

Macquarie Airports Management Limited

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24 July 2009

ASX RELEASE



**MACQUARIE AIRPORTS RESET EXCHANGE SECURITIES TRUST
PROPOSAL TO INTERNALISE THE MANAGEMENT OF MAP**

Macquarie Airports (MAP) has reached agreement with Macquarie Capital to internalise the management of MAP (see attached).

This announcement does not impact upon Tradeable Interest Bearing Convertible to Equity Trust Securities (TICKETS) or the TICKETS Defeasance Trust. Macquarie Airports Management Limited (MAML), as Responsible Entity for Macquarie Airports Reset Exchange Trust (MAREST) remains the Manager and reiterates TICKETS will be redeemed as at 1 January 2010.

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24 July 2009

ASX RELEASE



**MACQUARIE AIRPORTS
PROPOSAL TO INTERNALISE MANAGEMENT**

Macquarie Airports (MAp) has reached agreement with Macquarie Capital (Macquarie) to internalise the management of MAp.

The agreement has been negotiated by Independent Board Committees of Macquarie Airports Management Limited (MAML) and Macquarie Airports Limited (MAL) on behalf of MAp security holders.

Mr Trevor Gerber, chairman of the Independent Board Committee of MAML, said, "We have examined a range of options to address the gap between the MAp security price and the value of MAp's airports and we have progressed a number of initiatives. We are confident that internalising management is an important further step towards reducing that gap and to growing value for all security holders. In particular an internally managed group has the potential to attract a wider range of investors. We have negotiated a transaction with Macquarie that is broadly neutral in terms of earnings per stapled security."

Kerrie Mather will continue as MAp's Chief Executive Officer and has been invited to join the board. The MAp management team (who are currently employees of Macquarie) will be offered employment with MAp and it is expected that most will transfer to MAp.

Kerrie Mather said, "MAp's management team remains enthusiastic about the business. As a result of actions taken over the last couple of years MAp is in a sound financial position. We have high quality airports with good growth prospects and a strong management team that is well placed to extract full value for security holders."

None of the entities noted in this document is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

MAp and Macquarie have entered into an Implementation Deed governing the internalisation, which is subject to approval by MAp security holders at a special general meeting.

MAp will implement the internalisation by acquiring all the issued capital of MAML, the responsible entity for the two Australian trusts which form two of the three entities in the MAp stapled structure, and ending the Macquarie Capital Funds (Europe) Limited Advisory Agreement with MAL, the third component of the MAp stapled security.

Macquarie will be issued 150 million new MAp stapled securities, at an issue price of A\$2.30 per security, being the 10 day VWAP to 23 July 2009. The securities issued to Macquarie have a value of A\$345m. The 150 million securities represent 8.1% of the expanded capital and will increase Macquarie's interest in MAp to approximately 27.3%.

The termination of Macquarie's management rights means no further management fees, base or performance, will be paid to Macquarie. Base management fees have averaged \$44.1 million per annum in the 6.5 years to 30 June 2009. Performance fees totalling \$255.5 million have been paid over that period. In addition after internalisation, MAp will earn fees of A\$1.6 million per annum which are currently paid to Macquarie. With the elimination of management fees partially offset by the additional cost of internal management (estimated at A\$11.5 million in the first year), the earnings of MAp are expected to increase sufficiently to broadly maintain initial earnings per stapled security on the increased capital following the issue to Macquarie.

MAp and Macquarie have also entered into a Transitional Services Agreement under which Macquarie has undertaken to provide support services to MAp for twelve months (including six months at no cost) to allow MAp to operate as a standalone entity as soon as practicable. Those support services include provision of premises, information technology support, tax and accounting services.

The Independent Board Committees have commissioned an Independent Expert, KPMG Corporate Finance, to assess the proposal. A copy of the Independent Expert's report will be included with the Notices of Meeting and Explanatory Memorandum. The Independent Directors unanimously recommend the internalisation of management as being in the best interests of security holders, subject to the Independent Expert concluding that the internalisation is fair and reasonable to MAp security holders.

MAp security holders will be asked to consider and approve the internalisation at a general meeting proposed to be held in early September 2009. As part of the internalisation, security holders will also be asked to approve a change of name.

MAp's existing directors will remain in place. In addition to the invitation extended to Kerrie Mather, Macquarie has been invited to nominate a director to the board of MAML. This director will stand for re-election by security holders at MAp's next Annual General Meeting.

The Independent Board Committees have been advised by Grant Samuel Corporate Finance and Allens Arthur Robinson.

MAp also takes this opportunity to reaffirm its intention to pay a total distribution of A\$0.21 per stapled security for 2009 (subject to external shocks to the aviation industry and material changes to forecast assumptions), A\$0.13 having already been declared as an interim distribution.

Investors and analysts are invited to participate in a conference call at 10.30am AEST on 24 July 2009 to be hosted by MAML Independent Board Committee Chairman Trevor Gerber and MAp CEO Kerrie Mather. Please dial the number below and quote "MAp":

- from within Australia 1800 157 000
- from outside Australia +61 2 8223 9380

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Annexure - Management Fees to Macquarie

Management fees payable to Macquarie will be eliminated as a result of internalisation. Base management fees are calculated as a percentage of “Net Investment Value” (average market capitalisation over the last 15 trading days of the quarter plus borrowings plus investment commitments less cash less MAp’s interest in BABL). Performance fees are 20% of any return over and above the MSCI World Transportation Infrastructure Accumulation Index after elimination of any prior period underperformance. Since listing in April 2002, MAp has paid base and performance fees to Macquarie totalling A\$546.7 million. The historical fees paid are shown below.

YE 31 Dec	2002 from listing	2003	2004	2005	2006	2007	2008	2009 6 months	Total
Base fee	4.3	13.8	28.9	54.3	57.7	75.4	42.0	14.8	291.2
Performance fee	-	0.8	217.4	37.3	-	-	-	-	255.5
Total fees	4.3	14.6	246.3	91.6	57.7	75.4	42.0	14.8	546.7

In addition, following internalisation MAp will receive fees of A\$1.6 million per annum which are currently paid to Macquarie.



MAp

PROPOSAL TO INTERNALISE MANAGEMENT

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





Disclaimer

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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.

United Kingdom

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United States

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



MACQUARIE



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



MACQUARIE



THE PROPOSAL

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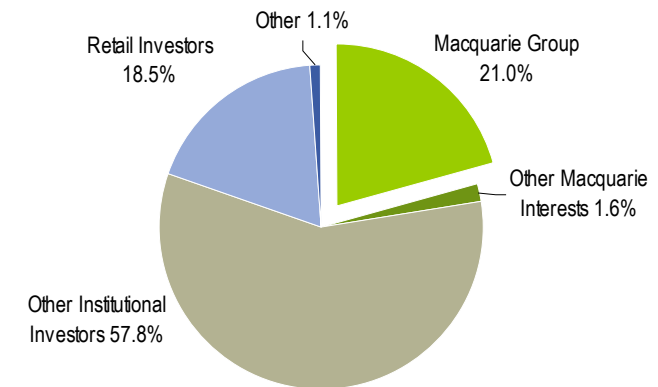


Internalisation of Management

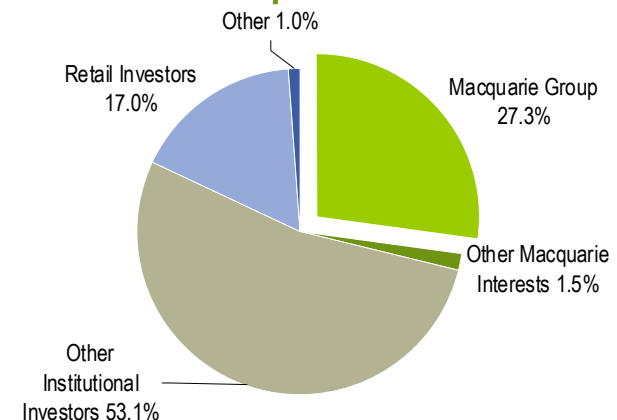
■ Key highlights

- 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 annum¹
 - Incremental costs of ~A\$11.5m per annum in the first year²

■ **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



MACQUARIE



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



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)

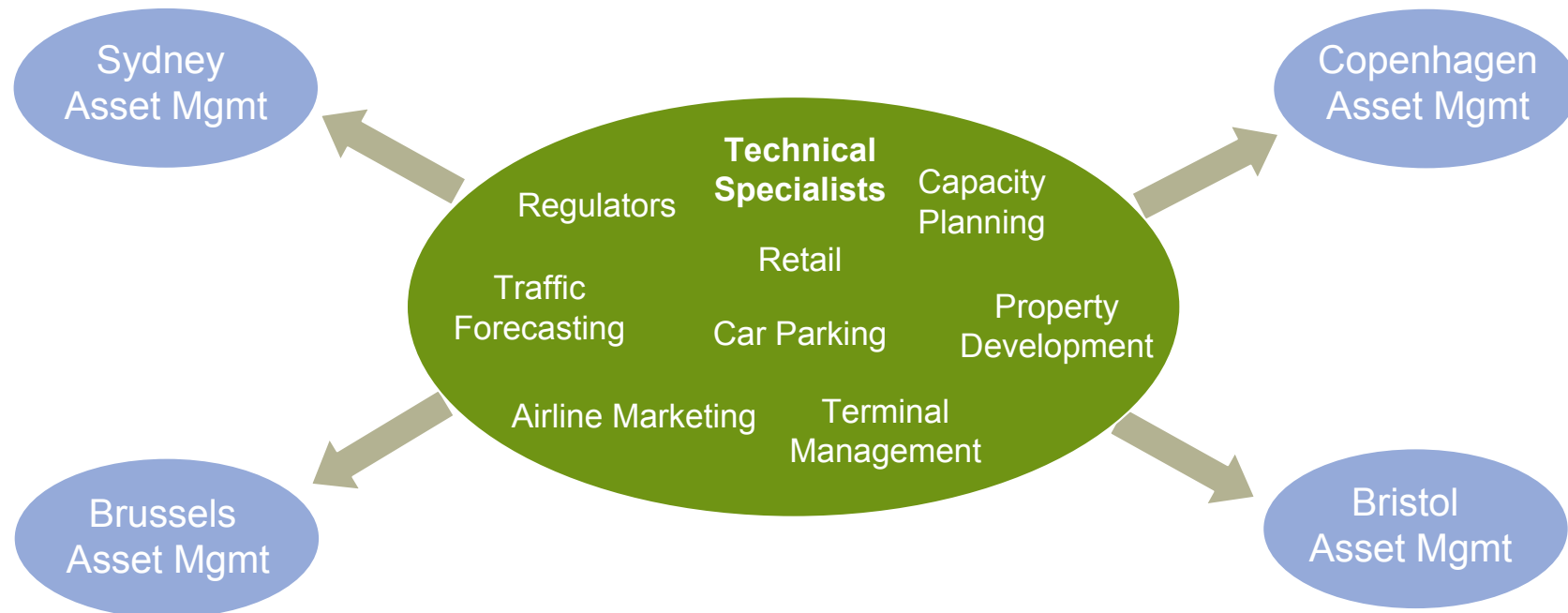
■ **Capitalising on long term aviation trends**

- 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

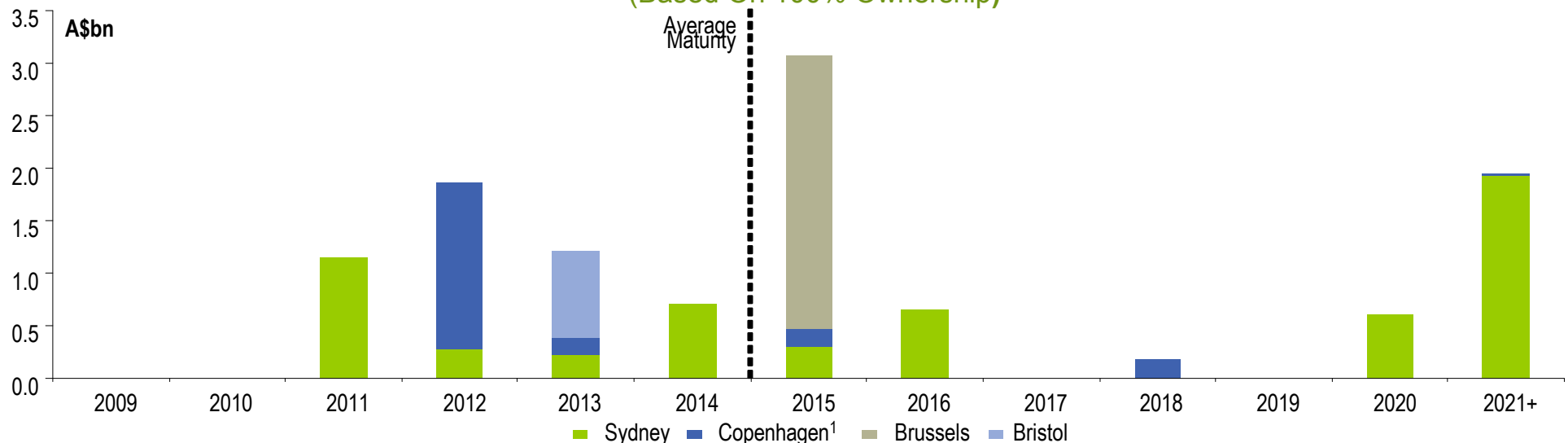
No Debt Maturities Until September 2011, Current Cash Reserves of >A\$700m

■ 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



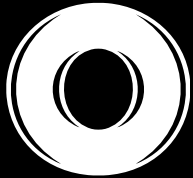
MACQUARIE



TRADING UPDATE

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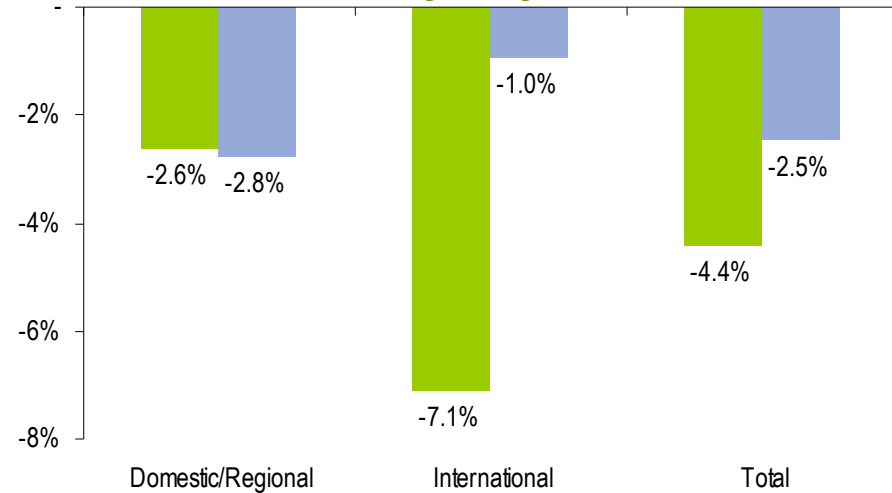


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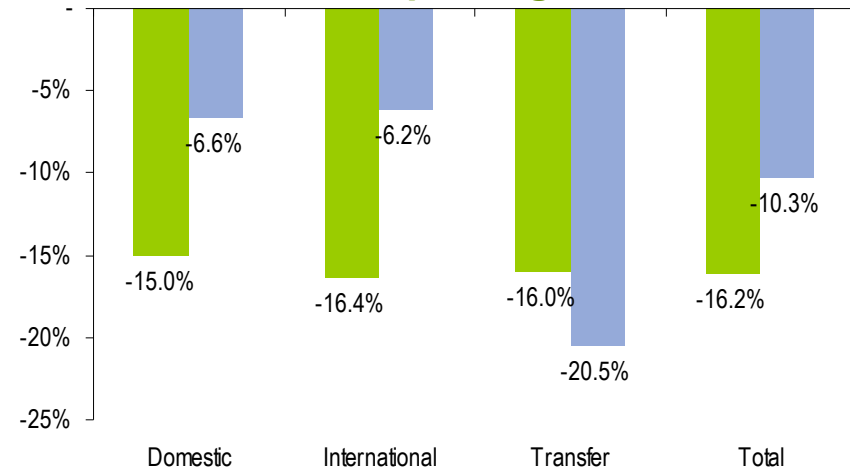
Latest Traffic Performance

Traffic Declines Moderating

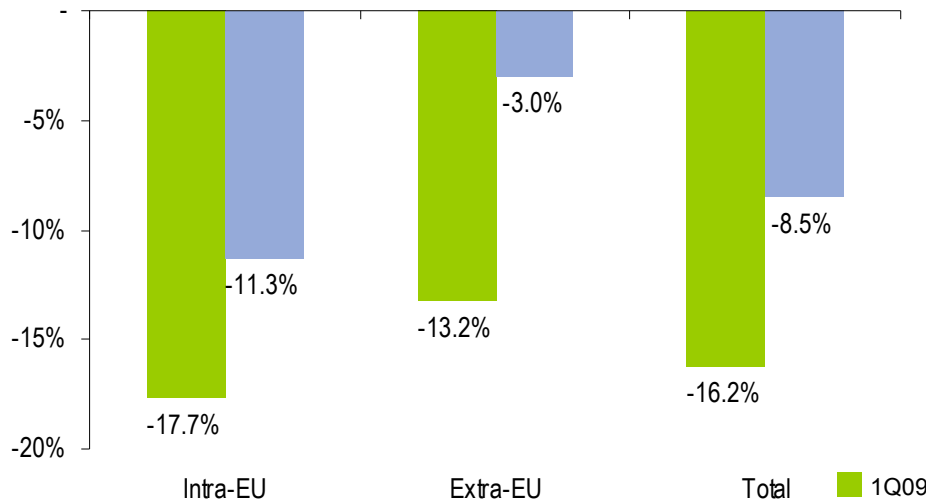
Sydney



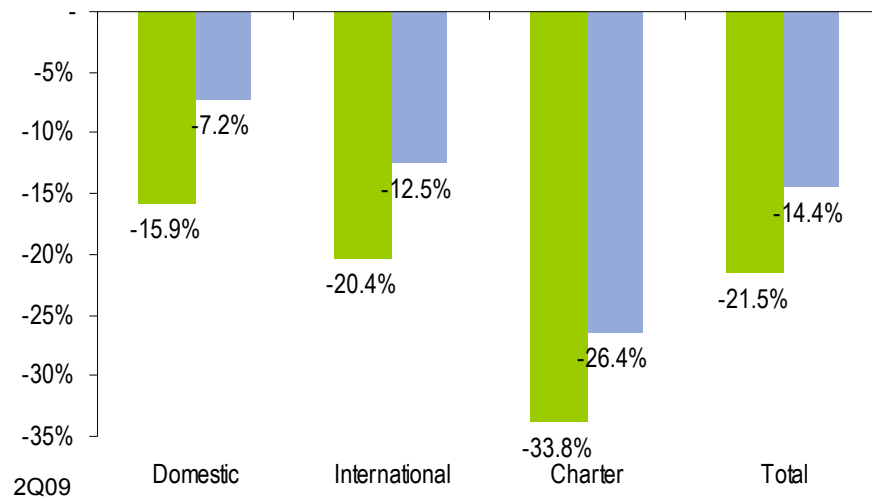
Copenhagen



Brussels



Bristol





Core Airport Performance

Significant Improvement in EBITDA Performance in 2Q09

vs pcp	% of MAp core portfolio	1Q09			2Q09 ¹		
		Traffic	Revenue	EBITDA ²	Traffic	Revenue	EBITDA ²
Sydney	64%	-4.4%	+1.9%	+2.2%	-2.5%	+1.8%	+1.7%
Copenhagen³	15%	-16.2%	-6.9%	-22.1%	-10.3%	n.a.	n.a.
Brussels	16%	-16.2%	-10.2%	-24.2%	-8.2%	-3.5%	-6.6%
Bristol	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 3rd & 4th 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



MACQUARIE



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
- Internal management will execute future strategy & direction, direct control over costs
- Potential to attract a broader range of investors
- 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

