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ASX Release

25 October 2013

Sydney Airport

Notices of Meetings and Explanatory Memorandum

Please find attached the Notices of Meetings, Explanatory Memorandum and Proxy Form relating to a proposal to restructure Sydney Airport. Printed copies of these documents will be dispatched to Securityholders on 30 October 2013 at which time an information line (details below) will be open to Securityholders with any questions.

The Meetings will be held on 22 November 2013, at 10am Sydney time at the Sofitel Sydney Wentworth Hotel, 61-101 Phillip St, Sydney.

Sydney Airport Securityholder Information line:

1300 391 219 (within Australia)

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SYDNEY AIRPORT

Explanatory Memorandum Proposal to restructure Sydney Airport

The Directors of Sydney Airport unanimously recommend that Securityholders **vote in favour** of the Resolutions.



Meeting Date
Friday, 22 November 2013
Sofitel Sydney Wentworth
61-101 Phillip Street, Sydney

Guide to the content of this Explanatory Memorandum

This Explanatory Memorandum is divided into the following Sections:

1. Key Dates and Meeting Location
2. Letter from the Chairman
3. Overview of the Proposal
4. Frequently Asked Questions
5. The Proposal
6. Financial Impact of the Proposal
7. Sydney Airport Limited
8. Australian Tax Report
9. Securityholder Approvals
10. Additional Information
11. Glossary
12. Other Important Information

Annexures

- Annexure A: Independent Expert's Report
- Annexure B: Investigating Accountant's Report
- Annexure C: Summary of the Material Documents
- Annexure D: Details of the Scheme
- Annexure E: SAT1 Constitutional Amendments
- Annexure F: SAT2 Supplemental Deed
- Annexure G: Notices of Meeting

Corporate Directory

A Proxy Form accompanies this Explanatory Memorandum.

Notices of Scheme Meeting and General Meetings, and Explanatory Memorandum

The Meetings will be held on Friday, 22 November 2013 at 10.00am Sydney time at the Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney.

The Meetings will comprise concurrent general meetings of the two entities that make up ASX-listed Sydney Airport, namely Sydney Airport Trust 1 (ARSN 099 597 921) (SAT1) and Sydney Airport Trust 2 (ARSN 099 597 896) (SAT2), and a scheme meeting of SAT2. Sydney Airport Holdings Limited (ACN 075 295 760) (SAHL) is the responsible entity of SAT1 and SAT2 (together, Sydney Airport).

At the Meetings a recommended proposal (among other things) will be considered for the simplification of the structure of Sydney Airport as set out in the overview in Section 3 and explained in more detail in Section 5.

The Directors of Sydney Airport unanimously recommend that Securityholders vote in favour of the Resolutions.

The Independent Expert, Deloitte Corporate Finance Pty Ltd, has concluded that the Proposal is fair and reasonable and in the best interests of Securityholders. It is recommended that Securityholders read the Independent Expert's Report in full (set out in Annexure A).

This Explanatory Memorandum is important and requires your immediate attention. You should read this Explanatory Memorandum in its entirety before deciding how to vote on the Resolutions, and consult your investment, financial, tax, legal or other professional adviser if you are in any doubt about what to do.

This Explanatory Memorandum (including the Independent Expert's Report in Annexure A of the Explanatory Memorandum) will also be available free of charge at least 21 days before the Meetings on Sydney Airport's website at www.sydneyairport.com.au/investors.

If you have any questions, please contact Sydney Airport's Securityholder Information Line on 1300 391 219 (within Australia) or +613 9415 4280 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

Issued by Sydney Airport Holdings Limited (ACN 075 295 760) as responsible entity of Sydney Airport Trust 1 (ARSN 099 597 921) and Sydney Airport Trust 2 (ARSN 099 597 896).

Important Notices

Purpose of this notice of Securityholders' meetings and explanatory memorandum (*Explanatory Memorandum*)

This Explanatory Memorandum, dated 25 October 2013, provides holders of Existing Stapled Securities in Sydney Airport (**Securityholders**) with information about the Proposal that, if approved, will result in a simplification of the structure of Sydney Airport by following the steps described in Sections 5.3 and 5.4. This Explanatory Memorandum is not a prospectus. However, it does contain the information that would be required under section 710 of the Corporations Act if it were a prospectus offering for subscription of the securities for which ASX quotation is sought.

This Explanatory Memorandum does not constitute an offer or recommendation of securities in any jurisdiction or to any person to whom it would be unlawful to make such an offer. This Explanatory Memorandum is neither an offer to sell nor a solicitation of an offer to buy securities within the meaning of the US Securities Act of 1933 (**US Securities Act**).

The Sydney Airport Limited Shares to be issued under the Scheme in connection with the Proposal have not been nor will be registered under the US Securities Act. In addition, neither Sydney Airport nor any of the stapled entities that comprise (or, if the Proposal is implemented, will comprise) Sydney Airport have been or will be registered under the US Investment Company Act of 1940 (**US Investment Company Act**), pursuant to Section 3(c)(7) of the US Investment Company Act.

For details of the selling restrictions that apply to the issue of Sydney Airport Limited Shares in foreign jurisdictions, see Section 10.13.

Securityholders should read this Explanatory Memorandum in its entirety, and consider its contents carefully, before deciding how to vote on the Resolutions. You may also wish to obtain independent advice, particularly about matters that concern you as an individual, including tax. If you have any questions, please contact Sydney Airport's Securityholder Information Line on 1300 391 219 (within Australia) or +613 9415 4280 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

The Proposal is subject to a number of conditions, including Securityholder approval of the Resolutions (see Section 5.7). If the Proposal is approved, it will be binding on every Securityholder (whether or not the Securityholder voted, and whether or not the Securityholder voted in favour of or against the Proposal).

Responsibility for this Explanatory Memorandum

Except as outlined below, SAHL as responsible entity of SAT1 and SAT2 is responsible for the information in this Explanatory Memorandum. No party consenting has withdrawn their consent before the date of this Explanatory Memorandum.

Deloitte Corporate Finance Pty Ltd has prepared and is responsible for the Independent Expert's Report in relation to the Proposal included as Annexure A to the Explanatory Memorandum. SAHL as responsible entity of SAT1 and SAT2, and Sydney Airport Limited, and their respective directors, officers and advisers, assume no responsibility for the accuracy or completeness of the Independent Expert's Report, except in relation to information given by them to the Independent Expert for the purposes of preparing the Independent Expert's Report. Deloitte Corporate Finance Pty Ltd does not assume any responsibility for the accuracy or completeness of any other part of this Explanatory Memorandum.

KPMG Transaction Services has prepared and is responsible for the Investigating Accountant's Report in relation to the Proposal included as Annexure B to the Explanatory Memorandum. SAHL as responsible entity of SAT1 and SAT2, and Sydney Airport Limited, and their respective directors, officers and advisers, assume no responsibility for the accuracy or completeness of the Investigating Accountant's Report, except in relation to information given by them to the Investigating Accountant for the purposes of preparing the Investigating Accountant's Report. KPMG Transaction Services does not assume any responsibility for the accuracy or completeness of any other part of this Explanatory Memorandum.

PricewaterhouseCoopers is the author of the report titled 'Australian Tax Report' contained in section 8. SAHL as responsible entity of SAT1 and SAT2, and Sydney Airport Limited, and their respective directors, officers and advisers, assume no responsibility for the accuracy of the Australian Tax Report, except in relation to information given by them to PricewaterhouseCoopers for the purposes of preparing the Australian Tax Report. PricewaterhouseCoopers does not assume any responsibility for the accuracy of any other part of this Explanatory Memorandum or the completeness of the Explanatory Memorandum.

Sydney Airport Limited has provided, and is solely responsible for, the Sydney Airport Limited Information, and SAHL as responsible entity of SAT1 and SAT2 and their respective directors, officers, employees and advisers do not assume any responsibility for and accept no liability for the accuracy or completeness of the Sydney Airport Limited Information. Sydney Airport Limited has provided its consent to the inclusion of the Sydney Airport Limited Information in this Explanatory Memorandum, but does not assume any responsibility for the accuracy or completeness of the information contained in this Explanatory Memorandum other than the Sydney Airport Limited Information.

New RE has provided, and is solely responsible for, the New RE Information, and SAHL as responsible entity of SAT1 and SAT2 and Sydney Airport Limited and their respective directors, officers, employees and advisers do not assume any responsibility for and accept no liability for the accuracy or completeness of the New RE Information. New RE has provided its consent to the inclusion of the New RE

Important Notices (continued)

Information in this Explanatory Memorandum, but does not assume any responsibility for the accuracy or completeness of the information contained in this Explanatory Memorandum other than the New RE Information.

Important notice associated with judicial advice of the Court

The fact that the Court has given judicial advice that SAHL (as responsible entity of SAT2) would be justified in convening the Scheme Meeting does not mean that the Court:

- a. has formed any view as to the merits of the proposed Scheme or as to how Securityholders should vote (on this matter Securityholders must reach their own decision); or
- b. has prepared, or is responsible for the content of, this Explanatory Memorandum.

Defined terms

Capitalised terms used in this Explanatory Memorandum are defined in the Glossary in Section 11.

Date

This Explanatory Memorandum is dated 25 October 2013.

Regulatory information

A copy of this Explanatory Memorandum was lodged with ASIC on 25 October 2013. Neither ASIC nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

A copy of this Explanatory Memorandum has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum. The fact that ASX may admit Sydney Airport Limited to the official list of ASX does not make any statement regarding, and shall not be taken in any way as an indication of, the merits of an investment in Sydney Airport Limited.

Sydney Airport Limited will apply for admission to the official list of ASX Limited and for quotation of the Sydney Airport Limited Shares on ASX on or about the date of the Explanatory Memorandum.

Supplementary Information

Information regarding the issue of Sydney Airport Limited Shares under this Explanatory Memorandum or the Proposal generally may need to be updated from time to time. Any updated information about the Issue that is considered not to be materially adverse information will be made available on Sydney Airport's website at www.sydneyairport.com.au. SAT2 will provide a copy of the updated information free of charge to any eligible investor who requests a copy by calling Sydney Airport's Securityholder Information Line on 1300 391 219 (within Australia) or +613 9415 4280 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

Sydney Airport may issue a supplementary document to this Explanatory Memorandum if it becomes aware of any of the

following between the date of lodgement of this Explanatory Memorandum and the date of the Meetings:

- a material statement in this Explanatory Memorandum is false or misleading;
- a material omission from this Explanatory Memorandum;
- a significant change affecting a matter in this Explanatory Memorandum; or
- a significant new matter has arisen and it would have been required to be included in this Explanatory Memorandum if known at the date of lodgement with ASIC.

No person is authorised to give any information, or to make any representation, in connection with the Issue that is not contained in this Explanatory Memorandum.

No cooling-off rights

Cooling-off rights do not apply to the issue of Sydney Airport Limited Shares under the Proposal.

More important notices

Other important information is found in Section 12. You should have regard to this other important information when considering the contents of this Explanatory Memorandum.

Table of Contents

1. Key Dates and Meeting Location	5	7. Sydney Airport Limited	40
1.1 Key Dates	5	7.1 Overview	40
1.2 Meeting Location	5	7.2 Summary	40
1.3 What do you need to do next?	5	7.3 Key Terms of Sydney Airport Limited Shares	42
2. Letter from the Chairman	6	7.4 Overview of Sydney Airport Limited	44
3. Overview of the Proposal	7	7.5 Financial Information	44
3.1 Background and overview	7	7.6 Key People	45
3.2 Alternatives considered	9	7.7 Key Risks	46
3.3 Directors' recommendation	9	7.8 Additional Sydney Airport Limited Information	48
3.4 Independent Expert's Report	10	8. Australian Tax Report	51
3.5 Description of the key benefits, risks, disadvantages and costs of the Proposal	10	9. Securityholder Approvals	63
3.6 Tax implications	14	9.1 Securityholder approvals sought	63
3.7 Key conditions and termination rights	15	9.2 Scheme Resolutions	63
3.8 Summary of the Securityholder approvals sought for the Proposal	15	9.3 General Meeting Resolutions	63
4. Frequently Asked Questions	16	9.4 Interconditionality, voting instructions	64
4.1 Details of the Proposal	16	10. Additional Information	66
4.2 The Scheme & New RE	18	10.1 Interests in the Scheme	66
4.3 The Restructure	21	10.2 Securityholders participating in the Scheme	67
4.4 The Scheme Meeting and General Meetings	22	10.3 Airport ownership considerations	68
5. The Proposal	24	10.4 Acquisition of New Stapled Securities by foreign persons	68
5.1 Effect of the Proposal on Sydney Airport	24	10.5 Continuous disclosure	69
5.2 Structure of Sydney Airport following implementation of the Proposal	24	10.6 Infrastructure entity disclosures	69
5.3 Steps involved in the Scheme	25	10.7 Regulatory matters	69
5.4 Steps involved in the Restructure	25	10.8 Consents and disclaimers	70
5.5 Information about New RE	26	10.9 Other matters	71
5.6 The New Stapled Securities	27	10.10 Directors' consent to lodgement	72
5.7 Key conditions and termination rights	27	10.11 Updates to the Proposal	72
5.8 Corporate governance	28	10.12 Tax file numbers	72
5.9 Reasons why you should vote in favour of the Resolutions	31	10.13 Foreign selling restrictions	72
5.10 Reasons why you might vote against the Resolutions	32	11. Glossary	75
5.11 Directors' recommendation	32	12. Other Important Information	79
5.12 Independent Expert's Report	33	Annexure A: Independent Expert's Report	81
5.13 Risks and disadvantages	33	Annexure B: Investigating Accountant's Report	127
5.14 Implications if the Proposal is not approved and implemented	35	Annexure C: Summary of the Material Documents	135
5.15 Implications if the Proposal is approved and implemented	35	Annexure D: Details of the Scheme	141
6. Financial impact of the Proposal	36	Annexure E: SAT1 Constitutional Amendments	143
6.1 Introduction	36	Annexure F: SAT2 Supplemental Deed	153
6.2 Distribution guidance	36	Annexure G: Notices of Meeting	163
6.3 Basis of preparation	36		
6.4 Pro Forma Historical Statement of Financial Performance	37		
6.5 Pro Forma Historical Statement of Financial Position	38		
6.6 Important notice	39		

1. Key Dates and Meeting Location

1.1 Key Dates

Last date and time to lodge Proxy Forms	10.00am Wednesday, 20 November 2013
Voting Record Date – Date and time to determine your eligibility to vote at the Meetings	7.00pm Wednesday, 20 November 2013
Meeting Date to approve the Proposal	Friday, 22 November 2013
ASX announcement of results of Meetings	Friday, 22 November 2013

If the Resolutions are properly passed at the Meetings, the following timetable is proposed to be implemented.

New RE appointed as RE of SAT1	On or about Monday, 25 November 2013
Second Court Hearing Date / Second Judicial Advice Date	Monday, 25 November 2013

If Sydney Airport receives the advice it seeks at the Second Court Hearing and the remaining conditions of the Proposal are satisfied, the following timetable is proposed to be implemented.

Effective Date of Scheme	Monday, 25 November 2013
Last day of trading in Existing Stapled Securities	Monday, 25 November 2013
New Stapled Securities commence trading on ASX on a deferred settlement basis ¹	Tuesday, 26 November 2013
Record Date – the time and date which determines the entitlements of Securityholders for implementation of the Scheme	7.00pm Monday, 2 December 2013
Implementation Date	Tuesday, 3 December 2013
New Stapled Securities end trading on ASX on a deferred settlement basis	Tuesday, 3 December 2013
New Stapled Securities commence trading on ASX on a normal T+3 settlement basis	Wednesday, 4 December 2013
Proposed date for completion of the Restructure	On or about Wednesday, 4 December 2013
Despatch of holding statements	Monday, 9 December 2013

Note: Dates and times are indicative only and are subject to change and to SAT2 receiving the advice and orders (as applicable) it seeks at the Second Court Hearing and satisfaction of the conditions precedent of the Scheme as set out in further detail in Section 5.7. Unless otherwise specified, all times and dates refer to Sydney time. Any changes to the timetable will be notified to ASX and posted on Sydney Airport's website at www.sydneyairport.com.au.

1.2 Meeting Location

The Meetings will be held at:

Location

Sofitel Sydney Wentworth
61-101 Phillip Street, Sydney

Date

Friday, 22 November 2013

Time

10.00am (Sydney time)

1.3 What do you need to do next?

Step 1: Carefully read this Explanatory Memorandum

You should read this Explanatory Memorandum in full before deciding how to vote. The Frequently Asked Questions in Section 4 may help answer some of your questions. If you

have any doubts about what action to take, you should seek your own independent financial, legal, tax or other professional advice before deciding how to vote at the Meetings.

Step 2: Vote on the Resolutions

If you are a Securityholder on the Voting Record Date you are entitled to vote on the Resolutions at the Meetings.

You can vote:

- by proxy, by completing and returning a Proxy Form; or
- in person, by attending the Meetings to be held at the Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney, commencing at 10.00am (Sydney time) on Friday, 22 November 2013.

To ensure your Proxy Form is valid, you should return it so that it is received by 10.00am (Sydney time) on Wednesday, 20 November 2013. Instructions for completing and returning your Proxy Form are in Section 9.4.

2. Letter from the Chairman

Dear Securityholder

This Explanatory Memorandum outlines the Directors' proposal to restructure and simplify the Sydney Airport Group.

The Proposal requires the consideration and approval of Sydney Airport Securityholders at the meetings of Securityholders to be held at the Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney, on Friday, 22 November 2013 at 10.00am. If you are unable to attend, I encourage you to vote by proxy by Wednesday, 20 November 2013.

The opportunity for further simplification of the Sydney Airport Group structure has arisen following Sydney Airport's successful acquisition of all minority ownership interests in Sydney (Kingsford Smith) Airport.

The Directors consider that the simplified structure will bring with it a number of advantages, including:

- further simplification of management and administrative matters for the Sydney Airport Group;
- an increase in permitted foreign ownership of Sydney Airport from 40% to 49%, providing the opportunity to broaden the Sydney Airport investor base;
- greater certainty in relation to the issues raised in the previously disclosed tax audit being conducted by the ATO in relation to entities within the Sydney Airport Group; and
- improved governance arrangements.

The Directors have considered a number of alternatives and considered disadvantages and potential risks of the Proposal, which are set out in this Explanatory Memorandum (see Sections 3.2, 3.5 and 5.13 for further detail). You should also consider these matters when determining how you will vote.

What is the Proposal?

The Proposal is comprised of a trust scheme (**Scheme**) and a restructure of the Sydney Airport Group (**Restructure**). Under the Scheme it is proposed that a new company, Sydney Airport Limited, will acquire all of the SAT2 Units currently held by Securityholders. Securityholders will be issued one Sydney Airport Limited Share in exchange for each SAT2 Unit they currently hold.

If the Scheme is implemented, Securityholders will hold the same number of New Stapled Securities (comprising one SAT1 Unit stapled to one Sydney Airport Limited Share) as they hold Existing Stapled Securities. Securityholders will hold the same proportionate interest in Sydney (Kingsford-Smith) Airport as they currently hold.

The Proposal also involves SAHL retiring as the responsible entity of SAT1 and being replaced by a new entity, New RE.

The Restructure is proposed in order to simplify the Sydney Airport Group structure. Following the Restructure, Sydney Airport Limited will be the holding company for the Sydney Airport operating entities. The Restructure will allow the permitted level of foreign ownership to increase from 40% to 49%.

Independent Expert's conclusion

The Independent Expert has provided an assessment of the Proposal for the benefit of Securityholders. The Independent Expert has concluded that the Proposal is fair and reasonable and in the best interests of Securityholders. It is recommended that Securityholders read the Independent Expert's Report in full (set out in Annexure A).

Directors' Recommendation

The Directors unanimously recommend that you vote in favour of the Resolutions to approve the Proposal. The Directors will be voting in favour of all the Resolutions in respect of the Sydney Airport securities held by them. The Directors consider that the Proposal is in the best interests of Securityholders and the most effective option of the alternatives they have considered.

Questions

We encourage you to read this Explanatory Memorandum in full and if you have any questions please contact your financial adviser or call Sydney Airport's Securityholder Information Line on 1300 391 219 (within Australia) or +613 9415 4280 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time). On behalf of the Directors, we thank you for your continued support of Sydney Airport and encourage you to vote in favour of the Proposal.

Yours sincerely



Max Moore-Wilton
Chairman
Sydney Airport

3. Overview of the Proposal

3.1 Background and overview

3.1.1 Background

On 23 September 2013, Sydney Airport announced that it had successfully completed the acquisition of all remaining minority ownership interests in Sydney (Kingsford Smith) Airport such that the Sydney Airport operating entities are now wholly-owned Subsidiaries of Sydney Airport. The acquisition of all of the remaining minority interests in the Sydney Airport operating entities has provided the opportunity for further simplification of the Sydney Airport Group structure pursuant to the Proposal.

The Directors consider that the Proposal will simplify the Sydney Airport Group structure, improve Sydney Airport governance arrangements and increase the permitted level of foreign ownership of Sydney Airport from 40% to 49%.

3.1.2 Overview of the Proposal

The Proposal is comprised of the Scheme and the Restructure:

- **Under the Scheme:** it is proposed that Sydney Airport Limited will acquire all of the SAT2 Units held by Securityholders and, as consideration, Securityholders will be issued one Sydney Airport Limited Share for every SAT2 Unit they hold. If implemented, the Scheme will result in Securityholders holding the same number of New Stapled Securities (comprising one SAT1 Unit stapled to one Sydney Airport Limited Share) as the number of Existing Stapled Securities they hold on the Record Date.
- **Under the Restructure:** it is proposed that an internal restructure be effected in order to simplify the Sydney Airport Group structure such that, following implementation, Sydney Airport Limited will hold the Sydney Airport operating entities and various Australian and foreign non-operating entities of the Sydney Airport Group will be held by SAT1 (and the majority of those entities are expected to be wound-up in an orderly fashion).

The Proposal also involves SAHL retiring and being replaced as the responsible entity of SAT1 by New RE following the Meetings, if the Resolutions are approved by the requisite majorities of Securityholders. The appointment of New RE is an important element in enabling greater certainty for Sydney Airport's future tax position (see Section 5.9 for further detail).

Implementation of the Proposal will not result in any significant change to the overall investment of Securityholders. Securityholders will continue to hold exactly the same number of Stapled Securities and the same proportionate interest in Sydney Airport following implementation of the Proposal.

The Proposal is anticipated to be the final component of the broader simplification of the Sydney Airport Group structure, which includes the acquisition of the minority interests in Sydney (Kingsford Smith) Airport referred to above. Sydney Airport is not currently contemplating further transactions in this respect.

The Proposal is subject to the satisfaction or waiver of the conditions set out in Section 5.7.

The Proposal and the steps involved are described in more detail in Section 5.

3.1.3 Impact on distribution guidance

The Proposal will have no impact on 2013 distribution guidance, which the Directors reaffirm as 22.5 cents per Stapled Security (subject to external shocks to the aviation industry and material changes to forecast assumptions). A distribution of 11.0 cents per Stapled Security for the first half of 2013 was paid on 16 August 2013. It is anticipated that the final distribution for 2013 will be paid in February 2014.

3.1.4 Overview of Sydney Airport

The principal activities of Sydney Airport are the provision of infrastructure at, and the operation of, Sydney (Kingsford Smith) Airport. This includes both aeronautical and commercial operations. Sydney Airport is Australia's largest international gateway and primary airport.

Implementation of the Proposal will not result in any change to the principal activities of Sydney Airport.

3.1.5 Sydney Airport Current Developments

As previously announced, Sydney Airport is currently preparing a new draft 'Master Plan' to submit to the Australian Government on or before 2 December 2013, which will detail Sydney Airport's vision for the operation and development of Sydney (Kingsford Smith) Airport over the next 20 years.

As part of the process of preparing a new Master Plan, Sydney Airport first prepared and publicly exhibited for comment a Preliminary Draft Master Plan. Sydney Airport is now considering comments received during the public exhibition period and, where appropriate, will amend the Preliminary Draft Master Plan to produce a Draft Master Plan for submission to the Australian Government.

Sydney Airport anticipates that Sydney (Kingsford Smith) Airport will have sufficient capacity beyond the period of the Master Plan. For further detail see Sydney Airport's Preliminary Draft Master Plan which is available on Sydney Airport's website, as announced to ASX on 5 June 2013.

Sydney Airport released its half-year results to ASX on 22 August 2013.

Sydney Airport periodically releases information to ASX in relation to the foreign ownership levels of Sydney Airport. On 11 October 2013 the level of foreign ownership in Sydney Airport was 29.67%.

Sydney Airport also releases information on Sydney (Kingsford Smith) Airport traffic on a monthly basis. The last traffic performance information prior to the date of this Explanatory Memorandum was released on 18 October 2013.

3. Overview of the Proposal (continued)

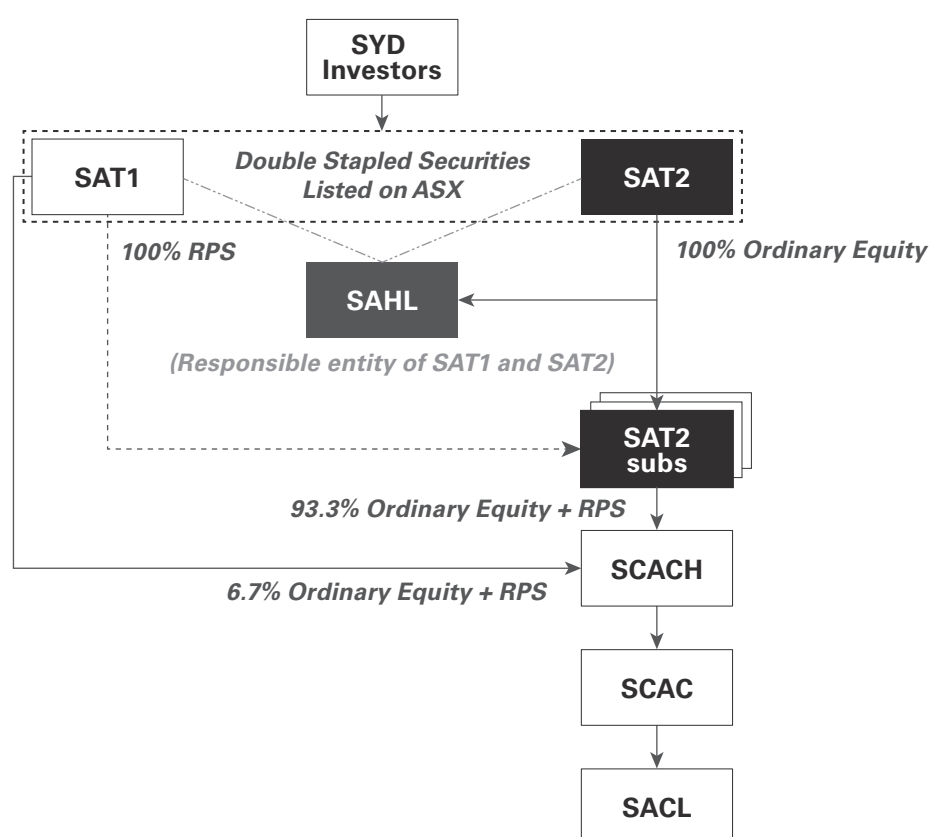
Finally, as previously announced, Sydney Airport intends to re-instate its distribution reinvestment plan (**DRP**) in February 2014. Securityholders will shortly be provided with information in relation to the **DRP** and will be requested to make an election in relation to their participation in the **DRP**. If Securityholders elect to participate in the **DRP** and the Scheme is implemented, that election will continue to be valid in relation to New Stapled Securities following implementation of the Scheme.

Securityholders should give careful consideration to the information provided in relation to the **DRP** and their individual financial situation and objectives before electing to participate in the **DRP**. Information to be provided in relation to the **DRP** will not be prepared to address the particular financial circumstances of individual Securityholders. Securityholders should consider obtaining their own investment, tax, accounting or other advice prior to making an election to participate.

Sydney Airport will announce to ASX any material developments on the above matters.

3.1.6 Sydney Airport Structure

The following diagram is a simplified representation of the current structure of the Sydney Airport Group.



As represented above, Sydney Airport is currently a stapled vehicle comprised of SAT1 and SAT2. Securityholders currently hold Stapled Securities each comprising one SAT1 Unit and one SAT2 Unit.

The Sydney Airport operating entities, including Sydney Airport Corporation Limited (**SACL**) the lessee and operator of Sydney (Kingsford Smith) Airport, are now all wholly-owned Subsidiaries of Sydney Airport.

SAHL is currently the responsible entity of SAT1 and SAT2.

A number of the entities represented as 'SAT2 subs' above are Australian and foreign non-operating entities, including previous holders of the Sydney Airport Group's former interests in foreign airports.

The 'RPS' referred to in the diagram above are redeemable preference shares. Those 'RPS' that are shown to be held in the 'SAT2 subs' are the Subsidiary RPS Interests. Those RPS that are shown to be held in SCACH are a component of the SCACH Interests. Further detail on the 'RPS' is provided in the description of the Restructure in Section 5.4.

3.1.7 Effect of the Proposal on Sydney Airport

Following the implementation of the Scheme, Sydney Airport will be a stapled vehicle comprised of SAT1 and Sydney Airport Limited and Securityholders will hold Stapled Securities each comprising one SAT1 Unit and one Sydney Airport Limited Share. New RE will be the responsible entity of SAT1 and Sydney Airport Limited will hold the Sydney Airport operating entities.

3. Overview of the Proposal (continued)

Following implementation of the Restructure, various Australian and foreign non-operating entities of the Sydney Airport Group (represented below as 'SAT2 subs') will be held by SAT1 (and the majority of those entities are expected to be wound-up in an orderly fashion).

Under the Restructure, the Subsidiary RPS Interests referred to in the diagram in Section 3.1.6 above will be eliminated and will no longer be a component of the Sydney Airport Group structure. It is contemplated that Sydney Airport Limited will indirectly acquire the Subsidiary RPS Interests from SAT1 prior to the elimination of those interests. The Restructure also contemplates that Sydney Airport Limited will acquire the SCACH Interests from various entities in the Sydney Airport Group and continue to hold those interests. The terms of these transactions are subject to agreement by Sydney Airport Limited and New RE as the responsible entity of SAT1 (should New RE be appointed as the responsible entity of SAT1).

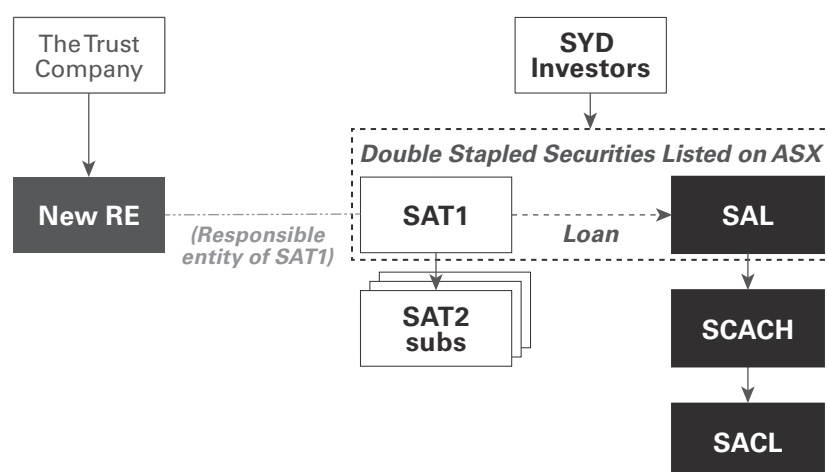
It is contemplated that a new loan arrangement will be entered into between SAT1 (as lender) and Sydney Airport Limited (as borrower).

Further detail on the transactions above (including the proposed new loan) is provided in the description of the Restructure in Section 5.4.

SACL will continue as the lessee and operator of Sydney (Kingsford Smith) Airport.

The steps involved in the Proposal are set out in Section 5.3.

The following diagram is a simplified representation of the structure of the Sydney Airport Group following implementation of the Proposal.



3.2 Alternatives considered

The following are among the alternatives to the Proposal considered by the Directors and advisers to Sydney Airport:

- maintaining the existing legal and operating structure of Sydney Airport;
- creating a single listed holding company for all members of the Sydney Airport Group; and
- implementing a restructure under which SCACH would be listed, with stapled ordinary shares and RPS on issue.

The Directors consider the Proposal to be superior to the alternatives considered because it provides the benefits set out in Section 3.5 below. The alternatives would not necessarily provide the same benefits and, in some cases, could result in Sydney Airport incurring higher transaction costs.

The alternatives above are considered in further detail in the Independent Expert's Report in Annexure A of the Explanatory Memorandum.

3.3 Directors' recommendation

The Directors unanimously recommend that you vote in favour of the Resolutions. The Directors will vote the Existing Stapled Securities they own or control in favour of the Resolutions.

3. Overview of the Proposal (continued)

3.4 Independent Expert's Report

The Independent Expert has provided an assessment of the Proposal for the benefit of Securityholders. The Independent Expert has concluded that the Proposal is fair and reasonable and in the best interests of Securityholders. In reaching this opinion, the Independent Expert has concluded that the advantages of the Proposal outweigh the disadvantages, and has taken into account, among other things, the following factors:

- an increase in the permitted foreign ownership of Sydney Airport to 49% which may increase demand for, and liquidity in, Stapled Securities;
- greater certainty in relation to Sydney Airport's tax affairs and governance structure; and
- simplification of Sydney Airport's ownership structure.

A copy of the Independent Expert's Report can be found in Annexure A of the Explanatory Memorandum. It is recommended that Securityholders read the Independent Expert's Report in full.

3.5 Description of the key benefits, risks, disadvantages and costs of the Proposal

Securityholders considering how to vote on the Resolutions should consider all of the information contained in this Explanatory Memorandum to assess the potential effect of the Proposal on them. See in particular Section 5.13 for further details on the risks associated with the Proposal.

The table below describes the anticipated benefits of the Proposal, as well as the potential risks and disadvantages and the implementation costs.

Key benefits of the Proposal

Simplification of the Sydney Airport Group structure

Implementation of the Proposal will simplify the Sydney Airport Group structure. Following implementation of the Proposal, all Sydney Airport operating entities will be wholly-owned Subsidiaries of Sydney Airport Limited. Various Australian and foreign non-operating entities of the Sydney Airport Group will be held by SAT1 and the majority of those entities are expected to be wound-up in an orderly fashion. The Directors are of the view that the Proposal will:

- further simplify management and administrative matters for the Sydney Airport Group; and
 - provide the Sydney Airport Group with a more transparent corporate ownership structure, which is consistent with the group's sole focus on the ownership of 100% of Sydney (Kingsford Smith) Airport.
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Increase in permitted foreign ownership of Sydney Airport to 49%

Currently, SAT1 and SAT2 are subject to foreign ownership restrictions under the Airports Act such that they must not at any time become a trust in which a beneficial interest in at least 40% of the income or capital is held by persons who are foreign persons (and their associates) as defined in the Airports Act. This limits foreign persons from holding 40% or more of the total number of Existing Stapled Securities on issue.

Following implementation of the Scheme, but before finalisation of the Restructure, foreign persons (and their associates) will still be restricted from holding in aggregate 40% or more of New Stapled Securities. In addition, no individual Securityholder that is a foreign person will be permitted to hold more than 15% of New Stapled Securities.

Following implementation of the Restructure, Sydney Airport Limited will be subject to a 49% limit on ownership by foreign persons (and their associates) and the ownership of SAT1 will not be subject to the Airports Act. Accordingly, the foreign ownership limit for a holding in Sydney Airport will increase to 49% and, provided that this limit is not exceeded, there will be no limit on holding New Stapled Securities that applies to an individual foreign person. Such an increase provides an opportunity to broaden the Sydney Airport investor base.

3. Overview of the Proposal (continued)

Key benefits of the Proposal

Greater certainty of tax arrangements

As previously disclosed to Securityholders, Sydney Airport is subject to a specific issue tax audit by the ATO in relation to the deductibility of distributions paid on the Subsidiary RPS Interests. Sydney Airport has agreed in-principle non-binding terms of settlement with the ATO under which Sydney Airport is to make a primary tax and interest payment of \$69 million to the ATO, and in return audit activity in relation to the Subsidiary RPS Interests will cease. These terms will be contained in a binding settlement deed proposed to be executed by the ATO and Sydney Airport. Implementation of the Proposal will result in the elimination of the Subsidiary RPS Interests from the Sydney Airport structure and facilitate Sydney Airport proceeding to a settlement with the ATO, ensuring no further audit activity in relation to the Subsidiary RPS Interests. This outcome will provide greater certainty with respect to Sydney Airport's historic tax affairs.

In connection with the ATO settlement, Sydney Airport has had extensive consultation with the ATO in regard to applications for private and class taxation rulings related to the Proposal. This process will, if the Proposal is implemented and the ATO issues final binding rulings, provide a greater level of certainty with regard to Sydney Airport's future tax position. The final binding rulings, if issued by the ATO, are expected to address various matters including the deductibility of interest on the new loan from SAT1 to Sydney Airport Limited.

Improved company governance arrangements

Following implementation, Securityholders will hold New Stapled Securities (comprising one SAT1 Unit stapled to one Sydney Airport Limited Share) in place of the Existing Stapled Securities (comprising one SAT1 Unit stapled to one SAT2 Unit). As a consequence of holding Sydney Airport Limited Shares, Securityholders will enjoy certain rights that do not attach to the Existing Stapled Securities, including:

- the right to vote on the removal of any director of Sydney Airport Limited;
 - the statutory right that Sydney Airport Limited (unlike a managed investment scheme such as SAT1 and SAT2) hold an annual general meeting, and give 28 days' notice (rather than 21 days' notice, as is presently the case) of a general meeting; and
 - the right at each annual general meeting to vote on, to ask questions about, and to make comments on, the remuneration report at the annual general meeting of Sydney Airport Limited and, where the remuneration report is not approved by Securityholders at consecutive annual general meetings, consider the re-election of Sydney Airport Limited Directors pursuant to the 'two strikes rule' under the Corporations Act.
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3. Overview of the Proposal (continued)

Key benefits of the Proposal

Implementation of independent governance arrangements

Implementation of the Proposal will result in Sydney Airport comprising a stapled vehicle made up of SAT1 and Sydney Airport Limited and New RE replacing SAHL as the responsible entity of SAT1. The New RE Board will be a separate body, independent of the Sydney Airport Limited board, allowing the Sydney Airport Limited board to focus solely on Sydney Airport operational matters.

The implementation of this governance structure and the appointment of New RE is an important element in enabling greater certainty for Sydney Airport's future tax position. Under the proposed structure, the independent boards of New RE and Sydney Airport Limited must have regard to their respective duties in negotiating the terms of the transactions entered into between the entities (including the new loan to be made by SAT1 to Sydney Airport Limited). As a consequence of those duties and the nature of the proposed governance arrangements generally, it is expected that the terms of any such transactions would be determined by the boards acting on an arm's length basis. The conduct of these transactions at arm's length is an important requirement to Sydney Airport's future tax position.

Securityholders should note that:

- There are no costs payable to SAHL in connection with its retirement as the responsible entity of SAT1.
- New RE will be entitled to a one-off establishment fee equal to \$500,000 in connection with the appointment, plus the reasonable costs incurred in connection with its appointment as responsible entity (which fee may not exceed \$1,200,000 in total).

If the Proposal is implemented, New RE would be entitled to each of the following (in each case, excluding GST):

- a fee for managing the ordinary day-to-day activities of SAT1 (RE Fee) that is equal to:
 - for the first year after its appointment, \$450,000;
 - for the second year after its appointment, \$400,000; and
 - thereafter, \$250,000 per annum (adjusted for increases in the Consumer Price Index), plus \$150,000 per annum;
- fees capped at \$1,000,000 per year (adjusted for increases in the Consumer Price Index), equal to the quarterly cost of internal legal or executive services for the benefit of SAT1; and
- a fee of \$500 per applicant for SAT1 Units if the responsible entity is required to verify the identity of the applicant in order to comply with law.

In addition to the above, if New RE is removed within three years of its appointment, in the absence of negligence, fraud or breach of trust by New RE, The Trust Company will receive an amount equal to the RE Fee for three years less any RE Fee that has been paid to New RE in that period. The payment will not be made from the assets of SAT1, but from an amount deposited in escrow by Sydney Airport Limited.

Further information in relation to the fees that are relevant to New RE following its appointment is set out in Section 5.5 and Annexure E.

No significant change to the investment of Securityholders

While presenting the key benefits set out above, implementation of the Proposal will not result in any significant change to the overall investment of Securityholders. If implemented, the Proposal will result in Securityholders holding:

- the same number of New Stapled Securities (comprising one SAT1 Unit stapled to one Sydney Airport Limited Share) as the number of Existing Stapled Securities they held on the Record Date; and
 - the same proportionate interest in Sydney Airport that they held prior to implementation of the Proposal.
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3. Overview of the Proposal (continued)

Key risks and disadvantages of the Proposal²

The costs of the Proposal may be higher than forecast

There are transaction costs associated with the implementation of the Proposal, details of which are set out in Section 5.13.3. Although the majority of those transaction costs have already been incurred, certain costs are still to be incurred and the details of transaction costs included in this Explanatory Memorandum include forecast estimates of those costs. Forecasts by their very nature are subject to uncertainties and contingencies, many of which are outside the control of Sydney Airport. There is a risk that certain identified costs of implementing the Proposal could exceed forecasts or unidentified costs of the Proposal could arise. Details of the future estimated transaction costs associated with the implementation of the Proposal are set out below.

Independent boards

The implementation of the Proposal will result in Sydney Airport comprising a stapled vehicle made up of SAT1 and Sydney Airport Limited and New RE replacing SAHL as the responsible entity of SAT1. The New RE Board will be a separate body, independent of the Sydney Airport Limited board.

While the Directors consider that the proposed governance arrangements will present the advantage of allowing the Sydney Airport Limited board to focus solely on Sydney Airport operational matters and under the proposed governance arrangements the separate independent boards may have regard to the interests of Securityholders as a whole, it is possible that the boards will reach different views on the best interests of Securityholders in certain limited decisions.

In practice, given the relative and independent roles of New RE and Sydney Airport Limited in the Sydney Airport Group, the Directors do not consider that such an occurrence would be likely to arise or have significant consequences for Securityholders. New RE will have no involvements in decisions relating to the operation of Sydney (Kingsford Smith) Airport. These decisions will be made by the board of Sydney Airport Limited or SACL (as appropriate).

Proposal risks

There are a number of specific and general risks which may affect the future operating and financial performance of Sydney Airport and the outcome of an investment in Sydney Airport, which are set out in detail in Sections 5.13, 7.2(d) and 7.7.

There are also a number of risks associated with the Proposal itself. The following is a non-exhaustive list of specific risks associated with the Proposal itself.

Conditionality of the Proposal

The Proposal may not be implemented. The Proposal is subject to conditionality including various Securityholder and regulatory approvals, and the receipt of judicial advice from the Court (see Section 5.7 for further detail). Failure to implement the Proposal may result in continued uncertainty in relation to the specific issue tax audit being conducted by the ATO in relation to the deductibility of distributions paid on the Subsidiary RPS Interests. It will also result in benefits of simplification of the Sydney Airport Group structure failing to be derived and the permitted foreign ownership of Sydney Airport remaining at the current 40% level.

Further, if the Scheme is implemented but the Restructure does not proceed, in addition to the permitted foreign ownership of Sydney Airport remaining at the current 40% level, no Securityholder that is a foreign person under the Airports Act (together with its associates) will be permitted to hold more than 15% of the total number of New Stapled Securities on issue.

Tax audit settlement and rulings process

Sydney Airport has agreed in-principle non-binding terms of settlement with the ATO in relation to the specific issue tax audit. A formal binding settlement is expected to be finalised with the ATO in conjunction with the finalisation of the tax rulings process in connection with the Proposal. It is possible that Sydney Airport and the ATO will be unable to reach a formal binding settlement or that Sydney Airport will not otherwise receive final binding tax rulings. In such a scenario, a degree of uncertainty would continue to exist in relation to Sydney Airport's current and future tax position (as it presently does).

² Section 5.13 sets out in more detail risks relating to the Proposal.

3. Overview of the Proposal (continued)

Key risks and disadvantages of the Proposal²

Disadvantages of the Proposal

While it is expected that Securityholders, taken as a whole, will not be materially disadvantaged if the Proposal is implemented, the Proposal is expected to give rise to the following matters which may be viewed as disadvantages:

- Implementation of the Proposal involves a number of one-off implementation costs, estimated at an overall total of \$8 million, including advisory costs, the cost of the Independent Expert and ASX listing costs. The majority of these costs have already been incurred at the date of this Explanatory Memorandum. It is estimated that \$6.2 million of the relevant implementation costs will have been incurred as at the date of the Meetings. There are no costs payable to SAHL in connection with its retirement as the responsible entity of SAT1.
 - While Sydney Airport operates under a corporate structure that allows it to maintain an increased limit on foreign ownership of 49%, Sydney Airport Limited will be restricted under the Airports Act from making certain investments, or undertaking certain activities, that are not related to the operation or ownership of Sydney (Kingsford Smith) Airport. This may restrict Sydney Airport's ability to change its sole focus from owning 100% of Sydney (Kingsford Smith) Airport should it decide to do so in the future. However, the relevant Airports Act restrictions would not apply to SAT1.
 - Sydney Airport, following implementation of the proposed governance arrangements under the Proposal, intends to proceed with settlement based on the in-principle terms agreed with the ATO, which arrangement will involve the payment of \$69 million to the ATO. The Directors consider that proceeding with this settlement is in the best interests of Securityholders, but doing so may not be considered an advantage by certain Securityholders.
 - As set out in Section 5.4, the Restructure involves the transfer of the Subsidiary RPS Interests and the SCACH Interests currently held by SAT1. The terms of the proposed transfers are subject to agreement by the directors of Sydney Airport Limited and the New RE Board (should New RE be appointed as responsible entity of SAT1). The transfer of these interests may impact upon the extent to which the 2013 distribution made to Securityholders by SAT1 is taxable.
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3.6 Tax implications

This Section contains a brief summary of certain Australian income tax consequences for Australian and non-Australian tax resident Securityholders from the proposed Scheme and Restructure. Securityholders should refer to the Australian Tax Report contained in Section 8 for further detail.

The Australian income tax consequences for Securityholders under the Scheme will specifically depend on whether they are residents or non-residents of Australia for Australian income tax purposes and the characterisation of their Existing Stapled Securities for income tax purposes. Nevertheless, in most cases, roll-over relief should be available to disregard any assessable income or deductible loss arising as a result of Securityholders exchanging their SAT2 Units for Sydney Airport Limited Shares.

Sydney Airport has applied for a class ruling from the ATO on behalf of Australian tax resident Securityholders to confirm the availability of roll-over relief for the Scheme. A class ruling has not been sought for non-Australian tax resident Securityholders. No assurance can be given that a final class ruling will be received. A final binding class ruling will not be received by the Meeting Date, meaning Securityholders will be required to vote on the Scheme resolutions in the absence of such a ruling. Sydney Airport expects that the final class ruling will be issued shortly after the Implementation Date if the Scheme proceeds. Obtaining the class ruling is not a requirement for any Securityholder to obtain roll-over relief,

and completion of the Scheme is not conditional on the class ruling being issued.

Under the Scheme, amendments made to the SAT1 Constitution and the appointment of New RE as the new responsible entity for SAT1 should not result in the resettlement of SAT1 for income tax purposes and no Australian income tax consequences should arise for Securityholders.

Under the Restructure, an assessable gain may be made and distributed to Securityholders in relation to the disposal of Subsidiary RPS Interests held by SAT1 and the disposal of the SCACH Interests held by SAT1. The Australian income tax treatment of the distributions received by Securityholders in respect of the Restructure will depend on whether they are residents or non-residents of Australia for Australian income tax purposes. The responsible entity of SAT1 will provide Securityholders with an annual taxation statement along with a tax guide to advise them of the appropriate Australian tax treatment of any such distribution.

Securityholders should consult their own tax advisers to determine the particular tax consequences that may arise under the Scheme and Restructure.

The information in this Explanatory Memorandum is not tax advice and does not take into account your personal circumstances, and the Directors recommend that Securityholders seek their own professional tax advice.

² Section 5.13 sets out in more detail risks relating to the Proposal.

3. Overview of the Proposal

3.7 Key conditions and termination rights

3.7.1 Key conditions

Implementation of the Scheme is subject to a number of conditions, including in particular:

- Securityholder approval: The Resolutions being approved by the requisite majorities of Securityholders.
- Judicial advice: Judicial advice being received for the Scheme.
- Regulatory relief and waivers: The receipt of ASIC relief and ASX waivers.
- No legal or regulatory restraint: There being no legal or regulatory restraint or prohibition preventing a material aspect of the Proposal.
- Listing of Sydney Airport Limited: Approval of the official quotation of Sydney Airport Limited Shares on ASX being obtained and the listing of Sydney Airport Limited on ASX.
- Lodgement of supplemental deed with ASIC: A copy of the executed SAT2 Supplemental Deed is lodged with ASIC.

The parties have agreed in the Scheme Implementation Agreement to use reasonable endeavours to procure that these conditions are satisfied before the End Date.

In addition to the receipt of Securityholder approval in respect of the Resolutions, implementation of the Restructure is conditional on the receipt of certain third party consents and other matters. Those include:

- consents required in connection with third party financing arrangements;
- substitution of a party under an agreement entered into with Ontario Teachers Pension Plan Board regarding the 2011 disposal of certain European assets of the Sydney Airport Group; and
- execution of a deed between SCACH and the Commonwealth in respect of the transfer of SACL shares from SCAC to SCACH.

As at the date of this Explanatory Memorandum, the process of obtaining those consents and agreements has commenced and Sydney Airport expects that they will be obtained or be in place before the anticipated Implementation Date.

If the Resolutions are approved by the requisite majorities of Securityholders, it is contemplated that SAHL will retire as the responsible entity of SAT1 and that New RE will be appointed as responsible entity in its place on or about Monday, 25 November 2013. This action is not subject to any of the conditions set out above, other than Securityholder approval.

Refer to Section 5.7.2 for further details of these conditions and their status. Sydney Airport will announce to ASX any material developments in the status of these conditions.

3.7.2 Termination rights

The Scheme Implementation Agreement may be terminated in certain circumstances. If the Scheme Implementation Agreement is terminated the Proposal will not proceed. Refer to Section 5.7.4 for details.

3.8 Summary of the Securityholder approvals sought for the Proposal

Securityholders will be asked to consider and vote on the following Resolutions at the Meetings, all of which are required to be passed in order to implement the Proposal:

3.8.1 SAT2 Scheme Resolutions

- a. (**special resolution**) a resolution for the purposes of section 601GC(1)(a) of the Corporations Act to amend the SAT2 Constitution on terms necessary to effect the Scheme and other aspects of the Proposal; and
- b. (**ordinary resolution**) a resolution for the purposes of approving the acquisition by Sydney Airport Limited of all of the SAT2 Units under the Scheme for the purposes of item 7 of section 611 of the Corporations Act.

3.8.2 SAT1 General Meeting Resolutions

- a. (**ordinary resolution**) a resolution for the purposes of section 601FL of the Corporations Act, that SAHL retire as responsible entity of SAT1 and that New RE be appointed as responsible entity in its place;
- b. (**ordinary resolution**) a resolution for the purposes of clause 27B.5 of the SAT1 Constitution, that the provisions in the SAT1 Constitution that relate to the stapling of SAT1 Units and SAT2 Units cease to apply with effect from the Implementation Date; and
- c. (**special resolution**) a resolution for the purposes of section 601GC(1)(a) of the Corporations Act to effect general amendments to the SAT1 Constitution including those necessary to reflect the effect of the Proposal and update the SAT1 Constitution.

3.8.3 SAT2 General Meeting Resolution

- a. (**ordinary resolution**) a resolution for the purposes of clause 27B.5 of the SAT2 Constitution, that the provisions in the SAT2 Constitution that relate to the stapling of SAT1 Units and SAT2 Units cease to apply with effect from the Implementation Date.

The Resolutions that are ordinary resolutions must be approved by at least 50% of the total number of votes cast by Securityholders entitled to vote on those Resolutions. The Resolutions that are special resolutions must be approved by at least 75% of the total number of votes cast by Securityholders entitled to vote on those Resolutions.

The Resolutions are conditional upon each other. This means that if one or more of the Resolutions are not approved, the Proposal will not proceed.

More information on the Resolutions and the approval thresholds in order for those to be passed can be found in Section 9.

4. Frequently Asked Questions (continued)

4.1 Details of the Proposal

Question	Answer	Where to find more information
1. What is the Proposal?	<p>The Proposal is comprised of the Scheme and the Restructure. If implemented the Proposal will result in:</p> <ul style="list-style-type: none"> • Securityholders holding New Stapled Securities (comprised of one SAT1 Unit and one Sydney Airport Limited Share) in place of Existing Stapled Securities (comprised of one SAT1 Unit and one SAT2 Unit); • SAHL retiring and being replaced as responsible entity of SAT1 by New RE; and • simplification of the Sydney Airport Group structure. 	Section 5
2. What is the Scheme?	<p>The Scheme is an arrangement between Sydney Airport and the Securityholders under which Sydney Airport Limited will acquire all of the SAT2 Units held by Securityholders and, as consideration, Securityholders will be issued one Sydney Airport Limited Share for every SAT2 Unit they hold.</p> <p>If implemented, the Scheme will result in Securityholders holding New Stapled Securities (comprising one SAT1 Unit stapled to one Sydney Airport Limited Share). Securityholders will continue to hold exactly the same number of Stapled Securities and the same proportionate interest in Sydney Airport on implementation of the Proposal.</p>	Section 5 Annexure D
3. What is the Restructure?	<p>The Restructure is a proposed internal restructure to be effected to simplify the Sydney Airport Group structure such that, following implementation:</p> <ul style="list-style-type: none"> • Sydney Airport Limited will hold the Sydney Airport operating entities; • SAT1 will provide a loan to Sydney Airport Limited and hold interests in SAT2 and certain other non operating Sydney Airport Group entities (and various Australian and foreign non-operating entities of the Sydney Airport Group are expected to be wound-up over time). 	Section 5.4
4. Do the Directors recommend that you vote in favour of the Resolutions?	<p>The Directors unanimously recommend that you vote in favour of the Resolutions. If an alternative proposal is received by Sydney Airport or the circumstances of Sydney Airport change before the Meetings, the Directors will consider that proposal and take appropriate action.</p>	Section 3.3
5. Must I pay any cash consideration as part of the Proposal?	<p>No. Securityholders are not required to pay any cash consideration in connection with the Proposal.</p>	Section 7.2 Annexure D
6. Will the Proposal affect the distribution guidance of 22.5 cents for the financial year ending 31 December 2013 previously provided by Sydney Airport?	<p>No. The Proposal will have no impact on 2013 distribution guidance, which the Directors reaffirm as 22.5 cents per Stapled Security (subject to external shocks to the aviation industry and material changes to forecast assumptions). A distribution of 11.0 cents per Stapled Security for the first half of 2013 was paid on 16 August 2013.</p>	Section 6.2
7. What is the conclusion of the Independent Expert?	<p>The Independent Expert has concluded that the Proposal is fair and reasonable and in the best interests of Securityholders. It is recommended that Securityholders read the Independent Expert's Report in full (set out in Annexure A).</p>	Section 3.4 Annexure A

4. Frequently Asked Questions (continued)

Question	Answer	Where to find more information
8. Why is Sydney Airport undertaking the Proposal and what are the benefits to Securityholders?	<p>The Directors consider that the Proposal will deliver significant benefits to Securityholders, particularly the Proposal will have the effect of:</p> <ul style="list-style-type: none"> • increasing the permitted foreign ownership of Sydney Airport from 40% to 49%; • providing greater certainty of tax arrangements in relation to the issues raised in the existing specific issue ATO tax audit; • improving governance arrangements; and • simplifying the Sydney Airport Group structure which will in-turn simplify management and administrative matters for the Sydney Airport Group. <p>While presenting the benefits set out above, implementation of the Proposal will not result in any significant change to the overall investment of Securityholders.</p>	Sections 3.5 and 5.9
9. Will my interest as a Securityholder change if the Proposal is implemented?	<p>If the Proposal is implemented, Securityholders will no longer hold Existing Stapled Securities (comprised of one unit in SAT1 and one unit in SAT2) and will instead hold New Stapled Securities (each comprising one SAT1 Unit stapled to one Sydney Airport Limited Share).</p> <p>The Proposal will not result in any significant change to the overall investment of Securityholders. Securityholders will continue to hold exactly the same number of Stapled Securities and the same proportionate interest in Sydney Airport following implementation of the Proposal.</p>	Section 5
10. What are the overall costs of the Proposal?	<p>Total overall costs of the Proposal for Sydney Airport are expected to be \$8 million, the majority of which have been incurred to date and will be paid whether the Proposal is implemented or not. The costs include advisory costs, the cost of the Independent Expert and ASX listing costs.</p> <p>There are no break fees or break costs payable by Sydney Airport under the Scheme Implementation Agreement if (for whatever reason) the Proposal is not implemented.</p>	Section 5.10.3
11. What alternatives were considered by the Directors to the Proposal in its current form?	<p>The Directors considered the following alternatives to the Proposal:</p> <ul style="list-style-type: none"> • maintaining the existing legal and operating structure of Sydney Airport; • creating a single listed holding company for all members of the Sydney Airport Group; and • separating SAT1 and certain other Sydney Airport Subsidiaries from the Sydney Airport Group creating stand-alone independent entities. <p>The Directors consider the Proposal to be superior to the alternatives considered.</p>	Section 3.2
12. What is the financial effect of the Proposal on Sydney Airport?	<p>As noted above, total overall costs of the Proposal for Sydney Airport are expected to be \$8 million.</p> <p>Further details on the effect on the financial position of Sydney Airport if the Proposal is implemented are set out in Section 6.</p>	Section 6

4. Frequently Asked Questions (continued)

Question	Answer	Where to find more information
13. What are the disadvantages of the Proposal?	<p>While the Directors recommend that Securityholders vote in favour of the Proposal, there are disadvantages associated with the Proposal which Securityholders should consider, which include the following.</p> <ul style="list-style-type: none"> • Implementation of the Proposal involves a number of one-off implementation costs, estimated at a total of \$8 million. However, note that the majority of these costs have been incurred to date. • While Sydney Airport will operate under a corporate structure that allows it to maintain an increased limit on foreign ownership of 49%, Sydney Airport Limited will be restricted under the Airports Act from making substantial investments, or undertaking activities, that are not related to the operation or ownership of Sydney (Kingsford Smith) Airport. This may restrict Sydney Airport's ability to change its sole focus from owning 100% of Sydney (Kingsford Smith) Airport should it decide to do so in the future. However, the relevant Airports Act restrictions would not apply to SAT1. 	Sections 3.5 and 5.10

4.2 The Scheme & New RE

Question	Answer	Where to find more information
1. What is the Scheme?	<p>The Scheme is an arrangement between Sydney Airport and the Securityholders under which Sydney Airport Limited will acquire all of the SAT2 Units held by Securityholders and, as consideration, Securityholders will be issued one Sydney Airport Limited Share for every SAT2 Unit they hold.</p> <p>If implemented, the Scheme will result in Securityholders holding the New Stapled Securities (comprising one SAT1 Unit stapled to one Sydney Airport Limited Share).</p>	Section 5 and Annexure D
2. Do I need to pay any cash consideration under the Scheme?	No. Securityholders are not required to pay any cash consideration in connection with the Scheme.	Section 7.2 Annexure D
3. What are the Australian income tax implications of the Scheme on Australian tax resident Securityholders?	Australian tax resident Securityholders should disregard any assessable income or deductible loss arising under the Scheme. A general summary of the Australian tax implications of the Scheme is included in Section 3.6 and in the Australian Tax Report in Section 8.	Sections 3.6 and 8
4. What are the Australian income tax implications of the Scheme on non-Australian tax resident Securityholders?	For Australian income tax purposes, non-Australian tax resident Securityholders should disregard any assessable income or deductible loss arising under the Scheme. A general summary of the Australian tax implications of the Scheme is included in Section 3.6 and in the Australian Tax Report in Section 8.	Sections 3.6 and 8
5. What is Sydney Airport Limited?	Sydney Airport Limited is a new holding company that has been incorporated specifically for the purposes of implementing the Proposal. If implemented, the Proposal will result in Securityholders holding the New Stapled Securities (comprising one SAT1 Unit stapled to one Sydney Airport Limited Share). The Sydney Airport operating entities will be wholly-owned by Sydney Airport Limited.	Section 7

4. Frequently Asked Questions (continued)

Question	Answer	Where to find more information
6. What are the key documents for the Scheme?	The key documents for the Scheme (in addition to this Explanatory Memorandum) include a Scheme Implementation Agreement between Sydney Airport Limited and SAHL (in its personal capacity and as responsible entity of SAT1 and SAT2), the Deed Poll by Sydney Airport Limited in relation to the Scheme and the SAT2 Supplemental Deed. Summaries of the Scheme Implementation Agreement, the Deed Poll and other material documents are set out in Annexure C. The SAT2 Supplemental Deed is included in Annexure F.	Annexure C and Annexure F
7. What if I do not vote on the Scheme Resolutions or vote against a Scheme Resolution?	If you do not vote on the Scheme Resolutions, or vote against a Scheme Resolution, and the Scheme Resolutions are approved by the requisite majorities of Securityholders, the Proposal will still be implemented if the other conditions are met, and you will be bound to participate in the Scheme if you are on the Register as a Securityholder on the Record Date (i.e. you are a Scheme Participant). If any of the Scheme Resolutions are not approved by the requisite majority of Securityholders, the Proposal will not be implemented.	Section 9.1
8. What happens if the Scheme Resolutions are not approved?	If any of the Scheme Resolutions are not approved, then the Proposal will not proceed, and certain of the implementation costs described in Section 5.10 will still have been incurred.	Section 5.10.3
9. What happens if some of the Resolutions are approved but others are not?	The Resolutions are all interconditional. If any of the Resolutions are not approved by the requisite majority of Securityholders, the Proposal will not be implemented.	Sections 5.7 and 9.4.2
10. Will I have to pay brokerage or stamp duty in connection with the Scheme?	No.	
11. Why does approval of the Scheme need to go to Court?	Trust schemes such as the Scheme are commonly brought before the Court in order to obtain certain orders, directions and judicial advice. Sydney Airport has already had the First Court Hearing and obtained judicial advice from the Court under section 63 of the Trustee Act 1925 (NSW) that SAHL, as the responsible entity of SAT2, would be justified in convening the Scheme Meeting and proceeding on the basis that amending the SAT2 Constitution as contemplated by the Scheme Resolutions would be within the powers conferred by the SAT2 Constitution and section 601GC of the Corporations Act.	Annexure D
12. Why is the Second Judicial Advice needed?	The Second Court Hearing is needed to obtain judicial advice from the Court under section 63 of the Trustee Act 1925 (NSW) that SAHL, as responsible entity of SAT2, would be justified in implementing the Scheme Resolutions, giving effect to amendments to the SAT2 Constitution, and doing all things and taking all necessary steps to effect the Scheme.	Annexure D parts 2, 3 and 4
13. What will I receive if the Scheme becomes Effective?	Under the Scheme, Sydney Airport Limited will acquire all of the SAT2 Units held by Securityholders and, as consideration, Securityholders will be issued one Sydney Airport Limited Share for every SAT2 Unit they hold. Following implementation of the Scheme, Securityholders will hold New Stapled Securities (comprising one SAT1 Unit stapled to one Sydney Airport Limited Share).	Sections 5.3 and 5.15

4. Frequently Asked Questions (continued)

Question	Answer	Where to find more information
14. When will the Scheme become Effective?	The Scheme will become Effective on the date on which the executed SAT2 Supplemental Deed is lodged with ASIC, expected to be Monday, 25 November 2013 (the date of the Second Court Hearing).	Annexure D part 4
15. Are there any conditions to be satisfied for the Scheme to be implemented?	The Scheme is subject to the following conditions: <ul style="list-style-type: none"> • Securityholder approval. • Court approval. • Regulatory approvals: ASIC relief and ASX waivers. • No legal or regulatory restraint. • Listing of Sydney Airport Limited. • Lodgement of SAT2 Supplemental Deed with ASIC. 	Section 5.7.2
16. What happens if the conditions are not satisfied or waived?	If the conditions are not satisfied or waived by the End Date the Proposal will not proceed.	Section 5.7
17. What is New RE?	New RE is a public company registered in Victoria. If it is appointed as the responsible entity of SAT1 it will be a single purpose entity that will only engage in acting as the responsible entity of SAT1 (and, following the Restructure, the responsible entity of SAT2 and SCAAT). New RE's ultimate holding company is The Trust Company Limited, an entity engaged in providing professional responsible entity and trustee services.	Section 5.5
18. Why is New RE being proposed to replace SAHL as the responsible entity of SAT1?	<p>New RE is being proposed to replace SAHL as the responsible entity of SAT1 to give effect to the new governance arrangements proposed by the Directors.</p> <p>Under the proposed arrangements, New RE will act as the responsible entity of SAT1 and the New RE Board will be a separate body, independent of the Sydney Airport Limited board, allowing the Sydney Airport Limited board to focus solely on Sydney Airport operational matters.</p> <p>Securityholders will be entitled to vote on the appointment of directors to the New RE Board in accordance with the Governance Deed.</p>	Sections 5.8 and 5.9
19. What are the Australian income tax implications for Securityholders as a result of amendments made to the SAT1 Constitution and the appointment of New RE as responsible entity of SAT1?	<p>Amendments made to the SAT1 Constitution and the appointment of New RE as the new responsible entity for SAT1 should not result in the resettlement of the trust for Australian income tax purposes and no Australian income tax consequences should arise for Securityholders.</p> <p>A general summary of the Australian tax implications of the Scheme is included in Section 3.6 and in the Australian Tax Report in Section 8.</p>	Sections 3.6 and 8

4. Frequently Asked Questions (continued)

4.3 The Restructure

Question	Answer	Where to find more information
1. What is the Restructure?	The Restructure is a proposed internal restructure to be effected to simplify the Sydney Airport Group structure such that, following implementation, Sydney Airport Limited will hold the Sydney Airport operating entities, SAT1 will provide a loan to Sydney Airport Limited and hold interests in SAT2 and certain other non-operating Sydney Airport Group entities, and various Australian and foreign non-operating entities of the Sydney Airport Group are expected to be wound-up over time.	Section 5.4
2. Will the Restructure increase the external borrowing of Sydney Airport?	<p>Following implementation of the Proposal existing borrowing arrangements will remain in place. The Restructure will not of itself require an increase in the external borrowing of Sydney Airport.</p> <p>The Directors anticipate that, following implementation of the Proposal, SAT1 will be the lender under a loan arrangement expected to be put in place with Sydney Airport Limited.</p> <p>As noted in further detail in Sections 3.5 and 5.9, Sydney Airport has agreed in-principle non-binding terms of settlement with the ATO under which Sydney Airport is to make a primary tax and interest payment of \$69 million to the ATO, following which audit activity in relation to the Subsidiary RPS Interests will cease. The payment of this proposed settlement amount and other costs associated with the Proposal is expected to be funded through a combination of existing cash balances and a new debt financing arrangement.</p>	Sections 3.5, 5.9 and 7.5
3. Will Sydney Airport's interest in its operating businesses change because of the Restructure?	No. Under the Restructure, Sydney Airport Limited will hold 100% of the existing Sydney Airport operating entities and there will be no change to the principal activities or management of Sydney Airport.	Sections 3.1 and 7.5
4. What will SAT1 do following the Restructure?	<p>The Directors anticipate that, following implementation of the Proposal, SAT1 will be the lender under a loan arrangement expected to be put in place with Sydney Airport Limited. Interest will be received on the loan, which is anticipated to fund SAT1's operating costs and allow SAT1 to make distributions to Securityholders. SAT1 will also hold various Australian and foreign non-operating entities of the Sydney Airport Group and it is expected that it will undertake a process of winding-up the majority of those entities in an orderly fashion.</p> <p>Ultimately, these matters will be determined by the New RE Board following implementation of the Proposal.</p>	Section 7.5
5. What are the Australian income tax implications of the Restructure on Australian and non-Australian tax resident Securityholders?	<p>An assessable gain may be made and distributed to Australian tax resident and non-Australian tax resident Securityholders in relation to the disposal of Subsidiary RPS Interests held by SAT1 and the disposal of the SCACH Interests held by SAT1. The responsible entity of SAT1 will provide Securityholders with an annual taxation statement along with a tax guide to advise them of the appropriate Australian tax treatment of any such distribution.</p> <p>A general summary of the Australian tax implications of the Scheme is included in Section 3.6 and in the Australian Tax Report in Section 8.</p>	Sections 3.6 and 8

4. Frequently Asked Questions (continued)

4.4 The Scheme Meeting and General Meetings

Question	Answer	Where to find more information
1. What resolutions will be considered at the Scheme Meeting?	<p>The following Resolutions (being the Scheme Resolutions) will be put to the vote at the Scheme Meeting:</p> <ul style="list-style-type: none"> • a resolution for the purposes of section 601GC(1)(a) of the Corporations Act to amend the SAT2 Constitution on terms necessary in order to effect the Scheme; and • a resolution for the purposes of approving the acquisition by Sydney Airport Limited of all of the SAT2 Units under the Scheme for the purposes of item 7 of section 611 of the Corporations Act. 	Section 9.2, Annexure G
2. Why are the General Meetings being held in addition to the Scheme Meeting?	<p>The General Meetings are concurrent general meetings of SAT1 and SAT2 that are necessary for Securityholders to consider, and if thought fit, pass the General Meeting Resolutions which relate to matters that are necessary and in addition to the Scheme Resolutions for the implementation of the Proposal.</p>	Section 9.3, Annexure G
3. What resolutions will be considered at the General Meetings?	<p>The following resolutions (being the General Meeting Resolutions) will be put to the vote at the General Meetings:</p> <p>SAT1 General Meeting Resolutions</p> <ul style="list-style-type: none"> • a resolution for the purposes of section 601FL of the Corporations Act, that SAHL retire as responsible entity of SAT1 and that New RE be appointed as responsible entity in its place; • a resolution for the purposes of clause 27B.5 of the SAT1 Constitution, that the provisions in the SAT1 Constitution that relate to the stapling of SAT1 Units and SAT2 Units cease to apply with effect from the Implementation Date; and • a resolution for the purposes of section 601GC(1)(a) of the Corporations Act to effect general amendments to the SAT1 Constitution necessary to reflect the effect of the Proposal and update the SAT1 Constitution. <p>SAT2 General Meeting Resolution</p> <ul style="list-style-type: none"> • a resolution for the purposes of clause 27B.5 of the SAT2 Constitution, that the provisions in the SAT2 Constitution that relate to the stapling of SAT1 Units and SAT2 Units cease to apply with effect from the Implementation Date. 	Section 9 Annexure G
4. When and where are the Scheme Meeting and the General Meetings?	<p>The Scheme Meeting and General Meetings are scheduled to be held concurrently at 10.00am on Friday, 22 November 2013 and will be held at the Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney.</p>	Section 1.2
5. Is anyone excluded from voting?	<p>Yes. Sydney Airport Limited and its associates; and SAHL as the responsible entity of SAT2 and its associates (other than related fund managers) are excluded from voting on the Scheme Resolutions.</p>	Section 9.4.4
6. Can I vote differently on each Resolution?	<p>Yes. However, in order for the Proposal to be implemented, all Resolutions are required to be approved by the requisite majorities of Securityholders.</p>	Section 9

4. Frequently Asked Questions (continued)

Question	Answer	Where to find more information
7. Where and when do I send my Proxy Form?	<p>To vote by proxy, you need to complete and return the Proxy Form accompanying this Explanatory Memorandum. You must ensure that your Proxy Form (and a certified copy of the relevant authority under which it is signed) is received by the registry, Computershare Investor Services Pty Limited on behalf of Sydney Airport, by no later than 10.00am on Wednesday, 20 November 2013:</p> <ul style="list-style-type: none">• by mail at Computershare Investor Services Pty Limited's postal address at GPO Box 242, Melbourne, VIC 3001; or• by hand delivery at Computershare Investor Services Pty Limited's physical address at Level 4, 60 Carrington Street, Sydney NSW 2000; or• by fax at Computershare Investor Services Pty Limited's fax number:<ul style="list-style-type: none">– 1800 783 447 (within Australia); or– +61 3 9473 2555 (outside Australia); or• electronically at www.investorvote.com.au (as detailed on the Proxy Form). <p>Intermediaries (custodians) with access to Intermediary Online through Computershare Investor Services Pty Limited should lodge their votes through www.intermediaryonline.com.</p>	Section 9.4.3
8. When will the results of the Meetings be known?	<p>Sydney Airport will announce the results of the Meetings to ASX once the results have been finalised (on the Meeting Date).</p>	Section 1.1
9. Any other questions?	<p>You may contact Sydney Airport's Securityholder Information Line on 1300 391 219 (within Australia) or +613 9415 4280 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).</p> <p>If you are in any doubt as to whether to vote in favour of or against any of the Resolutions, you should consult your investment, financial, tax, legal or other professional advisers.</p>	Section 9.4.5

5. The Proposal

This Section 5 contains more detailed information on the Proposal. For an overview of the Proposal, the Directors' recommendations and a summary of the key benefits, risks, disadvantages and tax implications associated with the Proposal see Section 3.

The Proposal involves the Scheme and the Restructure. These are both described in this Section 5.

5.1 Effect of the Proposal on Sydney Airport

On 14 August 2013, Sydney Airport announced that it had entered into arrangements to acquire all minority ownership interests in the Sydney Airport operating entities. On 23 September 2013, Sydney Airport successfully completed the acquisition of those remaining minority ownership interests. SACL, the lessee and operator of Sydney (Kingsford Smith) Airport, is now a wholly-owned Subsidiary of Sydney Airport.

The acquisition of all of the minority interests in the Sydney Airport operating entities has provided the opportunity for further simplification of the Sydney Airport Group structure pursuant to the Proposal.

The Proposal is comprised of the Scheme and the Restructure and also involves SAHL retiring and being replaced as the responsible entity of SAT1 by New RE.

Under the Scheme it is proposed that the newly incorporated Sydney Airport holding company, Sydney Airport Limited, will acquire all of the SAT2 Units held by Securityholders and, as consideration, Securityholders will be issued one Sydney Airport Limited Share for every SAT2 Unit they hold. On the Implementation Date under the Scheme, SAT1 Units and SAT2 Units will be unstapled and SAT1 Units will be stapled to Sydney Airport Limited Shares. If implemented, the Scheme will result in the creation of the New Stapled Securities (comprising one SAT1 Unit and one Sydney Airport Limited Share). Following implementation of the Scheme, Securityholders will hold exactly the same number of New Stapled Securities as the number of Existing Stapled Securities they held on the Record Date.

The existing Sydney Airport Group structure contains various entities and arrangements that relate to, and remain, as a consequence of the interests in foreign airports formerly held by the Sydney Airport Group. Among other reasons, the Restructure is proposed in order to simplify those arrangements.

Under the Restructure it is proposed that an internal restructure of the Sydney Airport Group be effected such that, following implementation, Sydney Airport Limited will hold the Sydney Airport operating entities, SAT1 will provide a loan to, and operate independently of, Sydney Airport Limited and various Australian and foreign non-operating entities of the Sydney Airport Group will be acquired by SAT1 and the majority of those entities are expected to be wound-up in an orderly fashion.

Implementation of the Proposal will not result in any significant change to the overall investment of Securityholders. Securityholders will continue to hold the same proportionate interest in Sydney Airport following implementation of the Proposal.

The Proposal is subject to the satisfaction or waiver of the conditions set out in Section 5.7.

5.2 Structure of Sydney Airport following implementation of the Proposal

Sydney Airport is currently a stapled vehicle comprised of SAT1 and SAT2. Securityholders currently hold Stapled Securities each comprising one SAT1 Unit and one SAT2 Unit. The Sydney Airport operating entities, including SACL, the lessee and operator of Sydney (Kingsford Smith) Airport, are wholly-owned Subsidiaries of Sydney Airport. SAHL is currently the responsible entity of SAT1 and SAT2.

Section 3.1.6 contains a diagram which sets out a simplified representation of the current structure of the Sydney Airport Group.

Following implementation of the Proposal, Sydney Airport will be a stapled vehicle comprised of SAT1 and Sydney Airport Limited and Securityholders will hold Stapled Securities each comprising one SAT1 Unit and one Sydney Airport Limited Share. New RE will be the responsible entity of SAT1. Sydney Airport Limited will hold the Sydney Airport operating entities including SACL, which will continue as the lessee and operator of Sydney (Kingsford Smith) Airport.

Following implementation of the Restructure, various Australian and foreign non-operating entities of the Sydney Airport Group will be held by SAT1 and the majority of those entities are expected to be wound-up in an orderly fashion.

Section 3.1.7 contains a diagram setting out a simplified representation of the structure of the Sydney Airport Group following implementation of the Proposal.

5. The Proposal (continued)

5.3 Steps involved in the Scheme

The Proposal involves the Scheme and the Restructure, and SAHL retiring and being replaced as the responsible entity of SAT1 by New RE.

The Scheme (and related matters) will be implemented in accordance with the following steps.

Step	Description of Step
Step 1	Establishment of Sydney Airport Limited: On 30 July 2013, Sydney Airport Limited was incorporated as a company registered in Victoria.
Step 2	Establishment of New RE: David Grbin was appointed to the New RE Board in 2010. On 23 October 2013, Russell Balding and Patrick Gourley were appointed to the New RE Board. If it is appointed as the responsible entity of SAT1, New RE will be a single purpose entity that will only engage in acting as the responsible entity of SAT1 and, following the Restructure, as the responsible entity of SAT2 and SCAAT.
Step 3	Meetings held: The Meetings of Securityholders are held and Securityholders vote on the Resolutions.
The following step will only take place if the Resolutions are approved.	
Step 4	New RE appointed as responsible entity of SAT1: SAT1 will enter into a deed of retirement and appointment under which SAHL will retire and be replaced by New RE as the responsible entity of SAT1.
The following steps will only take place if the Resolutions are approved and the remaining conditions described in Section 5.7.2 are fulfilled or waived.	
Step 5	Unstapling of SAT1 and SAT2: On the Implementation Date of the Scheme, New RE, as the responsible entity of SAT1 and SAT2, will procure that the SAT1 Units and SAT2 Units are unstapled in accordance with the Resolutions, upon which the existing stapling deed ceases to be of any force or effect.
Step 6	Stapling of SAT1 and Sydney Airport Limited: Sydney Airport Limited and New RE will enter into a stapling deed to effect the stapling arrangements between SAT1 and Sydney Airport Limited, to take effect on the Implementation Date of the Scheme.
Step 7	Sydney Airport Limited acquires SAT2 under the Scheme: On the Implementation Date, the Scheme will be implemented and all SAT2 Units will be transferred to Sydney Airport Limited and all Securityholders will be issued one Sydney Airport Limited Share for every SAT2 Unit they hold. After implementation of the Scheme and Existing Stapled Security Holders being issued Sydney Airport Limited Shares, the stapling of SAT1 Units and Sydney Airport Limited Shares will take effect.

At or around the time the Scheme is implemented, the Directors intend to proceed with the Restructure. The Restructure is described in Section 5.4.

Annexure C summarises the material documents relating to the Scheme.

5.4 Steps involved in the Restructure

At or around the time of implementation of the Scheme and conditional on the approval of the Resolutions, the Directors intend that the Restructure will be implemented in accordance with the following steps, following negotiation with the New RE Board (should New RE be appointed as the responsible entity of SAT1). A number of additional ancillary steps will also take place in connection with the Restructure and the following is provided by way of summary only. It is anticipated that aspects of the Restructure will commence as soon as practicable following approval of the Resolutions and that the Restructure will be completed on or around Wednesday, 4 December 2013.

The Restructure steps described in 'Step 9' below are contemplated to occur following implementation of the Scheme. The terms on which they are implemented, remain conditional on final agreement being reached by Sydney Airport Limited and New RE as the responsible entity of SAT1. The Directors are confident that final agreement on terms satisfactory for both entities will be reached, however, those terms (being the terms on which the interests referred to below are acquired and the loans referred to below are provided) remain subject to such final agreement.

5. The Proposal (continued)

Step	Description of Step
Step 8	Sydney Airport Limited internal restructure: In order to increase the permitted foreign ownership of Sydney Airport to 49% under the Airports Act, an internal restructure of the Sydney Airport Limited Subsidiaries will be undertaken such that Sydney Airport Limited will directly hold 100% of SCACH, SCACH will directly hold 100% of SACL, and SACL will directly hold 100% of SCAC.
Step 9	Sydney Airport Group internal restructure: Sydney Airport Limited and its Subsidiaries and SAT1 and its Subsidiaries will undertake a number of internal restructure steps in order to achieve separation of the Sydney Airport operating entities (under Sydney Airport Limited) from various Australian and foreign non-operational entities (under SAT1). The key actions include: <ul style="list-style-type: none">• Sydney Airport Limited will indirectly acquire the Subsidiary RPS Interests from SAT1 and directly acquire the SCACH Interests from various entities in the Sydney Airport Group. Following acquisition by Sydney Airport Limited, the Subsidiary RPS Interests will be eliminated by way of conversion to ordinary shares.• SAT1 will acquire all of the SAT2 Units from Sydney Airport Limited (and indirectly various non-operational entities currently within the Sydney Airport Group that are Subsidiaries of SAT2).• A new loan arrangement will be entered into between SAT1 (as lender) and Sydney Airport Limited (as borrower). See Section 3.1.7 for a simplified representation of the structure of the Sydney Airport Group following implementation of the Restructure.

As noted above, the terms of the new loan arrangement to be entered into between SAT1 and Sydney Airport Limited have not been agreed as at the date of this Explanatory Memorandum. The loan is expected to be an interest bearing, unsecured and subordinated loan, in an amount sufficient to meet Sydney Airport Limited's operating requirements. The terms of the loan will be negotiated by the boards of Sydney Airport Limited and New RE (should it be appointed as the responsible entity of SAT1) on an arm's length basis. This arrangement is consistent with Sydney Airport's intention to structure Sydney Airport Limited as the holder of all Sydney Airport operating interests and SAT1 as a Sydney Airport Group financing entity.

5.5 Information about New RE

Following approval of the Resolutions by the requisite majorities of Securityholders, SAT1 will enter into a deed of retirement and appointment under which SAHL will retire and be replaced by New RE as the responsible entity of SAT1, effective upon ASIC altering the record of SAT1's registration, expected to be one business day after the Meetings.

New RE will be a single purpose entity, engaged only in managing SAT1 and certain other non-operating members of the Sydney Airport Group.

Prior to its appointment as the responsible entity of SAT1, New RE's existing Australian financial services licence will be amended (to the extent necessary), authorising it to act as the responsible entity of SAT1, SAT2 and SCAAT and perform all relevant activities associated with those roles.

New RE is a public company registered in Victoria. Its ultimate holding company is The Trust Company Limited, an ASX listed entity engaged in providing professional responsible entity and trustee services. The Trust Company Limited group is described as one of Australia's foremost trustee companies, offering trustee services for individuals, companies and charitable trusts.

The directors of New RE are Russell Balding, Patrick Gourley and David Grbin. Securityholders will be entitled, under the governance arrangements entered into between Sydney Airport Limited and The Trust Company, to approve the appointment of any new directors of New RE in the same manner that they are currently entitled to approve the appointment of the directors of SAHL (see Section 5.8 for further detail).

Subject to the fee arrangements payable to New RE in connection with its role as disclosed below, Securityholders will also be entitled to remove or replace New RE in accordance with the Corporations Act at any time.

The Trust Company has agreed to procure that New RE consents to be the responsible entity of SAT1 on the following basis: if New RE is removed within three years of its appointment, in the absence of negligence, fraud or breach of trust by New RE, The Trust Company will receive an amount equal to the RE Fee for three years less any RE Fee that has been paid to New RE. The payment will not be made from the assets of SAT1, but from an amount deposited in escrow by Sydney Airport Limited.

Further information on the governance arrangements in place with New RE is set out in Section 5.8.

As at the date of this Explanatory Memorandum the ultimate holding company of New RE, The Trust Company Limited, is subject to two competing change of control proposals from Equity Trustees Limited and Perpetual Limited. The Trust Company Limited does not consider that the existence or outcome of those proposals will have any material effect on the arrangements New RE has entered into in connection with the Proposal.

5. The Proposal (continued)

5.6 The New Stapled Securities

Following implementation of the Scheme, Securityholders will hold New Stapled Securities each comprising one SAT1 Unit stapled to one Sydney Airport Limited Share.

Subject to the proposed amendments to the SAT1 Constitution as set out in Annexure E which will be effected if the Resolutions are approved by the requisite majorities of Securityholders, the rights and liabilities attaching to SAT1 Units will remain materially the same as those rights and liabilities in place before implementation of the Proposal.

Further information on Sydney Airport Limited, including information about the rights and liabilities attaching to Sydney Airport Limited Shares, is set out in Section 7.

5.7 Key conditions and termination rights

5.7.1 Key conditions

The implementation of the Proposal is subject to the satisfaction (or waiver) of a number of conditions. The key conditions and a brief description of their status are set out below.

5.7.2 Conditions of the Scheme

Other than the conditions relating to receipt of the judicial advice from the Court and lodgement of the SAT2 Supplemental Deed with ASIC, all the conditions summarised below are required to have been satisfied by and as at 8.00 am (Sydney time) on the day of the Second Court Hearing.

Condition	Status
Securityholder approval: The Scheme Resolutions and the General Meeting Resolutions being approved by the requisite majorities of Securityholders.	The relevant Securityholder meetings are to be held on Friday, 22 November 2013
Judicial advice: Judicial advice being received from the Court for the Scheme.	The Second Court Hearing is scheduled on Monday, 25 November 2013
Regulatory relief and waivers: ASIC relief and ASX waivers.	Applications for the relevant waivers and relief have been submitted to ASIC and ASX
No legal or regulatory restraint: There being no legal or regulatory restraint or prohibition preventing a material aspect of the Proposal in effect as at 8.00am (Sydney time) on the day of the Second Court Hearing.	Sydney Airport is not aware of any restraining orders or injunctions preventing any aspect of the Proposal
Listing of Sydney Airport Limited: Approval of the official quotation of Sydney Airport Limited Shares on ASX being obtained and the listing of Sydney Airport Limited on ASX.	The listing application is anticipated to be lodged on or about the date of this Explanatory Memorandum
Lodgement of SAT2 Supplemental Deed with ASIC: A copy of the executed SAT2 Supplemental Deed is lodged with ASIC.	Sydney Airport expects that the SAT2 Supplemental Deed will be lodged with ASIC after the Second Court Hearing on Monday, 25 November 2013

The parties have agreed in the Scheme Implementation Agreement to use reasonable endeavours to procure that these conditions are satisfied before the End Date. Sydney Airport will announce to ASX any material developments in the status of these conditions.

5.7.3 Conditions of the Restructure

In addition to the receipt of Securityholder approval in respect of the Resolutions, implementation of the Restructure is conditional on the receipt of certain third party consents and other matters. Those include:

- consent required in connection with third party financing arrangements;
- substitution of a party under an agreement entered into with Ontario Teachers Pension Plan Board regarding the 2011 disposal of certain European assets of the Sydney Airport Group; and
- execution of a deed between SCACH and the Commonwealth in respect of the transfer of SACL shares from SCAC to SCACH.

As at the date of this Explanatory Memorandum, the process of obtaining those consents and agreements has commenced and Sydney Airport expects that they will be obtained or be in place before the anticipated Implementation Date.

5. The Proposal (continued)

5.7.4 Termination rights

The Scheme Implementation Agreement provides for termination rights in specified circumstances. If a termination right is exercised, the Scheme will not proceed. The following is a summary of the circumstances in which termination rights under the Scheme Implementation Agreement may be exercised:

- the Scheme has not become Effective by the End Date;
- any event occurs which would, or in fact does, prevent a condition precedent being satisfied and that condition precedent is not waived by the relevant parties to the Scheme Implementation Agreement;
- where a majority of the directors of SAHL as the responsible entity of SAT2 have changed, withdrawn or modified their recommendation of the Scheme;
- if the Independent Expert changes, modifies or withdraws its conclusion in its report that the Proposal is in the best interests of Securityholders; or
- to the extent that implementation of the Proposal or any component of the Restructure would:
 - require any consent; or
 - trigger any right of termination or other material right in favour of a person (other than a Sydney Airport Group member); or
 - give rise to any material Liability owed by a Sydney Airport Group member, under a material contract of the Sydney Airport Group, then if any required consent or waiver of each such right, and release of each such Liability, is not obtained and/or is not withdrawn (as applicable).

The Directors are not aware of any fact, matter or circumstance existing at the date of this Explanatory Memorandum that is expected to give rise to one or more of the above occurrences.

5.8 Corporate governance

5.8.1 Sydney Airport corporate governance arrangements before and after implementation of the Scheme

The 'Before Scheme' column of the table below summarises the current corporate governance arrangements that apply to Sydney Airport. Upon implementation of the Scheme there will be various changes to the corporate governance arrangements which are summarised in the 'After Scheme' column of the table below and set out in more detail in the Sections referred to in the final column.

Issue	Before Scheme	After Scheme	Further information
Board Composition	Securityholders are entitled to vote on director appointments, re-elections and removals for the board of SAHL (as the responsible entity of SAT1 and SAT2).	Securityholders are entitled to vote on director appointments, re-elections and removals for the board of Sydney Airport Limited. This process is subject to the director rotation requirements under the Listing Rules and the Sydney Airport Limited constitution, which broadly require one-third of directors (and any other director who has held office for three years or more) to retire at each annual general meeting. New RE, as the responsible entity of SAT1, will have a separate board independent of the Sydney Airport Limited board. Securityholders are entitled to vote on director appointments and re-elections for the New RE Board at scheduled director rotations in accordance with the requirements under the New RE constitution, which broadly require one-third of directors (and any other director who has held office for three years or more) to retire at each annual general meeting.	Sections 5.8.2(a) and 5.8.3(a)

5. The Proposal (continued)

Issue	Before Scheme	After Scheme	Further information
Board Chair	Max Moore-Wilton acts as Chairman of the board of SAHL (as the responsible entity of SAT1 and SAT2).	Max Moore-Wilton will act as Chairman of the board of Sydney Airport Limited.	Section 5.8.2(b)
Director Fees	SAT2 bears the cost of all director fees.	Sydney Airport Limited will bear the cost of director fees of the Sydney Airport Limited directors. SAT1 will bear the cost of director fees of the New RE Board.	Section 10.1.1(d)
Aggregate Director Fee Cap	The aggregate director fee cap applicable to SAHL is \$1,500,000 for a calendar year. This fee cap does not include director fees currently paid to SCACH directors of \$525,000 per annum.	The aggregate director fee cap applicable to Sydney Airport Limited will be \$2,000,000 for each calendar year. This increase is primarily required to accommodate the director fees currently paid at the operating entity level. The Directors believe that this director fee pool will, in addition, allow for the flexibility to introduce new directors over time, to accommodate increases on account of inflation, and to enable Sydney Airport Limited to attract and retain directors of the highest quality with the requisite skills and experience to optimise the future performance of Sydney Airport. The aggregate director fee cap applicable to New RE will be \$200,000 for each calendar year.	

5.8.2 Directors and key management personnel of Sydney Airport

a) Directors as at the date of this Explanatory Memorandum

At the date of this Explanatory Memorandum, the directors of SAHL, which is the responsible entity of SAT1 and SAT2, are:

- Max Moore-Wilton, Chairman
- Kerrie Mather, Chief Executive Officer
- Trevor Gerber
- Michael Lee
- Bob Morris
- John Roberts
- Stephen Ward

b) Directors of Sydney Airport Limited

The directors of Sydney Airport Limited as at the date of this Explanatory Memorandum are identical to the directors of SAHL. Their full profiles are set out in paragraph (e) below.

c) Directors of New RE

The directors of New RE as at the date of this Explanatory Memorandum are Russell Balding, Patrick Gourley and David Grbin. Their full profiles are set out in paragraph (f) below.

d) Key management personnel of Sydney Airport

Set out below are the current key management personnel of Sydney Airport (who are employed by SACL). The Proposal will, if implemented, not result in any change in these key management personnel.

Role	Incumbent
Chief Executive Officer	Kerrie Mather
Chief Financial Officer	Stephen Mentzines
Executive Director Aviation Services	Shelley Roberts

e) Profiles of the directors of Sydney Airport Limited

Profiles of the directors of Sydney Airport Limited are set out below.

Max Moore-Wilton, AC. Mr. Moore-Wilton was appointed Chairman of SAHL in April 2006, and he was also the Chief Executive Officer of SACL from January 2003 to April 2006. Previously, Mr. Moore-Wilton was Secretary to the Department of the Prime Minister and Cabinet, a position he held from 1996 to 2003. He is currently the Chairman of Southern Cross Austereo Media Group, and a former Chairman of the Airports Council International. Mr. Moore-Wilton has held a number of key executive roles both within the public and private sectors, and he has extensive experience in the transport sector. He has a Bachelor of Economics degree from the University of Queensland and was appointed a Companion in the General Division of the Order of Australia in the Australia Day Honours List in 2001.

5. The Proposal (continued)

Kerrie Mather. Ms. Mather has been Managing Director and Chief Executive Officer of SACL since June 2011 and has been the Chief Executive Officer of SAHL since the Sydney Airport privatisation in 2002. Ms. Mather has 18 years prior experience in airports and transport infrastructure in a wide range of countries. She holds a Bachelor of Arts and a Masters of Commerce from the University of New South Wales.

Trevor Gerber. Mr. Gerber was appointed as a SAHL director in May 2002. He is also the Chairman of the SAHL Audit & Risk Committee and an independent non-executive director of ASX-listed Tassal Group Limited. Mr. Gerber is a professional director and 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. Mr. Lee was appointed as a SAHL director in June 2003. He is also chairman of the SACL Safety, Security, Environment and Health Committee. 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. He is currently the chairman of Communications Alliance and a director of ASX-listed DUET Finance Limited and Superpartners.

Bob Morris. Mr. Morris was appointed as a SAHL director in September 2002. He is also a director of Aspire Schools Financing Services (Qld) and SA Health Partnership Securitisation. Prior to 2003, Mr. Morris was an Executive Director of Leighton Contractors.

John Roberts. Mr. Roberts is the Chairman of Macquarie Infrastructure and Real Assets (MIRA), a division that has around \$100 billion of assets under management. Mr. Roberts joined Macquarie in 1991 and is based in Sydney, Australia. Mr. Roberts serves on a number of boards and investment committees in MIRA. His previous roles within Macquarie Group include Head of Europe, Joint Head of Macquarie Capital Advisers, Global Head of Macquarie Capital Funds (prior to it being renamed MIRA) and executive Chairman of Macquarie Funds Group. Mr. Roberts has a Bachelor of Laws degree from The University of Canterbury in New Zealand.

Stephen Ward. Mr. Ward was appointed as a SAHL director in February 2011. He is also the chairman of the SAHL Nomination and Remuneration Committee. Mr. Ward is a partner of Simpson Grierson, and a member of the firm's board. He is also Head of Simpson Grierson's Corporate/Commercial Department.

f) Profiles of the directors of New RE

Profiles of the directors of New RE are set out below.

Russell Balding. Mr. Balding is Deputy Chairman of Destination NSW, a board member of Racing NSW, a director of Cabcharge Australia Limited and a director

of NSW Business Chamber Limited. He was formerly the Chief Executive Officer of SCACH and the Managing Director of the Australian Broadcasting Corporation.

Patrick Gourley. Mr. Gourley was previously a director of SCACH. Prior to that, he was a senior officer of the Department of Defence from 1992 to 2000, a senior officer of the Australian Department of Industrial Relations from 1998 to 2002, and a former 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.

David Grbin. Mr. Grbin joined The Trust Company group in 2008 and as Group Executive General Manager, Corporate Client Services is responsible for The Trust Company group's corporate trust business across Australia, New Zealand and Singapore. He has more than 15 years experience in ASX-listed companies and a background in Chief Financial Officer roles.

5.8.3 Other New RE Governance Information

a) Governance Deed

The Trust Company, in its capacity as the sole shareholder of New RE, will execute a deed poll in favour of Securityholders, undertaking to appoint directors approved by Securityholders to the New RE Board where a director vacancy arises in accordance with the director rotation requirements under the New RE constitution. The New RE constitution provides broadly that one-third of the directors (or the number nearest one-third), together with any director who has held office for three years or more, must retire from office at each annual general meeting and may be eligible for re-election. The directors to retire at any annual general meeting must be those who have been longest in office since the last election (and in the case of persons who were last elected at the same time, those to retire are to be selected by lot).

A summary of the proposed terms of the Governance Deed, which will take effect from the date New RE is appointed as the responsible entity of SAT1, is set out in Annexure C.

b) Put Option Deed

Under the Put Option Deed, which is to take effect from the date New RE is appointed as the responsible entity of SAT1, Sydney Airport Limited grants The Trust Company an option to require Sydney Airport Limited (or its nominee) to purchase all of the issued shares in New RE which may be exercised by The Trust Company at any time, subject to first engaging with Sydney Airport Limited about The Trust Company's intention to exercise its option. The Put Option Deed also provides for transition arrangements to apply in the case of the exercise by The Trust Company of its option. A summary of the proposed terms of the Put Option Deed is set out in Annexure C.

5. The Proposal (continued)

c) Resources Agreement between SACL and New RE

SACL and New RE propose to enter into a Resources Agreement under which SACL will provide New RE with sufficient staff and other resources (such as computer systems, premises, software or other equipment) to enable New RE to perform various functions in connection with its role as responsible entity of SAT1, SAT2 and SCAAT.

Under the Resources Agreement, New RE will pay SACL a fee calculated as the actual costs incurred by SACL in providing the resources plus 15% of those costs. New RE will be entitled to recover this fee out of the assets of SAT1, SAT2 or SCAAT (as applicable) under their respective constitutions. A summary of the proposed terms of the Resources Agreement is set out in Annexure C.

5.9 Reasons why you should vote in favour of the Resolutions

This Section is a summary only and is not intended to address all the relevant issues for Securityholders in respect of the Proposal. This Section should be read in conjunction with the other Sections of this Explanatory Memorandum.

a. **The Directors consider the Proposal is fair and reasonable and in the best interests of Securityholders**

The Directors have unanimously recommended that you vote in favour of the Resolutions.

b. **Simplification of the Sydney Airport Group structure**

Implementation of the Proposal will result in a simplification of the Sydney Airport Group structure. Following implementation of the Proposal, all Sydney Airport operating entities will be wholly-owned Subsidiaries of Sydney Airport Limited and various Australian and foreign non-operating entities of the Sydney Airport Group are expected to be wound-up in an orderly fashion. The Directors are of the view that the Proposal will:

- further simplify management and administrative matters for the Sydney Airport Group; and
- provide the Sydney Airport Group with a more transparent corporate ownership structure, which is consistent with the group's sole focus on the ownership of 100% of Sydney (Kingsford Smith) Airport.

c. **Increase in permitted foreign ownership of Sydney Airport to 49%**

Currently, in order for SAT1 and SAT2 to invest in Australian airports, SAHL obtained declarations under the Airports Act that SAT1 and SAT2 are each a substantially Australian investment fund. Currently, for each of SAT1 and SAT2 to remain declared a substantially Australian investment fund, they must not at any time become a trust in which a beneficial interest in 40% or more

of the income or capital is held by persons who are foreign persons as defined in the Airports Act (or their associates). This limits foreign persons from holding 40% or more of the total number of Existing Stapled Securities on issue.

Following implementation of the Scheme, but prior to completion of the Restructure, foreign persons (and their associates) will still be restricted from holding in aggregate 40% or more of New Stapled Securities. In addition, no single Securityholder that is a foreign person will be permitted to hold more than 15% of New Stapled Securities. The Directors anticipate that these interim restrictions will apply for a limited period only (being the anticipated one business day between implementation of the Scheme and completion of the Restructure).

Upon completion of the Restructure, Sydney Airport Limited will be subject to a 49% limit on ownership by foreign persons (and their associates) and the ownership of SAT1 will not be subject to the Airports Act. Accordingly, the foreign ownership limit for the holding of New Stapled Securities will increase to 49% and, provided that this limit is not exceeded, there will be no limit to the holding of New Stapled Securities by a single foreign person. Such an increase provides an opportunity to broaden the Sydney Airport investor base.

d. **Greater certainty of tax arrangements**

As previously disclosed to Securityholders, Sydney Airport is subject to a specific issue tax audit by the ATO in relation to the deductibility of distributions paid on the Subsidiary RPS Interests. Sydney Airport has agreed in-principle non-binding terms of settlement with the ATO under which Sydney Airport is to make a primary tax and interest payment of \$69 million to the ATO and in return audit activity in relation to the Subsidiary RPS Interests will cease. These terms will be contained in a binding settlement deed proposed to be executed by the ATO and Sydney Airport. Implementation of the Proposal will result in the elimination of the Subsidiary RPS Interests from the Sydney Airport structure and facilitate Sydney Airport proceeding to a settlement with the ATO, ensuring no further audit activity in relation to the Subsidiary RPS Interests. This outcome will provide greater certainty with respect to Sydney Airport's historic tax affairs.

In connection with the ATO settlement, Sydney Airport has had extensive consultation with the ATO in regard to applications for private and class taxation rulings related to the Proposal. This process will, if the Proposal is implemented and the ATO issues final binding rulings, provide a greater level of certainty with regard to Sydney Airport's future tax position. The final binding rulings, if issued by the ATO, are expected to address various matters including the deductibility of interest on the new loan from SAT1 to Sydney Airport Limited.

5. The Proposal (continued)

e. **Improved company governance arrangements**

Following implementation, Securityholders will hold New Stapled Securities (comprising one SAT1 Unit stapled to one Sydney Airport Limited Share) in place of the Existing Stapled Securities (comprising one SAT1 Unit stapled to one SAT2 Unit). As a consequence of holding Sydney Airport Limited Shares, Securityholders will enjoy certain rights that do not attach to the Existing Stapled Securities, including:

- the right to vote on the removal of any director of Sydney Airport Limited;
- the statutory right that Sydney Airport Limited (unlike a managed investment scheme such as SAT1 and SAT2) hold an annual general meeting, and give 28 days' notice (rather than 21 days' notice, as is presently the case) of a general meeting; and
- the right at each annual general meeting to vote on, to ask questions about, and to make comments on, the remuneration report at the annual general meeting of Sydney Airport Limited and, where the remuneration report is not approved by Securityholders at consecutive annual general meetings, consider the re-election of Sydney Airport Limited Directors pursuant to the 'two strikes rule' under the Corporations Act.

f. **Independent boards**

Implementation of the Proposal will result in Sydney Airport comprising a stapled vehicle made up of SAT1 and Sydney Airport Limited and New RE replacing SAHL as the responsible entity of SAT1. The New RE Board will be a separate body, independent of the Sydney Airport Limited board, allowing the Sydney Airport Limited board to focus solely on Sydney Airport operational matters. The Directors also consider that following implementation of the Proposal the Sydney Airport Group will have a more transparent corporate ownership structure, which is consistent with the group's sole focus on the ownership of 100% of Sydney Airport.

The implementation of this governance structure and the appointment of New RE is an important element in enabling greater certainty for Sydney Airport's future tax position. Under the proposed structure, the independent boards of New RE and Sydney Airport Limited must have regard to their respective duties in negotiating the terms of the transactions entered into between the entities (including the new loan to be made by SAT1 to Sydney Airport Limited). As a consequence of those duties and the nature of the proposed governance arrangements generally, it is expected that the terms of any such transactions would be determined by the boards acting on an arm's length basis. The conduct of these transactions at arm's length is an important requirement to Sydney Airport's future tax position.

g. **The Independent Expert has concluded that the Proposal is fair and reasonable and in the best interests of Securityholders**

Securityholders are recommended to read the Independent Expert's Report in full (set out in Annexure A).

h. **No significant change to the investment of Securityholders**

Implementation of the Proposal will not result in any significant change to the overall investment of Securityholders.

5.10 Reasons why you might vote against the Resolutions

5.10.1 You may disagree with the conclusion of the Directors

You may disagree with the conclusion of the Directors that the Proposal is fair and reasonable and in the best interests of Securityholders.

5.10.2 You may disagree with the conclusion of the Independent Expert

You may disagree with the conclusions of the Independent Expert that the Proposal is fair and reasonable and in the best interests of Securityholders.

5.10.3 You may consider that the costs of the Proposal outweigh the advantages

The Proposal involves a number of one-off transaction costs, estimated at a total of \$8 million, including advisory, independent expert costs and ASX listing costs. It is important to note that the majority of those transaction costs have already been incurred (and will not be avoided if the Proposal is not implemented).

5.10.4 You may consider that another responsible entity is better placed to manage SAT1

You may consider it preferable that an entity other than New RE is appointed to manage SAT1.

5.10.5 Risks and disadvantages associated with the Proposal

There are a number of risks and disadvantages associated with the Proposal, summarised in Section 5.13.

5.11 Directors' recommendation

For the reasons set out in this Explanatory Memorandum, the Directors unanimously recommend that Securityholders vote in favour of the Resolutions.

5. The Proposal (continued)

5.12 Independent Expert's Report

The Independent Expert has provided an assessment of the Proposal for the benefit of Securityholders. The Independent Expert has concluded that the Proposal is fair and reasonable and in the best interests of Securityholders.

A copy of the Independent Expert's Report can be found in Annexure A. The considerations and factors that the Independent Expert has taken into account in reaching its opinion are as follows.

- **An increase in the permitted foreign ownership of Sydney Airport to 49% may increase demand for, and liquidity in, Stapled Securities.** The Independent Expert considers that the existing foreign ownership restriction appears to have acted as a constraint on the level of foreign investment in Sydney Airport. The Proposal will increase permitted foreign ownership to 49% which will in turn increase the pool of potential investors in Sydney Airport and, potentially, the demand for Stapled Securities.
- **Greater certainty in relation to Sydney Airport's tax affairs and governance structure.** On the basis that the Proposal is likely to provide greater certainty in respect of Sydney Airport's tax affairs by facilitating the settlement in respect of the existing specific issue tax audit and reducing the likelihood of future tax uncertainty related to the deductibility of interest on the Subsidiary RPS Interests, the Independent Expert considers that the Proposal is likely to make Sydney Airport a more attractive investment to potential investors.
- **Simplification of Sydney Airport's ownership structure.** The Independent Expert considers that the structure of Sydney Airport Group resulting from implementation of the Proposal will result in a number of other benefits, including:
 - further simplifying management and administrative matters for Sydney Airport;
 - more appropriately reflecting Sydney Airport's operating asset and strategy, potentially enhancing investors' ability to understand, interpret and assess the financial performance of Sydney Airport and Sydney (Kingsford Smith) Airport, thereby facilitating more accurate price discovery in Stapled Securities; and
 - potentially increasing demand for Stapled Securities by making Sydney Airport more appealing to a broader range of investors.

Securityholders are recommended to read the Independent Expert's Report in full (set out in Annexure A).

5.13 Risks and disadvantages

There are a number of risks and uncertainties in relation to an investment in Sydney Airport which Securityholders should

consider. These include risks specific to the Proposal itself and risks (both specific and general) which may affect the future operating and financial performance of Sydney Airport and the outcome of an investment in Sydney Airport. There can be no guarantees that the Proposal will achieve its stated objectives, that forecasts will be met or that forward looking statements will be realised.

This Section describes the specific risks associated with the Proposal and which are unique to Sydney Airport. Sections 7.2(d) and 7.7 set out specific and general risks which may affect the future operating and financial performance of Sydney Airport and the outcome of an investment in Sydney Airport in the context of information provided in relation to Sydney Airport Limited.

The risks below are not an exhaustive list of the risks involved in the implementation of the Proposal or an investment in New Stapled Securities.

5.13.1 Risks of the Proposal not proceeding a) Conditionality of the Proposal

The Proposal may not be implemented. The Proposal is subject to conditionality including various Securityholder and regulatory approvals, and the receipt of judicial advice from the Court. Failure to implement the Proposal may result in continued uncertainty in relation to the specific issue tax audit by the ATO concerning the deductibility of distributions paid on Subsidiary RPS Interests. It will also result in benefits of simplification of the Sydney Airport Group structure failing to be derived and the permitted foreign ownership of Sydney Airport remaining at the current 40% level.

Further, if the Scheme is implemented but the Restructure does not proceed, no Securityholder that is a foreign person (and their associates) under the Airports Act will be permitted to hold more than 15% of the total number of New Stapled Securities on issue.

5.13.2 Risks of the Proposal proceeding a) Independent boards

The implementation of the Proposal will result in Sydney Airport comprising a stapled vehicle made up of SAT1 and Sydney Airport Limited and New RE replacing SAHL as the responsible entity of SAT1. The New RE Board will be a separate body, independent of the Sydney Airport Limited board.

While the Directors consider that the proposed governance arrangements will present the advantage of allowing the Sydney Airport Limited board to focus solely on Sydney Airport operational matters and under the proposed governance arrangements the separate independent boards may have regard to the interests of Securityholders as a whole, it is possible that the boards will reach different views on the best interests of Securityholders in certain limited decisions.

5. The Proposal (continued)

In practice, given the relative and independent roles of New RE and Sydney Airport Limited in the Sydney Airport Group, the Directors do not consider that such an occurrence would be likely to arise or have significant consequences for Securityholders. In this respect, it should be noted that:

- New RE will have no involvement in decisions relating to the operation of Sydney (Kingsford Smith) Airport. These decisions will be made by the board of Sydney Airport Limited or SACL (as appropriate); and
- in the event that the boards do reach different views on a matter requiring their agreement, Sydney Airport considers that the experience and business judgement of the directors of New RE and Sydney Airport Limited will prevail upon the circumstances to ensure that a satisfactory resolution is reached. In certain contexts and from time to time, the entities may also determine it appropriate to adopt specific contractual resolution mechanisms or protocols for the purposes of resolving any such disputes.

b) The costs of the Proposal may be higher than forecast

There are transaction costs associated with the implementation of the Proposal, details of which are set out in Section 5.13.3. Although the majority of those transaction costs have already been incurred, certain costs are still to be incurred and the details of transaction costs included in this Explanatory Memorandum include forecast estimates of those costs. Forecasts by their very nature are subject to uncertainties and contingencies, many of which are outside the control of Sydney Airport. There is a risk that certain identified costs of implementing the Proposal could exceed forecasts or unidentified costs of the Proposal could arise. Details of the future estimated transaction costs associated with the implementation of the Proposal are set out below.

c) Tax audit settlement and ruling processes

Sydney Airport has agreed in-principle non-binding terms of settlement with the ATO in relation to the specific issue tax audit. A formal binding settlement deed is expected to be finalised with the ATO in conjunction with the finalisation of the tax rulings process in connection with the Proposal. However, it is possible that Sydney Airport and the ATO will be unable to reach a formal binding settlement or that Sydney Airport will not otherwise receive final binding tax rulings. In such a scenario, a degree of uncertainty would continue to exist in relation to Sydney Airport's current and future tax position (as it presently does).

d) Scheme is implemented but Restructure is not

As noted in Section 5.4, the Restructure and the terms on which it is implemented, remain conditional on final agreement being reached by Sydney Airport Limited and New RE as the responsible entity of SAT1, following implementation of the Scheme. It is also possible that the

Restructure may not proceed for reasons currently unforeseen by the Directors.

If the Scheme is implemented but the Restructure is not:

- foreign persons (and their associates) will still be restricted from holding in aggregate more than 40% of New Stapled Securities. In addition, no single Securityholder that is a foreign person will be permitted to hold more than 15% of New Stapled Securities; and
- other benefits of the Proposal, including the anticipated greater certainty in relation to the tax arrangements, in particular, facilitation of the resolution of the specific tax audit being conducted by the ATO, and other benefits resulting from simplification of the Sydney Airport Group structure, will not be realised on the terms described in this Explanatory Memorandum.

5.13.3 Disadvantages of the Proposal

While it is expected that Securityholders, taken as a whole, will not be materially disadvantaged if the Proposal is implemented, the Proposal is expected to give rise to the following matters which may be viewed as disadvantages:

- a. The Proposal involves a number of one-off implementation costs, estimated at a total of \$8 million, including advisory, independent expert costs and ASX listing costs. The majority of these costs have already been incurred at the date of this Explanatory Memorandum.
- b. While Sydney Airport operates under a corporate structure that allows it to maintain an increased limit on foreign ownership of 49%, Sydney Airport Limited will be restricted under the Airports Act from making certain investments, or undertaking certain activities, that are not related to the operation or ownership of Sydney (Kingsford Smith) Airport. This may restrict Sydney Airport's ability to change its sole focus from owning 100% of Sydney (Kingsford Smith) Airport should it decide to do so in the future. The relevant Airports Act restrictions do not apply to SAT1.
- c. Sydney Airport, following implementation of the proposed governance arrangements under the Proposal, intends to proceed with the in-principle terms agreed with the ATO, which arrangement will involve the payment of \$69 million to the ATO. The Directors consider that proceeding with this settlement is in the best interest of Securityholders, but doing so may not be considered an advantage by certain Securityholders.
- d. As set out in Section 5.4, the Restructure involves the transfer of the Subsidiary RPS Interests and the SCACH Interests currently held by SAT1. The terms of the proposed transfers are subject to agreement by the directors of Sydney Airport Limited and the New RE Board (should New RE be appointed as responsible entity of SAT1). The transfer of these interests may impact upon the extent to which the 2013 distribution made to Securityholders by SAT1 is taxable.

5. The Proposal (continued)

5.14 Implications if the Proposal is not approved and implemented

If the Proposal is not approved and implemented:

- a. Sydney Airport Limited will not acquire the SAT2 Units and Securityholders will continue to hold the Existing Stapled Securities (each comprised of one unit in SAT1 and one unit in SAT2);
 - b. SAHL will remain as the responsible entity of SAT1 and SAT2;
 - c. the Restructure will not be implemented and Securityholders will not receive the anticipated benefits from the implementation of the Proposal, including those arising from facilitation of the settlement with the ATO in relation to the existing tax audit, the increase in permitted foreign ownership of Sydney Airport to 49% and simplification of the Sydney Airport Group structure; and
 - d. Sydney Airport will pay transaction costs incurred to the date of the Meetings relating to the Proposal of approximately \$6.2 million.
- c. the Restructure is expected to be implemented and Securityholders will receive the anticipated benefits from the implementation of the Proposal, including those arising from facilitation of the settlement with the ATO in relation to the existing specific issue tax audit being conducted by the ATO, the increase in permitted foreign ownership of Sydney Airport to 49% and simplification of the Sydney Airport Group structure;
 - d. Sydney Airport will pay transaction costs incurred relating to the Proposal of approximately \$8 million (the majority of which have been incurred at the date of this Explanatory Memorandum).
 - e. Post implementation of the Proposal, Sydney Airport anticipates it will proceed to enter into a binding settlement deed on the terms of its in-principle terms of settlement with the ATO, including the payment of \$69 million to the ATO.
 - f. If the Proposal is implemented, the Sydney Airport Limited TCG will hold a 100% direct interest in the SCACH TCG. As a result SCACH and its wholly-owned subsidiaries will join the Sydney Airport Limited TCG. Due to the application of the tax consolidation provisions, which includes the making of certain elections and the resetting of the tax bases of certain SCACH TCG assets and liabilities, it is estimated that there will be a net reduction to the deferred tax liabilities of approximately \$112 million.

In this scenario, the Directors would assess available options at the relevant time. This may involve consideration of a number of options and may include those outlined in Section 3.2. Depending on the available options, it may be necessary for the Directors to seek Securityholder approval for the implementation of one or more alternatives at the appropriate time.

5.15 Implications if the Proposal is approved and implemented

If the Proposal is approved and implemented:

- a. SAT1 and SAT2 Units will be unstapled, Sydney Airport Limited will acquire all SAT2 Units, Securityholders will be issued one Sydney Airport Limited Share for each SAT2 Unit they hold and Sydney Airport Limited Shares will be stapled to SAT1 Units to comprise New Stapled Securities;
- b. SAHL will retire and be replaced by New RE as the responsible entity of SAT1;

6. Financial impact of the Proposal

6.1 Introduction

The financial information set out in this Section 6 illustrates the indicative financial impact of the Proposal and the Minority Acquisitions on the financial performance and financial position of Sydney Airport.

This Section contains a summary of:

- the pro forma historical consolidated statement of financial performance for Sydney Airport for the half-year ended 30 June 2013 (see Section 6.4) (**Pro Forma Historical Statement of Financial Performance**); and
- the pro forma historical consolidated statement of financial position for Sydney Airport as at 30 June 2013 (see Section 6.5) (**Pro Forma Historical Statement of Financial Position**).

The Pro Forma Historical Statement of Financial Performance together with the Pro Forma Historical Statement of Financial Position form the **Pro Forma Historical Financial Information**.

Also set out in this Section are:

- distribution guidance (see Section 6.2);
- information in relation to the basis of preparation and presentation of the Pro Forma Historical Financial Information contained in this Section (see Section 6.3); and
- an important notice in relation to the Pro Forma Historical Financial Information set out in this Section (see Section 6.6).

The information in this section should be read in conjunction with the risk factors set out in Section 5.13 and other information contained in this Explanatory Memorandum.

6.2 Distribution guidance

The Directors reaffirm the Sydney Airport Group's distribution guidance of 22.5 cents per Stapled Security (subject to external shocks to the aviation industry and material changes to forecast assumptions) for the year ending 31 December 2013. A distribution of 11.0 cents per Stapled Security for the first half of 2013 was paid on 16 August 2013. It is anticipated that the final distribution for 2013 will be paid in February 2014.

6.3 Basis of preparation

6.3.1 Overview

The Pro Forma Historical Financial Information contained in this Section has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards. However, it is presented in an abbreviated form and therefore does not include all of the disclosures, statements or comparative information required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the

Corporations Act. The accounting policies used in preparing the financial information are the same as those of Sydney Airport, which are given in its interim financial report for the half-year ended 30 June 2013.

The Pro Forma Historical Financial Information in Sections 6.4 and 6.5 has been reviewed by KPMG Transaction Services. KPMG Transaction Services has prepared an Investigating Accountant's Report which is included in Annexure B of this Explanatory Memorandum. Securityholders should note the scope and limitations of the Investigating Accountant's Report set-out therein.

All amounts disclosed in the tables in this Section, unless otherwise noted, are presented in Australian dollars and rounded to the nearest million. Rounding of the figures provided in the Pro Forma Historical Financial Information may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

6.3.2 Pro Forma Historical Statement of Financial Performance

The Pro Forma Historical Statement of Financial Performance is based on the historical statement of financial performance for Sydney Airport for the half-year ended 30 June 2013 extracted from the reviewed financial statements of Sydney Airport, adjusted for certain pro forma transactions and adjustments to reflect the Proposal and the Minority Acquisitions as if those had been implemented and effective from 1 January 2013 as outlined in Section 6.4.

Securityholders should note the important information set out in Section 6.6.

6.3.3 Pro Forma Historical Statement of Financial Position

The Pro Forma Historical Statement of Financial Position is based on the historical statement of financial position of Sydney Airport as at 30 June 2013 extracted from the reviewed financial statements of Sydney Airport, adjusted for certain pro forma transactions and adjustments to reflect the and the Proposal and Minority Acquisitions as having been completed on that date as outlined in Section 6.5.

Securityholders should note the important information set out in Section 6.6.

6. Financial impact of the Proposal (continued)

6.4 Pro Forma Historical Statement of Financial Performance

The table below sets out the Pro Forma Historical Statement of Financial Performance of Sydney Airport.

	Sydney Airport reported for the half-year ended 30 Jun 13 \$m	Adjustments Minority Acquisitions \$m	Adjustments Proposal \$m	Sydney Airport Pro Forma for the half-year ended 30 Jun 13 \$m
Revenue	555	–	–	555
Other income	(1)	–	–	(1)
Total revenue	554	–	–	554
Finance costs	242	–	–	242
Other expenses	259	(2)	(2)	255
Total operating expenses	501	(2)	(2)	497
Profit/(loss) before income tax expense	53	2	2	57
Income tax expense	(40)	–	–	(40)
Profit/(loss) after income tax expense	13	2	2	17
Profit/(loss) attributable to:				
Security holders	24	(9)	2	17
Non-controlling interest	(11)	11	–	–
	13	2	2	17

The Pro Forma Historical Statement of Financial Performance has been derived by adjusting the historical statement of financial performance for Sydney Airport for the half-year ended 30 June 2013 as follows:

6.4.1 Minority Acquisition adjustments

a) Transaction costs

Adjustments have been made to reflect the reduction in expenses for transaction costs expensed in the Pro Forma Historical Statement of Financial Performance during the half-year period to 30 June 2013 of \$1.6 million relating to Minority Acquisitions not able to be capitalised as the transaction had not yet occurred (tax effect not adjusted). Capitalisation of these transaction costs in the value of the investment is permitted under Australian Accounting Standards and is therefore reflected in the Pro Forma Historical Statement of Financial Position outlined below.

b) Non-controlling interest

Adjustments have been made to remove the profit / (loss) attributable to non-controlling interests in the half-year period to 30 June 2013.

6.4.2 Proposal adjustments

a) Transaction costs

Adjustment has been made to reflect the reduction in expenses for transaction costs expensed in the Pro Forma Historical Statement of Financial Performance during the half-year period to 30 June 2013 of \$1.6 million relating to the Proposal not able to be capitalised as the transaction had not yet occurred (tax effect not adjusted). Capitalisation of these transaction costs in the value of the investment is permitted under Australian Accounting Standards and is therefore reflected in the Pro Forma Historical Statement of Financial Position outlined below.

6. Financial impact of the Proposal (continued)

6.5 Pro Forma Historical Statement of Financial Position

The table below sets out the Pro Forma Historical Statement of Financial Position of Sydney Airport.

	Sydney Airport reported as at 30 Jun 13 \$m	Adjustments Minority Acquisitions \$m	Adjustments Proposal \$m	Sydney Airport Pro Forma as at 30 Jun 13 \$m
Current assets				
Cash and cash equivalents	416	(61)	(6)	349
Receivables	105	–	–	105
Other financial assets	16	–	–	16
Other assets	10	–	–	10
Total current assets	547	(61)	(6)	480
Non-current assets				
Receivables	37	–	–	37
Property, plant and equipment	2,508	–	–	2,508
Intangible assets	7,800	–	–	7,800
Other assets	14	–	–	14
Total non-current assets	10,359	–	–	10,359
Total assets	10,906	(61)	(6)	10,839
Current liabilities				
Distribution payable	205	–	–	205
Payables	154	–	–	154
Interest bearing liabilities	217	–	–	217
Deferred income	24	–	–	24
Derivative financial instruments	138	–	–	138
Provisions	9	–	–	9
Current tax liabilities	69	–	–	69
Total current liabilities	816	–	–	816
Non-current Liabilities				
Interest bearing liabilities	6,510	–	–	6,510
Derivative financial instruments	29	–	–	29
Provisions	1	–	–	1
Deferred tax liabilities	1,628	–	(112)	1,516
Total non-current liabilities	8,168	–	(112)	8,056
Total liabilities	8,984	–	(112)	8,872
Net assets	1,922	(61)	106	1,967
Equity				
Contributed equity	3,949	1,230	–	5,179
Retained profits	320	2	114	436
Reserves	(2,395)	(1,245)	(8)	(3,648)
Total security holders' interests	1,874	(13)	106	1,967
Non-controlling interest in controlled entities	48	(48)	–	–
Total equity	1,922	(61)	106	1,967

6. Financial impact of the Proposal (continued)

The Pro Forma Historical Statement of Financial Position has been derived by adjusting the historical statement of financial position of Sydney Airport as at 30 June 2013 as follows:

6.5.1 Minority Acquisition adjustments

a) Issue of SYD securities

The Minority Acquisitions were undertaken by issuing Existing Stapled Securities proportionate to the underlying minority interests in the Sydney Airport operating entities being acquired as follows:

- 247.5 million Existing Stapled Securities were issued to entities which held an 11.3% interest in the Sydney Airport operating entities; and
- 85.6 million Existing Stapled Securities were issued under an institutional placement that raised \$308.2 million in respect of the acquisition of interests from entities that held interests in the Sydney Airport operating entities and chose to monetise their holdings.

333.1 million new Existing Stapled Securities were issued in total, representing 15.2% of the post-issue Existing Stapled Securities on issue (which is proportionate with the 15.2% interest in the Sydney Airport operating entities acquired).

Sydney Airport's contributed equity has been credited by \$1,230.1 million to reflect the 333.1 million Existing Stapled Securities issued in respect of the Minority Acquisitions based on ASX Existing Stapled Security price.

Reserves have been adjusted for the issue of Existing Stapled Securities net of transaction costs.

b) Non-controlling interest in controlled entities

Sydney Airport already consolidated its 84.8% interest in the Sydney Airport operating entities by recognising 100% of the Sydney Airport operating entities' assets and liabilities in its consolidated statutory statement of financial position and will continue to account for its investment in the Sydney Airport operating entities on this basis following the Minority Acquisitions.

Non-controlling interests in controlled entities have been reduced by \$48.0 million to reflect Sydney Airport's move to 100% ownership of the Sydney Airport operating entities.

c) Payment of minority interest distributions

\$17.0 million relating to Sydney Airport's second quarter distribution was paid to the minorities as part of the acquisition mechanics.

Sydney Airport's cash and cash equivalents and reserves have been reduced for the minority interest payment amounts.

d) Payment of transaction costs

Transaction costs of \$45.5 million primarily relate to \$41.1 million net stamp duty costs, \$1.9 million in net underwriting costs and \$2.5 million net professional advisory fees (external consultants and advisors including legal, financial and taxation advisor costs, independent

expert and ASX-listing costs) associated with the Minority Acquisitions.

Sydney Airport's cash and cash equivalents has been adjusted by a credit of \$43.9 million (\$1.6 million had already been paid as at 30 June 2013) and reserves have been reduced by \$45.5 million for Sydney Airport's net transaction costs.

6.5.2 Proposal adjustments

a) Payment of transaction costs

\$8 million of estimated professional advisory fees (external consultants and advisors including legal, financial and taxation advisor costs and the independent expert) and ASX-listing costs associated with the Proposal.

Sydney Airport's cash and cash equivalents has been adjusted by a credit of \$6.4 million (\$1.6 million had already been paid as at 30 June 2013) and reserves have been adjusted by \$8 million for Sydney Airport's net transaction costs.

b) Deferred Tax balances

If the Proposal is implemented, the Sydney Airport Limited TCG will hold a 100% direct interest in the SCACH TCG. As a result SCACH and its wholly-owned subsidiaries will join the Sydney Airport Limited TCG. Due to the application of the tax consolidation provisions, which includes the making of certain elections and the resetting of the tax bases of certain SCACH TCG assets and liabilities, it is estimated that there will be a net reduction to the deferred tax balance of approximately \$112 million.

6.6 Important notice

The Pro Forma Historical Financial Information set out in this Section 6 has been prepared for illustrative purposes only to illustrate the impact of the Proposal and the Minority Acquisitions in the Pro Forma Historical Statement of Financial Position of Sydney Airport as at 30 June 2013 and the Pro Forma Historical Statement of Financial Performance of Sydney Airport for the half-year ended 30 June 2013 (in Sections 6.4 and 6.5 respectively).

The Pro Forma Historical Financial Information is not represented as being indicative of Sydney Airport's views on future financial performance or position. The information is presented to reflect the financial performance of Sydney Airport as if the Proposal and the Minority Acquisitions had taken place on 1 January 2013 and financial position of Sydney Airport as if the Proposal and the Minority Acquisitions had taken place on 30 June 2013, after adjusting for the impact of the adjustments set out in Sections 6.4 and 6.5. It does not take into account the financial performance, cash flows or other movements in the balance sheet or income statement of Sydney Airport for the period from 30 June 2013 to the date of this Explanatory Memorandum.

Securityholders should note that past results are not a guarantee of future performance.

7. Sydney Airport Limited

7.1 Overview

If the Resolutions are approved and the other conditions to the implementation of the Proposal are all satisfied or waived, then the Proposal will be implemented and Sydney Airport Limited Shares will be issued to Scheme Participants as consideration for the acquisition by Sydney Airport Limited of their SAT2 Units.

This Section sets out information about Sydney Airport Limited and Sydney Airport Limited Shares. It should be read in conjunction with the remainder of this Explanatory Memorandum.

The Proposal will not result in any significant change to your overall investment in Sydney Airport.

7.2 Summary

a) Key Features of the Issue

Topic	Summary
Who is the issuer?	The issuer is Sydney Airport Limited, an Australian public company registered on 30 July 2013.
What are the securities being issued?	The securities being issued are new, fully paid ordinary shares in Sydney Airport Limited. Immediately after allotment and issue on the Implementation Date, the Sydney Airport Limited Shares will be stapled to SAT1 Units to form the New Stapled Securities.
Who will the issue of Sydney Airport Limited Shares be made to?	Sydney Airport Limited Shares will be issued to those Securityholders on the Register at the Record Date (7.00pm Sydney time, Monday, 2 December 2013) (Scheme Participants).
How many Sydney Airport Limited Shares will be issued?	Scheme Participants will be issued one Sydney Airport Limited Share for every one SAT2 Unit they hold at the Record Date.
What is the consideration payable for the Sydney Airport Limited Shares?	Scheme Participants will receive one Sydney Airport Limited Share as consideration for every one SAT2 Unit acquired from them by Sydney Airport Limited. Scheme Participants are not required to pay any cash consideration for the Sydney Airport Limited Shares, or to complete an application form.
What are the Australian tax implications of the Issue?	A general summary of the Australian tax implications of the Scheme for Australian and non-Australian tax resident Securityholders is set out in the Australian Tax Report in Section 8 of the Explanatory Memorandum.
Who owns Sydney Airport Limited now?	As at the date of this Explanatory Memorandum, Sydney Airport Limited has two shares on issue, held by Mr. Stephen Mentzines, the Chief Financial Officer of Sydney Airport. Contemporaneously with the Scheme being implemented and Sydney Airport Limited Shares being issued to Scheme Participants, the two Sydney Airport Limited Shares existing on the date of this Explanatory Memorandum will be cancelled.
What are the key steps involved in the Scheme?	The key steps of the Scheme are set out in more detail in Section 5.3.
Are there any conditions to the Issue?	Yes. See Section 5.7.
Will the Sydney Airport Limited Shares be listed on ASX?	Yes. Approval of the official quotation of Sydney Airport Limited Shares on ASX and the listing of Sydney Airport Limited on ASX is a condition of the Scheme. See Section 5.7.

7. Sydney Airport Limited (continued)

b) Key Terms of the Sydney Airport Limited Shares

Topic	Summary	Further information
What are the key terms of Sydney Airport Limited Shares?	<p>Immediately after allotment and issue on the Implementation Date, the Sydney Airport Limited Shares will be fully paid ordinary shares and will rank equally in all respects with all other ordinary Sydney Airport Limited Shares on issue. The rights attaching to Sydney Airport Limited Shares are set out in the Sydney Airport Limited Constitution and are regulated by the Corporations Act, the Listing Rules and general law.</p> <p>A copy of the Sydney Airport Limited Constitution is available at http://www.sydneyairport.com.au/investors</p>	Section 7.3
What are the New Stapled Securities?	The Sydney Airport Limited Shares will be stapled to SAT1 Units to form the New Stapled Securities.	Section 5.6

c) Overview of Sydney Airport Limited

Topic	Summary	Further information
Directors of Sydney Airport Limited and key management personnel	Details of the Sydney Airport Limited directors and key management personnel are set out in Section 5.8.	Section 5.8
Business activities and business models in relation to Sydney Airport Limited	<p>At the date of this Explanatory Memorandum Sydney Airport Limited has not conducted any business activities, other than in connection with the Proposal.</p> <p>After the Scheme and the Restructure have been implemented the main business activity carried on by Sydney Airport Limited will be to wholly-own the Sydney Airport operating entities and, through those entities, operate Sydney (Kingsford Smith) Airport. More information on the Restructure is set out in Section 5.4.</p>	Section 5
Financial position	<p>As at the date of this Explanatory Memorandum Sydney Airport Limited has no substantial assets.</p> <p>If the Scheme and the Restructure are implemented Sydney Airport Limited's key assets will be all of the shares in SCACH which in-turn will hold all of the shares in SACL.</p>	Section 7.5
Financial performance	<p>Once the Scheme has been implemented, Sydney Airport Limited will become the holding company for the Sydney Airport operating entities, and accordingly it will have significant assets and income.</p> <p>For this reason, Sydney Airport Limited's financial performance will be based on the performance of the existing operating assets of the Sydney Airport Group.</p>	Section 7.5
Prospects	The Directors reaffirm the Sydney Airport Group's distribution guidance of 22.5 cents per Stapled Security (subject to external shocks to the aviation industry and material changes to forecast assumptions). A distribution of 11.0 cents per Stapled Security for the first half of 2013 was paid on 16 August 2013. It is anticipated that the final distribution for 2013 will be paid in February 2014.	Sections 6.2 and 7.5
Infrastructure entity disclosures	The Sydney Airport Group's website (at http://www.sydneyairport.com.au/investors/stock-information/infrastructure-entity-disclosures) contains the disclosures required by ASIC Regulatory Guide 231 which are incorporated by reference into this Explanatory Memorandum.	Section 10.6

7. Sydney Airport Limited (continued)

d) Key risks associated with Sydney Airport Limited and Sydney Airport Limited Shares

The Scheme and Restructure will not result in any significant change to your overall investment in Sydney Airport. Sydney Airport Limited will become a part of the Sydney Airport Group, in which you already hold an investment, and the Directors consider that your overall risk exposure will not be materially different from the risks already facing the Sydney Airport Group as a whole. A summary of these risks is set out in Section 7.7.

e) Key people

Details of the key people involved in Sydney Airport Limited, including the Sydney Airport Limited directors at the time of this Explanatory Memorandum and from the first day following the Implementation Date, and the key management personnel of the Sydney Airport Group, are set out in Section 5.8.

7.3 Key Terms of Sydney Airport Limited Shares

Subject to the stapling arrangements of the Sydney Airport Group, the rights attaching to Sydney Airport Limited Shares are summarised below. It is not intended to be an exhaustive or definitive summary of the rights and obligations of holders of Sydney Airport Limited Shares.

A copy of the Sydney Airport Limited Constitution can be obtained in full at Sydney Airport's website at www.sydneyairport.com.au.

Topic	Sydney Airport Limited Shares
General	Immediately after allotment and issue on the Implementation Date, the Sydney Airport Limited Shares will be fully paid ordinary Sydney Airport Limited Shares and will rank equally with all other ordinary shares on issue. The rights attaching to Sydney Airport Limited Shares are set out in the Sydney Airport Limited Constitution and are regulated by the Corporations Act, the Listing Rules and general law.
Entitlement	<p>The Sydney Airport Limited directors may pay distributions to holders of New Stapled Securities (in respect of their Sydney Airport Limited Shares) out of the profits of Sydney Airport Limited. The Sydney Airport Limited directors may fix the amount, the time and the method of payment.</p> <p>Subject to the rights of any persons entitled to shares with special rights as to distributions and the terms of any shares issued to the contrary, all Sydney Airport Limited Shares (on which all amounts payable have been paid) on which any distribution is declared or paid are entitled to participate in that distribution equally. Sydney Airport Limited Shares (on which all amounts payable have not been paid) on which any distribution is declared or paid are entitled to participate in that distribution equally in the proportion which the amount paid on the relevant Sydney Airport Limited Shares bears to the total amounts paid and payable on the relevant Sydney Airport Limited Shares.</p>
General Meetings	<p>Each Sydney Airport Limited member is entitled to receive notices of general meetings of Sydney Airport Limited in accordance with the Corporations Act. Such notices will be provided contemporaneously with notices of meeting of SAT1 (pursuant to the terms of the Stapling Deed).</p> <p>The non-receipt of notice of a general meeting or cancellation or postponement of a general meeting by, or the accidental omission to give notice of a general meeting or cancellation or postponement of a general meeting to, a person entitled to receive notice does not invalidate any resolution passed at the general meeting or at a postponed meeting or the cancellation or postponement of a meeting.</p>
Voting Rights	At a general meeting of Sydney Airport Limited, every member present in person and each other person present as a proxy, attorney or representative has one vote on a show of hands and one vote for each fully paid Sydney Airport Limited Share on a poll. A member is not entitled to vote on shares which are subject to a restriction agreement per the Listing Rules. Members who hold partly paid shares may only vote in proportion to the aggregate amount paid on those shares.

7. Sydney Airport Limited (continued)

Topic	Sydney Airport Limited Shares
Issue of additional shares	<p>The Sydney Airport Limited directors may (subject to the restrictions on the issue of Sydney Airport Limited Shares imposed by the Sydney Airport Limited Constitution, the Stapling Deed, the Listing Rules and the Corporations Act):</p> <ol style="list-style-type: none"> i. issue or dispose of shares to any person at any time and on any terms and conditions and having attached to them any preferred, deferred or other special rights or restrictions, whether with regard to dividend, voting, return of capital, payment of calls or otherwise, as the Sydney Airport Limited directors think fit and on any terms the Sydney Airport Limited directors think fit; and ii. grant to any person an option over shares or pre-emptive rights at any time and for any consideration as they think fit. <p>The Sydney Airport Limited Constitution provides that the rights conferred on the holders of the Sydney Airport Limited Shares of any class are not to be taken as varied by the issue of additional Sydney Airport Limited Shares ranking equally with the first-mentioned shares unless expressly provided by the terms of issue of the first-mentioned shares, or unless required by the Corporations Act or the Listing Rules.</p>
Transferability of shares	<p>While New Stapled Securities (which include Sydney Airport Limited Shares) are quoted on ASX, Sydney Airport Limited shareholders will generally be able to sell or transfer New Stapled Securities (which include Sydney Airport Limited Shares) without restriction.</p> <p>The Sydney Airport Limited directors may refuse to register any transfer of New Stapled Securities, Sydney Airport Limited Shares or other securities in circumstances permitted by the Listing Rules or the Sydney Airport Limited Constitution. The Sydney Airport Limited directors must refuse to register any transfer of Sydney Airport Limited Shares where they are required to do so by the Listing Rules or the Sydney Airport Limited Constitution.</p>
Airports Act restrictions	<p>In order to ensure compliance with foreign ownership provisions under the Airports Act, following implementation of the Proposal, divestment provisions in the Sydney Airport Limited Constitution will be activated if foreign ownership reaches 48.99% or such lower amount as specified to Securityholders to avoid any non-compliance or potential non-compliance with the Airports Act.</p> <p>The Sydney Airport Limited Constitution will also include divestment provisions that will be activated if an individual's foreign ownership reaches 14.99% or such lower amount as specified to Securityholders to avoid any non-compliance or potential non-compliance with the Airports Act. It is currently contemplated that the provisions in relation to an individual's foreign ownership will not be relevant following implementation of the Proposal.</p> <p>In addition to the above, the Sydney Airport Limited Constitution will include divestment provisions to avoid any non-compliance with the Airports Act restrictions in relation to cross-ownership of Australian airport-operator companies or airline ownership.</p> <p>The directors of Sydney Airport Limited have certain powers to enforce the foreign ownership caps and other ownership restrictions under the Airports Act including the power to require the disposal of Securityholders' interests under the Sydney Airport Limited Constitution (broadly, on a last in first out basis).</p>
Buy-backs	<p>Subject to the stapling requirements in relation to New Stapled Securities, the Sydney Airport Limited directors may buy-back Sydney Airport Limited Shares on the terms and at times determined by them, to the extent and in the manner permitted by the Corporations Act and Listing Rules.</p>
Variation of class rights	<p>Subject to any necessary additional requirement to comply with the provisions of the Corporations Act and the Listing Rules, the rights attached to any class of shares in Sydney Airport Limited, unless otherwise provided for by the terms of issue of those shares, may only be varied or cancelled with the consent in writing of the holders of at least 75% in nominal value of the issued shares in the relevant class, or with the sanction of a special resolution passed at a meeting of the holders of the shares in that class.</p>

7. Sydney Airport Limited (continued)

Topic	Sydney Airport Limited Shares
Entitlement on winding-up	Subject to the Sydney Airport Limited Constitution and to any rights of a member holding shares issued on special terms and conditions, if Sydney Airport Limited is wound up, the liquidator may, with the sanction of a special resolution, divide among the members of Sydney Airport Limited in kind the whole or any part of the property of Sydney Airport Limited and may for that purpose set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the members or different classes of members.
Amendments to the Sydney Airport Limited Constitution	The Corporations Act provides that the constitution of a company may be modified or repealed by a special resolution passed by the shareholders of the company (that is, approved by at least 75% of the votes cast by members entitled to vote on the resolution). The Sydney Airport Limited Constitution does not provide for any further requirements to be complied with to effect a modification of, or to repeal, the Sydney Airport Limited Constitution (except if the amendments affect the stapling of Sydney Airport Limited in which case a resolution of the shareholders of each other entity in the stapled group of which Sydney Airport Limited forms a part would need to be obtained).

7.4 Overview of Sydney Airport Limited

a) Current ownership and operations of Sydney Airport Limited

Sydney Airport Limited is an Australian public company which was incorporated on 30 July 2013.

As at the date of this Explanatory Memorandum, Sydney Airport Limited has two shares on issue, held by Mr. Stephen Mentzines, the Chief Financial Officer of Sydney Airport. Contemporaneously with implementation of the Scheme and issue of Sydney Airport Limited Shares to Scheme Participants the two Sydney Airport Limited Shares existing on the date of this Explanatory Memorandum will be bought back for their aggregate issue price of \$2.00 and cancelled.

As at the date of this Explanatory Memorandum, Sydney Airport Limited has no business operations and has not conducted any business activities since the date of its incorporation, other than in connection with the Proposal.

b) The effect of the Proposal on Sydney Airport Limited

Under the Scheme it is proposed that Sydney Airport Limited will acquire all of the SAT2 Units held by Securityholders and, as consideration, Securityholders will be issued one Sydney Airport Limited Share for every SAT2 Unit they hold. On the Implementation Date under the Scheme SAT1 Units will be stapled to Sydney Airport Limited Shares. The Scheme will result in the creation of the New Stapled Securities (comprising one SAT1 Unit and one Sydney Airport Limited Share).

Under the Restructure it is proposed that an internal restructure of the Sydney Airport Group be effected such that, following implementation, Sydney Airport Limited will hold all of the Sydney Airport operating entities.

c) Ownership of Sydney Airport Limited after implementation of the Scheme

On implementation of the Scheme, the holders of Sydney Airport Limited Shares will be identical to the holders of SAT2 Units on the Scheme Record Date.

7.5 Financial Information

a) Financial position

As at the date of this Explanatory Memorandum, Sydney Airport Limited has no substantial assets.

A Pro Forma Historical Statement of Financial Performance and Pro Forma Historical Statement of Financial Position of Sydney Airport, with indicative adjustments made to give effect to the Proposal and the Minority Acquisitions as if that had occurred as at relevant dates in those pro-forma statements are set out in Section 6.

b) Financial performance

Once the Proposal has been implemented, Sydney Airport Limited will become the holding company for each operating entity in the Sydney Airport Group and accordingly it will have significant assets and income.

The Proposal will not change the operations of the Sydney Airport Group. For this reason, Sydney Airport Limited's financial performance will be based on the performance of the existing operating assets of the Sydney Airport Group.

7. Sydney Airport Limited (continued)

c) Financing arrangements and requirements

Following implementation of the Scheme, it is anticipated that a new loan arrangement will be entered into between New RE as the responsible entity of SAT1 (as lender) and Sydney Airport Limited (as borrower) as a component of the Restructure. The terms of the loan remain conditional on final agreement being reached by Sydney Airport Limited and New RE as the responsible entity of SAT1, following implementation of the Scheme. However, the Directors are confident that final agreement on terms satisfactory for both entities will be reached and that SAT1 will provide a loan in an amount sufficient to meet Sydney Airport Limited's requirements.

d) Prospects of Sydney Airport Limited

The main business activity of Sydney Airport Limited will be to hold all of the issued shares in SCACH, which will in turn wholly-own SACL. As noted above the Proposal will lead to Sydney Airport Limited holding all of the Sydney Airport Group operating entities. For this reason, Sydney Airport Limited's prospects and financial performance will be based on the performance of the existing operating assets of the Sydney Airport Group.

The Directors reaffirm the Sydney Airport Group's distribution guidance of 22.5 cents per Stapled Security (subject to external shocks to the aviation industry and material changes to forecast assumptions). A distribution of 11.0 cents per Stapled Security for the first half of 2013 was paid on 16 August 2013. It is anticipated that the final distribution for 2013 will be paid in February 2014.

e) Tax

A general summary of the Australian tax implications of the Scheme and the Restructure for Australian and non-Australian tax resident Securityholders is set out in the Australian Tax Report in Section 8.

7.6 Key People

This Section provides information about the Sydney Airport Limited directors and key management of Sydney Airport Limited, the interests of people involved in the issue of Sydney Airport Limited Shares to Scheme Participants, and any benefits they may receive.

a) Directors and key management personnel of Sydney Airport Limited

The directors of Sydney Airport Limited at the time of this Explanatory Memorandum and if the Scheme is implemented, and the key management personnel of the Sydney Airport Group, are set out in Section 5.8.

b) Interests of directors

None of the Sydney Airport Limited directors has an interest in Sydney Airport Limited as at the date of this Explanatory Memorandum.

The interests of Sydney Airport Limited directors in the Sydney Airport Group are set out in Section 10.1.1.

c) Other interests of Sydney Airport Limited directors

Other than pursuant to the Scheme, no Sydney Airport Limited director, proposed Sydney Airport Limited director or promoter of Sydney Airport Limited has, or has had at any time in the two years before the date of this Explanatory Memorandum, any interests in:

- i. the formation or promotion of Sydney Airport Limited;
 - ii. any property acquired or proposed to be acquired by Sydney Airport Limited in connection with its formation or promotion or the offer of Sydney Airport Limited Shares; or
 - iii. the offer of Sydney Airport Limited Shares; and
- other than pursuant to the Scheme, no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to:
- iv. any Sydney Airport Limited director, or proposed Sydney Airport Limited director, to induce him or her to become, or to qualify as, a Sydney Airport Limited director; or
 - v. any Sydney Airport Limited director, proposed Sydney Airport Limited director or promoter of Sydney Airport Limited for services that he or she has provided in connection with either the formation or promotion of Sydney Airport Limited or the offer of Sydney Airport Limited Shares.

Each independent Sydney Airport Limited director is free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of that person's judgement.

d) Remuneration of Sydney Airport Limited directors

The aggregate director fee cap currently applicable to SAHL is \$1,500,000 for a calendar year. If the Proposal is implemented, the pool of aggregate annual remuneration available for allocation to the directors of Sydney Airport Limited will be \$2,000,000. This increase is primarily required to accommodate the director fees currently paid to SCACH directors (currently \$525,000 per annum). The increased pool of funds available for the remuneration of directors is, in addition, intended to serve the following purposes: to allow for the flexibility to introduce new directors over time, to accommodate increases on account of inflation, and to enable Sydney Airport Limited to attract and retain directors of the highest quality with the requisite skills and experience to optimise the future performance of Sydney Airport.

Further details can be found in Section 10.1.1(d) of this Explanatory Memorandum.

7. Sydney Airport Limited (continued)

e) Fees and interests of advisers

Interests of advisers

Other than pursuant to the Scheme or as set out in this Explanatory Memorandum, no person named in this Explanatory Memorandum as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Explanatory Memorandum or a broker to the offer of Sydney Airport Limited Shares:

- has any interest, or has had any interest during the last two years before the date of this Explanatory Memorandum, in the formation or promotion of Sydney Airport Limited, or any property acquired or proposed to be acquired by Sydney Airport Limited in connection with its formation or promotion or the offer of Sydney Airport Limited Shares; or
- has been paid or agreed to be paid any amount and no value or other benefit has been given or agreed to be given to any such person in connection with services provided by the person in connection with the formation or promotion of Sydney Airport Limited or the offer of Sydney Airport Limited Shares.

Adviser fees

Macquarie have acted as financial advisers in relation to the Proposal. Sydney Airport has agreed to pay Macquarie a fee of \$3.5 million (excluding GST) for its work undertaken in relation to the Proposal.

Allens has acted as legal adviser in relation to the Proposal. Sydney Airport will pay Allens fees of approximately \$1,300,000 (excluding GST) for its services.

PricewaterhouseCoopers has acted as tax adviser in relation to the Proposal. Sydney Airport will pay PricewaterhouseCoopers fees of approximately \$1,200,000 (excluding GST) for its services.

Ashurst Australia has acted as stamp duty advisers in relation to the Proposal. Sydney Airport will pay Ashurst Australia fees of approximately \$50,000 (excluding GST) for its services.

KPMG Transaction Services has acted as the Investigating Accountant in relation to the Proposal. Sydney Airport will pay KPMG Transaction Services fees of approximately \$200,000 (excluding GST) for such services.

Norton Rose Fulbright Australia has acted as legal adviser to The Trust Company and New RE in relation to the Proposal. Sydney Airport has agreed to reimburse The Trust Company in respect of Norton Rose Fulbright Australia's fees and other adviser fees in connection with the Proposal. Those fees will be approximately \$500,000 and may not exceed \$1,200,000.

Further amounts may be paid to Allens, PricewaterhouseCoopers, Ashurst Australia and KPMG

Transaction Services in accordance with their normal time based charges.

Independent Expert fees

Deloitte Corporate Finance Pty Ltd has acted as independent expert in relation to the Proposal. Sydney Airport has agreed to pay Deloitte Corporate Finance Pty Ltd a fee of \$125,000 for preparing the Independent Expert's Report (which is Annexure A to this Explanatory Memorandum).

7.7 Key Risks

7.7.1 Introduction

If the Proposal is implemented, Sydney Airport Limited will become a part of the Sydney Airport Group, in which you already hold an investment. Although the form of your investment will change from Existing Stapled Securities (each of which comprise one SAT1 Unit and one SAT2 Unit) to New Stapled Securities (each of which will comprise one Sydney Airport Limited Share and one SAT1 Unit), the Directors consider that if the Proposal is implemented, Securityholders' overall risk exposure will not be materially different from that presently existing.

The key relevant risks associated with an investment in Sydney Airport are summarised in this Section. You should carefully consider the following risks, as well as other information in this Explanatory Memorandum, together with other Sydney Airport periodic and continuous disclosure announcements, and consult your financial and other professional advisers before you decide how to vote. If any of the risks summarised in this Section eventuate, the business, financial condition and results of operations of Sydney Airport may be affected adversely. In this case, the trading price of a New Stapled Security (which includes a Sydney Airport Limited Share) could decline.

Whilst this section aims to highlight some of the key risk factors associated with an investment in Sydney Airport, it is not exhaustive.

The relevant risks can be broadly classified as including:

- risks specific to Sydney Airport;
- risks specific to airports and the infrastructure sector; and
- general market risks of investing in listed securities..

7.7.2 Risks Specific to Sydney Airport

There are a number of specific risk factors which will affect the financial performance of Sydney Airport, and accordingly returns on an investment in Sydney Airport. Some of these factors are discussed below.

(a) Management

Sydney Airport's financial performance is impacted upon by the effectiveness of its management and Sydney Airport's ability to attract and retain key personnel.

7. Sydney Airport Limited (continued)

b) Tax risk

There is a risk that changes in tax law (including income tax, goods and services tax and stamp duty) or changes in the way tax laws are interpreted may impact the historic or future tax liabilities of Sydney Airport.

c) Airports Act Securityholder risks

Sydney Airport is subject to ownership restrictions under the Airports Act. There is a risk that those restrictions may be breached. In order to ensure compliance with ownership restrictions under the Airports Act, divestment provisions in the constitutions of SAT1 and Sydney Airport Limited will be activated:

- if foreign ownership reaches the relevant foreign ownership limits in those constitutions, which could result in Foreign Persons (as defined in the Sydney Airport Limited Constitution) that are New Stapled Securityholders being required to divest some or all of their New Stapled Securities; or
- where other relevant ownership restrictions are breached.

Sydney Airport undertakes beneficial interest tracing of its register; however, this is historical information as trades after the date of the tracing report will affect its accuracy.

(d) Sydney Airport lease

The viability of the Sydney Airport business depends on the ability to maintain the lease over Sydney Airport from the Commonwealth of Australia. The lease expires in 2048, with an option exercisable by Sydney Airport to extend it for a further 49 years.

(e) Second Sydney airport

Sydney Airport revenues in the medium to long term could be adversely affected by the development of a second Sydney airport, particularly if Sydney Airport's right of first refusal to develop and operate such airport which subsists to 2032 is not exercised.

(f) Significant indebtedness

As at 30 June 2013, Sydney Airport had a total of \$7.5 billion of committed financing facilities (drawn to \$6.5 billion), of which \$0.2 billion is maturing before 31 December 2013 (undrawn facilities are already in place to refinance this) and a further \$0.8 billion is maturing before 31 December 2014. If Sydney Airport is unable to refinance maturing indebtedness on commercially favourable terms (or at all) it may need to seek more expensive debt facilities, reduce or delay capital expenditure, reduce or delay distributions to Securityholders, sell assets, raise additional equity, or take other protective measures.

(g) Exposure to interest rate and foreign exchange fluctuations

Sydney Airport's financial performance may be affected by fluctuations in interest rates and foreign exchange rates,

primarily due to increases associated with borrowings on a floating rate and in foreign currencies. As at 30 June 2013, Sydney Airport manages these risks by hedging 100% of foreign exchange risk on foreign currency borrowings and 95% of its interest rate risk on borrowings, but there can be no assurance that a hedge counterparty will not default on its obligations.

(h) Governance arrangements

Under the Put Option Deed to be entered into in connection with the proposed Sydney Airport governance arrangements, Sydney Airport Limited will grant The Trust Company an option to require Sydney Airport Limited (or its nominee) to purchase all of the issued shares in New RE. The independence of New RE under the governance arrangements is an important element in enabling greater certainty for Sydney Airport's future tax position. If The Trust Company exercises the option under the Put Option Deed and Sydney Airport Limited (or one of its Subsidiaries) were to acquire all of the issued shares in New RE:

- the New RE Board may not be regarded as independent of Sydney Airport Limited for income tax purposes; and
- the level of permitted foreign ownership in Sydney Airport under the Airports Act may also be impacted.

Before The Trust Company can exercise the option under the Put Option Deed, it is required to engage with Sydney Airport Limited for a period which is expected to allow a replacement responsible entity, or an alternative purchaser of the issued shares in New RE, to be identified. This is intended to avoid any adverse outcome that would arise on the issued shares in New RE being acquired by Sydney Airport Limited (or one of its Subsidiaries).

7.7.3 Risks specific to airports and the infrastructure sector

There are a number of factors which will affect the performance of investments in the airport and infrastructure sector, and accordingly returns on an investment in Sydney Airport. Some of these factors are discussed below.

a) Passenger and aircraft movements

The key driver of airport revenues is the number of passengers, particularly international passengers.

The number of passengers using airports may be affected by a number of factors including general economic conditions, demographic changes, changes in preferences of travellers and overall airline costs (including, for example, fuel costs), and globally significant economic, political, social and natural events (for example, the global financial crisis, acts of terrorism or war, pandemic outbreaks such as SARS, bird flu or swine flu, and acts of nature such as volcanic eruptions and earthquakes).

Aeronautical revenue is generated through charges levied for the use of airport infrastructure, with charges typically levied

7. Sydney Airport Limited (continued)

on the basis of total aircraft weight and passenger volumes. Aeronautical revenue is therefore dependent on passenger numbers, aircraft movements, and investment.

b) Performance of non-aeronautical revenues

Non-aeronautical revenues include retail, car parking and property. Retail revenues are driven by passengers and their propensity to spend in the retail outlets provided at the airport. Changes to passenger profiles, economic factors or reducing competitiveness of airport retail offerings may affect levels of expenditure. Car parking revenues are driven by the propensity of airport users to park their cars at the airport. Reduced demand from users could result from competition from other modes of transport and lower car park utilisation rates.

c) Regulatory and government policy

For many airports, a substantial proportion of revenue is generated from regulated activities. There is a risk that operations and airport revenues could be adversely affected by changes to regulations.

d) Operational risk

The operation of an airport is a complex undertaking and involves many risks including the effect of poor weather, variable aircraft movements, traffic congestion, reliance on technical equipment, airline hub requirements and design limitations. Changes to the importance of these factors could increase operating costs and potentially impact the profitability or viability of airports.

e) Competition

The market share of an airport may be adversely affected by competing airports developing or increasing their capacity or expanding their catchment area. Development and expansion of surface transport links such as motorways and high-speed rail may also affect airport market share.

f) Environmental risk

Airports may attract opposition from environmental groups in relation to various environmental issues, who may attempt to limit the activities of an airport, its hours of operation or its impact on surrounding communities through lobbying and political pressure, litigation or direct action. Changes in environmental and planning regulation may also impact airport development.

g) Actions by airlines and other third parties

Actions by airlines which affect passenger numbers could adversely affect the financial performance of airports, particularly where airlines have a major presence at an airport, such as Qantas and Virgin Australia at Sydney Airport. Decisions on the timing and origin/destination of services, price of airline seats and the aircraft used may impact on traffic levels at airports.

Decisions and activities of third parties such as government agencies (for example, air traffic control, fire fighting services, customs and quarantine) and others (for example, aircraft fuel suppliers and refuellers, ground handlers, security and ground transport management providers) can also affect the financial performance of airports.

h) Accidents

Airports are exposed to the risk of accidents, including aircraft crashes, which may result in injury or loss of life, damage to airport infrastructure or the closure of part or all of an airport's facilities and may have an impact on ongoing traffic levels.

7.7.4 General listed securities risks

(a) Market risks

New Stapled Securities will be listed on ASX and will be subject to price fluctuations, which can decrease the market value of your investment. General risk factors which may adversely impact the price of New Stapled Securities include:

- Australian and international economic conditions and outlook, including inflation, interest and exchange rates;
- global equity and capital market conditions;
- changes to Australian government regulations and policies;
- changes to Australian or international fiscal or monetary policy; and
- general operational and business risks.

(b) Liquidity risk

As a listed investment, the market value of New Stapled Securities may be adversely impacted by the volume of securities being bought or sold at any point in time. Where there are relatively few buyers, the price at which an investor may be able to sell their New Stapled Securities may be adversely impacted.

(c) Volatility risk

The price of New Stapled Securities may go up or down even over a short period of time. Recently, markets have become more volatile. Investing in volatile conditions implies a greater level of risk for investors than an investment in a more stable market.

7.8 Additional Sydney Airport Limited Information

7.8.1 Availability of documents

The following documents and information may be obtained from Sydney Airport's website at www.sydneyairport.com.au/ investors:

- a. the annual report of the Sydney Airport Group for the year ended 31 December 2012, being the annual report most recently lodged by Sydney Airport with ASIC;

7. Sydney Airport Limited (continued)

- b. the interim financial report of SCACH for the half-year ended 30 June 2013;
- c. any continuous disclosure notices given to ASX by Sydney Airport after the lodgement of the annual financial report referred to above and before the date of lodgement of this Explanatory Memorandum with ASIC;
- d. the Sydney Airport Limited Constitution, the SAT1 Constitution (including the proposed amendments to the SAT1 Constitution described in this Explanatory Memorandum), the SAT2 Constitution and the constitution of New RE; and
- e. disclosures made by Sydney Airport that are required by ASIC Regulatory Guide 231.

If you would like to receive a copy of any of these documents or publications, please contact Sydney Airport's Securityholder Information Line on 1300 391 219 (within Australia) or +613 9415 4280 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

7.8.2 Continuous disclosure

If the Scheme is implemented, Sydney Airport (which includes Sydney Airport Limited) will be a disclosing entity for the purposes of the Corporations Act and as such will be subject to periodic reporting and disclosure obligations under the Corporations Act and the Listing Rules.

These obligations are set out in Section 10.5. Publicly disclosed information about all ASX-listed entities is available on ASX's website www.asx.com.au.

ASIC also maintains records in respect of documents lodged with it by Sydney Airport Limited, and these may be obtained from or inspected at any office of ASIC.

7.8.3 ASX disclaimer in relation to stapling

ASX reserves the right (but without limiting its absolute discretion) to remove one or more of SAT1 or Sydney Airport Limited from the official list of ASX if, while the stapling arrangements apply, any of the securities comprising the New Stapled Securities cease to be stapled together or any securities are issued by Sydney Airport Limited or New RE in its capacity as responsible entity of SAT1 which are not stapled to equivalent securities in the other entity.

7.8.4 ASX listing

Sydney Airport Limited has been a registered company under the Corporations Act since 30 July 2013.

Sydney Airport Limited will apply for quotation of New Stapled Securities to commence trading on ASX on a deferred settlement basis. Each New Stapled Security will (if stapling occurs) consist of one Sydney Airport Limited Share and one SAT1 Unit.

7.8.5 ASIC relief

ASIC has indicated that it is minded to grant the following relief in relation to the issue of Sydney Airport Limited Shares:

- a. **(Parts 6D.2 and 6D.3 – prospectus)** relief to Sydney Airport Limited from the requirements of Parts 6D.2 and 6D.3 of the Corporations Act to issue a prospectus; and
- b. **(Section 711(6) – expiry date of prospectus)** relief to Sydney Airport Limited from the requirement under section 711(6) of the Corporations Act to stipulate an expiry date in the prospectus (this relief will only be required if the relief referred to in paragraph (a) is not granted).

An application has also been submitted to ASIC requesting relief to ensure Securityholders may offer to sell their Sydney Airport Limited Shares (as components of their Stapled Securities) within 12 months after their date of issue without disclosure under Chapter 6D of the Corporations Act.

In addition, ASIC has indicated that it is minded to grant other relief set out in Section 10.7.1 and to amend and extend the existing ASIC relief instrument 12-1635 granted to Sydney Airport to reflect the new stapled structure.

7.8.6 ASX waivers and confirmations

An application has been made to ASX for the following waivers and confirmations in relation to the issue of Sydney Airport Limited Shares. ASX has indicated that it is minded to grant the relevant waivers and confirmations.

- a. **(Listing Rule 1.1)** waivers of and confirmation in relation to the application of certain listing requirements and requirements in relation to listing applications, on the basis that Sydney Airport is currently listed;
- b. **(Listing Rule 2.1 condition 2)** a waiver of Listing Rule 2.1 condition 2 in relation to requirements with respect to the issue price of securities; and
- c. **(Listing Rule 7.1)** a waiver from the requirements of Listing Rule 7.1 for Sydney Airport Limited, with respect to an issue of equity securities greater than 15% of its issued capital without the approval of its members.

7. Sydney Airport Limited (continued)

7.8.7 Legal Proceedings

Subject to the matters set out below, as far as the Sydney Airport Limited directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Sydney Airport Limited or the Sydney Airport Group is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of Sydney Airport Limited or the Sydney Airport Group.

As previously disclosed, in connection with the disposal of certain European assets of the Sydney Airport Group, a member of the Sydney Airport Group indemnified a counterparty for a share of challenged withholding tax liabilities, arising from the Danish Tax Office's assessments of Copenhagen Airports Denmark Holdings (a former subsidiary of the Sydney Airport Group). A payment arising from this process could be substantial and may require making payments in a foreign currency. It is difficult to assess the likelihood of such a payment being triggered as it is dependent on a range of factors that are not currently ascertainable.

8. Australian Tax Report



The Directors
Sydney Airport Limited
Central Terrace Building
10 Arrivals Court
SYDNEY INTERNATIONAL AIRPORT NSW 2020

The Directors
Sydney Airport Holdings Limited
as responsible entity of Sydney Airport Trust 1 and Sydney Airport Trust 2
Central Terrace Building
10 Arrivals Court
SYDNEY INTERNATIONAL AIRPORT NSW 2020

18 October 2013

Dear Directors

Australian Tax Consequences of the Scheme and Restructure for Sydney Airport Securityholders

This letter provides a general overview of the Australian income tax and Goods and Services Tax (**GST**) considerations for a holder of Existing Stapled Securities in Sydney Airport (**Securityholder**) relating to the Scheme and Restructure outlined in the Explanatory Memorandum. This letter has been prepared for inclusion in the Explanatory Memorandum. Abbreviations and defined terms used in this letter have the same meaning as they do in the Explanatory Memorandum.

This letter applies to Securityholders who are either Australian tax residents or non-Australian tax residents who currently hold their Existing Stapled Securities on capital account, as trading stock or as revenue assets.

This letter does not apply to Securityholders who are subject to the Taxation of Financial Arrangements (**TOFA**) rules in Division 230 of the *Income Tax Assessment Act 1997* in relation to gains and losses on their Existing Stapled Securities.

The comments contained in this letter are based on the taxation law including legislation, case law and relevant administrative guidance as at the date of this letter. The Australian income tax and GST implications outlined in this letter may alter if there is a change in the taxation law after the date of this letter.

This letter should not be relied on by Securityholders as taxation advice. Securityholders are advised to seek their own professional advice outlining the taxation consequences for them of implementing the Scheme and Restructure based upon their own particular circumstances. This letter does not address any taxation implications which might arise for Securityholders in countries other than Australia.

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Liability limited by a scheme approved under Professional Standards Legislation.

8. Australian Tax Report (continued)



1. Class Ruling Request

Sydney Airport has applied for a class ruling from the Australian Taxation Office (ATO) on behalf of Australian tax resident Securityholders in regard to the income tax treatment of the Scheme. The class ruling will not cover non-Australian tax resident Securityholders. Obtaining the class ruling is not a requirement for Securityholders to obtain the tax treatment discussed below, and we understand completion of the Scheme is not conditional on the class ruling being issued.

No assurance can be given to Securityholders that the final class ruling will be received. The final class ruling will not be received by the Meeting Date, meaning Securityholders will be required to vote on the Scheme resolutions in the absence of such a ruling. We expect that the final class ruling will be issued shortly after the Implementation Date if the Scheme proceeds.

Sydney Airport will make an ASX announcement when the class ruling is published. A link to the class ruling will be posted on the website: www.sydneyairport.com.au/investors.

2. Taxation treatment of Scheme and Restructure

2.1 Amendments to the Sydney Airport Trust 1 (SAT1) Constitution and appointment of New RE as the new responsible entity of SAT1

Amendments made to the SAT1 Constitution and the appointment of New RE as the new responsible entity of SAT1 should not result in the resettlement of the trust for income tax purposes. On this basis there should not be any assessable income or deductible loss arising for Securityholders.

Sydney Airport Holdings Limited (SAHL), as the current responsibility entity of SAT1, has applied for a private binding ruling (PBR) from the ATO to confirm that the amendments made to the SAT1 Constitution and the appointment of New RE as the new responsible entity of SAT1 should not result in the resettlement of the trust for income tax purposes.

2.2 Destapling of the Existing Stapled Securities

The Existing Stapled Securities will be destapled in order to implement the Scheme. No change in ownership of the Sydney Airport entities or Existing Stapled Securities will occur as a result of destapling. The destapling of the Existing Stapled Securities should not result in any assessable income or deductible loss arising for Securityholders.

2.3 Exchange of Sydney Airport Trust 2 (SAT2) Units for Sydney Airport Limited Shares

Under the Scheme, Securityholders will transfer their SAT2 Units to Sydney Airport Limited and in exchange Sydney Airport Limited will issue one Sydney Airport Limited Share for each SAT2 Unit transferred.

The tax implications arising from the exchange will depend on whether the Securityholder is an Australian tax resident Securityholder or non-Australian tax resident Securityholder.

8. Australian Tax Report (continued)



2.3.1 Australian tax resident Securityholders

Ordinarily, the disposal of units by an Australian tax resident Securityholder would give rise to income tax consequences (e.g. a capital gain or loss being realised or an amount being included in their assessable income or a deductible loss incurred).

Under the Scheme, any such income tax consequences for Securityholders on disposal of their SAT2 Units for Sydney Airport Limited Shares will be automatically disregarded. This is because roll-over relief under Subdivision 124-G of the *Income Tax Assessment Act 1997* will automatically apply to defer recognition of any taxable gains or losses or any assessable income or deductible loss until a subsequent disposal of the Sydney Airport Limited Shares.

It is not necessary for Securityholders to make any election in order that this roll-over relief will apply.

While roll-over relief will be available to Securityholders irrespective of the character of their Existing Stapled Securities, the precise Australian income tax consequences to Securityholders will depend on whether they hold their Existing Stapled Securities:

- (a) on capital account;
- (b) as trading stock (e.g. if the Existing Stapled Securities were acquired for the purpose of sale in the ordinary course of the Securityholder's business); or
- (c) as revenue assets (e.g. if the Existing Stapled Securities are not trading stock and either the Securityholder acquired them for the purpose of resale at a profit or, depending on its precise circumstances, the Securityholder is a bank or an insurance company).

Each of these circumstances is considered below.

(a) Capital account

Securityholders who hold their Existing Stapled Securities on capital account will disregard any capital gain or loss they make on the disposal of their SAT2 Units in exchange for Sydney Airport Limited Shares.

The first element of their cost base (or reduced cost base, if applicable) for the Sydney Airport Limited Shares received by a Securityholder under the Scheme will be equal to the cost base (or reduced cost base) of the SAT2 Units that were disposed of.

For the purposes of determining whether the capital gains tax (CGT) discount concession is available on a subsequent disposal of the Sydney Airport Limited Shares, relevant Securityholders will be taken to have acquired their Sydney Airport Limited Shares at the time that their SAT2 Units were originally acquired.

8. Australian Tax Report (continued)



(b) *Trading stock*

In the income year in which the Implementation Date occurs, the assessable income of Securityholders who hold their Existing Stapled Securities as trading stock will include an amount equal to:

- if the Existing Stapled Securities have been trading stock of the Securityholder since the start of that income year – the total “value” of the SAT2 Units under the trading stock provisions at the Implementation Date;
- otherwise – the cost of the SAT2 Units at the Implementation Date.

For each Sydney Airport Limited Share received under the Scheme, relevant Securityholders will be taken to have paid an amount determined by dividing the total amount included in their assessable income because of the Scheme by the number of Sydney Airport Limited Shares received. This amount should equal the value of each SAT2 Unit at the Implementation Date under the trading stock provisions.

Relevant Securityholders will be entitled in the income year in which the Implementation Date occurs, to a deduction equal to the total of the amounts included in the Securityholders’ assessable income because of the Scheme.

The consequence is that no net assessable income or allowable deduction should arise for relevant Securityholders from the exchange of SAT2 Units for Sydney Airport Limited Shares.

The value of the New Stapled Securities (which will consist of a SAT1 Unit and Sydney Airport Limited Share) at the end of the income year for the Securityholder will be determined under the trading stock provisions.

(c) *Revenue assets*

Any profit or loss arising to relevant Securityholders who hold their Existing Stapled Securities as a revenue asset will be deferred until a future disposal.

For each Sydney Airport Limited Share acquired under the Scheme, relevant Securityholders will be taken to have paid an amount determined by dividing the total cost of their SAT2 Units by the number of Sydney Airport Limited Shares received. This amount will be relevant in the calculation of assessable income or an allowable deduction on any future disposal of the Sydney Airport Limited Shares received.

2.3.2 Non-Australian tax resident Securityholders

Securityholders who are not Australian tax residents may need to consider both Australian income tax implications and the tax implications in their own jurisdiction. This letter does not address any taxation implications which might arise in countries other than Australia. Non-Australian tax resident Securityholders should seek their own advice on the consequences of the Scheme under any relevant foreign tax laws.

8. Australian Tax Report (continued)



Broadly, the Australian income tax implications from the Scheme for non-Australian tax resident Securityholders are as follows:

- (a) *Non-Australian tax resident Securityholders who hold their Existing Stapled Securities on capital account*

If a capital gain or loss arises for a non-Australian tax resident Securityholder under the Scheme, roll-over relief should be available to disregard any capital gain or loss.

Where roll-over relief applies, the first element of their cost base (or reduced cost base, if applicable) for the Sydney Airport Limited Shares received by a non-Australian tax resident Securityholder under the Scheme will be equal to the cost base (or reduced cost base) of the SAT2 Units that were exchanged.

- (b) *Non-Australian tax resident Securityholders who hold their Existing Stapled Securities as revenue assets or as trading stock*

If an assessable gain (or deductible loss) arises under the Scheme for a non-Australian tax resident Securityholder who holds their Existing Stapled Securities as revenue assets or as trading stock and treaty relief is not available, roll-over relief should be available to disregard any assessable gain or deductible loss.

Where roll-over relief applies, a non-Australian tax resident Securityholder will generally be taken to have paid an amount determined by dividing the total cost of their SAT2 Units by the number of Sydney Airport Limited Shares received. This amount will be relevant in the calculation of assessable income or an allowable deduction on any future disposal of the Sydney Airport Limited Shares received.

2.4 Restapling of the New Stapled Securities

After the Scheme is implemented, the SAT1 Units will be stapled to Sydney Airport Limited Shares, forming the New Stapled Securities. No change in ownership of the Sydney Airport entities or the New Stapled Securities will occur as a result of restapling. The stapling of the New Stapled Securities should not result in any assessable income or deductible loss arising for Securityholders.

2.5 Disposal of Subsidiary RPS Interests held by SAT1 to SAT2

SAT1 holds various RPS issued by subsidiary members of the SAT2 tax consolidated group (**Subsidiary RPS Interests**). As part of the Restructure, SAT2 is expected to acquire the Subsidiary RPS Interests from SAT1.

Should the amount paid for the transfer of the Subsidiary RPS Interests exceed their issue price, an assessable gain may arise for SAT1. Any gains arising from the disposal of the Subsidiary RPS Interests will be included in the net income of SAT1 in the relevant income year (being 31 December 2013 based on the indicative timetable in the Explanatory Memorandum) and will be distributed to Australian and non-Australian tax resident Securityholders.

8. Australian Tax Report (continued)



The responsible entity of SAT1 will provide each Securityholder with an annual taxation statement along with a tax guide to advise each Securityholder of the appropriate tax treatment of any distribution.

2.6 Disposal of the Southern Cross Airports Corporation Holdings (SCACH) Interests held by SAT1 to Sydney Airport Limited

As part of the Restructure, Sydney Airport Limited is expected to acquire SAT1's 6.7% interest in SCACH.

A net capital gain may arise for SAT1 as a result of the disposal of SAT1's 6.7% interest in SCACH to Sydney Airport Limited. The net capital gain will be included in the net income of SAT1 for the relevant income year and will be distributed to Australian and non-Australian tax resident Securityholders.

Certain Australian tax resident Securityholders such as individuals and superannuation funds may be entitled to a capital gains discount in respect of any capital gain derived on the transfer of the 6.7% interest. No discount on a capital gain is available for Securityholders that are companies.

Non-Australian tax resident Securityholders should not be subject to Australian tax on any capital gain arising on the transfer.

The responsible entity of SAT1 will provide each Securityholder with an annual taxation statement along with a tax guide to advise each Securityholder of the appropriate tax treatment of any distribution.

3 Tax Treatment of Future Distributions

The New Stapled Securities will consist of the existing SAT1 Units and new Sydney Airport Limited Shares. Securityholders will no longer directly hold SAT2 Units.

Securityholders will be entitled to receive trust distributions from SAT1 and dividends from Sydney Airport Limited.

3.1 Distributions from SAT1

SAT1 is a "flow through" trust under Division 6 of the *Income Tax Assessment Act 1936* and will remain as such following the Scheme and Restructure. On this basis, the treatment of trust distributions from SAT1 should not change.

Following the Scheme and Restructure, SAT1's main source of recurring income will be interest on the proposed loan to Sydney Airport Limited.

3.1.1 Australian tax resident Securityholders

Generally, in respect of each income tax year, Securityholders will be required to include their share of the net income of SAT1 in their assessable income for income tax purposes. Securityholders will be notified of this amount by the responsible entity of SAT1.

8. Australian Tax Report (continued)



To the extent that SAT1 makes any non-assessable distributions to Securityholders, such distributions will give rise to a CGT event. In these circumstances, to the extent that the non-assessable distribution exceeds the Securityholder's cost base in a SAT1 Unit, a capital gain will arise. Where this happens, the cost base (or reduced cost base) of the unit is reduced to nil.

Where the sum of the non-assessable distributions is not more than the cost base of the SAT1 Unit, the cost base or reduced cost base of the SAT1 Unit would be reduced by the non-assessable distribution but no capital gain would arise.

The responsible entity of SAT1 will provide each Securityholder with an annual taxation statement along with a tax guide to advise each Securityholder of the appropriate tax treatment of any distribution.

3.1.2 Non-Australian tax resident Securityholders

SAT1 will be required to deduct withholding tax at a rate of up to 10% from any interest income distributed to non-Australian tax resident Securityholders. The interest withholding tax represents a final tax liability for non-Australian tax resident Securityholders (i.e. there is no further tax on an assessment basis in respect of this interest in Australia).

No Australian tax consequences should arise for non-Australian tax resident Securityholders from non-assessable distributions from SAT1.

3.2 Dividends from Sydney Airport Limited

Prior to the Scheme, SAT2 was taxed like a company under Division 6C of the *Income Tax Assessment Act 1936* and any distributions to Securityholders were treated as dividends.

Following the Scheme, Securityholders may receive dividends from Sydney Airport Limited. The income tax treatment of dividends paid to Securityholders by Sydney Airport Limited should be the same as for SAT2.

3.2.1 Australian tax resident Securityholders

Generally, dividends received from Sydney Airport Limited will be included in a Securityholder's assessable income together with any franking credit attached to the dividend. Where the franking credit is included in a Securityholder's assessable income, the Securityholder will generally be entitled to a corresponding tax offset.

To be eligible for the franking credit and tax offset, Securityholders must have held the Sydney Airport Limited Shares at risk for a period of at least 45 days (not including the date of acquisition or the date of disposal) and free of any related payment obligations.

A Securityholder will not be taken to have held Sydney Airport Limited Shares at risk where the Securityholder or an associate holds "positions" (such as options or other hedging arrangements) which materially diminish the risks of loss or opportunities for gain in respect of those shares.

8. Australian Tax Report (continued)



This holding period rule will not apply to a Securityholder who is an individual whose tax offset entitlement (for all franked distributions received in the income year) does not exceed \$5,000 for the income year in which the franked dividend is received. Where the Securityholder is an individual, complying superannuation entity, or registered charity (in certain circumstances) and satisfies the above requirements, the Securityholder will generally be entitled to a refund of tax to the extent that the franking credit attached to the Securityholder's dividends exceeds the Securityholder's income tax liability for the income year.

Where the Securityholder is a company, franked dividends received by the Securityholder will generally give rise to a franking credit in the Securityholder's franking account.

Securityholders are advised to obtain their own tax advice based upon their specific circumstances to confirm that they are entitled to the benefit of any franking credit gross-up and tax offset in respect of franked dividends paid by Sydney Airport Limited.

3.2.2 Non-Australian tax resident Securityholders

Franked distributions from Sydney Airport Limited should be exempt from Australian dividend withholding tax.

Unfranked distributions will be subject to dividend withholding tax. The withholding tax rate is generally 30% but is generally reduced to 15% (or lower under certain tax treaties) for dividends paid to residents of countries with which Australia has entered into a tax treaty. The applicable dividend withholding tax rate will depend on the tax treaty relevant to the non-Australian tax resident Securityholder. The dividend withholding tax represents a final tax liability for non-Australian tax resident Securityholders (i.e. there is no further tax on an assessment basis in respect of these dividends in Australia).

3.3 Tax File Numbers and Australian Business Numbers

The relevant legislation does not automatically transfer the Australian Tax File Number (TFN) or Australian Business Number (ABN) (as appropriate) of a Securityholder from SAT2 to Sydney Airport Limited. SAHL, as responsible entity of SAT2, intends to provide Sydney Airport Limited with the TFN or ABN notifications or details of any relevant exemptions. All Securityholder ABNs will be transferred to Sydney Airport Limited together with the name and other usual details of the Securityholder. However, a Securityholder may request that SAHL not transfer that Securityholder's TFN to Sydney Airport Limited.

If a TFN or ABN notification or details of any relevant exemptions are not provided to Sydney Airport Limited by SAHL or by the Securityholder, tax at the relevant rate (46.5%) will be deducted from the unfranked component of any dividends paid by Sydney Airport Limited. Securityholders would be entitled to claim an income tax credit/refund (as applicable) in their income tax returns in respect of the tax withheld.

8. Australian Tax Report (continued)



4 Future on-market disposal of New Stapled Securities

4.1 Australian tax resident Securityholders

(a) Securityholders who hold their New Stapled Securities on capital account

The disposal of a New Stapled Security will constitute separate disposals of a SAT1 Unit and a Sydney Airport Limited Share. Accordingly, the capital proceeds referable to the future disposal of each SAT1 Unit and Sydney Airport Limited Share will need to be determined by apportioning the total capital proceeds received for the disposal of a New Stapled Security on a reasonable basis.

Securityholders who dispose of New Stapled Securities will make:

- a capital gain if the portion of the capital proceeds reasonably attributable to the SAT1 Unit or Sydney Airport Limited Share (as applicable) exceeds the cost base of the relevant unit or share; or
- a capital loss if the portion of the capital proceeds reasonably attributable to the SAT1 Unit or Sydney Airport Limited Share (as applicable) is less than the reduced cost base of the relevant unit or share.

The cost base (or reduced cost base) of a relevant Securityholder's Sydney Airport Limited Share should equal the cost base (or reduced cost base) of the SAT2 Unit that was exchanged, plus a reasonable proportion of the transaction costs incurred in the disposal of the Sydney Airport Limited Share.

Relevant Securityholders who are individuals, trustees or complying superannuation entities and who have held their New Stapled Securities for at least 12 months, including the period when the Existing Stapled Securities were held, should be entitled to discount the amount of the capital gain (after the application of any current year or carry forward capital losses). The amount of the discount is 50% in the case of individuals and trustees and 33¹/₃% for complying superannuation funds. No discount on a capital gain is available for Securityholders that are companies.

A capital loss may be used to offset any capital gains derived by relevant Securityholders for the relevant income year or may be carried forward to offset capital gains in future income years. Specific capital loss recoupment rules apply to companies to restrict their ability to utilise capital losses in future income years. Securityholders should seek their own tax advice in relation to the operation of these rules.

(b) Securityholders who hold their New Stapled Securities as trading stock

The disposal of a New Stapled Security will constitute separate disposals of a SAT1 Unit and a Sydney Airport Limited Share. Accordingly, the proceeds referable to the future disposal of each SAT1 Unit and Sydney Airport Limited Share will need to be determined by apportioning the total proceeds received for the disposal of a New Stapled Security on a reasonable basis.

8. Australian Tax Report (continued)



The assessable income of Securityholders who hold their New Stapled Securities as trading stock will generally include an amount equal to the aggregate of the money and the market value of any property received as consideration for any disposal.

These Securityholders will receive a deduction for the “value” of the New Stapled Securities for income tax purposes under the trading stock provisions because they will not be on hand at the end of the income year in which the disposal occurs.

Securityholders should be able to claim a deduction for transaction costs incurred in the disposal of the New Stapled Securities.

Any capital gain or loss also arising on disposal will be disregarded for New Stapled Securities held as trading stock.

(c) Securityholders who hold their New Stapled Securities on revenue account

The disposal of a New Stapled Security will constitute separate disposals of a SAT1 Unit and a Sydney Airport Limited Share. Accordingly, the proceeds referable to the future disposal of each SAT1 Unit and Sydney Airport Limited Share will need to be determined by apportioning the total proceeds received for the disposal of a New Stapled Security on a reasonable basis.

If a Securityholder holds their New Stapled Securities on revenue account, the profit calculated as the excess of the proceeds received over the “cost” of the New Stapled Securities will be included in the Securityholder’s assessable income. A Securityholder’s cost for their New Stapled Securities will generally equal the cost of their Existing Stapled Securities.

Any loss, calculated as the excess of the cost of the New Stapled Securities over the proceeds received, should be deductible to such a Securityholder.

Securityholders should be able to claim a deduction for transaction costs incurred in the disposal of the New Stapled Securities.

Under the anti-overlap provision, any capital gain or loss arising on disposal of the New Stapled Securities should be reduced by the amount of the assessable gain or deductible loss, as appropriate.

4.2 Non-Australian tax resident Securityholders

Securityholders who are not Australian tax residents will need to consider both the Australian income tax implications and tax implications in their own jurisdiction in respect of a future disposal of New Stapled Securities. This letter does not address any taxation implications which might arise in countries other than Australia. Non-Australian tax resident Securityholders should seek their own advice on the consequences of a future disposal under any relevant foreign tax laws.

The Australian income tax implications from a disposal of New Stapled Securities for non-Australian tax resident Securityholders is set out below. Securityholders should seek their own advice in relation to the operation of these rules.

8. Australian Tax Report (continued)



(a) *Non-Australian tax resident Securityholders who hold their New Stapled Securities on capital account*

The disposal of a New Stapled Security will constitute the separate disposal of a SAT1 Unit and a Sydney Airport Limited Share. Accordingly, the capital proceeds referable to the future disposal of a SAT1 Unit and Sydney Airport Limited Share will need to be determined by apportioning the total capital proceeds received for the disposal of a New Stapled Security on a reasonable basis.

A capital gain or loss may arise to non-Australian tax resident Securityholders from the disposal of New Stapled Securities provided:

- they hold their New Stapled Securities on capital account; and
- they held more than 10% of the issued capital of SAT1 or Sydney Airport Limited at the date of disposal of the New Stapled Securities or throughout a 12 month period that began no earlier than 24 months before the date of disposal and ended no later than the date of disposal; and
- more than 50% of the market value of SAT1 or Sydney Airport Limited consists of taxable Australian real property (direct and indirect interests in Australian real property, including leases of Australian land).

A capital gain may also arise for non-Australian tax resident Securityholders if they have used their New Stapled Securities at any time in carrying on a business through an Australian Permanent Establishment.

If the non-Australian tax resident Securityholder is a tax resident of a country in which a tax treaty exists with Australia, relief may be available under the relevant treaty. Non-Australian tax resident Securityholders should seek their own advice in relation to the availability of treaty relief.

No discount on a capital gain is available for non-Australian tax resident Securityholders.

(b) *Non-Australian tax resident Securityholders who hold their New Stapled Securities as trading stock or on revenue account*

The disposal of a New Stapled Security will constitute separate disposals of a SAT1 Unit and a Sydney Airport Limited Share. Accordingly, the proceeds referable to the future disposal of each SAT1 Unit and Sydney Airport Limited Share will need to be determined by apportioning the total proceeds received for the disposal of a New Stapled Security on a reasonable basis.

A non-Australian tax resident Securityholder who holds their New Stapled Securities as revenue assets or as trading stock may be subject to Australian tax on any gain arising on the disposal of their New Stapled Securities if the gain has an Australian source. Equally, any losses incurred by the non-Australian tax resident Securityholder in deriving Australian sourced income should be deductible.

If the non-Australian tax resident Securityholder is a tax resident of a country in which a tax treaty exists with Australia, relief may be available under the relevant treaty. Non-Australian tax resident Securityholders should seek their own advice in relation to the availability of treaty relief.

8. Australian Tax Report (continued)



5 *GST*

No GST should be payable by Securityholders in respect of the transactions outlined above.

Securityholders may be charged GST on costs (such as advisor fees) that relate to their participation in the Scheme. Securityholders may be entitled to full or partial input tax credits for any GST payable on such costs, but this will depend on each Securityholder's circumstances. Securityholders should seek their own tax advice in this regard.

6 *Disclaimer*

The information contained in this letter does not constitute "financial product advice" within the meaning of the *Corporations Act 2001* (Cth) (**Corporations Act**). The PricewaterhouseCoopers partnership which is providing this letter is not licensed to provide financial product advice under the Corporations Act. To the extent that this document contains any information about a "financial product" within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product. This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any particular Securityholder.

Accordingly, a Securityholder should, before acting on this material, consider taking advice from a person who is licensed to provide financial product advice under the Corporations Act. A Securityholder should, before acting on this material, also consider the appropriateness of this material having regard to their objectives, financial situation and needs, and consider obtaining independent financial advice.

Yours faithfully

Handwritten signature of Luke Bugden in black ink.

Luke Bugden
Partner

Handwritten signature of Paul Abbey in black ink.

Paul Abbey
Partner

9. Securityholder Approvals

9.1 Securityholder approvals sought

9.1.1 Overview

This Section explains the Resolutions that will be considered by Securityholders at the Scheme Meeting and the General Meetings. The full form of the Resolutions is set out in the Notices of Meeting.

Set out below is a summary of the Resolutions to be put before Securityholders at the Meetings:

Resolution/Item of Business	Meeting
Scheme Resolutions <ul style="list-style-type: none">• (special resolution) a resolution to amend the SAT2 Constitution on terms necessary in order to effect the Scheme; and• (ordinary resolution) a resolution for the purposes of approving the acquisition by Sydney Airport Limited of all of the SAT2 Units.	SAT2 Scheme Meeting
General Meeting Resolutions	SAT1 and SAT2 General Meetings
SAT1 General Meeting <ul style="list-style-type: none">• (ordinary resolution) a resolution that SAHL retire as responsible entity of SAT1 and that New RE be appointed as responsible entity in its place;• (ordinary resolution) a resolution that the provisions in the SAT1 Constitution that relate to the stapling of SAT1 Units and SAT2 Units cease to apply with effect from the Implementation Date; and• (special resolution) a resolution to effect general amendments to the SAT1 Constitution necessary to reflect the effect of the Proposal, and to generally update the SAT1 Constitution.	
SAT2 General Meeting <ul style="list-style-type: none">• (ordinary resolution) a resolution for the purposes of clause 27B.5 of the SAT2 Constitution, that the provisions in the SAT2 Constitution that relate to the stapling of SAT1 Units and SAT2 Units cease to apply with effect from the Implementation Date.	

9.2 Scheme Resolutions

Under the Scheme Resolutions, Securityholders are asked to approve the Scheme pursuant to which their SAT2 Units will be acquired by Sydney Airport Limited in exchange for Sydney Airport Limited Shares.

In order for the Scheme to be approved:

- the SAT2 Constitution must be amended as set out in the SAT2 Supplemental Deed (which is included in Annexure F) to facilitate the Scheme. Securityholder approval for these amendments is sought for the purposes of section 601GC(1)(a) of the Corporations Act. This Scheme Resolution must be approved by at least 75% of the total number of votes cast by Securityholders entitled to vote on that resolution at the Scheme Meeting; and
- the Scheme Resolution to approve the acquisition of SAT2 Units by Sydney Airport Limited under section 611 Item 7 of the Corporations Act must be approved by more than 50% of the total number of votes cast on that resolution by Securityholders entitled to vote on that resolution at the Scheme Meeting.

9.3 General Meeting Resolutions

9.3.1 SAT1 General Meeting Resolutions

Under the SAT1 General Meeting Resolutions, Securityholders are asked to approve matters that are components of, or incidental to but necessary for implementation of, the Scheme. In order for the Scheme to be approved:

- a resolution choosing New RE to be appointed as responsible entity in place of SAHL must be approved for the purposes of section 601FL of the Corporations Act. This Resolution must be approved by more than 50% of the total number of votes cast on that resolution by Securityholders entitled to vote on that resolution at the Scheme Meeting;
- a resolution that the provisions in the SAT1 Constitution that relate to the stapling of SAT1 Units and SAT2 Units cease to apply with effect from the Implementation Date must be approved for the purposes of clause 27B.5 of the SAT1 Constitution. This Resolution must be approved by more than 50% of the total number of votes cast on that resolution by Securityholders entitled to vote on that resolution at the SAT1 General Meeting; and

9. Securityholder Approvals (continued)

- a resolution to effect general amendments to the SAT1 Constitution necessary to reflect the effect of the Proposal and to update the SAT1 Constitution must be approved for the purposes of section 601GC(1)(a) of the Corporations Act. This Resolution must be approved by at least 75% of the total number of votes cast by Securityholders entitled to vote on that resolution at the SAT1 General Meeting. The material proposed amendments are summarised in Annexure E.

9.3.2 SAT2 General Meeting Resolution

Under the SAT2 General Meeting Resolutions, Securityholders are asked to approve matters that are incidental to, but necessary for implementation of, the Scheme. In order for the Scheme to be approved a resolution that the provisions in the SAT2 Constitution that relate to the stapling of SAT1 Units and SAT2 Units cease to apply with effect from the Implementation Date must be approved for the purposes of clause 27B.5 of the SAT2 Constitution. This Resolution must be approved by more than 50% of the total number of votes cast on that resolution by Securityholders entitled to vote on that resolution at the SAT2 General Meeting.

9.4 Interconditionality, voting instructions

9.4.1 Required majorities

The Resolutions that are ordinary resolutions must be approved by at least 50% of the total number of votes cast by Securityholders entitled to vote on those Resolutions. The Resolutions that are special resolutions must be approved by at least 75% of the total number of votes cast by Securityholders entitled to vote on those Resolutions.

9.4.2 Resolutions Interconditional

For the Proposal to proceed, each Scheme Resolution and General Meeting Resolution must be approved by the requisite majorities of Securityholders. If any one of the Scheme Resolutions or General Meeting Resolutions is not approved by the requisite majority of Securityholders, the Proposal will not be implemented.

9.4.3 Voting

You can ensure your vote is cast, in one of four ways:

- attending the Meeting and voting in person or, if you are a corporate member, by corporate representative voting for you;
- appointing a proxy to attend and vote for you, using the enclosed Proxy Form;
- lodging your Proxy Form by fax with Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- lodging your Proxy Form online through the Computershare website.

Part 2G.4 Division 6 of the Corporations Act sets out the voting calculations to apply for the general meeting of a trust. On a poll, each unitholder of SAT1 and SAT2 has one vote for each dollar of the value of the total interests they have in the relevant trust.

Voting in person

If you plan to attend the Meetings, we ask that you arrive at the meeting venue at least 30 minutes before the time designated for the Meetings so that we may check your security holding against our Register and note your attendance. The Meetings will be held at 10.00am (Sydney time) on Friday, 22 November 2013 at the Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney.

Voting by corporate representative

If a corporate member plans to attend, it must appoint a person to act as its representative and the appointed person must bring appropriate written evidence of the appointment to the Meetings signed under the corporation's common seal or in accordance with section 127 of the Corporations Act.

Voting by proxy

If you do not intend to attend the Meetings and are entitled to vote on the Resolutions, you may select a representative or the chairman of the Meetings to act as your proxy to attend and vote for you. A proxy can be any person or corporation you choose and need not be a Securityholder. Your proxy can be appointed in respect of some or all of your votes. If you are entitled to cast two or more votes at the Meetings, you may appoint two proxies each to exercise a specified proportion of your voting rights. Where a proportion is not specified, each may exercise half of your voting rights.

You can lodge your proxy votes online at any time until 10.00am (Sydney time) on Wednesday, 20 November 2013 through the Computershare website at www.investorvote.com.au.

Intermediaries with access to Intermediary Online through Computershare Investor Services Pty Limited should lodge their votes through www.intermediaryonline.com.

How is the proxy to vote?

Unless the proxy is required by law to vote, the proxy may decide whether or not to vote on any particular item of business. If the appointment of a proxy directs the proxy to vote on an item of business in a particular way, the proxy may only vote on that item as directed. Any undirected proxies on a given resolution may be voted by the appointed proxy as they choose, subject to the voting exclusions set out in Section 9.4.4 below.

Chairman's intention

The chairman intends to vote all valid undirected proxies received in favour of each resolution subject to the voting exclusions set out in Section 9.4.4.

9. Securityholder Approvals (continued)

Entitlement to vote

Sydney Airport has determined that for the purpose of voting at the Meetings, Securityholders will be taken to be held by those persons recorded on the Register as at 7.00pm (Sydney time) on Wednesday, 20 November 2013. This means that if you are not the registered holder of an Existing Stapled Security at that time, you will not be entitled to vote in respect of that Existing Stapled Security.

Timing and lodgement

For the appointment of a proxy, or lodgement of the proxy vote, to be effective, you must ensure that your Proxy Form (and a certified copy of the relevant authority under which it is signed) is received by the registry, Computershare Investor Services Pty Limited, on behalf of Sydney Airport, by no later than 10.00am (Sydney time) on Wednesday, 20 November 2013:

- by mail at Computershare Investor Services Pty Limited's postal address at GPO Box 242, Melbourne, VIC 3001;
- by hand delivery at Computershare Investor Services Pty Limited's physical address at Level 4, 60 Carrington Street, Sydney NSW 2000;
- by fax at Computershare Investor Services Pty Limited's fax number 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- electronically at www.investorvote.com.au (as detailed on the Proxy Form).

Please note that the Proxy Form contains a box for you to indicate that you do not want your TFN to be provided to Sydney Airport Limited (see Section 10.12 for further information).

9.4.4 Voting exclusions

The Corporations Act and the Listing Rules require that certain persons must not vote, and SAHL as responsible entity of SAT1 and SAT2 must disregard any votes cast by certain persons, on the Scheme Resolutions to be considered at the Scheme Meeting. The voting exclusions (if any) for the Scheme Resolutions are summarised in the table below:

Resolution	Voting Exclusion(s)	Source of Voting Exclusion
Scheme Resolutions		
A resolution to amend the SAT2 Constitution on terms necessary in order to effect the Scheme.	Sydney Airport Limited and its associates; and	Section 611 Item 7 of the Corporations Act and Takeovers Panel Guidance Note 15
A resolution for the purposes of approving the acquisition by Sydney Airport Limited of all of the SAT2 Units.	SAHL as the responsible entity of SAT2 and its associates (other than related fund managers).	

9.4.5 More information

If you have any questions, please contact Sydney Airport's Securityholder Information Line on 1300 391 219 (within Australia) or +613 9415 4280 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

10. Additional Information

10.1 Interests in the Scheme

10.1.1 Interests of directors

a) Interests of directors of SAHL, Sydney Airport Limited or New RE in Sydney Airport

- i. The following table lists the Existing Stapled Securities held directly, indirectly or beneficially by or on behalf of each director (and alternate director) of SAHL, Sydney Airport Limited or New RE as at the date of this Explanatory Memorandum.

Existing Directors of SAHL/New Directors of Sydney Airport Limited

Director	% of Existing Stapled Securities held	Number of Existing Stapled Securities held
Max Moore-Wilton	0.0296%	650,000
Kerrie Mather	0.1620%	3,555,021
John Roberts	0.0031%	67,507
Trevor Gerber	0.0103%	225,000
Bob Morris	0.0019%	40,908
Michael Lee	0.0003%	7,060
Stephen Ward	0.0010%	21,818

Directors of New RE

Director	% of Existing Stapled Securities held	Number of Existing Stapled Securities held
David Grbin	Nil	Nil
Patrick Gourley	Nil	Nil
Russell Balding	Nil	Nil

- ii. The directors of SAHL or Sydney Airport Limited, whether as directors, members, creditors or otherwise, have no material interest in the Scheme, the Resolutions or any other arrangements or matters contemplated by this Explanatory Memorandum, except as members holding Existing Stapled Securities as set out in paragraph (i).
- iii. The effect of the Scheme on those interests is the same as the effect of the Scheme on the interests of other Securityholders.
- iv. No director (or alternate director) of SAHL, or the proposed directors of Sydney Airport Limited or New RE, hold any Sydney Airport Limited Shares.

b) Interest of SAHL or Sydney Airport Limited directors in agreements or arrangements relating to the Proposal

- i. None of the directors of SAHL or Sydney Airport Limited has an interest in any contract entered into which is conditional on, or related to, the Proposal (including the contracts listed in Annexure C).
- ii. There is no agreement or arrangement between a director of SAHL or Sydney Airport Limited and another person in connection with or conditional on the implementation of the Proposal.
- iii. However, directors of SAHL and Sydney Airport Limited will be entitled to participate in the Scheme in respect of any Existing Stapled Securities held by or on behalf of them in the same way as other Securityholders, and intend to vote in favour of all Resolutions on which they are entitled to vote.

c) Payments and other benefits to directors, secretaries, executive officers or related bodies corporate

Other than as set out in this Explanatory Memorandum, no payment or other benefit is proposed to be made or given (in connection with or conditional on the Proposal) to any director, secretary or executive officer of SAHL, as consideration for loss of, or as consideration for, or in connection with the replacement of SAHL as the responsible entity of SAT1 with New RE.

Other than as set out in this Explanatory Memorandum, no payment or other benefit is proposed to be made or given to any related body corporate of SAHL, Sydney Airport Limited or New RE in connection with or conditional on the Proposal.

d) Remuneration of directors of Sydney Airport Limited

The constitution of Sydney Airport Limited contains caps on the aggregate annual remuneration payable to all directors. After the Scheme is implemented, the cap will be \$2,000,000.

10. Additional Information (continued)

The tables below list the total annual remuneration (including committee fees) for each of the current directors of Sydney Airport Limited that will apply if the Scheme is implemented.

Name	Board Chair or NED \$	A&RC Chair \$	A&RC member \$	N&RC Chair \$	N&RC member \$	SSE&H Chair \$	SSE&H member \$	Total \$
Max Moore-Wilton	470,000	0	0	0	0	0	0	470,000
Kerrie Mather	0	0	0	0	0	0	0	0
John Roberts	175,000	0	0	0	0	0	0	175,000
Trevor Gerber	175,000	25,000	0	0	0	0	0	200,000
Bob Morris	175,000	0	12,500	0	0	0	0	187,500
Michael Lee	175,000	0	12,500	0	10,000	20,000	0	217,500
Stephen Ward	175,000	0	0	20,000	0	0	0	195,000
Grand Total								1,445,000

e) Remuneration of Key Management Personnel of Sydney Airport Limited

The following table describes the benefits of the key management personnel of Sydney Airport Limited (and its Subsidiaries, should the Scheme be implemented) as at the date of this Explanatory Memorandum.

Role	Name	Base Salary (inc. super)	Short Term Incentive Amount	Deferred Short Term Incentive Amount (deferred for 2 years)
Chief Executive Officer	Kerrie Mather	\$1,703,899.08	See note 1	See note 1
Chief Financial Officer	Stephen Mentzines	\$801,834.87	maximum of 70% of Base Salary	maximum of 20% of Base Salary
Executive Director Aviation Services	Shelley Roberts	\$516,181.20	maximum of 50% of Base Salary	maximum of 25% of Base Salary

1 Ms Mather's contract does not stipulate a maximum short term incentive amount. In the event she is awarded a short term incentive up to and including 100% of her base salary, 20% of the amount awarded is deferred. In the event she is awarded a short term incentive in excess of 100% of her base salary, one-third of the amount awarded is deferred.

f) Remuneration of directors of New RE

It is anticipated that each director of New RE will be entitled to receive a fee of \$50,000 per annum. The aggregate director cap applicable to New RE will be \$200,000 for a calendar year.

10.2 Securityholders participating in the Scheme

- a. For the purpose of identifying the Securityholders entitled to participate in the Scheme (i.e. the Scheme Participants), if the Scheme Resolutions and General Meeting Resolutions are approved at the Meetings, and all other conditions are satisfied, dealings in Existing Stapled Securities will only be recognised if:
 - i. for dealings effected using CHESS (the computer system used by ASX to effect the settlement of the purchase or sale of financial products), the transferee is registered in the Register as the holder of the relevant Existing Stapled Security on or before the Record Date; and
 - ii. in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Registrar by the Business Day before the Record Date, in which case such transfers or transmission applications must be registered before the Record Date.
- b. Sydney Airport will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Existing Stapled Securities received after the times stated above.

10. Additional Information (continued)

10.3 Airport ownership considerations

a) Airports Act

The Airports Act places certain restrictions on the ownership of Commonwealth regulated airports in Australia including:

- i. foreign persons and their associates, in aggregate may not own more than 49% of an airport operator company;
- ii. airlines and their associates, in aggregate may not own more than 5% of an airport-operator company; and
- iii. cross-ownership restrictions applicable to specific pairs of Australian airport-operator companies.

The cross-ownership restrictions prohibit ownership of more than 15% (or effective management control) by an investor and its associates of both members of the following pairs of airports: Sydney-Melbourne; Sydney-Brisbane; and Sydney-Perth.

Currently, in order for SAT1 and SAT2 to invest in Sydney (Kingsford Smith) Airport, SAHL has obtained a declaration under the Airports Act that each of SAT1 and SAT2 is a 'substantially Australian investment fund'. In order for SAT1 and SAT2 to maintain the declaration, they must not at any time become a trust in which a beneficial interest in at least 40% of the income or capital is held by persons who are foreign persons under the Airports Act.

Following implementation of the Proposal:

- the 'substantially Australian investment fund' declaration and the corresponding 40% foreign ownership restriction will not be relevant to SAT1 or Sydney Airport Limited; and the general Airports Act restrictions in paragraphs (i), (ii) and (iii) above will remain applicable to an investment in Sydney Airport Limited (and Stapled Securities) and the 49% foreign ownership restriction will apply.

The Airports Act contains complex provisions which can trace ownership of interests in airports beyond the actual investor and which treat various other persons, companies or trusts as associates of investors. These provisions can impact on some or all of the foreign ownership, airline ownership and cross-ownership restrictions in the Airports Act.

The Airports Act is complex and this Explanatory Memorandum provides only a brief summary of the restrictions on ownership of airport-operator companies under this legislation.

b) Compliance mechanisms

Sydney Airport may request Securityholders (or applicants) to provide Sydney Airport with information in relation to their status as a foreign person, airline or owner of another airport operator company.

Currently, in order to ensure compliance with foreign ownership provisions under the Airports Act and to maintain

the 'substantially Australian investment fund' declaration referred to above, divestment provisions in the constitutions of SAT1 and SAT2 are activated if foreign ownership reaches 39.5% to seek to avoid any non-compliance or potential non-compliance with the Airports Act.

Copies of the current SAT1 Constitution and SAT2 Constitution can be found in full at Sydney Airport's website along with the current Sydney Airport's Foreign Ownership Divestment Rules at www.sydneyairport.com.au.

If the Proposal is implemented, in order to ensure compliance with foreign ownership provisions under the Airports Act, divestment provisions in the constitutions of SAT1 and Sydney Airport Limited will be activated if foreign ownership reaches 48.99% or such lower amount as specified to Securityholders to seek to avoid any non-compliance or potential non-compliance with the Airports Act. The directors of Sydney Airport Limited and the directors of New RE will have certain powers to enforce the foreign ownership cap and other ownership restrictions under the Airports Act including the power to require the disposal of Securityholders' interests under the Sydney Airport Limited Constitution and the SAT1 Constitution.

A summary of the provisions of the SAT1 Constitution that will apply following implementation of the Proposal can be found in Annexure E. Copies of the proposed amended constitution of SAT1 and the constitution of Sydney Airport Limited can be found in full at Sydney Airport's website along with Sydney Airport's revised Foreign Ownership Divestment Rules at www.sydneyairport.com.au.

10.4 Acquisition of New Stapled Securities by foreign persons

- a. Under the *Foreign Acquisitions and Takeovers Act 1975* (Cth), it is compulsory to notify the Federal Treasurer of acquisitions of interests in Australian urban land by foreign persons and acquisitions of a substantial shareholding in an Australian company by foreign persons in certain circumstances. The acquisition of a New Stapled Security may constitute an acquisition of an interest in Australian urban land and an acquisition of a share in an Australian company. Investors who may be foreign persons for the purposes of the *Foreign Acquisitions and Takeovers Act 1975* (Cth) and are affected by these requirements include:
 - i. a natural person not ordinarily resident in Australia;
 - ii. a corporation in which a natural person not ordinarily resident in Australia or a foreign corporation alone or together with an associate or associates holds not less than 15% of the voting power in the corporation or holds interests in not less than 15% of the issued shares of the corporation;

10. Additional Information (continued)

- iii. a corporation in which two or more persons, each of whom is a natural person not ordinarily resident in Australia, or a foreign corporation, alone or together with an associate or associates, hold not less than 40% of the voting power in the corporation or hold interests in not less than 40% of the issued shares of the corporation;
 - iv. the trustee of a trust estate in which a natural person not ordinarily resident in Australia or a foreign corporation alone, or together with an associate or associates, holds a beneficial interest in not less than 15% of the corpus or income of the trust estate; and
 - v. the trustee of a trust estate in which two or more persons, each of whom is either a natural person not ordinarily resident in Australia or a foreign corporation, alone or together with an associate or associates, hold, in the aggregate, beneficial interests in not less than 40% of the corpus or income of the trust estate.
- b. Investors should consider whether notification under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) to the Federal Treasurer (through the Foreign Investment Review Board) is required in respect of a proposed investment or further investment in New Stapled Securities, including under any policy administered by the Foreign Investment Review Board, and should consult their professional adviser.

10.5 Continuous disclosure

- a. Sydney Airport is a disclosing entity for the purposes of the Corporations Act and is subject to periodic reporting and disclosure obligations under the Corporations Act and the Listing Rules.
- b. These obligations require Sydney Airport to notify ASX of information about specified matters and events as they occur for the purpose of making that information available to the market.
- c. In particular, Sydney Airport has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of an Existing Stapled Security (and in the future, New Stapled Securities).
- d. Publicly disclosed information about all ASX-listed entities, including Sydney Airport, is available on the ASX website at www.asx.com.au.

10.6 Infrastructure entity disclosures

Sydney Airport is an 'infrastructure entity' as that term is defined in ASIC Regulatory Guide 231. Sydney Airport's website (at <http://www.sydneyairport.com.au/investors/stock-information/infrastructure-entity-disclosures>) contains the disclosures required by ASIC Regulatory Guide 231. These disclosures are aimed at informing Securityholders about aspects of Sydney Airport.

If there are any material changes to Sydney Airport's performance against the benchmarks, including as a result of the implementation of the Proposal, the disclosures on Sydney Airport's website will be updated.

10.7 Regulatory matters

10.7.1 ASIC relief

In addition to relief in relation to the issue of Sydney Airport Limited Shares set out in Section 7.8.5, ASIC has indicated that it is minded to grant the following relief:

- a. **(Parts 6D.2 and 6D.3 – prospectus)** relief to Sydney Airport Limited from the requirements of Parts 6D.2 and 6D.3 of the Corporations Act to issue a prospectus (and certain other technical related relief from related provisions of the Corporations Act);
- b. **(Section 611 Item 7 – voting exclusion)** modifications to allow SAT2 unitholders to consider and, if they so wish, vote in favour of a the Scheme Resolutions;
- c. **(Division 5A of Part 7.9 – unsolicited offers)** relief from Division 5A of Part 7.9 of the Corporations Act in respect of the offer by Sydney Airport Limited to acquire the SAT2 Units;
- d. **(Division 2 of Part 7.7 – financial services guide)** relief from the requirement to provide a financial services guide in connection with this Explanatory Memorandum and implementation of the Scheme;
- e. **(Section 911A – AFSL)** relief from the requirement for Sydney Airport Limited to hold an AFSL in relation to the provision of any general financial product advice contained in this Explanatory Memorandum;
- f. **(Standard stapling relief)** amendments and extensions to existing ASIC relief instrument 12-1635 so that stapling relief will apply despite the structural changes to Sydney Airport; and
- g. **(Section 601FL(1) – meeting requirement)** relief to permit SAHL to retire as the responsible entity of SAT2 after the Scheme is implemented without the need for a resolution of SAT2 Unitholders.

ASIC has also indicated that it is minded to amend and extend the existing ASIC relief instrument 12-1635 granted to Sydney Airport to reflect a new stapled structure.

An application has also been submitted to ASIC requesting amendments to existing ASIC relief instrument 11-1240 exempting the requirement to treat SAT1 Unitholders equally in relation to the divestment of interests held by foreign persons, airlines, and investors in the Melbourne, Brisbane or Perth airport to avoid any non-compliance or potential non-compliance with the Airports Act.

10. Additional Information (continued)

10.7.2 ASX waivers and confirmations

In addition to waivers in relation to the issue of Sydney Airport Limited Shares set out in Section 7.8.6, applications have been made to ASX for the following waivers and confirmations in relation to the Proposal. ASX has indicated that it is minded to grant the relevant waivers and confirmations.

Waivers

- a. **(Listing Rules 6.12 and 15.14)** a waiver to allow Sydney Airport to undertake disposals of Securityholder's Stapled Securities in order to ensure compliance with the Airports Act (as contemplated by the Sydney Airport Limited Constitution and the proposed amendments to the SAT1 Constitution).
- b. **(Listing Rule 8.10)** a waiver from the requirements that an entity not prevent, delay or interfere with the registration of a proper transfer or a paper-based transfer in registrable form of quoted securities as a consequence of Sydney Airports' stapling arrangements.
- c. **(Listing Rules 10.1 and 10.11)** a waiver from the requirements of these Listing Rules to allow any future transfers of assets and other relevant dealings between Sydney Airport Limited, SAT1, SAT2 or entities wholly-owned by any of those entities, to occur without obtaining the prior approval of Securityholders (if such approval were to be necessary).

Confirmations

- d. **(Listing Rule 3.1)** confirmation that compliance by one of Sydney Airport Limited or New RE as responsible entity of SAT1 with the requirements of Listing Rule 3.1 will satisfy the requirements of Listing Rule 3.1.
- e. **(Listing Rule 7.40)** confirmation in relation to the timetable for the Proposal.
- f. **(Listing Rule 11)** confirmation that Listing Rule 11 is not applicable to the Proposal.
- g. **(Listing Rule 15)** confirmation that ASX will provide certain 'no objection letters' in connection with the Proposal.
- h. **(Guidance Note 2)** confirmation that ASX is satisfied that the stapling provisions in the Sydney Airport Limited constitution are satisfactory to ASX.

10.7.3 ATO Class Rulings

PricewaterhouseCoopers has been engaged by the Directors of SAHL, as Responsible Entity of SAT1 and SAT2, to provide a general overview of the Australian tax consequences that could arise from the implementation of the Scheme for Australian tax resident and non-Australian tax resident Securityholders. This overview is contained in the Australian Tax Report at Section 8.

Sydney Airport has applied for a class ruling from the ATO on behalf of Australian resident Securityholders to

confirm the availability of roll-over relief for the Scheme. A class ruling has not been sought for non-Australian tax resident Securityholders. No assurance can be given to Securityholders that a final class ruling will be received. A final class ruling will not be received by the Meeting Date, meaning Securityholders will be required to vote on the Scheme resolutions in the absence of such a ruling. Sydney Airport expects that the final class ruling will be issued shortly after the Implementation Date if the Scheme proceeds. Obtaining the class ruling is not a requirement for Securityholders to obtain roll-over relief, and completion of the Scheme is not conditional on the class ruling being issued. See the overview of Australian tax implications in Section 8 for further detail in relation to the class ruling.

10.7.4 Stamp duty reconstruction and consolidation relief

Sydney Airport has applied for relief in the form of exemptions granted by the New South Wales Chief Commissioner of State Revenue from the stamp duty that would otherwise be payable as a consequence of the Scheme and the Restructure.

The Chief Commissioner of State Revenue has issued a ruling granting relief from duty subject to the usual conditions on which rulings are issued, including that the grant of relief from duty is based on information provided to him, that the Scheme and Restructure are implemented substantially as proposed, and subject to any change to legislation prior to implementation of the Scheme and Restructure.

10.8 Consents and disclaimers

- a. The following persons have given and have not, before the date of this Explanatory Memorandum, withdrawn their consent to:
 - i. be named in this Explanatory Memorandum in the form and context in which they are named;
 - ii. the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Explanatory Memorandum; and

10. Additional Information (continued)

- iii. the inclusion of other statements in this Explanatory Memorandum which are based on or referable to statements made in those reports or statements in the form and context in which they are included:

Name of person	Named as	Reports or statements
Deloitte	Independent Expert	Independent Expert's Report set out in Annexure A
KPMG Transaction Services	Investigating Accountant	Independent Accountant's Report set out in Annexure B
Computershare Investor Services Pty Limited	Registrar	–
Allens	Legal adviser	–
PricewaterhouseCoopers	Tax adviser	Australian Tax Report in Section 8
Ashurst Australia	Stamp duty adviser	Section 10.7.4
Macquarie	Financial adviser	–
Sydney Airport Limited	–	Sydney Airport Limited Information
New RE	–	New RE Information
Norton Rose Fulbright Australia	Legal adviser to The Trust Company and New RE	–

- b. Each of the above persons:
- does not make, or purport to make, any statement in this Explanatory Memorandum other than those statements referred to above and as consented to by that person; and
 - to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Memorandum other than with respect to the statements and references included in this Explanatory Memorandum with the consent of that party (as set out above).

10.9 Other matters

10.9.1 Compliance with Chapter 6 of the Corporations Act

The process in relation to the Scheme reflects similar policies and protections as would apply if they were undertaken as a takeover under Chapter 6 of the Corporations Act.

10.9.2 Voting power

As at the date of this Explanatory Memorandum Sydney Airport Limited has no voting power in respect of either SAT1 or SAT2.

10.9.3 Benefits to induce

Neither Sydney Airport Limited nor any of its Associates have given or offered to give or agreed to give any benefit to any person during the four months before the date of this Explanatory Memorandum where that benefit:

- was not offered to all members under the Scheme; and
- was likely to induce the person, or an Associate, to vote in favour the Scheme or dispose of SAT1 Units or SAT2 Units.

10.9.4 Sydney Airport trading price

Recent sale prices per Existing Stapled Security for Sydney Airport on ASX include:

- the last recorded sale price before the date this Explanatory Memorandum was lodged with ASIC was \$4.04, which occurred on 24 October 2013;
- the highest recorded sale price during the three months immediately before this Explanatory Memorandum was lodged with ASIC was \$4.09, which occurred on 23 October 2013;
- the lowest recorded sale price during the three months immediately before this Explanatory Memorandum was lodged with ASIC was \$3.46, which occurred on 12 August 2013; and
- the last recorded sale price before the public announcement of the Scheme was \$3.60, which occurred on 13 August 2013.

10. Additional Information (continued)

10.10 Directors' consent to lodgement

The issue of this Explanatory Memorandum has been authorised by the Directors.

The Directors have given (and not withdrawn) their consent to lodgement of this Explanatory Memorandum with ASIC.

A copy of this Explanatory Memorandum has been lodged with ASIC and ASX. Neither ASIC or ASX, nor any of their officers takes any responsibility for the contents of this Explanatory Memorandum.

10.11 Updates to the Proposal

The terms of the Proposal may change from time to time. If SAHL becomes aware of any significant change to the Proposal or significant new circumstance affecting the Proposal between the date of issue of this Explanatory Memorandum and the date of implementation of the Proposal (if approved at the Meetings), SAHL will notify Securityholders in such a way as it determines is appropriate, which may include (but is not limited to) publishing information on the Sydney Airport website, an announcement on ASX, an announcement at the Meetings, or the issue of a supplementary explanatory memorandum.

10.12 Tax file numbers

Under Australian tax law, a company is entitled to ask its shareholders to disclose their tax file numbers (*TFN*) to the company. A shareholder can choose to disclose or not disclose their TFN.

If a shareholder chooses not to disclose their TFN or details of any relevant exemptions to the company, the company is required under Australian tax law to withhold tax at the top marginal tax rate plus Medicare levy, on any dividends paid to the shareholder, unless the dividend is fully franked. If the tax withheld by the company is more than the shareholder would have paid in tax, the shareholder must wait until he or she lodges an income tax return before being entitled to an income tax credit or refund (as applicable) of any excess tax withheld from the dividend payment. On the other hand, if a shareholder chooses to disclose their TFN or details of any relevant exemptions, the company does not have to withhold any tax from any dividends paid to the shareholder.

As part of the Scheme, SAHL (or the registry) will, unless otherwise directed by the Securityholders, transfer the TFNs provided to SAHL by Securityholders to Sydney Airport Limited (or the registry) on behalf of the Securityholders in respect of their tax affairs so that Sydney Airport Limited will not otherwise be required to withhold tax from any dividend payments.

However, a Securityholder may request that SAHL not transfer that Securityholder's TFN to Sydney Airport Limited.

If you would not like SAHL to transfer your TFN to Sydney Airport Limited, please complete the appropriate section of the Proxy Form in relation to the Meetings and return it to SAHL or write to the registry before the Effective Date.

If a Securityholder does not indicate on the Proxy Form or specify otherwise in writing that they do not wish their TFN to be disclosed and collected in accordance with the process discussed above, they are deemed under the terms of the Scheme to agree to such disclosure and collection of their TFN.

10.13 Foreign selling restrictions

The distribution of this Explanatory Memorandum (including an electronic copy) in jurisdictions outside Australia may be restricted by law. If you come into possession of this Explanatory Memorandum in jurisdictions outside Australia, then you should seek advice on, and observe any such restrictions. If you fail to comply with such restrictions, that failure may constitute a violation of applicable securities laws. Sydney Airport and Sydney Airport Limited disclaims all liabilities to such persons.

Based on the information available to Sydney Airport as at the date of this Explanatory Memorandum, Securityholders whose addresses are shown in the register on the record date for the Scheme as being in the following jurisdictions will be entitled to have Sydney Airport Limited Shares issued to them pursuant to the Scheme subject to the qualifications, if any, set out below in respect of that jurisdiction:

- Australia;
- Canada;
- China, where the Securityholder is a "qualified domestic institutional investor";
- Hong Kong, where the number of non-professional investors does not exceed 50;
- Japan;
- Malaysia;
- New Zealand;
- Singapore, where the Securityholder is an "institutional investor" or a "relevant person" or the number of other investors does not exceed 50;
- South Africa;
- United Arab Emirates (excluding the Dubai International Financial Centre);
- United Kingdom;
- United States; and
- any person in another jurisdiction in respect of which Sydney Airport and Sydney Airport Limited reasonably believe that it is not prohibited and not unduly onerous or impractical to implement the Scheme and to issue Sydney Airport Limited Shares to a Securityholder with a registered address in such jurisdiction.

10. Additional Information (continued)

This Explanatory Memorandum, the Sydney Airport Limited Shares and the New Stapled Securities have not been and will not be, registered in any jurisdiction other than Australia. This Explanatory Memorandum does not constitute an offer of New Stapled Securities or Sydney Airport Limited Shares in any jurisdiction in which it would be unlawful. New Stapled Securities may not be offered or sold in any country outside Australia except to the extent permitted below.

10.13.1 China

The information in this Explanatory Memorandum does not constitute a public offer of the Sydney Airport Limited Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The Sydney Airport Limited Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors."

10.13.2 Hong Kong

WARNING: The contents of this Explanatory Memorandum have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Scheme. If you are in any doubt about any of the contents of this Explanatory Memorandum, you should obtain independent professional advice.

10.13.3 Japan

The Sydney Airport Limited Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No.25 of 1948), as amended (the **FIEL**). Accordingly, the Sydney Airport Limited Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to exemption from the registration requirements of, and in compliance with, the FIEL and any applicable laws and regulations of Japan.

10.13.4 Malaysia

The offering made under this Explanatory Memorandum does not constitute, and should not be construed as constituting an offer or invitation to subscribe for or purchase any securities in Malaysia. The issuer of this Explanatory Memorandum, by the dispatch of this Explanatory Memorandum, has not made available any securities for subscription or purchase in Malaysia. This Explanatory Memorandum is distributed in Malaysia for information purposes only. This Explanatory Memorandum does not constitute, and should not be construed as offering or making available any securities for purchase in Malaysia.

10.13.5 New Zealand

This Explanatory Memorandum is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand

regulatory authority under or in accordance with the Securities Act 1978 (or any other relevant New Zealand law). This Explanatory Memorandum may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

10.13.6 Singapore

This Explanatory Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. This Explanatory Memorandum and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of the securities may not be offered, sold or distributed, or be made the subject of an invitation for subscription, purchase or receipt, except pursuant to exemptions in Subdivision (4) of Division 1, Part XIII of the Securities and Futures Act, Chapter 289 (the "SFA"), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to the Sydney Airport Limited Shares being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

Neither Sydney Airport nor Sydney Airport Limited is in the business of dealing in securities nor do they hold themselves out or purport to hold themselves out to be doing so. As such, neither Sydney Airport nor Sydney Airport Limited is licensed or exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

10.13.7 South Africa

The Scheme does not constitute an offer of securities to the public in terms of the South African Companies Act and, accordingly, this Explanatory Memorandum does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act and may not be distributed to the public in South Africa.

10.13.8 United Arab Emirates

Neither this Explanatory Memorandum nor the Sydney Airport Limited Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates, nor has Sydney Airport Limited received authorization or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market or sell the Sydney Airport Limited Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates. This Explanatory Memorandum

10. Additional Information (continued)

does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the Sydney Airport Limited Shares, including the receipt of applications and/or the allotment or redemption of Sydney Airport Limited Shares, may be rendered within the United Arab Emirates by Sydney Airport Limited.

No offer or invitation to subscribe for Sydney Airport Limited Shares is valid in, or permitted from any person in, the Dubai International Financial Centre.

10.13.9 United Kingdom

Neither the information in this Explanatory Memorandum nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no Explanatory Memorandum (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Sydney Airport Limited Shares or New Stapled Securities. This Explanatory Memorandum is issued on a confidential basis to “qualified investors” (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the Sydney Airport Limited Shares and New Stapled Securities may not be offered or sold in the United Kingdom by means of this Explanatory Memorandum, any accompanying letter or any other document, except in circumstances which do not require the publication of a Explanatory Memorandum pursuant to section 86(1) FSMA. This Explanatory Memorandum should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the Sydney Airport Limited Shares or New Stapled Securities has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to Sydney Airport.

In the United Kingdom, this Explanatory Memorandum is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together **Relevant Persons**). The investments to which this Explanatory Memorandum relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, Relevant Persons. Any person who is not a relevant person should not act or rely on this Explanatory Memorandum or any of its contents.

10.13.10 United States

Sydney Airport Limited intends to rely on an exemption from the registration requirements of the US Securities Act of 1933 provided by Section 3(a)(10) thereof in connection with the consummation of the Scheme and the issuance of the Sydney Airport Limited Shares. Approval of the Scheme by an Australian court will be relied upon by Sydney Airport Limited for purposes of qualifying for the Section 3(a)(10) exemption.

US securityholders should note that the Scheme is made for the securities of an Australian entity in accordance with the laws of Australia and the Listing Rules. The Scheme is subject to disclosure requirements of Australia that are different from those of the United States.

Any financial statements included in the Explanatory Memorandum have been prepared in accordance with Australian Accounting Standards and on the basis of the descriptions accompanying those financial statements and may not be comparable to the financial statements of US companies. Australian corporations must comply with Australian Accounting Standards, which contain Australian equivalents to International Financial Reporting Standards.

11. Glossary

AFSL	Australian Financial Services Licence
Airports Act	<i>Airports Act 1996</i> (Cth) and the regulations and statutory instruments issued under it
AML/CTF Act	<i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (Cth)
ARSN	Australian Registered Scheme Number
ASIC	the Australian Securities and Investments Commission or any replacement or successor authority
Associate	has the same meaning as 'associate' in the Corporations Act as applies in the particular context where the term is used
ASX	ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires
ATO	Australian Taxation Office
Business Day	a business day as defined in the Listing Rules
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Court	Supreme Court of New South Wales
Deed Poll	a deed poll by Sydney Airport Limited in favour of Securityholders in relation to the Scheme dated on or about 22 October 2013, as amended from time to time, a summary of which is in Annexure C
Director	a director of SAHL
Effective	when used in relation to the Scheme, the SAT2 Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act
Effective Date	the date on which the Scheme become Effective, which is intended to be Monday, 25 November 2013
End Date	means 31 March 2014 or such other date as may be agreed to in writing by the parties to the Scheme Implementation Agreement
Existing Stapled Security	a stapled security in Sydney Airport, which is comprised of one unit in SAT1 and one unit in SAT2
Existing Stapling Deed	the stapling deed dated 27 February 2002, as amended from time to time, which provides for the stapling of the Existing Stapled Security
Explanatory Memorandum	the Notices of Meeting and explanatory memorandum in relation to the Meetings
First Court Hearing	a hearing before the Court for the First Judicial Advice
First Judicial Advice	judicial advice from the Court under section 63 of the <i>Trustee Act 1925</i> (NSW) that SAHL, as the responsible entity of SAT2, would be justified in convening the Scheme Meeting and proceeding on the basis that amending the SAT2 Constitution as contemplated by the SAT2 Supplemental Deed would be within the powers conferred by the SAT2 Constitution and section 601GC of the Corporations Act
General Meeting Resolutions	the resolutions to be considered and (if thought fit) approved by Securityholders at the General Meetings
General Meetings	the concurrent General Meetings of SAT1 Unitholders and SAT2 Unitholders at which Securityholders are to consider the General Meeting Resolutions
Governance Deed	the deed poll proposed to be made by The Trust Company in favour of Securityholders in connection with the appointment of directors to the New RE Board, a summary of which is in Annexure C
GST	has the same meaning as in the GST Law
GST Law	has the meaning given to that term in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth) and any other Act or regulation relating to the imposition or administration of GST
Guidance Note 15	<i>Guidance Note 15: Trust Scheme Mergers</i> issued by the Takeovers Panel of Australia
Implementation Date	the date on which the Scheme is implemented, expected to be on or around Tuesday, 3 December 2013
Independent Expert	Deloitte Corporate Finance Pty Ltd
Independent Expert's Report	the report prepared by the Independent Expert dated 21 October 2013, attached as Annexure A

11. Glossary (continued)

Investigating Accountant	KPMG Transaction Services, a division of KPMG Financial Advisory Services (Australia) Pty Ltd (ABN 43 007 363 215)
Investigating Accountant's Report	the report prepared by the Investigating Accountant, attached as Annexure B
Issue	the issue by Sydney Airport Limited of Sydney Airport Limited Shares that will be made to Scheme Participants if the Proposal is implemented
KPMG Transaction Services	KPMG Transaction Services, a division of KPMG Financial Advisory Services (Australia) Pty Ltd (ABN 43 007 363 215)
Listing Rules	the listing rules of ASX, as amended or replaced from time to time except to the extent of any express written waiver by ASX
Macquarie	Macquarie Capital (Australia) Limited (ACN 123 199 548)
MAIL	MAp Airports International Pty Limited (ACN 099 813 180)
MASKS2	MAp Airports Sydney Kingsford Smith No.2 Pty Ltd (ACN 134 319 510)
Meetings	the Scheme Meeting and the General Meetings, convened to vote on the Scheme Resolutions and General Meeting Resolutions, together with any adjournment
Meeting Date	the date on which the Meetings are expected to be held, Friday, 22 November 2013, or any adjournment of the Meetings
Minority Acquisitions	the acquisition of the unlisted minority investors' 15.2% direct and indirect interests in SCACH which completed on 23 September 2013
New RE	PRE Services Limited (ACN 115 967 087), currently in the process of changing its name to The Trust Company (Sydney Airport) Limited
New RE Board	the board of directors of New RE from time to time
New RE Information	the information in Section 5.5, other than the first and fifth paragraphs in that section
New Stapled Security	a stapled security after implementation of the Scheme, which comprises one unit in SAT1 and one share in Sydney Airport Limited
New Stapling Deed	the stapling deed between New RE in its capacity as responsible entity of SAT1 and Sydney Airport Limited, which takes effect from the Implementation Date, a summary of which is in Annexure C
Notices of Meeting	the notices of the Meetings set out in Annexure G
PricewaterhouseCoopers	PricewaterhouseCoopers (ABN 52 780 433 757)
Privacy Act	<i>Privacy Act 1988</i> (Cth)
Pro Forma Historical Financial Information	the Pro Forma Historical Statement of Financial Performance and the Pro Forma Historical Statement of Financial Position set out in Section 6
Pro Forma Historical Statement of Financial Performance	the pro forma historical consolidated statement of financial performance for Sydney Airport for the half-year ended 30 June 2013 set out in Section 6
Pro Forma Historical Statement of Financial Position	the pro forma historical consolidated statement of financial position for Sydney Airport as at 30 June 2013 set out in Section 6
Proposal	the proposal to simplify and restructure Sydney Airport by way of the Scheme and the Restructure and the retirement of SAHL as the responsible entity of SAT1 and replacement with New RE
Proxy Form	the form which accompanies this Explanatory Memorandum which provides for Securityholders to give voting instructions and appoint proxies for the Meetings
Put Option Deed	the put option deed to be entered into by The Trust Company and Sydney Airport Limited under which The Trust Company is granted an option to require Sydney Airport Limited to purchase all of the shares in New RE, a summary of which is in Annexure C
RE Fee	the fee payable to the responsible entity of SAT1 under clause 21 of the proposed amended SAT1 Constitution for managing the ordinary day-to-day activities of SAT1, as set out in Annexure E
Record Date	7.00pm (Sydney time) on Monday, 2 December 2013, being the date and time which determines the entitlements of Securityholders for implementation of the Scheme

11. Glossary (continued)

Register	the register or registers of the Securityholders
Registrar	the person appointed to maintain the Register from time to time
Resolutions	the Scheme Resolutions and the General Meeting Resolutions
Resources Agreement	the resources agreement to be entered into by SACL and New RE in its capacity as responsible entity of SAT1, SAT2 and SCAAT under which SACL agrees to provide to New RE certain resources to enable New RE to perform its functions
Restructure	the Restructure of Sydney Airport Group, as described in Section 5.4
RPS	Redeemable preference shares
SACL	Sydney Airport Corporation Limited (ACN 082 578 809), the lessee and operator of Sydney (Kingsford Smith) Airport
SAHL	Sydney Airport Holdings Limited (ACN 075 295 760)
SAT1	Sydney Airport Trust 1 (ARSN 099 597 921) or where the context requires either: <ul style="list-style-type: none"> • SAHL as the responsible entity of SAT1 prior to its retirement and replacement under the Proposal; or • New RE as the responsible entity of SAT1 following its appointment under the Proposal
SAT1 Constitution	the constitution of SAT1
SAT1 Constitution Amendment Resolution	the resolution to be considered and (if thought fit) approved by Securityholders at the SAT1 General Meeting to amend the SAT1 Constitution, being the resolution described in Section 9
SAT1 Supplemental Deed	the supplemental deed poll which, upon approval of the SAT1 Constitution Amendment Resolution, will be executed and lodged with ASIC to give effect to the amendments to the SAT1 Constitution described in this Explanatory Memorandum
SAT1 Unit	a fully paid up unit in the capital of SAT1
SAT1 Unitholder	a registered holder of a SAT1 Unit
SAT2	Sydney Airport Trust 2 (ARSN 099 597 896) or, as where the context requires, SAHL as the responsible entity of Sydney Airport Trust 2
SAT2 Constitution	the constitution of SAT2
SAT2 Supplemental Deed	the supplemental deed poll which, upon approval of the Scheme, will be executed and lodged with ASIC to give effect to the amendments to the SAT2 constitution to implement the Scheme
SAT2 Unit	a fully paid up unit in the capital of SAT2
SAT2 Unitholder	a registered holder of a SAT2 Unit
SCAAT	Southern Cross Australian Airports Trust (ARSN 100 746 521)
SCAC	Southern Cross Airports Corporation Pty Limited (ACN 097 032 365)
SCACH	Southern Cross Airports Corporation Holdings Ltd (ACN 098 082 029)
SCACH Interests	means all of the ordinary shares and redeemable preference shares issued in the capital of SCACH held by SAT1, MAp Airports Sydney Kingsford Smith No.2 Pty Ltd, MAp Airports Sydney Kingsford Smith No.3 Pty Ltd and Sydney Airport Holdings Limited as responsible entity of the Southern Cross Australian Airports Trust
Scheme	an arrangement in accordance with Guidance Note 15 between Sydney Airport and the Securityholders under which Sydney Airport Limited will acquire all of the SAT2 Units held by Securityholders subject to the resolutions being approved by the requisite majorities of Securityholders
Scheme Implementation Agreement	the implementation agreement in relation to the scheme entered into on or about 22 October 2013 between SAHL (in its personal capacity and as the responsible entity of SAT1 and SAT2 and Sydney Airport Limited
Scheme Meeting	a meeting of SAT2 Unitholders to be held on the Meeting Date for the purposes of considering the Scheme
Scheme Participant	a Securityholder on the Record Date
Scheme Resolutions	means the resolutions to give effect to the Scheme as set out as Resolution 1 and Resolution 2 in the SAT2 Notice of Meeting

11. Glossary (continued)

Second Court Hearing	the hearing of the application made to the Court for the Second Judicial Advice
Second Judicial Advice	judicial advice from the Court under section 63 of the <i>Trustee Act 1925</i> (NSW) that, subject to SAT2 Unitholders passing the Scheme Resolutions by the requisite majorities, SAHL as the responsible entity of SAT2 would be justified in implementing the Scheme Resolution, giving effect to amendments to the SAT2 Constitution as contemplated by the SAT2 Supplemental Deed and in doing all things and taking all necessary steps to put the Scheme into effect
Securityholder	a registered holder of an Existing Stapled Security or, where the context requires, a New Stapled Security
Stapled Security	means a New Stapled Security, an Existing Stapled Security or both, as relevant
Subsidiary	has the meaning given in section 9 of the Corporations Act, but so that a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share and a corporation or trust may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation
Subsidiary RPS Interests	means each of the following: <ul style="list-style-type: none"> • all of the redeemable preference shares issued in the capital of MAp Airports Sydney Kingsford Smith No.1 Pty Ltd; • all of the redeemable preference shares issued in the capital of MAp Airports Sydney Kingsford Smith No.2 Pty Ltd; • all of the redeemable preference shares issued in the capital of MAp Airports Sydney Kingsford Smith No.3 Pty Ltd; • all of the redeemable preference shares issued in the capital of MAp Airports Sydney Kingsford Smith No.4 Pty Ltd; • all of the redeemable preference shares issued in the capital of MAp Airports (Sydney Holdings) Pty Limited; and • all of the redeemable preference shares issued in the capital of MAp Airports (Sydney Holdings) Two Pty Limited
Sydney Airport	before implementation of the Proposal, means a stapled vehicle made up of SAT1 and SAT2 and where the context requires, means SAT1, SAT2, SAHL or any one of them and after implementation of the Proposal, means a stapled vehicle made up of SAT1 and Sydney Airport Limited and where the context requires, means SAT1, Sydney Airport Limited or any one of them
Sydney Airport Group	Sydney Airport and the Subsidiaries of the entities that comprise Sydney Airport
Sydney Airport operating entities	SCACH and its Subsidiaries
Sydney Airport Limited	Sydney Airport Limited (ACN 165 056 360)
Sydney Airport Limited Constitution	the constitution of Sydney Airport Limited
Sydney Airport Limited Information	the information in Sections 7.4, 7.5, 7.6 and 7.8
Sydney Airport Limited Share	a fully paid ordinary share in the capital of Sydney Airport Limited
TFN	Tax File Number
TCG	Tax Consolidated Group
The Trust Company	The Trust Company (RE Services) Limited (ACN 003 278 831), being the sole shareholder of New RE
Transaction Documents	all documents necessary or desirable to give effect to the Proposal, including the Scheme Implementation Agreement and the Deed Poll
Voting Record Date	7.00pm (Sydney time) on Wednesday, 20 November 2013, being the time and date when the holdings of Securityholders are ascertained for the purposes of attendance and voting at the Meetings

12. Other Important Information

No investment advice

This Explanatory Memorandum does not constitute personal financial product advice and has been prepared without reference to your investment objectives, financial situation, tax position or particular needs, or those of any other person. Your investment in Sydney Airport is subject to investment and other risks, including possible delays in repayment and loss of income and principal invested. In particular, in considering the Proposal, it is important that you consider the risk factors identified in Section 5.13 and other information contained in this Explanatory Memorandum in light of your own particular circumstances. SAHL, Sydney Airport Limited and New RE do not give any guarantee or assurance as to the performance of Sydney Airport. If you are in any doubt in relation to these matters, you should consult your investment, financial, tax, legal or other professional adviser.

This Explanatory Memorandum (including the Australian Tax Report in Section 8) does not constitute tax advice. You will need to consult your own independent professional tax adviser regarding the consequences of the Proposal in light of your particular circumstances.

Forward looking statements

Certain statements in this Explanatory Memorandum relate to the future. The forward looking statements in these documents are not based on historical facts, but rather reflect the current expectations of SAHL or Sydney Airport Limited concerning future results and events. These statements generally may be identified by the use of forward looking words or phrases such as 'believe', 'aim', 'expect', 'anticipated', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential' or other similar words and phrases. Similarly, statements that describe objectives, plans, goals or expectations are or may be forward looking statements.

These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Sydney Airport to be materially different from future results, performance or achievements expressed or implied by such statements. Such forward looking statements are based on numerous assumptions regarding present and future operating strategies and the environment in which Sydney Airport will operate in the future, but are based on reasonable grounds.

The risks set out in the Explanatory Memorandum could affect future results of Sydney Airport, causing these results to differ materially from those expressed, implied or projected in any forward looking statements. These factors are not all of the important factors that could cause actual results to differ materially from those expressed in any forward looking statement. Other unknown factors could also have a material adverse effect on future results of Sydney Airport.

Forward looking statements should, therefore, be construed in light of such risks and undue reliance should not be placed on forward looking statements.

Securityholders should note that the historical financial performance of Sydney Airport is no assurance or indicator of future financial performance of Sydney Airport (whether or not the Proposal proceeds). SAHL and Sydney Airport Limited do not guarantee any particular rate of return or the performance of Sydney Airport.

All subsequent written and oral forward looking statements attributable to SAHL and Sydney Airport Limited or any person acting on their behalf are qualified by this cautionary statement.

Other than as required by law, none of SAHL, Sydney Airport Limited and New RE or their directors give any representation, assurance, warranty (whether express or implied) or guarantee that the accuracy, likelihood or occurrence of the events or results expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

The forward looking statements in this Explanatory Memorandum reflect views held only at the respective dates of these documents. Subject to any continuing obligations under the Listing Rules or the Corporations Act, SAHL, Sydney Airport Limited and New RE and their respective directors disclaim any obligation or undertaking to distribute after the date of this Explanatory Memorandum, any updates or revisions to any forward-looking statements to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Privacy and personal information

SAHL, Sydney Airport Limited and New RE and the registries of SAT1, SAT2 and Sydney Airport Limited may collect personal information in the process of implementing the Proposal. The personal information may include the names, addresses, other contact details, bank account details and details of the holdings of the Securityholders, and the names of individuals appointed by the Securityholders as proxies, corporate representatives or attorneys at the Meetings.

The collection of some of this information is required or authorised by the Corporations Act. Securityholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact Sydney Airport's Securityholder Information Line on 1300 391 219 (within Australia) or +613 9415 4280 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time) in the first instance if they wish to request access to that personal information.

12. Other Important Information (continued)

The personal information is collected for the primary purpose of assisting SAHL, Sydney Airport Limited and New RE to implement the Proposal and conduct the Meetings. The personal information may be disclosed to related bodies corporate of SAHL, Sydney Airport Limited and/or New RE, third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Meetings), professional advisers and to regulatory authorities, and also where disclosure is otherwise required or allowed by law. Personal information of the Securityholders may also be used to call them in relation to their Existing Stapled Securities, their New Stapled Securities (if applicable) or the Proposal.

Under the Scheme, Scheme Participants' TFNs will be disclosed to Sydney Airport Limited and the registry on behalf of Scheme Participants in respect of Scheme Participants' tax affairs. A Scheme Participant may indicate on the proxy form attached to this Booklet (or otherwise in writing) if they do not consent to the disclosure of their TFN to Sydney Airport Limited and the registry.

Securityholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meetings should ensure that they inform such an individual of the matters outlined above.

Currency

Unless stated otherwise, all references to dollars, \$, cents or ¢ in this Explanatory Memorandum are to Australian currency.

Time

Unless stated otherwise, all references to time in this Explanatory Memorandum are to Australian Eastern Daylight Time, being the time in Sydney, Australia.

Annexure A: Independent Expert's Report

Deloitte.

Sydney Airport Holdings Limited

Independent expert's report and Financial Services Guide

23 October 2013

Annexure A: Independent Expert's Report (continued)



Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us.

What financial services are we licensed to provide?

We are authorised to provide general financial product advice or to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes and government debentures, stocks or bonds.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

We will receive a fee of approximately \$125,000 excluding GST in relation to the preparation of this report. This fee is based on time spent at our normal hourly rates and is not contingent upon the success or otherwise of the proposed simplification of the stapled entity structure of Sydney Airport (the **Proposal**).

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid

to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

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1 February 2013

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Annexure A: Independent Expert's Report (continued)

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The Directors
Sydney Airport Holdings Limited, as responsible entity of
Sydney Airport Trust 1 and Sydney Airport Trust 2
The Central Terrace Building
10 Arrivals Court
Sydney International Airport NSW 2020

23 October 2013

Dear Directors

Independent expert's report

Introduction

Sydney Airport is an ASX-listed dual stapled entity comprising Sydney Airport Trust 1 (**SAT1**) and Sydney Airport Trust 2 (**SAT2**). Each security in Sydney Airport (the **Stapled Securities**) is comprised of one unit in SAT1 and one unit in SAT2. Sydney Airport is the ultimate owner of an 100% economic interest in Sydney Airport Corporation Limited (**SACL**), the operator of Sydney (Kingsford Smith) Airport, via its 100% ownership of Southern Cross Airports Corporation Holdings Limited (**SCACH**). As at 26 September 2013, Sydney Airport had a market capitalisation of \$8.7 billion.

On 14 August 2013, Sydney Airport announced the intention to pursue a number of steps to restructure its investment portfolio and its ownership structure. These steps included:

- the acquisition of the remaining 15.2% economic interest in Sydney (Kingsford Smith) Airport that Sydney Airport did not already own (the **Minority Acquisitions**), which completed on 23 September 2013
- a subsequent proposal to simplify Sydney Airport's ownership structure and improve the internal governance of Sydney Airport comprising the following steps (the **Proposal**):
 - Sydney Airport Holdings Limited (**SAHL**) will retire and be replaced by The Trust Company (Sydney Airport) Limited (**New RE**), a new and independent responsible entity, as the responsible entity of SAT1 (**RE Replacement**)
 - Sydney Airport Stapled Security holders (**Securityholders**) will replace their interests in SAT2 with equivalent pro-rata interests in Sydney Airport Limited, a newly formed company, which will 'top-hat' SAT2 via a trust scheme (the **Scheme**), following which the Stapled Securities will comprise one unit in SAT1 and one ordinary share in Sydney Airport Limited
 - following implementation of the Scheme, Sydney Airport will undertake an internal restructure (the **Restructure**) which will ultimately result in Sydney Airport Limited holding an 100% economic interest in Sydney (Kingsford Smith) Airport and in SAT1 having a loan arrangement with Sydney Airport Limited. In order to implement the Restructure, SAT1, SAT2 and Sydney Airport Limited will enter into a number of transactions (the **Intercompany Transactions**) which will involve, inter alia, the redeemable preference shares (**RPS**) issued by SAT2's subsidiaries to SAT1 (**Subsidiary RPS Interests**) being eliminated, and a new loan between SAT1 and Sydney Airport Limited being established. The Intercompany Transactions are detailed further in section 5.4 of the Explanatory Memorandum to which this independent expert's report is attached (**Explanatory Memorandum**).

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Annexure A: Independent Expert's Report (continued)

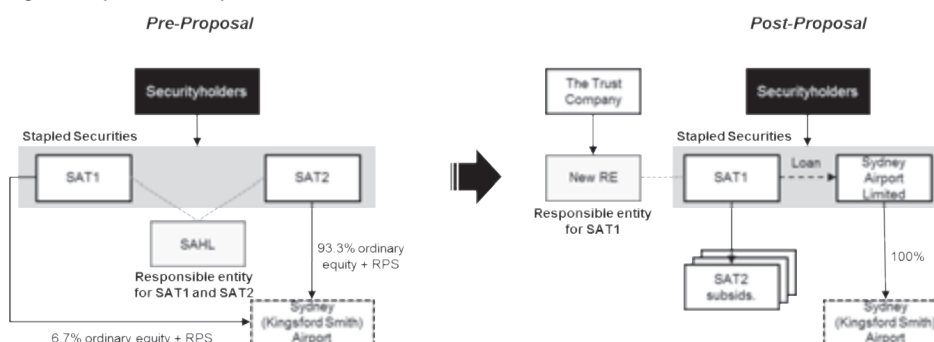
The Minority Acquisitions were completed in two stages, with 12.1% acquired on 21 August 2013 and the remaining 3.1% acquired on 23 September 2013. The Minority Acquisitions occurred via an exchange of direct and indirect economic interests in Sydney (Kingsford Smith) Airport for cash or Stapled Securities (as elected by the relevant minority interest holders), and were structured so that there was no dilution of existing Securityholders' underlying interests in Sydney (Kingsford Smith) Airport.

The issue of Stapled Securities in connection with certain transactions related to the Minority Acquisitions required Securityholders' approval, which was obtained on 19 September 2013. As a consequence of the Minority Acquisitions, as at the date of this report Sydney Airport owns a 100% beneficial interest in SACL, the operator of Sydney (Kingsford Smith) Airport.

The Proposal is subject to approval by Securityholders. Securityholders will be asked to approve the Proposal by voting on a number of resolutions (**Resolutions**). Approval of the Resolutions will enable Sydney Airport to implement the Scheme and the RE Replacement and will facilitate implementation of the Restructure (being all the envisaged steps to implement the Proposal). Whilst the Resolutions to implement the Scheme and the remaining Resolutions to implement the Proposal are to be separately voted on by Securityholders, the Resolutions are inter-conditional so that if one or more of the Resolutions are not passed, the Proposal will not be approved.

Should the Proposal be implemented, Sydney Airport's corporate structure would change as set out in the figure below.

Figure 1: Impact of the Proposal¹



Source: Sydney Airport, ASX Announcements

Note:

1. Simplified structures are presented. There are a number of interposed entities between Sydney Airport and Sydney (Kingsford Smith) Airport that are not illustrated for presentation purposes.

The Proposal will not have any impact on the proportionate interest of Securityholders in Sydney Airport or the number of Stapled Securities held by Securityholders.

The rationale for the Proposal is to:

- increase the foreign ownership limit in Sydney Airport from 40% to 49%. Under the current corporate structure, the *Airports Act 1996 (Cth)* (**Airports Act**) and regulations preclude Sydney Airport's foreign ownership exceeding 40%. Pursuant to the Proposal, Sydney Airport's allowable foreign ownership will increase to 49%, the maximum permitted by the Airports Act

Annexure A: Independent Expert's Report (continued)

- provide greater certainty in relation to Sydney Airport's tax affairs. Sydney Airport is subject to a specific issue tax audit conducted by the Australian Taxation Office (**ATO**) concerning the deductibility of distributions paid on certain Subsidiary RPS Interests issued by entities within Sydney Airport (**Tax Audit**). Implementation of the Proposal will result in the elimination of the Subsidiary RPS Interests and allow Sydney Airport to proceed with the proposed settlement of the Tax Audit
- simplify the structure of Sydney Airport to reflect the fact that Sydney Airport is a single asset vehicle which now has an 100% interest in SACL, the operator of Sydney (Kingsford Smith) Airport
- implement improved governance arrangements.

The Proposal represents the final step in the evolution of Sydney Airport from an entity designed to cater for an internationally diversified portfolio of interests in airports to one which most appropriately reflects the current:

- operational assets of Sydney Airport, which solely comprise Sydney (Kingsford Smith) Airport
- investment strategy of Sydney Airport
- ownership structure of the entities operating Sydney (Kingsford Smith) Airport.

The full details of the Proposal are included in the Explanatory Memorandum.

Purpose of the report

According to Guidance Note 15 issued by the Takeover Panel (**Guidance Note 15**) in relation to trust schemes, the recommended procedure for a trust scheme, such as the Scheme, involves the preparation of an independent expert's report to be included in the scheme notice of meeting that states whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable. Guidance Note 15 also states that it is not uncommon for the expert to opine on whether the transaction is in the best interests of security holders.

Whilst an independent expert's report in respect of the components of the Proposal that are in addition to the Scheme (being the RE Replacement and the Restructure) is not required to meet any statutory obligations, given that:

- the Resolutions in relation to implementation of the Scheme and the remaining Resolutions necessary to implement the Proposal are inter-conditional
 - the purpose and outcome of the transaction proposed include the RE Replacement and the Restructure
- the Directors of SAHL, in their capacity as directors of the responsible entity of SAT1 and SAT2 (the **Directors**) have requested Deloitte Corporate Finance to prepare an independent expert's report advising whether, in our opinion, the Proposal is fair and reasonable to, and in the best interest of, Securityholders.

This report is to be included in an Explanatory Memorandum to be sent to Securityholders and has been prepared for the exclusive purpose of assisting the Securityholders in their consideration of the Proposal. Neither Deloitte Corporate Finance Pty Limited (**Deloitte Corporate Finance**), Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Securityholders, in respect of this report, including any errors or omissions however caused.

Basis of evaluation

In evaluating the Proposal we have considered common market practice in respect of transactions broadly similar to the Proposal and ASIC Regulatory Guide 111: *Content of expert reports*, issued by ASIC in March 2011 (**ASIC Regulatory Guide 111**). Having regard to the above, we consider it appropriate to assess whether the Proposal is fair and reasonable and in the best interests of Securityholders by evaluating whether the advantages of the Proposal outweigh the disadvantages to Securityholders.

Annexure A: Independent Expert's Report (continued)

Summary and conclusion

In our opinion the Proposal is fair and reasonable and is in the best interests of Securityholders. In arriving at this opinion, we have concluded that the advantages of the Proposal outweigh the relevant disadvantages. In particular, we have had regard to the following factors.

Advantages of the Proposal

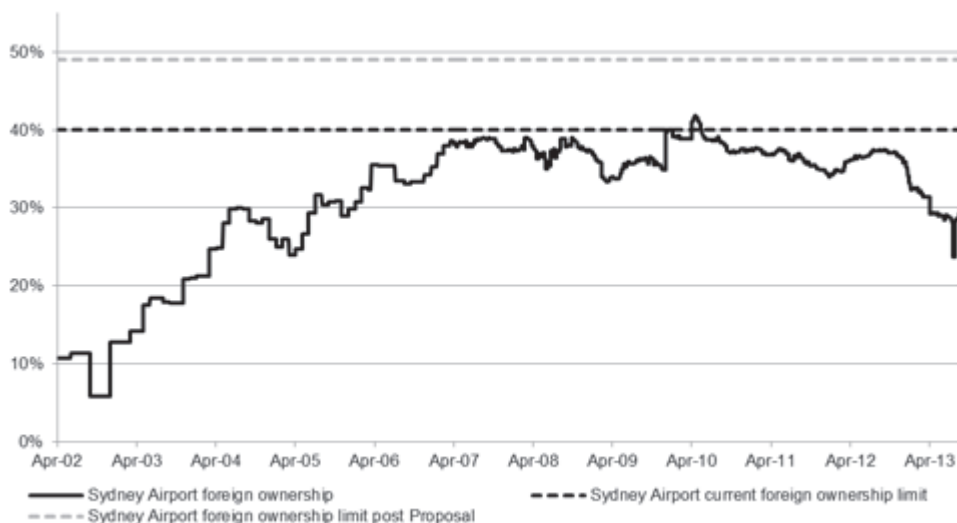
The likely advantages to Securityholders if the Proposal is approved include:

An increase in permitted foreign ownership to 49% which may increase demand for, and liquidity in, Stapled Securities

Under the Airports Act, foreign ownership in Australian federal airports is limited to 49%. However, due to Sydney Airport's current group structure, foreign ownership in Sydney Airport is limited to 40% of all outstanding Stapled Securities.

The 40% limit appears to have acted as a constraint on the level of foreign investment in Sydney Airport in recent years with the level of foreign ownership observed being relatively close to the 40% limit, as set out below.

Figure 2: Sydney Airport historical levels of foreign ownership



Source: Sydney Airport

The Proposal will relax the foreign ownership cap to 49%. This will in turn increase the pool of potential investors in Sydney Airport and, potentially, the demand for its securities. As the supply of Stapled Securities will be unaltered by the Proposal, it is arguable that the Proposal will:

- increase the liquidity of Stapled Securities and as a result:
 - the ability of Securityholders to dispose of their investment without causing a significant movement in the price of Stapled Securities may improve
 - the attractiveness of Stapled Securities to certain investors may increase

Annexure A: Independent Expert's Report (continued)

- create additional support for the trading price of Stapled Securities. Everything else being equal and subject to various factors such as market conditions and investor sentiment, an increase in demand (i.e. bid) for Stapled Securities combined with a constant level of supply (i.e. ask) should result in a re-rating of Stapled Securities.

Whilst foreign ownership in Sydney Airport is currently low relative to both historical levels and the current 40% limit, the recent decline in foreign ownership (refer to Figure 2 above) appears to have coincided with Sydney Airport's disclosure of the Tax Audit in December 2012.

Under the current structure, if the ATO's findings were ultimately sustained, the tax deductibility of costs associated with the Subsidiary RPS Interests would be at risk. An inability by SAT2 to deduct the Subsidiary RPS Interests' dividend payments could be particularly unfavourable to foreign investors. A higher taxable income for SAT2 would reduce its pre-tax distributions. Whilst most Australian tax residents would be able to make use of any franking credits attached to distributions paid, foreign investors would not be able to fully utilise franking credits and the net proceeds paid to foreign investors from future distributions would reduce in that situation. As a result, although the uncertainty surrounding Sydney Airport's tax affairs is likely to have reduced the attractiveness of Sydney Airport as an investment generally, it is also likely to have reduced the attractiveness of Sydney Airport for foreign investors relative to domestic investors, which may explain the recent decline in foreign ownership.

As the Proposal is likely to substantially reduce the uncertainty surrounding Sydney Airport's tax affairs, any reduction in the relative attractiveness of Sydney Airport to potential foreign investors may be reversed. The benefit of increasing the foreign ownership limit from 40% to 49% is therefore expected to result in the advantages discussed above notwithstanding the current decreased level of foreign ownership.

Greater certainty in relation to Sydney Airport's tax affairs and governance structure

On 20 December 2012, as part of the Tax Audit, the ATO issued a position paper concerning the deductibility of certain Subsidiary RPS Interests distributions related to the tax years ended 31 December 2010 and 31 December 2011. The deductibility of the distributions was challenged on the grounds that the distributions were made to a "connected entity", which would result in the Subsidiary RPS Interests being re-characterised as equity interests for income tax purposes and any distributions on the Subsidiary RPS Interests not being tax deductible.

The potential liability payable by Sydney Airport in the event of an adverse outcome was estimated to be up to \$79 million plus interest and penalties at the time of receipt, in respect of only the relevant Subsidiary RPS Interests and the years subject to that position paper. Furthermore, as part of disclosures to the ASX, Sydney Airport noted that other Subsidiary RPS Interests tranches were also subject to the specific issue Tax Audit. As a result of the Tax Audit, there is significant uncertainty as to the future deductibility of Subsidiary RPS Interests' dividend payments under Sydney Airport's current structure.

Sydney Airport recently agreed in-principle non-binding terms to settle all matters relating to the Subsidiary RPS Interests and that a formal binding settlement deed is expected to be finalised with the ATO in conjunction with the completion of private and class rulings relating to the Proposal. As part of the in-principle non-binding terms, Sydney Airport has agreed to make a primary tax and interest payment of \$69 million to the ATO in full settlement of the Tax Audit, ensuring no further audit activity in relation to any of the Subsidiary RPS Interests and removing any risk of the Tax Audit being extended to later years (the **ATO Settlement**). The Directors consider that the implementation of the Proposal will assist in facilitating a formal binding settlement deed with the ATO.

The Proposal involves Sydney Airport replacing the current ownership and governance structure of Sydney Airport, which comprises two stapled trusts (SAT1 and SAT2) managed by the same responsible entity (SAHL), with a trust (SAT1) stapled to a company (Sydney Airport Limited). The new structure will involve SAT1's current responsible entity being replaced by New RE, an independent responsible entity. The directors of the boards of New RE and Sydney Airport Limited will comprise different individuals which, amongst other governance safeguards, should assist to ensure clear independence between SAT1 and Sydney Airport Limited. We understand that implementation of the new governance arrangements is an important element of certain aspects in the private taxation rulings which have been requested by Sydney Airport.

Annexure A: Independent Expert's Report (continued)

As part of the Proposal, the Subsidiary RPS Interests will be eliminated as part of the Restructure within the Sydney Airport group and a new loan will be entered into between SAT1 and Sydney Airport Limited.

Given the above, we understand the Proposal is likely to provide greater certainty in respect of Sydney Airport's tax affairs by:

- facilitating the ATO Settlement in respect of the Tax Audit
- reducing the likelihood of future ATO audits on the new stapled structure.

The Proposal is therefore likely to make Sydney Airport a more attractive investment to potential investors.

Simplification of Sydney Airport's ownership structure should result in other benefits

At the time of the initial public offering in April 2002, Sydney Airport was an externally managed investment whose only asset consisted of a 36.7% investment in Macquarie Airports Group Limited (**MAG**), an unlisted investment vehicle with interests in Bristol Airport (50% stake) and Birmingham Airport (24.1% stake). Subsequently, as a member of the Southern Cross Consortium and through its shareholding in MAG, Sydney Airport first acquired a beneficial interest in Sydney (Kingsford Smith) Airport upon its privatisation in June 2002.

Since then and prior to the global financial crisis (**GFC**), Sydney Airport incrementally expanded its international portfolio by acquiring direct and indirect interests in a number of foreign airports (further outlined in Section 1.1).

However, the strategy and investment portfolio of Sydney Airport has changed substantially over time. In particular:

- between 2007 and 2010, Sydney Airport divested the majority of its international portfolio and internalised its management
- in 2011 Sydney Airport sold its remaining interests in international assets (two European Airports) in exchange for a 10.86% economic interest in Sydney (Kingsford Smith) Airport and cash consideration, thereby increasing its interest in the airport to 84.8% (the **Asset Swap**).

The Asset Swap resulted in Sydney (Kingsford Smith) Airport becoming Sydney Airport's sole operating asset and reflected a change in Sydney Airport's strategy whereby it would focus solely on its ownership and operation of Sydney (Kingsford Smith) Airport.

This strategy was substantiated by a corporate restructure in 2011 (**2011 Simplification**) whereby Sydney Airport's foreign investment vehicle was de-stapled from Sydney Airport's stapled structure.

Whilst Sydney Airport undertook the 2011 Simplification to reflect the domestic focus of its operations, its ability to implement further simplification measures was inhibited by the ownership structure of Sydney (Kingsford Smith) Airport, resulting in Sydney Airport's structure remaining relatively complex. However, the recent completion of the Minority Acquisitions, which resulted in SACL, the operator of Sydney (Kingsford Smith) Airport being entirely owned by Sydney Airport, enables Sydney Airport to remove a number of now redundant legacy entities and restructure Sydney Airport to reflect its sole ownership of Sydney (Kingsford Smith) Airport.

The Proposal will result in Sydney (Kingsford Smith) Airport's controlling entities becoming wholly-owned subsidiaries of Sydney Airport Limited and various inactive Australian and foreign non-operating entities of Sydney Airport being held by SAT1 with the majority of these entities being wound up in an orderly fashion. As previously discussed, this will enable Sydney Airport's foreign ownership limit to increase from 40% to 49%, but will also result in a number of other benefits including:

- further simplifying management and administrative matters for Sydney Airport
- more appropriately reflecting Sydney Airport's operating asset and strategy

Annexure A: Independent Expert's Report (continued)

- potentially enhancing investors' ability to understand, interpret and assess the financial performance of Sydney Airport and Sydney (Kingsford Smith) Airport, thereby facilitating more accurate price discovery in Stapled Securities
- potentially increasing demand for Stapled Securities by making Sydney Airport more appealing to a broader range of investors.

Alternatives available appear to be inferior to the Proposal

The Directors considered a number of alternatives prior to recommending the Proposal. In particular, the following alternatives were considered:

- maintaining the status quo
- restructure to list as a corporate with only ordinary shares on issue
- restructure to list SCACH as a listed corporate vehicle, with stapled ordinary shares and RPS on issue.

However, these alternatives appear to be inferior to the Proposal, as set out below.

Maintaining the status quo

As discussed above, the Proposal represents the final step in the evolution of Sydney Airport from a relatively complex structure designed for investments in an internationally diversified portfolio of airports to a simpler, more linear structure, which is reflective of Sydney (Kingsford Smith) Airport being Sydney Airport's sole operating asset. Whilst Sydney Airport could have retained the current stapled structure and potentially sought alternative avenues to increase its foreign ownership cap above 40%, the Airports Act does not currently provide for that outcome and such a scenario is likely to be inferior to the Proposal given it entails significant uncertainty and does not afford Securityholders the other benefits associated with the Proposal.

Restructure to list as a corporate with only ordinary shares on issue

Whilst this strategy would significantly simplify Sydney Airport, the Directors have been advised it is not currently possible to implement this strategy and achieve an increase its foreign ownership cap due to other subsisting obligations of Sydney Airport, including certain obligations in connection with the Asset Swap.

Restructure to list SCACH as a listed corporate vehicle, with stapled ordinary shares and RPS on issue

Whilst there are no legal impediments to implementing this strategy it:

- entails significant additional costs relative to the Proposal as additional cash would need to be retained in a separate vehicle to cover potential indemnities associated with the Asset Swap
- may preclude some potential investors (particularly those who are restricted from investing in listed debt-like instruments such as RPS) from investing in Sydney Airport.

Consequently, whilst possible to implement, this strategy appears to result in a greater number of disadvantages than the Proposal.

Disadvantages of the Proposal

The likely disadvantages to Securityholders if the Proposal is approved include:

One-off transaction costs

The process of implementing the Proposal involves one-off transaction costs. These one-off transaction costs are estimated to be approximately \$8.0 million. However, a majority these costs will be incurred by the date of the meetings to approve the Proposal, regardless of whether the Proposal is actually implemented.

Annexure A: Independent Expert's Report (continued)

Costs and risks associated with the implementation of independent governance arrangements

Whilst the implementation of separate governance arrangements for SAT1 and Sydney Airport Limited is an important element of obtaining greater tax certainty (refer above):

- it will result in additional administrative processes and costs, although not considered material
- it is possible that the separate independent boards will form different views on the best interests of Securityholders on the limited governance matters on which they both have to agree, including: timing and notices for Securityholder meetings; determinations on distributions; and other actions affecting the Stapled Securities. In practice, given:
 - the relative roles of SAT1 and Sydney Airport Limited following implementation of the Proposal
 - the requirement under the New Stapling Deed (as defined in the Explanatory Memorandum) for SAT1 and Sydney Airport Limited to consult on matters which they both have to agree and to always act in the interest of Securityholderssuch an occurrence is not considered likely and in any event is unlikely to have significant consequences for Securityholders.

For the reasons above, these disadvantages are expected to be relatively immaterial relative to the benefits to be gained from greater tax certainty resulting from the independent governance arrangements.

There are risks associated with implementing the Proposal

At the date the Proposal will be voted on by Securityholders, there will be a number of matters which will be subject to finalisation and which, if not resolved in the manner expected, may diminish the persuasiveness of some of the advantages of the Proposal. In particular:

- although approval of the Proposal will assist in facilitating a formal binding settlement with the ATO, at the date Securityholders will be asked to approve the Proposal, final agreement with the ATO will still be outstanding. However, Sydney Airport has had extensive consultation with the ATO to reach its in-principle position and in the context of its applications for private and class taxation rulings. We have been advised that this process is progressing well
- Sydney Airport Limited and SAT1 are yet to formalise an agreement in relation to various aspects of the Intercompany Transactions necessary to implement the Restructure. The Directors anticipate that agreement on terms satisfactory for both entities will be reached, however, those terms remain subject to final negotiations
- if the Scheme is implemented, but the Restructure does not proceed (components of the Restructure are to be implemented by the Directors of New RE, as responsible entity of SAT 1, and Sydney Airport Limited subsequent to the implementation of the Scheme), the existing permitted foreign ownership limit of 40% will remain and, in addition, no single foreign Securityholder will be permitted to hold more than 15% of the total number of Stapled Securities on issue. At the date of this report the largest foreign investor in Sydney Airport held less than 7% of Stapled Securities on issue and, as such, the consequences of this risk occurring are not considered material
- it is possible that, even if the Proposal (and therefore the Scheme) is approved by Securityholders, the Scheme is not implemented because the necessary judicial advice from the Supreme Court of New South Wales is not obtained. Under this scenario, it is possible that whilst the Proposal is approved, only the separate governance arrangements component of it (i.e. the RE Replacement) is implemented. Sydney Airport has confirmed that it is not aware of any reason why, if Securityholders approve the Scheme, the necessary judicial advice will not be obtained.

Annexure A: Independent Expert's Report (continued)

Other matters

Tax implications

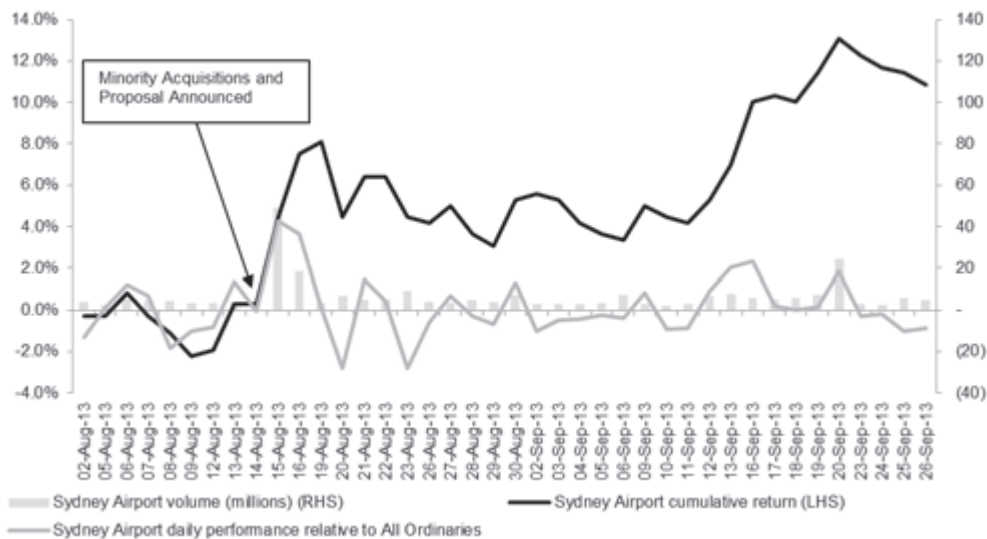
Sydney Airport has obtained independent tax advice in relation to the impact of the Proposal on Securityholders and is seeking a class ruling from the ATO to confirm certain tax matters relating to the Proposal for Securityholders.

Detailed considerations in respect of the tax implications of the Proposal for Securityholders are set out in sections 3.6 and 8 of the Explanatory Memorandum.

The traded price of Stapled Securities may fall if the Proposal is not approved

Investors have reacted positively to the announcement of the Minority Acquisitions and the Proposal, with Stapled Securities trading 4.2% higher on the date of the announcement, compared to a decline in the S&P/ASX All Ordinaries Index (**All Ordinaries**) of 0.1%, as set out below.

Figure 3: relative performance of Stapled Securities since announcing the Minority Acquisitions and Proposal



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

Note:

1. August 15 volumes exclude institutional placement volumes of approximately 86 million associated with the Minority Acquisitions.

Whilst it is not possible to isolate the impact of the Proposal with precision given it was announced in conjunction with the Minority Acquisitions, it is nonetheless arguable that the Proposal has had a positive effect on the traded price of Stapled Securities in light of:

- the significant outperformance of Stapled Securities when the Proposal and Minority Acquisitions were announced
- positive broker commentary in relation to the Proposal.

Annexure A: Independent Expert's Report (continued)

Consequently, if the Proposal is not approved, and assuming the continuation of current market conditions, it is possible that the price at which Stapled Securities trade will fall in the short term or that the short term outperformance of Sydney Airport relative to the All Ordinaries would diminish.

Conclusion and opinion

In our opinion, the advantages of the Proposal outweigh the disadvantages to Securityholders. The Proposal is therefore fair and reasonable and in the best interests of Securityholders. The key considerations in reaching this opinion include the following:

- potential re-rating of Stapled Securities (subject to various factors such as market conditions and investor sentiment) as a result of an increase in the foreign ownership cap from 40% to 49%
- greater certainty in relation to Sydney Airport's tax affairs and governance structure
- additional benefits arising from a simpler and more transparent structure
- alternatives considered, including maintaining the status quo, are considered to be inferior to the Proposal
- the Proposal will result in relatively limited disadvantages to Securityholders.

An individual Securityholder's decision in relation to the Proposal may be influenced by his or her particular circumstances. If in doubt the Securityholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED



Stephen Ferris
Director



Rachel Foley-Lewis
Director

Annexure A: Independent Expert's Report (continued)

Contents

1	Background to the Proposal	15
1.1	Background to the Proposal	15
1.2	Summary of the Proposal.....	16
1.3	Rationale for the Proposal.....	18
1.4	Key conditions of the Proposal	18
2	Scope of the report	20
2.1	Purpose of the report	20
2.2	Basis of evaluation	20
2.3	Limitations and reliance on information.....	21
3	Profile of Sydney Airport	22
3.1	Overview	22
3.2	Capital structure and Securityholders.....	24
3.3	Stapled Security price performance.....	26
3.4	Governance.....	27
3.5	Financial performance	28
3.6	Financial position.....	29
3.7	Debt profile.....	31
3.8	Tax position	32
4	Impact of the Proposal	35
4.1	Foreign ownership restrictions under the Airports Act.....	35
4.2	Tax implications.....	35
4.3	Ownership structure	36
4.4	Financial position.....	36
4.5	Financial performance.....	37
4.6	Intercompany loans	37
4.7	Distribution policy.....	37
4.8	Governance.....	38
5	Evaluation of the Proposal	39

Annexure A: Independent Expert's Report (continued)

Appendix A: Glossary	40
Appendix B: Sources of information	43
Appendix C: Qualifications, declarations and consents	44

Annexure A: Independent Expert's Report (continued)

1 Background to the Proposal

1.1 Background to the Proposal

The strategy and investment portfolio of Sydney Airport has changed substantially over time. Prior to the GFC, Sydney Airport was an externally managed, internationally diversified vehicle, including a 44.7% economic interest in Sydney (Kingsford Smith) Airport. However, Sydney Airport's security price deteriorated significantly throughout 2007 and 2008 following the broader global decline in listed equities and amid concerns about Sydney Airport's high level of gearing. To address these issues, Sydney Airport undertook a number of strategic steps including:

- in 2007, the sale of Sydney Airport's interests in Rome and Birmingham airports at a premium to their carrying values
- in 2008, the \$151.4 million partial redemption of the Tradeable Interest-bearing Convertible to Equity Trust Securities (**TICKETS**) and the full redemption of TICKETS (\$800.5 million) in December 2009 to eliminate all external debt at the holding entity level
- in 2009, the internalisation of Sydney Airport's management rights, previously owned by Macquarie Group Limited (**Macquarie Group**), a step undertaken by a number of listed and externally managed infrastructure and real estate investment vehicles. In the same year, Sydney Airport also divested its investments in the Japan Airport Terminal Co Ltd and Bristol Airport
- in 2010, Sydney Airport sold its interest in Grupo Aeroportuario del Sureste de Mexico S.A. de C.V. (a Mexican airport group).

In 2011, Sydney Airport entered into an asset swap arrangement with Ontario Teachers' Pension Plan Board (**OTPP**), involving the sale of Sydney Airport's non-controlling interests in Brussels and Copenhagen airports in consideration for a 10.86% economic interest in Sydney (Kingsford Smith) Airport plus \$791 million cash (Asset Swap). The Asset Swap resulted in Sydney (Kingsford Smith) Airport becoming Sydney Airport's sole operating asset and its economic interest in Sydney (Kingsford Smith) Airport increasing to 84.8%. It also reflected a change in Sydney Airport's strategy whereby it would focus solely on its ownership and operation of Sydney (Kingsford Smith) Airport.

Following the Asset Swap and consistent with Sydney Airport's new strategy, Sydney Airport has implemented the following initiatives:

- the 2011 Simplification, which entailed the removal of the Bermudian company MAp Airports International Limited (**MAIL**)¹ from its stapled security structure, changing the ownership structure of Sydney Airport from a triple-stapled security governed partially from overseas to a dual-stapled security governed entirely from Australia. As part of the 2011 Simplification, Sydney Airport returned 80 cents per security to Securityholders
- the Minority Acquisitions, completed on 23 September 2013. The Minority Acquisitions were funded via the issuance of Stapled Securities to certain direct and indirect minority interest holders in entities controlling Sydney (Kingsford Smith) Airport (comprising an 11.3% interest) and the acquisition of the residual 3.9% for cash funded by a fully underwritten capital raising. Issuances of new Stapled Securities were made in the same ownership proportion to the underlying minority interests being acquired, ensuring that the underlying economic exposure of Securityholders to Sydney (Kingsford Smith) Airport did not change.

¹ MAIL was originally created to be a holding entity for Sydney Airport's foreign investments

Annexure A: Independent Expert's Report (continued)

Pursuant to the above transactions, as at the date of this report Sydney Airport's sole investment is an 100% economic interest in Sydney (Kingsford Smith) Airport. The ownership of Sydney (Kingsford Smith) Airport is currently fragmented between various entities of the Sydney Airport group so that SAT1 and SAT2 ultimately own a 6.7% and a 93.3% economic interest, respectively.

1.2 Summary of the Proposal

The directors of SAHL, in its capacity as responsible entity of SAT1 and SAT2, are proposing to undertake a number of transactions aimed at simplifying Sydney Airport's corporate structure so that the 100% economic interest in Sydney (Kingsford Smith) Airport will be entirely owned by a newly formed company (Sydney Airport Limited) which will acquire SAT2 and be stapled to SAT1. SAT1 will primarily hold a loan asset issued by Sydney Airport Limited (the Proposal).

The Proposal is to be undertaken via the implementation of a number of transactions which are subject to, or facilitated by, Securityholders' approval at relevant Securityholders' meetings. These transactions are to be effected by:

- the retirement of SAHL and replacement by The Trust Company (Sydney Airport) Limited (New RE), a new and independent responsible entity, as the responsible entity of SAT1 (RE Replacement). New RE is a wholly-owned subsidiary of The Trust Company Limited, an entity engaged in providing professional trustee services
- an arrangement in accordance with Guidance Note 15 between Sydney Airport and the Securityholders under which Sydney Airport Limited will acquire all of the SAT2 units held by Securityholders (the Scheme)
- various transactions resulting in Sydney Airport Limited becoming the sole owner of Sydney (Kingsford Smith) Airport (the Restructure).

The Proposal, which comprises the RE Replacement, the Scheme and the Restructure, is subject to the following six resolutions to be voted upon by SAT1 and SAT2 unit holders at a SAT2 unit holder meeting and at SAT1 and SAT2 general meetings (the Resolutions):

Scheme resolutions

1. a special resolution to amend the SAT2 constitution on terms necessary to effect the Scheme
2. an ordinary resolution to approve the acquisition of SAT2 units by Sydney Airport Limited under the Scheme.

Other resolutions necessary to effect the Proposal

3. an ordinary resolution that SAHL retire as the responsible entity of SAT1 and that New RE be appointed as responsible entity in its place
4. an ordinary resolution that the provisions of the SAT1 constitution that relate to stapling units cease to apply
5. a special resolution to effect general amendments to the SAT1 constitution necessary to effect the Proposal
6. an ordinary resolution that the provisions in the SAT2 constitution that relate to stapling units cease to apply.

In order to implement the Restructure (and therefore the Proposal), the directors of Sydney Airport Limited and of New RE, in its capacity as responsible entity of SAT1, will have to undertake the Intercompany Transactions subsequent to the approval of the Resolutions. The Intercompany Transactions steps include the following²:

- SAT2 acquires the Subsidiary RPS Interests from SAT1

² A number of additional transactions will also take place in connection with the Restructure and the Intercompany Transactions are provided by way of summary only.

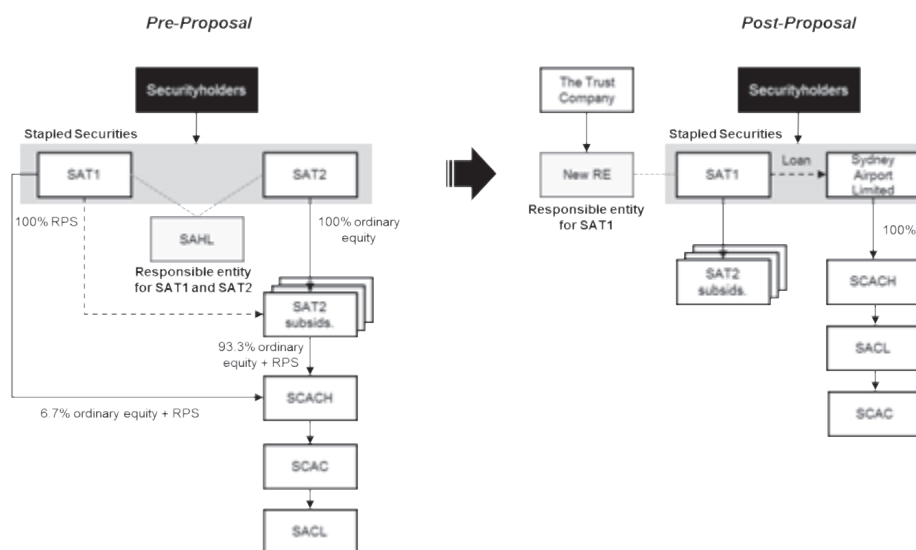
Annexure A: Independent Expert's Report (continued)

- Sydney Airport Limited acquires SAT1's 6.7% ordinary equity and RPS interests in SCACH
- SAT1 acquires all the SAT2 units (and indirectly various non-operational entities currently underneath SAT2)
- a new loan arrangement is entered into between SAT1 (as lender) and Sydney Airport Limited (as borrower)
- an internal restructure of Sydney Airport Limited's subsidiaries will be undertaken such that Sydney Airport Limited will directly hold 100% of SCACH, SCACH will directly hold 100% of SACL, and SACL will directly hold 100% of SCAC. SACL at all times remains the operator of Sydney (Kingsford Smith) Airport.

Approval of the Resolutions and receipt of judicial advice from the Supreme Court of New South Wales in relation to the Scheme will enable Sydney Airport to implement all the envisaged steps necessary to implement the Proposal. Whilst the Resolutions are to be separately voted on by Securityholders, the Resolutions are inter-conditional so that if one or more of the Resolutions are not passed, the Proposal will not be approved.

The figures below illustrate a simplified structure of Sydney Airport prior to and after the Proposal:

Figure 4: Impact of the Proposal



Source: Sydney Airport

Whilst the Proposal will result in Securityholders exchanging their interests in SAT2 for shares in Sydney Airport Limited and a reduction in the number of interposing entities between Sydney Airport and Sydney (Kingsford Smith) Airport, the Proposal will not have any impact on:

- the proportionate interest of Securityholders in Sydney Airport or Sydney (Kingsford Smith) Airport, its sole operating asset
- the number of Stapled Securities held by Securityholders, although Stapled Securities will comprise a dual-stapled security in SAT1 and Sydney Airport Limited upon completion of the Proposal, as opposed to a dual-stapled security in SAT1 and SAT2

The process to implement the Proposal is relatively complex and is outlined in detail in the Explanatory Memorandum.

Annexure A: Independent Expert's Report (continued)

1.3 Rationale for the Proposal

The Proposal represents the final step in the evolution of Sydney Airport from an entity designed to cater for an internationally diversified portfolio of interests in airports to one which most appropriately reflects the current:

- operational assets of Sydney Airport, which solely comprises an 100% economic interest in Sydney (Kingsford Smith) Airport
- investment strategy of Sydney Airport
- ownership structure of Sydney (Kingsford Smith) Airport.

The rationale for the Proposal is to:

- increase the foreign ownership limit in Sydney Airport from 40% to 49%
- provide greater certainty in relation to Sydney Airport's tax affairs
- simplify the structure of Sydney Airport to reflect the fact that Sydney Airport is a single asset vehicle with an 100% economic interest in Sydney (Kingsford Smith) Airport
- implement improved governance arrangements.

Further details on the rationale for the Proposal are set out in sections 3.1 and 4.1 of the Explanatory Memorandum.

1.4 Key conditions of the Proposal

The Proposal is subject to various conditions in relation to the Scheme and the Restructure respectively, including the following:

Scheme Conditions

- **Securityholder approval:** the resolutions in relation to the Proposal being approved by the requisite majorities of Securityholders
- **Court approval:** the Supreme Court of New South Wales giving judicial advice to SAHL that it would be in the best interests of SAT2 members for SAHL to amend the SAT2 constitution to give effect to the Scheme
- **regulatory approvals:** ASIC relief and ASX waivers
- **no legal or regulatory restraint:** there being no legal or regulatory restraint or prohibition preventing a material aspect of the Proposal
- **listing of Sydney Airport Limited:** approval of the official quotation of Sydney Airport Limited shares on ASX being obtained and the listing of Sydney Airport Limited on the ASX, as part of the new dual-stapled structure
- **lodgement of supplemental deed with ASIC:** a copy of the executed SAT2 Supplemental Deed is lodged with ASIC.

Restructure conditions

- **third party consents:** obtaining the consent of certain of Sydney Airport's third party financiers
- **obligor substitution:** substitution of an obligor under an agreement entered into in connection with the Asset Swap
- **execution of a deed with the Commonwealth Government:** execution of a deed between SCACH and the Commonwealth Government in respect of the transfer of SACL shares from SCAC to SCACH.

Deloitte: Sydney Airport Holdings Limited – Independent expert's report and Financial Services Guide Page 18

Annexure A: Independent Expert's Report (continued)

Further details of the key conditions and material documents in relation to the Proposal are set out in section 3.7 and section 5.7, respectively, of the Explanatory Memorandum.

Annexure A: Independent Expert's Report (continued)

2 Scope of the report

2.1 Purpose of the report

According to Guidance Note 15, the recommended procedure for a trust scheme such as the Scheme involves the preparation of an independent expert's report to be included in the scheme notice that states whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable. Guidance Note 15 also states that it is not uncommon for the expert to opine on whether the transaction is in the best interests of security holders.

Whilst an independent expert's report in respect of the components of the Proposal that are in addition to the Scheme (being the RE Replacement and the Restructure) is not required to meet any statutory obligations, given that:

- the Resolutions in relation to implementation of the Scheme and the remaining Resolutions necessary steps to implement the Proposal are inter-conditional
- the purpose and outcome of the transaction proposed include the RE Replacement and the Restructure

The Directors have requested Deloitte Corporate Finance to prepare an independent expert's report advising whether, in our opinion, the Proposal is fair and reasonable to, and in the best interests of, Securityholders.

This report is to be included in an Explanatory Memorandum to be sent to Securityholders and has been prepared for the exclusive purpose of assisting the Securityholders in their consideration of the Proposal. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Securityholders, in respect of this report, including any errors or omissions however caused.

2.2 Basis of evaluation

2.2.1 Guidance

Guidance Note 15 does not indicate any specific framework under which an independent expert should assess the fairness and reasonableness of a trust scheme, such as the Scheme, or the basis on which a 'best interests' opinion should be given by the independent expert.

In contrast, there is extensive guidance as well as evidence of consistent market practice in respect of independent experts' opinions to be provided in relation to broadly similar, although relatively more common, types of transactions, such as schemes of arrangement.

Schemes of arrangement can include many different types of transactions. The basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction.

In evaluating the Proposal we have considered common market practice in respect of transactions broadly similar to the Proposal and ASIC Regulatory Guide 111.

2.2.2 Fair and reasonable, and best interests opinion

In the context of transactions involving a change of control, Section 640 of the Corporations Act requires an independent expert's report in connection with a takeover offer to state whether, in the expert's opinion, the takeover offer is fair and reasonable. Where a scheme of arrangement has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid, however, the opinion reached should be whether the proposed scheme is 'in the best interests of the members of the company'.

Annexure A: Independent Expert's Report (continued)

RG 111 indicates that the basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction, that is, the expert must consider the substance of the proposed transaction and not just the legal form when evaluating the proposed transaction.

While the legal form of the Proposal, which includes the exchange of units in SAT2 for shares in Sydney Airport Limited, is akin to a change in control transaction, since Securityholders will hold shares in Sydney Airport Limited in the same proportions as their units in SAT2, their economic interest in Sydney Airport under the current structure and the simplified structure is identical. In this regard, there is not, in substance, any change in control taking place, but rather an internal restructure of the entity which is owned by Securityholders. Accordingly, we do not consider it appropriate to analyse the Proposal as a control transaction.

Further guidance on 'best interests' opinions is provided in ASIC Regulatory Guide 111. This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for a range of transactions, including transactions not involving a change of control such as demergers and demutualisations. ASIC Regulatory Guide 111 indicates that for these types of transactions, the issue of 'value' (which is fundamental in transactions involving a change of control) is of secondary importance and that the expert should provide an opinion as to whether the advantages of the transaction outweigh the disadvantages. Furthermore, it provides that if the demerger or demutualisation involves a scheme of arrangement and the expert concludes that the advantages of the transaction outweigh the disadvantages, the expert should say that the scheme is in the best interests of the members.

In consideration of the above, we consider it appropriate to assess whether the Proposal is in the best interests of Securityholders having regard to whether the advantages of the Proposal outweigh the disadvantages to Securityholders.

2.2.3 Individual circumstances

We have evaluated the Proposal for Securityholders as a whole and have not considered the effect of the Proposal on the particular circumstances of individual Securityholders. Due to their particular circumstances, individual Securityholders may place a different emphasis on various aspects of the Proposal from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposal is in their best interests. If in doubt Securityholders should consult an independent adviser, who should have regard to their individual circumstances.

2.3 Limitations and reliance on information

The opinion of Deloitte Corporate Finance is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. This report should be read in conjunction with the declarations outlined in Appendix C.

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited (**APESB**).

Our procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Annexure A: Independent Expert's Report (continued)

3 Profile of Sydney Airport

3.1 Overview

Sydney Airport is an ASX-listed dual-stapled security, which owns an 100% economic interest in Sydney (Kingsford Smith) Airport, via an 100% ownership of SCACH. Sydney Airport does not own any other material assets.

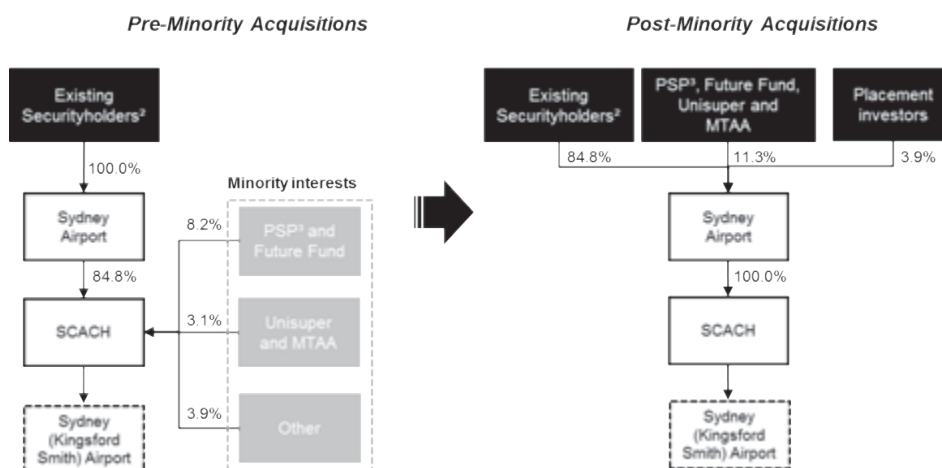
Sydney (Kingsford Smith) Airport is situated eight kilometres south of the central business district on a 907 hectare site owned by the Australian Government. On 1 July 1998, ownership of Sydney (Kingsford Smith) Airport was transferred to SACL, a wholly-owned Government entity, under a lease agreement over the airport site for a term of 50 years with a zero-premium option for a 49 year extension to 2097. Sydney (Kingsford Smith) Airport was later privatised in June 2002 through the sale of shares in SACL to the Southern Cross Consortium for \$5.4 billion paid to the Government. Sydney Airport, as a member of the Southern Cross consortium, initially acquired a beneficial equity interest of 44.7% in Sydney (Kingsford Smith) Airport for \$903 million.

3.1.1 Ownership structure

Sydney Airport's investment in Sydney (Kingsford Smith) Airport occurs via ordinary shares and RPS issued by SCACH. The ordinary shares in SCACH are stapled to the RPS on a one to one basis.

Prior to the Minority Acquisitions, Sydney Airport owned an 84.8% interest in SCACH. As discussed above, Sydney Airport recently acquired the remaining 15.2% of SCACH and, as a result, has moved to 100% ownership, as illustrated below:

Figure 5: Simplified ownership structure of Sydney (Kingsford Smith) Airport pre and post Minority Acquisitions¹



Source: Sydney Airport, ASX announcements

Note:

- Simplified structures are presented. There are a number of interposed entities between Sydney Airport and SCACH as the entity operating Sydney (Kingsford Smith) Airport that are not illustrated for presentation purposes

Annexure A: Independent Expert's Report (continued)

2. Existing Securityholders refers to Securityholders as at 14 August 2013 and does not reflect subsequent changes in ownership of Stapled Securities
3. PSP = Public Sector Pension Investment Board.

As set out above, the Minority Acquisitions were structured such that existing Securityholders retained the same proportionate ownership interest in Sydney Airport.

Annexure A: Independent Expert's Report (continued)

3.2 Capital structure and Securityholders

3.2.1 Overview

Each Securityholder is entitled to one vote for each unit they have in SAT1 and SAT2 respectively.

The following table sets out the top 10 Securityholders as at 30 September 2013.

Table 1: Top 10 Securityholders

Name	Stapled Securities held (million)	Proportion of Stapled Securities on issue
HSBC Custody Nominees (Australia) Limited	382.1	17.4%
Macquarie LAH Pty Ltd	369.2	16.8%
National Nominees Limited	274.6	12.5%
National Nominees Limited	255.4	11.6%
JP Morgan Nominees Australia Limited	185.3	8.4%
JP Morgan Nominees Australia Limited	87.5	4.0%
Citicorp Nominees Pty Limited	60.6	2.8%
MTAA Super Fund (Air-Serv Intnl Hold.) Utilities Pty Ltd	52.4	2.4%
JP Morgan Nominees Australia Limited	32.9	1.5%
BNP Paribus Noms Pty Ltd	15.5	0.7%
Top 10 Securityholders	1,715.5	78.2%
Other Securityholders	478.8	21.8%
Stapled Securities on issue	2,194.3	100.0%
Foreign Securityholders¹	657.5	30.0%

Source: Sydney Airport

Note:

1. As at 30 September 2013

As set out of above, the majority of Securityholders' interests are held via nominees.

Macquarie Group is the largest Securityholder in Sydney Airport with the balance of securities held predominantly by domestic and foreign institutional investors. Based on relatively recent publicly available information, we understand that only three other Securityholders hold an interest greater than 5.0% (although lower than 10.0%) in Sydney Airport. These include Unisuper, PSP and entities associated with Fidelity Investments.

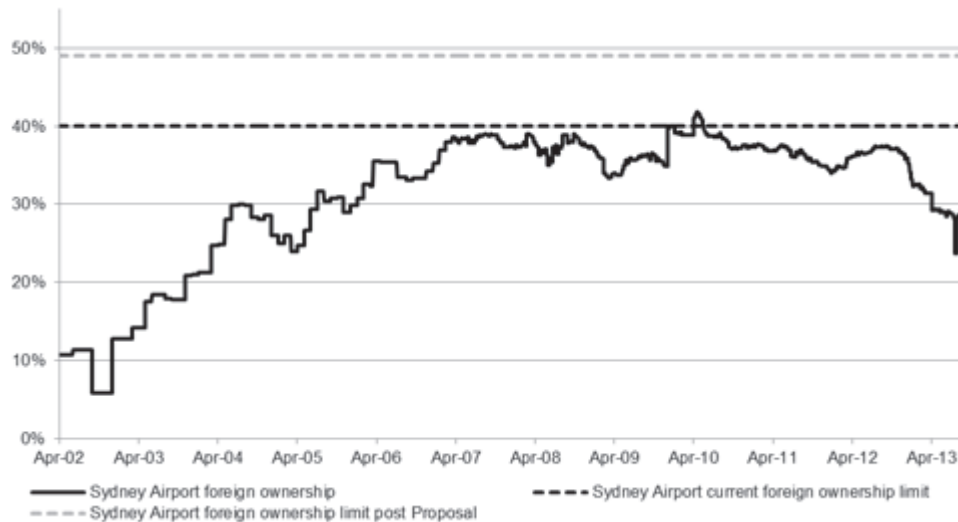
Sydney Airport has no options on issue.

3.2.2 Foreign ownership

As previously discussed, foreign ownership in Australian federal airports is limited to 49%. However, due to the ownership structure currently in place between Sydney Airport and Sydney (Kingsford Smith) Airport, foreign ownership is limited to 40% in total to ensure compliance with the Airports Act. Foreign ownership was 30% at 20 September 2013 but has been closer to the 40% limit over longer periods, as set out below:

Annexure A: Independent Expert's Report (continued)

Figure 6: Sydney Airport historical levels of foreign ownership



Source: Sydney Airport

The proportion of foreign ownership in Sydney Airport in recent years has tended to be close to 40%, which may suggest that the current limitation on foreign ownership has at times acted as a constraint on investment in Sydney Airport.

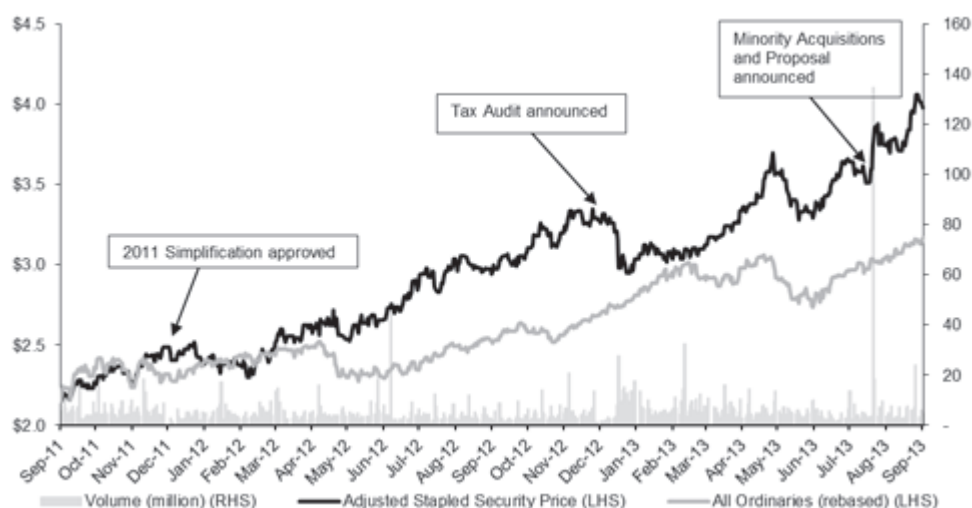
Foreign ownership in Sydney Airport is currently low relative to both historical levels and the current 40% limit. However, the recent decline in ownership appears to have coincided with Sydney Airport disclosing the Tax Audit to the market. In this regard, under the current structure, if the ATO's findings were ultimately sustained, the pre-tax cash flows of Sydney Airport would likely be affected but most Australian tax residents would be able to make use of any franking credits attached to distributions paid. Conversely, foreign investors would not be able to fully utilise franking credits attached to distributions paid. Accordingly, although the uncertainty surrounding Sydney Airport's tax affairs is likely to have reduced the attractiveness of Sydney Airport as an investment generally, it is also likely to have reduced the attractiveness of Sydney Airport for foreign investors relative to domestic investors, which may explain in part the recent decline in foreign ownership.

Annexure A: Independent Expert's Report (continued)

3.3 Stapled Security price performance

Stapled Security price movements between 26 September 2011 and 26 September 2013, adjusted for distributions and the 80 cent payment made as part of the 2011 Simplification (**Adjusted Stapled Security Price**) and trading volumes are presented graphically in the figure below.

Figure 7: Adjusted Stapled Security Price movements and movements in the All Ordinaries¹ to 26 September 2013



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

Note:

1. Refers to All Ordinaries total return Index.

In the two years to 26 September 2013, the Adjusted Stapled Security Price has benefited from robust operational performance at Sydney (Kingsford Smith) Airport, an observed increased appetite for infrastructure assets by investors, and the broader market rally in listed securities. Sydney Airport also implemented a number of strategic initiatives to simplify its ownership structure and optimise its capital structure in late 2011, which included changing its ownership structure from a triple stapled structure to a dual-stapled structure wholly governed from Australia and a payment of 80 cents per Stapled Security (i.e. the 2011 Simplification). The annualised total return of Adjusted Stapled Securities during the period was 36%, compared to 21% by the All Ordinaries.

In December 2012, the announcement of the Tax Audit appeared to weigh on the Adjusted Stapled Security Price. The announcement also coincided with a reduction in the proportion of foreign investors on Sydney Airport's register.

A summary of the Adjusted Stapled Security Price performance, volumes and foreign ownership levels in Sydney Airport between 26 September 2011 and 26 September 2013 is provided in the table below.

Annexure A: Independent Expert's Report (continued)

Table 2: Sydney Airport quarterly Adjusted Stapled Security Price information

Quarter end date	High (\$)	Low (\$)	Last trade (\$)	Volume (million)	Volume (%) ¹	Sydney Airport foreign ownership level
26 December 2011	2.49	2.15	2.49	392.2	21.1%	34.8%
26 March 2012	2.52	2.30	2.52	290.3	15.6%	34.7%
26 June 2012	2.72	2.52	2.66	305.1	16.4%	36.5%
26 September 2012	3.06	2.66	2.95	291.6	15.7%	37.3%
26 December 2012	3.35	2.97	3.28	269.0	14.5%	36.5%
26 March 2013	3.32	2.95	3.13	493.3	26.5%	31.7%
26 June 2013	3.70	3.13	3.34	369.9	19.9%	29.0%
26 September 2013	4.06	3.34	3.98	447.3	20.4%	29.3%

Source: S&P Capital IQ, Sydney Airport, Deloitte Corporate Finance analysis

Notes:

1. Volume as percentage of Stapled Securities outstanding at quarter end date.

As set out above, the trading volume for the quarter ended 26 September 2013 was approximately 20.4% of Stapled Securities on issue. Whilst absolute volumes remained relatively high, volumes as a percentage of Stapled Securities on issue remained stable relative to the prior quarter due to the issue of additional Stapled Securities in connection with the Minority Acquisitions.

3.4 Governance

SAT1 and SAT2 are managed investment schemes and SAHL is the responsible entity of both. The Directors are set out in the table below.

Table 3: Directors

Name	Role	Period of Directorship
Max Moore-Wilton	Chairman and Non-executive director	Since April 2006
Trevor Gerber	Non-executive director	Since April 2002
Michael Lee	Non-executive director	Since June 2003
Robert Morris	Non-executive director	Since September 2002
John Roberts	Non-executive director	Since October 2009
Stephen Ward	Non-executive director	Since February 2011
Kerrie Mather	Executive director	Since July 2010

Source: Sydney Airport 2012 annual report

Annexure A: Independent Expert's Report (continued)

3.5 Financial performance

Sydney Airport's statutory earnings for the periods ended 31 December 2011 (CY11) and 31 December 2012 (CY12) and the statutory earnings for the six months ended 30 June 2013 (1H13) are summarised in the table below.

Table 4: Sydney Airport's statutory earnings

\$ million unless otherwise stated	CY11	CY12	1H13
	12 months	12 months	6 months
Revenue	1,026	1,049	554
<i>Growth</i>	<i>n/a</i>	2%	9%
Finance costs	(490)	(460)	(242)
Other expenses	(551)	(498)	(259)
Profit/ (loss) from continuing operations before income tax benefit/ (expense)	(15)	91	53
Income tax benefit/ (expense)	97	67	(40)
Profit from continuing operations	82	158	13
Loss from discontinued operations net of income tax	(361)	-	-
Profit/ (loss) after income tax benefit/(expense)	(279)	158	13
Cash flow hedges (net of tax)	(112)	(45)	6
Actuarial gain on defined benefit plan (net of tax)	-	2	-
Total comprehensive income	(391)	115	19

Source: Sydney Airport financial reports

In relation to the Table above:

- annualised revenue increased between CY12 to 1H13 due to strong passenger growth. There was a record 18.2 million passengers at Sydney (Kingsford Smith) Airport in 1H13, principally driven by increased seat capacity and load factors, inbound Asian growth and the impact of new low cost carriers Scoot and AirAsia X
- operating expenses declined between CY11 and CY12, principally attributable to employee cost savings from the 2011 Simplification
- debt financing expense decreased between CY11 and CY12 due to the redemption of SKIES which were replaced with cheaper facilities, funded through \$1,069 million in bank and bond financing raised between May and June 2011 but has since increased as a result of additional debt facilities drawings in 1H13
- loss from discontinued operations in CY11 relates to revaluations upon the disposal of Sydney Airport's interests in Copenhagen and Brussels airports in October 2011
- income tax expense was relatively high in 1H13 as it included the \$69 million provided for as part of the anticipated ATO Settlement.

Annexure A: Independent Expert's Report (continued)

3.6 Financial position

The reviewed balance sheet of Sydney Airport as at 30 June 2011, audited balance sheets as at 31 December 2011 and 31 December 2012 and reviewed balance sheet as at 30 June 2013 are summarised in the table below.

Table 5: Consolidated financial position of Sydney Airport

\$'million unless otherwise stated	June 2011	December 2011	December 2012	June 2013
	reviewed	audited	audited	reviewed
Cash	965	1,124	434	416
Receivables	497	507	104	105
Other financial assets	219	-	20	16
Other current assets	5	6	8	9
Total current assets	1,686	1,637	566	546
Property, plant and equipment	2,480	2,489	2,510	2,509
Receivables	43	41	39	37
Intangibles	8,005	7,954	7,851	7,800
Investments in financial assets	1,583	5	-	-
Other non-current assets	16	9	6	14
Total non-current assets	12,127	10,498	10,406	10,360
Distributions payable	205	186	186	205
Payables	547	578	181	154
Interest bearing liabilities	-	947	217	217
Derivative financial instruments	61	92	147	138
Other current liabilities	31	32	33	102
Total current liabilities	844	1,835	764	816
Interest bearing liabilities	6,185	5,964	6,222	6,510
Deferred tax liabilities	1,834	1,740	1,655	1,628
Derivative financial instruments	102	159	204	29
Other non-current liabilities	4	4	2	2
Total non-current liabilities	8,125	7,867	8,083	8,169
Net assets	4,844	2,433	2,125	1,921
Minority interests	402	139	76	48
Securityholder interests	4,442	2,294	2,049	1,873

Source: Sydney Airport financial reports

In respect of the Table above:

- the large decline in net assets between 30 June 2011 and 31 December 2011 is primarily attributable to the payment of approximately \$1.5 billion (80 cents per Stapled Security) to Securityholders in December 2011 as part of the 2011 Simplification

Annexure A: Independent Expert's Report (continued)

- significant balance sheet movements between 31 December 2011 and 31 December 2012 include:
 - cash on hand and interest bearing liabilities declining primarily due to the redemption of SKIES for \$650 million in January 2012
 - an offsetting reduction in both receivables and payables due to the settlement of a dispute relating to stamp duty payable on the privatisation of Sydney (Kingsford Smith) Airport for which Sydney Airport had received indemnity from the Federal Government
 - lower intangible asset carrying value principally relating to the amortisation of Sydney Airport's airport operator licence
- the decrease in net assets in 1H13 is primarily due to distributions being higher than profits
- Sydney Airport was in a net current liabilities position at 30 June 2013, however this was mainly due to Medium Term Notes (MTN) held by SCACH being classified as a current interest bearing liability, which was fully covered by undrawn committed bank debt facilities
- deferred tax liabilities primarily comprise liabilities relating to intangibles which are partially offset by tax assets relating to property, plant and equipment and historical tax losses
- Sydney Airport provided a comprehensive set of representations and warranties in respect of the Asset Swap which were more commensurate with those normally provided by an owner / operator than a minority investor. OTPP was indemnified for OTPP's share of the challenged withholding tax liabilities, should they ever materialise, arising from the Danish Tax Office's current assessments to Copenhagen Airports Denmark Holdings. There are also indemnities for litigation at Brussels Airport and other contingent liabilities.

Sydney Airport intends to make half yearly distributions to Securityholders to the extent that it is legally entitled to do so. Distributions are paid in respect of the six months to June and the six months to December. The distributions by Sydney Airport since June 2011 are presented in the table below.

Table 6: Sydney Airport distributions (cents per Stapled Security)

	June 2011	December 2011	June 2012	December 2012	June 2013
SAT1	11.00	10.00	11.00	10.00	11.00
SAT2	-	-	-	-	-
MAIL	-	-	n/a	n/a	n/a
Total	11.00	10.00	11.00	10.00	11.00

Source: Sydney Airport financial reports

Note: MAIL was de-stapled from the Sydney Airport group following the 2011 Simplification. This table excludes the 80.0 cents per security that Securityholders received in December 2011 in connection with the 2011 Simplification.

At the time of announcing the Proposal, Sydney Airport reaffirmed its CY13 distribution guidance of 22.5 cents, subject to external shocks to the aviation industry and material changes to forecast assumptions, of which 11.0 cents was paid in respect of June 2013 as shown above.

Sydney Airport announced in its ASX disclosures that it intends to reinstate the dividend reinvestment plan (DRP) in February 2014. We understand that Sydney Airport may use some or all of any DRP proceeds to repay debt facilities drawn to facilitate a \$69 million payment as part of the ATO Settlement, amongst other purposes.

Since the 2011 Simplification, all distributions to Securityholders have been made by SAT1. This is principally due to Subsidiary RPS Interests' dividend payments from SAT2 subsidiaries to SAT1 historically being greater than SAT2 group operating cash flows available for distribution.

Annexure A: Independent Expert's Report (continued)

3.7 Debt profile

3.7.1 Sydney Airport debt profile

As at 30 June 2013, Sydney Airport had approximately \$6,727³ million of debt, primarily consisting of:

- MTNs (\$4,692 million): there are various fixed and floating interest rate MTNs with maturities ranging from 2013 to 2027
- Capital indexed bonds (**CIB**) (\$982 million): two tranches of CIBs paying a fixed interest rate on the bond principal (which grows at the rate of CPI). The tranches mature in 2020 (\$684 million) and 2030 (\$360 million)
- Bank facilities (\$808 million): various bank facilities exist with interest rates of bank bill swap bid rate plus a predetermined margin.

As at 30 June 2013, approximately \$1,267 million of debt facilities remained undrawn. All senior secured debt facilities are secured by fixed and floating charges over the assets of the SCACH Group and a mortgage over the Sydney (Kingsford Smith) Airport lease.

On 3 January 2012 SCACH redeemed the entire issue of SKIES for \$650 million. The redemption was funded through the raising of \$1,069 million in debt finance, the proceeds of which are also being applied to fund Sydney Airport's capital expenditure until 2014.

Sydney Airport's debt profile is diversified with no more than 14% of total debt maturing in any one year. The figure below outlines Sydney Airport's debt maturity profile as at 30 June 2013:

Figure 8 : Sydney Airport debt maturity profile¹



Source: Sydney Airport, Deloitte Corporate Finance Analysis

Note:

1. Funding has already been raised to redeem the bond maturing in 2013.

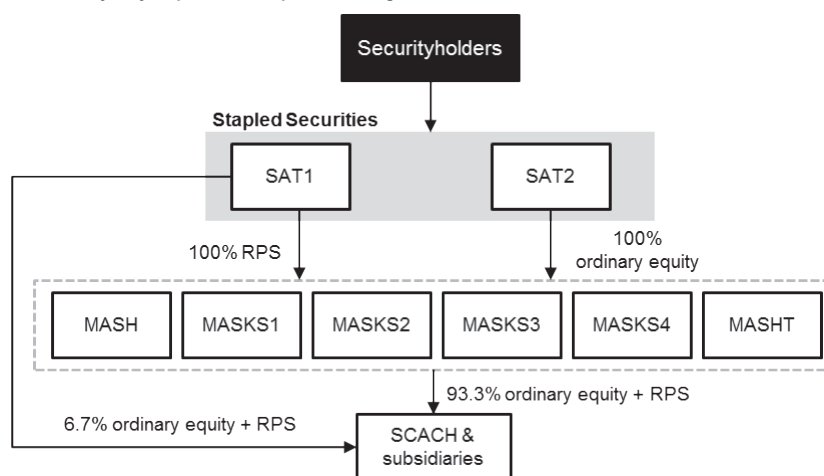
³ Including \$245 million in RPS held by minority interests in SCACH at 30 June 2013.

Annexure A: Independent Expert's Report (continued)

3.7.2 Notes on the Subsidiary RPS Interests

As at 31 August 2013, the SAT2 group had approximately \$3.1 billion in Subsidiary RPS Interests outstanding. The figure below outlines Sydney Airport's current RPS simplified holding structure:

Figure 9: Current Sydney Airport RPS simplified holding structure^{1, 2}



Source: Sydney Airport, ASX announcements

Note:

1. All companies within the Sydney Airport structure that have issued RPS are considered part of the SAT2 tax consolidated group (TCG)
2. MASH, MASKS1, MASKS2, MASKS3, MASKS4 and MASHT are entities defined in Appendix A of this report.

3.8 Tax position

Below, we set out a summary of certain tax matters relevant to Sydney Airport and to Securityholders under the current corporate structure of Sydney Airport.

3.8.1 Notes on the deductibility of certain Subsidiary RPS Interests

Sydney Airport is subject to the ATO Audit concerning the tax deductibility of distributions on the Subsidiary RPS Interests issued by a member of the SAT2 TCG to SAT1, totalling \$872 million.

The ATO challenged the deductibility of distributions under section 974-80 of the Income Tax Assessment Act 1997 (Cth) (Section 974-80) which can, in certain circumstances, recharacterise an instrument such as RPS as an equity interest for income tax purposes so that any distribution on the instrument would not be tax deductible.

Very broadly, Section 974-80 may recharacterise an instrument as an equity instrument for tax purposes where the following can be shown:

- the instrument is held by a 'connected entity' of the issuing company
- there is a scheme 'designed to operate' so that the return on the instrument funds a return on an instrument held by another person, being the 'ultimate recipient'

Deloitte: Sydney Airport Holdings Limited – Independent expert's report and Financial Services Guide Page 32

Annexure A: Independent Expert's Report (continued)

- the instrument held by, or the return of, the other person has certain 'equity qualities'.

In accord with a draft taxation ruling on Section 974-80 (the **Draft Ruling**) issued in July 2012, the ATO sought to argue that Section 974-80 applied to some of the Subsidiary RPS Interests issued by a subsidiary of SAT2 in respect of distributions paid on those Subsidiary RPS Interests to SAT1 in the tax years ended 31 December 2010 and 31 December 2011. SAT2, as head of the SAT2 TCG, had claimed those distributions as deductible whilst the ATO has sought to argue that the distributions were not deductible.

Based on the current structure, if the ATO's findings were ultimately sustained, the future cash flows from Sydney Airport to Securityholders would likely be reduced to the extent any Subsidiary RPS Interests deductions were disallowed for tax purposes. While pre-tax cash flows would likely be affected in this scenario, most Australian tax residents would be able to utilise franking credits to the extent attached to distributions paid.

We understand that there is general uncertainty around the interpretation of Section 974-80 following the release of the Draft Ruling, with numerous tax practitioners and professional bodies disagreeing with the interpretation adopted by the ATO. The ATO has since indicated that it will withdraw the Draft Ruling and has proposed to issue a more comprehensive ATO practice statement. However, the ATO has not indicated when the draft ruling will be withdrawn and the practice statement issued. The former Federal Government had also proposed to amend Section 974-80.

SCACH is the head of its own TCG and is not part of the SAT2 TCG. Consequently, neither the position paper, nor the Tax Audit, relate to or impact upon SCACH or its subsidiaries.

3.8.2 Securityholders

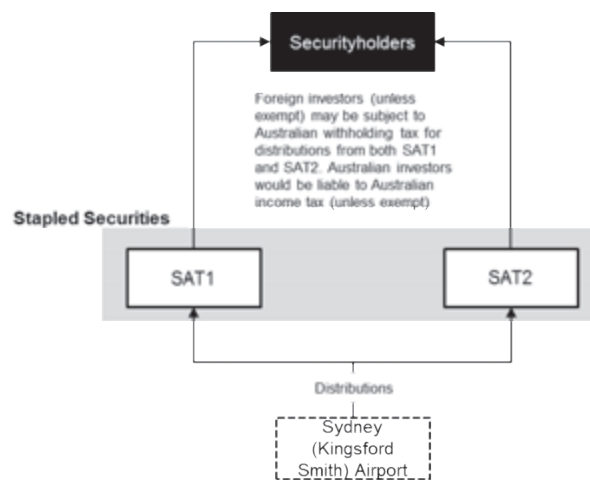
Distributions received by Securityholders from SAT1 and SAT2 ultimately originate from Sydney Airport's economic interest in Sydney (Kingsford Smith) Airport.

Securityholders are expected to be liable for Australian income tax on distributions from the Stapled Securities, whilst foreign Securityholders may incur Australian withholding tax on distributions received from either SAT1 or SAT2. This high level analysis is subject to many exceptions depending on the various individual tax profiles and circumstances and accordingly, may not necessarily be true for each Securityholder.

Annexure A: Independent Expert's Report (continued)

The figure below sets out a simplified flow of distributions outlining the income tax and withholding tax implications of the current (post-Minority Acquisitions, pre-Proposal) structure of Sydney Airport.

Figure 10: Flow of distributions



** Interests in Sydney (Kingsford Smith) Airport are held via a number of interposed entities*

Source: Deloitte Corporate Finance analysis

The Australian income and capital gains tax consequences of investing in Stapled Securities (prior to the Proposal) arise on an entity by entity basis as follows:

- SAT1 is a 'flow through' trust therefore SAHL, in its capacity as the responsible entity of SAT1, will not be subject to tax provided the taxable income of SAT1 is fully distributed to unit holders in each income year so that distributions are generally subject to tax in the hands of Securityholders
- SAT2 is classified as a public trading trust under Division 6C of the Income Tax Assessment Act 1936 and is subject to tax at the prevailing corporate tax rate on a similar basis to a company. It is a head entity of a TCG. Its dividend distributions may be franked such that franking credits, if any, may flow through to Securityholders.

Individual Securityholders should seek advice in relation to their personal circumstances as the above analysis should be considered as a high level reference only.

Annexure A: Independent Expert's Report (continued)

4 Impact of the Proposal

If the Proposal is implemented:

- New RE will be the responsible entity of SAT1
- Securityholders will hold a Stapled Security comprising one unit in SAT1 and one share in Sydney Airport Limited
- Sydney Airport Limited will hold the Sydney (Kingsford Smith) Airport operating entities.

Set out below are details of the likely implications of the Proposal for Securityholders.

4.1 Foreign ownership restrictions under the Airports Act

Following implementation of the Proposal, Sydney Airport Limited will be subject to a 49% limit on ownership by foreign persons and the ownership of SAT1 will not be subject to the Airports Act. Accordingly, the foreign ownership limit for a holding in Sydney Airport will increase to 49% and, provided that this limit is not exceeded, there will be no separate limit on holding New Stapled Securities that applies to an individual foreign person.

If the Scheme is implemented, but the Restructure does not proceed, the existing permitted foreign ownership limit of 40% will remain and, in addition, no single Securityholder that is a foreign person (and their associates) under the Airports Act will be permitted to hold more than 15% of the total number of New Stapled Securities on issue. However, the Directors have indicated that they are confident that the Restructure will proceed if the Scheme is implemented.

4.2 Tax implications

4.2.1 Sydney Airport

Sydney Airport has recently agreed in-principle non-binding terms to settle all matters relating to the Tax Audit and that a formal binding settlement deed is expected to be finalised with the ATO in conjunction with the completion of private and class rulings relating to the Proposal. As part of the in-principle non-binding terms, Sydney Airport has agreed to make a primary tax and interest payment of \$69 million to the ATO in full settlement of the Tax Audit, ensuring no further audit activity in relation to any of the Subsidiary RPS Interests and removing any risk of the Tax Audit being extended to later years. The Directors consider that the implementation of the Proposal will assist in facilitating a formal binding settlement deed with the ATO.

We have been advised that the separation of governance between SAT1 and the new stapled entity, Sydney Airport Limited, is an important element of certain aspects of the private taxation rulings which have been requested by Sydney Airport that may reduce the likelihood of future ATO audits on the new stapled structure.

If the Proposal is implemented, the Sydney Airport Limited TCG will hold a 100% direct interest in the SCACH TCG. As a result, SCACH and its wholly-owned subsidiaries will join the Sydney Airport Limited TCG.

4.2.2 Securityholders

Sydney Airport has obtained independent tax advice in relation to the impact of the Proposal on Securityholders and is seeking a class ruling from the ATO to confirm certain tax matters relating to the Proposal for Securityholders.

Detailed considerations in respect of the tax implications of the Proposal for Securityholders are set out in sections 3.6 and 8 of the Explanatory Memorandum.

Annexure A: Independent Expert's Report (continued)

4.3 Ownership structure

Subsequent to the Proposal, Securityholders will own the same number of Stapled Securities as previously owned. Furthermore, the Proposal will not have any impact on the proportionate ownership interest of Securityholders in Sydney Airport or Sydney (Kingsford Smith) Airport, its sole operating asset. However, each Stapled Security will comprise a dual-stapled security in SAT1 and Sydney Airport Limited, as opposed to a dual-stapled security in SAT1 and SAT2.

4.4 Financial position

The estimated impact of the Minority Acquisitions and Proposal is outlined in the table below:

Table 7: Financial position of Sydney Airport as at 30 June 2013 – impact of the Proposal

\$'million unless otherwise stated	Pre-Minority Acquisitions and Proposal	Post-Minority Acquisitions and pre-Proposal	Post-Minority Acquisitions and Proposal
	Reported at 30 June 2013	Pro-forma at 30 June 2013 ¹	Pro-forma at 30 June 2013 ¹
Cash	416	355	349
Other current assets	131	131	131
Total current assets	547	486	480
Total non-current assets	10,359	10,359	10,359
Total current liabilities	816	816	816
Deferred tax liabilities	1,628	1,628	1,516
Other non-current liabilities	6,540	6,540	6,540
Total non-current liabilities	8,168	8,168	8,056
Net assets	1,922	1,861	1,967
Contributed equity	3,949	5,179	5,179
Retained earnings	320	322	436
Reserves	(2,395)	(3,640)	(3,648)
Securityholder interests	1,874	1,861	1,967
Minority interests	48	-	-
Total equity	1,922	1,861	1,967
<i>Movement</i>	<i>n/a</i>	<i>(61)</i>	<i>106</i>

Source: Sydney Airport

Note:

1. Based on unaudited estimates provided by Sydney Airport.

Annexure A: Independent Expert's Report (continued)

Notably:

- the Proposal is expected to have minimal impact on Sydney Airport's financial position with net assets being slightly reduced by transaction costs of \$8.0 million, reflected in a lower cash balance of \$6.4 million (\$1.6 million had already been paid as at 30 June 2013) and a \$8.0 million adjustment to reserves. This is because the Proposal is an internal restructure, whereby Securityholders will hold identical economic interests in the underlying Sydney Airport assets as they did prior to the implementation of the Proposal, net of transaction costs
- if the Proposal is implemented, there will be an adjustment to deferred tax liabilities of approximately \$112 million. Refer to section 3.6 and 5.15(f) of the Explanatory Memorandum for further details of tax implications
- the Proposal is not expected to impact the ability of Sydney Airport to utilise existing carry forward tax losses
- the Minority Acquisitions transaction costs totalled approximately \$45.5 million (\$1.6 million of which had already been paid as at 30 June 2013) and principally relate to Sydney Airport's portion of stamp duty and advisory fees, which have already been incurred and do not change as a result of the Proposal. Additional costs included \$17.0 million relating to Sydney Airport's second quarter distribution paid to minority interests as part of the Minority Acquisitions
- movement in equity reserves is principally due to the issuance of new Stapled Securities pursuant to the Minority Acquisitions (reflected in increased contributed equity) and other adjustments, partially offset by the reversal of minority balances
- Sydney Airport management have advised that neither the Minority Acquisitions nor the Proposal are expected to adversely impact the group's ability to fund capital requirements over the medium term.

Further pro-forma financial position information in relation to Sydney Airport is provided in section 6 of the Explanatory Memorandum.

4.5 Financial performance

Pursuant to the Proposal, Sydney Airport Limited will replace SAT2 in the Sydney Airport dual-stapled security structure and New RE will become the responsible entity of SAT1. As a result of having separate governance arrangements in place for Sydney Airport Limited and SAT1, Sydney Airport will incur additional administrative costs. Sydney Airport management have advised that these additional costs are likely to be offset by savings associated with the simpler corporate structure. Accordingly, the impact of the Proposal on the financial performance of Sydney Airport is not expected to be material.

4.6 Intercompany loans

If the Proposal is implemented the Subsidiary RPS Interests will be eliminated. The Directors intend that Sydney Airport Limited will enter into a new intercompany loan arrangement with SAT1. The Directors anticipate that final agreement on terms satisfactory to both Sydney Airport Limited and SAT1 will be reached, however, at the date of this report those terms remain subject to final negotiations.

4.7 Distribution policy

As the underlying ownership of the cash generating assets within Sydney Airport will not change as a result of the Proposal, the quantum of future distributions should not be materially affected.

At the time of announcing the Proposal, Sydney Airport reaffirmed its prior distribution guidance of 22.5 cents per stapled security for the year ending 31 December 2013, subject to external shocks to the aviation industry and material changes to forecast assumptions. Sydney Airport management have also advised that the distribution policy will not be impacted by either the Minority Acquisitions or the Proposal.

Deloitte: Sydney Airport Holdings Limited – Independent expert's report and Financial Services Guide Page 37

Annexure A: Independent Expert's Report (continued)

4.8 Governance

The Proposal will result in a number of changes to the governance of Sydney Airport. Broadly speaking, these changes will result in greater independence between SAT1 and Sydney Airport Limited than which currently exists between SAT1 and SAT2. In addition, Sydney Airport Limited will be subject to public company obligations under the Corporations Act which will result in slightly stricter governance standards relating to notice periods and voting on the remuneration report.

A summary of the more material changes to the governance of Sydney Airport, if the Proposal is implemented, are presented below.

Table 8: Impact of the Proposal on governance arrangements

	Pre-Proposal SAT1 & SAT2	Sydney Airport Limited	Post-Proposal SAT1
Governing entity	SAHL	Sydney Airport Limited Directors	New RE
Director appointments	7 directors, appointed by Securityholders	7 directors, appointed by Securityholders	3 directors, approved by Securityholders subject to board composition requirements New RE to rely on a combination of internal capability and resources from Sydney Airport Limited as required
Management teams	Sydney Airport management provides 'officers' to SAHL	Sydney Airport management to provide 'officers' to Sydney Airport Limited	
Decision making	SAHL Board makes stapled group decisions for SAT1 and SAT2	all decisions relating to ownership of Sydney Airport	sole focus on SAT1 assets and liabilities
Stapling deed	detailed stapling deed covering various governance aspects	significantly reduced stapling deed focusing on stapling, information sharing, and obligation to act in the best interests of Securityholders 'as a whole'	
Meeting notice	21 days	28 days	28 days (due to stapling)
Director remuneration	remuneration report published	remuneration subject to the '2 strikes test'	remuneration report published

Source: Sydney Airport

Notably:

- New RE is subject to the following board composition requirements:
 - New RE directors must not serve concurrently as directors of Sydney Airport Limited
 - at least 51% of the New RE board must qualify as independent directors (meaning there is a requirement for two independent directors for such time as there are three directors). In order to be classified as independent directors, New RE directors must qualify as 'external directors' in accordance with the Corporations Act and must also meet additional independence requirements relating to employment, shareholdings and other relationships with New RE and Sydney Airport
- although not currently obliged to do so, the requirements of the Corporations Act that apply to listed public companies are generally adopted by Sydney Airport in respect of meeting notice periods and director remuneration. Thus, whilst the Proposal will make existing internal governance subject to the requirements that apply to listed public companies under Australian corporate law, its practical effect in this regard will be limited.

Annexure A: Independent Expert's Report (continued)

5 Evaluation of the Proposal

In our opinion, the advantages of the Proposal outweigh the disadvantages to Securityholders. The Proposal is therefore fair and reasonable and in the best interests of Securityholders. The key considerations in reaching this opinion include the following:

- potential re-rating of Stapled Securities (subject to various factors such as market conditions and investor sentiment) as a result of an increase in the foreign ownership cap from 40% to 49%
- greater certainty in relation to Sydney Airport's tax affairs and governance structure
- additional benefits arising from a simpler and more transparent structure
- alternatives considered, including maintaining the status quo, are considered to be inferior to the Proposal
- the Proposal will result in relatively limited disadvantages to Securityholders.

An individual Securityholders' decision in relation to the Proposal may be influenced by his or her particular circumstances. If in doubt the Securityholder should consult an independent adviser, who should have regard to their individual circumstances.

Annexure A: Independent Expert's Report (continued)

Appendix A: Glossary

Reference	Definition
1H[XX]	Six months ended 30 June 20[XX]
2011 Simplification	The 2011 scheme under which MAIL was transferred to SAT2 in exchange for cash and scrip consideration, and a payment of 80 cents per security was made to Securityholders
ACCC	Australian Competition and Consumer Commission
Adjusted Stapled Security Price	The price of Stapled Securities, adjusted for distributions made between 26 September 2011 and 26 September 2013 and the 80 cent payment made as part of the 2011 Simplification
Airports Act	<i>Airports Act 1996</i> (Cth) and the regulations and statutory instruments issued under it
AFSL	Australian Financial Services Licence
All Ordinaries	S&P/ASX All Ordinaries Index
APESB	Accounting Professional and Ethical Standards Board Limited
Asset Swap	The asset swap executed in 2011 whereby OTPP acquired Sydney Airport's 39.0% interest in Brussels Airport and 30.8% interest in Copenhagen Airports in return for a 10.86% interest in Sydney (Kingsford Smith) Airport and cash consideration
ASIC	Australian Securities and Investments Commission
ASIC Regulatory Guide 111	ASIC Regulatory Guide 111: Content of expert reports
ASX	Australian Securities Exchange Limited
ATO	Australian Taxation Office
ATO Settlement	Proposed settlement with the ATO relating to the Tax Audit
Australian Corporate Law	Legislation and case law relating to the regulation of Australian corporate entities
BITRE	Bureau of Infrastructure, Transport and Regional Economics
CAGR	Compound Annual Growth Rate
CGT	Capital gains tax
CIB	Capital index bond
CPI	Consumer price index
Corporations Act	<i>Corporations Act 2001</i> (Cth)
CY[XX]	Year ended 31 December 20[XX]
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
Deloitte Australia	Deloitte, Deloitte Touche Tohmatsu and other entities related to Deloitte Touche Tohmatsu
Directors	The directors of SAHL, in their capacity as directors of the responsible entity of SAT1 and SAT2
Draft Ruling	ATO draft taxation ruling on Section 974-80
DRP	Dividend Reinvestment Plan

Deloitte: Sydney Airport Holdings Limited – Independent expert's report and Financial Services Guide Page 40

Annexure A: Independent Expert's Report (continued)

Reference	Definition
EBITDA	Earnings before interest, tax, depreciation and amortisation
Explanatory Memorandum	The Explanatory Memorandum to which this independent expert's report is attached
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
GFC	Global Financial Crisis
Guidance Note 15	Takeover Panel Guidance Note 15: Trust Scheme Mergers
Intercompany Transactions	Transactions related to the Proposal between SAT1, SAT2 and Sydney Airport Limited which will involve, inter alia, the Subsidiary RPS Interests being eliminated and a loan arrangement between SAT1 and Sydney Airport Limited being entered into
Listing Rules	ASX listing rules
MAIL	MAp Airports International Limited, transferred to SAT2 pursuant to the 2011 Simplification
Macquarie Group	Macquarie Group Limited
MAG	Macquarie Airports Group Limited (renamed Bristol Airports Bermuda Limited in 2009)
MASH	MAp Airports (Sydney Holdings) Pty Limited
MASKS1	MAp Airports Sydney Kingsford Smith No.1 Pty Limited
MASKS2	MAp Airports Sydney Kingsford Smith No.2 Pty Limited
MASKS3	MAp Airports Sydney Kingsford Smith No.3 Pty Limited
MASKS4	MAp Airports Sydney Kingsford Smith No.4 Pty Limited
MASHT	MAp Airports (Sydney Holdings) Two Pty Limited
Minority Acquisitions	The acquisition of the unlisted minority investors 15.2% direct and indirect interests in Sydney (Kingsford Smith) Airport operating entities which completed on 23 September 2013
MTN	Medium term note
New RE	The Trust Company (Sydney Airport) Limited, a new independent entity proposed to replace SAHL as responsible entity of SAT1 pursuant to the Proposal. New RE is a wholly-owned subsidiary of The Trust Company Limited, an entity engaged in providing professional trustee services
OSR	NSW Office of State Revenue
OTPP	Ontario Teachers' Pension Plan Board
Proposal	The proposal to simplify and restructure Sydney Airport by way of the Scheme and the Restructure and the retirement of SAHL as the responsible entity of SAT1 and replacement with New RE
PSP	Public Sector Pension Investment Board
Restructure	The internal restructure of Sydney Airport following the Scheme which will result in Sydney Airport Limited directly holding SCACH, and in various Australian and foreign non-operating entities held by SAT1
RG 111	ASIC Regulatory Guide 111
RPS	Redeemable Preference Shares
RE Replacement	The retirement and replacement of SAHL by New RE as the responsible entity of SAT1 pursuant to the Proposal

Deloitte: Sydney Airport Holdings Limited – Independent expert's report and Financial Services Guide Page 41

Annexure A: Independent Expert's Report (continued)

Reference	Definition
Resolutions	Resolutions in connection with the Proposal
SACL	Sydney Airports Corporation Limited, a wholly-owned SCAC subsidiary that acts as the private operator of Sydney (Kingsford Smith) Airport
SAHL	Sydney Airport Holdings Limited, the responsible entity of SAT1 and SAT2
SAT1	Sydney Airport Trust 1
SAT2	Sydney Airport Trust 2
SCAC	Southern Cross Airports Corporation Limited
SCACH	Southern Cross Airports Corporation Holdings Limited
Scheme	The trust scheme under which Securityholders will dispose of their units of SAT2 for a consideration composed of exactly the same number of shares in Sydney Airport Limited
Section 974-80	Sections 974-80 of the <i>Income Tax Assessment Act 1997</i> (Cth)
Stapled Securities	Stapled securities in Sydney Airport, comprising units in SAT1 and SAT2 prior to the simplification and if the Proposal is implemented, one unit in SAT1 and one share in Sydney Airport Limited
Securityholders	Registered holders of Stapled Securities
Subsidiary RPS Interests	RPS owned by SAT1 issued by members of the SAT2 TCG
SKIES	Sydney Kingsford Smith Interest Earning Securities
Sydney Airport	Sydney Airport, an ASX-listed dual stapled entity comprising units in SAT1 and SAT2 prior to the Proposal and, if the Proposal is approved, one unit in SAT1 and one share in Sydney Airport Limited
Tax Audit	Specific issue tax audit conducted by the ATO concerning the deductibility on certain Subsidiary RPS Interests issued by entities within Sydney Airport
TCG	Tax Consolidated Group
TICKETS	Tradeable Interest-bearing Convertible to Equity Trust Securities

Annexure A: Independent Expert's Report (continued)

Appendix B: Sources of information

In preparing this report we have had access to the following principal sources of information:

- Draft Explanatory Memorandum in relation to the Proposal
- SAT1 constitution, SAT2 constitution, Sydney Airport Limited constitution and SAT2 By-Laws
- audited financial statements for SAT2 and Sydney Airport for the years ended 31 December 2011 and 31 December 2012 and reviewed financial statements for the half years ended 30 June 2011 and 30 June 2013
- reviewed financial statements for SCACH for the half year ended 30 June 2013
- annual reports for Sydney Airport for the years ended 31 December 2011 and 31 December 2012
- pro forma financials for Sydney Airport for the half-year ended 30 June 2013
- Sydney Airport internal documents relevant to the Proposal including:
 - business planning and board papers
 - details of existing intercompany loan arrangements
 - historical foreign ownership in Sydney Airport
- *Airports Act 1996* (Cth) and *Income Tax Assessment Act 1997* (Cth)
- company websites for Sydney Airport
- IBIS World Pty Limited company and industry reports
- other publicly available information, ASX announcements, media releases, statistics and brokers' reports on SAT2, Sydney Airport comparable companies and the Australian airport industry.

In addition, we have had discussions and correspondence with certain directors and executives, including:

- Selina Heng, Group Financial Controller, Finance Department
- Nick Livesey, Head of Planning and Control, Finance
- Benjamin Goh, Financial Controller

in relation to the above information and to current operations and prospects.

Annexure A: Independent Expert's Report (continued)

Appendix C: Qualifications, declarations and consents

The report has been prepared at the request of the directors of SAHL, in their capacity as directors of the responsible entity of SAT1 and SAT2, and is to be included in the Explanatory Memorandum to be given to Securityholders for approval of the Proposal. Accordingly, it has been prepared only for the benefit of the directors of SAHL and those persons entitled to receive the Explanatory Memorandum in their assessment of the Proposal outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Securityholders, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposal. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the APESB.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposal is fair and reasonable and in the best interests of the Securityholders. Deloitte Corporate Finance consents to this report being included in the Explanatory Memorandum.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by Sydney Airport and their officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to Sydney Airport management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by Sydney Airport and their officers, employees, agents or advisors, Sydney Airport has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which Sydney Airport may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by Sydney Airport and their officers, employees, agents or advisors or the failure by Sydney Airport and their officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposal.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Stephen Ferris, Director, B.Ec, F.Fin, CA; Rachel Foley-Lewis, Director, B.Comm., CA, F.Fin; Michele Picciotta, Senior Manager, B.Comm; and Andrew Ford, Manager, B.Ec, LLB, LL.M. Each has many years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- Sydney Airport proposes to issue an Explanatory Memorandum in respect of the Proposal
- the Explanatory Memorandum will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Explanatory Memorandum for review
- it is named in the Explanatory Memorandum as the 'independent expert' and the Explanatory Memorandum includes its independent expert's report in Annexure A of the Explanatory Memorandum.

Annexure A: Independent Expert's Report (continued)

On the basis that the Explanatory Memorandum is consistent in all material respects with the draft Explanatory Memorandum received, Deloitte Corporate Finance Pty Limited consents to it being named in the Explanatory Memorandum in the form and context in which it is so named, to the inclusion of its independent expert's report in Annexure A of the Explanatory Memorandum and to all references to its independent expert's report in the form and context in which they are included, whether the Explanatory Memorandum is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Explanatory Memorandum and takes no responsibility for any part of the Explanatory Memorandum, other than any references to its name and the independent expert's report as included in Annexure A.

Annexure A: Independent Expert's Report (continued)

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Annexure B: Investigating Accountant's Report



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The Directors
Sydney Airport Holdings Limited as responsible
entity of Sydney Airport Trust 1 and Sydney Airport
Trust 2
10 Arrivals Court Sydney International Airport
Mascot, NSW 2020

The Directors
Sydney Airport Limited
10 Arrivals Court Sydney International Airport
Mascot, NSW 2020

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Sydney Airport Holdings Limited ("SAHL") and Sydney Airport Limited ("SAL") to prepare this report for inclusion in the Explanatory Memorandum to be dated 23 October 2013 ("Explanatory Memorandum"), and to be issued by SAHL, in respect of the proposed restructure of the Sydney Airport Group ("Sydney Airport") via a Trust Scheme which includes the issue of new shares by SAL to existing Sydney Airport investors ("Transaction").

Expressions defined in the Explanatory Memorandum have the same meaning in this report.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical financial information described below and disclosed in the Explanatory Memorandum.

KPMG Financial Advisory Services (Australia) Pty Ltd is affiliated with KPMG. KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Annexure B: Investigating Accountant's Report (continued)

*Sydney Airport Holdings Limited and Sydney Airport Limited
Limited Assurance Investigating Accountant's Report and
Financial Services Guide*

The pro forma historical financial information is presented in the Explanatory Memorandum in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma historical financial information of Sydney Airport included in the Explanatory Memorandum.

The pro forma historical financial information has been derived from the historical financial information of Sydney Airport, after adjusting for the effects of pro forma adjustments described in section 6 of the Explanatory Memorandum. The pro forma financial information consists of Sydney Airport's pro forma historical Statement of Financial Position as at 30 June 2013, pro forma historical Statement of Financial Performance for the half year ended 30 June 2013 and related notes as set out in section 6.4 and 6.5 of the Explanatory Memorandum issued by SAHL (collectively the "Pro Forma Historical Financial Information").

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 6.4 and 6.5 of the Explanatory Memorandum. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual financial position and / or financial performance.

The Pro Forma Historical Financial Information has been compiled by SAHL and SAL to illustrate the impact of the event(s) or transaction(s) on Sydney Airport's financial position as at 30 June 2013 and Sydney Airport's financial performance for the half year ended 30 June 2013. As part of this process, information about Sydney Airport's financial position, financial performance has been extracted by SAHL and SAL from Sydney Airport's financial statements for the half year ended 30 June 2013.

The financial statements of Sydney Airport for the half year ended 30 June 2013 were reviewed by KPMG in accordance with Australian Auditing Standards. The review opinion issued to the members of Sydney Airport relating to the 30 June 2013 financial statements was unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared, in all material respects, by the directors in accordance with the stated basis of preparation. As stated in section 6.3 of the Explanatory Memorandum, the basis of preparation is:

- the extraction of the historical Statement of Financial Position as at 30 June 2013 and the historical Statement of Financial Performance for the half year ended 30 June 2013

Annexure B: Investigating Accountant's Report (continued)

*Sydney Airport Holdings Limited and Sydney Airport Limited
Limited Assurance Investigating Accountant's Report and
Financial Services Guide*

("Historical Financial Information") from the half year reviewed financial statements of Sydney Airport for the half-year ended 30 June 2013;

- the application of pro forma adjustments, determined in accordance with Australian Accounting Standards and Sydney Airport's accounting policies, to the historical Statement of Financial Position as at 30 June 2013 of Sydney Airport to illustrate the effects of proposed restructure described in section 6.5 of the Explanatory Memorandum as if the proposed restructure had occurred on 30 June 2013; and
- the application of pro forma adjustments, determined in accordance with Australian Accounting Standards and Sydney Airport's accounting policies, to the historical Statement of Financial Performance for the half-year ended 30 June 2013, to illustrate the effects of proposed restructure described in section 6.4 of the Explanatory Memorandum as if the proposed restructure had occurred on 1 January 2013.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures we performed were based on our professional judgement and included:

Historical financial information

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the Historical Financial Information of Sydney Airport from its reviewed financial statements for the half-year ended 30 June 2013;

Pro forma adjustments:

- consideration of the pro forma adjustments described in the Explanatory Memorandum;
- enquiry of directors, management, personnel and advisors;
- the performance of analytical procedures applied to the Pro Forma Historical Financial Information; and
- a review of accounting policies for consistency of application.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Annexure B: Investigating Accountant's Report (continued)

*Sydney Airport Holdings Limited and Sydney Airport Limited
Limited Assurance Investigating Accountant's Report and
Financial Services Guide*

Directors' responsibilities

The directors of SAHL and SAL are responsible for the preparation of Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the historical financial information and included in the Pro Forma Historical Information.

The directors' responsibilities include establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in section 6.4 and 6.5 of the Explanatory Memorandum, comprising:

- the Pro Forma Historical Statement of Financial Performance of Sydney Airport for the half-year ended 30 June 2013; and
- the Pro Forma Historical Statement of Financial Position of Sydney Airport as at 30 June 2013,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 6.4 and 6.5 of the Explanatory Memorandum, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and Sydney Airport's accounting policies.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed transaction, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of Sydney Airport and from time to time, KPMG also provides Sydney Airport with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Explanatory Memorandum, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Annexure B: Investigating Accountant's Report (continued)

*Sydney Airport Holdings Limited and Sydney Airport Limited
Limited Assurance Investigating Accountant's Report and
Financial Services Guide*

Restriction on use

Without modifying our conclusions, we draw attention to section 6 of the Explanatory Memorandum, which describes the purpose of the financial information, being for inclusion in the Explanatory Memorandum. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Explanatory Memorandum in the form and context in which it is so included, but has not authorised the issue of the Explanatory Memorandum. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Explanatory Memorandum.

Yours faithfully



Craig Mennie
Authorised Representative

Annexure B: Investigating Accountant's Report (continued)



KPMG Transaction Services

A division of KPMG Financial Advisory Services (Australia) Pty Ltd
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Australia

Financial Services Guide

Dated

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) (**'KPMG Transaction Services'**), and Craig Mennie as an authorised representative of KPMG Transaction Services (**Authorised Representative**), authorised representative number **404257**.

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted
- the services KPMG Transaction Services and its Authorised Representative are authorised to provide
- how KPMG Transaction Services and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services. This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investments schemes including investor directed portfolio services;
- securities, and
- superannuation.

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Annexure B: Investigating Accountant's Report (continued)

*Sydney Airport Holdings Limited and Sydney Airport Limited
Limited Assurance Investigating Accountant's Report and Financial
Services Guide*

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Sydney Airport Holdings Limited and Sydney Airport Limited (together the Client) to provide general financial product advice in the form of a Report to be included in Explanatory Memorandum (Document) prepared by Sydney Airport Holdings Limited and Sydney Airport Limited in relation to the proposed restructure of the Sydney Airport Group (Sydney Airport) via a Trust Scheme which includes the issue of new shares by SAL to existing Sydney Airport investors (Transaction).

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Client.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services approximately \$150,000 for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may

Annexure B: Investigating Accountant's Report (continued)

*Sydney Airport Holdings Limited and Sydney Airport Limited
Limited Assurance Investigating Accountant's Report and Financial
Services Guide*

provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide, a range of audit, tax and advisory services to the Client and for which professional fees are received. Over the past two years professional fees of \$1.0 million and \$0.7 million have been received from the Client respectively. None of those services have related to the transaction or alternatives to the transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08

Facsimile: (03) 9613 6399

Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
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PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Craig Mennie

C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Annexure C: Summary of the Material Documents

Scheme Implementation Agreement

The table below summarises the key terms of the Scheme Implementation Agreement.

Purpose of agreement	To set out the terms on which Sydney Airport Limited and SAHL (in its personal capacity and as responsible entity of SAT1 and SAT2) agree to propose and implement the Scheme.
Conditions precedent	<p>The Scheme will not become effective and Sydney Airport Limited's obligation to pay the Scheme consideration will not become binding until each of the following conditions is satisfied or waived:</p> <ul style="list-style-type: none"> • (Securityholder approval of Scheme) Securityholders approve the Scheme by the requisite majorities under the Corporations Act and in accordance with the Takeover Panel Guidance Note (subject to any exemption or modification granted by ASIC) at the Scheme Meeting; • (Securityholder approval of General Meeting Resolutions) Securityholders approve the General Meeting Resolutions by the requisite majorities under the Corporations Act at the General Meetings; • (Regulatory approvals) before 8:00 a.m. on the date of the Second Court Hearing, all regulatory approvals required to implement the Scheme are granted or obtained (and, if granted or obtained subject to conditions, those conditions are acceptable to the Sydney Airport Group) and those regulatory approvals are not withdrawn, cancelled or revoked; • (Judicial advice) the Court grants the judicial advice in respect of the Scheme; • (ASX quotation) before 8:00 a.m. on the date of the Second Court Hearing, ASX provides approval for the official quotation of Sydney Airport Limited Shares to be issued pursuant to the Scheme, subject to any conditions that ASX may reasonably require, including customary pre-quotation conditions and conditions relating to the Scheme becoming effective; • (execution and lodgement of SAT2 Supplemental Deed) SAHL executes the SAT2 Supplemental Deed and lodges a copy of the executed SAT2 Supplemental Deed with ASIC; and • (no restraints) no judgment, order, decree, statute, law, ordinance, rule or regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other government agency of competent jurisdiction, remains in effect as at 8.00am (Sydney time) on the date of the Second Court Hearing that prohibits, materially restricts, makes illegal or restrains the implementation of the Scheme. <p>The parties agree to use their reasonable endeavours to procure the satisfaction of the conditions precedent without delay and on or before 31 December 2013 or such other date as may be agreed to in writing by all of the parties.</p>
Implementation steps	The parties are obligated to take all necessary steps to implement the Scheme as soon as is reasonably practical and must use reasonable endeavours to ensure that the Scheme is implemented in accordance with the agreed timetable (and must consult with each other on a regular basis about progress in that regard), which steps include preparation of this Explanatory Memorandum, applying for necessary regulatory approvals, engaging and assisting the Independent Expert, convening the Meetings and performing actions required for implementation to occur.
Board recommendation	The Directors must unanimously recommend that Securityholders vote in favour of the Scheme and must not change, modify or withdraw that recommendation, except where the Directors determine that their fiduciary or statutory duties require it or the Independent Expert changes, modifies or withdraws its conclusion in its report that the Scheme is fair and reasonable and in the best interests of Securityholders.

Annexure C:

Summary of the Material Documents (continued)

Termination	<p>The parties may terminate the Scheme Implementation Agreement in certain specified circumstances. The following is a summary of those circumstances:</p> <ul style="list-style-type: none"> • at any time before the Second Court Hearing, a party has materially breached any provision of the Scheme Implementation Agreement (including any representation or warranty) and that breach is not remedied by the defaulting party within 10 Business Days of being notified of that breach and an intention to terminate; • a condition precedent has not been, or cannot be, waived or satisfied (including if the Court determines not to approve the Scheme or if the requisite majorities of Securityholders do not pass the Scheme Resolutions at the scheme meeting); • a majority of the Directors have changed, withdrawn or modified their recommendation of the Scheme (in the circumstances described in 'Board Recommendation' above); • the Independent Expert changes, modifies or withdraws its conclusion in its report that the Scheme is fair and reasonable and in the best interests of Securityholders; or • any third party consent that is required to be obtained under a material contract in connection with the implementation of the Scheme or the Proposal is not obtained.
Break fee	The Scheme Implementation Agreement does not provide for the payment of any break fee.
Representations and warranties and indemnities	<p>Under the Scheme Implementation Agreement, the parties have given certain representations and warranties which are customary for an agreement of this type, given the nature of the transaction (noting that no business-related warranties have been given). The respective parties providing these representations and warranties have also provided indemnities against any liability which any of the other parties suffer arising out of a breach of such representations and warranties.</p>

Deed Poll

The table below summarises the key terms of the Deed Poll

Purpose of agreement	Sydney Airport Limited covenants in favour of Scheme Participants to pay or procure payment of the Scheme Consideration in accordance with the Scheme.
Benefit of the Deed Poll	The Deed Poll may be relied on and enforced by any Scheme Participant, even though the Scheme Participants are not party to it.
Commencement date	The Deed Poll will be executed and take effect before the Second Court Hearing.
Compliance with Scheme obligations	Subject to all conditions precedent to the Scheme being satisfied or waived, Sydney Airport Limited covenants in favour of each Scheme Participant to observe and perform all obligations attributed to it under the Scheme and imposed on it under the Scheme Implementation Agreement.
Termination	Sydney Airport Limited's obligations under the Sydney Airport Limited Deed Poll will automatically terminate if the Scheme Implementation Agreement is terminated or if the Scheme is not effective on or before the End Date.

Annexure C: Summary of the Material Documents (continued)

Resources Agreement

The table below summarises the key terms of the proposed Resources Agreement.

Purpose of agreement	Provision of resources by SACL to New RE to enable New RE to perform its functions in its capacity as responsible entity of SAT1, SAT2 and SCAAT (in this summary, each a Trust).
Commencement date	The Resources Agreement will be executed and take effect upon the appointment of New RE as the responsible entity of SAT1.
Appointment and resources	<p>SACL has agreed to provide to New RE staff employed by SACL to perform, where and to the extent required by New RE, various functions for each of the Trusts including compliance risk management, accounting and tax administration, legal, tax and regulatory compliance, corporate governance, public relations and communications, and finance functions, asset and liability management, winding up, litigation support and ancillary functions.</p> <p>SACL has also agreed to provide to New RE other resources (e.g. premises, computer systems, software, know-how and other tangible and intangible property) to enable SACL staff to perform these functions.</p>
Performance standard	<p>SACL must consult with New RE, upon New RE's request, at least annually in respect of New RE's resourcing requirements and provide sufficient resources of appropriate quality so that New RE's functions can be properly performed enabling New RE to discharge its statutory and general law duties.</p> <p>SACL staff members must act only in accordance with the instructions of New RE, who is responsible for their acts as if they were employees of New RE. If a staff member causes New RE to breach any law, regulation, contractual arrangement or other obligation, fails to follow reasonable instructions, or is not performing to a satisfactory standard, SACL must, as soon as practical after a request from New RE, use its reasonable endeavours to provide replacement staff.</p>
Fee	New RE will pay SACL an allocation of SACL's actual costs in providing the resources plus 15% of those costs. The fee for any additional services (e.g. services in relation to acquisitions or capital raisings) will be agreed.
Indemnities	<p>SACL indemnifies New RE in certain circumstances against any loss it suffers or incurs (which New RE cannot satisfy from the assets of the relevant Trust) in connection with SACL's performance of, or failure to perform its obligations under the Resources Agreement, any negligence, misconduct or fraud by SACL, the action or inaction of staff, or any failure by SACL to pay certain amounts (such as PAYG income tax and workers' compensation) in relation to its staff.</p> <p>New RE indemnifies SACL in certain circumstances against any loss it suffers or incurs in connection with any negligence, misconduct or fraud by New RE, the staff acting in accordance with New RE's instructions, or New RE's performance of, or failure to perform, its obligations under the Resources Agreement.</p>
Termination	<p>New RE may terminate the Resources Agreement immediately at any time by giving written notice to SACL.</p> <p>SACL may terminate the Resources Agreement by giving 60 days' written notice to New RE if:</p> <ul style="list-style-type: none">• New RE fails to pay the resources fee three or more times in any six month period, irrespective of whether those breaches have been remedied; or• an insolvency event occurs in respect of New RE. <p>SACL may also terminate the Resources Agreement immediately if New RE retires or is removed as the responsible entity or trustee of SAT1, or if SAT1 is fully wound up or otherwise terminated.</p>

Annexure C: Summary of the Material Documents (continued)

Governance Deed

The table below summarises the key terms of the proposed Governance Deed.

Purpose of agreement	To enable Securityholders to approve appointments made to the New RE Board.
Commencement date	The Governance Deed will take effect upon the appointment of New RE as the responsible entity of SAT1.
Trust Co undertaking	<p>The New RE constitution provides broadly that one-third of the directors (or the number nearest one-third), together with any director who has held office for three years or more, must retire from office at each annual general meeting and may be eligible for re-election (see Section 5.8.3(a)). Where a director vacancy arises in accordance with these director rotation requirements, Securityholders will be given the opportunity to vote for eligible nominees (described below) at a general meeting.</p> <p>The Trust Company, as the sole shareholder of New RE, will exercise its right to appoint directors to the New RE Board by appointing in each case the eligible nominee for each director vacancy who received the highest number of votes at the general meeting.</p> <p>If a vacancy on the New RE Board remains open after The Trust Company has followed the specified procedures, or if there are any casual vacancies on the New RE Board caused by the retirement or resignation of a New RE director, The Trust Company may appoint a person to fill the vacancy if (at that time) no member of the New RE Board is a nominee of The Trust Company, otherwise the New RE Board may appoint an independent director to fill that vacancy in accordance with the constitution of New RE.</p> <p>The Trust Company must use its reasonable endeavours to procure that, at all times, a majority of the New RE directors qualify as independent directors.</p>
Who may be an eligible nominee?	<p>In connection with any director vacancy of the RE Board in accordance with the director rotation requirements (described above):</p> <ul style="list-style-type: none"> the RE Board may nominate a candidate to fill that vacancy if the candidate would be an independent director if appointed; The Trust Company may nominate a candidate to fill that vacancy; and nominations will also be accepted from Securityholders holding at least 5% of votes, or at least 100 Securityholders together, who are entitled to vote, provided that such nominations are submitted in writing to the RE no less than 35 Business Days before the relevant general meeting and it is apparent that the candidate would be an independent director if appointed.
Termination	<p>The Trust Company's obligations under the Governance Deed will automatically terminate if:</p> <ul style="list-style-type: none"> The Trust Company ceases to hold more than 50% of the shares in New RE; Securityholders pass an ordinary resolution at a general meeting approving the termination of the Governance Deed; Sydney Airport ceases to be admitted to the Official List of ASX or the Stapled Securities cease to be traded and quoted on ASX for more than 20 consecutive Business Days; or New RE ceases to be the responsible entity of SAT1.

Annexure C: Summary of the Material Documents (continued)

New Stapling Deed

The table below summarises the key terms of the proposed New Stapling Deed.

Purpose of agreement	To govern the relationship between Sydney Airport Limited and New RE in its capacity as responsible entity of SAT1 on and from the Implementation Date.
Commencement date	The New Stapling Deed will take effect from the Implementation Date.
Dealing in stapled securities	<p>The parties must not do anything (including offering securities for subscription or sale, disposing of securities, or registering any transfer of any SAT1 Units or Sydney Airport Limited Shares) which would result in a SAT1 Unit or Sydney Airport Limited Share no longer being stapled as a New Stapled Security. The parties must also use reasonable endeavours to ensure that each New Stapled Security which is listed for quotation on ASX continues to be listed and quoted as a New Stapled Security.</p> <p>If a party considers exercising its powers under its constitution to effect a disposal of (or other dealing in) the New Stapled Securities to comply with the Airports Act, then the parties must consult with one another and reach agreement on an appropriate course of action in the exercise of such powers.</p>
Allocation of price	The parties must agree what proportion of the issue price of a New Stapled Security is to represent the issue price of the individual securities in each stapled entity.
Information sharing and notice of foreign ownership threshold	<p>While stapling continues, each party must, in certain circumstances, make available to the other stapled entity:</p> <ul style="list-style-type: none"> • such information as may be necessary or desirable to fulfil their respective obligations under law, the Listing Rules or any other document, deed or arrangement relating to the New Stapled Securities, or the affairs of each stapled entity and their respective controlled entities; • all information and provide all assistance in relation to the preparation of the financial accounts; and • all information and provide all assistance to enable the provision of all reports, circulars or other information required by law or the Listing Rules, or which may be reasonably desirable to provide to Securityholders. <p>Each party must notify the other in relation to the percentage of capital and income of that party which it has notified to Securityholders as being the foreign ownership threshold under the party's constitution, as well as any changes to that threshold.</p>
Best interests of Securityholders as a whole	New RE as responsible entity of SAT1 and the Sydney Airport Limited board may, subject to the Corporations Act, while stapling applies, have regard to the interests of the Securityholders as a whole and not only to the interests of the Securityholders in a particular stapled entity.
Unstapling and termination	<p>The stapled securities may only be unstapled (and the New Stapling Deed terminated) where:</p> <ul style="list-style-type: none"> • the Securityholders agree to do so by special resolution; • stapling becomes unlawful; • any of the stapled entities becomes insolvent, commences winding up or terminates, and New RE as responsible entity of SAT1 or the Sydney Airport Limited board determines that stapling should cease; or • New RE as responsible entity of SAT1 or the Sydney Airport Limited board determines that stapling is materially adverse to the interests of SAT1 unitholders or Sydney Airport Limited shareholders respectively.

Annexure C: Summary of the Material Documents (continued)

Put Option Deed

The table below summarises the key terms of the proposed Put Option Deed.

Purpose of agreement	To grant The Trust Company an option to require Sydney Airport Limited (or its nominee) to purchase all of the issued shares in New RE (the Shares).
Commencement date	The Put Option Deed will be executed and take effect upon the appointment of New RE as the responsible entity of SAT1.
Grant of option	Sydney Airport Limited grants to The Trust Company an irrevocable option to require Sydney Airport Limited (or its nominee) to purchase the Shares from The Trust Company. The option may be exercised at any time by giving written notice (subject to first engaging with Sydney Airport Limited in relation to its intention to do so (see 'Engagement process' below)).
Engagement process	Before The Trust Company can exercise its option, it must first notify Sydney Airport Limited that it wishes to do so, following which the parties will consult in good faith and use all reasonable endeavours to resolve any existing dispute or other matter that has lead to The Trust Company's desire to exercise the option. This consultation process may last up to 60 Business Days.
Completion	Upon satisfaction of The Trust Company's completion obligations, Sydney Airport Limited (or its nominee) will pay to The Trust Company A\$1.00 per Share, being an aggregate amount of \$5.00.
Transition arrangements	Having regard to New RE's requirement to comply with certain Corporations Act and ASIC regulatory requirements, and its obligations as the responsible entity of SAT1, the parties will agree and implement a transition plan, acting in good faith and co-operation where reasonably required.
Termination	The Put Option Deed will terminate by written agreement between the parties.

Annexure D: Details of the Scheme

1. Overview

Under the terms of the Scheme, Scheme Participants will receive one Sydney Airport Limited Share for each SAT2 Unit they hold.

The Scheme will not proceed unless all of the Resolutions are approved by Securityholders.

2. Scheme

The Scheme is a trust scheme in accordance with Guidance Note 15, which is an arrangement pursuant to which all of the SAT2 Units are transferred to Sydney Airport Limited in exchange for Sydney Airport Limited Shares on a 1:1 basis.

The Court has advised that under section 63 of the *Trustee Act 1925* (NSW), SAHL (as responsible entity of SAT2) would be justified in convening the Scheme Meeting and proceeding on the basis that amending the SAT2 Constitution as set out in the SAT2 Supplemental Deed, following the receipt of approval from Securityholders, would be within the amendments powers conferred by the SAT2 Constitution and section 610GC of the Corporations Act.

The purpose of the Scheme Meeting is to consider and, if thought fit, pass the Scheme Resolutions.

- a resolution to amend the SAT2 Constitution on terms necessary in order to effect the Scheme must be approved by at least 75% of the total number of votes cast by Securityholders entitled to vote on that resolution at the Scheme Meeting; and
- a resolution for the purposes of approving the acquisition by Sydney Airport Limited of all of the SAT2 Units must be approved by at least 50% of the total number of votes cast by Securityholders entitled to vote on that resolution at the Scheme Meeting.

If the Scheme Resolutions are duly approved, SAHL (as the responsible entity of SAT2) will apply to the Court for advice and directions confirming that SAHL (as the responsible entity of SAT2) would be justified in acting upon the Scheme Resolutions and in doing all things, and taking all necessary steps, to put the constitution amendments as set out in the SAT2 Supplemental Deed into effect and to implement the Scheme. If the Court does not advise that SAHL (as the responsible entity of SAT2) is so justified, the Scheme will not become Effective and the Proposal will not proceed.

Any person who claims that his or her rights as a SAT2 Unitholder will be prejudiced by the amendments to the SAT2 Constitution as set out in the SAT2 Supplemental Deed may at the Second Court Hearing apply to the Court for such orders or such directions as the circumstances may require.

The Second Court Hearing is currently scheduled to take place on Monday, 25 November 2013. Any change to this date will be announced through ASX and notified on Sydney Airport's website www.sydneyairport.com.au.

3. Scheme Consideration

3.1 Overview

The Scheme offers the Scheme Participants the opportunity to receive one Sydney Airport Limited Share for each SAT2 Unit they hold on the Record Date. Scheme Participants will pay no cash consideration for the Sydney Airport Limited Shares issued under the Scheme.

3.2 Timing of Scheme consideration

If the Scheme becomes Effective each SAT2 Unit will be transferred to Sydney Airport Limited on the Implementation Date and Sydney Airport Limited Shares will be issued to Scheme Participants with holding statements expected to be dispatched on Monday, 9 December 2013.

4. Implementation of the Scheme

If the Scheme Resolutions and the remaining Resolutions are approved and the Second Judicial Advice at the Second Court Hearing is obtained, and other conditions to implementation are met, SAHL will take, or procure the taking, of the steps necessary to implement the Scheme (including lodging with ASIC a copy of the amended SAT2 Supplemental Deed). On lodgement of the SAT2 Supplemental Deed the Scheme will become Effective.

Upon implementation of the Scheme, all SAT2 Units will be transferred to Sydney Airport Limited. If all of the conditions to the Scheme (contained in the Scheme Implementation Agreement) are satisfied or (where applicable) waived, the Scheme is expected to be implemented on or around Tuesday, 3 December 2013.

5. Warranty by Scheme Participants

The effect of clause 31.8(b) of the SAT2 Constitution, as amended by the SAT2 Supplemental Deed, is that all Scheme Participants, including those who vote against the Schemes and those who do not vote, will be deemed to have warranted to Sydney Airport Limited that their Existing Stapled Securities are fully paid and are not subject to any encumbrances or interests of third parties or restrictions on transfer of any kind. Each Scheme Participant is deemed to warrant that they have full power and capacity to sell and transfer the SAT2 Units registered in their name. If the warranty is breached, Scheme Participants may be liable to pay to Sydney Airport Limited any amounts it pays to acquire clear title to their SAT2 Units.

Annexure D: Details of the Scheme (continued)

6. Scheme Implementation Agreement and Deed Poll

The Scheme Implementation Agreement was entered into by SAHL as responsible entity for SAT1 and SAT2 and Sydney Airport Limited on or about 22 October 2013. Under the Scheme Implementation Agreement the parties agree the terms on which the Scheme is to be proposed and the timetable for implementation of that.

A number of conditions contained in the Scheme Implementation Agreement need to be satisfied or waived before the Scheme can be implemented.

There is no break fee payable under the Scheme Implementation Agreement and the Scheme Implementation Agreement does not contain any exclusivity restrictions.

On or about 22 October 2013, Sydney Airport Limited executed a Deed Poll in favour of Scheme Participants pursuant to which it agreed to do certain things to give effect to the Scheme including to provide the Scheme consideration. A summary of the Deed Poll is included in Annexure C.

Annexure E:

SAT1 Constitutional Amendments

This Annexure summarises the material amendments that will be made to the SAT1 Constitution, and what the main provisions of the SAT1 Constitution that deal with the rights and obligations of SAT1 Unitholders will be, if the Resolutions (as set out in the Notices of Meeting in Annexure G of the Explanatory Memorandum) are passed and (if applicable) the Scheme or Restructure are implemented.

This is only a summary of the proposed changes that are reasonably considered to be material and does not set out all of the proposed changes (including changes that may be material to you given particular circumstances that apply to you). A copy of the complete proposed amended SAT1 Constitution (and the constitution of Sydney Airport Limited) can be found in full at Sydney Airport's website at www.sydneyairport.com.au. A copy of these documents will be provided, or an inspection of these documents can be arranged, free of charge by calling Sydney Airport's Securityholder Information Line on 1300 391 219 (within Australia) or +61 3 9415 4280 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

Amendments to be made on the date that New RE becomes the responsible entity of SAT1

Item	Clause	Current SAT1 Constitution	Proposed SAT1 Constitution
The identity of the Manager	General change	The responsible entity (or 'Manager') of SAT1 is named as Sydney Airport Holdings Limited.	The responsible entity (or 'Manager') of SAT1 will be named as The Trust Company (Sydney Airport) Limited.
Investment Policy	1.3 (1.2 of the amended SAT1 Constitution), read with the definition of Airport Assets	The principal investment policy of the responsible entity is investment in existing and proposed airports and airport-related assets which are of an equity or equity-related nature.	The principal investment policy of the responsible entity will be investment in or in relation to existing and proposed airports and airport-related assets which are of an equity, equity-related, debt or debt-related nature.
Units and members	3	The beneficial interest in SAT1 is divided into units, and each fully-paid unit confers an equal undivided interest. Different classes of units may be issued. A SAT1 Unitholder holds a SAT1 Unit subject to the rights, restrictions and obligations attaching to that SAT1 Unit.	No change (except that options will be dealt with in clause 5 of the amended SAT1 Constitution).
Options	3 (5 of the amended SAT1 Constitution)	The responsible entity may issue options on such terms and conditions as the responsible entity determines. The exercise price of an option must not be less than 50% of the market price of a SAT1 Unit.	The responsible entity may issue options on such terms and conditions as the responsible entity determines. The exercise price of an option must not be less than 90% of the market price of a SAT1 Unit.
Transfer of SAT1 Units	3.8 to 3.12A (30 of the amended SAT1 constitution)	Units may be transferred, subject to the requirements of the ASX listing rules.	No change.
Information from SAT1 Unitholders	3.12 to 3.18	No equivalent provisions.	Each SAT1 Unitholder must provide to the responsible entity of SAT1 any information that the responsible entity requests and which the responsible entity believes is necessary to comply with any law, avoid amounts being withheld from any payments to SAT1 or any SAT1 Unitholder, or lessen the risk of SAT1 or any SAT1 Unitholder suffering a material detriment.

Annexure E: SAT1 Constitutional Amendments (continued)

Capital contributions	3.19 to 3.23	No equivalent provisions.	A SAT1 Unitholder may pay an amount to the responsible entity as an additional contribution to SAT1, which the responsible entity may accept or decline in its absolute discretion. Unless the responsible entity decides otherwise, the amount of the capital contribution must be calculated on a per unit basis, and the total amount contributed by a SAT1 Unitholder must be the amount per unit multiplied by the number of SAT1 Units held by the SAT1 Unitholder. Any amount contributed is a trust asset.
Partly-paid units	4	The responsible entity may issue partly-paid SAT1 Units. Interest on unpaid calls accrues at the one-month bank bill swap rate plus 3% per annum. If an unpaid call (plus accrued interest) remains unpaid after 10 days' notice from the responsible entity then the relevant SAT1 Units may be forfeited and sold by the responsible entity.	The responsible entity may issue partly-paid SAT1 Units. Interest on unpaid calls accrues at the three-month bank bill swap rate. If an unpaid call (plus accrued interest) remains unpaid after 14 days' notice from the responsible entity then the relevant SAT1 Units may be cancelled, and the responsible entity is not liable to the SAT1 Unitholder for any loss suffered as a result of cancellation.

Annexure E: SAT1 Constitutional Amendments (continued)

Issue Price of SAT1 Units	6	<p>The provisions dealing with the issue price of interests in SAT1 by the responsible entity are based on ASIC Class Order [CO 05/26]. Relying on this class order, the responsible entity may set the amount of the issue price of interests in SAT1 issued in (among other things) placements, rights issues and distribution reinvestment arrangements if certain conditions set out in [CO 05/26] are met. These conditions include (but are not limited to) the following:</p> <p>For a placement:</p> <ul style="list-style-type: none"> • the interests are quoted on ASX, and trading has not been suspended; • the interests are not issued to the responsible entity or an associate of the responsible entity, with limited exceptions; <p>and either the issue of the interests, together with any 'related issue' in the previous year, does not exceed 15% of the interests in that class on issue; or SAT1 Unitholders approve the placement.</p> <p>For a rights issue:</p> <ul style="list-style-type: none"> • the issue price cannot be less than a maximum discount specified in the SAT1 Constitution; and • the interests are only issued to the responsible entity's associates to the extent that they are already SAT1 Unitholders (with a limited exception for underwriting). <p>The responsible entity is not required to offer SAT1 units to persons whose address on the register is in a place other than Australia or New Zealand.</p> <p>For a distribution reinvestment plan, the issue price cannot be less than a maximum discount specified in the SAT1 Constitution (10%)</p>	<p>In June 2013, ASIC issued a new Class Order [CO 13/655] together with a new version of Regulatory Guide 134 <i>Managed investments: Constitutions</i>. Like [CO 05/26], [CO/13/655] permits the responsible entity to set the amount of the issue price of interests in SAT1 issued in (among other things) placements, rights issues and distribution reinvestment arrangements, but reduces the number of conditions that must be met. This is in recognition that the statutory obligations of responsible entities and (where applicable) the Listing Rules provide adequate protection for SAT1 Unitholders. It is proposed that the SAT1 Constitution will be amended to allow the responsible entity of SAT1 to rely on [CO 13/655] if it chooses to do so and publishes a notice to that effect on its website. If it chooses to rely on [CO 13/655], the conditions imposed by [CO 05/26] will cease to apply.</p> <p>The responsible entity may issue SAT1 Units as consideration or part-consideration in a takeover bid.</p>
Issue of Units as Bid Consideration	6.10	No equivalent provisions.	The responsible entity may issue SAT1 Units as consideration or part consideration to acquire financial products of a target entity.
Capital reallocations	7.14 to 7.16	No equivalent provisions.	The responsible entity may issue SAT1 Units as part of a reallocation of capital between SAT1 and Sydney Airport Limited.
Withdrawals	9	Unless the responsible entity determines otherwise, the right to make a request to withdraw (ie, redeem) SAT1 Units is suspended while SAT1 Units are officially quoted.	No change.

Annexure E:

SAT1 Constitutional Amendments (continued)

Valuations	10	The responsible entity may cause an asset to be valued at any time, and must cause an asset to be valued if required to do so by the Corporations Act. Where the responsible entity values an asset at other than its market price, the valuation method and policies applied must be capable of resulting in the calculation of an application price for SAT1 Units that is independently verifiable.	No change, except that where the responsible entity values an asset at other than its market price, the valuation method and policies applied must be consistent with ordinary commercial practice for valuing an asset of the relevant kind and must be reasonably current having regard to the nature of the asset.
Income and distributions to SAT1 Unitholders	11	The constitution provides for distributions of income and capital, and the present entitlement of SAT1 Unitholders to the income of SAT1 in respect of each financial year.	The clause will be amended in line with current best practice as result of the recent High Court decision in <i>Bamford v Federal Commissioner of Taxation</i> , resulting amendments to tax law and recent ATO guidance. The proposed amendments will not change the rights of SAT1 Unitholders to distributions of income or capital from SAT1.
Payments	12	Money payable by the responsible entity may be paid in any way the responsible entity decides. The responsible entity may withhold tax deductions which the responsible entity is required or authorised to deduct.	No change, except that the responsible entity may withhold tax deductions which the responsible entity reasonably believes it must or should deduct.
Powers of the responsible entity	13.2	The responsible entity has all the powers in respect of SAT1 that it is possible to confer on a trustee.	The plenary power conferred on the responsible entity is supplemented by reference to specific powers, including (but not limited to) the power to acquire property and dispose of assets, borrow money, provide security, buy back SAT1 Units, grant options, insure any asset and attend and vote at meetings of any company or other entity.
Retirement of the responsible entity	14	The responsible entity may retire as permitted by the Corporations Act.	No change, except that any replacement responsible entity must sign a deed by which it covenants to be bound by the SAT1 Constitution.
Notices to SAT1 Unitholders	15	Subject to the Corporations Act, notices must be given in writing (which includes a fax) or in such other manner as the responsible entity determines, and be delivered or sent to a SAT1 Unitholder at the SAT1 Unitholders' physical or electronic address.	To avoid doubt, subject to the Corporations Act and Listing Rules, the responsible entity may give a notice by serving it personally, sending it by post, fax or email, or sending it by any electronic means nominated by the SAT1 Unitholder.
Notices to the responsible entity	16	Notices may be sent by fax.	Notices may be delivered to the responsible entity's registered address or by any other means permitted by the responsible entity and communicated to SAT1 Unitholders in writing.
Rights and liabilities of the responsible entity	18	Subject to the Corporations Act the responsible entity and its related bodies corporate may deal with the responsible entity and be interested in any contract with the responsible entity, and the responsible entity may be the responsible entity of other managed investment schemes.	No change.

Annexure E:

SAT1 Constitutional Amendments (continued)

Limitation of liability and indemnity in favour of the responsible entity	19	<p>The responsible entity is not liable in contract, tort or otherwise to SAT1 Unitholders for any loss suffered in any way relating to SAT1 except to the extent that the Corporations Act imposes such liability.</p> <p>Subject to the Corporations Act, the liability of the responsible entity to any person other than a SAT1 Unitholder in respect of SAT1 is limited to the responsible entity's ability to be indemnified from the trust assets.</p> <p>The responsible entity is entitled to be indemnified out of the trust assets for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to SAT1.</p>	<p>To the extent permitted by applicable legislation, if the responsible entity acts in good faith without fraud or dishonesty, the responsible entity is not liable for any loss to any person (including any SAT1 Unitholder) arising out of any matter relating to, or connected with, SAT1. In any case, to the extent permitted by applicable legislation, the liability of the responsible entity in relation to SAT1 is limited to the trust assets, from which the responsible entity is entitled to be, and is in fact, indemnified.</p> <p>In particular, to the extent permitted by applicable legislation, the responsible entity is not liable for any loss to any person arising out of any matter where, in respect of that matter:</p> <ul style="list-style-type: none"> • to the extent permitted by law, it relied in good faith on the services of, or information or advice from, or purporting to be from, any person appointed by the responsible entity; or • it acted or refrained from acting as required by law; or • it relied in good faith on any signature, marking or documents. <p>In addition to any indemnity under any law, but subject to the Corporations Act, the responsible entity has a right of indemnity out of the trust assets on a full indemnity basis, in respect of any liability incurred by the responsible entity in properly performing or exercising any of its powers or duties in relation to SAT1.</p> <p>Where a liability is incurred by the responsible entity in properly performing or exercising any of its powers or duties in relation to SAT1, the responsible entity may exercise any of its rights to be indemnified or reimbursed out of the trust assets to meet that liability. It may do so despite any loss incurred in relation to SAT1 or any reduction in the value of the trust assets arising from any unrelated act or omission by the responsible entity or by any person acting on behalf of the responsible entity.</p> <p>The responsible entity is entitled to be indemnified by a SAT1 Unitholder or a former SAT1 Unitholder to the extent that it incurs any liability for tax as a result of the SAT1 Unitholder's or former SAT1 Unitholder's action or inaction or as a result of an act or omission requested by the SAT1 Unitholder or former SAT1 Unitholder.</p>
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Annexure E:

SAT1 Constitutional Amendments (continued)

Remuneration of the responsible entity and establishment costs	21	<p>The responsible entity is entitled to a maximum fee in respect of each quarter that is equal to the aggregate costs incurred by the responsible entity in performing its role as responsible entity plus an amount equal to 15% of such costs, provided that the amount does not exceed:</p> <ul style="list-style-type: none"> • where the market value of SAT1 is less than or equal to \$500 million, 0.375% per quarter of the market value of SAT1; • where the market value of SAT1 is greater than A\$500 million but less than or equal to A\$1,000 million, A\$1.875 million per quarter plus 0.3125% per quarter of the market value of SAT1 exceeding A\$500 million but not exceeding A\$1,000 million; or • where the market value of SAT1 is greater than A\$1,000 million, A\$3.4375 million per quarter plus 0.25% per quarter of the market value of SAT1 exceeding A\$1,000 million, <p>adjusted on a pro rata basis if the quarter in respect of which the calculation is made is the quarter ending on the date of termination of SAT1 or the quarter commencing on the date of commencement of SAT1.</p> <p>The responsible entity has a right to recover GST in relation to its fee.</p>	<p>Under the amended constitution, the responsible entity would be entitled to each of the following (in each case, excluding GST):</p> <ul style="list-style-type: none"> • a fee for managing the ordinary day-to-day activities of SAT1 (RE Fee) that is equal to: <ul style="list-style-type: none"> – for the first year after the Appointment Date, \$450,000; – for the second year after the Appointment Date, \$400,000; and – thereafter, \$250,000 per annum adjusted on each anniversary of the Appointment Date to reflect any increase in the CPI as at the end of the quarter ending before the adjustment date against the CPI as at the end of the same quarter in the preceding year, plus \$150,000 per annum; • a fee of \$500 per applicant for SAT1 Units if the responsible entity is required to verify the identity of the applicant in order to comply with the AML/CTF Act; and • fees capped at \$1,000,000 per annum (adjusted on each anniversary of the Appointment Date to reflect any increase in the CPI as at the end of the quarter ending before the adjustment date against the CPI as at the end of the same quarter in the preceding year) payable quarterly in arrears equal to the quarterly cost of internal legal or executive services (charged by the responsible entity or charged to the responsible entity by an associate or related party of the responsible entity at the reasonable hourly rates applicable at the time the relevant services were provided) for the benefit of SAT1 but which the responsible entity reasonably considers is beyond the scope of managing the ordinary day-to-day activities of SAT1, including, but not limited to, services in relation to loan default and covenant breaches; member meetings; significant equity raisings; mergers and acquisitions; significant restructures; debt financing; and significant regulatory inquiries. <p>The responsible entity will be entitled to a fee (not exceeding \$1,200,000 in total) equal to \$500,000 plus the reasonable costs incurred in connection with its appointment as responsible entity.</p> <p>All amounts set out above are exclusive of GST and the responsible entity has a right to recover GST.</p> <p>For the purposes of this summary:</p> <ul style="list-style-type: none"> • CPI means the 'All groups CPI weighted average of eight capital cities' published by the Australian Bureau of Statistics in respect of a quarter; and • Appointment Date means the date on which ASIC updates the record of SAT1's registration to reflect New RE as the responsible entity of SAT1.
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Annexure E:

SAT1 Constitutional Amendments (continued)

Expenses of the responsible entity	21	<p>The responsible entity is entitled to be paid or reimbursed out of the assets of SAT1 for expenses incurred in relation to the proper performance of duties.</p> <p>The responsible entity has a right to recover GST paid in relation to reimbursements.</p>	<p>It is proposed that the responsible entity will retain its entitlement to the fees (and GST recovery) in the existing constitution with the addition that the responsible entity will be entitled to recover any costs associated with the board of directors of the responsible entity or any subsidiary of the responsible entity, and any fee or expense payable by the responsible entity under resources agreements with SACL and The Trust Company Limited (or one of its related bodies corporate) dated or to be dated in or about November 2013 or under any agreement which replaces either of those agreements, and any expense which the manager incurs in procuring services to replace or supplement the services provided under those agreements.</p>
Procedure on termination of SAT1	23	<p>The responsible entity must realise the trust assets within 180 days of termination if practical and in any event as soon as possible after that.</p> <p>The SAT1 Constitution does not provide for the transfer of trust assets in satisfaction of any SAT1 Unitholder's entitlement on the termination of SAT1.</p>	<p>As soon as practicable after giving a notice of termination, the responsible entity must sell or realise the trust assets in such manner as it considers appropriate. The responsible entity may postpone the sale or realisation of any trust asset for as long as it thinks it is desirable to do so in the interests of SAT1 Unitholders. To the extent permitted by applicable legislation, the responsible entity will not be responsible for any loss attributable to the postponement.</p> <p>The responsible entity may transfer trust assets to any SAT1 Unitholder holding SAT1 Units having a value in excess of an amount as determined by the responsible entity in satisfaction of that SAT1 Unitholder's entitlement in the trust assets. The value of the trust assets transferred will be calculated at market value, as determined by the responsible entity, and the expenses incurred in transferring the trust assets will be borne by the SAT1 Unitholder or SAT1 Unitholders. The responsible entity is irrevocably appointed as the agent and attorney of the relevant SAT1 Unitholder or SAT1 Unitholders to do all things which it reasonably considers are necessary or desirable to be done on behalf of the SAT1 Unitholder or SAT1 Unitholders to give effect to a transfer of trust assets under this clause.</p>

Annexure E:

SAT1 Constitutional Amendments (continued)

Complaints	26	<p>If a SAT1 Unitholder makes a complaint the responsible entity must:</p> <ul style="list-style-type: none"> • acknowledge receipt of the complaint in writing within 14 days; • ensure the complaint receives proper consideration; • act in good faith to deal with the complaint; • in its discretion give the complainant information and an explanation regarding the circumstances giving rise to the complaint, apologise, or compensate the complainant; and • communicate to the complainant within 45 days after the responsible entity receives the complaint: the determination, the remedies available to the complainant, and information regarding any further avenue for complaint. 	<p>If a SAT1 Unitholder makes a complaint the responsible entity must:</p> <ul style="list-style-type: none"> • immediately acknowledge receipt of the complaint in writing; • consider the complaint, taking into account any alleged breach of the Corporations Act or the SAT1 Constitution or any breach of trust, legal advice, supporting materials provided by the complainant and any material held by the responsible entity in relation to the alleged breach; • communicate its determination to the complainant within 45 days after the responsible entity receives the complaint or, if it cannot meet that deadline, inform the complainant of the reasons for the delay and of the complainant's right to complain to an independent external dispute resolution body; • if the complainant is dissatisfied with the determination, refer the complaint to an independent external dispute resolution body and provide general guidance on the further avenues available to the complainant; and • at the complainant's request, provide the complainant with an opportunity to inspect any material held by the responsible entity in relation to the alleged breach. <p>The responsible entity may in its discretion give the complainant information and an explanation regarding the circumstances giving rise to the complaint, apologise, or compensate the complainant.</p>
Small holdings	27A	<p>The responsible entity may sell or redeem SAT1 Units held by a SAT1 Unitholder which comprise less than a marketable parcel for the purposes of the ASX listing rules, without request by the SAT1 Unitholder. The responsible entity may only do this once in any 12 month period</p>	No change.
Stapling	27B	<p>The stapling provisions were drafted to accommodate the stapling of SAT1 Units to SAT2 Units.</p>	<p>The stapling provisions will be amended to reflect the structural changes to the Sydney Airport Group. For example, references to SAT2 have been replaced with references to Sydney Airport Limited, and references to stapled units have been replaced with references to Stapled Securities.</p>

Annexure E:

SAT1 Constitutional Amendments (continued)

Sale facility	27C	Subject to the Corporations Act and the ASX listing rules, if the responsible entity proposes to distribute assets in the form of securities or interests in managed investment schemes or staple a new financial product to the SAT1 Units, the responsible entity may implement a sale facility to transfer the SAT1 Units of any SAT1 Unitholder who is a citizen or resident of a jurisdiction outside Australia and New Zealand or whose address in the register is a place outside Australia and New Zealand, unless the responsible entity is satisfied that it would not be unlawful to issue SAT1 Units or distribute assets to the SAT1 Unitholder either unconditionally or after compliance with conditions which the responsible entity regards as acceptable and not unduly onerous.	No change.
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Annexure E:

SAT1 Constitutional Amendments (continued)

Amendments to be made on the date that the Scheme is implemented

Item	Clause	Prior to implementation of Scheme	Following implementation of Scheme
Foreign ownership	29	In order to ensure compliance with foreign ownership provisions under the Airports Act, the SAT1 Constitution contains divestment provisions which are activated if foreign ownership reaches a percentage which has been notified to SAT1 Unitholders (not to exceed 39.99%) in relation to the total aggregate stake held by all foreign persons.	In order to ensure compliance with foreign ownership provisions under the Airports Act, the SAT1 Constitution will contain divestment provisions which are activated if: <ul style="list-style-type: none"> foreign ownership in aggregate reaches a percentage which has been notified to SAT1 Unitholders (not to exceed 39.99%); or an individual foreign person's ownership reaches a percentage which has been notified to SAT1 Unitholders (not to exceed 14.99%).

Amendments to be made on the date that all of the units in SAT2 are acquired by New RE as responsible entity of SAT1

Item	Clause	Prior to completion of Restructure	Following completion of Restructure
Airports Act compliance	29	In order to ensure compliance with foreign ownership provisions under the Airports Act, the SAT1 Constitution will contain divestment provisions which are activated if: <ul style="list-style-type: none"> foreign ownership in aggregate reaches a percentage which has been notified to SAT1 Unitholders (not to exceed 39.99%); or an individual foreign person's ownership reaches a percentage which has been notified to SAT1 Unitholders (not to exceed 14.99%). 	In order to ensure compliance with foreign ownership provisions under the Airports Act, the SAT1 Constitution will contain divestment provisions which are activated if: <ul style="list-style-type: none"> foreign ownership in aggregate reaches a percentage which has been notified to SAT1 Unitholders (not to exceed 48.99%); or an individual foreign person's ownership reaches a percentage which has been notified to SAT1 Unitholders (not to exceed 14.99%), but only where the responsible entity has determined that the 14.99% trigger will apply. <p>The powers of the responsible entity to prevent breaches of the Airports Act will be extended to the cross-ownership and the airline ownership regulations in the Airports Act. In particular:</p> <ul style="list-style-type: none"> the responsible entity may require information to be provided by a SAT1 Unitholder who is an airline or who has a stake in the airport operator companies of Brisbane Airport, Perth Airport or Melbourne (Tullamarine) Airport; and the information requested may relate to airline ownership and cross-ownership of the relevant airport operator companies; and the responsible entity may procure a disposal of SAT1 Units to prevent or cure an unacceptable cross ownership situation or unacceptable airline ownership situation (as those terms are defined in the Airports Act).

Annexure F: SAT2 Supplemental Deed

Allens > < Linklaters

Sydney Airport Holdings Limited in its capacity as responsible entity of Sydney Airport Trust 2

Supplemental Deed

Amending the constitution of Sydney Airport Trust 2

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Annexure F: SAT2 Supplemental Deed (continued)

Supplemental Deed

Allens > < Linklaters

This Deed is made on

2013

Party

Sydney Airport Holdings Limited (ACN 075 295 760) of Central Terrace Building, 10 Arrivals Court, Sydney International Airport NSW 2020 in its capacity as responsible entity of Sydney Airport Trust 2 (the **Responsible Entity**).

Recitals

- A The Responsible Entity is the responsible entity of the Trust.
- B The Trust has been registered pursuant to section 601EB of the Corporations Act as a managed investment scheme.
- C The Units of the Trust are quoted and traded on ASX as a component of a stapled security, each comprising one Unit in the Trust and one unit in Sydney Airport Trust 1 (ARSN 099 597 921).
- D The Responsible Entity and the Acquirer have agreed, by executing the Scheme Implementation Agreement, to propose and implement the Scheme.
- E The Constitution must be amended to facilitate the Scheme.
- F Section 601GC(1)(a) of the Corporations Act provides that the Constitution may be amended by special resolution of the Members of the Trust.
- G Under clause 24.1 of the Constitution, the Constitution may be amended by Resolution and the Responsible Entity may give effect to the modification by executing a supplemental deed.
- H The Responsible Entity proposes to execute this Supplemental Deed and lodge it with ASIC to modify the Constitution, as set out in this Supplemental Deed, to give effect to the Resolution to modify the Constitution that was passed by Members of the Trust at a meeting held on or about 22 November 2013.
- I The Acquirer has entered into a deed poll for the purpose of covenanting in favour of the Members that it will observe and perform the obligations contemplated of it under the Scheme and the Scheme Implementation Agreement.

It is declared as follows.

1 Definitions and Interpretation

1.1 Definitions

In this Supplemental Deed including the Recitals, the following definitions apply unless the context otherwise requires.

Acquirer means Sydney Airport Limited (ACN 165 056 360).

ASIC means the Australian Securities and Investments Commission.

Constitution means the constitution dated 13 February 2002 constituting the Trust, as amended from time to time.

Corporations Act means the *Corporations Act 2001* (Cth).

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Annexure F: SAT2 Supplemental Deed (continued)

Supplemental Deed

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Effective Time means the date and time on which a copy of this Supplemental Deed is, or the modifications set out in it are, lodged with ASIC under section 601GC(2) of the Corporations Act.

Member means a person who is registered in the Register as the holder of one or more Units from time to time.

Register has the meaning given in the Constitution.

Resolution has the meaning given in the Constitution.

Scheme means the arrangement set out in the Implementation Agreement pursuant to which the Acquirer acquires all of the Units, and facilitated by the amendments to the Constitution set out in this Supplemental Deed.

Scheme Implementation Agreement means the agreement so entitled between the Responsible Entity and the Acquirer dated on or about 22 October 2013.

Trust means Sydney Airport Trust 2 (ARSN 099 597 896).

Unit has the meaning given in the Constitution.

1.2 Interpretation

Clause 30.2 (Interpretation) of the Constitution applies to this Supplemental Deed as if set out in this Supplemental Deed.

1.3 Benefit of this Supplemental Deed

This Supplemental Deed is made by the Responsible Entity with the intent that the benefit of this Supplemental Deed shall enure to the benefit of Members, jointly and severally.

2 Amendments to Constitution

On and from the Effective Time, the Constitution is amended in the manner set out in the Schedule.

3 No Resettlement

The Responsible Entity confirms that it is not by this Supplemental Deed intending to:

- (a) resettle or re-declare the trust declared under the Constitution; or
- (b) cause the transfer, vesting or accruing of any property comprising the assets of the Trust in any person.

4 Governing Law and Jurisdiction

This Supplemental Deed is governed by the laws of New South Wales. In relation to it and related non-contractual matters each party irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there, and waives any right to object to the venue on any ground.

Annexure F: SAT2 Supplemental Deed (continued)

Supplemental Deed

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Executed and delivered as a Deed Poll in Sydney

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* by **Sydney Airport Holdings Limited:**

Director Signature

Director/Secretary Signature

Print Name

Print Name

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Annexure F: SAT2 Supplemental Deed (continued)

Supplemental Deed

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Schedule

Amendments to the Constitution of Sydney Airport Trust 2

The Constitution is amended as follows:

1 **Clause 30.1 – Definitions**

In clause 30.1 of the Constitution, the following definitions are inserted in alphabetical order:

CHES: the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

Deed Poll: the deed poll executed by SAL in favour of each Scheme Unitholder in relation to the Scheme.

Effective Time: the date on which the amendments to this constitution to facilitate the Scheme take effect pursuant to section 601GC(2) of the Corporations Act.

Implementation Date: 5 December 2013 or such other date as the parties to the Scheme Implementation Agreement may agree in writing or as may be required by ASX.

Proxy Form: the proxy form accompanying the notice of meeting convening the Scheme Meeting.

Record Date: 7.00pm (Sydney time) on 4 December 2013 or such other date as may be agreed in writing between the parties to the Scheme Implementation Agreement or as may be required by ASX.

Registered Address: in relation to a Member, the address of that Member shown on the Register.

Registrar: the person appointed to maintain the Register from time to time.

SAL: Sydney Airport Limited (ACN 165 056 360).

SAL Security: a fully paid ordinary share in SAL to be issued to, or at the direction of, Scheme Unitholders under the Scheme.

SAL Securityholder Register: the register of holders of SAL Securities from time to time, as administered by SAL (or by SAL's registrar on behalf of SAL).

Scheme: the arrangement by which all of the Scheme Units will be transferred to SAL for the Scheme Consideration, as set out in clause 31.

Scheme Consideration: one SAL Security for each Scheme Unit.

Scheme Implementation Agreement: the agreement so entitled between the Manager and SAL dated on or about 22 October 2013, as amended from time to time.

Scheme Meeting: the general meeting of the Trust held on or about 22 November 2013 at which the Scheme Resolutions were approved.

Scheme Resolutions: the following resolutions of Members:

- (a) an ordinary resolution approving for the purpose of item 7 of section 611 of the Corporations Act the acquisition by SAL of all of the Scheme Units; and
- (b) a special resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendment to this constitution to facilitate the Scheme.

Annexure F: SAT2 Supplemental Deed (continued)

Supplemental Deed

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Scheme Transfer: in relation to each Scheme Unitholder, a proper instrument of transfer of their Scheme Units for the purpose of section 1071B of the Corporations Act (which may be a master transfer of all or part of all of the Scheme Units).

Scheme Unitholder: a person registered in the Register as a holder of one or more Scheme Units as at the Record Date.

Scheme Unit: a Unit on issue as at the Record Date.

Second Judicial Advice: confirmation from the Court under section 63 of the *Trustee Act 1925* (NSW) that subject to Members passing the Scheme Resolutions by the requisite majorities, the Manager of the Trust would be justified in implementing the Scheme Resolutions, giving effect to amendments to this constitution and in doing all things and taking all necessary steps to put the Scheme into effect.

Second Judicial Advice Date: the first day of the hearing of an application made to the Court by the Manager for the Second Judicial Advice or, if the hearing of such application is adjourned for any reason, the first day of the adjourned hearing.

TFN: Tax File Number.

1 Clause 31 – Scheme

A new clause 31 is inserted immediately after clause 30 of the Constitution, as set out below:

31. Scheme

31.1 Implementation of Scheme

- (a) Each Scheme Unitholder and the Manager must do all things and execute all deeds, instruments, transfers or other documents as the Manager considers are necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it.
- (b) Without limiting the Manager's other powers under this clause 31, the Manager has power to do all things that it considers necessary or desirable to give effect to the Scheme and the Scheme Implementation Agreement.
- (c) Subject to the Corporations Act, the Manager or any of its directors, officers, employees or associates may do any act, matter or thing described in or contemplated by this clause 31 even if it has an interest (financial or otherwise) in the outcome.
- (d) This clause 31:
 - (i) binds the Manager and all of the Members from time to time (including those who do not attend the Scheme Meeting, those who do not vote at the Scheme Meeting and those who vote against the Scheme Resolutions); and
 - (ii) to the extent of any inconsistency, overrides the other provisions of this constitution (excluding clauses 2, 22.3 and 24.4).

31.2 Entitlement to Scheme Consideration

Each Scheme Unitholder will be entitled to receive the Scheme Consideration for each Scheme Unit held by that Scheme Unitholder, which is to be issued in the manner referred to in clause 31.3.

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Annexure F: SAT2 Supplemental Deed (continued)

Supplemental Deed

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31.3 Provision of Scheme Consideration

- (a) The obligation of the Manager to procure SAL to provide the Scheme Consideration to a Scheme Unitholder will be satisfied by procuring SAL, before midnight on the Implementation Date:
- (i) to issue to that Scheme Unitholder such number of SAL Securities to which that Scheme Unitholder is entitled as Scheme Consideration pursuant to the Scheme; and
 - (ii) to procure the entry in the SAL Securityholder Register of the name and Registered Address (as at the Record Date) of that Scheme Unitholder and the number of SAL Securities which that Scheme Unitholder is entitled to receive under the Scheme.
- (b) The Scheme Unitholders acknowledge and agree that, within 5 Business Days after the Implementation Date, the Manager will procure that SAL will despatch, or procure the despatch, to each Scheme Unitholder whose relevant new SAL Securities are held on the issuer sponsored subregister of SAL, of an uncertificated holding statement in the name of that Scheme Unitholder for SAL Securities issued to that Scheme Unitholder pursuant to the Scheme, with such despatch to be made by pre-paid post to that Scheme Unitholder's Registered Address (as at the Record Date).
- (c) In the case of Scheme Units held in joint names, holding statements for new SAL Securities must be issued in the names of joint holders and sent to the holder whose name appears first in the Securityholder Register on the Record Date.

31.4 Transfer of Scheme Units to SAL

On the Implementation Date, subject to SAL having provided the Scheme Consideration in the manner contemplated by clause 31.3 and SAL having provided the Manager with written confirmation of that having occurred, the following will occur:

- (a) all of the Scheme Units, together with all rights and entitlements attaching to the Scheme Units as at the Implementation Date, will be transferred to SAL, without the need for any further act by any Scheme Unitholder (other than acts performed by the Manager (or any of its directors and officers appointed as sub-attorneys and/or agents of the Manager) as attorney and/or agent for Scheme Unitholders under the Scheme);
- (b) the Manager will procure the delivery to SAL for execution duly completed and, if necessary, stamped Scheme Transfers to transfer all of the Scheme Units to SAL, duly executed by the Manager (or any of its directors and officers appointed as sub-attorneys and/or agents of the Manager) as the attorney and/or agent of each Scheme Unitholder as transferor under clause 31.7;
- (c) SAL must immediately execute the Scheme Transfers as transferee and deliver them to the Manager for registration; and
- (d) the Manager, immediately after receipt of the Scheme Transfers under clause 31.4(c), must enter, or procure the entry of, the name and address of SAL in the Register as the holder of all of the Scheme Units.

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Annexure F: SAT2 Supplemental Deed (continued)

Supplemental Deed

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31.5 Dealings in Units

- (a) For the purpose of establishing the persons who are Scheme Unitholders and the number of Units held by them, the Manager will only recognise dealings in Units if:
- (i) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Register as the holder of the relevant Units by the Record Date; or
 - (ii) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Registrar by the Business Day before the Record Date in which case the Manager must register such transfers or transmission applications before the Record Date.
- (b) The Manager will, until the name and address of SAL has been entered in the Register as the holder of all of the Scheme Units, maintain, or procure the maintenance of, the Register in accordance with this clause 31.5. Immediately after registration of registrable transfers or transmission applications of the kind referred to in clause 31.5(a), the Registrar will solely determine the persons who are Scheme Unitholders and the number of Scheme Units held by them.
- (c) No Scheme Unitholder (or any person purporting to claim through them) may dispose of, purport or agree to dispose of, or otherwise deal with Scheme Units or any interest in them in any way after the Record Date, and any attempt to do so will have no effect.
- (d) From the Record Date, all certificates and holding statements (as applicable) for Scheme Units as at the Record Date will cease to have any effect as evidence of title, and each entry on the Register as at the Record Date will cease to have any effect other than as evidence of the entitlements of Members to the Scheme Consideration.
- (e) Other than in respect of SAL (after registration of SAL in respect of all Scheme Units under clause 31.4(d)), from the Record Date, all certificates and holding statements (as applicable) for Scheme Units as at the Record Date will cease to have any effect as evidence of title, and each entry on the Register as at the Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Unitholders to the Scheme Consideration.
- (f) On or before 11.00am on the Implementation Date, the Manager must give to SAL, or procure that SAL be given, details of the names, Registered Addresses and holdings of Scheme Units of every Scheme Unitholder as shown in the Register as at the Record Date in such form as SAL may reasonably require.

31.6 Covenants by Scheme Unitholders

Each Scheme Unitholder:

- (a) acknowledges that this clause 31 binds all of the Members from time to time (including those who do not attend the Scheme Meeting, do not vote at the Scheme Meeting or vote against the Scheme Resolutions) without the need for any further act by that Scheme Unitholder;
- (b) irrevocably agrees to the transfer of their Scheme Units, together with all rights, entitlements and obligations attaching to those Scheme Units, to SAL in accordance with the terms of the Scheme;
- (c) agrees to the modification or variation (if any) of the rights attaching to their Scheme Units arising from this clause 31;

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Annexure F: SAT2 Supplemental Deed (continued)

Supplemental Deed

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- (d) irrevocably consents to the Manager and SAL doing all things and executing all deeds, instruments, transfers or other documents (including the Scheme Transfers) as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it; and
- (e) without limiting clauses 29.3 to 29.6, agrees to provide to the Manager such information as the Manager may reasonably require to comply with any law in respect of the Scheme and the transactions contemplated in this clause 31, including information required to meet obligations under the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cth).

31.7 Appointment of the Manager as attorney and as agent for implementation of Scheme

Each Scheme Unitholder, without the need for any further act by that Scheme Unitholder, irrevocably appoints the Manager as that Scheme Unitholder's attorney and as that Scheme Unitholder's agent for the purpose of:

- (a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it, including:
- (i) executing any form of application (including any necessary consent for the purposes of section 120(b) of the Corporations Act) required for SAL Securities to be issued to that Scheme Unitholder in accordance with the Scheme;
 - (ii) effecting a valid transfer or transfers of the Scheme Units to SAL under clause 31.4(b), including executing and delivering any Scheme Transfers; and
 - (iii) communicating the Scheme Unitholders' instructions and notifications under clause 31.9; and
- (b) enforcing the Deed Poll against SAL,

and the Manager accepts such appointment. The Manager, as attorney and as agent of each Scheme Unitholder, may sub-delegate its functions, authorities or powers under this clause 31.7 to all or any of its directors and officers (jointly, severally, or jointly and severally). Each Scheme Unitholder indemnifies the Manager and each of its directors and officers against all losses, liabilities, charges, costs and expenses arising from the exercise of powers under this clause.

31.8 Status of Scheme Units

- (a) To the maximum extent permitted by law, the Scheme Units transferred to SAL under this clause 31 will be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise.
- (b) Each Scheme Unitholder is deemed to have warranted to the Manager in its own right and on behalf of SAL, that all their Scheme Units (including any rights, entitlements and obligations attaching to those Scheme Units) which are transferred to SAL under this clause 31 will, at the time of the transfer of them to SAL, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind not referred to in this constitution, and that they have full power and capacity to sell and to transfer their Scheme Units to SAL pursuant to the Scheme.
- (c) SAL will be beneficially entitled to the Scheme Units transferred to it under this clause 31 pending registration by the Manager of the name and Registered Address of SAL in the Register as the holder of the relevant Scheme Units.

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Annexure F: SAT2 Supplemental Deed (continued)

Supplemental Deed

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31.9 Binding instructions or notifications

- (a) Any binding instruction or notification between a Scheme Unitholder and the Manager relating to Scheme Units as at the Record Date (including, without limitation, any instructions relating to payment of distributions or to communications from the Manager) will, from the Record Date, be deemed (except to the extent determined otherwise by SAL in its sole discretion) to be a similarly binding instruction or notification to, and accepted by, SAL in respect of any SAL Securities issued to the Scheme Unitholder pursuant to the Scheme, until that instruction or notification is revoked or amended in writing addressed to SAL through the Registrar, provided that any such instructions or notifications accepted by SAL will apply to and in respect of the issue of SAL Securities as part of the Scheme Consideration only to the extent that they are not inconsistent with the other provisions of the Scheme.
- (b) (i) Subject to sub-paragraph (ii), the Scheme Unitholders acknowledge and agree that on the Implementation Date, the Manager will, or will procure the Registrar to, transfer to SAL (or its registrar) each Scheme Unitholder's TFN, to the extent that such TFN was properly notified to the Manager before the Implementation Date.
- (ii) The Manager must not transfer, or procure the transfer of, a Scheme Unitholder's TFN to SAL (or its registrar) if the Scheme Unitholder has directed the Registrar, by marking the field designated 'Transfer of Tax File Number' in the Proxy Form, that the Scheme Unitholder's TFN is not to be provided to SAL.

31.10 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to the Manager, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at the Manager's registered office or by the Registrar, as the case may be.

31.11 Stamp duty

SAL will pay any stamp duty that is payable on the transfer to it of Scheme Units pursuant to the Scheme.

31.12 Limitation of liability

Without limiting clauses 18.3 or 19, subject to the Corporations Act, the Manager will not have any liability of any nature whatsoever to Members, beyond the extent to which the Manager is actually indemnified out of the Assets, arising, directly or indirectly, from the Manager doing or refraining from doing any act (including the execution of a document), matter or thing pursuant to or in connection with the implementation of the Scheme.

31.13 Manager's expenses

Without limiting clause 21.4, all expenses incurred by the Manager in relation to the Scheme and the Scheme Implementation Agreement are payable or reimbursable out of the Assets to the extent that such reimbursement is not prohibited by the Corporations Act.

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Annexure G: Notices of Meeting

Sydney Airport Trust 1 – Notice of General Meeting

Sydney Airport Holdings Limited (ACN 075 295 760) gives notice that a general meeting of the unitholders of Sydney Airport Trust 1 (ARSN 099 597 921) will be held on Friday, 22 November 2013 at the Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney, at 10.00am (Sydney time) to consider, and if thought fit, pass the following resolutions:

Resolution 1 – Change of Responsible Entity – Ordinary Resolution

Subject to all Resolutions being passed, that for the purposes of section 601FL of the Corporations Act, Sydney Airport Holdings Limited retire as Responsible Entity of the Sydney Airport Trust 1, and that New RE be appointed as Responsible Entity in its place.

Resolution 2 – Unstapling of SAT1 Units and SAT2 Units – Ordinary Resolution

Subject to all Resolutions being passed, that for the purposes of clause 27B.5 of the SAT1 Constitution, the provisions in the SAT1 Constitution that relate to the stapling of SAT1 Units and SAT2 Units cease to apply with effect from the Implementation Date.

Resolution 3 – General Amendment to SAT1 Constitution – Special Resolution

Subject to all Resolutions being passed, that for the purposes of section 601GC(1)(a) of the Corporations Act and all other purposes, the constitution of Sydney Airport Trust 1 be amended as set out in and in accordance with the SAT1 Supplemental Deed which has been produced to the meeting (and is for the purpose of identification initialled by the Chairman), and the responsible entity of Sydney Airport Trust 1 be authorised to do all things necessary to give effect to this resolution including without limitation, to execute and lodge that supplemental deed with the Australian Securities and Investments Commission.

Notes

The Explanatory Memorandum accompanying this Notice of Meeting forms part of the Notice of Meeting and provides information relating to the Resolutions, how the responsible entity of Sydney Airport Trust 1 will implement the Resolutions, and the reasons for proposing the Resolutions. In particular, Section 9 (Required majorities, voting instructions) contains further details about the Meetings and how to vote.

Capitalised terms used in this Notice of Meeting have the meaning given to them in the Explanatory Memorandum.

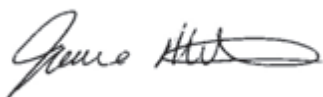
Resolution 1 is an ordinary resolution and will not be passed unless more than 50% of the votes cast on the resolution are cast in favour of the resolution by SAT1 Unitholders.

Resolution 2 is an ordinary resolution and will not be passed unless more than 50% of the votes cast on the resolution are cast in favour of the resolution by SAT1 Unitholders.

Resolution 3 is a special resolution and will not be passed unless at least 75% of the votes cast on the resolution are cast in favour of the resolution by SAT1 Unitholders.

Details on applicable voting exclusions in relation to the resolutions above are set out in Section 9 of the Explanatory Memorandum accompanying this Notice of Meeting.

BY ORDER OF THE BOARD OF Sydney Airport Holdings Limited



Jamie Motum
Company Secretary

25 October 2013

Annexure G: Notices of Meeting (continued)

Sydney Airport Trust 2 – Notice of General Meeting and Scheme Meeting

Sydney Airport Holdings Limited (ACN 075 295 760) gives notice that a general meeting and a scheme meeting of the unitholders of Sydney Airport Trust 2 (ARSN 099 597 896) will be held on Friday, 22 November 2013 at the Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney, at 10.00am (Sydney time) to consider, and if thought fit, pass the following resolutions:

Resolution 1 – Amendments to SAT2 Constitution to effect the Scheme – Special Resolution

Subject to all Resolutions being passed, that for the purposes of section 601GC(1)(a) of the Corporations Act and all other purposes, the constitution of Sydney Airport Trust 2 be amended as set out in and in accordance with the SAT2 Supplemental Deed which has been produced to the meeting (and is for the purpose of identification initialled by the Chairman), and the responsible entity of Sydney Airport Trust 2 be authorised to execute and lodge that supplemental deed with the Australian Securities and Investments Commission.

Resolution 2 – Acquisition Resolution to effect the Scheme – Ordinary Resolution

Subject to all Resolutions being passed, the Scheme described in the Explanatory Memorandum accompanying the Notice of Meeting convening this meeting as a component of the "Proposal" (including, if applicable, as amended by any supplementary Explanatory Memorandum), under which Sydney Airport Limited will acquire all the SAT2 Units, on the terms and subject to the conditions of the Proposal, is approved for the purposes of item 7 of section 611 of the Corporations Act.

Resolution 3 – Unstapling of SAT1 Units and SAT2 Units – Ordinary Resolution

Subject to all Resolutions being passed, that for the purposes of clause 27B.5 of the SAT2 Constitution, the provisions in the SAT2 Constitution that relate to the stapling of SAT1 Units and SAT2 Units cease to apply with effect from the Implementation Date.

Notes

The Explanatory Memorandum accompanying this Notice of Meeting forms part of the Notice of Meeting and provides information relating to the Resolutions, how Sydney Airport Holdings Limited as responsible entity of Sydney Airport Trust 2 will implement the Resolutions, and the reasons for proposing the Resolutions. In particular, Section 9 (Required majorities, voting instructions) contains further details about the Meetings and how to vote.

Capitalised terms used in this Notice of Meeting have the meaning given to them in the Explanatory Memorandum.

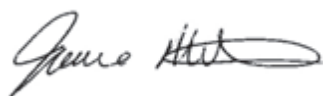
Resolution 1 is a special resolution and will not be passed unless at least 75% of the votes cast on the resolution are cast in favour of the resolution by SAT2 Unitholders.

Resolution 2 is an ordinary resolution and will not be passed unless more than 50% of the votes cast on the resolution are cast in favour of the resolution by SAT2 Unitholders.

Resolution 3 is an ordinary resolution and will not be passed unless more than 50% of the votes cast on the resolution are cast in favour of the resolution by SAT2 Unitholders.

Details on applicable voting exclusions in relation to the resolutions above are set out in Section 9 of the Explanatory Memorandum accompanying this Notice of Meeting.

BY ORDER OF THE BOARD OF Sydney Airport Holdings Limited



Jamie Motum

Company Secretary

25 October 2013

Corporate Directory

SAT1	Sydney Airport Holdings Limited (ABN 85 075 295 760) (AFSL 236 875) in its capacity as responsible entity of the Sydney Airport Trust 1 (ARSN 099 597 921) Investor Relations: +612 9667 9871 Tel: 1800 181 895 Fax: +61 2 8338 4931
SAT2	Sydney Airport Holdings Limited (ABN 85 075 295 760) (AFSL 236 875) in its capacity as responsible entity of the Sydney Airport Trust 2 (ARSN 099 597 896) Investor Relations: +612 9667 9871 Tel: 1800 181 895 Fax: +61 2 8338 4931
Sydney Airport Limited	Sydney Airport Limited (ACN 165 056 360) Investor Relations: +612 9667 9871 Tel: 1800 181 895 Fax: +61 2 8338 4931
Legal Adviser	Allens Tel: +61 2 9230 4000 Fax: +61 2 9230 5333
Financial Adviser	Macquarie Capital (Australia) Limited (ACN 123 199 548) Tel: 1800 808 508 (within Australia) Tel: +61 7 3233 8137 (outside Australia) Fax: 1800 550 140
Registrar	Computershare Investor Services Pty Limited (ACN 078 279 277) Tel: 1800 102 368 (within Australia) Tel: +61 3 9415 4195 (outside Australia) Fax: 1800 783 447 (within Australia) Fax: +61 3 9473 2555 (outside Australia)



Sydney Airport Holdings Limited (ABN 85 075 295 760)
(AFSL 236875) as responsible entity for
Sydney Airport Trust 1 (ARSN 099 597 921) and
Sydney Airport Trust 2 (ARSN 099 597 896) (together **SYD**)

Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1800 102 368
(outside Australia) +61 3 9415 4195

┌ 000001 000 SYD
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Sydney Airport Group Scheme Meeting and General Meetings - Proxy Form



Vote online, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Review and update your security holding

Your secure access information is:

Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10:00am (Sydney Time) on Wednesday 20 November 2013.

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a security holder of SYD.

Entitlement to vote: SYD has determined that for the purpose of voting at the meetings, securities will be taken to be held by those security holders recorded on the register as at 7.00pm (Sydney time) on Wednesday 20 November 2013.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the security holder must sign.

Joint Holding: Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate security holder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for SYD, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Security holders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of Sydney Airport Trust 1 (SAT1) and Sydney Airport Trust 2 (SAT2) and entitled to attend and vote hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meetings of SAT1 and SAT2 and the Scheme Meeting of SAT2 to be held at the Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney on Friday 22 November 2013 at 10:00am (Sydney Time) and at any adjournment of those meetings.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 2 Items of Business **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

SAT1 - General Meeting

		For	Against	Abstain
1	Change of Responsible Entity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Unstapling of SAT1 Units and SAT2 Units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	General Amendment to SAT1 Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SAT2 - Scheme Meeting and General Meeting

		For	Against	Abstain
1	Amendments to SAT2 Constitution to effect the Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Acquisition Resolution to effect the Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Unstapling of SAT1 Units and SAT2 Units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Transfer of Tax File Number (TFN)
 If you **do not** wish for your TFN to be transferred by Sydney Airport Holdings Limited to Sydney Airport Limited, please mark with an 'X' in the box to the left to indicate that direction. Please note that if you mark this box, your TFN will not be transferred to Sydney Airport Limited and you may be subject to withholding tax being deducted from future distributions at the highest marginal rate.

SIGN Signature of Security holder(s) *This section must be completed.*

Individual or Security holder 1 <input style="width: 250px; height: 20px;" type="text"/> Sole Director and Sole Company Secretary	Security holder 2 <input style="width: 250px; height: 20px;" type="text"/> Director	Security holder 3 <input style="width: 250px; height: 20px;" type="text"/> Director/Company Secretary
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Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____