SYDNEY AIRPORT BRIEFING

October / November 2003

Sydney Airport

Special Notice

Special Notice

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General securities warning

The information in this presentation does not take into account the investment objectives, financial situation and particular needs of investors. Before making an investment in relation to Sydney Airport an investor should consider whether such an investment is appropriate to their particular investment objectives, financial situation and particular needs and consult a financial adviser if necessary.

- * FY2003 reflects the Southern Cross Airports Corporation Holdings Limited (SCACH) group consolidated result for the period from 28 June 2002 to 30 June 2003. (28 June 2002 is the first day of the financial year 2003 for the SCACH group; the day that the Sydney Airport sale transaction was completed). Passenger statistics and dollars per passenger statistics for FY2003 are adjusted to include 3 days average passengers from June 2002 to allow for SCACH group FY2003 commencing 28 June 2002.
- ** Q1 2003 reflects the SCACH group consolidated result for the period from 1 July 2002 to 30 September 2002, excluding for comparative purposes three days trading from 28 to 30 June 2002.
- *** excluding specific non-recurring expenses (Privatisation related costs, Sydney Olympic Games related costs, Airline litigation costs, Ansett bad debts, and redundancy and restructuring costs).

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Overview of Sydney Airport FY03 results

	Year to 30 June 2003 *	Year to June 2002	% Change "+" = increase "-" = decrease
Passengers	24.2m	23.9m	+1.3%
International	8.2m	8.4m	-2.1%
Domestic	16.0m	15.5m	+3.2%
Revenue	$501.8m	$454.0m	+10.5%
Opex excl. specific non-recurring expenses	($123.7m)	($125.8m)	-1.6%
EBITDA excl. specific non-recurring expenses	$378.1m	$328.2m	+15.2%
Specific non-recurring expenses	($1.8m)	($11.9m)	-
EBITDA	$376.3m	$316.3m	+19.0%
Capex excluding T2 terminal	($45.6m)	($34.1m)	+33.8%

* FY03 includes 3 days trading, 28-30 June 2002.

Overview of Sydney Airport FY03 results

(continued)

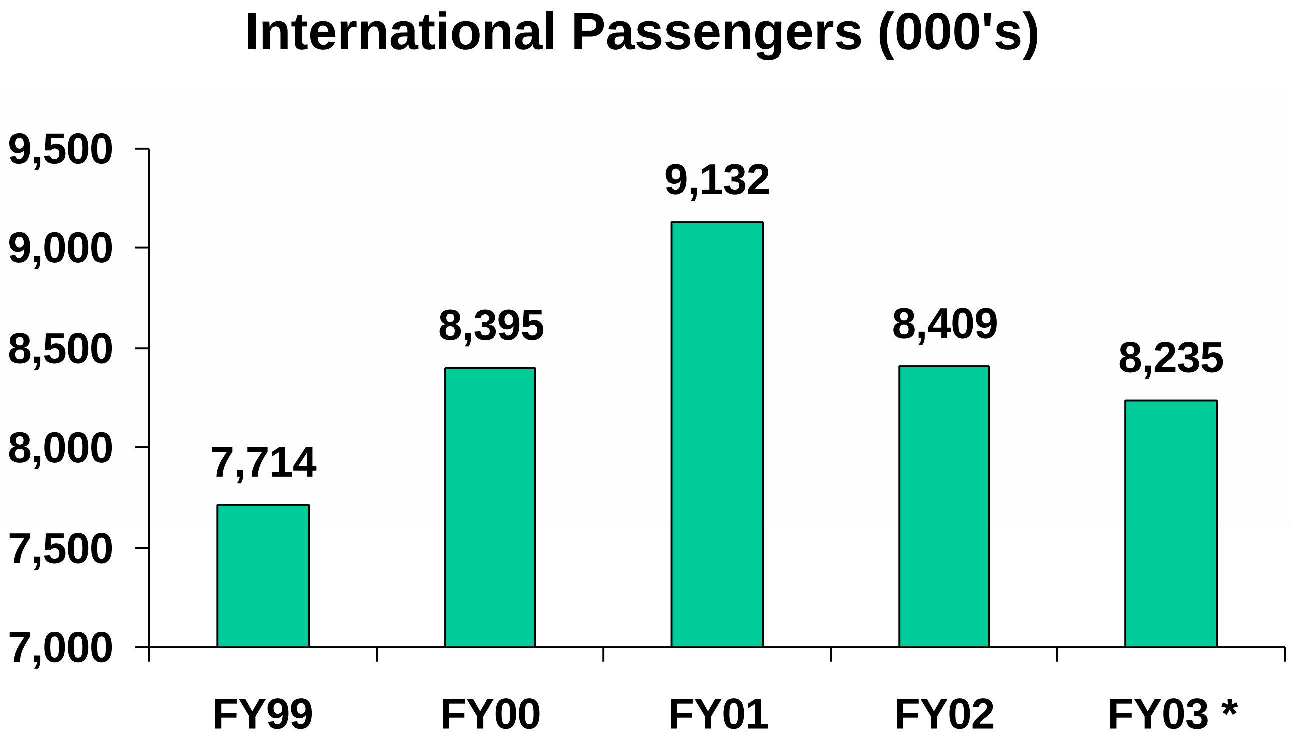
	Year ended 30 June 2003 *	Year ended 30 June 2002	% Change "+" = increase "-" = decrease
Revenue per passenger	$20.75	$19.02	+9.1%
Opex per Passenger ***	($5.11)	($5.27)	-2.9%
EBITDA *** per passenger	$15.63	$13.75	+13.7%
EBITDA per passenger	$15.56	$13.25	+17.4%

* FY03 includes 3 days trading, 28-30 June 2002.

*** excludes specific expenses.

Overview of Sydney Airport FY03 results

(continued)



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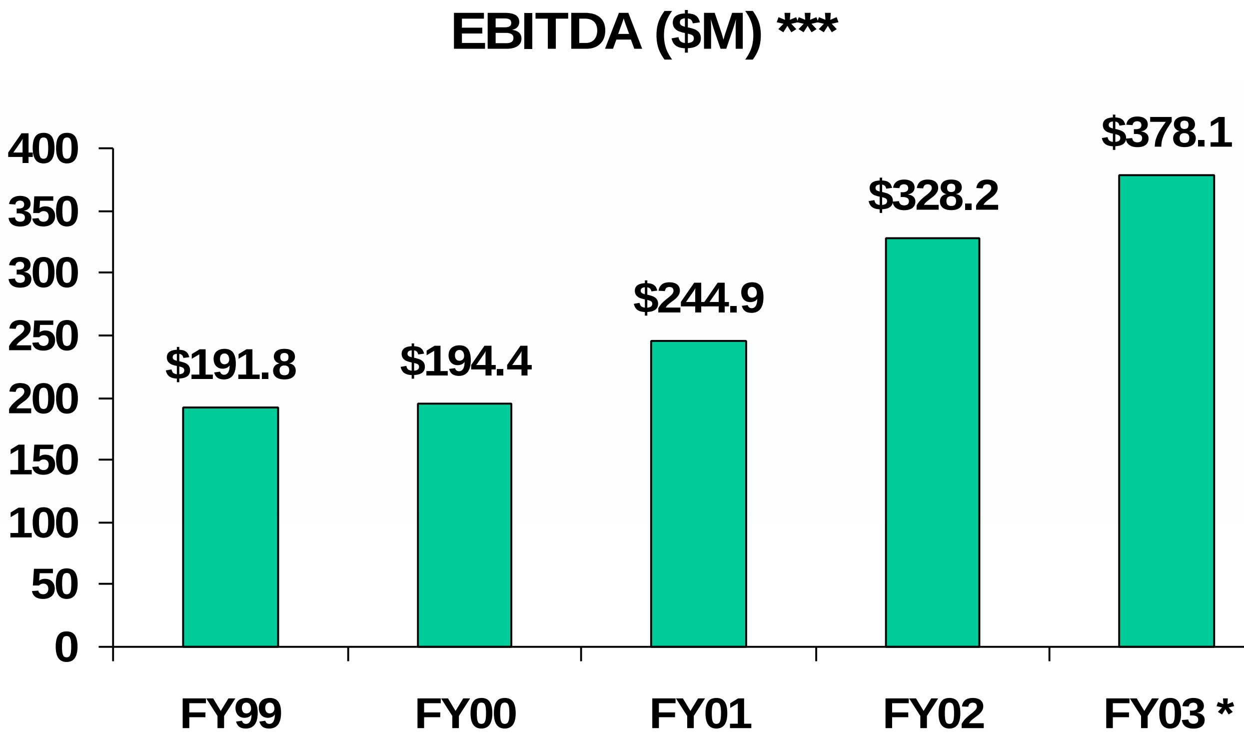
Overview of Sydney Airport FY03 results

(continued)



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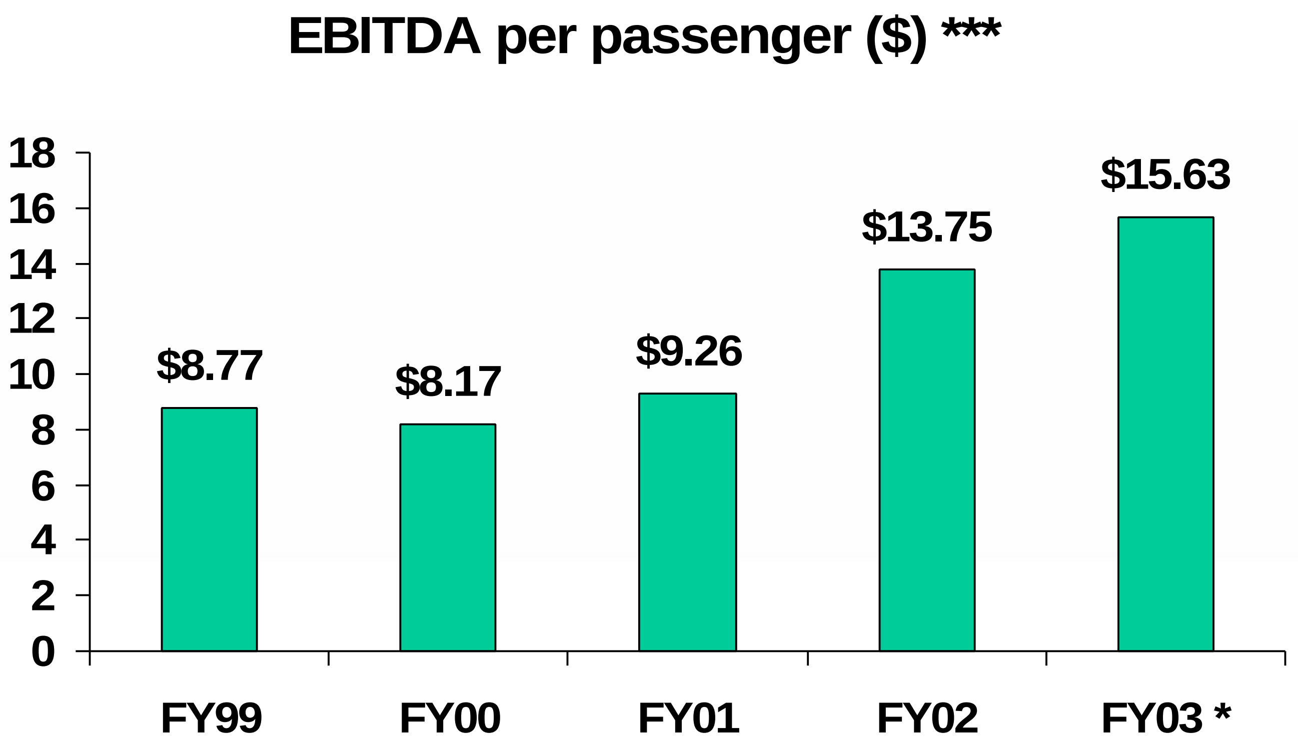
Overview of Sydney Airport FY03 results

(continued)



* FY03 includes 3 days trading, 28-30 June 2002.

*** excludes specific expenses.

Overview of Sydney Airport Q1 FY04 results

	Quarter to 30 Sep 2003	Quarter to 30 Sep 2002 **	% Change "+" = increase "-" = decrease
Passengers	6.4m	6.1m	+4.9%
International	2.1m	2.1m	+0.9%
Domestic	4.2m	4.0m	+7.0%
Revenue	$130.5m	$117.7m	+10.9%
Opex excl. specific non-recurring expenses	($28.0m)	($30.8m)	-9.2%
EBITDA excl. specific non-recurring expenses	$102.5m	$86.9m	+18.0%
Specific non-recurring expenses	($4.4m)	($0.3m)	-
EBITDA	$98.1m	$86.6m	+13.2%
Capex excluding T2 terminal	($12.1m)	($7.6m)	+58.9%

** Q1 FY03 excludes 3 days trading, 28-30 June 2002.

Overview of Sydney Airport Q1 FY04 results

(continued)

	Quarter to 30 Sep 2003	Quarter to 30 Sep 2002 **	% Change "+" = increase "-" = decrease
Revenue per passenger	$20.49	$19.39	+5.7%
Opex per Passenger ***	($4.39)	($5.08)	-13.5%
EBITDA *** per passenger	$16.09	$14.31	+12.4%
EBITDA per passenger	$15.40	$14.27	+7.9%

** Q1 FY03 excludes 3 days trading, 28-30 June 2002.

*** excludes specific expenses.

Traffic trends and airline marketing

- Sydney Airport's long term growth rate (1986-2001): 6.9% total passengers (7.5% International, 6.6% Domestic)#.

- FY02 – Effects of September 11, Ansett collapse and adverse economic performance: -9.7% total passengers (-7.9% International and -10.7% Domestic)##.

- FY03 – Effects of Iraq war, terrorism and SARS: 1.3% growth total passengers (-2.1% International, +3.2% Domestic)^.

- International pax are recovering from SARS / Iraq and underpinned by Rugby World Cup 2003

- SACL is confident traffic is able to return to historic growth rates over the next few years.

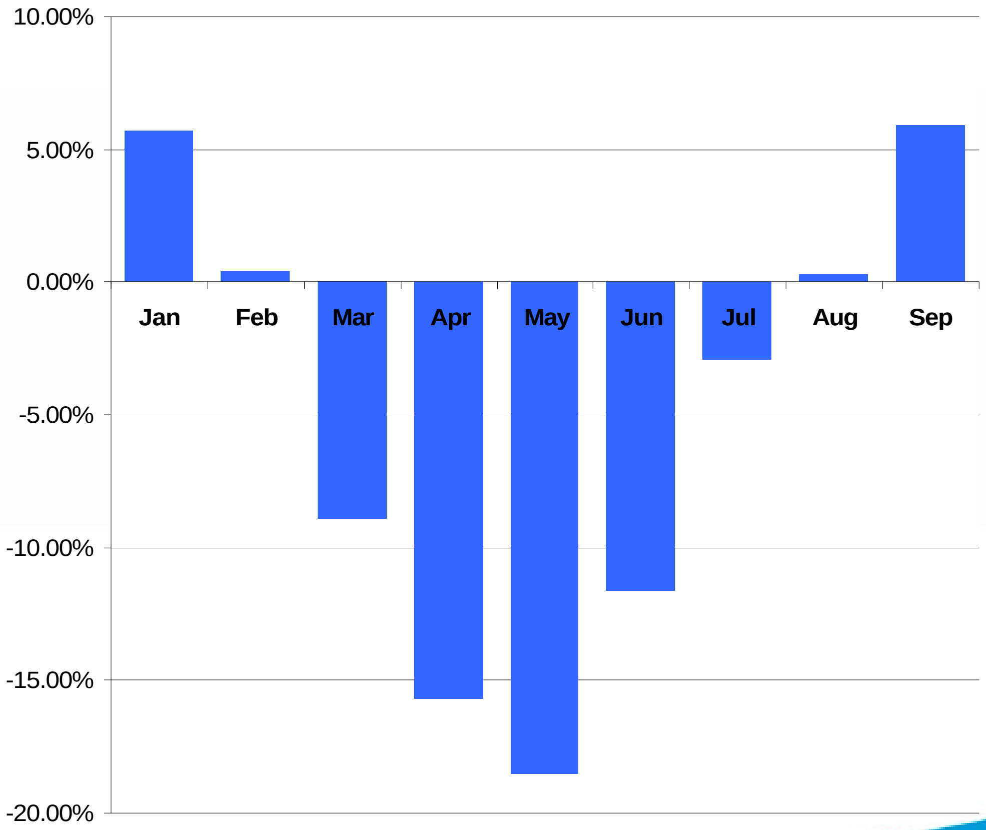
#CAGR FY's 1986-2001, Source – Dept of Transport

Source SACL

^ SCACH Year including 3 days ofJune 2002.

Traffic trends and airline marketing

2003 change in international pax from previous corresponding period



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New airlines / services

- **New airlines/services:**
  - Gulf Air
    - Daily Sydney / Bahrain from November 2003
  - Emirates
    - Daily Sydney / Dubai from March 2003
    - Daily Sydney / Auckland from October 2003
    - Sydney / Dubai non-stop from December 2003
  - Air Paradise International
    - Sydney / Denpasar from September 2003
- **Other recent successes:**
  - LanChile, EVA Air, Royal Tongan, Australian Airlines and Alliance Airlines

New airlines / services

- Other short-term prospects:
  - Pacific Blue international services (trans-Tasman/Pacific)
  - Restoration Qantas services post-SARS
  - Royal Brunei
  - Air Mauritius
  - Virgin Atlantic
- Bi-lateral agreements:
  - China confirmed
  - Singapore confirmed (minus trans-Pacific)
  - Mauritius confirmed
  - Middle East, Brunei pending

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Traffic trends and airline marketing

- Marketing medium term to focus on achieving growth in key target markets:
  - North America
  - Asia: China, Taiwan, Korea
  - Middle East
  - Europe
- A380 arrival by 2006 - Qantas, Singapore Airlines, Emirates
- Continued pressure for air route liberalisation to promote airline competition.

Key Strategic Initiatives– Aeronautical: Domestic airfield services & NCC

- **ACCC 2001 review of aeronautical pricing**
  - 97% increase in charges
  - Basis of current charges
- **Aeronautical charging at Sydney Airport (pre 1 July 2003)**
  - International: Airfield services, terminals etc = Passenger Service Charge (PSC)
  - Domestic: Airfield services = Maximum Take Off Weight (MTOW)
  - Domestic: T2 = PSC
- **Introduction of Domestic PSC for airfield services 1 July 03**
  - $2.88 (excl GST and security)
  - Charge lower than Melbourne and Perth
- **NCC draft recommendation to declare domestic airfield assets under Part IIIA of the TPA**
  - SACL position:
    - NCC has not had regard to Government policy
    - Declaration will not enhance competition
    - No analysis of costs/benefits or impact of re-regulation
  - NCC recommendation expected November/December 2003

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Key Strategic Initiatives – Aeronautical: Domestic airfield services & NCC

- **Why introduce a PSC based charge for domestic airfield services:**
  - Applies at other major Australian airports
  - Extension of metric applied on international services ex Sydney
  - Maximise efficient utilisation of a capped resource (i.e. 80 aircraft movements per hour)
  - Create a level competitive environment for domestic users
  - Consistency of charging for services (convergence of domestic and international services)
  - Consumer transparency.

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Key Strategic Initiatives – Aeronautical: Medium term plans

- Engagement with airline customers post Master Plan on long-term commercial agreements, including charging and service standards.
- T2 agreements already in place.
- Expect continued full recovery of mandated security costs (accepted practice with airlines since 1998) including:
  - Implementation of 100% Check Baggage Screening
  - Full recovery of war and terrorism insurance premiums

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Retail & Commercial Development

- **Main Activities:** Retail, Car Parking, Advertising, and Ground Transport
- **Forms an essential and vital element of SACL's Business**
  - Revenue FY03 $187m
  - 37% of total airport revenues
  - FY03 revenue growth 7.5%
- **Strategy going forward is to achieve real growth by leveraging the Airport's strong asset and market position**
  - Improving penetration and Average Transaction Value within the Retail, Car Parking and retail services businesses
  - Developing new revenue streams – Terminal 2 Retail & Ground Access Strategy
  - Key commercial activities now incorporated into a single structure within the organisation

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Key Strategic Initiatives - Retail

- **Retail Overview**
  - Total retail space - T1: 18,600m2 & T2: 2,290m2
  - Total retail and service outlets -T1: 138 & T2: 23
  - Total FY03 Revenue $123M
  - Duty Free largest source of revenue - over 60%
- **Strategies to improve Penetration and Average Transaction Value:**
  - T1 - Pier B Arrivals Walk Through Duty Free
  - T1 - Develop Pier B Departures Walk Through Duty Free
  - T1 - Planning & implementation of similar Duty Free projects on Pier C
  - T 2 - Short & medium term expansion & enhancement of retail space
  - Lobbying success on increased Duty Free limits
  - Increase the airports share of the "off airport" duty free market
  - Implementation of an updated product and merchandise strategy in food & beverage and specialist stores
  - Implementation of a marketing strategy to promote the price proposition and customer awareness

Key Strategic Initiative – Retail : T1 Walkthrough Duty Free Departures – Pier B

- **Duty Free the major contributor to existing business**
  - Existing store enjoys excellent spend rates
  - Shared view that current store configuration limits penetration (at 33%)
- **T1 "Walk-Through" Duty Free will boost penetration & Average Transaction Value**
  - The new route maximises retail frontage, minimises depth and eliminates existing "expressway" to gates
  - Create domestic retail offer driven by its relevance to market base
  - Maximise retail exposure, hence likelihood of impulse spend
  - Enhance overall retail experience
  - Quarantine high spend periods, Rugby World Cup and Xmas
- **Project deliverables**
  - Lift penetration to 36% and Average Transaction Value by 3%
  - Contribution of $12m in incremental gross sales per annum
  - Staged completion finalised by April 04
  - Projected capital cost $7m

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Key Strategic Initiative – Retail:T2
Phase 1- Remedy Inherited Retail Limitations

- **T2 was developed by airline operator, not airport owner**
  - Original Terminal design lacks balance of retail and facilitation principles
  - Dedicated airline rather than common use facilitation
  - Passenger flows, vertical connections, sight lines, retail placement/m2 not conducive to maximising spend
- **T2 Developments will boost penetration & Average Transaction Value**
  - Create domestic retail offer driven by its relevance to market base
  - Develop critical mass of retail at the base of Pier A
  - Maximise retail footprint, building infill Gates 32-34, reconfigure Gates 31-33
  - Implement marketing program tailored to demographic/behaviour of T2 passenger base
- **Project deliverables**
  - Approximately 650 m2 additional retail space
  - Lift overall gross sales by $7.5m per annum
  - Staged completion finalised by December 2003
  - Projected capital cost $2.2m

Key Strategic Initiatives - Car Parking

- **Car Parking Overview**
  - Public, Valet and Staff Car Parking
  - Total car parking spaces - 9,200
  - Total FY03 Revenue $53M, 11% of total airport revenue
- **Strategies to increase car parking propensity & growth**
  - **Introduce new products**
    - International and T2 (Virgin) Valet
    - Quick Park (domestic)
  - **Expand capacity at international and domestic precincts**
    - Domestic 800 spaces (Phase 1 – April 2004)
    - International 2,000 spaces (Phase 1- December 2005)
  - **Marketing Strategy to expand usage & control costs**
    - Taxi users
    - Off airport competitors
    - Higher conversion to automated transactions
  - **Pricing**
    - Simplified rate structure to reflect market sensitivities

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Key Strategic Initiatives – Ground Transport Strategy

- **Ground Transport Overview**
  - 12kms of “public” roads occupy 9ha of land
  - 12,500m2 of taxi holding areas
  - Substantial capital and operating costs
  - Current inconsistency of application and service standards across airport
- **Implementation strategy for managed ground access**
  - Provide users of Sydney Airport with high level of service and facilities irrespective of transport mode
  - Consultation process involving State Government, Industry bodies, Unions and Users
  - Plan physical infrastructure and traffic management concepts
  - Coordinated communications plan
- **Project Deliverables**
  - Introduce mode specific transport infrastructure
  - Eliminate illegal and undesirable operating activities (touting etc.)
  - Introduce managed licensing scheme
  - Establish best practice service standards
  - Expand commercial relationships with ground transport providers
  - Provide return consistent with corporate investment criteria

Key Strategic Initiatives – Property: Current developments

- **Australian Customs Service (ACS) – Multi storey Office Development**
  - Project cost: $43M, Funding – specific debt facility
  - Overview: 10 Storey, 15,000m^2
  - Lease term 10 years, completion August 2004
- **Accor F1 Hotel**
  - Overview: 8 storey 119 rooms, 1-2 star hotel on site of approx 1,885m^2
  - Lease term 25 + 5 years, rent plus turnover structure

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Key Strategic Initiatives – Property: Current developments

- **DHL**
  - Overview: Conversion of Domestic Express Terminal to freight and office, plus construction of 6,000m^2 warehouse.
  - Lease term 6 years.
- **Krispy Kreme Doughnuts**
  - Overview: Wholesale/Retail Factory on site of approx 4,000m^2
  - Lease term 20 years, rent plus turnover structure

Key Strategic Initiatives – Property: Medium term

- **Major areas of development potential:**
  - **International car park**
    - Multi storey car park – approx 7,500 car spaces (2,000 existing)
    - Available land: approx 7 hectares
  - **Northern lands/Pacific Power & DPWS Land**
    - 85,000m2 Warehouse/Commercial Development
    - Available land: approx 20 hectares
  - **South East sector**
    - Interim commercial development
    - Available land: 40^{+} hectares
  - **Residual development opportunities**
    - A further 120,000m^2 commercial floor space is possible along Joyce Drive/Qantas Drive
    - An additional 7,500 car spaces in Domestic Precinct (existing 3,000)

New products / services

- **Objective:** Maintain Top 10 global customer service ranking
- **New products / services**
  - Plaza Asia Premium Lounges (Piers B and C) T1 terminal
  - Malaysia Airlines lounge T1 terminal
  - SMS service giving instant access to live flight time & travel information
  - Duty Free Arrivals T1 terminal
  - Automated car parking “pay on foot” machines T1 terminal
  - Virgin Blue valet car parking and “Blue Lounge” at T3 terminal
- **IATA Global Airport Monitor ranks Sydney in Top 10 overall**
- **IATA ranks Sydney 6th in 15-25m pax category**
- **Skytrax ranks Sydney 4th overall and 3rd in Asia-Pacific**

New Organisational Structure

- **Objectives of structure:**
  - Operational efficiency benchmarked against competitors
  - Flatten corporate structure
  - Streamline reporting lines
  - Increase management accountability
  - Outsource non-core activities
  - Retain/develop IP
  - ‘one-site’ focus

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New Organisational Structure

- CEO
  MAX MOORE-WILTON
  - Company Secretary & Legal
    CLAIR HODGE
  - Property Development
    COLIN GROVE
  - Retail & Commercial Development
    BOB McFADYEN
  - Aviation Business Development
    GREG TIMAR
  - Airport Operations
    STEVEN FITZGERALD
  - Asset Planning & Services
    JULIEANNE ALROE
  - Corporate Affairs & HR
    CHRIS FALVEY
  - Finance
    RUTH MARTIN

$\underbrace{\text{Property Development, Retail \& Commercial Development, Aviation Business Development}}_{\text{Value Maximisation}}$

$\underbrace{\text{Airport Operations, Asset Planning \& Services}}$

Value Delivery

OPEX

Asset Optimisation

OPEX / CAPEX

$\underbrace{\text{Corporate Affairs \& HR}}_{\text{Climate Mgt.}}$

Finance expertise & planning excellence

Revenue

Support

New Organisational Structure

- **Timing of implementation:**
  - Phase 1 – Management redundancies and VR
  - Phase 2 – Outsourcing of Ground Maintenance
  - Phase 3 – Outsourcing of Facilities Management
- **Project / transition roles:**
  - Identified early
  - Rolling orderly exit process
- **No compromise on safety, security and service standards**

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Operating costs: FY04 & future periods

- **Implementation of organisational restructuring**
  - Full impact of staff cuts seen in FY05 onwards
  - Specific costs of reorganisation estimated at $6m
  - Sept qtr Q1 FY04 accounts included $4.4m charge
- **Continued review of operating costs as part of the move to maximise operational efficiency**
  - Facilities management outsourcing review
  - Ongoing review of existing service and utilities contracts
  - Continued benchmarking of operational efficiency

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Key Strategic Initiatives - Master Plan

- **Commonwealth requirement (Airports Act)**
  - stakeholder/community consultation from July 02
  - Public exhibition/comment closed 29 October 03
  - Submitted to Minister by 31 December 03
- **Long Term Business Planning Tool**
  - highest and best use of available land
  - planned ‘recycling’ of available land
  - regional planning integration
  - community input/awareness

Master Plan - 20 year outlook

- Sydney has capacity for 20-year outlook
  - Growth to 68.3 million PAX in 2024
- No second Sydney Airport/spillover within 20-year planning outlook
- Ansett collapse and September 11 have extended Sydney Airport's capacity
- Community attitudes positive towards Sydney Airport
  - Community safeguards - curfew, cap, etc - should mitigate noise impacts

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Capacity Management

- **Capex forecasts:**
  - Forecasts on acquisition: $586m over 5 years
  - Capex for FY03: Total $51; Growth $38m & maintenance $13m
  - Detailed review of medium and long term forecasts completed
  - Revised 5 year forecast (1+4): $485m; Growth $390m (excl ACS office tower) & Maintenance $95m
- **Major projects included within forecast:**
  - New large aircraft (A380) airport modification: $100m
  - Airfield lighting upgrade $50m
  - Checked Bag Screening - small allowance included, discussions with Govt on funding

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Conclusions

- Solid performance and foundation established in FY03
- Large number of strategic initiatives in progress
- Airline marketing and traffic recovery will underpin future performance
- Traffic growth will be achieved at higher revenue and earnings yields driven primarily by recovery in international passengers
- Security levels are high and costs are fully recoverable from airlines
- Continue to restrain operating expenses while proceeding with new capital expenditure to improve services to passengers using Sydney Airport