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**ASX RELEASE**



**MACQUARIE AIRPORTS**

**INTERIM RESULTS FOR THE PERIOD ENDED 30 JUNE 2008**

**Macquarie Airports (MAp) today announced its financial results for the six months ended 30 June 2008, the outcome of a Portfolio and Capital Review and an exciting new airport investment.**

MAp Chief Executive Officer, Ms Kerrie Mather, said, “MAp’s airports have continued to perform strongly in the first half of 2008 and remain well positioned, both operationally and financially.

“This performance is not reflected in MAp’s security price, which remains at a significant discount to valuation. We have therefore taken the opportunity of our regular business planning and valuation process to undertake a comprehensive Portfolio and Capital Review.

“We believe the actions that we are announcing today – deleveraging, validation of asset valuations, a significant buyback of MAp securities and the identification of an exciting investment opportunity – will drive substantial security holder value.”

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## Financial Highlights

- Net result attributable to MAp security holders (A\$274.3m) for the six months to 30 June 2008.
- Proportionate consolidated pro-forma EBITDA<sup>1</sup> growth of 9.6%<sup>2</sup> on the previous corresponding period (pcp).
- Proportionate earnings per stapled security<sup>3</sup> of 10.2 cents, growth of 12.1% on the pcp.
- Asset Backing Attributable to Investments<sup>4</sup> of A\$4.57 per stapled security.
- Regular distribution guidance for 2008 of 27 cents per stapled security reaffirmed<sup>5</sup>.

## Portfolio and Capital Review

- Comprehensive package of measures.
- Partial redemption and defeasance of TICKETS.
- Buyback of MAp securities of up to A\$1bn<sup>6</sup>.
- Partial divestments of Copenhagen and Brussels airports<sup>6</sup>, generating substantial returns.
- Interest of 5.6% in B shares of Grupo Aeroportuario del Sureste S.A. de C.V. (ASUR) and, separately, through a series of swap agreements, an economic exposure to changes in the price of ASUR shares equalling approximately 8.6% of B shares.

Ms Mather added, "MAp's first half performance confirms the resilience of our operating model. Proportionate EBITDA growth of 9.6% in the face of the current external environment represents an excellent achievement and demonstrates the significant value which has been generated by the aeronautical and commercial initiatives MAp has underway at our airports.

"We recognise that our airline customers face challenging conditions but the first half result is evidence of the importance of investing in airports with attractive characteristics and opportunities across the aviation and commercial businesses.

"Whilst our financial position is very sound we recognise that attitudes towards leverage have changed, if not permanently, then for the foreseeable future. Consequently, we are applying our surplus cash to the repayment of our hybrid capital instrument, TICKETS, which will simplify MAp's capital structure. Whilst there is no provision for early redemption, we are offering TICKETS holders a withdrawal option, with any remaining balance to be defeased and repaid on 1 January 2010.

“We have also announced that we intend to seek security holder approval to apply up to A\$1bn to a buyback of MAp securities. This reinforces our belief in the value of our airports and confirms our acquisition discipline. The discount to valuation which the current security price represents remains near record levels. A buyback of this scale also aids the quality and sustainability of our distributions and our commitment to achieve broad convergence between our regular distribution and proportionate earnings by 2010.

“To facilitate these initiatives, we propose partially divesting our interests in Copenhagen and Brussels airports to Macquarie European Infrastructure Fund 3. These divestments will be conducted at prices that reflect our full directors’ valuations, generating substantial premia to the prices for MAp’s original investment, of 49% for Copenhagen and 47% for Brussels. Importantly, MAp will exercise joint control over both investments whilst retaining exposure to their future growth. MAp will continue to work closely with management at both airports to implement our challenging business plans.

“Finally, we have taken an economic interest in ASUR, the owner and operator of nine airports in south eastern Mexico. Their portfolio includes Cancun Airport which is Mexico’s second largest airport, located in one of the fastest growing tourism destinations in Mexico and the Caribbean. ASUR meets MAp’s key investment criteria and we expect the returns from this investment to be well above that offered by current and proposed major airport privatisations. We believe this investment demonstrates MAp’s continued ability to source attractive growth opportunities.

“The strong first half result is evidence of the stability of our earnings despite a volatile external backdrop and, coupled with our proactive Portfolio and Capital Review, places MAp on the firmest possible footing for the future,” Ms Mather said.

## Performance in Brief

6mths to	30-Jun-08	30-Jun-07
Net Result Attributable to MAp Security Holders	(A\$274.3m)	A\$939.2m
Total Investments <sup>7</sup>	A\$7,657.1m	A\$9,581.0m
Asset Backing Attributable to Investments per Stapled Security <sup>4</sup>	A\$4.57	A\$4.92
Proportionate Consolidated Airport Asset EBITDA <sup>1,2</sup>	A\$465.3m	A\$424.6m
Proportionate Earnings per Stapled Security <sup>3</sup>	10.2c	9.1c

### Asset Backing Attributable to Investments per Stapled Security

Asset Backing Attributable to Investments per stapled security as at 30 June 2008 was A\$4.57 compared with A\$5.06 as at 31 December 2007 and A\$4.92 as at 30 June 2007. The decrease over 31 December 2007 reflects a comprehensive review of business and financing plans to incorporate all announced airline capacity reductions and the directors' view of financing outcomes in both the short and long term. In addition, asset specific risk premia have been increased to reflect the uncertainties created by the current external environment.

### Portfolio and Capital Review

Despite the strong performance and excellent positioning of our airports, MAp's boards and management recognise that, despite the recent rally, security price performance has been disappointing so far in 2008. Whilst this is primarily a consequence of external factors beyond MAp's control, action has nonetheless been taken to address this security price underperformance.

Feedback from our active program of engagement with investors has highlighted a changed attitude towards acceptable levels of leverage. Boards and management are also seeking to address the gap between the current security price and the security value implied by directors' valuations, reaffirm the quality and sustainability of distributions and reinforce MAp's commitment to its traditional investment discipline.

A Portfolio and Capital Review has recently been completed and today MAp announces a comprehensive package of measures.

- **TICKETS:** Existing surplus cash is to be applied to a partial redemption and defeasance of MAp's hybrid capital instrument, TICKETS. Whilst there is no early redemption provision in the TICKETS terms and conditions, we are launching a withdrawal offer of up to A\$250m to effect partial redemption. This will be followed by a defeasance of the remaining balance. This involves the purchase of a portfolio of securities sufficient to fund interest and principal repayments, ensuring that TICKETS will be fully repaid by 1 January 2010 and removes the risk of dilution from a potential conversion of TICKETS. The withdrawal offer establishes a liquidity facility for TICKETS holders who have an immediate cash requirement.
- **Buyback of MAp Securities:** MAp intends to seek security holder approval at an EGM for a buyback of MAp securities up to a total value of A\$1bn. The gap between the current security price and the value implied by directors' valuations makes investment in our own securities an extremely attractive option, but one which could not be explored until TICKETS had been dealt with. It is unlikely that any of the current and proposed major privatisations would offer the same implied return as a buyback of MAp securities. The intention to buyback MAp securities also reinforces MAp's acquisition discipline and enhances distribution sustainability.
- **Partial Divestments of Copenhagen and Brussels airports:** MAp intends to seek security holder approval at an EGM to divest a 26.9% interest in Copenhagen Airports and a 26.1% interest in Brussels Airport to Macquarie European Infrastructure Fund 3 for a combined consideration of approximately A\$1.5 billion. The divestments are proposed to occur at prices consistent with directors' valuations and at premia to acquisition prices of 49% for Copenhagen and 47% for Brussels. The structure of the transactions is such that MAp will jointly control and continue to have influence over and exposure to both airports. This action will validate the value of MAp's portfolio of airports. The proposed divestments remain subject to security holder approval and the result of an Independent Expert's Report.
- **Interest in ASUR:** MAp has taken an interest of 5.6% in B shares of ASUR and, separately, through a series of swap agreements, has economic exposure to changes in the price of ASUR shares equalling approximately

8.6% of B shares. ASUR owns and operates nine airports in south eastern Mexico, including Cancun, Mexico's 2nd largest airport. ASUR meets MAp's key investment criteria and represents an attractive growth opportunity offering returns above those currently available in the privatisation space. MAp already has an indirect interest in ASUR through its investment in Copenhagen Airports. Copenhagen Airports is a shareholder of ASUR's strategic partner. As noted in the separate ASX release lodged today, depending on prevailing industry, economic and market conditions and on ASUR's financial condition, business, operations, competitive position, prospects and share price, MAp may acquire additional shares in ASUR. MAp may also dispose of any or all of its shares. MAp may engage in communications with other shareholders of ASUR or its management and board of directors with respect to the business operations of ASUR and strategies for enhancing shareholder value.

## **Outlook**

MAp and its airports are in a strong operational and financial position. The boards and management of MAp consider the outlook for the rest of 2008 to be solid. Notwithstanding the near term impact of the external environment, a long term traffic growth forecast of 4%-5% is maintained with an intention to enhance revenue yields through commercial initiatives and deliver further increments to EBITDA via operational efficiencies.

## **Distributions**

MAp reaffirms regular distribution guidance of 27 cents per stapled security for the 12 months to 31 December 2008, subject to external shocks to the aviation industry or any material changes in forecast assumptions. This includes the interim distribution of 13 cents per stapled security for the 6 months to 30 June 2008, which was paid yesterday, 19 August 2008.

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<sup>1</sup> Earnings before interest, tax, depreciation and amortisation and before net specific gains

<sup>2</sup> Airport asset EBITDA growth based on current period ownership interests and foreign exchange rates

<sup>3</sup> As defined in the management information report

<sup>4</sup> Directors' valuation of MAp's beneficial airport investments less TICKETS and corporate net debt/(cash) including distribution payable

<sup>5</sup> Subject to external shocks to the aviation industry or material changes to forecast assumptions

<sup>6</sup> Subject to various approvals including a vote of MAp security holders at EGM, completion of the partial sale of MAp's interest in Copenhagen and Brussels airports which require MAp security holder approval, and implementation of the defeasance of TICKETS including release of security over certain of MAp's assets.

<sup>7</sup> Directors' valuation of MAp's beneficial airport investments