



MACQUARIE

# Macquarie Airports

Brussels Airport Tour

17 May 2005





MACQUARIE

# Disclaimer

## Special Notice

Macquarie Airports Management Limited ACN 075 295 760, responsible entity of Macquarie Airports Trust (1) (MAT (1)) and Macquarie Airports Trust (2) (MAT (2)) is a wholly owned subsidiary of Macquarie Bank Limited ACN 008 583 542.

Investments in Macquarie Airports (MAp) are not deposits with or other liabilities of Macquarie Bank Limited or of any other entity in the Macquarie Bank Group and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. None of Macquarie Airports Holding (Bermuda) Limited (which is not a member of the Macquarie Bank Group) nor any member of the Macquarie Bank Group, including Macquarie Airports Management Limited and Macquarie Investment Management (UK) Limited guarantees any particular rate of return or the performance of MAp, nor do they guarantee the repayment of capital from MAp.

This presentation has been prepared on behalf of Macquarie Airports Management Limited (as responsible entity of MAT (1) and MAT (2)) and Macquarie Airports Holdings (Bermuda) Limited for general information purposes only. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, none of Macquarie Airports Holding (Bermuda) Limited, Macquarie Airports Management Limited, Macquarie Investment Management (UK) Limited nor their respective directors, employees or agents, nor any other person (including any other member of the Macquarie Bank Group) accepts any liability for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it, including, without limitation, any liability arising from fault or negligence.

## General securities warning

This presentation is not an offer or invitation for subscription or purchase or a securities recommendation. The information in this presentation does not take into account the investment objectives, financial situation and particular needs of investors. Before making an investment in MAp an investor should consider whether such an investment is appropriate to their particular investment objectives, financial situation and particular needs and consult a financial adviser if necessary.

Information, including forecast financial information, in this presentation should not be considered as a recommendation in relation to holding purchasing or selling shares, securities or other instruments in MAp. Due care and attention has been used in the preparation of forecast information. However, actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies many of which are outside the control of MAp. Past performance is not a reliable indication of future performance.



# Agenda

<b>Welcome to Brussels Airport</b>	<b>10:00am – 10:10am</b>
– Luc Van Den Bossche	
<b>MApp Perspective</b>	<b>10:10am – 10:40am</b>
– John Stent	
<b>Morning Tea</b>	<b>10:40am – 11:00am</b>
<b>Business Review</b>	<b>11:00am – 12:30pm</b>
– Michel Allé, Jos Stroobants, Doug Benham	
<b>Discussion</b>	<b>12:30pm – 1:00pm</b>
<b>Lunch</b>	<b>1:00pm – 2:30pm</b>
<b>Tour of the airport</b>	<b>2:30pm – 4:30pm</b>



MACQUARIE

# Welcome to Brussels Airport

Luc Van Den Bossche  
Chairman and Acting CEO





# Located in the Heart of Europe ...

- ➔ Airport to the capital of Europe
  - 12 km from Brussels
  - Densely populated catchment area
  - Will benefit from continued expansion of EU
- ➔ Excellent transport connections into Europe
  - Road
  - Rail
  - Air
- ➔ Leading European cargo hub



MACQUARIE

## ... with Spare Capacity ...

- ➔ Terminal has spare capacity for several years
  - Built to facilitate Sabena hub operations
  - Additional retail space available behind hoardings
- ➔ New car parks under construction
- ➔ Major real estate development opportunities
- ➔ Ample airfield capacity



MACQUARIE

## ... and a High Quality Business

- State of the art, well maintained facilities
- Award winning service quality
- O&D passenger base, with focus on business passengers
- Favourable, well-defined regulatory environment



MACQUARIE

# Future Development

- ➔ Attract new airlines and new routes to the airport
- ➔ Enhance quality of passenger retail experience
- ➔ Real estate development opportunities
- ➔ Improve efficiency of service delivery
  - Opportunity to further control the cost base
- ➔ More efficiently use existing facilities
  - Low ongoing capital investment requirements





MACQUARIE

# MApp Perspective

John Stent

Macquarie Airports





MACQUARIE

# MMap Overview

- MMap acquired a 52% equity interest in Brussels International Airport Corporation on 29 December 2004
  - Macquarie funds hold 70% of the equity in total
- MMap's consideration was €522 million
- Key MMap staff responsible for BIAC have worked on the Sydney and UK assets:
  - Kerrie Mather
  - Martyn Booth
  - John Stent
  - Simon Geere
  - Doug Benham
  - Luke Kameron



MACQUARIE

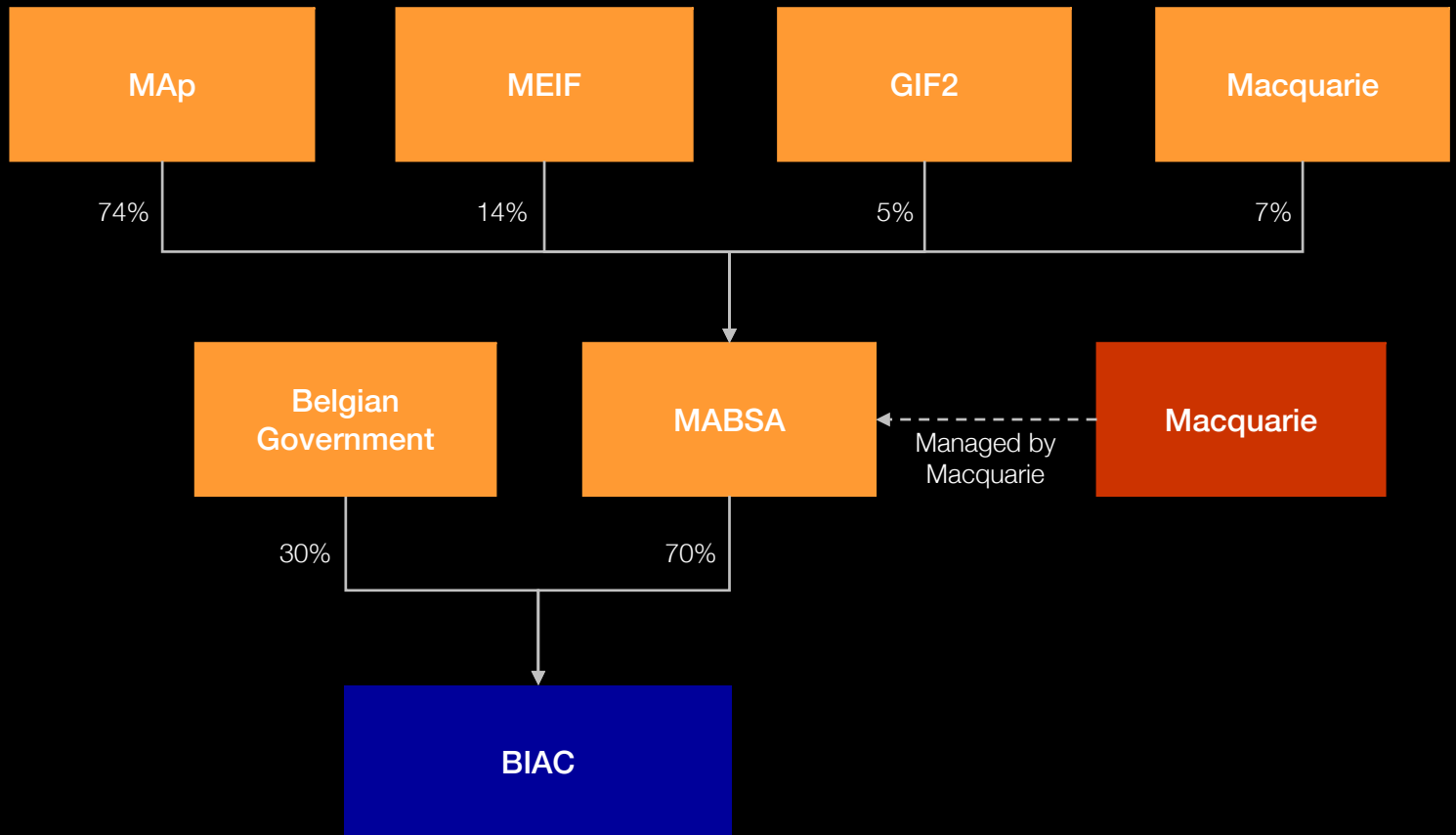
# Investment Rationale

- **Attractive acquisition price for majority interest**
  - 12.0x historic EBITDA multiple (€1635m / €135.9m)
- **Meets MAp's investment criteria**
  - MAp to hold a 52% majority interest
  - Strong catchment area
  - Significant capacity
  - Retail and property revenue upside
- **Diversifies MAp portfolio**



MACQUARIE

# Shareholders





# MAp Participation

- New shareholders agreement negotiated during acquisition
- MAp represents the majority of the board
- Strategic direction and influence through monthly executive committee and weekly transition steering group
- Ongoing influence at executive level through weekly management committee, transition working groups, and through direct access to key managers



MACQUARIE

# Integration and Transition

	Role	Membership	MMap Staff
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>• Full board functions</li> <li>• Monthly meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman</li> <li>• CEO</li> <li>• 6 Macquarie</li> <li>• 3 Belgian State</li> </ul>	<ul style="list-style-type: none"> <li>• Kerrie Mather</li> <li>• Martyn Booth</li> <li>• Jim Craig</li> <li>• John Stent</li> <li>• Simon Geere</li> <li>• Philippe Hamon</li> </ul>
<b>Executive Committee</b>	<ul style="list-style-type: none"> <li>• Strategy review</li> <li>• Monthly Meetings</li> </ul>	<ul style="list-style-type: none"> <li>• CEO</li> <li>• 3 Macquarie</li> </ul>	<ul style="list-style-type: none"> <li>• Kerrie Mather</li> <li>• John Stent</li> <li>• Simon Geere</li> </ul>
<b>Compensation &amp; Nomination Committee</b>	<ul style="list-style-type: none"> <li>• Human Resources</li> </ul>	<ul style="list-style-type: none"> <li>• CEO to Macquarie 1 Belgian State</li> </ul>	<ul style="list-style-type: none"> <li>• John Stent</li> <li>• Kerrie Mather</li> </ul>
<b>Management Committee</b>	<ul style="list-style-type: none"> <li>• Operations</li> <li>• Weekly meetings</li> </ul>	<ul style="list-style-type: none"> <li>• CEO, CFO and COO</li> <li>• 2 Macquarie</li> </ul>	<ul style="list-style-type: none"> <li>• John Stent</li> <li>• Simon Geere</li> </ul>
<b>Transition Steering Group</b>	<ul style="list-style-type: none"> <li>• Transition overview</li> <li>• Weekly meetings</li> </ul>	<ul style="list-style-type: none"> <li>• CEO, CFO and COO</li> <li>• 2 Macquarie</li> </ul>	<ul style="list-style-type: none"> <li>• John Stent</li> <li>• Simon Geere</li> </ul>
<b>Working Groups</b>	<ul style="list-style-type: none"> <li>• Identify opportunities</li> <li>• Recommend initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• 7 Working Groups</li> <li>• BIAC &amp; Macquarie</li> </ul>	<ul style="list-style-type: none"> <li>• Simon Geere</li> <li>• Doug Benham</li> <li>• Luke Kameron</li> <li>• Simon Morris</li> <li>• Richard Sharp</li> <li>• Charles Williams</li> <li>• Hans Mitterlechner</li> </ul>



MACQUARIE

# Working Groups: Opportunities

- ➔ **Retail and catering refurbishments**
  - Pier B: interim changes complete June 2005
  - Pier B: reconfiguration and security relocation in 2006
- ➔ **Additional car park spaces**
- ➔ **Property development**
  - Airport village
  - Brucargo West
  - Crew facility
- ➔ **Cost improvement programme**
  - Maintenance
  - IT
  - Security
  - Approvals process



MACQUARIE

# Working Groups: Opportunities

## → Organisation Structure

- High level restructure and senior management changes
- Long term plan for productivity improvements and progressive labour reduction

## → Airline marketing activities

- Long haul
- Short haul
- Cargo

## → Aeronautical regulation

- Tariff negotiations for 5 year deal commencing 1 April 2006





MACQUARIE

# Morning Tea





MACQUARIE

# Business Review

Michel Allé - Chief Financial Officer

Jos Stroobants – Aviation Development

Doug Benham – Commercial Development



MACQUARIE

# Revenues: 2004

→ Growth across the business in 2004

<b>Year Ended 31 December</b>	<b>2003</b>	<b>2004</b>	<b>%</b>
Aeronautical	172.6	197.5	14.4%
Retail	35.5	36.5	2.8%
Property and Real Estate	32.8	35.7	8.8%
Car Parking and Car Rental	16.8	17.4	3.6%
Commercial Trading and Other	15.5	16.5	6.5%
<b>Total Revenues</b>	<b>273.2</b>	<b>303.6</b>	<b>11.1%</b>



MACQUARIE

# Operating Expenses: 2004

→ Moderate growth in operating expenses

Year Ended 31 December	2003	2004	%
Maintenance and IT	52.1	56.3	8.1%
Goods and Services	49.5	52.7	6.5%
Labour	55.6	52.3	-5.9%
Other	2.1	6.3	200%
Total Operating Expenses	159.3	167.7	5.3%



MACQUARIE

# Financial Results: 2004

→ Strong result in 2004

Year Ended 31 December	2003	2004	%
Aeronautical Revenue	172.6	197.5	14.4%
Commercial Revenue	100.6	106.1	5.5%
Revenue	273.2	303.6	11.1%
Expenses	159.3	167.7	5.3%
EBITDA <sup>1</sup>	113.8	135.9	19.4%
<i>EBITDA Margin<sup>1</sup></i>	42%	45%	7.5%
Capital Expenditure	37.1	32.4	-13.8%

Note 1. EBITDA is presented before pension-related interest costs



# Revenues: Q1 2005

→ Continued growth across the business in 2004

Quarter Ended 31 March	2004	2005	%
Aeronautical	39.1	41.9	7.0%
Retail	8.2	8.5	4.6%
Property and Real Estate	8.1	9.4	15.7%
Car Parking and Car Rental	4.3	4.3	0.5%
Commercial Trading and Other	3.1	4.1	34.5%
Total Revenues	62.7	68.2	8.8%



MACQUARIE

# Operating Expenses: Q1 2005

→ Improved cost efficiency

Quarter Ended 31 March	2004	2005	%
Maintenance and IT	12.8	12.4	-2.7%
Goods and Services	12.7	12.0	-5.9%
Labour	14.0	13.4	-4.1%
Other	1.6	1.8	17.5%
Total Operating Expenses	41.1	39.7	-3.4%



# Financial Results: Q1 2005

→ First quarter 32% above 2004

Quarter Ended 31 March	2004	2005	%
Aeronautical Revenue	39.1	41.9	7.0%
Commercial Revenue	23.6	26.4	11.4%
Revenue	62.7	68.2	8.8%
Expenses	41.1	39.7	-4.3%
EBITDA <sup>1</sup>	21.7	28.6	31.7%
Pax	3,040	3,201	5.2%

Note 1. EBITDA is presented before pension-related interest costs





MACQUARIE

# Refinancing

- Refinancing completed in January 2005
- BBB+ rating from S&P
- Term facility of €930 million
  - €656m<sup>1</sup> drawn in January 2005 for refinancing previous debt
  - €150m drawn in March 2005 for special distribution
  - Remainder maybe drawn in the future for special distributions
- €100 million facility to fund up to 70% of capex
- 75%+ hedging in place

<sup>1</sup>Includes €13m for a wholly owned subsidiary



MACQUARIE

# Economic Regulation

## → Basic Principles (Royal Decree)

- Cost related & transparent
- Benchmarking with reference airports
- Market return on capital employed at the end of a transition period
- Light handed

## → Cost related & transparent

- Regulated activities are
  - Landing fees
  - Pax & security fees
  - PCA & 400 Hz fee
  - Fuel fee
- In-depth ABC (Activity Based Costing) Exercise
- Asset evaluation
  - Basically for IFRS purpose but will also be used for regulation



MACQUARIE

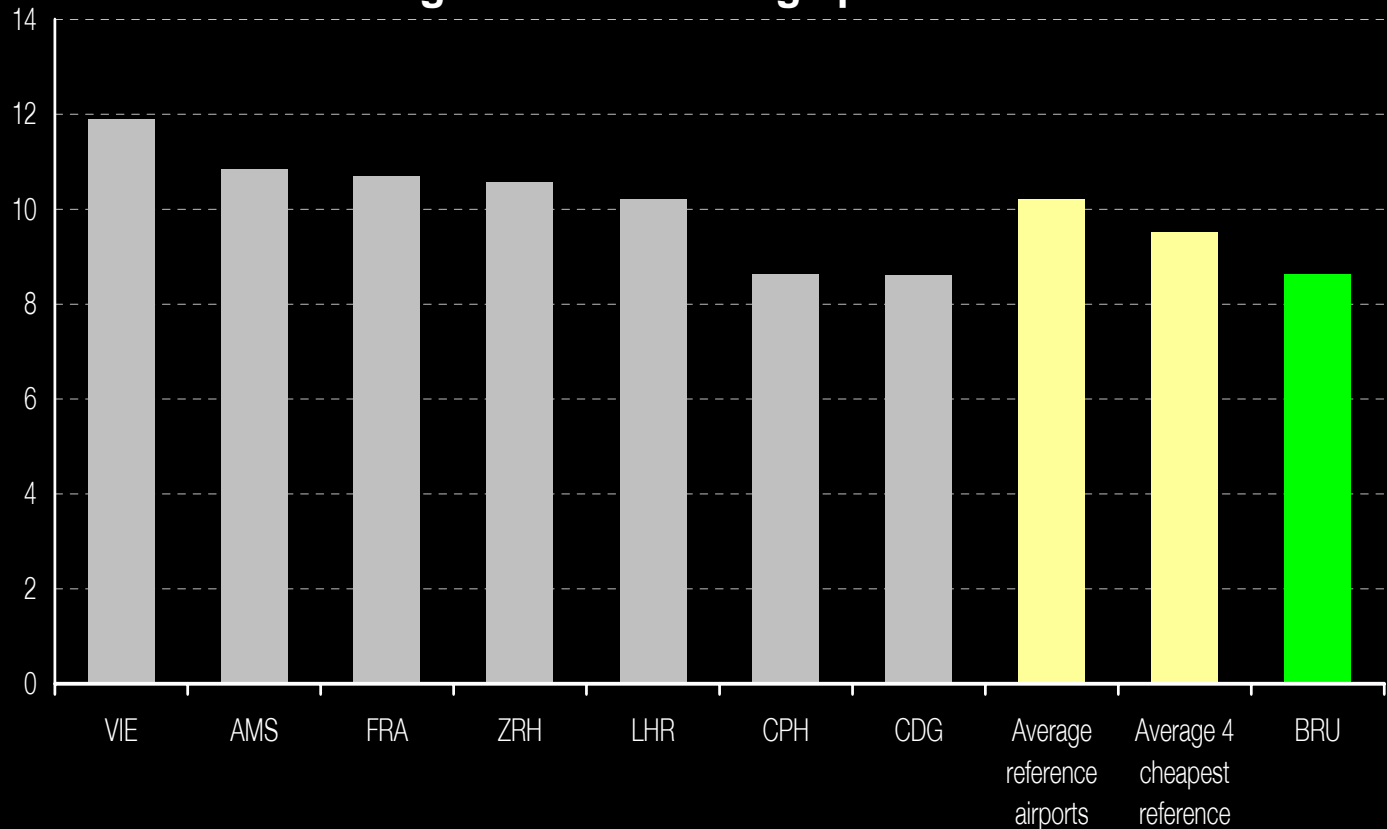
# Economic Regulation

- Benchmarking with reference airports
  - Both on Tariffs and Quality
  - 7 neighbouring airports with similar characteristics
  - Currently Brussels is very well positioned
    - At the low end on tariffs
    - At the high end on quality
- 20 year transition period (“Adjusted dual till”)
  - 5 year CPI-x reset periods
  - Possibility to accelerate transition if Brussels remains competitive vs reference airports
- Light handed
  - Consultation / negotiation with airlines
  - Regulator can step in if there is no agreement
  - Anyway regulator must act following the legal framework



# Benchmarking: Reference Airports

## Regulated Unit Charge per WLU – 2005



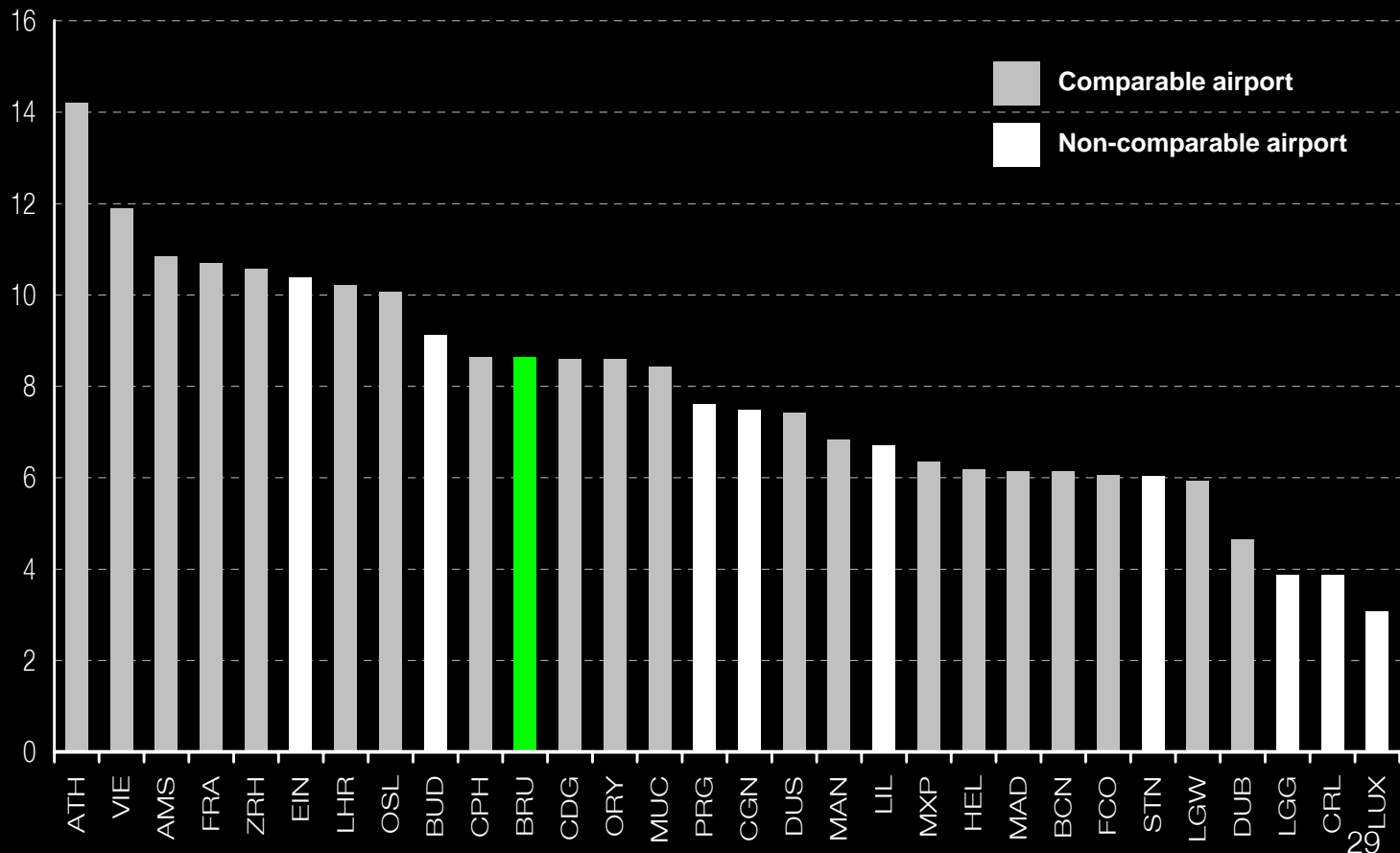
**BRU is 9% below the average of the 4 cheapest reference airports and 15% below the average of the 7 airports**



MACQUARIE

# Benchmarking: 'All' Airports

## Regulated Unit Charge per WLU – 2005



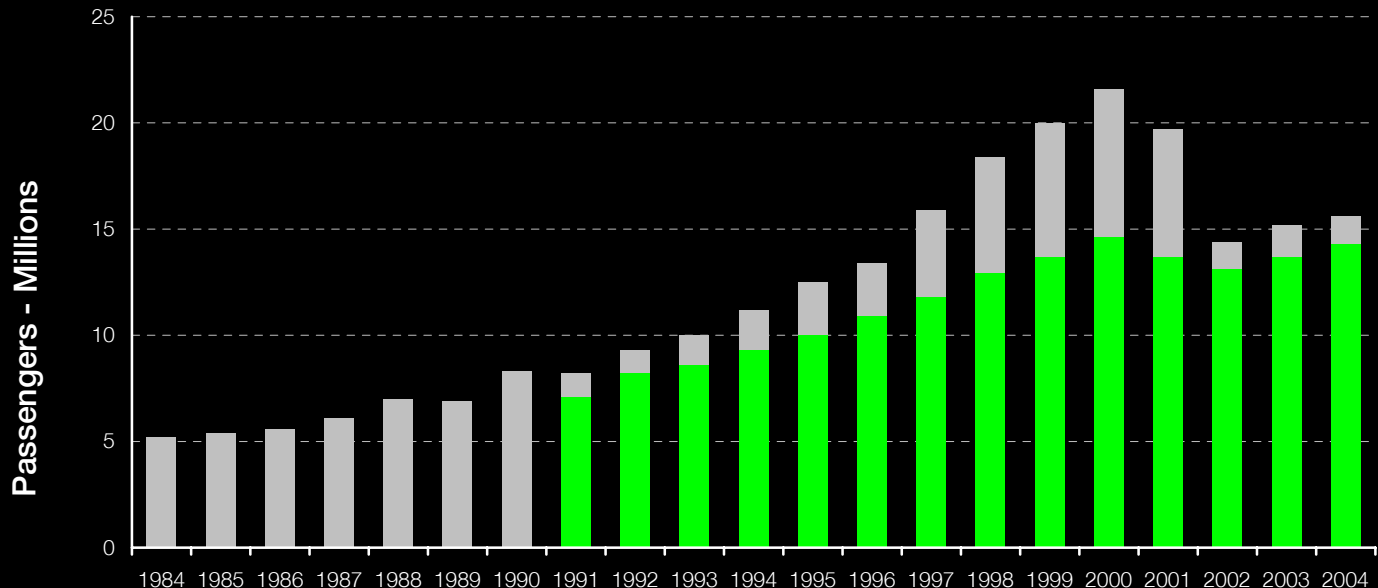


MACQUARIE

# Traffic Development

- Total passengers have grown at 5.6% p.a over the past 20 years
- O&D passengers have grown at 5.5% pa since 1991
- Year to date April traffic up 4.5% on pcp
- Scheduled services - 70% business/30% leisure
- More than 90% O&D traffic

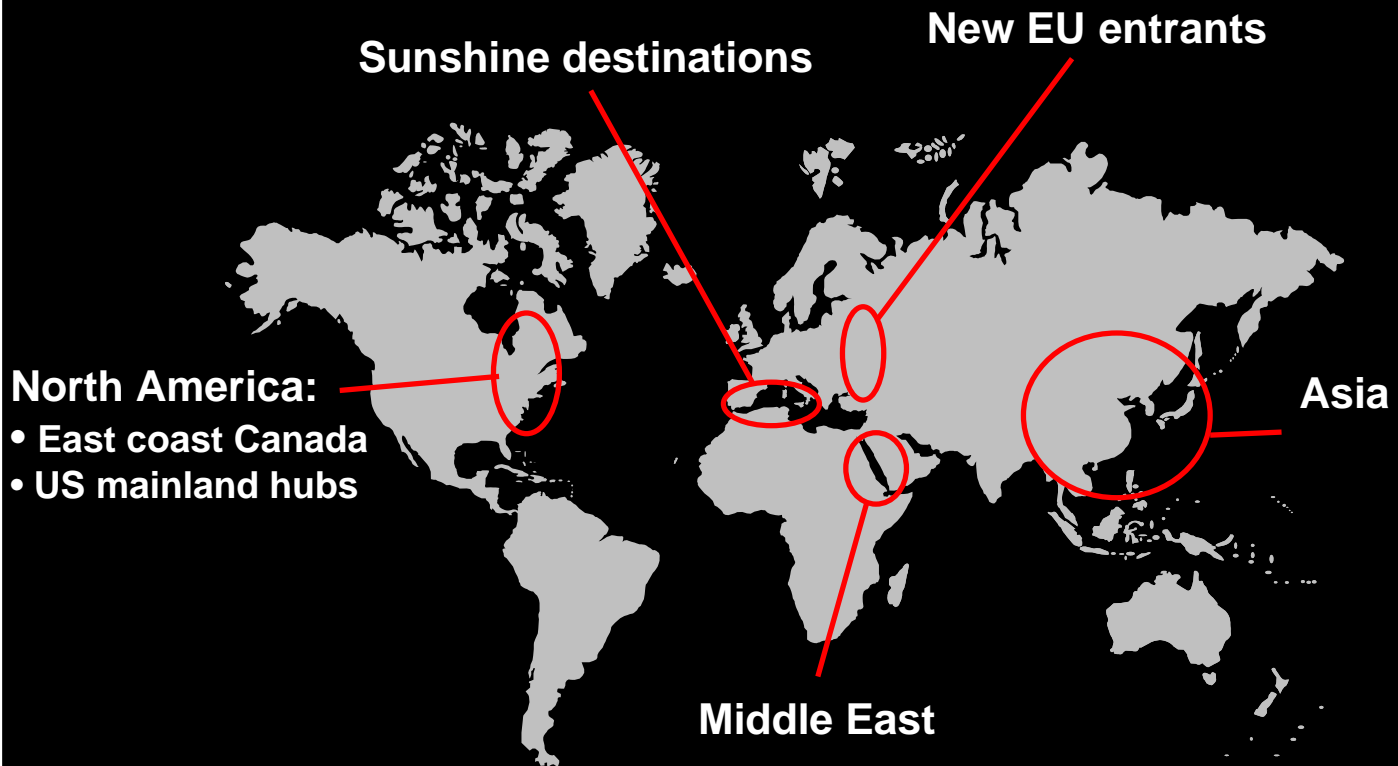
## Brussels Airport Historical Traffic Performance





MACQUARIE

# Route Development Opportunities





# Marketing Initiatives

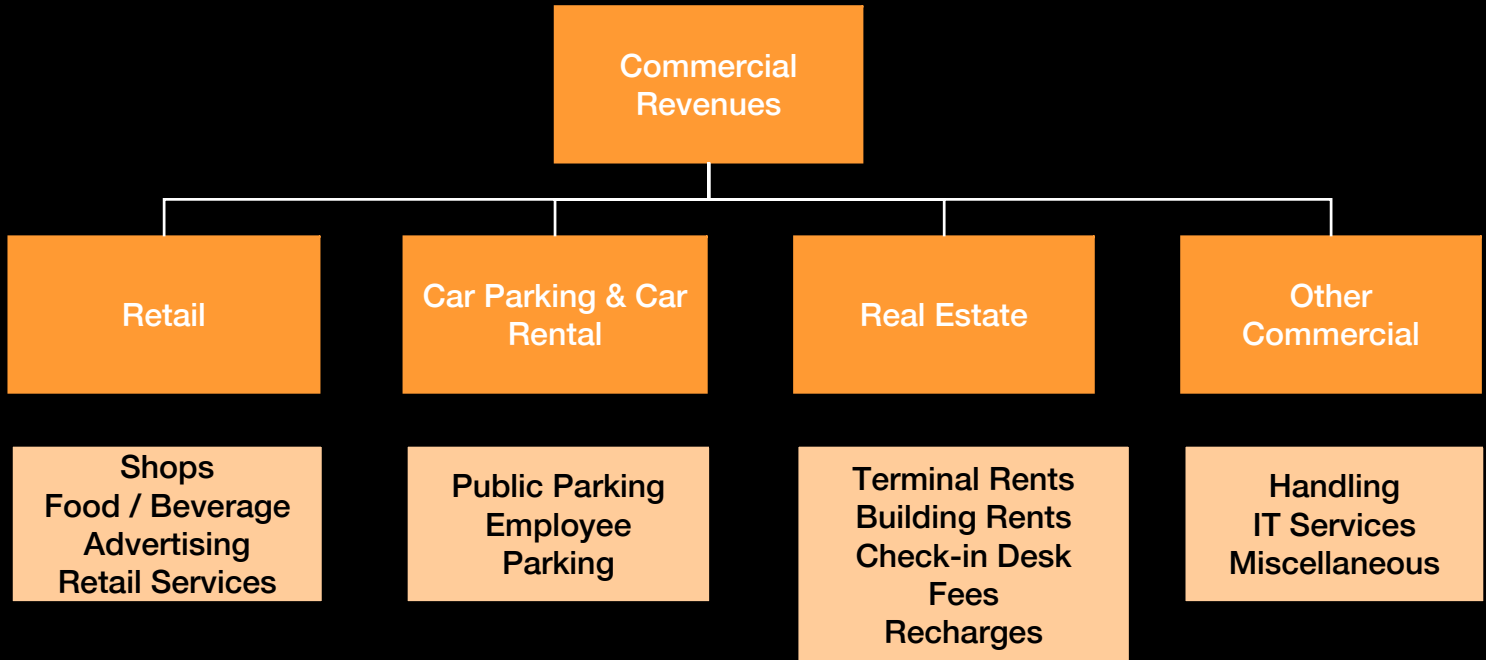
- ➔ Targeted approach to marketing
  - New incentives package for new routes
  - Identifying specific routes and the appropriate airlines
- ➔ Airport co-operating with SN Brussels on long haul routes
  - Joint visits to headquarters of target catchment / airlines
  - Airport has capacity and good quality of service
  - SN Brussels is a willing partner for new operators on selected long haul routes
- ➔ Cargo
  - Development of facilities for specialist cargo
    - And for passenger services with belly-hold freight
  - Reviewing freight opportunities in Belgium and around
- ➔ Aviation conference at Brussels Airport in August





# Commercial Revenues

## Description

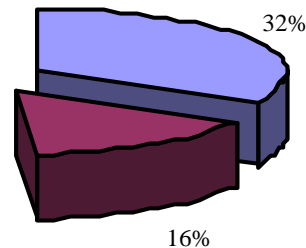
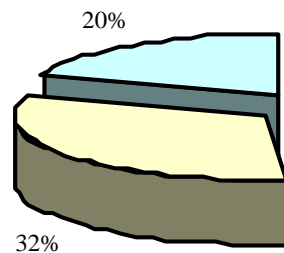




# Commercial Revenues

## Description

Revenue 2004: €112,3 M (consolidated), 37% of total revenues



- Retail
- Car Parking/ Car Rental
- Real Estate
- Other Commercial

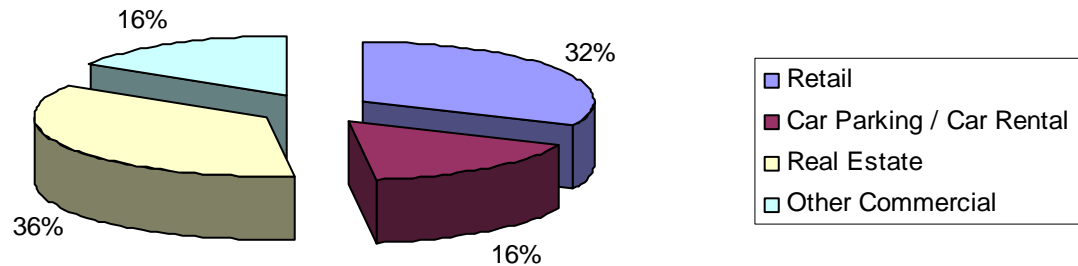


MACQUARIE

# Commercial Revenues

## Description

Revenue Q1 2005 (consolidated): € 26.3 M





# Retail

## Description

- Currently there are 49 retail and 24 food & beverage outlets operating from an area of 12.000 m<sup>2</sup>
- Belgian Skyshops operate all the duty free / travel value shops and Restair all the food and beverage outlets

## Key business initiatives

- Develop joint business development initiatives with Belgian Sky Shops and Restair
- Complete an upgrade of the Pier B airside retail area by mid 2005
- Complete feasibility of relocating security on Pier B from after retailing to being before security
- Prepare development plans for landside departures, landside arrivals, Topaz (Pier A) and the Pier A and B concourses
- Implement an active market research & retail marketing programme



MACQUARIE

# Retail

## Pier B refurbishment

Before



After



# Car Parking / Car Rental

## Description

- Interparking operate 6 public car parks adjacent to the terminal with 8300 spaces. Q-Park operate 1 public car park in the Brucargo area with 1550 spaces
- BIAC operate 4400 employee car park spaces with a further 1470 operated by Aviapartner
- Construction has just started on a new terminal public car park with 2400 spaces to be open by mid 2006

## Key business initiatives

- Develop joint business development initiatives with Interparking & Q Park
- Ensure there is sufficient capacity to meet demand (FP3, Brucargo)
- Review pricing and products to increase yield
- Review operation of curbs / forecourts to grow the car parking business & improve operations
- Maximise employee parking revenues (price & capacity)



MACQUARIE

# Real Estate

## Description

- Airport area 1245 ha (same as Heathrow)
- Area let in the terminal is 42.000 m<sup>2</sup>
- 162 check-in desks
- Area under ground leases 1.066.000 m<sup>2</sup>
- External areas under concessions 506.000 m<sup>2</sup>
- Agricultural concessions 660.000 m<sup>2</sup>

## Key business initiatives

- Maximise rental revenues from the expansion of prime accommodation in the new terminal
- Provision of offices & desks in the new terminal to meet future airline growth
- Maximise revenues by action to let vacant areas in the old terminal
- Review potential uses for vacant buildings in external areas



MACQUARIE

# Real Estate

## Key initiatives

- **Develop a property development master plan**
  - Using the opportunities open by the Diabolo development
- **Progress the implementation of property development projects**
  - Airport Village (phase 1 – Transpolis)
  - Brucargo and Brucargo West
  - Airport Technical Zone North
- **Strategy as a result of the partial relocation of DHL's operations to Leipzig at end of 2008**

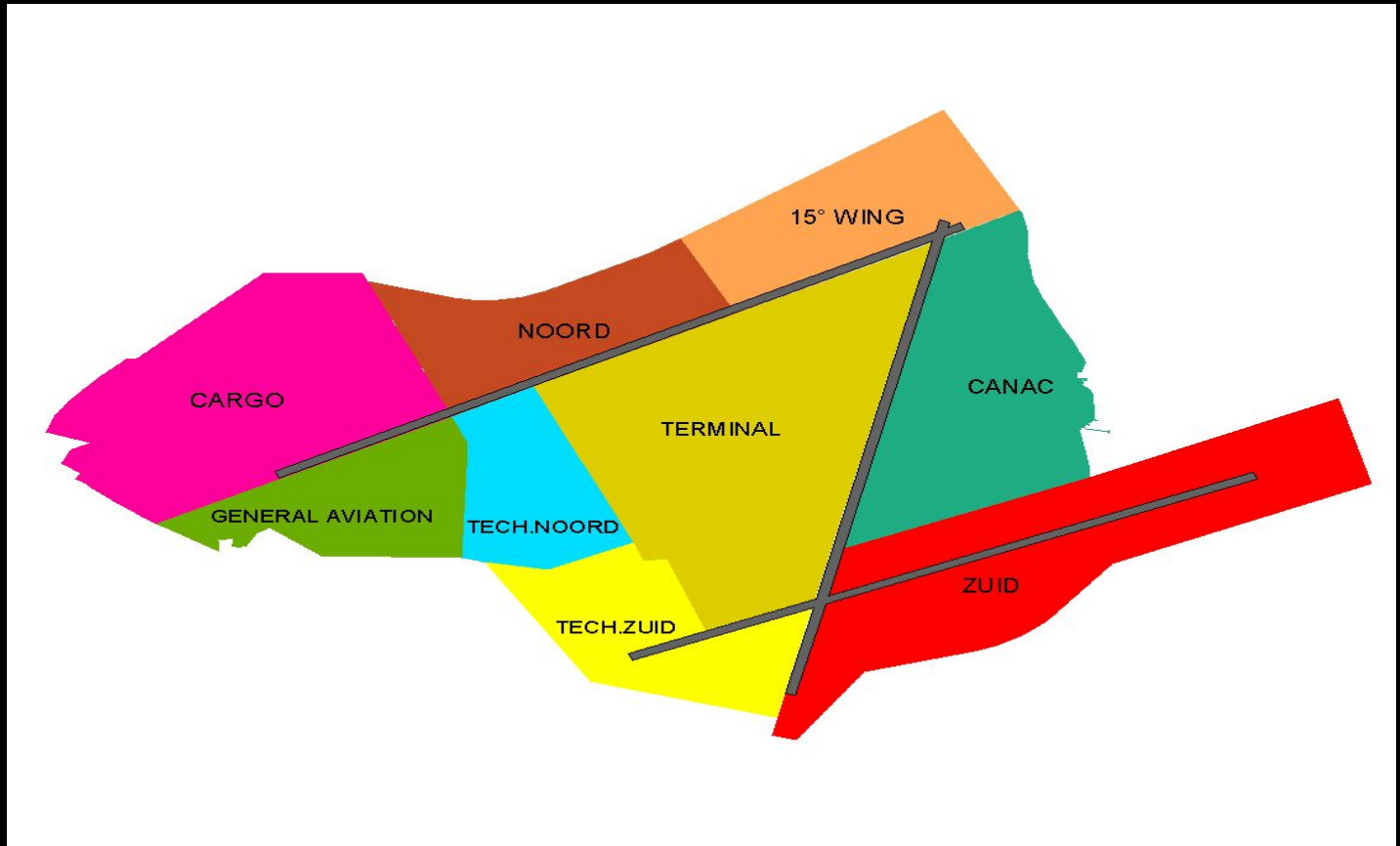




MACQUARIE

# Real Estate

## Real Estate Development zones





MACQUARIE

# Other Commercial

## Description

- Ground handling comprises  
Passengers, Cargo and Inflight Catering fees
- IT services mainly comprising CUTE fees

## Key business initiatives

- Implement the agreed further ground handling fee increase from November 2006
- Review CUTE fees and CUSS fees (self-service check-in) in response to airline needs



# Operating Expenses

- ➔ Dedicated working group focusing on improved cost efficiency across the business
- ➔ Progressive reduction in labour costs
  - Initiatives being identified to absorb natural turnover
  - Pension reserve accounts to be released over 4-5 years
- ➔ Improved approval and control process for all expenses
- ➔ Specific review of other key areas, including:
  - Security processes
  - IT
  - Maintenance



# Capital Expenditure

- Surplus capacity following collapse of Sabena
- Recent capital expenditure has been around €35m pa
  - Pier A baggage
  - Hold baggage screening
  - Maintenance
- Future annual capital expenditure of €40m - €50m
  - Property developments
  - Retail refurbishment and security relocation
  - Maintenance



MACQUARIE

# Discussion

