

SCHEME BOOKLET

In relation to the proposed acquisition of Sydney Airport by an entity controlled by the Sydney Aviation Alliance, to be effected by way of a company scheme of arrangement and trust scheme.

VOTE IN FAVOUR

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT SYDNEY AIRPORT SECURITYHOLDERS VOTE IN FAVOUR OF THE SCHEMES IN THE ABSENCE OF A SUPERIOR PROPOSAL.

Due to the ongoing uncertainty brought about by the COVID-19 pandemic, the Scheme Meetings will be held as virtual meetings, facilitating attendance and participation online. The Scheme Meetings will commence from 11.00am (Sydney time) on Thursday, 3 February 2022.

This Scheme Booklet is important and requires your prompt attention. You should read it in its entirety, and consider its contents carefully, before deciding whether or not to vote in favour of the Schemes. If you are in any doubt about what you should do, you should consult with a financial, legal, taxation or other professional adviser.

If you have any questions in relation to this Scheme Booklet or the Schemes, please contact the Sydney Airport Securityholder Information Line on 1300 367 804 (within Australia) or +61 2 9066 6162 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

This Scheme Booklet is prepared for persons shown in the Sydney Airport Security Register as holding Sydney Airport Securities. If you have recently sold all of your Sydney Airport Securities, please disregard this Scheme Booklet.

Financial Advisers

Barrenjoey[®]  UBS

Legal Adviser

Allens & Linklaters

General

This Scheme Booklet is important and requires your immediate attention. If you have sold all of your Sydney Airport Securities, please ignore this Scheme Booklet. If you are a Sydney Airport Securityholder, you should read this Scheme Booklet and its Annexures in full, and consider its contents carefully, before deciding how to vote on the Scheme Resolutions.

In particular, it is important that you consider the reasons to vote in favour of the Schemes, which are set out in Section 1.1 (**Why you should vote in favour of the Schemes**), the reasons why you may not want to vote in favour of the Schemes which are set out in Section 1.2 (**Why you may wish to vote against the Schemes**) and the views of the Independent Expert which are set out in the Independent Expert's Report in Annexure A (**Independent Expert's Report**).

A number of defined terms are used in this Scheme Booklet. These terms are defined and explained in the Glossary in Section 10.1 (**Glossary**). Section 10.2 (**Interpretation**) also sets out rules of interpretation which apply to this Scheme Booklet.

If you are in doubt as to what you should do, you should consult an independent and appropriately licensed professional adviser without delay.

Purpose of this Scheme Booklet

This Scheme Booklet is the explanatory statement issued by Sydney Airport to Sydney Airport Securityholders in connection with the Scheme Meetings to be held online commencing at 11.00am (Sydney time) on Thursday, 3 February 2022 in relation to the proposed acquisition by Sydney Aviation Alliance Pty Ltd (ACN 651 567 841) of all of the Sydney Airport Securities under the Schemes.

The purposes of this Scheme Booklet are to:

- provide Sydney Airport Securityholders with information about the Transaction;
- explain the terms and effect of the Schemes;
- explain the manner in which the Schemes will be considered and, if approved, implemented;
- provide you with certain information required by law and all other information known to Sydney Airport Board Members which is material to your decision to vote in favour of, or against, the applicable Scheme Resolutions detailed in the Notices of Meetings included as Annexure E (**Notices of Meetings**); and
- include the explanatory statement required by Part 5.1 of the Corporations Act in relation to the Company Scheme and a comparable explanatory statement in respect of the Trust Scheme having regard to the *Takeovers Panel Guidance Note 15: Trust Scheme Mergers*.

If you have any questions, please contact the Sydney Airport Securityholder Information Line on 1300 367 804 (within Australia) or +61 2 9066 6162 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

The Schemes are subject to a number of conditions, including Sydney Airport Securityholder approval of the Scheme Resolutions and subsequent approval by the Court (see Section 3.4(c) (**Second Court Hearing**)). If the Schemes are approved by the Court, they will be binding on every Sydney Airport Securityholder (whether or not a Sydney Airport Securityholder voted, and whether or not a Sydney Airport Securityholder voted in favour of or against the Schemes).

No financial product or investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to your own investment objectives, financial situation, taxation position or particular needs. You must make your own decision in this regard. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as, financial product advice. This Scheme Booklet (including the taxation report in Section 8 (**Taxation implications**)) does not constitute tax advice. You will need to consult your own tax adviser regarding the consequences of the Transaction in light of your particular circumstances.

It is important that you read this Scheme Booklet in its entirety before making any investment decision and any decision as to whether or not to vote in favour of the Schemes. If you are in any doubt in relation to these matters, you should consult with a financial, legal, taxation or other professional adviser.

Not an offer

This Scheme Booklet does not constitute or contain an offer to Sydney Airport Securityholders, or a solicitation of an offer from Sydney Airport Securityholders, in any jurisdiction.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations outside of Australia.

Regulatory information

This Scheme Booklet includes the explanatory statement for the Schemes required by section 412(1) of the Corporations Act. A copy of the proposed Company Scheme is included in this Scheme Booklet in Annexure B and a copy of the SAT1 Trust Supplemental Deed (to give effect to the Trust Scheme) is included in this Scheme Booklet in Annexure C.

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and was lodged with ASIC for registration under section 412(6) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being sent to Sydney Airport Securityholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Schemes. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Schemes. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet will be lodged with the ASX. Neither the ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

Notices of Meetings

The Notices of Meetings, which include resolutions to approve the Company Scheme and Trust Scheme, are set out in Annexure E (**Notices of Meetings**).

Sydney Airport Securityholder's right to appear at the Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Company Scheme following the vote at the Scheme Meetings.

Any Sydney Airport Securityholder may appear at the Second Court Hearing, expected to be held at 9:15am (Sydney time) on Wednesday, 9 February 2022 at the Supreme Court of New South Wales, Law Courts Building, 184 Phillip Street, Sydney.

Any Sydney Airport Securityholder who wishes to oppose approval of the Company Scheme or granting of the Second Judicial Advice at the Second Court Hearing may do so by filing with the Court and serving on Sydney Airport a notice of appearance in the prescribed form together with any affidavit that the Sydney Airport Securityholder proposes to rely on.

It is possible that, because of restrictions imposed in response to the COVID-19 pandemic, the Second Court Hearing will be conducted by remote access technology, including via a dedicated video conferencing service or telephone conferencing. A Sydney Airport Securityholder seeking to attend the Second Court Hearing should review the Court list (available at <https://onlineregistry.lawlink.nsw.gov.au/content/>) for details of the hearing and how such hearing can be attended. The Court list is usually available by 3:30pm the day before a scheduled hearing. Any change to the date or arrangements for the conduct of the Second Court Hearing will be announced on ASX (www.asx.com.au) and will also be notified on the Sydney Airport website at www.sydneyairport.com.au.

IMPORTANT NOTICE ASSOCIATED WITH THE COURT ORDER UNDER SECTION 411(1) OF THE CORPORATIONS ACT

The fact that under section 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has directed that an explanatory statement accompany the Notices of Meetings, or the fact that the Court has given the First Judicial Advice that TTCSAL would be justified in convening the Trust Scheme Meeting does not mean that the Court:

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

The order of the Court that the Scheme Meetings be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Schemes.

Responsible entity

TTCSAL is the responsible entity of SAT1. SAT1 is a registered managed investment scheme under Chapter 5C of the Corporations Act. Unless the context otherwise requires in this Scheme Booklet, a reference to TTCSAL (or to Sydney Airport insofar as the reference applies to TTCSAL) is a reference to it in its capacity as responsible entity of SAT1.

Disclaimer as to forward looking statements

This Scheme Booklet contains both historical and forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements.

All forward looking statements in this Scheme Booklet reflect views, and are held, only as at the date of this Scheme Booklet, and generally may be identified by the use of forward looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Similarly, statements that describe Sydney Airport, the Bidder or the Consortium Group's objectives, plans, goals or expectations are or may be forward looking statements.

Any statements contained in this Scheme Booklet about the impact that the Schemes may have on the results of Sydney Airport operations, and the advantages and disadvantages anticipated to result from the Schemes, are also forward looking statements.

All forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by those forward looking statements.

The operations and financial performance of Sydney Airport are subject to various risks, including those summarised in this Scheme Booklet, which may be beyond the control of Sydney Airport, the Bidder and/or the Consortium Group. Sydney Airport Securityholders should note that the historical financial performance of Sydney Airport provides no assurance of the future financial performance of Sydney Airport (whether the Schemes are implemented or not). Those risks and uncertainties include factors and risks specific to the industry in which Sydney Airport operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. As a result, the actual results of operations and earnings of Sydney Airport following implementation of the Schemes, as well as the actual advantages of the Schemes, may differ significantly from those that are anticipated and may never be achieved.

The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet.

Although Sydney Airport believes that the views reflected in any forward looking statements included in the Sydney Airport Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct. Although the Bidder believes that the views reflected in any forward-looking statements included in the Bidder Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

None of Sydney Airport, the Bidder or the other Consortium Group Members, Sydney Airport's officers, the Bidder's officers, the officers of the other Consortium Group Members, any persons named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement.

All subsequent written and oral forward-looking statements attributable to any member of Sydney Airport or the Bidder or any person acting on their behalf are qualified by this cautionary statement.

Subject to any continuing obligations under relevant laws or the listing rules of a relevant exchange, Sydney Airport and the Bidder do not give any undertaking to update or revise any such statements after the date of this Scheme Booklet to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Diagrams, charts, maps, graphs and tables

Any diagrams, charts, maps, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

Responsibility statement

Sydney Airport has been solely responsible for preparing the Sydney Airport Information. The Sydney Airport Information concerning Sydney Airport and the intentions, views and opinions of Sydney Airport and the Sydney Airport Board Members contained in this Scheme Booklet has been prepared by Sydney Airport and the Sydney Airport Board Members and is the responsibility of Sydney Airport. The Bidder and the Consortium Group or their respective Affiliates or any of their respective directors, officers, employees and advisers have not verified any Sydney Airport Information and do not assume any responsibility for the accuracy or completeness of any Sydney Airport Information or the Independent Expert's Report (or any information contained therein).

The Bidder has been solely responsible for preparing the Bidder Information. The Bidder Information concerning the Bidder and the intentions, views and opinions of the Bidder, HoldCo and the Consortium Group contained in this Scheme Booklet has been prepared by the Bidder and is the responsibility of the Bidder. Sydney Airport and its Affiliates and their respective directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of any Bidder Information.

The Independent Expert, Kroll Australia Pty Ltd, has prepared the Independent Expert's Report in relation to the Schemes and takes responsibility for that report. None of Sydney Airport, the Bidder or the Consortium Group or their respective Affiliates or any of their respective directors, officers, employees and advisers takes any responsibility for the Independent Expert's Report. The Independent Expert's Report is set out in Annexure A (Independent Expert's Report).

Neither the Independent Expert nor any of its subsidiaries, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of any other part of this Scheme Booklet.

Sydney Airport's tax adviser, PricewaterhouseCoopers, has been solely responsible for preparing Section 8 (**Taxation implications**). None of Sydney Airport, the Bidder or the Consortium Group or their respective Affiliates or any of their respective directors, officers, employees and advisers takes any responsibility for Section 8.

Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the Sydney Airport Registry. Computershare has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

Privacy

Sydney Airport, the Bidder, HoldCo, their respective share registries, agents and representatives may collect personal information in the process of implementing the Schemes. Such information may include the name, contact details and securityholdings of Sydney Airport Securityholders and the name of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Scheme Meetings. The primary purpose of the collection of personal information is to assist Sydney Airport to conduct the Scheme Meetings and to implement the Schemes. Personal information of the type described above may be disclosed to the Sydney Airport Registry, print and mail service providers, authorised securities brokers, any member of the Consortium Group, Sydney Airport and its Affiliates, and Sydney Airport and the Consortium's advisers and service providers. Sydney Airport Securityholders have certain rights to access personal information that has been collected. Sydney Airport Securityholders should contact the Sydney Airport Registry in the first instance if they wish to access their personal information. Sydney Airport Securityholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

Times and dates

Unless otherwise stated, all times referred to in this Scheme Booklet are times in Sydney, Australia. All dates are indicative only and are subject to the Court approval process and the satisfaction or, where capable, waiver of the Conditions Precedent to the implementation of the Schemes. The Conditions Precedent are summarised in Section 9.11(a) (**Conditions Precedent**) (and set out in full in clause 3.1 of the Scheme Implementation Deed).

Supplementary information

Please refer to Section 9.15 (**Supplementary information**) for information about the steps that Sydney Airport will take if information about the Schemes needs to be updated.

Currency and exchange

Unless otherwise stated, all dollar amounts in this Scheme Booklet are in Australian Dollars and all security prices and trading volumes refer to Sydney Airport Securities trading on ASX.

Date of this Scheme Booklet

This Scheme Booklet is dated 17 December 2021.

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Scheme Meetings

The Scheme Meetings will be held as virtual meetings, facilitating attendance and participation by Sydney Airport Securityholders and their validly appointed proxies, attorneys and corporate representatives online.

- The General Scheme Meetings will be held concurrently at 11.00am (Sydney time) on Thursday, 3 February 2022 via Sydney Airport's online meeting platform at <https://meetnow.global/M4FZK7U>.
- The UniSuper Scheme Meetings will be held concurrently on Thursday, 3 February 2022 via Sydney Airport's online meeting platform at <https://meetnow.global/M4FZK7U>, commencing immediately following the conclusion of the General Scheme Meetings.

You will be able to attend and vote at the Scheme Meetings via Sydney Airport's online meeting platform by using a web browser on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible. Sydney Airport Securityholders who participate in the Scheme Meetings via the online platform will be able to listen to proceedings and ask questions or make comments.

Sydney Airport Securityholders will also have the opportunity to listen to proceedings and ask questions or make comments at the Scheme Meetings via a teleconference facility by dialling 1800 416 188 (within Australia) or +61 2 9189 1107 (outside Australia) during the Scheme Meetings.

You will require a unique PIN to participate via the teleconference facility. To obtain your unique PIN, prior to commencement of the Scheme Meetings please contact the Sydney Airport Securityholder Information Line on 1300 367 804 (within Australia) or +61 2 9066 6162 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time), and have your SRN/HIN available.

Further details relating to the Scheme Meetings are set out in Section 4.5 (**How to vote**) and in the Notices of Meetings included as Annexure E (**Notices of Meetings**).

What should I do next?

Step 1: Carefully read this Scheme Booklet and its Annexures

You should read this Scheme Booklet and its Annexures in full before deciding how to vote. The frequently asked questions in Section 2 (**Frequently asked questions**) may help answer some of your questions. If you are in any doubt about what you should do, you should consult with a financial, legal, taxation or other professional adviser.

Step 2: Vote on the Scheme Resolutions

If you are a Sydney Airport Securityholder at 7:00pm (Sydney time) on 1 February 2022, then you are entitled to vote on the Scheme Resolutions applicable to you at the Scheme Meetings.

The Scheme Resolutions in relation to each Scheme are conditional upon the Scheme Resolutions in relation to the other Scheme being approved and all Scheme Resolutions must be passed by the requisite majorities of Sydney Airport Securityholders for the Schemes to proceed.

For that reason, Sydney Airport has determined that the General Scheme Meetings and UniSuper Scheme Meetings will each be run concurrently in all respects. As a practical matter from an administrative and attendee point of view, as far as possible the conduct in respect of the General Scheme Meetings and the UniSuper Scheme Meetings will be as if they were each one single meeting.

You can vote in either of the following ways:

- by attending the Scheme Meetings via Sydney Airport's online meeting platform at <https://meetnow.global/M4FZK7U> commencing at 11.00am (Sydney time) on Thursday, 3 February 2022; or
- by appointing a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative to virtually attend and vote at the Scheme Meetings on your behalf.

Voting on the Scheme Resolutions will be conducted by poll.

To ensure your Proxy Form is valid, you should return it so that it is received by 11.00am (Sydney time) on Tuesday, 1 February 2022. Further instructions on how to vote at the Scheme Meetings and for completing and returning your Proxy Form are in Section 4.5 (**How to vote**) and in the Notices of Meetings included as Annexure E (**Notices of Meetings**).

Key Dates

Event	Date
Date of this Scheme Booklet	17 December 2021
First Court Date	17 December 2021
Receipt of Proxy Forms for Scheme Meetings Last date and time for receipt of Proxy Forms (including proxies lodged online), powers of attorney or certificates of appointment of body corporate representatives for: <ul style="list-style-type: none"> – the General Scheme Meetings; and – the UniSuper Scheme Meetings. 	11.00am (Sydney time) on 1 February 2022
Time for determining eligibility to vote at Scheme Meetings Time and date for determining eligibility to vote at the Scheme Meetings.	7.00pm (Sydney time) on 1 February 2022
Scheme Meetings Due to the ongoing uncertainty brought about by the COVID-19 pandemic, the Scheme Meetings will be held as virtual meetings, facilitating attendance and participation online. Sydney Airport Securityholders (or their proxies, attorneys or corporate representatives) can attend online via Sydney Airport’s online meeting platform. Further details relating to the Scheme Meetings are set out in Section 4 (<i>Scheme Meeting details, Sydney Airport Securityholder approvals and how to vote</i>) and in the Notices of Meetings included at Annexure E.	General Scheme Meetings 11.00am (Sydney time) on 3 February 2022 UniSuper Scheme Meetings The UniSuper Scheme Meetings will commence immediately following the conclusion of the General Scheme Meetings
If the Schemes are approved by eligible Sydney Airport Securityholders at the Scheme Meetings	
Second Court Date For approval of the Schemes.	9 February 2022
Effective Date The date on which the Schemes become Effective and are binding on Sydney Airport Securityholders. The Court order will be lodged with ASIC and announced on the ASX. Last day of trading in Sydney Airport Securities – Sydney Airport suspended from trading on the ASX from close of trading.	9 February 2022
If the Schemes are approved by the Court and become Effective	
Scheme Record Date All Sydney Airport Securityholders who hold Sydney Airport Securities on the Scheme Record Date will be entitled to receive the Scheme Consideration.	7.00pm (Sydney time) on 16 February 2022
Implementation Date All Scheme Securityholders will be paid the Scheme Consideration to which they are entitled on this date and their Scheme Securities will be transferred to the Bidder.	9 March 2022

All dates are indicative only and, among other things, are subject to all necessary approvals from the Court and any other regulatory authority. Any changes to the above timetable (which may include an earlier or later date for the Scheme Meetings or Second Court Hearing) will be announced through the ASX and notified on Sydney Airport’s website at www.sydneyairport.com.au.

All references to time in this Scheme Booklet are references to Sydney, Australia time, unless otherwise stated. Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.

Sydney Airport Securityholders who have elected to receive communications electronically will receive an email that contains instructions about how to view or download a copy of the Scheme Booklet, and to lodge their proxy online. The Scheme Booklet will also be available for viewing and downloading on Sydney Airport’s website at www.sydneyairport.com.au.

Letter from the Chairman of Sydney Airport

17 December 2021

Dear Sydney Airport Securityholders,

On behalf of the Sydney Airport Board, I am pleased to provide you with this Scheme Booklet in relation to the proposed acquisition of all of the securities in Sydney Airport for cash consideration of \$8.75 per Scheme Security¹ (the **Transaction**) by Sydney Aviation Alliance Pty Ltd (the **Bidder**).

The Bidder is an entity controlled by the Sydney Aviation Alliance, which is a consortium of investors comprising entities associated with AustralianSuper, IFM Australian Infrastructure Fund, QSuper, IFM Global Infrastructure Fund and Global Infrastructure Partners.

It is proposed that the Transaction will be effected by way of the Company Scheme (in relation to SAL) and the Trust Scheme (in relation to SAT1) (the **Schemes**). In order for the Schemes to proceed, they must be approved by the requisite majorities at meetings of Sydney Airport Securityholders (the **Scheme Meetings**), and then by the Court. The Schemes are also subject to FIRB approval being obtained, and to certain other conditions described in this Scheme Booklet.

The purpose of this Scheme Booklet is to provide you with information about the Transaction to assist you in making your determination as to how to vote at the Scheme Meetings.

Summary

This letter sets out:

- the background to the Transaction, which if implemented would give Sydney Airport Securityholders (other than the UniSuper Securityholder) \$8.75 in cash per Scheme Security held by them;
- the Sydney Airport Board's unanimous recommendation that Sydney Airport Securityholders vote in favour of the Schemes in the absence of a Superior Proposal, and the key reasons for the Sydney Airport Board's recommendation;
- the conclusion of the Independent Expert, Kroll Australia Pty Ltd, that the Schemes are in the best interests of Sydney Airport Securityholders, other than UniSuper, in the absence of a Superior Proposal. It also assessed the Schemes to be fair and reasonable. The Independent Expert has assessed the underlying value of Sydney Airport Securities at between \$7.94 and \$8.86 per security, making the \$8.75 Scheme Consideration at the upper end of this range; and
- how to vote at the Scheme Meetings, which will be held virtually commencing at 11.00am (Sydney time) on Thursday, 3 February 2022.

You should read this letter, the Scheme Booklet and the Independent Expert's Report in full, and consider their contents carefully, before deciding how to vote on the resolutions at the Scheme Meetings.

Background to the Transaction

On 5 July 2021, Sydney Airport announced that it had received an unsolicited and non-binding proposal from the Sydney Aviation Alliance to acquire all of Sydney Airport Securities at an indicative price of \$8.25 per stapled security (the **First Offer**). The Sydney Airport Board was well prepared to respond to this unsolicited proposal, having undertaken considerable analysis of the long-term fundamental value of Sydney Airport in preparation for any such approach. After assessing the terms of the First Offer, with the benefit of advice from legal and financial advisers, and having regard to the Board's view on the long-term fundamental value, the Board rejected the First Offer as not providing sufficient value for Sydney Airport Securityholders.

Following this rejection, on 16 August 2021, Sydney Airport announced that it had received a further revised proposal from the Consortium at an indicative price of \$8.45 per Sydney Airport Security on terms and conditions otherwise consistent with the First Offer (the **Second Offer**). The Second Offer represented an increase of \$0.20 per Sydney Airport Security, equivalent to an increase in transaction value of approximately \$540 million over the First Offer.

Once again, the Second Offer was rejected as not providing sufficient value for Sydney Airport Securityholders in light of the Sydney Airport Board's view of the long-term fundamental value of Sydney Airport.

1) Other than the approximate 15.01% security holding beneficially owned by UniSuper (i.e. the UniSuper Specified Securities) which is to be transferred to the Bidder in return for a 15.01% interest in the holding company of the Bidder (HoldCo), as discussed below.

Letter from the Chairman of Sydney Airport continued

On 13 September 2021, Sydney Airport announced that it had received a further revised proposal from the Consortium with improved consideration of \$8.75 per Sydney Airport Security on terms and conditions consistent with the previous proposals (the **Third Offer**). The Third Offer represented an increase of \$1.3 billion in value for Sydney Airport Securityholders over the First Offer.

The Sydney Airport Board undertook a detailed assessment of the Third Offer, against the Sydney Airport Board's assessment of the long-term value of Sydney Airport, and determined that it was in the best interests of Sydney Airport Securityholders to provide the Bidder with access to due diligence on a non-exclusive basis. The Sydney Airport Board also determined, subject to completion of due diligence and the agreement of acceptable transaction documentation, to unanimously recommend the Third Offer in the absence of a Superior Proposal.

Following the completion of due diligence, Sydney Airport announced on 8 November 2021 that it had entered into a Scheme Implementation Deed with the Bidder, under which Sydney Airport agreed to put the Transaction to a vote of Sydney Airport Securityholders at the Scheme Meetings.

Sydney Airport Board recommendation

The Sydney Airport Board unanimously recommends that Sydney Airport Securityholders vote in favour of the Schemes in the absence of a Superior Proposal. The Sydney Airport Board believes that the Scheme Consideration of \$8.75 per Scheme Security fairly reflects the fundamental long term value of Sydney Airport.

In undertaking its assessment of the proposal, the Sydney Airport Board has taken into account, amongst other factors:

- the strategic nature of Sydney Airport as a world class airport and one of Australia's most important infrastructure assets;
- the historical growth in the years prior to the impact of the COVID-19 pandemic;
- the potential to create additional value through further development of on-airport commercial property opportunities; and
- Sydney Airport's significant value creation for Sydney Airport Securityholders in the years prior to the COVID-19 pandemic.

The Sydney Airport Board is of the view that these factors are appropriately reflected in the Scheme Consideration offered under the Consortium's proposal.

In summary, the key reasons for the Sydney Airport Board's recommendation to vote in favour are as follows:

- a) The Scheme Consideration of \$8.75 per Scheme Security represents a significant premium to Sydney Airport's recent historical trading prices prior to announcement of the Sydney Aviation Alliance proposal. It represents a:
 - i) 50.6% premium to the last closing price of Sydney Airport Securities on 2 July 2021 of \$5.81 per Sydney Airport Security (being the last trading day before the announcement of the Sydney Aviation Alliance's first proposal);
 - ii) 46.7% premium to the one-month volume weighted average price (**VWAP**) up to and including 2 July 2021 of \$5.97 per Sydney Airport Security;
 - iii) 46.7% premium to the three-month VWAP up to and including 2 July 2021 of \$5.97 per Sydney Airport Security; and
 - iv) 46.6% premium to the six-month VWAP up to and including 2 July 2021 of \$5.97 per Sydney Airport Security.
- b) If the Schemes proceed, Sydney Airport Securityholders will receive a certain cash price for their investment in Sydney Airport now, and will avoid the ongoing risks and uncertainties associated with their investment.

Letter from the Chairman of Sydney Airport continued

On this point, the Sydney Airport Board continues to believe that Sydney Airport will recover in the short-term from the effects of COVID-19; and that the Sydney Airport Board's long-term strategy for the business has the capacity to deliver earnings in the future above pre-COVID-19 levels. However, it is important for Sydney Airport Securityholders to recognise that there are risks and uncertainties associated with this assessment relative to the certainty offered by the Scheme Consideration of \$8.75 per Scheme Security. These uncertainties include:

- i) **COVID-19 impact:** The airport and aviation industries have been severely impacted by the COVID-19 pandemic. While traffic volumes around the world are generally recovering as vaccination rates increase, the actual timing of a recovery from the effects of the pandemic remains uncertain (including with the recent emergence of further variants of COVID-19 such as Omicron). It is possible that certain of the effects of COVID-19 may be longer term, or even permanent in nature. This includes, amongst other matters, uncertainty around the propensity for business travel given adoption of virtual and video conferencing;
- ii) **Western Sydney Airport competition:** Once the Nancy-Bird Walton Airport (also known as the Western Sydney Airport) becomes operational in late 2026, Sydney Airport may experience increased competition over time. While the Sydney Airport Board believes Sydney Airport is strongly placed to compete with Western Sydney Airport, the impact of this future competition on Sydney Airport's operations and/or financial position and performance remains uncertain;
- iii) **Aeronautical and commercial revenue uncertainty:** Sydney Airport derives revenues from fees charged to airline customers for aeronautical services as well as commercial revenues derived from retail and concession income and property rental and leases. There remains uncertainty in respect of future aeronautical and commercial revenues as a consequence of a variety of factors, including the long-term impact of COVID-19, the regulatory environment, the future mix of domestic and international passengers and capacity constraints at the airport;
- iv) **Capital investment required to deliver incremental capacity:** Given the growth in passenger volumes at Sydney Airport prior to the COVID-19 pandemic and existing operating restrictions under its licence (such as hourly movement caps), significant capital investment is likely to be required to continue to grow capacity at Sydney Airport;
- v) **Distribution uncertainty:** There is uncertainty in relation to Sydney Airport's future distribution profile. The future distribution profile will be influenced by a range of factors including, but not limited to, the earnings recovery and capital investment profile of Sydney Airport as well as credit rating and capital structure considerations. In order to effectively manage risks and uncertainties, there is the potential that Sydney Airport may need to adopt a more conservative distribution payout ratio, and a more conservative approach than previously to the funding of growth investment expenditure. This means that there is no certainty that Sydney Airport will continue its pre COVID practice of distributing to Securityholders close to 100% of its net operating receipts in each financial year.
- vi) **Geopolitical matters:** A significant component of Sydney Airport's international passenger growth in the years leading into the pandemic was derived from travel to and from China, including travel associated with students being educated in Australia. The current status of Australia and China's geopolitical relationship presents a risk to the outlook for China passenger volumes; and
- vii) **Future pandemic risk:** Prior to the onset of the COVID-19 pandemic, the impact of pandemics such as SARS on airport operations had been relatively short-lived. COVID-19 highlights that future pandemics, or further variants of COVID-19 such as Omicron, may have material and extended impacts on airport operations, particularly where international and State borders are closed for extended periods of time.

The net impact of the above factors is an increase in the uncertainty of Sydney Airport's earnings outlook and distribution profile not only in the short-term but also in the long-term. A more detailed overview of relevant risks is set out in Section 7.3 (**Risks associated with your current investment in Sydney Airport Securities**).

- c) If the Schemes are not implemented, the price at which Sydney Airport Securities trade may fall to a price that is below, and potentially materially below, the \$8.75 per Scheme Security being offered to Scheme Securityholders under the Schemes.
- d) No Superior Proposal has emerged since the receipt of the first offer from the Consortium on 5 July 2021, and the Sydney Airport Board is not aware, as at the date of this Scheme Booklet, of any Superior Proposal that is likely to emerge.

Letter from the Chairman of Sydney Airport continued

In forming its view that the Schemes are in the best interests of Sydney Airport Securityholders, the Sydney Airport Board considered the potential disadvantages of the Schemes proceeding. Reasons that Sydney Airport Securityholders may consider voting against the Schemes include:

- a) You may believe it is in your best interests to maintain your current investment and risk profile.
- b) You may disagree with the Sydney Airport Board and the opinion of the Independent Expert and consider that the Transaction is not in your best interests.
- c) The tax consequences of the Schemes may not be suitable for you.
- d) You may consider that there is potential for a Superior Proposal to emerge.

Further details on the recommendation given by the Sydney Airport Board are contained in Section 1 (**Key considerations relevant to your vote**) of this Scheme Booklet.

Three members of the Sydney Airport Board, being myself, John Roberts and Anne Rozenauers, also have pre-existing roles in other organisations which are involved in the transaction in an advisory or professional capacity. These interests are set out in detail in section 9.7, but in summary, I am the non-executive Chairman of Barrenjoey, one of the two financial advisers to Sydney Airport on the transaction; John Roberts is non-executive Chairman of Macquarie Infrastructure and Real Assets, which is part of the Macquarie Group, while another part of the Macquarie Group, Macquarie Capital, is one of the financial advisers to the Bidder on the transaction; and Anne Rozenauers is an employee of a division of Perpetual, while another division of Perpetual has been engaged by the Consortium Group to provide custodial and wholesale trustee services to the Consortium Group. These roles were disclosed to the Sydney Airport Board prior to the recommendation being made. Each of the relevant directors and the Sydney Airport Board considers that our role with the other organisation referred to above does not in any way limit our ability to give an independent recommendation in relation to the Schemes, but believes that it is appropriate to disclose that role to Sydney Airport Securityholders.

What is the view of the Independent Expert?

Sydney Airport has appointed an independent expert, Kroll Australia Pty Ltd, to provide a report on whether the Schemes are in the best interests of Sydney Airport Securityholders. Kroll Australia Pty Ltd is a subsidiary of Kroll, LLC.

In its report, the Independent Expert has concluded that the Schemes are in the best interests of Sydney Airport Securityholders, other than UniSuper, in the absence of a Superior Proposal. It also assessed the Schemes to be fair and reasonable. The Independent Expert has assessed the full underlying value of Sydney Airport Securities at between \$7.94 and \$8.86 per Sydney Airport Security. The Scheme Consideration under the Schemes of \$8.75 per Sydney Airport Security is at the upper end of this range.

A copy of the Independent Expert's Report is included as Annexure A to this Scheme Booklet.

UniSuper

UniSuper beneficially owns the UniSuper Specified Securities, which represent approximately 15.01% of the securities in Sydney Airport. It was a condition of the Sydney Aviation Alliance proposal that the UniSuper Specified Securities would be acquired under the Schemes in return for a 15.01% interest in the holding company of the Bidder, such that UniSuper would effectively retain its current interest in Sydney Airport. Because it is proposed that UniSuper would receive different consideration under the Schemes, the UniSuper Securityholder will constitute a separate class in relation to the UniSuper Specified Securities for the purposes of the Schemes, and it will not be entitled to vote the UniSuper Specified Securities with other Sydney Airport Securityholders at the General Scheme Meetings. Instead, the UniSuper Securityholder will vote in respect of the UniSuper Specified Securities at separately convened meetings (the UniSuper Scheme Meetings).

The Schemes will not proceed unless the UniSuper Securityholder continues to hold the UniSuper Specified Securities and votes those securities in favour of the Schemes. UniSuper has entered into a Voting Deed with Sydney Airport Limited under which UniSuper has agreed not to dispose of the UniSuper Specified Securities, and to vote those securities in favour of the Schemes (subject to the terms of the Voting Deed). Further details about the Voting Deed are set out in Section 9.10 (**Voting Deed**).

Overview of the Schemes and timetable

A detailed summary of the Schemes, including the required majorities for the approval of the Schemes, the Court process associated with the Schemes and other important matters is included in Sections 3 (**Overview of the Schemes**) and 4 (**Scheme Meetings details, Sydney Airport Securityholder approvals and how to vote**) of this Scheme Booklet.

I encourage all Sydney Airport Securityholders to read the Scheme Booklet and familiarise themselves with the Scheme process.

How to vote

Your vote is important and I encourage you to vote on this significant proposed transaction by attending the General Scheme Meetings online commencing at 11.00am (Sydney time) on Thursday, 3 February 2022 or alternatively, by appointing a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative to attend and vote on your behalf. If you do not wish to, or are unable to, attend the Scheme Meetings, I encourage you to vote by way of proxy by completing the Proxy Form that accompanies the Scheme Booklet and returning it to the Sydney Airport Registry on behalf of Sydney Airport by no later than 11.00am on Tuesday, 1 February 2022.

If you wish the Schemes to proceed, it is important that you vote in favour of the Schemes.

Further information

This Scheme Booklet sets out important information regarding the Schemes, including the reasons for the Sydney Airport Board's recommendation and the Independent Expert's Report. It also sets out reasons why you may wish to vote against the Schemes.

Please read this document carefully and in its entirety as it will assist you in making an informed decision on how to vote. I would also encourage you to seek independent financial, legal and taxation advice before making any investment decision in relation to your Sydney Airport Securities.

If you require any further information, please contact the Sydney Airport Securityholder Information Line on 1300 367 804 (within Australia) or +61 2 9066 6162 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

Our Sydney Airport Board, like other Sydney Airport Securityholders, sees Sydney Airport as a special asset and it is and remains so. However, we believe that the value being offered by the Bidder is sufficient for us to unanimously recommend the Schemes to you in the absence of a Superior Proposal.

Thank you for reading this letter, we look forward to your participation at the Court-ordered Scheme Meetings.

Yours sincerely,



David Gonski AC

Chairman

1

Key considerations relevant to your vote

1 Key considerations relevant to your vote

Section 1.1 provides a summary of the reasons why the Sydney Airport Board unanimously recommends that Sydney Airport Securityholders vote in favour of the Schemes. This section should be read in conjunction with Section 1.2, which sets out reasons why you may wish to vote against the Schemes.

The Schemes have a number of advantages and disadvantages, which may affect Sydney Airport Securityholders in different ways, depending on their individual circumstances. Sydney Airport Securityholders should seek professional advice on their particular circumstances, as appropriate.

You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the Scheme Meetings.

1.1 Why you should vote in favour of the Schemes

a) The Scheme Consideration of \$8.75 per Scheme Security represents a significant premium to Sydney Airport's recent historical trading prices prior to announcement of the Sydney Aviation Alliance proposal

The Scheme Consideration represents a:

- 50.6% premium to the last closing price of Sydney Airport Securities on 2 July 2021 of \$5.81 per Sydney Airport Security (being the last trading day before the announcement of the Sydney Aviation Alliance's first proposal);
- 46.7% premium to the one-month volume weighted average price (VWAP) up to and including 2 July 2021 of \$5.97 per Sydney Airport Security;
- 46.7% premium to the three-month VWAP up to and including 2 July 2021 of \$5.97 per Sydney Airport Security; and
- 46.6% premium to the six-month VWAP up to and including 2 July 2021 of \$5.97 per Sydney Airport Security.

Scheme Consideration premium to Sydney Airport's trading prices prior to announcement of the Sydney Aviation Alliance proposal



Source: VWAPs based on Factset data. Factset has not consented to the use of this information in this Scheme Booklet.

The Scheme Consideration also represents a significant increase in the equity value of Sydney Airport relative to the above recent historical trading prices.

Scheme Consideration equity uplift to Sydney Airport's equity value prior to announcement of the Sydney Aviation Alliance proposal



Source: VWAPs based on Factset data. Factset has not consented to the use of this information in this Scheme Booklet.

1 Key considerations relevant to your vote continued

1.1 Why you should vote in favour of the Schemes continued

The Scheme Consideration represents a premium to the recent historical trading prices as set out above, however it is below the trading prices of Sydney Airport Securities in the period shortly prior to the onset of COVID-19. The trading price reached an all-time high closing price of \$8.97 on 27 November 2019 and 6 December 2019 (this is the adjusted price for the \$2.0 billion equity raising undertaken by Sydney Airport on 11 August 2020).¹

The Independent Expert has considered the trading in Sydney Airport Securities, both pre-COVID-19 and during COVID-19, at Section 8.15 of its report and in Section 3.4.1 of the Summary Letter to its report. The Independent Expert does not consider the trading of Sydney Airport Securities in the immediate pre-COVID-19 period to be an appropriate benchmark to assess the Scheme Consideration, since this period of trading potentially reflects, among other things, pre-COVID-19 pandemic expectations of continued strong growth in Sydney Airport's earnings (which have subsequently fallen significantly following the onset of COVID-19) and a macroeconomic environment that has also changed as a consequence of the COVID-19 pandemic.

The Sydney Airport Board is also of the view that, having regard in particular to the factors outlined in Section 1.1(c) below, there is significant uncertainty as to whether a return to those trading prices would occur in the short or medium-term if the Schemes are not implemented.

b) If the Schemes proceed, Scheme Securityholders will receive a certain cash price for their investment in Sydney Airport and will avoid ongoing risks and uncertainties associated with their investment

The Sydney Airport Board continues to believe that the business will recover in the short-term from the effects of COVID-19, and that the Board's long-term strategy for the business has the capacity to deliver earnings in the future above pre-COVID-19 levels. However, it is important for Sydney Airport Securityholders to recognise that there are risks and uncertainties associated with this assessment. An overview of relevant risks is set out in Section 7.3 (*Risks associated with your current investment in Sydney Airport Securities*), including the following:

i) COVID-19 impact:

The airport and aviation industries have been severely impacted by the COVID-19 pandemic, which has caused decreased passenger numbers, decreased aircraft movements, airline bankruptcies and decreased commercial revenues, among other impacts. While traffic volumes around the world are recovering as vaccination rates increase, the actual timing of a recovery from the effects of the pandemic and associated governmental restrictions on traffic volumes, and the industry generally, remains uncertain.

The impact of the COVID-19 pandemic has been material on Sydney Airport and there remains uncertainty in relation to the outlook for Sydney Airport (including with the recent emergence of further variants of COVID-19 such as Omicron). Since the onset of the COVID-19 pandemic, Sydney Airport has suspended the payment of distributions and undertaken a \$2.0 billion equity raising to strengthen its balance sheet. Both passenger volumes and earnings at Sydney Airport continue to be substantially below pre-pandemic levels. Even as Australian international and State borders commence reopening from COVID-19 pandemic closures, there remains significant uncertainty in relation to the outlook for passenger volumes at Sydney Airport in the medium-term. The importance of a recovery in international passenger volumes to Sydney Airport's earnings is demonstrated by international passenger traffic accounting for approximately 70% of total passenger generated revenues in 2019.

Until a recovery in both domestic and international passenger volumes is achieved, the future distribution profile of Sydney Airport remains uncertain.

1) The closing price of Sydney Airport Securities of \$9.20 on 27 November 2019 and 6 December 2019 has been adjusted for the theoretical ex rights price associated with the \$2.0 billion equity raising undertaken by Sydney Airport on 11 August 2020. Under the equity raising, approximately 439 million Sydney Airport Securities were issued at a price of \$4.56 per Sydney Airport Security, representing a 13.2% discount to the theoretical ex-rights price of \$5.26 on 10 August 2020.

1 Key considerations relevant to your vote continued

1.1 Why you should vote in favour of the Schemes continued

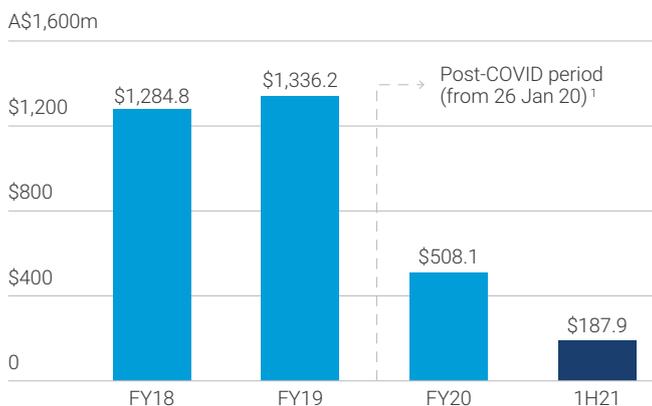
Monthly passenger volumes



Source: Sydney Airport Monthly Traffic Performance Reports (September 2018, September 2019, September 2020, September 2021).

1) Post-COVID period defined as the period beginning from 26 January 2020, being the business day immediately after the first case of COVID-19 identified in Australia (<https://www.health.gov.au/ministers/the-hon-greg-hunt-mp/media/firstconfirmed-case-of-novel-coronavirus-in-Australia>)

Sydney Airport EBITDA excluding other income and other expenses (FY18 to 1H21)



Source: Sydney Airport 2021 Half Year Financial Report, Sydney Airport 2020 Annual Report, Sydney Airport 2019 Annual Report.

1) Post-COVID period defined as the period beginning from 26 January 2020, being the business day immediately after the first case of COVID-19 identified in Australia (<https://www.health.gov.au/ministers/the-hon-greg-hunt-mp/media/firstconfirmed-case-of-novel-coronavirus-in-Australia>)

Sydney Airport Distributions per Security (FY18 to 1H21)



It is possible that some of the effects of COVID-19 on the industry may be longer term, or even permanent in nature. For example, changing business practices such as greater use of virtual conferencing may impact demand for business travel and the viability of certain airline routes, which in turn impacts the medium to long-term outlook for Sydney Airport traffic volumes.

As summarised in the Independent Expert's Report, there are a range of estimates for the return of passenger traffic to 2019 levels, including slower recovery scenarios where this is forecast to occur as late as 2027 (see Section 7.5.1 of the Independent Expert's Report at Annexure A).

There have also been a range of updates to long-term global passenger forecasts as a result of the COVID-19 pandemic. By way of illustration, the International Civil Aviation Organization (**ICAO**) has reduced its "Base Case" world passenger traffic forecasts growth rates for the period 2018 to 2038 from 4.2% per annum based on pre-COVID-19 estimates to 3.3% per annum based on post-COVID-19 estimates.

See Section 7.6 of the Independent Expert's Report in Annexure A for further information on the long-term forecast on passenger numbers at Sydney Airport.

1 Key considerations relevant to your vote continued

1.1 Why you should vote in favour of the Schemes continued

ii) **Western Sydney Airport competition:**

Although there are currently no major commercial airports in the Sydney region that compete with Sydney Airport, the Nancy-Bird Walton Airport (also known as the Western Sydney Airport) is currently under development in south-western Sydney. Once the Nancy-Bird Walton Airport becomes operational in late 2026, Sydney Airport may experience increased competition over time, which may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

iii) **Airline relationships:**

A significant proportion of Sydney Airport's revenues are derived from fees charged to airline customers for aeronautical services. These fees include landing and passenger fees and are typically charged under aeronautical agreements negotiated between Sydney Airport and the airlines. In response to COVID-19, Sydney Airport negotiated short-term extensions to the aeronautical agreements which expired during the course of the pandemic. A number of these extensions are due to end in the next 18 months and therefore it is expected that long-term aeronautical extensions will need to be agreed with those airline customers.

There remains uncertainty on the outcome of these future negotiations and the fees that will be agreed with the airlines under these replacement aeronautical agreements.

Also, as set out in Section 7.3(e) (**Airline fee risk**), although the fees charged by Sydney Airport to its airline customers are not currently subject to regulation by the Australian government, the government may decide at any time to undertake a review of Australian airports or Sydney Airport specifically and reintroduce price controls if it believes such controls are warranted.

iv) **Commercial revenues:**

Sydney Airport also derives revenues from commercial operations on the airport precinct which include retail leases and concessions; duty free revenues; hotels (e.g. Mantra and Ibis) and offices; ground transport and parking; and rental car concessions.

Since the COVID-19 pandemic, Sydney Airport has had to provide significant financial support to tenants through rent deferrals and abatements. For the period 1 April 2020 to 31 December 2020, rental abatements had the effect of reducing total contracted retail revenues by approximately 73% and total contracted property revenues by approximately 39%. The extent of further support required to be provided to Sydney Airport's tenants going forward is still to be determined.

While there is uncertainty in relation to the recovery profile of passenger volumes, including the mix of domestic and international passengers at Sydney Airport, the outlook for commercial revenues at Sydney Airport will similarly remain uncertain.

v) **Capital investment required to delivery incremental capacity:**

In order to continue to increase capacity and improve service levels at Sydney Airport, significant capital investment will be required in the future. Following the onset of the COVID-19 pandemic, Sydney Airport has sought to curtail investment to largely essential capital expenditure only, thereby deferring investment that would otherwise have been required to support increases in capacity at Sydney Airport.

As the impact of COVID-19 on Sydney Airport's operations begin to moderate, significant capital expenditure and investment will be required in order to facilitate this increase in capacity.

vi) **Distribution uncertainty:**

There is uncertainty in relation to Sydney Airport's future distribution profile. The future distribution profile will be influenced by a range of factors including, but not limited to, the earnings recovery and capital investment profile of Sydney Airport as well as credit rating and capital structure considerations. In order to effectively manage risks and uncertainties, there is the potential that Sydney Airport may need to adopt a more conservative distribution payout ratio, and a more conservative approach than previously to the funding of growth investment expenditure. This means that there is no certainty that Sydney Airport will continue its pre-COVID-19 practice of distributing to Securityholders close to 100% of its net operating receipts in each financial year.

vii) **Geopolitical matters:**

A significant component of Sydney Airport's international passenger growth prior to the COVID-19 pandemic was derived from travel to and from China. For the financial year ended 31 December 2019, passenger volumes to and from China accounted for approximately 1.8 million passengers or 11% of total international passenger movements (noting that passenger growth rates from China have been declining since 2018).

A significant element of China passenger volumes relate to tourism and Chinese students being educated in Australia. The current status of Australia and China's geopolitical relationship presents a risk to the outlook of China passenger volumes.

viii) **Future pandemic risk:**

Prior to the onset of the COVID-19 pandemic, the impact of pandemics such as SARS on airport operations had been relatively short-lived. COVID-19 highlights that future pandemics, or further variants of COVID-19 such as Omicron, may have material and more extended impacts on airport operations, particularly where international and State borders are closed for extended periods of time.

The certainty of the cash consideration should be considered with the risks and the uncertainties of remaining a Sydney Airport Securityholder, which include, but are not limited to, the risks set out in Section 7 (**Risks**).

c) **You will not incur any brokerage charges on the transfer of your Sydney Airport Securities if the Schemes proceed**

If you sell your Sydney Airport Securities on ASX (rather than disposing of them via the Schemes), you may incur brokerage charges (and, potentially, GST on those charges).

1 Key considerations relevant to your vote continued

1.1 Why you should vote in favour of the Schemes continued

d) The price of Sydney Airport Securities may fall if the Schemes are not implemented

If the Schemes are not implemented, Sydney Airport Securities will continue to remain quoted on ASX and will continue to be subject to market volatility, including general stock market movements, the impact of general economic conditions and the demand for listed securities. As such, if the Schemes are not implemented, the price at which Sydney Airport Securities trade may fall to a price that is below, and potentially materially below, the \$8.75 per Scheme Security being offered to Scheme Securityholders under the Schemes.

The closing price on 2 July 2021, being the Business Day before Sydney Airport's first announcement on 5 July 2021 of the Consortium's first proposal, was \$5.81 per Sydney Airport Security. See Section 1.1(a) of this Scheme Booklet for the VWAP of Sydney Airport Securities over the one, three, and six month periods up to and including 2 July 2021.

e) No Superior Proposal has emerged, no favourable alternative has been identified

During the period following receipt of the first offer from the Sydney Aviation Alliance on 5 July 2021 and prior to the entry into the Scheme Implementation Deed on 8 November 2021, Sydney Airport's financial advisers engaged with other infrastructure investors, both in Australia and internationally, to ascertain the potential for a proposal to emerge in competition to the Sydney Aviation Alliance proposal. To date, no Superior Proposal has emerged, and the Sydney Airport Board is not aware, as at the date of this Scheme Booklet, of any Superior Proposal that is likely to emerge.

It should be noted that, when the Sydney Aviation Alliance was granted access to due diligence in mid-September 2021, that due diligence was granted on a non-exclusive basis. Further, in order to facilitate a potential Competing Proposal, Sydney Airport obtained undertakings from the Sydney Aviation Alliance that precluded the Consortium from entering into exclusivity arrangements with UniSuper or other Sydney Airport Securityholders, in order to preserve the ability for existing securityholders to support and facilitate a Competing Proposal in the event that such a proposal were to arise. In addition, the exclusivity arrangements in the Scheme Implementation Deed entered into on 8 November 2021 contain a customary exception allowing Sydney Airport to respond to a Competing Proposal, if one is received, if certain conditions are met (see the summary of those provisions in Section 9.11(d) (**Exclusivity**)).

The Sydney Airport Board has also given detailed consideration to other alternative transactions (i.e. non-change of control transactions) which might provide superior value for Sydney Airport Securityholders compared to the Transaction. These alternatives have included assessing opportunities in relation to Sydney Airport's property portfolio and development opportunities. Based on the work undertaken by the Sydney Airport Board and its advisers, it was determined that the Transaction was likely to deliver greater value and certainty to Sydney Airport Securityholders.

f) The Independent Expert has concluded that the Schemes are in the best interests of Sydney Airport Securityholders, other than UniSuper, in the absence of a Superior Proposal

The Independent Expert has concluded that the Schemes are in the best interests of Sydney Airport Securityholders, other than UniSuper, in the absence of a Superior Proposal. It also assessed the Schemes to be fair and reasonable. The Scheme Consideration of \$8.75 per Scheme Security is within the Independent Expert's assessed valuation range of \$7.94 to \$8.86.

The Sydney Airport Board Members encourage you to read the Independent Expert's Report in full, which is set out in Annexure A.

1.2 Why you may wish to vote against the Schemes

a) You may believe it is in your best interests to maintain your current investment and risk profile

Sydney Airport has a number of characteristics that you may consider desirable from an investment perspective having regard to your risk profile. For example, you may wish to keep your Sydney Airport Securities in order to preserve your investment in a publicly listed group with the specific characteristics of Sydney Airport. You may hold the view that it will be challenging to identify an investment with similar characteristics. You may also be of the view that, despite the risk factors relevant to Sydney Airport's potential future operations (including those set out in Section 7 (**Risks**)), maintaining your investment in Sydney Airport may return greater value to you than that offered under the Schemes.

b) You may disagree with the Sydney Airport Board and the opinion of the Independent Expert and consider that the Transaction is not in your best interests

Despite the recommendation of the Sydney Airport Board Members and the opinion of the Independent Expert that the Schemes are in the best interests of Sydney Airport Securityholders, other than UniSuper, in the absence of a Superior Proposal, you may believe that the Transaction is not in your best interests or that of other Sydney Airport Securityholders.

c) The tax consequences of the Schemes may not be suitable for you

Implementation of the Schemes may have tax implications for Sydney Airport Securityholders, some of which may be adverse. For example, the amount of capital gains tax that you may be liable to pay will vary depending on personal tax circumstances, and the tax consequences for UniSuper will differ from those for other Sydney Airport Securityholders.

Sydney Airport Securityholders should read the general taxation considerations outlined in Section 8 (**Taxation implications**) and seek professional taxation advice with respect to their individual tax situation and the taxation implications of the Schemes.

d) You may consider that there is potential for a Superior Proposal to emerge

You may believe that there is potential for a Superior Proposal to be made in the foreseeable future. No Superior Proposal has emerged since the receipt of the first offer from the Consortium on 5 July 2021, and the Sydney Airport Board is not aware, as at the date of this Scheme Booklet, of any Superior Proposal that is likely to emerge.

1.3 No recommendation made in respect of UniSuper

The Sydney Airport Board does not make any recommendation in relation to how the UniSuper Securityholder should vote at the UniSuper Scheme Meetings in relation to the UniSuper Specified Securities.

UniSuper has entered into the Voting Deed to the effect that it will vote in favour of the Schemes (on the terms of the Voting Deed). Prior to entering into the Voting Deed, UniSuper considered the consideration that it would receive in respect of the UniSuper Specified Securities under the Schemes and determined to enter into the Voting Deed based on its own assessment of the Transaction.

In the circumstances, the Sydney Airport Board does not consider that it is necessary or appropriate to make a recommendation in relation to UniSuper.

Accordingly, unless explicitly stated otherwise, all references in this Scheme Booklet to:

- the Sydney Airport Board Members' unanimous recommendation that Sydney Airport Securityholders vote in favour of the Schemes in the absence of a Superior Proposal or the Schemes being in the best interests of Sydney Airport Securityholders is a reference to Sydney Airport Securityholders other than UniSuper;
- the Scheme Consideration under the Schemes is a reference to the Scheme Consideration receivable by Scheme Securityholders other than the UniSuper Securityholder in relation to the UniSuper Specified Securities; and
- the impacts of the Schemes on the interests of Sydney Airport Securityholders is a reference to Sydney Airport Securityholders other than UniSuper.

Similarly, the Independent Expert has been engaged by Sydney Airport only to consider whether the Schemes are in the best interests of Sydney Airport Securityholders (other than the UniSuper Securityholder) in relation to the UniSuper Specified Securities. The Independent Expert's conclusions should be read on the basis that they do not consider the interests of the UniSuper Securityholder in relation to the UniSuper Specified Securities.

2

Frequently asked questions

2 Frequently asked questions

Question	Answer	More Information
An Overview of the Schemes		
Why have I received this Scheme Booklet?	<p>This Scheme Booklet has been sent to you because you are a Sydney Airport Securityholder.</p> <p>This Scheme Booklet is intended to help you to decide how to vote on the Scheme Resolutions which will need to be passed by the requisite majorities at the Scheme Meetings.</p> <p>You should read this Scheme Booklet carefully and, if necessary, consult your legal, tax, financial or other independent professional adviser before voting on the Scheme Resolutions applicable to you.</p>	N/A
What are the Schemes? Why are there two Schemes?	<p>The Schemes are statutory procedures for one company to acquire all of the securities in another company and/or trust. If the Schemes are approved by the requisite majorities, the Bidder will acquire 100% of the Sydney Airport Securities on issue as at the Implementation Date.</p> <p>There are two Schemes because each Sydney Airport Security comprises one SAT1 Unit stapled to one SAL Share, requiring the Transaction to be implemented by the following two interdependent Schemes:</p> <ul style="list-style-type: none"> – the Company Scheme (in relation to SAL); and – the Trust Scheme (in relation to SAT1). 	<p>Section 3 (Overview of the Schemes) contains an overview of the Schemes.</p> <p>A copy of the Company Scheme is contained in Annexure B (Company Scheme) and a copy of the Trust Scheme is contained in Annexure C (SAT1 Trust Supplemental Deed).</p>
What will I receive if the Schemes are implemented?	<p>If the Schemes become Effective and are implemented, Sydney Airport Securityholders will receive \$8.75 per Scheme Security, provided they are registered as a Sydney Airport Securityholder on the Scheme Record Date.</p> <p>To become Effective, a number of conditions must be satisfied or (if permitted) waived.</p>	<p>A summary of the Scheme Consideration is set out in Section 3.2 (Scheme Consideration).</p> <p>A summary of the conditions to the Schemes is set out in Section 3.4 (Steps for the Schemes to become Effective).</p>
What do the Sydney Airport Board Members recommend and how do they intend to vote?	<p>The Sydney Airport Board Members unanimously recommend that Sydney Airport Securityholders vote in favour of the Schemes, in the absence of a Superior Proposal.</p> <p>Each of the Sydney Airport Board Members intends to vote in favour of the Schemes in respect of all the Sydney Airport Securities they control, in the absence of a Superior Proposal.</p>	<p>Section 1.1 (Why you should vote in favour of the Schemes) provides a summary of the reasons why the Sydney Airport Board Members consider that eligible Sydney Airport Securityholders should vote in favour of the Schemes.</p> <p>Section 1.2 (Why you may wish to vote against the Schemes) provides a summary of the reasons why eligible Sydney Airport Securityholders may wish to vote against the Schemes.</p> <p>Section 9 (Additional information) sets out further information regarding the interests of the Sydney Airport Board Members and benefits they will derive if the Schemes are implemented.</p>

2 Frequently asked questions continued

Question	Answer	More Information
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Schemes are in the best interests of Sydney Airport Securityholders, other than UniSuper, in the absence of a Superior Proposal. It also assessed the Schemes to be fair and reasonable.	A copy of the Independent Expert's Report is contained in Annexure A (Independent Expert's Report)
Why should I vote in favour of the Schemes?	The reasons to vote in favour of the Schemes are set out in Section 1.1.	Section 1.1 (Why you may wish to vote in favour of the Schemes)
Can I sell my Sydney Airport Securities now?	<p>You can sell your Sydney Airport Securities on-market at any time before the close of trading on ASX on the Effective Date. However, if you do so you will receive the prevailing on-market price set at the time of sale which may not be the same price as the Scheme Consideration.</p> <p>Sydney Airport intends to apply to ASX for Sydney Airport Securities to be suspended from official quotation on ASX from close of trading on the Effective Date (which is currently expected to be Wednesday, 9 February 2022).</p> <p>You will not be able to sell your Sydney Airport Securities on market after this time.</p> <p>If you sell your Sydney Airport Securities on market, you may be required to pay brokerage.</p>	N/A
Who is the Bidder?	<p>The Bidder is Sydney Aviation Alliance Pty Ltd, an Australian proprietary company that is an investment vehicle wholly owned by HoldCo.</p> <p>HoldCo is an investment holding vehicle owned by entities associated with the Consortium Members.</p>	Section 6 (Information about the Bidder, HoldCo and the Sydney Aviation Alliance)
What is the Sydney Aviation Alliance? Who are the Consortium Members?	The Sydney Aviation Alliance is a consortium of investors comprising entities associated with AustralianSuper, IFM Australian Infrastructure Fund, QSuper, IFM Global Infrastructure Fund and Global Infrastructure Partners.	Section 6.2 (Overview of the Sydney Aviation Alliance and its members)
Who is UniSuper? Why are they being treated differently under the Schemes?	<p>UniSuper Limited is the trustee of UniSuper Fund, one of Australia's largest super funds with more than 450,000 members. UniSuper beneficially owns the UniSuper Specified Securities, which represent approximately 15.01% of the securities in Sydney Airport.</p> <p>It was a condition of the Sydney Aviation Alliance proposal that the UniSuper Specified Securities would be acquired under the Schemes in return for a 15.01% interest in the holding company of the Bidder, such that UniSuper would effectively retain its current interest in Sydney Airport.</p> <p>Because it is proposed that UniSuper would receive different consideration under the Schemes, the UniSuper Securityholder in relation to the UniSuper Specified Securities will constitute a separate class for the purposes of the Schemes, and it will not be entitled to vote the UniSuper Specified Securities with other Sydney Airport Securityholders at the General Scheme Meetings. Instead, the UniSuper Securityholder will vote in respect of the UniSuper Specified Securities at separately convened meetings (the UniSuper Scheme Meetings).</p>	Section 3.3 (Scheme Meetings and Scheme Resolutions)

2 Frequently asked questions continued

Question	Answer	More Information
Voting at the Scheme Meetings		
What will Sydney Airport Securityholders be asked to vote on at the Scheme Meetings?	Sydney Airport Securityholders are being asked to vote on whether to approve the Schemes by voting on the relevant Scheme Resolutions applicable to them.	Section 3.3 (Scheme Meetings and Scheme Resolutions)
What voting majority is required to approve the Schemes?	<p>For the Schemes to proceed, the following must occur.</p> <p>General Scheme Resolutions</p> <ul style="list-style-type: none"> – Trust Scheme Resolution 1 (amendment to SAT1 Trust Constitution): at least 75% of the total votes cast by (or on behalf of) Sydney Airport Securityholders must be voted in favour of the amendments to the SAT1 Trust Constitution; – Trust Scheme Resolution 2 (to approve the Trust Scheme): more than 50% of the total votes cast by (or on behalf of) Sydney Airport Securityholders must be in favour of the Trust Scheme; and – Company Scheme Resolution to approve the acquisition by the Bidder of 100% of the Scheme Shares as part of the Company Scheme: <ul style="list-style-type: none"> – more than 50% of the total number of Sydney Airport Securityholders present and voting (unless the Court orders otherwise); and – at least 75% of the votes cast, must be in favour of the Company Scheme. <p>UniSuper Scheme Resolutions</p> <p>In relation to the UniSuper Scheme Resolutions, UniSuper has undertaken (in favour of SAL) under the Voting Deed to vote in favour of the Schemes (subject to the terms of the Voting Deed), such that the UniSuper Scheme Resolutions are expected to be approved.</p> <p>Even if the Schemes are approved at the Scheme Meetings, the Schemes are still subject to other outstanding conditions and the approval of the Court.</p>	Sections 3.4(a) (Sydney Airport Securityholder approval) and 4.4 (Scheme Resolutions and voting majorities required)
Am I entitled to vote?	<p>If you are registered as a Sydney Airport Securityholder on the Sydney Airport Security Register at 7.00pm (Sydney time) on Tuesday, 1 February 2022 then you will be entitled to attend and vote at the General Scheme Meetings.</p> <p>Only the UniSuper Securityholder is entitled to vote at the UniSuper Scheme Meetings in relation to the UniSuper Specified Securities.</p>	Section 4.2 (Voting entitlement) and the Notices of Meetings contained in Annexure E set out further details on your entitlement to vote.
How do I vote?	Sydney Airport Securityholders will have the opportunity to attend and participate in the Scheme Meetings online via Sydney Airport's online meeting platform. You can also appoint a proxy by completing and returning the enclosed personalised Proxy Form in accordance with the instructions. Your completed Proxy Form must be received by 11.00am (Sydney time) on Tuesday, 1 February 2022.	Section 4.5 (How to vote) and the Notices of Meetings contained in Annexure E set out further details on your entitlement to vote and how to submit a Proxy Form.
When and where will the Scheme Meetings be held?	<p>The Scheme Meetings will be held as virtual meetings, facilitating attendance and participation online.</p> <p>The General Scheme Meetings will commence at 11.00am on Thursday, 3 February 2022 via Sydney Airport's online meeting platform at https://meetnow.global/M4FZK7U.</p> <p>The UniSuper Scheme Meetings will commence immediately following the conclusion of the General Scheme Meetings via Sydney Airport's online meeting platform at https://meetnow.global/M4FZK7U.</p> <p>Further details about the Scheme Meetings are set out in the Notices of Meetings contained in Annexure E.</p>	The Notices of Meetings contained in Annexure E (Notices of Meetings) set out further details on your entitlement to vote.

2 Frequently asked questions continued

Question	Answer	More Information
When will the result of the Scheme Meetings be known?	<p>The results of the Scheme Meetings will be available shortly after the conclusion of the Scheme Meetings and will be announced to ASX once available.</p> <p>Even if the Scheme Resolutions are all passed at the Scheme Meetings by the requisite majorities, the Schemes will only proceed if Court approval is obtained and all of the other Conditions Precedent are satisfied or waived (if capable of being waived).</p>	N/A
What happens to my Sydney Airport Securities if I do not vote, or if I vote against the Schemes, and the Schemes become Effective?	<p>If you do not vote, or vote against the Schemes, the Schemes may not be approved at the Scheme Meetings by the requisite majorities of Sydney Airport Securityholders.</p> <p>If the Schemes are not approved by the requisite majorities, then the Schemes will not proceed, you will not receive the Scheme Consideration and you will remain a Sydney Airport Securityholder.</p> <p>However, if the Schemes are approved by the requisite majorities of Sydney Airport Securityholders, your Scheme Securities will be transferred to the Bidder under the Schemes and you will receive the Scheme Consideration for each Sydney Airport Security you hold on the Scheme Record Date, whether or not you voted, or voted in favour of the Schemes.</p>	N/A
Do I have to give any warranties in relation to my Scheme Securities?	<p>Yes. Each Scheme Securityholder will be deemed to have warranted to the Bidder that all of their Scheme Securities will, at the Implementation Date, be fully paid¹ and free from various encumbrances and interests of third parties of any kind, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Scheme Securities to the Bidder (together with the rights and entitlements attaching to such securities).</p> <p>UniSuper will also provide specific warranties in relation to the UniSuper Specified Securities.</p>	Section 3.8 (Warranties by Scheme Securityholders)
What happens if the Scheme Resolutions are not approved by Sydney Airport Securityholders?	If the Scheme Resolutions are not approved by Sydney Airport Securityholders by the requisite majorities, the Schemes will not proceed.	Section 3.7 (What if the Schemes do not become Effective?)
What will Sydney Airport Securityholders receive under the Schemes?		
What will I receive if the Schemes become Effective and are implemented?	As noted above, if the Schemes are implemented, Sydney Airport Securityholders (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities) will receive cash consideration of \$8.75 per Scheme Security if they are registered as a Sydney Airport Securityholder on the Scheme Record Date, in return for the transfer of their Scheme Securities to the Bidder.	Section 3.2 (Scheme Consideration)
What are the taxation implications of the Schemes?	<p>A general outline of the Australian tax implications of the Schemes is set out in Section 8.</p> <p>As the outline is general in nature, you should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to vote in favour of the Schemes.</p>	Section 8 (Taxation implications)
When and how will I be paid the Scheme Consideration?	<p>All payments of Scheme Consideration will be made in accordance with one of the below methods:</p> <ul style="list-style-type: none"> – by direct deposit into your nominated bank account, as advised to the Sydney Airport Registry as at the Scheme Record Date; or – by cheque via prepaid post to your registered address, as advised to the Sydney Airport Registry as at the Scheme Record Date. 	Section 3.2 (Scheme Consideration)

1) All Sydney Airport Securities on issue are fully paid.

2 Frequently asked questions continued

Question	Answer	More Information
Implementation of the Schemes		
Are there any conditions to be satisfied?	<p>Yes, the Schemes are subject to FIRB approval, and certain other Conditions Precedent. The Conditions Precedent are set out in Section 9.11(a).</p> <p>In order for the Schemes to be implemented, all Conditions Precedent under the Scheme Implementation Deed must be satisfied or waived (where capable of waiver).</p>	<p>Section 9.11(a) (Conditions Precedent) provides a summary of the Conditions Precedent.</p> <p>Section 3.4(b) (Regulatory Conditions) provides further commentary on the status of the Regulatory Conditions.</p>
What will happen to Sydney Airport if the Schemes become Effective and are implemented?	<p>If the Schemes become Effective and are implemented, Sydney Airport will become wholly-owned by the Bidder.</p>	<p>Section 6 (Information about the Bidder, HoldCo and the Sydney Aviation Alliance) sets out further details on the Bidder and the Bidder's intentions as to Sydney Airport into the future.</p>
When will the Schemes be completed and implemented?	<p>If the Scheme Resolutions are approved and the Conditions Precedent are satisfied or waived (if applicable) and the Schemes become Effective, the Schemes will be implemented on the Implementation Date, which is expected to be Wednesday, 9 March 2022.</p>	<p>Section 3.4 (Steps for the Schemes to become Effective)</p>
Can I keep my Sydney Airport Securities if the Schemes are approved, become Effective and are implemented?	<p>No. If the Schemes are approved by the requisite majorities of Sydney Airport Securityholders and the Schemes are implemented, your Sydney Airport Securities will be transferred to the Bidder under the Schemes and you will receive the Scheme Consideration for each Sydney Airport Security you hold on the Scheme Record Date.</p>	N/A
What happens if the Schemes do not proceed?	<p>If the Schemes are not approved at the Scheme Meetings, or another Condition Precedent is not satisfied or waived (where applicable), the Schemes will not proceed (i.e. will not be implemented).</p> <p>If the Schemes are not implemented then Sydney Airport Securityholders will not receive the proposed Scheme Consideration but you will retain your Sydney Airport Securities.</p> <p>Sydney Airport will continue to operate as a stapled entity listed on ASX and the price of Sydney Airport Securities will continue to be exposed to risks and opportunities relating to Sydney Airport's business.</p>	<p>Section 3.7 (What if the Schemes do not become Effective?)</p>
What happens if a Competing Proposal for Sydney Airport emerges?	<p>Sydney Airport can consider any Competing Proposal that emerges subject to its obligations under the Scheme Implementation Deed. However, no Superior Proposal has emerged since the receipt of the first offer from the Consortium on 5 July 2021, and the Sydney Airport Board is not aware, as at the date of this Scheme Booklet, of any Superior Proposal that is likely to emerge</p> <p>Should a Competing Proposal arise, the Sydney Airport Board will carefully consider it and will advise you of their recommendation as appropriate.</p>	<p>Section 9.11(d) (Exclusivity)</p>

2 Frequently asked questions continued

Question	Answer	More Information
Is there a Reimbursement Fee?	<p>Under the Scheme Implementation Deed, Sydney Airport must pay to the Bidder the Reimbursement Fee of \$150 million if certain specified events occur (equating to approximately 6 cents for each Sydney Airport Security).</p> <p>The Reimbursement Fee will not be payable merely because the Scheme Resolutions are not approved at the Scheme Meetings. The existence of a Reimbursement Fee also does not preclude Sydney Airport from considering a Competing Proposal, subject to its obligations under the Scheme Implementation Deed.</p> <p>If the Reimbursement Fee is payable because the Sydney Airport Board changes its recommendation to recommend a Superior Proposal from a competing bidder, and that Superior Proposal then completes, Sydney Airport Securityholders would receive the benefit of the Superior Proposal terms.</p>	Section 9.11(e) (Reimbursement Fee)
Is there a Reverse Reimbursement Fee?	<p>Under the Scheme Implementation Deed, the Bidder must pay to Sydney Airport a Reverse Reimbursement Fee of \$150 million where the Scheme Implementation Deed is terminated as a result of the Bidder's material breach of its obligations and the Transaction does not complete.</p> <p>The Reverse Reimbursement Fee is not payable merely because FIRB approval is not obtained.</p>	Section 9.11(f) (Reverse Reimbursement Fee)
What are the transaction costs associated with the Schemes?	Sydney Airport will incur external transaction costs in connection with the Schemes. If the Schemes are implemented, these will effectively be borne by the Bidder who will have acquired Sydney Airport from implementation. Certain of these costs are conditional on the Schemes proceeding, so will not be borne by Sydney Airport if the Schemes do not proceed.	Section 9.19 (Transaction costs)
Further information		
Where can I get further information?	If you have any questions about the Schemes or this Scheme Booklet, or you would like additional copies of this Scheme Booklet, please contact the Sydney Airport Securityholder Information Line on 1300 367 804 (within Australia) or +61 2 9066 6162 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).	N/A

3

Overview of the Schemes

3 Overview of the Schemes

3.1 What is the Transaction?

The Transaction is for the Bidder to acquire 100% of the Sydney Airport Securities on issue as at the Implementation Date by way of the Schemes. The Schemes are the Company Scheme in relation to SAL and the Trust Scheme in relation to SAT1.

The Schemes will only become effective and be implemented if:

- each of the Scheme Resolutions are passed by the requisite majorities of Sydney Airport Securityholders at the Scheme Meetings to be held on 11.00am (Sydney time) on Thursday, 3 February 2022; and
- approved by the Court on the Second Court Date.

The Schemes are also subject to FIRB approval being obtained (described in Section 3.4(b) (**Regulatory Conditions**)) and to certain other conditions described in Section 9.11(a) (**Conditions Precedent**).

3.2 Scheme Consideration

If the Schemes are approved and implemented:

- Sydney Airport Securityholders (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities) will receive a cash payment of \$8.75 per Scheme Security if they are registered as a Sydney Airport Securityholder on the Scheme Record Date; and
- the UniSuper Securityholder will receive the Scheme Consideration in relation to the UniSuper Specified Securities. Further detail of the Scheme Consideration in relation to the UniSuper Specified Securities is set out in Section 6.5 (**Provision of HoldCo Shares and HoldCo Loan Notes to the UniSuper Securityholder**).

In the event that any dividend or distribution is declared and paid in relation to each Sydney Airport Security on or before the Implementation Date, the Scheme Consideration will be reduced by the cash amount of the relevant dividend or distribution. As noted in Section 5.7(f) (**No distribution guidance**), as at the date of this Scheme Booklet, Sydney Airport maintains the position that, given the uncertainty that remains with respect to the recovery from the COVID-19 pandemic in 2021, no distribution guidance will be given and that Sydney Airport has not realised the necessary operating receipts that would form the basis of a customary distribution to Sydney Airport Securityholders at the end of the 2021 financial year. Accordingly, Sydney Airport announced to ASX on 8 December 2021 that there will be no final distribution for 2021, and therefore no cash distribution will be paid prior to the Implementation Date.

For Sydney Airport Securityholders (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities), payments will be made by direct deposit into your nominated bank account, as advised to the Sydney Airport Registry as at the Scheme Record Date. If you have not nominated a bank account, payment will be made by Australian dollar cheque.

Where a cheque is returned to Sydney Airport or has not been presented for payment within six months after the date on which the cheque was sent, Sydney Airport may cancel the cheque. The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).

3.3 Scheme Meetings and Scheme Resolutions

There are two Schemes because Sydney Airport Securities comprise one SAT1 Unit stapled to one SAL Share, requiring the Transaction to be implemented by the following two interdependent Schemes:

- the Company Scheme, being the scheme of arrangement under Part 5.1 of the Corporations Act between SAL and the Scheme Securityholders (as holders of SAL Shares) in the form of Annexure B, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by the Bidder and SAL; and
- the Trust Scheme, being an arrangement under which the Bidder acquires all of the Scheme Units from Scheme Securityholders, facilitated by amendments to the SAT1 Trust Constitution as set out in the SAT1 Trust Supplemental Deed, subject to the requisite approvals of the Sydney Airport Securityholders.

In addition to there being two Schemes which require Sydney Airport Securityholders to vote at separate meetings, the UniSuper Securityholder in relation to the UniSuper Specified Securities is required to vote separately to other Sydney Airport Securityholders at each meeting as it is being offered different Scheme Consideration in relation to the UniSuper Specified Securities than other Sydney Airport Securityholders in connection with the Schemes.

3 Overview of the Schemes continued

3.3 Scheme Meetings and Scheme Resolutions continued

The Scheme Meetings comprise:

- the General Scheme Meetings, being:
 - the General Company Scheme Meeting, where Sydney Airport Securityholders (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities) as holders of SAL Shares will consider and vote on the Company Scheme; and
 - the General Trust Scheme Meeting, where Sydney Airport Securityholders (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities) as holders of SAT1 Units will consider and vote on the Trust Scheme Resolutions; and
- the UniSuper Scheme Meetings, being:
 - the UniSuper Company Scheme Meeting, where the UniSuper Securityholder as a holder of SAL Shares will consider and vote on the Company Scheme in relation to the UniSuper Specified Securities; and
 - the UniSuper Trust Scheme Meeting, where the UniSuper Securityholder as a holder of SAT1 Units will consider and vote on the Trust Scheme Resolutions in relation to the UniSuper Specified Securities.

The General Scheme Meetings are intended to be run concurrently, following which the UniSuper Scheme Meetings are intended to be run concurrently. Further details for the Scheme Meetings are set out in Section 4 (**Scheme Meetings details, Sydney Airport Securityholder approvals and how to vote**) and the Notices of Meetings are included as Annexure E.

3.4 Steps for the Schemes to become Effective

a) Sydney Airport Securityholder approval

The Scheme Resolutions must be approved by Sydney Airport Securityholders at the Scheme Meetings as follows.

General Scheme Resolutions

- Company Scheme Resolution:
 - more than 50% of the total number of Sydney Airport Securityholders present and voting (unless the Court orders otherwise); and
 - at least 75% of the votes cast,

on the Company Scheme Resolution must be in favour of the Company Scheme.

- Trust Scheme Resolutions:

- **Trust Scheme Resolution 1 (amendment to SAT1 Trust Constitution)** – at least 75% of the total votes cast by (or on behalf of) Sydney Airport Securityholders must be voted in favour of the amendments to the SAT1 Trust Constitution; and
- **Trust Scheme Resolution 2 (to approve the Trust Scheme)** – more than 50% of the total votes cast by (or on behalf of) Sydney Airport Securityholders must be voted in favour of the Trust Scheme.

UniSuper Scheme Resolutions

The same thresholds as described above for the General Scheme Resolutions would apply for the UniSuper Scheme Resolutions, however the UniSuper Securityholder is the only Sydney Airport Securityholder voting on the UniSuper Scheme Resolutions and so whether or not they are approved will be determined by the UniSuper Securityholder.

UniSuper has undertaken (in favour of SAL) under the Voting Deed to vote in favour of the Schemes (subject to the terms of the Voting Deed), such that the UniSuper Scheme Resolutions are expected to be passed on that basis. Further details on the Voting Deed are set out in Section 9.10 (**Voting Deed**).

b) Regulatory Conditions

– FIRB

The Schemes are subject to receipt of a no objection notification under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) in respect of the Transaction. An application for this notification was made by the Bidder on 15 July 2021 and, as at the date of this Scheme Booklet, a notification has not yet been received. As a Condition Precedent and in accordance with the Scheme Implementation Deed, any no objection notification must be received before 8.00am on the Second Court Date for this Condition Precedent to be satisfied.

– ACCC

The Schemes were also subject to the ACCC notifying the Bidder in writing that the ACCC does not propose to intervene in respect of the Transaction pursuant to the CCA. On 9 December 2021, the ACCC notified the Bidder in writing that the ACCC does not propose to intervene in the acquisition by the Bidder of the Scheme Securities pursuant to the CCA and accordingly this condition has been satisfied.

3 Overview of the Schemes continued

3.4 Steps for the Schemes to become Effective continued

– *European Union Merger Control*

The Schemes were also subject to the European Commission issuing a decision declaring any concentration with a community dimension as a result of the Transaction to be compatible with the common market. The European Commission issued the relevant declaration on 3 December 2021 and accordingly this condition has been satisfied.

c) Second Court Hearing

If:

- the Scheme Resolutions are approved by the requisite majorities of Sydney Airport Securityholders at the Scheme Meetings; and
- all other Conditions Precedent (except Court approval of the Schemes) have been satisfied or waived (where capable of waiver),

Sydney Airport will apply to the Court for approval of the Company Scheme and the granting of the Second Judicial Advice.

Each Sydney Airport Securityholder has the right to appear at the Second Court Hearing.

Any Sydney Airport Securityholder who wishes to oppose approval of the Company Scheme or granting of the Second Judicial Advice at the Second Court Hearing may do so by filing with the Court and serving on Sydney Airport a notice of appearance in the prescribed form together with any affidavit on which the Sydney Airport Securityholder proposes to rely.

d) Effective Date

If the Court approves the Company Scheme and gives the Second Judicial Advice, and all other Conditions Precedent have been satisfied or waived, where capable of waiver, then the Schemes will become Effective when both of the following occur:

- the Company Scheme will become Effective on the date when a copy of the Court order approving the Company Scheme is lodged with ASIC; and
- the Trust Scheme will become Effective on the date on which SAT1 executes the SAT1 Trust Supplemental Deed (a copy of which is included at Annexure C) and lodges it with ASIC. Under the proposed amendments to the SAT1 Trust Constitution:
 - TTCSAL as responsible entity of SAT1 will have the power to do all things that it considers necessary or desirable to give effect to the Trust Scheme and the Scheme Implementation Deed; and
 - the SAT1 unitholders will appoint SAL as their attorney with the power to do all things on their behalf which SAL considers necessary or desirable to give full effect to the terms of the Trust Scheme and the transactions contemplated by it.

Sydney Airport will, on the Schemes becoming Effective, give notice of that event to ASX. Sydney Airport intends to apply to ASX for Sydney Airport Securities to be suspended from official quotation on ASX from close of trading on the date the Schemes become Effective.

e) Scheme Record Date

Those Sydney Airport Securityholders on the Sydney Airport Security Register on the Scheme Record Date (currently expected to be 7.00pm (Sydney time) on Wednesday, 16 February 2022) will be entitled to receive the Scheme Consideration in respect of the Sydney Airport Securities they hold as at the Scheme Record Date.

Dealings on or before the Scheme Record Date

For the purpose of determining which Sydney Airport Securityholders are eligible to participate in the Schemes, dealings in Sydney Airport Securities will be recognised only if:

- in the case of dealings of the type to be effected using CHES (Clearing House Electronic Subregister System), the transferee is registered on the Sydney Airport Security Register as the holder of the relevant Sydney Airport Securities as at 7.00pm (Sydney time) on the Scheme Record Date (currently expected to be Wednesday, 16 February 2022); and
- in all other cases, registrable transfer or transmission applications in respect of those dealings are received by the Sydney Airport Registry on or before the Scheme Record Date.

For the purposes of determining entitlements under the Schemes, Sydney Airport will not accept for registration or recognise any transfer or transmission applications in respect of Sydney Airport Securities received after the Scheme Record Date.

3 Overview of the Schemes continued

3.4 Steps for the Schemes to become Effective continued

Dealings after the Scheme Record Date

For the purpose of determining entitlements to the Scheme Consideration, Sydney Airport must maintain the Sydney Airport Security Register in its form as at the Scheme Record Date (currently expected to be Wednesday, 16 February 2022) until the Scheme Consideration has been provided to the Scheme Securityholders. The Sydney Airport Security Register in this form and the terms of the Schemes will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- all statements of holding for Sydney Airport Securities will cease to have effect as documents relating to title in respect of such Sydney Airport Securities; and
- each entry on the Sydney Airport Security Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Sydney Airport Securities relating to that entry.

f) Implementation Date and provision of Scheme Consideration

The Implementation Date is the fifteenth Business Day after the Scheme Record Date, or such earlier date after the Scheme Record Date (not to be earlier than the tenth Business Day after the Scheme Record Date) as notified by the Bidder to Sydney Airport in writing.

By the Business Day before the Implementation Date, the Bidder must pay into the Trust Account the aggregate Scheme Consideration payable to the Scheme Securityholders (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities).

On the Implementation Date, which is currently expected to be Wednesday, 9 March 2022, Sydney Airport must pay or procure the payment of the Scheme Consideration received from the Bidder to each Scheme Securityholder (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities).

Immediately after the Scheme Consideration is sent to the Scheme Securityholders, the Scheme Securities will be transferred to the Bidder without the Scheme Securityholders needing to take any further action.

3.5 Recommendation and voting intentions of Sydney Airport Board Members

The Sydney Airport Board unanimously recommends that Sydney Airport Securityholders vote in favour of the Schemes in the absence of a Superior Proposal.

The Sydney Airport Board Members make no recommendation at all in relation to whether the UniSuper Securityholder should vote in favour of the Schemes or the Scheme Consideration in relation to the UniSuper Specified Securities. See Section 1.3 **(No recommendation made in respect of UniSuper)** for further details.

Each of the Sydney Airport Board Members intends to vote in favour of the Schemes in respect of all the Sydney Airport Securities they control, in the absence of a Superior Proposal.

3.6 Independent Expert's conclusion

The Independent Expert has concluded that the Schemes are in the best interests of Sydney Airport Securityholders, other than UniSuper, in the absence of a Superior Proposal. It also assessed the Schemes to be fair and reasonable. The Independent Expert has assessed the full underlying value of Sydney Airport Securities at between \$7.94 and \$8.86 per Sydney Airport Security. The Scheme Consideration under the Schemes of \$8.75 per Sydney Airport Security is at the upper end of this range. The Independent Expert's Report is included as Annexure A. The Sydney Airport Board Members recommend that you read the Independent Expert's Report carefully and in its entirety.

3.7 What if the Schemes do not become Effective?

If the Conditions Precedent are not satisfied or (if capable of being waived) waived, or if the Scheme Implementation Deed is terminated, then the Schemes will not be implemented and:

- you will retain your Sydney Airport Securities and they will not be acquired by the Bidder;
- you will not receive the Scheme Consideration;
- the Sydney Airport Group will continue to operate as a stand-alone stapled group listed on ASX; and
- if the Schemes do not become Effective, and no comparable proposal or Superior Proposal emerges, then the price of Sydney Airport Securities may fall or trade at a price below \$8.75 (being the Scheme Consideration receivable by Scheme Securityholders under the Schemes).

In addition, in certain circumstances, Sydney Airport may be required to pay the Reimbursement Fee to the Bidder. Further information in relation to the Reimbursement Fee is set out in Section 9.11(e) **(Reimbursement Fee)**.

3 Overview of the Schemes continued

3.8 Warranties by Scheme Securityholders

Warranties by all Scheme Securityholders

Under clause 9.5 of the Company Scheme, each Scheme Securityholder is deemed to have warranted to SAL and the Bidder, and to have appointed and authorised SAL as that Scheme Securityholder's agent and attorney to warrant to the Bidder, that as at the Implementation Date:

- all of their Scheme Shares (including all rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to the Bidder pursuant to the Company Scheme, be fully paid¹ and free from all Encumbrances; and
- they have full power and capacity to sell and to transfer their Scheme Shares (together with any rights and entitlements attaching to those Scheme Shares) to the Bidder pursuant to the Company Scheme.

Under clause 7.4 of the Trust Scheme, each Scheme Securityholder is deemed to have warranted to TTCSAL, SAL and the Bidder, and have appointed and authorised SAL as that Scheme Securityholder's agent and attorney to warrant to the Bidder, that as at the Implementation Date:

- all of their Scheme Units (including any rights and entitlements attaching to those Scheme Units) will, at the time of the transfer of them to the Bidder pursuant to the Trust Scheme, be fully paid² and free from all Encumbrances; and
- they have full power and capacity to sell and to transfer their Scheme Units (together with any rights and entitlements attaching to those Scheme Units) to the Bidder pursuant to the Trust Scheme.

In each case, SAL undertakes in favour of each Scheme Securityholder that it will provide such warranties to the Bidder as agent and attorney of that Scheme Securityholder.

Warranties by UniSuper

In addition, UniSuper also provides warranties to SAL and the Bidder under the Company Scheme and the Trust Scheme regarding the UniSuper Specified Securities (among other matters). The warranties given by UniSuper are supported by UniSuper's obligations under the Voting Deed, discussed further in Section 9.10 (**Voting Deed**).

3.9 Taxation

You should seek your own professional advice regarding the individual tax consequences applicable to you. A general outline of the tax implications for Australian residents is set out in Section 8 (**Taxation implications**).

3.10 No brokerage or stamp duty

No brokerage or stamp duty will be payable by Scheme Securityholders on the transfer of their Scheme Securities under the Schemes.

3.11 Further information

If you have any questions in relation to this Scheme Booklet or the Schemes, please contact the Sydney Airport Securityholder Information Line on 1300 367 804 (within Australia) or +61 2 9066 6162 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

1) All SAL Shares currently on issue are fully paid.

2) All SAT1 Units currently on issue are fully paid.

4

Scheme Meetings details, Sydney Airport
Securityholder approvals and how to vote

4 Scheme Meetings details, Sydney Airport Securityholder approvals and how to vote

4.1 Date and time of the Scheme Meetings

The General Scheme Meetings will be held concurrently online commencing at 11.00am (Sydney time) via Sydney Airport's online meeting platform at <https://meetnow.global/M4FZK7U> on Thursday, 3 February 2022.

The UniSuper Scheme Meetings will be held concurrently on Thursday, 3 February 2022 via Sydney Airport's online meeting platform at <https://meetnow.global/M4FZK7U>, commencing immediately following the conclusion of the General Scheme Meetings.

Details about the General Scheme Meetings and the UniSuper Scheme Meetings are set out in the Notices of Meetings contained in Annexure E (**Notices of Meetings**).

4.2 Voting entitlement

Each Sydney Airport Securityholder who is registered on the Sydney Airport Security Register at 7.00 pm (Sydney time) on Tuesday, 1 February 2022 (other than as set out below) is entitled to attend and vote at the Scheme Meetings as follows:

- in the case of each Sydney Airport Securityholder (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities), at the General Scheme Meetings; and
- in the case of the UniSuper Securityholder in relation to the UniSuper Specified Securities, at the UniSuper Scheme Meetings.

The Bidder and its associates (as defined in section 12 of the Corporations Act) are excluded from voting on the Scheme Resolutions, unless:

- the vote is cast by the associate as proxy for a person who is not excluded from voting, in accordance with that person's directions on the Proxy Form; or
- the associate is acting solely as an investment manager, custodian, nominee, trustee, responsible entity or other fiduciary on behalf of a third party beneficiary or third party investor, who is not an associate of the Bidder.

4.3 Jointly held Sydney Airport Securities

In the case of jointly held Sydney Airport Securities, only one of the joint Sydney Airport Securityholders is entitled to vote. If more than one Sydney Airport Securityholder votes in respect of jointly held Sydney Airport Securities, only the vote of the Sydney Airport Securityholder whose name appears first in the Sydney Airport Security Register will be counted.

Details about the permitted methods of voting are set out in Section 4.5 (**How to vote**) and in the Notices of Meetings contained in Annexure E (**Notices of Meetings**).

4.4 Scheme Resolutions and voting majorities required

For the Transaction to proceed, the Scheme Resolutions must all be approved at the Scheme Meetings in the manner described in Section 3.4(a) (**Sydney Airport Securityholder approval**).

4.5 How to vote

If you are a Sydney Airport Securityholder, you may vote on the Schemes by:

- attending the relevant Scheme Meetings online via Sydney Airport's online meeting platform; or
- proxy, attorney or, in the case of a corporation which is a Sydney Airport Securityholder, by corporate representative appointed in accordance with the Corporations Act.

Relevant details in respect of each of these methods are set out below.

Voting on each of the Scheme Resolutions will be conducted by way of a poll.

4.6 Voting online

To participate via Sydney Airport's online meeting platform you will require internet access and a smartphone, tablet or computer with the latest versions of Chrome, Safari, Edge or Firefox installed. Please ensure your web browser is compatible. You can watch, vote, make comments and ask questions during the Scheme Meetings via Sydney Airport's online meeting platform at <https://meetnow.global/M4FZK7U>.

If you are a Sydney Airport Securityholder, you will need to provide your details (including SRN/HIN and postcode) to be verified as a Sydney Airport Securityholder when you log into the platform. Sydney Airport Securityholders with a registered address outside Australia should select the country of their registered address from the dropdown list.

If you are a proxyholder, when you log onto the online platform you will need your 'Proxy Number' which will be provided to you by the Sydney Airport Registry by email before the Scheme Meetings.

Sydney Airport Securityholders will also have the opportunity to listen to proceedings and ask questions or make comments at the Scheme Meetings via a teleconference facility by dialling 1800 416 188 (within Australia) or +61 2 9189 1107 (outside Australia) during the Scheme Meetings.

You will require a unique PIN to participate via the teleconference facility. To obtain your unique PIN, prior to commencement of the Scheme Meetings please contact the Sydney Airport Securityholder Information Line on 1300 367 804 (within Australia) or +61 2 9066 6162 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time), and have your SRN/HIN available.

More information about how to use the Sydney Airport online meeting platform is available in the Meeting User Guide, available on Sydney Airport's website at <https://www.sydneyairport.com.au>.

4 Scheme Meetings details, Sydney Airport Securityholder approvals and how to vote continued

4.7 Voting by proxy

a) Appointment of proxy

If you do not intend to attend the Scheme Meetings and are entitled to vote on the Scheme Resolutions, you may select a representative or the Chairman of the Scheme 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 Sydney Airport 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 Scheme 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.

If you do not name a proxy, or your named proxy does not attend the Scheme Meetings, the Chairman of the Scheme Meetings will be your proxy and will vote on your behalf. Your proxy has the same rights as you to speak at the Scheme Meetings and to vote. The appointment of a proxy will not preclude you from attending and voting at the Scheme Meetings. If you are present at the Scheme Meetings, your proxy's authority to speak and vote for you at the Scheme Meetings is suspended.

b) Appointment of proxy electronically

You can appoint your proxy electronically through the Sydney Airport Registry's website at www.investorvote.com.au (in which case your appointment will need to be authenticated in the manner set out on that website).

Intermediaries with access to Intermediary Online through the Registry may appoint their proxy electronically through www.intermediaryonline.com.

If a Sydney Airport Securityholder appoints a proxy electronically prior to the Scheme Meetings, they will be taken to have revoked the authority of any previously appointed proxy. Any proxy appointment made electronically will be cancelled if the Sydney Airport Securityholder attends the Scheme Meetings. The Sydney Airport Securityholder will then be entitled to vote at the Scheme Meetings.

c) 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 Scheme Resolution may be voted by the appointed proxy as they choose.

d) Chairman's intention in relation to voting undirected proxies

The Chairman of the General Scheme Meetings intends to vote all valid undirected proxies received in favour of each General Scheme Resolution.

In relation to the UniSuper Scheme Resolutions, UniSuper is required to ensure that the UniSuper Securityholder votes in accordance with the Voting Deed in relation to the UniSuper Specified Securities.

e) Voting by attorney

Powers of attorney must be received by the Sydney Airport Registry by no later than 11.00am (Sydney time) on Tuesday, 1 February 2022.

f) Voting by corporate representative

A body corporate may appoint an authorised corporate representative to represent it at the Scheme Meetings and to exercise any of the powers the body corporate may exercise at the Scheme Meetings. The appointment must comply with section 253B of the Corporations Act. A corporate Sydney Airport Securityholder or corporate proxy should obtain a certificate of 'Appointment of Corporate Representative' form from the Sydney Airport Registry, and complete and sign the form in accordance with the instructions on it.

The authorised corporate representative must attend the Scheme Meetings via Sydney Airport's online meeting platform at <https://meetnow.global/M4FZK7U>.

g) 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 Sydney Airport Registry, on behalf of Sydney Airport, by no later than 11.00am (Sydney time) on Tuesday, 1 February 2022:

- by mail at Computershare Investor Services Pty Limited's postal address at GPO Box 242, Melbourne VIC 3001;
- by fax at Computershare Investor Services Pty Limited's fax number 03 9473 2555 (within Australia) or +61 3 9473 2555 (outside Australia); or
- electronically at www.investorvote.com.au (as detailed on the Proxy Form).

4.8 Further information

If you have any questions please read Section 2 (**Frequently asked questions**) and, if your question is not answered there, contact the Sydney Airport Securityholder Information Line on 1300 367 804 (within Australia) or +61 2 9066 6162 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

5

Information about Sydney Airport

5 Information about Sydney Airport

5.1 Corporate information

Sydney Airport is a S&P/ASX 100 entity listed on ASX (ASX: SYD), headquartered in Sydney, Australia. It is the operator of Sydney Airport, Australia's largest airport and one of Australia's most important infrastructure assets.

Sydney Airport is an essential part of Australia's transportation and infrastructure network, and prior to the COVID-19 pandemic it connected Sydney to more than one hundred regional, national and international destinations. In 2019, Sydney Airport accounted for \$42.0 billion in economic activity and more than 330,000 direct and indirect jobs.

5.2 Principal activities and operations

The business of Sydney Airport may be divided into the following four principal revenue streams.

a) Aeronautical services

Sydney Airport provides access to terminals, infrastructure, apron parking, airfield and terminal facilities for use by airline customers. Revenue is recognised as the service is provided largely on a per passenger basis.

Revenue for the provision of government mandated security services including passenger and checked bag screening is recovered from airlines on a cost pass through basis.

b) Retail

Sydney Airport leases commercial space to tenants whose operations include duty-free, food and beverage, newsagents and gift stores, speciality retail, and currency exchange services.

Sydney Airport also has an extensive network of digital and static advertising sites in terminals, beside access roads and at car parks, leased to advertising agencies under a single contract.

c) Property and car rental

Sydney Airport derives revenue from the lease of terminal space, buildings and other spaces at Sydney Airport.

d) Parking and ground transport

Sydney Airport provides a broad range of car parking products designed to meet passenger and airport user needs, as well as providing services and facilities close to the terminals for taxis, coaches, limousines and rideshare vehicles to access passenger collection.

5.3 Board and Key Management Personnel

a) Sydney Airport Board

As at the date of this Scheme Booklet, the Sydney Airport Board comprised of the following individuals.

Name	Position
SAL Board	
David Gonski AC	Chairman, Non-executive director
John Roberts	Non-executive director
Stephen Ward	Non-executive director
Ann Sherry AO	Non-executive director
Grant Fenn	Non-executive director
Abi Cleland	Non-executive director
SAT1 Board	
Anne Rozenauers	Executive director
Russell Balding AO	Non-executive director
Patrick Gourley	Non-executive director

b) Sydney Airport senior management

As at the date of this Scheme Booklet, the senior management personnel of Sydney Airport comprised of the following individuals.

Name	Position
Geoff Culbert	Chief Executive Officer
Greg Botham	Chief Financial Officer
Vanessa Orth	Chief Commercial Officer
Dhruv Gupta	Chief Aviation Officer
Karen Tompkins	General Counsel & Company Secretary
Karen Halbert	Executive General Manager, Corporate Affairs

5 Information about Sydney Airport continued

5.4 Corporate governance

Sydney Airport's corporate governance practices are detailed in Sydney Airport's 2020 Corporate Governance Statement lodged with ASX on 24 February 2021, available at www.asx.com.au. A copy of Sydney Airport's core corporate governance policies can be accessed on Sydney Airport's website at www.sydneyairport.com.au.

5.5 Corporate structure

a) Stapled securities

Sydney Airport is a listed entity comprising a company, SAL, and a trust, SAT1, stapled together. TTCSAL is the responsible entity of SAT1.

Sydney Airport Securities are traded on ASX under the ticker 'SYD' and are a stapled instrument, comprising two securities:

- i) one SAT1 Unit; and
- ii) one SAL Share.

The stapled securities are quoted on ASX as if they were a single security that investors can buy and sell. Individual SAT1 Units and SAL Shares cannot be traded separately.

b) Cross staple loan

In December 2013, an interest bearing, unsecured subordinated loan, was entered into between SAT1 as lender and SAL as borrower. The loan expires on 28 November 2023 and interest is calculated at 13.0% per annum payable in advance during the first two months of semi-annual periods beginning on 1 January and 1 July.

Under the terms of the loan, interest is calculated in advance on the outstanding principal amounts at the beginning of an interest period.

There are no steps proposed under the Transaction in relation to the loan and it is intended to stay on foot up to the Implementation Date.

5.6 Capital structure

a) Sydney Airport Securities on issue

The capital structure of Sydney Airport as at the date of this Scheme Booklet is as follows.

Capital	Total number on issue
Sydney Airport Securities	2,698,700,253
Sydney Airport Performance Rights	3,070,393

See Section 9.3 (**Sydney Airport Performance Rights**) for further information on the intended treatment of the Sydney Airport Performance Rights in connection with the Schemes.

As at 14 December 2021 (being the Last Practical Trading Day), Sydney Airport had a market capitalisation of approximately \$23.1 billion (based on a closing price of \$8.55 per Sydney Airport Security).

b) Substantial securityholders

Based on filings to ASX, as at 14 December 2021 (being the Last Practical Trading Day), the substantial holders of Sydney Airport Securities are as follows.

Substantial Sydney Airport Securityholders	Number of Sydney Airport Securities	Percentage
HSBC Custody Nominees (Australia) Limited	776,299,049	28.8%
BNP Paribas Nominees Pty Ltd ¹	427,266,786	15.8%
Sydney Airport Limited (SAL) and each of SAL's subsidiaries	404,969,320	15.0%
J P Morgan Nominees Australia Pty Limited	383,295,619	14.2%
StateStreet Group	144,039,573	5.3%
BlackRock Group	138,479,255	5.1%
UBS Group	136,876,310	5.1%

The securityholdings listed in this Section 5.6(b) are as disclosed to ASX in Sydney Airport's 2020 Annual Report and in subsequent substantial holding notices. Information in regard to substantial holdings arising, changing or ceasing after this time or in respect of which the relevant announcement is not available on the ASX website (www.asx.com.au) is not included above.

1) BNP Paribas Nominees Pty Ltd holds the UniSuper Specified Securities as the UniSuper Securityholder, however it also holds Sydney Airport Securities in its capacity as a custodian for entities other than UniSuper, hence the percentage of Sydney Airport Securities it holds as displayed in this table is greater than the approximate 15.01% interest in Sydney Airport Securities that UniSuper beneficially owns.

5 Information about Sydney Airport continued

5.7 Financial information

This Section 5.7 contains financial information about Sydney Airport for the years ended 31 December 2019 and 31 December 2020 and half year ended 30 June 2021. The financial information in this Section is a summary only and is prepared for the purpose of this Scheme Booklet. The information has been extracted from the audited financial reports of Sydney Airport for the years ended 31 December 2019 and 31 December 2020 and the reviewed interim financial report for the half year ended 30 June 2021.

Further detail on Sydney Airport's financial performance can be found within the Appendix 4E and financial statements for the year ended 31 December 2020 as announced to ASX on 24 February 2021 and the Appendix 4D and interim financial statements for the half year ended 30 June 2021 as announced to ASX on 20 August 2021, each of which can be found on the Sydney Airport website at www.sydneyairport.com.au.

The significant impacts of the COVID-19 pandemic on the operating and financial performance of Sydney Airport commenced during the first quarter of the year ended 31 December 2020.

a) Historical consolidated statements of comprehensive income

A\$m	Jun 21 Reviewed	Dec 20 Audited	Dec 19 Audited
Revenue			
Aeronautical revenue	110.8	238.2	739.3
Aeronautical security recovery	28.1	68.7	105.0
Retail revenue	87.4	244.2	374.9
Property and car rental revenue	84.6	199.1	251.2
Parking and ground transport revenue	28.7	49.1	162.0
Other revenue	2.0	4.4	7.2
Total revenue	341.6	803.7	1,639.6
Other income			
Gain on de-recognition of non-current assets	—	115.7	0.1
Other income	9.4	—	—
Total revenue and other income	351.0	919.4	1,639.7
Operating expenses			
Employee benefits expense	(28.1)	(39.3)	(56.8)
Services and utilities expense	(19.8)	(49.0)	(83.4)
Property and maintenance expense	(8.5)	(19.5)	(29.6)
Security recoverable expense	(27.3)	(62.9)	(98.3)
Expected credit loss expense	(52.2)	(93.9)	—
Other operational costs	(17.8)	(31.0)	(35.3)
Total operating expenses	(153.7)	(295.6)	(303.4)
Other expenses			
Write off non-current assets	—	(28.2)	—
Restructuring and redundancy expenses	—	(7.5)	(3.2)
Indemnity income / (expense)	13.5	39.7	(183.4)
MALSA expense	—	—	(4.2)
Total other expenses	13.5	4.0	(190.8)
Total expenses before depreciation, amortisation, net finance costs and income tax	(140.2)	(291.6)	(494.2)
Profit / (loss) before depreciation, amortisation, net finance costs and income tax (EBITDA)	210.8	627.8	1,145.5
Depreciation	(181.3)	(355.7)	(352.7)
Amortisation	(41.8)	(84.7)	(85.3)
(Loss) / Profit before net finance costs and income (EBIT)	(12.3)	187.4	707.5

5 Information about Sydney Airport continued

5.7 Financial information continued

a) Historical consolidated statements of comprehensive income continued

A\$m	Jun 21 Reviewed	Dec 20 Audited	Dec 19 Audited
Finance income	5.5	8.2	8.3
Finance costs	(120.2)	(379.6)	(429.1)
Change in fair value of swaps	(70.6)	(60.4)	(0.1)
Net finance costs	(185.3)	(431.8)	(420.9)
(Loss) / profit before income tax	(197.6)	(244.4)	286.6
Income tax benefit / (expense)	100.2	136.9	(71.6)
(Loss) / profit after income tax	(97.4)	(107.5)	215.0
(Loss) / profit after income tax attributable to:			
Security holders	(108.7)	(145.6)	403.9
Non-controlling interest	11.3	38.1	(188.9)
	(97.4)	(107.5)	215.0

A\$m	Jun 21 Reviewed	Dec 20 Audited	Dec 19 Audited
Items that may subsequently be reclassified to profit or loss			
Changes in fair value of cash flow hedges	251.2	(64.2)	(252.9)
Changes in fair value of foreign current basis spread	(2.3)	(32.9)	(10.6)
Tax on items that may be reclassified to profit or loss	(67.9)	5.9	79.1
Total items that may subsequently be reclassified to profit or loss	181.0	(91.2)	(184.4)
Items that will never be reclassified to profit or loss			
Remeasurement gain on defined benefit plan	—	—	0.9
Tax on items that will never be reclassified to profit or loss	—	—	(0.3)
Total items that will never be reclassified to profit or loss	—	—	0.6
Other comprehensive income / (loss)	181.0	(91.2)	(183.8)
Total comprehensive income / (loss)	83.6	(198.7)	31.2
Total comprehensive income / (loss) attributable to:			
Securityholders	72.3	(236.8)	220.1
Non-controlling interest	11.3	38.1	(188.9)
	83.6	(198.7)	31.2

5 Information about Sydney Airport continued

5.7 Financial information continued

b) Historical consolidated statements of financial position

A\$m	Jun 21 Reviewed	Dec 20 Audited	Dec 19 Audited
Current assets			
Cash and cash equivalents	510.1	1,075.6	625.1
Receivables	357.5	372.0	199.7
Derivative financial instruments	42.2	149.9	14.8
Other assets	3.5	1.4	0.6
Total current assets	913.3	1,598.9	840.2
Non-current assets			
Receivables	159.2	142.1	79.4
Property, plant and equipment	3,359.3	3,472.5	3,532.6
Intangible assets	7,032.1	7,073.9	7,230.4
Derivative financial instruments	537.2	543.8	936.7
Other assets	14.7	21.6	13.1
Total non-current assets	11,102.5	11,253.9	11,792.2
Total assets	12,015.8	12,852.8	12,632.4
Current liabilities			
Distribution payable	—	—	440.4
Payables and deferred income	109.8	140.5	254.7
Interest bearing liabilities	199.9	848.1	759.6
Derivative financial instruments	94.4	77.6	125.7
Leases liabilities	0.3	0.1	0.4
Provisions	9.1	8.5	9.9
Total current liabilities	413.5	1,074.8	1,590.7
Non-current liabilities			
Payables and deferred income	8.3	—	—
Interest bearing liabilities	8,372.1	8,352.8	9,426.7
Derivative financial instruments	427.5	670.0	500.6
Lease liabilities	0.2	0.1	0.2
Deferred tax liabilities	1,618.1	1,650.3	1,801.1
Provisions	53.6	66.9	66.7
Total non-current liabilities	10,479.8	10,740.1	11,795.3
Total liabilities	10,893.3	11,814.9	13,386.0
Net assets / (liabilities)	1,122.5	1,037.9	(753.6)
Equity			
Securityholders' interests			
Contributed equity	7,523.5	7,523.5	5,533.0
Retained earnings	(2,684.5)	(2,576.1)	(2,430.3)
Reserves	(3,568.5)	(3,750.2)	(3,659.0)
Total securityholders' interest	1,270.5	1,197.2	(556.3)
Non-controlling interest in controlled entities	(148.0)	(159.3)	(197.3)
Total equity	1,122.5	1,037.9	(753.6)

5 Information about Sydney Airport continued

5.7 Financial information continued

c) Historical consolidated statements of changes in equity

A\$'m	Contributed equity	Retained earnings	Cash flow hedge reserve	Foreign currency basis spread reserve	Other reserve	Total equity
Total equity at 1 January 2019 (Audited)	5,508.6	(1,963.0)	(316.4)	2.4	(3,159.5)	72.1
Comprehensive income						
Profit after tax	—	215.0	—	—	—	215.0
Other comprehensive income, net of tax	—	0.6	(177.0)	(7.5)	—	(183.9)
Total comprehensive loss	—	215.6	(177.0)	(7.5)	—	31.1
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan	24.4	—	—	—	—	24.4
Distributions provided for or paid	—	(880.5)	—	—	—	(880.5)
Equity-settled shares	—	0.3	—	—	(1.0)	(0.7)
Total transactions with owners of the company	24.4	(880.2)	—	—	(1.0)	(856.8)
Total equity at 31 December 2019 (Audited)	5,533.0	(2,627.6)	(493.4)	(5.1)	(3,160.5)	(753.6)
Comprehensive income						
Loss after tax	—	(107.5)	—	—	—	(107.5)
Other comprehensive income / (loss), net of tax	—	—	(64.2)	(27.0)	—	(91.2)
Total comprehensive loss	—	(107.5)	(64.2)	(27.0)	—	(198.7)
Transactions with owners of the company						
Issue of additional equity, net of transaction costs and deferred tax	1,979.6	—	—	—	—	1,979.6
Issue of securities through distribution reinvestment plan	10.9	—	—	—	—	10.9
Equity-settled shares	—	(0.3)	—	—	—	(0.3)
Total transactions with owners of the company	1,990.5	(0.3)	—	—	—	1,990.2
Total equity at 31 December 2020 (Audited)	7,523.5	(2,735.4)	(557.6)	(32.1)	(3,160.5)	1,037.9
Comprehensive income						
Loss after tax	—	(97.4)	—	—	—	(97.4)
Other comprehensive income / (loss), net of tax	—	—	182.6	(1.6)	—	181.0
Total comprehensive loss	—	(97.4)	182.6	(1.6)	—	83.6
Transactions with owners of the company						
Equity-settled shares	—	0.3	—	—	0.7	1.0
Total transactions with owners of the company	—	0.3	—	—	0.7	1.0
Total equity at 30 June 2021 (Reviewed)	7,523.5	(2,832.5)	(375.0)	(33.7)	(3,159.8)	1,122.5

5 Information about Sydney Airport continued

5.7 Financial information continued

d) Historical consolidated statements of cash flows

A\$m	Jun 21 Reviewed	Dec 20 Audited	Dec 19 Audited
Cash flow from operating activities			
Receipts from customers	296.9	780.1	1,844.2
Government subsidies	6.1	11.7	–
Payments to suppliers and employees	(143.9)	(364.1)	(481.8)
Interest received	0.9	6.6	8.3
Net cash flows from operating activities	160.0	434.3	1,370.7
Cash flow from investing activities			
Proceeds from disposal of fixed assets	–	–	0.1
Acquisition of property, plant and equipment	(75.3)	(347.1)	(303.9)
Capitalised borrowing costs	(2.4)	(7.2)	(9.7)
Indemnity refund	41.2	–	–
Net cash flows used in investing activities	(36.5)	(354.3)	(313.5)
Cash flow from financing activities			
Airport borrowing costs paid	(144.6)	(325.8)	(297.8)
Corporate borrowings costs paid	(0.3)	(2.3)	(3.1)
Repayment of borrowings	(518.7)	(1,941.8)	(395.0)
Proceeds received from borrowings	–	1,284.0	741.5
Interest rate swap receipts / (payments) ¹	27.6	(48.2)	(109.9)
Interest rate swap reset ¹	(53.0)	(137.6)	–
Proceeds received from distribution reinvestment plan	–	10.9	24.5
Proceeds from issue of additional equity, net of transaction costs	–	1,971.7	–
Distributions paid to security holders	–	(440.4)	(868.6)
Net cash flows (used in) / from financing activities	(689.0)	370.5	(908.4)
Net (decrease) / increase in cash and cash equivalents	(565.5)	450.5	148.8
Cash and cash equivalents at beginning of the period	1,075.6	625.1	476.3
Cash and cash equivalents at the end of the period	510.1	1,075.6	625.1

e) Material changes to Sydney Airport's financial position since 30 June 2021

Within the knowledge of the Sydney Airport Board Members and other than as disclosed in this Scheme Booklet or announced to ASX (including the Appendix 4D and Interim Financial Report for the half year ended 30 June 2021 as announced to ASX on 20 August 2021), the financial position of Sydney Airport has not materially changed since 30 June 2021, being the date of Sydney Airport's interim financial report for the half year ended 30 June 2021.

As disclosed by Sydney Airport to ASX in the traffic performance updates for the months of July to October 2021, passenger numbers for the months July through to October 2021 experienced a downturn of more than 97% compared to the corresponding periods in the pre-COVID operating environment of 2019. In the earlier part of 2021, the introduction of the 'Trans-Tasman bubble', which allowed international travel between Australia and New Zealand, in addition to the easing of Australian domestic travel restrictions, saw an improvement in passenger numbers in the six months to 30 June 2021. However, in the period since 30 June 2021, in response to further outbreaks of the COVID-19 pandemic, the introduction of multiple domestic border closures and the suspension of the 'Trans-Tasman bubble' resulted in a further downturn in domestic and Trans-Tasman international passenger numbers. At the same time, international passenger traffic continued to be materially impacted by border restrictions. The impact of the border restrictions on passenger numbers resulted in a material impact on revenue during the period since 30 June 2021.

As disclosed to ASX on 19 November 2021, from early November 2021, following the opening of the Victorian and New South Wales borders, and opening of international borders to Australian citizens and permanent residents who were fully vaccinated, provisional data indicated a small uplift in both international and domestic passenger traffic.

1) Interest rate swap reset has been reclassified from Interest rate swap receipts / (payments) to align classification across the periods.

5 Information about Sydney Airport continued

5.7 Financial information continued

f) No distribution guidance

In its announcement to ASX on 20 August 2021 regarding its results for the half year ended 30 June 2021, Sydney Airport stated that given the uncertainty that remains with respect to the recovery from the COVID-19 pandemic in 2021, no distribution guidance would be provided at that point in time.

As at the date of this Scheme Booklet, Sydney Airport maintains this position.

Given the continued significant impact of COVID-19 on the business performance of Sydney Airport over the second half of the calendar year, the Sydney Airport Board confirmed on 8 December 2021 that there would be no final distribution for 2021.

No cash distribution is expected to be paid prior to the Implementation Date.

g) Sydney Airport Board Members' intentions for the business

If the Schemes become Effective, the existing Sydney Airport Board will resign and the Sydney Airport Board will be reconstituted in accordance with the instructions of the Bidder after the Implementation Date. Accordingly, it is not possible for the Sydney Airport Board Members to provide a statement of their intentions regarding:

- the continuation of the business of Sydney Airport or how Sydney Airport's existing business will be conducted;
- any major changes to be made to the business of Sydney Airport, including any redeployment of the fixed assets of Sydney Airport; or
- the future employment of the present employees of Sydney Airport,

in each case, after the Schemes are implemented.

If the Schemes are not implemented, Sydney Airport will remain listed on ASX. The Sydney Airport Board Members intend to continue to operate Sydney Airport in the ordinary course of the business, recognising the challenges presented by the COVID-19 pandemic. Sydney Airport intends to continue with its disciplined approach in relation to managing operating expenditure and capital investment while earnings remain suppressed.

h) Risks relating to the Sydney Airport business

There are existing risks relating to Sydney Airport's business and an investment in Sydney Airport which will continue to be relevant to Sydney Airport Securityholders if the Schemes do not become Effective. A summary of the key risks relating to Sydney Airport's business and an investment in Sydney Airport is set out in Section 7 (**Risks**).

i) Recent Sydney Airport Security price performance

There has been extensive trading in Sydney Airport Securities since Sydney Airport announced to ASX the first non-binding proposal received from the Consortium Members on 5 July 2021.

The table below summarises trading from close of business on 3 May 2021 to 30 November 2021.

Month	Closing Price High	Closing Price Low	Average Daily Volume (m)
May 2021	\$6.22	\$5.58	6.0
June 2021	\$6.17	\$5.69	9.1
July 2021	\$8.04	\$5.75	16.0
August 2021	\$8.00	\$7.57	6.8
September 2021	\$8.41	\$7.75	11.8
October 2021	\$8.40	\$8.04	9.8
November 2021	\$8.48	\$8.17	25.2

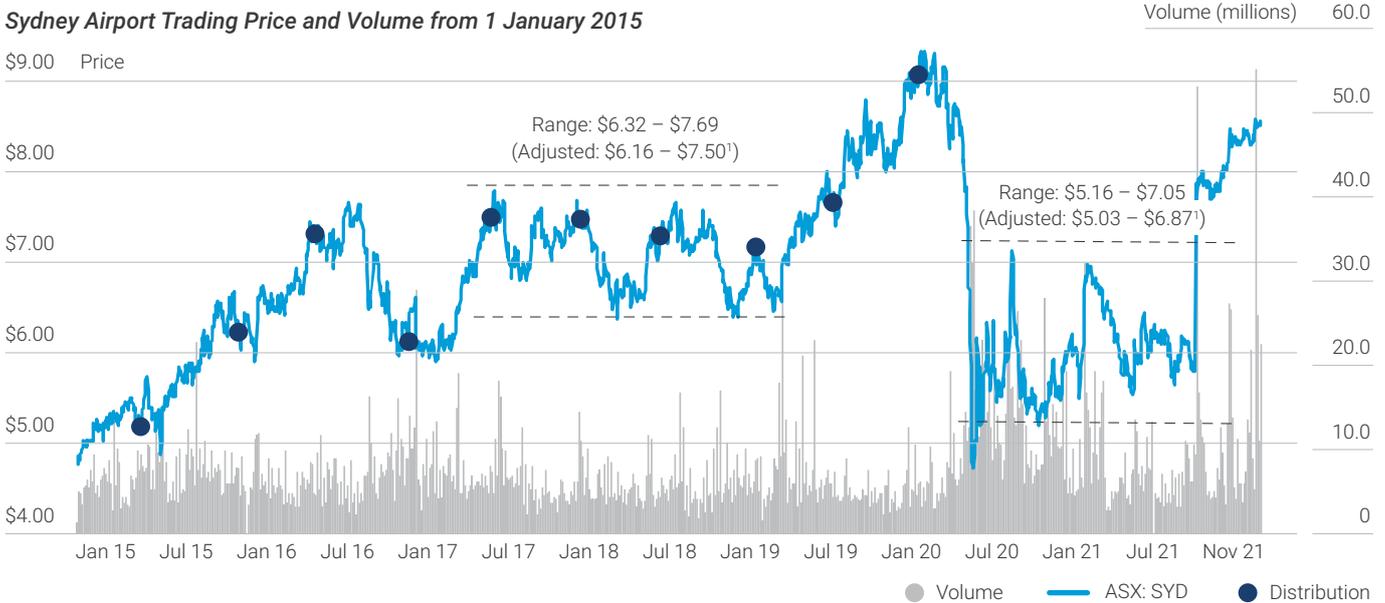
5 Information about Sydney Airport continued

5.7 Financial information continued

j) Pre-COVID-19 Sydney Airport Security price performance

The Independent Expert has considered the trading in Sydney Airport Securities, both pre-COVID-19 and during COVID-19, at Section 8.15 of its report and in Section 3.4.1 of the Summary Letter to its report.

Set out below is a graph extracted from Section 8.15.1 of the Independent Expert's Report showing the Sydney Airport trading price and volume from 1 January 2015.



Source: S&P Capital IQ and Knoll analysis. Sydney Airport Security prices are not adjusted for the equity raising.

Note 1: Adjusted for the equity raising.

5.8 Publicly available information

Sydney Airport is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, Sydney Airport is subject to ASX Listing Rules which require (subject to some exceptions) continuous disclosure of any information that Sydney Airport has that a reasonable person would expect to have a material effect on the price or value of Sydney Airport Securities.

ASX maintains files containing publicly disclosed information about all companies listed on ASX. Information disclosed to ASX by Sydney Airport is available on ASX's website at www.asx.com.au.

In addition, Sydney Airport is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Sydney Airport may be obtained from an ASIC office.

Sydney Airport Securityholders may obtain a copy of:

- the audited financial statements in respect of the year ended 31 December 2020; and
- the 2020 Annual Report,

from ASX's website at www.asx.com.au, from the Sydney Airport website at www.sydneyairport.com.au or free of charge, by calling the Sydney Airport Securityholder Information Line on 1300 367 804 (within Australia) or +61 2 9066 6162 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

6

Information about the Bidder, HoldCo and the Sydney Aviation Alliance

6 Information about the Bidder, HoldCo and the Sydney Aviation Alliance

6.1 Introduction

This Section 6 forms part of the Bidder Information and has been prepared by, and is the responsibility of, the Bidder. This Section 6 contains information relating to the Bidder, HoldCo and the Consortium Group, and outlines how the Bidder is funding the Scheme Consideration (other than the Scheme Consideration in relation to the UniSuper Specified Securities) and its intentions in relation to Sydney Airport.

The Sydney Airport Group and its directors and officers do not assume any responsibility for the accuracy or completeness of this information.

6.2 Overview of the Sydney Aviation Alliance and its members

a) The Sydney Aviation Alliance

The Sydney Aviation Alliance is a consortium of investors comprising entities associated with:

- AustralianSuper;
- IFM Australian Infrastructure Fund;
- QSuper;
- IFM Global Infrastructure Fund; and
- Global Infrastructure Partners.

b) AustralianSuper

AustralianSuper is Australia's largest superannuation fund, managing more than A\$233 billion of members' retirement savings on behalf of more than 2.4 million Australians. One in 10 working Australians is a member of AustralianSuper. AustralianSuper has approximately A\$24 billion invested in infrastructure globally, including interests in Australian infrastructure assets such as NSW Ports, Ausgrid, WestConnex, Transurban Queensland and Perth Airport.

c) IFM Australian Infrastructure Fund (AIF)

AIF is an open ended Australian infrastructure investment fund managed by IFM Investors Pty Ltd (**IFM Investors**), an investor-owned Australian investment manager.

AIF has more than A\$13 billion in funds under management (as at 30 September 2021), and is an Australian domiciled investment fund with investors predominantly comprised of Australian industry superannuation funds, which, in turn, manage retirement savings on behalf of millions of Australians.

AIF has a 26-year track record of investing in nationally-critical Australian infrastructure with a current portfolio spanning investments in an electricity distribution asset (Ausgrid), airports (including Melbourne, Brisbane, Adelaide and Darwin airports), seaports (NSW Ports and the Port of Brisbane), a toll road and social infrastructure.

d) QSuper

QSuper is a leading Australian profit for members superannuation fund that has more than A\$10 billion invested in global infrastructure assets. This includes investments in airports including Heathrow, Edinburgh and Brisbane airports as well as other Australian infrastructure assets such as the Port of Brisbane and NSW Ports. QSuper is based in Brisbane and has approximately A\$133 billion in assets under administration.

On 14 March 2021, QSuper and Sunsuper announced they had signed a Heads of Agreement to merge and create an A\$200 billion superannuation fund with two million members. The proposed merger remains subject to a range of conditions, including legislative and other approvals. Further information about the Sunsuper and QSuper merger, and updates on its status, are available on the QSuper website at <https://qsuper.qld.gov.au/learn/merger>.

e) IFM Global Infrastructure Fund (GIF)

Conyers Trust Company (Cayman) Limited (**Conyers**) as trustee for GIF is an open-ended global infrastructure investment fund with more than A\$50 billion in funds under management (as at 30 September 2021). GIF is independently managed and controlled by its trustee, Conyers, which retains ultimate decision making for GIF.

GIF's investors include a diverse range of pension funds and institutional investors across Australia, the US, Canada, Asia, the UK and Europe. GIF has a 17-year track record investing in assets around the world with 19 current portfolio investments spanning airports, seaports and toll roads, as well as energy, water and telecommunication assets. GIF's airport experience includes investments in Manchester Airports Group (Manchester, London Stansted and East Midlands airports) and Flughafen Wien Group (Vienna, Malta and Košice airports).

f) Global Infrastructure Partners

Global Infrastructure Partners is an independent infrastructure fund manager that specialises in infrastructure investments in the energy, transport and water/waste sectors in OECD countries and select emerging market countries. Global Infrastructure Partners currently manages approximately US\$77 billion for its investors and has extensive transportation infrastructure and airport ownership and operational experience including Gatwick, Edinburgh, London City (exited 2016) and Paine Field airports. Global Infrastructure Partners has a lengthy history of successful ownership and custodianship of Australian infrastructure assets including investments in the Port of Melbourne, Pacific National, the QCLNG Common Facilities, GLNG Infrastructure and the Port of Brisbane (exited 2013). Global Infrastructure Partners' portfolio companies have combined annual revenues of approximately US\$41 billion and approximately 58,000 employees.

6.3 Overview of the Bidder and HoldCo

a) Introduction

The Bidder and HoldCo are Australian proprietary companies that were incorporated by the Sydney Aviation Alliance on 29 October 2021. The Bidder was incorporated for the purpose of acquiring the Scheme Securities. HoldCo was incorporated for the purpose of holding all the shares in the Bidder.

Except as described in this Section 6, neither the Bidder nor HoldCo have commenced trading or conducted business, and they do not own or hold any assets or have any liabilities other than in connection with their incorporation, the entry into transaction documents in connection with the Schemes and the taking of such other actions as are necessary to facilitate the implementation of the Schemes (including actions in relation to the incurrance of costs, fees and expenses in connection with the Schemes).

If the Schemes become Effective and are implemented, the Bidder will acquire all Sydney Airport Securities on the Implementation Date.

b) Ownership structure

As at the date of this Scheme Booklet:

- the Bidder is a wholly-owned subsidiary of HoldCo; and
- HoldCo is ultimately owned by Consortium Members, their related entities and/or investment vehicles controlled or owned by them.

On or prior to implementation of the Schemes, it is intended that the ownership of HoldCo will change such that it will be owned as follows:

- 35.99% for the Sydney Aviation Alliance Australian Investment Trust (**AIT**), an Australian resident fixed unit trust the trustee of which will be an independent Australian third party professional trustee – the units in AIT will in turn be held 41.65% by AIF,¹ 20.84% by AustralianSuper, 20.84% by QSuper, 8.34% by GIF (a widely held fund with Australian and foreign investors) and 8.34% by Global Infrastructure Partners;²
- 15.01% by UniSuper;³
- 34.00% by Global Infrastructure Partners, noting that within this equity share, as at implementation of the Schemes no individual client of Global Infrastructure Partners will have an interest in Sydney Airport of greater than 4.50% nor the right to appoint any director to the board of HoldCo; and
- 15.00% by GIF (a widely held fund with Australian and foreign investors).

The above investors may hold their shares in HoldCo or units in AIT through one or more investment vehicles.

Each of AIT⁴ and UniSuper, who will together hold 51% of the HoldCo Shares on issue following implementation of the Schemes, will be Australian (i.e. not foreign persons) for the purposes of the Airports Act.

Additionally, as Australian investors are also represented in participating funds managed by Global Infrastructure Partners and GIF, Sydney Airport is anticipated to have majority indirect beneficial Australian ownership following implementation of the Schemes.

c) Directors

As at the date of this Scheme Booklet, the directors of the Bidder and HoldCo are the same, being:

Ash Barker – Executive Director, IFM Investors

Ash Barker leads the Australian infrastructure M&A activities of IFM Investors' managed and advised clients and funds and the origination, execution and management of infrastructure investments. Mr Barker has extensive experience in a variety of senior infrastructure, private equity and related roles. His previous experience includes positions as Director at Hastings Funds Management and investment banking roles at Credit Suisse First Boston. At IFM Investors, Mr Barker led the successful divestment of Pacific Hydro and acquisition of Ausgrid. Mr Barker is a board member of Ausgrid and has previously served as a board member of NSW Ports and Northern Territory Airports.

1) Giving AIF an underlying interest of less than 15% in HoldCo (on an indirect basis through AIT).

2) AIT unitholding percentages are approximate and have been rounded to two decimal places.

3) See Section 3.2 (**Scheme Consideration**) of the Scheme Booklet for further details.

4) AIT will hold 35.99% and UniSuper will hold 15.01% of the HoldCo Shares on issue following implementation of the Schemes. AIT's HoldCo Shares will be held by an independent Australian third party professional custodian.

6 Information about the Bidder, HoldCo and the Sydney Aviation Alliance continued

6.3 Overview of the Bidder and HoldCo continued

Ari Droga – Partner, Global Infrastructure Partners Australia

Ari Droga joined Global Infrastructure Partners in 2008 and is a Partner of Global Infrastructure Partners Australia based in Sydney. Mr Droga has over 30 years' combined investment and advisory experience, mostly in infrastructure. Mr Droga currently serves on the boards of NSW Ports and Lochard Energy.

He is also a former board member of the Museum of Contemporary Art Australia, a former Chair of the MCA Foundation, and a former board member and Deputy Chair of the Biennale of Sydney.

Prior to joining Global Infrastructure Partners, Mr Droga held senior investment banking roles with UBS in Asia and ABN AMRO, locally and globally.

Nik Kemp – Head of Infrastructure, AustralianSuper

Nik Kemp is Head of Infrastructure at AustralianSuper and has over 20 years' experience in investing in the infrastructure sector. The portfolio he oversees has approximately A\$24 billion of funds under management and includes assets both in Australia and globally. Prior to joining AustralianSuper in 2013, Mr Kemp was a founding director at Capella Capital, and before that was a member of the infrastructure teams at Babcock and Brown, and ABN AMRO. Mr Kemp has spent time working in the UK for Henderson Global Investors, and started off his career as a management consultant at the Boston Consulting Group.

6.4 Funding of the Scheme Consideration (other than the Scheme Consideration in relation to the UniSuper Specified Securities)

a) Overview

If the Schemes are implemented, Scheme Securityholders (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities) will receive an amount of \$8.75 for each Scheme Security they hold as at the Scheme Record Date.

The maximum aggregate amount of cash payable by the Bidder to Scheme Securityholders on implementation of the Schemes will be approximately A\$20 billion.¹ The proceeds available to the Bidder under the equity commitment letters (detailed below) are in excess of this amount.

The cash Scheme Consideration payable to Scheme Securityholders pursuant to the Schemes will be funded solely from the equity commitments detailed below. The arrangements in relation to the non-cash Scheme Consideration payable in relation to the UniSuper Specified Securities are detailed in Section 6.5 (*Provision of HoldCo Shares and HoldCo Loan Notes to the UniSuper Securityholder*).

b) Equity funding

The Consortium Members have given legally binding equity commitment letters in relation to the Bidder's obligation to pay the cash component of the Scheme Consideration in favour of Sydney Airport, the Bidder, HoldCo and AIT (and each other) as follows:

Consortium Member	Commitment
AustralianSuper	A\$1,771,103,578.36
AIF	A\$3,539,845,685.29
QSuper	A\$1,771,103,578.36
GIF	A\$4,250,648,588.07
GIP	A\$8,737,444,319.92
Total cash commitment	A\$20,070,145,750.00

Under each equity commitment letter, the relevant Consortium Member commits, on a several basis, to cause the Bidder to receive the amount of its commitment in cash by:

- investing the relevant amount in HoldCo or AIT (or both) by subscribing for HoldCo Shares, HoldCo Loan Notes and/or AIT units; and
- procuring that those funds are on-loaned or otherwise contributed to the Bidder in immediately available funds,

for the purpose of enabling the Bidder to pay the relevant cash component of the aggregate Scheme Consideration when due in accordance with the terms of the Schemes. The funding commitment of each Consortium Member is subject only to the Schemes becoming Effective (and is otherwise unconditional).

The equity commitment letters separately include funding commitments totalling A\$150 million in circumstances where the Reverse Reimbursement Fee becomes payable by the Bidder.

Each Consortium Member is, within parameters agreed with SAL, entitled to nominate affiliated entities and funds (and in some cases third parties) to invest some or all of its commitment on its behalf. However, any Consortium Member making such a nomination will remain ultimately responsible under the equity commitment letters described above.

1) This amount is calculated on the assumption that all Sydney Airport Performance Rights are dealt with as set out in Section 9.3 of this Scheme Booklet and that no dividends or distributions are paid by SAL or SAT1 (which is prohibited under the terms of the Scheme Implementation Deed).

6.4 Funding of the Scheme Consideration (other than the Scheme Consideration in relation to the UniSuper Specified Securities) continued

c) Conclusion

On the basis of the arrangements described above, the Bidder is of the opinion that it has a reasonable basis for holding the view, and holds the view, that it will be able to satisfy the funding commitments described in this Section 6.4.

6.5 Provision of HoldCo Shares and HoldCo Loan Notes to the UniSuper Securityholder

As outlined in Section 3.2 (**Scheme Consideration**), the UniSuper Securityholder is not entitled to receive cash consideration in relation to the UniSuper Specified Securities held by it as at the Scheme Record Date, but will instead receive HoldCo Shares and HoldCo Loan Notes in exchange for those securities.

HoldCo Shares and HoldCo Loan Notes are variously subject to the HoldCo Constitution, HoldCo Shareholders Deed and the HoldCo Loan Notes Subscription Agreements.

On or around the Implementation Date, HoldCo Shareholders will subscribe for HoldCo Shares and HoldCo Loan Notes. All HoldCo Shares and HoldCo Loan Notes issued on or around the Implementation Date will rank equally with all other HoldCo Shares and HoldCo Loan Notes in the same class which are issued or agreed to be issued.

The obligations of UniSuper or the UniSuper Nominee HoldCo Shareholder (as applicable) to provide subscription proceeds for the HoldCo Shares and HoldCo Loan Notes to be issued to it pursuant to the terms of the Schemes will be satisfied, without further action, by the transfer of the UniSuper Specified Securities held by the UniSuper Securityholder to the Bidder pursuant to the terms of the Schemes.

HoldCo and the Bidder have each entered into the Deed Poll to covenant in favour of the Scheme Securityholders to perform their respective obligations. One of those obligations is to provide the Scheme Consideration to the Scheme Securityholders in accordance with the Schemes, including (in the case of HoldCo) to issue the HoldCo Shares and HoldCo Loan Notes to which the UniSuper Securityholder is entitled under the terms of the Schemes.

6.6 Rationale for the Bidder's proposed acquisition of Sydney Airport

As detailed in Section 6.2 above, the investors comprising the Sydney Aviation Alliance have a long history of successful large-scale investments in significant infrastructure assets within Australia and across the globe. They view Sydney Airport as a well-managed infrastructure asset, but, ultimately, one that is best suited to private ownership under the stewardship of well-resourced, patient, long-term investors.

In the face of an uncertain global aviation market and planned opening of Western Sydney Airport in late 2026, the Bidder believes that its underlying investors' expertise, ready access to capital and longer-term investment horizon can be applied to grow Sydney Airport for the long-term benefit of local communities, passengers, airline customers, employees, other airport stakeholders, and the broader economy.

6.7 The Bidder's intentions following Implementation of the Schemes

a) Introduction

If the Schemes are implemented, the Bidder will become the holder of all Sydney Airport Securities and accordingly, the Sydney Airport Group will become wholly-owned by the Bidder.

This Section 6.7 sets out the current intentions of the Bidder with respect to the Sydney Airport Group if the Schemes are implemented based on information known to the Bidder at the time of the preparation of this Scheme Booklet (including certain non-public information made available by Sydney Airport to the Bidder prior to entry into the Scheme Implementation Deed). The intentions of HoldCo are the same as the intentions of the Bidder.

It is important to recognise that the statements set out in this Section 6.7 are statements of current intention only and may change as new information becomes available or circumstances change.

b) Delisting from ASX

If the Schemes are implemented, it is intended that the quotation of Sydney Airport Securities on ASX will be terminated and Sydney Airport will be removed from the official list of ASX on or around the Business Day immediately following the Implementation Date.

c) Head office

If the Schemes are implemented, the Bidder intends for Sydney Airport's head office to remain located in Sydney, New South Wales.

6 Information about the Bidder, HoldCo and the Sydney Aviation Alliance continued

6.7 The Bidder's intentions following Implementation of the Schemes continued

d) Board of directors

If the Schemes are implemented, the Bidder intends to replace the boards of Sydney Airport Group Members (other than TTCSAL and entities Controlled by SAT1) with the same directors that are to be appointed to the HoldCo Board at implementation of the Schemes, which will comprise a majority Australian citizens and/or residents. An independent Australian chairperson will separately be appointed to the HoldCo Board. As at the date of this Scheme Booklet, those directors have not been confirmed.

e) Deregistration of managed investment scheme

The Bidder intends to apply to ASIC to deregister SAT1 as a registered managed investment scheme in due course, noting that it is intended that TTCSAL will continue as trustee of SAT1 following that deregistration.

f) Responsible entity

As at the date of this Scheme Booklet, the Bidder has no current plans to remove the current responsible entity of SAT1 (being TTCSAL) and to appoint a new responsible entity.

g) Business and employees

The Bidder intends to continue the current strategic direction of Sydney Airport, whereby it plays an important role in continuing to rebuild air travel to Sydney as the aviation industry emerges from COVID-19, aims to remain Australia's primary international gateway and continues to invest to serve growth in travel demand from the Sydney basin.

The Bidder does not anticipate making substantial changes to Sydney Airport's business or employees.

6.8 Other information

a) Interests in Sydney Airport Securities

As at the Last Practical Trading Day, none of the Bidder or any of its associates had any Relevant Interest or voting power in any Sydney Airport Securities, other than an aggregate interest of approximately 2.92% in Sydney Airport Securities arising from dealings by or on behalf of business units, investment teams or external investment managers of the Consortium Members whose ordinary course business involves dealing in, trading, or holding listed securities (*Listed Equities Teams*).

b) Dealings in Sydney Airport Securities in previous four months

None of the Bidder or any of its associates has provided, or agreed to provide, consideration for Sydney Airport Securities under any purchase or agreement during the four months before the date of this Scheme Booklet (other than pursuant to the Scheme Implementation Deed or ordinary course transactions undertaken by or on behalf of the Listed Equities Teams described in Section 6.8(a) above).

c) Inducing benefits given during previous four months

During the period of four months before the date of this Scheme Booklet, none of the Bidder or any of its associates gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- vote in favour of the Schemes; or
- dispose of Sydney Airport Securities,

where the benefit was not offered to all Sydney Airport Securityholders, otherwise contemplated by the Schemes, or offered pursuant to ordinary course transactions undertaken by or on behalf of the Listed Equities Teams described in Section 6.8(a) above.

d) Benefits to Sydney Airport Board Members

Other than as disclosed in this Scheme Booklet, none of the Bidder or any of its associates will be making any payment or giving any benefit to any current director, secretary or executive officer of Sydney Airport or any of its related bodies corporate as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices if the Schemes are implemented.

6.9 No other material information

Other than as disclosed in this Section 6, there is no information regarding the Bidder, or its intentions regarding Sydney Airport, that is material to the making of a decision by a Sydney Airport Securityholder on whether or not to vote in favour of the Schemes that is within the knowledge of any director of the Bidder as at the date of this Scheme Booklet that has not been previously disclosed to Sydney Airport Securityholders.

7

Risks

7.1 Introduction

The Sydney Airport Board considers that it is appropriate for Sydney Airport Securityholders, in considering the Schemes, to be aware that there are a number of general risk factors as well as risks specific to Sydney Airport and/or the industries in which it operates, which could materially adversely affect the future operating and financial performance of Sydney Airport, as well as the value of Sydney Airport and the potential for any future dividends.

This Section 7 outlines:

- general investment risks; and
- risks associated with your current investment in Sydney Airport Securities.

This Section 7 is a summary only and does not purport to list every risk that may be associated with an investment in the Sydney Airport Group now or in the future.

If the Schemes are implemented you will receive the Scheme Consideration, and you will cease to be a Sydney Airport Securityholder and will also no longer be exposed to the risks set out below (and other risks to which Sydney Airport is exposed). If the Schemes do not become Effective, you will continue to hold your Sydney Airport Securities and continue to be exposed to risks associated with that investment.

In making your decision to vote on the Scheme Resolutions, you should read this Scheme Booklet carefully. You should carefully consider the risk factors outlined below and your individual circumstances. This Section 7 is general in nature only and does not take into account your individual objectives, financial situation, taxation position or particular needs.

While the Sydney Airport Board unanimously recommends that Sydney Airport Securityholders vote in favour of the Schemes in the absence of a Superior Proposal, Sydney Airport Securityholders are encouraged to make their own independent assessment as to whether to vote in favour of the Schemes.

7.2 General investment risks

Like many listed companies, the market price of Sydney Airport Securities and the potential for any future dividends to Sydney Airport Securityholders are influenced by a number of factors, including the following:

- changes in investor sentiment and overall performance of the Australian and international stock markets;
- changes in sentiment in credit markets;
- changes in general economic and business conditions, including levels of consumer spending, business demand, inflation, interest rates and exchange rates, access to debt and capital markets;
- changes in government fiscal, monetary, taxation and regulatory policies, including foreign investment policies;
- governmental or political intervention in export and import markets (including sanction controls and import duties) and the disruptions this causes to supply and demand dynamics;
- geopolitical instability and international hostilities;
- changes to the rate of company income tax or the tax arrangements between Australia and other jurisdictions in which Sydney Airport operates;
- natural disasters and catastrophes (including pandemics, such as COVID-19), whether in global, regional or local scale, and resulting effects such as travel restrictions, consumer sentiment, and disruptions to global supply chains; and
- changes to accounting standards and reporting standards.

7.3 Risks associated with your current investment in Sydney Airport Securities

a) COVID-19 uncertainty

The spread of COVID-19, its effect on the global economy and the actions taken in response by the Australian and other governments, including border controls and travel restrictions, and the effects of the pandemic on the global economy have had, and may continue to have, a material adverse effect on Sydney Airport, its financial performance and position, liquidity, financial condition and results of operations. While passenger traffic at Sydney Airport and around the world is generally recovering as vaccination rates increase, the actual rate of recovery from the impacts of COVID-19 remains uncertain. Whilst vaccines currently in use provide a level of protection against existing known COVID-19 variants, there is no guarantee that vaccination will be effective against variants that may emerge in future, and vaccine effectiveness may decline over time. Sydney Airport will continue to respond to the challenges facing it, but there is no certainty as to the severity or likelihood of such unforeseen impacts arising nor whether any mitigating action will be effective or can be taken.

b) Pandemic risk

The airport and aviation industries have been severely impacted by the COVID-19 pandemic, which has caused decreased passenger numbers, decreased aircraft movements, airline bankruptcies and decreased commercial revenues, among other impacts. Any subsequent future local or global pandemic may also adversely impact Sydney Airport's operations and/or financial position and performance.

7.3 Risks associated with your current investment in Sydney Airport Securities continued

c) Passenger and aircraft movements

The principal factor affecting Sydney Airport's financial performance and business prospects is the number of passengers, particularly international passengers (who prior to the COVID-19 pandemic contributed the majority of passenger related revenues), that use the airport. Passenger numbers directly determine the majority of revenues Sydney Airport derives, and may be adversely impacted by a number of factors, including adverse economic conditions in Australia and globally, significant events (such as financial crises, acts of terrorism, war and civil unrest, public-health related pandemics or natural disasters), currency exchange rate fluctuations, an increase in airfares, competition introduced by the Nancy-Bird Walton Airport (also known as the Western Sydney Airport) which is currently under development, aircraft accidents or incidents.

The number of passengers using airports has been impacted significantly by the COVID-19 pandemic, the reduction in routes offered by aircraft carriers to and from Sydney Airport and the measures taken by the Australian Commonwealth and State governments and governments in other countries to address the outbreak.

d) General economic conditions

Sydney Airport's results of operations and financial condition are affected by the general economic conditions existing in Australia, and in those countries that are serviced by airlines at Sydney Airport. A deterioration in general economic conditions is likely to impact on the propensity of passengers to fly, as well as their retail spending behaviour. As Sydney Airport's revenues are generally derived on the basis of per passenger fees and passenger spending, this may have a material adverse effect on Sydney Airport's operations and/or financial position and performance.

e) Airline fee risk

Sydney Airport derives a significant proportion of its revenues from aeronautical services, through fees charged to its international and domestic airline customers as set through commercial agreements between Sydney Airport and the airlines. Fees received by Sydney Airport are dependent on the outcome of commercial negotiations with the airlines. Any unfavourable negotiations may adversely affect Sydney Airport's aeronautical revenues.

The fees charged by Sydney Airport are subject to annual ACCC monitoring and intermittent Productivity Commission reviews, the last of which was in 2019 and did not lead to any material change. A reduction in the fees Sydney Airport charges its airline customers may have a material adverse effect on Sydney Airport's operations and/or financial position and performance.

Furthermore, although the fees charged by Sydney Airport to its airline customers are not currently subject to regulation by the Australian government, the government may decide at any time to undertake a review of Australian airports or Sydney Airport specifically and reintroduce price controls if it believes such controls are warranted. Any such regulation, if introduced, may have a material adverse effect on Sydney Airport's operations and/or financial position and performance.

f) Access to capital

Sydney Airport has significant debt obligations and relies on access to debt and equity financing to conduct its business. There is a risk that Sydney Airport may not be able to access equity or debt capital markets to support its business objectives, or successfully refinance this indebtedness on commercially favourable terms or at all. Continued and future disruptions in the global financial marketplace, including the bankruptcy or restructuring of financial institutions, could make debt markets less accessible and materially adversely affect the availability of credit already arranged and the availability and cost of credit in the future, adversely affecting Sydney Airport's ability to refinance maturing indebtedness.

Inability to obtain additional financing to meet maturing debt obligations could force Sydney Airport to reduce or delay capital expenditure or forgo strategic business opportunities, sell assets, raise additional equity, restructure or refinance existing debt on disadvantageous terms or take other protective measures. Inability to repay indebtedness, or a negative change in Sydney Airport's credit ratings that has a material adverse effect on its ability to borrow or its cost of funds, may have a material adverse effect on Sydney Airport's operations and/or financial position and performance.

g) Financing covenants

Sydney Airport's debt facilities contain financial and operating covenants. Sydney Airport is currently in compliance with all such covenants. Failure to comply with these covenants could limit financial flexibility and enable lenders to accelerate repayment obligations. If that action were to be taken, there is no certainty that Sydney Airport would have access to sufficient cash to meet its repayment obligations or be able to refinance its existing debt on commercially acceptable terms. In those circumstances, Sydney Airport would need to seek waivers or other forms of accommodation from the relevant lenders or procure alternative financing arrangements to refinance its debt obligations, which may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

The COVID-19 pandemic and imposition of wide-ranging measures to combat it has significantly impacted Sydney Airport's earnings. While Sydney Airport does not expect that it will not be able to comply with its covenants, depending on the duration and severity of the impact on earnings, there is the potential for it to heighten the risk that Sydney Airport may breach financial covenants contained in its debt facilities in the future.

7.3 Risks associated with your current investment in Sydney Airport Securities continued

h) Reliance on third parties

The operation of Sydney Airport depends on the cooperation of a large number of third parties, including government agencies and business partners, to provide Sydney Airport with essential functions (including air traffic control, fuelling operations, rescue and firefighting services, utilities provision, catering, baggage security handling, car park management, quarantine, customs, border force and passport control). These service providers may experience operational disruptions and may fail to adequately perform the services they are required to provide, or to appropriately respond to accidents or incidents at Sydney Airport. Such disruptions could have a material adverse effect on Sydney Airport's operations and/or financial position and performance.

i) Reliance on a relatively small number of airline customers

Key aeronautical customers including the Qantas and Virgin Groups accounted for the majority of aeronautical revenue for the year ended 31 December 2019.

As a result of the COVID-19 pandemic, the airline industry is being severely impacted. While some airlines have been provided with government support, others have struggled to continue to operate and have become financially distressed. This has led to airline bankruptcies, fewer airlines and fewer flights. Such changes have had an adverse effect on Sydney Airport's aeronautical revenues, business and operational results. It is unclear how long these impacts will continue, but an extended and broad continuation of these impacts may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

j) Regulatory risk and changes in government policy

Sydney Airport is subject to a variety of governmental laws and regulations at the Federal, State and local level. Among other things, these laws and regulations place the following restrictions on Sydney Airport's aeronautical operations at Sydney Airport:

- Limited to 80 scheduled aircraft movements per hour
- Subject to airport curfew hours, which currently limit passenger and freight aircraft movements between 11pm and 6am
- Required to provide a certain number of aircraft "slots" to regional aircraft during peak periods
- Subject to regulatory reporting requirements as well as a requirement to notify the ACCC of proposed price increases for certain aeronautical services and facilities provided to regional air services
- Subject to a Long Term Operating Plan, which guides selection of the runway configuration and operating procedures.

These regulations have been in place since the 1990s and Sydney Airport has operated its business within these restrictions since the privatisation of Sydney Airport in 2002. However, there can be no assurance that the Australian Government will not impose additional or more onerous regulatory controls on aeronautical operations at Sydney Airport, which may impact airport traffic, passenger numbers, aeronautical revenue and commercial revenue, and increase Sydney Airport's operating and capital expenditure requirements, any of which may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

Furthermore, Sydney Airport's ability to operate Sydney Airport depends on its ability to maintain the aerodrome certificate granted to Sydney Airport by the Federal government and its lease of the Sydney Airport site. Breach of the terms of the certificate or failure to comply with the conditions of the lease may result in termination or financial penalties, which may have a material adverse impact on Sydney Airport's overall operations and/or financial position and performance.

Changes in government policy and regulation can also affect aircraft movements. Examples include border restrictions (such as the recent restrictions on domestic and international travel in response to the COVID-19 pandemic), international relations, immigration policy and border levies. Should the government mandate any additional health screening requirements to help reduce the transmission of COVID-19, such changes could create additional costs or lost revenues for Sydney Airport. Any of these matters may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

Furthermore, as sales transacted by the tax and duty free operators at Sydney Airport account for a significant proportion of Sydney Airport's total retail revenues, any decision by governments to restrict tax and duty-free sales of alcohol, tobacco, perfume and cosmetics or limit or prohibit the availability of tax and duty-free sales generally would materially adversely affect Sydney Airport's commercial revenues.

k) Operational risk

The facilities at Sydney Airport, including the passenger terminals and airfield, require significant expenditures for ongoing maintenance to ensure their safety and efficiency. Failure to carry out this maintenance in a timely and cost effective manner may cause Sydney Airport's assets to not perform efficiently and lead to periods in which Sydney Airport's assets are unavailable, creating additional costs or lost revenues, which may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

Sydney Airport may also be required to incur greater capital expenditures than expected to continue to support growth of aviation activities, as well as for essential maintenance activities. Although all of Sydney Airport's capital expenditures in relation to aeronautical infrastructure projects are ultimately passed through to its airline customers, inability to recover (or delayed recovery of) these additional costs from its airline customers may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

7.3 Risks associated with your current investment in Sydney Airport Securities continued

l) Competition risk

Although there are currently no major commercial airports in the Sydney region that compete with Sydney Airport, the Nancy-Bird Walton Airport (also known as the Western Sydney Airport) is currently under development in south-western Sydney. Once the Nancy-Bird Walton Airport becomes operational in late 2026, Sydney Airport may experience increased competition over time, which may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

Sydney Airport's commercial operations, including carparking, retail and property also face competition from off-airport competitors who provide competing services.

m) Political and sovereign risk

Events of war or terrorism may result in a reduction in passenger numbers and a temporary cessation of flights to some or all destinations serviced by Sydney Airport, due to either government action or passengers deciding to postpone or cease air travel. Any such reduction in passenger numbers could have a material adverse impact on Sydney Airport's aeronautical revenues and would also be likely to affect its commercial revenues, particularly those derived from retail operations. In addition, events of war or terrorism may lead to a requirement for heightened security measures which would result in higher operational costs to Sydney Airport. Any of these events may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

n) Aircraft accidents or incidents

The risk of aircraft accidents or incidents is inherent in airline travel and airport operations. Aircraft accidents or incidents may be caused by a number of factors, including extreme weather conditions, equipment failure, bird/bat strikes, objects on or near the runway, human error and terrorist activities. An aircraft accident or incident at Sydney Airport may expose Sydney Airport to liability in connection with any resultant property damage or personal injury and any subsequent investigation or damage to facilities may cause parts of Sydney Airport to be unavailable for a period of time. Any of these events may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

o) Physical security incidents

There is a risk of physical security incidents, as a result of terrorist activities or otherwise, at Sydney Airport. To the extent acts of terrorism or other physical security incidents occurred at Sydney Airport, there may be significant damage to assets and/or suspension of operations throughout some or all of the airport. Although the *Terrorism Insurance Act 2003* (Cth) may partially protect Sydney Airport against the losses incurred in connection with such terrorist activities, any such activity may have a material adverse impact on Sydney Airport's operations and/or financial position and performance and potentially affect the appeal of Sydney as a tourist destination. Such actions could also increase Sydney Airport's insurance costs and may materially adversely impact Sydney Airport's ability to obtain insurance.

p) Actions by airlines

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. Decisions on the timing of services, price of airlines' seats, the aircraft used and the detailed routings may impact on traffic levels at airports.

q) Risks relating to commercial operations

A deterioration in Sydney Airport's commercial operations (being retail operations, Sydney Airport's property portfolio, including hotels, and ground transport and carparking facilities) may materially adversely affect Sydney Airport's revenues. Diminished passenger numbers and other economic factors may reduce the level of expenditure at Sydney Airport's retail outlets (including its main duty free contract), increase property vacancy rates, and reduce demand for ground transport services, thereby materially adversely impacting Sydney Airport's revenues from commercial operations and may have a material adverse impact on Sydney Airport's overall operations and/or financial position and performance.

Sydney Airport's commercial revenues have been materially impacted by the COVID-19 pandemic, the reduction in routes offered by aircraft carriers to and from Sydney Airport, and the measures taken by the Australian Commonwealth and State governments and governments in other countries to address the outbreak. These factors have also adversely impacted Sydney Airport through reduced duty free rentals, retail store closures, rental abatements, increasing number of bad debtors, and additional provisioning.

It is unclear how long the impact of severely reduced passenger numbers, and of the economic downturn caused by the COVID-19 outbreak, will continue to adversely affect Sydney Airport's commercial revenues and the risk of further bad debts or the need to continue to provide on-going rental abatement and other support to commercial customers of Sydney Airport.

7.3 Risks associated with your current investment in Sydney Airport Securities continued

r) Environmental risk

Sydney Airport is subject to environmental regulations that can impose significant costs or liabilities on Sydney Airport to remedy or abate any pollutants located on or in, or emanating from, Sydney Airport, as well as related costs of investigation and any damages. This includes known PFAS contamination, predominantly resulting from firefighting foams used by Airservices Australia during training exercises. Furthermore, Sydney Airport could incur substantial expenses if it is required to remediate environmental contamination in the future or other environmental damage to rectify Sydney Airport's facilities to comply with applicable environmental laws, which may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

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, etc. Changes in environmental planning regulation may also impact airport development. There is a risk that growing concerns about environmental sustainability, including "flight shaming", may impact the long-term growth trend for the global aviation industry. Air travel by its nature is energy intensive and burning jet fuel emits carbon dioxide and other greenhouse gases that are damaging to the environment. Longer haul air travel, which drives a significant proportion of Sydney Airport's business, is potentially more susceptible to any government policy interventions designed to reduce emissions. Any such regulatory change or policy interventions may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

s) Interest rate and foreign exchange risk

Sydney Airport's financial performance is affected by fluctuations in interest rates and foreign exchange rates primarily due to increases associated with borrowing on a floating rate and in foreign currencies. Variations in interest rates and foreign currency appreciation against the Australian dollar which are not effectively hedged may increase Sydney Airport's debt funding costs. Sydney Airport manages interest rate and currency risk by using swaps but there can be no assurance that it will successfully manage its interest rate or foreign exchange risk, that a hedge provider will not default on its obligations, or that changes in interest rates or foreign exchange rate fluctuations will not have a material adverse effect on Sydney Airport's financial position, any of which may have a material adverse impact on Sydney Airport's financial position and performance.

t) Management and key personnel risk

Sydney Airport is dependent upon the experience of its directors, key senior management and staff generally. The loss of any key personnel could cause disruption to the conduct of Sydney Airport's business in the short-term and may have a material adverse impact on Sydney Airport's operations and/or financial performance. In addition, any outbreak of COVID-19 within Sydney Airport's workforce or disruption caused to operations as a result of Sydney Airport's remote working arrangements may have a material adverse impact on Sydney Airport's operations and/or financial performance.

u) Tax risk

Sydney Airport's financial position and performance relies on certain existing taxation treatments. There can be no assurance that these tax rules or their interpretation in relation to Sydney Airport will not change, or that regulators (including the Commissioner of Taxation) will agree with the tax position Sydney Airport has adopted. Following the COVID-19 crisis, governments may need to engage in budget repair measures which may impact corporate or other taxation treatments, rates and charges, which may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

v) Information technology and cybersecurity risk

Sydney Airport's business operations rely on a number of information technology systems, applications and business processes utilised in the delivery of business functions. Any failure or interruption to these systems and processes or breach of Sydney Airport's cybersecurity measures could result in significant disruptions to Sydney Airport's operations. In addition, any unauthorised access to Sydney Airport's information technology systems (including as a result of cyberattacks, computer viruses, malicious code or phishing attacks) could result in the unauthorised release or misuse of confidential or proprietary information of Sydney Airport, its employees or customers, which may lead to reputational damage, financial penalties, litigation and compromised relationships with customers. Further, any failure or interruption to the systems of Sydney Airport's key partners (for example Australian Border Force) could also result in significant disruptions to Sydney Airport's operations. Any of these circumstances may have a material adverse impact on Sydney Airport's reputation, operations and/or financial position and performance.

w) Insurance risk

Sydney Airport has insurance policies in place across its business to protect against major operating and other identified risks. However, not all risks and liabilities are insurable or insured by its existing insurance coverage. There is no assurance that adequate insurance cover for all potential liabilities and losses will be available in the future on commercially viable terms. Uncovered losses or the payment of a larger deductible may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

7.3 Risks associated with your current investment in Sydney Airport Securities continued

x) Counterparty risk

Credit risk results from the risk of default of customers and counterparties to Sydney Airport's derivative financial instruments, such as with cross-currency swaps or fixed to floating rate swaps. While this risk is mitigated by entering into such contracts with parties of high credit standing, Sydney Airport is unable to predict whether these parties will maintain such credit standing or default on their obligations. In addition, customers and counterparties have termination rights under underlying contracts if Sydney Airport defaults on its obligations or if certain other events occur. Termination of these contracts may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

y) Litigation risk

Sydney Airport may be subject to litigation in the course of its business, including commercial, contractual or customer claims, injury claims (including potential claims relating to any liability or negligence regarding transmission of COVID-19), tenant disputes, environmental claims and prosecutions, claims related to land access issues, occupational health and safety claims, employee claims, and regulatory disputes.

Even if Sydney Airport is ultimately successful in defending claims against it (or in pursuing claims made by it), reputational harm may be inflicted and substantial legal and associated costs may be incurred that may not be recoverable from other parties, which may have a material adverse impact on Sydney Airport's financial position and performance.

Sydney Airport is also exposed under an indemnity given in 2011 to legacy tax litigation in relation to withholding tax in Denmark referred to at Section 7.3(z).

z) Legacy Danish tax litigation

In 2011, Sydney Airport sold stakes in both Copenhagen Airport and Brussels Airport to Ontario Teachers' Pension Plan Board (*OTPP*). As part of that sale, SAT1 provided OTPP with an indemnity that covered certain matters, including in respect of amounts that may be payable to the Danish Tax Authority relating to disputed dividend and withholding tax amounts for the years 2006 – 2011.

The disputed withholding tax assessments are currently being contested before the Danish High Court.

In 2019, SAT1 evaluated all information available to it and determined to:

- expense a \$119.1 million receivable in respect of the interest withholding tax indemnity, and
- provide \$63.1 million in respect of a potential indemnity call related to the dividend withholding tax dispute.

During 2020 and 2021, the Danish Tax Agency revised its interest tax calculations, with the effect that SAT1 has:

- written back \$42.9 million against \$119.1 million previously expensed with reference to the interest withholding tax dispute, and
- written back \$13.3 million against the \$63.1 million provision with reference to the dividend withholding tax dispute, resulting in a \$49.8 million provision balance as at 30 June 2021. This provision is expected to escalate (at 30 June 2021 foreign exchange rates) by around \$4.4 million per annum in potential additional interest for as long as the dividend withholding tax dispute remains unresolved.

There remains uncertainty as to the outcome of the litigation which has implications for future calls on the indemnity.

aa) Infrastructure development

The ongoing growth and development of Sydney Airport requires Sydney Airport to undertake capital expenditure projects in order to increase capacity in accordance with its Master Plan 2039. Although most of the planned capital expenditure projects are modular in nature, to the extent Sydney Airport is unable to execute one or more projects on time or on budget, it may be precluded from undertaking other additional works in order to meet the requirements of the Master Plan 2039. Any delays to, or the cancellation of, any planned development projects may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

As a result of the COVID-19 pandemic, many projects have been suspended or materially deferred to realise cash flow savings during this period. Sydney Airport may need to restart some or all of these in the future at a cost that may be higher than previously envisioned.

bb) Acquisition of jet fuel infrastructure facilities

In 2020, Sydney Airport acquired ownership and control of the jet fuel infrastructure facilities at Sydney Airport, and appointed a new third party operator. Ownership of the jet fuel infrastructure gives rise to certain risks regarding environmental liability risk, safety risk, contractual risk and regulation risk as they relate to the changed ownership and operation of the jet fuel infrastructure facilities. Should any of these risks materialise, it may have a material adverse impact on Sydney Airport's operations and/or financial position and performance.

8

Taxation implications

8 Taxation implications

8.1 Introduction

This Section 8 is a general summary of the Australian income tax, goods and services tax (**GST**) and stamp duty implications for Sydney Airport Securityholders (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities) arising as a result of the implementation of the Schemes. This Section does not consider any foreign (i.e. non-Australian) taxes, nor does this Section consider any Australian taxes other than income tax, GST and stamp duty.

This Section 8 should not be relied on by Sydney Airport Securityholders as taxation advice. The taxation implications of the Schemes (if implemented) will vary depending upon your particular circumstances. Accordingly, you should seek and rely upon the professional advice of your own taxation or financial adviser before determining the particular taxation treatment that will apply to you.

Neither Sydney Airport nor any of its officers or employees, nor its taxation and other advisers, accept any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences.

The information provided below does not consider the consequences for:

- a) UniSuper or the UniSuper Securityholder in relation to the UniSuper Specified Securities;
- b) persons who hold their Scheme Securities as revenue assets (such as assets used in carrying on a business of trading, banking or insurance) or as trading stock for Australian income tax purposes or those who have acquired the securities for the purposes of on-sale at a profit;
- c) persons who acquired their Sydney Airport Securities pursuant to an employee equity, option or rights plan;
- d) persons who are under a legal disability;
- e) persons who are a temporary resident for Australian income tax purposes;
- f) persons who may be subject to special tax rules, such as insurance companies, partnerships, tax exempt entities or entities subject to the Investment Manager Regime under Subdivision 842-I of the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**) in respect of their Scheme Securities; or
- g) persons who are subject to the Taxation of Financial Arrangements (**TOFA**) rules in Division 230 of the ITAA 1997 in relation to gains and losses on their Scheme Securities.

This summary is necessarily general in nature and is not intended to be an authoritative or complete statement of the applicable law. It is based on Australian tax legislation, case law and relevant administrative practice in force as at the date of this Scheme Booklet. The Australian income tax, GST and stamp duty implications outlined in this summary may alter if there is a change in the taxation law after the date of this Scheme Booklet.

This taxation summary does not take into account any financial objectives, tax positions or investment needs of any Sydney Airport Securityholders and should not be construed as being investment, legal or tax advice to any particular Sydney Airport Securityholder. It is strongly recommended that each Sydney Airport Securityholder seek their own independent professional tax or financial advice applicable to their particular circumstances.

8.2 Attribution of interest income

Under the terms of the cross staple loan between TTCSAL as responsible entity for SAT1 and SAL, SAT1 will derive cross staple loan interest from SAL for the period 1 January 2022 to the Implementation Date. The interest income derived by SAT1 should be attributed to Sydney Airport Securityholders in accordance with the Attribution Managed Investment Trust (**AMIT**) regime. Accordingly, taxable income of SAT1 may be attributed to Sydney Airport Securityholders for the period 1 January 2022 to the Implementation Date.

The income tax treatment of an attribution of taxable income will depend on whether the Sydney Airport Securityholder is an Australian resident or non-resident for tax purposes as follows:

- a) Australian resident Sydney Airport Securityholders – the attributed income should generally be disclosed in the Australian resident's income tax return for the relevant income year;
- b) Non-resident Sydney Airport Securityholders – the attributed income should generally be subject to a final withholding tax at the applicable rate.

As noted in Section 5.7(f) (**No distribution guidance**), no cash distribution is expected to be paid by Sydney Airport prior to the Implementation Date. Notwithstanding that no cash distribution is expected to be paid, a Sydney Airport Securityholder might be attributed an amount of taxable interest income from SAT1 for the period to the Implementation Date.

As SAT1 is an AMIT, Sydney Airport Securityholders (both Australian resident and non-resident) will be able to increase the tax cost base of their SAT1 Units where the taxable income attributed from SAT1 exceeds the cash distribution for the period 1 January 2022 to the Implementation Date (as is likely to be the case). The increase to the tax cost base eliminates the possibility of double taxation which can occur where SAT1 has attributed taxable income to a Sydney Airport Securityholder but not distributed those amounts in cash and the Sydney Airport Securityholder subsequently disposes of their Scheme Securities (i.e. the transfer of their Scheme Securities to the Bidder on implementation of the Schemes).

8.3 Disposal of Scheme Securities

Since the simplification of the Sydney Airport Group in 2013 (as announced to ASX on 3 December 2013), a Sydney Airport Scheme Security has comprised one share in SAL stapled to one unit in SAT1. For capital gains tax (**CGT**) purposes, a unit in SAT1 and a share in SAL are two separate CGT assets.

The disposal of Scheme Securities by Australian resident and non-resident Sydney Airport Securityholders under the Schemes will give rise to a disposal event for income tax purposes pursuant to the CGT provisions.

The disposal of the Scheme Securities will constitute a separate disposal of a fully paid ordinary share in SAL and a fully paid ordinary unit in SAT1. As such, Sydney Airport Securityholders will be required to perform separate CGT calculations for each of their investments in SAL and SAT1.

The proceeds received by a Sydney Airport Securityholder in respect of the disposal will need to be apportioned between the Sydney Airport Securityholder's SAL Shares and SAT1 Units that are disposed of to determine the respective amounts of capital proceeds. Similarly, the cost base and reduced cost base of each Scheme Security will need to be apportioned between each SAL Share and SAT1 Unit that are disposed of to determine their respective cost bases and reduced cost bases.

A Sydney Airport Securityholder will make a capital gain on disposal of their SAL Shares or SAT1 Units to the extent that the respective amounts of capital proceeds received exceed their respective cost bases. Conversely, a Sydney Airport Securityholder will make a capital loss if their respective capital proceeds received are less than their respective cost base.

The tax implications arising from the disposal of each of these assets will depend on whether the Sydney Airport Securityholder is a resident or non-resident for Australian tax purposes.

Establishing cost base

The tax cost bases in SAL and SAT1 will generally include the Sydney Airport Securityholders' original cost to acquire the SAL Shares and SAT1 Units, plus certain incidental costs incurred in relation to the acquisition and/or disposal of the Scheme Securities. The incidental costs will need to be apportioned between the SAL Shares and SAT1 Units on a reasonable basis.

As Sydney Airport has had a number of events which impact on the tax cost base of Sydney Airport Securities including prior simplification restructures, tax deferred distributions, distributions under the Sydney Airport Distribution Reinvestment Plan, attribution of income resulting in tax cost base uplifts (including the expected attribution of interest income discussed at Section 8.2 (**Attribution of interest income**)), and attribution of certain interest amounts from SAT1 for the 2020 and 2021 years) and the recent 2020 Entitlement Offer, a Sydney Airport Tax Statement Guide will be prepared covering the period from 1 January 2022 to the Implementation Date in order to assist Sydney Airport Securityholders calculate the tax cost base of their Scheme Securities and in completing their relevant Australian income tax returns.

Establishing capital proceeds

The capital proceeds for the disposal of SAL Shares and SAT1 Units will be determined by apportioning the total proceeds received (being, \$8.75 per Scheme Security) based on the net asset value attributable to each SAL Share and each SAT1 Unit at the Implementation Date, or as otherwise agreed in writing between Sydney Airport and the Bidder. The Sydney Airport Tax Guide covering the period of the Schemes will provide Sydney Airport Securityholders with an allocation of value between the entities that Sydney Airport Securityholders may choose to use for this purpose.

Any interest income attributed by SAT1 to Sydney Airport Securityholders prior to the Implementation Date (per Section 8.2 (**Attribution of interest income**))) should not form part of the capital proceeds received on disposal of Scheme Securities.

a) Australian resident Scheme Securityholders

For Australian resident Scheme Securityholders, where a capital gain arises upon disposal of the SAL Shares or SAT1 Units, the Scheme Securityholders who are individuals, trusts or complying superannuation entities and who have held their SAL Shares and SAT1 Units for at least 12 months prior to date of disposal, 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 33.3% for complying superannuation funds. No discount on a capital gain is available for Scheme Securityholders that are companies.

Where a capital loss arises upon disposal of the SAL Shares or SAT1 Units, the capital loss may be used to offset any capital gains derived by a Sydney Airport Securityholder for the current year of income or may be carried forward to offset capital gains in future income years.

Specific loss recoupment rules may apply to restrict the ability to utilise capital losses in future income years in some circumstances. Sydney Airport Securityholders should seek their own tax advice in relation to the operation of these rules and the availability of any losses.

8.3 Disposal of Scheme Securities *continued*

b) Non-resident Scheme Securityholders

Non-resident Scheme Securityholders should be able to disregard any capital gain or capital loss that would otherwise arise from the disposal of their Scheme Securities, unless the Scheme Securities constitute 'Taxable Australian Property', as defined for Australian income tax purposes.

Specifically, the Scheme Securities would constitute 'Taxable Australian Property' if both of the following tests are satisfied:

- i) non-portfolio interest test: where a Sydney Airport Securityholder, and its associates, held an interest of 10% or more in SAL or SAT1, respectively, either at the time the Scheme Securities were disposed of 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
- ii) principal asset test: where the sum of the market value of SAL or SAT1 assets respectively, that are taxable Australian real property (broadly, direct and indirect interests in Australian real property, including leases of Australian land) exceeds the sum of the market value of its respective assets that are not taxable Australian real property.

In the event both of the above tests are satisfied, non-resident Scheme Securityholders may be liable for Australian income tax on any gains arising from the disposal of their SAL Shares or SAT1 Units, respectively, and may be required to lodge a tax return in connection with the disposal of Scheme Securities.

The principal asset test should not be satisfied for SAT1 on the basis that SAT1 assets mainly consist of the cross staple loan, which should not be considered taxable Australian real property.

Non-resident Scheme Securityholders are not entitled to any discount on capital gains.

Any non-resident Scheme Securityholder that may be subject to Australian CGT on the disposal of their Scheme Securities may have some of their Scheme Consideration withheld and remitted to the ATO under the 'foreign resident capital gains withholding' rules (discussed below).

8.4 Foreign Resident Capital Gains Withholding

Under the foreign resident capital gains withholding regime, the Bidder may have an obligation to withhold an amount equal to 12.5% of the Scheme Consideration for each Scheme Security (**FRCGW Amount**) and remit that amount to the ATO under section 14-200 of Schedule 1 of the *Taxation Administration Act 1953* (Cth) (**TAA**). This withholding requirement can apply to transactions involving the acquisition of certain indirect interests in Australian real property from relevant non-residents.

Broadly, a non-resident Scheme Securityholder's interest in the Scheme Securities would constitute an 'indirect Australian real property interest' if the 'non-portfolio interest' and 'principal asset' tests (as outlined in Sections 8.3(b)(i) and (ii)) are satisfied.

Based on the Sydney Airport Security Register for the preceding 24 months, it is not anticipated that any FRCGW Amounts will be withheld from the total Scheme Consideration referable to the Schemes. The Bidder has agreed an approach to determine this with the ATO.

The Bidder may need to clarify the status of particular Scheme Securityholders by issuing a Foreign Resident Declaration Form (**Declaration Form**). Scheme Securityholders who are asked to complete the Declaration Form must return their signed Declaration Form declaring that they are and will be an Australian tax resident at the time of Implementation or that the Scheme Securities they hold are not 'indirect Australian real property interests' by the date specified in the correspondence included with the Declaration Form in order to prevent the FRCGW Amount being deducted from the Scheme Consideration referable to the Scheme Securities otherwise payable to the Sydney Airport Securityholder. The FRCGW Amount is not a final tax and can be credited against the actual tax liability of a Non-resident Scheme Securityholder, with any excess refunded. Any amounts payable to the Scheme Securityholder will not be increased to reflect the deduction and the amount payable to the Scheme Securityholders will be taken to be in full and final satisfaction of the amounts owing to the Scheme Securityholder.

8.5 Stamp duty

Scheme Securityholders that dispose of their Scheme Securities under the Schemes will not be subject to stamp duty in any Australian State or Territory with respect to their disposal.

8.6 GST

The disposal of Scheme Securities should not be subject to GST.

However, a Scheme Securityholder that is registered for Australian GST may not be entitled to claim full input tax credits in respect of GST on expenses they incur that relate to the disposal of their Scheme Securities (e.g third party adviser fees).

9

Additional information

9.1 Interests of Sydney Airport Board Members in Sydney Airport Securities

The aggregate number of Sydney Airport Securities for which Sydney Airport Board Members have a relevant interest as at the date of this Scheme Booklet are:

Name	Sydney Airport Securities as at the date of this Scheme Booklet
SAL Board	
David Gonski AC	119,418
John Roberts	206,384
Stephen Ward	61,880
Ann Sherry AO	45,374
Grant Fenn	40,000
Abi Cleland	34,983
SAT1 Board	
Anne Rozenauers	Nil
Russell Balding AO	Nil
Patrick Gourley	Nil

No Sydney Airport Board Member has acquired or disposed of a Relevant Interest in any Sydney Airport Securities in the four month period ending on the date immediately before the date of this Scheme Booklet.

9.2 Interests of the Sydney Airport Board Members in the Bidder or HoldCo

No Sydney Airport Board Member has a Relevant Interest in any marketable securities in the Bidder or HoldCo.

No Sydney Airport Board Member has acquired or disposed of a Relevant Interest in any marketable securities in the Bidder in the four month period ending on the date immediately before the date of this Scheme Booklet.

9.3 Sydney Airport Performance Rights

a) Long Term Incentive Plan

As set out in Sydney Airport's annual report for the year ended 31 December 2020, Sydney Airport operates the Long Term Incentive Plan (**LTIP**) under which Sydney Airport Performance Rights are granted to certain management personnel to ensure alignment between the performance of eligible management personnel to the long-term overall performance of Sydney Airport. As at the Last Practical Trading Date, Sydney Airport had 3,070,393 unvested Sydney Airport Performance Rights.

Each Sydney Airport Performance Right confers on its holder the entitlement to acquire one Sydney Airport Security upon satisfaction of the vesting conditions, as determined by the SAL Board at the end of the relevant performance period. No amount is payable by the holder of the Sydney Airport Performance Right upon vesting.

b) Intended treatment of Sydney Airport Performance Rights in connection with the Schemes

Under the Scheme Implementation Deed, Sydney Airport is required to take the following actions so that before the Scheme Record Date, the Sydney Airport Performance Rights will vest in accordance with their terms:

- i) the Sydney Airport Board accelerating the vesting of, or waiving of any vesting conditions or vesting periods applying to, any or all Sydney Airport Performance Rights; and
- ii) Sydney Airport making cash payments for an amount equal to the Scheme Consideration (subject to any adjustments under any applicable law, for instance tax) to the holders of Sydney Airport Performance Rights in lieu of the issue or transfer of Sydney Airport Securities.

Under the terms of the LTIP, the SAL Board has a broad discretion to accelerate the vesting of some or all of the unvested Sydney Airport Performance Rights in the event of a change of control, where a third party acquires a Relevant Interest in more than 50% of the Sydney Airport Securities on issue.

The SAL Board has exercised its discretion and determined that, subject to the Schemes becoming Effective, 100% of the unvested Sydney Airport Performance Rights will vest and be cash settled on the Implementation Date.

9.3 Sydney Airport Performance Rights continued

c) Sydney Airport Performance Rights on issue and holdings by key management personnel

Of the 3,070,393 unvested Sydney Airport Performance Rights on issue as at the date of this Scheme Booklet, 1,928,198 are held by key management personnel of Sydney Airport. As discussed above, subject to the Schemes becoming Effective, 100% of the unvested Sydney Airport Performance Rights will vest and be cash settled on the Implementation Date. The number of rights held by each of the key management personnel, and the amount payable to them, if the Schemes become Effective, on implementation of the Schemes (assuming a cash settlement amount of \$8.75 per right) is set out in the table below:

Name	Number of unvested Sydney Airport Performance Rights as at the date of this Scheme Booklet	Amount payable on cash settlement of those Sydney Airport Performance Rights
Geoff Culbert	897,474	\$7,852,897.50
Greg Botham	394,739	\$3,453,966.25
Dhruv Gupta	179,983	\$1,574,851.25
Vanessa Orth	456,002	\$3,990,017.50

9.4 Benefits and agreements

a) Agreements or arrangements relating to the Schemes

There are no agreements or arrangements made between any Sydney Airport Board Member and any other person in connection with, or conditional on, the outcome of the Schemes.

b) Interests held by the Sydney Airport Board Members in contracts with the Bidder

None of the Sydney Airport Board Members has any interest in any contract entered into by the Bidder or HoldCo.

c) Benefits under the Schemes or from the Bidder

None of the Sydney Airport Board Members has agreed to receive, or is entitled to receive, any benefit from the Bidder which is conditional on, or is related to, the Schemes, other than as set out in Section 9.5 (*Agreements or arrangements with Sydney Airport Board Members*).

9.5 Agreements or arrangements with Sydney Airport Board Members

There is no agreement or arrangement made between any Sydney Airport Board Member and any other person, including a Consortium Member, in connection with, or conditional upon, the outcome of the Schemes.

9.6 Payments and other benefits to directors, secretaries or executive officers of Sydney Airport

No payment or other benefit is proposed to be made or given to a director, secretary or executive officer of Sydney Airport or any member of the Sydney Airport Group as compensation for loss of, or as consideration for or in connection with their retirement from, office in Sydney Airport or any member of the Sydney Airport Group as a result of the Schemes.

9.7 Interests of Sydney Airport Board Members relevant to recommendation and voting intentions of Sydney Airport Board Members

a) David Gonski AC

Mr Gonski AC is a non-executive director and Chairman of SAL and is also the non-executive Chairman of Barrenjoey. Barrenjoey is one of two financial advisers to Sydney Airport in respect of the Transaction.

Sydney Airport appointed Barrenjoey and UBS as its joint Financial Advisers for the Transaction as both organisations have in depth experience and expertise with the financial and operational matters relevant to Sydney Airport and the industry in which it operates (including through previous engagements with Sydney Airport, members of the Barrenjoey and UBS teams have accumulated experience in relation to Sydney Airport dating back to 2002, when the airport was privatised, through to the \$2.0 billion capital raising conducted by Sydney Airport in 2020). Each of Barrenjoey and UBS also has substantial expertise in acting for target entities in respect of its response to public takeover proposals.

Mr Gonski has declared his conflict regarding Barrenjoey to the Sydney Airport Board. He also recused himself from deliberations in relation to the appointment of Sydney Airport's Financial Advisers, so that it was only the non-conflicted Sydney Airport Board Members that resolved to enter into a mandate with Barrenjoey. Mr Gonski did not participate in settling the terms of that mandate, including the fees that may be payable. Mr Gonski is not a shareholder of Barrenjoey. Further, as non-executive Chairman of Barrenjoey, Mr Gonski's remuneration is not tied to any fees that Barrenjoey may receive as part of the mandate.

The external transaction costs which Sydney Airport anticipates it will incur in connection with the Schemes are set out in Section 9.19 (*Transaction costs*).

9.7 Interests of Sydney Airport Board Members relevant to recommendation and voting intentions of Sydney Airport Board Members *continued*

b) John Roberts

Mr Roberts is a non-executive director of SAL and is also the non-executive Chairman of Macquarie Infrastructure and Real Assets (**MIRA**). MIRA is part of Macquarie Asset Management – the asset management arm of Macquarie Group Limited. Another arm of Macquarie Group Limited is Macquarie Capital. Macquarie Capital is a financial adviser to the Bidder.

Mr Roberts has given standing disclosure to SAL of his position with MIRA. Any potential conflicts are managed by the imposition of information barriers and confidentiality arrangements such that Mr Roberts is not privy to any non-public details regarding Macquarie Capital's mandate with the Bidder. Further, as non-executive Chairman of MIRA, Mr Robert's remuneration is not tied to any fees that Macquarie Capital may receive as part of its mandate with the Bidder.

c) Anne Rozenauers

TTCSAL, the responsible entity of SAT1, is a wholly-owned subsidiary of Perpetual. Perpetual is an ASX-listed company that provides corporate trust responsible entity services to Australian and international investment managers.

Perpetual has been engaged by the Consortium Group to provide custodial and wholesale trustee services to the Consortium Group via one or more of Perpetual's Related Bodies Corporate situated within its 'Perpetual Corporate Trust' division to enable the Consortium Group to implement its acquisition structure for the Transaction.

Though TTCSAL is a separate legal entity from the body proposed to perform the services for the Consortium Group, potential conflicts have been disclosed by and to the SAT1 Board as there is scope for a conflict of interest to exist given that:

- Perpetual owns both TTCSAL and the entity that it is proposed will perform the services for the Consortium Group; and
- Anne Rozenauers is the Chair of the SAT1 Board and is employed by Perpetual within its 'Client Solutions' division.

Perpetual stands to benefit via a related party through the fees it will receive from the Consortium Group for custodial and trustee services if the Schemes are approved. As a Director of the SAT1 Board, Ms Rozenauers has provided a recommendation in favour of the Trust Scheme.

This conflict has been managed in the following manner:

- the potential conflict is remote and does not represent a material personal interest of Ms Rozenauers in the Schemes, including that Ms Rozenauers' remuneration from Perpetual is not directly linked to the services provided by TTCSAL and nor is there a linkage with any short-term incentive or variable pay that relates to that performance of 'Perpetual Corporate Trust' division of Perpetual; and
- providing disclosure of the potential conflict to the SAT1 Board and in this Scheme Booklet.

In the case of the potential conflict affecting Ms Rozenauers, the non-executive directors of the SAT1 Board have considered the potential conflict and have authorised Ms Rozenauers to recommend the Schemes on the terms set out in this Scheme Booklet on the basis that non-executive directors of the SAT1 Board consider that:

- the potential conflict is remote and does not represent a material personal interest of Ms Rozenauers in the Schemes, including that Ms Rozenauers' remuneration from Perpetual is not directly linked to the services provided by TTCSAL and nor is there a linkage with any short-term incentive or variable pay that relates to that performance of 'Perpetual Corporate Trust' division of Perpetual; and
- Ms Rozenauers has over 25 years' experience in financial services and risk management and dealing with different product types, and has, through her directorship of SAT1 become aware of the financial and operational matters affecting SAT1 that provide her with the experience and knowledge to provide a recommendation. In these circumstances, there is not a substantial justification in having Ms Rozenauers stand aside from giving a recommendation and not bringing that experience to bear for the benefit of SAT1 unitholders.

9.8 Suspension of trading of Sydney Airport Securities

If the Court approves the Schemes, Sydney Airport will notify ASX. It is expected that suspension of trading on ASX in Sydney Airport Securities will occur from close of trading on the Effective Date. This is expected to occur on Monday, 7 February 2022.

9.9 Deed Poll

The Bidder and HoldCo have executed the Deed Poll in favour of the Scheme Securityholders under which the Bidder and HoldCo covenant to provide the Scheme Consideration in accordance with the Schemes.

Pursuant to the Deed Poll:

- the Bidder must, by no later than the Business Day before the Implementation Date, deposit (or procure the deposit) in cleared funds an amount at least equal to the aggregate amount of the Scheme Consideration payable to all Scheme Securityholders (other than UniSuper in relation to the UniSuper Specified Securities) into the Trust Account; and
- HoldCo must, upon the implementation of the Schemes and subject to UniSuper having delivered to HoldCo duly executed copies of the Transaction Documents, issue to UniSuper (or, if applicable, the UniSuper Nominee HoldCo Shareholder):
- 3,002 HoldCo Shares, comprising:
 - 1,501 A Class shares (which shall represent 15.01% of the total number of A Class shares on issue immediately after implementation of the Schemes); and
 - 1,501 B Class shares (which shall represent 15.01% of the total number of B Class shares on issue immediately after implementation of the Schemes);
- a HoldCo A1 Loan Note with an outstanding principal amount of \$1,918,810,975.08 (which shall represent 15.01% of the total aggregate principal amount of all HoldCo A1 Loan Notes on issue immediately after implementation of the Schemes);
- a HoldCo A2 Loan Note with an outstanding principal amount of \$15,010.00 (which shall represent 15.01% of the total aggregate principal amount of all HoldCo A2 Loan Notes on issue immediately after implementation of the Schemes); and
- a HoldCo B Loan Note with an outstanding principal amount of \$1,656,650,157.64 (which shall represent 15.01% of the total aggregate principal amount of all HoldCo B Loan Notes on issue immediately after implementation of the Schemes).

Under the Schemes, each Scheme Securityholder irrevocably appoints SAL and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent to enforce the Deed Poll against the Bidder and HoldCo.

9.10 Voting Deed

On 8 November 2021, SAL entered into the Voting Deed with UniSuper, to the effect that UniSuper will not dispose of its approximate 15.01% interest in Sydney Airport (being the UniSuper Specified Securities) and will vote such Sydney Airport Securities in favour of the Schemes. A full copy of the Voting Deed was attached to SAL's *Notice of initial substantial holder* lodged with ASX on 8 November 2021, which can be obtained from the ASX website (www.asx.com.au) or Sydney Airport's website at www.sydneyairport.com.au.

Pursuant to the Voting Deed:

a) Covenants in relation to UniSuper Specified Securities

UniSuper will not dispose of the UniSuper Specified Securities and will procure that all of the UniSuper Specified Securities are voted in favour of the Schemes, subject to:

- i) the Sydney Airport Board continuing to recommend the Schemes;
- ii) no 'Superior Proposal'¹ arising; and
- iii) the Independent Expert continuing to conclude that the Schemes are in the best interests of holders of Sydney Airport Securities.

b) Obligations of UniSuper

UniSuper undertakes in favour of SAL and the Bidder that, subject to the Schemes becoming Effective, it will take the actions and give each acknowledgement, representation and warranty attributed to it under the Company Scheme and Schedule 1 of the SAT1 Trust Constitution as amended by the SAT1 Trust Supplemental Deed, and will not undertake any actions that it is prohibited from taking under the Schemes, in each case subject to and in accordance with the terms of the Schemes. The warranties given by UniSuper under the Schemes are summarised in Section 3.8 (*Warranties by Scheme Securityholders*).

c) Information

SAL must provide UniSuper with copies of any material information provided by SAL to the Bidder (and the Transition Committee established by Sydney Airport and the Bidder under the Scheme Implementation Deed) and drafts of any Court documents relating to UniSuper's undertakings under the Voting Deed or the Schemes, each until the earlier of the Scheme Implementation Deed being terminated or the Schemes being implemented.

1) Under the Voting Deed, a 'Superior Proposal' means a bona fide proposal received by Sydney Airport, or announced publicly, to acquire control of Sydney Airport that: (i) would, if completed, be more favourable to the holders of Sydney Airport Securities (as a whole) than the Schemes as to price and terms; and (ii) is reasonably capable of being completed, taking into account all aspects of the proposal, including conditionality and the identity of the party or parties making the proposal.

9.10 Voting Deed continued

d) Termination

The Voting Deed will automatically terminate if the Scheme Implementation Deed is terminated or the Court does not approve the Schemes by the End Date (disregarding any amendment to the End Date under the Scheme Implementation Deed unless consented to by UniSuper).

In addition, UniSuper may terminate the Voting Deed after consultation with SAL and the Bidder and HoldCo, in certain circumstances where the terms of the Transaction change or differ to the disclosures made to UniSuper prior to entry into the Voting Deed, specifically where one of the following occurs and is not remedied:

- i) one or both of the Schemes are amended in a manner which does or would reasonably be expected to have a material adverse effect on UniSuper;
- ii) the constituent and investor documents in relation to the securities in HoldCo that UniSuper is to receive as Scheme Consideration in relation to the UniSuper Specified Securities are amended; or
- iii) UniSuper is made aware of information about the Bidder, HoldCo or their liabilities which relates to matters in existence at the date of the Voting Deed which are materially adverse to UniSuper's participation in the Schemes and which were not disclosed to UniSuper by or on behalf of the Bidder prior to the date of the Voting Deed.

9.11 Summary of Scheme Implementation Deed

On 8 November 2021, Sydney Airport announced that it had entered into the Scheme Implementation Deed with the Bidder, under which the Bidder has agreed to acquire all of the Sydney Airport Securities on issue by way of the Schemes. A full copy of the Scheme Implementation Deed was attached to the Sydney Airport ASX announcement on 8 November 2021, which can be obtained from the ASX website (www.asx.com.au) or Sydney Airport's website at www.sydneyairport.com.au.

a) Conditions Precedent

Implementation of the Schemes is subject to satisfaction or waiver (where capable of waiver) of the following conditions:

- i) (**FIRB Approval**) before 8.00am on the Second Court Date, either of the following occur:
 - a) the Treasurer of the Commonwealth of Australia (**Treasurer**) (or his or her delegate) provides written notice under the FATA stating that, or to the effect that, the Commonwealth Government has no objection to the Transaction either unconditionally or subject only to:
 - 1) 'standard' tax conditions which are in the form, or substantially in the form, of those set out in Part D of the Australian Foreign Investment Review Board's Guidance Note 12 'Tax Conditions' (in the form last updated on 9 July 2021); and
 - 2) any conditions or undertakings which the Bidder considers acceptable (acting reasonably); or
 - b) following the Bidder giving notice under the FATA of the Transaction, the Treasurer becomes precluded by passage of time from making any order or decision under Division 2 of Part 3 of the FATA in respect of the Transaction,

and in the case of paragraph (A) above, the notice of no objection has not been withdrawn, suspended or revoked before 8.00am on the Second Court Date;

- ii) (**ACCC Approval**) before 8.00am on the Second Court Date:
 - a) the ACCC has notified the Bidder in writing that the ACCC does not propose to intervene in the acquisition by the Bidder of the Scheme Securities pursuant to the CCA (whether or not the notification also states that the ACCC reserves its position if new information comes to the ACCC's attention or if it becomes aware that any information upon which it has based its view is incorrect or incomplete) either on an unconditional basis or subject only to conditions and undertakings acceptable to the Bidder acting reasonably; or
 - b) the Federal Court of Australia makes orders or declares that the acquisition by the Bidder of the Scheme Securities will not contravene section 50 of the CCA and the period prescribed within which to file an appeal against such a declaration has expired without such a filing made; or
 - c) the Federal Court of Australia has declined to grant an interim or permanent injunction sought by the ACCC to restrain the acquisition by the Bidder of the Scheme Securities and the period prescribed within which to file an appeal against the decision to decline to grant an interim or permanent injunction has expired without such a filing made;
- iii) (**European Union merger control**) if required, the European Commission has issued a decision pursuant to Article 6(1)(b) or Article 8(2) of the EU Merger Regulation (or is deemed to have done so under Article 10(6) of the EU Merger Regulation) declaring any concentration with a community dimension as a result of the Transaction to be compatible with the common market and to the extent any reference is made pursuant to Article 9(3) of the EU Merger Regulation, any relevant legally required approval(s) have been obtained;

9.11 Summary of Scheme Implementation Deed continued

- iv) **(ASIC/ASX Relief)** ASIC and ASX issue or provide such consents, waivers and approvals and do such other acts that are necessary to implement the Schemes and none of those consents, waivers or approvals has been withdrawn, revoked or adversely amended before 8.00am on the Second Court Date;
- v) **(Sydney Airport Securityholder Approval)**
 - a) Sydney Airport Securityholders approve the Trust Scheme Resolutions at the General Trust Scheme Meeting and UniSuper Trust Scheme Meeting by the requisite majorities under section 601GC(1) and item 7 of section 611 of the Corporations Act; and
 - b) Sydney Airport Securityholders approve the Company Scheme at the General Company Scheme Meeting and UniSuper Company Scheme Meeting by the requisite majorities under subparagraph 411(4)(a)(i) of the Corporations Act;
- vi) **(Independent Expert)** the Independent Expert issues an Independent Expert's Report which concludes that the Schemes are in the best interests of Sydney Airport Securityholders (other than UniSuper), and does not change its conclusion or withdraw its Independent Expert's Report before 8.00am on the Second Court Date;
- vii) **(Court Approval)** the Court approves the Company Scheme in accordance with section 411(4)(b) of the Corporations Act and the Court grants the Second Judicial Advice;
- viii) **(Restraints)** there is not in effect any temporary, preliminary or final restraining order, injunction, or other order issued by any court of competent jurisdiction or Government Agency that would prevent, make illegal or delay the Schemes at 8.00am on the Second Court Date;
- ix) **(UniSuper holdings)** at 8.00am on the Second Court Date and immediately prior to the Schemes becoming Effective, the UniSuper Securityholder holds the UniSuper Specified Securities, and the Voting Deed has not been terminated (or amended without the Bidder's prior written consent) and remains in effect;
- x) **(No Sydney Airport Prescribed Occurrence)** no Sydney Airport Prescribed Occurrence occurs between (and including) the date of the Scheme Implementation Deed and 8.00am on the Second Court Date;
- xi) **(No Sydney Airport Material Adverse Change)** no Sydney Airport Material Adverse Change occurs between (and including) the date of the Scheme Implementation Deed and 8.00am on the Second Court Date; and
- xii) **(No Sydney Airport Regulated Event)** no Sydney Airport Regulated Event occurs between (and including) the date of the Scheme Implementation Deed and 8.00am on the Second Court Date, provided that either Sydney Airport or the Bidder has (or should have) given notice of the Sydney Airport Regulated Event in accordance with the Scheme Implementation Deed and the relevant event continues to exist for five Business Days (or any shorter period ending at 8.00am on the Second Court Date).

b) Reasonable steps to implement the Schemes

Sydney Airport must take all steps necessary to propose and implement, and the Bidder must take all steps necessary to assist Sydney Airport to propose and implement, the Schemes as soon as is reasonably practicable and the Bidder must use reasonable endeavours to ensure that each step in the indicative timetable in the Scheme Implementation Deed is met by the date set out beside that step.

c) Obligation to recommend the Schemes

In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Sydney Airport Securityholders (other than UniSuper):

- i) the Sydney Airport Board must unanimously recommend that Sydney Airport Securityholders (other than UniSuper) vote in favour of the Schemes at the Scheme Meetings; and
- ii) no Sydney Airport Board Member may adversely change, withdraw, adversely modify or adversely qualify his or her recommendation.

d) Exclusivity

The Scheme Implementation Deed contains certain exclusivity arrangements in favour of the Bidder which apply during the Exclusivity Period. These arrangements are in line with market practice in this regard and may be summarised as follows:

- i) **(No current discussions)** Sydney Airport represents and warrants that, as at the time of execution of the Scheme Implementation Deed, it is not in any negotiations or discussions, and has ceased any negotiations or discussions, in respect of any Competing Proposal with any person;
- ii) **(No shop)** Sydney Airport must not, and must ensure that each of its Representatives does not, solicit, invite, encourage or initiate (including by the provision of non-public information to any Third Party) any actual, proposed or potential Competing Proposal (or any approach, discussion or inquiry which could reasonably be expected to lead to the same), or communicate to any person an intention to do anything in relation to the same;

9.11 Summary of Scheme Implementation Deed continued

iii) (**No talk**) Sydney Airport must not, and must ensure that each of its Representatives does not:

- a) facilitate, participate in or continue any negotiations or discussions with any person with respect to any actual, proposed or potential Competing Proposal;
- b) negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding any actual, proposed or potential Competing Proposal; or
- c) communicate to any person an intention to do anything in relation to the same;

iv) (**No due diligence**) Sydney Airport must not, and must ensure that each of its Representatives does not, disclose or otherwise provide or make available any non-public information about the business or affairs of Sydney Airport or any Sydney Airport Group Member to a Third Party in connection with, with a view to obtaining, or which would reasonably be expected to encourage or lead to, the formulation, development, finalisation, receipt or announcement of any actual, proposed or potential Competing Proposal (including, without limitation, providing such information for the purposes of the conduct of due diligence investigations in respect of Sydney Airport or any Sydney Airport Group Member) whether by that Third Party or another person, or communicate to any person an intention to do anything in relation to the same;

v) (**Notification**) Sydney Airport must notify the Bidder within 24 hours in writing if it, or any of its Representatives:

- a) has received any actual, proposed or potential Competing Proposal, or any approach or inquiry which could reasonably be expected to lead to any actual, proposed or potential Competing Proposal; or
- b) any request made by a Third Party for, or provision to a Third Party of, any non-public information in connection with formulating, developing or finalising, or assisting in the formation, development or finalisation of, any actual, proposed or potential Competing Proposal,

whether direct, indirect, solicited or unsolicited, and in writing or otherwise. Such notice must include all material terms and conditions of the proposal (including, price, form of consideration, proposed deal protection provisions, any break or reimbursement fee, proposed timing, conditions precedent and the identity of the Third Party that made, together with any Third Party stated to be involved in, the notifiable proposal);

vi) (**Matching right**) Sydney Airport:

- a) must not, and must procure that each Sydney Airport Group Member does not, enter into any definitive agreement (other than a confidentiality agreement) under which Sydney Airport or another Sydney Airport Group Member agrees to undertake or implement or otherwise give effect to an actual, proposed or potential Competing Proposal; and
- b) must procure that none of its directors: (1) withdraws or adversely changes, modifies or qualifies their support of the Schemes or their recommendation that Sydney Airport Securityholders (other than UniSuper) vote in favour of the Schemes; or (2) supports or endorses a Competing Proposal or recommends that Sydney Airport Securityholders accept or vote in favour of a Competing Proposal,

in each case unless:

- c) either the Sydney Airport Board acting in good faith, and in order to satisfy what the Sydney Airport Board considers to be its statutory or fiduciary duties (having received written legal advice from its external legal advisers), determines that the actual, proposed or potential Competing Proposal is, would be, or would be reasonably likely to be, a Superior Proposal;
- d) Sydney Airport has given the Bidder the material details of the actual, proposed or potential Competing Proposal (including price and identity of the Bidder);
- e) Sydney Airport has given the Bidder at least 5 Business Days after the date of the provision of that information to provide a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal; and
- f) the Bidder has not provided (i) a counterproposal within the 5 Business Day period, or (ii) a further proposal that the Sydney Airport Board determines would provide an equivalent or superior outcome for Sydney Airport Securityholders as a whole compared with the Competing Proposal.

However, Sydney Airport is not required to comply with its obligations under the 'no talk' and 'no due diligence' provisions in the Scheme Implementation Deed if either Sydney Airport Board acting in good faith determines that (i) after consultation with its Financial Advisers and external legal advisers, such Competing Proposal is, or may reasonably be expected to, lead to a Superior Proposal, and (ii) after receiving written legal advice from its external legal advisers that complying with those provisions would, or would be reasonably likely to, constitute a breach of any of the fiduciary or statutory duties of the relevant directors of Sydney Airport.

These exclusivity arrangements are set out in full in the Scheme Implementation Deed.

9.11 Summary of Scheme Implementation Deed continued

e) Reimbursement Fee

Sydney Airport has agreed to pay the Reimbursement Fee of \$150 million to the Bidder if:

- i) (**Change in recommendation**) during the Exclusivity Period, any Sydney Airport Board Member fails to recommend the Schemes or makes a public statement:
 - a) withdrawing, adversely changing, adversely modifying or adversely qualifying their support for the Schemes or their recommendation that Sydney Airport Securityholders vote in favour of the Schemes at the Scheme Meetings;
 - b) that they will or may not vote (or procure the voting of) all Sydney Airport Securities held or controlled by them in favour of the Schemes at the Scheme Meetings; or
 - c) indicating that they no longer recommend the Transaction or they recommend, support or endorse a Competing Proposal, but excluding a statement that no action should be taken by Sydney Airport Securityholders pending assessment of a Competing Proposal by either Sydney Airport Board or the completion of the matching right process,in each case provided that the Bidder has terminated the Scheme Implementation Deed, other than in circumstances where:
 - d) the Independent Expert concludes in the Independent Expert's Report (or any update of, or revision, amendment or supplement to, that report) that the Schemes are not in the best interests of Sydney Airport Securityholders, other than UniSuper (except in circumstances where the Independent Expert reaches that conclusion as a result of a Competing Proposal);
 - e) the failure to recommend, or the change to or withdrawal of a recommendation to vote in favour of the Schemes occurs either as contemplated in the Disclosure Letter or because of a requirement by a court or Government Agency that one or more Sydney Airport Board Members abstain or withdraw from making a recommendation; or
 - f) Sydney Airport is entitled to terminate the Scheme Implementation Deed due to a material breach by the Bidder (including a breach of a representation or warranty) and has given the appropriate termination notice to the Bidder;
- ii) (**Competing Proposal announced and transaction subsequently completed**) a Competing Proposal is announced by a Third Party prior to the earlier of the End Date and the date the Scheme Implementation Deed is terminated and, within 12 months of that, the competing bidder (or an Associate) has a relevant interest in at least 50% of Sydney Airport Securities under a transaction that is or has become wholly unconditional or otherwise comes to control Sydney Airport or acquires substantially all of the assets of Sydney Airport; or
- iii) (**Material breach**) the Bidder terminates the Scheme Implementation Deed following a material breach by Sydney Airport (including a material breach of a representation or warranty) that is not remedied within the applicable remedy period and the Transaction does not complete.

Sydney Airport will not have to pay the Reimbursement Fee to the Bidder (notwithstanding the occurrence of any of the events above which trigger the payment of the Reimbursement Fee to the Bidder) if:

- iv) the Transaction completes; or
- v) prior to the event occurring, Sydney Airport terminates the Scheme Implementation Deed for a material breach by the Bidder.

The Reimbursement Fee will not be payable to the Bidder merely by reason that any Scheme Resolution is not approved by Sydney Airport Securityholders at the Scheme Meetings.

f) Reverse Reimbursement Fee

The Bidder has agreed to pay the Reverse Reimbursement Fee of \$150 million to Sydney Airport if Sydney Airport terminates the Scheme Implementation Deed due to a material breach by the Bidder (including a material breach of a representation or warranty) and the Transaction does not complete.

9.11 Summary of Scheme Implementation Deed continued

g) Termination

The Bidder or Sydney Airport can terminate the Scheme Implementation Deed:

- i) in certain circumstances where an event occurs which would, or does, prevent a Condition Precedent from being satisfied;
- ii) at any time before 8.00am on the Second Court Date if:
 - a) the other party has breached the Scheme Implementation Deed (including a breach of a representation or warranty) and the breach is material in the context of the Transaction as a whole, it gives notice to the other party setting out the relevant circumstances and the other party fails to remedy the breach within five Business Days (or any shorter period ending immediately before 8.00am on the Second Court Date) after such notice is given;
 - b) the Court or another Government Agency (including any other court) has taken any action permanently restraining or otherwise prohibiting or preventing the Transaction, or has refused to do anything necessary to permit the Transaction to be implemented by the End Date, and the action or refusal cannot be appealed or reviewed or the other party, acting reasonably, believes there is no realistic prospect of an appeal or review succeeding; or
 - c) the Effective Date for the Schemes has not occurred, or will not occur, on or before the End Date.

The Bidder may terminate the Scheme Implementation Deed any time before 8.00am on the Second Court Date if any Sydney Airport Board Member (other than as contemplated in the Disclosure Letter):

- i) fails to recommend the Schemes;
- ii) withdraws, adversely changes, adversely modifies or adversely qualifies their support of the Schemes or their recommendation that Sydney Airport Securityholders (other than UniSuper) vote in favour of the Schemes; or
- iii) makes a public statement indicating that they no longer recommend the Transaction or they recommend, support or endorse another transaction (including any Competing Proposal but excluding a statement that no action should be taken by Sydney Airport Securityholders pending assessment of a Competing Proposal by either Sydney Airport Board or the completion of the matching right process).

Sydney Airport may terminate the Scheme Implementation Deed any time before 8.00am on the Second Court Date:

- i) if a majority of either of the Sydney Airport Boards has changed, withdrawn, modified or qualified its recommendation that Sydney Airport Securityholders (other than UniSuper) vote in favour of the Schemes (except where (A) the Independent Expert provides a report to Sydney Airport (including in any update, revision, amendment or supplement) that concludes that the Schemes are not in the best interests of Sydney Airport Securityholders (other than UniSuper), (B) Sydney Airport has received a Superior Proposal, or (C) because of a requirement by a court or Government Agency that a director abstain or withdraw from making the recommendation or as otherwise contemplated in the Disclosure Letter; and
- ii) if applicable, Sydney Airport has paid the Reimbursement Fee to the Bidder.

9.12 Status of Regulatory Conditions

As noted in Sections 3.4(b) (**Regulatory Conditions**) and 9.11(a) (**Conditions Precedent**), the Schemes are subject to a number of Conditions Precedent, including the following Regulatory Conditions.

a) FIRB Approval

The Schemes are subject to receipt of a no objection notification under the FATA in respect of the Transaction. An application for this notification was made by the Bidder on 15 July 2021 and, as at the date of this Scheme Booklet, a notification has not yet been received. As a Condition Precedent and in accordance with the Scheme Implementation Deed, any no objection notification must be received before 8.00am on the Second Court Date for this Condition Precedent to be satisfied.

b) ACCC Approval

The Schemes were subject to the ACCC notifying the Bidder in writing that the ACCC does not propose to intervene in respect of the Transaction pursuant to the CCA. On 9 December 2021, the ACCC notified the Bidder in writing that the ACCC does not propose to intervene in the acquisition by the Bidder of the Scheme Securities pursuant to the CCA and accordingly this condition has been satisfied.

c) European Union merger control

The Schemes were also subject to the European Commission issuing a decision declaring any concentration with a community dimension as a result of the Transaction to be compatible with the common market. The European Commission issued the relevant declaration on 3 December 2021 and accordingly this condition has been satisfied.

9.13 ASIC Relief and ASX confirmations

a) ASIC Relief

ASIC has granted Sydney Airport the following relief:

- i) (**Division 2 of Part 7.7**) Relief from the requirement to provide Sydney Airport Securityholders with a financial services guide under Division 2 of Part 7.7 of the Corporations Act in connection with this Scheme Booklet and implementation of the Schemes.
- ii) (**Section 601FC(1)(d)**) Relief from the requirement under section 601FC(1)(d) of the Corporations Act that a responsible entity of a registered scheme treat members who hold interests of the same class equally in relation to the differing Scheme Consideration receivable by Sydney Airport Securityholders and UniSuper (in relation to the UniSuper Specified Securities).
- iii) (**Rule 5.1.01(1)(b) and clause 8302(h) of Schedule 8**) Pursuant to rule 5.1.01(1)(b) and clause 8302(h) of Schedule 8 of the Corporations Regulations, the explanatory statement required for a Scheme must set out whether, within the knowledge of the Sydney Airport Board Members, the financial position of Sydney Airport has materially changed since the date of the last balance sheet laid before Sydney Airport in general meeting or sent to shareholders in accordance with sections 314 or 317 of the Corporations Act, as well as the full particulars of the changes.

ASIC has granted Sydney Airport relief from this requirement so that this Scheme Booklet only need set out, within the knowledge of Sydney Airport Board Members, that the financial position of Sydney Airport has not materially changed since 30 June 2021 (being the last date of the period to which the financial statements for the half year ended 30 June 2021 relate). Sydney Airport will provide a copy of the financial statements for the half year ended 30 June 2021 free of charge to any Sydney Airport Securityholder who requests a copy.

ASIC has granted the Bidder and HoldCo the following relief:

- iv) (**Item 7 of section 611**) Relief from application of item 7 of section 611 of the Corporations Act to allow the holders of SAT1 Units to consider, and if thought fit, vote in favour of the Trust Scheme Resolutions necessary for the Trust Scheme to proceed.
- v) (**Division 5A of Part 7.9**) Relief from the unsolicited offer provisions of Division 5A of Part 7.9 of the Corporations Act to acquire the SAT1 Units under the Trust Scheme.
- vi) (**Division 2 of Part 7.7**) Relief from the requirement to provide Sydney Airport Securityholders with a financial services guide under Division 2 of Part 7.7 of the Corporations Act in connection with this Scheme Booklet and implementation of the Schemes.
- vii) (**Section 911A(1)**) Relief from the requirement to hold a financial services licence under section 911A(1) of the Corporations Act in relation to any general financial product advice contained in the Scheme Booklet. This relief has also been granted to Sydney Airport.

b) ASX Confirmations

ASX has notified Sydney Airport that it has granted waivers or confirmations in relation to the following ASX Listing Rules as they apply to Sydney Airport:

- i) waiver of ASX Listing Rule 6.23.3 to the extent necessary to permit Sydney Airport to vest and cash-settle performance rights issued under the Long Term Incentive Plan;
- ii) confirmation under ASX Listing Rule 15.1.1 that ASX approves or does not object to the proposed modifications to the SAT1 Trust Constitution as set out in the SAT1 Supplemental Deed; and
- iii) confirmation that the timetable for implementation of the Schemes is acceptable to ASX.

9.14 Consents

This Scheme Booklet contains statements made by, or statements said to be based on statements made by:

- the Bidder, in respect of the Bidder Information only;
- PwC, in respect of Section 8 (**Taxation implications**) only; and
- Kroll Australia Pty Ltd, as the Independent Expert.

Each of those persons named above has consented to the inclusion of each statement it has made in the form and context in which the statements appear and has not withdrawn that consent as at the date of this Scheme Booklet.

The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to be named in the Scheme Booklet in the form and context which they are named:

- Barrenjoey as financial adviser to Sydney Airport;
- UBS as financial adviser to Sydney Airport;
- Allens as legal adviser to Sydney Airport;
- PwC as tax adviser to Sydney Airport; and
- Computershare as Sydney Airport's security registry.

9.15 Supplementary information

To the extent required by the ASX Listing Rules, the Corporations Act or any other applicable law, Sydney Airport will issue a supplementary document if it becomes aware of any of the following between the date of this Scheme Booklet and the Effective Date:

- a material statement in this Scheme Booklet is false or misleading;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of this Scheme Booklet.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Sydney Airport may circulate and publish any supplementary document by:

- placing an advertisement in a prominently published newspaper that is circulated generally throughout Australia (eg, The Australian Financial Review);
- posting the supplementary document on Sydney Airport's website, www.sydneyairport.com.au;
- making an announcement to ASX; or
- issuing a supplementary document.

9.16 Sydney Airport Board Members' statements

The issue of this Scheme Booklet has been authorised by the Sydney Airport Board.

9.17 No unacceptable circumstances

Sydney Airport believes that the Schemes do not involve any circumstances in relation to the affairs of Sydney Airport that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

9.18 No other information material to the making of a decision in relation to the Schemes

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Schemes, being information that is within the knowledge of any of the Sydney Airport Board Members at the time of lodging this Scheme Booklet with ASIC for registration, which has not been previously disclosed to Sydney Airport Securityholders.

9.19 Transaction costs

Sydney Airport will incur external transaction costs in connection with the Schemes. If the Schemes are implemented, these will effectively be borne by the Bidder who will have acquired Sydney Airport from implementation. If the Schemes are implemented, Sydney Airport expects to pay an aggregate of approximately \$38.8 million (excluding GST) in external transaction costs in connection with the Schemes, excluding an amount in respect of directors' and officers' run-off insurance cover for the period post-implementation of the Schemes (the amount in respect of which is yet to be determined). The external transaction costs primarily relate to (i) fees payable to Sydney Airport's external advisers in connection with the Transaction, including its financial, legal and tax advisors; and (ii) fees payable to the Independent Expert for provision of the Independent Expert's Report. Certain of these costs are conditional on the Schemes proceeding. If the Schemes are not implemented, Sydney Airport expects that external transaction costs will be approximately \$13.6 million (excluding GST).

These transaction costs do not include any Reimbursement Fee that may be payable by Sydney Airport (see Section 9.11(e) (**Reimbursement Fee**) for information on the circumstances in which a Reimbursement Fee may be payable by Sydney Airport).

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Glossary and interpretation

10 Glossary and interpretation

10.1 Glossary

The meanings of the terms used in this Scheme Booklet are set out below.

Term	Meaning
ACCC	The Australian Competition and Consumer Commission.
ADI	Authorised deposit-taking institution (as defined in the <i>Banking Act 1959</i> (Cth)).
Adviser	In relation to an entity, a professional adviser engaged (directly or indirectly) by the entity for the purposes of the Transaction.
Affiliate	In relation to an entity (the first entity): a) an entity Controlled by the first entity; b) an entity which Controls the first entity; or c) an entity that is under common Control with the first entity.
AIF	a) IFM Investors (Nominees) Limited (ACN 003 969 891) as trustee for IFM Australian Infrastructure Fund (ABN 82 305 474 532); b) IFM Fiduciary Pty Ltd (ACN 135 450 618) as trustee for IFM Australian Infrastructure Wholesale Fund A (ABN 42 751 823 297); and c) IFM Fiduciary No. 2 Pty Ltd (ACN 158 365 505) as trustee for IFM Australian Infrastructure Wholesale Fund B (ABN 33 962 588 006).
Airports Act	The <i>Airports Act 1996</i> (Cth).
AIT	The Sydney Aviation Alliance Australian Investment Trust (ABN 79 887 231 169).
AMIT	Attribution Managed Investment Trust.
Annexure	An annexure to this Scheme Booklet.
ASA	An aeronautical services agreement in relation to the provision of and charging for services by a Sydney Airport Group Member to an airline operator.
ASIC	The Australian Securities and Investments Commission.
Associate	Has the meaning set out in section 12 of the Corporations Act, as if subsection 12(1) of the Corporations Act included a reference to the Scheme Implementation Deed and Sydney Airport was the 'designated body'.
ASX	ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.
AustralianSuper	AustralianSuper Pty Ltd (ACN 006 457 987) as trustee of AustralianSuper.
Barrenjoey	Barrenjoey Advisory Pty Limited (ACN 636 976 228).
Bidder	Sydney Aviation Alliance Pty Ltd (ACN 651 567 841).
Bidder Information	Information regarding the Consortium Group provided by the Bidder to Sydney Airport in writing for inclusion in the Scheme Booklet. For the avoidance of doubt, the Bidder Information excludes the Sydney Airport Information, the Independent Expert's Report and any description of the taxation effect of the Transaction on Scheme Securityholders prepared by an external adviser to Sydney Airport.
Bilateral Facility	Each bank debt facility of the Issuer with BNP Paribas, Societe Generale, Sydney Branch, Commonwealth Bank of Australia, Australia and New Zealand Banking Group Limited or National Australia Bank Limited other than any Tranche (as defined in the Senior Subscription Agreement).
Business Day	A business day as defined in the Listing Rules and which is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales or Melbourne, Victoria.
CCA	The <i>Competition and Consumer Act 2010</i> (Cth).
CGT	Capital gains tax.
Company Scheme	The scheme of arrangement under Part 5.1 of the Corporations Act between SAL and the Scheme Securityholders (as holders of SAL Shares) in the form of Annexure B, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by the Bidder and SAL.
Company Scheme Meeting	Any meetings of Sydney Airport Securityholders, as holders of SAL Shares, ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Company Scheme, and includes any meetings convened following any adjournment or postponement of such meetings.
Company Scheme Resolution	A resolution for the purposes of section 411(4)(a)(ii) of the Corporations Act to approve the acquisition of all of the Scheme Shares by the Bidder as part of the Company Scheme.

10 Glossary and interpretation continued

10.1 Glossary continued

Term	Meaning
Competing Proposal	<p>Any proposal, offer, expression of interest, agreement, arrangement or transaction, which, if entered into or completed substantially in accordance with its terms, would result in a Third Party (either alone or together with any Associate):</p> <ol style="list-style-type: none"> directly or indirectly acquiring or having the right to acquire a relevant interest in a legal, beneficial or economic interest (including by way of an equity swap, contract for difference or similar transaction or arrangement) in, or control of, 20% or more of the listed Sydney Airport Securities; acquiring control of Sydney Airport Group (as determined in accordance with section 50AA of the Corporations Act, but disregarding sub-section 50AA(4)); directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or a substantial part of Sydney Airport Group's business or assets; otherwise directly or indirectly acquiring or merging with Sydney Airport Group; or requiring Sydney Airport Group to abandon, or otherwise fail to proceed with, the Transaction, whether by way of takeover bid, members' or creditors' scheme of arrangement, trust scheme, reverse takeover, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement, recapitalisation, refinancing or other transaction or arrangement, or some combination thereof.
Computershare	Computershare Investor Services Pty Limited (ACN 078 279 277).
Conditions Precedent	The conditions precedent summarised in Section 9.11 (Summary of Scheme Implementation Deed) and set out in full in clause 3.1 of the Scheme Implementation Deed.
Consortium Group	<ol style="list-style-type: none"> The Bidder; HoldCo; FinCo; AIT, its respective trustee, and that trustee's respective custodian; each Consortium Member; and each Consortium Member's Affiliates, <p>and a reference to a Consortium Group Member or a member of the Consortium Group is to any of them.</p>
Consortium Members	<ol style="list-style-type: none"> AustralianSuper; AIF; QSuper; GIF; GIP; and any other Consortium Member permitted by clause 4.8 of the Scheme Implementation Deed, and Consortium or Sydney Aviation Alliance means all of them.
Control	<p>Has the meaning given in section 50AA of the Corporations Act, but, without limitation:</p> <ol style="list-style-type: none"> a trust will Control another entity if its trustee Controls the entity (disregarding for these purposes the operation of section 50AA(4) of the Corporations Act) in its capacity as trustee of the trust; a partnership will Control another entity if a partner (including a general partner) Controls the entity (disregarding for these purposes the operation of section 50AA(4) of the Corporations Act) in its capacity as partner; and a fund or investment vehicle will Control another entity if the responsible entity or manager of the fund or investment vehicle Controls the entity (disregarding for these purposes the operation of section 50AA(4) of the Corporations Act) in its capacity as responsible entity or manager of the fund or investment vehicle, <p>and Controlled has a corresponding meaning.</p>
Corporations Act	The <i>Corporations Act 2001</i> (Cth), as amended by any applicable ASIC class order, ASIC legislative instrument or ASIC relief.
Corporations Regulations	The <i>Corporations Regulations 2001</i> (Cth), as amended by any applicable ASIC class order, ASIC legislative instrument or ASIC relief.
Court	The Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act agreed to in writing by the Bidder and Sydney Airport.

10 Glossary and interpretation continued

10.1 Glossary continued

Term	Meaning
Deed Poll	A deed poll under which the Bidder and HoldCo covenants in favour of the Scheme Securityholders to perform the obligations attributed to the Bidder under the Schemes, a copy of which is set out in Annexure D (Deed Poll).
Disclosure Letter	A letter identified as such provided by Sydney Airport to the Bidder and countersigned by the Bidder before entry into the Scheme Implementation Deed.
Disclosure Materials	<ul style="list-style-type: none"> a) The documents and information contained in the Sydney Airport Data Room; b) written responses from Sydney Airport and its directors, officers, employees, advisers, agents or representatives (Related Persons) to requests for further information made by the Bidder and its Related Persons received by Sydney Airport as at 16 October 2021; and c) the Disclosure Letter.
Effective	When used in relation to the Schemes, means all the following events taking place: <ul style="list-style-type: none"> a) the SAT1 Trust Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act; and b) the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Company Scheme.
Effective Date	The date on which the Schemes become Effective.
Encumbrance	A mortgage, charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement, contractual right of set-off, or any other security agreement or arrangement in favour of any person, whether registered or unregistered, including any security interest (as that term is defined in section 51A of the Corporations Act).
End Date	The later of: <ul style="list-style-type: none"> a) 15 March 2022, provided that if all Regulatory Conditions are satisfied on or before 15 March 2022: <ul style="list-style-type: none"> i) that date shall be extended to 31 March 2022; and ii) Sydney Airport must ensure that the Trust Scheme Meeting, Company Scheme Meeting and Second Court Hearing are held and (if Court approval is obtained in accordance with clause 3.1(g) of the Scheme Implementation Deed) the Schemes become Effective on or before 31 March 2022; and b) where all of the Regulatory Conditions (other than the Condition Precedent set out in clause 3.1(a) of the Scheme Implementation Deed (FIRB approval)) are satisfied on or before 28 February 2022, and the Parliament of Australia is prorogued for a general election on or before 15 March 2022, the date which is the earlier of: <ul style="list-style-type: none"> i) 3 months after the date on which the Parliament of Australia is prorogued for a general election; and ii) 31 May 2022.
Equity Commitment Letters	The binding, executed commitment letter(s) addressed to the Bidder and Sydney Airport provided by the Consortium Members or their Affiliates on 8 November 2021, and any replacement or additional letters provided in accordance with the Scheme Implementation Deed.
EU Merger Regulation	The Council Regulation (EEC) 4064/89 (as amended).
Exclusivity Period	The period from and including the date of the Scheme Implementation Deed to the earlier of: <ul style="list-style-type: none"> a) the date of termination of the Scheme Implementation Deed; b) the End Date; and c) the Effective Date.
Existing Debt Financing	Any existing financing agreement or arrangement for the provision of Financial Indebtedness by a third party to a member of the Sydney Airport Group (including swap and derivative agreements or arrangements).
Existing Debt Financing Default	Any 'event of default' (however described) or any other matter, event or circumstance which, with the giving of notice, expiry of a grace period or both would be an 'event of default' (however described) in each case if, as a result of the relevant event, the Financial Indebtedness under any Existing Debt Financing may be accelerated, redeemed or otherwise declared due and payable or cancelled earlier than its original scheduled maturity date, or any financier may refuse to provide funding under any Existing Debt Financing, or any 'review event' (however described but excluding an "ESG Review Event"), under and for the purposes of any Existing Debt Financing.
FATA	The <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth).
Financial Advisers	Any financial adviser retained by a party (including the Consortium Group) in relation to the Transaction from time to time.

10 Glossary and interpretation continued

10.1 Glossary continued

Term	Meaning
Financial Indebtedness	Any debt or other monetary liability (whether actual or contingent) in respect of monies borrowed or raised or any financial accommodation including under or in respect of any bill, bond, debenture, note or similar instrument; acceptance, endorsement or discounting arrangement; guarantee; finance or capital lease; agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or obligation to deliver goods or provide services paid for in advance by any financier.
FinCo	Sydney Aviation Alliance FinCo Pty Ltd (ACN 654 020 658).
FIRB	The Australian Foreign Investment Review Board.
First Court Date	The first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Company Scheme Meeting and to seek the First Judicial Advice is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
First Judicial Advice	Confirmation from the Court under section 63 of the <i>Trustee Act 1925</i> (NSW) that: a) Sydney Airport would be justified in convening the Trust Scheme Meeting for the purposes of considering the Trust Scheme Resolutions; and b) subject to the Sydney Airport Securityholders passing the Trust Scheme Resolutions, Sydney Airport would be justified in proceeding on the basis that amending the SAT1 Trust Constitution as set out in the SAT1 Trust Supplemental Deed would be within the powers of alteration conferred by the SAT1 Trust Constitution and section 601GC of the Corporations Act.
FRCGW Amount	An amount withheld pursuant to the foreign resident capital gains withholding regime.
General Company Scheme Meeting	Any meetings of Sydney Airport Securityholders (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities), as holders of SAL Shares, ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Company Scheme Resolution, and includes any adjournment or postponement of such meetings.
General Scheme Meetings	The General Company Scheme Meeting and the General Trust Scheme Meeting.
General Scheme Resolutions	The resolutions to be considered and (if thought fit) approved by Sydney Airport Securityholders (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities) at the General Scheme Meetings, being the Company Scheme Resolution and the Trust Scheme Resolutions.
General Trust Scheme Meeting	Any meetings of the Sydney Airport Securityholders (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities), as holders of SAT1 Units, convened by Sydney Airport to consider and vote on the Trust Scheme Resolutions, and includes any meetings convened following any adjournment or postponement of such meetings.
GIF	Conyers Trust Company (Cayman) Limited as trustee for IFM Global Infrastructure Fund.
GIP	a) Global Infrastructure Partners IV-A/B, L.P., Global Infrastructure Partners IV-C Intermediate, L.P., Global Infrastructure Partners IV-C2 Intermediate, L.P., and GIP IV Friends and Family Fund, L.P.; and b) GIM Advisory Services, LLC (ARBN 609 636 464) (on behalf of the GIP Australia Fund).
Global Infrastructure Partners	Global Infrastructure Management, LLC (and its subsidiaries, affiliates and managed or advised funds and clients).
Government Agency	Any Australian or foreign government or governmental, semi-governmental or judicial entity or authority. It also includes any government minister (and his or her delegate), any self-regulatory organisation established under statute or any securities exchange and includes ASIC, ASX, FIRB and equivalent bodies in jurisdictions outside Australia.
GST	Goods and services tax.
HoldCo	Sydney Aviation Alliance Holdings Pty Ltd (ACN 654 912 197).
HoldCo A Loan Note Subscription Agreement	The subscription agreement for the HoldCo A Loan Notes.
HoldCo A Loan Notes	Each of a HoldCo A1 Loan Note and HoldCo A2 Loan Note.
HoldCo A1 Loan Note	An A1 Loan Note issued by HoldCo in accordance with the A Loan Note Subscription Agreement and the deed poll under that agreement.

10.1 Glossary continued

Term	Meaning
HoldCo A2 Loan Note	An A2 Loan Note issued by HoldCo in accordance with the A Loan Note Subscription Agreement and the deed poll under that agreement.
HoldCo B Loan Note	A B Loan Note issued by HoldCo in accordance with the B Loan Note Subscription Agreement and deed poll under that agreement.
HoldCo B Loan Note Subscription Agreement	The subscription agreement for the HoldCo B Loan Notes.
HoldCo Board	The board of directors of HoldCo from time to time.
HoldCo Constitution	The constitution establishing HoldCo as amended from time to time.
HoldCo Loan Notes	The HoldCo A Loan Notes and HoldCo B Loan Notes.
HoldCo Loan Notes Subscription Agreements	The HoldCo A Loan Note Subscription Agreement and HoldCo B Loan Note Subscription Agreement.
HoldCo Share	Each of a newly issued fully paid A Class share and B Class share in HoldCo.
HoldCo Shareholder	The holder of at least one HoldCo Share.
HoldCo Shareholders Deed	The shareholders deed in relation to HoldCo.
IFM Investors	IFM Investors Pty Ltd (ACN 107 247 727).
Implementation Date	The fifteenth Business Day after the Scheme Record Date, or such earlier date after the Scheme Record Date (not to be earlier than the tenth Business Day after the Scheme Record Date) as notified by the Bidder to Sydney Airport in writing.
Independent Expert	Kroll Australia Pty Ltd (ACN 116 738 535).
Independent Expert's Report	The report by the Independent Expert set out in Annexure A.
Insolvency Event	In relation to an entity: <ul style="list-style-type: none"> a) the entity resolving that it be wound up or a court making an order for the winding up or dissolution of the entity (other than where the order is set aside within 14 days); b) a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official being appointed to the entity or in relation to the whole, or a substantial part, of its assets; c) the entity executing a deed of company arrangement; d) the entity ceases, or threatens to cease to, carry on substantially all the business conducted by it as at the date of the Scheme Implementation Deed; e) the entity is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act (or, if appropriate, legislation of its place of incorporation); f) the entity is, or under legislation is presumed or taken to be, insolvent; g) the entity being deregistered as a company or otherwise dissolved; or h) something having a substantially similar effect to paragraphs (a) to (g) above happens in connection with that entity under the laws of any jurisdiction.
Issuer	Sydney Airport Finance Company Pty Limited (ABN 31 110 565 261).
ITAA 1997	The <i>Income Tax Assessment Act 1997</i> (Cth).
Judicial Advice	The First Judicial Advice and the Second Judicial Advice.
Last Practical Trading Day	The trading day that is three trading days prior to the date of this Scheme Booklet.
Listing Rules	The official listing rules of ASX.

10 Glossary and interpretation continued

10.1 Glossary continued

Term	Meaning
Long Term Incentive Plan or LTIP	The incentive described in Section 9.3 (Sydney Airport Performance Rights) under which Sydney Airport Performance Rights are granted to certain management personnel of Sydney Airport.
Notice of General Scheme Meetings	The notice convening the General Scheme Meetings, a copy of which is set out in Annexure E (Notices of Meetings).
Notice of UniSuper Scheme Meetings	The notice of meeting convening the UniSuper Scheme Meetings, a copy of which is set out in Annexure E (Notices of Meetings).
Notices of Meetings	The Notice of General Scheme Meetings and the Notice of UniSuper Scheme Meetings.
Parent	Southern Cross Airports Corporation Holdings Limited (ABN 35 098 082 029).
Perpetual	Perpetual Limited (ABN 86 000 431 827).
Proxy Form	The proxy form in respect of the Scheme Meetings which has been separately provided to Sydney Airport Securityholders by the Sydney Airport Registry on or about the date of this Scheme Booklet.
PwC	PricewaterhouseCoopers (ABN 52 780 433 757).
QSuper	a) QSuper Board (ABN 32 125 059 006) as trustee for QSuper; or b) in the event the QSuper Board retires as trustee of QSuper or in the event of a Fund Merger (as defined in clause 19.6(b) of the Scheme Implementation Deed), Sunsuper Pty Ltd (ABN 88 503 137 921) as trustee for QSuper or of a merged fund resulting from a successor fund transfer of Sunsuper Superannuation Fund.
Regulatory Condition	A Condition Precedent set out in clause 3.1(a), clause 3.1(b) or clause 3.1(c) of the Scheme Implementation Deed.
Reimbursement Fee	\$150 million.
Related Bodies Corporate	Has the meaning given in the Corporations Act.
Relevant Foreign Resident Declaration Form	The form to be sent with this Scheme Booklet to each Sydney Airport Securityholder which the Bidder has determined is a 'relevant foreign resident'.
Relevant Interest	Has the meaning given in sections 608 and 609 of the Corporations Act.
Representative	a) In relation to the Bidder: i) each other Consortium Group Member; ii) an Adviser of the Bidder or a Consortium Group Member; and iii) a director, officer or employee of the Bidder, any other Consortium Group Member, or of an Adviser of the Bidder or any other Consortium Group Member; and b) in relation to Sydney Airport: i) each other Sydney Airport Group Member; ii) an Adviser of Sydney Airport or a Sydney Airport Group Member; and iii) a director, officer or employee of Sydney Airport, of any other Sydney Airport Group Member, or of an Adviser of Sydney Airport or any other Sydney Airport Group Member.
Reverse Reimbursement Fee	\$150 million.
SAL	Sydney Airport Limited (ACN 165 056 360).
SAL Board	The board of directors of SAL.
SAL Facility Agreement	The facility agreement dated 6 February 2017 as amended from time to time, including on or about 11 December 2019, between SAL and Westpac Banking Corporation (ACN 007 457 141).
SAL Facility Cancellation	Has the meaning given in the Scheme Implementation Deed.
SAL Share	A fully paid ordinary share in the capital of SAL.
SAT1	Sydney Airport Trust 1 (ARSN 099 597 921).
SAT1 Board	The board of directors of TTCSAL.

10 Glossary and interpretation continued

10.1 Glossary continued

Term	Meaning
SAT1 Trust Constitution	The constitution establishing SAT1 as amended from time to time.
SAT1 Trust Supplemental Deed	A deed poll under which TTCSAL will amend the SAT1 Trust Constitution to effect the Trust Scheme in the form of Annexure C.
SAT1 Unit	A fully paid unit in SAT1.
Scheme Booklet	This document, including the Annexures to it.
Scheme Consideration	<p>The consideration to be provided by the Bidder to each Scheme Securityholder for the transfer to the Bidder of each Scheme Security, being, subject to the terms of the Schemes:</p> <ol style="list-style-type: none"> a) in the case of Scheme Securityholders (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities), an amount of \$8.75 for each Scheme Security held by the Scheme Securityholder as at the Scheme Record Date; and b) in the case of the UniSuper Securityholder in relation to the UniSuper Specified Securities only: <ol style="list-style-type: none"> i) 3,002 HoldCo Shares, comprising: <ol style="list-style-type: none"> a) 1,501 A Class shares (which shall represent 15.01% of the total number of A Class shares on issue immediately after implementation of the Schemes); and b) 1,501 B Class shares (which shall represent 15.01% of the total number of B Class shares on issue immediately after implementation of the Schemes); ii) a HoldCo A1 Loan Note with an outstanding principal amount of \$1,918,810,975.08 (which shall represent 15.01% of the total aggregate principal amount of all HoldCo A1 Loan Notes on issue immediately after implementation of the Schemes); iii) a HoldCo A2 Loan Note with an outstanding principal amount of \$15,010.00 (which shall represent 15.01% of the total aggregate principal amount of all HoldCo A2 Loan Notes on issue immediately after implementation of the Schemes); and iv) a HoldCo B Loan Note with an outstanding principal amount of \$1,656,650,157.64 (which shall represent 15.01% of the total aggregate principal amount of all HoldCo B Loan Notes on issue immediately after implementation of the Schemes). <p>In the event that any dividend or distribution is declared and paid in relation to each Sydney Airport Security on or before the Implementation Date, the Scheme Consideration will be reduced by the cash amount of the relevant dividend or distribution.</p>
Scheme Implementation Deed	The Scheme Implementation Deed between Sydney Airport and the Bidder dated 8 November 2021. A summary is set out in Section 9.11 (Summary of Scheme Implementation Deed) and a copy is attached in full to Sydney Airport's ASX announcement on 8 November 2021, which is available on ASX's website at www.asx.com.au and on Sydney Airport's website at www.sydneyairport.com.au .
Scheme Meetings	The General Scheme Meetings and the UniSuper Scheme Meetings.
Scheme Record Date	7.00pm (Sydney time) on the fifth Business Day after the Effective Date, or such other date as may be agreed in writing between the Bidder and Sydney Airport.
Scheme Resolutions	The General Scheme Resolutions and the UniSuper Scheme Resolutions.
Scheme Securities	All Sydney Airport Securities held by the Scheme Securityholders as at the Scheme Record Date.
Scheme Securityholder	A holder of Sydney Airport Securities recorded in the Sydney Airport Security Register as at the Scheme Record Date.
Scheme Shares	All SAL Shares on issue held by the Scheme Securityholders as at the Scheme Record Date.
Scheme Units	All SAT1 Units held by the Scheme Securityholders as at the Scheme Record Date.
Schemes	The Trust Scheme and the Company Scheme.
Second Court Date	The first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving the Company Scheme and to seek the Second Judicial Advice is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.
Second Court Hearing	The hearing of the application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving the Company Scheme and to seek the Second Judicial Advice.

10 Glossary and interpretation continued

10.1 Glossary continued

Term	Meaning
Second Judicial Advice	Confirmation from the Court under section 63 of the <i>Trustee Act 1925</i> (NSW) that, Sydney Airport Securityholders having approved the Trust Scheme Resolutions by the requisite majorities, Sydney Airport would be justified in implementing the Trust Scheme Resolutions, giving effect to the provisions of the SAT1 Trust Constitution (as amended by the SAT1 Trust Supplemental Deed) and in doing all things and taking all necessary steps to put the Trust Scheme into effect.
Senior Subscription Agreement	The agreement entitled "Senior Subscription Agreement" dated 12 June 2002 between the Issuer, the Parent and Commonwealth Bank of Australia (as agent and security trustee) and others as amended, varied or restated from time to time.
Superior Proposal	A bona fide written Competing Proposal received by Sydney Airport (and not received as a result of a breach by Sydney Airport of its obligations under clause 11 of the Scheme Implementation Deed) that the Sydney Airport Board determines, acting in good faith and after having obtained written advice from Sydney Airport's external legal advisers and Financial Advisers: <ol style="list-style-type: none"> is reasonably capable of being completed, taking into account all aspects of the Competing Proposal (including its conditions, the identity, reputation and financial condition of the party making the Competing Proposal, and all relevant legal, financial, regulatory and other matters); and would, if completed substantially in accordance with its terms, be more favourable to Sydney Airport Securityholders (other than UniSuper) (as a whole) than the Transaction (as the Transaction may be amended or varied following application of the matching right set out in clause 11.5 of the Scheme Implementation Deed), taking into account all terms, conditions and other aspects of the Competing Proposal and all terms, conditions and other aspects of the Transaction.
Swap Replacement	A new swap or derivative contract or commitment or an amendment to, or reset of, the terms of an existing derivative contract entered into by the Issuer in the ordinary course of business to reset or replace a maturing swap or derivative contract, which does not result in an increase in the notional amount above that of the replaced swap or derivative contract.
SYD Current Budget	The budget of the Sydney Airport Group commencing 1 October 2021.
Sydney Airport	SAL and TTCSAL as responsible entity of SAT1.
Sydney Airport Board	Except as otherwise stated, both of: <ol style="list-style-type: none"> the SAL Board; and the SAT1 Board.
Sydney Airport Board Member	Except as otherwise stated, both of a director of SAL and a director of TTCSAL comprising part of the relevant Sydney Airport Board.
Sydney Airport Data Room	The electronic data room maintained by or on behalf of Sydney Airport through which the Bidder and its Representatives have had access to information relating to the Sydney Airport Group.
Sydney Airport Group	<ol style="list-style-type: none"> SAL; SAT1; TTCSAL; and each entity, from time to time, Controlled by SAL or SAT1, and a reference to a Sydney Airport Group Member or member of the Sydney Airport Group is to any of them.
Sydney Airport Information	Information regarding the Sydney Airport Group prepared by Sydney Airport for inclusion in the Scheme Booklet. For the avoidance of doubt, the Sydney Airport Information excludes the Bidder Information, the Independent Expert's Report and any description of the taxation effect of the Transaction on Scheme Securityholders prepared by an external adviser to Sydney Airport.

10 Glossary and interpretation continued

10.1 Glossary continued

Term	Meaning
Sydney Airport Material Adverse Change	<p>a) The:</p> <ul style="list-style-type: none"> i) cancellation, suspension (for a period of 1 month or more), or termination of the aerodrome certificate granted to Sydney Airport Corporation Limited (ACN 082 578 809) (SACL) to operate the 'SYDNEY/Sydney (Kingsford Smith) INTL' aerodrome pursuant to the <i>Civil Aviation Safety Regulations 1998</i> (Cth); ii) issuance by the Civil Aviation and Safety Authority of notice of its intention to cancel, suspend (for a period of 1 month or more), or terminate the aerodrome certificate which notice is not withdrawn within 5 Business Days of its receipt (or such shorter period ending at 8.00am on the Second Court Date); iii) termination of the lease between the Commonwealth of Australia and SACL dated 30 June 1998; or iv) issuance by the Commonwealth of Australia of notice of its intention to terminate the lease which notice is not withdrawn within 5 Business Days of its receipt (or such shorter period ending at 8.00am on the Second Court Date), <p>together, the Sydney Airport Concession);</p> <ul style="list-style-type: none"> b) the loss or destruction of, or damage to, the whole or a substantial part of the properties underlying the Sydney Airport Concession, where such loss, destruction or damage will result in, or is reasonably likely to result in, Sydney Airport being unable to carry on its business or operations, or a substantial part of its business or operations, for a period of 6 months or more; c) the credit rating of the Parent, the Issuer, Southern Cross Airports Corporation Pty Limited or any notes issued by the Issuer being BB+ (Standard & Poor's Rating Services) or lower, other than as a result of any action of a Consortium Group Member, or any announced intentions or plans of a Consortium Group Member for the Sydney Airport Group; or d) the credit rating of the Parent, the Issuer, Southern Cross Airports Corporation Pty Limited or any notes issued by the Issuer being Ba1 (Moody's Investors Limited) or lower, other than as a result of any action of a Consortium Group Member, or any announced intentions or plans of a Consortium Group Member for the Sydney Airport Group.
Sydney Airport Performance Right	An entitlement to receive a Sydney Airport Security, granted under the Long Term Incentive Plan, being the performance rights identified in Schedule 3 of the Scheme Implementation Deed.
Sydney Airport Prescribed Occurrence	<p>Other than as:</p> <ul style="list-style-type: none"> a) required or expressly permitted by the Scheme Implementation Deed or the Schemes; or b) agreed to in writing by the Bidder, including as set out in the Disclosure Letter, the occurrence of any of the following: <ul style="list-style-type: none"> c) SAT1 converting all or any of its units into a larger or smaller number of units; d) SAL converting all or any of its shares into a larger or smaller number of shares; e) a member of the Sydney Airport Group making any change to its constitution or other constituent documents; f) a member of the Sydney Airport Group resolving to reduce its share capital in any way, or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its securities; g) a member of the Sydney Airport Group redeeming, buying back or repurchasing its shares or resolving to approve or enter into an agreement to do any of those things; h) a member of the Sydney Airport Group issuing securities, or granting a performance right or option over its securities, or agreeing to make such an issue or grant such a performance right or option, other than: <ul style="list-style-type: none"> i) an issue or grant (or an agreement to issue or grant) to another member of the Sydney Airport Group; or ii) the vesting of rights under the Sydney Airport Performance Rights; i) a member of the Sydney Airport Group issuing or agreeing to issue securities convertible into shares or units (as applicable), other than an issue (or agreement to issue) to another member of the Sydney Airport Group; j) Sydney Airport agrees to pay, declares, pays or makes, or incurs a liability to pay or make, a dividend, distribution of income, profits, assets or capital to any person; k) a member of the Sydney Airport Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property; l) a member of the Sydney Airport Group granting an Encumbrance, or agreeing to grant an Encumbrance, in respect of all or a substantial part of its business or property other than a lien which arises by operation of law or legislation securing an obligation that is not yet due; or m) an Insolvency Event occurs in relation to a member of the Sydney Airport Group.

10 Glossary and interpretation continued

10.1 Glossary continued

Term	Meaning
Sydney Airport Registry	Computershare Investor Services Pty Limited.
Sydney Airport Regulated Event	<p>The occurrence of any of the following:</p> <p>a) other than as set out in the Disclosure Letter:</p> <ul style="list-style-type: none">i) a member of the Sydney Airport Group:<ul style="list-style-type: none">a) entering into, terminating or materially altering or varying any ASA with a term that extends beyond 31 December 2022 (or agreeing to any obligations or commitments to expend capital under an ASA beyond 31 December 2022);b) renewing or extending the term of an ASA in existence at the date of the Scheme Implementation Deed beyond 31 December 2022; orc) entering into an ASA with terms that are not substantially similar to the terms applicable under an ASA in effect at the date of the Scheme Implementation Deed;ii) a member of the Sydney Airport Group entering into, renewing or extending, terminating or materially altering or varying a contract or agreement (other than an ASA) under which a Sydney Airport Group Member derives revenue in excess of \$25 million in total over the term of the relevant contract or agreement;iii) a member of the Sydney Airport Group entering into any new financing agreement or arrangement for the provision of Financial Indebtedness by a third party to a member of the Sydney Airport Group (including any refinancing of any Existing Debt Financing), other than a Swap Replacement. New drawings under Existing Debt Financing agreements or arrangements are permitted and do not constitute a Sydney Airport Regulated Event;iv) a member of the Sydney Airport Group:<ul style="list-style-type: none">a) making any voluntary prepayments of amounts outstanding (other than of amounts drawn under a Bilateral Facility, the SAL Facility Agreement or the Senior Subscription Agreement) or voluntarily cancelling any applicable limits under;b) refinancing, renewing or extending; orc) materially altering, varying or amending, or altering, varying or amending any material provision of, any Existing Debt Financing, other than (i) to effect (1) the SAL Facility Cancellation, or (2) a cancellation of each Bilateral Facility and each Tranche of the Senior Subscription Agreement, (ii) in the case of an alteration, variation or amendment as described at paragraph (C), such alteration, variation or amendment makes the existing terms more favourable to the Sydney Airport Group, or (iii) to effect a Swap Replacement;v) a member of the Sydney Airport Group requesting, granting or agreeing to any waiver or consent in respect of a material provision of any Existing Debt Financing where that waiver or consent will, or is reasonably likely to, be prejudicial to the ability of the Issuer to effect any refinancing or replacement of any Existing Debt Financing after the completion of the Transaction;vi) a member of the Sydney Airport Group taking any action which results in the Parent, the Issuer, Southern Cross Airports Corporation Pty Limited or any notes issued by the Issuer ceasing to be rated by one or both of Standard & Poor's Rating Services and Moody's Investors Limited and Fitch Ratings;vii) any act of, or failure to act by, a member of the Sydney Airport Group or other circumstance, which gives rise to a financier or agent (as applicable) under the Existing Debt Financing notifying the Sydney Airport Group of the occurrence of an Existing Debt Financing Default in any case other than an Existing Debt Financing Default which arises as a consequence of the Schemes or the implementation of the Transaction; orviii) a member of the Sydney Airport Group making any material tax elections or changing any material tax methodologies applied by it in the 12 months prior to the date of the Scheme Implementation Deed, in each case, without the prior written consent of the Bidder; <p>b) other than as permitted under clause 6.2(f) of the Scheme Implementation Deed or as set out in the Disclosure Letter, a member of the Sydney Airport Group incurring capital expenditure in respect of the period of the SYD Current Budget, other than any capital expenditure included in the SYD Current Budget, which is \$25 million or more, in the aggregate; and</p>

10 Glossary and interpretation continued

10.1 Glossary continued

Term	Meaning
Sydney Airport Regulated Event continued	<p>c) other than as permitted under clause 6.2 of the Scheme Implementation Deed, the occurrence of any of the following:</p> <ul style="list-style-type: none"> i) a member of the Sydney Airport Group acquiring or disposing of (or agreeing to acquire or dispose of) any business, entity or undertaking, the value of which exceeds \$25 million individually or \$50 million in the aggregate; ii) a member of the Sydney Airport Group entering into any contracts or commitments or any series of related contracts or commitments (other than in respect of expenditure contemplated in the SYD Current Budget or under paragraph (b) above) requiring expenditure or payments (excluding expenditure or payments between Sydney Airport Group Members) by the Sydney Airport Group in excess of \$25 million, other than any payment required by law; iii) a member of the Sydney Airport Group entering into, varying or amending any material contract or agreement (other than an ASA), if the consent of the counterparty to that contract or agreement or altered, varied or amended contract or agreement would be required in respect of any aspect of the Schemes or the transactions contemplated by the Scheme Implementation Deed; iv) a member of the Sydney Airport Group accepting as a compromise of a matter less than the full compensation due to a member of the Sydney Airport Group where the financial impact of the compromise in any annual period on the Sydney Airport Group is more than \$5 million; v) a member of the Sydney Airport Group: <ul style="list-style-type: none"> a) entering into (other than for the purposes of replacing an existing agreement or arrangement on a materially consistent basis) or materially altering, varying or amending any employment, consulting, severance or similar agreement or arrangement with an officer, director, or senior executive in respect of whom the total fixed annual compensation is greater than \$500,000 (a Key Employee); b) paying or agreeing to pay, any bonus, retention bonus, benefit or similar to any director or Key Employee of the Sydney Airport Group in connection with the Schemes or Transaction; or c) accelerating or otherwise materially increasing compensation or benefits for any Key Employee (other than as contemplated under clause 4.5 of the Scheme Implementation Deed), in each case other than pursuant to: <ul style="list-style-type: none"> d) contractual arrangements in effect on the date of the Scheme Implementation Deed and which are contained in the Disclosure Materials; or e) Sydney Airport's policies and guidelines in effect on the date of the Scheme Implementation Deed and which are contained in the Disclosure Materials; vi) a Sydney Airport Group Member entering into, renewing, extending, altering or varying in any material respect any agreement or arrangement relating to the appointment of, or any fees payable to, any Financial Adviser or other adviser appointed or retained by Sydney Airport in connection with the Schemes; vii) a member of the Sydney Airport Group changing any accounting policy applied by them to report their financial position other than any change in policy required by a change in law or accounting standards; viii) a Sydney Airport Group Member settling or compromising or making any material concessions in relation to any material proceedings where the financial impact on the Sydney Airport Group of such settlement, compromise or concession (other than any financial impact which is already provided for in the accounts of Sydney Airport Group) will be in excess of \$25 million; or ix) a member of the Sydney Airport Group settling or compromising any dispute, audit or inquiry in relation to tax or duty, where the settlement amount (or, in the case of a series of related disputes, audits or inquiries, aggregate settlement amount) is in excess of \$25 million; or <p>d) any member of the Sydney Airport Group agreeing to do any of the matters set out in paragraphs (a) to (c) above except as permitted under those paragraphs.</p>
Sydney Airport Security	A stapled security comprising one SAT1 Unit stapled to one SAL Share.
Sydney Airport Security Register	The register of securityholders of Sydney Airport maintained in accordance with the Corporations Act (comprising a register of the holders of SAT1 Units and a register of holders of SAL Shares).
Sydney Airport Securityholder	A person who is registered as the holder of a Sydney Airport Security in the Sydney Airport Security Register.
Third Party	A person other than the Bidder, the Consortium Members and their other Associates.

10 Glossary and interpretation continued

10.1 Glossary continued

Term	Meaning
TOFA	Taxation of Financial Arrangements.
Transaction	The acquisition of the Scheme Securities by the Bidder through implementation of the Schemes in accordance with the terms of the Scheme Implementation Deed.
Transaction Documents	Each of the following documents: a) the HoldCo Shareholders Deed; b) the HoldCo A Loan Note Subscription Agreement; c) the HoldCo B Loan Note Subscription Agreement; and d) any other documentation which, in accordance with the terms of such documents, is required to be delivered by the delivery deadline under the documents set out in the preceding paragraphs.
Transition Committee	A committee comprised of six senior Sydney Airport executives and two senior executives of the Bidder, and other persons as agreed by the parties.
Treasurer	The Treasurer of the Commonwealth of Australia.
Trust Account	An Australian dollar denominated trust account with an ADI operated by Sydney Airport (or by the Sydney Airport Registry on behalf of Sydney Airport) as trustee for Scheme Securityholders.
Trust Scheme	An arrangement under which the Bidder acquires all of the Scheme Units from Scheme Securityholders, facilitated by amendments to the SAT1 Trust Constitution as set out in the SAT1 Trust Supplemental Deed, subject to the requisite approvals of the Sydney Airport Securityholders.
Trust Scheme Meeting	Any meetings of the Sydney Airport Securityholders, as holders of SAT1 Units, convened by Sydney Airport to consider and vote on the Trust Scheme Resolutions, and includes any meetings convened following any adjournment or postponement of such meetings.
Trust Scheme Resolution 1	A resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the SAT1 Trust Constitution as set out in the SAT1 Trust Supplemental Deed.
Trust Scheme Resolution 2	A resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition by the Bidder of all the SAT1 Units as at the Scheme Record Date.
Trust Scheme Resolutions	The resolutions to approve the Trust Scheme, including: a) Trust Scheme Resolution 1; and b) Trust Scheme Resolution 2.
TTCSAL	The Trust Company (Sydney Airport) Limited (ACN 115 967 087) as responsible entity of SAT1.
UBS	UBS AG, Australia Branch (ABN 47 088 129 613).
UniSuper	UniSuper Limited (ACN 006 027 121) as trustee for the UniSuper Fund of Level 1, 385 Bourke Street, Melbourne, Victoria 3000.
UniSuper Company Scheme Meeting	Any meetings of the UniSuper Securityholder in relation to the UniSuper Specified Securities ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Company Scheme Resolution, and includes any adjournment or postponement of such meetings.
UniSuper Fund	The complying superannuation fund known as UniSuper established by trust deed dated 24 December 1982 as amended from time to time.
UniSuper Limited	UniSuper Limited (ACN 006 027 121).
UniSuper Nominee HoldCo Shareholder	An Australian incorporated wholly-owned subsidiary of UniSuper or a nominee or custodian of UniSuper, as nominated in accordance with the Schemes.
UniSuper Scheme Meetings	The UniSuper Company Scheme Meeting and the UniSuper Trust Scheme Meeting.

10 Glossary and interpretation continued

10.1 Glossary continued

Term	Meaning
UniSuper Scheme Resolutions	The resolutions to be considered and (if thought fit) approved by UniSuper at the UniSuper Scheme Meetings, being the Company Scheme Resolution and the Trust Scheme Resolutions.
UniSuper Securityholder	The legal and registered holder of the UniSuper Specified Securities recorded in the Sydney Airport Security Register, being BNP Paribas Nominees Pty Limited as custodian for UniSuper.
UniSuper Specified Securities	404,969,320 Sydney Airport Securities held on behalf of UniSuper.
UniSuper Trust Scheme Meeting	Any meetings of the UniSuper Securityholder in relation to the UniSuper Specified Securities, as a holder of SAT1 Units, convened by Sydney Airport to consider and vote on the Trust Scheme Resolutions, and includes any meetings convened following any adjournment or postponement of such meetings.
Voting Deed	The voting deed entered into by SAL and UniSuper dated 8 November 2021, as summarised in Section 9.10 (Voting Deed).
VWAP	Volume weighted average price.

10.2 Interpretation

In this Scheme Booklet:

- a) words of any gender include all genders;
- b) words importing the singular include the plural and vice versa;
- c) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- d) a reference to a section or annexure, is a reference to a section of or annexure of, this Scheme Booklet as relevant;
- e) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re enactments of any of them;
- f) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- g) a reference to time is a reference to Sydney, Australia time unless otherwise specified;
- h) a reference to dollars and \$ is to Australian currency;
- i) an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia; and
- j) the words 'include', 'including', 'for example' or 'such as' when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.



Independent Expert's Report

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The Directors
Sydney Airport Limited and The Trust Company (Sydney Airport) Limited
as responsible entity for Sydney Airport Trust
The Nigel Love Building
10 Arrivals Court, Sydney International Airport
Sydney NSW 2020

15 December 2021

Dear Directors

Part One – Independent Expert Report

1 Introduction

On 8 November 2021, Sydney Airport limited (**SAL**) and The Trust Company (Sydney Airport) Limited (**TTCSAL**) as responsible entity for Sydney Airport Trust 1 (**SAT1**), (together, **Sydney Airport**), announced that they had entered into a Scheme Implementation Deed (**SID**) with Sydney Aviation Alliance Pty Ltd (the **Bidder**) under which the Bidder will acquire 100% of the shares in SAL by way of a scheme of arrangement and 100% of the units in SAT1 by way of a trust scheme (together, the **Schemes**).

The Bidder is an entity controlled by Sydney Aviation Alliance, which is a consortium of investors comprising entities associated with AustralianSuper, IFM Australian Infrastructure Fund, QSuper, IFM Global Infrastructure Fund and Global Infrastructure Partners (the **Consortium Members**). The sole purpose of the Bidder is to acquire and manage Sydney Airport.

Under the Schemes, Sydney Airport stapled securityholders (**Sydney Airport Securityholders**) who hold Sydney Airport stapled securities (**Sydney Airport Securities**) on the Scheme Record Date (as defined in the SID) (**Scheme Securityholders**) will receive the following consideration (the **Scheme Consideration**):

- Scheme Securityholders (other than the UniSuper Securityholder¹) will receive \$8.75 cash per Sydney Airport Security, reduced by the value of any dividends declared or paid by Sydney Airport prior to the Schemes taking effect; and
- UniSuper will transfer its existing approximately 15.01% interest in Sydney Airport for a 15.01% interest in the holding structure of the Consortium Group (as defined in the SID).²

The Schemes contain certain conditions. Conditions not yet satisfied include approval by Australia's Foreign Investment Review Board (**FIRB**), UniSuper continuing to hold its approximately 15.01% interest in Sydney Airport Securities and the Voting Deed to which UniSuper is a party not having been terminated or amended without the Bidder's prior written consent. Refer to Sections 5.2 and 5.3.

Sydney Airport is listed on the Australian Securities Exchange (**ASX**) and operates Sydney's Kingsford Smith Airport under a concession that extends until 2097. Sydney Airport is Australia's largest airport, one of Australia's most important assets and the main international gateway. As at 2 July 2021, the last trading

¹ The UniSuper Securityholder is the legal and registered holder of the 404,969,320 Sydney Airport Securities (**UniSuper Specified Securities**) recorded in the Sydney Airport Security Register, being BNP Paribas Nominees Pty Limited as custodian for UniSuper Limited (ACN 006 027 121) as trustee for the UniSuper Fund (**UniSuper**).

² The interest will be held in Sydney Aviation Alliance Holdings Pty Ltd (**HoldCo**), an upstream holding entity of the Bidder.



day before the announcement of the initial offer from the Consortium Group, Sydney Airport had a market capitalisation of \$15.7 billion.³

The General Company Scheme Meeting⁴ and General Trust Scheme Meeting⁵ (**General Scheme Meetings**) to consider and vote on the General Scheme Resolutions will be held as virtual meetings on 3 February 2022. Sydney Airport Securityholders (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities) registered on 1 February 2022 will be entitled to attend and vote on the General Scheme Resolutions to implement the Schemes. For the Schemes to proceed:

- the Company Scheme Resolution must be approved by at least 75% of the votes cast by Sydney Airport Securityholders and 50% by number of Sydney Airport Securityholders present and voting (in person or by proxy);
- the Trust Scheme Resolution 1 (amendment to SAT1 Trust Constitution) must be passed by at least 75% of votes cast; and
- the Trust Scheme Resolution 2 (to approve the Trust Scheme) must be passed by more than 50% of the total votes cast.

The UniSuper Securityholder will vote on the UniSuper Scheme Resolutions at separate UniSuper Scheme Meetings on 3 February 2022. The General Scheme Meetings and UniSuper Scheme Meetings are collectively referred to as 'the Scheme Meetings'.

In order to assist Sydney Airport Securityholders in assessing the Schemes, the Directors of SAL and TTCSAL as responsible entity for SAT1 (**Sydney Airport Directors**), have appointed Kroll Australia Pty Ltd (**Kroll**), to prepare an independent expert report setting out whether, in our opinion, the Schemes are in the best interests of Sydney Airport Securityholders (other than UniSuper).

This report sets out Kroll's opinion as to the merits or otherwise of the Schemes and will be included in the Scheme Booklet and Explanatory Statement (**Scheme Booklet**) to be sent to Sydney Airport Securityholders.

Further information regarding Kroll, as it pertains to the preparation of this report, is set out in Appendix 1.

Kroll's Financial Services Guide is contained in Part Two of this report.

2 Scope of report

The proposed acquisition is to be implemented via a combination of a company scheme of arrangement and a trust scheme.

In relation to the company scheme of arrangement, we have referred to guidance provided by the Australian Securities and Investments Commission (**ASIC**) in its Regulatory Guides, in particular Regulatory Guide 111 'Content of expert reports' (**RG 111**) which outlines the principles and matters which it expects a person preparing an independent expert report to consider when providing an opinion on whether a scheme of arrangement is in the best interests of securityholders. The statutory requirement for an independent expert report in respect of the company scheme of arrangement does not apply because:

- none of the Consortium Group Members are entitled to 30% or more of the voting securities in Sydney Airport;
- none of the directors of the Consortium Group Members is a director of Sydney Airport.

In relation to the trust scheme, there is no specific statutory framework for a trust scheme as there is for a company scheme of arrangement. As such, the Takeovers Panel has issued Guidance Note 15: Trust Scheme Mergers (**Guidance Note 15**) outlining the recommended procedures for a trust scheme. Guidance Note 15 suggests that a notice of meeting and explanatory memorandum for a trust scheme should contain a report by an independent expert that states whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable and, therefore, consistent with determining whether it is in the best interests of the members. As such, a statutory requirement for an independent expert report applies in relation to the trust scheme.

³ Calculated as closing share price on 2 July 2021 of \$5.81 multiplied by 2,698,700,253 securities.

⁴ Any meetings of Sydney Airport Securityholders (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities), as holders of SAL Shares, ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on the Company Scheme.

⁵ Any meetings of Sydney Airport Securityholders (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities), as holders of SAT1 Units, convened by Sydney Airport to consider the Trust Scheme Resolutions (as defined in the SID).



Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 6.

3 Opinion

3.1 Background

Sydney Airport is a highly strategic asset and a vital piece of Australian infrastructure, being Australia's largest airport and the main gateway in and out of Australia. Since privatisation in 2002 it has performed strongly, achieving year-on-year revenue growth in the order of 7.9% as a result of sustained growth in both domestic and international passengers. It continues to be a well-managed and capitalised asset with a long-term concession, and diversified earnings that in normal circumstances have allowed it to weather downturns in passenger traffic. It has proved resilient to external shocks including the September 11 terrorist attacks in 2001, the SARS⁶ outbreak in 2003, and the global financial crisis which commenced in October 2008.

However, the COVID-19 pandemic caused a severe reduction in both domestic and international air travel as Australian interstate and international borders were closed, delivering a crisis of unprecedented magnitude to the aviation industry. Furthermore, in mid-2021 the more transmissible Delta variant of COVID-19 caused another wave of the pandemic in Australia which resulted in further border closures and restrictions on movement for an extended period of time. Despite these events, Sydney Airport's strong balance sheet and focus on managing costs positions it to respond well to a range of recovery scenarios and pursue growth opportunities as the recovery unfolds.

It is within this environment of increased uncertainty that on 5 July 2021, Sydney Airport first announced that it had received an unsolicited, indicative, conditional and non-binding proposal from the Consortium Members to acquire 100% of Sydney Airport Securities at \$8.25 per Sydney Airport Security⁷ (the **First Offer**), which ultimately led to the current offer of \$8.75 per Sydney Airport Security⁷ (the **Third Offer**).

Since the announcement of the First Offer, increasing vaccination progress has resulted in regional travel recommencing, States progressively opening their borders to New South Wales (**NSW**), and international travel restrictions being eased. However, passenger numbers are not expected to return to pre-COVID-19 levels until 2023 (domestic) and 2024 (international),⁸ with considerable uncertainty as to the actual timing of the recovery and further uncertainty as to whether any long-term or permanent changes to air travel will occur as a result of the pandemic. For the foreseeable future, there will be increased complexity and additional rules associated with travel such as the wearing of masks, the need to be vaccinated and the need to be tested within days of both domestic and international travel, depending on the individual destination's rules. Business travel may also be impacted as a result of the greater acceptance of virtual meetings and companies' growing concerns regarding environmental sustainability. Geopolitical tensions with China will likely continue to evolve and may pose a considerable risk to one of Australia's largest sources of air passenger volumes. The airlines, which mothballed much of their fleets during the pandemic, also need to reverse this process, which will invariably take time.

3.2 Summary of opinion

In our opinion, we consider the Schemes are in the best interests of Sydney Airport Securityholders, other than UniSuper, in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the Schemes are:

- **fair**, by comparing the Scheme Consideration to our assessed value of a Sydney Airport Security on a controlling interest basis. This approach is in accordance with the guidance set out in RG 111; and
- **reasonable**, by assessing the implications of the Schemes for Sydney Airport Securityholders, the alternatives to the Schemes that are available to Sydney Airport, and the consequences for Sydney Airport Securityholders of not approving the Schemes.

We have assessed the Schemes to be fair and reasonable. Consequently, consistent with RG 111, we have concluded that the Schemes are in the best interests of Sydney Airport Securityholders, other than UniSuper, in the absence of a superior proposal.

⁶ Severe acute respiratory syndrome.

⁷ With UniSuper to receive an equivalent equity interest in the Consortium Group's holding vehicle rather than cash consideration.

⁸ IATA Economics using data from Tourism Economic/IATA Air Passenger Forecast, April 2021.



We have assessed the value of a Sydney Airport Security on a controlling interest basis to be in the range \$7.94 to \$8.86. As the Scheme Consideration of \$8.75 falls within our assessed value range for a Sydney Airport Security, we consider the Schemes to be fair.

In forming our view as to the value of Sydney Airport, we have considered a range of factors including the strategic importance of Sydney Airport as Australia's largest airport and the main gateway in and out of Australia, its financial position and growth prospects, having regard to the post-COVID-19 pandemic environment for travel, and the potential future impact of Western Sydney Airport. Our valuation range assumes that Sydney Airport passenger movements return to pre-pandemic levels by 2023 (domestic) and 2024 (international). Although the environment is improving with the roll-out of COVID-19 vaccines, we remain some distance from achieving pre-COVID-19 passenger levels and October 2021 total passenger traffic was down 98.4% on the corresponding period in 2019. Additionally, as evidenced by Europe's fourth wave of the COVID-19 pandemic and the emergence of the Omicron variant in November 2021, outcomes are extremely fluid. Critically, the Scheme Consideration effectively de-risks the impact of any potential future adverse passenger scenarios for Sydney Airport Securityholders. Our analysis of the fairness of the Schemes is detailed further in Section 3.3.

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Schemes to be fair, they are also reasonable. Regardless of this requirement, we have considered a range of other factors that are relevant to an assessment of the reasonableness of the Schemes, including:

- the Scheme Consideration represents a substantial premium to the trading price of Sydney Airport before the announcement of the First Offer and in Kroll's view, represents the best opportunity for Sydney Airport Securityholders to realise a control value for their securities in the absence of a superior proposal. In the event that the Schemes are not approved or any other conditions precedent prevent the Schemes from being implemented, Sydney Airport will continue to operate in its current form and its security price is likely to fall to levels consistent with trading prices prior to the announcement of the First Offer, subject to any allowance to reflect the more rapid uptake in vaccinations and subsequent easing of travel restrictions in comparison to that which was anticipated prior to the First Offer, any company specific initiatives or financial achievements in the subsequent period and the impact of broader trends in equity markets;
- the Scheme Consideration is in cash and provides certainty of the pre-tax amount that securityholders will receive;
- securityholders may wish to retain their investment in Sydney Airport in the expectation that they will benefit from any future growth in value and/or as a result of the scarcity of similar investment opportunities; and
- no alternative bidder has emerged since the announcement of the First Offer. The likelihood of a superior proposal is impacted by the significant premium offered under the Schemes and the limited number of potential acquirers.

Other matters which Sydney Airport Securityholders should consider in assessing the Schemes include:

- Sydney Airport will incur transaction costs if the Schemes do not proceed;
- the conditions precedent which, if not satisfied, will result in the Schemes not being implemented; and
- the tax implications of the Schemes.

Our analysis of the reasonableness of the Schemes is detailed further in Section 3.4. The decision to approve the Schemes is a matter for individual Sydney Airport Securityholders based on their views as to value, expectations about future market conditions and their particular circumstances including investment strategy and portfolio, risk profile and tax position. If in doubt, Sydney Airport Securityholders should consult their own professional adviser regarding the action they should take in relation to the Schemes.

3.3 The Schemes are fair

3.3.1 Valuation of Sydney Airport

Kroll has assessed the value of Sydney Airport's equity to be in the range of \$21.4 billion to \$23.9 billion, or \$7.94 to \$8.86 per Sydney Airport Security. Our range of assessed values reflects 100% ownership of Sydney Airport and, therefore, incorporates a control premium. The value of Sydney Airport is the equity value (including commercial property developments), less liabilities not reflected in the cash flows and cash to pay out the Sydney Airport Performance Rights.



The valuation is summarised as follows.

Sydney Airport Valuation Summary

	Section Reference	Low	High
Value of Sydney Airport equity (100% basis)	9.3 & 9.4	21,500.0	24,000.0
Other assets/(liabilities)	9.5	(49.8)	(49.8)
Cash to pay out Sydney Airport Performance Rights	8.12	(27.9)	(27.9)
Value of equity to Sydney Airport Securityholders		21,422.3	23,922.3
Number of Sydney Airport Securities on issue (million)	8.12	2,698.7	2,698.7
Value per Sydney Airport Security		\$7.94	\$8.86

Source: Kroll analysis.

In assessing the value of Sydney Airport's equity, Kroll has adopted a discounted cash flow (DCF) analysis as a primary methodology (refer to Section 9.3). The value derived from the DCF analysis has been cross-checked using multiples of EBITDA⁹ for publicly listed airport groups and transactions involving airport groups (refer to Section 9.4).

In assessing the value of a Sydney Airport Security, we have considered the following:

- Sydney Airport's strategic value as Australia's largest airport and the main gateway in and out of Australia and, as a result of its proximity to the Sydney CBD;
- there is considerable uncertainty regarding the timing of the recovery in air travel from the COVID-19 pandemic and the long-term impacts of the pandemic on air travel, each of which is out of the control of management. There are ongoing uncertainties regarding long-term demand for business travel, in particular, given the greater acceptance of virtual meetings and companies' growing concerns around the environmental sustainability of air travel, as well as the competitive impact of Western Sydney Airport when it becomes operational in 2027. This results in there being a wide range of potential outcomes for passenger numbers. Kroll has developed a number of scenarios which reflect the risks to passenger numbers as well as other opportunities and risks to which Sydney Airport is exposed. We have, however, limited our scenarios to those that we consider to be plausible based on the evidence available. By adopting a value range that assumes that passenger movements return to (and surpass) the trajectory reflected in the Sydney Airport Master Plan 2039, our selected value range effectively de-risks the impact of any potential future adverse passenger scenarios for Sydney Airport;
- the value of Sydney Airport's 107 hectares of commercial development opportunities;
- the value attributed to Sydney Airport's tax losses as well as value to securityholders from franking credits after the SAL tax consolidated group (TCG) becomes a tax paying entity;
- synergies available to a pool of potential acquirers, noting that synergies are limited as the likely buyer is a financial buyer;
- the assessed value range of \$7.94 to \$8.86 per Sydney Airport Security reflects a premium to the closing price of \$5.81 on 2 July 2021¹⁰ in the range of 36.6% to 52.6% and a premium to the one month volume weighted average price (VWAP) of \$5.97 in the range of 33.1% to 48.6%. This premium is towards or above the high end of the range of control premiums typically observed.¹¹ In this regard, we note:
 - this period of trading coincided with the outbreak of the Delta variant of COVID-19 in Sydney. Since this time, vaccination rates have increased rapidly, COVID-19 cases have declined, lockdown restrictions have been eased and regional travel restrictions have been eased. States are progressively opening borders to NSW and quarantine-free international travel is gradually being introduced. Trading also likely reflected that there was limited prospect of a distribution in the near future; and
 - synergies available to a pool of potential acquirers are expected to be limited as the likely acquirer is a financial buyer, however, Sydney Airport has significant strategic value and is attractive as a high yielding asset for investors with a long-term view on value.

⁹ Earnings before interest tax depreciation and amortisation and significant and non-recurring items.

¹⁰ The last trading day prior to the announcement of the First Offer.

¹¹ 2021 Mergerstat Review. Range of 25% to 40% represents median premium from 2011 to 2020. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.



3.3.2 Assessment of fairness

A comparison of our assessed value per Sydney Airport Security, on a control basis, to the Scheme Consideration is illustrated as follows.

Fairness Assessment



Source: Kroll analysis

As the Scheme Consideration falls within the range of values for a Sydney Airport Security, **the Schemes are fair.**

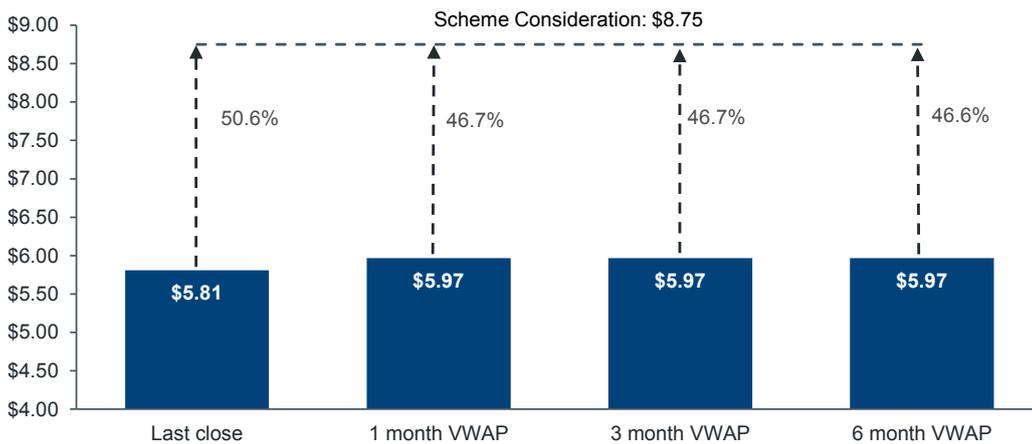
3.4 The Schemes are reasonable

In accordance with RG 111, an offer is reasonable if it is fair. **As we have assessed the Schemes to be fair, they are also reasonable.** However, irrespective of the requirement to conclude the Schemes are reasonable, we have also considered a range of other factors that are relevant to an assessment of the reasonableness of the Schemes.

3.4.1 The Scheme Consideration represents a substantial premium to Sydney Airport trading prices prior to the announcement of the First Offer

The Scheme Consideration of \$8.75 represents a substantial premium to Sydney Airport's closing price and VWAP calculated over a range of periods up until close on 2 July 2021, the last trading day prior to the announcement of the First Offer.

Premium of Scheme Consideration over the Sydney Airport Security Price



Source: Kroll analysis

Note 1: The premiums illustrated above have been calculated based on Sydney Airport's security price and VWAP up until 2 July 2021, the last trading day prior to the announcement of the First Offer.



The Scheme Consideration represents a substantial premium over recent Sydney Airport Security prices. It is above the range of premiums typically observed and above the premiums currently being offered for other listed Australian infrastructure groups.¹²

In this regard, we note:

- this period of trading, as stated previously, coincided with the outbreak of the Delta variant of COVID-19 in Sydney. There was limited prospect of a distribution in the near future;
- Sydney Airport has strategic value and is attractive as a high yielding asset for investors with a long-term view on value, particularly given its scarcity as the only listed Australian airport;
- the Scheme Consideration is materially above the \$4.56 price at which Sydney Airport raised equity in August and September 2020;
- the Scheme Consideration is below the trading prices reached during a brief period in late 2019. Sydney Airport Securities closed at a high of \$9.20 (\$8.97 adjusted for the equity raising¹³) on 27 November 2019 and 6 December 2019 and reached an intra-day high of \$9.30 (\$9.07 adjusted for the equity raising) on 9 December 2019. We do not consider that trading in Sydney Airport Securities during this period is an appropriate benchmark by which to assess the Scheme Consideration since trading during this period potentially reflects:
 - anticipation of the announcement of the 2H19¹⁴ distribution, for which management had provided guidance;
 - the record low interest rate environment, making high yielding securities such as Sydney Airport more attractive to investors seeking yield (refer to Section 8.13.1). In comparison, debt futures markets are now pricing in nearly four cash rate increases to take the cash rate to an implied 0.97% by December 2022;¹⁵
 - expectations of continued, strong future growth in Sydney Airport's earnings. The steep decline in earnings that Sydney Airport has experienced during the pandemic will have a direct impact on value;
 - the existing aeronautical pricing arrangements. There is an expectation that pressure from airlines on aeronautical pricing agreements, due to be renegotiated in coming years, will increase given the enormous costs worn by airlines during the pandemic; and
 - the view that airport groups were relatively resilient to external shocks. The riskiness of airport groups appears to have been re-evaluated, as evidenced by the increase in betas for airport groups and ratings agencies downgrading or placing a negative credit watch on many airports.

3.4.2 Certainty of value

As noted above, the Schemes offer Sydney Airport Securityholders an opportunity to exit their investment in Sydney Airport at a price that is certain and which incorporates a substantial premium to the trading price prior to the First Offer.

Whilst liquidity in the trading of Sydney Airport Securities is sufficient to give Sydney Airport Securityholders confidence that they would be able to exit their investment at a time of their choosing, there is no certainty as to the price at which Sydney Airport Securityholders would realise their investment at that time.

Furthermore, any future on-market sale by Sydney Airport Securityholders would likely incur transaction costs, which would be avoided if the Schemes are approved.

¹² Ausnet consideration is a 34% premium to the undisturbed security price, Spark Infrastructure consideration is a 28.3% premium to the one-month VWAP.

¹³ A dilutionary impact of 2.5% is calculated as the \$5.26 theoretical ex rights price (TERP) divided by the \$5.39 closing price on the last trading day prior to the announcement of the equity raising minus 1. The TERP is the theoretical price at which Sydney Airport Securities trade after the ex-date for the Entitlement Offer, assuming 100% take up of the Entitlement Offer and having regard to the Entitlement Offer ratio. Calculated with reference to Sydney airport's closing price of \$5.39 on 10 August 2020.

¹⁴ "H" denotes half-year.

¹⁵ Assuming cash rate moves of 25 basis points.



3.4.3 Sydney Airport's security price will likely fall in the absence of the Schemes

The current security price of Sydney Airport reflects the terms of the Schemes and, therefore, includes a control premium. As such, in the absence of the Schemes, a superior proposal or speculation concerning a superior proposal, the Sydney Airport security price is likely to fall to levels consistent with trading prior to the announcement of the First Offer, with an allowance for:

- the more rapid uptake in vaccinations and subsequent easing of travel restrictions in comparison to that which was anticipated prior to the First Offer;
- any company specific initiatives or financial achievements in the subsequent period which the market may assess as value enhancing; and
- the impact of trends in broader equity markets. In this regard, from 2 July 2021 (the last trading day prior to the announcement of the First Offer) until 14 December 2021, the S&P/ASX 200 Index (**ASX 200 Index**) increased by 1.0% and the security price of Auckland International Airport Limited (**Auckland International**) increased by 9.0% (albeit trading in Auckland International's security price is likely to have been impacted by the relatively greater scarcity of listed infrastructure groups in New Zealand compared to Australia).

3.4.4 By exiting their investment in Sydney Airport, Sydney Airport Securityholders will not participate in any future growth in the value of Sydney Airport

By exiting their investment in Sydney Airport, securityholders will not participate in any future growth in the value of Sydney Airport, however, they will not be exposed to any of Sydney Airport's future risks, most importantly, any scenario that reduces long-term passenger growth. These risks are detailed in Section 7.3 of the Scheme Booklet.

3.4.5 Scarcity of equivalent investment opportunities

Sydney Airport Securityholders may consider that it is not possible to find an equivalent investment opportunity in a publicly listed group with the investment characteristics of Sydney Airport in terms of risk, return and liquidity:

- securityholders may wish to retain their interest in Sydney Airport in order to maintain their portfolio balance and, given there are no other listed Australian airports, this may otherwise be challenging; and
- if securityholders were to seek to redeploy their capital into similar investments, there is a scarcity of listed Australian infrastructure investment opportunities, particularly given the recent acquisition of Spark Infrastructure, and the proposed takeover of AusNet.

3.4.6 Likelihood of a superior proposal

Since the announcement of the First Offer, no alternative bidder has emerged. Whilst there will continue to be an opportunity for a superior proposal, we consider the likelihood of a superior proposal to be impacted by the following:

- it is open for Sydney Airport Securityholders to vote against the Schemes in the hope that the Sydney Airport Board will be able to extract a further increase in the offer price from the Bidder. However, the Sydney Airport Board secured two subsequent revised offers from the Bidder. This reduces the likelihood of a further increase in the offer price;
- the Australian Government regulates the ownership and control of leased federal airports under the Airports Act 1996. Foreign ownership is limited to 49% and cross-ownership is limited to 15% of airport-operator companies. This restricts the pool of potential acquirers;
- there is a limited pool of potential acquirers in the Australian market that have the financial capacity to bid for an asset the size of Sydney Airport. The majority of these bidders are either Consortium Members or have significant investments in other Australian airports that would preclude them from owning Sydney Airport; and
- the Scheme Consideration represents a significant premium to trading prices immediately preceding the announcement of the First Offer. This is likely to limit the range of potential acquirers, given the need for a competing bid to exceed this offer price.



The following considerations are less likely to be influential for an alternative bidder:

- under the SID, Sydney Airport is restricted from either soliciting or entering into discussions with third parties in relation to superior proposals (other than as a result of the director fiduciary carve out). Sydney Airport is also required to notify the Bidder should it become aware of any possible superior proposal and the Bidder has a last right to match a competing proposal. Further, in certain circumstances, Sydney Airport is required to pay a reimbursement fee to the Bidder of \$150.0 million. Although the likelihood of a superior proposal is impacted by these terms, it does not preclude a superior proposal from being made. As a proportion of deal value, the reimbursement fee is consistent with those in other transactions and below current Australian infrastructure transactions.¹⁶ We note that the Sydney Airport Board would be required under its fiduciary duty to consider the merits of a superior proposal should it arise; and
- under the Voting Deed, UniSuper has undertaken to vote its approximate 15.01% interest in Sydney Airport Securities in favour of the Schemes. The Voting Deed is subject to a number of conditions, including no superior proposal emerging and the Sydney Airport Board continuing to recommend the Schemes. Consequently, the Voting Deed does not necessarily impact the likelihood of a superior proposal from being made.

3.4.7 Other considerations

In forming our opinion, we have also considered a number of other factors. Whilst we do not necessarily consider these factors to impact our assessment of the reasonableness of the Schemes, we have addressed them as follows.

One-off transaction costs

If the Schemes are implemented, an estimated \$38.8 million (excluding GST) of one-off transaction costs and an additional amount in respect of directors' and officers' run-off insurance will be borne by the Bidder. If the Schemes are not implemented, Sydney Airport will bear approximately \$13.6 million (excluding GST) in transaction costs that will have been paid or committed prior to the Scheme Meetings.

The Schemes are subject to the satisfaction of certain conditions

There are certain conditions which, if not satisfied, will result in the Schemes not being implemented. In particular, approval is required from Australia's FIRB. If any conditions precedent prevent the Schemes from being implemented, Sydney Airport Securityholders will continue to hold their existing Sydney Airport Securities.

Taxation implications for Sydney Airport Securityholders

General tax implications for Australian tax resident and non-resident securityholders who hold their Sydney Airport Securities on capital account are outlined in Section 8 of the Scheme Booklet.

Section 8.2 of the Scheme Booklet indicates that under the terms of the cross-staple loan between TTCSAL as responsible entity for SAT1 and SAL, SAT1 will derive cross-staple loan interest from SAL from 1 January 2022 until the Implementation Date (7 March 2022) and which should generally be disclosed in Australian resident individual investors' income tax returns for the relevant income year or be subject to interest withholding tax in respect of amounts attributed to non-resident Sydney Airport Securityholders. Also, it is likely that no cash distribution will be paid prior to the Implementation Date. As such, whilst a Sydney Airport Securityholder may be attributed an amount of interest income, no cash distribution is likely to be paid prior to the Implementation Date. Sydney Airport Securityholders will, however, be able to increase the tax cost base of their SAT1 Units where the taxable income attributed from SAT1 exceeds the cash distribution, avoiding the possibility of double taxation.

Section 8.3 of the Scheme Booklet considers the implications of the disposal of Scheme Securities for both resident and non-resident Sydney Airport Securityholders. In particular, the disposal of Sydney Airport Securities will be a capital gains tax event for resident and non-resident Sydney Airport Securityholders. This means that resident Sydney Airport Securityholders will need to determine whether a capital gain or a capital loss arises in respect of their SAT1 units and SAL shares. Non-resident Sydney Airport Securityholders will need to determine their own tax outcomes but depending on their circumstances should be able to disregard any capital gain or capital loss that would otherwise arise from the disposal of their Scheme Securities. A Sydney Airport Tax Statement Guide will be prepared covering the period from 1

¹⁶ The reimbursement fee represents 0.6% of deal value, which is less than the 1.0% of deal value under the Spark Infrastructure and Ausnet proposals.



January 2022 to the Implementation Date in order to assist Sydney Airport Securityholders determine their tax outcomes.

We note that Sydney Airport Securityholders should consider their individual taxation circumstances, review Section 8 of the Scheme Booklet for further information where it applies to their circumstances and seek the advice of their own professional adviser.

UniSuper retaining its economic interest

Under the Schemes, UniSuper will transfer its approximate 15.01% interest in Sydney Airport for a 15.01% interest in the holding structure of the Consortium Group.¹⁷ UniSuper has not publicly stated its reasons for deciding to retain this interest and we note that it was always part of the Consortium Group's various proposals that UniSuper would retain its interest. As such, it is open to conjecture as to their specific reasons. Possible reasons include:

- UniSuper may wish to retain its underlying interest in Sydney Airport in order to maintain its portfolio balance and, given the size of its investment and the scarcity of listed airports (and their limited free floats), this may be otherwise challenging;
- if UniSuper was to seek to redeploy its capital, there is a scarcity of listed infrastructure investment opportunities;
- UniSuper may have a preference for high yielding securities and have a long-term view on value; and
- UniSuper already has significant investments in unlisted assets and is comfortable holding an interest in the holding structure of the Consortium Group.

3.4.8 Consequences if the Schemes does not proceed

In the event that the Schemes are not approved or any conditions precedent prevent the Schemes from being implemented, Sydney Airport will continue to operate in its current form and remain listed on the ASX. As a consequence:

- Sydney Airport Securityholders will continue to be exposed to the risks and benefits associated with an investment in Sydney Airport, including risks associated with the recovery in passenger movements, factors influencing airline travel over the long-term, the impact of Western Sydney Airport and aeronautical pricing as well as the risk, as a high yielding security, of a change in Sydney Airport's future distribution policy;
- the Sydney Airport Security price will likely fall. The current price of Sydney Airport Securities reflects the terms of the Schemes and, therefore, includes a control premium. As such, in the absence of the Schemes, a superior proposal or speculation concerning a superior proposal, the Sydney Airport Security price is likely to fall (refer to Section 3.4.3); and
- Sydney Airport will incur an estimated \$13.6 million (excluding GST) of one-off transaction costs in relation to the Schemes.

If the approval of Australia's FIRB is not received, such that the Schemes do not proceed, this may have a long-term impact on the Sydney Airport Security price. There is evidence that where transactions that have been blocked by regulators (e.g. GrainCorp Limited, ASX Limited), the decision may be viewed as an impediment to future takeovers. This has the potential to limit the possibility of future proposals to acquire Sydney Airport which may, in turn, limit any takeover premium which may otherwise be reflected in Sydney Airport's trading price.

4 Other matters

Our report has also been prepared in accordance with the relevant provisions of the *Corporations Act 2001* (Cth) (the **Corporations Act**) and other applicable Australian regulatory requirements and has been prepared solely for the purpose of assisting Sydney Airport Securityholders (other than UniSuper) in considering the Schemes. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

¹⁷ The interest will be held in Sydney Aviation Alliance Holdings Pty Ltd (**HoldCo**), an upstream holding entity of the Bidder.



This report constitutes general financial product advice and has been prepared without taking into consideration the individual circumstances of Sydney Airport Securityholders. This advice, therefore, does not consider the financial situation, objectives or needs of individual Sydney Airport Securityholders.

The decision of Sydney Airport Securityholders as to whether or not to approve the Schemes is a matter for individual securityholders who should, therefore, consider the appropriateness of our opinion to their specific circumstances. As an individual's decision to vote for or against the proposed resolutions may be influenced by their particular circumstances, we recommend that individual Sydney Airport Securityholders, including residents of foreign jurisdictions, seek their own independent professional advice.

Our opinion is based solely on information available as at the date of this report. This information, and our limitations and reliance on information section, are set out in Appendix 2. We have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

Kroll has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included at the end of this report.

The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this report, including the appendices.

Yours faithfully

A handwritten signature in black ink, appearing to read "Ian Jedlin".

Ian Jedlin
Authorised Representative

A handwritten signature in black ink, appearing to read "Celeste Oakley".

Celeste Oakley
Managing Director

SYD

Independent Expert Report
and
Financial Services Guide
in relation to the proposed acquisition of Sydney Airport
by Sydney Aviation Alliance Pty Ltd

The logo for KROLL, featuring the word "KROLL" in a bold, blue, sans-serif font. The letter "O" is stylized with a green leaf-like shape on top and a blue circular shape on the bottom.



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5 The Schemes

5.1 Overview

On 5 July 2021, Sydney Airport announced that it had received an unsolicited, indicative, conditional and non-binding proposal from the Consortium Group to acquire, by way of a scheme of arrangement and trust scheme, 100% of Sydney Airport Securities at an indicative price of \$8.25 per Sydney Airport Security¹⁸ (the **First Offer**). On 15 July 2021, the Boards of Sydney Airport (together, the **Sydney Airport Board**) announced that after careful consideration, they had unanimously concluded that the First Offer undervalued Sydney Airport and was not in the best interests of Sydney Airport Securityholders. In forming its view, the Sydney Airport Board referenced a number of factors related to Sydney Airport's long-term and strategic value.

On 16 August 2021, Sydney Airport announced that it had received a revised proposal at an indicative price of \$8.45 per Sydney Airport Security¹⁸ on terms and conditions that were otherwise consistent with the First Offer (the **Second Offer**) and that the Sydney Airport Board continued to be unanimously of the view that the offer price undervalued Sydney Airport.

Subsequently, on 13 September 2021, Sydney Airport announced that it had received a further revised proposal from the Consortium Group for \$8.75 per Sydney Airport Security¹⁸ on terms and conditions that were otherwise consistent with the First Offer and Second Offer (the **Third Offer**). The Consortium Group was granted the opportunity to conduct due diligence on a non-exclusive basis over a four-week period with the intention that this would lead to a binding proposal.

On 8 November 2021, Sydney Airport announced that it had entered into a SID with the Bidder, an entity controlled by Sydney Aviation Alliance. Sydney Aviation Alliance is a consortium of investors comprising entities associated with:

- AustralianSuper Pty Ltd, as trustee of AustralianSuper;
- IFM Investors (Nominees) Limited as trustee for IFM Australian Infrastructure Fund, IFM Fiduciary Pty Ltd as trustee for IFM Australian Infrastructure Wholesale Fund A, and IFM Fiduciary No. 2 Pty Ltd as trustee for IFM Australian Infrastructure Wholesale Fund B;
- QSuper Board as trustee for QSuper;¹⁹
- Conyers Trust Company (Cayman) Limited as trustee for IFM Global Infrastructure Fund;
- Global Infrastructure Partners IV-A/B, L.P., Global Infrastructure Partners IV-C Intermediate, L.P., Global Infrastructure Partners IV-C2 Intermediate, L.P., and GIP IV Friends and Family Fund, L.P.; and
- GIM Advisory Services, LLC (on behalf of the GIP Australia Fund).

Under the Schemes, Scheme Securityholders will receive the following consideration:

- Scheme Securityholders (other than UniSuper) will receive \$8.75 cash per Sydney Airport Security, reduced by the value of any dividends declared or paid by Sydney Airport prior to the Schemes taking effect; and
- UniSuper will transfer its existing approximately 15.01% interest in Sydney Airport for a 15.01% interest in the holding structure of the Consortium Group.²⁰

The Sydney Airport Boards have advised that there will be no final distribution with respect to 2021.

The Proposal contains a number of conditions as set out in Section 5.2.

The Sydney Airport Board unanimously recommends that Sydney Airport Securityholders (other than UniSuper) vote in favour of the Schemes, in the absence of a superior proposal and subject to an independent expert concluding in the independent expert report (and continuing to conclude) that the Schemes are in the best interests of Sydney Airport Securityholders (other than UniSuper). Subject to those

¹⁸. With UniSuper to receive an equivalent equity interest in HoldCo rather than cash consideration.

¹⁹. Or in the event QSuper Board retires as trustee of QSuper or Fund Merger as defined in clause 19.6(b) of the SID occurs, Sunsuper Pty Ltd as trustee for QSuper or of a merged fund resulting from a successor fund transfer of Sunsuper Superannuation Fund.

²⁰. HoldCo, an upstream holding entity of the Bidder.



same qualifications, each member of the Sydney Airport Board intends to vote, or cause to be voted, any stapled securities held or controlled by them in favour of the Schemes.

5.2 Conditions precedent

Implementation of the Schemes is subject certain conditions precedent, which are summarised as follows:

- Sydney Airport Securityholders approving the respective resolutions by the requisite majorities at the Scheme Meetings;
- Australian Competition and Consumer Commission (**ACCC**) approval;
- FIRB approval;
- European Commission merger clearance;
- ASIC and ASX approvals and waivers being obtained;
- Supreme Court of New South Wales (**Court**) approval;
- UniSuper continuing to hold its approximate 15.01% interest in Sydney Airport Securities and the Voting Deed to which it is a party not having been terminated or amended without the Bidder's prior written consent (see Section 5.3);
- no prescribed occurrence, material adverse change, regulatory actions or restraints preventing the Proposal; and
- the independent expert concluding that the Schemes are in the best interests of Sydney Airport Securityholders (other than UniSuper).

On 9 December 2021, Sydney Airport noted that it had received the requisite approvals from the ACCC and European Commission. Section 9.11 of the Scheme Booklet sets out the conditions precedent in more detail.

The SID contains customary exclusivity provisions that apply during the Exclusivity Period,²¹ including 'no shop', 'no talk' and notification obligations. There is a matching right regime in respect of any superior proposal received by Sydney Airport. Further, a reimbursement fee of \$150.0 million may be payable by Sydney Airport to the Bidder in certain circumstances and a reverse reimbursement fee of \$150.0 million may be payable by the Bidder to Sydney Airport in certain circumstances.

5.3 UniSuper

UniSuper beneficially owns 404,969,320 Sydney Airport Securities (**UniSuper Specified Securities**), which represent approximately 15.01% of the securities in Sydney Airport. It was a condition of the Proposal that the UniSuper Specified Securities would be acquired under the Schemes in return for a 15.01% interest in Holdco, such that UniSuper would effectively retain its current interest in Sydney Airport. Because it is proposed that UniSuper would receive different consideration under the Schemes, the UniSuper Securityholder in relation to the UniSuper Specified Securities will constitute a separate class for the purposes of the Schemes, and it will not be entitled to vote the UniSuper Specified Securities with other securityholders at the General Scheme Meetings. Instead, the UniSuper Securityholder will vote in respect of the UniSuper Specified Securities at the separately convened UniSuper Scheme Meetings.

The Schemes will not proceed unless the UniSuper Securityholder continues to hold the UniSuper Specified Securities and votes those securities in favour of the Schemes. UniSuper has entered into a Voting Deed with SAL under which UniSuper has agreed not to dispose of the UniSuper Specified Securities, and to vote those securities in favour of the Schemes (subject to the terms of the Voting Deed).

5.4 Transaction costs

If the Schemes are implemented, Sydney Airport expects that an aggregate of approximately \$38.8 million (excluding GST) in external transaction costs will be paid in connection with the Schemes and an additional amount in respect of directors' and officers' run-off insurance will be paid to cover the period post implementation of the Schemes (the amount in respect of which is yet to be determined). The external transaction costs primarily relate to Sydney Airport's legal, financial, and tax advisers, the independent expert and Sydney Airport Registry. If the Schemes are not implemented, Sydney Airport expects that external transaction costs will be approximately \$13.6 million (excluding GST).

²¹ The Exclusivity Period is the period from and including the date of the SID until the earlier of the date on which the Schemes become effective, the date of termination of the SID or the End Date as defined within the SID.



6 Scope of the report

6.1 Purpose

In relation to the company scheme of arrangement, we have referred to guidance provided by ASIC in its Regulatory Guides in particular, RG 111, which outlines the principles and matters which it expects a person preparing an independent expert report to consider when providing an opinion on whether a scheme of arrangement is in the best interests of securityholders. The statutory requirement for an independent expert report in respect of the company scheme of arrangement does not apply because:

- none of the Consortium Group Members are entitled to 30% or more of the voting securities in Sydney Airport; and
- none of the directors of the Consortium Group Members is also a director of Sydney Airport.

In relation to the trust scheme, there is no specific statutory framework for a trust scheme as there is for a company scheme of arrangement. As such, the Takeovers Panel has issued Guidance Note 15 outlining the recommended procedures for a trust scheme. Guidance Note 15 suggests that the notice of meeting and explanatory memorandum for a trust scheme should contain a report by an independent expert that states whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable and, therefore, consistent with determining whether it is in the best interests of the members. As such, a statutory requirement for an independent expert report applies in relation to the trust scheme.

This report is to be included in the Scheme Booklet to be sent to Sydney Airport Securityholders and has been prepared for the purpose of assisting Sydney Airport Securityholders (other than UniSuper) in evaluating the Schemes.

6.2 Basis of assessment

RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is 'fair and reasonable' and, as such, incorporates issues as to value. In particular:

- 'fair and reasonable' is not regarded as a compound phrase;
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer;
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash;
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison; and
- an offer is 'reasonable' if it is 'fair'. An offer might be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111.13 sets out the factors an expert might consider in assessing whether an offer is reasonable:

- the bidder's pre-existing voting power in securities in the target;
- other significant security holding blocks in the target;
- the liquidity of the market in the target's securities;
- taxation losses, cash flow or other benefits through achieving 100% ownership of the target;
- any special value of the target to the bidder, such as particular technology, etc;
- the likely market price if the offer is unsuccessful; and
- the value to an alternative bidder and likelihood of an alternative offer being made.

RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is 'in the best interests' of members.

RG 111.21 states that if an expert would conclude that a proposal was 'not fair but reasonable' if it was in the form of a takeover bid, it is still open to the expert to also conclude that the scheme is 'in the best interests' of the members of the company.



RG 111.11 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer. This comparison can be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target entity. That is, RG 111.11 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis). In addition, any special value of the 'target' to a particular 'bidder' (e.g. synergies that are not available to other bidders) should not be taken into account under the comparison.

Accordingly, when assessing the full underlying value of Sydney Airport, we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of Sydney Airport. As such, we have not included the value of special benefits that may be unique to the Consortium Group and any special benefits have been considered separately.

7 Industry

7.1 Overview

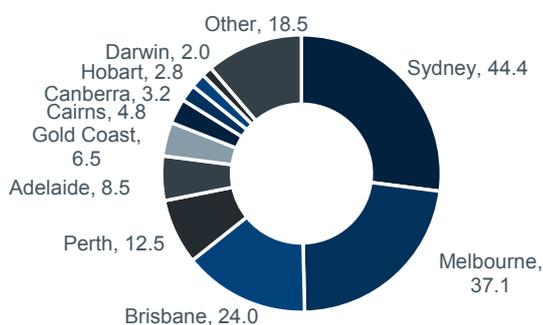
Australian airports play a significant economic and strategic role, connecting individuals, supporting economic activities including tourism, facilitating employment and contributing to the nation's economic growth. With vast distances separating Australian capital and regional cities, Australia is heavily reliant on air transport and has the highest number of domestic airline seats per capita in the world,²² reflecting the country's high standard of living and unique geography. Australian airports are also an important gateway for international passengers due to Australia's relative geographic isolation. As of 2017, the value added by airports was estimated at \$34.6 billion, or around 2% of Australia's GDP.²³

In 2019, prior to the onset of the COVID-19 pandemic which decimated the aviation industry, the Australian airport sector facilitated more than 122 million domestic passenger movements and over 42 million international passenger movements.²⁴ The industry had experienced steady growth in the years prior, with total passenger movements growing almost 12% in the five years to 2019, with international passenger movements growing by over 28% over the same period.

7.2 Australia's airports

There are approximately 155 airports in Australia from which airlines conduct regular public transport (RPT) services, and more than 2,000 smaller airfields and landing strips around the country, with around 75% of these located in regional and remote areas.²⁵ Prior to the COVID-19 pandemic, passenger traffic through Australian airports was heavily dominated by movement through facilities located in capital cities, as well as Gold Coast and Cairns Airports, with the ten largest airports servicing just over 146 million domestic and international passengers, which represents approximately 89% of the overall passenger traffic in 2019.²⁴

Australian Airport Total Passenger Movements 2019 (millions)



Source: BITRE, Kroll analysis

²² Source: OAG Schedules Analyser. Note: Non-stop flights only, 2017 data.

²³ Source: Australian Airports Association (2018), Connecting Australia – The economic and social contribution of Australia's airports, Deloitte Access Economics, Sydney.

²⁴ Source: Bureau of Infrastructure and Transport Research Economic (BITRE) 2019.

²⁵ Source: Australian Airports Association (AAA) Submission to the productivity commission 2018.



The ten largest airports are privately operated under leases after being privatised by Federal and State Governments.²⁶ The Australian Airports Association estimates that superannuation funds provide around 47% of the equity of Australia's private airports, while another 25% is provided by other private Australian investors.²⁷ This is in the form of investment from self-managed super funds, private investor groups such as the Perron Group and Snow Family,²⁷ as well as general investors and retail managed funds. Sydney Airport is the only publicly listed airport in Australia.

7.3 Airports are attractive assets

Airports are unique infrastructure assets that combine industry characteristics normally found in a broad range of asset classes, including monitored aeronautical revenues comparable to those found in telecommunications, industrial exposure normally found in property trusts, and commercial exposure from leasing of terminal space to retail tenants. Australian airport operations are underpinned by historically strong long-term growth in passenger movements. As an investment, these infrastructure assets were traditionally considered defensive given their diversity of revenue streams from numerous stakeholders including airlines, passengers, visitors, retail tenants and governments, providing resilient income streams and predictable cash flows. These qualities have historically provided airports resilience against external shocks, however, due to its nature and severity, the COVID-19 pandemic has had a significant impact.

7.3.1 Diversified business models

Airports are often thought of as having two separate businesses, encompassing the aeronautical operations and commercial operations.

Aeronautical operations

Revenue generated from aeronautical services comes from contracts with airlines for the provision of access to runways, taxiways, aprons, terminals, and terminal facilities. Aeronautical revenue is typically charged on a per passenger basis for passengers arriving and departing from an airport, or by aircraft movement with pricing scaled according to aircraft weight. These charges are differentiated between regional, domestic, and international passengers, with international passengers generally paying a higher charge given a higher level of infrastructure investment and service.

Commercial operations

Commercial activities include retail, car parking, ground transportation, and property leasing. Car parking is primarily volume driven, while retail and property have a level of built-in protection through minimum guarantees and inflation linkages, although the COVID-19 pandemic has had a significant impact.

Retail

Retail revenue is primarily comprised of leases within airport terminals but can also include advertising revenue. Retail leases are often structured as minimum guaranteed payments with an outperformance component paid upon achievement of sales above a threshold level. Due to the higher minimum guaranteed payment component, in the ordinary course of business these revenues are less susceptible to downturns in passenger traffic levels relative to aeronautical, car parking and ground access revenues, however, the COVID-19 pandemic saw significant concessions materialise in a period of severe downturn.

Car parking and ground transport

Car parking revenues are generated from passenger use of both short-term and long-term car parks. Ground transport fees are charged to commercial transport options including taxis, private cars, rideshare services, and public and commercial bus services.

Property

Property revenues are generated from the leasing of sites, buildings and other facilities on the airport precinct. These can include airline lounges and offices, hotel sites, aircraft hangers, freight and logistics facilities, and car rental areas. Property leases vary significantly given the mixed nature of activities but are often structured to increase annually by either fixed increments, CPI or CPI plus a margin, or through regular market rent reviews. Car rental revenues are often based on a fixed contract with car rental operators (similar to a minimum guaranteed payment), which allows for CPI increases in each year of the contract. In

²⁶ More detail on leased airports, including a list of these airports, can be found at <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/airports>.

²⁷ Source: Australian Airports Association (AAA) Submission to the productivity commission 2018.



addition, a component of variable revenue is generated from a car rental operators' usage of car rental bays, which is largely dependent on traffic growth and passenger spending propensities.

7.3.2 Revenue drivers

Airport revenues, both aeronautical and commercial, are significantly leveraged to the level of passenger demand for airport services. Aeronautical revenue is generally charged on a per passenger basis for travellers who pass through the airport, or by weight of aircraft for each movement, so in most cases any increases in the throughput of passengers or increases in aircraft movements benefits airport operators.

Retail revenue is particularly leveraged to growth in international passengers, who typically have a higher spend per passenger than domestic passengers. This is because international passengers tend to have higher disposable incomes and are less budget constrained, with longer dwell times within the airport terminal while they wait for flights. Where an airport can change the mix of passengers to be more heavily weighted to international rather than domestic passengers, airports can increase the throughput of higher spending passengers and could, if achieved, capture stronger growth in average revenue per passenger.

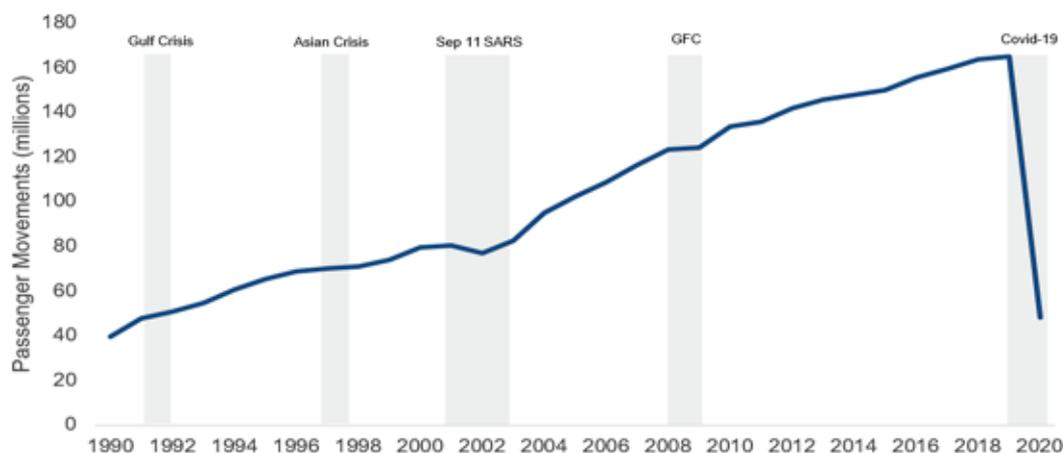
Car parking revenues are also leveraged to total passenger movements. Domestic passengers tend to be the largest users of these facilities, with domestic public parking representing the majority of the revenue stream. These revenues can also be impacted by the proportion of passengers driving, which can change over time, and the availability of alternative transport options to access airports.

Property revenues are based on the amount of leased space, rental yields, car rental penetration and the prevailing market for this space on airport (including airside) and off airport.

7.3.3 Defensive qualities

Historically, airport passenger movements have exhibited resilience to exogenous shocks, and have generally reverted to the long-term upward trajectory as airlines typically discount tickets to stimulate demand and consequently grow or maintain capacity. However, COVID-19 has shown that airports are not immune. Airports sometimes have the ability to defer non-essential capital expenditure to align capital spend with passenger demand.

Resilience of Australian Airport Passenger Movements



Source: BITRE, Kroll analysis

7.3.4 Competitive position

An analysis of airports using Porter's five forces of competitive position framework is provided below:

- **threat of new entrants** – a potential new entrant would likely face some significant challenges, including identifying an appropriate site in the vicinity of an Australian city, the significant capital investment required, a lengthy and detailed approval process and community and environmental hurdles. While these barriers to entry may be high, they are not insurmountable, as demonstrated by the planned new entry of Western Sydney Airport.
- **threat of substitution** – with vast distances separating Australian capital cities and regional cities, Australia is heavily reliant on air transport and has the highest number of domestic airline seats per capita in the world. There are few effective substitutes to domestic air passenger travel; fast-rail links



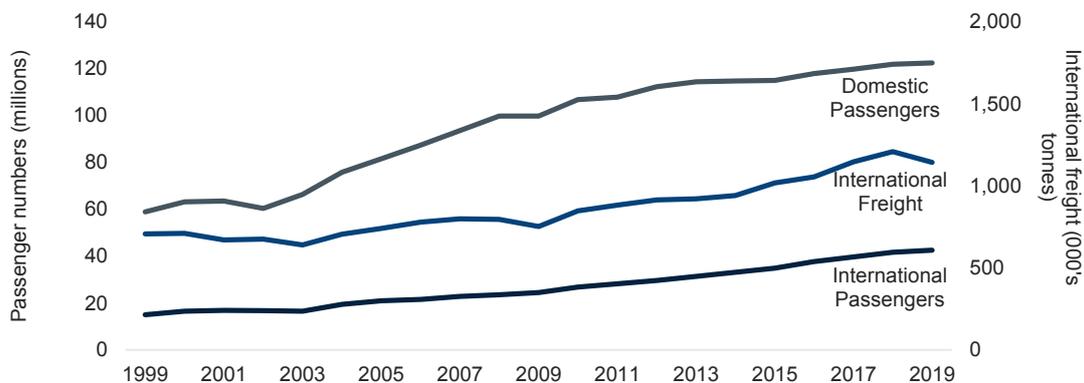
have often been mooted but have never materialised and travel times by road are significant, and both are increasingly disadvantaged by the growth of low-cost airlines and cheaper fares. However, Australian airports face competition from other capital city airports around the world for international airline allocation of aircraft, which is also dependent on passenger demand. Passengers are also influenced by tourism marketing, travel itineraries, and the availability of flights and connections.

- **competitive rivalry** – primary airports typically maintain many domestic and international services, with the availability of connecting flights being most appealing for full-service airlines. These airports are usually positioned closer to city centres with enhanced access to ground transport. However, airports placed near city centres tend to have limited space for expansion and are more likely to run into capacity and noise constraints which may lead to increased competition from secondary airports located within the same catchment area. Some international airlines may seek to avoid operating from two airports which service the same market to avoid duplication of operating expenses.
- **bargaining power of customers** – the bargaining strength of airlines can vary, with some airlines and airline collective bargaining groups having significant bargaining power against airports. Following its 2018/19 review into the Economic Regulation of Airports, the Productivity Commission found that besides reducing demand for an airport's services, other factors that can improve an airline's bargaining position include its ability to leverage Commonwealth lease conditions that limit the circumstances where an airport operator can deny access to aeronautical services, engage in lobbying and apply for an infrastructure service to be declared under the National Access Regime (which can lead to arbitration by the ACCC to determine terms of access).²⁸
- **bargaining power of suppliers** – airports are relatively capital intensive and have traditionally had a predominantly fixed cost base, creating strong leverage to increased passenger throughput creating economies of scale. However, the COVID-19 pandemic has demonstrated this can lead to significant downside as well. The scale of airport maintenance and growth capital expenditure programs places airport operators in a reasonable negotiating position, but given airports are just one of many potential customers in the construction space, they have limited bargaining power.

7.4 Pre-COVID-19 trends in airport passenger movements

Over the 20 years preceding the COVID-19 pandemic, the number of passengers moving through Australia's airports more than doubled to over 164 million in 2019.²⁹ Most people who use the airports travel domestically (approximately 74% in 2019), but growth in the number of international passengers has significantly outpaced domestic passenger growth every year since 2009.³⁰ The volume of international air freight has increased by approximately 61% over the same period.³¹ Almost 76% of international passengers visit Australia for leisure (holidays and visiting friends and relatives), while 14% visit for business and employment, and 7% visit for education.

Australian Airport Passenger and International Freight Movements



Source: BITRE, Productivity Commission, Kroll analysis

²⁸ Productivity Commission, Economic Regulation of Airports, Inquiry Report dated 21 June 2019, page 10.

²⁹ Total passenger traffic in 2000 was 79,571,734, which had grown to 164,873,135 by 2019. Source: BITRE.

³⁰ International passenger movements have grown at a CAGR 5.55% since 2009, while domestic passenger movements have growth at a CAGR 1.88% over the same period (Source: BITRE, Kroll Analysis).

³¹ Source: BITRE. Note: BITRE statistics for domestic air freight are incomplete and have therefore been excluded.



7.4.1 What drives passenger growth?

Domestic travel and Australian outbound international travel have been shown to be greatly influenced by numerous macroeconomic factors. In general, as the population increases and becomes wealthier there is a greater propensity for travel and passenger movements rise. Macroeconomic factors that drive this growth can include but are not limited to growth in Australian Gross Domestic Product (GDP), growth in residential property and other asset prices, increases in consumer and business confidence, and increases in the effective value of the Australian dollar (measured by the trade-weighted index).

Long-term passenger growth in Australia has also been driven by falling real airfares, making air travel more accessible to a wider population. This has mainly come as a result of improvements in aircraft technology and intensifying airline competition, which have stimulated growth to a level that has far outpaced Australian GDP growth. Other recent inbound drivers such as strong GDP growth and burgeoning middle classes across Asia have also assisted growth. This scenario has been particularly apparent over the last twenty years on international services and with the introduction of low-cost domestic carriers.

7.4.2 International growth at Australian airports

Sydney Airport has for many decades enjoyed its status as the preferred entry point to Australia for visiting international passengers, due to its status as a tourism gateway and business hub, its diverse multicultural population driving strong visitation to and from family and friends, as well as widespread availability of inbound and connecting flights. As the market matures, airlines have expanded their Australian network footprint beyond a single gateway and have grown faster at other major Australian airports, particularly Melbourne and Brisbane, bringing these airports more into line with their population share, although Sydney Airport retains a continuing premium to its population share.

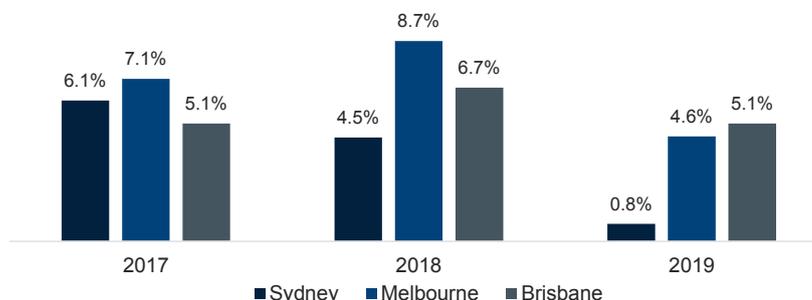
Illustrative Recent International Airline Seat Capacity Growth by Airport³²

	Dec 2003			Dec 2019		
	# Airlines	# Services	# Seats	# Airlines	# Services	# Seats
Sydney	34	2,108	1,218,460	44	3,483	2,002,386
% growth p.a.					3.2%	3.2%
Melbourne	22	955	508,052	36	2,359	1,286,888
% growth p.a.					5.8%	6.0%
Brisbane	20	766	423,224	29	1,585	769,712
% growth p.a.					4.6%	3.8%

Source: BITRE, Kroll analysis

The three other major airports are investing heavily in capacity expansions, with a new runway being recently opened in Brisbane and additional runways being planned to commence operation in Melbourne (2024) and Perth (2028). Melbourne also has the advantage over Sydney of 24 hour operations, providing airlines with greater flexibility in scheduling which is particularly important to fit in with arrival slots at crowded airports in Asia.

Recent Growth in International Passenger Traffic



Source: BITRE, Kroll analysis

³² Note: Number of services equals number of return services. Seats calculated on a one-way basis. Virgin Samoa considered as part of Virgin Australia for this analysis.

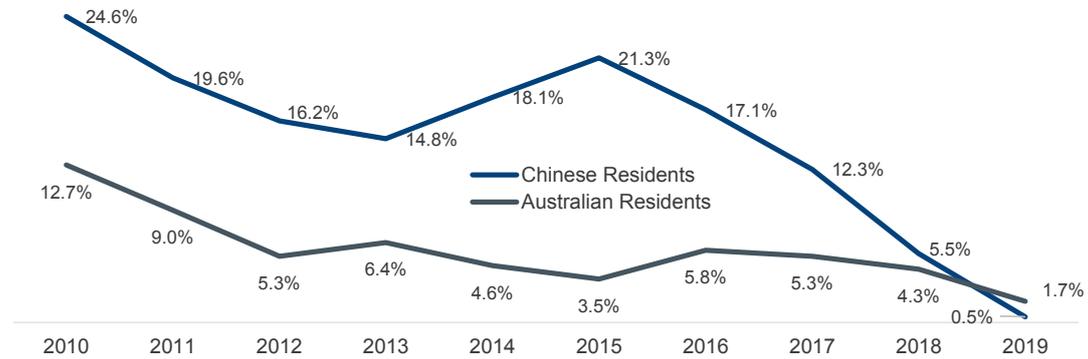


7.4.3 The China market has been slowing

While the mix of passengers moving through Australian airports is diverse, certain core passenger markets, including Australian residents travelling overseas and Chinese passengers visiting Australia, have been slowing as the market's size moves into the maturity phase. In contrast, the other largest markets of US and NZ were both growing pre-COVID-19.

Above-trend international passenger growth rates that were recorded in 2016-2017 were driven by the increasing growth in inbound tourism, particularly from China, combined with strong outbound growth. However, from 2018 until the onset of the COVID-19 pandemic, there has been a significant decline in Chinese passenger growth rates.

Slowing Chinese and Australian Resident International Growth Rates

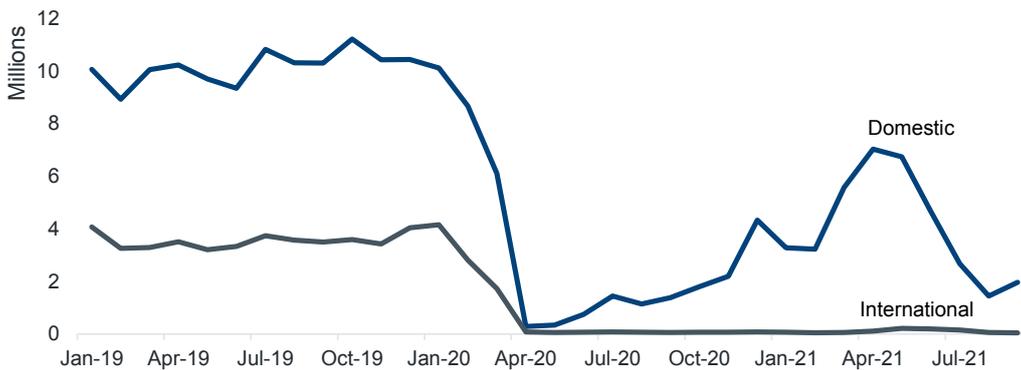


Source: BITRE, Kroll Analysis

7.5 Impact of the COVID-19 pandemic

The impact of the COVID-19 pandemic on Australia's airports has been unprecedented. Since 20 March 2020 when Australia's international borders were closed to all non-citizens and non-residents, total air passenger movements have declined dramatically. Australian international passenger numbers fell from 4.2 million in January 2020 to just 67,000 in January 2021. Domestic passenger movements were also impacted by unpredictable closures of State and Territory borders, with movements falling from 10.1 million in January 2020 to just 285,000 in April 2020. While this number had recovered to 7 million by April 2021, Australia was hit again by the Delta variant of the virus, causing domestic numbers to drop again to 2.7 million in July 2021.

Australian Airport Passenger Movements



Source: BITRE

The Australian Airports Association stated that as of February 2021 airports were collectively losing over \$320 million a month in revenue, and that by the end of 2020 accumulated revenue losses had reached \$3.5 billion.³³

³³. Source: Australian Airports Association Federal Budget Submission 2021.



7.5.1 The pathway out of the COVID-19 pandemic

Revised forecasts on the profile of air passenger traffic recovery have featured throughout the COVID-19 pandemic as domestic borders opened and closed at short-notice, while the prospect of limited international “travel bubbles” was also discussed. Earlier expectations of a quick recovery in passenger numbers from COVID-19 pandemic impacts have been dampened by a slower than expected first half of 2021, while the mid-year impact of the Delta variant meant that many travel restrictions were either maintained or increased.

Even as Australia transitions away from its pandemic response and reopens for air travel, it is likely that the influence of COVID-19 will dominate short to medium-term forecasts. Of the available forecasts from major travel and tourism organisations, the consensus is generally that:

- domestic passenger traffic will recover faster than international passenger traffic. A recovery of passenger traffic to 2019 levels is generally expected to occur between 2023 and 2024 for domestic, and between 2024 to 2026 for international;
- although initial views in early 2020 were overly pessimistic and factored in a larger economic impact of the COVID-19 pandemic, a faster than expected economic recovery was observed in many countries which brought forward expectations of a return to 2019 traffic levels. Subsequently, the spread of the Delta variant has again increased uncertainty and slowed recovery expectations; and
- an overall return to 2019 passenger levels in 2023 is considered an ‘Optimistic’ scenario, 2024 a ‘Central’ scenario, while 2027 is a ‘Pessimistic’ scenario.³⁴

7.6 Long-term passenger forecasts

7.6.1 Perspectives on COVID-19 traffic recovery

International aviation industry bodies and aircraft manufacturers provide forecasts on long-term passenger growth rates.³⁵ These forecasts are shown as follows.

Forecast	Base	Optimistic	Pessimistic
ICAO World 2018-2028 (June 2021)	2.6%	3.6%	1.2%
ICAO World 2018-2038 (June 2021)	3.3%	4.1%	2.4%
IATA World 2021-2039 (May 2021)	3.2%	n/a	n/a
Boeing World 2019-2039 (October 2020)	3.5%	n/a	n/a
Airbus World 2019-2038 (September 2019 – Pre-COVID-19)	4.3%	n/a	n/a

Source: International Civil Aviation Organization (ICAO), International Air Transport Association (IATA), Boeing, Airbus

7.6.2 Geopolitical issues

China was Australia’s largest source of inbound passenger movements prior to the COVID-19 pandemic, at circa 15% of international passengers in 2019,³⁶ and the ongoing Australia-China trade dispute and heightened political tensions may impact future tourism, business travel, and inbound international student travel originating from China, although the extent to which remains uncertain.

7.7 Western Sydney Airport update

The NSW State Government is currently developing the new Western Sydney Airport located in Badgery’s Creek, 44 kilometres west of Sydney CBD, on around 1,800 hectares of Commonwealth owned land; approximately twice the size of Kingsford Smith Sydney Airport. The Australian Government made an equity commitment of \$5.3 billion in the 2017-18 budget to deliver the airport through a government-owned company. Western Sydney Airport will compete with Sydney Airport for domestic passengers, regional

³⁴. This consensus is in line with International Civil Aviation Organisation (ICAO) June 2021 forecast scenarios.

³⁵. Note: rates are CAGRs.

³⁶. Source: Tourism Research Australia: International Visitors Survey – International travel estimates by country of residence.



passengers, international passengers, and air freight services. Unlike Sydney Airport, it is planned to have 24-hour and curfew-free operations.

Stage 1 of development, which includes the construction of a single runway and supporting infrastructure to handle up to 10 million annual passengers,³⁷ is planned to be complete and operational in 2026. The airport is positioned to service the large and growing passenger catchment area of Western Sydney and is expected to serve approximately three million people soon after opening. An \$11 billion Sydney Metro-Western Sydney Airport rail project was officially announced in June 2020 and has the NSW and Australian Governments injecting a further \$3.5 billion into the project to serve the greater Western Sydney region.³⁸

Since work on the airport site commenced in 2018, Australia’s two largest domestic airlines, Qantas and Virgin, have committed to operate full-service and low-cost flights from the airport. This will generate a degree of competition with Sydney Airport.³⁹

Ultimately, the impact of Western Sydney Airport on Sydney Airport is uncertain. Given Sydney Airport’s proximity to the city, as well as established connecting infrastructure, it is likely to remain the preferred gateway for both airlines and passengers for the foreseeable future. Lessons from Melbourne’s secondary airport, Avalon Airport, have shown that primary airports remain preferred transit points for airlines and passengers, with Tullamarine facing little competitive pressure from Avalon even in the price-sensitive low-cost and freight markets.⁴⁰

7.8 Regulation

Airports are critical infrastructure and may possess market power which if used inappropriately, could be detrimental to the community.

Certain Australian airports are bound by a light-handed regulatory regime.

Airports are also bound by the Commonwealth Competition and Consumer Act 2010 legislation. A summary of the light-handed regulatory regime for Australian airports is shown as follows.



Source: Australian Government Productivity Commission 2019

7.8.1 ACCC airport monitoring regime

The ACCC administers a monitoring regime on the price and quality of service provided by Australia’s four largest airports – Sydney, Melbourne, Brisbane and Perth. These airports are required to provide the ACCC with information annually on their prices, costs and profits for aeronautical services and car parking. The ACCC periodically monitors the quality of aeronautical services, such as terminals, aircraft services and

³⁷. By comparison, in 2019 Sydney Airport handled over 44 million passengers.
³⁸. Minister for Infrastructure, Transport and Regional Development, 'Major earthworks at Western Sydney International Airport kick off – Media Release', 2020, accessed: <https://minister.infrastructure.gov.au/mccormack/media-release/majorearthworks-western-sydney-international-airport-kick>.
³⁹. Minister for Population, Cities and Urban Infrastructure, 'MOUs pave way for Qantas and Virgin to fly out of Western Sydney Airport – Media Release', 2019, Accessed: <https://minister.infrastructure.gov.au/tudge/media-release/mous-pave-wayqantas-and-virgin-fly-out-western-sydney-airport>.
⁴⁰. Note that Western Sydney Airport is planned to be a significantly larger asset than Avalon Airport, which will serve a larger population. Hence, the airports are not directly comparable.



facilities, and some commercial services, including car parking and landside access. These reports are published on an annual basis and are available for public viewing.

Essentially, the role of the ACCC is to conduct a health check on the airport's pricing and service quality. The Commission can recommend tightening regulatory requirements if any airport is found to have exercised its market power to the detriment of its users or take enforcement action if it detects a breach in competition law.

For all other airports, publishing information on aeronautical charges, car parking charges, service quality and complaint handling procedures is voluntary.

7.8.2 Ownership restrictions

The Australian Government regulates the ownership and control of leased federal airports under the Airports Act 1996. There are major restrictions on ownership of these airports:

- foreign ownership is limited to 49% of airport-operator companies. This occurs when a group of (or an individual) foreign persons hold a stake (including associate interests) in the company of more than 49%; and
- there is also a 15% limit on cross-ownership between paired airport-operator companies (Sydney and Melbourne, Sydney and Brisbane, Sydney and Perth). This occurs when a person or company holds a total stake (including associate interests) in both of the paired airport-operator companies of more than 15%.

8 Profile of Sydney Airport

8.1 Overview

Sydney Airport is the operator of Sydney's Kingsford Smith Airport and has the concession to operate Australia's largest airport until 2097. The airport manages international and domestic passenger movements through three runways and three passenger terminals. It also accommodates domestic and international air freight, as well as a small amount of general aviation traffic which includes private charter aircraft and aeromedical operations. Airport revenue is derived from fees from the provision of aeronautical services, as well as from the commercial performance of retailing, car parking and ground transport, and property leasing. As at 2 July 2021, the last trading day prior to the First Offer, Sydney Airport had a market capitalisation of \$15.7 billion.⁴¹

8.2 Background and corporate structure

Sydney Airport is one of the oldest continually operating airports in the world, founded in 1919 after the Australian Aircraft and Engineering Company leased land from the Kensington Racing Club and established an aerodrome at Mascot, Sydney. Soon after the Australian Government reclaimed ownership of the field once the original lease had expired in 1923. Under the control of the Government, the airport entered an era of major expansion as part of a program to develop a nationwide airport network. This period involved the construction and development of two domestic terminals to the east of the main runway, the international terminal and freight apron to the west of the main runway, three runways capable of accommodating the largest category of aircraft, and all associated taxiways, parking aprons, and other supporting infrastructure.

In 1988, to make future privatisation of Government owned airports possible, the Australian Government formed the Federal Airports Corporation which took over ownership and management of the airport. Furthermore, the Sydney Airport Corporation Limited (**SACL**) was incorporated as an unlisted public company in 1998, with a mandate to redevelop the airport as a gateway for the Sydney 2000 Olympics, and to prepare it for successful privatisation in subsequent years. SACL agreed to lease and operate the airport from the Commonwealth for a period of 99 years commencing in 1998, which incorporated a 50-year fully paid lease which expires in 2048, and a free option to renew for a further 49 years taking the lease end date to 2097.

⁴¹ Calculated as closing share price of \$5.81 multiplied by 2,698,700,253 securities.



In 2002, the Australian Government sold SACL to a Macquarie Bank led consortium (**the Southern Cross Airports Consortium**⁴²), for an enterprise value \$5.4 billion⁴³ in a competitive tender. As a consequence, Southern Cross Airports Corporation Holding Limited⁴⁴ (**SCACH**) became the ultimate parent of SACL.⁴⁵ Subsequently, substantial securityholder Macquarie Airports (**MAp**) increased its interest, through a series of minority interest acquisitions and deleveraging transactions,⁴⁶ in Sydney Airport to approximately 74%.

In 2011, MAp also held ownership interests in the Brussels and Copenhagen Airports.⁴⁷ On 20 July 2011 the company announced that it had reached a binding agreement with Ontario Teachers' Pension Plan (**OTPP**) for an asset swap whereby OTPP would acquire MAp's interests in the Brussels and Copenhagen Airports in return for OTPP's 11.02% interest in Sydney Airport and \$791 million in cash.⁴⁸ On completion of the transaction, MAp had an 84.8% economic interest in Sydney Airport.

MAp also disposed of investments in all other international airports,⁴⁹ and the fund's new strategy was to focus on the ownership and operation of Sydney Airport. MAp adopted Sydney Airport branding and changed its ASX ticker to "SYD". In 2013, ASX-listed Sydney Airport increased its holding from 84.8% to 100.0% ownership of Sydney Airport through the acquisition of minority interests held through SCACH,⁵⁰ while also simplifying its triple-stapled structure to a double-stapled structure.

Since acquiring an initial interest in Sydney Airport as part of the Southern Cross Airports Consortium in 2002, Macquarie Group and its related entities have since sold the majority of its interests in the airport, ceasing to be a substantial shareholder in January 2014. Since January 2014, Macquarie Group has not held more than 5% in Sydney Airport.

8.2.1 Recent developments

Below is a summary of recent developments:

- in 2015, Sydney Airport agreed with Qantas to take control of Terminal 3 (**T3**) for \$535 million, four years ahead of the previous lease expiring;
- in September 2018, Sydney Airport reached an agreement with the NSW and Federal Governments on the Sydney Gateway project. The project aims to provide motorway grade access to the domestic and international precincts, and to improve traffic flow. The NSW Government agreed to compensate the airport to the value of \$170 million escalating annually at 5% over three years from the date of the agreement (these funds were received in full in October 2021);
- in October 2020, Sydney Airport acquired the Jet Fuel Infrastructure from the previous joint venture owners for \$85 million, comprising five storage tanks with 29 mega litres of fuel storage capacity, 170 hydrant points across the airport and an 11km network of underground pipelines; and
- in November 2017, SAT1 paid \$119.8m to OTPP pursuant to claims in respect of a Danish tax related indemnity provided as part of the sale in 2011 of historical ownership interests in Copenhagen Airport.⁵¹

⁴² Sponsors of the Consortium were Macquarie Bank, Hochtief Airports (industrial partner) and the Commonwealth Bank of Australia. Source : SACL Annual Report 2002.

⁴³ The Southern Cross consortium acquired SACL for \$5.396 billion, plus \$192 million for the Ansett terminal, taking the total transaction to \$5.588 billion.

⁴⁴ Shareholders in SCACH (the ultimate parent of SACL) at the time included Macquarie Airports (40%), Macquarie Airports Group (12%), Macquarie Global Infrastructure Fund (1%), Ferrovial Aeropuertos (20%), Hochtief Airports (15%), Ontario Teachers Pension Plan (5%), Abbey National (5%) and Motor Trades of Australia (2%).

⁴⁵ SACL was acquired by Southern Cross Airports Corporation Pty Limited on 28th June 2002. Southern Cross Airports Corporation Pty Limited was the parent company and Southern Cross Airports Holding Limited (SCACH) was the ultimate parent company of SACL. Source: SACL Annual Report 2002.

⁴⁶ Source: Sydney Airport Annual Reports 2002-2007, MAp Annual Reports 2008-2010.

⁴⁷ As of 20 July 2011, MAp had a 39.0% interest in Brussels Airport and 30.8% interest in Copenhagen Airport.

⁴⁸ MAp's final ownership of Sydney Airport was subject to the exercise by Sydney Airport co-investors of their pre-emptive rights.

⁴⁹ Other interests included Bristol Airport, Aeroporti di Roma, Birmingham Airport, Japan Airport Terminal Co Ltd and a Mexican airport group.

⁵⁰ Following the transaction, existing ASX-listed SYD investors continued to hold the same indirect interest of 84.8% in Sydney Airport. Continuing minority investors (PSP Investments, the Future Fund, the Motor Trades Association of Australia Superannuation Fund and UniSuper) held an 11.3% interest in SYD, while an institutional placement of 3.9% was completed to finance minorities who wished to monetise their Sydney Airport Interest.

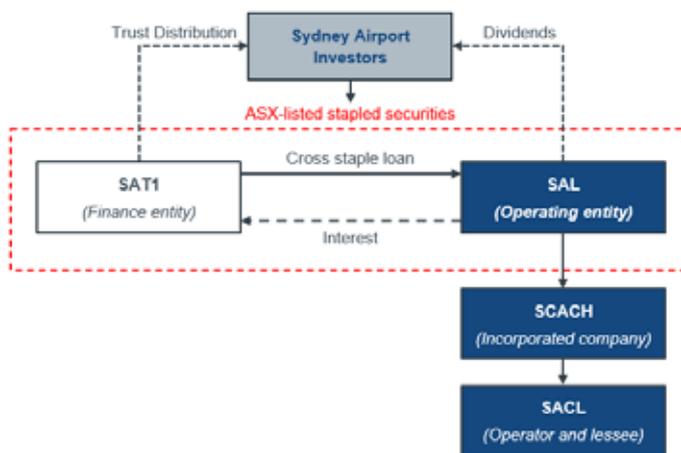
⁵¹ In prior years, the Danish Tax Authority (DTA) issued assessments to Copenhagen Airports Denmark Holdings (CADH) in respect of dividend and interest withholding tax amounts for the 2006 – 2011 years inclusive. In response to demands from the DTA in 2017, CADH paid all disputed interest withholding tax liabilities. As OTPP is



8.2.2 Corporate structure

Sydney Airport is a stapled entity comprised of SAL and SAT1 and is quoted and traded on the ASX as a single stapled security (ASX: SYD). For every security held, Sydney Airport Securityholders own one share in SAL and one unit in SAT1. SAL holds a 100% economic interest in Sydney Airport through its ownership of the Sydney Airport operating entities, including SACL, the lessee and operator of Sydney Airport, and SCACH. SAL is identified as the parent of the consolidated group comprising SAL and SAT1 (including their controlled entities). The responsible entity for SAT1 is TTCSAL. SAT1 has ownership of both Australian and foreign non-operating entities.

The operating structure of Sydney Airport is summarised as follows.



Source: Sydney Airport

8.3 Operations

8.3.1 Overview

Sydney Airport is Australia's busiest airport, providing international and domestic passenger services. It also offers aeronautical services including access to terminals, infrastructure, apron parking, airfield and terminal services, as well as government mandated security services. As part of its commercial business, the airport leases commercial space to tenants whose activities comprise duty-free, food and beverage, general retail and advertising services. In addition, Sydney Airport leases freight, logistics, car rental and office space to tenants, and provides parking and ground transport services. It also owns two hotels, which are managed by Accor.

8.3.2 Location and facilities

Sydney Airport is the operator of Kingsford Smith Airport, which is currently Sydney's only commercial passenger airport and is located 8 kilometres from the CBD. It leases the airport from the Australian Government under a 99-year lease that is due to expire in 2097.

The main assets of Sydney Airport include:⁵²

- 907 hectares (2,241 acres) of land – seven hectares (17 acres) are owned by Sydney Airport while the remainder is managed under the concession;
- three runways, two of which are capable of accommodating the largest category of commercial aircraft;
- three passenger terminals, including the international terminal, Terminal 1 (T1) and the domestic terminals, Terminal 2 (T2) and T3;
- 32,700 square metres of lettable retail space;

indemnified by SAT1 for its 52% share of any liabilities of CADH arising in respect of these matters, OTPP then issued indemnity claims for SAT1's share of those liabilities which were paid by SAT1 to OTPP in November 2017.
⁵² Figures supplied by Sydney Airport and correct as of 30 June 2021. Of the 14,600 car parking spaces, 7,100 are classified as international car spaces while 7,500 are domestic car spaces.



- over 710 property sites across one million square metres of land including:
 - Freight & Logistics – over 724,100 square metres of lettable area;
 - Rental Cars – over 72,000 square metres of lettable area;
 - three hotels – two are owned by Sydney Airport (the Ibis and Mantra), and one hotel is operated by Rydges on a ground lease;
 - Offices – over 31,600 square metres of lettable area; and
- 14,600 car parking spaces.

8.3.3 Aeronautical

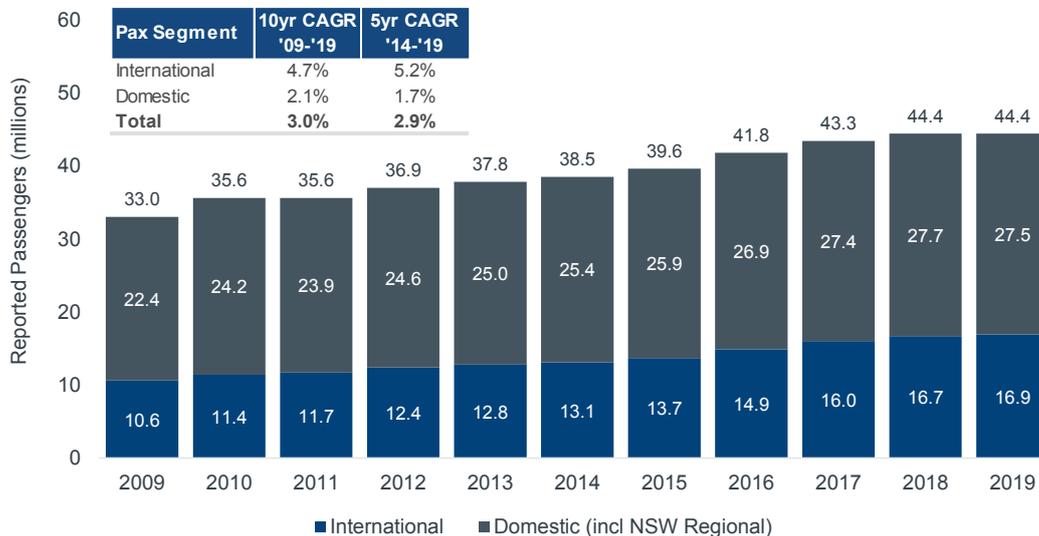
Sydney Airport provides airfield infrastructure and terminal space for use by airline customers and general aviation operators. Over many years there has been substantial investment in terminals at the airport. T1 and T2 are common user facilities used by multiple airlines, while T3 is currently only being used by Qantas. Over 115 aircraft parking stands and gates support international, domestic, regional and freight operations. There are also additional parking positions on the aprons within the general aviation area, and Qantas currently provides parking positions for its own use in the facilities located in the North East Sector of the airport.

The airport has three runways, two capable of supporting operations by Code F aircraft and the other capable of supporting smaller code E widebodies.⁵³ Each runway is supported by a comprehensive network of taxiways, and rapid exit taxiways on the parallel runways are designed to minimise runway occupancy time and enhance efficiency.

Historical passenger growth

Pre-COVID-19 passenger numbers for Sydney Airport across both domestic and international sectors exhibited strong growth. By 2019 international passengers accounted for approximately 38% of the airport's total passenger volumes, increasing from 32% since 2009.

Sydney Airport Reported Passengers (2009-2019)



Source: Sydney Airport

International passenger movements

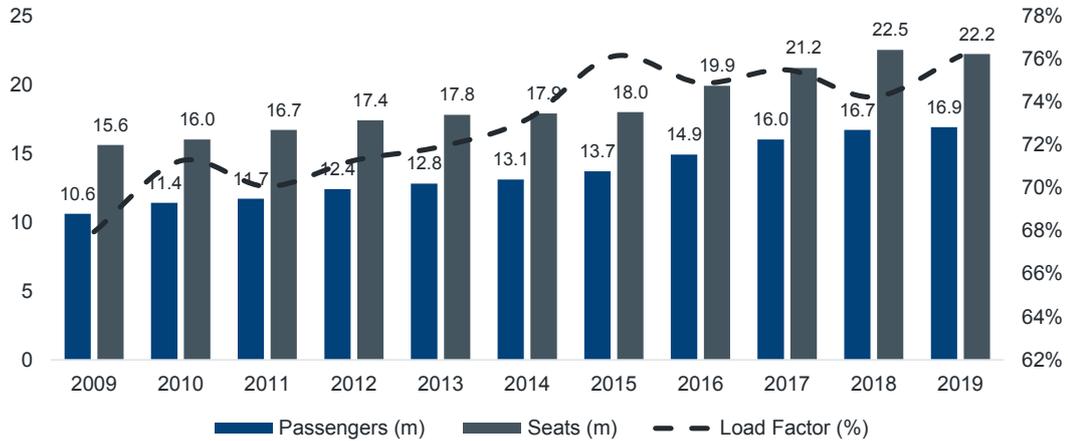
Prior to the COVID-19 pandemic there were significant increases in seat capacity on Chinese and Middle Eastern routes, which enabled strong passenger growth in passenger movements from mainland China and outbound travel to European markets. In addition to these markets, inbound and outbound passenger markets from Japan, Indonesia, India, the Philippines and Vietnam continued to grow. International passenger growth over the five years pre-COVID-19 was at a compound annual growth rate (CAGR) of

⁵³. Code F aircraft include the largest civilian airlines such as the Boeing 747-8 and Airbus A380.



5.2% per annum, outpacing the strong seat growth over the same period of 4.4%, which strengthened load factors.

Sydney Airport International Passengers, Seats and Load Factors (2009-2019)

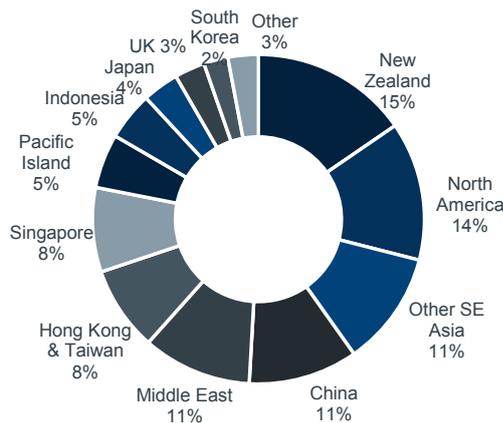


Source: BITRE

The inbound and outbound passenger mix is well balanced at Sydney Airport, with Australian residents consistently accounting for approximately 51-55% of passenger movements. For these outbound travellers, the USA is the largest destination, closely followed by New Zealand. For inbound passenger traffic, mainland Chinese residents have been the largest inbound visitor market since 2015, while residents from the United States and New Zealand represent the next highest volume markets.

The largest portion of international airline traffic originates from Asian countries, which incorporate 50% of the traffic total. The majority of this traffic is operated by widebody aircraft over medium to long-haul routes, with shorter routes under seven hours (New Zealand, Bali and Pacific Islands) comprising 24% of passengers. The ten largest airlines carry almost 70% of international traffic into the country, with the largest being the Qantas Group (including Jetstar) which carried approximately 29% of traffic in 2019.

Sydney Airport International Passengers – Movements by Route Group 2019



Source: Sydney Airport, Kroll analysis

Domestic passenger movements

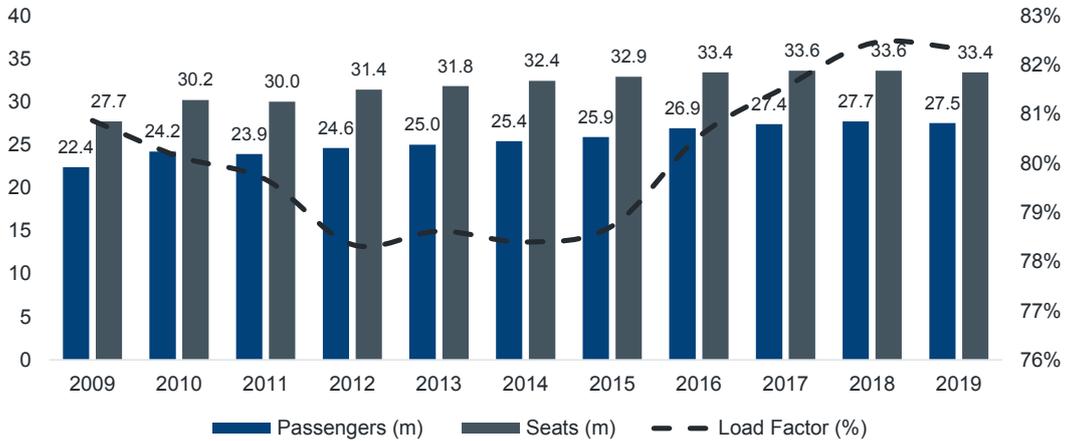
Domestic passenger growth from 2009 was largely supply side driven during the airline ‘capacity war’ that persisted until 2014. Seat capacity grew over this period by 17%, which is well above the long-term average, placing downward pressure on domestic airline load factors and average fare yields.

Capacity has rationalised since 2015, with airlines holding the number of seats relatively constant as focus shifted towards profitability through improved load factors. The focus on profitability may be maintained post-



COVID-19, although it is likely that Rex entering the domestic markets will lead to domestic airlines competing for market share.

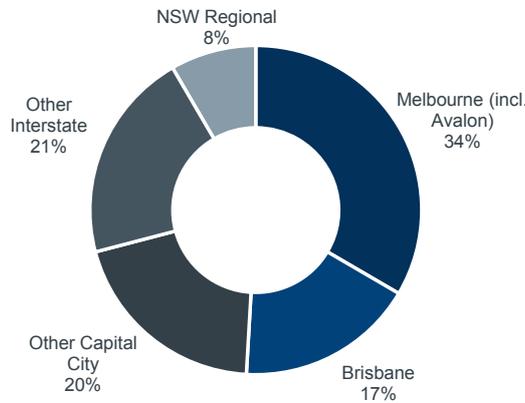
Sydney Airport Domestic Passengers, Seats and Load Factors (2009-2019)



Source: BITRE

Passengers originating from Melbourne and Brisbane accounted for just over half of all domestic passengers in 2019, with other interstate routes making up 41%, and NSW regional traffic 8%.

Sydney Airport Domestic Passengers – Origination Sources and Airline 2019



Source: Sydney Airport, Kroll analysis

8.3.4 Commercial

Retail

Sydney Airport's retail operations include the leasing of retail space within its terminals, which is normally a significant contributor to commercial revenue representing approximately 48% in 2019. Tenants typically include a duty-free retailer, food and beverage outlets, newsagents and gift stores, and currency exchanges. The airport's largest individual contract is the duty-free contract, which typically contributes around 50% to retail revenues and expires in 2029, while the second largest is an advertising contract which contributes around 7% and expires in 2024.

Domestic terminal retail revenues are mainly driven by food and beverage outlets, and by specialty stores. Demand for retail space within both T2 and T3 is strong due to limited space and high productivity of sales. At the international terminal, T1, the majority of revenue is derived from duty-free, currency exchange, news and gifts, advertising, and also specialty stores.

Specialty store revenue is expected to see significant growth post-COVID-19 with the execution of the luxury strategy, which sees twelve sites newly leased by iconic luxury brands such as Louis Vuitton, delivering a



222% uplift in luxury minimum guaranteed rent. This includes the creation of seven new stores formed from 1,000 square metres of space which was formerly leased by Heinemann and negotiated as part of a recent contract renewal, as well as space reclaimed from the relocation of the Tourist Refund Scheme.

Other retail revenue includes the leasing of store-rooms, vending and pop-up stores.

Retail occupancy prior to COVID-19 was 97% across all terminals, with retail space highly sought after.

Property & Car Rental

The property portfolio is highly diversified across a number of asset classes, including freight and logistics, rental cars, hotels, and offices. This segment includes the leasing of buildings, property sites, and other facilities including airlines lounges, airline offices, hotel sites, freight and logistics facilities, aircraft hangers, airport perimeter sites, car rental areas and buildings including the Charles Ulm Building.

Sydney Airport leases over 710 property sites across one million square metres of land. The property portfolio consists of the following:

- **freight, logistics and ground service facilities:** 276 sites covering over 724,000 square metres of lettable area, contributing 44% of property revenues;
- **rental cars:** eight rental car operators, covering 72,000 square metres of lettable area, contributing 27% of property revenues;
- **hotels:** three hotels, of which two are owned by Sydney Airport and managed by Accor. Hotels owned include the Mantra (136 rooms) and Ibis (278 rooms). The third hotel is the Rydges T1 hotel which operates under a ground lease that expires in 2048, with a lease option for an additional 47 years; and
- **offices:** two commercial office towers (the Nigel Love Building and the Charles Ulm Building), with 41,000 square metres of net lettable area, contributing 11% of property revenue.

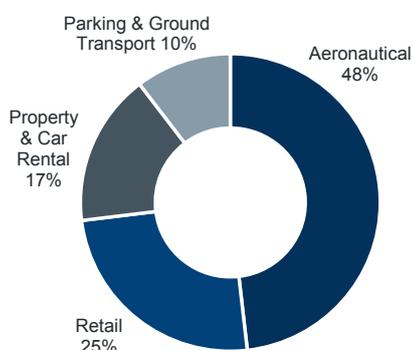
Car Parking & Ground Transport

The car parking segment covers the 14,600 car parking spaces owned by Sydney Airport. Car parking facilities are situated in proximity to the three airport terminals. Ground Transport covers revenue charged to the various commercial transport alternatives for access to Sydney Airport, including taxis, hire cars, rideshare services, and public and commercial buses. This division excludes fees levied for passengers arriving or departing by rail as the train stations are owned by a separate private company, the Airport Link Company, which operates under a concession that expires in 2030.

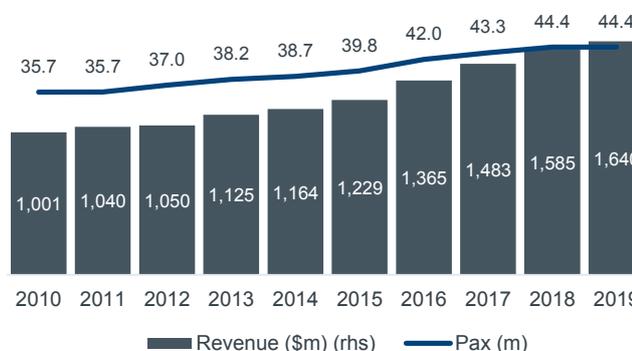
8.4 Revenue generation and growth drivers

The primary driver of Sydney Airport's revenues is the number of passenger movements through the airport. International passenger movements are particularly important as the airport derives significantly more revenue from these passenger movements as it does from domestic passenger movements. Strong historical growth in passenger numbers at Sydney Airport has underpinned annual increases in revenue every year since the privatisation of Sydney Airport in 2002 until the onset of the COVID-19 pandemic.

2019 Revenue by Segment



Historic Revenue and Passenger Growth



Source: Sydney Airport financial statements⁵⁴

Source: BITRE, Sydney Airport Financial Statements

⁵⁴ Note: Aeronautical revenue excludes security recovery.



8.4.1 Aeronautical revenues and drivers

Aeronautical charges

These are typically charged on a per passenger basis, with increases in passenger numbers and price increases from agreed infrastructure capital expenditure driving revenue growth. The pricing of aeronautical services and fees charged for use of the airport are commercially agreed by the airport and its airline customers.

Fees for international aeronautical services are largely charged on a per passenger basis and are broadly comprised of the following components:⁵⁵

- **passenger charges:** charged on a per passenger basis as passengers arrive or depart;
- **runway charges:** generally charged on a per passenger basis, or on the basis of aircraft maximum take-off weight; and
- **aircraft parking charges:** levied over the duration of time the aircraft is parked, with rates calculated by maximum take-off weight.

International aeronautical agreements

Agreements with most international airlines are covered under the International Aeronautical Agreement, which is negotiated between Sydney Airport and the Board of Airlines Representatives Australia (BARA) and agreed individually between Sydney Airport and each individual airline. The current BARA agreement was implemented in 2015 and ran for five-years, expiring in June 2020. Due to the COVID-19 pandemic, this agreement was subsequently extended and now expires in June 2022.

This agreement had a minor per passenger charge step down in year one, followed by average charges growth of 3.8% per annum for the subsequent four years and required Sydney Airport to spend over \$1 billion in infrastructure investment over the five years to June 2020. It also requires Sydney Airport to provide a minimum service level with a set of key performance indicators covering elements including passenger satisfaction, baggage, peak planning resource allocation, bussing, and common services standards for cleanliness, maintenance, and terminal presentation.

Domestic aeronautical agreements

Domestic agreements are negotiated separately to international agreements, with each airline responsible for agreeing to their own contract with the airport, covering domestic operations and use of the domestic terminals. Agreements with domestic airlines are strictly confidential.

Sydney Airport entered into a 10-year agreement with Qantas in 2015, which included the \$535 million acquisition of the T3 domestic terminal lease from 1 September 2015, ahead of its expiry date of 30 June 2019. Following acquisition of the lease, Sydney Airport has taken over operational responsibility of the terminal, which saw a commensurate increase in both commercial revenues and expenses.

Other agreements

Any airline or general aviation operator not covered under a negotiated aeronautical agreement is subject to the charges outlined in the Conditions of Use (COU). The COU is generally updated every six months.

Growth opportunities

- **new geographical markets:** core markets are expected to continue driving growth, but opportunities for additional growth are being pursued from emerging markets, including the Indian subcontinent, South America, and areas of Asia;
- **ultra-long-haul aircraft:** new routes are being unlocked by improvements in aircraft technology, with non-stop flights connecting Sydney to London, New York, Europe, and Africa to be made achievable using new Airbus A350-1000 and Boeing 777x aircraft. These direct flights also have the potential to unlock opportunities in higher utilisation of off-peak slots, and potential creation of additional market demand by avoiding stop-over connections;
- **long range narrow body aircraft:** new extended range narrow body aircraft such as the A321neo unlock key growth targets in medium haul markets including South-East Asia and the Pacific, with the potential for airlines to operate flights on routes that are currently not large enough to support daily widebody service; and

⁵⁵ Indicative of the Conditions of Use (COU) agreement only.



8.4.2 Aeronautical security recovery revenues

Aeronautical security costs for the provision of government mandated security services, including passenger and checked bag screening, are recovered from airlines on a cost pass through basis.

8.4.3 Retail revenues and drivers

Sydney Airport's retail revenues are generated by the leasing of commercial space to tenants whose activities include duty-free, food and beverage, financial and advertising services. The airport has 100+ tenants across 32,700 square metres of lettable area. As of 30 June 2021, retail space was at 97% occupancy.

Growth in retail spend, and therefore growth in retail leasing revenue per square metre, is highly correlated to growth in passenger traffic. The growth in international passenger traffic is particularly important given that the average retail spend per passenger in T1 (including duty-free) is circa 7.6x the average retail spend per passenger across domestic terminals T2 and T3.

Leasing agreements with tenants are negotiated on an individual basis, but typically include a Minimum Guaranteed Rent component and an annual turnover component.

Growth opportunities

- **retail re-set and re-mix opportunities:** each terminal has a unique passenger profile and Sydney Airport has identified opportunities to better align the retail mix in each terminal to maximise commercial returns. Short-term opportunities include the new T1 luxury offering, which is due for completion by 2023, and the reconfiguration and remix of the T2 and T3 retail spaces; and
- **expansion of retail footprint:** opportunities to repurpose terminal space, including airline offices and lounges, have been identified in order to redevelop and expand terminal retail offering.

8.4.4 Property and Car Rental revenues and drivers

Property and car rental revenues comprise the lease of terminal space, buildings and other space at Sydney Airport. Recent growth in revenue has been achieved through the expansion of offices and hotels, the re-purposing of land to higher and more beneficial use, and contract renewals on terms at the upper end of the market range.

Growth opportunities

- **continued re-purpose of sites:** the property development pipeline identifies 107 hectares of land where there are significant commercial developments to unlock. These opportunities include the Domestic Hotel Precinct, the Jet Base, the Northern Lands Precinct, the Domestic Ground Transport Interchange, the SSE Sector Precinct, and the FAC House Precinct.
- **continued re-pricing to market rates:** several sites have been identified as having rates significantly below market rates. Given the demand for property space in the vicinity of Sydney Airport far exceeds supply, it is likely that these terms will be improved at contract renewal.

8.4.5 Car Parking and Ground Transport revenues and drivers

Prior to the COVID-19 pandemic ground transport and parking revenue represented 10.6% of total airport revenue and circa 21% of total commercial revenue. The majority of this revenue came from car parking (approximately 83%). Car parking is a popular product for users of Sydney Airport, with the airport achieving a higher revenue per departing passenger than Australian airport peers.⁵⁶

Growth opportunities

- **technology:** Sydney Airport has identified that customers who convert to online booking are more likely to return as an engaged parking customer;
- **frictionless parking:** providing a seamless and enhanced customer experience by offering initiatives such as guaranteed spaces for regular customers;
- **optimisation of ground transport business to meet changing consumer models:** opportunities exist to capitalise on the growth in priority pick-up volumes (rideshare services) to offset declines in taxi volumes;

⁵⁶. Source: ACCC



- **Sydney Gateway Project:** the \$2.5 billion NSW Government project connects all major motorways directly to the airport and is due for completion in 2024. Car travel times to the airport are expected to decrease significantly, encouraging more people to drive and park at the airport; and
- **Domestic Ground Transport Interchange Project:** will deliver a customer-focused and intuitive ground transport precinct, enhancing the customer experience with lower congestion in the airport precinct, preserving commercial transport revenues and is expected to make it easier for all users to travel to and from the airport.

8.5 Impacts of the COVID-19 pandemic

8.5.1 Operating performance

The COVID-19 pandemic, along with the subsequent border closures and collapse in international and State travel, was a crisis of unprecedented magnitude to the global aviation industry. Sydney Airport passenger volumes for the last nine months of 2020 were down 93.4% on the same period in 2019.

Significant decreases in core aeronautical revenues followed the stay-at-home orders and border closures that came into effect from the end of February 2020.

During the first half of 2021, domestic passenger traffic had returned to 42.5% of the corresponding period in 2019. However, stay-at-home orders issued by the NSW government on 25 June 2021 in response to the Delta strain once again resulted in limited domestic travel from Sydney Airport.

8.5.2 Balance sheet strengthening initiatives

Following COVID-19 effects on Sydney Airport's operating performance, it raised additional liquidity via bank debt facilities and in addition raised equity to add resilience to the balance sheet, enabling management of the crisis regardless of the shape or pace of the recovery.

In February 2020, at the outset of the COVID-19 outbreak, Sydney Airport priced a A\$598 million equivalent multi-tranche US private placement (**USPP**) bond over 15, 20 and 30-year tenors. Proceeds from the bond were received on 16 June 2020 with a four-month free delayed settlement.

In April 2020, Sydney Airport established \$850 million of bilateral bank debt facilities with existing lenders over two- and three-year tenors.

In August 2020, Sydney Airport raised \$2 billion of equity to strengthen the balance sheet through an accelerated renounceable entitlement offer on the basis that it was the fairest structure for all securityholders, particularly retail holders. The equity entitlement offer substantially reduced Sydney Airport's net debt, provided a significant buffer to withstand the COVID-19 pandemic, and supported the maintenance of its investment grade credit rating.

8.5.3 Operating expenditure initiatives

Sydney Airport also moved decisively to reduce costs and ensure the viability of the business during the COVID-19 pandemic. It targeted at least a 35% decrease in operating expenses (excluding security recoverable costs) for the 12-month period from 1 April 2020.

Initiatives to reduce operating expenditure included:

- restructuring the organisation to reflect appropriate resourcing and staff levels in a COVID-19 operating environment. Sydney Airport also received Australian Government JobKeeper support to offset some staff operating expenses;
- services and utilities expenses were reduced as a result of operational measures including the closure of car parks and certain terminal areas, reductions in the cost of operating two hotels (the Ibis and Mantra), and a scale back in passenger facilitation services across kerbside and terminal areas;
- reduction in the level of maintenance activity required for terminal areas, baggage systems, aerobridges, aprons, and roads; and
- a reduction in other operating expenses following actions taken to reduce discretionary spending, scaled back marketing activity, and reduced technology related support costs.

8.5.4 Capital expenditure initiatives

Sydney Airport targeted \$150-\$200 million of capital expenditure for the 12 months from 1 April 2020, a significant reduction from the previous market guidance of \$350-\$450 million of capital expenditure for the



2020 year. The entire capital program was reviewed, and each project was assessed as either critical, opportunistic or deferrable. A number of major projects were paused and are not to be reactivated until there is clarity around the timing and overall recovery of the volume of passenger traffic to the airport. These projects included the South East Sector Apron expansion, the T1 International terminal expansion, and the retail development at T2 domestic terminal.

A number of critical projects were still completed, including the Northern Ponds Aprons, Runway Re-sheet, and T1 Duty-Free terminal works. Some opportunistic works were also undertaken in the low-passenger environment, including the Runway 16R threshold slab replacement project.

8.5.5 Abatements

Sydney Airport recognised the need to work with tenants to mitigate the impact of COVID-19 on their businesses. In March 2020, a government order to enhance safety protocols was mandated which resulted in the closure of a number of retail outlets at the T1 international terminal.

A standard set of principles under the Australian Government's National Code of Conduct for Commercial Leases⁵⁷ framework was applied to all negotiations to ensure fair and equitable outcomes for all parties, and to provide relief proportionate to the specific situation.

From April 2020 Sydney Airport offered temporary concessions principally to retail and property tenants in the form of rent deferrals and rent abatements ranging from 0% to 100% of total rent. Each concession was assessed on a case-by-case basis taking into consideration all factors affecting individual tenants.

The approach saw 97% of tenants remain in situ across the three terminals in 2020, demonstrating a strong belief in Sydney Airport as a long-term business, and reflected optimism in the future of travel.

No rent relief was granted to government agencies or freight operators.

8.5.6 Government assistance

Sydney Airport enrolled in the JobKeeper government assistance program in April 2020 and received assistance through to the program's conclusion in March 2021. The Group received a total of \$15.6 million in assistance from the program. The Group also received land tax relief of \$3.1m and benefited from the deferral of payroll tax payments between March 2020 and September 2020 (subsequently paid in full in October 2020).

The airport was also an indirect beneficiary of the significant financial support provided to the aviation industry through the COVID-19 pandemic. The Federal Government's Domestic Aviation Network Support and Regional Airline Network Support programs, designed to maintain a minimum level of services on key air routes during the COVID-19 Pandemic included funding to cover security screening costs. The \$1.2 billion Aviation Support package saw an estimated 800,000 discounted fares offered to targeted markets, stimulating demand for air travel.

Recognising the impost of Federal Government-mandated security costs in a low passenger environment, an additional \$64 million was extended for security screening cost rebates across all of Australia's major international airports from 1 October 2021 through to 31 March 2022. This support will ensure airports are ready to respond to increased demand once border restrictions are eased.

8.5.7 Other initiatives

In October 2021, Sydney Airport announced that it will match the NSW Government's \$60 million Aviation Attraction Fund dollar-for-dollar, in a bid to incentivise international airlines to recommence flights to Sydney.

8.6 Passenger and movement forecasts

8.6.1 COVID-19 recovery

Even as Australian international and State borders commence reopening from COVID-19 pandemic closures, the shape and speed of the recovery for the aviation industry remains impossible to forecast with any great deal of accuracy, particularly in the short-term. However, major airlines appear to be positioning for a rapid recovery, with Qantas expecting to be operating at 110% of pre-COVID-19 domestic capacity across its group by mid-2022.⁵⁸ Sydney Airport's status as a hub airport positions it strongly for the recovery.

⁵⁷ More information on the Code of Conduct can be sourced from <https://www.smallbusiness.nsw.gov.au/get-help/covid-19/national-code-conduct-commercial-tenancies>.

⁵⁸ Source: Qantas 2021 Full Year Results Media Release.



Evidence from other countries suggests airlines will consolidate operations at gateways in order to optimise load factors and reduce costs. Countries with strong domestic aviation markets, including Australia, are also expected to recover sooner given the greater complexities associated with international travel.

Forecasts reference the return to 2019 passenger levels as the benchmark to determine recovery to pre-pandemic air travel. Currently, the general consensus is that a return to 2019 passenger levels in Australia will occur between 2023 and 2026, however, these forecasts are extremely fluid and subject to substantial revision, particularly if there are further COVID-19 waves and high rates of hospitalisation.

A summary of perspectives from peak aviation bodies on the expected travel recovery is shown below.

Organisation	Latest Outlook
ICAO (as of June 2021)	Under three scenarios, global revenue passenger kilometres (RPKs) are expected to return to 2019 levels in 2023 (Optimistic case), 2024 (central case), or 2027 (pessimistic case).
IATA (as of May 2021)	Expect global passenger numbers to recover to 88% of pre-COVID-19 levels in 2022, and to exceed pre-COVID-19 levels in 2023 (105%). Countries and regions with large domestic markets will recover first.
Airports Council International (as of July 2021)	Under a baseline scenario, global passenger traffic is expected to reach 2019 levels by the end of 2023, driven by recovery of domestic traffic but dampened by slowness in the international market. Recovery of international traffic levels not forecast to return to 2019 levels until 2024 or 2025. Under a pessimistic scenario, with new COVID-19 outbreaks and travel restrictions, global recovery to 2019 levels may not occur until 2024.
UN WTO Panel of Experts (as of June 2021)	Almost half of the panel do not see 2019 tourism levels returning before 2024, while the percentage indicating a return to these levels in 2023 has decreased from the last survey in May 2021.
Pacific Asia Travel Association (as of June 2021)	Projections show that under a mild scenario traffic is expected to reach 99% of 2019 levels by the end of 2023. Under medium and severe scenarios, these proportions reduce to 78% and 51% respectively.

Source: Based on organisations shown

8.6.2 Long-term forecasts

Under the Sydney Airport Master Plan 2039,⁵⁹ total air passenger numbers at Sydney Airport were forecast to increase by 51% over the planning period, rising from 43.3 million in 2017 to 65.6 million in 2039. This forecast assumed a total increase in international passengers of 97%, domestic passengers of 25%, and regional passengers of 22% between 2017 and 2039. These increases represented annual average growth rates of 3.1%, 1.0% and 0.9% for international, domestic, and regional passengers respectively. Importantly for Sydney Airport, growth in total aircraft movements over the same period reflected only a 17% increase due to expectations regarding continued up-sizing of aircraft and increases in seat density and load factors.

Pre-COVID-19 Sydney Airport Master Plan 2039 Passenger Forecasts

	2017	% of total	2039	% of total	CAGR ⁶⁰
International	16.0	37%	31.5	48%	3.1%
Domestic	25.1	58%	31.4	48%	1.0%
Regional	2.3	5%	2.7	4%	0.9%
Total	43.3	100%	65.6	100%	1.9%

Source: Sydney Airport Master Plan 2039

⁵⁹ Note: The forecasts included in the Sydney Airport Master Plan 2039 were produced pre-COVID-19 pandemic. Forecasts for the Sydney Airport Master Plan 2039 were prepared by Tourism Futures International (TFI), peer reviewed by CAPA – Centre for Aviation, and representative day forecast schedules were prepared by Airbiz in consultation with passenger data from TFI.

⁶⁰ Compound Average Growth Rate.



Pre-COVID-19 Sydney Airport Master Plan 2039 Forecast CAGR's versus Historical CAGR's

	Passengers	Passenger Aircraft Movements	Passengers Per Movement
International			
1996 to 2016	4.3%	2.9%	1.4%
2017 to 2039	3.1%	1.9%	1.1%
Domestic			
1996 to 2016	3.4%	1.0%	2.4%
2017 to 2039	1.0%	0.5%	0.5%
Total			
1996 to 2016	3.7%	1.4%	2.3%
2017 to 2039	1.9%	0.9%	1.0%

Source: Sydney Airport Master Plan 2039

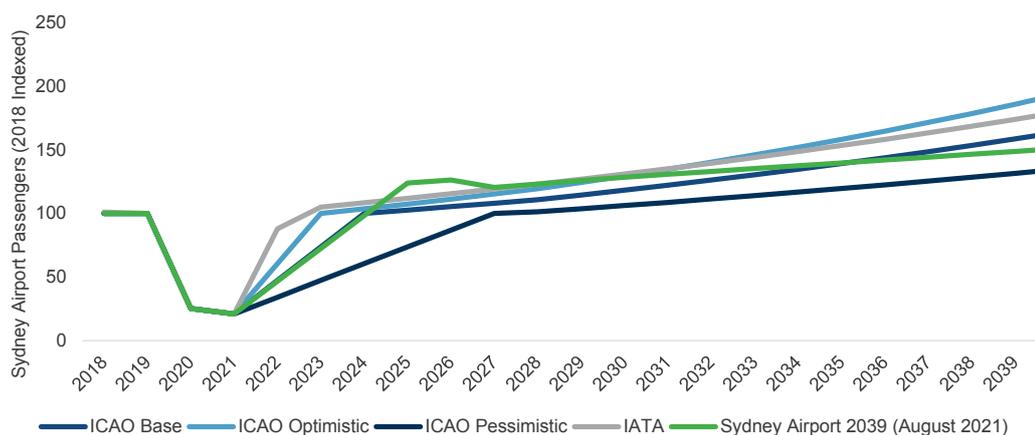
Sydney Airport has not publicly revised the Sydney Airport Master Plan 2039 forecasts to account for the impacts of the COVID-19 pandemic. In June 2021, ICAO updated its passenger long-term forecasts to account for both the short-term impacts of the COVID-19 pandemic and eventual long-term recovery. These changes are summarised below:

Summary of ICAO World Passenger Traffic Forecasts Developed Pre- and Post-COVID-19

	10-Year (2018-2028)	20-Year (2018-2038)	30-Year (2018-2048)
Pre-COVID: Base	4.2%	4.2%	4.2%
Post-COVID: Base	2.6%	3.3%	3.5%
Post-COVID: Pessimistic	1.2%	2.4%	2.8%
Post-COVID: Optimistic	3.6%	4.1%	4.2%

Source: ICAO

Benchmarking the Sydney Airport Master Plan 2039 forecast to ICAO and IATA global forecasts⁶¹



Source: Sydney Airport Master Plan 2039, ICAO, IATA

⁶¹ Note: Indicative only and subject to substantial revision. Based on latest publicly available information. Figures are indexed to Sydney Airport 2018 actual passenger numbers. 2019 & 2020 figures are actual, and 2021 figures are based on August 2021 YTD actual figures and annualised. Trajectory of recovery to 2019 passenger levels is straight-line and consistent with ICAO and IATA forecasts. Sydney Airport Master Plan 2039 passenger levels are assumed to recover to forecasted 55 million passengers in 2025. ICAO and IATA long-term global passenger



8.6.3 International passenger growth outlook

In the year immediately prior to the COVID-19 pandemic, international passenger growth at Sydney Airport slowed below its long-term trend growth rate of between 3% to 4%.⁶² This was driven by the Middle East and Chinese airlines prioritising airfares and load factors over capacity growth following the significant surge in seat capacity over the preceding three years on these major markets.

The Chinese market could be further impacted by continuing political tensions between Australia and China, while pressure is expected to continue on outbound tourism as Australians remain relatively cautious about international travel in the post-COVID-19 environment. Recent sharp increases in oil prices and the foreign exchange impact from a lower Australian dollar have historically led to less airfare discounting by airlines and a higher emphasis on managing yields over adding capacity.

It is anticipated that Sydney Airport will continue to see stronger growth in emerging Asian countries, which grew strongly prior to the COVID-19 pandemic and will continue to benefit from the introduction of extended-range narrow body aircraft that are well suited to serving smaller city-pairs.

8.7 Development pipeline

Sydney Airport has 107 hectares of land under active planning for development, comprising:

- Jet Base development (25 hectares);
- Northern Lands Low Height (15 hectares);
- Northern Lands Burrows Road (3 hectares);
- T1 Landside (10 hectares) hotel development;
- Domestic Precinct hotel and commercial growth opportunities;
- T1, T2 and T3 retail repositioning, remixing and expansion opportunities;
- FAC House Precinct;
- Commonwealth Beach (4 hectares);
- SSE Sector (23 hectares); and
- SE Sector (27 hectares).

Sydney Airport's capital expenditure program in 1H21 focused on T1 retail development, roads and access, the international arrivals forecourt, the airport utilities network, airfield remediation works and T2 amenities upgrades.

8.8 Long-term issues

8.8.1 Regulatory constraints

Operating restrictions

Sydney Airport operates within two main restrictions designed to manage noise pollution on neighbouring communities:

- **curfew:** During the period of 11pm until 6am, take-offs and landings at the airport are restricted to specific types of aircraft and operations. Operations during the curfew are limited to certain small aircraft, a limited number of freight movements per week in low-noise heavy freight aircraft, and no more than 24 international passenger aircraft landings per week between 5am and 6am (known as the curfew shoulder period, which is only approved during the northern hemisphere summer scheduling period between late March and late October); and
- **hourly movement cap:** The Sydney Airport Demand Management Act 1997 sets a cap of 80 hourly movements and establishes a framework for a slot management scheme. Airservices Australia manages air traffic at the airport and aims to process 78 movements per 15-minute rolling hour to ensure that the movement cap is not exceeded.

forecast CAGRs are then applied from the point of recovery to 2019 passenger levels through to 2039. Our indicative forecasts using ICAO and IATA CAGRs do not assume a return to pre-COVID-19 trend levels, nor do they include expected impacts of Western Sydney Airport opening in 2026.

⁶² Note: 2017-2019 CAGR ~2.77%.



Access arrangements at Sydney Airport

The Slot Management Scheme establishes a system for the allocation of runway and gate movements at Sydney Airport. A slot permits an aircraft to a specified movement (either take-off or landing), at a specified time, on a specified day, with all aircraft requiring a slot to use the airport.

Provisions in the Scheme also include the following regional access arrangements:

- **dedicated slots for NSW regional services.** Often referred to as the 'Regional ring fence', the Scheme reserves a number of slots for airlines operating flights to or from regional NSW. Airlines can only operate these regional services in legislated peak periods (weekdays from 6am to 11am, and 3pm to 8pm) using the dedicated ring-fenced slots.

Provisions in the Australian Competition and Consumer Act include the following arrangements:

- **regional price cap and price notification scheme.** Prices for aeronautical services and facilities are capped for airlines operating flights between regional NSW and Sydney Airport. Sydney Airport is also required to notify the ACCC before it can increase the prices charged for these services.

Productivity Commission Review 2019

The recent Productivity Commission review into major Australian airports found that Sydney Airport had not unfairly or systematically exercised its market power in respect of commercial negotiations, aeronautical pricing, or car parking, justifying continued use of the current form of light-handed regulation.

The report acknowledged there was scope to review a number of operating restrictions including the rolling movement cap measurement from every 15 minutes to every hour, the structure of the regional ring fence, and other items, with the rationale being that it would make it more likely that the intended 80 actual movements per hour could be achieved. Prior to the COVID-19 pandemic, the number of actual movements could exceed 70 per hour several times per week during morning peak periods. Although these recommended changes are relatively small, they would be incrementally beneficial for Sydney Airport, and may allow movement towards a daily or annual movement cap.

Harris Review 2021

The Federal Government commenced a review of the Sydney Airport Demand Management Scheme in 2020, however, as at the date of this report, no changes had been implemented, or were certain to be implemented.

8.8.2 Impact of Western Sydney Airport

Increased competition is anticipated once the second airport nears completion in 2026, however Sydney Airport is expected to remain the preferred airport for airlines and passengers, given its proximity to the Sydney CBD, presence amongst a large and affluent population, wide availability of international, domestic and regional flights and connections, and its established public transport and road infrastructure.

8.8.3 Environmental, social, and governance (ESG)

Sydney Airport is committed to sustainability initiatives and recognises the importance of adopting a sustainability strategy. It believes that delivering sustainable growth will create long-term value for all stakeholders. Its Sustainability Strategy has three pillars; responsible business, planning for the future, and supporting the community.

2019-2021 flagship initiatives to support these pillars and focus attention on issues include:

- building resilience in assets and operations to adapt to the impacts associated with climate change, and minimising the carbon footprint of the airport;
- electrification with investment in supporting infrastructure including aircraft Ground Power Units and vehicle charging stations; and
- examining and pursuing opportunities to better utilise airfield space and to maximise airfield efficiency.

As of 2020, Sydney Airport continued to improve on its sustainability performance and issued the first Sustainability Linked Bond with two-way pricing in the USPP market during the year.



8.9 Financial performance

8.9.1 Historical financial performance

Kroll has presented a longer period of financial performance for Sydney Airport than is typical for reports of this nature in order to show a consistent trend in earnings prior to the COVID-19 pandemic. Sydney Airport's financial performance for 2015 to 1H21 is summarised as follows.

Sydney Airport Financial Performance (\$ millions)

	2015 Audited	2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Audited	1H21 Reviewed ¹
Revenue							
Aeronautical revenue	523.4	614.2	670.6	721.7	739.3	238.2	110.8
Commercial revenue ²	615.3	655.9	714.0	757.2	788.1	492.4	200.7
Subtotal	1,138.7	1,270.1	1,384.6	1,478.9	1,527.4	730.6	311.5
Other revenue	6.9	7.2	7.4	7.1	7.2	4.4	2.0
Aeronautical security recovery ³	83.3	87.3	91.3	98.7	105.0	68.7	28.1
Total revenue	1,228.9	1,364.6	1,483.3	1,584.7	1,639.6	803.7	341.6
BaU operating expenses ⁴	(151.5)	(178.9)	(200.9)	(208.4)	(205.1)	(138.8)	(74.2)
Security recoverable expense ³	(73.9)	(78.9)	(83.6)	(91.5)	(98.3)	(62.9)	(27.3)
Expected credit loss expense ⁵	-	-	-	-	-	(93.9)	(52.2)
Operating EBITDA⁶	1,003.5	1,106.8	1,198.8	1,284.8	1,336.2	508.1	187.9
Depreciation and amortisation	(312.5)	(356.5)	(385.7)	(415.6)	(438.0)	(440.4)	(223.1)
Operating EBIT⁷	691.0	750.3	813.1	869.2	898.2	67.7	(35.2)
Other income/(expenses) ⁸	0.1	(21.1)	(2.4)	(2.2)	(190.7)	119.7	22.9
Interest income	10.4	8.3	8.1	9.3	8.3	8.2	5.5
Finance costs	(443.7)	(439.3)	(429.5)	(437.8)	(429.1)	(379.6)	(120.2)
Change in fair value of swaps	28.3	22.0	(0.2)	(5.0)	(0.1)	(60.4)	(70.6)
Profit/(loss) before income tax expense	286.1	320.2	389.1	433.5	286.6	(244.4)	(197.6)
Income tax benefit/(expense)	(5.0)	(0.6)	(40.5)	(62.5)	(71.6)	136.9	100.2
Profit/(loss) after income tax expense	281.1	319.6	348.6	371.0	215.0	(107.5)	(97.4)
Non controlling interests	1.9	1.3	1.2	1.5	188.9	(38.1)	(11.3)
Net profit/(loss) to SYD Securityholders	283.0	320.9	349.8	372.5	403.9	(145.6)	(108.7)
Key performance indicators							
Passenger movements (million)	39.7	41.8	43.3	44.4	44.4	11.2	6.0
Revenue ⁹ per passenger	\$28.71	\$30.37	\$31.96	\$33.32	\$34.37	\$64.98	\$52.17
Statistics							
Aeronautical revenue growth	7.5%	17.3%	9.2%	7.6%	2.4%	(67.8%)	(36.0%)
Commercial revenue growth	4.4%	6.6%	8.9%	6.1%	4.1%	(37.5%)	(31.8%)
Commercial as a % of revenue ⁹	54.0%	51.6%	51.6%	51.2%	51.6%	67.4%	64.4%
BaU operating expenses ⁴ growth	6.2%	18.1%	12.3%	3.7%	(1.6%)	(32.3%)	(7.8%)
Operating EBITDA growth	5.7%	10.3%	8.3%	7.2%	4.0%	(62.0%)	(41.9%)
Operating EBITDA margin ¹⁰	81.7%	81.1%	80.8%	81.1%	81.5%	63.2%	55.0%

Source: Sydney Airport and Kroll analysis

Notes:

1. Statistics are calculated relative to 1H20.
2. In 2020, \$24.3 million of abatements were amortised against revenue. In 1H21, \$10.4 million variable abatements were applied against revenue and \$29.2 million abatements signed in 2020 and 1H21 were amortised against revenue.
3. Aeronautical security recovery exceeds security recoverable expense as it includes the recovery of depreciation and return on certain screening assets that will be fully depreciated in 2021.
4. Business-as-usual (BaU) operating expenses excludes security recoverable expense and expected credit loss expense in 2020 and 1H21. Minor expected credit loss expenses are included in 2016 and 2017.
5. Expected credit loss expenses of \$93.9 million in 2020 include \$52.5 million provisions for abatements and \$41.4 million debts owed by aeronautical and commercial debtors that are not expected to be recovered. Expected credit loss expenses of \$52.2 million in 1H21 include \$27.7 million provision for abatements and \$24.5 million debts that are not expected to be recovered.
6. Operating EBITDA is profit/(loss) before depreciation amortisation, net finance costs, income tax and other income/(expenses) and differs from statutory EBITDA, which includes other income/(expenses).
7. Operating EBIT is profit/(loss) before net finance costs, income tax and other income/(expenses) and differs from statutory EBIT, which includes other income/(expenses).



Footnotes continued:

8. Other income/(expenses) are set out in detail on page 45. For the purpose of calculating BaU operating expense growth and operating EBITDA growth in 2015, investment transaction expense of \$1.2 million in 2014 is treated as other income/(expense) in that year.
9. Revenue excludes aeronautical security recovery, other revenue and other income.
10. Operating EBITDA margin is operating EBITDA divided by total revenue (excluding other income).

Abatements, deferred rent and doubtful debt provisions

As discussed in Section 8.5.5, a range of rental concessions were provided in 2020 and 1H21 primarily to retail and property tenants, in line with the Australian Government's Commercial Code of Conduct issued in April 2020. In 2020, concessions in the form of rent abatements of \$142.8 million and rent deferrals of \$8.4 million were agreed. In 1H21, further rent abatements of \$77.0 million and rent deferrals of \$1.0 million were negotiated. In addition, certain debts were not expected to be recovered, including \$41.4 million in 2020 (including \$13.8 million in relation to Virgin Australia) and \$24.5 million in 1H21.

For accounting purposes, rent abatements are either expensed in expected credit loss, amortised against revenue or applied to revenue (variable abatements). Rent deferrals provide an extension of payment terms with no impact on revenue. Debts that are not considered to be recoverable are expensed in expected credit loss. Sydney Airport management has provided adjustments to statutory revenue to reflect the impact to revenue of abatements and non-recoverable provisions on debts as follows.

Sydney Airport 2020 and 1H21 Statutory Revenue Adjusted for Abatements and Non-recoverable Provisions

	2020 Audited	1H21 Reviewed
Statutory revenue		
Aeronautical revenue	238.2	110.8
Retail revenue	244.2	87.4
Property and car rental revenue	199.1	84.6
Parking and ground transportation revenue	49.1	28.7
Commercial revenue	492.4	200.7
Total statutory revenue (ex security revenue and other)	730.6	311.5
Adjustments for abatements and doubtful debt provisions		
Aeronautical revenue	(9.5)	-
Retail revenue	(107.3)	(59.9)
Property and car rental revenue	(41.5)	(1.1)
Parking and ground transportation revenue	(1.6)	(0.9)
Commercial revenue	(150.4)	(61.9)
Total adjustments (ex security revenue and other)	(159.9)	(61.9)
Adjusted revenue		
Aeronautical revenue	228.7	110.8
Retail revenue	136.9	27.5
Property and car rental revenue	157.6	83.5
Parking and ground transportation revenue	47.5	27.8
Commercial revenue	342.0	138.8
Total adjusted revenue (ex security revenue and other)	570.7	249.6

Source: Sydney Airport

Revenue and revenue per passenger

From 2015 to 2019, Sydney Airport experienced strong, consistent revenue⁶³ growth (a 7.6% CAGR), underpinned by 5.4% growth in international passenger movements and 1.5% growth in domestic passenger movements. Revenue per passenger increased by a CAGR of 4.6%. In 2020 and 1H21, revenue⁶⁴ declined less steeply than passenger movements, and revenue per passenger increased, reflecting that some commercial revenues are not related to passenger movements.

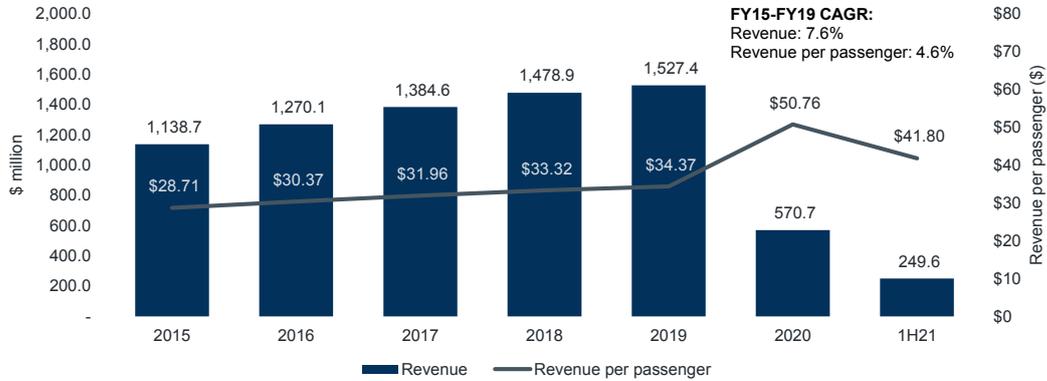
Sydney Airport's revenue and revenue per passenger since 2015 are illustrated as follows.

⁶³. Excludes aeronautical security recovery and other revenue.

⁶⁴. Statutory revenue adjusted to reflect the impact of abatements and provisions for doubtful debts.



Sydney Airport Revenue and Revenue per Passenger

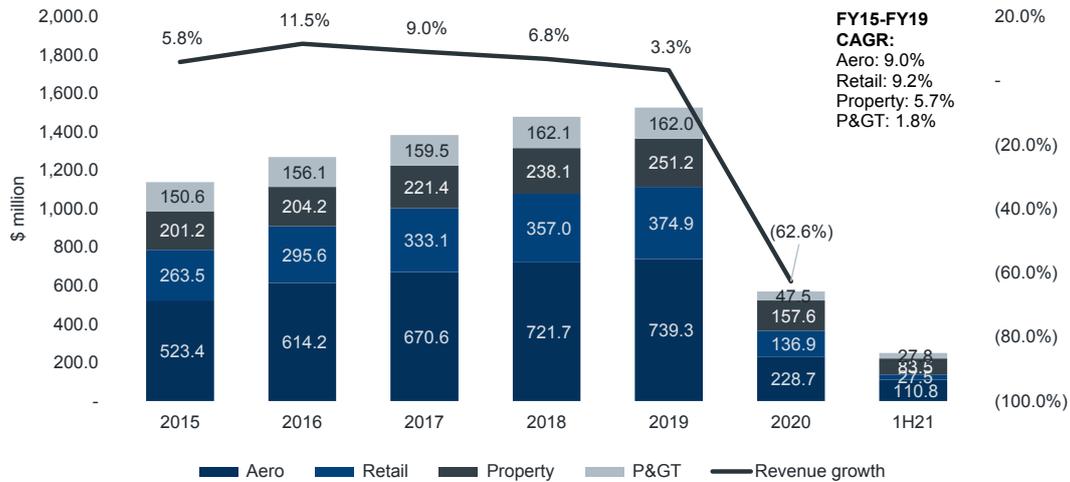


Source: Sydney Airport. Note: Excludes aeronautical security recovery and other revenue. Statutory revenue in 2020 and 1H21 adjusted to reflect the impact of abatements and provisions for doubtful debts.

Revenue by business unit

Sydney Airport's revenue by business unit since 2015 is illustrated as follows.

Sydney Airport Revenue by Business Unit



Source: Sydney Airport

Note 1: Excludes aeronautical security recovery and other revenue. Statutory revenue in 2020 and 1H21 adjusted to reflect the impact of abatements and provisions for doubtful debts.

From 2015 to 2018, aeronautical revenue increased rapidly, at a CAGR of 11.3%, reflecting strong growth in international passenger movements and in 2016, the full-year impact of taking over T3 from Qantas on 1 September 2015. Revenue growth slowed to 2.4% in 2019 as growth in international passenger movements was lower and domestic and regional passenger movements declined.

From 2015 to 2019, commercial revenue increased by a CAGR of 6.4% as a result of:

- strong growth in retail revenue, primarily in duty-free, luxury and specialty store performance, and reflecting completion of new duty-free offering in 2016, completion of the T1 Marketplace precinct and Pier C food offering in 2017, completion of T2 Pier B from 1 July 2019 (including 12 new stores), T3 advertising revenue from July 2019 and Australian Way master concession extension to 2025;
- moderate growth in property and car rental revenue as a result of the renegotiation of leases on improved terms, opening of the Mantra Hotel in 2017, acquisition of Ibis Budget in July 2017, a long-term and strategic partnership with DHL Express in 2019 and 78 additional Ibis Budget rooms in the first half of 2019; and



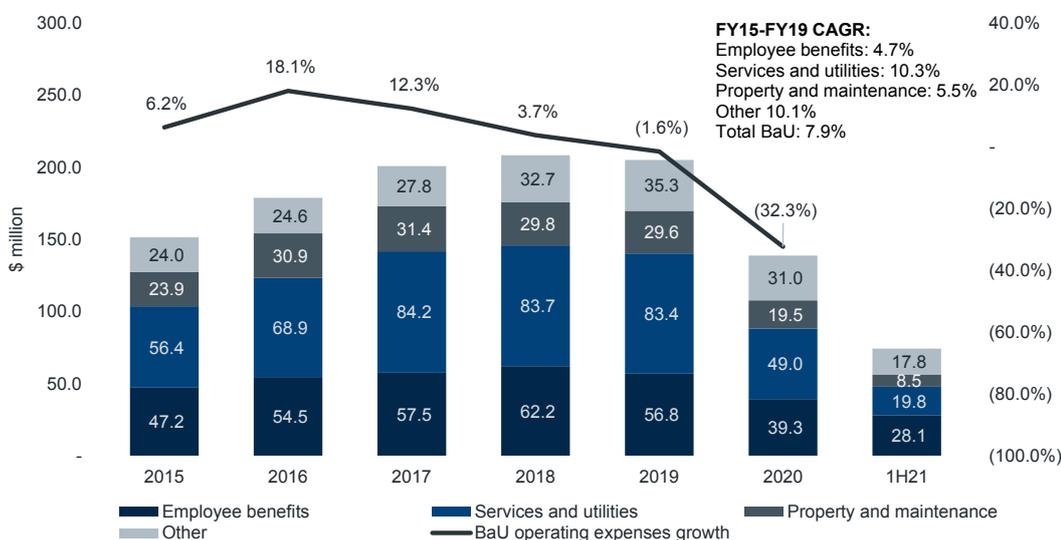
- the slowing of parking and ground transportation revenue growth from 2017 and relatively flat revenue in 2018 and 2019, impacted by external road works, shift in mode share and competition.

In 2020 and 1H21, revenue declined across all categories, with the greatest declines experienced for aeronautical and parking and ground transportation revenue as a result of the decline in passenger movements with lower declines in retail and property and car rental revenue, which are based on contracted escalations, a large proportion of which are underpinned by minimum guarantees. Retail and property and car rental revenue, in particular, also includes the impact of rent abatements and deferrals and non-recoverable provisions for debts.

Business-as-usual operating expenses

Sydney Airport's business-as-usual (BaU) operating expenses (excluding security recoverable expense and expected credit loss expense) since 2015 are illustrated as follows.

Sydney Airport BaU Operating Expenses



Source: Sydney Airport

From 2015 to 2019, BaU operating expenses increased by a CAGR of 7.9%. This mainly reflects growth of 18.1% in 2016 and 12.3% in 2017. Increases in those years mainly include increases in services and utilities and property and maintenance and reflect increased costs associated with T3 in 2016 and in 2017, costs associated with the new Mantra operated hotel and Ibis Budget Hotel and terminal improvements, increased car parking options and a step change in service standards under Sydney Airport's International Airline Service Agreements in 2017. Other cost increases in 2016 and 2017 relate to improved terminal standards and passenger experience, normal contractual increases and additional electricity contract costs.

Growth in BaU operating expenses slowed to 3.7% in 2018 as a result of reduced services and utilities and property and maintenance expenses. In 2019, Sydney Airport set a target to reduce operating expenditure. BaU operating expenses were reduced by 1.6% in 2019 as a result of \$15.0 million in cost savings resulting from an organisational restructure undertaken in June 2019, energy procurement and a range of contract negotiations and efficiencies.

The components of the movement in 2020 and 1H21 BaU expenses relative to the prior period are presented as follows.



Sydney Airport Movement in BaU Expenses in 2020 and 1H21

	2020 Audited	1H21 Reviewed
Prior period BaU expenses	205.1	80.5
Operational scale-back	(30.5)	(8.4)
Lower maintenance costs	(13.1)	-
Savings from the terminal area and car park closures	(8.3)	(2.2)
Restructure benefits	-	(3.9)
Other costs	(5.2)	0.9
JobKeeper receipts/roll off	(13.0)	2.4
Jet Fuel Infrastructure costs	1.9	2.6
COVID-19 related costs	1.9	-
Insurance premia	-	2.2
Current period BaU expenses	138.8	74.2

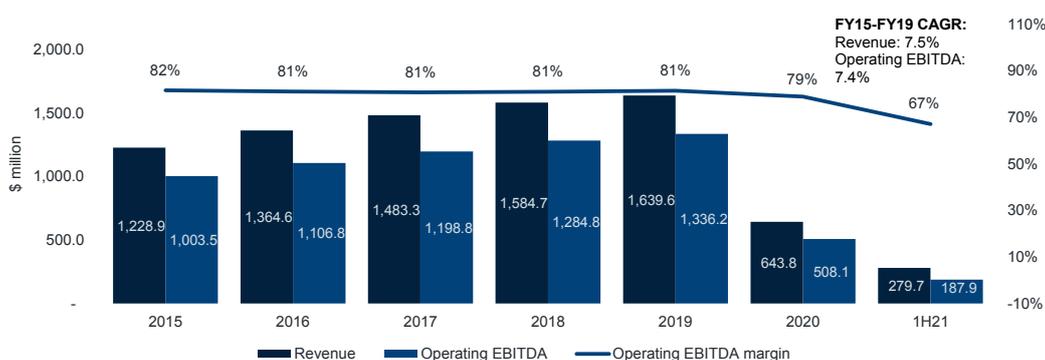
Source: Sydney Airport

Since privatisation, Sydney Airport has balanced in-house resourcing of core activities with prudent outsourcing of certain activities to third-party providers. This assisted in reducing operating expenses in 2020 and 1H21. BaU operating expenses were reduced by 32.3% in 2020 (with the remaining two thirds of expenses being fixed in nature), reflecting delivery against the operating cost target of a 35% reduction in operating expenses for the 12 months from 1 April 2020⁶⁷ and an organisational restructure announced in August 2020, which resulted in a 22% reduction in workforce. BaU operating expenses were reduced by 7.8% in 1H21 versus 1H20 (down 26.7% on 1H19). Operating expenses in 2020 include an estimated \$5.8 million of listed vehicle costs (e.g. Board, registry fees, CHES fees).

Operating EBITDA

Sydney Airport was delivering substantial profits until 2019. Operating EBITDA had increased strongly as a result of solid revenue growth and cost control in 2018 and 2019 and Operating EBITDA margin was high at 81% to 82%. Despite strong growth in revenue from 2015 to 2019, Operating EBITDA margin remained relatively flat as a result of the entry into lower margin hotels. In 2020 and 1H21, steep revenue declines resulting from the impact of the COVID-19 pandemic were partially mitigated by cost savings initiatives such that Operating EBITDA remained positive.

Sydney Airport Revenue, Operating EBITDA and Operating EBITDA Margin



Source: Sydney Airport

Note 1: Revenue includes aeronautical security recovery and other revenue. Statutory revenue in 2020 and 1H21 adjusted to reflect the impact of abatements and provisions for doubtful debts.

⁶⁷. Excludes security recoverable costs and expected credit loss provisions.



Other income and expenses

Other income and expenses are set out as follows.

Sydney Airport Other Income and Expenses (\$ millions)

	2015 Audited	2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Audited	1H21 Reviewed
Total other income	-	-	0.1	0.2	0.1	-	9.4
Sydney Gateway gain	-	-	-	-	-	115.7	-
Business acquisition costs	-	-	(1.9)	-	-	-	-
WSA project costs expensed	-	(21.0)	(0.6)	-	-	-	-
Gain/(loss) on disposal of non-current asset	0.1	(0.1)	-	-	-	-	-
Investment transaction expense	-	-	-	-	-	-	-
Write off of capital works due to COVID-19	-	-	-	-	-	(28.2)	-
Restructuring and redundancy expenses	-	-	-	(2.4)	(3.2)	(7.5)	-
OTPP indemnity refund/(expense) ¹	-	-	-	-	(183.4)	39.7	13.5
Macquarie Airports (Luxembourg) S.A.	-	-	-	-	(4.2)	-	-
Total other income/(expenses)	0.1	(21.1)	(2.4)	(2.2)	(190.7)	119.7	22.9

Source: Sydney Airport and Kroll analysis

Note 1: As part of the sale of Sydney Airport's interest in Copenhagen Airport to OTPP in 2011, Sydney Airport provided an indemnity to OTPP. Subsequently, CADH paid disputed interest withholding tax liabilities and as a result, OTPP issued indemnity claims to Sydney Airport. The refunds in 2020 and 2021 relate to the partial write back of the expense.

Finance costs

From 2015 to 2019, despite borrowings increasing, finance costs declined as Sydney Airport benefited from a reduction in weighted average interest rates from 5.7% to 4.6%.

Finance costs declined in 2020 and again in 1H21 as proceeds from the equity raising in August 2020 were used to repay borrowings, other borrowings were refinanced at lower interest rates and interest rate swaps were reset. Sydney Airport's weighted average hedged interest rate decreased from 4.6% in 2019 to 4.0% in 2020 (4.7% excluding the benefit of interest rate swap resets executed to 31 December 2020) and 2.9% in 1H21 (4.5% excluding the benefit of interest rate swap resets executed to 30 June 2021).

The change in fair value of swaps includes amortisation of swap reset costs of \$60.1 million in 2020 and \$75.1 million in 1H21.

8.9.2 Net operating receipts and distributions

Sydney Airport ensures that distributions are covered by 100% of net operating receipts. Net operating receipts is defined as free cash flow after the payment of corporate operating expenses, corporate debt obligations, maintenance capital expenditure and cash tax. It reflects earnings on a statutory basis, and in future periods will reflect the amortisation of abatements provided in prior periods. Sydney Airport's net operating receipts and distributions are summarised as follows.



Sydney Airport Distributions (\$ millions)

	2015 Audited	2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Audited	1H21 Reviewed
Profit after tax attributable to securityholders	283.0	320.9	349.8	372.5	403.9	(145.6)	(108.7)
Profit/(loss) before income tax expense	286.1	320.2	389.1	433.5	286.6	(244.4)	(197.6)
Add back: depreciation and amortisation	312.5	356.5	385.7	415.6	438.0	440.4	223.1
Profit before tax, D&A	598.6	676.7	774.8	849.1	724.6	196.0	25.5
Add/(subtract) non-cash expenses							
- Capital index bonds capitalised	15.8	10.5	24.0	22.6	17.8	7.6	6.4
- Amortisation of debt establishment costs	23.1	27.4	16.0	13.4	4.2	26.4	4.1
- Business acquisition costs			1.9	-	-	-	-
- WSA project costs expensed		21.0	0.6	-	-	-	-
- Borrowing costs capitalised	(11.0)	(9.6)	(9.3)	(10.6)	(9.7)	(7.2)	(2.4)
- Change in fair value of swaps	(28.3)	(22.0)	0.2	5.0	0.1	60.4	70.6
Total non-cash expenses	(0.4)	27.3	33.4	30.4	12.4	87.2	78.7
Add/(subtract) other cash movements							
- Movement in cash balances with restricted use	(5.5)	12.3	13.6	(0.6)	(0.8)	(0.6)	4.0
- Other	(14.9)	(20.3)	(32.0)	(18.0)	(18.1)	(19.3)	(13.1)
Total other cash movements	(20.4)	(8.0)	(18.4)	(18.6)	(18.9)	(19.9)	(9.1)
Add back							
- Net indemnity (refund)/costs and MALSA costs	-	-	-	-	187.6	(39.7)	(13.5)
- Sydney Gateway transaction	-	-	-	-	-	(118.0)	(4.7)
- Amortisation on interest rate swap resets	-	-	-	-	-	(60.1)	(75.1)
Net operating receipts	577.8	696.0	789.8	860.9	905.7	45.5	1.8
Statistics							
Average stapled securities on issue (million)	2,221.2	2,237.4	2,250.5	2,253.8	2,257.4	2,408.6	2,698.7
Earnings per security	12.7¢	14.3¢	15.5¢	16.5¢	17.9¢	(6.0¢)	(4.0¢)
Net operating receipts per security	26.0¢	31.1¢	35.1¢	38.2¢	40.1¢	1.9¢	0.1¢
Distributions declared per security	25.5¢	31.0¢	34.5¢	37.5¢	39.0¢	-	-
Earnings per security growth	377.2%	12.6%	8.4%	6.3%	8.3%	(133.8%)	na
Net operating receipts per security growth	9.7%	19.6%	12.8%	8.8%	5.0%	(95.3%)	na
Distribution growth	8.5%	21.6%	11.3%	8.7%	4.0%	(100.0%)	na
Ratio of distributions to earnings per security	200.1%	216.1%	222.0%	226.9%	218.0%	na	na
Ratio of distributions to net operating receipts	98.0%	99.7%	98.3%	98.2%	97.2%	na	na

Source: Sydney Airport and Kroll analysis

From 2015 to 2019, distributions increased at a CAGR of 11.2%, with the strongest growth being 21.6% in 2016. From 2015 to 2019, Sydney Airport paid distributions in the range of 97% to 100% of net operating receipts.

As distributions are paid out of net operating receipts (which are before depreciation and amortisation) and tax paid is nil, distributions in 2015 to 2019 significantly exceeded earnings per security. Furthermore, distributions increased from 200% of earnings per security in 2015 to 218% in 2019 as net operating receipts grew more rapidly than earnings per security.

Distributions historically comprised Australian interest and tax deferred distributions from SAT1 and Australian unfranked dividends from SAL. Since becoming an Attribution Managed Investment Trust, SAT1 has attributed interest to its securityholders.

As a result of the impact of the COVID-19 pandemic on earnings, no cash distributions were declared with respect to 2020 and 1H21.

8.9.3 Outlook

Other than advising that there will be no final distribution with respect to 2021, Sydney Airport has not provided earnings guidance. Consequently, Kroll has considered broker consensus forecasts for Sydney Airport. As far as Kroll is aware, Sydney Airport is followed by 14 brokers. Three brokers are restricted as they are acting as advisers on the Schemes and, therefore, have been excluded. Each of the remaining brokers has published reports following the release of the 1H21 financial results.



Sydney Airport Broker Consensus (\$ millions)

	Actual 2020	Broker consensus			
		2021	2022	2023	2024 ¹
Revenue					
Aeronautical revenue	238.2	165.0	433.2	704.0	822.0
Retail revenue	244.2	162.0	239.0	317.0	411.2
Property and car rental revenue	199.1	173.0	209.9	234.3	277.0
Parking and ground transportation revenue	49.1	45.2	111.1	154.3	176.1
Commercial revenue	492.4	380.2	560.0	705.6	864.2
Subtotal	730.6	545.2	993.2	1,409.6	1,686.2
Other revenue and aeronautical security recovery	73.1	58.2	96.5	142.4	113.8
Total revenue²	803.7	603.4	1,089.7	1,552.0	1,800.0
Operating expenses	(295.6)	(273.4)	(236.7)	(272.5)	(346.5)
Operating EBITDA³	508.1	330.0	853.0	1,279.5	1,453.5
Depreciation and amortisation	(440.4)	(438.0)	(455.0)	(480.5)	(496.5)
Operating EBIT⁴	67.7	(108.0)	398.0	799.0	957.0
Net operating receipts⁵	45.5	(13.5)	516.9	898.0	1,030.9
Key performance indicators					
Domestic passenger movements (million)	7.5	7.7	22.3	27.4	28.1
International passenger movements (million)	3.8	0.6	6.0	12.7	16.6
Total passenger movements (million)	11.3	8.3	28.2	40.1	44.8
Revenue ⁶ per passenger	\$64.65	\$65.66	\$35.20	\$35.15	\$37.66
Statistics					
Aeronautical revenue growth	(67.8%)	(30.7%)	162.5%	62.5%	16.8%
Commercial revenue growth	(37.5%)	(22.8%)	47.3%	26.0%	22.5%
Commercial as a % of revenue ⁶	67.4%	69.7%	56.4%	50.1%	51.2%
Operating EBITDA growth	(62.0%)	(35.1%)	158.5%	50.0%	13.6%
Operating EBITDA margin ⁷	63.2%	54.7%	78.3%	82.4%	80.8%
Per security metrics					
Net operating receipts per security	1.9¢	(0.5¢)	19.2¢	33.3¢	38.2¢
Distributions per security	-	-	16.5¢	32.0¢	34.0¢
Net operating receipts per security growth	(95.3%)	(126.3%)	n/m	73.7%	14.8%
Distribution growth	(100.0%)	-	n/m	93.9%	6.3%
Ratio of distributions to net operating receipts	-	-	86.2%	96.2%	89.1%

Source: Sydney Airport broker reports

Notes:

1. Only two brokers have provided earnings forecasts for 2024.
2. Revenue excludes other income.
3. Operating EBITDA is profit/(loss) before depreciation amortisation, net finance costs, income tax and other income/(expenses) and differs from statutory EBITDA, which includes other income/(expenses).
4. Operating EBIT is profit/(loss) before net finance costs, income tax and other income/(expenses) and differs from statutory EBIT, which includes other income/(expenses).
5. Net operating receipts is free cash flow after the payment of corporate operating expenses, corporate debt obligations and cash tax.
6. Revenue excludes other revenue, aeronautical security recovery and other income.
7. Operating EBITDA divided by total revenue (excluding other income).

Brokers have generally assumed that passenger movements return to 2019 levels in 2023 (domestic) and 2024 (international). From 2022 to 2024, revenue per passenger exceeds 2019 levels. In 2024, net operating receipts per security are slightly below 2019 levels and a greater proportion of net operating receipts is retained (distributions as a percentage of net operating receipts is 89.1%), although these estimates are based on only two broker forecasts. Further details of the broker estimates are included in Appendix 3.



8.10 Financial position

Sydney Airport's financial position as at 31 December 2018, 2019 and 2020 and 30 June 2021 is summarised as follows.

Sydney Airport Financial Position (\$ millions)

	As at 31 December			As at 30 June
	2018 Audited	2019 Audited	2020 Audited	2021 Reviewed
Receivables and other current assets ¹	236.4	200.3	140.0	118.8
Payables, deferred income and current provisions	(258.5)	(264.6)	(149.0)	(118.9)
Net working capital	(22.1)	(64.3)	(9.0)	(0.1)
Property, plant and equipment	3,570.1	3,532.6	3,472.5	3,359.3
Intangible assets	7,315.7	7,230.4	7,073.9	7,032.1
Sydney Gateway receivable	-	-	189.8	194.5
Abatements to be amortised	-	-	66.0	85.8
Distribution payable	(428.5)	(440.4)	-	-
Indemnity provision	-	(63.1)	(63.1)	(49.8)
Non-current provision for employee benefits	(2.1)	(3.6)	(3.8)	(3.8)
Other assets and liabilities	204.8	92.5	141.3	127.5
Deferred tax liabilities	(1,808.3)	(1,801.1)	(1,650.3)	(1,618.1)
Total funds employed	8,829.6	8,483.0	9,217.3	9,127.4
Cash and cash equivalents	476.3	625.1	1,075.6	510.1
Refinancing proceeds receivable	398.9	-	-	-
Interest bearing liabilities	(10,151.8)	(10,186.3)	(9,200.9)	(8,572.0)
Derivative financial instruments (debt related)	518.9	325.2	(53.9)	57.5
Net debt (excluding lease liabilities)	(8,757.7)	(9,236.0)	(8,179.2)	(8,004.4)
Lease liability	-	(0.6)	(0.2)	(0.5)
Net debt (including lease liabilities)	(8,757.7)	(9,236.6)	(8,179.4)	(8,004.9)
Net assets	71.9	(753.6)	1,037.9	1,122.5
Contributed equity	5,508.6	5,533.0	7,523.5	7,523.5
Retained earnings	(1,954.8)	(2,430.3)	(2,576.1)	(2,684.5)
Reserves	(3,473.5)	(3,659.0)	(3,750.2)	(3,568.5)
Equity attributable to Sydney Airport Securityholders	80.3	(556.3)	1,197.2	1,270.5
Non-controlling interest in controlled entities	(8.4)	(197.3)	(159.3)	(148.0)
Total equity	71.9	(753.6)	1,037.9	1,122.5
Statistics				
<i>Number of stapled securities at period end (million)</i>	2,255.3	2,258.6	2,698.7	2,698.7
<i>Net assets² per stapled security</i>	\$0.04	(\$0.25)	\$0.44	\$0.47
<i>NTA³ per stapled security</i>	(\$3.21)	(\$3.53)	(\$2.24)	(\$2.19)

Source: Sydney Airport and Kroll analysis

Notes:

1. Receivables and other current assets at 31 December 2020 and 30 June 2021 exclude compensation for Sydney Gateway and abatements that are expected to be amortised in the following 12 months from the reporting date, which are shown separately.
2. Excludes non-controlling interests.
3. NTA is net tangible assets and is calculated as net assets, less intangible assets and excludes non-controlling interests.

The majority of Sydney Airport's capital employed is represented by intangibles and property, plant and equipment. Intangible assets as at 30 June 2021 mainly includes the airport operator licence (\$4.7 billion) and leasehold land (\$1.6 billion), which are amortised over 95 years. An independent valuation was conducted in 2007 valuing the leasehold land and the intrinsic value of operating the land as an airport. Other intangibles include concession and customer contracts (\$0.2 billion), which are amortised over 7-16 years and goodwill (\$0.7 billion).

Property, plant and equipment as at 30 June 2021 mainly includes buildings (\$1.4 billion), runways, taxiways and aprons (\$0.6 billion), other infrastructure (\$0.7 billion), operational plant and equipment (\$0.2 billion), other plant and equipment (\$0.2 billion) and capital works in progress (\$0.3 billion).



Working capital requirements are low, reflecting the management of receivables and revenue received in advance from retailers. Receivables decreased at 31 December 2020 and reflect a \$60.1 million decline in accrued contract revenue and the net impact of a \$34.6 million increase in trade receivables (which include a dividend amount outlined in the Virgin Group Deed of Company Arrangement) and a \$61.2 million increase in allowance for expected credit loss. Receivables decreased at 30 June 2021 as a result of a \$13.3 million increase in allowance for expected credit loss and lower other receivables. Payables and deferred income declined at 31 December 2020 and 30 June 2021 reflecting a reduction in business activity.

The Sydney Gateway receivable of \$194.5 million as at 30 June 2021 relates to consideration from the NSW Government for the grant of an easement over part of the Sydney Airport site. After accruing a further \$2.5 million in interest subsequent to 30 June 2021, \$70.0 million (pre-GST) in respect of this agreement was received in July 2021 and \$127.0 million (pre-GST) was received in October 2021.

Abatements to be amortised reflect the abatements provided principally to retail and property tenants, less the amount that had been amortised against revenue as at the balance sheet date. As at 30 June 2021, abatements of \$85.6 million were to be amortised against future revenue on a straight-line basis over the remaining lease terms.

Sydney Airport operates a defined benefit plan. As at 31 December 2020 (the last reporting date), the fair value of plan assets was \$37.2 million and the present value of defined benefit obligations was \$29.9 million.

No distribution was declared in respect of 2020 and 1H21.

The indemnity provision of \$49.8 million represents the estimate of the remaining amount that would be owing to OTPP in relation to the sale of interests in the Copenhagen Airport, in the event that CADH is not successful in the Danish Tax Litigation. As at 30 September 2021, the provision was \$49.8 million.

Cash of \$510.1 million includes cash on hand and short-term deposits. Deposits includes \$7.8 million which is restricted to fund maintenance capital expenditure. As at 30 September 2021, Sydney Airport had \$440.7 million in cash (including \$5.9 million of restricted cash).

Net assets per security is low as intangibles and property, plant & equipment are carried at historical cost, rather than fair value. In addition, retained earnings is a deficit of \$2.7 billion as a result of distributions substantially exceeding net profit after tax until 2019 and losses generated in 2020 and 1H21. Reserves is a deficit of \$3.6 billion and mainly relates to the 2011 acquisition of a subsidiary and 2013 restructure.

For the purpose of statutory accounting consolidation, SAL Group is deemed to control the SAT1 Group and therefore consolidates 100.0% of the assets, liabilities and results of the SAT1 Group into its consolidated financial report and recognises an associated non-controlling interest as it has no legal ownership of SAT1 Group. Consequently, non-controlling interests represents the accumulated net profit after tax of SAT1 Group, adjusted for intercompany transactions and recharges (e.g. cross staple loan interest).

8.10.1 Taxation

SAL and its wholly owned Australian subsidiaries are members of a tax consolidated group, SAL TCG, under Australian income tax law, with SAL the head entity. The group is taxed at the corporate tax rate of 30%. It had tax losses of \$992.3 million at 30 June 2021 that were reflected in the balance sheet as a deferred tax asset of \$297.7 million. Sydney Airport management expects that tax losses will be utilised when earnings recover. SAL will pay income tax once its losses are utilised, at which time franked dividends may be paid to securityholders.

SAT1 is a flow-through trust and is not subject to tax as long as its net income is fully distributed or attributed each tax year.

As at 30 June 2021, Sydney Airport had \$1.6 billion of deferred tax liabilities. These mainly arise from the timing differences between the carrying value of property, plant & equipment and intangibles in the financial statements and its tax base.

8.10.2 Interest-bearing liabilities

Sydney Airport has access to diverse capital markets. Its financing facilities include bank debt (currently undrawn), domestic and foreign bonds, spanning multiple debt capital markets. Debt is predominantly held within the SCACH Group.

Interest-bearing liabilities are reflected in the balance sheet at fair value (including, in the case of foreign denominated interest-bearing liabilities, hedge gains or losses) less capitalised borrowing costs. Sydney Airport's financing facilities as at 30 June 2021 are summarised as follows.



Sydney Airport Financing Facilities as at 30 June 2021 (A\$ millions)

Type	Facility Limit	Undrawn	Amount Drawn	Fair Value	Carrying Amount	Issue Currency	Interest Rate ¹	Maturity
Bank debt	2,400.0	2,400.0	-	-	-	A\$	Floating	Apr 22 - Apr 24
Wrapped domestic bond	1,609.0	-	1,609.0	1,600.4	1,600.3	A\$	Floating	Nov 21 - Oct 27
USPP bond	1,569.4	-	1,569.4	1,737.1	1,562.1	A\$/US\$/€	Fixed/floating	Aug 28 - Jun 50
Euro bond	1,829.5	-	1,829.5	2,040.4	1,997.4	€	Fixed	Apr 24 - Apr 28
US144A/RegS bond	2,608.8	-	2,608.8	3,176.1	2,997.1	US\$	Fixed	Mar 23 - Apr 26
CIB	412.6	-	412.6	409.2	415.1	A\$	Fixed	Nov 30
Total	10,429.3	2,400.0	8,029.3	8,963.2	8,572.0	na	na	na

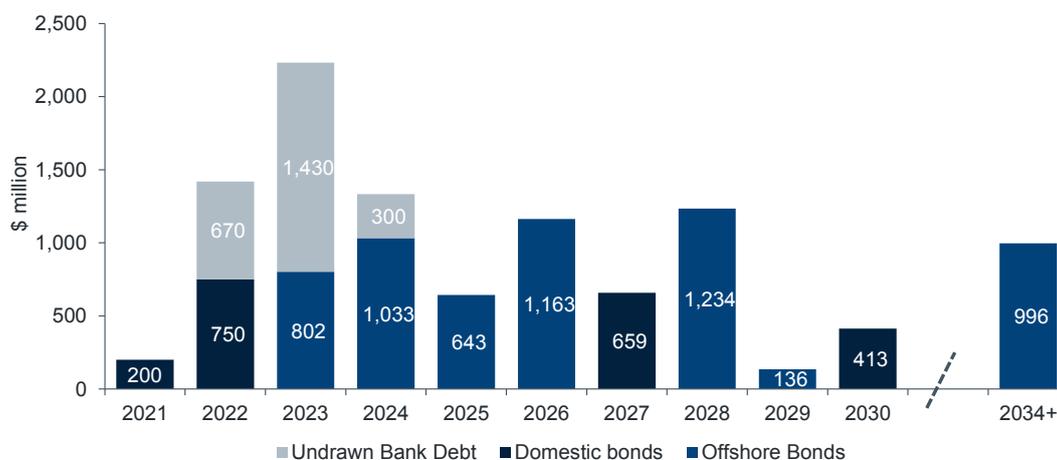
Source: Sydney Airport

Note 1: Interest rates are reflective of those established in issue currency.

Sydney Airport has a strong liquidity position with \$510 million of available cash and \$2,400 million of undrawn bank debt facilities as at 30 June 2021. As at 30 September 2021, it had \$8,032.2 million of drawn debt. The fair value of debt at 30 September 2021 was \$9,050.3 million. Sydney Airport is committed to maintaining at least a BBB/Baa2 credit rating. It currently has a Standard & Poor's rating of BBB+ (negative outlook) and Moody's rating of Baa1 (negative outlook).

Sydney Airport maintains a well spread and well diversified debt maturity profile, with no significant maturing debt in any given year and bond issuance spanning various core and opportunistic debt capital markets. As at 30 June 2021, the average maturity of Sydney Airport's borrowings was late 2026. Sydney Airport's debt maturity profile as at 30 June 2021 is illustrated as follows.

Sydney Airport Debt Facility Maturity Profile as at 30 June 2021 (\$ millions)



Source: Sydney Airport

Sydney Airport has sufficient cash and undrawn bank debt facilities to repay the \$200 million bond maturing in November 2021. Sydney Airport's key credit metrics are set out as follows.

Sydney Airport Credit Metrics

Credit Metrics	As at 31 December			As at 30 June
	2018	2019 ⁴	2020 ⁴	2021 ⁴
Cash flow cover ratio ^{1,2}	3.2x	3.3x	1.8x	2.0x
Net debt/EBITDA ^{1,3}	6.6x	6.6x	11.9x	14.0x

Source: Sydney Airport

Notes:

1. Calculated on a rolling 12-month basis.
2. Cash flow cover ratio is summarised by cash flow divided by senior interest expense, calculated for the SCACH Group.
3. Net debt/EBITDA calculated for the SCACH Group at 31 December 2018 and 31 December 2019 and for SAL at 31 December 2020 and 30 June 2021. Debt/EBITDA as at 31 December 2019 excludes other expenses.
4. Calculations include lease liabilities and related interest expense due to the application of AASB 16.



Sydney Airport's borrowing agreements set out certain financial covenants. Sydney Airport was compliant with its covenant requirements in all periods presented.

8.10.3 Derivative financial instruments

Sydney Airport is exposed to interest rate risk on its variable rate borrowings and is primarily exposed to foreign exchange risk from its foreign denominated borrowings. It enters into floating for fixed interest rate swap contracts to hedge the risk of rising interest rates in accordance with its policy and cross currency swaps to hedge foreign exchange risk.

Sydney Airport's hedging policy is to maintain interest rate hedging in accordance with annual bands over 10 years,⁶⁸ hedge 100% of foreign currency exposure related to borrowings and hedge foreign exchange exposures relating to revenue, operating expenses and capital expenditure (relatively minor) over certain thresholds. As at 30 June 2021, interest rate exposures were 99% hedged and foreign denominated bonds were 100% hedged until maturity. The net value of derivatives as at 30 June 2021 was an asset of \$57.5 million.

Since 30 June 2021, Sydney Airport executed interest rate swap reset transactions with \$128.4 million total upfront payments. As at 30 September 2021, the value of derivatives was an asset of \$309.1 million.

8.11 Cash flows

Sydney Airport's statement of cash flows for 2018 to 1H21 is summarised as follows.

Sydney Airport Cash Flow (\$ millions)

	2018 Audited	2019 Audited	2020 Audited	1H21 Reviewed
Operating EBITDA¹	1,284.8	1,336.2	508.1	187.9
Interest received	8.7	8.3	6.6	0.9
Working capital and other adjustments	(61.0)	26.2	(80.4)	(28.8)
Cash from operations	1,232.5	1,370.7	434.3	160.0
Interest paid (excluding swap reset)	(311.8)	(300.9)	(328.1)	(144.9)
Interest rate swap reset	-	-	(137.6)	(53.0)
Net cash flows from operating activities²	920.7	1,069.8	(31.4)	(37.9)
Capital expenditure (net)	(391.8)	(303.8)	(262.1)	(75.3)
Capitalised borrowing costs	(10.6)	(9.7)	(7.2)	(2.4)
Jet Fuel Infrastructure asset acquisition	-	-	(85.0)	-
Indemnity refund/(payment)	-	-	-	41.2
Free cash flow	518.3	756.3	(385.7)	(74.4)
Proceeds received from distribution reinvestment plan	26.3	24.5	10.9	-
Proceeds from issue of equity, net of transaction costs	-	-	1,971.7	-
Distributions paid to securityholders	(822.0)	(868.6)	(440.4)	-
Net cash generated/(used)	(277.4)	(87.8)	1,156.5	(74.4)
Net debt (excluding lease liabilities) - opening³	(8,187.0)	(8,757.7)	(9,236.0)	(8,179.2)
Effects of changes in foreign currency rates	-	1.2	-	-
Changes in fair value of debt and derivatives	(261.0)	(372.1)	(68.4)	-
Other	(32.3)	(19.6)	(31.3)	-
Net cash generated/(used)	(277.4)	(87.8)	1,156.5	(74.4)
Net debt (excluding lease liabilities) - closing³	(8,757.7)	(9,236.0)	(8,179.2)	(8,004.4)
Statistics				
<i>Cash conversion ratio⁴</i>	1.2	1.6	(0.1)	(0.3)

Source: Sydney Airport; Kroll analysis.

Notes:

- Operating EBITDA is profit/(loss) before depreciation amortisation, net finance costs, income tax and other income/(expenses) and differs from statutory EBITDA, which includes other income/(expenses).
- Net cash flows from operating activities per statutory accounts.
- Calculated as cash and cash equivalent less interest-bearing liabilities plus derivative financial instruments (a net asset). At 31 December 2018, includes refinancing proceeds receivable. Refer to Sydney Airport Financial Position in Section 8.10.
- Cash conversion ratio is net operating cash flows divided by profit after tax (before non-controlling interests) plus depreciation and amortisation.

⁶⁸ Year 1-2: 65%-95%, Year 3-4: 50%-80%; Year 5-6: 35%-65%; Year 7-8: 20%-50%; Year 9-10: 5%-35%.



Sydney Airport did not pay tax in any of the periods presented as SAL TCG had substantial accumulated tax losses.

In 2018 and 2019, Sydney Airport was significantly cash generative, with a cash conversion ratio of well above 1.0 times. Capital expenditure of \$300-\$390 million in 2018 and 2019 was almost all growth capital expenditure. Distributions exceeded free cash flow after growth capital expenditure.

In response to the COVID-19 pandemic, Sydney Airport undertook a number of measures to reduce cash burn, including reducing operating expenses, focusing on cash collection, reducing interest expenses by resetting interest rate swaps and raising \$2.0 billion of equity to repay borrowings. These measures enabled Sydney Airport to reduce cash burn (before capital expenditure) to an average of \$6 million per month in 1H21. Lower capital expenditure in 2020 and 1H21 reflects the achievement against management's forecast of \$150-\$200 million capital expenditure for the 12 months from 1 April 2020. No dividends were declared with respect to 2020 and 1H21.

8.12 Capital structure and ownership

Sydney Airport has 2,698,700,253 Sydney Airport Securities on issue, comprised of stapled shares in SAL and units in SAT1. As at 14 December 2021, Sydney Airport had 128,567 registered securityholders including 2,194 holders of unmarketable parcels. The top 10 registered securityholders accounted for 73% of securities on issue and mainly included institutional nominees and custodians. Retail investors (holdings of less than 10,000 securities) accounted for 92% of holders and 9% of securities on issue. Foreign securityholders held approximately 32% of securities (below the 49% limit on foreign ownership).

Sydney Airport has received notices from the following substantial securityholders:

Sydney Airport Substantial Securityholders

Substantial securityholder	Date of notice	Number of securities	Percentage
UniSuper	7 December 2020	412,242,349	15.28%
SAL and each of SAL's subsidiaries ¹	8 November 2021	404,969,320	15.01%
State Street Corporation and subsidiaries	4 November 2021	144,039,573	5.34%
Blackrock Group	3 December 2021	138,479,255	5.13%
UBS Group AG and its related bodies corporate	8 December 2021	136,876,310	5.07%

Source: ASX announcements

Note 1: SAL has a relevant interest in the UniSuper Specified Securities held by the UniSuper Security Holder under section 608(1) of the Corporations Act pursuant to the Voting Deed between SAL and UniSuper.

UniSuper is not a Consortium Member, however, will maintain an approximately equivalent interest in the holding structure of the Consortium Group on implementation of the Schemes.

Sydney Airport operates a Long-term Incentive Plan (LTIP) under which performance rights are granted to executives. Vesting is subject to certain performance criteria over a three-year period. Each right converts to a Sydney Airport stapled security, or at the Board's discretion, cash. Securities allocated on vesting may be issued or purchased on-market. In the event of a change of control, unvested rights may, at the Board's discretion, vest, lapse or be replaced by rights in the new controlling entity.

Due to ongoing uncertainty and greater concentration of responsibilities in the hands of fewer executives, ensuring leadership continuity during the recovery phase from the COVID-19 pandemic was a key focus of the Board. The Board approved the implementation of key employee retention plans in 2020 and 2021. Rights have a three-year vesting period. Provided the executive remains employed by Sydney Airport and performs to the SAL Board's satisfaction during the vesting period, 100% of the rights will vest and convert into Sydney Airport Securities purchased on-market, or at the Board's discretion, cash. Similar change of control provisions apply as for the LTI Plan.



Sydney Airport has the following performance rights on issue.

Sydney Airport Performance Rights

Grant Date	Series	Number Unvested	Total
May, June & July 2019	2019-2021	404,285	404,285
April & May 2020	2020-2022	344,040	344,040
April, May & October 2021	2021-2023	850,661	850,661
16 October 2020	Retention Plan	842,635	842,635
25 July 2021	Retention Plan	628,772	628,772
Total		3,070,393	3,070,393

Source: Sydney Airport

The SAL Board's current intention is that all unvested rights will vest upon the Schemes becoming Effective (as defined in the SID) and will be settled in cash. In addition, Sydney Airport approved the establishment of the Exempt Security Plan on 17 June 2021. As a result of the Schemes, a cash payment is proposed to be made in lieu of the equity grant (approximately \$1 million).

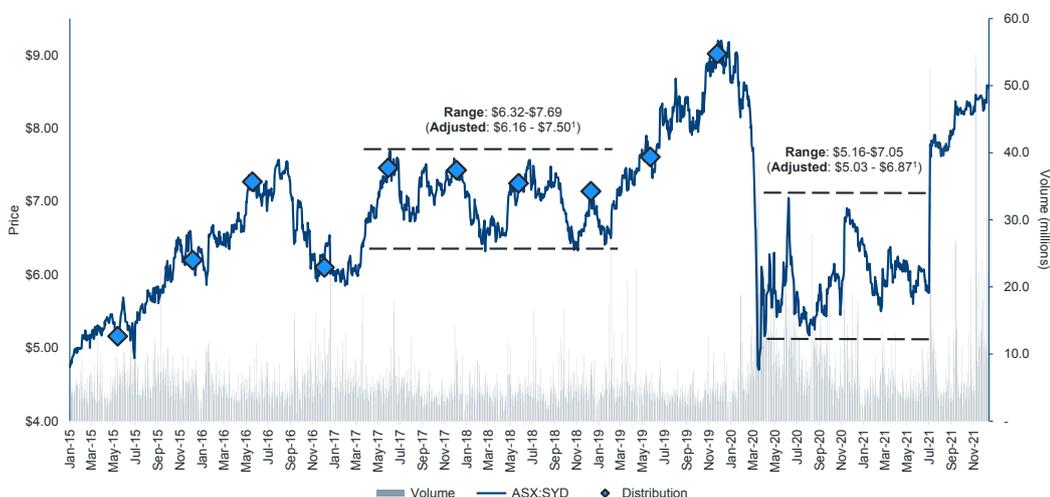
Up until the final 2019 distribution, Sydney Airport from time to time operated a Distribution Reinvestment Plan which enabled securityholders to reinvest all or part of their distributions in Sydney Airport Securities. As no distributions were declared with respect to 2020 and 1H21, the Distribution Reinvestment Plan did not operate for those periods.

8.13 Security price performance

8.13.1 Share market trading

We have considered Sydney Airport's security price performance both before and during the COVID-19 pandemic. The trading price and volume of Sydney Airport Securities since 1 January 2015 is as follows.

Sydney Airport Trading Price and Volume from 1 January 2015



Source: S&P Capital IQ and Kroll analysis. Sydney Airport Security prices are not adjusted for the equity raising.

Note 1: Adjusted for the equity raising.

Trading pre-COVID-19 pandemic

The Sydney Airport Security price increased by 59.7% from 2 January 2015 to close at \$7.57 (\$7.38 adjusted for the equity raising⁶⁹) on 1 August 2016, outperforming the ASX 200 Index. The increase reflected strong growth in international passenger movements and distributions, the announcement on 30 June 2015 that

⁶⁹. A dilutionary impact of 2.5% is calculated as the \$5.26 theoretical ex rights price (TERP) divided by the \$5.39 closing price on the last trading day prior to the announcement of the equity raising minus 1. The TERP is the theoretical price at which Sydney Airport Securities trade after the ex date for the Entitlement Offer, assuming 100% take up of the Entitlement Offer and having regard to the Entitlement Offer ratio. Calculated with reference to Sydney airport's closing price of \$5.39 on 10 August 2020.



Sydney Airport had concluded negotiations on a five-year International Aeronautical Agreement with BARA, and an announcement on 18 August 2015 that Sydney Airport would take over the operation of T3 from Qantas and that the parties had entered into a 10 year agreement with respect to the terminal.

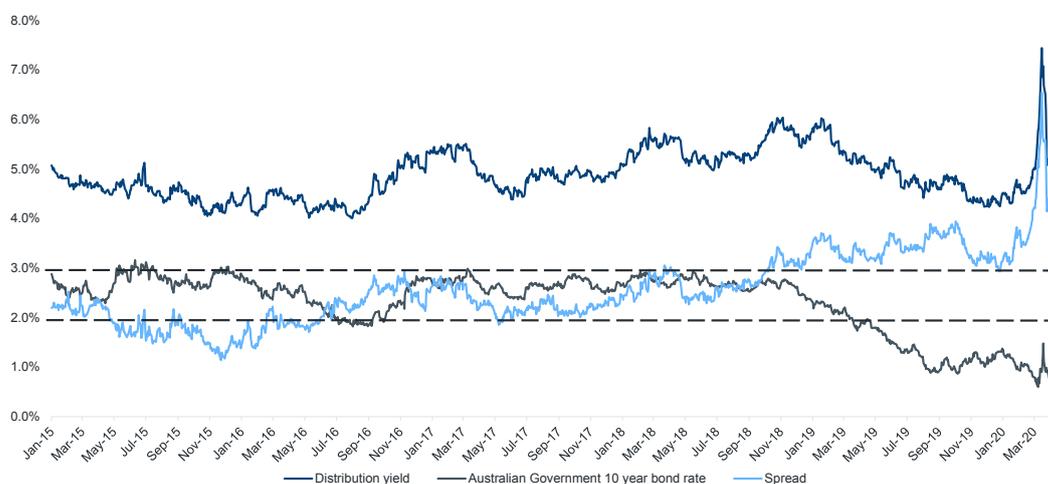
The security price declined from August 2016, underperforming the ASX 200 Index, likely reflecting investor concern that Sydney Airport would exercise its right of first refusal to develop and operate Western Sydney Airport, until the announcement in February 2017 of full-year results for FY16. The security price increased to \$7.36 (\$7.18 adjusted for the equity raising), outperforming the ASX 200 Index, in the week following the announcement on 2 May 2017 confirming that Sydney Airport would not take up its right of first refusal to develop and operate Western Sydney Airport.

The security price then traded broadly in the range of \$6.32 to \$7.69 (\$6.16 to \$7.50 adjusted for the equity raising) until mid-January 2019. During this time, peaks in trading (and outperformance relative to the index) mainly coincided with distribution announcements, results announcements (e.g. release of the strong 1H17 results on 22 August 2017) and favourable traffic performance (e.g. announcement on 20 April 2018 of the "exceptional" March 2018 international passenger growth). The security price declined (and underperformed the index) following the release on 19 October 2018 of lower September 2018 passenger movements.

Despite slowing traffic growth, the security price increased by 43.5% from mid-January 2019 and closed at a high of \$9.20 (\$8.97 adjusted for the equity raising) on 27 November 2019 and 6 December 2019, significantly outperforming the ASX 200 Index. Sydney Airport Securities reached an intra-day high of \$9.30 (\$9.07 adjusted for the equity raising) on 9 December 2019. Sydney Airport Securities traded cum distribution (19.5 cents) from the announcement of the distribution on 13 December 2019 until the ex-distribution date, 30 December 2019.

Sydney Airport's security price pre-COVID-19 pandemic indicated strong links to movements in interest rates. This is because it had an extremely high distribution payout ratio and provides an alternative to investors seeking yield. It is particularly attractive when interest rates are low. Sydney Airport's forward distribution yield relative to the Australian 10-year bond rate (a proxy for the risk-free rate), as well as the spread between them from 1 January 2015 until mid-April 2020 is illustrated in the following chart.

Sydney Airport Forward Distribution Yield, Australian Government 10 Year Bond Rate and Spread



Source: S&P Capital IQ and Kroll analysis. Sydney Airport Security prices are not adjusted for the equity raising.

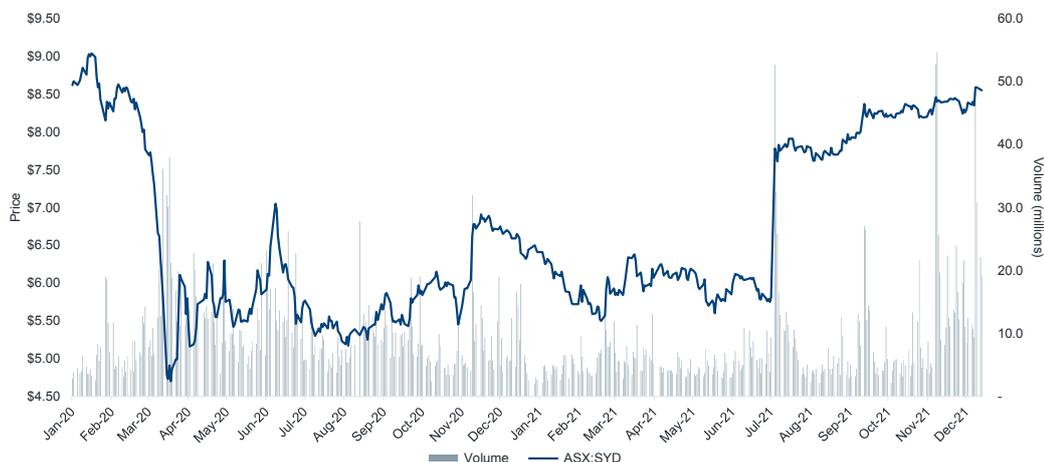
In the five years to 2019, Sydney Airport's forward distribution yield remained broadly in a range of 2% to 3% above the Australian Government 10-year bond rate. The spread was lower in 2015 and early 2016 when the risk-free rate was higher. The outperformance of Sydney Airport Securities in that period is more likely explained by its strong growth in distributions. Sydney Airport's outperformance in late 2019 can be explained by the decline in interest rates, as high yielding securities such as Sydney Airport became increasingly attractive to investors seeking yield. As a result of distribution growth and the decline in interest rates, the Sydney Airport security price increased by 94.1% from 2 January 2015 until the closing high of \$9.20 (\$8.97 adjusted for the equity raising) on 27 November 2019 and 6 December 2019.



Trading in COVID-19 pandemic

The trading price and volume of Sydney Airport Securities since 1 January 2020 are set out as follows.

Sydney Airport Trading Price and Volume from 1 January 2020



Source: S&P Capital IQ and Kroll analysis. Sydney Airport Security prices are not adjusted for the equity raising.

The Sydney Airport Security price declined steeply on heavy trading with the onset of the COVID-19 pandemic. The World Health Organisation declared the COVID-19 outbreak a global public health emergency on 30 January 2020 and a pandemic on 12 March 2020, international borders were progressively closed, most State borders were closed on 25 March 2020, retail restrictions were imposed in the International Terminal and airlines announced that they would reduce capacity. The Sydney Airport Security price closed at a low of \$4.70 (\$4.58 adjusted for the equity raising) on 19 March 2020.

On 23 March 2020, Sydney Airport provided an update on the COVID-19 pandemic, noting its strong balance sheet and liquidity position as well as historical resilience, advising that the capital expenditure program for 2020 would be reviewed, existing cost control measures would be accelerated and discretionary expenditure would be curtailed. The security price increased by 24.0% to close at \$6.11 (\$5.96 adjusted for the equity raising) on 26 March 2020.

From then until 2 July 2021 (the last trading day before the First Offer), the Sydney Airport Security price closed in a wide range of \$5.16 to \$7.05 (\$5.03 to \$6.87 adjusted for the equity raising) reflecting significant volatility. The peaks and troughs in trading during this period mainly reflect the announcement of a successful Pfizer vaccine, movements in caps on international arrivals, and State border restrictions as a result of domestic COVID-19 outbreaks:

- the security price reached a low in August 2020 as domestic borders were closed and caps on international passenger flows were announced as a result of Melbourne's second wave of the COVID-19 pandemic, in February 2021 following domestic border closures in December 2020 as a result of the Northern Beaches outbreak in Sydney, and in June 2021 as a result of the domestic border closures following the outbreak of the more transmissible Delta variant in Sydney; and
- the security price reached highs in June 2020 as lockdowns eased and State borders were progressively opened and in April 2021 as domestic passenger numbers reached 65% of pre-COVID-19 pandemic levels. It also increased strongly in the week following the announcement on 9 November 2020 of a successful Pfizer vaccine.

The subdued security price during this period likely also reflects that there was little prospect of a distribution in the near future. Notably, the security price declined by 12.1% and closed at \$5.55 (\$5.41 adjusted for the equity raising) on 23 April 2020 following the announcement on 20 April 2020 that no interim distribution would be declared with respect to 1H20. Also during this period, Sydney Airport announced a \$2.0 billion equity raising at \$4.56 per new security, a 15.4% discount to the \$5.39 closing price of Sydney Airport Securities on 10 August 2020 and a 13.2% discount to the theoretical ex rights price of \$5.26.

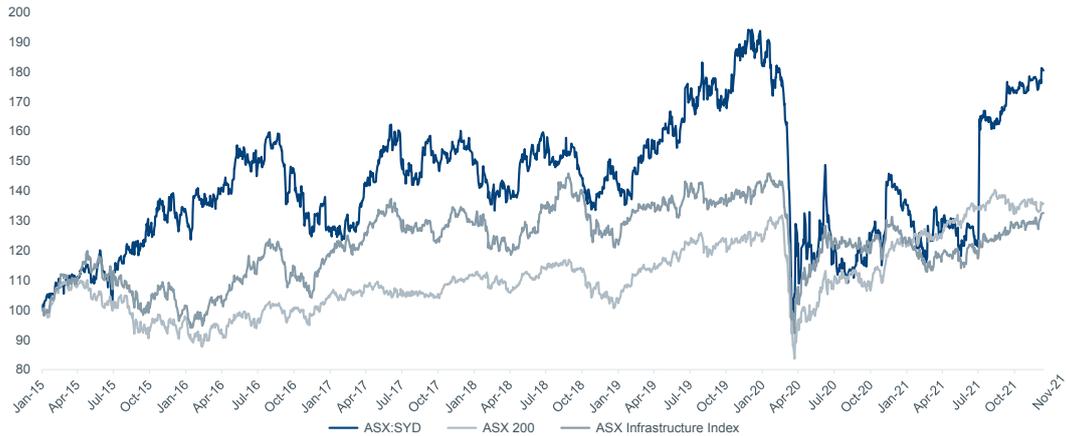
In the month prior to the announcement of the First Offer, Sydney Airport Securities traded in the range of \$5.69 to \$6.17, at a VWAP of \$5.95 and closed at \$5.81 on 2 July 2021. This period coincided with the outbreak of the Delta variant in Sydney and associated border restrictions.



8.13.2 Relative security price performance

Sydney Airport is a member of a number of indices including the ASX 200 Index (0.9% weighting), S&P/ASX 100 Index (1.0%), S&P/ASX 50 Index (1.2%), S&P/ASX Infrastructure Index (**ASX Infrastructure Index**) (17.9%) and S&P/ASX 200 Transportation Infrastructure Index (26.1%). The performance of Sydney Airport Securities, relative to the ASX 200 Index and ASX Infrastructure Index (rebased to 100) since 1 January 2015 is illustrated as follows.

Sydney Airport Relative Security Price Performance since 1 January 2015



Source: S&P Capital IQ and Kroll analysis. Sydney Airport Security prices are not adjusted for the equity raising.

Trading in COVID-19 pandemic

The performance of Sydney Airport Securities from 1 January 2020, relative to the ASX 200 Index and ASX Infrastructure Index (rebased to 100) is illustrated as follows.

Sydney Airport Relative Security Price Performance since 1 January 2020



Source: S&P Capital IQ and Kroll analysis. Sydney Airport Security prices are not adjusted for the equity raising.

In response to the COVID-19 pandemic, the Sydney Airport Security price declined more steeply than the indices, reflecting its greater exposure to the COVID-19 pandemic than other sectors. The ASX Infrastructure Index also underperformed the ASX 200 Index, likely reflecting the dominance of Transurban (which owns and operates toll roads that were impacted by lockdowns), Sydney Airport and Auckland International in the index.



Sydney Airport Relative Security Price Impact of COVID-19 Pandemic

	21 February 2020	19 March 2020	Decrease
Sydney Airport	\$8.39	\$4.70	(44.0%)
Auckland International Airport	\$8.23	\$4.49	(45.4%)
Transurban Group	\$16.26	\$10.04	(38.3%)
APA Group	\$11.34	\$9.83	(13.3%)
Ausnet Services Ltd	\$1.74	\$1.73	0.9%
ASX Infrastructure Index	7,139.0	4,782.9	(33.0%)
ASX 200 Index	213.9	145.2	(32.1%)

Source: S&P Capital IQ and Kroll analysis. Sydney Airport Security prices are not adjusted for the equity raising.

The Sydney Airport Security price increased from April to June 2020 in line with the indices then, with little prospect of a distribution in the near term, remained subdued (as did the ASX Infrastructure Index), albeit exhibiting significant volatility, while the ASX 200 Index recovered and then surpassed pre-pandemic levels.

8.13.3 Liquidity

An analysis of the volume of trading in Sydney Airport Securities, including the VWAP for various periods up to 2 July 2021 (the last trading day before the announcement of the First Offer) is set out as follows.

Sydney Airport Liquidity

Period	Price (\$)			Cumulative value (\$ million)	Cumulative volume (\$ million)	Percentage of issued capital
	Low	High	VWAP			
1 day	5.75	5.81	5.77	69.3	12.0	0.4%
1 month	5.69	6.17	5.97	1,196.2	200.5	7.4%
3 months	5.58	6.29	5.97	2,662.4	446.3	16.5%
6 months	5.48	6.48	5.97	5,576.4	934.6	34.6%
12 months	4.99	7.49	5.93	13,794.3	2328.1	86.3%

Source: Kroll analysis. Sydney Airport Security prices are not adjusted for the equity raising.

In the 12 months to 2 July 2021, 86.3% of issued securities were traded (101.5% of free float⁷⁰). This level of trading indicates that Sydney Airport Securities are liquid. Further, as noted, Sydney Airport is widely covered by brokers and has significant institutional support. Liquidity during this period was also impacted by the equity raising in August and September 2020.

9 Valuation of Sydney Airport

9.1 Summary

Kroll has assessed the value of Sydney Airport's equity to be in the range of \$21.4 billion to \$23.9 billion, or \$7.94 to \$8.86 per Sydney Airport Security. Our range of assessed values reflects 100% ownership of Sydney Airport and, therefore, incorporates a control premium. The value of Sydney Airport is the equity value (including the value of the commercial property developments), less liabilities not reflected in the cash flows and cash to pay out the Sydney Airport Performance Rights. The valuation is summarised as follows.

Sydney Airport Valuation Summary

	Section Reference	Low	High
Value of Sydney Airport equity (100% basis)	9.3 & 9.4	21,500.0	24,000.0
Other assets/(liabilities)	9.5	(49.8)	(49.8)
Cash to pay out Sydney Airport Performance Rights	8.12	(27.9)	(27.9)
Value of equity to Sydney Airport Securityholders		21,422.3	23,922.3
Number of Sydney Airport Securities on issue (million)	8.12	2,698.7	2,698.7
Value per Sydney Airport Security		\$7.94	\$8.86

Source: Kroll analysis.

⁷⁰ Free float excludes Unisuper's approximate 15.01% interest in Sydney Airport.



In assessing the value of Sydney Airport's equity, Kroll has adopted a DCF analysis as a primary methodology (refer to Section 9.3). The value derived from the DCF analysis has been cross-checked using multiples of EBITDA for publicly traded airport groups and transactions involving airport groups (refer to Section 9.4).

In forming our view as to the value of Sydney Airport we have considered a range of factors including the strategic importance of Sydney Airport as Australia's largest airport and the main gateway in and out of Australia, its financial position and growth prospects, having regard to the post-COVID-19 pandemic environment for travel, and the potential future impact of Western Sydney Airport. The valuation also captures the value of Sydney Airport's 107 hectares of commercial development opportunities and synergies available to a pool of potential acquirers.

There is considerable uncertainty as to the timing of the recovery in air travel from the COVID-19 pandemic and the long-term impacts of the pandemic on air travel, each of which is out of the control of management. There are ongoing uncertainties regarding long-term demand for business travel, in particular, given the greater acceptance of virtual meetings and growing concerns around the environmental sustainability of air travel, as well as the competitive impact of Western Sydney Airport when it becomes operational in 2027. This results in there being a wide range of potential outcomes for passenger numbers. Kroll has developed a number of scenarios which reflect the risks to passenger numbers as well as other opportunities and risks to which Sydney Airport is exposed. We have, however, limited our scenarios to those that we consider to be plausible based on the evidence available. By adopting a value range that assumes passenger movements return to (and surpass) the trajectory reflected in the Sydney Airport Master Plan 2039, our selected value range effectively de-risks the impact of any potential future adverse passenger scenarios for Sydney Airport.

Observations from transaction evidence indicates that control premiums are broadly in the range of 25% to 40% for completed transactions involving airports depending on the individual circumstances.⁷¹ In transactions where it was expected that the combined entity would be able to achieve significant synergies, the takeover premium was frequently estimated to be towards the high end of this range or greater.

Our valuation range of \$7.94 to \$8.86 per Sydney Airport Security reflects a premium to the closing price of \$5.81 on 2 July 2021⁷² in the range of 36.6% to 52.6% and a premium to the one month VWAP of \$5.97 in the range of 33.1% to 48.6%. These premiums are towards or above the high end of the range of premiums typically observed. We note that:

- this period of trading coincided with the outbreak of the Delta variant of COVID-19 in Sydney. Since this time, vaccination rates have increased rapidly, COVID-19 cases have declined, lockdown restrictions have been eased, regional travel restrictions have been eased, States are progressively opening borders to NSW and quarantine-free international travel is gradually being introduced. Trading at the time also likely reflected that there was limited prospect of a distribution in the near future; and
- synergies available to a pool of potential acquirers are expected to be limited as the likely acquirer is a financial buyer, however, Sydney Airport has significant strategic value and is attractive as a high yielding asset for investors with a long-term view on value.

9.2 Approach

9.2.1 Overview

Our valuation of Sydney Airport has been prepared on the basis of 'fair value'. The generally accepted definition of fair value (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Fair value excludes 'special value', which is the value over and above the value that a particular buyer, which can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

Fair value is commonly derived by applying one or more of the following valuation approaches:

- the market approach;

⁷¹ 2021 Mergerstat Review. Range represents median premium from 2011 to 2020. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

⁷² The last day of trading prior to the First Offer.



- income approach; or
- cost approach.

These approaches are discussed in further detail in Appendix 4. The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the business and the actual practice adopted by purchasers of the type of asset or business involved. A secondary methodology is often adopted as a cross-check to ensure the reasonableness of the outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, the market approach and income approach are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich (e.g. real estate investment trusts), a cost approach is typically adopted as there tends to be minimal goodwill, if any.

9.2.2 Selection of methodology

A discussion of the rationale for the selection of the valuation methodologies is set out below.

Income approach

Under an income approach the value of an asset is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history, there is a variable pattern of cash flow, or the asset has a finite life.

The most common application of the income approach is the DCF methodology. A DCF methodology is also the most commonly used methodology for infrastructure assets. Consequently, a DCF methodology has been adopted as our primary methodology for valuing Sydney Airport. This methodology allows for cash flows to reflect the recovery from the COVID-19 pandemic and the finite life of the lease and allows for a range of scenarios to be modelled (e.g. in relation to the timing of the recovery of passenger movements and the long-term impact of the COVID-19 pandemic on passenger movements).

A DCF methodology can be applied to cash flows to the whole asset or cash flows to equity. Cash flow to the whole asset is most commonly used because an asset should theoretically have a single value that is independent of how it is financed or whether income is paid as dividends or reinvested. However, cash flows to equity are the most common approach for valuing infrastructure assets as investors in infrastructure groups seek to maximise distributions over time through leverage. It also allows for the modelling of franking credits in each period. We consider that an acquirer of Sydney Airport would also adopt cash flows to equity and assume that growth capital expenditure continues to be funded through debt such that leverage increases slightly over time and distributions are maximised. Historically, Sydney Airport's distributions have been equivalent to cash flow to equity as it has distributed almost 100% of cash flow to equity.

The DCF analysis was based on a long-term financial model developed by Kroll on the basis of the Cash Flow Model (to 2039) provided by Sydney Airport. Kroll has undertaken various enquiries in relation to the Cash Flow Model, including holding discussions with Sydney Airport management responsible for aeronautical operations, commercial operations, finance, treasury, tax and commercial developments in regard to the key assumptions underlying the Cash Flow Model and reviewing the key assumptions in the context of current economic, financial and other conditions (e.g. regulatory, contractual).

Kroll is of the view that the forward looking information has been prepared on a reasonable basis and is, therefore, suitable as a basis for our valuation. In making this assessment, we have taken the following into account:

- the Cash Flow Model is based on a model which is used in the day-to-day operations of Sydney Airport and forms the basis of an annual valuation that is prepared by an independent valuation firm and provided to banks for funding purposes. It is updated periodically based upon actual results, changes in outlook and the Five-Year Corporate Plan. For the purposes of the Schemes, the term of the model adopted was 2039 (consistent with the period covered by the Sydney Airport Master Plan 2039);
- the mechanics of the model are subject to peer review broadly across Sydney Airport;



- near-term passenger forecasts are aligned with IATA's forecast recovery profile to pre-COVID-19 levels by 2024. This is also consistent with broker and rating agency expectations on the traffic recovery profile;
- passenger forecasts from 2026 revert to the Sydney Airport Master Plan 2039, a comprehensive publicly available document that was prepared in 2019 and sets out the strategic direction for the development of Sydney Airport over the next 20 years. It was prepared following comprehensive engagement and ongoing consultation with airlines, other members of the aviation industry, Australian and NSW Government agencies, local government, the tourism industry, the business sector and the local community. The forecast passenger movements included in the plan were prepared by TFI, an independent consultant and expert in aviation forecasting, peer reviewed by CAPA – Centre for Aviation and reflect long-term macroeconomic factors such as population growth and GDP as well as the potential impact of Western Sydney Airport. In addition, representative day forecast schedules were prepared by Airbiz in consultation with passenger data from TFI (i.e. the plan reflects capacity constraints arising from the hourly movement caps and curfews);
- Sydney Airport has sophisticated management and reporting processes;
- the Cash Flow Model was prepared by management based on a "ground up" approach (e.g. each lease and the unwinding of abatements where applicable is modelled separately) and includes general economic assumptions provided by Sydney Airport; and
- retail and property revenues are mainly contracted under long-term leases and, therefore, are relatively stable and predictable.

There are, however, considerable uncertainties in relation to certain assumptions underlying the Cash Flow Model, including the timing of the recovery from the COVID-19 pandemic, any permanent changes to aviation as a result of the pandemic or increasing environmental concerns, the outcome of negotiations with airlines regarding aeronautical charges, the competitive impact of Western Sydney Airport and the extent to which any cost savings achieved in 2020 and 1H21 can be sustained when passenger movements resume. Consequently, Kroll has considered various scenarios to reflect the impact on value outcomes of these uncertainties.

We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, or tested the mathematical integrity of the Cash Flow Model, however, we have made sufficient enquires and, where considered necessary, have made adjustments to reflect our judgement.

Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. It is commonly adopted where:

- the asset or business or similar assets or businesses are actively publicly traded (market comparable methodology);
- there are frequent and/or observable transactions in comparable assets or businesses (comparable transactions methodology); and
- there is substantial operating history and a consistent earnings trend.

Strong historical growth in passenger numbers at Sydney Airport has underpinned annual increases in revenue every year since the privatisation of Sydney Airport in 2002 until the onset of the COVID-19 pandemic, and passenger growth is expected to resume in future. In addition, there are a number of publicly traded airport groups and transactions involving airport groups from which to calculate meaningful multiples. Consequently, a market approach has been used as a cross-check.

The earnings bases to which a multiple is commonly applied include revenue, EBITDA, EBIT and net profit after tax. The choice between parameters is usually not critical and should give a similar result. For airport groups, however, there is considerable variation in terms of ownership of land and terminal assets (ownership versus concession) and the accounting treatment of concessions. Airport groups that own their land and terminal assets do not depreciate the land whereas those that operate under a concession either record an intangible asset that is amortised or adopt lease accounting, which results in both an amortisation and interest charge for the assets. These variations distort EBIT multiples for airport groups and consequently, Kroll has focused on EBITDA multiples for the purposes of our market approach cross-check.

In considering the appropriate earnings of the business being valued from which to calculate multiples, factors to take into account include whether the historical performance of the business reflects the expected



level of future operating performance, such as when significant changes occur in the operating environment such as the COVID-19 pandemic, or the underlying business is cyclical. In our market approach cross-check, Kroll has considered multiples based on earnings in 2019 (pre-COVID-19 pandemic) and 2024 (when passenger movements are expected to either have returned or be close to returning to pre-COVID-19 levels).

Sydney Airport has not provided earnings guidance. Accordingly, the implied forward multiples used in our market approach cross-check have been calculated based on broker consensus forecasts. Kroll has compared the broker consensus forecast EBITDA for Sydney Airport in 2024 with the forecasts in Scenario A of the Cash Flow Model and concluded that broker consensus forecasts are sufficiently close to be useful for analytical purposes.

Rule-of-thumb valuation benchmarks are sometimes considered to be an application of the market approach. They generally should not be given substantial weight unless market participants place particular reliance on them. We are not aware of any rules of thumb used in valuing airport groups.

Cost approach

A cost based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). Such an approach does not capture growth potential or internally generated intangible value associated with Sydney Airport and consequently, has not been adopted.

9.2.3 Control premium

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing Sydney Airport and, therefore, our valuation is inclusive of a control premium.

The multiples derived for listed comparable companies generally reflect prices at which portfolio interests are traded and consequently, they do not include a control premium. They may also be impacted by the level of liquidity in trading of the particular security. Accordingly, when valuing a business as a whole (i.e. on a 100% basis), it is appropriate to also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected.

The pool of potential acquirers of Sydney Airport is extremely limited as a result of its substantial value, as well as the foreign and cross-ownership restrictions on Australian airports (refer to Section 7.8.2). Many of the parties which would otherwise be considered potential purchasers hold an existing ownership in other capital city airports in Australia that would preclude them from acquiring a substantial interest in Sydney Airport. As a result, we are not aware of any strategic acquirers of Sydney Airport and consider there to be a limited number of financial buyers.

In our DCF analysis, Kroll has assumed that a potential acquirer could save Sydney Airport's public company costs (estimated at \$5.8 million). Furthermore, as a result of Sydney Airport's cost savings initiatives executed in 2020 and 2021, it is possible that some of these costs could continue to be saved in the future, either as a stand-alone entity or under private ownership. In our Scenario A, we have assumed that \$10 million of cost savings achieved in 2020 and 2021 are maintained. We have developed a scenario to illustrate the impact on value if these savings are not maintained.

9.3 Discounted cash flow analysis

As discussed, the DCF analysis was based on a long-term financial model developed by Kroll on the basis of a Cash Flow Model provided by Sydney Airport. The DCF analysis uses as a starting point the financial position of Sydney Airport as at 30 June 2021 and projects nominal, after tax cash flows to equity to 31 December 2039 (which is consistent with the period of the Sydney Airport Master Plan 2039), a period of 18.5 years. After tax cash flows to equity are discounted by a cost of equity in the range of 7.5% to 8.0% (refer to Appendix 5). A terminal value is calculated having regard to the remaining period of the lease. A growth assumption of 3.0% is assumed over the remaining lease term. The resulting terminal value is equivalent to a midpoint multiple of 18.4 times 2039 EBITDA. Tax losses are fully utilised by 2026 after which SAL TCG pays tax at 30%. A franking credit utilisation rate of 80% is assumed. The valuation date is 31 December 2021.

Scenario A assumes that:

- total passenger movements at Sydney Airport recover to 2019 levels by 2024, and in 2026 regain the passenger traffic profile as projected within the Sydney Airport Master Plan 2039. The forecasts make allowance for the opening of Western Sydney Airport from 2027 at a passenger level per annum that



is consistent with the Western Sydney Airport Plan. Long-term passenger growth at Sydney Airport from 2027 is approximately 1.8% per annum, a rate slightly higher than in the Sydney Airport Master Plan 2039 after revising the growth rate for international passenger traffic upwards to 3.1%, which represents the midpoint between the Sydney Airport Master Plan 2039 and Sydney Airport's historical international passenger growth rate between 2000 and 2019;

- aeronautical charges per passenger increase based on negotiated outcomes with airlines consistent with the light handed regulatory regime as described in Section 7.8;
- retail revenue (other than duty-free) increases by a premium to CPI per annum;
- property revenue increases by a premium to CPI per annum;
- BaU operating expenses increase by CPI plus 1%. A portion of cost savings achieved in 2020 and 2021 is sustained (5% of BaU operating expenses);
- the capital expenditure profile is consistent with the Sydney Airport Master Plan 2039 development pipeline adjusted for the impacts of the COVID-19 pandemic;
- growth capital expenditure is funded with debt such that gearing increases to 30% by 2039; and
- borrowing costs are based on the Bank Bill Swap Rate (**BBSW**), which increases gradually to 3.55% in 2035 (the 20-year average) and then remains constant.

The assumptions underlying Scenario A are set out in further detail in Appendix 6.

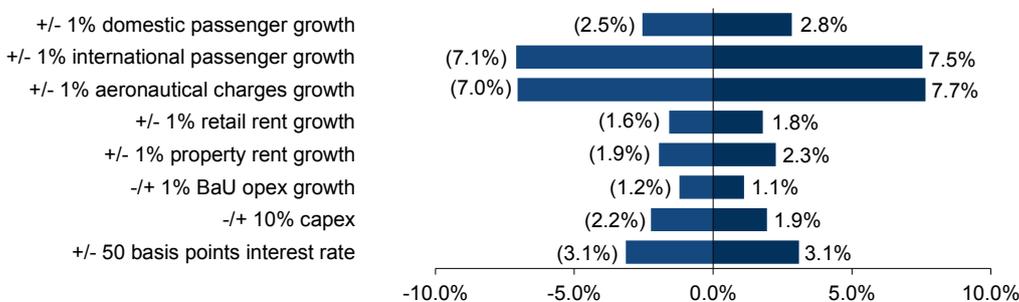
Scenario A produces a net present value (“**value outcome**”) range for Sydney Airport's equity (including on-precinct property developments) of \$21,989 million to \$24,340 million. Kroll has analysed Scenario A to assess the sensitivity of the value outcomes (based on the midpoint) to changes in the following variables:

- domestic passenger growth from 1 January 2026: +/- 1% per annum;
- international passenger growth from 1 January 2026: +/- 1% per annum;
- aeronautical charges growth from 1 January 2024: +/- 1% per annum;
- retail rent growth from 1 January 2024: +/- 1% per annum;
- property rent growth from 1 January 2022: +/- 1% per annum;
- BaU operating expenditure growth from 1 January 2026: +/- 1% per annum;
- capital expenditure: +/- 10%; and
- forecast interest rates from 1 January 2026: +/- 50 basis points.

We note that the various sensitivity commencement dates for variables reflect consideration of factors including the assumed timing of the recovery from the COVID-19 pandemic, contracted revenues, agreed rent abatements, the availability of short-term management forecasts, and interest rate hedging profiles.

The output of this sensitivity analysis is summarised as follows.

Sydney Airport Sensitivity Analysis



Source: Kroll analysis

The chart above highlights the sensitivity of value outcomes to selected movements in a range of assumptions when they are moved individually and is, therefore, useful to understand the sensitivity in value outcomes but is not necessarily representative of the range of potential value outcomes for Sydney Airport. Furthermore, the sensitivity analysis does not take into consideration the interrelationship between key



variables (for example, there is relationship between passenger growth, growth in aeronautical charges per passenger and capital expenditure). The analysis indicates that:

- the value outcomes are highly sensitive to passenger growth as this impacts the revenues for each of Sydney Airport's business units. The value outcomes are highly sensitive to international passenger growth, but less sensitive to domestic passenger growth:
 - in terms of aeronautical charges, international passengers pay a higher charge than domestic and regional passengers given the higher level of infrastructure investment and service;
 - growth in retail spend is also strongly correlated to growth in passenger traffic. This is particularly true for T1 retail (including duty-free) where the retail spend per passenger is significantly higher than the average retail spend per passenger across the domestic terminals. This growth flows through to Sydney Airport through rental agreements, which are often structured to contain a percentage component of rent based on passenger throughput (i.e. duty-free) or annual turnover;
 - although Sydney Airport generates greater car parking revenues from domestic passengers than from international passengers, the average spend per international passenger is higher than that for domestic passengers. Therefore, car parking revenues are more sensitive to incremental international passenger growth;
- the value outcomes are also highly sensitive to changes in aeronautical charges. Aeronautical agreements which expired during the COVID-19 pandemic have largely been rolled-over on existing terms and conditions but will require renegotiation across 2022 and 2023. The result of these and future negotiations depending on the outcomes, based on the sensitivity, indicate that they could have a significant impact on future cash flows and value outcomes either positively or negatively;
- value outcomes are moderately sensitive to changes in interest rates due to Sydney Airport's level of gearing (market gearing⁷³ increases to 30% throughout the forecast period). Interest rate assumptions are of particular consideration given the current position in the interest rate cycle, with interest rates currently at an all-time low and an expectation that they will increase. As at 30 June 2021, interest rate exposures were 99% hedged until maturity, with an average maturity of late 2026, however, there is a risk that interest rates on new borrowings could be higher or lower than expected;
- the value outcomes are moderately sensitive to movements in property rent growth and less sensitive to movements in retail rent growth. While revenue generated from retail is higher than revenue generated from property, a large percentage of retail rent is received from duty-free operator Heineman, which presently has a long-term contract in place and so a component of these revenues will be fixed until contract expiry (although a component of this contract is linked to passenger numbers through the stores). There are additional opportunities in property rent growth given the potential re-purposing of sites and re-pricing of rent to market rates as contracts expire;
- value outcomes are somewhat sensitive to movements in capital expenditure, and least sensitive to growth in BaU operating expenditure:
 - generally, changes to capital expenditure can result from changes to the developmental pipeline, or where the actual cost of projects is different to management forecasts. Sydney Airport has the potential to recover certain aeronautical capital expenditure through adjustments to aeronautical charges based on the negotiated agreements between Sydney Airport and the airlines. Such a recovery has not been modelled for the purposes of the sensitivity.; and
 - changes in BaU operating expenditure in isolation do not lead to large changes in value outcomes;
- it is important to note that the value outcomes demonstrate the power of compounding growth over long periods of time. Sydney Airport's ability to grow aeronautical charges beyond certain levels is constrained by the light handed regulatory regime as set out in Section 7.8 and also in the short-term by the impact of the COVID-19 pandemic on the earnings of airlines; and
- the sensitivity analysis does not consider the extent to which management is able to react to changes in external factors. Sydney Airport management's ability to react to market changes is limited as revenues are largely contracted and Scenario A already assumes that a portion of cost savings achieved in 2020 and 2021 is maintained into the future. Furthermore, any reduction in operating and capital expenditure is likely to be reflected in subsequent aeronautical agreements.

⁷³ Market gearing is net debt divided by the sum of net debt and market capitalisation. Refer to Appendix 4 for more detail.



There is considerable uncertainty regarding the timing of the recovery in air travel from the COVID-19 pandemic and the long-term impacts of the pandemic on air travel, each of which are out of the control of management. There are ongoing uncertainties regarding long-term demand for business travel, in particular, given the greater acceptance of virtual meetings and growing concerns around the environmental sustainability of air travel, and the competitive impact of Western Sydney Airport when it becomes operational in 2027. This results in there being a wide range of potential outcomes for passenger numbers. Kroll has developed a number of scenarios which reflect the risks to passenger numbers as well as other opportunities and risks to which Sydney Airport is exposed. We have, however, limited our scenarios to those we consider to be plausible based on the evidence available, as set out in the following:

- **higher or lower growth in passenger traffic:** Scenario A assumes a recovery to 2019 passenger levels by 2024, beyond which passenger traffic grows broadly in line with the Sydney Airport Master Plan 2039. The exception is international passenger growth, which increases by 3.1% per annum from 2027, and represents the midpoint between the Sydney Airport Master Plan 2039 forecast of 2.7% and the 2000 to 2019 historical growth rate of 3.4%. Passenger growth forecasts are heavily influenced by a myriad of factors, including structural changes to air travel demand in a post-COVID-19 environment and an increasingly sustainability conscious world, various macroeconomic factors including GDP growth and population growth, and other industry or market specific dynamics. The following scenarios have been developed:
 - Scenario B assumes passenger traffic recovers to Sydney Airport Master Plan 2039 levels by 2026 then remains consistent with this forecast until 2039;
 - Scenario C assumes that Sydney Airport's total passenger traffic does not recover to the long-term growth trend and remains approximately 5% below the Sydney Airport Master Plan 2039. The lower growth trend described in this scenario could be the result of weaker long-term macroeconomic factors, a structural shift away from business travel with greater reliance on online meetings, or preferences to travel more locally due to COVID-19 or environmental concerns; and
 - Scenario D assumes a long-term passenger growth upside for Sydney Airport, with a return to 2009 to 2019 historical passenger growth rates following the COVID-19 recovery. This outcome could eventuate with, say, strong growth in the Asian middle class, an expansion of low cost carriers for medium-haul travel, or the introduction of new-generation fuel efficient aircraft promoting new tourism and business travel growth;
- **a slower COVID-19 pandemic passenger recovery profile:** under Scenario A, passenger traffic at Sydney Airport is forecast to return to 2019 levels by 2024. The trajectory of this recovery is in line with forecasts produced by aviation industry bodies IATA and ICAO, as well as credit rating agencies and broker forecasts. However, more pessimistic forecasts see a return to 2019 traffic levels not occurring until 2027. In this respect, in determining traffic recovery scenarios we see the most pessimistic scenarios as being unlikely to occur within Australia, particularly given the strength of our domestic aviation industry and the lack of effective substitutes for interstate and international air travel. Kroll envisages a return to 2019 traffic levels in 2025 as being the most likely "pessimistic passenger recovery" case, and this case is shown in Scenario E;
- **impacts from Western Sydney Airport:** although Sydney Airport holds numerous key competitive advantages over Western Sydney Airport, including proximity to the CBD and enhanced connectivity for passengers, the opening of a second airport changes the competitive landscape and this could result in different pricing scenarios than what is assumed under Scenario A. The opening of a second airport could lead to pressure on aeronautical pricing, or alternatively, greater competition could result in a gradual relaxation of the ACCC price monitoring regime allowing for higher price increases for Sydney Airport. Therefore, we foresee the opening of Western Sydney Airport as having possible upside and downside implications for aeronautical pricing at Sydney Airport. Other factors could also lead to higher or lower aeronautical price increases, including changes to the price monitoring regime, structural changes to air travel demand, and changes to the capital expenditure profile. Scenario F represents a 1% upside aeronautical pricing scenario, while Scenario G reflects a 1% downside pricing scenario. Although we have shown the impact from Western Sydney Airport through alternative aeronautical pricing scenarios, the actual impacts could be manifested in different ways, including through changes to market share which would affect total passenger traffic at Sydney Airport;
- **adjustments to the capital expenditure profile:** the capital expenditure profile in Scenario A is based on a development profile provided by Sydney Airport. Kroll notes that the capital expenditure profile provided by Sydney Airport is higher than the historical averages, with higher maintenance capital expenditure to replace ageing infrastructure, a catch-up in capital expenditure following the



curtailment of non-essential capital expenditure during the COVID-19 pandemic and higher growth capital expenditure to support continued capacity growth. Scenario H assumes that capital expenditure is 10% lower each year relative to Scenario A, where the savings could represent either an element of growth capital expenditure that does not eventuate, is not required, or for which the cost to undertake the projects identified is lower than management's current forecasts; and

- **maintaining of COVID-19 operating expenditure savings:** Scenario A assumes that an acquirer can maintain cost savings generated in 2020 and 2021 equivalent to 5% of BaU operating expenses. Whilst this is possible, we have included Scenario I, which assumes that an acquirer of Sydney Airport is unable to maintain these savings.

These scenarios are summarised as follows.

Sydney Airport Scenario Summary

Scenario Summary	
Scenario A	Assumptions as set out in Appendix 6 (median of international passenger growth in Sydney Airport Master Plan 2039 and historical average)
Scenario B	Scenario A, except Sydney Airport Master Plan 2039 passenger growth (published 2019)
Scenario C	Scenario A, except that total passenger traffic recovers to and maintains a level that is 5% below the long-term growth trend in the Sydney Airport Master Plan 2039
Scenario D	Scenario A, except that total passenger traffic increases by 2000-2019 historical growth rates
Scenario E	Scenario A, except that a return to 2019 total passenger traffic levels occurs one year later, in 2025
Scenario F	Scenario A, except that aeronautical charges growth is 1% higher from 1 January 2026
Scenario G	Scenario A, except that aeronautical charges growth is 1% lower from 1 January 2026
Scenario H	Scenario A, except that capital expenditure is 10% lower each year
Scenario I	Scenario A, except that the 5% operational expenses savings are not maintained

Source: Kroll Analysis

The output of the DCF analysis for a range of discount rates is summarised as follows.

Sydney Airport Scenario Analysis (\$ million)

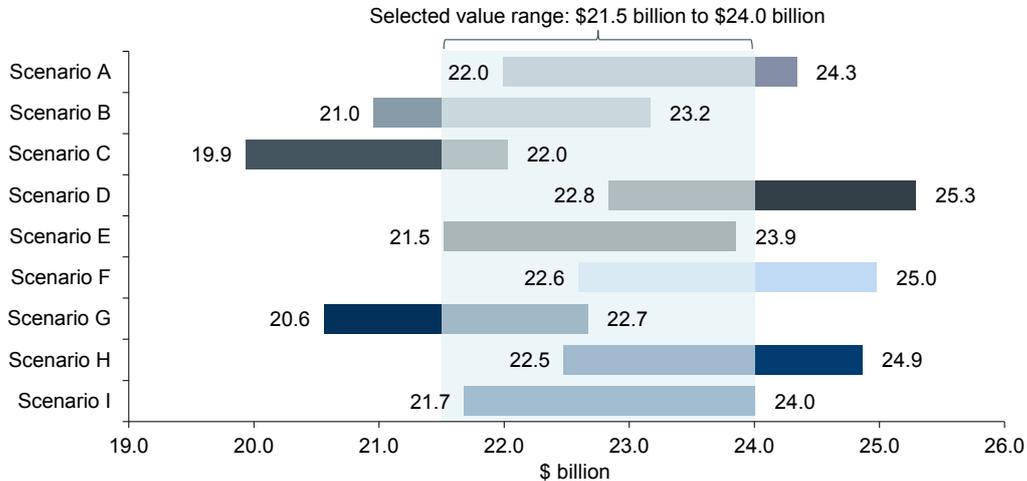
Scenario	Discount Rate				
	8.25%	8.00%	7.75%	7.50%	7.25%
Scenario A	21,106	21,989	23,172	24,340	25,550
Scenario B	20,068	20,959	22,001	23,169	24,223
Scenario C	19,060	19,932	20,953	22,027	23,133
Scenario D	21,835	22,835	23,992	25,292	26,562
Scenario E	20,643	21,519	22,695	23,854	25,056
Scenario F	21,625	22,595	23,719	24,980	26,209
Scenario G	19,683	20,561	21,589	22,669	23,782
Scenario H	21,507	22,478	23,602	24,864	26,094
Scenario I	20,809	21,682	22,853	24,008	25,205

Source: Kroll analysis.

The range of values for each scenario (based on our selected discount rate range of 7.5% to 8.0%) is illustrated in the following chart.



Sydney Airport Scenario Analysis



Source: Kroll analysis.

In considering the results of our Scenario analysis we make the following observations.

Scenario A is considered to be optimistic in that it assumes passenger growth will increase beyond the forecasts contained in the Sydney Airport Master Plan 2039 (Scenario B) in an environment where there is greater uncertainty as to passenger growth and, potentially, greater downside risk than in 2019 when the Sydney Airport Master Plan 2039 was prepared. Scenario A includes international passenger growth from 2027 of 3.1% per annum, which is closer to historical growth rates achieved during a time when inbound traffic from China and outbound Australian resident traffic grew strongly. The scenario also assumes that an acquirer is able to maintain a portion of the cost savings achieved in 2020 and 2021. There is a risk that an acquirer cannot sustain these cost savings. The assumption that savings equivalent to 5% of BaU operating expenses can be maintained is particularly optimistic in upside traffic scenarios such as Scenarios A and D.

Value outcomes are highly sensitive to scenarios that reflect various long-term passenger forecasts (Scenarios B, C and D). There are a number of factors that could result in values represented by Scenarios B and C, for example:

- a domestic economic slow-down. The Reserve Bank of Australia has indicated that the next movement in the cash rate is likely to be an increase which, combined with high levels of household debt, would likely dampen domestic and Australian resident outbound international travel;
- the avoidance of air travel by sustainability conscious individuals and businesses who would prefer to travel locally or conduct meetings over the internet;
- a slowdown in long-term Australian GDP or population growth, either of which could result in lower long-term passenger forecasts similar to those in Scenario C; and
- ongoing travel restrictions caused by COVID-19, other variants of COVID-19 or other viruses.

Scenario D is considered optimistic in that it assumes passenger growth can return to pre-COVID-19 historical trends. This would likely require considerable macroeconomic tailwinds, growth in new markets, and a return to pre-COVID-19 pandemic levels of business travel. It is difficult to envisage strong historical growth being replicated or exceeded, particularly in the post-COVID-19 environment and as previously large and high-growth markets such as Chinese inbound tourism matures.

Scenario E shows that a slower recovery to 2019 traffic levels is not particularly influential in value outcomes.

Scenario A assumes limited increases in aeronautical charges as a result of the negotiated outcomes of future commercial agreements with airlines and light handed regulatory regime set out in Section 7.8. Negotiated pricing outcomes for aeronautical agreements are influential in determining value outcomes. Even small movements in these charges, when compounded over long periods of time, can provide large variations in value as shown in Scenarios F and G. Aeronautical charges are based on commercial agreements which, under the light handed regime, are monitored annually by the ACCC. These factors act as a restraint on the ability to increase aeronautical prices. Kroll considers the probability of either upside or



downside aeronautical pricing scenarios occurring as difficult to determine and, therefore, considers neither case more or less likely.

Scenario I differs from Scenario A in that it assumes that an acquirer of Sydney Airport will be unable to maintain the 5% of annual BaU operating expenditure savings. We view this as a practical possibility, particularly given that the long-term passenger growth achieved in Scenario A exceeds the Sydney Airport Master Plan 2039 forecasts. Consequently, the value outcomes range guided by Scenario I is most closely aligned to Kroll's selected valuation range.

9.4 Market approach cross-check

The multiples implied by our selected value range have been compared to multiples of EBITDA for transactions involving airport groups and publicly traded airport groups. These multiples are summarised below and are set out in further detail in Appendix 7. The enterprise value of Sydney Airport of \$29.8 to \$32.3 billion implies the following multiples of operating EBITDA:

Sydney Airport Implied Multiples

	EBITDA (\$ millions)	Low	High
Enterprise value of Sydney Airport (\$ millions)¹		29,800.5	32,300.5
2019 operating EBITDA - actual	1,336.2	22.3x	24.2x
2023 EBITDA - broker consensus	1,279.5	23.3x	25.2x
2024 EBITDA - broker consensus	1,453.5	20.5x	22.2x

Source: Kroll analysis.

Note 1: Enterprise value is calculated as equity value plus \$9,050.3 million fair value of interest-bearing liabilities as at 30 September 2021 (Section 8.10.2) less \$440.7 million cash as at 30 September 2021 (Section 8.10) less \$309.1 million debt-related derivative asset as at 30 September 2021 (Section 8.10.3).

The implied operating EBITDA multiples for Sydney Airport are at the high end of the market evidence. This is reasonable, taking into account the following:

- the valuation of Sydney Airport includes a premium for control, whereas multiples based on sharemarket evidence do not;
- Sydney Airport is relatively liberalised in terms of government ownership (fully privatised) and regulatory environment (dual-till, price monitoring) and it operates in a market that is less competitive than Europe. It has a relatively long remaining lease term;
- Sydney Airport's strategic value as Australia's largest airport and the main gateway in and out of Australia, and as a result of its proximity to the Sydney CBD;
- the multiples for Sydney Airport include the value of commercial development opportunities (although these opportunities are potentially also reflected in the market evidence);
- the multiples are consistent with and above Auckland International's FY19⁷⁴ EBITDA multiple of 22.6 times and above Auckland International's FY24 EBITDA multiple of 19.7 times. We note, however, that Auckland International's multiple is likely to be positively impacted by the relatively greater scarcity of listed infrastructure groups in New Zealand compared to Australia, combined with pension funds' investment mandates;
- only four transactions involving airport groups over the last 10 years occurred at an equivalent or higher multiple. Each of these transactions occurred in a pre-COVID environment. The COVID-19 pandemic has caused the riskiness of airport groups to be re-evaluated as evidenced by their significant increase in betas and credit rating agencies downgrading or putting a negative watch on many airport groups. Furthermore, two of these transactions occurred during a period of relatively low interest rates in 2019 and 2020, three had significantly higher growth prospects than Sydney Airport and two had surplus land. Similar to London City Airport Limited (**London City Airport**), Sydney Airport is located in close proximity to the CBD, however, London City Airport had much higher passenger growth than Sydney Airport; and
- the acquisition of the remaining 15.2% of SACL by Sydney Airport Holdings Limited announced in August 2013 occurred at a multiple of 18.5 times historical EBITDA, significantly lower than the multiple implied by our selected value range.

⁷⁴ Auckland International has a 30 June year end.

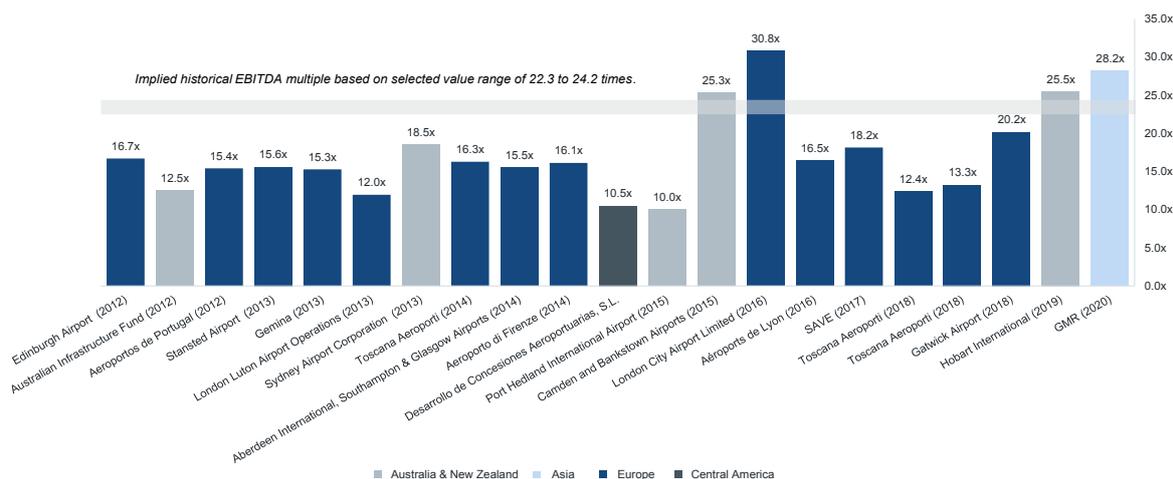


On this basis, the market approach cross-check, in our view, supports the valuation of the equity of Sydney Airport derived under the primary DCF methodology.

9.4.1 Transaction evidence

The following chart sets out the implied EBITDA multiples for a range of airport group transactions.

Historical Transaction Multiple



Source: Capital IQ, Kroll analysis.

Notes: Includes control transactions only and the acquisition of a 49% interest in GMR Airports Limited in 2020. Each of the transactions was announced prior to the onset of the COVID-19 pandemic.

We note the following in relation to the historical transaction multiples:

- the acquisition of the remaining 15.2% of SACL by Sydney Airport Holdings Limited announced in August 2013 occurred at a multiple of 18.5 times historical EBITDA, significantly lower than the multiple of 22.3 to 24.2 times 2019 operating EBITDA implied by our selected value range;
- of the control transactions involving airport groups over the last 10 years, only four transactions had implied multiples that were equivalent to or exceeded the multiples implied by our selected value range for Sydney Airport. Each of these transactions occurred in a pre-COVID environment. The COVID-19 pandemic has caused the riskiness of airport groups to be re-evaluated as evidenced by their significantly higher betas and credit rating agencies downgrading or putting a negative watch on many airport groups. In addition:
 - two of these transactions occurred in 2019 and 2020, when interest rates were at record lows. Interest rates have increased during 2021. In addition:
 - the acquisition of a 49.0% interest in GMR Airports Limited (**GMR Airports**) announced in February 2020 occurred at a multiple of 28.2 times historical EBITDA. This likely also reflects that India was expected to experience high growth in air traffic due to economic and population growth and the current low penetration of aviation travel, with the three airports (Delhi, Hyderabad and Mactan-Cebu) having experienced 8.4% passenger growth in 2019, as well as its ownership of surplus land parcels in Delhi and Hyderabad; and
 - the acquisition of a 70% interest in Hobart International Airport Pty Ltd (**Hobart International**) announced in October 2019 occurred at a multiple of 25.5 times historical EBITDA. This likely also reflects that it was one of Australia's fastest growing airports, with Tasmania registering 10% CAGR in passengers in the five years prior to the announcement of the transaction. It may also reflect the status of the asset as a gateway airport for a capital city, long dated lease expiry (78 years remaining) and the competitive tender process;
 - the acquisition of 100% of London City Airport announced in February 2016 occurred at a multiple of 30.8 times EBITDA. The relatively high EBITDA multiple reflects the airport's unique location approximately 11 kilometres east of the City of London and strong growth profile, with passenger movements having increased by 18.3% in the year leading up to the acquisition;

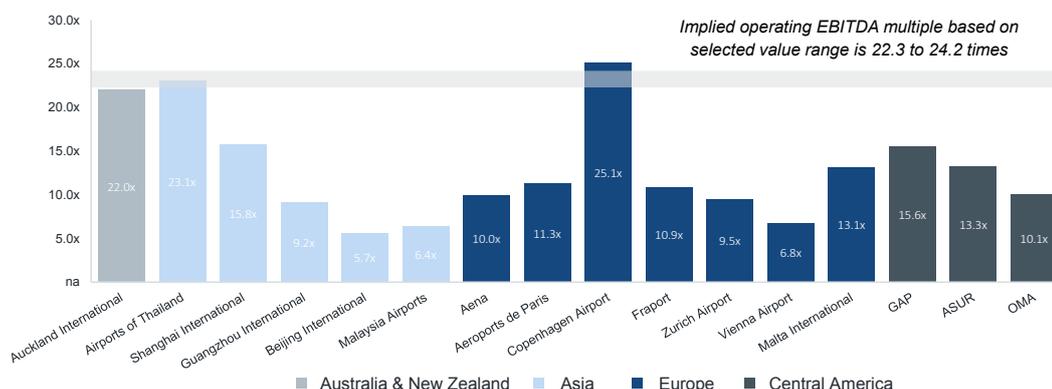


- the acquisition of 100% of Camden Airport Limited and Bankstown Airport Limited (**Camden and Bankstown Airports**) announced in September 2015 occurred at a multiple of 25.3 times historical EBITDA. The multiple may reflect the 31.8 hectares of surplus land at Bankstown and 8.3 hectares of surplus land at Camden. The surplus land was expected to benefit from a \$160 million development for business and retail on adjoining sites. Altis Property Partners noted significant opportunity to build on existing infrastructure at the properties; and
- the acquisition of a 50% interest in Gatwick Airport Limited (**Gatwick Airport**) announced in December 2018 also occurred at a relatively high EBITDA multiple of 20.2 times. Gatwick Airport is the second busiest airport in the United Kingdom and is a perpetual duration freehold asset. The acquirers expected that the asset held room to increase capacity and improve commercial performance.

9.4.2 Sharemarket evidence

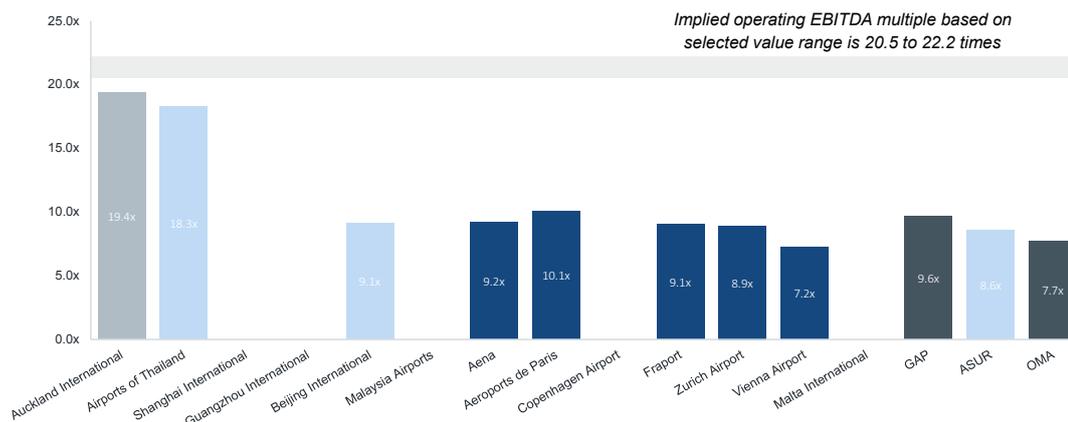
The following chart sets out the implied EBITDA multiples for a range of listed airport groups based on enterprise value as at 14 December 2021 and earnings in 2019 (pre-COVID-19 pandemic) and 2024 (when passenger movements are expected to either have returned or be close to pre-COVID-19 levels).

Sharemarket Evidence – 2019 EBITDA Multiples



Source: Capital IQ, Kroll analysis.

Sharemarket Evidence – 2024 EBITDA Multiples



Source: Capital IQ, Kroll analysis.

Auckland International is the most similar airport group to Sydney Airport in terms of regulatory environment (dual-tilt, price monitoring) although Auckland International owns land whereas Sydney Airport leases land and Auckland Airport is 18.09% owned by Auckland Council whereas Sydney Airport is fully privatised. Auckland International's multiple is likely to be positively impacted by the relatively greater scarcity of listed infrastructure groups in New Zealand compared to Australia, combined with pension funds' investment mandates. Auckland International is trading at 22.0 times FY19 EBITDA and 19.4 times FY24 EBITDA.



Kobenhavns Lufthavne A/S (**Copenhagen Airport**) also operates under price monitoring although prices must be agreed in advance. In addition, it owns land and the Danish Government holds a 39.2% interest. Multiples are also relatively high (25.1 times FY19 EBITDA), however, they may also reflect its extremely limited free float (1.4%). Broker forecasts are not available for Copenhagen Airport.

The 2019 and 2024 multiples for Airports of Thailand Public Company Limited (**Airports of Thailand**) are also relatively high and may reflect the scale and diversification of its operations, moderate growth outlook and, potentially, limited free float.

In comparison, 2019 and 2024 multiples for the global peers which operate in more highly regulated markets with higher levels of government ownership and competition are relatively low.

2024 EBITDA multiples are impacted by broker views as to the expected timing of passenger recovery for each airport. Brokers overall are assuming that earnings for airport groups recover to pre-COVID-19 levels between 2021 and 2025, with the timing of recovery varying between regions. Airports in Mexico are expected to return to 2019 levels in 2021, then continue to grow strongly. Auckland International (which has a 30 June year-end) is expected to recover by FY24 and continue to grow strongly. European and Asian airports are expected to recover more slowly, with earnings generally recovering to 2019 levels between 2023 and 2025.

9.5 Other assets/(liabilities)

Other assets/(liabilities) have been valued as a liability of \$49.8 million and includes the Danish tax indemnity provision. The Sydney Gateway receivable and defined benefit net asset have not been included in other assets/(liabilities) as they are reflected in the Cash Flow Model.



Appendix 1 – Kroll disclosures

Qualifications

The individuals with overall responsibility for preparing this report on behalf of Kroll are Ian Jedlin and Celeste Oakley. Ian is an Associate and Accredited Business Valuation Specialist of the Institute of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Securities Institute of Australia and holds a Master of Commerce. He is also a member of the Standards Review Board of the International Valuation Standards Council. Celeste holds a Bachelor of Economics, a Bachelor of Laws and a CFA designation. Both Ian and Celeste have extensive experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert reports. James Wheatley, Bachelor of Business and Associate Degree in Aviation, assisted in the preparation of this report.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Kroll's opinion as to whether the Schemes are in the best interests of Sydney Airport Securityholders (other than UniSuper). Kroll expressly disclaims any liability to any Sydney Airport Securityholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, Kroll has had no involvement in the preparation of the Scheme Booklet or any other document prepared in respect of the Schemes. As such, Kroll takes no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Schemes (other than this report).

Independence

Kroll considers itself to be independent in accordance with the requirements of Regulatory Guide 112 issued by ASIC on 30 March 2011. In considering independence, it is noted that Kroll does not have, and has not had within the previous two years, any business or professional relationship with Sydney Airport or the Consortium Group or any financial or other interest that could reasonably be regarded as capable of affecting our ability to provide an unbiased opinion in relation to Sydney Airport. Kroll's only role with respect to the Schemes has been the preparation of this report.

Kroll will receive a fixed fee of \$500,000 (excluding GST and out of pocket expenses) for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Scheme Meetings. Kroll will receive no other benefit for the preparation of this report.

Declarations

Sydney Airport has provided an indemnity to us for any claims arising out of any misstatement or omission in any material or information provided to us in the preparation of this report.

During the course of this engagement, Kroll provided draft copies of this report to management of Sydney Airport for comment as to factual accuracy, as opposed to opinions, which are the responsibility of Kroll alone. Changes made to this report as a result of those reviews have not altered the methodology or opinions of Kroll as stated in this report.

The engagement has been conducted in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (**APESB**).

Kroll is authorised by Millinium Capital Managers Limited, Australian Financial Services License no. 284336, to provide the following financial services as their Corporate Authorised Representative:

- provide financial product advice in respect of the following classes of financial products:
- interests in managed investment schemes including investor directed portfolio services; and
- securities;

with respect to retail clients and wholesale clients.



Consents

Kroll consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet to be issued to Sydney Airport Securityholders. Neither the whole nor any part of this report or its attachments or any reference thereto may be included or attached to any other document without the prior written consent of Kroll as to the form and context in which it appears.



Appendix 2 – Limitations and reliance on information

Limitations and reliance on information

Kroll's opinion is based on prevailing economic, market, business and other conditions at the date of this report and corresponds with a period of continued uncertainty associated with the COVID-19 pandemic. To the extent possible, we have reflected these conditions in our opinion. However, the factors impacting these conditions continue to evolve and can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the assets being valued specifically, could impact upon value in the future, either positively or negatively. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

Our report is also based on financial and other information provided by Sydney Airport. Sydney Airport has been responsible for ensuring that information provided by it and its representatives is not false or misleading or incomplete. Sydney Airport has represented in writing to Kroll that to its knowledge, the information provided is complete and not incorrect or misleading in any material respect. Complete information is deemed to be information which at the time of completing this report should have been made available to Kroll and would have reasonably been expected to have been made available to Kroll to enable us to form our opinion. We have no reason to believe that any material facts have been withheld from us.

In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying such information. Nothing in this report should be taken to imply that Kroll has in any way carried out an audit of the books of account or other records of Sydney Airport or the Consortium Group for the purposes of this report. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards, as applicable.

In addition, we have also had discussions with Sydney Airport in relation to the nature of the business operations, specific risks and opportunities, historical results of Sydney Airport and prospects for the foreseeable future of Sydney Airport. This type of information has been evaluated through analysis, inquiry and review to the extent considered necessary or practical as part of the information used in forming our opinion is comprised of the opinions and judgements of management. Kroll does not warrant that its procedures and inquiries have identified all matters that a more extensive analysis might disclose as they did not include verification work nor an audit or review engagement in accordance with standards issued by the Auditing and Assurance Standards Board or equivalent body.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. Such information is often not capable of external verification or validation.

The statements and opinions included in this report are given in good faith and in the belief that such statements and opinions are not false or misleading.

Disclosure of information

In preparing this report, Kroll has had access to all financial information considered necessary in order to provide the required opinion. Sydney Airport has requested Kroll limit the disclosure of certain information relating to Sydney Airport. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Sydney Airport. As such the information in this report, unless otherwise indicated, has been limited to the type of information that is regularly placed into the public domain by Sydney Airport.

Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information

- Scheme Booklet;
- SID;
- results presentations and annual reports for Sydney Airport for 2015 to 2020 and 1H21;



- ASX announcements, press releases, media and analyst presentations and other public filings by Sydney Airport including information available on its website;
- broker reports and recent press articles regarding Sydney Airport;
- information sourced from S&P Capital IQ;

Non-public information

- Sydney Airport Board papers and other internal briefing papers prepared by Sydney Airport in relation to the Schemes; and
- other confidential documents, presentations and workpapers.

In addition, we have had discussions with, and obtained information from, senior management of Sydney Airport.



Appendix 3 – Broker consensus

Other than advising that there will be no final distribution with respect to 2021, Sydney Airport has not released earnings guidance. In order to provide an indication of the expected future financial performance of Sydney Airport, Kroll has considered broker forecasts. As far as Kroll is aware, Sydney Airport is followed by 14 brokers. Three brokers are acting as advisors on the Schemes and, therefore, are restricted from providing forecasts. Each of the remaining brokers has published reports following the release of the 1H21 results.

The level of disclosure differs between brokers. Of the 11 brokers that have published forecasts since the release of the HY21 financial results:

- only two brokers have provided 2024 forecasts; and
- two brokers have not disclosed aeronautical revenue and aeronautical security recovery separately. Consequently, Kroll has assumed that the allocation between these items for those brokers is the same as the median allocation for the other brokers.

In addition, earnings definitions are not always consistent. One broker adjusts revenue to remove the accounting impact of amortising abatements and reflects the impact of abatements and non-recoverable debits on revenue.

A summary of the broker forecasts for Sydney Airport as at 14 December 2021 is provided as follows.

Sydney Airport Broker Forecast Revenue, Operating EBITDA and Operating EBIT (\$ millions)

Broker	Date of report	Revenue			Operating EBITDA			Operating EBIT					
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Broker 1	13-Sep-21	601.0	1,156.0	1,606.0	1,818.0	381.0	928.0	1,290.0	1,449.0	(65.0)	473.0	817.0	957.0
Broker 2	9-Dec-21	677.0	1,031.0	1,189.0		443.0	839.0	964.0		5.0	389.0	504.0	
Broker 3	20-Aug-21	609.8	1,056.4	1,493.4		310.9	803.3	1,190.7		(130.0)	351.7	746.5	
Broker 4	13-Sep-21	605.8	1,185.9	1,564.0		294.8	907.9	1,273.0		(161.2)	466.9	781.0	
Broker 5	20-Aug-21	572.0	1,123.0	1,619.0		361.0	897.0	1,324.0		(73.0)	501.0	939.0	
Broker 6	20-Aug-21	538.0	1,055.0	1,735.0		281.0	774.0	1,361.0		(164.0)	333.0	923.0	
Broker 7	13-Sep-21	569.0	832.0	1,404.0	1,782.0	288.0	608.0	1,115.0	1,458.0	(160.0)	145.0	636.0	957.0
Broker 8	19-Oct-21	622.0	1,127.0	1,435.0		356.0	867.0	1,182.0		(91.0)	407.0	711.0	
Broker 9	20-Aug-21	527.4	940.0	1,540.0		312.1	705.8	1,286.0		(96.0)	311.5	901.9	
Broker 10	13-Sep-21	629.0	1,293.0	1,672.0		330.0	1,039.0	1,392.0		(120.0)	624.0	978.0	
Broker 11	20-Aug-21					337.0							
Low		527.4	832.0	1,189.0	1,782.0	281.0	608.0	964.0	1,449.0	(164.0)	145.0	504.0	957.0
High		677.0	1,293.0	1,735.0	1,818.0	443.0	1,039.0	1,392.0	1,458.0	5.0	624.0	978.0	957.0
Median		603.4	1,089.7	1,552.0	1,800.0	330.0	853.0	1,279.5	1,453.5	(108.0)	398.0	799.0	957.0
Mean		595.1	1,079.9	1,525.7	1,800.0	335.9	836.9	1,237.8	1,453.5	(105.5)	400.2	793.7	957.0

Source: Brokers' reports, Kroll analysis.



Sydney Airport Broker Forecast Revenue by Business Unit (\$ millions)

Broker	Date of report	Aeronautical Revenue		Retail Revenue		Property and Car Rental Revenue		Parking and Ground Transportation Revenue									
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024				
Broker 1	13-Sep-21	161.9	462.2	713.3	847.1	162.0	269.0	374.0	404.3	170.0	238.0	264.0	274.9	53.0	98.0	149.0	176.1
Broker 2	9-Dec-21	169.6	423.3	526.6		195.0	239.0	287.0		184.0	193.0	203.0		62.0	94.0	94.0	
Broker 3	20-Aug-21	179.1	404.6	660.6		146.6	249.0	333.9		174.1	209.9	234.3		39.9	111.1	154.3	
Broker 4	13-Sep-21	177.8	518.0	737.1		144.1	224.1	317.0		179.2	224.0	240.8		45.2	135.5	170.8	
Broker 5	20-Aug-21	160.0	463.0	786.0		174.0	233.0	301.0		173.0	191.0	211.0		31.0	124.0	177.0	
Broker 6	20-Aug-21	161.0	340.0	704.0		120.0	267.0	356.0		159.0	238.0	252.0		40.0	109.0	269.0	
Broker 7	13-Sep-21	165.0	292.0	589.0	797.0	164.0	194.0	331.0	418.0	165.0	207.0	257.0	279.0	31.0	87.0	141.0	176.0
Broker 8	19-Oct-21	152.0	455.0	664.0		183.0	240.0	290.0		191.0	210.0	225.0		51.0	145.0	149.0	
Broker 9	20-Aug-21	195.2	433.2	831.4		54.6	123.3	228.6		140.6	165.9	208.8		47.0	133.6	185.4	
Broker 10	13-Sep-21																
Broker 11	20-Aug-21																
Low		152.0	292.0	526.6	797.0	54.6	123.3	228.6	404.3	140.6	165.9	203.0	274.9	31.0	87.0	94.0	176.0
High		195.2	518.0	831.4	847.1	195.0	269.0	374.0	418.0	191.0	238.0	264.0	279.0	62.0	145.0	269.0	176.1
Median		165.0	433.2	704.0	822.0	162.0	239.0	317.0	411.2	173.0	209.9	234.3	277.0	45.2	111.1	154.3	176.1
Mean		169.1	421.2	690.2	822.0	149.3	226.5	313.2	411.2	170.7	208.5	232.9	277.0	44.5	115.2	165.5	176.1

Source: Brokers' reports, Kroll analysis.

Sydney Airport Broker Forecast Net Operating Receipts (\$ millions), Net Operating Receipts per Security and Distributions per Security

Broker	Date of report	Net Operating Receipts		Net Operating Receipts per Security (¢)		Distributions per Security (¢)							
		2021	2022	2023	2024	2021	2022	2023	2024				
Broker 1	13-Sep-21	2.7	569.5	944.7	1,033.7	0.1¢	21.1¢	35.0¢	38.3¢	-	16.9¢	31.5¢	34.4¢
Broker 2	9-Dec-21	24.0	490.0	601.0		0.9¢	18.1¢	22.3¢		-	9.1¢	22.3¢	
Broker 3	20-Aug-21	(66.5)	539.9	855.9		(2.5¢)	20.0¢	31.7¢		-	15.0¢	28.0¢	
Broker 4	13-Sep-21	(62.0)	576.0	940.0		(2.3¢)	21.3¢	34.8¢		-	21.4¢	34.8¢	
Broker 5	20-Aug-21	(29.7)	550.6	979.7		(1.1¢)	20.4¢	36.3¢		-	20.0¢	36.3¢	
Broker 6	20-Aug-21	124.0	455.0	980.0		4.6¢	16.9¢	36.3¢		-	11.0¢	34.0¢	
Broker 7	13-Sep-21	70.0	310.0	705.0	1,028.0	2.6¢	11.5¢	26.1¢	38.1¢	-	-	15.5¢	34.0¢
Broker 8	19-Oct-21	(72.9)	493.9	785.4		(2.7¢)	18.3¢	29.1¢		-	18.0¢	28.5¢	
Broker 9	20-Aug-21									-	14.0¢	30.0¢	
Broker 10	13-Sep-21									-	24.3¢	36.9¢	
Broker 11	20-Aug-21									-	-	-	
Low		(72.9)	310.0	601.0	1,028.0	(2.7¢)	11.5¢	22.3¢	38.1¢	-	-	15.5¢	34.0¢
High		124.0	576.0	980.0	1,033.7	4.6¢	21.3¢	36.3¢	38.3¢	-	24.3¢	36.9¢	34.0¢
Median		(13.5)	516.9	898.0	1,030.9	(0.5¢)	19.2¢	33.3¢	38.2¢	-	16.5¢	32.0¢	34.0¢
Mean		(1.3)	498.1	849.0	1,030.9	(0.0¢)	18.4¢	31.5¢	38.2¢	-	15.5¢	30.5¢	34.0¢

Source: Brokers' reports, Kroll analysis.



Sydney Airport Broker Forecast Passenger Movements (millions)

Broker	Date of report	Domestic Passenger Movements			International Passenger Movements		
		2021	2022	2023	2021	2022	2023
Broker 1	13-Sep-21	8.5	26.2	28.0	0.7	6.0	12.7
Broker 2	9-Dec-21	11.3	26.0	29.9	0.7	5.1	6.8
Broker 3	20-Aug-21	7.9	20.1	23.1	0.6	5.4	13.0
Broker 4	13-Sep-21						
Broker 5	20-Aug-21	6.2	23.5	27.5	0.5	8.1	16.9
Broker 6	20-Aug-21						
Broker 7	13-Sep-21	6.1	15.9	23.6	0.6	2.3	11.1
Broker 8	19-Oct-21	7.7	22.1	25.5	0.8	6.7	12.7
Broker 9	20-Aug-21						
Broker 10	13-Sep-21	7.7	22.3	27.4	0.6	9.2	16.2
Low		6.1	15.9	23.1	0.5	2.3	6.8
High		11.3	26.2	29.9	0.8	9.2	16.9
Median		7.7	22.3	27.4	0.6	6.0	12.7
Mean		7.9	22.3	26.4	0.7	6.1	12.8

Source: Brokers' reports; Kroll analysis.



Appendix 4 – Valuation methodologies

The purpose of the valuation methodology adopted is, in the absence of direct market evidence, to provide an estimate of value using methodologies that rely on other sources of evidence. Consistent with International Valuation Standards, valuation methodologies applicable to assets or businesses can be categorised under three approaches: market approach, income approach and cost approach.

These approaches have application in different circumstances. The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the business and the actual practice adopted by purchasers of the type of asset or business involved.

Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. It is commonly adopted where:

- the asset or business or similar assets or businesses are actively publicly traded (**market comparable methodology**);
- there are frequent and/or observable transactions in comparable assets or businesses (**comparable transactions methodology**); and
- there is substantial operating history and a consistent earnings trend.

The market comparable methodology indicates the value of a business by comparing it to publicly traded companies in similar lines of business. An analysis of the trading multiples of comparable companies yields insight into investor perceptions and, therefore, the value of the subject company. The multiples are evaluated and compared based on the relative growth potential and risk profile of the subject company vis-a-vis the publicly traded comparable companies. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands.

The comparable transaction methodology indicates value based on exchange prices in actual transactions. This process essentially involves the comparison and correlation of the subject company with other similar businesses recently sold or currently offered for sale. Considerations such as timeframe of transaction, premiums, and conditions of sale are analysed, and the observed transaction multiples are subjectively adjusted to indicate a value for the subject company.

A key step in both methods is determining the appropriate unit of comparison. In a business valuation common units of comparison include, revenue, EBITDA, EBIT, net profit after tax and book values. The choice will typically depend on the industry and characteristics of the subject asset.

Rule-of-thumb valuation benchmarks are sometimes considered to be an application of the market approach. They generally should not be given substantial weight unless market participants place particular reliance on them.

Income approach

Under an income approach the value of an asset is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history or there is a variable pattern of cash flow or the asset has a finite life.

The most common methodology adopted is the discounted cash flow (**DCF**) methodology. It has a strong theoretical basis and benefits by explicitly estimating future cash flows, allowing it to be used in a variety of circumstances, whether that be a start-up or an established business. It also allows for various scenarios and/or sensitivities to be modelled. Under a DCF methodology, forecast cash flows are discounted back to the valuation date resulting in a present value for the asset. Where there is an explicit forecast period a terminal value will typically be included, representing the value of the asset at the end of this period, which is also discounted back to the valuation date to give an overall value for the business. The rate at which the



future cash flows are discounted (the discount rate) should reflect not only the time value of money, but also the risk associated with the asset or business' future operations. Whilst discount rates are generally determined from observable data, substantial judgement is required in their determination. Further, the cash flows themselves also require considerable judgement in their preparation, placing significant importance on the quality of the underlying cash flow forecasts and the determination of an appropriate discount rate in order for a DCF methodology to produce a sensible valuation figure.

DCF's can also be extremely sensitive to what may be considered small changes in various assumptions and the longer the forecast period the more difficult it is in general to forecast cash flows with sufficient reliability. As such, it is important to adequately understand the basis and risks associated with the various assumptions used to derive the cash flow forecasts and recognise the impact it can have on resulting values including the value range. Notwithstanding, DCF methodologies are widely used and benefit from the rigour associated with the preparation of future cash flows.

Cost approach

Under a cost approach the value of an asset is determined having regard to the cost to replace or reproduce the asset. The most common methodologies include:

- the replacement cost;
- the reproduction cost method; and
- the summation method.

A cost based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies).

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).



Appendix 5 – Discount rate

Discount rate conclusion

Kroll has selected a cost of equity in the range of 7.5% to 8.0% for Sydney Airport based on the selected parameters adopted within the capital asset pricing model (**CAPM**). The CAPM is commonly employed as the basis for determining an appropriate discount rate where cash flow forecasts consist of free cash flows to equity holders. Whilst we have utilised CAPM we recognise that market participants often use less precise methods for determining an equity discount rate including target internal rates of return or hurdle rates. They also often do not distinguish between investment types or regions.

We have utilised the following parameters in deriving our discount rate.

Selected Cost of Equity Parameters for Sydney Airport

Parameter	Symbol	Low	High
Risk free rate	R_f	3.0%	3.0%
Equity risk premium	ERP	6.0%	6.0%
Unlevered beta		0.60	0.65
Tax rate	t	30%	30%
Gearing (debt/(debt+equity))	D/(D+E)	30%	30%
Debt/equity	D/E	43%	43%
Levered beta	β	0.78	0.85
Company specific risk premium (alpha)	α	0.0%	0.0%
Cost of equity (post tax)	K_e	7.7%	8.1%
Selected range		7.50%	8.00%

Source: Kroll analysis

The objective of the discount rate is to appropriately reflect the expected return of a hypothetical prudent purchaser, based upon the perceived risks associated with Sydney Airport. In this respect, it is relevant to recognise that the selection of an appropriate discount rate to apply to the forecast cash flows of any asset or business operation is a matter of judgement and that the individual components should not be considered in isolation but rather as components of an overall discount rate. As a result of this subjectivity, the calculated discount rate should be treated as guidance rather than objective truth.

Furthermore, our discount rate reflects an assessment at a point in time as to both current market conditions and future expectations. To the extent that there are any changes in conditions and expectations over time, it is likely that an adjustment to the discount rate may be warranted.

Cost of equity

The cost of equity has been derived from the application of a modified CAPM.⁷⁵ The CAPM has been empirically tested and is widely accepted for the purpose of estimating a company's required return on equity. In applying the CAPM, the rate of return on equity is estimated as the current risk-free rate of return on a long-term government bond plus a market risk premium, multiplied by the "beta" for the shares. Beta is defined as a risk measure that reflects the sensitivity of a company's share price to the movements of the stock market as a whole and is a measure of systematic risk.

The modified CAPM rate of return on equity capital is calculated using the formula:

$$K_e = R_f + \beta * (R_m - R_f) + \alpha$$

Where:

K_e = Rate of return on equity capital;

R_f = Risk-free rate of return (normalised long-term Australian sovereign risk);

β = Beta or systematic risk for this type of equity investment, re-levered to reflect the debt-to-equity profile of the Investment;

R_m - R_f = Equity risk premium (**ERP**); the expected return on a broad portfolio of stocks in the market (**R_m**) less the risk-free rate (**R_f**); and

⁷⁵ CAPM is modified by the inclusion of an alpha.



α = Alpha including where relevant, size or other company specific risk.

Risk-free rate

The risk-free rate is a key input in the Capital Asset Pricing Model (**CAPM**). It is the return available, as of a valuation date, on a security that the market generally regards as free of the risk of default. When valuing a going-concern business, the risk-free rate is typically measured over a long-term period. In practice, long-dated bonds issued by governments considered to be generally safe have traditionally been accepted as a proxy for a risk-free security. In Australia, the 10-year Commonwealth Government bond yield is commonly used as a proxy for the risk-free security. As at 30 November 2021, the spot 10-year yield was 1.81%, while as at 14 December 2021 it stood at 1.61%.⁷⁶

Sovereign yields in many developed countries, including Australia, have been at (or near) historical lows in recent times. The academic and investment community diverge on the exact reason for this secular decline in global interest rates. One of the several explanations put forward is the scarcity of safe assets in global markets (i.e., government bonds of developed countries considered "safe" or "risk-free" by investors) leading to a mismatch of supply and demand. These downward trends were exacerbated after COVID-19 was declared a pandemic.

Periods of high uncertainty are often accompanied by flights to quality, which means investors shift significant capital to liquid assets considered "safe", such as government securities of major advanced economies. Australia is one of the very few countries in the world carrying a AAA sovereign debt rating and therefore considered a safe haven by global investors. In addition, to mitigate the impact of COVID-19, the Reserve Bank of Australia (**RBA**), along with other major central banks resorted to the use of unconventional monetary policies, which included (i) large-scale purchases of government securities and in some cases, other financial assets (e.g., corporate bonds), known as quantitative easing (**QE**); and (ii) yield curve targeting policies. The objective was generally the same: to drive long-term interest rates lower and provide ample liquidity to financial markets, thereby lowering the cost of capital and softening the impact of mandatory lockdown policies. The combination of investor flights to quality and central bank interventions, particularly during the height of the COVID-19 crisis, contributed to the record low yields observed in 2020.

During these periods of massive central bank interventions, where risk-free rates appear to be abnormally or artificially low, Kroll recommends the use of normalised risk-free. A normalised risk-free rate is an estimate of a risk-free security that would prevail in the absence of non-market factors affecting rates. A normalised risk-free can be accomplished in a number of ways, including

- (i) simple averaging
- (ii) various "build-up" methods

The first method of estimating a normalised risk-free rate entails calculating averages of yields-to-maturity on long-term government securities over various periods. This method's implied assumption is that government bond yields will revert to the mean. As of October 2021, the 10-year trailing average of the 10-year Australian Commonwealth Government bond yield was 2.5%.

The second method is to normalise risk-free rates relied on build-up models based on the "Fisher equation", which consists of adding a country's projected real rate based on stabilised medium- to long-term economic conditions to the long-term expected inflation.⁷⁷ The long-term real rate cannot be observed directly in the market but there are academic papers that provide attempt to estimate such rate. In the case of Australia, we found that these estimates ranged between 0.8 % to 1.0%.⁷⁸ For the second component of the equation, we use a number of well-established surveys and economic forecasting providers, to arrive at consensus estimates for long-term expected inflation in Australia. As of October 2021, the long-term estimates of

⁷⁶ Source: RBA.

⁷⁷ This is a simplified version of the "Fisher equation", named after Irving Fisher. Fisher's "The Theory of Interest" was first published by Macmillan (New York), in 1930. To be more precise, nominal interest rates incorporate not just inflation expectations, but also compensation for bearing inflation risk. In other words, inflation compensation economically consists of two components: expected inflation (the rate of inflation over the term of the risk-free investment) plus an inflation risk premium (the risk that expected inflation will increase or decrease relative to expected inflation). In essence, the inflation risk premium is related to the dispersion of forecasts of market participants around the expected future inflation rate. The greater the dispersion, the greater the uncertainty, the higher the premium demanded by investors to compensate for this risk.

⁷⁸ Nugent, T., and Tapas Strickland, "What does monetary policy neutrality look like today?", Australia Markets Weekly, June 2021, National Australia Bank; Guttman, R., D. Lawson, and P. Rickards, "The Economic Effects of Low Interest Rates and Unconventional Monetary Policy", RBA Bulletin—September 2020. Bulletin, (September); McCririck, Rachael, and Daniel Rees, 2017 "The Neutral Interest Rate", RBA Bulletin, September Quarter 2017.



inflation ranged from of 2.0% to 2.5%.⁷⁹ Based on the information summarised in the following table, we arrived at a normalised risk-free rate of 3.0%.

Method 1: Long-Term Average		
10-Year Commonwealth Government Securities: ¹		
- Spot Rate		1.8%
- Long-Term (10-year) Trailing Average Yield		2.5%
Method 2: Fisher Equation		
Estimated Long-term Real Risk-Free Rate	0.8% to 1.0%	1.0%
Expected Long-term Inflation	2.0% to 2.5%	2.4%
Range of Estimates	2.8% to 3.5%	na²
Mid-point	3.2%	3.4%
Concluded Normalised Risk-free Rate	3.0%	

Source: Kroll analysis

Notes:

1. Source: RBA and Capital IQ.
2. "na" is not applicable.

Equity risk premium

The ERP represents the required return for bearing the incremental risk of investing in a diversified portfolio of equities rather than investing in a risk-free asset (such as a government bond of a government considered safe of default). A forward-looking ERP is not directly observable in the market. Accordingly, valuation practitioners typically utilise historical data to estimate ERP. However, it is important to understand the level of risk-free rates used to measure the historical ERP and whether the resulting combination of risk-free rate and ERP result in a reasonable proxy for a forward-looking base cost of equity.

To the extent that the realised (i.e., historical) ERP equates on average to expected premiums in prior periods, the historical average ERP may be a useful starting point in developing a current forward-looking ERP estimate. A reason one might look to the historical ERP is that the expectations of investors will be framed from their experiences, and the average historical ERP might be expected to have an influence on investors' expectations about the future. Hence there is usually at least some reliance on average historical ERPs when developing current forward-looking ERP estimates.

However, this does not mean that the ERP estimate should be static over time. Periods of market stability (low volatility) likely indicate that the current forward-looking ERP estimate is below the historical average, and periods of heightened volatility likely indicate that the current forward-looking ERP estimate is above the historical average. COVID-19 upended the global economy and created an even higher level of uncertainty about short-term and medium-term economic growth prospects. Australia, like most countries in the world, adopted a lockdown policy that restricted population movement and closed businesses. The shape and the time of the recovery are still uncertain. As such, a higher ERP than historical averages could be appropriate, particularly if we were relying on a spot 10-year yield as a proxy for the risk-free rate.

The historical ERP has been estimated from an Australian investor perspective over different periods by various researchers and regulatory authorities. In forming our view we have had particular regard to the work of Dr Bishop⁸⁰, as summarised and updated in "Appendix 3B: Additional Sources of Equity Risk Premium Data – Australia" in the *2021 Valuation Handbook – International Guide to the Cost of Capital*, published by Duff & Phelps (a Kroll business).⁸¹ Dr. Bishop estimated the historical Australian ERP for the period of 1900–2020 under different investor perspectives: (i) an Australian investor (in Australian Dollars, or A\$) with access to (i.e., eligible to receive) imputation tax benefits; (ii) an investor in A\$ without access to imputation tax benefits.

The geometric average and the arithmetic average realised ERP were both calculated relative to Australian long-term government bonds. Both the geometric and arithmetic average ERP indications were estimated directly from the underlying data. We consider the arithmetic average to be more relevant for the valuation

⁷⁹. Consensus Economics, Economist Intelligence Unit, IHS Markit, International Monetary Fund, Oxford Economics, and PwC.

⁸⁰. Bishop, S., T. Carlton and T. Pan, "Market Risk Premium; Australian Evidence" Research Paper for the CAANZ Business Valuation Specialist Conference, 13-14 August 2018.

⁸¹. The *2021 Valuation Handbook – International Guide to the Cost of Capital* is available in the Cost of Capital Navigator online platform.



of businesses. The analysis indicated an arithmetic average ERP of 6.8% for an investor with access to imputation benefits and 6.4% for an investor without access to imputation benefits.

In order to be consistent with the approach we adopted to estimate the risk-free rate (based on a normalised estimate), we have applied a long-term view in determining the ERP. On this basis we consider an ERP of 6.0% as appropriate for the long-term investment climate in Australia. Furthermore, an ERP of 6.0% is also within the range determined in various other academic studies and adopted by Australian regulators in recent decisions.

Beta

In selecting an appropriate beta to apply to Sydney Airport, Kroll has considered Sydney Airport's beta as well as betas for selected listed airport groups as at 31 December 2019 (prior to the onset of the COVID-19 pandemic) and as at a current date so as to illustrate any impact of the COVID-19 pandemic.

Pre-COVID-19 pandemic

Airport group betas as at 31 December 2019 are summarised as follows.

Airport Group Betas as at 31 December 2019

Company	Market Capitalisation (A\$ million)	Barra (Levered)			Capital IQ (Local Index)			
		Global Predicted	Local Predicted	Global Historical	2 Year Weekly Levered	2 Year Weekly Unlevered	5 Year Monthly Levered	5 Year Monthly Unlevered
Australia and New Zealand								
Sydney Airport	19,559.5	0.69	0.75	0.23	0.75	0.53	0.65	0.46
Auckland International	10,202.3	0.56	0.90	0.18	0.91	0.78	1.08	0.91
Asia								
Airports of Thailand	50,731.5	0.72	0.93	0.55	0.90	0.90	0.80	0.78
Shanghai International	31,021.3	0.93	0.75	0.83	0.86	0.91	0.68	0.75
Guangzhou International	7,381.8	1.00	0.92	0.76	1.14	1.13	1.02	1.00
Beijing International	6,317.9	na	na	na	0.93	0.89	0.79	0.72
Malaysia Airports	4,383.1	0.57	0.96	0.18	0.95	0.78	1.60	1.26
Europe								
Aena	40,852.3	0.77	0.79	1.11	0.73	0.60	0.68	0.53
Aeroports de Paris	27,831.0	0.80	0.76	0.77	0.85	0.70	0.68	0.56
Copenhagen Airport	9,596.1	0.39	0.34	0.20	0.21	0.18	0.55	0.49
Fraport	11,183.7	0.82	0.78	0.78	0.83	0.56	0.64	0.45
Zurich Airport	7,972.8	na	na	na	0.95	0.83	0.72	0.64
Vienna Airport	5,065.2	0.50	0.37	0.37	0.27	0.25	0.46	0.42
Malta International	1,491.2	0.19	0.98	0.61	1.00	1.00	0.98	0.97
Mexico								
GAP	8,911.2	0.96	1.12	0.60	1.41	1.33	0.78	0.75
ASUR	8,015.5	1.04	0.94	0.75	1.10	1.04	0.84	0.80
OMA	4,211.2	0.92	0.95	0.61	1.16	1.13	1.09	1.05
Minimum	1,491.2	0.19	0.34	0.18	0.21	0.18	0.46	0.42
Maximum	50,731.5	1.04	1.12	1.11	1.41	1.33	1.60	1.26
Median	8,463.3	0.78	0.91	0.61	0.92	0.86	0.79	0.75
Average	14,698.0	0.72	0.82	0.59	0.89	0.81	0.84	0.76

Source: Barra and Capital IQ.

Prior to the COVID-19 pandemic, airports were regarded as fairly resilient, having experienced minimal impact of prior shocks (e.g. SARS) due to their diversified revenue streams, stable aeronautical charges and contractual commercial revenues. Airports have generally been considered higher risk (higher beta) than listed utilities (given their greater elasticity of demand and exposure to volume risk), however, the difference has historically been relatively small. In relation to the levered betas as at 31 December 2019:

- airport groups appear to have been more influenced by movements in their local markets than global markets;
- two-year betas were generally higher than five-year betas, indicating greater systematic risk in the period immediately prior to the COVID-19 pandemic;
- Sydney Airport's predicted Barra beta (local index) was 0.75 and based on information from Capital IQ, its two-year weekly beta was 0.75 and its five-year monthly beta was 0.65;



- the most comparable airport group, Auckland International, had a predicted Barra beta (local index) of 0.90, a two-year weekly beta of 0.91 and a five-year monthly beta of 1.08; and
- the median predicted Barra beta (local index) was 0.91, the two-year weekly beta was 0.92 and the median five-year monthly beta was 0.79, however, other airport groups generally have substantially lower gearing than Sydney Airport.

COVID-19 pandemic

Airport group betas as at 14 December 2021 are summarised as follows.

Airport Group Betas as at 14 December 2021

Company	Market Capitalisation (A\$ million)	Barra (Levered)			Capital IQ (Local Index)			
		Global Predicted	Local Predicted	Global Historical	2 Year Weekly Levered		5 Year Monthly Levered	
Australia and New Zealand								
Sydney Airport	15,679.4	1.29	1.05	1.15	1.14	0.81	1.05	0.76
Auckland International	10,773.5	0.99	1.04	0.99	1.23	1.03	1.44	1.26
Asia								
Airports of Thailand	37,078.9	0.81	0.99	0.83	1.13	1.11	1.22	1.19
Shanghai International	19,379.9	0.67	0.83	0.42	0.89	0.96	0.92	0.95
Guangzhou International	5,799.3	0.69	0.88	0.63	1.12	1.10	1.34	1.33
Beijing International	3,815.5	na	na	na	1.13	1.03	1.02	0.93
Malaysia Airports	3,137.6	0.64	1.09	0.44	1.16	0.92	1.81	1.45
Europe								
Aena	30,725.2	0.93	0.96	1.13	1.05	0.82	1.02	0.82
Aeroports de Paris	16,453.4	1.24	1.23	1.27	1.33	1.11	1.21	0.91
Copenhagen Airport	9,554.0	0.73	0.65	0.50	0.72	0.64	0.52	0.45
Fraport	8,184.2	1.22	1.11	1.37	1.27	0.89	1.58	0.98
Zurich Airport	7,149.4	na	na	na	1.04	0.93	0.96	0.81
Vienna Airport	3,525.0	1.01	0.81	1.10	0.75	0.67	0.93	0.86
Malta International	1,210.1	0.43	1.10	0.89	1.29	1.29	1.17	1.16
Mexico								
GAP	9,048.4	1.48	1.26	1.38	1.76	1.69	1.46	1.38
ASUR	8,134.2	1.30	1.04	0.98	1.43	1.37	1.37	1.30
OMA	3,442.5	1.44	1.10	1.33	1.68	1.63	1.47	1.43
Minimum	1,210.1	0.43	0.65	0.42	0.72	0.64	0.52	0.45
Maximum	37,078.9	1.48	1.26	1.38	1.76	1.69	1.81	1.45
Median	8,159.2	0.96	1.04	0.99	1.15	1.03	1.21	1.07
Average	11,088.2	0.97	1.01	0.95	1.19	1.07	1.21	1.07

Source: Barra and Capital IQ.

Note: Market capitalisation and Capital IQ betas calculated as at 14 December 2021 other than Sydney Airport, which is calculated as at 2 July 2021, the last trading day before the announcement of the First Offer. Barra betas as at 31 October 2021.

Betas for airport groups increased significantly with the COVID-19 pandemic as a consequence of increased uncertainty, which is likely to have affected equity investors' assessment of the risk profile of airports relative to the market as a whole. As a result, there is currently a clear divergence between betas for airport groups and those of utilities. In relation to the levered betas as at 14 December 2021:

- airport groups appear to be more influenced by movements in global markets than they were before the onset of the COVID-19 pandemic;
- overall, betas are similar when calculated over a two-year period and five-year period;
- Sydney Airport's predicted Barra beta (local index) was 1.05, its two-year weekly levered beta (as at 2 July 2021) was 1.14 and its five-year monthly beta was 1.05;
- the most comparable airport operator, Auckland International, had a predicted Barra beta (local index) of 1.04, a two-year weekly levered beta of 1.23 and a five-year monthly beta of 1.44; and
- the median predicted Barra beta was 1.04, the median two-year weekly beta was 1.15 and the median five-year monthly beta was 1.21, however, other airport groups continue to have substantially lower gearing than Sydney Airport.



Greater perceived risk likely reflects the impact of unprecedented government-imposed restrictions on air travel, general lockdowns, quarantine and testing in order to reduce the spread of the COVID-19 disease, the increased risk associated with aeronautical charges negotiated in a highly uncertain environment and the requirement (by law or through necessity) for airport groups to 'share the pain' with commercial customers (e.g. rent abatements and deferrals).

Although many of these risks are expected to subside, investors may continue to expect higher returns to compensate them for greater perceived systematic risks such as continued uncertainty around the speed of any recovery and long-term passenger numbers, uncertainty regarding future price regulation and whether regulators will expect airports to 'share the pain' of airlines in the event of future crises.

Intuitively, historically we would expect a beta for an airport operator to be 1 or below since as noted above, revenue sources are diversified, commercial revenues are typically fairly resilient and aeronautical charges are regulated. The current environment has shown that this resilience will not always exist and that the greater uncertainty resulting from the COVID-19 pandemic, including that the range of possible outcomes in terms of airline traffic is very wide, has increased the investment risk. In addition, the long-term impact of the pandemic is not clear. In selecting a beta for Sydney Airport we have sought to balance these factors noting that significant judgement is necessary. On balance, having regard to the factors discussed above Kroll has selected an unlevered beta for Sydney Airport in the range of 0.60 to 0.65. Based on our selected market gearing of 30%, this results in a levered beta in the range of 0.78 to 0.85.

Gearing

In selecting an appropriate gearing ratio for Sydney Airport for the purpose of re-leveraging our selected beta, we have considered the gearing levels of comparable companies as well as Sydney Airport's forecast gearing. The gearing ratios for the selected listed airport groups are set out as follows.

Airport Group Gearing

Company	Market Capitalisation (A\$ million)	Average Gearing			
		As at 31 Dec 2019 2 Year	5 Year	As at Current Date 2 Year	5 Year
Australia and New Zealand					
Sydney Airport	15,679.4	37.0%	36.7%	34.0%	35.4%
Auckland International	10,773.5	19.1%	20.5%	11.4%	16.7%
Asia					
Airports of Thailand	37,078.9	0.9%	2.6%	6.0%	3.1%
Shanghai International	19,379.9	(8.6%)	(12.3%)	2.3%	(4.8%)
Guangzhou International	5,799.3	1.1%	2.0%	(1.8%)	0.7%
Beijing International	3,815.5	6.4%	11.1%	16.3%	10.3%
Malaysia Airports	3,137.6	21.9%	25.7%	28.0%	24.5%
Europe					
Aena	30,725.2	23.0%	27.1%	26.8%	24.4%
Aeroports de Paris	16,453.4	22.9%	21.7%	41.4%	29.7%
Copenhagen Airport	9,554.0	15.0%	13.6%	18.5%	15.8%
Fraport	8,184.2	40.3%	37.5%	56.7%	45.2%
Zurich Airport	7,149.4	14.6%	11.7%	24.4%	17.6%
Vienna Airport	3,525.0	8.7%	13.2%	9.6%	9.5%
Malta International	1,210.1	(0.0%)	0.8%	4.0%	1.4%
Mexico					
GAP	9,048.4	7.6%	5.8%	9.0%	7.6%
ASUR	8,134.2	7.8%	5.8%	4.9%	7.1%
OMA	3,442.5	3.4%	4.6%	2.3%	3.4%
Minimum	1,210.1	(8.6%)	(12.3%)	(1.8%)	(4.8%)
Maximum	37,078.9	40.3%	37.5%	56.7%	45.2%
Median	8,159.2	8.3%	11.4%	10.5%	9.9%
Average	11,088.2	11.5%	12.0%	16.2%	13.3%

Source: Capital IQ

Note: Gearing is net debt divided by the sum of net debt and market capitalisation as at 14 December 2021 other than Sydney Airport, which is calculated based on the market capitalisation on 2 July 2021, the last trading day before the announcement of the First Offer.



For any company, there is likely to be a level of gearing that represents the optimal capital structure for that company. In estimating a discount rate, the gearing assumption should reflect this optimal or target capital structure, however, "optimal" as opposed to "actual" capital structures are not readily observable. In practice, both the existing capital structure and those of comparable businesses are used as a guide taking into account the specific circumstances of the relevant entity.

Gearing ratios for comparable airport groups are generally substantially lower than Sydney Airport's gearing. Many of these airport groups, particularly in Asia, are essentially government owned entities and as such, are not leveraged to an optimal capital structure. Furthermore, prior to the COVID-19 pandemic, Sydney Airport was highly cash flow generative and is expected to be so in the future. As such, a higher gearing ratio is considered appropriate.

As at 2 July 2021, the last trading day before the announcement of the First Offer, Sydney Airport's market gearing was 34.0% when measured over a two-year period and 35.4% when measured over a five-year period and its market gearing on 2 July 2021 was 34.0%. As at 14 December 2021, its market gearing was 25.9%.

Sydney Airport does not have a specific target gearing ratio but rather is committed to maintaining at least a BBB/Baa2 credit rating. In the Cash Flow Model, it is assumed that Sydney Airport continues to fund growth capital expenditure with borrowings. This results in Sydney Airport's gearing increasing to 30% by 2039.

Having regard to these factors, we have selected a gearing ratio of 30% for Sydney Airport. This ratio is broadly consistent with Sydney Airport's current gearing ratio and the assumption of an investment grade rating being maintained.

Tax rate

We have adopted a corporate tax rate of 30% based on the Australian statutory corporate tax rate. No adjustment has been made for franking credits as these are reflected in the cash flows.

Company specific risk premium (alpha)

Under CAPM theory, it is assumed that diversified investors require no additional returns to compensate for specific risks because across a diversified portfolio the net effect of specific risks will on average, be zero. In practice, many investors include an additional risk premium to reflect company specific factors or risks which may not otherwise be captured in financial forecasts and it is common for companies to set hurdle rates for investments above their own estimates of the cost of capital to deal with these issues. Such adjustments are, however, not able to be observed and are inherently subjective.

As discussed, the specific risks of Sydney Airport have been captured in a scenario analysis, with the selected valuation range based on a weighting towards the scenarios that best account for these specific risks. Accordingly, to avoid double counting, no allowance for company specific risk has been included in the determination of the discount rate.

Cross-check

As a cross-check to our cost of equity we have considered:

- the Gordon Growth Model. The Gordon Growth Model is an alternative approach to estimating the cost of equity and is calculated as the current forecast yield plus the expected long-term growth rate. Sydney Airport has a long-term yield of around 4.5%. Adding to this the 3.0% average long-term growth rate in the Cash Flow Model results in a cost of equity of 7.5%. This approach is often adopted when valuing assets with long-term stable cash flows. Given the impact of the COVID-19 pandemic, we would expect investors would require a discount rate higher than that which is based on historical yields; and
- analysis of recent broker reports for Sydney Airport indicates that brokers are utilising a cost of equity in the range 6.9% to 8.0% in their valuation models. We note that there are significant limitations in this evidence as a number of the brokers do not estimate a discount rate at the equity level or do not provide details of the assumptions they have utilised in the build-up of their discount rate.

Having regard to the evidence and inherent limitations of our cross-checks, we consider them to be supportive of the selected cost of equity discount range.



Appendix 6 – Cash flow assumptions

Kroll's DCF valuation is based on a detailed financial model of Sydney Airport's operations on the basis of the Cash Flow Model provided by Sydney Airport management. Scenario A reflects the following key assumptions.

General assumptions

The following general assumptions have been made in Sydney Airport's financial model:

- CPI is fixed at 2.1% in 2022 and 2.2% in 2023 based on median estimates available from Bloomberg. CPI then increases to 2.5% per annum from 2024 onwards based on the midpoint of the RBA's target inflation rate; and
- BBSW increases gradually to 3.55% (consistent with the 20-year average) in 2035 then remains constant.

Sydney Airport specific assumptions

Kroll uses the following assumptions in the financial model to determine underlying cash flow forecasts for the purpose of our valuation.

Passenger forecasts

Passenger growth from 2022 to 2039 is based on the Sydney Airport Master Plan 2039 forecast, published in 2019, adjusted to reflect the short-term impact and subsequent passenger traffic recovery from the COVID-19 pandemic. We assume Sydney Airport's domestic and international passenger traffic will recover strongly from 2022, reverting to 2019 levels by 2024. Between 2024 and 2026, passenger growth follows the Sydney Airport Master Plan 2039 forecast. The recovery to the pre-COVID-19 long-term passenger growth trend is consistent with recoveries from prior exogenous shocks to aviation, including the September 11 Terrorist Attacks in 2001 and the Global Financial Crisis of 2008.

An allowance for the impact of Western Sydney Airport is made from 2027, with anticipated demand for the new airport forecast to reach approximately 10 million passengers per annum in 2032.⁸² Western Sydney Airport growth continues in line with the Sydney Airport Master Plan 2039 forecast to reach approximately 16.5 million passengers per annum in 2039.

Sydney Airport total passenger growth from 2027 to 2039 is at circa 1.8% per annum, slightly higher than Sydney Airport Master Plan 2039 forecast over the same period. The growth rate for international passenger traffic has been adjusted upwards to 3.1% (from 2.7% in the Sydney Airport Master Plan 2039), representing the midpoint between the Sydney Airport Master Plan 2039 forecast and the historic international passenger growth rate of 3.4% between 2000 and 2019. By 2039, passenger movements are 2.6% higher at 67.3 million compared to 65.6 million in the Sydney Airport Master Plan 2039 as a result of stronger long-term international passenger growth assumptions.

Aeronautical charges

Aeronautical pricing across terminal and runway charges remains consistent with existing pricing through to 2024, after which it is expected that these contracts will be renegotiated. From 2024, nominal aeronautical charges increase based on negotiated outcomes taking into account the light handed regime described in Section 7.8.

Fuel revenues increase in line with total passenger traffic at the 2021 rate per passenger (using this as a proxy for actual fuel usage).

Retail revenues

Duty-free retail revenues are based on Sydney Airport's most recent view on the outlook for duty-free trading and arrangements with Heinemann which have a contract up to 2029, after which it is assumed that the contract remains in place on its current terms. Retail revenues for duty-free are also a function of international passenger numbers.

⁸² Western Sydney Airport projections are consistent with the September 2021 revision of the Western Sydney Airport Plan. The plan states that the anticipated demand level will reach 10 million passengers per annum approximately five years after operations commence. Long-term WSA passenger growth is also consistent with both the Sydney Airport Master Plan 2039, as well as WSA Airport Plan September 2021 anticipated demand of 37 million annual passengers around 2050.



International and domestic retail rents (not including duty-free) have been based on a reversion to minimum guarantees where applicable, with all rent abatements being progressively unwound with the recovery in passenger movements and ceasing in December 2023. Retail rents increase by a premium to CPI per annum from 2024 (except for currency exchange rents). Revenue from 2024 includes an allowance for rents from additional luxury tenancies resulting from a remix of tenancy and repurpose of duty-free space, with assumed contractual escalation. Rent from currency exchange re-commences in 2025 and increases by CPI.

Property revenues

Property rents are based on current minimum guarantees where applicable. Abatements where applicable (i.e. no government or freight abatements were applied) unwind progressively as passengers return and all abatements cease in December 2023. Above CPI property rental increases apply from 30 June 2021 onwards. Hotel revenues increase in line with domestic passenger movements at a rate per passenger that increases by CPI from 2024. Rents from new known property transactions are included from 2022 (including various lounges and ride share).

Car Parking & Ground Transport revenues

Car Parking & Ground Transport revenues are aligned with growth in international and domestic passengers for international and domestic facilities respectively, as well as growth in revenue per passenger. Revenue per passenger recovers to approximate 2019 levels by 2025, then increases by CPI from 2026.

Aeronautical security recovery

Security recoveries represent a pass-through of mandated security-related operating expenditure, with slight differences occurring due to the timing of recovery of certain security operating expenditures.

Business-as-usual operating expenses

BaU operating expenses for 2022 are based on known step ups in operating expenses across the portfolio. Certain increases are linked to passenger activity, however, growth in variable costs is assumed to be nominal once 2019 passenger levels resume. BaU operating expenses are projected to increase broadly in line with CPI from 2023 to 2025, and from 2026 they are projected to increase by CPI + 1%.

BaU operating expenses are net of synergies, which include listed vehicle costs of \$5.8 million and a further 5% of BaU operating expenses (approximately \$10 million), reflecting the maintenance of a portion of cost savings achieved in 2020 and 2021.

Capital expenditure

Capital expenditure is based on a capital expenditure forecast which has been prepared by management and reviewed by the Board. Capital expenditure reflects management's estimate of projects to deliver aviation capacity, support passenger growth, upgrade core aviation infrastructure (e.g. baggage handling) and enhance terminal infrastructure.

Capital expenditure is forecast to ramp up in the near term to deliver ground transport infrastructure at the domestic precinct, connect to Sydney Gateway and restart apron expansion projects underway prior to the COVID-19 pandemic. There is also an element of catch-up capital expenditure from projects that were paused or deferred during the COVID-19 pandemic.

Over the long-term, the forecast represents an average annual spend through to 2039 which is higher than pre-COVID-19 capital expenditure, as additional expenditure is required to replace ageing infrastructure, and higher growth capital expenditure is required to support continued capacity growth.

Property, plant and equipment are depreciated based on tax schedules.

Commercial developments

Sydney Airport has identified 107 hectares of land where there are significant commercial developments to unlock including six main projects that are in various stages of approval (refer to Section 8.4.4). After tax cash flows have been discounted at a rate of 8.6% to 9.4%, which is calculated based on a levered beta of 1.0 to 1.1 (which is consistent with betas for listed property developers) and the inputs set out in Appendix 4). Construction costs are based on the latest estimates and reflect a contingency. A terminal value has been calculated based on a Gordon Growth Model and a perpetual growth rate of 3.0%. A probability weighting has been applied to reflect the likelihood of the various projects proceeding.



Working capital

Working capital requirements are nominal, consistent with historical requirements.

Taxation

Estimated tax losses are fully utilised by SAL TCG by 2026, after which earnings within SAL TCG are taxed at 30%. SAT1 continues to be a pass through entity. From 2027, franking credits are included at a utilisation rate of 80%.

Drawdown of debt and interest expense

Consistent with historical experience, growth capital expenditure is funded by borrowings and maintenance capital expenditure is funded through the cash reserve. Market gearing increases gradually to 30% by 2039.

Interest on existing debt facilities is based on a consistent margin over BBSW or fixed interest rate and new borrowings are financed at BBSW + 2.0% on the assumption that credit ratings remain unchanged, or that Sydney Airport is otherwise able to access borrowings at consistent rates. Hedges remain in place for their current terms. Financial ratios are forecast to remain within covenants.



Appendix 7 – Market evidence

Comparable companies

There are a number of publicly listed airport groups. These are mainly located in the Asia Pacific region, Europe and Central America. Airports in the United States are local/state government owned and operated while in Canada, airports are operated by private not-for-profit airport authorities or are municipally owned. Many other airport operators are privately owned (e.g. LHR Airports Limited which operates major airports in the United Kingdom, including London Heathrow Airport).

A number of the listed airport groups are not directly comparable to Sydney Airport and, therefore, have been excluded from the analysis, including:

- Japan Airport Terminal Co., Ltd, which operates under a public-private partnership model whereby it owns and operates passenger terminals but public authorities operate airside operations;
- airport groups that derive a substantial share of income outside the operation of airports (e.g. Singapore based SATS Limited, which derived 54% of 2019 revenues from food solutions such as catering); and
- airport groups that operate smaller airports that are not the principal hub for a major airline (e.g. Toscana Aeroporti S.p.A. (**Tuscany Airports**) which operates airports in Florence and Pisa).

It is difficult to compare airport operators between countries and regions as a result of differences in:

- **degree of privatisation:** partial privatisation is common in both Asia and Europe, however, in Asia, governments generally retain a majority ownership interest whereas in Europe, governments more often retain a minority (although substantial) interest. There are relatively few airports that are fully privatised. These include Australian airports (i.e. Sydney Airport, Australia Pacific Airports Corporation Limited, which owns Melbourne Airport and Brisbane Airport Corporation) and airports in Mexico;
- **ownership of the land and terminal assets:** there are broadly two distinct models:
 - **government ownership of land** with a lease or concession (i.e. Sydney Airport, Airports of Thailand, Malaysia Airports Holdings Berhad (**Malaysia Airports**), Malta International Airport (**Malta International**) and each of the three airport groups identified in Mexico); and
 - **private ownership of land** (i.e. each of the remaining selected airport groups).

Different forms of ownership give rise to different expense structures. Land which is owned outright is not depreciated, whereas airport operators that lease land or operate under concession agreements typically recognise the leased land and/or concession rights as an intangible asset which is amortised over the remaining life of the relevant agreements, resulting in relatively higher non-cash charges and relatively higher multiples of EBIT;

- **accounting treatment:** of leased land and terminal assets is not always consistent. Although Sydney Airport, Malaysia Airports and each of the three Mexican airports recognise concession rights and/or leased land as an intangible asset, Airports of Thailand (from 1 October 2020) and Malta International (from 1 January 2019) recognise these assets under lease accounting. Where lease accounting is adopted, lease liabilities are included in the enterprise value used to calculate EBITDA multiples;
- **regulatory environment:** there are various forms of tariff regulation (e.g. price caps, cost plus, revenue sharing). Regulation can relate both aeronautical and commercial revenues (**single-till**) or can relate only to aeronautical revenue (**dual-till**). Price caps are the most common form of tariff regulation. Sydney Airport and Auckland International are subject only to price monitoring and they operate under a dual till model, such that commercial prices are not monitored. Price caps vary in their degree of flexibility. For example, price caps for Aéroports de Paris SA (**Aéroports de Paris**),



Copenhagen Airport and Fraport AG (**Fraport**) are considered flexible⁸³ while price caps for Aena S.M.E. (**Aena**) and Flughafen Zurich AG (**Zurich Airport**) are considered strict;⁸⁴

- **competitive environment:** airports in Europe are subject to higher levels of competition (including from fast rail) than those in the Asia Pacific region, particularly for regional airports which compete with each other and the nearest hub airport. 2019 EBITDA margins are relatively low for Aéroports de Paris (41.0%), Fraport (31.9%) and Vienna Airport (44.0%);
- **the rate of recovery and long-term growth in passenger numbers:** passenger movements are expected to return to 2019 levels by 2021 in Latin America and slightly later in Europe and the Asia Pacific. Growth from 2021 to 2039 is expected to be 4.5% in the Asia Pacific, 2.9% in Latin America and 2.0% in Europe;⁸⁵
- **passenger mix:** international, domestic, regional. All of the companies presented below operate an international airport and many hold interests in other airports. However, Airports of Thailand, Malaysia Airports, Aena and each of the three airports in Mexico also operate a large number of wholly owned regional airports;
- **relationships with airlines:** most of the airport groups selected are the principal international hub for a major airline. The airport groups in Mexico also support major airlines and Grupo Aeroportuario del Pacífico, S.A.B. de C.V. (**PAC**) and Grupo Aeroportuario del Centro Norte S.A.B. de C.V. (**OMA**) are the principal hubs for low cost carriers, Volaris and VivaAerobus, however, they are not the principal hub for major airlines;
- **business mix:** the extent to which the groups are involved in aeronautical, commercial or unrelated activities varies widely. Aeronautical services comprised between 38% and 84% of 2019 revenue. Some companies have substantial operations outside airport services including construction services (Aéroports de Paris, Fraport and each Mexican airport) and Malaysia Airports derives minor revenue from unrelated services (horticulture and agriculture). Furthermore, definitions of aeronautical and commercial revenue may be inconsistent between groups; and
- **limited free float:** many of the airport operators have a limited free float, which may impact their market rating. In particular, Copenhagen Airport has a free float of 1.4%, Flughafen Wien Aktiengesellschaft (**Vienna Airport**) (10.1%), Malta International Airport (17.9%), Aéroports de Paris (26.4%) and Airports of Thailand (28.1%).

Conclusion

The highest multiples observed are for Auckland International (22.0 times FY19⁸⁶ EBITDA and 19.4 times FY24 EBITDA). Auckland Airport remains liberalised in terms of government ownership (mostly privatised), land ownership (owned) and regulatory environment (dual-till, price monitoring) and it has a strong growth profile. Auckland International's multiple is likely to be positively impacted by the relative scarcity of listed infrastructure groups in New Zealand (compared to Australia) combined with investment mandates of pension funds.

Copenhagen Airport's multiples are also relatively high (25.1 times 2019 EBITDA), which may reflect its low degree of regulation and land ownership, however, this may also reflect its extremely limited free float (1.4%). Airports of Thailand's multiple is also relatively high and may reflect the scale and diversification of its operations and moderate growth outlook and, potentially, limited free float.

In comparison, multiples for global peers which operate in more highly regulated markets with higher levels of government ownership and competition are relatively low. Multiples for Asian listed airport operators

⁸³ Aéroports de Paris has a five-year regulation agreement, however, the cap can be adjusted when demand deviates from plan. Regulation of charges at Copenhagen Airport is also characterised by commercial negotiation between the airport and its users, however, the negotiated prices are subject to ex ante regulatory approval as opposed to ex post monitoring. Fraport does not have a multi-year agreement and can initiate consultations at its own discretion.

⁸⁴ AENA's tariffs may only be changed because of the company's performance but not because of demand fluctuations and the regulator of Zurich Airport may adjust tariffs if revenues diverge too much from underlying costs e.g. due to unexpected demand, however, the airport cannot trigger a new determination as a result of fluctuations in demand. In November 2019, the Swiss regulator reduced maximum charges for Zurich Airport based on the explanation that the airport's profits were allegedly not compliant anymore with the principle of cost recovery.

⁸⁵ Source: IATA, 2021-2039: Current Trends.

⁸⁶ 30 June year end.



(other than Airports of Thailand) are 5.7 to 15.8 times 2019 EBITDA, multiples for European airport operators (other than Copenhagen Airport) are 6.8 to 13.1 times 2019 EBITDA and multiples for Mexican airport groups are in the range of 10.1 to 15.6 times 2019 EBITDA.

The COVID-19 pandemic and associated travel restrictions have had a greater impact on airports in some regions than others. Auckland International and most of the listed European and Mexican airports remained EBITDA positive in 2020 and 2021, however, most of the selected airport groups in Asia, where lockdowns and travel restrictions were generally more stringent, were loss making.

Brokers are assuming that earnings recover to pre-COVID-19 levels by between 2021 and 2025, with the timing of recovery varying between regions. Airports in Mexico are expected to return to 2019 levels in 2021, then continue to grow strongly. Auckland International (which has a 30 June year-end) is expected to recover by FY24 and continue to grow strongly. European and Asian airports are expected to recover more slowly, with earnings generally recovering to 2019 levels between 2023 and 2025.



The following tables sets out the key descriptive information and operating metrics for the airport groups.

Airport Group Descriptions, Principal Airline Hubs and Revenue Mix

Company Name	Airport, Country	Airport Principal Hub	Airline	FY19 Revenue Mix		
				Aero-nautical	Non-aero-nautical	Other ¹
Australia and New Zealand						
Auckland International	Auckland, New Zealand	Auckland International Airport	Air New Zealand	42.6%	54.1%	3.3%
Asia						
Airports of Thailand	6 airports in Thailand	Suvarnabhumi Airport	Thai Airways	83.6%	16.4%	-
Shanghai International	Shanghai, China	Shanghai Airport	China Eastern	na ²	na	na
Guangzhou	Guangzhou, China	Guangzhou Biayuan Airport	China Southern	68.8%	26.3%	2.6%
Beijing International	Beijing, China	Beijing Capital Airport	Air China	37.8%	62.0%	0.2%
Malaysia Airports	34 airports in Malaysia, 6 international airports	Kuala Lumpur International Airport	Malaysia Airlines, AirAsia (LCC ³)	53.0%	41.5%	5.5%
Europe						
Aena	46 airports in Spain; 12 in Mexico; 2 Colombia and 1 in England	Adolfo Suárez Madrid-Barajas Airport	Iberia	68.7%	31.3%	-
Aeroports de Paris	Paris, France	Paris-Charles de Gaulle airport	Air France	38.9%	35.9%	25.2%
Copenhagen Airport	2 airports in Copenhagen, Denmark	Copenhagen Airport	Scandinavian Airlines	55.6%	44.4%	-
Fraport	1 airport in Frankfurt, Germany and 22 international airports	Frankfurt Airport	Lufthansa	62.1%	25.9%	12.0%
Zurich Airport	Zurich, Switzerland	Zurich Airport	Swiss International Air Lines	53.6%	46.4%	-
Vienna Airport	Vienna, Austria	Vienna International Airport	Austrian Airlines	66.1%	32.0%	1.9%
Malta International	Malta, Malta	Malta International Airport	Air Malta	70.6%	29.0%	0.4%
Mexico						
PAC	12 airports in Mexico and 2 airports in Jamaica	Guadalajara International Airport	Volaris (LCC)	65.0%	23.2%	11.8%
ASUR	9 airports in southeast Mexico	Cancun International Airport	-	57.1%	35.6%	7.3%
OMA	13 airports in Mexico	Monterrey International Airport	VivaAerobus (LCC)	67.5%	21.3%	11.2%

Source: S&P Capital IQ, Refinitiv, company financial statements; Kroll analysis

Notes:

1. Other includes construction revenue and items identified by airport groups as non-airport related.
2. "na" is not available.
3. "LCC" is low-cost carrier airline.



Airport Group Ownership, Regulation and Passengers

Company Name	Government Ownership (%)	Ownership (Owned/Concession)	Regulation, Tariff (Single Till / Dual Till)	FY19 Passengers (millions)	FY19 Revenue per Passenger (A\$)	FY19 International as a % of Total Traffic
Australia and New Zealand						
Auckland International	18.1%	Owned	Price monitoring,	21.1	\$33.35	55%
Asia						
Airports of Thailand	71.9%	Concession	Cost plus, DT	141.8	\$21.46	59%
Shanghai International	53.3%	Owned	Price cap, DT	76.2	\$29.38	na
Guangzhou International	57.2%	Owned	Price cap, DT	73.4	\$22.95	na
Beijing International	59.0%	Owned	Price cap, DT	100.0	\$22.10	24%
Malaysia Airports	39.9%	Concession	No set regulation	140.6	\$12.89	48%
Europe						
Aena	51.0%	Owned	Price cap, DT	293.2	\$24.24	69%
Aéroports de Paris	50.6%	Owned	Hybrid price cap,	108.0	\$69.51	41%
Copenhagen Airport	39.2%	Owned	Negotiations, price	30.3	\$30.66	95%
Fraport	31.3%	Owned	Price cap, DT	218.0	\$27.43	55%
Zurich Airport	33.3%	Owned	Negotiation,	31.5	\$56.46	30%
Vienna Airport	40.1%	Owned	Price cap, DT	31.7	\$43.60	14%
Malta International	12.0%	Concession	Price cap, DT	7.3	\$21.93	na
Mexico						
PAC	-	Concession	Price cap, DT	48.7	\$22.18	36%
ASUR	-	Concession	Price cap, DT	34.2	\$37.16	53%
OMA	-	Concession	Price cap, DT	23.2	\$27.77	12%

Source: S&P Capital IQ, Refinitiv, company financial statements; Kroll analysis



The following table sets out the trading multiples for the airport groups.

Airport Group Multiples

Company Name	Market Cap ¹ (A\$ millions)	Free Float ²	LTM Gearing ³	2019	2020	2021	2022	2023	2024	2025
Australian & New Zealand										
Auckland International ⁵	10,773.5	81.9%	14.8%	22.0x	31.8x	81.3x	57.6x	27.3x	19.4x	17.2x
Asia										
Airports of Thailand	37,078.9	28.1%	29.3%	23.1x ⁶	71.1x	nmf ⁷	129.2x	28.2x	18.3x	na ⁸
Shanghai International	19,379.9	45.5%	25.9%	15.8x	nmf	nmf	35.3x	20.5x	na	na
Guangzhou International	5,799.3	42.5%	5.4%	9.2x	27.5x	22.0x	12.3x	10.2x	na	na
Beijing International	3,815.5	40.7%	20.0%	5.7x	nmf	nmf	20.3x	10.6x	9.1x	8.1x
Malaysia Airports	3,137.6	57.8%	30.8%	6.4x	nmf	56.8x	8.8x	6.0x	na	na
Europe										
Aena	30,725.2	46.8%	56.3%	10.0x	35.7x	29.9x	14.4x	10.9x	9.2x	9.2x
Aéroports de Paris	16,453.4	26.4%	65.9%	11.3x	46.9x	34.7x	15.6x	11.8x	10.1x	8.9x
Copenhagen Airport	9,554.0	1.4%	76.9%	25.1x	nmf	na	na	na	na	na
Fraport	8,184.2	39.7%	63.5%	10.9x	nmf	19.5x	12.5x	10.0x	9.1x	8.8x
Zurich Airport	7,149.4	66.5%	35.9%	9.5x	32.0x	22.1x	12.0x	9.5x	8.9x	9.0x
Vienna Airport	3,525.0	10.1%	14.5%	6.8x	50.4x	17.9x	9.9x	8.1x	7.2x	6.9x
Malta International	1,210.1	17.9%	21.5%	13.1x	250.9x	na	na	na	na	na
Mexico										
PAC	9,048.4	75.5%	43.6%	15.6x	26.1x	14.7x	11.6x	10.1x	9.6x	8.9x
ASUR	8,134.2	56.2%	6.5%	13.3x	26.6x	13.1x	10.2x	9.3x	8.6x	8.1x
OMA	3,442.5	69.3%	4.1%	10.1x	24.9x	11.1x	8.8x	7.6x	7.7x	7.1x

Source: S&P Capital IQ, Refinitiv, Company financial statements; Kroll analysis

Notes:

- As at 14 December 2021. Calculated as share price in A\$ multiplied by the diluted number of shares outstanding.
- Free float is sourced from Capital IQ.
- Gearing is net debt divided by the sum of net debt and equity.
- Calculated as enterprise value (market capitalisation plus net debt, minority interests, preferred shares and operating and finance leases) divided by EBITDA. Financial year end is 31 December for all airport groups except for Auckland International, which has a 30 June year end and Airports of Thailand, which has a 30 September year end.
- Auckland International multiples are calculated excluding equity accounted associates and surplus land.
- 2019 and 2020 EBITDA multiple for Airports of Thailand is calculated based on EBITDA before rental expense.
- "nmf" is not meaningful.
- "na" is not available.



Australia & New Zealand

Auckland International Airport Limited

Auckland International owns and operates the Auckland International Airport in New Zealand. Auckland International Airport is the principal hub of Air New Zealand and the main gateway for international travel to and from New Zealand. Auckland Council holds a 18.1% interest in Auckland International. The degree of regulation is relatively low (price monitoring based on a dual till reference point). Auckland International provides aeronautical services (42.6% of 2019 revenue), retail services (30.7%) and property services (14.7%). It also holds a 25.0% interest in Queenstown Airport Corporation Limited (which operates Queenstown airport in New Zealand).

Asia

Airports of Thailand Limited

Airports of Thailand operates six international airports in Thailand, including Suvarnabhumi International Airport, Don Mueang International Airport, Chiang Mai International Airport, Hat Yai International Airport, Phuket International Airport and Mae Fah Luang Chiang Rai International Airport, each of which provides services for domestic and international flights. Suvarnabhumi Airport is the principal hub of Thai Airways International. Airports of Thailand is owned 70.0% by The Ministry of Finance, Thailand, and 1.90% by the Social Security Office of Thailand and, therefore, has a limited free float. Land is leased from the Ministry of Finance under a 50-year concession (to 30 September 2052, including two options of extension for 10 years). Rental charges consist of a minimum of 5.5% of total revenues for both Don Mueang Airport and regional airports and a minimum of 5.0% of total revenues for Suvarnabhumi Airport. Airports of Thailand adopted lease accounting on 1 October 2020. Prior to that, rental charges were expensed and reflected in EBITDA. Consequently, in calculating 2019 EBITDA multiples, BHT4.4 billion of property rental expense has been added back to EBITDA. Revenue in 2019 was sourced from aeronautical services (83.6%) and commercial services (16.4%) including service revenue and office and state property rents.

Shanghai International Airport Limited

Shanghai International Airport (**Shanghai International**) owns and operates Shanghai Pudong International Airport. Shanghai Airport is the principal hub for China Eastern Airlines. Segment revenue is not available. It is owned 53.25% by government owned Shanghai Airport (Group) Co., Ltd. It has a limited free float (45.5%). Shanghai International is regulated by the Civil Aviation Administration of China, which sets price caps in relation to aeronautical and commercial revenue.

Guangzhou Baiyun International Airport Limited

Guangzhou Baiyun International Airport (**Guangzhou International**) owns and operates Guangzhou Baiyun International Airport in China. Guangzhou Baiyun International Airport is the principal hub for China Southern Airlines. 2019 segment revenue is not available. In 2020, revenues were comprised of aeronautical services (68.8%), commercial services (26.3%) and other (2.6%). It is owned 57.2% by government owned Guangdong Airport Management Group Limited. It has a limited free float (42.5%). Guangzhou International is regulated by the Civil Aviation Administration of China, which sets price caps in relation to aeronautical and commercial revenue.

Beijing Capital International Limited

Beijing Capital International Limited (**Beijing International**) owns and operates the Beijing International Airport in Beijing, China, which is the major hub for Air China. It has a dual class share structure comprising domestic shares and H shares (which are available to international investors). Capital Airports Holding Co., Ltd., which is owned by the Civil Aviation Administration of China, holds 100% of the domestic shares (i.e. 59.0% of total shares). The Government of Singapore Investment Corporation Pte Ltd., a sovereign wealth fund of the Government of Singapore, holds a 5.0% interest in the H shares (i.e. 2.1% of total shares). Therefore, Beijing International has a limited free float. Upon entering an Airfield Land Lease arrangement on October 2006, concession rights were granted to Beijing International for 20 years (expiring 2026), with the potential to extend for an additional 10 years. Beijing International is regulated by the Civil Aviation Administration of China, which sets price caps in relation to aeronautical and commercial revenue. 2019 revenues were comprised of aeronautical services (37.8%) and commercial services including retail and real estate services (62.2%). Beijing International Airport serves 88 airlines, consisting of 28 domestic airlines travelling to and from Hong Kong, Macau and Taiwan and 60 international airlines.



Malaysia Airports Holding Berhad

Malaysia Airports operates 39 airports including Kuala Lumpur International Airport, as well as other international airports, domestic airports, and short take-off and landing airports. Kuala Lumpur International Airport is the principal hub of Malaysia Airlines and AirAsia. Malaysia Airports is 33.2% owned by Khazanah Nasional Berhad and 6.7% by the Permodalan Nasional Berhad, both of which are sovereign wealth funds of the Government of Malaysia. In addition, the Singaporean Government owns a 0.8% interest and The People's Bank of China owns a 0.4% interest. As a result, it has a limited free float. It operates under concessions from the Government of Malaysia. In December 2016, the concession in relation to Kuala Lumpur International Airport was extended for a further 35 years (to 2051). In addition, Malaysia Airports also holds a concession for Sultan Abdul Aziz Shah Airport, in Subang, which expires in 2067. Malaysia Airports operates under a price cap on a dual-till basis, which are set by Malaysia Airports and subject to approval by the Malaysian Aviation Commission. 2019 revenues were derived from aeronautical services (53.0%), commercial services including retail, international operations (41.5%) and from unrelated services (e.g. hotel operations, horticulture and agriculture and airport construction services) (5.5%).

Europe

Aena S.M.E., S.A.

Aena operates 46 airports in Spain, 12 airports in Mexico, two airports in Colombia, one airport in the United Kingdom and six airports in Brazil (including Adolfo Suárez Madrid-Barajas Airport, the primary hub for Iberia, the national flag carrier for Spain). The Spanish Ministry of Transport (Entidad Publica empresarial ENAIRE) owns a 51.0% interest in Aena and, therefore, Aena has a limited free float. Aeronautical revenues are subject to a price cap on a dual-till basis, whilst other revenues are unregulated. 2019 revenues were comprised of aeronautical revenues (68.7%), commercial services (29.5%) and real estate services (1.8%). Aena currently has over 50% seat share of low-cost carrier airlines (e.g. Ryanair), and 29% of the airlines owned by International Consolidated Airlines Group (**IAG**) including British Airways (the national flag carrier of England) and Aer Lingus (the national flag carrier of Ireland).

Aéroports de Paris SA

Aéroports de Paris owns and operates three airports in Paris, France: Paris-Charles de Gaulle airport; Paris-Orly; and Paris-Le Bourget. Paris-Charles de Gaulle airport is a principal hub of Air France. It also owns and operates 10 general aviation airfields and the Issy-les-Moulineaux heliport. The Republic of France holds a 50.6% interest in Aéroports de Paris, Fond Stratégique d'Investissement, a French sovereign wealth fund, holds a further 9.5% interest and Netherlands based NV Luchthaven Schiphol holds an 8.0% interest. As a result, Aéroports de Paris has a limited free float. Aeronautical revenue and commercial revenue (excluding real estate revenue) are subject to a price cap. 2019 revenue was comprised of aeronautical services (38.9%), retail and real estate activities (35.9%) and other activities (e.g. telecommunications and international airport construction developments) (25.2%). Air France KLM holds 50% of seat share at Paris-Charles de Gaulle and 48% seat share at Orly. In 2019, Paris-Charles de Gaulle Airport was the second busiest passenger airport in Europe with passenger traffic of 76.2 million.

København Lufthavn A/S

København Lufthavn A/S owns and operates the Copenhagen Airport at Kastrup and Roskilde Airport at Roskilde in Denmark. Copenhagen Airport is the hub of Scandinavian Airlines, the national flag carrier of Denmark, Norway and Sweden. The Danish Government holds a 39.2% interest in København and Kastrup Airports Parent ApS (a private company which is jointly controlled by OTPP and The ATP Group) holds a further 59.4% interest. As a result, København has an extremely limited free float of 1.4%. Aeronautical revenues are subject to a price cap on a dual-till basis and other revenues are unregulated. The aeronautical segment accounted for 55.6% of 2019 revenue although only 10.3% of EBITDA, while the commercial segment (including retail and real estate services) accounted for 44.4% of revenue and 89.7% of EBITDA.

Fraport AG

Fraport owns and operates Frankfurt Airport in Germany, which is the principal hub of Lufthansa. It also operates airports in the rest of Europe (one airport in each of Slovenia, Greece, Bulgaria and Russia) and also has a presence in South America (two airports in Brazil and one airport in Peru) and Asia (one airport in each of Turkey, China and India). Fraport holds an 80.01% interest in Lima Airport Partners. Lima Airport Partners operates and manages Jorge Chávez International Airport in Peru, under a 40 year concession granted in 2001 (expiring 2041). The state government of Germany holds a 31.34% interest in Fraport. Aeronautical tariffs are set based on a revenue sharing agreement with the German Ministry of Economics, Transport, Traffic and Development on a dual-till basis. Commercial revenue is unregulated. Fraport



operates through four segments: Aviation, Ground Handling, Retail & Real Estate, and External Activities & Services. In 2019, aeronautical revenues accounted for 62.1% of revenue, whilst commercial revenue and other revenue accounted for 25.9% and 12.0% respectively. Fraport currently holds a 65% passenger seat share of Lufthansa, the national flag carrier of Germany.

Flughafen Zurich AG

Zurich Airport owns and operates the Zurich-Kloten Airport in Switzerland. Zurich-Kloten Airport is the principal hub of Swiss International Airlines, the national flag carrier of Switzerland. The local government (Canton of Zurich) owns a 38.33% interest in Zurich Airport. Zurich Airport has been awarded an operating agreement from The Federal Department of the Environment, Transport, Energy and Communications which extends for 50 years from 2001. Zurich Airport also owns an airport in India (Noida International Airport), two airports in Chile (Andrés Sabella Gálvez International Airport in Antofagasta and Diego Aracena International Airport in Inquique) and two Airports in Brazil (Eurico de Aguiar Salles Airport in Vitória and Macaé Airport in Macaé). Zurich Airport has also been awarded a concession for the construction of a new airport in Noida, India with a term of 40 years, along with the concession extension of Vitória and Macaé airports in Brazil. In 2019, aeronautical revenue accounted for 53.6% of revenue and commercial services accounted for 46.4% of revenue. Zurich-Kloten Airport is exposed to substantial competition from Frankfurt, Munich, Vienna and Amsterdam airports. Furthermore, it has an ongoing dispute with the local government of Canton, in Zurich in relation to aircraft noise. The multiples calculated include the impact of the Aircraft Noise segment. Zurich Airport holds a 66% passenger seat share of Lufthansa Group, including more than 54% exposure to Swiss Airlines.

Flughafen Wien AG

Flughafen Wien AG owns and operates Vienna Airport, Austria, is the principal hub for Austrian Airlines Group, the national flag carrier of Austria. Local and state governments hold a 40.06% interest in Vienna Airport and an employee trust holds a further 10.02% interest. As a result, Vienna Airport has a limited free float. Vienna Airport also owns a 48.44% interest in Malta International Airport and a 53.44% interest in Košice Airport, Slovakia. Aeronautical tariffs are subject to a price cap on a dual-till basis (other revenues are unregulated). In 2019, aeronautical revenues accounted for 66.1% of revenue and commercial revenue and other revenue accounted for 32.0% and 1.9% of revenue, respectively. Vienna Airport holds a 55% passenger seat share of Lufthansa Group, including a share of 54% exposure of Austrian Airlines. Low-cost carriers also contribute to a share of 32% in Vienna airport.

Malta International Airport p.l.c.

Malta International operates Malta International Airport in Malta, which is the hub for Malta Air, an operating subsidiary of Ryanair and flag carrier of Malta. The Government of Malta (formerly, Malta Investments plc) owns a 12.0% interest in Malta International. Vienna Airport also owns an indirect interest of 48.44% shares in Malta International. Malta International operates under a 65-year concession which commenced in 2002 and expires in 2067. Aeronautical charges are subject to a price cap based on a dual till reference point, whilst commercial revenues are unregulated. Aeronautical revenues accounted for 70.6% of 2019 revenues and commercial revenue (retail and property) comprised 29.0%. The remaining 0.4% includes income from third parties. Malta International derives a 39% passenger seat share of Ryanair (a low-cost carrier) and a 29% passenger seat share of Air Malta, the national flag carrier of Malta.

Central America

Grupo Aeroportuario del Pacífico S.A.B. de C.V.

PAC operates 12 airports in Mexico's Pacific region, including Guadalajara, Puerto Vallarta, Tijuana, San José del Cabo, Guanajuato (Bajío), Hermosillo, Mexicali, Los Mochis, La Paz, Manzanillo, Morelia and Aguascalientes. PAC also operates two airports in Jamaica. Guadalajara International Airport, the central airport for PAC, is the principal hub to low-cost carrier airline Volaris. It has been awarded an operating agreement from Mexico's Ministry of Communication and Transportation to operate, maintain and develop the 12 Mexican airports, with concessions expiring in 2098 (a concession of 100 years). Aeronautical revenues are subject to a price cap, whilst commercial service revenues are unregulated. In 2019, aeronautical services represented 65.0% revenue, commercial services (car parking, rent, advertising and VIP lounges) represented 23.2% of revenue and other activities (airport construction activities) represented 11.8% of revenue.

Grupo Aeroportuario del Sureste S.A.B. de C.V.

Grupo Aeroportuario del Sureste S.A.B. de C.V. (**ASUR**) operates 9 airports in the southeast region of Mexico, including airports located in the cities of Cancún, Cozumel, Mérida, Huatulco, Oaxaca, Veracruz,

KROLL

Villahermosa, Tapachula, and Minatitlan. Cancun International Airport, the central airport to ASUR, is a principal hub to American Airlines. ASUR operates under a concession lease that expires 2048. Concession fees are currently 5.0% of each airport's gross annual regulated revenues. Aeronautical revenues are subject to a price cap, whilst commercial service revenues are unregulated. 2019 revenues were comprised of aeronautical revenues (57.1%), commercial services (concessions and leases) (35.6%) and construction services (7.3%). ASUR derived a 9.4% share of 2019 revenue from American Airlines, whilst United Airlines and Interjet contributed 9.0% and 10.6% of revenue, respectively.

Grupo Aeroportuario del Centro Norte S.A.B. de C.V.

OMA operates 13 international airports in the central and northern regions of Mexico including in the cities of Monterrey, Acapulco, Mazatlán, Zihuatanejo, Ciudad Juárez, Reynosa, Chihuahua, Culiacán, Durango, San Luis Potosí, Tampico, Torreón, and Zacatecas. OMA is the principal hub of low-cost carrier, VivaAerobus. Lease concessions were assigned to OMA in 1999 and have a term of 49 years (until 2048). The term of the concession may be extended by the Mexico's Ministry of Communications and Transportation for up to an additional 50 years. Aeronautical revenues are subject to a price cap while commercial revenues are unregulated. 2019 revenues were comprised of aeronautical services (67.5%), commercial services (e.g., leases, real estate services, car rental services, hotel services advertising) (21.3%) and construction services (11.2%).



Comparable Transactions

The following tables set out the key comparable airport group transactions within Australia and New Zealand, Asia, Europe and Central America.

Comparable Transactions

Announcement Date	Target	Acquirer	Percentage Acquired	Enterprise Value (100%) (A\$ millions)	Historical EBITDA Multiple (times)	Premium/ (Discount) to Closing Price	Premium/ (Discount) to 1 Week VWAP
Australia & New Zealand							
Oct-19	Hobart International Airport Pty Ltd	QIC Limited, Royal Schiphol Group N.V.	70.0%	1,088.7-1,302.7	25.5	na	na
Sep-15	Camden and Bankstown Airports	First State Super and Altis Property Partners	100.0%	356.6	25.3	na	na
Aug-15	Port Hedland International Airport	AMP Capital, Infrastructure Capital Group	100.0%	165.0	10.0	na	na
Aug-13	Sydney Airport Corporation Limited	Sydney Airport	15.2%	16,145.5	18.5	na	na
Aug-12	Australian Infrastructure Fund	Future Fund Board of Guardians	100.0%	2,812.0	12.5	12.1%	na
Asia							
Feb-20	GMR Airports Limited	Aéroports de Paris SA	49.0%	9,172.5	28.2	na	na
Europe							
Dec-18	Gatwick Airport Limited	Vinci SA	50.0%	14,925.7	20.2	na	na
Jul-18	Corporacion America Italia SpA	Mataar Holdings 2 BV	25.0%	600.5	12.5 ¹	na	na
Jun-18	Toscana Aeroporti S.p.A.	Corporacion America Italia SpA	6.6%	540.6	13.3	12.7%	12.3%
Apr-18	London Luton Airport Operations Limited	AMP Capital Investors Limited	49.0%	1,815.7	20.2	na	na
Feb-18	Toscana Aeroporti S.p.A.	Corporacion America Italia SpA	4.6%	503.8	12.4	4.3%	5.3%
Aug-17	SAVE S.p.A.	Agorà Investimenti S.r.l.	39.3%	2,116.7	18.2 ¹	na	0.4%
Aug-17	Aeroporto Guglielmo Marconi di Bologna S.p.A.	Atlantia SpA	29.4%	865.1	14.9 ¹	10.5%	10.6%
Sep-16	SAVE S.p.A.	Atlantia SpA	21.3%	1,581.6	13.6	(10.0%)	(4.2%)
Jul-16	Aéroports de Lyon S.A.	Consortium	60.0%	1,317.3	16.5	na	na
Mar-16	Flughafen Wien AG	Airports Group Europe S.à r.l.	8.3%	3,997.2	9.3	20.9%	22.3%
Feb-16	London City Airport Limited	Consortium	100.0%	3,586.7	30.8 ²	na	na
Aug-15	Malta International Airport p.l.c.	Flughafen Wien Aktiengesellschaft	15.5%	710.4	12.6	(23.1%)	(23.1%)
Dec-14	Toulouse-Blagnac Airport	Consortium	50.0%	910.3	14.3	na	na
Oct-14	Aeroporto di Firenze S.p.A.	Toscana Aeroporti S.p.A.	100.0%	172.3	16.1	(10.4%)	(10.3%)
Oct-14	Flughafen Wien AG	Airports Group Europe S.à r.l.	29.8%	3,299.5	8.6	32.9%	26.7%
Oct-14	Aberdeen International, Southampton & Glasgow Airports	Ferrovial Aeroportes S.A. MIRA (Europe)	100.0%	1,914.9	15.5	na	na

Source: S&P Capital IQ, Mergermarket, Infractionet, Company financial statements; Kroll analysis



Comparable Transactions (continued)

Announcement Date	Target	Acquirer	Percentage Acquired	Enterprise Value (100%) (millions)	Historical EBITDA Multiple (times)	Premium/ (Discount) to Closing Price	Premium/ (Discount) to 1 Week VWAP
Europe (continued)							
Mar-14	Toscana Aeroporti S.p.A.	Corporacion America Italia SpA	72.6%	228.2	16.3	10.2%	21.5%
Jul-13	London Luton Airport Operations Limited	Ardian; Entidad Pública Empresarial ENAIRE	100.0%	734.0	12.0	na	na
Jun-13	Aéroports de Paris SA	VINCI SA; Crédit Agricole Life	9.5%	15,651.9	10.5	5.1%	9.0%
Mar-13	Gemina S.p.A.	Atlantia SpA	100.0%	4,004.1	15.3	2.2%	5.8%
Jan-13	Stansted Airport Limited	MAG Investment Assets Limited	100.0%	2,267.0	15.6	na	na
Dec-12	Aeroportos de Portugal, S.A.	VINCI Airports SAS	100.0%	3,931.8	15.4	na	na
Dec-12	Società per Azioni Esercizi Aeroportuali S.E.A. S.p.A.	Fondi Italiani per le Infrastrutture SGR SpA	14.6%	1,700.6	9.7	na	na
Jan-13	SAVE S.p.A.	Amber Capital UK LLP	14.9%	556.4	4.0 ¹	(21.0%)	(20.6%)
Aug-12	BAA Airports Limited	Qatar Holding LLC	20.0%	22,650.7	12.6	na	na
Apr-12	Edinburgh Airport Limited	Global Infrastructure Partners	100.0%	1,262.4	16.7	na	na
Mar-12	TAV Havalimanlari Holding A.S.	Aéroports de Paris Management SA	38.0%	3,918.8	14.0 ¹	33.0%	33.7%
Dec-11	Società per Azioni Esercizi Aeroportuali S.E.A. S.p.A.	Fondi Italiani per le Infrastrutture SGR SpA	29.8%	1,971.9	9.7	na	na
Central America							
May-21	Grupo Aeroportuario del Centro Norte, S.A.B. de C.V.	Servicios de Tecnología Aeroportuaria, S.A. de C.V.;	17.7%	3,111.5	9.2 ¹	10.4%	6.4%
Apr-15	Desarrollo de Concesiones Aeroportuarias, S.L.	Grupo Aeroportuario del Pacifico	100.0%	245.8	10.5	na	na

Source: S&P Capital IQ, Mergermarket, Inframation, Company financial statements; Kroll analysis

Notes:

1. EBITDA multiple based on adjusted EBITDA adding back operating lease expense.
2. EBITDA multiple based on adjusted EBITDA adding back land rental expense.



Australia & New Zealand

Hobart International Airport Pty Ltd / QIC Limited, Royal Schiphol Group N.V.

On 1 October 2019, a consortium comprising QIC Limited and Royal Schiphol Group N.V. announced it had signed an agreement to acquire a 70% interest in Hobart International, the operator of Hobart International Airport, from Tasplan Super and Macquarie Infrastructure and Real Assets (**MIRA**) for A\$600 million. The transaction followed a competitive auction process. The higher EBITDA multiple implied by the transaction reflects the robust growth expectations at the time of the transaction. The airport was one of Australia's fastest growing airports due to strong tourism growth, with Tasmania registering 10% CAGR in passengers in the five years to the transaction date. The multiple may also reflect the status of the asset as a gateway airport for a capital city, long dated lease expiry (78 years remaining) and the competitive bidding process.

Camden Airport Limited and Bankstown Airport Limited / First State Super; Altis Property Partners

On 9 September 2015, it was reported that Altis Property Partners was the successful bidder for Camden and Bankstown Airports, the operator of the Bankstown and Camden regional airports in Sydney, for approximately A\$200 million. The transaction followed a tender process. Bankstown and Camden airports provide general aviation, parcel freight and niche passenger aviation services to Sydney and are held under long-term lease agreements. The higher EBITDA multiple implied by the transaction reflects the 31.8 hectares of surplus land at Bankstown and 8.3 hectares of surplus land at Camden. The surplus land was expected to benefit from a \$160 million development for business and retail on adjoining sites. Altis Property Partners noted significant opportunity to build on existing infrastructure at the properties.

Port Hedland International Airport / AMP Capital Investors Limited; Infrastructure Capital Group

On 25 August 2015, AMP Capital Investors Limited (**AMP Capital**) and Infrastructure Capital Group announced that they had agreed to acquire the 50-year lease of Port Hedland International Airport, a regional airport, from the local council of Port Hedland via auction for A\$165 million.

Sydney Airport Corporation Limited / Sydney Airport Holdings Limited

On 14 August 2013, Sydney Airport Holdings Limited, which had held an 84.8% interest in SACL, announced that it would acquire the remaining 15.2% stake in SACL from investors including the Public Sector Pension Investment Board and the Future Fund Board of Guardians (**Future Fund**) for approximately A\$1.2 billion. The acquisition of the interest in SACL was conducted via acquisition of an interest in SCACH, the sole owner of SACL.

Australian Infrastructure Fund / Future Fund Board of Guardians

On 24 August 2012, the Future Fund announced it had entered a Memorandum of Understanding with the Australian Infrastructure Fund (**AIX**) to acquire all of AIX's airports portfolio. AIX was a transport infrastructure fund whose portfolio assets included equity interests in 12.4% of Australia Pacific Airports Corporation (Operator of the Melbourne and Launceston Airports), 29.7% in the Perth Airport group (operator of Perth Airport), 49.1% in Queensland Airports Limited (operator of Gold Coast, Townsville and Mount Isa Airports), 28.2% in Airport Development Group (operator of Darwin, Alice Spring), 40.0% in the equity in HOCHTIEF Airport Capital (interests in Sydney, Hamburg, Dusseldorf and Athens airports) and 6.3% on the equity in Statewide Roads Limited. The midpoint of the estimated distribution amounted to A\$3.21, suggesting a 21.1% premium to the one-day prior trading price prior to the announcement and 24% premium to the one month VWAP prior to the announcement.

Asia

GMR Airports Limited / Aéroports de Paris S.A.

On 20 February 2020, Aéroports de Paris announced it had signed a purchase agreement to acquire a 49% interest in GMR Airports the operator of seven airports in India, the Philippines and Greece, for approximately INR₹108 billion. This includes Delhi International Airport and Hyderabad Airport, both of which were held under 30-year concessions. The relatively high EBITDA multiple of 28.2 times is reflective of the company's growth profile, with India expected to experience high growth in air traffic due to economic and population growth and the low penetration of aviation travel as of the time of the transaction. GMR Airport's three operating airports (Delhi, Hyderabad and Mactan-Cebu) experienced an 8.4% passenger growth in 2019, and GMR's overall PAX growth was forecast to be 6.5% from 2018 to 2038. Other factors impacting the multiple include the existence of surplus land parcels in Delhi and Hyderabad and diversification benefits for Aéroports de Paris.



Europe

Gatwick Airport Limited / VINCI SA; minority shareholders

On 27 December 2018, VINCI SA (**VINCI**) alongside minority shareholders announced an agreement to acquire Gatwick Airport, the operator of the London Gatwick Airport, for £6 billion. Upon completion of the acquisition, VINCI held a 50.0% interest in Gatwick Airport and minority shareholders managed by Global Infrastructure Partners held a 50.0% interest. The relatively high EBITDA multiple of 20.2 times implied by the transaction reflected the buyers' belief in the quality and growth potential of the asset. London Gatwick Airport is the second busiest airport in the United Kingdom and is a perpetual duration freehold asset, with 51.9% of its income being aeronautical. The buyers expected that the asset held room to increase capacity and improve commercial performance, with mention to Gatwick Airport's 2019 Masterplan to convert its emergency runway to a second runway.

Corporacion America Italia SpA / Mataar Holdings 2 BV

On 25 July 2018, Mataar Holdings 2 BV announced the acquisition of a 25% interest in Corporacion America Italia SpA (**CAI**) from Corporacion America Airports for €48.9 million. CAI held a 62.3% interest in Tuscany Airports, the developer and manager of the Galileo Galilei airport in Pisa and the Amerigo Vespucci airport in Florence, which were the fifth and tenth ranked Italian airports by passenger count, respectively.

Toscana Aeroporti S.p.A / Corporacion America Italia S.p.A

On 25 June 2018, CAI announced the acquisition of an additional 6.6% stake in Tuscany Airports, the operator of Galileo Galilei airport in Pisa and the Amerigo Vespucci airport in Florence under a concession, which were the fifth and tenth ranked Italian airport systems by passenger count respectively, for a consideration of €36.0 million. An offer price of €14.65 per share denotes a 12.3% premium to the one-week VWAP prior to the announcement and increased CAI's interest in Tuscany Airports to 62.3%.

London Luton Airport Operations Limited / AMP Capital Investors Limited

On 24 April 2018, AMP announced that it had agreed to acquire 49% of the shares of London Luton Airport Operations Limited, the operator of the London Luton Airport for £335 million. The relatively high EBITDA multiple implied by the transaction (despite not acquiring a majority interest) reflected AMP Capital's belief that the airport held high growth potential in a capacity constrained market. In 2019, London Luton Airport was the fifth busiest and fastest growing airport in the United Kingdom.

Toscana Aeroporti S.p.A / Corporacion America Italia S.p.A

On 20 February 2018, CAI announced the acquisition of an additional 4.6% stake in Tuscany Airports, manager and developer of the Galileo Galilei Airport in Pisa and the Amerigo Vespucci Airport in Florence, from Fondazione Pisa for €13.4 million. The offer price amounted to €15.80 per share, suggesting a 5.3% premium to the one-week VWAP prior to the announcement. Corporacion America Italia previously acquired a 4.6% stake. The acquisition increased CAI's interest in Tuscany Airports to 55.7%.

SAVE S.p.A / Agora Investimenti S.r.l.

On 9 August 2017, Agora Investimenti S.r.l. (**Agora**) made a mandatory tender offer to acquire a further 39.3% interest in SAVE S.p.A (**SAVE**), the manager of the Venice Marco Polo Airport and Treviso Canova Airports in Italy for €457 million. The offer price of €21.00 per share represented a 0.4% premium to the one-week VWAP prior to the announcement. Prior to the transaction on 30 June 2017, Agora and related parties being Marco Polo Holding S.r.l. and Finanziaria Internazionale Holding S.p.A. held a majority 59.64% interest in SAVE. Prior to the transaction, 69.2% of SAVE's 2016 revenues were related to aeronautical activities (including aviation fees, cargo and baggage handling services), whilst 24.8% related to commercial activities. The remaining 6.0% related to other revenues. Venice Marco Polo Airport was ranked the third largest airport in Italy, with approximately 12 million passengers in 2016.

Aeroporto Guglielmo Marconi di Bologna SpA / Alantia SpA

On 3 August 2017, Alantia SpA (**Alantia**) reached an agreement with Aeroporto Guglielmo Marconi di Bologna (which develops and manages Bologna Airport under a concession in Bologna, Italy) to acquire a 17.9% stake from San Lazzaro Investments Spain SL and a 11.5% stake from Italian Airports SARL, a total interest of 29.4%, for a consideration of €164.5 million. An offer price of €15.50 per share represented a 10.6% premium to the one-week prior trading price prior to the announcement. Bologna Airport is the sixth largest airport in Italy. The high EBITDA multiple for the transaction reflected the strong development potential and expectations of increased competitiveness after the development of the Bologna high speed train station, to spur passenger growth in central-northern Italy. In the first half 2017, the airport recorded 6.6% growth in passenger numbers with a full 2017-year estimate of approximately 8 million passengers.

KROLL

SAVE S.p.A / Alantia S.p.A

On 19 September 2016, Alantia acquired a 21.3% stake in SAVE, the manager of the Venice Marco Polo Airport and Trevisa Canova Airports in Italy under concession leases for approximately €171.9 million. The offer price of €14.75 per share represented a 4.2% discount to the one-week VWAP. SAVE is the manager of the Venice Marco Polo Airport and Trevisa Canova Airports in Italy.

Aéroports de Lyon SA / VINCI SA; Crédit Agricole Assurances S.A.; Caisse des Dépôts et Consignations, Investment Arm

On 28 July 2016, VINCI, Credit Agricole Assurances SA (**Credit Agricole**) and Caisse des Dépôts et Consignations Investment Arm agreed to acquire a 60.0% stake in Aéroports de Lyon (**ADL**) from Agence des Participations de l'Etat for €525 million. ADL operates the Lyon–Saint-Exupéry Airport which is international airport for Lyon, France's third largest city. ADL holds a concession contract for Lyon Saint-Exupéry (expiring 31 December 2047), at the time the fourth busiest airport in France, and Lyon Bron airport. ADL was expected to assist in expanding the growth opportunities of VINCI in France, which operates a network of 36 airports as at the transaction date.

London City Airport Limited / Consortium

On 26 February 2016, a consortium comprising Alberta Investment Management Corporation, OTPP, Wren House Infrastructure Management Limited, OMERS Private Equity and Borealis Infrastructure Trust announced it had signed an agreement to acquire London City Airport Limited, the operator of London City Airport, for £1.85 billion. The relatively high EBITDA multiple implied by the transaction reflects the airport's unique location approximately 11 kilometres east of the City of London and strong growth profile, with passenger movements having increased by 18.3% in the year leading up to the acquisition.

Flughafen Wien Aktiengesellschaft / Airports Group Europe S.à r.l.

On 14 March 2016, Airports Group Europe S.à r.l. (**Airports Group**), a subsidiary of IFM Investors, announced that it intended to make an offer to acquire an additional 10% interest in Flughafen Wien AG (**Vienna Airport A.G.**), the owner and operator of Vienna Airport, for €210 million. Vienna Airport is the largest airport in Austria and is the hub for the national flag carrier Austrian Airlines.

Malta International Airport p.l.c. / Flughafen Wien Aktiengesellschaft

On 24 August 2015, Vienna Airport made an offer to acquire an additional 15.5% stake in Malta International Airport under a concession lease for €62.9 million. The offer price of €3.00 per share represents a 23.1% discount to the one-week prior trading price. Malta International Airport is the sole airport in Malta and serves the whole of the Maltese Islands via its national flag carrier, Air Malta.

Toulouse-Blagnac Airport S.A. / Friedmann Pacific Asset Management Limited; Shandong Hi-speed Group Co.,Ltd; Shenzhen Airport Co., Ltd.; SNC-Lavalin Group Inc.

On 5 December 2014, Friedmann Pacific Asset Management Limited, Shandong Hi-speed Group Co.,Ltd, Shenzhen Airport Co., Ltd. and SNC-Lavalin Group Inc announced that they had agreed to acquire a 49.99% interest in Toulouse-Blagnac Airport S.A., the operator of the Toulouse-Blagnac Airport from the French State for €308 million. Toulouse-Blagnac Airport was at the time the fifth busiest airport in France.

Aeroporto di Firenze S.p.A. / Società Aeroporto Toscano Galileo Galilei Società per Azioni

On 16 October 2014, Società Aeroporto Toscano Galileo Galilei Società per Azioni (**SAT**) announced that it had acquired Aeroporto di Firenze S.p.A., the operator of Florence Airport, from Sogim SA, Corporacion America Italia Srl and others for approximately €110 million. The offer price of €11.92 per share represents a 10.3% discount to the one-week VWAP. The acquisition was completed on 25 May 2015 for consideration of approximately €137 million.

Aberdeen International Airport, Southampton Airport and Glasgow Airport / Ferrovial Aeropuertos S.A, Macquarie Infrastructure and Real Assets

On 16 October 2014, Ferrovial Aeropuertos S.A. (**Ferrovial**) and MIRA announced that they had agreed to acquire 100% of Aberdeen International Airport, Southampton Airport and Glasgow Airport from Heathrow Airport Holdings Ltd for £1.1 billion. No further data was disclosed.

Flughafen Wien Aktiengesellschaft / Airports Group Europe S.à r.l.

On 13 October 2014, Airports Group, a subsidiary of IFM Investors, announced it intended to make an offer to acquire a 29.8% interest in Vienna Airport A.G., the owner and operator of Vienna Airport, from Petrus Advisers and others for €514.9 million at an offer price of €82.00 per share, representing a 26.7% premium



to the one-week VWAP. Vienna Airport is the largest airport in Austria and is the hub for the national flag carrier Austrian Airlines.

Società Aeroporto Toscano (S.A.T.) Galileo Galilei Società per Azioni / Corporacion America Italia SpA

On 4 March 2014, CAI announced a voluntary tender offer to acquire the remaining 72.6% interest in Società Aeroporto Toscano Galileo Galilei Società per Azioni (now known as Tuscany Airports) for €94.1 million. This represented a 21.5% premium to the one-week VWAP. On 22 March 2014, CAI increased the offer price to €14.22 per share. On 4 July 2014, CAI completed the acquisition of an additional 25.6% interest in SAT for €35.9 million.

London Luton Airport Operations Limited / Aeropuertos Españoles y Navegación Aérea SA (Aena); AXA Private Equity Consortium

On 31 July 2013, a consortium formed by Aeropuertos Españoles y Navegación Aérea SA (**AENA**) and AXA Private Equity announced the acquisition of 100% of London Luton Airport Operations Limited, the owner of the London Luton Airport, for an enterprise value of approximately £430 million. As of the transaction date, London Luton Airport was England's fifth-largest airport (9.6 million passengers in 2012) serving the London area and recorded EBITDA of £36.2 million for the 2012 financial year. London Luton Airport was also the base of EasyJet, a low-cost carrier airline which served 14 airports operated by AENA.

Aéroports de Paris SA/VINCI SA / Crédit Agricole Life Insurance Europe SA

On 30 June 2013, VINCI and Crédit Agricole Life Insurance Europe SA (**Crédit Agricole**) announced that they had agreed to acquire 9.5% of the shares in Aéroports de Paris from the Government of France and Fonds Stratégique d'Investissement SA for approximately €740 million. The offer price of €78.5 per share represents a 9.0% premium to the one-week VWAP. Prior to the transaction, VINCI owned a 3.3% interest in Aéroports de Paris, ultimately increasing its minority holding in Aéroports de Paris.

Generale Mobiliare Intereszenze Azionarie S.p.A. / Atlantia SpA

On 8 March 2013, Atlantia SpA announced it had agreed to acquire a 100% interest in Generale Mobiliare Intereszenze Azionarie S.p.A. (**Gemina**), operator of Leonardo da Vinci Airport (Rome-Fiumicino International Airport) under a concession, at the time the main hub for Italian flag carrier Alitalia and the busiest airport in Italy, and the Rome Ciampino Giovan Battista Pastine Airport in Italy, from various investors for a total consideration of €2.1 billion. The offer price of €1.42 per share represented a 5.8% premium to the one-week VWAP.

Stansted Airport Limited / The Manchester Airport Group PLC

On 18 January 2013, the Manchester Airport Group PLC agreed to acquire 100% of the shares of Stansted Airport Limited, operator of Stansted Airport in London from BAA Airports Limited for £1.5 billion. No further data was disclosed.

Aeroportos de Portugal, S.A. / VINCI SA

On 27 December 2012, VINCI acquired 100% of the shares of ANA Aeroportos de Portugal, S.A. (**ANA**) from Parpublica - Participacoes Publicas SGPS SA and Directorate General of Treasury and Finance for €3.1 billion. ANA manages the airport facilities of Lisboa, Porto, Faro, Beja, Ponta Delgada, Santa Maria, Horta, Flores, Madiera and Porto Santo.

Società per Azioni Esercizi Aeroportuali S.E.A. S.p.A. / Fondi Italiani per le Infrastrutture SGR SpA

On 27 December 2012, entities controlled by Fondi Italiani per le Infrastrutture SGR SpA (**F2i**) agreed to acquire an additional 14.6% stake in Società per Azioni Esercizi Aeroportuali S.E.A. S.p.A. (**SEA Group**), the manager of various airports including Milano Linate and Milano Malpensa, for approximately €147 million. Following the acquisition, F2i held 43.3% interest in SEA Group. The low EBITDA multiple paid for the transaction was impacted by economic weakness in Italy in 2012, which had been impacted by the European Sovereign Debt Crisis. This was reflected in a fall in Italian passenger traffic of 1.4% and a fall of 2.3% for SEA Group during 2012.

SAVE S.p.A. / Amber Capital UK LLP

On 25 December 2012, Amber Capital UK LLP (**Amber Capital**) acquired a 14.9% stake in SAVE S.p.A., the operator of the Venice and Treviso Airports in Italy, from the City of Venice for €50.2 million. The offer price of €6.40 per share represented a 20.6% discount to the one-week VWAP. The low EBITDA multiple was impacted by economic weakness in Italy in 2011. This weakness was reflected in a fall in Italian passenger traffic of 1.4% during 2012.

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BAA Airports Limited / Qatar Holding LLC

On 17 August 2012, Qatar Holding LLC announced that it had agreed to acquire a 20% interest in BAA Airports, the operator of Heathrow and Stansted airports, for £900 million. Heathrow Airport and Stansted were the first and fourth busiest airports in the United Kingdom, respectively. BAA Airports derived approximately 56% of income from aeronautical sources in 2011.

Edinburgh Airport Limited / Global Infrastructure Partners

On 23 April 2012, Global Infrastructure Partners II, a fund managed by Global Infrastructure Partners entered into an agreement to acquire 100% of Edinburgh Airport Limited, the operator of Edinburgh Airport in Scotland, from BAA Airports Limited (now known as LHR Airports Limited) for €807.2 million. Edinburgh Airport. Edinburgh Airport was the sixth busiest airport by passengers in the United Kingdom in 2012, and acts as the primary gateway into Scotland.

TAV Havalimanlari Holding A.S. / Aéroports de Paris SA

On 12 March 2012, Aéroports de Paris signed a share purchase agreement to acquire a 38% stake in TAV Havalimanlari Holding (**TAV**) for a total consideration of US\$874m. The offer price of \$6.33 represents a 33.7% premium to the one-week VWAP. TAV operates and manages airports in Turkey, Georgia, Tunisia, Macedonia, Latvia, Oman, Spain, Saudi Arabia, Croatia and Kazakhstan. TAV's operating airports at the time were mostly short haul and leisure destinations. TAV operates the principal gateway airports into Georgia (Tbilisi Airport), Latvia (Riga Airport), Croatia (Zagreb Airport) and Kazakhstan (Almaty Airport, owned by TAV).

Società per Azioni Esercizi Aeroportuali S.E.A. S.p.A. / Fondi Italiani per le Infrastrutture SGR SpA

On 16 December 2011, F2i agreed to acquire 29.8% of the shares in SEA Group, the manager of various airports including Milano Linate Airport and Milano Malpensa Airport, for approximately €390 million, following a tender process. SEA Group was the second largest airport operator in Italy, having a 20% market share with 27 million passengers in 2010.

The Brussels Airport Company NV; Copenhagen Airports A/S / Ontario Teachers' Pension Plan Board

On 19 July 2011, OTPP announced it had agreed to acquire a respective 30.8% and 39.0% interests in Copenhagen Airports A/S and The Brussels Airport Company NV from Sydney Airport Holdings Limited for approximately A\$1.6 billion. No further data was disclosed.

Central America

Grupo Aeroportuario del Centro Norte, S.A.B. de C.V. / Servicios de Tecnología Aeroportuaria, S.A. de C.V.; Expanse S.à r.l.

On 24 May 2021, Servicios de Tecnología Aeroportuaria announced the acquisition of Grupo Aeroportuario del Centro Norte (**OMA**), the operator of 13 airports in central and northern Mexico. Total consideration amounted to MXN\$8.2b, representing a 17.7% stake. An offer price of MXN137.00 per share represented a 6.4% premium to the one-week VWAP. The implied historical EBITDA multiple for the 12 months leading up to 31 December 2019 is 9.2. The implied historical EBITDA multiple for the 12 months leading up to 31 December 2020 is 22.8 times, which includes COVID-19 impacts and may not be reflective of longer-term expectations. The transaction implies a forward-looking EBITDA multiple of 10.4 times.

Desarrollo de Concesiones Aeroportuarias, S.L. / Grupo Aeroportuario del Pacifico

On 17 April 2015, Grupo Aeroportuario del Pacifico (**GAP**) announced that it had agreed to acquire 100% of the shares of Desarrollo de Concesiones Aeroportuarias, S.L. (**DCA**), the operator for various airports in Central and South America under a concession, for €177 million. At the time of the transaction, DCA held a 74.5% interest in MBJ Airports Limited, which operated under a concession (commencing in 3 April 2003 for 30 years) of Sangster International Airport in Montego Bay, Jamaica. DCA also held a minority stake (14.8%) in SCL Terminal Aéreo Santiago, S.A., which operated the international terminal of Santiago, Chile under a concession lease that was to expire in 30 September 2015.



Part Two – Financial Services Guide

What is an FSG?

This Financial Services Guide ("FSG") is an important document that provides you with information to help you decide whether to use our financial services.

This FSG contains information on:

- who we are;
- who our authorised representatives are;
- how we can be contacted;
- certain financial services that we can offer you;
- how we, our authorised representatives and other parties involved in providing the financial services are paid in relation to the financial services we offer; and
- details of how you can make a complaint about us or the financial services we provide.

Who we are?

Kroll Australia Pty Ltd (ACN 116 738 535), ("We", "us" and "Kroll") is authorised to provide retail financial services on behalf of Millinium Capital Managers Limited (ACN 111 283 357) ("Millinium"), Australian Financial Services License ("AFSL") no. 284336, as a Corporate Authorised Representative ("CAR"). We have also appointed Mr. Ian Jedlin as an authorised representative to Millinium's AFSL (our "Authorised Representative"). All authorised representatives of Kroll are authorised representatives of Millinium. We aim to provide quality financial products and services to investors. Kroll acts on its own behalf when providing financial services.

Kroll has been engaged by Sydney Airport limited and The Trust Company (Sydney Airport) Limited as responsible entity for Sydney Airport Trust 1 ("Sydney Airport") to prepare an independent expert report ("Report") in connection with the proposed acquisition by Sydney Aviation Alliance of Sydney Airport. Sydney Airport will provide our Report to you.

Our details

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Our Authorised Representative

Ian Jedlin
ASIC authorised representative: No. 000404117
Level 32, 85 Castlereagh St, SYDNEY, NSW 2000

Authorised Financial Services

Kroll is authorised by Millinium to provide the following financial services as their CAR:

- provide financial product advice in respect of the following classes of financial products:
 - interests in managed investment schemes including investor directed portfolio services; and
 - securities,
 - with respect to retail clients and wholesale clients.

This FSG only relates to the provision of general advice by Kroll.

Personal Advice

Neither we nor our authorised representatives can provide you with personal advice. Personal advice is advice that takes into account your objectives, financial situation and needs. Where you are referred to a financial planner for personal advice, they will make reasonable enquiries to understand your personal objectives, financial situation and needs. Their personal advice, and any relevant warnings, will be provided to you in their Statement of Advice ("SOA").

Remuneration

Kroll 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 Kroll \$500,000 (excluding GST and out of pocket expenses) for preparing the Report. Kroll and its officers, representatives, related entities and associates ("Personnel") will not receive any other fee or benefit in connection with the provision of the Report. All Personnel that provide general advice on our behalf in providing services are on contract to us and receive a salary or payments in accordance with their respective contracts. They may also receive a bonus, but it is not related to the general advice provided in the Report.



Kroll may provide professional services, including consultancy, business intelligence, transfer pricing and financial advisory services, to the person who engaged us and receive fees for those services Kroll and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

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.

Complaint Redressal

If you have a complaint, please let either Kroll or the Authorised Representative know. Formal complaints should be sent in writing to Complaints Officer, Kroll, Level 32, 85 Castlereagh St, SYDNEY, NSW 2000. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 8286 7227 and they will assist you in documenting your complaint. If the complaint cannot be settled in the first instance by Kroll, you should contact Millinium via the contact details set out below:

In writing:

Dispute Resolution Officer
Millinium Capital Managers Limited
GPO Box 615
Sydney, NSW, 2000

When your complaint is received by Millinium it will be entered onto Millinium's complaints register. All details of the complaint will be sent to the Disputes Resolution Officer who will investigate the circumstances of the complaint. If the Disputes Resolution Officer is unable to reach a satisfactory resolution of the complaint within thirty (30) business days of receipt, you should contact Australian Financial Complaints Authority ("AFCA"). The details are:

In writing:

<https://www.afca.org.au/make-a-complaint>

Telephone

1300 56 55 62 (local call rate)

Email

info@afca.org.au

Website

www.afca.org.au

Please note that AFCA can currently only deal with claims for compensation up to \$1,085,000. Monetary limits and the AFCA terms of reference do change from time to time. Current details can be obtained from the AFCA website listed above.

B

Company Scheme

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Sydney Airport Limited
Scheme Securityholders

Scheme of arrangement

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Allens is an independent partnership operating in alliance with Linklaters LLP.

Scheme of arrangement

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Scheme of arrangement

Allens & Linklaters

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Parties

- 1 **Sydney Airport Limited** (ACN 165 056 360) of 10 Arrivals Court, Sydney International Airport, New South Wales 2020 (**SAL**).
- 2 **The Scheme Securityholders.**

It is agreed as follows.

1 Definitions, interpretation and scheme components

1.1 Definitions

ADI means authorised deposit-taking institution (as defined in the *Banking Act 1959* (Cth)).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.

Bidder means Sydney Aviation Alliance Pty Ltd (ACN 651 567 841).

Business Day means a business day as defined in the Listing Rules and which is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.

CHESS Holding has the meaning given in the Settlement Rules.

Company Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between SAL and the Scheme Securityholders (as holders of SAL Shares) subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by the Bidder and SAL.

Company Scheme Meeting means any meetings of Sydney Airport Securityholders, as holders of SAL Shares, ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Company Scheme, and includes any meetings convened following any adjournment or postponement of such meetings.

Constitution means the constitution of SAL.

Corporations Act means the *Corporations Act 2001* (Cth), as amended by any applicable ASIC class order, ASIC legislative instrument or ASIC relief.

Court means the Supreme Court of New South Wales, or such other court of competent jurisdiction under the Corporations Act agreed to in writing by the Bidder and Sydney Airport.

Deed Poll means the deed poll under which the Bidder covenants in favour of the Scheme Securityholders to perform the obligations attributed to the Bidder under the Schemes.

Delivery Deadline has the meaning given in clause 9.3(b).

Effective means:

- (a) in relation to the Trust Scheme, the coming into effect of the amendments to the SAT1 Constitution (which will occur on the date and at the time a copy of the amended constitution, or of the amendments, is lodged with ASIC under section 601GC(2) of the Corporations Act); and

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- (b) in relation to this Company Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) in relation to this Company Scheme but in any event at no time before an office copy of the orders of the Court is lodged with ASIC.

Effective Date means the date on which the Trust Scheme and Company Scheme have both become Effective.

Encumbrance means a mortgage, charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement, contractual right of set-off, or any other security agreement or arrangement in favour of any person, whether registered or unregistered, including any Security Interest.

End Date has the meaning given in the Scheme Implementation Deed.

Government Agency means any Australian or foreign government or governmental, semi-governmental or judicial entity or authority. It also includes any government minister (and his or her delegate), any self-regulatory organisation established under statute or any securities exchange and, for the avoidance of doubt, includes ASIC, ASX, the Australian Foreign Investment Review Board and equivalent bodies in jurisdictions outside Australia.

HoldCo means Sydney Aviation Alliance Holdings Pty Ltd (ACN 654 912 197).

HoldCo A Loan Note Subscription Agreement means the subscription agreement for the HoldCo A Loan Notes, in the form provided to UniSuper Limited immediately prior to execution of the Scheme Implementation Deed (or as subsequently amended on or prior to the Implementation Date with the written consent of UniSuper Limited).

HoldCo A Loan Notes means each of a HoldCo A1 Loan Note and HoldCo A2 Loan Note.

HoldCo A1 Loan Note means a new A1 Loan Note issued by HoldCo under Facility A and in accordance with the A Loan Note Subscription Agreement and the deed poll under that agreement.

HoldCo A2 Loan Note means a new A2 Loan Note issued by HoldCo under Facility A and in accordance with the A Loan Note Subscription Agreement and the deed poll under that agreement.

HoldCo B Loan Note means a new B Loan Note issued by HoldCo in accordance with the B Loan Note Subscription Agreement and deed poll under that agreement.

HoldCo B Loan Note Subscription Agreement means the subscription agreement for the HoldCo B Loan Notes in the form provided to UniSuper Limited immediately prior to execution of the Scheme Implementation Deed (or as subsequently amended on or prior to the Implementation Date with the written consent of UniSuper Limited).

HoldCo Constitution means the constitution of HoldCo in the form provided to UniSuper Limited immediately prior to execution of the Scheme Implementation Deed (or as subsequently amended on or prior to the Implementation Date with the written consent of UniSuper Limited).

HoldCo Loan Note Registers means the registers established to record the holders of and the principal amounts outstanding under the HoldCo A Loan Notes and HoldCo B Loan Notes under the HoldCo A Loan Note Subscription Agreement and HoldCo B Loan Note Subscription Agreements.

HoldCo Loan Note Subscription Agreements means the HoldCo A Loan Note Subscription Agreement and the HoldCo B Loan Note Subscription Agreement.

HoldCo Register means the register of members of HoldCo maintained in accordance with the Corporations Act.

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HoldCo Share means each of a newly issued A Class share and B Class share in HoldCo.

HoldCo Shareholders Deed means the shareholders deed in relation to HoldCo in the form provided to UniSuper Limited immediately prior to execution of the Scheme Implementation Deed (or as subsequently amended on or prior to the Implementation Date with the written consent of UniSuper Limited).

Implementation Date means the fifteenth Business Day after the Scheme Record Date, or such earlier date after the Scheme Record Date (not to be earlier than the tenth Business Day after the Scheme Record Date) as notified by the Bidder to Sydney Airport in writing.

Issuer Sponsored Holding has the meaning given in the Settlement Rules.

Listing Rules means the official listing rules of ASX.

Operating Rules means the official operating rules of ASX.

Registered Address means, in relation to a Sydney Airport Securityholder, the address shown in the Sydney Airport Security Register as at the Scheme Record Date.

SAL Share means a fully paid ordinary share in the capital of SAL.

SAT1 means Sydney Airport Trust 1 (ARSN 099 597 921).

SAT1 Trust Constitution means the constitution establishing SAT1 as amended from time to time.

SAT1 Trust Supplemental Deed means a deed poll under which TTCSAL will amend the SAT1 Trust Constitution to effect the Trust Scheme.

SAT1 Unit means a fully paid unit in SAT1.

Scheme Consideration means the consideration to be provided by the Bidder to each Scheme Securityholder for the transfer to the Bidder of each Scheme Security, being, subject to the terms of this Scheme:

- (a) in the case of Scheme Securityholders (other than UniSuper in relation to the UniSuper Specified Securities), an amount of \$8.75 for each Scheme Security held by the Scheme Securityholder as at the Scheme Record Date; and
- (b) in the case of the UniSuper Security Holder in relation to the UniSuper Specified Securities only:
 - (i) 3,002 HoldCo Shares, comprising:
 - (A) 1,501 A Class shares (which shall represent 15.01% of the total number of A Class shares on issue immediately after implementation of the Schemes); and
 - (B) 1,501 B Class shares (which shall represent 15.01% of the total number of B Class shares on issue immediately after implementation of the Schemes);
 - (ii) a HoldCo A1 Loan Note with an outstanding principal amount of \$1,918,810,975.08 (which shall represent 15.01% of the total aggregate principal amount of all HoldCo A1 Loan Notes on issue immediately after implementation of the Schemes);
 - (iii) a HoldCo A2 Loan Note with an outstanding principal amount of \$15,010.00 (which shall represent 15.01% of the total aggregate principal amount of all HoldCo A2 Loan Notes on issue immediately after implementation of the Schemes); and

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- (iv) a HoldCo B Loan Note with an outstanding principal amount of \$1,656,650,157.64 (which shall represent 15.01% of the total aggregate principal amount of all HoldCo B Loan Notes on issue immediately after implementation of the Schemes).

Scheme Implementation Deed means the Scheme Implementation Deed between SAL, TTCSAL and the Bidder dated 8 November 2021.

Scheme Record Date means 7.00pm on the fifth Business Day after the Effective Date, or such other time and date as Sydney Airport and the Bidder agree in writing.

Scheme Security means a Sydney Airport Security as at the Scheme Record Date.

Scheme Securityholder means a holder of Sydney Airport Securities recorded in the Sydney Airport Security Register as at the Scheme Record Date.

Scheme Share means a SAL Share on issue as at the Scheme Record Date.

Scheme Transfer means a duly completed and executed proper instrument of transfer in respect of the Scheme Securities for the purposes of section 1071B of the Corporations Act, from Scheme Securityholders as transferors to the Bidder as transferee, which may be a master transfer of all or part of the Scheme Securities held by Scheme Securityholders.

Schemes means:

- (a) the Trust Scheme; and
- (b) this Company Scheme.

Second Court Date means the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Company Scheme and to seek the Second Judicial Advice is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.

Second Judicial Advice has the meaning given in the Scheme Implementation Deed.

Security Interest has the meaning given in section 51A of the Corporations Act.

Settlement Rules means the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.

Sydney Airport means SAL and TTCSAL together.

Sydney Airport Registry means Computershare Investor Services Pty Ltd (ACN 078 279 277) or any replacement share registry services provider to SAL.

Sydney Airport Security means a stapled security comprising one SAT1 Unit stapled to one SAL Share.

Sydney Airport Security Register means the register of securityholders of Sydney Airport maintained in accordance with the Corporations Act (comprising a register of holders of SAT1 Units and a register of holders of SAL Shares).

Sydney Airport Securityholder means each person who is registered as the holder of a Sydney Airport Security in the Sydney Airport Security Register.

Transaction Documents has the meaning given in clause 9.3(b).

Trust Account means an Australian dollar denominated trust account with an ADI operated by SAL (or by the Sydney Airport Registry on behalf of SAL) as trustee for Scheme Securityholders.

Trust Scheme means an arrangement under which the Bidder acquires all of the SAT1 Units from the Sydney Airport Securityholders facilitated by amendments to the SAT1 Trust Constitution as set out in the SAT1 Trust Supplemental Deed, subject to the requisite approvals

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of the Sydney Airport Securityholders.

TTCSAL means The Trust Company (Sydney Airport) Limited (ACN 115 967 087) as responsible entity of SAT1.

UniSuper means UniSuper Limited (ACN 006 027 121) as trustee for the UniSuper Fund of Level 1, 385 Bourke Street, Melbourne, Victoria 3000.

UniSuper Fund means the complying superannuation fund known as UniSuper established by trust deed dated 24 December 1982 as amended from time to time.

UniSuper Limited means UniSuper Limited (ACN 006 027 121).

UniSuper Nominee HoldCo Shareholder has the meaning given in clause 6.5(a).

UniSuper Security Holder means the legal and registered holder of the UniSuper Specified Securities recorded in the Sydney Airport Security Register, being BNP Paribas Nominees Pty Limited as custodian for UniSuper.

UniSuper Specified Securities means 404,969,320 Sydney Airport Securities held on behalf of UniSuper.

1.2 Interpretation

In this Company Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Company Scheme;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Company Scheme have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Company Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them (whether passed by the same or another Government Agency with legal power to do so);
- (h) a reference to a document (including this Company Scheme) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Sydney, New South Wales;
- (k) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1.1, has the same meaning when used in this Company Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Company Scheme will be construed adversely to a party because that party was responsible for the preparation of this Company Scheme or that provision;

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- (n) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- (o) a reference to a body (including an institute, association or authority), other than a party to this Company Scheme, whether statutory or not:
 - (i) which ceases to exist; or
 - (ii) whose powers or functions are transferred to another body,
 is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (p) a reference to an agreement other than this Company Scheme includes a deed and any legally enforceable undertaking, agreement, arrangement or understanding, whether or not in writing;
- (q) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (r) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (s) if an act prescribed under this Company Scheme to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day; and
- (t) a reference to the Listing Rules, Settlement Rules or the Operating Rules includes any variation, consolidation or replacement of those rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

1.3 Interpretation of inclusive expressions

Specifying anything in this Company Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.5 Scheme components

This Company Scheme includes any schedule to it.

2 Preliminary matters

2.1 Parties

- (a) SAL is a public company limited by shares, registered in New South Wales, Australia, and has been admitted to the official list of the ASX.
- (b) As at the date of the Scheme Implementation Deed, 2,698,700,253 Sydney Airport Securities were on issue. Each Sydney Airport Security comprises one SAT1 Unit stapled to one SAL Share, and they trade together as a stapled security on the ASX.
- (c) The Bidder is an unlisted proprietary company limited by shares registered in New South Wales.
- (d) HoldCo is an unlisted proprietary company limited by shares registered in New South Wales.

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- (e) SAT1 is registered as a managed investment scheme under Chapter 5C of the Corporations Act. TTCSAL is the responsible entity of SAT1.
- (f) BNP Paribas Nominees Pty Limited is the legal and registered holder of 404,969,320 Sydney Airport Securities which it holds on behalf of UniSuper.

2.2 Scheme Implementation Deed

SAL and the Bidder have agreed, by executing the Scheme Implementation Deed, to implement this Company Scheme and the Trust Scheme.

2.3 Deed Poll

- (a) This Company Scheme attributes actions to the Bidder and HoldCo but does not itself impose an obligation on them to perform those actions. The Bidder and HoldCo have agreed, by executing the Deed Poll, to perform the actions attributed to them under this Company Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Securityholders.
- (b) This Company Scheme attributes actions to UniSuper, but does not itself impose an obligation on it to perform those actions. UniSuper has agreed, by executing a voting deed dated 8 November 2021, to perform the actions attributed to it under and in accordance with this Company Scheme.

3 Conditions

3.1 Conditions precedent

This Company Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions in clause 3.1 of the Scheme Implementation Deed (other than the condition in the Scheme Implementation Deed relating to Court approval of this Company Scheme) having been satisfied or waived in accordance with the terms of the Scheme Implementation Deed by 8.00am on the Second Court Date;
- (b) neither the Scheme Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) approval of this Company Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by the Bidder and SAL;
- (d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Company Scheme and agreed to by the Bidder and SAL having been satisfied or waived;
- (e) both:
 - (i) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Company Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date; and
 - (ii) the SAT1 Trust Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act.

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3.2 Certificate

- (a) SAL and the Bidder will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.
- (b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

3.3 End Date

Without limiting clause 3.4, this Company Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Scheme Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless SAL and the Bidder otherwise agree in writing.

3.4 Condition subsequent

This Company Scheme will automatically terminate at the end of the Implementation Date and be of no further force or effect if, at any time before the Schemes are implemented:

- (a) UniSuper Security Holder, UniSuper or any entity holding the UniSuper Specified Securities on behalf of UniSuper, deals with, sells or otherwise disposes of (or deals with, sells or otherwise disposes of any interest in) any of the UniSuper Specified Securities, or agrees to any of the forgoing; or
- (b) UniSuper is not the full beneficial owner of any of the UniSuper Specified Securities, (other than as a result of a transfer of all of the UniSuper Specified Securities to the Bidder pursuant to the Schemes and any subsequent transfer by the Bidder or its successors in title) unless SAL and the Bidder otherwise agree in writing on or before the Implementation Date.

4 Implementation of Company Scheme

SAL must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Company Scheme as soon as possible after the Court approves this Company Scheme and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Company Scheme.

5 Scheme Securityholders

5.1 Determination of Scheme Securityholders

To establish the identity and addresses of the Scheme Securityholders, dealings in Sydney Airport Securities and other alterations to the Sydney Airport Security Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Sydney Airport Security Register as the holder of the relevant Sydney Airport Security on or before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of those alterations, are received on or before the Scheme Record Date at the place where the Sydney Airport Security Register is kept,

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and SAL must not accept for registration, nor recognise for any purpose (except a transfer to the Bidder pursuant to this Company Scheme and any subsequent transfer by the Bidder or its successors in title), any transfer or transmission application or other request received after such times, or received before such times but not in registrable or actionable form, as appropriate.

5.2 Register

- (a) SAL must register, or cause to be registered, registrable transmission applications or transfers of the Scheme Shares in accordance with clause 5.1(b) by the Scheme Record Date; provided that, for the avoidance of doubt, nothing in this clause 5.2(a) requires the registration of a transfer that would result in a Scheme Securityholder holding a parcel of Sydney Airport Securities that is less than a 'marketable parcel' (for the purposes of this clause 5.2(a) 'marketable parcel' has the meaning given in the Operating Rules).
- (b) If this Company Scheme becomes Effective, a holder of Scheme Securities (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Securities or any interest in them after the Scheme Record Date (except a transfer to the Bidder pursuant to the Schemes or any subsequent transfer by the Bidder or its successors in title) and any attempt to do so will have no effect and SAL shall be entitled to disregard any such disposal.
- (c) SAL will, until the Scheme Consideration has been provided and the name and address of the Bidder has been entered into the Sydney Airport Security Register as the holder of all Scheme Securities, maintain, or procure the maintenance of, the Sydney Airport Security Register in accordance with the provisions of this clause 5.2, and the Sydney Airport Security Register in this form and the terms of this Company Scheme will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Sydney Airport Securities will cease to have effect after the Scheme Record Date as documents of title in respect of those Sydney Airport Securities and, as from that date and time, each entry current at that date on the Sydney Airport Security Register (other than any entries on the Sydney Airport Security Register in respect of the Bidder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Sydney Airport Securities relating to that entry.
- (e) As soon as possible on or after the Scheme Record Date, and in any event by 5.00pm on the first Business Day after the Scheme Record Date, SAL will ensure that details of the names, Registered Addresses and holdings of Sydney Airport Securities for each Scheme Securityholder as shown in the Sydney Airport Security Register are available to the Bidder in the form the Bidder reasonably requires.

6 Scheme Consideration

6.1 Entitlement to Scheme Consideration

- (a) The Scheme Consideration in respect of the Scheme Securities is, in respect of each Scheme Securityholder, the Scheme Consideration for the Scheme Securities held by that Scheme Securityholder.
- (b) Each Scheme Securityholder is entitled to receive the Scheme Consideration in respect of the Scheme Securities held by that Scheme Securityholder, subject to the terms of this Company Scheme and the Trust Scheme.

6.2 Deposit of Scheme Consideration

The Bidder must, by no later than the Business Day before the Implementation Date, deposit (or procure the deposit) in cleared funds an amount at least equal to the aggregate amount of the

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Scheme Consideration payable to all Scheme Securityholders (other than the UniSuper Security Holder in relation to the UniSuper Specified Securities) into the Trust Account (provided that any interest on the amounts deposited (less bank fees and other charges) will be to the Bidder's account).

6.3 Provision of Scheme Consideration

- (a) On the Implementation Date, subject to funds having been deposited in accordance with clause 6.2, SAL must pay or procure the payment of that Scheme Consideration from the Trust Account, to each Scheme Securityholder (other than the UniSuper Security Holder in relation to the UniSuper Specified Securities) as that Scheme Securityholder is entitled under clause 6.1.
- (b) The obligations of SAL under clause 6.3(a) will be satisfied by SAL (in its absolute discretion and despite any election referred to in clause 6.3(b)(i) below or authority referred to in clause 6.3(b)(ii) below made or given by the Scheme Securityholder):
 - (i) where a Scheme Securityholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Sydney Airport Registry to receive distribution payments from SAL by electronic funds transfer to a bank account nominated by the Scheme Securityholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
 - (ii) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Securityholder by an appropriate authority from the Scheme Securityholder to SAL; or
 - (iii) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Securityholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Securityholder (or in the case of joint holders, in accordance with the procedures set out in clause 6.7).
- (c) If the Bidder is required by Subdivision 14-D of Schedule 1 of the *Taxation Administration Act 1953* (Cth) to pay amounts to the Commissioner of Taxation in respect of the acquisition of Scheme Securities from certain Scheme Securityholders, then the Bidder is permitted to deduct the relevant amounts from the payment of the Scheme Consideration to those Scheme Securityholders and remit such amounts to the Commissioner of Taxation. The aggregate sum payable to Scheme Securityholders shall not be increased to reflect the deduction and the net aggregate sum payable to those Scheme Securityholders shall be taken to be in full and final satisfaction of the amounts owing to those Scheme Securityholders. The Bidder must pay any amount so withheld to the Commissioner of Taxation within the time permitted by law, and, if requested in writing by the relevant Scheme Securityholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Scheme Securityholder.
- (d) If, following satisfaction of the Bidder's obligations under clause 6.2 but prior to the occurrence of all of the events described in clause 7 this Company Scheme lapses under clause 3.3 or clause 3.4:
 - (i) SAL must immediately repay (or cause to be repaid) to or at the direction of the Bidder the funds that were deposited in the Trust Account plus any interest on the amounts deposited (less bank fees and other charges);

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- (ii) the obligation to transfer Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, to the Bidder under clause 7 will immediately cease;
- (iii) the Bidder must return the Scheme Transfers, if provided pursuant to clause 7; and
- (iv) SAL is no longer obliged to enter, or procure the entry of, the name of the Bidder in the Sydney Airport Security Register in accordance with clause 7.

6.4 Provision of Scheme Consideration in relation to the UniSuper Specified Securities

HoldCo must on the Implementation Date:

- (a) issue the Scheme Consideration in relation to the UniSuper Specified Securities to UniSuper (or to the UniSuper Nominee HoldCo Shareholder in accordance with clause 6.5); and
- (b) procure that the name and address of UniSuper (or the UniSuper Nominee HoldCo Shareholder (as applicable)) is entered in the HoldCo Register and HoldCo Loan Note Registers respectively in respect of that Scheme Consideration and provide to UniSuper a copy of each of such register evidencing the issue of the Scheme Consideration to UniSuper (or the UniSuper Nominee HoldCo Shareholder (as applicable)); and
- (c) procure that a share certificate or holding statement (or equivalent document) is sent to UniSuper representing the HoldCo Shares issued as Scheme Consideration pursuant to this clause 6.4.

6.5 Direction to issue Scheme Consideration to UniSuper Nominee HoldCo Shareholder

- (a) Subject to clause 6.5(b), the UniSuper Security Holder or UniSuper may, by written notice delivered to Bidder, HoldCo, SAL and TTCSAL no later than two Business Days before the Scheme Record Date, irrevocably direct and permit HoldCo to discharge its obligations in clause 6.4 by instead issuing that Scheme Consideration to:
 - (i) a single Australian incorporated wholly-owned subsidiary of UniSuper; or
 - (ii) a single nominee or custodian of UniSuper;

(the **UniSuper Nominee HoldCo Shareholder**); provided that the UniSuper Nominee HoldCo Shareholder only holds the Scheme Consideration as legal and full beneficial owner or as trustee for the UniSuper Fund, a wholly-owned subsidiary of UniSuper or a wholly-owned subsidiary fund of UniSuper Fund and for no one else.
- (b) In order to be valid, a notice delivered to the Bidder, HoldCo, SAL and TTCSAL under clause 6.5(a) must be in the form of a deed poll duly executed by UniSuper Security Holder in favour of Bidder, HoldCo, SAL and TTCSAL and must include or be accompanied by:
 - (i) a representation that UniSuper Security Holder nominates the UniSuper Nominee HoldCo Shareholder to be issued the Scheme Consideration in relation to the UniSuper Specified Securities under the Schemes;
 - (ii) a representation setting out complete details of the UniSuper Nominee HoldCo Shareholder's full legal name, registered office, directors, ACN or ABN, and details for the service of legal notices (including by electronic means); and
 - (iii) a representation that the UniSuper Nominee HoldCo Shareholder has validly authorised UniSuper Limited as its attorney and agent to give the covenants set

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out in clause 9.3 of this Company Scheme and evidence of that valid authorisation.

6.6 Status of Scheme Consideration provided to UniSuper

Subject to the Schemes becoming Effective, HoldCo must, on the Implementation Date, issue the Scheme Consideration in relation to the UniSuper Specified Securities to UniSuper (or the UniSuper Nominee HoldCo Shareholder, if applicable under clause 6.5) under the Schemes on terms such that:

- (a) each HoldCo Share which is a Class A share in HoldCo will rank equally in all respects with each issued Class A share in HoldCo and any Class A shares which have been agreed to be issued (and no amount will be payable on the Class A shares);
- (b) each HoldCo Share which is a Class B share in HoldCo will rank equally in all respects with each issued Class B share in HoldCo and any Class B shares which have been agreed to be issued (and no amount will be payable on the Class B shares);
- (c) the HoldCo A1 Loan Note so issued will rank equally in all respects with each issued HoldCo A1 Loan Note and any HoldCo A1 Loan Notes which have been agreed to be issued;
- (d) the HoldCo A2 Loan Note so issued will rank equally in all respects with each issued HoldCo A2 Loan Note and any HoldCo A2 Loan Notes which have been agreed to be issued; and
- (e) the HoldCo B Loan Note so issued will rank equally in all respects with each issued HoldCo B Loan Note and any HoldCo B Loan Notes which have been agreed to be issued.

6.7 Joint holders

In the case of Scheme Securities held in joint names:

- (a) any Scheme Consideration payable is payable to the joint holders and any cheque required to be sent under this Company Scheme will be made payable to the joint holders and sent to either, at the sole discretion of SAL, the holder whose name appears first in the Sydney Airport Security Register as at the Scheme Record Date or to the joint holders; and
- (b) any other document required to be sent to Scheme Securityholders under this Company Scheme will be forwarded to either, at the sole discretion of SAL, the holder whose name appears first in the Sydney Airport Security Register as at the Scheme Record Date or to the joint holders.

6.8 CHES Holdings

Each Scheme Securityholder who holds their Scheme Securities in a CHES Holding agrees to the conversion of those Scheme Securities to an Issuer Sponsored Holding and irrevocably authorises SAL to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion.

6.9 Fractional entitlements

Where the calculation of the aggregate Scheme Consideration to be provided to a particular Scheme Securityholder would result in the Scheme Securityholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

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6.10 Remaining monies in Trust Account

To the extent that, following satisfaction of SAL's obligations under clause 6.3(a) and provided the Bidder has by that time acquired the Scheme Shares in accordance with this Company Scheme, there is a surplus in the amount held by SAL as trustee for the Scheme Securityholders in the Trust Account, then subject to compliance with applicable laws, the other terms of this Company Scheme, the Deed Poll and the Scheme Implementation Deed, that surplus (less any bank fees and related charges) shall be paid by SAL (or the Sydney Airport Registry on SAL's behalf) to the Bidder.

6.11 Unclaimed monies

- (a) SAL may cancel a cheque issued under this clause 6 if the cheque:
 - (i) is returned to SAL; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Securityholder to SAL (or the Sydney Airport Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), SAL must reissue a cheque that was previously cancelled under this clause 6.11.
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).

6.12 Orders of a court or Government Agency

- (a) If written notice is given to SAL, the Sydney Airport Registry or the Bidder of an order or direction made by a court of competent jurisdiction or by another Government Agency that:
 - (i) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Securities held by a particular Scheme Securityholder, which would otherwise be payable or required to be issued to that Scheme Securityholder by SAL in accordance with this clause 6, then SAL shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
 - (ii) prevents SAL from providing consideration to any particular Scheme Securityholder or third party in accordance with this clause 6, or the payment or issuance of such consideration is otherwise prohibited by applicable law, SAL shall be entitled to (as applicable):
 - (A) retain an amount, in Australian dollars, equal to the number of Scheme Securities held by that Scheme Securityholder multiplied by the Scheme Consideration; or
 - (B) direct HoldCo not to issue, or to issue to a trustee or nominee, such Scheme Consideration as that Scheme Securityholder or third party would otherwise be entitled to under clause 6.4,
 until such time as the provision of Scheme Consideration in accordance with this clause 6 is permitted by that (or another) court or direction or otherwise by law.

Scheme of arrangement

- (b) To the extent that amounts are so deducted or withheld in accordance with clause 6.12(a), such deducted or withheld amounts will be treated for all purposes under this Company Scheme as having been paid to the person in respect of which such deduction and withholding was made, provided that such deducted or withheld amounts are actually remitted as required.

7 Transfer of Scheme Shares

- (a) On the Implementation Date, subject to the Bidder having satisfied its obligations in clause 6, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to the Bidder, without the need for any further act by any Scheme Securityholder (other than acts performed by SAL or any of its directors and officers as attorney and agent for Scheme Securityholders under this Company Scheme), by:
 - (i) SAL delivering to the Bidder for execution a duly completed Scheme Transfer, executed on behalf of the Scheme Securityholders by SAL (or any of its directors and officers) for registration;
 - (ii) the Bidder duly executing the Scheme Transfer as transferee, attending to the stamping of the Scheme Transfer (if required) and delivering it to SAL for registration; and
 - (iii) SAL, immediately after receipt of the Scheme Transfer in accordance with clause 7(a)(i), but subject to the stamping of the Scheme Transfers (if required), or the transfer being effected under section 1074D of the Corporations Act (as the case may be), entering, or procuring the entry of, the name and address of the Bidder in the Sydney Airport Security Register as the holder of all of the Scheme Shares transferred to the Bidder in accordance with this Company Scheme.
- (b) The transfer of all of the Scheme Shares to the Bidder in accordance with clause 7(a) must occur simultaneously with the transfer to the Bidder of all of the other Scheme Securities under the Trust Scheme.

8 Quotation of Sydney Airport Securities

- (a) SAL must apply to the ASX to suspend trading of Sydney Airport Securities on the ASX with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date, to be determined by the Bidder, SAL must apply to the ASX for termination of official quotation of Sydney Airport Securities on the ASX and the removal of Sydney Airport from the official list of the ASX.

9 General Scheme Provisions

9.1 Consent to amendments to this Company Scheme

If the Court proposes to approve this Company Scheme subject to any alterations or conditions:

- (a) SAL may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which the Bidder has consented; and
- (b) each Scheme Securityholder agrees to any such alterations or conditions which SAL has consented to.

9.2 Covenants by Scheme Securityholders

Each Scheme Securityholder:

Scheme of arrangement

- (a) acknowledges that this Company Scheme binds SAL and all of the Scheme Securityholders from time to time (including those who do not attend the Company Scheme Meeting, do not vote, or vote against this Company Scheme) and, to the extent of any inconsistency, overrides any other part of the Constitution (but, for the avoidance of doubt, remains subject to the Corporations Act and the Listing Rules);
- (b) irrevocably agrees to the transfer (at the same time as their other Sydney Airport Securities are transferred pursuant to the Trust Scheme) of all of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to the Bidder in accordance with the terms of this Company Scheme, without the need for any further act by that Scheme Securityholder;
- (c) agrees to the modification, cancellation or variation (if any) of the rights attaching to their Scheme Shares arising from this Company Scheme, without the need for any further act by that Scheme Securityholder; and
- (d) without the need for any further act by any Scheme Securityholder, irrevocably appoints SAL and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of executing any document necessary or expedient to give effect to the transactions described in this Company Scheme or doing any other act or thing necessary or desirable to give effect to this Company Scheme, provided that this clause 9.2(d) does not apply with respect to the obligations of UniSuper under clause 9.3 (or any other matter specific to UniSuper as distinct from matters in respect of which all Scheme Securityholders are treated the same).

9.3 Covenants by UniSuper and UniSuper Nominee HoldCo Shareholder

In addition to the covenants set out in clause 9.2, UniSuper (or, if applicable, UniSuper Nominee HoldCo Shareholder) provided that UniSuper or the UniSuper Security Holder has delivered a valid notice to Bidder, HoldCo, SAL and TTCSAL in accordance with clause 6.5):

- (a) agrees to become a member of HoldCo and be bound by the terms of the HoldCo Constitution;
- (b) agrees to be bound by, and to deliver to HoldCo duly executed copies of, the following documents after the Schemes become Effective and by no later than 5.00pm on the Business Day before the Scheme Record Date (the **Delivery Deadline**):
 - (i) the HoldCo Shareholders Deed;
 - (ii) the HoldCo A Loan Note Subscription Agreement;
 - (iii) the HoldCo B Loan Note Subscription Agreement; and
 - (iv) any other documentation which, in accordance with the terms of such documents, is required to be delivered by the Delivery Deadline under the documents set out in the preceding subclauses,

(the **Transaction Documents**);

and UniSuper:

- (c) must not (and must procure that neither UniSuper Security Holder nor any entity holding the UniSuper Specified Securities on behalf of UniSuper does not):
 - (i) deal with, sell or otherwise dispose of (or deal with, sell or otherwise dispose of any interest in) any of the UniSuper Specified Securities, or purport or agree to any of the foregoing; or

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- (ii) take any action that would cause UniSuper to cease to be the full beneficial owner of any of the UniSuper Specified Securities,

(except a transfer to the Bidder pursuant to the Schemes or any subsequent transfer by the Bidder or its successors in title) and any attempt to do so will have no effect and SAL must disregard any such disposal;

and UniSuper (or, if applicable, UniSuper Nominee HoldCo Shareholder provided that UniSuper or the UniSuper Security Holder has delivered a valid notice to Bidder, HoldCo, SAL and TTCSAL in accordance with clause 6.5):

- (d) without the need for any further act irrevocably appoints SAL and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of, if UniSuper (or, if applicable, UniSuper Nominee HoldCo Shareholder) fails to deliver duly executed copies of the Transaction Documents to HoldCo by the Delivery Deadline, executing each of the documents set out in clause 9.3(b), and SAL accepts each such appointment and shall take such actions. SAL as attorney and agent of UniSuper or, if applicable, UniSuper Nominee HoldCo Shareholder, may sub-delegate its functions, authorities or powers under this clause 9.3 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

9.4 Authority given to SAL

- (a) Each Scheme Securityholder, without the need for any further act:
 - (i) on the Effective Date, irrevocably appoints SAL and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against the Bidder, and SAL undertakes in favour of each Scheme Securityholder that it will enforce the Deed Poll against the Bidder and HoldCo and, in doing so, to the extent necessary, enforce SAL's rights under the Equity Commitment Letters, on behalf of and as agent and attorney for each Scheme Securityholder; and
 - (ii) on the Implementation Date, irrevocably appoints SAL and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Company Scheme, the Scheme Implementation Deed, and the transactions contemplated by them, including executing the Scheme Transfers,

and SAL accepts each such appointment.
- (b) SAL, as attorney and as agent of each Scheme Securityholder, may sub-delegate its functions, authorities or powers under clause 9.4(a) to all or any of its directors, officers, secretaries or employees (jointly, severally, or jointly and severally).
- (c) Each Scheme Securityholder:
 - (i) consents to SAL doing all things necessary or incidental to the implementation of this Company Scheme, the Scheme Implementation Deed and the transactions contemplated by them; and
 - (ii) indemnifies SAL and each of its directors, officers, secretaries or employees against all losses, liabilities, charges, costs and expenses arising from the exercise of powers under this clause 9.4.

Scheme of arrangement

9.5 Warranties by the Scheme Securityholders

Each Scheme Securityholder is deemed to have warranted to SAL and the Bidder, and to have appointed and authorised SAL as that Scheme Securityholder's agent and attorney to warrant to the Bidder, that as at the Implementation Date:

- (a) all of their Scheme Shares (including all rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to the Bidder pursuant to this Company Scheme, be fully paid and free from all Encumbrances; and
- (b) they have full power and capacity to sell and to transfer their Scheme Shares (together with any rights and entitlements attaching to those Scheme Shares) to the Bidder pursuant to this Company Scheme.

SAL undertakes in favour of each Scheme Securityholder that it will provide such warranties to the Bidder as agent and attorney of that Scheme Securityholder.

9.6 Warranties by UniSuper

In addition to the warranties given in clause 9.5, UniSuper (or, if applicable, UniSuper Nominee HoldCo Shareholder provided that UniSuper or the UniSuper Security Holder has delivered a valid notice to Bidder, HoldCo, SAL and TTCSAL in accordance with clause 6.5), is deemed to have warranted to SAL and the Bidder, and, to the extent enforceable, to have appointed and authorised SAL as that Scheme Securityholder's agent and attorney to warrant to the Bidder, that on the Effective Date, on the Scheme Record Date and on the Implementation Date:

- (a) UniSuper is entitled to be registered as the registered holder of, and is the full beneficial owner of, the UniSuper Specified Securities; and
- (b) if a UniSuper Nominee HoldCo Shareholder is nominated by UniSuper in accordance with clause 6.5, the UniSuper Nominee HoldCo Shareholder is an Australian incorporated wholly-owned subsidiary of UniSuper.

SAL undertakes in favour of UniSuper that it will provide such warranties to the Bidder as attorney, agent and trustee for, and on behalf, of UniSuper (or, if applicable, UniSuper Nominee HoldCo Shareholder).

9.7 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Company Scheme to the Bidder will, at the time of transfer, vest in the Bidder free from all Encumbrances.
- (b) Immediately upon the deposit of the Scheme Consideration in accordance with clause 6.2, the Bidder will be beneficially entitled to the Scheme Shares to be transferred to it under this Company Scheme pending registration by SAL of the name and address of the Bidder in the Sydney Airport Security Register as the holder of the Scheme Shares.

9.8 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Securityholder, and until the Bidder is registered as the holder of all Scheme Securities in the Sydney Airport Security Register, each Scheme Securityholder:

- (a) is deemed to have appointed the Bidder as attorney and agent (and directed the Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by the Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend Sydney Airport Securityholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any resolution or document;

Scheme of arrangement

- (b) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 9.8);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as the Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in this clause 9.8, the Bidder and any director, officer, secretary or agent nominated by the Bidder may act in the best interests of the Bidder as the intended registered holder of the Scheme Shares.

10 General

10.1 Stamp duty

The Bidder will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Company Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under or in connection with the Schemes and the Deed Poll; and
- (b) indemnify each Scheme Securityholder against any liability arising from failure to comply with clause 10.1(a).

10.2 Consent

Each of the Scheme Securityholders consents to SAL doing all things necessary or incidental to the implementation of this Company Scheme, whether on behalf of the Scheme Securityholders, SAL or otherwise.

10.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Company Scheme is sent by post to SAL, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at SAL's registered office or at the office of the Sydney Airport Registry.
- (b) The accidental omission to give notice of the Scheme Meetings or the non-receipt of such notice by a Sydney Airport Securityholder will not, unless so ordered by the Court, invalidate the Company Scheme Meeting or the proceedings of the Company Scheme Meeting.

10.4 Governing law

- (a) This Company Scheme is governed by the laws in force in New South Wales, Australia.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales, Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this Company Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

10.5 Further action

SAL must do all things and execute all documents necessary to give full effect to this Company Scheme and the transactions contemplated by it.

Scheme of arrangement

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10.6 No liability when acting in good faith

Each Scheme Securityholder agrees that neither SAL nor any director, officer, secretary or employee of SAL shall be liable for anything done or omitted to be done in the performance of this Company Scheme or the Deed Poll in good faith.



SAT1 Trust Supplemental Deed

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The Trust Company (Sydney Airport) Limited
Sydney Airport Limited
Amending the Constitution of Sydney Airport Trust 1

Supplemental Deed

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This Deed is made on

2021

Parties

The Trust Company (Sydney Airport) Limited (ACN 115 967 087) of 10 Arrivals Court, Sydney International Airport, New South Wales 2020 (the **RE**).

Sydney Airport Limited (ACN 165 056 360) of 10 Arrivals Court, Sydney International Airport, New South Wales 2020 (**SAL**).

Recitals

- A The RE is the responsible entity of the trust known as Sydney Airport Trust 1 (ARSN 099 597 921) (the **Trust**).
- B The Trust is constituted and governed by the Constitution of Sydney Airport Trust 1 dated 13 July 2001, as amended from time to time (the **Constitution**).
- C The Trust is registered as a managed investment scheme under the Corporations Act.
- D The Units of the Trust are stapled to the shares in Sydney Airport Limited (ACN 165 056 360) (**SAL**) and are quoted and traded on the ASX as stapled securities of Sydney Airport (ASX:SYD).
- E The RE, SAL and Sydney Aviation Alliance Pty Ltd (ACN 651 567 841) (the **Bidder**) have agreed, by executing the Scheme Implementation Deed, to propose and implement the Schemes.
- F Section 601GC(1)(a) of the Corporations Act provides that the Constitution may be amended by special resolution of the Members.
- G Under clause 24 of the Constitution, the RE may amend the Constitution by deed or as otherwise permitted by the Corporations Act.
- H The RE proposes to modify the Constitution, as set out in this Supplemental Deed, to give effect to the special resolution to modify the Constitution that was passed by Sydney Airport Securityholders (as holders of Units) at a meeting held on Thursday, 3 February 2022.
- I SAL is appointed by Sydney Airport Securityholders to act as their attorney in respect of certain matters to give effect to the Schemes.

It is agreed as follows.

1 Definitions and Interpretation

1.1 Definitions

In this Supplemental Deed, including the Recitals, the following definitions apply unless the context requires otherwise.

Bidder has the meaning given to that term in Recital E.

Company Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between SAL and the Sydney Airport Securityholders (as holders of SAL Shares), subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by the Bidder and SAL.

Constitution has the meaning given to that term in Recital B.

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction as the Bidder and Sydney Airport may agree in writing.

Effective means:

- (a) in relation to the Trust Scheme, the coming into effect of the amendments to the Constitution (which will occur on the date and at the time a copy of the amended Constitution, or of the amendments, is lodged with ASIC under section 601GC(2) of the Corporations Act); and
- (b) in relation to the Company Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) in relation to the Company Scheme but in any event at no time before an office copy of the orders of the Court is lodged with ASIC.

Effective Date means the date on which the Trust Scheme and Company Scheme have both become Effective.

SAL has the meaning given to that term in Recital D.

SAL Share means a fully paid ordinary share in the capital of SAL.

Scheme Implementation Deed means the scheme implementation deed between SAL, the RE and the Bidder dated 8 November 2021 relating to the implementation of the Schemes.

Schemes means:

- (a) the Trust Scheme; and
- (b) the Company Scheme.

Sydney Airport means SAL and the RE as responsible entity of the Trust.

Sydney Airport Security means a stapled security comprising one unit in the Trust stapled to one SAL Share.

Sydney Airport Securityholder means each person who is registered as the holder of a Sydney Airport Security in the Sydney Airport Security Register.

Trust has the meaning given to that term in Recital A.

Trust Scheme means an arrangement under which the Bidder acquires all of the Units from the Sydney Airport Securityholders facilitated by the amendments to the Constitution set out in the Schedule (as may be amended from time to time in accordance with clause 7.9 of the Schedule 1 proposed to be included in the Constitution).

1.2 Interpretation

- (a) Terms used but not defined in this Supplemental Deed have the same meanings given to them in the Constitution.
- (b) Clause 37.1 (Definitions) and clause 37.2 (Interpretation) of the Constitution apply to this Supplemental Deed as if set out in this Supplemental Deed, except that references to 'Constitution' are taken to be references to this Supplemental Deed.

2 Benefit of this Supplemental Deed

This Supplemental Deed is made by the RE and SAL with the intent that the benefit of this Supplemental Deed shall enure to the benefit of the Members jointly and severally.

3 Operation of this Supplemental Deed

Subject to clause 4, clause 5 of this Supplemental Deed shall take effect on and from the Effective Date.

4 Conditions

This Supplemental Deed is conditional upon, and will have no force or effect:

- (a) until, the satisfaction of each of the conditions precedent stipulated in clause 3.1 of the Company Scheme, other than the coming into effect of the amendments made by this Supplemental Deed; and
- (b) if the Company Scheme is terminated pursuant to the condition subsequent in clause 3.4 of the Company Scheme.

5 Amendments to Constitution

- (a) The RE amends the Constitution (except for clauses 37.1 and 37.2 of the Constitution which are not replaced, amended, reproduced, repeated, restated or otherwise affected in any way by this Supplemental Deed) by inserting as a new Schedule 1 into the Constitution the text contained in the Schedule.
- (b) The RE confirms that clauses 37.1 and 37.2 of the Constitution are not replaced, amended, reproduced, repeated, restated or otherwise affected in any way by this Supplemental Deed.
- (c) The Constitution, as it applies to the Trust and as amended by this Supplemental Deed, is the constitution of the Trust.

6 Binding Conditions

This Supplemental Deed is binding on the RE, each Member and any other person claiming through any of them as if each was a party to this Supplemental Deed.

7 No Resettlement

The RE confirms that it is not by this Supplemental Deed:

- (a) resettling or re-declaring the trust declared under the Constitution;
- (b) declaring any trust; or
- (c) causing the transfer, vesting or accruing of any property comprising the assets of the Trust in any person.

8 No Merger

Each obligation set out in this Supplemental Deed Poll which is capable of having future operation continues in force after the Effective Date although this Supplemental Deed Poll has otherwise been fully performed.

9 Governing Law and Jurisdiction

This Supplemental Deed is governed by the laws of New South Wales. In relation to it and related noncontractual 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.

Executed and delivered as a Deed Poll in Sydney

Each attorney executing this deed states that they have no notice of revocation or suspension of their power of attorney.

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* (Cth) by **The Trust Company (Sydney Airport) Limited:**

Director Signature

Print Name

Director/Secretary Signature

Print Name

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* (Cth) by **Sydney Airport Limited:**

Director Signature

Print Name

Director/Secretary Signature

Print Name

[Each of [Name of party] and the witness states that this deed was signed in counterpart and witnessed over audio visual link in accordance with section 14G of the *Electronic Transactions Act 2000* (NSW).]

Schedule

Schedule 1 – Trust Scheme

1 Definitions

In this Schedule 1, unless the context otherwise requires:

ADI means authorised deposit-taking institution (as defined in the *Banking Act 1959* (Cth)).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.

Bidder means Sydney Aviation Alliance Pty Ltd (ACN 651 567 841).

Business Day means a business day as defined in the Listing Rules and which is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales.

CHES means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Ltd (ACN 008 504 532) and ASX Clear Pty Limited (ACN 001 314 503).

CHES Holding has the meaning given in the Settlement Rules.

Company Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between SAL and the Sydney Airport Securityholders (as holders of SAL Shares), subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by the Bidder and SAL.

Corporations Act means the *Corporations Act 2001* (Cth), as amended by any applicable ASIC class order, ASIC legislative instrument or ASIC relief.

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act agreed to in writing by the Bidder and Sydney Airport.

Deed Poll means a deed poll under which the Bidder covenants in favour of the Scheme Securityholders to perform the obligations attributed to the Bidder under the Schemes.

Effective means:

- (a) in relation to the Trust Scheme, the coming into effect of the amendments to the Constitution (which will occur on the date and at the time a copy of the amended Constitution, or of the amendments, is lodged with ASIC under section 601GC(2) of the Corporations Act); and
- (b) in relation to the Company Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) in relation to the Company Scheme but in any event at no time before an office copy of the orders of the Court is lodged with ASIC.

Effective Date means the date on which the Trust Scheme and Company Scheme have both become Effective.

Encumbrance means a mortgage, charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement, contractual right of set-off, or any other security agreement or arrangement in favour of any person, whether registered or unregistered, including any Security Interest.

Government Agency means any Australian or foreign government or governmental, semi-governmental or judicial entity or authority. It also includes any government minister (and his or her delegate), any self-regulatory organisation established under statute or any securities exchange and, for the avoidance of doubt, includes ASIC, ASX, the Australian Foreign Investment Review Board and equivalent bodies in jurisdictions outside Australia.

HoldCo means Sydney Aviation Alliance Holdings Pty Ltd (ACN 654 912 197).

HoldCo A Loan Note Subscription Agreement means the subscription agreement for the HoldCo A Loan Notes, in the form provided to UniSuper Limited immediately prior to execution of the Scheme Implementation Deed (or as subsequently amended on or prior to the Implementation Date with the written consent of UniSuper Limited).

HoldCo A Loan Notes means each of a HoldCo A1 Loan Note and HoldCo A2 Loan Note.

HoldCo A1 Loan Note means a new A1 Loan Note issued by HoldCo under Facility A and in accordance with the A Loan Note Subscription Agreement and the deed poll under that agreement.

HoldCo A2 Loan Note means a new A2 Loan Note issued by HoldCo under Facility A and in accordance with the A Loan Note Subscription Agreement and the deed poll under that agreement.

HoldCo B Loan Note means a new B Loan Note issued by HoldCo in accordance with the B Loan Note Subscription Agreement and deed poll under that agreement.

HoldCo B Loan Note Subscription Agreement means the subscription agreement for the HoldCo B Loan Notes in the form provided to UniSuper Limited immediately prior to execution of the Scheme Implementation Deed (or as subsequently amended on or prior to the Implementation Date with the written consent of UniSuper Limited).

HoldCo Constitution means the constitution of HoldCo in the form provided to UniSuper Limited immediately prior to execution of the Scheme Implementation Deed (or as subsequently amended on or prior to the Implementation Date with the written consent of UniSuper Limited).

HoldCo Loan Note Registers means the registers established to record the holders of and the principal amounts outstanding under the HoldCo A Loan Notes and HoldCo B Loan Notes under the HoldCo A Loan Note Subscription Agreement and HoldCo B Loan Note Subscription Agreements.

HoldCo Loan Note Subscription Agreements means the HoldCo A Loan Note Subscription Agreement and the HoldCo B Loan Note Subscription Agreement.

HoldCo Register means the register of members of HoldCo maintained in accordance with the Corporations Act.

HoldCo Share means each of a newly issued A Class share and B Class share in Holdco.

HoldCo Shareholders Deed means the shareholders deed in relation to HoldCo in the form provided to UniSuper Limited immediately prior to execution of the Scheme Implementation Deed (or as subsequently amended on or prior to the Implementation Date with the written consent of UniSuper Limited).

Implementation Date means the fifteenth Business Day after the Scheme Record Date, or such earlier date after the Scheme Record Date (not to be earlier than the tenth Business Day after the Scheme Record Date) as notified by the Bidder to Sydney Airport in writing.

Issuer Sponsored Holding has the meaning given in the Settlement Rules.

Listing Rules means the official listing rules of ASX.

Operating Rules means the official operating rules of ASX.

Registered Address means, in relation to a Sydney Airport Securityholder, the address shown in the Sydney Airport Security Register as at the Scheme Record Date.

SAL means Sydney Airport Limited (ACN 165 056 360).

SAL Share means a fully paid ordinary share in the capital of SAL.

Scheme Consideration means the consideration to be provided by the Bidder to each Scheme Securityholder for the transfer to the Bidder of each Scheme Security, being, subject to the terms of this Scheme:

- (a) in the case of Scheme Securityholders (other than UniSuper in relation to the UniSuper Specified Securities), an amount of \$8.75 for each Scheme Security held by the Scheme Securityholder as at the Scheme Record Date; and
- (b) in the case of the UniSuper Security Holder in relation to the UniSuper Specified Securities only:
 - (i) 3,002 HoldCo Shares, comprising:
 - (A) 1,501 A Class shares (which shall represent 15.01% of the total number of A Class shares on issue immediately after implementation of the Schemes); and
 - (B) 1,501 B Class shares (which shall represent 15.01% of the total number of B Class shares on issue immediately after implementation of the Schemes);
 - (ii) a HoldCo A1 Loan Note with an outstanding principal amount of \$1,918,810,975.08 (which shall represent 15.01% of the total aggregate principal amount of all HoldCo A1 Loan Notes on issue immediately after implementation of the Schemes);
 - (iii) a HoldCo A2 Loan Note with an outstanding principal amount of \$15,010.00 (which shall represent 15.01% of the total aggregate principal amount of all HoldCo A2 Loan Notes on issue immediately after implementation of the Schemes); and
 - (iv) a HoldCo B Loan Note with an outstanding principal amount of \$1,656,650,157.64 (which shall represent 15.01% of the total aggregate principal amount of all HoldCo B Loan Notes on issue immediately after implementation of the Schemes).

Scheme Implementation Deed means the Scheme Implementation Deed between SAL, the RE and the Bidder dated 8 November 2021.

Scheme Record Date means 7.00pm on the fifth Business Day after the Effective Date, or such other time and date as Sydney Airport and the Bidder agree in writing.

Scheme Security means a Sydney Airport Security as at the Scheme Record Date.

Scheme Securityholder means a holder of Sydney Airport Securities recorded in the Sydney Airport Security Register as at the Scheme Record Date.

Scheme Transfer means a duly completed and executed proper instrument of transfer in respect of the Scheme Securities for the purposes of section 1071B of the Corporations Act, from Scheme Securityholders as transferors to the Bidder as transferee, which may be a master transfer of all or part of the Scheme Securities held by Scheme Securityholders.

Scheme Unit means a Unit on issue as at the Scheme Record Date.

Schemes means:

- (a) the Trust Scheme; and
- (b) the Company Scheme.

Security Interest has the meaning given in section 51A of the Corporations Act.

Settlement Rules means the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.

Sydney Airport means SAL and the RE as responsible entity of the Trust together.

Sydney Airport Registry means Computershare Investor Services Pty Ltd (ACN 078 279 277) or any replacement share registry services provider to the RE.

Sydney Airport Security means a stapled security comprising one Unit stapled to one SAL Share.

Sydney Airport Security Register means the register of securityholders of Sydney Airport maintained in accordance with the Corporations Act (comprising a register of holders of Units and a register of holders of SAL Shares).

Sydney Airport Securityholder means each person who is registered as the holder of a Sydney Airport Security in the Sydney Airport Security Register.

Transaction Documents has the meaning given in clause 7.2 of this Schedule 1.

Trust means Sydney Airport Trust 1 (ARSN 099 597 921).

Trust Account means an Australian dollar denominated trust account with an ADI operated by the RE (or by the Sydney Airport Registry on behalf of the RE) as trustee for Scheme Securityholders.

Trust Scheme means an arrangement under which the Bidder acquires all of the Units from the Sydney Airport Securityholders facilitated by amendments to the Constitution as set out in this Schedule 1 (as may be amended from time to time in accordance with clause 7.9 of this Schedule 1), subject to the requisite approvals of the Sydney Airport Securityholders.

Trust Scheme Meeting means the meetings of Sydney Airport Securityholders (as holders of Units) convened by the RE to consider the Trust Scheme Resolutions, and includes any adjournment of that meeting.

Trust Scheme Resolutions means the resolutions to approve the Trust Scheme, including:

- (a) a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the Constitution as set out in a deed poll under which the RE amends the Constitution to effect the Trust Scheme; and
- (b) a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition by the Bidder of all the Units as at the Scheme Record Date.

UniSuper means UniSuper Limited (ACN 006 027 121) as trustee for the UniSuper Fund of Level 1, 385 Bourke Street, Melbourne, Victoria 3000.

UniSuper Fund means the complying superannuation fund known as UniSuper established by trust deed dated 24 December 1982 as amended from time to time.

UniSuper Limited means UniSuper Limited (ACN 006 027 121).

UniSuper Nominee HoldCo Shareholder has the meaning given in clause 4.5(a) of this Schedule 1.

UniSuper Security Holder means the legal and registered holder of the UniSuper Specified Securities recorded in the Sydney Airport Security Register, being BNP Paribas Nominees Pty Limited as custodian for UniSuper.

UniSuper Specified Securities means 404,969,320 Sydney Airport Securities held on behalf of UniSuper.

Unit means a fully paid unit in the Trust.

2 Trust Scheme

2.1 Implementation of Trust Scheme

- (a) Each Scheme Securityholder and the RE must do all things and execute all deeds, instruments, transfers or other documents as the RE considers are necessary or desirable to give full effect to the terms of the Trust Scheme and the transactions contemplated by it.
- (b) Without limiting the RE's powers under this Schedule 1 or the Constitution, the RE has power to do all things that it considers necessary or desirable to give effect to the Trust Scheme, the Scheme Implementation Deed and the transactions contemplated by them.
- (c) The Trust Scheme is intended to, in a manner consistent with the Company Scheme, result in the transfer of the Scheme Securities to Bidder in return for the Scheme Consideration being received by the Scheme Securityholders. If there is any inconsistency between the Trust Scheme and the Company Scheme, the RE is authorised to take, and must take any steps required to implement the Schemes in a manner which is consistent with the Company Scheme.
- (d) Subject to the Corporations Act, the RE, SAL and the Bidder and any of their respective directors, officers, employees or associates, may do any act, matter or thing described in or contemplated by this Schedule 1 even if they have an interest (financial or otherwise) in the outcome.

2.2 Deed Poll

- (a) The Trust Scheme attributes actions to the Bidder and HoldCo but does not itself impose an obligation on them to perform those actions. The Bidder and HoldCo have agreed, by executing the Deed Poll, to perform the actions attributed to them under and in accordance with the Trust Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Securityholders.
- (b) The Trust Scheme attributes actions to UniSuper, but does not itself impose an obligation on it to perform those actions. UniSuper has agreed, by executing a voting deed dated 8 November 2021, to perform the actions attributed to it under and in accordance with the Trust Scheme.

3 Scheme Securityholders

3.1 Determination of Scheme Securityholders

To establish the identity and addresses of the Scheme Securityholders, dealings in Sydney Airport Securities and other alterations to the Sydney Airport Security Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHES, the transferee is registered in the Sydney Airport Security Register as the holder of the relevant Sydney Airport Security on or before the Scheme Record Date; and

- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of those alterations, are received on or before the Scheme Record Date at the place where the Sydney Airport Security Register is kept, and the RE must not accept for registration, nor recognise for any purpose (except a transfer to the Bidder pursuant to the Trust Scheme and any subsequent transfer by the Bidder and its successors in title), any transfer or transmission application or other request received after such times, or received before such times but not in actionable or registrable or actionable form, as appropriate.

3.2 Register

- (a) The RE must register, or cause to be registered, registrable transmission applications or transfers of the Scheme Units in accordance with clause 3.1(b) of this Schedule 1 by the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 3.2(a) of this Schedule 1 requires the registration of a transfer that would result in a Scheme Securityholder holding a parcel of Sydney Airport Securities that is less than a 'marketable parcel' (for the purposes of this clause 3.2(a) of this Schedule 1, 'marketable parcel' has the meaning given in the Operating Rules).
- (b) If the Trust Scheme becomes Effective, a holder of Scheme Securities (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Securities or any interest in them after the Scheme Record Date (except a transfer to the Bidder pursuant to the Schemes or any subsequent transfer by the Bidder or its successors in title) and any attempt to do so will have no effect and the RE shall be entitled to disregard any such disposal.
- (c) The RE will, until the Scheme Consideration has been provided and the name and address of the Bidder has been entered into the Sydney Airport Security Register as the holder of all Scheme Securities, maintain, or procure the maintenance of, the Sydney Airport Security Register in accordance with the provisions of this clause 3.2 of this Schedule 1, and the Sydney Airport Security Register in this form and the terms of the Trust Scheme will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Sydney Airport Securities will cease to have effect after the Scheme Record Date as documents of title in respect of those Sydney Airport Securities and, as from that date and time, each entry current at that date on the Sydney Airport Security Register (other than any entries on the Sydney Airport Security Register in respect of the Bidder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Sydney Airport Securities relating to that entry.
- (e) As soon as possible on or after the Scheme Record Date, and in any event by 5.00pm on the first Business Day after the Scheme Record Date, the RE will ensure that details of the names, Registered Addresses and holdings of Sydney Airport Securities for each Scheme Securityholder as shown in the Sydney Airport Security Register are available to the Bidder in the form the Bidder reasonably requires.

4 Scheme Consideration

4.1 Entitlement to Scheme Consideration

- (a) The Scheme Consideration in respect of the Scheme Securities is, in respect of each Scheme Securityholder, the Scheme Consideration for the Scheme Securities held by that Scheme Securityholder.

- (b) Each Scheme Securityholder is entitled to receive the Scheme Consideration in respect of the Scheme Securities held by that Scheme Securityholder, subject to the terms of this Company Scheme and the Trust Scheme.

4.2 Deposit of Scheme Consideration

The Bidder must, by no later than the Business Day before the Implementation Date, deposit (or procure the deposit) in cleared funds an amount at least equal to the aggregate amount of the Scheme Consideration payable to all Scheme Securityholders (other than the UniSuper Security Holder in relation to the UniSuper Specified Securities) into the Trust Account (provided that any interest on the amounts deposited (less bank fees and other charges) will be to the Bidder's account).

4.3 Provision of Scheme Consideration

- (a) On the Implementation Date, subject to funds having been deposited in accordance with clause 4.2 of this Schedule 1, the RE must pay or procure the payment of that Scheme Consideration from the Trust Account, to each Scheme Securityholder (other than the UniSuper Security Holder in relation to the UniSuper Specified Securities) as that Scheme Securityholder is entitled under clause 4.1 of this Schedule 1.
- (b) The obligations of the RE under clause 4.3(a) of this Schedule 1 will be satisfied by the RE (in its absolute discretion and despite any election referred to in clause 4.3(b)(i) below or authority referred to in clause 4.3(b)(ii) below made or given by the Scheme Securityholder):
- (i) where a Scheme Securityholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Sydney Airport Registry to receive distribution payments from the RE by electronic funds transfer to a bank account nominated by the Scheme Securityholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
 - (ii) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Securityholder by an appropriate authority from the Scheme Securityholder to the RE; or
 - (iii) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Securityholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Securityholder (or in the case of joint holders, in accordance with the procedures set out in clause 4.7 of this Schedule 1).
- (c) If the Bidder is required by Subdivision 14-D of Schedule 1 of the *Taxation Administration Act 1953* (Cth) to pay amounts to the Commissioner of Taxation in respect of the acquisition of Scheme Securities from certain Scheme Securityholders, then the Bidder is permitted to deduct the relevant amounts from the payment of the Scheme Consideration to those Scheme Securityholders and remit such amounts to the Commissioner of Taxation. The aggregate sum payable to Scheme Securityholders shall not be increased to reflect the deduction and the net aggregate sum payable to those Scheme Securityholders shall be taken to be in full and final satisfaction of the amounts owing to those Scheme Securityholders. The Bidder must pay any amount so withheld to the Commissioner of Taxation within the time permitted by law, and, if requested in writing by the relevant Scheme Securityholder, provide a receipt or other appropriate evidence of

such payment (or procure the provision of such receipt or other evidence) to the relevant Scheme Securityholder.

- (d) If, following satisfaction of the Bidder's obligations under clause 4.2 of this Schedule 1 but prior to the occurrence of all of the events described in clause 5, the Trust Scheme lapses under clause 7.8 of this Schedule 1:
- (i) the RE must immediately repay (or cause to be repaid) to or at the direction of the Bidder the funds that were deposited in the Trust Account plus any interest on the amounts deposited (less bank fees and other charges);
 - (ii) the obligation to transfer Scheme Units, together with all rights and entitlements attaching to the Scheme Units as at the Implementation Date, to the Bidder under clause 5 of this Schedule 1 will immediately cease;
 - (iii) the Bidder must return the Scheme Transfers, if provided pursuant to clause 5 of this Schedule 1; and
 - (iv) the RE is no longer obliged to enter, or procure the entry of, the name of the Bidder in the Sydney Airport Security Register in accordance with clause 5 of this Schedule 1.

4.4 Provision of Scheme Consideration in relation to the UniSuper Specified Securities

HoldCo must on the Implementation Date:

- (a) issue the Scheme Consideration in relation to the UniSuper Specified Securities to UniSuper (or to the UniSuper Nominee HoldCo Shareholder in accordance with clause 4.5 of this Schedule 1); and
- (b) procure that the name and address of UniSuper (or the UniSuper Nominee HoldCo Shareholder (as applicable)) is entered in the HoldCo Register and HoldCo Loan Note Registers respectively in respect of that Scheme Consideration and provide to UniSuper a copy of each of such register evidencing the issue of the Scheme Consideration to UniSuper (or the UniSuper Nominee HoldCo Shareholder (as applicable)) which is certified by a director of HoldCo to be true and correct; and
- (c) procure that a share certificate or holding statement (or equivalent document) is sent to UniSuper representing the HoldCo Shares issued as Scheme Consideration pursuant to this clause 4.4 of this Schedule 1.

4.5 Direction to issue Scheme Consideration to UniSuper Nominee HoldCo Shareholder

- (a) Subject to clause 4.5(b) of this Schedule 1, the UniSuper Security Holder or UniSuper may, by written notice delivered to Bidder, HoldCo, SAL and the RE no later than two Business Days before the Scheme Record Date, irrevocably direct and permit HoldCo to discharge its obligations in clause 4.4 of this Schedule 1 by instead issuing that Scheme Consideration to:
 - (i) a single Australian incorporated wholly-owned subsidiary of UniSuper; or
 - (ii) a single nominee or custodian of UniSuper;
 (the **UniSuper Nominee HoldCo Shareholder**); provided that the UniSuper Nominee HoldCo Shareholder only holds the Scheme Consideration as legal and beneficial owner or as trustee for the UniSuper Fund, a UniSuper subsidiary or a subsidiary fund and for no one else.
- (b) In order to be valid, a notice delivered to the Bidder, HoldCo, SAL and the RE under clause 4.5(a) of this Schedule 1 must be in the form of a deed poll duly executed by

UniSuper Security Holder in favour of Bidder, HoldCo, SAL and the RE and must include or be accompanied by:

- (i) a representation that UniSuper Security Holder nominates the UniSuper Nominee HoldCo Shareholder to be issued the Scheme Consideration in relation to the UniSuper Specified Securities under the Schemes;
- (ii) a representation setting out complete details of the UniSuper Nominee HoldCo Shareholder's full legal name, registered office, directors, ACN or ABN, and details for the service of legal notices (including by electronic means); and
- (iii) a representation that the UniSuper Nominee HoldCo Shareholder has validly authorised UniSuper Limited as its attorney and agent to give the covenants set out in clause 7.2 of this Schedule 1 and evidence of that valid authorisation.

4.6 Status of Scheme Consideration provided to UniSuper

Subject to the Schemes becoming Effective, HoldCo must, on the Implementation Date, issue the Scheme Consideration in relation to the UniSuper Specified Securities to UniSuper (or the UniSuper Nominee HoldCo Shareholder, if applicable under clause 4.5 of this Schedule 1) under the Schemes on terms such that:

- (a) each HoldCo Share which is a Class A share in HoldCo will rank equally in all respects with each issued Class A share in HoldCo and any Class A shares which have been agreed to be issued (and no amount will be payable on the Class A shares);
- (b) each HoldCo Share which is a Class B share in HoldCo will rank equally in all respects with each issued Class B share in HoldCo and any Class B shares which have been agreed to be issued (and no amount will be payable on the Class B shares);
- (c) the HoldCo A1 Loan Note so issued will rank equally in all respects with each issued HoldCo A1 Loan Note and any HoldCo A1 Loan Notes which have been agreed to be issued;
- (d) the HoldCo A2 Loan Note so issued will rank equally in all respects with each issued HoldCo A2 Loan Note and any HoldCo A2 Loan Notes which have been agreed to be issued; and
- (e) the HoldCo B Loan Note so issued will rank equally in all respects with each issued HoldCo B Loan Note and any HoldCo B Loan Notes which have been agreed to be issued.

4.7 Joint holders

In the case of Scheme Securities held in joint names:

- (a) any Scheme Consideration payable is payable to the joint holders and any cheque required to be sent under the Trust Scheme will be made payable to the joint holders and sent to either, at the sole discretion of the RE, the holder whose name appears first in the Sydney Airport Security Register as at the Scheme Record Date or to the joint holders; and
- (b) any other document required to be sent to Scheme Securityholders under the Trust Scheme will be forwarded to either, at the sole discretion of the RE, the holder whose name appears first in the Sydney Airport Security Register as at the Scheme Record Date or to the joint holders.

4.8 CHESSE Holdings

Each Scheme Securityholder who holds their Scheme Securities in a CHESSE Holding agrees to the conversion of those Scheme Securities to an Issuer Sponsored Holding and irrevocably authorises the RE to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion.

4.9 Fractional entitlements

Where the calculation of the aggregate Scheme Consideration to be provided to a particular Scheme Securityholder would result in the Scheme Securityholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

4.10 Remaining monies in Trust Account

To the extent that, following satisfaction of the RE's obligations under clause 4.3(a) of this Schedule 1 and provided the Bidder has by that time acquired the Scheme Units in accordance with the Trust Scheme, there is a surplus in the amount held by the RE as trustee for the Scheme Securityholders in the Trust Account, then subject to compliance with applicable laws, the other terms of the Trust Scheme, the Deed Poll and the Scheme Implementation Deed, that surplus (less any bank fees and related charges) shall be paid by the RE (or the Sydney Airport Registry on the RE's behalf) to the Bidder.

4.11 Unclaimed monies

- (a) The RE may cancel a cheque issued under this clause 4 of this Schedule 1 if the cheque:
 - (i) is returned to the RE; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Securityholder to the RE (or the Sydney Airport Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), the RE must reissue a cheque that was previously cancelled under this clause 4.11 of Schedule 1.
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).

4.12 Orders of a court or Government Agency

- (a) If written notice is given to the RE, the Sydney Airport Registry or the Bidder of an order or direction made by a court of competent jurisdiction or by another Government Agency that:
 - (i) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Securities held by a particular Scheme Securityholder, which would otherwise be payable or required to be issued to that Scheme Securityholder by the RE in accordance with this clause 4 of this Schedule 1, then the RE shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
 - (ii) prevents the RE from providing consideration to any particular Scheme Securityholder or third party in accordance with this clause 4 of this Schedule 1,

or the payment or issuance of such consideration is otherwise prohibited by applicable law, the RE shall be entitled to (as applicable):

- (A) retain an amount, in Australian dollars, equal to the number of Scheme Securities held by that Scheme Securityholder multiplied by the Scheme Consideration; or
- (B) direct HoldCo not to issue, or to issue to a trustee or nominee, such Scheme Consideration as that Scheme Securityholder or third party would otherwise be entitled to under clause 4.4 of this Schedule 1,

until such time as the provision of Scheme Consideration in accordance with this clause 4 of this Schedule 1 is permitted by that (or another) court or direction or otherwise by law.

- (b) To the extent that amounts are so deducted or withheld in accordance with clause 4.12(a) of this Schedule 1, such deducted or withheld amounts will be treated for all purposes under the Trust Scheme as having been paid to the person in respect of which such deduction and withholding was made, provided that such deducted or withheld amounts are actually remitted as required.

5 Transfer of Scheme Units

- (a) On the Implementation Date, subject to the Bidder having satisfied its obligations in clause 4 of this Schedule 1, 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 the Bidder, without the need for any further act by any Scheme Securityholder (other than acts performed by SAL or any of its directors and officers as attorney and agent for Scheme Securityholders under the Trust Scheme), by:
 - (i) the RE delivering to the Bidder for execution a duly completed Scheme Transfer, executed on behalf of the Scheme Securityholders by the RE (or any of its directors and officers) for registration;
 - (ii) the Bidder duly executing the Scheme Transfer as transferee, attending to the stamping of the Scheme Transfer (if required) and delivering it to the RE for registration; and
 - (iii) the RE, immediately after receipt of the Scheme Transfer in accordance with clause 5(a)(ii) of this Schedule 1, but subject to the stamping of the Scheme Transfers (if required), or the transfer being effected under section 1074D of the Corporations Act (as the case may be), entering, or procuring the entry of, the name and address of the Bidder in the Sydney Airport Security Register as the holder of all of the Scheme Units transferred to the Bidder in accordance with the Trust Scheme.
- (b) The transfer of all of the Scheme Units to the Bidder in accordance with clause 5(a) of this Schedule 1 must occur simultaneously with the transfer to the Bidder of all of the other Scheme Securities under the Company Scheme.

6 Quotation of Sydney Airport Securities

- (a) The RE must apply to the ASX to suspend trading of Sydney Airport Securities on the ASX with effect from the close of trading on the Effective Date.

- (b) On a date after the Implementation Date, to be determined by the Bidder, the RE must apply to the ASX for termination of official quotation of Sydney Airport Securities on the ASX and the removal of Sydney Airport from the official list of the ASX.

7 General Provisions

7.1 Covenants by Scheme Securityholders

Each Scheme Securityholder:

- (a) acknowledges that this Schedule 1 binds the RE and all of the Scheme Securityholders from time to time (including those who do not attend the Trust Scheme Meeting, do not vote or vote against the Trust Scheme Resolutions) and, to the extent of any inconsistency, overrides any other part of the Constitution (but, for the avoidance of doubt, remains subject to the Corporations Act and the Listing Rules);
- (b) irrevocably agrees to the transfer (at the same time as their other Sydney Airport Securities are transferred pursuant to the Company Scheme) of all of their Scheme Units, together with all rights and entitlements attaching to those Scheme Units, to the Bidder in accordance with the terms of the Trust Scheme, without the need for any further act by that Scheme Securityholder;
- (c) agrees to the modification, cancellation or variation (if any) of the rights attaching to their Scheme Units arising from this Schedule 1, without the need for any further act by that Scheme Securityholder; and
- (d) without the need for any further act by any Scheme Securityholder, irrevocably appoints SAL and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of executing any document necessary or expedient to give effect to the transactions described in this Schedule 1 or doing any other act or thing necessary or desirable to give effect to this Schedule 1, provided that this clause 7.1(d) of this Schedule 1 does not apply with respect to the obligations of UniSuper under clause 7.2 of this Schedule 1 (or any other matter specific to UniSuper as distinct from matters in respect of which all Scheme Securityholders are treated the same).

7.2 Covenants by UniSuper and UniSuper Nominee HoldCo Shareholder

In addition to the covenants set out in clause 7.1 of this Schedule 1, UniSuper (or, if applicable, UniSuper Nominee HoldCo Shareholder provided that UniSuper or the UniSuper Security Holder has delivered a valid notice to Bidder, HoldCo, SAL and the RE in accordance with clause 4.5 of this Schedule 1):

- (a) agrees to become a member of HoldCo and be bound by the terms of the HoldCo Constitution;
- (b) agrees to be bound by, and to deliver to HoldCo duly executed copies of the following documents after the Schemes become Effective and by no later than 5.00pm on the Business Day before the Scheme Record Date (the **Delivery Deadline**):
 - (i) the HoldCo Shareholders Deed;
 - (ii) the HoldCo A Loan Note Subscription Agreement;
 - (iii) the HoldCo B Loan Note Subscription Agreement; and
 - (iv) any other documentation which, in accordance with the terms of such documents, is required to be delivered by the Delivery Deadline under the documents set out in the preceding subclauses,

(the **Transaction Documents**);

and UniSuper

- (c) must not (and must procure that neither UniSuper Security Holder nor any entity holding the UniSuper Specified Securities on behalf of UniSuper does not):
- (i) deal with, sell or otherwise dispose of (or deal with, sell or otherwise dispose of any interest in) any of the UniSuper Specified Securities, or purport or agree to any of the forgoing; or
 - (ii) take any action that would cause UniSuper to cease to be the beneficial owner of any of the UniSuper Specified Securities,
- (except a transfer to the Bidder pursuant to the Schemes or any subsequent transfer by the Bidder or its successors in title) and any attempt to do so will have no effect and the RE must disregard any such disposal;

and UniSuper (or, if applicable, UniSuper Nominee HoldCo Shareholder provided that UniSuper or the UniSuper Security Holder has delivered a valid notice to Bidder, HoldCo, SAL and the RE in accordance with clause 4.5 of this Schedule 1):

- (d) without the need for any further act irrevocably appoints SAL and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of, if UniSuper (or, if applicable, UniSuper Nominee HoldCo Shareholder) fails to deliver duly executed copies of the Transaction Documents to HoldCo by the Delivery Deadline, executing each of the documents set out in clause 7.2(b) of this Schedule 1, and SAL accepts each such appointment and shall take such actions. SAL as attorney and agent of UniSuper or, if applicable, UniSuper Nominee HoldCo Shareholder, may sub-delegate its functions, authorities or powers under this clause 7.2 of this Schedule 1 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

7.3 Authority given to SAL

- (a) Each Scheme Securityholder, without the need for any further act:
- (i) on the Effective Date, irrevocably appoints SAL and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against the Bidder, and SAL undertakes in favour of each Scheme Securityholder that it will enforce the Deed Poll against the Bidder and HoldCo and, in doing so, to the extent necessary, enforce SAL's rights under the Equity Commitment Letters, on behalf of and as agent and attorney for each Scheme Securityholder; and
 - (ii) on the Implementation Date, irrevocably appoints SAL and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to the Trust Scheme, the Scheme Implementation Deed, and the transactions contemplated by them, including executing the Scheme Transfers,
- and SAL accepts each such appointment.
- (b) SAL, as attorney and as agent of each Scheme Securityholder, may sub-delegate its functions, authorities or powers under clause 7.3(a) of this Schedule 1 to all or any of its directors, officers, secretaries or employees (jointly, severally, or jointly and severally).
- (c) Each Scheme Securityholder:

- (i) consents to SAL doing all things necessary or incidental to the implementation of the Trust Scheme, the Scheme Implementation Deed and the transactions contemplated by them; and
- (ii) indemnifies SAL and each of its directors, officers, secretaries or employees against all losses, liabilities, charges, costs and expenses arising from the exercise of powers under this clause 7.3 of this Schedule 1.

7.4 Warranties by the Scheme Securityholders

Each Scheme Securityholder is deemed to have warranted to the RE, SAL and the Bidder, and have appointed and authorised SAL as that Scheme Securityholder's agent and attorney to warrant to the Bidder, that as at the Implementation Date:

- (a) all of their Scheme Units (including all rights and entitlements attaching to those Scheme Units) will, at the time of the transfer of them to the Bidder pursuant to the Trust Scheme, be fully paid and free from all Encumbrances; and
- (b) they have full power and capacity to sell and to transfer their Scheme Units (together with any rights and entitlements attaching to those Scheme Units) to the Bidder pursuant to the Trust Scheme.

SAL undertakes in favour of each Scheme Securityholder that it will provide such warranties to the Bidder as agent and attorney of that Scheme Securityholder.

7.5 Warranties by UniSuper

In addition to the warranties given in clause 7.4 of this Schedule 1, UniSuper (or, if applicable, UniSuper Nominee HoldCo Shareholder provided that UniSuper or the UniSuper Security Holder has delivered a valid notice to Bidder, HoldCo, SAL and the RE in accordance with clause 4.5 of this Schedule 1), is deemed to have warranted to SAL and the Bidder, and, to the extent enforceable, to have appointed and authorised SAL as that Scheme Securityholder's agent and attorney to warrant to the Bidder, that on the Effective Date, on the Scheme Record Date and on the Implementation Date:

- (a) UniSuper is entitled to be registered as the registered holder of, and is the beneficial owner of, the UniSuper Specified Securities; and
- (b) if a UniSuper Nominee HoldCo Shareholder is nominated by UniSuper in accordance with clause 4.5 of this Schedule 1, the UniSuper Nominee HoldCo Shareholder is an Australian incorporated wholly-owned subsidiary of UniSuper.

SAL undertakes in favour of UniSuper that it will provide such warranties to the Bidder as attorney, agent and trustee for, and on behalf, of UniSuper (or, if applicable, UniSuper Nominee HoldCo Shareholder).

7.6 Title to and rights in Scheme Units

- (a) To the extent permitted by law, the Scheme Units (including all rights and entitlements attaching to the Scheme Units) transferred under the Trust Scheme to the Bidder will, at the time of transfer, vest in the Bidder free from all Encumbrances.
- (b) Immediately upon the deposit of the Scheme Consideration in accordance with clause 4.2 of this Schedule 1, the Bidder will be beneficially entitled to the Scheme Units to be transferred to it under the Trust Scheme pending registration by the RE of the name and address of the Bidder in the Sydney Airport Security Register as the holder of the Scheme Units.

7.7 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Securityholder, and until the Bidder is registered as the holder of all Scheme Securities in the Sydney Airport Security Register, each Scheme Securityholder:

- (a) is deemed to have appointed the Bidder as attorney and agent (and directed the Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by the Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend Sydney Airport Securityholders' meetings, exercise the votes attaching to the Scheme Units registered in their name and sign any resolution or document;
- (b) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 7.7 of this Schedule 1);
- (c) must take all other actions in the capacity of a registered holder of Scheme Units as the Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in this clause 7.7 of this Schedule 1, the Bidder and any director, officer, secretary or agent nominated by the Bidder may act in the best interests of the Bidder as the intended registered holder of the Scheme Units.

7.8 Lapsing

This Schedule 1 (except clause 4.3(d)) will lapse and be of no further force or effect if the Company Scheme terminates or lapses in accordance with clauses 3.3 or 3.4 of the Company Scheme.

7.9 Amendment

The RE may amend the Trust Scheme and, as applicable, this Schedule 1 if such amendment is not inconsistent with the approvals given by the Scheme Securityholders in the Trust Scheme Resolutions, and this Schedule 1 shall apply to the Trust Scheme as amended.

7.10 Further action

The RE must do all things and execute all documents necessary to give full effect to the Trust Scheme and the transactions contemplated by it.

D

Deed Poll

Deed Poll

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This Deed Poll is made on

14 December 2021

By

1. **Sydney Aviation Alliance Pty Ltd** (ACN 651 567 841) of Level 20, 225 George Street, Sydney NSW 2000 (*Bidder*); and
2. **Sydney Aviation Alliance Holdings Pty Ltd** (ACN 654 912 197) of Level 20, 225 George Street, Sydney NSW 2000 (*HoldCo*).

In favour of

Each Scheme Securityholder

Recitals

- A Sydney Airport and the Bidder have entered into a Scheme Implementation Deed dated 8 November 2021 (the *Scheme Implementation Deed*).
- B In the Scheme Implementation Deed, Bidder agreed to make this Deed Poll
- C Each of Bidder and HoldCo are entering into this Deed Poll for the purpose of covenanting in favour of the Scheme Securityholders that they will perform the obligations contemplated of them under the Scheme Implementation Deed and the Schemes.

It is agreed as follows.

1 Definitions and interpretation

1.1 Definitions

The following definitions apply unless the context requires otherwise:

- (a) **First Court Date** means the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Company Scheme Meeting and to seek the First Judicial Advice is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
- (b) **Scheme Implementation Deed** has the meaning given in Recital A.
- (c) **Schemes** means:
 - (i) the Trust Scheme; and
 - (ii) the Company Scheme.
- (d) Terms defined in the Schemes have the same meaning when used in this Deed Poll.

1.2 Interpretation

The provisions of clauses 1.2, 1.3 and 1.4 of the Company Scheme form part of this Deed Poll as if set out in full in this Deed Poll, and on the basis that references to 'this Company Scheme' in those clauses are references to 'this Deed Poll'.

1.3 Nature of Deed Poll

Each of Bidder and HoldCo acknowledge that:

- (a) this Deed Poll may be relied on and enforced by any Scheme Securityholder in accordance with its terms, even though the Scheme Securityholders are not party to it; and
- (b) under the Schemes, each Scheme Securityholder irrevocably appoints SAL and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this Deed Poll against Bidder and HoldCo.

For the avoidance of doubt, notwithstanding the appointment of SAL and each of its directors, officers and secretaries (jointly and each of them severally) as UniSuper's agent and attorney as referred to in clause 1.3(b), UniSuper may itself enforce its rights under this Deed Poll directly against each of the Bidder and HoldCo.

2 Conditions Precedent and Termination**2.1 Conditions precedent**

The obligations of each of Bidder and HoldCo under this Deed Poll are subject to the Schemes becoming Effective.

2.2 Termination

The obligations of Bidder and HoldCo under this Deed Poll to the Scheme Securityholders will automatically terminate and the terms of this Deed Poll will be of no force or effect if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms;
 - (b) the Schemes are not Effective on or before the End Date; or
 - (c) the Company Scheme or the Trust Scheme terminates,
- unless SAL and Bidder otherwise agree in writing.

2.3 Consequences of termination

If this Deed Poll is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) each of Bidder and HoldCo is released from its obligations under this Deed Poll; and
- (b) each Scheme Securityholder retains any rights, powers or remedies that the Scheme Securityholder has against Bidder and HoldCo in respect of any breach of its obligations under this Deed Poll which occurred before it was terminated.

3 Obligations of Bidder and HoldCo

Subject to clause 2, each of Bidder and HoldCo undertakes in favour of each Scheme Securityholder to:

- (a) provide or procure the provision of the Scheme Consideration to each Scheme Securityholder in accordance with the terms of the Schemes; and
- (b) undertake all other actions, and give each acknowledgement, representation and warranty (if any) attributed to it under the Schemes,

in each case subject to and in accordance with the terms of the Schemes.

4 Warranties and covenants

- (a) Each of Bidder and HoldCo represents and warrants in favour of each Scheme Securityholder, in respect of itself, that:
- (i) it is a corporation validly existing under the laws of its place of incorporation;
 - (ii) it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
 - (iii) it has taken all necessary corporate action to authorise the entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
 - (iv) this Deed Poll is its valid and binding obligation enforceable against it in accordance with its terms; and
 - (v) neither this Deed Poll nor the carrying out by it of the transactions contemplated by the Deed Poll conflicts or will conflict or results in the breach of or a default under any provision of its constituent documents and it is not otherwise bound by any agreement that would prevent or restrict it from entering into or performing this deed.
- (b) Each of Bidder and HoldCo covenants, represents and warrants in favour of UniSuper that upon implementation of the Schemes, and subject to UniSuper (or, if applicable, the UniSuper Nominee HoldCo Shareholder notified in accordance with clause 6.5 of the Company Scheme and clause 4.5 of Schedule 1 of the SAT1 Trust Constitution) having delivered to HoldCo duly executed copies of the Transaction Documents (as defined in the Company Scheme), in exchange for the transfer to Bidder of the UniSuper Specified Securities, UniSuper (or, if applicable, the UniSuper HoldCo Shareholder notified in accordance with clause 6.5 of the Company Scheme and clause 4.5 of Schedule 1 of the SAT1 Trust Constitution) shall be issued:
- (i) 3,002 HoldCo Shares, comprising:
 - (A) 1,501 A Class shares (which shall represent 15.01% of the total number of A Class shares on issue immediately after implementation of the Schemes); and
 - (B) 1,501 B Class shares (which shall represent 15.01% of the total number of B Class shares on issue immediately after implementation of the Schemes);
 - (ii) a HoldCo A1 Loan Note with an outstanding principal amount of \$1,918,810,975.08 (which shall represent 15.01% of the total aggregate principal amount of all HoldCo A1 Loan Notes on issue immediately after implementation of the Schemes);
 - (iii) a HoldCo A2 Loan Note with an outstanding principal amount of \$15,010.00 (which shall represent 15.01% of the total aggregate principal amount of all HoldCo A2 Loan Notes on issue immediately after implementation of the Schemes); and
 - (iv) a HoldCo B Loan Note with an outstanding principal amount of \$1,656,650,157.64 (which shall represent 15.01% of the total aggregate principal amount of all HoldCo B Loan Notes on issue immediately after implementation of the Schemes).

- (c) HoldCo represents and warrants in favour of UniSuper that:
- (i) each HoldCo Share which is a Class A Share in HoldCo will be validly allotted, issued free from all Encumbrances and with no amounts payable on them and will rank on their issue as described in clause 6.6(a) of the Company Scheme and clause 4.6(a) of Schedule 1 of the SAT1 Trust Constitution;
 - (ii) each HoldCo Share which is a Class B Share in HoldCo will be validly allotted, issued free from all Encumbrances and with no amounts payable on them and will rank on their issue as described in clause 6.6(b) of the Company Scheme and clause 4.6(b) of Schedule 1 of the SAT1 Trust Constitution;
 - (iii) the HoldCo A1 Loan Note will be validly issued free from all Encumbrances and will rank on its issue as described in clause 6.6(c) of the Company Scheme and clause 4.6(c) of Schedule 1 of the SAT1 Trust Constitution;
 - (iv) the HoldCo A2 Loan Note will be validly issued free from all Encumbrances and will rank on its issue as described in clause 6.6(d) of the Company Scheme and clause 4.6(d) of Schedule 1 of the SAT1 Trust Constitution; and
 - (v) the HoldCo B Loan Note will be validly issued free from all Encumbrances and will rank on its issue as described in clause 6.6(e) of the Company Scheme and clause 4.6(e) of Schedule 1 of the SAT1 Trust Constitution.

5 Continuing Obligations

This Deed Poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) each of Bidder and HoldCo have fully performed their respective obligations under this Deed Poll; or
- (b) the earlier termination of this Deed Poll under clause 2.

6 General

6.1 Stamp duty

The Bidder:

- (a) will pay all stamp duty and any related fines and penalties in respect of the Schemes and this Deed Poll, the performance of this Deed Poll and each transaction effected by or made under with the Schemes and this Deed Poll; and
- (b) indemnifies each Scheme Securityholder against any liability arising from failure to comply with clause 6.1(a).

6.2 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in New South Wales.
- (b) Each of Bidder and HoldCo irrevocably:
 - (i) submits to the non exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Deed Poll; and
 - (ii) waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

6.3 Waiver

- (a) Neither Bidder nor HoldCo may rely on the words or conduct of any Scheme Securityholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Securityholder granting the waiver.
- (b) No Scheme Securityholder may rely on words or conduct of Bidder or HoldCo as a waiver of any right unless the waiver is in writing and signed by Bidder or HoldCo (as applicable).
- (c) In this clause 6.3:
 - (i) **conduct** includes delay in the exercise of a right;
 - (ii) **right** means any right arising under or in connection with this Deed Poll and includes the right to rely on this clause 6.3; and
 - (iii) **waiver** includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

6.4 Variation

A provision of this Deed Poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by SAL; or
- (b) if on or after the First Court Date, the variation is agreed to by SAL and the Court indicates that the variation would not of itself preclude approval of the Schemes,

in which event Bidder and HoldCo will enter into a further deed poll in favour of the Scheme Securityholders giving effect to the variation.

6.5 Cumulative rights

The rights, powers and remedies of Bidder, HoldCo and the Scheme Securityholders under this Deed Poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this Deed Poll.

6.6 Assignment

- (a) The rights created by this Deed Poll are personal to Bidder, HoldCo, SAL and each Scheme Securityholder and must not be dealt with at law or in equity without the prior written consent of the Bidder and SAL.
- (b) Any purported dealing in contravention of clause 6.6(a) is invalid.

6.7 Further action

The Bidder and HoldCo must, at its own expense, do all things and execute all documents necessary to give full effect to this Deed Poll and the transactions contemplated by it.

Execution page

Executed and delivered as a deed

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* (Cth) by **Sydney Aviation Alliance Pty Ltd:**



Director Signature

Ari Droga

Print Name



Director/Secretary Signature

Ashley Barker

Print Name

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* (Cth) by **Sydney Aviation Alliance Holdings Pty Ltd:**



Director Signature

Ari Droga

Print Name



Director/Secretary Signature

Ashley Barker

Print Name

E

Notices of Meetings

Sydney Airport Limited (ACN 165 056 360) (**SAL**) and The Trust Company (Sydney Airport) Limited (ACN 115 967 087) (**TTCSAL**) as responsible entity of Sydney Airport Trust 1 (ARSN 099 597 921) (**SAT1**) (SAL and TTCSAL as responsible entity of SAT1 together, **Sydney Airport**).

Notice is hereby given that;

- by an order of the New South Wales Supreme Court (**Court**) made on 17 December 2021 pursuant to section 411(1) of the Corporations Act, a meeting of holders of SAL Shares (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities) will be held at 11.00am (Sydney time) on Thursday, 3 February 2022 online via Sydney Airport's online meeting platform (this is the **General Company Scheme Meeting**); and
- pursuant to the SAT1 Trust Constitution, a meeting of holders of SAT1 Units (other than the UniSuper Securityholder in relation to the UniSuper Specified Securities) will be held at 11.00am (Sydney time) on Thursday, 3 February 2022 online via Sydney Airport's online meeting platform (this is the **General Trust Scheme Meeting**).

(the General Company Scheme Meeting and the General Trust Scheme Meeting together, the **General Scheme Meetings**).

Due to the ongoing uncertainty brought about by the COVID-19 pandemic, the General Scheme Meetings will be held concurrently as virtual meetings, facilitating attendance and participation online. Further details on how to participate in the General Scheme Meetings via the online meeting platform and teleconference facilities are set out in the explanatory notes that accompany and form part of this notice and in the Meeting User Guide available on Sydney Airport's website at <https://www.sydneyairport.com.au>.

Purpose of The General Scheme Meetings

The purpose of the General Company Scheme Meeting to be held pursuant to this notice is to consider, and if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between SAL and Sydney Airport Securityholders (as holders of SAL Shares) (**Company Scheme Resolution**).

The purpose of the General Trust Scheme Meeting held pursuant to this notice is to consider and, if thought fit, to agree to the following resolutions of holders of SAT1 Units to approve the amendment of the SAT1 Trust Constitution (**Trust Scheme Resolution 1**) and the proposed trust scheme under which Sydney Aviation Alliance Pty Ltd (the **Bidder**) acquires all of the SAT1 Units from Sydney Airport Securityholders at the Scheme Record Date (**Trust Scheme Resolution 2**).

A copy of the Company Scheme, SAT1 Supplemental Trust Deed, and a copy of the explanatory statement (required by section 412 of the Corporations Act in relation to the Company Scheme) are contained in this Scheme Booklet, of which this notice forms part.

Additional information about the General Scheme Meetings is set out in the explanatory notes that accompany and form part of this notice.

Business

Resolutions of holders of SAL Shares

Resolution 1 – Company Scheme Resolution

To consider and if thought fit, to pass the following resolution as a special resolution:

"That subject to and conditional on:

- Sydney Airport Securityholders passing each other Scheme Resolution (as defined in the Scheme Booklet incorporating this notice); and*
- the Supreme Court of New South Wales confirming that TTCSAL would be justified in acting on the Trust Scheme Resolutions (as defined in the Scheme Booklet incorporating this notice) and in doing all things and taking all steps necessary to put the Trust Scheme (as defined in the Scheme Booklet incorporating this notice) into effect,*

that pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth):

- the Company Scheme (as defined in the Scheme Booklet incorporating this notice), the terms of which are contained in and more particularly described in the Scheme Booklet (of which this notice forms part) is agreed to (with or without any modifications or conditions as approved by the Court); and*
- the directors of SAL are authorised, subject to the terms of the Scheme Implementation Deed:*
 - to agree to such modifications or conditions as are thought fit by the Court; and*
 - subject to approval of the Company Scheme by the Court, to implement the Scheme with any such modifications or conditions."*

Resolutions of holders of SAT1 Units

Resolution 2 – Trust Scheme Resolution 1

To consider and if thought fit, to pass the following resolution as a special resolution:

“That subject to and conditional on:

- a) Sydney Airport Securityholders passing each other Scheme Resolution (as defined in the Scheme Booklet incorporating this notice); and*
- b) the Supreme Court of New South Wales confirming that TTCSAL would be justified in acting on the Trust Scheme Resolutions (as defined in the Scheme Booklet incorporating this notice) and in doing all things and taking all steps necessary to put the Trust Scheme (as defined in the Scheme Booklet incorporating this notice) into effect,*

for the purposes of section 601GC(1)(a) of the Corporations Act 2001 (Cth) and for all other purposes, the SAT1 Trust Constitution is amended in accordance with the provisions of the supplemental deed poll in the form tabled at the meeting and initialled by the Chairman of the meeting for the purposes of identification (the SAT1 Trust Supplemental Deed), and TTCSAL as responsible entity of SAT1 is authorised to execute and lodge the SAT1 Trust Supplemental Deed with the Australian Securities and Investments Commission.”

Resolution 3 – Trust Scheme Resolution 2

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That subject to and conditional on:

- a) Sydney Airport Securityholders passing each other Scheme Resolution (as defined in the Scheme Booklet incorporating this notice); and*
- b) the Supreme Court of New South Wales confirming that TTCSAL would be justified in acting on the Trust Scheme Resolutions (as defined in the Scheme Booklet incorporating this notice) and in doing all things and taking all steps necessary to put the Trust Scheme (as defined in the Scheme Booklet incorporating this notice) into effect,*

the Trust Scheme (as defined in the Scheme Booklet incorporating this notice) be approved and, in particular, the acquisition by Sydney Aviation Alliance Pty Ltd of a relevant interest in all the SAT1 Units existing as at the Record Date pursuant to the Trust Scheme be approved for all purposes including for the purposes of item 7 section 611 of the Corporations Act 2001 (Cth), and TTCSAL as the responsible entity of SAT1 be authorised to do all things which it considers necessary, desirable or reasonably incidental to give effect to the Trust Scheme.”

Sydney Airport Board Recommendation

For the reasons set out in the Scheme Booklet, the Sydney Airport Board unanimously recommends that eligible Sydney Airport Securityholders vote in favour of the Scheme Resolutions in the absence of a Superior Proposal.



Karen Tompkins
Company Secretary

Annexure E Notice of Unisuper Scheme Meetings

Sydney Airport Limited (ACN 165 056 360) (**SAL**) and The Trust Company (Sydney Airport) Limited (ACN 115 967 087) (**TTCSAL**) as responsible entity of Sydney Airport Trust 1 (ARSN 099 597 921) (**SAT1**) (SAL and TTCSAL as responsible entity of SAT1 together, **Sydney Airport**).

Notice is hereby given that:

- by an order of the New South Wales Supreme Court (**Court**) made on 17 December 2021 pursuant to section 411(1) of the Corporations Act, a meeting of the UniSuper Securityholder in relation to the UniSuper Specified Securities (and excluding all other Sydney Airport Securityholders) as a holder of SAL shares will be held on Thursday, 3 February 2022 online via Sydney Airport's online meeting platform commencing immediately following the conclusion of the General Scheme Meetings which will commence at 11.00am on the same day (this is the **UniSuper Company Scheme Meeting**); and
- pursuant to the SAT1 Trust Constitution, a meeting of the UniSuper Securityholder in relation to the UniSuper Specified Securities (and excluding all other Sydney Airport Securityholders) as a holder of SAT1 Units will be held on Thursday, 3 February 2022 online via Sydney Airport's online meeting platform commencing immediately following the conclusion of the General Scheme Meetings which will commence at 11.00am on the same day (this is the **UniSuper Trust Scheme Meeting**).

the UniSuper Company Scheme Meeting and the UniSuper Trust Scheme Meeting together, the **UniSuper Scheme Meetings**).

Due to the ongoing uncertainty brought about by the COVID-19 pandemic, the UniSuper Scheme Meetings will be held concurrently as virtual meetings, facilitating attendance and participation online. Further details on how to participate in the UniSuper Scheme Meetings via the online meeting platform and teleconference facilities are set out in the explanatory notes that accompany and form part of this notice and in the Meeting User Guide available on Sydney Airport's website at <https://www.sydneyairport.com.au/>.

Purpose of the Unisuper Scheme Meetings

The purpose of the UniSuper Company Scheme Meeting to be held pursuant to this notice is to consider, and if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between SAL and Sydney Airport Securityholders (as holders of SAL Shares) (**Company Scheme Resolution**).

The purpose of the UniSuper Trust Scheme Meeting held pursuant to this notice is to consider and, if thought fit, to agree to the following resolutions of holders of SAT1 Units to approve the amendment of the SAT1 Trust Constitution (**Trust Scheme Resolution 1**) and the proposed trust scheme under which Sydney Aviation Alliance Pty Ltd (the **Bidder**) acquires all of the SAT1 Units from Sydney Airport Securityholders at the Scheme Record Date (**Trust Scheme Resolution**).

A copy of the Company Scheme, SAT1 Supplemental Trust Deed, and a copy of the explanatory statement (required by section 412 of the Corporations Act in relation to the Company Scheme) are contained in this Scheme Booklet, of which this notice forms part.

Additional information about the UniSuper Scheme Meetings is set out in the explanatory notes that accompany and form part of this notice.

Business

Resolutions as a holder of SAL Shares

Resolution 1 – Company Scheme Resolution

To consider and if thought fit, to pass the following resolution as a special resolution:

“That subject to and conditional on:

- Sydney Airport Securityholders passing each other Scheme Resolution (as defined in the Scheme Booklet incorporating this notice); and*
- the Supreme Court of New South Wales confirming that TTCSAL would be justified in acting on the Trust Scheme Resolutions (as defined in the Scheme Booklet incorporating this notice) and in doing all things and taking all steps necessary to put the Trust Scheme (as defined in the Scheme Booklet incorporating this notice) into effect,*

that pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth):

- the Company Scheme (as defined in the Scheme Booklet incorporating this notice), the terms of which are contained in and more particularly described in the Scheme Booklet (of which this notice forms part) is agreed to (with or without any modifications or conditions as approved by the Court); and*
- the directors of SAL are authorised, subject to the terms of the Scheme Implementation Deed:*
 - to agree to such modifications or conditions as are thought fit by the Court; and*
 - subject to approval of the Company Scheme by the Court, to implement the Scheme with any such modifications or conditions.”*

Resolutions as a holder of SAT1 Units

Resolution 2 – Trust Scheme Resolution 1

To consider and if thought fit, to pass the following resolution as a special resolution:

“That subject to and conditional on:

- a) Sydney Airport Securityholders passing each other Scheme Resolution (as defined in the Scheme Booklet incorporating this notice); and*
- b) the Supreme Court of New South Wales confirming that TTCSAL would be justified in acting on the Trust Scheme Resolutions (as defined in the Scheme Booklet incorporating this notice) and in doing all things and taking all steps necessary to put the Trust Scheme (as defined in the Scheme Booklet incorporating this notice) into effect,*

*for the purposes of section 601GC(1)(a) of the Corporations Act 2001 (Cth) and for all other purposes, the SAT1 Trust Constitution is amended in accordance with the provisions of the supplemental deed poll in the form tabled at the meeting and initialled by the Chairman of the meeting for the purposes of identification (the **SAT1 Trust Supplemental Deed**), and TTCSAL as responsible entity of SAT1 is authorised to execute and lodge the SAT1 Trust Supplemental Deed with the Australian Securities and Investments Commission.”*

Resolution 3 – Trust Scheme Resolution 2

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That subject to and conditional on:

- c) Sydney Airport Securityholders passing each other Scheme Resolution (as defined in the Scheme Booklet incorporating this notice); and*
- d) the Supreme Court of New South Wales confirming that TTCSAL would be justified in acting on the Trust Scheme Resolutions (as defined in the Scheme Booklet incorporating this notice) and in doing all things and taking all steps necessary to put the Trust Scheme (as defined in the Scheme Booklet incorporating this notice) into effect,*

the Trust Scheme (as defined in the Scheme Booklet incorporating this notice) be approved and, in particular, the acquisition by Sydney Aviation Alliance Pty Ltd of a relevant interest in all the SAT1 Units existing as at the Record Date pursuant to the Trust Scheme be approved for all purposes including for the purposes of item 7 section 611 of the Corporations Act 2001 (Cth), and TTCSAL as the responsible entity of SAT1 be authorised to do all things which it considers necessary, desirable or reasonably incidental to give effect to the Trust Scheme.”

Sydney Airport Board Recommendation

For the reasons set out in the Scheme Booklet, the Sydney Airport Board unanimously recommends that eligible Sydney Airport Securityholders vote in favour of the Scheme Resolutions in the absence of a Superior Proposal.



Karen Tompkins
Company Secretary

Explanatory notes to the Notices of Meetings

1 General

These notes should be read in conjunction with the Notices of Meetings and the Scheme Booklet, of which these Notices of Meetings form part. Unless the context requires otherwise, terms used in the Notices of Meetings and in these notes have the same meaning as set out in Section 10 (**Glossary and interpretation**) of the Scheme Booklet.

2 Chairman

The Court has directed that Mr David Gonski AC is to act as Chairman of the Scheme Meetings (and that, if Mr Gonski AC is unable or unwilling to attend, Ann Sherry is to act as Chair of the Scheme Meetings).

3 Requisite majorities

3.1 Company Scheme Resolution

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Company Scheme Resolution must be passed at each of the General Company Scheme Meeting and UniSuper Company Scheme Meeting by:

- more than 50% in number (unless the Court orders otherwise) of eligible Sydney Airport Securityholders present and voting either via Sydney Airport's online meeting platform or by proxy, by attorney or, in the case of a corporation, by its duly appointed corporate representative at the Scheme Meetings; and
- at least 75% of the total number of votes cast on the Company Scheme Resolution by eligible Sydney Airport Securityholders.

3.2 Trust Scheme Resolution 1

In accordance with section 601GC(2) of the Corporations Act, Trust Scheme Resolution 1 must be passed at each of the General Trust Scheme Meeting and the UniSuper Trust Scheme Meeting by at least 75% of the total number of votes cast on Trust Scheme Resolution 1 by eligible Sydney Airport Securityholders at each meeting.

3.3 Trust Scheme Resolution 2

In accordance with item 7 of section 611 of the Corporations Act, Trust Scheme Resolution 2 must be passed at each of the General Trust Scheme Meeting and the UniSuper Trust Scheme Meeting by at least 50% of the total number of votes cast on Trust Scheme Resolution 2 by eligible Sydney Airport Securityholders at each meeting.

4 Entitlement to vote

The time for the purposes of determining voting entitlements pursuant to regulation 7.11.37 of the Corporations Regulations will be 7.00pm (Sydney time) on Tuesday, 1 February 2022.

Accordingly, transfers of Sydney Airport Securities registered after that time will be disregarded in determining entitlements to attend and vote at the Scheme Meetings.

The Bidder and its associates (as defined in section 12 of the Corporations Act) are excluded from voting on the Scheme Resolutions, unless:

- the vote is cast by the associate as proxy for a person who is not excluded from voting, in accordance with that person's directions on the Proxy Form; or
- the associate is acting solely as an investment manager, custodian, nominee, trustee, responsible entity or other fiduciary on behalf of a third party beneficiary or third party investor, who is not an associate of the Bidder.

5 Voting at the Scheme Meetings

You can vote in either of the following ways:

- by virtually attending the Scheme Meetings scheduled to commence at 11.00am (Sydney time) on Thursday, 3 February 2022 via Sydney Airport's online meeting platform (details of which are set out below); or
- by appointing a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative to virtually attend and vote at the Scheme Meetings on your behalf.

Voting will be conducted by poll.

6 Participating at the Scheme Meetings

You will be able to attend and vote at the Scheme Meetings online from your computer or mobile device by entering the following URL in your browser: <https://meetnow.global/M4FZK7U>. You will need the latest versions of Chrome, Safari, Edge or Firefox. Sydney Airport Securityholders who participate in the Scheme Meetings via the online platform will be able to listen to proceedings and ask questions or make comments.

You can log into the Scheme Meetings by entering:

- your SRN/HIN
- your postcode registered to your holding if you are an Australian securityholder. Overseas securityholders should select the country of their registered address from the dropdown list. Proxy holders will need to contact Computershare prior to the meeting to obtain their login details.

Sydney Airport Securityholders will also have the opportunity to listen to proceedings and ask questions or make comments at the Scheme Meetings via a teleconference facility by dialling 1800 416 188 (within Australia) or +61 2 9189 1107 (outside Australia) during the Scheme Meetings. You will not be able to vote via the teleconference facility.

Explanatory notes to the Notices of Meetings continued

You will require a unique PIN to participate in the Scheme Meetings via the teleconference facility. To obtain your unique PIN, prior to commencement of the Scheme Meetings please contact the Sydney Airport Securityholder Information Line on 1300 367 804 (within Australia) or +61 2 9066 6162 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time), and have your SRN/HIN available.

Please refer to the Meeting User Guide available on the Sydney Airport website at www.sydneyairport.com.au.

If you attend the online Scheme Meetings and vote in your capacity as a Sydney Airport Securityholder, any votes cast by your proxy or attorney (if any) will not be counted.

7 Proxies

If you are unable to attend the online Scheme Meetings, you are encouraged to appoint a proxy to attend online and vote on your behalf. If you wish to appoint a proxy, please complete the enclosed Proxy Form.

Sydney Airport Securityholders are notified that:

- a Sydney Airport Securityholder who is entitled to attend and cast a vote at the Scheme Meetings may appoint a proxy to attend and vote for the Sydney Airport Securityholder;
- the appointment may specify the proportion or number of votes that the proxy may exercise;
- a Sydney Airport Securityholder who is entitled to cast two or more votes at the meeting may appoint two proxies and may specify the proportion or number of votes each proxy is entitled to exercise. If you appoint two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes; and
- a proxy may be an individual or a body corporate and need not be a Sydney Airport Securityholder. If an eligible Sydney Airport Securityholder appoints a body corporate as a proxy, the body corporate will need to ensure that it appoints an individual as the corporate representative and provides satisfactory evidence of that appointment.

8 Voting by proxy

You can direct your proxy to vote by following the instructions on the Proxy Form.

If the Chairman of the meeting is appointed as your proxy (or is appointed your proxy by default), he can be directed how to vote by ticking the relevant boxes next to the Scheme Resolutions on the Proxy Form (i.e. 'for', 'against' or 'abstain'). The Chairman of the Scheme Meetings is required to cast all votes as directed. The Chairman of the Scheme Meeting intends to vote all undirected and available proxies in favour of the Scheme Resolutions.

Any directed proxies that are not voted on a poll at the online Scheme Meetings by a Sydney Airport Securityholder's appointed proxy will automatically default to the Chairman of the meeting, who is required to vote proxies as directed on a poll.

9 Lodging proxies

The Proxy Form must be received by 11.00am (Sydney time) on Tuesday, 1 February 2022. The completed Proxy Form may be submitted as follows:

By internet:

Log on to www.investorvote.com.au

If you are a custodian and an Intermediary Online subscriber, you can log on to www.intermediaryonline.com

By post:

Computershare Investor Services Pty Limited,
GPO Box 242, Melbourne Victoria 3001 Australia

By fax:

(within Australia) 03 9473 2555
(outside Australia) +61 3 9473 2555

Sydney Airport Securityholders should contact the Securityholder Information Line on 1300 367 804 (within Australia) or +61 2 9066 6162 (outside Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday (excluding days which are public holidays in New South Wales) with any queries regarding the number of Sydney Airport Securities they hold, how to vote at the Scheme Meetings or how to lodge the Proxy Form.

A replacement Proxy Form may be obtained from the Sydney Airport Registry, Computershare. Further details in respect of the Scheme Resolutions to be put to the Scheme Meetings are set out in the accompanying Scheme Booklet.

10 Voting by corporate representative

If you are a body corporate, you can appoint a corporate representative to attend and vote at the online Scheme Meetings on your behalf. The appointment must comply with section 250D of the Corporations Act.

To vote by corporate representative, a corporate representative must provide written evidence of their appointment by obtaining and completing an 'Appointment of Corporate Representative' form from Computershare or online at www.investorcentre.com under the help tab, 'Printable Forms'. Corporate representative forms must be provided to the Sydney Airport Registry by no later than 11.00am (Sydney time) on Tuesday, 1 February 2022. A corporate representative form may be submitted in the same manner as a completed Proxy Form, as described above at paragraph 9.

A validly appointed corporate representative wishing to attend and vote at the online Scheme Meetings will require the name, Shareholder Number and postcode of the body corporate that appointed it in order to access the online platform.

11 Voting by attorney

Certified copies of powers of attorney must be received by the Sydney Airport Registry by no later than 11.00am (Sydney time) on Tuesday, 1 February 2022. A certified copy of a power of attorney may be submitted in the same manner as a completed Proxy Form, as described above at paragraph 9.

12 Court Approval

12.1 Company Scheme

In accordance with section 411(4)(b) of the Corporations Act, the Company Scheme (with or without modification) must be approved by an order of the Court. If the Scheme Resolutions are approved at the Scheme Meetings by the requisite majorities and the other conditions are satisfied or waived (if applicable), SAL intends to apply to the Court on or around Wednesday, 9 February 2022 for approval of the Company Scheme.

12.2 Trust Scheme

In accordance with section 73 of the *Trustee Act 1925* (NSW), if the Scheme Resolutions are approved at the relevant Scheme Meetings by the requisite majorities and the other conditions are satisfied or waived (if applicable), TTCSAL intends to apply to the Court on or around Wednesday, 9 February 2022 for the provision of the Second Judicial Advice to confirm that TTCSAL would be justified in implementing the Trust Scheme Resolutions, giving effect to the provisions of the SAT1 Trust Constitution (as amended by the SAT1 Trust Supplemental Deed) and in doing all things and taking all necessary steps to put the Trust Scheme into effect.

13 Changes to the current arrangement

Sydney Airport may be required to make changes to the arrangements for the Scheme Meetings. If there are any updates, Sydney Airport will ensure that Sydney Airport Securityholders are given as much notice as possible. Further information will also be made available on the Sydney Airport website at <https://www.sydneyairport.com.au>.

Registered office and principal place of business

Sydney Airport

10 Arrivals Court
Sydney International Airport NSW 2020

Legal adviser

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Sydney NSW 2000

Financial advisers

Barrenjoey

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161 Castlereagh Street
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UBS

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Independent Expert

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Sydney NSW 2000

Sydney Airport Registry

Computershare Investor Services Pty Limited

GPO Box 242
Melbourne VIC 3001

Investor Enquiries:

1300 367 804 (within Australia) or
+61 2 9066 6162 (outside Australia),
Monday to Friday between 8.30am and 5.30pm (Sydney time)

Stock exchange listing

Sydney Airport Securities are listed on the Australian Securities Exchange
(ASX Code: **SYD**)

Company Website: <https://www.sydneyairport.com.au/>

Investor Website: <https://www.sydneyairport.com.au/investor>

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