaints handling procedure is in place for ASX-listed Sydney Airport and is explained in section 6 of the continuous disclosure and communications policy, available from the Sydney Airport website (www.sydneyairport.com.au).

The RE is a member of the Financial Ombudsman Service approved by ASIC. Investor complaints should, in the first instance, be directed to Sydney Airport Limited.

Corporate directory

SYDNEY AIRPORT LIMITED

ACN 165 056 360
Central Terrace Building
10 Arrivals Court
Sydney International Airport NSW 2020

Investor Relations: +61 2 9667 9871
Toll free: 1800 181 895
www.sydneyairport.com.au/investor

Directors of Sydney Airport Limited:
- Trevor Gerber (Chairman)
- Michael Lee
- John Roberts
- Stephen Ward
- Ann Sherry
- Grant Fenn

Company secretary: Jamie Motum

THE TRUST COMPANY (SYDNEY AIRPORT) LIMITED

ACN 115 967 087 / AFSL 301162
Level 18
123 Pitt Street
Sydney NSW 2000

Directors of The Trust Company (Sydney Airport) Limited:
- Russell Balding
- Patrick Gourley
- Gillian Larkins
- Christopher Green (Alternate Director)

Company secretaries:
Jamie Motum and Sylvie Dimarco

The Trust Company (Sydney Airport) Limited is the responsible entity of Sydney Airport Trust 1.

REGISTRY

Computershare Investor Services Pty Limited
GPO Box 2975 Melbourne VIC 3001
Telephone: 1800 102 368 or +61 3 9415 4195
Facsimile: +61 2 8234 5050

SUSTAINABILITY REPORT

Our 2017 Sustainability Report will be published in February 2018. The report will be available on our website.

CORPORATE GOVERNANCE STATEMENT

Sydney Airport's Corporate Governance Statement is in the Corporate section of our website. www.sydneyairport.com.au/corporate/about/corporate-governance

ANNUAL GENERAL MEETING

Sydney Airport's Annual General Meeting is scheduled to be held on Friday, 25 May 2018*

* Subject to change. AGM details will be confirmed in the Notices of Meeting.

You can opt to receive your security holder communication electronically at www.investorcentre.com/ecomms or by contacting Computershare on 1800 102 368

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WWW.SYDNEYAIRPORT.COM.AU