

ASX Release

14 August 2013

Minority Acquisitions, ATO Resolution, Simplification

CEO, Ms Kerrie Mather, said, "We are pleased to announce that ASX-listed Sydney Airport (SYD) has agreed to purchase the remaining 15.2% interest in Sydney Airport that it does not already own, moving to 100% ownership. The acquisitions have been structured to ensure that there is no ownership dilution of our 38,000 existing SYD investors which include many of the world's largest superannuation funds and thousands of Australian retail holders. These investors continue to hold the same proportionate interest in Sydney Airport's predictable, resilient and growing cash flows.

"In addition, after extensive engagement with the Australian Taxation Office (ATO), we have agreed in-principle terms to settle all matters concerning deductibility of distributions paid on SYD Redeemable Preference Shares (RPS). We have also submitted a number of private and class ruling applications related to a corporate simplification which, subject to investor approval, is expected to be implemented by the end of 2013. These initiatives, once implemented will provide investors with tax certainty for past years and a simplified corporate structure going forward.

"SYD also reaffirms its 2013 distribution guidance of 22.5c per stapled security."

Key Highlights

- SYD to move to 100% ownership of Sydney Airport¹
- Agreed in-principle non-binding terms to settle the ATO review of RPS interest deductibility
- Simplification of the SYD corporate group², providing the opportunity to increase the foreign ownership limit from 40% to 49%³. Private and class ruling applications in relation to this simplification have been submitted
- Reaffirmation of 2013 distribution guidance of 22.5c per stapled security, subject to external shocks to the aviation industry and material changes to forecast assumptions. 11.0c has been declared for the first half and is expected to be covered by Net Operating Receipts

¹ Acquisition of some minority stakes subject to investor approval under Listing Rule 7.1 at an Extraordinary General Meeting (EGM), expected to be held in Q3 2013.

² Subject to investor approval at an EGM and Scheme Meeting, expected to be held in Q4 2013.

³ Certain steps to achieve 49% foreign ownership limit are subject to lender and other approvals.

1. Minority Acquisitions

- **SYD to acquire remaining 15.2% minority interests to move to 100% ownership of Sydney Airport**
- **Purchase undertaken by issuing SYD securities proportionate to the underlying minority interests in Sydney Airport being acquired:**
 - **Approximately 247 million securities issued to unlisted minorities which have chosen to continue their investment in Sydney Airport through SYD securities**
 - **Approximately 86 million securities to be sold via a fully underwritten institutional placement to raise cash in respect of unlisted minorities monetising their Sydney Airport interest**
 - **333 million new securities issued in total, representing 15.2% of expanded SYD securities on issue (equal to the 15.2% minority interests acquired)**

SYD has signed binding agreements to move to 100% ownership of Sydney Airport. Existing SYD investors will continue to have the same level of economic interest in Sydney Airport following the transaction.

Most of the unlisted minority investors have chosen to retain their investment in Sydney Airport through swapping their unlisted stake into the proportionate number of listed SYD securities. Continuing minority investors hold 11.3% of Sydney Airport and are long-term infrastructure investors which have held significant interests in SYD and Sydney Airport over many years: Public Sector Pension Investment Board (PSP Investments)⁴, the Future Fund, Motor Trades Association of Australia Superannuation Fund Pty Ltd (MTAA)⁵, UniSuper⁵.

The remaining unlisted minority investors hold 3.9% of Sydney Airport and will exit their investment in exchange for cash proceeds. The cash will be raised from a fully underwritten institutional placement which is being conducted today. SYD will issue approximately 86 million securities as part of the placement (a number equivalent to the exiting investors' 3.9% underlying interest in Sydney Airport).

⁴ Hochtief AirPort GmbH (Hochtief) and PSP Investments have entered into an agreement pursuant to which it is expected that PSP Investments will acquire Hochtief's indirect interest in Sydney Airport and become a substantial investor in SYD. Hochtief's new SYD Securities will initially be subject to a six month escrow period, however on completion of the PSP Investments acquisition, the escrow will cease to apply.

⁵ Subject to investor approval at an Extraordinary General Meeting, required to comply with ASX Listing Rules relating to the issuing of more than 15% of existing issued capital in a 12 month period. Completion of the MTAA and UniSuper acquisitions is expected to occur in Q3 2013.

2. Resolution of ATO Review

- **In-principle non-binding agreement to settle all matters concerning the tax deductibility of distributions paid on SYD RPS**
- **SYD to make a primary tax and interest payment of \$69 million following execution of a binding settlement deed**
- **ATO to cease all audit activity related to all RPS**

On 21 December 2012, SYD announced that the ATO had delivered to the Sydney Airport Trust 2 (SAT2) Tax Consolidated Group (the TCG) a position paper related to the tax years ended 31 December 2010 and 31 December 2011. The position paper was the product of a specific issue tax audit by the ATO on the tax deductibility of distributions on RPS issued by members of the TCG to Sydney Airport Trust 1 (SAT1). Neither the position paper nor the specific issue tax audit related to or impacted Southern Cross Airports Corporation Holdings Limited or its subsidiaries.

The in-principle non-binding agreement to allow for settlement ensures no further audit activity in relation to any of the RPS issued by members of the TCG and removes any risk of the audit period being extended to later years. A formal binding settlement deed is expected to be finalised with the ATO in conjunction with the completion of the tax rulings process related to the SYD corporate simplification outlined in Section 3 below, followed by a cash payment to the ATO.

3. SYD Simplification

- **Further significant simplification of SYD's corporate structure⁶**
- **All RPS issued by SYD and Sydney Airport to be unwound**
- **Private and class ruling applications for the simplification submitted to ATO and progressing well**
- **Anticipated increase in the Foreign Ownership Cap from 40% to 49%⁷**

By moving to 100% ownership of Sydney Airport, further significant structural simplification is possible. A restructure is expected to facilitate SYD's permitted level of foreign ownership under the Airports Act to increase from 40% to 49%.

⁶ Subject to investor approval at an EGM and Scheme Meeting, expected to be held in Q4 2013.

⁷ Certain steps to achieve 49% foreign ownership limit are subject to lender and other approvals.

Under the proposed simplification, existing investors will continue to hold the same number of SYD securities. SYD securities currently comprise one unit in SAT1 stapled to one unit in SAT2, but following the proposed simplification will be replaced by one unit in SAT1 stapled to one share in a new parent company (to be inserted above SAT2). As a result of the restructure steps, it is expected that there will be an interest-bearing loan of \$1.8 - \$2.0 billion established from SAT1 to the new parent company⁸.

SYD's proposed structural simplification will be subject to a number of approvals, including investor approval at an EGM and Scheme Meeting. Further information about the proposed simplification and the relevant approvals will be provided to investors in advance of the meeting, which is expected to be convened in Q4 2013.

Next Steps & Further Information

CFO, Stephen Mentzines, said, "This is an important package of initiatives for SYD as it deals with historical matters and provides certainty for our investors into the future. Investors can now focus solely on Sydney Airport's operational performance, which has been strong over many years."

SYD expects to take the following steps to implement the matters set out in this announcement:

- Immediately undertake an institutional placement to facilitate 3.9% minority acquisitions
- Issue securities to facilitate continuing investments for PSP Investments and Future Fund (issuance to coincide with the institutional placement described above)
- Conduct first EGM to refresh placement capacity and finalise minority acquisitions by issuing securities to MTAA and UniSuper (estimated Q3 2013)
- Conduct second EGM and Scheme Meeting to approve the corporate simplification, in conjunction with finalisation of the ATO settlement and ATO rulings (estimated Q4 2013)
- Implement corporate simplification (estimated Q4 2013)

SYD also intends to reinstate the Distribution Reinvestment Plan (DRP). DRP participation will be available from the distribution expected to be paid in February 2014.

All processes are expected to be completed prior to 31 December 2013⁹. For more detailed information, please refer to the presentation released to the Australian Securities Exchange today.

⁸ For further information, refer to the presentation submitted to the Australian Securities Exchange today.

⁹ Subject to various regulatory, investor and other approvals.

Appendix: Continuing Minority Investors

Bruno Guilmette, Senior Vice President, Infrastructure Investments at PSP Investments said, “PSP Investments has been an investor in SYD for a few years and we look forward to our ongoing relationship through an increased and substantial holding in SYD. Airports are resilient businesses with attractive cash flow profiles, and they fit well with our long-term investment horizon.”

Future Fund Head of Infrastructure and Timberland, Raphael Arndt, said, “Australian infrastructure assets such as Sydney Airport are attractive to the Future Fund because of their strong correlation with Australian economic growth, inflation protection and relatively high levels of earnings certainty. We have been an investor in SYD for many years and look forward to our ongoing involvement in the company.”

MTAA Super CEO, Ms Leanne Turner, said, “The Equity Swap is another positive step in MTAA Super’s successful involvement with SYD and Sydney Airport since privatisation. We remain confident in our investment and look forward to having a long-term economic exposure to Sydney Airport’s excellent business model through our SYD securities.”

UniSuper’s Chief Investment Officer, John Pearce, said “UniSuper has taken the opportunity to consolidate its investment in the airport by exchanging its unlisted Sydney Airport stake for SYD securities to add to its existing substantial holdings in SYD. We have been an investor in, and supporter of, SYD and view Sydney Airport as a high quality infrastructure asset and look forward to our ongoing involvement.”

For further information, please contact:

Hugh Wehby
Head of Investor Relations

Tel: +612 9667 9873
Mob +61 427 992 538
Email hugh.wehby@syd.com.au