



SYDNEY AIRPORT

PRO FORMA FINANCIAL STATEMENTS FOR YEAR ENDED
31 DECEMBER 2013

ASX-listed Sydney Airport (the Group) is comprised of Sydney Airport Limited (ABN 18 165 056 360) (SAL) and Sydney Airport Trust 1 (ARSN 099 597 921) (SAT1). The Trust Company (Sydney Airport) Limited (ABN 83 115 967 087) (AFSL 301162) (TCSAL) is the responsible entity of SAT1.

This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in Sydney Airport, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

Sydney Airport

Pro Forma Financial Statements

Introduction to the Pro Forma Financial Statements

The Pro Forma Financial Statements presented in this report have been prepared and compiled by the Sydney Airport Limited Group (the SAL Group) management to illustrate the financial results and cash flows of ASX-listed Sydney Airport for year ended 31 December 2013.

The Pro Forma Financial Statements have been released to provide users with a 365 day comparison of the financial results and cash flows of ASX-listed Sydney Airport for years ended 31 December 2013 and 31 December 2012.

Financial Performance and Position

Net Operating Receipts provides a proxy for cash flows available to pay ASX-listed Sydney Airport distributions. The first table reconciles the statutory result of SCACH (a subsidiary of the SAL Group from 3 December 2013 and of Sydney Airport Trust 1 Group (the SAT1 Group) to 2 December 2013) to its distributions declared. The second table incorporates ASX-listed Sydney Airport cash flows to determine total cash available to investors. Non-IFRS financial information below has not been audited by the external auditor, but has been sourced from the financial reports.

	SCACH ¹ 31 Dec 2013 \$m ²	SCACH ¹ 31 Dec 2012 \$m ²	ASX-listed Sydney Airport interest ³ 31 Dec 2013 \$m ²	ASX-listed Sydney Airport interest 31 Dec 2012 \$m ²
Loss before income tax expense ⁴	(55)	(98)	(51)	(83)
Add back: interest on redeemable preference shares (RPS) held by ordinary shareholders ⁴	288	284	267	241
Add back: depreciation and amortisation ⁴	229	228	212	193
Profit before tax, shareholder interest, depreciation and amortisation	462	414	428	351
Add back non-cash financial expenses				
- Fair value adjustment to derivatives ⁵	12	5	11	4
- Amortisation of debt establishment costs ⁵	18	21	17	18
- Capital Indexed Bonds capitalised ⁵	24	27	22	23
- Borrowing costs capitalised ⁵	(10)	(8)	(9)	(7)
Total non-cash financial expenses	44	45	41	38
Add / (subtract) other cash movements				
Movement in cash reserved for specific purposes ⁶	(13)	28	(12)	24
Other	(5)	(13)	(5)	(11)
Total other cash movements	(18)	15	(17)	13
Cash flow available to SCACH shareholders	488	474	452	402

	Corporate 31 Dec 13 \$m	Corporate 31 Dec 12 \$m
ASX-listed Sydney Airport share of SCACH cash flow	452	402
Corporate receipts ⁷	5	7
Corporate costs ⁷	(14)	(9)
Corporate transaction costs ⁷	1	(8)
Net Operating Receipts	444	392
Stapled securities on issue ('m) ⁸	1,977	1,861
Cash flow per stapled security	22.5 cents	21.1 cents
Distributions declared per stapled security	22.5 cents	21.0 cents

¹ Southern Cross Airports Corporation Holdings Limited.

² Disclosure rounded to the nearest million and may not exactly match disclosure elsewhere in the Sydney Airport Financial Report for Year Ended 31 December 2013 which are rounded to the nearest hundred thousand.

³ Ownership percentage reflects SAL's incremental increase in ownership of SCACH from 84.8% to 100.0% at 31 December 2013.

⁴ These numbers are taken from the Consolidated Income Statements in the SCACH Audited General Purpose Financial Report for year ended 31 December 2013.

⁵ These numbers are taken from Note 2(f) in the SCACH Audited General Purpose Financial Report for year ended 31 December 2013.

⁶ These numbers are taken from Note 25 in the SCACH Audited General Purpose Financial Report for year ended 31 December 2013.

⁷ These numbers are calculated from Corporate items shown separately in the Consolidated Statements of Cash Flows in the Sydney Airport Financial Report for Year Ended 31 December 2013.

⁸ Stapled securities on issue reflects the weighted average number of ASX-listed Sydney Airport securities on issue during the year ended 31 December 2013.

Sydney Airport

Pro Forma Financial Statements

Pro Forma Consolidated Statement of Comprehensive Income

	Group Year ended 31 Dec 2013 \$m	Group Year ended 31 Dec 2012 \$m
Revenue	1,138.8	1,055.3
Other income	0.4	(6.8)
Total revenue	1,139.2	1,048.5
Finance costs	470.1	459.6
Other expenses	543.2	498.0
Total operating expenses	1,013.3	957.6
Profit before income tax benefit / (expense)	125.9	90.9
Income tax benefit / (expense)	(96.8)	67.2
Profit after income tax benefit / (expense)	29.1	158.1
Profit attributable to non-controlling interests	(12.5)	(21.1)
Net profit attributable to investors	41.6	179.2

Basis of Preparation

The Pro Forma Consolidated Statement of Comprehensive Income represents the results of ASX-listed Sydney Airport (the Group) for year ended 31 December 2013. Measurement principles of Australian Accounting Standards other than the provisions in relation to the identification of the parent entity within AASB 3: *Business Combinations* have been applied in the preparation of the Pro Forma Consolidated Statement of Comprehensive Income.

The Pro Forma Consolidated Statement of Comprehensive Income differs from an aggregation of the results for the SAL Group for the period ended 31 December 2013 and the SAT1 Group for year ended 31 December 2013 disclosed in the Consolidated Statements of Comprehensive Income in the Sydney Airport Financial Report by eliminating the results for the period from 3 December 2013 to 31 December 2013 (29 days) of the post-Restructure SAT1 Group on a standalone basis.

Reconciliation of Statutory Profit¹ to Pro Forma Profit After Income Tax Benefit / (Expense)

Statutory Profit of \$47.1 million has been adjusted for:

- interest income from related parties of (\$20.2 million); and
- finance and other expenses of \$2.2 million

to determine the Pro Forma Profit After Income Tax Benefit / (Expense) of \$29.1 million.

¹ Statutory Profit is defined as an aggregation of the Profit After Income Tax Benefit / (Expense) for the SAL Group for the period ended 31 December 2013 and the SAT1 Group for year ended 31 December 2013 disclosed in the Consolidated Statements of Comprehensive Income in the Sydney Airport Financial Report for Year Ended 31 December 2013.

Sydney Airport

Pro Forma Financial Statements

Pro Forma Profit or Loss for the Year

Profit before income tax benefit / (expense) includes the following specific items of revenue, other income and expense:

	Group 31 Dec 2013 \$m	Group 31 Dec 2012 \$m
Revenue		
Aeronautical revenue	464.2	433.2
Aeronautical security recovery	83.7	77.4
Retail revenue	241.6	235.1
Property and car rental revenue	187.2	169.0
Car parking and ground transport revenue	132.3	119.3
Interest income from other corporations	14.2	17.4
Other income	15.6	3.9
Total revenue	1,138.8	1,055.3
Other income		
Foreign exchange gains	0.4	0.9
Foreign exchange gains on recycling of foreign currency translation reserve	-	(2.5)
Fair value gains on derivative contracts	-	(5.2)
Total other income	0.4	(6.8)
Total revenue	1,139.2	1,048.5

	Group 31 Dec 2013 \$m	Group 31 Dec 2012 \$m
Finance costs		
Interest expense – Sydney Airport	467.3	456.9
Loan facility fees	2.8	2.7
Total finance costs	470.1	459.6
Other expenses		
Amortisation and depreciation	300.1	300.1
Channel related initiatives	3.6	3.7
Employee benefits expenses	46.9	42.4
Services and utilities	50.6	46.6
Property and maintenance	18.8	18.1
Recoverable aeronautical security expenses	73.1	66.2
Compliance and listing fees	1.6	1.4
Investment transaction expenses	19.3	2.2
Legal, audit and professional fees	1.5	2.3
Fair value losses on derivative contracts	11.5	-
Other operational costs	16.2	15.0
Total other expenses	543.2	498.0
Total operating expenses	1,013.3	957.6

Basis of Preparation

The Pro Forma Profit or Loss for the Year represents the revenue, other income and expense of ASX-listed Sydney Airport for year ended 31 December 2013. Measurement principles of Australian Accounting Standards other than the provisions in relation to the identification of the parent entity within AASB 3: *Business Combinations* have been applied in the preparation of the Pro Forma Profit or Loss for the Year.

The Pro Forma Profit or Loss for the Year differs from an aggregation of the revenue, other income and expense for the SAL Group for the period ended 31 December 2013 and the SAT1 Group for year ended 31 December 2013 disclosed in Note 3 of the Sydney Airport Financial Report by eliminating the revenue, other income and expense for the period from 3 December 2013 to 31 December 2013 (29 days) of the post-Restructure SAT1 Group on a standalone basis.

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Pro Forma Financial Statements

Pro Forma Consolidated Statement of Cash Flows

	Group 31 Dec 2013 \$m	Group 31 Dec 2012 \$m
Cash flows from operating activities		
Airport interest received	9.9	11.7
Corporate interest received	4.9	6.4
Airport revenue received (inclusive of goods and services tax)	1,223.6	1,164.6
Airport operating expenses paid (inclusive of goods and services tax)	(332.5)	(305.9)
Corporate operating expenses paid (inclusive of goods and services tax)	(9.2)	(9.6)
Corporate income taxes paid	(0.5)	(0.1)
Corporate indirect taxes received	-	2.5
Corporate other income received	0.1	0.2
Net cash flows from operating activities	896.3	869.8
Cash flows from investing activities		
Corporate transaction items	2.6	(8.4)
Receipt / (payment) for short-term financial assets	15.4	(15.4)
Payments for purchase of fixed assets	(236.1)	(210.6)
Proceeds from disposal of fixed assets	0.3	0.3
Payment for ATO settlement	(69.0)	-
Payment for stamp duty	(63.0)	-
Payment for escrow deposit	(0.8)	-
Net cash flows from investing activities	(350.6)	(234.1)
Cash flows from financing activities		
Airport borrowing costs paid	(270.0)	(324.2)
Corporate borrowing costs paid	(3.1)	(2.2)
Repayment of borrowings	(329.3)	(1,725.6)
Proceeds received from borrowings	634.3	1,287.4
Settlement of derivatives	(141.9)	(102.5)
Distributions paid to SYD security holders	(390.9)	(390.8)
Distributions and dividends paid to non-controlling interest	(35.2)	(68.4)
Net cash flows from financing activities	(536.1)	(1,326.3)
Net increase / (decrease) in cash and cash equivalents held	9.6	(690.6)
Cash and cash equivalents at beginning of the year	433.7	1,124.3
Cash and cash equivalents at end of the year	443.3	433.7

Basis of Preparation

The Pro Forma Consolidated Statement of Cash Flows represents the cash flows of ASX-listed Sydney Airport for year ended 31 December 2013. Measurement principles of Australian Accounting Standards other than the provisions in relation to the identification of the parent entity within AASB 3: *Business Combinations* have been applied in the preparation of the Pro Forma Consolidated Statement of Cash Flows.

The Pro Forma Consolidated Statement of Cash Flows differs from an aggregation of the cash flows for the SAL Group for the period ended 31 December 2013 and the SAT1 Group for year ended 31 December 2013 disclosed in the Consolidated Statements of Cash Flows in the Sydney Airport Financial Report by eliminating the cash flows for the period from 3 December 2013 to 31 December 2013 (29 days) of the post-Restructure SAT1 Group on a standalone basis.

Reconciliation of Statutory Net Increase / (Decrease) in Cash and Cash Equivalents Held¹ to Pro Forma Net Increase / (Decrease) in Cash and Cash Equivalents Held

Statutory Net Increase / (Decrease) in Cash and Cash Equivalents Held of \$11.1 million has been adjusted for:

- net cash flows from operating activities relating to operating expenses paid of (\$0.5 million);
- net cash flows from investing activities relating to transfer of cash balances on Restructure of (\$13.0 million) and corporate transaction items of \$1.8 million; and
- net cash flows from financing activities relating to related party transfers of \$10.2 million

to determine the Pro Forma Net Increase / (Decrease) in Cash and Cash Equivalents Held of \$9.6 million.

¹ Statutory Net Increase / (Decrease) in Cash and Cash Equivalents Held is defined as an aggregation of the Net Increase / (Decrease) in Cash and Cash Equivalents Held for the SAL Group for the period ended 31 December 2013 and the SAT1 Group for year ended 31 December 2013 disclosed in the Consolidated Statements of Cash Flows in the Sydney Airport Financial Report for Year Ended 31 December 2013.



Independent limited assurance report on Sydney Airport Limited's compilation of Pro Forma Consolidated Financial Statements

We have completed our limited assurance engagement to report on Sydney Airport Limited's (the Group's) compilation of the Pro Forma Consolidated Financial Statements for the year ended 31 December 2013, comprising the Pro Forma Consolidated Statement of Comprehensive Income, Pro Forma Profit or Loss for the Year and Pro Forma Consolidated Statement of Cash Flows for the Group with Sydney Airport Trust 1 ("SAT1") as Parent entity of the Group ("the Pro Forma Consolidated Financial Statements"). The applicable criteria on which Management have compiled the Pro Forma Consolidated Financial Statement is described in a basis of preparation paragraph included below each individual Pro Forma Consolidated Financial Statement (in aggregate "the Basis of Preparation").

The Pro Forma Consolidated Financial Statements have been prepared and compiled by Management to illustrate the financial performance and cash flows of the Group for the year ended 31 December 2013 as if SAT1 was the parent entity of the Group for the full year.

Management's responsibility for the Pro Forma Consolidated Financial Statements

Management of the Group are responsible for properly compiling the Pro Forma Consolidated Financial Statements in accordance with the Basis of Preparation. This responsibility includes such internal control as Management determine is necessary to enable the preparation of the Pro Forma Consolidated Financial Statements that are free from material misstatement whether due to fraud or error.

Assurance practitioner's responsibility

Our responsibility is to express a conclusion on whether anything has come to our attention that causes us to believe that the Pro Forma Consolidated Financial Statements are not compiled, in all material respects, by Sydney Airport Limited in accordance with the Basis of Preparation.

We have conducted our limited assurance engagement in accordance with the Assurance Standards applicable to pro forma financial information issued by the Auditing and Assurance Standards Board.

A limited assurance engagement involves performing procedures to assess whether the Basis of Preparation used by Management in the compilation of the Pro Forma Consolidated Financial Statements does not provide a reasonable basis for presenting the Pro Forma Consolidated Financial Statements.

The procedures we performed were based on our professional judgement and included making enquiries, primarily of persons responsible for financial and accounting matters, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of supporting documentation and agreeing or reconciling with underlying records, and other procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. 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 a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Financial Statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence

In conducting our limited assurance engagement, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

Conclusion

Based on the procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Pro Forma Consolidated Financial Statements are not compiled, in all material respects, by Sydney Airport Limited in accordance with the Basis of Preparation.

Consent

KPMG has consented to this report being made available to investors and potential investors of Sydney Airport Limited in its full form and context in which it has been compiled.

Basis of Preparation

Without modifying our conclusion, we draw attention to the Basis of Preparation of the Pro Forma Consolidated Financial Statements which comprises the individual basis of preparation paragraphs below each individual Pro Forma Consolidated Financial Statement. These paragraphs describe the basis of preparation of the Pro Forma Consolidated Financial Statements as presenting information that has been extracted from the underlying accounting system and includes management consolidation journals recognised in line with the recognition and measurement principles contained in Australian Accounting Standards and Sydney Airport Limited's adopted accounting policies, with the exception of AASB 3 *Business Combinations* in relation to determining the parent entity. In the Pro Forma Consolidated Financial Statements, Management have not applied AASB 3 principles in determining the Parent entity of the Sydney Airport Limited Group and have assumed SAT 1 to be the parent entity for the 365 day period ended 31 December 2013.

KPMG
Sydney
25 February 2014