



**MAp**

PROPOSAL TO INTERNALISE MANAGEMENT

Trevor Gerber, Chairman of MAML IBC, & Kerrie Mather, MAp CEO





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1. Overview
2. The Proposal
3. Strategy & Positioning
4. Trading Update
5. Successful Transformation





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# OVERVIEW





## *MAp's Directors have Consistently Focussed on Security Holder Value*

### ■ Significant initiatives undertaken

- Sales of Rome & Birmingham airports at premiums to directors' valuations
- Divestment of minority interests in Copenhagen & Brussels airports at directors' valuations
- Deleveraging via defeasance of TICKETS and elimination of 2009 debt maturities at Sydney Airport
- Acceleration of alignment of distributions & sustainable earnings, now to occur in 2009

### ■ Continued to discuss additional options to enhance security holder value

- Discussions were initiated in relation to internalising MAp's management
- Independent Board Committees of MAML & MAL formed to assess & negotiate the proposal
- MAp's independent directors believe the internalisation is the best strategy to enhance value for all security holders
- MAp's independent directors unanimously recommend that security holders support the internalisation, subject to the Independent Expert finding the internalisation to be fair & reasonable to MAp security holders

## *Next Phase of MAp's Evolution*

### ■ **Internalisation of management**

- Positions MAp for the next phase of its evolution
- Additional costs of internalised management lower than current management fee
- Broadly neutral to earnings per stapled security
- Internalised management will execute future strategy & direction, direct control over costs
- Potential to attract a broader range of investors

### ■ **Strategy**

- MAp has a high quality, well-positioned portfolio & a clear strategy to drive earnings growth
- Positioned to benefit from positive long term aviation market trends
- World class management team actively managing core portfolio of high quality airports
- Further development of plans to unlock traffic potential & commercial growth opportunities
- Strong expense control & proactive capital management





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# THE PROPOSAL

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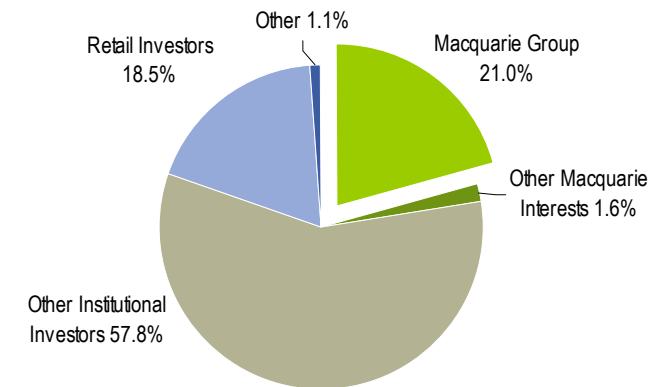


## Internalisation of Management

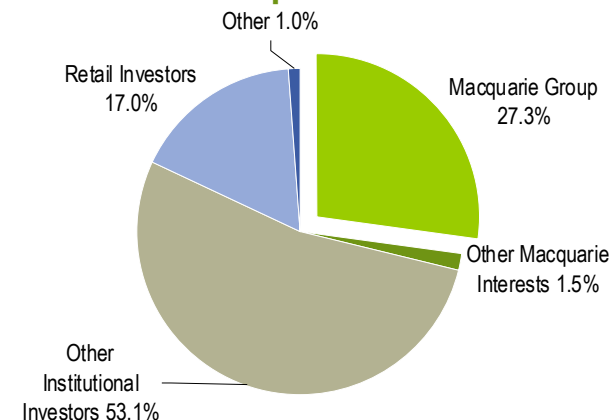
### ■ Key highlights

- Internalisation via the acquisition of Macquarie Airports Management Limited (MAML) by MAp and ending the MCFEL advisory agreement with Macquarie Airports Limited (MAL).
- Macquarie to receive 150m new MAp shares, equivalent to 8.1% of the expanded capital, valued at A\$345m at issue price of A\$2.30, the 10 day VWAP.
- Macquarie will nominate a director to the MAML Board (who will stand for re-election at the next AGM).
- The management team, including CEO Kerrie Mather, will transfer to MAp. Kerrie will be invited to join the board
- No impact on TICKETS holders – intention to redeem for cash at First Reset Date.

### Security Holder Composition Current



### Proposed



1. Other Macquarie interests primarily relate to the discretionary investment portfolios of Macquarie Funds management businesses





## *Internal Costs Below Management Fees, Broadly Neutral to Initial EPS*

### ■ **Macquarie to receive 150m new MAp securities**

- At issue price of A\$2.30, the 10 day VWAP, consideration valued at A\$345m
- Net cost savings to MAp security holders of ~A\$31m per annum
  - Base management fee saving/additional fee gain of ~A\$43m per annum<sup>1</sup>
  - Incremental costs of ~A\$11.5m per annum in the first year<sup>2</sup>

### ■ **Value to be Received by MAp**

- No future performance fees from the date of this announcement
  - MAp security price currently ~5% below the benchmark index on a VWAP basis
- Macquarie will facilitate internalisation to avoid disruption to MAp & its airport businesses
- Macquarie will also provide transitional services to MAp for a period of 1yr (6mths at no cost)

1. Based on 2008 base management fee

2. Based on the existing portfolio of airport businesses & excluding costs already borne directly by MAp, based on the current AUD/GBP exchange rate of ~0.49



# Transaction Benefits

## *Internalisation is the Best Strategy to Enhance Value for All Security Holders*

- **Removal of ongoing liability for base management fees & performance fees**
  - MAp has incurred total base management & performance fees since listing in 2002 of A\$547m
- **MAp will become a standalone entity**
  - Internal management will execute its future strategy & direction
  - Direct control of management costs
- **Focussed management team**
  - Management will now be directly employed by MAp
  - Management remuneration will be determined entirely by MAp
- **Ability to attract a broader range of investors**
  - Investors who are currently unable or unwilling to invest in an externally managed entity
  - Investors who aggregate investment in Macquarie managed vehicles (& Macquarie) in assessing concentration risk
  - Foreign investors who are concerned by MAp's current proximity to its foreign ownership cap & domestic investors who are concerned about the security price impact of the potential forced divestment of foreign investors



# Transaction Benefits

## *Internalisation is the Best Strategy to Enhance Value for All Security Holders*

- **Macquarie's assistance in the separation of management**
  - Macquarie will assist in the transfer of the existing management team to MAp
  - Macquarie will provide transition services for up to 12mths (6mths at no cost)
  - Macquarie will assist in ensuring no disruption to MAp or its airport businesses
- **Security holders will have clearer control over board representation**
  - Macquarie's rights to appoint directors will be equivalent to those of other security holders
  - Whilst currently Macquarie has agreed to exercise its rights to appoint directors in line with security holder wishes until at least 2011, there is no guarantee that agreement will be extended





# Management Team

## *MAp's Successful Active Management is Widely Recognised*

- **MAp's management team will transfer from Macquarie**
  - Experienced global aviation & finance team
  - CEO Kerrie Mather will remain in her current role & has been invited to join the board
  - Keith Irving will be appointed CFO
  - The remaining management team is expected to transfer to MAp



## *If Approved, Completion Expected by 30 September 2009*

### ■ **Special General Meeting**

- The proposal is subject to approval by MAp security holders at Special General Meeting (SGM)
- SGM expected to be held in early September 2009
- Independent Expert's Report from KPMG will be dispatched with Notice of Meeting & Explanatory Memorandum
- Name change to 'MAp' if security holder approval for the proposal is received

### ■ **Unanimously recommended by Independent Directors**

- Proposal was considered by Independent Board Committees of both MAp boards
- The Independent Directors were advised by Grant Samuel Corporate Finance & Allens Arthur Robinson
- Macquarie Group cannot vote its securities on the proposal



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# MARKET POSITION & STRATEGY

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## *Summary*

- **High quality, fundamentally strong & resilient core portfolio**
  - Core portfolio positioned for economic recovery & long term positive aviation trends
  - MAp has a uniquely integrated management model, well suited to complex airport assets
  - Sound financial position as a consequence of proactive capital management
  - Proximity to foreign ownership limit may be constraining investor appetite



# High Quality Core Portfolio

## Fundamentally Strong & Resilient

	Sydney	Copenhagen	Brussels	Bristol
<b>Dominant Market Position</b>	<ul style="list-style-type: none"> <li>Largest Airport in Australasia</li> </ul>	<ul style="list-style-type: none"> <li>Largest Airport in Scandinavia</li> </ul>	<ul style="list-style-type: none"> <li>Capital of Europe, home of EU, NATO etc</li> </ul>	<ul style="list-style-type: none"> <li>Largest Airport in UK's 2<sup>nd</sup> wealthiest region</li> </ul>
<b>Long Concession Length</b>	<ul style="list-style-type: none"> <li>2097</li> </ul>	<ul style="list-style-type: none"> <li>Freehold</li> </ul>	<ul style="list-style-type: none"> <li>Freehold</li> </ul>	<ul style="list-style-type: none"> <li>Freehold</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Control</li> </ul>	<ul style="list-style-type: none"> <li>Joint Control</li> </ul>	<ul style="list-style-type: none"> <li>Joint Control</li> </ul>	<ul style="list-style-type: none"> <li>Joint Control via BABL</li> </ul>
<b>High Quality Facilities</b>	<ul style="list-style-type: none"> <li>2029 Masterplan envisages &gt;70m pax on current site</li> </ul>	<ul style="list-style-type: none"> <li>Substantial airfield capacity, 30m-35m terminal capacity</li> </ul>	<ul style="list-style-type: none"> <li>Substantial airfield capacity, 30m-35m terminal capacity</li> </ul>	<ul style="list-style-type: none"> <li>Covered walkway expands capacity in efficient manner</li> </ul>
<b>Above Average Traffic Growth Potential</b>	<ul style="list-style-type: none"> <li>Significant A380 destination</li> <li>Enhanced Bilaterals</li> </ul>	<ul style="list-style-type: none"> <li>Natural hub for Scandinavia</li> <li>6.5m residents within 3hr drive</li> <li>Favourable demographics</li> <li>Popular weekend break destination</li> <li>Low LCC market share (~13%)</li> </ul>	<ul style="list-style-type: none"> <li>Strong government &amp; business market</li> <li>Associated VFR traffic</li> <li>10.5m residents within 1.5 hr drive</li> <li>Low LCC market share (~3%)</li> </ul>	<ul style="list-style-type: none"> <li>Overflow from London airports</li> <li>Favourable demographics</li> <li>Operationally more suitable for LCCs</li> </ul>
<b>Transparent Regulation</b>	<ul style="list-style-type: none"> <li>Light-handed</li> </ul>	<ul style="list-style-type: none"> <li>Dual till with commercial contribution</li> </ul>	<ul style="list-style-type: none"> <li>Hybrid, moving to dual till</li> </ul>	<ul style="list-style-type: none"> <li>Unregulated</li> </ul>
<b>Commercial Opportunities</b>	<ul style="list-style-type: none"> <li>Retail under-spaced, non optimal configuration</li> <li>Car parking under-served</li> <li>Small but valuable landbank</li> </ul>	<ul style="list-style-type: none"> <li>Retail under-spaced</li> <li>Large landbank</li> </ul>	<ul style="list-style-type: none"> <li>Non optimal retail configuration</li> <li>Large landbank</li> </ul>	<ul style="list-style-type: none"> <li>Construction of walk-thru duty free store</li> <li>Hotel Project</li> </ul>
<b>Optimise Capital Structures</b>	<ul style="list-style-type: none"> <li>Maintain appropriate capital structure for each airport based on business requirements</li> </ul>			



# Appropriate Response to Current Environment

## *Positioning for Economic Recovery & Positive Aviation Trends*

### ■ **Taking advantage of a 2010/2011 economic recovery**

- Structural adjustments to cost base delivered (Sydney, Bristol) or in progress (Copenhagen, Brussels)
- Major commercial projects are well-timed (Sydney T1 Redevelopment completion 2Q10, further expansion of BRUcargo-West)
- Opportunity has been taken to optimise capital expenditure plans
- As one of the largest airport operators, MAp can deliver scale benefits (procurement, best practices, knowledge sharing)

### ■ **Capitalising on long term aviation trends**

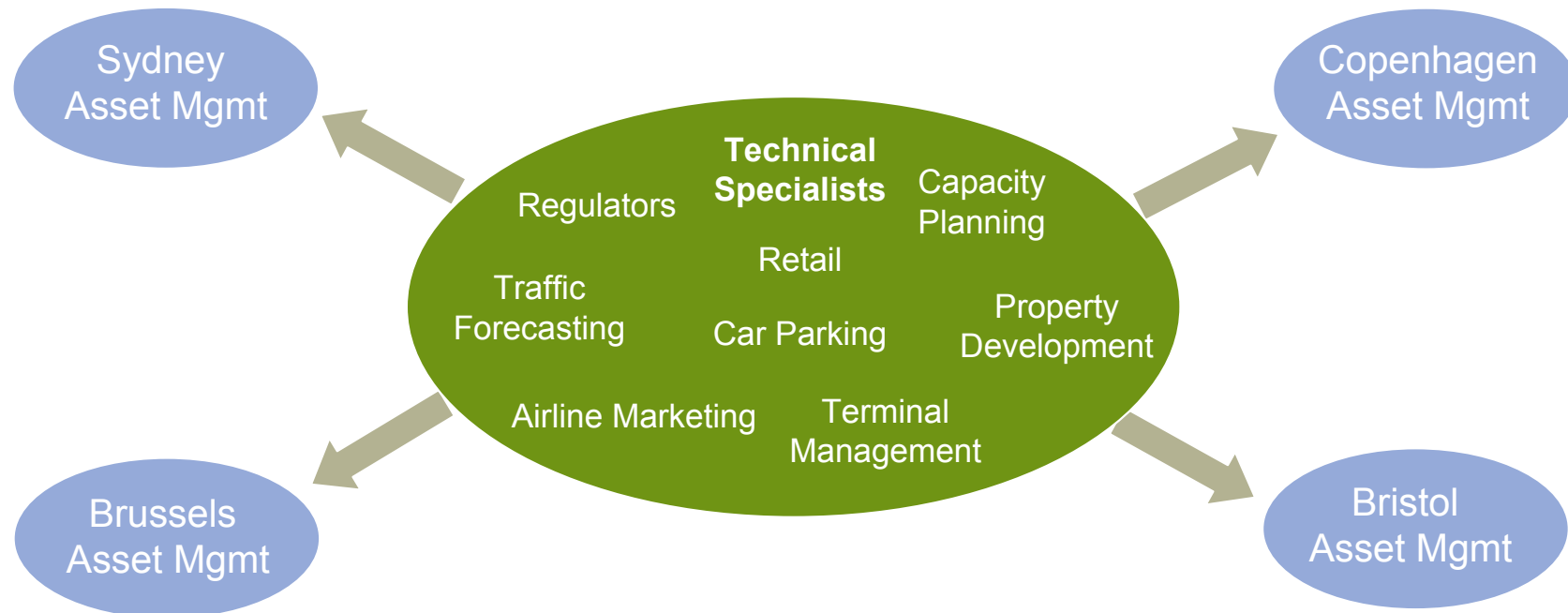
- Increased pax per movement/new large aircraft – benefits long haul/hub airports (Sydney – already A380 capable & served)
- Growth in LCC market shares – 33% of European short haul seats rising to 50% by 2015 (Copenhagen & Brussels under-served, LCC infrastructure being created)
- Liberalisation of bilateral agreements (principally benefiting Sydney)



## *Experienced Global Aviation & Finance Team*

### ■ MAp's has a uniquely integrated management model

- Complex nature/multiple business lines of airports is more suited to active operational management than other types of infrastructure
- Integrated approach to operational & financial management
- MAp has an experienced team of asset managers & technical specialists
- Level of influence in core airports facilitates genuine value add





# Sound Financial Position

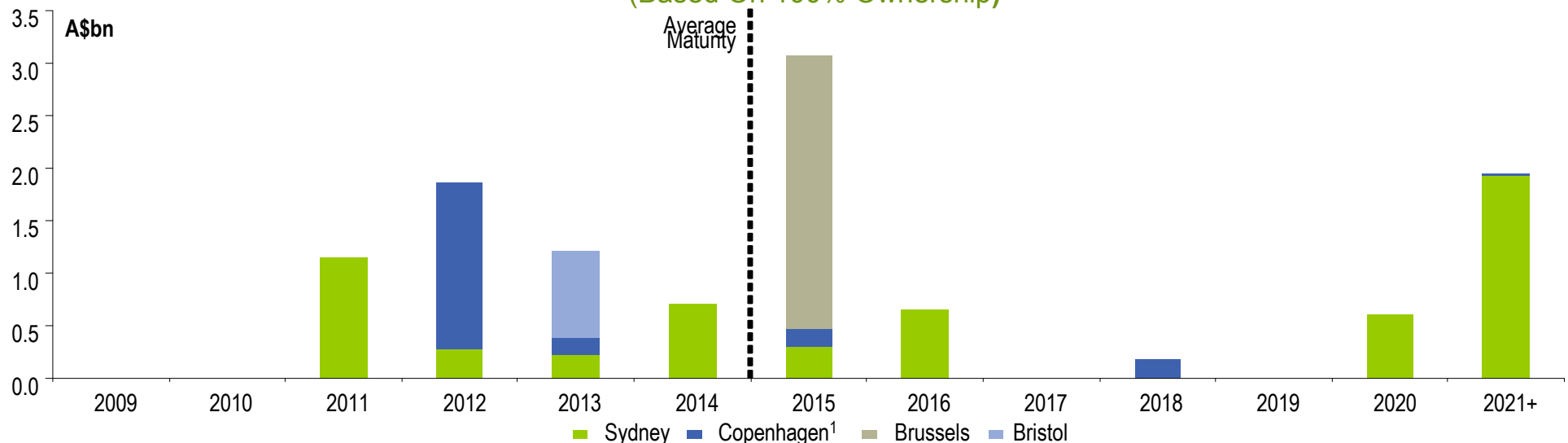
**No Debt Maturities Until September 2011, Current Cash Reserves of >A\$700m**

**■ Significant capital management steps undertaken**

- 2007 & 2008 divestments at or above directors' valuations totalling >A\$3bn
- Japan Airport Terminal shares have been tendered into buyback
- Withdrawal & defeasance of the entire A\$904m TICKETS issues – eliminated corporate debt, significant deleveraging of Sydney Airport
- Alignment of distributions with sustainable earnings, 2009 distribution guidance of A\$0.21 maintained subject to external shocks to the aviation industry & material changes to forecast assumptions

**Maturity Profile of Debt at the Core Assets**

(Based On 100% Ownership)



1. Copenhagen includes MACH, excludes car park finance lease



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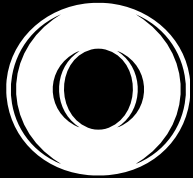


# TRADING UPDATE

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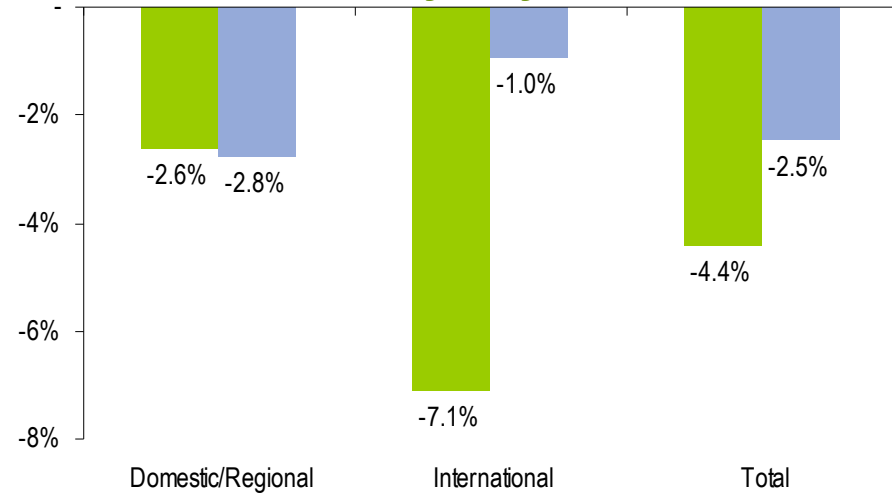


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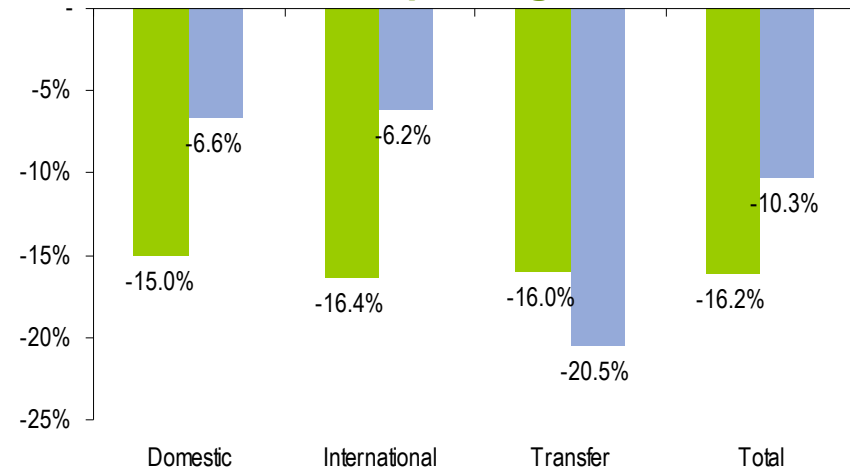
# Latest Traffic Performance

## Traffic Declines Moderating

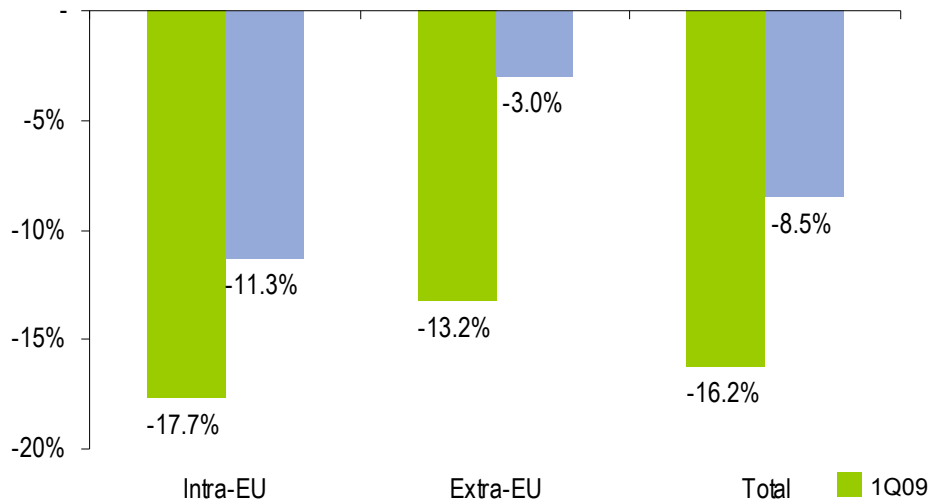
### Sydney



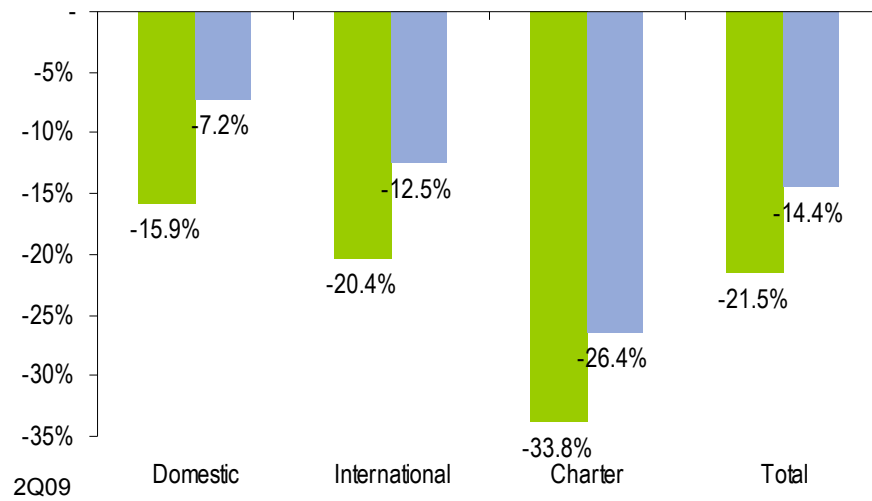
### Copenhagen



### Brussels



### Bristol





# Core Airport Performance

## Significant Improvement in EBITDA Performance in 2Q09

vs pcp	% of MAp core portfolio	1Q09			2Q09 <sup>1</sup>		
		Traffic	Revenue	EBITDA <sup>2</sup>	Traffic	Revenue	EBITDA <sup>2</sup>
<b>Sydney</b>	64%	-4.4%	+1.9%	+2.2%	-2.5%	+1.8%	+1.7%
<b>Copenhagen<sup>3</sup></b>	15%	-16.2%	-6.9%	-22.1%	-10.3%	n.a.	n.a.
<b>Brussels</b>	16%	-16.2%	-10.2%	-24.2%	-8.2%	-3.5%	-6.6%
<b>Bristol</b>	5%	-21.5%	-16.1%	-29.8%	-14.4%	-10.3%	-14.9%

- **Sydney:** Traffic continues to prove relatively resilient & new business is being won (eg Tiger, Delta etc)
- **Copenhagen:** 2Q09 will benefit from interim aeronautical settlement (+4.2%) and April staff reduction
- **Brussels:** Improved capacity in Summer schedules coupled with April 5.1% aeronautical increase
- **Bristol:** Gradually replacing lost XL charter traffic – Ryanair's 3<sup>rd</sup> & 4<sup>th</sup> based aircraft now in place

1 Indicative results based on unaudited management accounts & subject to change

2 Before specific items

3 As a consequence of Copenhagen's listing in Denmark, MAp is unable to disclose Copenhagen's 2Q09 performance ahead of Copenhagen's own disclosure on 14 August 2009



# Core Airport Performance

## *Indicative NAB of A\$4.30 per Stapled Security*

### ■ **Indicative Net Asset Backing per Security of A\$4.30 as at 30 June 2009**

- The directors have considered a draft of the 30 June 2009 portfolio valuations
- Preliminary calculation suggests that the Net Asset Backing per Security as at 30 June 2009 is expected to be A\$4.30, compared with the 31 December 2008 figure of A\$4.70
- Proforma Net Asset Backing per Security of A\$3.95 post issue of new securities to Macquarie
- Limited changes to operational & financing assumptions, discount rates held constant
- Principal impact from non-discretionary factors such as foreign exchange & interest rates



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SUCCESSFUL TRANSFORMATION

5





# The Next Phase of MAp's Evolution

## *MAp's Existing Management Team is Committed to MAp's Development*

### ■ Internalisation of management

- Positions MAp for the next phase of its evolution
- Internalised management costs lower than current management fee liability
- Broadly neutral to earnings per stapled security
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- Proposal unanimously recommended by Independent Directors, subject to the Independent Expert finding the transaction to be fair & reasonable to MAp security holders

### ■ Strategy

- MAp has a high quality, well-positioned portfolio & a clear strategy to drive earnings growth
- Positioned to benefit from positive long term aviation market trends
- World class experienced management team with a well understood & active management approach
- Further development of plans to unlock traffic potential & commercial growth opportunities
- Strong expense control & proactive capital management



# MAp PROPOSAL TO INTERNALISE MANAGEMENT

