



MACQUARIE



MAp Distributions

Frank Kwok

Macquarie Airports

May 2005



Disclaimer



Disclaimer

Investments in Macquarie Airports (MAp) are not deposits with or other liabilities of Macquarie Bank Limited ACN 008 583 542, 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 Holdings (Bermuda) Limited (which is not a member of the Macquarie Bank Group), Macquarie Airports Management Limited and Macquarie Investment Management (UK) Limited nor any member of the Macquarie Bank Group guarantees any particular rate of return or the performance of MAp, nor do they guarantee the repayment of capital from MAp.

General securities warning

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

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.



Introduction



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



MAp Distribution Policy



Distribution Policy - Underlying Operating Cash Flow



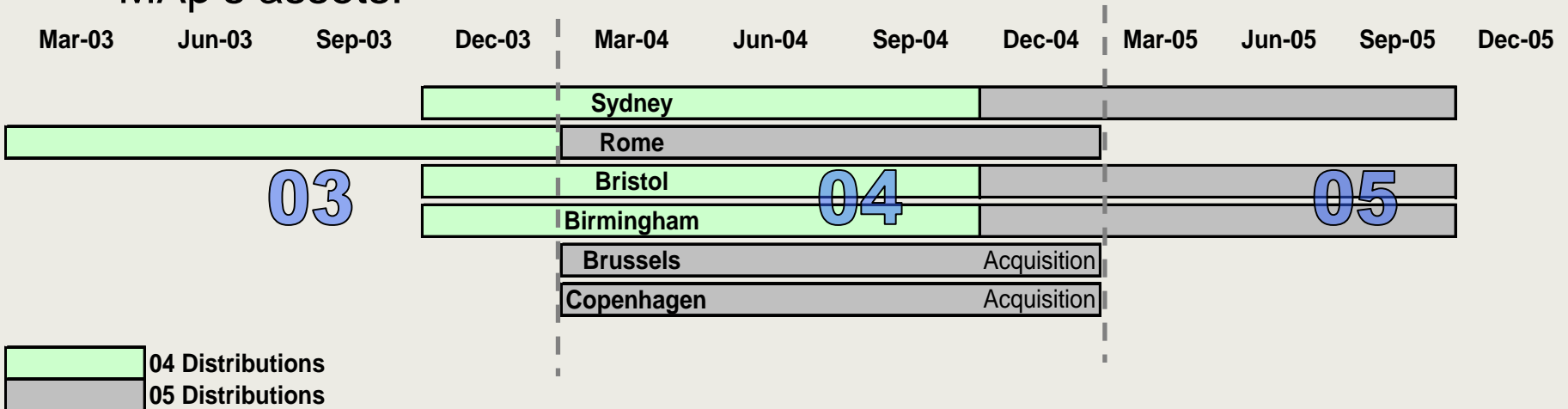
- MAp's distribution policy is to distribute cash which is closely aligned with the underlying operating cash flow generated by the airport investments.
- Underlying Operating Cash Flow:

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

- 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



- 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, Brussels¹ & Copenhagen distribute annually
 - Sydney and Bristol² 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



MACQUARIE



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



- 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% 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



MACQUARIE



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



- 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

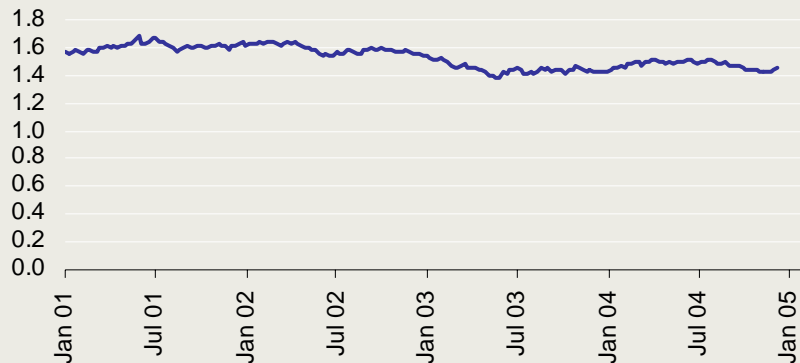


Correlation of European Currencies

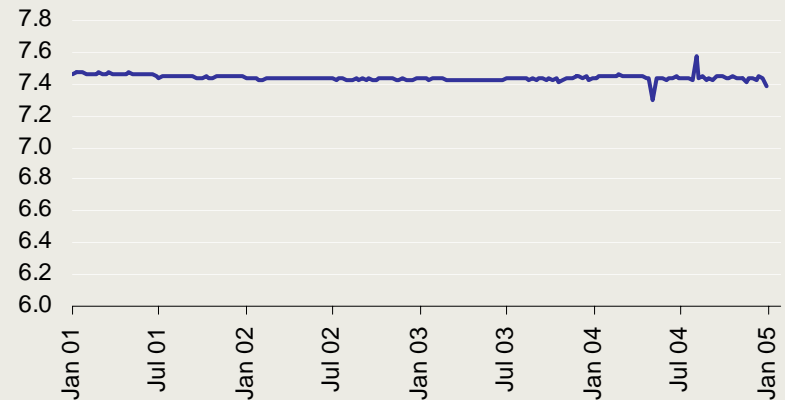


- MAp exposure is to Euros, GBP and DKK
- High correlation between Euro/GBP and Euro/DKK
- MAp will hedge all European assets based on Euro

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 entry into contract	Date of expected cash receipt				
	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