MAp Distributions

Frank Kwok

Macquarie Airports

May 2005

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Introduction

- MAp Distribution Policy
- Interest Rate Hedging at Airports
- Foreign Exchange Hedging at MAp

MAp Distribution Policy

Distribution Policy - Underlying Operating Cash Flow

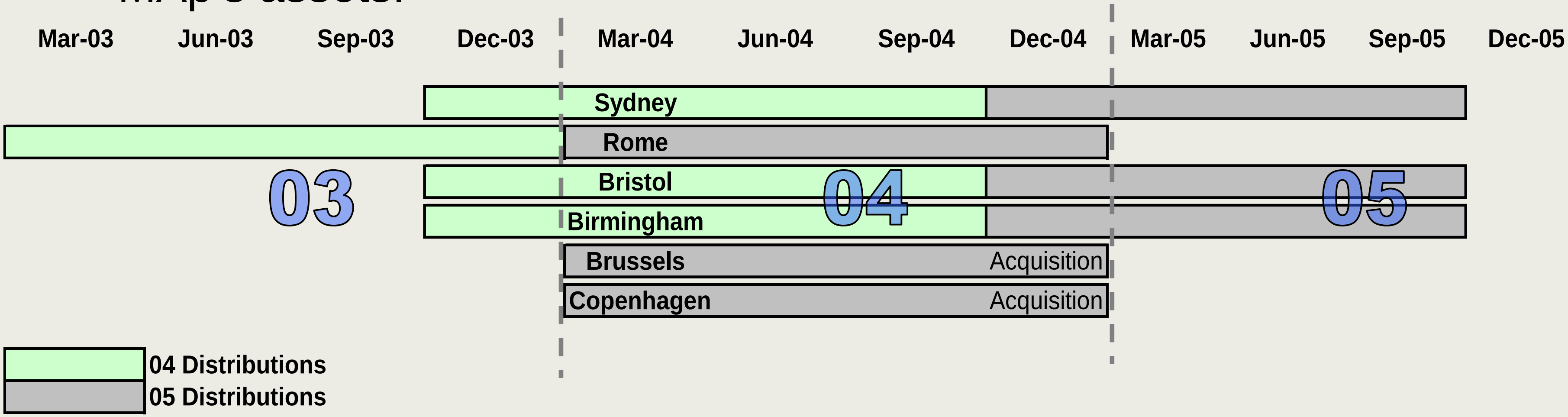
- MAp’s distribution policy is to distribute cash which is closely aligned with the underlying operating cash flow generated by the airport investments.
- Underlying Operating Cash Flow:

UNDERLYING OPERATING CASH FLOW = EBITDA – NET INTEREST – MAINTENANCE CAPEX - TAX

- MAp’s preliminary distribution guidance of 19 cents per stapled security for the year ended 31 December 2005 represents:
  - 18 cents per stapled security of underlying operating cash flow
  - A further 1 cent per stapled security of available cash

Cash Flow Timing

- Underlying operating cash flow reflects timing of distributions from MAp’s assets:



- The timing takes into account distributions from the assets and the period in which they are received by MAp:
  - Rome, Brussels[1] & Copenhagen distribute annually
  - Sydney and Bristol[2] distribute quarterly
  - Birmingham distributes semi-annually

Note 1 : Brussels Airport has the ability to distribute on a semi-annual basis
Note 2 : Following the proposed refinancing

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Interest Rate Hedging at Airports

Introduction

- Airports can typically sustain high levels of debt given resilience of cash flows
- It is important to have appropriate interest rate hedging policies in place, especially in an environment of potential interest rate increases
- Interest rate hedging will protect against distribution volatility

Hedging Policy

- Substantial hedging policies exist at all of MAp's airports

	Hedging Policy	Current Approximate Hedging	Current Net Debt
Sydney	90% of all senior debt until 30 June 2005, 75% thereafter	95%[1] of senior debt	A$4.0 bn [2,3]
Brussels	75% of all senior debt	90%[4]	€771 m[4]
Rome	Minimum of 50% of all senior debt	50%[4]	€1,575 m [4]
Birmingham	Not applicable	100%[2]	£59m [2]
Bristol	75% until 31 March 2007 of all senior debt, 50% thereafter[5]	65%[2]	£195 m[2]

Note 1 : as at 30 June 2004
Note 2: as at 31 December 2004
Note 3: Includes FLIERS
Note 4: as at 31 March 2005
Note 5: Following the proposed refinancing

Impact of Interest Rate Increase

- Impact of a 1% increase in interest rates, holding all other assumptions constant

	Sydney	Brussels	Rome	B'ham	Bristol	Total
	A$m	€ m	€ m	£ m	£ m	
Current Net Debt	4,000.0[1]	771.0	1,575.0	59.0	195.0	
Current Unhedged Exposure	770.0[1]	77.1	787.5	-	68.3	
Increase in Interest Expense	7.7	0.8	7.9	0	0.7	
MAp's share in Increased Expense	4.3	0.4	2.6	0.0	0.2	
MAp's share in Increased Expense (A$m)	4.3	0.7	4.4	0.0	0.5	9.9
Decrease in distribution per stapled security (cents)						**0.66**

Note 1 : Includes FLIERS

- A 1% increase leads to a decrease of approximately 0.66 cents in cash available for MAp distributions
- Asset hedging ensures minimum exposure to MAp from increases in interest rates
- Analysis assumes no other changes in operations

Natural Hedges

- Airport assets benefit from characteristics that provide natural hedge to interest rate movements:
    - Increasing interest rate environment usually as a result of high economic growth
    - Higher economic growth drives passenger growth and commercial revenue growth
    - Aeronautical charges typically linked to a real return or CPI

Foreign Exchange Hedging at MAp

Introduction

- MAp’s portfolio now comprises approximately 50% European assets
- Hedging strategy implemented to increase certainty of cash flows for MAp distributions in Australian dollars
- However investment value will remain unhedged

Sources of MAp Distributions

- MAp's receipts are sourced from a variety of currencies

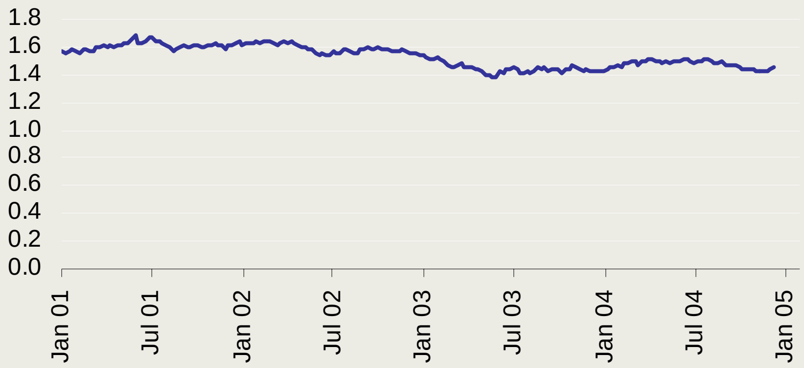
MAp's exposure to foreign currencies according to investment value

- Indirectly through MAG
  as at 31 December 04

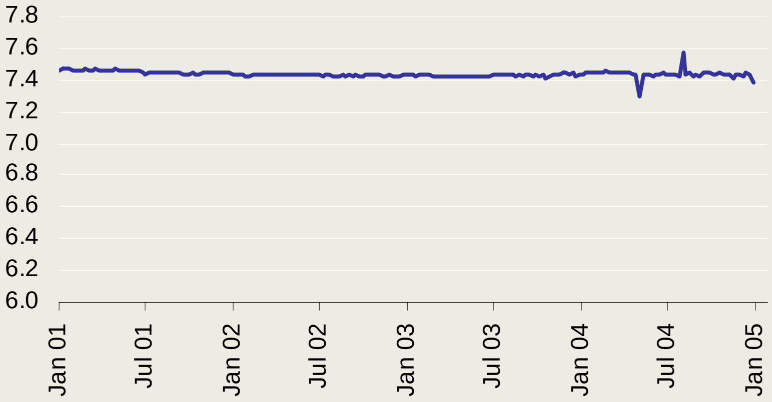
Correlation of European Currencies

- MAp exposure is to Euros, GBP and DKK
- High correlation between Euro/GBP and Euro/DKK
- MAp will hedge all European assets based on Euro

EUR/GBP



EUR/DKK



MAp’s Foreign Exchange Hedging Policy

MAp’s foreign exchange rate hedging policy on distributions:

- Enter hedge contracts each 6 months, up to 18 months out
- Rolling hedge profile such that hedged to:
    - 75% for distributions over next 6 months
    - 50% for distributions over next 6 - 12 months
    - 25% for distributions over next 12 – 18 months

Date of expected cash receipt

Date of entry into contract	Jun-06	Dec-06	Jun-07	Dec-07	Jun-08
Dec-05	25%	25%	25%		
Jun-06		25%	25%	25%	
Dec-06			25%	25%	25%

Exchange Rate Hedging

- MAp’s exchange rate hedging policy allows:
  - Greater protection for MAp cash flows when distributions from the assets become more certain
  - Flexibility in long term strategy planning
  - Some exposure to foreign exchange movements